



## China Sourcing Update

December 23, 2016

### Raw Material Prices: Hard Goods

#### 1. Price index of ABS resin rises further in November

The price index of ABS resin<sup>1</sup> went up by 0.9% mom in November, posting month-on-month gain for two consecutive months (*see exhibit 1*).

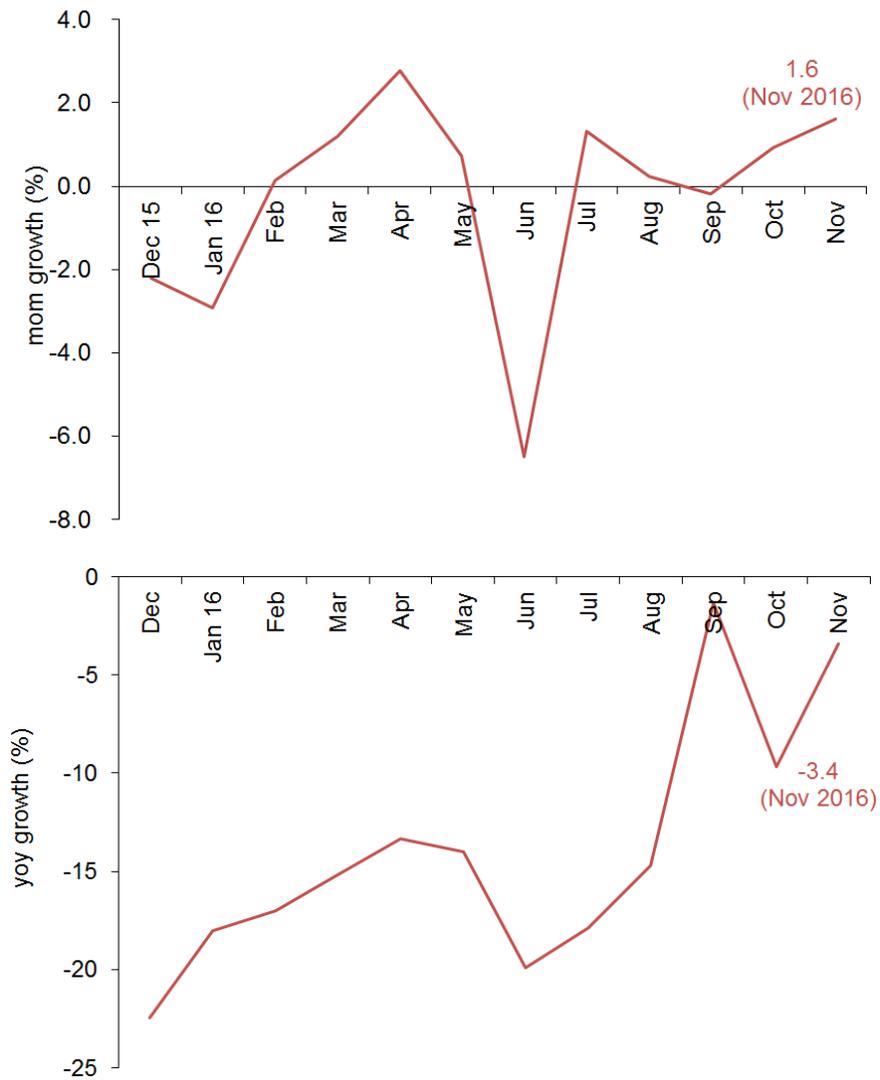
In our view, the increase in the prices of ABS resin in November was mainly attributable to the rise in upstream prices. Prices of styrene, a major raw material of ABS resin, surged in the month. Meanwhile, the demand from downstream manufacturers and traders also improved.

According to the latest media reports, some major ABS resin producers raised the prices of their products in early December amid a tight supply of ABS resin and rising upstream costs. Therefore, we expect the overall prices of ABS resin to go up further in the near future.

