Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
26-Jul-2023

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

All prices in the weekly analysis on 9 August will be assessed based on information collated up to 8 August. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Offers supported by upstream strengths**
- **Buying interest uneven**
- **Many still cautious to commit**

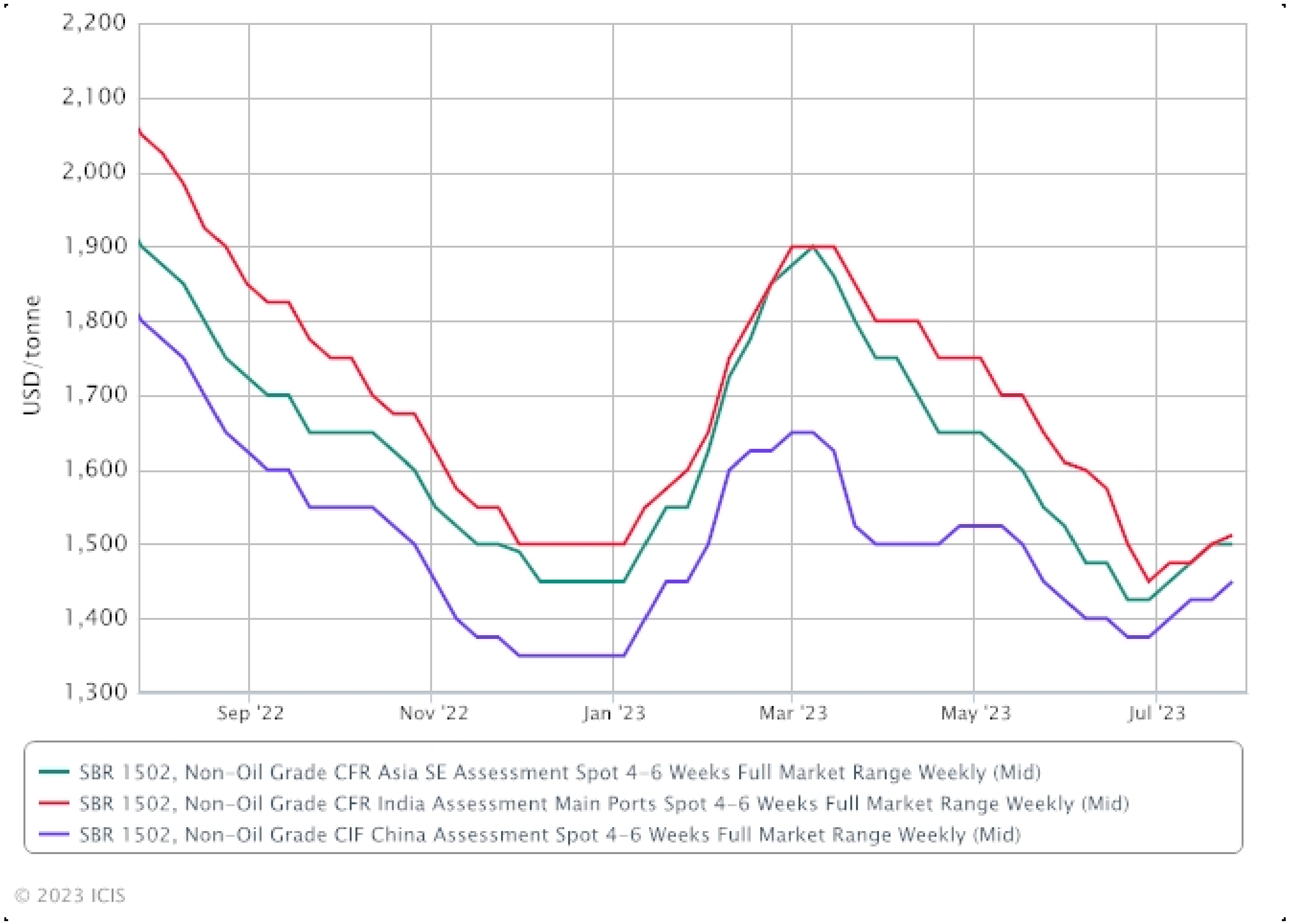
Sellers of Asian styrene butadiene rubber (SBR) imports tapped on upstream strengths to maintain offers, or even chase higher targets to alleviate cost pressures.

But buyers' response was uneven. Some end-users were more responsive, market sources said, as they wanted to lock in prices before offers rose further, assuming recent increases in the feedstock butadiene and sytrene markets are sustained.

On the other hand, some end-users continued to resist, citing affordability concerns since sales of their finished products are still languishing amid weak demand fundamentals in many downstream markets.

