



China Sourcing Update

May 5, 2017

Prices of Natural Textile Materials

1. Cotton price indices edge up in April

The price indices¹ of cotton dropped slightly during early to mid-April and rose afterwards. For example, after falling from 15,862 on 31 March to 15,846 on 13 April, the CC Index 3128B went up to 15,949 on 28 April (see *exhibit 1*).

According to the local media, the supply of cotton remained abundant in the month, boosted by the ongoing sales of state cotton reserves.² As of end-April, about 870,000 tonnes of cotton reserves had been auctioned.³ However, a rise in the prices of cotton futures in China and a strong restocking demand from downstream manufacturers pushed up the spot prices of cotton during mid- to late April.

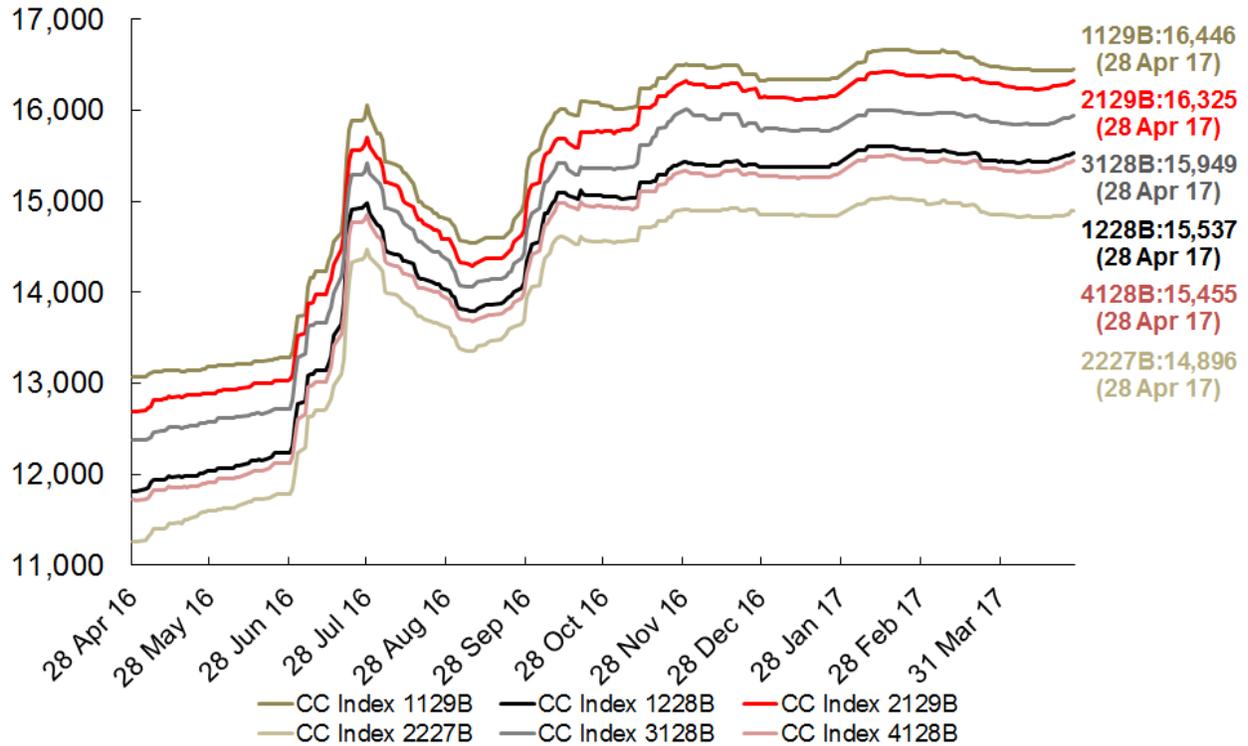
Looking ahead, the supply of cotton is expected to remain abundant in the coming months, as the sales of state cotton reserves will continue till end-August. Thus, we expect cotton prices to peak soon.

¹ The indices, compiled by the China Cotton Association, track cotton prices quoted from over two hundred textile enterprises. <http://www.china-cotton.org/>

² http://www.sdpc.gov.cn/gzdt/201611/t20161124_827591.html

³ <http://www.china-cotton.org/app/html/2017/05/02/78456.html>

Exhibit 1: China's cotton price indices, April 2016 to April 2017



* Since 8 October 2013, the China Cotton Association has officially published the price indices of cotton based on a new classification for cotton. The price indices based on the previous classifications for cotton (i.e. CC Index 229, CC Index 328 and CC Index 527) were discontinued on 8 October 2013.

