



MALAYSIAN RUBBER BOARD

DIGEST

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2020
AUG

Natural Rubber Market Review

August

In August, the Kuala Lumpur rubber market trended upwards despite taking a breather in mid-month. Prices thereafter turned higher across the board as SMR 20 surged to the highest level since February 2020 at 558.50 sen/kg on 27 August. The positive sentiment was contributed by firmer advices from regional rubber futures markets following optimism on China's economy recovery coupled with shortage of raw material faced by rubber processors in some part of the major rubber producing countries. Compared with those on 30 July 2020, the price of SMR 20 increased by 32.0 sen/kg or 6.1% to close at 556.00 sen/kg. Meanwhile, latex concentrate closed at 471.00 sen/kg, up by 10.5 sen/kg or 2.3%. Price movements of selected grades of rubber in August are shown in Table 1.

The uptrend throughout the month was driven by strong advices from regional rubber futures markets following improved demand of natural rubber (NR) from China following the release of encouraging economic data and auto sales. According to the China Association of Automobile

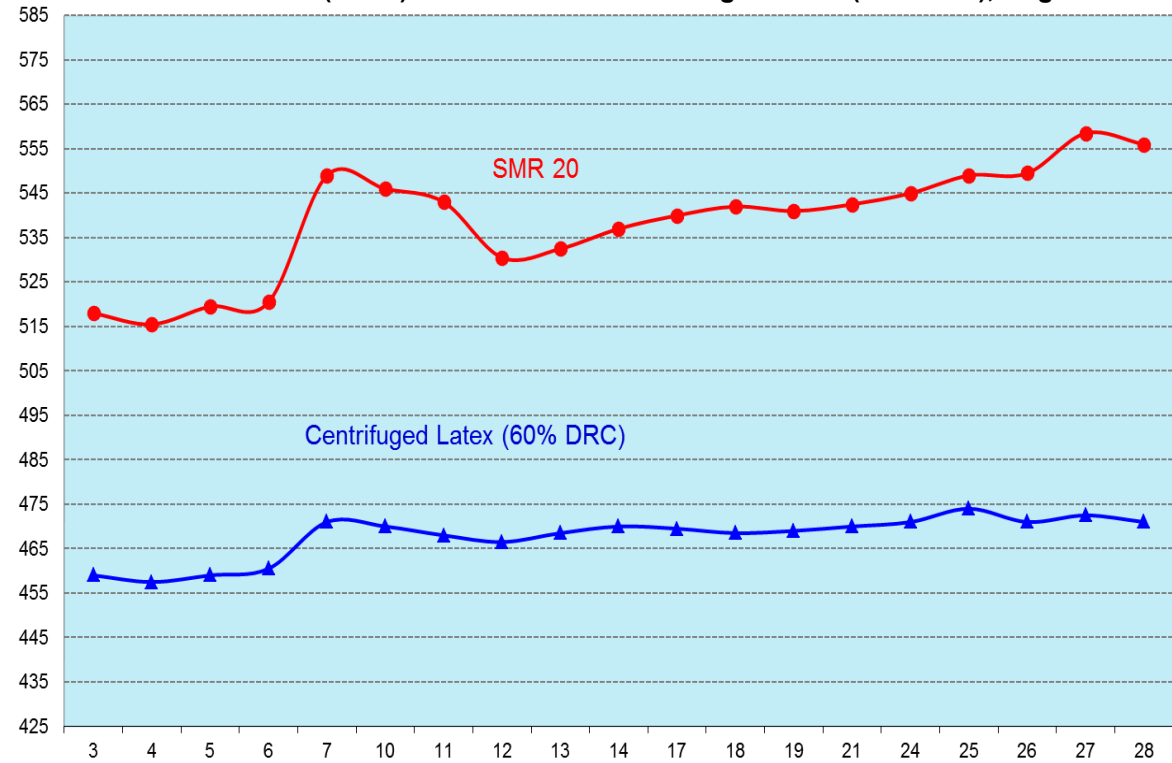
Manufacturers (CAAM), China's auto sales in July climbed 16.4% to 2.11 million vehicles from a year earlier. China's industrial profits in July rose 19.6% year-on-year, at the fastest pace since June 2018, further indicating the firmer momentum of China's recovery in the manufacturing sector from the Covid-19 pandemic slump. Furthermore, China's official manufacturing Purchasing Manager's Index (PMI) for August expanded at 51.0 as the demand was gradually recovering, with new orders moving at a faster pace. The market was further boosted by worries over shortage of raw material resulting from wet weather and labour shortage faced by processors in Thailand from Covid-19 outbreaks coupled with dry season in some of rubber growing area in Indonesia. The market reacted positively to the declining Malaysian natural rubber (NR) production and rubber stocks in June 2020 as reported by the Department of Statistics Malaysia (DOSM) on 10 August. Production of NR in June 2020 decreased by 8.9% year-on-year to 33,531 tonnes. Meanwhile, stocks of NR declined by 12.6% month-on-month to 254,105 tonnes. The bullish sentiment was aided by positive news about the developments of potential Covid-19 vaccine from China, Russia and the United States. It was reported that U.S. and Chinese trade officials reaffirmed their

