



# China Sourcing Update

October 30, 2018

## Raw Material Prices: Hard Goods

### 1. Price index of ABS resin goes down in September

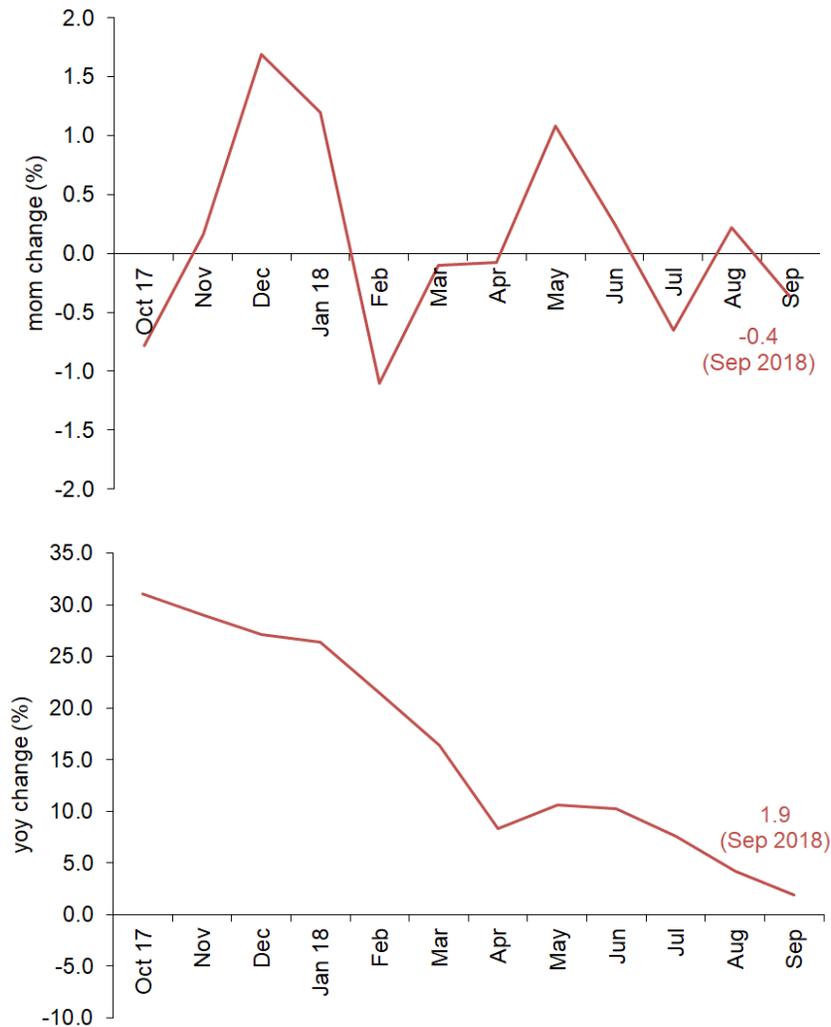
The price index of ABS resin<sup>1</sup> fell by 0.4% mom in September, after rising by 0.2% mom in August (see exhibit 1).

The main reason for the drop in the prices of ABS resin in September was a weaker-than-expected downstream demand from manufacturers of home appliances, as the extra tariffs imposed by the US on US\$200 billion of Chinese goods, which include some home appliances, would dim the export prospects of the sector. Moreover, a decline in upstream costs also put downward pressures on the prices of ABS resin.

Looking ahead, we expect that the prices of ABS resin will continue to drop in the near term, as the upstream costs for the resin fell further in the first half of October and the downstream demand for the resin is likely to remain sluggish in the coming months.

