



MALAYSIAN RUBBER BOARD

D I G E S T

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Natural Rubber market review

January

In January 2014, the Kuala Lumpur rubber market saw a downtrend following a negative sentiment over a report on large rubber stocks in China and Japan. It was also tracking the low performance in the Tokyo Commodity Exchange (TOCOM) on a stronger yen and weaker shares. Compared with levels on 31 December 2013, the price of SMR 20 was down by 102 sen/kg or 13.8% to close at 638.00 sen/kg while latex concentrate closed at 462.50 sen/kg, down by 73.50 sen/kg or 13.7%. The price movements of selected grades of rubber in January is shown in *Table 1*.

The Kuala Lumpur rubber market saw a mixed trend for the first trading week with prices opened slightly higher in the beginning but then declined. On the negative side, the downtrend was contributed by a strengthening of the ringgit. The trend was in tandem with that in TOCOM resulting from a rise in the yen against the US dollar, besides a revival on concerns about slow growth based on respective services sector data in China and the United States. Meanwhile, the

International Rubber Consortium (IRCo), in its weekly report, stated that that rubber prices were likely to be volatile in that week due to weak investors' confidence and poor market sentiment. In contrast, on the positive side, the uptrend was contributed by a weaker yen and a strong rebound in the rubber prices at the Shanghai Futures Exchange (SHFE). Meanwhile, it was reported that the just-released China CPI data came in within market expectations at +2.5%.

The market saw a mixed trend during second trading week. The positive trend was in tandem with the higher opening of TOCOM prices resulting from a weaker yen with the support from the upcoming low-production season and strong China motor-vehicle sales. The negative sentiment, however, was brought by a report from The Wall Street Journal that Chinese exports grew 4.3% on year in December, which is lower than the expectation of 4.5% growth, according to the median forecast of 13 economists.

On the third trading week, the market saw a downtrend following the negative sentiment over the fall in both Singapore Exchange (SGX) and TOCOM. It was reported that market players were still cautious on the outlook for global demand and remained on the sidelines, waiting

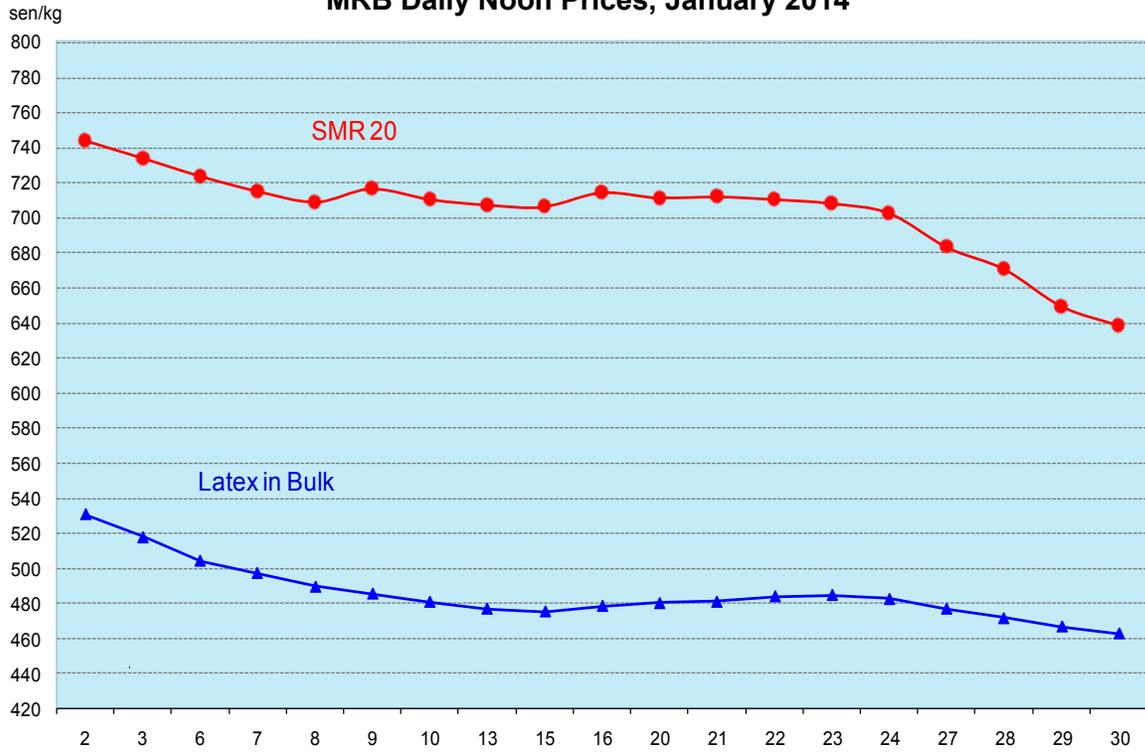
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, January 2014

