



China Sourcing Update

January 18, 2016

Prices of Chemical Textile Materials

1. Price indices of polyester drop in December

The price indices of polyester¹ fell in December (see *exhibit 1*). For example, the price index of polyester POY dropped from 6,500 on 30 November to 6,075 on 31 December.

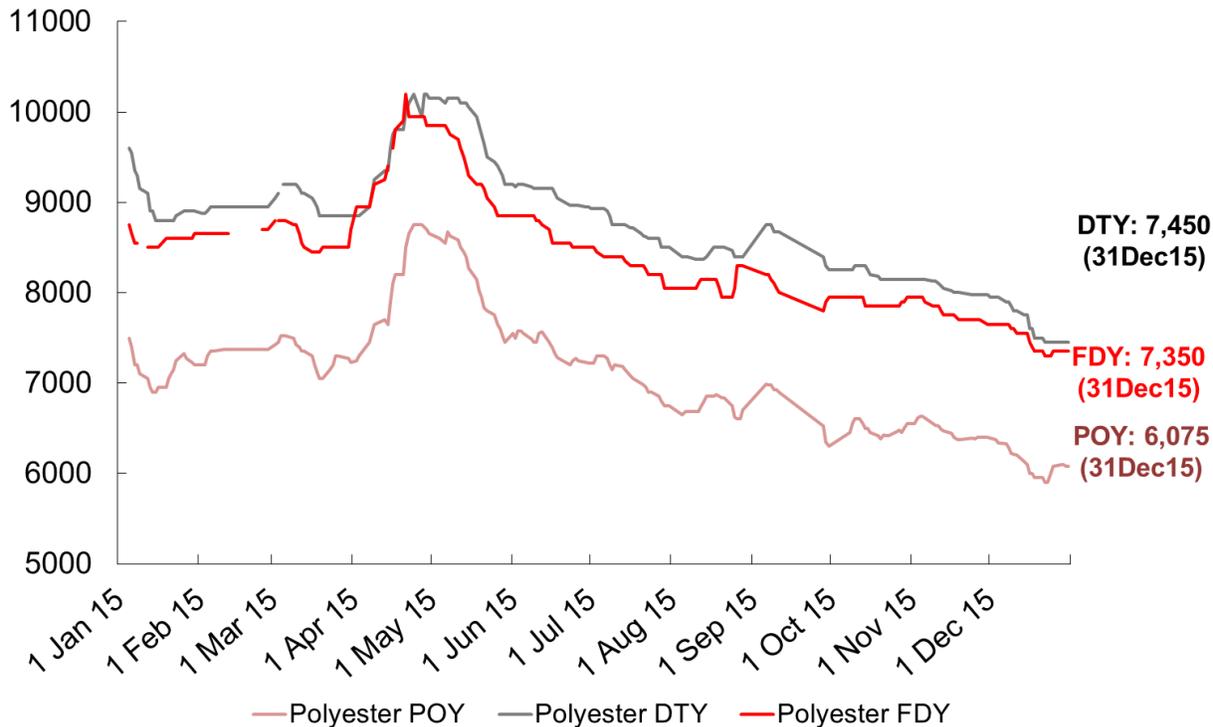
The main reason for the falling polyester prices was the weak downstream demand. According to the local media, volume sales of various kinds of fabrics were low in December, and downstream manufacturers were cautious about placing orders. Also noteworthy is that the prices of purified terephthalic acid (PTA), a major raw material of polyester, remained at low levels, mainly due to the drop of crude prices.²

Going forward, according to media reports, both the upstream prices and the downstream demand for polyester are expected to remain weak in the near term. Therefore, we expect the prices of polyester to stay at low levels in the coming months.

