



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
19-Oct-2022

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

OVERVIEW

- **Sentiment down on weak upstream**
- **Demand also lacklustre**
- **Softer offers in SE Asia and China**

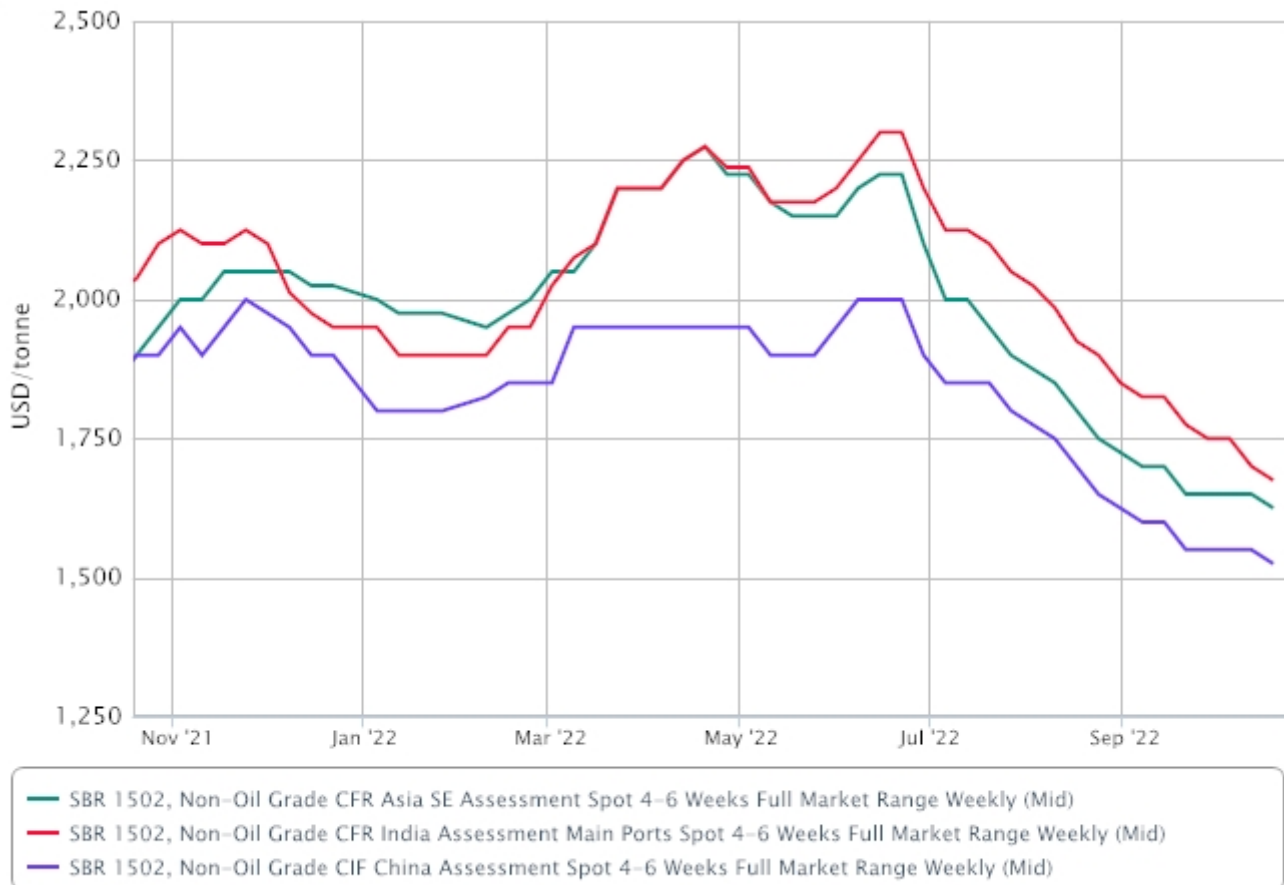
Spot import discussions for styrene-butadiene-rubber (SBR) were weighed down by upstream losses and persistent weak downstream demand.

A recent downtrend in feedstock [butadiene](#) (BD) and [styrene](#) (SM) prices raised confidence among SBR buyers that it would be to their advantage if they delayed import purchases, as import offers could soften further if upstream losses are extended.

Some sellers widened discounts this week, particularly for shipment bounds for China and southeast Asia, in a bid to bridge the gap with buyers and close deals. Many noted that operating costs such as for utilities remain high, and that margins are still under pressure, which limited their ability to price down too much.

In India, discussions were limited, because players were winding down for Diwali next week. But with domestic requirements in India broadly healthy, supported by an anticipated recovery in the local auto sector, import sellers were hopeful that this will continue to support demand, especially since domestic SBR output is currently tight amid an ongoing plant closure.

However, given Asia's weakening local currencies, this may dilute India's buying appetite for imports. Indeed, local users were heard already tapping more heavily into the domestic supply pool to minimise the currency risk.



