



# MALAYSIAN RUBBER BOARD

## DIGEST

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**2018  
APR**

## Natural Rubber Market Review

### April

In April, the Kuala Lumpur Rubber Market drifted uncertainly and remained weak as monthly average prices continued to decline from the previous month due to lack of demand amid ample of supply, high rubber stocks in China, volatile regional rubber futures markets and instability of currencies. Nevertheless, the market improved slightly after mid-month, bolstered by easing trade tension between China and U.S coupled with surging oil prices which surpassed USD 70 per barrel, strongest levels since late 2014. Compared with those on 29 March 2018, the price of SMR 20 rose 17.50 sen/kg or 3.3% to close at 544.00 sen/kg. Meanwhile, latex concentrate gained 24.00 sen/kg or 5.5% to close at 456.50 sen/kg. The average price of SMR 20 continued to decline in April by 25.7 sen/kg or 4.6% to 528.90 sen/kg, compared with the previous month. Price movements of selected grades of rubber in April 2018 are shown in Table 1.

Prices fluctuated within a narrow range and were largely affected by the quiet conditions that

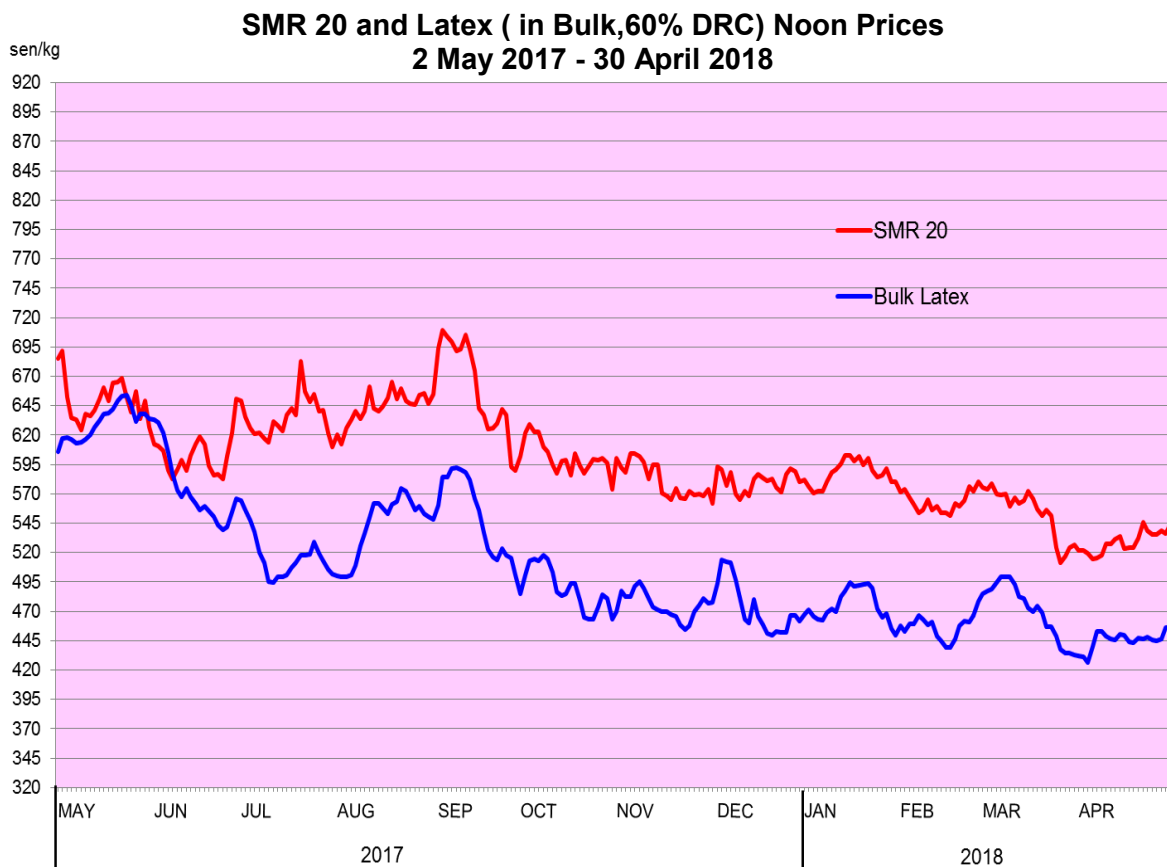
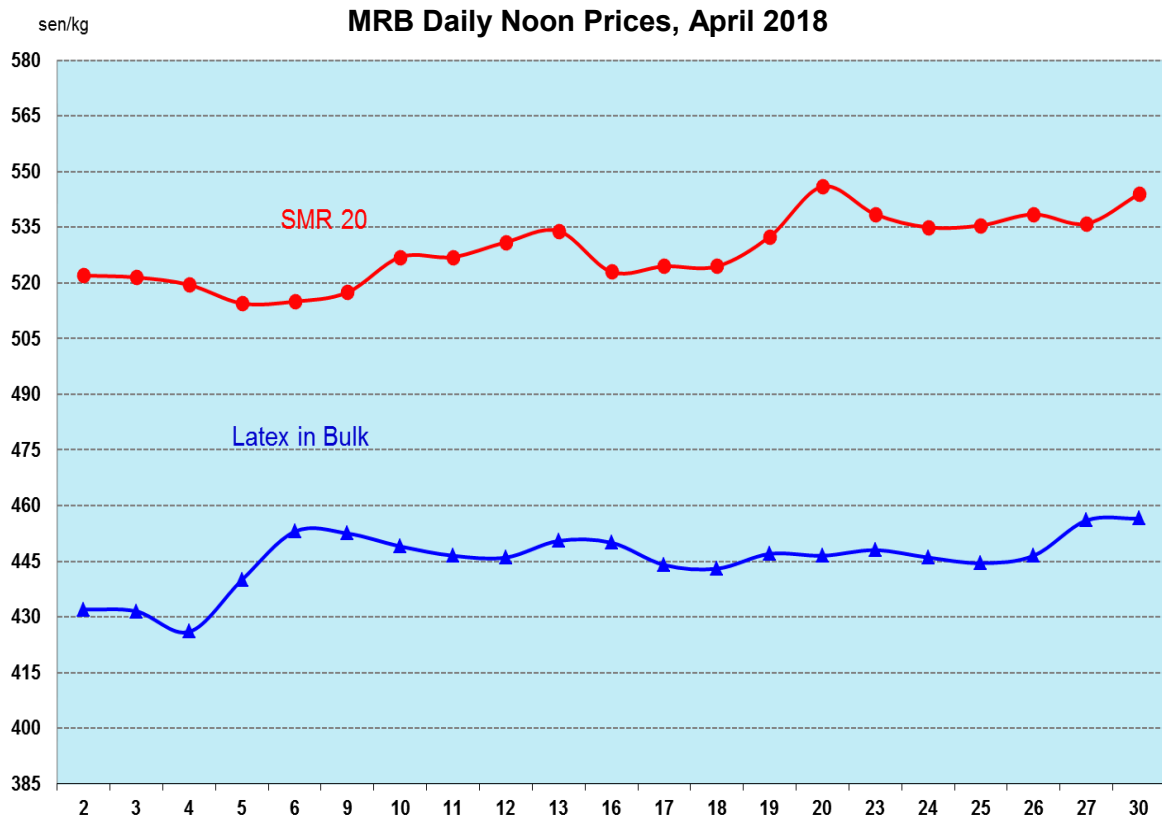
prevailed in the global commodities and equities markets as traders continued to remain on the sidelines owing to uncertain outlook over trade tension between China and United States (US). The bearish sentiment was also brought by weaker advices from regional rubber futures markets resulting from profit taking activities, stronger Japanese yen/Chinese renminbi, market players' concerns