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

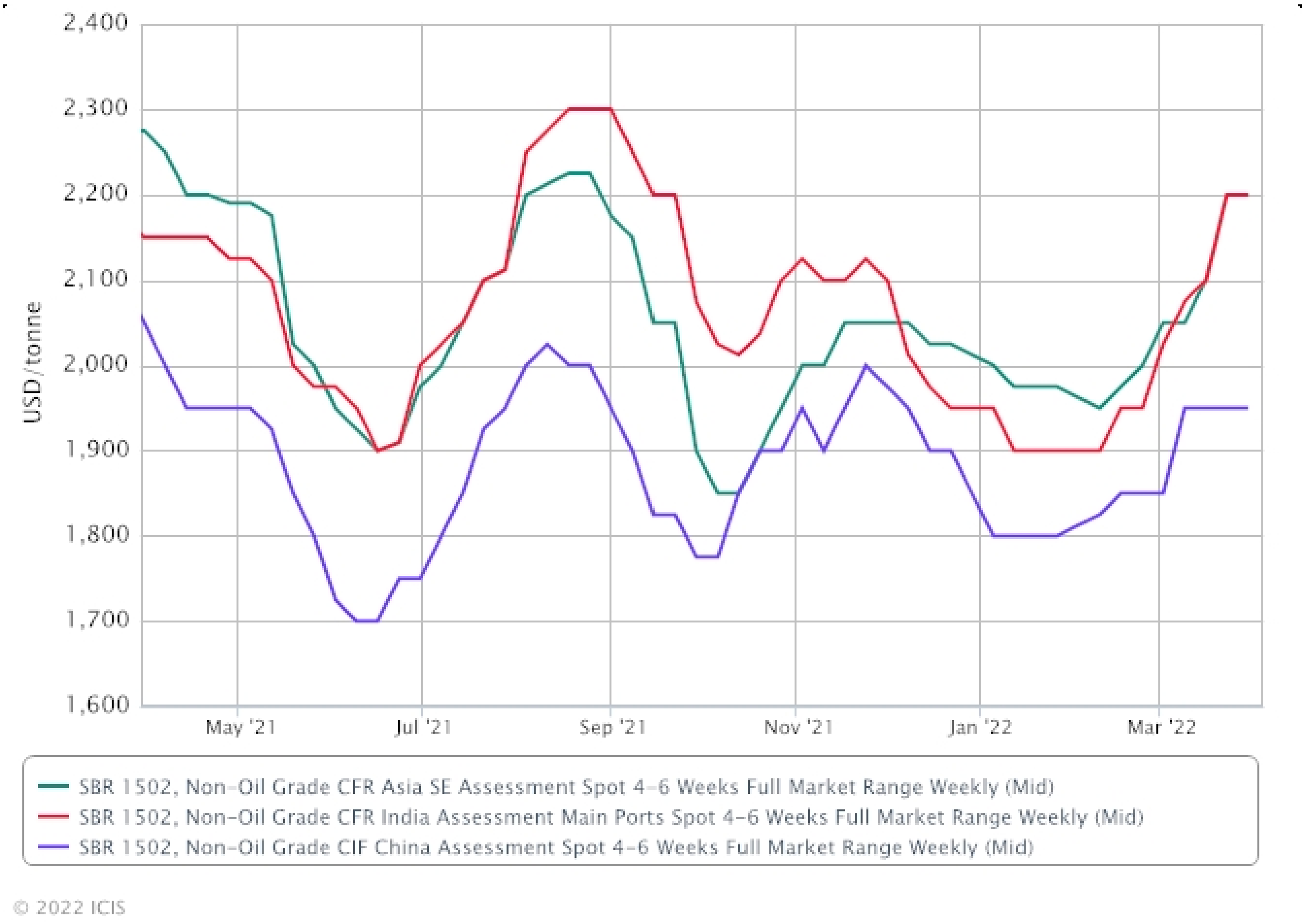
- **Discussions stall**
- **Offers steady on cost push**
- **Demand worries grow**

Asia spot discussions for styrene-butadiene-rubber (SBR) were muted this week, amid a protractedly wide buy-sell gap.

Sellers, reeling under cost pressures, held firm to existing offers and if not chased higher targets. They are confident that bids will improve in due course from buyers with concrete requirements as spot availability is limited.

However, demand sentiment is soft on mounting apprehension about downstream affordability, as disruptions from the ongoing Russia-Ukraine conflict and extended pandemic-related shutdowns in China have started to take their toll on downstream operations in the region.

