



China Sourcing Update

April 13, 2017

Prices of Chemical Textile Materials

1. Price indices of polyester fall sharply in March

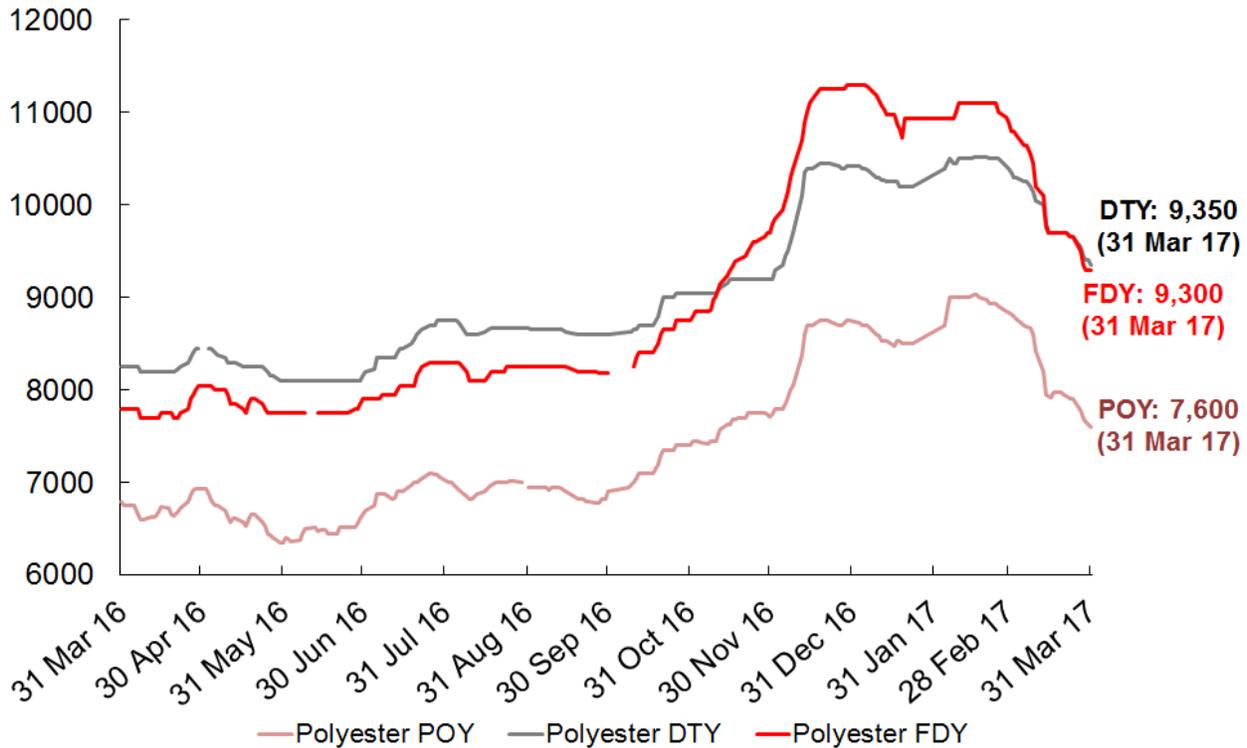
The price indices of polyester¹ tumbled in March (see *exhibit 1*). For example, the price index of polyester DTY plunged from 10,400 on 28 February to 9,350 on 31 March, the lowest level since December 2016.

The main reasons for the slump in the prices of polyester in the month were a sharp fall in the prices of purified terephthalic acid (PTA), a major raw material of polyester; and a weak downstream demand for polyester during the current low season.

Looking ahead, we expect that the prices of polyester will rebound in the foreseeable future, as the prices of PTA have picked up since late March.

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

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



Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber goes up further in early March

