



# ASIA MANUFACTURING COST DRIVERS REPORT

Q1 – 2017 (January, February, March)

**Tracking The Trends Which Drive Costs In Asian Manufacturing**

## Executive Summary

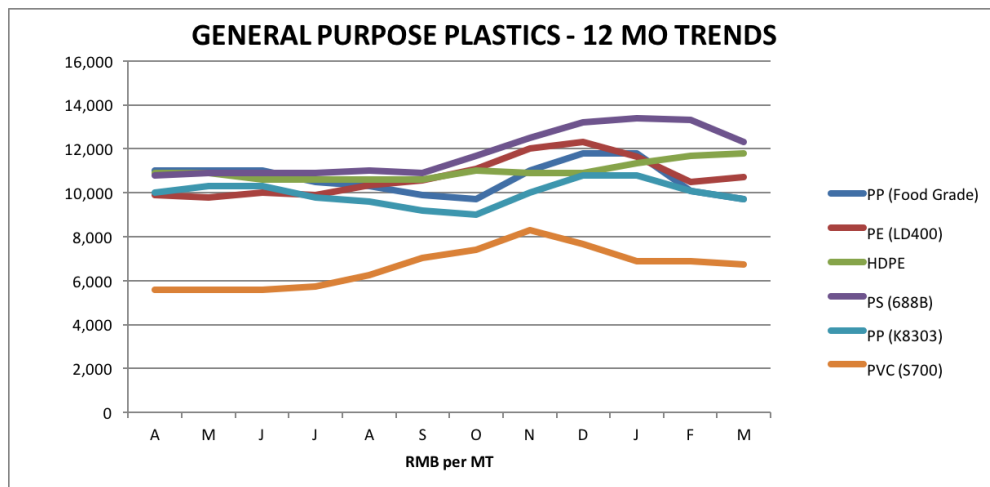
There were no clear commodity price trends in the first quarter with some raw materials in Asia going down in price while some continuing on their upward price trend begun in the fourth quarter of 2016. Many grades of plastics, rubber, steel, paper and ceramic raw materials went down in price while aluminum, other industrial metals, and glass raw materials mostly rose in price. Wood and textiles prices meanwhile remained mostly flat. Petroleum and fuel prices backed off their sharp 2016 increases and labor rates inched up in the lower wage counties. The US Dollar lost a little bit of ground against most of the Asian currencies in Q1 while ocean freight rates showed little change. China imports and exports both saw significant decreases in the quarter and the China PPI was up slightly while the China CPI was down. One very bullish sign is that all the PMI indexes saw steady improvement in Q1, remaining above 50 and signaling an expanding economy. Below is a chart of the general trends and for all the details, please see the entire report.

	PLASTICS	RUBBER	STEEL	ALUM	METALS	WOOD	PAPER
3 MO							
12 MO							
	TEXTILES	CERAMICS	LABOR	FUEL	FREIGHT	CURRENCY	INDEXES
3 MO							
12 MO							

