



China Sourcing Update

August 24, 2017

Raw Material Prices: Hard Goods

1. Price index of ABS resin rises further in July

The price index of ABS resin¹ went up by 1.8% mom in July, recording month-on-month gain for two consecutive months (see exhibit 1).

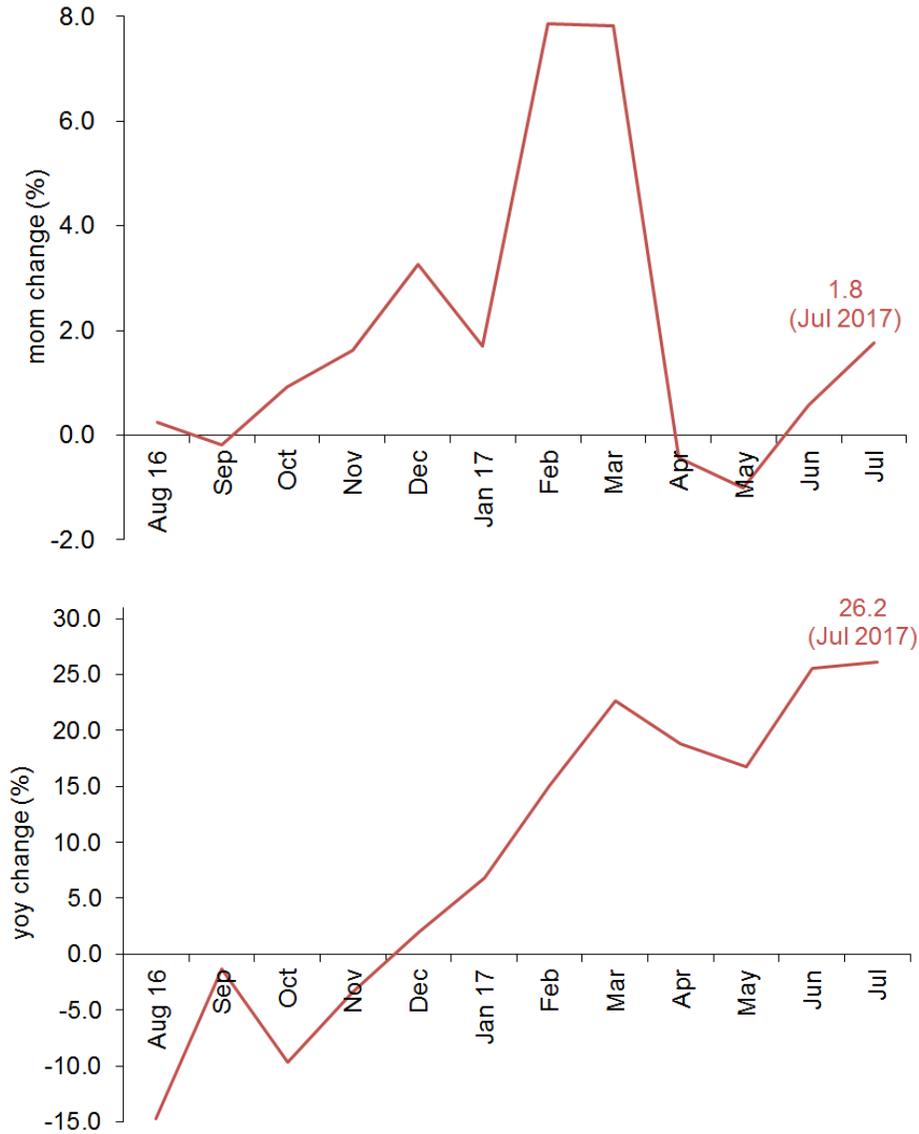
In our view, the main reasons for the increase in the prices of ABS resin in the month were a stronger demand for ABS resin from manufacturers of home appliances, one of the major downstream markets of ABS resin; and a tightened supply of ABS resin. Besides, China's proposed ban on imported waste plastics by year-end² also pushed up the prices of ABS resin in late July as some of the demand for plastic materials is expected to shift to locally-produced ABS resin.

