



# China Sourcing Update

July 18, 2018

## Prices of Chemical Textile Materials

### 1. Price indices of polyester go up in June

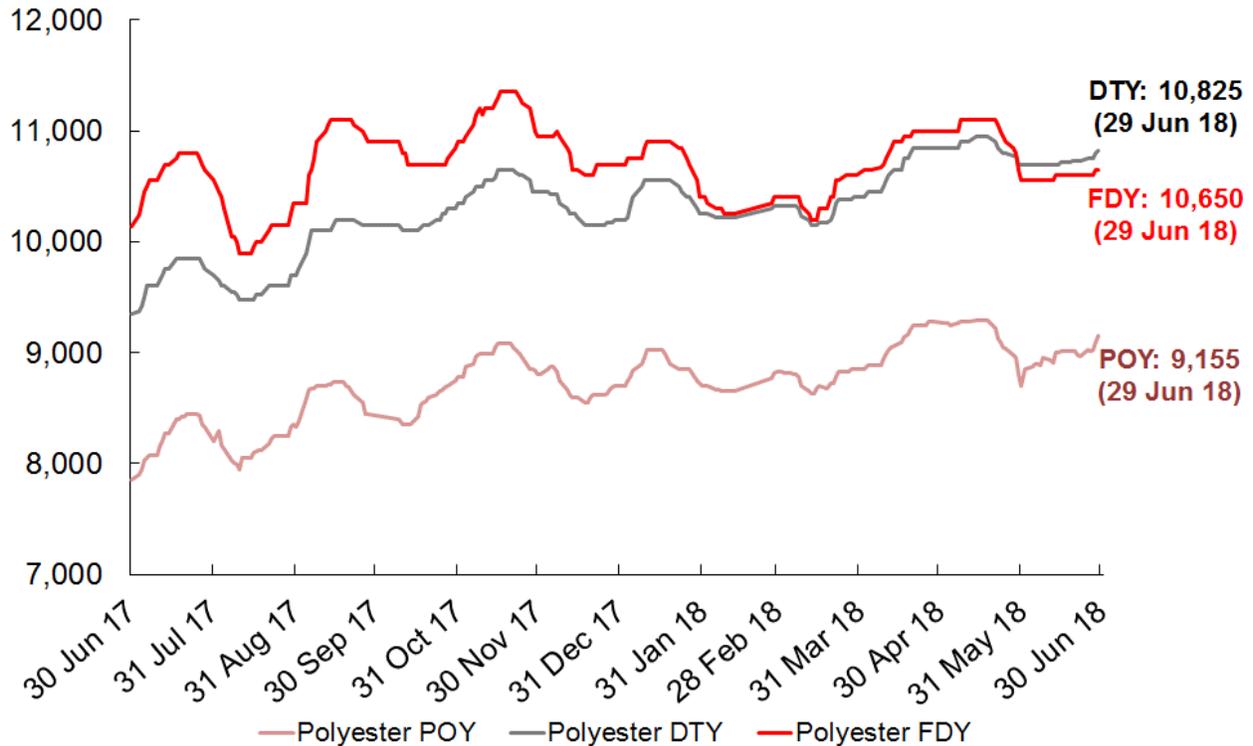
The price indices of polyester<sup>1</sup> moved higher in June. For example, the price index of polyester DTY increased from 10,700 on 31 May to 10,825 on 29 June (see *exhibit 1*).

The main reasons for the rise in the prices of polyester in the month were an improved downstream demand for polyester from textiles manufacturers; and an increase in upstream costs: the prices of purified terephthalic acid (PTA), a major raw material of polyester, went up in late June.

Looking ahead, we expect the prices of polyester to go up further in the near term, given a strong downstream demand for polyester, high upstream prices, and low inventory levels held by polyester producers.

