



# China Sourcing Update

August 22, 2019

## Raw Material Prices: Hard Goods

### 1. Price index of ABS resin goes down in June and July

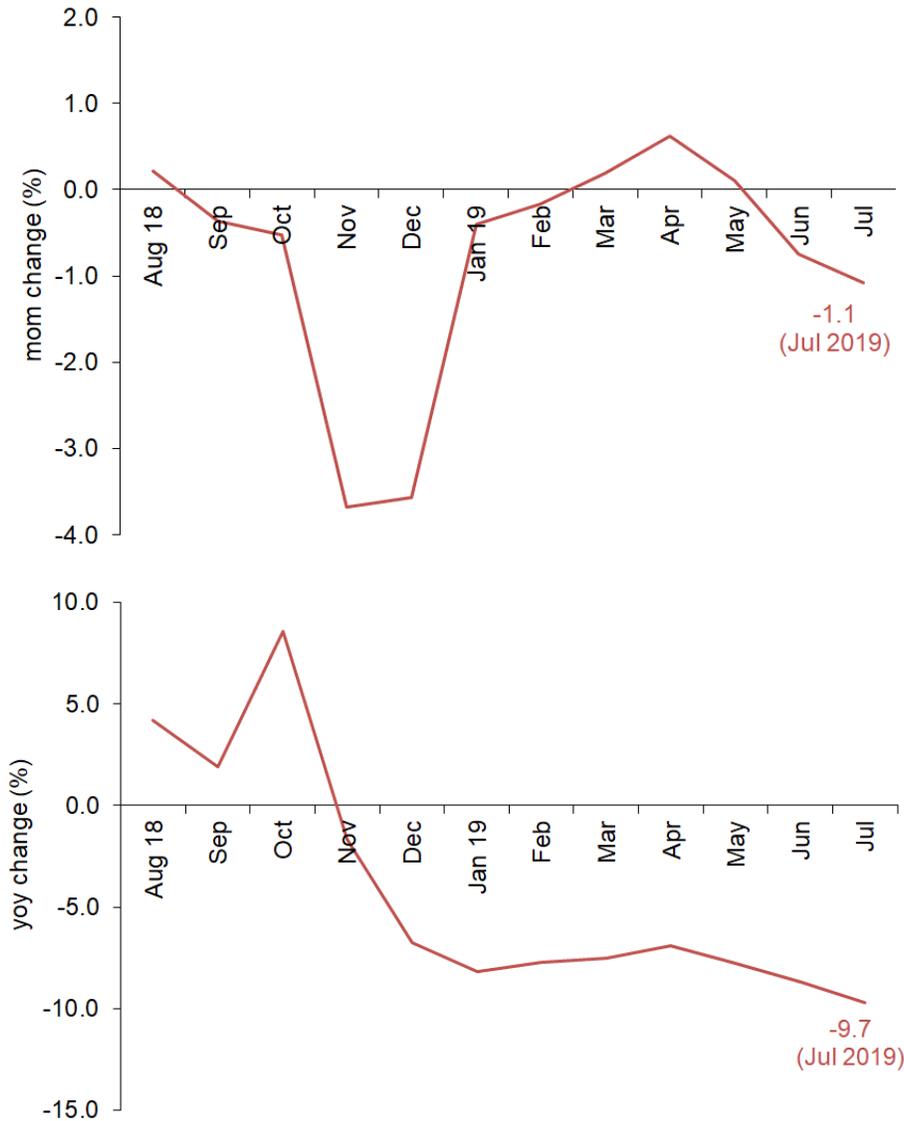
The price index of ABS resin<sup>1</sup> dropped by 1.1% mom in July, after falling by 0.8% mom in June (*See exhibit 1*).

The decline in the prices of ABS resin in the two-month period was due largely to a sluggish downstream demand amidst worries over the impact of China-US trade tensions.