End-users were cautious about not overstocking on SBR. Given that their margins vis-à-vis the downstream markets are squeezed, many also said that they would not pay more for raw material SBR.



OUTLOOK

- **Spot supply to remain constrained on upcoming turnarounds**
- **Demand may taper if lockdowns in China extended**
- **Wide buy-sell gap may be maintained**

PRICES

SPOT PRICES

			Price Range		Four Weeks Ago	US CTS/lb
SBR 1502, Non-Oil Grade						
CIF China	USD/tonne	n/c	1900-2000	n/c	1800-1900	86.18-90.72
CFR Asia SE	USD/tonne	n/c	2150.00-2250.00	n/c	2000.00-2100.00	97.52-102.06
CFR India Main Ports	USD/tonne	n/c	2100.00-2300.00	n/c	1950.00-2100.00	95.25-104.33
SBR 1712, Oil-Extended						
CIF China	USD/tonne	n/c	1800-1900	n/c	1700-1800	81.65-86.18
CFR Asia SE	USD/tonne	n/c	2100.00-2200.00	n/c	1900.00-2000.00	95.25-99.79
CFR India Main Ports	USD/tonne	n/c	2050.00-2250.00	n/c	1850.00-2000.00	92.99-102.06

China

CIF China assessments for both non-oil 1502 grade and oil-extended 1712 grade were rolled over amid muted and inconclusive discussions.

Downstream requirements were tapered because several China cities were at a standstill due to COVID-19 lockdowns, which reduced buying interest for import supplements.

Latest data shows that China's SBR imports was 26% lower that the same period last year.

Potential buyers said they were amply supplied locally, should the need to procure surface.

Domestic prices for 1502 grade were stable-to-soft. The buying tempo eased because of tighter restrictions to curb the spread of the pandemic.

East China domestic SBR 1502 prices

Price (CNY/tonne)	30 March	23 March
E China Ex-Warehouse	12,400-12,500	12,400-12,600

Southeast Asia

CFR southeast (SE) Asia prices for non-oil 1502 grade held steady, taking into consideration range-bound buy-sell indications.

There were minimal meaningful negotiations, players said, as buyers and sellers remain apart in their respective market evaluations.

The CFR SE Asia assessment for oil-extended 1712 grade was also kept unchanged with a stable 1502 grade assessment.

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

Mar (1-30) 2022	Feb 2022	Jan 2022	Dec 2021	Nov 2021	Oct 2021	Sep 2021
175.19	179.84	178.12	172.08	175.65	174.39	163.23

India

As with other Asian outlets, discussions in India also stalled on buy-sell gap for CFR India trades.

Sellers held fast to existing targets, and if not, chased higher expectations. However, buyers continued to stay away.

Some China-origin cargoes were heard indicated at levels below the published range, but they were excluded from the assessments as this was not a mainstream supply source, market sources said.

