



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber Market Review

February

In February, prices on the Kuala Lumpur rubber market recovered moderately after a sharp fall in the last trading week of January. The increase was influenced by a weakening of ringgit against the U.S dollar and as the market reacted positively to China's stimulus measures to lessen the economic impact of the Covid-19 outbreak. Nevertheless, prices turned lower towards the end of month triggered by sluggish demand amid fears over surging Covid-19 cases outside China. Compared with those on 31 January 2020, the price of SMR 20 was marginally down by 1.5 sen/kg or 0.3% to close at 549.00 sen/kg. Meanwhile, latex concentrate closed at 459.00 sen/kg, an increase of 10.5 sen/kg or 2.3%. Price movements of selected grades of rubber in February are shown in Table 1.

The market rose steadily during the month responding positively to the stimulus plans announced by China to offset the economic impact of the coronavirus outbreak. China's central bank injects worth billions of yuan into financial market and cut the benchmark lending rate as the authorities move to lower financing

costs for businesses and support an economy. The market was also supported by the depreciation of ringgit against the U.S dollar in February to RM4.1155 – 4.2395, as compared with January at RM4.0575 – 4.1080.

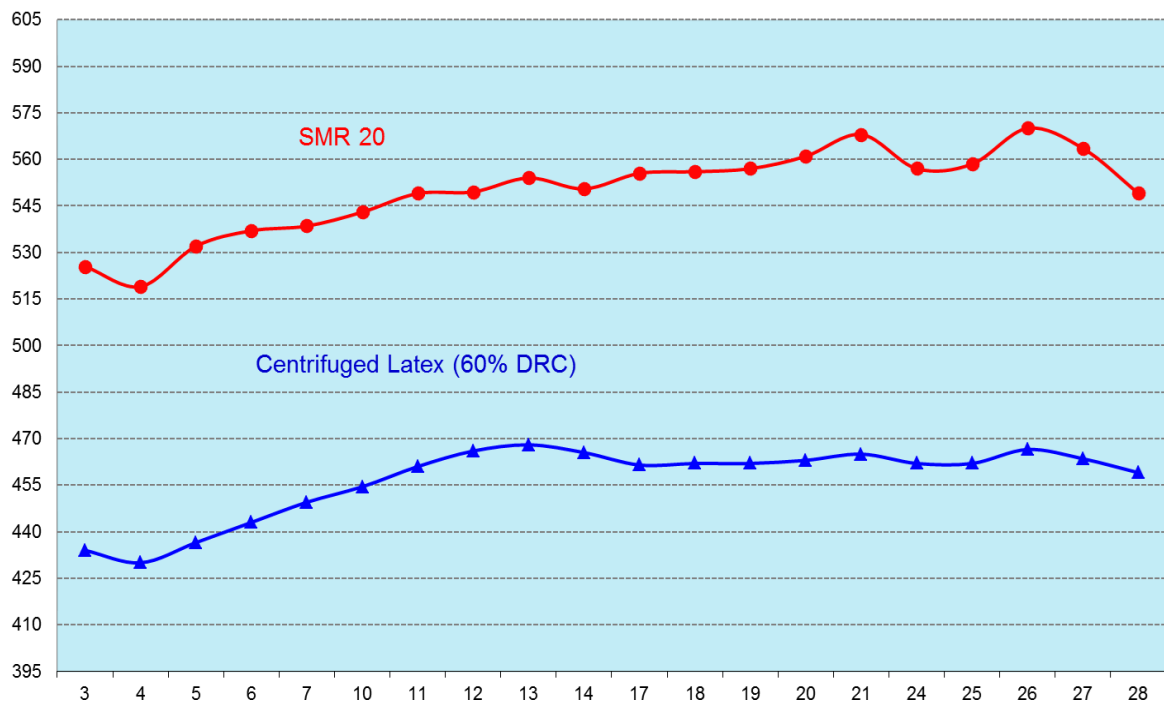
The gains throughout the month were offset by poor sentiment in the global market following growing fears over the rapid spread in new coronavirus (Covid-19) outside China and its impact on the global economy. Market sentiment was also influenced by a broader sell-off in the regional rubber futures market due to uncertainty of the market outlook. The market received another blast from slower tyre demand as a result of sluggish auto sales extending from last year in many countries due to an economic slowdown and travel restrictions in China. Carmakers and suppliers of auto parts in China suspended production due to fears over the spread of Covid-19 outbreak. The China Association of Automobile Manufacturers (CAAM) reported that car sales in China fell 18.7% in January, marking the 19th consecutive month of sales decline. CAAM expects the decline in China's car production and sales levels will be more significant in February due to the Covid-19 outbreak. According to China Passenger Car Association (CPCA), retail sales of China's passenger car crumbled 92% on an annual basis

Table 1: Reference Prices (Noon) of SMR CV, SMR 20 and Centrifuged Latex (60% DRC), February 2020

