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 supported on cost push**
- **Firmer deals in SE Asia for limited volumes**
- **Buyer resistance high in other areas**

Upstream cost push kept offers firm in the Asian import market for styrene butadiene rubber (SBR).

But buyers' responses differed across the various regional outlets.

In China, end-users turned instead to the domestic supply pool, and concrete SBR requirements are limited to begin with, market players said, as the anticipated robust downstream recovery has yet to materialise.

Tyre factories, which are one key SBR consumer, are still sitting on higher-than-expected stockpiles of finished products, and as such, are unable to ramp up production higher to boost usage of raw materials including SBR, market players said.

In SE Asia, discussions were relatively more active, but market players said that SBR transactions were limited to small parcel lots, with buyers buying only to maintain ongoing downstream operations, but not to build any safety stocks.

In India, potential buyers were heard mostly still trying to reconcile with the extent of recent SBR import offer increases, and they held back to wait for more updates on domestic pricing, expected later this week, before deliberating further on the merit of import procurement.

OUTLOOK

- **Upstream gains may extend**
- **SBR makers may trim output to contain cost outlay**
- **China demand may rebound in due course to uplift sentiment**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	+50	1550-1700	n/c	1400-1500	70.31-77.11
CFR Asia SE	USD/tonne	+50	1700.00-1850.00	+50	1500.00-1600.00	77.11-83.91
CFR India Main Ports	USD/tonne	+100	1750.00-1850.00	n/c	1500.00-1650.00	79.38-83.91
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1500-1650	n/c	1350-1450	68.04-74.84
CFR Asia SE	USD/tonne	+50	1650.00-1800.00	+50	1450.00-1550.00	74.84-81.65
CFR India Main Ports	USD/tonne	+100	1700.00-1800.00	n/c	1450.00-1600.00	77.11-81.65

China

CIF China discussions were capped, as most local end-users shunned imports for domestic materials.

The non-oil 1502 grade assessments are unchanged at the high-end with stable offers, and the low-end lifted with notionally firmer buying indications heard.

Assessments for the oil-extended 1712 grade were adjusted in line with 1502 grade changes.

Domestic SBR prices in east China softened on slower-than-expected buying momentum.

East China domestic SBR 1502 prices

Price (CNY/tonne)	15 Feb	08 Feb
E China Ex-Warehouse	11,400-11,500	11,500-11,600

Southeast Asia

CFR SE Asian prices for the non-oil 1502 grade were up with deals heard.

A number of cargoes, of southeast/northeast Asia-origins, changes hands within the week at levels within the published range, market sources said.

Offers for March shipment cargoes from regular NE Asian suppliers were heard at the high-end , while some China-origin offers were heard at the low-end.

But as natural rubber prices are starting to correct downwards, after a brief uptrend in the last month, market players said that this may weigh on SBR buying interest moving forward.

Assessments for the oil-extended 1712 grade were adjusted up with the 1502 grade changes.

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

Feb (1-15) 2023	Jan 2023	Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022
140.07	140.11	135.03	127.32	130.52	134.12	149.74

India

In India, the high-end for the non-oil 1502 assessments tracks stable selling indications, while low-end was lifted with firmer buying indications.

But substantive discussions were limited, as all players held back to wait for more clarity on domestic pricing movements, expected later this week.

Even within the import pool, some local end-users were heard resistant to paying more for Asian-origin materials, when competitively-priced cargoes from other non-Asia origins remained readily available, market sources said.

Furthermore, as March is typically the financial year closure month for India, most business entities in the country will avoid taking up fresh buy-sell positions at this juncture, market players said.

CFR India assessments for the oil-extended 1712 grade were adjusted with changes for the 1502 grade.

