



Styrene Butadiene Rubber (Asia-Pacific)

By Ai Teng Lim
29-Sep-2021

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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 6 October will be assessed based on information collated on 30 September. Please click [here](#) for the ICIS publishing schedule.

OVERVIEW

- **Prices fall with upstream declines**
- **Sellers widen discounts to boost sales**
- **Buying muted on macro-economic uncertainty**

Asia's spot discussions for styrene-butadiene-rubber (SBR) weakened sharply amid large losses in the upstream butadiene (BD) market. Buying was muted on the back of a hazy long-term demand outlook.

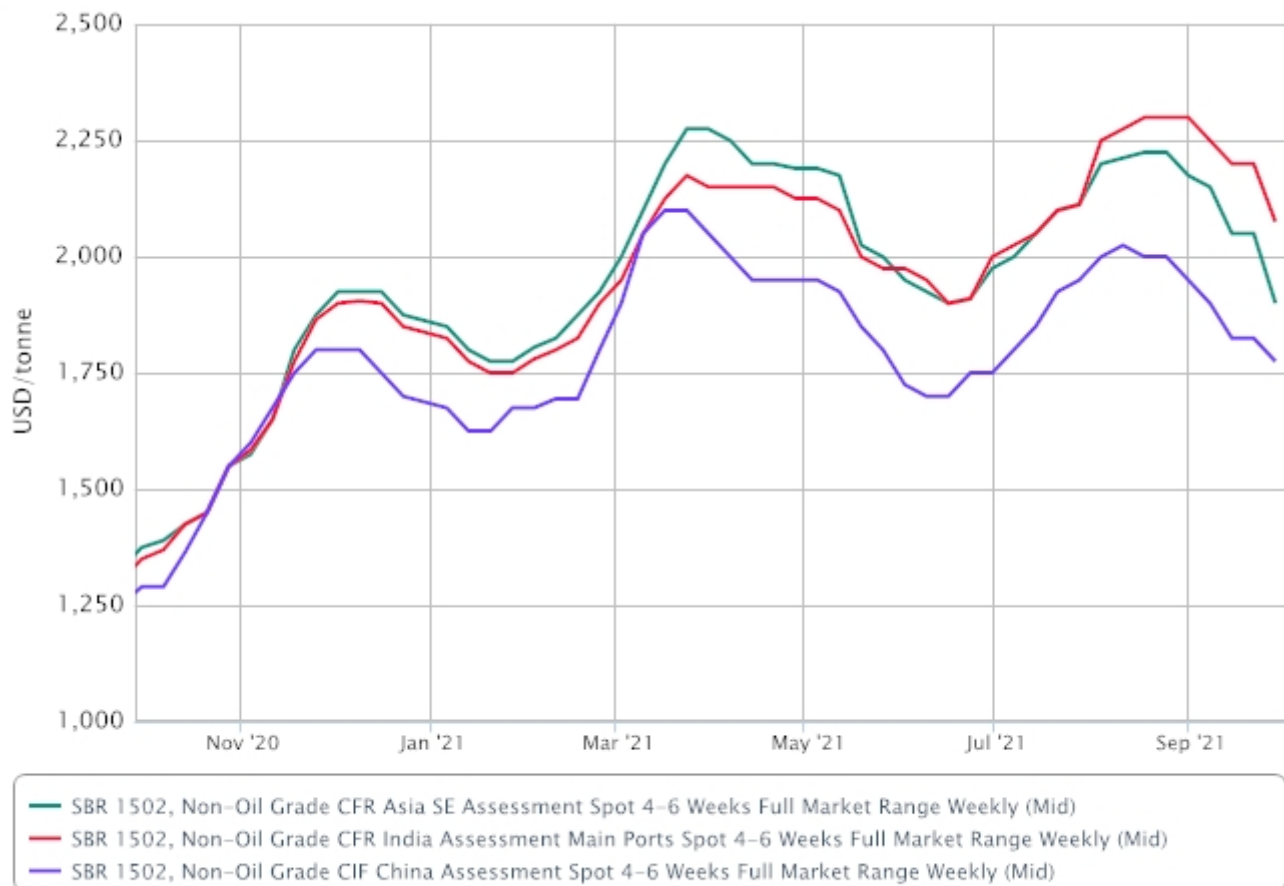
Because feedstock BD prices in Asia have tumbled in recent weeks, potential SBR buyers pressed for sharp discounts. Some sellers moderated their offers to bridge the buy-sell gap and boost sales.

