Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
27-Jan-2022

Overview | Outlook | Prices | Upstream | Production | Analytics

Please click here for full details on the criteria ICIS uses in making these price assessments.

OVERVIEW

- **Holiday trade lull**
- **Buyers cautious**
- **But offers supported on spot supply constraints**

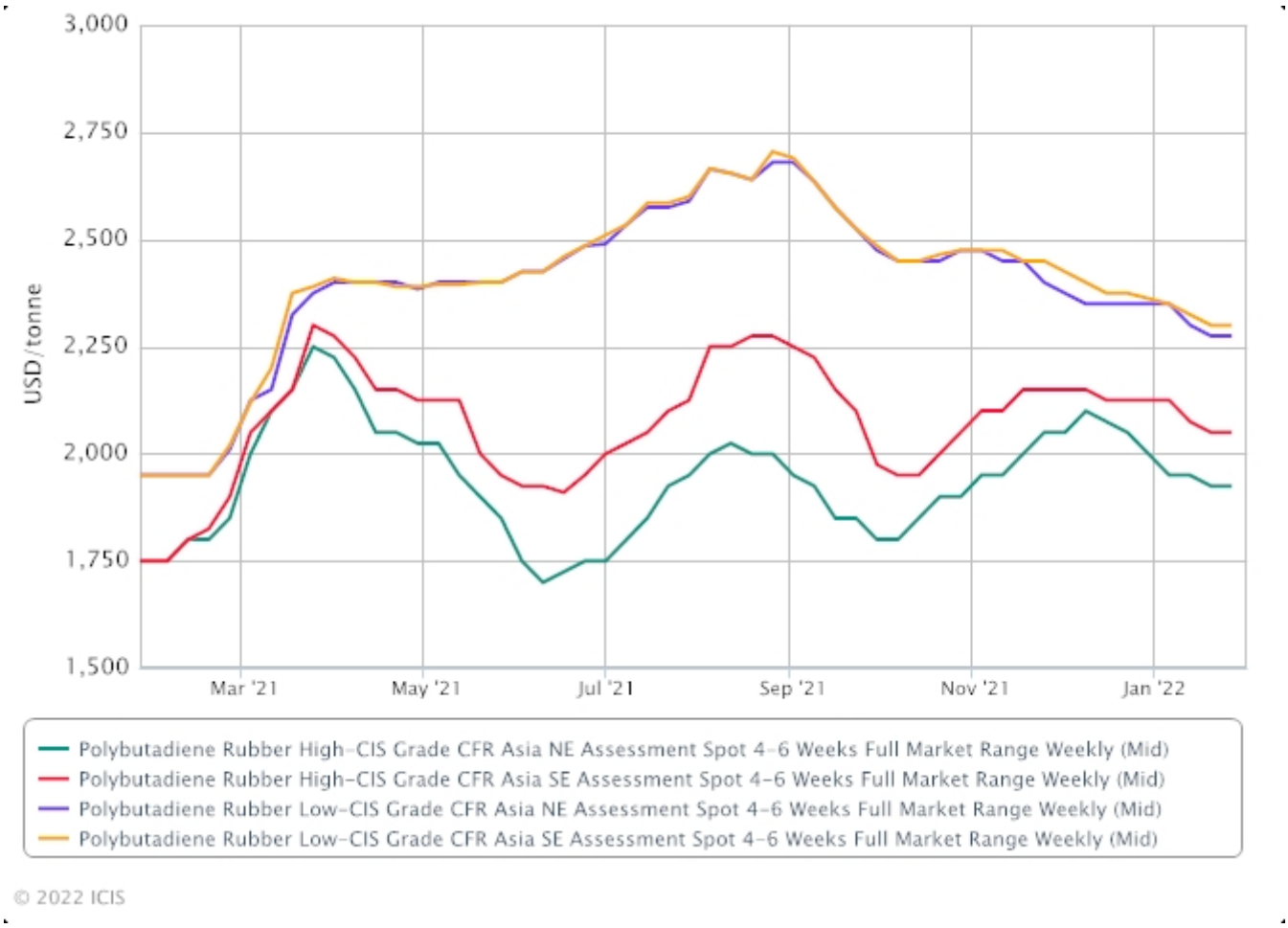
Asian spot prices for polybutadiene rubber (PBR) were flat across grades, reflecting muted discussions in a pre-holiday, thinly-traded week.

Liquidity was also capped due to divergent views between buyers and sellers.