	SMR CV		SMR 20		Centrifuged Latex (60% DRC)	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	800.00	8,000.00	570.00	5,700.00	468.00	4,680.00
Lowest	736.50	7,365.00	519.00	5,190.00	430.00	4,300.00
Average	781.20	7,812.00	549.68	5,496.80	456.73	4,567.30
Change from the last day of the previous month	17.50	175.00	-1.50	-15.00	10.50	105.00

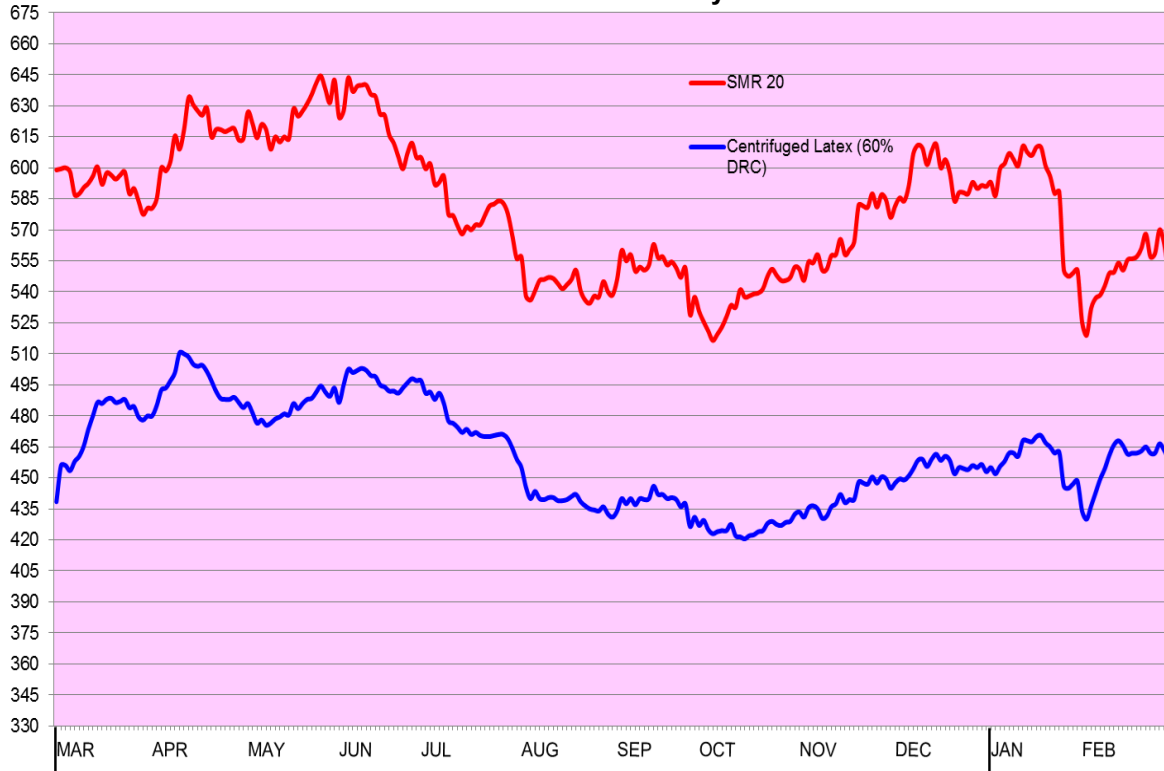
Note: * Reference price of Centrifuged Latex, 60% DRC
Source: Malaysian Rubber Board

sen/kg **Reference Prices (Noon) for SMR 20 and Centrifuged Latex (60% DRC), February 2020**



Source : MRB

sen/kg **Reference Prices (Noon) for SMR 20 and Centrifuged Latex (60% DRC)
1 March 2019 - 28 February 2020**



Source : MRB

in the first 16 days of February, as the coronavirus outbreak slammed the brakes on businesses across the country. Moreover, market was also dragged down by the expectations of economist that China's first-quarter economic growth may fall 2.5% from the fourth quarter of 2019 following prolonged shutdown in economic activity caused by the coronavirus outbreak. The market also took cues from the increasing Malaysia's natural rubber (NR) production in December 2019 as reported by the Department of Statistics Malaysia (DOSM). Malaysia's NR production increased by 6.2% in December 2019 to 58,437 tonnes as compared to the same month in the previous year. Comparison month on month (m-o-m) also showed an increase of 10.2% from 53,019 tonnes in November 2019. On the other hand, crude oil prices declined in February as compared to the previous month owing to rising oil inventories coupled with concerns on slumping demand caused by the rapid spread of Covid-19 outside China.

Outlook

Prices in the Kuala Lumpur rubber market are expected to remain range-bound amid a general lack of firm direction from supply-demand fundamentals. Market operators would continue to watch for developments on the Covid-19 outbreak which is likely to cause more uncertainty in the global economy. The demand from buyers are expected to be limited due to prolonged shutdown in China's manufacturing activities. However, lower output due to the current dry season in major rubber producing countries would provide some support in the near term. Meanwhile, the Association of Natural Rubber Producing Countries (ANRPC) reported that global natural rubber (NR) output is likely to hit a record 14.285 million tonnes in 2020, up 3.8% from a year ago, boosted by an expansion in area under cultivation. Global demand for NR is likely to rise by 2.7% to 14.07 million tonnes in 2020.

