



# China Sourcing Update

December 7, 2017

## Prices of Natural Textile Materials

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

The price indices<sup>1</sup> of cotton edged up in early November and declined afterwards. The CC Index 3128B, for example, went up from 15,998 on 31 October to a five-month high of 16,016 on 6 November before dropping to 15,860 on 30 November (see *exhibit 1*).

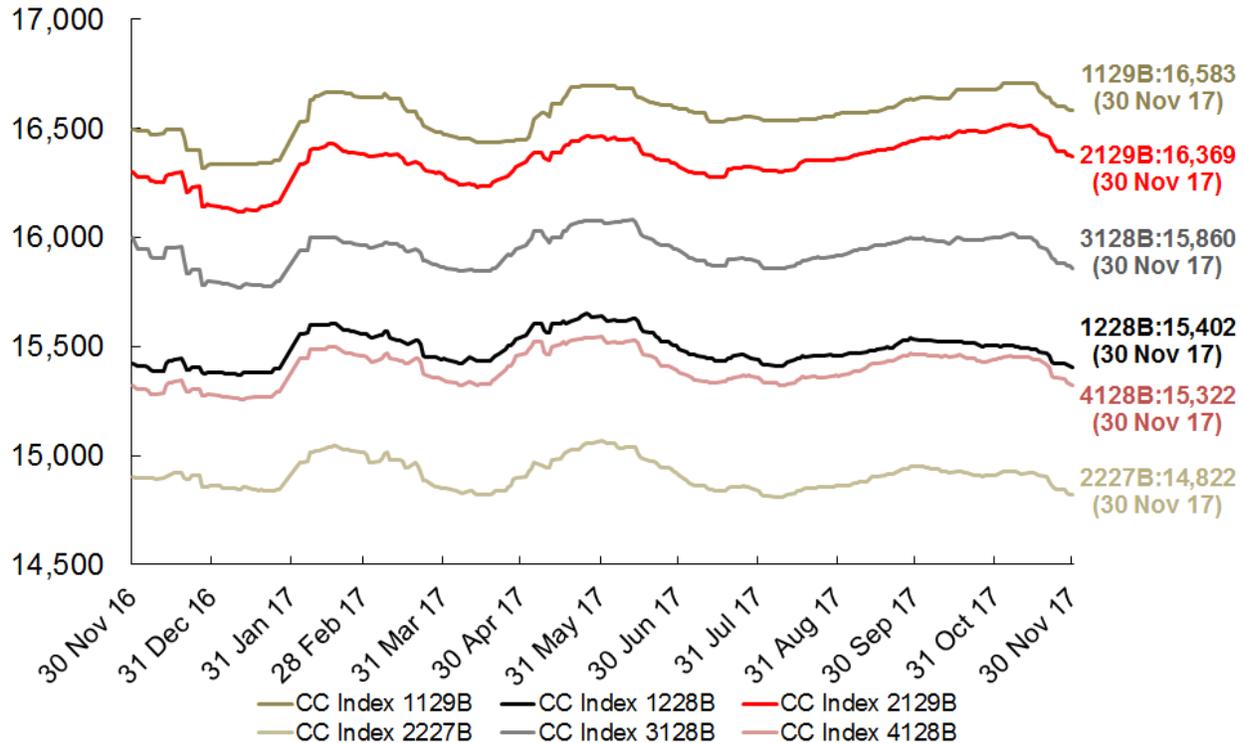
In our view, the main reasons for the fall in cotton prices in the month were an abundant domestic supply of cotton, as more cotton from Xinjiang had arrived in market; and a weak restocking demand from downstream textile manufacturers. Moreover, the Chinese government announced on 6 November that it will sell its cotton reserves again from 12 March to the end of August 2018,<sup>2</sup> thus putting further downward pressures on cotton prices in the month.

Going forward, the domestic supply of cotton is expected to remain abundant and the downstream demand for cotton is likely to stay soft in the foreseeable future. Therefore, we expect cotton prices to decline further in the near term.

