



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
19-May-2021

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

ICIS is currently consulting readers about the methodology used for this report. To respond, [click here](#).

All prices in the weekly analysis on 26 May will be assessed based on information collated up to 25 May. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

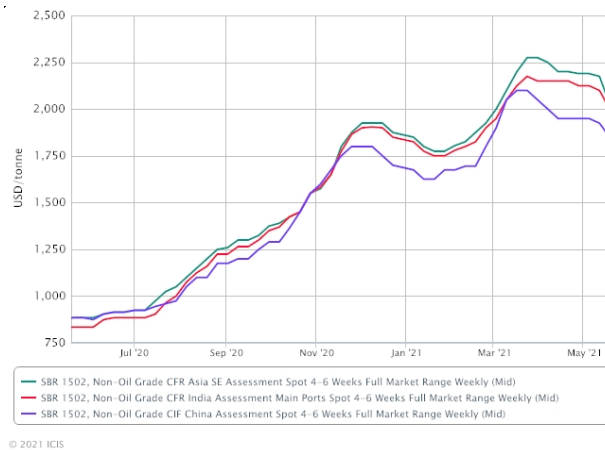
- **Prices fell across the board**
- **Low buying interest**
- **Some sellers dropped offers**

Asian spot import prices for styrene butadiene rubber (SBR) plummeted, alongside [lower offers](#) and weak buying interest.

Sellers dropped targets in a bid to induce buying and move volumes, before supply rises further with several SBR plants in China, involving up to 300,000 tonnes/year of capacity, heard [restarting](#) this week from turnarounds.

But on the demand front, sentiment is weighed down by a recent surge in coronavirus infections, not just in India but also across many other regional outlets, from Singapore, Malaysia to Taiwan.

As more cities and governments started rolling out tighter mobility restrictions to curb and contain coronavirus spread, market players said that this would invariably dampen downstream operations, affecting in turn SBR off-take from applications like tyre manufacturing.



OUTLOOK

- **Supply to lengthen with China plants restarting**
- **Coronavirus worries to weigh in on demand**
- **Volatility in upstream markets a factor to watch too**

ICIS analyst view on styrene butadiene rubber (SBR)

A pause in China's tyre industry has been seen from mid-April as inventories build up. High tyre inventory levels in China, which resulted from the eroded export margins to the west due to increased freight rates and a shortage of containers, will likely also weigh on the outlook in the following months.

The COVID-19 crisis in India may further dampen the demand outlook. Decreasing demand from India may lead to an oversupply in wider Asia.

A rising infection rate has led to increasing natural rubber (NR) supply concerns over tapping, production and logistics as new COVID-19 waves hit Vietnam and Thailand. This, together with the risk in China's futures market, adds to the uncertainty in the SBR market.

SBR supply is expected to increase from July as heavy regional turnarounds come to an end and the supply tightness in the west begins to ease.

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	-100	1800-1900	-50	1900-2000	81.65-86.18
CFR Asia SE	USD/tonne	-150	2000.00-2050.00	-150	2150.00-2250.00	90.72-92.99
CFR India Main Ports	USD/tonne	-100	1950.00-2050.00	-100	2100.00-2200.00	88.45-92.99

SBR 1712, Oil-Extended

CIF China	USD/tonne	-100	1700-1800	-50	1800-1900	77.11-81.65
CFR Asia SE	USD/tonne	-150	1900.00- 1950.00	-150	2050.00-2150.00	86.18-88.45
CFR India Main Ports	USD/tonne	-100	1850.00- 1950.00	-100	2000.00-2100.00	83.91-88.45

China

CIF China prices for the non-oil 1502 grade material were dropped at both ends, to reflect muted pricing indications heard in the week.

Domestic China prices also slipped under the weight of burgeoning supplies.

East China Domestic SBR 1502 EXWH (CNY/tonne)

19 May	12 May	30 Apr	28 Apr	21 Apr	14 Apr	07 Apr
12,900- 13,000	13,300- 13,400	13,100- 13,300	13,200- 13,300	13,500- 13,700	14,000- 14,100	14,100- 14,200

CIF China assessments for the oil-extended 1712 grade were adjusted down with changes in assessments for the non-oil 1502 grade, in the absence of any concrete 1712 grade business.

