



## China Sourcing Update

July 28, 2016

### Raw Material Prices: Hard Goods

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

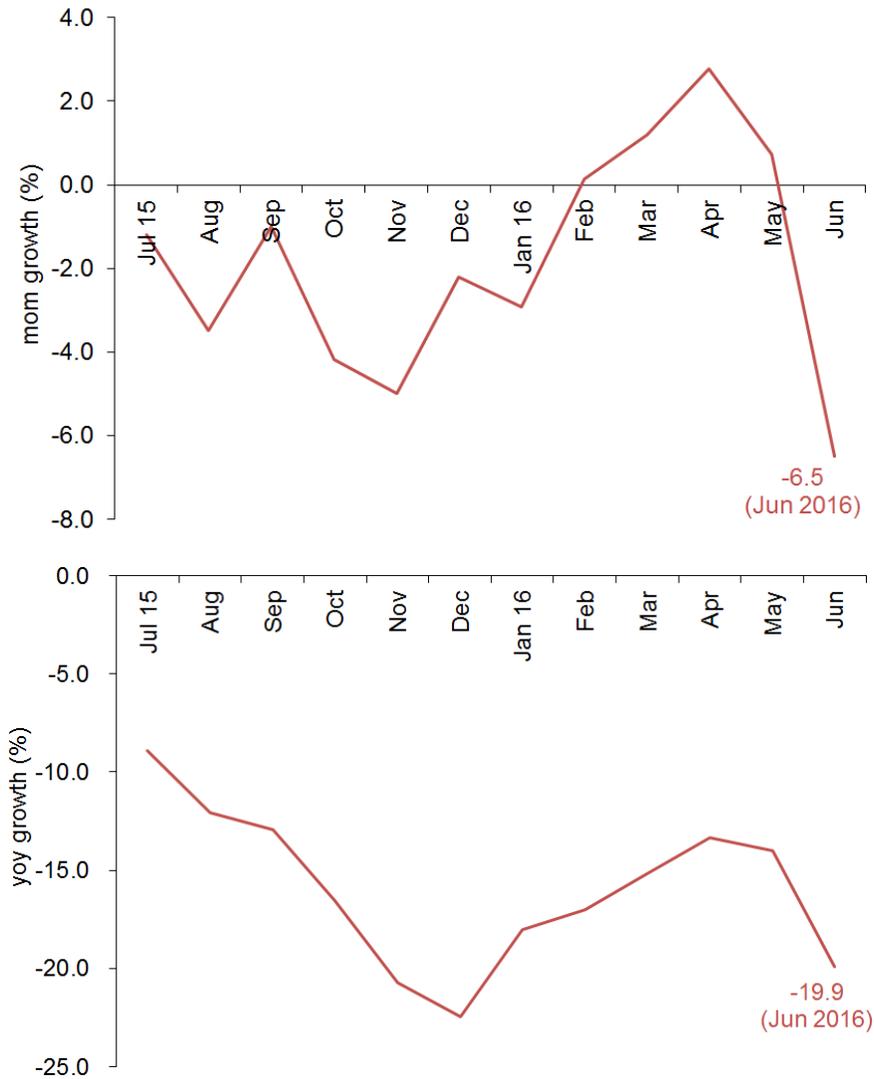
After having risen for four consecutive months, the price index of ABS resin<sup>1</sup> dropped markedly by 6.5% mom in June (*see exhibit 1*). According to the local media, the fall in the prices of ABS resin was due largely to the decline in upstream prices and subdued speculative demand; also, the downstream demand for ABS resin stayed weak during the month.

Looking ahead, the sharp fall in global crude prices after the 'Brexit' decision is expected to further drag down the upstream prices of ABS resin. (Acrylonitrile, butadiene and styrene, the major raw materials of ABS resin, are derived from petroleum.) Moreover, the downstream demand for ABS resin is likely to remain weak in the near term. Therefore, we expect the prices of ABS resin to stay at low levels 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, July 2015 to June 2016**



Source: China Logistics Information Center

## 2. Price index of PP rebounds slightly

The price index of polypropylene (PP)<sup>2</sup> edged up by 0.2% mom in June, after falling by 2.5% mom in May (see exhibit 2).