Most sellers held firm to existing expectations, citing support from spot supply limitations stemming from intrinsically low inventories, as well as potential production constraints caused by shortage of catalysts and upcoming turnarounds.

But on the demand side, most buyers kept to a cautious procurement approach, citing uncertainty about Q1 outlook for the automotive sector, which is a major downstream application for high-cis PBR.

Resurgent COVID-19 worries in many regional outlets also dented demand sentiment with many end-users still doubtful if downstream operations will resume in full pace after the Lunar New Year holiday lull is over.



OUTLOOK

- **Snug supply situation likely to stretch**
- **Demand outlook hazy on dull economic forecast**
- **Post-holiday demand recovery may take time**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2250.00-2300.00	n/c	2300.00-2400.00	102.06-104.33
CFR Asia SE	USD/tonne	n/c	2250.00-2350.00	n/c	2350.00-2400.00	102.06-106.59
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1850.00-2000.00	n/c	2000.00-2100.00	83.91-90.72
CFR Asia SE	USD/tonne	n/c	2000.00-2100.00	n/c	2100.00-2150.00	90.72-95.25

Northeast Asia

High-cis

CFR northeast Asian assessments for high-cis materials were rolled over, in the absence of fresh pricing indications.

Most players in China were heard to have exited the market for the extended Lunar New Year holidays.

Domestic prices in east China were unchanged week-on-week, despite increases seen in the upstream butadiene (BD) market.

Price (CNY/tonne)	27 January	20 January
E China Ex-Warehouse	13,300-13,700	13,300-13,700

Low-cis

CFR northeast Asian prices for low-cis materials were also left unchanged, in a thinly-discussed, pre-holiday, market.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis materials were left unchanged, tracking range-bound offers and buying indications.

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

Jan (1-27) 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021
178.34	172.08	175.65	174.39	163.23	172.67	164.32	164.51

Low-cis

CFR southeast Asian assessments for low-cis materials were left unchanged, in a thinly-discussed, pre-holiday, trading week.

India

In India, trade liquidity was capped as end-users were cautious not to over-commit ahead of the financial year closure period in March.

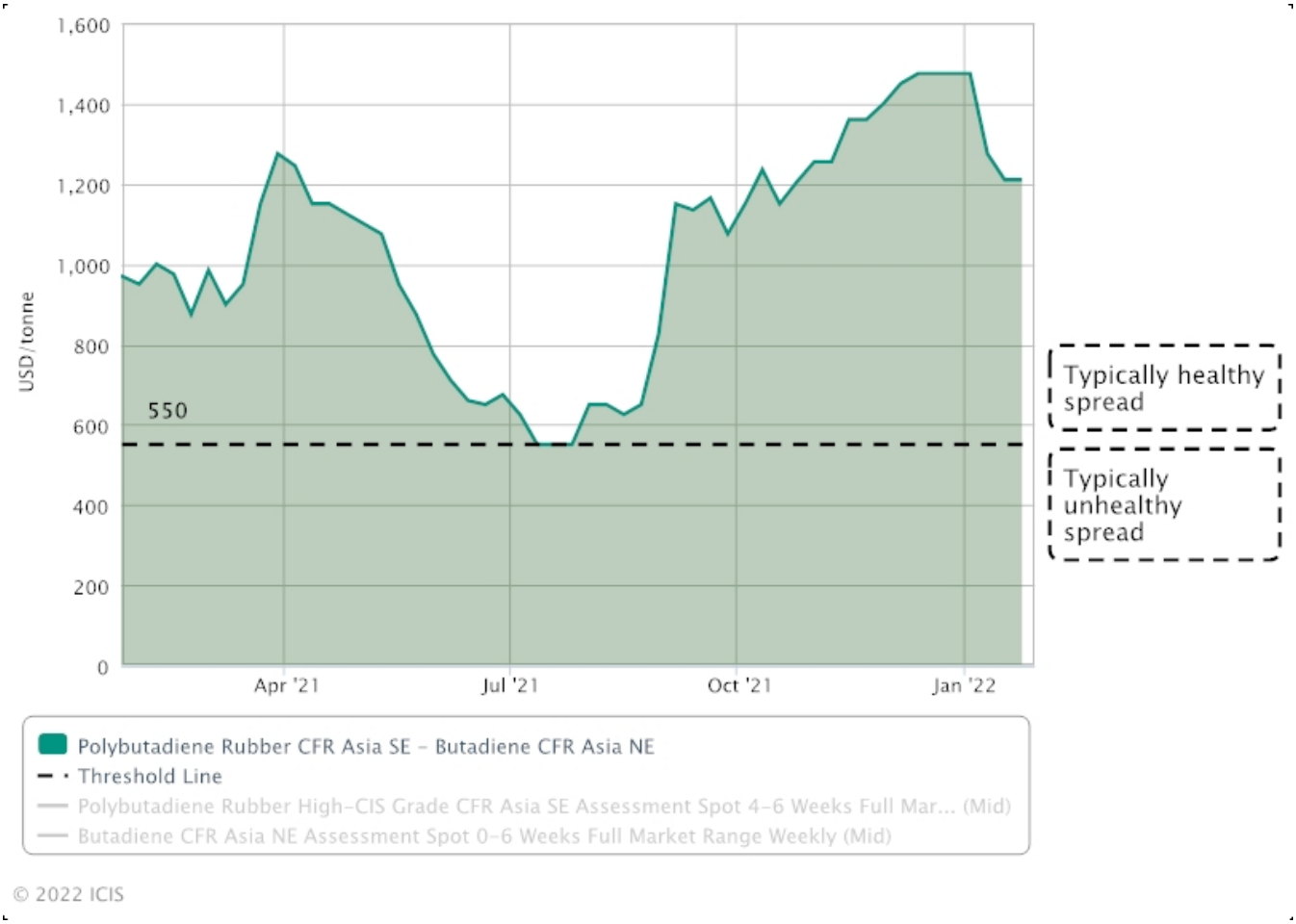
Asia-origin cargoes were heard indicated at or around $2,100/tonne CFR India, with buying indications heard capped at around $2,000/tonne CFR India, tracking offers heard on more competitively priced deep-sea origin materials.

