Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
22-Sep-2021

Overview | Outlook | Prices | Upstream | Production | Analytics

Please click here for full details on the criteria ICIS uses in making these price assessments.

The CIF China prices in the weekly analysis on 6 October will be assessed based on information collated on 30 September. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Discussions muted in a holiday-shortened week**
- **Demand worries permeate**
- **Weak upstream values dampen buying interest**

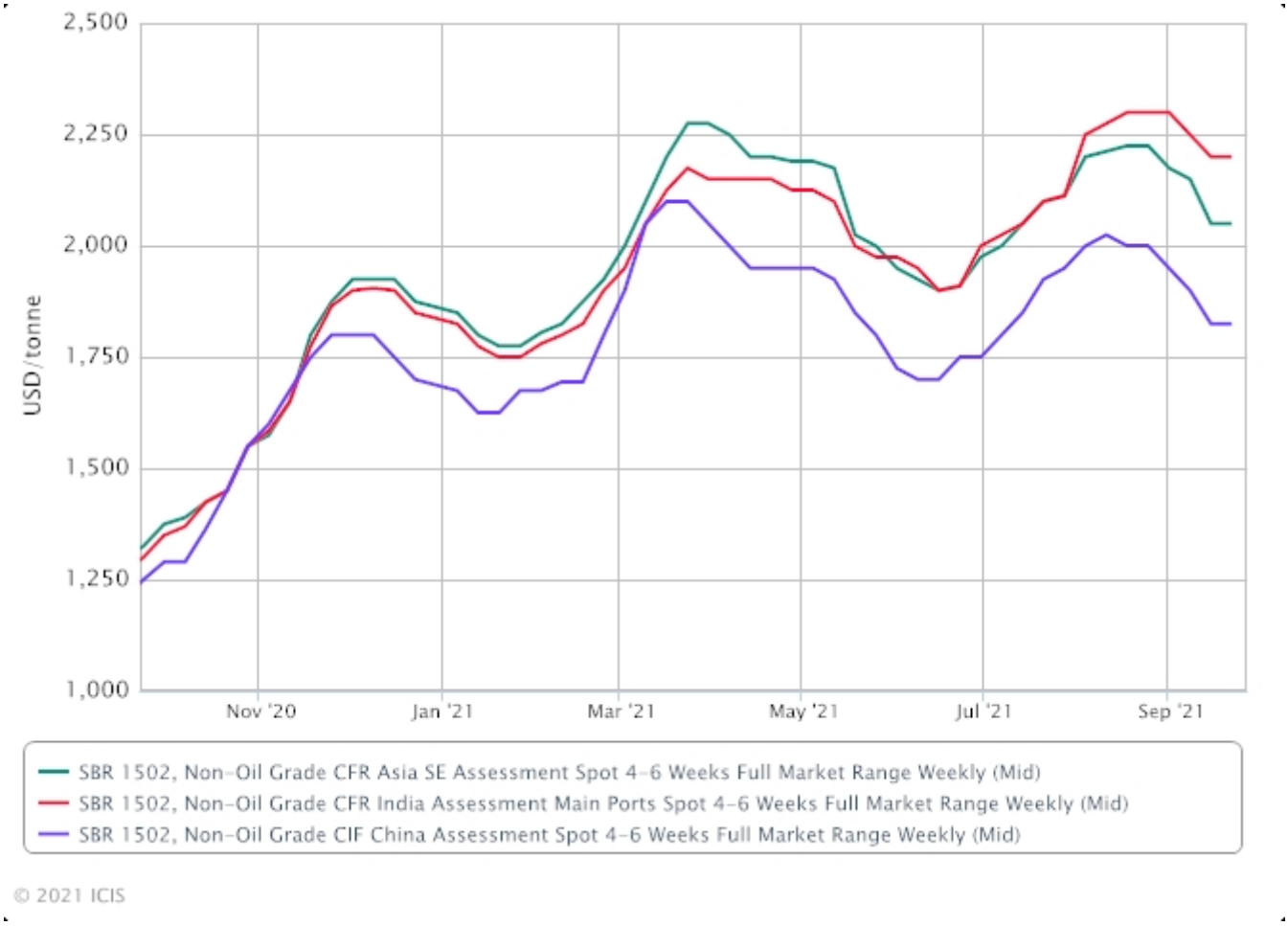
Asia's spot discussions for styrene-butadiene-rubber (SBR) were rangebound but capped in the week, with many players in northeast Asia away much of the week on extended mid-Autumn holidays.

