Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
27-Sep-2023

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

The CIF China prices in the weekly analysis on 4 October will be assessed based on information collated up to 28 September. Please click here for the ICIS publishing schedule.

OVERVIEW

- **Trade muted ahead of extensive regional holidays**
- **Domestic China softer, affecting buyers' confidence**
- **But offers supported on unrelenting cost pressures**

Discussions in Asia's spot import market for styrene-butadiene-rubber (SBR) were subdued ahead of various holidays in NE Asia.

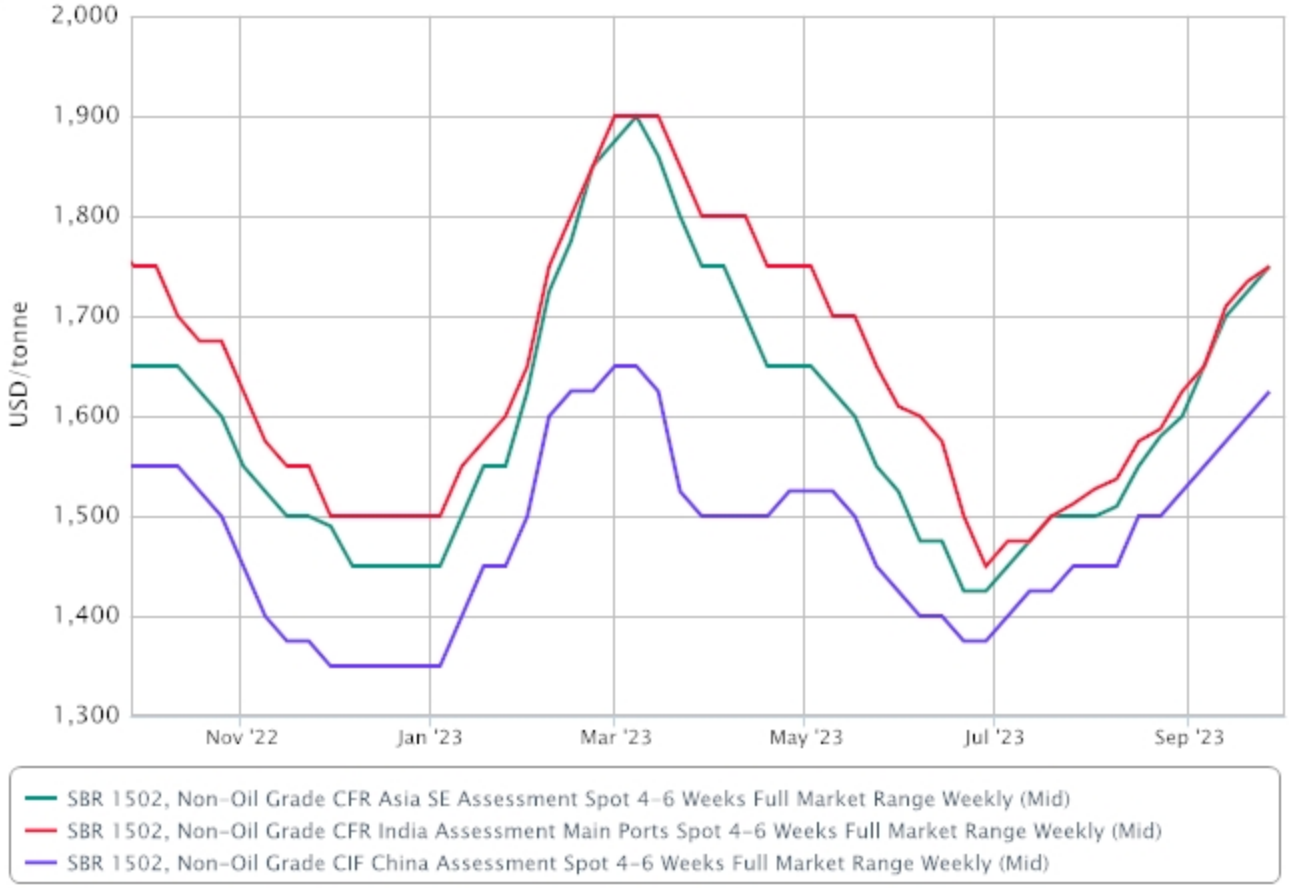
South Korea will shut from 28 September for the extended Chuseok holidays, while China will celebrate the mid-Autumn festival and National Day from 29 September to 7 October.

