



## China Sourcing Update

December 18, 2015

### Prices of Chemical Textile Materials

#### 1. Price indices of polyester fluctuate at low levels

The price indices of polyester<sup>1</sup> were at their low levels in the past two months (see *exhibit 1*). For example, the price index of polyester POY fluctuated between 6,635 and 6,380 during the October to November period.

We believe that the main reason for the weak polyester prices was the weak downstream demand. According to local media, many downstream manufacturers have been making hand to month purchases only. Also noteworthy is that the prices of purified terephthalic acid (PTA), a major raw material of polyester, were at low levels, mainly due to the low crude prices.<sup>2</sup>

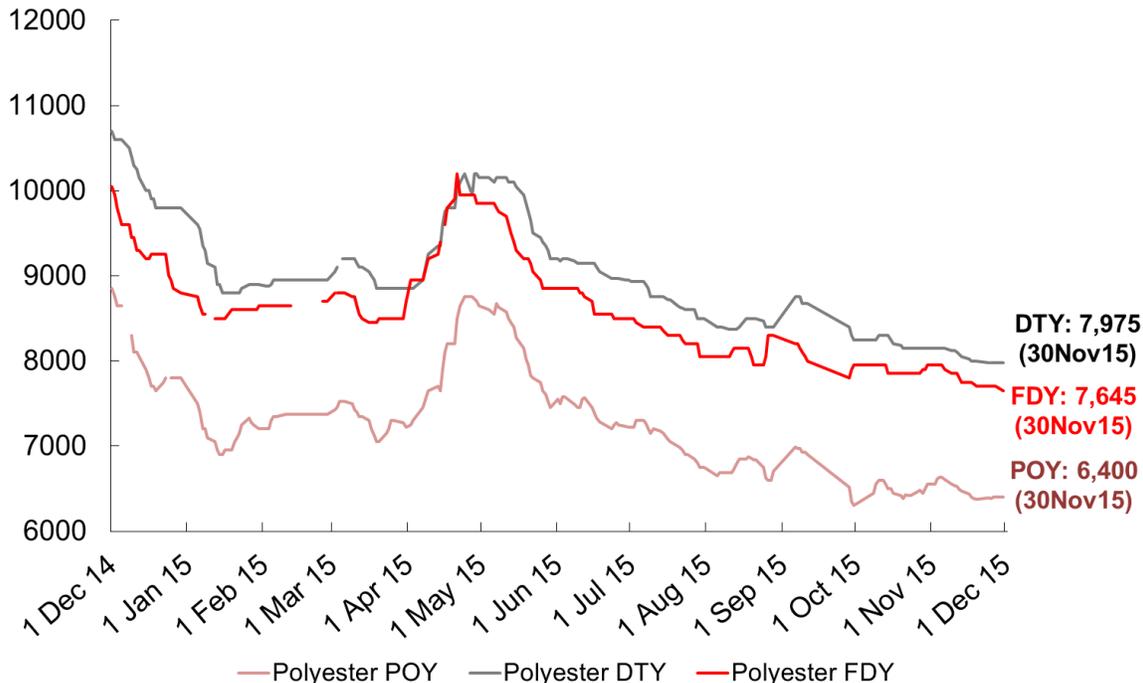
Going forward, according to media reports, the supply of PTA is expected to be tight.<sup>3</sup> Thus, we predict that the PTA prices will bottom out in the near future; and the polyester prices are unlikely to drop significantly in the coming months, despite the soft downstream demand.

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

<sup>2</sup> The purified terephthalic acid (PTA) is downstream product of crude oil.

