



MALAYSIAN RUBBER BOARD

D I G E S T

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**2019
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Natural Rubber Market Review

March

In March, the Kuala Lumpur Rubber Market ruled mixed and generally hovered within a tight range. However, price of SMR 20 still headed for a monthly gain of 34.53 sen/kg or 6.2% and surged to the highest level since January 2018 at 600.50 sen/kg on 14 March. Overall the positive sentiment was spurred by concerns on tight supply following wintering season in major rubber producing countries and decision by the International Tripartite Rubber Council (ITRC) to curb export of natural rubber (NR) starting from 1 April 2019. Nevertheless, the gains were capped by speculative selling in regional rubber futures markets and concerns over global economic slowdown following disappointing economic data from China, U.S. and Europe as well as fears of a potential U.S. economic recession. Compared with those on 28 February 2019, the price of SMR 20 declined by 14.50 sen/kg or 2.4% to close at 580.50 sen/kg. Meanwhile, latex concentrate closed at 480.00 sen/kg, an increase of 47.50 sen/kg or 11.0%. Price movements of selected grades of rubber in March are shown in Table 1.

The market witnessed a steady condition in March, reacted positively to the announcement by International Tripartite Rubber Council (ITRC) on 22 February 2019 to curb export of NR in addressing the prevailing depressed NR prices. Senior officials meeting of ITRC held on 5 March 2019 decided to curb export of 240,000 tonnes through implementation of the 6th Agreed Export Tonnage Scheme (AETS) for the period of 4 months starting from 1 April 2019. The positive sentiment was aided by shortage of raw material following wintering season which is currently being experienced in Thailand and Malaysia. The sentiment was further supported by firmer oil prices that surged to 4-month high following ongoing supply cuts by the Organization of the Petroleum Exporting Countries (OPEC), declining U.S. oil inventories coupled with U.S. sanctions against Iran and Venezuela. The market was lifted by the ease of trade tension between U.S. and China after several rounds of negotiations between high-level officials from both sides were held and on investors' optimism that they can reach a deal, ending their trade war.

