



China Sourcing Update

June 25, 2018

Prices of Chemical Textile Materials

1. Price indices of polyester go down in May

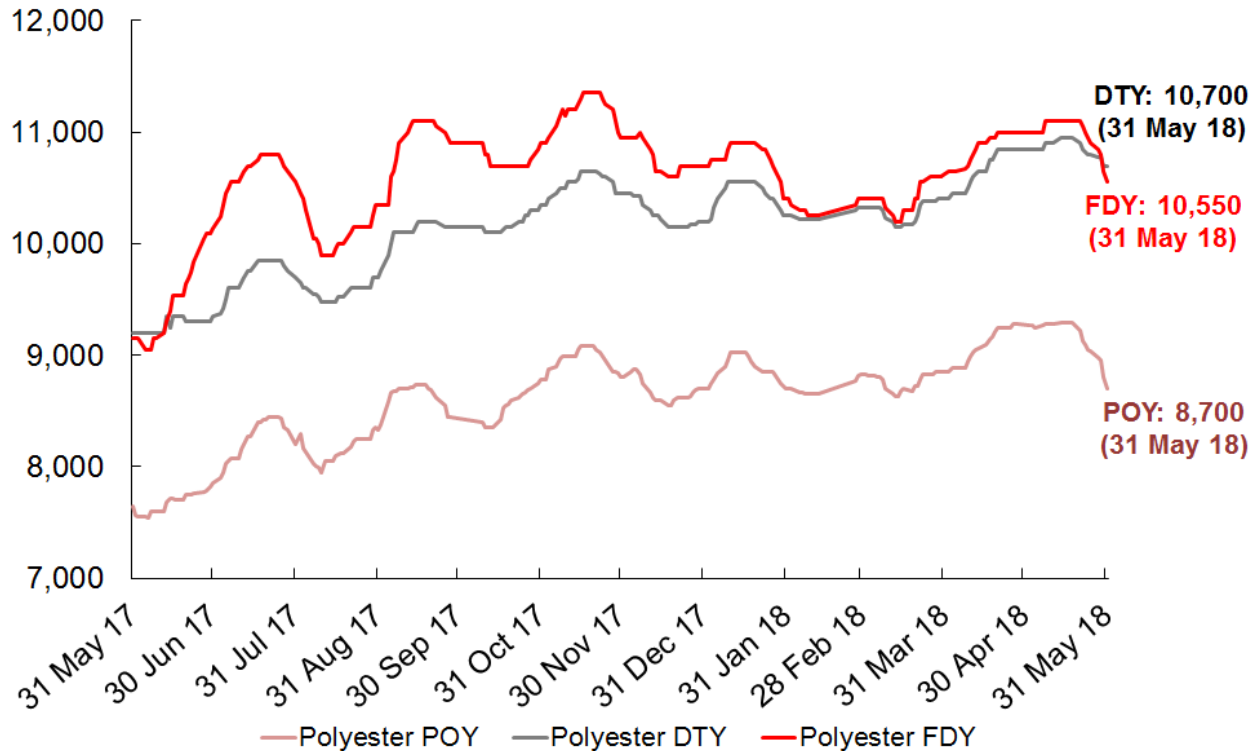
The price indices of polyester¹ declined in May. For example, the price index of polyester DTY dropped from a recent high of 10,850 on 28 April to 10,700 on 31 May (see exhibit 1).

The main reason for the fall in the prices of polyester in the month was weak upstream costs: the prices of purified terephthalic acid (PTA), a major raw material of polyester, went down in late May. Moreover, a sluggish downstream demand for polyester from textiles manufacturers also put downward pressures on polyester prices.

Looking ahead, we expect the prices of polyester to stay low in the near future, amid uncertainty about a potential China-US trade war and a soft downstream demand for polyester.

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

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



Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber jumps in May

The price index of acrylic staple fiber² soared from 18,000 on 28 April to 19,700 on 31 May, the highest level in more than six years (see exhibit 2).

In our view, the surge in the prices of acrylic staple fiber was triggered by a tightened supply of the fiber as a lot of acrylic producers have been running their plants at low rates since December last year due to high upstream costs.

It is noteworthy that acrylonitrile, the major upstream material of acrylic staple fiber, imported from the US is included in the second part of a product list for 25% additional tariffs published by the Chinese government on 16 June, of which the tariff effective date will be announced later.³ If the tariffs do take effect, higher prices of imported

