MADE IN CHINA

China Sourcing Update

December 17, 2019

Prices of Chemical Textile Materials

1. Price indices of polyester continue to fall in November

The price indices of polyester[1] continued to fall in November. The price index of polyester DTY, for example, dropped from 8,700 on 31 October to 8,600 on 29 November *(see exhibit 1)*.

The drop in polyester prices in November was attributed to sluggish demand amidst a slowdown in global economic recovery and the decline in prices of PTA and MEG, major raw materials for polyester.

Looking ahead, we predict that polyester prices will stay soft, as inventory level of polyester factories is relatively high and downstream demand is likely to remain weak in the near term.

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

Exhibit 1: Price indices of polyester, November 2018 to November 2019
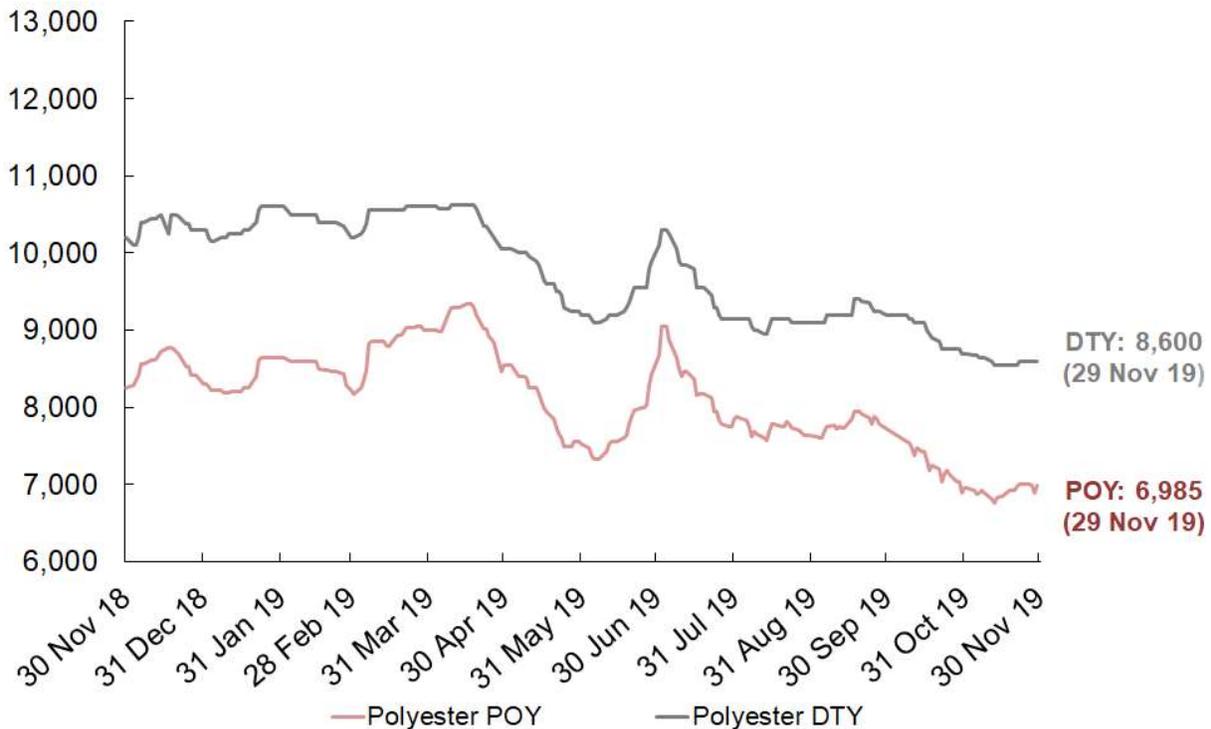
Source: China Chemical & Fiber Economic Information Network

## 2. Price index of acrylic staple fiber falls in November

The price index of acrylic staple fiber[2] fell from 15,200 on 31 October to 14,200 on 29 November. *(see exhibit 2).*

The decline in acrylic staple fiber prices was mainly due to the fall in prices of acrylonitrile, a major upstream material of acrylic staple fiber, in October and November.

Going forward, the prices of acrylic staple fiber are likely to stay near the current levels as significant changes to upstream supply and downstream demand conditions are unlikely in the near term.

