



## Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim  
04-Aug-2021

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

### OVERVIEW

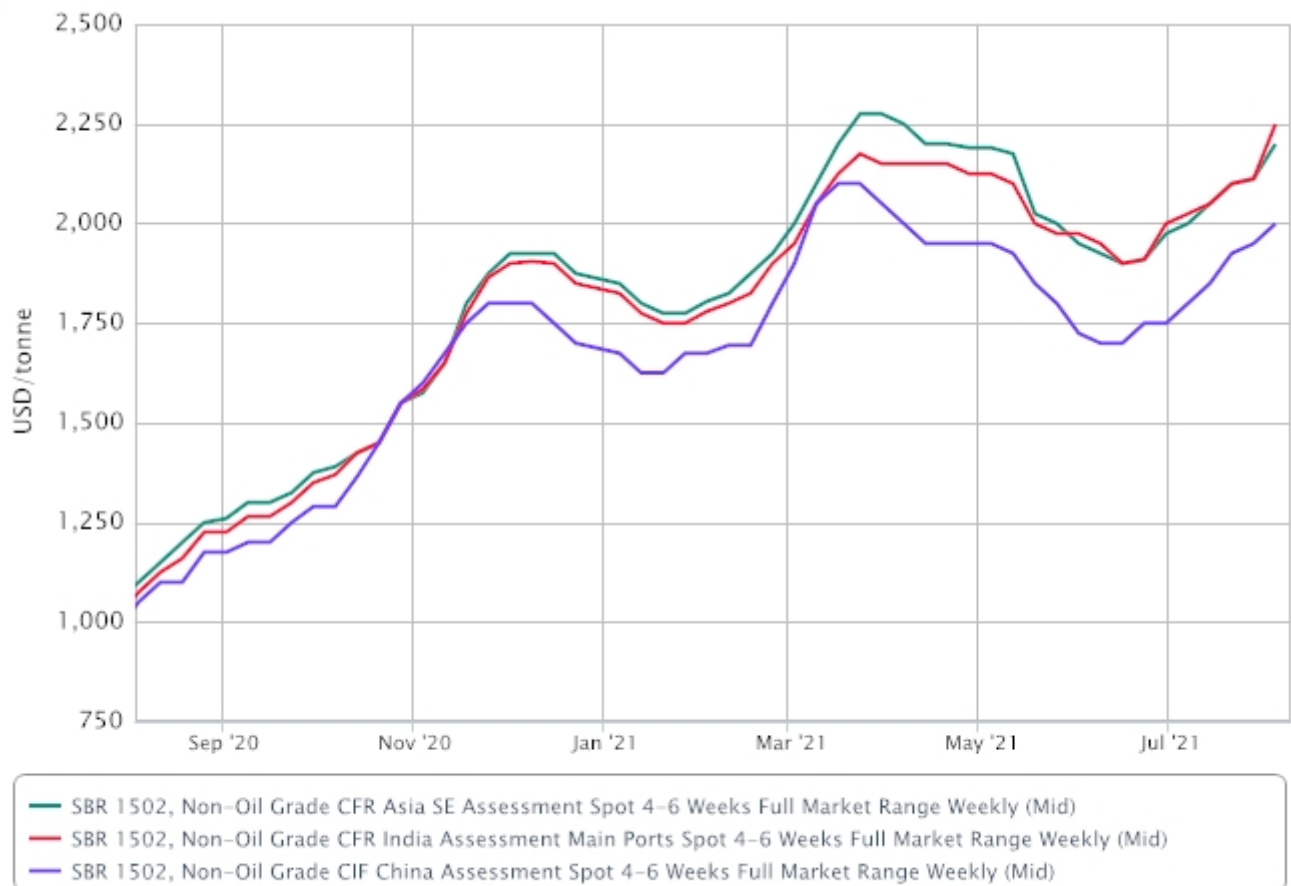
- **Offers up with upstream cost hikes**
- **Demand also improved in India**
- **Some limited buying in SE Asia but China slow**

Asian import offers for styrene-butadiene-rubber (SBR) were bolstered mainly by recent sharp gains seen in the upstream butadiene market. Demand also improved in India to drive a firmer uptrend there, compared to other regional outlets.

