China Sourcing Update

June 10, 2019

Prices of Chemical Textile Materials

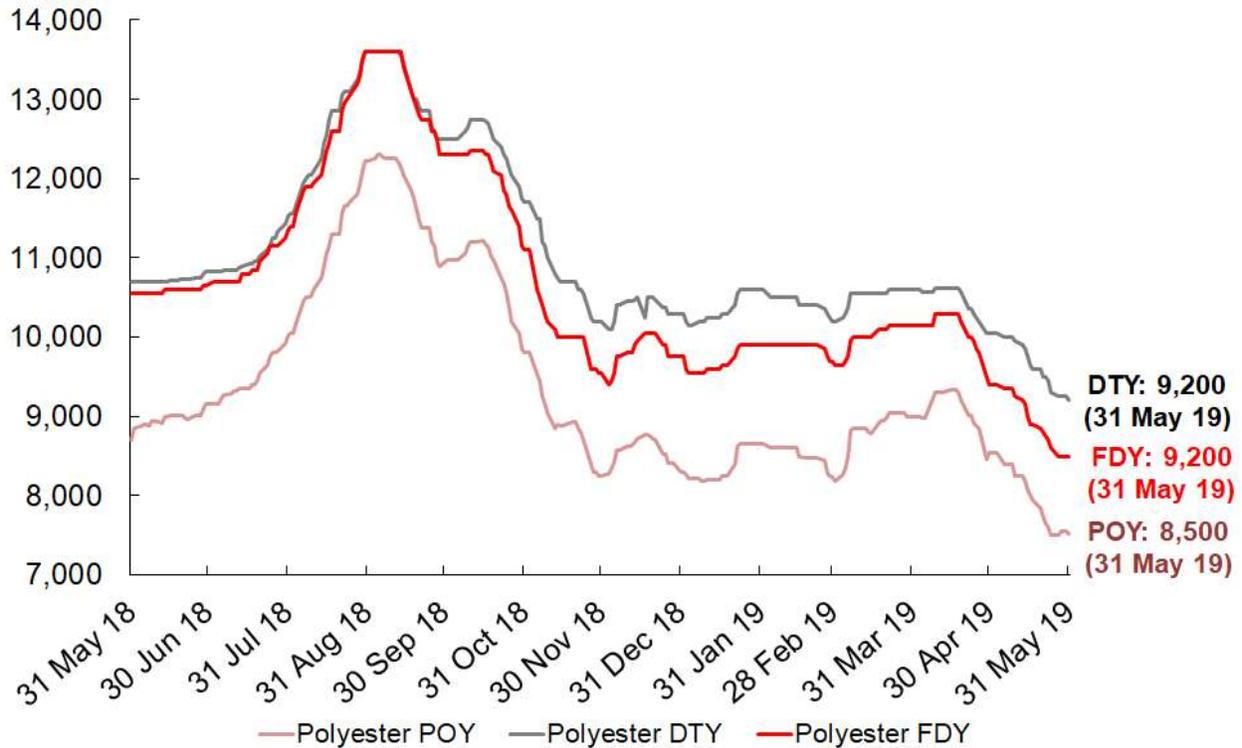### 1. Price indices of polyester continue to drop in May

The price indices of polyester[1] continued to decline during May. The price index of polyester DTY, for example, dropped from 10,050 on 30 April to 9,200 on 31 May, the lowest level since June 2017 *(see exhibit 1)*.

The decrease in the prices of polyester in May was a result of high inventory levels of polyester producers and textile mills, declining prices of upstream materials including PTA and MEG, and weak downstream demand.

Looking ahead, we predict that polyester prices will stay weak in the near future, as the downstream demand is likely to remain sluggish.