UPSTREAM

Discussions for Asian BD import cargoes finished on a higher note for the week ended 21 January. Production issues in China kept the uptrend in the yuan-denominated domestic market well sustained.

The chart below shows the spread between BD and PBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

In China, average operating rates at PBR held steady at 83% for the week ended 21 January, several weeks in a roll, market sources said.

Elsewhere in Asia, most plants continue to operate at high rates, but supply may tighten once a regional plant maintenance gets underway in February.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

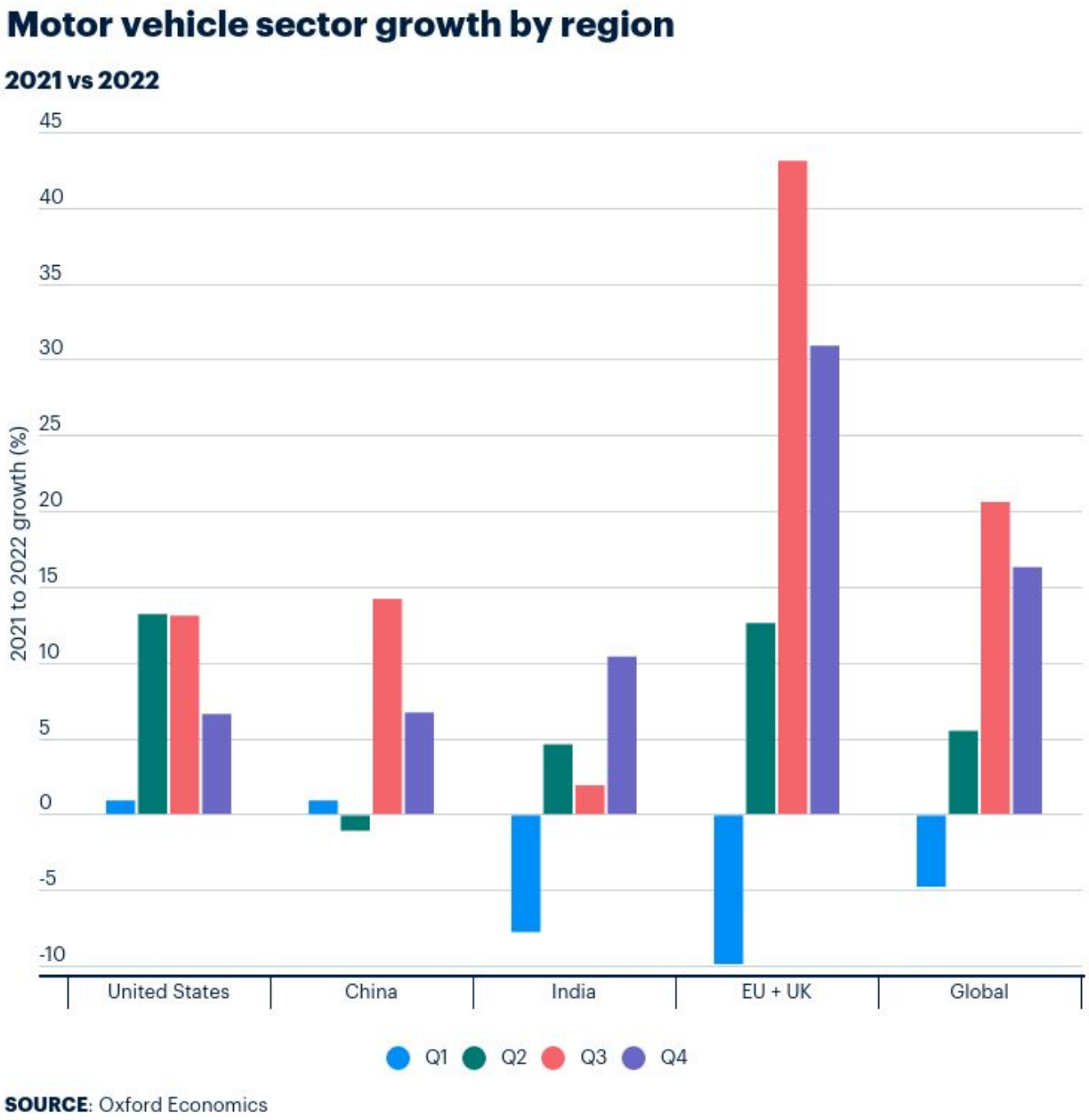
Global automotive output is expected to grow 8.8% in 2022 compared with 2021, although it will still be down 10% from 2019 levels. (Q1 2022 is expected to fall by 4.7% year on year). The global auto industry continues to suffer because of key material shortages and the impact of the pandemic. Chips and electric steel supply issues are likely to persist. Polyamide, a key input material, is anticipated to be in short supply as ammonia production is cut due to high energy costs. In addition, a disruption caused by a typhoon was reported at a Malaysian and Singapore MEG plant.