However, off-take rate remained lacklustre, in part because downstream operations continued to decline in Asia, albeit for various reasons in their respective outlets.

In China, plant operations were cut in compliance with recent policies to [cap energy usage](#).

In southeast Asia, coronavirus-related limitations also weighed in on regional economic development, limiting demand. For instance, [Vietnam](#), a major buyer of SBR, posted a record contraction in Q3 economic growth.

In India, downstream operations were weighed down by supply-chain bottlenecks, particularly high freight cost pressures.



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OUTLOOK

- Demand outlook bleak
- Power crunch in China may weigh on off-take
- Supply to tighten on upcoming turnarounds

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	-50	1700-1850	-50	1900-2000	77.11-83.91
CFR Asia SE	USD/tonne	-150	1850.00-1950.00	-150	2150.00-2200.00	83.91-88.45
CFR India Main Ports	USD/tonne	-150	2000.00-2150.00	-100	2250.00-2350.00	90.72-97.52
SBR 1712, Oil-Extended						
CIF China	USD/tonne	-50	1600-1750	-50	1800-1900	72.57-79.38
CFR Asia SE	USD/tonne	-150	1750.00-1850.00	-150	2050.00-2100.00	79.38-83.91
CFR India Main Ports	USD/tonne	-150	1900.00-2050.00	-100	2150.00-2250.00	86.18-92.99

China

CIF prices for non-oil 1502 grade were assessed down on lower buy-sell indications heard.

However, liquidity was capped as many downstream factories were heard to be scaling back operations to comply with strict government rules on energy consumption.

CIF prices for the oil-extended 1712 grade were adjusted down in line with changes for the 1502 grade assessment, in the absence of any concrete 1712 grade discussions.

Domestic China prices of the 1502 grade materials rebounded. Prompt supplies tightened due to lower operations stemming from the latest government controls on industrial energy consumption.

East China domestic SBR 1502 prices

Price (CNY/tonne)	29 Sep	22 September
E China Ex-Warehouse	12,600-12,800	12,100-12,200

Southeast Asia

CFR southeast (SE) Asian prices for non-oil 1502 fell on lower offers heard.

Trade was limited on thin buying interest, with the bulk of October requirements heard already well-covered with prior purchases.

Buyers were willing to consider fresh spot procurement only if the pricing was suitable, and in the latter, notional buying indications were substantially lower than the published range, although they were not taken into account in the absence of any concrete follow-up negotiations.

CFR SE Asian prices for the oil-extended 1712 grade was adjusted in line with changes for the 1502 grade, in the absence of any concrete 1712 discussions.

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

Sep (1-29) 2021	Aug 2021	July 2021	June 2021	May 2021	Apr 2021	Mar 2021	Feb 2021
163.02	172.678	164.32	164.51	169.09	164.72	175.25	169.16

India

CFR Indian prices also fell, tracking lower buy-sell discussions heard.

Sellers moderated their offers on non-oil 1502 grade to stimulate sales, and they were captured at the high end of the published CFR India range.

Buying indications were capped at the low end.

