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Independent Commodity Intelligence Services

# Styrene Butadiene Rubber (Asia-Pacific)

## By Ai Teng Lim
**25-Sep-2024**

Overview | Outlook | Prices | Upstream | Production | Other Regions | Analytics

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

**The weekly analysis on 2 October will be published with information on China collected up to 30 September. Please click here for the ICIS publishing schedule.**

## OVERVIEW

- **Sellers' sentiment buoyant**
- **Offers up with cost push and tighter spot availabilities**
- **But buy-side response muted**

Discussions for spot Asian imports of styrene butadiene rubber (SBR) imports were trending up this week, supported by firmer asking prices.

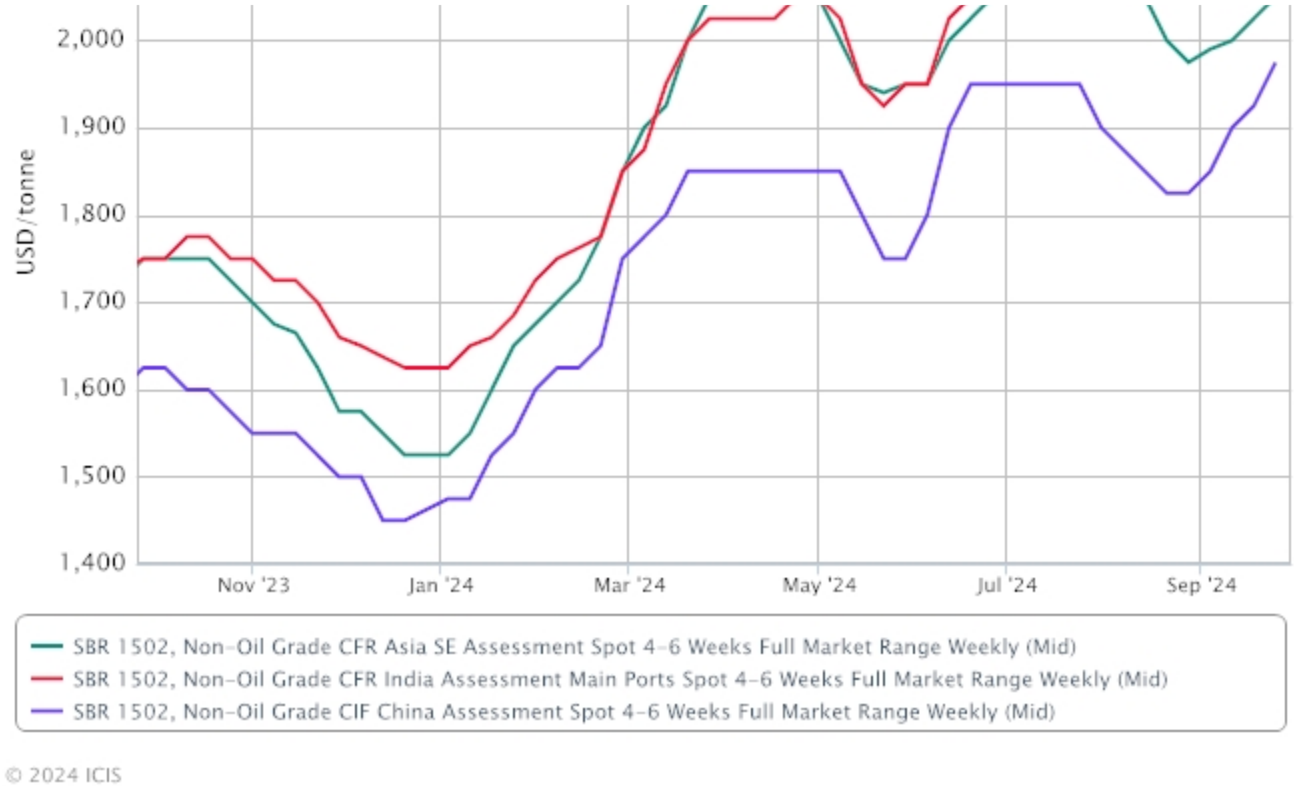
Sellers elevated their targets citing several considerations. Firstly, feedstock butadiene (BD) prices have rebounded of late, with buoyancy in domestic China, heightening cost pressures on SBR makers.

