



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
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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 gains**
- **But buyers' response lukewarm**
- **Many remain in wait-and-see mode**

Discussions in Asia's spot market for styrene-butadiene-rubber (SBR) edged up on firmer offers, although substantive trade liquidity is still curbed by weak demand fundamentals.

Sellers independently hiked asking prices, citing the need to recoup costs and rescue margins, following a 10-15% upsurge in the last month of Asian spot prices for feedstock [butadiene](#) (BD) and styrene (SM).

And if the upstream strengths do not ease, SBR sellers separately said they may have to lift targets even higher in coming weeks to break even.

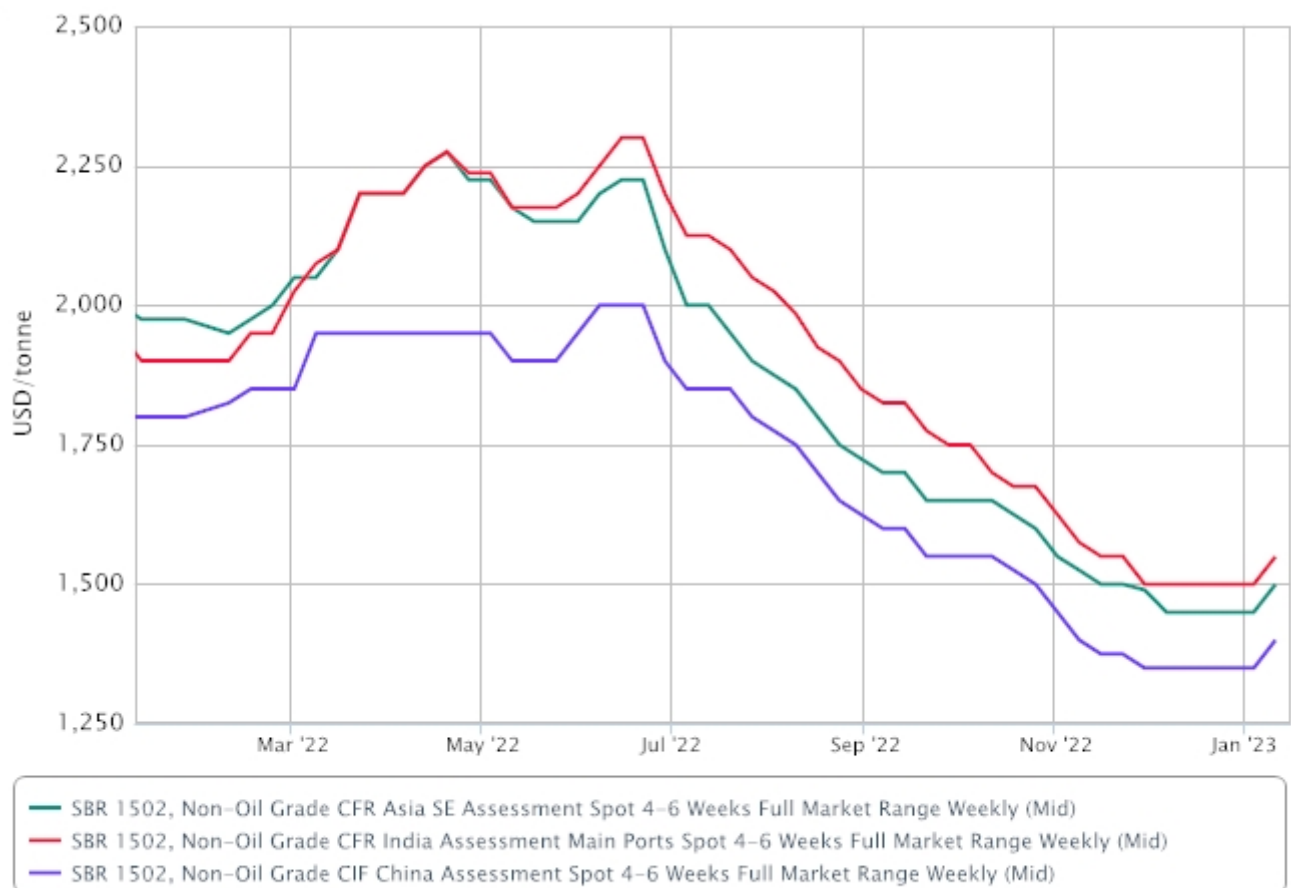
But buyers' resistance to the elevated offers on Asia-origin SBR cargoes is high. Although some did book small lots this week, such transactions were strictly limited to a need-to basis, market sources said.