<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/>

<sup>2</sup> [http://www.ndrc.gov.cn/zcfb/zcfbgg/201711/t20171109\\_866647.html](http://www.ndrc.gov.cn/zcfb/zcfbgg/201711/t20171109_866647.html)

**Exhibit 1: China's cotton price indices, November 2016 to November 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 up in November

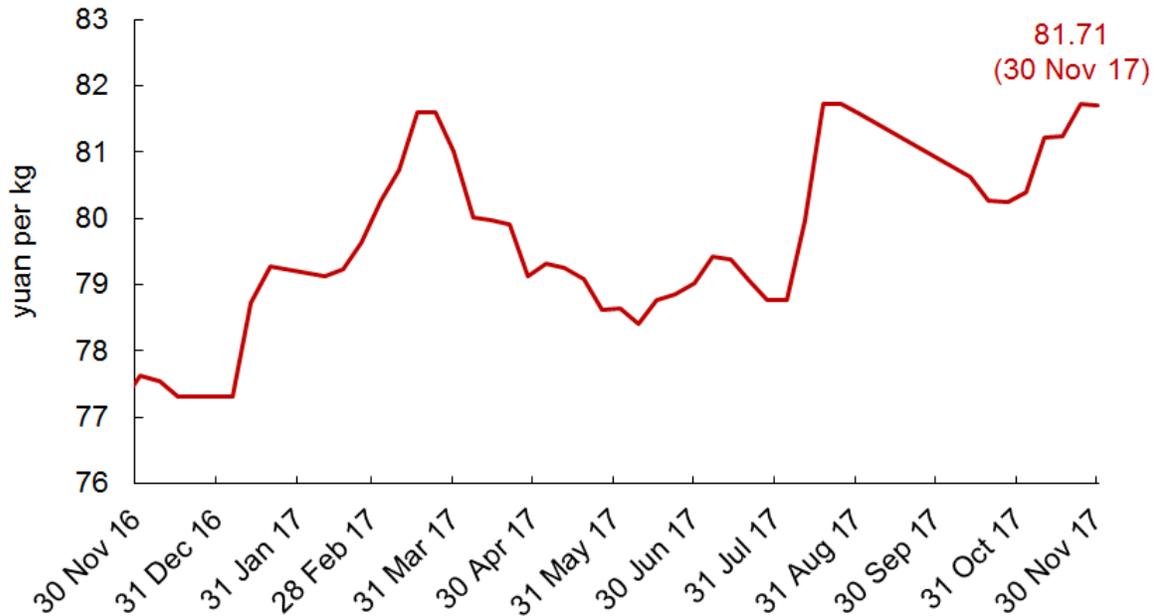
The Nanjing Wool Market Composite Index<sup>3</sup>, one of the major wool price indices in China, increased from 80.25 yuan per kg on 27 October to 81.71 yuan per kg on 30 November (see exhibit 2).

The rise in wool prices in China in the month was due largely to a jump in wool prices in the Australian market amid a strong demand from China. The Australian Wool Exchange Eastern Market Indicator (AWEX-EMI) soared from 80.64 yuan per kg on 27 October to 83.87 yuan per kg on 24 November, boosted by a strong demand from Chinese mills. 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>3</sup> <http://www.woolmarket.com.cn/>

Looking ahead, we expect the domestic wool prices to stay high in the near term, as the demand for wool from Chinese mills is likely to remain strong.

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



Source: The Nanjing Wool Market

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

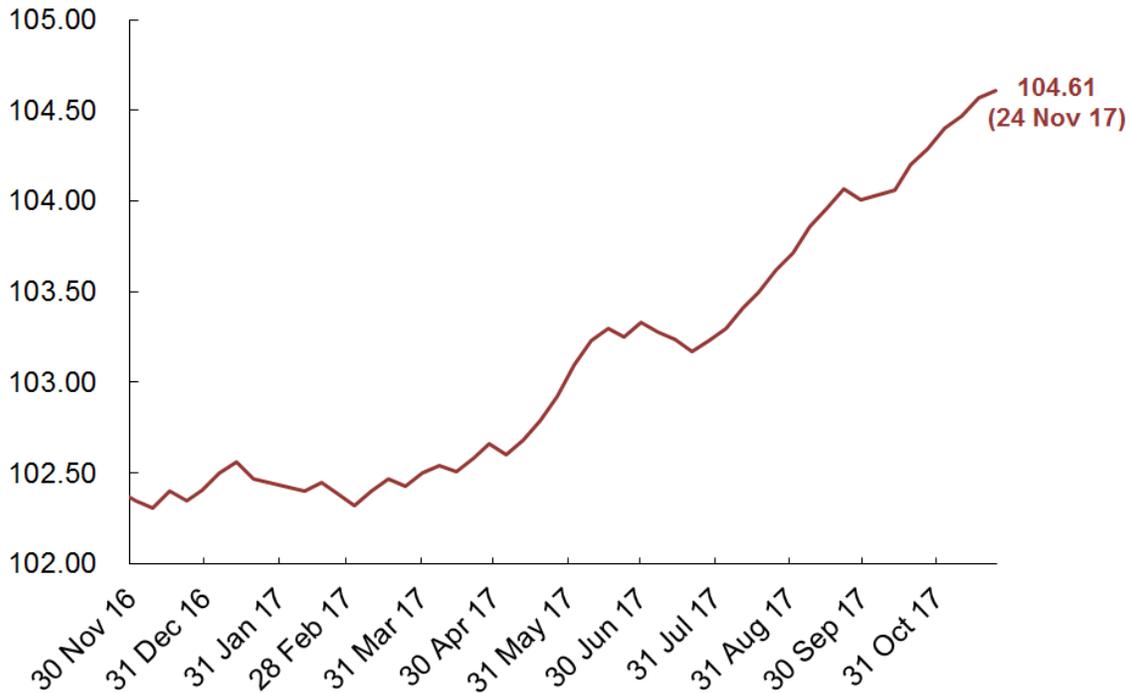
The price index of silk continued to go up in November, rising from 104.29 on 27 October to a nine-year high of 104.61 on 24 November (see exhibit 3).

