



# China Sourcing Update

January 24, 2019

## Raw Material Prices: Hard Goods

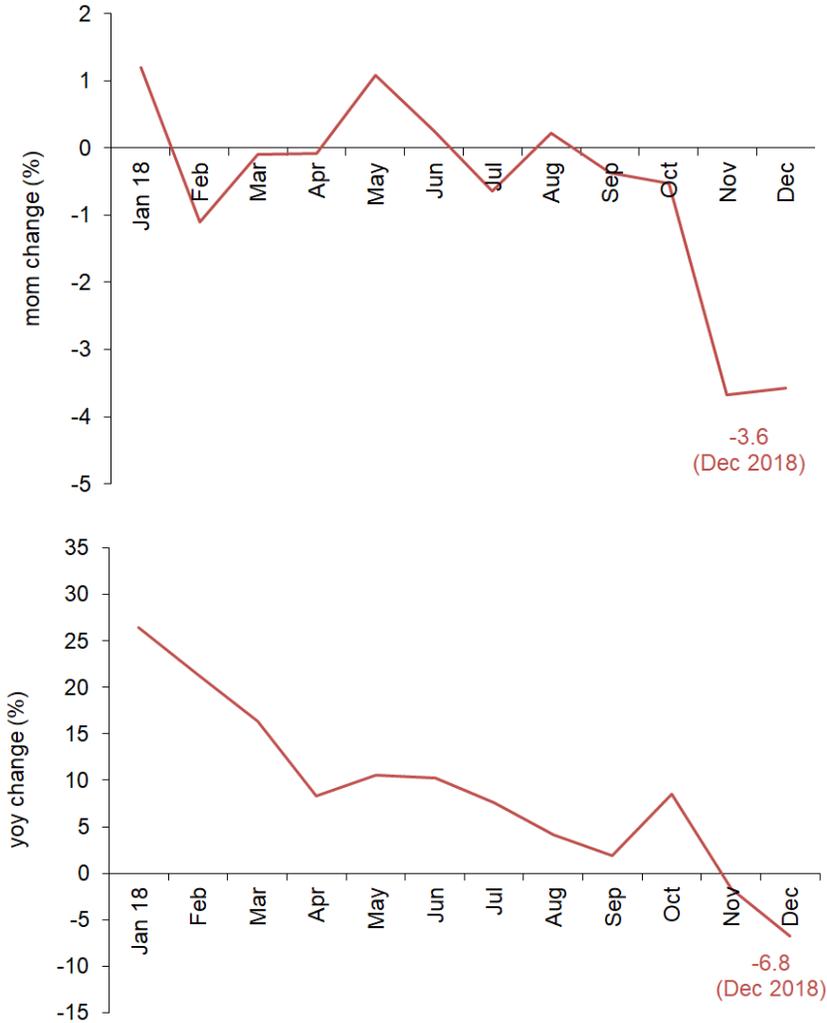
### 1. Price index of ABS resin falls in December

The price index of ABS resin<sup>1</sup> fell by 3.6% mom in December, after dropping by 3.7% mom in November (*see exhibit 1*). The main reason for the drop in the prices of ABS resin in December was a weak downstream demand.

According to media reports, the downstream demand has remained weak lately. Nevertheless, we expect that the prices of ABS resin will stabilise in the near term. A major reason is that the prices of raw materials of ABS resin such as acrylonitrile and styrene have stayed relatively stable in recent weeks.

