

EXTRACT

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Slowdown, rising yuan put exporters in tough spot

DATE: 2008/04/25

It's a tough choice this year for exporters at the trade fair here: fewer orders or paper-thin profits.

The yuan is stronger and the world market is weaker, the result of the unfolding credit crisis. And that's had an impact on the number of buyers and orders for exporters who are attending the China Import and Export Fair in Guangzhou, capital of the southern Guangdong Province.

Figures from the fair show 128,155 foreign buyers in attendance, 5.8 percent fewer than the last spring fair. The number of U.S. purchasers decreased 23.3 percent and those from France and Germany were down 11.8 percent and 9.5 percent, respectively.

"The decrease in U.S. and European Union buyers will cut our orders by about 30 percent," said a representative of the Shenzhen Lianchuang Company, which exports household appliances to the United States and Europe.

Other firms also felt the pinch, with few buyers visiting their booths and fewer signed contracts.

"Chinese goods are popular among U.S. customers, but we have to reduce our purchases because of decreasing U.S. demand," Ben Noonan, sourcing manager of Smartful Home, a U.S. textile importer, told Xinhua.

China's exporters have been complaining about losing orders as a result of the change in the value of the yuan, which has risen almost 4.6 percent against the U.S. dollar this year, making "Made in China" more expensive.

Customs statistics showed China's exports to the United States rose 5.4 percent year-on-year in the first quarter, a deceleration of 15 percentage points compared with the same 2007 period. Exports to the EU grew 24.2 percent, 10.3 percentage points lower.

Before the fair, there was talk that some Chinese exhibitors might hike prices and pass through the higher costs of raw materials and labor. But most found that they had to compete on prices to win any orders at all.

There were more buyers from new markets, including Africa and South America countries, but they were there for bargains, so price increases could scare them off, said Yu Hong, of China Minmetals Non-ferrous Metals Co..

If the pressure of rising costs cannot be passed on, Chinese manufacturers would be further pinched during the second half of this year, Yu said.

The fair, also known as the "Canton fair" after the city's old name, was considered as the "barometer" of the country's foreign trade. It was originally a biannual export-promotion event until the 101st session in the Spring of 2007, when its name officially changed to the present name of the China Import and Export Fair from the Chinese Export Commodities Fair.

The fair has two phases this year, from April 15 to 20 and from April 25 to 30. The first phase featured textiles, garments, health products, household appliances, tools, small vehicles and hardware. Food, tea, kitchenware, decorations, toys, sporting goods, and office supplies will be on show in the second phase.

Source: MINISTRY OF COMMERCE, PRC

China Textile Crisis: Mills Increase ELS Yarn Output

DATE: 2008/04/25

Interviews with cotton textile operations in Xian (Shaanxi Province) has revealed some interesting business adjustments that are being used to cope with current profitability issues for cotton yarn producers. One rather interesting trend is that some mills have switched a larger portion of their yarn output to the higher fine-count yarns, expanding production of 80 and 100-count yarns. For some mills, these yarns now represent 20 percent of total output. This change has increased the consumption of domestic Chinese ELS styles such as T137 ELS. Weakness in domestic ELS prices has also increased the profitability of the 80 & 100-count yarns.

Currently, mills in Shaanxi are buying T137 ELS at 16,900 yuan per ton, with 3-month D/A draft payment, which is equivalent to 109.58 U.S. cents per pound. This price represents a substantial discount from the quoted prices of PCC-produced ELS descriptions. The same mills are using Xinjiang-produced T229 at 14,300 yuan per ton or approximately 93.26 U.S. cents per pound, landed the mill.

Mills in the area are also maintaining very low cotton inventories, with most mills in the region running at 7 to 20 days of consumption. They are generally continuing a very hand-to-mouth buying strategy.

Source: Globecotnews

Estimates of Losses Increase in Xin Jiang

DATE: 2008/04/25

The late winter storm that hit much of Xinjiang Province during the April 17 - 19 period also impacted much of Central Asia. It now appears the storm system had a greater effect on Xinjiang than originally thought, with its cold temperatures, snow and high winds covering much of the agricultural belt.

Source: China Textile Network Company

The Xinjiang Disaster Agency has now reported that 14 sub-prefectures, 40 counties and cities and over 5 million people were impacted by the extreme weather conditions. Northern Xinjiang was very hard hit, along with some areas of South Xinjiang. According to the provincial Meteorology Department, the winds from the storm were the most severe to hit the area in over five years.

