



MALAYSIAN RUBBER BOARD

DIGEST

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Natural Rubber Market Review

October

In October, the market started the month on a steady tone, but prices soon turned easier until mid-month on lack of fresh catalysts. Prices thereafter ruled mixed and drifted uncertainly within a tight range before ending the month with a sharp decline to the lowest level in 2017 at 573.50 sen/kg. Overall market conditions during the month were very much influenced by weak sentiment in the regional rubber futures markets, rising of NR production, anticipation of slower demand from buyers, China economic performance, benchmark oil prices and currencies movements. Compared with those on 29 September 2017, the price of SMR 20 declined by 16.50 sen/kg or 2.8% to close at 573.50 sen/kg while latex concentrate closed at 463.50 sen/kg, down by 37.00 sen/kg or 7.4%. The price movements of selected grades of rubber in October 2017 are shown in Table 1.

The market was firmer in early October, responding positively to the China's Manufacturing Purchasing Managers Index (PMI) and better performance of the regional rubber

futures markets. China's PMI in September which released in early October grew at the fastest pace since 2012 at 52.4. The sentiment was also aided by firmer regional rubber futures market resulting from bargain-hunting activities, weaker Japanese yen against US dollar and declining rubber inventories in Qingdao, China and Japanese ports. However, the gains were limited as the Chinese market was closed from 1-8 October 2017 for Mid-Autumn Festival and National Day celebration.

