Independent Commodity Intelligence Services

Polybutadiene Rubber (Asia-Pacific)

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Overview | Outlook | Prices | Upstream | Production | Analytics

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

OVERVIEW

- **Producers reeling under cost pressures**
- **Buyers resistant**
- **Discussions hampered by buy-sell gap**

Spot import offers in the Asian polybutadiene rubber (PBR) market saw support from bullish upstream feedstock prices, but mounting downstream affordability concerns weighed on the buying tempo.

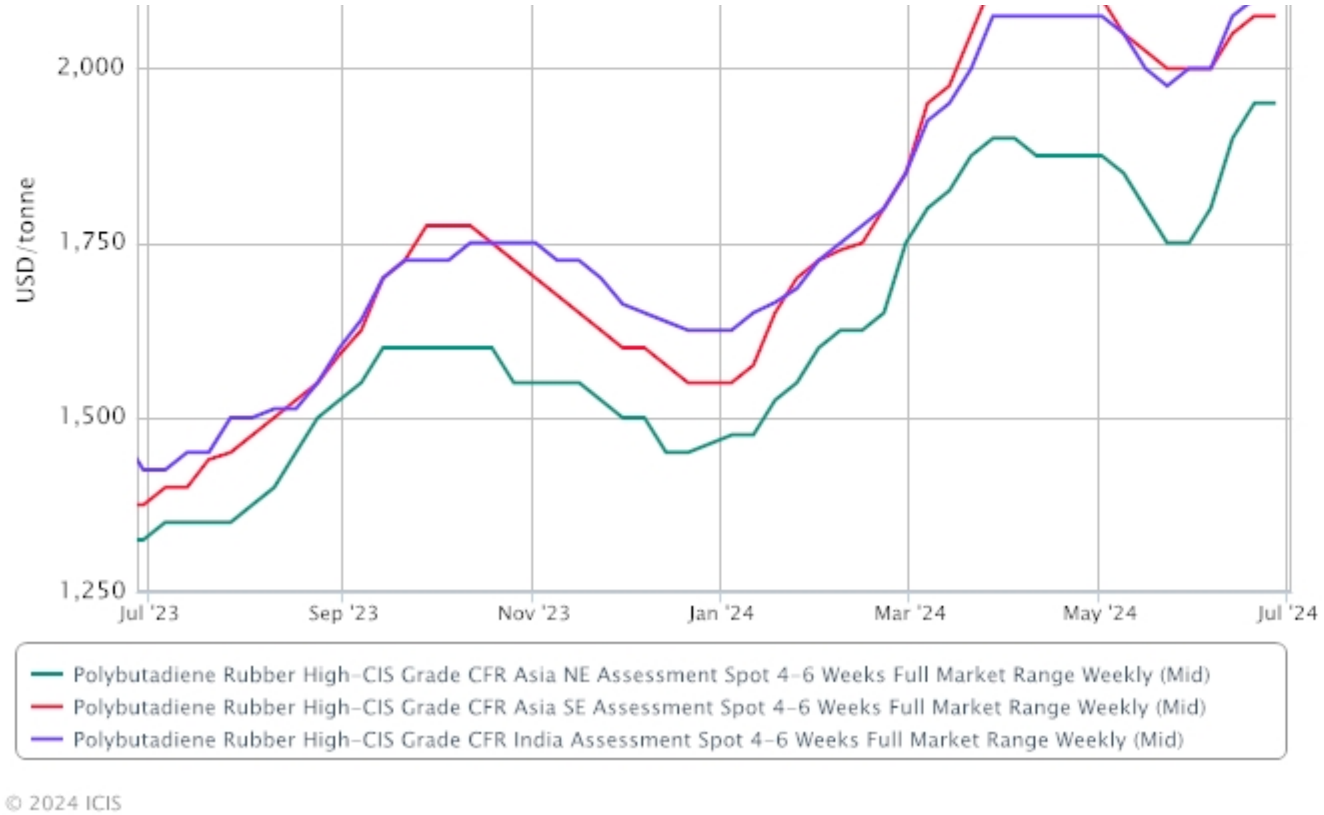
Feedstock butadiene (BD) prices rose with robust China export trades, and PBR makers said that they have few options but to chase higher targets, or minimally stand firm with current offers, in order to recoup costs and protect margins.

Besides stiff feedstock costs, PBR makers faced surging freight costs. Vessel space is also tight, adding to challenges in the arrangement of forward import shipment.

Buy-side response is mixed. On one hand, some end-users are stepping up enquiries on availabilities of more forward shipment, in attempts to secure more volumes before prices increase further with rising feedstock costs.

Despite this, actual spot transactions remained crimped, as majority buyers are still not prepared to pay more for cargoes, on concerns that they may not be able transfer the costs to downstream customers, especially if growth of sectors like China’s electric vehicles (EV) is hampered by a widening network of import tariffs against China-made EV imports.

