



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
23-Mar-2022

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

OVERVIEW

- Offers **spiked** with upstream increases
- Supply also tight on turnarounds
- Buyers retreated

Asia spot discussions for styrene-butadiene-rubber (SBR) firmed substantially, particularly for import reliant outlets of southeast Asia and India, as offers rose sharply with upstream price hikes.

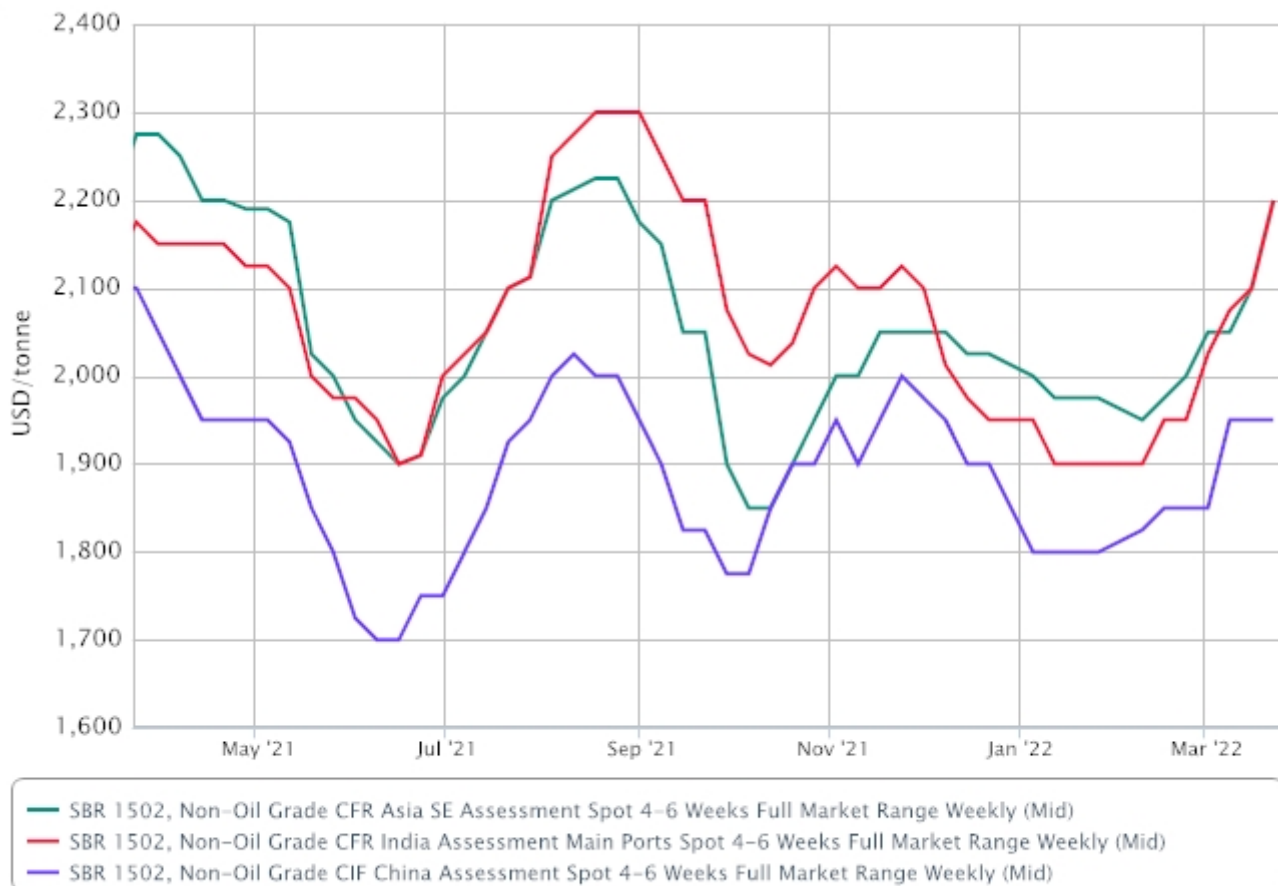
Sellers also cited limitations in spot supplies as another factor supporting the offer increases, adding that they are at ease even if buying tempo recedes with the higher offers.

Supply is already squeezed by ongoing and upcoming turnarounds. Furthermore, production at other operating units was heard weighed down by a shortage of required catalysts or additives.

