# Styrene Butadiene Rubber (Asia-Pacific)

## By Ai Teng Lim
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Overview | Outlook | Prices | Upstream | Production | Analytics

Please click here for full details on the criteria ICIS uses in making these price assessments.

## OVERVIEW

- **Offers mostly supported on cost and supply factors**
- **Demand healthy in India but slower elsewhere**
- **Gap widens between China and rest of Asia**

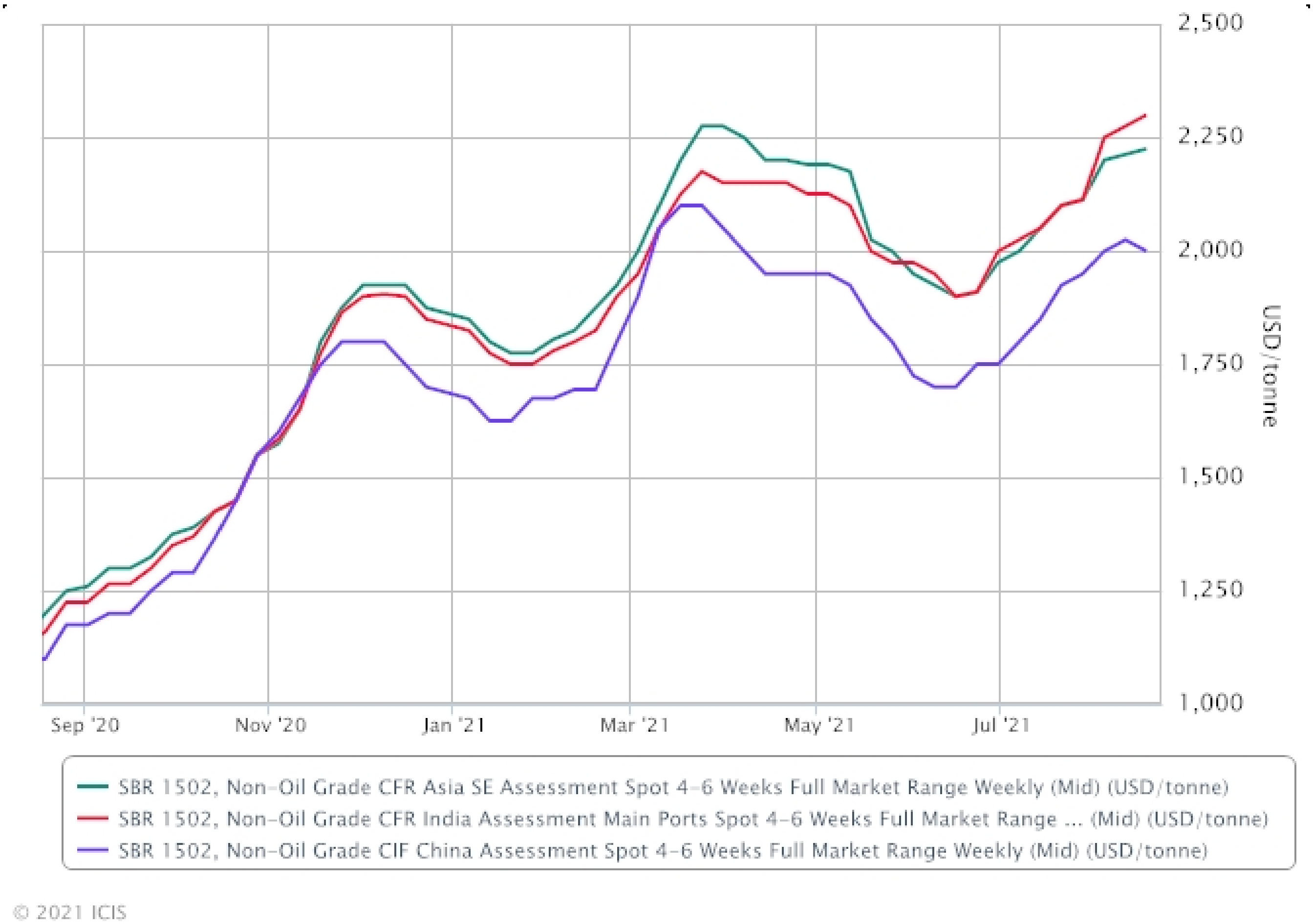
Sentiment was mixed for Asian spot discussions for styrene-butadiene-rubber (SBR) - softer in China but more upbeat in SE Asia and India.

In China, downstream requirements remain tepid, underpinned by shrinking car sales in the country. End-users there were also amply supplied domestically, and are not keen to book US dollar denominated import materials.

