



MALAYSIAN RUBBER BOARD

DIGEST

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Natural Rubber market review

September

Prices on the Kuala Lumpur rubber market were mixed with an easier undertone, with prices firming during the first half of the review period due to tight supplies and some buying interest but eased on second half of the period as buyers were sidelined due to weak advices from the regional rubber futures markets. Market conditions during the month were very much influenced by ongoing debt crises in the U.S and Europe, coupled with weaker outlook for the global economy. Compared with levels on 26 August, the price of SMR 20 closed lower, losing 58.5 sen/kg or 4.4 % to close at 1286.0 sen/kg whilst latex concentrate closed at 807.50 sen/kg or 5.9 %, a decline of 51.0 sen/kg. The price movements of selected grades of rubber in September are shown in Table 1.

Tight supplies in the region gave the market some support in the first week of September resulting from unusual heavy rain and flood in north and northeast region of Thailand. Meanwhile, the tapping activities were slowing

down in conjunction with the *Aidilfitri* celebration in southern Thailand, Malaysia and Indonesia. Both Tokyo and Shanghai rubber futures market ended mixed on the concerns of further monetary -tightening policy in China and concerns over the health of the global economy.

During the second week, the price slightly continued to move up due to supply tightness in Thailand caused by continued rain across the country and steady rubber exports from Indonesia and Malaysia. Meanwhile, wintering in South Sumatra in Indonesia, steady orders by China also gave support to the market. On the first day of third trading week, higher advices from Tokyo helped price to close at historical high in which SMR 20 gained 40.0 sen/kg to 1408.00 sen/kg on 19 September compared with that on 2 September.

Despite opening higher in the beginning of third week, prices started to drift down on continued absence of fresh leads and lack of buying interest. During the fourth week, easier conditions prevailed with very little trading activity as traders were concerned over the European sovereign debt crisis, coupled with weaker advices from the

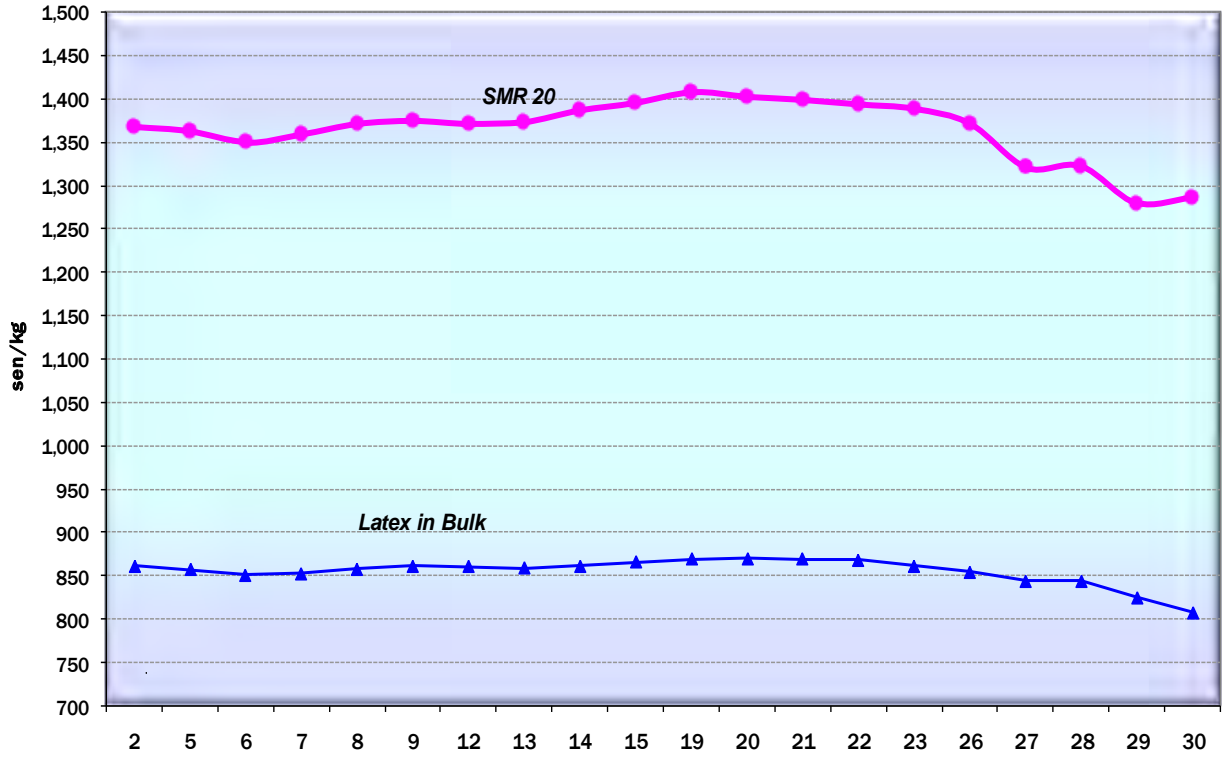
Table 1: Prices of SMR CV, SMR 20 and Latex Concentrate, September 2011

