Styrene Butadiene Rubber (Asia-Pacific)

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

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

OVERVIEW

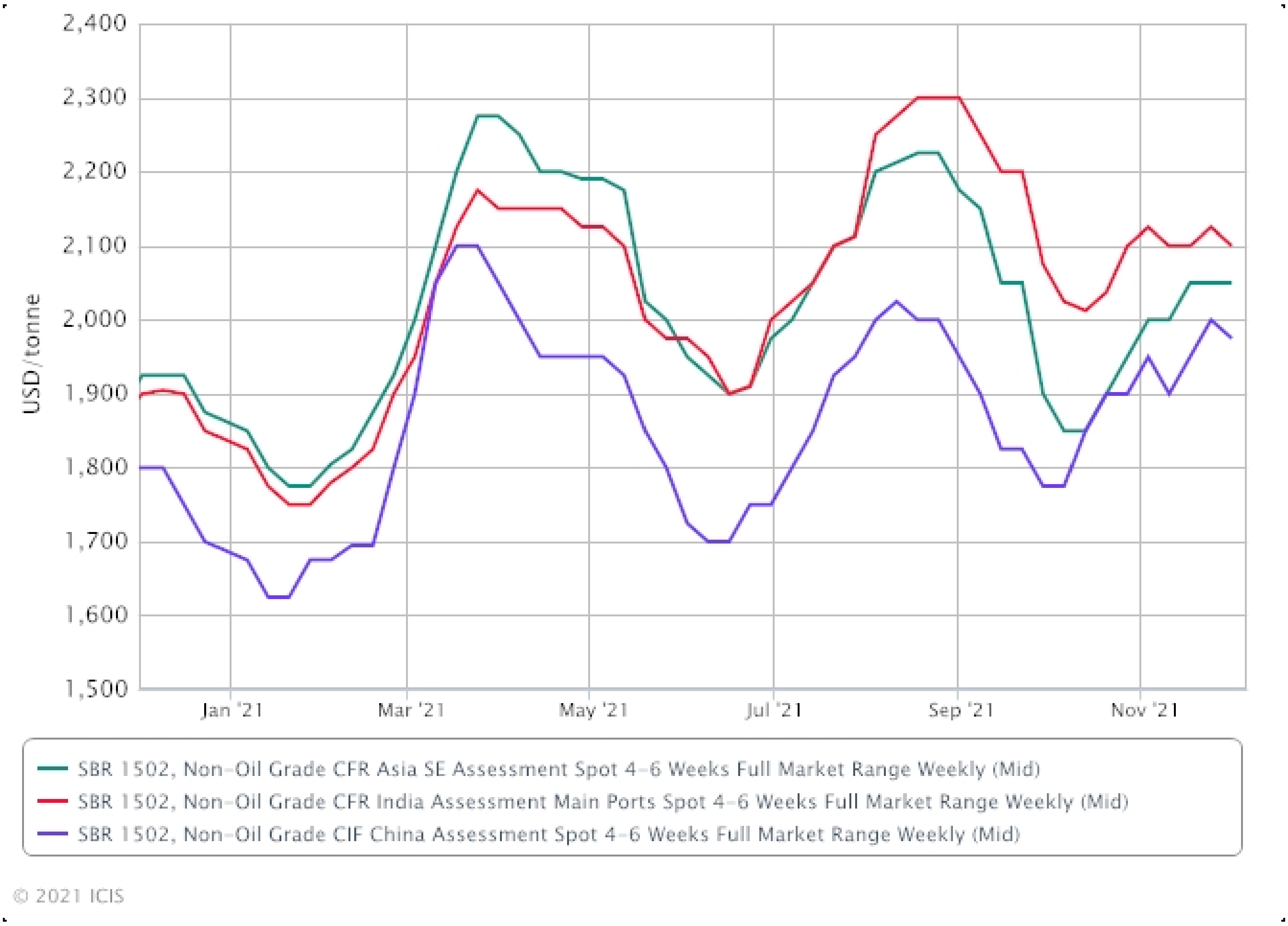
- **Spot talks slowed in China and India**
- **Buyers showing resistance as demand wanes**
- **Fresh uncertainties on coronavirus front**

Spot discussions were limited with demand slightly on the wane week on week, especially in China and India. In China, domestic prices have fallen, putting pressure on the import market.