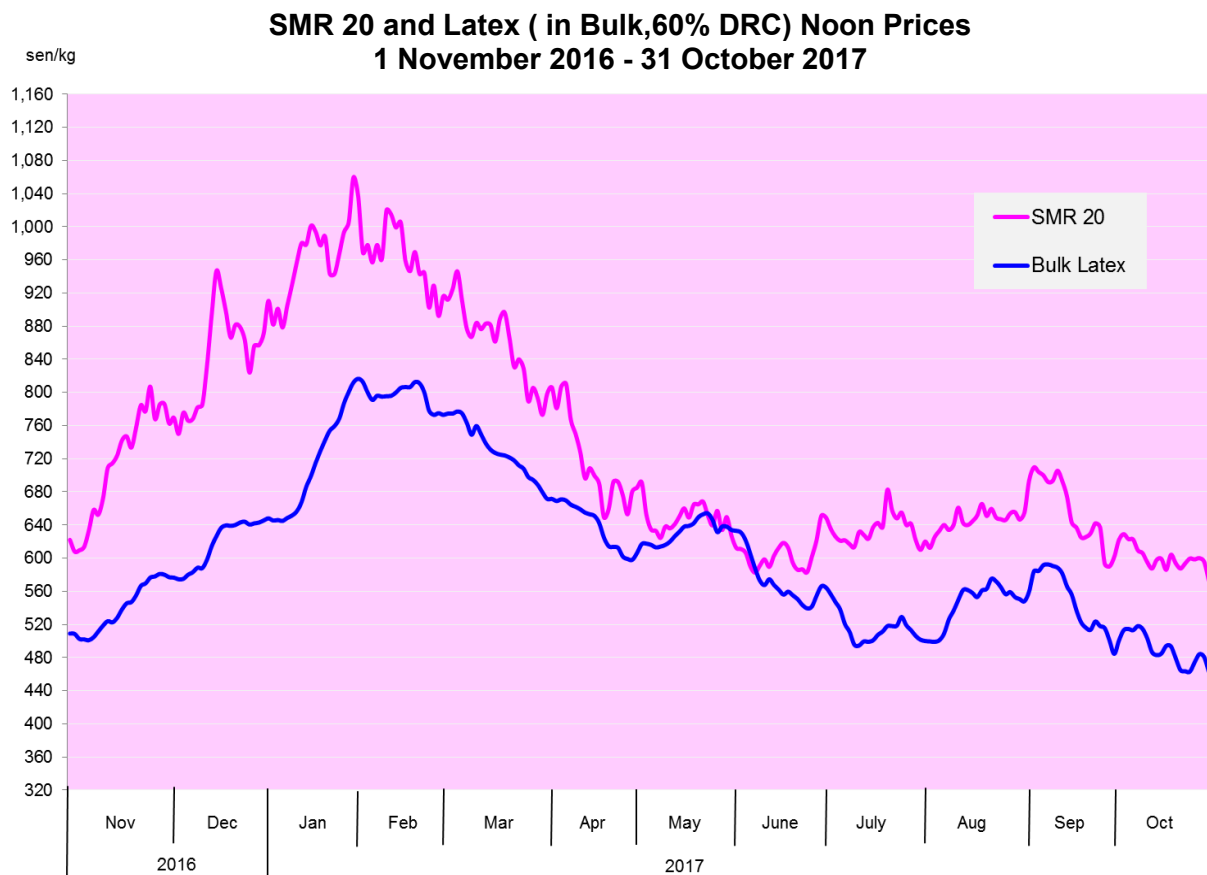
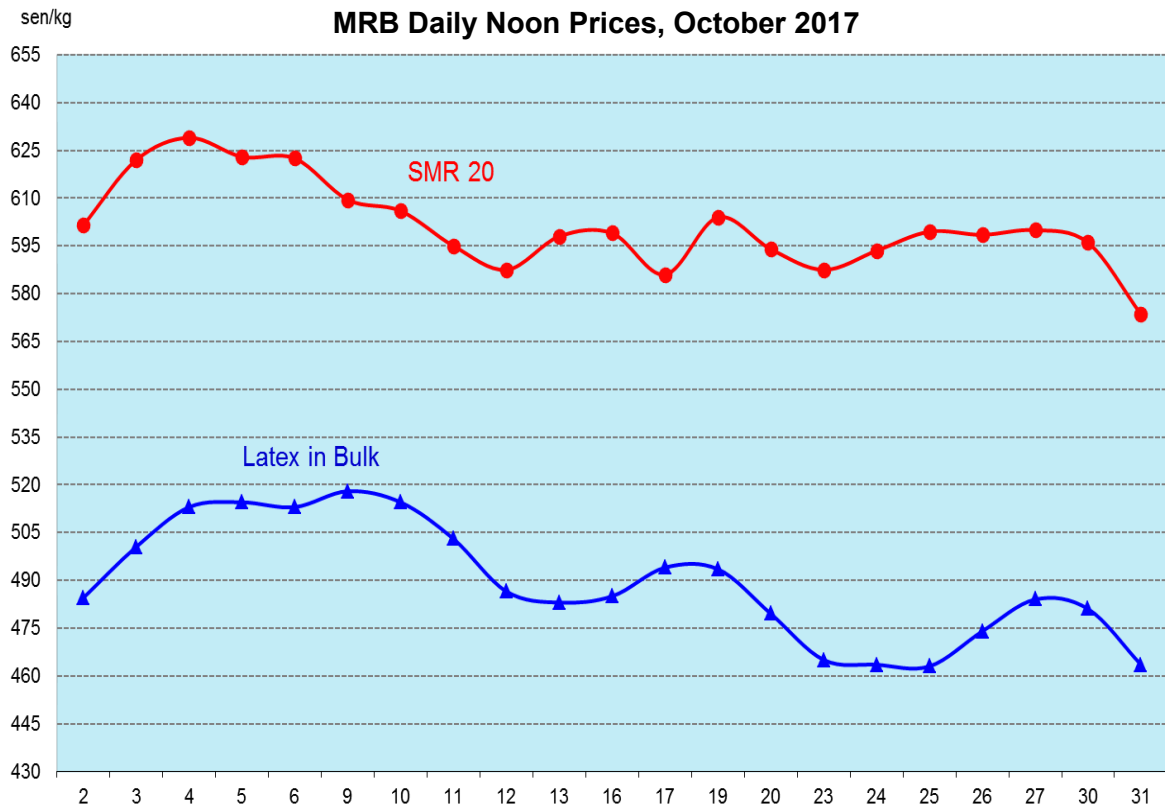
The firmer sentiment was short-lived and the market was weighed down by the bearish sentiment from 5 October onwards due to absence of significant consumer interest as buyers were side-lined expecting prices to go down further due to poor performance of regional rubber futures markets. According to the data released by Association of Natural Rubber Producing Countries (ANRPC) on 10 October, world production of natural rubber (NR) grew 5.4% to 9.24 million tonnes on a year-on-year basis during the first nine months of 2017. At the same time, the Department of Statistics on 12 October reported that Malaysia's natural rubber production in August 2017 rose by 11.1% to 61,252 tonnes against 55,121 tonnes in the previous month. In addition, ringgit strengthened

