



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
14-Dec-2022

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

The weekly pricing analysis will not be published on 28 December 2022. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **China's downstream markets still unclear**
- **Discussions limited in wider Asian outlets**
- **Offers supported by firmer upstream**

Discussions were muted in Asia's spot import market for styrene-butadiene-rubber (SBR), amid [uncertainty](#) about how China's downstream markets will trend after the country lifted some COVID-19 controls.

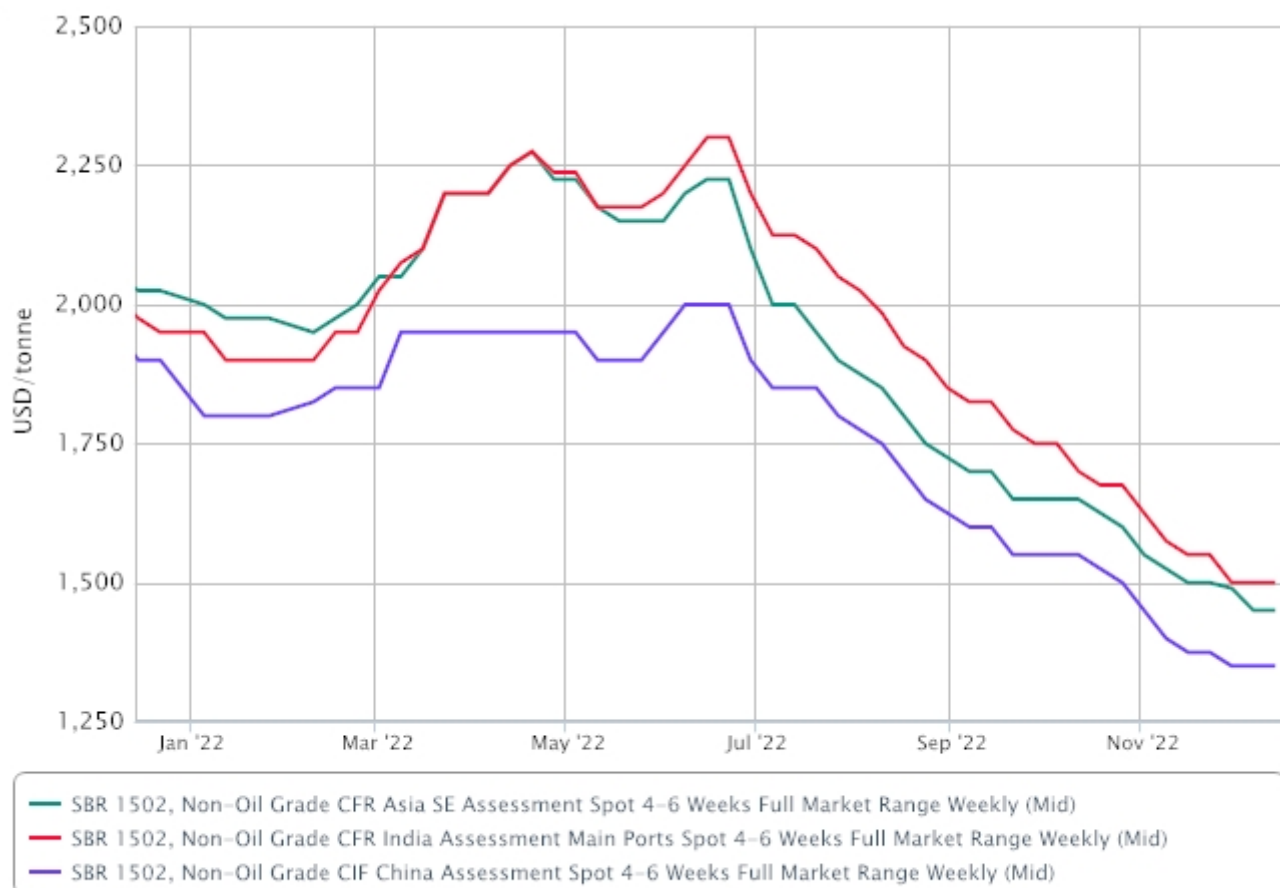
So far, players said there had been no discernible change and SBR off-take in the domestic market remained slow.

The consensus view is that downstream momentum in China will only pick up after the Lunar New Year holiday in H2 February 2023.

Until there is more clarity, most said they will stay cautious and continue to go slow on spot procurements.

In wider Asia, end-users also said downstream requirements were seasonally lower, but they could afford to wait because the year-end is approaching.

However, regional suppliers mostly held firm to existing prices, and some separately mulled higher targets, as cost pressures have increased following a recent uptick in the feedstock styrene market.



