



# China Sourcing Update

December 21, 2017

## Raw Material Prices: Hard Goods

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

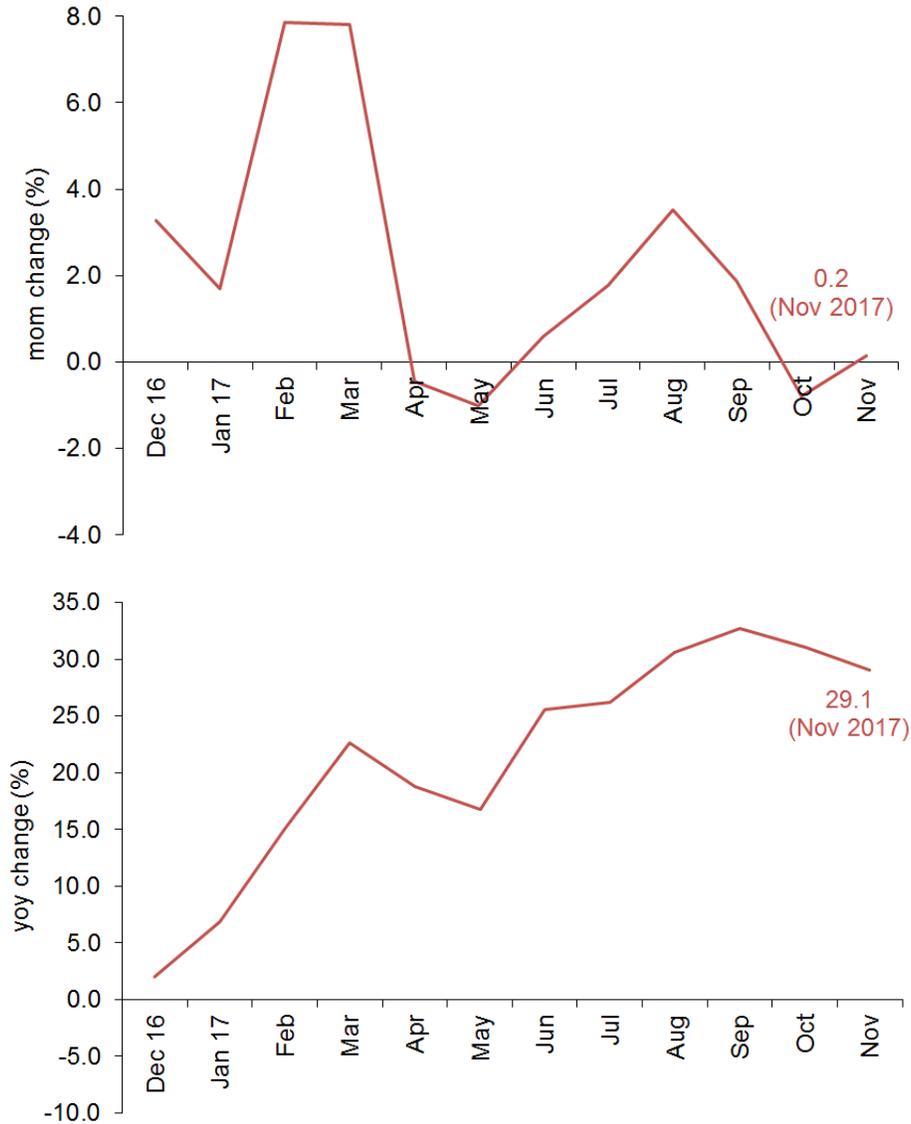
The price index of ABS resin<sup>1</sup> picked up by 0.2% mom in November, after dropping by 0.8% mom in October (see exhibit 1).

The slight rebound in the prices of ABS resin in November was supported by a mild recovery in the demand from manufacturers of home appliances, a major downstream sector of ABS resin.

Looking ahead, we expect the prices of ABS resin to stay high in the near term as the downstream demand for the resin is expected to remain stable.