on rising world NR supply and high rubber stocks in China warehouse. The market reacted negatively after the Department of Statistics Malaysia (DOSM) on 13 April reported that Malaysia's natural rubber (NR) production increased by 14.9% in February 2018 to 63,246 tonnes from 55,039 tonnes in January 2018. Trading was listless from lingering concerns on the expectation of rising world natural rubber (NR) supply in 2018 as reported by the Association of Natural Rubber Producing Countries (ANRPC). ANRPC anticipates the world NR production to rise by 7.2% to 14.300 million tonnes in 2018 while global NR demand in 2018 is only expected to increase by 3.5% to 13.496 million tonnes. Despite the total rubber inventories (NR and SR) at Qingdao warehouses, China were reported to decline marginally, the stocks remained high at 204,900 tonnes as of 16 April 2018. Meanwhile, Shanghai Futures Exchange (SHFE) warrant stocks as of 26 April

**Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, April 2018**

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
<b>Highest</b>	722.00	7,220.00	546.00	5,460.00	456.50	4,565.00
<b>Lowest</b>	712.00	7,120.00	514.50	5,145.00	426.00	4,260.00
<b>Average</b>	718.50	7,185.00	528.90	5,289.00	445.48	4,454.80
<b>Change from the last day of the previous month</b>	3.50	35.00	17.50	175.00	24.00	240.00

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

Source: Malaysian Rubber Board



stood at 446,580 tonnes. According to the Rubber Trade Association of Japan (RTAJ), crude rubber inventories at Japanese ports stood at 16,357 tonnes as of 10 April 2018, up 4.9% from the last inventory date.

