

POLYESTER & INTERMEDIATES

including MEG, DMT/PTA, Polyester Fibre and PET Resin

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MARKET HIGHLIGHTS

- **US exports of MEG to Asia resume as feedstock costs drop**
- **Saudi Arabian MEG outage has no immediate impact on market**
- **Slow progress towards Q3 West European PTA contract price agreements**
- **Asian PTA prices continue to slip despite production cuts and low inventory**
- **PET packaging resin prices slide on both sides of the Atlantic**
- **Fibre and chip conversions a major element in new PET resin capacity**

Monoethylene Glycol

Spot prices are discussed around 17 c/lb fob US Gulf Coast, but US producers claim to be unwilling sellers at such prices. Persistent weakness in downstream markets continues to depress the MEG market in Europe, but prices are little changed. Availability from Saudi Arabia has been reduced by technical problems at Yanbu, but anecdotal evidence suggests a sharp increase in US exports to Asia in July and August. Sellers still outnumber buyers resulting in a gradual drift to lower spot prices. New business is reported as low as \$420/ton cfr Asia.

DMT/PTA

There has been slow progress towards settlement of Q3 PTA contract prices in West Europe. Producers report some price agreements, up Euro10-15/ton (DM20-30/ton) on Q2. The Chinese domestic price was fell by Rmb100-150/ton in July after Yangzi decided to move its price down in line with import prices, despite the plant being in turnaround for most of the month. Yangzi has reduced its price to a provisional Rmb4900/ton for August. This nets back to an import equivalent price of \$440-445/ton cif. Suppliers are rejecting recent Chinese bids at \$420-430/ton cif (with terms).

Polyester Fibre

Although volume demand remains strong the deteriorating economic situation is affecting even polyester filament as prices are falling in all regions. In Europe trading is at the usual summer standstill, with pressure from Turkish imports reported. There is concern in China about demand, given the imminent one million tpa filament capacity increase, but textile output is up 13%. Polyester staple prices are under pressure in all regions, and there is pessimism about the effect of the anticipated current cotton crop.

PET Packaging Resin

The second quarter was an excellent one for North American PET resin producers. Pricing, however, continues to show weakness. By the end of July it is generally considered that only 4 c/lb of the original 7 c/lb April increase has held at most buyers. This year is turning into a major disappointment for European resin producers. Prices have slid by around DM200/ton in recent weeks, to DM2300-2400/ton. Except for transactions made quarterly or based on price formulae, Asian export prices for August has fallen by \$30-60/ton to \$785-870/ton cif.

MONOETHYLENE GLYCOL

North America

Operating rates appear to be increasing, in line with an increased flow of exports to Asia. The domestic market is well supplied, but inventories are thought to remain at low levels. Producers maintain that any surge in demand would reveal an extremely tight market, but they concede that all signals from the demand side point to continued weakness.

Fibre and antifreeze sectors remain the hardest hit. A global glut of polyester fibre shows no sign of easing. Producers of antifreeze seem to be persuaded that still lower MEG prices are going to emerge and have kept their buying to a minimum, well below seasonal norms. PET resin, on the other hand, has had a satisfactory season according to most accounts.

UNITED STATES ETHYLENE GLYCOL IMPORTS

From	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
Canada	11,674	728	70,596	38,864
Brazil	3,984	440	22,108	10,445
Mexico	57	593	2,238	9,245
Venezuela	-	-	3,028	6,070
Russia	4,190	445	9,525	-
Saudi Arabia	-	-	33,851	25,855
Others	16	-	161	131
Total	19,921		141,507	90,610

\$/ton figures are calculated from customs data and may not reflect market prices

UNITED STATES ETHYLENE GLYCOL EXPORTS

To	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
Canada	515	675	3,694	11,548
Argentina	3,990	456	13,037	9,162
Brazil	944	508	12,472	15,959
Chile	251	647	251	305
Colombia	381	461	6,792	6,142
Mexico	8,740	433	19,137	34,053
Belgium	-	-	-	5,251
Italy	-	-	2,458	-
Netherlands	-	-	-	2,852
South Africa	3,200	483	7,100	22,638
Turkey	-	-	-	13,433
Australia	1,800	-	2,000	3,241
China	2,105	416	2,106	31,871
Hong Kong	-	-	-	5,291
South Korea	5,244	445	7,280	74,754
Taiwan	1,575	510	1,585	64,486
Japan	2	-	65	1,063
Others	76	-	419	630
Total	28,823		78,396	302,679

\$/ton figures are calculated from customs data and may not reflect market prices

Spot prices are widely discussed at levels around 17 c/lb fob US Gulf Coast, but US producers claim to be unwilling sellers at such price levels. Few domestic buyers have any spot requirement and are mostly out of the market, even when material is proposed at prices lower than 17 c/lb fob. Still, the economics of moving MEG to the Asian market would make spot prices much higher than 17 c/lb unworkable.

West Europe

Persistent weakness in downstream markets continues to depress the MEG market in Europe, but prices are little changed from a month ago. Although producers have shown some flexibility in pricing, taking international and import prices into account in their discussions with customers, few have material to sell outside contract commitments. In the same way, few buyers have an interest in spot trading, since material delivered under contract is generally more than adequate to cover downstream production at relatively low rates.

Neither polyester fibre nor PET resin outlets for MEG are taking deliveries at levels in line with total capacity. Volumes to the antifreeze sector have been steady, but there has been no sign of a seasonal surge that might offset some of the weakness in the other downstream sectors.

There has been no serious discussion of Q4 contract prices. Negotiations are unlikely to begin before the end of September. The stronger Euro, versus the dollar, has added another complicating factor to what will be a difficult negotiation.

Spot prices in Europe are increasingly difficult to pinpoint. Business at DM930/ton fob Rotterdam was reported but in unusual circumstances that prevent the deal from being used as a sold reference by the market. Buyers suggest that prices lower than DM900/ton fob Rotterdam could be achieved, but sellers shrink from talk of prices at such levels. Business discussed at DM930-940/ton fca was thought to represent a slight tightening of the market and an improvement on July levels of DM900/ton fca.

Asia

Spot prices in Asia have continued to weaken. Even though availability from Saudi Arabia has been reduced by technical problems at Yanbu, anecdotal evidence suggests a sharp increase in US exports to Asia in July and August. Sellers still outnumber buyers and the result has been a slow and gradual drift to lower spot prices. New business is now reported as low as \$420/ton cfr Asia, more than \$20/ton lower than a month ago, although most sellers are willing to confirm only prices of \$430/ton cfr Asia and higher.

The lower prices have discouraged Indian exporters, who continue to place product in their domestic market. Barring a collapse in domestic demand, import duties allow Indian producers better margins on domestic sales than on exports.

Depressed ethylene prices and a dearth of downstream demand are ample cause for producers' continued pessimism about the profitability of sales to the Asian market. The overhang of MEG supply has created a relentless downward push on prices toward a level where even relatively efficient producers can cover little more than variable costs. The Asian market for MEG is like a three-legged stool, trying to find a balance between Middle Eastern production costs, US production costs and Asian prices for polyester products.

The nominations by Dow and Sabic of \$470/ton cfr Asia as a contract price for September, which represents a decrease of \$20/ton from August nominations, forces the conclusion that discounts are becoming greater in the Asian market. Even with the September decreases now proposed by sellers, the gap between spot and contract prices is now larger than can be sustained in the highly competitive Asian market.

The MEG domestic contract price in Taiwan for August is \$490/ton and the provisional price for September is \$470/ton.

The MEG spot export price from Taiwan in July was \$450/ton cfr. It is weaker in August. In mid August, the lowest spot price is down to \$420/ton. One market player expects MEG export prices to firm in September with the increasing demand for antifreeze.

Taiwanese MEG Supply & Demand (1,000 Metric Tons)

	Jan-Jun 2000	Jan-Jun 2001	% Change '01/'00
Production	282	519	84%
Imports	316	197	-38%
Exports	53	168	216%
Apparent			
Consumption	545	548	1%
Inventory Change	3	11	
Actual			
Consumption	541	537	-1%

Source: PIAT & Taiwan Customs

In July, the operating rate at Nan Ya was reduced to 67% when there was a 10-day planned shutdown from 16 July. Nan Ya's operating rate is back up to 100% in August. OUCC operated at 112% of capacity in July and August. Nan Chung has resumed 100% production after solving a hydrogen supply problem in late July. CMFC operated at 100% in July, reduced to 90% in August because of reduced ethylene supply from CPC. Taiwan's MEG exports increase from 14,600 tons in June to 34,500 tons in July when both OUCC and Nan-Ya returned to high production rates after planned turnarounds. MEG imports fell to about 30,000 tons in June and July from 42,000 tons in May.

TAIWANESE ETHYLENE GLYCOL IMPORTS

From	May 2001	Jan-May 01	Jan-May 00	
	Tons	\$/ton	Tons	Tons
Canada	16,258	498	57,235	54,174
United States	-	-	5,511	96,790
Brazil	-	-	-	8,152
Russia	-	-	-	4,977
Saudi Arabia	21,264	499	81,224	93,624
Indonesia	-	-	2,006	2,031
Singapore	-	-	2,375	5,517
South Korea	3,012	479	7,013	-
Japan	1,426	499	14,368	19,512
Others	2	-	20	79
Total	41,962		169,752	284,856

\$/ton figures are calculated from customs data and may not reflect market prices

SOUTH KOREAN ETHYLENE GLYCOL IMPORTS

From	May 2001	Jan-May 01	Jan-May 00	
	Tons	\$/ton	Tons	Tons
Canada	25,558	492	100,276	70,170
United States	1,021	505	16,024	103,201
Brazil	-	-	2,622	6,478
Mexico	-	-	-	1,995
Belgium	-	-	-	2,000
Netherlands	-	-	-	1,437
Russia	-	-	-	3,563
Iran	-	-	-	6,739
Kuwait	-	-	3,645	3,125
Saudi Arabia	26,872	500	168,227	86,566
Singapore	1,002	501	1,002	2,052
Taiwan	6,043	501	18,849	5,043
Japan	4,011	511	7,060	8,017
Others	-	-	3	478
Total	64,507		317,708	300,864

\$/ton figures are calculated from customs data and may not reflect market prices

SOUTH KOREAN ETHYLENE GLYCOL EXPORTS

To	May 2001	Jan-May 01	Jan-May 00	
	Tons	\$/ton	Tons	Tons
Indonesia	1,200	440	10,007	5,602
China	14,513	438	88,495	77,985
Taiwan	-	-	2,001	-
Others	4	-	23	-
Total	15,717		100,526	83,587

\$/ton figures are calculated from customs data and may not reflect market prices

In November, there will be 22-day planned shutdown at CMFC. In December, Nan Chung will have a planned shutdown of around 45 days, delayed from November).

With OUCC's new ethanolamines plant (40,000 tpa) delayed in coming on stream until late August (previously planned to start in June), they have had more flexibility to increase MEG production (depending on sales).

Taiwanese & Chinese MEG Prices

	Taiwan Domestic Contract	Taiwan Import Contract	Taiwan Spot Export	China Yangzi Contract	China Others Contract
	\$/ton del	\$/ton cfr	\$/ton cfr	Rmb/ton exw	Rmb/ton exw
Jan	490	490	480-485	5200	5000-5200
Feb	530	530	505-520	5700	5600-5700
Mar	550	550	475-500	5500	4800-5300
Apr	525	525	500	5200	4800-5100
May	500	500	465-480	5080	4700-5100
Jun	470	470	470-475	5250	4650-5200
Jul	510	510	450-470	*5100	4500-5200
Aug	490	490	420-440	#4750	#4500-5000
Sep	#470	#470	N.A.	N.A.	N.A.

Provisional * Revised

The domestic MEG price in **China** is Rmb4500-5000/ton exw, closely following import prices of \$435-450/ton cfr. Yangzi fixed its final July price at Rmb5100/ton (having first announced Rmb5200/ton) to reflect the changing market. Yangzi has revised its provisional price twice in August, down from an original Rmb5000/ton to Rmb4750/ton, despite polyester filament prices starting to rebound.

As far MEG production (details in the following table) in China is concerned, first half-year output is 14% higher than in 2000 at 433,200 tons. July and August production will be lower as Yangzi (260000 tpa) has had a 35-day planned shutdown 10 July (delayed from May-June) and Yanshan (70,000-80,000 tpa) also has scheduled downtime. Yangzi was operating at 120% of capacity before it shutdown with Jan-Jun production is close to 160,000 tons.

