



# China Sourcing Update

May 24, 2017

## Raw Material Prices: Hard Goods

### 1. Price index of ABS resin drops in April

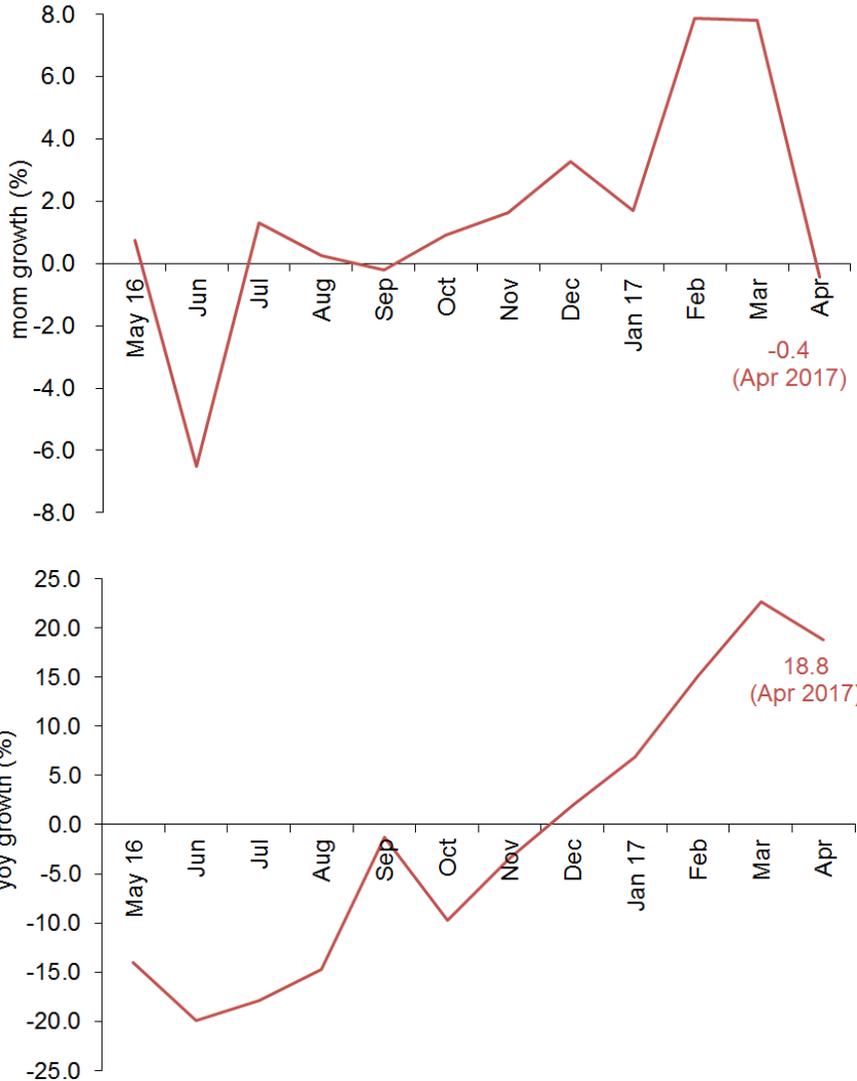
After having posted month-on-month gain for six consecutive months, the price index of ABS resin<sup>1</sup> went down by 0.4% mom in April (see *exhibit 1*).

The fall in the prices of ABS resin in the month was mainly attributable to the decline in prices of styrene and butadiene, the major raw materials of ABS resin.

According to the latest media reports, prices of butadiene slumped further in early May. Therefore, we expect that the prices of ABS resin will continue to drop in the near term.

<sup>1</sup> The index is compiled by the China Logistics Information Center (CLIC). The CLIC is a sub-division of the China Federation of Logistics & Purchasing (CFLP), which is the first logistics and purchasing industry association approved by the State Council. One of the CFLP's missions is to push forward the circulation of factors of production in China.