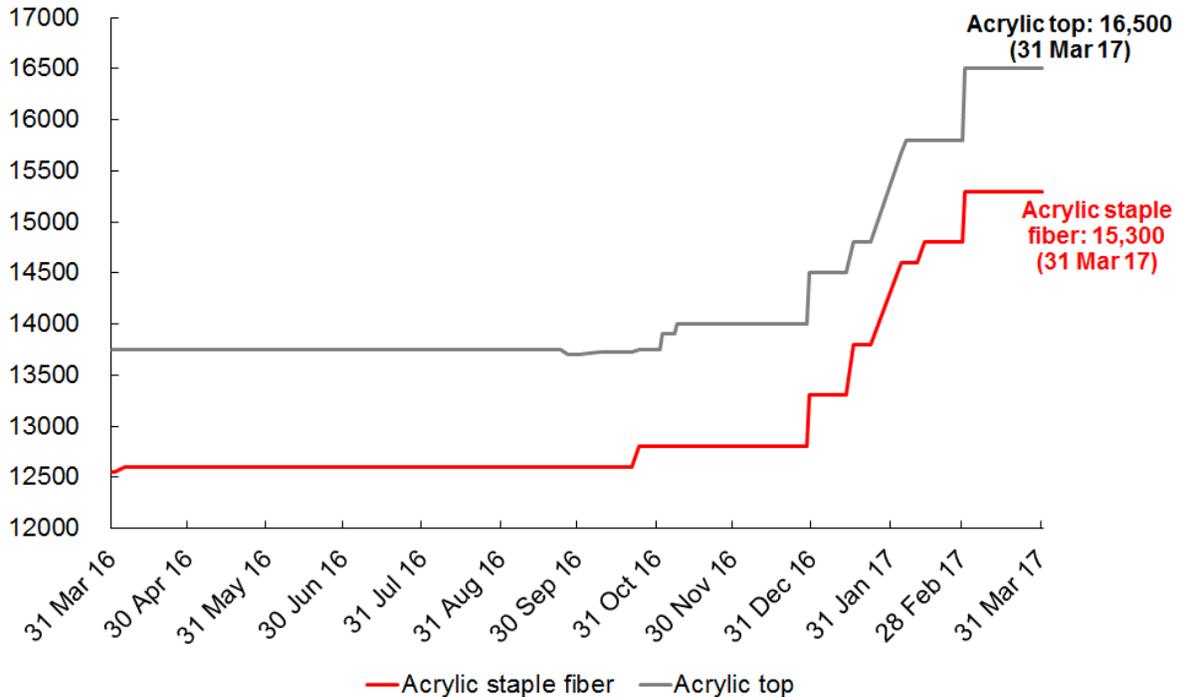
The price index of acrylic staple fiber² rose from 14,800 on 28 February to 15,300 on 1 March and then stayed at the same level till the end of the month (see exhibit 2).

In our view, the rise in the prices of acrylic staple fiber in early March was mainly attributable to an increase in the prices of acrylonitrile, a major upstream material of acrylic staple fiber.

Looking ahead, we expect the prices of acrylic staple fiber to stay around the current high levels in the near future, as the prices of acrylonitrile are likely to remain high.

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

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



Source: China Chemical & Fiber Economic Information Network

3. Price indices of nylon slump in March

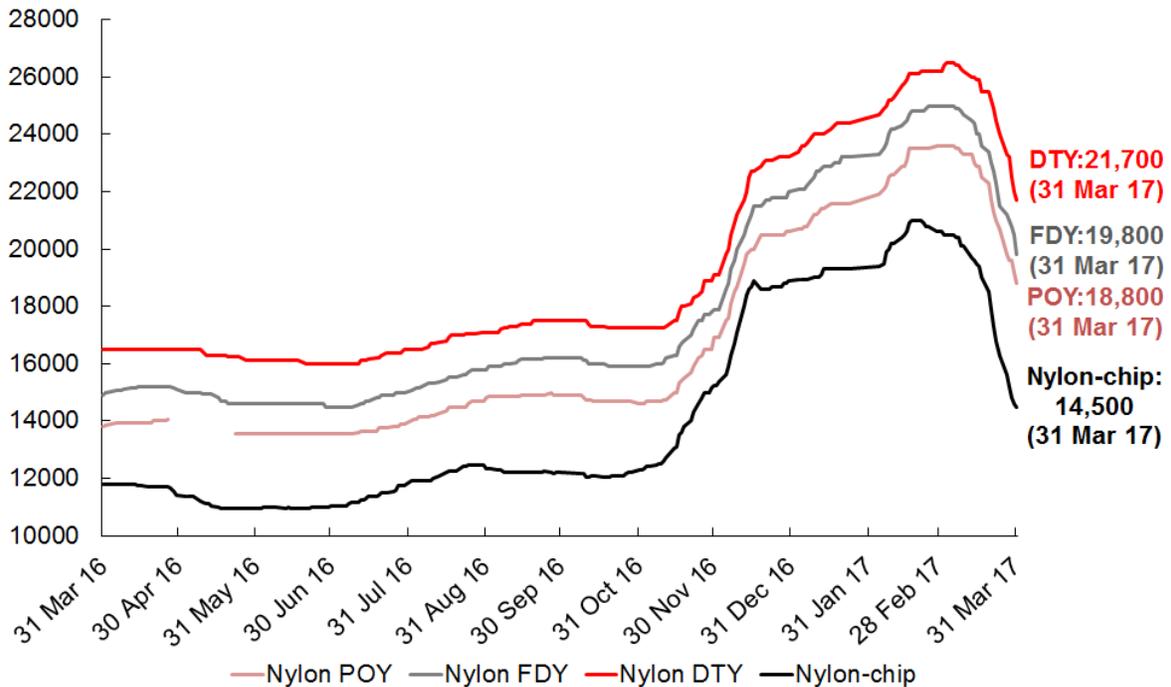
The price indices of nylon³ plummeted in March. For example, the price index of nylon DTY dropped from 26,200 on 28 February to 21,700 on 31 March, the lowest level in more than three months (see exhibit 3).

