



## Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim

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Please click [here](#) for full details on the criteria ICIS uses in making these price assessments.

### OVERVIEW

- **Low-cis prices spike on cost push**
- **High-cis discussions rangebound**
- **Demand weighed down by coronavirus worries**

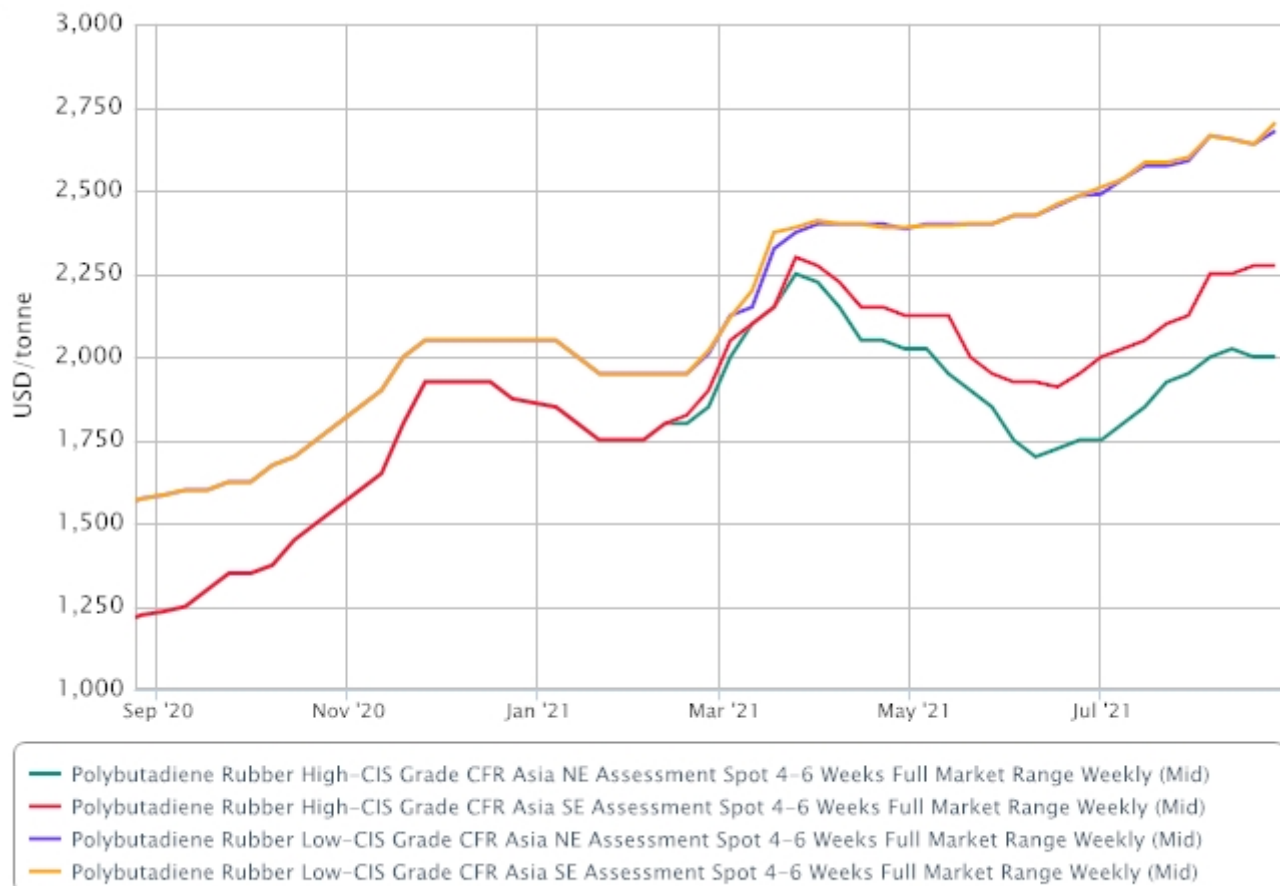
Asian spot prices for polybutadiene rubbers trended differently this week across grades – higher for low-cis grades, but unchanged for high-cis grade material.

Sellers hiked offers on low-cis grade material citing an upstream cost push. As the low-cis supply pool is intrinsically smaller, buyers with concrete requirements stepped up their bids to secure volumes.

As low-cis PBR is used in the high-impact polystyrene (HIPS) sector, the demand outlook is rosy because HIPS operations are usually seasonally higher in Q3.

For high-cis materials which is mainly used in the production of tyres, demand was [muted](#) in pandemic-hit southeast Asia.

