



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
15-Sep-2021

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

The CIF China prices in the weekly analysis on 6 October will be assessed based on information collated on 30 September. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

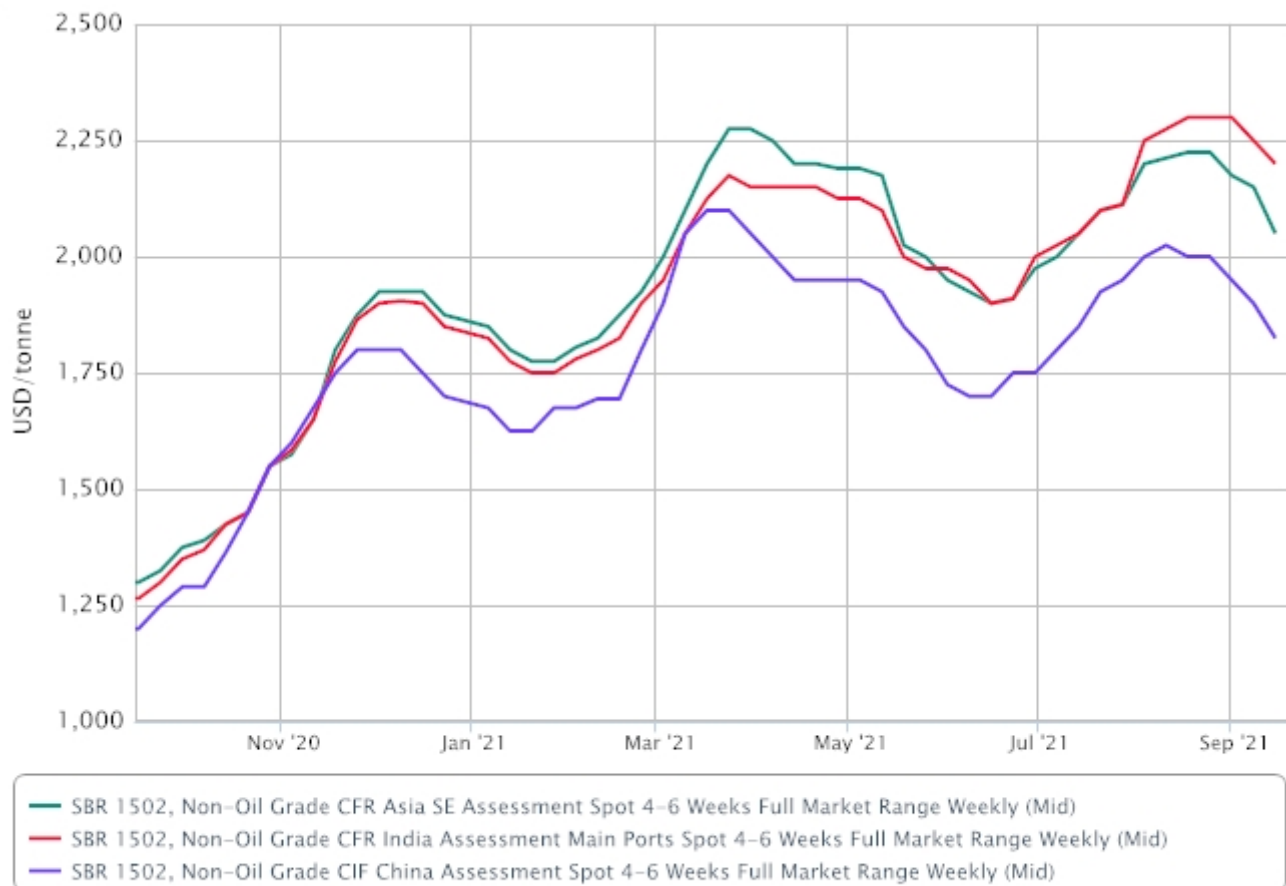
- **Sentiment fell with sharp upstream losses**
- **Demand outlook also dull**
- **Buyers wait and see**

Asian spot prices for styrene-butadiene-rubber (SBR) fell across the board, tracking massive [losses](#) seen in the upstream butadiene market.

Most buyers retreated, in anticipation that SBR offers will continue to soften further in coming weeks, assuming that the over-supplied butadiene market will remain weak in the near term.

Downstream demand outlook is also not buoyant, with factory operations in many regional outlets, such as [southeast Asia](#) and China, still undermined by ongoing covid-related restrictions or lockdown orders.