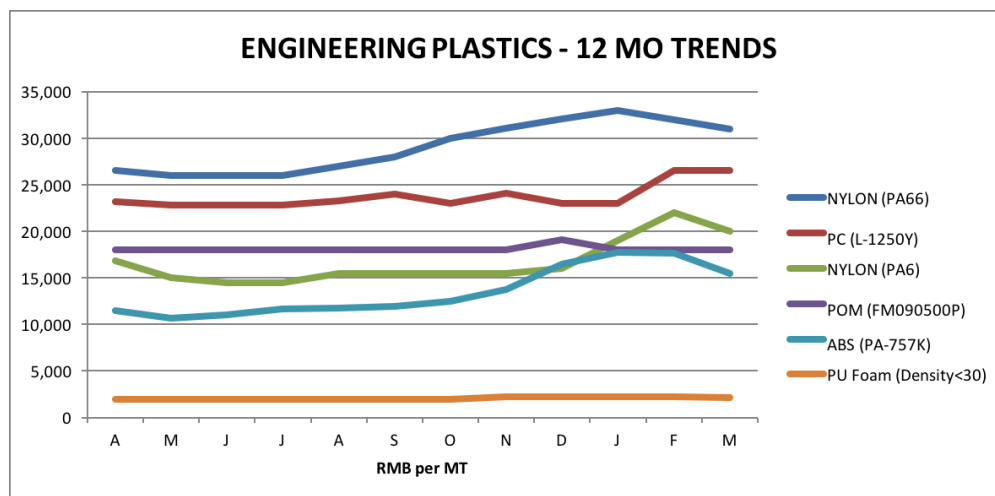
## Report Details

### PLASTICS & RUBBER

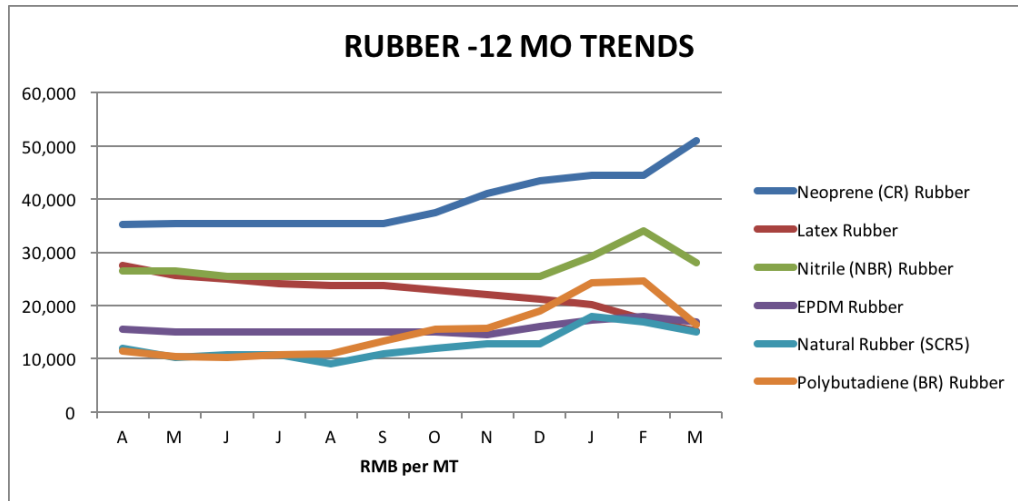
- Most of the General Purpose plastic resin prices were down in the first quarter with PP, PE, PVC, PS and PET down significantly (on average about 10%) and the others only down in price marginally. HDPE was the exception with a significant increase in price of a little over 8%. Year over year, most plastic prices remain up in price versus one year ago. PVC is up the most (close to 20%) followed by HIPS up over 19% and PS and PET which are up in price by over 8% each. Food grade PP is only GP resin which is down in price (almost 12%) versus one year ago.



- Engineering plastic resin prices were more mixed with PC and PA6 prices up by 15% & 25% respectively, while ABS, POM, Nylon and PU were down by 4% on average. Year over year, ABS is up in price the most at 36% followed by Nylon PA6, Nylon PA66, Nylon all up over 10% while POM is the only grade which remains unchanged in price versus one year ago.