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<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, December 2015 to November 2016**



Source: China Logistics Information Center

## 2. Price index of PP goes up further

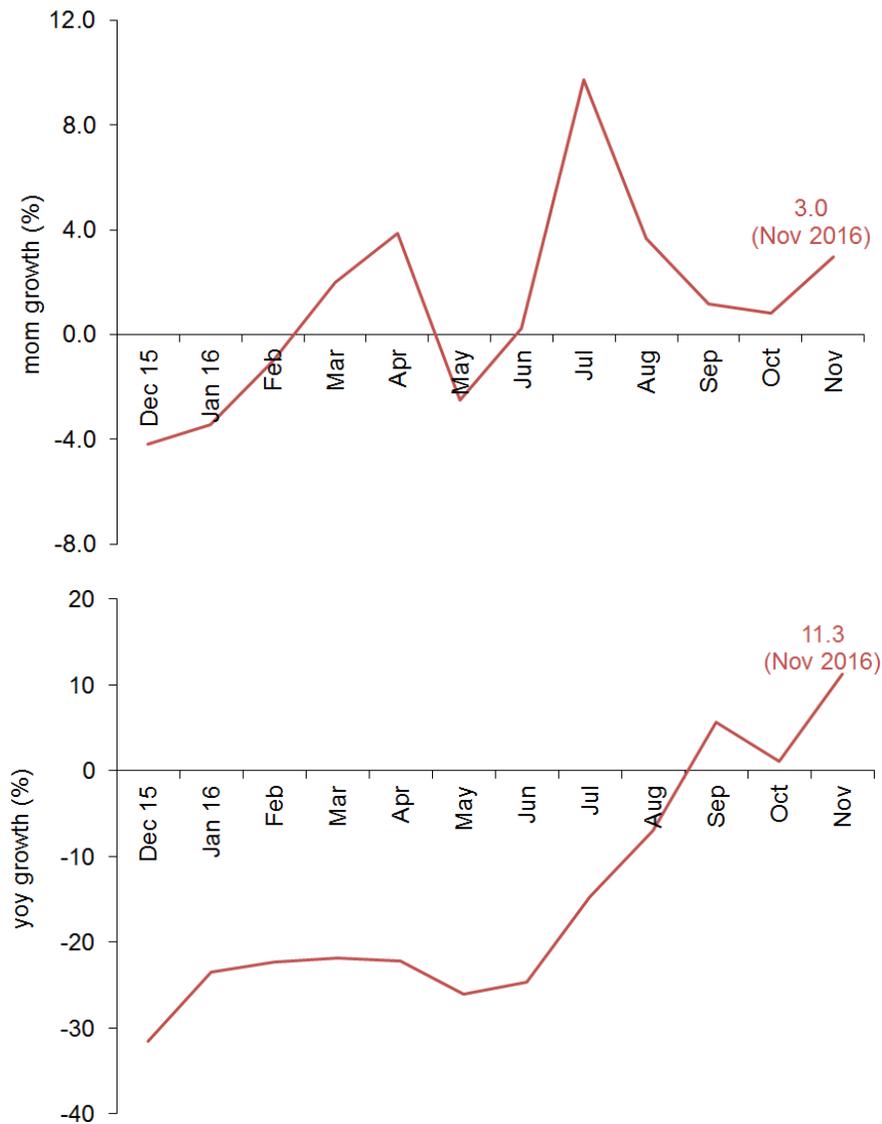
The price index of polypropylene (PP)<sup>2</sup> rose by 3.0% mom in November, posting month-on-month gain for six consecutive months (see exhibit 2).

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

The main reasons for the rise in the price index of PP in the month were that some PP producers raised the prices of their products amid the surge in the prices of PP futures in China.

Looking ahead, the supply of PP is likely to be tight in the year-end; moreover, the prices of PP futures rose further during early to mid-December. Thus, we believe that the overall prices of PP will continue to increase in the near future.