But from the sellers' perspectives, while some did moderate expectations to reflect anticipated cost savings from cheaper feedstock prices, many highlighted that they were limited by other steep operational costs, particularly on the [freight](#) front, to widen discounts.



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OUTLOOK

- Demand recovery will hinge on when the regional pandemic eases
- Supply could tighten with upcoming [turnarounds](#)
- Upstream pricing trends a factor to watch

ICIS analyst view on butadiene (BD)

In the butadiene (BD) market, the focus is on Asian regional demand in view of lower interest from the US market.

Asian demand from key sectors (tyre, shoes and gloves) is expected to remain slow for the rest of 2021 amid regional lockdowns and high container freight rates for exports. This, together with soft natural rubbers prices, might dampen the synthetic rubber market sentiment.

Zhangzhou Chimei's new 450,000 tonne/year acrylonitrile butadiene styrene (ABS) plant in Zhangzhou, China, started up in September, bringing additional BD demand. It is targeting full operations by end-2021.

Regional BD supply in Asia is expected to increase in Q4 2021 and Q1 2022, with new start-ups and a heavier cracker feed slate.

Following the start-ups of two sizable projects in China in August, three more plants (in the Philippines, China and South Korea) are starting up this year, representing 300,000 tonnes/year of BD capacity.

The start-up of Shouguang Luqing's 80,000 tonne/year BD plant remains uncertain on feedstock issues.

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

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	1750-1900	-100	1950-2050	79.38-86.18
CFR Asia SE	USD/tonne	-100	2000.00- 2100.00	-100	2200.00-2250.00	90.72-95.25
CFR India Main Ports	USD/tonne	-50	2150.00- 2250.00	-50	2250.00-2350.00	97.52-102.06
SBR 1712, Oil-Extended						
CIF China	USD/tonne	-50	1650-1800	-100	1850-1950	74.84-81.65
CFR Asia SE	USD/tonne	-100	1900.00- 2000.00	-100	2100.00-2150.00	86.18-90.72
CFR India Main Ports	USD/tonne	-50	2050.00- 2150.00	-50	2150.00-2250.00	92.99-97.52

China

CIF China prices for the non-oil 1502 grade materials are assessed down, with selling indications reflected at the high-end and buying indications capped at the low-end.

Buying interest was low with local end-users amply supplied by domestically produced materials.

Assessments for the oil-extended 1712 grade were adjusted down in line with changes for the 1502 grade, in the absence of any concrete 1712 business or discussions.

Domestic China prices of the 1502 grade materials trended down further, amid pre-holiday demand lull.

East China domestic SBR 1502 prices

Price (CNY/tonne)	15 Sep	08 Sep
E China Ex-Warehouse	12,200-12,300	12,400-12,500

Southeast Asia

CFR southeast (SE) Asian prices for the non-oil 1502 grade plunged, on lower buy-sell pricing indications heard.

Some cargoes were heard sold within the published range, market players said.

CFR SE Asian assessments for the oil-extended 1712 grade were also adjusted down with changes for the 1502 grade, in the absence of any concrete 1712 discussions.

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

Sep (1-5) 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020	Nov 2020	Oct 2 020	Sep 2 020
163.3	172.6	164.3	164.5	169.0	164.7	175.2	169.1	158.4	157.6	156.5	152.3	136.8
0	78	2	1	9	2	5	6	1	1	0	1	5

India

Like with China and SE Asian, discussions on India-bound shipment of the non-oil 1502 grade materials also fell week-on-week.

CFR Indian assessments were down, taking into account softer offers heard for cargoes from diverse origins.

Some potential buyers retreated deeper into the sidelines, saying that prevailing offers were still over-priced and not sufficiently commensurate with the magnitude of upstream losses.

