



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
15-Dec-2021

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

The weekly analysis will not be published on 29 December. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Demand lull**
- **Pricing sentiment weaker in line too**
- **Liquidity low**

Asian styrene-butadiene-rubber (SBR) discussions softened across Asia, amid slower year-end buying tempo.

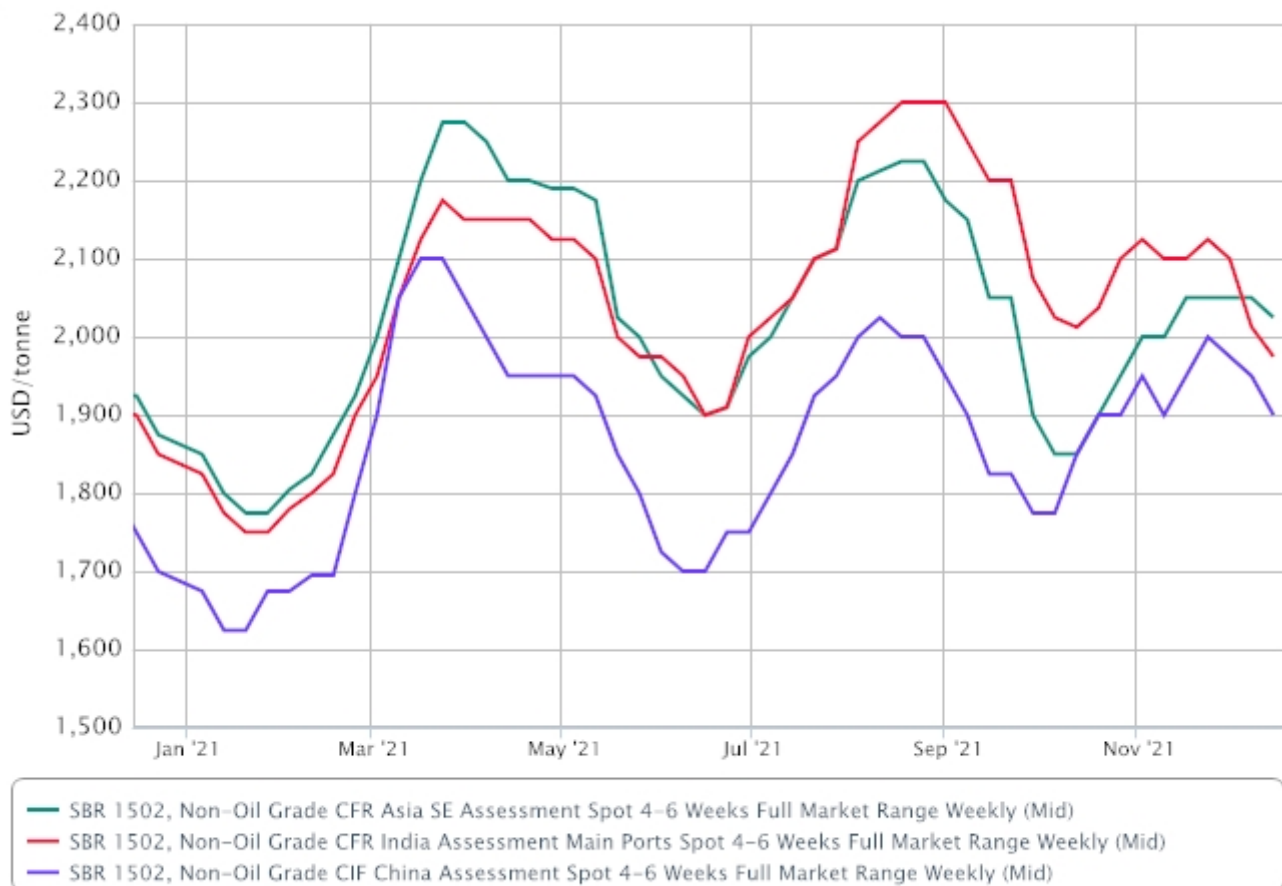
In China, demand weakened even more than seasonally expected, after local operations in Zhejiang province were curtailed by a fresh wave of coronavirus outbreak.

Wide losses seen recently in the yuan-denominated upstream butadiene market also dampened domestic SBR discussions, affecting in turn sentiment for US-dollar-denominated import cargoes.

In India, buying slowed down as well, with most end-users saddled with higher-than-expected inventories of finished goods, and seeking to instead liquidate surplus raw material stocks, including SBR.

In southeast Asia, buyers were generally more cautious too, citing for instance uncertainties on [global car sales prospects](#) in the coming year as a consideration not to over-commit.

On the sellers' side, while most acknowledged that demand is less robust seasonally, and that therefore they were heard not averse to moderating offers slightly to bridge the gap with buyers, sellers were heard unwilling to price down too much, given pressures from [steep freight rates](#), as well as the reality that spot availabilities are not high to begin with.



