



MALAYSIAN RUBBER BOARD

D I G E S T

A monthly publication of the Malaysian Rubber Board

2014
APR

Natural Rubber Market Review

April

In April 2014, the Kuala Lumpur rubber market continued to be mixed. The market drifted uncertainty due to the low performance in Tokyo Commodity Exchange (TOCOM) and Shanghai Futures Exchange (SHFE) on worries of large rubber inventories, weak natural rubber demand from China and huge rubber stockpile in the said country and Japan. However, the market rebounded slightly at the end of the month on technical correction following similar rebound in both the above markets. Compared with levels on 31 March 2014, the price of SMR 20 was down by 54.00 sen/kg or 8.75% to close at 563.00 sen/kg while latex concentrate closed at 451.00 sen/kg, a decline by 48.00 sen/kg or 9.6%. The price movement of selected grades of rubber in April is shown in *Table 1*.

The Kuala Lumpur rubber market saw a downtrend for the first trading week following a stronger ringgit against the US dollar and in tandem with lower TOCOM rubber futures and Singapore Exchange (SGX) prices. Rubber prices fell as much as six per cent in the previous week

as traders rushed to sell in response to fear the market will become awash with the commodity after the Thai Government's announcement that it would start selling about 200,000 tonnes rubber stockpile that it currently holds. Prices continued to decline on further strengthening of the ringgit, concerns over a supply glut in the market and the weakness in Chinese economy. The negative market sentiment worsened following a report by the International Monetary Fund (IMF) that China's economic growth would slow down to 7.5% this year and 7.3% in 2015.

The market saw a mixed trend during second trading week, with prices opening slightly higher on further weakening of the ringgit against the US dollar, in tandem with higher opening of TOCOM and SHFE. Nevertheless, the positive sentiment brought by a rally both regional futures markets was countered by the negative one following a report that China's GDP growth fell in the first quarter of 2014 to its slowest pace since September of 2012, slipping to 7.4% on-year growth from 7.7% in the fourth quarter of 2013. The market extended its loss on worries of large rubber inventories and slow demand in Japan and China despite low production in major rubber producing countries and low trading volume in Thailand. The market then closed for *Songkran*

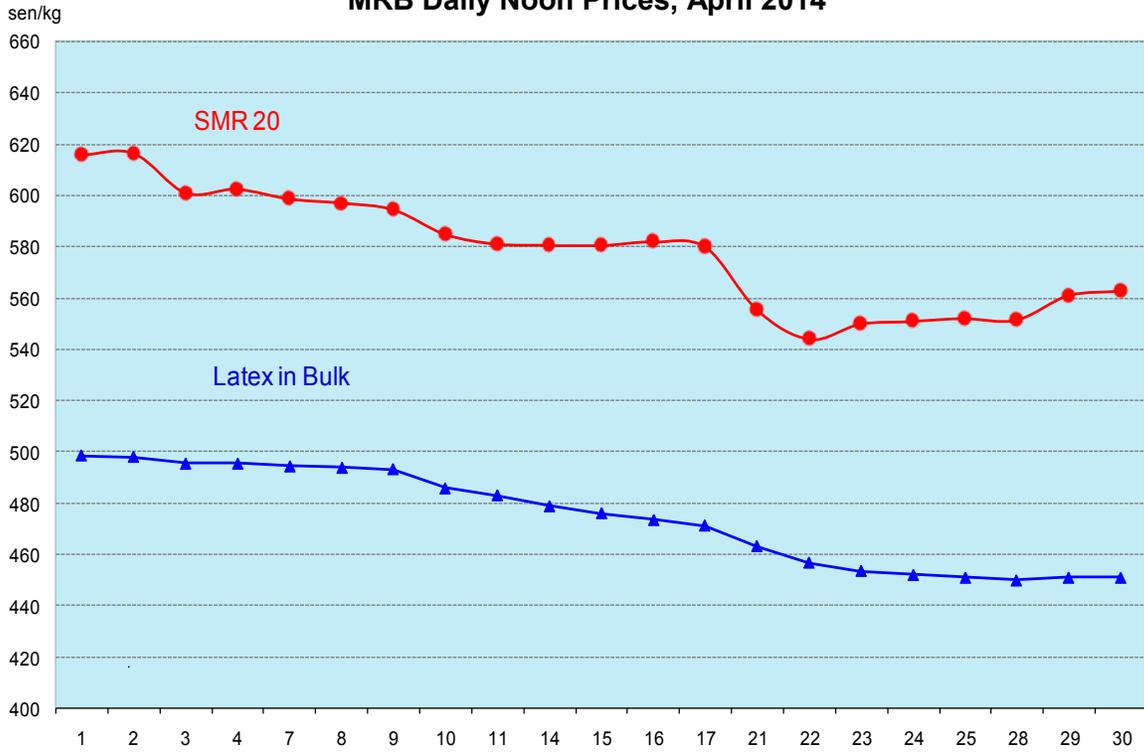
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, April 2014