News Briefs

Vietnam Rubber Group fears Coronavirus (Covid-19) may erode demand from biggest buyer China

The company is concerned that demand from China, which accounts for half of the group's shipments of latex, will fall. Vietnam's top rubber producer Vietnam Rubber Group (VRG) is actively pursuing buyers outside of China on fears that the Coronavirus (Covid-19) will erode demand from its biggest customer, Bloomberg reported. The rubber industry has been roiled this week as the spread of the virus in China clouds the outlook for global growth and especially auto production and tyre demand. More than a dozen Chinese provinces announced an extension of the current Lunar New Year holiday by more than a week, with carmakers from Toyota Motor Corp. to General Motors Co. saying production will be halted through at least February 9.

- *factiva.com*, 1 Feb

China produces 7.338 million tonnes of synthetic rubber in 2019

According to the latest data from the National Bureau of Statistics on January 20, China's December synthetic rubber output was 738,000 tonnes, up 21% year-on-year. The total output in 2019 was 7.338 million tonnes, a year-on-year increase of 11%.

- *globalrubbermarkets.com*, 3 Feb

US: Markit Manufacturing PMI fell to 51.9 in January from 52.4 in December

The economic activity in the US manufacturing sector continued to expand in January but lost some momentum with the IHS Markit's Manufacturing PMI falling to 51.9 in January from 52.4 in December. This reading, however, came in slightly better than the previous estimate and the market expectation of 51.7. Commenting on the data, "US manufacturing limped into 2020, with falling exports dampening output growth and causing a pull-back in hiring," noted Chris Williamson, Chief Business Economist at IHS Markit.

- *fxstreet.com*, 3 Feb

In 2019, Kyrgyzstan produces rubber and plastic products for 19.9 billion som

The value of manufacturing products in January-December 2019 amounted to 219 billion 184.8 million som. This was stated in the materials of the National Statistics Committee. Of the total processing industries in 2019, the production of rubber and plastic products, other non-metallic mineral products amounted to 19 billion 994.6 million som or 7.2%, refined petroleum products to 5 billion 480.8 million som or 2%. The production of rubber and plastic products, other non-metallic mineral products by 6.7% is due to an increase in the production of building bricks and cement.

- *factiva.com*, 5 Feb

Kedah Rubber City is expected to attract RM10 billion in investment

The Kedah Rubber City (KRC) project is expected to attract RM10 billion in investments by 2030, contributing RM2 billion to Gross Domestic Product (GDP). Chief Minister Datuk Seri Mukhriz Mahathir said the KRC covers more than 500 hectares with the potential to create 14,500 job opportunities involving various levels of expertise. He said the development of the KRC involving seven clusters was expected to increase the demand for raw rubber for the production of high value products.

- *bharian.com.my*, 6 Feb

Coronavirus (Covid-19) drags down commodity prices as demand from China drops

Prices for commodities from natural rubber to coal have plunged in February because of decreasing demand from China, where the new Coronavirus (Covid-19) outbreak is expected to further drag down prices. The chairman of the South Sumatra chapter of the Indonesian Rubber Producers Association (Gapkindo), Alex K. Eddy, said fear over the Wuhan Coronavirus (Covid-19) was weighing on what was already slow economic activity in the East Asian country during the Chinese New Year holidays and weak global natural rubber prices in January.

South Sumatra Plantation Agency data show that prices of 100% natural rubber fell by about 5% to Rp 16,290 (USD1.19) per kilogram on Jan. 24 from Rp 17,151 per kg on Jan. 20, while 60%

natural rubber showed a similar decline. Global rubber prices at the Tokyo Commodity Exchange have slipped around 17% so far this year. The limited business activity in China will further affect demand for raw materials, forcing prices down, economists have said. This will hit Indonesia as a country that relies heavily on the export of commodities rather than finished goods.

- *thejakartapost.com*, 6 Feb

Asia SBR supply chain disrupted

Asia's demand for styrene butadiene rubber (SBR) is expected to weaken in the near term as prices of natural rubber (NR) tumbled due to a disruption in the supply chain in the wake of the Wuhan Coronavirus (Covid-19) epidemic. "NR prices have plunged by more than USD200 to below USD1,300/tonne since mid-January and this will weigh on demand for SBR," a rubber trader said. Shipment restrictions are currently in place, delaying customs clearance of cargoes as the Chinese authorities extended the Lunar New Year holiday to contain the epidemic, consequently disrupting the supply chain for tyre producers and auto makers.

- *factiva.com*, 7 Feb

China to halve tariffs on some U.S. imports as Coronavirus (Covid-19) risks grow

China on 6 February said it would halve additional tariffs levied against 1,717 U.S. goods last year, following the signing of a Phase 1 deal that defused a bruising trade war between the world's two largest economies. While the announcement reciprocates the U.S. commitment under the deal, it is also seen by analysts as a move by Beijing to boost confidence amid a virus outbreak that has disrupted businesses and hit investor sentiment. Washington welcomed the tariff cuts as a "big step in the right direction," but said it expected China to live up to its obligations under the Phase 1 trade deal despite the outbreak. China's finance ministry said in a statement that starting Feb. 14, additional tariffs levied on some goods will be cut to 5% from 10% and others lowered to 2.5% from 5%.

