

THE EUROPEAN POLYESTER STAPLE MARKET IN TODAY'S GLOBAL CONTEXT

PET Day 2007 – Artimino, 4 October 2007

Nick Bywater, Michelle Yang, Darrel Collier & Roger Lee

PET Day 2007

THE EUROPEAN POLYESTER STAPLE MARKET IN TODAY'S GLOBAL CONTEXT

Scope

- How does the European polyester staple industry fit into the world market of 2007?
- How has it adapted to the Asian challenge from?
- What does the future hold?

PET Day 2007

THE WORLD MARKET FOR POLYESTER STAPLE FIBRE

2006 global consumption of polyester staple increased by 1.2 million tons (11%) to 11.5 million tons

- In China by 1.1 million tons (22%) to 6.1 million tons
- In South & Southeast Asia by 100,000 tons (5%) to 2.2 million tons
- In West Europe by 27,000 tons (4%) to 0.8 million tons
- In Middle East & Africa by 141,000 tons (39%) to 0.5 million tons

PET Day 2007

THE WORLD MARKET FOR POLYESTER STAPLE FIBRE

But in other regions, consumption decreased

- In North America by 33,000 tons (-3%) to 1.3 million tons
- In Northeast Asia by 127,000 tons (-31%) to 279,000 tons
- In South America by 10,000 tons (-5%) to 197,000 tons

and

- In East Europe by 18,000 tons (-13%) to 125,000 tons

THE WORLD MARKET FOR POLYESTER STAPLE FIBRE

To summarise the world situation:

- China and Southeast Asia continue to become more dominant
- The importance of more traditional regions in the West continues to diminish
- Northeast Asia (Japan, Taiwan and South Korea) starts to become less dominant
- To survive in relatively high cost regions, producers must:
 - Turn to specialities
 - Service niche markets and new technologies

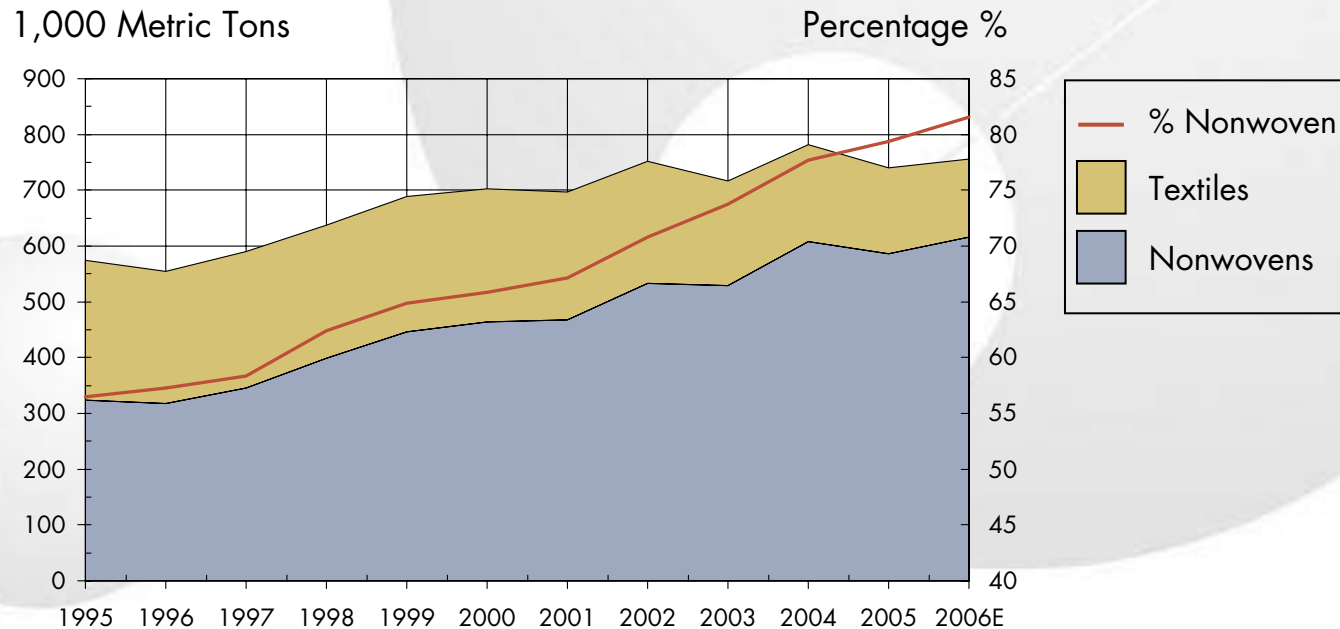
PET Day 2007

HOW HAS THE EUROPEAN POLYESTER STAPLE INDUSTRY ADAPTED TO THE ASIAN CHALLENGE?