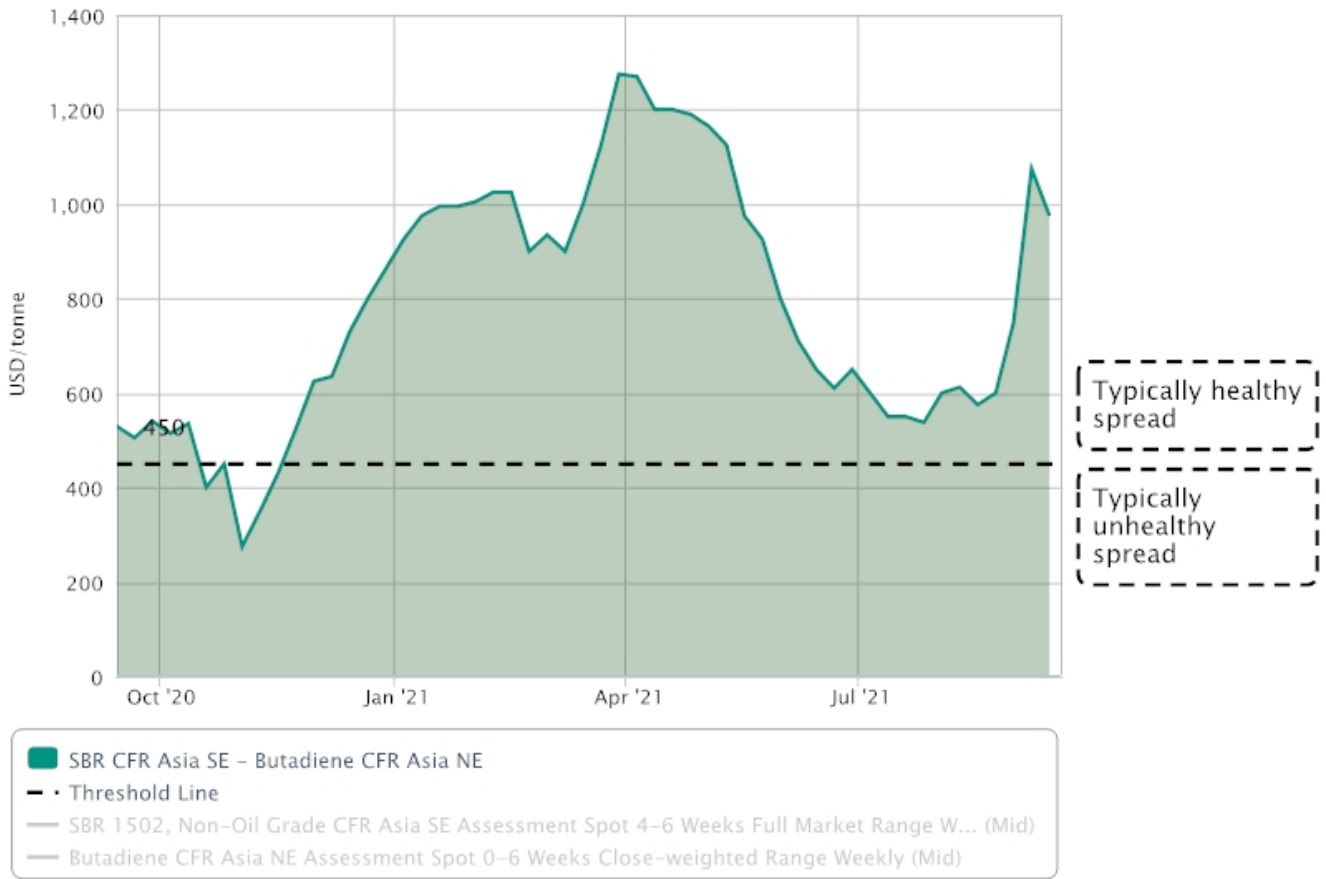
Assessments for the oil-extended 1712 grade was adjusted in line with changes in the 1502 grade, in the absence of concrete transactions.