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

Exhibit 1: Price indices of polyester, May 2018 to May 2019

DTY: 9,200
(31 May 19)

FDY: 9,200
(31 May 19)

POY: 8,500
(31 May 19)

——Polyester POY   ——Polyester DTY   ——Polyester FDY

Source: China Chemical & Fiber Economic Information Network

## 2. Price index of acrylic staple fiber stabilises in May

The price index of acrylic staple fiber[2] increased from 16,850 in late April to 17,400 on 6 May, and then stayed at the same level throughout the rest of the month. *(see exhibit 2).*

The main reason for the rise in the prices of acrylic staple fiber in April was that the prices of acrylonitrile, a major upstream material of acrylic staple fiber, fluctuated around the recent high levels in the month.

Looking ahead, we expect the prices of acrylic staple fiber to stablilise in the near term, as the prices of acrylonitrile began to drop after peaking in mid-May.

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

Exhibit 2: Price index of acrylic staple fiber, May 2018 to May 2019

Acrylic staple fiber:
17,400
(31 May 19)

— Acrylic staple fiber
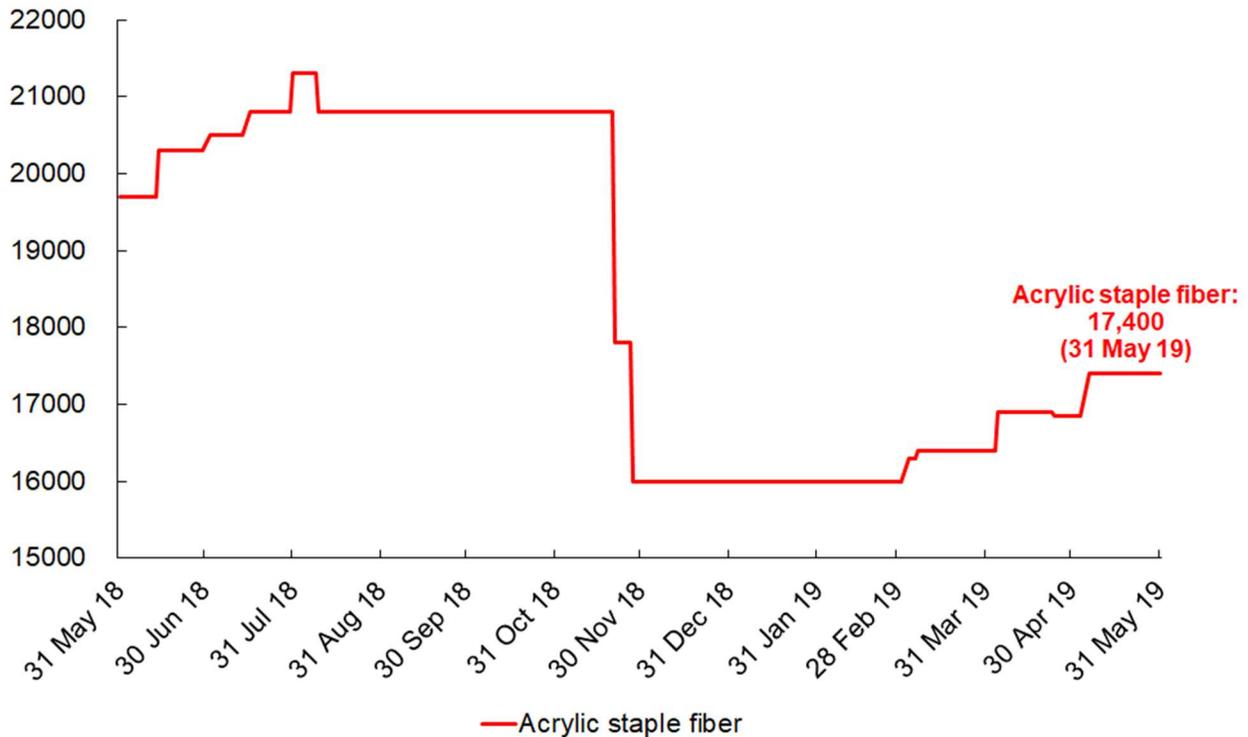
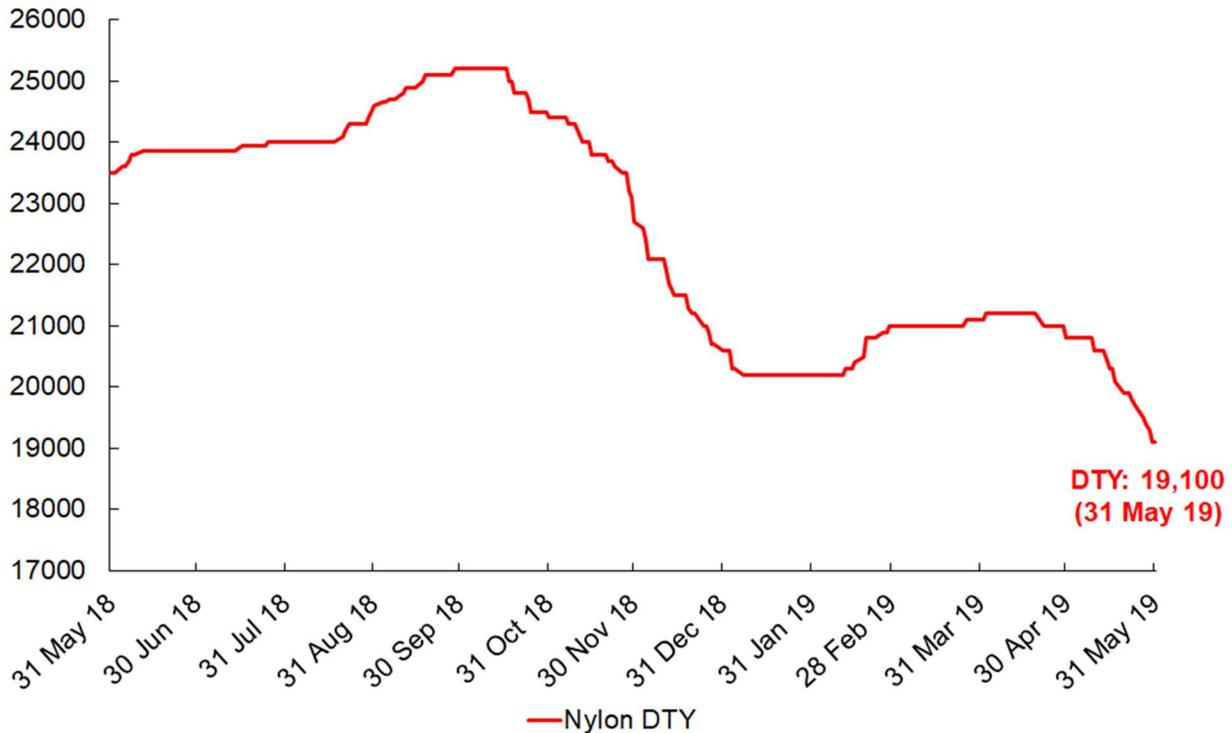*Source: China Chemical & Fiber Economic Information Network*

