



China Sourcing Update

January 18, 2019

Prices of Natural Textile Materials

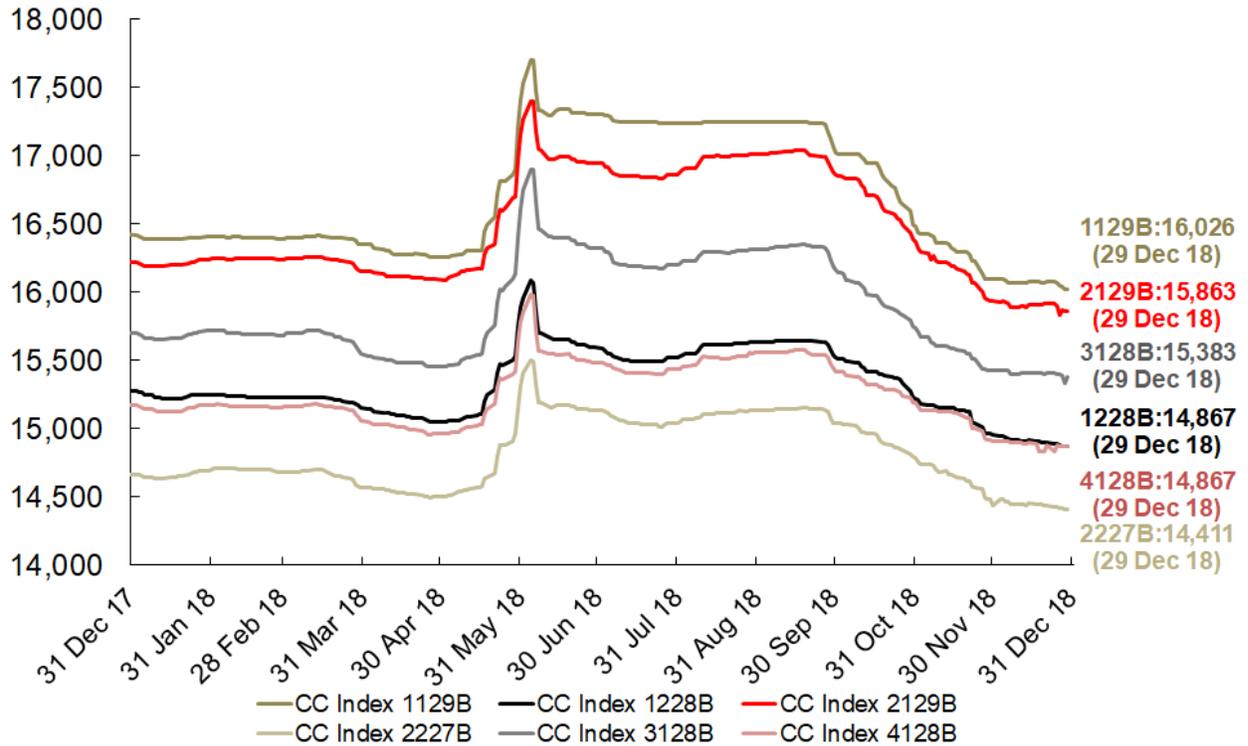
1. Cotton price indices drop slightly in December

The price indices¹ of cotton dropped slightly in December. The CC Index 3128B, for example, went down from 15,423 on 30 November to 15,383 on 29 December (see *exhibit 1*). The slight fall in the domestic cotton prices in December was largely attributed to a weak downstream demand.

Looking ahead, we expect that the movement of China's cotton prices will depend largely on the final outcome of the trade negotiations between China and the US, which would have a strong impact on sentiments of downstream manufacturers. At the meeting between Chinese President Xi Jinping and US President Donald Trump held on 1 December last year, the two countries agreed to hold negotiations within the next 90 days (by 1 March). After a US government delegation visited Beijing to hold trade talks with Chinese officials during 7-9 January, Chinese Vice-Premier Liu He will visit Washington on 30-31 January to continue trade talks with US government officials.

