



China Sourcing Update

August 8, 2016

Prices of Chemical Textile Materials

1. Price indices of polyester rise further in July

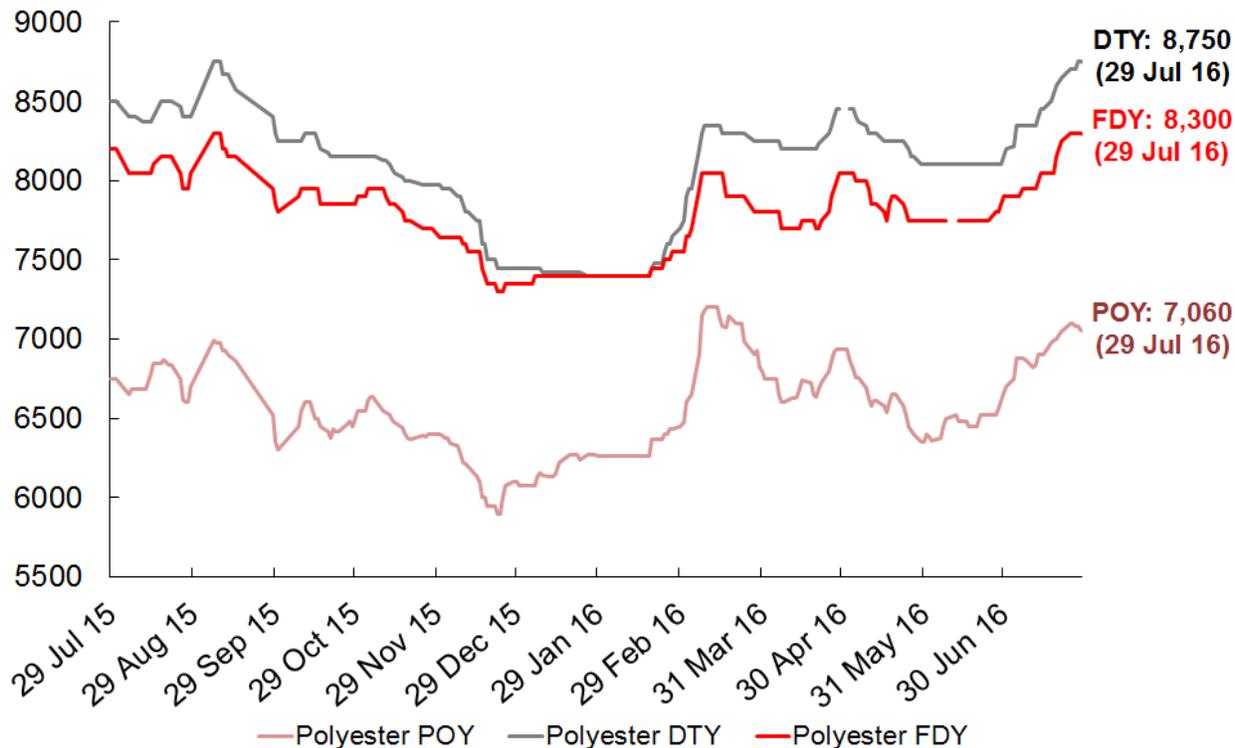
The price indices of polyester¹ went up in July (see *exhibit 1*). For example, the price indices of polyester DTY rose from 8,150 on 30 June to 8,750 on 29 July, the highest level since early September 2015.

According to the local media, in the month, the restocking demand for polyester from downstream demand was strong; and the inventories held by polyester manufacturers dropped to a low level, resulting in a tight supply of polyester.

Going forward, the supply of polyester is expected to remain tight in the coming months, as a lot of polyester producers in eastern China will reduce or even suspend production ahead of the upcoming G20 Leaders Summit in Hangzhou on 4-5 September. However, crude prices have fallen markedly since the 'Brexit' vote result, which is expected to put downward pressure on the upstream prices of polyester. All in all, we forecast the prices of polyester to peak soon.