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

According to the local media, the slight pickup in the spot prices of PP was caused by the rise in the prices of PP futures in China, which was highly associated with market speculations. Meanwhile, the downstream demand for PP stayed weak in the month, and downstream manufacturers only made hand-to-mouth purchases.

Going forward, we believe that the spot prices of PP will mainly depend on the movements of the prices of PP futures in the near term.

**Exhibit 2: Price index of PP, July 2015 to June 2016**



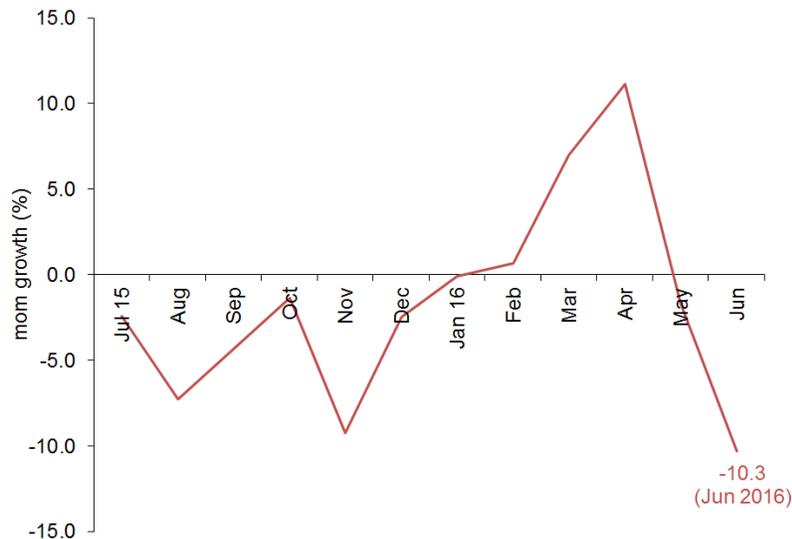
Source: China Logistics Information Center

### 3. Price index of natural rubber falls sharply

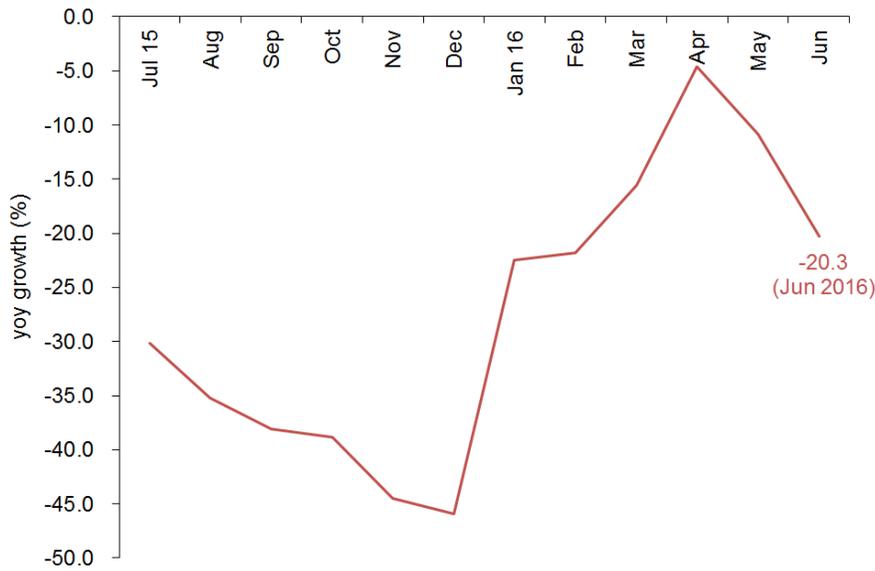
The price index of natural rubber<sup>3</sup> plunged by 10.3% mom in June, falling for the second straight month (see exhibit 3). In our view, the fall in the spot prices of natural rubber in the month was caused by the reduced speculative demand for natural rubber in China; the abundant supply of domestic and imported natural rubber also put downward pressure on the domestic prices of natural rubber.

According to media reports, market speculations have led to considerable fluctuations in the prices of natural rubber futures in China lately, which have in turn caused large swings in the spot prices of natural rubber. Going forward, we believe that the spot prices of natural rubber will mainly be affected by the prices of natural rubber futures in the near term.