According to the local media, the main reason for the increase in the price index in the month was a tight supply of silk, as indicated by a low level of stock.

Looking ahead, we do not expect the price index of silk to rise further, as the Chinese government announced on 10 November that it will sell its filature silk reserves in December this year,<sup>4</sup> which is likely to put downward pressures on silk prices in the foreseeable future.

<sup>4</sup> <http://www.mofcom.gov.cn/article/b/c/201711/20171102670283.shtml>

**Exhibit 3: Price index of silk, November 2016 to November 2017**



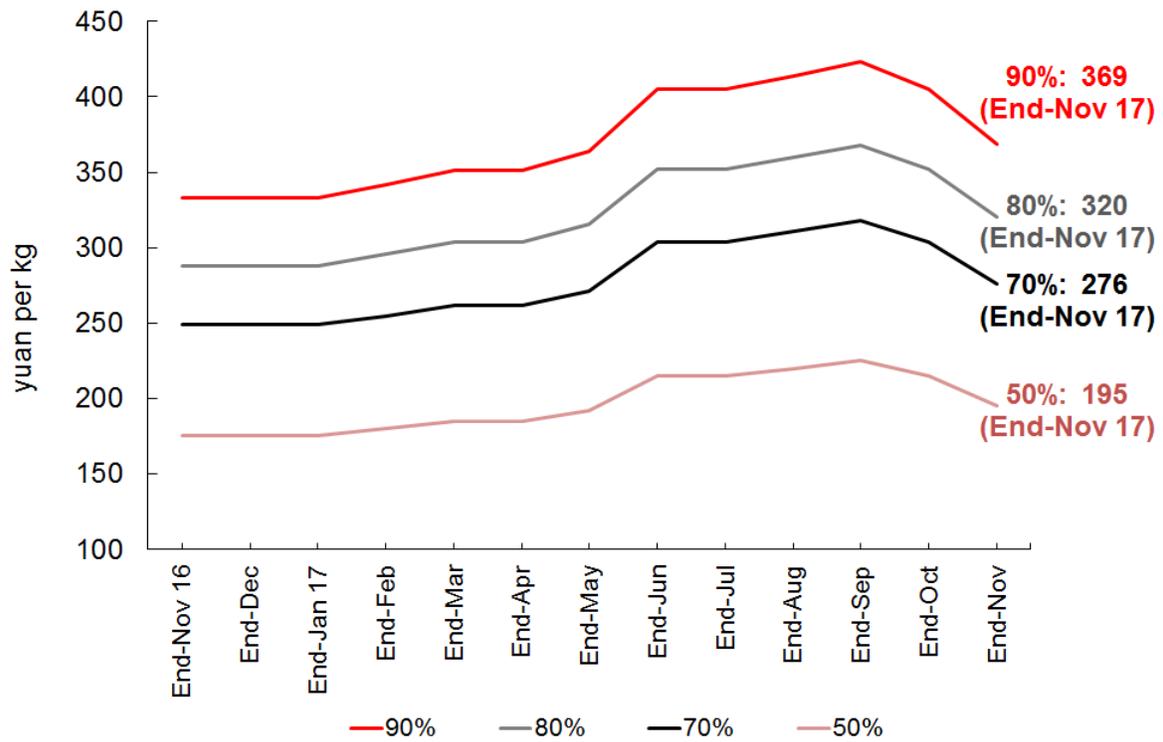
Source: Ministry of Commerce

#### 4. Prices of grey goose down go down in November

The prices of various types of grey goose down continued to drop in November. For example, the price of 80% grey goose down declined from 352 yuan per kg at end-October to 320 yuan per kg at end-November (see exhibit 4).

Looking ahead, the demand for down is expected to improve during the current high season for down products. Therefore, we expect that the prices of grey goose down are unlikely to fall further in the near future.

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



Source: cn-down.com

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