Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
30-Jun-2022

Overview | Outlook | Prices | Upstream | Production | Analytics

Please click here for full details on the criteria ICIS uses in making these price assessments.

OVERVIEW

- **High-cis offers in wider Asia supported on supply constraints**
- **Keen competition from lower China export offers**
- **Buyers retreat deeper**

Asia spot discussions for polybutadiene rubber (PBR) were weighed down by increased export availabilities from China.

In wider Asia, regular suppliers maintained existing asking prices, saying their high-cis spot availability is tight and that end-users reliant on this material will have few options but to raise bids to secure volumes.

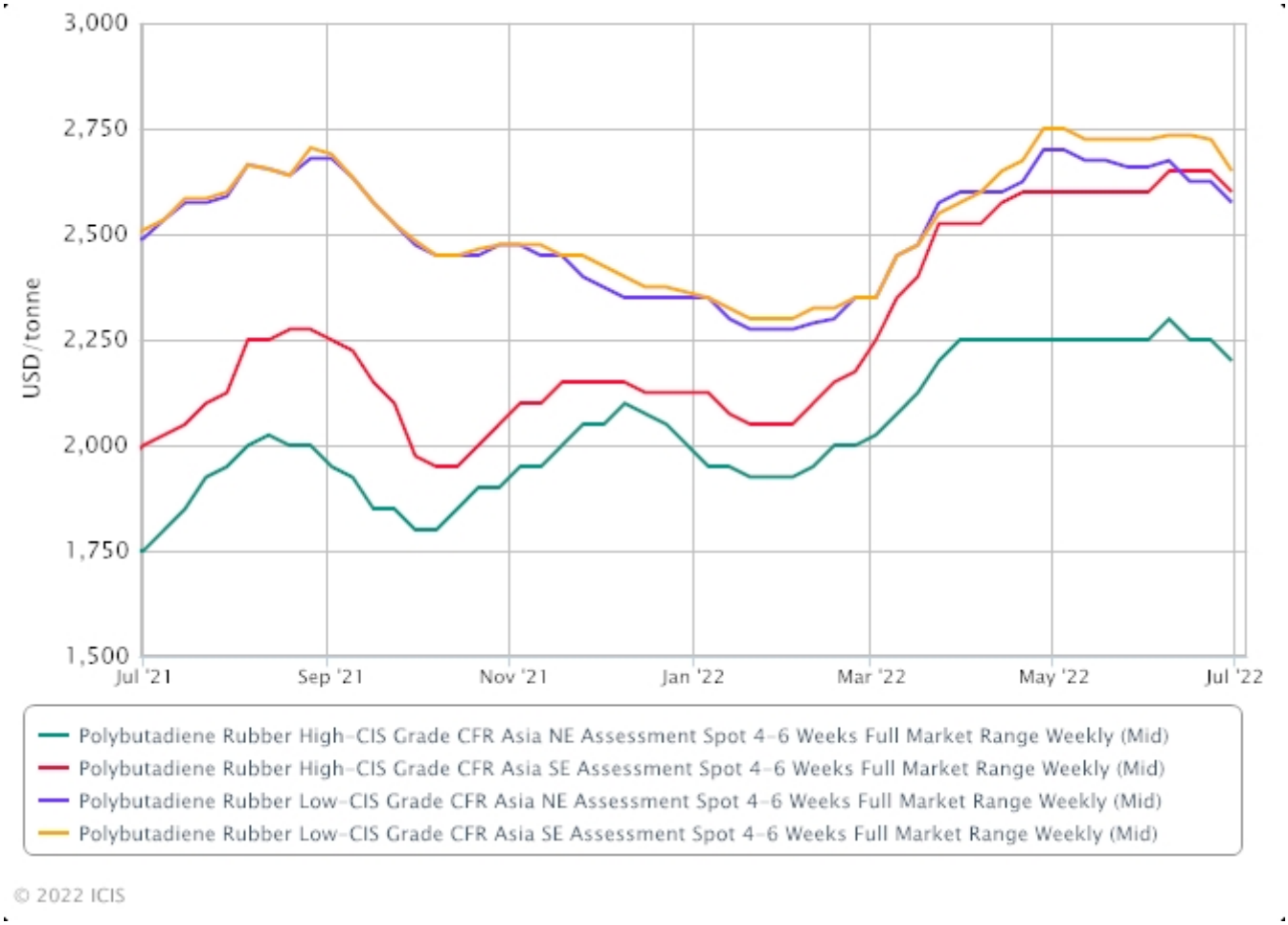
However, buying interest was subdued because substantive procurement needs were suppressed by structurally weak downstream demand conditions.

