Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
27-Jul-2023

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

OVERVIEW

- **Offers support on upstream strengths**
- **But downstream demand patchy**
- **Many still cautious to commit**

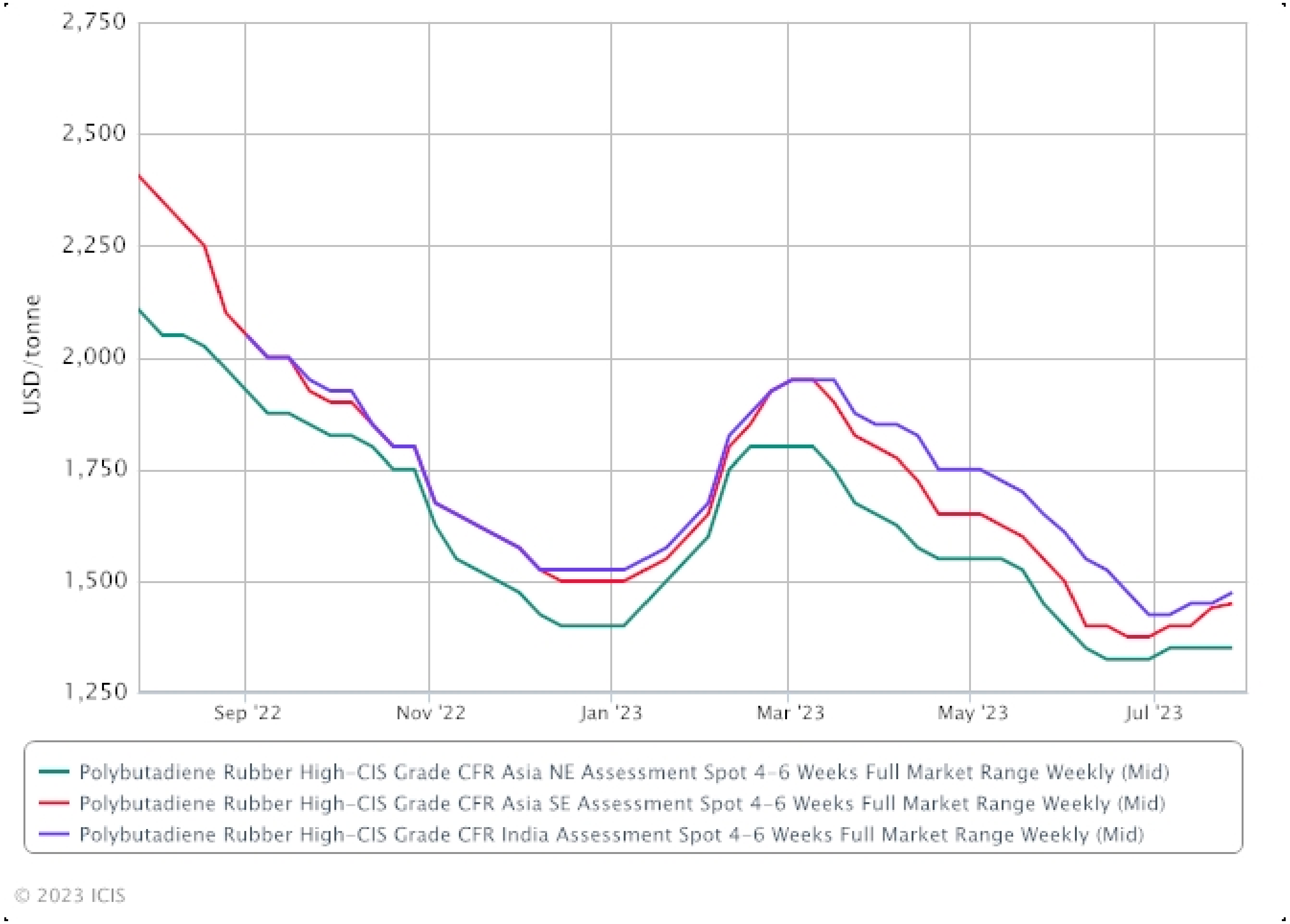
Sellers of Asian polybutadiene rubber (PBR) imports tapped on upstream strength to minimally maintain existing offers, if not chase higher targets to alleviate cost pressures.

But buyers' response was uneven. Some sellers received a healthy stream of enquiries from end-users who are looking to lock in prices before offers rose further, assuming recent increases in the feedstock butadiene market are sustained.

