Natural Rubber Market Review

November

In November, the market ruled mixed with prices moved upwards owing to improved market sentiment amid concern about supply disruption following an outbreak of a fungal disease and wet weather in major rubber producing countries. Price of SMR 20 surged to the highest level since July 2019 as a sharp increase in regional rubber futures markets boosted the market sentiment. Nevertheless, prices turned slightly lower towards the end of month owing to uncertainty over prospects for a trade deal between the United States and China. Compared with those on 31 October 2019, the price of SMR 20 edged up by 24.0 sen/kg or 4.3% to close at 576.00 sen/kg. Meanwhile, latex concentrate closed at 445.00 sen/kg, an increase of 12.5 sen/kg or 2.9%. Price movements of selected grades of rubber in November are shown in Table 1.

The uptrend during November was boosted by the strong buying interest in the regional rubber futures markets. The market also reacted positively to the media release from the International Rubber Consortium (IRCo) on the full compliance of Thailand, Indonesia and Malaysia on the implementation of the 6th Agreed Export Tonnage Scheme (AETS) under the International Tripartite Rubber Council (ITRC) and the supply disruption due to widespread of fungal disease in rubber plantations in those countries. Furthermore, the market took positive cues from an announcement by the Chinese government to cut its new benchmark lending rate, as widely expected, to drive down funding costs and shore up an economy. At the same time, market sentiment was boosted by the news whereby China has set up a USD21 billion national investment fund to promote the transformation and upgrade of the country’s manufacturing industry. The increase was lifted by buying interest by traders following concerns on declining world natural rubber (NR) production. The Association of Natural Rubber Producing Countries (ANRPC) reported that the world production of natural rubber (NR) during the first seven months of 2019 declined by 7.3% to 7.039 million tonnes, as compared to the same period in 2018. Meanwhile, the world NR consumption has registered a marginal growth at 0.8% to 8.082 million tonnes during the same reference period on a year-to-year (y-o-y).

Table 1: Reference Prices (Noon) of SMR CV, SMR 20 and Centrifuged Latex (60% DRC), November 2019

<table>
<thead>
<tr>
<th></th>
<th>SMR CV</th>
<th></th>
<th>SMR 20</th>
<th></th>
<th>Centrifuged Latex (60% DRC)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>sen/kg</td>
<td>RM/tonne</td>
<td>sen/kg</td>
<td>RM/tonne</td>
<td>sen/kg</td>
</tr>
<tr>
<td>Highest</td>
<td>771.00</td>
<td>7,710.00</td>
<td>587.50</td>
<td>5,875.00</td>
<td>450.50</td>
</tr>
<tr>
<td>Lowest</td>
<td>737.50</td>
<td>7,375.00</td>
<td>545.50</td>
<td>5,455.00</td>
<td>430.50</td>
</tr>
<tr>
<td>Average</td>
<td>754.24</td>
<td>7,542.40</td>
<td>566.12</td>
<td>5,661.20</td>
<td>440.55</td>
</tr>
<tr>
<td>Change from the last day of the previous month</td>
<td>20.50</td>
<td>205.00</td>
<td>24.00</td>
<td>240.00</td>
<td>12.50</td>
</tr>
</tbody>
</table>

Note: * Reference price of Centrifuged Latex, 60% DRC
Source: Malaysian Rubber Board
Nevertheless, the gains were capped by the report of an increase in Malaysia's NR production coupled with declined China's car sales, exports and imports. According to the Department of Statistics Malaysia (DOSM), Malaysia's natural rubber (NR) production in September 2019 increased 7.2% to 61,731 tonnes as compared to the previous month. For year-on-year (y-o-y) comparison, the production also showed an increase of 28.4%. Stocks of NR in September 2019 rose 3.7% to 189,454 tonnes as compared to the previous month. It was reported that total car sales in China fell 4% in October 2019 from the same month a year earlier, a continuous decline for the 16th month. In addition, China's exports and imports declined in October 2019 whereby exports fell 0.9% while imports contracted by 6.4% from October 2018 in dollar terms. Market sentiment was dampened by dimmed prospects for a trade deal between the United States and China following a report that an anticipated “phase one” trade deal between both countries may not be signed by the end of 2019. The ringgit rose to its highest in four months at RM4.1335 against the U.S dollar on 8 November, but depreciated towards the end of month.

