



China Sourcing Update

December 10, 2019

Raw Material Prices: Hard Goods

1. Price index of ABS resin further goes down in October and November

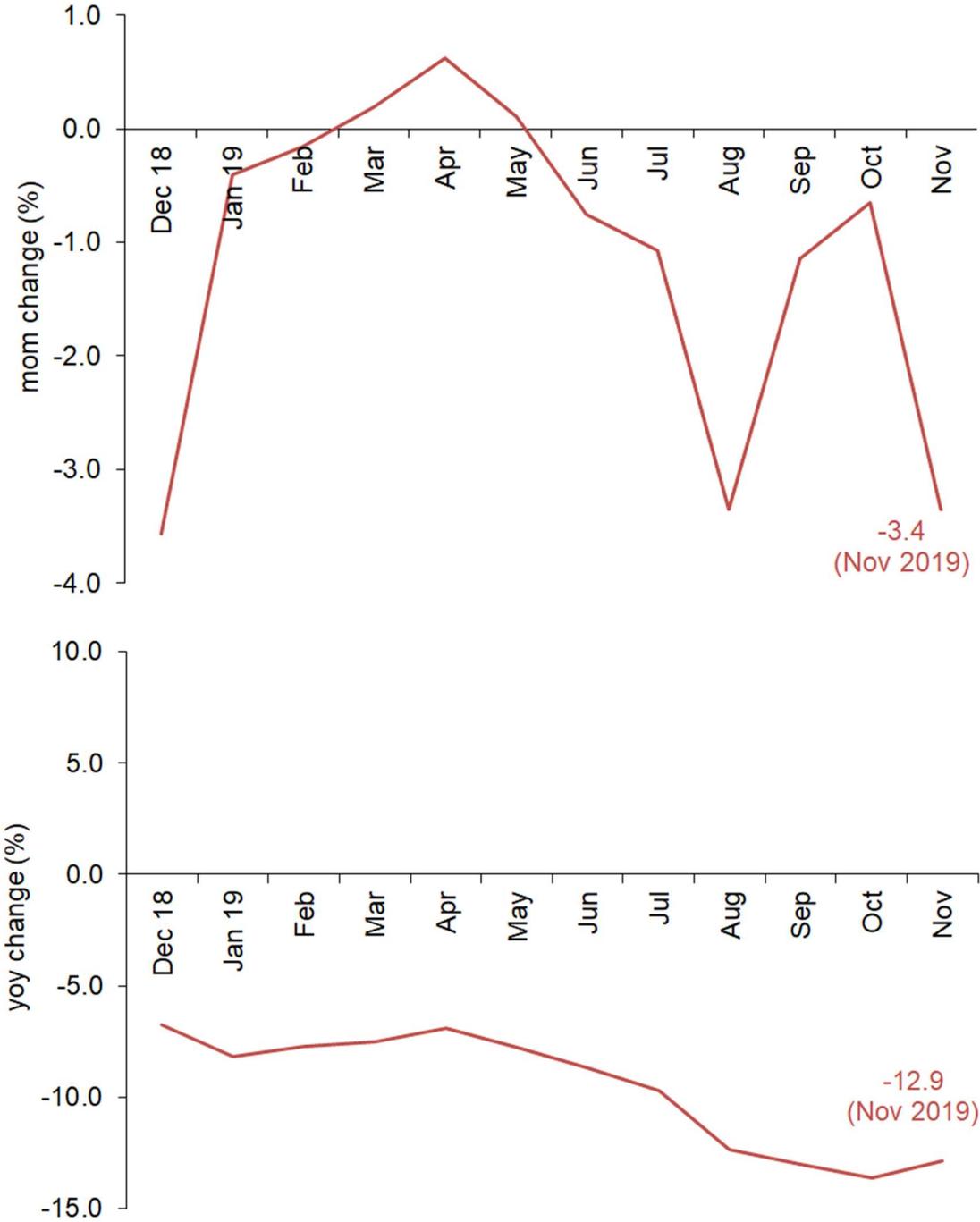
The price index of ABS resin¹ dropped by 0.7% mom in October and 3.4% mom in November, the sixth consecutive month that the price index registered a month-on-month decline. On a year-on-year basis, the price index plummeted 12.9% in November (See exhibit 1).