Table 1: Reference Prices (Noon) of SMR CV, SMR 20 and Centrifuged Latex (60% DRC), August 2020

| | SMR CV | | SMR 20 | | Centrifuged Latex (60% DRC) | |
|---|--------|----------|--------|----------|-----------------------------|----------|
| | sen/kg | RM/tonne | sen/kg | RM/tonne | sen/kg | RM/tonne |
| Highest | 810.00 | 8,100.00 | 558.50 | 5,585.00 | 474.00 | 4,740.00 |
| Lowest | 782.50 | 7,825.00 | 515.50 | 5,155.00 | 457.50 | 4,575.00 |
| Average | 799.55 | 7,995.50 | 538.68 | 5,386.80 | 467.71 | 4,677.00 |
| Change from the last day of the previous month | 17.50 | 175.00 | 32.00 | 320.00 | 10.50 | 105.00 |

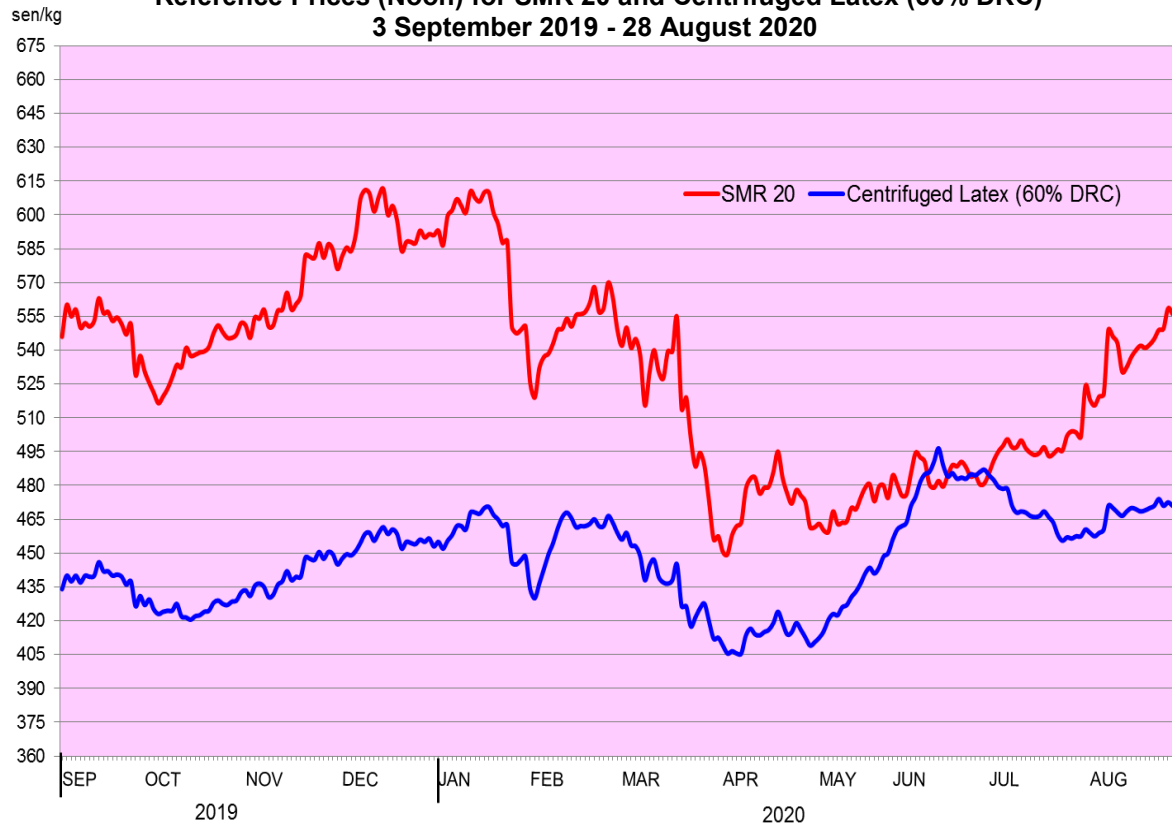
Note: * Reference price of Centrifuged Latex, 60% DRC
Source: Malaysian Rubber Board

Reference Prices (Noon) for SMR 20 and Centrifuged Latex (60% DRC), August 2020



Source : MRB

Reference Prices (Noon) for SMR 20 and Centrifuged Latex (60% DRC)
3 September 2019 - 28 August 2020



Source : MRB

commitment to the Phase 1 trade deal, providing the much needed relief to market. The market was also supported by firmer oil price following the reduction of crude oil supplies from the compliance of Organization of the Petroleum Exporting Countries (OPEC) and its allies, OPEC+ coupled with the Tropical Storms Marco and Hurricane Laura that hit the U.S. Gulf Coast.

However, the gains during the month were capped by a sharp contraction of economic growth in some ASEAN countries in the second quarter of 2020 due to Covid-19 containment measures. It was reported that the economic growth for Singapore, Malaysia and Thailand contracted by 13.2%, 17.1% and 12.2% respectively in the second quarter of 2020. The increase was also limited as the ringgit strengthened in August to RM4.1700 - 4.2335, as compared with July at RM4.2425-4.2870.