Southeast Asia

Offers for the 1502 grade fell as sellers sought to boost buying, and this is reflected at the high-end of the CFR SE Asian assessments.

The low-end is dropped in line with the best deal done level heard for June deliveries.

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

May (1-19) 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020	Nov 2020	Oct 2020	Sep 2020
169.49	164.72	175.25	169.16	158.41	157.61	156.50	152.31	136.85

Oil-extended 1712 grade prices in SE Asia were also adjusted down in tandem with the 1502 grade assessments.

India

CFR Indian prices were down, with the high-end of the non-oil 1502 grade formed by the lowest offer heard, and the low-end tracking best buying indications heard.

Liquidity is low and buying interest is thin, with many players in the country still mostly preoccupied with the ongoing battle against coronavirus spread.

Off-take is also weighed down as factors like manpower shortage and logistical constraint dampened operations at several downstream factories, market sources said.

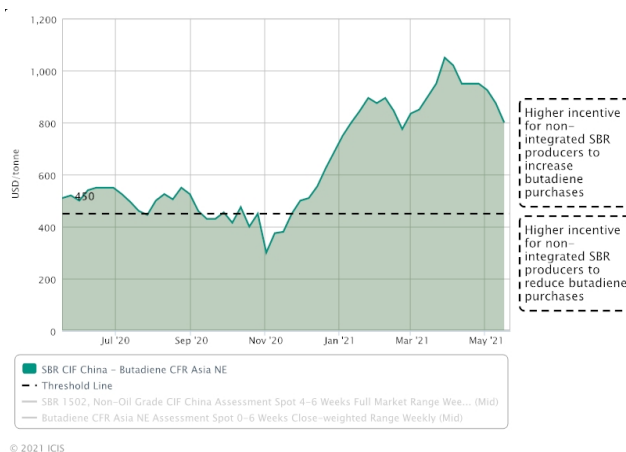
CFR Indian assessments for the oil-extended 1712 grade were adjusted in line with changes in the 1502 grade.

UPSTREAM

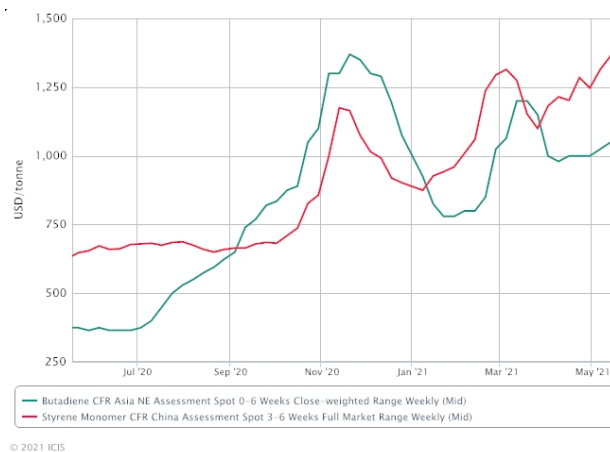
Asian **butadiene (BD)** prices were stable-to-firm for the week ended 14 May, taking into account improved buying indications in some regional outlets which are typically more reliant on imports. Import offers are supported by tight spot availabilities on the back of ongoing and upcoming turnarounds. But high domestic inventories continued to weigh in on China’s appetite for US dollar denominated imports.

The chart below shows the spread between butadiene and SBR.

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



Asian **styrene** price discussions were at a wider range owing to [mixed market sentiment](#), with early week positivity and strong buying interest from China for June parcels being cancelled off by some profit-taking in the late week as participants' bearishness on the forward markets was more prevalent.



PRODUCTION

In China, average operating rates for local SBR plants rose to 70% for the week ending 14 May, up from 66% in the week prior, market sources said.

SBR output in China is also set to balloon as a major plant [restarted](#) after 4-month-long outage.

