Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
13-Oct-2021

Overview | Outlook | Prices | Upstream | Production | Analytics

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

OVERVIEW

- **China up with domestic gains**
- **Prices elsewhere stable to soft**
- **Buying tempo weighed down by upstream losses**

Asia's spot prices for styrene butadiene rubber (SBR) were mixed this week – higher in China but stable to soft in other Asian markets.

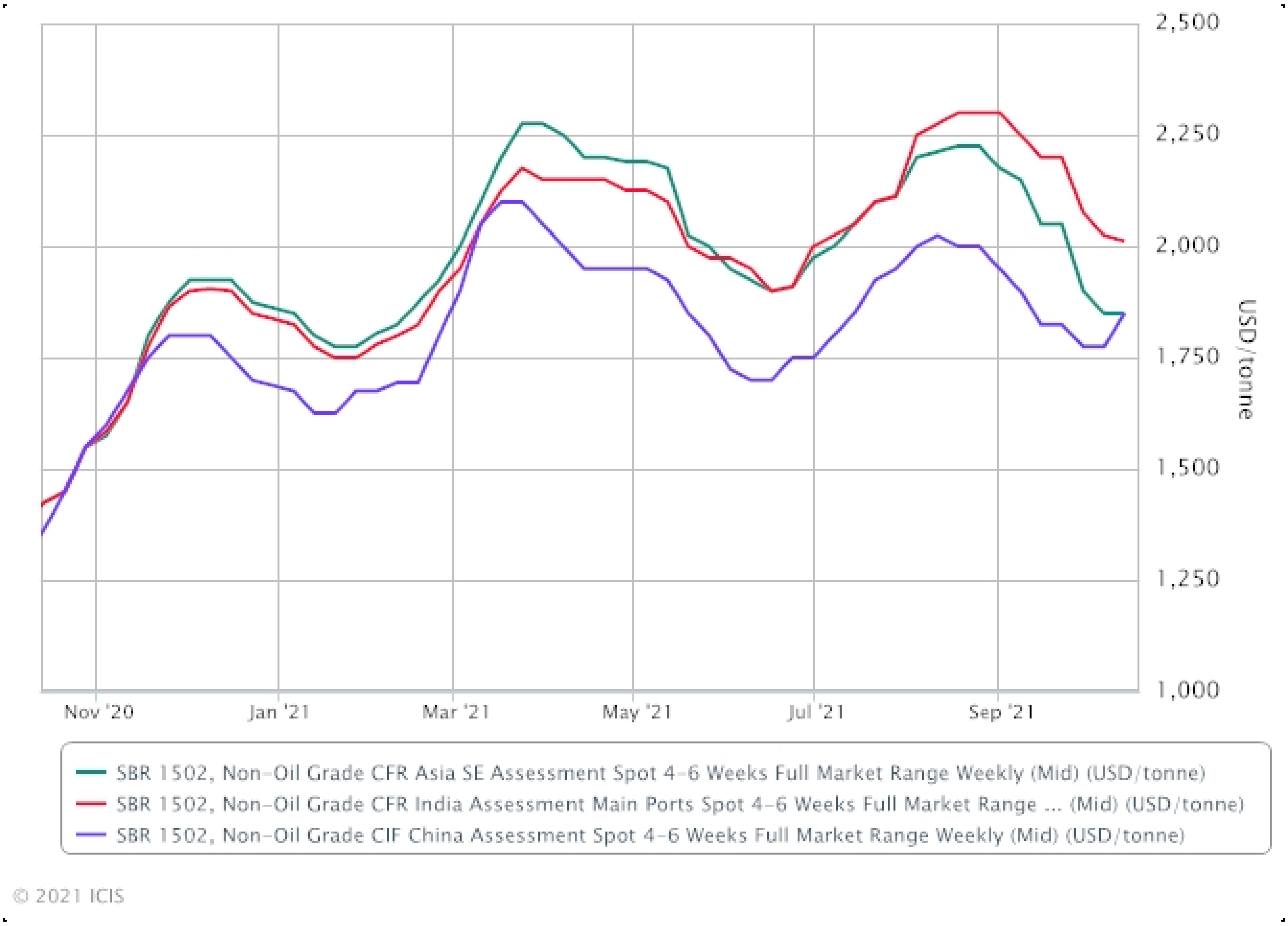
In China, domestic prices rose, as prompt supplies tightened after many local plants cut back on operations to meet strigent energy consumption caps, stemming from its recent dual-control policy.

