



ASIA MANUFACTURING COST DRIVERS REPORT

Q4 – 2017 (October, November, December)

Tracking The Trends Which Drive Costs In Asian Manufacturing

Executive Summary

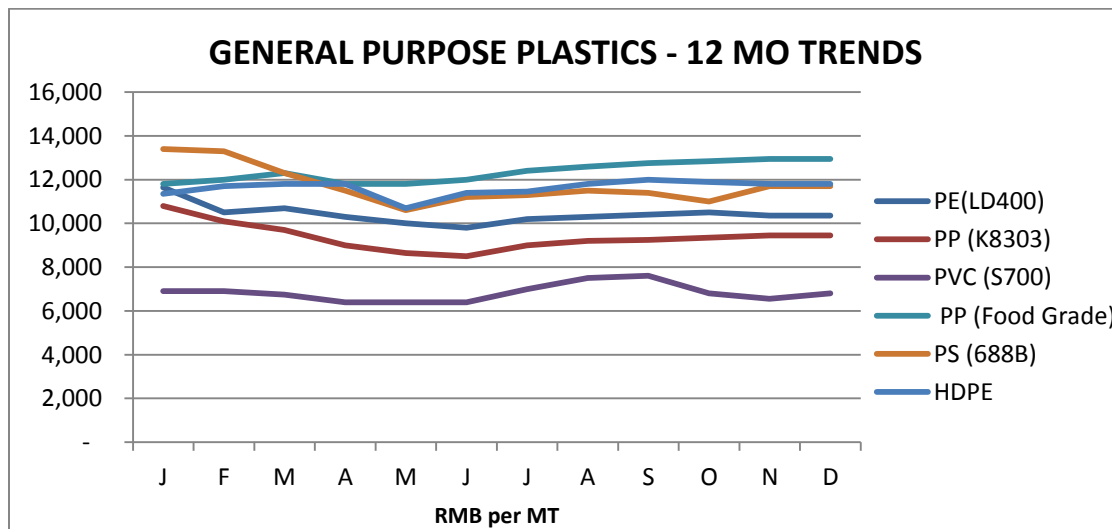
In the fourth quarter of 2017, most of raw materials in Asia go up in price. Many grades of plastics, rubber, steel, other industrial metal, wood, paper and ceramic raw materials went up in price while all grade of aluminum and stainless steel, many grade of textiles down in price. Petroleum and fuel prices are all up in Q4. Labor rates and Ocean Freight rates remain unchanged. The US Dollar lost a little bit of ground against most of the Asian currencies in Q4. China imports and exports both saw significant increases in the quarter. In addition, the China PPI and CPI were down slightly and all the PMI indexes saw a little drop in Q4 but 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							