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

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

Acrylic staple fiber:
14,200
(29 Nov 19)

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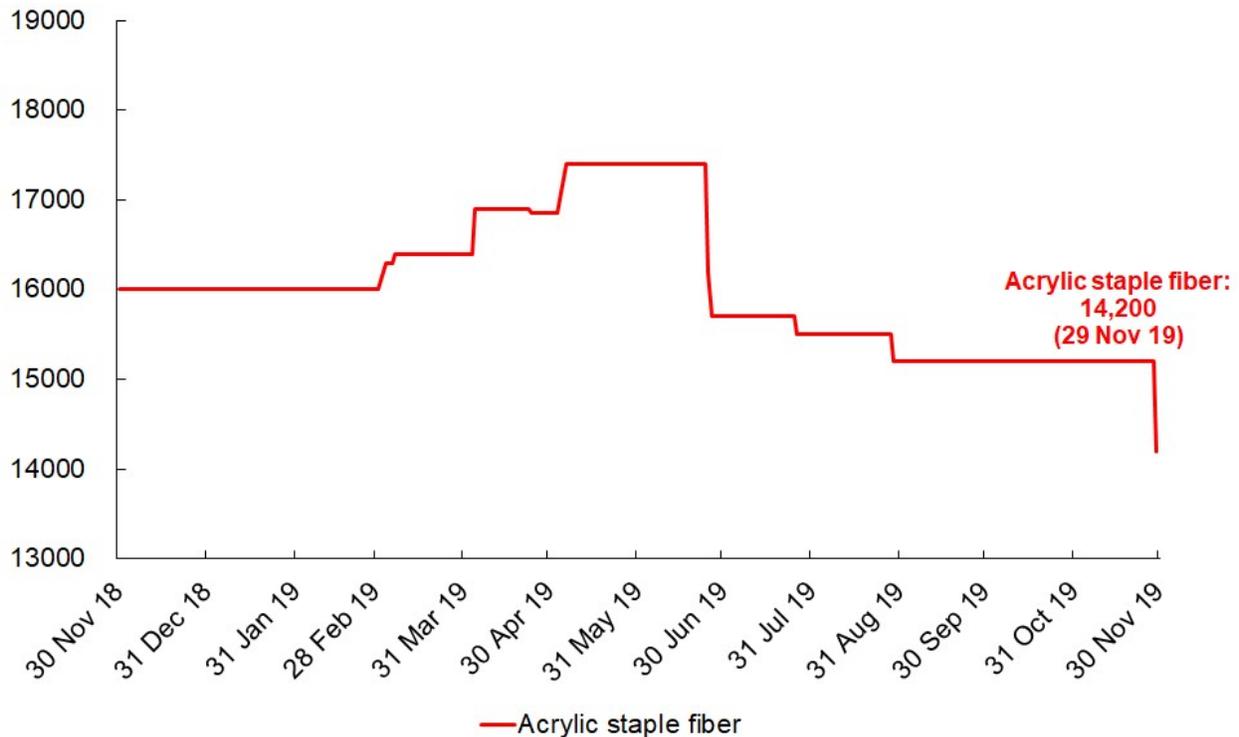
Source: China Chemical & Fiber Economic Information Network

## 3. Price index of nylon slumps in November

The price index of nylon[3] dropped from 17,500 on 31 October to 16,700 on 29 November *(see exhibit 3)*.

Nylon prices went down in November due to the decline in the prices of caprolactam, a major input material of nylon, and sluggish downstream demand.

Looking ahead, we expect nylon prices to stay soft in the near future, as factory utilization rates remain low and inventory levels remain high in the nylon industry.

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

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Exhibit 3: Price index of nylon, November 2018 to November 2019
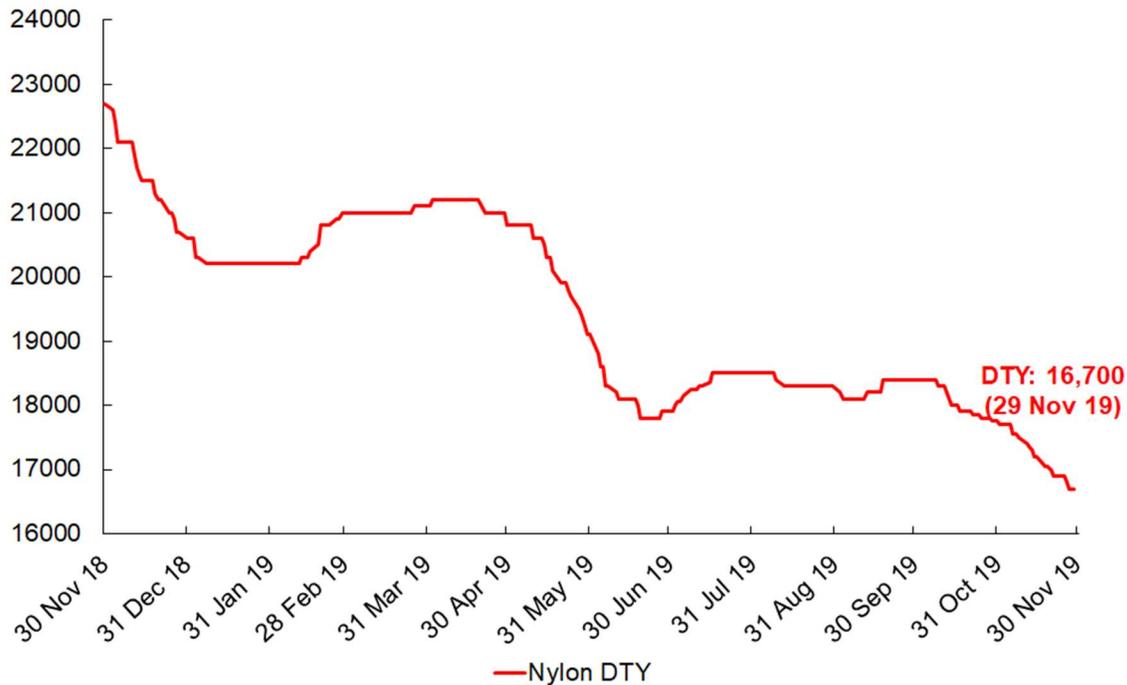
Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose continues to fall in November