In contrast to India, buying tempo for SBR imports is comparatively slower in southeast Asia, where several outlets, like Malaysia, Indonesia and most recently [Vietnam](#), are still battling the raging pandemic.

And in China, import talks were distinctly even more subdued, in part because domestic demand is seasonally weaker during summer, and for those who may still need to procure at this juncture, they can tap readily on the amply-supplied local market for materials, market players said.

The local China market is also more competitively priced, than imports, as domestic yuan-denominated prices for SBR had softened by at least 7% since mid-July, market sources said.



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## OUTLOOK

- Offers may stay supported on sustained upstream cost push
- Demand likely to pick up more with [factory output recovery](#) in India
- China's import appetite may shrink further

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>SBR 1502, Non-Oil Grade</b>						
<b>CIF China</b>	USD/tonne	n/c	1900-2100	+100	1750-1850	86.18-95.25
<b>CFR Asia SE</b>	USD/tonne	+75	2150.00-2250.00	+100	1950.00-2050.00	97.52-102.06
<b>CFR India Main Ports</b>	USD/tonne	+125	2200.00-2300.00	+150	1950.00-2100.00	99.79-104.33
<b>SBR 1712, Oil-Extended</b>						
<b>CIF China</b>	USD/tonne	n/c	1800-2000	+100	1650-1750	81.65-90.72
<b>CFR Asia SE</b>	USD/tonne	+75	2050.00-2150.00	+100	1850.00-1950.00	92.99-97.52
<b>CFR India Main Ports</b>	USD/tonne	+125	2100.00-2200.00	+150	1850.00-2000.00	95.25-99.79

**China**

CIF China prices for the non-oil 1502 grade were assessed stable-to-firm, with the high-end lifted in line with elevated selling targets heard among foreign suppliers.

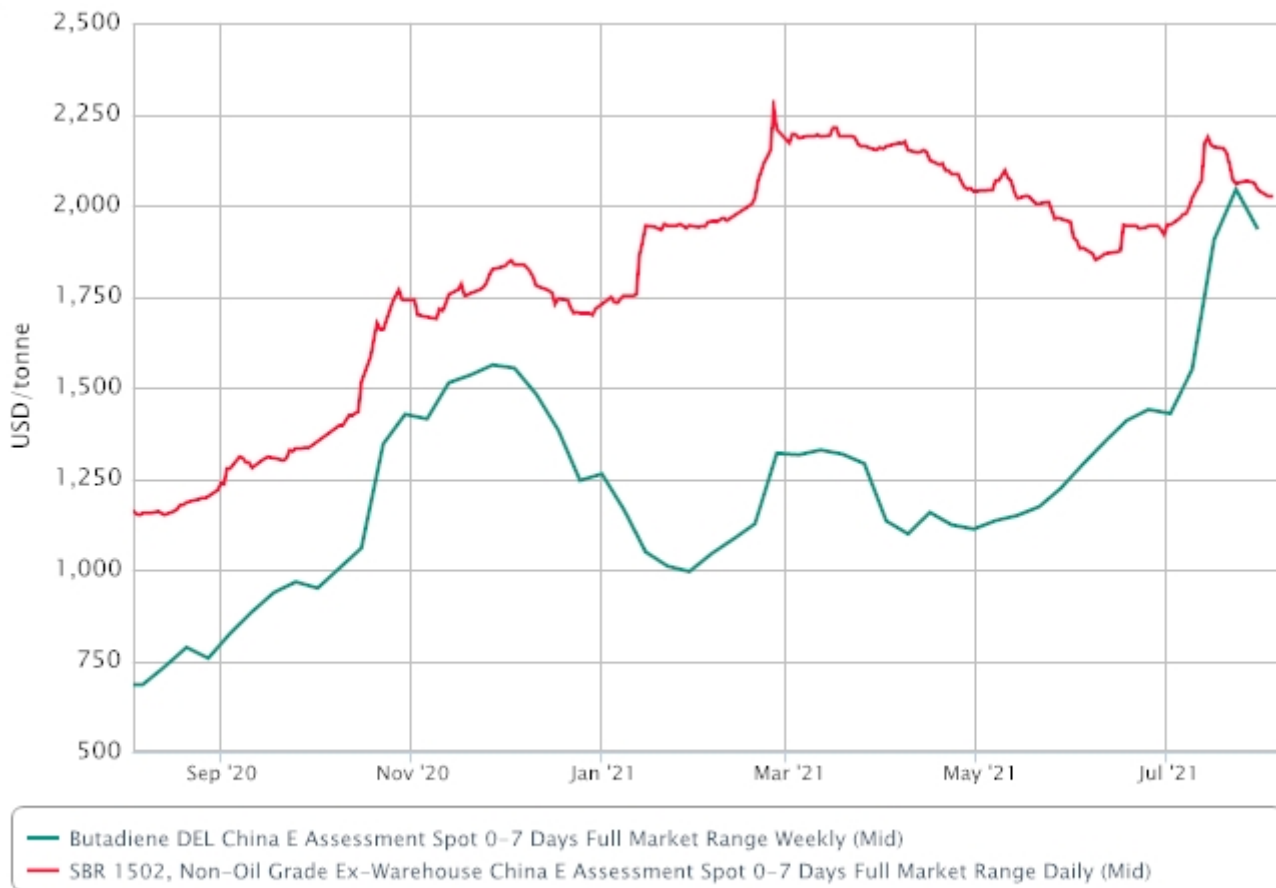
But no import deal materialised with China users amply supplied by domestic materials. The latter also kept to distinctly bearish buying indications for imports, citing poor downstream off-take of their finished products.

