



MALAYSIAN RUBBER BOARD

D I G E S T

A monthly publication of the Malaysian Rubber Board

2017
NOV

Natural Rubber Market Review

November

The Kuala Lumpur Rubber Market remained weak in November as price of SMR 20 continued to record a new low of 561.50 sen/kg on 30 November. Lack of consumer interest, higher China NR stockpile coupled with excessive speculation in the regional rubber futures markets continued to depress the Kuala Lumpur Rubber Market with prices easing sharply across the board. The market remained featureless as major buyers sought for lower prices while sellers were unwilling to deal at such levels. Reported tight supplies in major rubber producing countries due to heavy rain and floods, failed to improve prices. Compared with those on 31 October 2017, the price of SMR 20 declined by 12.00 sen/kg or 2.1% to close at 561.50 sen/kg while latex concentrate closed at 478.00 sen/kg, up by 14.50 sen/kg or 3.1%. The price movements of selected grades of rubber in November 2017 are shown in Table 1.

Overall, the market was quiet and prices were largely influenced by volatile regional rubber futures markets due to the large number of

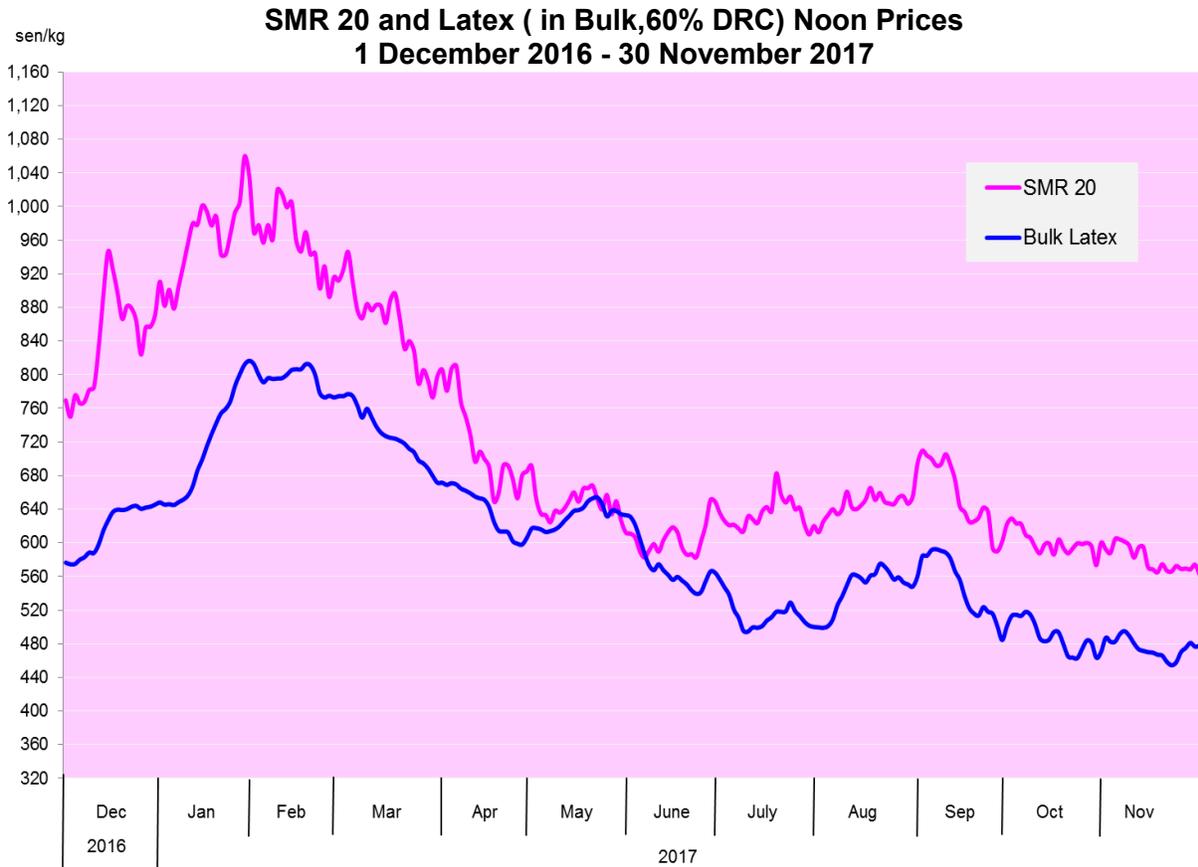
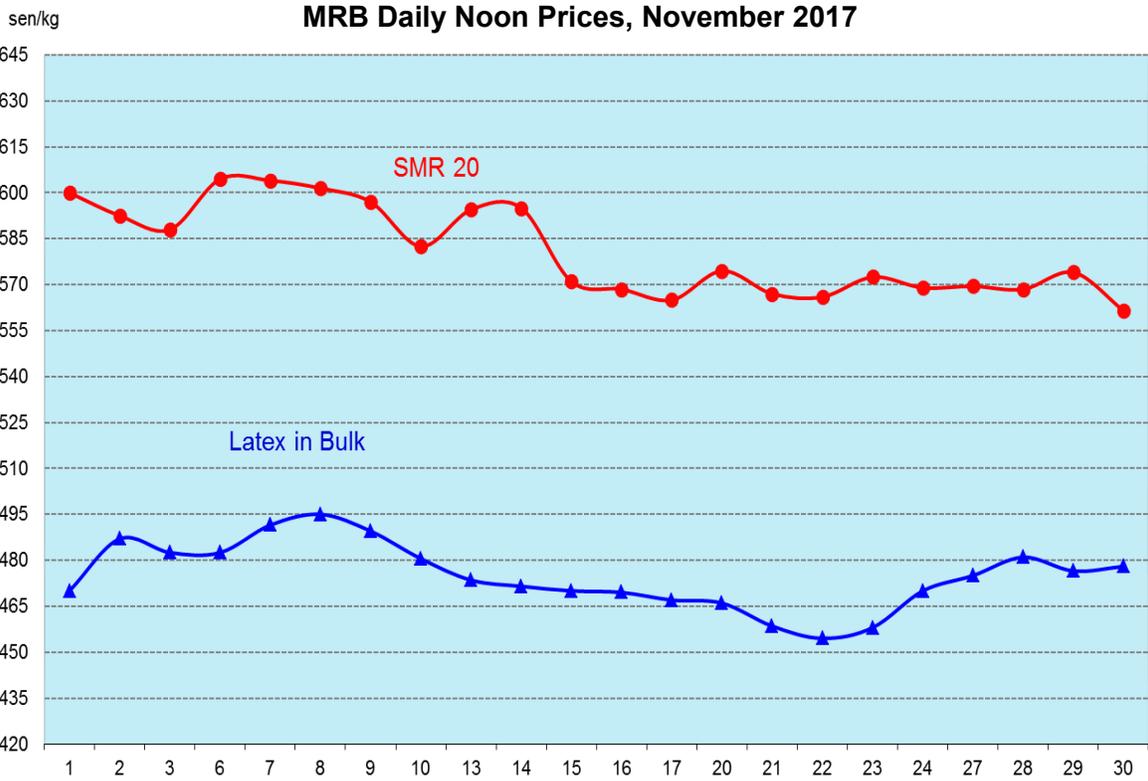
individual traders, who tend to be more short-term focused and are less concerned with supply-demand dynamics. The market remained directionless as concerns on rising global natural rubber (NR) supply. According to the data released by Association of Natural Rubber Producing Countries (ANRPC) on 7 November, world production of natural rubber (NR) grew 5.0% to 10.429 million tonnes on a year-on-year basis during Jan-Oct 2017. Meanwhile, the world demand of NR grew only by 1.1% to 10.730 million tonnes during Jan-Oct 2017, compared with the same period in 2016. In addition, stockpiles in both Qingdao and Shanghai Futures Exchange (SHFE) warehouse remained high. Total rubber inventories (NR & SR) at Qingdao warehouse as of 1 December surged to 212,800 tons while SHFE warehouse stockpile remained high at 338,328 tons as of 30 November and market players were of the view that demand from China may be slower. China's economy grew at 6.8% in the third quarter, slightly below from the previous period at 6.9%. The Department of Statistics on 13 November also reported that the level of Malaysia's NR stocks increased by 0.3% to 194,095 tonnes at the end of September 2017. Furthermore, the ringgit continued to strengthen against US dollar at RM 4.0870 on 30 November as concern over the