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

**Exhibit 1: Price indices of polyester, June 2017 to June 2018**



Source: China Chemical & Fiber Economic Information Network

## 2. Price index of acrylic staple fiber climbs in June

The price index of acrylic staple fiber<sup>2</sup> went up from 19,700 on 31 May to 20,800 on 29 June, the highest level since April 2012 (see exhibit 2).

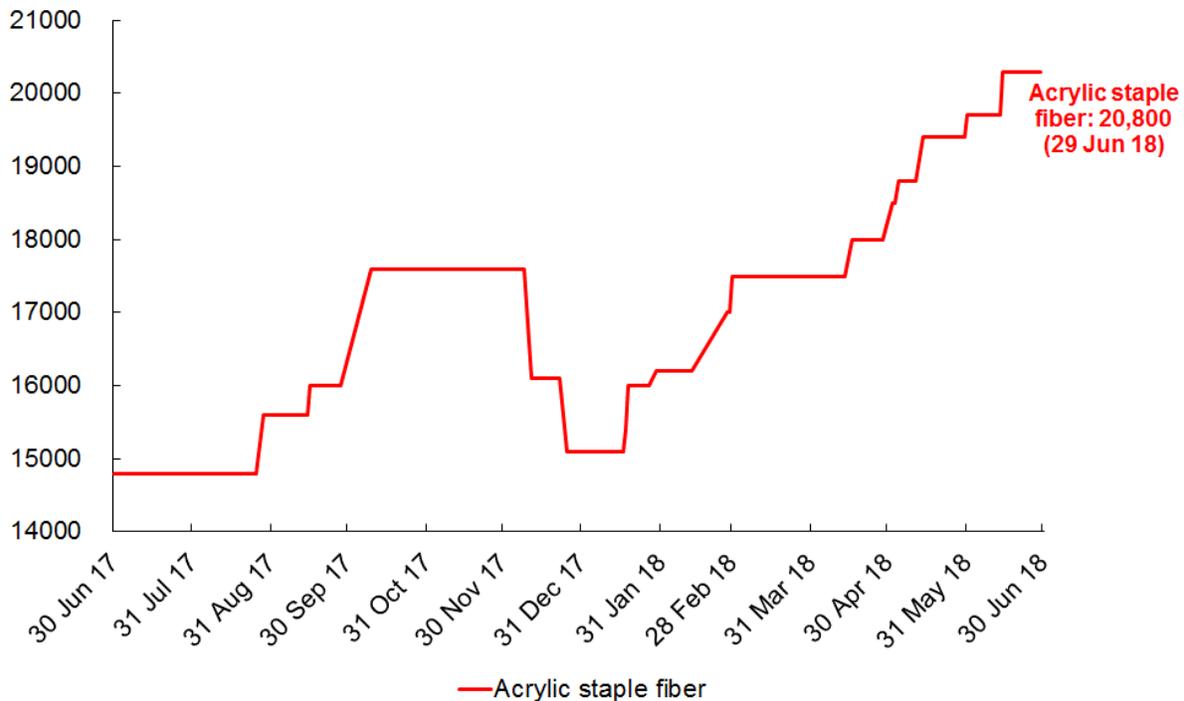
In our view, the rise in the prices of acrylic staple fiber in the last couple of months was triggered by a tight supply of the fiber, given that a lot of producers of acrylic staple fiber ran their plants at low rates in the first few months this year; and an improvement in downstream demand, in particular from core-spun yarn producers, in the period.

Looking ahead, we expect that the prices of acrylic staple fiber will continue to increase, as the downstream demand for acrylic staple fiber is likely to remain strong with the approach of the high season for restocking; and the prices of acrylonitrile, a major upstream material of acrylic staple fiber, went up during early to mid-July.

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

It is noteworthy that acrylonitrile imported from the US is included in the second part of a product list for 25% additional tariffs published by the Chinese government on 16 June, of which the tariff effective date will be announced later.<sup>3</sup> If the tariffs do take effect, higher prices of imported materials will likely push up the production costs and prices of acrylic staple fiber, in our view.