Chinese MEG Production (1,000 Metric Tons)

	1999	2000	2001
Jan	63	79	80
Feb	64	76	71
Mar	73	80	70
Apr	66	74	64
May	71	69	74
Jun	74	71	73
Jul	65	79	
Aug	61	78	
Sep	78	70	
Oct	76	78	
Nov	75	75	
Dec	81	78	
Jan-Jun	338	379	433
% Change		12%	14%
Jan-Dec	847	908	
% Change	12%	7%	

Source: National Statistics Bureau of China

Chinese MEG Imports (1,000 Metric Tons)

	1998	1999	2000	2001
Jan	11	38	58	114
Feb	13	29	64	112
Mar	11	55	77	118
Apr	15	40	74	130
May	18	53	95	122
Jun	28	37	89	129
Jul	28	47	72	
Aug	44	58	90	
Sep	28	45	107	
Oct	36	36	106	
Nov	43	68	107	
Dec	52	60	112	
Jan-Jun	97	252	457	725
% Change	41%	159%	81%	59%
Jan-Dec	328	567	1050	*1533
% Change	64%	73%	85%	

*Estimate

Source: China Customs

Chinese MEG Supply & Demand (1,000 Metric Tons)

	Jan-Jun 2000	Jan-Jun 2001	% Change '01/'00
Production	450	433	-4%
Imports	457	725	59%
Exports	0.10	0.06	-36%
Apparent Consumption	906	1158	28%

Source: National Statistics Bureau of China and China Customs

South Korean producers were able to increase domestic sales volumes as they covered shutdowns by two integrated polyester producers, but with one plant due to restart this week, exports are again on the program. Like producers elsewhere, Korean sellers are finding it difficult to identify willing customers in China. Offers at \$445-\$50/ton cfr China main port have been

JAPANESE ETHYLENE GLYCOL IMPORTS

From	May 2001 Tons	May 2001 \$/ton	Jan-May 01 Tons	Jan-May 00 Tons
Canada	-	-	-	3,064
United States	1	-	5	1,042
Saudi Arabia	-	-	14,061	15,008
Taiwan	-	-	18	2,102
Others	2	-	2	999
Total	3		14,086	22,215

\$/ton figures are calculated from customs data and may not reflect market prices

JAPANESE ETHYLENE GLYCOL EXPORTS

To	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
Australia	-	-	-	2,601
Indonesia	2,189	458	12,636	28,428
Malaysia	-	-	500	1,099
Thailand	-	-	4,302	20,797
China	7	743	14,044	32,123
South Korea	2	-	3,085	3
Taiwan	2	-	6,745	18,003
Others	8	-	38	61
Total	2,208		41,350	103,115

\$/ton figures are calculated from customs data and may not reflect market prices

unmatched by bids and sellers' ideas are being revised to lower levels.

The Korean domestic price for August is \$490/ton cfr, identical to the August import price nominations. Most buyers are thought to enjoy discounts of \$10-\$20/ton, depending on volumes and contract conditions.

DMT/PTA

North America

Following KoSa' shutdown on half its 545 ktpa DMT capacity at Wilmington, NC in the second half of June, DuPont will have a two-week shutdown at its Old Hickory, TN DMT facility (295 ktpa) in August.

At Cape Fear the 545 ktpa DAK Americas (formerly DuPont) MTA plant, now part of Alpek of Mexico, is running at around 85% of capacity. On its website, the first line of DAK Americas' stated strategy is to 'profitably grow sales of TPA' from this facility. Management of production and sales from the unit are now being carried out by Petrotemex in Mexico – also part of Alpek. In line with the company's stated strategy, technicians are currently looking at the plant to find ways of further maximising output. As stated before, the list of potential customers for the output from Cape Fear is limited by the fact it is MTA not PTA. PTA to the DAK Americas PET packaging resin plants in the USA (originally ICI) is now understood to be being supplied from Mexico.

In Mexico, Temex is operating its PTA unit at Altamira (350 ktpa) at around 95% of capacity and that at Cosoleacaque (610 ktpa) at around 80% of capacity.

Eastman has announced 'Voridian Company' as the name for the PET plastics and acetate fibres business that will be created when Eastman Chemical Co. becomes two companies at the end this year. The other business, it had previously been announced, will go under the name 'Eastman Company'. Also in a previous announcement, Eastman gave an outline of

UNITED STATES PTA EXPORTS

To	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
Canada	-	-	-	67,975
Argentina	11,457	370	37,598	-
Brazil	-	-	600	1,004
Saudi Arabia	-	-	-	1,998
South Africa	-	-	-	4,348
India	-	-	-	2,500
Others	-	-	217	961
Total	11,457		38,415	78,786

\$/ton figures are calculated from customs data and may not reflect market prices

which assets would be allocated to Voridian. In the polyester and intermediates area these include:

MTA (225 ktpa), DMT (295 ktpa), PET (540 ktpa) and polyester chips (100 ktpa) at Columbia, SC
 PET (91 ktpa) at Toronto Canada
 PET (120 ktpa) at Cosoleacaque, Mexico
 PET (140 ktpa) at Zarate, Argentina
 PET (150 ktpa) at San Roque, Spain
 PTA (290 ktpa) and PET (140 ktpa) at Rotterdam, Netherlands
 PET (130 ktpa) at Workington, UK

Not included in the above are:

PTA (250 ktpa), DMT (295 ktpa), PET (160 ktpa) and speciality PET (20 ktpa) at Kingsport, TN
 Speciality PET (10 ktpa) at Columbia, SC
 Speciality PET (66 ktpa) at Hartlepool, UK
 PETG (30 ktpa) at Kuantan, Malaysia

CHDM plants at Kingsport, TN (64 ktpa) and San Roque, Spain (27 ktpa) and an isophthalic acid (IPA) plant at Kingsport (68 ktpa) will also remain part of Eastman Company.

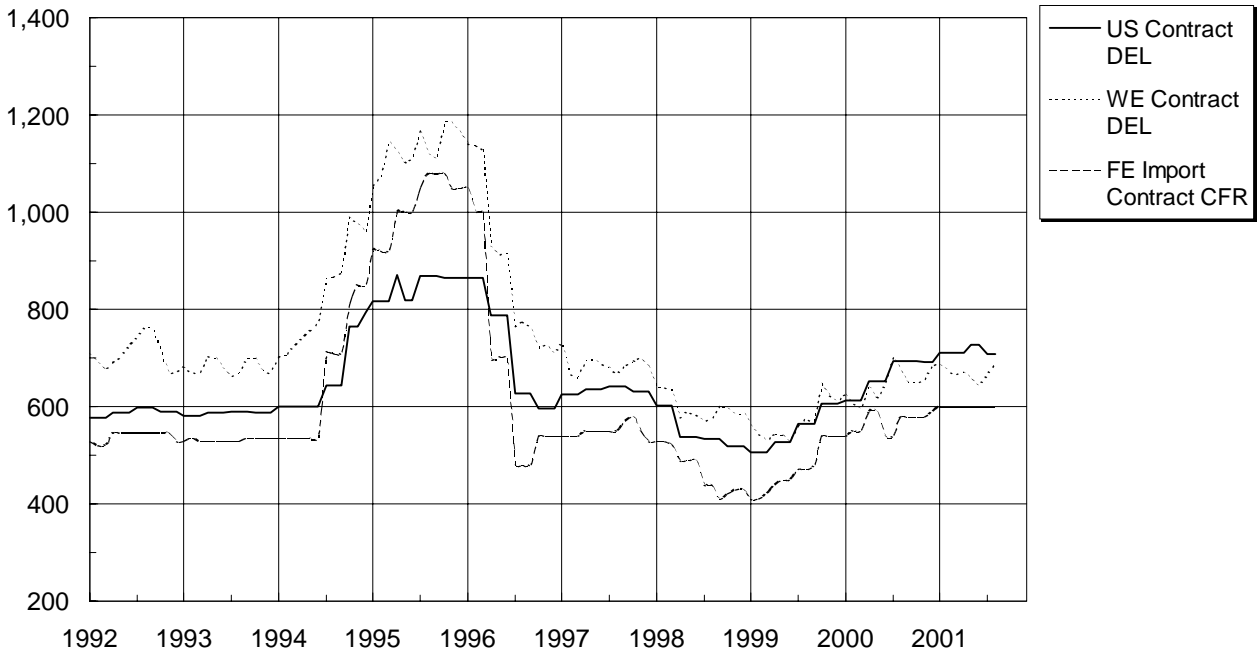
Although Eastman Company will own and operate the Kingsport assets, Voridian will market solid stated PET resin produced at the site and will have supply agreements for DMT and PTA from Kingsport. Long-term supply contracts will also be in-place for CHDM and IPA produced by Eastman and consumed by Voridian. Similarly the output of speciality PET assets at Columbia, owned and operated by Voridian, will be marketed by Eastman.

West Europe

There has been slow progress towards settlement of third quarter PTA contract prices in West Europe. The holiday season has not helped, but the main problem is the wide difference in ideas between buyers and sellers outlined last month. The fact that two of the major PTA producers have not accepted the Euro640/ton Q3 paraxylene price is also a hindrance. Weakening crude oil and oil product prices and a strengthening Euro versus the dollar, have given support to protest that the

UNITED STATES, WEST EUROPEAN and ASIAN DMT CONTRACT PRICES

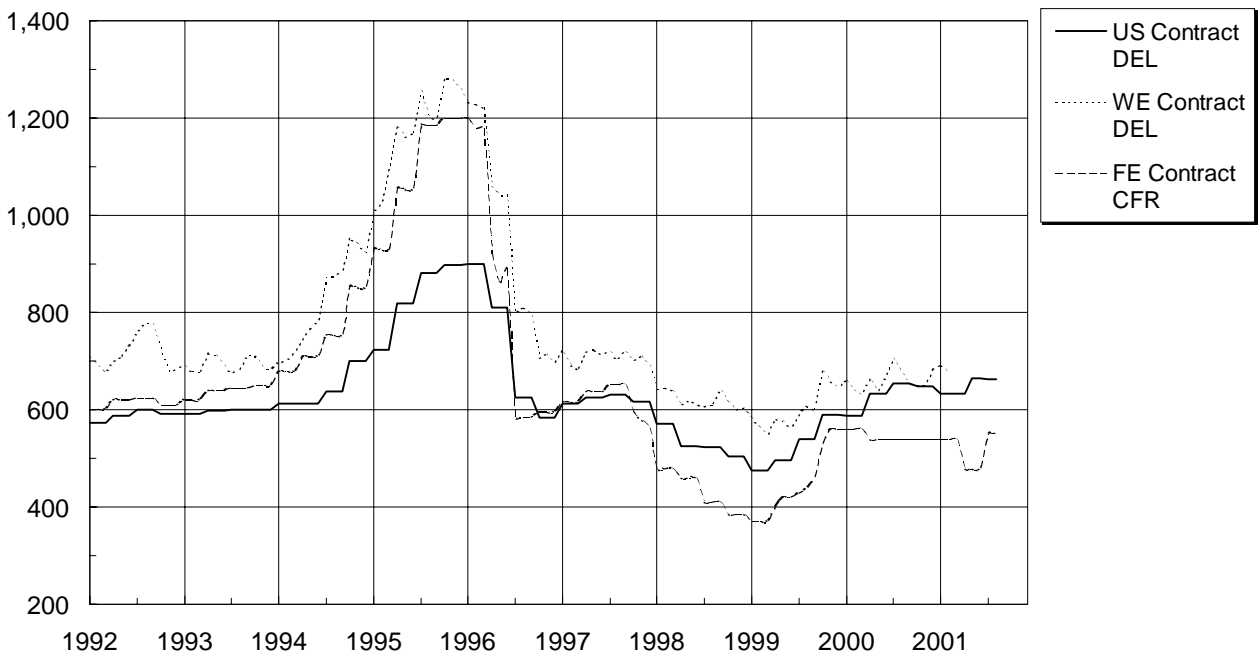
Dollars per Ton



Source: TECNON OrbiChem

UNITED STATES, WEST EUROPEAN and ASIAN PTA CONTRACT PRICES

Dollars per Ton



Source: TECNON OrbiChem

paraxylene settlement was too early and too high. However, there have been more quarters in recent memory where higher crude oil prices and a falling Euro have worked to the detriment of paraxylene producers' margins.

Producers report some Q3 PTA price agreements, up Euro10-15/ton (DM20-30/ton) on Q2. But not all business has been finalised and holidays have prevented us from getting confirmation from some of the larger buyers, who were taking an increasingly aggressive stance last month. In order to recover the full paraxylene cost increase, PTA sellers had been looking to raise prices by Euro50/ton from July. PET prices have taken a tumble in the past month and resin production has also been cut in an attempt to regain control of the situation in the face of disappointing demand. DuPontSA has idled its T7 PTA unit at Wilton, UK (180 ktpa) from early August until market conditions improve, this is due to lowered internal consumption for PET and a lack of any incentive to add to PTA inventories at prevailing paraxylene prices. BP, on the other hand, is building PTA inventory in preparation for the October shutdown of its Geel 3, Belgium PTA unit (500 ktpa), during which capacity will be raised to 600 ktpa. Interquisa is running its PTA units at full capacity. The last isophthalic acid (IPA) campaign at San Roque, Spain was in June and it has not yet been decided whether to run IPA again this year. In Germany, PCK at Schwedt was scheduled to have a 2-week shutdown for maintenance in August.

European demand for DMT in August is also reported to be slower than expected. Oxxynova's Lulsdorf, Germany DMT unit (240 ktpa) was back on stream on 12 August, following a 3-week scheduled turnaround. KoSa's Gerstoff, Germany DMT unit (140 ktpa) is scheduled a one-month shutdown in the September/October period.

East Asia

Disregarding the fact that seasonal demand for polyester filament seemed to emerge in the second week of August, operating rates of fibre-use polyester in **China** are around 70-75% of capacity depending upon price and demand for chip and filament.

