

## **Rubber Glut Shrinks From Record as China, U.S. Growth Rebounds**

The global surplus for natural rubber may contract this year and next from a record in 2012 because of rising demand in the U.S. and in China, the biggest consumer, according to the International Rubber Study Group.

Production is set to outpace consumption by 179,000 metric tons this year and 153,000 tons in 2014, said senior economist Lekshmi Nair, who estimates last year's glut at 460,000 tons. The Singapore-based IRSG is an inter-governmental group of 35 producing and consuming nations and 120 industry members.

Rubber, used in tires and gloves, surged 51 percent from a three-year intraday low in August as growth in China accelerated last quarter for the first time in two years and U.S. housing starts jumped to a four-year high in December. Thailand, Indonesia and Malaysia, the biggest shippers, agreed in August to limit exports to boost prices, increasing costs for tiremakers such as Bridgestone Corp. (5108), the world's largest.

"Continued expansion in Asia, especially in China, will drive prices higher," said Prachaya Jumpasut, managing director of The Rubber Economist in London, who has studied the commodity for more than 30 years.

Rubber for delivery in June lost 0.1 percent to end at 311.3 yen a kilogram (\$3,506 a metric ton) on the Tokyo Commodity Exchange yesterday. Futures dropped to 205.6 yen on Aug. 14, the lowest since October 2009.

Demand in China may rise 7.2 percent this year after growing 4.5 percent in 2012, according to IRSG. Consumption in the U.S. will expand 4.5 percent after contracting 6.3 percent last year, the group estimates.

### **'Pent-up Demand'**

"Consumption is recovering because of pent-up demand" from last year when growth stagnated, said Nair in a phone interview yesterday. "That will help narrow the surplus."

Global demand and production have climbed every year to record levels since 2010, according to IRSG. Consumption will increase to 11.6 million tons this year and to 12.3 million tons in 2014, the group estimates. Production will advance to 11.8 million tons this year and to 12.5 million tons in 2014. Demand was 10.9 million tons last year and output was 11.4 million tons.

Global stockpiles at the end of 2012 may have risen to 2 million tons, the highest level since 2005, from 1.56 million a year earlier because of the export curbs by the Southeast Asian countries, representing 67 percent of world supply, Nair said.

The countries agreed to limit shipments by 300,000 tons from October to March to boost prices and to cut down aging trees, aiming to remove another 150,000 tons of annual output.

Supplies in the first quarter will probably be lower than that of last year because of the program to limit sales is in place during a seasonally low production period, which stretches from February through May, Nair said without providing estimates.