China Sourcing Update

November 14, 2018

Prices of Chemical Textile Materials

1. Price indices of polyester drop markedly in October
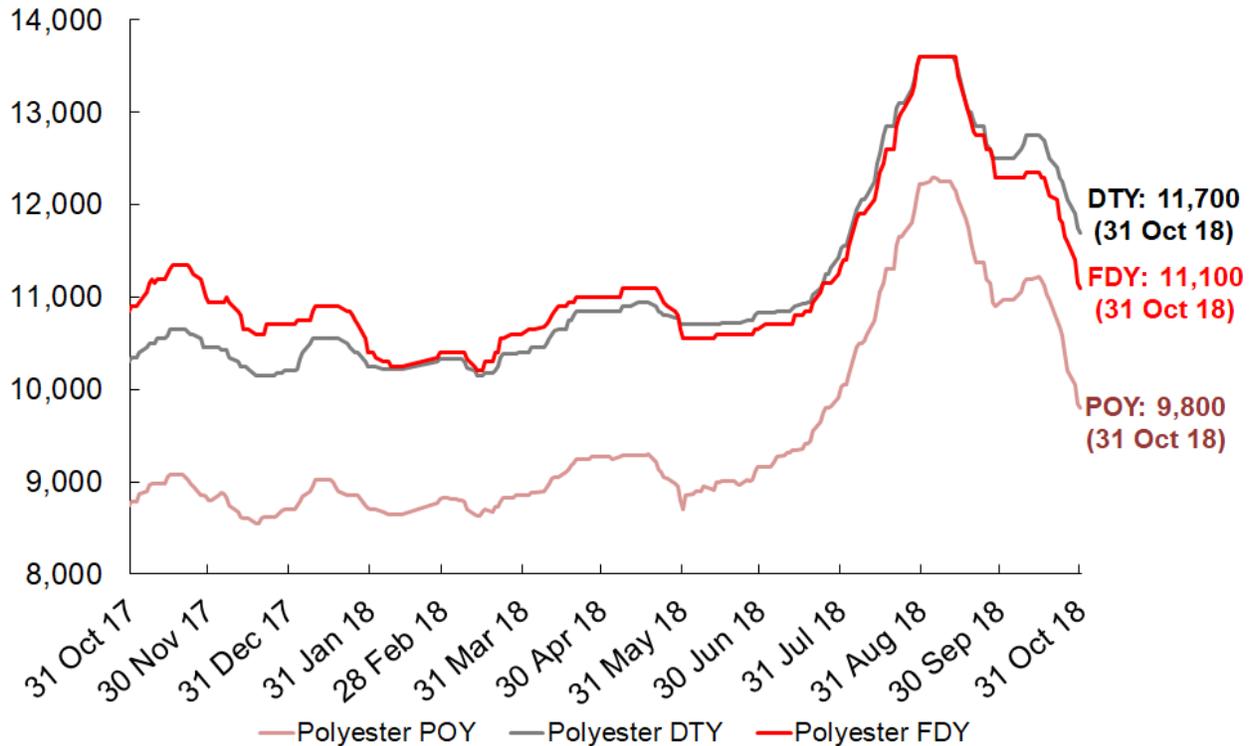
The price indices of polyester[1] rebounded in the first half of October, but then dropped sharply afterwards. For example, the price index of polyester DTY rose from 12,500 on 1 October to 12,750 on 15 October, before falling to 11,700 on 31 October, the lowest level since early August this year *(see exhibit 1)*.

The slump in the prices of polyester in the second half of the month was mainly caused by a plunge in upstream costs: triggered by a marked fall in the global crude prices, the prices of purified terephthalic acid (PTA), a major raw material of polyester, went down sharply during mid- to late October. Meanwhile, a weak downstream demand also contributed to the drop in polyester prices in the month.

Going forward, the fall in upstream prices are likely to continue to put downward pressure on prices of polyester. Therefore, we predict that polyester prices will fall further in the near future.

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

Exhibit 1: Price indices of polyester, October 2017 to October 2018

DTY: 11,700
(31 Oct 18)

FDY: 11,100
(31 Oct 18)

POY: 9,800
(31 Oct 18)

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

Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber stays stable in October

The price index of acrylic staple fiber[2] stayed flat at 20,800 throughout October *(see exhibit 2).*

According to media reports, the domestic prices of acrylonitrile, a major upstream material of acrylic staple fiber, plunged, while the downstream demand for acrylic staple fiber was weak in October. We, therefore, expect that the prices of acrylic staple fiber will trend downward in the foreseeable future.