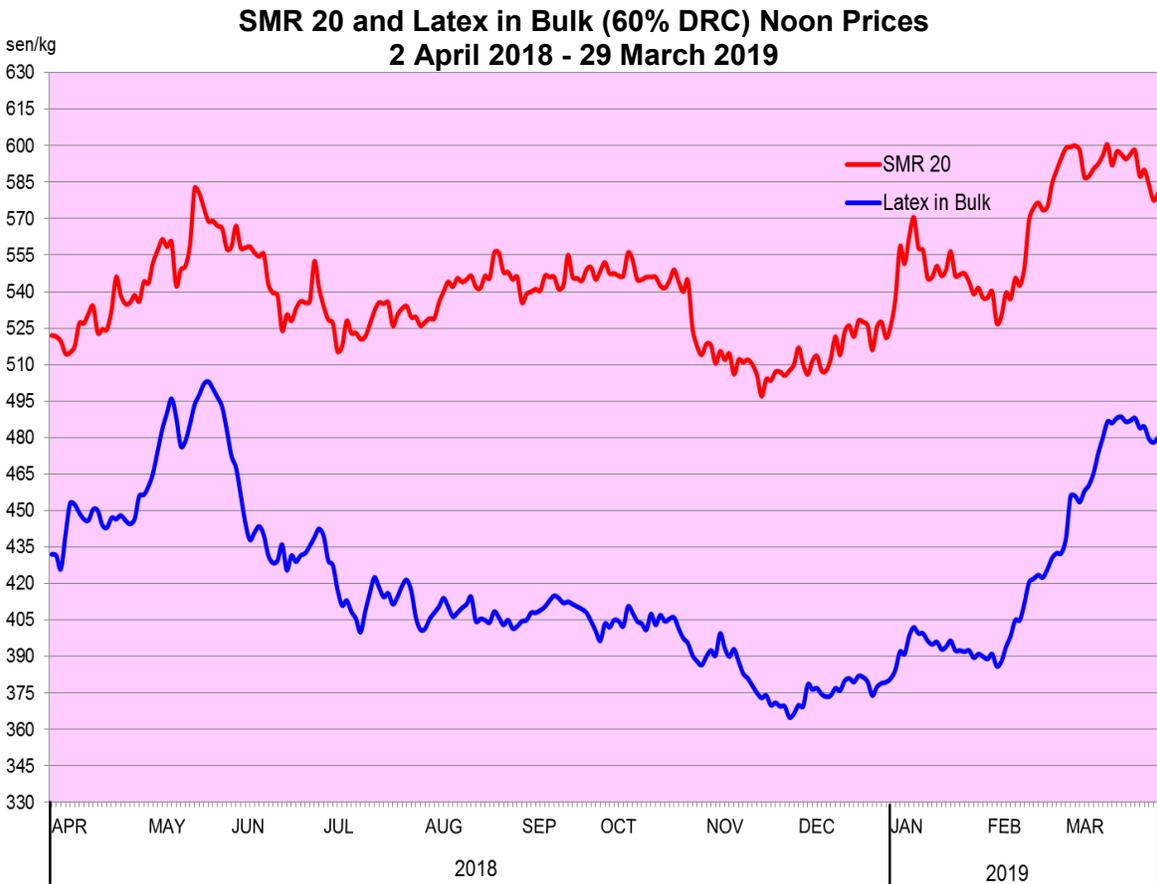
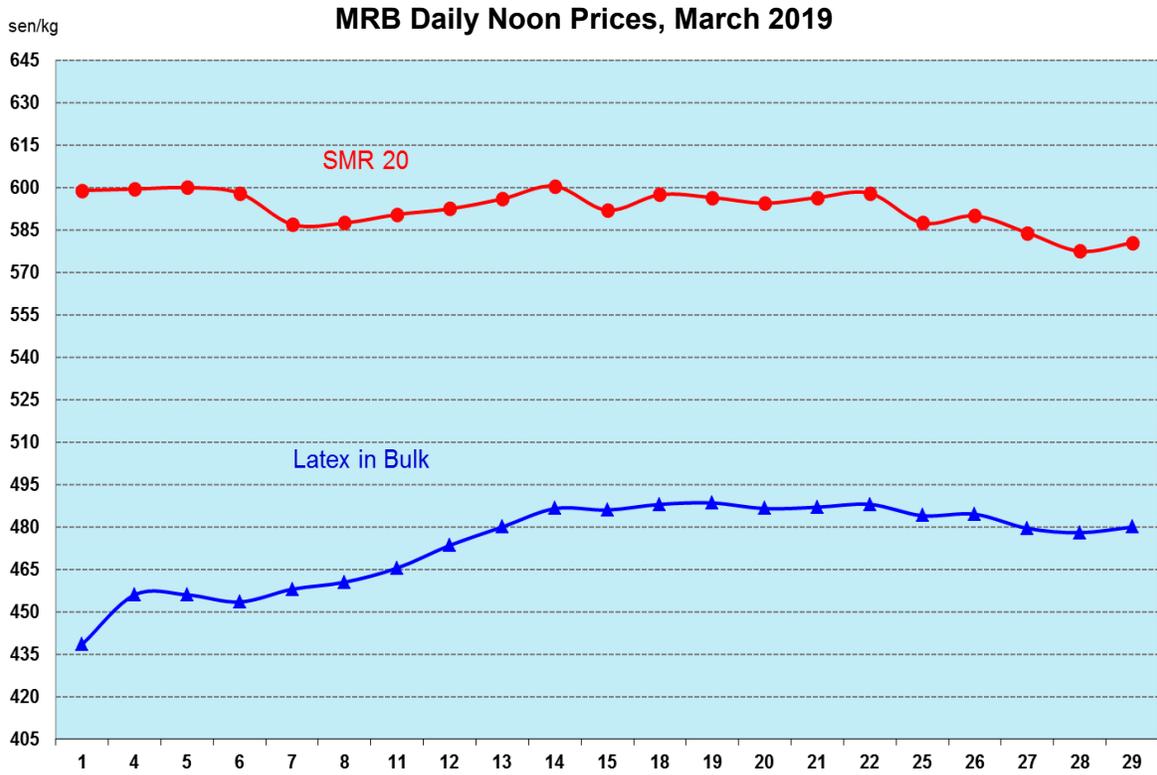
Nevertheless, the uptrend during the month was limited as the market was dragged down by investors' concerns over global economic

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, March 2019

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	934.00	9,340.00	600.50	6,005.00	488.50	4,885.00
Lowest	851.00	8,510.00	577.50	5,775.00	438.50	4,385.00
Average	910.33	9,103.30	592.62	5,926.20	474.19	4,741.90
Change from the last day of the previous month	79.00	790.00	-14.50	-145.00	47.50	475.00

Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board



slowdown after disappointing economic data from U.S., China and Europe. U.S. manufacturing Purchasing Manager Index (PMI) slide to 21-month low in March to 52.5 from 53 in February. Meanwhile, China's manufacturing PMI grew slightly for the first time in four months in March at 50.5, but export orders shrank for the 10th straight month, suggesting external demand remained sluggish. The market also took cue from the increase in Malaysia's natural rubber (NR) production. According to Department of Statistics Malaysia (DOSM) on 12 March, Malaysia's NR production in January 2019 was 74,638 tonnes, an increase of 35.6% as compared with 55,037 tonnes in December 2018. Stocks of NR recorded at the end of January 2019 rose 14.4% from 174,004 tonnes in December 2018 to 199,070 tonnes. The market reacted negatively from declining auto sales in China by 3% in 2018, the first fell since 1998. Meanwhile, auto sales in February 2019 continued to decline by 14%. The market remained cautious after the downtrend in global equity markets as U.S. Treasury yields sank to their lowest since late 2017, further below short-term interest rates and adding to fears of a U.S. economic recession. The market was also pressured by high rubber inventories and a stronger ringgit. It was reported that rubber inventories in Shanghai Futures Exchange (SHFE) remained high at 437,300 tonnes on 29 March. The ringgit strengthened against the U.S. dollar to an eight-month high at RM4.0605 on 21 March after the U.S. Federal Reserve left its key interest rate unchanged in a range of 2.25 - 2.50% and projected no rate hikes in 2019.

Outlook

Prices at the Kuala Lumpur Rubber Market are expected to remain steady at the current level in the near-term. The implementation of export cuts by ITRC countries through the 6th Agreed Export Tonnage Scheme (AETS) for four months starting from 1 April 2019, in addition to the wintering season that currently occurred in major rubber growing areas which reduces supply of raw material, would at least provide some support. Nevertheless, uncertainty on the equity markets, excessive speculation in regional rubber futures markets, currencies fluctuations, volatile crude oil prices and concerns over global economic slowdown would continue to put pressure on the rubber market. Investors will be keeping their eyes on economic development in major NR consuming countries as well as the progress of

the trade deal between U.S and China which will impact the global economy.

News Briefs

Japan final February manufacturing PMI confirms fastest pace of decline in two-and-a-half years

Japanese manufacturing activity contracted in February at the fastest pace in two-and-a-half years as factories cut back output amid shrinking domestic and export orders, a revised survey showed. The survey highlighted the extent of the damage that the U.S.-China trade war has already inflicted on Japan and other export-oriented countries in Asia. The Final Markit/Nikkei Japan Manufacturing Purchasing Managers Index (PMI) was a seasonally adjusted 48.9, slightly above a flash reading of 48.5 but below January's final 50.3.

- *reuters.com*, 1 Mar

Vietnam rubber projects in Cambodia praised for positive contribution to host nation

The Royal Government of Cambodia acknowledges and thanks the Vietnam Rubber Group (VRG) and Vietnamese companies implementing rubber plantation projects in Cambodia, contributing positively to the country's socio-economic development. Speaking at the event, Yim Chhayly expressed his sincere thanks to VRG and Vietnamese enterprises running their rubber projects in the host country, saying that they have helped boost the country's economic development to achieve stable and sustainable growth of 7% per year.

- *en.nhandan.org.vn*, 1 Mar

Auto industry analysts brace for headwinds in 2019 and beyond

2018 marked the fourth straight year U.S. light vehicle sales were above 17 million units, but auto industry analysts are predicting a slowdown due to on-going trade tensions, tariff uncertainty and a changing market. The U.S. sales forecast for 2019 shows a dip to 16.8 million units, according to the Center for Automotive Research

in Ann Arbor, Mich.

- *rubbernews.com*, 5 Mar

Global economic growth forecasts cut again by OECD

The Organization for Economic Co-Operation and Development (OECD) cut forecasts again for the global economy in 2019 and 2020, following on from previous downgrades in November, as it warned that trade disputes and uncertainty over Brexit would hit world commerce and businesses. The OECD forecast in its interim outlook report that the world economy would grow 3.3% in 2019 and 3.4% in 2020. Those forecasts represented cuts of 0.2% for 2019 and 0.1% for 2020, compared to the OECD's last set of forecasts in November 2018.

- *reuters.com*, 6 Mar

USTMA anticipates slight drop in tyre shipments in 2019

U.S. tyre shipments are expected to drop about 0.7% in 2019 from 2018, with replacement truck tyre shipments falling the most drastically, according to the latest forecast from the U.S. Tyre Manufacturers Association (USTMA). The association's forecast comes just a few weeks after the USTMA published calendar-year 2018 data, which included record aftermarket passenger tyre shipments. Overall, shipments are expected to drop to 327 million units from 329.4 million in 2018. Replacement market passenger tyre shipments are projected to drop 0.3% (600,000 units) from a "historically strong" 2018, the USTMA said.