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

| | SMR CV | | SMR 20 | | Latex Concentrate | |
|---|--------|----------|--------|----------|-------------------|----------|
| | sen/kg | RM/tonne | sen/kg | RM/tonne | sen/kg | RM/tonne |
| Highest | 800.00 | 8,000.00 | 604.50 | 6,045.00 | 495.00 | 4,950.00 |
| Lowest | 764.50 | 7,645.00 | 561.50 | 5,615.00 | 454.50 | 4,545.00 |
| Average | 780.68 | 7,806.80 | 581.20 | 5,812.00 | 474.89 | 4,748.90 |
| Change from the last day of the previous month | -33.50 | -335.00 | -12.00 | -120.00 | 14.50 | 145.00 |

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

Source: Malaysian Rubber Board



possibility of US interest rate hike shifted investors' interests towards emerging currencies, including the ringgit. It was observed that USD index (USDX) remained weak and hovered in the range of 92.78 - 94.94 in November, from its peak in 2017 at 103.21 on 3 Jan.

A mild rebound was witnessed at certain parts of the month, contributed by the decrease in Malaysia's NR production and also firmer crude oil prices. The Department of Statistics reported that Malaysia's NR production fell 12.6% in September 2017 to 52,472 tonnes, from 60,058 tonnes a year earlier. On a monthly basis, September's NR output dropped 14.1% from 61,095 tonnes in August. Meanwhile, Brent oil jumped to USD 64.27 per barrel on 6 November 2017, its highest level since July 2015 resulting from declining US shale oil, geopolitical tension in Saudi Arabia and concerns on oil supply cuts extension by Organization of the Petroleum Exporting Countries (OPEC).

Outlook

Prices in the Kuala Lumpur Rubber Market are likely to be sustained at the current level or move higher as International Tripartite Rubber Council (ITRC) on 30 November agreed to restrict exports of NR under "5th Agreed Export Tonnage Scheme" (AETS) in December 2017 with the objective in addressing the current declining NR prices. Worries over shortage of raw materials due to wet weather in major rubber producing countries coupled with the expectation of declining China NR stocks could provide some support to the market. Meanwhile, oil prices are expected to remain firm in line with the OPEC and Russia (non-OPEC) decision on 30 November to extend production cuts until the end of 2018. Nevertheless, volatile regional rubber futures markets, weak US Dollar coupled with uncertainty of China manufacturing activities could put pressure on prices. China official PMI's in November increased marginally to 51.8 while China Caixin PMI grew at the weakest pace in five months at 50.8 as input costs remained high and tougher pollution measures weighed on business confidence. At the same time, investors will be keeping their eyes on the expectation of US interest rates hike in December.

News Briefs

Demand-supply not sole factor in determining global rubber price, says minister

Global rubber prices are not only impacted by demand and supply but other factors including the performance of futures markets and crude oil prices, said Deputy Plantation Industries and Commodities Minister Datuk Datu Nasrun Datu Mansur. Currency exchange rates and economic growth in major rubber consuming countries also affect rubber prices, he added.

- *theedgemarkets.com*, 31 Oct

Industrial rubber products market to reach USD103.1 bil by 2022, globally

The global industrial rubber products market could be positively influenced by the constant efforts directed toward global industrialization, strengthening economies, and rapid urbanization. The steady rise in the manufacture of automobiles and intensifying construction activities on account of industrialization and urbanization is foreseen to largely contribute to the growth of the market. The global industrial rubber products market, as per Transparency Market Research (TMR), is predicted to earn a revenue of USD103.1 bil by the completion of 2022 at a 4.2% CAGR expected to be posted during the forecast timeframe 2017-2022. In 2017, the market secured a valuation of USD84.1 bil.

- *markets.businessinsider.com*, 1 Nov

ANRPC Conference underscores efficiency of supply chain

The 10th Annual Rubber Conference of the Association of Natural Rubber Producing Countries (ANRPC) held in Ho Chi Minh City recently underscored the need to review the value-chain system existing in producing countries with a view to revitalize the smallholdings.

The conference noted that smallholders lose considerable income due to inefficiencies in the supply-chain existing across producing countries and inadequacies in the dissemination of market

information. The conference organized with the theme “Re-engineering supply chain, revitalizing production sector” had four talks and two panel discussions focussed on this core issue.