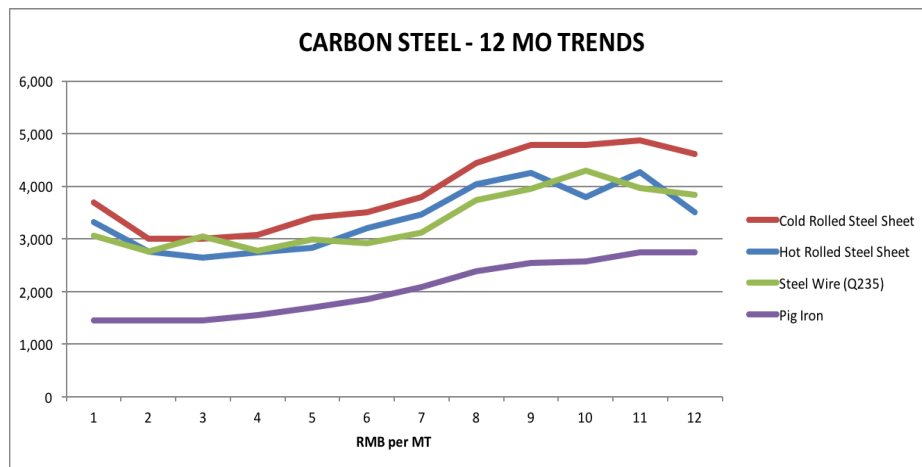


- In the Rubber category, prices were mixed in Q1. Latex saw a huge drop in price, down over 28% and BR was also down sharply over 13% while CR was up 17%, followed by SCR5 up 16%, NBR up almost 10% and finally EPDM up a little over 6%. Year over year, except for Latex which is lower in price by 47%, CR, SCR5 and BR are all up on average 50% and NBR and EPDM were up the least on average by 6% versus one year ago.

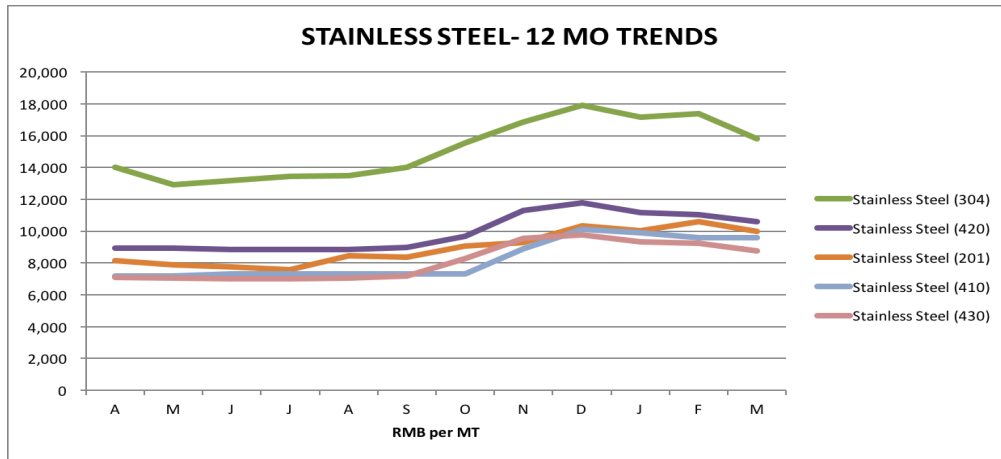


### METALS

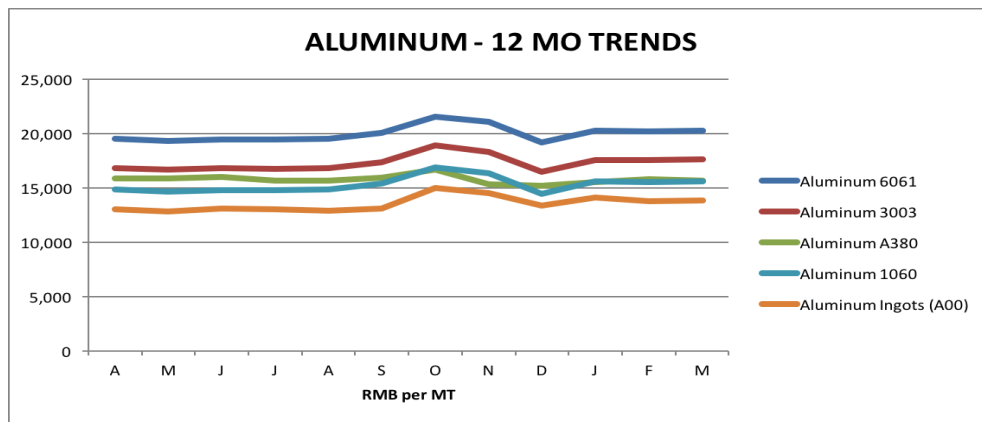
- For the first quarter of 2017, prices for Carbon Steel were mixed, with Cold Rolled and Hot Rolled Steels down an average of 7% and Steel Wire down by almost 3%. Prices, however, for Cold Rolled and Hot Rolled Tubes were up in price by over 2% while Pig Iron was up almost 8%. Year over year, the trend is more even with all grades of Carbon Steel up double digits over 53% on average.



