

# China Sourcing Update

April 11, 2019

## Prices of Natural Textile Materials

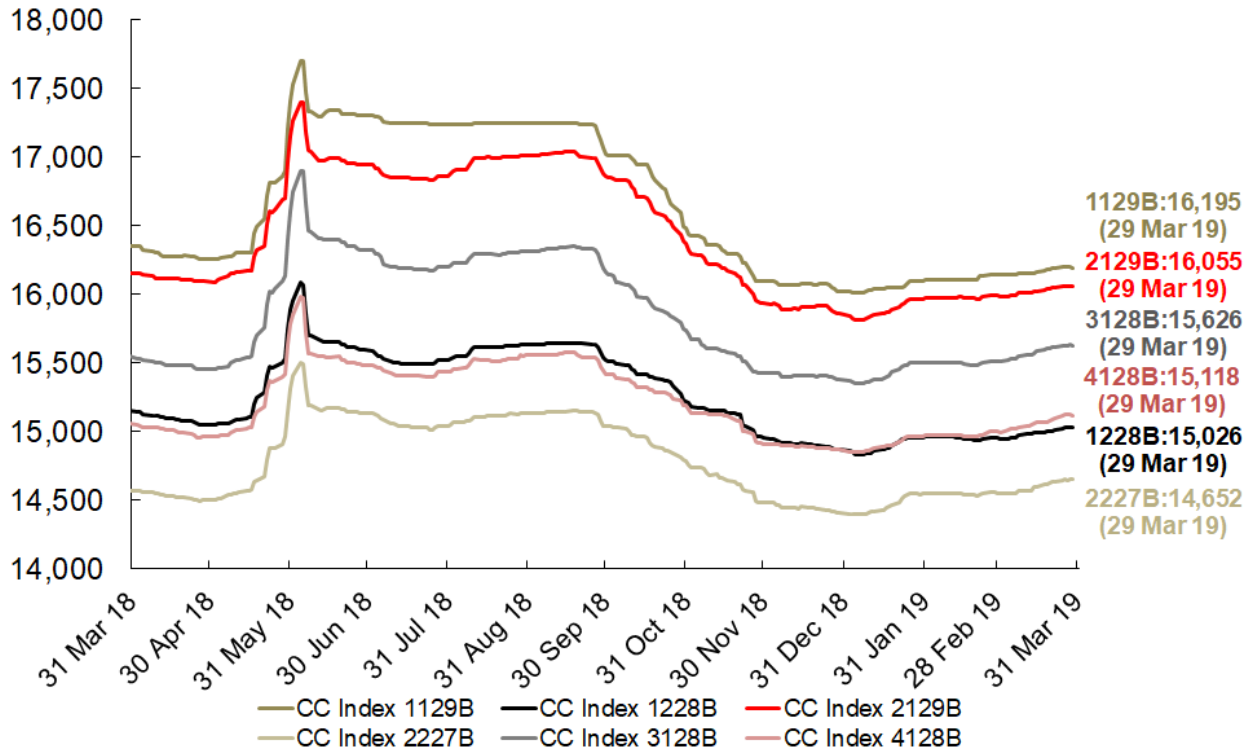
### 1. Cotton price indices edge up in March

The price indices<sup>1</sup> of cotton rose slightly in March. The CC Index 3128B, for example, climbed from 15,512 on 28 February to 15,626 on 29 March (see *exhibit 1*). According to media reports, the downstream demand for cotton improved slightly in the month.

Looking ahead, we expect that the movement of China's cotton prices will depend largely on the outcome of the trade negotiations between China and the US, which would affect the prospects of China's apparel exports and thus the sentiments of downstream manufacturers. During the latest round of bilateral trade talks held in early April, US President Donald Trump said that the two sides were very close to a deal, and that a trade deal may be reached 'within the next four weeks', which suggests that the two countries are moving closer to a comprehensive trade deal to end a months-long trade war.