Going forward, the downstream demand for ABS resin from manufacturers of home appliances is likely to remain strong with the approach of the high season for ABS resin consumption in September and October. Thus, we expect that the prices of ABS resin will continue to rise in the coming months.

¹ 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.

² http://www.chinadaily.com.cn/china/2017-07/21/content_30195987.htm

Exhibit 1: Price index of ABS resin, August 2016 to July 2017



Source: China Logistics Information Center

2. Price index of PP rebounds in July

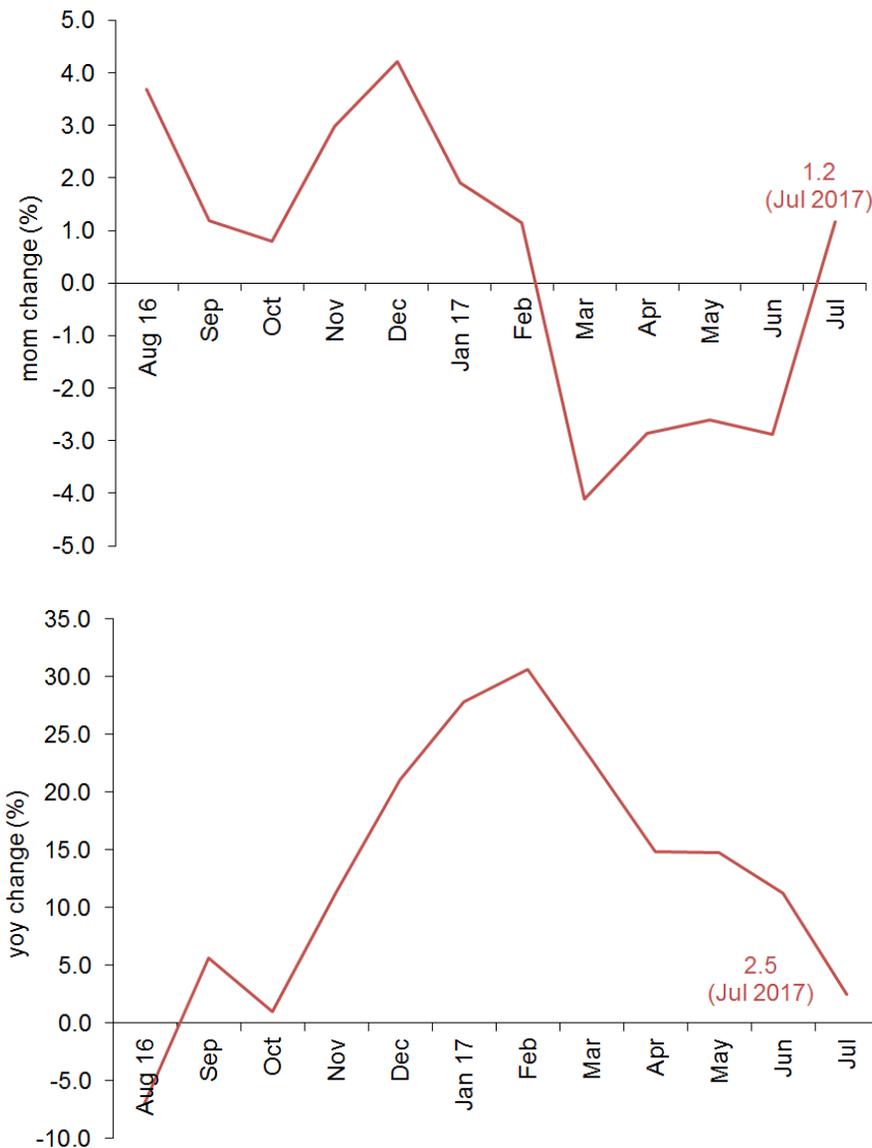
After having posted month-on-month drop for four consecutive months, the price index of polypropylene (PP)³ picked up by 1.2% mom in July (see exhibit 2).

³ The index is compiled by the China Logistics Information Center (CLIC).

The main reasons for the rebound in the price index of PP in July were upward adjustments in product prices made by a number of major PP producers; a rise in the prices of PP futures in China; and China's plan to prohibit the importation of waste plastics by year-end, which is expected to boost the demand for PP.