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, October 2017

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	852.50	8,525.00	629.00	6,290.00	518.00	5,180.00
Lowest	799.00	7,990.00	573.50	5,735.00	463.00	4,630.00
Average	826.26	8,262.60	601.21	6,012.10	489.36	4,893.60
Change from the last day of the previous month	-54.00	-540.00	-16.50	-165.00	-37.00	-370.00

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

Source: Malaysian Rubber Board



against US dollar at RM 4.2155 - 4.2240 from 11-20 October as concern over the possibility of US interest rate hike shifted investors' interests towards emerging currencies, including the ringgit. Meanwhile, the total rubber inventories (NR & SR) at Qingdao warehouse reported on 13 October was increased by 9,600 tonnes or 5.1% to 198,900 tonnes, compared with previous data released on 29 September. The market also reacted negatively to the data on warehouse stocks at Shanghai Futures Exchange (SHFE) which surged to 478,168 tonnes as of 26 October. Market players were of the view that demand from China may be slower as China's economy grew at 6.8% in the third quarter, slightly below from the previous period at 6.9%. Trading was listless and prices dropped sharply after China Official PMI data in October released on 31 October fell to 51.6, lowest reading compared with 52.4 in September 2017.

A mild rebound was witnessed at certain parts during the second half of the month, contributed by firmer oil prices and a weaker ringgit. Oil prices continued its bullish momentum with Brent oil breaking two years high at USD 60.44 per barrel on 27 October. The sentiment was boosted by robust data from the U.S. Energy Information Administration (EIA) and by expectations that an Organization of the Petroleum Exporting Countries (OPEC)-led production cut expiring next March would be extended. Meanwhile, ringgit depreciated to the US dollar at RM 4.2415 on 27 October on the expectation of an interest rate hike by US Federal Reserve in December.

Outlook

In the absence of fresh leads and uncertainties in the regional rubber futures markets, the Kuala Lumpur Rubber Market is expected to remain quiet in the near-term. Most market participants are likely to remain side-lined, waiting for a clearer market direction. However, there could be some improvement in prices if supplies of raw material are limited by wet weather in major rubber growing areas. Meanwhile, firmer oil prices could give some positive sentiment to the market. According to the World Bank in its October 'Commodity Markets Outlook', oil prices are forecast to rise to USD 56 a barrel in 2018 from USD 53 this year as a result of steadily growing demand, agreed production cuts among oil exporters and stabilising U.S. shale oil

production. Overall, the rubber market is expected to be influenced by global NR supply and demand, performance of regional rubber futures markets, currency movement of NR exporting countries against US dollar and economic developments in major NR consuming countries. At the same time, investors will be keeping their eyes on the expected US interest rates hike in December as well as the decision on extending oil supply cuts ahead of the OPEC meeting to be held on 30 November 2017.