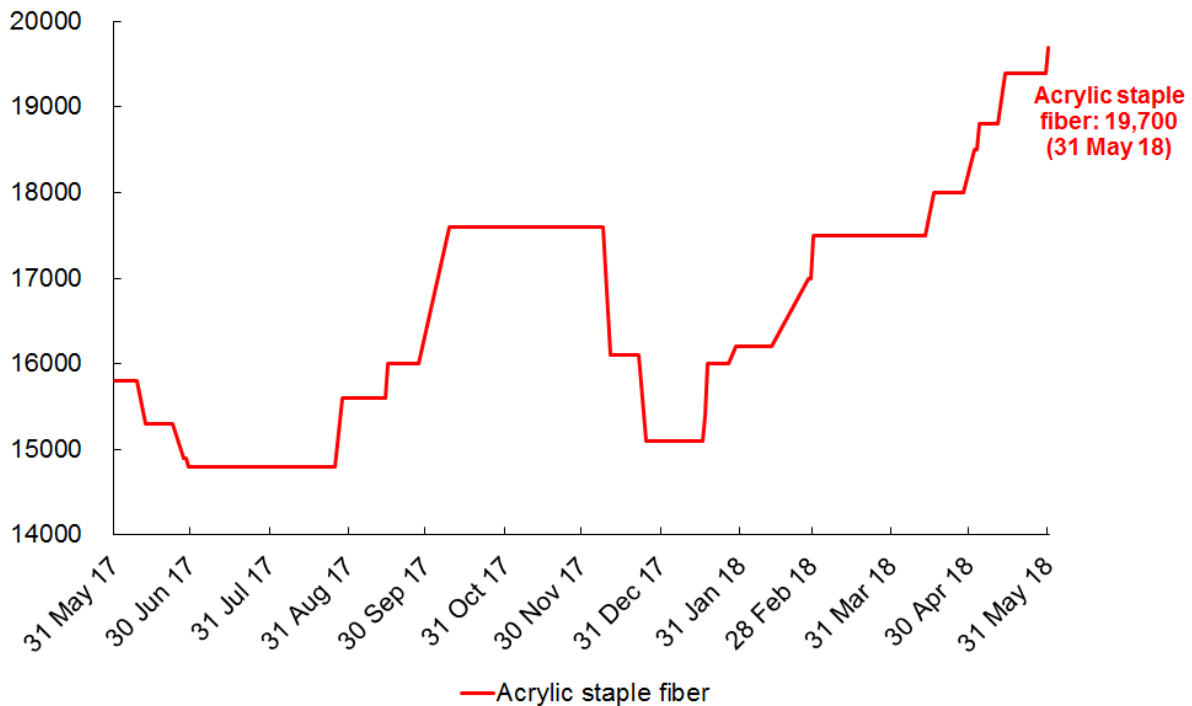
² The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

³ <http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201806/P020180616034362364988.pdf>

materials will likely push up the production costs and prices of acrylic staple fiber, in our view.

Going forward, the tariff threat on acrylonitrile from China is likely to lend support to the prices of acrylic staple fiber in the near term.

Exhibit 2: Price index of acrylic staple fiber, May 2017 to May 2018



Source: China Chemical & Fiber Economic Information Network

3. Price index of nylon falls and then rises in May

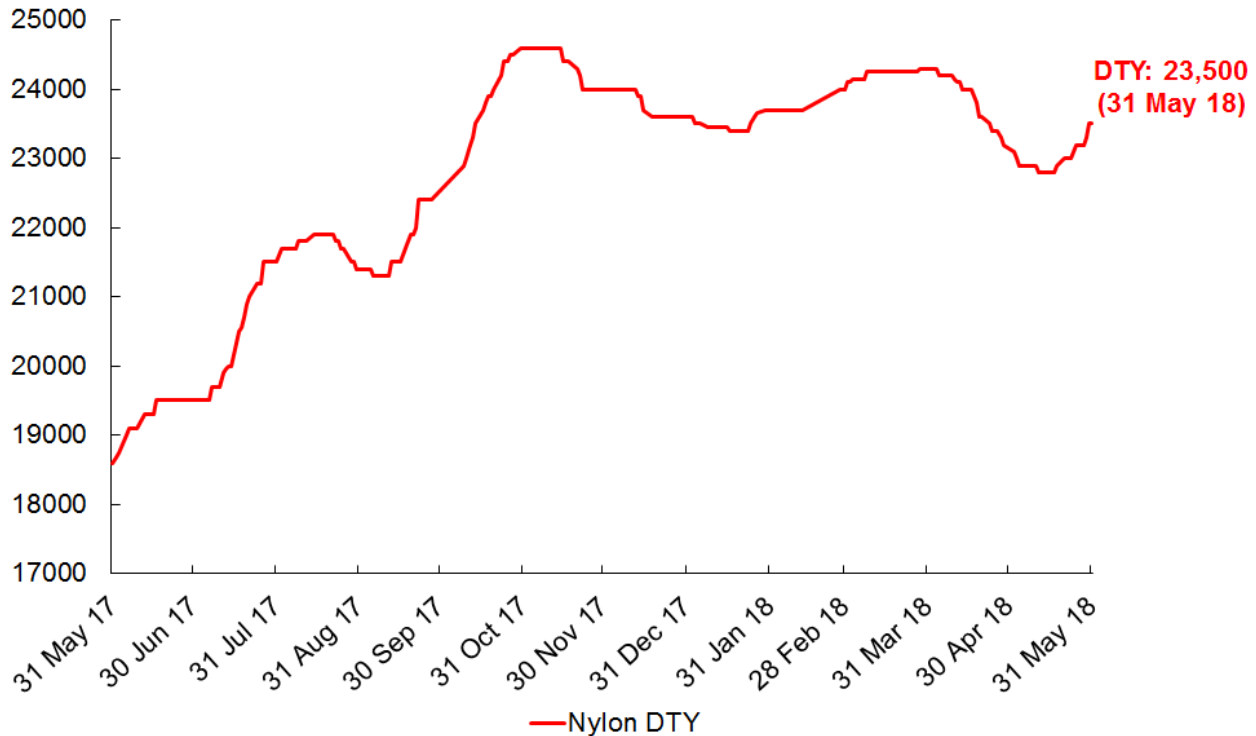
After dropping from 23,200 on 28 April to 22,800 on 11 May, the price index of nylon DTY⁴ went up to 23,500 on 31 May (see exhibit 3).