UPSTREAM

Asian **butadiene** discussions [plummet](#) as supply outweighs demand

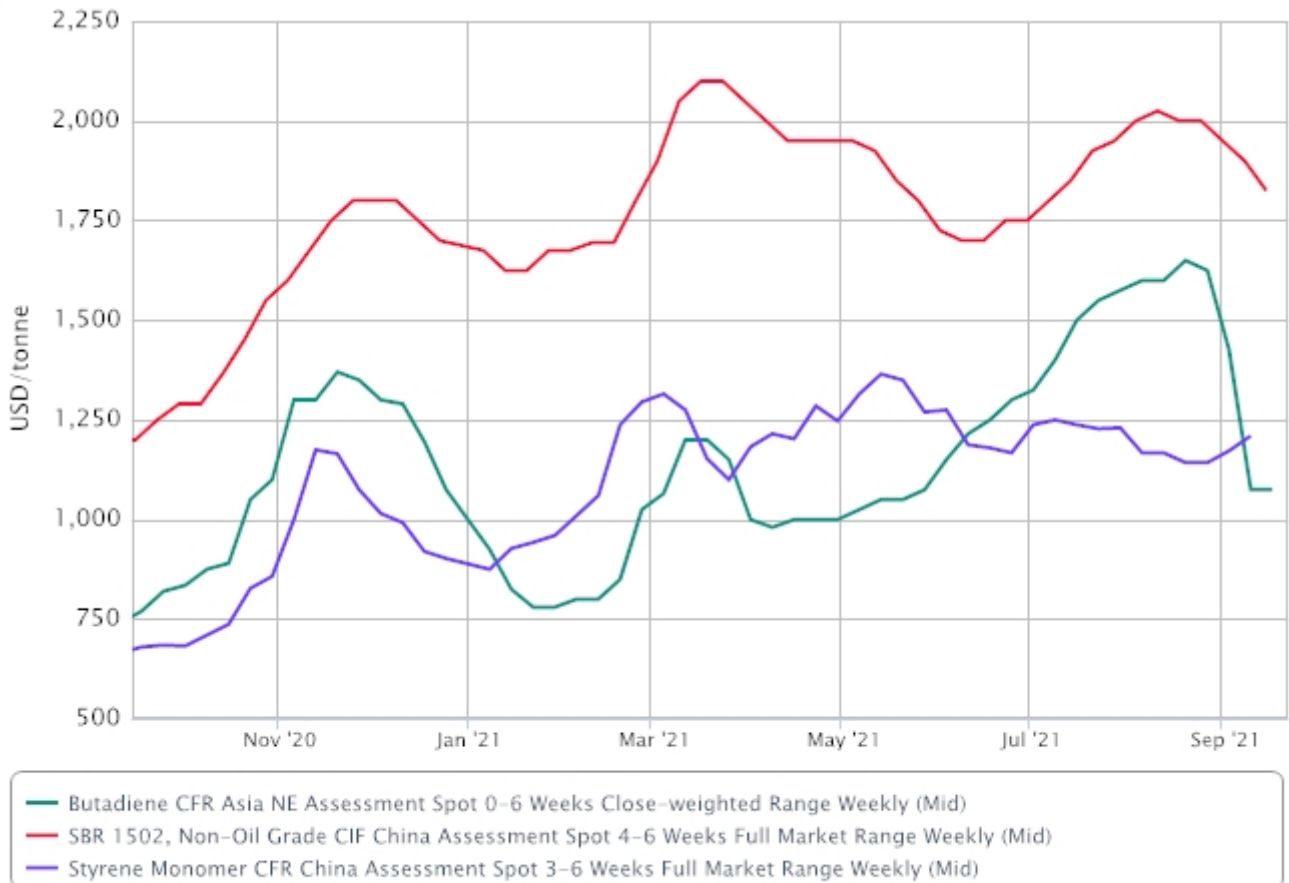
The chart below shows the spread between butadiene and SBR.

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



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Asian **styrene** import prices were [buoyed](#) in the early week by strong price performance in the yuan-denominated futures market, despite overall poor demand fundamentals and thin spot trading liquidity.



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PRODUCTION

In China, average operating rates of local SBR plants rose to 68% for the week ended 13 September, up from 63% in the week prior, market sources said.

SBR supplies within China are set to expand once a major 250,000 tonnes/year [plant](#) in Shandong restarts in H2 September from a near-two-month-long maintenanc.

But in wider Asia, SBR supplies are set to tighten on upcoming plant turnarounds in South Korea.

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

ANALYTICS

ICIS Butadiene Outlook

Hurricane Ida took about 20% of total US BD capacity offline and affected already constrained production, which is forecast to remain below 2020 levels. According to preliminary data, the US imported about 126,000 tonnes of BD in the first seven months of 2021, about the same amount as it imported for the whole of 2020, and there are expectations that between 200,000 and 250,000 tonnes will be imported by the end of the year. However, the US BD market is likely to be affected by vehicle production cuts. Indeed, carmakers Ford, General Motors and Nissan have slashed plant operating rates for September due to the ongoing global microchip supply shortage.

European BD producers may continue to look at the tight US market as an attractive outlet for the next few weeks. This may arise from supply disruptions due to the ongoing autumn maintenances and tropical storm-related problems. For European BD producers going forward, trading opportunities to the US are expected to be limited throughout 2022. The route to Asia appears technically closed for next year, given that European BD prices will continue to be unworkable for Asian buyers. Nevertheless, increased BD capacity worldwide will ease pressure on the European market. Apart from greenfield plants in China and South Korea, Yansab will install 136,000 tonnes/year of new capacity at Yanbu, Saudi Arabia, in 2022.

