



## China Sourcing Update

January 13, 2017

### Prices of Chemical Textile Materials

#### 1. Price indices of polyester soar in December

The price indices of polyester<sup>1</sup> went up sharply in December (see exhibit 1). For example, the price index of polyester DTY rose from 9,200 on 30 November to 10,450 on 19 December, the highest level since August 2014, before closing at 10,425 on 30 December.

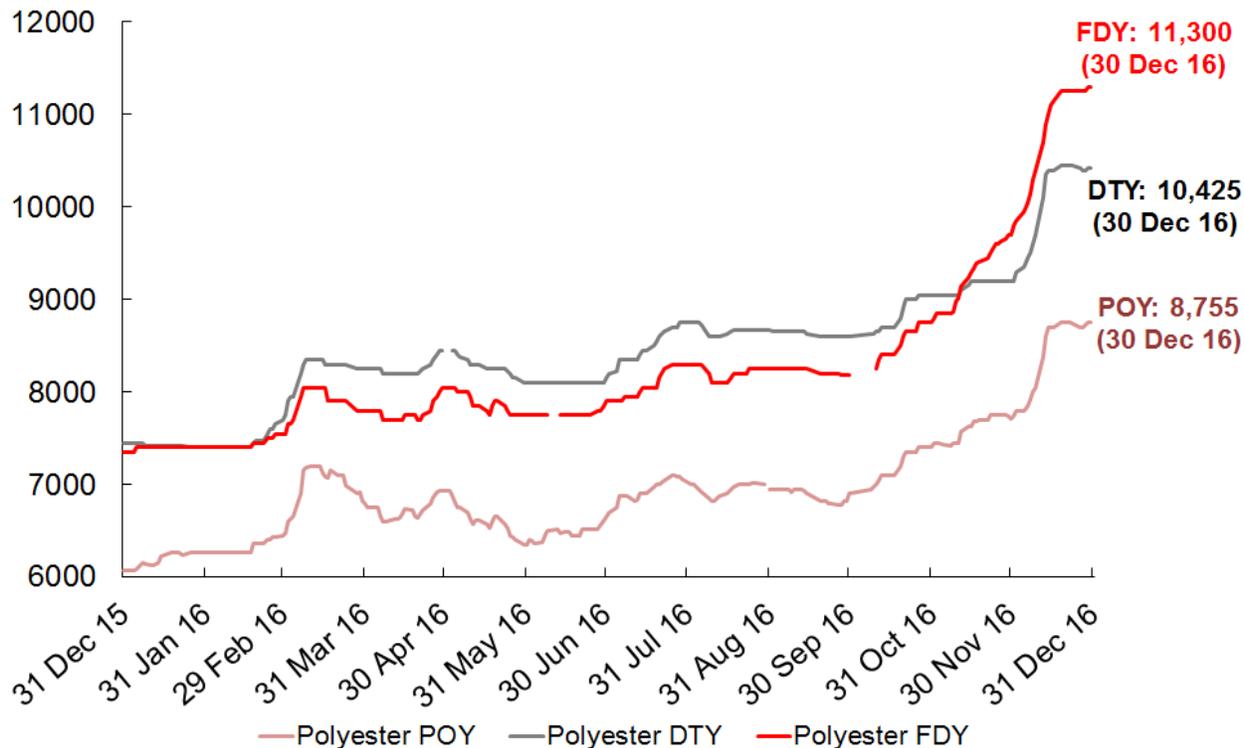
The surge in the prices of polyester in the month was due largely to a rise in the prices of purified terephthalic acid (PTA), a major raw material of polyester; low inventory levels held by polyester producers; and a strong restocking demand for polyester from textiles manufacturers.

Looking ahead, the restocking demand for polyester is expected to fall during late January to mid-February (i.e. the period around the Chinese New Year) when most textiles manufacturers suspend their production. Therefore, we expect the prices of polyester to fall in the near term.