With domestic China prices for SBR cooling over the last two weeks, regional end-users also turned more cautious, retreating to wait and see how post-holiday market conditions in China may pan out before they finalise more import bookings.

But SBR sellers were mostly optimistic that structurally, regional SBR demand will stay broadly healthy from here, riding on an anticipated Q4 auto sector recovery.

Even if new car production growth should fail to pick up as well as expected, given potential derailers like an ongoing auto union strike in the US, sellers were confident that there will still be demand support from robust replacement tyre requirements.

Against this backdrop, SBR makers in Asia pressed on with firmer spot offers, citing the need to defray high feedstock costs as well.



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OUTLOOK

- **Buying tempo may shift with post-holiday market dynamics**
- **Producers may see squeezed margins for the near term**
- **Buy-sell tussle may intensify**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	+50	1600-1650	n/c	1500-1550	72.57-74.84
CFR Asia SE	USD/tonne	n/c	1700.00-1800.00	+50	1550.00-1650.00	77.11-81.65
CFR India Main Ports	USD/tonne	+30	1700.00-1800.00	n/c	1600.00-1650.00	77.11-81.65
SBR 1712, Oil-Extended						
CIF China	USD/tonne	+50	1550-1600	n/c	1450-1500	70.31-72.57
CFR Asia SE	USD/tonne	n/c	1670.00-1770.00	+50	1520.00-1620.00	75.75-80.29
CFR India Main Ports	USD/tonne	+30	1670.00-1770.00	n/c	1570.00-1620.00	75.75-80.29

China

CIF China discussions for the non-oil 1502 grade were in a narrower range, with buying indications heard capped at the low-end, against selling indications at the high-end. But no concrete transactions transpired, as many players pulled back after yuan prices for SBR started to soften.

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

East China domestic SBR 1502 prices

Price (CNY/tonne)	This week's close	Previous week's close
E China Ex-Warehouse	13,000-13,100	13,400-13,500

Southeast Asia

CFR SE Asian assessments for the non-oil 1502 grade were up at the high-end with firmer offers, but the bulk of deals were heard done at the lower end.

Discussions tapered towards the end of the trading week, as most players pulled back to wait until the upcoming regional holidays pass.

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

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

Sep (1-27) 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023	Dec 2022
142.71	130.22	131.31	133.48	136.34	136.27	135.03	140.11	140.11	135.03

Source: Malaysian Rubber Board

India

CFR India assessments for the non-oil 1502 grade were stable to firm, taking into account more upbeat, but limited, discussions for NE Asia-origin cargoes available for 4-6 weeks forward shipment.

But buying interest for these imports were lukewarm, with local end-users turning to tap heavily on domestic production instead.

Domestic producers said that they were seeing brisk sales, and are positive in their outlook for near-term demand on the back of rising new car sales in the country.

But for imports, local end-users are more cautious due to the longer lead-time required for delivery, as well as currency risks, market sources said.

Assessments for the oil-extended 1712 grade is adjusted with 1502 grade changes.