News Briefs

Hurricanes Harvey, Irma lift U.S. factory activity index to 13-year high

U.S. manufacturing activity surged to a near 13-1/2-year high in September as disruptions to the supply chains caused by Hurricanes Harvey and Irma resulted in factories taking longer to deliver goods and boosted raw material prices. Details of the Institute for Supply Management's (ISM) survey on 2 Oct underscored the economy's underlying momentum, with factories reporting stronger order growth last month. A measure of factory employment hit its highest level since 2011.

- *reuters.com*, 2 Oct

China likely to transit to consumption-led economy: Experts

Long-term drivers of growth in Asia remain favourable while China will likely transit from an investment-led to a consumption-led economy, a change necessary for sustainable growth. These are some experts' views that emerged from GIC Insights, an annual conference attended by more than 110 prominent global business leaders to deliberate long-term issues relevant to the international business and investment community. China is experiencing a shift in attitudes towards entrepreneurship, driven by people returning to the country and state support via subsidies.

- *www.straitstimes.com*, 3 Oct

Indonesia attempts to boost rubber outputs

The government of Indonesia has striven to enlarge productive rubber plantation in an effort

to comply with rising domestic demand and raise export. Secretary General Indonesian Industry Ministry, Haris Munandar said that the ministry supports the hike of the productive area to 3.5 million hectares from 3 million hectare at present. He said that domestic consumption of the commodity is only 580,000 tonnes per year, and it is potentially to be increased.

- *www.xinhuanet.com*, 3 Oct

World Bank raises 2017, 2018 East Asia growth forecasts

The World Bank raised its economic growth forecasts for developing East Asia and Pacific for 2017 and 2018, but added the generally positive outlook was clouded by risks such as rising trade protectionism and geopolitical tensions. The developing East Asia and Pacific (EAP) region, which includes China was expected to grow 6.4% in 2017 and 6.2% in 2018. Its previous forecast in April was 6.2% and 6.1% respectively in 2017 and 2018. The World Bank expects China's economy to grow 6.7% in 2017 and 6.4% in 2018. Its previous forecasts for China were to grow 6.5% in 2017 and 6.3% in 2018. China's economic growth is projected to moderate in 2018-2019 as the economy rebalances away from investment and external demand towards domestic consumption.

- *reuters.com*, 4 Oct

Japanese GDP up 0.5% in August

Japan's gross domestic product grew 0.5% in real terms this August, the Japan Center for Economic Research (JCER) estimated. Exports to China and other Asian markets, which make up half of Japan's total export rose 2.7%. Total exports increased by 3%. Overseas demand provided a lift of 0.4% to August GDP. Capital investment grew 1.4%. Meanwhile, consumer spending dropped by 0.1% and public investment by 0.2%.

- *asia.nikkei.com*, 4 Oct

Vietnam's rubber exports to EU encounter difficulties

Vietnam's rubber exports to the European Union market are set to encounter difficulties as the EU adds natural rubber to the Critical Raw Material List. The introduction of natural rubber to the List will help enhance the competitive edge of the

rubber industry and promote the production of natural rubber. It will also increase awareness of the potential risks of raw material supply and support the European Commission in negotiating trade agreements. The list will into force effect within three years, as of September 13, and serve a platform for the implementation of the 2030 Agenda on Sustainable Development and its Sustainable Development goals.

- *Vietnam News Summary*, 5 Oct

Extraordinary steps may be needed in 2018 to rebalance oil market

Organization of the Petroleum Exporting Countries (OPEC) and other oil producers may need to take "some extraordinary measures" next year to rebalance the oil market, the OPEC secretary-general said. Barkindo said consultations were under way for the extension of the OPEC-led pact beyond March 2018 and that more oil producing nations may join the supply pact, possibly at the next meeting of OPEC in Vienna on Nov. 30.

- *in.reuters.com*, 8 Oct

Village in Teluk Intan gets rubberised road

Kampung Sungai Kerawai is the first rural village in the country to get a rubberised road. Plantation Industries and Commodities Minister Datuk Seri Mah Siew Keong said despite the high initial cost for the one-kilometre road, maintenance would be lower in the long run.