So far only limited types of filament have seen prices firm by 2-3% in the past ten days, prices for staple and chip have, at best, remained stable or shown only a mild upturn. Domestic prices for packaging resin, on the other hand, have fallen by 6-9% in August (giving a total drop in price of 12-17% in the past three months).

The long term outlook is not optimistic for prices of chip, staple, filament or packaging resin in China. Increased oversupply of filament and packaging resin (at least 400,000 tpa of each is due on stream in the second half of the year, not to mention more new capacity in 2002) will definitely encourage PTA buyers to target even lower prices. This in spite of the fact that PTA demand has picked up, and will continue to

increase, from new back-integrated filament producers and new packaging resin producers (including existing merchant fibre chip producers who will modify their output to produce higher viscosity resin for water use) as they gradually scale-up to full production.

The domestic PTA price in China was reduced by Rmb100-150/ton in July to Rmb4900-5050/ton after Yangzi decided to move its price down to Rmb5050/ton, in line with import prices, despite the plant being in turnaround for most of the month. Yangzi has reduced its price to a provisional Rmb4900/ton for August. This nets back to an import equivalent price of \$440-445/ton cif.

China's PTA production rate fell by 18% in July and 10% in August as four producers have had planned or unplanned production cuts. Besides 24 days of planned downtime at Yangzi from 10 July to 2 August, both Tianjin PC and Luoyang PC had unplanned production interruptions in July because of either power outages or feedstock production problems. In August, Liaoyang will have a two-week scheduled shutdown. Adequate stocks at these producers and corresponding production cuts at their own downstream units, mean there has been no need for extra imports during this period.

Yangzi has been operating in excess of its nameplate capacity (700,000 tpa) before its planned shutdown. Production in the first half of the year was more than 360,000 tons (2000 total production was 722,000 tons). High stocks at Yangzi have presumably freed Yizheng and other endusers from the necessity of covering any shortages via imports.

Chinese PTA Imports (1,000 Metric Tons)

	1997	1998	1999	2000	2001
Jan	35	28	70	138	157
Feb	38	46	84	189	233
Mar	50	80	148	221	318
Apr	18	66	140	226	258
May	76	29	88	133	188
Jun	33	23	115	220	268
Jul	73	46	122	258	-
Aug	45	22	105	247	-
Sep	35	44	158	214	-
Oct	41	153	185	212	-
Nov	65	82	167	197	-
Dec	48	110	160	251	-
Jan-Jun	249	272	645	1127	1422
% Change	96%	9%	138%	75%	26%
Jan-Dec	555	728	1542	2505	-
% Change	66%	31%	112%	62%	-

The polyester capacity utilisation in **Taiwan** has fallen to 65-70% as staple and filament rates are cut in addition to very low operating rates for merchant chip capacity. The downward trend in prices for

TAIWANESE PTA IMPORTS

From	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
Mexico	-	-	-	6,000
Others	-	-	-	420
Total	-	-	-	6,420

\$/ton figures are calculated from customs data and may not reflect market prices

TAIWANESE DMT IMPORTS

From	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
United States	-	-	2,060	9,458
Mexico	1,240	570	5,480	8,140
Netherlands	-	-	-	4,000
Iran	-	-	85	1,598
Singapore	-	-	1,008	-
South Korea	1,404	505	4,032	1,008
Others	47	-	574	740
Total	2,691		13,239	24,944

\$/ton figures are calculated from customs data and may not reflect market prices

filament and packaging resin and weaker demand for fibres also is not holding out good prospects for feedstock prices in the near term. The domestic PTA price in July turned out to be a rollover of the June price at \$520-525/ton despite an earlier target of a \$10-15/ton increase.

Despite Chinese buyers continuing to enquire for PTA in the market, the actual transaction volume in August has fallen due to as difference of as much as \$15-18/ton in price ideas. Earlier core transaction prices were at \$440-450/ton cif (at sight or with 30-day terms) from Taiwan, and almost all suppliers are rejecting recent Chinese bids at \$420-430/ton cif (with terms).

Stock pressures and low export interest have encouraged more extensive production cutbacks at Taiwanese PTA producers. The overall PTA production rate has been reduced to 70% in August (down from 80-85% in July). Except for Tuntex (420,000 tpa) which continues to run flat out, the other three producers are operating at 60-75% of capacity this month. Taiwan's PTA exports have also been cut, from the usual 40,000-70,000 tons per month to 28,000 tons in July and maybe down to 20,000 tons in August.

FCFC's No. 2 (450,000 tpa) had a scheduled shutdown for 19 days from late July to mid August and DuPont Far Eastern has its two lines on rotating shutdowns from end July. Capco is operating at 60% this month when there is a ten-day turnaround on the No. 5 line (400,000 tpa). FCFC also plans to have its No. 1 line (420,000 tpa) shut down for a two-week turnaround in November.

East Asian PTA Prices

	Export	Taiwan	China
	Spot	Contract	Contract
	\$/ton	\$/tom	Rmb/ton
	cfr	del	exw
September	470-485	+510-530	5500-5600
October	480-485	+520-545	5450-5600
November	465-480	+510-530	4950-5450
December	420-460	+510-530	4700—5350
January	430-470	510-520	4900-5100
February	470-480	510-520	5200-5300
March	470-480	510-520	5200-5400
April*	460-470	510-520	5100-5250
May*	440-460	510-520	5100-5150
June	460-465	520-525	5050-5150
July	*455-465	*520-525	*4900-5050
Aug	*440-450	#520-525	#4900-4950

* Updated this issue + Estimate # Provisional

Most **South Korean** PTA producers have been operating at around 95% of capacity and polyester fibre makers at around 93% of capacity - except for the shutdown plants of Taekwang and Kohap. Kohap's fibre plants are in the middle of a cleaning process now that the strikes have finished. Due to slow demand from local buyers, Korean producers have been forced to export more to China. Despite many fibre plant capacity expansions in China, the plants' operation is very unstable, and the textile market is operating on a poor economic status. Therefore, the Chinese buyers' price ideas for PTA have been much lower than sellers'. According to sellers and dealers, their price idea is around \$470-480/ton cfr minimum, but workable prices at this moment are in a range \$440-450/ton cfr China with 90 days credit.

The market is not optimistic. The market is depending on the US and European economies to recover. Most Q2 net local prices are not finalised but some buyers say the Q2 price is almost fixed at a compromise \$5-10/ton increase on the Q1 net price. Because the Q2 net price went up, they will insist that some price reduction for Q3. But sellers say that the paraxylene price is likely to increase by \$20/ton, so a price reduction is impossible.

Most Korean PTA plants will take shutdowns in Q3. Samsung PC is scheduled to have a shutdown of its No.3 plant in October for 2 weeks and Samnam's No.3 plant will be shut down in September for 2 weeks. In October Kohap's No.3 plant will be down for 10 days and Taekwang for one week. Hyosung will be down for one week in November. SK Chemical will shut down in October for 2 weeks.

The DMT market does not show much change. The polyester film market is better relative to the polyester fibre market. PBT demand also looks better than fibre even, though downstream markets are getting worse due to the slowdown in the IT industry.

SOUTH KOREAN DMT IMPORTS

From	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
Mexico	1,000	600	4,000	4,000
Others	40	-	160	229
Total	1,040		4,160	4,229

S/ton figures are calculated from customs data and may not reflect market prices

SOUTH KOREAN DMT EXPORTS

To	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
Brazil	-	-	3,024	-
Egypt	504	446	2,016	2,016
China	-	-	-	1,242
Taiwan	1,008	518	5,544	1,512
Japan	3,846	588	17,658	12,852
Others	-	-	18	504
Total	5,358		28,260	18,126

S/ton figures are calculated from customs data and may not reflect market prices

SOUTH KOREAN PTA IMPORTS

From	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
Japan	-	-	2,000	4,575
Others	-	-	20	-
Total	-		2,020	4,575

S/ton figures are calculated from customs data and may not reflect market prices

SOUTH KOREAN PTA EXPORTS

To	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
Brazil	1,360	481	1,560	-
Belgium	300	471	1,400	2,000
Greece	380	463	460	2,080
Italy	236	476	4,538	3,000
Netherlands	110	446	220	-
Portugal	-	-	-	2,024
Saudi Arabia	-	-	-	10,000
South Africa	100	464	300	260
Australia	200	470	640	1,000
Indonesia	3,524	416	18,744	36,480
Malaysia	5,836	433	38,340	48,968
Pakistan	-	-	10,000	4,000
Thailand	-	-	-	3,542
China	118,346	421	477,002	339,593
Hong Kong	-	-	5,002	23,204
Japan	928	459	4,472	5,109
Others	-	-	-	140
Total	131,320		562,678	481,400

S/ton figures are calculated from customs data and may not reflect market prices

Q2 local net DMT price negotiations have not started yet. The producer is considering a cost-related price increase but buyers are pointing to their poor economics. There is no any indication of Q3 prices yet.

SK Chemicals has been operating its DMT plant constantly at around of 75-80% of capacity. SK has a shutdown planned in November for around 2 weeks.

The export market is quiet and limited to contracts only where the price is unchanged around \$600 cfr.

Japan

The situation surrounding PTA export prices to China is further deteriorating in August. Although the export business to China remains steady in terms of volumes, exporters continue to suffer from continuously weakening prices. Yangzi Petrochemical has nominated its August price at Rmb4900/ton, which nets back to an import equivalent price of around \$440/ton cfr. This is just a nomination, and it is said in the business community that the price could be adjusted further downwards by Rmb50-100/ton by the end of August.

As we reported before, Japanese producers are not satisfied with the current pricing mechanism in which Yangzi's domestic price is taken as the benchmark. Therefore, they are trying to apply different pricing independent of the Yangzi equivalent price and announced a price of \$550/ton cfr for July. It is understood, however, that negotiations with Chinese PTA customers are not progressing as they are insisting on the benchmark price, which is moving lower.

JAPANESE PTA EXPORTS

To	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
South Africa	4,079	546	6,981	10,534
India	-	-	-	2,000
Indonesia	-	-	4,017	2,720
Pakistan	-	-	-	6,473
China	27,203	492	188,096	203,647
Hong Kong	-	-	-	10,000
South Korea	-	-	2,000	4,575
Others	63	-	210	6
Total	31,345		201,304	239,955

S/ton figures are calculated from customs data and may not reflect market prices

JAPANESE DMT IMPORTS

From	May 2001		Jan-May 01	Jan-May 00
	Tons	\$/ton	Tons	Tons
Mexico	3,496	621	13,688	18,976
South Korea	3,322	607	16,884	16,206
Others	100	-	910	1,202
Total	6,918		31,482	36,384

S/ton figures are calculated from customs data and may not reflect market prices

The supply/demand balance for PTA for the first half of the year is tabulated below. Domestic PTA consumption in the first half showed a slight increase of around 2% on comparable 2000. This is considered to be due to increased consumption for PET packaging resin.

Production of polyester filament and staple is depressed: down 6.0% for filament and down 2.2% for staple - on average down 4.4%.

Japanese PTA Supply & Demand (1,000 Metric Tons)

	Jan-Jun 2000	Jan-Jun 2001	% Change '01/'00
Production	763	742	-2.8
Inventory Change	0	11	-
Import	6	5	-6.2
Export	282	238	-15.3
Consumption	488	498	2.1
Export Ration (%)	37	32	-

Japanese PTA Supply (Metric Tons)

	Jun 2001	Jan-Jun 2001	% Change '01/'00
Production	116,818	741,933	-2.8
Shipment	90,346	577,836	-4.8
Inventory	79,097	-	-

POLYESTER GENERAL

The general textile scene continues to worsen, with a series of announcements of profit warnings from around the world, especially in North America and Europe. The following items from the world's press illustrates the situation, with however the occasional news of new investment and the like.

DuPont will cut another 1,500 jobs (on top of the 4,000 direct and 1,300 contract job losses announced in April). These new ones will be mainly in nylon and polyester. DuPont's Q2 Canadian sales were down 4% at \$645 million. The main company posted a \$213 million loss in Q2 (21 c/share compared to a profit of 65 c/share in Q2 2000).

Solutia will cut back its Capex plans, and discontinue its share buyback.

Unifi had a net loss of 4 c/share in Q2, an improvement on Q1, after a once-off charge for plant closures with DuPont.

Wellman's Q2 earnings were \$8 million, up by \$1 million on Q2 2000, but only \$1.5 million after the cost of their recent outage.

Eastman's Q2 earnings were 55 c/share compared to 128 c/share in Q2 2000.

Operating profit at Alfa (Mexico) fell by 46% to \$97 million in Q2.

Celanese has issued a profit warning for the whole of 2001.

In Peru, Filamentos Industriales had polyester and nylon production down by 2% on 2000 in the first half.

Rhodia is expected to be reporting an 80% plunge in year-on-year first half net profit, and will speed up its restructuring plans.

The Rhone Poulenc remnant Setila (formerly Viscosuisse) will close all its nylon operations, to concentrate on polyester.

La Seda (Spain) registered a 32% increase in operating income in the first half, and has acquired 82% of Inquitex for about \$51 million. Also in Spain, Brilen has invested in a new 5 ktpa filament line.

