



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

- **High-cis offers down on weak upstream**
- **Tight supply in wider Asia offset by rising China exports**
- **Low-cis market quiet on lacklustre demand**

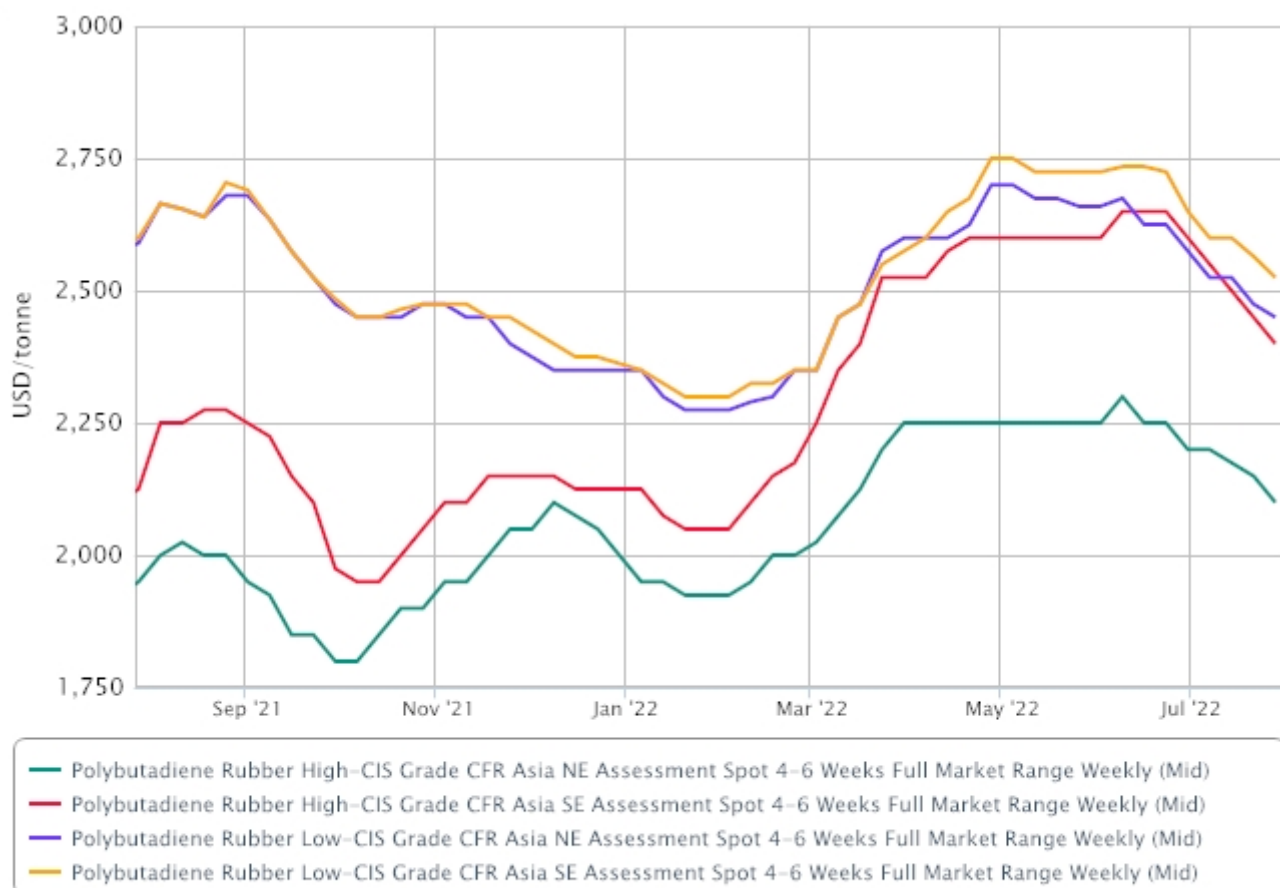
Asian spot discussions for polybutadiene rubber (PBR) were weighed down by weak upstream and lacklustre downstream demand.

Regional producers moderated offers for high-cis PBR cargoes, in line with lower prices for upstream feedstock butadiene (BD).

However, as several regional high-cis PBR units are currently shut for repairs or maintenance, spot availability in wider Asia was limited, and high-cis sellers were mostly confident that this will continue to support offers, despite where the BD market may trend next.

That said, if China continues to actively [export](#) high-cis PBR at competitively-priced levels, sources said this could dilute buying interest for cargoes from other Asian producers.

For low-cis PBR demand was tepid, tracking a weak performance in the key downstream [polystyrene](#) (PS) sector. Some sellers lowered targets to induce buying, but others refrained and cited the high cost for lithium, a catalyst required for low-cis PBR production among other reasons.



