China Sourcing Update
November 23, 2016

Prices of Chemical Textile Materials

1. Price indices of polyester go up in October and early November

The price indices of polyester[1] trended upward in October and early November *(see exhibit 1)*. For example, the price index of polyester DTY rose from 8,600 on 30 September to 9,050 on 31 October, and further to 9,100 on 11 November, the highest level since June 2015.
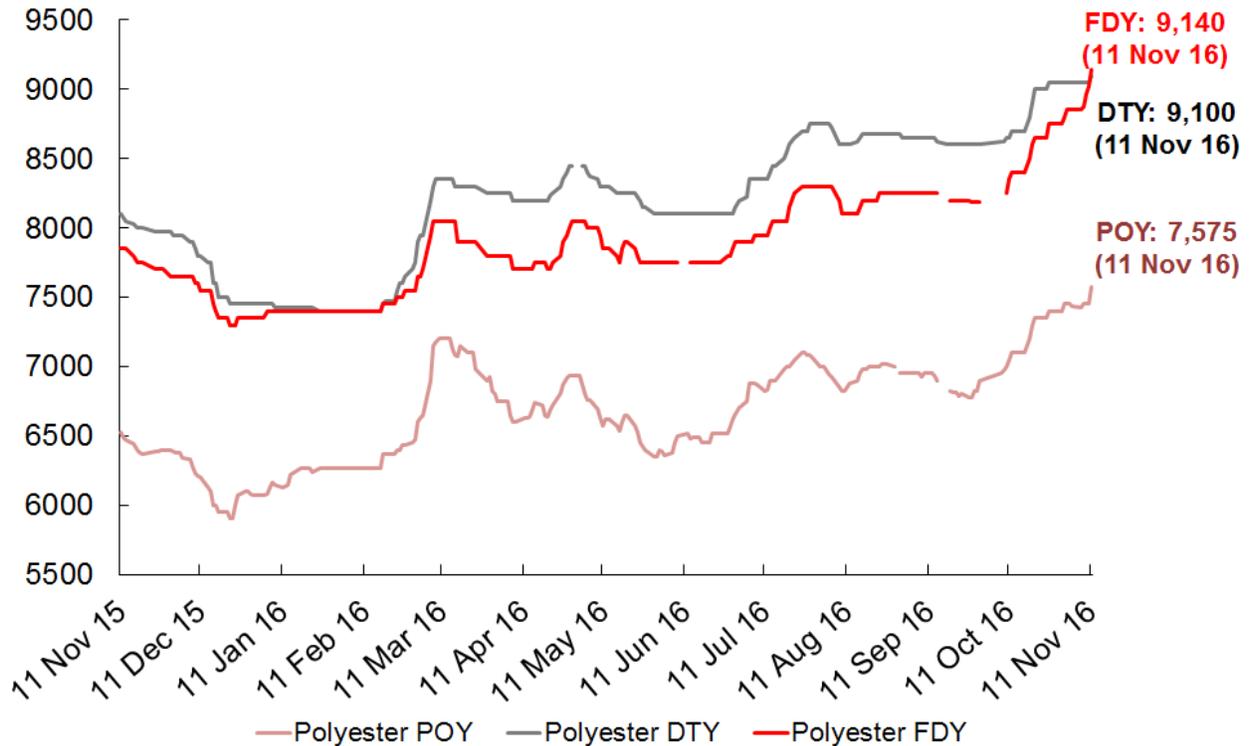
According to the local media, in the period, the prices of purified terephthalic acid (PTA), a major raw material of polyester, went up markedly; and the inventories held by polyester manufacturers dropped to low levels, resulting in a tight supply of polyester. Besides, the demand for polyester from downstream textiles manufacturers improved in the traditional high season of October.

Looking ahead, the upstream costs of polyester are likely to stay high, due to a tight supply of PTA; and the stock levels of polyester manufacturers are expected to remain low. Thus, we expect the prices of polyester to rise further 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 2015 to November 2016

FDY: 9,140
(11 Nov 16)

DTY: 9,100
(11 Nov 16)

POY: 7,575
(11 Nov 16)

—Polyester POY   —Polyester DTY   —Polyester FDY

Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber stays high

The price index of acrylic staple fiber[2] went up from 12,600 on 21 October to 12,800 on 24 October, and has stayed at the same level since then *(see exhibit 2)*.

According to media reports, the downstream demand for acrylic staple fiber was soft in October and early November; however, the prices of acrylonitrile, a major upstream material of acrylic staple fiber, stayed high during the period, which helped support the prices of acrylic staple fiber.

Going forward, there are no signs of a pickup in the downstream demand. Therefore, the prices of acrylic staple fiber are unlikely to rise further in the near future, in our view.

