



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

- **Buying interest tepid**
- **Upstream losses also weigh on sentiment**
- **Sellers wait and see**

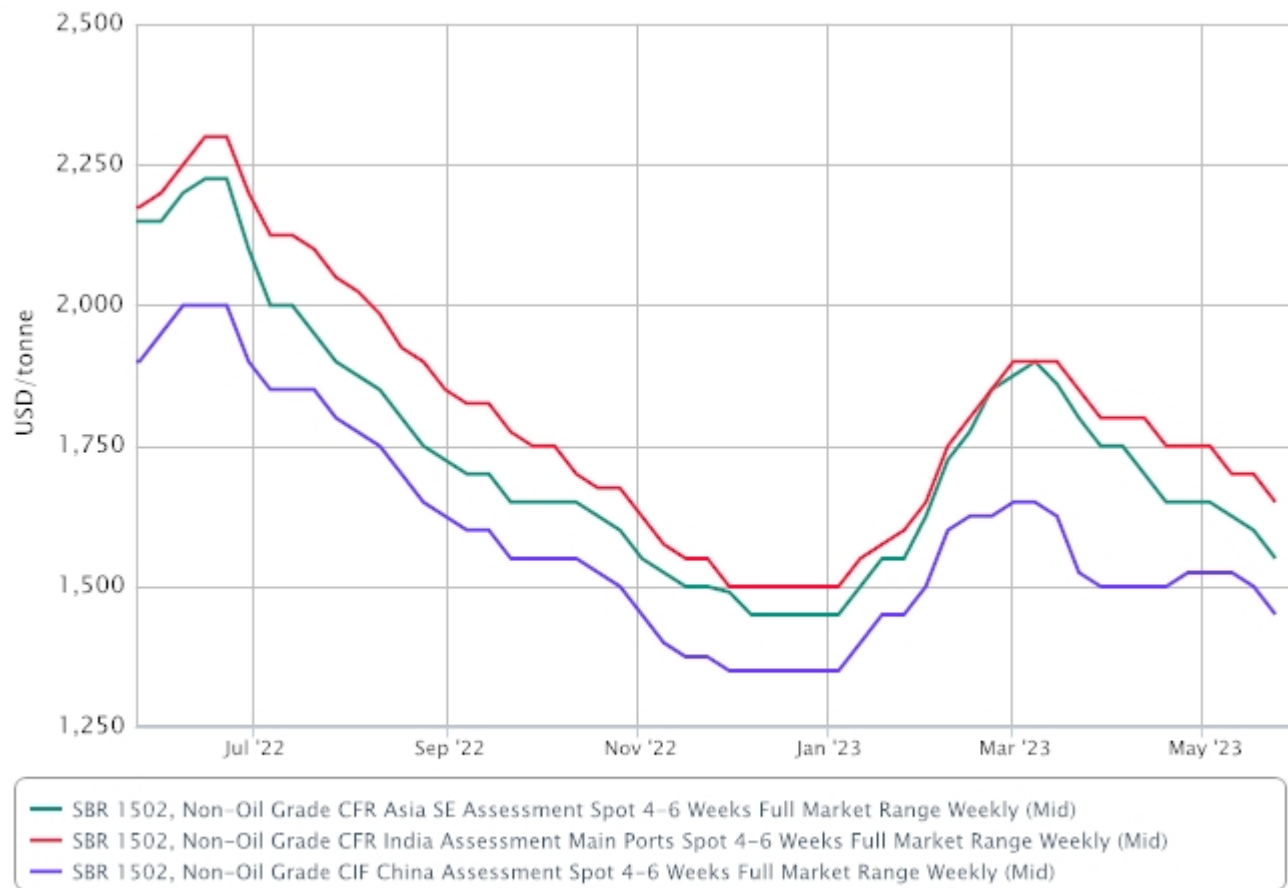
Poor downstream demand hampered discussions in Asia's spot import market for styrene-butadiene-rubber (SBR).

End-users said requirements were limited as offtake of their own finished product has been far slower than expected due to a lacklustre recovery in major downstream markets such as the automotive sector.

Extended losses in the upstream [butadiene](#) (BD) market also did little to restore buyer confidence.

In this situation, end-users typically hold off spot procurement for as long as possible, in the hope that offers will trend downwards given weaker upstream values.

Even though most sellers acknowledged that the demand outlook is poor, many said they will monitor inventory levels before deciding what to do. Some moderated offers slightly this week, but held back from dishing out wider discounts.



