



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

- **Domestic China prices spike**
- **Import offers also up, with upstream strength**
- **Downstream buying interest lacklustre**

Asian import prices for styrene butadiene rubber (SBR) were mostly up, lifted mainly by firmer offers from sellers seeking to recoup sharply higher feedstock costs and rescue eroded margins.

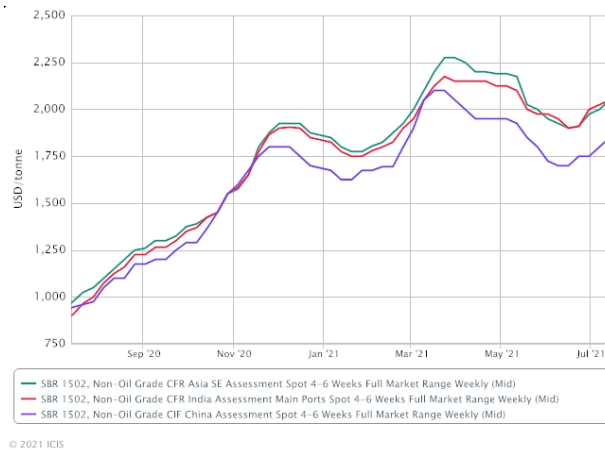
Domestic yuan-denominated prices in the domestic China market also spiked with big gains in butadiene, and this boosted pricing indications for China-bound US dollar denominated import shipments.

That said, substantive transactions were limited, as potential buyers in China and southeast Asia remained cautious, though on different considerations.

In China, demand is capped on a seasonal demand lull, and in southeast Asia, off-take is crimped by tightening pandemic-related restrictions on downstream operations.

But the demand is somewhat brighter in India, where players are cautiously optimistic that the local economy is on track for a [gradual recovery](#) from coronavirus-related ravages. That said, substantive transactions are still capped due to logistical challenges such as high freight costs and a vessel shortage, market players said.

Moving forward, however, if feedstock cost pressures do not ease, and downstream buying tempo does not pick up more, some regional suppliers were heard contemplating the need to moderate operating rates to rein in costs and protect bottom lines.



OUTLOOK

- **Feedstock market may extend gains in the near term**
- **Output cuts likely as margins get eroded**
- **Supply may tighten further in line**

ICIS analyst view on butadiene

Butadiene (BD) exports to the US remain workable as short supply persists there. However, the tightness is expected to ease slightly from September.

Increasing demand and low port inventories in China are expected to support market sentiment. However, eyes are on the upcoming new plants in China. Three new BD plants are due online in August, which may bring some uncertainties. These new plants represent 370,000 tonnes/year of annual BD capacity. JG Summit's 70,000 tonne/year BD unit is also expected to come online in Q3.

Idled synthetic rubber lines in China are restarting, which might add 9,000-13,000 tonnes of BD demand per month initially. Additional demand from new acrylonitrile butadiene (NB) latex plants will be in place as well.

However, synthetic rubber producers might lower operating rates in Q4 on eroded margins, if SBR and polybutadiene rubber (PBR) prices fail to track the uptrend in feedstock prices.

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

ICIS analyst view on styrene butadiene rubber

Strong BD prices are expected in July and August amid healthy fundamentals. Although new BD plants in China are on track to be online in August, increasing BD demand in China and ongoing exports to the West are in place.

China's SBR average operating rate is expected to increase to 77% in July, from 74% in June, on the back of the restart of two idled production lines. However, the rate is expected to decrease on one turnaround and tailored production on eroded margins. Sinopec Qilu Petrochemical, the biggest SBR producer in China, will shut its 250,000 tonne/year units from end July for a 45-day turnaround.

Producers elsewhere in Asia have cut or will cut rates due to eroded margins.

The high cost of SBR in the West also makes Europe's regular SBR exports to Asia unworkable, which in turn lends support to the Asian market.

The tightened COVID-19 control measures in southeast Asia might put downward pressure on the natural rubber (NR) and SBR markets.

