



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
18-May-2022

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

OVERVIEW

- **Limited availability in wider Asia**
- **Low spot trade liquidity**
- **Domestic China rebounds**

Asian spot discussions for styrene-butadiene-rubber (SBR) were stable to soft in southeast Asia but mostly flat elsewhere.

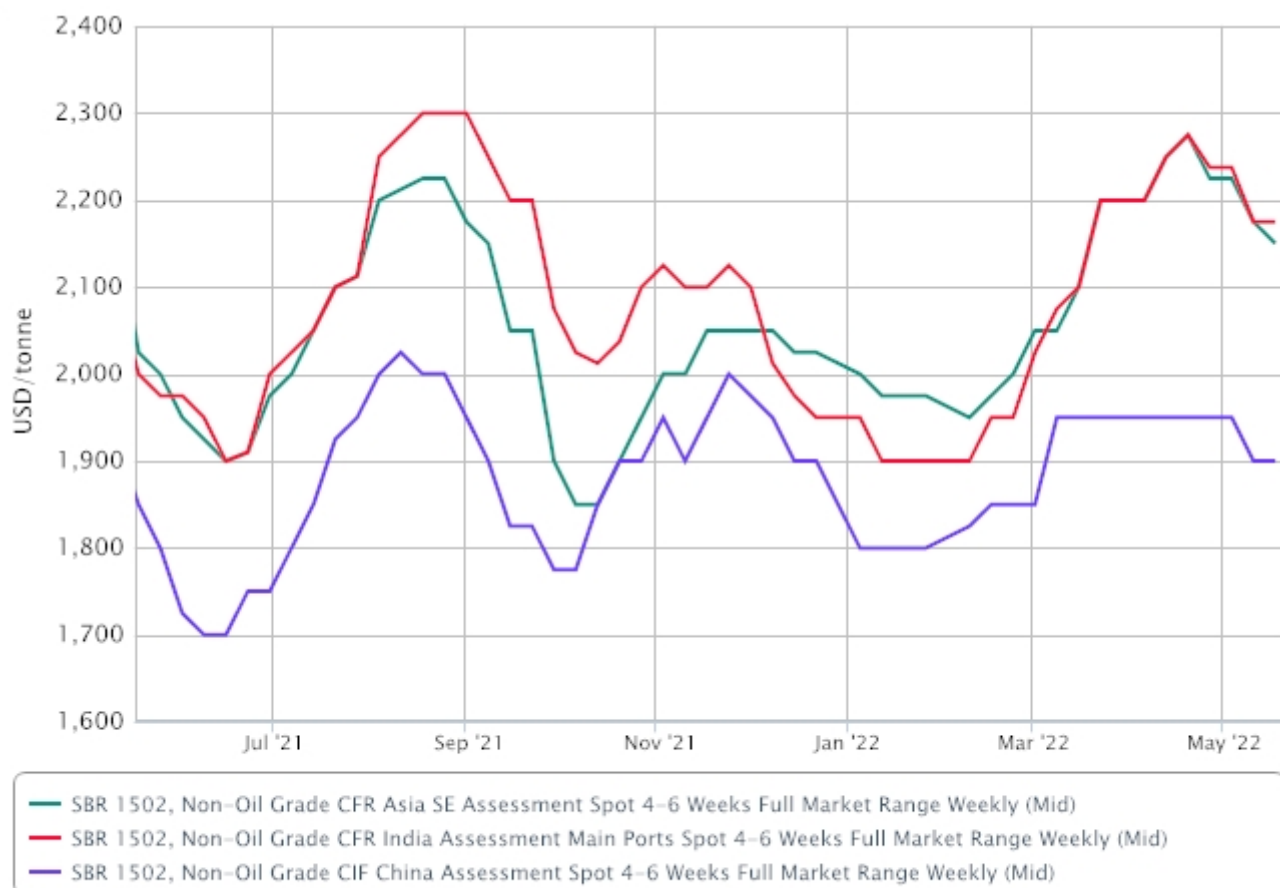
In southeast Asia and India, discussions were still split between China-origin and non-China-origin materials.

For non-China origin materials, availabilities were limited, and sellers mostly saw no incentive to price down just to induce buying.

Most were also confident that the outflow of China cargoes seen in recent weeks may be a transient development, and could dissipate once the tempo in the domestic China market picks up when the existing pandemic lockdowns there are lifted.

Indeed, domestic China prices for SBR rebounded this week, after news emerged that Shanghai may resume normal operations in June. Market sources said that in line with this, export offers from China also eased this week.

Most buyers held back fresh import bookings as such waiting for more clarity on how the situation in China is going to pan out in the coming weeks.