Secondly, spot availabilities are tighter amid several ongoing and upcoming regional plant maintenances.

Also, with natural rubber prices still on a bull run, SBR sellers expected this to boost requirements for SBR as a cheaper substitution product.

Demand wise, buyers' response was mixed.  Those who needed to procure to ensure that ongoing operations are not disrupted did bid up to close the gap with sellers and secure some volumes, but these transactions were limited to smaller lots.

But the majority of end-users pulled back to wait and see, and market players said that prior anticipations of more upbeat pre-holiday buying in India and China did not materialize this year, signalling downbeat conditions in markets further downstream.




## OUTLOOK

- **China's new stimulus measures may boost demand**
- **Spot supplies to stay snug until late Q4**
- **Feedstock BD costs to drive spot offers too**

## PRICES

### SPOT PRICES

| | | | Price Range | | Four Weeks Ago | US CTS/lb |
|---|---|---|---|---|---|---|
| **SBR 1502, Non-Oil Grade** | | | | | | |
| **CIF China** | USD/tonne | +50 | 1950-2000 | +50 | 1800-1850 | 88.45-90.72 |
| **CFR Asia SE** | USD/tonne | n/c | 2000.00-2100.00 | +50 | 1950.00-2000.00 | 90.72-95.25 |
| **CFR India Main Ports** | USD/tonne | n/c | 2050.00-2150.00 | +50 | 2000.00-2100.00 | 92.99-97.52 |
| **SBR 1712, Oil-Extended** | | | | | | |
| **CIF China** | USD/tonne | +50 | 1900-1950 | +50 | 1750-1800 | 86.18-88.45 |
| **CFR Asia SE** | USD/tonne | n/c | 1950.00-2050.00 | +50 | 1900.00-1950.00 | 88.45-92.99 |
| **CFR India Main Ports** | USD/tonne | n/c | 2000.00-2100.00 | +50 | 1950.00-2050.00 | 90.72-95.25 |

**China**

CIF China assessment for the non-oil 1502 grade rose as buy-sell indications were higher to keep pace with an upbeat domestic yuan-denominated market.

But substantive transactions were limited on imports, with many local end-users already amply covered by domestic products.

Domestic prices held steady at levels substantially higher year on year.

CIF China prices for the oil-extended 1712 grade were adjusted in line with changes for the 1502 grade.

**East China domestic SBR 1502 prices**

| Price (CNY/tonne) | This week's close | Previous week's close |
|---|---|---|
| E China Ex-Warehouse | 16,200-16,400 | 16,200-16,400 |

**Southeast Asia**

CFR SE Asia assessment for the non-oil 1502 grade were lifted at the high end, with firmer offers heard.

Buying indications are capped at the low end.

CFR SE Asia assessment for the oil-extended 1712 grade were adjusted with the changes for the 1512 grade.

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

| Sep (1-25) 2024 | Aug 2024 | Jul 2024 | Jun 2024 | May 2024 | Apr 2024 | Mar 2024 |
|---|---|---|---|---|---|---|
| 193.26 | 179.89 | 168.65 | 176.00 | 170.03 | 162.99 | 165.36 |

*Source: Malaysian Rubber Board*

**India**

CFR India assessment for the non-oil 1502 grade are also up on the high end, with firmer offers heard for NE Asia-origin materials.

Buying indications for NE Asia-origin materials were heard at the low end, weighed down in part by continued availability of more competitively priced materials from non-Asia origins.

