



China Sourcing Update

February 19, 2016

Prices of Chemical Textile Materials

1. Price indices of polyester stay at low levels

The price indices of polyester¹ stayed at low levels during January (*see exhibit 1*). For example, the price indices of polyester POY, polyester FDY and polyester DTY were at 6,265, 7,400 and 7,400 respectively, on 29 January.

According to the local media, the downstream demand for polyester stayed weak in January, putting downward pressure on the prices of polyester. Also, the prices of purified terephthalic acid (PTA), a major raw material of polyester, remained low during the same period. However, a number of polyester manufacturers shut down their plants for maintenance during January.² As a result, the supply of polyester tightened in January, which helped support the prices of polyester.³

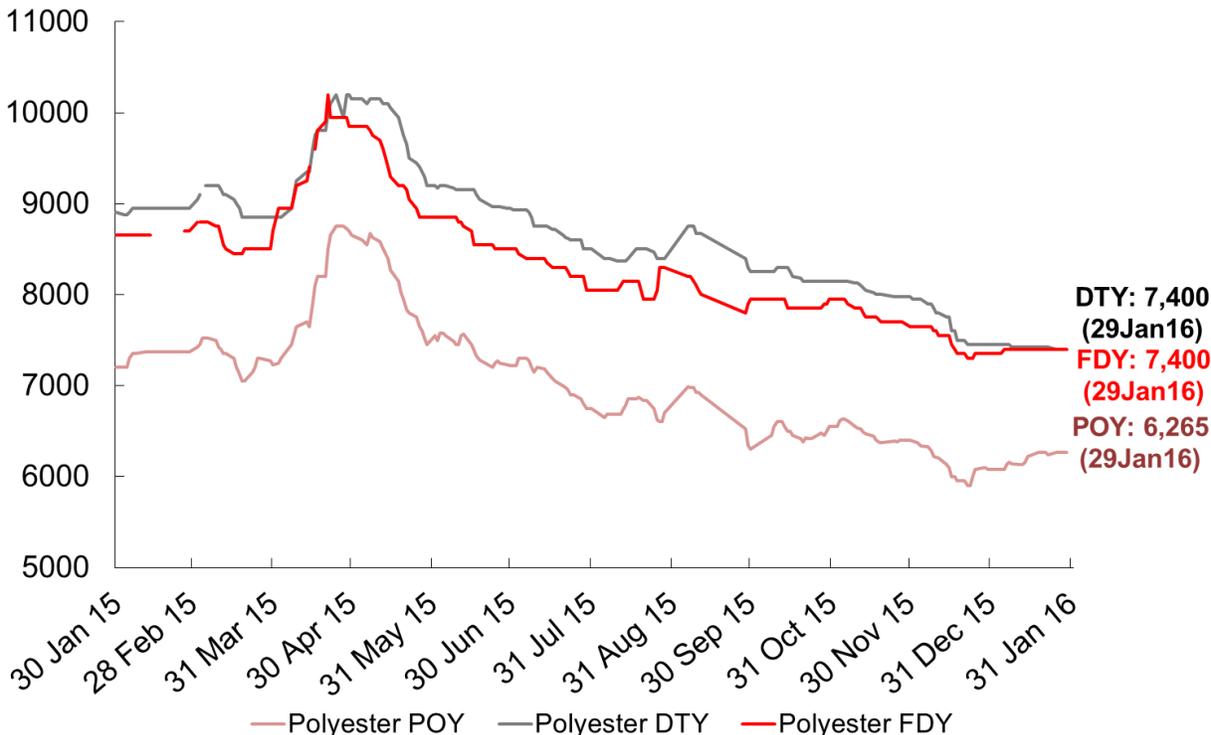
Going forward, according to media reports, both the upstream prices and the downstream demand for polyester are expected to remain soft in the near term. Therefore, we expect the prices of polyester to stay at low levels in the coming months.

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

² <http://www.tnc.com.cn/info/c-034001-d-3558013.html>

³ <http://www.tnc.com.cn/market/c-034001-d-3558013.html>

Exhibit 1: Price indices of polyester, January 2015 to January 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 fiber⁴ stayed flat at 12,475 throughout January, the lowest level since April 2009 (see exhibit 2).

