



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
22-Dec-2021

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

The weekly analysis will not be published on 29 December. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Lacklustre demand in India**
- **Prices rangebound elsewhere**
- **Trade liquidity generally low on year-end lull**

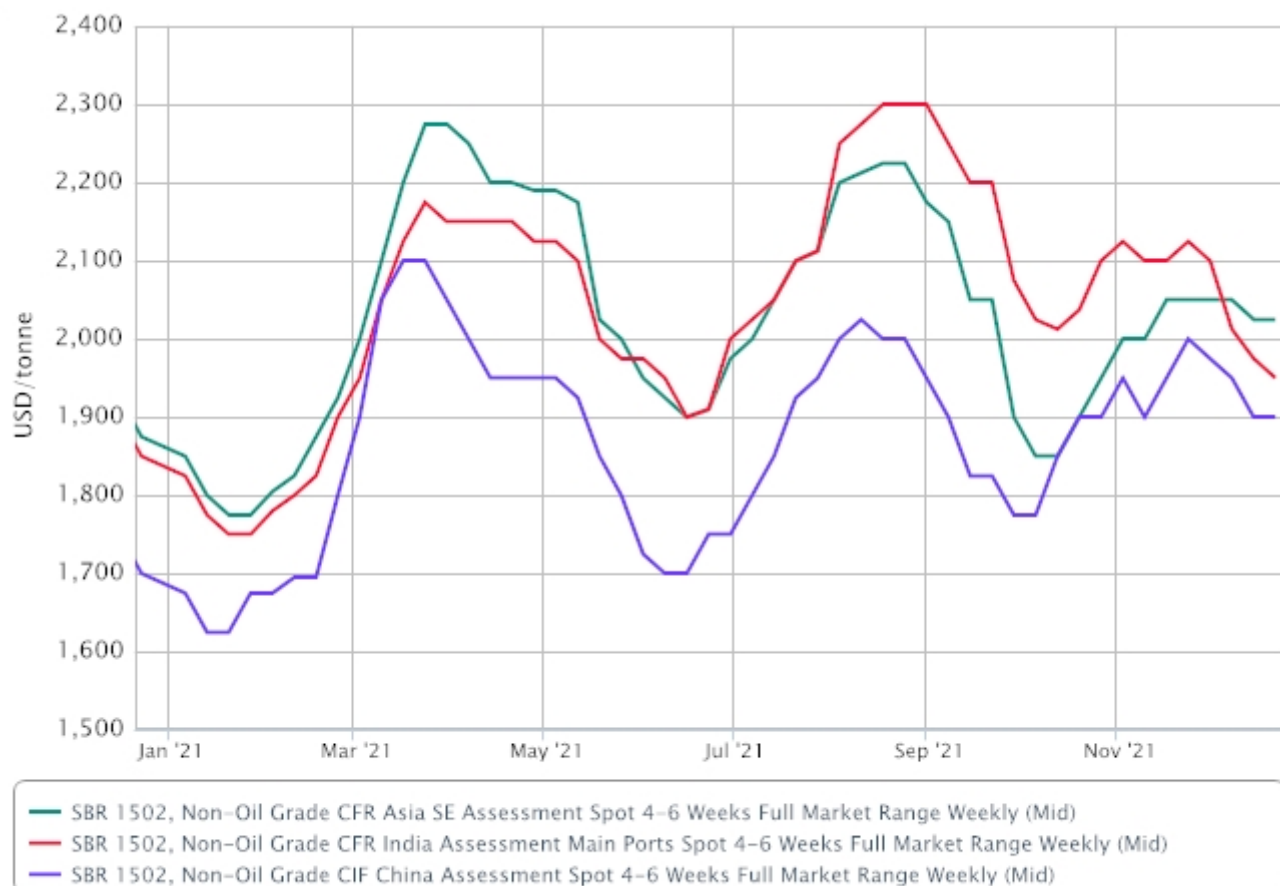
Asia's spot discussions for styrene-butadiene-rubber (SBR) were stable-to-soft in India, but held steady in China and southeast Asia amid muted trading activities.