**Exhibit 3: Price index of natural rubber, July 2015 to June 2016**



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



Source: China Logistics Information Center

#### 4. Price indices of nonferrous metals pick up again

After dropping by 0.3% mom in May, the price index of nonferrous metals went up by 1.4% mom in June (see exhibits 4 & 5).<sup>4</sup>

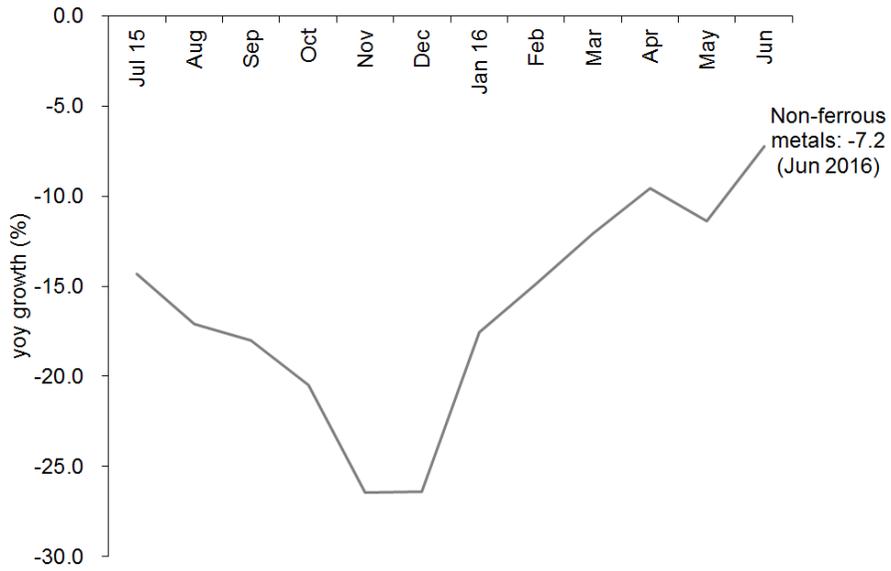
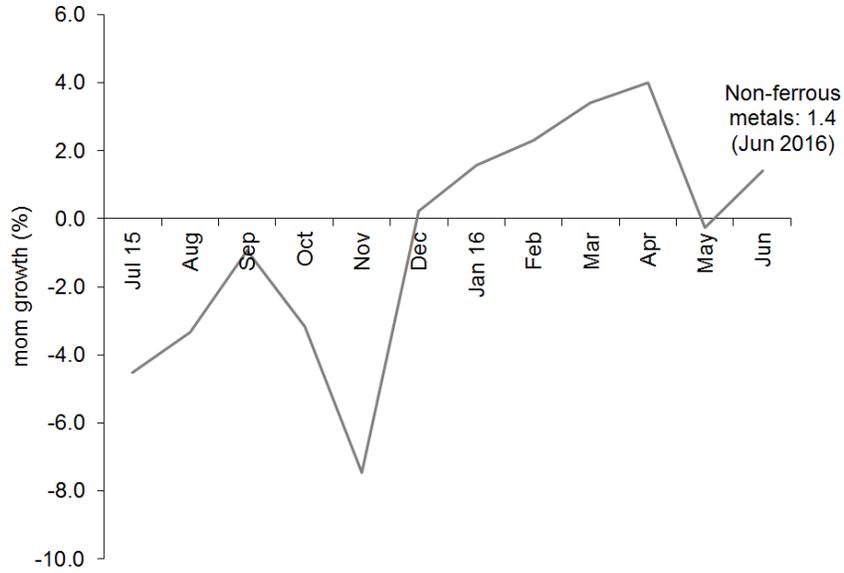
According to the local media, the main reason for the rebound in nonferrous metal prices in the month was a strong speculative demand, triggered by several factors such as the better-than-expected economic data released by China's National Bureau of Statistics, rising expectations of a delay in interest rate increases by the US Federal Reserve, and the Chinese government's plan to increase the state reserves of some types of nonferrous metals and to further reduce the production capacity in the nonferrous metal sector.<sup>5</sup>

The domestic stock levels of nonferrous metals are falling; and the overcapacity problems among the manufacturers of nonferrous metals are being addressed. Thus, we believe that the prices of nonferrous metals will stabilize or even increase in the near future.

