



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
10-Nov-2021

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

OVERVIEW

- **SE Asia stable**
- **Other regions mostly stable-to-soft**
- **Buy-sell gap widen**

Asia's spot prices for styrene-butadiene-rubber (SBR) were mostly stable-to-soft in the region, and a widening buy-sell gap weighed in on spot trade liquidity in some outlets.

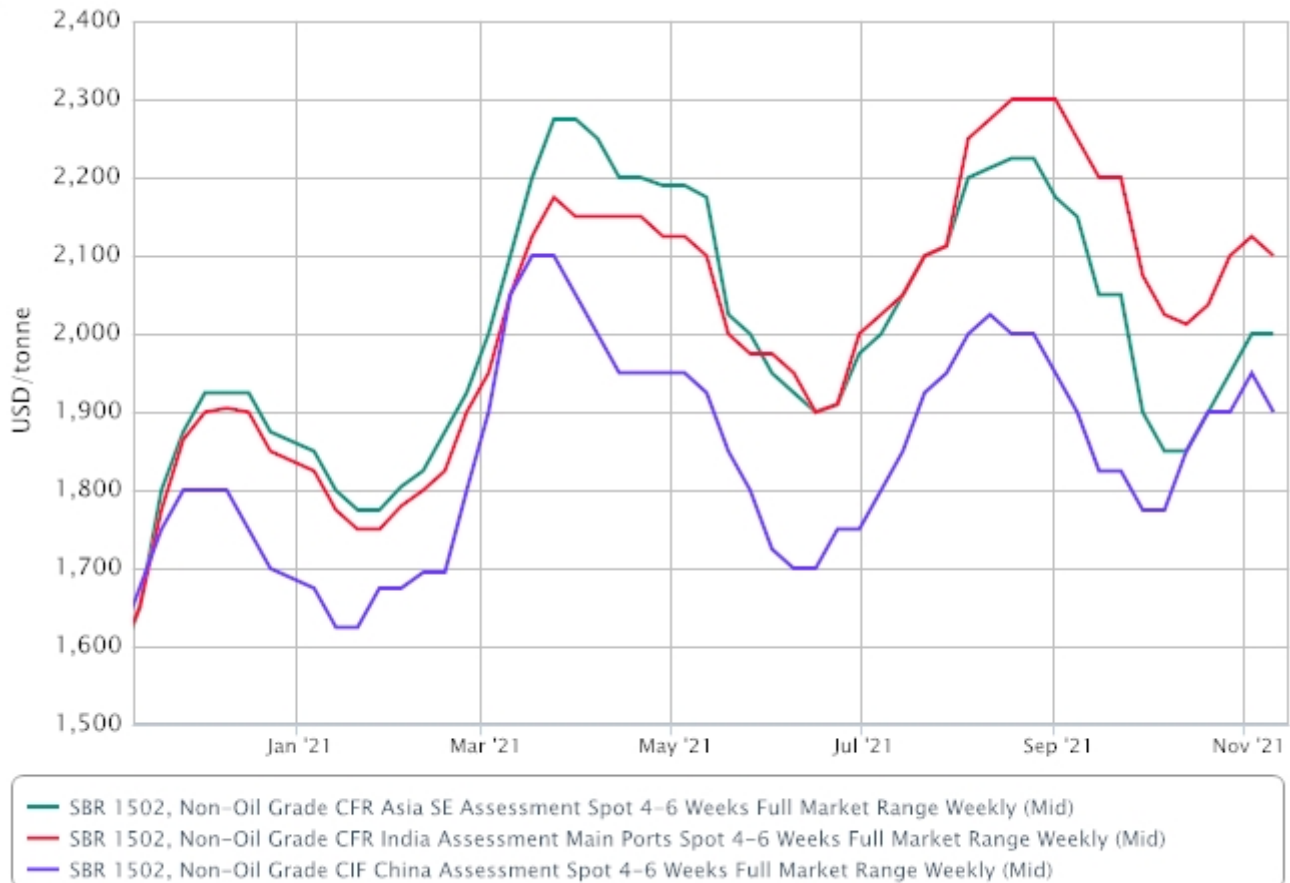
Demand is generally healthy in southeast Asia, where more downstream factories are ramping up production to compensate for earlier output losses incurred during the various lockdown periods.