<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 2016 to November 2017**



Source: China Logistics Information Center

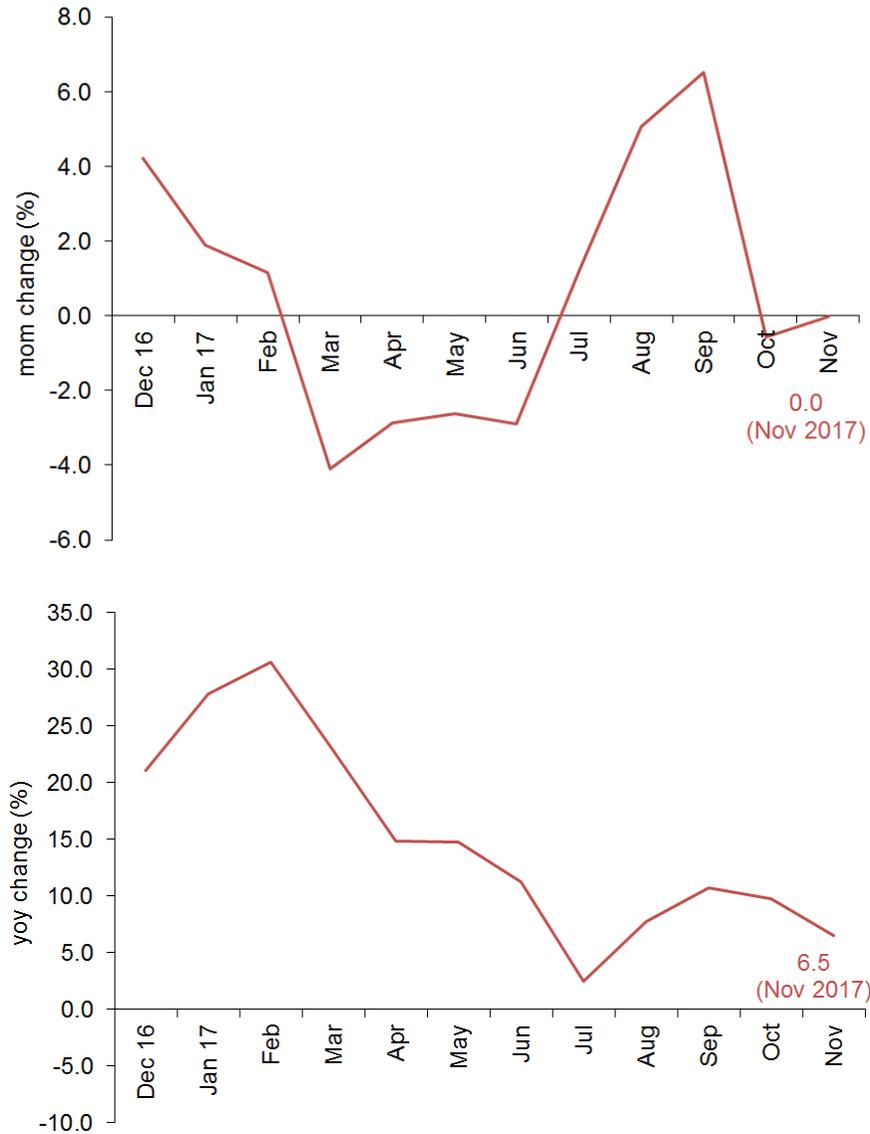
## 2. Price index of PP stays flat in November

After falling by 0.6% mom in October, the price index of polypropylene (PP)<sup>2</sup> stayed stable in November (see exhibit 2).

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

According to the local media, PP prices increased in early November but retreated in late November; then, some PP producers raised the prices of their products in early December when the prices of PP futures in China increased. Therefore, we expect that the price index of PP will go up in the near term.