The decline in the prices of ABS resin in October and November was due largely to the decline in the prices of styrene, butadiene and acrylonitrile, major raw materials for ABS resin. Moreover, downstream demand remained sluggish amidst sluggish global economic outlook and uncertainties in international trade.

Looking ahead, we expect the prices of ABS resin to stay soft as downstream demand is likely to remain weak. Short-term fluctuations will be mainly due to movements of raw material prices.

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.

Exhibit 1: Price index of ABS resin, December 2018 to November 2019



Source: China Logistics Information Center

2. Price index of PP edges up in October and retreats in November

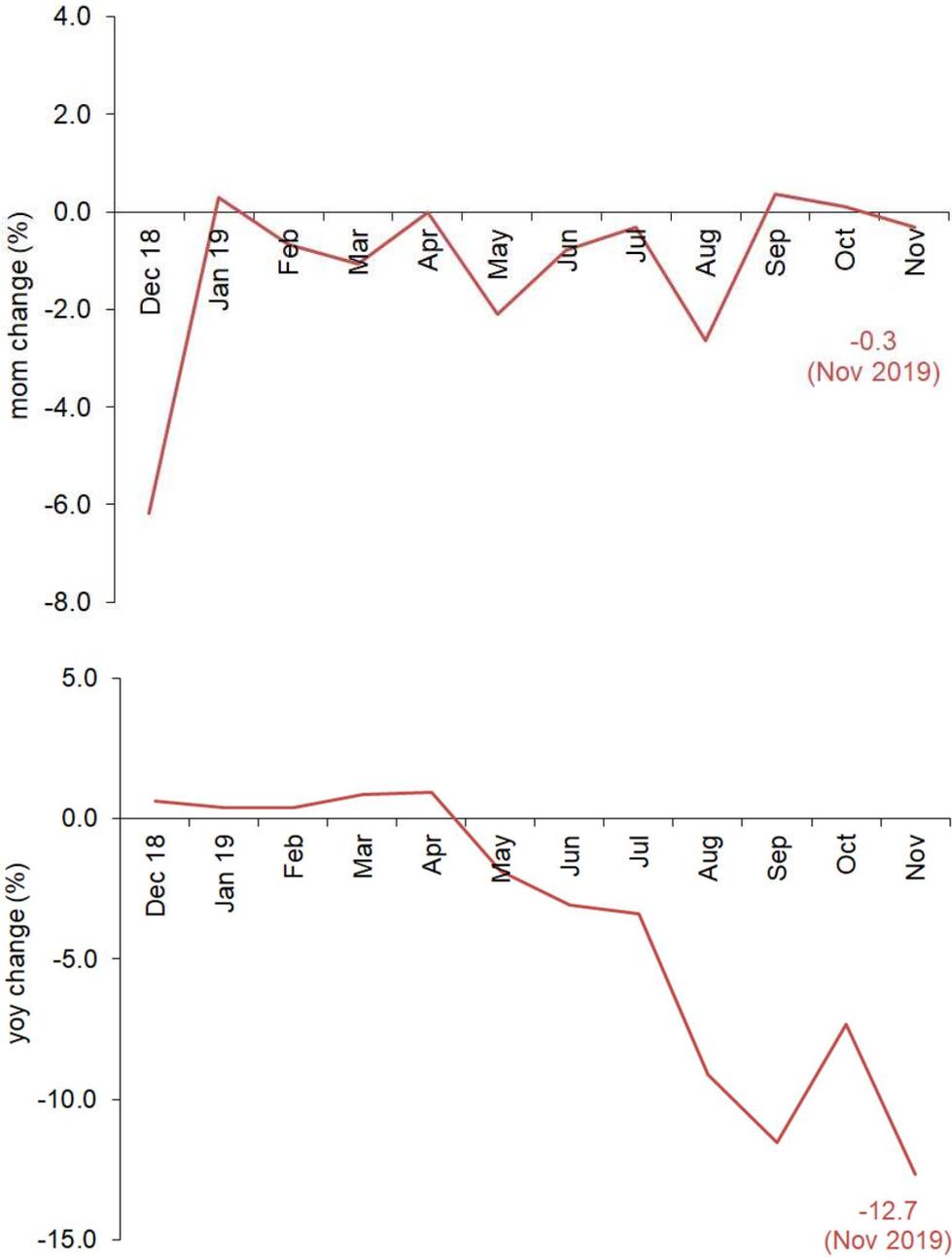
The price index of polypropylene (PP)² edged up by 0.1% mom in October before retreating by 0.3% mom in November. On a year-on-year basis, the index dropped by 7.3% and 12.7% in October and November respectively, marking seven consecutive months of year-on-year decline (see *exhibit 2*).