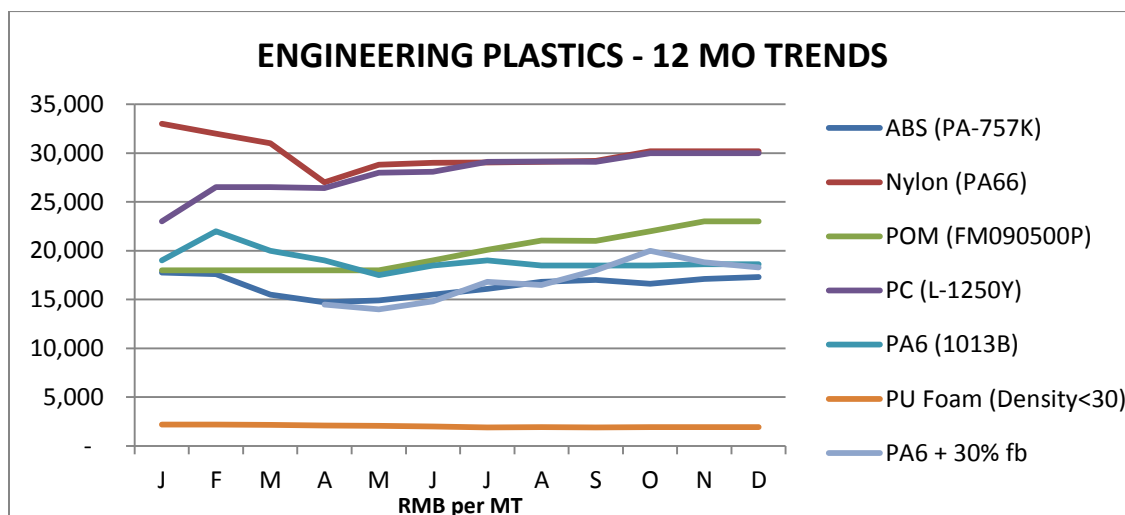
Report Details

PLASTICS & RUBBER

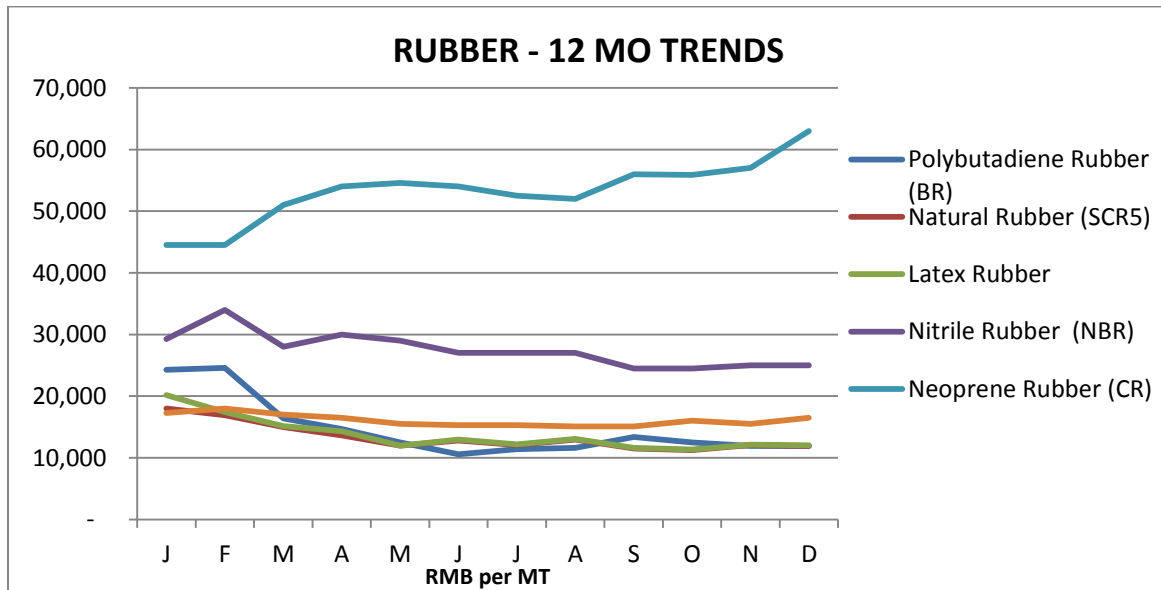
- For the fourth quarter of 2017, prices for the General Purpose plastic resin were mixed with PP, PS, PP(Food Grade) and TPE up slightly (1%~2.7%) and EVA up in price by 8.3%, PET Fiber up by 6.2%. Prices, however, for HDPE down over 10% and PE, HDPE and PVC+DOTP were down in price marginally (0.5%~1.7%). Only PET (SE-3030) remained unchanged in Q4. Year over year, most plastic prices remain down in price versus one year ago. PE is down the most (over 15%) followed by PP, PS, PVC and PET which are down in price by 9.5%~12.5%. While Food grade PP and HDPE are up in price by 8.3% and 9.8% respectively versus one year ago.



