



China Sourcing Update

February 17, 2017

Prices of Chemical Textile Materials

1. Price indices of polyester fall in January

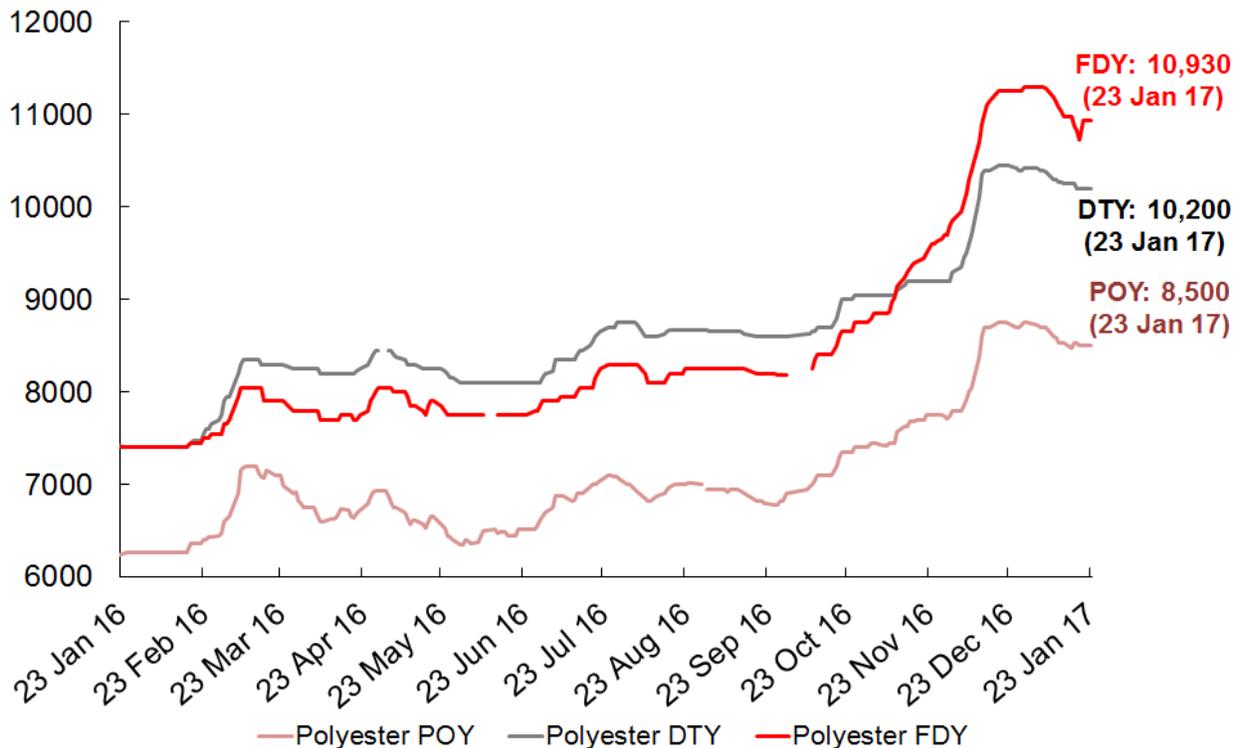
The price indices of polyester¹ went down in January 2017 (see *exhibit 1*). For example, the price index of polyester DTY dropped from 10,425 on 30 December 2016 to 10,200 on 23 January 2017.

According to the local media, the main reasons for the decline in the prices of polyester in the month were a drop in the prices of purified terephthalic acid (PTA), a major raw material of polyester; and a fall in the restocking demand for polyester from textiles manufacturers during the period around the Chinese New Year.

Looking ahead, the downstream demand for polyester is expected to recover starting from mid-February when most textiles manufacturers resume their production. Thus, we expect that the prices of polyester will rebound in the near future.

