MALAYSIAN RUBBER BOARD DIGEST

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2015 JULY

Natural Rubber Market Review

July

In July 2015, the Kuala Lumpur rubber market saw a mixed trend following a further fall in crude oil prices and a weakening of the ringgit, in addition to concerns over China's stock market and poor performance of regional futures markets as investors cut long positions amid uncertainty over the Greek debt crisis. Compared with those on 30 June 2015, the price of SMR 20 decreased by 26.00 sen/kg or 4.7% to close at 527.00 sen/kg while latex concentrate closed at 427.00 sen/kg, decreased by 41.00 sen/kg or 8.76%. The price movements of selected grades of rubber in July 2015 are shown in *Table 1*.

During the first trading week, the market saw a mixed trend as a stronger ringgit had been countered by a hike in regional futures markets and worries over a supply glut. Besides following a drop in crude oil prices, the market responded negatively over a report that Greece rejected conditions of a rescue package, hence throwing the future of the country's Eurozone membership into further doubt. In addition, the market operators were watching if China can successfully stem the slide in its stock market. They also responded negatively over a report that Eurozone members have given Greece until the end of the week to come up with a proposal for sweeping reforms in return for loans that will keep the country from crashing out of Europe's currency bloc and into economic ruin. The market operators were also watching carefully the volatility in Chinese share market.

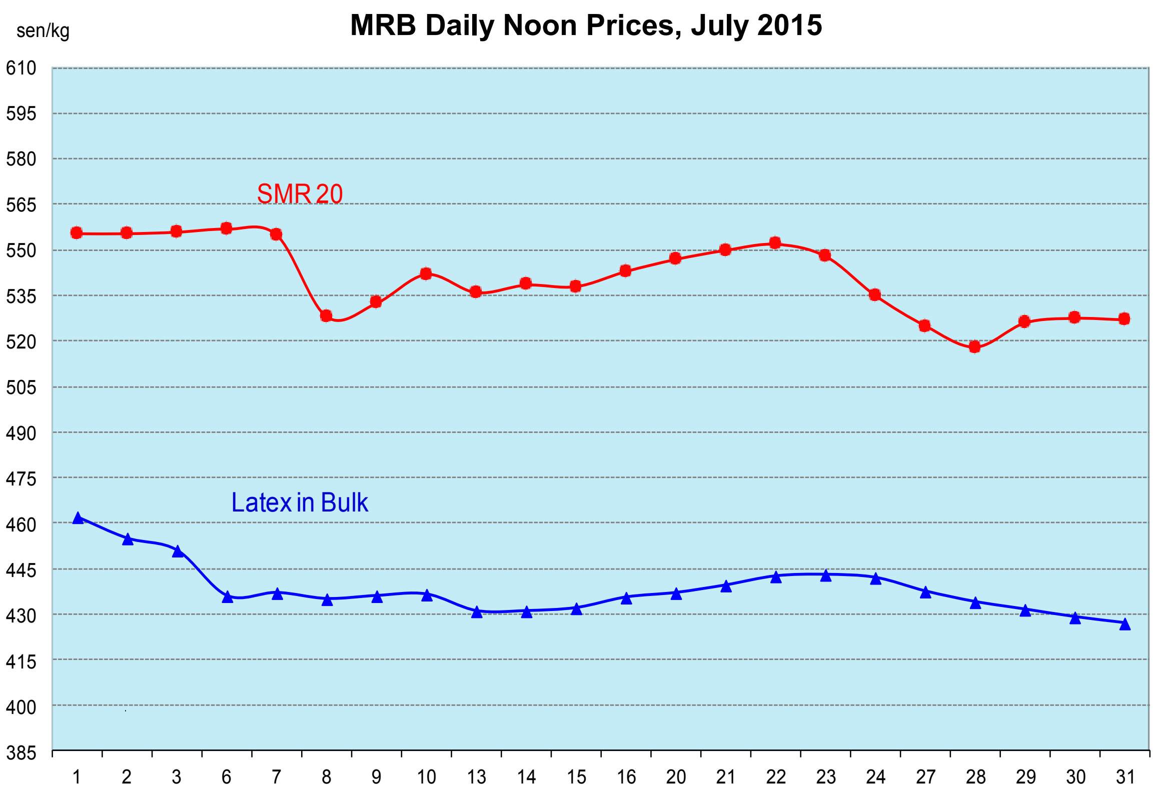
Rubber prices continued its mixed trend during the second trading week. Prices dropped in line with that of crude oil prices, besides concerns over the increase of rubber stock level in China and that of the economy of the largest rubber consuming country. However, prices rebounded following a weaker ringgit, in addition to the support by the increase in the price at TOCOM futures market. Nevertheless, the drop in crude oil prices and concerns over Chinese economic growth and slowing rubber demand from the said country had capped further gains.

