



# China Sourcing Update

October 9, 2017

## Prices of Natural Textile Materials

### 1. Cotton price indices inch up in September

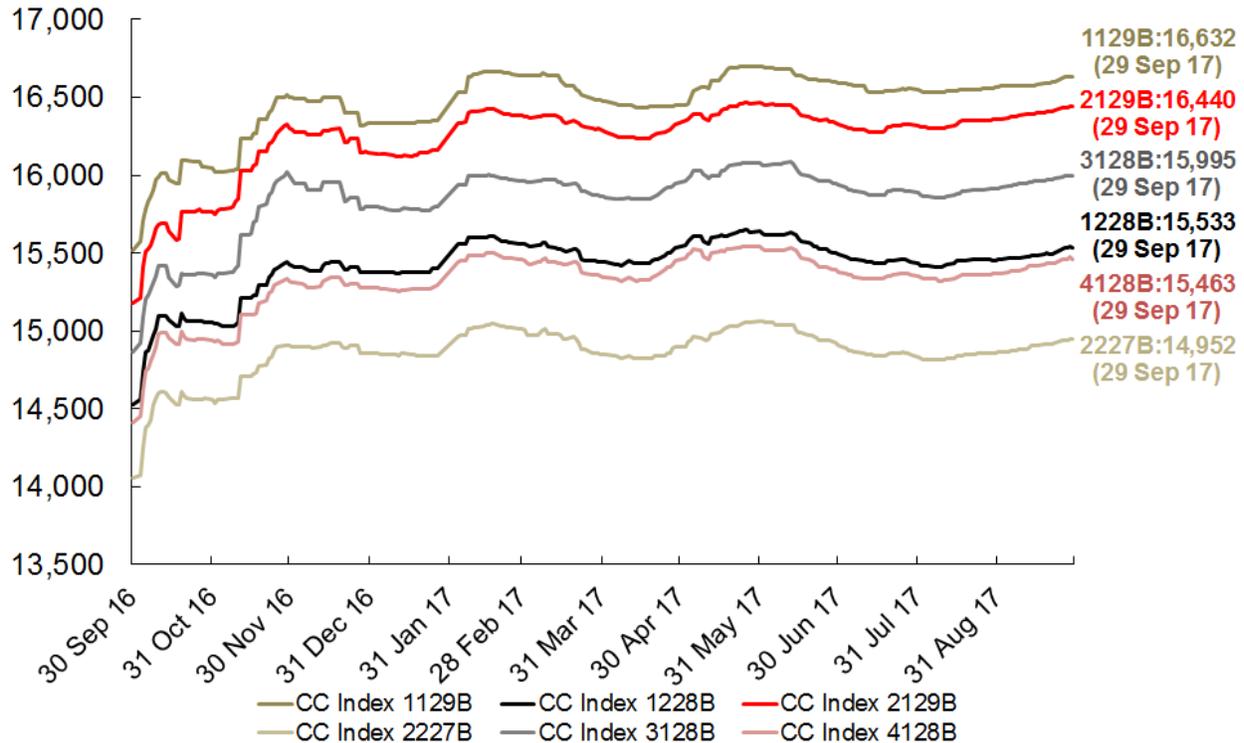
The price indices<sup>1</sup> of cotton trended slightly upward in September. The CC Index 3128B, for example, rose to 15,995 on 29 September from 15,916 on 31 August (see *exhibit 1*).

In our view, the main reason for the increase in cotton prices in the month was a stronger restocking demand from downstream textile manufacturers.

Going forward, the domestic supply of cotton is expected to be abundant in the current autumn harvest season. Meanwhile, the downstream demand for cotton is likely to stay strong during the current high season. All in all, we expect cotton prices to stay high 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, September 2016 to September 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

