



# China Sourcing Update

July 24, 2017

## Raw Material Prices: Hard Goods

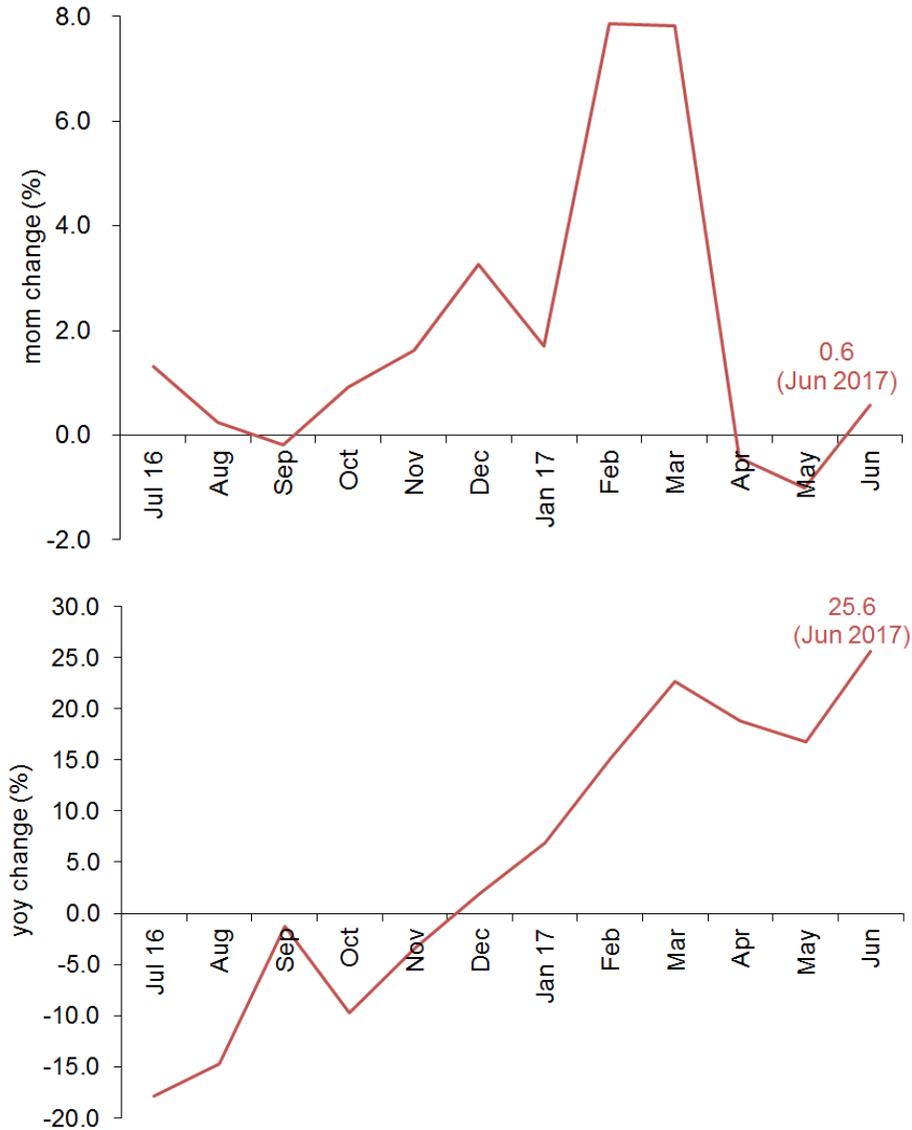
### 1. Price index of ABS resin rebounds slightly in June

After having posted month-on-month decline for two consecutive months, the price index of ABS resin rose by 0.6% mom in June (see *exhibit 1*).

In our view, the rise in the prices of ABS resin in the month was mainly caused by a tightened supply of ABS resin, as indicated by the drop in the inventories held by ABS resin producers to low levels; and an increased demand for ABS resin from manufacturers of home appliances, one of the major downstream markets of ABS resin.