	SMR CV		SMR 20		Latex Concentrate	
	sen/kg	RM/tonne	sen/kg	RM/tonne	sen/kg	RM/tonne
Highest	1,457.00	14,570.00	1,408.00	14,080.00	869.50	8,695.00
Lowest	1,397.50	13,975.00	1,280.00	12,800.00	807.50	8,075.00
Average	1,438.33	14,383.30	1,364.40	13,644.00	854.90	8,549.00
Change from the last day of the previous month	-40.50	-405.00	-58.50	-585.00	-51.00	-510.00

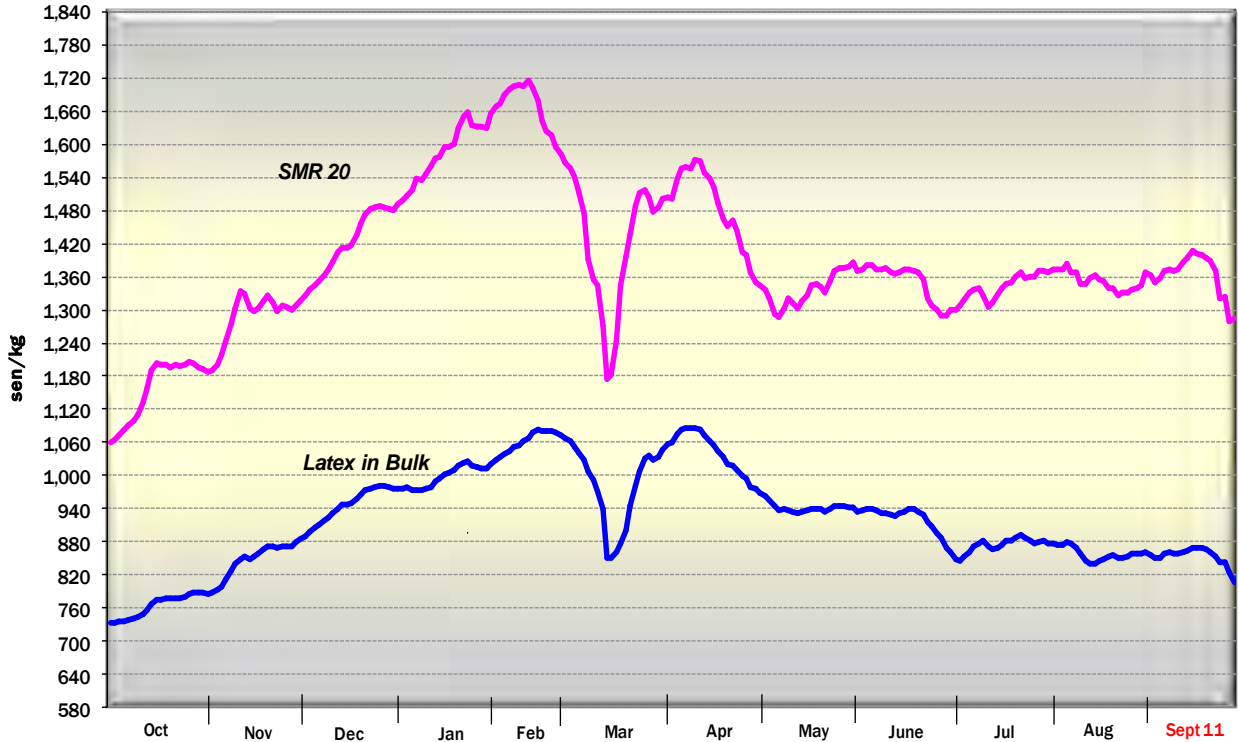
Note: * Official price of latex concentrate in bulk, 60% DRC

