



China Sourcing Update

August 9, 2018

Prices of Chemical Textile Materials

1. Price indices of polyester rise further in July

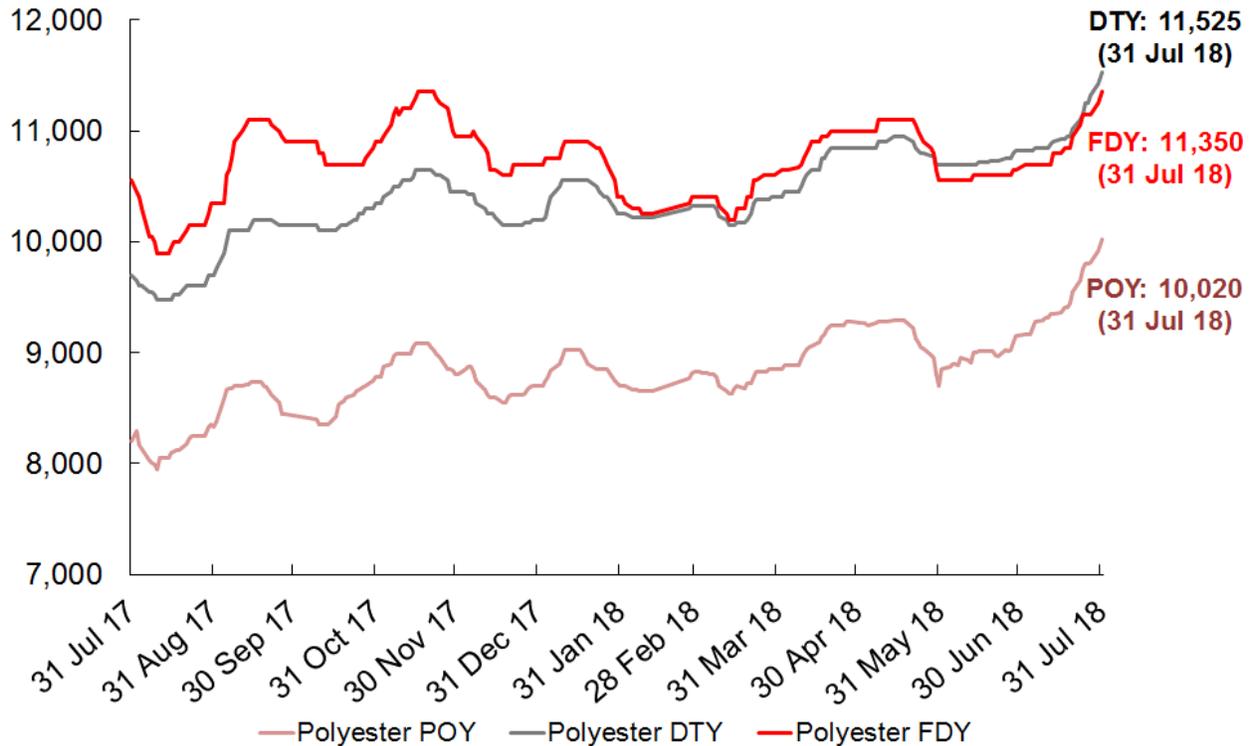
The price indices of polyester¹ continued to go up in July. For example, the price index of polyester DTY jumped from 10,825 on 29 June to a four-year high of 11,525 on 31 July (see exhibit 1).

The increase in the prices of polyester in the month was mainly triggered by a hike in upstream costs: the prices of purified terephthalic acid (PTA), a major raw material of polyester, went up markedly during mid- to late July. Moreover, a tightened supply of polyester, as indicated by low inventory levels held by polyester producers, also supported polyester prices.

Looking ahead, we expect the prices of polyester to move higher in the near term amid high upstream prices and a tight supply of polyester.

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

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



Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber climbs in July

The price index of acrylic staple fiber² rose from 20,800 on 29 June to 21,300 on 31 July, the highest level in six years (see exhibit 2).

In our view, the main reasons for the increase in the prices of acrylic staple fiber in the month were a tight supply of the fiber; and a jump in the prices of acrylonitrile, a major upstream material of acrylic staple fiber.

