



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
19-Jan-2022

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

The weekly analysis on 2 February will not be published. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Discussions muted**
- **Players cautious amid upstream volatility**
- **Buying tempo eases on pre-holiday lull**

Asia's spot discussions for styrene-butadiene-rubber (SBR) were muted this week, amid upstream volatility and a hazy demand outlook.

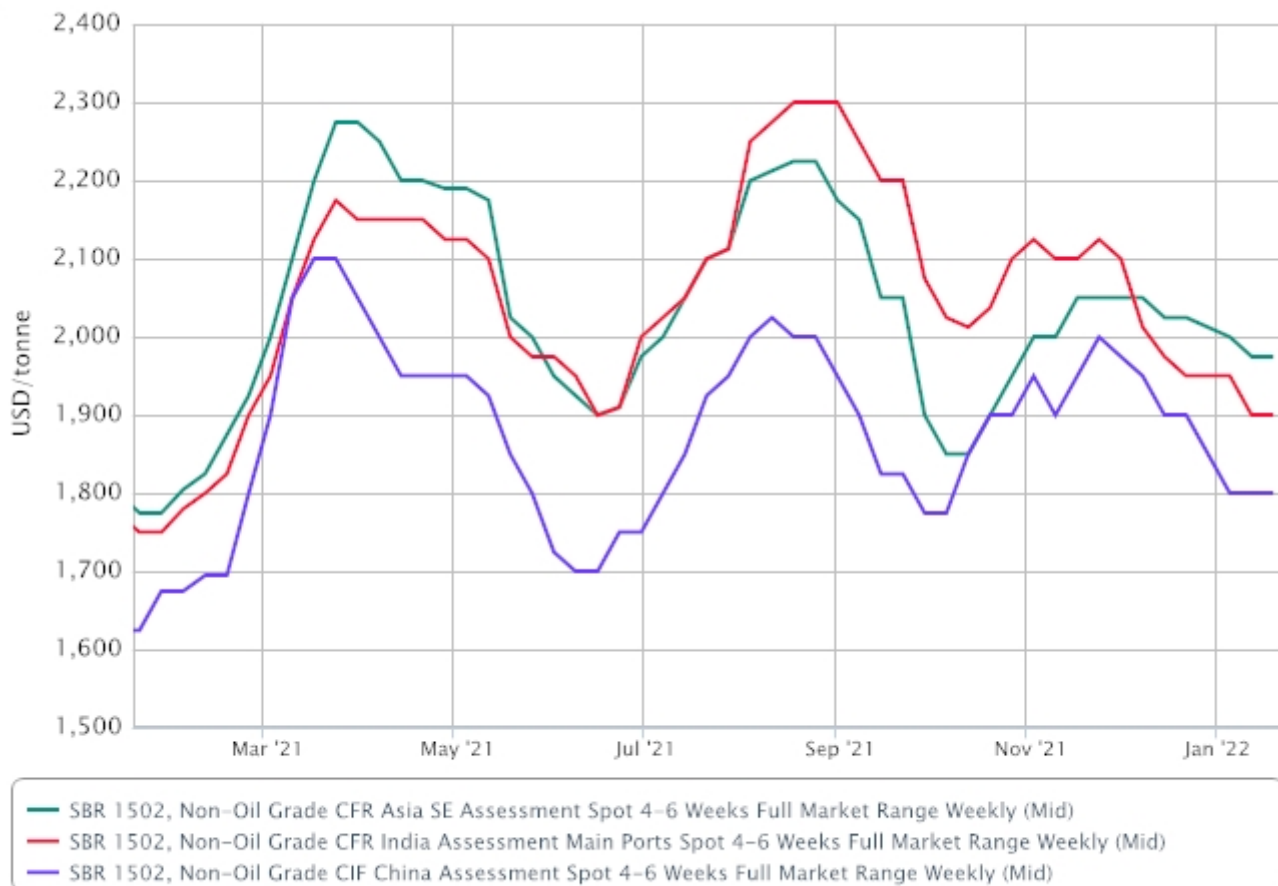
Upstream butadiene (BD) prices surged in the week prior, but as yuan values started to waver this week, SBR market players were hesitant to enter into fresh trades and negotiation, preferring to wait until the upstream market has stabilised, or after the extended Lunar New Year holidays are over in mid-February.

Meanwhile, most end-users said that they have covered the bulk of their requirements with prior purchases and could afford to wait.

Sellers, on the other hand, are also mostly sold out of February allocations, and were in no hurry either.

The demand outlook is somewhat clouded on a typical pre-holiday lull, and in China, sentiment was also further weighed down by [disruptions](#) caused by various localised coronavirus outbreaks.

In India, discussions were also limited by a wide buy-sell gap, as buyers held fast to lower buying indications for Asia-origin cargoes, citing the availability of more competitively-priced cargoes from other deep-sea origins.