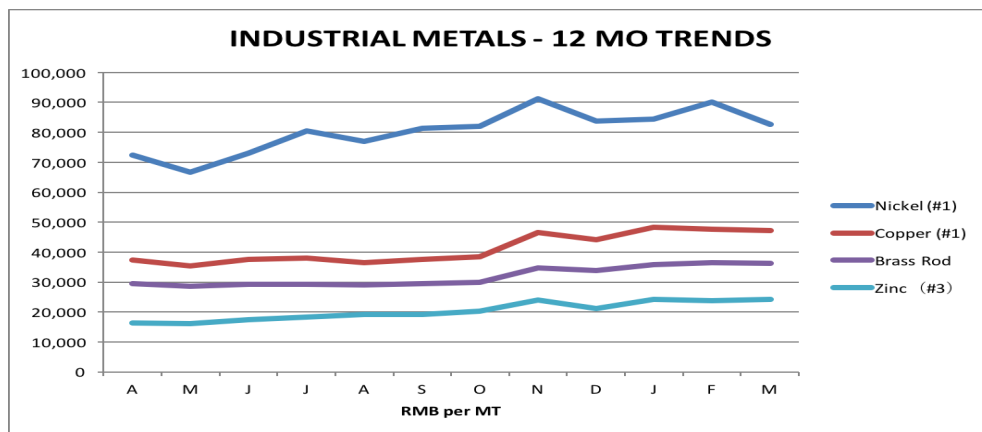
- Meanwhile all grades of Stainless Steel were down in price in the first quarter between 3% - 12% with 304 grade down the most. Year over year, the trend remains up with all grades of stainless up in price on average by over 29% versus one year ago.



- On the contrary, all aluminum grades rose in price 4%-8% in the first quarter, and year over year, all prices are up significantly between 10% and 20%.

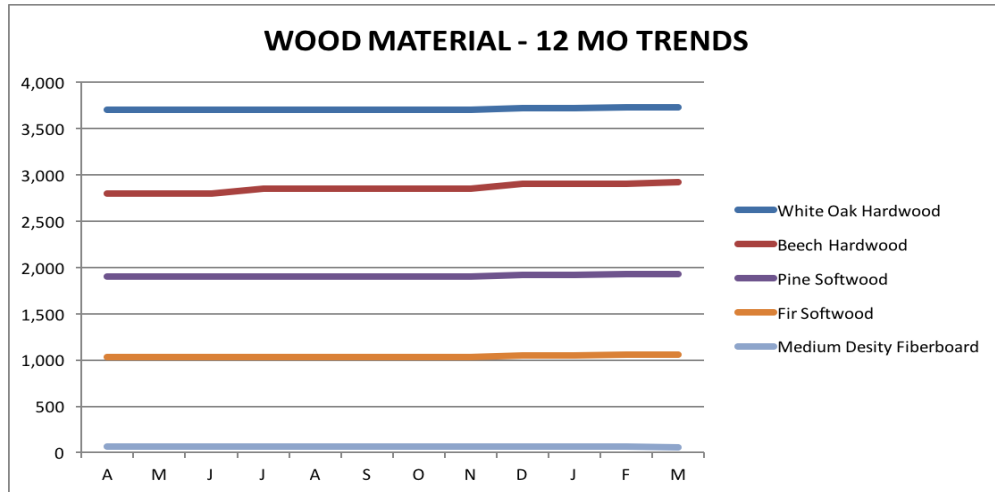


- And, in Other Industrial Metals, only Nickel's price was down in Q1 while rest of the metals were up in price by 7%-14%. Year over year, all the metals prices are up by over 34% on average with Zinc up the most (over 60%) versus one year ago.