<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, October 2017 to September 2018**



Source: China Logistics Information Center

## 2. Price index of PP jumps in September

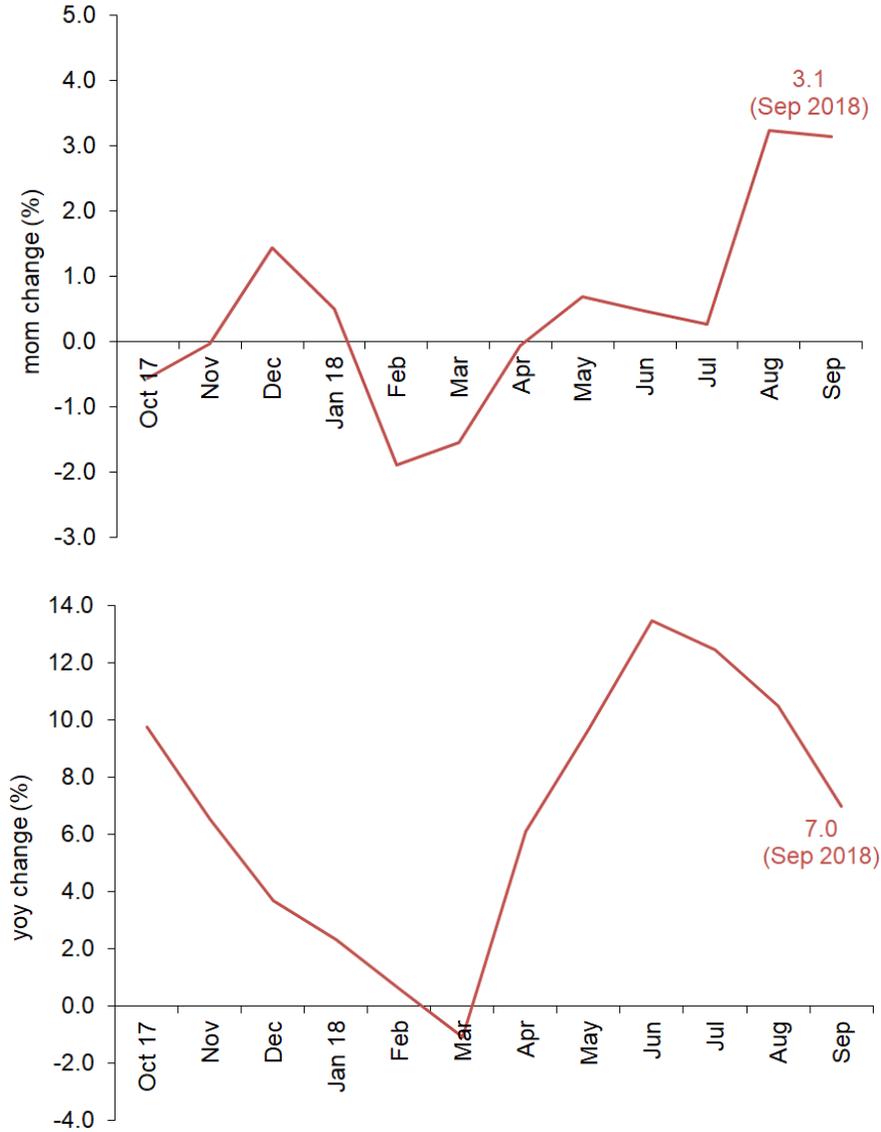
The price index of polypropylene (PP)<sup>2</sup> rose by 3.1% mom in September, posting month-on-month rise for five consecutive months (see exhibit 2).

The increase in PP prices was triggered by a surge in the prices of propylene, which is the major raw material for PP; and a tightened supply of PP, as a number of PP producers suspended or reduced production for maintenance.

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

Going forward, the downstream demand for PP is likely to be strong in the high season in October, and the domestic supply of PP is likely to remain tight. Therefore, we expect the prices of PP to go up further in the near future.