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

² <http://www.100ppi.com/forecast/detail-20160109-91468.html>

Exhibit 1: Price indices of polyester, January 2015 to December 2015



Source: China Chemical & Fiber Economic Information Network

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

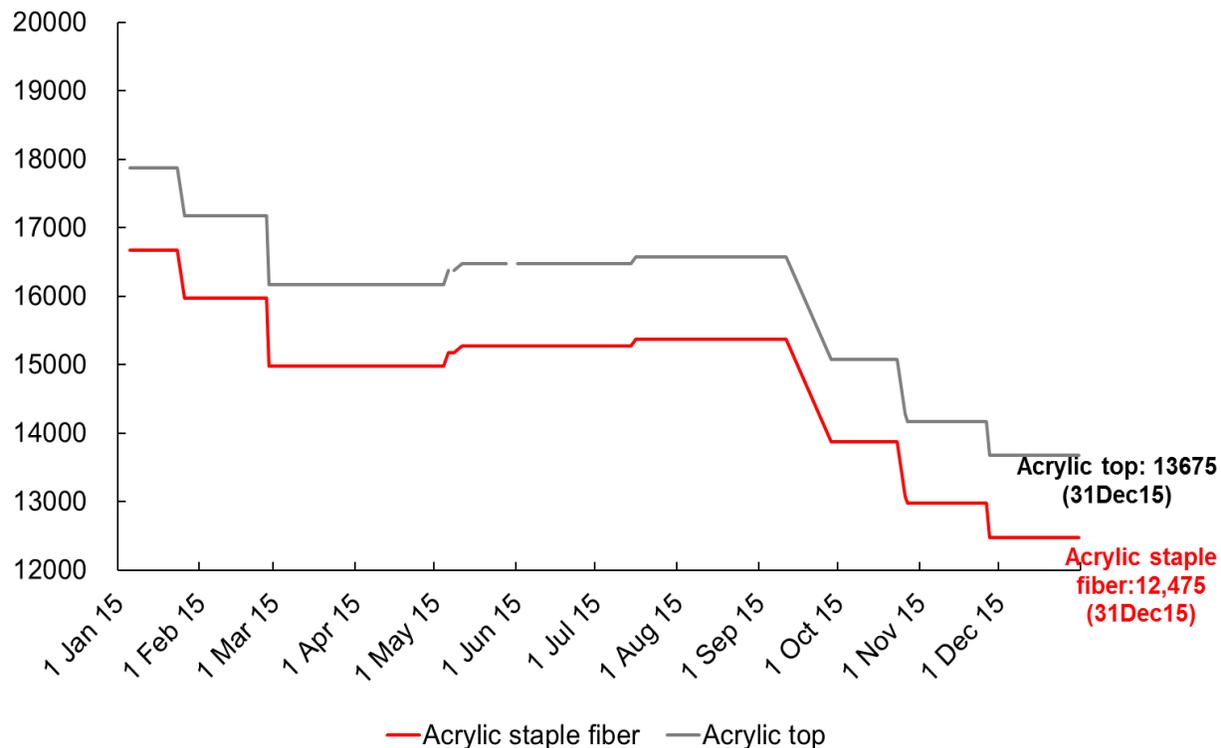
The price index of acrylic staple fiber³ stayed flat at 12,475 throughout December, the lowest level since April 2009 (see exhibit 2).

According to the local media, the downstream demand for acrylic staple fiber was limited during December. On the other hand, the prices of acrylonitrile, a major upstream material of acrylic staple fiber, continued to rise in the month, which helped support the prices of acrylic staple fiber.

Looking forward, we expect the prices of acrylic staple fiber to stay around the current level in the near term.

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

Exhibit 2: Price indices of acrylic, January 2015 to December 2015



Source: China Chemical & Fiber Economic Information Network

3. Price indices of nylon continue to trend downward

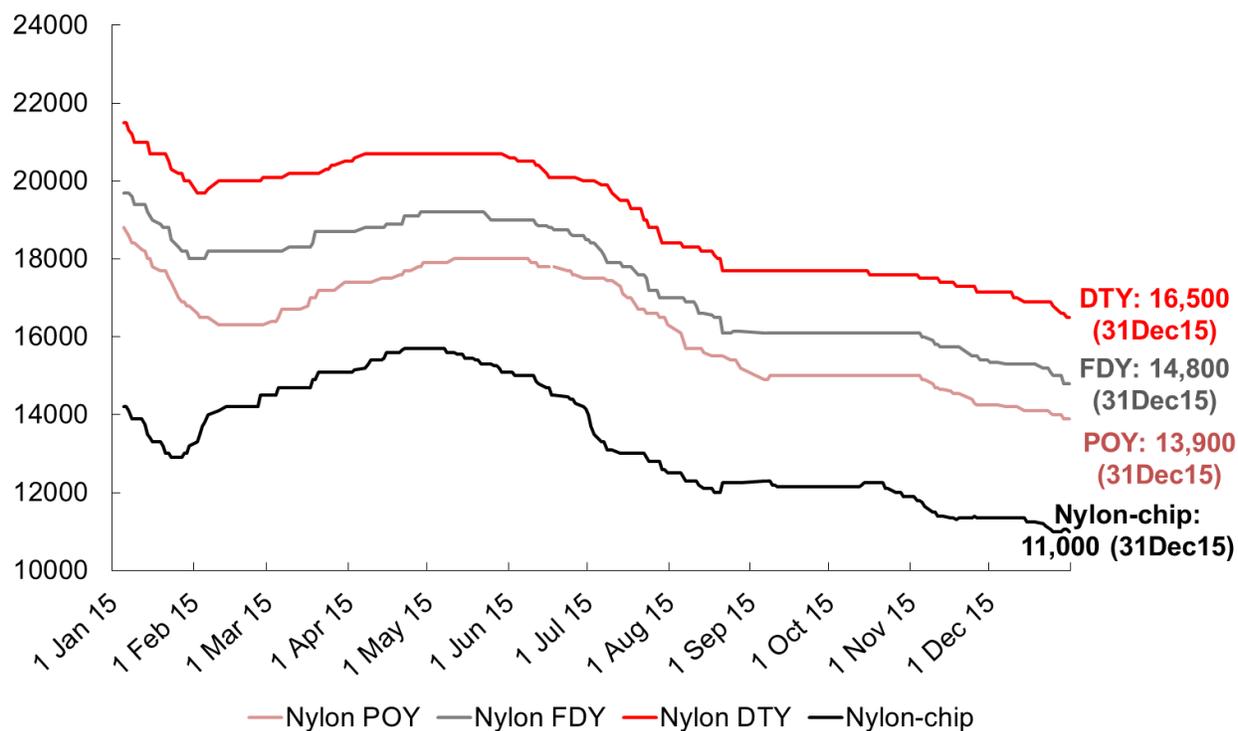
The price indices of nylon⁴ continued to trend downward in December. For example, the price index of nylon POY dropped all the way from 15,000 on 4 November to 13,900 on 31 December (see exhibit 3).