- *rubbernews.com*, 6 Mar

More natural rubber used for community road construction in Thailand

The Thai Ministry of Transport has approved a plan on increasing the proportion of natural rubber in the construction of community roads nationwide to 8% for each project, from 5% earlier. Thai Agriculture and Cooperatives Minister Grisada Boonrach told journalists that the Ministry of Transport has accepted his

ministry's proposed plan on the increased proportion of natural rubber for its community road construction projects nationwide. According to the minister, the government-supported community road construction project is believed to increase market demand of locally-grown natural rubber by up to at least one million tonnes in the coming months.

- *factiva.com*, 8 Mar

Jokowi orders use of rubberized asphalt for helping rubber farmers

President Joko Widodo (Jokowi) said that the government has been attempting to find ways to increase the price of natural rubber (NR) of Indonesian farmers, one of which is by ordering the use of rubberized asphalt for road construction. The government had also approached Malaysia and Thailand for reducing the rubber supplies to the world's market, he told local rubber farmers in Lalang Sembawa Village, Sembawa Subdistrict, Banyuasin District, South Sumatra Province.

- *en.antaranews.com*, 10 Mar

Natural rubber surged 35.6% in January 2019

According to Department of Statistics Malaysia (DOSM) in its Monthly Rubber Statistics released on 12 March, Malaysia's NR production in January 2019 was 74,638 tonnes, an increase of 35.6% as compared with 55,037 tonnes in December 2018. Comparison with January 2018 showed the production of NR also increased 35.6%. Malaysia's NR exports amounted to 49,797 tonnes, increased by 3.3% against 48,183 tonnes in December 2018. Stocks of NR recorded at the end of January 2019 rose 14.4% from 174,004 tonnes in December 2018 to 199,070 tonnes. Total domestic consumption of NR in January 2019 was 43,452 tonnes, an increase of 3.9% against 41,833 tonnes as reported in December 2018.

- *dosm.gov.my*, 12 Mar

Vehicle sales decline by 13.8% in February

According to the China Association of Automobile Manufacturers (CAAM), China's vehicle market continued its downward spiral in February, as a result of the weeklong Spring Festival holiday that led to a lull in car sales and more importantly due to the spillover weaker demand from 2018. Statistics from the association showed that February sales stood at 1.48 million, down 13.8% year-on-year (y-o-y), making it the eighth consecutive month of decline in the world's largest vehicle market.

- global.chinadaily.com.cn, 12 Mar

MIDF: Malaysia's economy to contract 0.11USD on every 1USD slowdown in China

In the event of a growth slowdown in China, the world's second largest economy, the global economy would be affected and Asian economies, including Malaysia, will be the most impacted, according to MIDF Research. Every 1USD slowdown in China's economy will result in a global growth decline of 0.15USD, while Malaysia's will contract by 0.11USD, according to MIDF Research's estimates.

- theedgemarkets.com, 13 Mar

Rubber smallholders urged to register for PAT -G card

Rubber smallholders have been urged to register for the Rubber Transaction Authorisation Permit (PAT-G) card with the Malaysian Rubber Board (MRB) to enable them to make claims under the Rubber Production Incentive (IPG) scheme. Primary Industries Minister Teresa Kok said as of December 2018, a total of 303,452 rubber smallholders in the Peninsular and 158,747 in Sabah and Sarawak have the PAT-G card.

- globalrubbermarkets.com, 13 Mar

Tyre industry asks government to ease availability of natural rubber

In a letter to the commerce ministry, the industry has urged the Centre to ease the availability of NR for consuming interests. According to the latest figures released by the Rubber Board, India's NR

consumption has touched 10.2 lakh tonnes during April 2018-January 2019 while the production stood at 5.6 lakh tonnes during the same period, leading to a gap of 45%. According to Automotive Tyre Manufacturers Association (ATMA), NR consumption in India is likely to surpass the projection of 12 lakh tonnes made by the Rubber Board for the year 2018-19. The dependence on imports has increased 30% as compared to the previous year, leaving the tyre industry worried about raw material sourcing.

- globalrubbermarkets.com, 13 Mar

China's premier says ready to use more policy tools to help economy

The Chinese government has additional monetary policy measures that it can take to support economic growth this year, and will even cut "its own flesh" to help finance large-scale tax cuts, Premier Li Keqiang said. China has promised billions of dollars in tax cuts and infrastructure spending to help businesses and protect jobs, as economic momentum is expected to cool further due to softer domestic demand and the trade war with the United States.