US automotive output is expected to grow 8.3% in 2022 compared with 2021, although it will be down 2% from 2019 levels. (Q1 2022 is expected to grow by 0.9% year on year). The inventory sales ratio was 0.242 in November 2021, the lowest on record.

EU automotive demand (including the UK) is outpacing supply. Inventories are at an all-time low. EU automotive output is expected to grow 17.0% in 2022 compared with 2021, although it will still be down 26% from 2019 levels. (Q1 2022 is expected to shrink 9.8% year on year). The chip shortage is likely to last well into 2022 and will result in weaker-than-expected vehicle sales and poor demand for key polymers used in the automotive industry.

A modest improvement in China's automotive industry is expected. Output is expected to grow 4.9% in 2022 compared with 2021 (Q1 2022 is forecast to grow by 0.9% compared with Q1 2021). However, pockets of coronavirus infections amid a 'zero COVID-19' approach will likely weigh on demand. Xi'an, the capital of Shaanxi Province, has been under lockdown since 22 December. However, it is worth noting that Shaanxi Province accounts for just 2.7% of the country's passenger cars. In terms of stock, the inventory coefficient was at 1.43 in December 2021, a year on year decrease of 20.6% (although it increased 5.9% month on month). Indian automotive output in 2022 is expected to grow 2.0% compared with 2021, although it will be down 4.6% from 2019 levels. (Q1 2022 is expected to shrink by 7.7% compared with Q1 2021). Despite a healthy order book, passenger vehicles continue be affected by the chip shortage and increased lead times.

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



Polybutadiene Rubber (Asia-Pacific) | 27-Jan-2022. ICIS accepts no liability for commercial decisions based on the content of this report. Unauthorised reproduction, onward transmission or copying of the Polybutadiene Rubber (Asia-Pacific) Report in either its electronic or hard copy format is illegal. Should you require a licence or an additional copy of the Polybutadiene Rubber (Asia-Pacific) Report, please contact ICIS at sales.uk@icis.com

ICIS, Quadrant House, The Quadrant, Sutton, Surrey, SM2 5AS. United Kingdom. ICIS accept no liability for commercial decisions based on the content of this report. Copyright violation is a serious offence. Any distribution or forwarding of information that is not expressly permitted by your subscription agreement is a copyright violation. ICIS uses software to monitor unauthorised electronic redistribution of reports.

© 2023 Reed Business Information Limited. ICIS is a member of RELX Group. www.icis.com

RELX™