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Tight Credit Policy Now Damaging Textile Sector

DATE: 2008/03/25

Policy changes by China's government always seem to have major implications for the country's business sector. In retrospect, China's major policy shift from an export-driven economy to a consumer-led economy triggered a major earthquake for China's textile sector with the true damage of this event only now coming to light. At first, this government announcement in policy appeared far too "macro" in nature to have any real impact on the textile and apparel industry. Actually, it appeared to suggest a surge in retail consumption of textiles and apparel as consumer spending increased. It has done that but at the same time, it has caused the textile end of the business to slip into a crisis state as major changes are felt across this industry.

First, the change in macro policy launched a steady appreciation of the Chinese yuan. The yuan/U.S. dollar peg has ended, with the yuan steadily appreciating. This appreciation has accelerated in 2008 against the U.S. dollar, with the yuan making new highs almost daily (the yuan closed at a new record of 7.0516 last Friday). The government has now stated it wants to stimulate appreciation of the yuan against the euro as well. This appreciation in the yuan has wiped out the profit margins of the small and medium-sized mills that were focused on exports. For all exporters, it caused the "China price" to end and for exporters to raise prices in 2007. The policy of a stronger yuan appears to be part of the government's fight against inflation and likely to be a permanent fixture for now.

When the government announced its broad policy change away from an export-driven economy based on price alone, it also cited several industries that were being targeted. One of those was textile. Five years of record fixed asset investment has left the sector with a major overcapacity problem and a large group of small and medium-sized operations that are very inefficient. The government has been urging the industry to merge, become more efficient and move into more value-added products.

To implement this policy, the government began to tighten credit to the sector and started reducing the very important VAT tax rebates on exports. The VAT tax reduction also significantly reduced the profitability of exports for the small and medium-sized textile mills. However, it appears to have been the credit policy that has had the most damaging impact. The government's clamp down on credit has come in a broader form of higher rates, etc. and in the more damaging form of directives to the banking sector. Banks have been instructed to cut loans and to severely curtail loans to some industries where the government wants to reduce overcapacity. One of those is textiles. Universally, textile operations are now facing very difficult credit conditions, with most medium-sized mills confronting reduced credit loans. This combined with reduced profits has caused wide sections of the industry to face major cash flow issues.

The government's constraint on credit lines is showing no signs of easing. Last week, the Chinese Central Bank raised the bank's reserve requirement to a record 15.50 percent. The government also said it planned other tough measures in its fight against inflation. Early in March, Chinese Premier Wen Jiabo announced that the government would continue to fight inflation as one of its main economic goals. The combination of tighter bank lending and higher interest rates is now set to have a major impact on the country's textile sector as 2008 proceeds.

Source: Globecothenews

CCTA Calls for Changes in Sliding-Scale Import Quotas

DATE: 2008/03/26

China's influential China Cotton and Textile Association (CCTA) has submitted a proposal to the government for major changes in the sliding-scale import tax scheme that is currently applied to all imports above the WTO quota level. The CCTA says a review of the 2006/07 period revealed the average cost of imported cotton was 10 percent higher due to the sliding-scale tax scheme.

CCTA sliding-scale tax proposal to the government is as follows:
Immediately reduce the current 5 percent tax to 3 percent. The sliding-scale tax should be ended when the one percent tax price is equivalent to the domestic cotton price. Long range, the sliding-scale tax should be ended. Instead, growers should receive a direct cotton subsidy and mills should be allowed to freely import cotton.

Source: Globecothenews

Textile Exporters Trim Costs to Maintain Edge

DATE: 2008/03/28

Saving costs seems to be the key for textile exporters to maintain their competitive edge in overseas markets while material costs and the yuan keep rising. Some exhibitors at the 14th Shanghai International Clothing & Textile Expo spoke of their concerns about rising production costs, but they were still confident about the robust domestic market. The expo, which kicked off yesterday and will run until tomorrow, attracted about 1,500 exhibitors at the Shanghai New International Expo Center.