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

Exhibit 1: Price indices of polyester, January 2016 to January 2017



Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber goes up

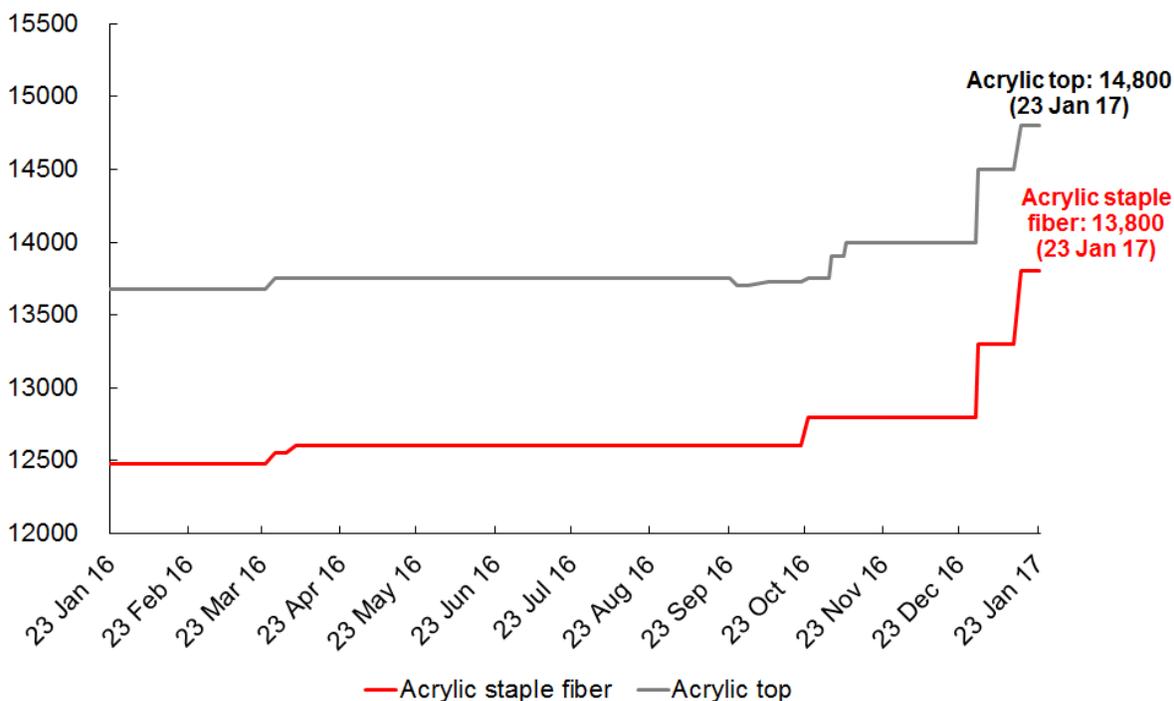
The price index of acrylic staple fiber² stayed flat at 13,300 throughout early to mid-January. The price index then rose to 13,800 on 16 January, before staying at the same level till the end of the month (see exhibit 2).

In our view, the increase in the prices of acrylic staple fiber in the month was due largely to a rise in the prices of acrylonitrile, a major upstream material of acrylic staple fiber.

Going forward, we expect the prices of acrylic staple fiber to go up further in the foreseeable future, as the prices of acrylonitrile continued to increase during late January to early February.

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

Exhibit 2: Price indices of acrylic, January 2016 to January 2017



Source: China Chemical & Fiber Economic Information Network

3. Price indices of nylon continue to rise

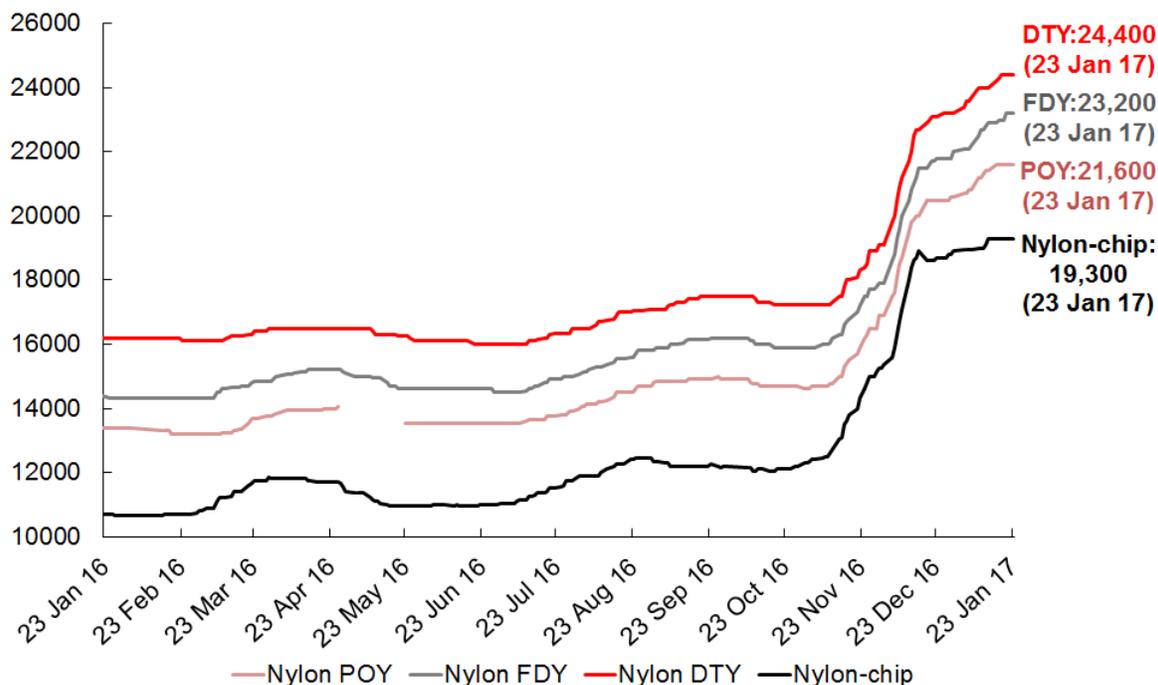
The price indices of nylon³ went up in January. For example, the price index of nylon DTY went up from 23,200 on 30 December 2016 to 24,400 on 23 January 2017, the highest level since March 2014 (see exhibit 3).

