Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
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Overview | Outlook | Prices | Upstream | Production | Analytics

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

OVERVIEW

- **Sellers' sentiment upbeat**
- **Supply tight, demand positive**
- **Buyers' resistance also starts to build**

Asian spot discussions for both high-cis and low-cis polybutadiene rubber (PBR) were mostly upbeat, although trade liquidity in some outlets was crimped by a wide buy-sell gap.

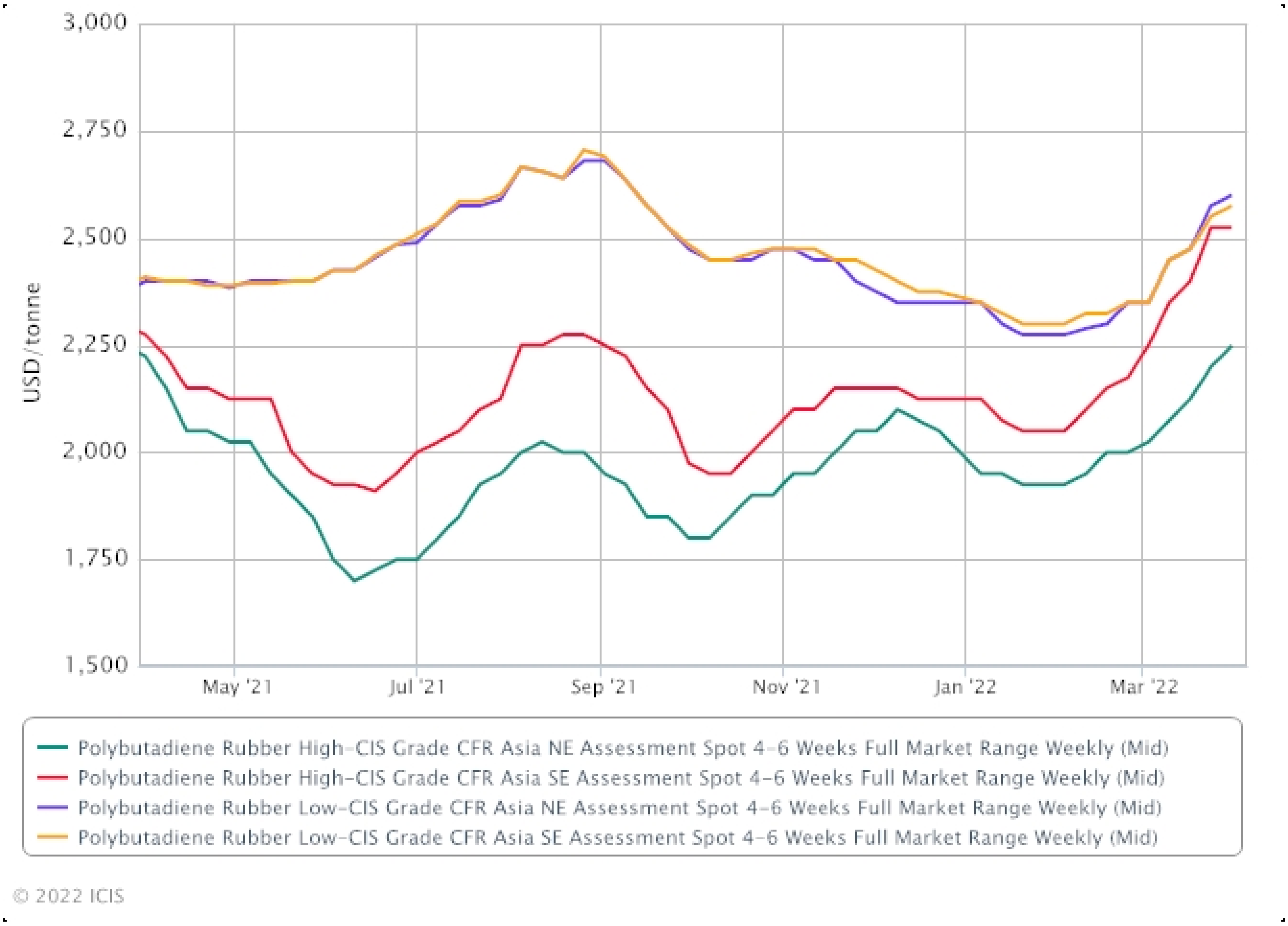
Overall, spot supplies for both grades are limited, amid ongoing turnarounds and plant outages. As such, sellers held firm to existing expectations, or even mulled higher targets to mitigate upstream cost pressures.

