



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
27-May-2021

[Overview](#) | [Outlook](#) | [Prices](#) | [Upstream](#) | [Production](#) | [Analytics](#)

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

ICIS is currently consulting readers about the methodology used for this report. To respond, [click here](#).

OVERVIEW

- **High-cis prices extend losses**
- **Low-cis flat**
- **Sentiment muted**

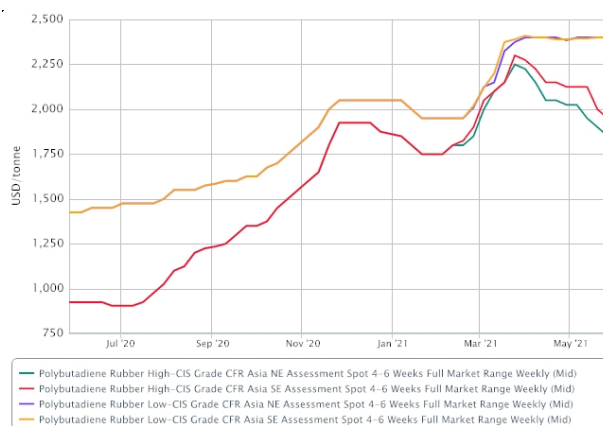
Asian spot prices for high-cis polybutadiene rubber (PBR) softened further amid lacklustre demand.

Downstream operations reliant on consumer spending, such as automobiles, have been undermined by the coronavirus situation which continues to fester in the region.

Off-take for high-cis PBR, which goes into the production of tyres for commercial vehicles, will invariably be dampened, players said.

In addition, high-cis PBR supplies are more plentiful, augmented by increases in PBR exports from [China](#).

In contrast, the spot market for low-cis PBR may continue to see better support from tighter availability and relatively steadier demand for white goods and household appliances.



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OUTLOOK

- [Coronavirus worries](#) to continue to weigh on demand
- Off-take rate may continue to diverge for high-cis and low-cis material
- Price gap between the two grades may widen further

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2350.00- 2450.00	n/c	2350.00-2420.00	106.59-111.13
CFR Asia SE	USD/tonne	n/c	2350.00- 2450.00	n/c	2350.00-2430.00	106.59-111.13
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	1800.00- 1900.00	-50	2000.00-2050.00	81.65-86.18
CFR Asia SE	USD/tonne	-50	1900.00- 2000.00	-50	2100.00-2150.00	86.18-90.72

Northeast Asia

High-cis

CFR northeast Asia prices for high-cis materials were assessed down, tracking lower offers and buying indications heard.

Domestic China prices edged up, however, with support from an uptick in natural rubber (NR) futures. Upstream butadiene (BD) increases also bolstered pricing sentiment for PBR in the domestic yuan-denominated market, sources said.

East China Domestic PBR Prices Ex-Warehouse (CNY/tonne)

27 May	20 May	12 May	06 May	29 Apr	22 Apr	15 Apr	8 Apr	1 Apr
11,900- 12,000	11,800- 11,900	12,200- 12,300	11,700- 12,050	11,500- 11,800	12,000- 12,200	12,700- 12,800	13,200- 13,400	13,300- 13,500

Low-cis

The CFR northeast Asia assessment for low-cis material was stable on unchanged market demand and supply fundamentals.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis material softened on lower deals and buying indications heard.

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

May 2021	(1-27) Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020
169.02	164.72	175.25	169.16	158.40	157.61

Low-cis

The CFR SE Asia assessment for low-cis PBR was flat on range-bound offers and deals.

India

Sentiment remains weighed down by lacklustre demand.

With car showrooms currently shut, domestic tyre makers have also scaled down operations, which in turn impacted on the off-take for raw materials including PBR.

Notional buying indications for PBR imports were heard lower to well below \$2,000/tonne CFR India, sources said.

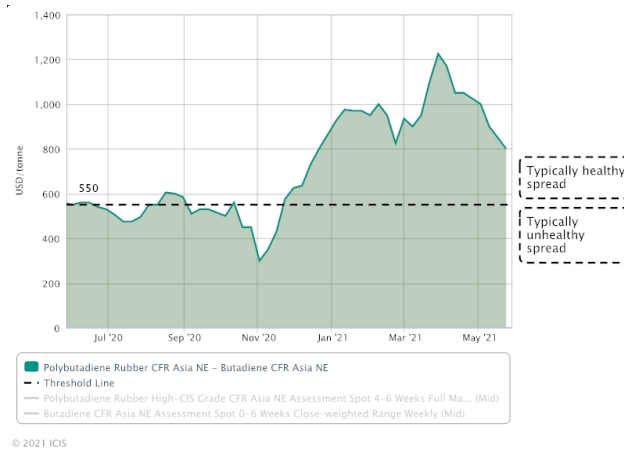
Regular regional suppliers have suspended import offers to India, saying they will divert volumes to other markets, until demand in India recovers.