| | SMR CV | | SMR 20 | | Latex Concentrate | |
|---|--------|----------|--------|----------|-------------------|----------|
| | sen/kg | RM/tonne | sen/kg | RM/tonne | sen/kg | RM/tonne |
| Highest | 830.00 | 8,300.00 | 616.50 | 6,165.00 | 498.50 | 4,985.00 |
| Lowest | 761.00 | 7,610.00 | 544.00 | 5,440.00 | 450.00 | 4,500.00 |
| Average | 802.02 | 8,020.20 | 578.21 | 5,782.10 | 474.55 | 4,745.50 |
| Change from the last day of the previous month | -65.50 | -655.00 | -54.00 | -540.00 | -48.00 | -480.00 |

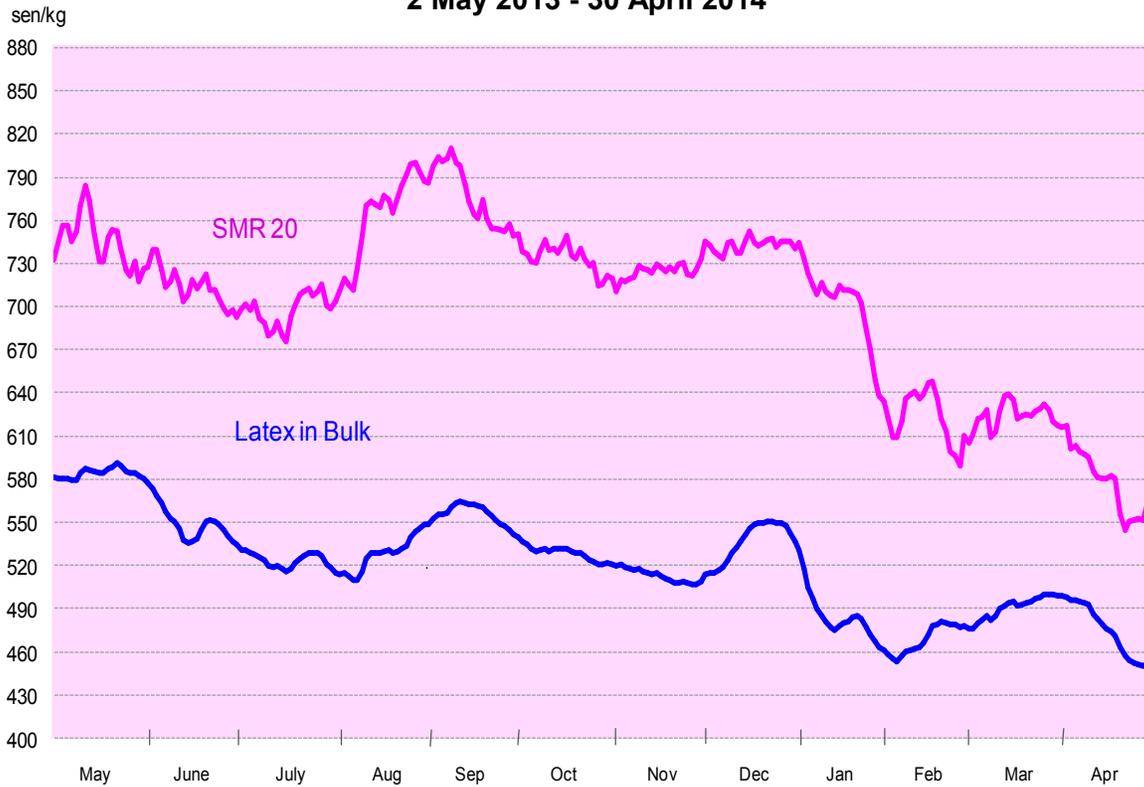
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, April 2014



**SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
2 May 2013 - 30 April 2014**



Festival in Thailand and Good Friday in Indonesia, Malaysia and Singapore.