- channelnewsasia.com, 15 Mar

Rubber business and others to reel in USD1.6 billion

Singapore-based agriculture and food major Olam International plans to sell off four of its businesses, including rubber, over the next six years to yield an income of USD1.6 billion; and to invest a further USD3.5 billion in its agriculture and global food systems that include 12 food business segments, such as dairy, nuts, grains and animal feed, as part of its 2019-2024 strategic plan.

- rubberjournalasia.com, 19 Mar

Escalation of U.S.-China bilateral tariffs to shave off USD1 trillion from America's GDP

A study by the U.S. Chamber of Commerce shows how the deterioration in the trade dispute between the world's two largest economies, China and the United States, will drastically affect the American economy. It found that tariff measures would cost

the U.S. Gross Domestic Product (GDP) from USD45 billion to USD60 billion in the first year following the imposition. The figure will grow to USD89 - USD125 billion annually, five years later. The U.S. economy stands to lose USD1 trillion of its baseline potential within ten years of tariff implementation, the report concluded.

- *rt.com*, 20 Mar

RM338 million approved for programmes for 552,543 rubber smallholders

Malaysia's government has approved an allocation of RM338 million to implement the Rubber Industry Smallholders Development Authority's (RISDA) development programmes this year. The programmes are expected to benefit 552,543 smallholders nationwide.

- *nst.com.my*, 21 Mar

Global Platform for Sustainable Natural Rubber takes shape

The Global Platform for Sustainable Natural Rubber (GPSNR), an independent platform designed to improve the socio-economic and environmental performance of the natural rubber (NR) value chain, is up and running. Stakeholders in the NR industry convened in Singapore for the GPSNR's inaugural general assembly, during which they approved the body's organizational statutes and code of conduct and formed an executive committee to oversee the body's strategic and operational activities.

- *rubbernews.com*, 21 Mar

Trump's tax cuts will boost the U.S. for two more years at most, says Nobel Prize winner

The USD1.5 trillion tax reform initiated by U.S. President Donald Trump in 2017 has boosted the American economy, but the positive effect of lower corporate and individual taxes can only last so long, according to a Nobel-winning economist. The U.S. economy has been a bright spot among advanced economies over the past year, partly thanks to higher corporate investment that followed Trump's tax cuts. But such an effect will only last for another two years at the maximum,

said Edmund Phelps, a professor at Columbia University.

- *cnc.com*, 24 Mar

China confident of achieving key 2019 economic targets, vice premier says

China's economy may face a more challenging environment this year but the government is nevertheless confident of achieving its key 2019 targets of economic growth of between 6% and 6.5% for the year, Vice Premier Han Zheng said on 24 March 2019. He reiterated that China will further deepen market-oriented reforms and open up its economy. Meanwhile, China's imports of goods are expected to exceed USD12 trillion in the next five years.

- *reuters.com*, 24 Mar

Rubber stakeholders plead for additional fund to Rubber Board

Various stakeholders in the Indian rubber sector have written to Commerce Minister Suresh Prabhu to grant a minimum additional fund of Rs 50 crore to Rubber Board immediately to conduct its activities as the annual outlay for the board has been coming down in the last few years. They said the replanting subsidy arrears worth Rs 25 crore have been processed but could not be disbursed due to lack of funds. The small growers comprising 90% of the total growers have been adversely affected by the crisis.

- *economictimes.indiatimes.com*, 27 Mar

US, China trade talks to resume as Trump vows 'excellent' deal

U.S. and Chinese officials resume high-level trade talks this week as they close in on a deal where President Donald Trump's top trade negotiator, Robert Lighthizer, and Treasury Secretary Steven Mnuchin are due to visit Beijing on 28 and 29 March 2019. Meanwhile, top Chinese negotiator, Vice Premier Liu He, plans travel to the US the following week. The burst of diplomacy suggests both sides remain determined to reach an agreement that would avoid any escalation of the eight-month trade war

that has seen them impose duties on USD360 billion of each other's imports.

- www.business-times.com.sg, 27 Mar

UK car output falls 15% in February

British car production slumped by an annual 15.3% last month as demand in important European and Asian markets fell, an industry body said as it warned again about the damage a no-deal Brexit would do to the sector. Output fell to 123,203 cars in February, the ninth month of declines as exports, which account for 80% of total production, slumped 16.4%, according to the Society of Motor Manufacturers and Traders (SMMT).

- reuters.com, 28 Mar

U.S. fourth-quarter GDP revised down; profits weak

According to the U.S. Commerce Department on 28 March, economic growth in the U.S. slowed in the 2018 fourth quarter with a GDP of 2.2%. 2018 closed with a 2.9% GDP increase, short of President Donald Trump's hopes for 3% growth. Consumer and government spending, as well as non-residential fixed investment, were revised down and subtracted from the reading.