But buyers with no concrete requirements pulled back, citing affordability issues with their own downstream markets.

Demand outlook is clouded, not just by the ongoing Russia-Ukraine conflict, but also by the disruption caused by extended COVID-19 lockdowns in several [China cities](#) recently.

The latter also affected discussions for China-bound SBR cargoes, leaving CIF China prices substantially lower than other regional outlets. In this scenario, regional SBR suppliers are also not keen to offer into China, focussing instead on sales to other outlets, including those further afield like Europe, where demand is growing amid local shortage.



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OUTLOOK

- Supplies may remain tight in the near term
- Demand recovery will hinge on when geopolitical tensions ease
- Divergent price trends likely between China and rest of Asia

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1900-2000	n/c	1800-1900	86.18-90.72
CFR Asia SE	USD/tonne	+100	2150.00-2250.00	+100	1950.00-2050.00	97.52-102.06
CFR India Main Ports	USD/tonne	+50	2100.00-2300.00	+150	1900.00-2000.00	95.25-104.33
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1800-1900	n/c	1700-1800	81.65-86.18
CFR Asia SE	USD/tonne	+100	2100.00-2200.00	+100	1850.00-1950.00	95.25-99.79
CFR India Main Ports	USD/tonne	+50	2050.00-2250.00	+150	1800.00-1900.00	92.99-102.06

China

CIF China assessments for both the non-oil 1502 grade and the oil-extended 1712 grade are kept unchanged, in the absence of concrete discussions for either grades.

There were neither offers nor bids for US dollar denominated imports, with all local users amply supplied by domestic cargoes, prices of which were also more attractive than imports.

Instead, some China rubber makers were heard looking to export SBR cargoes, market sources said.

Domestic prices for the 1502 grade edged up, with parallel increases in yuan-denominated butadiene prices.

East China domestic SBR 1502 prices

Price (CNY/tonne)	23 March	16 March
E China Ex-Warehouse	12,400-12,600	12,300-12,500

Southeast Asia

CFR southeast (SE) Asian prices for the non-oil 1502 grade rose, on firmer discussions heard.

Deals were heard closed early in the week within the published range, and remaining offers surged by late week with strong upsurge in feedstock prices. The high-end is lifted to reflect the lowest offer heard.

But with natural rubber prices edging down, buyers said that they may slow down SBR procurement, possibly to turn more to natural rubber usage instead.

CFR SE Asian assessments for the oil-extended 1712 grade were also adjusted up, alongside changes for the 1502 grade assessment.

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

Mar 23) 2022	(1- Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021
175.84	179.84	178.12	172.08	175.65	174.39	163.23	172.67

India

CFR Indian prices for the non-oil 1502 grade also rose sharply with firmer offers heard.

But resistance from buyers also climbed, and buy-sell gap widened.