The buoyant domestic pricing conditions also boosted discussions for US dollar denominted SBR import cargoes into China, although substantive transactions were crimped by logistical constraints, particularly on the shipping front.

In southeast Asia, demand sentiment was relatively more upbeat, with factories in regional outlets like Malaysia and Vietnam expected to ramp up operations soon with easing coronavirus-related restrictions.

But SBR spot trade remained muted in southeast Asia and India, as buyers hesitated from finalising bookings in expectation that the upstream butadiene (BD) market could lose even more ground in coming weeks.

If the latter scenario materialises, SBR buyers are mostly hopeful that spot offers would likely weaken by more than enough to be to their advantage.



OUTLOOK

- **Regional supply will be squeezed by upcoming turnarounds**
- **Supply in China may tighten too with dual-control policy impact**
- **Demand may pick up in southeast Asia with more COVID-19 controls lifted**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	+100	1800-1900	+50	1750-1900	81.65-86.18
CFR Asia SE	USD/tonne	n/c	1800.00-1900.00	n/c	2000.00-2100.00	81.65-86.18
CFR India Main Ports	USD/tonne	n/c	1950.00-2075.00	-25	2150.00-2250.00	88.45-94.12
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+100	1700-1800	+50	1650-1800	77.11-81.65
CFR Asia SE	USD/tonne	n/c	1700.00-1800.00	n/c	1900.00-2000.00	77.11-81.65
CFR India Main Ports	USD/tonne	n/c	1850.00-1975.00	-25	2050.00-2150.00	83.91-89.58

China

CIF China prices for the non-oil 1502 grade rose on higher buy-sell indications heard.

Buying interest for US dollar-denominated imports edged up as domestic supplies tightened, while sellers raised import offers, tracking gains seen in the domestic yuan-denominated values.

CIF China prices for the oil-extended 1712 grade were assessed up, in line with changes seen in the 1502 grade assessments, in the absence of any concrete 1712 discussions.

Domestic China prices of the 1502 grade materials spikeD as output was squeezed after plant operating rates suffered amid ongoing energy shortages.

East China domestic SBR 1502 prices

Price (CNY/tonne)	13 October	30 September
E China Ex-Warehouse	14,200-14,400	12,800-13,000

Southeast Asia

CFR southeast Asian prices for the non-oil 1502 grade are rolled over on rangebound discussions.

Buying indications were heard capped at the low end, while selling indications were mostly heard at the higher end of the range. Some limited volumes were heard sold within the published range for October shipment, market sources said.

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

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

Oct (1-13) 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021
171.08	163.23	172.67	164.32	164.51	169.09	164.72

India

CFR Indian prices for the non-oil 1502 grade are assessed stable to soft, with the high end brought down to reflect transactions concluded at levels lower on the week.

Most buyers held back from procuring too, in expectation that upcoming offers may soften further if upstream weakness persists. The low end was rolled over as a result.