The Iranian government will spend \$50 million to placate workers in their textile industry, who have been working for no pay.

The Indian polyester fibre industry is suffering a downturn in production. But Reliance is still pursuing expansion plans in both staple and yarn, to reach 1200 ktpa in all. Indorama has scaled down its plans for another 900 tpd of polyester (half staple, half POY) to 450 tpd of staple and only 50 tpd of POY.

Reliance had a 7% increase in production in Q2, with polyester fibre and intermediates around 100%. And Indorama had a net profit increase of 140% in Q2.

Indonesia is starting anti-dumping investigations against five countries – Taiwan, Korea, India, Saudi and China. And China has started its own study of chips and staple from Korea.

Texmaco, with almost \$4 billion of debt, may be running out of friends in high places as the political situation in Indonesia evolves. But the company remains optimistic about getting the nod for its restructuring by year-end.

The strikes in Korea, affecting most of the manmade fibre industry there, are still in progress as we go to press. And Korea has been cited in 11 anti-dumping cases around the world. They are particularly concerned about the Chinese investigation.

The Taiwanese government has asked seven companies to merge their manmade fibre businesses – FETL, Shinkong, Tuntex, Nan Ya, Lealea, Hualon and Zug Sheng. In the meantime Tuntex has been granted another month by its creditors, and has asked for an interest rate cut.

Taiwan's textile and apparel industries are fumbling for survival, in part because of tight local controls on water quality for dyeing and finishing plant effluents. China has identified 15 industrial units to be closed because of poor economics, including nylon fibre at Shijiazhuang and polyester filament at Tianjin Petrochemical.

FCFC, through its subsidiary Formosa Taffeta, is conducting a feasibility study of a new fibre and yarn facility in China (Shanghai).

In Japan things may be looking up, as all synthetic fibre producers were in the black for the year to March 2001.

Henan Luoyang (200 ktpa PET, 90 ktpa filament, 100 ktpa staple) is now on stream.

Toray and DuPont have reached a 'comprehensive agreement' on licensing 3GT fibre.

All this bad news is the cause of the protectionism, which is spreading around the world, no longer associated with the developed economies only. Mexico and EU have antidumping duties against polyester DTY, Turkey has 87% antidumping duties against Chinese filament fabrics, Peru and Argentina have also started antidumping investigations or are limiting quota growth on fabric imports. The EU, Turkey and India all charge antidumping duties against Indonesia polyester filament.

Polyester staple suffers the most from the antidumping charges or investigations. Not only has the USA antidumping duties against Korean and Taiwanese fibrefill staple, but the EU also has antidumping duties for polyester staple from Taiwan, India, Korea, Australia, Indonesia and Thailand. India and Argentina have just started antidumping investigations on Taiwanese staple from June. Not long ago, Japanese staple producers also wished to establish an antidumping case against Korean and Taiwanese staple.

Most recently China again announced it will start a one -year investigation of Korean polyester staple and chips. Taiwan is lucky to be free from this investigation as China considers it part of China. China in fact wished to start antidumping charges against Taiwanese and Korean staple several years ago, but withdrew it following careful political consideration (for Taiwan) and Korea's promise of self-restraint. Deteriorating margins in the polyester industry in China this year however have encouraged China to bring forward the antidumping charges against Korea again. If China succeeds then Korea's export volume freed from China market will have to find markets in other countries. There is still no salvation in sight for staple prices in Asia if global economic slowness continues for two or three quarters.

POLYESTER FILAMENT

Monthly filament production to June 2001 and annual production in 1997-2001 (the last year estimated) is shown below. The 2001 estimate is based on the graph shown in the table below, derived from production data made available by trade associations or via TECNON OrbiChem trade contacts. With the main producing areas having reported to June it is now looking likely that after the 10.9 million tons of last year continuing growth will lead to at least 11.25 million tons by the end of this year.

North America

US Polyester Filament & Staple Production (mmlbs)

	<i>Filament</i>		<i>Staple</i>
	<i>HT</i>	<i>Textile</i>	
Jul	34.2	79.3	181
Aug	35.6	104.6	215
Sep	38.5	91.8	179
Oct	34.9	99.2	185
Nov	37.6	87.2	173
Dec	34.2	70.8	159
Jan 2001	34.6	105.0	167
Feb	33.6	84.5	163
Mar	33.3	85.1	203
Apr	28.6	80.6	166
May	32.9	*82.7	164
June	*33.1	*70.5	*157

* Updated this issue

US year to date production of HT filament is down 15% on 2000, of textile filament 20%, and of staple 15%. Note the large revision of the textile filament figure, as the FEB revises all 2001 production figures since January. (The FEB format precludes revision of filament detail prior to the previous month).

Unifi has taken over the airjet texturing plant of Glen Raven.

On the pricing front DuPont has announced increase of up to 5 c/lb which, at this stage look to be taking effect.

United States Polyester Filament Prices (c/lb)

	<i>June</i>	<i>July</i>	<i>August*</i>
150 den POY	60-68	60-68	60-73
150 den textured dyeable	85-90	85-90	85-90

* Provisional

Mexico will impose 16% anti-dumping duties on PFY from Korea and Taiwan.

Polyester Filament Production 1997-2001 (1,000 Metric Tons)

Monthly Production by Country

	<i>USA</i>	<i>Russia</i>	<i>India</i>	<i>China</i>	<i>S. Korea</i>	<i>Taiwan</i>	<i>Japan</i>
Jul	57.1	0.4	69.7	269.7	116.0	132.9	31.6
Aug	63.6	0.4	68.9	268.6	124.7	125.2	31.1
Sep	59.1	0.4	68.5	288.4		120.6	29.2
Oct	60.8	0.6	70.1	273.4		120.3	32.0
Nov	54.7	0.6	70.8	291.1		115.6	31.3
Dec	47.6	0.6	70.0	302.0		120.0	31.9
Jan	*57.3	0.5	67.2	*245.0		118.3	*31.8
Feb	*49.8	0.6		*278.8		120.5	28.7
Mar	*49.4	0.6		*322.0		130.7	29.9
Apr	*45.0			*300.4		130.2	30.7
May	*52.4			*313.7		137.7	31.4
Jun	*47.0			*317.2		*130.4	*30.2
Capacity/month	80	1	88	421	158	162	42
Utilisation (%)	59	60	76	75	79	80	72

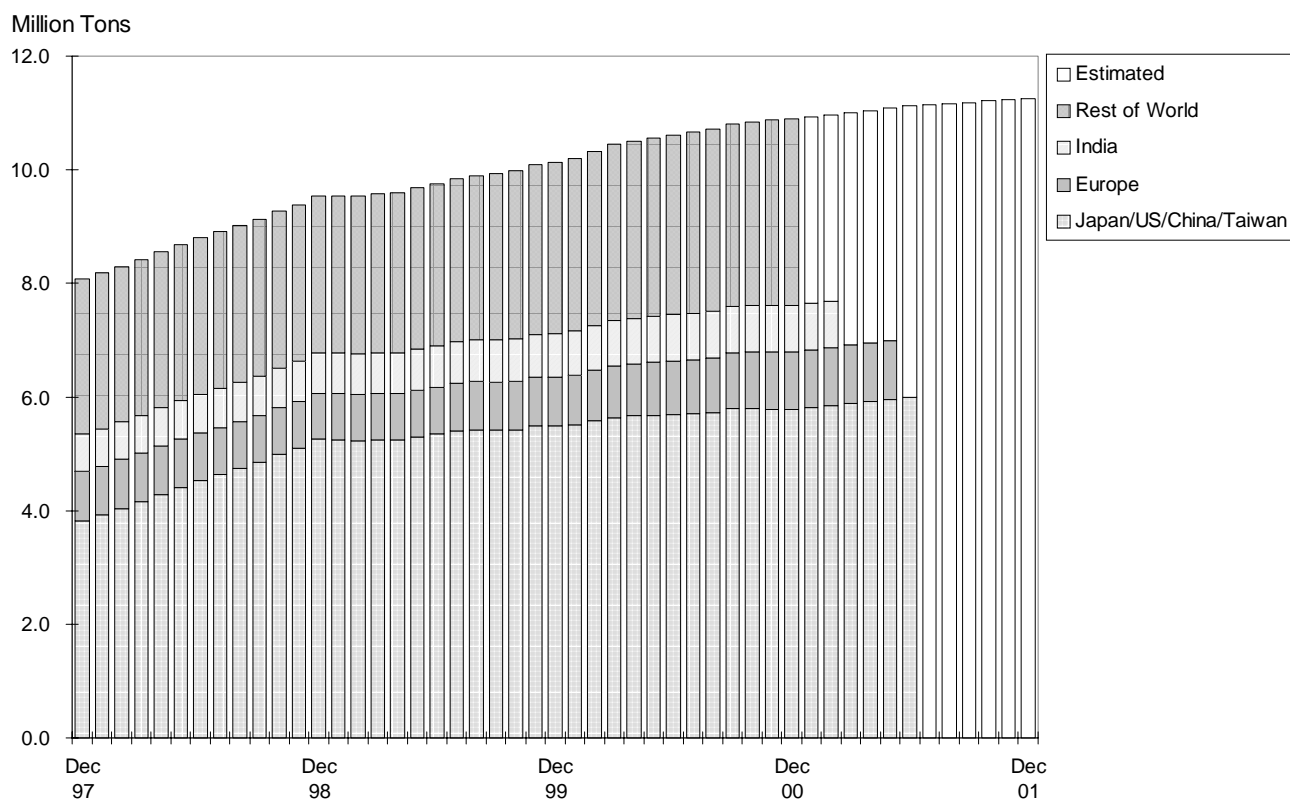
Yearly Production by Major Areas

	<i>USA</i>	<i>Europe</i>	<i>India</i>	<i>China</i>	<i>S. Korea</i>	<i>Taiwan</i>	<i>Japan</i>	<i>Other</i>	<i>World</i>
1997	746	873	654	1149	1290	1489	434	1439	8074
1998	700	806	711	2303	1332	1755	404	1426	9536
1999	723	862	768	2710	1398	1671	387	1608	10127
2000	714	1016	831	3152	1485	1525	383	1780	10886
2001 Early Estimate									11250

* Updated this issue + Estimate

Sources: Associations, Trade press, Internet

POLYESTER FILAMENT 12 MONTH RUNNING TOTALS



Polyester Filament (150 den/167 dtex DTY) Prices & Margins over PTA and MEG

Monthly Prices, last twelve months,

	<i>USA Domestic c/kg</i>	<i>Europe Contract c/kg</i>	<i>Europe Contract pfg/kg</i>	<i>China Domestic Rmb/kg</i>	<i>China Domestic c/kg</i>	<i>Taiwan Domestic NT\$/kg</i>	<i>Taiwan Domestic c/kg</i>	<i>Taiwan Export fob c/kg</i>
Sep	N.A.	147-163	330-365	14.0-14.8	169-179	35-38	113-122	112-122
Oct	N.A.	162-167	371-382	13.8-14.3	171-178	34-38	107-119	108-120
Nov	N.A.	165-175	377-400	13.5-14.2	163-172	34-38	105-117	105-122
Dec	N.A.	176-185	384-403	10.8-13.3	130-161	36-39	109-118	108-125
Jan	N.A.	184-192	383-401	10.8-12.2	130-147	35-38	107-116	105-125
Feb	N.A.	176-183	373-389	10.8-12.5	130-151	35.5-39	110-121	115-130
Mar	N.A.	170-177	366-380	10.0-11.8	121-143	36-41	111-126	115-130
Apr	176-198	167-174	367-381	9.6-10.5	116-127	36-41	109-125	112-125
May	176-198	158-165	352-369	9.3-10.4	112-126	*37-39	*111-119	*106-116
Jun	187-198	150-156	344-358	9.5-10.3	115-124	*37-39	*108-115	*105-112
Jul	187-198	148-154	342-357	*9.0-9.9	*109-120	*37-39	*106-113	*105-112
Aug	187-198	150-159	338-356	9.1-9.7	110-117	36-38	104-110	104-110