**Exhibit 1: Price index of ABS resin, May 2016 to April 2017**



Source: China Logistics Information Center

**2. Price index of PP goes down in April**

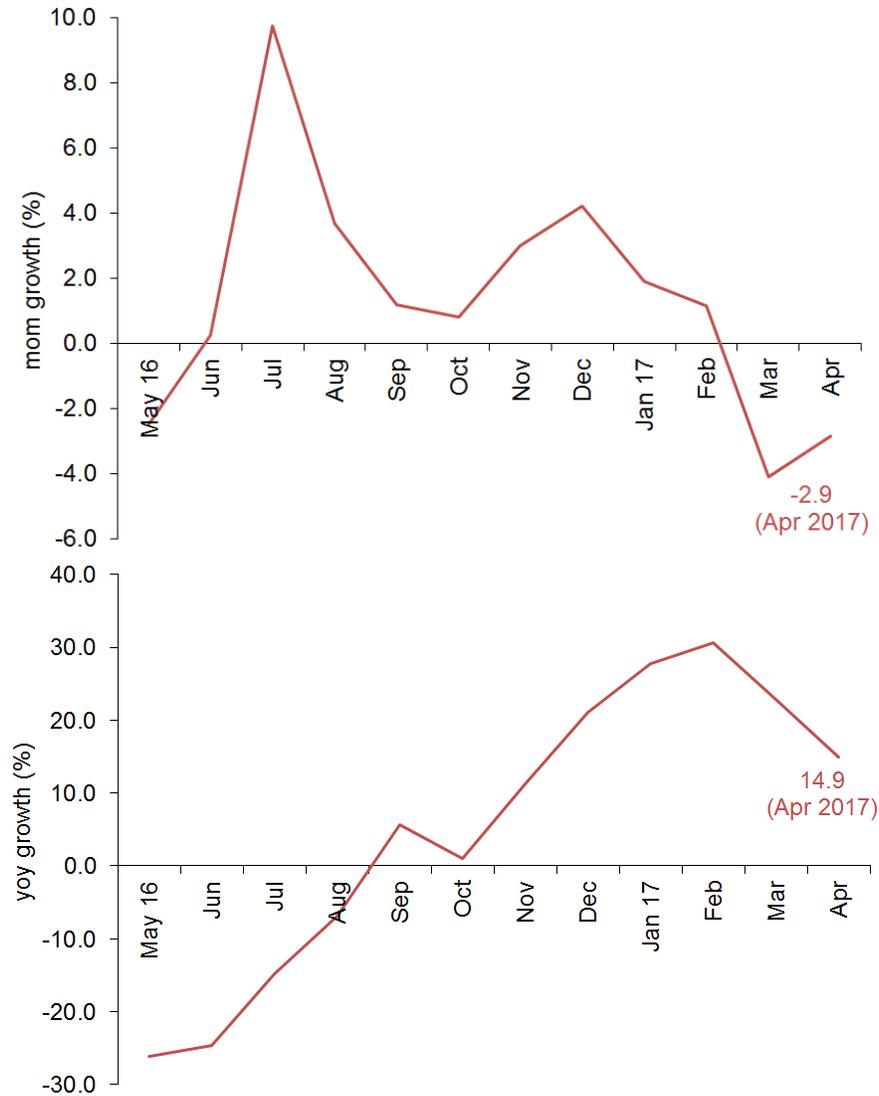
The price index of polypropylene (PP)<sup>2</sup> fell by 2.9% mom in April, posting month-on-month drop for two consecutive months (see exhibit 2).

<sup>2</sup> The index is compiled by the China Logistics Information Center (CLIC).

The main reasons for the decline in the price index of PP in April were that some PP producers lowered the prices of their products and that the prices of PP futures in China plummeted in the month.

According to media reports, the prices of PP futures in China have rebounded since mid-May. Thus, we expect the price index of PP to pick up in the foreseeable future.

**Exhibit 2: Price index of PP, May 2016 to April 2017**



Source: China Logistics Information Center

### 3. Price index of natural rubber plunges further in April

The price index of natural rubber<sup>3</sup> plummeted by 12.0% mom in April, after falling by 12.3% mom in March (see exhibit 3).

The main reasons for the slump in the spot prices of natural rubber in April were a drop in the prices of natural rubber futures in China and an abundant supply of domestic and imported natural rubber.

