



# China Sourcing Update

October 16, 2019

## Prices of Natural Textile Materials

### 1. Cotton price indices continue to drop in September

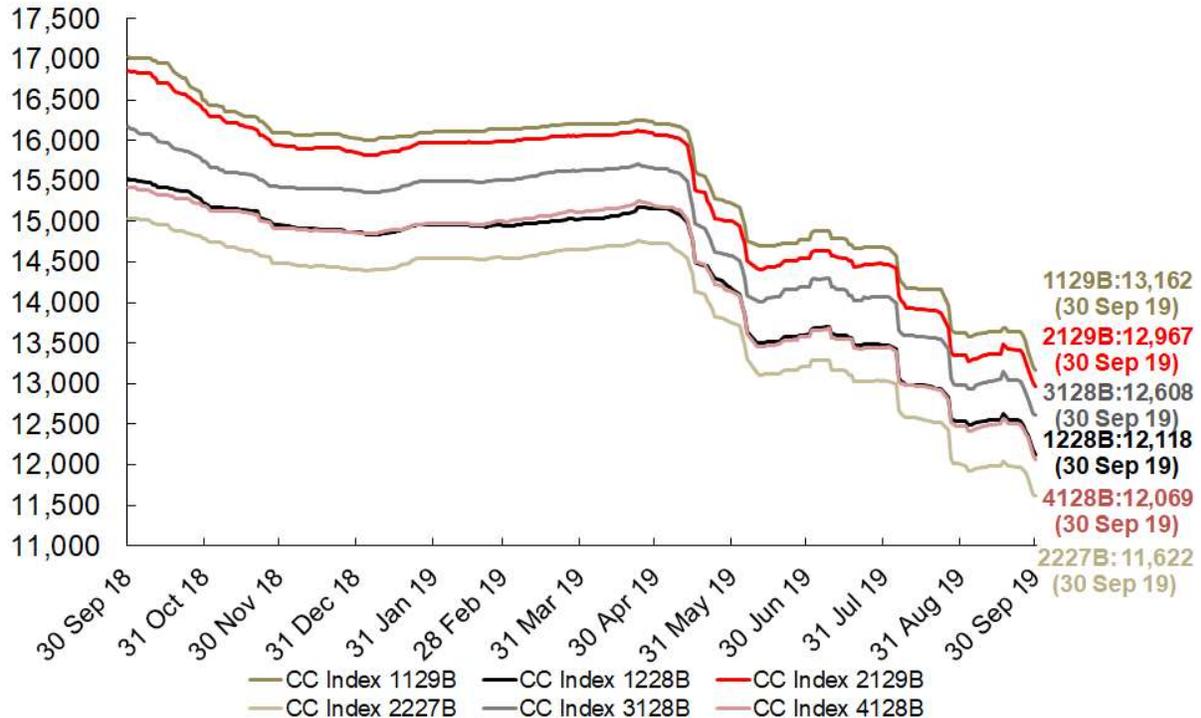
The price indices<sup>1</sup> of cotton dropped further in September, continuing the downward streak since July. The CC Index 3128B, for example, went down from 12,985 on 30 August to 12,608 on 30 September (see *exhibit 1*).

The decline in domestic cotton prices in September was due to sluggish downstream demand, which can in turn be attributed to the escalating China-US trade war. Effective 1 September, the US imposed 15% additional tariffs on most major apparel items imported from China.

Going forward, we expect domestic cotton prices to stay low in the near future as export orders for apparels are likely to be significantly impacted by the hikes in US tariffs, reducing the demand for cotton in China.