If spot trade liquidity fails to pick up, and feedstock BD costs fail to ease, market players said that it was likely more PBR makers may consider op rate cuts to minimize undue inventory build-up and also to contain costs.



OUTLOOK

- **Upstream cost pressures may not ease so soon**
- **Producers do not rule out op rate cuts**
- **But if trade tensions escalate, demand may face downward pressure**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2300.00-2500.00	n/c	2200.00-2400.00	104.33-113.40
CFR Asia SE	USD/tonne	n/c	2400.00-2500.00	n/c	2300.00-2400.00	108.86-113.40
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1900.00-2000.00	n/c	1700.00-1800.00	86.18-90.72
CFR Asia SE	USD/tonne	n/c	2000.00-2150.00	n/c	1950.00-2050.00	90.72-97.52
CFR India	USD/tonne	n/c	2000.00-2200.00	n/c	1950.00-2050.00	90.72-99.79

Northeast Asia

High-cis

CFR NE Asian prices were unchanged on rangebound indications for cargoes headed to different destinations within the region.

Domestic China prices softened, weighed down by slower PBR futures trade, as well as lengthening supplies now that several bigger local units are returning.

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	14,900-15,100	15,100-15,300

Low-cis

CFR NE Asian assessments for low-cis PBR are stable, with offers heard at the high end, against buying indications at the low end.

Southeast Asia

High-cis

CFR SE Asia prices were unchanged, with offers heard at the high end and up, against buying indications capped at the low end.

As natural rubber prices have also started to taper of late, after a bull-run in H1 June, some market players said that this has also dampened buy-side sentiment for synthetic rubbers like PBR.

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

Jun (1-27) 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
176.41	170.03	162.99	165.36	156.66	154.20

Source: Malaysian Rubber Board

Low-cis

CFR SE Asian assessments held steady on rangebound offers and bids.

India

In India, spot import offers, on CFR India basis, were heard at the high-end and up, for July shipment of northeast Asia-origin materials.

Some buyers were keen to buy and restock but trades were hampered by wide buy-sell gap, as buying indications for northeast Asia origin materials remained weighed down by the availability of more competitively-priced non-Asia origin materials.

Overall demand is also expected to waver once the monsoon season sets in in the coming months, as downstream operations are typically slower then due to potential floods and rainy weather, market players said.