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[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
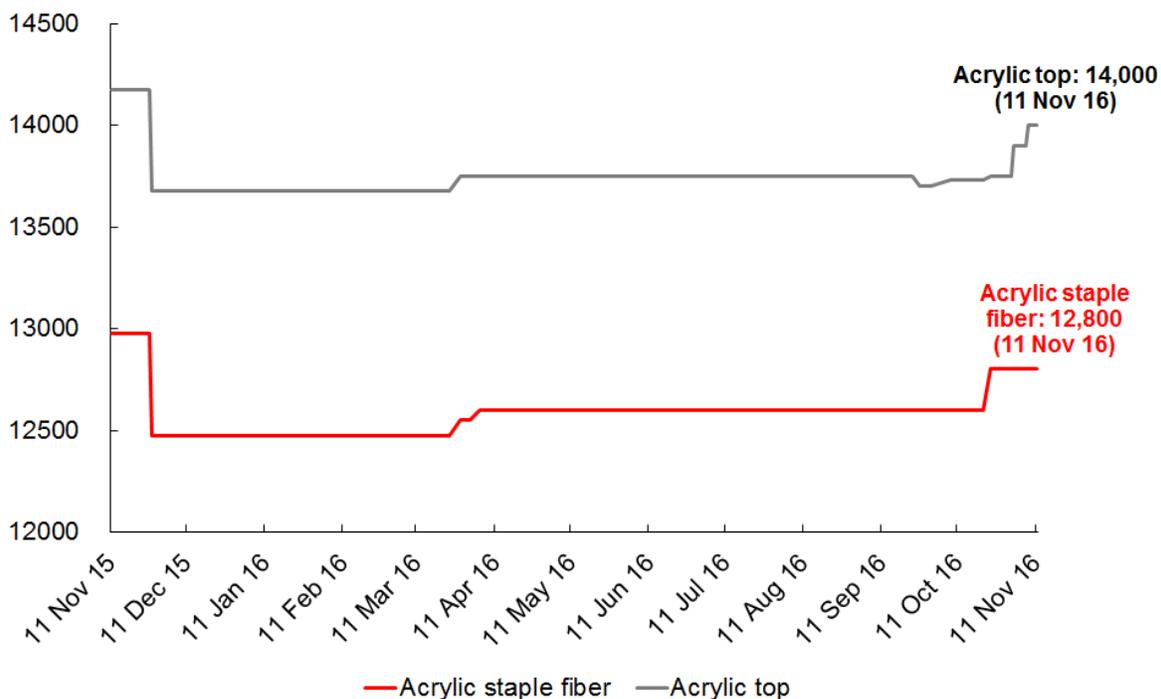
Source: China Chemical & Fiber Economic Information Network

## 3. Price indices of nylon go down in October

The price indices of nylon[3] dropped in October, before rebounding a bit in early November. For example, the price index of nylon DTY fell from 17,500 on 30 September to 17,250 on 31 October, and then picked up to 17,300 on 11 November *(see exhibit 3)*.

The decline in nylon prices during October was due largely to a fall in the prices of caprolactam, a major raw material of nylon, in the month.

Looking ahead, we expect the price indices of nylon to rise, as the prices of caprolactam have surged since early November.

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

Exhibit 3: Price indices of nylon, November 2015 to November 2016
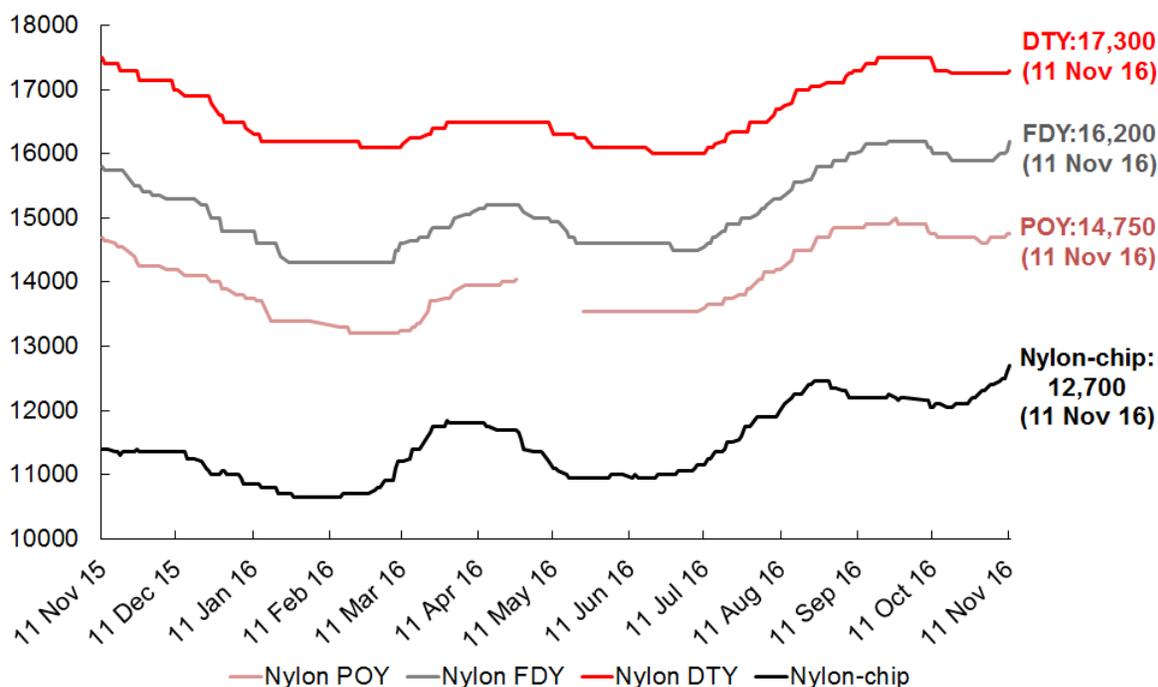
Source: *China Chemical & Fiber Economic Information Network*