Going forward, we expect the price index of natural rubber to trend further downward, as the over-supply of natural rubber is likely to persist in China in the near term.

**Exhibit 3: Price index of natural rubber, May 2016 to April 2017**



<sup>3</sup> The index is compiled by the China Logistics Information Center (CLIC).



Source: China Logistics Information Center

#### 4. Price indices of non-ferrous metals fall slightly in April

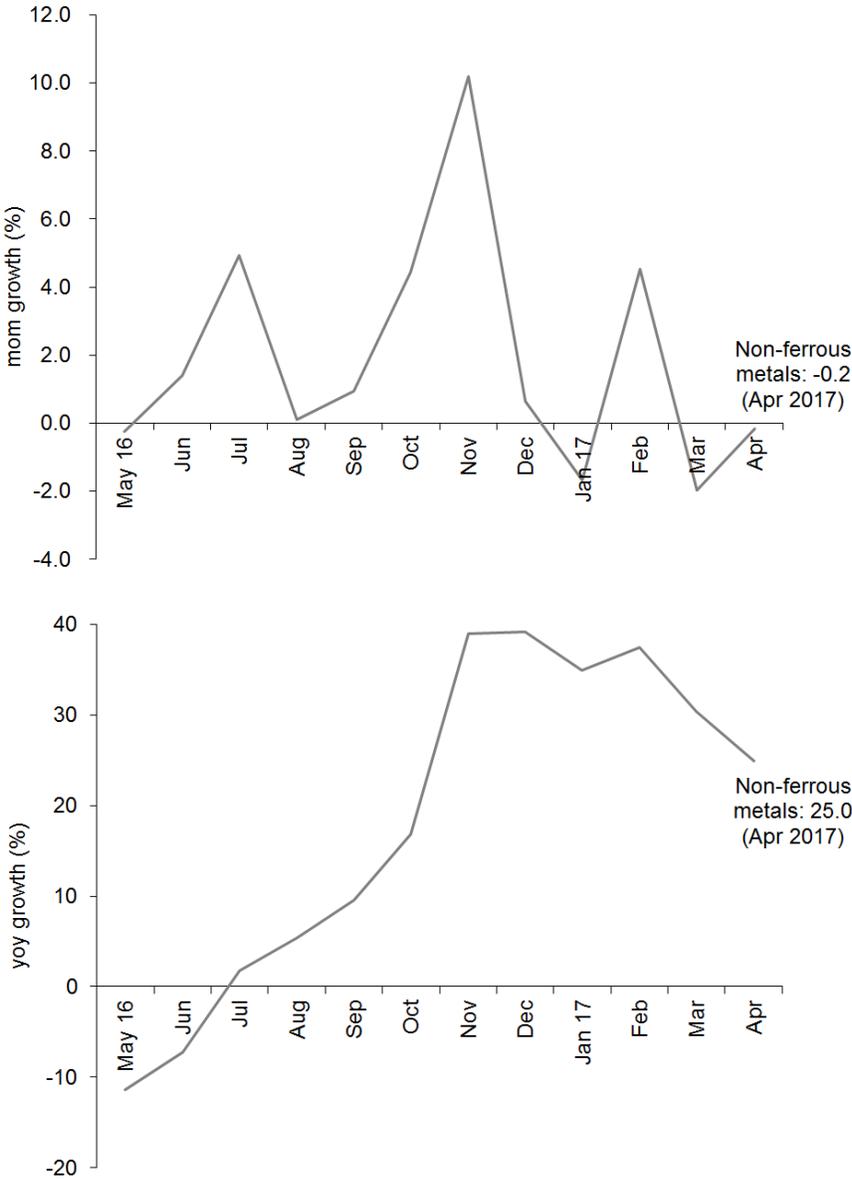
The price index of non-ferrous metals edged down by 0.2% mom in April, posting month-on-month decline for two consecutive months (see exhibits 4 & 5).<sup>4</sup>

In our view, the soft non-ferrous metal prices in China in April was influenced mainly by the geopolitical tensions over Syria and North Korea and a slump in global oil prices in the month, both of which adversely affected investors' sentiments on non-ferrous metals; and a weak downstream demand for non-ferrous metals, particularly lead and zinc.