Several regional suppliers also cut back on spot sales in Asia to divert volumes in support of customers in markets further afield, such as Europe, where supply gaps have emerged after the outflow of Russia-origin PBR cargoes was disrupted by the Russia-Ukraine conflict.

But buy-side response in Asia was mixed. While those with pressing requirements did raise bids to secure some volumes, many held back, citing concerns about downstream affordability.

Demand worries also deepened, due to ongoing COVID-19 pandemic-related restrictions on movements in some China cities.

If the latter become more protracted, market players said that this will invariably affect downstream manufacturing momentum in the country and reduce in turn consumption for raw materials like PBR.



OUTLOOK

- **Supply may stay tight for the near term**
- **Demand may taper if China lockdowns are extended**
- **Fluctuating crude oil markets also add to uncertainties**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2550.00-2650.00	+50	2300.00-2400.00	115.67-120.20
CFR Asia SE	USD/tonne	n/c	2500.00-2650.00	+50	2300.00-2400.00	113.40-120.20
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	+50	2200.00-2300.00	+50	2000.00-2050.00	99.79-104.33
CFR Asia SE	USD/tonne	n/c	2450.00-2600.00	n/c	2200.00-2300.00	111.13-117.93

Northeast Asia

High-cis

CFR northeast Asian assessments for high-cis PBR rose, with firmer indications heard for cargoes bound for non-China destinations.

But trade for China-bound cargoes remain at stand-still, in part because requirements in China have receded with the recent lockdowns.

Most local end-users are relying heavily on domestically produced products, weighing down in turn China's PBR exports, which fell 35.6% in Q1 2022 compared to the same period last year.

Domestic prices for PBR rose as offers climbed with upstream strengths.

Price (CNY/tonne)	31 March	23 March
E China Ex-Warehouse	14,300-14,500	13,700-14,000

Low-cis

CFR northeast Asian prices for low-cis materials were assessed stable to firm, with the high end lifted on firmer offers heard.

Southeast Asia

High-cis

CFR southeast Asian prices for high-cis materials were kept unchanged, taking into consideration range-bound buy-sell indications heard.

But offers were mostly at the higher end of the published range, with sellers heard mulling even higher targets in due course to mitigate upstream cost pressures.

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

Mar 2022	Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021
175.18	179.84	178.12	172.08	175.65	174.39	163.23	172.67

Low-cis

CFR southeast Asian prices for low-cis materials were also stable-to-firm, with the high end lifted on firmer offers heard. Some cargoes were heard sold at the higher end of the published range, although the bulk of buying indications were still capped at the low-end, market sources said.

India

In India, the buy-sell gap remains wide for spot discussions for high-cis PBR imports.

Selling indications for Asia-origin cargoes were heard at over $2,500/tonne CFR India, but buying indications were at over $100/tonne lower, market sources said.

