



China Sourcing Update

January 14, 2019

Prices of Chemical Textile Materials

1. Price indices of polyester trend downward in second half of December

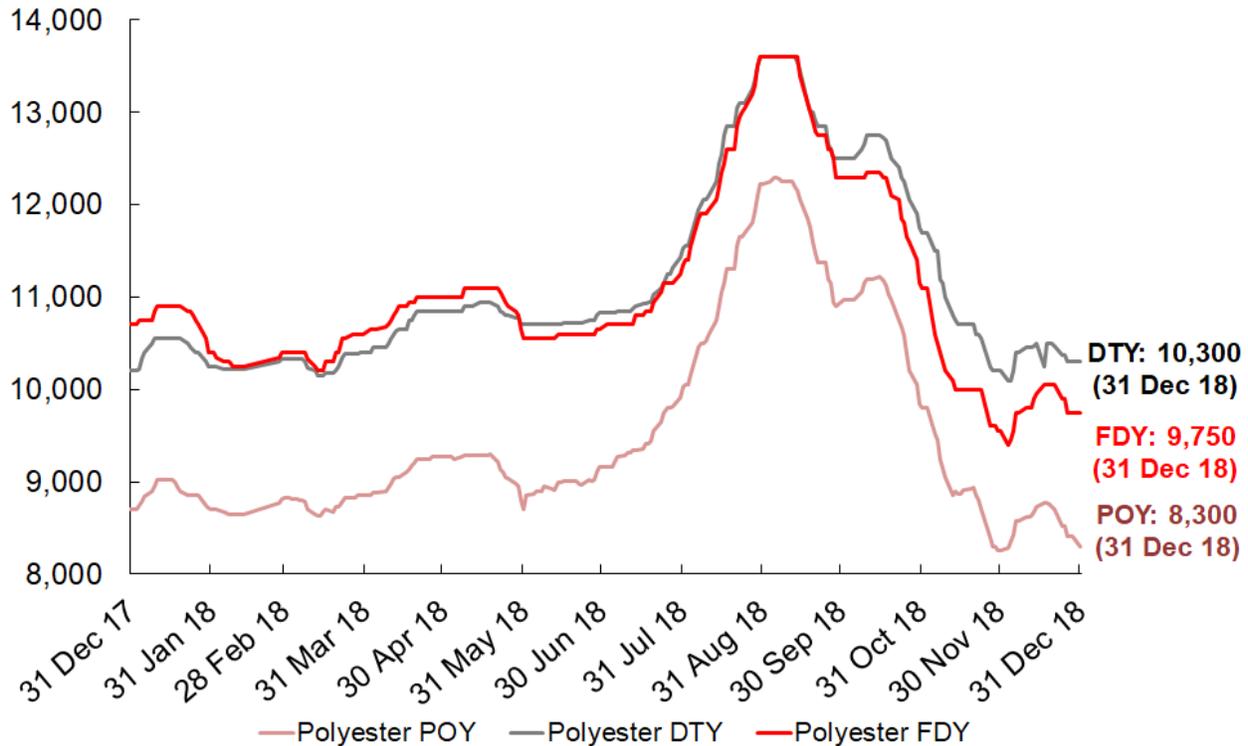
The price indices of polyester¹ rebounded in the first half of December, but then trended downward in the second half of December. For example, the price index of polyester DTY went up from 10,200 on 30 November to 10,500 on 18 December, before falling to 10,300 on 31 December (*see exhibit 1*).

The prices of polyester went up in the first half of December as crude prices rebounded in early December and the downstream demand improved due largely to an ease in trade tensions between China and the US. Afterwards, the polyester prices trended downward in the second half of December, driven mainly by a fall in the crude prices.

Recently, the prices of purified terephthalic acid (PTA), a major raw material of polyester, have rebounded amid the latest rise in the global crude prices. We therefore expect the prices of polyester to show a rebound soon.

