



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
29-Apr-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 13 May will be based on information collated up to 12 May. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Sentiment dull**
- **Buyers wait-and-see**
- **Offers soften**

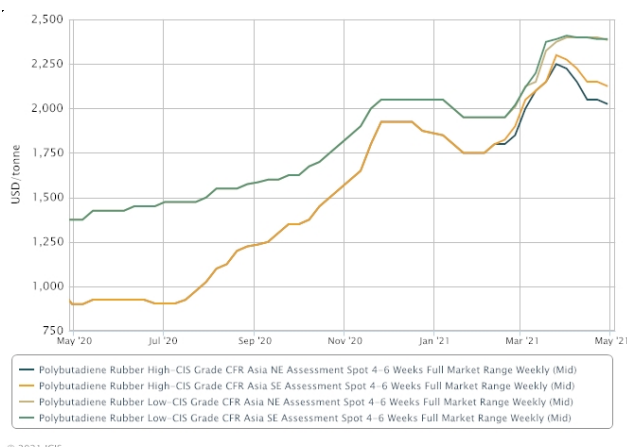
Asian spot prices for polybutadiene rubber (PBR) were mostly stable-to-soft, tracking lower buy and sell indications heard.

Discussions for low-cis materials were relatively less volatile than those for high-cis, in part because spot availability is tight, with some low-cis PBR production units still heard to be shut for servicing.

For high-cis PBR talks, liquidity is low and the bulk of May spot allocations were heard to be already sold earlier. Supply is expected to remain on the tight side given upcoming turnarounds.

However, buying interest is weak, especially in [India](#), where a second wave of coronavirus infections has hit downstream production.

In southeast Asia and China, even though there was less coronavirus-linked demand disruption, end-users were not keen to commit. This is because they expect PBR offers will soften when feedstock butadiene (BD) costs weaken due to lengthening supply.



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OUTLOOK

- Supply may lengthen as turnarounds are completed
- Coronavirus worries to weigh in on demand
- Eye on upstream pricing

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- 2420.00	-30	2350.00-2450.00	106.59-109.77
CFR Asia SE	USD/tonne	n/c	2350.00- 2430.00	n/c	2350.00-2470.00	106.59-110.22
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2000.00- 2050.00	-50	2150.00-2300.00	90.72-92.99
CFR Asia SE	USD/tonne	n/c	2100.00- 2150.00	-50	2200.00-2350.00	95.25-97.52

Northeast Asia

High-cis

The CFR NE Asian assessment for high-cis material was stable-to-soft. The high-end was lowered to capture the full range of offers heard.

However, demand for US dollar denominated imports was tepid, especially in China, where local inventories are full after a 33.2% year-on-year increase in [China's PBR imports](#) in March 2021.

Domestic China prices were down given the weight of excessive supplies and lacklustre demand.

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

29 Apr 22 Apr 15 Apr 8 Apr 1 Apr 25 Mar 18 Mar 11 Mar 04 Mar

11,500-	12,000-	12,700-	13,200-	13,300-	13,400-	13,500-	13,000-	12,900-
11,800	12,200	12,800	13,400	13,500	13,500	13,600	13,100	13,100

Low-cis

The CFR NE Asian assessment for low-cis grade PBR was stable-to-soft. The high end was lowered in line with deals heard in the week.

Southeast Asia

High-cis

CFR SE Asian prices for high-cis materials were assessed in a narrower range, tracking softer buy-sell indications heard in the week.

Some discussions were heard at levels below the published range, involving cargoes of non-Asia origins. Although they were not taken into account for the assessments as these were not mainstream supply streams, market players said the availability of a cheaper alternative invariably weighed on buyers' pricing sentiment for cargoes from regular suppliers.

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

Apr (1-29) 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020	Nov 2020
164.49	175.25	169.16	158.40	157.61	156.50

Low-cis

The CFR SE Asia assessment for low-cis PBR material was kept unchanged on range-bound talks.

India

Sentiment for PBR spot imports into India was considerably weaker than elsewhere in the region because India is currently gripped by a second wave of coronavirus infections.

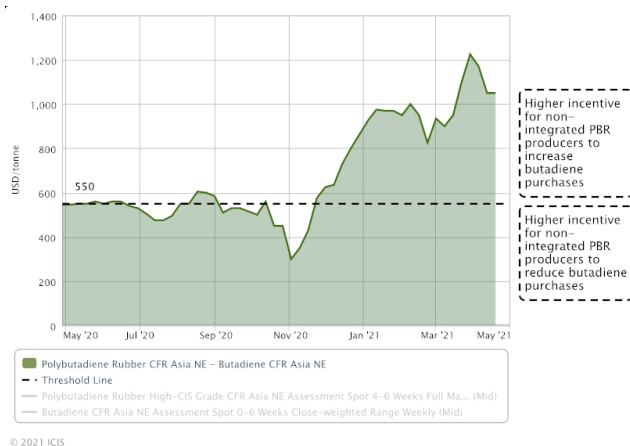
NE Asia-origin material was heard indicated at \$2,200/tonne CFR India and above, but buying indications were heard sharply lower, weighed down in part by the availability of deep-sea material at or below \$2,000/tonne CFR India, sources said.