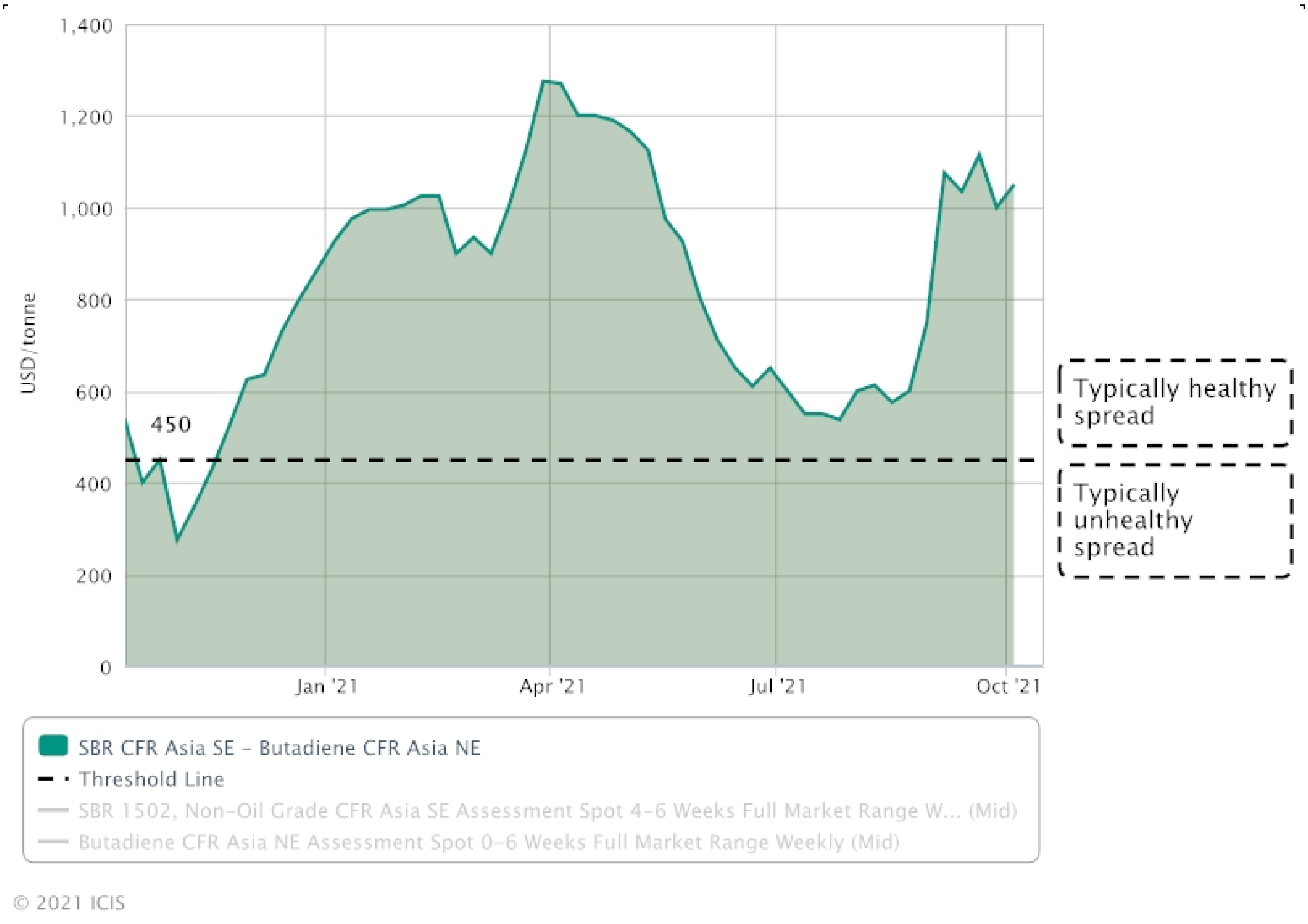
CFR Indian prices for the oil-extended 1712 grade were adjusted down at the high end, in line with changes for the 1502 grade, in the absence of any concrete 1712 business.