<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 2018 to March 2019**



Source: China Cotton Association

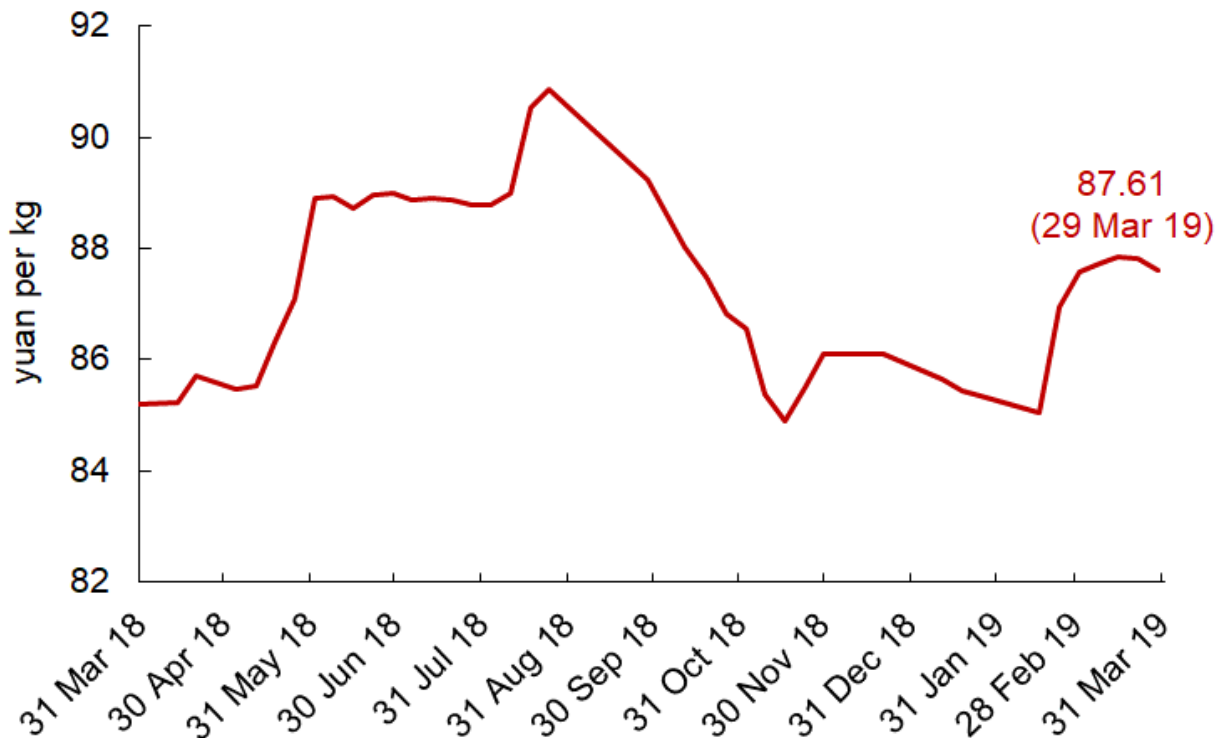
## 2. Nanjing Wool Market Composite Index rises slightly in March

The Nanjing Wool Market Composite Index<sup>2</sup>, one of the major wool price indices in China, went up from 86.94 yuan per kg on 22 February to 87.61 yuan per kg on 29 March (see exhibit 2). Domestic wool prices increased despite a drop in wool prices in Australia in the month.

Looking forward, we expect that the latest decline in wool prices in Australia will lead to a fall in domestic wool prices, as the Australian Wool Exchange Eastern Market Indicator (AWEX-EMI) went down markedly from its recent peak of 97.20 yuan per kg on 22 February to 92.77 yuan per kg on 5 April.