CIF China prices for the oil-extended 1712 grade were adjusted up on the high-end, tracking changes in the 1502 grade, in the absence of any concrete discussions.

Domestic China prices of the 1502 grade materials extended losses, tracking declines seen in the yuan prices for feedstock butadiene.

**East China domestic SBR 1502 prices**

Price (CNY/tonne)	04 Aug	28 July
E China Ex-Warehouse	13,000-13,200	13,300-13,500



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**Southeast Asia**

CFR southeast (SE) Asian prices for non-oil 1502 grade were assessed up, taking into account firmer buy-sell pricing indications heard.

The low-end is lifted with some deals heard, and high-end captures offers heard.

A northeast Asia-origin 1502 grade cargo was heard sold for prompt shipment at a level higher than the published range, but excluded as the delivery window is outside of assessment criteria.

Assessments for the oil-extended 1712 grade is also adjusted in line with changes seen in the 1502 grade assessments, in the absence of any concrete business.

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

Aug (1-4 ) 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020	Nov 2020	Oct 20 20	Sep 2 020
170.10	163.82	164.51	169.09	164.72	175.25	169.16	158.41	157.61	156.50	152.31	136.85

### India

CFR Indian prices for non-oil 1502 grade spiked with firmer discussions heard.

Offers were at \$2,300/tonne CFR India and up, and this forms the high-end, while buying indications were heard at the low-end.

Some volumes were heard sold in the published range.