<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 2018 to September 2019**



Source: China Cotton Association

## 2. Nanjing Wool Market Composite Index stabilizes in September

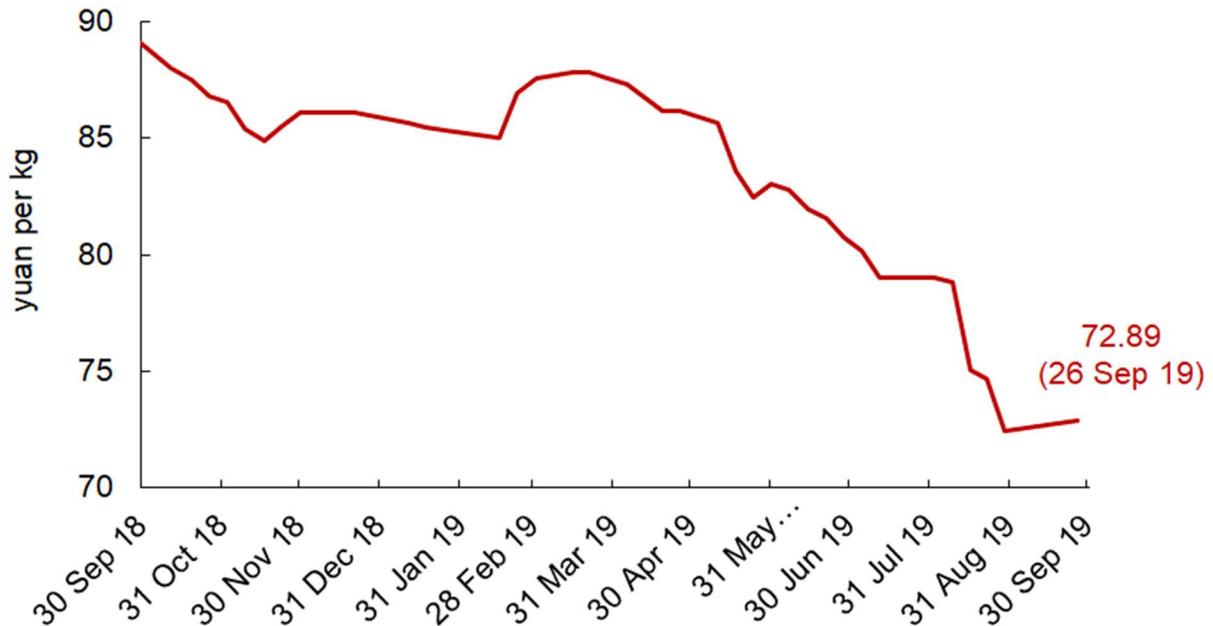
The Nanjing Wool Market Composite Index<sup>2</sup>, one of the major wool price indices in China, rebounded slightly from 72.44 yuan per kg on 28 August to 72.89 yuan per kg on 26 September (see exhibit 2).

The rise in domestic wool prices in September was due largely to the strong recovery of wool prices in Australia, a major exporter of wool to China: The Australian Wool Exchange Eastern Market Indicator (AWEX-EMI) rose by 16.9% from 66.24 yuan per kg on 30 August to 77.42 yuan per kg on 27 September. A number of factors contributed to the rise in Australian wool prices. First, there was a widespread expectation of an upward market adjustment after the prices had plummeted in the previous month and as manufacturers' wool inventory had fallen to a low level. Second, the Nanjing Wool Market Conference, the largest annual wool trade gathering, held on 20-22 September revealed a positive forecast for the prices.

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

Looking forward, we expect that domestic wool prices will remain volatile in the near future amidst uncertainties in the global economy and trade.