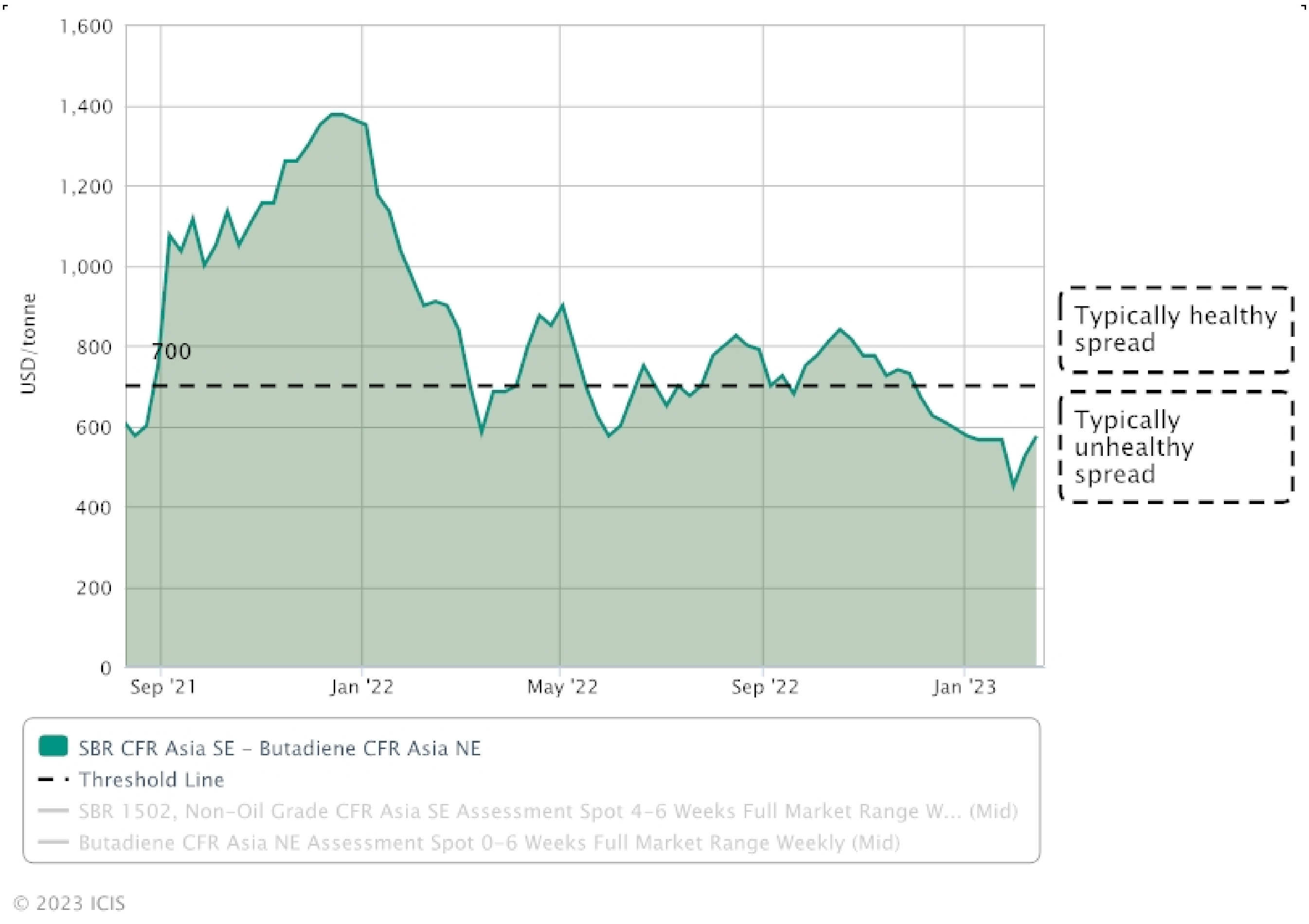
UPSTREAM

Butadiene

- Buy-sell sentiment mixed
- Producers see no selling pressures
- But end-users retreated on affordability concerns

The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia



Styrene

- Low liquidity in CFR China spot market
- Overall retreating market sentiment due to slow demand
- Active discussions for Japan-origin cargoes in NE Asia

PRODUCTION

SBR spot availabilities are poised to tighten with an upcoming maintenance in April-May.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

Europe

- Supply healthy despite lower operating rates
- February talks continue; stable pricing so far
- Spot prices steady

US

- February contracts fall, tracking styrene as BD stable
- Spot steady
- Supplies sufficient to meet weak demand

ANALYTICS

ICIS Butadiene Outlook

US butadiene (BD) consumption is likely to remain subdued in the first months of the year. According to appliance maker Whirlpool's Q4 earnings, the current environment is likely to persist into H1 2023, with a drop in demand being from 5% to 10%. Demand will improve in H2, particularly in North America. That said, the impact of planned BD unit turnarounds in the US in Q1 should be alleviated by high inventory levels and soft demand. US-origin crude C4 feedstock for BD extraction facilities should rise slightly in 2023, on paper, because of increased ethylene production capacity. However, as steam cracker margins are expected to be compressed in the few weeks to come, players could cut operating rates, limiting crude C4 availability.

European BD demand may be slightly healthier over the next weeks than expected a few months ago. Synthos is scheduled to restart polybutadiene production at its plant in Schkopau, Germany, in March 2023. The plant, which was idled in 2020, consumes about 30,000 tonnes/year of BD at full throttle. The company will be resuming activities because of robust market demand for butadiene rubber, particularly from existing customers. European BD producers may eye Asia to free up some cargoes on the spot market. It is the broad consensus that durable goods demand may increase in H2 2023. Expectations of easing inflationary pressures should help raise consumption in Europe. New passenger car registrations will improve this year, but the propensity to make important purchases is expected to remain very low compared with historic levels.

Tailwinds in China following the economy reopening may support BD demand. With margins expected to remain low, crackers could continue cutting operating rates during the next few weeks, thus capping crude C4 output. This, combined with a heavy regional maintenance scheduled, is likely to drive up Asian BD prices in H1 2023. In contrast, pressures on supply may be eased by deep-sea imports and new ongoing projects. In terms of plant news, two new Chinese BD plants - PetroChina Guangdong at Jieyang and Sinopec Hainan at Yangpu, both with a capacity of 110,000 tonnes/year - are expected to be commissioned between February and March. Long Song Petrochemical’s 110,000 tonne/year project in Vietnam is also set to start operations in mid 2023.

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ICIS Styrene Outlook

Styrene supply tightened at the end of Q4 and begins 2023 looking more vulnerable to shocks as several European plants remain offline due to poor demand and unfavourable economics. A steady inflow from the US is expected to resume in mid-February and March with the resumption of operations at key US units in January. Volatility in the European gas market and weak derivative consumption will likely cap domestic production in the near term.

Styrene demand remains weak, with seasonal factors limiting consumption into the construction sector. A mild winter may encourage more activity, but economic headwinds have reduced consumer spending and damaged overall market confidence. This is expected to continue during Q1, with the return of seasonal demand in Q2 likely to be much weaker than normal.

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