



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
26-May-2022

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

OVERVIEW

- **Offers stable in wider Asia**
- **China exports may slow down with domestic gains**
- **Players wait and see**

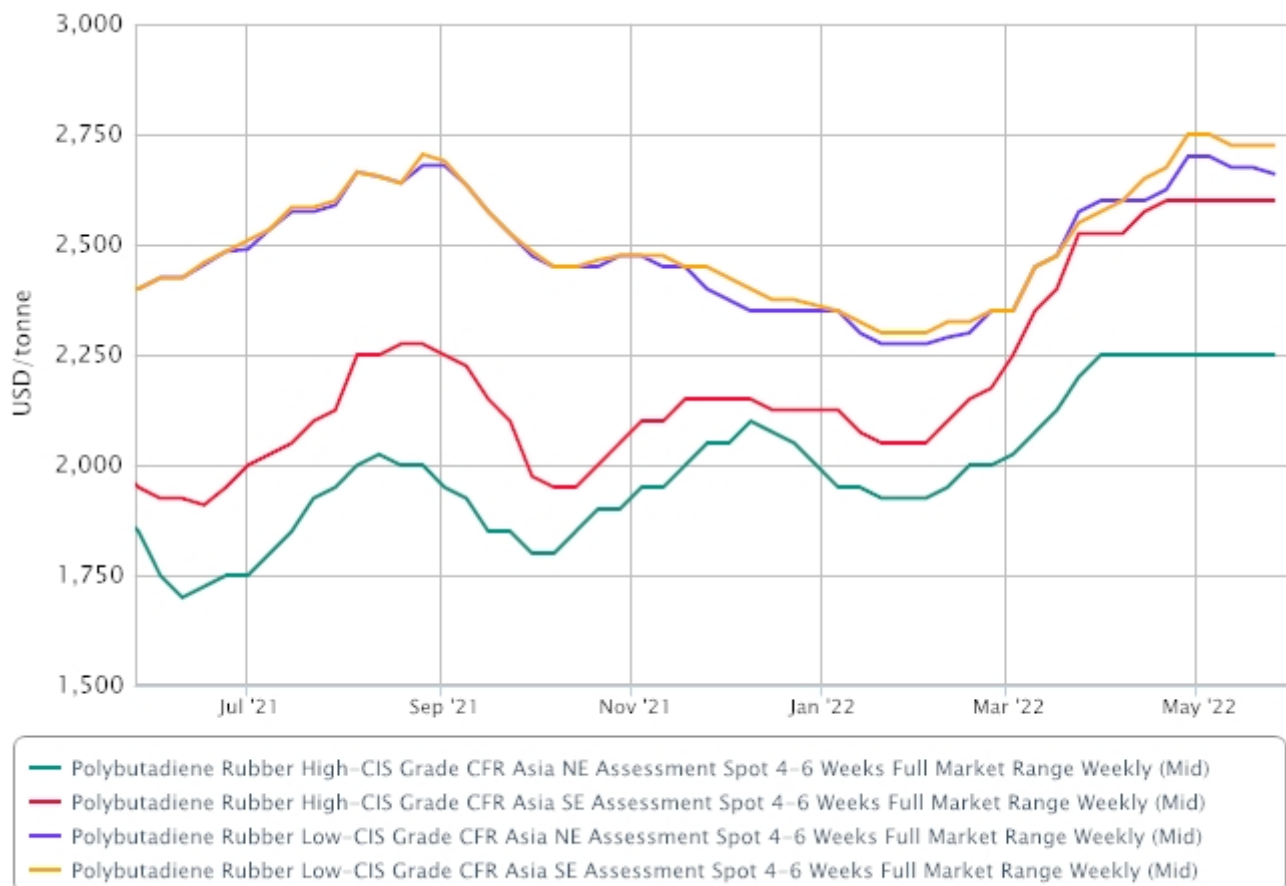
Asia's spot prices for polybutadiene rubber (PBR) were mostly stable amid thin trades.

Demand was generally subdued across Asia, as global auto operations continue to be undermined by issues like a shortage of computer chips. Most end-users said that they will calibrate their procurement pace to avoid undue inventory build-up.

For cargoes from suppliers in wider Asia, offers were supported on supply constraints. Most regional suppliers were already mostly sold out, between fulfilling regular contractual sales, and requirements from supply-starved Europe.

The pace of [China exports](#) seemed to have also slowed down this week, market sources said. Some China sellers have pulled back on export offers, after prices in the domestic China market spiked recently.

Some are also holding back to wait and see how soon domestic consumption will recover if anticipations of China lifting pandemic lockdowns in June materialises.