But others pulled back in resistance, citing affordability concerns as sales of their finished products are still languishing amid weak demand fundamentals in many related downstream markets.

That said, there was some pockets of optimism that the broader macro-economic well-being could improve in due course, following a more positive IMF estimate of the 2023 global GDP growth.

But because the situation in the key economic hub of China is still murky, market players said that majority of buyers will remain cautious in the near term, keeping procurement to a minimum and on a strictly need-to basis.



OUTLOOK

- **Macro-economic headwinds may prevail**
- **Upstream price movements to drive PBR offers**
- **Players await more clarity on upcoming PBR futures in China**

PRICES

SPOT PRICES

	Price Range	Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade			

CFR Asia NE	USD/tonne	n/c	1750.00-1900.00	n/c	1750.00-1970.00	79.38-86.18
CFR Asia SE	USD/tonne	n/c	1850.00-1950.00	n/c	1850.00-2000.00	83.91-88.45
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1300.00-1400.00	n/c	1300.00-1350.00	58.97-63.50
CFR Asia SE	USD/tonne	+20	1400.00-1500.00	n/c	1350.00-1400.00	63.50-68.04
CFR India	USD/tonne	+50	1450.00-1550.00	+50	1400.00-1450.00	65.77-70.31

Northeast Asia

High-cis

CFR NE Asian assessments were rolled on rangebound talks.

In China, import interest is paltry, with end-users there still focussed on the domestic pool.

Average domestic prices in east China were unchanged week-on-week, but transactions fluctuated in a wilder range this week, amid uncertainties about how the upcoming PBR futures, to be launched end-July in the Shanghai Exchange, could impact on the physical market.

Price (CNY/tonne)	This week’s close	Previous week’s close
E China Ex-Warehouse	10,600-10,900	10,700-10,800

Low-cis

CFR NE Asian assessments were unchanged on thin and muted discussions.

Southeast Asia

High-cis

CFR SE Asian assessments were stable-to-firm, with the low-end lifted to reflect firmer buying indications.

Offers were at the high-end and up for northeast Asia-origin materials, but market sources said that substantive discussions were thin, limited by the wide buy-sell gap.

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

Jul (1-27) 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
131.32	133.48	136.34	136.27	135.03	140.11	140.11

Low-cis

Assessments were kept unchanged in the absence of fresh buy-sell indications.

India

CFR Indian assessments rose, with offers for northeast Asia-origin materials at the high-end and up.

But local end-users held back, and buying indications were heard capped at the low-end. Operations at local downstream factories were hampered this week due to heavy rainfall, and this also dampened buying tempo and interest for imports, market players said.