Fuzhou Topbi Fashion Co Ltd, with annual exports of children's clothes exceeding US\$70 million, will improve its supply chain to control costs, said marketing manager Hu Jingcan. "Exports

Source: China Textile Network Company

accounted for 70 percent to 80 percent of our total sales, but the company was not affected a lot by rising material prices as we have stable clients in foreign countries and target high-end customers," Hu said. But he said that raising product prices is an inevitable step.

Underwear maker Shanghai Threegun Group Co Ltd said domestic sales accounted for most of its revenue, which totaled more than one billion yuan (US\$141.75 million) annually. "Our focus is on brand-building and controlling costs," said Threegun's official Jiang Libei.

Clothing sales rose 24 percent in China last month from a year earlier, while the country's textile and garment exports shrank 32.9 percent in the period. Analysts attributed the slowdown of exports to slack demand in the United States and Europe and the unusually harsh winter in China. Some textile firms have turned to the domestic market, expecting that booming local demand can balance losses from exports.

Jackie Chang, a sales official of Zhejiang Luckytex Textile Co Ltd under Fulida Group, said the company began developing the domestic market last year, which now accounts for 20 percent of its total sales. "We have to enhance management and supply chains to reduce the costs, or we will lose more advantages in overseas markets," Chang said. The company was also making efforts on innovation and quality to attract overseas clients, he said.

Korean exhibitor Indibuni Co Ltd is seeking partners to tap the Chinese market, where it sees huge potential.

Source: Shanghai Daily

CHIC 2008 opens

DATE: 2008/03/28

The 16th China International Clothing & Accessories Fair, CHIC2008 will be opened in one session at the new venue of China International Exhibition Center on March 28 -31, 2008. CHIC will go ahead on a more splendid road riding the wave of Olympic game Beijing 2008 and the new 100,000 m² venue, setting up with new exhibition layout, innovative organization idea, professional standard and professional team.

2008 New Race, Rising from Maturation

Embraceness is the everlasting feature of CHIC; professionalism is the driving force for CHIC. More than 1000 brands, over 100,000 m² exhibition area and 120,000 visitors show integrating profoundness and specialty of CHIC. CHIC2008, held in one session, with 15 years experience, will break up the original layout, improve service, and rise in the new era with the opportunities gathered by Olympic game Beijing 2008 and the new 100,000 m² venue.

2008 New Cooperation, Combining Trade and Fashion

CHIC is the speaker of fashion, the platform of garment business; CHIC is striving to offer a trade platform through the rapidly changing fashion trends. Trade and Fashion will be gathered, distributed and combined in CHIC2008.

2008 New Challenges, Innovation from Experience

After 15 years of growth, CHIC has successfully accumulated much experience of creating fashion fortune. Continuous creation is the impetus for CHIC, development Forum, Fashion Trends Release, Technology Exchange and Brand Award, constant accumulation creating constant surpassing. With the new opportunities and challenges generated from moving to new venue, CHIC2008 will adjust all aspects to make a great progress.

Source: China Textile Network Company

2008 New Height, Brilliant Prospect

CHIC, the largest exhibition in China and Asia, is an international clothing fair, a top gala for fashion, a glittering occasion attended by both Chinese and overseas brands, bringing all together the fashion elites of so many nations. In the age of globalization and innovation, CHIC, accompanied with garment industry, is heading toward a glorious and broader prospecting future.

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Source: CNTEX

Huge Italian contingent for China Fashion Week

DATE: 2008/03/26

Italy plans to send a delegation of more than 30 companies and 40 brands to this year's China Fashion Week and a pavilion of almost 50 fabric companies to the InterTextile 2008 in Beijing, an Italian official said yesterday.

As the largest overseas exhibitor, Italy will showcase woven, knitted, leather and fur garments as well as accessories for men, women and children at the event, which will cover an area of over 700 sq m, said Antonino Laspina, trade commissioner of the Italian Trade Commission's Beijing office. The fair, known as Chic 2008, will open on March 28 at China International Exhibition Center in Beijing.