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OUTLOOK

- **Players to monitor China's recovery**
- **[Bearish sentiment](#) may dominate due to weak macroeconomy**
- **Sellers to keep a close eye on upstream price movements**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1300-1400	n/c	1350-1400	58.97-63.50
CFR Asia SE	USD/tonne	n/c	1400.00-1500.00	n/c	1450.00-1550.00	63.50-68.04
CFR India Main Ports	USD/tonne	n/c	1450.00-1550.00	n/c	1500.00-1600.00	65.77-70.31
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1250-1350	n/c	1300-1350	56.70-61.24
CFR Asia SE	USD/tonne	n/c	1350.00-1450.00	n/c	1400.00-1500.00	61.24-65.77
CFR India Main Ports	USD/tonne	n/c	1400.00-1500.00	n/c	1450.00-1550.00	63.50-68.04

China

The CIF China assessment for non-oil 1502 grade held steady on broadly stable buy-sell indications.

The assessment for oil-extended 1712 grade was unchanged with the stable 1502 grade assessment.

Domestic SBR prices in east China edged up on higher upstream values.

East China domestic SBR 1502 prices

Price (CNY/tonne)	14 Dec	07 Dec
E China Ex-Warehouse	10,800-10,850	10,600-10,700

Southeast Asia

The CFR SE Asia assessment for non-oil 1502 grade was rolled over on rangebound discussions.

The assessment for oil-extended 1712 grade was also kept unchanged with the stable 1502 grade assessment.

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

Dec (1-14) 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022
137.32	127.32	130.52	134.12	149.74	158.83	164.15

India

The CFR Indian assessment for non-oil 1502 grade was unchanged, taking into account rangebound discussions and deals.

Limited volumes of NE Asian cargoes were heard sold at levels near the high end, and cargoes from China were available at the low end.

Some buyers continued to shun Asian cargoes, and instead took aggressively-priced alternatives from other deep-sea suppliers.

The CFR India assessment for oil-extended 1712 grade was also rolled with stable the 1502 grade assessment.

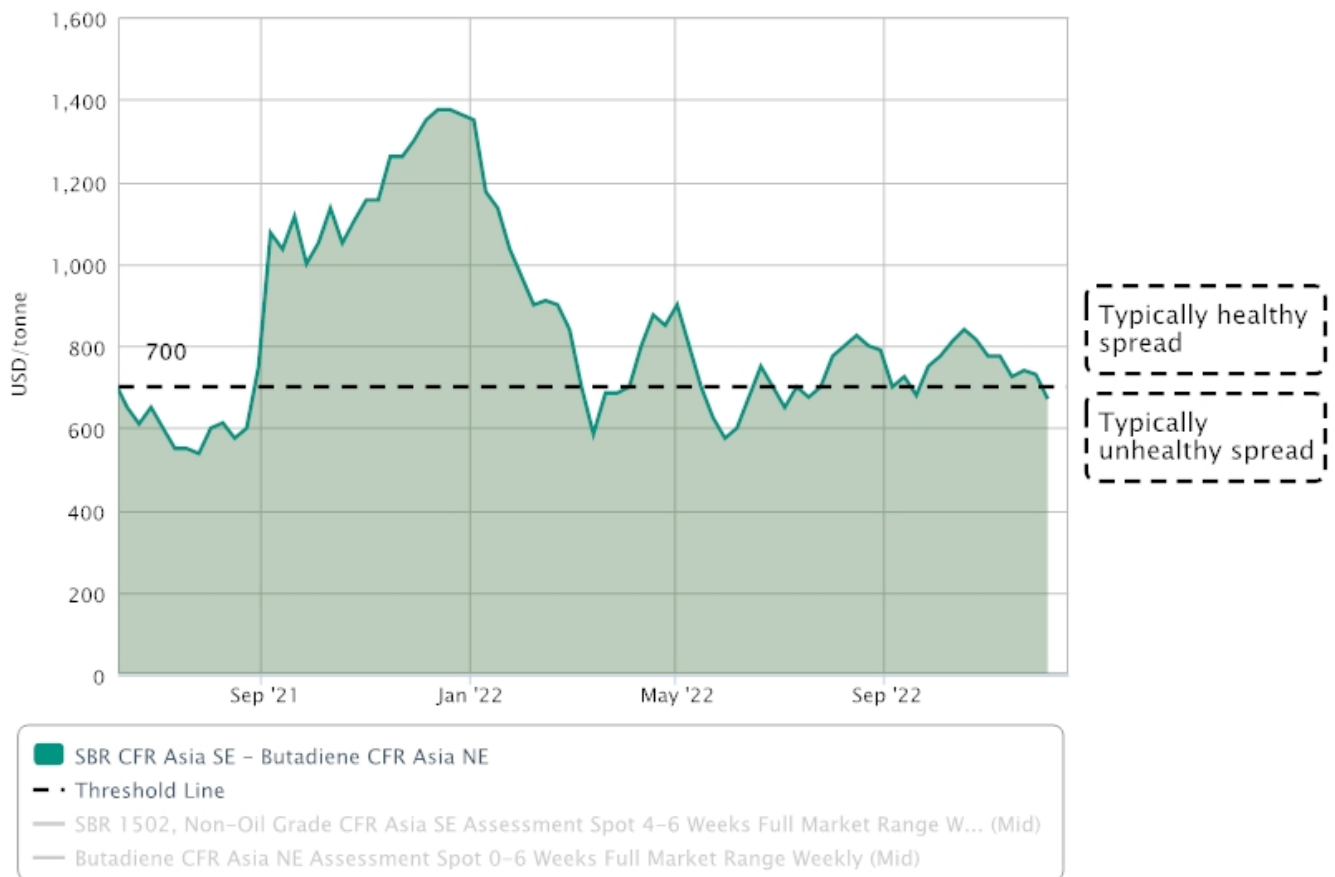
UPSTREAM

Butadiene (BD)