**Exhibit 2: Price index of PP, October 2017 to September 2018**



Source: China Logistics Information Center

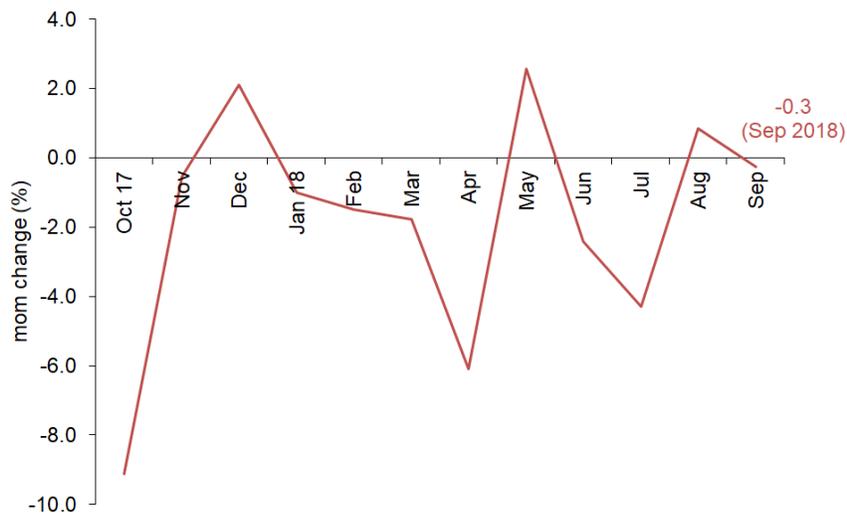
### 3. Price index of natural rubber drops slightly in September

The price index of natural rubber<sup>3</sup> fell by 0.3% mom in September, after rising by 0.8% mom in August (see exhibit 3).

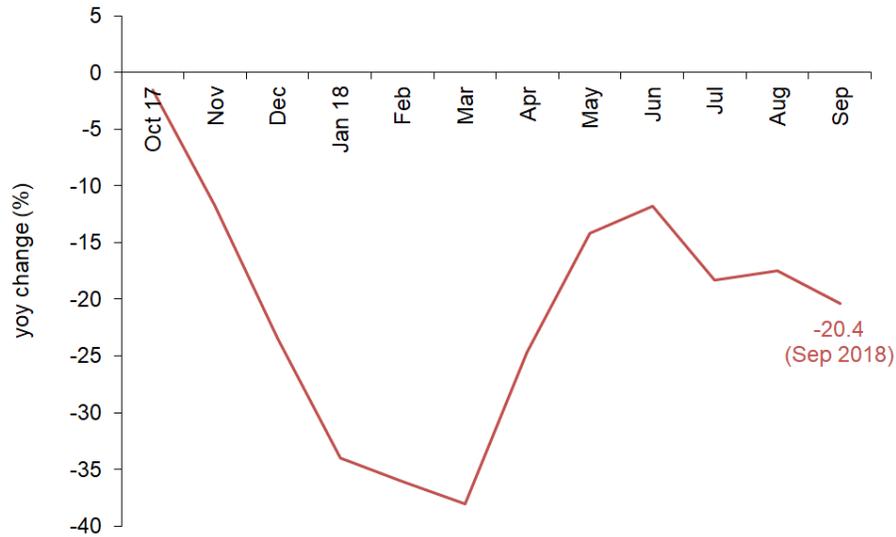
The prices of natural rubber declined in early September as market concerns about the China-US trade war persisted. Afterwards, rubber prices picked up during mid- to late September on some bullish news such as the announcement that the Thai Ministry of Agriculture and Cooperatives asked the Ministry of Energy to buy 100,000 tonnes of rubber in stock to shore up rubber prices, and news reports that India would increase rubber imports to ease the rubber shortage in the country.

On 24 September, the US administration started to impose 10% additional tariffs on US\$200 billion worth of Chinese goods, including most rubber products from China. As the downstream demand for natural rubber is likely to be weak, we expect rubber prices to stay low in the coming months.