**Exhibit 2: Price index of PP, December 2016 to November 2017**



Source: China Logistics Information Center

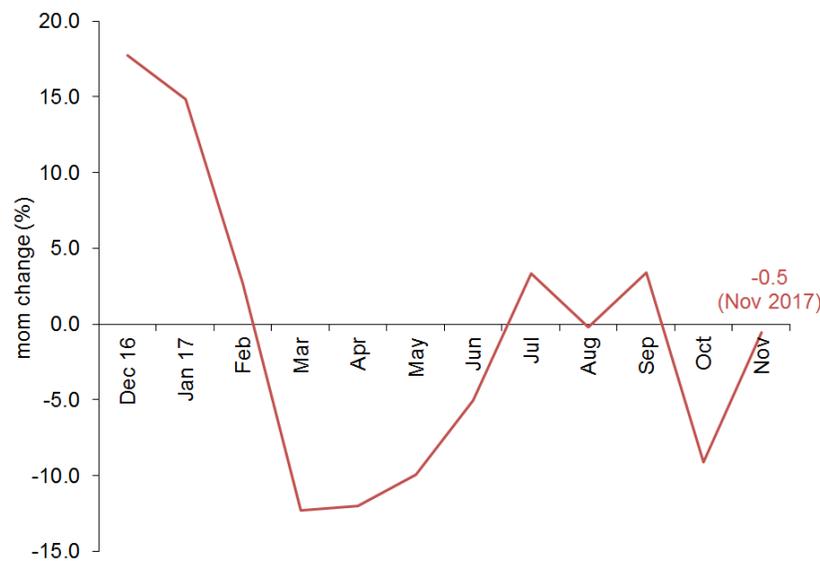
### 3. Price index of natural rubber falls slightly in November

The price index of natural rubber<sup>3</sup> went down by 0.5% mom in November, after plunging by 9.1% mom in October (see exhibit 3).

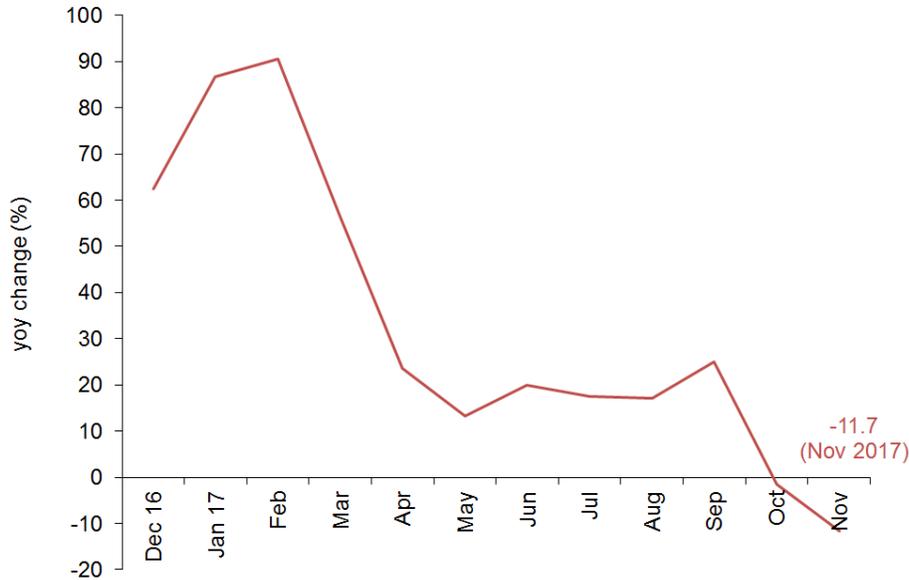
In our view, the main reasons behind the low prices of natural rubber in the month included an abundant supply of natural rubber in the domestic market, as indicated by a high stock level of rubber; and a sluggish downstream demand for rubber from tyre manufacturers.

As the rubber tapping season is still underway, the supply of natural rubber is expected to remain abundant in the coming couple of months. Meanwhile, the downstream demand for natural rubber shows no signs of recovery. Thus, we expect that rubber prices will stay low in the foreseeable future.

