



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 up on cost pressures**
- **Supply may tighten due to looming op rate cuts**
- **Buyers resistant and trade liquidity curtailed**

Asian spot discussions for styrene butadiene rubber (SBR) saw support from firmer offers, as sellers sought to recoup rising costs and stem losses.

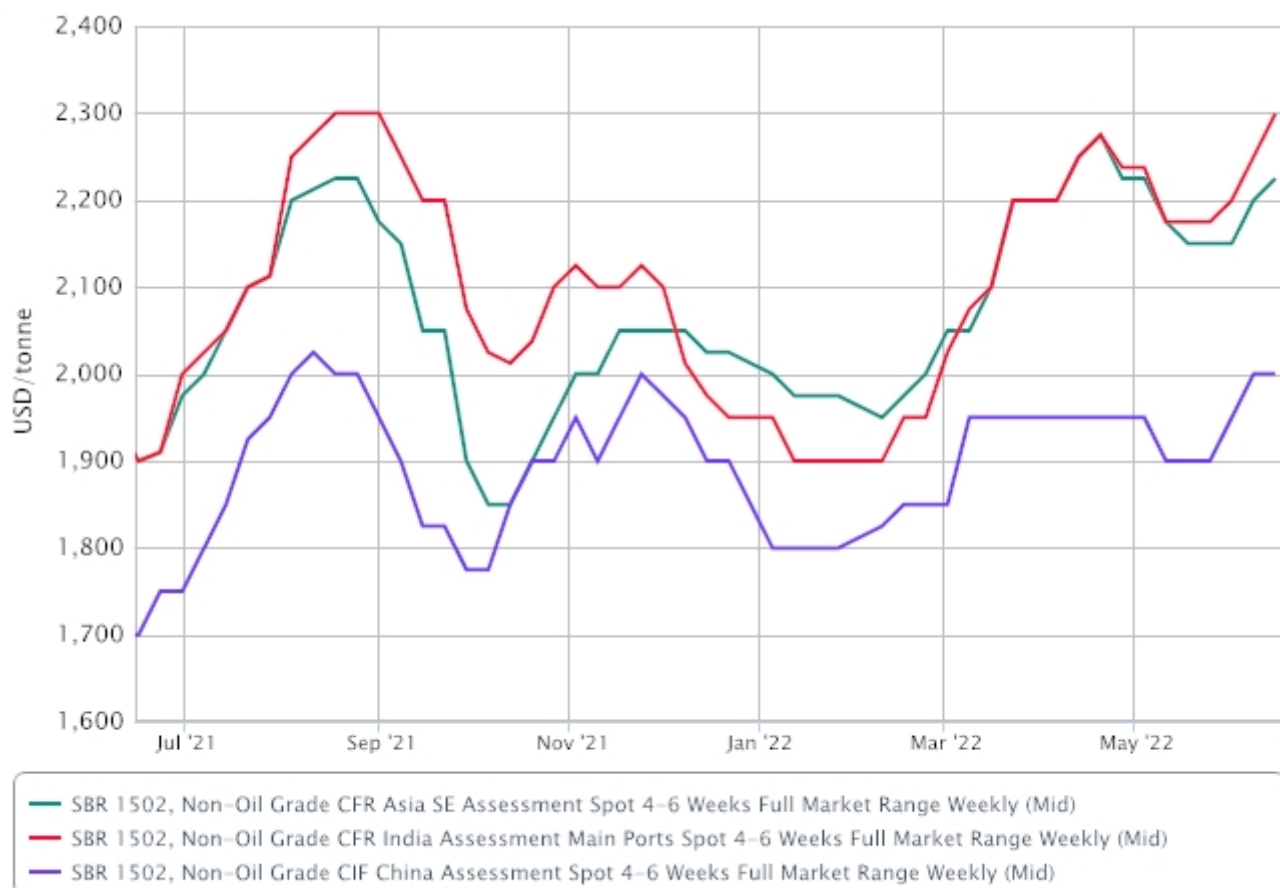
This came as prices for both feedstock [butadiene](#) (BD) and [styrene](#) (SM) have risen sharply recently, on the back of active short-covering.

Some regional SBR producers were heard considering operating rate cuts to rescue margins. If this materialises, sources said the ensuing reduction in SBR output could provide additional support for current spot offers.

The buying response was lacklustre. Many cited reservations about downstream affordability amid global [inflation](#) and recession risks.

