

**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

- **Trade muted ahead of extensive regional holidays**
- **Domestic China softer, affecting buyers' confidence**
- **Offers firm on cost and supply concerns**

Discussions in Asia's spot import market for polybutadiene rubber (PBR) were subdued ahead of various holidays in northeast Asia.

South Korea will shut from 28 September for the Chuseok holidays, while China will celebrate the Mid-Autumn festival and National Day from 29 September.

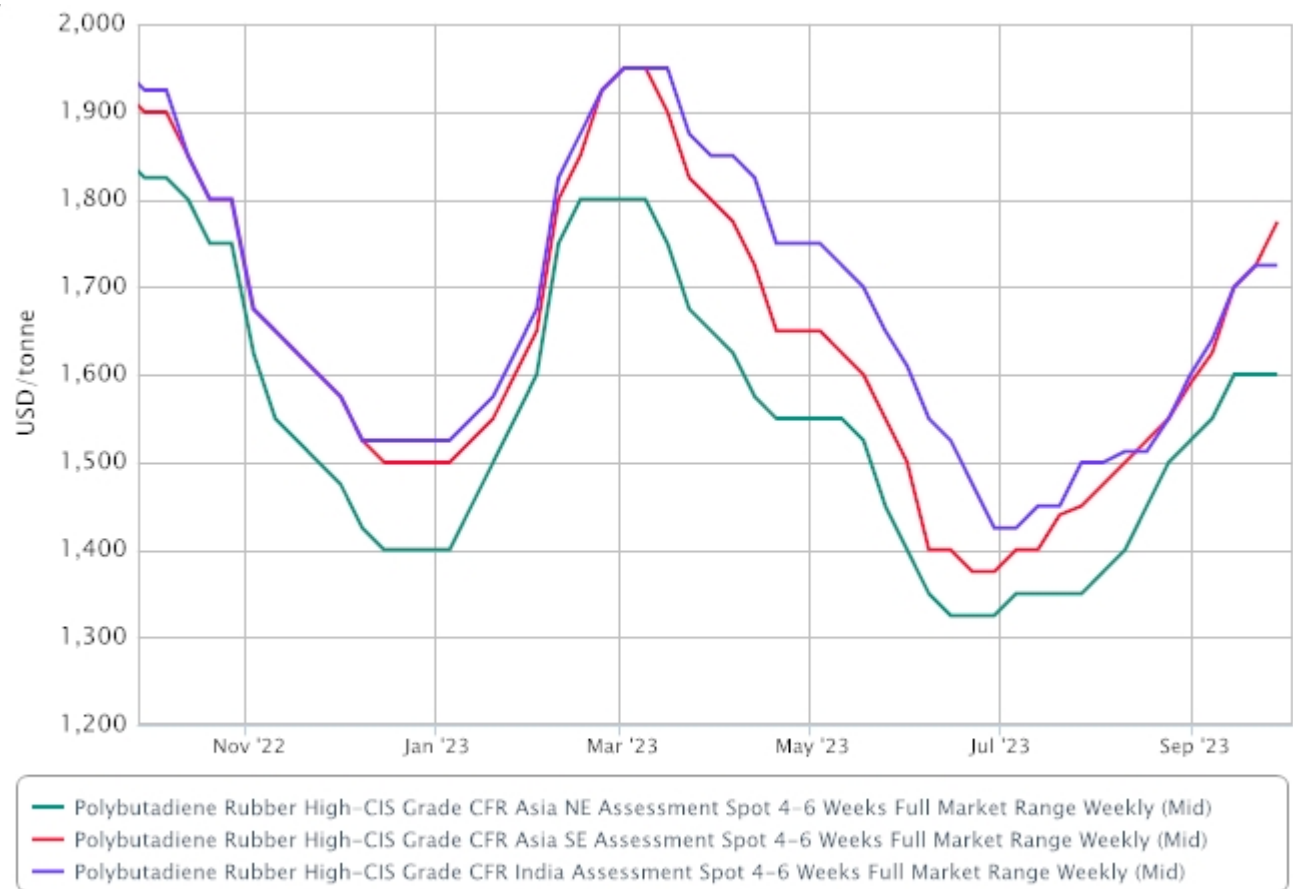
Domestic China prices for PBR softened, affecting buy-side confidence, with some regional end-users heard turning more cautious and deferring additional spot purchases until there is more clarity on how the post-holiday market in China may trend.

However, PBR sellers were mostly optimistic that structurally, there is upside support for PBR demand going into the fourth quarter (Q4).