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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, October 2017 to October 2018
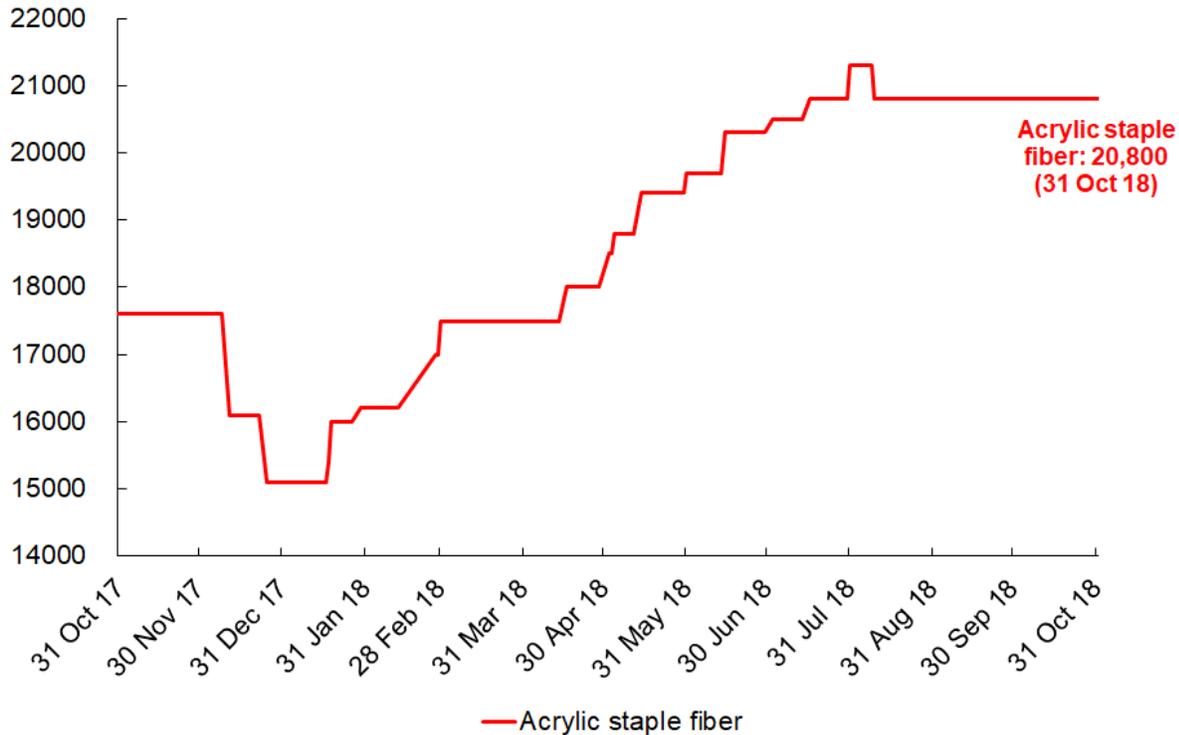
Source: China Chemical & Fiber Economic Information Network

3. Price index of nylon falls in October

After staying flat at 25,200 in the first half of October, the price index of nylon DTY[3] fell in the second half of the month, dropping to 24,400 on 31 October *(see exhibit 3)*.

In our view, the fall in nylon prices in October was due mainly to a drop in upstream costs: the prices of caprolactam, the major raw material of nylon, went down in the month.

Looking ahead, we expect nylon prices to drop further in the foreseeable future, as upstream costs have continued to go down recently.

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

Exhibit 3: Price index of nylon, October 2017 to October 2018
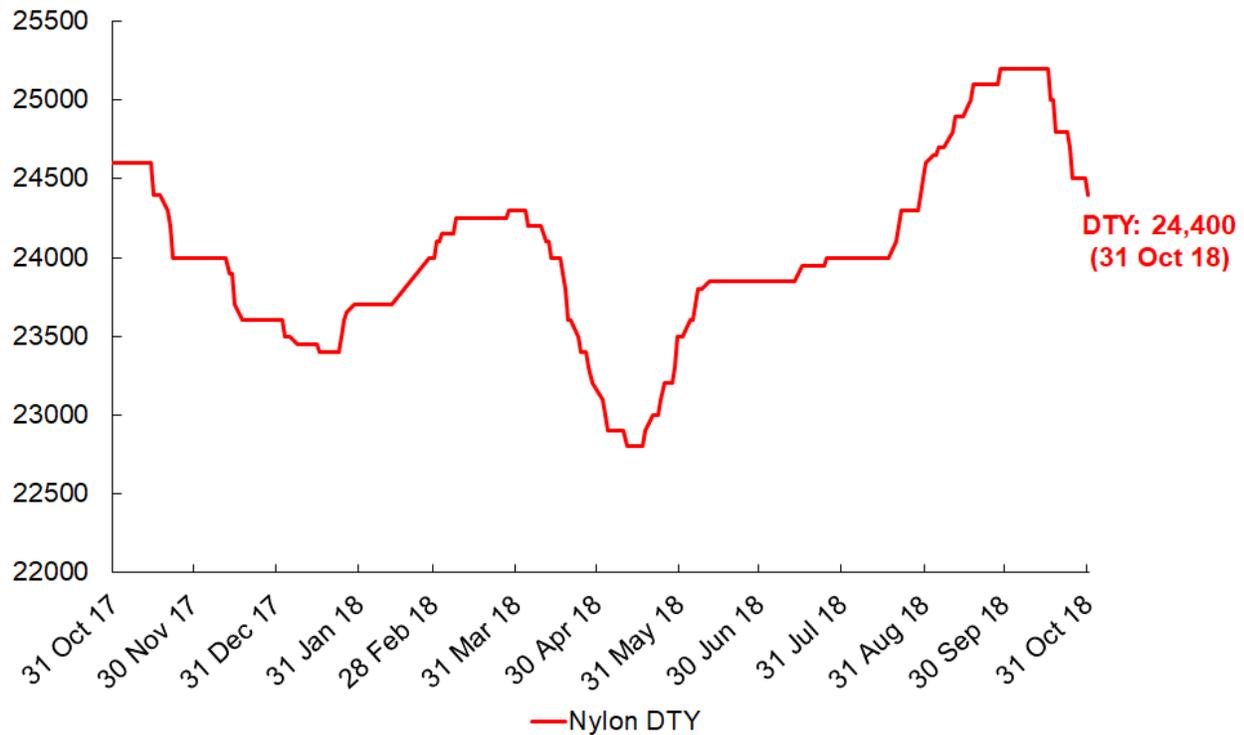
Source: *China Chemical & Fiber Economic Information Network*