- *reuters.com*, 7 Feb

Natural rubber production in December 2019 increased 6.2% y-o-y

Malaysia's natural rubber production increased by 6.2% in December 2019 to 58,437 tonnes as compared to the same month in the previous year. Comparison month on month also showed an increase of 10.2% from 53,019 tonnes in November 2019. Exports of Malaysia's natural rubber amounted to 50,516 tonnes, increased by 6.4% against 47,488 tonnes in November 2019. The primary natural rubber export destination is the People's Republic of China with a share of 55.9% from total exports in December 2019 followed by Germany (10.1%), U.S.A (3.7%), Finland (3.6%) and Italy (2.7%). Stocks of natural rubber in December 2019 was 245,002 tonnes as compared to 216,582 tonnes in November 2019, an increase of 13.1%. Total domestic consumption of natural rubber was 40,351 tonnes, a decrease of 2.7% against 41,463 tonnes as reported in November 2019. Rubber gloves industry dominates the use of natural rubber with 30,517 tonnes or 75.6% of the total domestic consumption.

- dosm.gov.my, 10 Feb

Rubber products' exports growth to rebound in 2020, says MREPC

The growth of rubber products exports is expected to return to positive in 2020, contributed mainly by the increase in capacity and production of major glove players, as well as new investments in the dry rubber sector, specifically tyres, automotive parts and industrial goods, according to the Malaysian Rubber Export Promotion Council (MREPC). It said the unexpected surge in demand for rubber gloves due to the Wuhan novel Coronavirus (Covid-19) outbreak will support the growth of the overall rubber products exports in 2020. For the January-November 2019 period, total exports of rubber products fell 2.1% to RM21.2 billion, from RM21.6 billion recorded for the same period in 2018. The industry also saw lower imports in 2019, with a major decrease of 8.1% year-on-year (y-o-y).

- theedgemarkets.com, 11 Feb

Malaysian Rubber Board says production incentive activated for Jan 2020

The Malaysian Rubber Board (MRB) says the Rubber Production Incentive has been activated for January 2020 for 440,000 rubber smallholders

in Peninsular Malaysia, Sabah and Sarawak. In a statement, LGM said this follows the farmgate rubber price for the month at below RM2.50 per kg. It said the average farmgate price for cuplump or scrap rubber for the month for the Peninsular, Sabah and Sarawak was RM2.25, RM1.95 and RM2.05 per kg respectively. LGM said the incentive comes with a cuplump payment of 25 sen per kg for Peninsular Malaysia, 55 sen per kg for Sabah and 45 sen per kg for Sarawak.

- malaymail.com, 12 Feb

IMF says China can top up stimulus but must focus on reform

China has room to take fiscal stimulus measures if its economy slows further but should not lose sight of structural reforms and steps to address rapid credit growth, a senior International Monetary Fund official said. Changyong Rhee, director of the IMF's Asia and Pacific Department, said while it was too early to assess the impact of the Coronavirus (Covid-19) outbreak on Asian economies, it added to risks to the region's growth outlook. "(We) don't want to deny this event definitely increases the downside risk. Especially the downside risk will be large for countries which have close ties with China," he told a news conference in Tokyo.

- reuters.com, 12 Feb

Coronavirus (Covid-19) could impact 5 million companies worldwide, new research shows

The new Coronavirus (Covid-19) outbreak and subsequent shutdown of huge swathes of China could impact more than 5 million businesses worldwide, according to a new study. A special briefing issued by global business research firm Dun & Bradstreet analyzed the Chinese provinces most impacted by the virus, and found they are intricately linked to the global business network. The affected areas with 100 or more confirmed cases as of February 5 are home to more than 90% of all active businesses in China, according to the report, and around 49,000 businesses in these regions are branches and subsidiaries of foreign companies.

- cnbc.com, 18 Feb

Tyre makers take steps to minimize impact of Coronavirus (Covid-19)

Tier 1 tyre manufacturers Michelin, Goodyear and Continental A.G. say they have resumed operations in China, albeit in a limited capacity, in the wake of the outbreak and spread of the Wuhan Coronavirus (Covid-19). Michelin said it received the "necessary authorization" to re-open three facilities on Feb. 10, while Goodyear reopened operations on Feb. 10 on a "limited basis" at its plant in Pulandian, China, according to Rich Kramer, Goodyear's chairman, CEO and president.