Expenditure on consumer items like shoes and electrical appliances could rise with the year-end festive season and as such, bolster usage for raw materials, including both the high-cis and low-cis PBR grades.

Demand for replacement tyres for buses and trucks is also healthy and this would support requirements for high-cis PBR too.

Against this backdrop, PBR makers in Asia were heard keen to press on with efforts to sell at higher levels, not just to defray rising feedstock costs but also because spot supplies are tight with upcoming turnarounds.



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## OUTLOOK

- **Buying tempo may shift with post-holiday market dynamics**
- **Producers' margins could stay squeezed in the near term**
- **Buy-sell stand-off may intensify**

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>Polybutadiene Rubber Low-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	n/c	1900.00-2100.00	n/c	1800.00-2000.00	86.18-95.25
<b>CFR Asia SE</b>	USD/tonne	n/c	1950.00-2100.00	n/c	1900.00-2000.00	88.45-95.25
<b>Polybutadiene Rubber High-CIS Grade</b>						
<b>CFR Asia NE</b>	USD/tonne	n/c	1550.00-1650.00	n/c	1500.00-1550.00	70.31-74.84
<b>CFR Asia SE</b>	USD/tonne	+50	1750.00-1800.00	+50	1550.00-1630.00	79.38-81.65
<b>CFR India</b>	USD/tonne	n/c	1650.00-1800.00	n/c	1550.00-1650.00	74.84-81.65

## Northeast Asia

### High-cis

CFR NE Asian assessments were unchanged in a thinly-discussed week, as many players are exiting the trading arena for holidays.

Some players also pulled back after Chinese domestic prices for PBR started to soften these two weeks.

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	12,800-13,300	13,200-13,700

### Low-cis

Discussions were limited and assessments were rolled over as such.

## Southeast Asia

### High-cis

CFR SE Asian assessments were up, tracking firmer deals and offers heard. However, discussions tapered towards the end of the trading week, as most players pulled back to wait until the regional holidays pass.

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

Sep (1-27) 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023
142.71	130.22	131.31	133.48	136.34	136.27

Source: Malaysian Rubber Board

### **Low-cis**

CFR SE Asian assessments were flat in a thinly-discussed week.

### **India**

CFR Indian assessments were unchanged amid rangebound buy-sell indications.

Buying interest for imports were lukewarm, with local end-users turning to tap heavily on domestic production instead.

## **UPSTREAM**

### **Butadiene**

- Sellers hold on to bullish expectations
- Demand uncertainties linger
- Buyers' resistance starts to build

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

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



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## PRODUCTION

A turnaround is planned for October in [South Korea](#) and another unit in [China](#) has also shut since mid-September for two months of maintenance.

## ANALYTICS

## ICIS downstream automotive sector outlook

The global light vehicle selling rate increased to 95m units in July from 94m in June (Oxford Economics). Global automotive in 2023 is expected to grow 13.6% compared with 2022; Q4 2023 is forecast to grow by 8.5% compared with Q4 2022 (Oxford Economics). For the rest of 2023, the outlook continues to be challenging due to the cost-of-living crisis, as car buyers are expected to postpone their purchases. In the current macroeconomic environment, increasing interest rates is the leading cause of demand destruction. Car makers are also readjusting their just-in-time strategies to maintain a certain level of inventory to ensure supply security. Another priority includes improving relationships with Tier 1 suppliers.

According to the US Census Bureau, US light vehicle sales increased by 0.5% month on month in July with total sales of 15.7m units. This is still below pre-pandemic levels by 7.4%. The finished inventory to sales ratio slightly declined month on month from 0.840 to 0.782 in July. (For context, the ratio was 0.518 and 2.367 respectively in July 2022 and 2019). High inflation, slumping consumer confidence and tighter monetary policy will weigh upon consumer demand for automobiles. US automotive in 2023 is expected to grow 14.5% compared with 2022; Q4 2023 is forecast to grow by 12.8% compared with Q4 2022 (Oxford Economics).