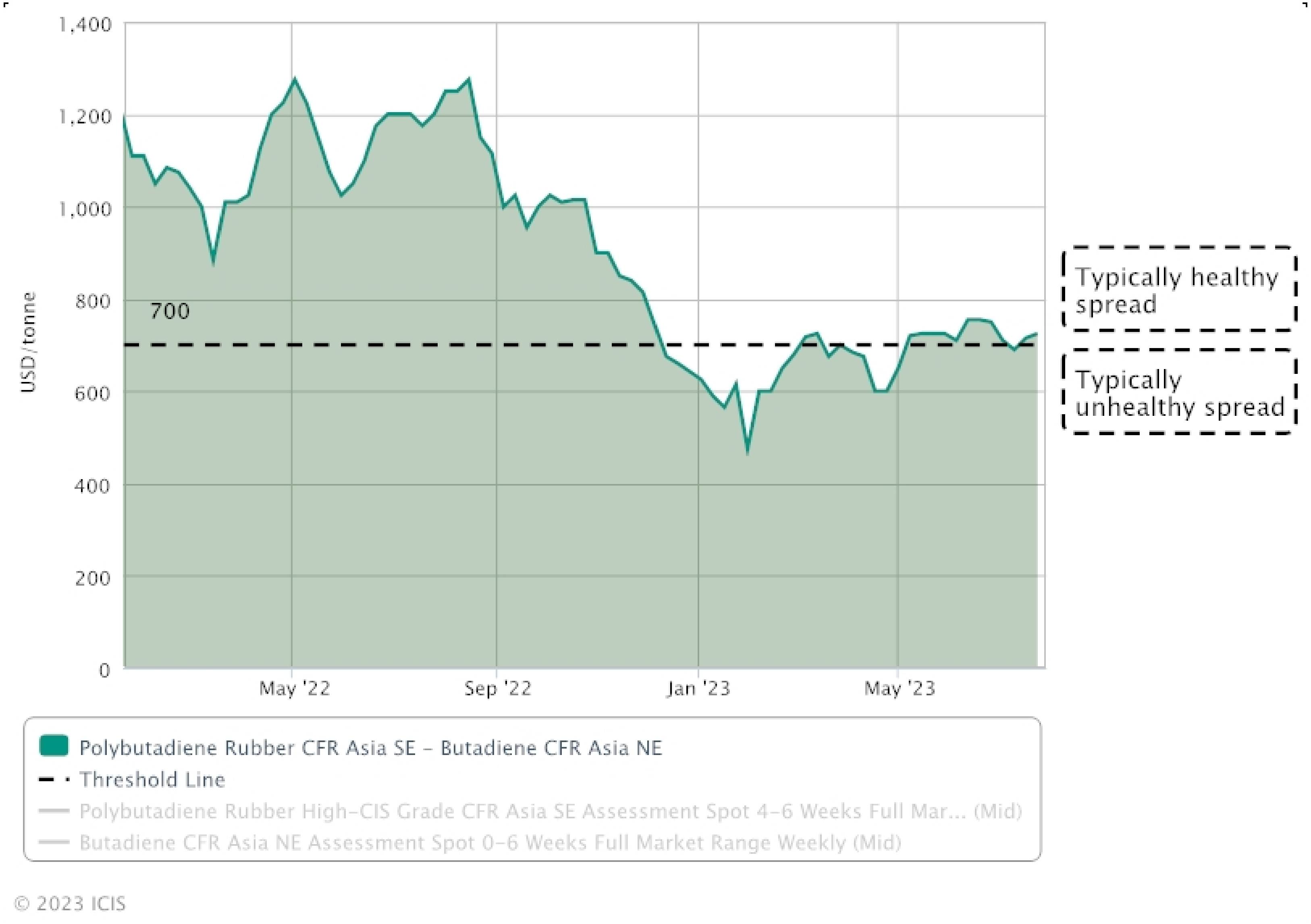
UPSTREAM

Butadiene

- China import talks supported by upbeat domestic market
- But weak demand in other parts of Asia
- Overall regional outlook muted

The chart below shows the spread between butadiene and PBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

Two PBR plants in Taiwan, with respective production capacity of 50,000 tonnes/year and 60,000 tonnes/year, are shut for maintenance in July.

ANALYTICS

ICIS Butadiene Outlook

Sluggish domestic demand for US butadiene (BD) is likely to persist into Q3. The US is expected to ship fewer cargoes to Asia over the coming weeks following the unplanned shutdown of the BASF Total BD unit in Port Arthur, Texas in early July. Replacement tyres, which is the largest end-user segment for BD, should register another drop in sales in June for a sixth consecutive month. Ongoing destocking and relatively higher priced tyres will continue to penalise the replacement sector. Consumers are likely postponing replacement purchases in late Q3 and/or early Q4 and spending money on other activities such as travelling.

The outlook for a BD demand recovery in Q3 is pessimistic. Given disappointing domestic demand, European players may have to look to Asia where they will face competition from the US. An unexpected outage at the BASF Total BD unit in Port Arthur, Texas in early July may limit shipments until August at least and open export opportunities for European producers, although limited, towards Asia. The arbitrage window between Europe and the US is forecast to remain technically closed for the rest of the year. To counteract poor requests, producers have reduced BD output by lowering BD extraction unit operating rates. With cracking operators expected to cut running rates amid stale demand, crude C4 availability will decrease as a result.

The Asian BD market is forecast to be well covered over the next weeks. The end of planned cracker maintenance and the possible arrival of deep-sea cargoes are expected to match underlying demand. The imminent start-up of Vietnam's Long Son Petrochemical steam cracking plant and its stand-alone BD unit will add pressure on production. According to ICIS analysts, the key CFR northeast Asia BD spread to benchmark CFR Japan naphtha is expected to stay close to the break-even point of $200/tonne for integrated producers for the rest of the year. BD extraction unit margins should remain relatively poor as a result. Based on the ICIS Supply and Demand Database, Sinopec, the world's largest BD producer, will have a capacity of 1.84m tonnes/year or 10% of global capacity by 2023, up from 1.74m tonnes/year in 2022. The second largest producer remains Petrochina with a capacity of 1m tonnes/year.

By **Paolo Scafetta**, ICIS senior olefins analyst, paolo.scafetta@icis.com