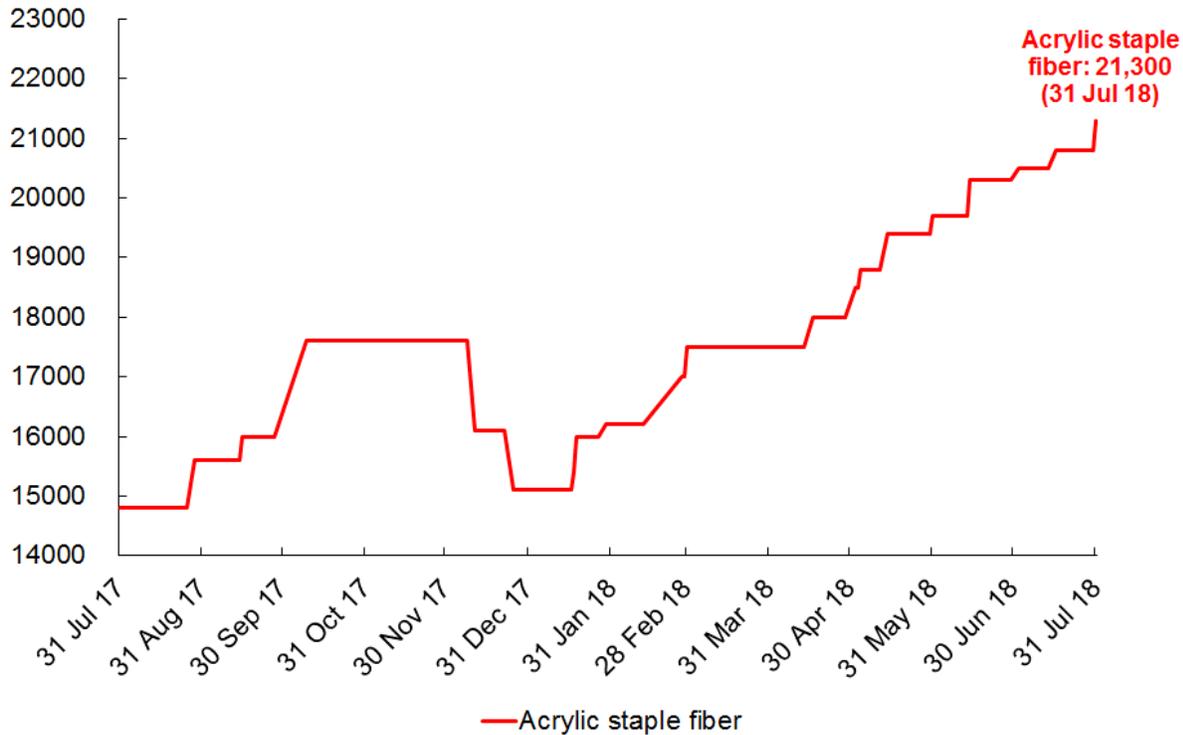
China has announced that the 25% additional tariffs on acrylonitrile imported from the US will take effect on 23 August.³ As the US accounts for more than 20% of China's imports of acrylonitrile, the tariffs will lead to higher prices of imported acrylonitrile,

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

³ <http://www.mofcom.gov.cn/article/ae/ai/201808/20180802773926.shtml>

which are likely to further push up the production costs of acrylic staple fiber. Thus, we expect that the prices of acrylic staple fiber will stay high in the foreseeable future.

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



Source: China Chemical & Fiber Economic Information Network

3. Price index of nylon edges up in July

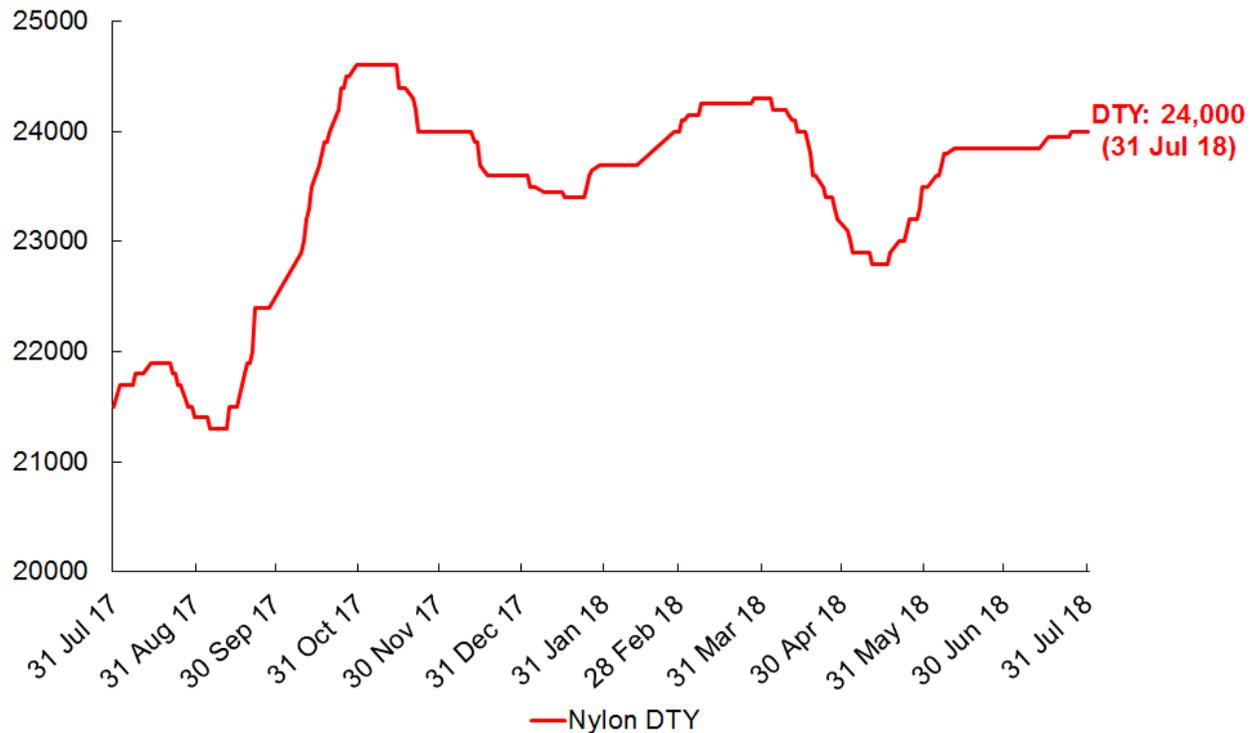
The price index of nylon DTY⁴ increased slightly from 23,850 on 29 June to 24,000 on 31 July (see exhibit 3).