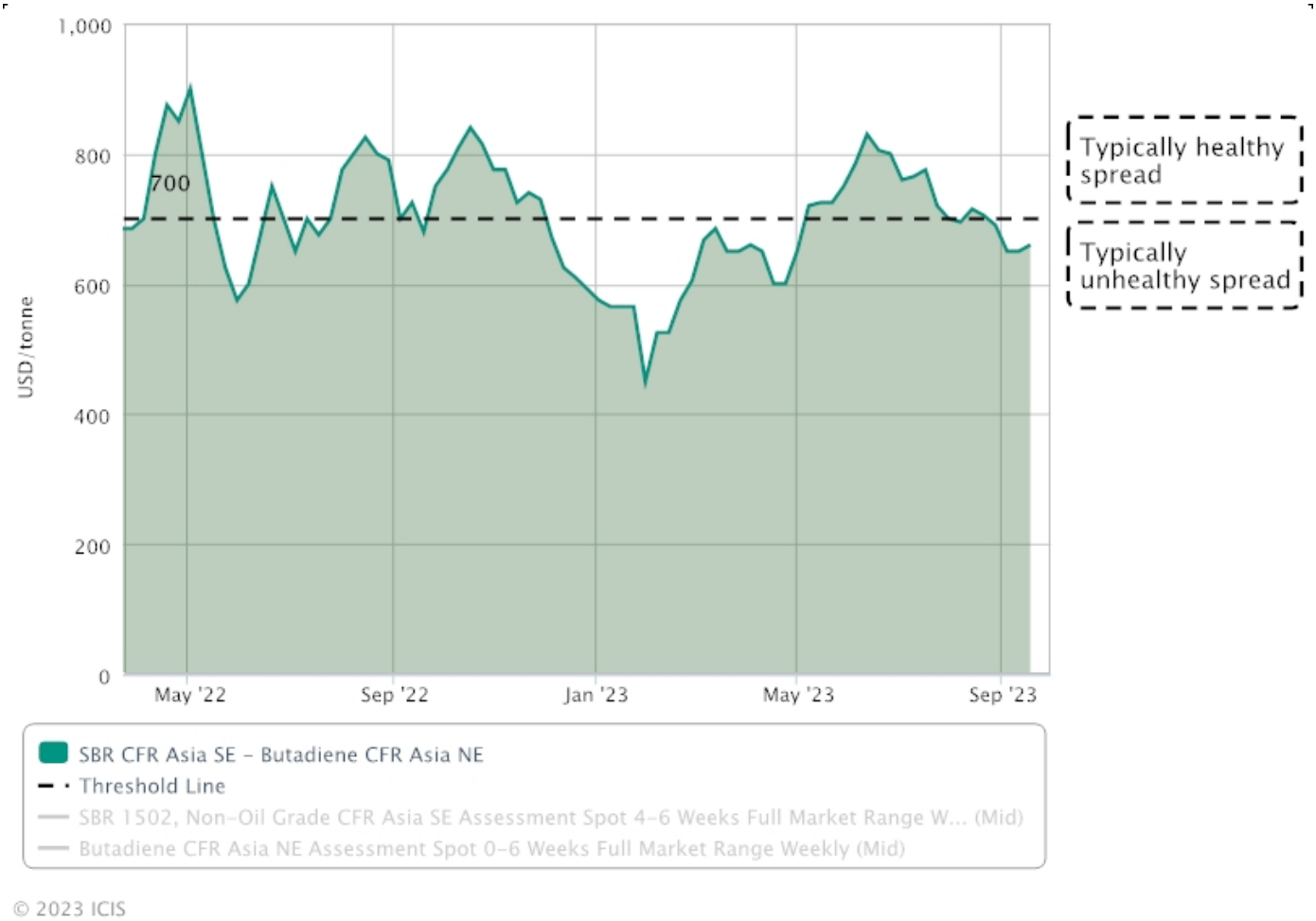
UPSTREAM

Butadiene

- Sellers hold on to bullish expectations
- D emand uncertainties linger
- Buyers' resistance starts to build

The chart below shows the spread between butadiene and SBR, and while this is improving, producers' margins are still in the unhealthy zone.