Outlook

Prices in the Kuala Lumpur Rubber Market are likely to be sustained at the current level or move higher due to supply disruptions following wet weather and an outbreak of a fungal disease (Pestalotiopsis) in major rubber producing countries. Prospects for the near term are favourable as rubber inventories in warehouses monitored by the Shanghai Futures Exchange (SHFE) fell sharply by 53.4% to 228,282 tonnes on 29th November from the previous week data. At the same time, China Official Manufacturing Purchasing Managers’ Index (PMI) firmed up to 50.2 in November from 49.3 in October. However, major consumers are expected to ease off their buying activities with the approach of the year-end holidays. Market players are expected to adopt ‘wait and see attitude’ on the developments of trade resolution between U.S and China.

News Briefs

**India Rubber Board revises production target for 2019-2020**

India Rubber Board has revised downwards the production, consumption and import target for the current fiscal year for natural rubber keeping in mind the uncertainties in the global economy. The projection for production in 2019-2020 has been revised to 730,000 tonnes, a decrease of 20,000 tonnes from the earlier target. The new consumption figure for the year is 1,140,000 tonnes against earlier 1,270,000 tonnes. Considering the decline in import, the target for the year has been revised downwards by 85,000 tonnes to 415,000 tonnes.

- economictimes.indiatimes.com, 1 Nov

**China cuts loan rate for first time since 2016, seeks to soothe bond market**

China's central bank cut the interest rate on its one-year medium-term lending facility (MLF) loans for the first time since early 2016, as policymakers work to prop up a slowing economy hit by weaker demand at home and abroad. The People’s Bank of China (PBOC) said it was lowering the rate on its one-year medium-term lending facility (MLF) loans to financial institutions by 5 basis points to 3.25% from 3.30% previously.

- reuters.com, 5 Nov

**China has replaced U.S. as locomotive of global economy**

China has replaced U.S. as the engine of the global economy, providing by far the largest contribution to growth in recent years and pulling along the world’s smaller economies in its train. The Asian country accounted for 28% of all growth worldwide in the five years from 2013 to 2018, more than twice the share of the U.S., according to the International Monetary Fund.

- reuters.com, 5 Nov

**Top rubber producers concerned widespread fungal disease will cut production**

Thailand, Indonesia, and Malaysia, the world's top producers of natural rubber (NR), have raised
concern on the widespread of Pestalotiopsis disease (fungal disease) which affects rubber plantations in the countries. In a statement, the International Tripartite Rubber Council (ITRC) which represents the three countries, said as at October 1 this year, 382,000 hectares (ha) of plantation in Indonesia have been affected, while 2,135ha were affected in Peninsular Malaysia, with leaf defoliation of between 50 and 90% for the period from November 2017 to September this year.

- factiva.com, 6 Nov

The steady growth rate of rubber consumption is slow year-on-year

In the first half of the year, global rubber consumption totaled 14.601 million tonnes, which was flat compared with the same period of the previous year. From the top 10 countries, the growth and reduction of the country is half. Among them, the United States and Thailand performed well, both of which were more than 5% long. Brazil and Russia both fell by more than 5% year-on-year. Japan ranked fourth, slightly increasing by 0.1%, roughly flat.

- globalrubbermarkets.com, 6 Nov

China, US agree to roll back tariffs as part of trade deal

China and the United States have agreed to roll back tariffs on each others’ goods as part of the first phase of a trade deal, officials from both sides said, offering a new sign of progress despite ongoing divisions about the months-long dispute. The Chinese Commerce Ministry, without laying out a timetable, said the two countries had agreed to cancel the tariffs in phases. A US official, speaking on condition of anonymity, confirmed the planned rollback as part of a "phase one" trade agreement that President Donald Trump and President Xi Jinping are aiming to sign before the end of the year.

- channelnewsasia.com, 7 Nov

India: Tyre companies accept rollback of natural rubber targets

Tyre industry, which was frowning at the growing gap between domestic NR (natural rubber) production and consumption, has finally acknowledged the Rubber Board of India’s rollback of NR targets for the next year. With the tyre demand running on rough terrain, the tyre companies are resigned to the corresponding shrink in rubber supply chain.