During the InterTextile 2008, which opens on March 27, almost 50 Italian firms will exhibit their fabrics. "We aim to promote cooperation between the Italian and Chinese textile and garment industries," Laspina said. He also said the active presence of Italian exhibitors shows the country's garment producers have a strong interest in the Chinese market and in the possibilities of future cooperation with local partners.

Italian garments, with their fashionable designs and high-quality materials and workmanship, enjoy a good reputation worldwide. "Italy is the only country which is strong in all three sectors of the garment and textile industry: the top-end fashion apparel, medium- and high-end ready-to-wear and high-quality textiles," Laspina said.

Source: China Textile Network Company

China's consumer market - especially the luxury end - has rapidly driven up imports of garments from Italy. Imports of garments increased from \$138 million in 2006 to \$201 million in 2007, up 25 percent year-on-year. The market share of Italian garments stood at about 11 percent last year, according to the commission. Among those imported Italian garments, woven items accounted for 65 percent and the knitted ones the rest. Last year, China imported \$535 million worth of woolen fabric, of which imports from Italy accounted for about \$145 million. China's imports of Italian silk grew by 8 percent while imports of Italian cotton fabrics increased by 31 percent, according to the commission's statistics.

The Italian Trade Commission is a non-profit government agency that provides support to Italian enterprises in developing trade and industrial cooperation with foreign companies. The organization has a presence in Beijing, Shanghai, Guangzhou, Tianjin, Chengdu, Nanjing and Hong Kong among other places across the globe.

Source: CNTEX

China-Italy Import and Export in 2007

DATE: 2008/03/28

China-Italy bilateral trade development saw a good turning in 2007, the volume and value of both Chinese export and import surged fairly higher. Italian market was in large demand of the products origin from China in 2007, such as textile and apparel, electronic equipment and precision instrument, mental raw materiel and product, enginery and machinery equipment, leather raw material and product. Each value of the mentioned imports exceeded 1 billion Euros. The increasing range of some imports origin from China exceeded average monthly increasing range, such as mental raw material and products, food, drink and tobacco, paper, paper product, printing and publishing product, timber and timber product, furniture, enginery and machinery equipment, chemical and synthetic fiber product, non-ferrous metal ore and processing products.

According to the statistics released by Italian National Institute of Statistics, The export and import value of Italy to non-EU countries and regions amounted to 143.23 billion euros and 158.422 billion euros respectively in 2007, up by 10.5% and 5.5% year on year. And its trade deficit with non-EU countries and regions hit 15.192 billion euros.

The latest statistics released by Italian National Institute of Statistics showed that the import value of Italy from China hit 21.765 billion euros in 2007, up by 21.2% year on year, and its export value to China hit 6.313 billion euros, up by 10.7% year on year. Since the import range enlarged, Italian trade deficit with China remained increase by a large range, which amounted to 15.452 euros in accumulation.

Source: MOFCOM

Textile Trade in ASEAN Region Remains Strong

DATE: 2008/03/25

In 2007, China exported more than US\$ 10 billion worth of textiles and apparel to the greater ASEAN region. The trend in 2008 seems to confirm the importance of ASEAN to China as an

Source: China Textile Network Company

export market for textiles and apparel. January trade data recently released by Chinese Customs shows China exported US\$ 862 million of textiles and apparel to ASEAN, indicating an increase of 57.7 percent year-on-year. For textiles, the total was US\$ 549 million, which was a year-on-year gain of 50 percent. For apparel, the total was US\$ 313 million, an increase of 73 percent versus a year ago. Exports to NAFTA, specifically the US, showed little growth, reaching US\$2.6 billion, barely up from a year ago at 1.65 percent. Exports of textiles and apparel to Asia, however, were also impressive, hitting US\$ 6.5 billion, up 26 percent. The data, though early in the year, suggests China's textile and apparel makers are maintaining export momentum to Asia and ASEAN rather than concentrating solely on the United States as a final destination.