Current PTA & MEG Prices

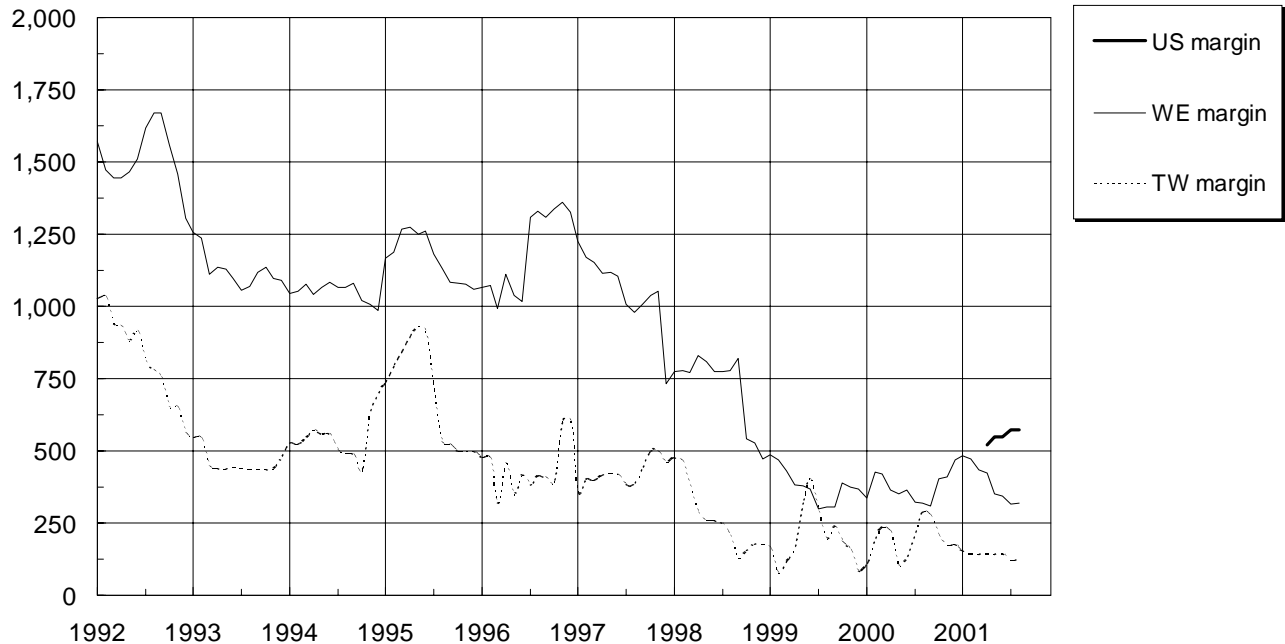
	<i>USA Contract c/kg</i>	<i>USA Spot c/kg</i>	<i>Europe Contract c/kg</i>	<i>Europe Spot c/kg</i>	<i>China Contract c/kg</i>	<i>Taiwan Contract c/kg</i>	<i>S. Korea Contract c/kg</i>	<i>Asia Spot cfr c/kg</i>
PTA (Jul/Q3)	66.3	N.A.	69.3	N.A.	61-63	53-54	59-60	46-47
MEG (Jul/Q3)	57-62	43-45	48	39-41	60	51	51	45-47

Latest figures may be provisional

* Revision of earlier figure

US, WE and TAIWANESE POLYESTER FILAMENT POY MARGINS over 0.865 PTA + 0.350 MEG

Dollars per Ton



Source: TECNON OrbiChem

West Europe

As in other fibre sectors, August sees the major West European markets close for the annual holiday period and therefore business actually conducted is down to a minimum.

In the textured field, contracting is poor and even during July volume did not lift off and for domestic EU texturisers stocks of yarn are reported to be on the rise.

Prices, which have been drifting downward month in, month out are now stationary, some pressure being felt from traders anxious to relieve warehouse space before the holiday closures. However the main price influence is coming from imports. Turkish textured offers are becoming more aggressive, with some offering at reasonable levels, others offering at discounts of up to 9-10 c/kg. Over capacity in Asia is also not helping the scene.

An overview of import price offers shows a definite drop over last month, although the gap has widened, making it difficult to indicate product grade, due to the cited Turkish action. 167 dtex textured is now in a range \$1.20-1.30/kg, and POY feedstock yarn, also down slightly to \$0.90-1.05/kg depending on quantity involved. All quotations are cfr European port, all taxes, storage and internal transport excluded.

As always at this period of the year, and especially when trading is slack, there are threats that raw material prices must go up in Q4. It is true that major European chemical companies are giving profit warnings, and this possibility is now lurking in the background. But hopefully textured prices will push up in accordance - if not it will be an unhappy scene for EU domestic operators, whose margins are already thin.

West European 167 dtex Polyester Filament (Price/kg)

	POY	Textured	Intermingled
Germany (DM)	*2.45-2.50	3.40-3.50	*3.70-3.80
Italy (Lira)	2400-2500	*3200-3500	3700-3800
France (FF)	8.15-8.47	11.00-11.50	12.00-12.50
Spain (Pta)	*210-212	*300-310	310-320
Portugal (DM)	2.30-2.40	3.40-3.50	N.A.
UK (£)	0.82-0.85	1.16-1.20	N.A.
Belgium (BF)	N.A.	70-73	77-80
Weighted			
Mean (DM)	*2.46-2.53	*3.38-3.56	
Import cfr (\$)	*0.90-1.05	*1.20-1.30	N.A.

* Change this month

In both weft knitting and weaving applications the scene is very much the same, orders in polyester filament remain unappealing and, up to the vacation shutdowns, short time working to control stocks was widespread.

Throwsters are still dealing with slow offtake and September should see, hopefully, some firming in demand for twisted yarns. Prices for benchmark 78-800 tpm have slipped as business is seasonally slack.

West European Flat Twisted Polyester (78 dtex 800 tpm)

	Price/kg
Germany (DM)	*7.00-7.10
Italy (Lire)	*7000-7050
Spain (Pts)	*600-610
France (FF)	*23.70-23.90
Portugal (DM)	N.A.

* Change this month

South & Southeast Asia

The MD of Indorama in **India** has complained about the discordant excise duties on polyester and cotton:- PFY at 37%, cotton yarn at 9%, polyester staple at 18%, cotton fibre at zero. He feels the polyester using sector of India's textile industry is being choked. Indorama plans a Rp2/kg hike for POY. The company has recently decided to concentrate on technical end uses, following consultancy advice.

In Thailand Toray will double its safety belt filament capacity.

East Asia

There is concern about softening demand against the backdrop of **China's** capacity rising from 3.6 million tpa to 4.6 million tpa during this year. But despite the overall economic slowness, China's textile output in the first half of the year still increased by almost 13% (higher than the 11% growth in overall industrial output) over the corresponding period of 2000. Global economic slowness however has resulted in growth as small as 3% in China's textile product exports (\$24.5 billion) in the first half of the year (growth rate in first half 2000 was over 29%) and growth as small as 8% in China's July industrial output. Taiwan on the other hand suffered from a 14.6% reduction in January-June textile product exports (\$6.573 billion).

Chinese Polyester Filament Imports (1,000 Metric Tons)

	1998	1999	2000	2001
Jan	40.2	27.3	26.2	20.7
Feb	42.7	23.1	22.2	21.6
Mar	56	31.7	30.5	29.1
Apr	38.8	29.9	29.3	24.6
May	38.2	24.6	28.6	20.3
Jun	36.2	25.8	46.5	24.1
Jul	41.3	26.9	34.1	
Aug	41.2	23.6	41.2	
Sep	34.6	22.4	41.7	
Oct	34.4	18.8	36.5	
Nov	24.2	25.1	36.6	
Dec	42.8	27.9	29.2	
Jan-June	252	162	183	140
% Change	5%	-36%	13%	-23%
Jan-Dec	471	307	403	
% Change	-4%	-35%	31%	

The domestic filament (POY, DTY and FDY) price continues its spiral downward in July and up to mid August. Some rebound is now apparent, but the long-term outlook is still not encouraging. As at least 400,000 tpa of filament capacity will be coming onstream in the second half of this year, casting a shadow over the already oversupplied filament market, despite the fact seasonal strength of autumn/winter is coming. More small-sized throwsters shut down in late July as losses increased. The commissioning of new filament capacity by six fully integrated majors may imply increased shutdown in the minors, but it still will have no positive effect in boosting price or margin in a seriously oversupplied market. Xianglu Fibers (Xiamen) brought 60,000 tpa POY onstream in July (all for captive use but they have not operated yet at the full 60,000 tpa DTY as yet). Shaoxing Yuandong also brought 100,000 tpa of new filament capacity onstream in July. As the rest of the 240,000 tpa new capacity is also expected to be onstream in Q3, its impact should be huge.

Weavers in Zhejiang have started to increase production rates this month but demand is not yet strong enough to encourage weavers in all areas to resume higher production rates. Overall production rate in weavers was down by 15-20% during seasonal slowness in June and July. As fabric stocks continue to be high and capital is short, it is difficult to stimulate filament demand. China Central's action in cooling the stock market hopefully could switch some capital to traditional textile industry. Recent rebound in fabrics prices at least provides better prospect than the long term dullness.

Chinese 150 den Polyester FDY Prices

	Rmb/kg	c/kg
Feb	9.4-11.2	113-135
Mar	9.4-10.6	114-128
Apr	9.4-9.9	114-120
May	9.8-10.2	118-120
Jun	9.5-10.2	115-123
Jul*	9.1-9.8	110-118
Aug*	9.1-9.7	110-117

* Update this issue

Taiwanese 230 den Polyester POY Prices

	Domestic (del)		Export (fob)
	NT\$/kg	c/kg	c/kg
Mar	25.5-29	79-90	77-95
Apr	25.5-29	77-88	76-90
May*	26-28	79-85	79-85
Jun*	26-28	76-82	76-82
Jul*	26-28	75-81	75-81
Aug*	26-27	75-78	75-81

* Update this issue

In Taiwan, seasonal slowness and a concentration of production in finer denier filament have resulted in some production decrease. Only demand from Brazil has improved, and that only slightly. Demand from other areas has yet to return from summer dullness. The domestic price has not firmed as targeted, as there is no improvement in demand. Lealea has cancelled its expansion project in polyester filament yarn.

POLYESTER STAPLE

Monthly staple production to June 2001 and annual production in 1997-2001 (the last year estimated) is shown below. The 2001 estimate is based on the graph shown in the table below, derived from production data made available by trade associations or via TECNON OrbiChem trade contacts. With the main producing areas having reported to June it is now clear that output is has been falling since the end of 2000, and that production in 2001 will be appreciably below 8.50 million tons – for now we are suggesting 8.38 million tons.

North & South America

United States Polyester Staple Prices (c/lb)

	June	July	August*
1.2-1.5 den			
cotton type	45-55	50-55	50-55

* Provisional

Europe

Our view of West European polyester staple markets confirms that of July, and although most of West Europe's fibre producers are closed in August, provision has been made for those pockets of production still active or customers who have urgent need for yarn.

Prices remain firm on last month, however it is common knowledge that fibre producers will, with all probability be pressing for rises in the very near future.

West European 1.7 dtex Polyester Staple (Price/kg)

	Nonwovens	Spun Yarn	Hygiene
Germany (DM)	2.50-2.60	2.70-2.80	2.90-3.00
Italy (Lira)	2500-2600	2550-2650	2900-3000
Spain (Pta)	215-220	222-230	N.A.
France (FF)	8.35-9.13	8.67-9.47	9.67-10.17
UK (£)	0.85-0.87	N.A.	1.00-1.05
Weighted			
Mean (DM)	-	*2.63-2.76	

* Change this month

Polyester Staple Production 1997-2001 (1,000 Metric Tons)

Monthly Production by Country

	<i>USA</i>	<i>Russia</i>	<i>India</i>	<i>China</i>	<i>S. Korea</i>	<i>Taiwan</i>	<i>Japan</i>
Jul	82.1	0.01	46.1	206.1	57.2	77.1	23.5
Aug	97.8	0.01	49.0	206.5	61.5	76.0	23.8
Sep	81.4	0.01	47.8	214.7	62.5	84.0	22.8
Oct	84.0	0.01	44.2	210.9	62.8	85.8	22.1
Nov	78.6	0.01	47.3	217.4		81.3	22.8
Dec	72.3	0.01	47.3	223.4		73.2	24.3
Jan	75.6	0.02	48.0	151.6		62.1	23.8
Feb	73.7	0.02		172.5		62.6	*23.8
Mar	91.9	0.02		199.3		73.9	24.6
Apr	75.4			185.9		72.6	22.6
May	74.3			194.1		74.4	24.3
Jun	*71.2			*196.3		*65.6	*23.5
Capacity/month	110	0.8	57	227	70	93	26.5
Utilisation (%)	65	2.5	84	86	90	71	89