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OUTLOOK

- Snug supply in wider Asia to persist
- Availability in China may tighten with upcoming maintenance
- Demand to depend on auto sector growth

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2600.00-2720.00	-30	2650.00-2750.00	117.93-123.38
CFR Asia SE	USD/tonne	n/c	2700.00-2750.00	n/c	2700.00-2800.00	122.47-124.74
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2200.00-2300.00	n/c	2200.00-2300.00	99.79-104.33
CFR Asia SE	USD/tonne	n/c	2500.00-2700.00	n/c	2550.00-2650.00	113.40-122.47

Northeast Asia

High-cis

CFR NE Asian assessments for high-cis PBR grade were kept unchanged amid muted discussions.

In China, a weak yuan currency against the US dollar dampened buying interest for US dollar denominated imports.

Domestic PBR prices in China rose, tracking increased in the upstream butadiene market.

Price (CNY/tonne)	26 May	19 May
E China Ex-Warehouse	14,100-14,300	13,700-13,800

Low-cis

CFR northeast Asian prices for low-cis materials were stable-to-soft, with the high-end dropped to capture the full spectrum of buying indications for cargoes from diverse suppliers.

Southeast Asia**High-cis**

CFR southeast Asian prices for high-cis materials held steady, tracking stable indications for cargoes from diverse origins.

Discussions for China-origin materials were at the lower end of the range, while the high end reflects selling indications for cargoes from other regional suppliers. But spot trade liquidity for the latter were curbed, as spot availabilities in wider Asia were scant to begin with, market players said.

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

May (1-26) 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
161.88	171.15	175.18	179.84	178.12

Low-cis

CFR southeast Asian prices for low-cis materials were stable on range-bound buy-sell indications.

India

Discussions for India-bound shipments of high-cis PBR remain split between cargoes from different origins.

Materials from suppliers in wider Asia were heard indicated in the \$2,600-2,700/tonne CFR India range, broadly unchanged from week prior.

But substantive discussions were scant, in part because spot availabilities were limited to begin with.

China-origin cargoes were heard still available at substantially lower levels, such as \$2,200-2,400/tonne CFR India. Although no concrete transactions transpired this week for such materials, market players said that this invariably diluted local end-users' buying interest for higher-priced cargoes from other regional suppliers.

UPSTREAM

Asia's spot import offers for butadiene (BD) were [bullish](#), supported by perceived buying interest in Korea, where persistently weak cracker margins have triggered fresh concerns about the likelihood of additional operating rate cuts at upstream crackers. But spot trade liquidity for BD is still crimped by a wide buy-sell gap.

The chart below shows the spread between butadiene and PBR.

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



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PRODUCTION

In China, average operating rates for PBR rose to 74% for the week ended 20 May, up from 70% in the week prior, market sources said.

But with the 100,000 tonnes/year unit by Zhejiang Transfer shut from 25 May for a three-week-long maintenance, local supplies are expected to tighten anew.

In wider Asia, spot availabilities are also curbed by several [ongoing](#) and [upcoming](#) maintenance, in addition to an existing [outage](#) which may stretch for the rest of the year, market source said.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry is still struggling to make up for pandemic-induced losses. The global light vehicle selling rate fell to 75m units/year in March, with a Q1 2022 average of 79m units/year, as supply issues continued to cap sales growth (Oxford Economics). Material shortages continue to hit the industry. The semiconductor

industry is already running at full capacity but is still unable to meet demand. Typical lead times for key materials are between six and eight months. Car manufacturers are bracing for the impact. Toyota reported net income of yen (¥) 2.8tr for FY2022 (an increase of 27%), despite logistics issues. However, its guidance for FY2023 is for net income of ¥2.3tr (down 21% year on year) because the company expects material costs to more than double this year.

According to the US Census Bureau, US light vehicle sales increased by 6.6% month on month in March with total sales of 14.3m (still down 22% year on year). The finished inventory to sales ratio continues to be extremely low at 0.470. The ratio was 1.564 and 3.140 respectively in March 2021 and 2020.

The European Automobile Manufacturers' Association (ACEA) reported a 21% fall year on year in passenger car registrations in March, an historic low. Major European economies posted double-digit sales contractions: Spain (-30%), Italy (-30%), France (-20%) and Germany (-18%). Commercial vehicle registration was down 25% month on month in January, and inventories were alarmingly low. Another direct impact of the conflict in Ukraine is limited supply of neon gas, which is used in making microchips. Ukraine is one of the leading producers of neon gas. The UK's Society of Motor Manufacturers and Traders reported total registrations down 16%, with diesel cars down 52% year on year in April.