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OUTLOOK

- Regional demand may recover if China lockdowns are eased
- Spot supply constraint in wider Asia likely to persist
- Outflow of China supplies may ease too

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1850-1950	n/c	1900-2000	83.91-88.45
CFR Asia SE	USD/tonne	n/c	2100.00-2200.00	-50	2250.00-2300.00	95.25-99.79
CFR India Main Ports	USD/tonne	n/c	2100.00-2250.00	n/c	2250.00-2300.00	95.25-102.06
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1750-1850	n/c	1800-1900	79.38-83.91
CFR Asia SE	USD/tonne	n/c	2050.00-2150.00	-50	2200.00-2250.00	92.99-97.52
CFR India Main Ports	USD/tonne	n/c	2050.00-2200.00	n/c	2200.00-2250.00	92.99-99.79

China

CIF China assessments for both the non-oil 1502 grade and the oil-extended 1712 grades were kept unchanged in a thinly-discussed week.

Local end-users continued to stay away from imports, which have now become, with recent [depreciation of the Chinese yuan](#) against the US dollar, priced even higher than before than the domestic yuan-denominated materials.

Meanwhile, domestic prices for SBR 1502 rebounded as trade momentum picked up with more end-users seeking to restock in anticipation for the existing lockdowns in several cities to be lifted.

East China domestic SBR 1502 prices

Price (CNY/tonne)	18 May	11 May
E China Ex-Warehouse	12,000-12,100	11,500-11,600

Southeast Asia

CFR southeast (SE) Asian prices for the non-oil 1502 grade were assessed in a narrower range, with the high end dropped, in line with the lowest offer heard for non-China-origin materials.

The low end tracked discussions for China-origin materials.

CFR SE Asian prices for the oil-extended 1712 grade were adjusted down at the high end, in line with changes seen for the 1502 grade assessments.

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

May (1-18) 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
161.16	171.15	175.18	179.84	178.12

India

SBR import discussions in India were rangebound for the non-oil 1502 grade.

The high end tracks discussions for non-China-origin materials, while the low end reflects a deal heard for China-origin products.

Assessments for the oil-extended 1712 grade were lowered, in line with the changes seen for the 1502 assessments and in the absence of any concrete 1712 discussions or business.

UPSTREAM

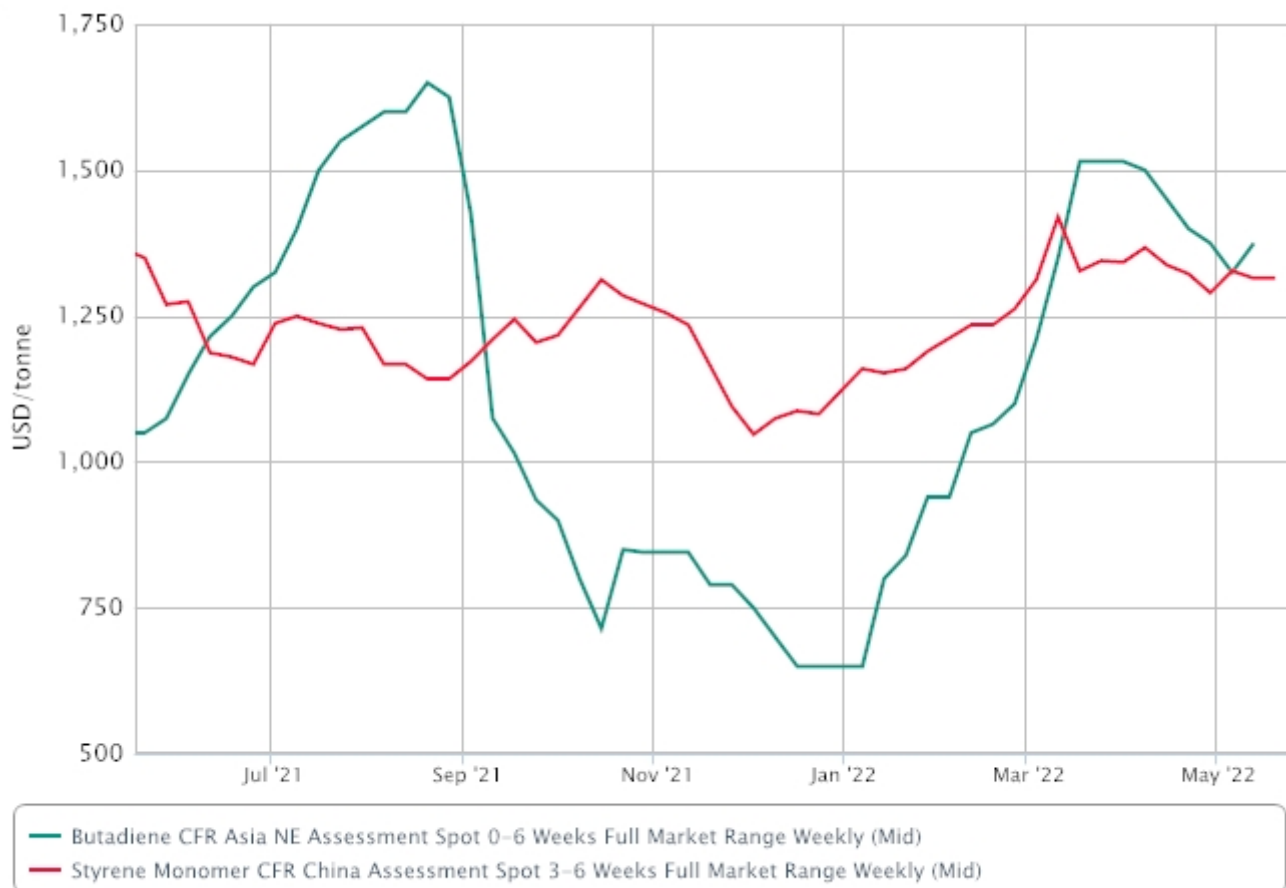
Asia's spot discussions for **butadiene (BD)** saw an [uptick](#) this week, as prompt demand surfaced with some production hiccups. But lacklustre downstream demand continues to weigh on longer-term pricing outlook.

