

Global rubber industry's recent performance

The International Rubber Study Group (IRSG) in its report released recently has said that the world total rubber consumption increased sharply in January 2013, rising to 26.1 million before falling down to 26.0 million tonnes in March 2013, as measured by the moving annual total (MAT). As a result, the world total rubber consumption was down by 0.2 percent in March 2013. It further made the following observations: The world total demand for natural rubber (NR) decreased by 1.5 percent in March 2013, falling to 10.9 million tonnes, measured by the MAT. The demand for synthetic rubber (SR) consumption fared better than NR consumption, increasing by 0.7 percent in the same period. World NR supply continued to expand at a higher rate, increasing by 2.3 percent in March 2013 as compared to the 0.4 percent growth rate of SR supply over the same period, measured by the MAT. As a result, the world NR supply was 11.4 million tonnes and SR supply at 15.2 million tonnes in March 2013, as measured by the MAT. As a result, the implied NR stocks increased to 1.9 million tonnes in annual moving average (AMA) in March 2013 and to 4.5 million tonnes (AMA) for SR.

World NR exports The world NR exports accelerated in the first quarter 2013 irrespective of the weakening global demand, driven by increased import demand linked to building up of domestic inventories. The world SR exports continued to decrease in the first quarter of 2013, falling by 2.6 percent in March 2013, as measured by the MAT. It was the tenth consecutive months of negative growth, and as a result the volume of world SR exports decreased to the lowest level since March 2011, as measured on the MAT.

NR physical prices have been falling in H1, 2013, showing fluctuations within a range of US\$2.5/Kg to US\$3.3/Kg. Concerns over weak demand on continuing fragility in the global economic recovery as well as the negative sentiments on high levels of stocks in China and producing countries supported the current price.

Price of Brent light crude oil hovered round US\$103-104/barrel in April-June 2013. Prices of butadiene decreased in all three regions over the same time, dragging down the SBR and BR prices in Asia, Europe and the USA.

On aggregate, the trend of the volume of exports of selected latex general rubber goods from the five leading countries appeared to continue to expand, but at a weaker pace in H1 2013. Global NR latex consumption increased by 4.4 percent (YOY) in the first quarter 2013, driven by a resurgent demand in the Glove Sector supported by lower raw material cost.

NR and SR production The IRSG Report on SR and NR supply says that the, world NR supply continued to expand at a higher rate increasing by 2.3 percent in March 2013 as compared to the 0.4 percent growth rate of SR supply over the same period, measured by the MAT. As a result, the world NR supply was 11.4 million tonnes and SR supply at 15.2 million tonnes in March 2013, as measured by the MAT. The growth rate and the volume of NR supply continued to outstrip demand in the first quarter 2013. The surplus NR in the market is a reflection of increased capacity, with an additional 188,000 hectares of area under rubber available during 2013, coupled with an average price level that continues to be deemed remunerative to smallholders and the

current relative stocks level low enough to absorb more. The relatively lower rate of growth of SR supply, as compared to NR supply, is a reflection of the greater organised nature of the industry, involving a significantly smaller number of suppliers that is able to respond in real time to the perceived supply-demand balance in the global market.

NR output trends in major regions

All major countries and regions have increased their supply of NR in the first quarter 2013, as measured by the MAT, except Malaysia. NR supply of Africa and Other Asia increased by the fastest rates in the first quarter 2013, expanding by 4.3 and 3.8 percent respectively, measured by the MAT. Superficially, Cote d'Ivoire and Cambodia are the reasons for their respective region's higher growth rate. Increased normal production, however, is the underlying reason: 27.4 percent increase expected for Cambodia and 7.9 percent for Cote d'Ivoire in 2013.

Outlook

There are two economic (IMF and Downside) and two planting (Base and High) scenarios for the June 2013 World Rubber Industry Outlook (WRIO). Only the world totals are presented here. For more detailed information on the scenarios, assumptions, data sources, methodology and outlook please refer to the WRIO June 2013.

The Downside Scenario delays the expected recovery of the world rubber demand, which is forecast to begin in 2013 under the IMF Scenario, until 2014, except for SR demand, which is forecast to decrease by 0.1 percent in 2013. This delay in the recovery translates into 800,000 tonnes difference between the two economic scenarios for world total rubber demand in 2013. SR demand suffers proportionally more under the Downside Scenarios as compared to total rubber or NR demand in 2013, due to changes in relative NR/SR price level and greater sensitivity to level of economic activities of rubber consumption of Non-Tyre and Non-Tyre 4 Products. The negative impact of the relative price level will be felt in 2014 also, resulting in only a 500,000 tonnes increase in SR demand in 2012-2014. The impact of the High Planting Scenario on NR demand in 2013-2014 is to stimulate higher demand as compared to the forecast under the Base Planting Scenario. This is because of a lower relative rubber price as a result of increased normal production under the High Planting Scenario. As a result, the NR Demand forecast under the IMF-High Planting and Downside-High Planting is 200,000 tonnes and 100,000 tonnes higher in 2013 and 2014, respectively over their Base Planting Scenario counterparts. NR supply is forecast to be in surplus under all scenarios and for all years. The sizes of the surplus are expected to differ greatly, with that under the Downside-Base Planting Scenario the smallest and that under the IMF-High Planting Scenario the biggest. The differences are reflections of the differences of NR price and normal production between the two scenarios. (Reference, IRSG Rubber Industry Report, June 2013).