Mostbuyers remained on the sidelines, and do not rule out the likelihood that they could turn to tapping more heavily on cheaper deep-sea alternative supplies instead to keep their own costs down and protect bottom lines.

Substantive requirements are curtailed in the first place by weak fundamentals in the downstream [automotive sector](#), market players said.

For instance, current operations at tyre factories in India and China remain sub-optimal, market sources said. This in turn undermined off-take of raw materials such as SBR from these tyre factories.

And with [global inflation risks](#) still running high, confidence is low too that the macro-economic landscape could improve in the near term to rev up car sales and uplift demand for tyres.



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OUTLOOK

- Offers to tap upstream strengths for continued support
- But uncertainties linger on [post lunar-new-year](#) situation in China
- Demand outlook still murky in nature

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	+50	1350-1450	+50	1300-1400	61.24-65.77
CFR Asia SE	USD/tonne	+50	1450.00-1550.00	+50	1400.00-1500.00	65.77-70.31
CFR India Main Ports	USD/tonne	+50	1500.00-1600.00	+50	1450.00-1550.00	68.04-72.57
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1300-1400	+50	1250-1350	58.97-63.50
CFR Asia SE	USD/tonne	+50	1400.00-1500.00	+50	1350.00-1450.00	63.50-68.04
CFR India Main Ports	USD/tonne	+50	1450.00-1550.00	+50	1400.00-1500.00	65.77-70.31

China

CIF China assessments for the non-oil 1502 grade were raised with higher import offers.

But discussions were muted as many local players were already winding down to prepare for the extended Lunar New Year holidays that would begin in two week's time.

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

Domestic SBR prices in east China were up, tracking increases in upstream butadiene prices.

East China domestic SBR 1502 prices

Price (CNY/tonne)	11 Jan	4 Jan
E China Ex-Warehouse	10,850-10,950	10,700-10,700

Southeast Asia

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

Jan (1-11) 2023	Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022
134.78	135.03	127.32	130.52	134.12	149.74	158.83	164.15	162.81	171.15

India

CFR Indian assessment for the non-oil 1502 grade rose, tracking firmer deals and discussions for northeast Asia-origin cargoes.

Transactions, albeit for limited volumes, were heard within the published range.

But many other buyers also stayed away from imports, saying that they are amply covered with domestic materials, now that local production is at full tilt.

CFR India assessments for the oil-extended 1712 grade was up in line with firmer 1502 grade assessments.