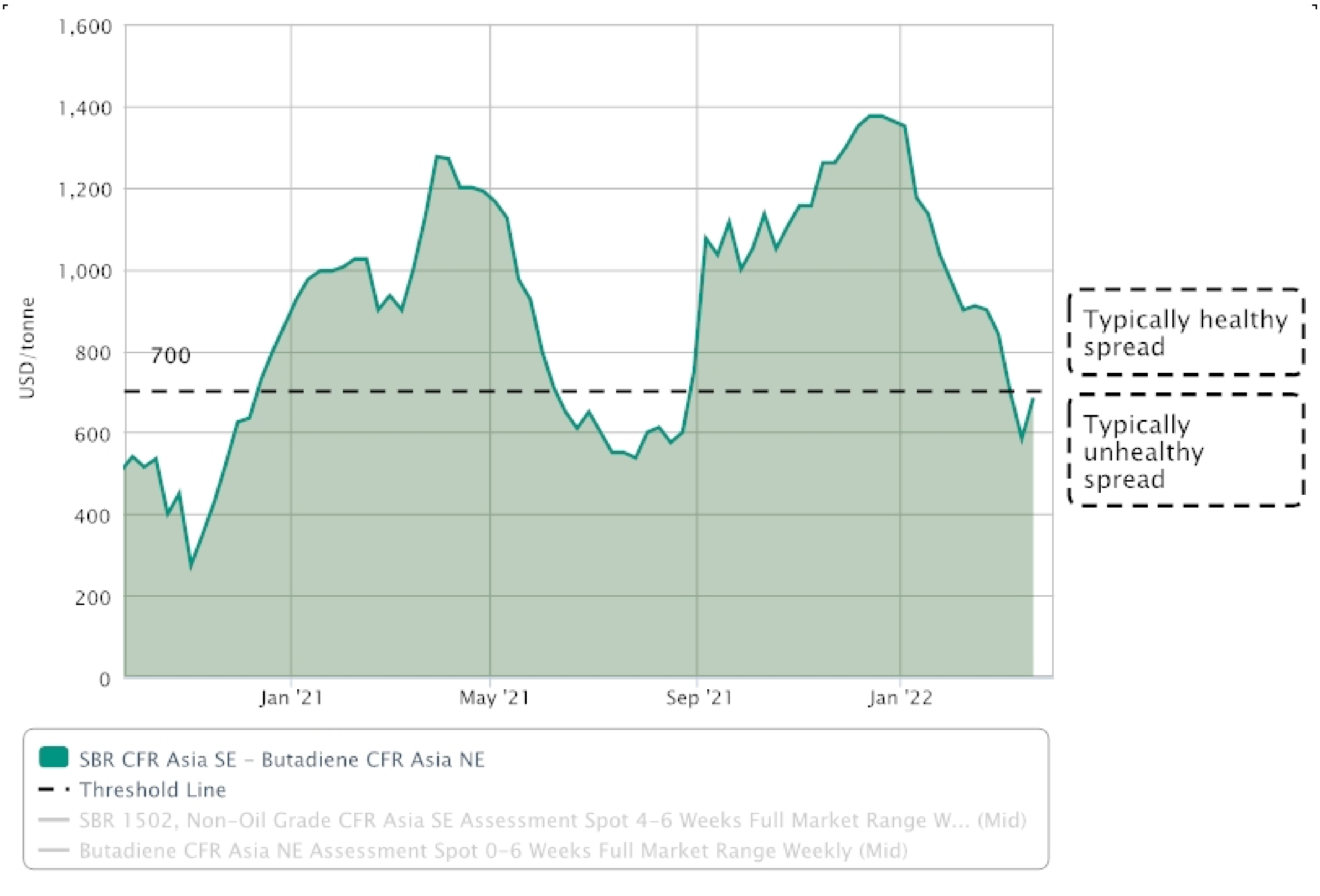
The CFR India assessments for both non-oil 1502 and oil-extended 1712 grade were rolled over in the absence of any concrete business.

UPSTREAM

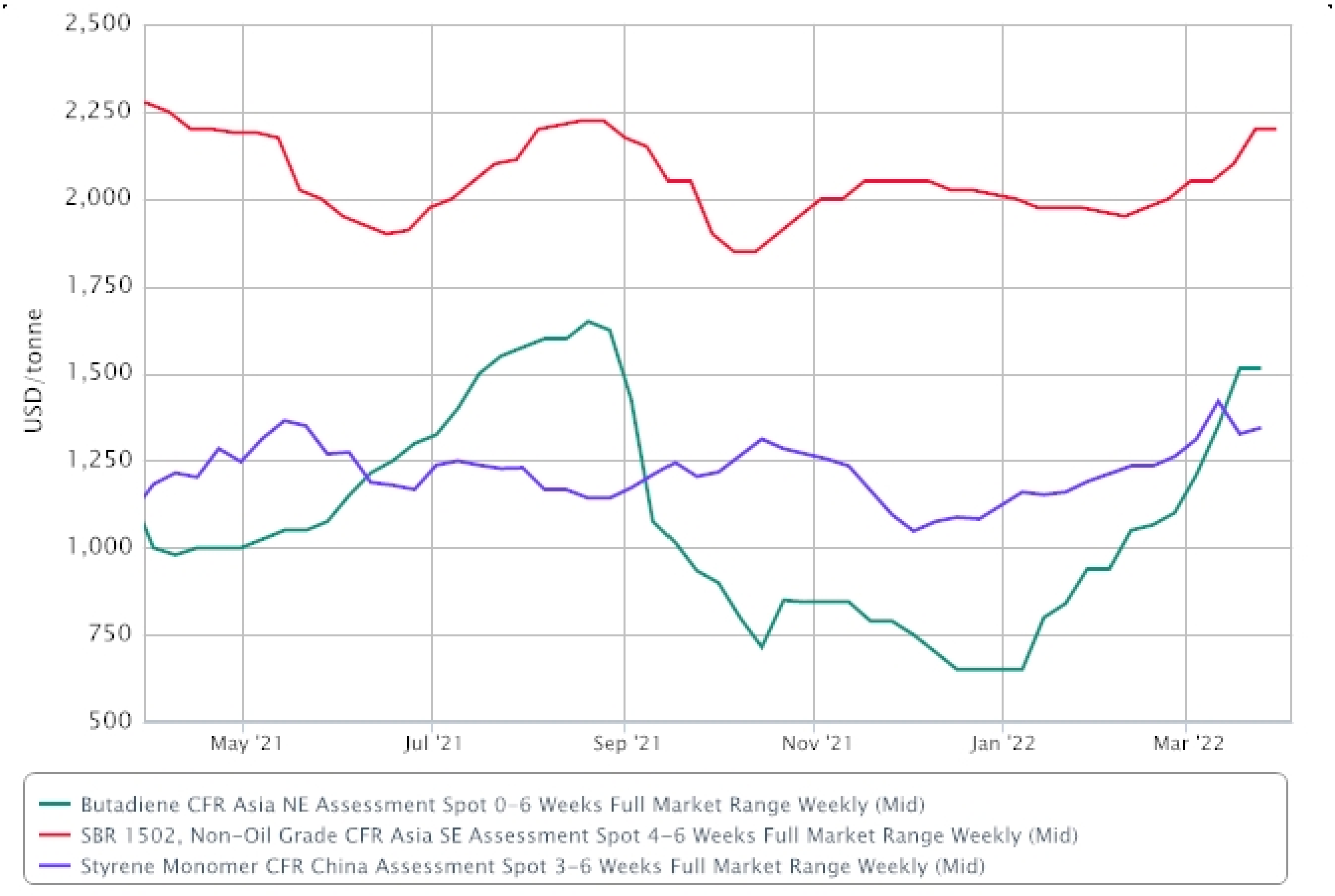
Asian butadiene (BD) spot discussions were rangebound and subdued as buyers and sellers held fast to their divergent market outlooks. Sellers saw no selling pressure given low output stemming from reduced cracker operations, but buyers were also not in a rush to procure citing downstream affordability concerns.