In India, buyers were showing more resistance in the week, claiming that downstream demand has slowed. Some expect a price correction and as such, they were adopting a wait and see mentality. Discussions were range-bound in southeast Asia but demand was deemed to be lukewarm in the week.

On the supply side, some sellers insisted that supply is tight as their domestic demand were still brisk, making it harder to make export cargoes available. That said, others conceded that supply could be easing slightly because feedstock butadiene (BD) prices have lowered since late August and that may trigger more styrene-butadiene-rubber (SBR) production.

The automotive sector is still affected globally by chip shortage. Coupling that with the typical year-end lull, demand for SBR is expected to be hamstrung. There were also fresh fears on the coronavirus front, causing more uncertainties on demand.



OUTLOOK

- **Demand may remain subdued**
- **More supply possible**
- **New coronavirus variant likely to sideline market players**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1950-2000	-50	1900-2000	88.45-90.72
CFR Asia SE	USD/tonne	n/c	2000.00-2100.00	n/c	1950.00-2050.00	90.72-95.25
CFR India Main Ports	USD/tonne	n/c	2050.00-2150.00	-50	2100.00-2150.00	92.99-97.52
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1850-1900	-50	1800-1900	83.91-86.18
CFR Asia SE	USD/tonne	n/c	1900.00-2000.00	n/c	1850.00-1950.00	86.18-90.72
CFR India Main Ports	USD/tonne	n/c	1950.00-2050.00	-50	2000.00-2050.00	88.45-92.99

China

Spot discussions for non-oil 1502 grade were muted in the week with domestic prices suffering a drop. Sources said $2,000/tonne CIF China was probably the highest sellers could aim for. The high end was adjusted accordingly.

CIF China assessments for the oil-extended 1712 grade were adjusted in line with changes seen for the 1502 grade.

East China domestic SBR 1502 prices

Price (CNY/tonne)	1 December	24 November
E China Ex-Warehouse	12,900-13,100	13,300-13,500

Southeast Asia

Southeast Asian import prices for both the non-oil 1502 grade and the oil-extended 1712 grade were kept unchanged, amid limited spot talks and rangebound buy-sell indications heard.

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

Dec (1) 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021
178.40	175.65	174.39	163.23	172.67	164.32	164.51	169.09

India

Import prices in India for non-oil 1502 grade were assessed lower on average with spot demand slowing. The high end was adjusted down on lower sell indications.