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OUTLOOK

- **Spot supplies may improve once regional inventories are replenished**
- **Demand may recover after the year-end holidays are over**
- **But China situation will hinge on how well virus outbreak is contained**

ICIS analyst view on butadiene (BD)

ICIS expects Asian butadiene (BD) supply to remain long in December with new BD projects starting up. Sinopec Zhenhai's 160,000 tonne/year unit is due online in Q1 2022, with commissioning starting by end-2021. Soft Chinese domestic prices are likely to weigh on market sentiment. Activity is likely to slow further in January 2022, as the market prepares for the Lunar New Year holiday.

Arbitrage trade to the US will continue to be an option, as Europe's exports to the US are expected to dip in light of planned spring maintenance. With price negotiations likely to start in January/February 2022, ICIS expects Asian producers to use the arbitrage as an opportunity to offset increasing supply.

Asian derivative producers are expected to restock inventories after the holiday to prepare for plant maintenances between March and May 2022.

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

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	-50	1850-1950	-50	1900-2000	83.91-88.45
CFR Asia SE	USD/tonne	n/c	2000.00-2050.00	-50	2000.00-2100.00	90.72-92.99
CFR India Main Ports	USD/tonne	-50	1900.00-2050.00	-25	2050.00-2150.00	86.18-92.99
SBR 1712, Oil-Extended						
CIF China	USD/tonne	-50	1750-1850	-50	1800-1900	79.38-83.91
CFR Asia SE	USD/tonne	n/c	1900.00-1950.00	-50	1900.00-2000.00	86.18-88.45
CFR India Main Ports	USD/tonne	-50	1800.00-1950.00	-25	1950.00-2050.00	81.65-88.45

China

CIF China assessments for the non-oil 1502 grade fell, as buy-sell indications declined in line with losses seen in the domestic yuan-denominated market recently.

CIF China assessments for the oil-extended 1712 grade were also adjusted down, in line with changes for the 1502 assessments, in the absence of any concrete 1712 business.

But domestic prices for the 1502 grade were stable to firm this week, with some users stepping in to purchase for restocking purposes.

East China domestic SBR 1502 prices

Price (CNY/tonne)	15 December	08 December
E China Ex-Warehouse	12,300-12,500	12,300-12,400

Southeast Asia

CFR southeast (SE) Asian prices for the non-oil 1502 grade were stable-to-soft, with the high-end dropped on lower offers heard.

Deals were heard closed within the published range, market sources said.

CFR SE Asian assessments for the oil-extended 1712 grade were also adjusted down on the high-end, tracking changes in the 1502 grade assessments.

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

Dec 15) 2021	(1- Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021
172.85	175.65	174.39	163.23	172.67	164.32	164.51	169.09

India

CFR Indian prices were also assessed down for the non-oil 1502 grade, taking into consideration lower offers and buying indications heard.

CFR Indian prices for the oil-extended 1712 grade are also adjusted down, in tandem with changes seen for the 1502 grade assessments.

UPSTREAM

Losses in Asian spot import trades for **butadiene (BD)** are extended as more supplies surfaced with a [new plant](#) starting up this week.

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** prices were volatile on persistently mixed market sentiment from China, lower trading liquidity and stricter movement restrictions stemming from rising COVID-19 cases in some parts of east China. Firm buying interest from deep-sea regions supported prices, but gains were slowed by selling pressures for January-loading cargoes, despite higher run rate cuts expected in the region.



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PRODUCTION

In China, average operating rates of local SBR plants held steady at 91% for week ended 10 December, three weeks in a row, market sources said.

Outside of China, SBR spot availabilities are also posed to grow and stabilise, now that regional plant turnarounds have been completed.

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

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The automotive industry has been among the hardest hit from COVID-19-induced temporary plant closures and it continues to feel this pressure. Short-to-midterm demand still looks gloomy on the back of the microchip shortage. Inventories are running at an all-time low, and incomplete vehicle inventory is on the rise. In addition, there are reports of a shortage of electrical steel (also known as silicon steel), which will impact production of electric vehicles (EV). Global 2021 automotive output is expected to decline by 16.8% compared with 2019 (Q4 2021 is expected to decline by 16.6% compared with Q4 2019). Moreover, the Omicron variant of COVID-19 will be closely monitored, as further outbreaks could cut short any recovery.

US light vehicle sales were down by 24.8% in November 2021 compared with November 2019. The inventory sales ratio was 0.389 in October, which is the lowest ever. US automotive 2021 output is expected to decrease by 9.8%, compared with 2019 (Q4 2021 is expected to decrease by 4.8% compared with Q4 2019). Future visibility is extremely limited.