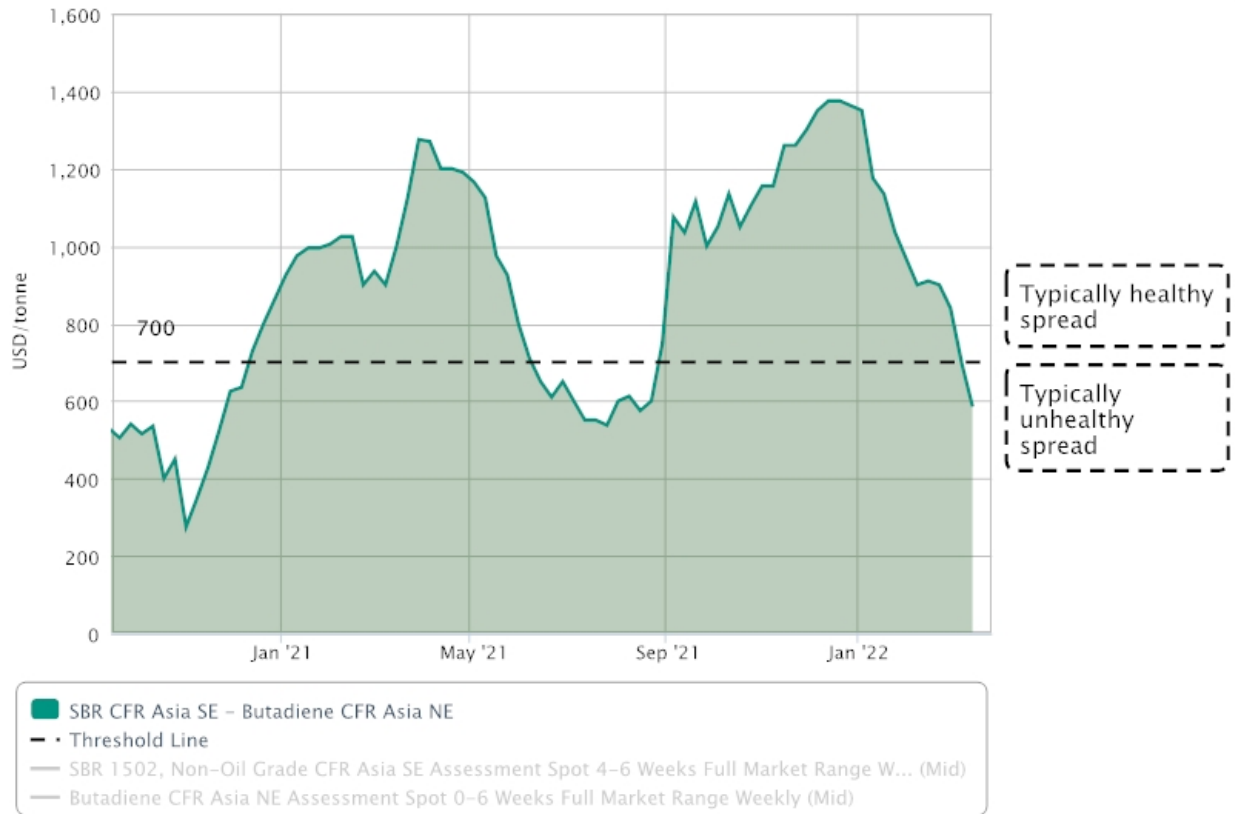
CFR Indian assessments for the oil-extended 1712 grade were adjusted up, alongside changes for the 1502 grade.

UPSTREAM

Asian butadiene prices [spiked](#) as buyers raised bids to secure spot cargoes, in a bid to cover unforeseen cuts in contractual volumes. The latter arose after regional crackers slashed operating rates to stem losses.

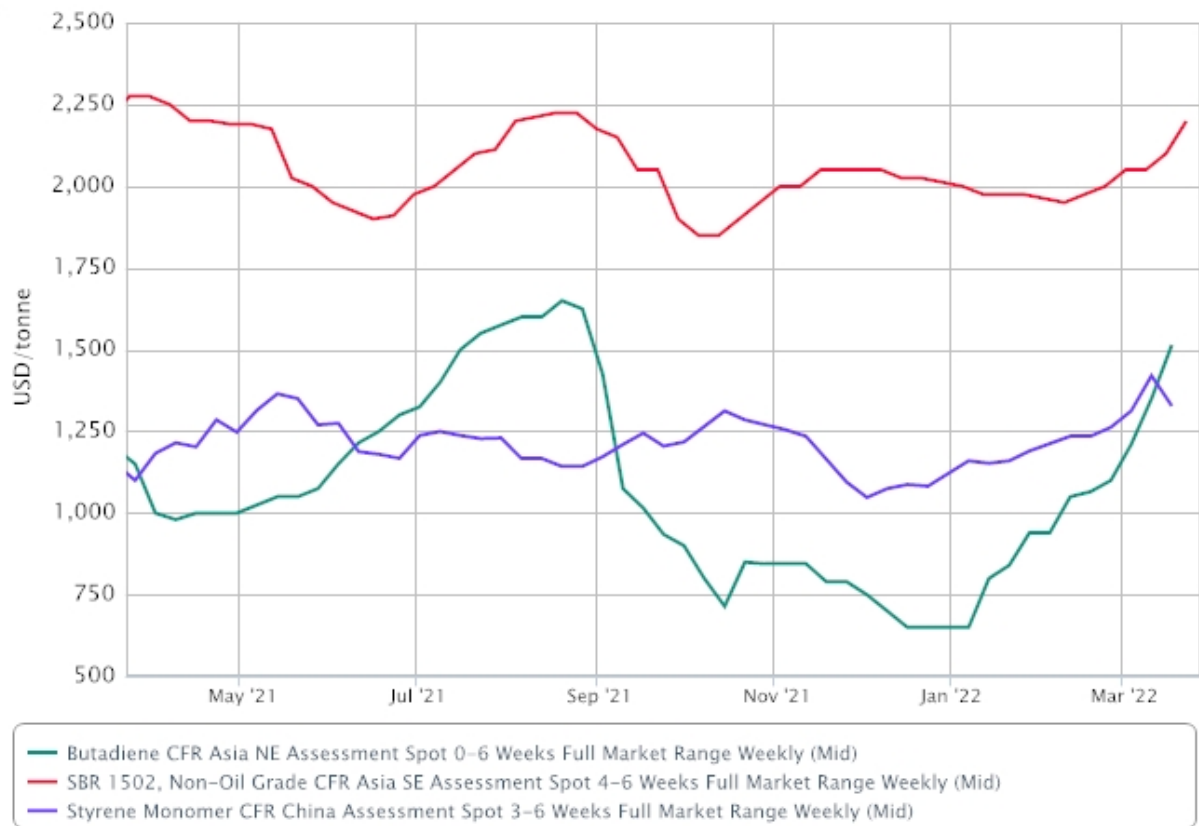
The chart below shows the spread between butadiene and SBR.