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

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



Source: China Chemical & Fiber Economic Information Network

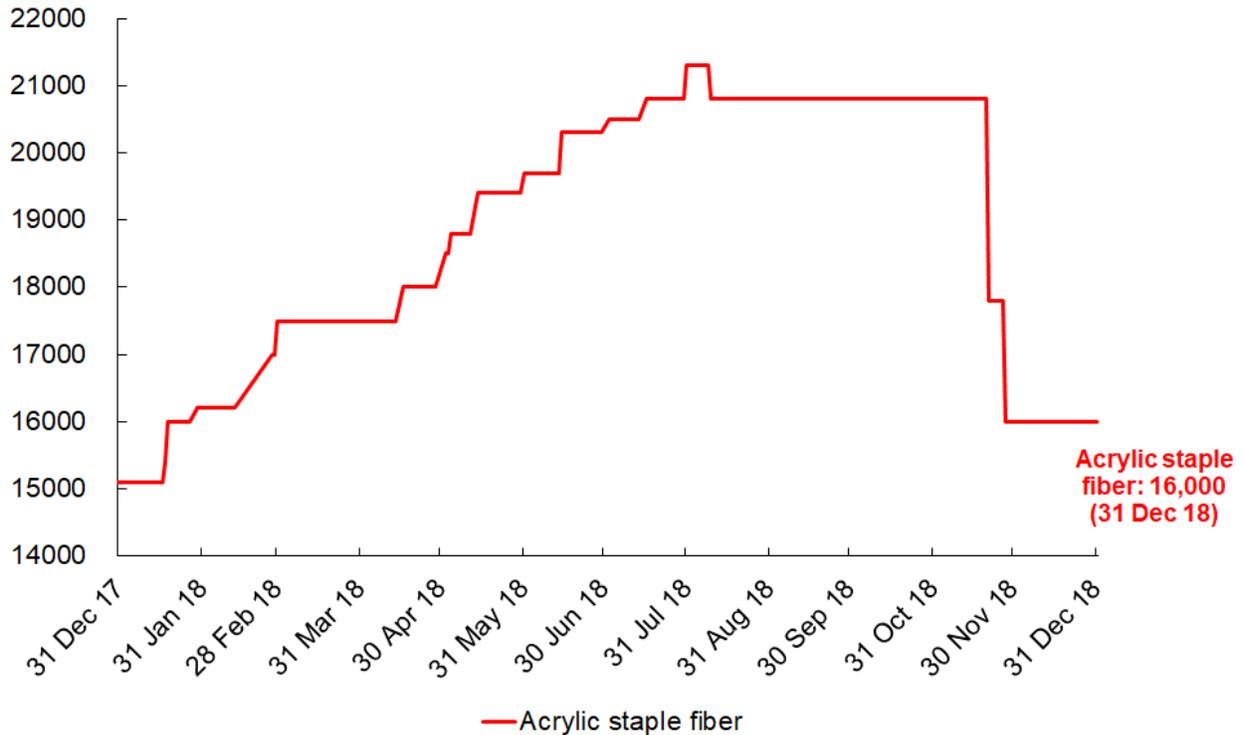
2. Price index of acrylic staple fiber stays stable in December

After dropping sharply in November, the price index of acrylic staple fiber² stayed stable at 16,000 throughout 30 November to 31 December. In our view, the main reason behind the stabilization in the prices of acrylic staple fiber was that the prices of acrylonitrile, a major upstream material of acrylic staple fiber, stayed flat during the period. (see exhibit 2).

Going forward, we expect that the prices of acrylic staple fiber will stay flat in the near term, as the prices of acrylonitrile have remained relatively stable recently.

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

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



Source: China Chemical & Fiber Economic Information Network

3. Price index of nylon plunges in December

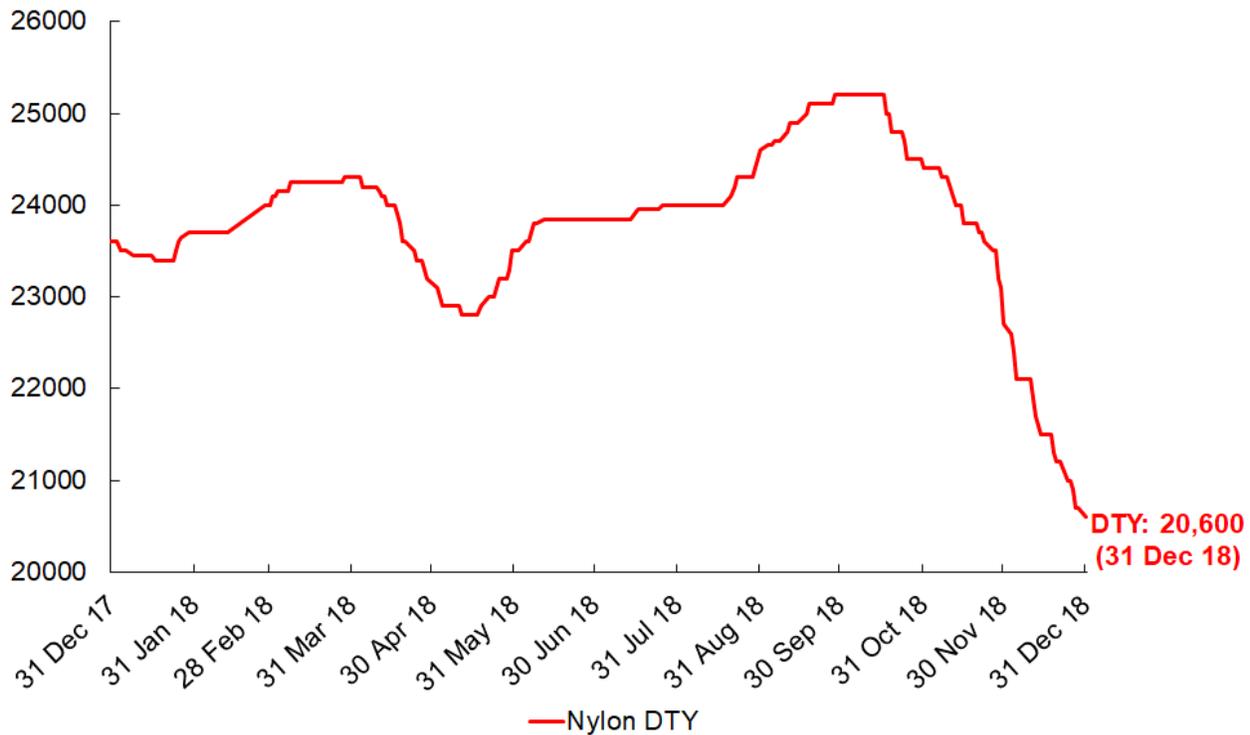
The price index of nylon DTY³ plunged from 22,700 on 30 November to 20,600 on 31 December, the lowest level since mid-July 2017 (see exhibit 3).