- *thestar.com.my*, 8 Oct

"Natural Rubber Trends & Statistics" for September 2017

According to the data released by Association of Natural Rubber Producing Countries (ANRPC), world demand for natural rubber (NR) during the first nine months of 2017 exceeded world NR output by approximately 400,000 metric tons. World NR production stood at 9.24 million metric tonnes during January to September period, compared with demand totaling 9.64 million tonnes.

- *anrpc.org*, 10 Oct

Rubberised roads to boost domestic rubber usage, stabilise price

Malaysia is set to be a leader in the construction of rubberised roads. The technology is expected to be fully commercialised sometime next year, a move that will be welcomed by the 440,000 rubber smallholders in the country as it will boost domestic consumption of rubber and hopefully stabilise prices that have been on a downtrend due to dwindling demand worldwide.

- *thesunday, 10 Oct*

India: Natural rubber output up 5.7% on year

The uptrend in production of natural rubber (NR) continued with a 5.7% growth to 259,000 tonnes during April-August 2017 as compared to the corresponding period last year (at 245,000 tonnes), said A Ajith Kumar, Chairman and Executive Director, Rubber Board. He said this while delivering the presidential address in the 175th meeting of the Rubber Board held at Kottayam on 10 October. The projected production in 2017-2018 is 800,000 tonnes, a growth of 16 % over last year.

- *thehindubusinessline.com, 10 Oct*

The IMF expects a more upbeat view of many of Asia's economies...

The International Monetary Fund (IMF) expects many of Asia's economies to grow more than expected in 2017 in its latest October world economic outlook, which takes a more upbeat view of the global economy with some caveats. It nudges up its 2017 Gross Domestic Product (GDP) growth predictions for China, Japan and South Korea by between 0.1% and 0.3% from July, partly reflecting the upswing in global demand helped by smartphone releases and China's unexpected resilience so far this year.

It's neutral on emerging Asia overall, though. While Malaysia and Thailand see the biggest forecast upgrades of 0.9 and 0.7 point, India is seen growing half a point less in the wake of demonetization and tax disruption, while a slower expansion is also seen in the Philippines.

- *factiva.com, 11 Oct*

China will 'compel' Saudi Arabia to trade oil in yuan and that's going to affect the US dollar

China will "compel" Saudi Arabia to trade oil in *yuan* and, when this happens, the rest of the oil market will follow suit and abandon the U.S. dollar as the world's reserve currency, a leading economist told Consumer News and Business Channel, (CNBC) on 9 Oct. Carl Weinberg, Chief Economist and Managing Director at High Frequency Economics, said Beijing stands to become the most dominant global player in oil demand since China usurped the U.S. as the "biggest oil importer on the planet."

- *cnbc.com, 11 Oct*

Natural rubber output up 11.1% in August

Malaysia's natural rubber (NR) production in August 2017 rose by 11.1% to 61,252 tonnes from the 55,121 tonnes recorded in the previous month, said the Department of Statistics (DoS). The smallholding sector was the main contributor to the NR production of 93.0%, it said in its "Monthly Rubber Statistics Malaysia, August 2017" released. Meanwhile, NR exports were up by 17.1% to 55,563 tonnes in August compared with the previous month.

- *Bernama, 12 Oct*

MIER revises Malaysia's GDP upward to 5.4%

Malaysian Institute of Economic Research (MIER) has revised upward the country's gross domestic product (GDP) to 5.4% from 4.8% previously, this year. Executive Director Professor Emeritus Dr Zakariah Abdul Rashid said the Malaysian economy performed better than expected in the first half of this year, growing by 5.6% and 5.8%, in the first quarter (Q1) and second quarter (Q2), respectively. GDP growth was supported by stronger domestic demand due to the improvement in investment, consumption and better export.