- factiva.com, 7 Nov

Natural rubber production in September 2019 increased 7.2%

Malaysia's natural rubber production in September 2019 increased 7.2% as compared to the previous month, from 57,599 tonnes to 61,731 tonnes. For year-on-year comparison, the production also showed an increase of 28.4% as compared to September 2018. Exports of Malaysia's natural rubber amounted 48,058 tonnes, decreased by 14.0% against 55,879 tonnes in August 2019. People's Republic of China remains as the main natural rubber export destination with a share of 48.6% from total exports in September 2019 followed by Germany (9.8%), Iran (6.9%), Finland (4.6%) and U.S.A. (3.5%).

- dosm.gov.my, 7 Nov

Rubber producers see 800,000-tonne output drop in 2019

Top natural rubber producers Thailand, Indonesia and Malaysia forecast an 800,000-tonne drop in output this year, the International Tripartite Rubber Council (ITRC), which represents the three, said. The lower estimate comes amid concerns about fungal disease spreading through plantations in the three Southeast Asian neighbours, which produce 70% of the world’s output.

- theborneopost.com, 8 Nov

Vietnam’s rubber industry looks to sustainable development

A conference was held in Ho Chi Minh City on November 7 to discuss the effective and sustainable development of Vietnam’s rubber industry towards 2030. Speaking at the conference, Deputy head of the Central Economic Commission Cao Duc Phat asked the rubber industry to create a long-term vision, re-organise production in accordance with value chains and strictly manage and effectively use...
agricultural land reserved for rubber trees. He also suggested encouraging more investment in rubber processing and promoting trade promotion activities in order to expand the export markets for Vietnamese rubber products.

- factiva.com, 8 Nov

Myanmar: Rubber export volume reaches USD 6 million within one month of current FY

Rubber export volume reached USD 6 million within one month in the current financial year, decreasing by more than USD 4 million compared to the same period of last year, said Khin Maung Lwin, Assistant Secretary of the Ministry of Commerce.

- globalrubbermarkets.com, 8 Nov

Rubber Production Incentive to remain at RM2.50: Shamsul

The Rubber Production Incentive (IPG) will remain at RM2.50 per kg, said Deputy Primary Industries Minister Datuk Seri Shamsul Iskandar Mohd Akin. He said the government does not intend to raise the IPG to RM3 per kg as doing so would have a significant financial impact on the nation. “It has gone up by 30 sen from RM2.20 per kg previously, so I think it’s a good development for the people especially smallholders,” he said at the question-and-answer session at the Dewan Rakyat.

- thesundaily.my, 8 Nov

Global natural rubber output fall may impact import to India

Anticipated rise in global prices due to heavy natural rubber output fall in major producing country may curb its import to India. Declining consumption has already led to nearly 14% drop in NR import to India in the first six months of 2019-20 from the same period last year. Rubber Board has projected a 17% drop in import year-on-year to 415,000 tonne for FY20. “There is a possibility of global rubber prices firming up, which may check the import, encouraging the domestic growers to go for more tapping,” said Sawar Dhanania, Rubber Board chairman.

- factiva.com, 9 Nov

India starts investigation into rise in Korean synthetic rubber imports

India has initiated a probe into an alleged increase in imports of a Korean synthetic rubber, used in tyre making, which is impacting domestic industry following a complaint by Reliance Industries Ltd. According to a notification of the Directorate General of Trade Remedies (DGTR), under the Commerce Ministry, an application has been filed by Reliance Industries Ltd alleging increased imports of ‘Polybutadiene Rubber’ from Korea causing serious harm to the domestic producer.

- globalrubbermarkets.com, 11 Nov

China's auto industry discusses ways to boost rural car sales

China’s auto industry executives met with government officials to discuss ways to promote higher car sales in rural areas, sources familiar with the matter said. The country’s car manufacturers are grappling with the pressures of falling sales in the world’s largest car market and are seeking new policies. Sources with knowledge of the meeting said government officials told participants they were considering policies to expand the second hand car market in rural areas and to improve vehicle retirement policies. They also urged firms to develop electric vehicle models that are suitable for the rural market.