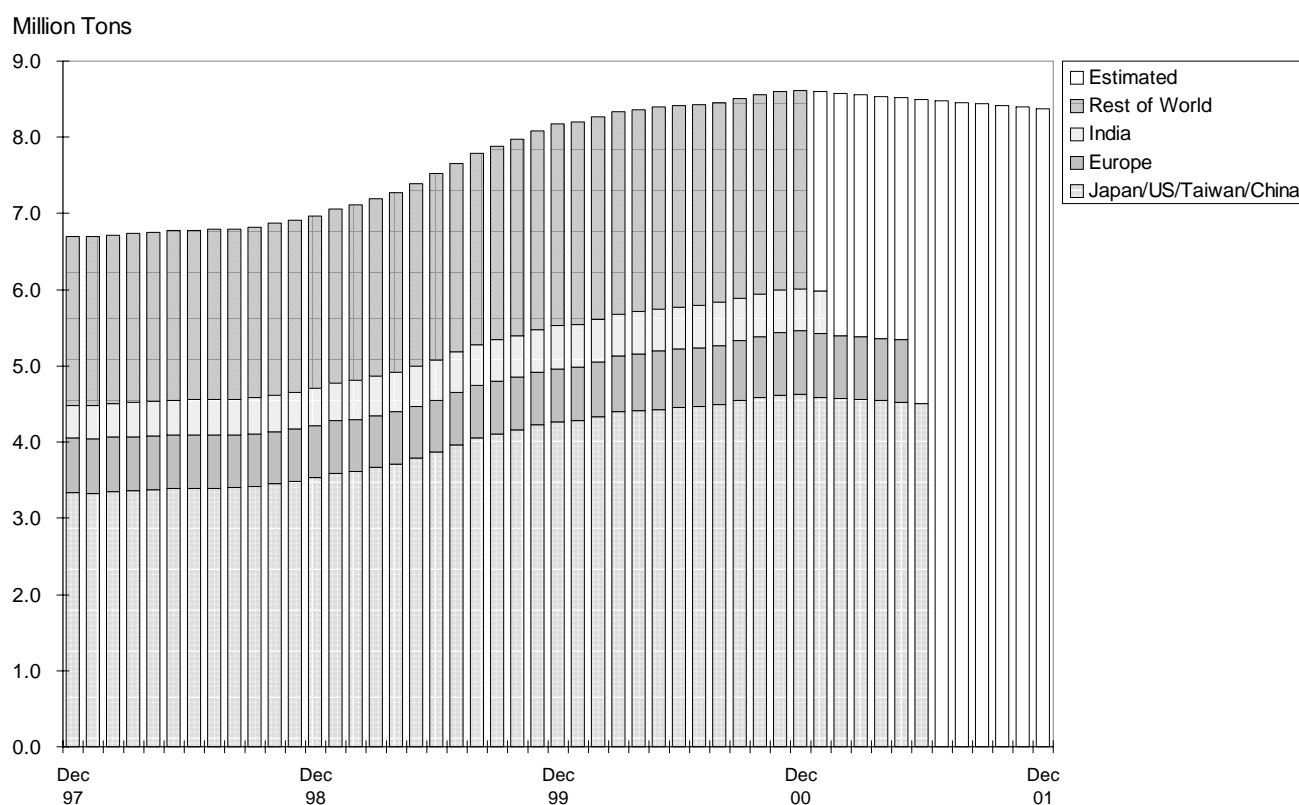
Yearly Production by Major Areas

	<i>USA</i>	<i>Europe</i>	<i>India</i>	<i>China</i>	<i>S. Korea</i>	<i>Taiwan</i>	<i>Japan</i>	<i>Other</i>	<i>World</i>
1997	1097	725	428	984	674	955	297	1542	6702
1998	1094	679	493	1249	699	932	280	1554	6960
1999	1011	690	561	2045	741	939	278	1904	8170
2000	1041	829	555	2376	720	932	282	1880	8615
2001, Early Estimate									8380

* Updated this issue + Estimate

Sources: Associations, Trade press, Internet

POLYESTER STAPLE 12 MONTH RUNNING TOTALS



Polyester Staple Prices & Margins over PTA and MEG

Monthly Prices, last twelve months

	<i>USA Domestic c/kg</i>	<i>Europe Contract pfg/kg</i>	<i>Europe Contract c/kg</i>	<i>China Domestic Rmb/kg</i>	<i>China Domestic c/kg</i>	<i>Taiwan Domestic NT\$/kg</i>	<i>Taiwan Domestic c/g</i>	<i>Taiwan Export fob c/kg</i>
Sep	N.A.	250-270	110-119	10.6-11.0	128-133	26-28	84-90	77-83
Oct	N.A.	267-280	119-124	10.5-10.9	129-132	26-28	82-88	77-83
Nov	N.A.	275-288	121-127	10.1-10.7	122-129	26-28	80-86	76-82
Dec	N.A.	275-292	125-133	9.3-10.5	112-127	26-28	79-85	70-82
Jan	N.A.	277-295	134-143	8.9-9.9	107-120	26-28	80-86	70-80
Feb	N.A.	273-285	129-135	8.7-9.5	105-115	26-28	80-87	70-77
Mar	N.A.	272-288	130-137	8.7-9.2	105-114	26.5-28	82-86	75-80
Apr	99-110	273-289	125-132	8.0-8.8	97-106	26.5-28	80-85	70-78
May	99-110	273-289	123-131	7.7-8.5	93-103	26.5-28	81-85	70-78
Jun	99-121	264-277	114-119	7.6-8.4	92-101	26.5-28	78-82	68-75
Jul	110-121	264-277	114-120	*7.5-8.2	*91-99	26.5-28	77-81	70-75
Aug	110-121	263-276	117-123	7.5-8.2	91-99	26.5-28	76-81	69-72

Current PTA & MEG Prices

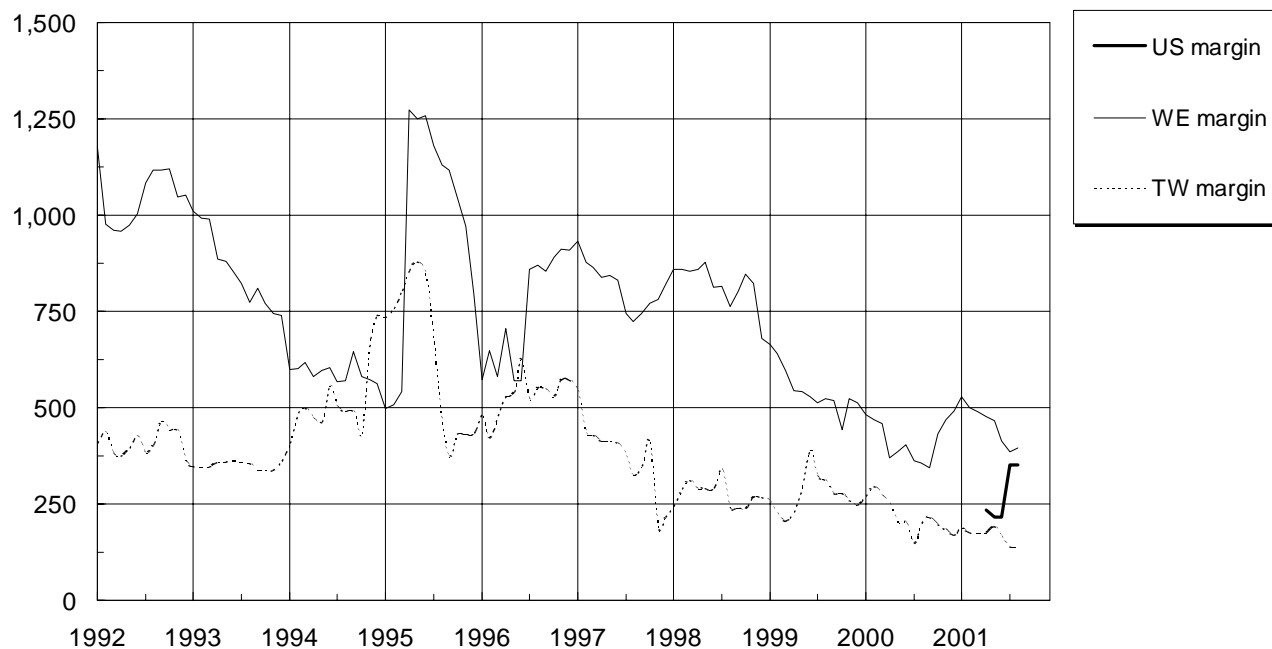
	<i>USA Contract c/kg</i>	<i>USA Spot c/kg</i>	<i>Europe Contract c/kg</i>	<i>Europe Spot c/kg</i>	<i>China Contract c/kg</i>	<i>Taiwan Contract c/kg</i>	<i>S. Korea Contract c/kg</i>	<i>Asia Spot cfr c/kg</i>
PTA (Jul/Q3)	66.3	N.A.	69.3	N.A.	61-63	53-54	59-60	46-47
MEG (Jul/Q3)	57-62	43-45	48	39-41	60	51	51	45-47

Latest figures may be provisional

* Revision of earlier figure

US, WE and TAIWANESE POLYESTER STAPLE MARGINS over 0.865 PTA + 0.350 MEG

Dollars per Ton



Source: TECNON OrbiChem

In Ireland Wellman has created a new fibre type (branded 'Wellcare') which provides long-term protection against fungi, dust mites and bacteria.

CIRFS is presenting evidence to the EU Commission suggesting that the anti-dumping duties on staple from Belarus should continue.

South & Southeast Asia

In **India**, Indorama is planning a Rp0.5/kg hike for staple, and Reliance has raised prices from Rp48.75 to Rp49.75/kg.

Pakistan has announced a series of measures to boost local production, including a drop in import duty on polyester staple to 20% (plus another 5% for RD).

East Asia

China has started a series of policies on short fibre with a wish to stimulate textile exports in the second half of the year. Besides drawback increase, subsidy for cotton sales and giving import quota for cotton (see July newsletter), additional aggressive action is being taken with a wish to lower domestic cotton prices. The government has not only decided to release more cotton stock but also to reallocate export cotton to the domestic market.

The start of a one-year investigation into antidumping by Korean polyester staple (Harmonised Codes 55032000 and 55062000) and polyester chip (Codes 39076011 and 39076019) starting from 3 August has been announced. Taiwanese staple producers may benefit from increased exports to China, but they do not think China's antidumping investigation into Korean staple will in the long term help in boosting staple prices or contribute to a margin improvement. Their view is that Korea will find alternative markets and endanger market prices elsewhere. It is doubtful if Chinese staple producers will regain higher margin if there is no improvement in staple export prices in Asia or in other areas.

Spinners have started more aggressive de-stocking actions as they wish to use up high-priced stocks of cotton. The domestic cotton price at this stage is still 10-15% higher than the international price but spinners anticipate it to be more in line with international price in future. They anticipate the cotton price to fall to Rmb10000/ton (55 c/lb) in the short term, following a series of policies brought forward by the government. The current domestic cotton price is Rmb10500-12400/ton (57-68 c/lb).

Chinese Yarn & Fabrics Production

	<i>Yarn % Change</i>		<i>Fabrics % Change</i>	
	<i>(1,000 Tons)</i>	<i>Previous Year</i>	<i>(Billion Metres)</i>	<i>Previous Year</i>
Jan-Dec 1999	5667	12.2	17.05	6.3
Jan-Dec 2000	6575	16	19.11	12.1
Jan-Jun 2001	3337	9.8	9.54	5.2

Source: National Bureau of Statistics of China

Chinese Polyester Staple Imports (1,000 Metric Tons)

	1998	1999	2000	2001
Jan	50	36.7	53.9	40.9
Feb	44.6	33.9	34.6	49.6
Mar	63	40.1	56.1	48.5
Apr	46.8	43.8	55.4	48.6
May	39.8	44.9	35.7	34.9
Jun	41.2	50.5	45.5	42.6
Jul	42.9	38.6	55.4	
Aug	29.5	41.2	65.3	
Sep	46.2	54	63.7	
Oct	47.6	46.2	52.1	
Nov	37.2	49.2	55.2	
Dec	52.7	52.3	49.3	
Jan-Jun	285	250	281	265
% Change	-0.7%	-12%	13%	-6%
Jan-Dec	542	531	622	
% Change	-11%	-2%	17%	

The domestic polyester staple price in China continues its mild erosion, not only because of the non-stop erosion of chip prices, but also because of the non-stop erosion in yarn price and its very weak demand. Continuous erosion of the rayon staple price in this year further supports this downward trend. Spun yarn has eroded by over 20% this year as the polyester staple price has softened a bit less - by 15% in the same period. No pick-up is foreseen for now.

In **Taiwan**, production reduced to 73% (down by 10 percentage points) in June. Producers anticipate it will remain at this low level in July and August as exports, mainly to China, continue to be very weak. Although the domestic price remains stable, the long-term outlook is not optimistic. The domestic price has been stable in recent months despite the ups and downs of the NT dollar compared to the US dollar. The core export price moved up to \$0.70 -0.72/kg fob by benefiting from the reduced supply from Korea following nearly two-month-long strikes.

Polyester producers take a pessimistic view of the continuous erosion in the cotton price in international markets, and increased cotton supply during this year. They are afraid that more use of polyester staple will be displaced by cotton as global cotton production is anticipated to substantially increase this year

PET PACKAGING RESIN

North America

The second quarter was an excellent one for PET resin producers. All quarter long, indications pointed to a robust return to higher production and consumption. Now that more definitive data is available, the production of bottle polymer was up about 12% over last year's second quarter. Taking both quarters into

account, and forecasting through the end of this year, it is entirely possible that NAFTA will see production growth near 10% and consumption growth by 12%.

Exports from NAFTA helped to keep production during the period at an all time volume high and from a capacity utilisation perspective at a 6 year high - at over 92%! However some of these exports are thought to have been in support of certain producers' own European sales operations.

Nan Ya continues to engineer and fine-tune its new melt phase capacity at Lake City. The current target date to turn this over to sales is 1 September. There was a minor accident last week when a construction worker was welding on a glycol recovery tank (similar to the May mishap at Wellman's Palmetto facility). No major damage or downtime will be experienced, but one contract construction worker was injured.

