



# China Sourcing Update

December 27, 2018

## Raw Material Prices: Hard Goods

### 1. Price index of ABS resin falls markedly in November

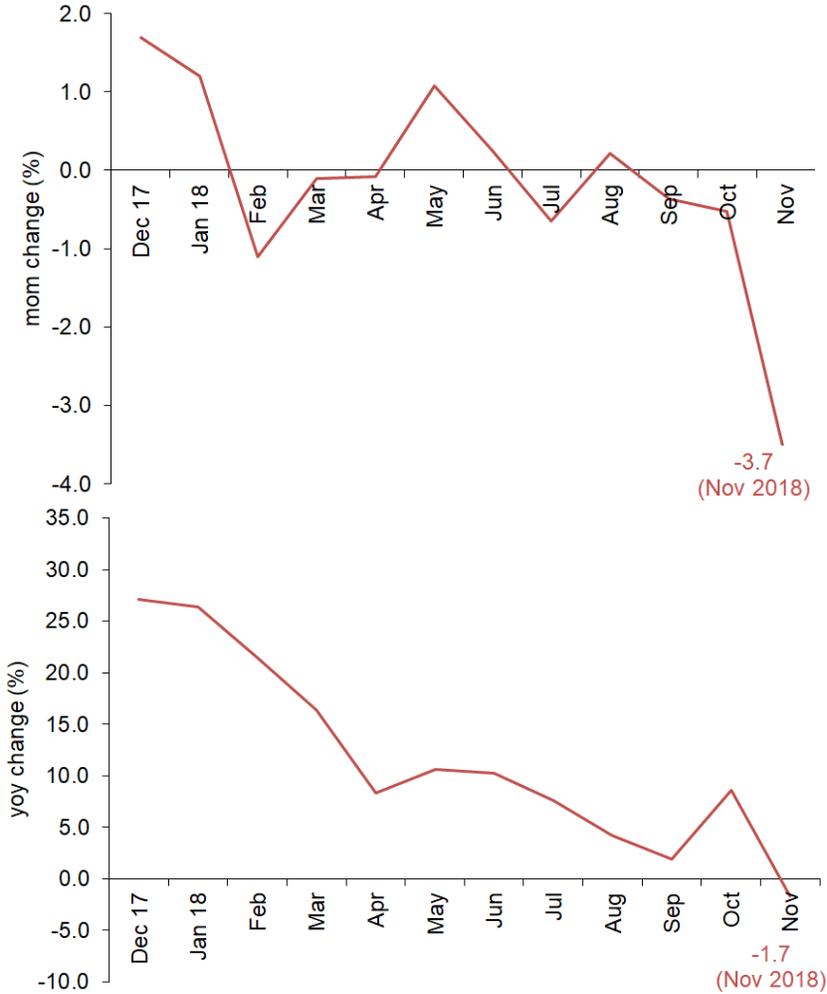
The price index of ABS resin<sup>1</sup> fell markedly by 3.7% mom in November, after dropping by 0.5% mom in October (see exhibit 1).

The main reasons for the drop in the prices of ABS resin in November included a weak downstream demand and a drop in upstream costs for the resin. The prices of acrylonitrile, butadiene and styrene, raw materials of ABS resin, fell in the month.

In recent weeks, the prices of raw materials of ABS resin such as acrylonitrile, butadiene and styrene have stabilised. Therefore, we expect that the prices of ABS resin will drop at a slower pace or even bottom out in the near term.

<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 2017 to November 2018



Source: China Logistics Information Center

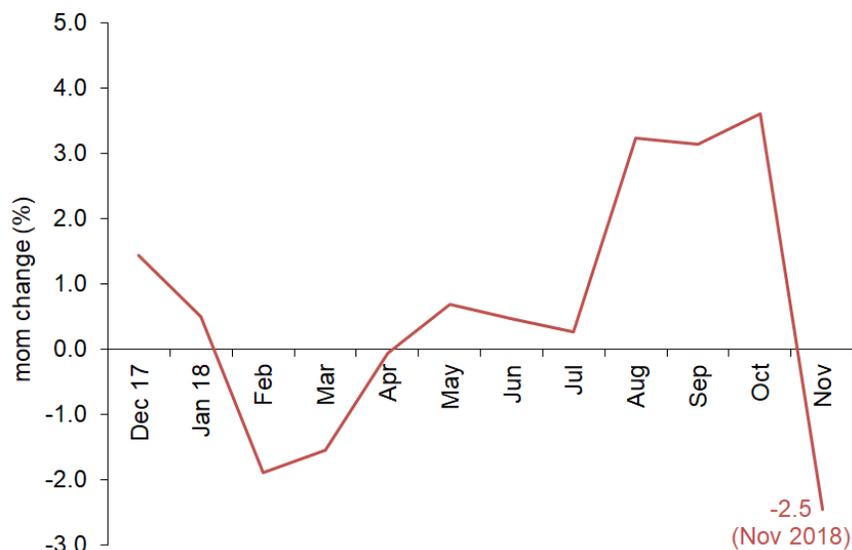
## 2. Price index of PP drops in November

The price index of polypropylene (PP)<sup>2</sup> dropped by 2.5% mom in November, after having posted month-on-month rise for seven consecutive months (see exhibit 2).