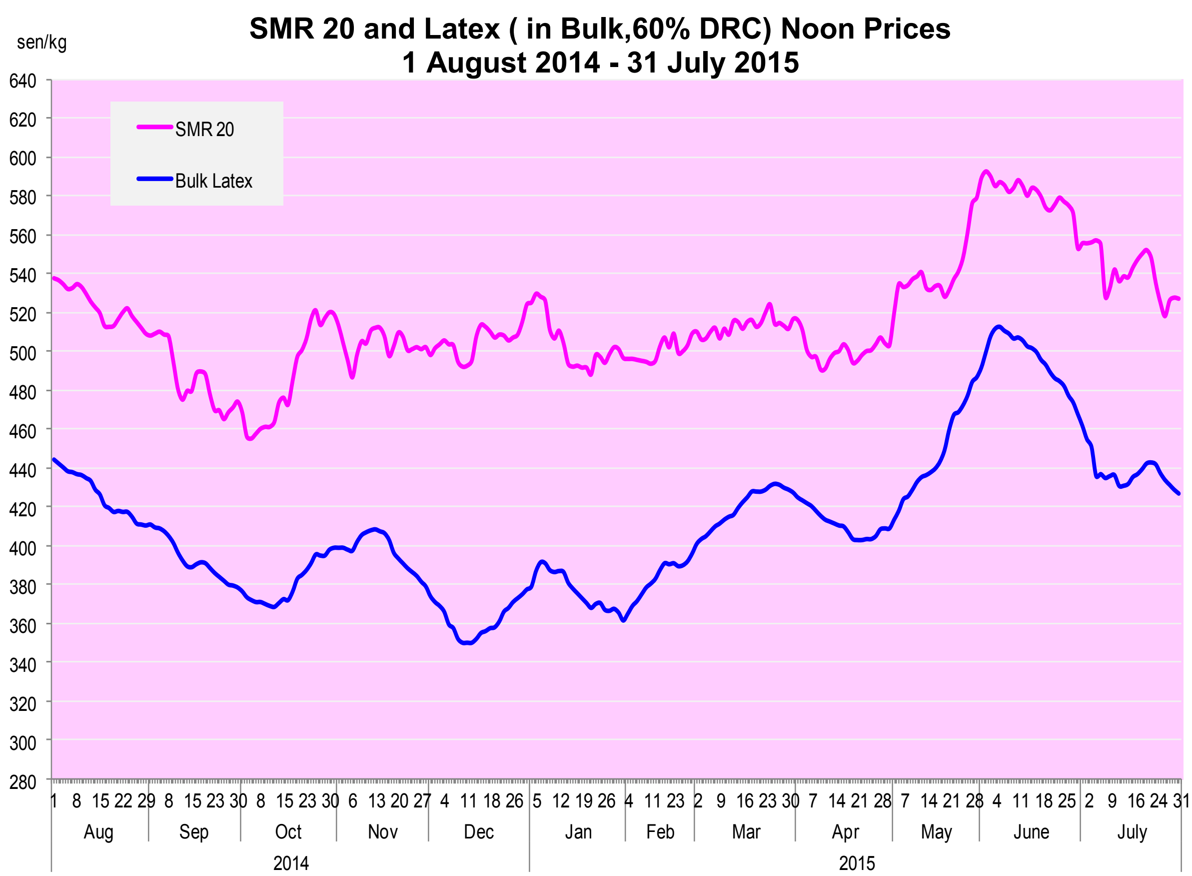
During the third trading week, the market began with an uptrend in prices, followed by a gradual decline at the end of week. The market initially responded positively over a report on strong demand from China and supply constraints, apart from a weak ringgit. In contrast, the negative

Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, July 2015

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	745.50	7,455.00	557.00	5,570.00	462.00	4,620.00
Lowest	716.00	7,160.00	518.00	5,180.00	427.00	4,270.00
Average	730.41	7,304.10	540.57	5,405.70	438.23	4,382.30
Change from the last day of the previous month	-22.00	-220.00	-26.00	-260.00	-41.00	-410.00