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OUTLOOK

- Prolonged upstream volatility may curtail trades
- Uncertainties to prevail on China's post-holiday demand picture
- [Macroeconomic growth](#) may drive demand elsewhere in Asia

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1750-1850	n/c	1850-1950	79.38-83.91
CFR Asia SE	USD/tonne	n/c	1950.00-2000.00	n/c	2000.00-2050.00	88.45-90.72
CFR India Main Ports	USD/tonne	n/c	1850.00-1950.00	n/c	1900.00-2000.00	83.91-88.45
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1650-1750	n/c	1750-1850	74.84-79.38
CFR Asia SE	USD/tonne	n/c	1850.00-1900.00	n/c	1900.00-1950.00	83.91-86.18
CFR India Main Ports	USD/tonne	n/c	1750.00-1850.00	n/c	1800.00-1900.00	79.38-83.91

China

CIF China assessments for the non-oil 1502 grade and the oil-extended 1712 grade are kept unchanged, in a thinly discussed market.

Local end-users were amply supplied by domestic supplies, and buying interest in US dollar denominated import materials were tepid as such.

Selling indications were heard broadly unchanged, as foreign suppliers also saw support from rising domestic yuan values, despite low liquidity for import trades.

Domestic prices for the 1502 grade rose, tracking upstream butadiene increases in the week prior.

East China domestic SBR 1502 prices

Price (CNY/tonne)	19 January	12 January
E China Ex-Warehouse	12,400-12,600	12,000-12,200

Southeast Asia

CFR southeast (SE) Asian assessments for the non-oil 1502 grade were unchanged, on range-bound buy-sell pricing indications.

CFR SE Asian prices for the oil-extended 1712 grade were also kept unchanged with stable 1502 assessments.

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

Jan (1-19) 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021
178.80	172.08	175.65	174.39	163.23	172.67	164.32

India

CFR India prices for both the non-oil 1502 and the oil-extended 1712 grade were also rolled over, on relatively unchanged buy-sell pricing indications.

UPSTREAM

Asian **butadiene** prices spiked on the back of continued arbitrage pull from the US and [strong recovery](#) in the domestic China market.

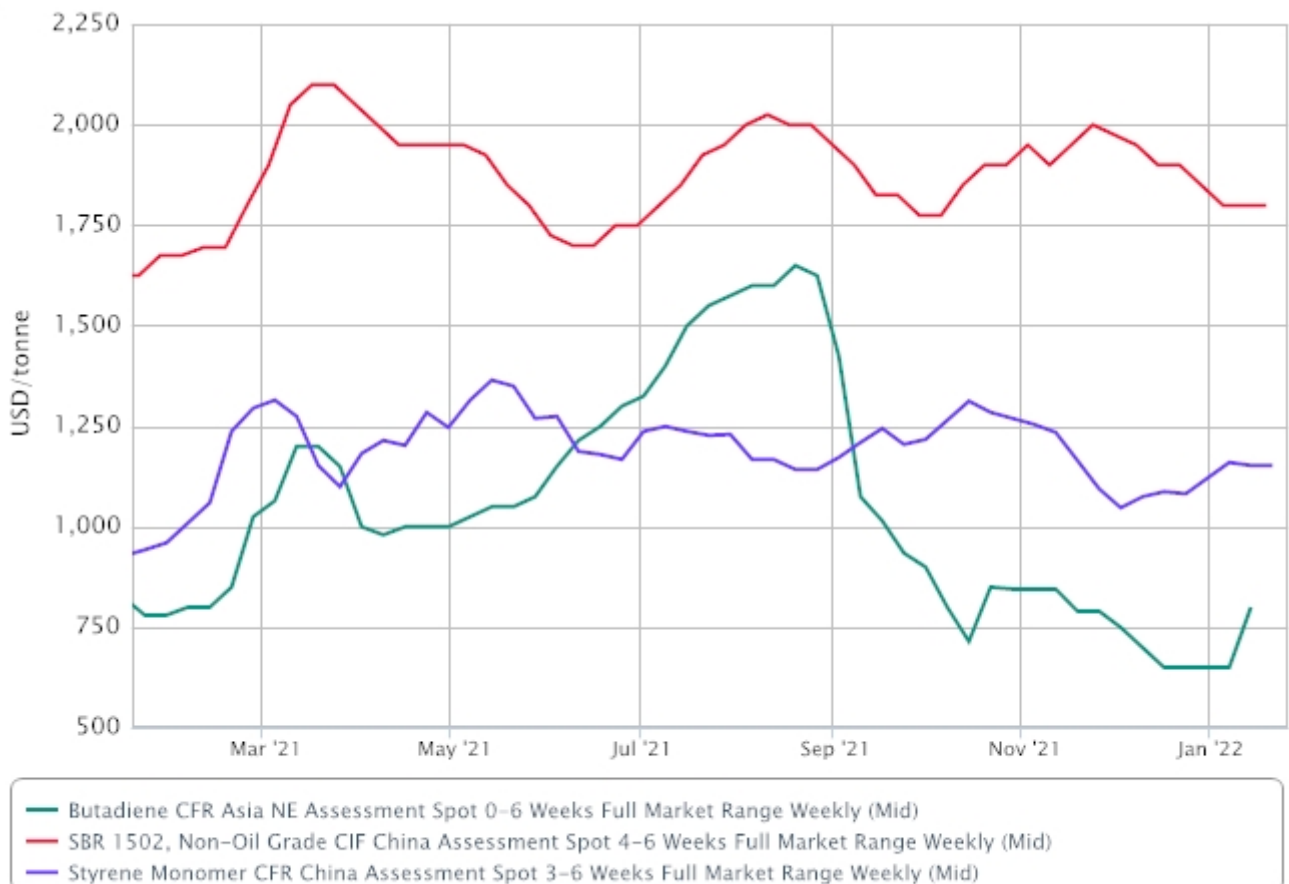
The chart below shows the spread between butadiene and SBR.

