



# China Sourcing Update

April 18, 2018

## Prices of Natural Textile Materials

### 1. Cotton price indices rise and then fall in March

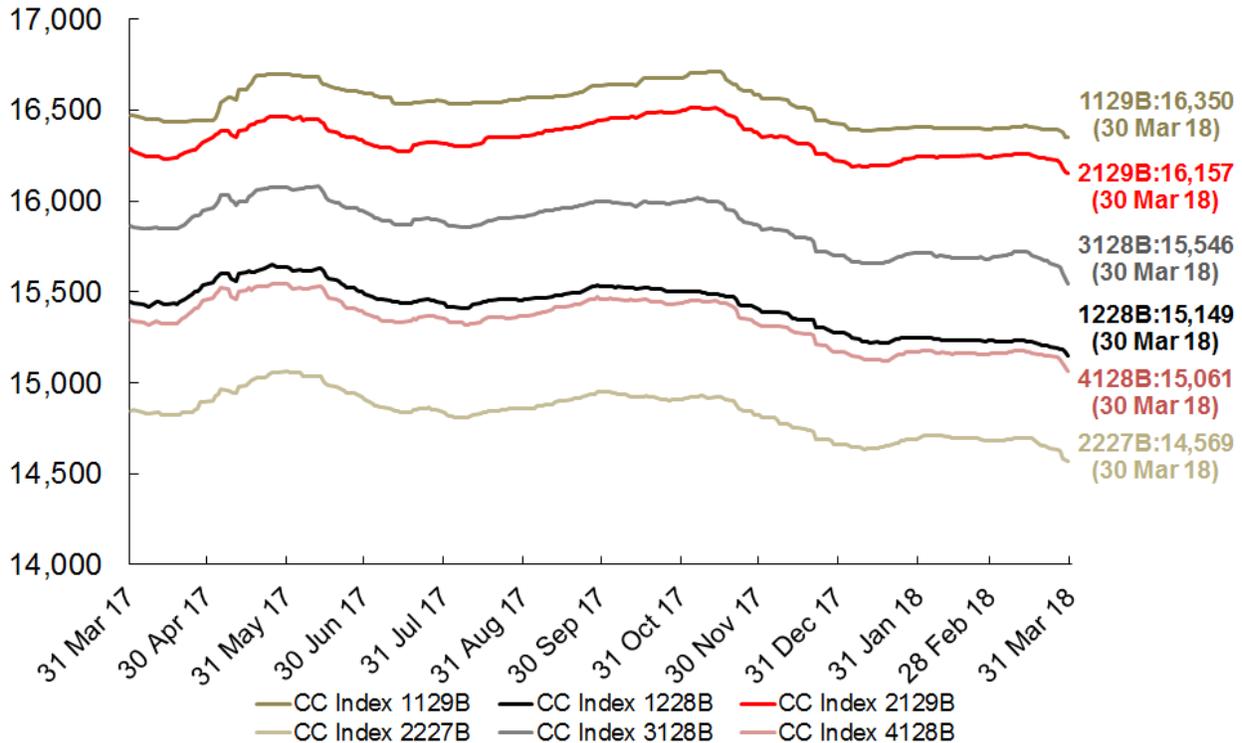
After edging up in the first half of March, the price indices<sup>1</sup> of cotton declined during mid- to late March. The CC Index 3128B, for example, went up from 15,685 on 28 February to 15,723 on 12 March, and then fell to 15,546 on 30 March, the lowest level since November 2016 (*see exhibit 1*).

High prices of cotton futures in the international markets supported domestic cotton prices during early to mid-March. Afterwards, an abundant domestic supply of cotton, coupled with the softening of the prices of cotton futures in the international markets, caused domestic cotton prices to drop in the second half of the month.

Going forward, the domestic supply of cotton is expected to remain abundant, as the Chinese government will continue to sell its cotton reserves till the end of August. Therefore, we believe that domestic cotton prices will decline further in the near future.