Source: China Cotton Association

2. Nanjing Wool Market Composite Index goes down in April

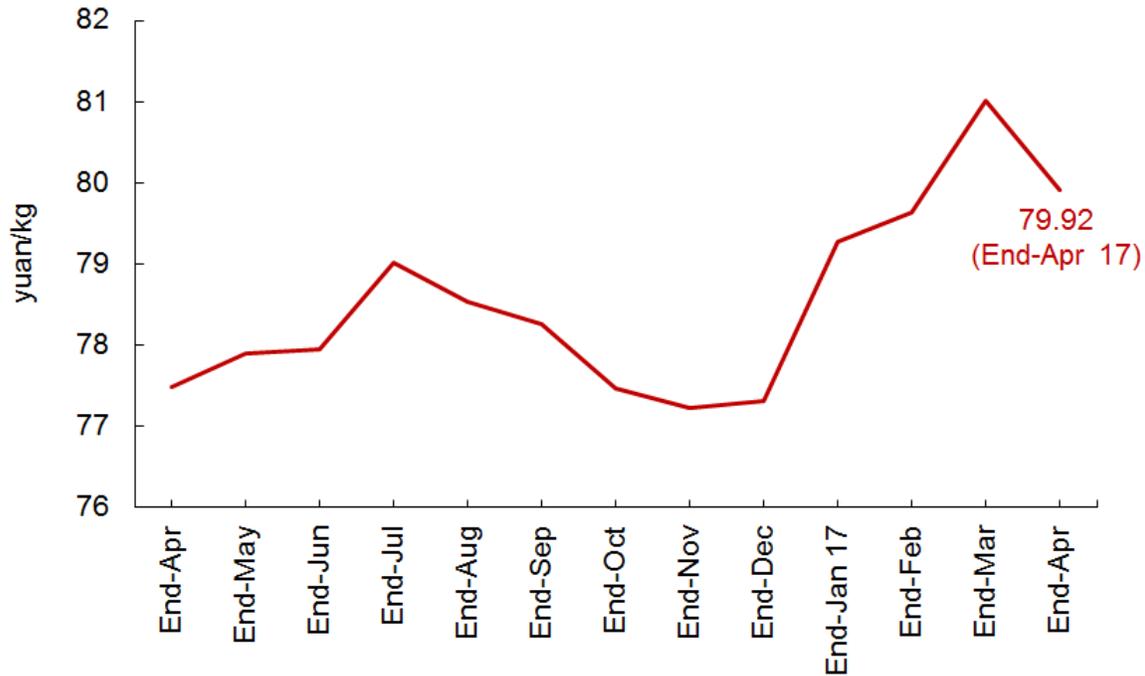
The Nanjing Wool Market Composite Index⁴, one of the major wool price indices in China, dropped from a nearly five-year high of 81.01 yuan per kg at end-March to 79.92 yuan per kg at end-April (see exhibit 2).

In our view, the fall in the wool price index in the month was due largely to a decline in wool prices in the Australian market. The Australian Wool Exchange Eastern Market Indicator (AWEX-EMI) dropped from 79.34 yuan per kg on 31 March to 77.49 yuan per kg on 28 April. As China imports a large amount of wool from Australia, the domestic wool prices are significantly affected by the wool price movements in the Australian market.

⁴ <http://www.woolmarket.com.cn/>

Going forward, we believe that the wool prices in China will stabilize or even rise slightly in the near future, as the wool prices in the Australian market have bottomed out in recent weeks.

**Exhibit 2: Nanjing Wool Market Composite Index,
April 2016 to April 2017**



Source: The Nanjing Wool Market

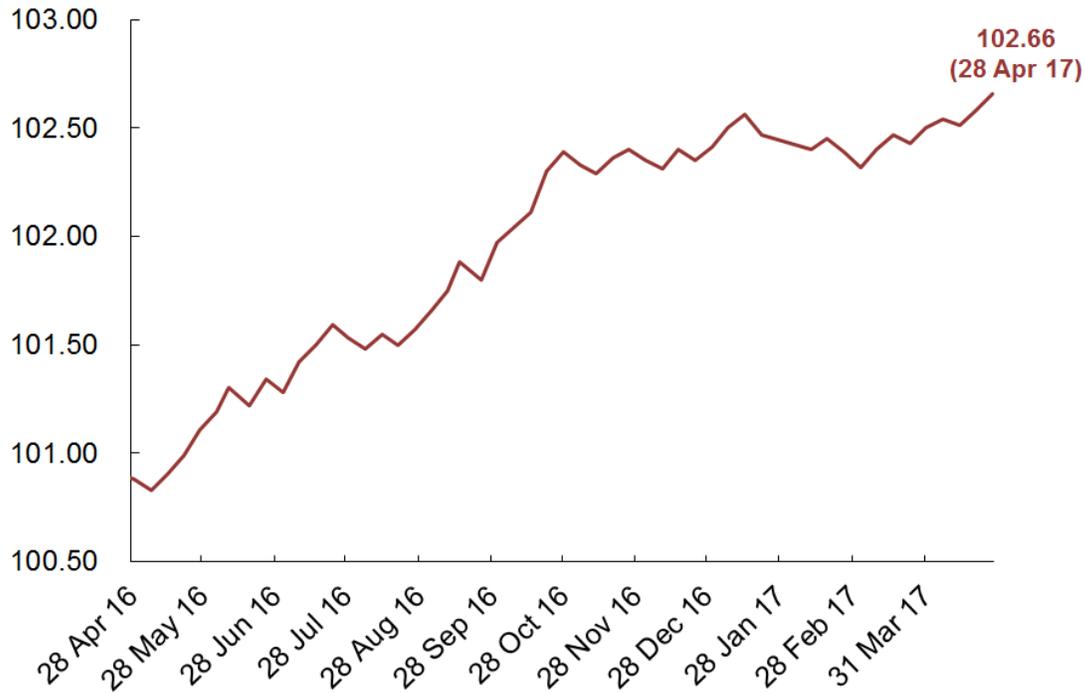
3. Price index of silk goes up slightly in April