- Meanwhile all grade of engineering plastic resin prices were increased in Q4 between 0.5% ~ 10% with POM up the most over 9%. Year over year, PC is up a whopping 30% followed by POM up over 20% and PA6 up over 16%. However, Nylon and PU Foam are down over 5% and 12% each versus one year ago.

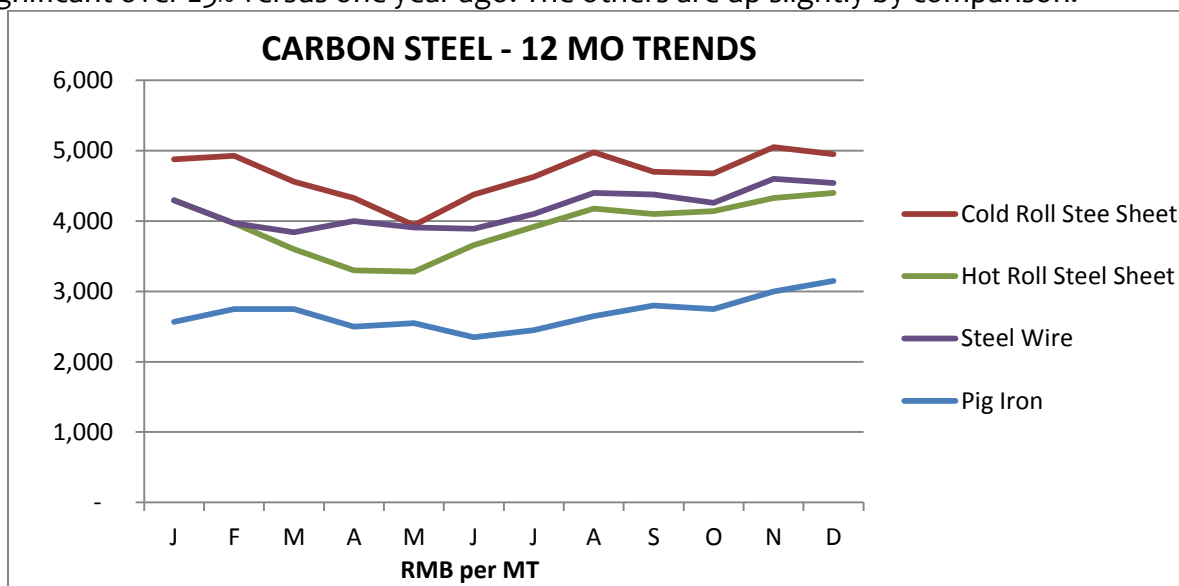


- In the Rubber category, most of prices were up in Q4 except BR was down over 11%. CR was up in price sharply over 12% followed by EPDM up over 9% while rest of rubber only up marginally (2%~3.9%). Year over year, prices are mixed with Latex see a huge drop in price, down over 43% and BR is also down sharply over 37%. Moreover, SCR5 and NBR are also down slightly. On the contrary, CR increases a lot in price almost 45% and EPDM only go up a little.