- *rubberasia.com*, 6 Nov

Renowned rubber scientist to steer MRB

Globally renowned Rubber Scientist, Dr. Zairossani bin Mohd Nor, has taken over as the Director General of the Malaysian Rubber Board (MRB) on 1st November 2017. Prior to his appointment, Dr. Zairossani was the Deputy Director General (Research & Innovation), MRB since 2015. Dr. Zairossani, has a chequered career in leading and managing research and development (R&D) programmes as well as technical support activities for the rubber industry. He is also presently leading several key national level research and development programmes in the rubber industry particularly in specialty rubber production and green rubber products technology. He has more than 50 publications as well as 12 patents and trademarks to his credit. Dr Zairossani holds a Bachelor of Engineering with Honours from the University of Guelph, Canada. He obtained his Masters and PhD in Applied Science (Biochemical Engineering) from the University of Waterloo, Ontario, Canada.

- *rubberasia.com*, 6 Nov

ANRPC - Natural Rubber Trends & Statistics for October 2017

In the first ten months of 2017, the world supply of natural rubber (NR) grew by 5.0%, amounted to 10.429 million tonnes while world demand of NR recorded at 10.730 million tonnes, up 1.1% on a year-on-year basis. Both NR rubber prices in physical markets and futures markets have been volatile despite to an upward trend in price of crude oil during the month of October 2017.

- *anrpc.org*, 7 Nov

Natural rubber producers foresee rise in demand

The International Rubber Consortium (IRCo), the operational arm of the International Tripartite Rubber Council (ITRC), has announced that it

expects ‘La Nina’ natural phenomenon to hit South East Asia from November 2017 – January 2018 and bring heavy rains, affecting production of natural rubber in the region. In terms of demand, the IRCo meeting noted strong sentiment favouring demand for NR, including the projected world GDP growth rate of 3.6% in 2017, compared to 3.2% the year before. Additionally, the meeting cited improved automotive sales in major markets as another contributor to a rise in demand in the near future.

- *globalrubbermarkets.com*, 10 Nov

Bangladesh joins ANRPC

Bangladesh has joined the Association of Natural Rubber Producing Countries (ANRPC), to become the association’s 12th member. ANRPC is an inter-governmental organisation established in 1970. Current members are: governments of Bangladesh, Cambodia, China, India, Indonesia, Malaysia, Papua New Guinea, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.

- *european-rubber-journal.com*, 10 Nov

Thai rubber farmer representatives cancel rally plan after being summoned to Army camp

The Trang Internal Security Operations Command has summoned two leading representatives of southern rubber growers; Tanomkiat Yingchuan, an adviser to a network of rubber farmer groups, and Prathob Suksanan, president of the Trang rubber farmers network, resulting in the pair’s withdrawal from a plan to rally in Bangkok on 13 Nov to pressure Agriculture Minister General Chatchai Sarikulya.

- *nationmultimedia.com*, 12 Nov

Chatchai promises swift rubber probe

On 14 Nov, it was reported that Thailand Agriculture and Cooperatives Minister Chatchai Sarikulya accepts petition from rubber growers. An investigation into alleged irregularities in the Rubber Authority of Thailand (RAOT) will be concluded within seven days, promised Agriculture and Cooperatives Minister Chatchai Sarikulya.

- *bangkokpost.com*, 14 Nov

Pirelli adopts sustainable NR supply policy

Pirelli & C. S.p.A. has adopted a 12-point sustainable natural rubber supply-chain policy that it considers essential for the preservation of forests and long-lasting development for local communities and economies. The new policy covers the entire supply chain, from producers/farmers to Pirelli, including dealers, processing plants, trading companies and manufacturers. The policy extends to tier 2 suppliers as well, Pirelli said. Pirelli is the second of the major global tyre makers to adopt a sustainable NR sourcing policy, after Michelin in 2016.

- *tyrebusiness.com*, 14 Nov

Japan's GDP grows for seven straight quarters, outlook remains solid

Japan's economy grew faster than expected in the third quarter due to strong exports, posting the longest period of uninterrupted growth in more than a decade. The economy expanded at a 1.4% annualized rate in July-September, slightly above the median estimate for annualized growth of 1.3%, Cabinet Office data showed on 15 Nov.