Note: * Official price of latex concentrate in bulk, 60% DRC
Source: Malaysian Rubber Board


MRB Daily Noon Prices, July 2015
sen/kg
SMR 20
Latex in Bulk
610
595
580
565
550
535
520
505
490
475
460
445
430
415
400
385
1 2 3 6 7 8 9 10 13 14 15 16 20 21 22 23 24 27 28 29 30 31


SMR 20 and Latex (in Bulk,60% DRC) Noon Prices
1 August 2014 - 31 July 2015
sen/kg
SMR 20
Bulk Latex
640
620
600
580
560
540
520
500
480
460
440
420
400
380
360
340
320
300
280
1 8 15 22 29 8 15 23 30 8 15 23 30 6 13 20 27 4 11 18 26 5 12 19 26 4 11 23 2 9 16 23 30 7 14 21 28 7 14 21 28 4 11 18 25 2 9 16 24 31
Aug Sep Oct Nov Dec Jan Feb Mar Apr May June July
2014
2015

sentiment was resulted from the downtrend in other regional markets and weak in crude oil prices. By the end of week, rubber market saw a sharp decline caused by an overnight drop in crude oil prices and similar decline in other commodities' prices, following persistent concern over ample supply of all of them.

The market then turned mixed during the fourth trading week. At the beginning, the market extended its decline from the previous week's closing, following negative reactions to a report that China's factory sector contracted the most in 15 months in July 2015 as shrinking orders depressed output, which had sparked concerns on the demand for the rubber from the republic. Nevertheless, the statement by the Chinese Government that it prepared to buy shares to stabilize the stock market had at least eased the worries for a while. During the end of the week, the market bounced back after a dramatic plunge, supported by an increase in crude oil prices.

Outlook

The rubber market is expected to hover within the current level on lack of buying interests. Market sentiment is expected to be influenced by the potential Greece exit from Eurozone; a new ruling on China compound; movement of crude oil prices and foreign exchange rates. Meanwhile, the movement of exchange rate of the ringgit against the US dollar will be one of the main factors that will determine the further direction of the rubber market.

News Briefs

IRSG forecasts oversupply of rubber by 2020

International Rubber Study Group (IRSG) has forecast a global supply of rubber by 2020. According to Dr. Stephen Evans, Secretary-General of IRSG, by the year of 2020, there will be a surplus of one million tonnes of natural rubber and three million tonnes of synthetic rubber.

Global consumption of natural and synthetic rubber, pegged at 12.3 and 16.8 million tonnes respectively in 2015, will increase by 3.1% and 0.9% from 2014 and is projected to reach 15 and 19.4 million tonnes by 2020, Evans said. He cited lack of economic growth and slow recovery from the financial crisis as the reasons for the under-consumption. If crude oil prices stayed down, it would add some stimulus, increasing total global rubber consumption by 0.5 million tonnes by 2020, he added.

- Rubber Asia, Vol. 30(4), July-Aug 2015

8.4% rise in natural rubber consumption likely

Association of Natural Rubber Producing Countries (ANRPC) expects natural rubber consumption within ANRPC member-countries to go up by 8.4% to 8.06 million tonnes in 2015 from 7.66 million tonnes in 2014. The natural rubber consumption increased by 2.6% year-on-year to 3.15 million tonnes during the January-May 2015 period from 3.07 million tonnes during the corresponding period last year. China's consumption from January to May increased by 2.7% against the level last year in spite of lower manufacturing output and lower exports caused by anti-dumping tyre tariffs by the US.

- Rubber Asia, Vol. 30(4), July-Aug 2015

ANRPC expects marginal rise in natural rubber output in 2015

The Association of Natural Rubber Producing Countries (ANRPC) expects marginal increase in natural rubber production by member-countries to 11.34 million tonnes in 2015, against 10.97 million tonnes in 2014. The production however showed a declining trend since the beginning of this year.

Production of natural rubber by ANRPC member-countries decreased by 2.3% year-on-year to 4.116 million tonnes until May this year. Thailand is working on ways to reduce supply to boost prices, including uprooting 1 million *rai* (160,000 hectares) of natural rubber plantation. As a result, natural rubber production in the country is predicted to reduce by 5.0% from last year's level. China has reduced its annual estimate of the year from 890,000 tonnes to 860,000 tonnes, while Philippines has updated the country's annual production to 114,400 tonnes.