But even as requirements are positive, market players said that end-users were generally cautious and resistant to import offer hikes, citing persistent uncertainties about the longer term global economic well-being.

The picture is similar in India, where some end-users were heard prepared to cut back on import bookings if offers are raised, citing longer-term affordability concerns. Some were heard also turning to procuring domestic products instead to side-step logistical constraints such as shipment delays.

In China, buying tempo for US-dollar-denominated imports was also weighed down by downtrend seen in the domestic yuan-denominated market.

[Falling auto sales](#) in China also accentuated concerns about longer term demand outlook for SBR, which is heavily dependent on auto sector applications.



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OUTLOOK

- **Regional supplies may lengthen as more plants are restarted**
- **Demand in wider Asia may grow on post-pandemic production recovery**
- **But uncertainties prevail on demand outlook in China**

ICIS analyst view on butadiene (BD)

We expect weak fundamentals in the Chinese domestic market in November amid import arrivals and tank tightness in coastal China, which should result in lower buying appetite for imports. The startup of Shouguang Luqing's 800,000 tonne/year unit will also pressure the market.

However, ICIS expects that higher BD demand in China - due to easing power rationing and the startup of new derivatives projects - as well as possible production cuts at some Asian crackers on squeezed margins will ease the pressure.

Several new latex projects and one ADN project are due online in Q4 2021 and Q1 2022 in China, and Chimei is going to lift the run rate at its ABS plant in Fujian that started up in September.

However, delays of the projects are possible amid increasing COVID-19 infections in China and typical industrial production restrictions in winter due to environmental concerns. The squeezed margins of NB latex amid rising supply may reduce interest for the new NB latex projects.

Additionally, stricter restrictions are expected in January and February 2022, as Beijing will host the Olympic Winter Games from 4-20 February. It is estimated to have a bigger impact on BD derivatives and end-user tyre makers rather than on BD production.

By **Ann Sun** (ann.sun@icis.com)

For more information about analytical content, click [here](#).

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	-50	1850-1950	-50	1800-1900	83.91-88.45
CFR Asia SE	USD/tonne	n/c	1950.00-2050.00	n/c	1800.00-1900.00	88.45-92.99
CFR India Main Ports	USD/tonne	-50	2050.00-2150.00	n/c	1950.00-2075.00	92.99-97.52
SBR 1712, Oil-Extended						
CIF China	USD/tonne	-50	1750-1850	-50	1700-1800	79.38-83.91
CFR Asia SE	USD/tonne	n/c	1850.00-1950.00	n/c	1700.00-1800.00	83.91-88.45
CFR India Main Ports	USD/tonne	-50	1950.00-2050.00	n/c	1850.00-1975.00	88.45-92.99

China

CIF China prices for the non-oil 1502 grade fell, alongside softer buy-sell pricing indications heard.

Some sellers priced down import offers to keep in pace with recent losses seen in the domestic yuan-denominated market.

Domestic supplies in China also rose, as local SBR plants ramped up operations after the prior "dual control policy" aimed at regulating energy consumption eased somewhat in recent weeks, market sources said.

This also curbed in turn China's buying interest for US-dollar denominated imports.

CIF China assessments for the oil-extended 1712 grade are also adjusted down, in line with changes seen in the 1502 grade assessments.

Domestic China prices of the 1502 grade materials continued to trend down, tracking prior losses seen in the upstream butadiene market.

East China domestic SBR 1502 prices

Price (CNY/tonne)	10 November	3 November
E China Ex-Warehouse	12,900-13,000	13,200-13,300

Southeast Asia

CFR southeast (SE) Asian prices for the non-oil 1502 grade held steady on range-bound indications.