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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	1800-1900	+50	1650-1750	81.65-86.18
CFR Asia SE	USD/tonne	+50	2000.00-2100.00	+50	1850.00-1950.00	90.72-95.25
CFR India Main Ports	USD/tonne	+50	2000.00-2100.00	n/c	1850.00-1950.00	90.72-95.25
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1700-1800	+50	1550-1650	77.11-81.65
CFR Asia SE	USD/tonne	+50	1900.00-2000.00	+50	1750.00-1850.00	86.18-90.72
CFR India Main Ports	USD/tonne	+50	1900.00-2000.00	n/c	1750.00-1850.00	86.18-90.72

China

CIF China prices for the non-oil 1502 grade were up, as buy-sell pricing indications for imports improved, tracking big increases in the domestic yuan-denominated market.

But no transactions were heard, with China end-users still amply supplied with domestically produced materials.

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

Domestic China prices of the 1502 grade materials surged, tracking sharp increases of upstream BD prices in the yuan-denominated market.

East China domestic SBR 1502 prices

Price (CNY/tonne)	14 July	7 July
E China Ex-Warehouse	14,100-14,200	12,700-12,900

Southeast Asia

CFR southeast (SE) Asian prices for non-oil 1502 grade was also up, tracking firmer discussions heard.

The high end was raised to reflect higher offers heard, while the low end reflected deals heard.

The assessment for the oil-extended 1712 grade is adjusted up, alongside changes for the 1502 grade assessment, in the absence of any concrete business.

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

Jul (1-14) 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020	Nov 2020	Oct 2020	Sep 2020
162.13	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 the non-oil 1502 grade were assessed in a narrower range, with the low end lifted to capture the full range of trade and discussions heard for the week.

Sellers were heard seeking to price up more to recoup costs, and although buyers were heard relatively more responsive and receptive, compared with the situation a month ago, market sources said that most were still hesitant and cautious not to ramp up their procurement pace excessively.

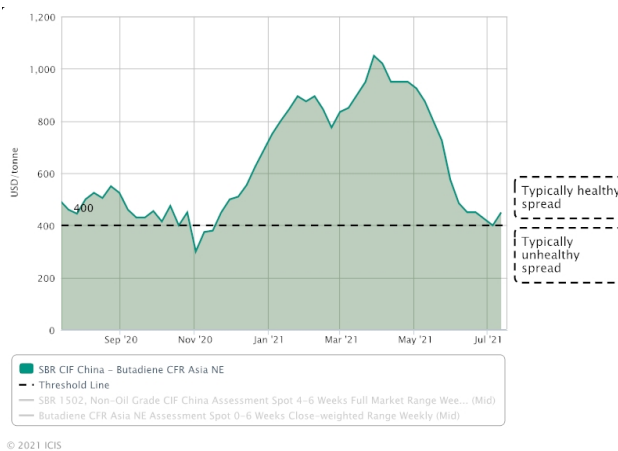
The CFR India assessments for the oil-extended 1712 grade was adjusted up at the low end, in tandem with changes for the 1502 grade, in the absence of concrete 1712 business.

UPSTREAM

Asian **BD** offers were firmly bullish, even though downstream synthetic rubber makers struggled to keep up.

The chart below shows the spread between BD and SBR.

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



Asian **styrene** prices were discussed in a narrower range as August buying interest and sentiment stayed firm from several participants amid squeezed SM production spreads and slower price drops in upstream benzene, despite the emergence of strong selling interest in early week.



PRODUCTION

In China, average operating rates of local SBR plants continued to rise, hitting 77% in the week ending 9 July, compared with 71% for the week prior, market sources said.

SBR supplies may tighten in the near term if more regional producers take to moderating operating rates to protect their eroded margins, market players said.

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

ANALYTICS

ICIS Ethylene Outlook

Most US macroeconomic indicators have gradually improved on the back of a successful vaccine roll-out. Against this backdrop, in July, data from Apple Mobility revealed that driving activity in the US averaged 179% of the January 2020 baseline, with the mobility index on a certain upward trajectory. A bearish mood is expected to grow in the US ethylene market over the coming weeks. With Baystar's cracker production at Bayport, Texas, expected in Q3 and most crackers returning from scheduled seasonal maintenance, ethylene production will increase to support both domestic demand and growing export volumes. ICIS estimates a relatively lower price spread between ethylene and ethane in H2 2021, declining from about \$700/tonne in H1 2021. As a result, ethane-based US Gulf cracker margins should decrease by about \$200/tonne to an average of about \$500/tonne.