UPSTREAM

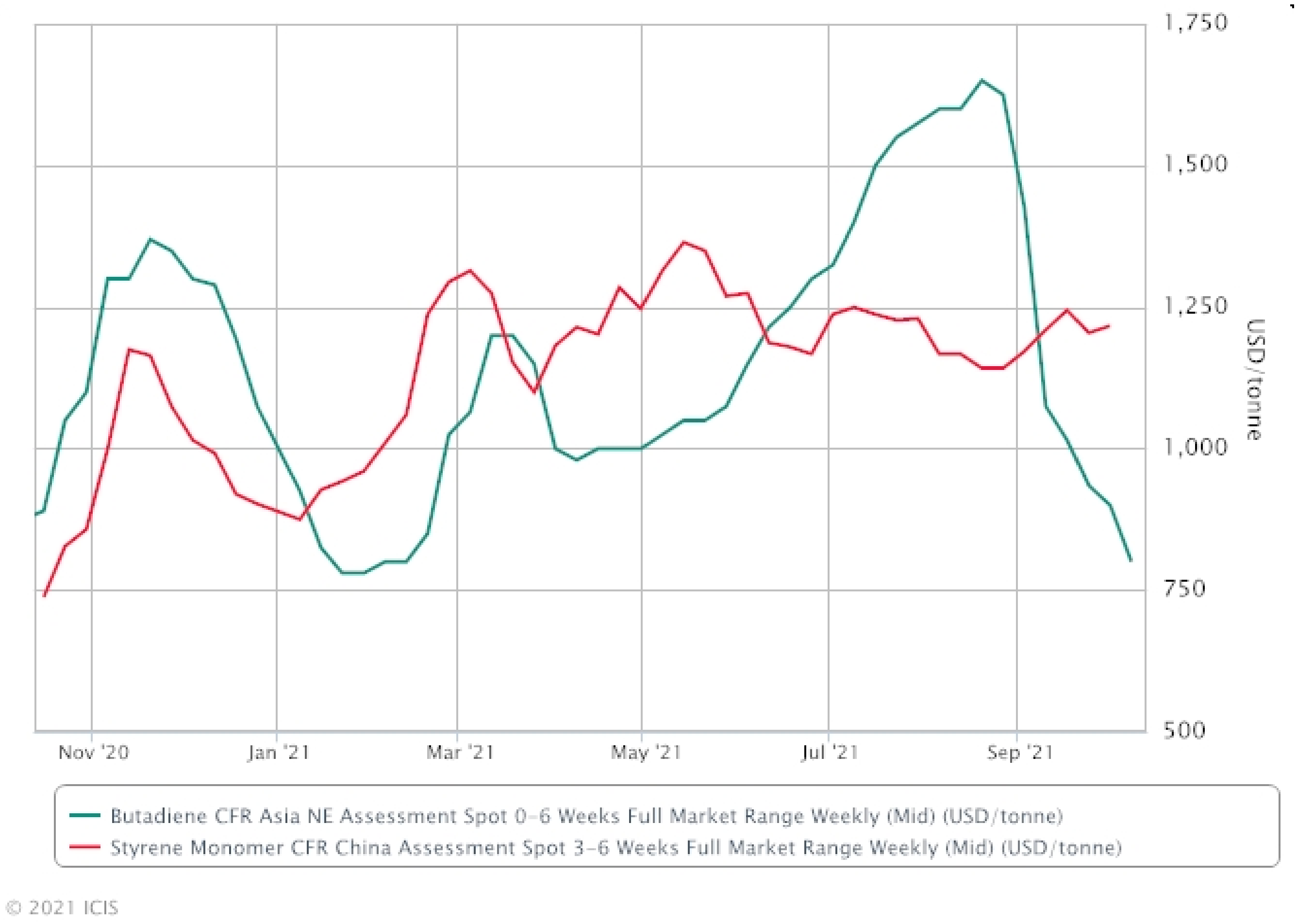
Asian butadiene (BD) prices extended losses, as supplies continued to outstrip demand.

The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia



Asian styrene prices were discussed in a much wider range, with some sentiment support coming from energy and futures prices and a plant problem in northeast Asia. This was despite the overall cautious to bearish sentiment on forward demand-supply fundamentals leading up to mid-October and lower cost pressures amid widening benzene-SM spreads.



PRODUCTION

In China, average operating rates of local SBR plants fell further to 75% for the week ended 8 October, down from 77% in the week before, market sources said.

The decline came as factory operations in the country were dented by protracted electricity shortages.

Elsewhere in Asia, spot availabilities of SBR have also been crimped by a heavy wave of plant turnarounds in Korea and India for October and November.

Click here for the Asian SBR Live Disruption Tracker.

ANALYTICS

ICIS Ethylene Outlook

US ethylene production is expected to increase in the fourth quarter in line with the commissioning of new monomer supply along the Gulf Coast. Bayport Polymers should see commercial production from its new 1m tonne/year cracker imminently, and the Gulf Coast Growth Venture project (GCGV) is scheduled to begin operations from its 1.8m tonne/year cracker around the beginning of 2022. ICIS forecasts a declining market over the next few months. Expectations of lower derivative demand will add downward pressure on ethylene prices.