Looking ahead, the downstream demand for ABS resin from manufacturers of home appliances is likely to remain strong. Therefore, we expect the prices of ABS resin to rise further in the coming months.

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



Source: China Logistics Information Center

## 2. Price index of PP continues to fall in June

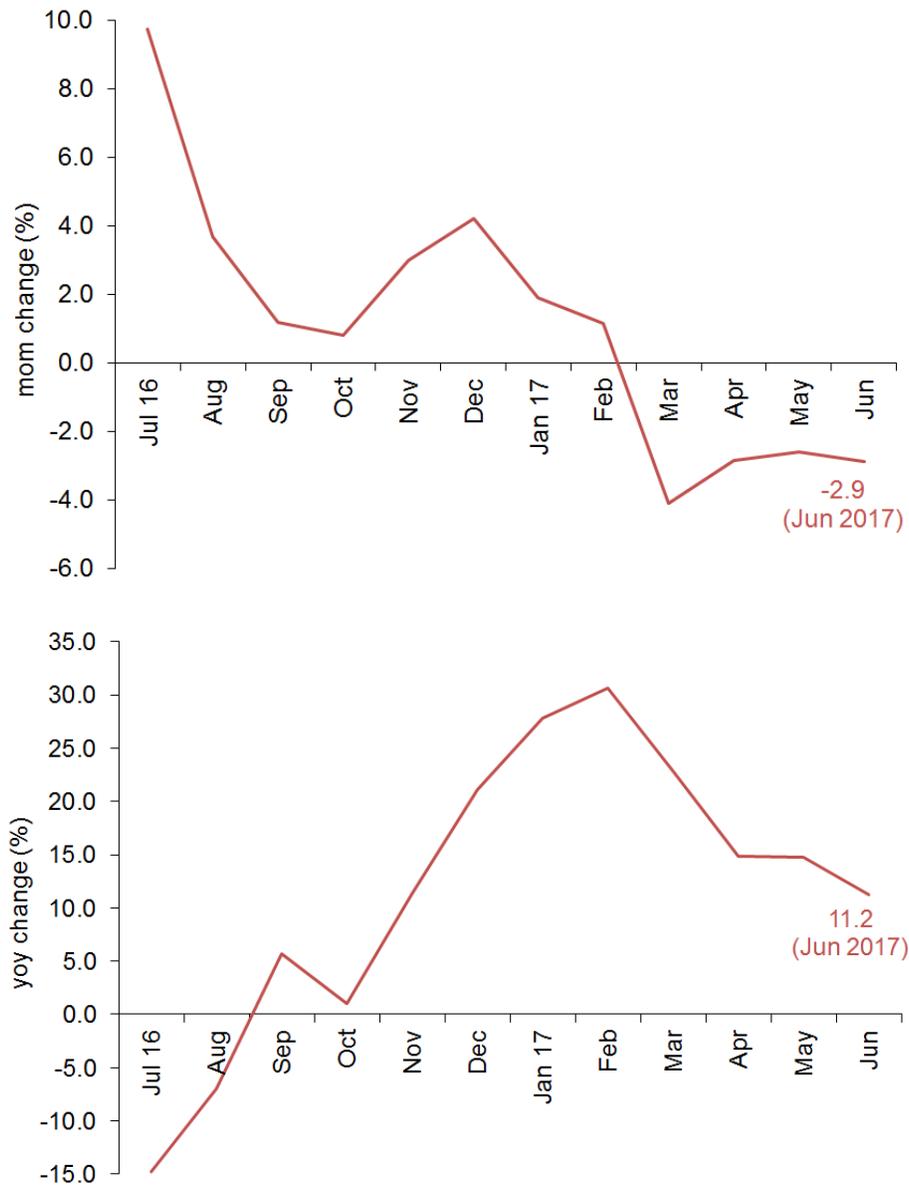
The price index of polypropylene (PP)<sup>1</sup> went down by 2.9% mom in June, posting month-on-month drop for four consecutive months (see exhibit 2).

<sup>1</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 the month were that a number of major PP producers lowered the prices of their products and that the prices of PP futures in China fell.