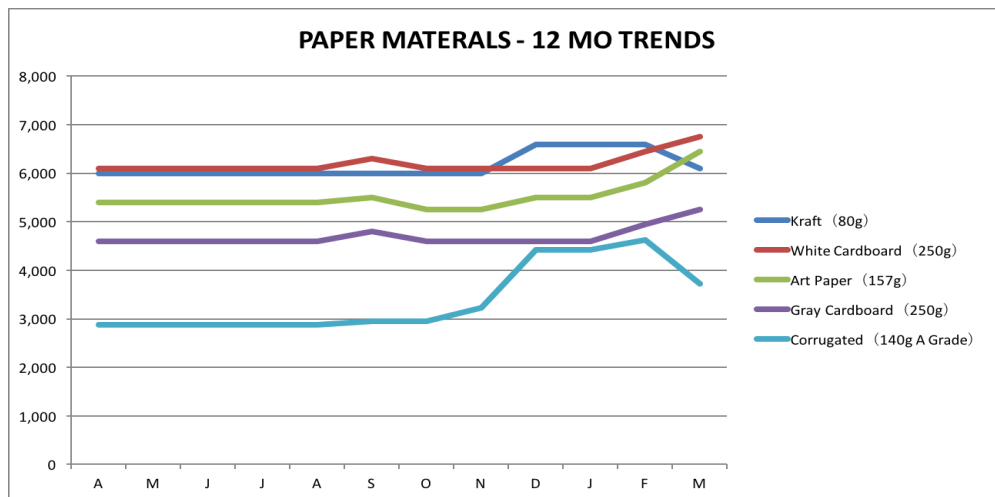


## WOOD, PAPER & TEXTILES

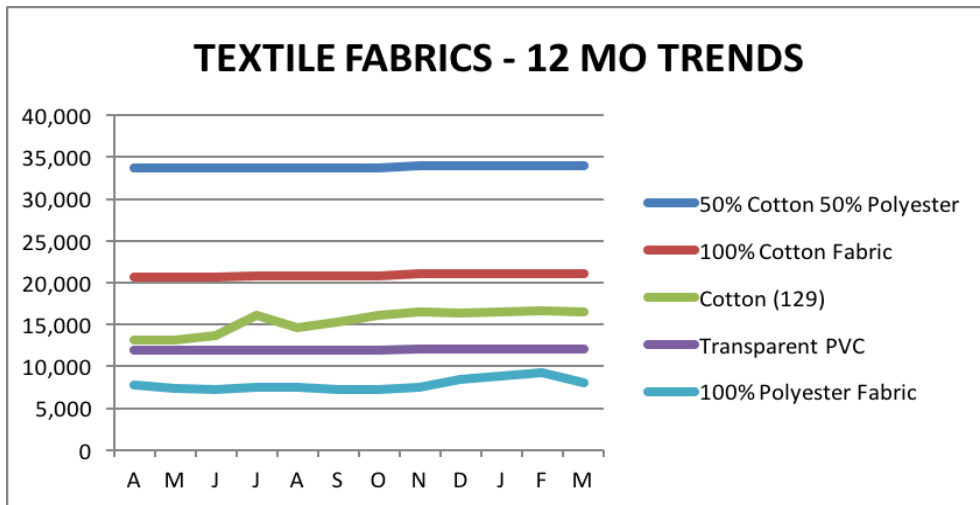
- Wood prices inched slightly higher in Q1 except MDF which was down 5%. Year over year the prices trend is same with MDF down 5.0% and the rest up slightly 1%-4%.



- Corrugated prices finally saw some relief in Q1 and dropped almost 16% following the second half 2016 run-up. White and Gray Cardboard and Art Paper continued their rise, up on average by another 15% while Kraft paper dropped almost 8%. Year over year, all paper prices remain higher, with Corrugated Board remaining up by almost 30% in price while all the others are on average by 15%.