## 4. Price index of viscose staple fiber drops sharply

The price index of viscose staple fiber[4] plunged in October and early November, falling from a four-year high of 16,970 on 30 September to 15,900 on 31 October, and further to 15,300 on 11 November.

The main reasons for the decline in the prices of viscose staple fiber in the period were a rise in inventory levels held by viscose manufacturers and a weak downstream demand for viscose staple fiber.

According to the latest media reports, the demand for viscose staple fiber from downstream manufacturers has improved lately. Therefore, we believe that the prices of viscose staple fiber will start to stabilize in the near future.

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[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
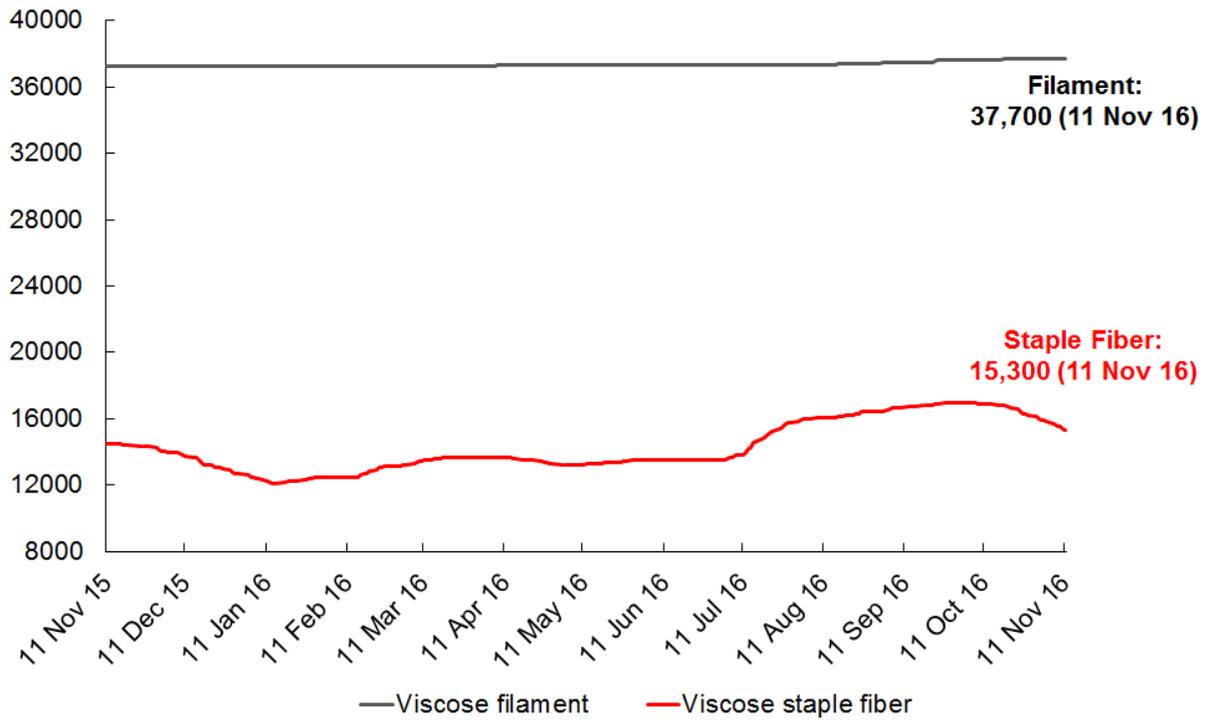
Source: China Chemical & Fiber Economic Information Network

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