**Exhibit 3: Price index of natural rubber, December 2016 to November 2017**



<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 go down in November

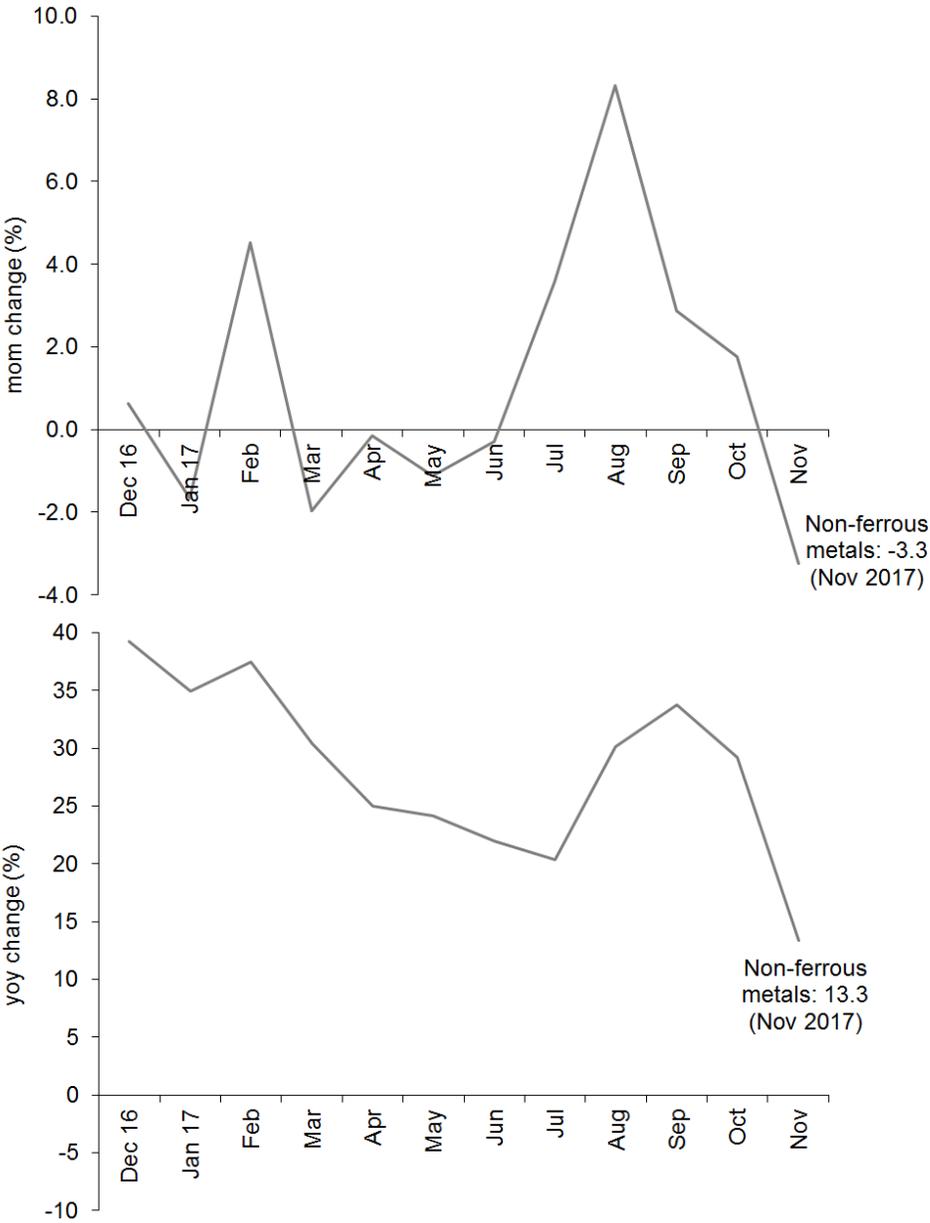
The price index of non-ferrous metals dropped by 3.3% mom in November, after rising by 1.8% mom in October (see exhibits 4 & 5).<sup>4</sup>

Triggered by a decrease in the domestic demand for non-ferrous metals, in particular zinc and aluminum, non-ferrous metal prices in China fell in November. Moreover, as impacts of the production cuts in the aluminum industry in northern China were weaker than expectations, aluminum prices dropped sharply in the month.