The marked fall in nylon prices in December was due mainly to a drop in the prices of caprolactam, the major raw material of nylon, and a sluggish downstream demand for nylon in the month.

The prices of caprolactam have stabilised since late December. Therefore, it is likely that the nylon prices will stabilise soon, in our view.

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

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



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber shows slight drop in late December

The price index of viscose staple fiber⁴ stayed relatively stable in early to mid-December, and then dropped slightly in late December. On 31 December, the price index was 13,680, lower than the index reading of 13,900 on 30 November (see exhibit 4).

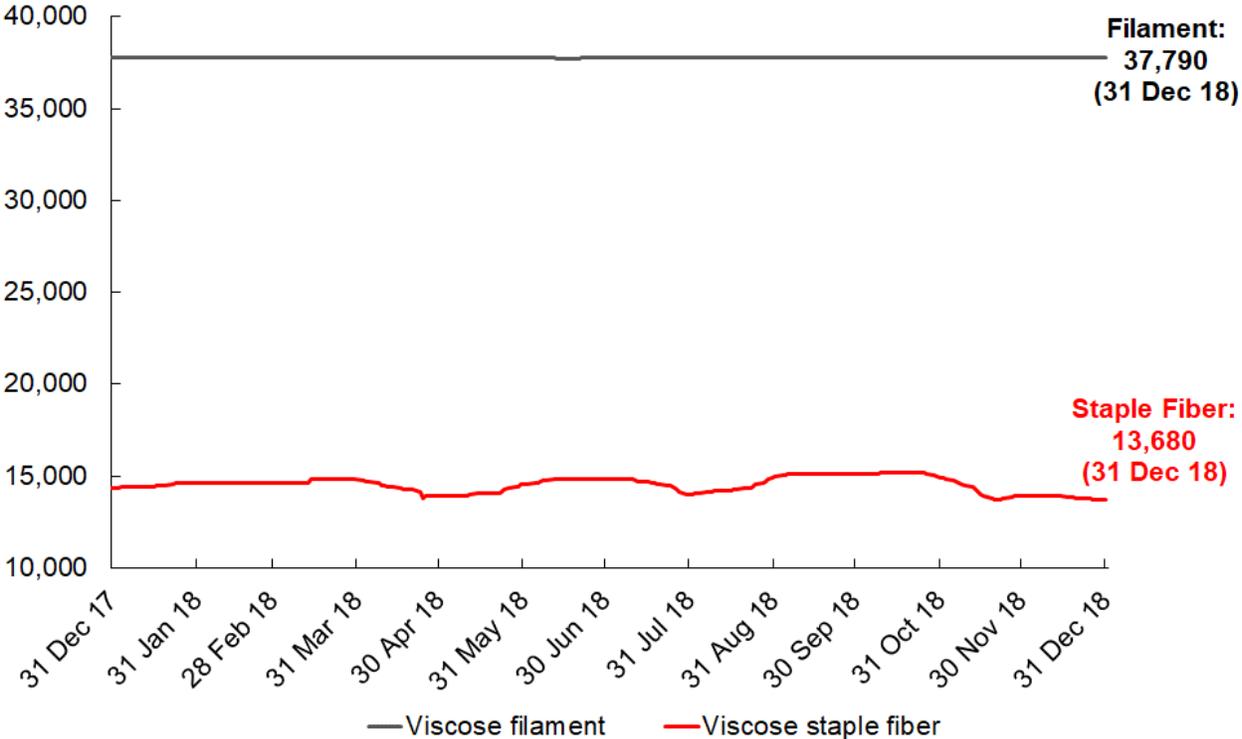
The slight fall in the prices of viscose staple fiber in late December was attributed to a sluggish demand for rayon yarn, a major downstream product of viscose staple fiber. Consequently, the demand for viscose staple fiber was weak. In response, manufacturers of viscose staple fiber lowered the prices of their products to stimulate sales.

Given the weak downstream demand for viscose staple fiber, prices of the fiber are likely to go down further. We do not expect prices of viscose staple fiber to drop much, however, due to a tighter supply of viscose staple fiber. According to media reports, to

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

reduce their levels of inventories, some manufacturers of viscose staple fiber have recently suspended or reduced their production for maintenance.

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



Source: China Chemical & Fiber Economic Information Network

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CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

Timothy Cheung
Senior Research Manager
timothycheung@fung1937.com
(852) 2300 2477

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



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