



Polybutadiene Rubber (Asia-Pacific)

By Ai Teng Lim
30-Mar-2023

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

OVERVIEW

- **Dull demand**
- **Weak upstream also weighs down on offers**
- **Buy-sell gap hampers trade**

Spot discussions for Asian imports of polybutadiene rubber (PBR) remain under pressure as various demand factors loom.

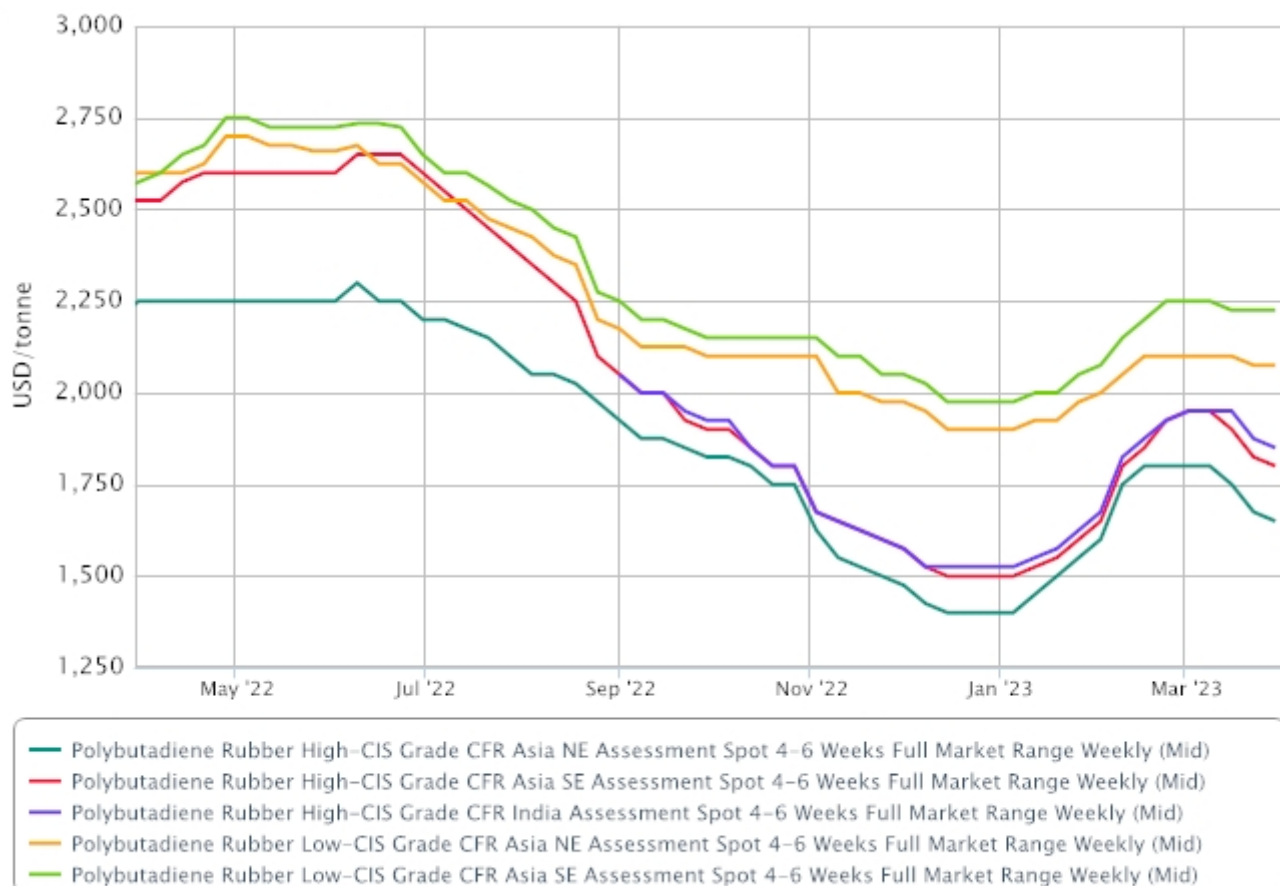
Downstream operations in southeast Asia are seasonally slower during the Muslim fasting month of Ramadan, which started in the previous week, and in India, market players said that import talks may pick up more pace only after the new financial year begins in April.