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 at a wider discussion range on the back of energy and futures volatility even though market liquidity was thin on both the import and export front.



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PRODUCTION

In China, average operating rates of local SBR plants held steady at 73% for the week ended 13 May, unchanged from the week prior, market sources said.

Meanwhile, regional SBR supplies are still on the tighter side with upcoming maintenance closures in late May, although there will be some respite with one other plant [restarting](#) in mid-May after a month-long closure.

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

ANALYTICS

ICIS Butadiene Outlook

ICIS forecasts a worse outlook for US BD consumption for 2022 compared with November 2021 projections. Downstream demand is now expected to fall by around 2.5% year on year against 1% in the previous outlook and will still remain below pre-pandemic levels. The adiponitrile (ADN) industry will be the hardest hit, with demand decreasing by about 18% from 2021. Across the board, this less favourable outlook for the BD industry is likely to be dictated by the fact that the US economy may be at risk from higher inflation. On the production front, TPC Group aims to expand its Houston BD plant's 546,000 tonne/year capacity by 20% by the first quarter of 2023. Europe may see a contraction in BD trade flows to deep-sea destinations as a result.

ICIS has revised down 2022 European BD demand growth rate by about one percentage point to 5%, compared with the November 2021 outlook. European BD derivative demand will be back to the pre-pandemic consumption levels, although it is forecast to grow at a slower rate than in 2021. Versalis's steam cracking plant in Porto Marghera, Italy, is in the process of decommissioning and will halt crude C4 flows to the BD extraction unit at

Ravenna. Consequently, supply-chain difficulties may occur in the months ahead, supporting prices. Demand for original equipment tyres in Europe is likely to remain constrained, given that automotive production continues to be hit by semiconductor shortages. The war in Ukraine has aggravated the lack of automotive components.

Based on spring updating of the ICIS Supply and Demand Database, Asian BD demand this year is set to grow by 5.6%, lower than the 6.3% projection made in November 2021. Slowing demand growth is likely to be due to lockdowns in China, port congestions, and the automotive industry crisis.

For 2022, the Chinese polybutadiene rubber (PBR) demand growth rate has been cut by three percentage points to 8.1% from the previous forecast, due mainly to continued supply-chain disruptions that are expected to contain tyre export growth. BD production in southeast Asia will increase thanks to the restart of Pengerang Refining and Petrochemical's plant at Pengerang Johor, Malaysia, likely in June. The petrochemical complex includes 185,000 tonnes/year of BD capacity and, as it does not have a derivative unit, all the BD output will be sold in the spot market.

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

ICIS Styrene Outlook

Domestic styrene production continues to be restricted, with both Trinseo's unit in Terneuzen and BASF's plant in Ludwigshafen experiencing production hiccups. Shell's PO/SM plant is currently undergoing a planned maintenance turnaround. Significant increases to natural gas prices over the past 18 months have increased pressure on styrene producer margins, and we believe this has also resulted in a reduction of operating rates.

Gas prices are likely to remain at current levels, with no end in sight to the war in Ukraine. It is currently unclear when BASF and Trinseo will restart production. We thus anticipate domestic production to remain reduced in the coming weeks.

Imports of styrene are projected to pick up in the coming weeks, as much higher European price levels have attracted shipments from Asia and the Middle East. Most importantly, several producers in the US are concluding turnarounds and transatlantic shipments are expected to ramp up.

European styrene demand has been fairly stable. Overall PS demand levels seen this month are similar to those seen in April, while strong demand into EPS is outweighing the impacts of reduced demand from the automotive sector on ABS. Solid growth in the construction sector and two EPS unit expansions in Europe before the end of the second quarter are likely to result in higher styrene demand. Increases to the cost of living and a rapid rise in inflation across Europe pose risks to consumer spending.

By **Moritz Lank**, lead market analyst, moritz.lank@icis.com

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