Outlook

Prices are expected to remain steady in the near term amid worries on tight supply of natural rubber (NR) in major rubber producing countries coupled with the expectation on improving demand from China. The Association of Natural Rubber Producing Countries (ANRPC) in its latest Natural Rubber Trends & Statistics released on 7 August 2020 anticipated that the world production of NR to fall 2.4% during July to October 2020. Meanwhile, the world consumption was anticipated to increase 2.6% year-on-year from August to October 2020 driven by government stimulus and improving economic activities in China, the U.S., and other major consuming countries. Prices are also expected to take cues from the performance of ringgit, crude oil prices and regional rubber futures markets. Nevertheless, uncertainties arising from the Covid-19 pandemic are likely to weigh on prices. Market operators are expected to monitor the developments of Covid-19 vaccine as well as the progress on U.S - China trade relation for further cues.

News Briefs

Euro zone factory activity bounced back to growth in July: PMI

IHS Markit's final manufacturing purchasing managers' index (PMI) reported that the PMI of the Euro zone bounced to 51.8 in July from June's 47.4 - its first time above the 50 mark that separates growth from contraction since January 2019. The Institute for Supply Management (ISM) reported that the index of United States factory activity was 54.2 in July 2020 from 52.6 in June 2020, marking the strongest since March 2019.

- reuters.com, 3 Aug

US economy collapsed in Q2 amid pandemic, jobless claims rise

The United States economy collapsed in the midst of the Covid-19 pandemic, suffering its largest decline on record while hopes for a recovery took another hit as job losses increased, according to government data released. The 32.9% GDP contraction, though slightly better than expected, was the worst experienced by the world's largest economy since at least 1947 and underscored the severity of the rapidly unfolding crisis, which has already destroyed tens of millions of jobs.

- thejakartapost.com, 4 Aug

US ISM Manufacturing PMI improves to 54.2 in July vs. 53.6 expected

The economic activity in the US' manufacturing sector expanded at a stronger pace in July than it did in June with the ISM's Manufacturing Purchasing Managers' Index (PMI) improving from 52.6 to 54.2. This reading came in better than the market expectation of 53.6. Further details of the publication revealed that the New Orders Index rose to 61.5 from 56.4, the Production Index edged higher to 62.1 from 57.3 and the Employment Index climbed to 44.3 from 42.1.

- fxstreet.com, 4 Aug

USTMA revises 2020 replacement market forecast up slightly

The U.S. Tyre Manufacturers Association (USTMA) is revising its 2020 tyre shipments projection slightly upward, based on less pessimistic projections for replacement market shipments for the remainder of the year. Replacement passenger and light truck tyre shipments are projected to fall 15.2% and 11.8% short of 2019 shipments, respectively, the USTMA said in its latest report, slight "improvements" versus the forecasts of 17.2% and 16% drops issued in late April.

- *rubbernews.com*, 4 Aug

MRC fund aims to cut foreign worker reliance in downstream rubber sector

The Malaysian Rubber Council (MRC) will set up a special fund worth RM36 million to encourage the downstream industry, especially rubber glove producers, to hire more local workers. "We will provide a wage subsidy of RM300 for one local worker for a period of 12 months in this downstream sector.

"We hope with this fund we would succeed in providing job opportunities to 10,000 Malaysians that would replace 10,000 foreign workers in the rubber downstream sector especially in the rubber glove industry", Plantation Industries and Commodities Minister Datuk Dr Mohd Khairuddin Aman Razali told Bernama.

- *theborneopost.com*, 5 Aug

'Latex corridor' coming up for East Coast rubber production

The Malaysian Rubber Board plans to increase the production of latex by developing a national latex corridor along the east coast of Peninsular Malaysia. Chairman Ahmad Nazlan Idris said the industry needs to shift to new areas in Pahang, Kelantan and Terengganu from areas where the industry was concentrated in the past like Johor, Selangor and Perak. He said the country produces 45,000 tonnes of latex yearly, only 10% of the national maximum capacity of 450,000 tonnes.

- *freemalaysiatoday.com*, 6 Aug

ANRPC releases natural rubber trends & statistics July 2020

Based on the Natural Rubber Trends & Statistics July 2020 released by ANRPC, the world production of NR during 2020 is anticipated at 13.195 million tonnes, down 4.5% from the previous year. Preliminary estimates of individual producing countries showed that the world production of NR fell 6.8%, year-over-year during the first half of 2020 and a 2.4% year-over-year fall is anticipated during July to October 2020.

Meanwhile, world NR consumption is anticipated to increase 2.6% year-on-year from August to October 2020 driven by government stimulus and improving economic activities in China, the U.S., and other major consuming countries.

- *anrpc.org*, 7 Aug

China July exports rise 7.2% year-on-year, imports down 1.4%

China's exports in July surged 7.2% from a year earlier, while imports dropped 1.4%, customs data showed. Analysts in a Reuters poll had forecast exports would fall 0.2% from a year earlier after an unexpected 0.5% expansion in June. Imports were estimated to have climbed 1.0%, versus an increase of 2.7% in June.

China posted a trade surplus of USD62.33 billion last month, compared with the poll's forecast for a USD42.00 billion surplus and USD46.42 billion surplus in June.

- *reuters.com*, 7 Aug

China central bank says it will make policy more flexible and targeted

China's central bank said it would make its prudent monetary policy more flexible and targeted, and keep liquidity appropriately ample to support economic recovery. The People's Bank of China (PBOC) said it would maintain a reasonable rise in money supply and total social financing, and ensure banks had the credit supply to match firms' demand for loans to support economic recovery.