The market losses throughout the month were offset when traders took cue from the upbeat economic performance of China, the world's largest rubber consumer. China's GDP grew 6.8% in the first quarter of 2018 compared with the same period in 2017, slightly faster than expected, buoyed by strong consumer demand and surprisingly robust property investment. The positive sentiment was also aided by surging oil prices to their highest levels since late 2014 (Brent at USD 75.17 per barrel & WTI at USD 68.64 per barrel), resulting from a drop in US crude stockpiles inventories, improved demand as well as supply disruptions and geopolitical tension in Middle East. The rubber market recovered modestly, tracking the performance of global commodities and shares markets as fears on trade tension between China and US eased. The NR market traded slightly higher, responding to the news that China will impose temporary anti-dumping measures on Butyl Rubber imports from the US, European Union and Singapore. The market was also lifted by weaker ringgit. The ringgit depreciated to RM 3.9205 on 26 April as the US dollar traded near a 3-1/2 month high boosted by higher US Treasury yields.

## Outlook

In the near term, prices are likely to be further influenced by uncertain outlook of non-fundamentals factors such as U.S-China factors, performance of currencies, crude oil prices as well as the trend of regional rubber futures markets. There is a general belief that prices have bottomed up and the market is expected to sustain at the current levels, tracking the fundamental supply and demand coupled with current NR stocks. The market participants would be watching closely developments in the major rubber consuming countries like China and U.S.

## News Briefs

### ***Thai government promotes use of rubber to support price***

Thailand, the world's biggest producer and exporter of rubber, is seeking to increase local demand for the commodity by providing financial support to buyers, as well as encouraging all government agencies to use more of it. Agriculture Minister Grisada Boonrach said the government was trying to attract private companies, in particular small and medium enterprises, to innovate and invest in the production of more finished rubber products.

- *asia.nikkei.com*, 3 Apr

### ***NKEAs boost nation's foundation***

The National Transformation Programme's (NTP) 12 National Key Economic Area (NKEAs) have bolstered Malaysia's economic foundation, generating a steady income growth for the country. For palm oil and rubber sector, their gross national income (GNI) contribution reached RM79.9 billion last year. The export of local natural rubber and rubber compounds contributed RM9.36 billion, an increase from RM5.89 billion in 2016. New planting and replanting of rubber met its target of 8,557ha. RM132.7 million had been allocated for the planting of 8,557ha of rubber in Sabah and Sarawak.

- *nst.com.my*, 3 Apr

### ***Rubber-related Chinese imports subject to tariffs***

At least 10 categories of tyres, rubber, rubber products and rubber processing machinery are on the list issued by the Office of the US Trade Representative (USTR) of goods imported from China that are subject to a 25% tariff. The USTR issued the list on its website in response to the order President Trump signed 22 March, encompassing Chinese goods worth an estimated USD50 billion. The proposed list encompasses approximately 1,200 separate tariff lines as defined under the Harmonized Tariff Schedule of the US, USTR said in a notice pending publication in the Federal Register as of 4 April.

- *rubbernews.com*, 4 Apr

**Malaysia set to become world's 24<sup>th</sup> largest economy by 2050**

Malaysia, a medium-sized economy, is expected to improve its ranking to be the 24<sup>th</sup> largest in the world by 2050. PricewaterhouseCoopers (PwC) Malaysia Managing Partner, Sridharan Nair, said Malaysia, already in the 27<sup>th</sup> position in terms of gross domestic product (GDP) contribution to the global economy, needed to invest in technology and education to further improve its ranking.

- *nst.com.my*, 5 Apr

**Most Sabah rubber planters are smallholders**

Smallholders form the bulk of rubber planters in Sabah. Of the total 177,766ha of land in the state planted with rubber, 125,075ha was managed by smallholders while the rest comprise of rubber estates. Dr Zairossani Mohd Nor, Director-General of Malaysian Rubber Board (MRB) said the rubber industry was still among Malaysia's major economic contributors with export earnings amounting to RM 32.3 billion.