The US announced on 13 August that the imposition of 10% additional tariffs on certain Chinese imports, including some home appliance categories, will be delayed to 15 December from the originally scheduled 1 September. Despite the delay, the additional tariffs are likely to reduce the downstream demand for ABS resin in the near future. Thus, we expect the prices of ABS resin to remain low in the coming months.

<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, August 2018 to July 2019**



Source: China Logistics Information Center

## 2. Price index of PP falls in June and July

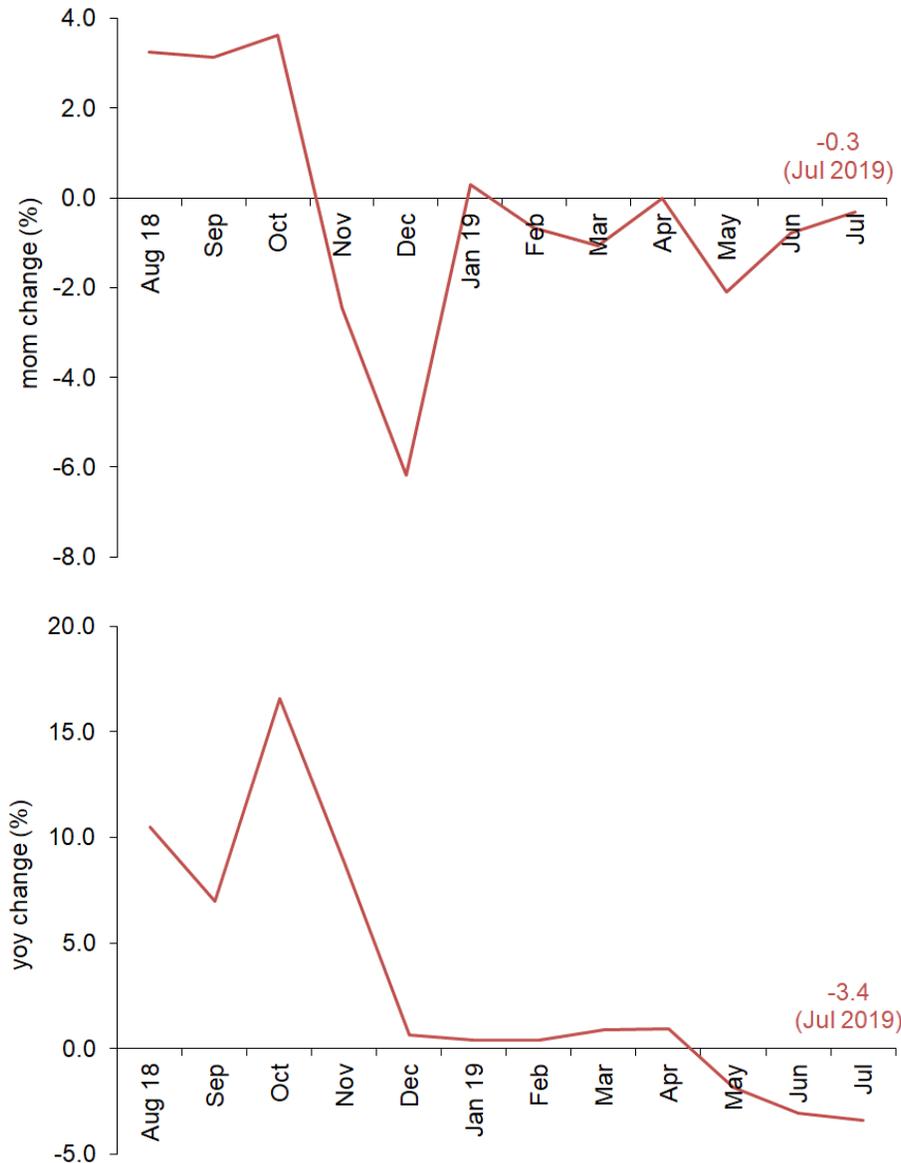
The price index of polypropylene (PP)<sup>2</sup> edged down by 0.3% mom in July, after dropping by 0.8% mom in June (see exhibit 2).

