

China Sourcing Update

Natural Textile Materials

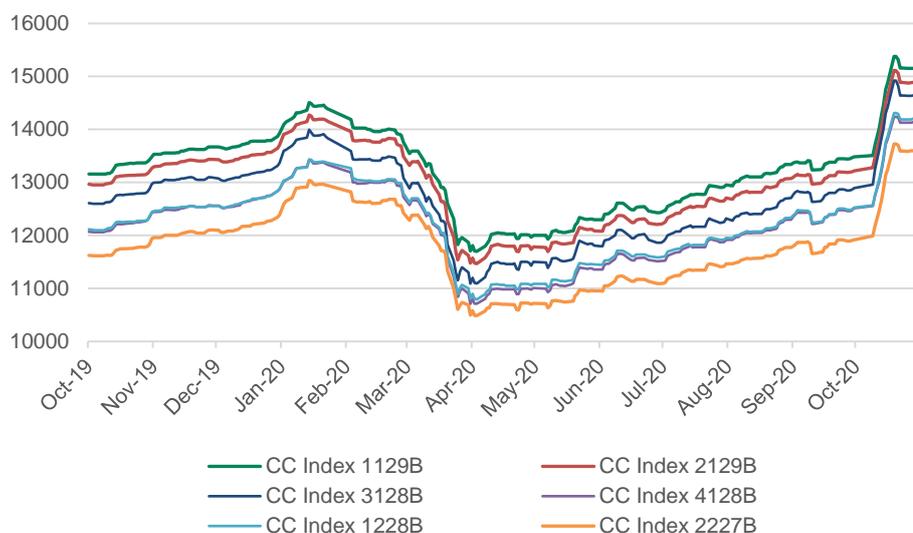
Cotton price indices have rebounded since April and fluctuate in end-October

The price indices¹ of cotton have rebounded since April 2020, ending the three-month downward streak from January to March. The CC Index 3128B, for example, reached the lowest point at 11091 on 31 March and rose to 12891 on 30 September. The index climbed further to the peak at 14923 on 20 October and closed at 14599 on 30 October (see exhibit 1).

The rebound in domestic cotton prices in the latest months was mainly due to the recovery of China's textile industry. Cotton prices dropped slightly in early September, as there was speculation that a potential US boycott of cotton items originating in Xinjiang was imminent. Since mid-September, cotton prices rebounded after the US only announced a ban on cotton and other products from a few Xinjiang companies and overseas demand for China's cotton yarns and fabrics increased. The domestic cotton prices have edged down since mid-October, as downstream demand moderated.

Looking ahead, the recurrence of COVID-19 pandemic in the US and Europe would affect the demand for textile exports. However, holiday shopping in December will help stimulate the domestic demand for winter clothes. Overall, downstream demand for cotton is expected to remain soft, and we expect domestic cotton prices to moderate in the near future.

Exhibit 1: China's cotton price indices, October 2019 to October 2020



Source: China Cotton Association

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

Price index of silk rebounds in October

The price index of silk was on an upward trend from 101.2 on 3 July to 102.3 on 30 October. However, the price index of silk in October is still at a low level, compared with the index reading of 104.7 at end-October a year ago (see exhibit 2).

The rise in silk price in the latest quarter was mainly due to a gradual recovery of downstream demand. Going forward, we expect the price index of silk to go up further in the near future.

Exhibit 2: Price index of silk, October 2019 to October 2020



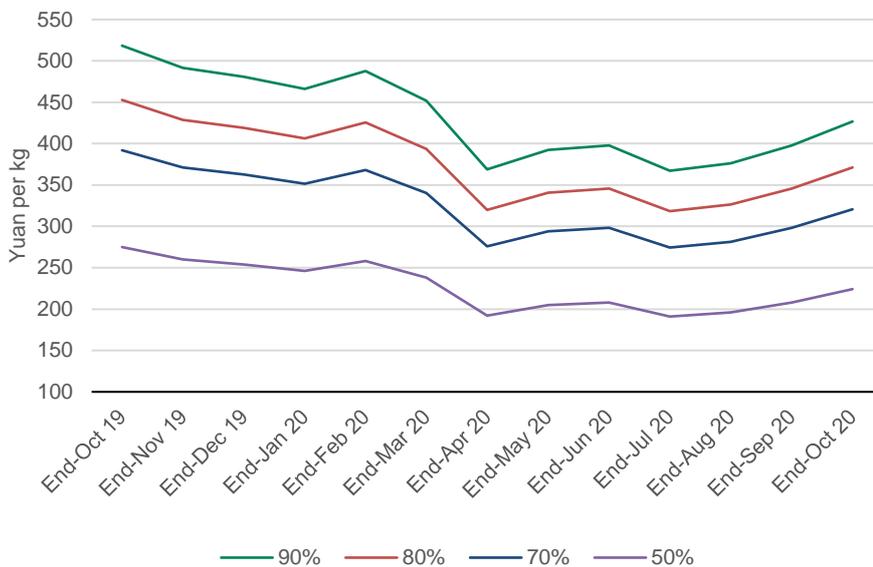
Source: National Bureau of Statistics

Prices of grey goose down have rebounded since July

The prices of various types of grey goose down have rebounded since July. For example, the price of 80% grey goose down climbed from 318.4 yuan per kg at end-July to 371.2 yuan per kg at end-October (see exhibit 3).

Downstream demand for down jackets is expected to remain high both domestically and internationally as consumers prepare for the winter season. However, there are downside risks to the market outlook due to the prolonged COVID-19 pandemic and increased competition from Vietnam’s exports. In the near future, we expect the prices of grey goose down to remain volatile.

Exhibit 3: Prices of grey goose down, October 2019 to October 2020



Source: cn-down.com

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