In West Europe

- The textile industry is in decline
- The nonwovens industry is growing

West European Polyester Staple Mill Consumption



PET Day 2007

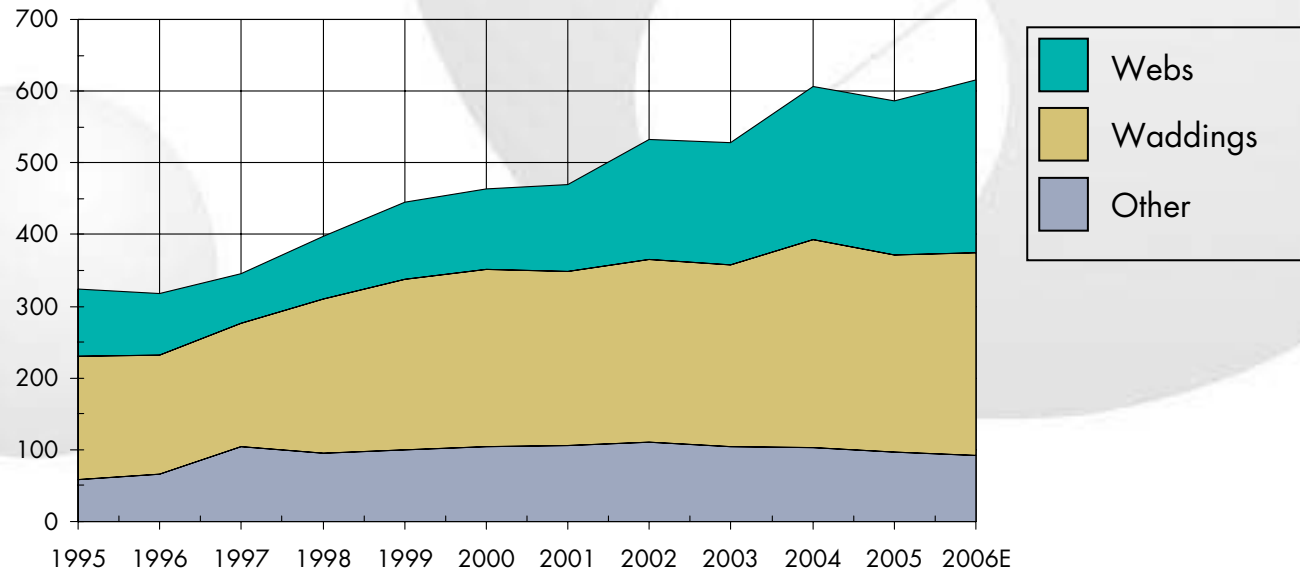
HOW HAS THE EUROPEAN POLYESTER STAPLE INDUSTRY ADAPTED TO THE ASIAN CHALLENGE?

The focus is on specialty fibres for web production

- Chiefly in fibre for the hydroentanglement process, for use in the manufacture of wipes and hygiene products
- But also in fibre for waddings, e.g. automotive headliners, padding
- Others applications include needlepunched carpets, flock, etc

West European Polyester Staple Consumption - Nonwovens

1,000 Metric Tons



PET Day 2007

HOW HAS THE EUROPEAN POLYESTER STAPLE INDUSTRY ADAPTED TO THE ASIAN CHALLENGE?

Although the textile industry in Europe is in decline Polyester staple demand has been boosted recently by

- A fashion swing towards a more natural feel, particularly in knitwear where staple has replaced filament
- A shortage of viscose staple leading to substitution with polyester staple

PET Day 2007

WHAT DOES THE FUTURE HOLD?

In 2007 producers in China are enjoying high demand and profitable business due to:

- A halt in the commissioning of new plant and the continued shut down of others
- A better supply / demand balance
- Production related more to market conditions
- Lower raw material costs
- Domestic demand for commodity polyester staple is expected to continue to grow

High cotton prices are boosting polyester staple consumption. But



PET Day 2007

WHAT DOES THE FUTURE HOLD?

Uncertainty is hanging over the garment export business because of

- Strengthening Chinese currency
- The recent reduction in tax rebates

PET Day 2007

WHAT DOES THE FUTURE HOLD?

Poor margins in 2005 and 2006 did lead some producers in China to move into specialities

- For example hollow fibres
- But premiums were insufficient to justify the additional R&D costs

However, in the future more output from China will be channelled into higher value added products

PET Day 2007

WHAT DOES THE FUTURE HOLD?

Production has migrated to regions of high demand, such that in 2006

- Production in China increased by 1.25 million tons (26%) to 6.1 million tons
- Production in India increased by 135,000 tons (22%) to 750,000 tons
- Production in Vietnam increased by 50,000 tons (71%) to 120,000 tons
- Production in Middle East & Africa increased by 44,000 tons (13%) to 344,000 tons
- Production in West Europe increased by 10,000 tons (2%) to 410,000 tons
- But, production in Northeast Asia fell by 125,000 (-9%) to 1.34 million tons

PET Day 2007

WHAT DOES THE FUTURE HOLD?