With Wellman now fully operational, the DuPont (DAK Americas) expansion complete, and the new capacity from Nan Ya about to run, the full impact of the calculated excess capacity for 2001 is coming into play in the third quarter. As the laws of supply and demand dictate, prices are falling in response to this excess capacity. But even as the excess capacity reaches its full impact, decisions for further expansions are coming closer to realisation. Despite the last of the expansions (Nan Ya) having been completed, and the last of the announced debottleneckings (M&G) ready soon, the steady healthy growth in consumption means further new capacity is a must.

The question is who will be first, and how much and how fast will capacity be brought on? NAFTA certainly needs capacity by late 2002, but if all of the serious plans are enacted, then there could be excess again by 2004. It will be a fine balancing act - with input from the Asian region - over the next few months as decisions are made.

The most likely possible expansion projects are seen as:

North American PET Expansions

<i>Company /Location</i>	<i>Capacity (ktpa)</i>	<i>Comments</i>
DAK		
Cape Fear	150	Fibre conversions
Cooper River	150	Fibre conversions
Wellman		
Pearl River	118	Fibre conversions
KoSa		
Spartanburg	68	Fibre conversions
Mexico	136	New capacity
Tiepet		
Asheboro	68	New capacity

Pricing continues to show weakness. After Eastman led a 3 c/lb increase for July 1, it was voluntarily delayed

for 30 days and subsequently totally rescinded (without going into effect). Since that time, competitive activity has eroded a significant portion of last April's 7 c/lb price increase. Furthermore, efforts by domestic producers to reduce/prevent Asian imports (especially on the US West coast) have led to further price erosion in that area. By the end of July it is generally considered that only 4 cents of the original seven has held at most buyers. There is also understood to be another round of negotiations currently that will seemingly lead to some further reductions.

Tetra Pak has announced that it will sell its preform and existing stretch blow moulding machinery division. The intention is to allay concerns from many Sidel customers that Tetra Pak would become a competitor in the container side of the business. Current preform output is understood to be 1.9 billion pieces, which could be the equivalent of around 70-75,000 tpa of resin.

Alpla's recent announcement to start (HDPE) blow moulding operations in Houston, Texas and Atlanta, Georgia has struck fear into the existing converter base. Alpla's expertise in PET preforms, stretch blow moulding, and closures is widely respected. To be clear, no announcement has been made concerning any entry into the PET container market, but the threat is real and widely felt through the PET industry. Such is the speculation around Alpla that some observers are wondering whether it could be the next supplier prepared to 'contribute' bottles to the Pepsi system. The current bottle suppliers are understood not to be willing to expand to serve Pepsi's CSD needs, and the other custom bottle suppliers (Graham, O-I, Pechiney) have shown a steady reluctance to make CSD bottles. But with Constar reportedly near default, Pepsi may be looking for a new player to participate in its 'supplier partnership' programmes.

Consumers Packaging (Canada) will sell its PET operation - Pet Pak to raise money for creditors. Pet Pak's sales are estimated at \$15 million and are strongly concentrated around the PET liquor container business. The company's single plant is located in Mississauga, Ontario, Canada.

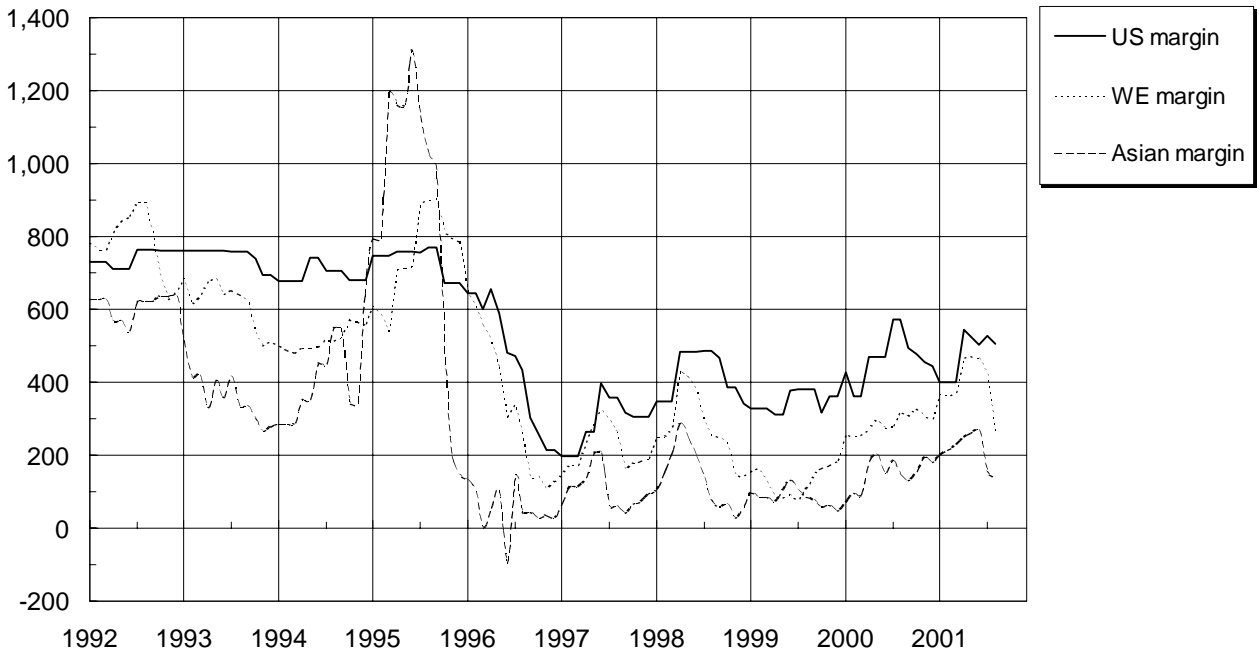
Europe

This year is turning into a major disappointment for European resin producers. It all seemed so promising earlier with the prospect of high plant operating rates, constrained Asian imports, and prospective margins at reinvestment levels. Now, as the smoke clears after the failed 1 July attempt to raise prices, the question is what went wrong?

Confidential industry data is said to indicate that the total sales by the big producers continues to show growing sales to West European countries despite the uncharacteristically poor weather, and the loss of direct and indirect business (preform exports) to East Europe and the Middle East. Compared to

US, W EUROPEAN and ASIAN PET PACKAGING RESIN MARGINS over 0.865 PTA + 0.350 MEG

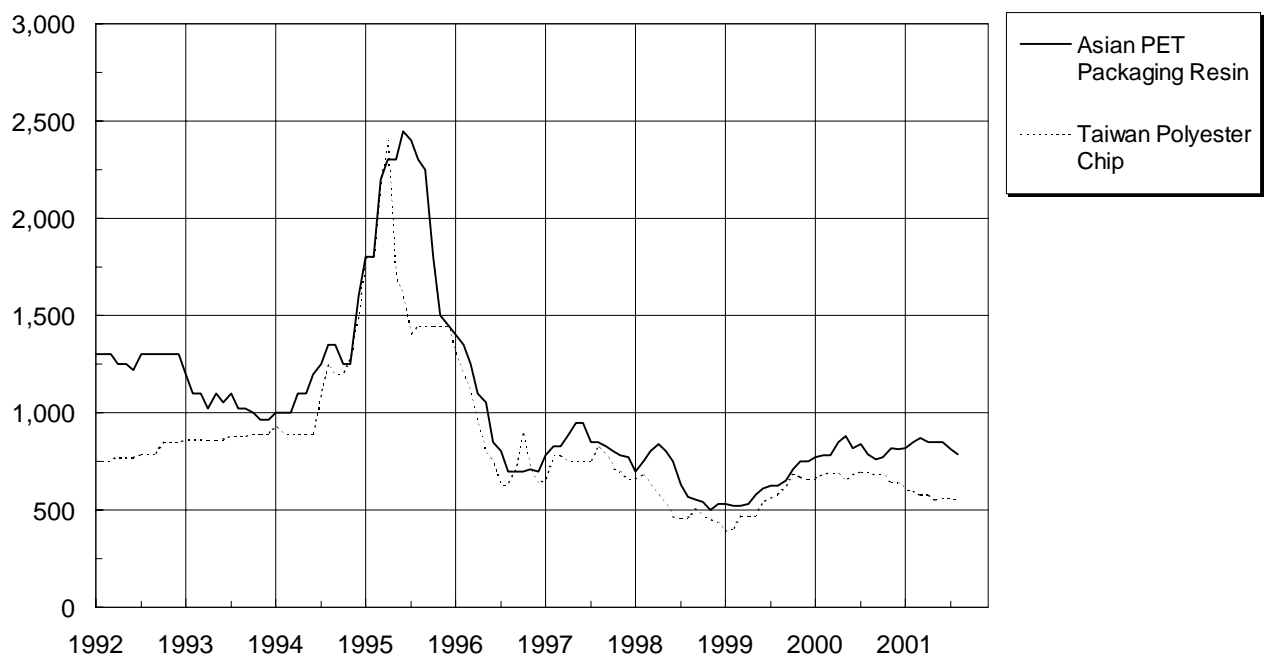
Dollars per Ton



Source: TECNON OrbiChem

ASIAN PET PACKAGING RESIN and POLYESTER CHIP PRICES

Dollars per Ton



Source: TECNON OrbiChem

10-12%/year growth rates of the recent past, the current underlying rate is thought to be more like 5-6%/year.

Pre-buying earlier in the year combined with poor continental weather seem to have created conditions early in the second quarter which buyers were able to exploit, by holding back on orders and demanding lower prices. Some producers were prepared to tolerate rising stocks in advance of planned shutdowns (or because they were actually short), and others unwilling to contribute to unwinding prices further have cut production - publicly or less publicly. This still remains the case with several plants currently down. New capacity in southern Europe combined with import pressure is said to have played a part, and one producer in particular seems to have a volume driven policy – possibly in response to falling market share.

A major producer describes what has happened as ‘a bump on the road’ and although buyers may feel that they have seen the resin price peak, the fundamentals have not really changed. Lower overall demand may push out the need for further new capacity in the short term, but it will be required before long. Eastman is to delay its 20,000 tpa debottleneck of the San Roque plant in Spain, originally scheduled for Q4 this year, but will complete the parallel expansion at Rotterdam this September/October (up from 140,000 tpa to 160,000 tpa).

Prices have slid by around DM200/ton in recent weeks, and stripped out recent hard-won profitability. For new business today workable levels are in the region DM2300-2400/ton (\$1075-1120/ton). There are pockets of remaining higher priced business such as some in the UK at still over £800/ton (DM2500/ton), but these are the exception and unlikely to last. It remains to be seen whether the market will steady itself or slide further. With the onset of the summer vacation period the absence of many buyers and sellers from their offices may offer a breathing space and pause for reflection.

South & Southeast Asia

Pakistani PET producer Gatron/Novatex is adding additional solid staving capacity. From April 2002 a proportion of its chip production will be switched from fibre grade to bottle resin. Capacity will then increase from the current 26,000 tpa to between 50-80,000 tpa depending upon textile grade requirements.

Australian recycler Petrecycle Pty Ltd, has commissioned a new 10,000 tpa recycling pilot plant in Melbourne, and will transfer the unit shortly to M&G's Point Pleasant facility in West Virginia. M&G will then carry out a commercial evaluation of the *Renew* process by the end of this year.

Also in Australia, Visy Pak (formerly Southcorp Packaging) has recently added two Blomax SBM machines from SIG Corpoplast to meet the local

demand for bottles from Schweppes (Pepsi) and Bevpak (fruit juices and liquor).

East Asia

The view from **South Korea** is that buyers in both West Europe and Russia are currently just waiting and watching market developments, and doing the minimum of buying. Among Korean suppliers, Taekwang (Daehan) and Kohap have taken shutdowns due to labour strikes from mid June. The former may stay down longer, but Kohap will come back on stream from 20 August - the company's labour union having terminated the strike.

Due to the very few deals taking place, Korean prices are falling sharply. Some buyers are purchasing on a short-term hand-to-mouth basis – buying weekly compared to monthly – and avoiding any accumulation of stock or forward commitment. This is also the season for maintenance turnarounds and the shutdown plants will shortly come back on stream. The concern then is that the market will weaken further. Sellers have aimed above \$820/ton fob so far, but the buyers' bids are in the low \$800s (\$805-810/ton) fob from Europe and below \$800/ton from Russia. With buyers pushing hard, the price gap is getting wider and few actual deals are being done.

The picture from **Taiwan** is that despite weakness in the markets, Taiwanese supplies are fairly tight as producers maintain very high production rates accompanied by low stock levels. Except for transactions made quarterly or based on price formulae, the export price for August has fallen by \$30-60/ton. The core transaction price is \$785-870/ton cif. For quick cash returns, a low price for water-grade resin to China also exists at \$720-730/ton fob. Demand is particularly good from the USA although the price has softened by \$50-60/ton. The price to the USA (from Thailand) is \$840-850/ton fob. Export prices to Latin America have not reduced by as much. Export prices to Europe are as low as \$785-800/ton fob, and to other areas \$810-870/ton fob.

Even before the completion of the current two major expansions by Xingjiang Tunhe (60,000 tpa in August) and Far Eastern Shanghai (a second 110,000 tpa unit in September), packaging resin sales in **China** have become very competitive. The situation has worsened this month with the switching of merchant fibre chip producers to make water-grade packaging resin.