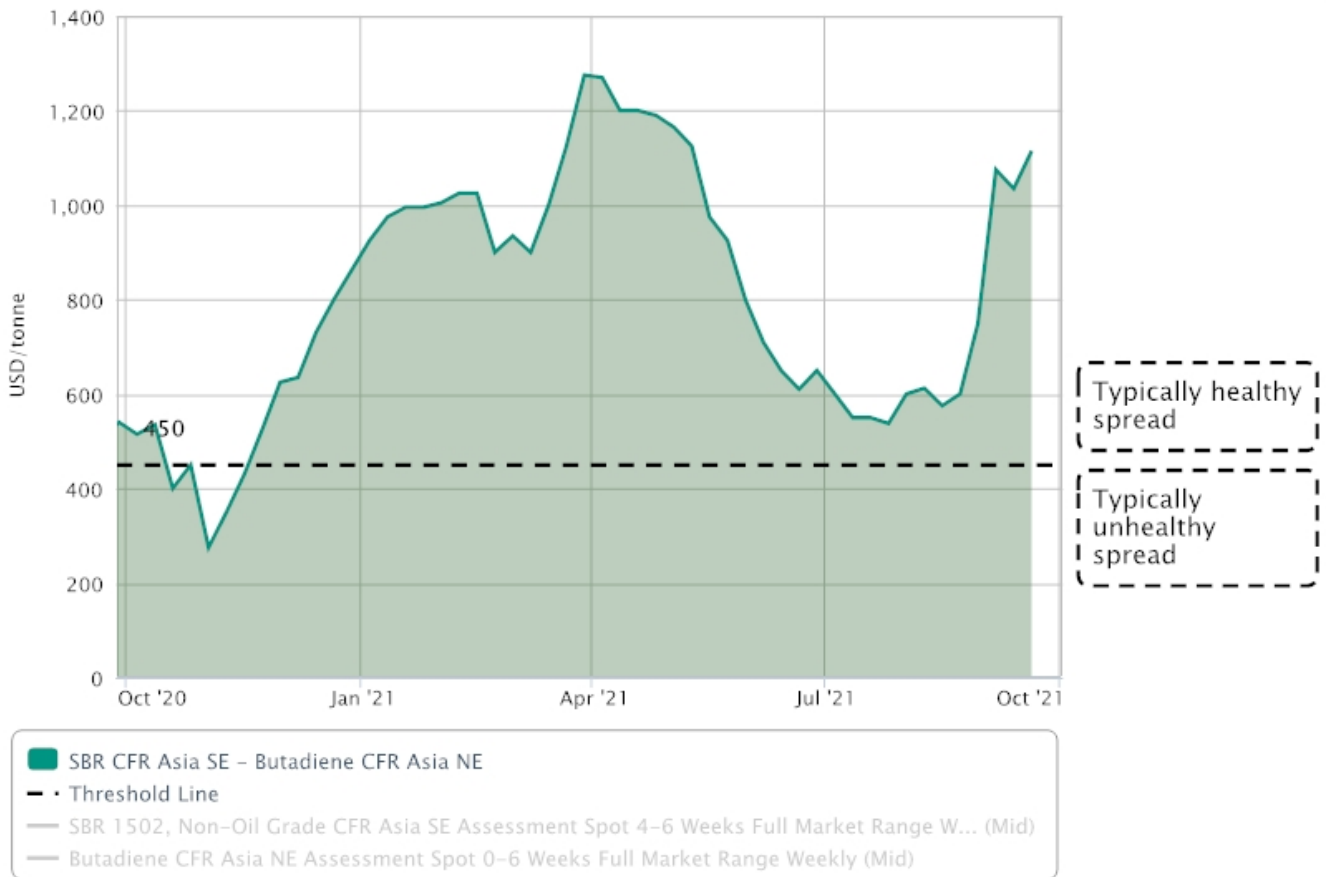
CFR India prices for oil-extended 1712 grade were adjusted down in line with changes for 1502 grade, in the absence of any concrete 1712 business.

UPSTREAM

Asian BD discussions remained [under pressure](#) on excessive supply and low demand.