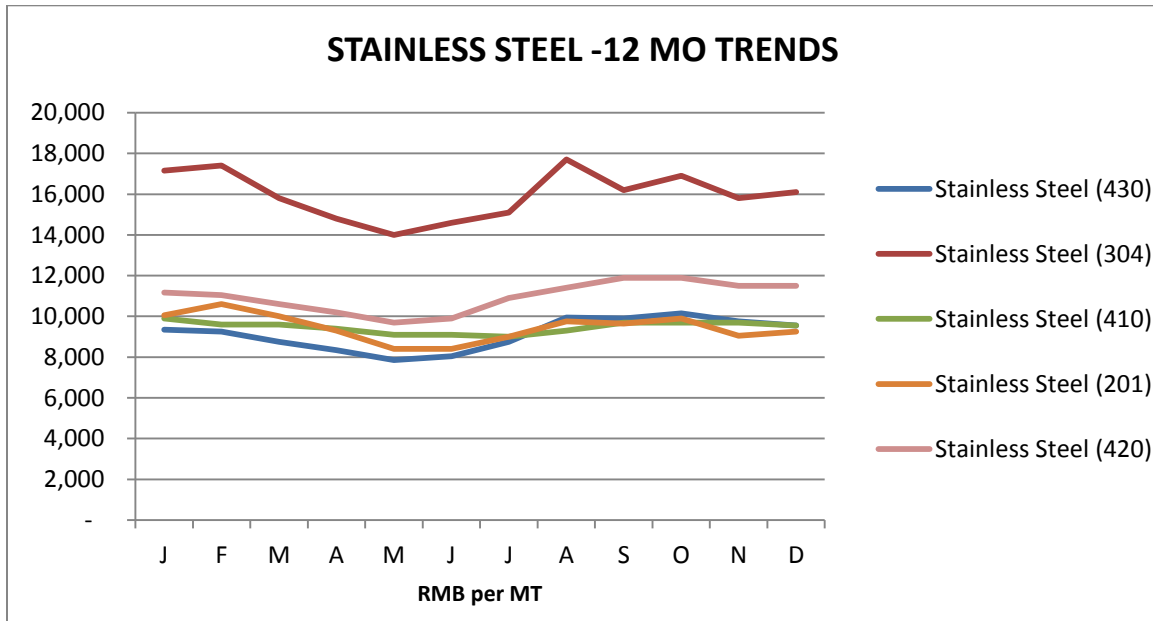


METALS

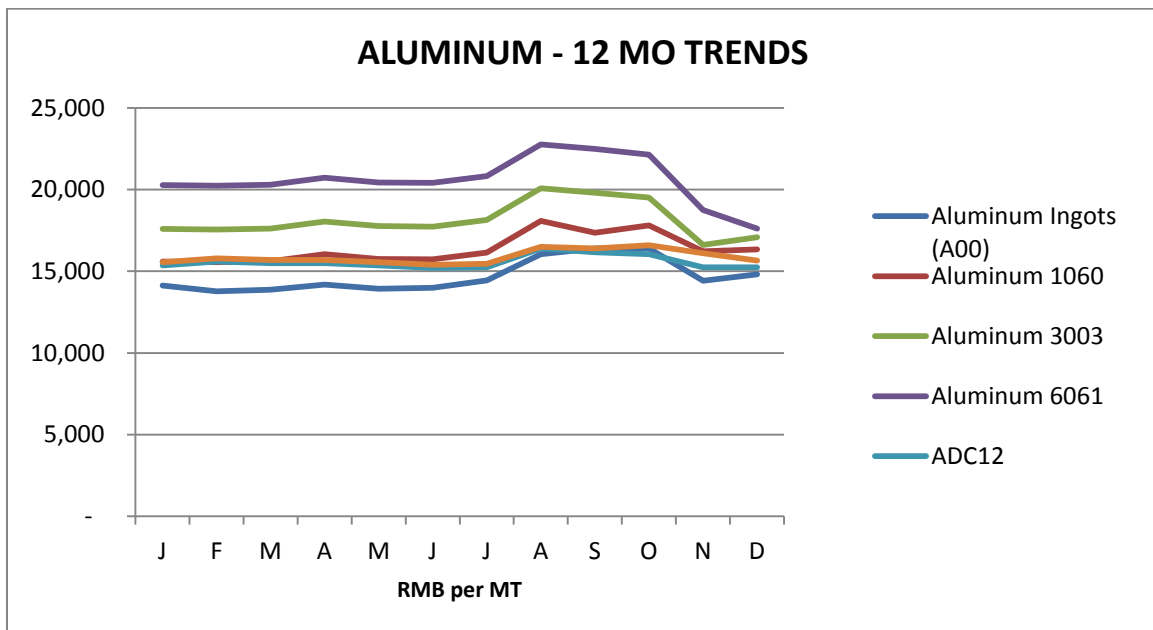
- Prices for Carbon Steel were all went up in Q4. Cold Roll Steel Tube ascended the most over 20%, the rest of steel up marginally between 3.6% and 12.5%. Year over year, the trend is more even, Cold and Hot Roll Steel Tube shoot up by 64% and 50% respectively and Pig Iron up significant over 23% versus one year ago. The others are up slightly by comparison.