In contrast, spot trade is relatively more active elsewhere in Asia, even though the buying tempo still differs from outlet to outlet. This also contributed to a widening pricing gap between China and rest of region, market players said.

In southeast Asia, downstream off-take is weighed down by the region's ongoing battle against the pandemic. Procurement is on a "need-to" basis, market sources said, and prevailing offers were on the rise given strong upstream costs and steep freight costs.

In India, the demand outlook is brighter, supported by steady recovery in downstream operations. Sentiment is also buoyed by India's announcement of a $1.35 trillion plan to boost infrastructural construction.




## OUTLOOK

- **Cost pressure to keep up offers**
- **India to drive near term demand**
- **Demand outlook elsewhere will hinge on coronavirus situation**

**ICIS analyst view on styrene butadiene rubber (SBR)**

ICIS expects balanced fundamentals for SBR in Asia in August and September.

Demand has been slow in China and southeast Asia due to normal seasonality and operating disruptions caused by the resurgence of the coronavirus Delta variant. Container freight rates continue to break record highs, with new data showing a further massive spike in the key Asia-to-Europe and Asia-to-US routes, pressuring tyre exports.

However, reduced SBR supply due to eroded margins is expected to offset the slow demand. China's SBR operating rates are expected to decrease to 60% in August from 74% in July on the back of one major plant turnaround and margin-related output cuts. Producers elsewhere in Asia have also cut rates on eroded margins.

SBR supply is expected to increase in September as the turnaround of the biggest Chinese SBR producer, Sinopec Qilu PC, ends. We also expect higher output from other producers amid anticipated improved margins.

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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 | n/c | 1950-2050 | -50 | 1850-2000 | 88.45-92.99 |
| **CFR Asia SE** | USD/tonne | +25 | 2200.00-2250.00 | n/c | 2050.00-2150.00 | 99.79-102.06 |
| **CFR India Main Ports** | USD/tonne | n/c | 2250.00-2350.00 | +50 | 2050.00-2150.00 | 102.06-106.59 |
| **SBR 1712, Oil-Extended** | | | | | | |
| **CIF China** | USD/tonne | n/c | 1850-1950 | -50 | 1750-1900 | 83.91-88.45 |
| **CFR Asia SE** | USD/tonne | +25 | 2100.00-2150.00 | n/c | 1950.00-2050.00 | 95.25-97.52 |
| **CFR India Main Ports** | USD/tonne | n/c | 2150.00-2250.00 | +50 | 1950.00-2050.00 | 97.52-102.06 |

### China

CIF China prices for the non-oil 1502 grade were stable-to-soft, with the high end dropped to reflect lower selling indications heard.

Some importers moderated expectations to stimulate buying, and this formed the high end. But substantive discussions were limited, with end-users in China still amply supplied by the domestic supply pool.

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

Domestic China prices of the 1502 grade materials were stable, on broadly unchanged demand-supply balance. While prompt supplies were tight with ongoing plant turnarounds, off-take slowed down with local supply chain disruptions caused by a recent spike of coronavirus cases within China.

**East China domestic SBR 1502 prices**

| Price (CNY/tonne) | This week | Last week |
|---|---|---|
| E China Ex-Warehouse | 13,200-13,300 | 13,200-13,300 |

### Southeast Asia

CFR southeast (SE) Asian assessments were stable-to-firm for the non-oil 1502 grade, with buy-sell discussions and limited deals heard in a narrower range than the week prior.

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

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

| Aug (1-18) 2021 | July 2021 | June 2021 | May 2021 | Apr 2021 | Mar 2021 | Feb 2021 | Jan 2021 | Dec 2020 | Nov 2020 | Oct 2020 | Sep 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 173.69 | 164.32 | 164.51 | 169.09 | 164.72 | 175.25 | 169.16 | 158.41 | 157.61 | 156.50 | 152.31 | 136.85 |

**India**

CFR Indian assessments for the non-oil 1502 grade were stable-to-firm, with the high end raised in line with firmer offers heard for Asia-origin cargoes.

Buying appetite for imports was also boosted after a big hike in local prices, market players said.

Some end-users in India did step up to raise bids and procure Asia-origin cargoes at terms closer to the sellers' expectations, and these were at the lower end of the published range.

But some deep-sea origin cargoes were heard also indicated for September shipment to India and at lower levels, compared to Asian-origin materials.

While the deep-sea origin materials are not within ICIS' assessment scope, market players said that these availabilities served to weigh down to some extent buy-side pricing sentiment for Asia-origin materials.