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	857.20	8,572.00	744.00	7,440.00	530.50	5,305.00
Lowest	772.00	7,720.00	638.00	6,380.00	462.50	4,625.00
Average	814.92	8,149.20	703.16	7,031.60	485.37	4,853.70
Change from the last day of the previous month	-85.00	-850.00	-102.00	-1,020.00	-73.50	-735.00

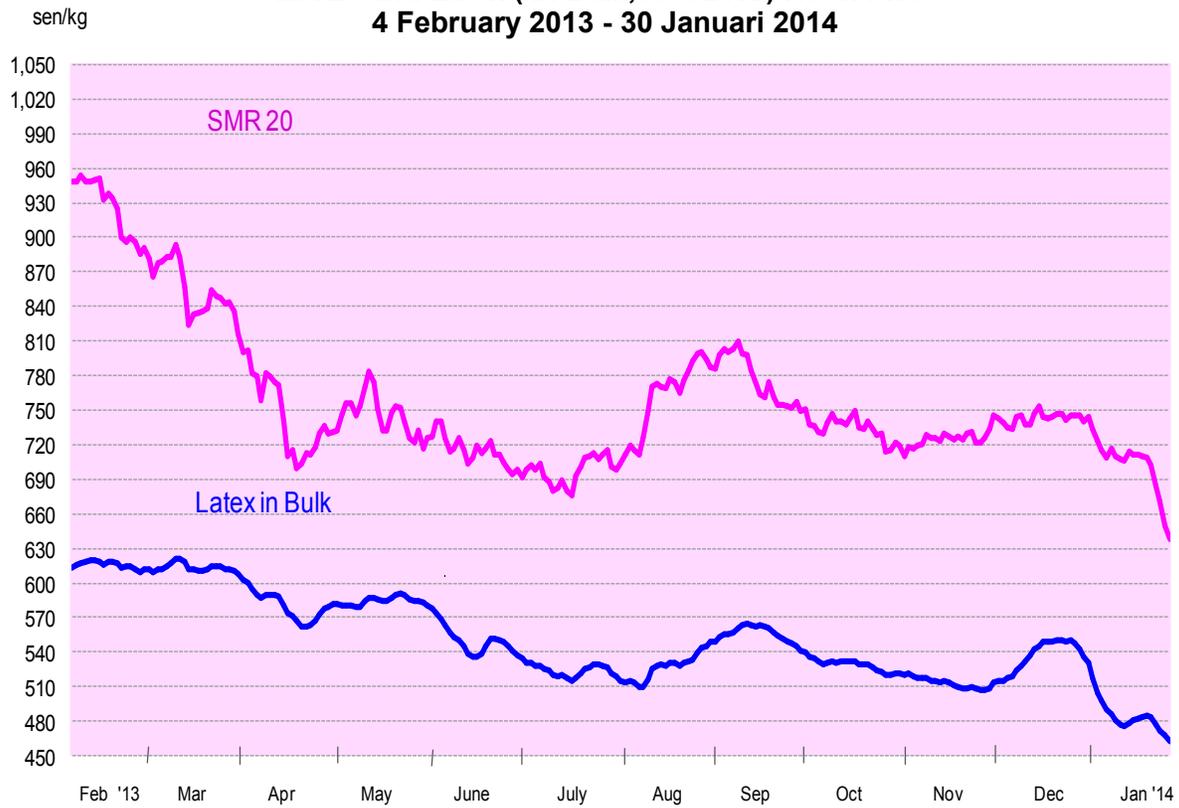
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, January 2014



**SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
4 February 2013 - 30 Januari 2014**



for a clearer market direction before making the next move. However, the market briefly responded positively over the result from a Wall Street Journal survey that China's economy grew by 7.7% in the fourth quarter of 2013 compared with a year earlier, slightly faster than the 7.6% forecast, though slower than the 7.8% recorded in the third quarter.