**Exhibit 2: Price index of PP, December 2015 to November 2016**



Source: China Logistics Information Center

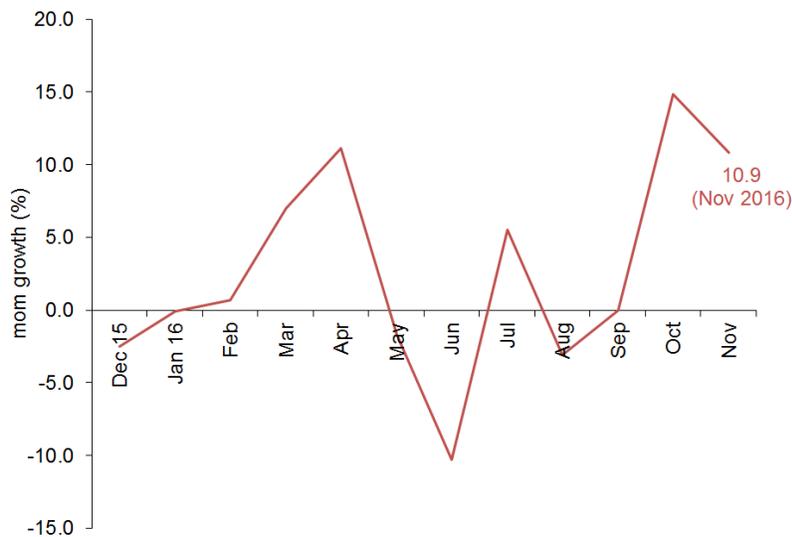
### 3. Price index of natural rubber continues to surge

The price index of natural rubber<sup>3</sup> went up sharply by 10.9% mom in November, after soaring by 14.8% mom in October (see exhibit 3).

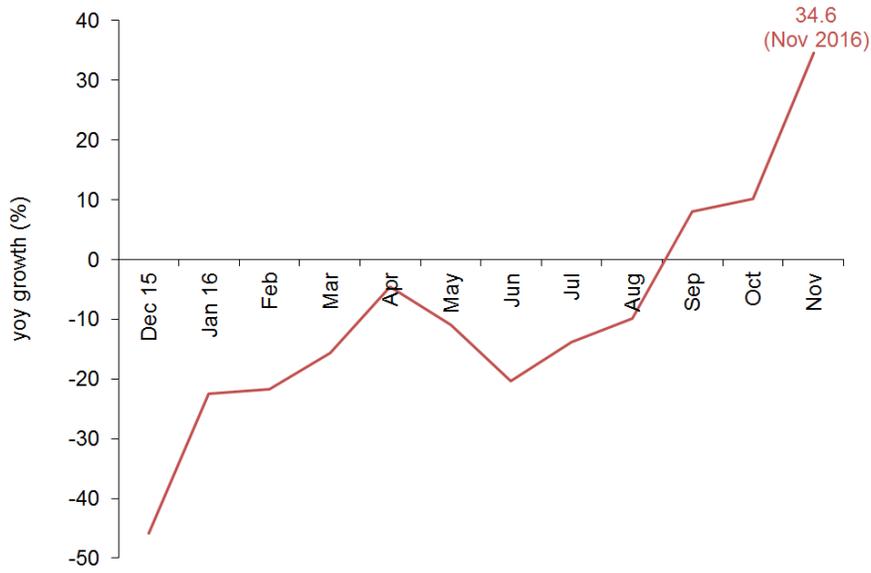
According to the local media, the surge in spot prices of natural rubber in the month were mainly caused by a hike in the prices of natural rubber futures in China; and a tight supply of natural rubber due to a reduced supply from major rubber producing countries and a fall in the domestic stock levels of natural rubber.

Going forward, the domestic supply of natural rubber is likely to remain tight in the near term. Therefore, we expect the price index of natural rubber to rise further in the near future.