Demand was healthy, supported by recovery in downstream production tempo, after more coronavirus-related restrictions were lifted across the region.

Some deals were heard within the assessment range.

Import offers were also supported on spot supply limitations, with some plants still shut on turnarounds.

But sellers' efforts to raise import offers were met with lukewarm response as buyers were heard generally cautious and unwilling to pay more for cargoes, given lingering reservations about how key downstream sectors like the auto market will pan out in the near future.

CFR SE Asian prices for the oil-extended 1712 grade are also kept unchanged with the stable 1502 grade assessments.

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

Nov (1-10) 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
171.05	174.39	163.23	172.67	164.32	164.51	169.09	164.72	175.25	169.16	158.41

India

CFR India prices for the non-oil 1502 grade are assessed in a wider range, with the low-end dropped to reflect more subdued buy-side pricing sentiment.

Substantive requirements in India for various synthetic rubber grades were heard still relatively positive, supported by steady recovery of its auto sector operations.

But Indian-based end-users were resistant to higher import offers of Asia-origin cargoes, citing availabilities of much more competitively priced deep-sea origin materials.

CFR Indian assessments for the oil-extended 1712 grade were adjusted down on the low-end, tracking changes for the non-oil 1502 grade assessments.

Although no concrete spot transaction was heard in the week for 1712 grade materials, market players said that buying interest for 1712 grade imports were generally more active recently, given local production constraints stemming from shortage of some requisite raw materials.

UPSTREAM

Asian **butadiene (BD)** market is flat, with spot trade liquidity curbed by a wide buy-sell gap. Sellers held firm to existing offers citing need to protect cracker margins, while buyers remained confident that supply is structurally long and as such kept to more bearish buying indications.

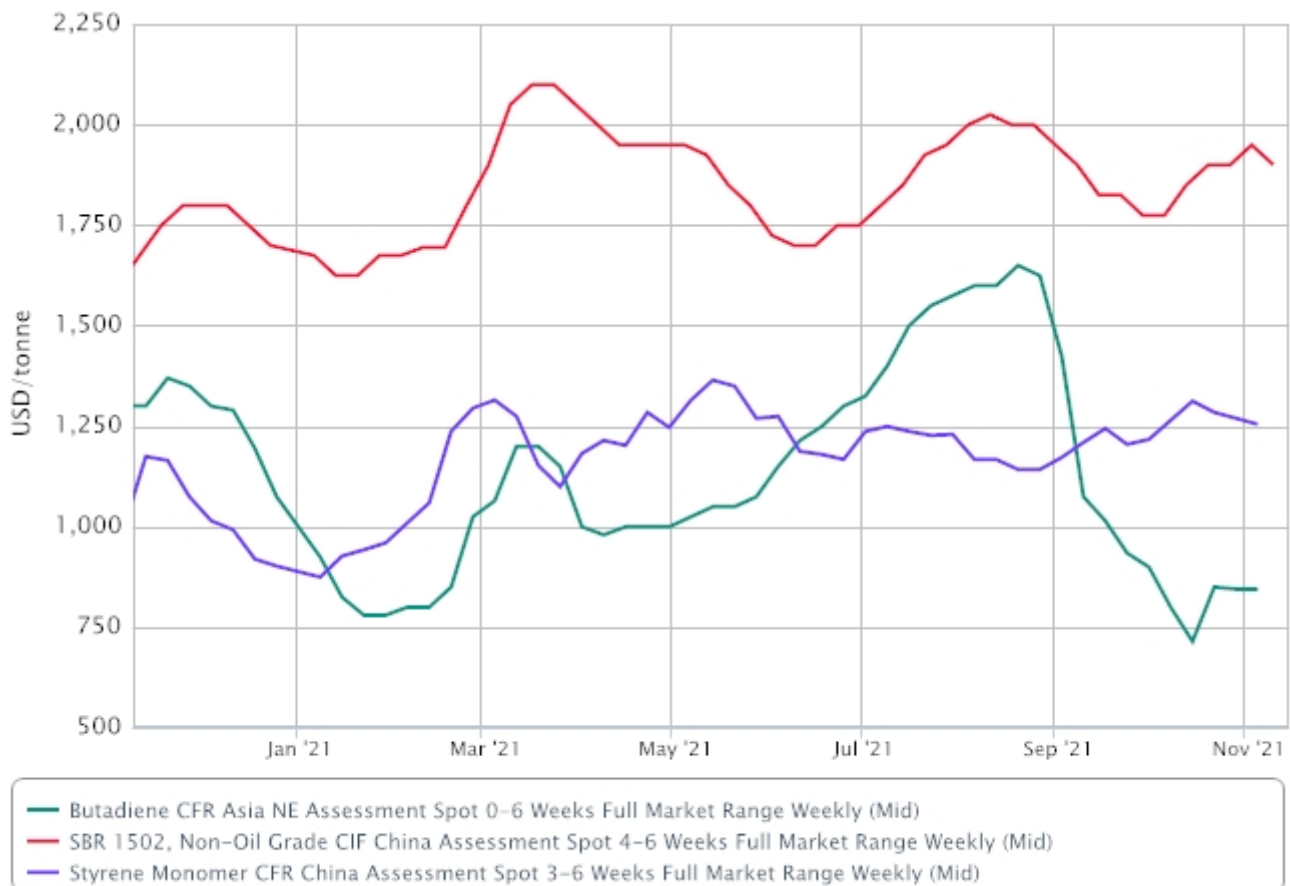
The chart below shows the spread between butadiene and SBR.

