



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
28-Oct-2021

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

All prices in the weekly analysis on 4 November will be assessed based on information collated up to 3 November. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Offers supported on supply limitations**
- **Demand healthy in some outlets**
- **But buyers cautious in view of upstream volatility**

Asia's spot prices for polybutadiene rubber (PBR) were stable-to-firm, with offers well supported by supply limitations.

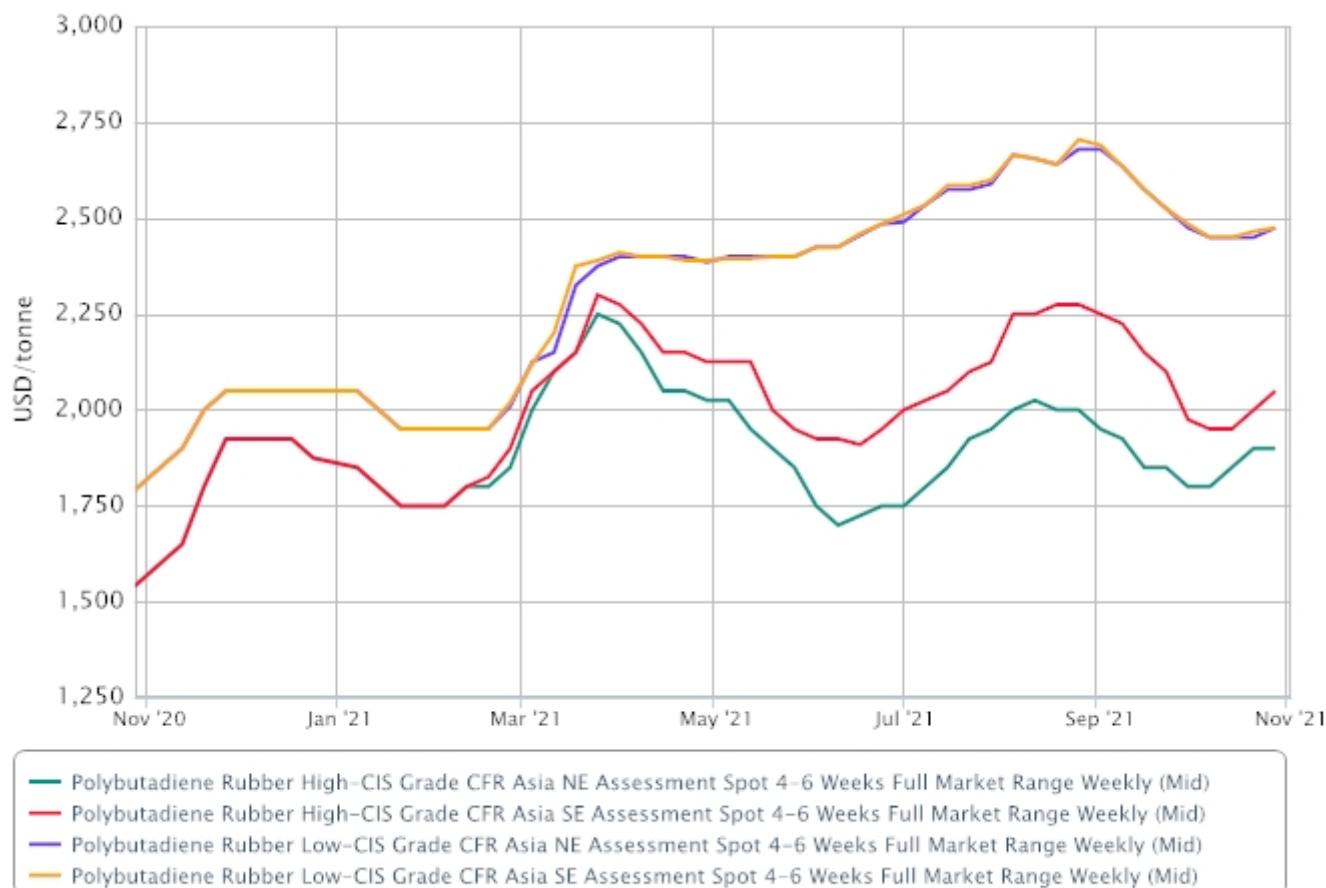
However, buying tempo in China for high-cis PBR were weighed down by volatility in the yuan-denominated market for upstream butadiene (BD). Some end-users were heard reluctant to take position on PBR purchases, be it for domestic products, or US dollar denominated imports, until there is more clarity on upstream pricing trends.

