



## Styrene Butadiene Rubber (Asia-Pacific)

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

### OVERVIEW

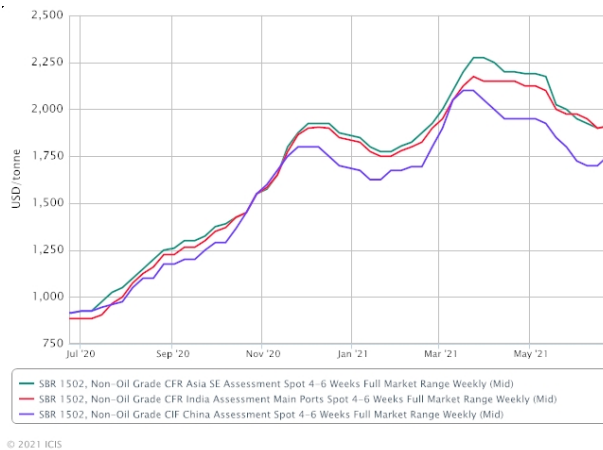
- Offers **up** on upstream cost pressure
- Some firmer deals heard
- Buy-side sentiment still cautious

Discussions for Asian imports of styrene-butadiene-rubber (SBR) picked up pace this week, with firmer offers heard as sellers sought to mitigate cost pressures.

Asian prices for feedstock butadiene (BD) are about 27% higher since April, and SBR makers said they needed to raise prices to protect margins. Some deals did materialise at higher levels than last week.

Overall, however, buy-side sentiment remains somewhat muted, with some end-users still holding back amid lingering uncertainty about when coronavirus-related lockdowns will be lifted in key outlets like India and Malaysia.

Some buyers saw no need to rush into fresh purchases as they say the market is relatively well supplied amid growing export availability from [China](#).



## OUTLOOK

- **Coronavirus worries to continue to weigh on offtake**
- **Supply may lengthen**
- **Outlook contingent on long-term growth and recovery**

### ICIS analyst view on styrene butadiene rubber (SBR)

Lower tyre output in Asia is expected in the summer due to slow demand, eroded margins and a regional resurgence of the coronavirus outbreak. However, SBR prices in China are expected to fall below NR prices from summer, which might make tyre producers use more SBR in place of NR due to the cost advantage.

The restart of idled plants in China is approaching. However, ICIS expects that the added production volumes will come online alongside run cuts on existing units, as firm feedstock prices and weaker demand cut into SBR margins. Variable margins have fallen below \$500/tonne, the typical threshold for producers.

Although SBR prices in the west performed better than in Asia, the unrelenting increase in container freight rates has made the arbitrage from Asia impossible. However, BD exports to North America were seen, which resulted in rising BD prices in Asia. This might underpin the SBR market in July and August.

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For more information about analytical content, click [here](#).

## PRICES

### SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
<b>SBR 1502, Non-Oil Grade</b>						
<b>CIF China</b>	USD/tonne	+50	1700-1800	+50	1750-1850	77.11-81.65
<b>CFR Asia SE</b>	USD/tonne	+20	1870.00-1950.00	n/c	1950.00-2050.00	84.82-88.45
<b>CFR India Main Ports</b>	USD/tonne	+20	1870.00-1950.00	n/c	1900.00-2050.00	84.82-88.45
<b>SBR 1712, Oil-Extended</b>						
<b>CIF China</b>	USD/tonne	+50	1600-1700	+50	1650-1750	72.57-77.11
<b>CFR Asia SE</b>	USD/tonne	+20	1770.00-1850.00	n/c	1850.00-1950.00	80.29-83.91

<b>CFR India Main Ports</b>	USD/tonne	+20	1770.00- 1850.00	n/c	1800.00-1950.00	80.29-83.91
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## China

CIF China prices for both the non-oil 1502 and oil-extended 1712 grades rose, tracking, in part, increases seen in the domestic yuan-denominated market.

1502 grade material in the domestic Chinese market spiked on upstream gains.

### East China domestic SBR 1502 prices

Price (CNY/tonne)	Current week	Previous week
E China Ex-Warehouse	12, 500-12,600	11,900-12,100

## Southeast Asia

CFR SE Asian prices for non-oil 1502 were assessed in a narrower range, with the low end raised to capture deals heard.

Offers were mostly in the higher-end of the assessment range, market players said.

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

June 2021	(1-23) May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
164.33	169.09	164.72	175.25	169.16	158.41

Oil-extended 1712 prices in SE Asia were adjusted in line with the 1502 grade assessment, in the absence of any concrete business.

## India

As with southeast Asia, CFR India prices for non-oil 1502 grade were also stable-to-firm, based on deals and discussions heard.

Offers for cargoes from all origins generally rose with upstream increases. Buying interest also improved in line.

