

# China Sourcing Update

April 25, 2017

## Raw Material Prices: Hard Goods

### 1. Price index of ABS resin continues to soar in March

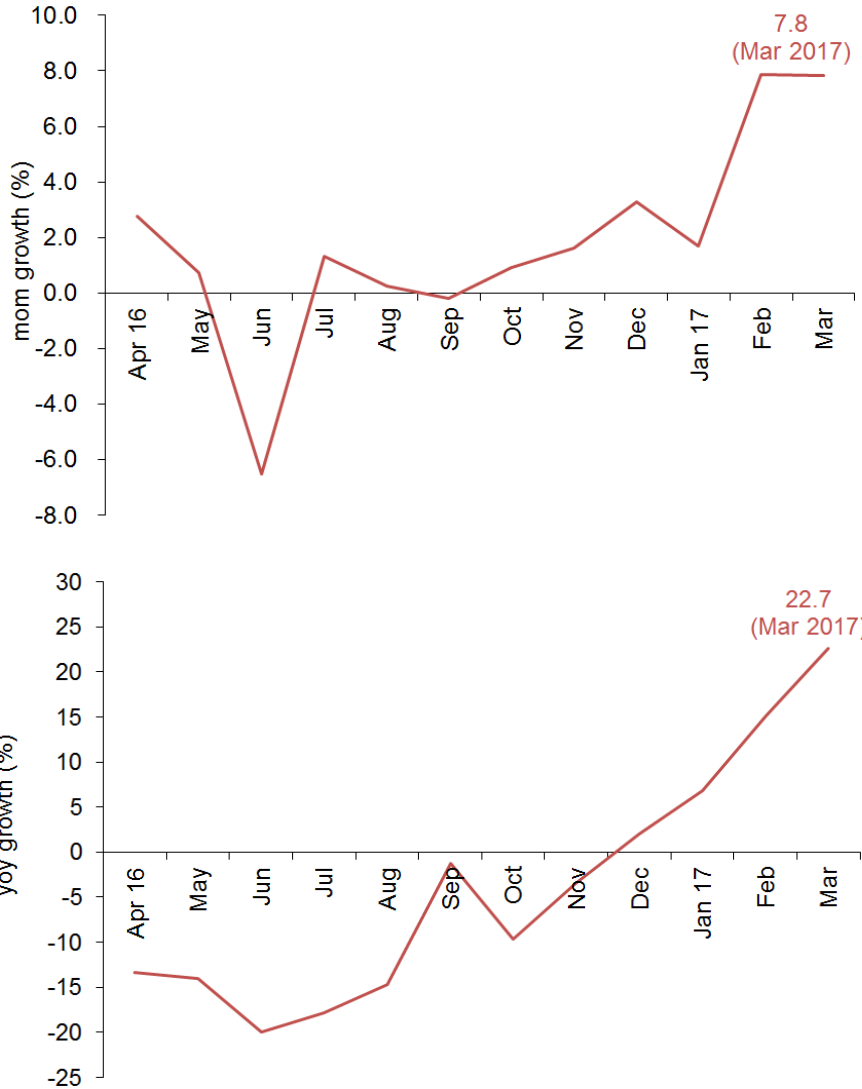
The price index of ABS resin<sup>1</sup> jumped by 7.8% mom in March, posting month-on-month gain for six consecutive months (see exhibit 1).

Prices of ABS resin rose in the month due to a strong downstream demand for ABS resin from manufacturers of home appliances, despite a fall in prices of butadiene and styrene, the major raw materials of ABS resin.

According to media reports, prices of butadiene plunged further in early April. Thus, we expect the prices of ABS resin to fall in the foreseeable future.

<sup>1</sup> The index is compiled by the China Logistics Information Center (CLIC). The CLIC is a sub-division of the China Federation of Logistics & Purchasing (CFLP), which is the first logistics and purchasing industry association approved by the State Council. One of the CFLP's missions is to push forward the circulation of factors of production in China.

