



China Sourcing Update

December 5, 2016

Prices of Chemical Textile Materials

1. Price indices of polyester rise in November

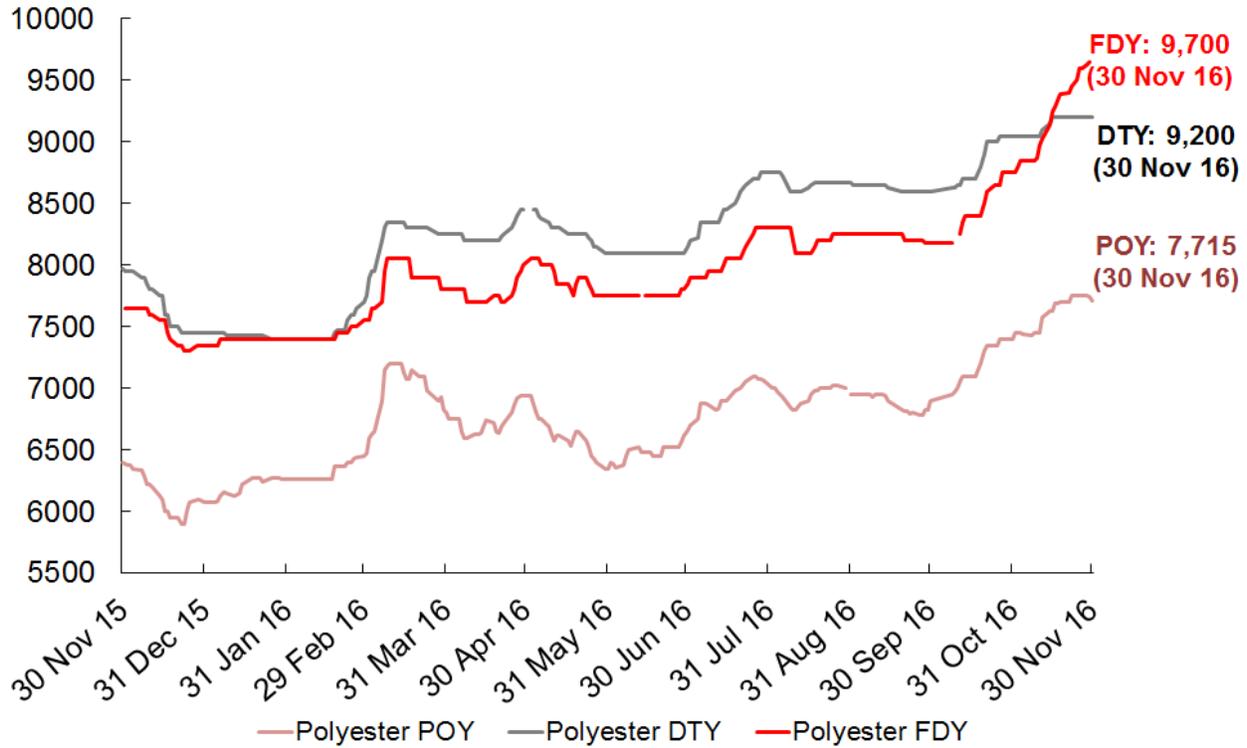
The price indices of polyester¹ went up in November (*see exhibit 1*). For example, the price index of polyester DTY rose from 9,050 on 10 November to 9,200 on 15 November, the highest level since June 2015, and stayed at the same level till the end of November.

The main reasons for the increase in the prices of polyester in the month were a rise in the prices of purified terephthalic acid (PTA), a major raw material of polyester; low inventory levels held by polyester manufacturers; and a strong demand for polyester from downstream textiles manufacturers.

Going forward, the upstream costs of polyester are likely to go up further, as prices of oil, a major material of PTA, have surged lately following the announcement of an oil output cut by the Organization of the Petroleum Exporting Countries (OPEC) on 30 November. Therefore, we expect that the prices of polyester will rise further in the near term.