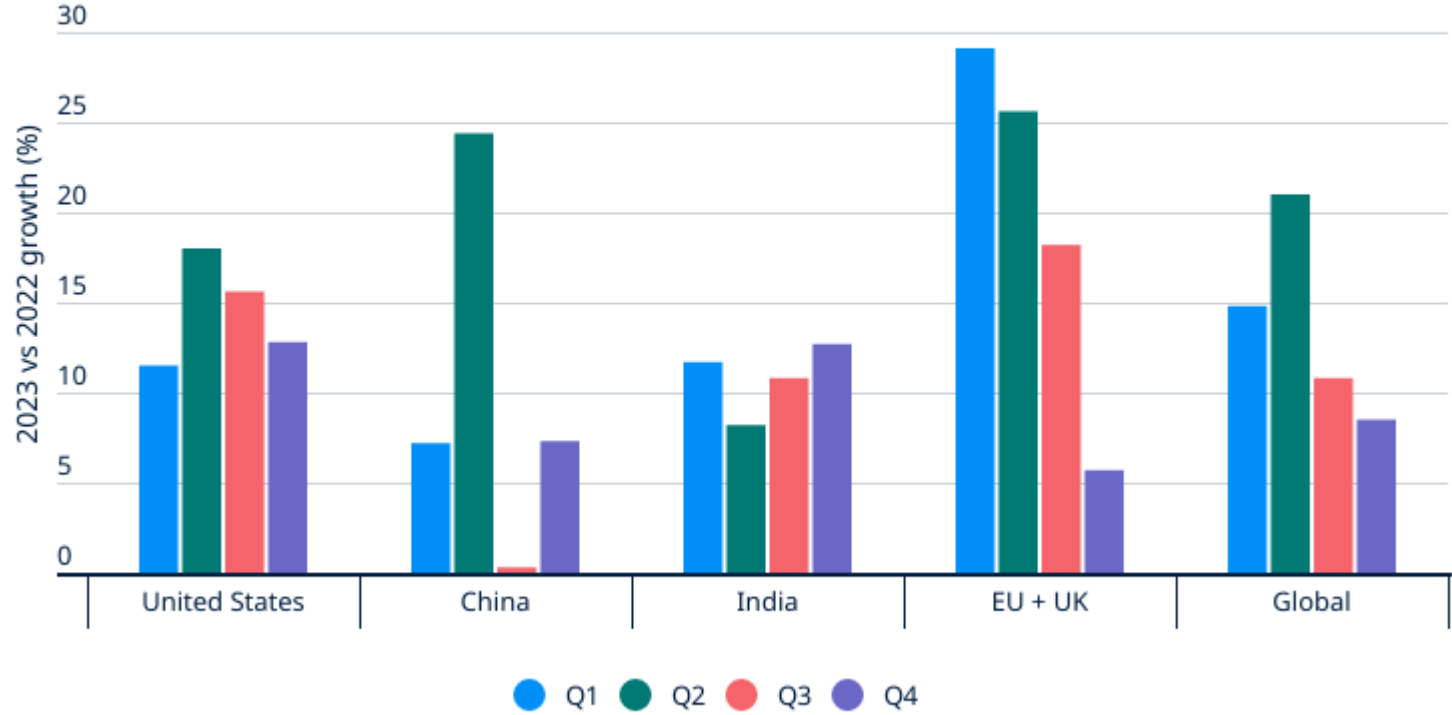
According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registration increased by 15.2% in July compared with the same month last year. However, the increase is a function of a lower 2022 base. The association said Spain posted the biggest gain, followed by Italy, France and Germany. Commercial vehicle registration grew 11.2% to 730,969 units in H1 2023, on the back of easing supply chain bottlenecks. Spain and Germany led the growth with France moderately increasing. There are concerns about balance sheets, with some producers struggling to survive in the short term. Long-term investments in trends including tightening emission standards, a growing push to electrify and increasing shared car ownership have already left firms cash-strapped. EU+UK automotive in 2023 is expected to grow 18.9% compared with 2022; Q4 2023 is forecast to grow by 5.7% compared with Q4 2022 (Oxford Economics). Several producers have made announcements on increased penetration of electric vehicles, and this could impact mixes of polymers and chemicals used in production. Longer term, we expect slow population growth and increased public transport initiatives to make demand growth slower.

China automotive in 2023 is expected to grow 9.4% compared with 2022; Q4 2023 is forecast to grow by 7.3% compared with Q4 2022 (Oxford Economics). Medium-term fundamentals remain strong, with rising income and low car ownership. This is particularly true for electric and other new energy vehicles (NEVs) as government incentives push this market. India automotive in 2023 is expected to grow 10.8% compared with 2022; Q4 2023 is forecast to grow by 12.7% compared with Q4 2022 (Oxford Economics).

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# Motor vehicle sector growth by region

2023 vs 2022



SOURCE: Oxford Economics

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