<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, January to December 2018



Source: China Logistics Information Center

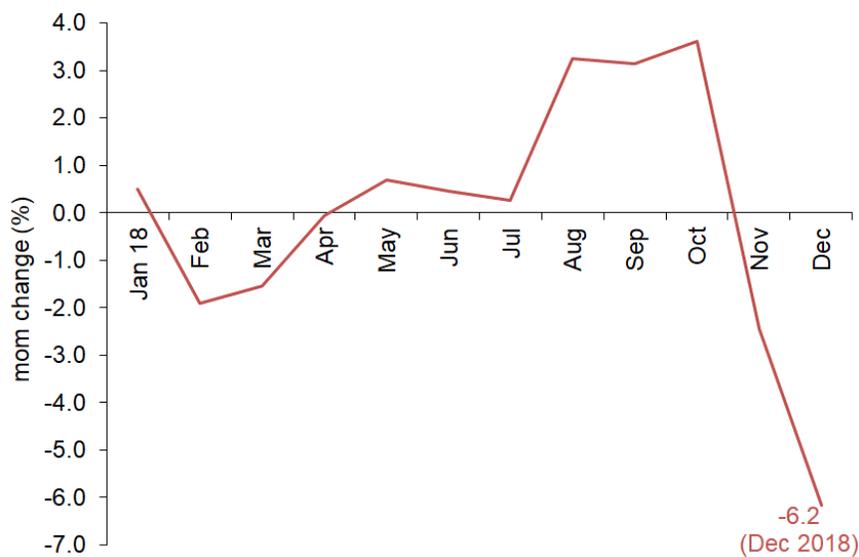
## 2. Price index of PP plunges in December

The price index of polypropylene (PP)<sup>2</sup> plunged by 6.2% mom in December, after dropping by 2.5% mom in November (see exhibit 2).

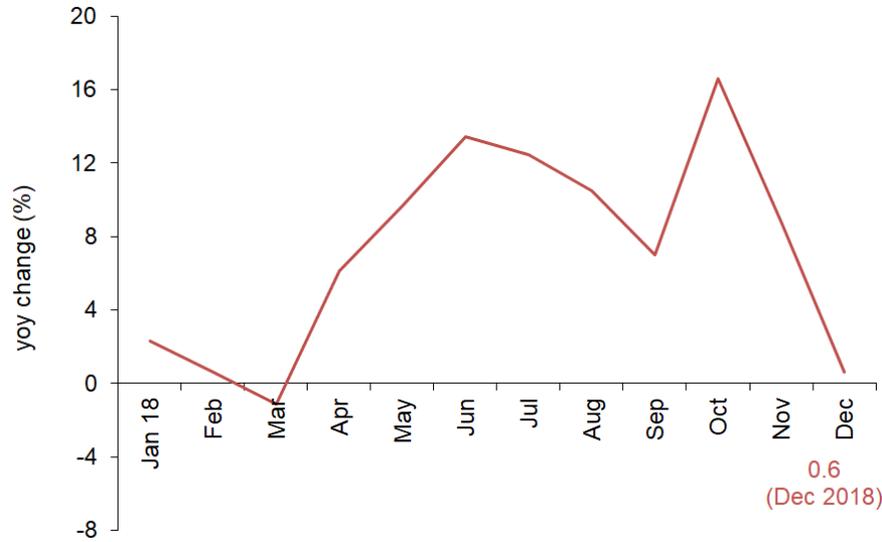
The marked fall in the PP prices in December can be attributed to the sluggish downstream demand, and a drop in the prices of PP futures in China and the prices of crude (propylene, the major raw material of PP, are derived from petroleum).

Going forward, we expect that the prices of PP will drop at a slower pace or even bottom out soon as crude prices have shown a strong rebound recently. The price of Daqing crude, for instance, went up from its recent low of US\$ 41.8 per barrel on 26 December to US\$ 53.9 per barrel on 22 January.

**Exhibit 2: Price index of PP, January to December 2018**



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



Source: China Logistics Information Center

### 3. Price index of natural rubber falls slightly in December

The price index of natural rubber<sup>3</sup> fell slightly by 0.5% mom in December, after dropping by 2.7% mom in November (see exhibit 3). The slight drop in the prices of natural rubber in December was highly associated with high stockpiles and the sluggish downstream demand.

Looking ahead, we expect that the prices of natural rubber will rebound in the near term due to the following reasons. First, heavy rains and storms have recently hit rubber producing regions in southern Thailand, which has in turn tightened the global supply of natural rubber. Second, the prices of natural rubber futures in China have trended upward since late December, boosted by a strong rebound in the global oil prices and the Chinese central bank's move to ease its monetary policy.