Cotton, tomato, corn, sugar, beet, melons and vegetable crops have all been damaged, with several large greenhouses experiencing damage from wind gusts. Wind and cold temperatures were also destructive to fruit trees, as well as killing a large number of livestock. The local government has placed the internal economic losses at 5 billion yuan or approximately 725 million U.S. dollars.

Approximately 80 percent of the cotton crop was sown before the storm hit, with early losses starting to be reported. Replanting now appears likely on some acreage in Bole, Wusu, Weili and Aksu, and PCC farms are beginning to report that fields on some farms will have to be replaced due to wind and frost damage.

Source: GlobecoNews

Planting Complete in Shaanxi Province

DATE: 2008/04/25

As of April 21, planting of the 2008 cotton crop has been completed in Shaanxi, a small cotton-producing province that borders Hebei and Henan provinces on its eastern side. A pattern of scattered showers initially delayed planting, but periods of clear weather allowed growers to catch up quickly. 95 percent of the crop has emerged, and soil moisture in the fields is reported as good. Currently, temperatures are excellent for seedling growth

Source: GlobecoNews

Chinese textile firms struggle to survive in 2008

DATE: 2008/04/25

Textile firms, once an export engine of China, are fighting for their survival this year with rising costs and dismal overseas market hit by the subprime crisis.

Those firms wooing foreign buyers at the 103rd China Import and Export Fair, the largest trade fair in the country also called the Canton Fair, felt the pinch. Few buyers visited their exhibition stall, and fewer still signed contracts.

William Lowry, an American clothing buyer, came to the fair for the 20th time this year. It was different from previous years because this time he just looked, he did not buy.

"Chinese product competitiveness was not much as it was. I'm thinking of buying from other countries. The reduction in tax rebates and the devaluation of the dollar have made Chinese products 20 percent higher than what it was." "Twenty percent means I'm looking elsewhere," William said.

The Chinese currency has ventured below the seven yuan mark since the government loosened the unit's peg to the dollar in 2005. The yuan has gained about 18 percent since then.

This has made Chinese textile products more expensive and its price advantage has almost vanished compared with products from Vietnam and India. The yuan appreciation, together with the rising material and labor costs, has driven some textile firms to the brink of bankruptcy.

Source: China Textile Network Company

The Lanyan Group, the largest denim products manufacturer based in the eastern Shandong Province, received only one million-meter cloth order this year, one fifth last year's total. In the area where Lanyan is, only 70 out of over 100 textile factories are working normally. Even those still operating are finishing their previous orders, said Zhang Meng, a manager with the Lanyan Group.

Anyway, the textile firms are finding ways to survive.

Changing the price tag is sure to be the first choice for many of the textile exhibitors on the fair.

"Our quoted price is 10 percent higher than last spring. Our labor cost increased 10 percent and dyeing costs rose eight percent last year," said Yang Hongchang, a sales manager of Ningbo Yongnan Knitting Co Ltd, a major knitted coat and T-Shirt exporter to Europe, Canada, New Zealand and Russia.

However, the price rise has made foreign buyers hesitate before making their decision.

"Australia is a small country in population and we are a small company. We're affected by the States and people don't want to spend now.

"The price is seven to ten percent higher than last year. I have to look and see," said a manager with Des Rowe, an Australian footwear agency, without giving his name.

Setting contracts in euros or British pounds to avoid foreign exchange losses or setting up a higher long-term exchange rate is another approach the textiles firms are using.

"We set up the exchange rate with dollar at 6.2 when we sign agreements on the fair," said Yang Hongchang.

Those companies with their own brand were less affected. Busen Group, a major men's wear manufacturer in Zhejiang Province, received normal orders this year. Some 70 percent of products for export from the company belonged to its own brands so it had the right to fix the price, said Wu Yongjie, deputy executive manager of the company.

However, to Yang Hongchang, maintaining the factory to operate is his goal. He is ready to receive orders without profit. "As a saying goes, only by breaking your arm can you survive. As long as our factory is working, opportunity will definitely come," he said.

Source: *MINISTRY OF COMMERCE, PRC*

China's exporters challenged amid US credit crisis

DATE: 2008/04/25

Exhibiting at China's largest trade fair may not be a painkiller for tens of thousands of Chinese exporters who have felt a pinch under the spell of the US credit crisis.

