



# International Market Solutions Newsletter

A World of Experience for the Global Market

Issue II, July 11, 2008

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## Economic News

US housing foreclosures increase 48% compared to year earlier figures reaching over 261 thousand units in May. This is the 29th consecutive month of year-over-year increases and is equivalent to one out of every 483 US households receiving a foreclosure filing in May. In separate reports, US home construction fell 3.3% in May compared with the month earlier and 32% vs. May 2007. Housing prices dropped a record 15.3% over the last year according to the Case-Shiller home price index.

The US Federal Reserve Board decided to keep the federal funds interest rate steady at 2% in its June meeting. The Board did note that upside risks to inflation and inflation expectations have increased. The European Central Bank raised interest rates 25 basis points to 4.25% in response to inflation concerns but stated the bank had no bias on future policy moves.

China has announced plans to implement subsidies for grain farmers, taxi drivers and other low income groups to reduce the impact of rising energy costs. The government is also considering increasing the tax rebate on exports of textiles and apparel to aid those struggling industries. There was no timetable given on when the rebates could be hiked. The rebates had been cut by two percentage points in July 2007.

The US House of Representative Appropriations Committee has approved legislation that will extend monitoring of textile and apparel imports from Vietnam and China. The extension will be through the end of 2009. ♦

## Company News

Dow has announced an agreement to acquire all outstanding shares of Rohm and Haas common stock for \$78 per share. This acquisition should give Dow strong positions in electronic material, coating, adhesives, and building and packaging materials industries. A portion of the transaction will be covered by investments by Berkshire Hathaway and the Kuwait Investment Authority.

Solutia has announced that it is exploring strategic alternatives for its nylon business. The company has hired HSBC Securities to explore the possible sale of the business unit. The business had sales of \$1.9 billion in the first quarter of 2008. Solutia emerged from bankruptcy in February of this year.

Celanese has agreed to settle a legacy anti-monopoly lawsuit that occurred when Celanese was a part of Hoechst for \$107 million. The settlement of the Polyester Staple Antitrust Litigation means that plaintiffs in the suit have dismissed their claims related to sales by the polyester staple fibres business, which Hoechst sold to KoSa in 1998. In 1999, Celanese was demerged from Hoechst.

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## Leading Indicators

	Latest Month	Previous Month	Last Year
Housing Starts (millions DOC)	1065	1071	1487
U.S. Unemployment Rate	5.1	4.8	4.4
U.S. Cons. Price Index (1982=100)	211.7	211.1	203.5
Textile Prod. Index (2002=100)	87.6	87.5	91.5



## **Company News (continued)**

Reliance Industries USA will convert two polyester polymer lines at the facility formerly operated by Unifi in Kinston, North Carolina to make polyethylene terephthalate (PET) specialty polymers and bottle resin. The \$215 million investment should employ more than 200 workers.

Far Eastern Textile has purchased the remaining shares of its purified terephthalic acid (PTA) joint venture with Invista. The joint venture production facility is located in Kuan Yin, Taiwan. Terms of the deal, which was completed on June 30th, were not disclosed. ♦

## **Fiber Dynamics**

### **Acrylic**

Acrylic business in China is entering seasonal strength but there great concern about the ability of the value chain to pass on increased prices. The Western European business for acrylic is described as very poor. Acrylic producers in Europe are operating at very low utilization rates. The US acrylic yarn business is digesting two recent price increases with some of its businesses being converted to polyester and/or cotton. There was a recent small upturn in business as yarn customers bought before the last price increase.

### **Polyester**

Sales of polyester staple and filament in China are described as poor following the most recent price increases. Chinese fiber producers report they are simply unable to pass along the current prices for raw materials to their customers. Demand for filament and staple in Europe is reported as poor and the US volumes are decreasing due to the holiday shutdowns and the higher prices. The polyester staple producers have raised prices seven times in the last 15 months attempting to keep up with surging raw materials. Although the US July paraxylene contract has not been settled yet, expectations are for a significant increase.

### **Nylon**

After falling in May, nylon 6 and 66 raw materials are once again rising in Asia. Spot Caprolactam prices have reached record levels and as a result fiber volumes are reported as poor in most of Asia. European nylon fiber sales, similar to polyester and acrylic, are reported as poor and getting worse. The US nylon fiber market, driven primarily by the carpet business, is also poor. The one exception to the poor market conditions in the US for nylon is the industrial fiber business which is reported as very strong and approaching over-sold conditions.

### **Polypropylene**

China polypropylene fiber demand has fallen significantly due to rising polypropylene polymer costs. Shortages of propylene and rising oil prices have led to a surge in polymer cost in all of Asia. The European polypropylene fiber business is very strong as the high costs and limited supply of fiber from Asia is helping European suppliers in their home markets as well as increasing export opportunities to the Middle East. The US polypropylene fiber business in the US is struggling in all enduses except hygiene and wipes as it comes to grip with much higher polymer costs.

### **Cotton**

Global cotton prices, which had been much higher in the early part of the Q2 driven by overall rising commodity prices, have begun to slip some in recent weeks. US cotton is currently about 64 c/lb.