<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, March 2017 to March 2018**



Source: China Cotton Association

## 2. Nanjing Wool Market Composite Index retreats in February and March

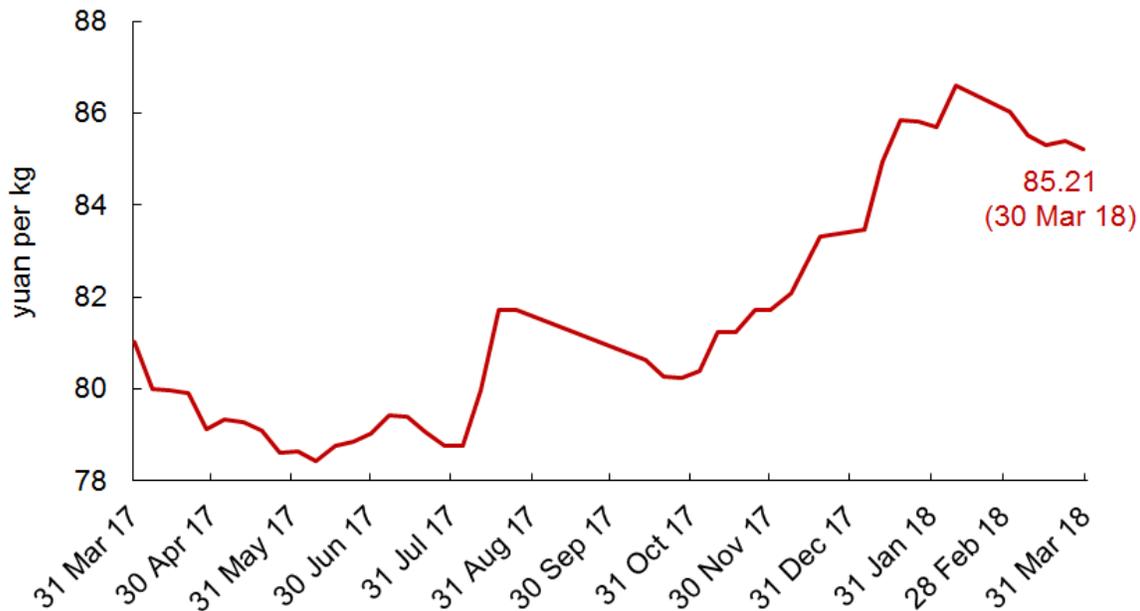
The Nanjing Wool Market Composite Index<sup>2</sup>, one of the major wool price indices in China, went down from 86.61 yuan per kg on 9 February to 85.21 yuan per kg on 30 March (see exhibit 2).

The decline in wool prices in China during the two-month period was triggered by a sharp fall in wool prices in Australia. Dragged down by a weak demand from Chinese mills during and around the Chinese New Year holidays, the Australian Wool Exchange Eastern Market Indicator (AWEX-EMI) dropped from 89.91 yuan per kg on 9 February to 85.62 yuan per kg on 29 March. 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.

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

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

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



Source: The Nanjing Wool Market

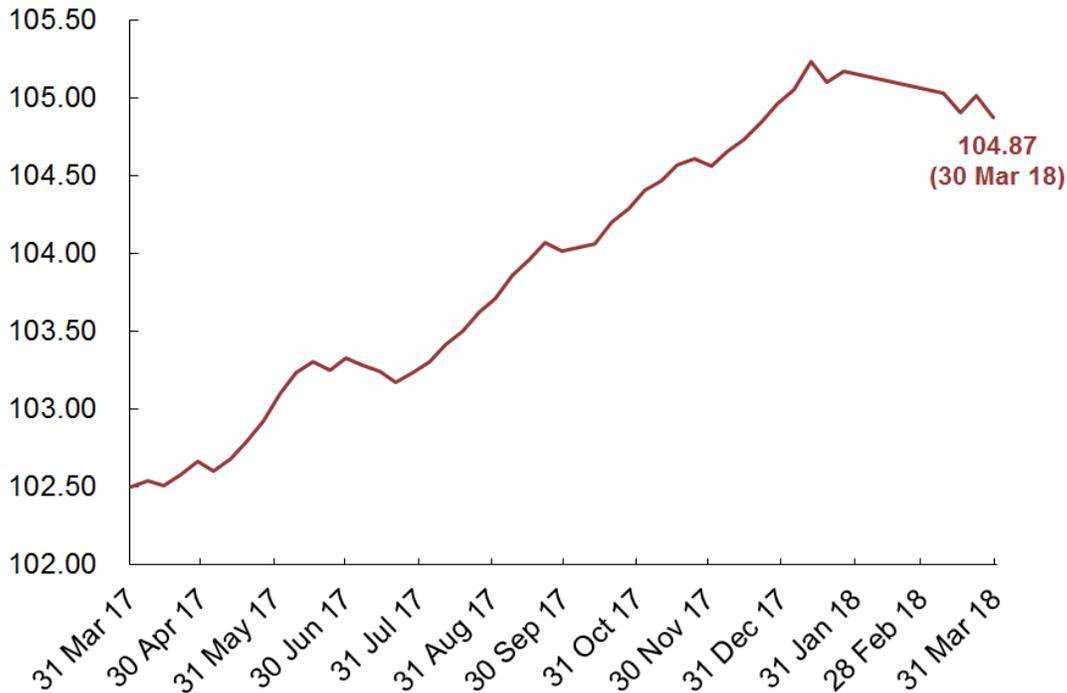
### 3. Price index of silk trends downward in February and March