- *reuters.com*, 15 Nov

Monsoon Season Aid helps smallholders, rubber tappers endure 3-month wet spell

The Monsoon Season Aid has helped many smallholders and rubber tappers to pull through difficult times, the Dewan Rakyat was told on 15 Nov. Plantation Industries and Commodities Deputy Minister Datuk Datu Nasrun Datu Mansur said 264,352 smallholders and rubber tappers have started to receive the much-needed relief in the form of a RM200 monthly aid which will be handed out in November, December and January.

- *globalrubbermarkets.com*, 16 Nov

Malaysia's Q3 GDP growth rate among the highest in Asia

Malaysia's economic growth during the third quarter of this year is among the fastest in the Asian region, said Minister in the Prime Minister's Department Datuk Seri Abdul Rahman Dahlan today. He said this puts Malaysia ahead of countries like Singapore, Indonesia, South Korea and Taiwan in terms of Gross Domestic Product

(GDP) growth.

"It's also faster than developed economies such as the United States, the European Union and the United Kingdom," he said in a statement today. According to Bank Negara Malaysia, the country's economy grew at a faster pace of 6.2% in the third quarter of 2017 compared to 4.3% in the same quarter last year. "This is also the fastest quarterly growth since the second quarter of 2014. "The stronger pace of growth was propelled by both sustained domestic demand and improved external sector.

- *nst.com.my*, 17 Nov

Global synthetic rubber market to be worth USD 45,767.1 billion by 2023

A report by Transparency Market Research predicts the global market for synthetic rubber to rise at a steady 5.10% Compound Annual Growth Rate (CAGR) over the course of the forecast period from 2015 to 2023. At this pace, the market which was worth USD29.12 billion in 2014, will likely become worth USD45.77 billion by 2023-end.

- *digitaljournal.com*, 21 Nov

Malaysia: Sabah to introduce rubberized roads to address low rubber price

The Sabah government will introduce the use of rubber in paving roads and 'green tyres' as a long-term strategy to address the issue of low rubber prices, said Deputy Chief Minister Datuk Seri Yahya Hussin. Yahya, who is also Sabah Agriculture and Food Industry Minister, said the move was also seen as potentially boosting rubber demand in the country as well as reducing exports to international markets, thereby shoring up flagging prices of the commodity in the future.

- *globalrubbermarkets.com*, 23 Nov

Malaysia for model sustainable rubber industry

The Malaysian Rubber Board (MRB), the powerful arm of the Malaysian Rubber Industry, is currently engaged in a concerted effort to make the domestic rubber industry self-sustainable amid

challenges aplenty such as steep fall in prices, labour shortage, climate change etc. In an exclusive interview to Rubber Asia, Dr. Zairossani bin Mohd Nor, the new Director General of the MRB and a world-renowned rubber scientist, says that the Board has come up with a series of innovations as well as plans to consolidate smallholdings, project environmental sustainability and unite the industry together through a self-sustainable rubber industry. The ultimate goal of MRB is to produce high-value jobs and increase revenue in the rubber sector, Dr. Zairossani says.

- rubberasia.com, 28 Nov

ITRC to focus more on NR sustainability

In an exclusive interview to Rubber Asia, Dr Chairil Anwar, the newly appointed CEO of the Bangkok-based International Rubber Consortium (IRCo), says that in the next decade, ITRC/IRCo will play a greater role in ensuring sustainability and remunerative prices for smallholders as well as providing fair and less volatile Natural Rubber (NR) prices for the consumers.

- rubberasia.com, 28 Nov

Global economy set to top out at 3.7%

Global economic growth is set to peak at an eight-year high next year as uninspiring investment and increasingly dangerous debt levels limit room for further improvement, the Organisation for Economic Co-operation and Development (OECD) said in its latest outlook. The global economy is on course to grow 3.6% this year before reaching 3.7% next year and then ease back to 3.6% in 2019.

- iol.co.za, 28 Nov

U.S. third-quarter economic growth fastest in three years

The U.S. economy grew faster than initially thought in the third quarter, notching its quickest pace in three years, buoyed by robust business spending on equipment and an accumulation of inventories. Gross domestic product expanded at a 3.3% annual rate last quarter also boosted by a rebound in government investment, the Commerce Department said in its second Gross Domestic Product (GDP) estimate on Wednesday. That was the fastest pace since the

third quarter of 2014 and a pickup from the second quarter's 3.1% rate.