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OUTLOOK

- China likely to continue high-cis exports
- Upstream weakness, if sustained, to weigh on PBR offers
- Demand [outlook](#) murky amid global economic [challenges](#)

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-50	2300.00-2600.00	n/c	2450.00-2700.00	104.33-117.93
CFR Asia SE	USD/tonne	-50	2450.00-2600.00	-30	2600.00-2700.00	111.13-117.93
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-50	2050.00-2150.00	-50	2100.00-2300.00	92.99-97.52
CFR Asia SE	USD/tonne	-50	2300.00-2500.00	-50	2450.00-2750.00	104.33-113.40

Northeast Asia

High-cis

The CFR NE Asia assessment for high-cis grade was down on lower pricing indications heard.

However, substantive discussions were limited on weak downstream requirements in the region.

That said, PBR prices in China were up week-on-week, as selling pressure in the domestic market eased with improved export sales.

Price (CNY/tonne)	28 Jul	21 Jul
E China Ex-Warehouse	13,500-13,900	13,400-13,800

Low-cis

Discussions were muted for CFR northeast Asian trades for low-cis material. The high end was rolled over on stable offers heard.

Demand was weak. In the absence of any concrete buying indications, the low end was dropped in line with changes on the low end for the CFR NE Asian assessment for high-cis, to reflect bearish demand conditions.

Southeast Asia**High-cis**

The CFR southeast Asia assessment was down, with the high end tracking the lowest offers heard for cargoes from regular suppliers in wider Asia.

Discussions for China-origin material were heard capped at the low end.

The CFR SE Asia assessment does not include discussions for India-bound cargoes.

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

Jul (1-28) 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
159.00	164.15	162.81	171.15	175.18	179.84	178.12

Low-cis

The high end of CFR southeast Asia prices for low-cis material was dropped with an offer heard for cargoes from regular northeast Asia and non-China, suppliers.

Demand was weak. In the absence of any concrete buying indications, the low end was dropped in line with changes on the low end of the CFR SE Asia high-cis assessment, to reflect bearish demand conditions.

India

High-cis PBR material from regular northeast Asian suppliers was heard indicated in the \$2,500-2,600/tonne CFR India range, while offers for China-origin material were heard substantially lower at around \$2,200/tonne CFR India, subject to a 11% import duty, sources said.

UPSTREAM

Butadiene (BD)

- Weak demand persists
- Buying indications bearish
- However, offers scant on snug spot supplies

The chart below shows the spread between BD and PBR.

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



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PRODUCTION

In China, average operating rates for PBR dropped to 68% for the week ended 22 July, down 5 percentage points on last week, sources said.

In wider Asia, spot availabilities remained tight with an ongoing [outage](#) and [maintenance](#).

ANALYTICS

ICIS Downstream Automotive Demand Outlook

It has been about a year-and-a-half since the world was plunged into the coronavirus crisis – impacting automotive production. Following this disruption, acute computer chip shortage ensued. And now war related disruptions, such as the shutdown of the Nord Stream 1 natural gas pipeline, further aggravated problems of an industry already under duress. The industry, so far, is struggling to make any meaningful recovery – even though May's auto sales performance was in positive territory. The global light vehicle selling rate increased to 76m units

in May from 67m units April, according to Oxford Economics. The growth was primarily contributed by China as the nation eased lockdown measures. However, renewed lockdown actions cannot be ruled out.

According to the US Census Bureau, US light vehicle sales rose 2.3% month on month in June with total sales of 12.9m units (yet this is down 16% year on year and 25% down from 2019 levels). The finished inventory to sales ratio slightly improved month on month from 0.440 to 0.527 in May. (For context, the ratio was 1.108 and 2.948 respectively in March 2021 and 2020.)

The European Automobile Manufacturers Association (ACEA) reported a 15.4% fall year on year in passenger car registrations in June. All major European economies posted a double-digit sales contraction, as logistics and supply chain problem continue to dent industry growth i.e. Germany (-18.1%), Italy (-15.0%) and France (-14.2%) and Spain (-7.8%). Commercial vehicle registration was down 17.7% month on month in May (with sales down for the eleventh consecutive month). Another direct impact of the Russia-Ukraine conflict is constrained supply of neon gas, which is used in making microchips. Ukraine is one of the leading producers of neon gas. The UK's SMMT also reported, total registration was down 24.3% in June year on year, and down 12% year to date, with diesel cars taking the largest impact (down 46.7% year on year in June). Another new development for this month pertains to the Nord Stream 1 pipeline maintenance schedule with lack of clarity on resumption of operations.

China's automotive outlook continue to puzzle, as it heavily relies on the status of the movement control restrictions. China reported improved sales and production figures because of the easing of lockdown measures. According to the China Association of Automobile Manufacturers (CAAM), Chinese car production was up 28.2% year on year in June 2022. A similar level of growth was reported in month on month as well. Inventory levels were down from 1.51 to 1.36 in June. India's outlook seems to be on the positive side, as there were signs of easing of tightness in computer chips supply. However inflation concerns remain. FADA reported India retail sales rose 27% in June year on year (still down 9% as compared to 2019 levels).

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Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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