Overall, demand sentiment was dull, as downstream operations across Asia, including in the major auto sector, remained stifled by ongoing COVID-19-related restrictions.

That the Asian Development Bank has recently downgraded its 2021 economic growth projection for developing economies in Asia also further dampened sentiment.

With upstream butadiene values also on the decline, buyers were heard even more unwilling to commit to fresh spot bookings as yet, as they anticipate SBR offers to soften even more in due course if the upstream market continues to weaken.

Supply, on the other hand, is poised to tighten on upcoming turnarounds, and sellers said that this may help to support import offers to some extent, in addition to other considerations like high freight costs.



OUTLOOK

- **Demand losses may outpace supply cuts**
- **Coronavirus worries to weigh in on downstream off-take**
- **Eye on how car sales in China may trend**

ICIS analyst view on styrene butadiene rubber (SBR)

ICIS expects softer sentiment in the SBR market from September, mainly tracking BD and NR price trends. Regional BD supply in Asia is expected to increase in Q4 2021 and Q1 2022, on new start-ups and a heavier cracker feed slate.

SBR supply is expected to increase after Sinopec Qilu Petrochemical, China's biggest SBR producer, ends its turnaround. We also expect an increase in output from other producers amid an anticipated improvement in margins.

The semiconductor supply crisis has badly affected the global original equipment passenger car tyre market since July, and is expected to continue to do so for many months. Although replacement tyre markets in the west are performing well, the Chinese market has struggled following a resurgence of COVID-19.

Along with a weak export market dampened by high freight rates, tyre inventories in China are rising.

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	n/c	1750-1900	n/c	1950-2050	79.38-86.18
CFR Asia SE	USD/tonne	n/c	2000.00-2100.00	n/c	2200.00-2250.00	90.72-95.25
CFR India Main Ports	USD/tonne	n/c	2150.00-2250.00	n/c	2250.00-2350.00	97.52-102.06
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1650-1800	n/c	1850-1950	74.84-81.65
CFR Asia SE	USD/tonne	n/c	1900.00-2000.00	n/c	2100.00-2150.00	86.18-90.72
CFR India Main Ports	USD/tonne	n/c	2050.00-2150.00	n/c	2150.00-2250.00	92.99-97.52

China

CIF prices for both the non-oil 1502 and oil-extended 1712 grade materials were rolled over, in the absence of any concrete fresh discussions in a holiday-shortened week.

Domestic China prices of the 1502 grade materials softened too with slow buying.

East China domestic SBR 1502 prices

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

Southeast Asia

CFR southeast (SE) Asian prices for the non-oil 1502 and oil-extended 1712 grades were also kept unchanged, on range-bound buy-sell talks.

But trade is limited, with most regular suppliers in northeast Asia away from the trading arena on extended holidays.

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

Sep (1-22) 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021
162.98	172.678	164.32	164.51	169.09	164.72	175.25	169.16

India

Like with China and SE Asian, CFR Indian prices for both the non-oil 1502 and oil-extended 1712 grades were stable on rangebound discussions.