**Exhibit 1: Price index of ABS resin, April 2016 to March 2017**



Source: China Logistics Information Center

**2. Price index of PP drops in March**

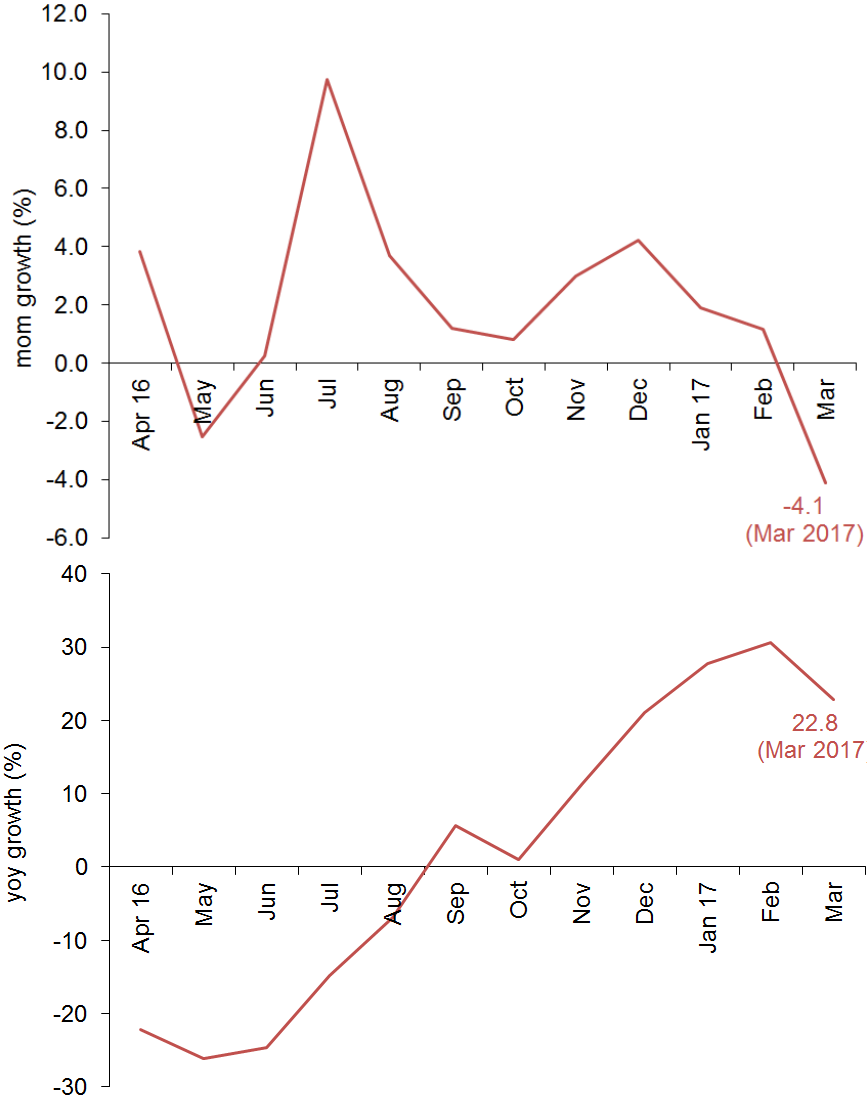
After having posted month-on-month gain for nine consecutive months, the price index of polypropylene (PP)<sup>2</sup> fell by 4.1% mom in March (see exhibit 2).

<sup>2</sup> The index is compiled by the China Logistics Information Center (CLIC).

The main reason for the decline in the price index of PP in March was that some PP producers lowered the prices of their products amid a plunge in the prices of PP futures in China.

According to the latest media reports, the prices of PP futures in China slumped further during early to mid-April. Therefore, we expect that the price index of PP will continue to fall in the near term.

**Exhibit 2: Price index of PP, April 2016 to March 2017**



Source: China Logistics Information Center

### 3. Price index of natural rubber slumps in March

The price index of natural rubber<sup>3</sup> plummeted by 12.3% mom in March, after rising by 2.7% mom in February (see exhibit 3).

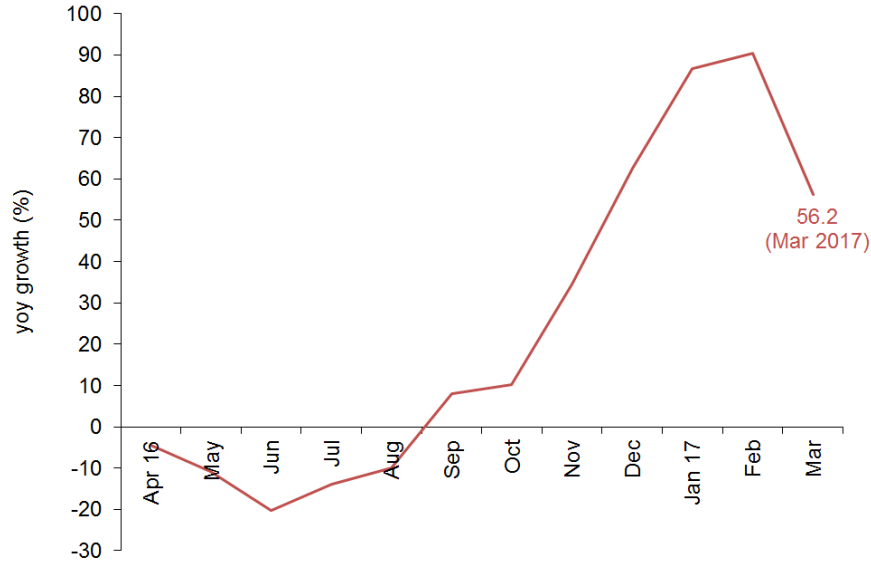
In our view, the plunge in the spot prices of natural rubber in March was mainly triggered by a sharp fall in the prices of natural rubber futures in China, which were highly associated with market speculation. An abundant supply of domestic and imported natural rubber also put downward pressure on the domestic prices of natural rubber.

