

(BN) Rubber Poised for Third Surplus in 2013, Helping Bridgestone (2)

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(Updates prices throughout.)

By Supunnabul Suwannakij

Aug. 9 (Bloomberg) -- Global natural-rubber supply will exceed demand for a third straight year in 2013 and the price of the commodity used to make tires and gloves is set to extend declines, according to RCMA Commodities Asia Group.

Production will exceed usage by 299,000 metric tons in 2013, compared with a surplus of 321,000 tons this year and

4,000 tons in 2011, the Singapore-based trading company said in a presentation e-mailed to Bloomberg. Global stockpiles may jump

26 percent to 1.57 million tons this year, it showed.

Rubber plunged 38 percent in the past year and reached the lowest since October 2009 as consumption fell in China, the top user, and Europe. Demand in China may drop 5 percent this year as slumping truck sales cut tire use, Hangzhou Zhongce Rubber Co., the biggest tiremaker, said last month. Lower prices will hurt growers in Thailand, Indonesia and Malaysia, the three largest, while aiding tire producers such as Bridgestone Corp.

"We're still seeing a slowdown in demand in Europe and China, and good supply, resulting in a buildup of stocks," said Chief Executive Officer Chris Pardey, a former commodities trader at Cargill Inc. and Noble Group Ltd. Prices should decline to stimulate demand or reduce supply, he said in a phone and e-mail interview. He didn't give a precise figure.

Rubber fell 1.6 percent to 215.7 yen a kilogram (\$2,748 a metric ton) on the Tokyo Commodity Exchange, the lowest intraday level in almost three years. The most-active price has plunged 17 percent this year as crude oil in New York fell 5.3 percent, and the Standard & Poor's GSCI Spot Index, which tracks raw materials, climbed 2.4 percent.

#### Bear Market

Futures, which entered a bear market in May, will drop to 200 yen by the end of the year, according to the median of 15 analyst and trader estimates compiled by Bloomberg in June.

"The surplus this year and next will cloud market sentiment, putting pressure on prices," said Chaiwat Muenmee, an analyst at Bangkok-based commodity broker DS Futures Co.

Global production is expected to climb to 11.9 million tons in 2013 from 11.47 million tons this year, according to the presentation, with first-half increases seen in Thailand, Malaysia, Indonesia, Vietnam and India. World demand may rise to 11.6 million tons in 2013 from 11.15 million tons this year.

Slower economic growth in China, the world's second-largest economy, and the debt crisis in Europe have slowed demand for industrial commodities. Sales of trucks in China fell 7 percent in the first six months of 2012, according to data from the China Association of Automobile Manufacturers.

China, Europe

Bridgestone will report a 73 percent increase in net income to 177.8 billion yen this year, the mean of 14 analyst estimates shows. Its shares gained 8.3 percent since the start of January.

Demand in China may contract 0.7 percent to 3.75 million tons this year, before rebounding 4.1 percent in 2013, according to the presentation. China accounts for 33 percent of global demand and tires represent 70 percent of natural-rubber consumption, according to Sri Trang (Shanghai) Ltd., a unit of Thailand's biggest publicly listed producer.

European usage may drop 5.3 percent to 1.4 million tons in 2012, and expand 2.9 percent in 2013, RCMA said.

Consumption of the natural variety may rise 2.5 percent to 11.2 million tons in 2012 as output grows 3.2 percent to 11.3 million tons, the International Rubber Study Group said last month. Demand may climb 4.3 percent to 11.7 million tons next year as production gains 4.4 percent to 11.8 million tons.

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