Some end-users said they would scale back operations, and cut back on raw material purchases too.

There were also active export PBR offers from China, and at a substantially lower level than from other suppliers in wider Asia.

However, concrete transactions involving this China-origin material were scant in southeast Asia, although they were cheaper. Players said this may be because they were not entrenched supply streams and usage was limited to begin with.

However, the competitive China offers did serve to dilute buyers' pricing appetite, sources said, and buyers were heard looking to bargain harder with other regional suppliers.



OUTLOOK

- **Uneven pricing trends likely for cargoes from different origins**
- **China exports poised to rise**
- **Rising inflation and recession concerns to weigh on demand**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	-100	2450.00-2700.00	n/c	2600.00-2720.00	111.13-122.47
CFR Asia SE	USD/tonne	-100	2600.00-2700.00	-50	2700.00-2750.00	117.93-122.47
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	-100	2100.00-2300.00	n/c	2200.00-2300.00	95.25-104.33
CFR Asia SE	USD/tonne	-100	2450.00-2750.00	n/c	2500.00-2700.00	111.13-124.74

Northeast Asia

High-cis

The CFR NE Asia assessment for high-cis grade was stable-to-soft, with the low end dropped on weaker buying appetite.

The high end tracked stable offers for non-China, northeast Asia-origin material. Some transactions were heard at the higher end for these materials too.

Domestic PBR prices in China extended losses, tracking falling yuan values for feedstock butadiene (BD).

Price (CNY/tonne)	30 Jun	23 Jun
E China Ex-Warehouse	14,200-14,500	14,400-14,600

Low-cis

The CFR northeast Asia assessment for low-cis material was down at the low end, tracking weaker buy-side indications.

Southeast Asia

High-cis

The CFR southeast Asia assessment for high-cis material fell at the low end, to reflect weaker buy-side pricing sentiment.

China-origin material was heard offered at below the published range, but no deals materialised, which sources said indicated that they were as yet not mainstream supplies. They were therefore not included in assessments.

The scope of CFR SE Asian assessments does not include discussions for India-bound shipment.

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

June 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
164.15	162.81	171.15	175.18	179.84	178.12

Low-cis

CFR southeast Asian prices for low-cis materials were down, tracking a deal heard at the high end, and buying indications capped at the low end.

India

Discussions for CFR Indian trade for high-cis PBR were split between cargoes from diverse origins.

Selling indications for non-China, northeast Asia-origin materials held steady in the $2,700-2,800/tonne CFR India range.

But China-origin material was heard indicated this week in the $2,200-2,250/tonne CFR India range, market sources said.