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



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Asian **styrene** prices were mostly driven by upstream and futures price firmness, despite persistently poor expectations of Chinese domestic fundamentals going into H2 January.



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PRODUCTION

In China, average operating rates of local SBR plants held steady at 91% for the week ended 14 January, unchanged from the week prior, market sources said.

But regional supplies may tighten once a northeast Asian plant maintenance gets underway in [February](#).

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

ANALYTICS

ICIS Butadiene Outlook

UD BD demand should remain good throughout H1 2022 and production is expected to improve on a year on year basis. On paper, the arbitrage window to the US for both Asia and Europe is forecast to remain open for most of 2022, although Asian suppliers seem to have an edge over European tonnes. So far, South Korea in particular has scheduled four cargoes totalling 21,500 tonnes from January to February. South Korea will continue to eye the US as alternative outlet for its BD surplus. The effect of the chip shortage persists on the global automotive industry. ICIS analysts expect new passenger car and light truck sales in the US in 2022 fall short of the 2019 level by 8%, with Q1 2022 around 77% of the same period of 2019, and about 88% by Q2 2022. Sales in the first quarter of 2022 will be particularly weighed on by growing Omicron variant infections.

The near-term outlook for Europe may be better than forecast as vaccination and booster targets are on track across the key markets. Therefore, ICIS expects less impact on household consumption from coronavirus restrictions during 2022 compared with 2021. The outlook for the Europe BD market is likely to be grim for January because supply is forecast to be balanced to long. European BD suppliers are expected to compete with Asian producers to move cargoes to the US over the next few weeks. According to ICIS analysts, European BD prices are forecast to be unworkable for the Asian market in 2022. The start-up of new Chinese BD plants will contribute to the suppression of Asian prices.

GDP for Indonesia, which is the second most populated country in southeast Asia with about 270m inhabitants, is forecast to grow by 5% in 2022, increasing from 3.5% in 2021, as the Asian Development Bank reported in the December 2021 outlook. BD Indonesian demand is expected to rise over the coming years, widening the demand-supply gap. Moving forward, Indonesia will develop its BD industry thanks to two new projects. The Lotte Chemical Indonesia New Ethylene (LINE) project, which is officially set to be completed by 2025, will produce 140,000 tonnes/year of BD. The construction of the second Chandra Asri petrochemical complex, or CAP2, at Cilegon will include a naphtha-based cracker and provide 175,000 tonnes/year of BD by 2026.

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

ICIS Styrene Outlook

Europe's styrene market continues to be impacted by an unplanned outage at Trinseo's styrene unit in Terneuzen, the Netherlands. This is linked to a shortage of ethylene supply following a technical problem at an upstream cracker complex. A restart schedule remains unclear, but is expected toward the end of January.

TotalEnergies has completed a turnaround at its unit in Gonfreville, France, which has helped ease recent supply constraints. The repairs have allowed the unit to resume normal operating rates following a year in which output was reduced to an estimated 70%.

Import availability into Europe is likely to remain subdued until the heavy turnaround schedule in North America is completed, which is expected in late Q1. We therefore expect the Europe market balance to remain tight in the first quarter of 2022, as a result of domestic production hiccups, reduced import availability and stable demand.

A drop in seasonal styrene demand has been less pronounced this year as several orders were delayed to January and February 2022 because of reduced availability in late Q4 2021. Derivative demand from the EPS sector is expected to pick up strongly in early March because of government incentives to improve household energy efficiency. In addition, two new ABS units are expected to commence production in Q1 2022.

By **Moritz Lank**, ICIS lead analyst – aromatics, moritz.lank@icis.com

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