- *reuters.com*, 7 Aug

New policies aimed at boosting auto sales

China is to increase policy support to promote auto sales, according to the country's top economic planner. The National Development and Reform Commission (NDRC) said cities with restrictions will be encouraged to relax them, increase vehicle purchase quotas, and offer subsidies for buyers of new-energy vehicles.

"In the second half of this year, the country will boost consumption in intelligent retail and online education, as well as promote consumption upgrade of automobile and home appliance sectors." Ning Jizhe, the commission's deputy head, told CCTV.

- shine.cn, 7 Aug

Monthly Rubber Statistics Malaysia - June 2020

According to the Monthly Rubber Statistics Malaysia, June 2020 released by DOSM, production of natural rubber (NR) in June 2020 stood at 33,531 tonnes, decreased by 8.9% compared to the same month in the previous year.

Exports of Malaysia's NR amounted 38,587 tonnes in June 2020, an increase of 14.2% against 33,780 tonnes in May 2020. Stocks of NR also declined in June 2020 by 12.6% to 254,105 tonnes as compared to 290,607 tonnes in May 2020. Total domestic consumption for NR was 44,217 tonnes, increased 8.7% as compared to the previous month.

- dosm.gov.my, 10 Aug

PPP loans help retain nearly 30,000 rubber-related jobs

Since April, U.S. federal government has issued at least USD287 million to 1,179 rubber and plastics-related businesses with fewer than 500 employees via the Paycheck Protection Program (PPP), intended to buoy small businesses against the economic ravages of the Covid-19 pandemic. The USD287 million to USD640 million in loans issued the range is broad because the six loan categories were reported as ranges per business rather than specific amounts per business is

based on Rubber & Plastics News' analysis of data about the PPP released 6 July by the Small Business Administration (SBA).

- rubbernews.com, 10 Aug

China July auto sales surge 16.4%, fourth month of gains

China's auto sales in July rose 16.4% from a year earlier, the fourth consecutive month of gains as the world's biggest vehicle market comes off lows hit during the country's Covid-19 lockdown. Sales rose to 2.11 million vehicles, according to data from the China Association of Automobile Manufacturers (CAAM).

- theedgemarkets.com, 11 Aug

Singapore's GDP contracts 13.2% in second quarter

Singapore's gross domestic product (GDP) contracted by 13.2% on a year-on-year basis in the second quarter this year, a drop from the 0.3% contraction in the previous quarter. The fall in the GDP was due to the eight-week circuit breaker (CB) measures implemented from 7 April to slow the spread of Covid-19 in Singapore, as well as weak external demand amid a global economic downturn caused by the Covid-19 pandemic.

- freemalaysiatoday.com, 11 Aug

0.08% of rubber production used to build rubberised roads in 2019

About 0.08% of the country's current total rubber production was used in the construction of roads using rubber-based technology Cuplump Modified Bitumen (CMB) in 2019. Deputy Plantation Industries and Commodities Minister II Datuk Seri Dr Wee Jock Seng said about 400 tonnes to 500 tonnes of rubber were used for road paving using CMB technology with an allocation of RM100 million.

- theedgemarkets.com, 11 Aug

US-China trade war does not have major impact on Malaysia's trade

The US-China trade war does not have a major impact on Malaysia's trade performance with both countries, even though it has impacted the global economy. The Ministry of International Trade and Industry (MITI) said Malaysia's trade with the US in January to June 2020 registered an increase of 3.1% to RM80.41 billion compared with the same quarter of the previous year. The country's exports to the US also rose by 2.4% to RM46.15 billion, while its imports edged 4.1% to RM34.26 billion.

- *theedgemarkets.com*, 11 Aug

OPEC trims 2020 oil demand, sees doubts about 2021 on virus fallout

The Organization of the Petroleum Exporting Countries (OPEC) forecasted that world oil demand will tumble by 9.06 million barrels per day (bpd) this year due to Covid-19, more than the 8.95 million bpd decline expected a month ago, potentially making it harder for the group and its allies to support the market.

- *reuters.com*, 12 Aug

Ivory Coast Jan-June 2020 rubber exports up 27% y-o-y

Ivory Coast, Africa's leading grower of NR exported 475,077 tonnes of natural rubber (NR) in the first six months of 2020, about 27% higher year-over-year (y-o-y), provisional port data showed. Exports have risen in recent years as farmers, attracted by the promise of more stable incomes, have increasingly switched to rubber from cocoa.

- *factiva.com*, 12 Aug

Gradual recovery seen for automotive sector

The auto sector is seeing positive signs of recovery in the second half although key challenges remain, said a CGS-CIMB research report. The research house has maintained its "neutral" rating on the auto sector despite total industry volume (TIV) recovery prospects, amidst

stricter lending requirements from financial institutions, a relatively higher motorisation rate and unfavourable foreign exchange environment.

- *thestar.com.my*, 14 Aug

Malaysia economy contracts 17.1% in second quarter

Malaysia posted its worst economic contraction on record in the second quarter as business activity stalled amid lockdowns to contain Covid-19. The economy contracted 17.1% compared with the same period a year earlier, said the Department of Statistics Malaysia. The Southeast Asian nation went on full lockdown in April amid rising cases of Covid-19 before gradually reopening some sectors in May and June. The contraction, which was worse than the 11.2% decline in the fourth quarter of 1998 during the Asian financial crisis.

