



# China Sourcing Update

February 15, 2018

## Prices of Natural Textile Materials

### 1. Cotton price indices go up in January

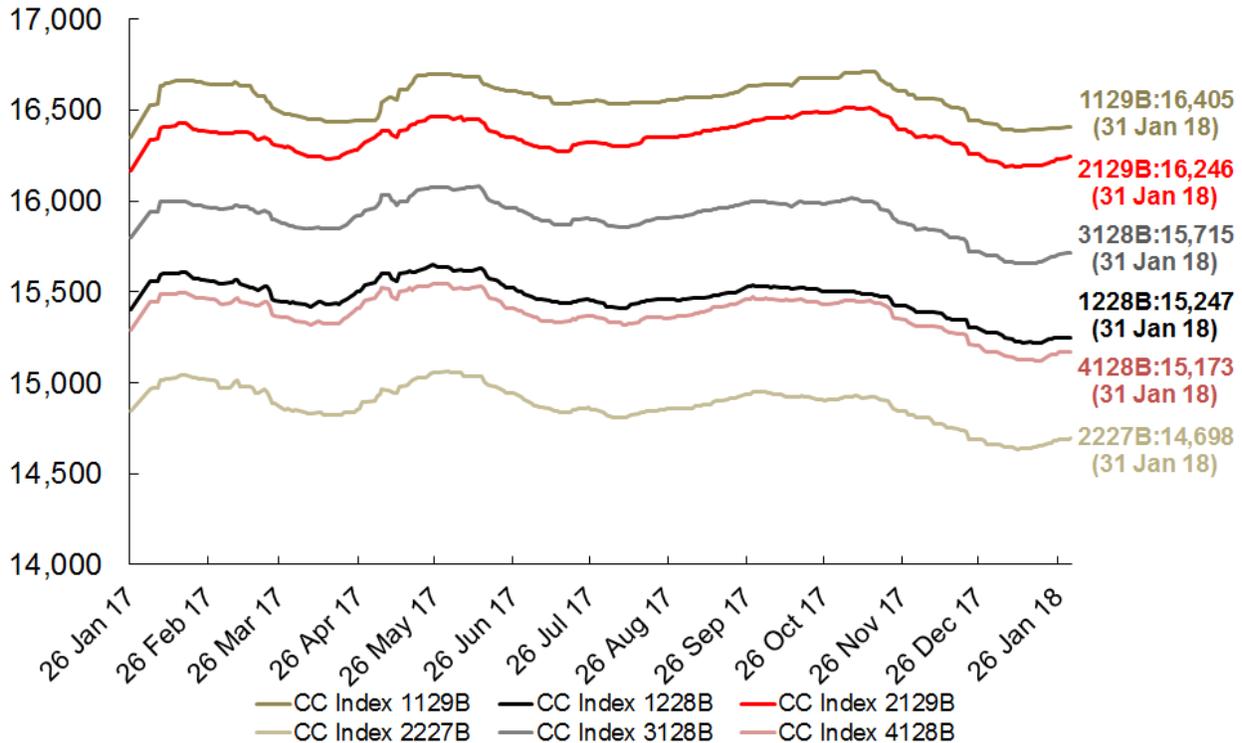
The price indices<sup>1</sup> of cotton edged down in early January and rose afterwards. The CC Index 3128B, for example, declined from 15,699 on 29 December 2017 to 15,665 on 5 January 2018, and then went up to 15,715 on 31 January 2018 (see exhibit 1).

In our view, the main reason for the increase in cotton prices in the month was an improved restocking demand from downstream textile manufacturers before the Chinese New Year holiday in mid-February.

Looking ahead, we expect that cotton prices will hover around the current levels in February, as there will be little activity in the domestic cotton market around and during the Chinese New Year holiday.

<sup>1</sup> 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, January 2017 to January 2018**