UPSTREAM

The Asian **butadiene (BD)** market was flat, but lingering concerns about lengthening [supply](#) weighed on sentiment.

The chart below shows the spread between BD and PBR.

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



PRODUCTION

In China, the average operating rate at PBR plants fell to 64% in the week ended 23 April, down from 68% in the previous week.

At least 400,000 tonnes/year worth of Chinese PBR production capacity remains currently [shut](#) for servicing and repairs.

ANALYTICS

ICIS Butadiene Outlook

In the short term, the US BD market is likely to have healthy demand and tight supply. Nevertheless, pressure might be eased by extremely challenging times for the auto industry. Apart from the coronavirus pandemic, which has affected vehicle sales, the shortage of semiconductors is forcing several automakers to limit production. This situation has prompted US President Biden to call a summit to try resolve the global chip crisis. ICIS foresees demand for new passenger cars and light trucks in the US will increase to between 15.9m and 16.5m units in 2021.

European BD consumption is expected to remain good in Q2, even though there are mixed sentiments. In April, European demand for new vehicles is projected to be adversely affected by prolonged lockdowns across many countries. In addition, several automakers are planning to reduce or halt production at their plants over the next few weeks due to a semiconductor supply shortage. ICIS projects a rise in passenger car sales in 2021, with the vehicle market picking up in H2 2021. European sales might increase between 3% and 8% compared with 2020, but new registrations will remain below 13m units this year.

The Chinese BD market fundamentals are predicted to remain firm throughout 2021 amid a GDP growth forecast of 8.4% for China, according to the IMF. Vehicle sales should surpass pre-pandemic levels this year. Buoyant domestic demand alongside new incentive package to stimulate car sales in rural areas are expected to sustain the auto industry. Three new BD projects are scheduled to come on stream in Q3 2021. Overall, Zhejiang Petrochemical, Fujian Gulei and Shandong Shouguang Luqing will produce 420,000 tonnes/year of BD at full capacity.

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

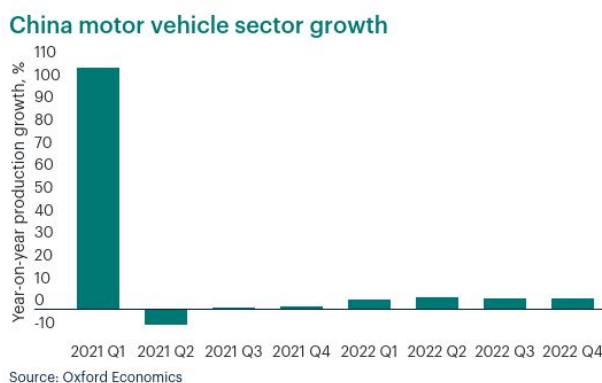
ICIS Downstream Automotive Demand Outlook

The year started with a certain degree of optimism on the back of a better-than-expected Q4 2020. The automotive sector reported a strong performance in March 2021. According to LMC Automotive, the automotive

forecaster, global light vehicle (LV) sales rose 7% month on month in March to 87.5m units. However, the industry is suffering from supply chain problems and other production-related issues. Polymer and shipping container shortages continue, forcing a number of companies to announce plant shutdowns. As a result, most carmakers are running alarmingly low levels of raw material and finished product inventories. The CEO of Volkswagen said, "The company would be unable to build 100,000 cars this year due to the chip shortage and the group would not be able to make up for the shortfall in 2021".

Chinese vehicle production was up a strong 72% year on year in March 2021, although this largely reflects shutdowns in Q1 2020. However, production is lower than in March 2019, even though sales have been flat over the same time period. This reflects lower inventories, according to the China Automobile Dealers Association (CADA). Chip shortages are biting here too, with many domestic and foreign producers talking about supply problems. India's Federation of Automobile Dealers Associations (FADA) reported that registrations fell 28.64% year on year but grew 10.05% month on month. Close to 47% of dealers said that they had lost more than 20% of sales due to supply-side constraints. Japanese car production has also been impacted: down around 9% year on year in February. South Korean producers, especially Hyundai, are seen as less impacted by shortages due to integrated chip production. However, production cutbacks are now starting to bite for all producers here too.

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



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