The shift in the manufacturing base has led to changing trade patterns

- Northeast Asia remains the largest exporting region
- Accounting for 46% of world trade in 2006

World Trade in Polyester Staple, 2005 & 2006 (1,000 Metric Tons)

Region	Exports				Imports			
	2005	2006	Change 1,000 tons	%	2005	2006	Change 1,000 tons	%
China	206	259	53	25%	407	291	-116	-29%
East Europe	11	14	3	25%	87	74	-14	-16%
Middle East & Africa	92	68	-24	-26%	153	231	78	51%
North America	160	124	-36	-22%	481	522	42	9%
Northeast Asia	1096	1094	-2	0%	34	31	-2	-7%
South & South East Asia	325	414	89	27%	310	391	81	26%
South America	21	20	-2	-8%	90	86	-4	-5%
West Europe	413	373	-40	-10%	762	740	-23	-3%
Total	2324	2366	42	2%	2324	2366	42	2%

PET Day 2007

WHAT DOES THE FUTURE HOLD?

- South & Southeast Asia accounts for 18% of 2006 exports
- West Europe for 16% of 2006 exports, **but**
- 2006 exports from South & Southeast Asia *grew* by 27% to 414,000 tons
- 2006 exports from West Europe in 2006 *fell* by 10% to 373,000 tons
- The only other region to increase exports in 2006 was China
- Exports grew by 53,000 tons (25%) to 259,000 tons
- Worldwide output of polyester staple increased by 11% in 2006
- But World trade grew by only 2%

Increasingly, polyester staple is being consumed where it is manufactured

PET Day 2007

WHAT DOES THE FUTURE HOLD?

The problems faced by synthetic fibre producers in the Western hemisphere are well known

- Local fibre consumption is being stifled by increasing imports of textile goods
- Fibre export opportunities are being lost to Asian producers

PET Day 2007

WHAT DOES THE FUTURE HOLD?

Worldwide demand for polyester staple is expected to grow further in 2007

- but at a reduced rate compared with 2006

Increased demand will be met generally by Asian producers

- who will endeavour to expand further their export business to the Western world

But Western producers will continue to satisfy much of local demand

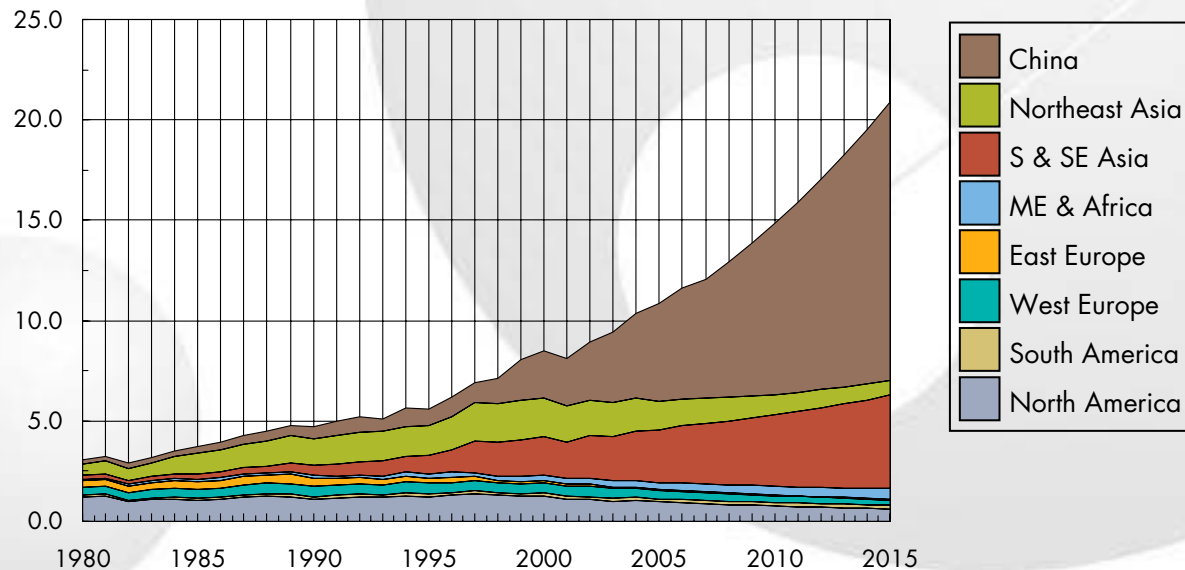
- until such time as Asian producers replace commodity products with specialities

PET Day 2007

WHAT DOES THE FUTURE HOLD?

Looking further ahead, the dominant position of China & South and Southeast Asia will strengthen

World Polyester Staple Production (Million Tons)



PET Day 2007

WHAT DOES THE FUTURE HOLD?

- By 2015, total worldwide production of polyester staple fibre is expected to rise by 80% to 21 million tonnes
- China's share of worldwide production is forecast to increase from 53% to 66%
- South & Southeast Asia's share is forecast to rise from 19% to 22%

But

- West Europe's share is forecast to fall from 4% to 1%
- Northeast Asia's share is forecast to fall from 12% to 4%

PET Day 2007

WHAT DOES THE FUTURE HOLD?

To prosper, European producers must:

- Continue to maintain their competitive advantage
- Enter into strategic alliances with key customers
- Excel in the manufacture of highly specified products
- Identify and develop new market opportunities

Never has the statement

“Today’s Speciality is Tomorrow’s Commodity”

been truer than now



.....your source of expert
chemical industry knowledge