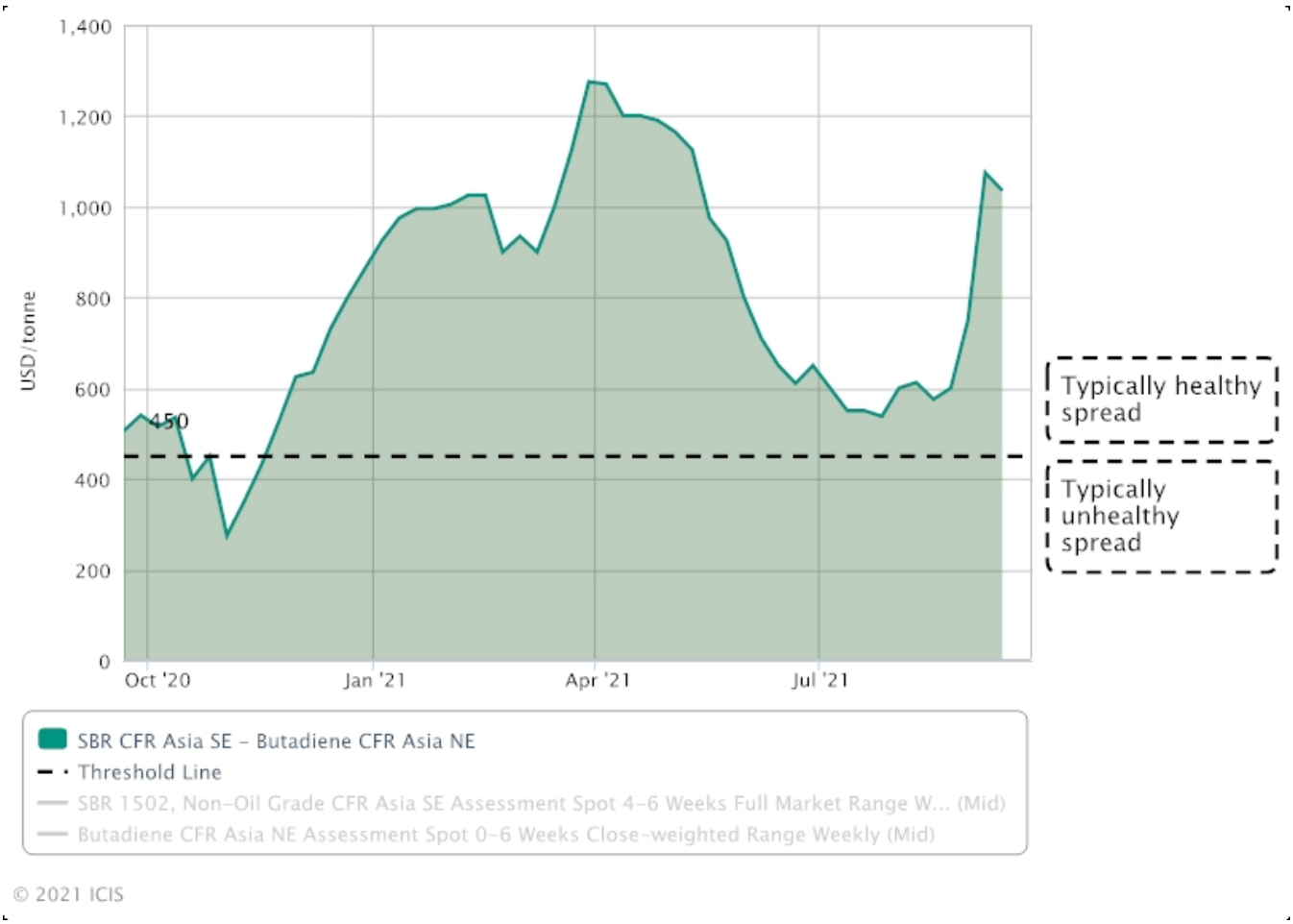
But demand is slowing down, market players said, as uncertainties grow on longer term macro-economic prospects.