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OUTLOOK

- Regional turnarounds to end next month
- Bearish demand sentiment may persist
- Buyers likely to remain cautious

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1500-1550	-50	1500-1600	68.04-70.31
CFR Asia SE	USD/tonne	n/c	1600.00-1650.00	-50	1600.00-1700.00	72.57-74.84
CFR India Main Ports	USD/tonne	-50	1600.00-1750.00	n/c	1700.00-1850.00	72.57-79.38
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1450-1500	-50	1400-1500	65.77-68.04
CFR Asia SE	USD/tonne	n/c	1550.00-1600.00	-50	1500.00-1600.00	70.31-72.57
CFR India Main Ports	USD/tonne	-50	1550.00-1700.00	n/c	1600.00-1750.00	70.31-77.11

China

The high end of the CIF China assessment for non-oil 1502 was lowered on lower selling indications heard.

The CIF China assessment for oil-extended 1712 grade was adjusted in line with the change in 1502 grade.

Domestic China prices for 1502 grade fell on lacklustre buying.

East China domestic SBR 1502 prices

Price (CNY/tonne)	19 Oct	12 Oct
E China Ex-Warehouse	11,200-11,300	11,600-11,700

Southeast Asia

The CFR SE Asia assessment for non-oil 1502 grade was stable-to-soft, with lower offers reflected at the high end.

Buying indications were capped at the low end. Some deals materialised within the range, market sources said.

Buying appetite for synthetic rubbers like SBR is likely to stay soft as long as natural rubber prices remain under pressure.

The assessment for oil-extended 1712 grade was adjusted in line with the change in 1502 grade.

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

Oct (1-19) 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022
134.52	134.12	149.74	158.83	164.15	162.81	171.15	175.18

India

CFR India prices for non-oil 1502 grade were assessed in a wider range, taking into account the full spectrum of pricing indications.

Offers for northeast Asia-origin cargoes were at the high end, similar to the last deals done for such supplies.

However, lower buying indications emerged amid rising fears about how much more forward import arrivals may cost buyers if the rupee continues to depreciate against the dollar.

To minimise the currency risk, domestic end-users purchased more heavily from the domestic pool.

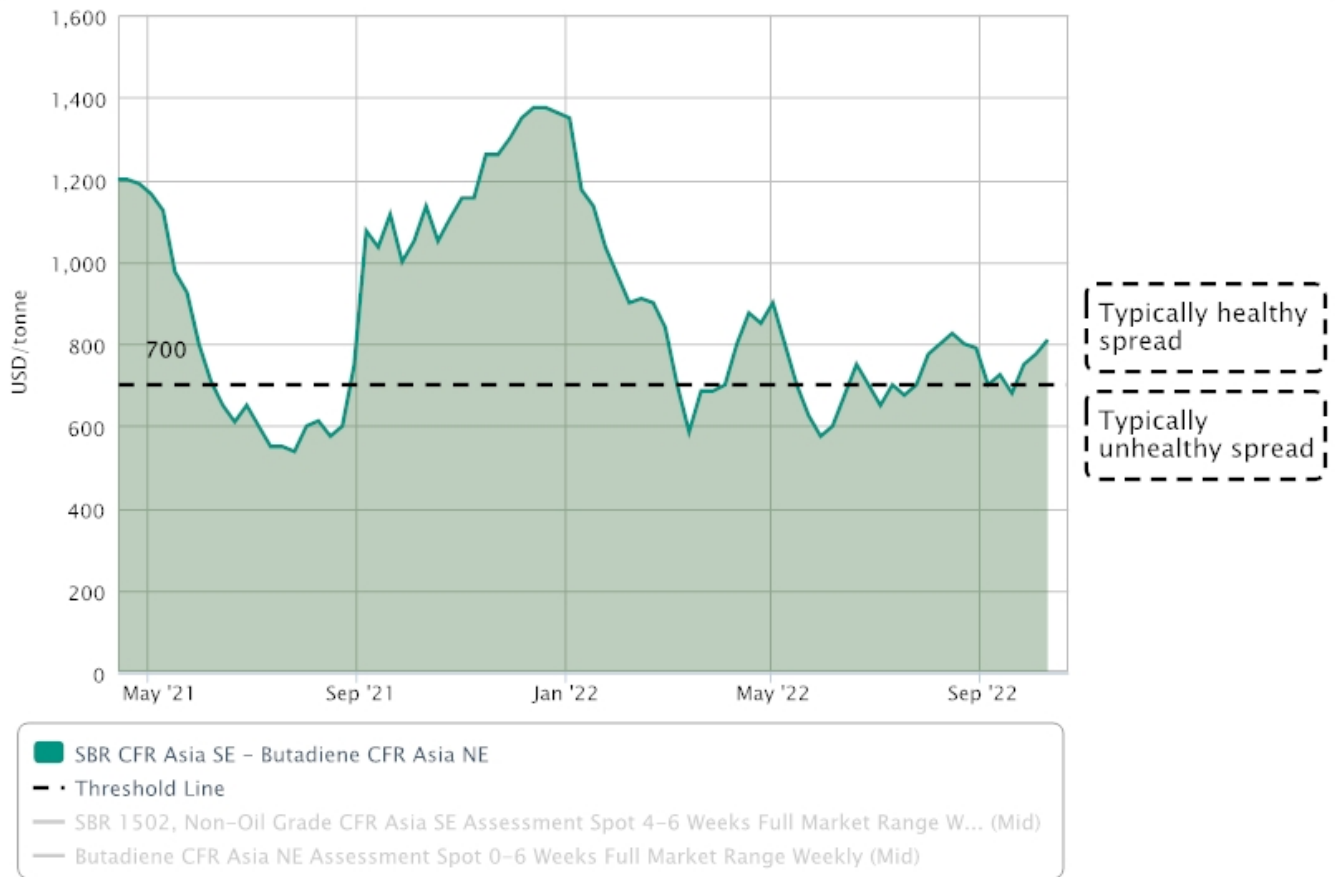
The assessment for oil-extended 1712 grade was adjusted in line with changes in the 1502 assessment.