The market returned to the downward trend, which was contributed by further strengthening of the ringgit and the negative sentiment brought by a report on the signs of weakness in China's manufacturing sector.

The preliminary HSBC China Manufacturing Purchasing Managers' Index for January 2014 came out at 49.6 compared with a final reading of 50.5 in December 2013. It was also reported that Chinese investors had started pulling out of the markets ahead of the Lunar New Year holidays which begin at the end of the following week.

The fourth trading week saw a downtrend following a negative sentiment over a report on large rubber stocks in China and Japan. It was also tracking the low performance in TOCOM on a stronger yen and weaker shares. The report on a selloff in Asian stock markets and emerging-market currencies on worries over slowing growth in China as well as the signs that the U.S. will ease back on bond buying also dampened the market sentiment.

Meanwhile, it was reported that despite high stockpiles in Qingdao, Chinese buyers were still sourcing, as traders were unwilling to sell the warehouse stocks at a loss. The Kuala Lumpur rubber market extended its losses further at the end of week on a stronger ringgit.

It was also reported that trade participants were on the lookout for the outcome of the U.S. Federal Open Market Committee's decision on monetary policy for further cues.

In a separate development, the Rubber Trade Association of Japan (RTAJ) reported that crude rubber inventories at Japanese ports stood at an eight-month high of 15,474 tonnes as of 20 January 2014, an increase by 17.6% from 10 days earlier. The lower opening of market price was the same in other regional markets on rising concerns over weaker-than-expected manufacturing data from China and the triggering of a contagious selloff of global assets.

Outlook

The Kuala Lumpur rubber market will recover from current levels in the coming months if rubber-market fundamentals could outweigh the currently weak rubber market sentiment and investors' confidence. Other factors such as the movement of the value of the ringgit and the performance of the regional markets are also expected to shape the market trends.

News Briefs

Rubber market in Asia continues to thrive

Increased consumption in the wake of stable rubber supply is expected to boost the rubber industry in 2014. The International Rubber Study Group expects that global demand is to grow annually by 3.8% with China making up for the slack in European economies.

China accounts for about 35% of global demand for natural and synthetic rubber, used mainly to make tyres. The IRSG's forecast is based on several economic scenarios and one of them being the International Monetary Fund's (IMF) projections of a 3.3% global economic growth.

The demand for natural rubber is attributed to the upsurge in tyre requirements. According to a report from the Freedonia Group, the world demand for tyres is expected to rise by 4.7% annually through 2015 to 3.3 billion units. Factors that could impact the rubber industry in 2014 include the market conditions in Europe and North America which could lead to companies holding back their investments.

More favourable factors are in the area of technological innovations in which companies in emerging and major sectors continue to undertake in order to help raise production efficiency and product quality.

- Ringier Industry Sourcing, 26 Dec

Malaysia eyes RM40.5 billion in rubber export in 2014

Malaysia's rubber export was estimated to hit RM38 billion (equivalent to US\$11.8 billion) in 2013 and is forecast to reach RM40.4 billion

(US\$12.5 billion) in 2014. As much as 25% of the country's rubber products were shipped to the US market and the same volume went to European countries, mainly Germany and the UK.

Rubber gloves remain the key export item, contributing 80% to the rubber sector's export value. In the first nine months of 2013, 533,352 tonnes of rubber gloves were sold abroad, an increase by 32.4% year-on-year.

The amount brought home RM7.93 billion, a meagre rise of 0.5% from the same period a year ago. According to Director General of the Malaysian Rubber Board, Datuk Dr. Salmiah Ahmad, in 2014, the country will have additional 11,600 hectares grown with rubber trees, 985 hectares more than the 2013's figure.