It is too early to see how many orders would be signed during the ongoing biannual Canton fair held in Guangzhou, capital of south China's Guangdong Province, but gloomy prospects have prevailed among domestic manufacturers and traders who have witnessed a slower increase, or even a drop, in their orders.

"The growth of export orders in the first quarter of this year fell sharply to 20 percent from 140 percent in the same period of last year," said Cao Xiaojian, vice chairman of the Jiangsu Shuntian Co., Ltd. at the fair.

Meanwhile, the accelerating rise of the yuan makes things worse. Cao said that a 1 percent rise in

Source: China Textile Network Company

the yuan would result in a sales profit decrease of 2 percent to 6 percent. He admitted a quarter of managers in the factories under the largest Chinese textile enterprise have been sacked.

The impact of the lower external demand on small and middle enterprises is catastrophic. "A US client used to order five million meters of jean fabric a year, but this year's order reduced to only one million meters," said Zhang Meng, a businessman from Lanyan Group, a major domestic jeans material producer based in Zibo of east China's Shandong Province. In Zhoucun District in the same city, only 70 out of the total 100 clothing factories opened after the Spring Festival this year, said Zhang.

"Export increase of machinery and electronic products to the US slowed to 18.9 percent in 2007, down from 26.4 percent in 2006," said Zhang Yujing, vice chairman of the China Chamber of Commerce for Import & Export of Machinery & Electronic Products. He predicted the growth would likely to further slow this year.

From January to March, China's total exports rose 21 percent to US\$206 billion, 6.4 percentage points lower than a year earlier. The exports to the U.S grew 5.4 percent to 53 billion yuan, 15 percentage points lower than the same period of last year, according to customs statistics.

In the trade hub of Guangdong, the growth of exports to the United States dwindled to 4.8 percent in the first quarter of this year from 15.5 percent in the same period of 2007, said Wu Gongquan, vice director-general with the department of foreign trade and economic cooperation of the province.

"Given the sluggish US market, this year will be tough for export sectors," Wu said.

"Chinese goods are popular among the US consumers, yet we still have to reduce purchase because of the decreasing US demand," Ben Noonan, sourcing manager of the Smartful Home, a US textile importer, told Xinhua.

"Not only the US market, but a global slowdown under the impact of the global credit crisis would affect China's exports industries," said Zhang Yansheng, director of the International Economic Research Institute under the National Development and Reform Commission.

Experts believe deceleration in exports will help reduce the trade surplus, which shrank 10.8 percent year-on-year to 41.42 billion US dollars in the first quarter, according to customs figures.

Minister of Commerce Chen Deming said on Tuesday that export growth remained in a reasonable zone, while the impact of the global credit crisis would be closely monitored.

He said that gains in exports to the United States had slackened while those to the European Union, Japan and new markets were on the rise.

"The US and European markets are not the only choice for Chinese enterprises. The profitability would be pretty high in African markets like South Africa and Egypt," said Cao Xinyu, vice chairman of the China chamber of commerce for textile import and export.

Largely due to the global economic slowdown, economists around the world have geared down forecast of China's economic growth.

Early in April, the World Bank cut its 2008 forecast for China by 0.2 percentage points to 9.4 percent -- its second reduction in as many months. The Asian Development Bank also lowered its 2008 forecast for China's economic growth to 10 percent from 10.8 percent.

The Chinese Export Commodity Fair, a biannual event launched in 1957, consists of two phases:

textiles and garments, home electric appliances and machineries in the first phase that is scheduled from April 15 to 20; and souvenirs, gifts and food stuffs in the second, from April 25 to 30. About 18,660 enterprises from home and abroad are attending.

Source: *MINISTRY OF COMMERCE, PRC*

China textile giant acquires US garment firm

DATE: 2008/04/22

Youngor Group Co. Ltd., China's leading textile manufacturer, has acquired XinMa Apparel International Limited for US\$120 million, the company announced on January 23. XinMa, affiliated to Kellwood Company of the US, is one of the three biggest apparel companies in Hong Kong, and has a big network of distributors, clients, logistics and distribution worldwide.

Under the acquisition, Youngor receives XinMa's 14 manufacturing bases in Sri Lanka, the Philippines and the Chinese mainland. The deal is expected to raise Youngor's sales revenue by US\$360 million, bringing the group a net profit of US\$12 million.

Experts have said that the acquisition shows that more Chinese mainland companies in traditional business are seeking markets and resources throughout the world.

Source: *Wu Qi reports, Wool*