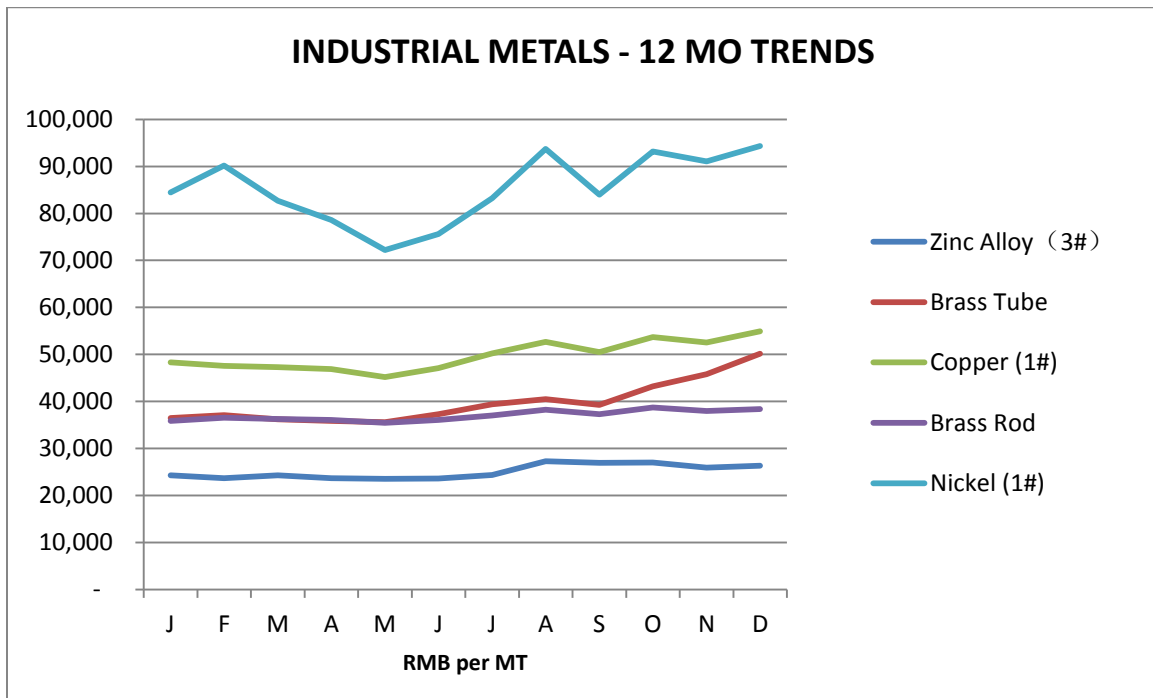
- On the contrary, all grades of Stainless Steel were down slowly in price in the fourth quarter between 0.6% and 4% with 201 grade down the most. Year over year, all grade of Stainless Steel are drop in price (2%~16%) versus one year ago.



- Furthermore, all aluminum grades grow down in Q4 as well. Aluminum 6061 decreased 21% followed by Aluminum 3003 down in price 13%. Besides, A00, Aluminum 1060, ADC12 and A380 also drop between 4.5%-9.6%. Year over year, most of prices are up, only Aluminum 6061 down in price 8%.

