



China Sourcing Update

April 24, 2019

Raw Material Prices: Hard Goods

1. Price index of ABS resin rebounds slightly in March

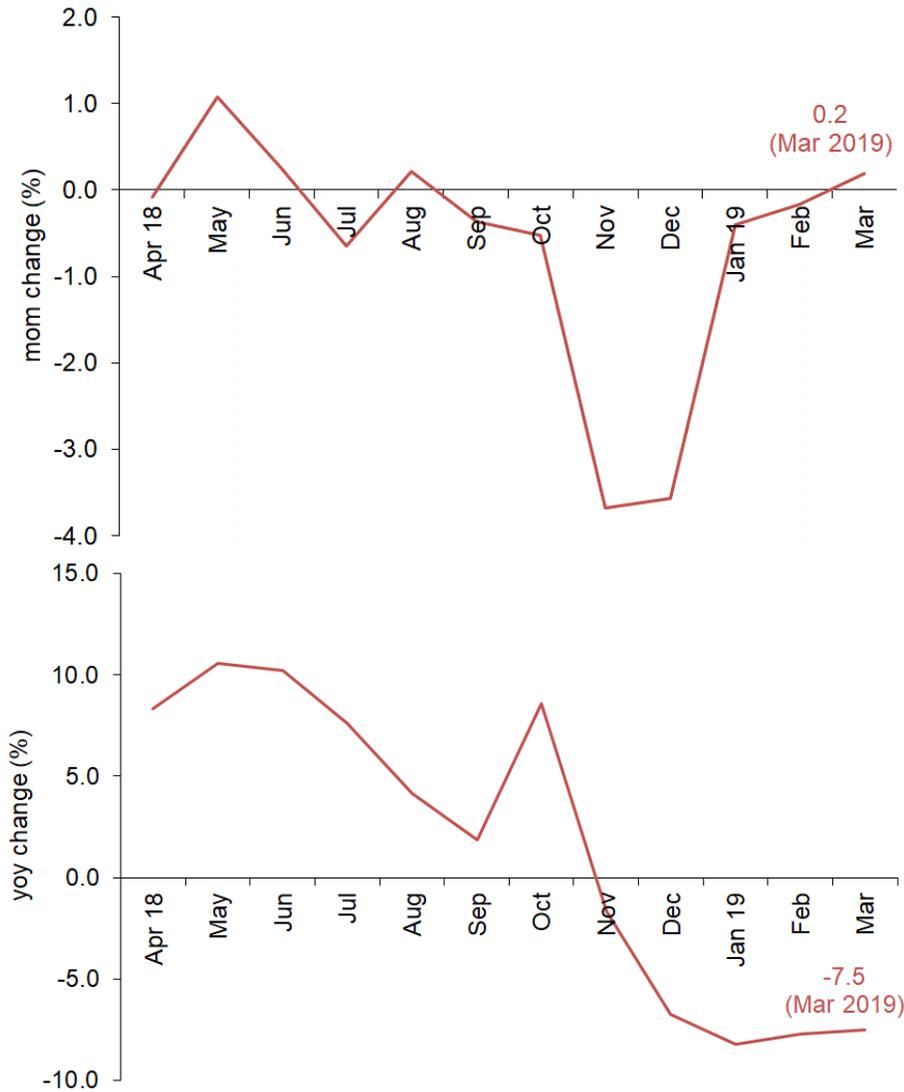
The price index of ABS resin¹ picked up by 0.2% mom in March after having fallen for six consecutive months (see exhibit 1). The main reason for the rebound in the prices of ABS resin was an improved demand from downstream manufacturers in the month.

Looking ahead, we expect that the prices of ABS resin will continue to rise in the near term as global crude prices have trended upward in recent weeks.²

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 Acrylonitrile, butadiene and styrene, the major raw materials of ABS resin, are derived from petroleum.