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

**Exhibit 1: Price indices of polyester, December 2015 to December 2016**



Source: China Chemical & Fiber Economic Information Network

## 2. Price index of acrylic staple fiber rises

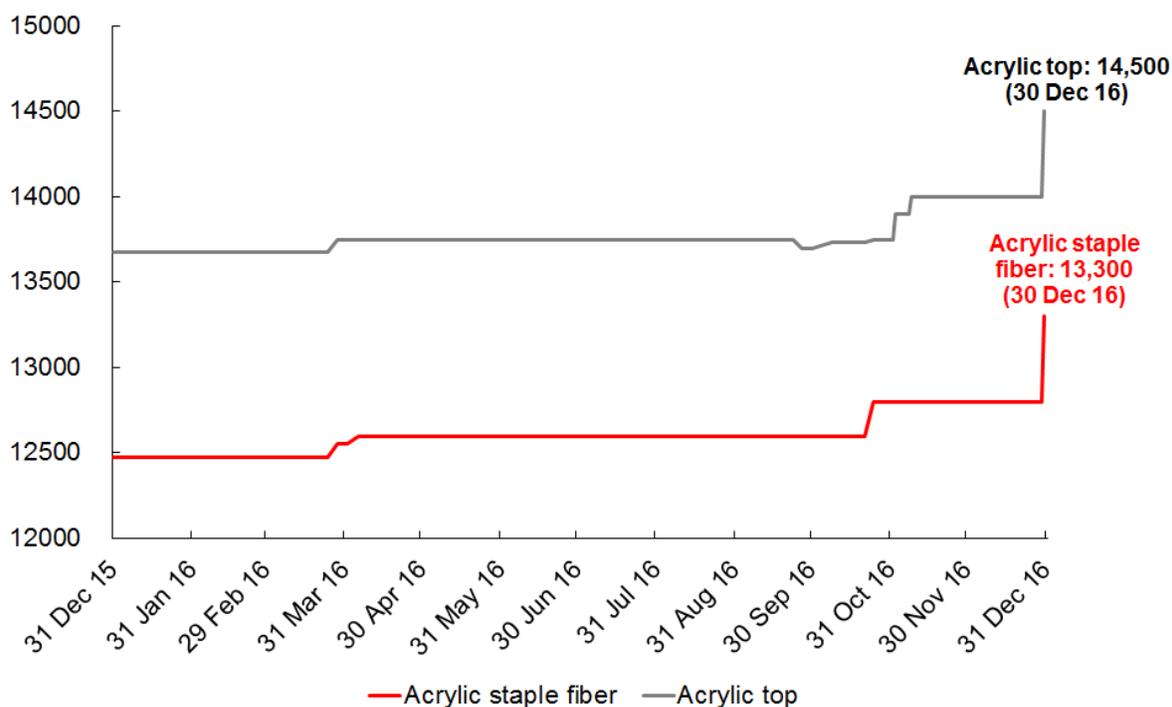
The price index of acrylic staple fiber<sup>2</sup> stayed flat at 12,800 throughout November till late December, before rising to 13,300 on 30 December (see exhibit 2).

According to the local media, the main reason for the increase in the prices of acrylic staple fiber was a tight supply of acrylic staple fiber due to low levels of inventories held by acrylic staple fiber manufacturers.

Looking ahead, the supply of acrylic staple fiber is expected to remain tight in the near term. Therefore, we predict that the prices of acrylic staple fiber will stay at the current high levels in the foreseeable future.

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

## Exhibit 2: Price indices of acrylic, December 2015 to December 2016



Source: China Chemical & Fiber Economic Information Network

### 3. Price indices of nylon surge in December

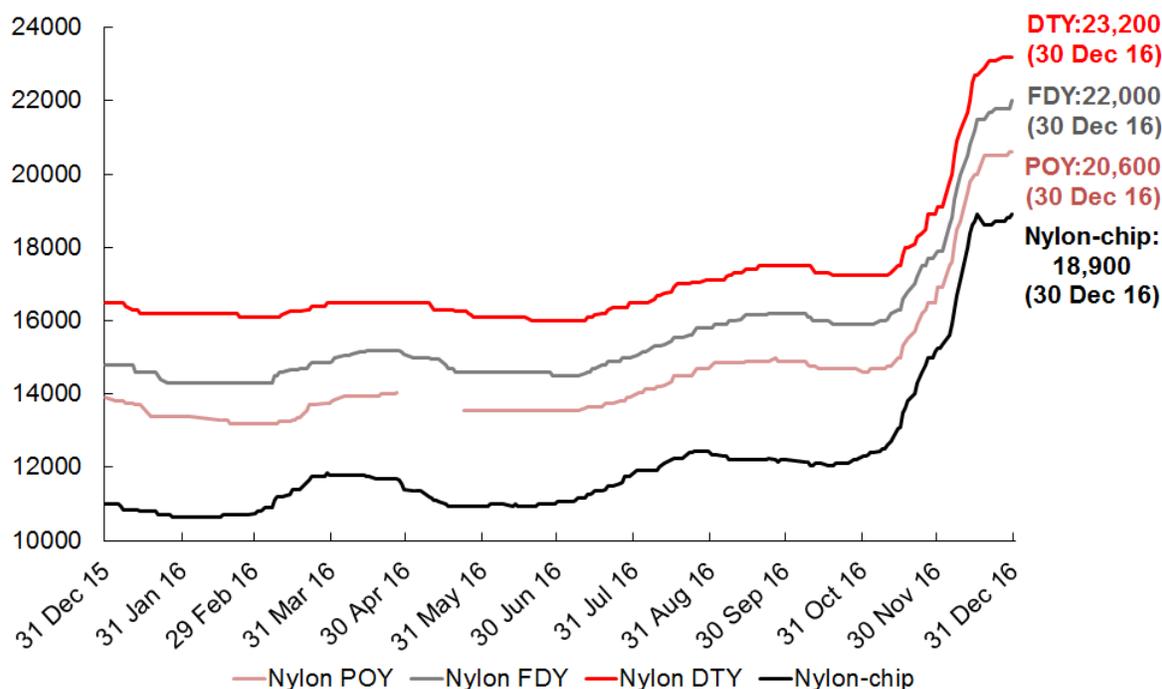
The price indices of nylon<sup>3</sup> soared in December. For example, the price index of nylon DTY went up from 19,100 on 30 November to 23,200 on 30 December, the highest level since November 2014 (see exhibit 3).