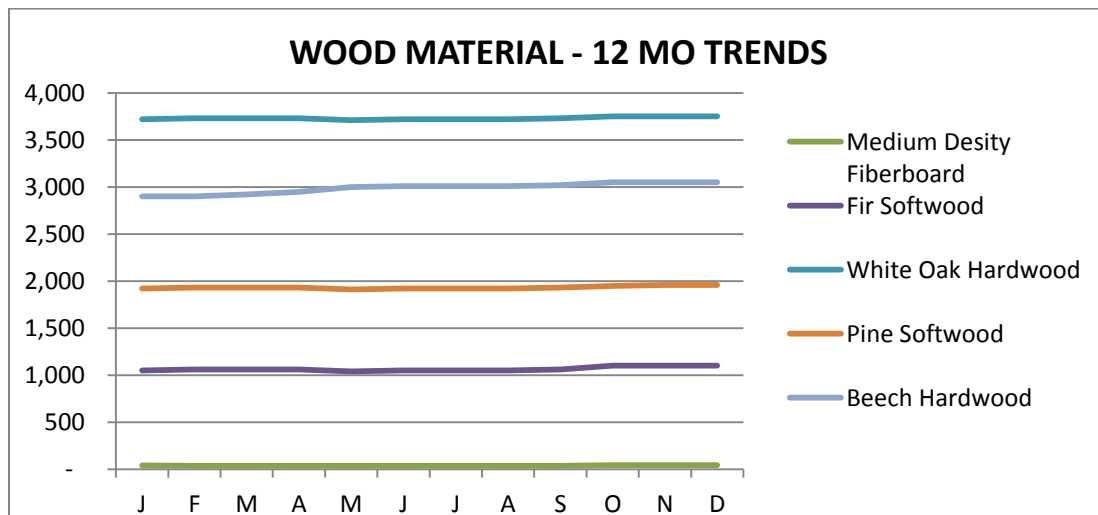


- However, in Other Industrial Metals, only Zinc Alloy's price was down in Q4 while the rest of the metals were up in price. Year over year, all the metals prices are up by over 24% on average with Brass Tube up the most (almost 46%) versus one year ago.