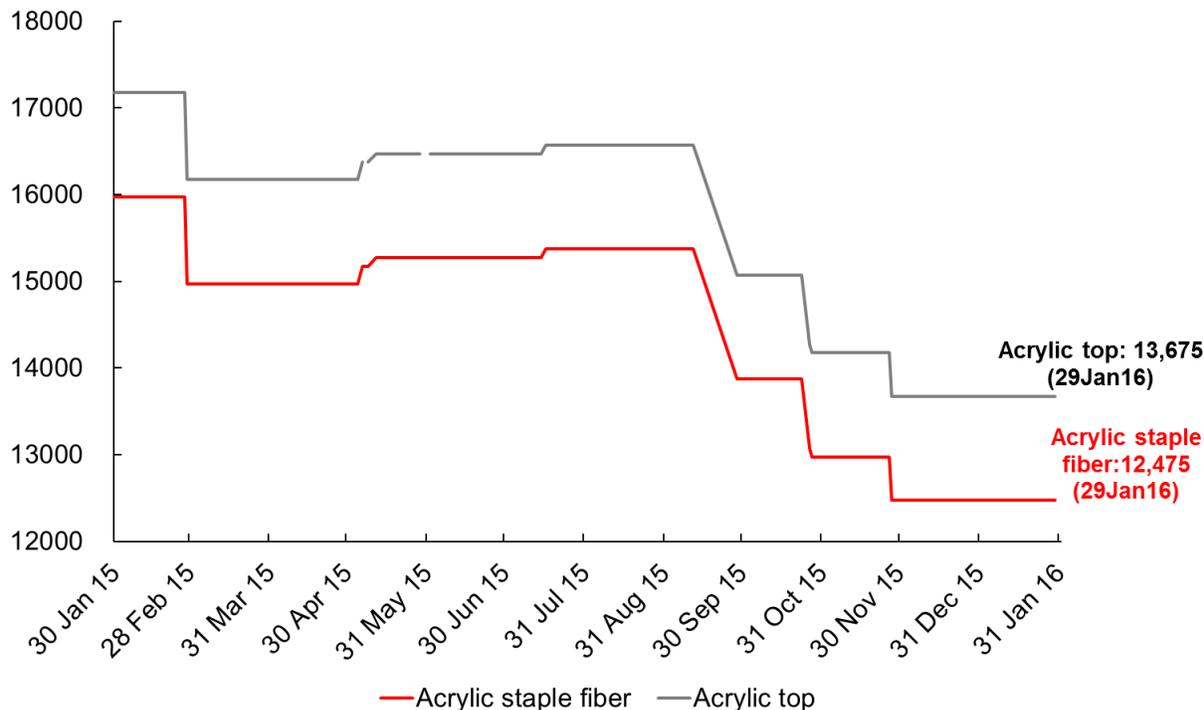
According to the local media, the downstream demand for acrylic staple fiber was limited during January. Also, the prices of acrylonitrile, a major upstream material of acrylic staple fiber, were on a downward trend during the month. However, according to an industry expert, the cash flows and profitability of manufacturers of acrylic staple fiber have improved due to the reduction in raw material costs; and their stock levels are currently not high during the period.⁵ Thus, manufacturers of acrylic staple fiber do not have strong pressure to clear their inventory through reducing the prices of acrylic staple fiber during January.

Looking forward, the prices of acrylonitrile is expected to be low in the near term; in view of this, we expect the prices of acrylic staple fiber to stay around the current low level in the coming months.

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

⁵ <http://www.100ppi.com/forecast/detail-20160127-93080.html>

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



Source: China Chemical & Fiber Economic Information Network

3. Price indices of nylon continue to trend downward

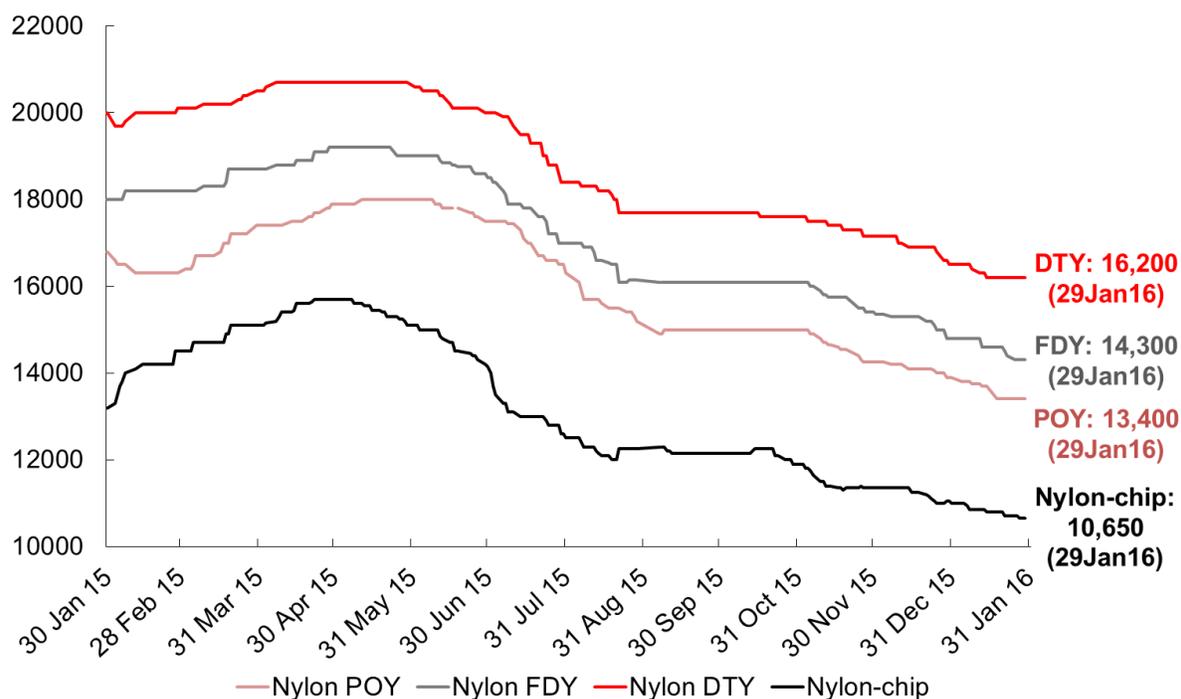
The price indices of nylon⁶ continued to trend downward in January. For example, the price index of nylon POY dropped from 13,900 on 31 December to 13,400 on 29 January (see exhibit 3).