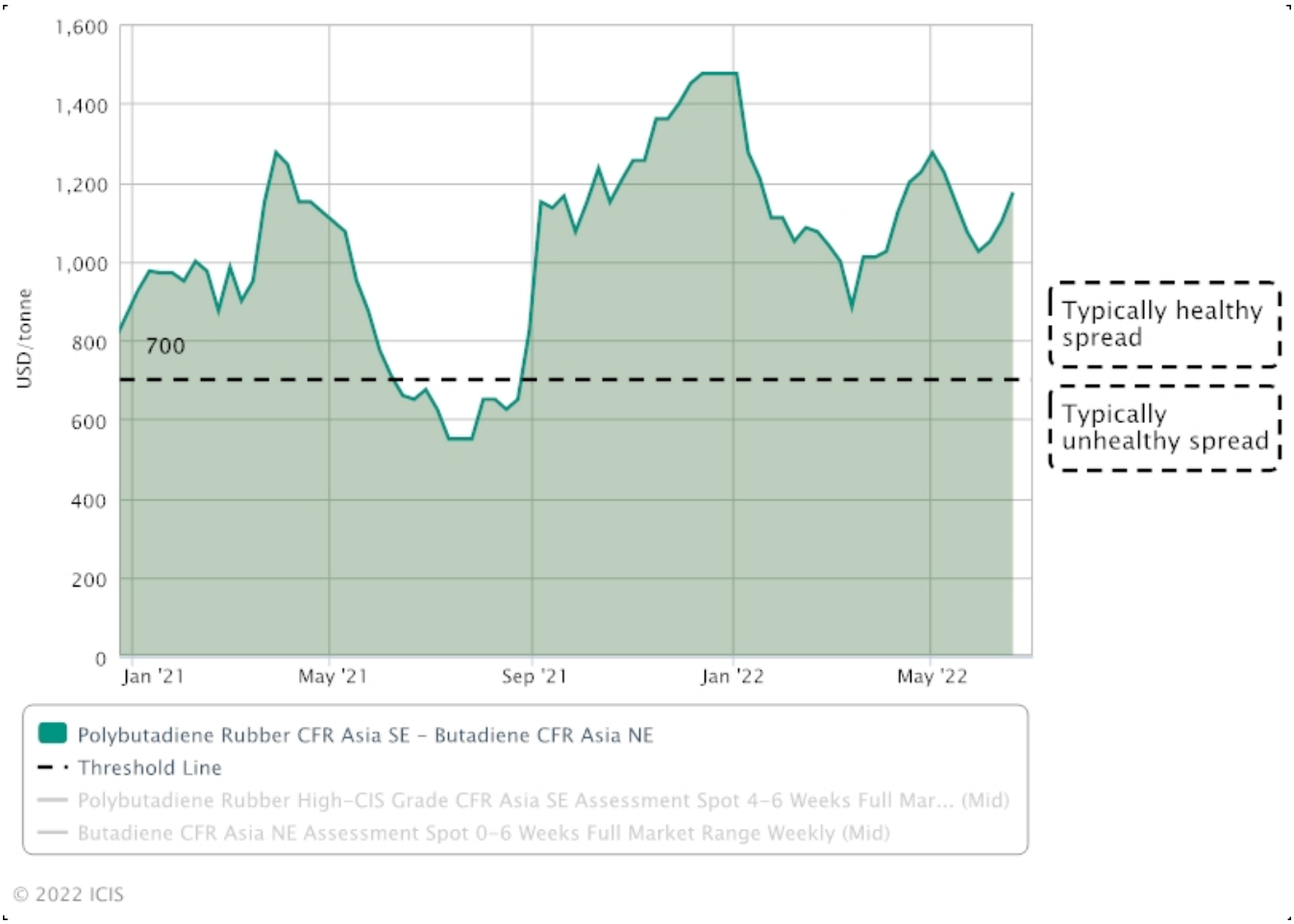
UPSTREAM

Butadiene

- Domestic China falls despite production woes
- Demand bearish across Asia
- But concrete offers scant

The chart below shows the spread between butadiene and PBR.

Downstream spread – butadiene NE Asia and PBR SE Asia



PRODUCTION

In China, average operating rates for PBR rose to 71% for the week ended 23 June, compared to 62% for the week prior, market sources said.

But in wider Asia, spot availabilities remained tigh with an ongoing outage. Furthermore, another plant is also due for maintenance in late July.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry is still struggling to make up for pandemic-induced losses. The global light vehicle selling rate fell to 75m units/year in March, with a Q1 2022 average of 79m units/year, as supply issues continued to cap sales growth (Oxford Economics). Material shortages continue to hit the industry. The semiconductor industry is already running at full capacity but is still unable to meet demand. Typical lead times for key materials are between six and eight months. Car manufacturers are bracing for the impact. Toyota reported net income of yen (Y) 2.8tr for FY2022 (an increase of 27%), despite logistics issues. However, its guidance for FY2023 is for

net income of Y2.3tr (down 21% year on year) because the company expects material costs to more than double this year.

According to the US Census Bureau, US light vehicle sales increased by 6.6% month on month in March with total sales of 14.3m (still down 22% year on year). The finished inventory to sales ratio continues to be extremely low at 0.470. The ratio was 1.564 and 3.140 respectively in March 2021 and 2020.

The European Automobile Manufacturers' Association (ACEA) reported a 21% fall year on year in passenger car registrations in March, an historic low. Major European economies posted double-digit sales contractions: Spain (-30%), Italy (-30%), France (-20%) and Germany (-18%). Commercial vehicle registration was down 25% month on month in January, and inventories were alarmingly low. Another direct impact of the conflict in Ukraine is limited supply of neon gas, which is used in making microchips. Ukraine is one of the leading producers of neon gas. The UK's Society of Motor Manufacturers and Traders reported total registrations down 16%, with diesel cars down 52% year on year in April.

