



China Sourcing Update

September 14, 2018

Prices of Chemical Textile Materials

1. Price indices of polyester soar in August

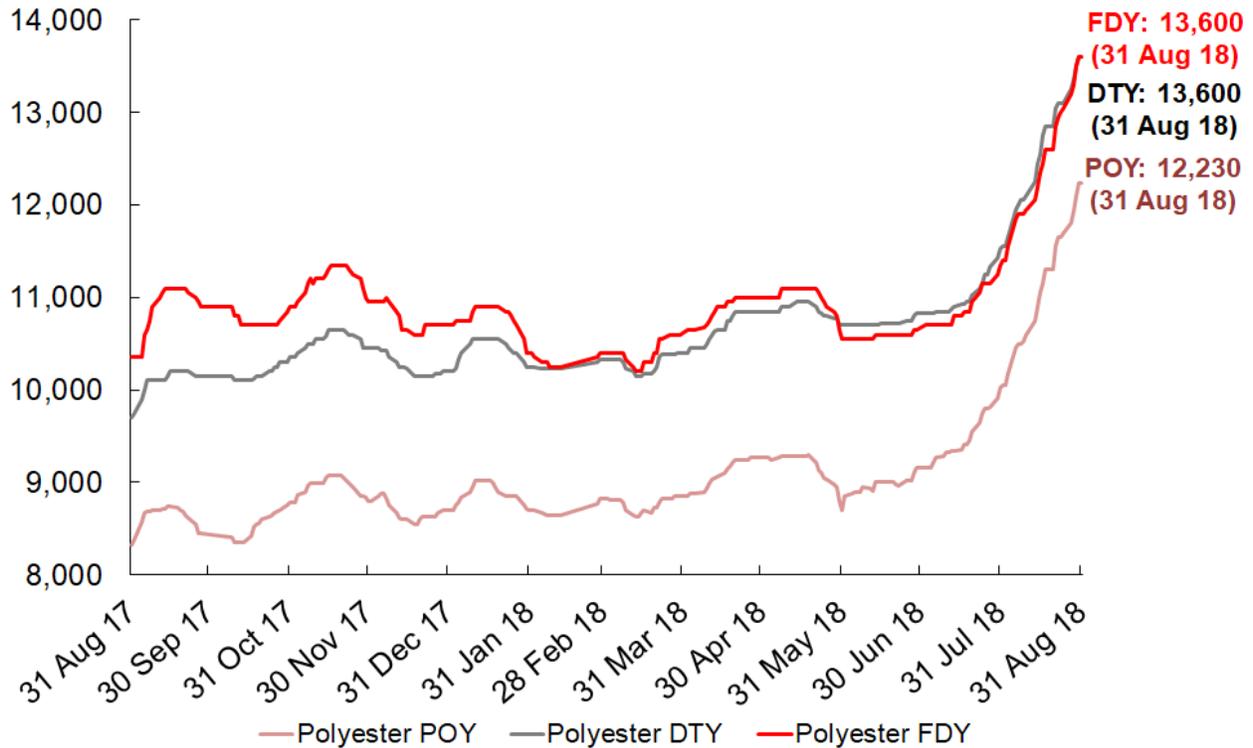
The price indices of polyester¹ rose sharply in August. For example, the price index of polyester DTY shot up from 11,525 on 31 July to 13,600 on 31 August, the highest level in more than six years (*see exhibit 1*).

The surge in the prices of polyester in August was mainly triggered by a hike in upstream costs: the prices of purified terephthalic acid (PTA), a major raw material of polyester, went up markedly in the month. Moreover, an improved downstream demand and a tight supply of polyester also supported polyester prices.

Looking ahead, we expect the prices of polyester to stay high in the near future amid high upstream prices and a tight supply of polyester.

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

Exhibit 1: Price indices of polyester, August 2017 to August 2018



Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber stays high in August

The price index of acrylic staple fiber² stayed flat at a six-year high of 21,300 in early August. The price index then dropped to 20,800 on 9 August, before staying at the same level till the end of the month (see exhibit 2).

In our view, the main reason for the high prices of acrylic staple fiber in August was strong upstream prices, as the prices of acrylonitrile, a major upstream material of acrylic staple fiber, continued to rise in the month.