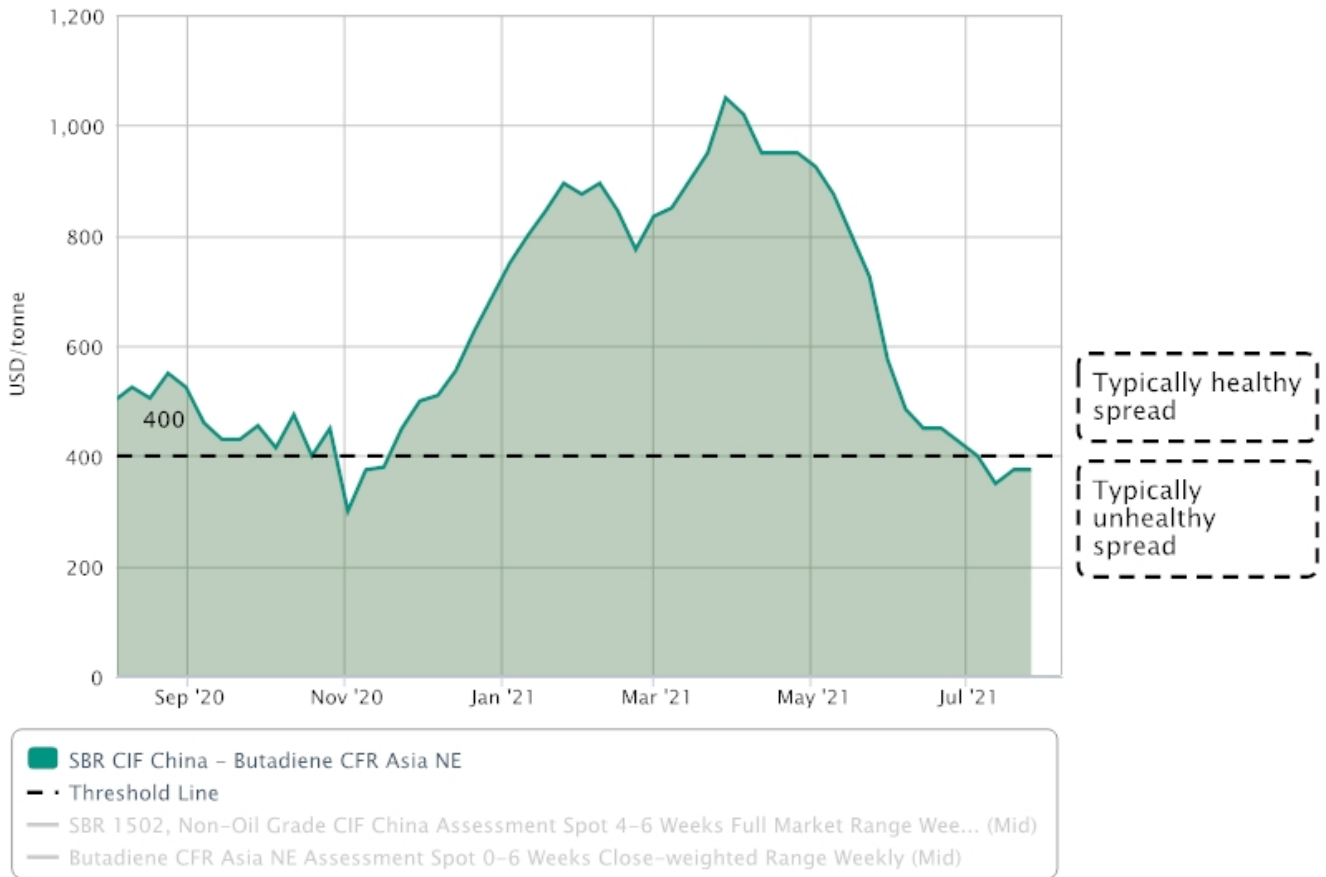
CFR Indian assessments for the oil-extended 1712 grade was up in tandem with changes for the 1502 grade, in the absence of concrete 1712 business.

### UPSTREAM

Asian **butadiene** (BD) discussions continue to scale up, supported by strong arbitrage window to the US. But intra-Asian trade liquidity is curbed by weak derivative margins.

The chart below shows the spread between butadiene and SBR.