- *thestar.com.my*, 6 Apr

**Philippines identify suitable area for planting rubber**

A study conducted by the College of Forestry and Natural Resources and Institute of Renewable and Natural Resources of the University of the Philippines Los Baños has found that the province of Compostela Valley have high potential areas for planting rubber. Compostela Valley recorded 29.8% of the area that has high potential for planting rubber, followed by North Cotabato with 20.8%. Zamboanga Sibugay, which currently has 66,484 hectares of plantation, the largest area planted with rubber.

- *rubberjournalasia.com*, 9 Apr

**Rubber output: Natural rubber output may fall short of target**

Indian natural rubber production is likely to be 1 lakh tonnes short of the Rubber Board projected figure of 8 lakh tonnes for 2017-18 even as the consumption is set to reach a new peak.

- *economictimes.indiatimes.com*, 9 Apr

**Continental expects uptick in replacement tyre demand**

Continental A.G. expects demand for consumer and commercial vehicle replacement tyres to grow 3% and 2% in 2018, respectively, with Asia contributing more than half of the growth. Overall, replacement demand for passenger/light truck tyres should rise to 1.25 billion units, Conti said, citing IHS Inc. an LMC International Ltd. figures. Demand for medium/heavy-duty commercial vehicle tyres is seen rising to 166.3 million units.

- *rubbernews.com*, 9 Apr

**IMF's Furusawa: Global economy strengthening on investment, trade**

The global economy continues to strengthen on the back of investment and trade, with capital flows to emerging markets remaining resilient and US tax reform expected to boost growth temporarily, a senior International Monetary Fund (IMF) official said. The current upswing provides an ideal opportunity for reforms to boost potential output, build resilience, and ensure the benefits of growth are shared more widely.

- *globalrubbermarkets.com*, 10 Apr

**ADB sees Asia's 2018 growth at 6%, but warns of trade risks**

The Asian Development Bank (ADB) raised its 2018 economic growth estimate for developing Asia to 6.0% from 5.8%, citing solid export demand, but said US protectionist measures and any retaliation against them could undermine trade. Growth in developing Asia would only ease slightly to 5.9% in 2019, the bank said in its 2018 Asian Development Outlook released.

- *reuters.com*, 11 Apr

**MARGMA eyes 10% export growth to RM18 billion in 2018**

Malaysian Rubber Glove Manufacturers Association (MARGMA) is hopeful of achieving more than 10% export growth to RM18 billion this year, as global demand surpasses supply. "This year, rubber glove exports should expand by more than 10% to RM18 billion, from last year's

RM16.20 billion," said MARGMA President, Denis Low Jau Foo.

- *nst.com.my*, 11 Apr

### ***ANRPC Releases Natural Rubber Trends & Statistics, March 2018***

According to the Association of Natural Rubber Producing Countries (ANRPC), it was reported that the global demand of natural rubber (NR) grew 7.6% from 3.123 million tonnes in Q1 2017 to 3.361 million tonnes during Q1 2018. During the same reference period, global supply of NR posted a 3.3% growth at 3.152 million tonnes on a year-on-year (y-o-y) basis.

- *anrpc.org*, 12 Apr

### ***February natural rubber output up 14.9%***

Malaysia's natural rubber production increased by 14.9% in February 2018 to 63,246 tonnes from 55,039 tonnes in the previous month, according to Department of Statistics. However, on a year-on-year basis, production decreased by 28.7%, it said in a statement. Malaysia's natural rubber exports grew 5.8% to 49,627 tonnes in February compared with January.

- *thesundaily.my*, 12 Apr

### ***Tyre market in China predicted to grow at a CAGR of over 10% by 2023***

The tyre market is projected to grow at a Compound Annual Growth Rate (CAGR) of over 10% by 2023 in China. Rising automobile sales and increasing per capita income are the major factors boosting demand for tyres across the country. China's vehicle fleet size witnessed a radical increase during the past decade, which has been driving tyre demand in the country. Moreover, on-going development in both urban as well as rural areas and significant improvement in road infrastructure have been driving the expansion of automobile as well as the country's tyre market over the years.

