



China Sourcing Update

July 18, 2016

Prices of Chemical Textile Materials

1. Price indices of polyester rebound

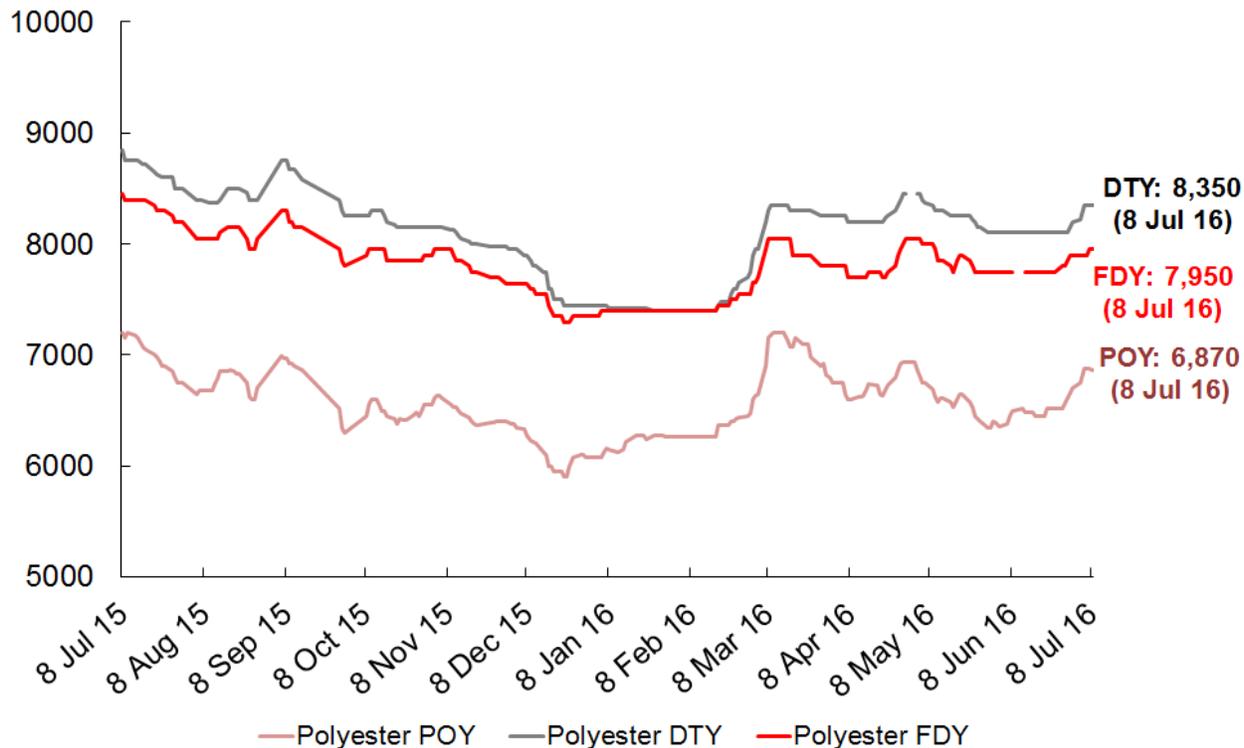
The price indices of polyester¹ went up in June and early July (*see exhibit 1*). For example, the price indices of polyester POY rose from 6,350 on 31 May to 6,870 on 8 July.

The main reasons for the pickup in polyester prices during the period were the rising upstream prices, tight supply of polyester and strong restocking demand from downstream manufacturers. According to the local media, the operating rates of some downstream manufacturers increased in the period.

Going forward, according to media reports, the supply of polyester is expected to remain tight in the coming months, as several local governments in eastern China have ordered polyester producers to cut or even suspend production ahead of the upcoming G20 Leaders Summit in Hangzhou on 4-5 September. However, crude prices have dropped markedly after the 'Brexit' decision, which is expected to drag down 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