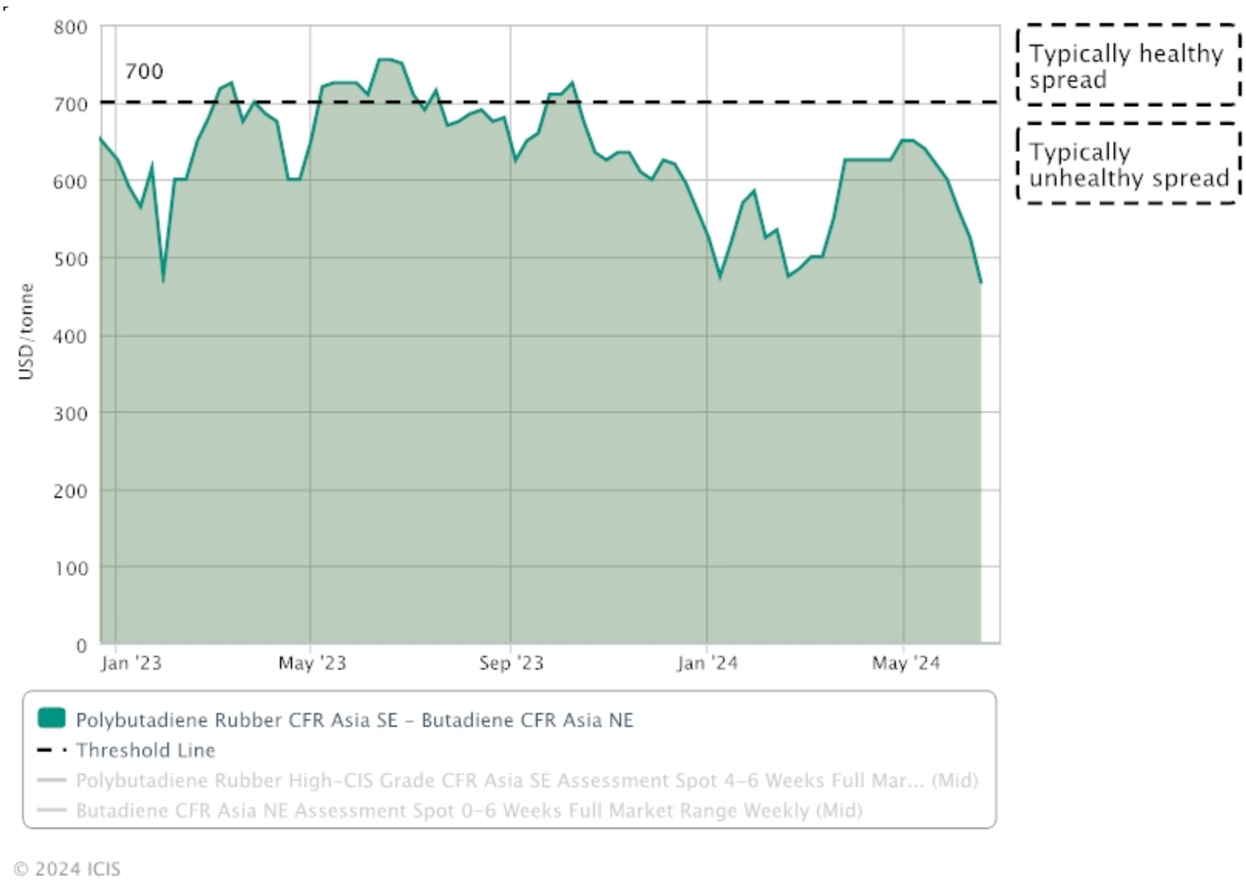
UPSTREAM

Butadiene

- Bullish discussions and trades for China exports
- Some short-covering activities still ongoing
- But additional spot availabilities, including deep-sea materials, surfaced

The chart below shows the spread between butadiene and PBR, which remains deep in the unhealthy zone.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

Japan's Zeon plans to discontinue its 65,000 tonnes/year PBR production at the Tokuyama site in 2028, according to the company's report published on 11 June.

In China, a 30,000 tonne/year unit in Urumqi is shut since mid May for maintenance and expected to restart in H1 July. A 50,000 tonne/year unit in Karamay is also shut for the same period for maintenance.

One 100,000 tonne/year unit in Shandong has restarted in June after a prolonged maintenance that commenced in February. Another 100,000 tonne/year unit in Dongying will also resume operations end-June following the completion of an over-two-month-long maintenance.

ANALYTICS

ICIS outlook for the downstream automotive sector

Protectionist trade policy and potential retaliatory measures would be key factors driving the automotive industry in the foreseeable future. Except Europe, other regions are expected to perform better than expected in the second half of 2024. Global automotive value-added output in 2024 is expected to grow 0.4% compared with 2023. Q3 2024 is forecast to remain relatively flat compared with Q3 2023, according to Oxford Economics.

US automotive in 2024 is expected to grow 6.4% compared with 2023. Q3 2024 is forecast to grow 2.6% compared with Q3 2023, according to Oxford Economics. US President Biden, in a statement released last month, directed his trade representative to increase tariffs on $18 billion of imports from China to protect American workers and businesses. Target industries include steel and aluminum, semiconductors, electric vehicles, batteries, critical minerals, solar cells, ship-to-shore cranes, and medical products. The tariff rate on electric vehicles under Section 301 will increase from 25% to 100% in 2024. According to the US Census Bureaus, US light vehicle sales rose 0.8% month on month in May with total sales of 15.9 million units (up 2.5% year on year and 8.9% down from 2019).

The European Commission, in its 12 June press release, provisionally concludes that battery electric vehicles (BEV) value chains in China benefit from unfair subsidies, hence pose a threat to EU BEV producers. This has resulted in provisional EU countervailing duties on Chinese imports. Discontent was expressed by stakeholders, such as German Association of the Automotive Industry (VDA), who said EU tariffs will increase the risk of a global trade conflict. Fears of a trade conflict grew after China launched an anti-dumping investigation into EU pork imports. The EU exports about 13% of its total pork production. Most of the EU's pork exports go to east Asia, in particular China, according to the European Commission. According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registration increased by 13.7% in April year on year. ACEA said Spain posted the largest increase at +23.1%, followed by Germany (+19.8%), France (+10.9%), and Italy (+7.7%). In 2024, the automotive sector in EU, including UK, is expected to contract 1.7% compared with 2023. Q3 2024 is forecast to grow by 1.2% compared with Q3 2023, according to Oxford Economics.

China's balance of risk leans towards the downside, posing a potential threat to its dominant share of the electric vehicle industry. China's automotive sector in 2024 is expected to grow 6% compared with 2023. Q3 2024 is forecast to grow by 4.2% compared with Q3 2023, according to Oxford Economics. India's automotive industry in 2024 is expected to grow 6.7% compared with 2023. Q3 2024 is forecast to grow by 2.2% compared with Q3 2023, according to Oxford Economics. According to an Indian Federation of Automobiles Dealers Association (FADA) survey, 42% of its' members believe growth is going to be flat in June and approximately 15% expect the industry to contract. FADA also said, "extreme heat and elections significantly impacted footfall, with showrooms seeing an 18% drop in walk-ins". Still, the continuity of government after recent elections adds to overall stability of the industry in terms of economic policies.

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