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



Source: China Chemical & Fiber Economic Information Network

### 3. Price index of nylon goes up in June

The price index of nylon DTY<sup>4</sup> increased from 23,500 on 31 May to 23,850 on 11 June, before staying at the same level till the end of the month (see exhibit 3).

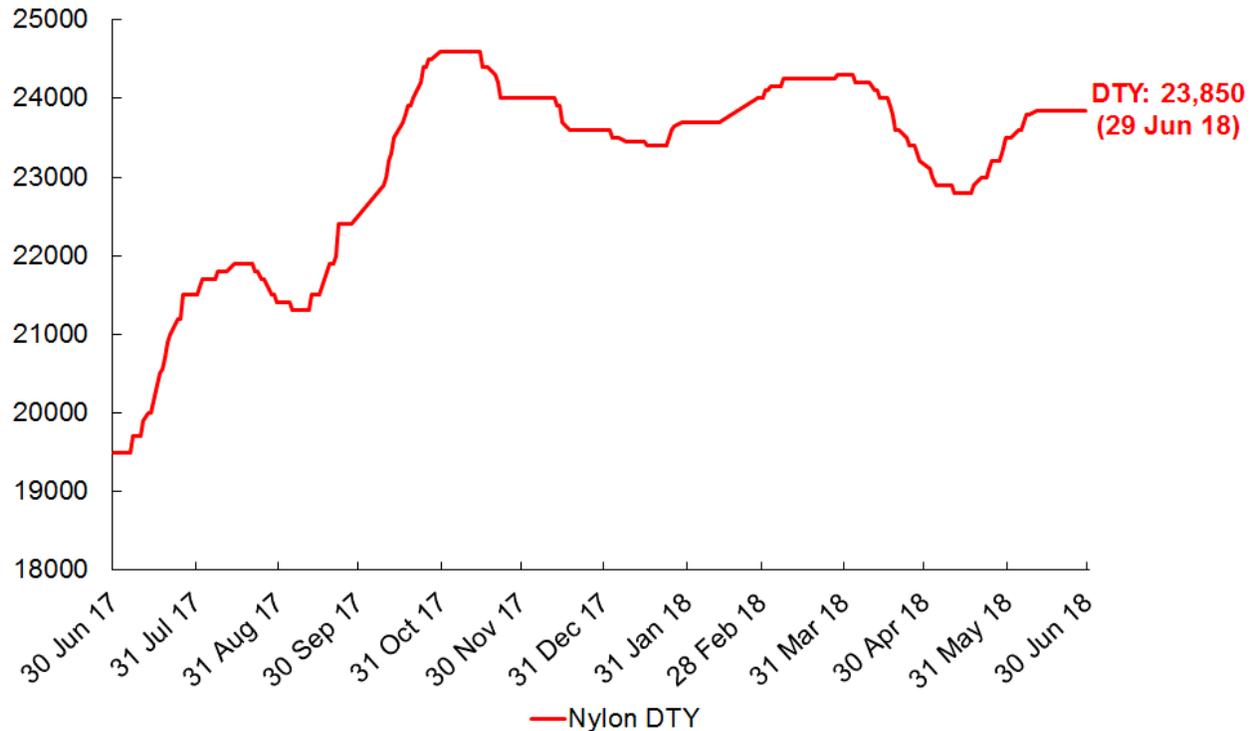
In our view, the rise in nylon prices in the first half of the month was due largely to strong upstream prices: the prices of caprolactam, the major raw material of nylon, stayed high in early June.

<sup>3</sup> <http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201806/P020180616034362364988.pdf>

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

Looking ahead, we expect nylon prices to fluctuate around the current high levels in the foreseeable future, as the prices of caprolactam are likely to remain strong.