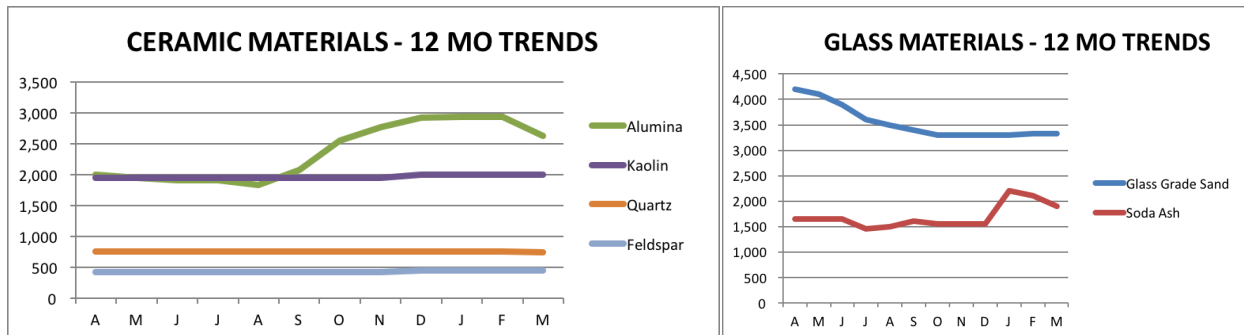


- Textile fabric prices saw little change in the first quarter with Raw Cotton up 1%, Polyester down 5% and the rest were unchanged. Year over year, all prices are higher, with Raw Cotton and NonWoven PP up in price the most at 30% and 14% respectively and the rest up more modestly at 2% to 7% versus one year ago.



### CERAMIC AND GLASS RAW MATERIALS

In Ceramic Raw Materials, Alumina prices backed down by over 10% in the first quarter and Quartz and Glaze were down slightly, while in Glass Raw Materials Soda Ash was up in price sharply by 23% and Glass Sand marginally. Year over year, Alumina is up in price by over 33%, followed by Soda Ash up 31%, Feldspar up 7% and Kaolin up 3%, while Glass Grade Sand is lower by 21% and Quartz and Glaze both down in price marginally versus one year ago.



### FUEL

Fuel prices in China were generally on the rise in the range of 8% in the first quarter and year over year, all fuels are up in price significantly by 6% to over 50% versus one year ago.

### OCEAN FREIGHT

Ocean freight rates saw little changes in Q1 which is typical and there is little change from one year ago. However, the second quarter is expected to be volatile with many carriers looking for price hikes as many of the primary freight contracts will be renegotiated in Q2.

### COST OF LABOR

Asian labor rates saw little change in the first quarter except for Indonesia, Vietnam and Thailand which jumped by 8%, 7% & 2% respectively. Year over year, rates are up in most

countries with India up the most (over 9%) followed by Indonesia (up 8%), Vietnam (up 7%) and Thailand (up 1.7%) while China and Bangladesh saw little to no significant change.

### **CURRENCY EXCHANGE RATE**

For the first quarter, the USD strengthened slightly against the Bangladesh Taka and weakened ever so slightly against the Chinese Yuan and Vietnamese Dong with the Thai Baht, NT Dollar and Indian Rupee stronger by about 5%. Year over year, the biggest gains for the USD are against the China RMB, Bangladesh Taka, Vietnam Dong and Indonesia Rupiah while its slightly weaker against the Thai Baht, NT Dollar and Indian Rupee.

### **CHINA TRADE (Data lags by one month)**

- China Imports and Exports were both down significantly in the latest three months owing to the Lunar New Year holiday, down by 15% & 39% respectively. Year over year, China Exports are down by almost 5% while China Imports are up by over 38% from year ago levels.
- The China Producer Price Index (PPI) rose over 4% in the first quarter while the China Consumer Price Index (CPI) decreased by almost 2%. Year over year, the China PPI is up over 13% while the China CPI is down by almost 2% versus one year ago.

### **PURCHASING MANAGERS INDEX (PMI)**

All the PMI Indexes have been climbing steadily throughout the quarter and all were above 50 at the end of the quarter. Year-on-year, all indexes show upward trends indicating growth and an expanding economy.

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For additional details, please refer to the charts that follow or contact one of our Operations Specialists for more information. Thank you for your support.

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