- *rubberjournalasia.com*, 13 Apr

### ***China first-quarter GDP grows 6.8% year-on-year, slightly more than expected***

China's economy grew 6.8% in the first quarter of 2018 from a year earlier, slightly above expectations and unchanged from the previous quarter. The data points to continued resilience in the world's second-largest economy even as its export outlook is being clouded by escalating tensions with the United States, its largest trading partner.

- *reuters.com*, 17 Apr

### ***MIER ups GDP growth to 5.5% for 2018***

The Malaysian Institute of Economic Research (MIER) has revised upwards its real gross domestic product (GDP) growth projection for Malaysia this year by 0.1% to 5.5% from the previous 5.4%. Executive Director, Prof Dr Zakariah Abdul Rashid, said this was made to accommodate the actual 2017 data as it became available. The economy will continue to be domestically-driven and the private consumption will remain as the engine of growth.

- *thestar.com.my*, 17 Apr

### ***China targets US, EU with rubber trade case***

China announced on 19 April, it would impose temporary anti-dumping measures on synthetic rubber imported from the United States, the European Union and Singapore. The case could stoke the simmering tit-for-tat trade tiff between Beijing and Washington, with each side having made threats of more duties on billions of dollars worth of goods. China's commerce ministry repeated that the two sides were not negotiating on the issue — appearing to contradict US President Donald Trump's claim last week that the two sides were having 'great discussions' on trade.

- *theborneopost.com*, 20 Apr

### ***RM46.45 million of dividends announced for 9,359 participants of RISDA***

Malaysia's Rural and Regional Development Minister, Datuk Seri Ismail Sabri Yaakob announced dividends totalling RM46.45 million for 9,359 participants of the Rubber Industry

Smallholders Development Authority (RISDA) in Pahang. The disbursement was part of RISDA's total dividend amount of RM112.33 million announced by Prime Minister Datuk Seri Najib Tun Razak in Temerloh, on 2 April.

- [rubberjournalasia.com](http://rubberjournalasia.com), 23 Apr

### **Global rubber consumption has grown steadily**

According to statistics released recently by the International Rubber Study Group (IRSG), in recent years, the global rubber consumption has continued to grow steadily. In 2017, the global rubber consumption amounted to 28.377 million tonnes, an increase of 3.0% over the same period of the previous year. Among them, China's rubber consumption accounted for 30% of the total, ranking first in the global rubber consumption for three consecutive years. The consumption of rubber in emerging Asian countries such as India, Thailand, and Vietnam also showed steady growth, which together with China has driven the growth of global rubber consumption.

- [globalrubbermarkets.com](http://globalrubbermarkets.com), 24 Apr

### **Cambodia's rubber export up 21% in Q1**

Cambodia had exported 39,147 tonnes of dry rubber in the first quarter of 2018, up 21% over the same period last year. The Southeast Asian country earned the gross revenue of 57 million USD from the export during the January-March period this year, down 11% over the same period last year, the report said.

- [xinhuanet.com](http://xinhuanet.com), 26 Apr

### **Oil prices rise on concerns over supply disruptions, but surging US output looms**

Oil prices rose on 26 April with Brent settling at USD 74.74/barrel, lifted by concerns over supply disruptions in Venezuela and the Middle East as well as by strong demand. Oil output in Venezuela, a member of the Organization of the Petroleum Exporting Countries (OPEC), has fallen from almost 2.5 million barrels per day (bpd) to just around 1.5 million bpd currently due to political and economic turmoil in the South American country. US President Donald Trump will decide by May 12 whether to restore US

sanctions on Tehran, which would likely result in a reduction of its oil exports.

- [uk.reuters.com](http://uk.reuters.com), 26 Apr

### **The tyre material market projected to reach USD 91.23 billion by 2022**

The global market size for tyre material was USD73.93 billion in 2017 and is projected to reach USD91.23 billion by 2022, at a CAGR of 4.3% between 2017 and 2022. The increasing sales of vehicles and demand for low rolling resistance tyres are the most significant factors projected to drive the growth of the tyre material market. The passenger cars segment is expected to be the fastest-growing segment of the tyre material market, in terms of both value and volume.