On the third trading week, the market continued its mixed trend with price dropped sharply on the first trading day in response to TOCOM's tumbling prices by about 2.4% after SHFE opened to continued selling as investors cut losses. Although TOCOM was reported to be technically oversold, traders were of the view that there would be a technical correction. As expected, prices then rebounded after a sharp drop in TOCOM on previous day. The uptrend was also supported by the positive sentiment on the report that the coming *El Nino* phenomenon in July 2014 may affect rubber yield and boost the commodity price. The hike was further backed by the news that the preliminary HSBC China's Manufacturing Purchasing Managers Index (PMI) rose slightly to 48.3 in April 2014, compared with a final reading of 48.0 in March 2014, reflecting mild improvement in domestic demand of the said country and the ease in deflationary pressures. Meanwhile, traders projected that there will be demand returning to natural rubber as the recent selloff has driven prices below those of synthetic rubber.

The fourth trading week saw an uptrend following the positive sentiment brought by the technical correction, tracking the uptrend in SHFE as TOCOM were closed on Tuesday for *Showa Day*. On the last trading day of the month, the prices closed higher from those of the previous month, supported by the higher opening of TOCOM and SGX prices.

Outlook

The Kuala Lumpur rubber market is expected to remain in a downward trend for the coming month, owing to negative sentiments, despite low production period in major rubber producing countries.

News Briefs

China's rubber consumption to grow 10% in 2014

China's rubber consumption is expected to exceed nine million tonnes in 2014, an on-year increase of 10%, Deng Yali, Head of China Rubber Industry Association (CRIA), was quoted

as saying. Of the total amount, natural rubber consumption is predicted to grow by 14% on-year to 4.8 million tonnes, while synthetic rubber consumption to inch up by 5% on-year to 4.3 million tonnes.

In 2013, China's rubber consumption increased by 13.7% on-year to 8.3 million tonnes, including 4.2 million tonnes of natural rubber and 4.1 million tonnes of synthetic rubber.

- *China Business Newswire, 1 Apr*

Global Synthetic Rubber Market Report

Synthetic rubber is chemically manufactured elastomer which is produced by the polymerization of two or more petroleum-derived monomers. Polybutadiene rubber (BR) and Styrene Butadiene Rubber (SBR) are the two most important types of synthetic rubber and Butadiene is the primary feedstock for its production. Industrial players of synthetic rubber operate in the marketplace on the basis of low manufacturing cost, quality, technology and most importantly price to stay ahead.

Most of the output of synthetic rubber industry is taken up by tyre industries thus categorizing this industry as one of the predominant users of synthetic rubber. The key factors driving the growth of the synthetic rubber industry include accelerating automotive industry, technological advancement and slump in raw material prices. Some of the noteworthy trends and developments in this industry are increasing demand for high performance material, declining prices, rigorous competition and improved supply. However, the expansion of global synthetic rubber industry is hindered by rising environmental concerns and depletion of fossil fuels.

- *MarketResearch.com, 1 Apr*

Thai Government plans to sell rubber stockpiles

The Thai Government plans to sell its large natural rubber stockpile, which was acquired through state-funded price support programmes over the past two years, its Agriculture Minister, Yukol Limlaemthong said. He added that the Government will assess the market before taking

any action as there are concerns that releasing government stocks now will further depress prices, so the government will only sell rubber from its 200,000-metric-tonne inventory "when the price is right."

The Thai authorities plan to sell stockpiles to the domestic market first. "Some government agencies have shown interest in buying rubber from us. The Government has been promoting rubber use," Mr. Yukol said. Natural rubber prices have fallen 20% this year due to concerns over growth in main consumer China amid high stockpiles in the big importing countries of China and Japan.

- Dow Jones Institutional News, 2 Apr

Bridgestone starts building new tyre plant in Russia

Bridgestone has broken ground for a new passenger car radial tyre plant in Ulyanovsk Oblast, Russia, according to a company press release on 2 April. The plant will produce passenger car radials for the Russian/Commonwealth of Independent States (CIS) market. The plant is expected to start production in the first half of 2016 and is estimated to reach production capacity of approximately 12,000 units a day by the second half of 2018.