- reuters.com, 28 Mar

Tokyo bourse to take over Japan's once-mighty commodities exchange

Japan Exchange Group (JPX), owner of the Tokyo Stock Exchange, said on 28 March it would take over the Tokyo Commodity Exchange (TOCOM) to create an all-in-one bourse that would attract more international traders and investors. The transfer of most TOCOM products onto JPX platforms and the consolidation of clearing facilities is expected to be completed after March 2020, JPX said in a statement, giving no details on the value or terms of the deal.

- theedgemarkets.com, 28 Mar

Fed done raising interest rates; significant chance of cut in 2020: Reuters poll

The U.S. Federal Reserve is done raising interest rates until at least the end of next year, according to economists in a Reuters poll who gave a 40% chance of at least one rate cut by end-2020. The Fed left its federal funds rate on hold at 2.25-2.50% as expected, but its "dot plot" projections shifted and now suggest no hikes in 2019 compared with two in December.

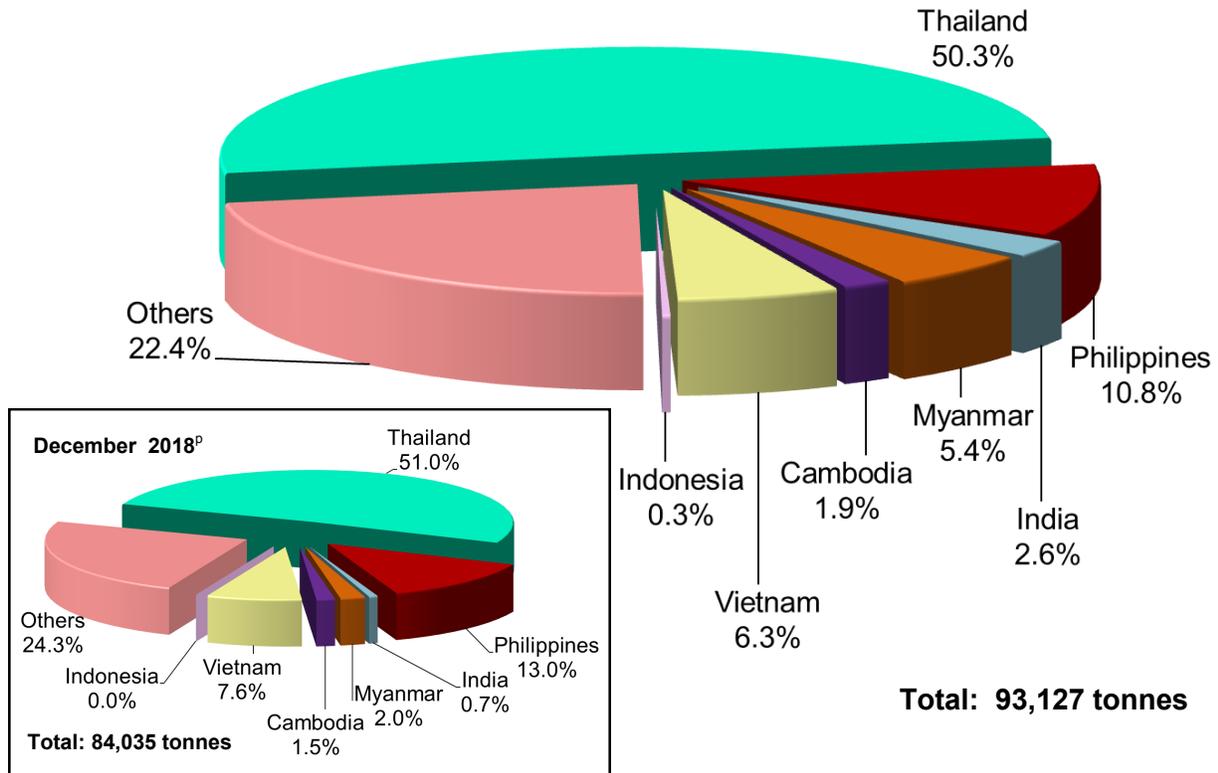
- reuters.com, 29 Mar

China March factory activity grows for first time in four months, but exports weak