- reuters.com, 29 Nov

Addressing downward trend in natural rubber prices- ITRC

The International Tripartite Rubber Council (ITRC) meeting on 30th November agreed that a number of measures has to be implemented on an immediate basis, including implementation of the Agreed Export Tonnage Scheme (AETS). Under this scheme, the three (3) ITRC member countries will restrict exports of NR for the specific time frame with the objective of addressing the current declining trend on NR prices. In this context, ITRC is to implement the 5th AETS in December 2017.

- www.irco.biz, 30 Nov

OPEC, Russia agree oil cut extension to end of 2018

Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC producers led by Russia on 30 November agreed to extend oil output cuts until the end of 2018 as they try to finish clearing a global glut of crude while signaling a possible early exit from the deal if the market overheats. The producers' current deal, under which they are cutting supply by about 1.8 million barrels per day (bpd) in an effort to boost oil prices, expires in March 2018.

- reuters.com, 30 Nov

Fire engulfed Qingdao rubber warehouse...

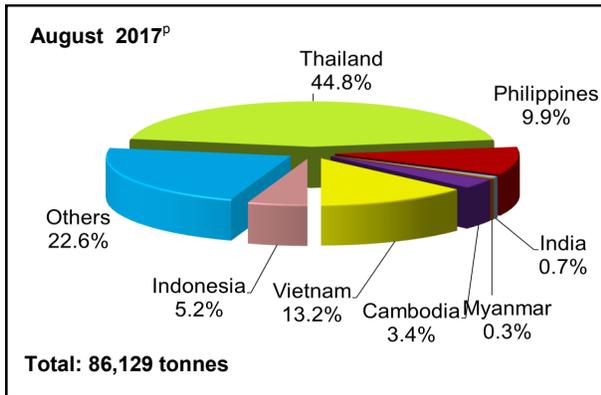
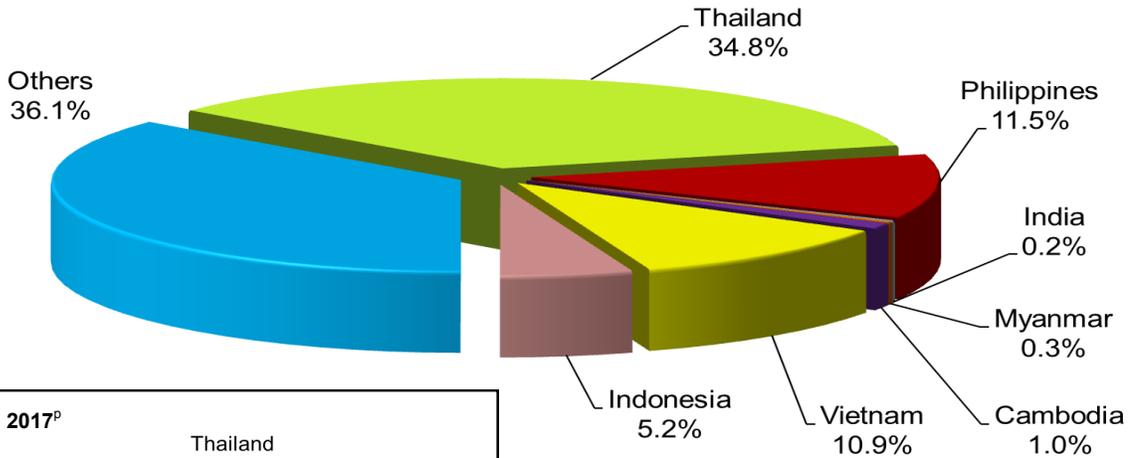
On 1 December, a huge fire engulfed a Qingdao warehouse in China destroying an estimate of about 30,000-39,000 tonnes of natural rubber.