UPSTREAM

Asian BD sentiment [firmed in China](#) on demand, but still trails behind the rest of Asia, where tight supply kept import offers firmly supported. [Uncertainties](#) abound on the regional demand-supply balance in the longer term.

The chart below shows the spread between BD and PBR.

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



PRODUCTION

In China, average operating rates at PBR plants slipped to 62% for the week ended 21 May, from 67% for the week prior.

This came as another 100,000 tonnes/year plant in Zhejiang [shut](#) for maintenance on 20 May. In total, 400,000 tonnes/year of China's production capacity for PBR is currently shut for unplanned repairs or scheduled maintenance.

ANALYTICS

ICIS Butadiene Outlook

US butadiene (BD) production reached about 270,000 tonnes in Q1 2021, based on the available data, down by about 12% on Q1 2020, as a consequence of polar storm-related shutdowns. Despite an increase in production to between 330,000 tonnes and 350,000 tonnes in Q2, tight market fundamentals are likely to persist. Another rise in output is forecast in Q3 2021 compared with Q2 2021, capping opportunities for exports from European producers.

The European BD market is set to be bullish for June amid healthy demand and constrained supply. Given the persistent effects stemming from February's deep freeze, the US market might continue attracting interest from several European producers during the next few weeks. In contrast, a bearish mood is expected for the BD industry for most of H2 2021 due primarily to the return of plants from seasonal maintenance combined with the start-up of new units in Asia.

Throughout H2 2021, South Korea will be adding new BD production capacity that is expected to increase from almost 1.3m tonnes/year to 1.6m tonnes/year this year and to about 1.9m tonnes/year in 2022, according to the ICIS Supply and Demand Database. Three new BD extraction units will be commissioned by Hyundai Chemical, LG Chem and Yeochun NCC in 2021. Another facility will be installed by Lotte-GS Chemical at Yeosu next year. South Korea, which is structurally short in BD, should see a gradual reduction in its shortfall and even halve it by 2025.

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

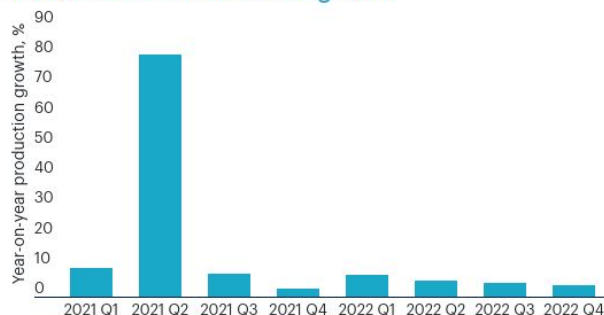
ICIS Downstream Automotive Demand Outlook

Global automotive demand has been strong due to pent-up demand during lockdowns, high savings and a pandemic-related movement away from public transport. The global light vehicle sales rate rose to 87.5m units/year in March, an improvement on 81.8m units/year in February 2021 (Oxford Economics). However, automotive production has lagged sales, resulting in a global drawdown of vehicle stocks. Production has been hit by several factors, including lockdowns, plant closures and supply chain issues. The main supply chain issue is a shortage of semiconductor chips, which has led to widely-reported production cuts. However, February's polar storm in the US, several force majeure in the polymer chain, the Suez Canal blockage, a shortage of polyurethane (PU) foam in the US and other issues, have exacerbated the supply problem.

In April, Chinese car sales were down by 10.8% month on month, with passenger cars and commercial vehicles down -9.1% and -15.9% respectively. This was partly because April is seasonally a weak month for car sales, unlike March, and therefore a month on month decline was expected. The China Association of Automobile Manufacturers (CAAM) is quite optimistic about prospects for the market. According to the Center for Automotive Research (CAR), by 2025 30.2m new cars will be sold in China, making it about ten times larger than the German car market. However, according to an ICIS estimate, passenger car sales are not expected to surpass 2017's peak of 24.6m units until 2027. As far new energy vehicles are concerned, China is ramping up its infrastructure to support the growth of electric cars. For example, car makers including NIO have announced the launch of a new energy supply plan "Power North," which will construct a charging and battery swapping infrastructure. Forecasts suggest there will be one power charging station every 100km on the expressway within the next three years.

By **Jincy Varghese**, ICIS demand analyst and **Rhian O'Connor**, ICIS senior analyst

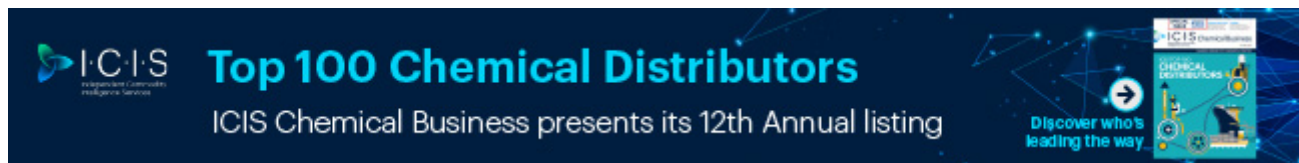
Global motor vehicle sector growth



Source: Oxford Economics



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