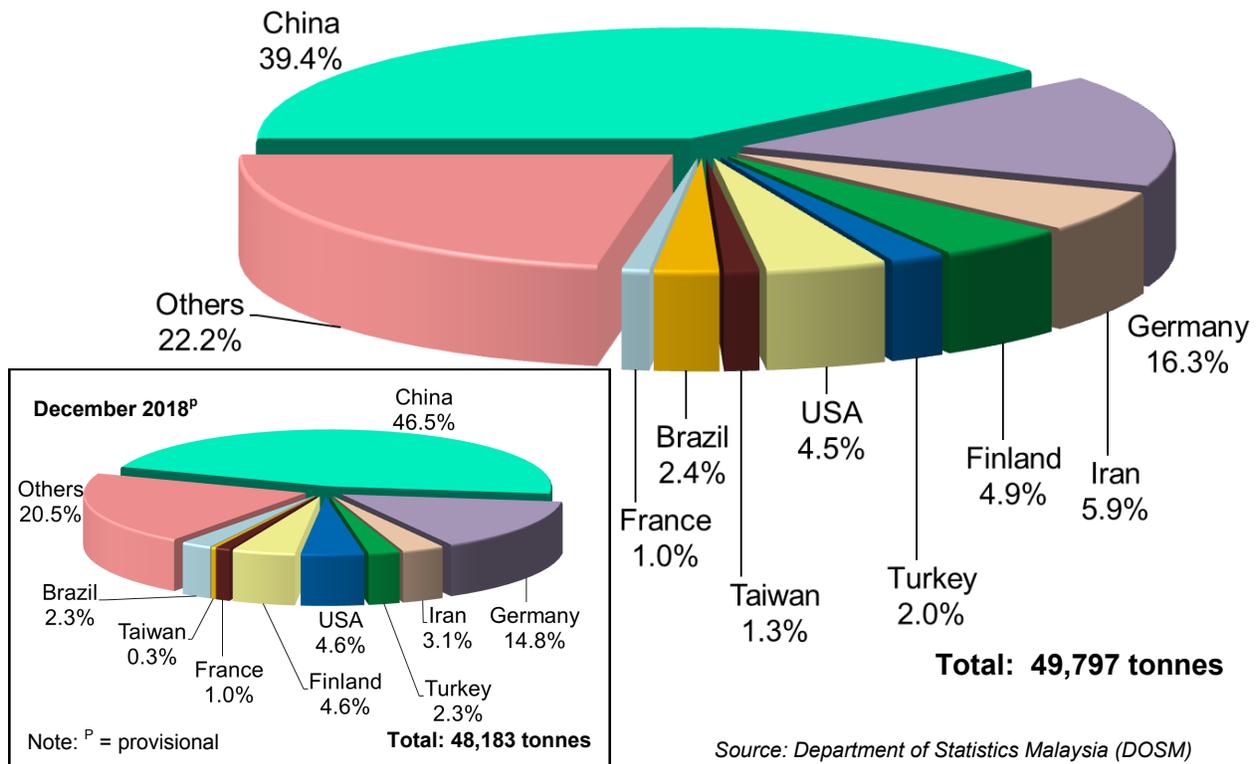
According to data released by the National Bureau of Statistics (NBS) on 31 March, China's official Purchasing Managers' Index (PMI) rose to 50.5 in March from February's three-year low of 49.2, marking the first expansion in four months. But many analysts remained cautious on the growth outlook, citing seasonal distortions caused by the long lunar New Year break in February. They argue that real investment and consumer demand remained soft and pushed up inventories at a sharper rate, potentially adding pressure to the sector.