The fall in the PP prices in November can be attributed to the sluggish downstream demand and a marked drop in the prices of propylene, the major raw material for PP, amid the plunge in the global crude prices in the month.

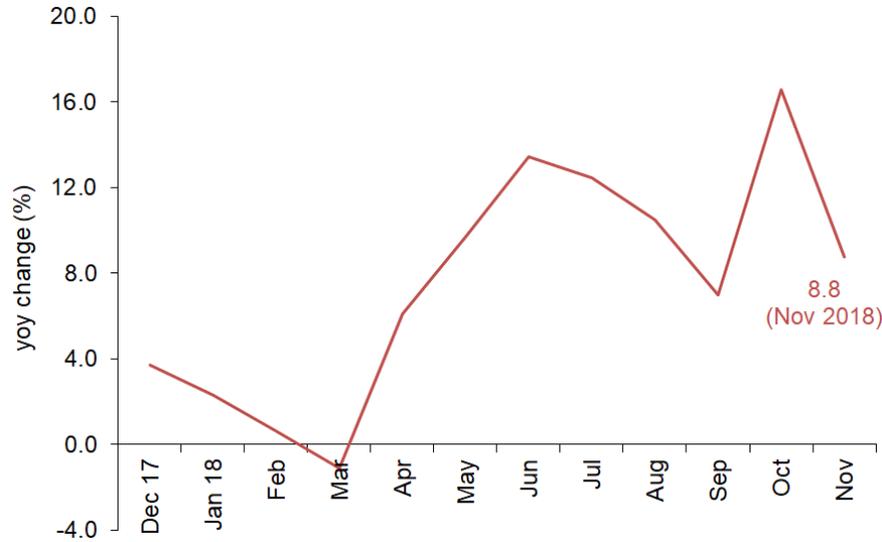
Going forward, we expect the prices of PP to trend further downward soon as the prices of propylene are likely to fall further due to the recent drop in the global crude prices. The price of the US West Texas Intermediate crude, for instance, went down sharply to a 17-month low on 20 December.<sup>3</sup>

**Exhibit 2: Price index of PP, December 2017 to November 2018**



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

<sup>3</sup> <https://www.cnbc.com/2018/12/20/oil-markets-global-economy-crude-supply-in-focus.html>