The price index of silk edged up in April, rising from 102.50 on 31 March to 102.66 on 28 April, the highest level in more than eight years (see exhibit 3).

According to the local media, the downstream demand for silk remained weak in the month; however, high upstream costs helped support silk prices.

Looking ahead, the upstream prices of silk are likely to remain high in the near term. Therefore, we expect the price index of silk to stay high in the foreseeable future.

Exhibit 3: Price index of silk, April 2016 to April 2017



Source: Ministry of Commerce

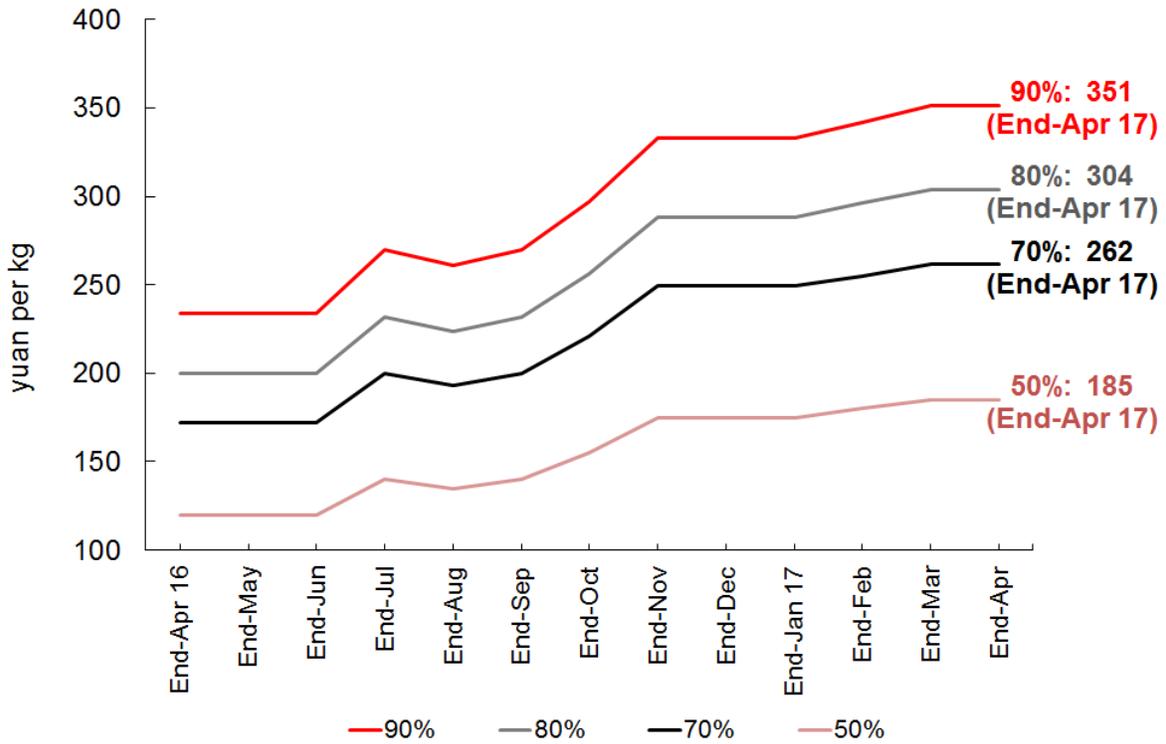
4. Prices of grey goose down stay high in April

The prices of various types of grey goose down stayed flat in April. For example, the price of 80% grey goose came in at 304 yuan per kg at end-April, the same as at end-March (see exhibit 4).

The prices of grey goose down stayed high during the current low season for domestic consumption of down products because export orders for down products have increased in recent months, in our view.

Looking ahead, we expect the prices of grey goose down to stay high in the near future as the export orders for down products are likely to remain strong.

Exhibit 4: Prices of grey goose down, April 2016 to April 2017



Source: cn-down.com

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