- Asia market supported by firm trend in China
- Outages and curtailed production buoy sentiment
- Firm discussion limited, focus on contract negotiation

The chart below shows the spread between butadiene and SBR.

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



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Styrene:

- Low liquidity in CFR China market
- Change in Chinese COVID-19 policies had limited impact on Chinese SM market
- Market participants focusing on 2023 contracts



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PRODUCTION

Several regional plants, including a 100,000 tonnes/year unit in [China](#), and another 120,000 tonnes/year line in [India](#), are expected to return from scheduled maintenance within the month.

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

OTHER REGIONS

Europe

- Spot prices softens
- Styrene December contract drops triple digits
- Early December contracts drop on feedstock losses

US

- Demand weakens in December
- Supply available
- Seasonal slowdown in full swing

ANALYTICS

ICIS Styrene Outlook

We expect the current dynamic of curtailed domestic styrene production and poor demand to continue through Europe's winter months. It's for those precise reasons that LyondellBasell and Covestro opted to idle the region's largest styrene unit the end of December. We expect TotalEnergies to restart its Gonfreville unit in France soon, as the strikes that prompted its closure have ended. But with styrene consumption reduced to a crawl and ongoing energy cost volatility linked to the disruption of natural gas flows that once came from Russia, Gonfreville is unlikely to run at full throttle. Like most other European producers it will probably operate at a significantly reduced rate. Recent pressure from imports from lower-priced regions like the US gulf coast, the Middle East and Asia could intensify, as demand in those regions has also weakened, and arbitrage economics have appeared favourable, at least on paper. US-based producers INEOS Styrolution and Westlake have successfully restarted production, with Europe the likely target for large parts of their production volumes.

But Europe's styrene demand continues to weaken, as high energy costs and soaring interest rates impact most end-use markets. The construction sector, an important end-use market for expandable polystyrene (EPS) and XPS insulations boards, is particularly weak and vulnerable to growing macroeconomic pressure. We don't expect demand to improve significantly before springtime when building activity typically increases. Other downstream segments linked to cyclical consumer goods may be more resilient, and support pockets of demand in the distribution market.

By **Moritz Lank**, lead market analyst, moritz.lank@icis.com

ICIS Butadiene Outlook

A downbeat outlook for the BD industry is the result of worsening macroeconomic conditions. Expectations are that the US economy will experience a mild recession next year. Overall, net imports of BD may amount to about 260,000 tonnes by 2022. Next year, with an improvement in the supply and demand balance, total imports may decrease. In fact, in terms of production, TPC Group aims to expand its Houston BD plant's 546,000 tonne/year capacity during a planned maintenance in Q1. Based on ICIS estimates, domestic crude C4 (CC4s) streams will cover about 80% of total BD extraction, and imports of CC4s will make up the balance. In theory, US-origin feedstock for BD production is expected to increase slightly in 2023 because of higher ethylene output.

ICIS has decreased European BD demand by about 8% in 2023, compared with the previous outlook. BD derivative demand is expected to total around 2m tonnes next year and return to pre-pandemic levels from 2024 at the earliest. Demand for original equipment (OE) tyres is likely to remain constrained given that new passenger car sales are likely to be weak amid rising inflation, reduced purchasing power and fears about a recession. Another challenge for Europe's BD industry is that imports of lower-cost tyres have been increasing for the past few years. There are signs that this will continue which will exert greater pressure on European tyre manufacturers. BD producers are also likely to struggle with high energy costs and a planned increase in BD capacity at Port Neches, Texas. That said, Europe may see a contraction in BD trade flows to deep-sea in H2 2023 as a result.

Asian BD demand is only set to grow by 1.1% in 2023, down from the 5.6% projection made in April. Downstream consumption growth will depend on China's future policy on COVID-19 lockdowns. For 2023, the growth rate for Asian BD derivative demand has been increased by one percentage point to 6.8% from our previous forecast, but demand will be lower in absolute terms. A slowing in economic growth will continue to play a major role. In plant news, new capacities will be installed in China, South Korea and Vietnam. BD production in southeast Asia will increase thanks to full operations at Pengerang Refining and Petrochemical's plant at Pengerang Johor, Malaysia, which restarted in June 2022. The petrochemical complex includes 185,000 tonnes/year of BD capacity and because Pengerang does not have a derivative unit, all the BD produced will be sold in the spot market.

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

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