Most players were winding down for the year-end holidays, and preferred not to enter into fresh negotiations until the coming year.

Suppliers were mostly sold out and therefore held firm to existing targets, even if they acknowledged that demand sentiment is softening, weighed down by mounting concerns on how the spread of new Omicron coronavirus variant will [impact](#) on the delicate global economic growth recovery trajectory.

In India, buying interest is further [crimped](#) by the reality that many end-users were still saddled with high inventories of finished goods, as export shipments had been disrupted by constraints on the shipping front.

In India, buying also slowed down with most end-users saddled with higher-than-expected inventories of finished goods, and seeking to instead liquidate surplus raw material stocks, including SBR.



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OUTLOOK

- Demand outlook [uncertain](#)
- But supply likely to stay broadly stable in near term
- Weak [butadiene](#) upstream may also weigh in on buying appetite

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	1950-2050	83.91-88.45
CFR Asia SE	USD/tonne	n/c	2000.00-2050.00	n/c	2000.00-2100.00	90.72-92.99
CFR India Main Ports	USD/tonne	n/c	1900.00-2000.00	-50	2050.00-2200.00	86.18-90.72
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1750-1850	n/c	1850-1950	79.38-83.91
CFR Asia SE	USD/tonne	n/c	1900.00-1950.00	n/c	1900.00-2000.00	86.18-88.45
CFR India Main Ports	USD/tonne	n/c	1800.00-1900.00	-50	1950.00-2100.00	81.65-86.18

China

CIF China assessments for both the non-oil 1502 grade and oil-extended 1712 grade were rolled over amid muted, albeit rangebound, discussions.

Domestic prices for the 1502 grade softened with weak upstream butadiene market.

East China domestic SBR 1502 prices

Price (CNY/tonne)	22 December	15 December
E China Ex-Warehouse	12,100-12,200	12,300-12,500

Southeast Asia

CFR southeast (SE) Asian prices for both the non-oil 1502 grade and the oil-extended 1712 grade were also rolled over amid muted discussions.

Most players were heard winding down, or exited the market, ahead of upcoming year-end holidays.

Discussions may resume more pace in the coming year, market sources said.

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

Dec 22) 2021	(1- Nov 2021	Oct 2021	Sep 2021	Aug 2021	July 2021	June 2021	May 2021
171.88	175.65	174.39	163.23	172.67	164.32	164.51	169.09

India

CFR Indian prices for the non-oil 1502 grade were stable-to-soft, with the high-end dropped in line with lower offers heard.

CFR Indian prices for the oil-extended 1712 grade are also adjusted down on the high-end, in tandem with changes seen for the 1502 grade assessments, in the absence of any concrete 1712 business.

UPSTREAM

Asian **butadiene (BD)** prices continue to [trend down](#), alongside losses in the domestic yuan market, and as regional supply overhang fails to ease amid a year-end lull in demand.