CFR India assessment for the oil-extended 1712 grade were adjusted with changes for the 1502 grade.

## UPSTREAM

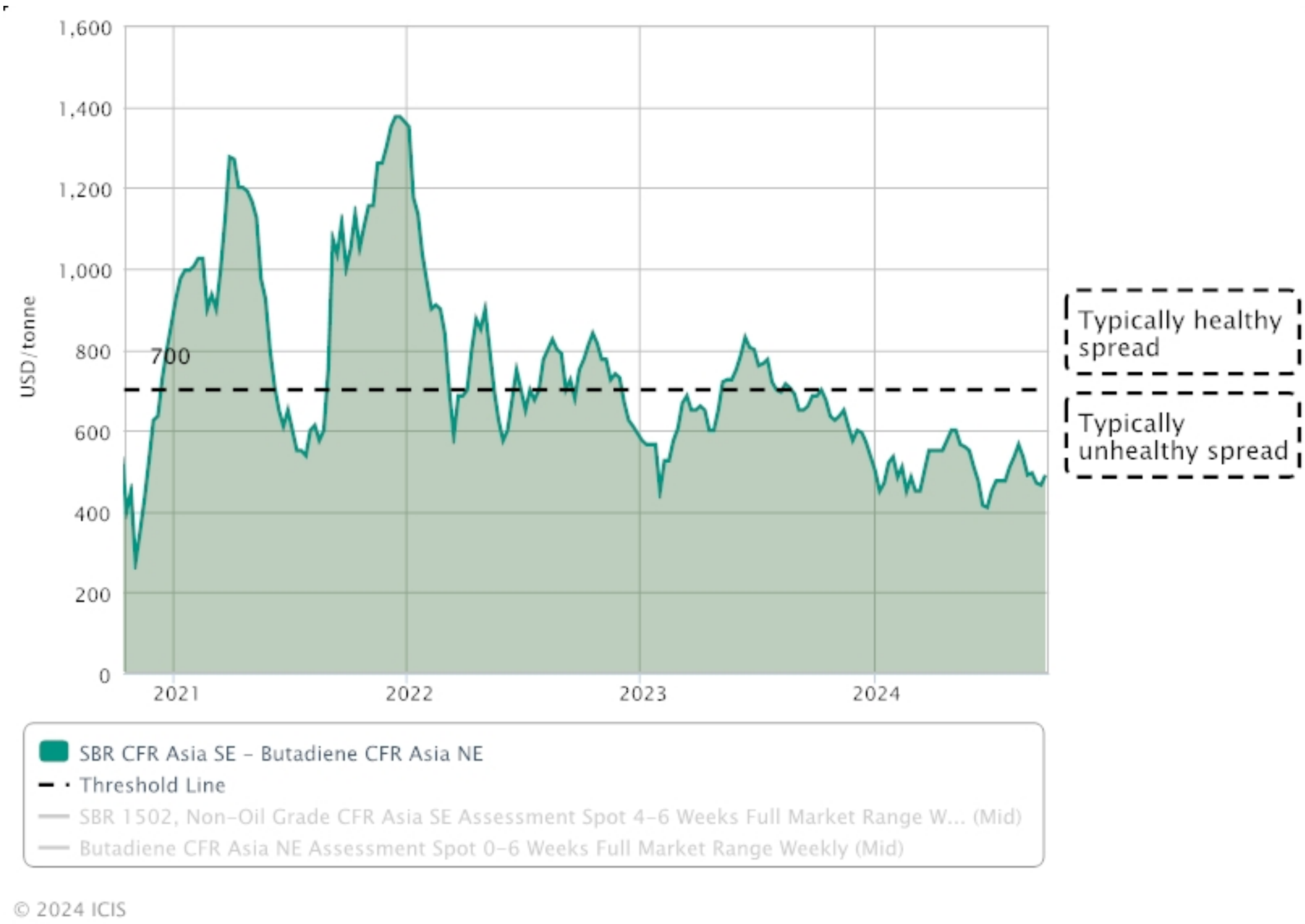
**Butadiene**

- Sentiment stays upbeat on domestic China buoyancy
- Supply picture mixed between NE and SE Asia