- reuters.com, 11 Nov

China auto sales fell 4% in October, 16th month of decline

Auto sales in China fell for a 16th consecutive month in October, with the number of new energy vehicles (NEVs) sold contracting for the fourth month in a row, data from the country's biggest auto industry association showed. Total auto sales in the world's biggest auto market fell 4% from the same month a year earlier, the China Association of Automobile Manufacturers (CAAM) said. That followed declines of 5.2% in September and 6.9% in August. Car sales in 2018 declined from a year earlier, the first annual contraction since the 1990s, against a backdrop of slowing economic growth and a crippling trade war with the United States.

- reuters.com, 11 Nov
Rubber market to reach USD 60.38 billion by 2026

Fortune Business Insights reported that the global rubber market is anticipated to gain impetus from a rise in the demand from tyre and non-tyre automotive parts sector. The rubber market size is projected to reach USD 60.38 Billion by 2026, thereby exhibiting a Compound annual growth rate (CAGR) of 5.1% during the forecast period. However, the market was valued at USD 40.71 Billion in 2018.

- prnewswire.com, 11 Nov

Rubber gloves industry to see continued growth in 2020

The growth of rubber gloves industry will continue in 2020 with export revenue to hit RM20.68 billion in 2020 versus RM18.2 billion expected this year, said Malaysian Rubber Glove Manufacturers Association (MARGMA). Its president Denis Low Jau Foo said this was driven by higher global demand with Asia and Africa emerging as the next biggest growth for Malaysia's rubber gloves industry. "Global demand for rubber gloves is estimated to reach 300 billion gloves this year, with an expected annual growth of 12%.

- theedgemarkets.com, 12 Nov

Thailand seeks to export more natural rubber after curbs end

Thailand is pushing to export natural rubber to boost farmers' income, the country's Commerce Minister said, weeks after it ended a four-month curb on the commodity. Thailand has negotiated to sell 260,480 tonnes of rubber to two private buyers in China and Hong Kong, Jurin Laksanawisit said. “These deals should be worth no less than 13 billion baht (USD428 million),” the minister told a conference of reporters and rubber farmers.

- reuters.com, 13 Nov

Fungal disease damaging southern rubber plantations

The Agriculture and Cooperatives Ministry is trying to limit the spread of a fungal disease that has damaged rubber trees in four southern provinces. More than 330,000 rai of rubber in Narathiwat, Yala, Pattani and Trang have been ravaged by Pestalotiopsis leaf fall disease since it was detected in September. The disease makes the rubber tree leaves fall and production drops up to 50%. Since it hit the four provinces, rubber output has dropped by 40,000 tonnes so far. Thailand has about 14 million rai of rubber trees, 8 million of them in the southern region, according to figures posted on the Rubber Authority of Thailand website. These plantations churn out around 2.6 million tonnes of rubber a year.

- factiva.com, 13 Nov

China, Hong Kong Order 260,000 tonnes of rubber from Thailand

The Commerce Ministry and the Agriculture and Cooperatives Ministry of Thailand sold 260,480 tonnes of natural rubber worth 13 billion baht to Chinese and Hong Kong companies. Deputy Prime Minister/Commerce Minister Jurin Laksanawisit said the Rubber Authority of Thailand under the Agriculture and Cooperatives Ministry sealed memorandums of understanding for the exportation of 60,480 tonnes of STR 20 block rubber to a company of China and 100,000 tonnes of the same rubber product and 100,000 tonnes of ribbed smoked sheet bales to a Hong Kong company.

- factiva.com, 13 Nov

Global oil demand growth to slow from 2025 – IEA

Global oil demand growth is expected to slow from 2025 as fuel efficiency improves and the use of electrified increases but is unlikely to peak in the next two decades, the International Energy Agency (IEA) said. The Paris-based IEA, which advises Western governments on energy policy, said in its annual World Energy Outlook for the period to 2040 that demand growth would continue to increase even though there would be a marked slowdown in the 2030s.

