



Polybutadiene Rubber (Asia-Pacific)

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

OVERVIEW

- **Low-cis discussions firmer**
- **But high-cis rangebound for automotive sector trades**
- **Tight regional supplies**

Spot discussions for polybutadiene rubber (PBR) gained grounds for low-cis materials, but held steady for high-cis materials.

For low-cis materials, demand is supported by steady requirement from the high-impact polystyrene (HIPS) makers. HIPS has heavy applications in the home appliances sector, which typically sees good demand heading into Q3, market players said.

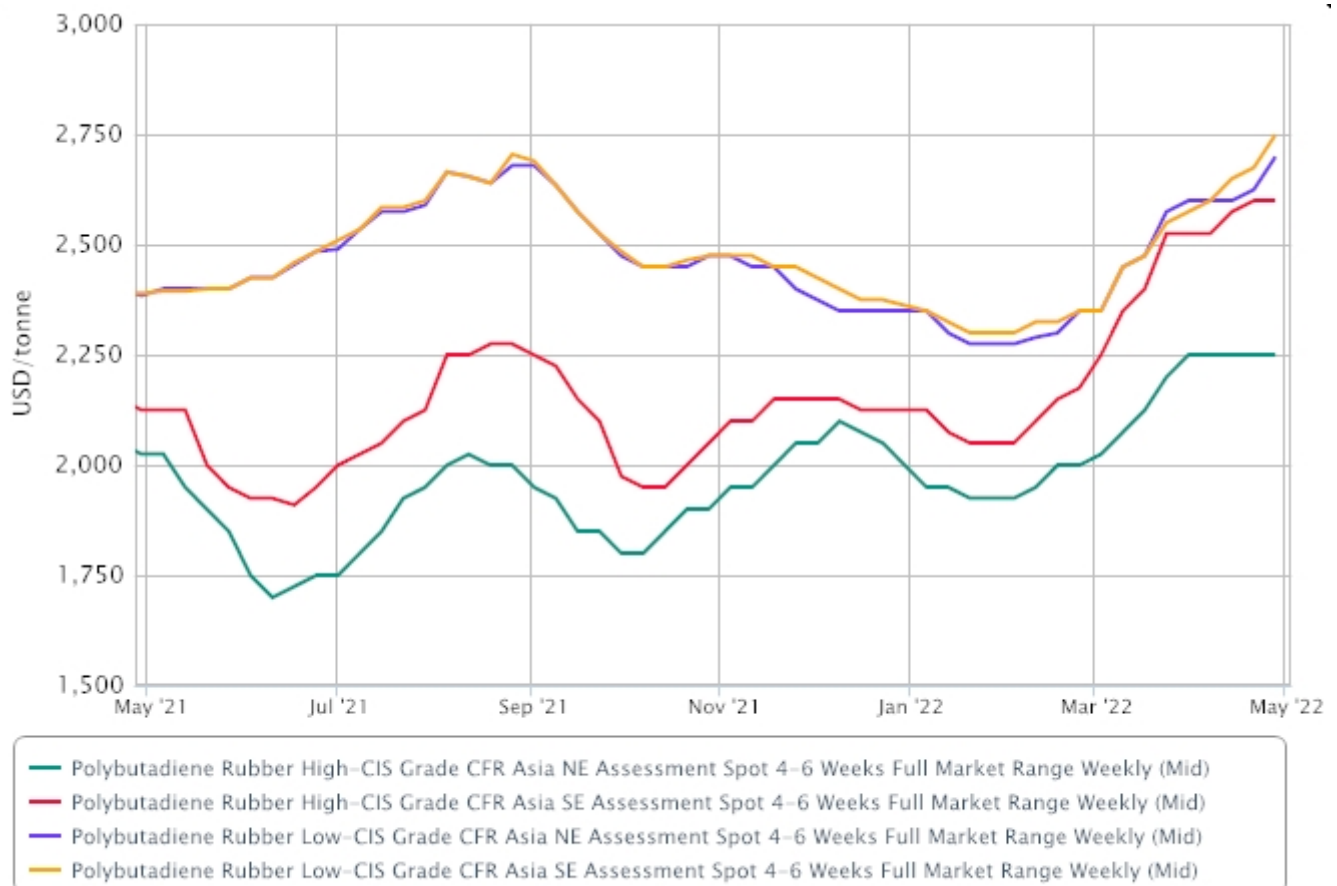
Low-cis supply is also on the snug side, with a major supplier just returning from scheduled maintenance and yet to rebuild stocks to healthier levels.

For high-cis materials, regional supply is tight amid an ongoing [plant outage](#).

Discussions for the limited high-cis spot availabilities were however mixed, and vary from application to application, as well as between diverse cargo origins.

For high-cis trades involving the automotive sector, which also typically consumes the majority share of high-cis supplies, market players said that liquidity is low, in part because automotive sector operations are slowing down alongside the protracted global shortage of computer chips.

