



China Sourcing Update

September 7, 2016

Prices of Chemical Textile Materials

1. Price indices of polyester fall slightly in August

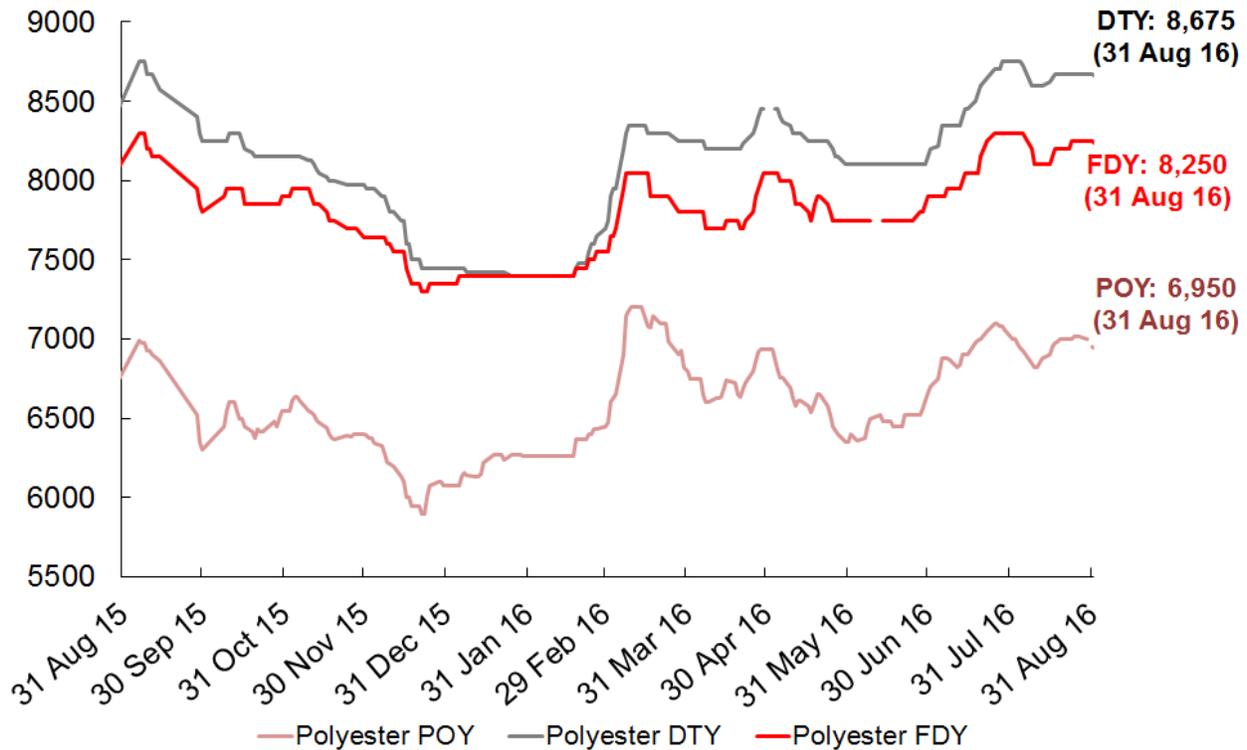
The price indices of polyester¹ went down in early August, before rebounding a bit in mid-August (*see exhibit 1*). The price indices plateaued in the following weeks. For example, the price index of polyester DTY dropped from 8,750 on 29 July to 8,600 on 8 August, before picking up to 8,675 on 17 August. The index then stayed at the same level till the end of August.

The main reasons for the fall in polyester prices in early August were a soft downstream demand and weak upstream prices. According to the local media, in the month, many downstream manufacturers made hand-to-month purchases only; and the prices of purified terephthalic acid (PTA), a major raw material of polyester, remained at low levels, mainly due to the soft crude prices.

Going forward, both the upstream prices and the downstream demand for polyester are expected to remain weak. Therefore, we expect the prices of polyester to drop in the coming months.

¹ The indices are compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

Exhibit 1: Price indices of polyester, August 2015 to August 2016



Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber remains stable at low level