The decline in PP prices in November was driven by the fall in prices of propylene, a major raw material for PP, and sluggish downstream demand. The main reason for the weak downstream demand in November was the decrease in export demand for plastic products in general amidst China's trade tensions with the US.

Going forward, we expect that the prices of PP to stay soft as export demand for plastic products is likely to remain weak.

² The index is compiled by the China Logistics Information Center (CLIC).

Exhibit 2: Price index of PP, December 2018 to November 2019



Source: China Logistics Information Center

3. Price index of natural rubber rises in October and November

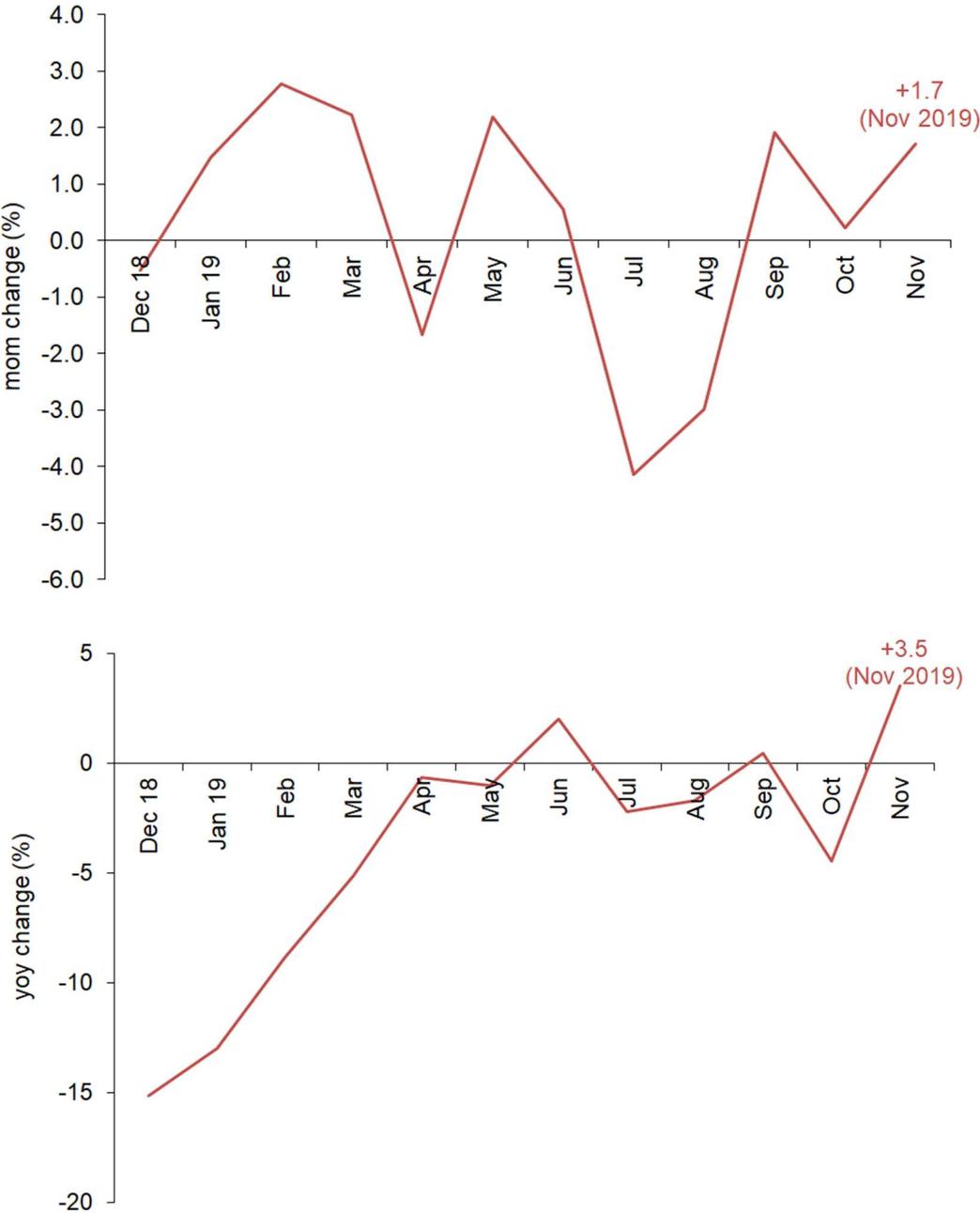
The price index of natural rubber³ rose by 0.2% mom in October and a further 1.7% mom in November (*see exhibit 3*).