- Downstream buying momentum varies too across the region

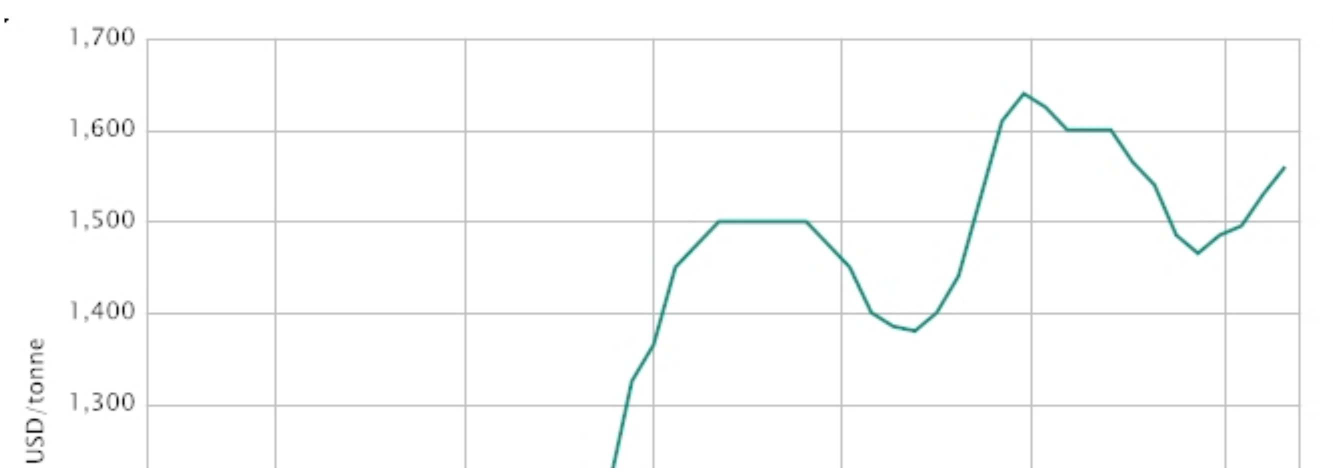
The chart below shows the spread between butadiene and SBR is still in the unhealthy zone.

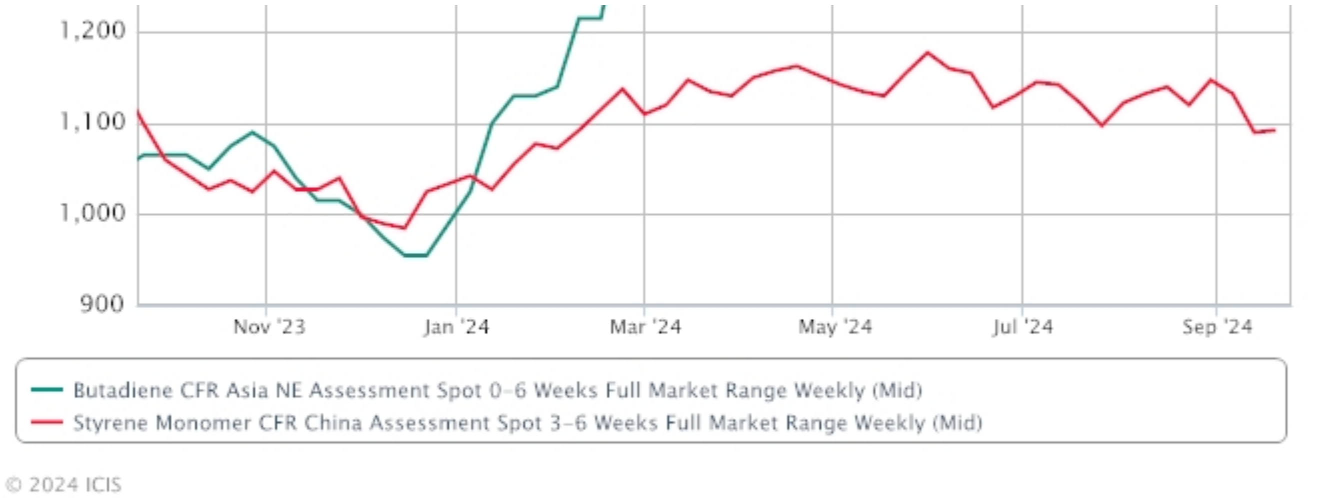
Downstream spread – butadiene NE Asia and SBR SE Asia