UPSTREAM

Butadiene (BD)

- Domestic China softens post-holiday
- Import sentiment also weighed down
- Weak demand fundamentals

The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia

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Styrene:

- Import sentiment weak on bearish macroeconomic outlook
- Buying interest subdued, buyers take wait-and-see stance
- Spot demand limited in the rest of Asia



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PRODUCTION

SBR spot availabilities is expected to stay snug in the September to November window, given a heavy wave of plant maintenances in Asia, from [China](#), [South Korea](#) to [India](#). [northeast](#) and [south](#) Asia.

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

OTHER REGIONS

Europe

- October pricing mixed on upstream moves, gas prices
- Steady spot prices
- Production costs remain high

US

- Supplies adequate
- Demand waning
- Downward price pressure

ANALYTICS

ICIS styrene outlook

The Europe styrene market will continue to face a challenging outlook in the coming months. Domestic production will likely remain curtailed as producer margins continue to face pressure from high energy costs. Additionally, domestic production will face intensified pressure from higher import volumes from the US, Asia and the Middle East. US-based producers INEOS Styrolution and Westlake, which both closed units last month because of difficult market conditions, have decided to resume production, with Europe the likely target for production.

Styrene demand has dropped sharply in recent weeks as the ramifications of increasing interest rates and costs of living are starting to show in most end-demand sectors. In particular, the construction sector – estimated to account for one-third of Europe's styrene demand – has seen activity drop sharply. We don't expect this situation to recover quickly as the underlying issues – rising interest rates to tackle inflation, and increased energy costs linked to the Ukraine war – are unlikely to be resolved anytime soon. Furthermore, we expect demand to drop further in the short term as the construction sector is heading into its low-demand season during the winter months.

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ICIS butadiene outlook

The US butadiene (BD) market, which is the global price leader, could appeal to European players were it not for the fact that demand is weak. The automotive industry outlook remains pessimistic. Production cuts will persist because of the semiconductor supply shortage, although some improvements have been seen. According to analysts in the ICIS Refining Team, new passenger car and light vehicle registrations in the US will not return to pre-pandemic levels until 2024 at the earliest. Sales are likely to hit about 13.6m and 14.1m units in 2022 and 2023, respectively, but will remain well below the nearly 17m units recorded in 2019. In 2022, BD output is expected to reach about 1.43m tonnes, a lower total than expected in the updated version of the ICIS Database in the spring.

Germany remains strongly dependent on gas use. In early October, the head of Germany's national network regulator warned the country is consuming too much gas and risks triggering a potential energy "emergency" this winter. There are fears that industrial production may decrease due to a potential shortage or rationalisation of gas. In Q4 2022, a gloomy outlook for BD demand is set to persist not only in Germany but across Europe, mainly reflecting high energy costs and severely depressed consumer confidence. European producers will continue to reduce output to keep under control the excess of product. BD extraction facilities are expected to run around 67% of nameplate capacity on average in Q4 2022, down from 71.5% in the same period a year earlier.

Ample supply and soft demand are likely to characterise the Asian BD market in Q4 2022. In theory, the price spread between Asia and Europe will not be workable for the rest of the year. Asian prices are set to trend lower for most Q4 because of bearish sentiment and scheduled additional capacities. Hence, China's imports have been declining since January 2022 compared with 2021. Imports stood at 81,134 tonnes in the first eight months of 2022, less than half of the 163,605 tonnes recorded in 2021. Going forward, BD flows to the country are set to decrease with southeast Asia and the Middle East remaining likely the only suppliers. Total imports may reach 108,000 tonnes by 2022, down from 248,000 tonnes a year earlier.

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

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