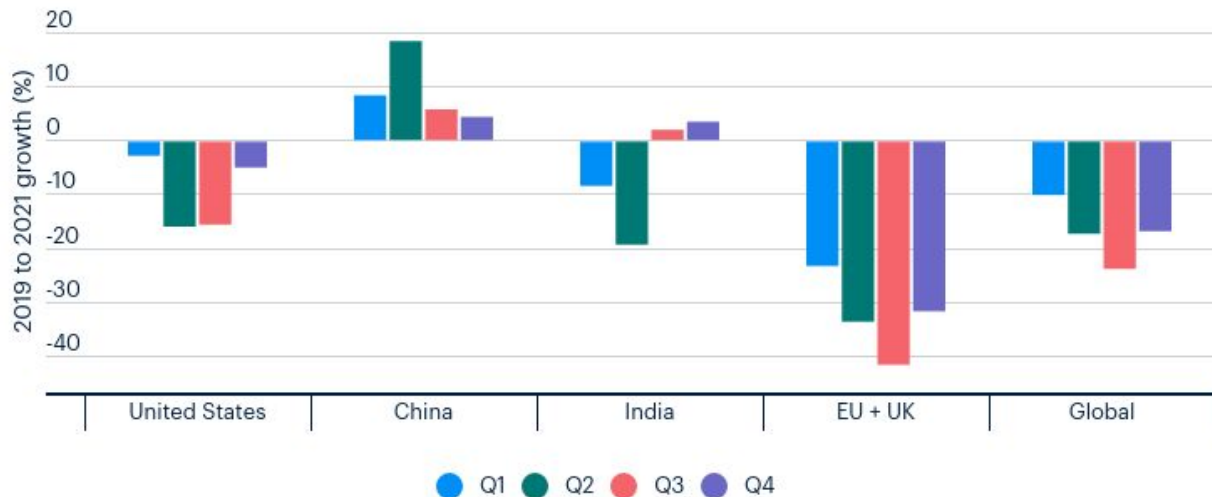
EU, including UK, 2021 output is expected to decrease by 32.2% compared with 2019 (Q4 2021 is expected to decrease by 31.5% compared with Q4 2019). Overall market sentiment is negative. The problem has been exacerbated by an increase in the penetration of EVs and their increasing appetite for microchips.

China automotive 2021 output is expected to grow by 9% compared with 2019 (Q4 2021 is expected to grow by 4.3% compared with Q4 2019). In terms of stock, the inventory coefficient was at 1.35 in a year-on-year decrease of 21.5%. In addition to severe supply disturbances, the regulator in China is cracking down on microchip suppliers, who are accused of price gouging. India automotive 2021 output is expected to decrease by 6.3%, compared with 2019 (Q4 2021 is expected to grow by 3.4% compared with Q4 2019). The complex supply chain, difficulties in social distancing in plants and customers staying at home will continue to have an impact on the sector going forward.

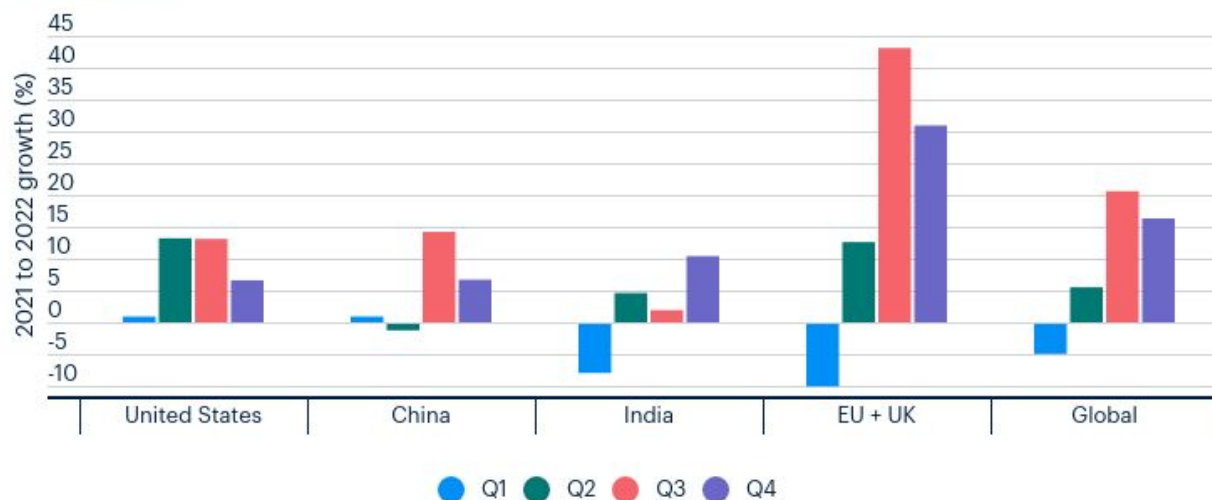
By **Jincy Varghese**, ICIS demand analyst (jincy.varghese@icis.com)

Motor vehicle sector growth by region

2019 vs 2021



2021 vs 2022



SOURCE: Oxford Economics

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