- Rubber Asia, Vol. 30(4), July-Aug 2015

NR exports to rise 1.9%: ANRPC

Exports from ANRPC member-countries in 2015 are expected to rise by 1.9% to 9.15 million tonnes in 2015 from 8.98 million tonnes in 2014. Philippines increased its export projection for the year from 78,300 tonnes to 92,000 tonnes, while Indonesia has revised its export volume in 2014 as 2.6899 million tonnes and updated its country's provisional annual export as 2.7044 million tonnes.

- Rubber Asia, Vol. 30(4), July-Aug 2015

China's rubber machinery import surge

Demand for tyre and rubber industry machinery in China is forecast to surge in the coming few years. According to the 'Global and China Rubber Machinery Industry Report, 2014-2017', the market value will reach US$4.07 billion by 2017. This represents a 77% increase on the 2013 figure of US$2.3 billion. The report lists the top five rubber machinery companies in China, in terms of revenue generated in the rubber machinery segment, as Mesnac, Dalian Rubber & Plastics Machinery, Yiyang Rubber & Plastics Machinery Group, Tianjin Saixiang Technology and Guilin Rubber Machinery.

- Rubber Asia, Vol. 30(4), July-Aug 2015

Malaysia aims at 65% share in gloves market

Malaysian Rubber Glove Manufacturers Association (MARGMA) expects Malaysian glove companies to achieve global market share of 65% in all glove sectors by 2020, MARGMA President Lim Kwee Shyan said that Malaysian glove companies are currently contributing to about 58% of the global market.

Malaysia recorded a 6.4% growth in natural rubber gloves export volume and 0.3% growth in synthetic rubber gloves export by volume for the first nine months in 2014, as compared with figures from 2013. According to Lim, the drivers for the growth of demand for rubber gloves come from requirements of nursing homes in advanced economies. Meanwhile, there was a shift in demand ratio of natural rubber and synthetic rubber gloves from 49:51 in 2013, to 53:47 in 2014, Lim noted.

- Rubber Asia, Vol. 30(4), July-Aug 2015

ANRPC to strive for price stabilization

A ministerial level meeting of the member-nations of the Association of Natural Rubber Producing Countries (ANRPC) held in Kuala Lumpur has decided to renew their efforts to stabilize natural rubber prices at the level which is remunerative and sustainable to smallholders and also fair to consumers.

The government officials attending the meeting directed the ANRPC to establish an expert group to consider the best ways to stabilize prices. The ministers agreed to explore the possibility of establishing a common trading platform for natural rubber, linking the existing systems in the ANRPC member-countries. They also agreed to finalize price stabilization plans at the next ANRPC ministerial meetings in October. "This will contribute towards addressing volatile short-term prices and stabilizing long-term natural rubber prices," the ANRPC said. Ministers from Cambodia, Malaysia, Sri Lanka, Thailand, Vietnam, as well as senior officials from India, Indonesia, Papua New Guinea and Philippines, attended the meeting.

- Rubber Asia, Vol. 30(4), July-Aug 2015

Thailand reclaiming encroached natural rubber plantations

The Thai Government has targeted to seize back 600,000 *rai* of rubber plantations encroached on state-owned land this year. The government will chop down 60% of the rubber trees in illegal plantations wrestled back from encroachers and leave the rest intact to be harvested by poor rubber tappers who used to work for the rich encroachers, says a government spokesman. During the first five months of year, the government has reclaimed 23,000 *rai* of rubber plantations from encroachers.

- Rubber Asia, Vol. 30(4), July-Aug 2015

Michelin forms JV to promote eco-friendly natural rubber

Michelin has formed a joint-venture in Indonesia to cultivate and process natural rubber using natural, eco-friendly sustainable farming procedures. Michelin's joint-venture partner is Barito, Pacific Group, a Jakarta-based firm involved in the forestry, petrochemicals, property and plantation industry sectors. Michelin will contribute a capital investment of US$55 million to the venture, whose mission involves the reforestation of three concessions, representing more than 217,000 acres of land, ravaged by uncontrolled deforestation. On half of these areas, the venture will plant rubber trees that are expected to yield about 80,000 metric tonnes of rubber a year.

- Rubber Asia, Vol. 30(4), July-Aug 2015

Indonesia to promote domestic use of natural rubber

The Indonesian Government plans to boost domestic absorption of natural rubber to 40% in the next five years from 18% now. The government would design a long-term road map to develop the downstream rubber industry and prepare necessary incentives to meet that goal.