Source: China Logistics Information Center

### 3. Price index of natural rubber retreats in November

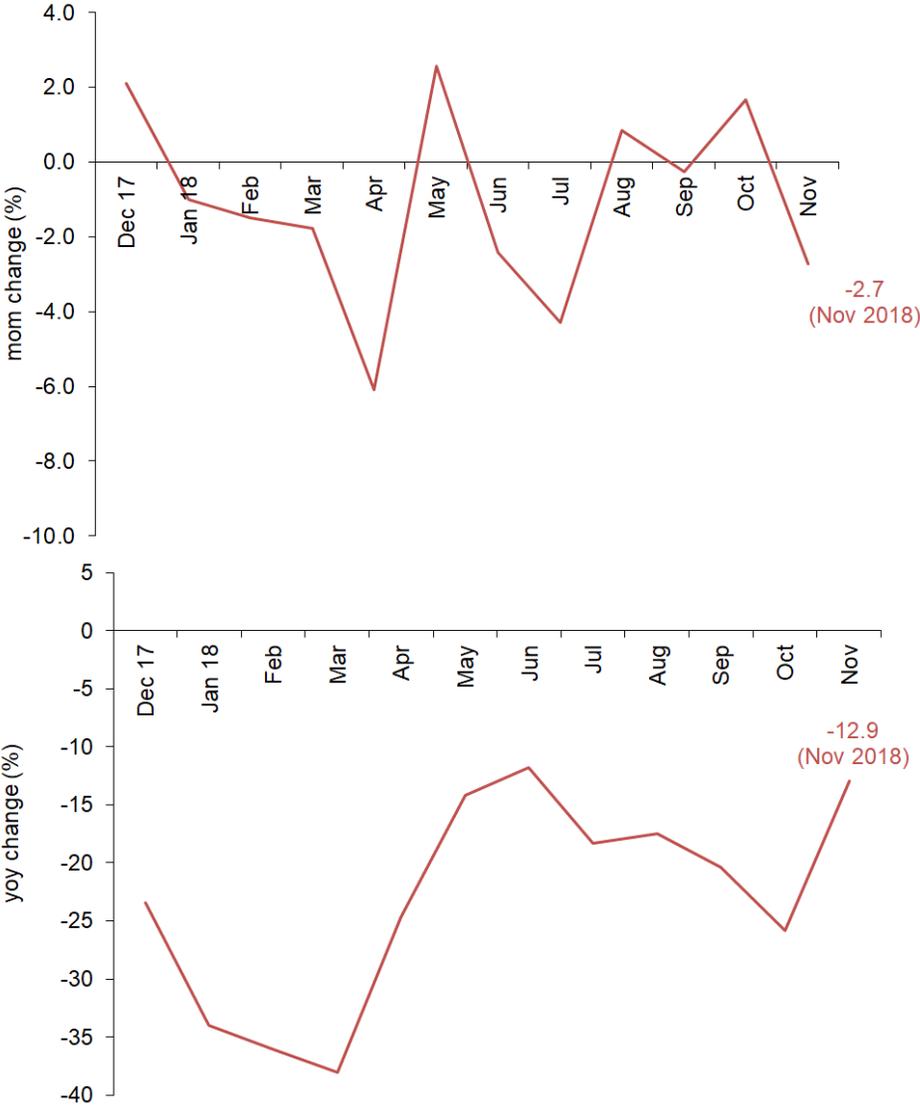
The price index of natural rubber<sup>4</sup> dropped by 2.7% mom in November, after gaining 1.7% mom in October (see exhibit 3).

The drop in the prices of natural rubber in November was due largely to the following reasons. First, the downstream demand from tyre manufacturers was sluggish amid the weak automobile sales in China. Second, the US government's imposition of 10% additional tariffs on rubber products from China on 24 September reduced the demand for Chinese rubber products from the US. Third, the supply of natural rubber from Southeast Asia, the major rubber producing region, was abundant in the harvest season.

Looking ahead, we expect rubber prices to stay low in the coming months as the downstream demand for natural rubber has shown no sign of recovery.

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

Exhibit 3: Price index of natural rubber, December 2017 to November 2018



Source: China Logistics Information Center

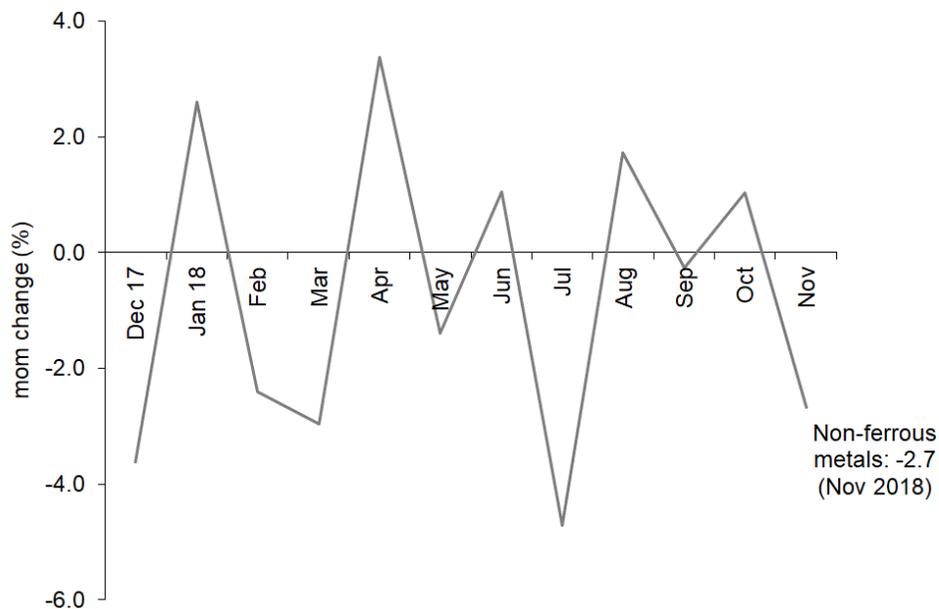
#### 4. Price indices of non-ferrous metals go down in November

The price index of non-ferrous metals dropped by 2.7% mom in November, after rising by 1.0% mom in October (see exhibits 4 & 5).<sup>5</sup>

The main reasons for the fall in the prices of non-ferrous metals in the month were that the marked drop in the global crude prices worsened investors' sentiments on non-ferrous metals and that the Chinese economy showed more signs of a slowdown.