- *rubbernews.com, 19 Feb*

Fed policymakers cautiously optimistic on U.S. economy despite new risks, minutes show

Federal Reserve policymakers were cautiously optimistic about their ability to hold interest rates steady this year, minutes of the central bank's last policy meeting showed, even as they acknowledged new risks caused by the Coronavirus (Covid-19) outbreak. The readout of the policy discussion, at which policymakers unanimously voted to keep interest rates unchanged in a target range of between 1.50% and 1.75%, also showed Fed officials were skeptical about any big rethink of the central bank's inflation target. Policymakers have pointed to U.S. consumer spending levels, dissipating U.S-China trade tensions and loose financial conditions as supporting their view, but how long such an upbeat assessment can last has already been tested by escalating concern about the global economic impact of the Coronavirus (Covid-19) outbreak that started in China. The Fed is forecasting the economy growing 2.0% this year.

- *reuters.com, 20 Feb*

China floods economy with cash in bid to offset Coronavirus (Covid-19) impact

Chinese banks flooded the economy with a record amount of bank credit at the start of 2020, a move aimed at protecting fragile growth amid the Coronavirus (Covid-19) outbreak. Commercial banks extended 3.34 trillion yuan (USD477 billion) of credit in January, an all-time high for bank lending in a single month, the People's Bank of China said. The figure is almost equivalent to the country's total bank loans for the whole of 2007. The net increase of medium and

long-term lending for corporations reached 1.66 trillion yuan, showing banks' support for large investment projects, while medium and long-term household loans, which often refer to mortgages, stood at 749.1 billion yuan (USD107 billion).

- *scmp.com, 21 Feb*

China's passenger car sales tumble 92% in first half of Feb. due to virus outbreak

Retail sales of China's passenger car crumbled 92% on an annual basis in the first 16 days of February, according to China Passenger Car Association (CPCA), as the Coronavirus (Covid-19) outbreak slammed the brakes on businesses across the country. China's passenger vehicle sales recorded 4,909 units in the first 16 days, down from 59,930 vehicles a year earlier, data from CPCA showed.

- *reuters.com, 21 Feb*

IMF downgrades China GDP growth outlook to 5.6%

The finance chiefs of the Group of 20 major economies on 22 February agreed to coordinate efforts as the new Coronavirus (Covid-19) outbreak in China emerges as a potential risk to the global economy, Japanese Finance Minister Taro Aso said. It is the first G-20 gathering since the outbreak of the pneumonia-causing virus has brought the Chinese economy nearly to a standstill amid efforts to contain the disease. The epidemic has already claimed the lives of more than 2,000 people and has spread to more than two dozen countries including neighboring Japan. During the G-20 meeting, the International Monetary Fund reported the 2020 growth forecast of China to be 5.6%, a decrease by 0.4% from its earlier estimate in January and the lowest level of growth since 1990.

- *asia.nikkei.com, 23 Feb*

India's tyre industry worried over NR shortage; resorts to imports

Concerns are growing over the continued shortage of natural rubber (NR) in India's tyre industry, despite national Rubber Board estimates of 10% year-on-year increase in NR production. Already, industry insiders think rubber farmers are hoarding the commodity, as the flow of rubber into the market has not been steady;

but Josch Joseph, Secretary of the Indian Rubber Growers Association (IRGA), disagrees. Instead, Joseph said delays in payment under the main rubber-producing state of Kerala's price incentive scheme seem to have discouraged small growers from tapping.

- *rubberjournalasia.com*, 24 Feb

Export Development Board (EDB) chief urges rubber exporters to achieve greater heights

Sri Lanka Export Development Board (EDB) Chairman Prabhash Subasinghe urged rubber industry leaders to strive towards achieving greater heights in exports during his maiden discussion with the industry representatives on 19 February since assuming office. Subasinghe, who himself is an outstanding exporter from the country's rubber industry, acknowledged the industry's contribution in terms of its significant value addition and added that the sector has the potential to increase its export income substantially and pledged the EDB's fullest support to the initiatives of the rubber industry.

- *factiva.com*, 24 Feb

IEA: Coronavirus (Covid-19) may hit oil demand growth more than expected

The Coronavirus (Covid-19) outbreak could hit global oil demand growth more than currently expected, the head of the International Energy Agency (IEA) said, adding that the agency could additionally trim its oil demand growth projections. "We certainly see the lowest oil demand growth in the last 10 years and we may need to revise it ...downwards," the IEA's executive director Fatih Birol told Reuters at an energy conference in London.

- *globalrubbermarkets.com*, 26 Feb

Economic contagion spreads beyond China to other Asian economies

The effects of the Coronavirus (Covid-19) outbreak are likely to reverberate beyond China as most major economies in the region are expected to either slow down significantly, halt or shrink outright in the current quarter, Reuters polls found. Many Asian economies, which were just limping back to growth from the spillover effects of the 18-month long U.S.-China trade dispute, were again dealt a blow by the outbreak,

which has shut down businesses and cities.

- *reuters.com*, 26 Feb

China's January car sales tumble as Coronavirus (Covid-19) puts the brakes on economy

The China Association of Automobile Manufacturers (CAAM) reported that car sales in China fell **18.7%** in January, marking the 19th consecutive month of sales decline. CAAM expects the decline in China's car production and sales levels will be more significant in February due to the Coronavirus (Covid-19) outbreak.