In our view, the rebound in nylon prices in the second half of the month was mainly attributable to a rise in upstream costs: the prices of caprolactam, the major raw material of nylon, increased throughout the month.

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

Looking ahead, we expect nylon prices to stay high in the near term, as the upstream costs are likely to remain high.

Exhibit 3: Price index of nylon, May 2017 to May 2018



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber goes up in May

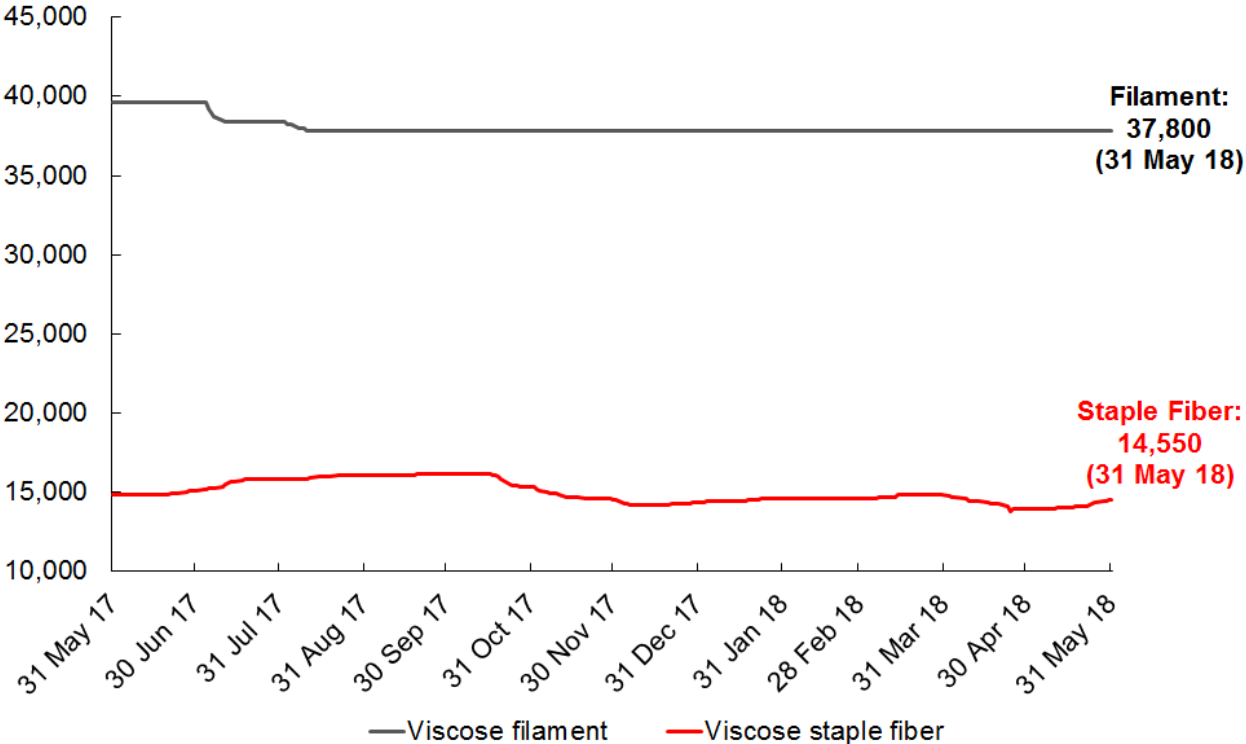
The price index of viscose staple fiber⁵ moved higher in May, rising from 13,900 on 28 April to 14,550 on 31 May (see exhibit 4).

The increase in the prices of viscose staple fiber in the month was due largely to an improved restocking demand from downstream manufacturers, driven by a surge in cotton prices, as viscose is considered a strong substitute for cotton.

Looking ahead, we expect that viscose prices will continue to rise in the near term, as cotton prices are likely to stay high in the foreseeable future.

⁵ The index is compiled by the China Chemical & Fiber Economic Information Network (CCFEI).

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



Source: China Chemical & Fiber Economic Information Network

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