



China Sourcing Update

December 2, 2019

Prices of Chemical Textile Materials

1. Price indices of polyester rose in the first half of September, then slump in late September and October

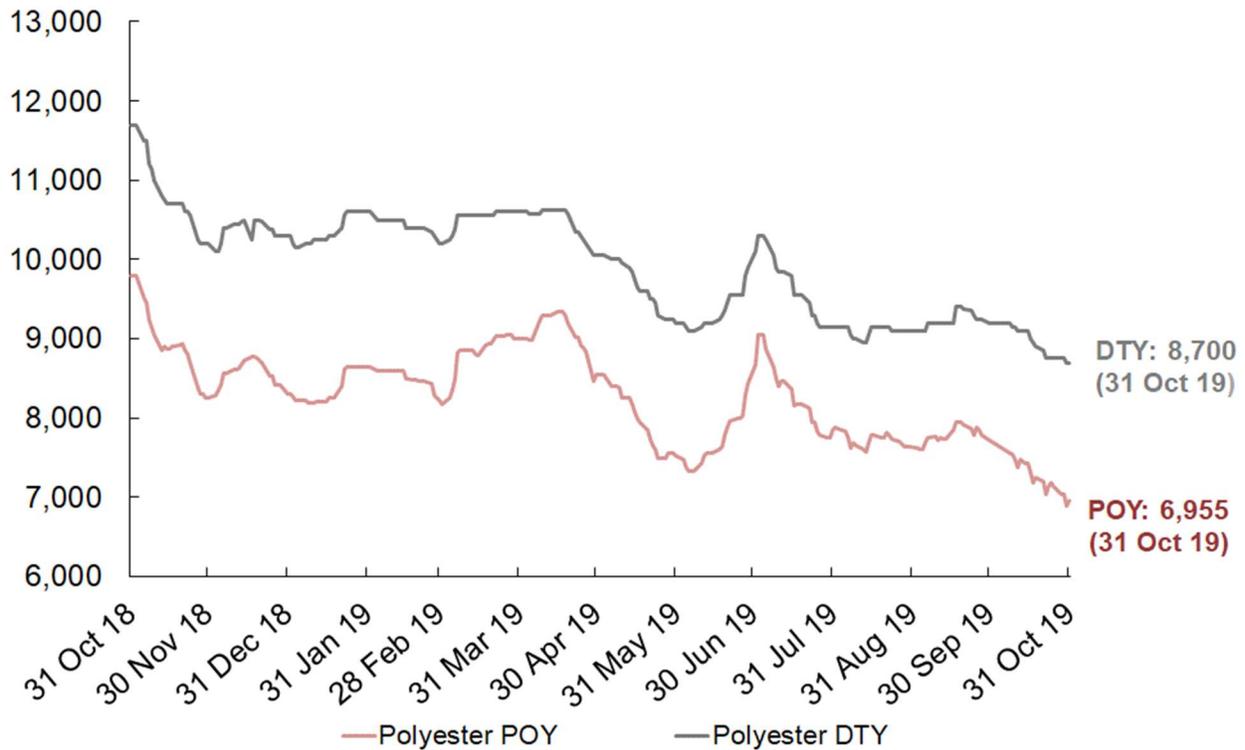
The price indices of polyester¹ rose in the first half of September before slumping in the rest of the month and in October. The price index of polyester DTY, for example, rose from 9,100 on 30 August to 9,400 on 17 September, before sliding to 8,700 as of 31 October (see *exhibit 1*).

The rise in polyester prices in the first half of September was due mainly to the surge in the price of crude oil, the main upstream raw material for polyester. Polyester prices subsequently declined as crude oil prices retreated. In addition, downstream demand during September and October, a high season for business activities in China, proved weaker than expected, leading to further decline in polyester prices.

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 sluggish amid uncertainties in global trade.