In China, auto sales and production steeply declined as a result of the strict coronavirus lockdowns. According to the China Association of Automobile Manufacturers (CAAM), car production was down 46% year on year in April 2022. A similar fall was reported month on month. The outlook for Chinese automotive remains bearish, mainly because of movement controls. Inventory is up thanks to weak sales. The China Automobile Dealers Association reported an inventory coefficient of 1.91, an increase of 9.1% month on month and a year-on-year increase of 22% (with levels above 1.5 considered a warning).

The Indian outlook continues to be bearish. The Federation of Automobile Dealers Associations of India said total vehicle sales increased by 37% in April year on year. However, compared with April 2019 (pre-pandemic), the sales are still down 6%.

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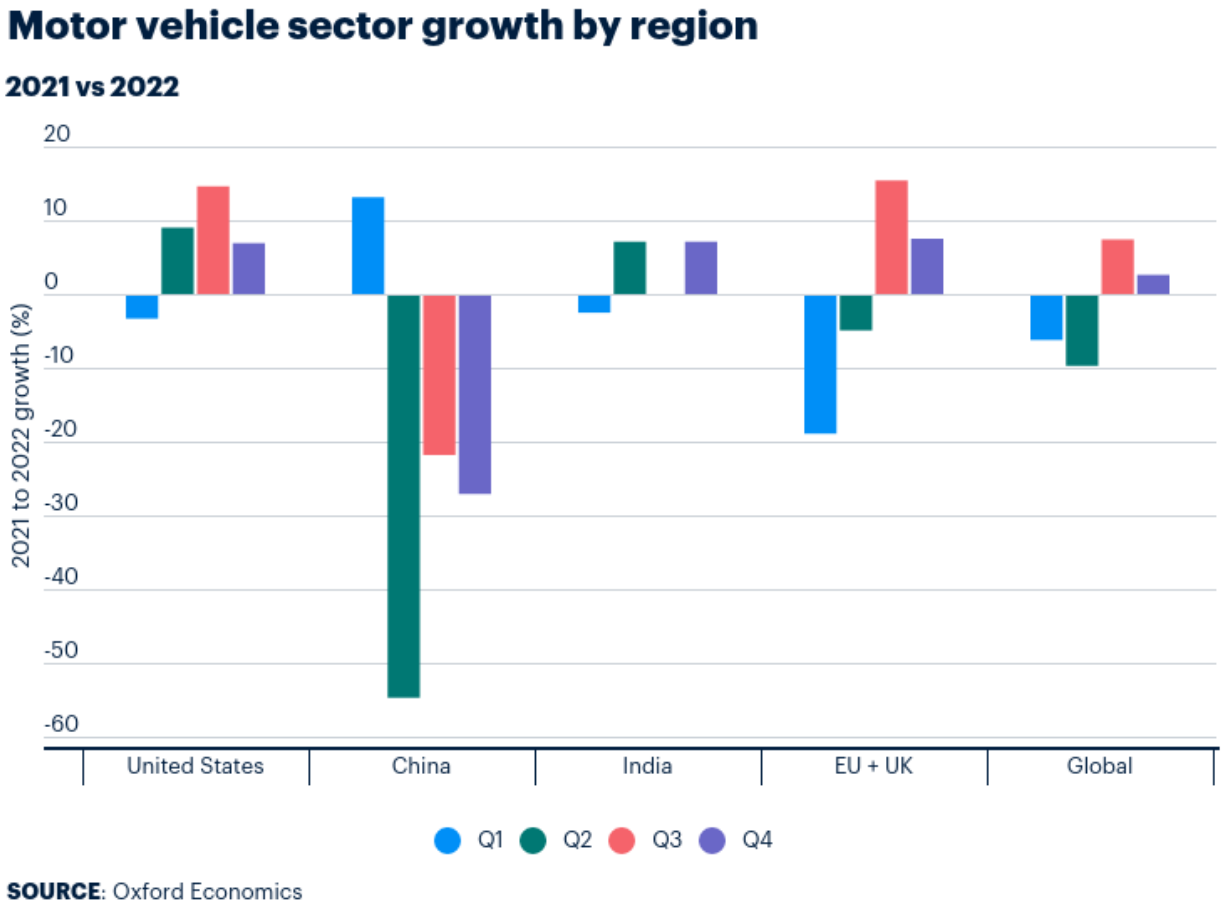

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