In China, the domestic market is still amply supplied and this continues to weigh down on the country's buying interest for imports.

End-users are also leaning towards using cheaper natural rubber to substitute synthetic rubbers including PBR.

Offers softened with weaker upstream [butadiene \(BD\)](#) values, but the discounts still fell below buyers' expectations.

Sellers said that spot availabilities are limited, after catering for contractual obligations and they saw no selling pressures to deepen discounts, especially when production margins are still not back to healthy levels.



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OUTLOOK

- Hopes are still high for H2 2023 [demand recovery](#) for auto sector
- [Macro-economic uncertainties](#) linger
- Buyers likely to stay cautious in the near term

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
Polybutadiene Rubber Low-CIS Grade						
CFR Asia NE	USD/tonne	n/c	2000.00-2150.00	n/c	2000.00-2200.00	90.72-97.52
CFR Asia SE	USD/tonne	-50	2150.00-2250.00	n/c	2200.00-2300.00	97.52-102.06
Polybutadiene Rubber High-CIS Grade						
CFR Asia NE	USD/tonne	n/c	1600.00-1700.00	-50	1750.00-1850.00	72.57-77.11
CFR Asia SE	USD/tonne	n/c	1750.00-1850.00	-50	1900.00-2000.00	79.38-83.91
CFR India	USD/tonne	n/c	1800.00-1900.00	-50	1900.00-2000.00	81.65-86.18

Northeast Asia

High-cis

CFR NE Asian prices were adjusted down at the high-end of the range, with lower selling indications heard. The low-end was kept unchanged, tracking stable domestic China market.

Domestic China prices were stable. Buying momentum was sufficiently healthy, but supply also lengthened with several local plants [returning](#) from prior maintenance closures.

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	11,000-11,200	11,000-11,200

Low-cis

There was limited discussions for low-cis trades, and assessments were kept unchanged as such.

Southeast Asia

High-cis

CFR SE Asian assessments were stable-to-soft, with high-end of the range down on lower selling indications heard.

Buying indications were capped at the low-end.

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

Mar 2023	(1-30) Feb 2023	Jan 2023	Dec 2022	Nov 2022	Oct 2022	Sep 2022
134.96	140.11	140.11	135.03	127.32	130.52	134.12

Low-cis

CFR SE Asian assessments were unchanged at the high-end of the range, with stable selling indications, while the low-end tracked softer buy-side indications.

India

The high-end of CFR India assessment was adjusted down to reflect lower offers from traders for NE Asia-origin cargoes.

Producer's indications were otherwise at 1,950/tonne and up, market sources said.

Buying indications were at the low-end.

UPSTREAM

BD

- Macroeconomic jitters weigh down on sentiment
- Downside pressures on offers increase
- Limited regional offers, but buyer eye deep-sea alternatives

The chart below shows the spread between butadiene and PBR.

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



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ANALYTICS

ICIS Downstream Outlook for Automobile

Global light vehicle production is forecast to be at 84m units in 2023, according to Oxford Economics. This is a 3.1% increase year on year but still down 4.8% from 2019 levels. Like construction, automotive demand hinges on interest rates or rates of borrowing. The current macro environment of increasing interest rates is leading to a certain level of demand destruction. In addition, supply shocks continue to impact production. Although chip availability has improved as compared with 2021, there is still a shortage when it comes to high-end chips.

In addition, car makers have readjusted their just-in-time strategies to maintain a certain level of inventory to ensure supply security. Auto companies consider chips a strategic material. Another priority includes improving relationships with Tier-I suppliers. To mitigate any further such disruption, countries are looking for ways to implement protectionist policies. For example, the US imposed restrictions on exporting chip making equipment to China last year. The Netherlands has followed suit, imposing export restriction on some of the advance semiconductor technology as well. Electric vehicles are a bright spot as countries adopt measures to boost their use through purchase subsidies, for example.

The north American auto industry remains in a weak spot. Production is improving but at a slow pace. After an encouraging January, US light vehicle sales fell by 6.2% in February month on month (still down 9.5% year on year compared with February 2019). Inventories remain low even though there has been a slight improvement over the past couple of months. The US, in an attempt to become more self-sufficient, announced plans to start

applications for the \$39bn semiconductor manufacturing subsidy programme. The plan also includes a provision for 25% investment tax credits for building chip plants.