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



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Asian **styrene (SM)** prices were mixed through the week owing to volatility in upstream energy prices and more fluctuations in the Chinese yuan-denominated futures market. Some support came from prompt shortcovering demand for November, amid limited import arrivals expected into China for the month.



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PRODUCTION

In China, average operating rates of local SBR plants held steady at 77% in the week ended 5 November, unchanged from the week prior, market sources said.

Outside of China, spot availabilities of SBR are also poised to grow with [completion](#) of various plant turnarounds in northeast Asia.

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

OTHER REGIONS

In the US, October auto sales [rise](#) from September, driving in turn demand for some chemicals including SBR.

[November SBR contracts](#) in the US however fell month-on-month, tracking lower upstream butadiene prices.

In Europe, discussions on [November SBR formula-based contracts](#) are split over pricing expectations due to rising energy costs, volatile feedstock movements and lacklustre downstream demand.

Meanwhile, the European Commission has approved the planned [acquisition](#) by Synthos of Trinseo's synthetic rubber business in Germany.

ANALYTICS

ICIS Crude Outlook

Crude prices rose in October due to less supply from OPEC+ and stronger global demand than expected. OPEC+ is expected to continue its existing cuts agreement, with cuts tapering of 400,000 bbl/day per month. However, many producers are unable to actually raise production this quickly - compliance is at 115%, leaving overall future supply from OPEC+ lower than previously expected. Furthermore, OECD total oil inventories are 6% below the pre-pandemic five-year average, and the lowest in over six years. Such low inventories will be difficult to recover from quickly, even if major producers raise production in the next few months. Overall, the current inventories situation indicates a tight market and ICIS expects the tightness to continue in the near future. Finally, rising gas prices will lead to some alternative power generation demand in the form of fuel oil and diesel, with up to 750,000 bbl/day extra oil demand expected in the near term.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

ICIS Naphtha Outlook

The NWE naphtha-Dated BFOE spread strengthened in October by 9% month on month, spurred by firm global demand as a petrochemical feedstock. The spread is expected to remain strong in Q4 due to continued lower supplies and firm demand in the petrochemical feedstock sector. Asian naphtha demand has been particularly strong in recent weeks, with South Korea seeing its highest monthly imports volume since the COVID-19 crisis began, at 820,000 bbl/day in September. Near- and medium-term Asian naphtha demand is also expected to remain robust due to strength in the petrochemical feedstock and gasoline blending markets. The additional naphtha will likely be sourced from the West and Middle East - the latter has already seen a 10% increase in monthly exports to Asia in 2021 vs 2019.