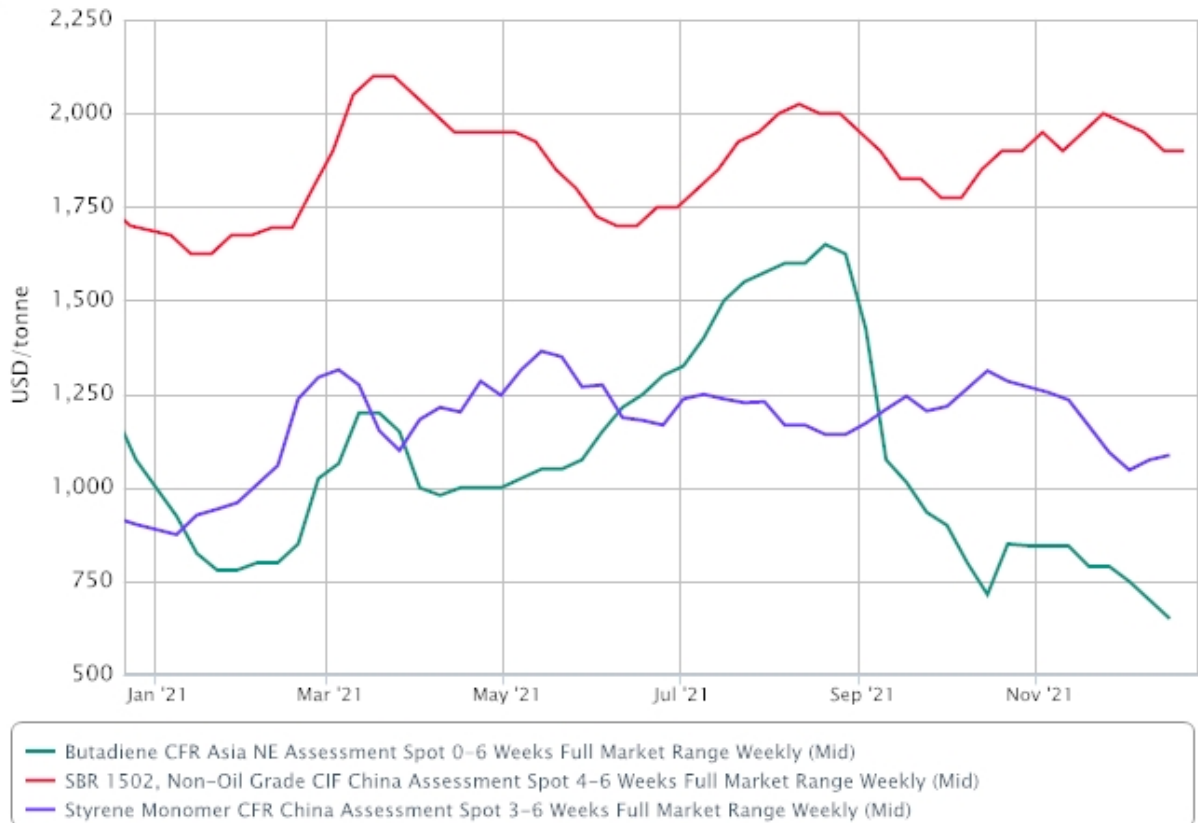
The chart below shows the spread between butadiene and SBR.

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



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Asian **styrene** prices [gained](#) on the back of slightly better trading sentiment and some emergence of H1 January import buying interest from China, against a backdrop of firming upstream benzene prices in domestic China on short-covering.



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PRODUCTION

In China, average operating rates of local SBR plants climbed one percentage point to 92% for the week ended 17 December, up from 91% in the week prior, market sources said.

Outside of China, SBR spot availabilities are also growing, now that regional plant turnarounds have been completed and most plants are operating at high or full rates, market sources said.

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

ANALYTICS

ICIS Butadiene Outlook

For 2022, butadiene (BD) demand in North America, including Mexico, is likely to be about 1.82m tonnes, which is below pre-pandemic levels. In terms of production, Canada and the US, the only producers in North America, should total about 1.66m tonnes, down from 1.77m tonnes in 2019. Due to an improvement in regional supply and demand fundamentals, the BD deficit may shrink to around 160,000 tonnes in 2022. Preliminary trade data shows that the North America demand-production gap was around 212,000 tonnes in the first nine months of 2021.

Based on ICIS estimations, European BD production will reach 2.4m tonnes in 2022, increasing by 4.5% year on year. Demand is expected to grow by 6% from 2.1m tonnes in 2021, resulting in a higher growth rate than production. However, some uncertainties over the BD supply and demand balance are likely to emerge into 2022. UK production is estimated to stay around 20,000 tonnes, assuming that Sabic's cracker at Wilton will resume its operations by the end of 2022. That said, the BD unit may remain permanently closed. On the Italian BD industry front, the scheduled closure of cracker at Porto Marghera will stop crude C4 delivery to Versalis' BD extraction unit in Ravenna, which in turn may be at risk of shutdown.

In 2022, Asia is forecast to be responsible for about 61% of total BD production, up by 4% from 2019 levels. Five new plants will start their operations in China in 2022, with a total nameplate capacity of 680,000 tonnes/year. South Korea's new 90,000 tonne/year BD extraction unit operated by Lotte-GS Chemical is scheduled to start in Q2 2022. On the demand side, Asia should cover about 63% of overall BD demand, rising by about 3% from 2019. As consumption will continue to exceed production, Asia will remain a net importer.