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

Exhibit 1: Price indices of polyester, July 2015 to July 2016



Source: China Chemical & Fiber Economic Information Network

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

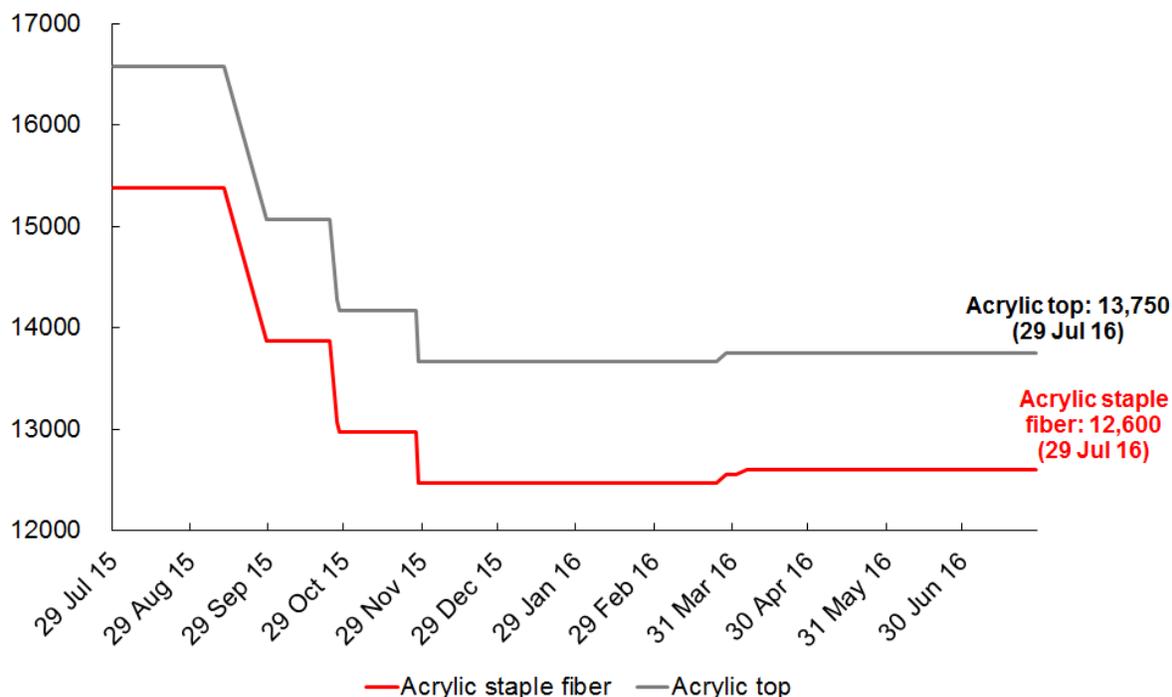
The price index of acrylic staple fiber² stayed flat at 12,600 throughout July (see exhibit 2).

According to media reports, the downstream demand for acrylic staple fiber was soft during the month, due to low operating rates of downstream manufacturers; and the prices of acrylonitrile, a major upstream material of acrylic staple fiber, dropped in July.

Looking forward, there are no signs of a pickup in downstream demand; and the sharp fall in global crude prices after the 'Brexit' vote result is expected to further drag down the prices of acrylonitrile. Thus, we expect the prices of acrylic staple fiber to stay at low levels or even drop in the coming months.

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

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



Source: China Chemical & Fiber Economic Information Network

3. Price indices of nylon rebound

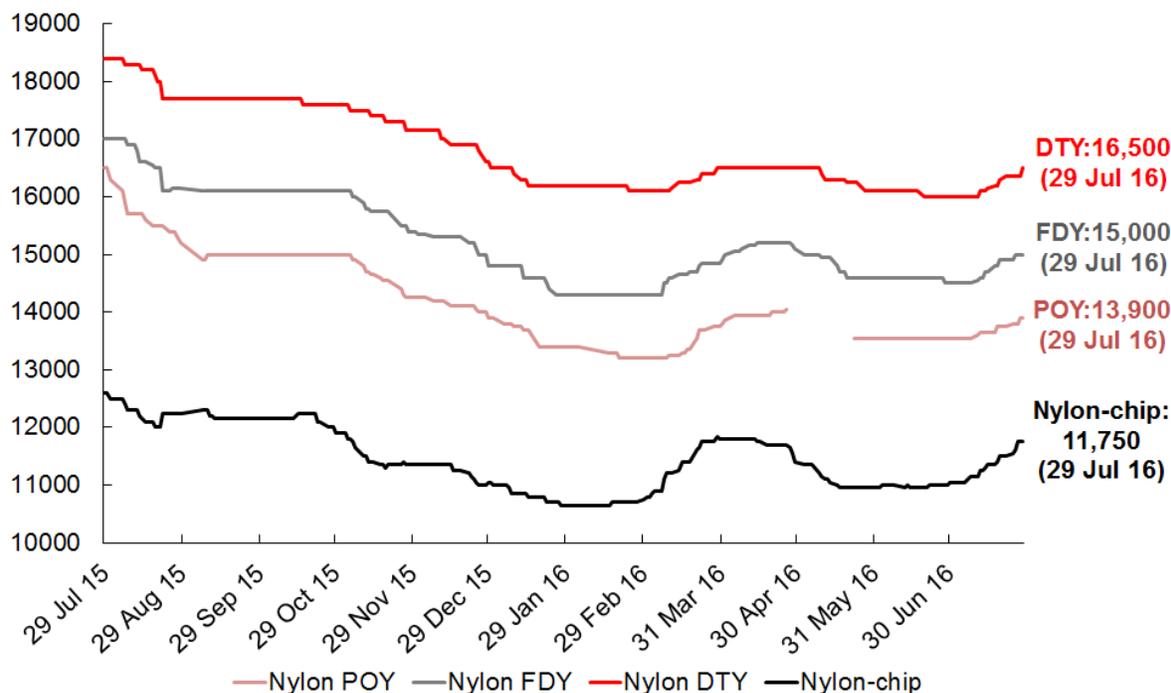
The price indices of nylon³ went up in July. For example, the price index of nylon DTY rose from 16,000 on 30 June to 16,500 on 29 July (see exhibit 3).