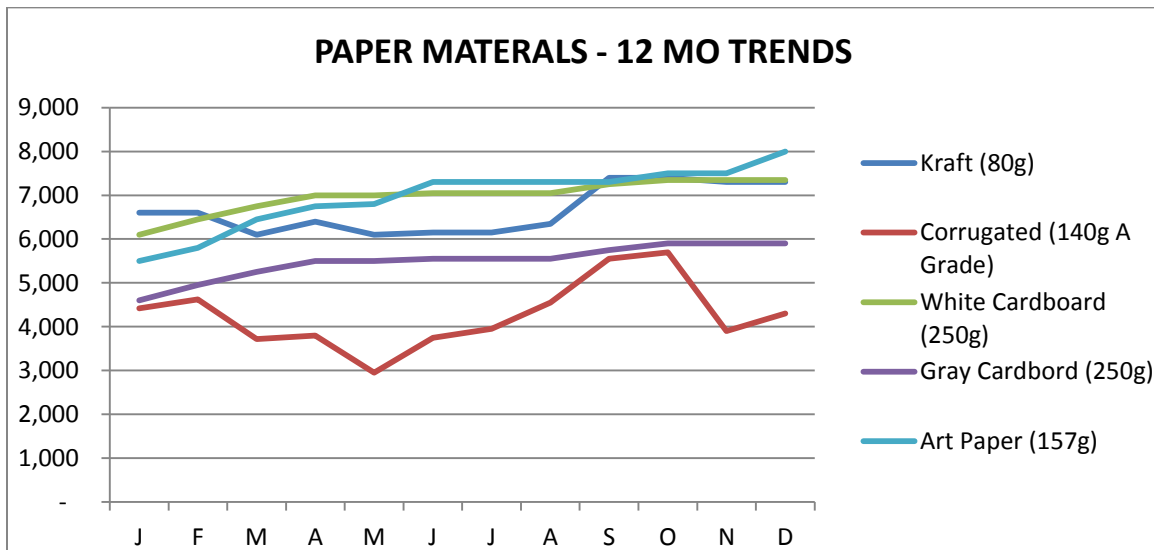


WOOD, PAPER & TEXTILES

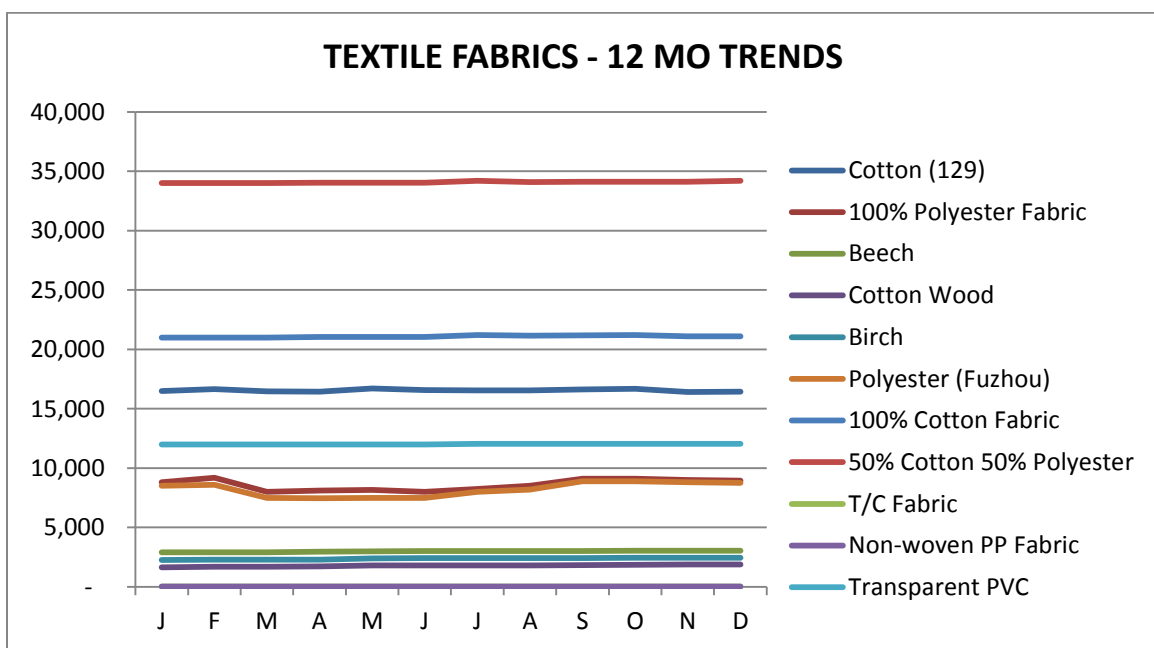
- Wood prices inched slightly higher in fourth quarter. Year over year the prices trend is same with Beech Hardwood up over 5.0% and the rest up slowly 0.8%-4.8%.



- In Paper Materials, prices were mixed in Q4. White and Gray Cardboard and Art Paper continued their rise, increase 1.4%, 2.6% and 9.6% respectively. Corrugated prices finally saw some relief in Q4 and dropped over 22% also Kraft paper dropped marginally 1.4%. Year over year, all paper prices remain higher except Corrugated Board goes down a little. Art Paper remaining up by over 45% in price while all the others are on average by 19.8%.