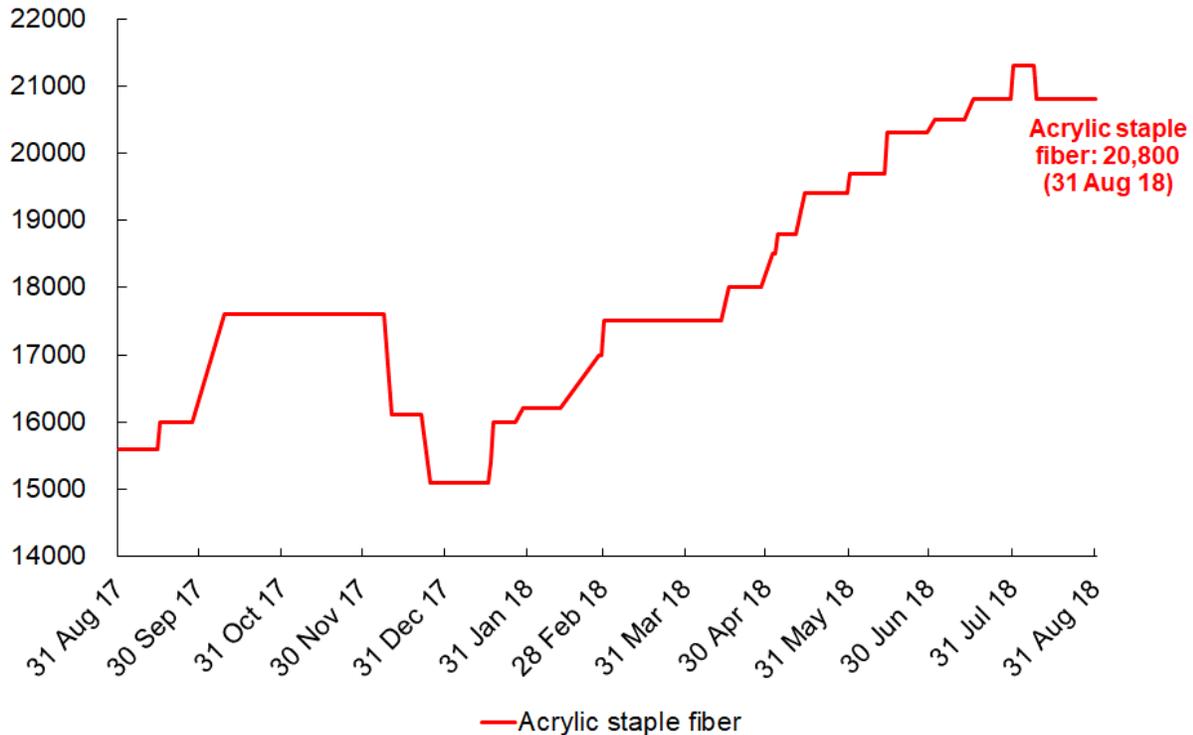
China's 25% additional tariffs on acrylonitrile imported from the US came into effect on 23 August.³ As the US accounts for more than 20% of China's imports of acrylonitrile, the tariffs would lead to higher prices of imported acrylonitrile, which are likely to further

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

³ <http://www.mofcom.gov.cn/article/ae/ai/201808/20180802773926.shtml>

push up the production costs of acrylic staple fiber. Thus, we expect that the prices of acrylic staple fiber will stay high in the near term.

Exhibit 2: Price index of acrylic staple fiber, August 2017 to August 2018



Source: China Chemical & Fiber Economic Information Network

3. Price index of nylon goes up in August

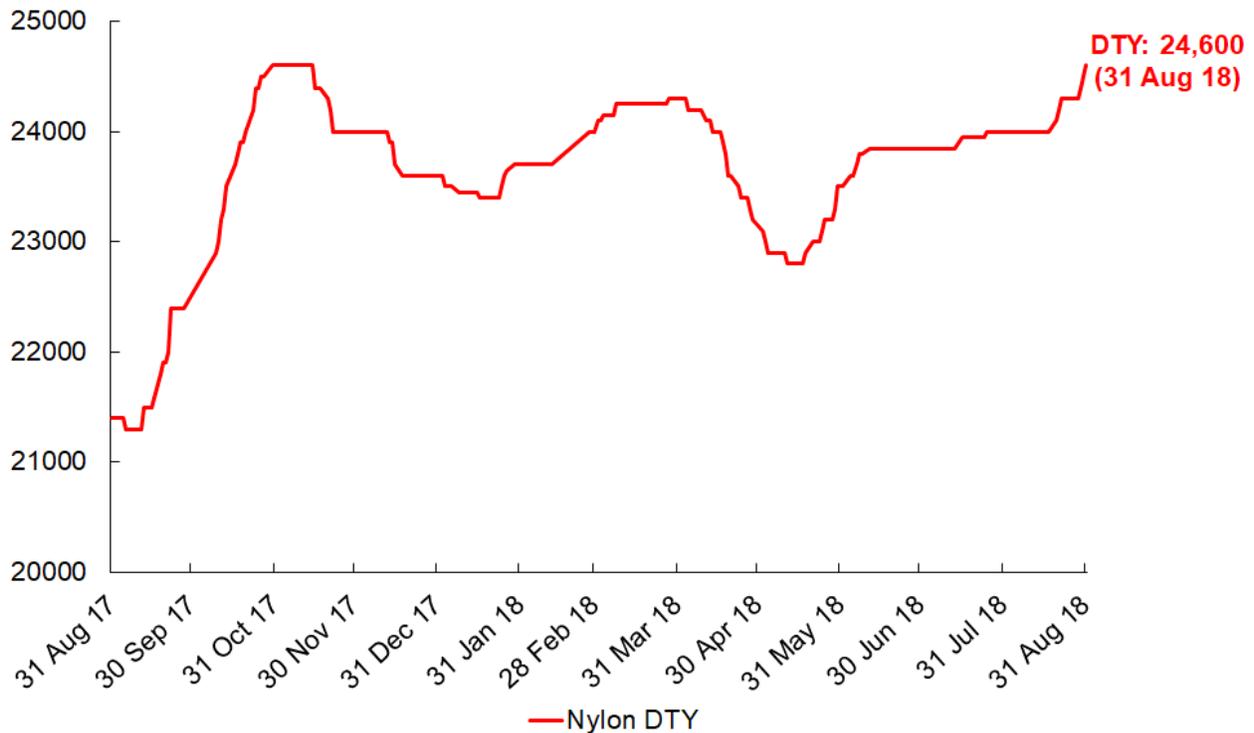
The price index of nylon DTY⁴ rose from 24,000 on 31 July to 24,600 on 31 August (see exhibit 3).