Domestic industrial use of rubber is dominated by the tyre industry, followed by manufacturers of rubber gloves and yarn, footwear makers and other industries. The government plans to promote the production of non-conventional tyre products, such as dock fenders, rubber bridges, rubberized asphalt and retread tyres. Recently the government asked French tyre maker, Michelin to run a retread tyre business in Indonesia.

- Rubber Asia, Vol. 30(4), July-Aug 2015

Use of rubber in road works to be enhanced

Major rubber producing countries in Southeast Asia have decided to use rubber in road construction in a big way to enhance domestic consumption and shore up the rubber market. Malaysia has decided to utilize 10% of the annual rubber output every year to rubberise roads.

Thailand and Indonesia have also agreed to use rubber in road works to correspondingly reduce the quantum of rubber on offer to the world market. Thailand will use 3.5 tonnes of natural rubber for every kilometre of road work.

- Rubber Asia, Vol. 30(4), July-Aug 2015

IMF predicts moderate growth in world GDP

Global economic growth is forecast to rise moderately in 2015-16 from 3.3% in 2014 to 3.5% in 2015 and 3.7% in 2016, according to the latest update from International Monetary Fund (IMF).

In advanced economies, growth is projected to rise to 2.4% in both 2015 and 2016. For 2015, the US economic growth has been revised up to 3.6%, largely due to more robust private domestic demand. Weaker investment prospects weigh on the Euro area growth outlook, which has been revised down to 1.2%, despite the support from lower oil prices, further monetary policy easing, a more neutral fiscal policy stance, and the recent euro depreciation. In emerging markets and developing economies, growth is projected to remain broadly stable at 4.3% in 2015 and to increase to 4.7% in 2016, IMF said.

- Rubber Asia, Vol. 30(4), July-Aug 2015

IMF forecasts steady fall in China's GDP

The International Monetary Fund (IMF) has predicted steady fall in China's GDP. The country's growth is expected to slow down to 6.8% in 2015 as a whole, from 7.2% in 2014, and further to 6.3% in 2016, according to the latest outlook from IMF. China's GDP expanded by seven per cent on an annual basis in Q1 2015, compared with 7.3% in Q1 2014. This marks the lowest annual growth for any quarter since 2009.

- Rubber Asia, Vol. 30(4), July-Aug 2015

Euro Zone Q1 growth fastest in two years

The economy of the Euro Zone grew by 0.4% in the first three months of the year, which is fastest quarterly growth rate for nearly two years. According to European Commission data, Germany's economy grew by just 0.3% in the first three months of the year, while France reported 0.6% expansion in the quarter. French industrial production grew at its fastest pace for four years in the first quarter. However, Greece's economy shrank by 0.2% in the first quarter, even as Spain reported 0.9% first quarter growth.

- Rubber Asia, Vol. 30(4), July-Aug 2015

US economy shrinks 0.7% in Q1 2015

US GDP shrank by an annualised rate of 0.7% in the first quarter of 2015 (January-March). The Commerce Department attributed the weak quarter to falling oil prices, a strong dollar and a harsh winter. The quarterly economic decline is the first since the economy shrank by an even sharper 2.1% annual rate in the first quarter of 2014. Business investment fell at a 2.8% pace and exports declined by 7.6% during the quarter, hurt by the strength of the dollar. Consumer spending, which accounts for more than two-thirds of economic output, grew by 1.8% on an annual basis.

- Rubber Asia, Vol. 30(4), July-Aug 2015

China's rubber industry operates smoothly and improves steadily

In 2014, China's sales revenue for rubber products reached RMB987 billion. In 2014, China imported 2,610 kt of natural rubber, up 5.6% year-on-year; the import value was US$4.95 billion, down 22.5% year-on-year. By 2015, the operation of China's rubber industry is expected to stabilize, and the main economic indicators will remain low. Output of major products will increase but will grow more slowly than in 2014. The export volume of major products will keep growing, but growth of both volume and overall value will slow down. The consumption of rubber will generally be stable, and the volumes of natural rubber and synthetic rubber will be close.

- China Chemical Reporter, 6 July

Vietnam Southern Province cuts down 700 hectares of rubber trees since end-2014

Vietnamese farmers in the southern province of Binh Phuoc have chopped down over 707 hectares of rubber trees since the end of 2014 to switch to cultivation of pepper, cashew nut, and other plants, way exceeding its target of cutting down only 340 hectares for crop changes this year, according to the provincial Promotion Center of Agriculture and Fishery.

