



China Sourcing Update

October 12, 2018

Prices of Chemical Textile Materials

1. Price indices of polyester plummet in September

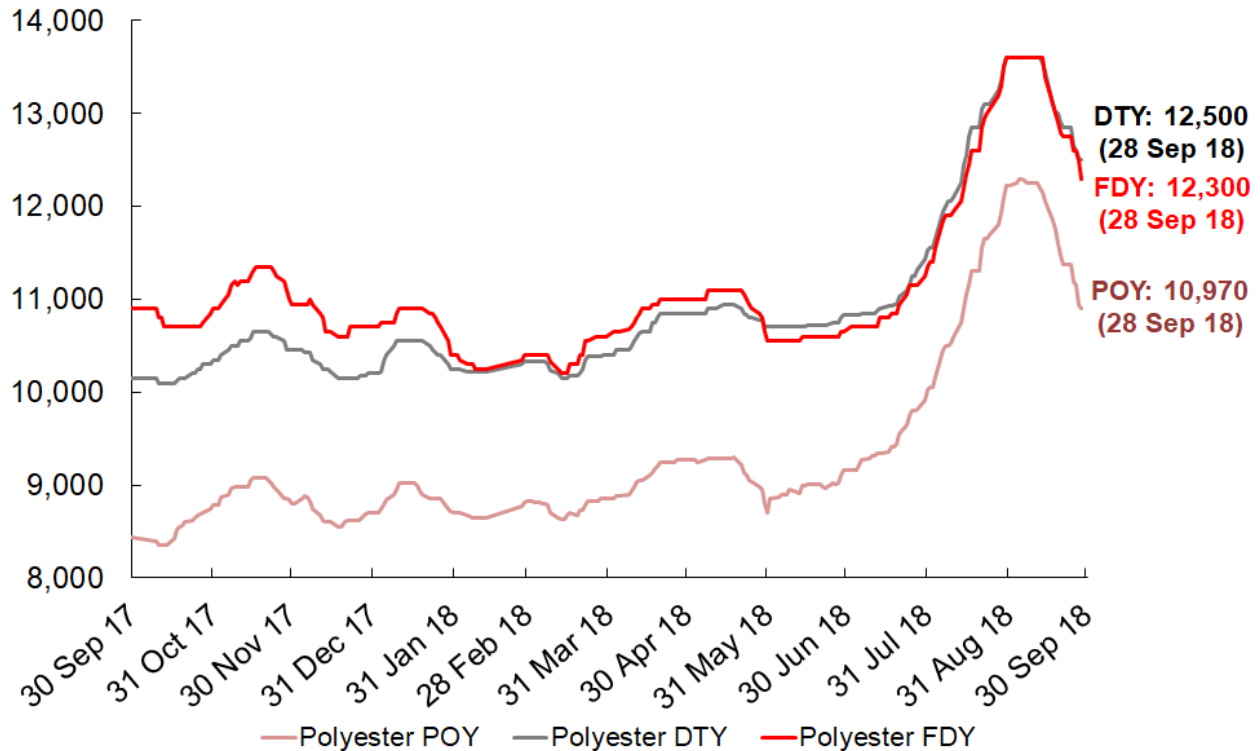
The price indices of polyester¹ stayed flat in the first half of September and dropped sharply afterwards. For example, the price index of polyester DTY stayed flat at 13,600 throughout early to mid-September, before dropping to 12,500 on 28 September (see *exhibit 1*).

The slump in the prices of polyester in the second half of the month was mainly caused by a plunge in upstream costs: the prices of purified terephthalic acid (PTA), a major raw material of polyester, went down markedly during mid- to late September. Moreover, a weak downstream demand also put downward pressures on polyester prices.

Looking ahead, we do not expect the prices of polyester to fall further in the near future, as the prices of PTA stabilized during late September to early October.