3. Price index of nylon plunges in May

The price index of nylon[3] dropped from 20,800 on 30 April to 19,100 on 31 May, plunging 8.2% during the month *(see exhibit 3)*. The drop in the prices of nylon in May was attributed to sluggish downstream demand due to uncertainties arising from China-US trade tensions, as well as the decline in the prices of caprolactam, a major input material of nylon.

Going forward, we expect that nylon prices will remain weak, as the downstream demand is likely to remain sluggish.

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

Exhibit 3: Price index of nylon, May 2018 to May 2019

Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple falls to lowest level since February 2015

The price index of viscose staple fiber[4] fell to 11,300 on 31 May, the lowest level since February 2015 *(see exhibit 4)*.

The fall in viscose staple fiber prices was mainly due to the bleak export outlook in the midst of China-US trade tensions, which led to weak downstream demand and high inventory levels.

Looking ahead, we predict that the prices of viscose staple fiber will continue to stay at the current low levels, as downstream demand remains weak.

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

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Exhibit 4: Price indices of viscose, May 2018 to May 2019
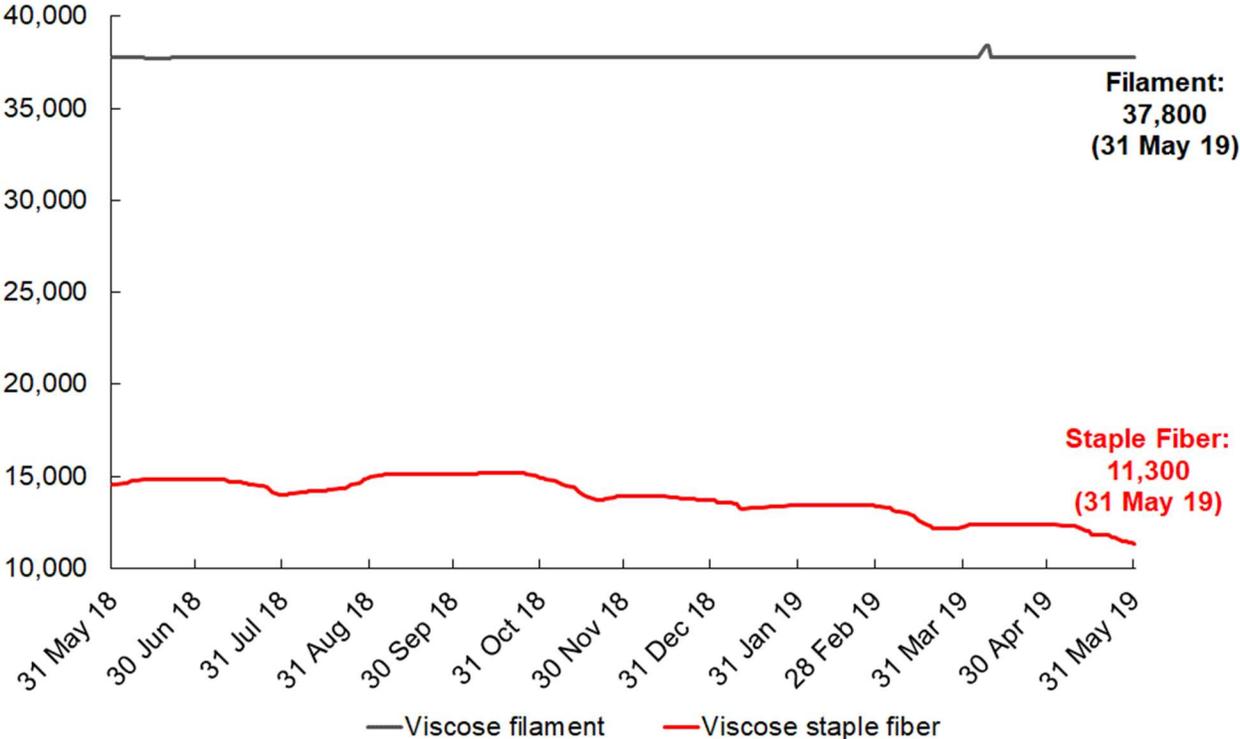
Source: China Chemical & Fiber Economic Information Network

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Fung Business Intelligence was established in the year 2000.

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Fung Holdings (1937) Limited, a privately-held business entity headquartered in Hong Kong, is the major shareholder of the Fung Group of companies, whose core businesses operate across the entire global supply chain for consumer goods including trading, logistics, distribution and retail. The Fung Group comprises 42,000 people working in more than 40 economies worldwide. We have a rich history and heritage in export trading and global supply chain management that dates back to 1906 and traces the story of how Hong Kong and the Pearl River Delta emerged as one of the world's foremost manufacturing and trading regions. We are focused on both creating the Supply Chain of the Future to help brands and retailers navigate the digital economy as well as creating new opportunities, product categories and market expansion for brands on a global scale.

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