The surge in nylon prices in the month was mainly triggered by a sharp rise in the prices of caprolactam, a major raw material of nylon, and a shortage of nylon.

Going forward, we expect the price indices of nylon to peak soon, as the upstream costs of nylon have stabilized since late December, and the downstream demand from textiles manufacturers is expected to be sluggish in the near future.

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

**Exhibit 3: Price indices of nylon, December 2015 to December 2016**



Source: China Chemical & Fiber Economic Information Network

#### 4. Price index of viscose staple fiber rises

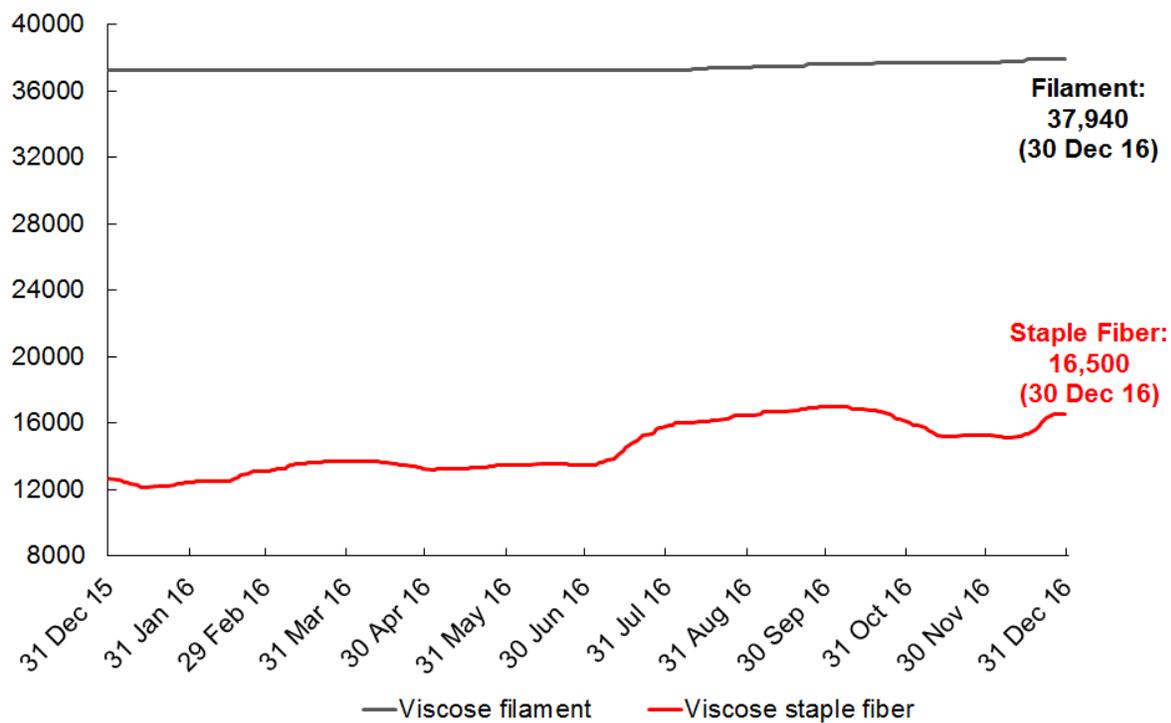
The price index of viscose staple fiber<sup>4</sup> dropped slightly in early December, and then surged in the following weeks. After falling from 15,240 on 30 November to 15,150 on 7 December, the price index went up markedly to 16,500 on 30 December (see exhibit 4).

According to media reports, the increase in the prices of viscose staple fiber since early December was mainly attributable to a reduced supply of and a strong restocking demand for viscose staple fiber.

Going forward, the restocking demand for viscose staple fiber is expected to remain strong till mid-January but very likely to fall afterwards, as most of the downstream rayon yarn manufacturers will stop operations during the period around the Chinese New Year. Therefore, we believe that the prices of viscose staple fiber will peak soon.

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

**Exhibit 4: Price indices of viscose, December 2015 to December 2016**



Source: China Chemical & Fiber Economic Information Network

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