- Thai News Service, 6 Jan

Japanese tyre-makers to boost sales of fuel-efficient tyres in emerging markets

Japanese tyre manufacturers plan to boost sales of environmentally friendly, fuel-efficient tyres in Southeast Asian and other emerging markets where fuel economy standards are expected to be tightened, reports financial daily, The Nikkei. Bridgestone, for instance, plans to promote its fuel-efficient Ecopia tyres aggressively in Southeast Asian countries such as Thailand and Indonesia, as well as Central and South America and the Middle East this fiscal year.

Eco-friendly tyres offer lower rolling resistance than conventional products, thereby improving fuel efficiency. They also tend to last longer. A 10% reduction in resistance translates into a roughly one percent improvement in fuel economy, according to industry data. The share of fuel-efficient tyres in the replacement tyre market in Japan has risen to more than 20% and is expected to increase to as high as 70–80% by 2020.

- IHS Global Insight Daily Analysis, 10 Jan

China's natural rubber imports up 66.7% in Dec

China, the world's largest natural rubber importer, imported 350,000 tonnes of the material in December 2013, 66.67% more than in the

corresponding period of 2012, according to the statistics released by the General Administration of Customs. The import value for last month increased by 39.76% year-on-year to US\$829.13 million.

In whole year of 2013, the country's imports of natural rubber amounted to 2.47 million tonnes, up by 13.5% year-on-year. The import value for last year amounted to US \$6.39 billion, decreasing by 6.2% from a year earlier. In 2013, China imported 1.53 million tonnes of synthetic rubber, 6.1% more than in the previous year. Import value dropped 13.1% year-on-year to US\$4.43 billion for last year.

- China Knowledge Press, 13 Jan

Malaysia's natural rubber exports in November last year up 15% to 74,792 tonnes

Malaysia's natural rubber exports in November last year rose by 15% to 74,792 tonnes from the same period in 2012, the Statistics Department said. The Standard Malaysian Rubber (SMR) contributed 92.1% of the total exports, with 66.5% of that comprising SMR 20, the department said in a statement. Natural rubber was exported mainly to China (58.2%), followed by Germany (9.9%), Iran (4.6%), the United States (3.9%), Brazil (3.8%), South Korea (3.5%) Turkey (1.7%) and Taiwan (1.2%).

The total natural rubber for domestic consumption in November last year was recorded at 36,099 tonnes, down four per cent year-on-year, with the rubber gloves industry being the highest consuming industry at 25,043 tonnes (69.4%), followed by rubber thread (10.9%) and tyre and tubes (6.5%).

- Bernama Daily Malaysian News, 13 Jan

Michelin producing tyres in India

Michelin, the French tyre manufacturing giant, expanded its operations in India by setting up a manufacturing unit in Thiruvallur in the southern state of Tamil Nadu. The slowdown in the market is thought to be the reason for the delay in the launch of the radial tyres.

As Michelin makes preparations to target the

replacement tyre market in India, the company has to manage the current market cycles prompted by the economy.

Back in 2009, the state government of Tamil Nadu and Michelin entered into an agreement to set up a manufacturing facility close to Chennai. Michelin invested 4,000 crores rupees (approximately US\$800 million) to set up its manufacturing plant in Thiruvallur that covers 290 acres of land and is by far the company's largest facility in the world in terms of surface area.

- *India Transport Portal, 14 Jan*

Supportive government policies and fuel-efficient tyres to drive Malaysian tyre market

Malaysia's favorable government policies, coupled with political and economic stability, and the presence of well-developed infrastructural facilities, have attracted major international automotive and component manufacturers to invest in the country. Abundant natural rubber production and the membership of AFTA and ASEAN continue to attract the global tyre companies to establish their production plants in Malaysia.

According to a recently published report by TechSci Research "*Malaysia Tyre Market Forecast and Opportunities 2018*", the tyre market in Malaysia is expected to grow at a CAGR of around 10%, in revenue terms, during 2013-18. The automobile production in Malaysia is increasing at a rapid pace and as a result, tyre companies operating in Malaysia are also expanding their business operations.