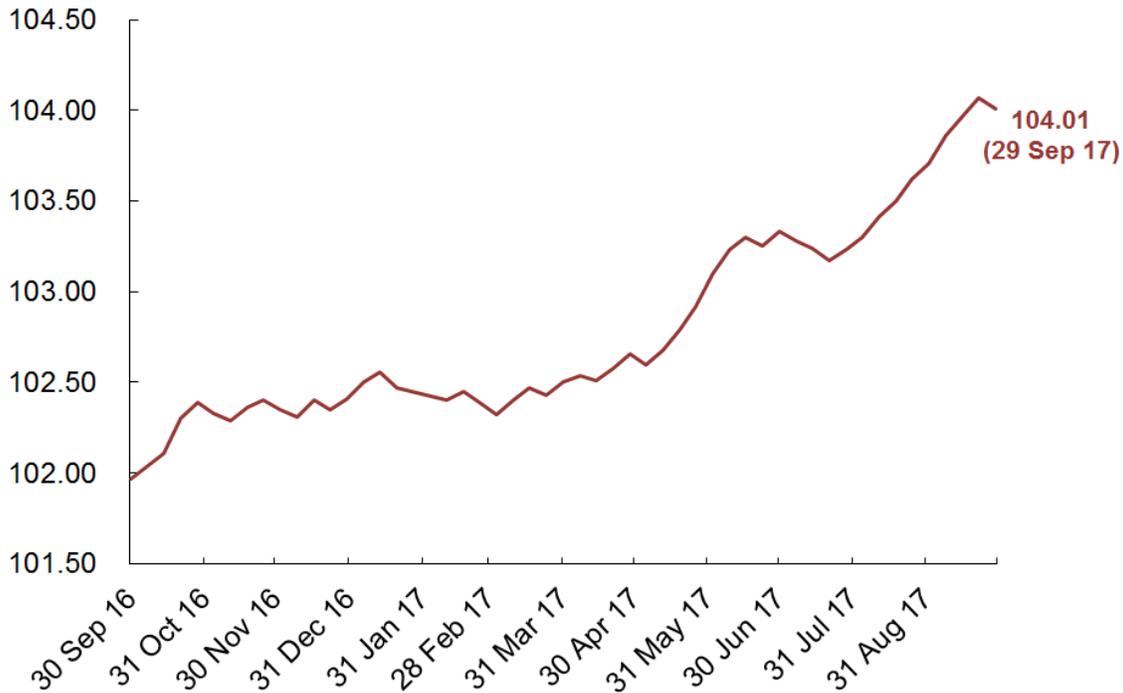
## 2. Price index of silk climbs to nine-year high in September

The price index of silk went up slightly in September, rising from 103.62 on 25 August to a nine-year high of 104.07 on 22 September before retreating a bit to 104.01 on 29 September (see exhibit 3).

According to the local media, the rise in the price index in the month was due largely to an increase in the prices of autumn cocoon and a tightened supply of silk. Moreover, an improved restocking demand from traders also supported the silk prices.

Looking ahead, we expect the price index of silk to fluctuate around the current high level in the near term, as the upstream costs of silk are expected to stay high and the supply of silk is likely to remain tight.