- [rubberjournalasia.com](http://rubberjournalasia.com), 27 Apr

### **China official factory PMI eases to 51.4 in April, beats forecasts**

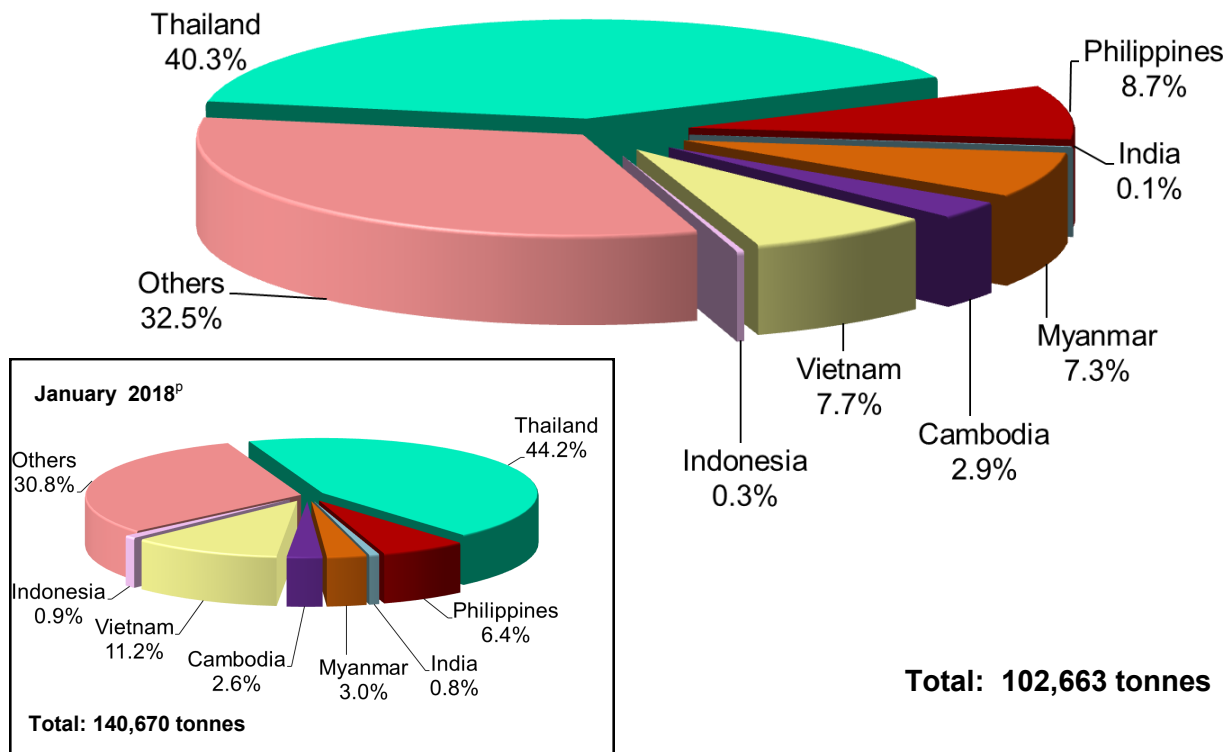
Growth in China's manufacturing sector eased in April, as factory-gate prices stayed subdued in a possible sign of slowing domestic demand, while a simmering Sino-US trade row heightened risks for the industrial sector. The official Purchasing Managers' Index (PMI) released on 30 April fell to 51.4 in April, from 51.5 in March, and remained well above the 50-point mark that separates growth from contraction on a monthly basis.