**Exhibit 3: Price index of natural rubber, December 2015 to November 2016**



<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 soar

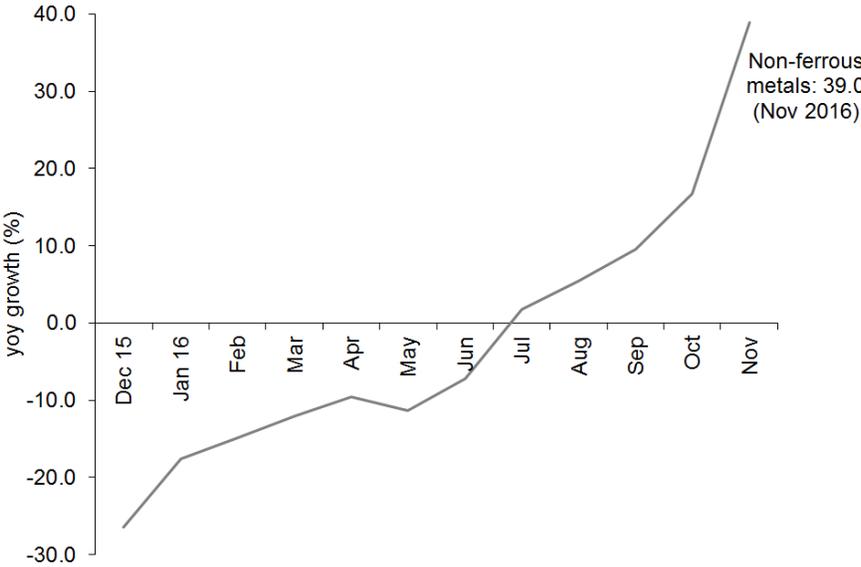
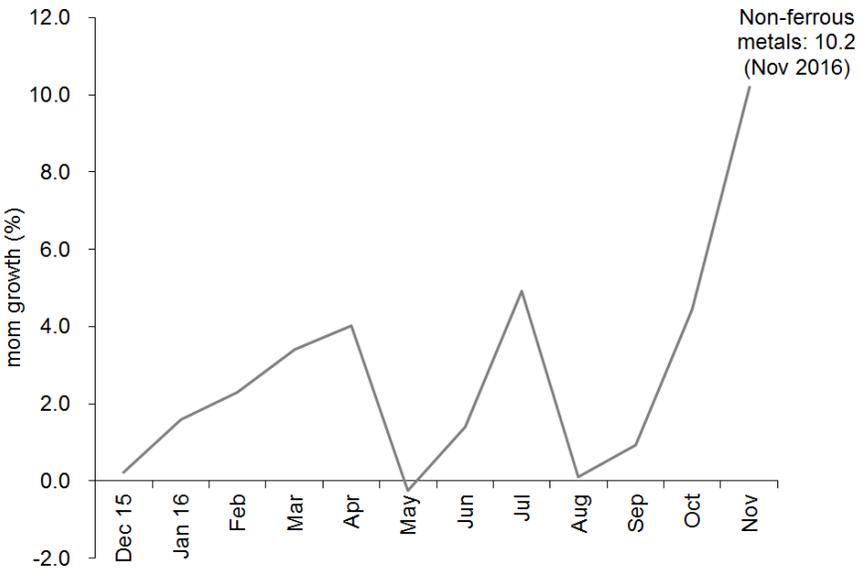
The price index of non-ferrous metals went up sharply by 10.2% mom in November, posting month-on-month gain for six consecutive months (see exhibits 4 & 5).<sup>4</sup>

According to the local media, the main reasons for the surge in non-ferrous metal prices in China in the month were the victory of Donald Trump in the US presidential election, whose promise to increase infrastructure investment in the US has given a big boost to global non-ferrous metal prices; a tight domestic supply of some non-ferrous metals such as lead; better-than-expected economic data released by China's government, which helped improve investors' sentiments on non-ferrous metals; and a sharp rise in global oil prices, which supported commodity prices in general.