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

ANALYTICS

ICIS Naphtha Outlook

The price of naphtha fell in April, in line with crude. Supply of naphtha from Asian refineries will be lower in the coming months, as the region enters its refinery maintenance season. China, for example, will see refinery throughput drop by over 1m bbl/day by May, compared with February. This will prompt additional imports from the West to maintain supply to the region. After the Suez Canal blockage reduced West-East naphtha transfers in April, ICIS expects them to exceed 2 million mt in May. The European LPG-naphtha spread has reached its lowest point since mid-2020, with -\$112/tonne recorded in mid-April. This is primarily due to warmer weather in Europe reducing the demand for LPG heating. ICIS expects that the spread will narrow slightly over the coming months; however, the overall spread will remain strongly negative until the end of the summer season.

By **Ajay Parmar**, ICIS senior analyst; ajay.parmar@icis.com

ICIS analyst view on butadiene (BD)

Butadiene (BD) supply is expected to remain long in China, which might offset the impact of regional plant turnarounds in northeast Asia.

Although three new BD plants (China's Zhejiang Petrochemical, South Korea's LG Chem and the Philippines' JG Summit) are expected to be online in June at the earliest, increasing crude C4 supply following start-ups of crackers and one ethane cracker in China should add to BD output.

China's idled on-purpose BD units might restart on increasing availability of crude C4. Operators can simply run the BD extraction unit, rather than the full dehydrogenation process. One unit in east China is expected to restart in mid-May.

Sinopec Yangzi is expected to restart its SBR unit on 17 May. Restarts of idled synthetic rubber units in China might ease BD supply. However, there are uncertainties amid safety concerns ahead of the centenary celebrations of the Chinese Communist Party Founding Day on 1 July.

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

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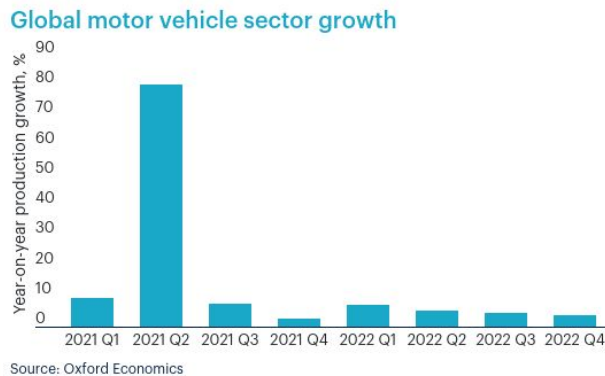
ICIS Downstream Automotive Demand Outlook

Global automotive demand has been strong due to pent-up demand during lockdowns, high savings and a pandemic-related movement away from public transport. The global light vehicle sales rate rose to 87.5m units/year in March, an improvement on 81.8m units/year in February 2021 (Oxford Economics). However, automotive production has lagged sales, resulting in a global drawdown of vehicle stocks. Production has been hit by several factors, including lockdowns, plant closures and supply chain issues. The main supply chain issue is a shortage of semiconductor chips, which has led to widely-reported production cuts. However, February's polar storm in the US, several force majeure in the polymer chain, the Suez Canal blockage, a shortage of polyurethane (PU) foam in the US and other issues, have exacerbated the supply problem.

In April, Chinese car sales were down by 10.8% month on month, with passenger cars and commercial vehicles down -9.1% and -15.9% respectively. This was partly because April is seasonally a weak month for car sales, unlike March, and therefore a month on month decline was expected. The China Association of Automobile Manufacturers (CAAM) is quite optimistic about prospects for the market. According to the Center for Automotive Research (CAR), by 2025 30.2mn new cars will be sold in China, making it about ten times larger than the German car market. However, according to an ICIS estimate, passenger car sales are not expected to surpass 2017's peak of 24.6m units until 2027. As far new energy vehicles are concerned, China is ramping up its infrastructure to support the growth of electric cars. For example, car makers including NIO have announced the launch of a new energy supply plan "Power North," which will construct a charging and battery swapping

infrastructure. Forecasts suggest there will be one power charging station every 100km on the expressway within the next three years.

By **Jincy Varghese**, ICIS demand analyst and **Rhian O'Connor**, ICIS senior analyst



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