The automobile production in Malaysia is also encouraged by the government through various incentive plans and tax benefits. The tyre market in Malaysia is also witnessing a rapid increase in demand for fuel efficient and eco-friendly tyres.

- *PR Newswire Europe, 20 Jan*

Yokohama Rubber to build new passenger car tyre plant in China

Yokohama Rubber has announced that it is building a new passenger car tyre production

facility on land adjacent to an existing truck/bus tyre plant of its Chinese subsidiary Suzhou Yokohama Tyre, in Jiangsu Province.

The construction of the new facility has begun in the summer of 2013, and it is expected to begin production in April 2014, with annual capacity to be gradually expanded until it reaches 6 million tyres by the end of 2017.

The total investment is expected to reach about ¥26.5 billion (US\$4.35 billion). The facility will primarily manufacture Yokohama's eco-tyre brand '*BluEarth*' and other high-performance, fuel-efficient passenger car tyres, for which the demand has been increasing in recent years. The products will be sold in China.

The plant's high-performance tyres will be targeted at original equipment sales to automobile makers in China as well as the aftermarket for replacement tyres.

- *Just-Auto, 24 Jan*

Two more organizations join the IRSG Panel of Associates

The International Rubber Study Group (IRSG) is pleased to announce that two new members, Tire Industry Research and Hainan Rubber Industry Group have joined the IRSG Panel of Associates.

The Tire Industry Research is the trading name of Shaw Information Services Ltd., a U.K.-based market research company headed by David Shaw.

The company was founded in early 2013 and specializes in highly-focused reports on the global tyre industry. The company has deep and comprehensive understanding of the global value chain within the tyre industry.

Company expertise covers raw materials, sustainability, manufacturing technologies, marketing, distribution and brand management as well as strategic analyses and regional and segment overviews.

The Tire Industry Research also offers a regular Twitter service highlighting latest news on the global tyre industry @TireIndustry as well as its website at www.tireindustryresearch.com.

Hainan Rubber Industry Group Co., Ltd. was founded in 2005 and is based in Haikou, China. Its business covers the cultivation, processing and sale of natural rubber, both in China and internationally.

Hainan Rubber Industry's rubber plantations cover approximately 353 acres in 17 cities and counties within Hainan Province. In recent years, Hainan Rubber has invested in plantations in Yunnan, Southeast Asia and in Africa.

- Rubber World, 27 Jan

Strong automotive industry pumps up the tyre market

According to Tyre Industry, a new Market Report from market intelligence provider Key Note, the apparent UK market for rubber tyres and tubes was estimated to have grown by three percent in 2013.

Growth in the tyre market has been driven mainly by the resurgence of UK automotive industry, following a significant decline in 2008 and 2009 as the impact of economic recession limited the demand for, and the production of, motor vehicles.

However, since 2010, the automotive industry has seen strong growth, with increasing investment from global carmakers in UK production capacity, alongside a steady improvement in demand across the passenger car and commercial vehicle segments being recorded.

-Tread, 29 Jan

Rubber and tyre industries welcome Kerala CM's move to procure rubber

The rubber and tyre industries have welcomed Kerala Chief Minister, Oommen Chandy's statement that the government was looking to procure natural rubber from the open market, saying that it was always in favour of keeping strategic reserve of rubber under a policy framework to meet exigencies.

"The move by Kerala Government vindicates our long-standing request for a buffer stock of natural