The main reason is falling rubber prices, which put pressure on farmers who face rising input costs of fertilizers, plant protection drugs, and labor. About 2,600 hectares of rubber-growing areas in the province are also not suitable with rubber plantation and had to be switched into other more efficient crops.

-Vietnam News Brief Service, 18 July

Vietnam urged to join the International Rubber Consortium

The Bangkok Post reported that Thailand is set to lobby Vietnam to join the International Rubber Consortium Ltd. (IRCo), a move that would help to stabilize rubber prices. The country is also seeking to expand bilateral trade to US$20 billion over the next five years. Commerce Minister, Chatchai Sarikulya said that the Thai government would try its best at the second meeting of the Joint Trade Committee to look for ways to facilitate and promote trade and investment between the two nations. The two governments will also discuss more cooperation on products such as rice and rubber to stabilize prices, information exchange and logistics services.

- Vietnam News Summary, 20 July

Indonesian Government to tighten tyre import regulation to boost industry

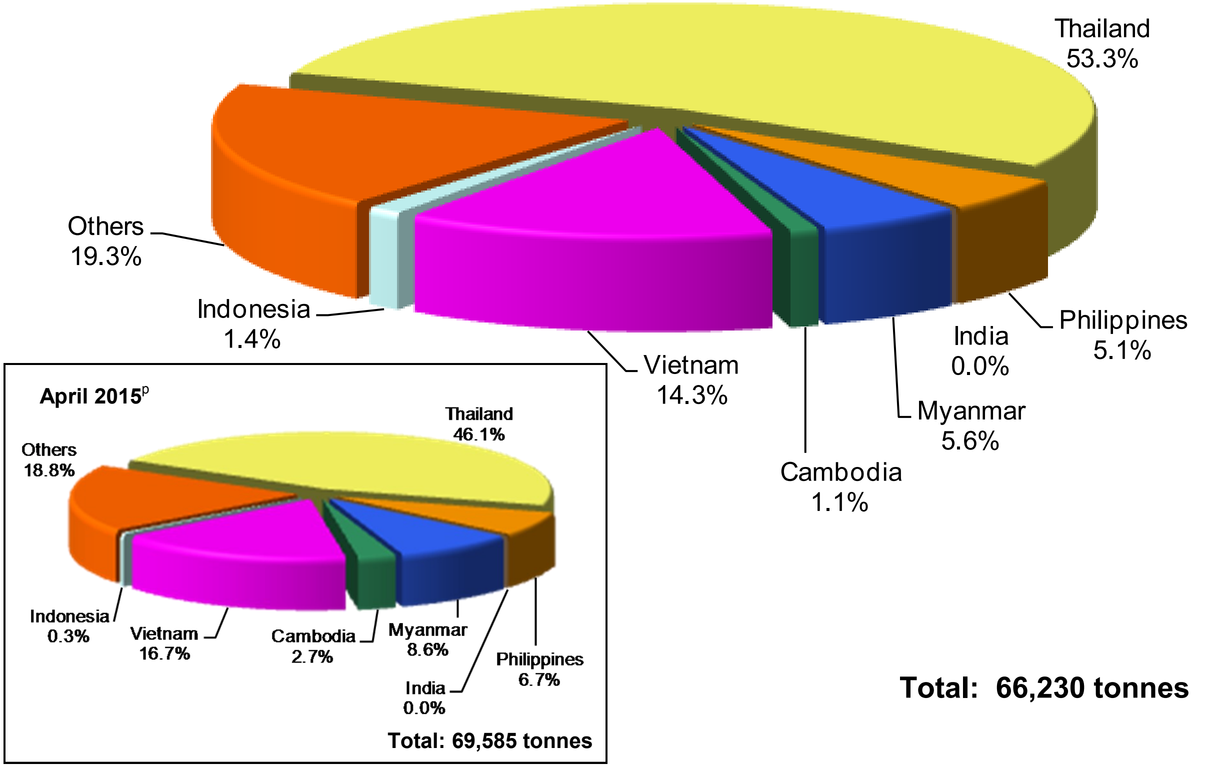
The Trade Ministry has introduced a stricter regulation on tyre imports in its bid to boost the domestic tyre industry as part of the downstream rubber sector. The new regulation, which will come into effect on 7 October 2015, will require an importer to register as a Registered Importer (IT) and Producer Importer (IP), as well as to provide documents such as an import permit letter (SPI) and a recommendation from the Industry Ministry.