The chart below shows the spread between butadiene and SBR.

Downstream spread – butadiene NE Asia and SBR SE Asia



Asian styrene prices rebounded as trading sentiment improved following the recovery of energy and SM futures prices from a week earlier, despite an overall lack of trading liquidity in the open market.



PRODUCTION

In China, average operating rates of local SBR plants held steady at 88% for the week ended 25 March, unchanged from the week before.

However, regional supplies are tight amid ongoing and upcoming turnarounds.

Click here for the Asian SBR Live Disruption Tracker.

OTHER REGIONS

In the US, SBR markets are bracing for a tight second quarter, amid cost pressures and global trade flow disruptions.

In Europe, March SBR contracts rose by triple digits on upstream cost pressures.

ANALYTICS

ICIS Outlook on Industrial Production (ex. Construction)

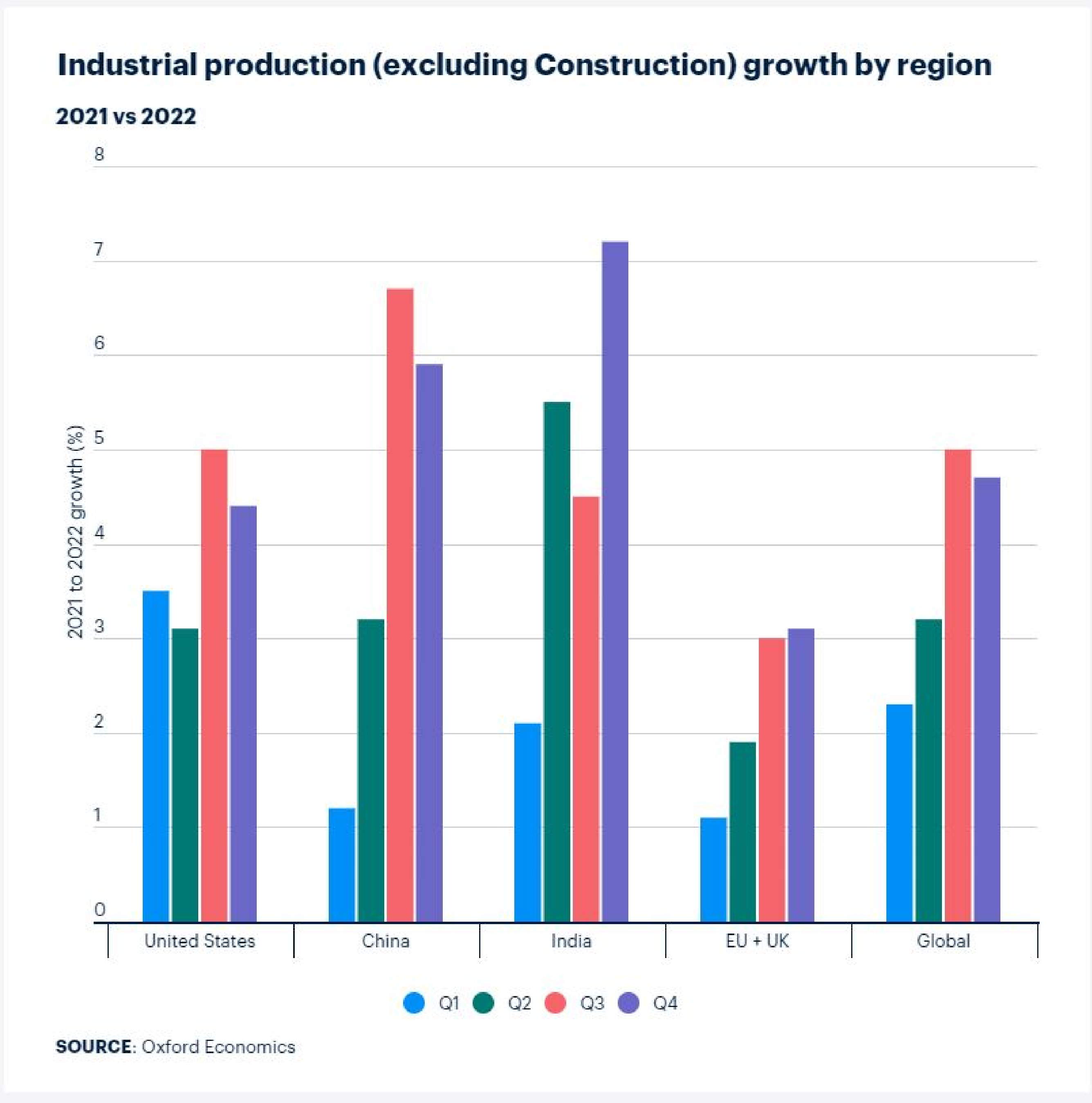
Global industrial activity has been compromised in the wake of the energy price shock following Russia's invasion of Ukraine. Global industrial output has been revised down to 3.8% from 4.1% year on year in 2022 by Oxford Economics, and Q1 is expected to grow by 2.3% year on year against an earlier forecast of 2.9%. The conflict has had a direct impact on the automotive, semiconductor, metal and other energy-intensive industries. Agriculture, although not part of industrial production, has also been affected because Russia and Ukraine are together responsible for about one-third of global trade in wheat and barley. Increasing commodity and energy prices are also expected to drive up the cost of manufactured goods. China accounts for 30% of global industrial production and this could be adversely affected as ICIS expects structural problems in the Chinese economy given tighter financial measures and renewed lockdowns. Chinese consumer spending is also expected to become more conservative which will dampen demand for various end uses, apart from daily essentials.

The US industrial output forecast has been revised down to 3.7% from 4.0% year on year in 2022 by Oxford Economics, which lowered its Q1 forecast by 0.9% to 3.5% year on year. Within manufacturing, weakness is expected in the domestic appliances, food production, automotive and textile sectors. If the Russia-Ukraine conflict is long and drawn out, the outlook for industrial production is likely to deteriorate further.

The EU industrial output forecast has been revised down to 2.3% from 3.0% year on year in 2022 by Oxford Economics, which lowered its Q1 forecast by 0.5% to 1.1% year on year. The motor vehicle and domestic appliance sectors continue to underperform. Market sentiment has taken a hit as well. The IHS Markit eurozone Manufacturing PMI was revised down to 58.2 in February from an initial estimate of 58.4. IHS Market said, "The latest survey data continued to highlight strong pricing power among price setters, with steep rates of both input cost and output price inflation persisting."

China's industrial output is expected to increase by 4.2% year on year in 2022, according to Oxford Economics, which lowered its Q1 forecast by 1.0% to 1.2% year on year. Renewed COVID-19 outbreaks in cities such in Guangdong and Suzhou will add to the disruption. Shenzhen, a manufacturing hub, will suspend further production. China's production index has been on a steady decline since March 2021 and a similar trend can be seen in China's new order index. The forecast for industrial output in India has been revised down to 4.8% from 7.5% year on year by Oxford Economics.

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


Industrial production (excluding Construction) growth by region
2021 vs 2022
2021 to 2022 growth (%)
8
7
6
5
4
3
2
1
0
United States
China
India
EU + UK
Global
Q1
Q2
Q3
Q4
SOURCE: Oxford Economics