Even though China posted higher month-on-month [vehicle sales](#) in May, players said this had not translated into increased off-take for raw materials including SBR. This is because auto plants are still sitting on higher-than-expected car-part inventories, and need more time to draw this down before they resume procurement.

Some potential SBR buyers also held back on bookings, saying they were waiting for more details on the availability of alternative, albeit more competitively-priced, supply from China. However, the pool from China has dried up, some sources said, especially after feedstocks surged recently.



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PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1950-2050	n/c	1850-1950	88.45-92.99
CFR Asia SE	USD/tonne	+50	2200.00-2250.00	n/c	2100.00-2200.00	99.79-102.06
CFR India Main Ports	USD/tonne	+50	2200.00-2400.00	+50	2100.00-2250.00	99.79-108.86
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1850-1950	n/c	1750-1850	83.91-88.45
CFR Asia SE	USD/tonne	+50	2150.00-2200.00	n/c	2050.00-2150.00	97.52-99.79
CFR India Main Ports	USD/tonne	+50	2150.00-2350.00	+50	2050.00-2200.00	97.52-106.59

China

The CIF China assessment for both non-oil 1502 grade and the oil-extended 1712 grade were rolled over in a thinly-discussed market.

No concrete offers were heard, and buying interest for imports was also low as local end-users are amply covered by domestic supplies.

Domestic 1502 SBR prices in China eased, tracking losses seen in previous weeks for upstream BD.

East China domestic SBR 1502 prices

Price (CNY/tonne)	15 Jun	08 Jun
E China Ex-Warehouse	12,400-12,500	12,700-12,800

Southeast Asia

The low end of the CFR southeast (SE) Asian assessment for non-oil 1502 grade was lifted to capture the full range of offers heard for material from regular suppliers.

However, trade liquidity remains undermined by lingering resistance by buyers, although some buyers acknowledged that alternative, and competitively-priced, supplies are no longer that readily available.

In addition, as natural rubber prices have trended lower recently, this could further dampen buying interest for synthetic rubber.

CFR SE Asian prices for oil-extended 1712 grade were adjusted up with the change on the low end of the 1502 grade assessment.

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

June (1-15) 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
166.83	162.81	171.15	175.18	179.84	178.12

India

The CFR India assessment for non-oil 1502 grade edged up with firmer offers and deals heard for cargoes from diverse origins.

Some China-origin material was heard sold at up to \$2,200/tonne CFR India, which formed the low end, while the high end tracked transactions for other northeast Asia-origin material.

The CFR India assessment for oil-extended 1712 grade rose in tandem with changes seen in the 1502 grade assessment.