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

Exhibit 1: Price indices of polyester, October 2018 to October 2019



Source: China Chemical & Fiber Economic Information Network

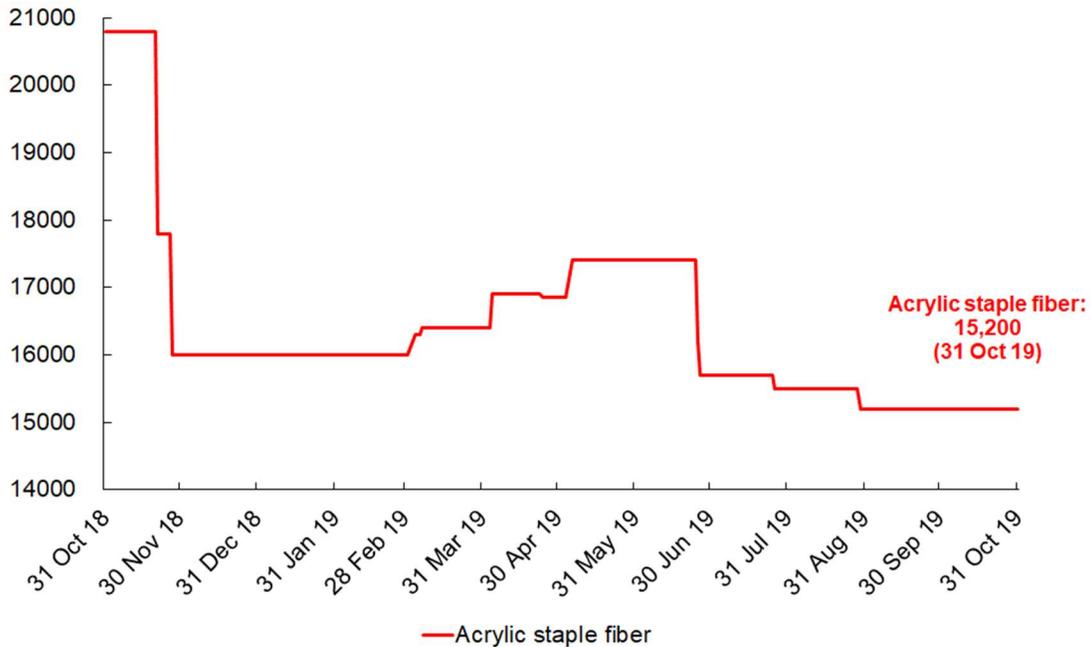
2. Price index of acrylic staple fiber stays flat in September and October

The price index of acrylic staple fiber² stayed flat at 15,200 throughout September and October, the same level as 29 August. (see exhibit 2).

Going forward, the prices of acrylic staple fiber are likely to remain soft in the near term, as the prices of acrylonitrile, a major upstream material of acrylic staple fiber, declined between late September and mid-November.

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

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



Source: China Chemical & Fiber Economic Information Network

3. Price index of nylon edges up in September and falls in October

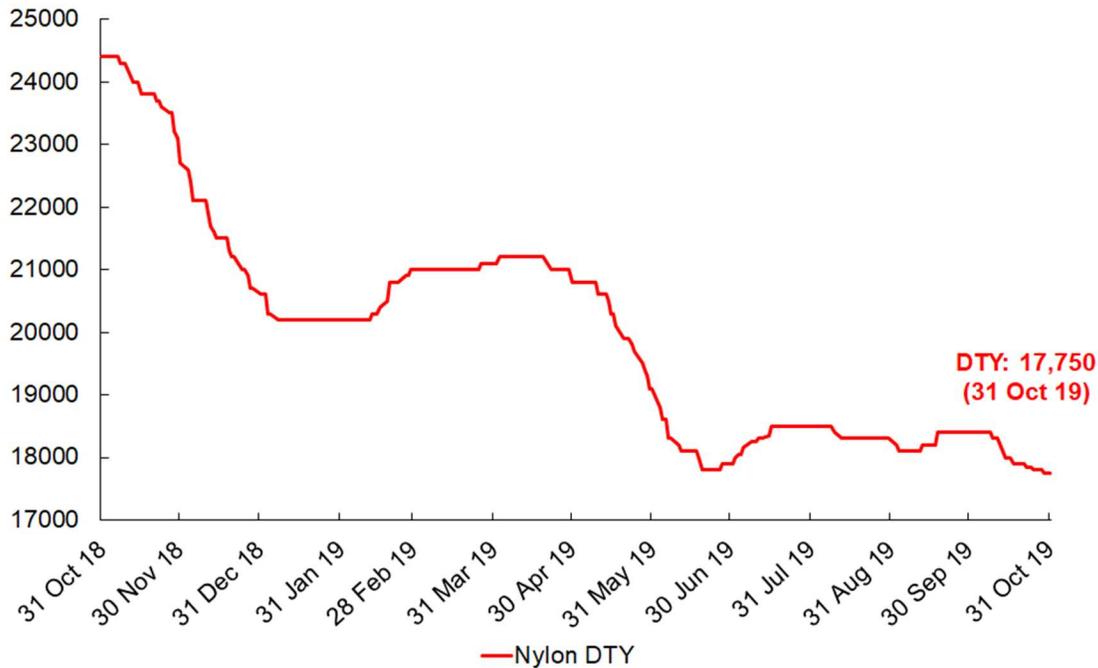
The price index of nylon³ rose slightly from 18,300 on 30 August to 18,400 on 30 September, subsequently fell in October and closed at 17,500 on 31 October (see exhibit 3).