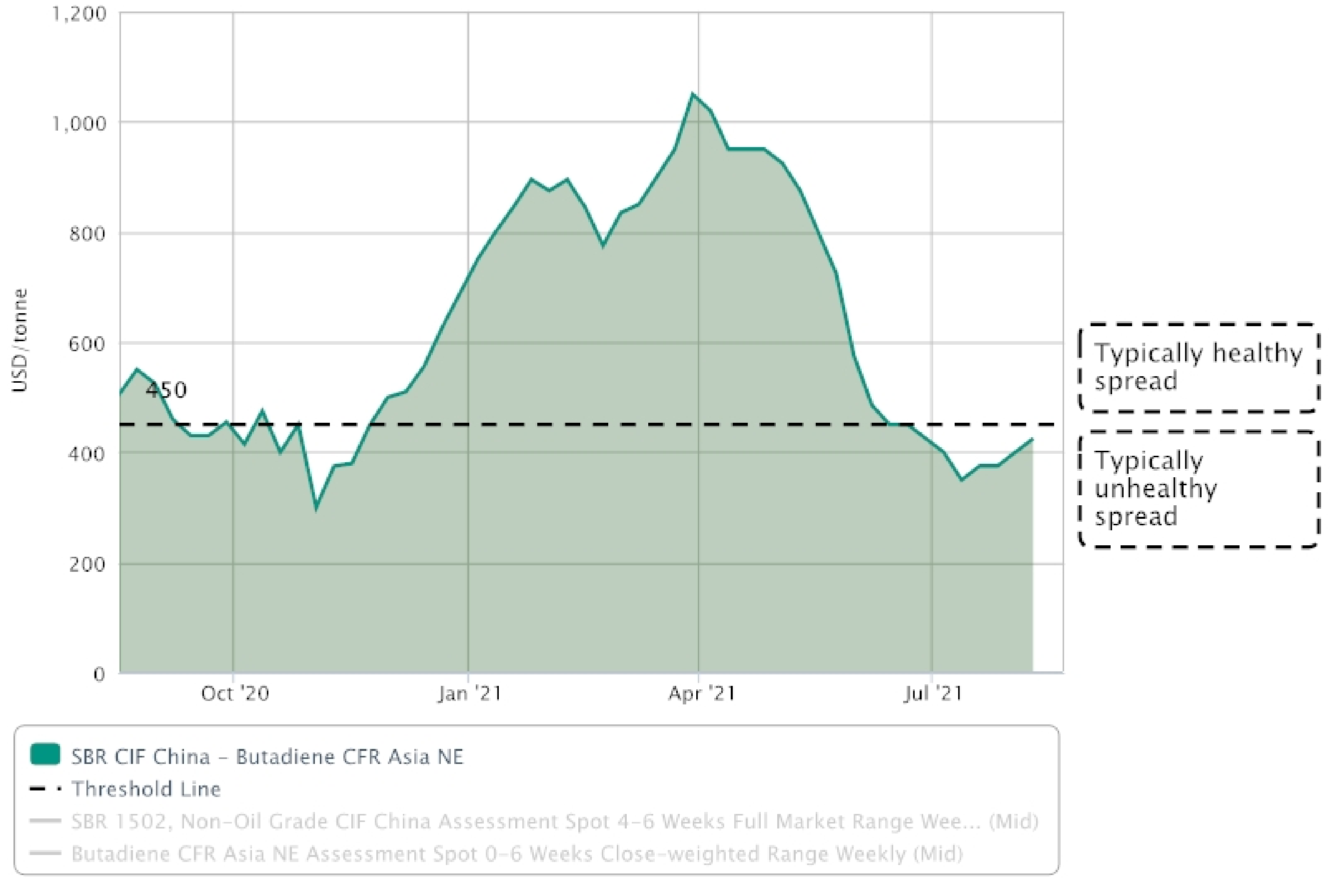
CFR Indian prices for the oil-extended grade were adjusted in line with changes for the 1502 grade materials, in the absence of  concrete business.

## UPSTREAM

Asian butadiene (BD) spot discussions were stable on range-bound pricing indications, but liquidity is crimped by wide buy-sell gap.

The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia






Asian **styrene** market went on a general recovery through the course of the week, with buying interest [improving]() as domestic Chinese prices went up and some replenishment activity continued from China/northeast Asia for September material.

## PRODUCTION

In China, average operating rates of local SBR plants plunged to 60% in the week ended 13 August, down from 72% for the week prior, market sources said.

Output in China is curtailed as a major 250,000 tonnes/year plant in Shandong is shut for turnaround until H2 September.

Click here for the Asian SBR Live Disruption Tracker.