**Exhibit 3: Price index of natural rubber, October 2017 to September 2018**



<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 retreat in September

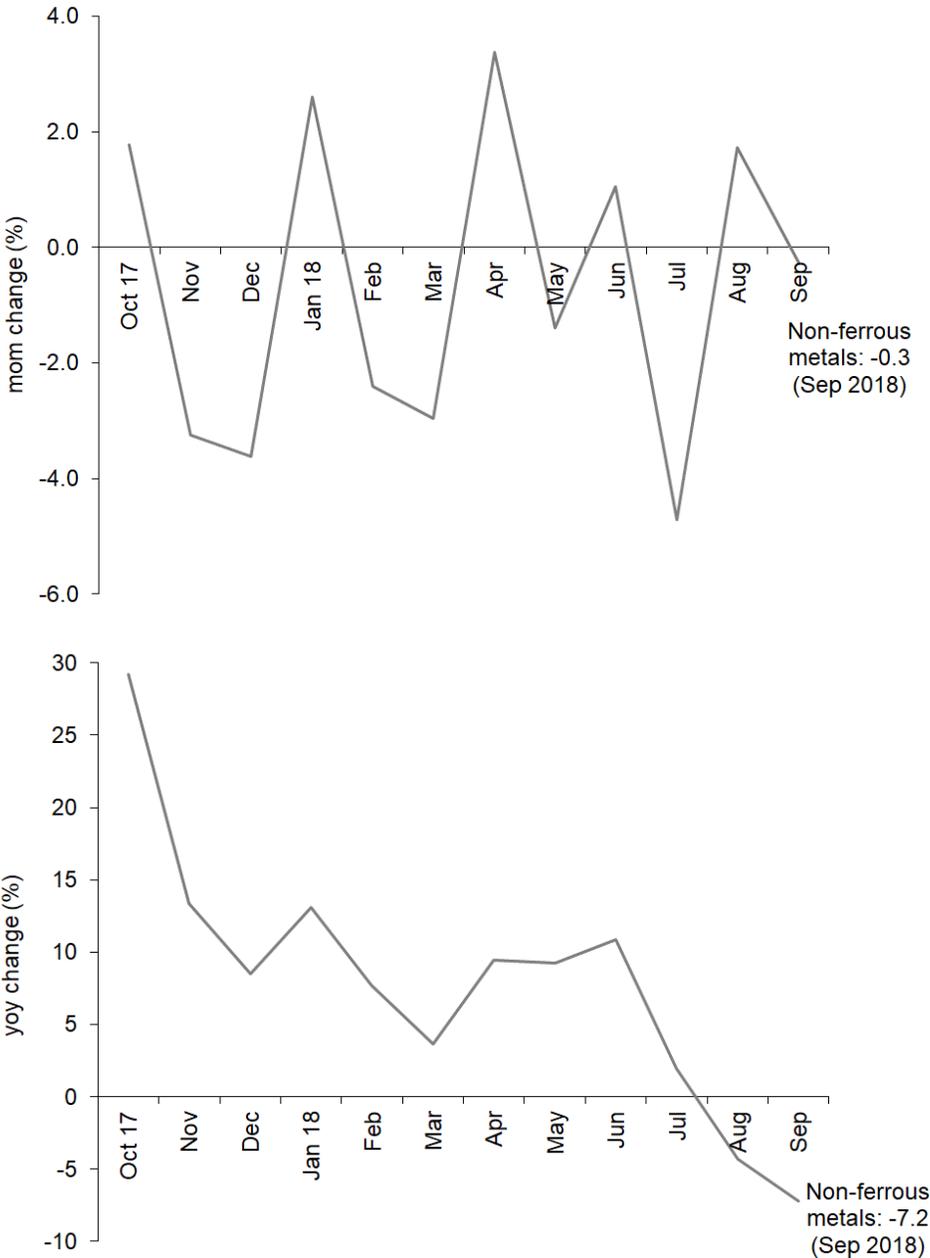
The price index of non-ferrous metals dropped by 0.3% mom in September, after rising by 1.7% mom in August (see exhibits 4 & 5).<sup>4</sup>

Prices of non-ferrous metals fell in the first half of September due mainly to the risk aversion of investors, who were generally concerned about the China-US trade war and possible economic crises in some emerging markets. Non-ferrous metal prices rebounded in the second half of the month as market worries about the China-US trade war waned and the US dollar weakened.