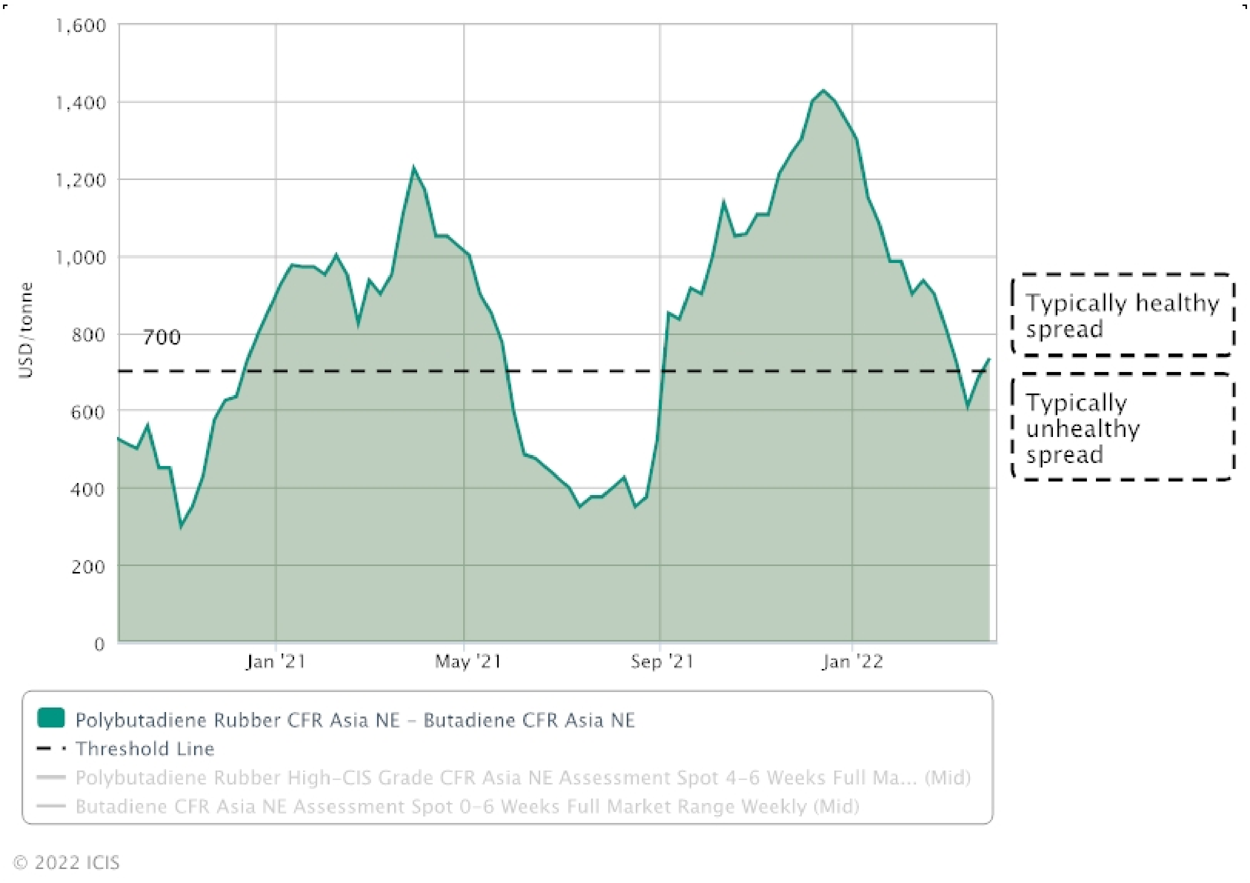
To minimise and side-step adverse situations like import shipment delays, some local end-users were also heard shifting to tap more heavily from the local supply pool, instead of purchasing fresh import cargoes.

UPSTREAM

Asian butadiene (BD) spot discussions were rangebound and subdued as buyers and sellers held fast to their divergent market outlooks. Sellers saw no selling pressure given low output stemming from reduced cracker operations, but buyers were also not in a rush to procure citing downstream affordability concerns.

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 climbed to 78% in the week ended 25 March, up from 76% in the week prior, market sources said.

Outside of China, spot supply remains tight, amid an unplanned outage in southeast Asia.

ANALYTICS

ICIS Outlook on Industrial Production (ex. Construction)

Global industrial activity has been compromised in the wake of the energy price shock following Russia's invasion of Ukraine. Global industrial output has been revised down to 3.8% from 4.1% year on year in 2022 by Oxford Economics, and Q1 is expected to grow by 2.3% year on year against an earlier forecast of 2.9%. The conflict has had a direct impact on the automotive, semiconductor, metal and other energy-intensive industries. Agriculture, although not part of industrial production, has also been affected because Russia and Ukraine are together responsible for about one-third of global trade in wheat and barley. Increasing commodity and energy prices are also expected to drive up the cost of manufactured goods. China accounts for 30% of global industrial production and this could be adversely affected as ICIS expects structural problems in the Chinese economy given tighter financial measures and renewed lockdowns. Chinese consumer spending is also expected to become more conservative which will dampen demand for various end uses, apart from daily essentials.

The US industrial output forecast has been revised down to 3.7% from 4.0% year on year in 2022 by Oxford Economics, which lowered its Q1 forecast by 0.9% to 3.5% year on year. Within manufacturing, weakness is expected in the domestic appliances, food production, automotive and textile sectors. If the Russia-Ukraine conflict is long and drawn out, the outlook for industrial production is likely to deteriorate further.

The EU industrial output forecast has been revised down to 2.3% from 3.0% year on year in 2022 by Oxford Economics, which lowered its Q1 forecast by 0.5% to 1.1% year on year. The motor vehicle and domestic appliance sectors continue to underperform. Market sentiment has taken a hit as well. The IHS Markit eurozone Manufacturing PMI was revised down to 58.2 in February from an initial estimate of 58.4. IHS Market said, "The latest survey data continued to highlight strong pricing power among price setters, with steep rates of both input cost and output price inflation persisting."