- *scmp.com*, 26 Feb

Coronavirus (Covid-19) causes Moody's to slash global vehicle sales forecast for 2020

Moody's Investor Service is slashing its global vehicle sales forecast as the Coronavirus (Covid-19) outbreak reduces demand and disrupts automotive supply chains. The firm now expects global auto sales to slump 2.5% in 2020 instead of a 0.9% drop previously expected. Moody's cited the Coronavirus (Covid-19) epidemic as well as stricter emissions regulations for the overall decline in vehicle sales from 90.3 million to 88 million. "Cautious consumers are steering clear of crowded areas, including auto dealerships, while corporate demand for vehicles is weakening as broader economic uncertainties cause companies to scale back capital spending," Moody's said in a report regarding China. The new forecast projects sales declines of 2.9% in China, 4% in Western Europe and 1.2% for the U.S.

- *cnbc.com*, 26 Feb

UK car industry seeks support, free-trade Brexit deal, as output falls

Britain's car industry called on the government to help boost the market in its upcoming budget and secure a free-trade deal with Europe as output fell again in January, hit by a double-digit slump in domestic demand. British factories produced 118,314 cars last month, down an annual 2.1%, as an increase in exports failed to outweigh a 23.9% fall in domestic demand, according to data from the Society of Motor Manufacturers and Traders (SMMT). The trade body called on the government for help in the March 11 budget. "The upcoming Budget is an opportunity for the

government to provide supportive measures to stimulate the market, but the biggest boost would be the agreement of an ambitious free-trade deal with Europe,” said SMMT Chief Executive Mike Hawes.

- *reuters.com, 27 Feb*

World prepares for Coronavirus (Covid-19) pandemic; global recession forecast

Hopes the Coronavirus (Covid-19) would be contained to China vanished as infections spread rapidly around the world, countries started stockpiling medical equipment and investors took flight in expectation of a global recession. Share prices were on track for the worst week since the global financial crisis in 2008 as virus-related disruptions to international travel and supply chains fueled fears of recession in the United States and the Euro zone. The U.S. stock market fell into correction territory with the benchmark S&P 500 index down more than 4% 27 Feb, extending a market rout that has now sliced more than 10% off of its closing peak on Feb. 19.

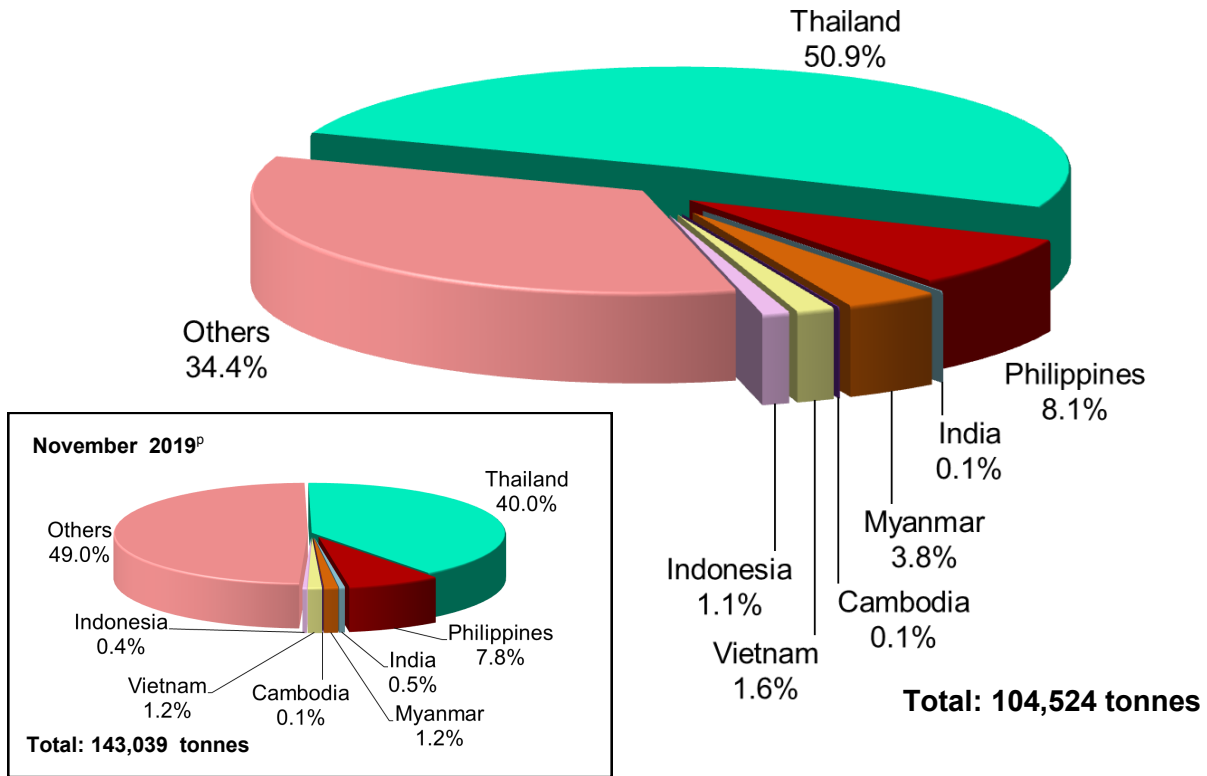
- *reuters.com, 28 Feb*

China's Manufacturing PMI tumbles to 35.7, worse than 2008, amid Coronavirus (Covid-19), risk negative

