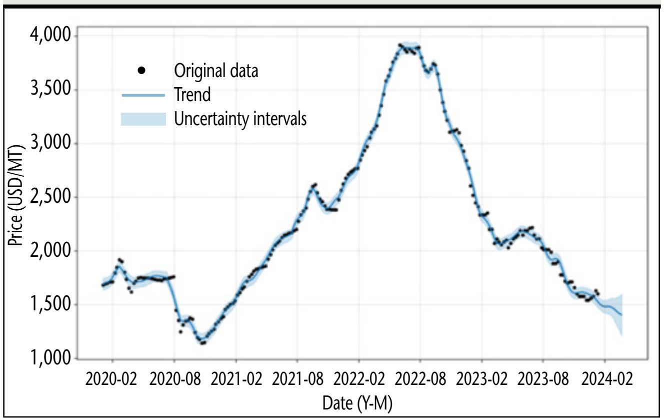
# Dips and turns in store for synthetic rubber market

**Global SR market finds itself at a crossroads as we journey into 2024, writes Karan Chechi, founder & director at ChemAnalyst**

### SBR prices: Historical trends and 3-month forecast for 2024




This year could potentially see the synthetic rubber market embark on a path that leads to a sustained downward price trajectory amid a complex interplay between global economic factors, market dynamics, and industry-specific challenges.

One of the primary drivers steering this course is the global crude oil market: despite the ongoing production cuts by OPEC+, which are set to extend until March 2024, crude oil has been trading downwards with little sign of an imminent upturn.

This trend is not just a fleeting moment but is projected to be a sustained bearish pattern throughout the fiscal year. This outlook casts a favourable light on feedstock prices, including key synthetic rubber components like butadiene, ethylene, and propylene. For synthetic rubber producers, this could mean reduced costs, but the market's response remains uncertain.

In Europe, the pricing trends of polybutadiene rubber (PBR) and EPDM rubber offer a glimpse into the market's pulse. The fourth quarter of 2023 saw PBR prices in Germany decline by 13% compared to the previous quarter.

This downward trend, influenced by ample inventory levels and a lacklustre enthusiasm among buyers, is anticipated to continue into 2024. EPDM rubber shares a similar story, with a 10% decrease in prices over the same period.

The underlying cause?: A cautious approach by buyers, wary of higher prices in the face of sufficient stock and muted demand from downstream industries such as tire and automotive.

Speaking of downstream markets, the European automotive and tire industry is navigating its own set of challenges. Growth in purchasing fundamentals appears to be slowing, with new-car sales in the EU – as forecasted by the ACEA – expected to rise by only 2.5% in 2024.

This is a significant deceleration from the 12% increase witnessed in 2023. Despite the burgeoning share of electric cars, this limited growth in the automobile sector could act as a drag on the synthetic rubber market, impacting products like EPDM and PBR.

Corroborating this trend, the European Tyre & Rubber Manufacturers Association (ETRMA) reported a 6% dip in the sale of consumer replacement tires in the third quarter of 2023 compared to the same period in 2022. This suppressed demand is likely to persist into 2024, reflecting a constrained consumption of synthetic rubber in the auto and tire markets.

In 2024, meanwhile, the market is witnessing a nuanced shift in its forecasting approach, thanks to the deployment of AI and machine learning. This technology is being used to integrate and analyse a diverse range of data, including historical market trends, global events, and other relevant factors.

This integration allows for a more comprehensive and dynamic understanding of market movements, signifying a sophisticated evolution in forecasting methodologies within the industry. The graph below shows historical trends and three months forecast for 2024 for styrene-butadiene rubber (SBR) using ChemAnalyst AI forecasting tool.

In the initial quarter of 2024, the European SBR market is poised to witness subdued demand, leading to sluggish buying activities. The SBR trade dynamics in Germany are currently on a downward trajectory, compelling manufacturers to contemplate offering discounts for bulk purchases to address the surplus inventories.

Despite relatively stable conditions in the butadiene and styrene markets upstream, there is an anticipation of an oversupply situation, sluggish market acquisitions, and weakening demand from the downstream tire and automotive sectors.

The persisting decline in market acquisitions is anticipated to contribute to a reduction in SBR contract prices, and this trend is not expected to reverse during the first quarter of 2024. Furthermore, the absence of upcoming projects and a scarcity of spot business opportunities are likely to result in a decline in new orders.

In conclusion, as we journey through 2024, the synthetic rubber market is navigating a path marked by declining prices, cautious buying behaviours, and a slowing downstream demand. This scenario presents a complex tapestry for market players, who must adapt to these evolving dynamics to steer their course successfully in the ever-changing landscape of the synthetic rubber industry.

### Forecasting first three months