According to the latest media reports, the prices of PP futures in China continued to go up in early August. Thus, we expect the price index of PP to rise further in the foreseeable future.

Exhibit 2: Price index of PP, August 2016 to July 2017



Source: China Logistics Information Center

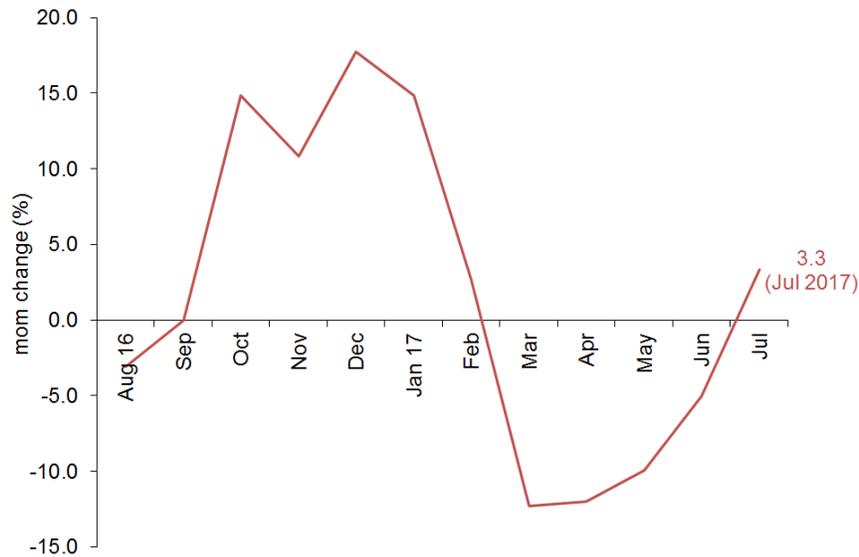
3. Price index of natural rubber picks up in July

The price index of natural rubber⁴ rose by 3.3% mom in July, after falling by 5.0% mom in June (see exhibit 3).

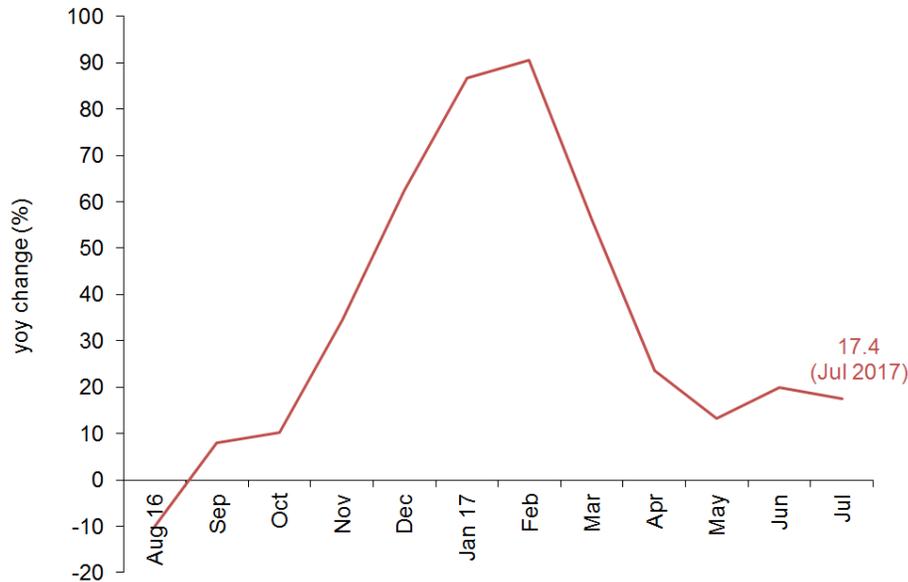
According to the local media, a hike in the prices of natural rubber futures in China in mid-July boosted the spot prices of natural rubber, despite a sluggish downstream demand from tyre manufacturers in the month.

Looking ahead, the global supply of natural rubber is expected to be abundant, and the domestic downstream demand for natural rubber is likely to remain weak in the near term. Therefore, we expect rubber prices to stay soft in the foreseeable future.