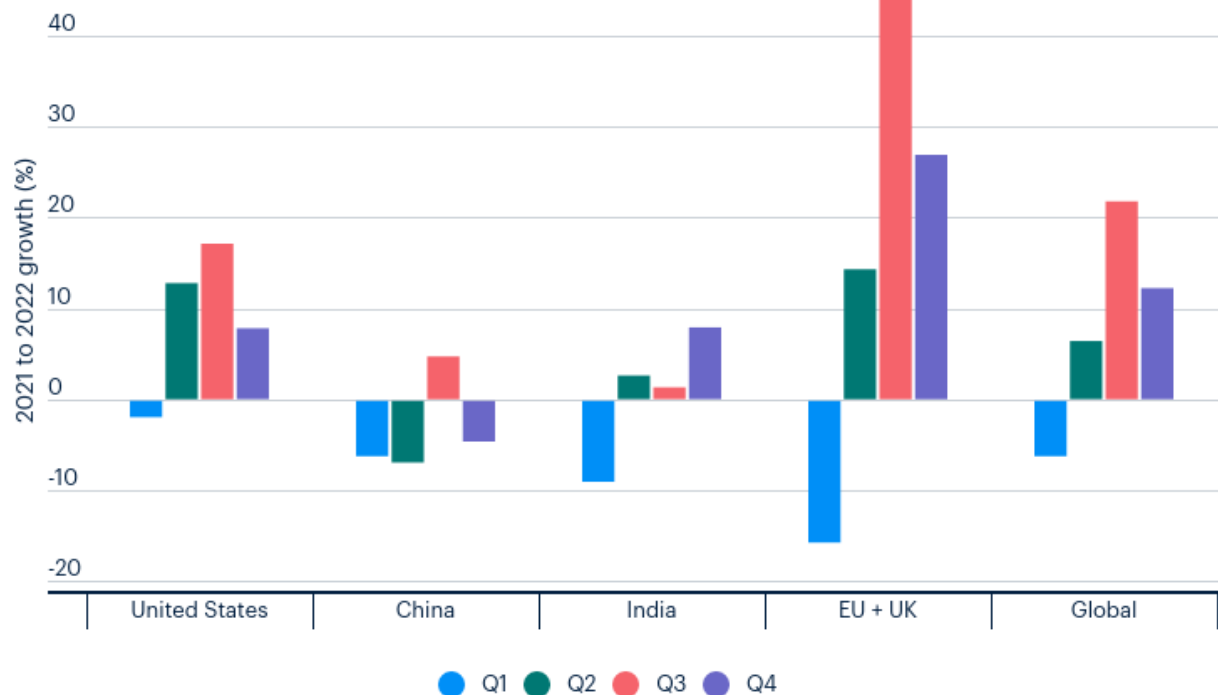
In China, auto sales and production steeply declined as a result of the strict coronavirus lockdowns. According to the China Association of Automobile Manufacturers (CAAM), car production was down 46% year on year in April 2022. A similar fall was reported month on month. The outlook for Chinese automotive remains bearish, mainly because of movement controls. Inventory is up thanks to weak sales. The China Automobile Dealers Association reported an inventory coefficient of 1.91, an increase of 9.1% month on month and a year-on-year increase of 22% (with levels above 1.5 considered a warning).

The Indian outlook continues to be bearish. The Federation of Automobile Dealers Associations of India said total vehicle sales increased by 37% in April year on year. However, compared with April 2019 (pre-pandemic), the sales are still down 6%.

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

Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

ICIS Downstream Demand Outlook - Domestic Appliances

The domestic appliances market had a great period from mid-2020 until late 2021. As a result, expectations for 2022 were already sombre. The sector was expected to cool down and return to a more normal rate. However, in March and April, the outlook was further dampened. A slowing real estate market, an erosion of real household incomes and a longer appliance replacement cycle are expected to hit sales in the short to medium term. This has been exacerbated by supply chain

problems and a continuous lack of microchips. The outlook for domestic appliances is bearish, given the level of inflation, as consumers are cutting back on discretionary spending. White goods are expected to become more expensive this year given the increase in prices of raw material such as plastics and steel. China is one of the leading exporters of household appliances, which are on hold because of the strict lockdowns. On the positive side, unseasonal hot weather is supporting demand for cooling appliances.

US household appliances is a mature market and a longer appliance replacement cycle is expected to hit sales in the short to medium term.

Like the US, Europe is a mature market and replacement demand is expected to slow down. Europe is also experiencing warm weather (above seasonal norms) that could support the cooling appliances market. Logistics woes continue.

With the real estate downturn in China, demand for domestic appliances is expected to be muted. However, the long-term outlook is quite positive, driven by megatrends such as urbanisation, an increasing middle class and digitalisation. Earlier expectations that India would outperform its global peers have been downgraded. However, there is substantial growth potential in southeast Asia because of its low market share.

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

Domestic Appliances sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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