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

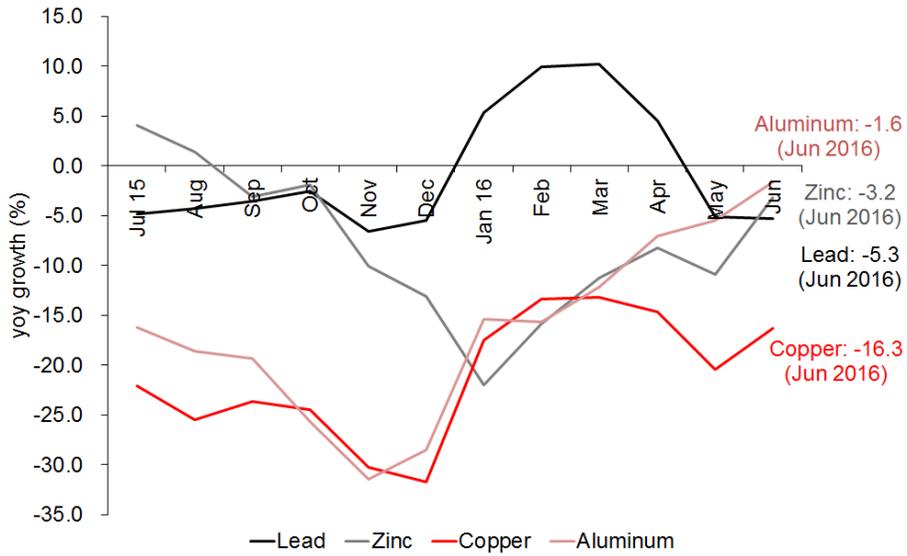
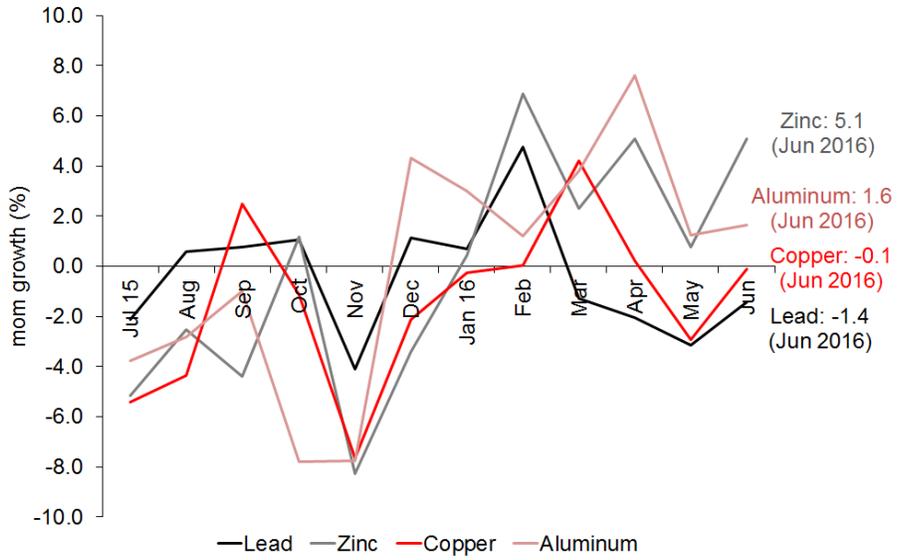
<sup>5</sup> [http://www.gov.cn/zhengce/content/2016-06/16/content\\_5082726.htm](http://www.gov.cn/zhengce/content/2016-06/16/content_5082726.htm)

**Exhibit 4: Price index of nonferrous metals,  
July 2015 to June 2016**



Source: China Logistics Information Center

**Exhibit 5: Price index of copper, aluminum, lead and zinc, July 2015 to June 2016**



Source: China Logistics Information Center

## FUNG BUSINESS INTELLIGENCE

**Fung Business Intelligence** collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

The **Fung Group** is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs over 46,800 people across 40 economies worldwide, generating total revenue of more than US\$24.65 billion in 2014. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

## 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>



© Copyright 2016 Fung Business Intelligence. All rights reserved. Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.