- *marketscreener.com*, 14 Aug

China's economy continues to recover as industrial production rises in July

China, the world's second-largest economy, continued to recover from the Covid-19-induced economic slowdown as industrial production increased in July. Industrial output rose by 4.8% year-on-year in July, although retail sales remained in negative territory at 1.1 per cent. 'China's rebound continues to be led by state activities in industrial production, infrastructure and property investment while consumers stay cautious,' Bank of Singapore said in a note.

- *thenational.ae*, 17 Aug

China's commodity sales rise for the first time this year

A slew of July economic data showed a steady recovery for the world's second largest economy, which points to an annual expansion despite a global economic recession amid the Covid-19 pandemic. Thanks to the growth of industrial enterprises above designated size and improving consumer demand in July, China's economy has witnessed a steady recovery, according to Fu Linghui, spokesperson of the National Bureau of

Statistics (NBS). Even if China's retail sales in July contracted by 1.1% year-on-year, it is the first time for commodity retail to grow within the year. Commodity sales in July rose 0.2% to 3.22 trillion yuan (USD 460 billion) from the same period last year, which showed that consumption is on course to continue its recovery from the pandemic.

- *factiva.com*, 18 Aug

After 'worst recession' in Malaysia's history, strong economic recovery expected in 2021, Fitch's research unit predicts

Malaysia economic recovery in the second half of this year is expected to be gradual before bouncing back on its feet next year, having experienced its "worst recession" recently, the Fitch Group's research unit said. Fitch Solutions Country Risk and Industry Research was explaining why it had decided to revise its forecast of real GDP or economic growth for Malaysia at -4.5% for 2020, down from the previous figures of -2.8 percent. It also revised its 2021 forecast for Malaysia's real GDP from the previous 5.7% to a more positive 6.3 percent.

- *malaymail.com*, 17 Aug

Establish intervention funds for natural rubber – farmers tell FG

Stakeholders in the rubber production subsector in Nigeria have called on the federal government to set aside intervention funds for the development of rubber plantations, processing and manufacturing. Peter Igbinosun, the newly elected national president of National Rubber Producers, Processors and Marketers Association of Nigeria (NARPPMAN) said the intervention fund should attract a single digit interest rate of 3 and 5% with a moratorium period of four years considering the gestation period of the crop.

- *businessday.ng*, 19 Aug

Cabinet gives nod to trio of price guarantees

The Thai cabinet approved price guarantee programmes for corn, tapioca and rubber with total spending of 14.1 billion *baht*. According to Rachada Dhandirek, deputy government spokeswoman, 9.78 billion and 1.91 billion *baht*, respectively, will be allocated to fund tapioca and corn price guarantees for the 2020-21 harvest season.

The remaining 2.4 billion *baht* is earmarked for the second phase of the rubber price guarantee scheme for the 2019-20 season. The rubber price programme is expected to begin sometime between now and November, with the guaranteed price set at a maximum of 60 *baht* per kg for raw rubber sheet.

- *bangkokpost.com*, 19 Aug

China's status in global manufacturing to remain firm

China's manufacturing sector has weathered the test of Covid-19 and the country's status in the global manufacturing industry will remain firm, said the Ministry of Commerce.

With abundant high-quality labor resources, sophisticated supporting facilities and infrastructures for industrial development, and a huge market with a population of 1.4 billion, China still has a competitive edge in the global manufacturing industry, said Gao Feng, spokesperson for the ministry, at a press conference.

- *xinhuanet.com*, 21 Aug

U.S. business activity surges to early 2019 levels

U.S. business activity snapped back to the highest since early 2019 this month as companies in both the manufacturing and services sectors saw a resurgence in new orders even as new Covid-19 cases remain stubbornly high across the country, a purchasing managers' survey showed.

Data firm IHS Markit said its flash U.S. Composite PMI Index rose to a reading of 54.7 this month -

the highest since February 2019 - from 50.3 in July. Its flash - or preliminary - indicator for the manufacturing sector stood at its highest since January 2019 and for the services sector it was the highest since March 2019.

- reuters.com, 21 Aug

Agricommodity sector trade value rises 2.7% to RM82 billion

The agricommodity sector recorded a trade value of RM82 billion for the period from January to June 2020, up 2.7% over the RM79.8 billion for the same period in 2019, says Minister of Plantation Industries and Commodities Datuk Dr Mohd Khairuddin Aman Razali. He said the export revenue from agricommodity exports stood at RM63.7 billion or 14.2% of the country's total export revenue for the period from January to June 2020.

- theedgemarkets.com, 21 Aug

Chinese premier says economy can grow in 2020 if job target met

China's economy can grow this year if the nation achieves its target of adding 9 million jobs, Premier Li Keqiang said in a visit to the western city of Chongqing. Li called on the nation to step up its efforts and prepare for uncertainties after the economy achieved positive results in recent months, according to a statement posted on the central government website. China also targets that smaller companies and business operators could survive this year from the Covid-19 outbreak and economic downturn.