UPSTREAM

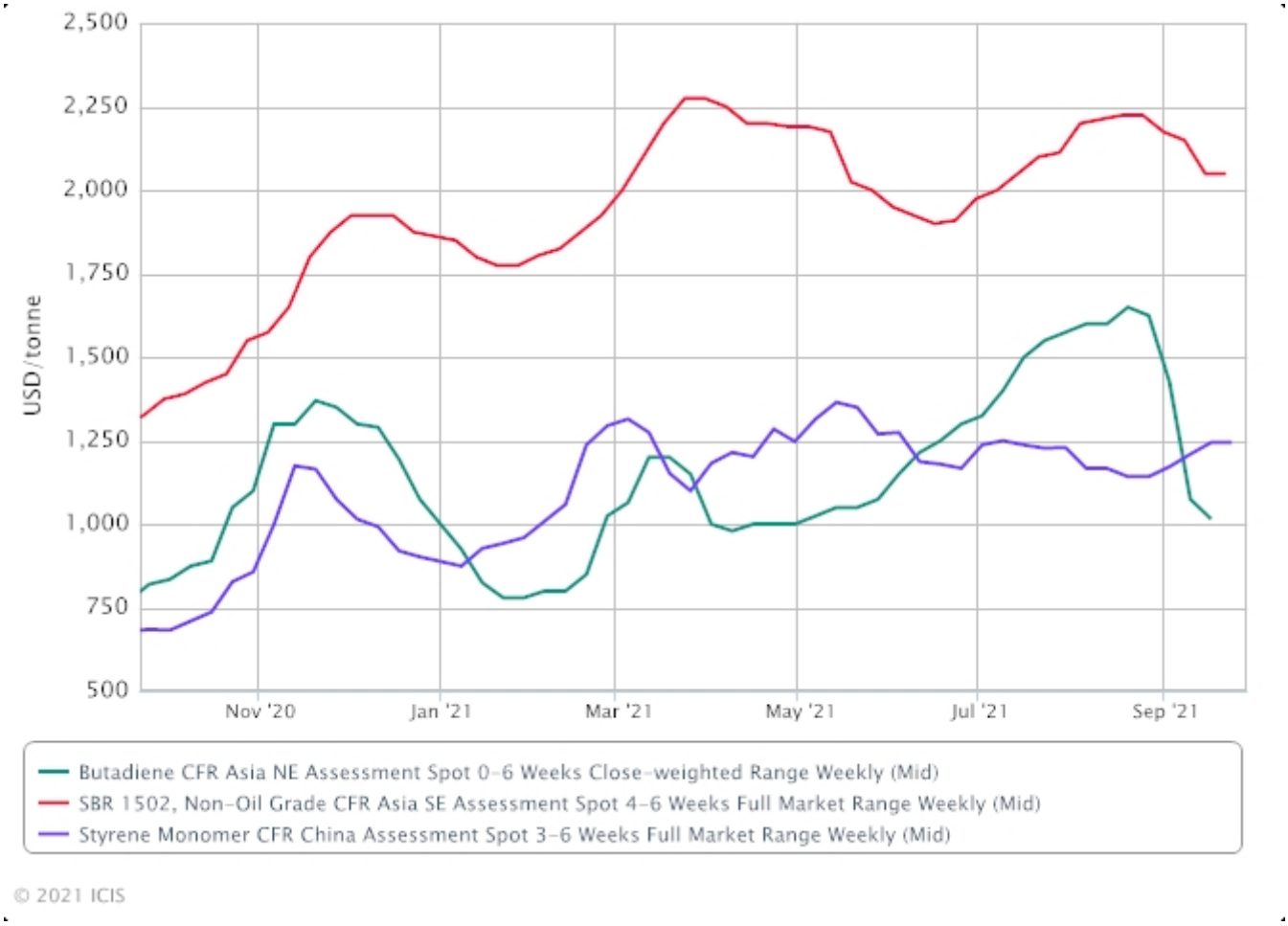
Asian **butadiene** discussions continue to stay under pressure amid thin demand and a supply glut.

The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia



Asian **styrene** prices extended gains on early-week positive sentiment amid feedstock benzene price gains and overall tighter Chinese supply expectations in October on turnarounds. Strong performance in the futures market buoyed prices.



PRODUCTION

In China, average operating rates of local SBR plants plunged to 59% for week ended 17 September, down from 68% in the week prior, market sources said.

Outside of China, SBR supplies are also poised to tighten with upcoming turnarounds in northeast Asia in October.

Click here for the Asian SBR Live Disruption Tracker.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