The Russia/CIS region is a large market with a population of approximately 300 million and offers huge potential for tyre-makers as a result of the larger variations in climate across the territory and forecast growth for the light-vehicle market.

- IHS Global Insight Daily Analysis, 3 Apr

AIRIA, India to develop rubber policy together

The Government of India has agreed to help implement an ambitious National Policy on Rubber (NPoR) developed by the All India Rubber Industries Association (AIRIA). Announced on 1 April 2014, the policy designates the Indian rubber industry as a "Sunrise Sector", bringing major improvements to India's economy, the AIRIA said.

"India is considered to be one of the key players in the global rubber business," AIRIA said. The

Indian Government has advised all rubber industry stakeholders to come together to implement the NPoR. The multifaceted policy includes plans to create an indigenous ecosystem in India for natural rubber; to promote cutting-edge research and development in rubber; to attract investment; to make India's rubber industry the most technologically advanced in the world; to increase both production and consumption of rubber; and to increase productivity, quality and employment.

- Rubber & Plastics News, 7 Apr

Indian tyre-makers shine as car owners replace bald rubber

Replacement tyres are buoying Indian tyre companies as a sputtering domestic economy hits vehicle sales, crimping orders from automotive makers. India's top six tyre-makers by value are forecast to see average revenue growth of 11.8% in the fiscal year that started this month, according to Thomson Reuters SmartEstimates. That would be the fastest expansion in three years.

Tyre-makers including Apollo Tyres Ltd, India's biggest by revenue, are leaning on car and truck owners replacing worn-out tyres on vehicles bought during the 2009-2011 boom to insulate them from slower demand for original tyres. The margins for replacement tyres are up to 10-percentage points higher than those for originals, analysts say.

- Reuters News, 7 Apr

Thai rubber shipments expected to recover in second half

Thai rubber shipments are expected to recover in the second half of this year, boosted mainly by the global economic recovery and higher demand from international automotive tyre-makers, the Bangkok Post reports. Luckchai Kittipol, Honorary President of the Thai Rubber Association (TRA), said that he remains positive about second-half exports despite the sluggish global market in the first half caused by large and rising global stocks.

Commerce Ministry figures show Thailand exported 45.4 billion *baht* worth of rubber in the

first two months, down by 5.51% year-on-year. Luckchai expects global rubber demand to come in at 11.4 million tonnes this year, up by five per cent from last year, and supply at 11.6 million tonnes, up by three to four per cent. Thailand is forecast to produce 4.2 million tonnes of rubber this year, up from 4 million tonnes last year.

- *Thai News Service, 10 Apr*

Philippines takes a leaf out of India's NR expertise

The Philippines, a long-time fringe-player in the nine-member Association of Natural Rubber Producing Countries (ANRPC), has stepped forward to take a leaf out of India's natural rubber production habits. A 35-member delegation from the country, including government officials and natural rubber and rubber product manufacturers, has been holding wide-ranging discussions with the Rubber Board, Rubber Research Institute of India (RRII) and All India Rubber Industries Association (AIRIA).

"The Philippines has identified India as a key partner for reinvigorating its rubber sector as India has strengths across the entire rubber spectrum, including rubber farming, processing and manufacturing, which are unmatched by any other country," said Niraj Thakkar, president, AIRIA.

- *Financial Express, 11 Apr*

Kedah government committed to make Rubber City project a reality

The Kedah Government is committed to realise the Rubber City project in Padang Terap to elevate the livelihood of rubber tappers in the state. State Women Development, Community Welfare, Agriculture and Agro-based and Entrepreneur Development Committee Chairman, Datuk Suraya Yaacob said that Menteri Besar, Datuk Seri Mukhriz Mahathir recently met a group of potential investors during his work visit in London.

Suraya said that the project would be a catalyst in transforming rubber sector in the state by wooing multi-national companies to manufacture rubber-based products for the international market. "This

is the state commitment in helping rubber tappers who are facing hard time due to the fall of rubber price. We should learn from Thailand and Indonesia in managing the rubber price in their country by increasing rubber production and improving the quality of the rubber-based products."