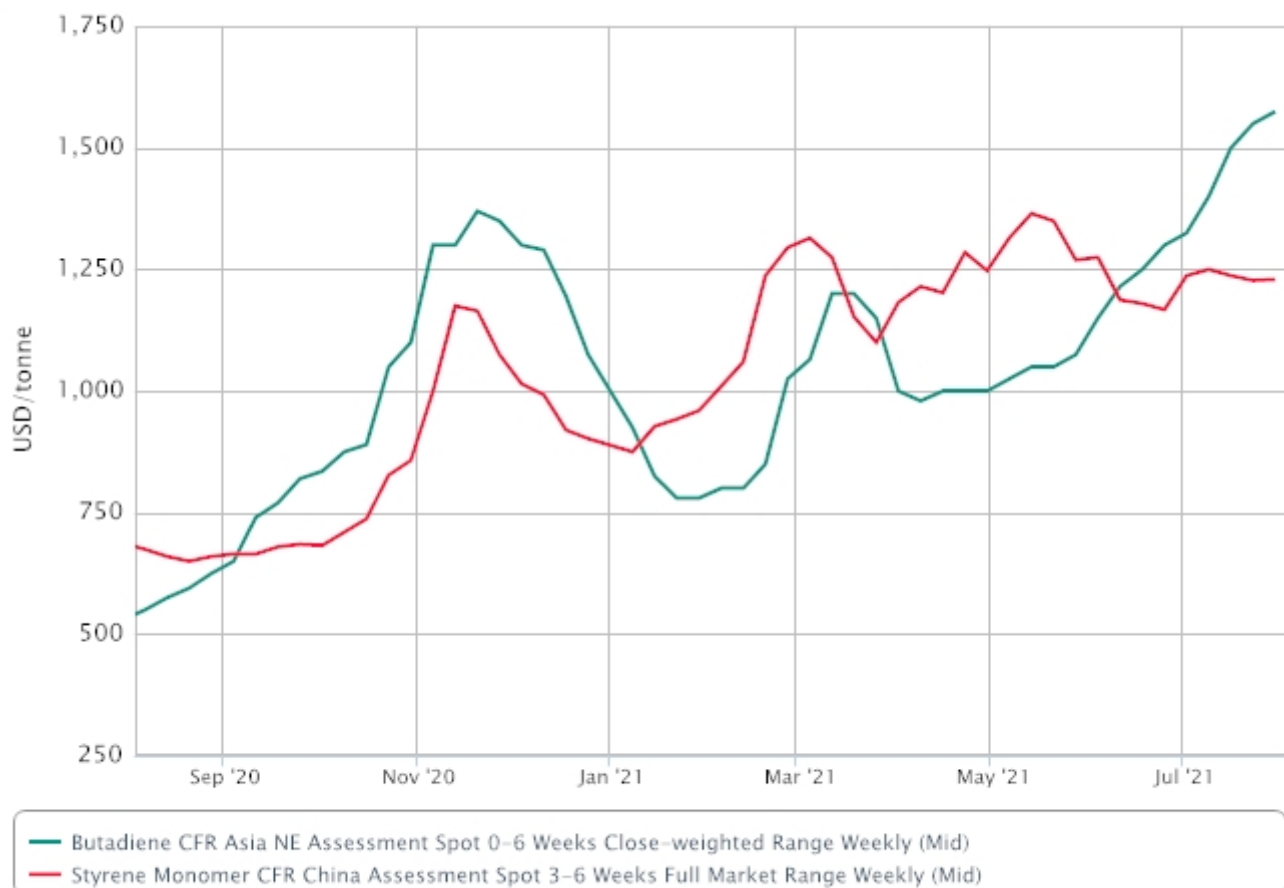
[Downstream spread – butadiene and SBR NE Asia](#)



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Asian **styrene** trading range for the market narrowed week on week on the back of thin liquidity as participants sought to find a clearer outlook for both August and September, as mixed market signals persisted in line with earlier expectations.

For H2 2021 outlook, the impact of [rising Chinese SM supply](#) may be mitigated by turnarounds and demand will remain the wildcard.