Looking ahead, we expect that the prices of non-ferrous metals will trend upward in the near term as China's plan to boost infrastructure investment is likely to lend support to non-ferrous metal prices.

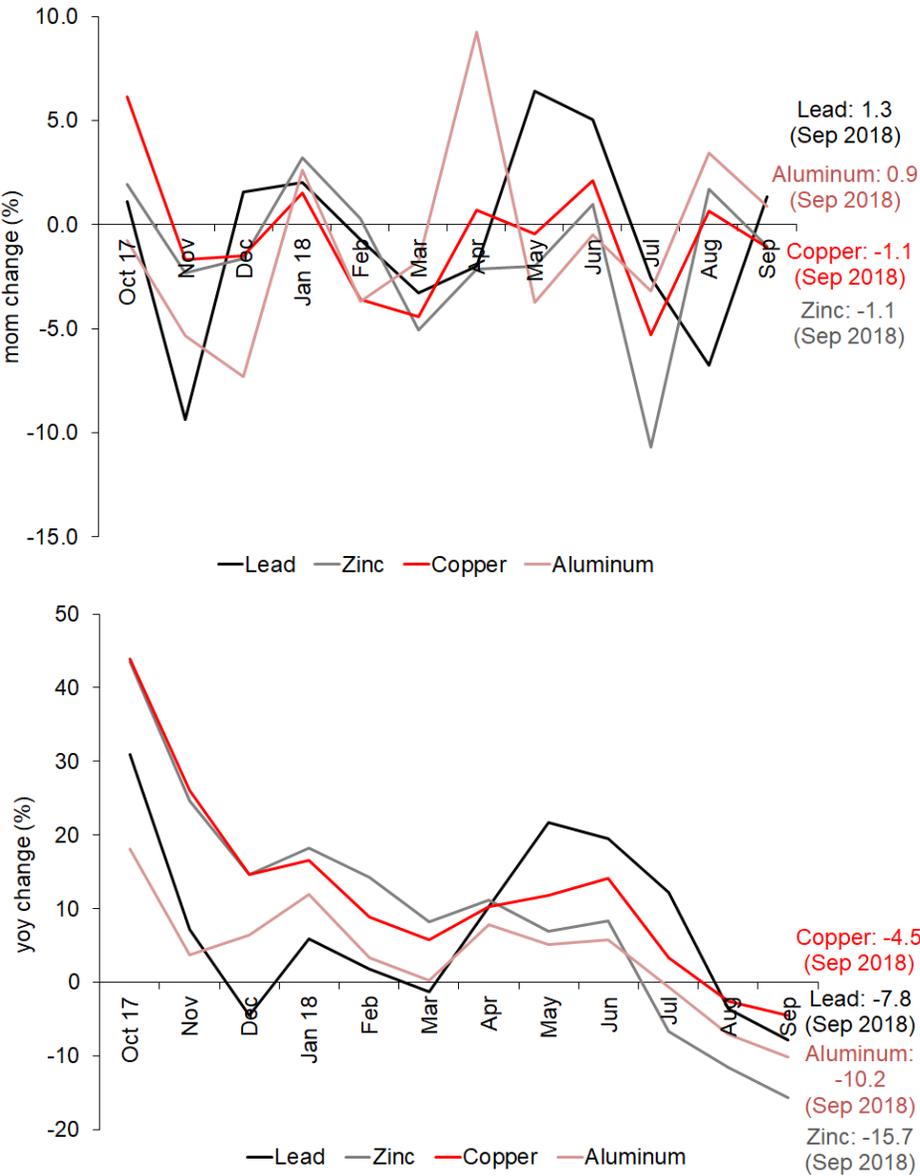
<sup>4</sup> The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,  
October 2017 to September 2018**



Source: China Logistics Information Center

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



Source: China Logistics Information Center

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