- *New Straits Times, 11 Apr*

Malaysian natural rubber exports in February up 21 pct to 74,452 tonnes

Natural rubber exports in February rose by 12,945 tonnes or 21% to 74,452 tonnes versus the same period last year, the Statistics Department said. On a month-on-month basis, the total natural rubber export increased by 4,034 tonnes (an increase by 5.7%) from January 2014. Standard Malaysian Rubber (SMR) contributed 94.9% to total exports, with 57.4% of that comprising SMR 20, the department reported.

Natural rubber was exported mainly to China at about 56.3%. Production for the month under review totalled 73,180 tonnes, easing 3.7% year-on-year, with the smallholding sector contributing 92.7%, while the estate sector accounted for 7.3%. Total domestic consumption in February was 33,969 tonnes, up by 382 tonnes or one per cent year-on-year, with the rubber gloves industry being the highest consuming industry at 70.8%, followed by rubber thread (eight per cent) and tyre and tubes (7.2%).

- *Bernama Daily Malaysian News, 11 Apr*

Vietnam's tyre, tube industry leaps ahead as costs fall

Tyre and tube production in Vietnam has enormously increased since early this year due to low price of natural rubber on the local market, according to experts. According to the Ministry of Agriculture and Rural Development, Vietnam saw a year-on-year decline of 23.1% in export volume of rubber to 144,000 tonnes and 42% in export value to US\$292 million in the first quarter of this year.

Over the last few months, export price of local rubber dropped many times to as low as VND40 million (\$1,900) per tonne recently, that is, a drop

to half the price from 2011 because of oversupply in the world market. Therefore, in the first quarter of this year, Vietnam Rubber Industry Group (VRG) gained an increase of 10% in export value of tyre and tube compared with major export markets of ASEAN and Middle East countries the same period last year, he added.

- *Vietnam News Summary, 24 Apr*

Rubber could be headed for gloomy times

TOCOM rubber has been continuing its downtrend since mid-March. In fact, this downtrend seems to be accelerating and it could be a case of waning demand offsetting lower supply. Prices were supported but only temporarily, due to the Eurozone debt crisis. Currently, methods such as reducing exports and rubber tapping are explored in an attempt to reverse the decline of rubber prices. Should joint action be taken, supply in the rubber market could experience a significant shock. Global meteorologists expect increased prospects of El Nino occurring in 2014, with Australian forecasters predicting a likelihood of more than 70 per cent.

The slowdown in China's economy is a factor since the country is the world's top consumer of rubber. Another reason for downward rubber prices is the high inventories in Japan and Shanghai. Due to Thailand's wintering season, the Thai Government has planned to sell 200,000 tonnes of rubber from state inventories. This would add more supplies to an already well-supplied rubber market. Concerns of a slowing Chinese economy will likely cast a pall over the rubber market and plentiful supplies will further add pressure. Hence, rubber prices could fall lower.

- *Business Times Singapore, 28 Apr*

IMF revises China's 2014 growth forecast upward to 7.5%

The International Monetary Fund (IMF) revised its 2014 economic growth forecast for China upward to 7.5%, 0.3 percentage points more than its earlier estimate, signalling a more positive outlook for the country's economic prospects, a report released by the organization said. IMF's

latest forecast is in line with the Chinese Government's 7.5% annual growth target set in March, but lower compared to 7.7% of economic growth in 2013.

Amidst increasing vulnerabilities, China's planned reforms will have far-reaching results while some also bear the capacity to transform the country's economy, according to IMF's Regional Economic Outlook for Asia and Pacific. The most important thing will be implementation of the reforms, said the IMF, noting that the reforms could boost welfare by increasing private consumption as well as making growth more sustainable.