**Exhibit 2: Price index of silk, September 2016 to September 2017**



Source: Ministry of Commerce

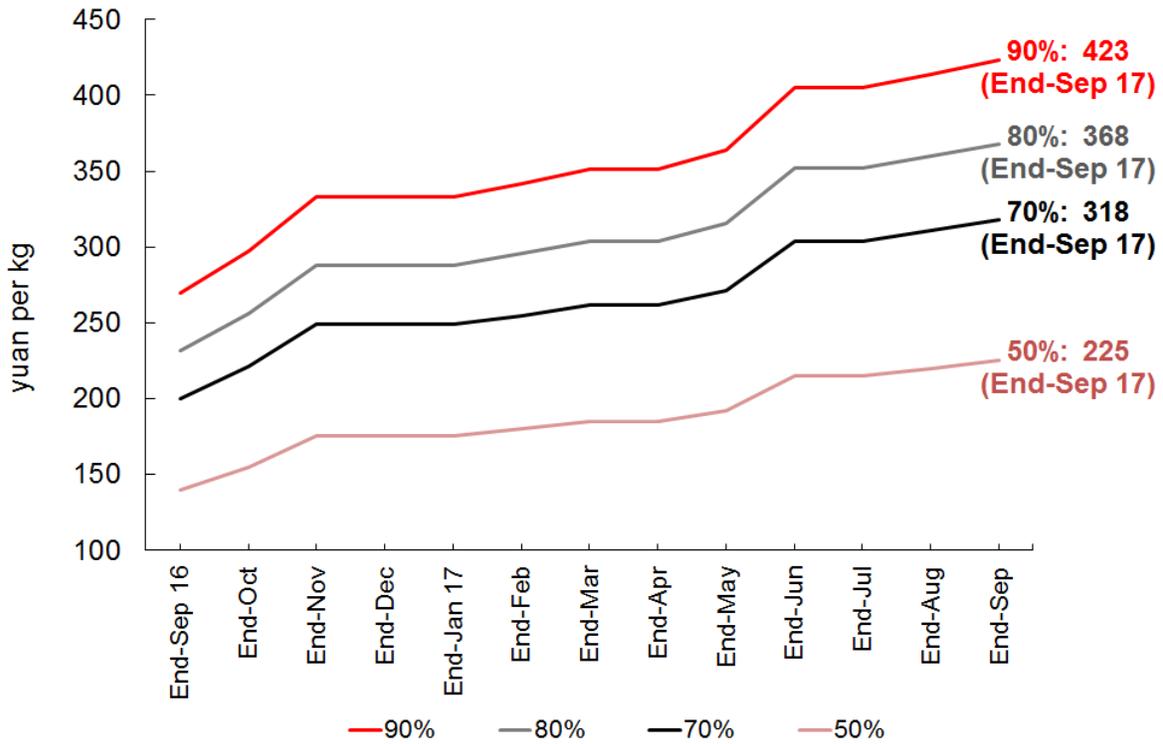
### 3. Prices of grey goose down advance in September

The prices of various types of grey goose down rose slightly in September. For example, the price of 80% grey goose down went up from 360 yuan per kg at end-August to 368 yuan per kg at end-September, the highest level since August 2014 (see exhibit 4).

The major factors behind the rise in the prices of grey goose down in the past few months were the strong export orders for down products, and a tight supply of grey goose down due to a resurgence of avian flu around the world and the environmental inspections conducted by the Chinese government on domestic poultry farms.

Looking ahead, we believe that the prices of grey goose down will stay high, as the factors mentioned above are expected to persist in the foreseeable future.

Exhibit 3: Prices of grey goose down, September 2016 to September 2017



Source: cn-down.com

## FUNG BUSINESS INTELLIGENCE

**Fung Business Intelligence** collects, analyses and interprets market data on global sourcing, supply chains, distribution, retail and technology.

Headquartered in Hong Kong, it leverages unique relationships and information networks to track and report on these issues with a particular focus on business trends and developments in China and other Asian countries. Fung Business Intelligence makes its data, impartial analysis and specialist knowledge available to businesses, scholars and governments around the world through regular research reports and business publications.

As the knowledge bank and think tank for the Fung Group, a Hong Kong-based multinational corporation, Fung Business Intelligence also provides expertise, advice and consultancy services to the Group and its business partners on issues related to doing business in China, ranging from market entry and company structure, to tax, licensing and other regulatory matters.

Fung Business Intelligence was established in the year 2000.

The **Fung Group** is a privately held multinational group of companies headquartered in Hong Kong whose core businesses are trading, logistics, distribution and retailing. The Fung Group employs 39,900 people across 40 economies worldwide, generating total revenue of over US\$22.5 billion in 2016. Fung Holdings (1937) Limited, a privately held business entity headquartered in Hong Kong, is the major shareholder of the Fung group of companies.

## CONTACT

Helen Chin  
Vice President  
[helenchin@fung1937.com](mailto:helenchin@fung1937.com)  
(852) 2300 2471

William Kong  
Research Manager  
[williamkong@fung1937.com](mailto:williamkong@fung1937.com)  
(852) 2300 2404

Global Sourcing  
Fung Business Intelligence  
10/F LiFung Tower  
888 Cheung Sha Wan Road  
Kowloon, Hong Kong

T: (852) 2300 2470  
F: (852) 2635 1598  
E: [fbicgroup@fung1937.com](mailto:fbicgroup@fung1937.com)  
W: <http://www.fbicgroup.com>



© Copyright 2017 Fung Business Intelligence. All rights reserved.

Though Fung Business Intelligence endeavours to ensure the information provided in this publication is accurate and updated, no legal liability can be attached as to the contents hereof. Reproduction or redistribution of this material without prior written consent of Fung Business Intelligence is prohibited.