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

The main reasons for the slight drop in PP prices in the two-month period were an increase in the supply of PP and a weak downstream demand during the current low season for PP consumption.

Going forward, we expect that the prices of PP will stay low in the near term as the downstream demand continues to be weak.

**Exhibit 2: Price index of PP, August 2018 to July 2019**



Source: China Logistics Information Center

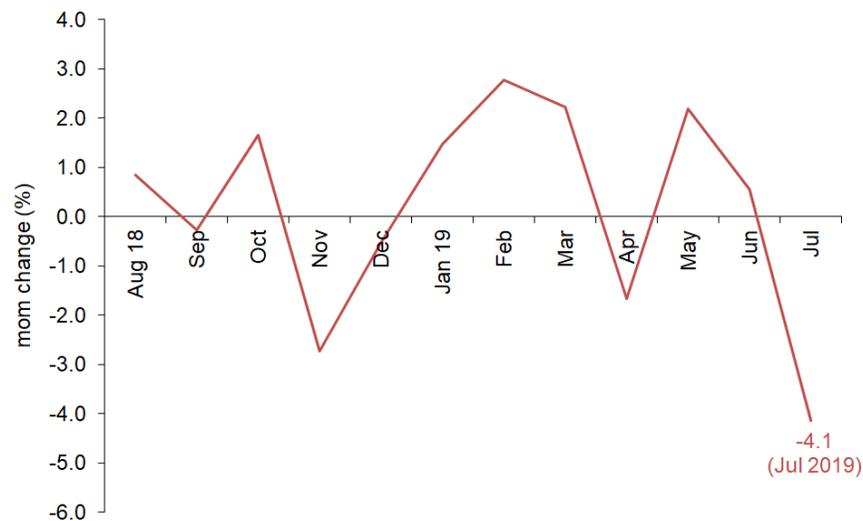
### 3. Price index of natural rubber rises in June but falls in July

After rising by 0.6% mom in June, the price index of natural rubber<sup>3</sup> dropped by 4.1% mom in July (see exhibit 3).

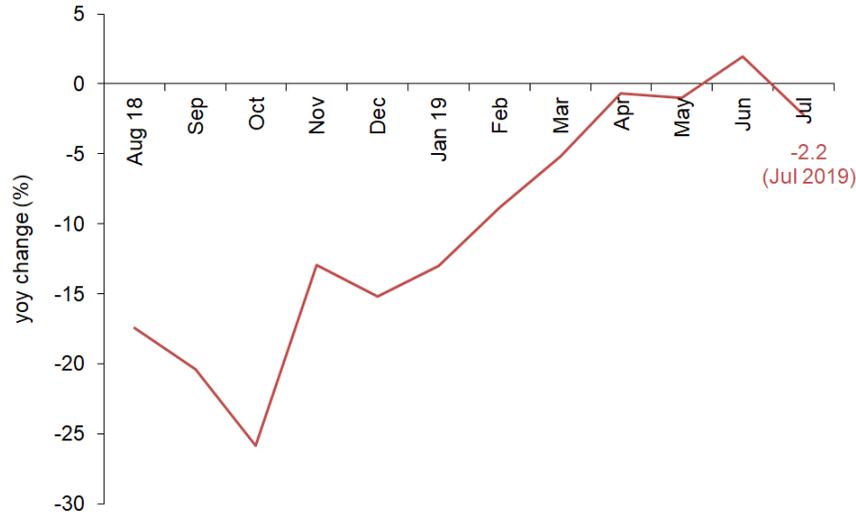
Prices of natural rubber went up in early June due to a tight supply of rubber caused by unfavourable weather conditions in China and other major rubber producing countries. Afterwards, rubber prices trended downward till mid-July as the supply of natural rubber increased during the rubber tapping season. Rubber prices picked up in late July after it was reported that the production of natural rubber in Thailand and Indonesia, two of the major rubber producing countries, was adversely affected by a drought and a fungal disease respectively.