"The reason is because the number of imported tyres has been really high in recent years and analysts have said that it will distort the domestic market in several years. It will be hard to compete with the imported tyres. We need to keep the local industry growing," the Director of imports from the Trade Ministry's Directorate General of Foreign Trade, Thamrin Latuconsina, said recently.

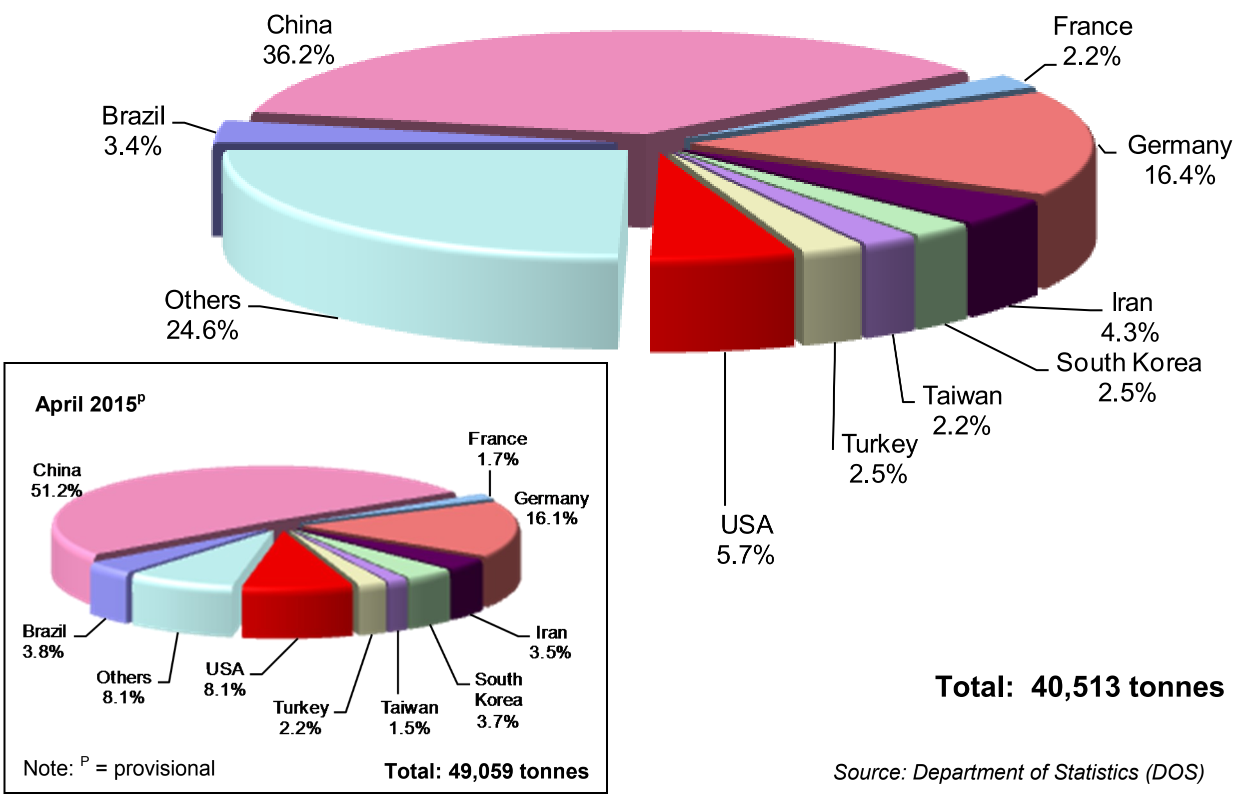
- The Jakarta Post, 22 July

Sources: Rubber Asia, www.factiva.com