According to the media reports, the prices of caprolactam, a major raw material of nylon, stayed weak during December, mainly due to the weak crude prices. Also, the downstream demand for nylon was soft. A number of downstream manufacturers cut their production in the month, and most manufacturers only made hand to mouth purchases in order to keep their stock levels low.

Looking ahead, we expect the price indices of nylon to stay at low levels, or even continue to fall in the coming months.

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

Exhibit 3: Price indices of nylon, January 2015 to December 2015



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber drops in December

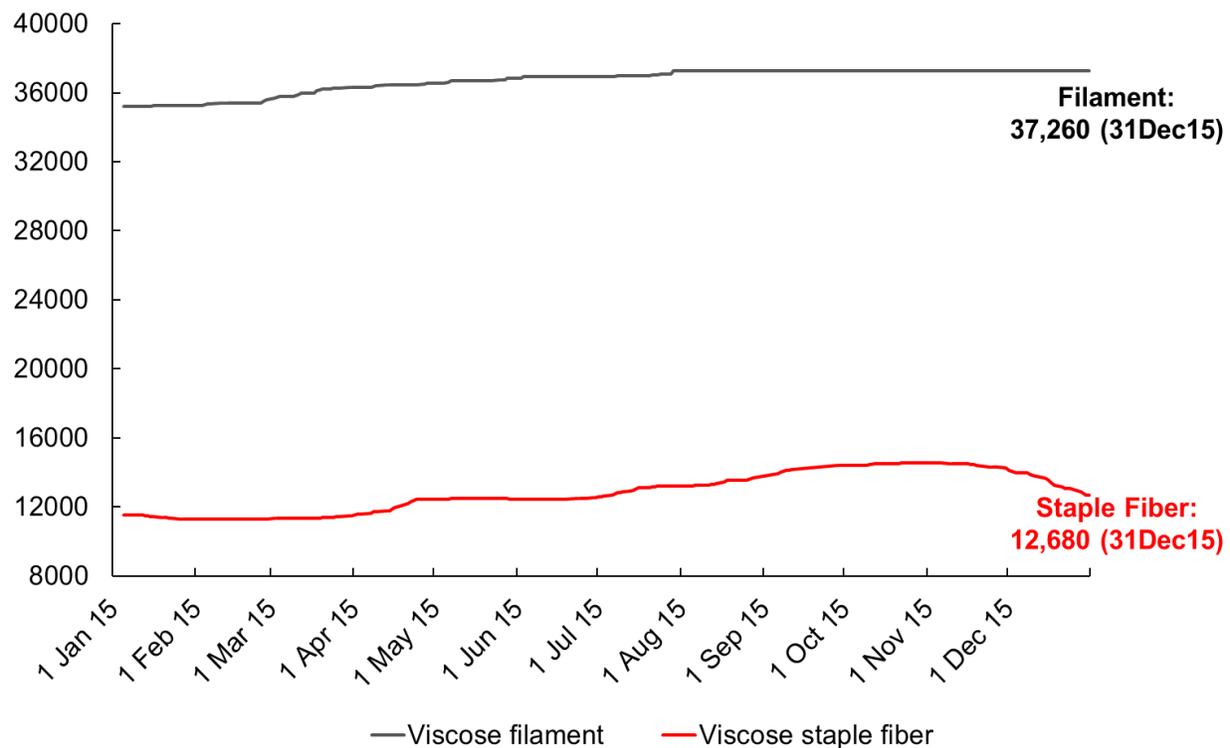
The price index of viscose staple fiber⁵ continued to drop in December; the price index fell by 11% from 14,250 on 30 November to 12,680 on 31 December.

According to media reports, the downstream demand for viscose staple fiber stayed weak during December; and downstream manufacturers only made hand to mouth purchases. As the downstream rayon yarn manufacturers will stop operation during the Chinese New Year holidays, the stock levels of viscose staple fiber are expected to increase in February. In view of this, manufacturers of viscose staple fiber reduced prices to boost sales of their products.

Looking ahead, prices of viscose staple fiber are expected to stay at low levels in the near future, mainly due to the sluggish downstream demand.

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

Exhibit 4: Price indices of viscose, January 2015 to December 2015



Source: China Chemical & Fiber Economic Information Network

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The Fung Business Intelligence Centre (FBIC) collects and analyses market data on sourcing, supply chains, distribution and retail. It also provides thought leadership on technology and other key issues shaping their future.

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