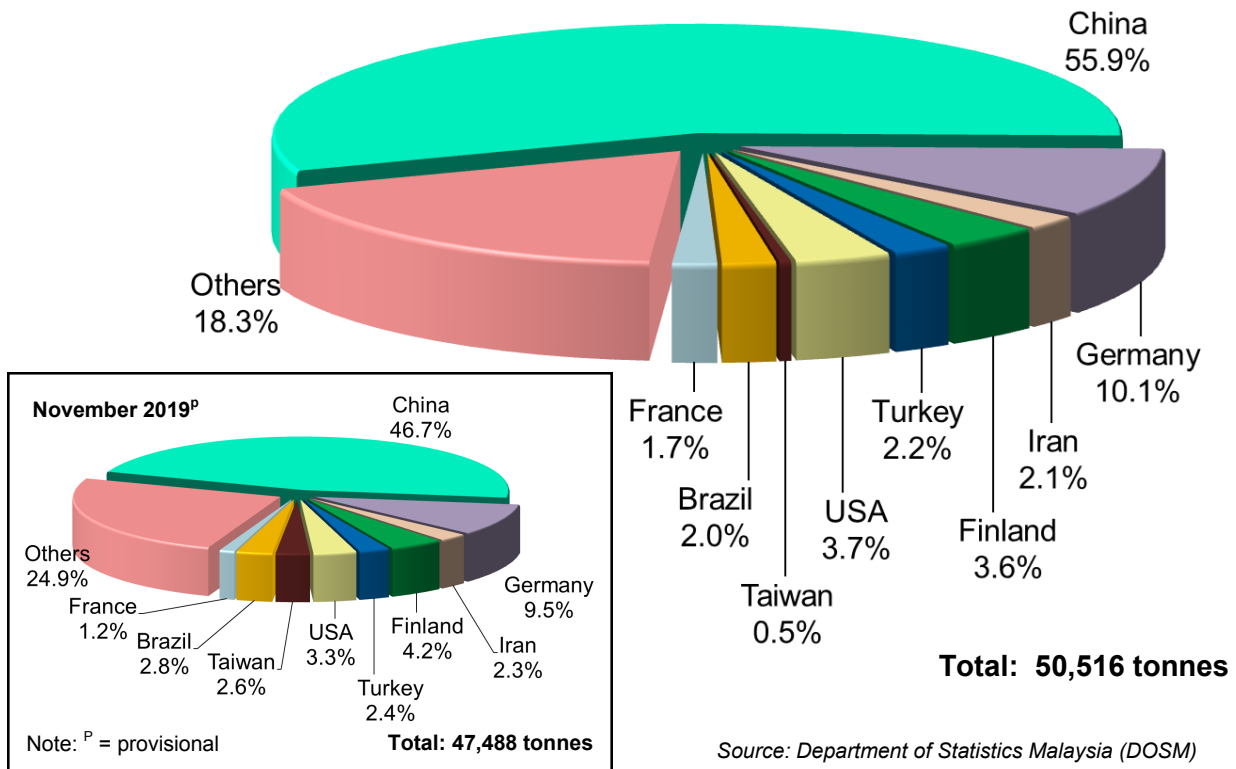
China's official Manufacturing Purchasing Managers' Index for February tumbled down to 35.7 points, the lowest on record and well beneath 45 expected. Any score below 50 represents contraction. The figure stood at 50 in January. The Coronavirus (Covid-19) outbreak paralyzed many factories in the Hubei province and beyond.