The main reason for the rise in prices of natural rubber in October and November was the decline in supply, which was in turn caused by fungal disease outbreaks in rubber plantations in Thailand, Indonesia and Malaysia, the world's top producers of natural rubber. A low inventory level of natural rubber and a robust demand for tires, a major downstream product of natural rubber, also provide support to natural rubber prices.

Looking ahead, we predict that the prices of natural rubber will stay high as international supply continues to be affected by fungal disease outbreaks and domestic supply drops toward the end of the harvest season in late-November to December.

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

Exhibit 3: Price index of natural rubber, December 2018 to November 2019



Source: China Logistics Information Center

4. Price indices of non-ferrous metals drop in October and November

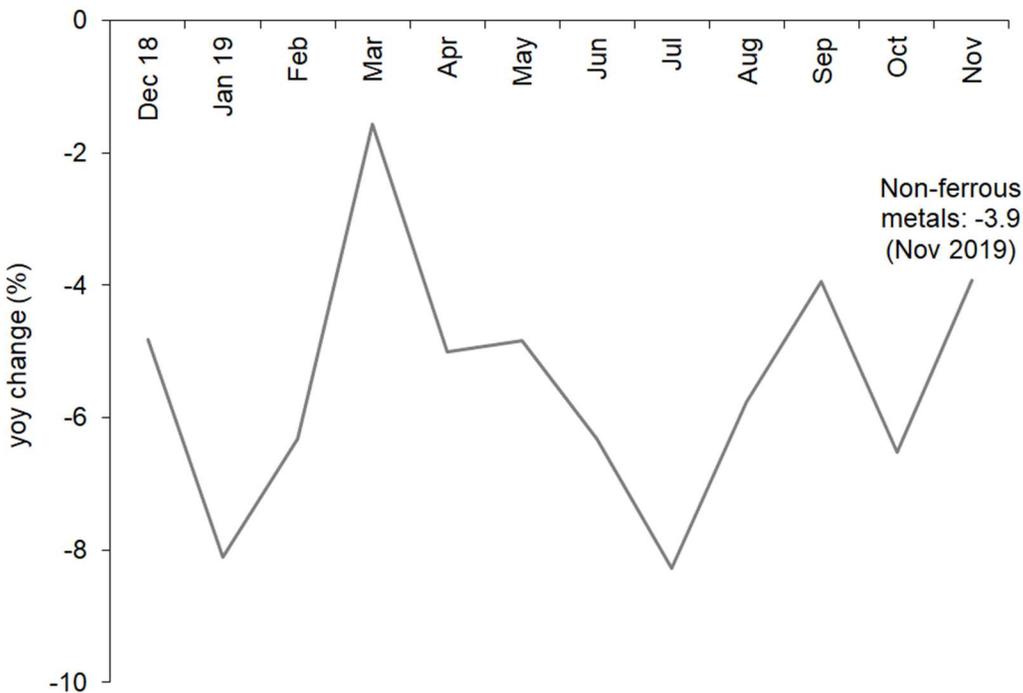