Looking ahead, we expect the prices of non-ferrous metals to fall further in the near future, as the domestic downstream demand for non-ferrous metals is likely to stay soft.

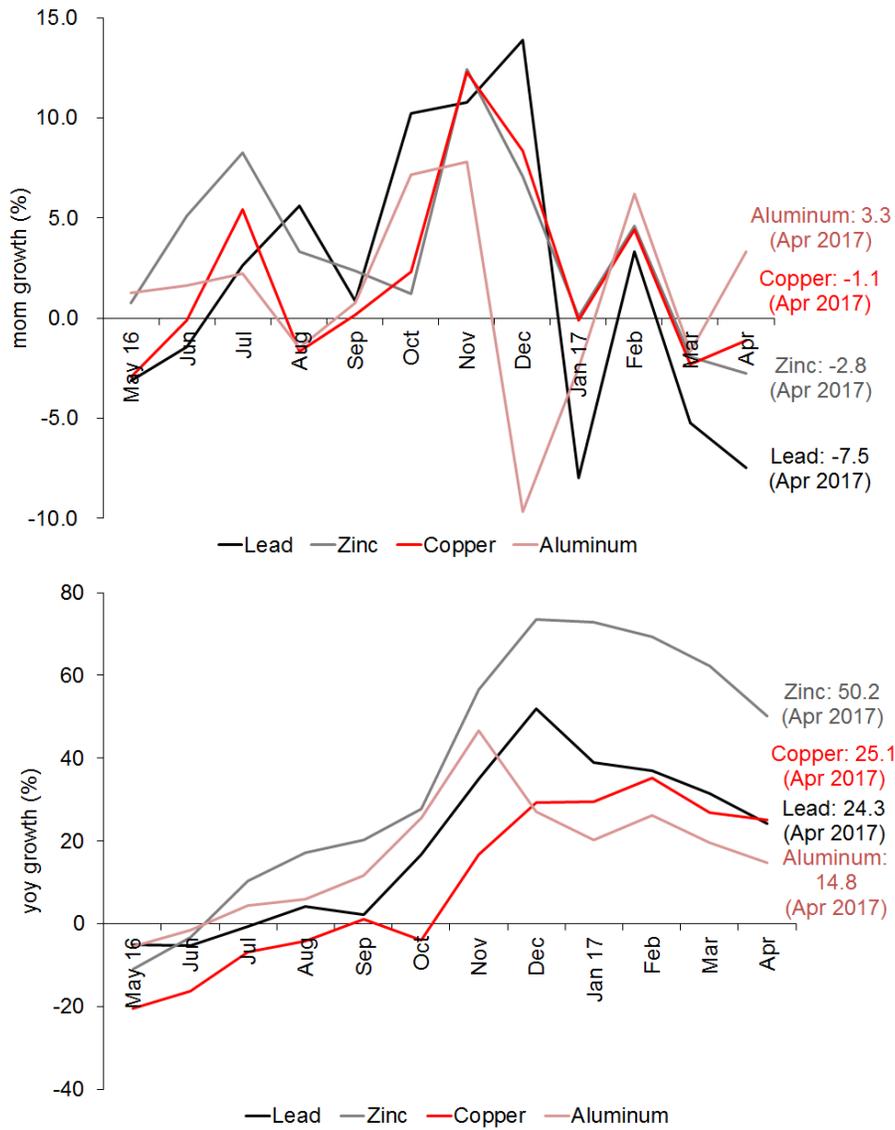
<sup>4</sup> The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,  
May 2016 to April 2017**



Source: China Logistics Information Center

**Exhibit 5: Price index of copper, aluminum, lead and zinc, May 2016 to April 2017**



Source: China Logistics Information Center

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## CONTACT

Helen Chin  
Vice President  
Global Sourcing

Fung Business Intelligence  
10/F LiFung Tower  
888 Cheung Sha Wan Road  
Kowloon, Hong Kong

T: (852) 2300 2470  
F: (852) 2635 1598  
E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)  
W: <http://www.fbicgroup.com>



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