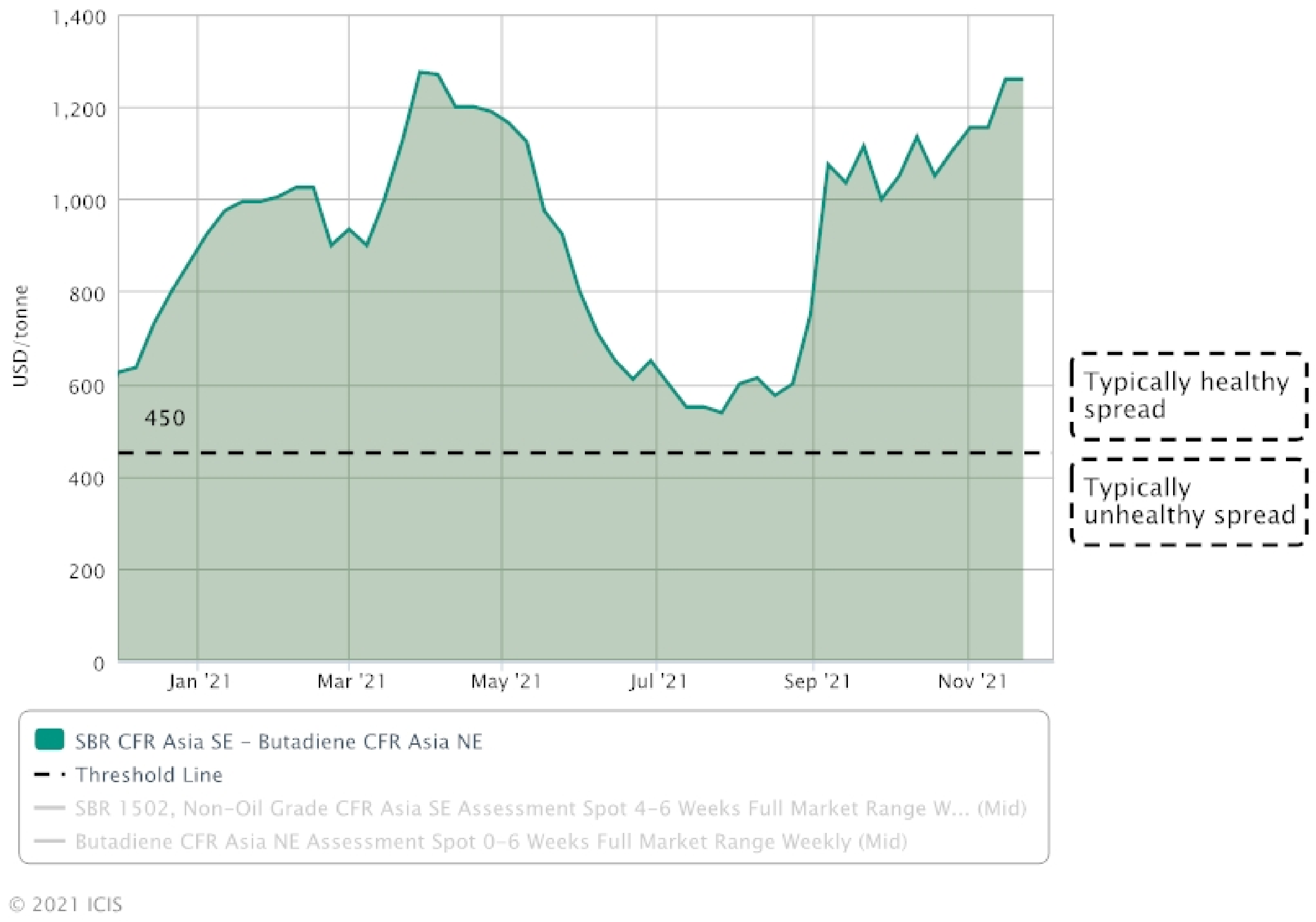
CFR Indian prices for the oil-extended 1712 grade were adjusted in tandem with the 1502 grade assessment.