Downstream spread – butadiene NE Asia and SBR SE Asia



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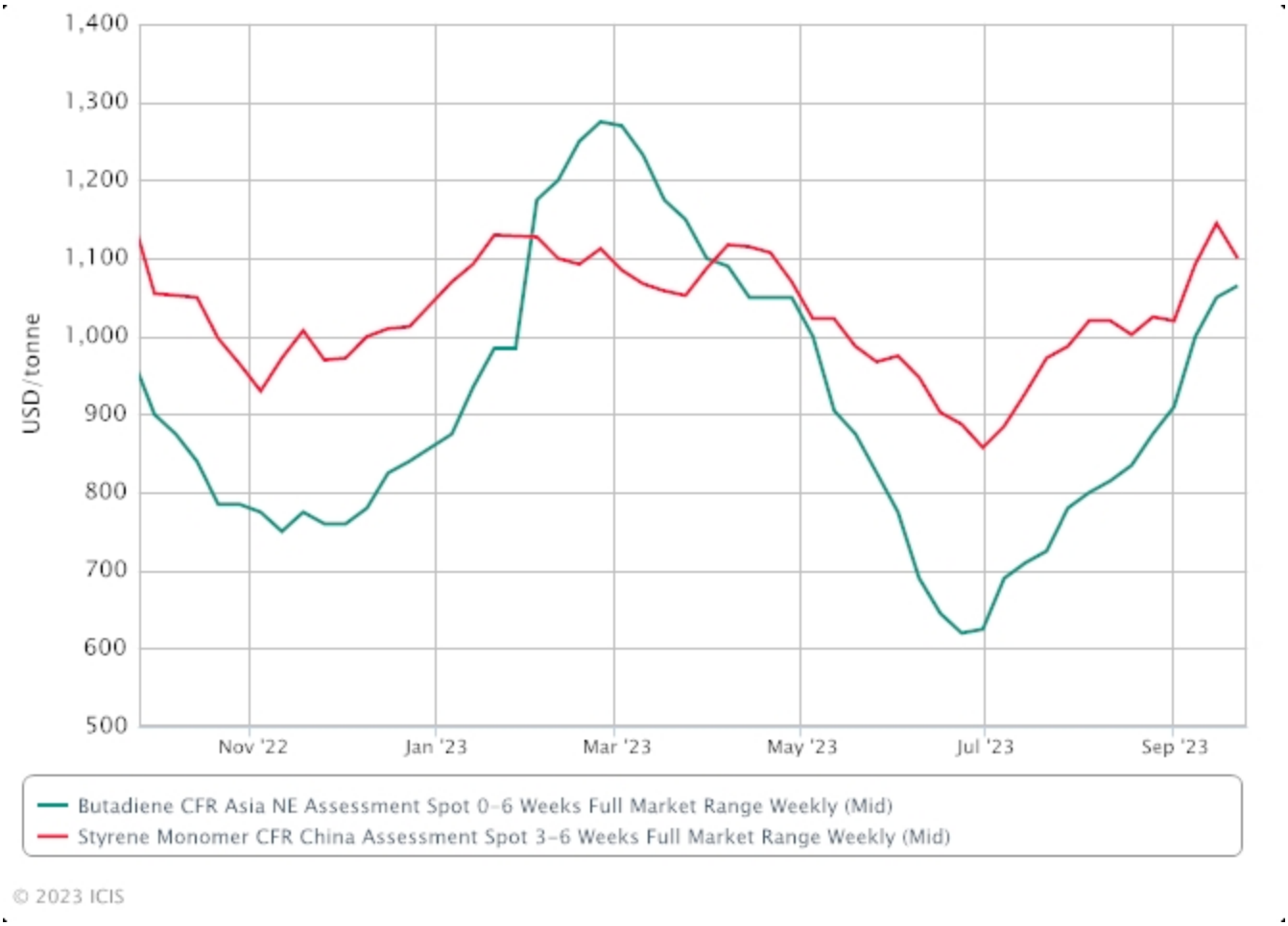
Styrene

- Speculative capital retreats in China styrene derivatives market
- Overall market sentiments tank
- China styrene import window turns narrower; participants sidelined



PRODUCTION

There are ongoing turnarounds in NE Asia, including a plant in South Korea and another in east China.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

Europe

- September contracts assessed higher on feedstock gains
- Demand improving in some parts of the market
- Spot prices stable-to-firm

ANALYTICS

ICIS downstream automotive sector outlook

The global light vehicle selling rate increased to 95m units in July from 94m in June (Oxford Economics). Global automotive in 2023 is expected to grow 13.6% compared with 2022; Q4 2023 is forecast to grow by 8.5% compared with Q4 2022 (Oxford Economics). For the rest of 2023, the outlook continues to be challenging due to the cost-of-living crisis, as car buyers are expected to postpone their purchases. In the current macroeconomic environment, increasing interest rates is the leading cause of demand destruction. Car makers are also readjusting their just-in-time strategies to maintain a certain level of inventory to ensure supply security. Another priority includes improving relationships with Tier 1 suppliers.

According to the US Census Bureaus, US light vehicle sales increased by 0.5% month on month in July with total sales of 15.7m units. This is still below pre-pandemic levels by 7.4%. The finished inventory to sales ratio slightly declined month on month from 0.840 to 0.782 in July. (For context, the ratio was 0.518 and 2.367 respectively in July 2022 and 2019). High inflation, slumping consumer confidence and tighter monetary policy will weigh upon consumer demand for automotives. US automotive in 2023 is expected to grow 14.5% compared with 2022; Q4 2023 is forecast to grow by 12.8% compared with Q4 2022 (Oxford Economics).