**Exhibit 3: Price index of nylon, June 2017 to June 2018**



Source: China Chemical & Fiber Economic Information Network

#### 4. Price index of viscose staple fiber rises in June

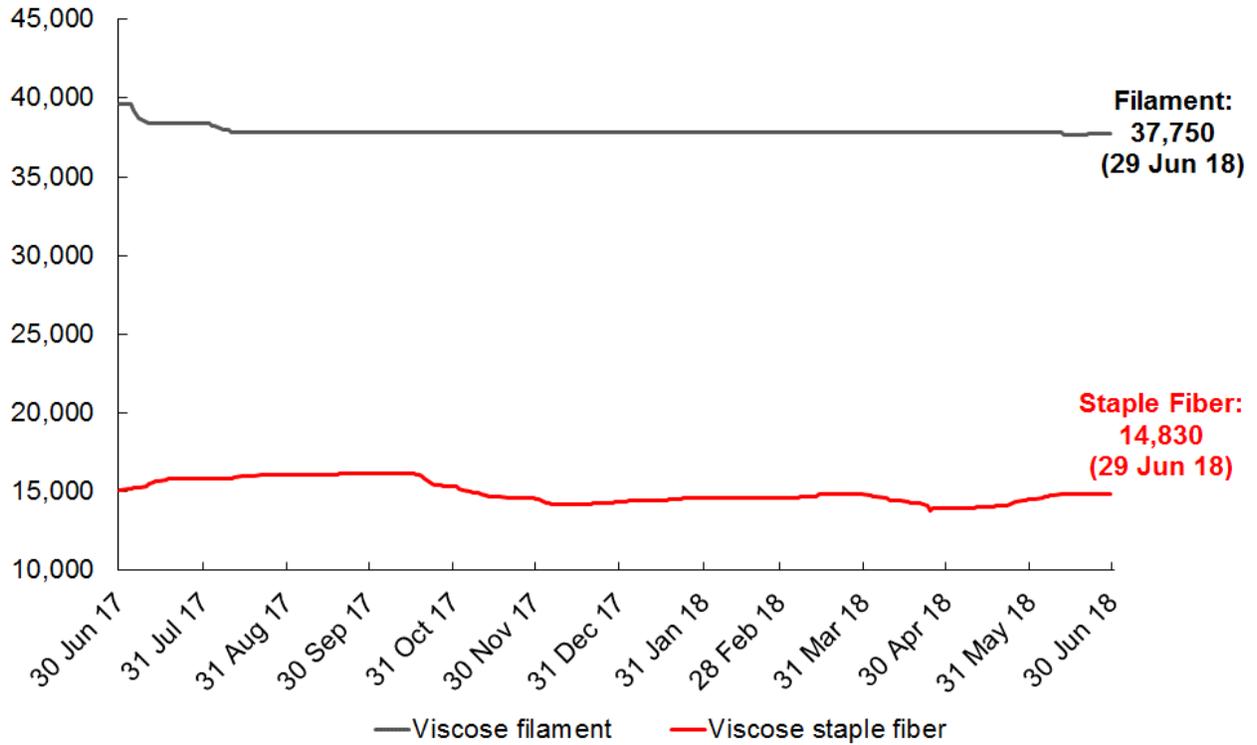
The price index of viscose staple fiber<sup>5</sup> went up in June, rising from 14,550 on 31 May to 14,830 on 29 June (see exhibit 4).

In our view, the main reason for the increase in the prices of viscose staple fiber in the month was a reduced supply of the fiber given that several major viscose producers temporarily shut down their plants for maintenance.

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

Going forward, the supply of viscose staple fiber is likely to increase in the near term as the inactive viscose plants are expected to resume production in the coming weeks, and some viscose producers are set to increase production capacities in the third quarter. Thus, we expect that viscose prices will trend slightly downward in the coming months.

**Exhibit 4: Price indices of viscose, June 2017 to June 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 39,900 people across 40 economies worldwide, generating total revenue of over US\$22.5 billion in 2016. 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](mailto:helenchin@fung1937.com)  
(852) 2300 2471

William Kong  
Research Manager  
[williamkong@fung1937.com](mailto: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](mailto: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.