The price index of viscose staple fiber[4] fell from 10,700 on 31 October to 10,100 on 29 November *(see exhibit 4)*.

The main reasons for the drop in the prices of viscose staple fiber were a weak downstream demand for the fiber and the decrease in prices of rayon, a major raw material for viscose.

Looking ahead, we predict that the prices of viscose staple fiber will stay soft in the near future, as downstream demand is likely to remain weak amidst fierce competition against imported fibers, temporary shutdown of textile factories [5] and an uncertain global economic outlook.

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[4] The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).
[5] In a bid to clamp down on pollution, local governments in China may order certain factories to partially shut down during the winter.

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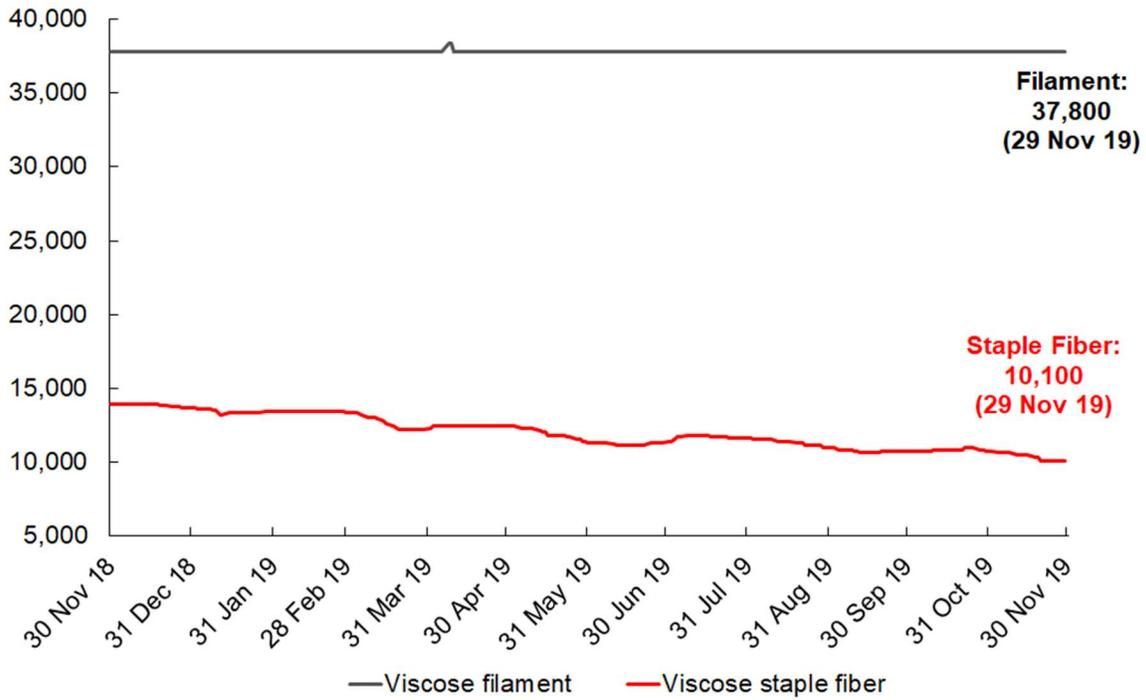
Source: China Chemical & Fiber Economic Information Network

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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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