- *China Business News, 30 Apr*

U.S. economy likely to rebound

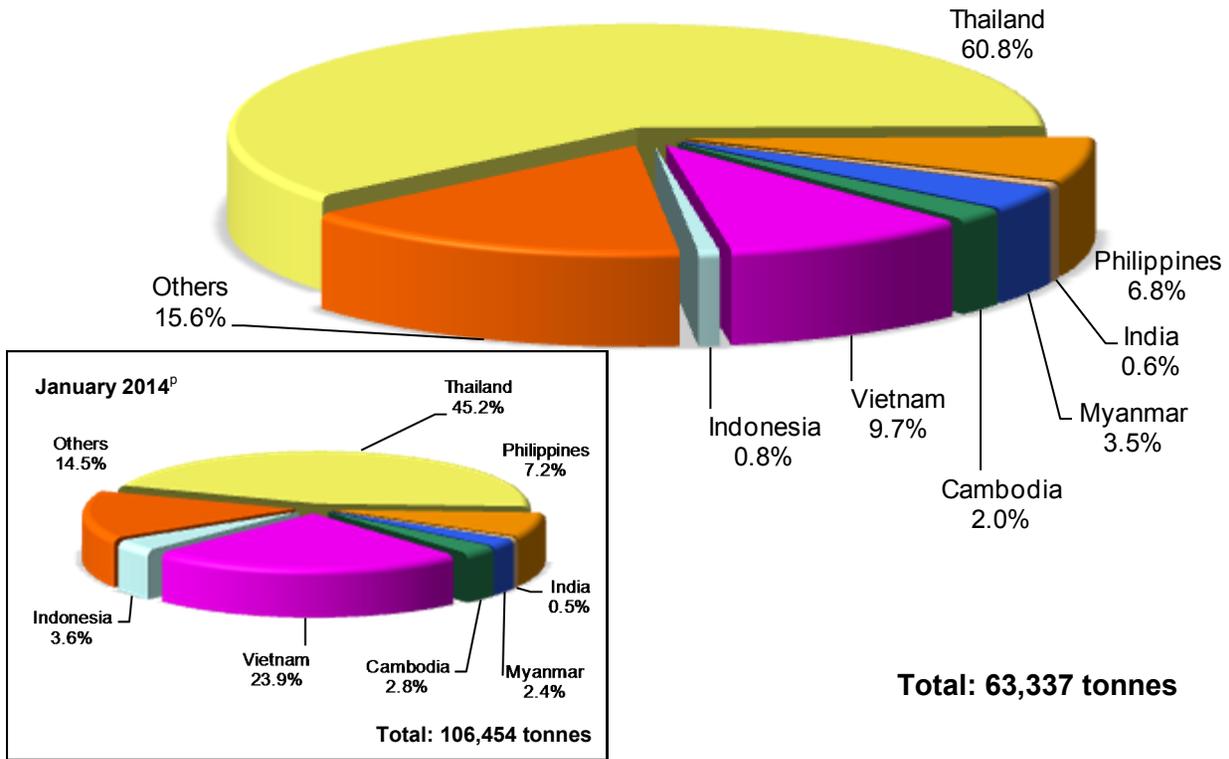
Thanks to a bounceback in consumer spending, business investment and job growth, analysts foresee a strengthening U.S. economy through the rest of the year. A group of economists surveyed this month by The Associated Press said that they expect unemployment to fall to 6.2% by the end of this year from 6.7% in March.

One reason for the optimism is that a drag on growth last year from higher taxes and deep federal spending cuts has been diminishing. A congressional budget truce has also lifted any imminent threat of another government shutdown. As a result, businesses may find it easier to commit to investments to modernize and expand production facilities and boost hiring. Joel Naroff, Chief Economist at Naroff Economic Advisors said that solid job growth should lead consumers, who drive about 70% of the U.S. economy, to boost spending.