Source: Malaysian Rubber Board

MRB Daily Noon Prices, September 2011



SMR 20 and Latex (in Bulk,60% DRC) Noon Prices 1 October 2010 - 30 September 2011



Tokyo rubber futures market. Reports of wet weather in growing areas especially flood in Thailand and wintering in South Sumatra, Indonesia did not appear to have much effect on prices in the local market. The Association of Natural Rubber Producing Countries (ANRPC) reported that the NR consumption in China is estimated to have grown by 4.7% on year to 915,000 tonnes during the third quarter this year. Meanwhile, the International Rubber Consortium (IRCo) had urged Thailand, Indonesia and Malaysia to curb exports if rubber prices fall further in the wake of a global economic slowdown.

Outlook

The recent downward price trend is contributed largely by financial crisis in European countries and global economic slowdown rather than rubber-related factors. In the absence of fresh leads and uncertainties of Tokyo futures market, the Kuala Lumpur rubber market is expected to remain quiet in the near-term. However, there could be some improvement in prices if supplies of raw material continue to be limited by inclement weather in major growing areas.

News Brief

Brighter outlook for car sector

The outlook for the automotive sector in Malaysia looks to be much brighter in the second half of the year, after suffering from automotive parts supply woes due to the earthquake and tsunami in Japan in March and hiccups in vehicle registrations caused by the amended Hire-Purchase Act 1967 (HPA) that took effect on 15 June 2011

A recent CIMB Research report showed that vehicle sales shot up 20% month-on-month in July, reversing three straight months of decline.

"This suggests the start of a recovery in vehicle sales as parts supply and vehicle deliveries return to normal with Japan sorting out its supply snags.

The six percent year-on-year dip in automotive total industry volume (TIV) to 50,252 units in July is not a concern. Sales should pick up in the

subsequent months," said CIMB Research automotive analyst Loke Wei Wern.

Loke also noted that July's strong vehicle sales were supported by a full-month contribution from the new Perodua Myvi, which was launched in mid-June.

The success of the new Myvi returned Perusahaan Otomobil Kedua Sdn. Bhd. (Perodua) to pole position in July, with Perodua selling 16,375 units compared with Proton Holdings Bhd's sales of 12,266 units.

-The Star, 2 Sep

Glovmakers set to raise prices

Rubber glovmakers are set to raise prices of their products, in view of costlier labour, fuel, packaging and a weakening US dollar.

"Fuel and labour costs have gone up considerably. The US dollar, too, has weakened further against the ringgit by around 10% from a year ago. We try our best to absorb some of the costs but the quantum of increases is not within our control," said Malaysian Rubber Glove Manufacturers Association (MARGMA) President, Lim Kwee Shyan.

"This year, rubber glove exports should expand by 12% to RM10 billion. Already, in the first half of the year, we've shipped out RM4.7 billion," he said.

For the last 15 years, Malaysia is the world's top supplier of rubber gloves. Last year, the country exported close to 100 billion pieces of rubber gloves to more than 180 countries.

-New Straits Times, 2 Sep

Global rubber body official sees supply tight until 2018

Supply of natural rubber from major producing countries is likely to be tight in the next six-seven years, keeping global prices firm, Jom Jacob, Senior Economist at the Association of Natural Rubber Producing Countries (ANRPC), told NewsWire18 in an interview.

The governments of 11 natural rubber-producing countries--Cambodia, China, India, Indonesia, Malaysia, Papua New Guinea, the Philippines, Singapore, Sri Lanka, Thailand and Vietnam--are members of the association. In 2010, these countries accounted for about 92% of the global output of the commodity.

Between 2005 and 2010, around two percent of the total tapping area was replanted annually on an average in most growing countries. If the replanting rate remains at this level, annual rubber output may rise to 14.34 million tonnes by 2018 from 9.49 million tonnes in 2010. If the replanting rate increases to five percent, production will increase to just 12.04 million tonnes by 2018.

-Dow Jones Newswires, 7 Sep

China, Malaysia firms tie up in rubber venture

Two Chinese companies have teamed up with a Malaysian firm to venture into rubber production in Indonesia, in what is said to be a RM3.5 billion (S\$1.4 billion) worth of investment over the next five years.

The first phase of the project in Kalimantan will cover 1,000 ha over a year at a cost of RM40 million, while another 40,000 ha will be planted over five years after that.