- *nst.com.my, 17 Oct*

MARGMA: Export of surgical gloves estimated to bring in RM16.2 billion in 2017

The Malaysian Rubber Glove Manufacturers Association (MARGMA) expects the total export of medical examination and surgical gloves this year to reach almost 150 billion pieces and bring in an estimated revenue of RM16.2 billion. President,

Denis Low Jau Foo said in a statement that it was important for the government and the association to work hand-in-hand, to ensure Malaysia's dominance of this very important protective medical device, at 63% of global consumption.

- *rubberjournalasia.com*, 19 Oct

China Sept industrial output, retail sales beat expectations, investment growth slows

According to the China official data released, China's economy grew at 6.8% in the third quarter, slightly below the previous period but still above the government's full-year target of 6.5%. The result followed growth of 6.9% in the first and second quarters of the year. At the same time, retail sales jumped 10.3% in September, China's industrial production grew 6.6% in September from a year earlier, beating expectations, while fixed investment disappointed with a 7.5% expansion in the first nine months of the year.

- *theedgemarkets.com*, 19 Oct

Bridgestone to invest EUR250 + million at three key production sites

The world's largest tyre-maker Bridgestone announced recently that it will invest approximately EUR266 million into three key European production sites. The funds will be used to expand plant production capacity, purchase cutting-edge equipment and optimise existing production lines. The investment will be phased over the next five years, with all upgrades being completed by early 2022.

- *rubberjournalasia.com*, 19 Oct

Exports of commodity and products hit RM81.5bil

The value of commodity and commodity-based product exports for the January-to-July period this year reached RM81.5bil and made a significant contribution to the country's revenue. Plantation Industries and Commodities Deputy Minister Datuk Datu Nasrun Datu Mansur said the achievement had given confidence for the country to reach its target of RM242.6bil in commodity product export revenue under the National Commodity Policy by 2020.

- *thestar.com.my*, 23 Oct

Hwa Fong Rubber building new tyre plant in Thailand

According to a recent report in the Taipei Times, tyre maker Hwa Fong Rubber Industry Co. plans to invest about USD 46 million in expanding its production capacity in Thailand to meet growing demand. The company which operates its Thai business through Hwa Fong Rubber Thailand Public Company Limited (PCL), is to build a new plant to produce motorcycle and bicycle tyres. The first phase is scheduled to be completed by the end of next year, Hwa Fong said.

- *bike-eu.com*, 24 Oct

Prices of industrial commodities remain strong in Q3 2017: World Bank

Prices of industrial commodities continued to strengthen in Q3 2017, while most agricultural prices remained broadly stable, according to the World Bank. "Non-energy commodity prices rose over 2% in the third quarter of 2017 with large variations among major groups. Metals prices surged by 10% in the third quarter due to strong demand, particularly in China," the World Bank said in its October Commodity Markets Outlook released earlier on 26 October.