Exhibit 1: Price index of ABS resin, April 2018 to March 2019



Source: China Logistics Information Center

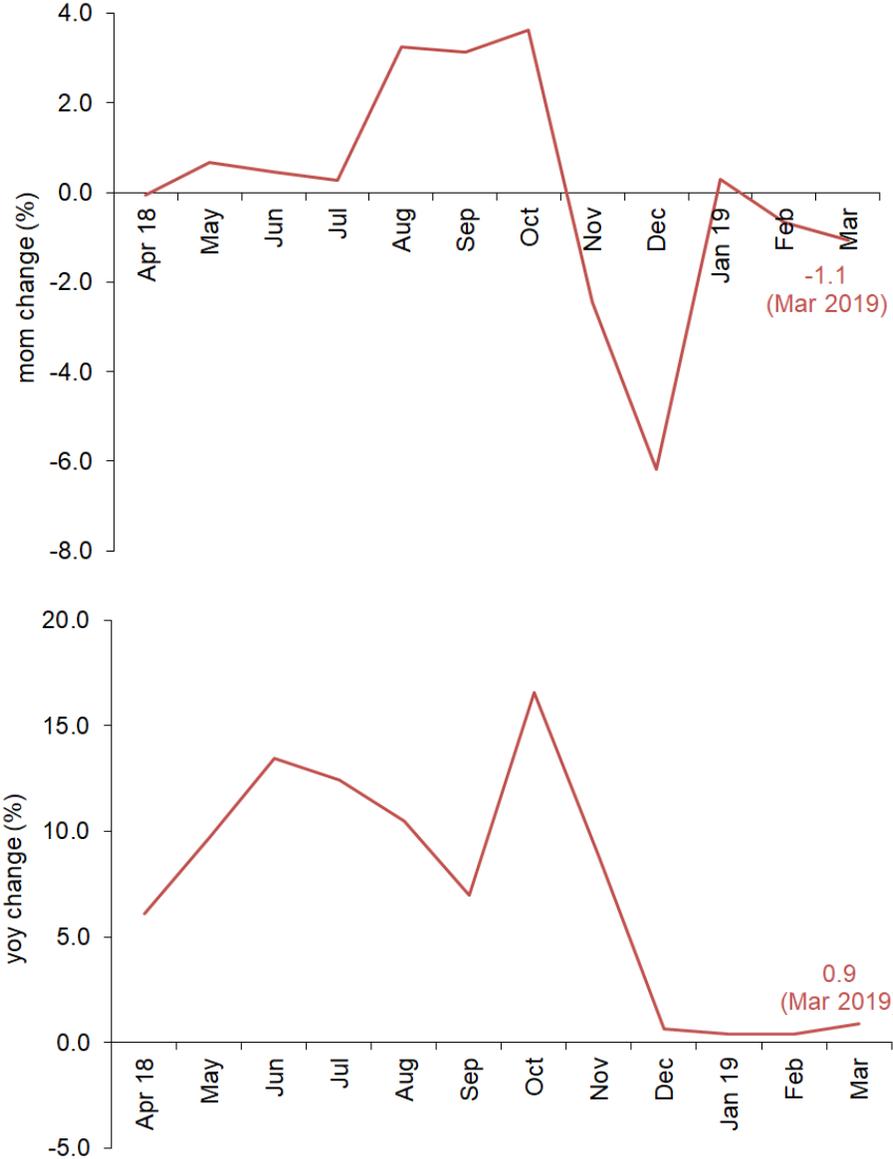
2. Price index of PP falls in March

The price index of polypropylene (PP)³ declined by 1.1% mom in March, after dropping by 0.7% mom in February. (see exhibit 2). The fall in PP prices in the month was mainly attributed to a sluggish downstream demand, in our view.

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

Prices of propylene, the major raw material of PP, went up in early April. Therefore, we expect PP prices to rise in the near future.

Exhibit 2: Price index of PP, April 2018 to March 2019



Source: China Logistics Information Center

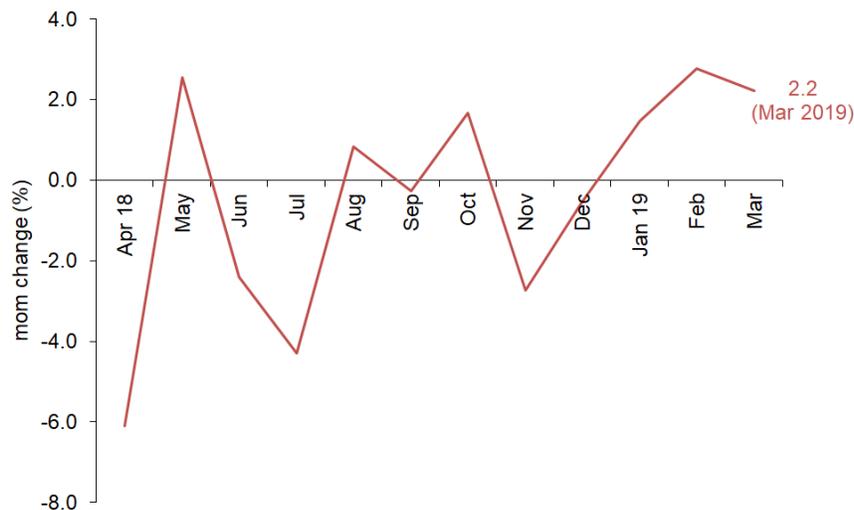
3. Price index of natural rubber goes up in March