## ANALYTICS

**ICIS Ethylene Outlook**

The US ethylene market is set to move from backwardation conditions to those of contango in the short term due to cracker restarts and ramp-ups, along with the start-ups of Baystar's new cracker, in August, and the Gulf Coast Growth Ventures project. The latter is expected to begin commercial operations in Q4 2021, earlier than scheduled. In Q3 2021, ethylene production is estimated to reach about 9.1m tonnes, rising from 8.8m tonnes and 7.2m tonnes, respectively, in Q2 and Q1. In September, the accumulated production of monomer in 2021 is estimated to outpace 2020 levels. US ethylene export operations might benefit from the recent merger of Navigator Holdings with the Ultragas fleet and business activities. This move should enhance shipping transport services, flexibility and cost efficiency going forward.

Unseasonal healthy demand combined with some supply shortage will probably continue to affect the European ethylene market for the rest of Q3 2021. Uncertainties over the return schedule of several crackers from unexpected maintenance in July might adversely hit ethylene availability in August. In accordance with preliminary estimations, European cracker run rates – including Petkim's unit at Aliaga, Turkey – are deemed to hit on average about 86% of nameplate capacity in Q3 2021, which is higher than in Q2 but about 2% lower than in Q1. Several plants are assumed to be running at lower operating rates due to the high summer temperatures, holiday-related reduced working hours and unplanned outages due to malfunctions.

Asian ethylene industry sentiment is bearish for the coming months. Growing regional capacity and a potential downside COVID risk to demand growth might lead to a bleak outlook. Northeast Asia and south Asia will increase their capacity by 17% and 6%, respectively, this year. Looking at South Korea, ethylene production is estimated at around 9.7m tonnes this year, increasing by an impressive 11% from 2020. The country should see a greater boost in monomer production in H2 2021 than in H1 2021 following the start-up of two new crackers and the lower-impact autumn planned turnaround schedule compared with spring. Consequently, northeast Asia is likely to remain unattractive in the spot export market throughout 2021.

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

**ICIS Propylene Outlook**

According to ICIS, US propylene production is likely to hit just above 4m tonnes in Q3, up from about 3.9m tonnes and almost 3.4m tonnes, respectively, in Q2 and Q1. Despite the ramp-up of production, robust underlying demand and low inventory levels will continue to trigger a bullish mood. Although the US propylene market will remain the global price leader at least for the rest of 2021, supply woes worldwide should limit the shipping of monomer cargoes from the other hubs. Heading into 2022, US propylene capacity is scheduled to increase by only 100,000 tonnes/year due to the start-up of Dow's new fluidised catalytic dehydrogenation (FCDh) unit at Plaquemine, Louisiana.

European propylene buyers are facing a persistently tight market due to multiple unscheduled cracker interruptions. Nevertheless, Q3 production in Europe – including Turkey – could total about 3.9m tonnes, increasing from almost 3.6m tonnes in Q2 and hitting the same level in Q1, unless unplanned outages occur. Overall, uncertainty in the propylene market could last for the remainder of the year, with the autumn plant turnaround cycle being an additional disruptive factor for supply. By contrast, 2022 might see an easing of pressure on the propylene industry on the back of an increase in total European monomer capacity. The start-up of a 750,000 tonne/year PDH unit at Kallo, Belgium, and two cracking unit expansions in Germany and Slovakia, should raise total capacity by about 2.5% year on year.

Concerns about the Asian economic perspectives primarily arise from new lockdowns caused by the spread of the Delta variant of the coronavirus, and higher raw material and shipping costs. Additionally, China's manufacturing activity in July grew at the slowest pace in 17 months, with new export orders having fallen for three consecutive months. The world's second largest economy seems to be slowing. Chinese propylene production is forecast to ramp up with new projects. According to the ICIS Supply and Demand Database, about 1m tonnes/year of new capacity is expected to be installed in H2 2021. However, should downstream demand growth decelerate, producers might decrease operating rates, reducing inventory levels, and some new plant start-ups could be delayed.

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**ICIS Butadiene Outlook**

Enduring US BD market tightness is likely to support bullish sentiment at least until the end of 2021. This year's production is estimated to hit between 1.3m and 1.4m tonnes, down from 2020 levels, with underlying demand remaining robust. Given that the market remains unbalanced, some BD cargos are expected to arrive to support US needs, especially from Asia.

The European BD industry is projected to be characterised by good domestic demand and tight supply over the next few weeks. The unexpected production woes that hit a few BD-integrated crackers in late July might persist, at least through early August. Against this backdrop, production constraints should limit BD trade from Europe to the US. Nevertheless, BD availability is set to reach about 585,000 tonnes in Q3, up from 560,000 tonnes in Q2 but down from 595,000 tonnes in Q1.

In Asia, BD market fundamentals are forecast to become bearish in the short term, primarily on the back of growing supply from new BD plants. As a result, Asia is likely to be an unattractive export outlet for European producers for the rest of 2021.

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