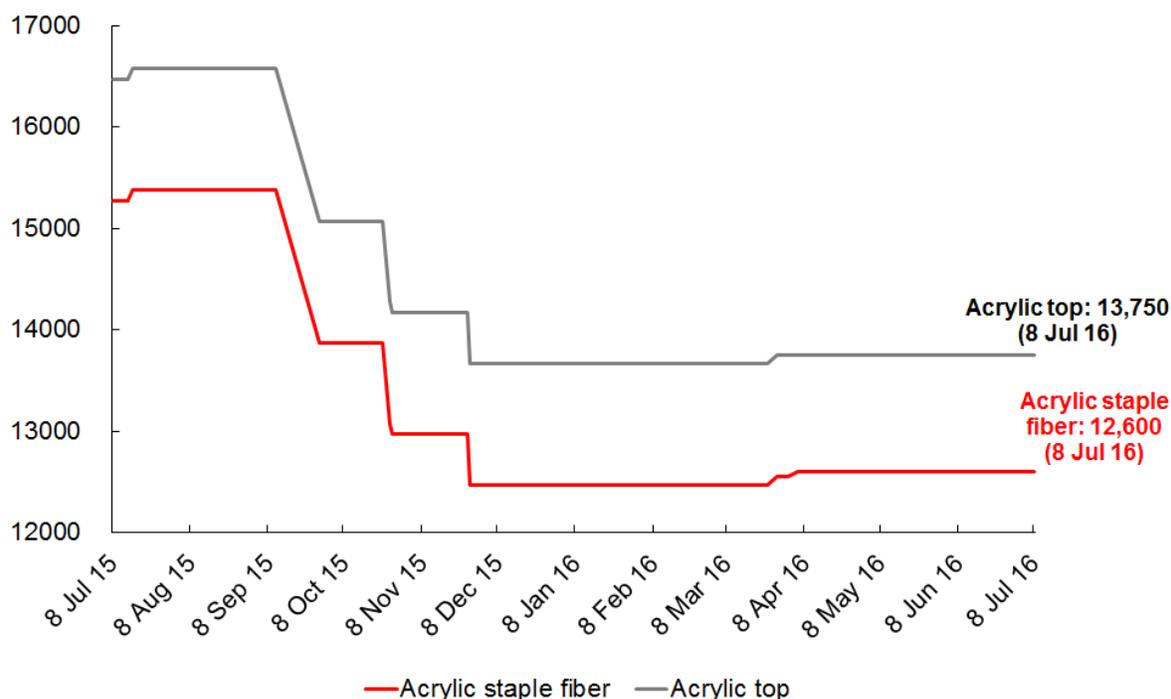
The price index of acrylic staple fiber² stayed flat at 12,600 throughout June and early July (see exhibit 2).

According to the local media, the downstream demand for acrylic staple fiber was limited during the period, due to low operating rates of downstream manufacturers. Meanwhile, the prices of acrylonitrile, a major upstream material of acrylic staple fiber, continued to rise, which helped support the prices of acrylic staple fiber.

Looking forward, there are no signs of a pickup in downstream demand; the fall in crude prices after the 'Brexit' decision will also put downward pressure on 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 stay at low levels

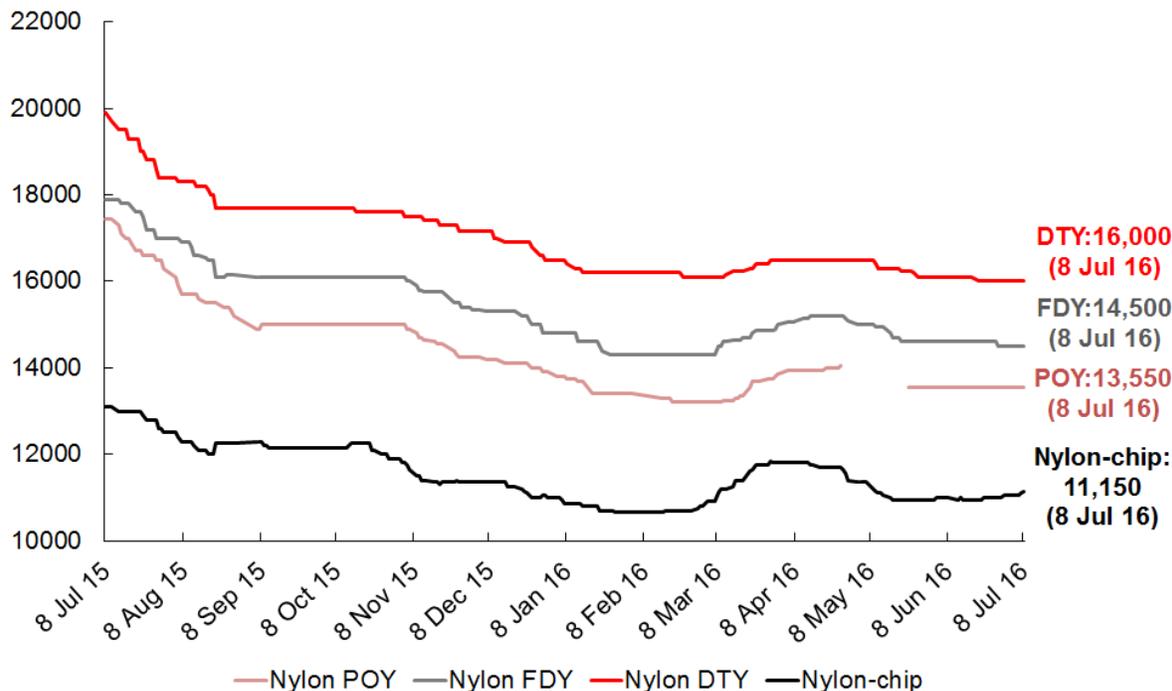
The price indices of nylon³ stayed at low levels in June and early July. For example, the price index of nylon DTY dropped from 16,100 on 17 June to 16,000 on 20 June, and has remained at the same level since then (see exhibit 3).