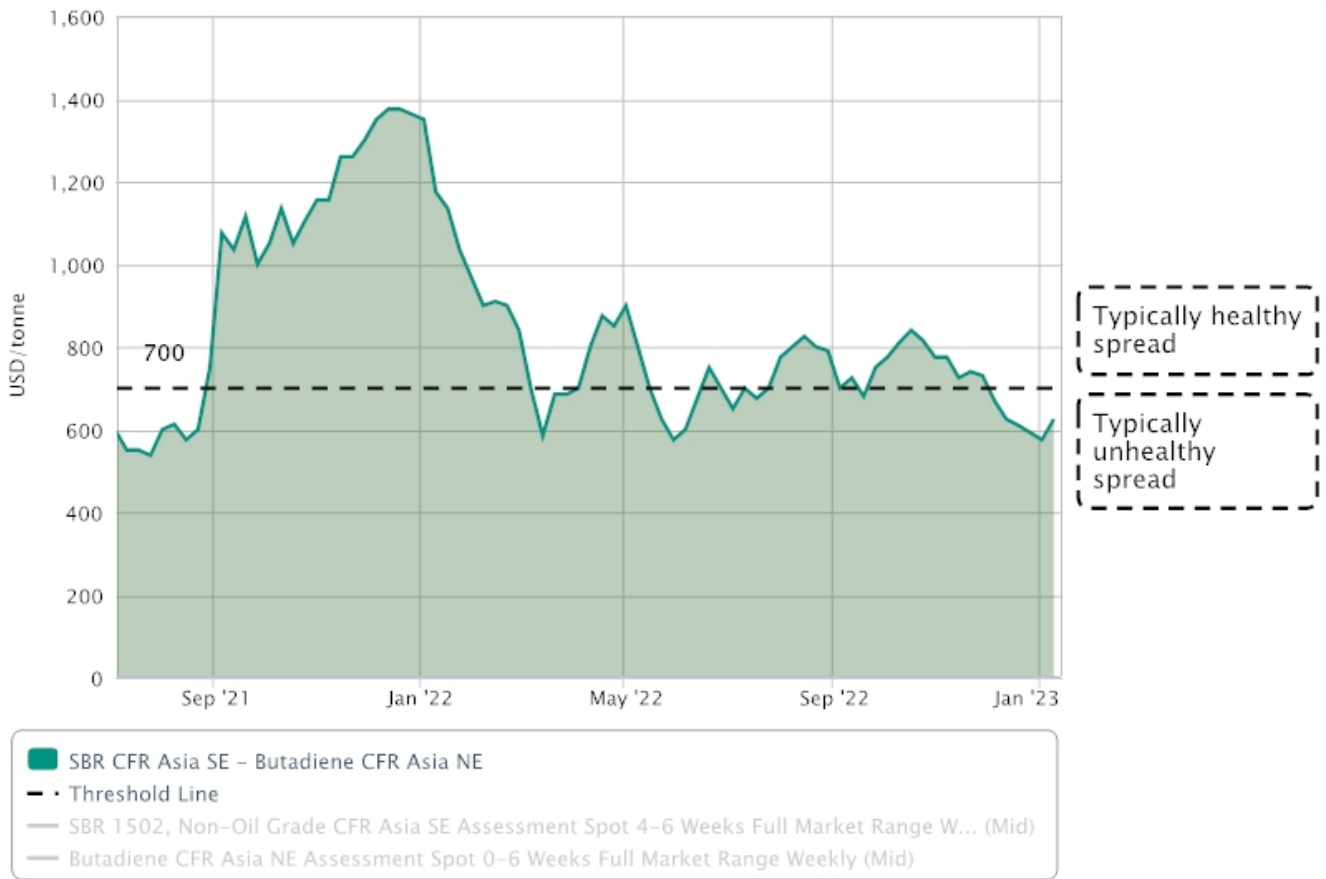
UPSTREAM

Butadiene (BD)

- Bullish start for domestic China market
- Discussions for China imports boosted in line
- But lack of support from weak demand fundamentals in wider Asia

The chart below shows the spread between butadiene and SBR.

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



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Styrene:

- Chinese import market liquidity picks up
- Weak demand for prompt-arrival spot cargoes
- Market structure in contango



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PRODUCTION

SBR spot availabilities in the region could tighten with an [upcoming](#) turnaround.

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

OTHER REGIONS

Europe

- January contracts talks in early stages
- Upstream styrene January contract sees triple-digit hike
- Spot prices steady

US

- January contracts lower on feedstocks
- Spot prices edge lower
- Supply sufficient to meet seasonally weaker demand

ANALYTICS

ICIS Outlook on GDP

In its latest World Economic Outlook, the International Monetary Fund (IMF) said, "One-third of the world economy will likely contract this year or next amid shrinking real incomes and rising prices...". The global economic situation, and Europe's in particular, will continue to deteriorate. It is likely that the global economy is on the edge of a recession, although it has not entered one yet. Manufacturing is struggling although services have improved and this has been enough to keep overall growth in positive territory. 2022 was filled with shocks and surprises, but we are unable to say that the worst is behind us. The global system remains under strain and has seen several structural shifts in demand-supply fundamentals. The key question is – When will we see the start of a real recovery? Much will depend on China's future COVID-19 policy and the state of gas supply in Europe.