Source: Globecothenews

Global Polyester Prices Remain Stable as Cotton Gyrates

DATE: 2008/03/25

While March cotton prices experienced record volatility of over 25 cents in CIF Asia offering prices, polyester staple fiber prices had very limited movement. In the ex-China market in Asia, the price of 1.4/1.5 Den staple fiber prices in March averaged 138 to 142 cents per kilogram or 63.00 to 65.00 U.S. cents per pound, CIF Asia ports. These prices prevailed despite crude oil prices surging to a new record high. The oversupply of production capacity in Taiwan, South Korea and Thailand is continuing to keep pressure on prices. In doing so, it is adding further stress on global cotton consumption prospects due to its price advantage. For most of the month, polyester staple fiber was available at 15 to 20 U.S. cents per pound below top-grade cotton.

In China's domestic market, the average March price of polyester staple fiber was 11,600 yuan per ton or approximately 74.53 U.S. cents per pound. Cotton has traded near 14,000 or more yuan per ton, landed the mill. Again, overcapacity in China is keeping pressure on local polyester staple fiber prices. Only in the European and U.S. markets are polyester staple fiber prices at levels considered high prices. Consumption in these markets is dominated by uses other than in apparel, reducing the impact of the prices on cotton use.

In the U.S., the average March price of 1.2/1.5 Den staple fiber is 86.00 to 89.00 U.S. cents per pound; while in Europe, the average price is 224 to 260 U.S. cents per pound kilogram or 101.60 to 117.94 U.S. cents per pound.

Source: Globecothenews

Ethical Fashion

DATE: 2008/03/28

Ethical knitwear label Makepiece continue to set the pace in defining truly sustainable clothing production, and is now enjoying a growing presence at London Fashion Week. Wool Record caught up with them in the Yorkshire Pennines. Words and photography by our fashion editor Elizia Volkmann. Styling by Elizia Volkmann and Samantha Myers.

As more and more luxury brands pick up on the eco-trail, flaunting the 'traceability' and 'sustainability' of their garments as a badge of honour, true eco-brands are biting at their heels and raising the bar not only on their ecological and ethical credentials but on the quality of their design and creative innovation. One such company - a small knitwear brand born in the very heart of the Pennines - is Makepiece, a partnership of shop owner-turned sheep farmer Beate Kubicz and young knitwear designer Nicola Sherlock.

Before founding Makepiece, Beate Kubicz had enjoyed the heydays of the rise of Shoreditch and East End cool, working for Amnesty International, painting in her Trueman Brewery Studio, and running her own art gallery - Upstairs at the Clerk's House - but after years of working as both artist and active campaigner she realised that "it's no good simply telling people what to do. I thought I'll have a go myself."

Beate returned to the north, settling in Todmorden – "it began with a house and a field for sale," and initially began farming angora goats. "A lady in Todmorden taught me to use a spinning wheel and I taught myself how to spin boucle," she explained. In 2003, on the very first day that the Makepiece shop opened, Nicola Sherlock stepped into the shop, which was at the time just selling Beate's homespun yarn and various British grown and spun wool accessories, along with other sustainable eco-friendly products.

Nicola's degree at Nottingham Trent University was the crucible for her fashion philosophy: "I was on placement in my third year, when I worked in New York for [knitwear company] Ralsey designing spec drawings, which was a reality check, with the realisation that it was a bit dull and wasn't glamorous. After seeing how it works in the industry I was disheartened, as there is not much creativity and everything is made abroad. However, I realised that I still wanted to be a fashion designer and asked myself 'how am I going to do it?'"

Disheartened by the throw-away culture of high street youth fashion, as well as being unimpressed by the nature of industrialised fashion, Nicola was inspired by the Slow Food movement, and her final year project followed her research into "slow fashion - the idea of timeless classics that will last." She returned to her home of Todmorden to contemplate how best to steer her fashion career.