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

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



Source: China Chemical & Fiber Economic Information Network

2. Price index of acrylic staple fiber stays high in September

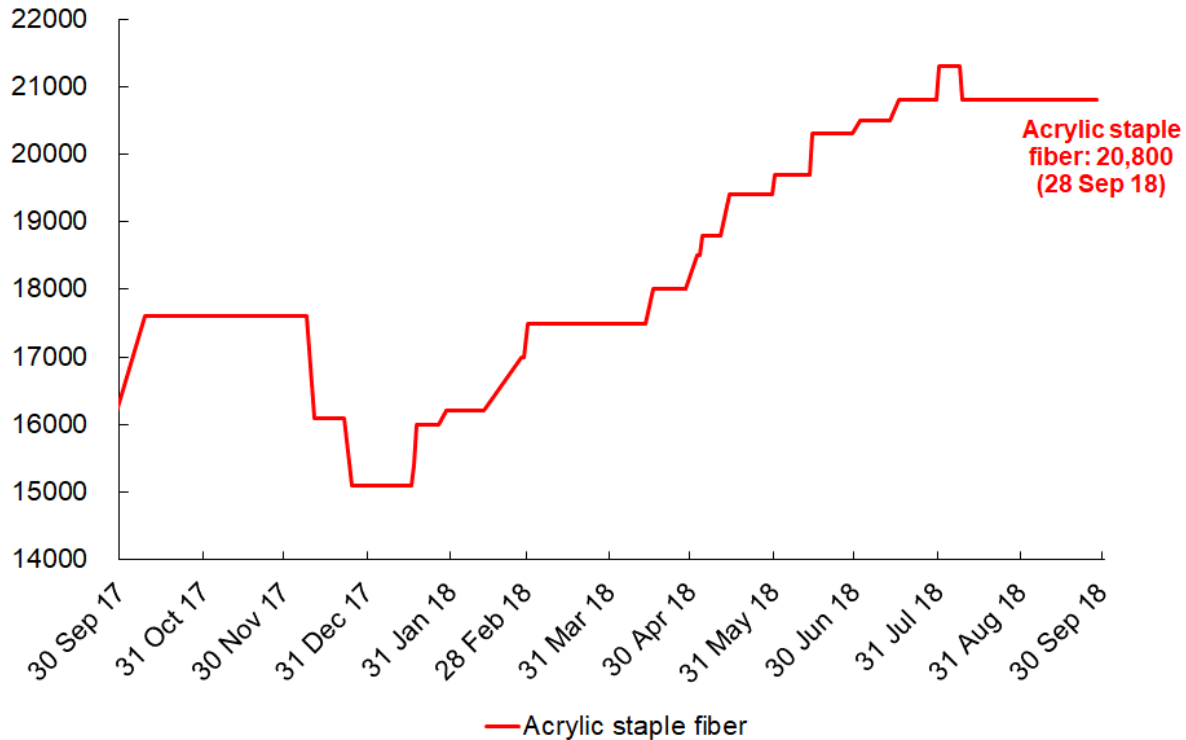
The price index of acrylic staple fiber² stayed flat at 20,800 throughout September (see exhibit 2).

The main reason for the high prices of acrylic staple fiber in September was strong upstream prices, as the prices of acrylonitrile, a major upstream material of acrylic staple fiber, continued to rise in the first half of the month. In our view, the increase in the prices of acrylonitrile was partly attributable to China’s imposition of additional tariffs of 25% on acrylonitrile imported from the US, which came into effect on 23 August.

Looking ahead, we expect that the prices of acrylic staple fiber will trend downward in the foreseeable future, as the prices of acrylonitrile retreated during late September to early October.

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

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



Source: China Chemical & Fiber Economic Information Network

3. Price index of nylon rises in September

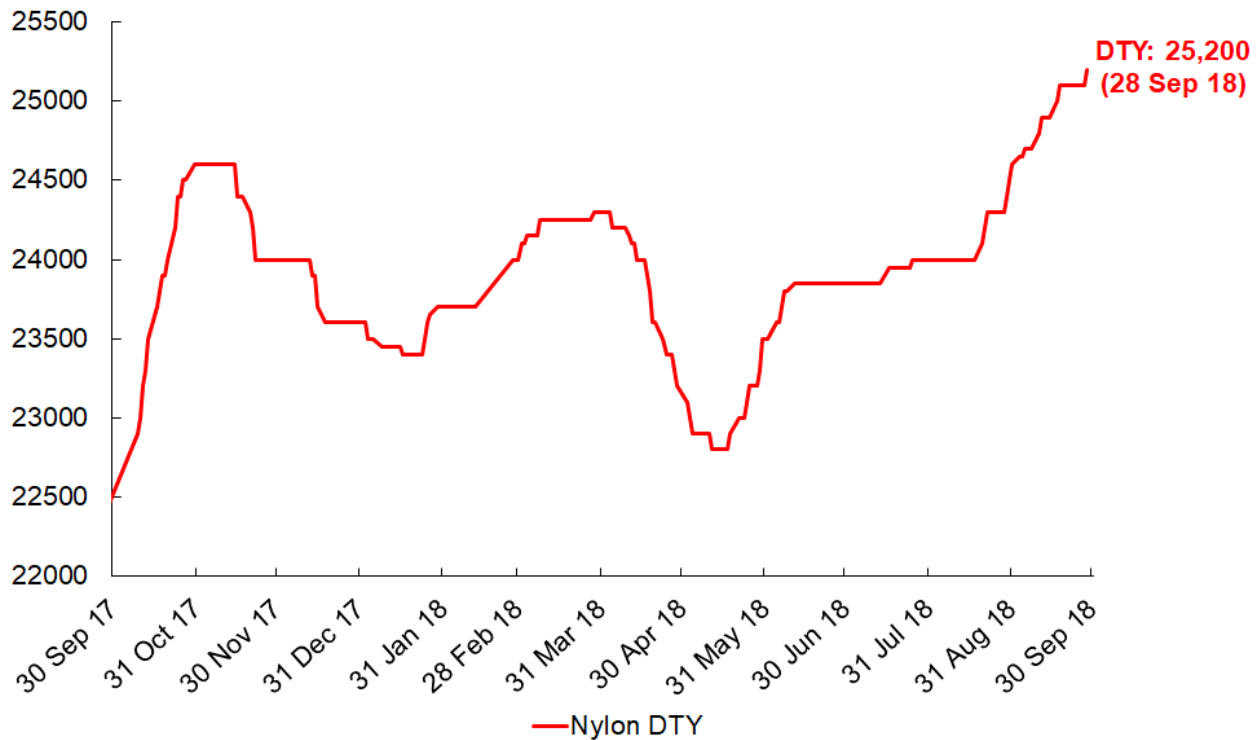
The price index of nylon DTY³ went up from 24,600 on 31 August to 25,200 on 28 September (see exhibit 3).