Looking ahead, we expect the price index of natural rubber to fall further, as the over-supply of natural rubber is likely to persist in China in the near term.

**Exhibit 3: Price index of natural rubber, April 2016 to March 2017**



<sup>3</sup> The index is compiled by the China Logistics Information Center (CLIC).



Source: China Logistics Information Center

#### 4. Price indices of non-ferrous metals drop in March

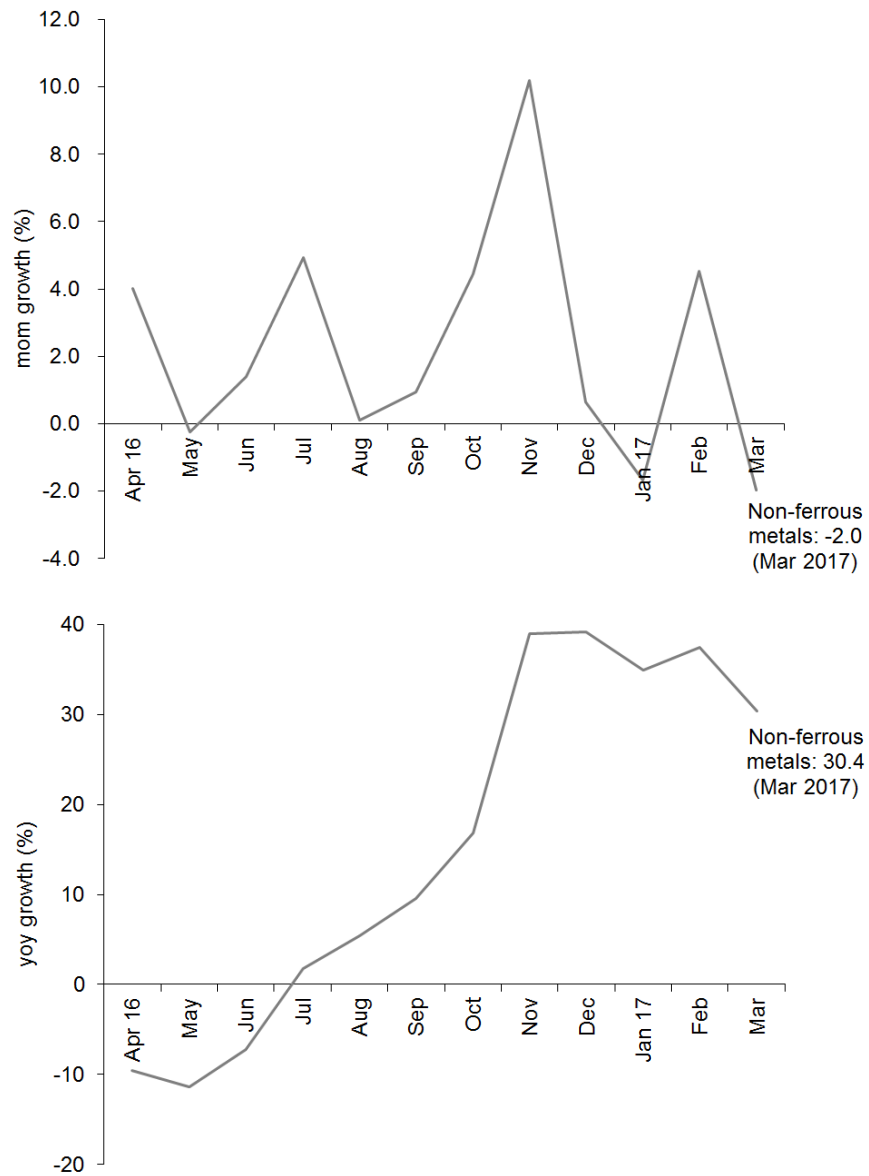
The price index of non-ferrous metals went down by 2.0% mom in March, after rising by 4.5% mom in February (see exhibits 4 & 5).<sup>4</sup>

The main reasons for the decline in non-ferrous metal prices in China in March were a slump in global oil prices in the month, which adversely affected investors' sentiments on non-ferrous metals; and a weak downstream demand for non-ferrous metals, particularly lead and zinc.