According to the media reports, the upstream prices of nylon stayed low in the past month. Meanwhile, the downstream demand for nylon was soft, as downstream manufacturers were cautious about placing orders.

Looking ahead, during the current off-season, the downstream demand for nylon is likely to remain weak in the coming months. Thus, we expect the price indices of nylon to stay around the current low levels.

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 rises

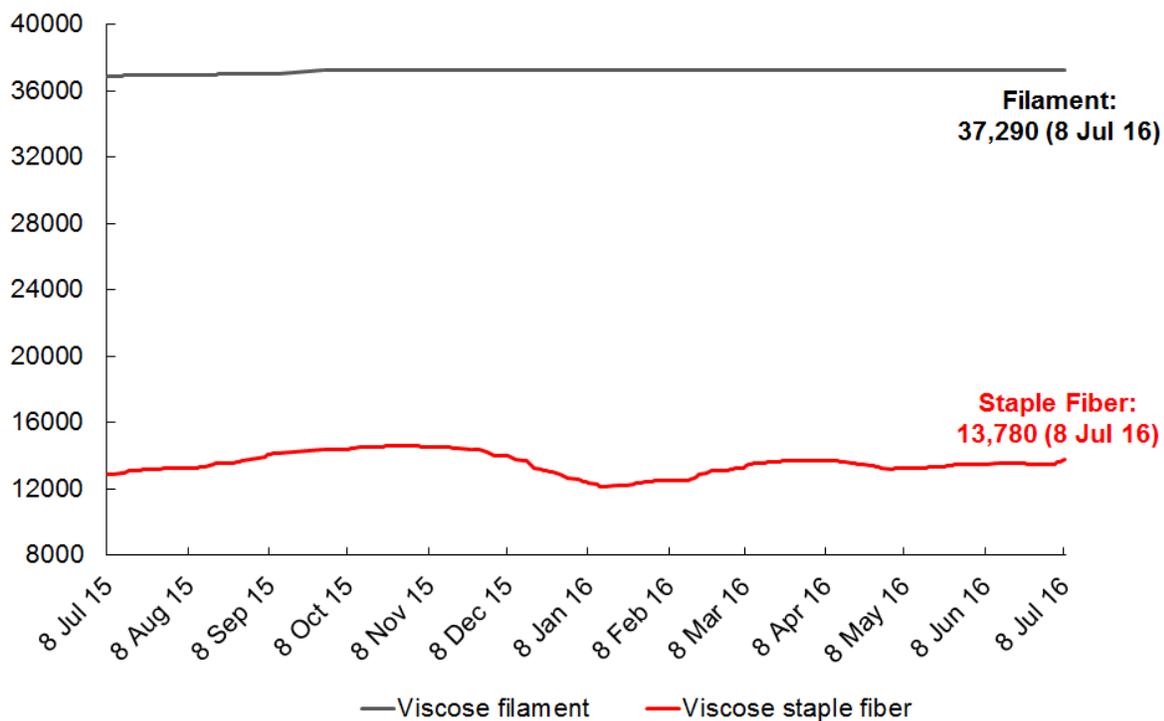
The price index of viscose staple fiber⁴ stayed relatively stable in June and then went up in early July, rising from 13,480 on 1 July to 13,780 on 8 July.

According to media reports, during June to early July, the downstream demand for viscose staple fiber remained stable; 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 have been mandated by local governments to reduce production or even shut down their plants ahead of the above-mentioned G20 Leaders Summit in Hangzhou. Therefore, we expect the prices of viscose staple fiber to 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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