Straits Financial, 30 Nov

Sources:

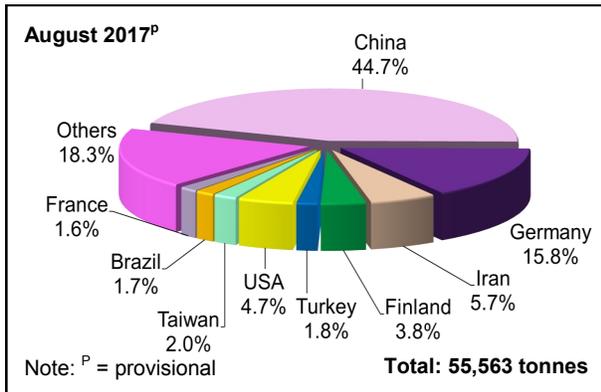
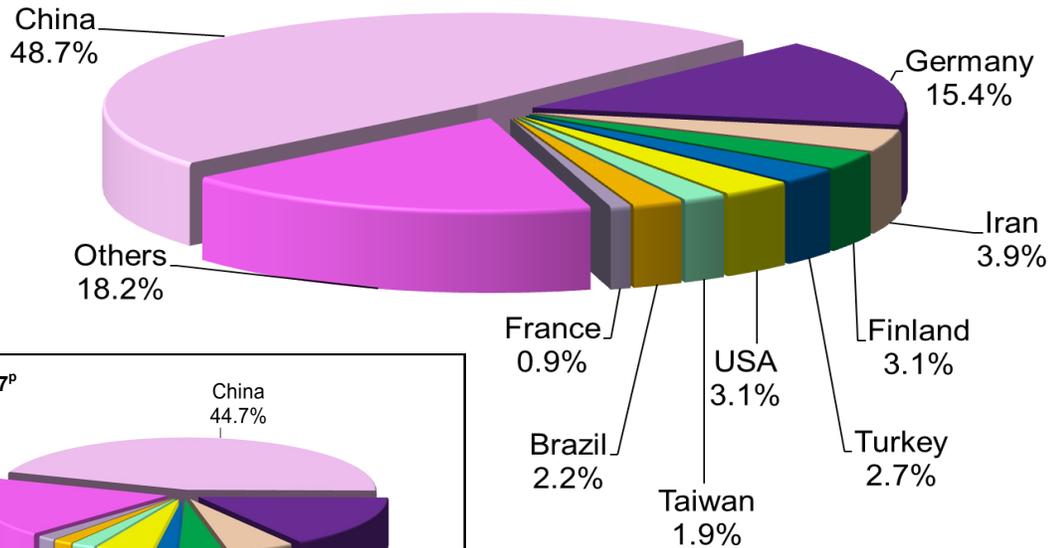
Reuters, IRCo, , anrpc.com, tyrebusiness.com, New Straits Times, theedgemarkets.com, rubberasia.com, markets.businessinsider.com, globalrubbermarkets.com, European-rubber-journal.com, nationmultimedia.com, bangkokpost.com, digitaljournal.com, iol.co.bz, Straits Financial

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



Total: 99,957 tonnes

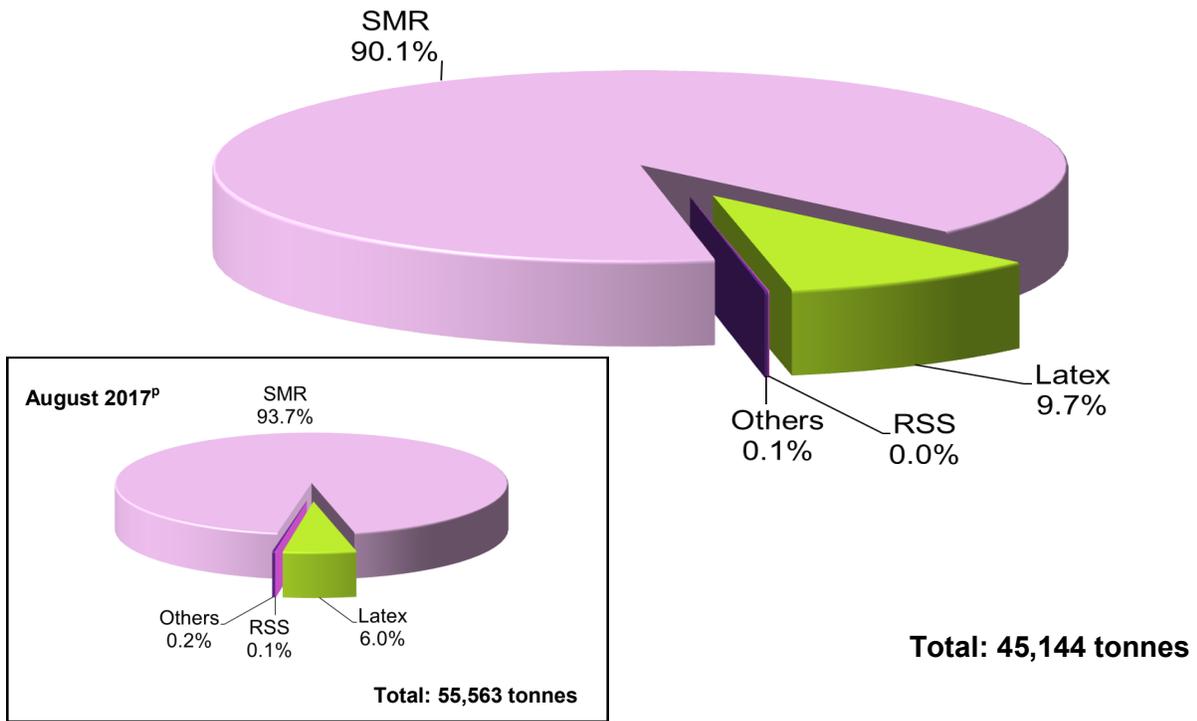
Malaysia's NR exports by countries, September 2017^P