UPSTREAM

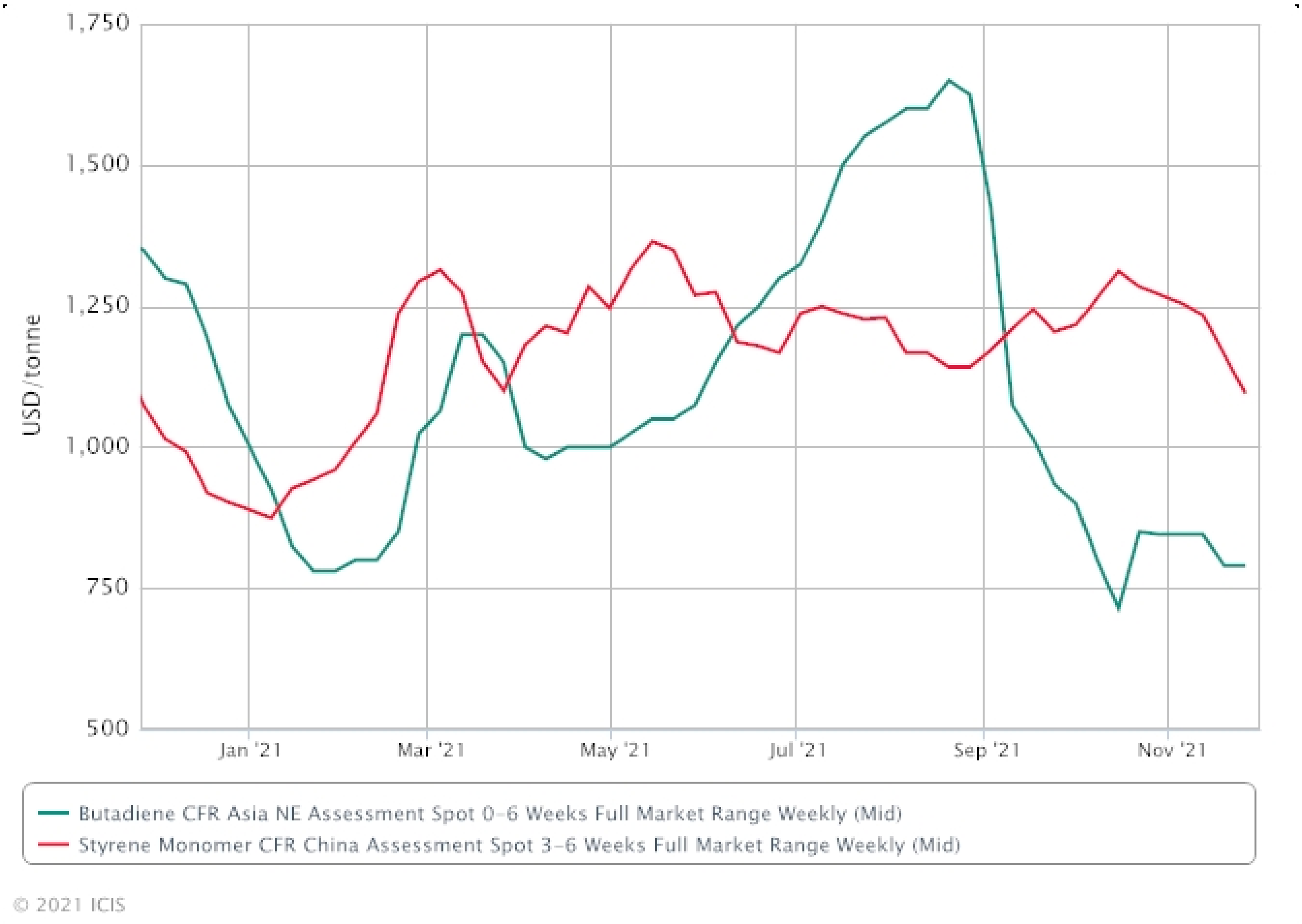
Asian **butadiene (BD)** spot prices are stable on rangebound, but muted, discussions, as the buy-sell gap remains wide in an over-supplied market.

The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia



Asian **styrene** prices softened on persistently weak market sentiment in domestic China, against a backdrop of falling futures prices and overall lacklustre downstream styrenics demand during the month-end closing.



PRODUCTION

In China, average operating rates of local SBR plants were at 91% in the week ended 26 November, one percentage point higher than that seen in the week prior, market sources said.

Outside of China, SBR spot availability is also poised to grow and stabilise, now that regional plant turnarounds have been completed.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

In Europe, the automotive demand outlook is weak.

In the US, upstream butadiene (BD) production issues is said to be ending.

ANALYTICS

ICIS Butadiene Outlook

US BD consumption is estimated to hit about 1.7m tonnes in 2022, which is below pre-pandemic levels. The automotive production crunch may last into H1 2022 at the earliest and contribute to weaker BD derivative demand. Apart from the chip shortage, a shortage of magnesium in China poses another threat to the global car industry. Magnesium is used in the production of aluminium alloys, which have a number of applications in vehicle manufacture.

There is uncertainty surrounding the BD outlook for Europe in 2022. With activity at the cracker in Porto Marghera, Italy, brought to a halt, crude C4 cargoes will no longer be shipped to Ravenna to feed Versalis' BD extraction unit which has a capacity of 140,000 tonnes/year. Although Sabic's cracker in Wilton, UK, will see commercial production restored by the end of 2022, its BD unit may remain permanently closed. Supply chain disruptions may materialise as a result. BD demand is forecast to grow at a slower rate next year, by about 6% on 2021, but consumption this year is expected to increase by almost 11% on 2020.

ICIS analysts estimate relatively sizeable growth in BD demand in 2022, up by 12% on 2021, at around 4.3m tonnes. Next year, BD derivative capacity additions will amount to about 895,000 tonnes/year, and new BD capacity will hit about 320,000 tonnes/year. With demand outpacing production, China will remain a net BD importer. A new 70,000 tonne/year standalone BD unit in Batangas in the Philippines and owned by JG Summit may help to cover some of China's BD shortfall in 2022.