That said, some pockets of optimism about the broader macroeconomic well-being emerged this week, following a more positive IMF estimate of the 2023 global GDP growth.

However, because the situation in key economic hub China is still murky amid disappointing Q2 GDP data there, market players said that majority of buyers are likely to still proceed with extreme caution in the near term, keeping procurement to a minimum and on a strictly need-to basis. This will in turn do little to boost spot trade liquidity.



OUTLOOK

- **Macroeconomic uncertainties likely to prevail**
- **Supply-demand broadly balanced for the near term**
- **Upstream price movements to drive SBR offers**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1400-1500	+50	1350-1400	63.50-68.04
CFR Asia SE	USD/tonne	n/c	1450.00-1550.00	n/c	1400.00-1450.00	65.77-70.31
CFR India Main Ports	USD/tonne	n/c	1450.00-1575.00	+25	1400.00-1500.00	65.77-71.44
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1350-1450	+50	1300-1350	61.24-65.77
CFR Asia SE	USD/tonne	n/c	1400.00-1500.00	n/c	1350.00-1400.00	63.50-68.04
CFR India Main Ports	USD/tonne	n/c	1400.00-1525.00	+25	1350.00-1450.00	63.50-69.17

China

CIF China assessments for the non-oil 1502 grade were stable to firm, with the high end lifted amid higher offers heard.

But substantive discussions were limited for import materials, with local requirements mostly already filled by domestic supplies.

Assessments for the oil-extended 1712 grade were adjusted in line with changes for the 1502 grade.

However, domestic prices in east China for the non-oil 1502 grade were stable to soft as buying tempo started to ease now that local end-users have restocked sufficiently from prior weeks of procurement.

East China domestic SBR 1502 prices

Price (CNY/tonne)	This week’s close	Previous week’s close
E China Ex-Warehouse	11,500-11,700	11,600-11,700

Southeast Asia

CFR SE Asia assessments for the non-oil 1502 grade were unchanged, taking into account rangebound offers and discussions heard for cargoes from diverse Asian producers.

Assessments for the oil-extended 1712 grade were stable in line too.

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

Jul (1-26) 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
131.29	133.48	136.34	136.27	135.03	140.11	140.11

India

CFR India assessments for the non-oil 1502 grade were lifted at the high end, with firmer offers heard.

But buy-side response was thin this week. Operations at downstream factories were hampered this week due to heavy rainfall, and this dampened buying tempo too.

Assessments for the oil-extended 1712 grade are adjusted along with changes in the 1502 grade.