The sharp fall in nylon prices in the month was due largely to a plunge in the prices of caprolactam, a major raw material of nylon; a rise in inventory levels held by nylon manufacturers; and a decline in the downstream demand for nylon.

Going forward, the restocking demand for nylon from downstream manufacturers is likely to remain weak in the current low season. That being said, we believe that nylon prices will bottom out soon, as the upstream costs of nylon have stabilized since late March, according to the latest media reports.

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

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



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber goes down

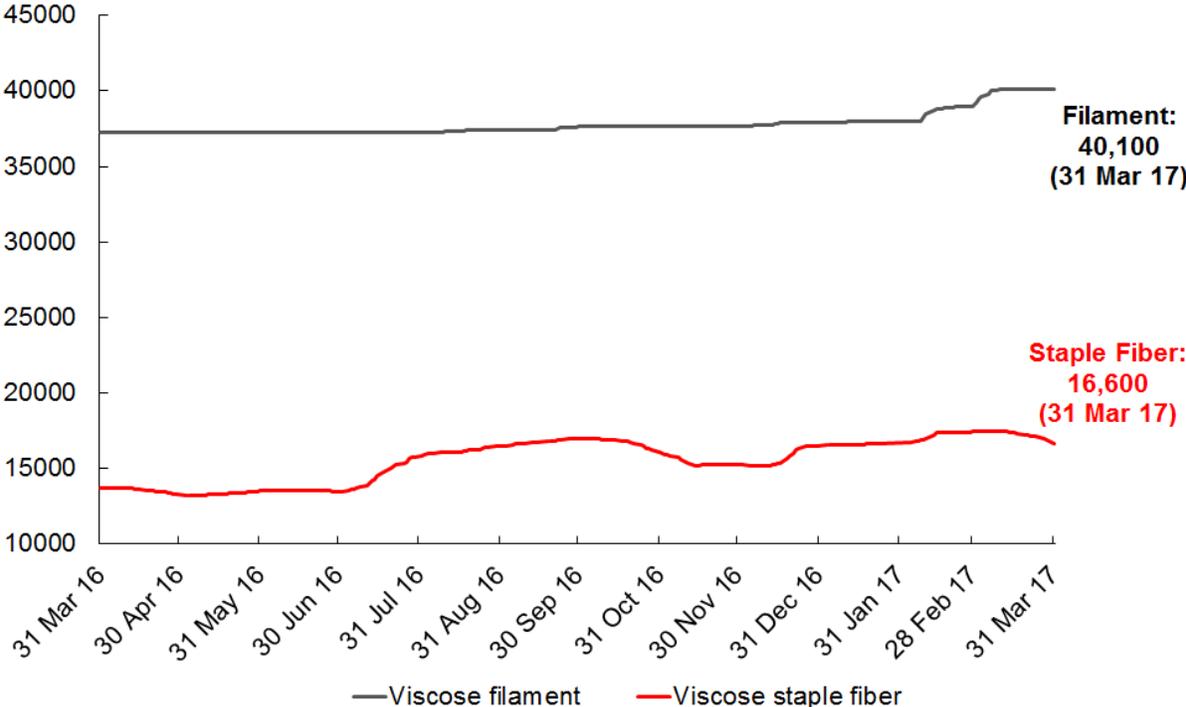
The price index of viscose staple fiber⁴ dropped in March, falling from 17,420 on 28 February to 16,600 on 31 March (see exhibit 4).

According to the local media, the decline in the prices of viscose staple fiber in the month was caused by a fall in the downstream demand for the fiber amid a drop in the prices of rayon yarn, a major downstream product of viscose staple fiber.

Going forward, the supply of viscose staple fiber is expected to tighten in the coming months, as the environmental examinations conducted by the central government starting from April are likely to lead to a reduced supply of viscose staple fiber. That being said, we expect the prices of viscose staple fiber to stay low in the near term, as the downstream demand for the fiber is likely to remain weak.

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

Exhibit 4: Price indices of viscose, March 2016 to March 2017



Source: China Chemical & Fiber Economic Information Network

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