The oversupply of packaging resin, especially for water-use, will become an even more serious problem when the additional capacity increases from merchant chip producer's modifications increase to a minimum of 200,000-300,000 tpa. This is regarded as a very conservative estimate based on 10-15% of current merchant chip capacity. Already, known expansions by the end of this year total 380,000 tpa (details were in the June newsletter). If 50% of the merchant chip producers (who have been shut down most of the time

since April) intend to modify their processes for higher viscosity chip, then water-use resin capacity increased by process modifications could be as high as 1 million tons.

Three local engineering companies who have developed technology for increasing the viscosity of fibre chips are understood to have full order books. One engineering company has also started to promote its own self-developed solid state technology. All the signs are that the eventual short-term packaging resin capacity in China will definitely be larger than our earlier estimation (1.07 million tpa by 2001 and 2.02 million tpa by 2002). If more merchant chip producers understood that batch processing costs can be \$50/ton higher than continuous processes, it might discourage many from making the switch because they are unlikely to earn adequate margins on water-grade resins.

The large increases in water-use resin production in China began in June as many merchant chip producers finished their modifications. Leading packaging resin producers like Far Eastern Shanghai, Yizheng and Changzhou WorldBest (Changzhou Huayuan Radici) have been forced to reduce their prices this month. The core transaction price for water grade resin has dropped by Rmb700-800/ton to Rmb8500-8800/ton, although some small water bottle blowers could be paying as high as Rmb9000-9300/ton. Prices for CSD and hot-fill use are more stable at Rmb9100-9500/ton due to their technology advantage.

East Asian PET Packaging Resin Prices

	<i>Taiwan Export \$/ton fob</i>	<i>China Contract Rmb/ton</i>
October	760-915	11000-11400
November	800-920	10500-10700
December	810- 950	10500-11000
January	835-950	10000-10500
February	850-950	10000-10800
March	870-930	10300-10800
April	850-970	10300-10800
May	850-970	10300-10800
June	860-930	10000-10500
July	810-900	*9300-10100
August	785-870	#8500-9500

* Revised # Provisional

January-June 2001 Chinese bottle chip imports, at 19,000 tons, are 35% less than in the corresponding period of 2000, mainly because of reduced import need for water-use chip.

Zongfu, the biggest bottle producer in China, is expected to start pilot scale production of beer bottles in October. The company uses Kortec multi-layer technology.

Japan

Sales of soft drinks have continued strongly in August, and PET bottle output is sharply up. One major PET bottle producer reports that its sales of PET bottles in the first half of the year increased by 17% for small sizes and 18% for large sizes compared to the corresponding period last year. Growth is driven mainly by RTD teas (especially green tea). Substitution of metal cans by PET is still progressing. One major can producer comments that demand for metal cans seems to be decreasing 10% or so on 2000. Although demand for the new bottle-cans is growing, it seems that it is impacting on conventional cans, and not on PET bottles. However, it is not yet clear if bottle-cans could establish a position in soft drinks packaging. There remain some problems with caps, filling efficiency, consumer acceptance and so on. Most market players take the view that bottle-cans will not be a formidable competitor against PET bottles. (In the case of beer, the bottle-cans are actually now becoming less and less popular compared with regular cans. On the other hand this may only encourage bottle-can producers to promote further market developments for soft drinks packages.)

Demand for PET bottle resin is expected to grow at least 10% this year. Under these circumstances, hot-fill resin is in short supply, and sales are said to be currently on a 10% allocation. In order to meet PET demand, resin imports continue to increase strongly especially non hot-fill grades. Import volumes for the first half are tabulated below. If the present pace of imports continues, the total annual figure could reach 240-250,000 tons. The remarkable increase in imports from Taiwan suggests that resin imports for preform production in Japan are rapidly increasing due to increased in-plant bottle blowing at major soft drinks bottlers. Prices of imported resin for CSD and non hot-fill bottles are around Yen130/kg delivered (about \$1080/ton).

Japanese PET Packaging Resin Imports (Metric tons)

<i>From</i>	<i>Jan-Jun 2000</i>	<i>Jan-Jun 2001</i>	<i>% Change '01/'00</i>
Indonesia	27,655	34,338	24.2
Taiwan	26,739	40,932	53.1
South Korea	21,164	23,947	13.1
Thailand	13,260	13,866	4.6
Malaysia	3,162	3,141	-0.7
Others	3,817	2,374	-37.8
Total	95,796	118,598	23.8

Source: Ministry of Finance

POLYESTER FIBRE CHIP

Polyester fibre chip production rates have reduced to 65-70% in Taiwan due to lower staple and filament production combined with very low activity in merchant chip.

In China some seasonal strength for filament seems to have emerged in the second week of August. The operating rate of fibre use polyester in China swings between 70 and 75% depending upon price, and the demand for chip and filament. The current low operating rates (40-55%) of merchant chip producers implies less oversupply of fibre chip into the Chinese market. However the loss in fibre chip sales has encouraged many of the merchant producers to modify, or plan to modify, part of their fibre chip capacity to packaging resin. In the longer term this is likely to result in an oversupply of packaging resin.

Increased back-integration by filament producers, coupled with continued depressed demand for filament, has resulted in a long running weakness in the demand for textile chips. Chip prices are low and stable. There have been some small (2-3%) price increases in several types of filament in recent days, and filament demand has improved by 20-30% in the major wholesale market. The longer-term outlook for both chip and filament prices is not optimistic, with at least 400,000 tpa of new filament capacity coming on stream in the second half of this year.

The depressed outlook for filament prices has encouraged Chinese bid prices for fibre chip imports as low as \$520-530/ton fob despite earlier transactions at 565-570/ton cif. As far as Korean suppliers are concerned bids as low as this means the market for fibre chip in China is effectively dead. January to June fibre chip imports into China of 132,000 tons show a reduction of over 30% on first half 2000. A further reduction is likely over the remaining part of the year as more filament producers become back integrated.

China has announced this month the start of a one-year investigation into dumping allegations against South Korean polyester chip (tariff codes: 39076011 (high viscosity) & 39076019 (others)). Hopefully this action will eventually help to strengthen prices for both fibre and bottle chip.

East Asian Polyester Fibre Chip Prices

	Taiwan Export \$/ton fob	China Spot Rmb/ton del	China Contract Rmb/ton
Oct	675-690	8900-9400	9300-9400
Nov	645-660	8300-9200	9100-9200
Dec	610-650	6800-8700	8000-8100
Jan	560-620	7000-7800	7600-7650
Feb	575-600	7200-7600	7700-7850
Mar	580-610	6900-7300	7400-7450
Apr	580-590	6400-6800	6900-7000
May	550-580	6500-6900	6700-6900
Jun	560-570	6600-6900	6900-7100
Jul	560-570	6300-6800	*6850-6900
Aug	565-570	#6400-6900	#6850-6900

* Revised # Provisional

Chinese Polyester Chip* Imports (1,000 Metric Tons)

	1998	1999	2000	2001
Jan	30	19	40	22
Feb	40	23	22	25
Mar	39	28	43	36
Apr	38	44	45	28
May	37	55	33	17
Jun	24	45	40	24
Jul	26	36	47	
Aug	17	37	52	
Sep	27	33	52	
Oct	27	44	44	
Nov	17	52	42	
Dec	36	54	45	
Jan-Jun	208	213	224	151
% Change	18%	2%	5%	-32%
Jan-Dec	359	470	507	
% Change	-4%	31%	8%	

* Fibre Chip and PET

Source: China Customs

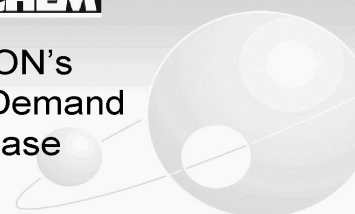


TECNON OrbiChem will have a strong team in Monte Carlo at the time of the EPCA meeting 30 September-2 October 2001. Any subscriber who would like to arrange an appointment during the meeting is invited to get in touch. Contact details are on the front page of this newsletter.

TECNON OrbiChem will be holding an "open house" at EPCA on Sunday 30 September: we cordially invite all delegates to join us for a cool summer drink in the Salon Naiades 'C' at the Grand Hotel between 1500 and 1800. This room will be open throughout the meeting for demonstrations of S/DB-Chem, our supply-demand database for the chemical industry.

S/DB-CHEM

TECNON's
Supply • Demand
Database



PRICE MONITOR

US PRICES

		Q1 2001 ¢/pound	Q2 2001 ¢/pound	25 July 2001 ¢/pound	22 August 2001 ¢/pound		22 August 2001 \$/ton
MEG	Contract, FG (List)	28.5-30.5	26-30†	23-26	23-26†	FOB	507-573
	Contract Export, FG	19.13-22.44	18.25-21.32	19.57-20.22	19.13-19.77	FOB	422-436
	Spot Export	20-24	19.0-21.5	18-19	16.5-17.5	FOB	364-386
DMT	Contract, Molten	30.33-34.10	31.04-34.91	30.21-34.07	30.21-34.07	DEL	666-751
PTA	Contract	28.74	30.16	30.08	30.08	DEL	663
Polyester	Filament 150 den POY	89-96**	60-68•	60-68	60-73	DEL	1323-1609
	150 den textured (weftknit)	127-141**	80-90•	85-90	85-90	DEL	1874-1984
	Staple 1.5 den (cotton type)	58-63**	45-55•	50-55	50-55	DEL	1102-1213
	Bottle Polymer	53-56	59-62	58-61	57-60	DEL	1257-1323

WEST EUROPEAN PRICES

		DM/ton	DM/ton	DM/ton	DM/ton	€/ton	\$/ton
MEG	Contract, FG	1203	1174	1105	1105	DEL	565
	Spot T2	950-1080	925-980	900-950	900-930	FOB	460-475
DMT	Contract, Molten	1435-1555	1470-1600	1510-1660	1510-1660	DEL	772-849
PTA	Contract, Formula (non-discounted)	1441	1477	1592	1592	DEL	814
	Contract, Market (non-discounted)	1440-1665	1515-1740	1535-1770	1535-1770†	DEL	785-905
Polyester	Filament 167 dtex POY*	2.60-2.75	2.47-2.69	2.48-2.56	2.46-2.53	DEL	1258-1293
	167 dtex textured (weftknit)*	3.66-4.01	3.44-3.81	3.42-3.57	3.38-3.56	DEL	1728-1820
	Staple 1.7 dtex (cotton type)*	2.72-2.95	2.54-2.89	2.64-2.77	2.63-2.76	DEL	1345-1411
	Bottle Polymer £/ton	790-850	860-920	850-900	750-810	DEL	1194-1290
	Lire/kg	2450-2600	2630-2780	2550-2650	2280-2380	DEL	1178-1229
	DM/ton	2450-2600	2680-2830	2600-2700	2300-2400	DEL	1176-1227

ASIAN PRICES

								\$/ton
MEG	Taiwan Contract	\$/ton	490-550	470-525	510	490	DEL	
	S. Korea Contract	\$/ton	490-550	470-525	510	490	DEL	
	Import Contract	\$/ton	490-550	470-525	510	490	CFR	
	Import Spot	\$/ton	470-520	450-480	450-470	420-430	CFR	
DMT	S. Korea Contract	\$/ton	625	600	600	600	DEL	
	Import Contract	\$/ton	600-620	600-620	600	600	CFR	
PTA	China Contract	Rmb/ton	4900-5400	5100-5250	4900-5050	4900-4950†	EXW	592-598
	Taiwan Contract	\$/ton	510-540	510-540	520-525	520-525†	DEL	
	S. Korea Contract (non-discounted)	\$/ton	615	590-610	590-600	590-600†	DEL	
	Import Contract	\$/ton	N.A.	480	550	550†	CFR	
	Import Spot	\$/ton	430-480	440-470	455-465	440-450	CFR	
Polyester	Filament 150 den DTY China	\$/ton	1210-1510	1120-1270	1090-1200	1100-1170	DEL	
	150 den FDY China	\$/ton	1120-1350	1140-1230	1100-1180	1100-1170	DEL	
	230 den POY Taiwan	\$/ton	770-900	730-880	750-810	750-780	DEL	
	150 den tex (weftknit) Taiwan	\$/ton	1070-1260	970-1250	1060-1130	1040-1100	DEL	
	Staple 1.5 den China	\$/ton	1050-1200	930-1060	910-990	910-990	DEL	
	1.5 den (cotton type) Taiwan	\$/ton	800-870	780-850	770-810	760-810	DEL	
	Bottle Polymer	\$/ton	820-950	850-970	810-900	785-850	FOB	
	Fibre Chip Export	\$/ton	580-620	550-590	560-570	550-560	FOB	

* DM/kg † Provisional N.A. = not available § See text ‡ Estimated ** Historical List Price • Revised basis
Previous format

Current one US dollar equivalent (10th August 2001)

€: 1.117 DM: 2.184 £: 0.701 (1/1.427) FFr: 7.326 Lire: 2162 Yen: 121.9 NT\$: 34.62 Won: 1281.50 Rmb Yuan: 8.28

Current one € equivalent (10th August 2001)

US\$: 0.895 DM: 1.956 £: 0.628 FFr: 6.560 Lire: 1936 Yen: 109.1

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