According to the media reports, the upstream prices of nylon stayed low during January. Also, the downstream demand for nylon stayed soft. Some downstream manufacturers started to suspend their production in early January, ahead of the Chinese New Year holidays; some manufacturers only made hand to mouth purchases in order to keep their stock levels low.

Looking ahead, according to the local media, the downstream demand for nylon is likely to become weaker in the coming months. We therefore expect that the price indices of nylon will be at low levels, or even fall further in the near term.

⁶ The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

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



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber rebounds in mid to late January

The price index of viscose staple fiber⁷ continued to drop during the first half of January; the price index fell from 12,680 on 31 December to 12,100 on 14 January. Then, the price index rebounded in the following weeks, going up to 12,430 on 29 January.

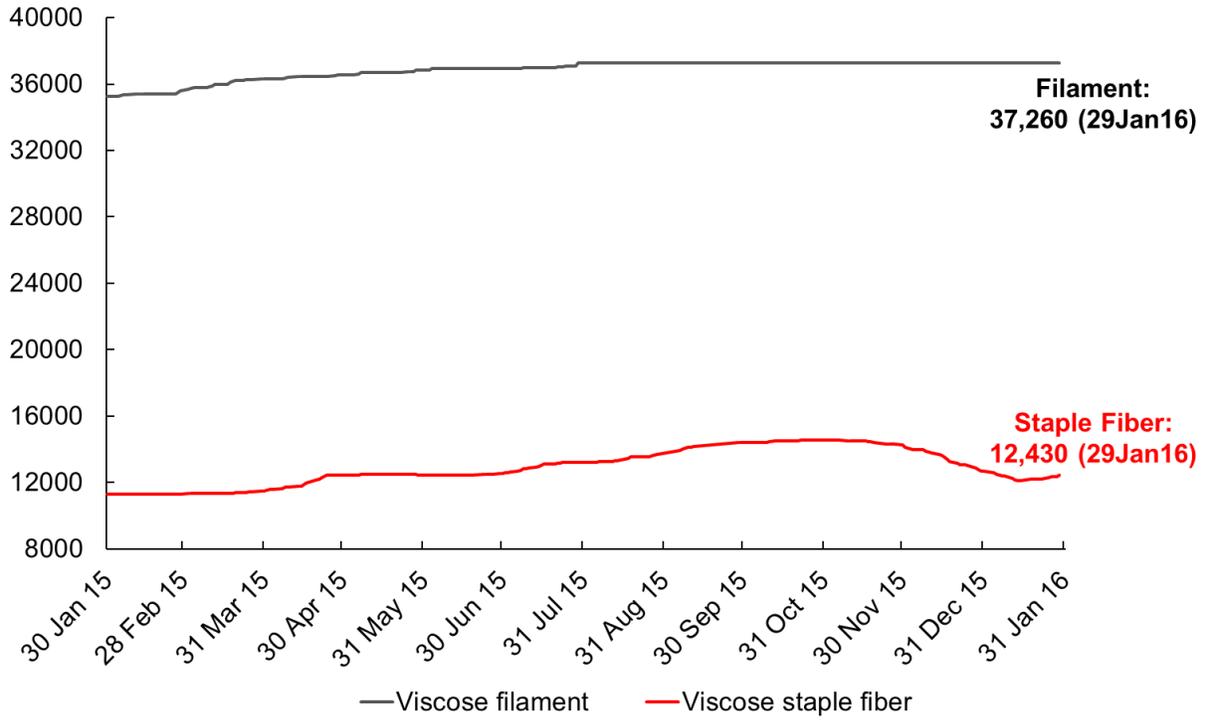
According to media reports, the downstream demand for viscose staple fiber strengthened during the month, due largely to the following two reasons: first, the demand for rayon yarn, a major downstream product of viscose staple fiber, improved during the month; second, the low prices of viscose staple fiber encouraged downstream manufacturers to make more purchases.⁸

Looking ahead, most downstream rayon yarn manufacturers will resume production during mid to late February, which will support the demand for viscose staple fiber. Thus, the price index of viscose staple fiber may continue its rebound in the near term.

⁷ The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

⁸ <http://www.100ppi.com/forecast/detail-20160130-93419.html>

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



Source: China Chemical & Fiber Economic Information Network

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