Looking ahead, the domestic supply of some non-ferrous metals is expected to remain tight in the near term. However, after the US Federal Reserve raised its benchmark interest rate by 0.25% and signalled a faster pace of interest rate hikes in 2017 on 14 December, non-ferrous metal prices took a hit, according to the latest media reports. All in all, we do not expect the prices of non-ferrous metals to rise further in the near future.

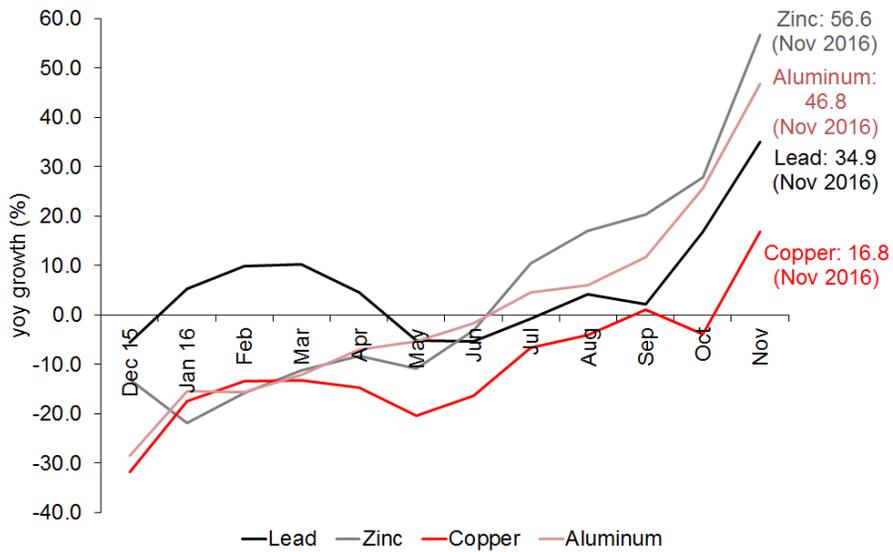
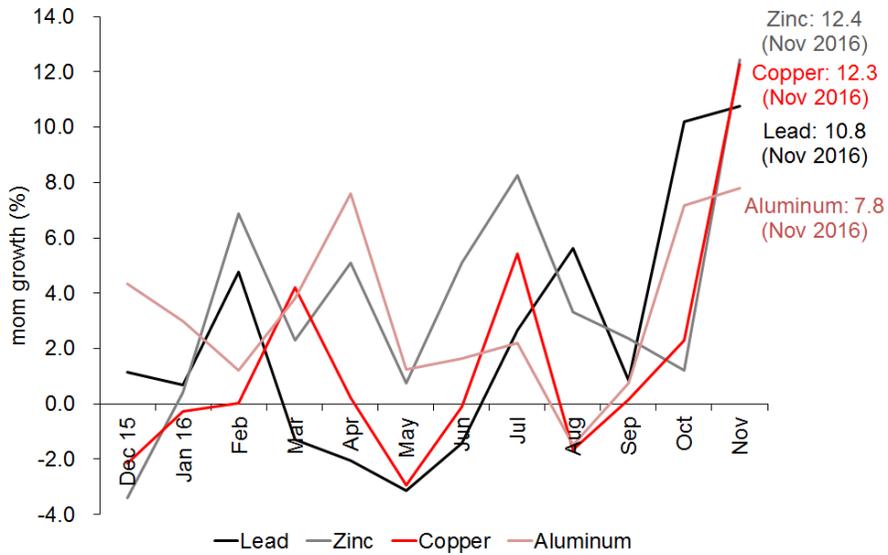
<sup>4</sup> The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,  
December 2015 to November 2016**



Source: China Logistics Information Center

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



Source: China Logistics Information Center

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