- theedgemarkets.com, 24 Aug

Malaysia's real GDP will likely recover strongly next year

Malaysia's real gross domestic product (GDP) growth will likely recover strongly next year, analysts project, alongside the possibility of more accommodative monetary policy. Affin Hwang Investment Bank Bhd (Affin Hwang Capital) in its economic update on Malaysia's Stimulus Package, believed the government's effort to implement stimulus measures will continue to support economic growth in the second half of

2020 (2H20). Affin Hwang Capital recalled that Bank Negara Malaysia (BNM) expects the country's real GDP growth to turn around in the range of 5.5% to 8% projected for 2021.

- theborneopost.com, 24 Aug

U.S., China reaffirm commitment to Phase 1 trade deal in phone call

Top U.S. and Chinese trade officials reaffirmed their commitment to a Phase 1 trade deal, which has seen China lagging on its obligations to buy American goods, giving a boost to financial markets. China's Commerce Ministry confirmed that the two sides had a "constructive dialogue" and agreed to continue pushing forward the Phase 1 trade deal's implementation.

- reuters.com, 25 Aug

China's industrial profits grow at fastest pace since mid-2018

Profits at China's industrial firms grew for a third straight month in July and at the fastest pace since June 2018, marking a bright spot in the economy as the manufacturing sector slowly recovers from its Covid-19 slump. Profits at China's industrial firms grew 19.6% on-year to 589.5 billion yuan (USD 85.58 billion), the statistics bureau said, following an 11.5% increase seen in June, the National Bureau of Statistics (NBS) data showed.

- reuters.com, 27 Aug

China's tyre exports flip into recovery mode

China exported 47.3 million "new rubber tyres" in July 2020, up 1.7% from the same month a year ago, official state figures show. This is the first time in 2020 that such figures registered a year-on-year (y-o-y) increase, according to China's General Administration of Customs agency. The gain recorded for July trading is all the more noteworthy, given that the segment had registered a 21.2% drop in the previous month.

- rubbernews.com, 27 Aug

In landmark shift, Fed rewrites approach to inflation, labor market

The Federal Reserve rolled out a sweeping rewrite of its approach to its dual role of achieving maximum employment and stable prices, putting new weight on bolstering the U.S. labor market and less on worries about too-high inflation. It also promises to aim for 2% inflation on average, so that periods of too-low inflation would likely be followed by an effort to lift inflation “moderately above 2% for some time.” The change suggests the U.S. central bank’s key overnight interest rate, already near zero, will stay there for potentially years to come as policymakers woo higher inflation.

- *reuters.com*, 28 Aug

World’s top rubber grower challenges Malaysia’s glove dominance

Thailand, the world’s largest natural rubber supplier, is ramping up domestic production of gloves with the Covid-19 outbreak fueling a global shortage. About 80% of Thailand’s rubber has traditionally been exported for further processing, with tyremakers normally the biggest customers. But with the pandemic driving up demand for gloves, Thailand can easily double its market share to 26% next year, according to Boon Vanasin, a local hospital tycoon setting up a 20-billion gloves facility.

- *bloomberg.com*, 27 Aug

Covid-19 may cost global economy USD35.3 trillion by 2025

The Covid-19 pandemic may result in a cumulative global gross domestic product loss of USD35.3 trillion through 2025 in case a vaccine to inoculate against the disease is not developed by then, according to research from Australian National University. This worst case scenario forecasts waves of the pandemic to keep on emerging until 2025 and countries that enforced movement restrictions to curb its spread, eschewing shutdowns during future outbreaks.