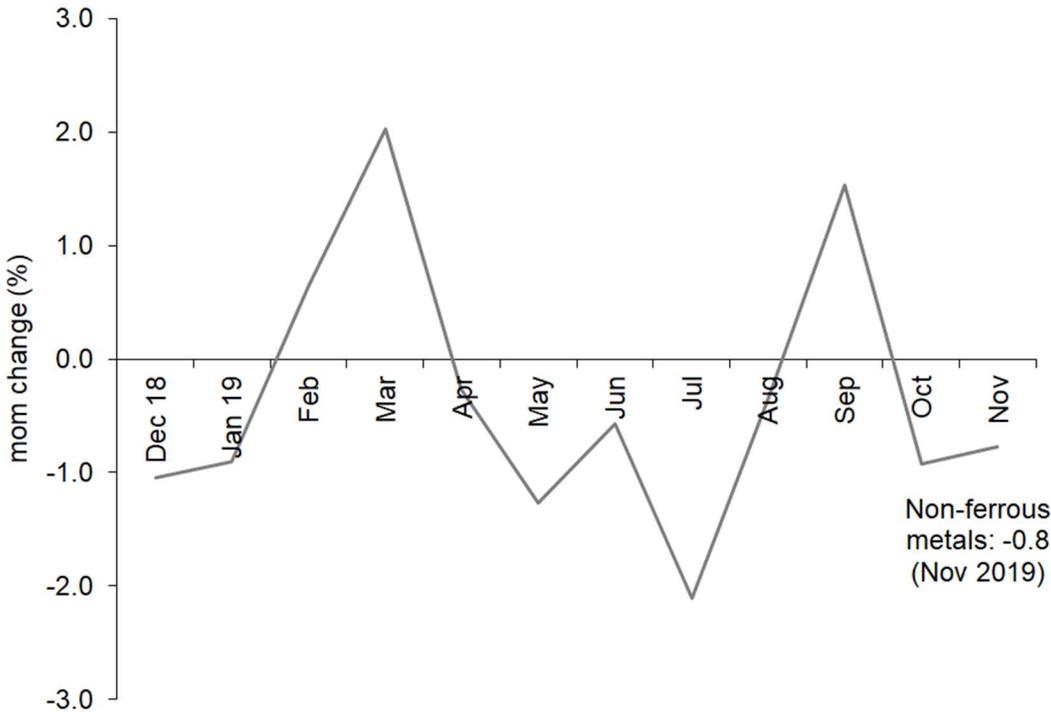
The price index of non-ferrous metals fell by 0.9% mom and 0.8% mom in October and November, respectively, after a brief rebound of 1.5% mom in September.⁴ The price indices of aluminum, lead and zinc recorded month-on-month declines in October and November, while the price index of copper largely stayed flat. On a year-on-year basis, the price index of non-ferrous metals has declined for 16 consecutive months. (see *exhibits 4 & 5*)

The decline in prices of non-ferrous metals in October and November was mainly due to an increase in upstream production capacity and sluggish downstream demand, which was in turn driven by sluggish export demand for downstream metal products.

We expect that the prices of non-ferrous metals will stay low in the near future, as the negative market sentiment arising from the uncertainties in the external environment is likely to persist.

