



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
21-Jul-2021

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

OVERVIEW

- **Import talks trend up on upstream cost push**
- **Demand outlook muted on persistent coronavirus worries**
- **Domestic China also eases**

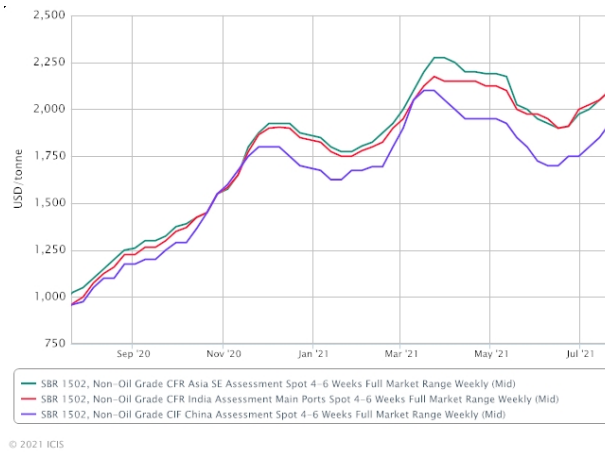
Asian import prices for styrene-butadiene-rubber (SBR) were up, taking into account firmer offers and sporadic deals heard.

However, liquidity was curbed with end-users citing affordability issues because demand and pricing conditions in markets further downstream are still far from optimistic.

While off-take in China was curbed on a seasonal demand lull, off-take in southeast Asia was also crimped on lingering COVID-19-[related limitations and restrictions](#).

Although the demand outlook seems brighter in India as more downstream operations are gearing to resume from virus-induced shutdowns, buying appetite for Asian-origin materials is said to be dampened by the perceived availability of more competitively-priced material from suppliers further afield, like Russia and the Middle East.

In China, domestic yuan-denominated prices eased after a sharp spike seen last week which honed doubts about the sustainability of the current uptrend. However, as feedstock costs are still well supported by bullish US demand, players said the likelihood that SBR makers would moderate asking prices and hurt their margins was low.



OUTLOOK

- **Upstream cost pressures may persist**
- **Supply to tighten on potential output cuts**
- **Demand recovery to hinge on coronavirus situation**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	+50	1850-2000	+100	1700-1800	83.91-90.72
CFR Asia SE	USD/tonne	+50	2050.00-2150.00	+50	1870.00-1950.00	92.99-97.52
CFR India Main Ports	USD/tonne	+50	2050.00-2150.00	+50	1870.00-1950.00	92.99-97.52
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1750-1900	+100	1600-1700	79.38-86.18
CFR Asia SE	USD/tonne	+50	1950.00-2050.00	+50	1770.00-1850.00	88.45-92.99
CFR India Main Ports	USD/tonne	+50	1950.00-2050.00	+50	1770.00-1850.00	88.45-92.99

China

CIF China prices for non-oil 1502 grade were assessed up, taking into account firmer buy-sell pricing indications. However, no trade materialised as domestic end-users said structural SBR off-take in China is seasonally lower during the summer and domestic output is more than adequate to fill the gap.

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

Domestic China prices of 1502 grade material eased after a sharp spike seen last week. End-users said pricing and demand conditions in markets further downstream were not sufficiently robust enough to support and sustain the previous uptrend.

East China domestic SBR 1502 prices

Price (CNY/tonne)	21 July	14 July
E China Ex-Warehouse	13,500-13,800	14,100-14,200

Southeast Asia

CFR southeast (SE) Asian prices for non-oil 1502 grade also rose on the back of higher offers and deals heard.

The assessment for oil-extended 1712 grade was adjusted up alongside changes for the 1502 grade assessment, in the absence of any concrete business.

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

Jul (1-21) 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021	Dec 2020	Nov 2020	Oct 2020	Sep 2020
163.00	164.51	169.09	164.72	175.25	169.16	158.41	157.61	156.50	152.31	136.85

India

As in SE Asia, CFR Indian import offers for non-oil 1502 grade rose, tracking gains in upstream costs.

Deals were heard closed for August shipment within the published range, market sources said.