Growth in the European economy might record a strong rebound in H2 2021, mainly driven by the tourism season and an easing of restrictions. According to the June report from Fitch Solutions, the tourism industry could recover to between 55% and 75% of 2019 levels in terms of visitor numbers and profit. However, concerns about the spread of the Delta variant in several countries may see the re-imposition of some restrictions in the short term. That said, European ethylene producers are expected to face some challenges in the coming months. As the Europe ethylene market remains the global price leader, further US monomer cargoes could arrive in Europe over the next few weeks. In addition, ICIS forecasts growing availability of polymer from imports (mainly for high-density polyethylene (HDPE)) and improved domestic production (mainly for low density polyethylene (LDPE)). The average price spread between ethylene and naphtha is forecast to narrow, down from \$665/tonne in H1 2021. Nevertheless, naphtha-based cracker margins in northwest Europe might increase by 8%-10% in H2 2021, from an average of about \$565/tonne in H1 2021. Healthy propylene and BD markets are likely to be the root cause of an uptick in cracker margins.

The resurgence of coronavirus infection rates in several Asian countries might threaten any rebound in domestic economies for the remainder of the year. Notably, South Korea, Indonesia and Malaysia have re-imposed limitations on social activity for a short period and encouraged people to stay at home. In the northeast Asia ethylene market, the average price spread between ethylene and benchmark CFR Japan naphtha is set to shrink, falling from about \$430/tonne in H1 2021. This will reflect the fact that monomer output and demand for naphtha as a cracker feedstock will increase because of a raft of new project start-ups in Asia. Naphtha-based northeast Asian cracker margins are forecast to erode in H2 2021, from an average of about \$355/tonne in H1 2021.

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

ICIS Propylene Outlook

The US propylene market is forecast to be steady-to-firm at least for the next couple of months due to ongoing tight supply and good demand. On-purpose propylene via propane dehydrogenation (PDH) units should continue to maintain higher profitability than that of crackers in the short term. With the price differential between propylene and propane projected to slightly widen on average in H2 2021, from about \$1,085/tonne in H1 2021, PDH-based margins are likely to increase from \$790/tonne. US propane inventories are expected to remain at lower levels than in 2020. Although feedstock production is expected to ramp up, propane supply and demand fundamentals should remain robust until the end of the year, limiting PDH margin gains.

The Europe propylene market is expected to be balanced-to-tight in the coming months. Revenues generated for crackers and PDH units are forecast to be on the rise in H2 2021, according to ICIS estimates. Indeed, naphtha-based northwest Europe cracker margins might increase by 8%-10% from an average of about \$565/tonne in H1 2021, primarily boosted by healthy co-product markets. PDH margins are set to rise by 15-17% from an average of about \$400/tonne, because of a larger delta between propylene and propane prices.

In 2021, Asian propylene capacity will increase to about 84.2m tonnes/year, a rise of 8.5m tonnes/year, with China responsible for about 75% of the new capacity. According to the ICIS Supply and Demand Database, during the coming months, China will see the start-up of two new PDH units with capacities totalling about 1.15m tonnes/year. Although naphtha-based northeast Asia cracker margins are forecast to be compressed in H2 2021, PDH margins in the region should remain fundamentally unchanged in response to a steady spread between propylene and propane prices.

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

ICIS Butadiene Outlook

Ongoing tightness in the US BD market, which is projected to continue through August at the earliest, might attract some additional cargoes from Europe. US buyers might eye European rather than Chinese imports because of lower freight costs and import duties on Chinese-origin product. The European BD industry might benefit from US antidumping measures on Asian imports of tyres in the medium term. Notably, the US International Trade Commission (ITC) recently confirmed plans to implement antidumping duties (ADDs) on tyre imports from South Korea, Taiwan and Thailand. Across the board, automotive plants should continue to run at a reduced rate over the next weeks because of the global shortage of microchips and a slow recovery in vehicle sales.

In H2 2021, average European BD margins are expected to increase to around \$250/tonne from \$160/tonne in H1 2021. This is primarily to reflect a widening price spread between BD and naphtha. In northeast Asia, BD margins are likely to rise to around \$170/tonne in H2 2021, from about \$125/tonne in H1 2021. Increases in margins in Asia should be more constrained than in Europe given new BD capacities and healthy demand for naphtha which is expected for the remainder of the year. In H2 2021, three new capacities are being installed in China and one in South Korea, which will add 570,000 tonnes/year at full capacity.

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

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