Malaysia's NR imports by countries May 2015^p

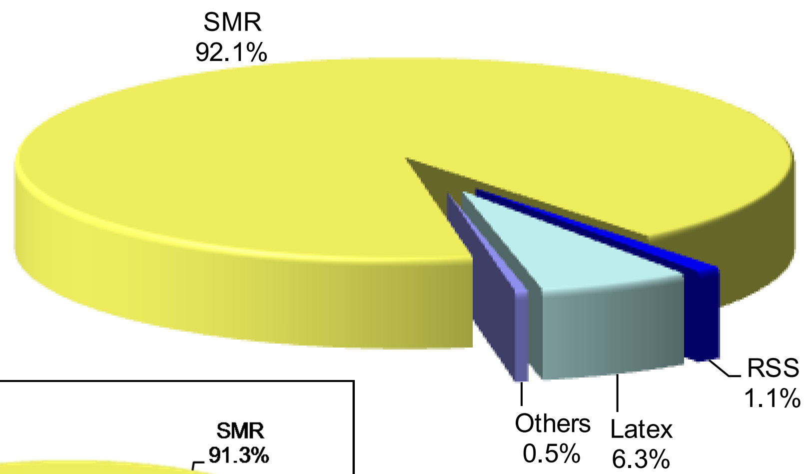


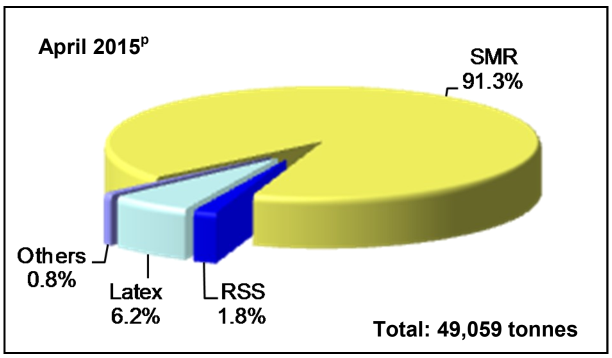
Malaysia's NR exports by countries May 2015^p



Source: Department of Statistics (DOS)

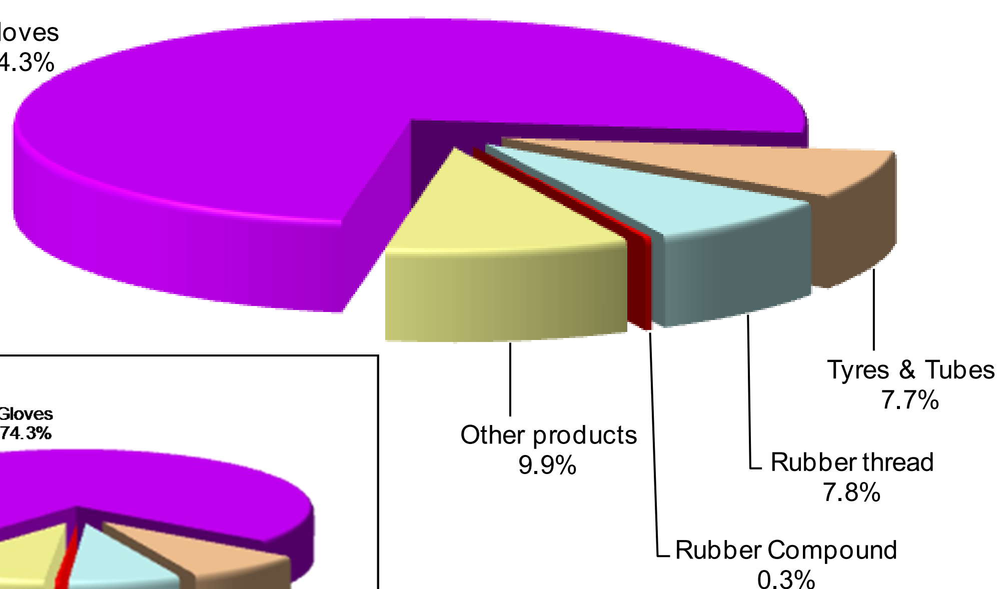
Malaysia's NR exports by types May 2015^{p}

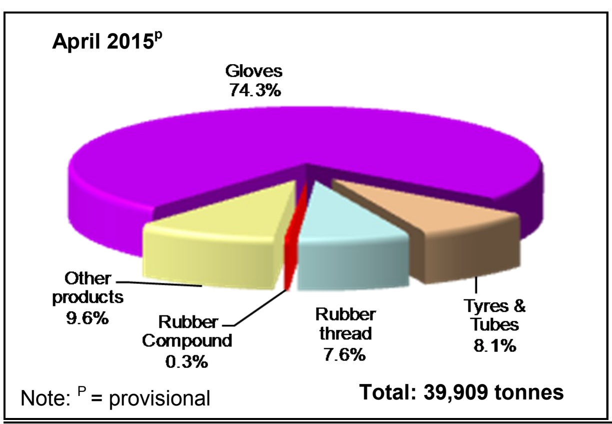




Total: 40,513 tonnes

Malaysia's NR consumption by sectors May 2015^{p}





Total: 38,766 tonnes

Source: Department of Statistics (DOS)

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