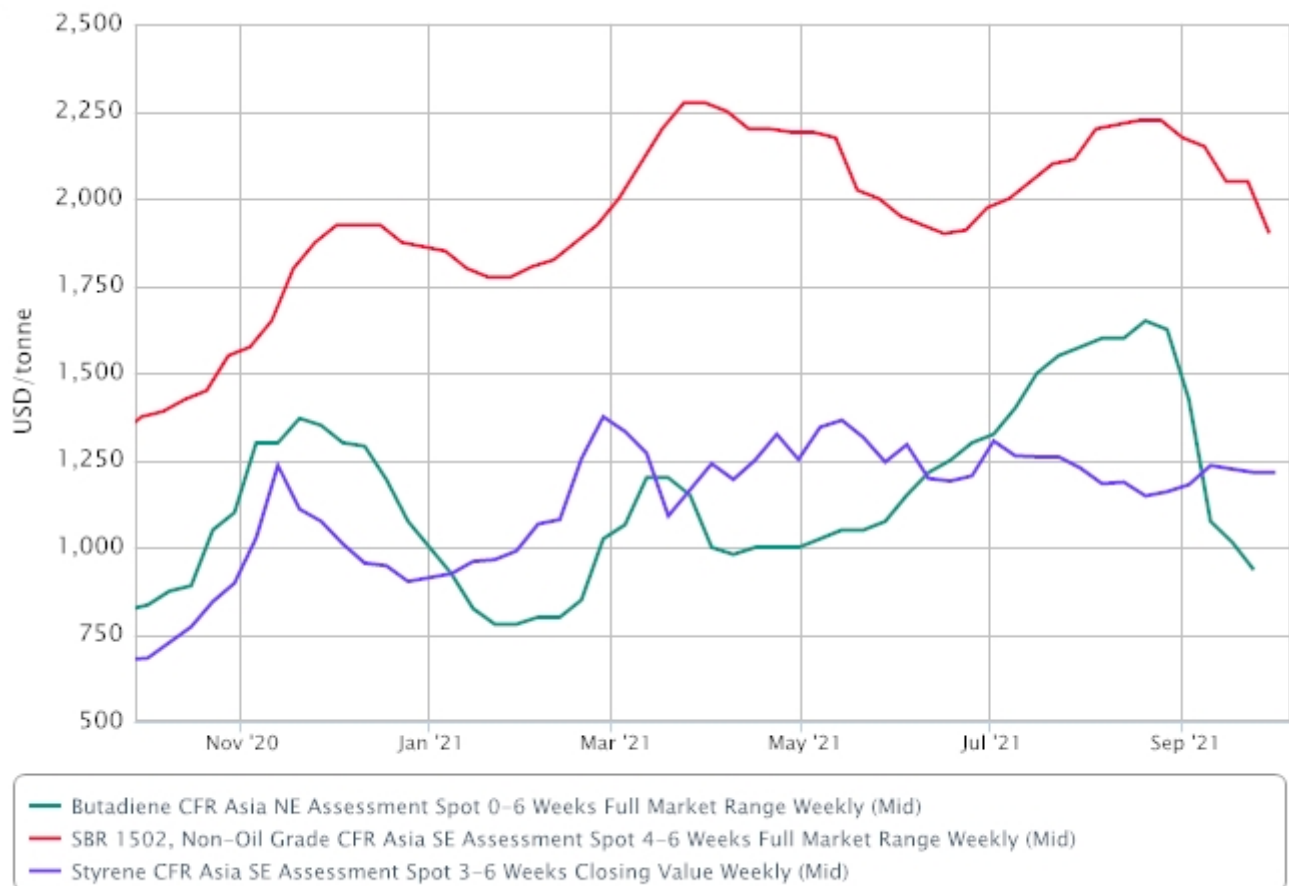
The chart below shows the spread between BD and SBR.

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



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Asian styrene price discussions were in a much narrower range owing to thinner liquidity amid ongoing holidays in northeast Asia and overall limited import demand from the key China market.



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PRODUCTION

In China, average operating rates at SBR plants rebounded to 82% for the week ended 22 September, up from 59% in the week prior.

However, operating rates may fall in the coming weeks amid reduced operations on the back of a power crunch, market players said.

Outside of China, SBR supplies are poised to tighten with upcoming [turnarounds](#) in northeast Asia in October.

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

ANALYTICS

ICIS Butadiene Outlook

Hurricane Ida took about 20% of total US BD capacity offline and affected already constrained production, which is forecast to remain below 2020 levels. According to preliminary data, the US imported about 126,000 tonnes of BD in the first seven months of 2021, about the same amount as it imported for the whole of 2020, and there are expectations that between 200,000 and 250,000 tonnes will be imported by the end of the year. However, the US BD market is likely to be affected by vehicle production cuts. Indeed, carmakers Ford, General Motors and Nissan have slashed plant operating rates for September due to the ongoing global microchip supply shortage.

European BD producers may continue to look at the tight US market as an attractive outlet for the next few weeks. This may arise from supply disruptions due to the ongoing autumn maintenances and tropical storm-related problems. For European BD producers going forward, trading opportunities to the US are expected to be

limited throughout 2022. The route to Asia appears technically closed for next year, given that European BD prices will continue to be unworkable for Asian buyers. Nevertheless, increased BD capacity worldwide will ease pressure on the European market. Apart from greenfield plants in China and South Korea, Yansab will install 136,000 tonnes/year of new capacity at Yanbu, Saudi Arabia, in 2022.