Regional suppliers are turning as such to focus more on sales to other niche, and non-mainstream, applications, such as for the manufacturing of shoes and golf balls.



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OUTLOOK

- Spot supplies to stay crimped for the foreseeable future
- [Russia-Ukraine turmoil](#) to weigh down automotive sector growth
- High cis demand outlook murky

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	+50	2650.00-2750.00	+100	2550.00-2650.00	120.20-124.74
CFR Asia SE	USD/tonne	+50	2700.00-2800.00	+100	2500.00-2650.00	122.47-127.01
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	2550.00-2650.00	n/c	2450.00-2600.00	115.67-120.20

Northeast Asia

High-cis

CFR NE Asian assessments for high-cis PBR grade materials held steady amid thin, muted discussions.

Buying tempo for US dollar denominated imports was low in the major China outlet, in part because end-users there have access to more competitively priced supplies in the domestic market.

But even liquidity for domestic trades in China was thin, as downstream operations in the country were in limbo amid pandemic lockdowns in the country. Yuan-denominated prices for PBR extended losses as such..

Price (CNY/tonne)	28 April	21 April
E China Ex-Warehouse	13,500-13,700	13,900-14,200

Low-cis

CFR northeast Asian prices for low-cis materials were up with firmer discussions heard.

The low-end captures buying indications heard, while high end tracks offers.

Southeast Asia**High-cis**

CFR southeast Asian assessments for high-cis materials were also kept unchanged, taking into consideration range-bound discussions for cargoes from regular regional suppliers and for potential trades involving consumers from the more mainstream automotive sector.

But liquidity is low, in part due to limitations of spot availabilities. Most regular suppliers were already sold out on a spot basis, and even if they have any surplus volumes at hand, their preference was to engage buyers from other non-tyre applications, as these trades are typically concluded at a premium over those involving auto-sector customers.

Some cargoes from China were indicated at levels below the published range, but not taken into consideration for assessments given the market consensus view that these cargoes had limited outlets in the region and hence not reflective as yet of the wider mainstream market discussions.

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

Apr (1-28) 2022	Mar 2022	Feb 2022	Jan 2022
171.64	175.18	179.84	178.12

Low-cis

CFR southeast Asian prices for low-cis materials rose, with deals reflected at the high end. The low end is also lifted with firmer discussions heard for remaining availabilities.

India

Sentiment in India remained upbeat, buoyed by the reality that PBR availabilities are tight in the country.

Local end-users were heard anxious to secure cargoes and fill supply gaps created by disruption of deep-sea origin arrivals, particularly those from Russia, and sell-side elements said that the asking prices for materials from regular suppliers in northeast Asia, at \$2,600/tonne CFR India and up, received positive response.

But some other potential buyers continued to hold back, citing affordability concerns. They were heard also mulling cheaper alternatives from China, heard indicated at up to \$200/tonne lower, market sources said.

UPSTREAM

Sentiment for Asian butadiene (BD) import discussions is still mostly [dull](#), as buying tempo remains subdued. While some sellers moderated expectations to close deals, others held back to wait and see more, especially after domestic BD prices in the yuan-denominated China market recovered some lost ground this week.

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 rebounded to 78% for the week ended 22 April, compared to 70% in the week prior, market sources said.

Outside of China, spot supply remain tight, amid an unplanned [outage](#) in southeast Asia.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry is currently beset by an acute supply-demand imbalance. It is a situation of overlapping crisis for the industry as output is well below pre-pandemic levels - a trend seen in every region. Chips and electric steel supply issues are likely to persist. Polyamide, a key material, is expected to be in short supply because ammonia production has fallen because of high energy prices. Another factor that needs to be considered is the high probability of auto demand destruction due to household incomes. More are expected to spend conservatively and postpone major asset purchases. According to the Semiconductor Industry Association (SIA), global chip sales increased 32.4% year on year and 3.4% month on month in February, but this was still not enough to meet demand.

According to Failure Reporting, Evaluation and Display (FRED) data in the US, light vehicle sales were down 4.6% month on month and down 24.4% year on year in March - a ninth consecutive year on year decline - with a reduction of approximately 2m units. Inventory levels have been on a continuous decline since March 2021, and the inventory-to-sales ratio has fallen from 1.6 in March 2021 to 0.4 in March 2022. Supply-chain issues continue to haunt the industry. Chip supply has yet to catch up with demand.