Going forward, with geopolitical tensions over Syria and North Korea rising, the prices of non-ferrous metals are likely to come under downward pressure due to risk aversion of investors. Thus, we expect the prices of non-ferrous metals to fall further in the near future.

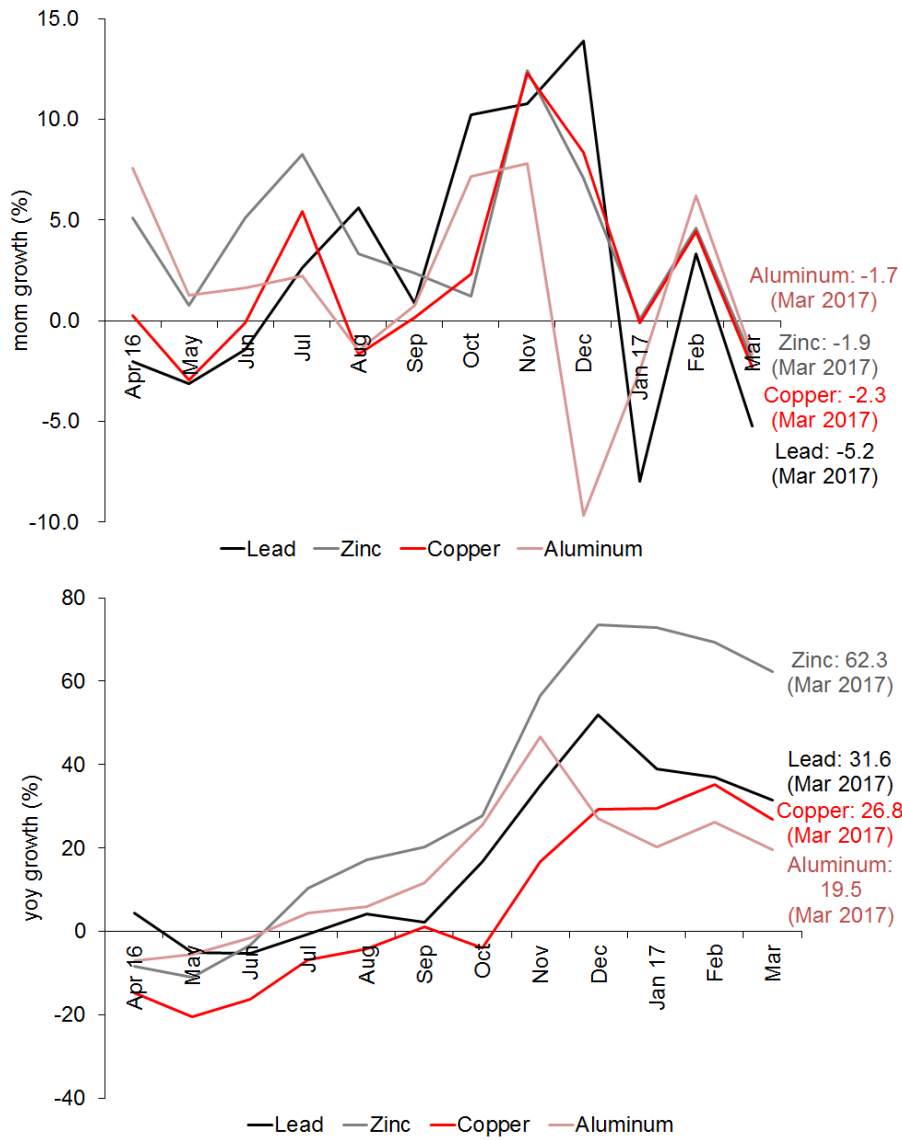
<sup>4</sup> The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,  
April 2016 to March 2017**



Source: China Logistics Information Center

**Exhibit 5: Price index of copper, aluminum, lead and zinc,  
April 2016 to March 2017**



Source: China Logistics Information Center

## FUNG BUSINESS INTELLIGENCE

**Fung Business Intelligence** collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

The **Fung Group** is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs over 45,100 people across 40 economies worldwide, generating total revenue of over US\$24.8 billion in 2015. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

## CONTACT

Helen Chin  
Vice President  
Global Sourcing

Fung Business Intelligence  
10/F LiFung Tower  
888 Cheung Sha Wan Road  
Kowloon, Hong Kong

T: (852) 2300 2470  
F: (852) 2635 1598  
E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)  
W: <http://www.fbicgroup.com>



© Copyright 2017 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.