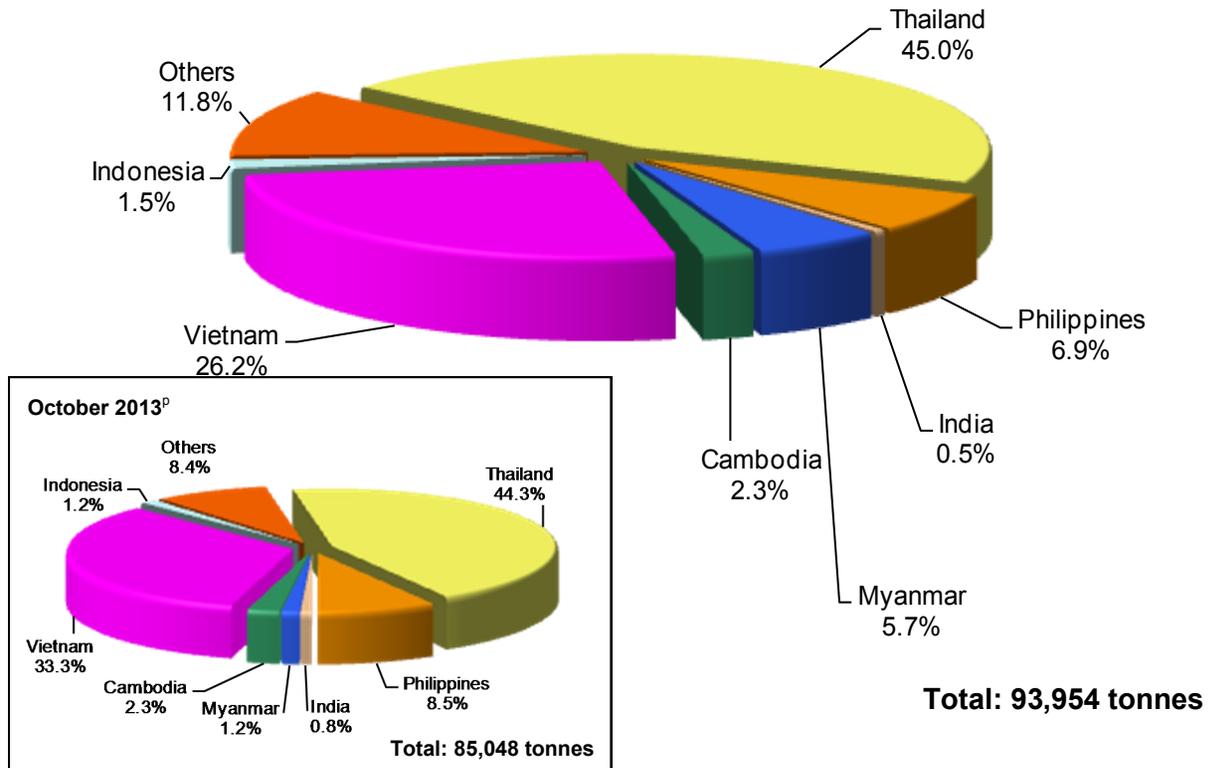
rubber so as to minimise the vagaries of sharp volatility in prices witnessed in the last few years.

However, instead of a knee-jerk reaction, a strategic reserve of natural rubber should be a part of an institutional framework", said Rajiv Budhreja, Director General of the Automotive Tyre Manufacturers Association (ATMA).