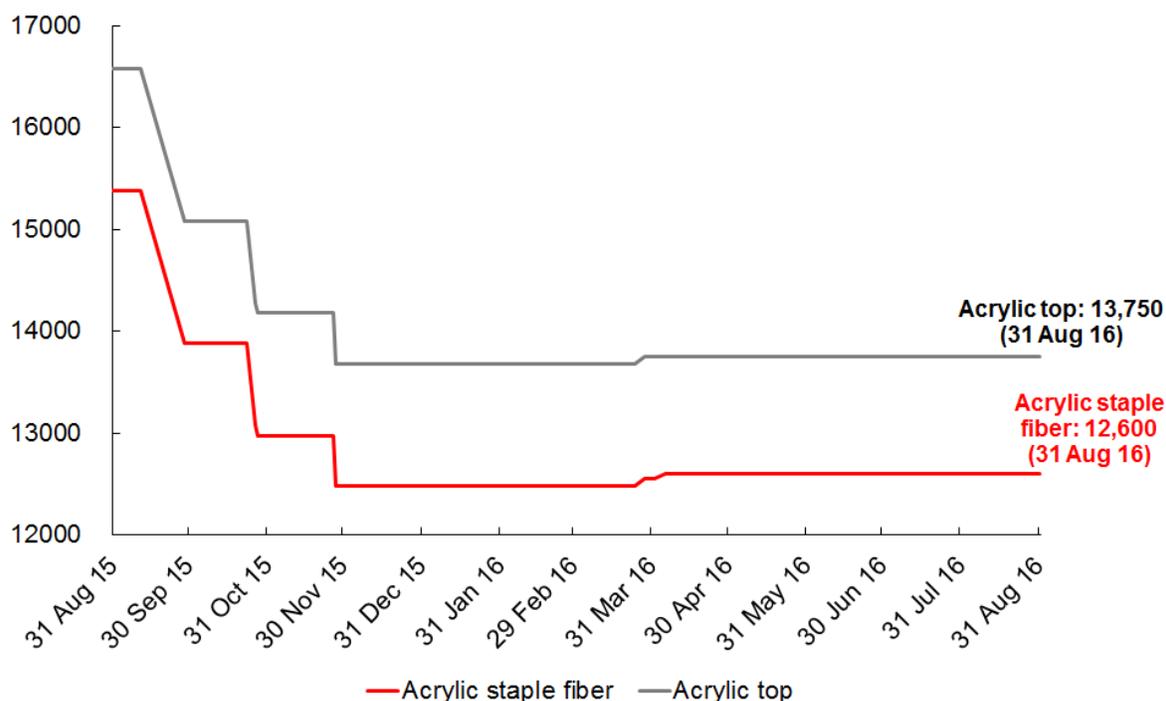
The price index of acrylic staple fiber² stayed flat at 12,600 throughout August (see exhibit 2).

According to media reports, the downstream demand for acrylic staple fiber was soft in August, as downstream manufacturers made hand-to-month purchases only; however, the prices of acrylonitrile, a major upstream material of acrylic staple fiber, rose during the month, which helped support the price of acrylic staple fiber.

Looking forward, there are no signs of a pickup in downstream demand. Thus, we expect the prices of acrylic staple fiber to stay at low levels.

² The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

Exhibit 2: Price indices of acrylic, August 2015 to August 2016



Source: China Chemical & Fiber Economic Information Network

3. Price indices of nylon continue to rise

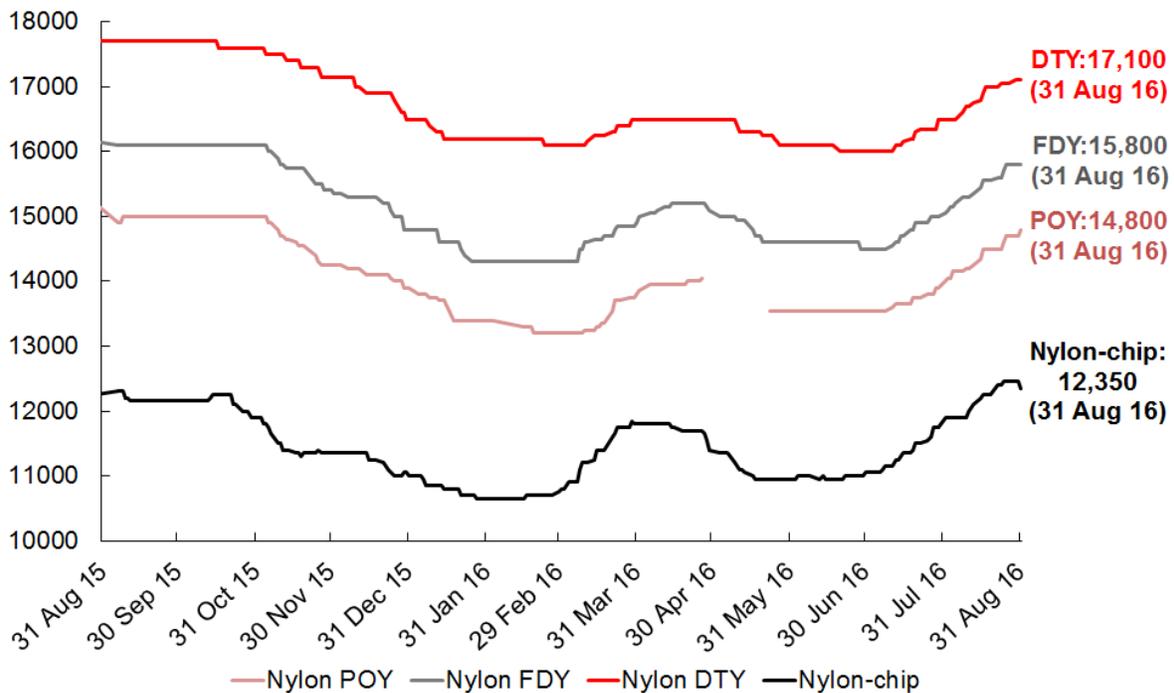
The price indices of nylon³ went up in July. For example, the price index of nylon DTY rose from 16,500 on 29 July to 17,100 on 31 August (see exhibit 3).