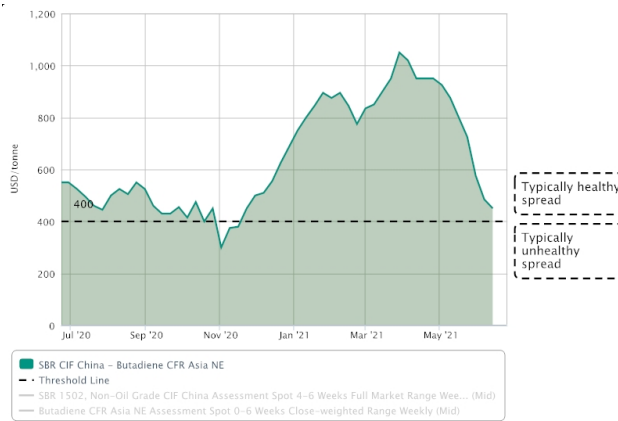
The CFR India assessment for oil-extended 1712 grade was adjusted in line with changes for the 1502 grade in the absence of concrete business.

## UPSTREAM

Asian butadiene (BD) import offers continued on [a bull run](#), amid persistent demand pull from markets further afield like the [US](#).

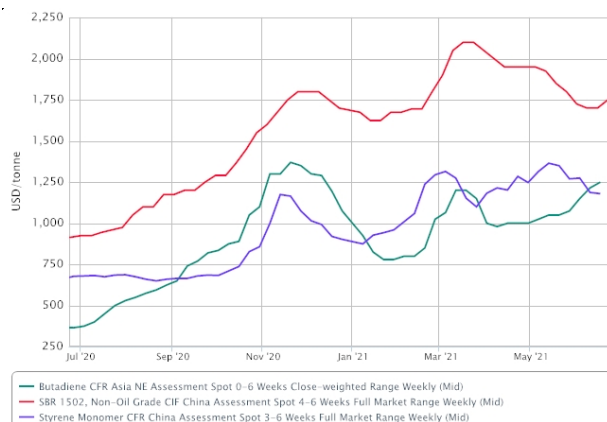
The chart below shows the spread between butadiene and SBR.

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



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Asian **styrene** prices were [softer](#) reflecting weak import buying interest from Chinese participants on the back of rising local supplies and shoretank stock levels, amid persistently slow downstream offtaking from the styrenics sector.



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## PRODUCTION

In China, average operating rates for local SBR plants were at 70% for the week ending 18 Jun, marginally lower than the 73% rate seen in the week prior, market sources said.

Elsewhere in Asia, output poised to grow with plants [returning](#) from maintenance.

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

## OTHER REGIONS

In [Europe](#), the SBR market saw mixed dynamics, as strong offers have been met with lingering buy-side resistance.

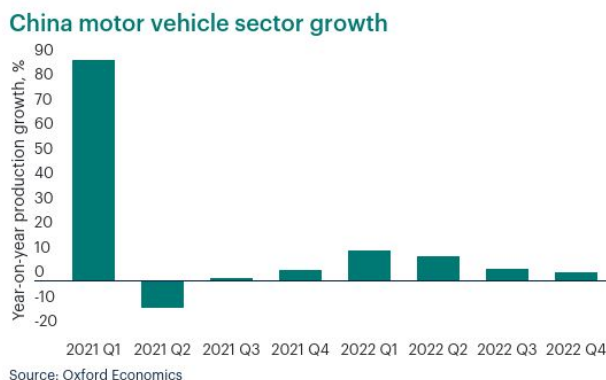
## ANALYTICS

### ICIS Downstream Automotive Demand Outlook

Global automotive demand remains very strong, with a shortage of used vehicles boosting demand for new vehicles. High levels of household savings, increased domestic tourism, and fear of public transport globally have also pushed up vehicle demand. However, low availability is starting to bite, with global sales slightly down month on month in April. Supply shocks continue to impact auto production, affecting demand for chemicals and polymers into this market. In particular, the shortage of microchips has led to production cutbacks of over one million vehicles, record low inventories and high prices. Car producers are focusing only on most in-demand models, and juggling supply chains. Hopes of a speedy resolution to the problem now seem short-sighted. US Commerce Secretary Gina Raimondo said the global shortage would be a "daily challenge" for the "next year or so."

Chinese vehicle sales in May were down month on month for the first time in 13 months. According to a report by CAAM (China Association of Automobile Manufacturers), this is due to the global chip shortage and rising raw material prices. One positive was the strong increase in sales of new energy vehicles (NEVs), which was up 160% month on month. In addition, market analysts believe the country will recover from chip shortages earlier than other regions, with improved production in H2 2021. Medium-term fundamentals also remain strong, with rising income and low car ownership. This is particularly true for electrified and other NEVs as government incentives propel this market. India is suffering from renewed lockdowns, including closing plants and dealerships. Production this year is now forecast to be 9% below 2019 levels, and some 22% below 2018's record levels. Recovery in India is forecast to be slow with 2022 still below 2019 levels.

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



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