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OUTLOOK

- Demand to stay muted in near term
- Supply to lengthen with [capacity growth](#)
- Outlook unclear

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	-50	1400-1500	-50	1500-1550	63.50-68.04
CFR Asia SE	USD/tonne	-50	1500.00-1600.00	-50	1600.00-1700.00	68.04-72.57
CFR India Main Ports	USD/tonne	-50	1600.00-1700.00	-50	1700.00-1800.00	72.57-77.11
SBR 1712, Oil-Extended						
CIF China	USD/tonne	-50	1350-1450	-50	1450-1500	61.24-65.77
CFR Asia SE	USD/tonne	-50	1450.00-1550.00	-50	1550.00-1650.00	65.77-70.31
CFR India Main Ports	USD/tonne	-50	1550.00-1650.00	-50	1650.00-1750.00	70.31-74.84

China

The CIF China assessment for non-oil 1502 grade was down on softer buy-sell indications heard for US dollar denominated imports.

Sentiment was dented by a plunge in yuan-denominated prices for domestically produced material. Domestic prices in China for SBR 1502 fell this week alongside yuan declines in the upstream BD market.

The CIF China assessment for oil-extended 1712 grade was adjusted down with the change in 1502 grade.

East China domestic SBR 1502 prices

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	11,200-11,300	11,500-11,600

Southeast Asia

The CFR SE Asia assessment for non-oil 1502 grade was down, tracking lower offers at the high end against buying indications capped at the low end.

Sellers offered some discounts to induce buying, but held back from dishing out deeper discounts as they expect some SBR demand support from end-users looking for a cheaper substitute to natural rubber (NR). NR prices have climbed in the last two months.

The assessment for oil-extended 1712 grade was adjusted with the change in 1502 grade.

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

May 2023	(1-24) Apr 2023	Mar 2023	Feb 2023	Jan 2023	Dec 2022
137.31	136.27	135.03	140.11	140.11	135.03

India

Discussions were muted for CFR India trade this week, as May discussions have been completed and players were not ready to actively engage in June talks.

However, selling indications were heard softer on a notional basis in line with reductions seen in other regional outlets.

The CFR India assessment for both non-oil 1502 and oil-extended 1712 grade were adjusted down in line with the change in the CFR SE Asia assessment.

UPSTREAM

Butadiene (BD)

- Concrete negotiations scarce amid ongoing APIC in India
- Demand tepid, buyers maintaining softer buy indications
- Snug supply persists for some NE Asia makers amid turnaround

The chart below shows the spread between butadiene and SBR.

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



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Styrene

- Market sentiment remains generally weak tracking sluggish demand
- Exchange rate volatilities hampering import appetites
- Regional talks cool down further with the retreat of Korean buying interests



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PRODUCTION

A regional maintenance was [completed](#) in mid-May, but fresh [closures](#) in China are expected in June, sources said.

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

OTHER REGIONS

Europe

- May contract prices roll over
- Struggles to pass on increases due to low demand
- Spot 1500 dry grade prices stable-to-soft

US

- No immediate impact to BD supplies from Shell Deer Park fire
- No upward price pressure due to BD outages
- SBR supplies sufficient enough to meet slumping demand

ANALYTICS

ICIS Butadiene Outlook

There are expectations for soft demand and improved production in the US BD market over the coming months, once two units return from planned maintenance. TPC Group raised production rates by 10% at its 546,000 tonne/year BD plant in Houston after work, during a scheduled maintenance in Q1, to boost reliability. TPC aims to expand capacity at Houston by mid-2024 and exceed production levels hit before a fire knocked out the Port Neches plant in 2019. Automotive supply chain problems due to a shortage of semiconductors and other components have eased, but rising interest rates will continue to weigh on sales.

In Q1, most majors reported a double-digit drop in chemical sales volumes in Europe. Steady or even bearish sentiment is expected to prevail in Q2. European BD demand, which has been weak so far, is unlikely to see a robust recovery in the rest of this year. As a result, BD needs are expected to remain close to those seen in 2022. That said, positive news could come from lower energy costs. The energy variable should no longer be an element in discussions during BD price settlements - as was the case in past months when BD contracts were affected by natural gas prices. European utility costs, which are down for a fourth straight month amid lower gas prices, are forecast to fall further in the weeks ahead. Natural gas storage in the EU was about 64% full mid-May, up from an average of 56% in March.

The Chinese appear keen to travel after the lifting of COVID-19 restrictions. Tyre manufacturer Michelin reported a 3% increase in replacement tyre volumes in Q1 compared with the same period in 2022, although OE tyre volumes fell by 14%. A reduction in new car incentives, which came into force in early 2023, should adversely affect sales going forward. From a BD perspective, China's total derivative capacity expressed in BD equivalent will increase to about 6.6m tonnes/year or by 24% this year. BD capacity will reach 6m tonnes/year. In theory, this will cause an imbalance in supply and demand unless new projects delay the start-up of commercial operations due to unfavourable market conditions.

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