The price index of silk retreated during February to March, falling from 105.17 on 26 January to 104.87 on 30 March (see exhibit 3).

The main reason for the decline in silk prices in the period was a sluggish restocking demand for silk from downstream manufacturers during and after the Chinese New Year holidays, in our view.

Looking ahead, we expect that silk prices are likely to trend slightly downward as more spring cocoon will arrive in the market in the near term.

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



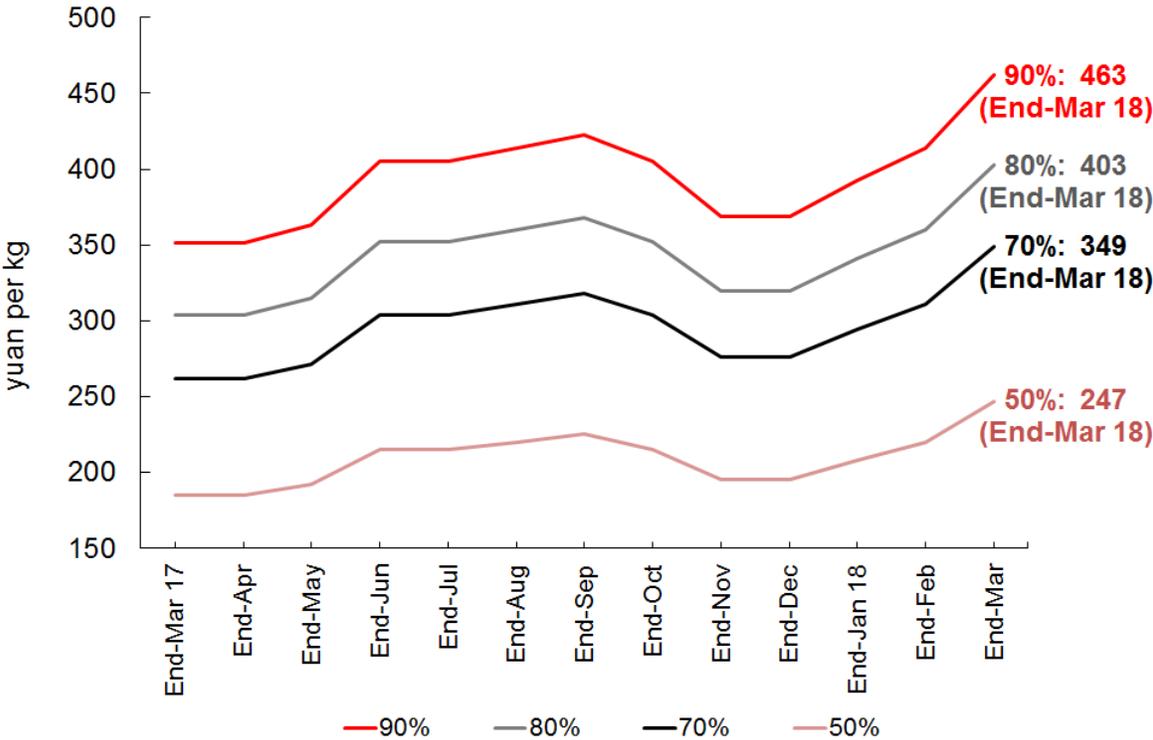
Source: Ministry of Commerce

#### **4. Prices of grey goose down go up sharply in March**

The prices of various types of grey goose down soared in March. For example, the price of 80% grey goose down surged from 360 yuan per kg at end-February to 403 yuan per kg at end-March (see exhibit 4).

Going forward, the demand for down is likely to decline in the near term as the low season for down products is approaching. Thus, we expect that the prices of grey goose down will drop in the coming months.

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



Source: cn-down.com

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