According to media reports, the increase in nylon prices in the month was mainly attributable to a rise in the prices of caprolactam, a major raw material of nylon; and a tight supply of nylon.

Going forward, we believe that the price indices of nylon will continue to rise in the near future, as the supply of nylon is expected to remain tight and the upstream costs of nylon went up further in early February.

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

Exhibit 3: Price indices of nylon, January 2016 to January 2017



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber edges up

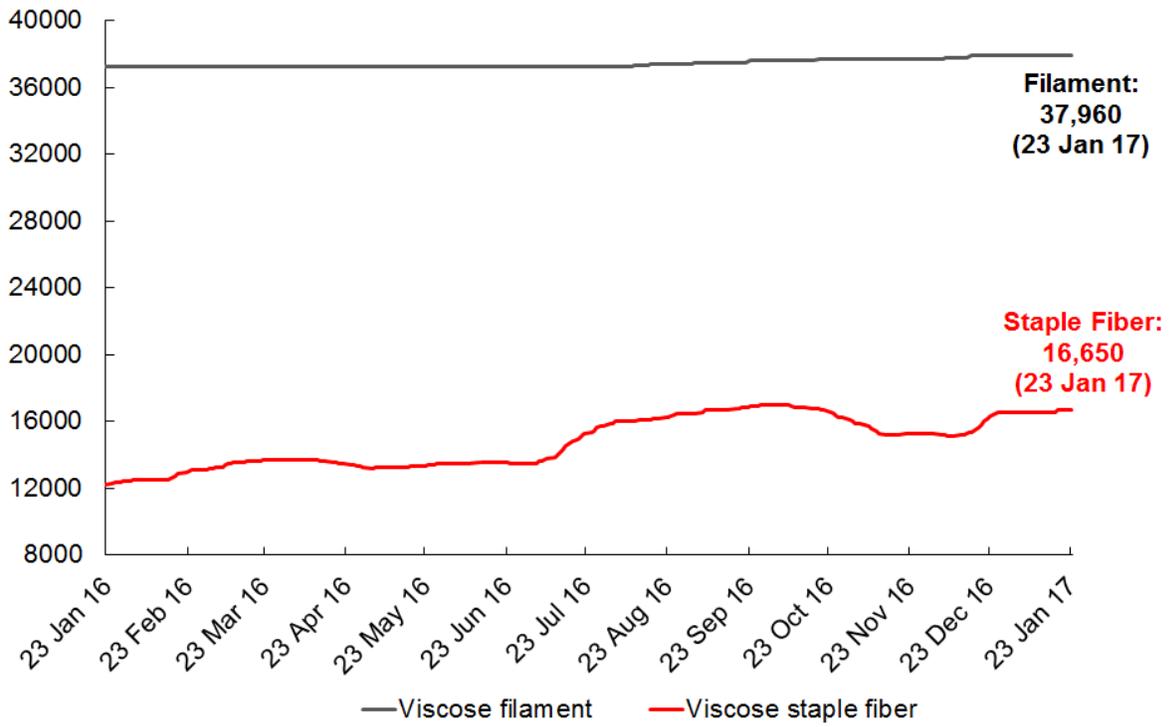
The price index of viscose staple fiber⁴ went up slightly in January, rising from 16,500 on 30 December 2016 to 16,650 on 23 January 2017 (see exhibit 4).

According to media reports, the main reason for the increase in the prices of viscose staple fiber in the month was a reduced supply of viscose staple fiber resulting from a cut in production capacities due to tougher enforcement of environmental regulations.

Looking ahead, the supply of viscose staple fiber is expected to remain tight in the near future. Thus, we expect the prices of viscose staple fiber to stay high or even increase further in the coming months.

⁴ 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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