Japanese automakers are cutting domestic and global production in September in response to a persistent lack of semiconductor components. Toyota will decrease worldwide vehicle production by 40% this month. Daihatsu, a Toyota subsidiary, confirmed the closure of manufacturing plants in Osaka and Oita prefecture to mid-September. This is likely to negatively impact the domestic BD market. Based on ICIS estimations, Japanese BD production will total around 850,000 tonnes in 2021, up from 785,000 tonnes in 2020, but down from the 888,000 tonnes it produced in 2019.

By **Paolo Scafetta**, ICIS senior olefin analyst, paolo.scafetta@icis.com

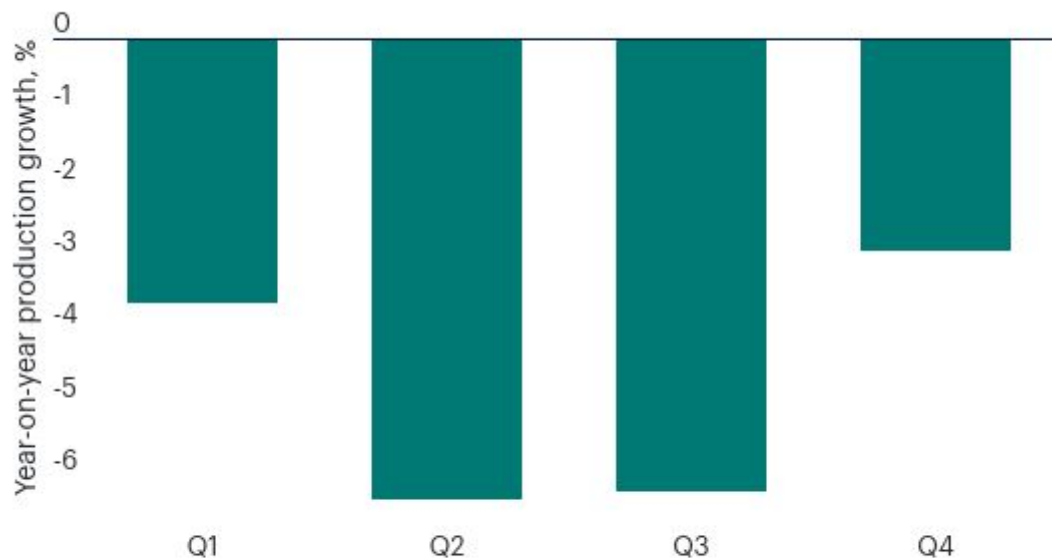
ICIS Downstream Automotive Demand Outlook

The global automotive industry is currently beset by an acute supply-demand imbalance. Output is well below pre-pandemic levels, a trend seen in every region. According to Oxford Economics, the global automotive industry will contract by 11.5% in 2021 due to a severe shortage of semiconductor chips and auto parts, supply chain problems and other production-related issues. A shortage of polymers and shipping containers has also forced several companies in the chain to shut plants. As a result, most carmakers have an alarmingly low level of raw materials and finished inventories. Some auto giants have announced production cuts. For example, Toyota plans to slash output by 40% in September and GM will idle its North American assembly line for two weeks from 13 September. Global light vehicle sales declined by a further 2.4% month on month in August and were down 16% compared with 2019. Chip supply is unable to keep up with demand and the situation is getting worse by the day. The most pessimistic view suggests that the situation will not improve until 2023. In the short to medium term, the negatives far outweigh the positives. According to accounting firm KPMG, the chip shortage will cost the industry \$100bn in lost revenue in 2021.

In July, Chinese passenger car and commercial vehicle sales were down 6.8% and 30.2% year on year respectively. In terms of stock, the inventory coefficient was at 1.37 in August against 1.50 in the same month last year, a year on year decrease of 8.7% and the lowest figure for three years. A lack of available key auto parts has altered typical seasonal characteristics as well. For example, dealers have refrained from promotional campaigns and refused offers and discounts as well. To pursue its policy of self-sufficiency, China's key chip manufacturer has committed \$9bn to build a factory in Shanghai. Other Asian economies are also suffering, especially India. It suffered a major setback when Ford shut its 25-year-old Indian operations which had the capacity to produce 610,000 engines and 440,000 vehicles a year. Ford is the third company to exit the country after GM and Harley Davidson. Future visibility is extremely limited.

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

North East Asia motor vehicle sector growth, 2019 vs 2021



Source: Oxford Economics



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