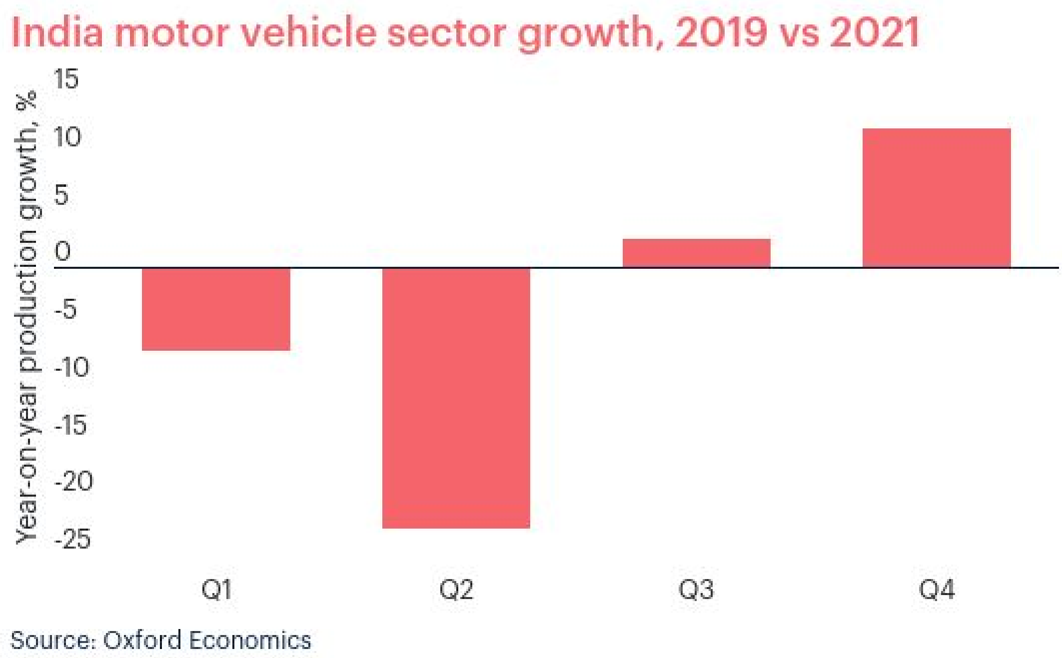
By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

ICIS Downstream Automotive Demand Outlook

The global automotive industry is still struggling to make up for pandemic-induced losses, with Q3 production down by 13.2% year on year, and Oxford Economics predicting that Q4 will be down by 6.5% compared with Q4 2019. Global vehicle production growth is not expected to return until Q3 2022, with chip supply expected to remain tight through 2022. Even Jean-Marc Chery, CEO of STMicroelectronics predicted that, "…we will return to a normal situation… not before the first half of 2023." Chip makers are also heard to favour consumer electronics over cars because of higher volumes and better margins. The industry's just-in-time (JIT) procurement strategy has added to the pressure. However, it is not all doom and gloom as vehicle chip suppliers such as Infineon and Bosch are ramping up capacity. Many countries are also now looking at chips as a strategic material and the industry is now receiving government support. Rising electric vehicle penetration will also push car makers up the chip pecking order because more advanced chips (with higher margins) will be required. However, car makers will need to readjust JIT strategies to ensure supply of security, as well as improving relationships with their Tier-1 suppliers.

The auto industry in China is also struggling. It currently has an inventory coefficient of 1.24 – with anything below 1.5 considered a dangerous level. In addition to severe supply disturbances, the regulator in China is cracking down on chip suppliers who are accused of price gouging. The outlook for the Indian automotive market is mixed. It was already under pressure after several manufacturers exited the country citing low sales. India's Federation of Automobile Dealers Associations (FADA) reported that the inventory level had slumped to a record low of 15 to 20 days. According to a FADA survey, 45.0% of respondents had a neutral outlook for the Indian auto market, with positives and negatives split with 27.5%. India's personal vehicle and tractor sectors are outperforming, growing by 30% and 39% in September respectively from September 2019. The chip shortage has hit Bajaj Auto's export market.

By **Jincy Varghese**, ICIS demand analyst (jincy.varghese@icis.com)



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