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

ICIS Downstream Automotive Demand Outlook

The automotive industry has been among the hardest hit from COVID-19-induced temporary plant closures and it continues to feel this pressure. Short-to-midterm demand still looks gloomy on the back of the microchip shortage. Inventories are running at an all-time low, and incomplete vehicle inventory is on the rise. In addition, there are reports of a shortage of electrical steel (also known as silicon steel), which will impact production of electric vehicles (EV). Global 2021 automotive output is expected to decline by 16.8% compared with 2019 (Q4 2021 is expected to decline by 16.6% compared with Q4 2019). Moreover, the Omicron variant of COVID-19 will be closely monitored, as further outbreaks could cut short any recovery.

US light vehicle sales were down by 24.8% in November 2021 compared with November 2019. The inventory sales ratio was 0.389 in October, which is the lowest ever. US automotive 2021 output is expected to decrease by 9.8%, compared with 2019 (Q4 2021 is expected to decrease by 4.8% compared with Q4 2019). Future visibility is extremely limited.

EU, including UK, 2021 output is expected to decrease by 32.2% compared with 2019 (Q4 2021 is expected to decrease by 31.5% compared with Q4 2019). Overall market sentiment is negative. The problem has been exacerbated by an increase in the penetration of EVs and their increasing appetite for microchips.

China automotive 2021 output is expected to grow by 9% compared with 2019 (Q4 2021 is expected to grow by 4.3% compared with Q4 2019). In terms of stock, the inventory coefficient was at 1.35 in a year-on-year decrease of 21.5%. In addition to severe supply disturbances, the regulator in China is cracking down on microchip suppliers, who are accused of price gouging. India automotive 2021 output is expected to decrease by 6.3%, compared with 2019 (Q4 2021 is expected to grow by 3.4% compared with Q4 2019). The complex supply chain, difficulties in social distancing in plants and customers staying at home will continue to have an impact on the sector going forward.

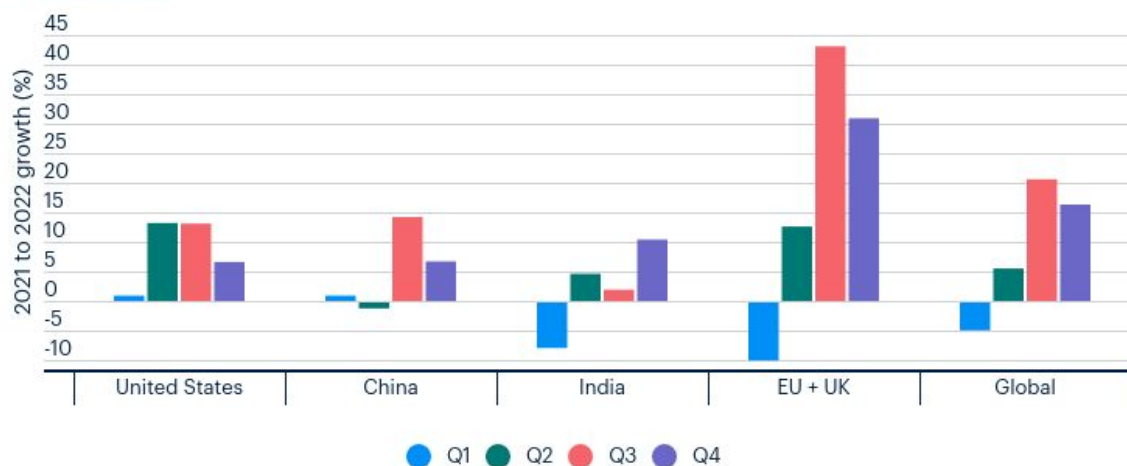
By **Jincy Varghese**, ICIS demand analyst (jincy.varghese@icis.com)

Motor vehicle sector growth by region

2019 vs 2021



2021 vs 2022



SOURCE: Oxford Economics

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