## Styrene

- China's SM market rebounds amid macro sentiment improvement, supply concerns
- Fundamentals remain tight in China; market players eye import opportunities
- Regional spot demand stays sluggish while temporary oversupply persists






## PRODUCTION

| Company | Location | Status | Capacity (MT/ year) | Start | End |
|---|---|---|---|---|---|
| Zeon | Tokuyama, Japan | Maintenance | 135,000 (two lines) | 20 Sep | Late Nov |
| Kumho | Ulsan, South Korea | Maintenance | 283,000 (three lines) | End Sep | Late Oct |
| Petrochina Jilin | Jinlin, China | Maintenance | 150,000 | 23 Aug | Mid-Oct |

Click here for the Asian SBR Live Disruption Tracker.

## OTHER REGIONS

**Europe**

- September SBR contracts stable to soft
- Spot prices remain wide ranging
- Some uncertainty following flooding in parts of Europe

## ANALYTICS

**ICIS outlook on downstream automotive sector**

The global automotive industry is going through a structural shift, resulting in weak demand against a background of chronic overcapacity and high costs. Long-term investments for trends including tightening emission standards and growing momentum to electrify have already left firms cash strapped. For some regions, the industry never really recovered fully to pre-pandemic levels. This is now resulting in rationalization of original equipment manufacturer (OEM) capacities. As a case in point, Volkswagen (VW) announced earlier this month that it was considering closing factories in Germany for the first time in its 87-year history to cut costs. The carmaker also raised concerns over its electrification commitment at the plants in Wolfsburg and Zwickau. Global automotive output in 2024 is expected to contract by 0.4% compared with 2023, while in the fourth quarter of 2024 it is forecast to shrink by 1.0% year on year, according to Oxford Economics.

According to the US Census Bureau, US light vehicle sales contracted by 4.5% month on month in August, with total sales of 15.1 million units. This is still below pre-pandemic levels by 12.6%. The finished inventory-to-sales ratio slightly declined month on month from 1.432 to 1.378. For context, the ratio was 0.518 in July 2022 and 2.367 July 2019. Central banks have started their interest rate cut cycle, though there will be a period of adjustment before the transfer of benefits to commercial borrowers. US automotive output in 2024 is expected to grow by 3.3% compared with 2023, while in the fourth quarter of 2024 it is forecast to grow by 1.4% year on year, also according to Oxford Economics.

In Europe, with the current macroeconomic condition and strained trade relations, there are concerns about balance sheets, with some producers struggling to survive in the short term. It is estimated that approximately 12,000 to 15,000 jobs are at risk with the announcement of VW's potential plant closures in Germany. On the positive side, the European Central Bank (ECB) lowered its deposit rates (effective 18 September) by 0.25 percentage points and its lending rate by 0.60 percentage points, but there will be a period of adjustment. According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registrations decreased by 18.3% in August compared with same month of the previous year. The association further reports double-digit losses in Germany (-27.8%), France (-24.3%), Italy (-13.4%) and Spain (6.5%).