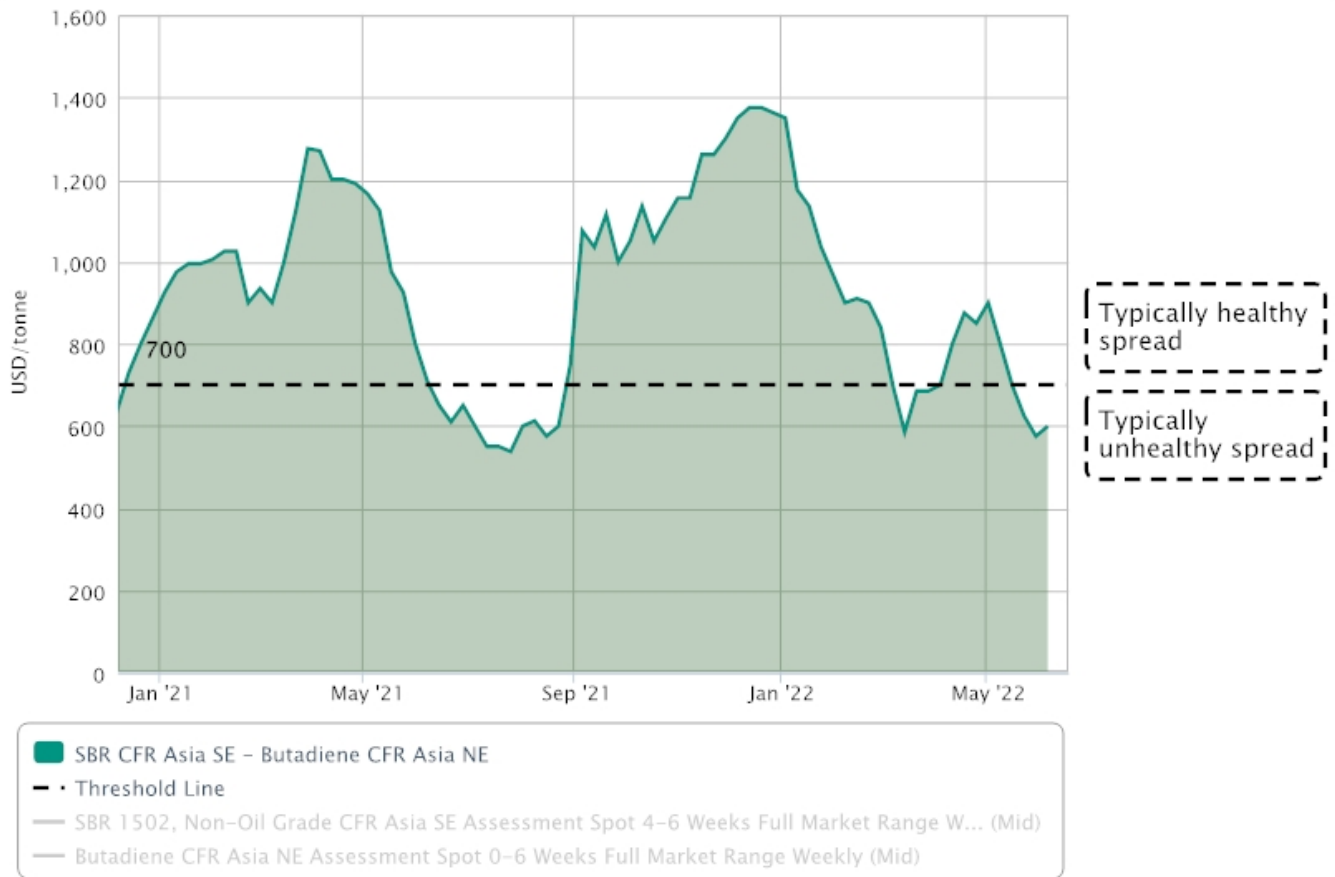
UPSTREAM

Butadiene

- Domestic China prices surge in week ended 10 June
- China export offers [raised](#) in line
- Demand picture mixed

The chart below shows the spread between BD and SBR.

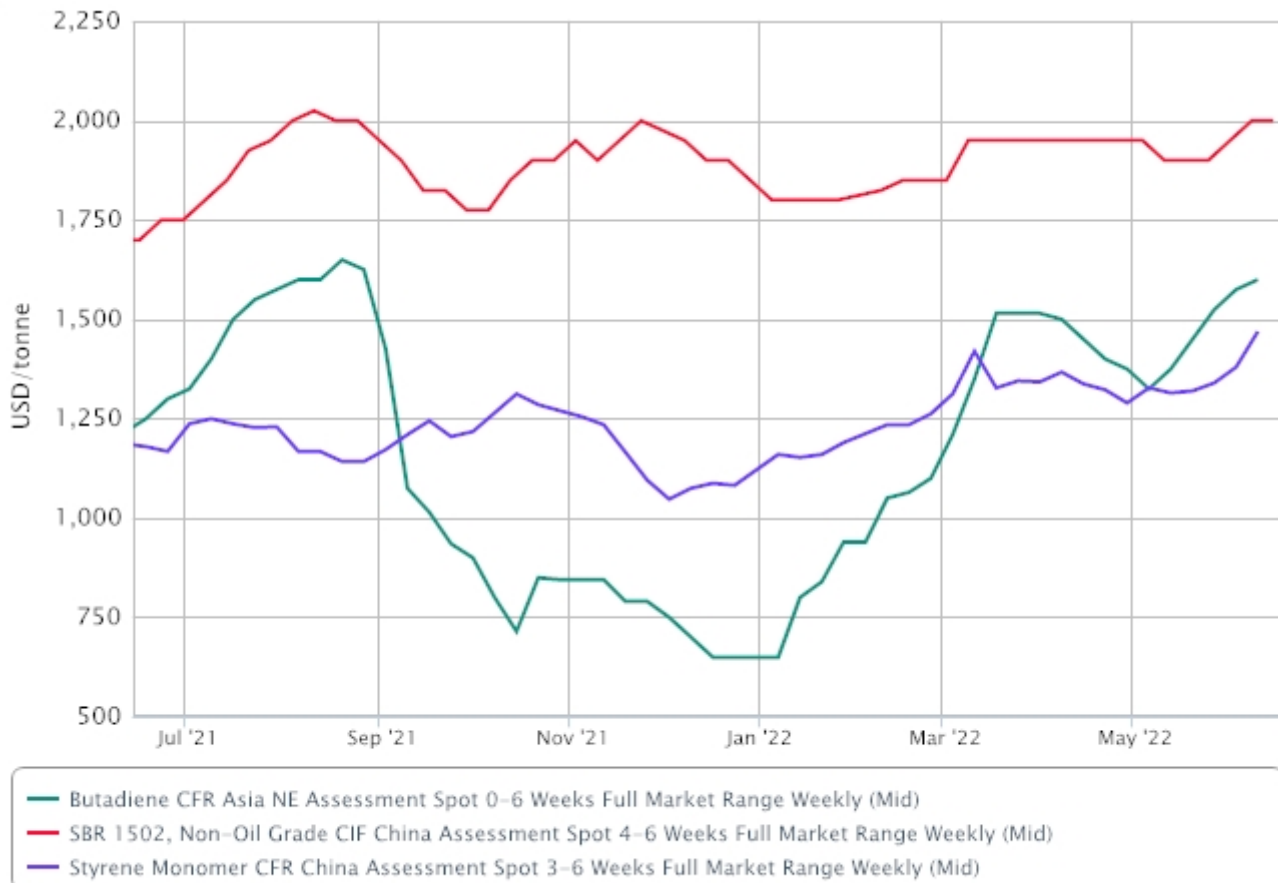
[Downstream spread – butadiene NE Asia and SBR SE Asia](#)