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



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Asian styrene prices gave back gains from previous weeks as bearish sentiment and worries about slowing domestic demand from the key China market took centre stage, against a backdrop of stricter movement restrictions and some lockdowns in the country.



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PRODUCTION

In China, average operating rates of local SBR plants fell to 88% for the week ended 18 March, down from 93% for the week prior, market sources said.

This came after several China cities were placed on COVID-related lockdowns, hampering plant operations and disrupting transportation of cargoes.

But regional supplies are tight amid [ongoing](#) and [upcoming](#) turnarounds.

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

OTHER REGIONS

In Europe, SBR spot prices continued to [rise](#), while contract talks are clouded by high energy and feedstock costs.

ANALYTICS

ICIS Downstream Automotive Demand Outlook

The global automotive industry was already reeling from a chip shortage when Russia's invasion of Ukraine took place. The conflict will severely impact the industry given that Russia is a leading producer of palladium - a key material used in computer chip production. Global automotive output is expected to grow 7.9% year on year in 2022, according to Oxford Economics, although this is down 8.8% from 2019 levels. As a short-to-medium term solution, companies such as Ford are planning to sell cars without chips - with the missing part supplied within a year to free up factory and parking space from partially

built vehicles. Companies including Tesla are also looking at selling cars without USB ports or other non-security-related features. Even though there is a lot of money allocated for future chip capacity, it will take time - typically 12 to 18 months - to produce and deliver them. Another key factor is the probability of auto demand destruction due to eroding household incomes. Many are expected to spend conservatively and postpone major asset purchases.

According to the US Census Bureau, US light vehicle sales fell to 14m units in February from 15m units in January and were down 12% year on year. Unsurprisingly, the finished inventory sales ratio is at a record low.

The European Automobile Manufacturers Association (ACEA) reported a 6% fall year on year in passenger car registrations in January, a historic low. All major European economies posted a double-digit sales contraction. Commercial vehicle registrations were down 11.1% month on month in January, and inventories were at an alarmingly low level. Another direct impact of the conflict is the constrained supply of neon gas, which is used to make microchips. Ukraine is a leading producer of the gas.

According to the China Association of Automobile Manufacturers (CAAM), Chinese car production was down 16.7% month on month in February, but up 1.4% year on year. In contrast to its global peers, China's inventory coefficient at auto dealers is quite high at 1.85 - with levels above 1.5 considered a warning. The increase has mainly been attributed to renewed pandemic concerns in cities such in Guangdong and Suzhou and led to further movement controls. India's Federation of Automobile Dealers Associations (FADA) reported a 9.2% year on year decrease in auto retail sales in February, which was down 20.7% compared to February 2020 - before COVID-19 hit. FADA said, "Till the time Russia-Ukraine conflict doesn't come to an end, FADA changes its outlook from neutral to negative."

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

Motor vehicle sector growth by region

2021 vs 2022



SOURCE: Oxford Economics

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