In wider Asia, market sentiment was generally more upbeat, with offers well supported, or boosted in some cases, by the reality that spot availability is limited due to ongoing plant [turnarounds](#).

Even though a plant has recently [restarted](#) from maintenance, market players said that it may still take a while for regional PBR inventories to revert to more healthy levels.

Regional demand is also deemed generally healthy, with more downstream factories in southeast Asia restarting after protracted coronavirus-related limitations were lifted. In India, buying interest is also bolstered by restocking activities ahead of upcoming Diwali festival holidays.

That said, some buyers remained cautious in nature, keeping to a measured procurement pace, in view of looming uncertainties in the longer term macro-economic landscape, including [shaky growth projections](#) in the key downstream automotive sector.



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OUTLOOK

- Supply tightness may ease in Q4
- But [power crunch crisis](#) in China may weigh down on local output
- Demand outlook may remain uneven across the region

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	+50	2450.00-2500.00	n/c	2450.00-2500.00	111.13-113.40
CFR Asia SE	USD/tonne	+20	2450.00-2500.00	n/c	2470.00-2500.00	111.13-113.40
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1850.00-1950.00	n/c	1700.00-1900.00	83.91-88.45
CFR Asia SE	USD/tonne	+50	2000.00-2100.00	+50	1900.00-2050.00	90.72-95.25

Northeast Asia

High-cis

CFR northeast Asia assessments for high-cis materials were rolled over on range-bound pricing indications heard in a thinly-traded week.

Buying interest for imports is also thin in China, with end-users there heard amply covered by domestic output. Latest data also shows that September PBR imports for China [fell](#) substantially year-on-year.

Domestic China prices for high-cis PBR materials softened on-week, alongside upstream losses seen earlier this week in the yuan-denominated market.

Price (CNY/tonne)	28 October	21 October
E China Ex-Warehouse	14,700-14,800	15,200-15,500

Low-cis

CFR northeast Asian assessments were stable-to-firm, with the low-end of the range raised with firmer buying indications heard. However, no deals were done heard in the week, and the high-end held steady on stable offers heard.

Southeast Asia**High-cis**

CFR southeast Asian assessments for high-cis rose, on firmer buy-sell indications heard.

Deals were heard done in the published range. Some offers were heard at levels over the published high-end of the range, but were met with resistance from buyers, market players said.

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

Oct (1-28) 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021
174.17	163.23	172.67	164.32	164.51	169.09	164.72	175.25

Low-cis

CFR southeast Asian assessments were stable-to-firm, with the low-end of the range lifted to capture transaction heard. The high-end is rolled over with stable offers heard for November shipment supplies.

India

In India, import offers for high-cis materials were heard higher on-week, at \$2,150-2,250/tonne CFR India for cargoes from diverse origins in Asia.

Spot trade liquidity is curbed, with buyers' heard turning more towards procuring from the domestic pool.

UPSTREAM

Asian BD import discussions spiked with [bullish](#) domestic China market. However, spot trade liquidity is overall low, with end-users in other regional outlets amply covered for October and November requirements, and visibly less enthusiastic than their China counterparts in securing fresh spot parcels.

The chart below shows the spread between butadiene and PBR.

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



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PRODUCTION

In China, average operating rates at PBR fell one percentage point to 72% for week ended 22 October, compared to 73% for the week prior, market sources said.