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## DOWNSTREAM

### ICIS Downstream Automotive Demand Outlook

The global automotive industry is not out of the woods yet and is still struggling to make up its pre-pandemic losses. Production of motor vehicles in Q2 was down by 10% and is expected to be down by 4% in Q3 2021 (compared to 2019 levels). Growth is expected to return only in Q4 2021 (Oxford Economics). Renewed (and mutated) virus outbreaks in Europe and the US have the potential to disrupt supply again, so reaching pre-pandemic levels is still a long way off. There are multiple factors weighing on business, including supply-chain disruptions and structural changes to demand. Some of the weakness predates the coronavirus crisis, with environmental concerns prevalent globally. Short- to mid-term demand still looks gloomy on the back of high unemployment and lower disposable income. In most emerging economies, four-wheeler ownership is classified as a luxury rather than a necessity.

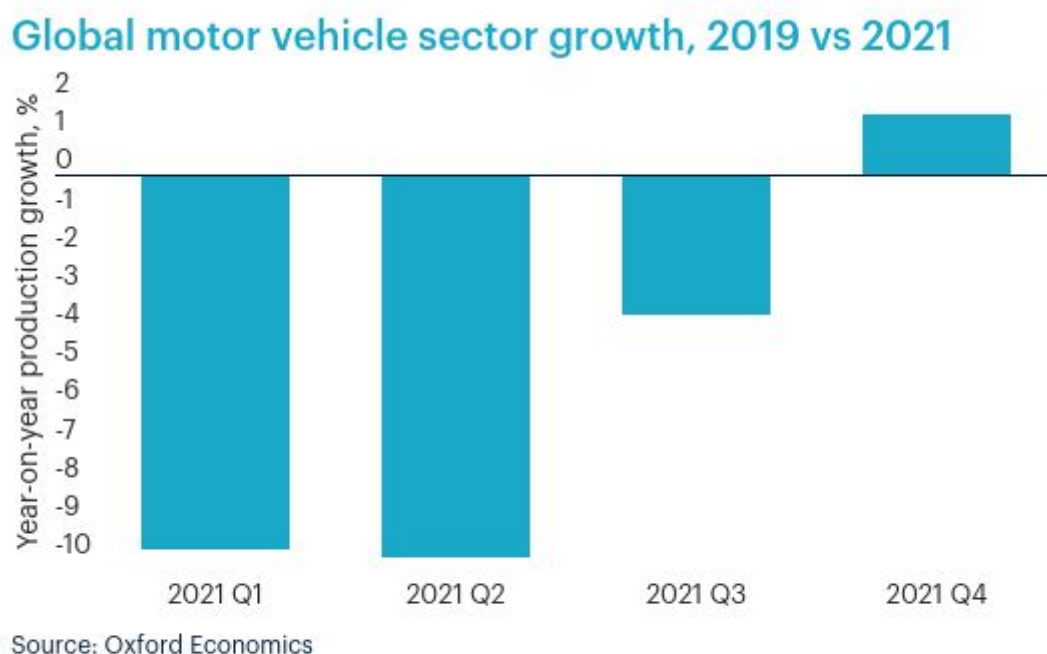
In June, US light vehicle sales were down 10% month on month. The producing nation has still not fully recovered from pre-pandemic lows (LV sales are down by 11% in June year on year, compared with 2019). The inventory-to-sales ratio in May was reported at a record low of 0.796. The industry continues to be beset by numerous obstacles, spanning supply-chain disruption of critical auto components to polymer resin. The shortage of semiconductor chips continues to adversely impact the sector, resulting in production cuts. Moreover, concerns remain over the more contagious Delta variant of coronavirus, including the efficacy of vaccines on mutated strains, with the potential to severely impact the industry.

According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registrations increased by 10.4% in June compared with same month last year. The Association further reports that Germany posted the biggest gain with a 24.5% increase, followed by Spain (+17.1%) and Italy (+12.6%). In France, by contrast, passenger car sales contracted (-14.7%) in June. Commercial vehicle registration, on the other hand,

reported a triple-digit gain, on account of the extremely low base in 2020. There are concerns about balance sheets, with some producers struggling to survive in the short term. Long-term investments for trends including tightening emission standards, a growing push to electrify and increasing shared car ownership have already left firms cash strapped. In the context of the EU's ambitious *Fit for 55* climate policy (which aims to reduce net greenhouse gas emissions by at least 55% by 2030), Eurozone car makers are preparing for structural change. However, there is a degree of scepticism among manufacturers regarding mandatory targets for ramping up the charging and refuelling infrastructure for electric vehicles.

