



International Market Solutions Newsletter

A World of Experience for the Global Market

Issue VI December, 2009

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Economic News

The US Energy Information Administration (EIA) has raised its crude oil price by \$7 to \$77/bbl in its latest forecast. The EIA projects natural gas prices to hold steady at around \$5/MMBtu during the same time period (next six months). The EIA is projecting crude oil prices should average \$81/bbl at the end of 2010.

Legislation has been introduced into the US House of Representatives that would extend for ten years the nation's duty-free trade preference program for developing countries in Central America, the Caribbean, Africa, and Asia. The new legislation includes textiles, apparel, and footwear for the first time in this program, which is set to expire December 31st this year if the new legislation is not passed.

Sales of existing homes in the US continued their strong improving trend that began in September, rising 10.1% in October to an adjusted annual rate of 6.1 million units. Home sales were up 23.5% when compared to the same month last year. The US government has decided to extend the \$8000 tax credit for first time buyers to April, 2010.

US retail sales rose 1.3% in November, far exceeding most economists' projections. US sales of automobiles rose 1.6% for the month driving the strong increase for retail sales overall. Clothing and furniture retail sales declined 0.7%.

Company News

Reliance Industries has made a preliminary offer to acquire the business and assets of **LyondellBasell**. Neither Reliance nor LyondellBasell, which is currently under bankruptcy protection, released details of the preliminary bid but sources indicate it is in the \$9-12 billion range. The preliminary bid is subject to due diligence and would offer stakeholders in LyondellBasell an alternative to the bankruptcy reorganization plan currently being considered. LyondellBasell, the world's largest polypropylene producer, had sales of \$50.7 billion in 2008 and was formed in 2007 when Dutch chemical company **Basell International** acquired US based **Lyondell Chemical Co.** for \$12.7 billion.

Coca-Cola has announced plans to incorporate a "plant-based" plastic bottle for its beverages. The "PlantBottle", which is made from polyethylene terephthalate (PET), will use bio-based materials to produce monoethylene glycol (MEG), a raw material in the production of PET. Although the bottle is expected to cost more than PET bottles derived from petroleum products, the bottles will be fully recyclable, unlike other bio-based bottle materials. Coca-Cola did not disclose the company that would produce the bio-based PET materials.

Rhodia Engineering Plastics has announced a new "bio-based" nylon resin offering. The nylon 6, 10 is produced primarily from castor oil and requires 20% less fossil fuel to produce while reducing greenhouse gas emissions by 50%. The resin will have better high-temperature and chemical resistant properties than nylon 6 and 6, 6 and will be used in many applications where nylon 11 and 12 are used today.

Universal Fibers plans to make a \$13 million investment to expand its spinning capacity for nylon 6,6 recycled fiber. The expansion will occur at its Bristol, Virginia facility and will create 84 new jobs.

Economic Indicators

	Last Month	Previous Month	Last Year
Housing Starts (millions DOC)	0.598	0.589	0.849
US Unemployment Rate	9.8	9.7	6.2
US Cons. Price Index (1982=100)	215.8	215.4	219.1
Textile Prod. Index (2002=100)	68.4	67.0	81.5



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Fiber Dynamics

Acrylic

The acrylic fiber business in China and Taiwan is very strong with tight fiber supply conditions in both countries. Rising ingredients, tight supply, and rising cotton prices are all serving to help drive up acrylic fiber prices in the region. In the US, where all acrylic staple and tow is imported, fiber prices are essentially the same as China allowing the regional spinners and knitters to be more competitive with imported Asian garments and gain share at US retailers. The acrylic business in Europe is not as strong as the US but fiber plants are operating near capacity as they have been able to export more product to the US and Asia.

Polyester

Demand for polyester filament in China is very strong. Filament producers are operating at close to full capacity utilization rates. Polyester staple producers in China are not experiencing the robust market conditions of the filament business. Polyester staple producers continue to rationalize capacity as a response to rising ingredients costs and overcapacity. Filament producers have been able to maintain their margins despite rising paraxylene and monoethylene glycol prices. In the US, polyester staple producers have experienced a slow but steady improvement in shipment levels since the summer. US producers are gaining share against staple imports to the region as the difference in raw material costs in the US and Asia have narrowed to historical lows. US polyester filament producers doing reasonably well depending on the market they serve. While polyester bulked continuous filament producers continue to enjoy share gains in the US carpet business, textile filament producers have seen their sales improve marginally over the poor business conditions of the first half of the year. Industrial polyester filament producers continue to suffer poor business conditions. Raw material fluctuations in the second half of the year have been passed thru to polyester fiber customers quickly as most fiber producers have been able to maintain their margins. Although the polyester staple business in Europe improved in November, driven by sales to nonwovens, its prospects are not as bright for December and January due to higher inventory levels. Polyester filament sales have been steady during the fourth quarter with the fair levels experienced in the summer. Both polyester staple and filament are facing greater import threats based on the strong euro.

Nylon

Nylon fiber shipments in Asia strengthened in November after a couple of poor volume months. Rising raw material costs and the need for customers to replenish their inventories drove sales. Downstream business for nylon products is reported as robust and improving. Nevertheless fiber producers are concerned the longer term impact of rising fiber prices as they have been forced to increase pricing significantly to keep their margins. The nylon fiber business in the US was mixed depending on segment. Nylon shipments to the flooring industry continued their gradual improvement of the last several months driven by retail promotions. The industrial air bag business has improved significantly based on improved automotive production. Textile applications for nylon were reported as steady. In Europe, business for nylon fiber producers was reported as good during November and the beginning of December. The hosiery business was reported as steady while the warp knit business is entering its strong season. In both Europe and the US ingredient supply issues, which had been particularly acute during the previous couple of months, appeared to ease slightly during the month. In general, fiber prices are on the rise in response to increasing ingredients costs.

Polypropylene

Although rising fiber prices are again becoming a concern in the global polypropylene fiber markets, fiber sales volumes were generally good around the world. The polypropylene staple business is particularly strong in China. In the US and Europe the strong demand for nonwovens is driving the polypropylene business. Although business for polypropylene fiber in the upholstery and automotive markets have also improved in both regions, use of polypropylene in carpet applications continues to decline, losing share to polyester. Rising propylene prices continues to put pressure on fiber prices around the world.

Cotton

Global cotton prices surged during November based on supply demand fundamentals as opposed to speculators in the futures markets. Bad weather in the US and other major producers is hampering harvests and lowering the quality of the crop. Demand, particularly in China, has improved significantly as spinners have had to replenish inventories due to downstream demand improvements. Cotton prices in China have risen to the point spinners are increasing their polyester blend levels. Cotton prices in the US are up 30% in the last three months.

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