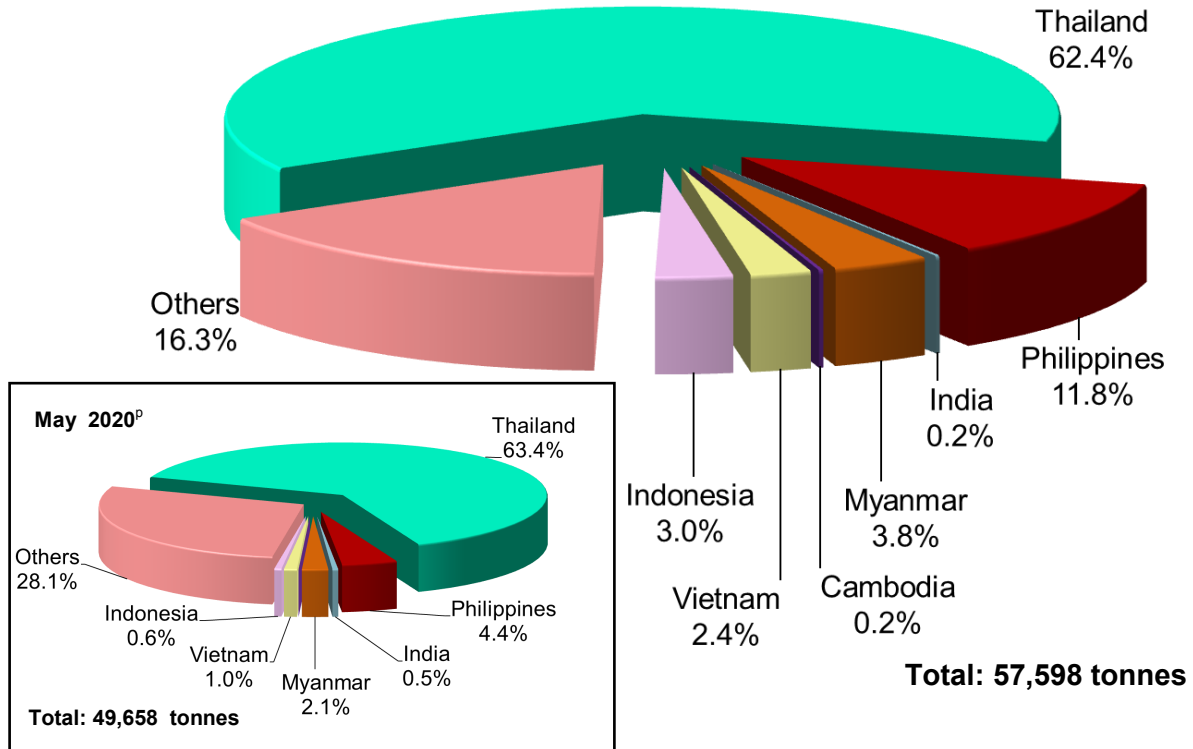
- *thenational.ae*, 28 Aug

China says manufacturing activity expanded in August, slightly missing expectations

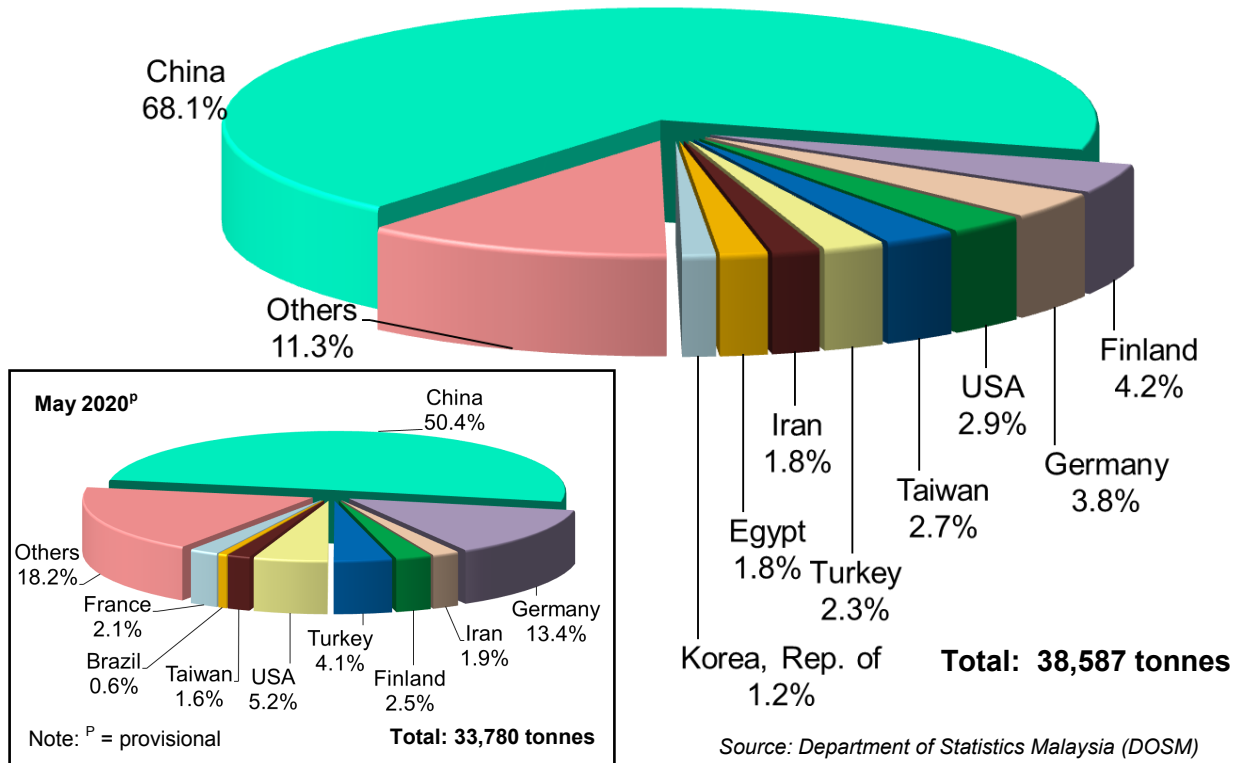
According to the National Bureau of Statistics, China’s official manufacturing Purchasing Manager’s Index (PMI) for the month of August came in at 51.0 as compared to 51.1 in July. The demand was gradually recovering, with new orders for products such as pharmaceuticals and electrical machinery and equipment moving at a faster pace in August than in July. Exports were also improving in general.