Exhibit 3: Price index of natural rubber, August 2016 to July 2017



⁴ The index is compiled by the China Logistics Information Center (CLIC).



Source: China Logistics Information Center

4. Price indices of non-ferrous metals go up in July

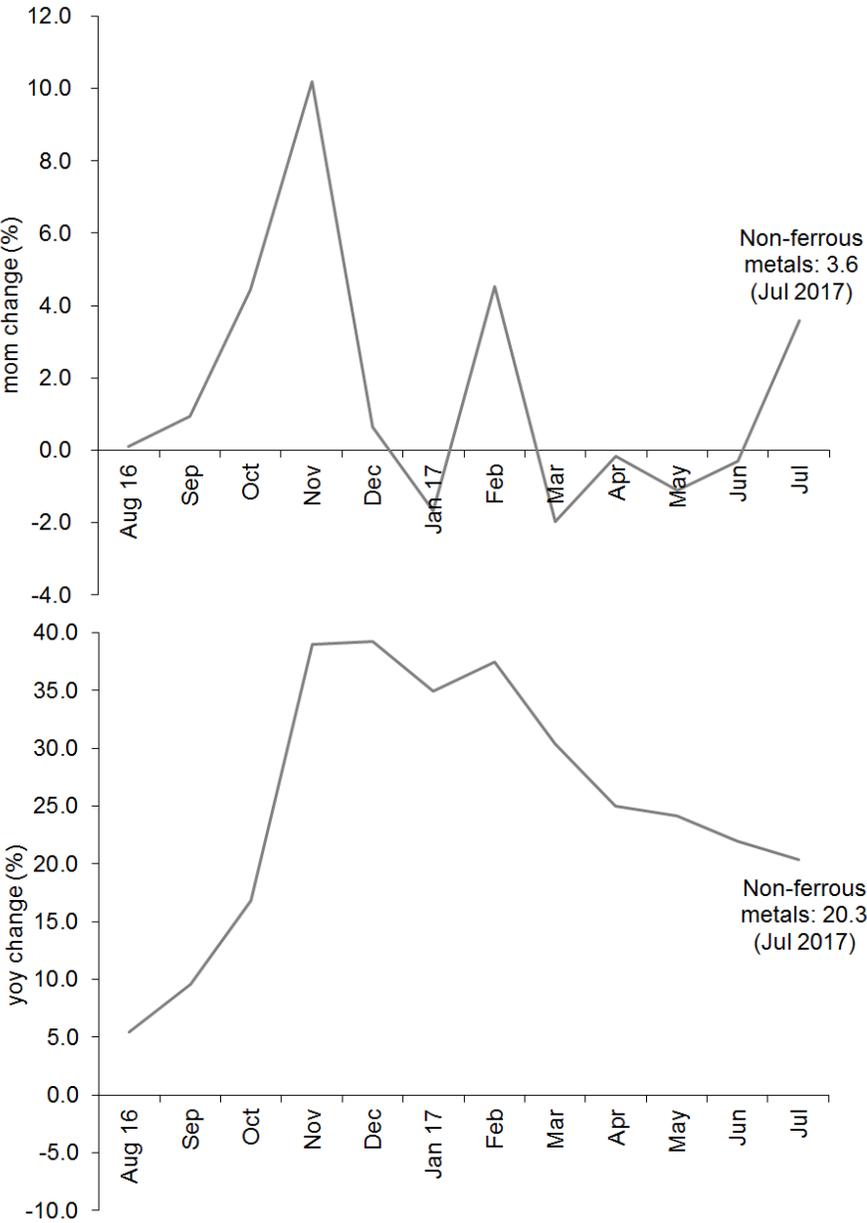
After having posted month-on-month declines for four consecutive months, the price index of non-ferrous metals rose by 3.6% mom in July (see exhibits 4 & 5).⁵

In our view, the increase in non-ferrous metal prices in China in the month was mainly caused by a surge in global oil prices, which helped improve investors' sentiments on non-ferrous metals; a rise in global commodity prices in US dollar terms due partly to the weakness in the US dollar; and China's proposed ban on the importation of scrap metals by end-2018, which is expected to boost the demand for refined metals.