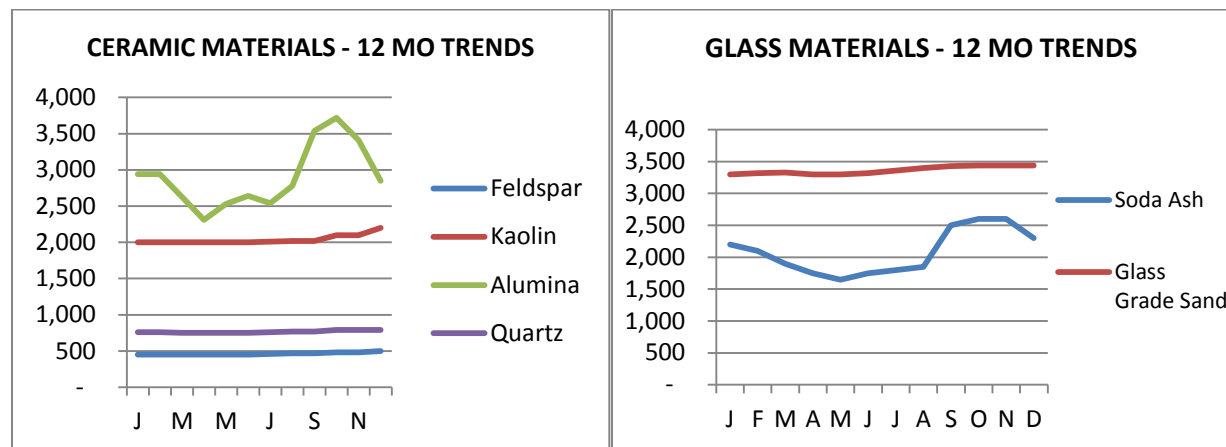


- Textile fabric prices were mixed in Q4. Raw Cotton, Polyester and 100% Cotton Fabric grew down in Q4. 50% Cotton 50% Polyester up slightly and the rest were unchanged. Year over year, all prices remain higher, with NonWoven PP up in price the most at 8.3% and the rest up more modestly at 0.4% to 5.3% versus one year ago.



CERAMIC AND GLASS RAW MATERIALS

In Ceramic Raw Materials, Kaolin and Feldspar increased by over 6% in the fourth quarter and Quartz was up slightly, while Alumina price was dropped in price sharply by 19.5%. In Glass Raw Materials Soda Ash drop 8% and Glass Grade Sand up a little. Year over year, Soda Ash up rapidly over 48%, Kaolin and Feldspar are both up in price by over 10%, Quartz and Glass Grade Sand up on average 4% while Alumina is lower by 2.7% and Glaze remains unchanged versus one year ago.



FUEL

Fuel prices in China were generally on the rise in the range of 13.5% in Q4 and year over year, all fuels are up in price by 14.1% to 15% except Diesel Oil is unchanged versus one year ago.

OCEAN FREIGHT

Ocean freight rates were unaltered in fourth quarter.

COST OF LABOR

Asian labor rates were not changed yet. Year over year, rates are up in most countries with Indonesia up the most (over 8%) followed by Vietnam (up 7%), China (up 5%) and Thailand (up 1.7%) while India and Bangladesh saw little to no significant change.

CURRENCY EXCHANGE RATE

For the fourth quarter, the USD strengthened slightly against the Bangladesh Taka and Indonesian Rupiah and weakened so slightly against the Chinese Yuan, India Rupees, NT Dollars and Thailand Baht (about 2%). Year over year, the biggest gains for the USD are against the Bangladesh Taka and Indonesian Rupiah while its weaker against the Thai Baht, NT Dollar, China RMB, Indian Rupee and Vietnam Dong.

CHINA TRADE (Data lags by one month)

- China Imports and Exports were both up significantly in the latest three months, increased by 9.1% & 12.7% respectively. Year over year, China Imports and Exports are also up by 16.4% and 10.5%.

- The China Producer Price Index (PPI) and China Consumer Price Index (CPI) were both dropped slightly in the fourth quarter. Year over year, the China PPI is up over 8% while the China CPI is down by 0.3% versus one year ago.

PURCHASING MANAGERS INDEX (PMI)

All the PMI Indexes have been dropped throughout the quarter but all were above 50. Year-on-year, China Federation of Logistics and USA's indexes show upward trends indicating growth and an expanding economy while HSBC's indexes is drop by 0.7%.

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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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