Looking ahead, we predict that the prices of natural rubber will continue to stay low in the near future, given a sluggish downstream demand.

**Exhibit 3: Price index of natural rubber, August 2018 to July 2019**



<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 drop in June and July

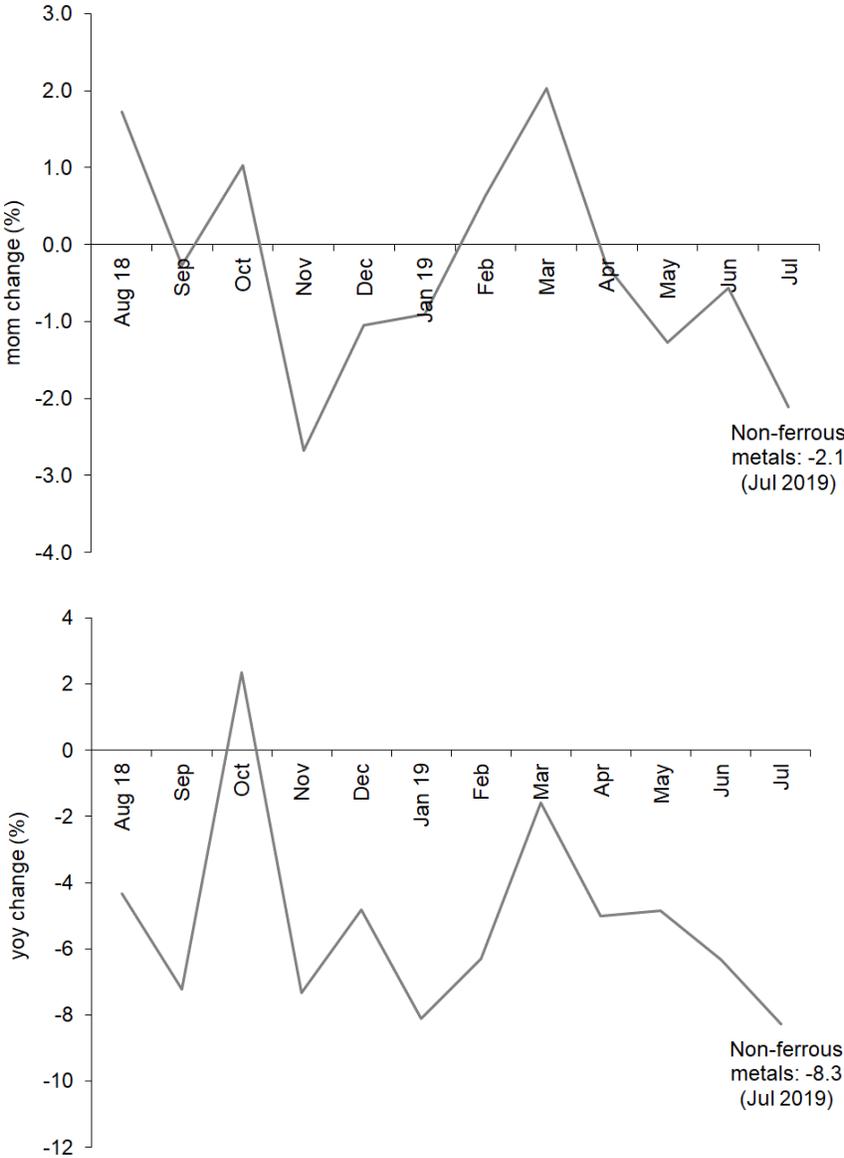
The price index of non-ferrous metals went down by 2.1% mom in July, after falling by 0.6% mom in June.<sup>4</sup> Price indices of copper, aluminum, lead, and zinc all recorded month-on-month declines in July. (see exhibits 4 & 5)

The major reason for the decline in the prices of non-ferrous metals in the two-month period was market concerns over the slowdown in the Chinese and the global economy amid the worsening China-US trade relations. An appreciation of the US dollar in July also put further downward pressure on the prices of commodities including non-ferrous metals in US dollar terms.