The price index of natural rubber⁴ increased further by 2.2% mom in March, after rising by 2.8% mom in February (see exhibit 3).

Rubber prices rose in early March but dropped afterwards. The main reasons for the fall in the prices of natural rubber since early March were an increased domestic supply of natural rubber and a sluggish downstream demand in the period.

Going forward, the domestic supply of natural rubber is likely to remain abundant, as the rubber tapping season is underway in China. Therefore, we predict that the prices of natural rubber will decline in the coming couple of months.

Exhibit 3: Price index of natural rubber, April 2018 to March 2019



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



Source: China Logistics Information Center

4. Price indices of non-ferrous metals rise in March

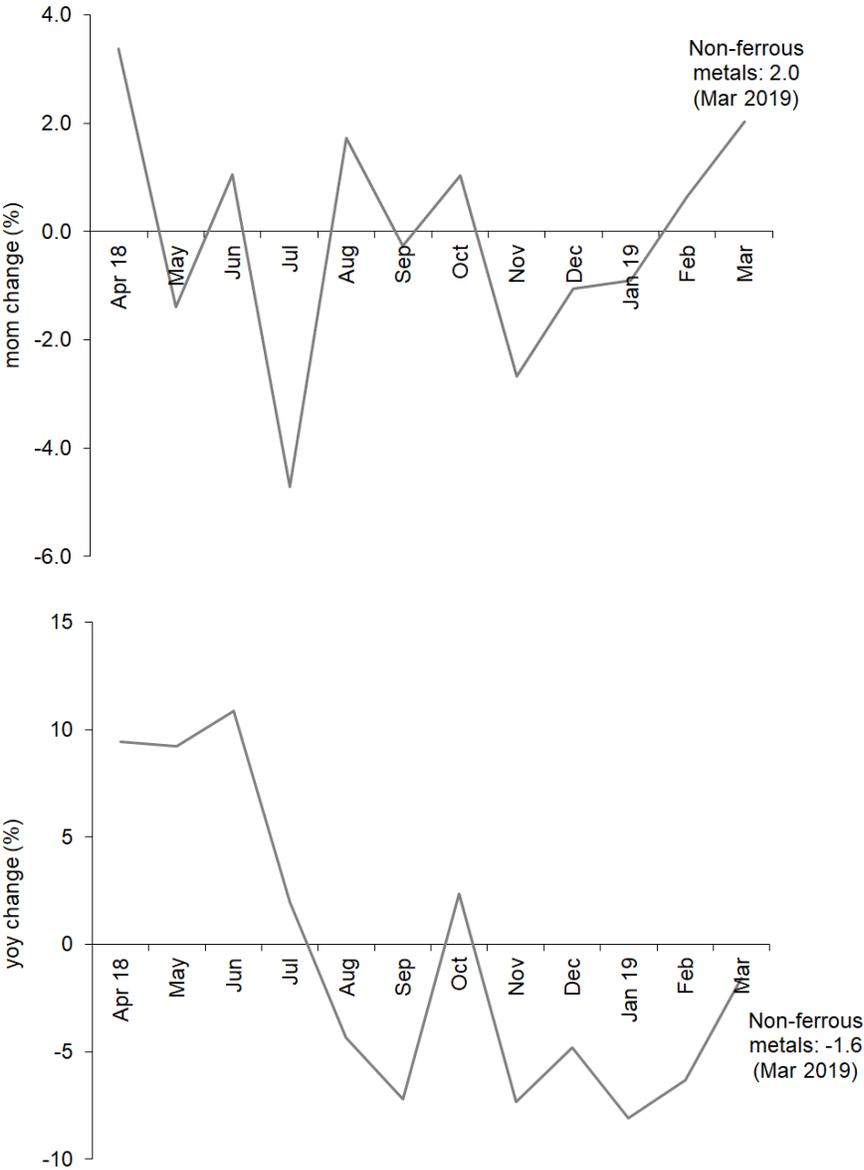
The price index of non-ferrous metals went up by 2.0% mom in March, after rising by 0.6% mom in February (see exhibits 4 & 5).⁵