'The first 1,000 ha is a trial plot, to ensure that we can work out any teething issues,' said Mr Loh Chang Woo, the lawyer for the Chinese side of the deal, representing Mazhongdu International and Hainan Baisha Industrial.

The Malaysian company, Hateg Corporation, was involved in producing synthetic rubber with the Malaysian Rubber Board and Felcra Agro Industry in 2004.

The joint venture partners are also in discussion to expand the plantation to 200,000 ha, which will bring the total investment to about RM8 billion.

-Dow Jones Newswires, 13 Sep

China's August auto sales up 4.15 percent to hit 1.38 million units

China's August automobile sales rose 8.29% month-on-month to 1.38 million units, up 4.15% from a year earlier, the Ministry of Industry and Information Technology said.

Automobile output reached 1.39 million units in August, up 6.66% from July and 8.72% year-on-year, according to a statement posted on the MIIT's website.

The August figure brought automobile sales for the first eight months of 2011 to 11.98 million units. Automakers have been making efforts to reduce their inventories after the government ended incentive programmes and imposed new limits on car purchases at the beginning of this year.

-Xinhua's China Economic Service, 13 Sep

Chinese car makers pushed to build abroad

Brazil's import substitution policy in the vehicle sector will put pressure on Chinese auto exports, but it will also help accelerate their decision to establish local manufacturing in order to gain a stable foothold in the world's fifth-biggest auto market.

In a move to replace imports with domestically-made vehicles, Brazillian Government said that taxes on imported cars and trucks and those that fail to meet localization rates of 65% will be raised by 30 percentage points.

Since last year, a number of Chinese automakers have begun taking advantage of the favorable trade agreements between Brazil and China, which became Brazil's largest trading partner in 2009.

Brazil is being targeted because it is the largest market in the region and offers high-volume sales, combined with a large established auto-making industry and parts suppliers.

-China Daily, 20 Sep

Advanced rubber makers shifting Japan bases to Singapore

Japanese makers of advanced synthetic rubber used in fuel-efficient tyres are increasingly setting up production bases overseas, especially in Singapore, raising concerns about a hollowing out of the domestic high-tech materials industry, which has traditionally held an international edge.

Zeon Corp. and two other major synthetic rubber makers are slated to build new plants in the Southeast Asian city-state, attracted by easier access to raw materials and preferential tax treatment.

The three manufacturers will produce high-function synthetic rubber, called solution styrene-butadiene rubber or S-SBR, which substantially decreases rolling resistance -- friction between tyre and road surface -- and thereby improves cars' fuel efficiency and reduces their emissions of carbon dioxide.

-Dow Jones Business News, 20 Sep

Malaysian vehicle sales surge 5.7% y/y during August

Malaysian vehicle sales were up 5.7% year-on-year to 58,382 units during August, according to data released by the Malaysian Automotive Association (MAA) and reported by Dow Jones International News.

The sales were 16.2% month-on-month, up from 50,252 units in July. Passenger vehicle sales in the month increased by 5.8% year-on-year to 52,559 units, while commercial vehicle (CV) sales surged 4.6% year-on-year to 5,823 units.

However, overall vehicle sales in Malaysia declined marginally by one percent year-on-year to 405,837 units for the year to date. Meanwhile, total vehicle production declined by 11.9% year-on-year to 44,789 units in August. From January to August, total vehicle production dropped by 7.7% year-on-year to 371,641 units from 402,645 units last year.

-Dow Jones Newswires, 20 Sep

IRCo advising member countries to slow natural rubber exports

The International Rubber Consortium has advised its three member countries to slow natural rubber exports, as the current selloff in rubber is not reflective of market fundamentals, IRCo Chief Secretary Yium Tavarolit said.

Yium said that IRCo contacted Thailand, Indonesia and Malaysia earlier and is awaiting their responses. The three countries account for 70% of global natural rubber production.

"We accept that the general economy is slowing down, but the selloff is mainly due to the Fed's message. For us, we know that the demand and supply is unchanged," Bangkok-based Yium said.

Yium added that automobile sales in China and India are holding up and overall demand likely would not drop sharply in the short term, despite the debt crisis.

-Dow Jones Newswires, 26 Sep

Rubber price in 2012 predicted to remain high: Indonesian body

The world natural rubber price, which in 2011, averaged US\$4 per kg, is predicted to remain high within a range of US\$4-US\$4.5 per kg in 2012, a rubber businessman said.