<sup>3</sup> <http://www.100ppi.com/forecast/detail-20151124-87770.html>

## Exhibit 1: Price indices of polyester, December 2014 to November 2015



Source: China Chemical & Fiber Economic Information Network

## 2. Price index of acrylic staple fiber continues to drop

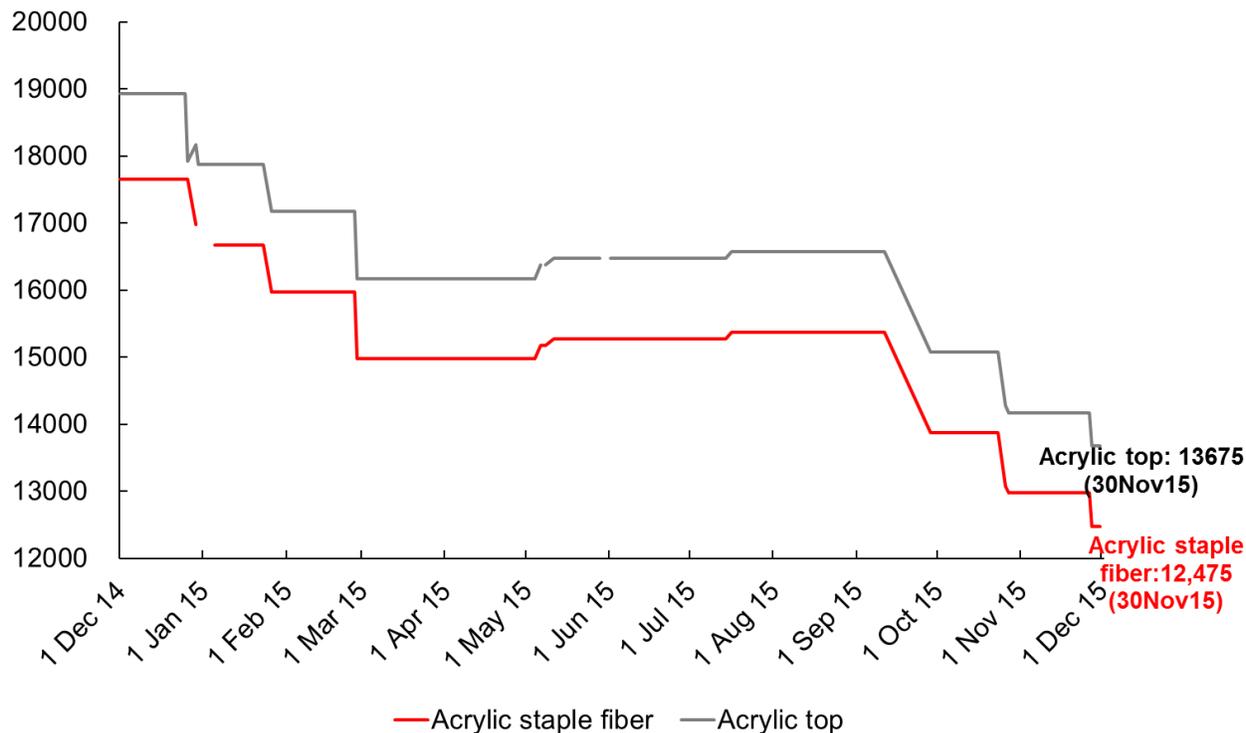
The price index of acrylic staple fiber<sup>4</sup> continued to drop during October and November. The price index went down by more than 6% from 13,875 on 23 October to 12,975 on 27 October. On 27 November, the price index fell further to 12,475 (see exhibit 2).

According to the local media, the downstream demand of acrylic staple fiber has been weak, adversely affected by both the warmer winter and the changing consumer preference towards cotton and other fabrics. As a result, the stocks of acrylic staple fiber held by manufacturers have been rising.

Looking forward, there are no signs showing a pickup in downstream demand. Thus, we expect the prices of acrylic staple fiber to stay weak in the near term.

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

**Exhibit 2: Price indices of acrylic, December 2014 to November 2015**



Source: China Chemical & Fiber Economic Information Network

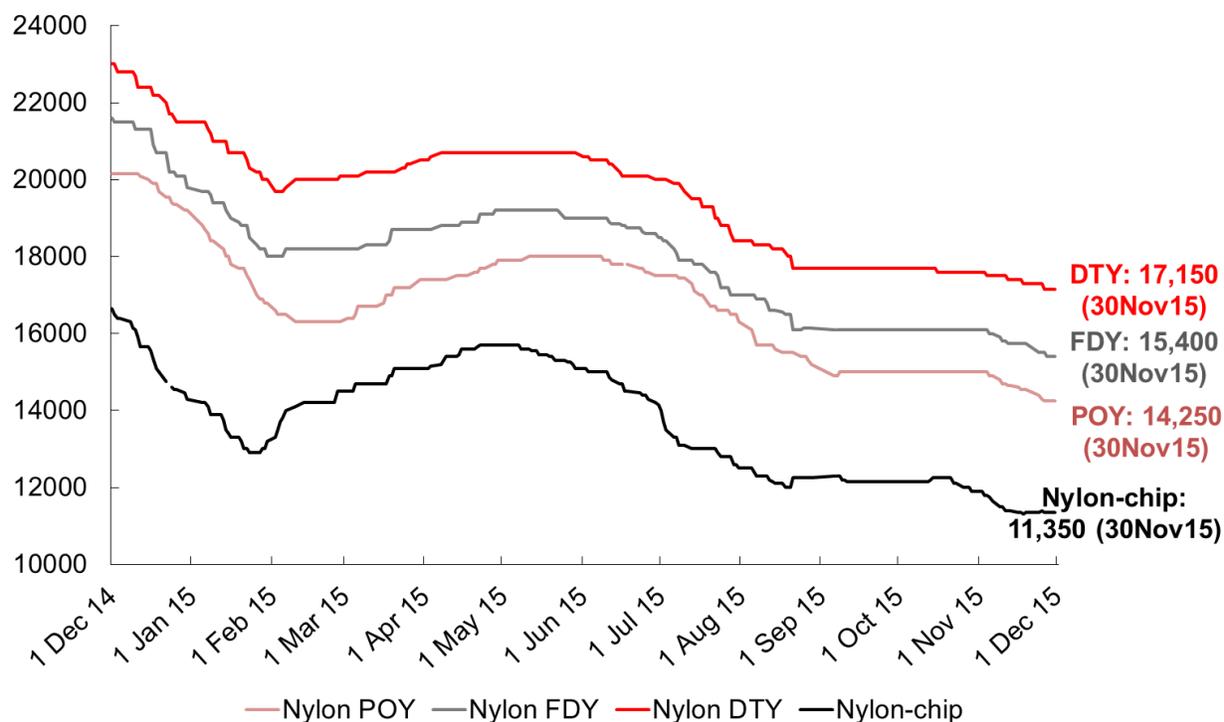
### 3. Price indices of nylon trend downward in November