Ongoing power crunch in the country may continue to weigh down on domestic production, market players said.

Outside of China, spot availabilities of PBR may grow with the [completion](#) of turnarounds.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

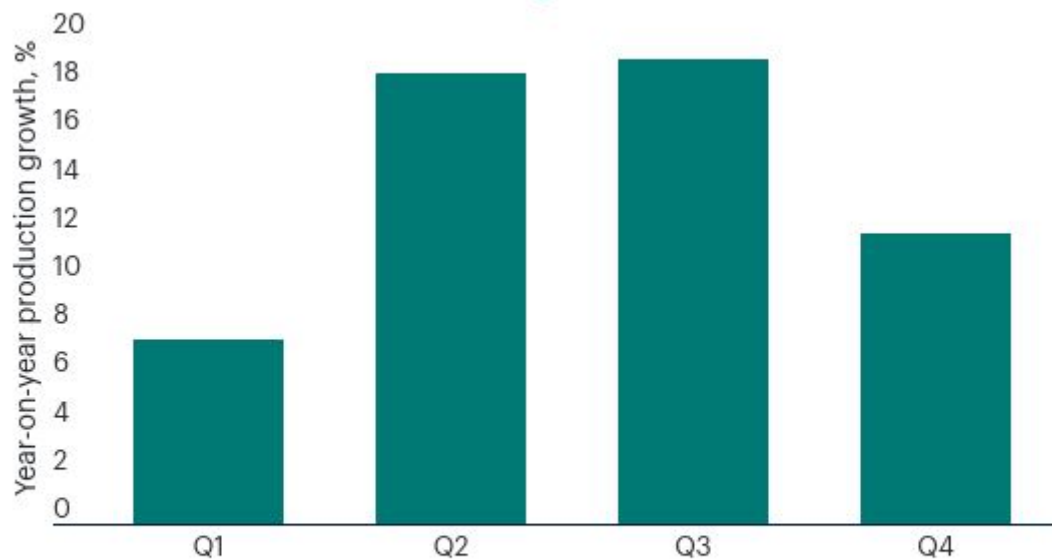
The worst is not over for the automotive industry. Global light vehicle sales were down 11.7% in August from pre-pandemic level in August 2019. The industry continues to reel from extreme supply chain disruptions and a shortage of critical auto parts such as semiconductor chips. As a result, almost all the major car makers have reduced run rates. For example, Toyota slashed production by 40% in September and expects to make another 15% cut in November. The main reason for the chip shortage is the extraordinary demand for consumer

electronics seen during the pandemic. The automakers either misjudged or underestimated chip demand and did not fully prepare. For 2021, Oxford Economics forecasts an 11.5% contraction in motor vehicle value added output compared with 2019. The growing popularity of Electric Vehicles (EVs) is another factor exerting pressure on chip supply. EVs requires more chips compared with conventional cars, but only account for 3% of the global automotive market. In the short term, chip supply is likely to remain tight until the first half of 2022. For fabless companies, the wait may be even longer. Even though a few chip investments have been announced, it typically takes 18 to 24 months for a new chip plant to start operations. Investments recently announced include Intel's €80bn over the next decade in Europe and TSMC's €2.8bn, among others.

In China, passenger car sales were down 25.5% year on year in June. This trend is expected to continue. Energy rationing has also adversely affected the Chinese auto market, exacerbating a shortage of materials, especially polymers. ICIS analyst Jimmy Zhang said, "In the fourth quarter, with the ongoing strict policy on carbon emissions and environmental protection, operating rates of coal-based polyolefin units is expected to remain limited. The polyolefin supply pattern is expected to change from ample to tight." India is not an exception. In September, total vehicle sales were down 5% year on year, according to India's Federation of Automobile Dealers Association (FADA). As India enters its festive season, the outlook is mixed.

By **Jincy Varghese**, ICIS demand analyst (jincy.varghese@icis.com)

China motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics

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