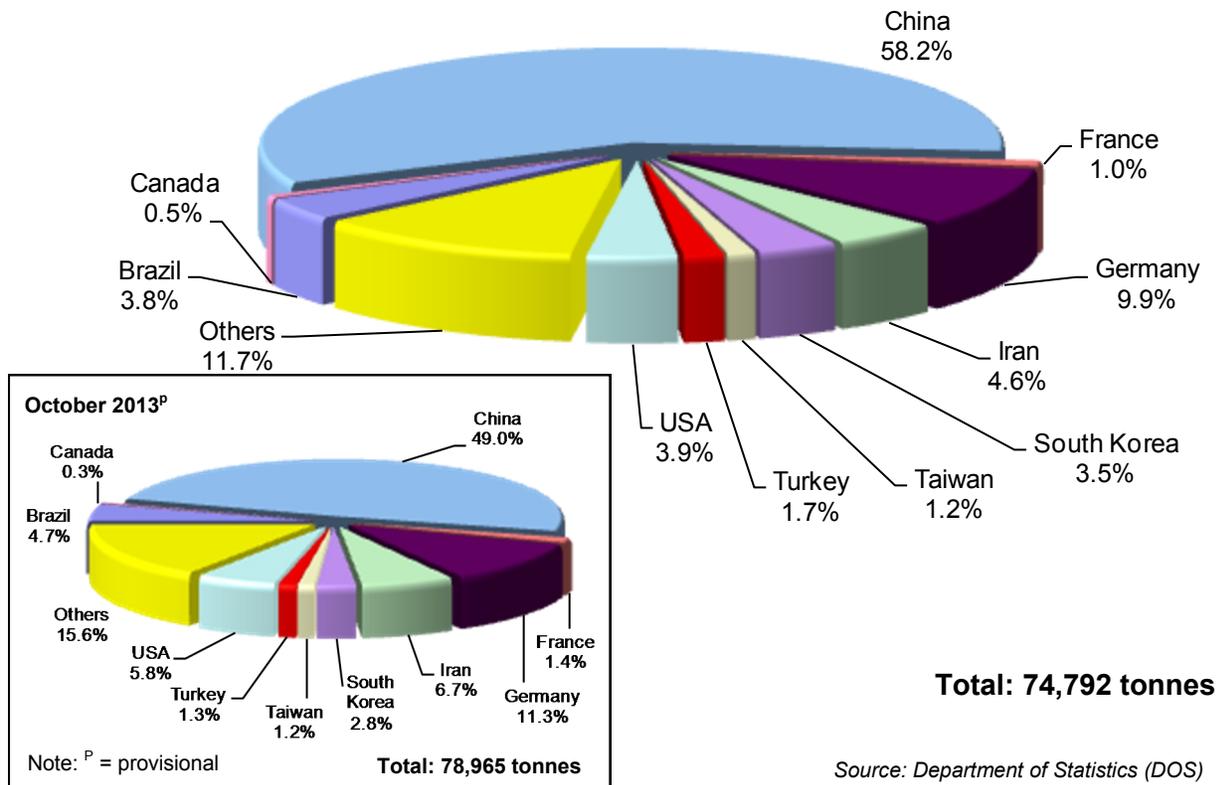
- The Economic Times, 31 Jan

Newsbrief Sources: Factiva-Dow Jones

Malaysia's NR imports by countries November 2013^P

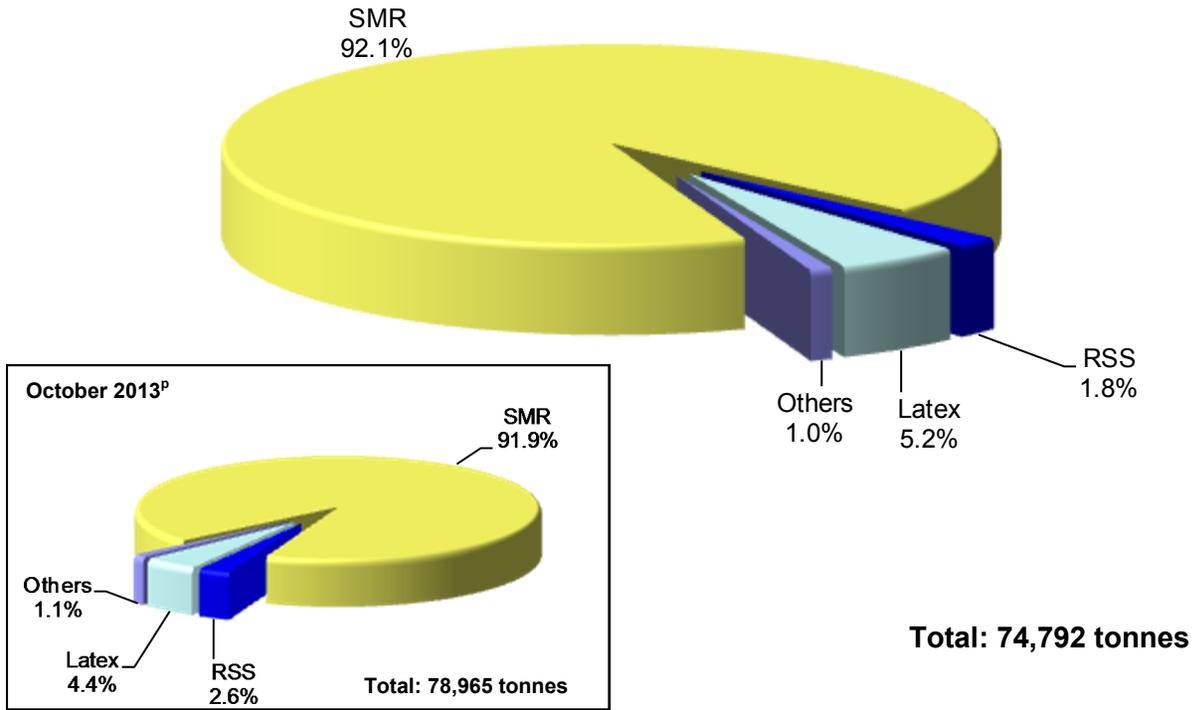


Malaysia's NR exports by countries November 2013^P