\* 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 jumps in January

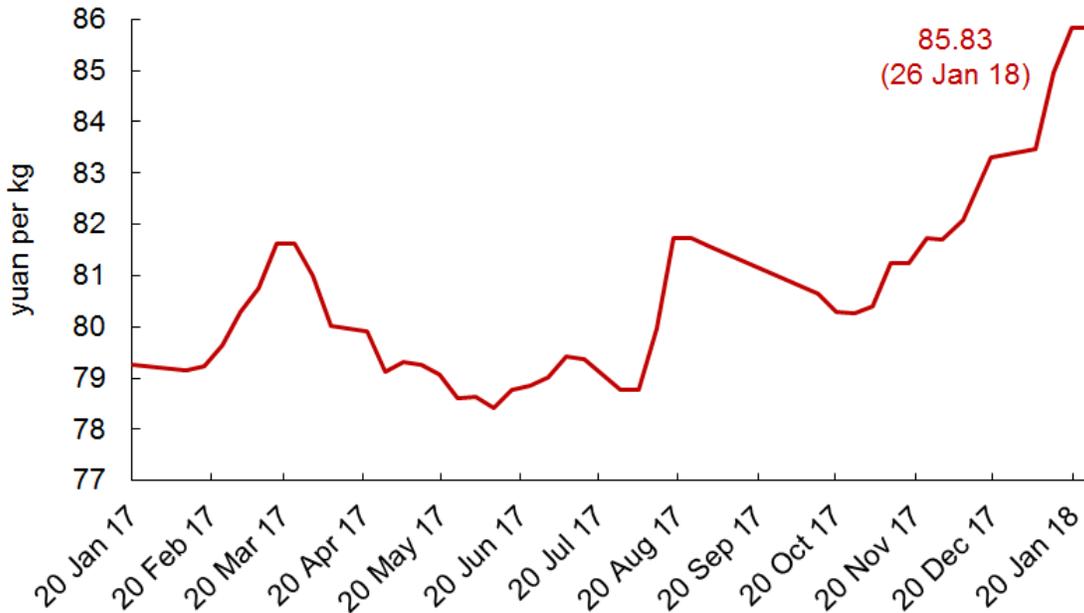
The Nanjing Wool Market Composite Index<sup>2</sup>, one of the major wool price indices in China, went up from 83.31 yuan per kg on 19 December 2017 to 85.83 yuan per kg on 26 January 2018 (see exhibit 2).

The increase in wool prices in China in January was caused mainly by a surge in wool prices in the Australian market in the first half of the month. The Australian Wool Exchange Eastern Market Indicator (AWEX-EMI) jumped from 89.17 yuan per kg on 15 December 2017 to 93.29 yuan per kg on 12 January 2018, boosted by a growing demand. As China imports a large amount of wool from Australia, the domestic wool prices are significantly affected by the recent wool price movements in Australia.

<sup>2</sup> <http://www.woolmarket.com.cn/>

Looking ahead, we believe that the domestic wool prices will fluctuate around the current high levels in the near future, in line with the wool price movements in the Australian market.

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



Source: The Nanjing Wool Market

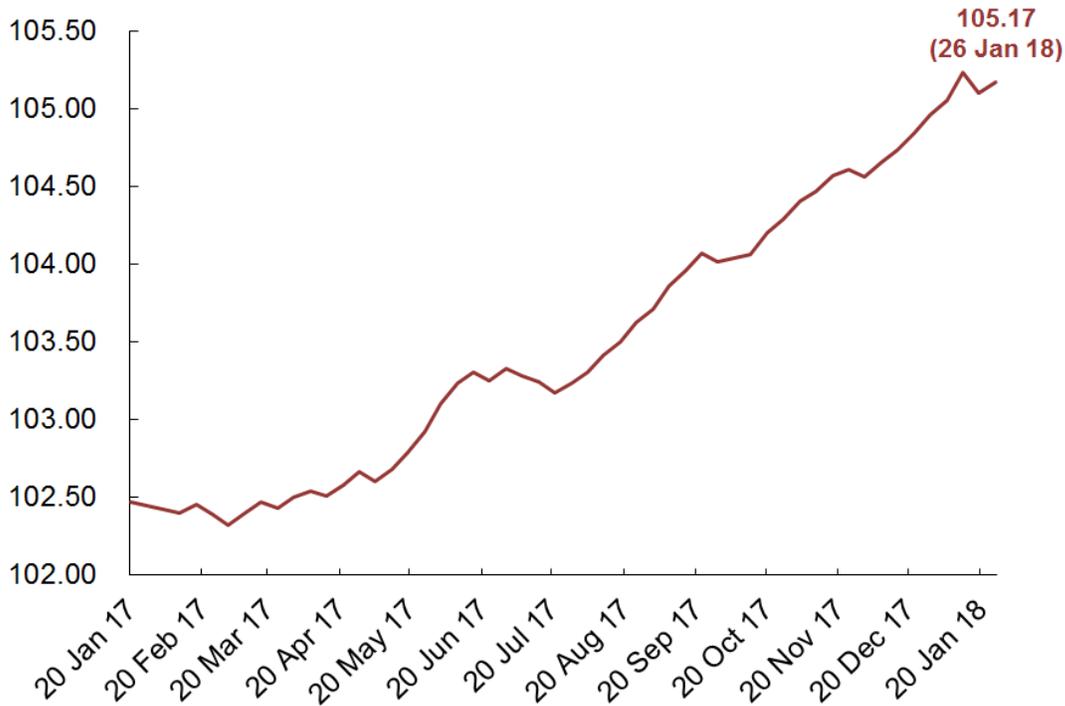
### 3. Price index of silk hits another nine-year high in January