**Exhibit 2: Nanjing Wool Market Composite Index,  
September 2018 to September 2019**



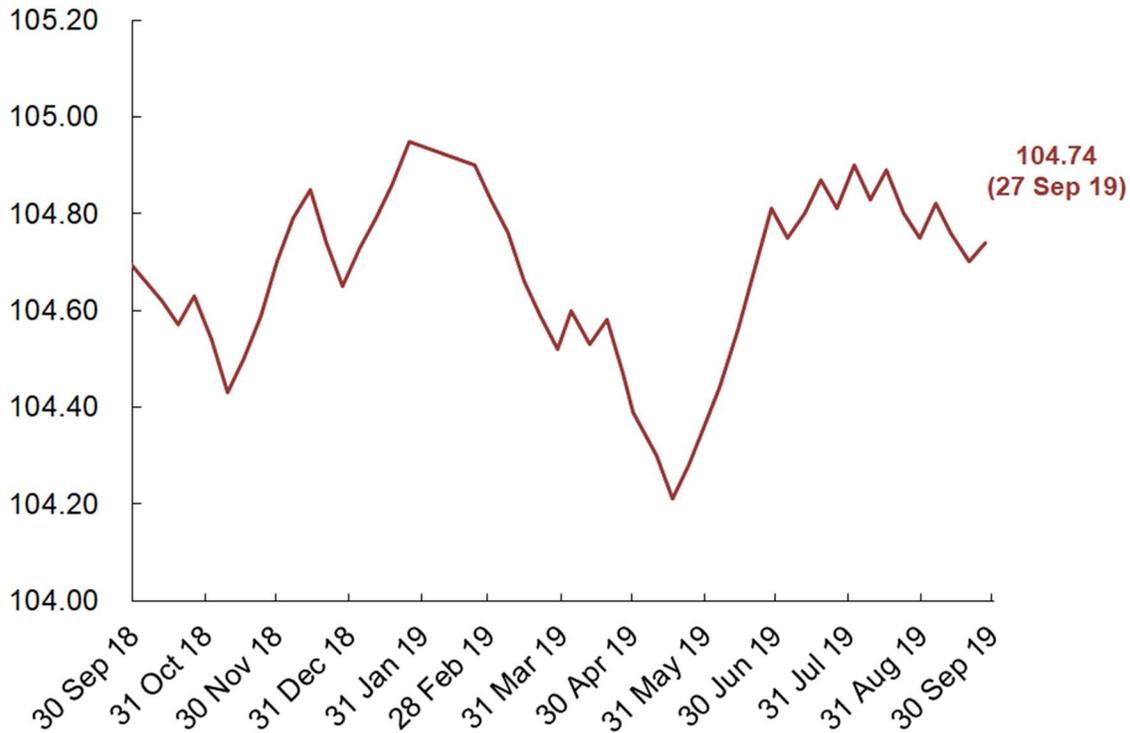
Source: The Nanjing Wool Market

### 3. Price index of silk dips slightly in September

The price index of silk fluctuated within a narrow range in September, closing at 104.74 on 27 September, slightly below the index reading of 104.75 on 30 August (see exhibit 3).

Going forward, we expect the price index of silk to stay within a narrow range in the near future, as the effect of a tight supply of cocoon counterbalance the effect of a weak downstream demand.

**Exhibit 3: Price index of silk, September 2018 to September 2019**



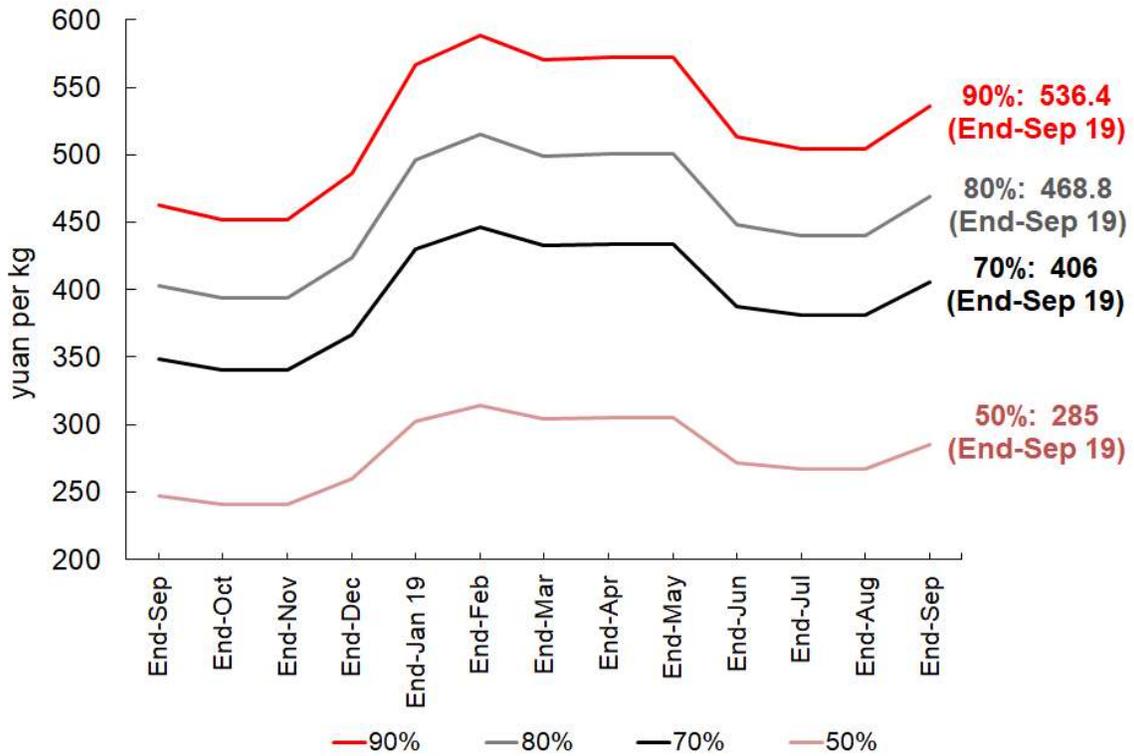
Source: Ministry of Commerce

#### 4. Prices of grey goose down rise in September

The prices of various types of grey goose down rose in September. For example, the price of 80% grey goose down came in at 468.8 yuan per kg at end-September, compared with 440 yuan per kg at end-August (see exhibit 4).

Looking ahead, we expect that the prices of grey goose down will stay high in the coming months, as the high season for down products is approaching. However, the increase will be limited as export orders for Chinese down products will likely be significantly impacted by the China-US trade war. Most US-bound down products have been subject to 15% additional tariffs since 1 September.

Exhibit 4: Prices of grey goose down, September 2018 to September 2019



Source: cn-down.com

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