According to the latest media reports, some PP producers raised the prices of their products in early July. Therefore, we expect that the price index of PP will rebound in the foreseeable future.

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



Source: China Logistics Information Center

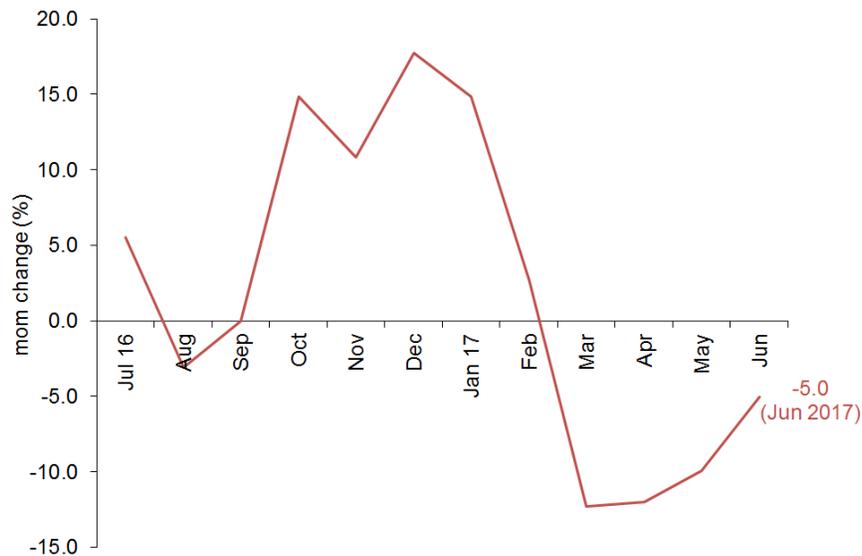
### 3. Price index of natural rubber falls further in June

The price index of natural rubber<sup>2</sup> went down by 5.0% mom in June, after slumping by 9.9% mom in May (see exhibit 3).

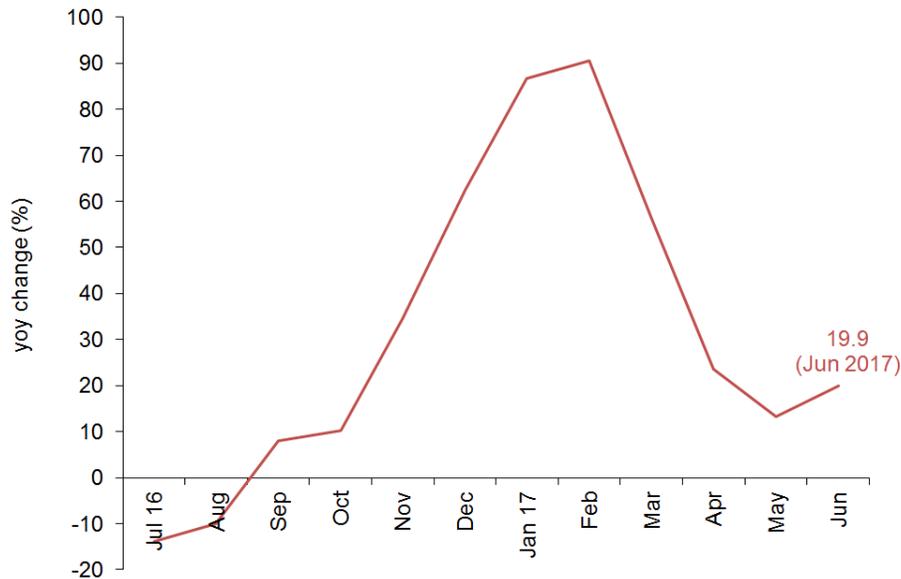
The fall in the prices of natural rubber in the month was due largely to a high domestic stock level of natural rubber and a sluggish downstream demand from tyre manufacturers.

According to the latest media reports, leading rubber producing countries such as Thailand, Malaysia and Indonesia are mulling over plans to stabilize rubber prices through production cuts and export restrictions, which are expected to support the prices of natural rubber in China. Therefore, we believe that the price index of natural rubber will stabilize in the coming months.