"The price will depend on supply and demand as well as on weather conditions and the economic situation affecting the market," TB Tjandra, of the Indonesian Rubber Association, (GAPKINDO) said.

He said about 70% of global demand for rubber came from the East Asian region so that world demand would not be affected by the economic slow-down in Europe and the United States.

Mr. Tjandra said demand for rubber in Asian countries such as China and India was expected to remain high.

- Asia Pulse, 26 Sep

Natural rubber can still top US\$5 a kg in Q4

Natural rubber prices could still rise to more than US\$5 (RM16) a kg in the fourth quarter (Q4) of this year as growth in emerging economies is expected to offset a slowdown in Europe and the US, the International Rubber Consortium (IRCo) said.

"Even though uncertainties caused by fragile US and European economies linger, a marginal economic slowdown in China and other emerging markets can offset a fall in automobile sales," Darmansyah Basyaruddin, Chief Executive Officer of IRCo, told a seminar.

"IRCo's DCP and NR prices still have room to breach 500 US cents a kg in Q4 2011 because of several factors," said Darmansyah, referring to the group's daily composite price and natural rubber prices.

However, rubber could still rely on automobile demand in Brazil, Russia, India and China, while heavy rains in Thailand and the dry wintering season in Indonesia would lead to tight supply in the fourth quarter, said Darmansyah.

-New Straits Times, 27 Sep

Philippines sets up rubber center

The Philippines government is establishing the Philippine Rubber Research Institute (PRRI) in a 1,000-hectare area in Naga, Zamboanga Sibugay to maximize the potential of the crop.

The site will be donated by the provincial government of Zamboanga Sibugay, according to Gov. Rommel A. Jalosjos.

Located near the Mindanao State University (MSU) campus in Naga, PRRI will help boost rubber's potential in light of industrial manufacturers' preference for nature-friendly materials as a climate change-mitigating effort.

PRRI will institutionalize and sustain researches funded by the Bureau of Agricultural Research (BAR). These total to 10 programmes spread across rubber-growing provinces Zamboanga, Cotabato, and Basilan, according to BAR Director, Dr. Nicomedes P. Eleazar.

'PRRI should become at par with the rubber institutes in Malaysia, Thailand, India, Indonesia, Sri Lanka, Vietnam and China that have been developing new superior rubber varieties,' Eleazar said.

-Manila Bulletin, 29 Sep

China: '9% GDP growth' for 2011

GDP growth is predicted to remain above nine percent this year amid growing fears over a global economic meltdown due to evolving debt crises in both Europe and the United States, a senior government think-tank economist said.

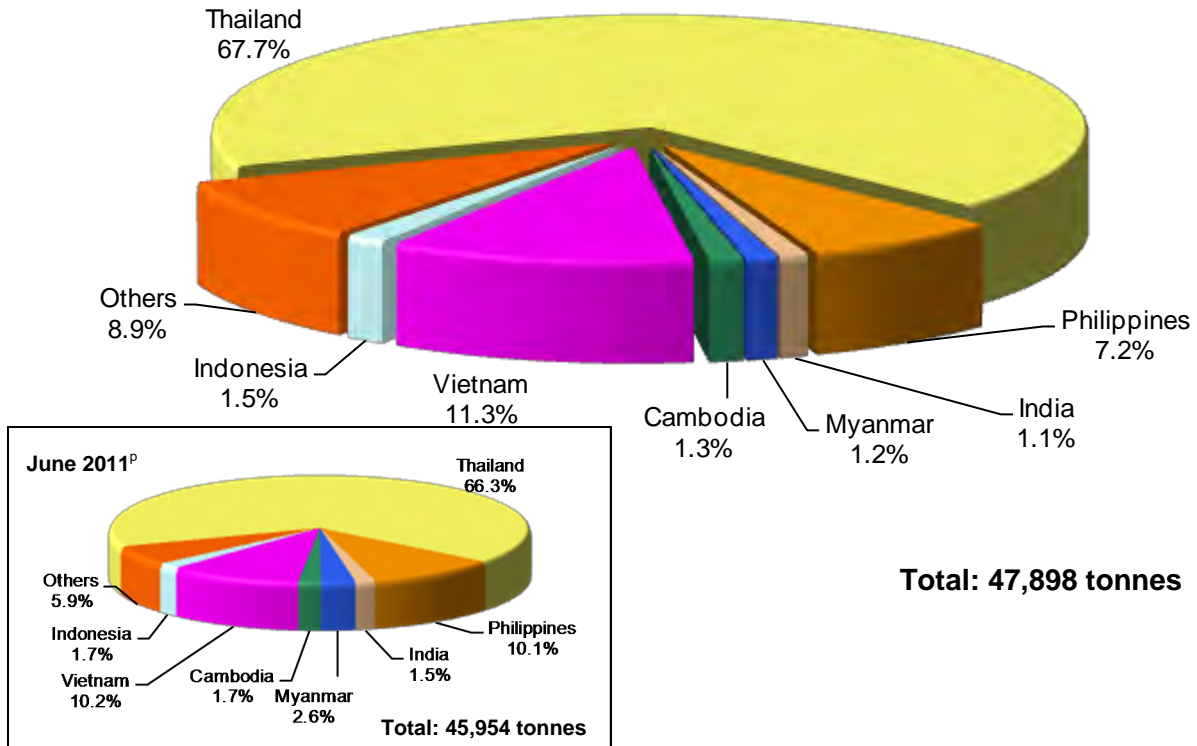
However, the world's second-largest economy may see declining GDP growth in the longer term, due to global conditions, said Lu Zhongyuan, Deputy Head of the Development Research Center of the State Council.