China's balance of risk lies to the downside, especially with Europe's anti-subsidy duty and the US Inflation Reduction Act of 2022. This is a potential threat to the country's ambition to continue being a leader in the electric vehicle (EV) space. China automotive demand in 2024 is expected to grow by 8.0% compared with 2023 and in the fourth quarter of 2024 it is forecast to grow by 2.2% compared with the same period of the previous year (Oxford Economics). The upcoming Indian festive season is forecast to give a much-needed boost to the industry. On the negative side, dealers are struggling with higher inventories and lower profitability, as reported by Federation of Auto Dealers Association (FADA). India's automotive output in 2024 is expected to grow by 6.6% compared with 2023, while in the fourth quarter it is forecast to grow by 0.7% year on year (Oxford Economics).

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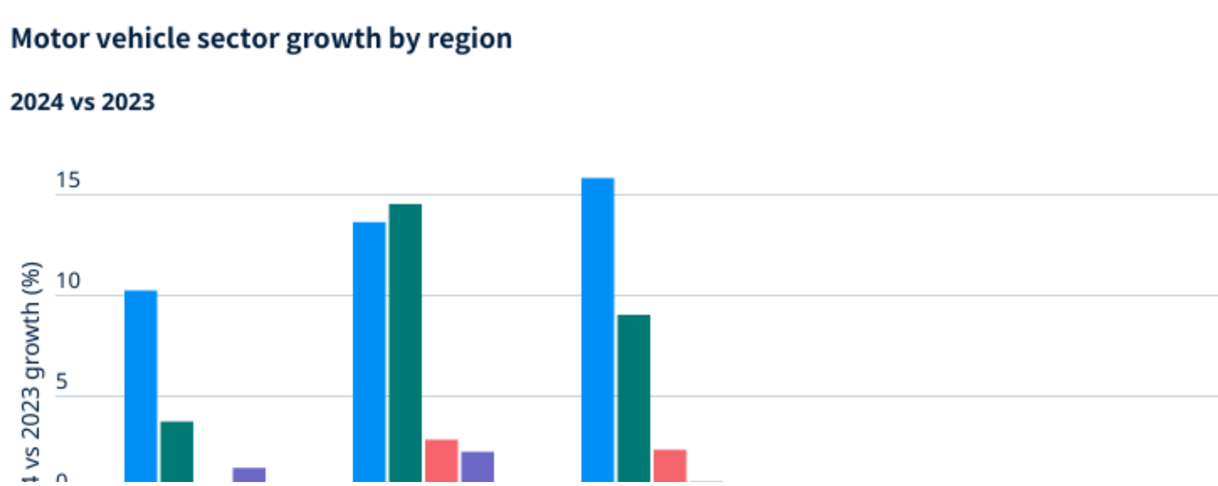

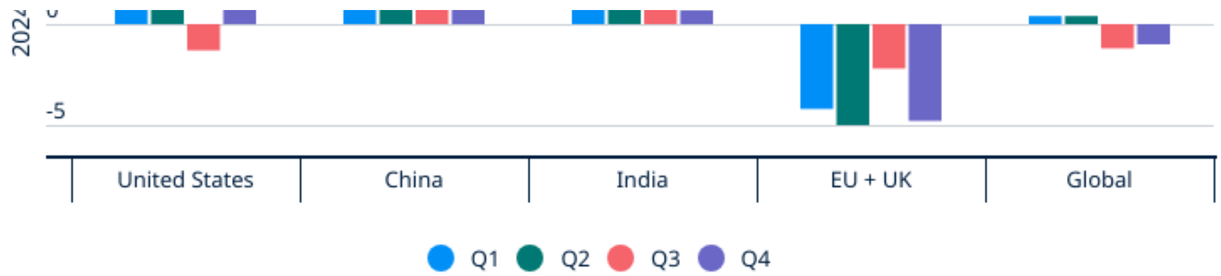


**SOURCE**: Oxford Economics