Offtake is also slow in China on a seasonal lull. However, downstream production may pick up more pace once the hotter weather eases. Sentiment was also lifted after more Chinese ports, such as [Zhoushan](#), gradually re-opened from coronavirus-related closures.



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## OUTLOOK

- Low-cis may see support from limited supply pool
- High-cis demand dependent on auto sector
- End to COVID-19 lockdowns in SE Asia monitored

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>Polybutadiene Rubber Low-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	+30	2660.00-2700.00	+50	2550.00-2630.00	120.66-122.47
<b>CFR Asia SE</b>	USD/tonne	+60	2690.00-2720.00	+70	2570.00-2630.00	122.02-123.38
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	n/c	1950.00-2050.00	n/c	1900.00-2000.00	88.45-92.99
<b>CFR Asia SE</b>	USD/tonne	n/c	2250.00-2300.00	n/c	2100.00-2150.00	102.06-104.33

### Northeast Asia

**High-cis**

CFR northeast Asian prices for high-cis imports were rolled over on range-bound buy-sell pricing indications, amid subdued and limited trade discussions.

In China, however, domestic yuan-denominated prices for high-cis materials softened as a shortage of prompt supply eased after some domestic plants returned from maintenance.

**East China Domestic PBR Prices**

Price (CNY/tonne)	26 August	19 August
E China Ex-Warehouse	13,900-14,100	14,100-14,200

**Low-cis**

CFR northeast Asian prices for low-cis materials were up, tracking firmer buy-sell discussions.

The high end captures the lowest offer heard, while buying indications were heard capped at the low end.

**Southeast Asia****High-cis**

CFR southeast Asian prices for high-cis materials held steady on broadly unchanged buy-sell pricing indications.

Some cargoes were heard to have changed hands at levels near the high end of the published range, market sources said.

**SMR 20 Natural Rubber Reference Price (US cents/kg) FOB Malaysia**

Aug (1-26) 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
173.61	164.32	164.51	169.09	164.72	175.25	169.16	158.40

**Low-cis**

CFR southeast Asian prices for low-cis materials spiked, tracking bullish offers and deals heard.

A cargo was heard sold for September shipment which formed the low end, while the high end captures offers heard.

**India**

India-bound PBR shipment supplies were heard indicated and discussed at levels broadly similar to the prior week on a CFR India basis.

Buying indications were heard at or under \$2,300/tonne CFR India, while sellers' expectations were about \$50-100/tonne higher.

## UPSTREAM

NE Asian butadiene prices [rose](#) on prompt demand in Japan, but the demand outlook further out is hazy on regional uncertainties.

The chart below shows the spread between butadiene (BD) and PBR.

### [Downstream spread – butadiene NE Asia and PBR SE Asia](#)



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## PRODUCTION

Average operating rates at China's PBR plants rose to 72% in the week ended 20 August, compared to 68% in the week prior.

Although the major 70,000 tonne/year Sinopec Qilu plant is still [shut](#) for turnarounds until H2 September, domestic supply has been offset after the 60,000 tonne/year Hipro New Material Technology plant in Shandong [resumed](#) normal operations around mid-August.

## ANALYTICS

### ICIS Butadiene Outlook

Enduring US BD market tightness is likely to support bullish sentiment at least until the end of 2021. This year's production is estimated to hit between 1.3m and 1.4m tonnes, down from 2020 levels, with underlying demand

remaining robust. Given that the market remains unbalanced, some BD cargos are expected to arrive to support US needs, especially from Asia.

The European BD industry is projected to be characterised by good domestic demand and tight supply over the next few weeks. The unexpected production woes that hit a few BD-integrated crackers in late July might persist, at least through early August. Against this backdrop, production constraints should limit BD trade from Europe to the US. Nevertheless, BD availability is set to reach about 585,000 tonnes in Q3, up from 560,000 tonnes in Q2 but down from 595,000 tonnes in Q1.

In Asia, BD market fundamentals are forecast to become bearish in the short term, primarily on the back of growing supply from new BD plants. As a result, Asia is likely to be an unattractive export outlet for European producers for the rest of 2021.