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



<sup>2</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 June

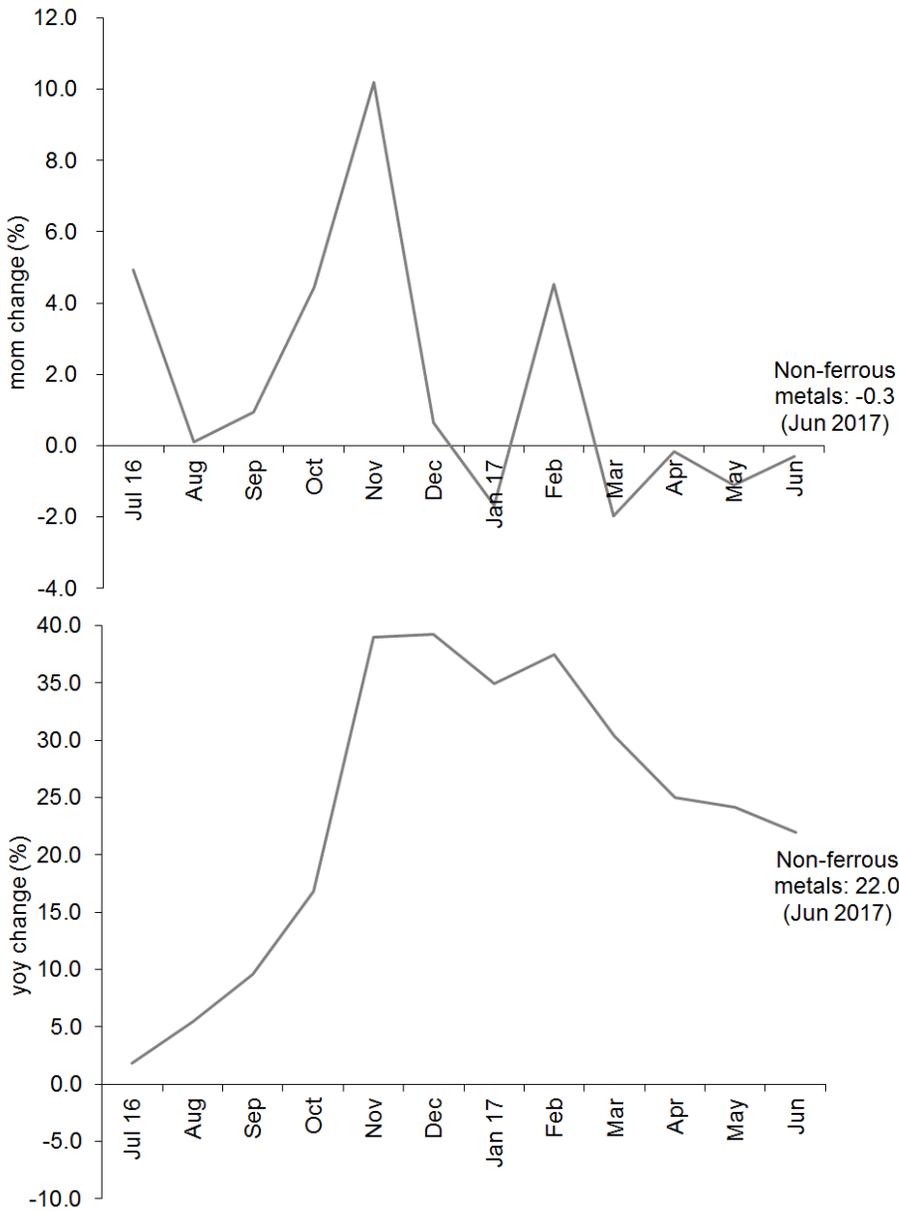
The price index of non-ferrous metals went down by 0.3% mom in June, posting month-on-month drop for four consecutive months (see exhibits 4 & 5).<sup>3</sup>

In our view, the main reasons for the decline in non-ferrous metal prices in China in June were a plunge in global oil prices, which adversely affected investors' sentiments on non-ferrous metals; and a sluggish downstream demand for non-ferrous metals, particularly aluminum, in China.