- reuters.com, 13 Nov
ANRPC Releases Natural Rubber Trends & Statistics, July 2019

Based on the preliminary estimates, the world production of natural rubber (NR) amounted to 7.039 million tonnes during the first seven months of 2019, down by 7.3% from 7.591 million tonnes during the same period in 2018. Indonesia has estimated that about 382,000 hectares of rubber plantations were affected by the outbreak of Pestalotiopsis. This may reduce the country’s production for the year by approximately 15%. While the world consumption has registered a marginal growth at 0.8% to 8.082 million tonnes during the same reference period on a year-to-year basis. Despite the favourable market fundamentals, the market sentiments remain weak in the month of July 2019.

- anrpc.org, 14 Nov

China central bank surprises by injecting 200 billion yuan via MLF loans, rate unchanged

China’s central bank unexpectedly extended loans through its medium-term lending facility (MLF), while keeping the lending rate unchanged from the previous operation. The People’s Bank of China (PBOC) said on its website the interest rate on one-year MLF loan CNMLF1YRRP=PBOC remained at 3.25%. The PBOC also said it has injected 200 billion yuan (USD28.60 billion) into financial institutions via the liquidity tool.

- reuters.com, 15 Nov

Automakers around world await Trump tariff decision

Automakers around the world are awaiting a decision from U.S. President Donald Trump on whether he will impose up to 25% tariffs on U.S. car and auto part imports after a 180-day review period elapsed this week. Trump was briefed ahead of the expiry of the self-imposed deadline, which he set in May, to decide whether to again extend a review or impose tariffs that automakers have warned could cost jobs and dramatically boost vehicle prices.

- reuters.com, 18 Nov

China cuts key liquidity rate for first time since 2015

China’s central bank unexpectedly trimmed a key interbank lending rate, the first easing in the liquidity tool in more than four years and a signal to markets that policymakers are ready to act to prop up slowing growth. The People’s Bank of China (PBOC) said on its website that it was lowering the seven-day reverse repurchase rate to 2.50% from 2.55%.

- theedgemarkets.com, 18 Nov

Morgan Stanley says global growth should recover in 2020 as trade tensions and monetary policy ease

Morgan Stanley forecasts that global growth will recover from the first quarter of 2020 onward as trade tensions and monetary policy ease, reversing the downward trend of the past seven quarters. "Easing trade tensions (the key factor in the global downturn) will reduce business uncertainty and make policy stimulus more effective," the bank’s analysts said in its global outlook for 2020. The firm projects global economic growth of 3.2% next year, compared to 3% in 2019. Much depends, however, on the outcome of U.S.-China trade talks and whether or not the Trump administration’s next round of tariffs, scheduled for Dec. 15, go into effect.

- cnbc.com, 18 Nov

Drones enlisted to fight fungal blight in Thai rubber heartland

The world’s biggest rubber producer and exporter is experimenting with drones as a tool to combat a leaf-attacking disease that’s spreading through its largest growing region. Thailand is battling its first ever outbreak of the blight that could cut production by 50% from affected trees. Authorities are waiting to assess the results of using drones to spray chemicals over the ailing trees after the one-week testing phase ends. “We’re confident that it’s a better way to tackle the disease. It’s also cost-effective,” Nakorn Takkavirapat, deputy governor of the state-owned Rubber Authority of Thailand, said in a phone interview.

- theedgemarkets.com, 21 Nov
Overview of synthetic rubber imports and exports from January to September 2019

From January to September 2019, China imported a total of 884,000 tonnes of synthetic rubber, a decrease of 7% (62,000 tonnes) compared with the same period of last year. From January to September 2019, China exported a total of 125,000 tonnes of synthetic rubber, an increase of 9% (1,000 tonnes) compared with the same period of last year.

- globalrubbermarkets.com, 22 Nov

Rubber industry to contribute RM41bil in 2020

The rubber industry is expected to contribute RM41 billion in 2020 from RM40 billion estimated for this year, driven mainly by the downstream sector including rubber glove, according to Minister of Primary Industries Teresa Kok. She said it was in line with rubber glove industry projection that export revenue would likely hit RM20.68 billion in 2020 from the RM18.2 billion expected in 2019. On this note, she urged the Malaysian Rubber Board (MRB) as custodian of the industry to continue commercializing its research and development (R&D) projects to boost the income of the country, while benefiting smallholders.