- *Emirates News Agency*, 30 Oct

China reports October official manufacturing Purchasing Managers' Index

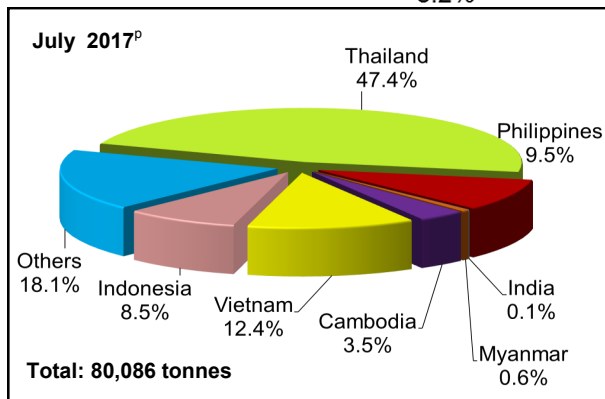
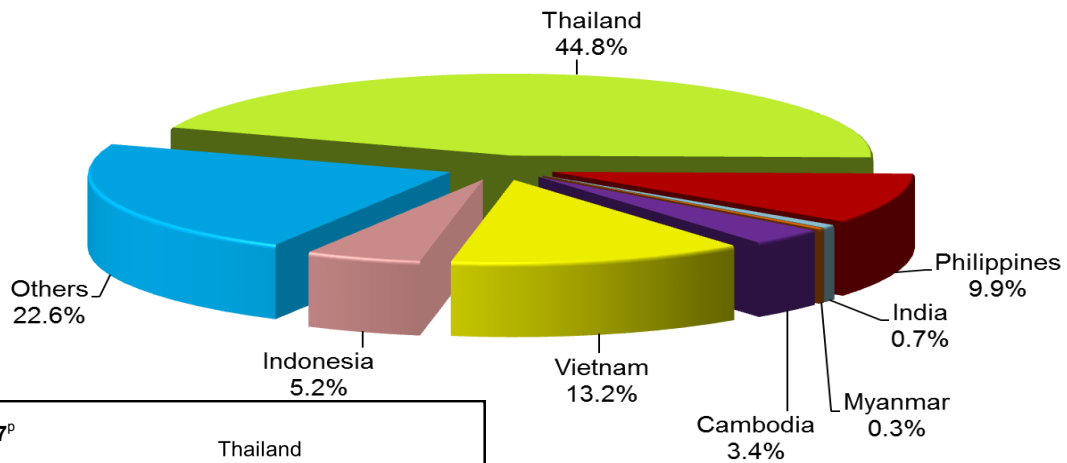
The China Official Purchasing Managers' Index (PMI) released on 31 October stood at 51.6 in October, compared with 52.4 in September. It was the lowest reading since July's 51.4, but remained well above the 50-point mark that separates growth from contraction on a monthly basis. Growth in China's manufacturing sector cooled more than expected in October in the face of a weakening property market and tighter pollution rules that are forcing many steels mills, smelters and factories to curtail production over the winter.

- *cnbc.com*, 31 Oct

Sources:

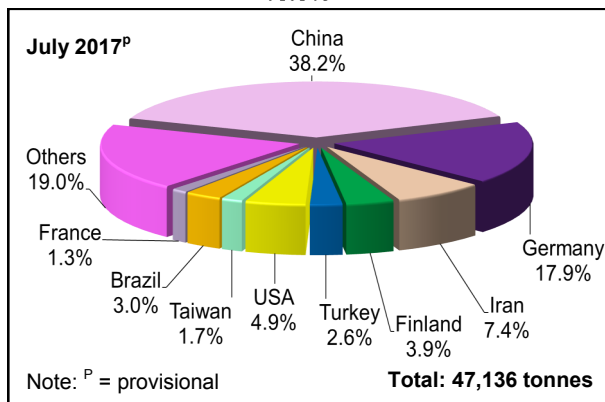
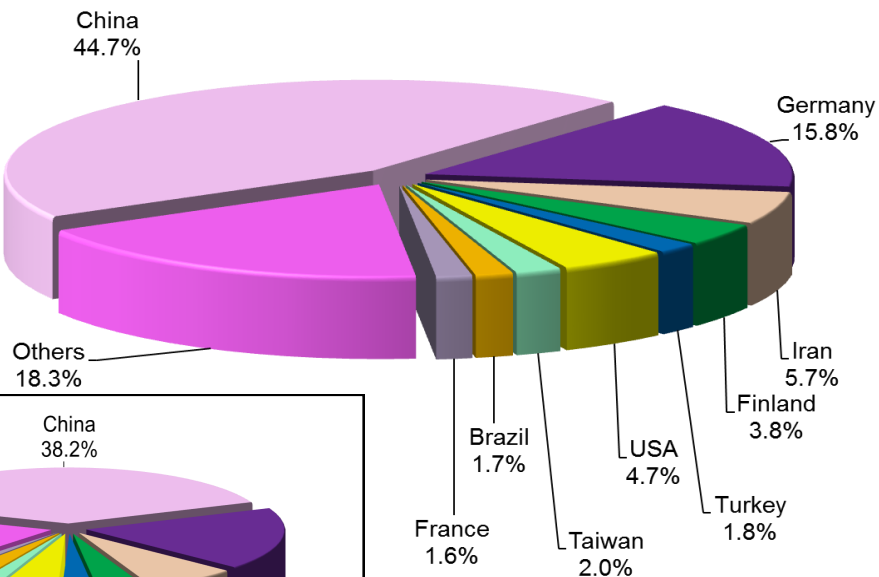
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Malaysia's NR imports by countries, August 2017^P