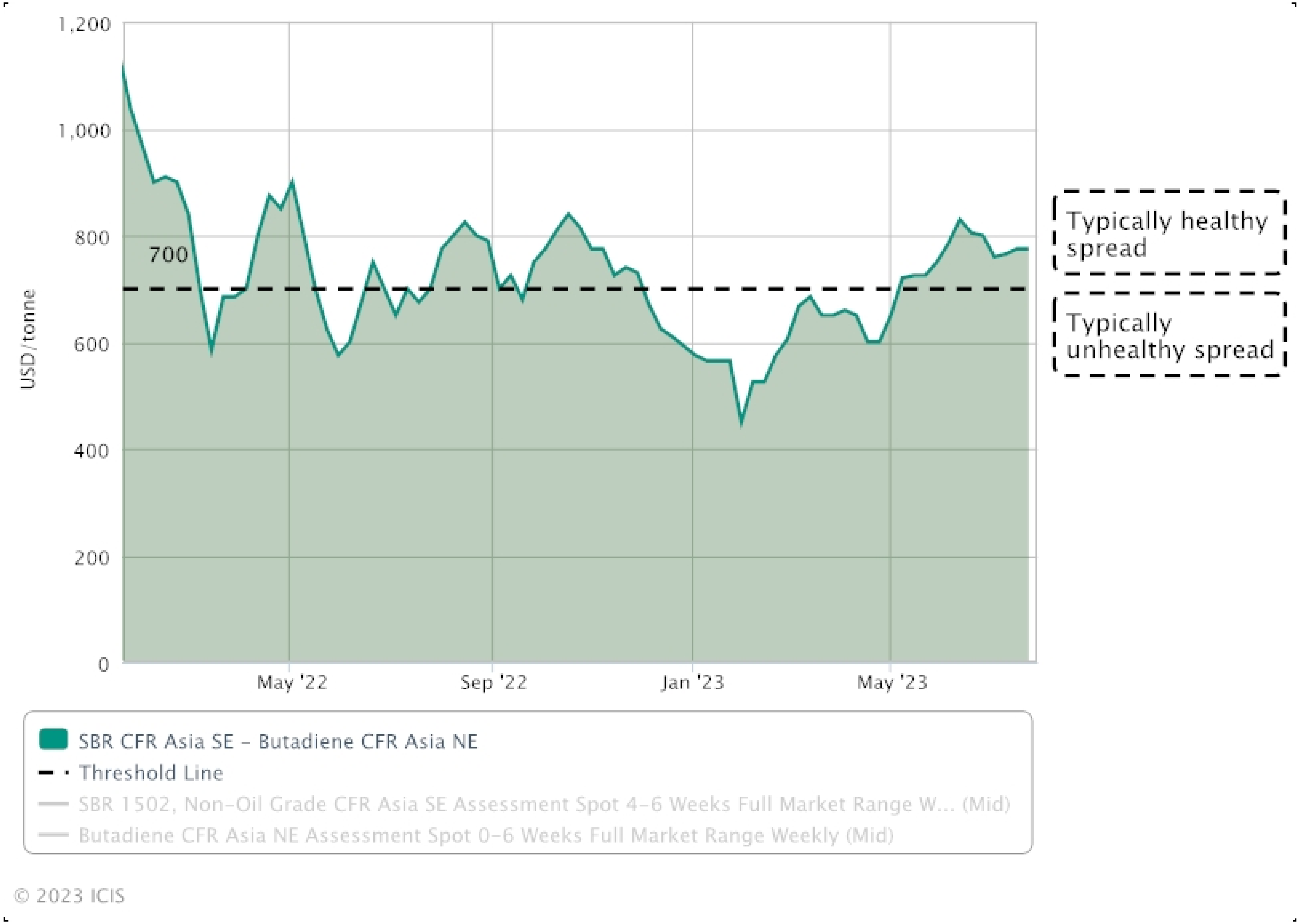
UPSTREAM

Butadiene

- China import talks supported by upbeat domestic market
- Weak demand in other parts of Asia
- Overall regional outlook muted

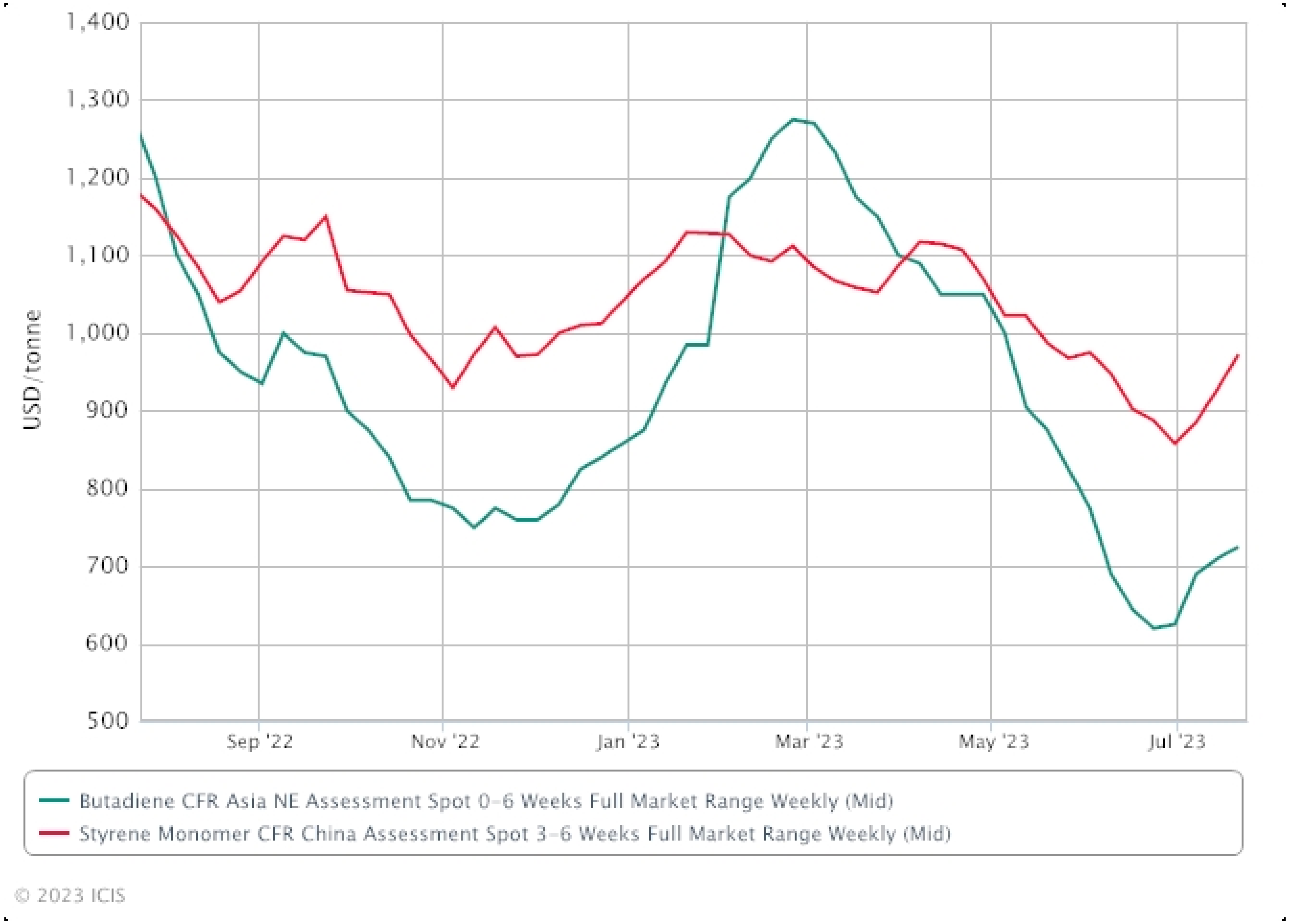
The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia



Styrene:

- Tighter global supply supports Asian market sentiment
- Suppliers eye long-haul export opportunities
- Wide buy-sell disparity keeps CFR China market liquidity low



PRODUCTION

A 100,000 tonnes/year unit in east China is expected to restart in late July, or early August, following a month-long maintenance.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

Europe

- July SBR contracts down on feedstock losses
- Spot prices fall on demand, competitive pressures

- Some consumers postponing ordering, waiting for August BD upstream contract

ANALYTICS

ICIS Butadiene Outlook

Sluggish domestic demand for US butadiene (BD) is likely to persist into Q3. The US is expected to ship fewer cargoes to Asia over the coming weeks following the unplanned shutdown of the BASF Total BD unit in Port Arthur, Texas in early July. Replacement tyres, which is the largest end-user segment for BD, should register another drop in sales in June for a sixth consecutive month. Ongoing destocking and relatively higher priced tyres will continue to penalise the replacement sector. Consumers are likely postponing replacement purchases in late Q3 and/or early Q4 and spending money on other activities such as travelling.

The outlook for a BD demand recovery in Q3 is pessimistic. Given disappointing domestic demand, European players may have to look to Asia where they will face competition from the US. An unexpected outage at the BASF Total BD unit in Port Arthur, Texas in early July may limit shipments until August at least and open export opportunities for European producers, although limited, towards Asia. The arbitrage window between Europe and the US is forecast to remain technically closed for the rest of the year. To counteract poor requests, producers have reduced BD output by lowering BD extraction unit operating rates. With cracking operators expected to cut running rates amid stale demand, crude C4 availability will decrease as a result.

The Asian BD market is forecast to be well covered over the next weeks. The end of planned cracker maintenance and the possible arrival of deep-sea cargoes are expected to match underlying demand. The imminent start-up of Vietnam’s Long Son Petrochemical steam cracking plant and its stand-alone BD unit will add pressure on production. According to ICIS analysts, the key CFR northeast Asia BD spread to benchmark CFR Japan naphtha is expected to stay close to the break-even point of $200/tonne for integrated producers for the rest of the year. BD extraction unit margins should remain relatively poor as a result. Based on the ICIS Supply and Demand Database, Sinopec, the world’s largest BD producer, will have a capacity of 1.84m tonnes/year or 10% of global capacity by 2023, up from 1.74m tonnes/year in 2022. The second largest producer remains Petrochina with a capacity of 1m tonnes/year.

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ICIS Styrene Outlook

Europe’s energy costs are expected to remain at a significant premium to those in the US in the coming months, posing an ongoing challenge for the region’s styrene producers. Domestic production is expected to continue to run close to minimum rates due to poor demand. Where arbitrage economics and vessel availability allow, competitively priced imports from the Middle East and North America are likely to maintain pressure on the European market in Q3, keeping inventories on the high side.

Demand for styrene is not anticipated to recover significantly from current low levels in the coming months, with a seasonal slowdown typically taking place over the summer period in Europe. Broader macroeconomic pressures and high energy costs are expected to maintain constraints on consumption in end-use markets. Imports of competitively priced derivatives are expected to further erode styrene demand in Europe.

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