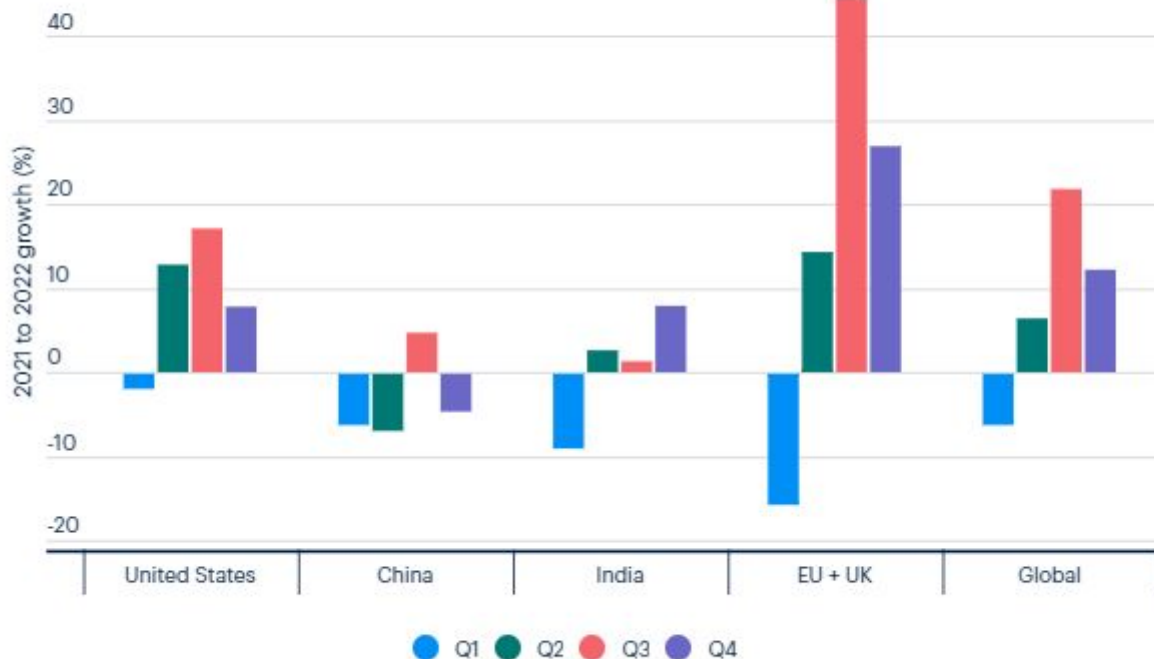
European vehicle production is still lower compared with pre-crisis levels. The European Automobile Manufacturers Association (ACEA) reported a 6.7% decline in EU car registrations to 719,465 units in February. The chip shortage is likely to continue and will result in weaker-than-expected vehicle sales and poor demand for key polymers used in vehicle manufacture. According to Germany's Federal Motor Transport Authority (KBA), all German brands reported a decline in new registrations, amounting to a fall of more than 30% year on year in March. Imported brands saw positive new registrations, with Polestar the strongest at +174.5%, followed by Tesla at +117.3%.

According to the China Association of Automobile Manufacturers (CAAM), car production was down 9.1% year on year in March, to 2.2m units. The inventory coefficient in March was at 1.75, well above the warning level of 1.50. The increase in inventories can mainly be attributed to severe restrictions on public movement. Currently, China has one of the highest COVID-19 Stringency Index levels at 75, compared with a global average of 37. As a result, various automakers have implemented 'closed-loop systems' of production where workers reside in the plant's onsite dorms. For example, Tesla is planning to run its system until May. India's Federation of Automobile Dealers Associations (FADA) reported a 2.3% year on year decrease in auto retail sales in March 2022. According to FADA, "the auto industry may come out of the woods and reach pre-pandemic highs by fiscal year 2024."

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

Global domestic appliance output is expected to shrink by 0.5% year on year in 2022, and Q1 output will shrink by 6.1 % year on year, according to Oxford Economics. A slowing real estate market, an erosion of real household incomes and a longer appliance replacement cycle are expected to adversely affect sales in the short-to-medium term. This has been exacerbated by supply chain issues and a continuous lack of microchips. 2021 was an exceptional year – when most people were forced to spend time at home and white good suppliers reported stellar sales. White goods are, however, expected to get more expensive this year given the increase in raw material (plastics, steel, etc) prices.

US domestic appliance output is expected to shrink 2.5% compared with 2021, and Q1 output is forecast to contract by 8.0% year on year. To mitigate any downside risk, a coalition of four major manufacturing associations has urged the Biden administration to remove tariffs on steel and aluminium imports and to ensure the fair and transparent allocation of semiconductor chips.

EU domestic appliance output (including the UK) is expected to shrink 4.8% compared with 2021, and Q1 output is forecast to contract 8.5% year on year.

Chinese domestic appliance output is expected to grow by 0.2% in 2022 compared with 2021, but Q1 output is forecast to shrink by 6.7% year on year. A slowing real estate market is the key reason behind the bleak outlook for appliance demand. Previous expectations that India would outperform its global peers have been downgraded. Oxford Economics forecasts that Indian domestic appliance output will shrink by 0.7% in 2022 compared with 2021, and Q1 output will contract by 5.6% year on year. 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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