With Europe's largest basic chemicals capacity, Germany deploys an ethylene capacity of almost 5.7m tonnes/year. Ethylene in Germany is expected to hit record output of between 5.2m and 5.3m tonnes in 2021, production not seen for several years. Looking at 2022, OMV's ethylene capacity at its Burghausen refinery in

Germany is scheduled to be enlarged. The cracker will be expanded and modernised in the third quarter during a planned refinery maintenance. The company's strategy is to strengthen its presence in the petrochemical market on the prospect of growing demand.

Growing ethane exports have been observed since the start-up of the new Orbit ethane terminal at Nederland, Texas, late the fourth quarter of 2020. China, which will be one of the main destinations, is expected to import over 1m tonnes throughout 2021. According to ICIS analysts, total ethane feedstock used for crackers in China is expected to rise to 1.7m-1.8m tonnes as three new ethane-based steam crackers began commercial production, two of which are taking feedstock from their own oil and gas fields. A third US origin ethane-fed cracker, which is scheduled to come on stream in 2022, will take total Chinese ethane consumption to 3.5m-3.7m tonnes.

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

ICIS Propylene Outlook

Based on ICIS forecasts, the fourth quarter of 2021 should see some lengthening of US propylene supply and demand. High propylene prices may temper domestic demand as a number of derivative margins remain slim, coupled with the fact that seasonal demand is typically lower in the fourth quarter. Longer-term, however, the US market is expected to remain fairly tight, as standalone derivative units continue to come on stream in 2022 and 2023.

Germany is the major propylene producer in Europe, with a total capacity of about 4.5m tonnes/year. This is 23% of total regional available capacity. This year's strong derivative demand, combined with good steam cracking margins, prompted German operators to increase their plant operating rates. In 2021, German propylene production is projected to total 3.6m-3.7m tonnes, exceeding pre-pandemic levels. Next year, OMV plans to expand and modernise its German cracker at the Burghausen refinery. The works are scheduled to be completed in the third quarter during a planned refinery maintenance.

Upward pressure on liquefied petroleum gas (LPG) prices is likely to persist into the fourth quarter of 2021 and 2022, mainly mirroring strong demand and supply woes. Asia is, and will be, the main reason for growing LPG appetite. China, which imported about 16.4m tonnes in the first eight months of 2021, outpaced imports for the whole of 2019, primarily because new propane dehydrogenation (PDH) units and LPG-fed crackers started up. Next year, the number of LPG cargoes heading towards China will continue to rise, given than five new PDH plants are scheduled to be commissioned. In addition, India, Asia's second-largest net importer after China, is set to increase its needs in 2022 following the government's February decision to extend the subsidy scheme. The intent is to connect 10m new rural households with LPG. The Middle East, the lead supplier for India, should be the main candidate to match incremental demand.

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

ICIS Butadiene Outlook

US butadiene (BD) capacity is forecast to be fully restored sometime in the coming weeks, with Shell and ExxonMobil sites in Louisiana and TPC's plant in Houston returning on stream once their maintenances are complete. There are concerns over possible demand weakness. One firm recently decided to increase prices to end-users, and others may follow, thus pulling back tyre requests to some extent in the fourth quarter of 2021. Indeed, the unprecedented spikes in freight rates, shipping container charges, as well as raw material costs, might induce a rise in replacement and original equipment (OE) tyre prices. Entering 2022, with US production expected to recover, the market should return to more balanced conditions, although some sensitivity factors might persist.

As 35% of total Europe BD capacity is covered by Germany, not surprisingly the country is the major regional producer. This year, German BD production might hit between 800,000 and 850,000 tonnes. Next year, the German BD supply chain might be affected by some disruption. Indeed, during the third quarter of 2022, OMV will increase ethylene and propylene capacity at its Burghausen refinery and at that time, the whole refinery will be off line, along with the 70,000 tonne/year BD unit.

According to the ICIS Supply and Demand Database, Asian BD capacity will increase by about 1.2m tonnes/year in 2022 compared with 2021, concentrated in China and South Korea, the top two BD importers in the pre-pandemic world. For 2022, Asian investment in BD derivatives is forecast to accelerate, including for synthetic rubber, ABS, adiponitrile and NB latex. Chinese producers are seeking to extend the value chain to more effectively manage supply-chain risks.

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