-nst.com.my, 26 Nov

U.S. third-quarter GDP growth revised up to 2.1%

U.S. economic growth picked up slightly in the third quarter, rather than slowing as initially reported, amid a stronger pace of inventory accumulation and a less steep decline in business investment. Gross domestic product increased at a 2.1% annualized rate, the Commerce Department said in its second estimate of third-quarter GDP. That was up from the 1.9% pace estimated last month. The economy grew at a 2.0% pace in the April-June period. Economists polled by Reuters had forecast third-quarter GDP growth would be unrevised at 1.9%.

-reuters.com, 27 Nov

China's industrial profits post steepest fall in eight months

Profits at China's industrial firms shrank at their fastest pace in eight months in October, tracking sustained drops in producer prices and exports and underscoring slowing momentum in the world’s second-largest economy. Industrial profits fell 9.9% in October year-on-year to 427.56 billion yuan (USD60.74 billion), data released by the National Bureau of Statistics showed the biggest drop since January-February period and compared with a 5.3% decline in September.

-reuters.com, 27 Nov

Hainan Rubber to invest USD300mil into two rubber trade zones in Sri Lanka

Chinese company Hainan Rubber Industry Group (Hainan Rubber) will collaborate with Sri Lanka’s Plantation Industries Ministry to set up specialised rubber-based free trade zones in 2020 in Sri Lanka’s Kegalle and Kalutara districts. Hainan Rubber expects to purchase a significant portion of local rubber production, as part of the USD300 million deal to manufacture rubber products which will later see export to China. According to Plantation Industries Minister, Navin Dissanayake, the ministry has already signed a MoU with the Executive Governor of People’s Government of Hainan Province, Dr. Shen Danyang.

-rubberjournalasia.com, 28 Nov

China Nov factory activity unexpectedly returns to growth - official PMI

Factory activity in China unexpectedly returned to growth in November for the first time in seven months, but the gains were meagre with more U.S. tariffs looming within weeks unless Beijing and Washington agree to defuse their damaging trade war. The Purchasing Managers’ Index (PMI) rose to 50.2 in November, China’s National Bureau of Statistics said, versus 49.3 in October, slightly above the 50-point mark that separates growth from contraction on a monthly basis.

-reuters.com, 30 Nov
Malaysia’s NR Imports by Countries, September 2019

Total: 76,578 tonnes

- Thailand: 47.7%
- Philippines: 10.7%
- India: 0.7%
- Myanmar: 0.1%
- Vietnam: 3.3%
- Cambodia: 0.5%
- Indonesia: 0.1%
- Others: 36.9%

**August 2019**

Total: 86,977 tonnes

- Thailand: 46.1%
- Philippines: 14.7%
- Vietnam: 5.4%
- Cambodia: 1.5%
- Indonesia: 0.5%
- Myanmar: 0.7%
- India: 0.5%
- Others: 30.6%

Malaysia’s NR Exports by Countries, September 2019

Total: 55,879 tonnes

- China: 48.6%
- Others: 19.2%
- Germany: 11.0%
- France: 1.7%
- Taiwan: 3.9%
- Turkey: 1.3%
- Iran: 1.8%
- USA: 3.5%
- Finland: 4.6%
- Others: 36.9%

**August 2019**

Total: 55,879 tonnes

- China: 52.6%
- Others: 18.5%
- France: 1.9%
- Taiwan: 1.4%
- Brazil: 1.9%
- USA: 3.9%
- Finland: 2.0%
- Turkey: 3.2%
- Germany: 11.0%
- Iran: 3.7%

Note: *p = provisional

Source: Department of Statistics Malaysia (DOSM)
Malaysia’s NR Exports by Types, September 2019

**Total: 48,058 tonnes**

- SMR 96.3%
- Latex 3.5%
- Others 0.1%
- RSS 0.0%

Total: 55,789 tonnes

Malaysia’s NR Consumption by Sectors, September 2019

**Total: 39,264 tonnes**

- Gloves 75.0%
- Other products 9.5%
- Rubber thread 7.8%
- Tyres & Tubes 7.9%
- Rubber Compound 0.4%

Total: 41,673 tonnes

Source: Department of Statistics Malaysia (DOSM)