According to the European Automobile Manufacturers' Association (ACEA), EU passenger car registration increased by 15.2% in July compared with the same month last year. However, the increase is a function of a lower 2022 base. The association said Spain posted the biggest gain, followed by Italy, France and Germany. Commercial vehicle registration grew 11.2% to 730,969 units in H1 2023, on the back of easing supply chain bottlenecks. Spain and Germany led the growth with France moderately increasing. There are concerns about balance sheets, with some producers struggling to survive in the short term. Long-term investments in trends including tightening emission standards, a growing push to electrify and increasing shared car ownership have already left firms cash-strapped. EU+UK automotive in 2023 is expected to grow 18.9% compared with 2022; Q4 2023 is forecast to grow by 5.7% compared with Q4 2022 (Oxford Economics). Several producers have made announcements on increased penetration of electric vehicles, and this could impact mixes of polymers and chemicals used in production. Longer term, we expect slow population growth and increased public transport initiatives to make demand growth slower.

China automotive in 2023 is expected to grow 9.4% compared with 2022; Q4 2023 is forecast to grow by 7.3% compared with Q4 2022 (Oxford Economics). Medium-term fundamentals remain strong, with rising income and low car ownership. This is particularly true for electric and other new energy vehicles (NEVs) as government incentives push this market. India automotive in 2023 is expected to grow 10.8% compared with 2022; Q4 2023 is forecast to grow by 12.7% compared with Q4 2022 (Oxford Economics).

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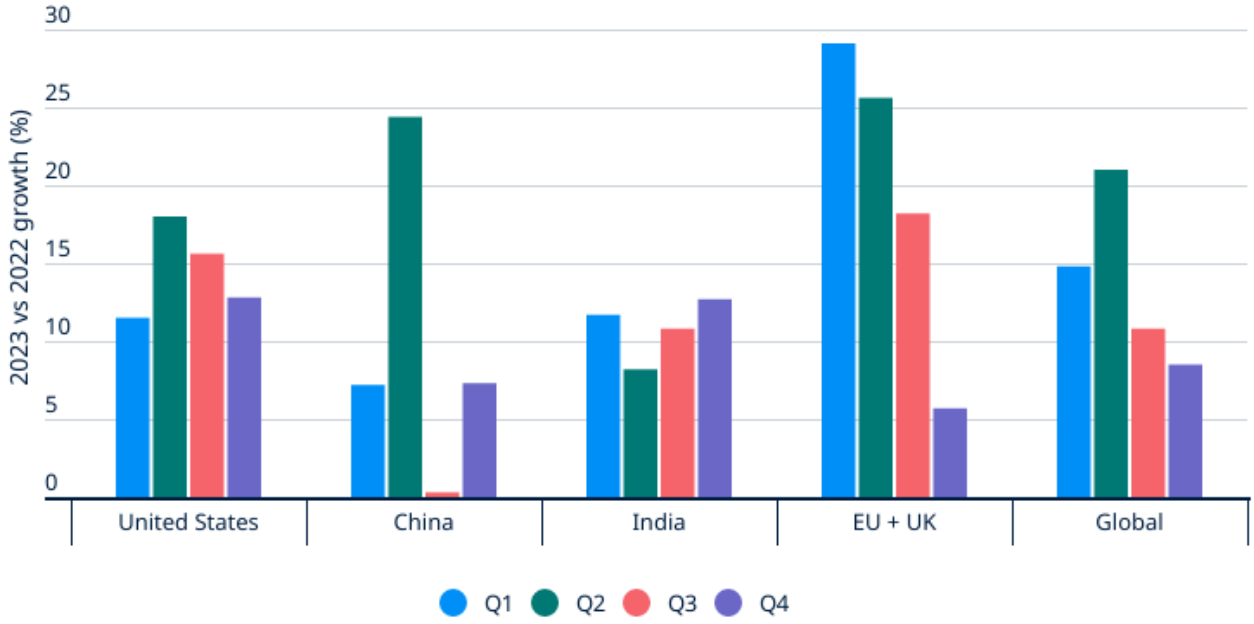
Motor vehicle sector growth by region

2023 vs 2022



SOURCE: Oxford Economics

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