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

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



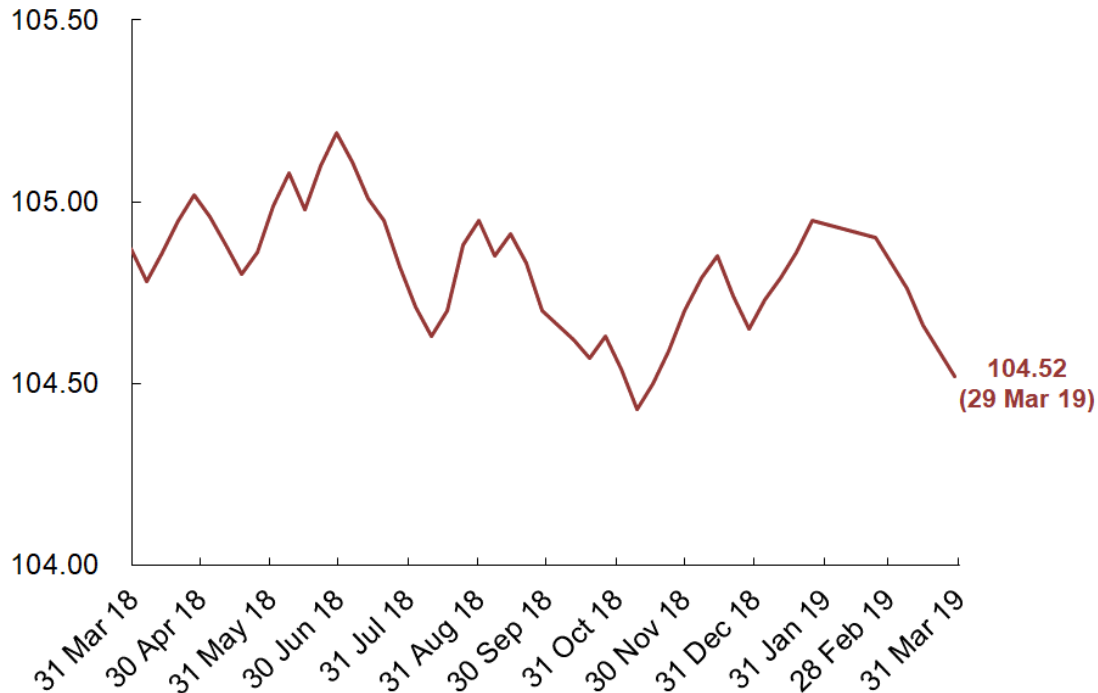
Source: The Nanjing Wool Market

### 3. Price index of silk drops in March

The price index of silk declined in March, going down from 104.90 on 22 February to 104.52 on 29 March (see exhibit 3). The main reason for the fall in silk prices was an abundant domestic supply of silk.

Looking ahead, we expect the domestic supply of silk to remain abundant as more spring cocoon will arrive in the market in the coming months. Thus, we expect the silk prices to stay soft in the near term.

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



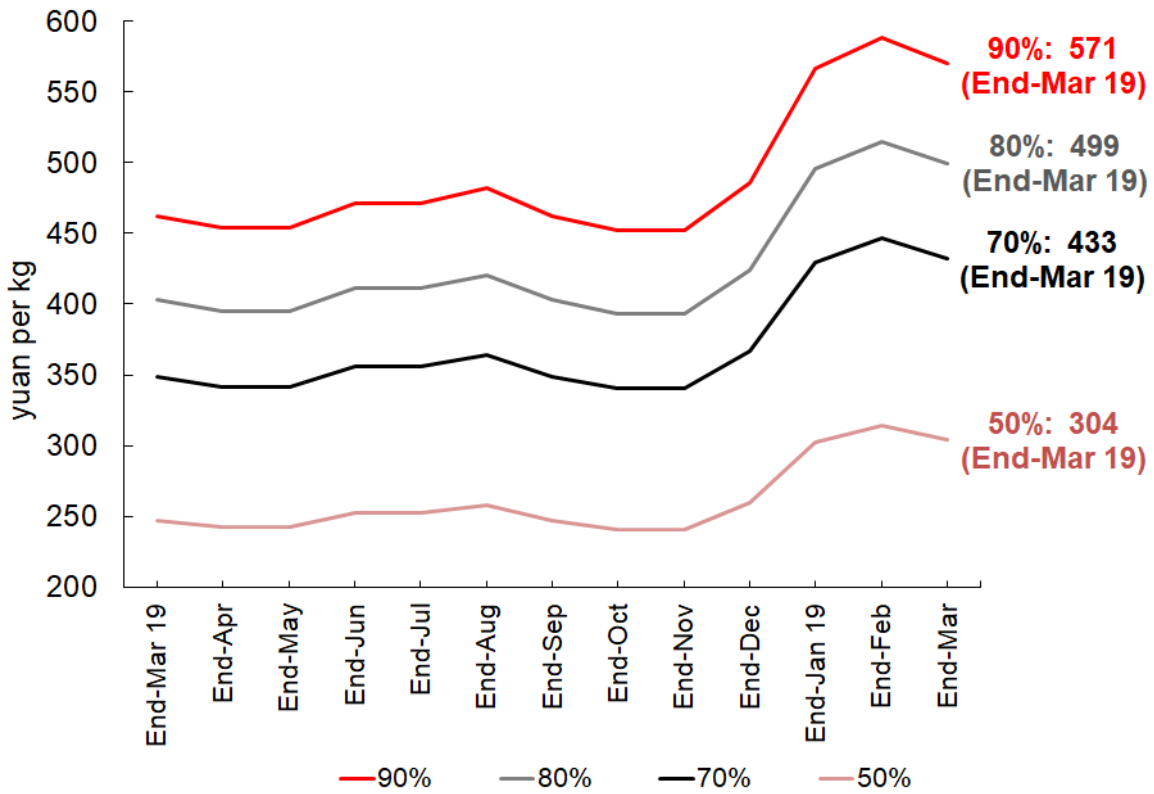
Source: Ministry of Commerce

#### 4. Prices of grey goose down fall in March

The prices of various types of grey goose down dropped in March. For example, the price of 80% grey goose down declined to 499 yuan per kg at end-March from a five-year high of 515 yuan per kg at end-February (see *exhibit 4*).

Looking ahead, we expect that the prices of grey goose down will drop further in the coming months, as the low season for down products is approaching.

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



Source: cn-down.com

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