In our view, the increase in nylon prices in August was due largely to an increase in upstream costs: the prices of caprolactam, the major raw material of nylon, went up in the month. Meanwhile, the demand from downstream manufacturers remained sluggish.

Looking ahead, we expect nylon prices to fluctuate around the current high levels in the foreseeable future, as upstream costs are likely to stay high.

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

Exhibit 3: Price index of nylon, August 2017 to August 2018



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber climbs in August

The price index of viscose staple fiber⁵ went up in August, rising from 14,000 on 31 July to 14,950 on 31 August (see exhibit 4).

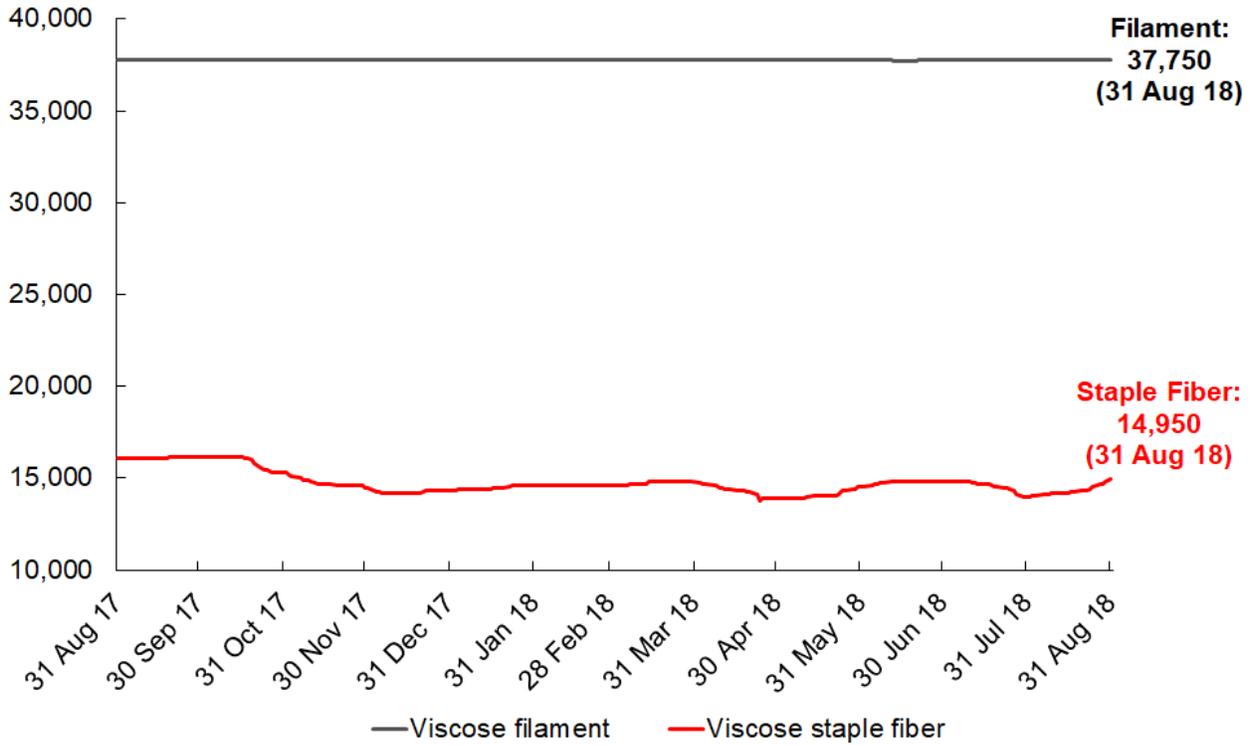
There are two major reasons for the increase in the prices of viscose staple fiber in the month. First, a surge in polyester prices pushed up viscose prices as viscose is a substitute for polyester. Second, the supply of the viscose staple fiber tightened as some viscose plants cut down their production due to operating losses amid high production costs.

Going forward, the supply of viscose staple fiber is likely to remain tight, and the downstream demand for the fiber is likely to improve in the high season in September

⁵ The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

and October. All in all, we expect that prices of viscose staple fiber will go up further in the coming months.

Exhibit 4: Price indices of viscose, August 2017 to August 2018



Source: China Chemical & Fiber Economic Information Network

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