Nylon prices held up in September due to increase in the prices of caprolactam, a major input material of nylon. The subsequent drop in nylon prices in October was mainly attributable to the decline in caprolactam prices and sluggish downstream demand.

Looking ahead, we expect nylon prices to stay soft in the near future, as the price of caprolactam has continued to decline into November.

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

Exhibit 3: Price index of nylon, October 2018 to October 2019



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose continues to fall in September and October

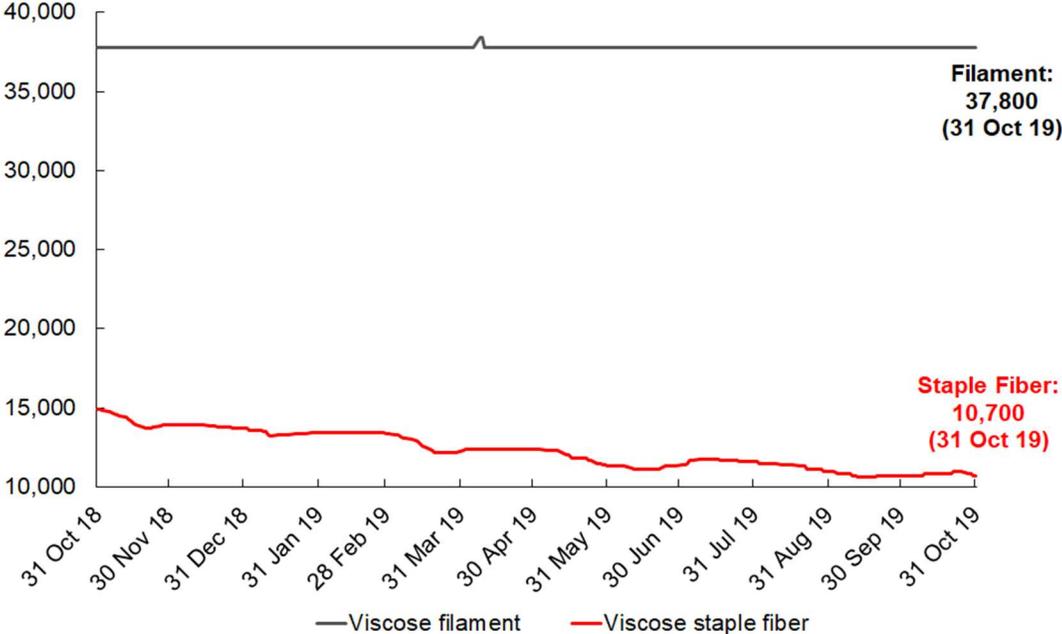
The price index of viscose staple fiber⁴ fell from 11,000 on 30 August to 10,600 on 12 September, the lowest level in more than ten years, before closing at 10,700 on 31 October (see exhibit 4).

The main reasons for the drop in the prices of viscose staple fiber were a weak downstream demand for the fiber and high inventory levels held by viscose producers.

Looking ahead, we predict that the prices of viscose staple fiber will continue to decline in the near future, as the viscose industry enters the low season in November.

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

Exhibit 4: Price indices of viscose, October 2018 to October 2019



Source: China Chemical & Fiber Economic Information Network

FUNG BUSINESS INTELLIGENCE

Fung Business Intelligence collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

About Fung Group

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.

Listed entities of the Group include Li & Fung Limited (SEHK: 00494), Global Brands Group Holding Limited (SEHK: 00787) and Convenience Retail Asia Limited (SEHK: 00831). Privately-held entities include LH Pegasus, Branded Lifestyle Holdings Limited, Fung Kids (Holdings) Limited, Toys "R" Us (Asia) and Suhyang Networks.

For more information, please visit www.funggroup.com.

CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

Denise Cheung
Senior Research Manager
denisecheungwy@fung1937.com
(852) 2300 2463

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



© Copyright 2019 Fung Business Intelligence. All rights reserved.
Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.