By **Ajay Parmar**, ICIS senior analyst (ajay.parmar@icis.com)

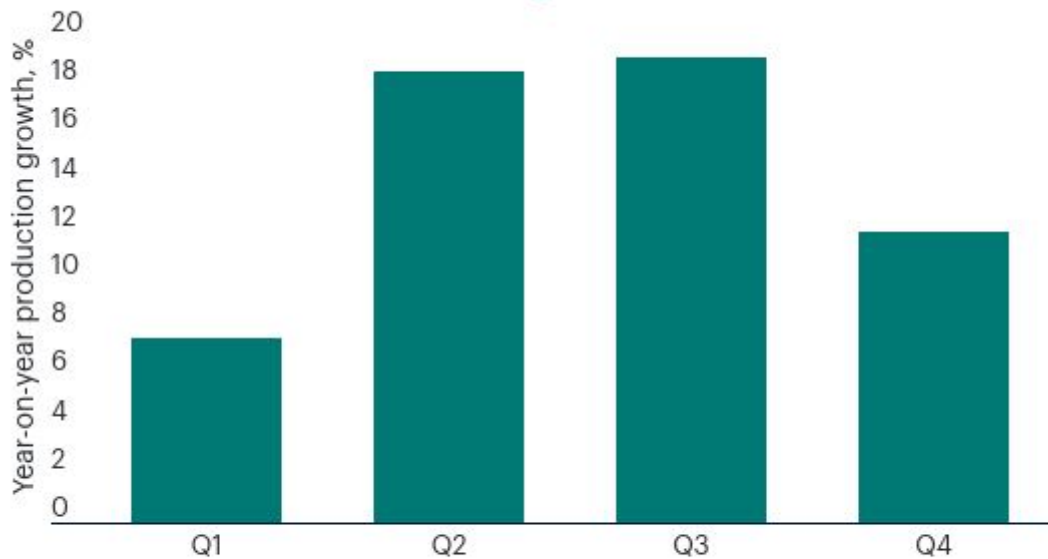
ICIS Downstream Automotive Demand Outlook

The worst is not over for the automotive industry. Global light vehicle sales were down 11.7% in August from pre-pandemic level in August 2019. The industry continues to reel from extreme supply chain disruptions and a shortage of critical auto parts such as semiconductor chips. As a result, almost all the major car makers have reduced run rates. For example Toyota slashed production by 40% in September and expects to make another 15% cut in November. The main reason for the chip shortage is the extraordinary demand for consumer electronics seen during the pandemic. The automakers either misjudged or underestimated chip demand and did not fully prepare. For 2021, Oxford Economics forecasts an 11.5% contraction in motor vehicle value added output compared with 2019. The growing popularity of Electric Vehicles (EVs) is another factor exerting pressure on chip supply. EVs requires more chips compared with conventional cars, but only account for 3% of the global automotive market. In the short term, chip supply is likely to remain tight until the first half of 2022. For fabless companies, the wait may be even longer. Even though a few chip investments have been announced, it typically takes 18 to 24 months for a new chip plant to start operations. Investments recently announced include Intel's €80bn over the next decade in Europe and TSMC's \$2.8bn, among others.

In China, passenger car sales were down 25.5% year on year in June. This trend is expected to continue. Energy rationing has also adversely affected the Chinese auto market, exacerbating a shortage of materials, especially polymers. ICIS analyst Jimmy Zhang said, "In the fourth quarter, with the ongoing strict policy on carbon emissions and environmental protection, operating rates of coal-based polyolefin units is expected to remain limited. The polyolefin supply pattern is expected to change from ample to tight." India is not an exception. In September, total vehicle sales were down 5% year on year, according to India's Federation of Automobile Dealers Association (FADA). As India enters its festive season, the outlook is mixed.

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

China motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics

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