Total: 86,129 tonnes

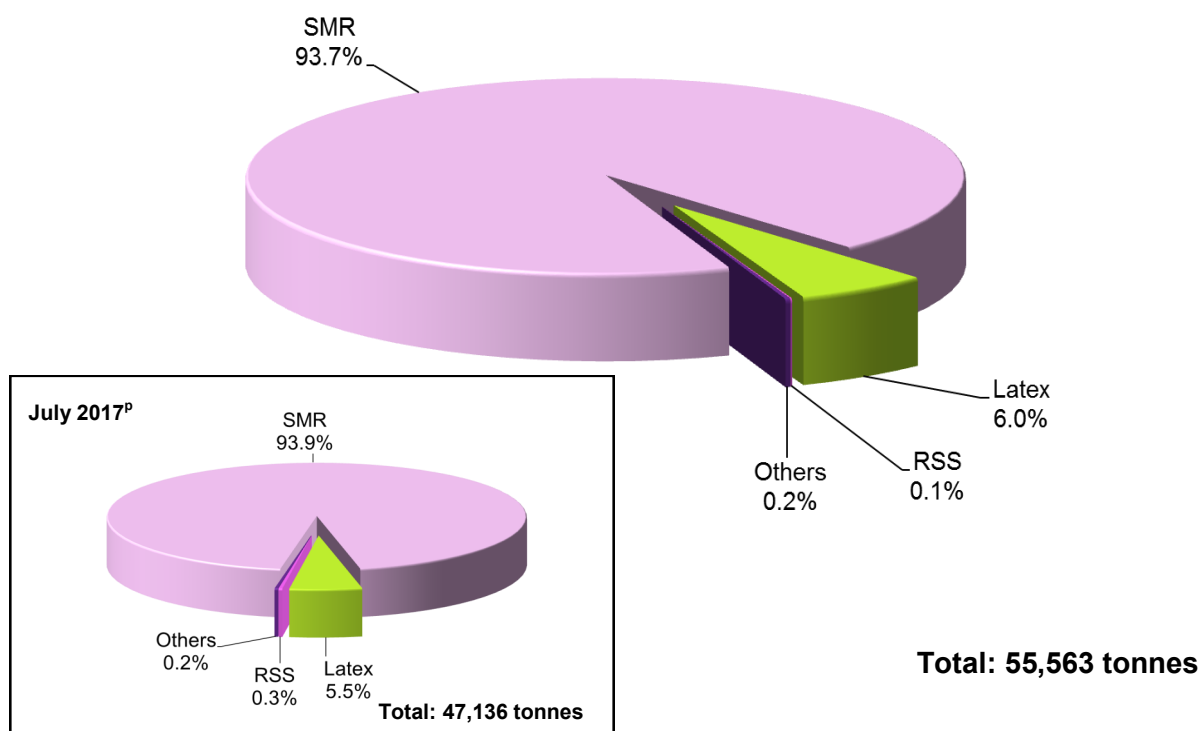
Malaysia's NR exports by countries, August 2017^P



Total: 55,563 tonnes

Source: Department of Statistics Malaysia (DOSM)

Malaysia's NR exports by types, August 2017^P



Malaysia's NR consumption by sectors, August 2017^P