In our view, the rise in nylon prices in July was mainly attributable to an increase in upstream costs: the prices of caprolactam, the major raw material of nylon, went up in the month. Meanwhile, downstream manufacturers were cautious about placing orders.

Looking ahead, we expect nylon prices to fluctuate around the current high levels in the near term, as upstream costs are likely to remain high.

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

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



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber falls in July

The price index of viscose staple fiber⁵ went down in July, dropping from 14,830 on 29 June to 14,000 on 31 July (see exhibit 4).

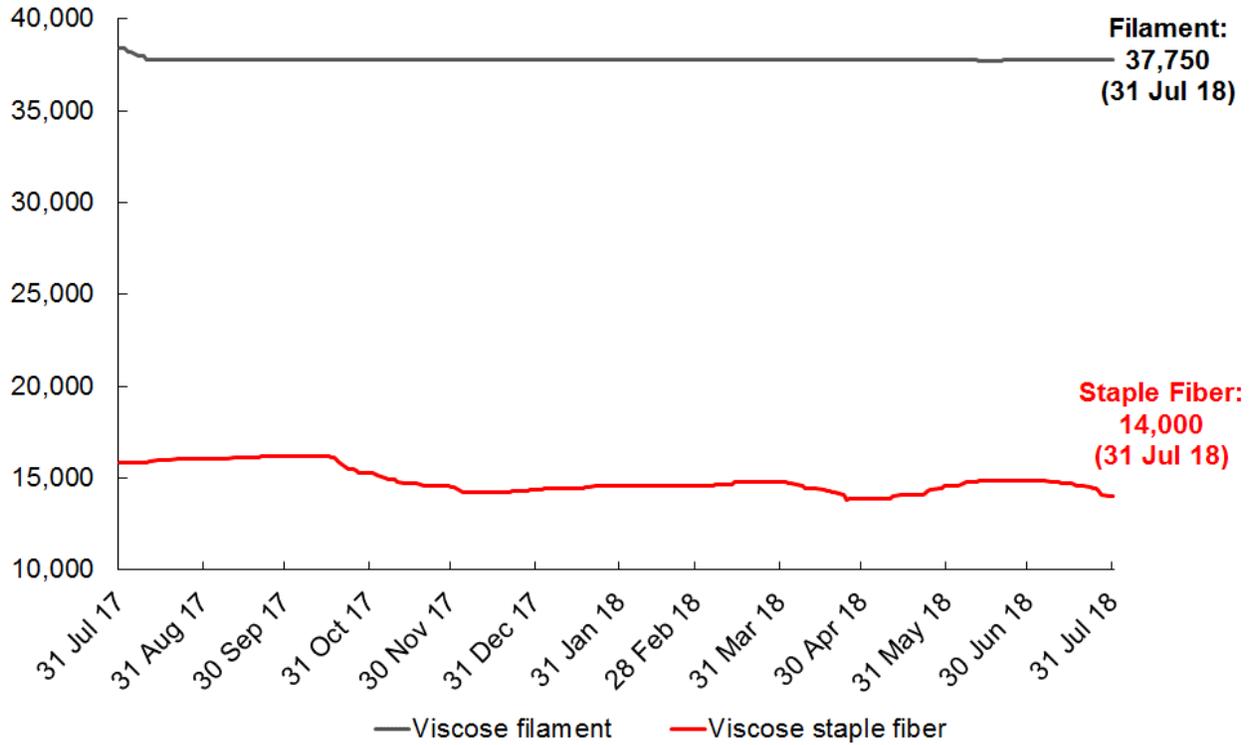
The decline in the prices of viscose staple fiber in July was due largely to an increased supply of the fiber as a number of viscose plants resumed production in the month after maintenance shutdown. A sluggish downstream demand also put downward pressures on viscose prices.

Going forward, the supply of viscose staple fiber is expected to increase in the coming couple of months as some viscose producers are set to increase production capacities. Meanwhile, the downstream demand for the fiber is likely to improve with the approach

⁵ The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

of the high season in September and October. All in all, we expect that prices of viscose staple fiber will fluctuate around the current levels in the near future.

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



Source: China Chemical & Fiber Economic Information Network

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

The **Fung Group** is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs 42,150 people across 40 economies worldwide, generating total revenue of US\$22.66 billion in 2017. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

CONTACT

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

William Kong
Research Manager
williamkong@fung1937.com
(852) 2300 2404

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>



© Copyright 2018 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.