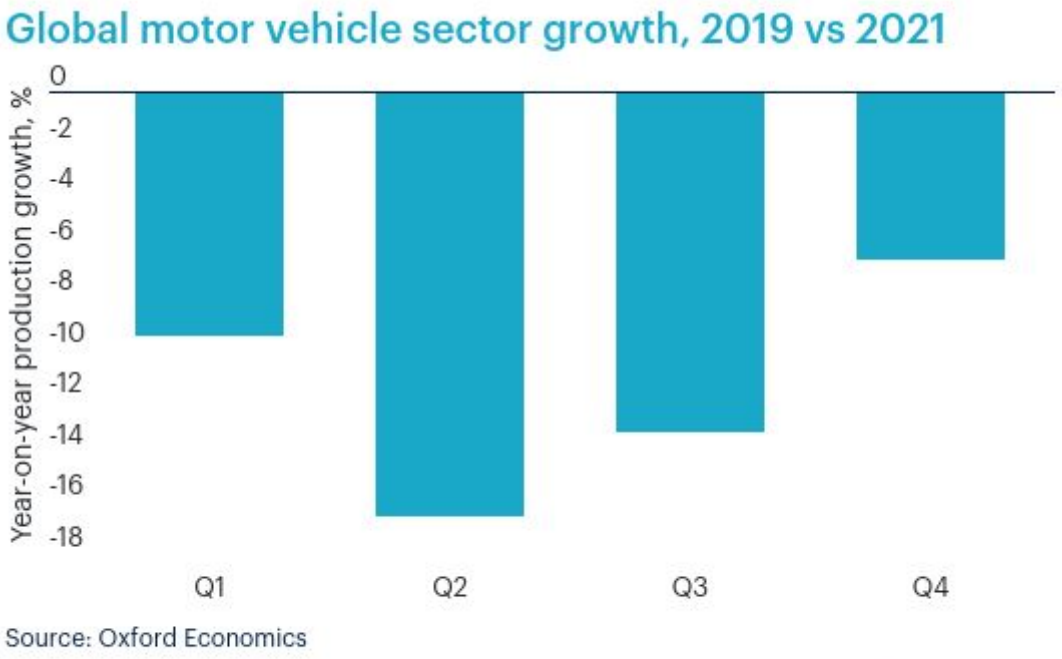
The global automotive industry is currently beset by an acute supply-demand imbalance. Output is well below pre-pandemic levels, a trend seen in every region. According to Oxford Economics, the global automotive industry will contract by 11.5% in 2021 due to a severe shortage of semiconductor chips and auto parts, supply chain problems and other production-related issues. A shortage of polymers and shipping containers has also forced several companies in the chain to shut plants. As a result, most carmakers have an alarmingly low level of raw materials and finished inventories. Some auto giants have announced production cuts. For example, Toyota plans to slash output by 40% in September and GM will idle its North American assembly line for two weeks from 13 September. Global light vehicle sales declined by a further 2.4% month on month in August and were down 16% compared with 2019. Chip supply is unable to keep up with demand and the situation is getting worse by the day. The most pessimistic view suggests that the situation will not improve until 2023. In the short to medium term, the negatives far outweigh the positives. According to accounting firm KPMG, the chip shortage will cost the industry $100bn in lost revenue in 2021.

In August, US car sales were down 11% month on month and down 24% down from 2019 levels – or 4.1mn fewer units. Inventories were at an all-time low. According to the US Bureau of Economic Analysis, the inventory to sales ratio was at 0.683 in July, the lowest since 1993. All the major car makers reported strong Q1 earnings, but this will not be repeated in the rest of the year. A semiconductor chip shortage continues to affect production, with many expecting the problem to persist well beyond this year. The Semiconductor Industry Association (SIA) estimates that the typical lead time from placing an order to final delivery is 26 weeks. So, even if a chip supplier were to ramp up capacity today, it would take at least six months to fulfil an order, provided that the infrastructure is in place.

According to Germany's Federal Motor Vehicle Office (KBA), passenger car registrations fell to 193,307 units in August from 236,393 units in July, down 18.2% month on month and 23% year on year. Overall market sentiment also fell. The Society of Motor Manufacturers and Traders (SMMT) reported that UK car registrations fell 22% in August compared with the same month a year ago. Other countries in the region are also suffering. Despite this, new UK van registrations recorded their second-best August at 20,582 units, although the chip shortage threatens future production and deliveries. The problem has been exacerbated by an increase in market penetration by electric vehicles (EVs) and their growing appetite for chips.

In July, Chinese passenger car and commercial vehicle sales were down 6.8% and 30.2% year on year respectively. In terms of stock, the inventory coefficient was at 1.37 in August against 1.50 in the same month last year, a year on year decrease of 8.7% and the lowest figure for three years. A lack of available key auto parts has altered typical seasonal characteristics as well. For example, dealers have refrained from promotional campaigns and refused offers and discounts as well. To pursue its policy of self-sufficiency, China's key chip manufacturer has committed $9bn to build a factory in Shanghai. Other Asian economies are also suffering, especially India. It suffered a major setback when Ford shut its 25-year-old Indian operations which had the capacity to produce 610,000 engines and 440,000 vehicles a year. Ford is the third company to exit the country after GM and Harley Davidson. Future visibility is extremely limited.

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



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