- *xstreet.com, 29 Feb*

Malaysia's NR Imports by Countries, December 2019^P

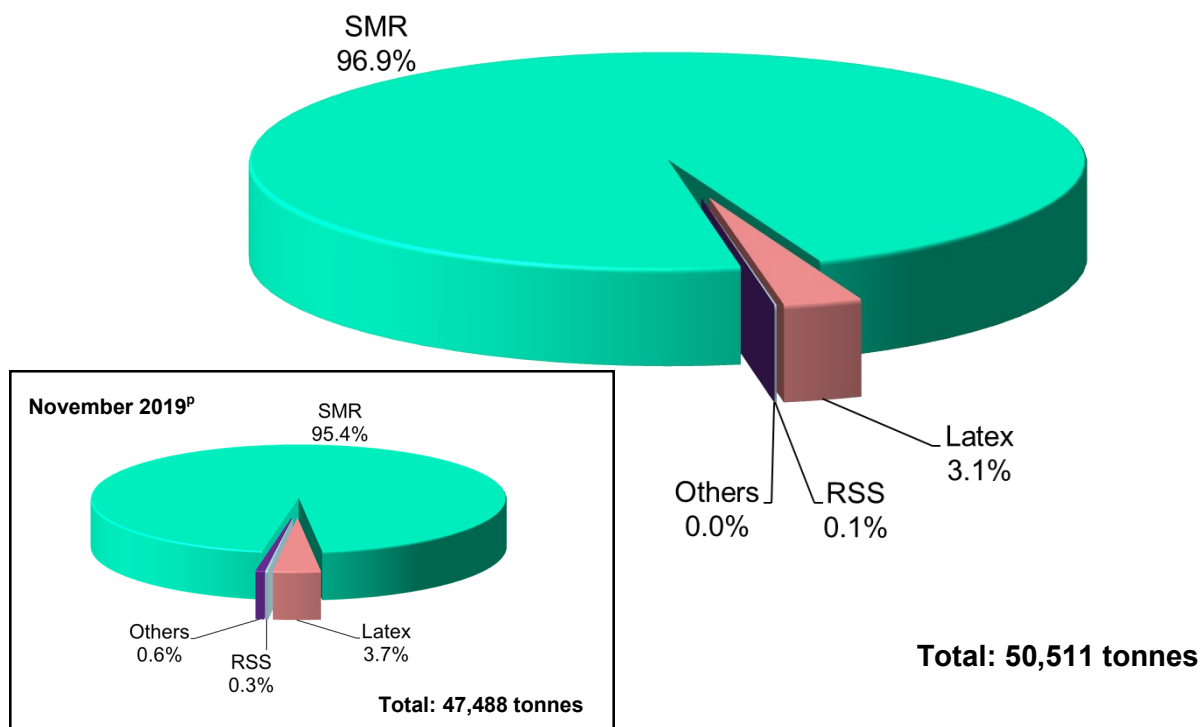


Malaysia's NR Exports by Countries, December 2019^P

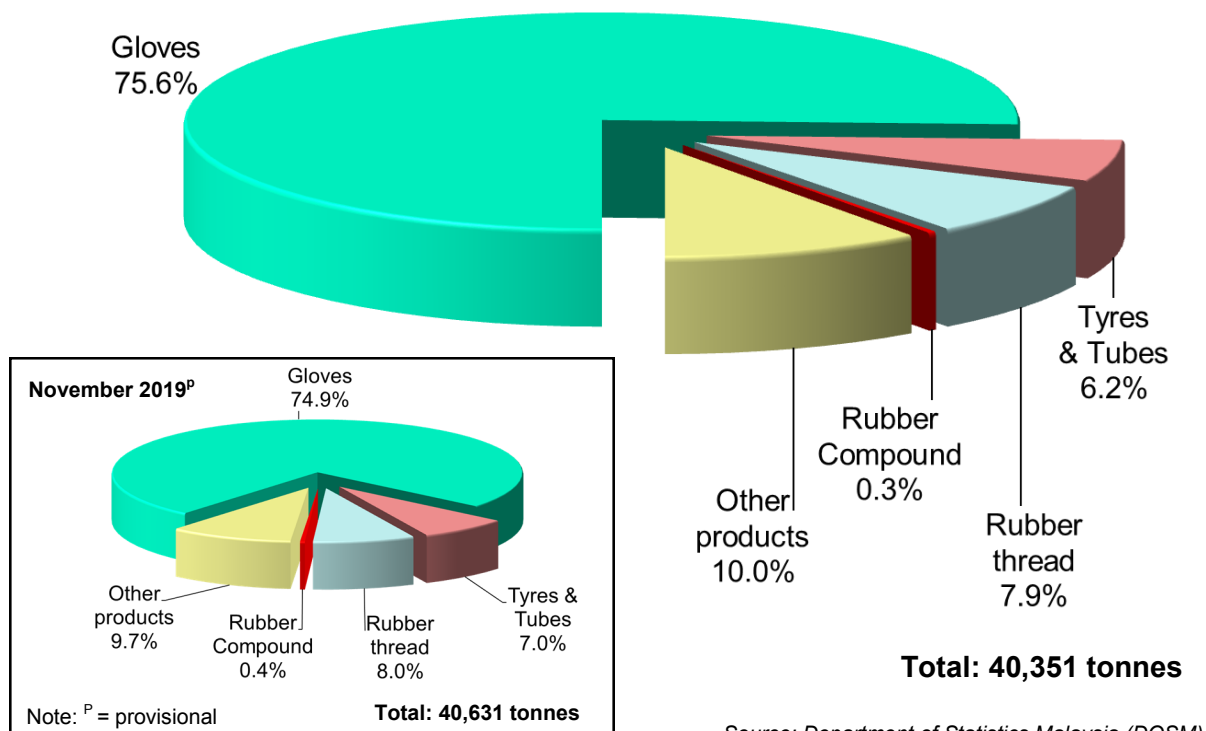


Source: Department of Statistics Malaysia (DOSM)

Malaysia's NR Exports by Types, December 2019^P



Malaysia's NR Consumption by Sectors, December 2019^P



Source: Department of Statistics Malaysia (DOSM)