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

Exhibit 1: Price indices of polyester, November 2015 to November 2016



Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber remains stable

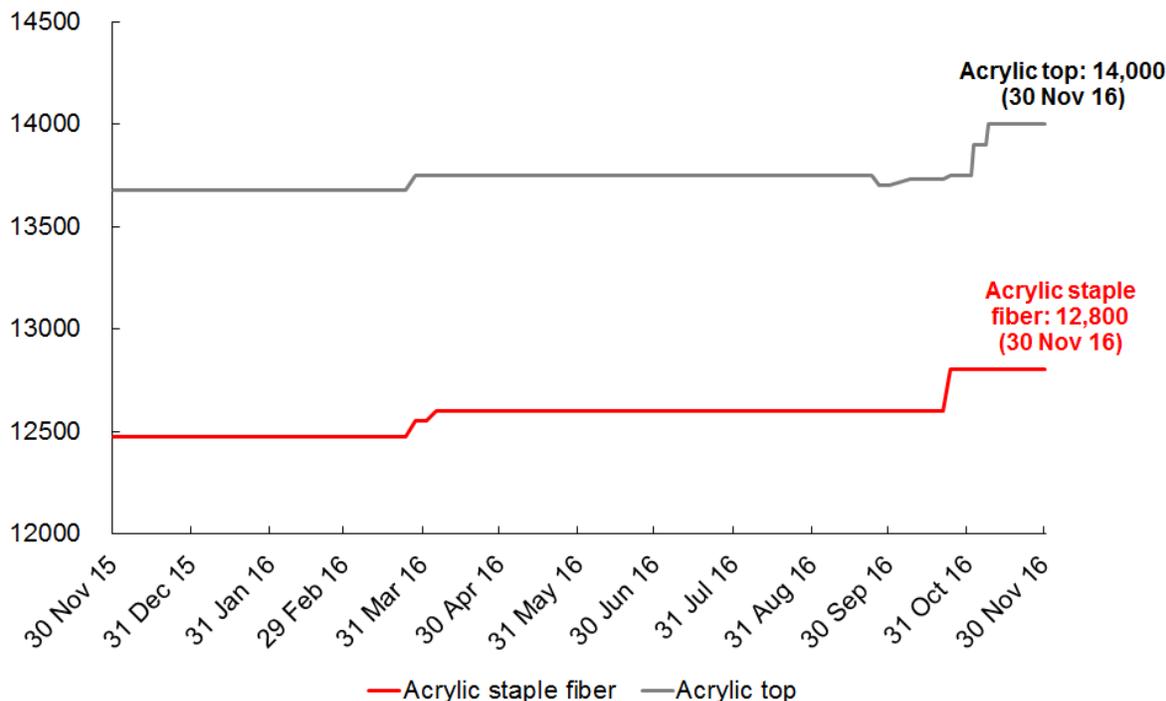
The price index of acrylic staple fiber² stayed flat at 12,800 throughout November (see exhibit 2).

According to the local media, during the month, the prices of acrylonitrile, a major upstream material of acrylic staple fiber, stayed high; and the inventories held by acrylic staple fiber manufacturers remained at low levels.

Looking ahead, the upstream costs of acrylic staple fiber are likely to stay high. Thus, we expect the prices of acrylic staple fiber to stay at the current high levels.

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

Exhibit 2: Price indices of acrylic, November 2015 to November 2016



Source: China Chemical & Fiber Economic Information Network

3. Price indices of nylon soar in November

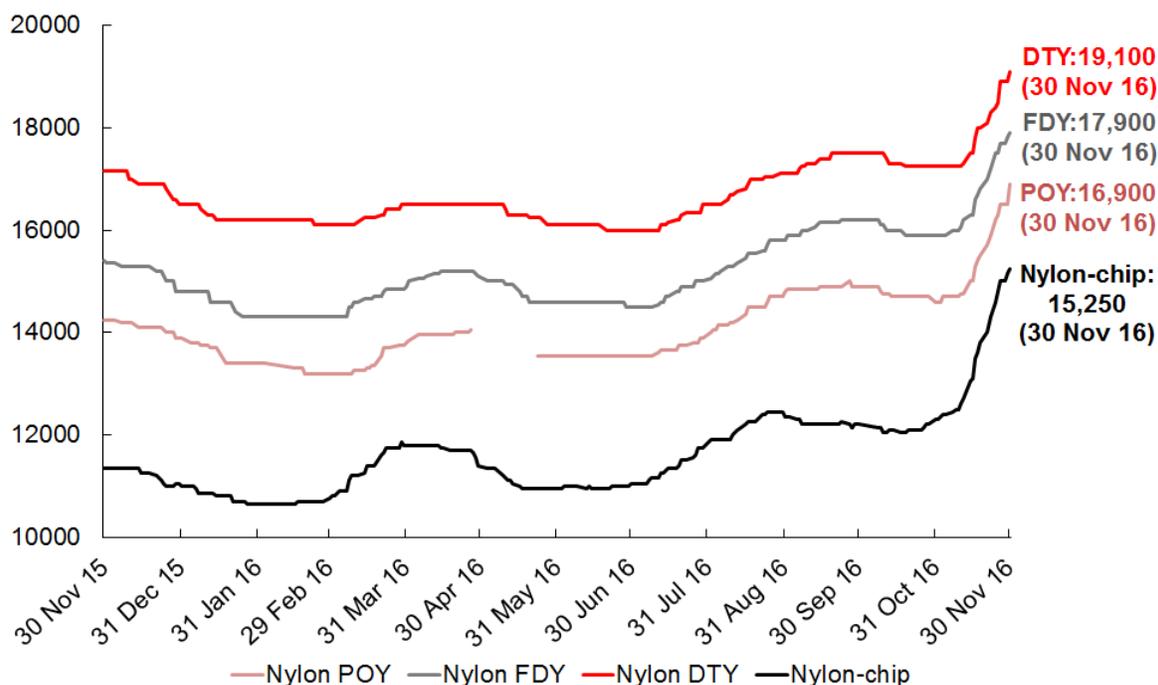
The price indices of nylon³ surged in November. For example, the price index of nylon DTY went up markedly from 17,250 on 31 October to 19,100 on 30 November, the highest level since July 2015 (see exhibit 3).