In our view, the increase in nylon prices in the month was due largely to a jump in upstream costs: the prices of caprolactam, the major raw material of nylon, went up in early September. Meanwhile, the demand from downstream manufacturers remained weak.

Looking ahead, we expect nylon prices to fluctuate around the current high levels in the foreseeable future, as upstream costs are likely to stay high.

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

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



Source: China Chemical & Fiber Economic Information Network

4. Price index of viscose staple fiber edges up in September

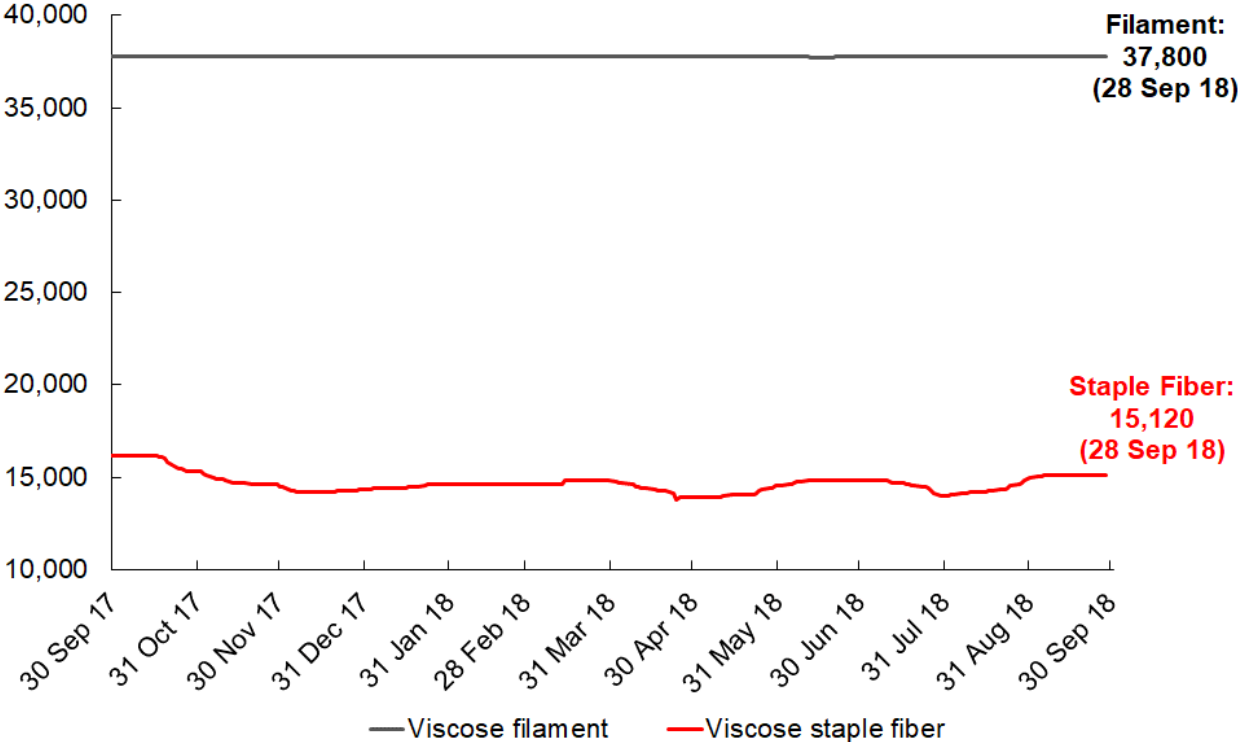
The price index of viscose staple fiber⁴ went up slightly in September, rising from 14,950 on 31 August to 15,120 on 28 September (see exhibit 4).

There are two main reasons for the increase in the prices of viscose staple fiber in the month. First, a jump in polyester prices during June to August pushed up viscose prices as viscose is a substitute for polyester. Second, the demand for rayon yarn, a major downstream product of viscose staple fiber, improved during the current high season.

Going forward, the downstream demand for the fiber is likely to remain strong in the high season of October. Thus, we expect that prices of viscose staple fiber will stay high in the near term.

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

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



Source: China Chemical & Fiber Economic Information Network

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CONTACT

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

William Kong
Research Manager
williamkong@fung1937.com
(852) 2300 2404

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>



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