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

Exhibit 1: China's cotton price indices, December 2017 to December 2018



Source: China Cotton Association

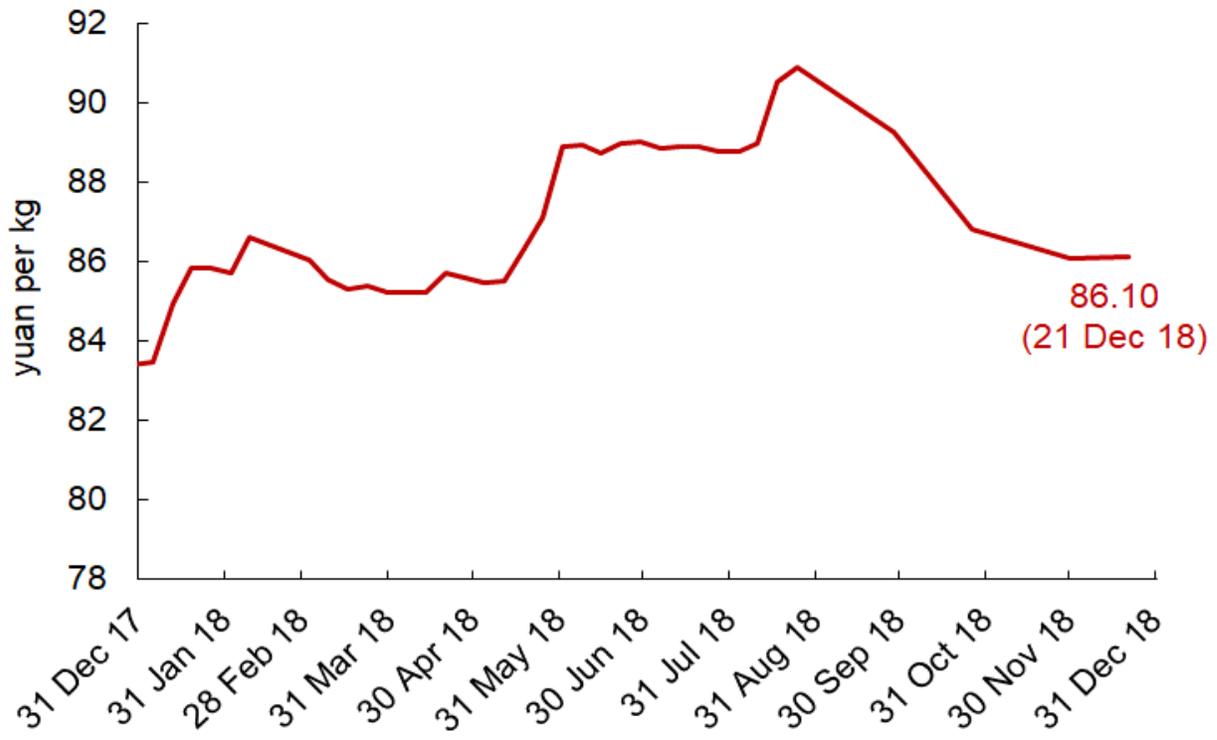
2. Nanjing Wool Market Composite Index shows slight rise in December

The Nanjing Wool Market Composite Index², one of the major wool price indices in China, went up slightly from 86.09 yuan per kg on 30 November to 86.10 yuan per kg on 21 December (see exhibit 2).

Looking forward, we expect that domestic wool prices will rise further in the near future, driven by the latest increase in wool prices in Australia. Due largely to an improvement in the demand for wool, the Australian Wool Exchange Eastern Market Indicator (AWEX-EMI) went up from 92.48 yuan per kg on 14 December (i.e. the last trading day of December) to 93.21 yuan per kg on 11 January. 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.