- *cnbc.com*, 31 Aug

Malaysia's NR Imports by Countries, June 2020^P

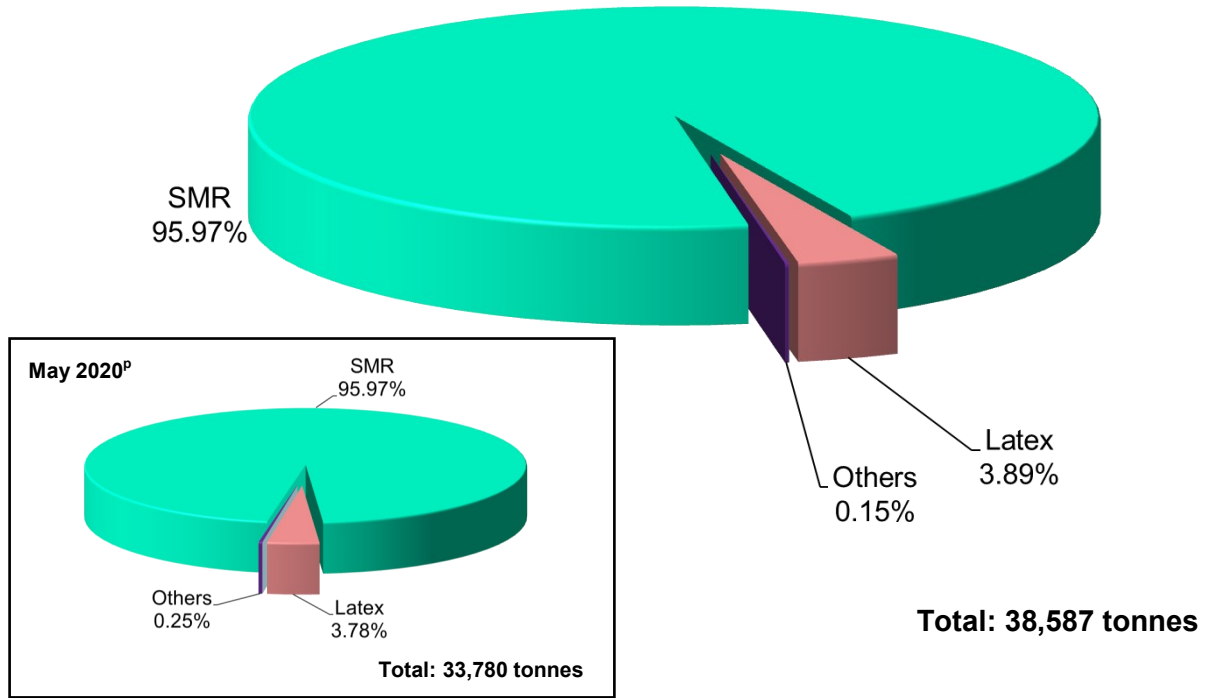


Malaysia's NR Exports by Countries, June 2020^P

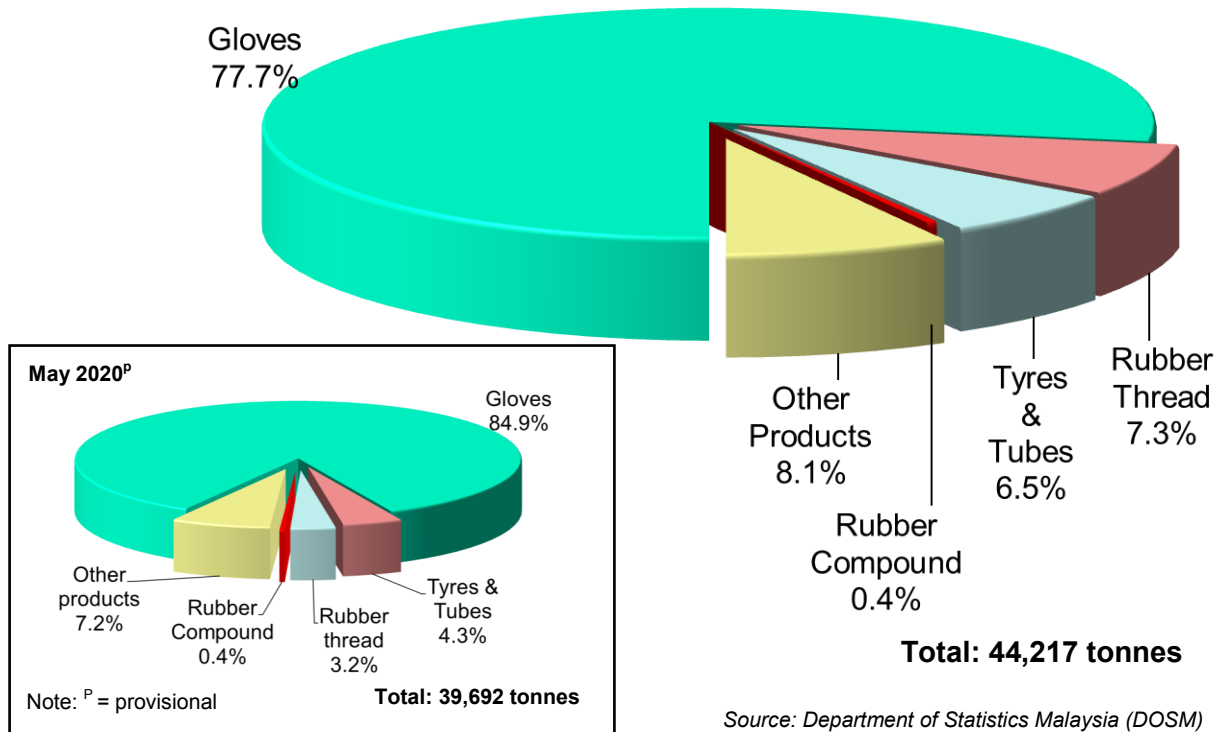


Source: Department of Statistics Malaysia (DOSM)

Malaysia's NR Exports by Types, June 2020^P



Malaysia's NR Consumption by Sectors, June 2020^P



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