China is the only major economy in world experiencing positive year-on-year growth for H1 2021 (compared with 2019), never having really lost any ground to the pandemic. Moreover, the Chinese government's policy of supporting the development and sale of new energy vehicles (NEV) is expected to add to the momentum. For example, China has extended the subsidy on NEVs until 2022 whereby vehicles remain exempt from purchase taxes. India, on the other hand, still has a long way to go. After a terrible Q1 and Q2 2021, Q3 is showing marginal growth, with recovery only expected from Q4.

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



## PRODUCTION

In China, average operating rates of local SBR plants rose by one percentage higher-on-week to 79% for the week ended 30 July, market sources said.

But with the major 250,000 tonnes/year Sinopec Qilu plant in Shandong [shut](#) from 31 July for maintenance till H2 September, market players said that this could weigh in on China's near-term SBR operating rate.

Click [here](#) for the Asian SBR Live Disruption Tracker.

## OTHER REGIONS

In Asia, South Korea plans to raise from next year, [investments](#) in various industries including the semiconductor sector, the country's economic and finance ministry said in late July.

But meanwhile, the global chip shortage persisted and in the US, the automaker General Motors is heard looking to [adjust](#) its production due to chip constraints.

But in the US, [replacement tyre demand](#) is on the rise, and expected to fuel a rebound of the tyre industry, according to the US Tire Manufacturers Associations (USTMA).

SBR supply in the US is also expected to remain [tight](#) in H2 2021 on supply constraints of feedstock BD.

In Europe, its auto sector is gripped by [supply chain woes](#), which may hold back the industry from meeting projected demand in H2 2021.

## ANALYTICS

### ICIS Crude Outlook

The price of Brent rose in July, primarily due to strongly positive sentiment drawing from the continued success of global COVID-19 vaccination programmes, as well as improved demand due to the usual summer seasonality. Looking forward, some countries in southeast Asia and Europe are experiencing a rise in coronavirus cases which could hamper economic and oil demand growth. However, as long as rising cases do not lead to widespread lockdowns, the overall oil demand outlook is positive for the rest of the summer in the US and Europe, as the driving season will likely be much stronger than usual this year, helping to lift core oil products demand. On the supply side, OPEC+ will gradually release an extra 2m bbl/day oil between August and December 2021, with further increases expected in early 2022. The US and Iran continue their discussions over a nuclear deal – should a deal be agreed, up to 1.5m bbl/day of additional oil could be supplied into the market by Iran.

By **Ajay Parmar**, ICIS senior analyst; [ajay.parmar@icis.com](mailto:ajay.parmar@icis.com)

### ICIS Naphtha Outlook

The price of naphtha rose in July, in line with crude. Asian ethylene-naphtha spreads have recovered somewhat in recent weeks, and naphtha remains the feedstock of choice for petrochemical producers. The Singapore gasoline crack spread also rose above \$8/bbl for the first time in at least three months, indicating strong gasoline demand, helping to further raise naphtha demand in the region. The risk of further lockdowns in southeast Asian countries due to the rise in COVID-19 infections still exists though, which could dampen naphtha demand as a gasoline blendstock. Supply of naphtha from Asian refineries will rise over the medium term. China's oil refining throughput is expected to reach above 15m bbl/day by January 2022 following the start-up of new refining capacity in the country. The Europe LPG-naphtha spread has widened significantly in recent weeks, with as high as \$28/tonne recorded in mid-July. This is primarily due to low supply of propane leading to an unusual summer price spike. Looking forward, this spread may continue to remain wide if LPG prices remain elevated.

By **Ajay Parmar**, ICIS senior analyst; [ajay.parmar@icis.com](mailto:ajay.parmar@icis.com)

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