Despite reduced economic activity, the US has not entered a technical recession, mainly because non-manufacturing, notably services, are performing better than expected. However, the economy is expected to stagnate in 2023.

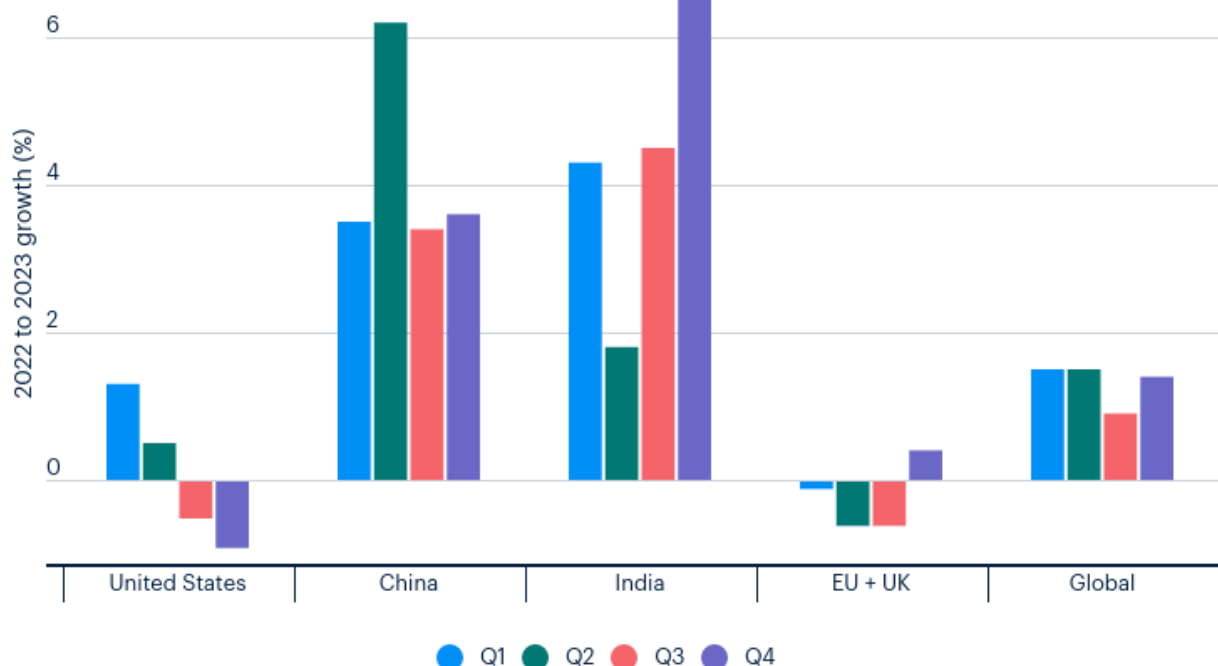
2023 will be extremely challenging for Europe as it is forecast to enter an official recession. Just as Europe was recovering from the pandemic, it was hit by a severe energy disruption. The Russia-Ukraine continues to affect the European economy disproportionately. A recovery is not expected until there is greater certainty about a reliable and consistent energy source.

In December 2022, China's National Health Commission relaxed some of the country's strict zero-COVID measures. However, a reintroduction has not been ruled out if cases surge. These on-and-off measures have damaged manufacturing activity. The economy is struggling due to diminished activity. A twin shock to both demand and supply has derailed the country's trading prospects, which will impact those economies dependent on Chinese material.

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

GDP growth by region

2022 vs 2023



SOURCE: Oxford Economics

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