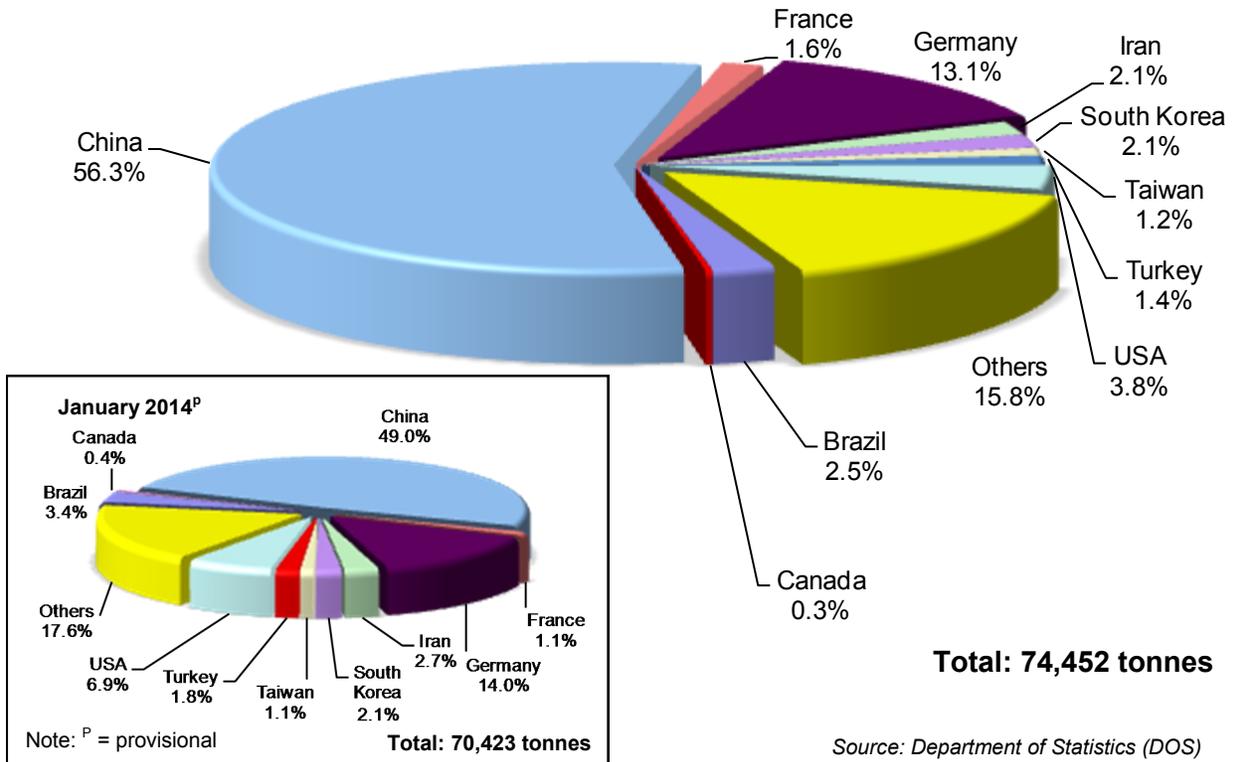
-*Record-Journal by Newsbank, Inc., 30 Apr*