- reuters.com, 31 Mar

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

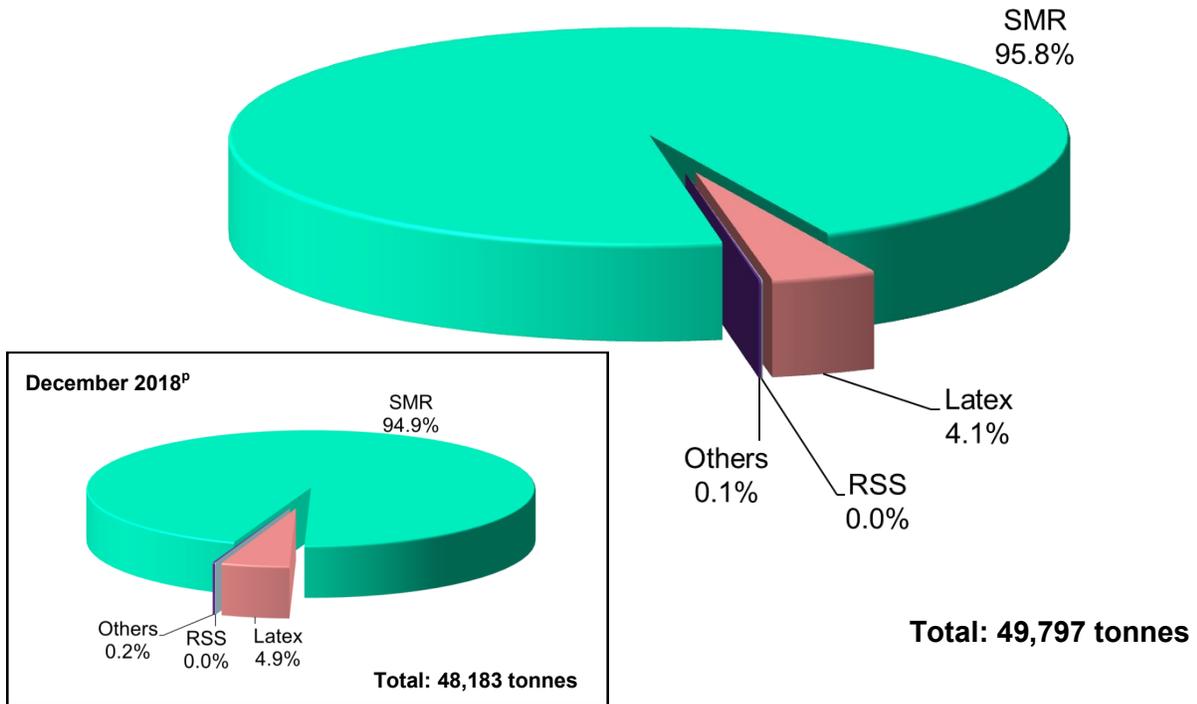


Malaysia's NR Exports by Countries, January 2019^P

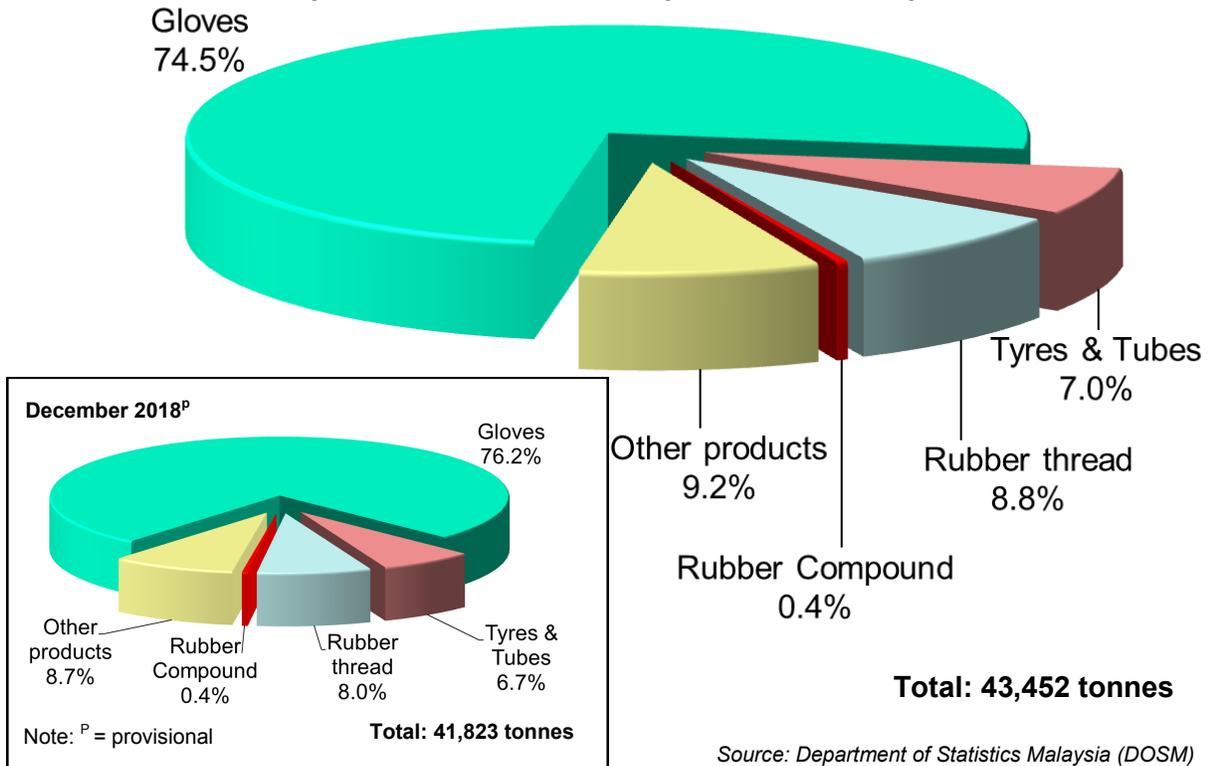


Source: Department of Statistics Malaysia (DOSM)

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



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



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