- [reuters.com](http://reuters.com), 30 Apr

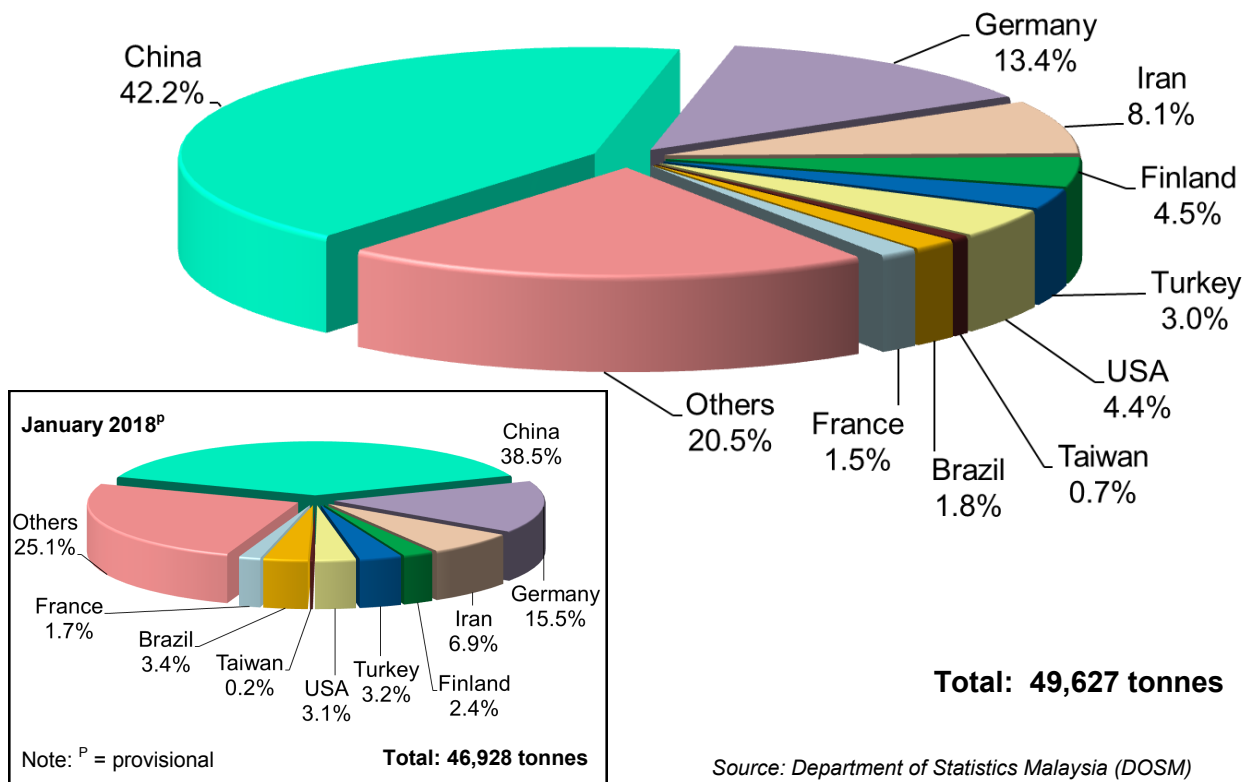
### **Sources:**

[asianikkei.com](http://asianikkei.com), [nst.com.my](http://nst.com.my), [rubbernews.com](http://rubbernews.com), [thestar.com.my](http://thestar.com.my), [rubberjournalasia.com](http://rubberjournalasia.com), [economictimes.indiatimes.com](http://economictimes.indiatimes.com), [globalrubbermarkets.com](http://globalrubbermarkets.com), [reuters.com](http://reuters.com), [anrpc.org](http://anrpc.org), [thesundaily.my](http://thesundaily.my), [manilatimes.net](http://manilatimes.net), [theborneopost.com](http://theborneopost.com), [xinhua.com](http://xinhua.com) and [uk.reuters.com](http://uk.reuters.com).