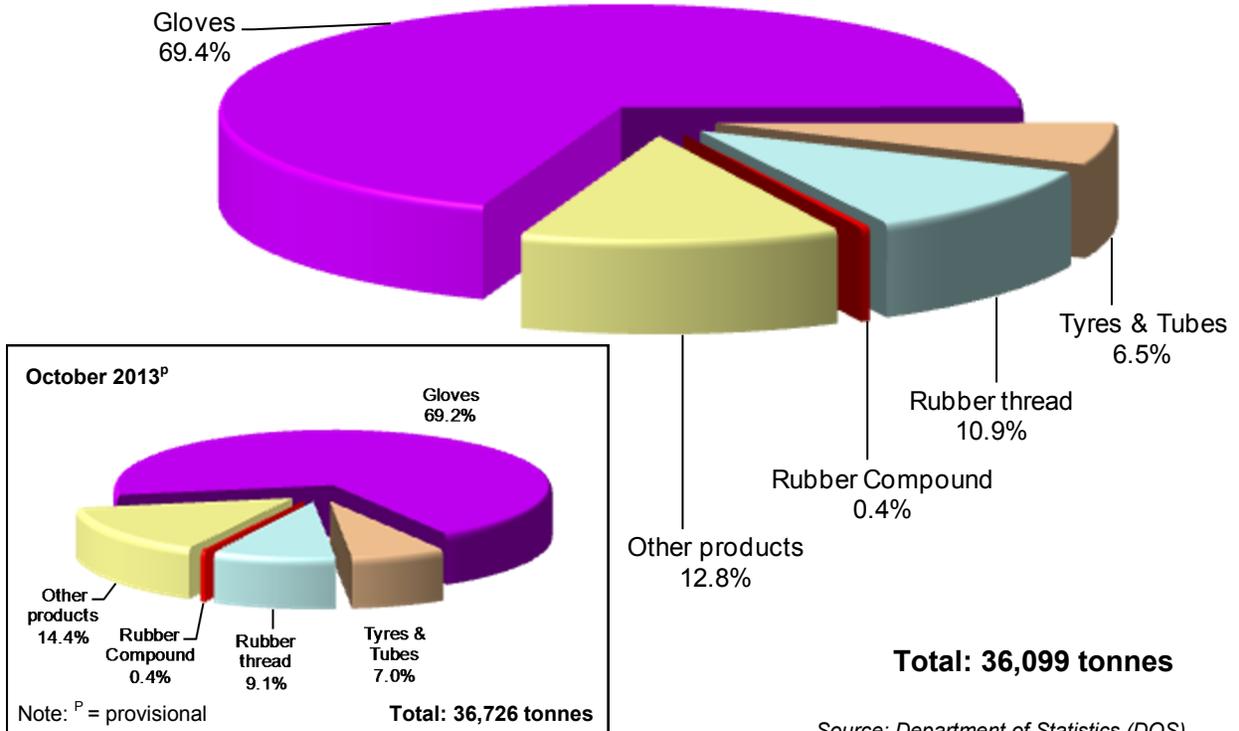


Source: Department of Statistics (DOS)

Malaysia's NR exports by types November 2013^P



Malaysia's NR consumption by sectors November 2013^P



Source: Department of Statistics (DOS)