Looking ahead, we expect the price index of non-ferrous metals to rise further in the near future, as the recent weakness of the US dollar is likely to support the prices of non-ferrous metals.

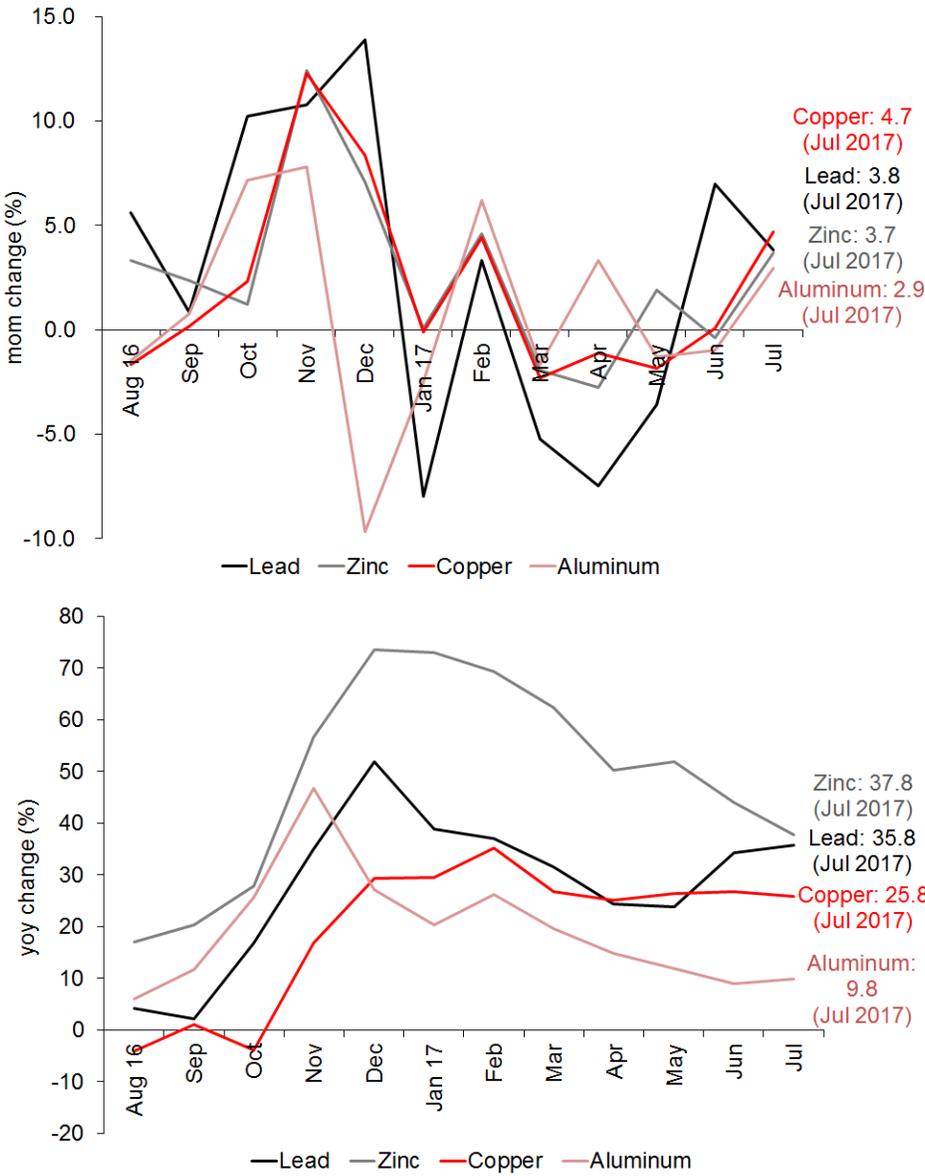
⁵ The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,
August 2016 to July 2017**



Source: China Logistics Information Center

Exhibit 5: Price index of copper, aluminum, lead and zinc, August 2016 to July 2017



Source: China Logistics Information Center

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