### Malaysia's NR Imports by Countries, February 2018<sup>P</sup>

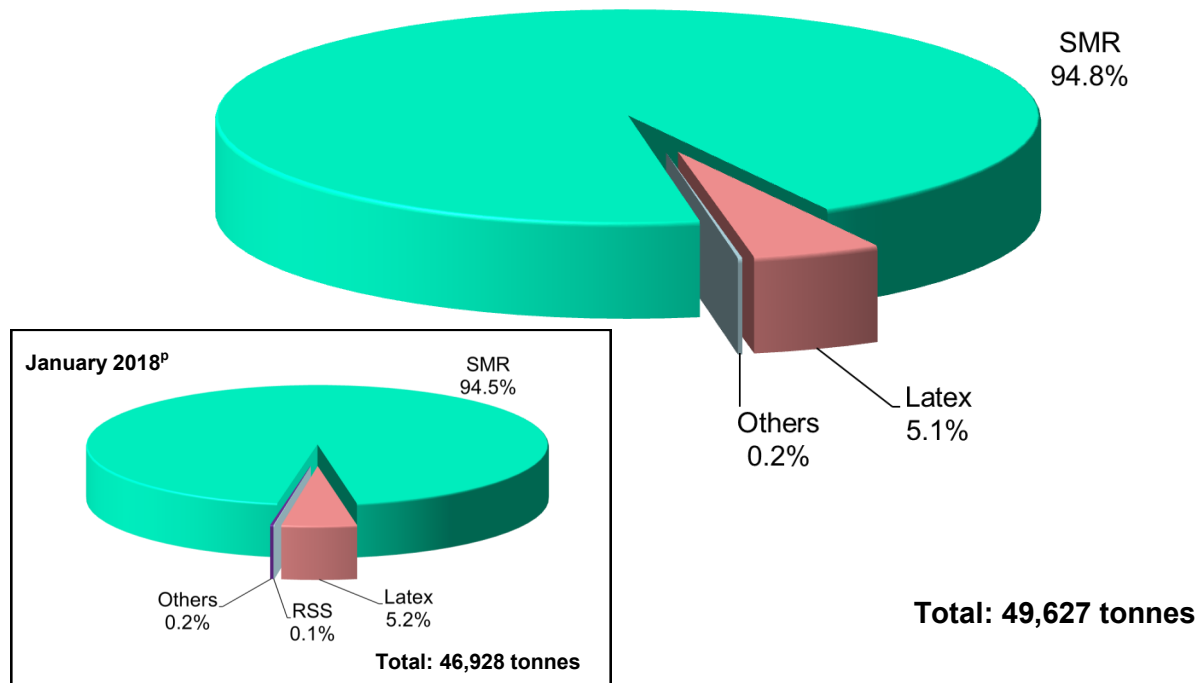


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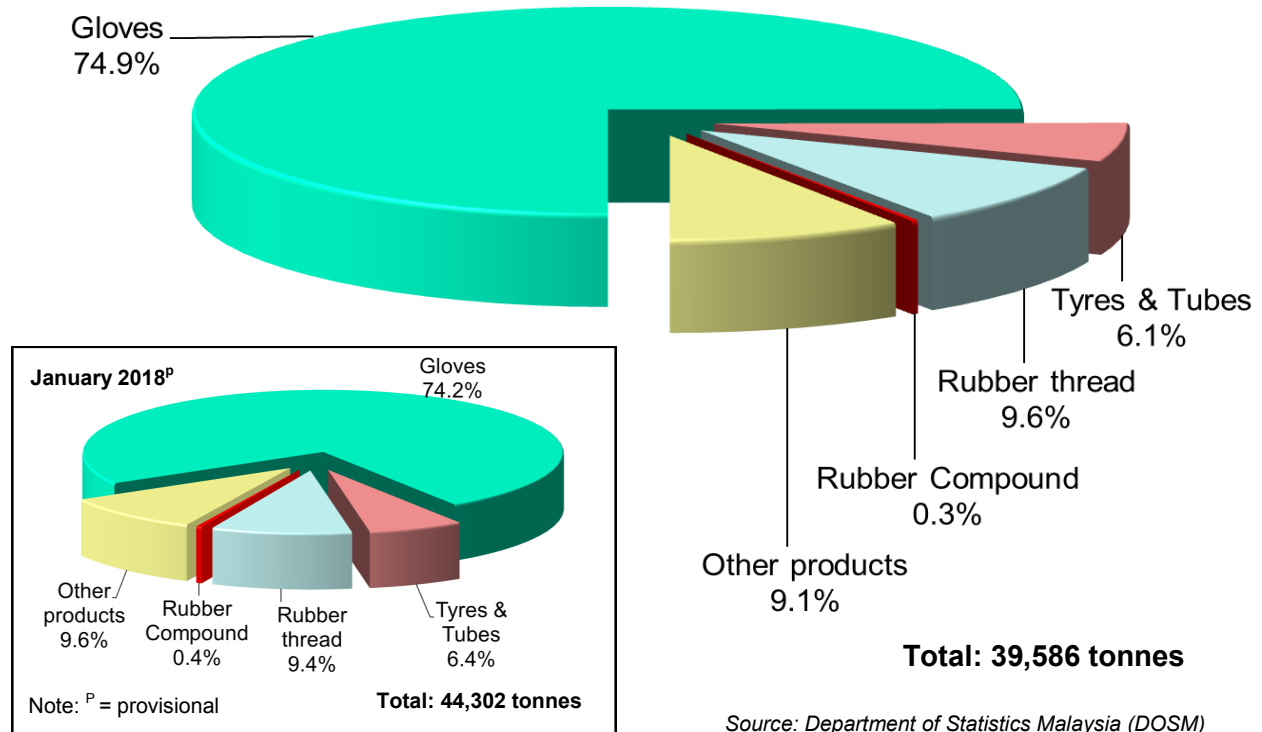


Source: Department of Statistics Malaysia (DOSM)

### Malaysia's NR Exports by Types, February 2018<sup>P</sup>



### Malaysia's NR Consumption by Sectors, February 2018<sup>P</sup>



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