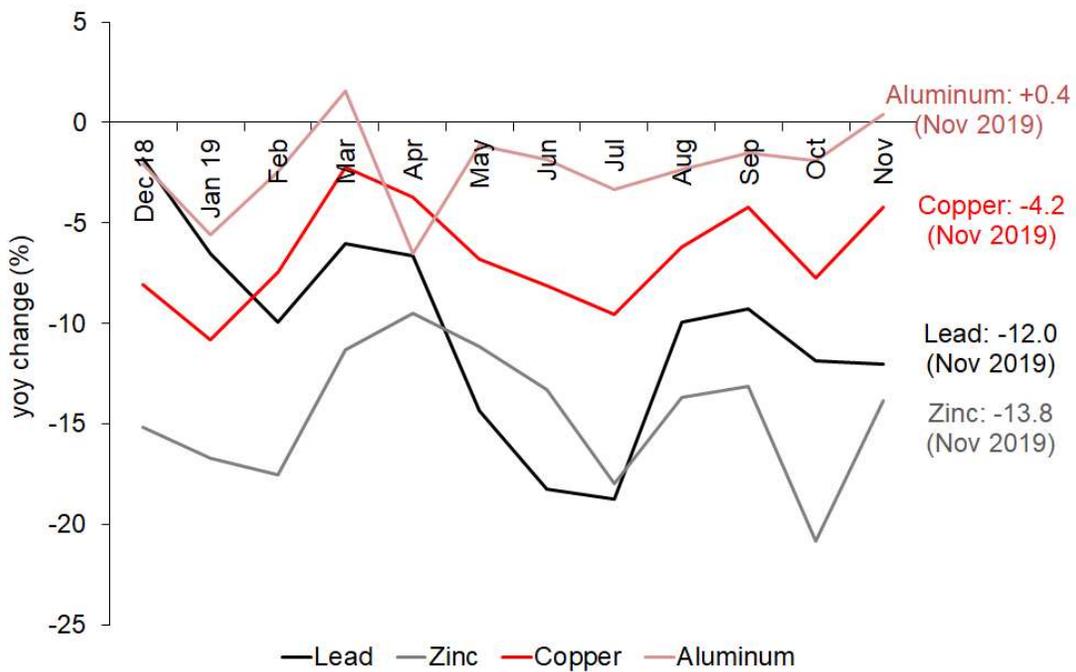
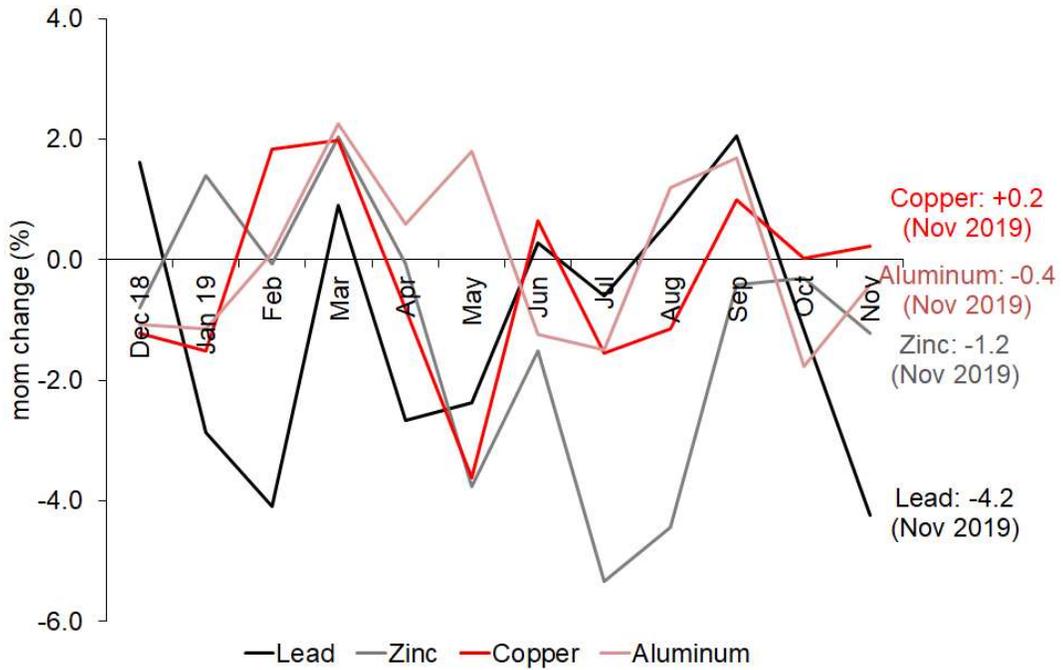
⁴ The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,
December 2018 to November 2019**



Source: China Logistics Information Center

Exhibit 5: Price index of copper, aluminum, lead and zinc, December 2018 to November 2019



Source: China Logistics Information Center

FUNG BUSINESS INTELLIGENCE

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