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

Exhibit 3: Price index of natural rubber, January to December 2018



Source: China Logistics Information Center

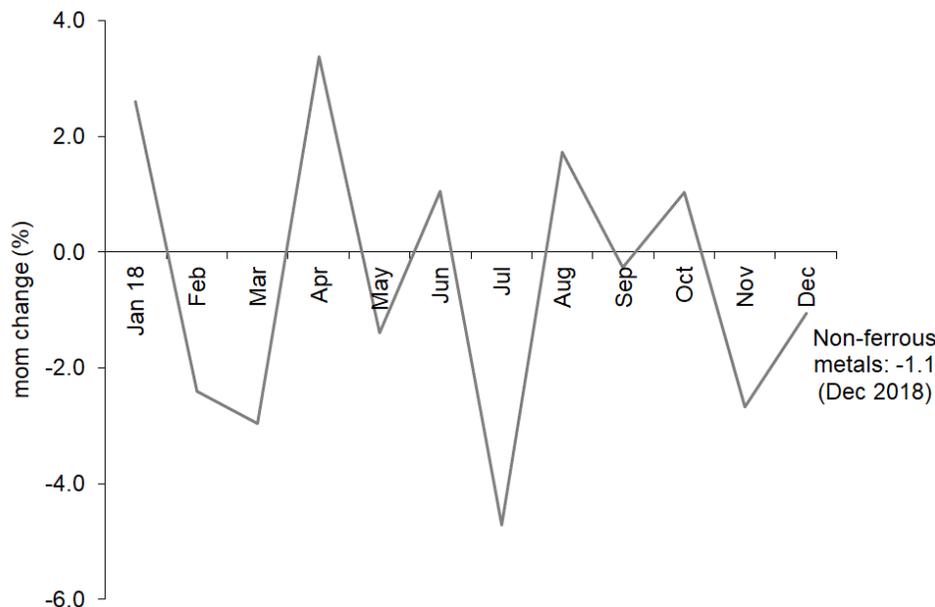
#### 4. Price indices of non-ferrous metals go down in December

The price index of non-ferrous metals fell by 1.1% mom in December, after dropping by 2.7% mom in November (see exhibits 4 & 5).<sup>4</sup>

The main reason for the fall in the prices of non-ferrous metals in the month was growing market concerns about the negative impact of the growth moderation of major economies, especially China's economy, on the demand for non-ferrous metals. Besides, the shutdown of the US federal government from 22 December onwards triggered a sell-off of risky assets, thereby putting downward pressure on the prices of non-ferrous metals.

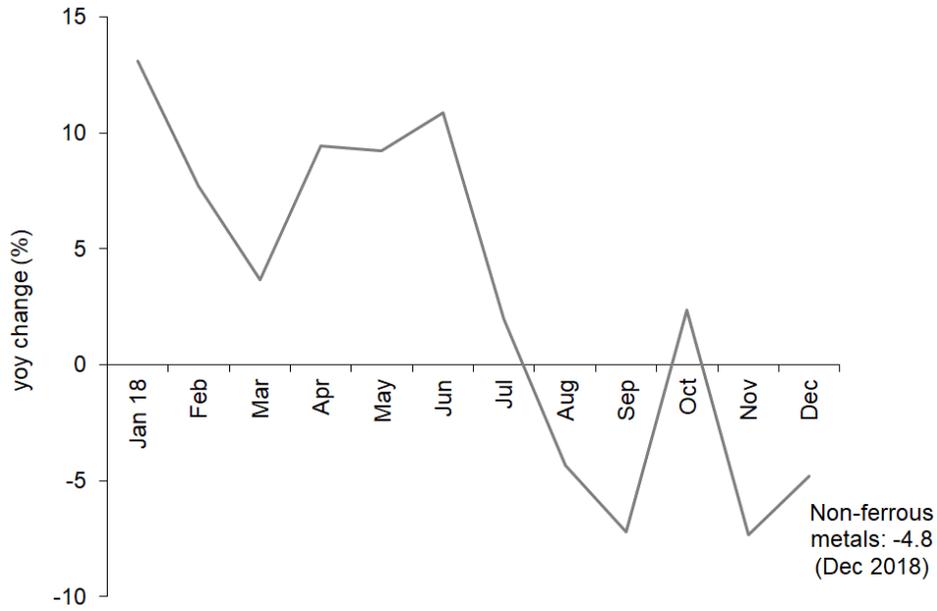
Looking ahead, we expect that the prices of non-ferrous metals will drop further in the near term as the global demand for non-ferrous metals is likely to moderate amid weaker growth of the global economy this year. According to the latest forecasts by the International Monetary Fund (IMF) on 21 January, the world's economic growth is projected to decelerate to 3.5% in 2019 from 3.7% in 2018.<sup>5</sup>