The main reason for the increase in nylon prices during the month was the rise in the prices of caprolactam, a major raw material of nylon. Meanwhile, the downstream demand for nylon was soft, as the operating rates of downstream manufacturers stayed low.

Looking ahead, the upstream prices of nylon are expected to stay high, while the downstream demand for nylon is likely to remain weak in the coming months. All in all, we expect the price indices of nylon to fluctuate around the current levels.

³The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

Exhibit 3: Price indices of nylon, August 2015 to August 2016



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber goes up

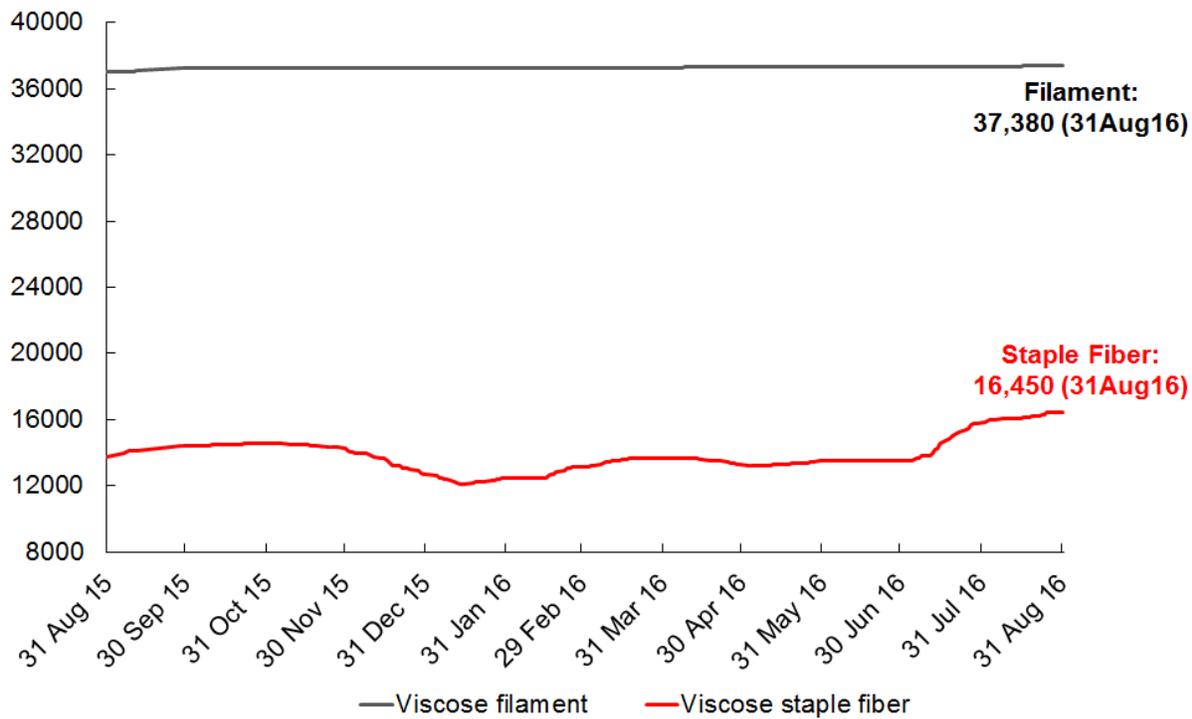
The price index of viscose staple fiber⁴ went up in August, rising from 15,750 on 29 July to 16,450 on 31 August.

According to the local media, in the month, a number of viscose manufacturers in eastern China have suspended production due to maintenance or the G20 Leaders Summit in Hangzhou on 4-5 September, resulting in a tight supply of viscose staple fiber. Meanwhile, the downstream demand for viscose staple fiber remained stable.

Looking ahead, the supply of viscose staple fiber is expected to remain tight in the coming months; and the demand for viscose staple fiber from downstream rayon yarn manufacturers is expected to stay stable during the current peak season. Therefore, we expect the prices of viscose staple fiber to stay at high levels in the near future.

⁴ The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

Exhibit 4: Price indices of viscose, August 2015 to August 2016



Source: China Chemical & Fiber Economic Information Network

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