4. Price index of viscose staple fiber drops in October

The price index of viscose staple fiber[4] stayed relatively stable in early to mid-October, and then fell in late October. The price index dropped to 14,900 on 31 October, compared to 15,120 on 28 September *(see exhibit 4).*

There are two main reasons for the fall in the prices of viscose staple fiber in late October. First, market expectations of a further drop in prices of viscose stable fiber rose amid the fall in global commodity prices during the period. Second, the demand for rayon yarn, a major downstream product of viscose staple fiber, weakened in the month.

Going forward, we expect that prices of viscose staple fiber will drop further in the near term, as the sales of downstream products have been weak lately and the supply of

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

viscose staple fiber is likely to increase with new production capacities going into operation soon, according to media reports.[5]

Exhibit 4: Price indices of viscose, October 2017 to October 2018

Source: China Chemical & Fiber Economic Information Network

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[5] http://myyj.168tex.com/2018-11-06/990453.html
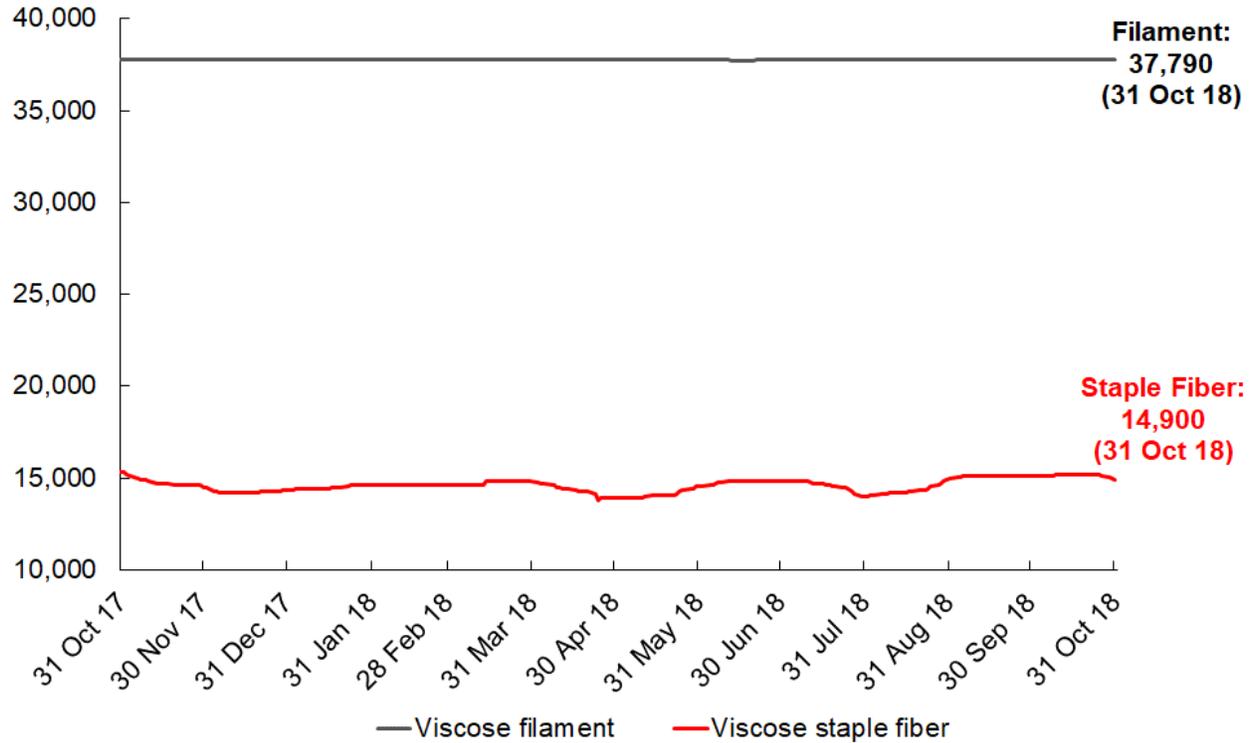
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