Japanese automakers are cutting domestic and global production in September in response to a persistent lack of semiconductor components. Toyota will decrease worldwide vehicle production by 40% this month. Daihatsu, a Toyota subsidiary, confirmed the closure of manufacturing plants in Osaka and Oita prefecture to mid-September. This is likely to negatively impact the domestic BD market. Based on ICIS estimations, Japanese BD production will total around 850,000 tonnes in 2021, up from 785,000 tonnes in 2020, but down from the 888,000 tonnes it produced in 2019.

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

ICIS Downstream Automotive Demand Outlook

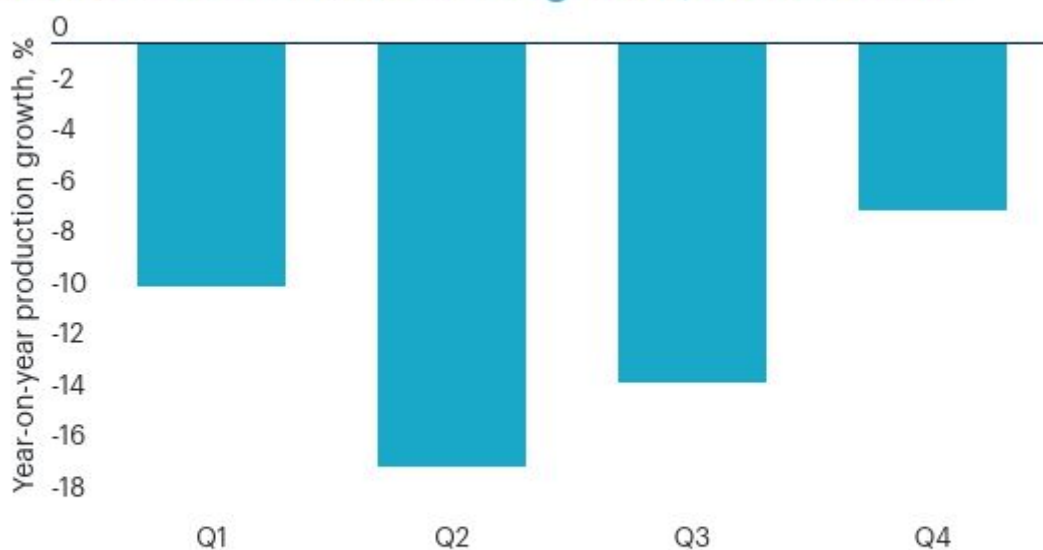
The global automotive industry is currently beset by an acute supply-demand imbalance. Output is well below pre-pandemic levels, a trend seen in every region. According to Oxford Economics, the global automotive industry will contract by 11.5% in 2021 due to a severe shortage of semiconductor chips and auto parts, supply chain problems and other production-related issues. A shortage of polymers and shipping containers has also forced several companies in the chain to shut plants. As a result, most carmakers have an alarmingly low level of raw materials and finished inventories. Some auto giants have announced production cuts. For example, Toyota plans to slash output by 40% in September and GM will idle its North American assembly line for two weeks from 13 September. Global light vehicle sales

declined by a further 2.4% month on month in August and were down 16% compared with 2019. Chip supply is unable to keep up with demand and the situation is getting worse by the day. The most pessimistic view suggests that the situation will not improve until 2023. In the short to medium term, the negatives far outweigh the positives. According to accounting firm KPMG, the chip shortage will cost the industry \$100bn in lost revenue in 2021.

In July, Chinese passenger car and commercial vehicle sales were down 6.8% and 30.2% year on year respectively. In terms of stock, the inventory coefficient was at 1.37 in August against 1.50 in the same month last year, a year on year decrease of 8.7% and the lowest figure for three years. A lack of available key auto parts has altered typical seasonal characteristics as well. For example, dealers have refrained from promotional campaigns and refused offers and discounts as well. To pursue its policy of self-sufficiency, China's key chip manufacturer has committed \$9bn to build a factory in Shanghai. Other Asian economies are also suffering, especially India. It suffered a major setback when Ford shut its 25-year-old Indian operations which had the capacity to produce 610,000 engines and 440,000 vehicles a year. Ford is the third company to exit the country after GM and Harley Davidson. Future visibility is extremely limited.

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

Global motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics



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