**Exhibit 4: Price index of non-ferrous metals,  
January to December 2018**



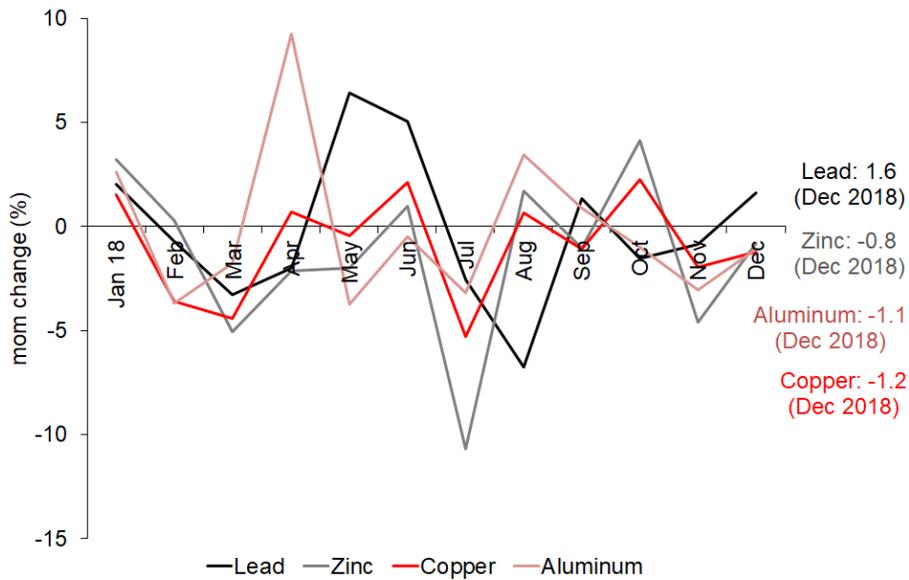
<sup>4</sup> The indices are compiled by the China Logistics Information Center (CLIC).

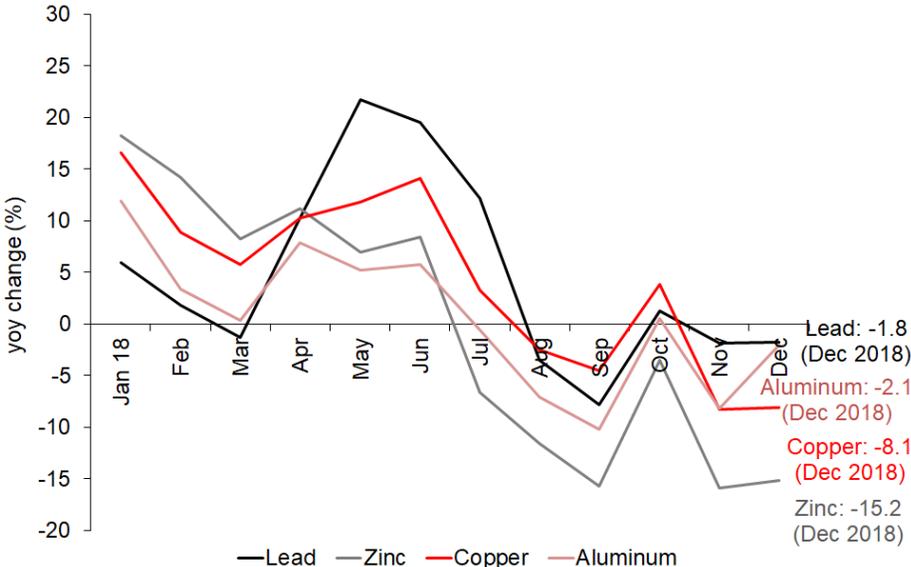
<sup>5</sup> IMF, *World Economic Outlook Update*, January 2019



Source: China Logistics Information Center

**Exhibit 5: Price index of copper, aluminum, lead and zinc, January to December 2018**





Source: China Logistics Information Center

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