Beate Kubicz gave the mohair boucle yarn as a challenge to Nicola, who made it into a little cape. "It was such a pain to make we priced it at £160 thinking no-one would buy it, but we sold it that very week. We ended up making and selling a few at that price and realised that we could really do this." The label was officially launched in 2004, with the brand identity inspired by the Yeoman farmers of the Calder Valley, who homespun wool from their own sheep for sale in the Piece Halls. "Makepiece encapsulates in a word the process of land-to-product," Beate explained.

The first year for Makepiece was all about testing the products. In the second year, they began to think about wholesaling, and developed their supply lines and production with the aid of specialist spinning companies such as the Natural Fibre Company in Cornwall, who spin small lots as low as 20 kg. Larger quantities have been spun at Horsefalls of Halifax. All production is UK-based, using factories in Grimsby for knitwear, a Nottingham-based lacemaker for felted lace jackets and a Lancashire-based factory for woven garments.

As Makepiece deal with specialist wools, such as the Hebridean wool sourced from Borearay Island for their key Long Causeway coats and jackets for its autumn/winter 2008/09 collection, their greatest challenge is in wholesaling, but with a new sales agent on board, they are looking forward to their most successful London Fashion Week to date. Estetica, the ecological exhibi-

tion component of LFW, has further endorsed Makepiece as a brand by the inclusion of several of their pieces in their promotional shoot featuring the model Jasmine Guinness (as reported in the February Wool Record).

What sets Makepiece apart is Nicola Sherlock's unique approach to design. She is one of the few knitwear designers really pushing the boundaries and possibilities of knitwear. Apart from the experiments with felting wool lacework, Nicola's real signature style is her unique approach to developing knitting styles. "I tend to work in quite a mathematical way, which is against the norm of designing," she said. "The way I work is to start with a swatch and to work outwards and work from the inside out. Texture dictates the garment. I work with the fabric rather than against it. [For example] the 'ripple stitch' dictates the shape of a garment, such as creating the arc of the hem of the cape or the ruching on the front of the grey vest in the autumn/winter 2008/09 collection. I often turn a garment on its side [rather than working from top to bottom] and this creates a fullness and the opportunity for creating completely different forms."

Developing new garments is a labour of love for both Nicola and Beate, with Beate taking on the test dyeing for samples at home. As they have set a rule of only using British yarns there are both benefits and restrictions, particularly regarding colour. Nicola said: "in each collection we always include an un-dyed option, which limits you to a neutral palette, and we use natural dyes such as madder, indigo etc." Beate added: "some natural dyes require heavy metal mordents, which defeats the object of the exercise, so we look for dyes that either do not need mordenting or have a natural mordent such as pomegranate for the annatto [yellow] dye."

Beate does the dyeing for samples and private orders, and experiments with how different yarns take the dye – "mohair absorbs dyes well and Jacob's sheep wool doesn't. You get a paler dye [with Jacob's sheep wool]," Nicola said. "For larger lots we give the dyers the sample and say 'match this.'" Due to the complexity of Nicola's designs, after completing a new design the next stage is to actually teach the knitters in the Grimsby factory how to create the garments, and then production is underway.

After three years of development and beginning to wholesale to the US, France and Israel, as well as being stocked in eco-boutiques in the south of England, Nicola and Beate have great plans for future expansion. "Now that we are represented by a London agent I can spend more time building the brand," said Beate. With an eye to the future, Makepiece are looking to expand wholesaling but are also looking to having more stores, particularly with a view to a flagship store in London, though they are currently rejecting the option of e-commerce as they believe it is inappropriate for Makepiece. "Our clothes have to be seen, felt and tried on," Beate said. "I have women come into the shop and try on garments that they don't ever want to take off - that is really hard to convey on a website."

Nicola is already thinking forward towards the spring/summer 2009 collection, with more experiments in texture with rich ruffling and "quite a floral palette like an amaryllis which we think we can do with natural dyes."

Source: Wool Record