



# International Market Solutions Newsletter

## A World of Experience for the Global Market

Issue IV March 25, 2009

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### Economic News

US retail sales performed better than expected in February, falling only 0.1% when compared to the previous month. January sales were also revised up sharply, increasing 1.8% as compared to the 1% jump previously estimated. In February, electronics sales surged as did sales at furniture (0.7%) and clothing stores (2.8%). Excluding automotive retail, which dropped 4.3% in February, all other retail sales would have climbed 0.7%.

China increased its textile and apparel export rebates to 15% at the beginning of February. The one percent increase is the third increase in a year and is designed to help the total textile infrastructure in China combat the recent dramatic fall in exports. Other measures taken by the government to help weakened textile and apparel manufacturers include low cost loans to upgrade technology and develop domestic brands.

US new home construction fell in January to 466 thousand units, the lowest level since statistics have been kept. The current level of housing starts is 56% below the same month last year. The decline for January is the seventh straight month new home construction has fallen. In a separate announcement, existing home sales fell to a 4.49 million unit rate in January, a 12-year low. The median home price declined 14.8% when compared to the same period last year.

### Company News

**Dow Chemical** and **Rohm and Haas** have reached an agreement for Dow to pay \$78/share for Rohm and Haas. The settlement followed a suit by Rohm and Haas which was filed following Dow's attempt to void the deal after it had failed in forming a joint venture with **Petrochemical Industries Co.** of Kuwait. The deal was struck at the original price but the financing for Dow was restructured in the settlement.

**DAK Americas** has agreed to purchase the technology to manufacture a specialty group of 2GT polyester resin products marketed as Crystar\* from **DuPont**. The specialty resins are used in the manufacture of monofilament, nonwovens, packaging, and other engineered polyester products.

**PTT Poly Canada Limited**, a partnership between **Shell Chemicals Canada** and the **Societe generale de financement du Quebec**, plans shut its polytrimethylene terephthalate (PTT) polymer plant in Montreal due to the downturn in the North American carpet industry.

**Invista** has announced plans to shut polyester production at its Offenbach, Germany site following unsuccessful attempts to sell the assets. The facility produces 150 ktpa of dimethyl terephthalate (DMT) and 210 ktpa of polyethylene terephthalate (PET) resins. The PET from the plant is used in the manufacture of drinking bottles, fibers, and automotive parts.

### Economic Indicators

	Last Month	Previous Month	Last Year
Housing Starts (millions DOC)	466	791	1275
US Unemployment Rate	7.6	6.7	4.7
US Cons. Price Index (1982=100)	216.6	218.8	208.9
Textile Prod. Index (2002=100)	84.2	84.0	89.2

## Fiber Dynamics

### Acrylic

The acrylic fiber business in China has strengthened significantly since mid February resulting in some suppliers being unable to meet the requirements of yarn spinners as the business begins its seasonal upswing. Western European acrylic markets remain very weak with no signs of recovery. Sales for acrylic yarn in the US (all acrylic fiber is imported) are poor but some optimism has returned to the market as retailers provide their forecasts for future orders, particularly in the hosiery market.

### Polyester

The polyester filament business in Asia for the first couple of months of the year continued to worsen from the already depressed levels of the fourth quarter. Despite the fall in sales volumes, fiber prices have increased nearly 10% from the beginning of the year based on rising paraxylene prices in the region. The polyester staple business is doing better than filament in the region based on better sales to non-apparel applications, primarily nonwovens. The polyester fiber business in Europe continues at the poor levels of the last couple of months with no immediate prospects for improvement. Shipments for both polyester staple and filament were poor in February for North America. Only polyester bulked continuous filament (BCF) is reported as doing well as it gains share from competing fibers in the poor US carpet business. Despite the poor shipment volumes, polyester fiber prices are increasing on the back of rising ingredients.

### Nylon

Although shipments of nylon in China have recovered during February, the improvement was largely based on pipeline restocking and not retail or export demand. Demand for nylon by weavers in Taiwan is very poor as export orders have slowed considerably. As with polyester, prices for nylon fiber in Asia are expected to increase in the coming months as caprolactam prices have reversed their six month downturn and have begun to recover in the last several weeks. Nylon fiber business in West Europe remains at the very poor levels of the last several months. In the US, nylon textile and industrial markets weakened further during the first quarter. Fiber volumes to the flooring business continued to weaken as a stronghold for the nylon business in the US carpet markets, the commercial flooring business, continues to decline at rates higher than the residential business. Fiber pricing in the US declined as raw material declines finally worked their way through the supply chain.

### Polypropylene

Although polypropylene fiber volumes in China increased during the last several weeks, the improvement was below expectations for a post-holiday recovery. Demand in Europe exceeded expectations with fiber producers reporting good business across all end uses. Polypropylene fiber shipments in the US continued to improve as shipments to the hygiene and geotextile markets improved more than the declines to the wipes markets and other industrial applications.

### Cotton

Global cotton prices declined during the first couple of months of the year with US cotton pricing dropping below the 40 c/lb level. As March begins, rising commodity pricing and increased US exports have prices increasing once again.