China's industrial output is expected to increase by 4.2% year on year in 2022, according to Oxford Economics, which lowered its Q1 forecast by 1.0% to 1.2% year on year. Renewed COVID-19 outbreaks in cities such in Guangdong and Suzhou will add to the disruption. Shenzhen, a manufacturing hub, will suspend further production. China's production index has been on a steady decline since March 2021 and a similar trend can be seen in China's new order index. The forecast for industrial output in India has been revised down to 4.8% from 7.5% year on year by Oxford Economics.

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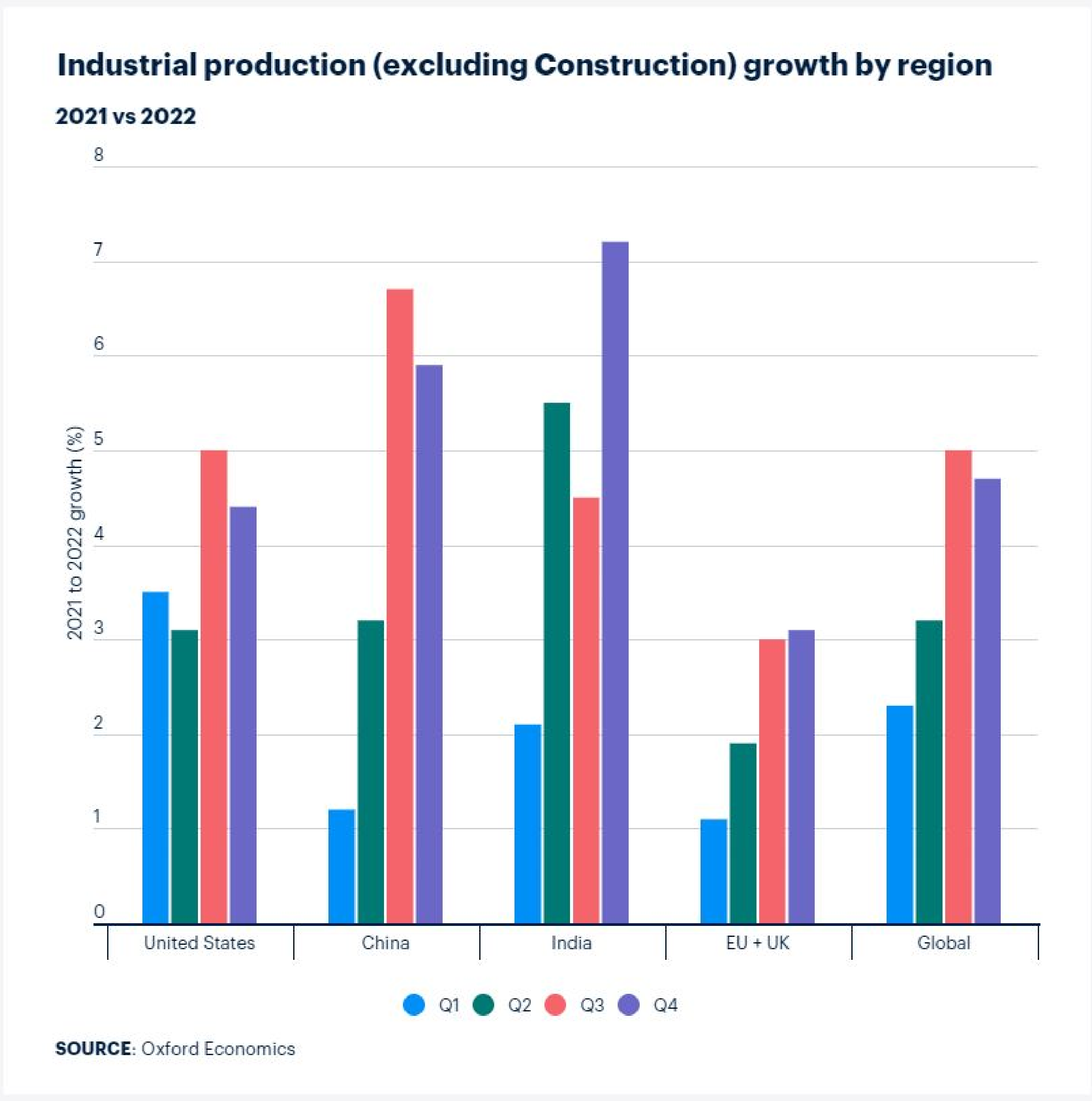
Industrial production (excluding Construction) growth by region
2021 vs 2022
2021 to 2022 growth (%)
8
7
6
5
4
3
2
1
0
United States
China
India
EU + UK
Global
Q1
Q2
Q3
Q4
SOURCE: Oxford Economics