In our view, the increase in the prices of non-ferrous metals in March was triggered by an improvement in market sentiments due mainly to reported progress in the China-US trade negotiations and China's better-than-expected economic data; and a depreciation of the US dollar in mid-March, which boosted 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 high in the near future, as market sentiments are likely to remain bullish amid further progress in China-US trade talks and stronger-than-expected economic data released by the Chinese government recently.

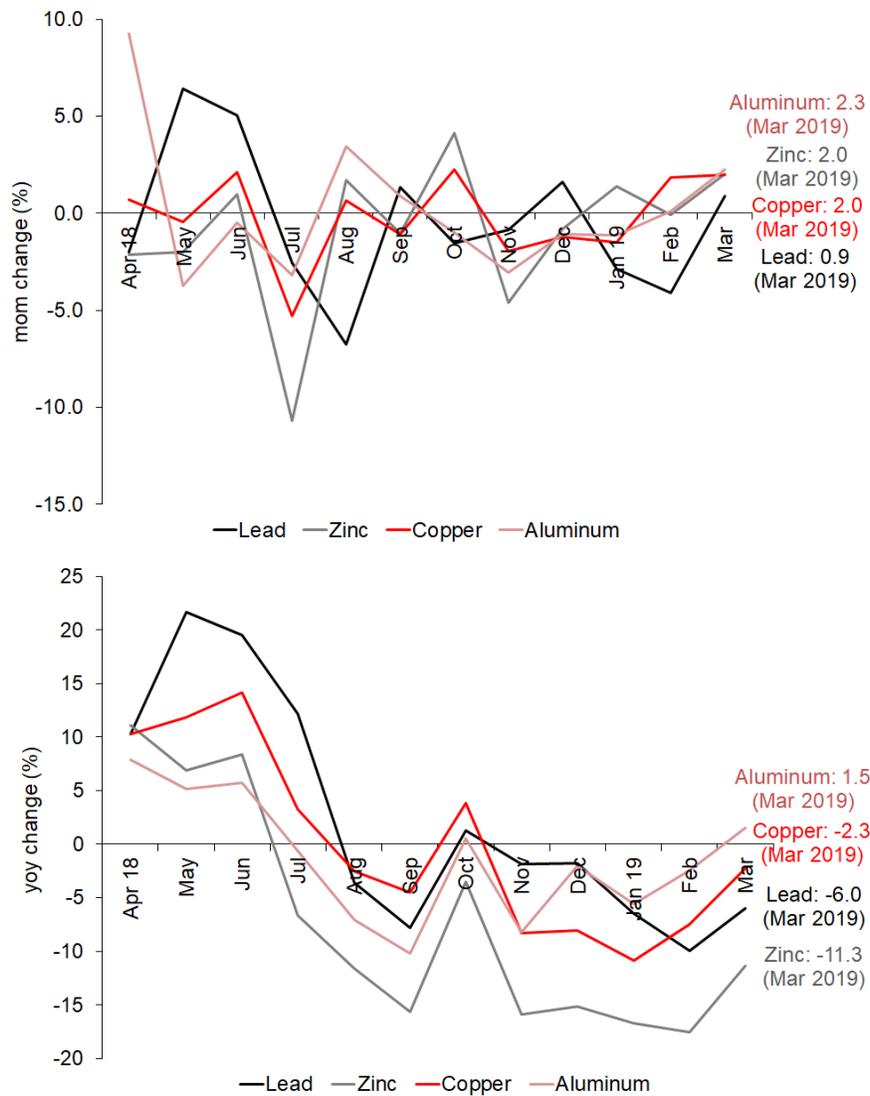
⁵ The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,
April 2018 to March 2019**



Source: China Logistics Information Center

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



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.

Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail. The **Fung Group** comprises 42,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

Listed entities of the Group include Li & Fung Limited (SEHK: 00494), Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

For more information, please visit www.funggroup.com.

CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

William Kong
Research Manager
williamkong@fung1937.com
(852) 2300 2404

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
W: <http://www.fbicgroup.com>



© Copyright 2019 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.