By **Paolo Scafetta**, ICIS senior olefin analyst, [paolo.scafetta@icis.com](mailto:paolo.scafetta@icis.com)

### **ICIS Downstream Automotive Demand Outlook**

It has been about a year-and-a-half since the world was plunged into the coronavirus crisis. But the last year has been the most puzzling in terms of outlook for global automotive industry stakeholders. The level of uncertainty has been unprecedented, challenging both decision-making and risk management. The global automotive industry was one of the first and hardest hit by the pandemic and has yet to make a full recovery. According to Oxford Economics, the global selling rate of light vehicles stood at 82.4m units/year in June, 9% short of its pre-pandemic selling rate in Q4 2019. Supply shocks continue to impact production, with a global shortage of microchips leading to cuts in auto output. Hopes for a speedy resolution are still distant. One potential hiccup to the supply of chips could be water! This is because their manufacture is extremely water intensive and Taiwan - which is home to TSMC, the world's largest chip foundry, and has a global market share of 56% of all foundries - is in the middle of its worst drought in 50 years. As a result, TSMC is sourcing requirements via additional water trucks. The Taiwan Institute of Economic Research estimates that water reduction in industrial parks is currently around 15%, which is below the 20% level that factories can tolerate.

The North America auto industry remains in a weak spot with very little chance of a meaningful recovery this year. In July, US light vehicle sales fell to 14.8m from 15.4m units in June, down 4.1%, and total vehicle sales were down 13.4% from 2019 levels. Inventories remain at an all-time low. In June, inventories totalled 168,700 units, the lowest since 1993. In the same month, the auto inventory/sales ratio stood at 0.804, its tenth straight monthly drop. Supply chain issues continue to haunt the industry, and chip supply has yet to catch up with demand. US automotive associations have asked for the CHIPS for America Act under the National Defense Authorization Act (NDAA) to be invoked. If successful, Congress must fully fund the research and manufacturing, along with tax credits.

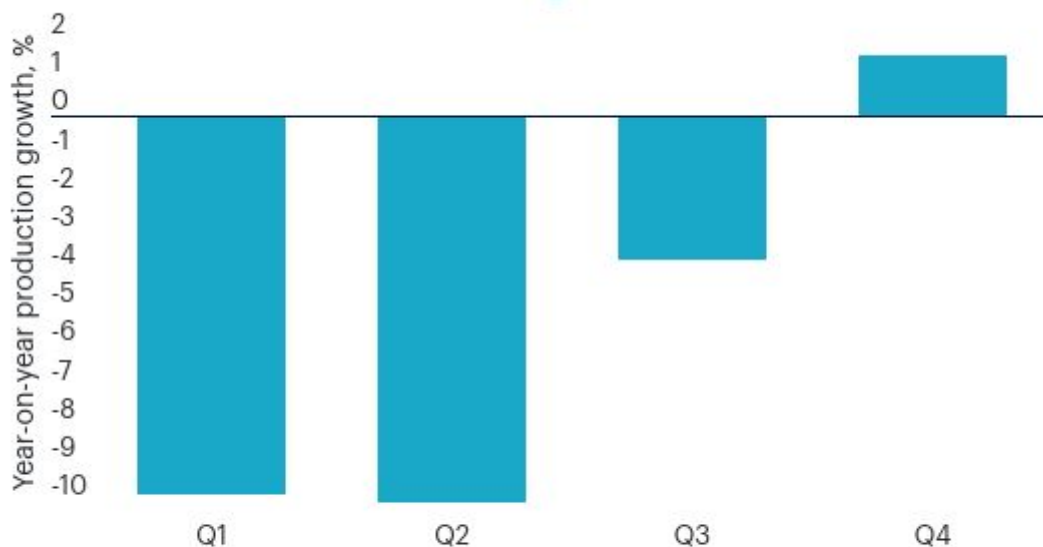
According to the European Automobile Manufacturers' Association (ACEA), in the first half of 2021, EU passenger car registrations increased by 25.2% to 5.4m units. However, the figure was still 1.5m units below pre-COVID levels in the half of 2019. Commercial vehicles sales were up 36.9% year on year during the period, with demand primarily driven by central Europe. According to Oxford Economics, EU (including the UK) motor vehicle production for the full year is forecast to decrease 15% in 2021 from 2019, but the registration of electric vehicles will continue to increase.

Asia was the first region to be impacted by the semiconductor shortage. According to the China Association of Automobile Manufacturers (CAAM), the country produced and sold 1.863m and 1.864m automobiles in July, down 4.1% and 7.5% month on month and 15.5% and 11.9% year on year respectively. Compared with the same period in 2019, production and sales increased by 3.2% and 2.7% year on year respectively. Japan should see a severe near-term disruption, but South Korea will benefit from domestic chipmakers Samsung and SK Hynix

which have both increased production. Electric vehicle production in Asia should ramp up sharply in 2021 as China, in particular, pushes for greater environmental measures. The Delta variant will be closely monitored, as further outbreaks could cut short any recovery.

By **Jincy Varghese**, ICIS demand analyst ([jincy.varghese@icis.com](mailto:jincy.varghese@icis.com))

### Global motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics



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