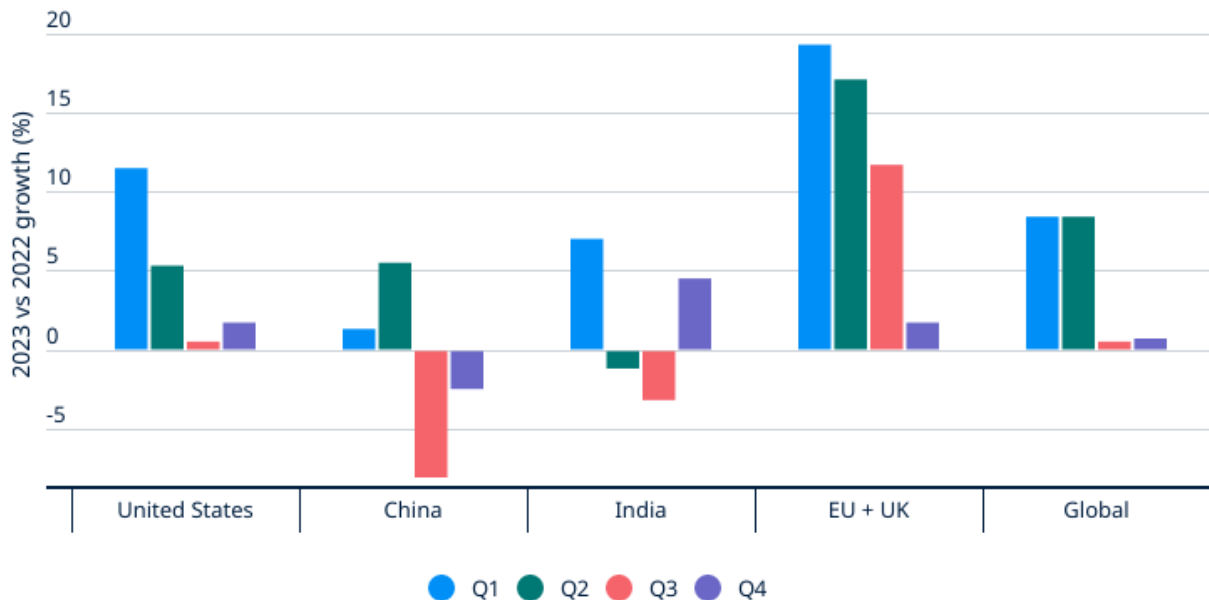
According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registration rose 11.3% in January year on year to 760,041 units. However, the increase is a function of a lower base. The association further reports that Spain posted the biggest gain (+51.4%) and Italy (+19.0%), followed by France (+8.8%). Germany, on the other hand, posted a 2.6% decline. The outlook for 2023 remains challenging (especially in the commercial vehicles sector) because of reduced industrial activity. As for chips supply security, in a press release dated 15 February 2023, the European Parliament set its negotiation position on two draft bills – the Chips Act and Chips Joint Undertaking – with an aim to increase the EU’s share in global production capacity of semiconductors to 20%. In addition to this, ACEA expressed its concern regarding investment leakage, stating: “Europe needs a strong response to the fundamental challenges posed by the US’s Inflation Reduction Act (IRA) and the risks it creates for ‘investment leakage’ out of the EU.”

Chinese automotive output is forecast to increase by 1.3% year on year in the first quarter and the second quarter is expected to see year-on-year growth of 5.5% , according to Oxford Economics. With the country reopening after three years of COVID-19-related restrictions, there has been an increased focus on raising domestic consumption. However, the actual impact is something we must wait and see to assess. Moreover, the "Two Sessions" meeting, held earlier this month, was attended by several key representatives, with the policy proposal focusing on the development of New Energy Vehicles (NEVs) and Intelligent Connected Vehicles (ICVs), including autonomous vehicles. Indian automotive output is forecast to increase by 7.0% in the first quarter year on year as a result of the festive season.

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Motor vehicle sector growth by region

2023 vs 2022



SOURCE: Oxford Economics

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