The price indices of nylon<sup>5</sup> trended downward in November. For example, the price index of nylon POY stayed stable at 15,000 during October; afterwards, the index dropped throughout November, registering 14,250 on 30 November (see exhibit 3). According to the media report, the prices of caprolactam, a major raw material of nylon, and the downstream demand for nylon have remained weak recently.

Looking ahead, we expect the price indices of nylon to stay at low levels, or even continue to fall in the coming months.

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

**Exhibit 3: Price indices of nylon, December 2014 to November 2015**



Source: China Chemical & Fiber Economic Information Network

#### 4. Price index of viscose staple fiber turns weak in November

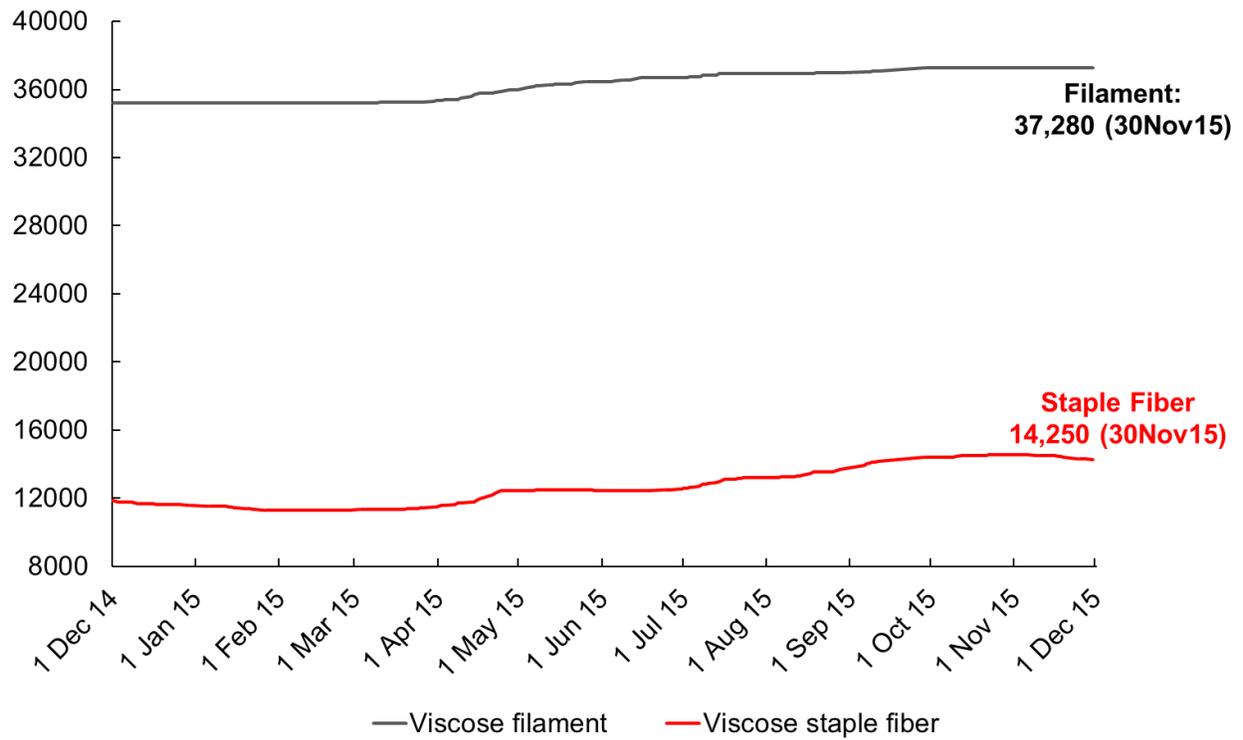
Boosted by the strong upstream prices, the price index of viscose staple fiber<sup>6</sup> continued to rise during October. The price index registered 14,580 on 31 October, the highest level since April 2013. Afterwards, the price index dropped throughout November, closing at 14,250 on 30 November.

According to media reports, the downstream demand for viscose staple fiber turned weak during November; and the stock levels of viscose staple fiber manufacturers went up. To keep their stock levels within a reasonable range, some manufacturers reduced prices of viscose staple fiber to boost sales during the month.

Looking ahead, prices of viscose staple fiber are expected to be soft in the near future, mainly due to the sluggish downstream demand.

<sup>6</sup> The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

**Exhibit 4: Price indices of viscose, December 2014 to November 2015**



Source: China Chemical & Fiber Economic Information Network

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