Looking ahead, we expect that the prices of non-ferrous metals will stay low in the near future, as market sentiments are likely to remain weak.

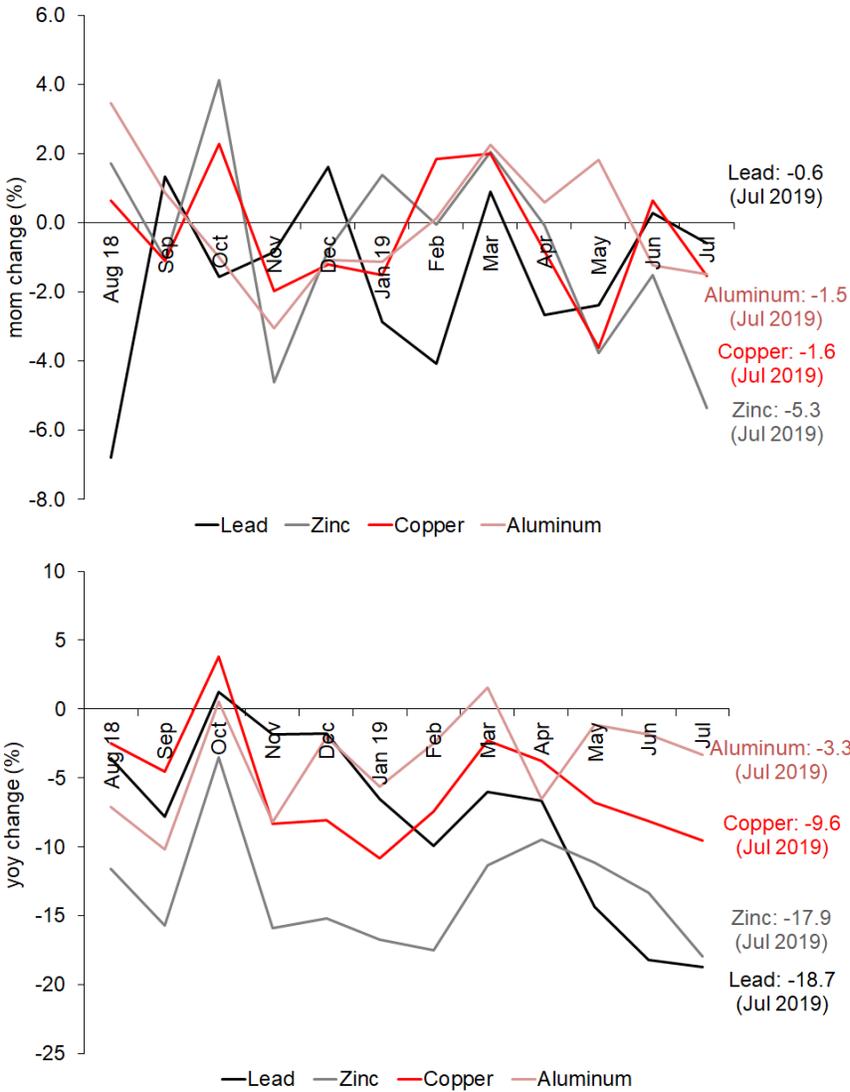
<sup>4</sup> The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,  
August 2018 to July 2019**



Source: China Logistics Information Center

**Exhibit 5: Price index of copper, aluminum, lead and zinc, August 2018 to July 2019**



Source: China Logistics Information Center

## FUNG BUSINESS INTELLIGENCE

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