The price index of silk continued to go up in January, rising from 104.96 on 29 December 2017 to a new nine-year high of 105.23 on 12 January 2018, before closing a bit lower at 105.17 on 26 January 2018 (see exhibit 3).

A strong restocking demand from downstream manufacturers and a tight supply of silk continued to drive up silk prices in the month, in our view.

Going forward, as the restocking process is likely to end soon, the downstream demand for silk is expected to fall before and during the Chinese New Year holiday. Thus, we believe that silk prices are unlikely to increase further in the near term.

**Exhibit 3: Price index of silk, January 2017 to January 2018**



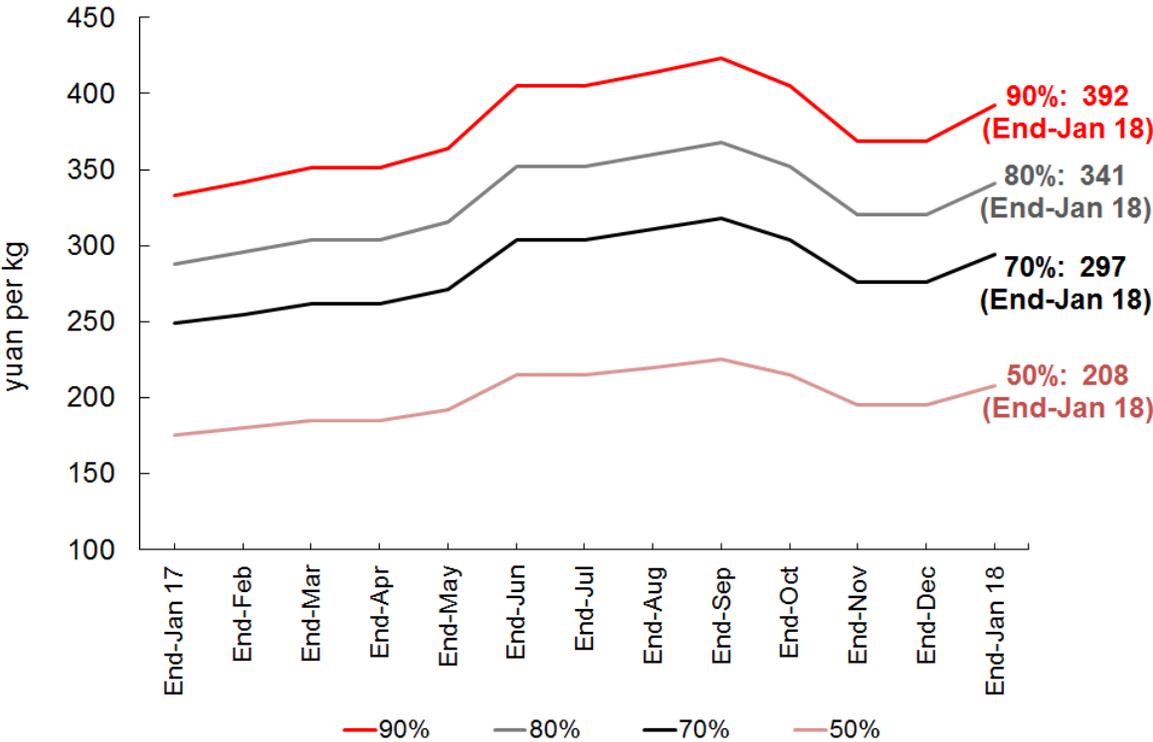
Source: Ministry of Commerce

#### 4. Prices of grey goose down go up in January

The prices of various types of grey goose down rose in January. For example, the price of 80% grey goose down went up from 320 yuan per kg at end-December 2017 to 341 yuan per kg at end-January 2018 (see exhibit 4).

Looking ahead, the demand for down is likely to remain strong during the current high season for down products. Thus, we expect the prices of grey goose down to stay high in the near term.

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



Source: cn-down.com

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