The main reason for the pickup in nylon prices during the month was the rise in the prices of caprolactam, a major raw material of nylon. Meanwhile, the downstream demand for nylon was soft, as the operating rates of downstream manufacturers stayed low.

Looking ahead, the downstream demand for nylon is likely to remain weak in the coming months. Thus, we expect the price indices of nylon to peak soon.

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

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



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber surges

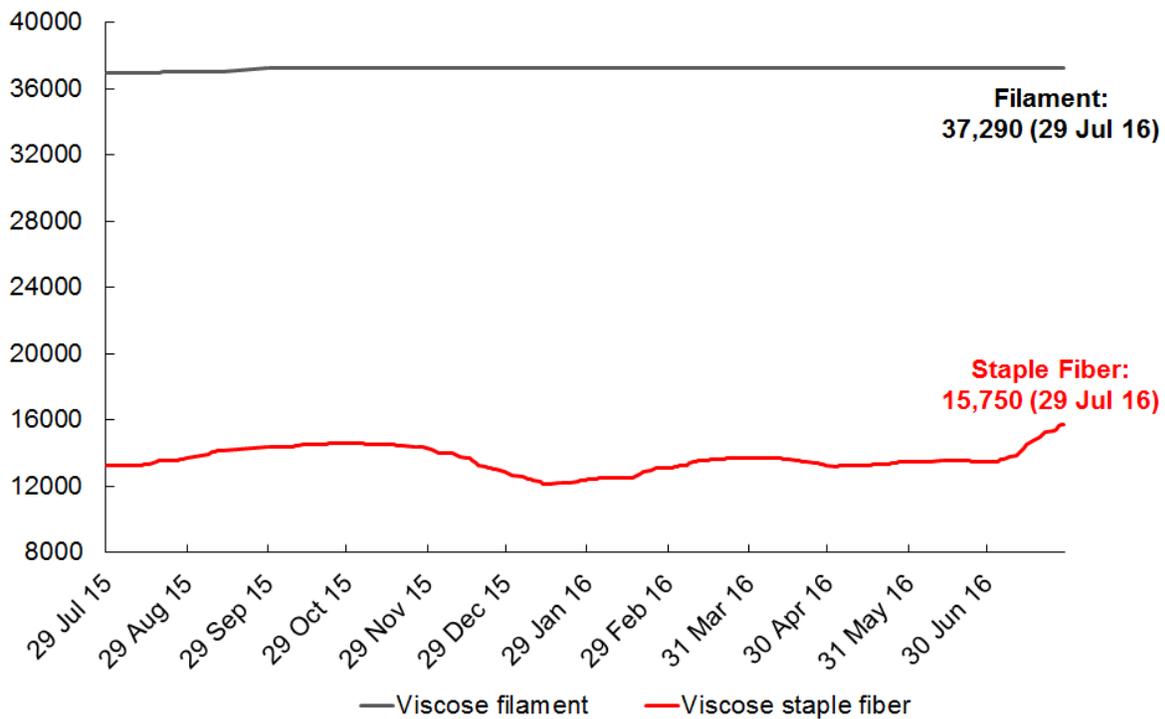
The price index of viscose staple fiber⁴ went up sharply in July, rising from 13,480 on 30 June to 15,750 on 28 July.

According to the local media, in the month, the downstream demand for viscose staple fiber was strong; and the inventories held by viscose manufacturers stayed at low levels, resulting in a tight supply of viscose staple fiber.

Looking ahead, the supply of viscose staple fiber is expected to remain tight in the coming months, as a number of viscose manufacturers in the Yangtze River Delta region will cut production or even shut down their plants ahead of the above-mentioned G20 Leaders Summit in Hangzhou. Moreover, the demand for viscose staple fiber from downstream rayon yarn manufacturers is expected to improve during the high season from August to October. Therefore, we expect the prices of viscose staple fiber to stay at high levels or even rise further in the near future.

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

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



Source: China Chemical & Fiber Economic Information Network

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CONTACT

Helen Chin
Vice President
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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