Going forward, the domestic demand for non-ferrous metals is likely to remain sluggish in the near term. Therefore, we believe that non-ferrous metal prices will decline further.

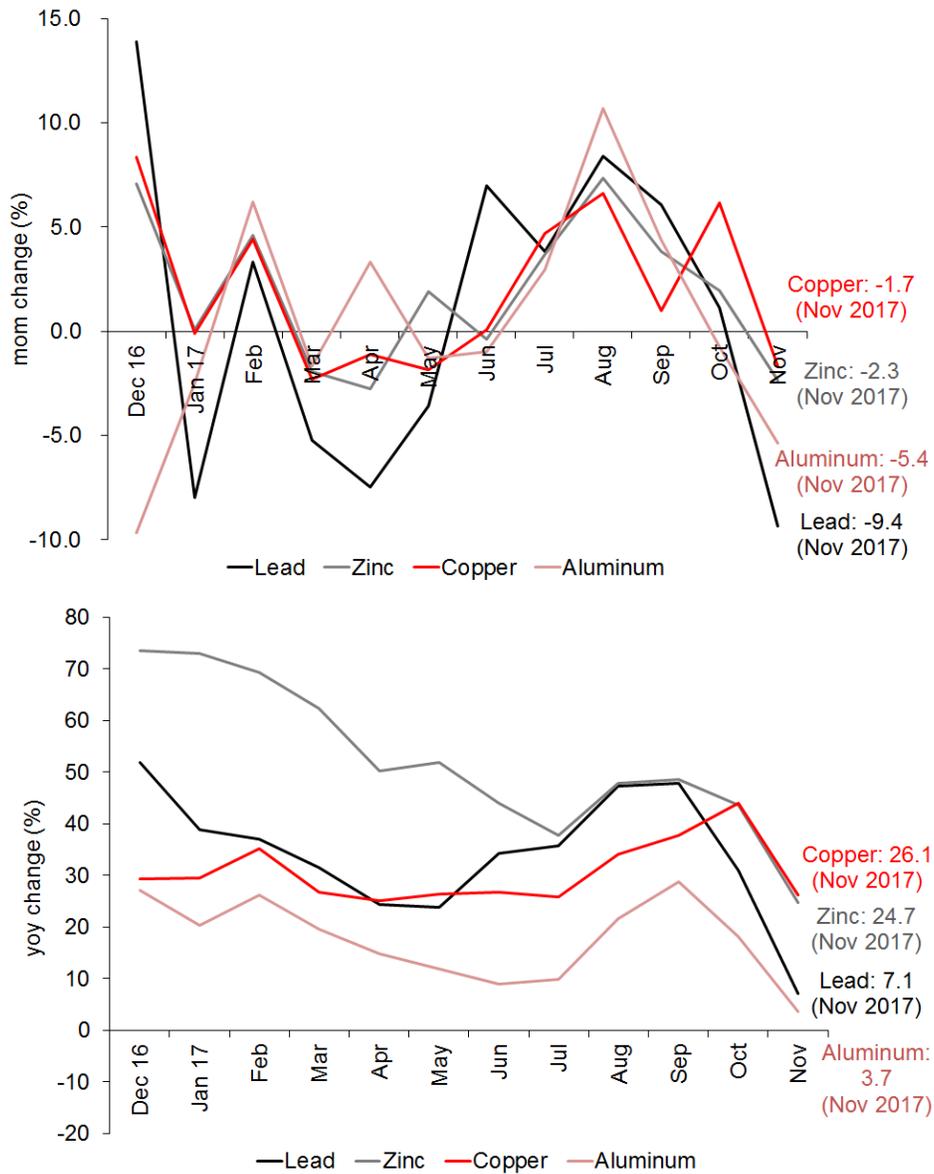
<sup>4</sup> The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,  
December 2016 to November 2017**



Source: China Logistics Information Center

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



Source: China Logistics Information Center

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