Looking ahead, we expect the price index of non-ferrous metals to pick up in the near term, as the recent weakness of the US dollar is likely to boost the prices of non-ferrous metals.

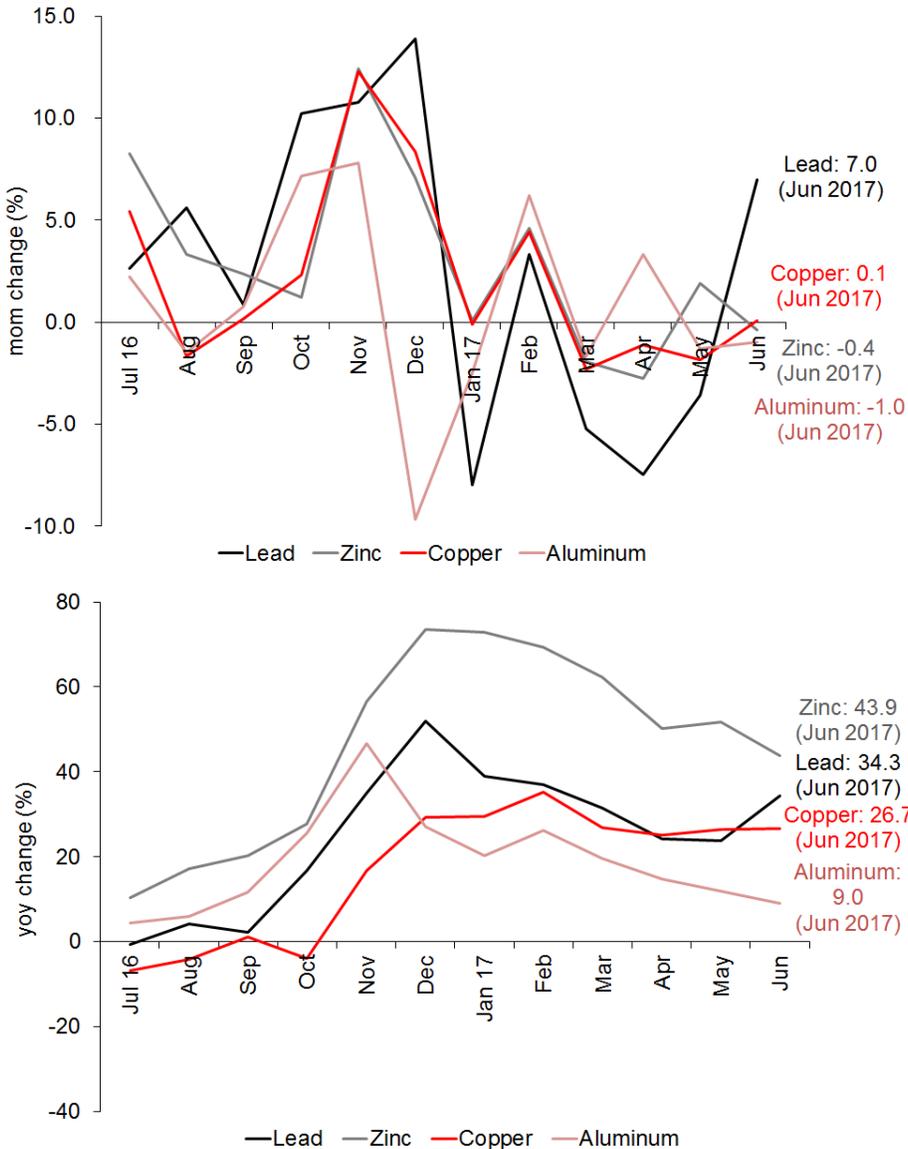
<sup>3</sup> The indices are compiled by the China Logistics Information Center (CLIC).

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



Source: China Logistics Information Center

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



Source: China Logistics Information Center

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