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Styrene:

- Prices supported by short-covering, speculative buying
- Market supported by energy sector
- Supply balanced to tight in domestic China on turnarounds



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PRODUCTION

In China, operating rates at local SBR plants averaged about 67% for the week ended 10 Jun, two percentage points lower than the week prior, sources said.

A local plant was [shut](#) from the end of May for a month-long maintenance.

Regional SBR supplies are tight amid ongoing maintenance, and may tighten further if other producers decide to cut operating rates to alleviate rising cost pressures.

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

OTHER REGIONS

Europe

- June contracts discussed at varied increases
- Higher feedstocks costs - continued production pressure
- Demand remains steady

US

- Supply snug but sufficient
- Catalyst availability problems limit rates

- Price pressure for spot purchases

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry is still struggling to make up for pandemic-induced losses. The global light vehicle selling rate fell to 75m units/year in March, with a Q1 2022 average of 79m units/year, as supply issues continued to cap sales growth (Oxford Economics). Material shortages continue to hit the industry. The semiconductor industry is already running at full capacity but is still unable to meet demand. Typical lead times for key materials are between six and eight months. Car manufacturers are bracing for the impact. Toyota reported net income of yen (¥) 2.8tr for FY2022 (an increase of 27%), despite logistics issues. However, its guidance for FY2023 is for net income of ¥2.3tr (down 21% year on year) because the company expects material costs to more than double this year.

According to the US Census Bureau, US light vehicle sales increased by 6.6% month on month in March with total sales of 14.3m (still down 22% year on year). The finished inventory to sales ratio continues to be extremely low at 0.470. The ratio was 1.564 and 3.140 respectively in March 2021 and 2020.

The European Automobile Manufacturers' Association (ACEA) reported a 21% fall year on year in passenger car registrations in March, an historic low. Major European economies posted double-digit sales contractions: Spain (-30%), Italy (-30%), France (-20%) and Germany (-18%). Commercial vehicle registration was down 25% month on month in January, and inventories were alarmingly low. Another direct impact of the conflict in Ukraine is limited supply of neon gas, which is used in making microchips. Ukraine is one of the leading producers of neon gas. The UK's Society of Motor Manufacturers and Traders reported total registrations down 16%, with diesel cars down 52% year on year in April.

In China, auto sales and production steeply declined as a result of the strict coronavirus lockdowns. According to the China Association of Automobile Manufacturers (CAAM), car production was down 46% year on year in April 2022. A similar fall was reported month on month. The outlook for Chinese automotive remains bearish, mainly because of movement controls. Inventory is up thanks to weak sales. The China Automobile Dealers Association reported an inventory coefficient of 1.91, an increase of 9.1% month on month and a year-on-year increase of 22% (with levels above 1.5 considered a warning).

The Indian outlook continues to be bearish. The Federation of Automobile Dealers Associations of India said total vehicle sales increased by 37% in April year on year. However, compared with April 2019 (pre-pandemic), the sales are still down 6%.

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

Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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