² <http://www.woolmarket.com.cn/>

**Exhibit 2: Nanjing Wool Market Composite Index,
December 2017 to December 2018**



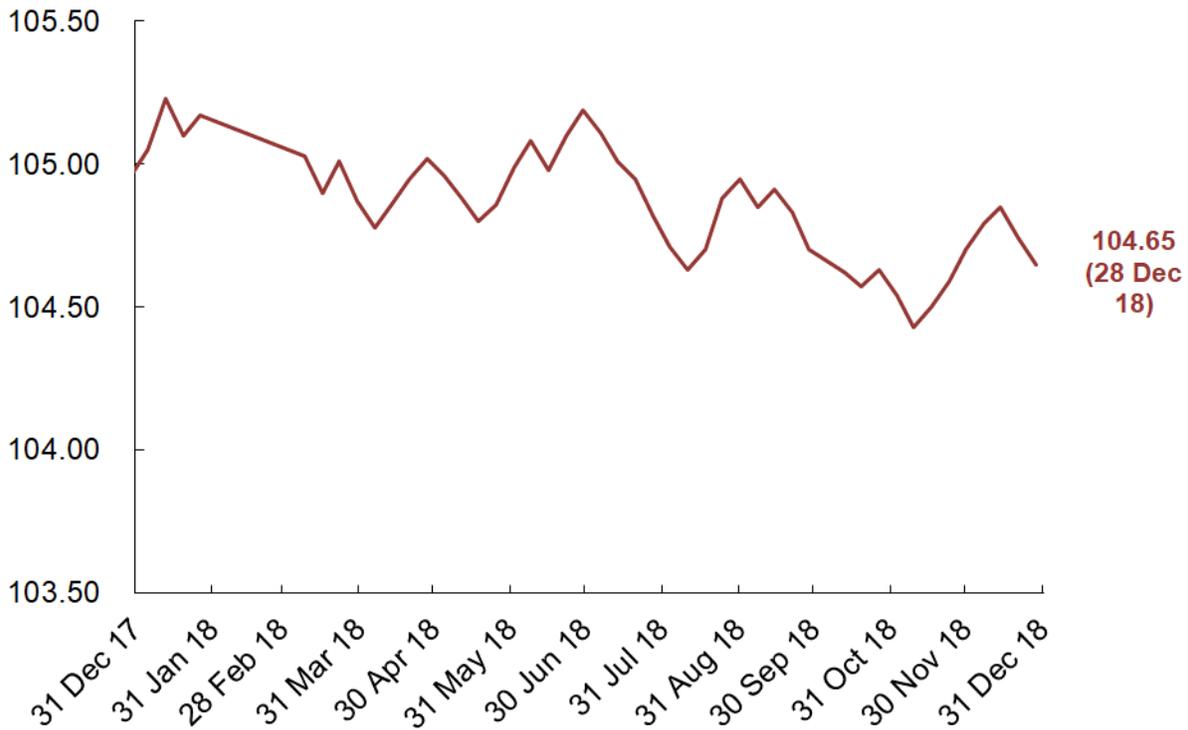
Source: The Nanjing Wool Market

3. Price index of silk fluctuates in December

The price index of silk fluctuated within the range of 104.65 to 104.85 in December. The price index came in at 104.65 on 28 December, down slightly from 104.70 on 30 November (see exhibit 3).

Looking ahead, we expect the silk prices to go up in the near future as the downstream demand has improved recently. Besides, downstream manufacturers are likely to increase their inventory levels of silk before the Chinese New Year Holidays in order that they can have enough production inputs to make silk products after the holidays.

Exhibit 3: Price index of silk, December 2017 to December 2018



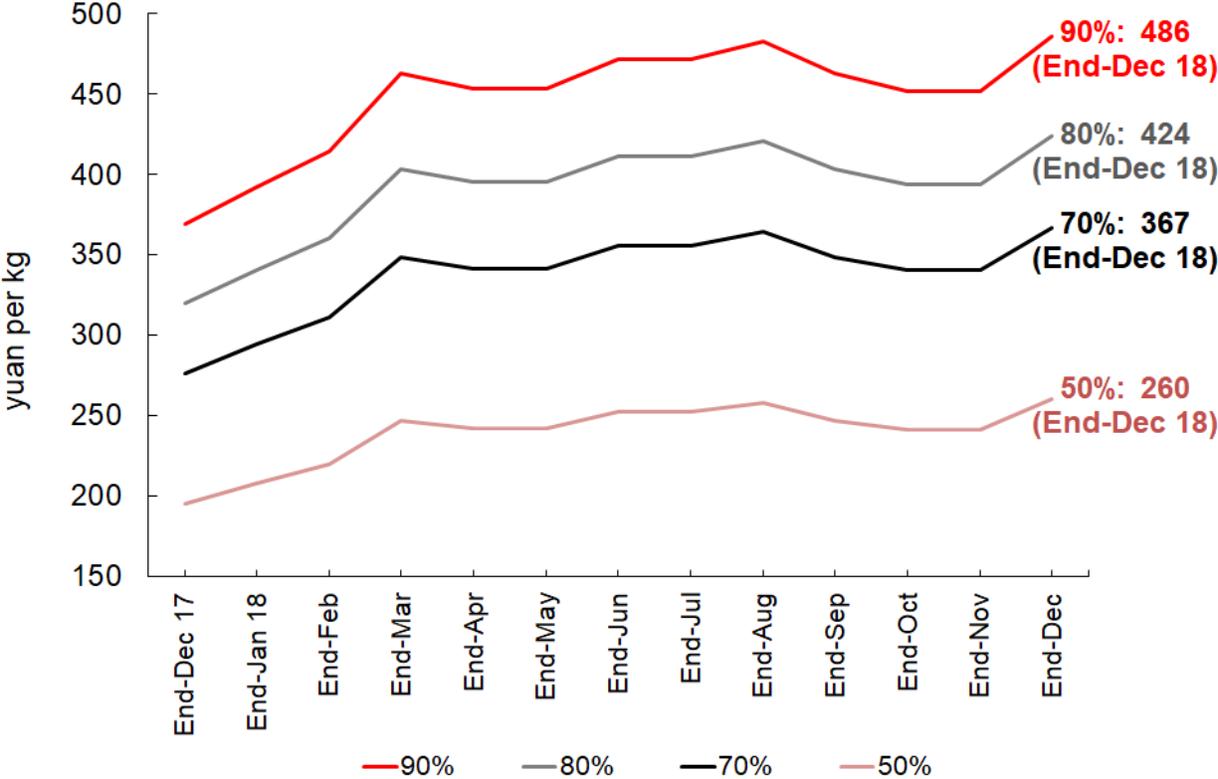
Source: Ministry of Commerce

4. Prices of grey goose down rise in December

The prices of various types of grey goose down rose in December. For example, the price of 80% grey goose down came in at 424 yuan per kg at end-December, up from 393 yuan per kg at end-November. The rise in prices of grey goose down was highly associated with an increase in seasonal demand for down due to the colder weather in China in the month (see exhibit 4).

Going forward, we expect the prices of grey goose down to stay around current levels in the coming months, supported by the high seasonal demand for down products in winter.

Exhibit 4: Prices of grey goose down, December 2017 to December 2018



Source: cn-down.com

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