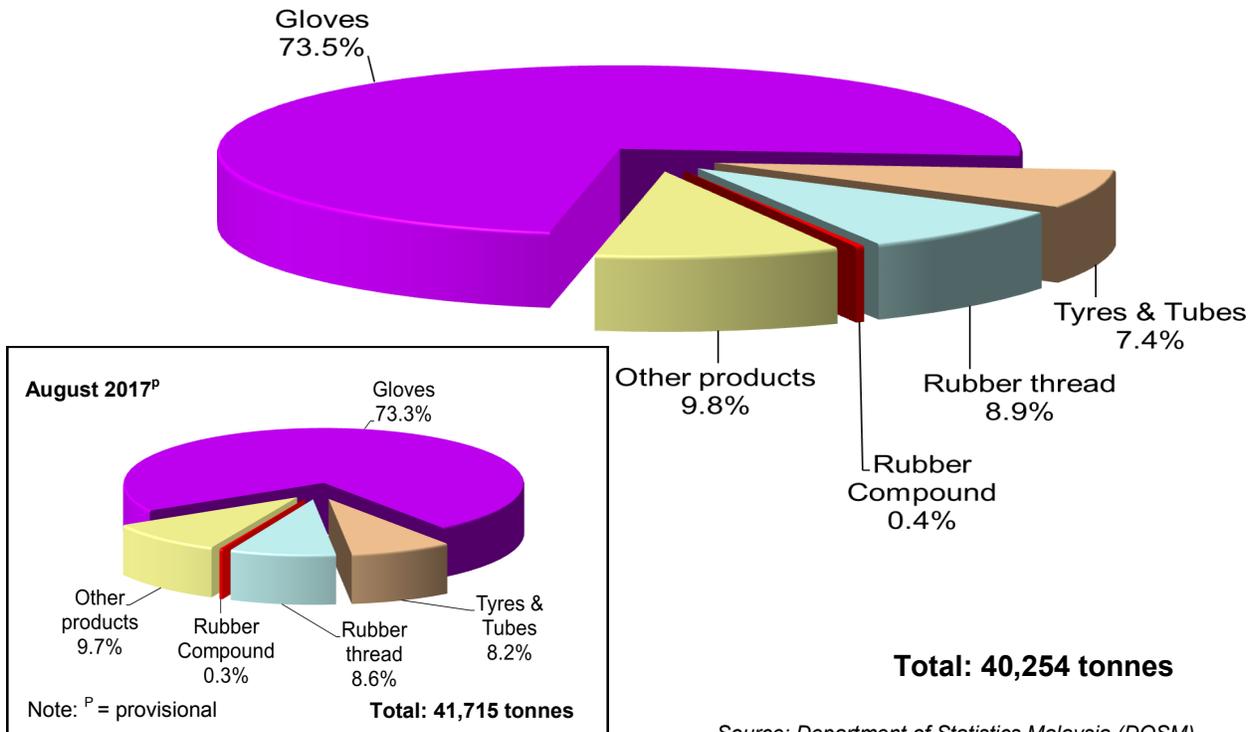
Total: 45,144 tonnes

Source: Department of Statistics Malaysia (DOSM)

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



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



Source: Department of Statistics Malaysia (DOSM)

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