Looking ahead, we expect that the prices of non-ferrous metals will drop further in the near term amid the slowing Chinese economy.

**Exhibit 4: Price index of non-ferrous metals,  
December 2017 to November 2018**

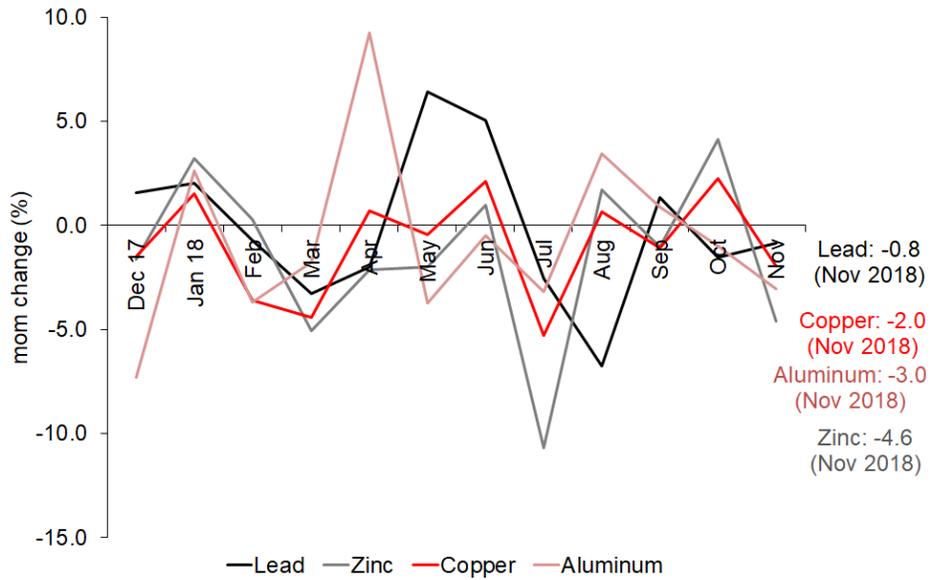


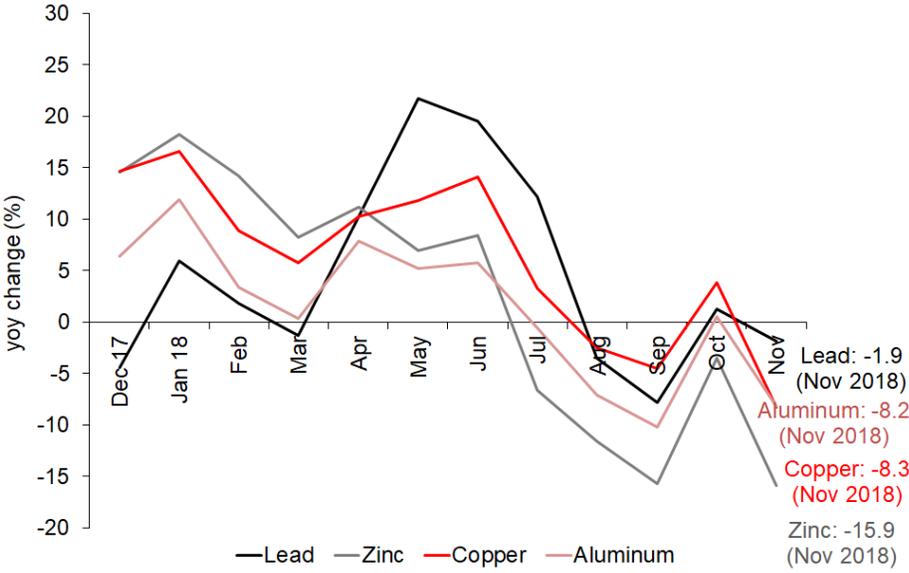
<sup>5</sup> The indices are compiled by the China Logistics Information Center (CLIC).



Source: China Logistics Information Center

**Exhibit 5: Price index of copper, aluminum, lead and zinc, December 2017 to November 2018**





Source: China Logistics Information Center

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## CONTACT

Helen Chin  
Vice President  
[helenchin@fung1937.com](mailto:helenchin@fung1937.com)  
(852) 2300 2471

Timothy Cheung  
Senior Research Manager  
[timothycheung@fung1937.com](mailto:timothycheung@fung1937.com)  
(852) 2300 2477

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>



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