Sources: *Factiva-Dow Jones, New Straits Times*

Malaysia's NR imports by countries February 2014^P

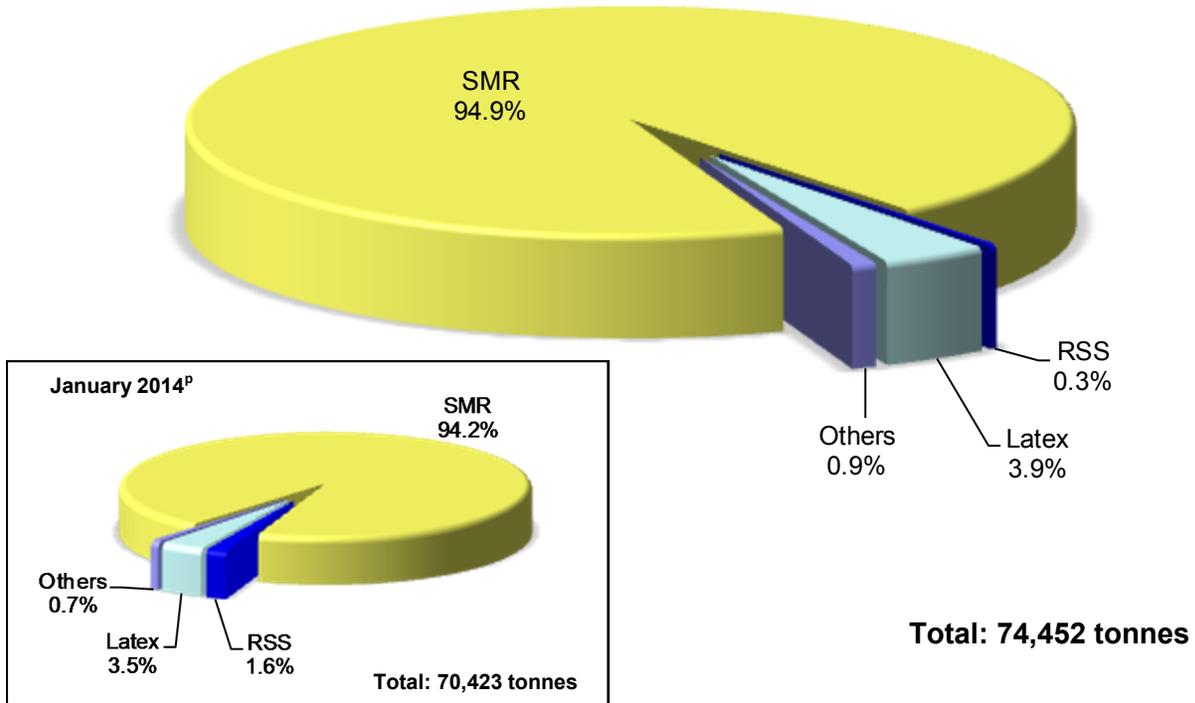


Malaysia's NR exports by countries February 2014^P

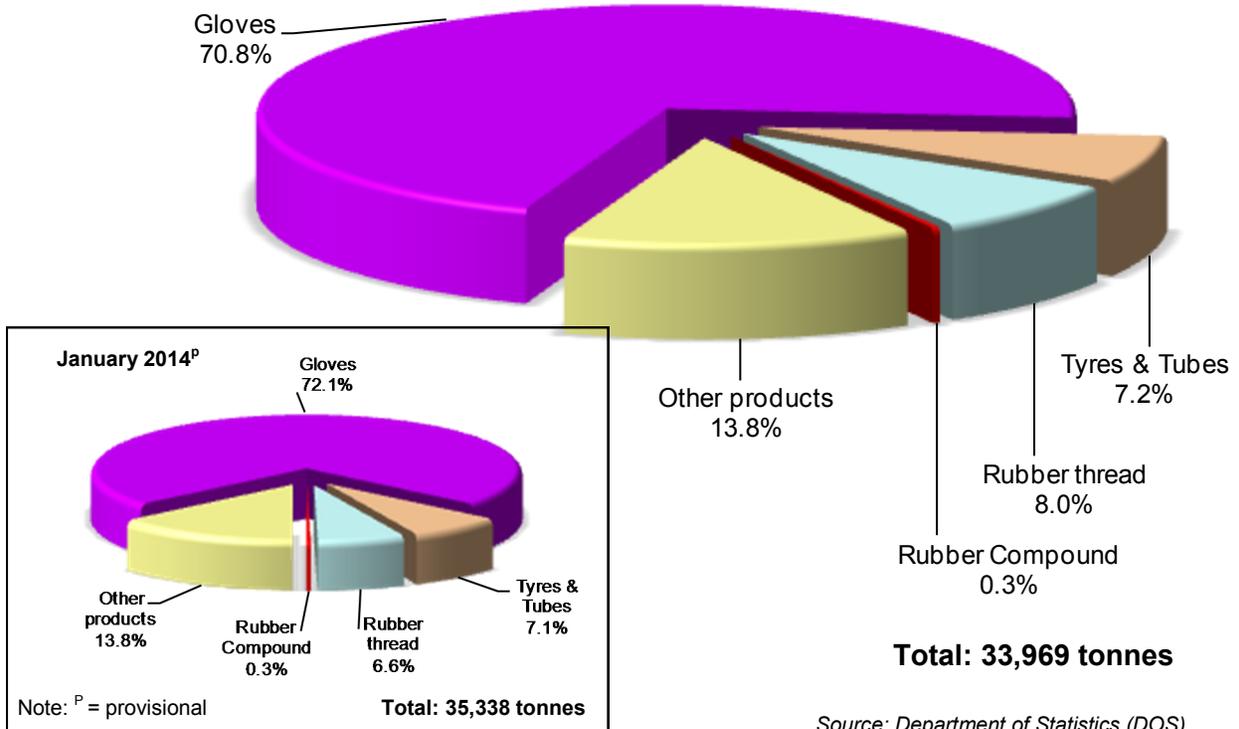


Source: Department of Statistics (DOS)

Malaysia's NR exports by types February 2014^P



Malaysia's NR consumption by sectors February 2014^P



Source: Department of Statistics (DOS)