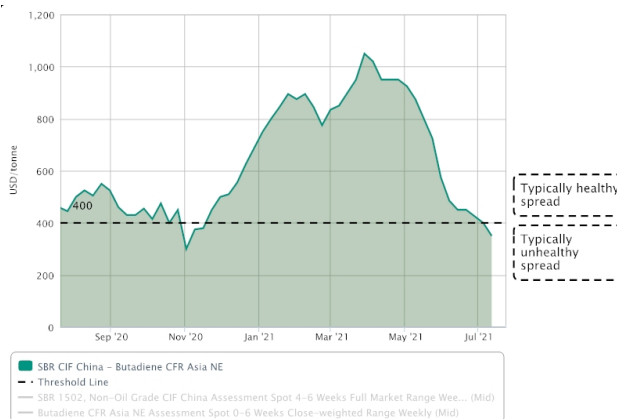
The CFR India assessment for oil-extended 1712 grade was adjusted up in tandem with changes for 1502 grade, in the absence of concrete 1712 business.

UPSTREAM

Asian import discussions for **butadiene** (BD) firmed with a spike seen in the [domestic China](#) market, although liquidity was capped by [lacklustre downstream](#) margins.

The chart below shows the spread between BD and SBR, which has slipped into the unhealthy zone.

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



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Asian **styrene** prices were assessed in a narrower range week on week, with downside pressures emerging from [cautious buying](#) interest amid [slow downstream offtake](#) across Asia and upside support from continuous cost pressures.



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PRODUCTION

In China, average operating rates of local SBR plants rose to 79% for the week ended 16 July, compared with 77% for the week prior, market sources said.

However, with margins severely squeezed by an upstream cost push, some SBR makers in northeast Asia were heard mulling output cuts to control their feedstock cost outlay. If so, SBR supplies in the region are poised to tighten in the coming months.

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

OTHER REGIONS

In Europe, car demand was up 10% in [June](#) year-on-year, but the rate of growth eased between May and June this year.

European replacement tyre sales remained on a path to [recovery](#) in Q2 2021, according to latest data from the European Tyre and Rubber Manufacturers' Association (ETRMA).

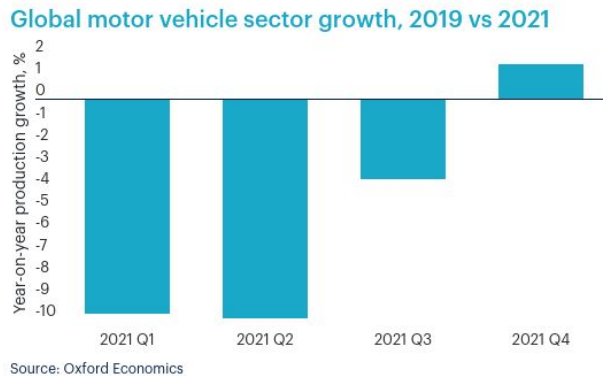
ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry is not out of the woods yet and is still struggling to make up its pre-pandemic losses. Production of motor vehicles in Q2 was down by 10% and is expected to be down by 4% in Q3 2021 (compared to 2019 levels). Growth is expected to return only in Q4 2021 (Oxford Economics). Renewed (and mutated) virus outbreaks in Europe and the US have the potential to disrupt supply again, so reaching pre-pandemic levels is still a long way off. There are multiple factors weighing on business, including supply-chain disruptions and structural changes to demand. Some of the weakness predates the coronavirus crisis, with environmental concerns prevalent globally. Short- to mid-term demand still looks gloomy on the back of high unemployment and lower disposable income. In most emerging economies, four-wheeler ownership is classified as a luxury rather than a necessity.

China is the only major economy in world experiencing positive year-on-year growth for H1 2021 (compared with 2019), never having really lost any ground to the pandemic. Moreover, the Chinese government's policy of supporting the development and sale of new energy vehicles (NEV) is expected to add to the momentum. For example, China has extended the subsidy on NEVs until 2022 whereby vehicles remain exempt from purchase taxes. India, on the other hand, still has a long way to go. After a terrible Q1 and Q2 2021, Q3 is showing marginal growth, with recovery only expected from Q4.

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