The economy expanded by 10.4% year-on-year in 2010. Its growth rate this year is likely "to be the fastest" among major world economies, although it may cool a little from previous highs, Lu said at a news conference.

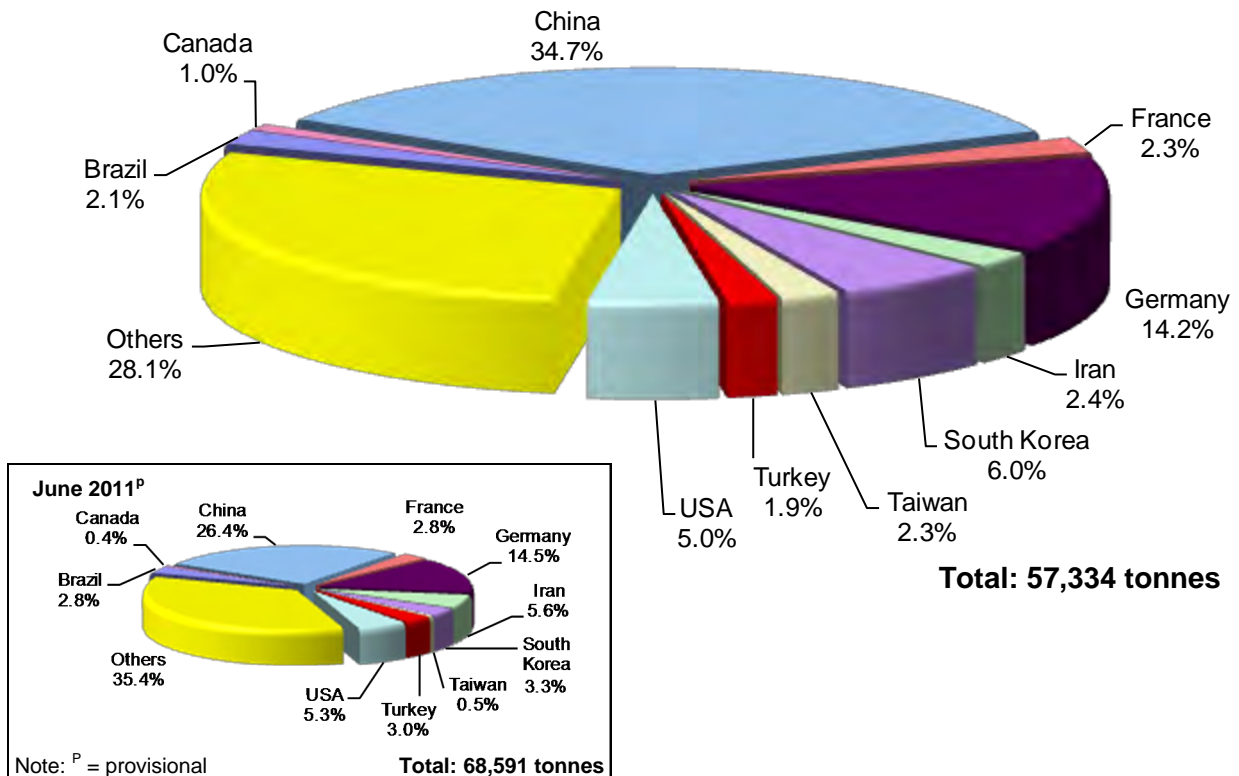
"Economic fundamentals are still very strong in China, thanks to the booming demand of both investment and consumption," Lu said. China's industrial profits increased 28% year-on-year in the first eight months, the National Bureau of Statistics (NBS) said.