The surge in nylon prices in the month was due largely to a sharp rise in the prices of caprolactam, a major raw material of nylon. Meanwhile, the downstream demand for nylon stayed stable.

Going forward, we expect the price indices of nylon to fluctuate around the current high levels, as the upstream costs of nylon are likely to stay high and the inventory levels held by nylon manufacturers are expected to remain low.

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

Exhibit 3: Price indices of nylon, November 2015 to November 2016



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber drops and then bottoms out

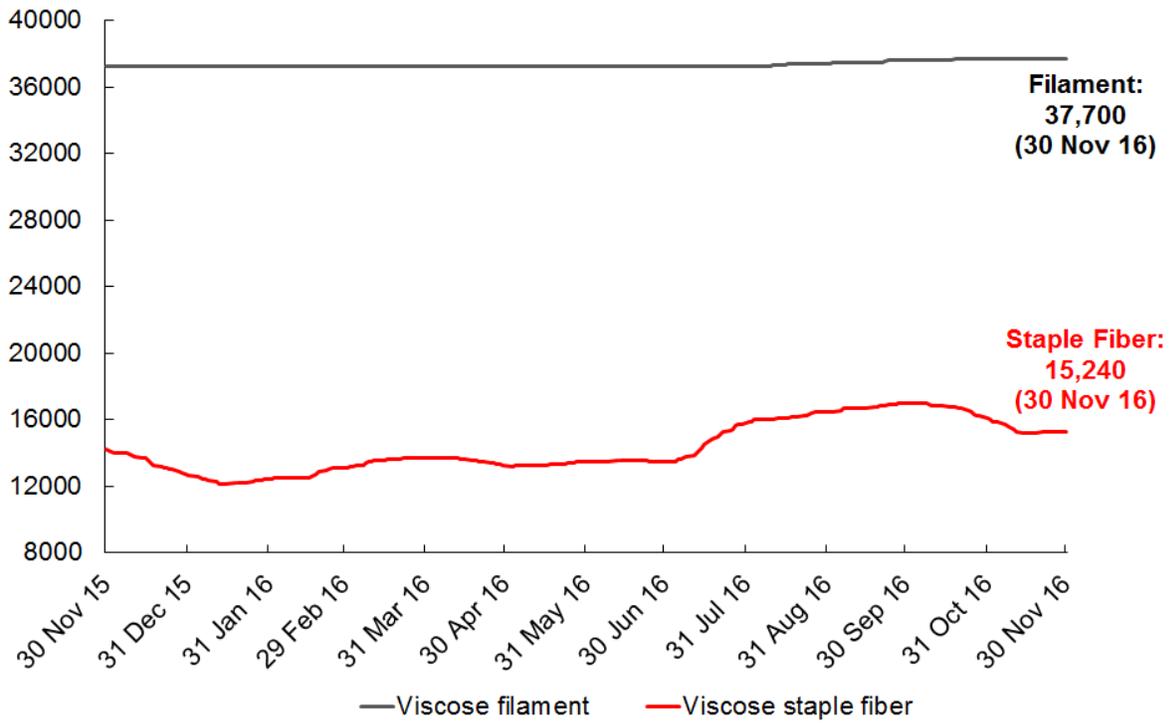
The price index of viscose staple fiber⁴ went down in early to mid-November, and then bottomed out in the following weeks. After falling from 16,100 on 31 October to 15,200 on 14 November, the price index picked up slightly to 15,240 on 22 November, before staying at the same level till the end of the month (see exhibit 4).

According to media reports, the decline in the prices of viscose staple fiber in early November was mainly attributable to a weak downstream demand. Afterwards, the bottoming out of the prices of viscose staple fiber from mid-November onwards was due to an improvement in downstream demand and a drop in inventory levels held by viscose manufacturers.

Looking ahead, the stock levels of viscose staple fiber are expected to fall further. Therefore, we believe that the prices of viscose staple fiber will stabilize or even rise slightly in the near future.

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

Exhibit 4: Price indices of viscose, November 2015 to November 2016



Source: China Chemical & Fiber Economic Information Network

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