-Dow Jones Newswires, 29 Sep

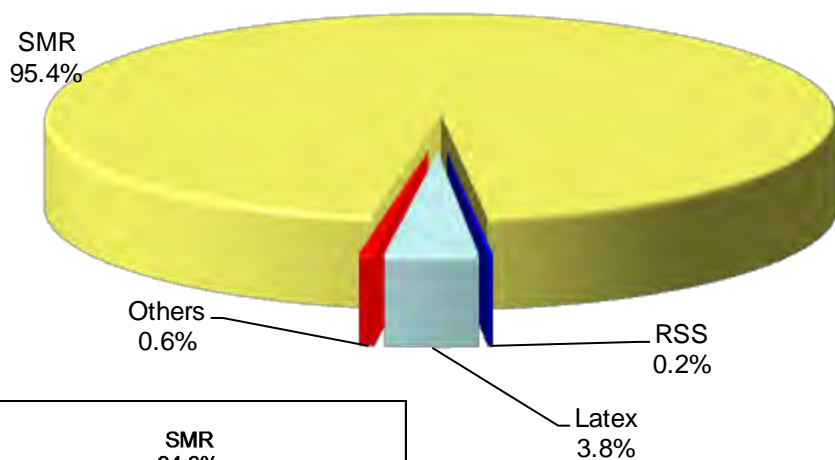
Malaysia's NR imports by countries July 2011^P



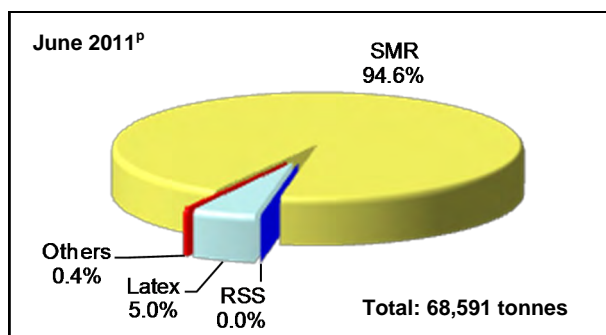
Malaysia's NR exports by countries July 2011^P



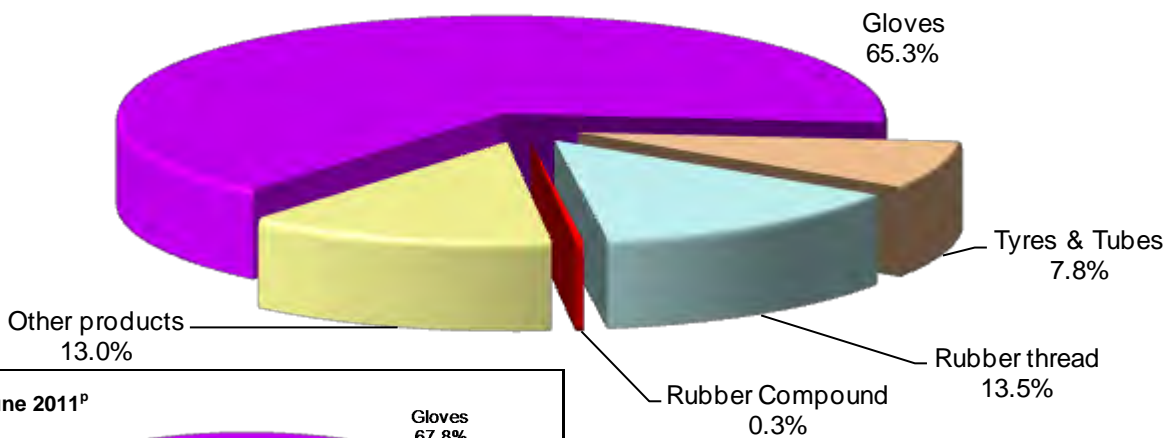
Malaysia's NR exports by types July 2011^P



Total: 57,334 tonnes



Malaysia's NR consumption by sectors July 2011^P



Total: 34,995 tonnes

