

**EXTRACT**

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**Inflation in Apparel Producing Countries**

DATE: 2008/06/06

Inflation continues rising in apparel producing countries with prospects of higher labor costs ahead. New demonstrations of garment workers were reported in Bangladesh while similar protests may happen in Vietnam after prices soared more than 20% in May. We below compare estimated inflation rates in emerging countries, in order to identify more vulnerable origins.

New strikes and violent demonstrations were again reported in the past days in Bangladesh as garment workers were protesting against the rise in consumer prices.

Clothing worker unions are requesting a significant increase in salaries after food -and more especially rice- prices soared in the past months.

Inflation significantly rose since the start of the year, with a double-digit increase in prices being now reported.

Rice prices doubled in the past year and this may trigger a strong rise in wages in apparel factories.

**Vietnam's World Record**

A similar situation may be observed in Vietnam where inflation rate is one of the highest in the world, reaching a record 25.2% in May.

A series of strikes were earlier reported in foreign-owned plants, mainly producing shoes and other products. Fears of new strikes are now more evident in the country.

Food prices were up 42.40% from a year earlier with grain prices even surging 67.80%, including rice.

Vietnam's apparel exports continue apparently surging, however, thanks to the fall in China's competitiveness on the lower side of the global apparel sourcing market.

Other Asian countries are confronted with soaring consumer prices and have difficult choices to make in order to protect poorer workers.

**Subsidizing Or Not Subsidizing?**

Source: China Textile Network Company

A series of countries have preferred heavily subsidizing basic staples, like gas, rice or bread in Egypt.

The cost of such economic policies could rapidly be unbearable, especially with crude oil prices reaching extremely high levels in May.

Indonesia decided to no more subsidize fuel and raised prices by an average 28.7% from the end of last month.

In Malaysia by contrast, authorities did not yet increase gas prices.

Governments are everywhere trying to limit increases in salaries in order to avoid a well-known price/wage spiral which would boost inflation to higher levels.

A solution would consist in only subsidizing products for the poorest citizens while others would have to pay the real market price.

In India, inflation is relatively lower but rising with wholesale prices increasing by 8.1% in the week to May 17th, according to latest official data.

#### Raising Minimum Salaries

In Thailand, the government significantly raised minimum salaries effective from June.

The rise in wages remains far below inflation rates, however, while the decline in the baht should support exports in the near term.

In Indonesia like in other countries all over the world, higher food prices led to a fall in domestic demand for textiles and apparel, down 27% in the first quarter of 2008. Inflation reached 8.96% in April, up from 7.4% in February and 8.17% in March.

Apparel retail sales were also negatively affected in India.

The table below offers an opportunity to compare inflation trends depending on apparel producing countries.

Prices are faster rising in Vietnam, Sri Lanka or Egypt while Thailand, Philippines and Morocco have relatively lower inflation rates, according to the International Monetary Fund (I.M.F.).

*Source: EmergingTextiles.com*

## **EU/China Clothing Imports and Licences in May 2008**

DATE: 2008/06/06

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The removal in quantitative limits is resulting in a dramatic increase in EU imports from China in former quota categories, May data confirm. An acceleration in the arrival of Chinese shipments was even observed in May while the level in export licences being issued in China announces a stronger increase in June.

EU clothing imports from China continued dramatically increasing in May in categories where quotas have been eliminated on January 1st, 2008.

A surge within the surge may even be observed with pullovers in category 5.

EU pullover imports from China rose from 28.37 million pieces in April up to 71.18 million in May, a 200% increase in a single month.

Compared with the same month in 2007, imports of Chinese pullovers even surged 266%.

#### Brassieres and Bed Linen

The monitoring system of the EU Commission allows following the level in export licences which are issued in China.

In May, licenced quantities continued surging 166% in the pullover category, indicating that EU imports will again sharply rise in June.

There was a similar increase with brassiere imports from China which doubled in May from April and were up 165% from a year earlier.

Quantities under license even rose more than 200% in May from the same month in 2007, announcing an acceleration in brassiere imports in June.

Similar increases were reported for bed linen, W/G shirts and dresses.

T-Shirt and trouser imports are less dramatically rising.

Since the level in quotas was very low compared with China's potential sales, this surge in quota-freed categories is not so spectacular.

*Source: emergingtextiles*

## Government Support To The Cotton Industry

DATE: 2008/06/05

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The World Trade Organization (WTO) treaty was originally implemented to ensure open borders around the world, though, as usual, not everybody is applying the same yardstick. However, the influence of the WTO seems to affect the cotton business. Direct government subsidies currently provided by seven countries through production programs are estimated to have decreased from \$3.7 billion in 2006-07, to less than \$1.7 billion in 2007-08.

### United States

Over the past two seasons, only the US Pima competitiveness program has remained in effect. Total direct US support to cotton production has declined from \$2.9 billion in 2006-07 to an estimated \$1 billion in 2007-08. Over the past 10 years, the highest US direct support to cotton production, \$3.9 billion, was provided in 2004-05, an equivalent of 35 cents per pound. Average direct assistance to production declined to 28 cents per pound in 2006-07 and to 11 cents per pound in 2007-08. Total premium and indemnity subsidies averaged \$234 million per year between 1997 and 2007, with the highest cost of \$482 million paid in 2001. The government received \$9 million in 2005 when the unsubsidized part of premiums exceeded premium subsidies and indemnities. Total crop subsidies fluctuated from 0.5 cents per pound of total production to 5 cents per pound over the past 10 years. In 2007-08, total crop insurance subsidies are estimated at \$40 million or 0.4 cents per pound of total production.

### European Union

Up until 2005-06, payments under the European Union (EU) Common Agricultural Policy (CAP) were based on estimated seed cotton production, for a maximum of 782,000 tons in Greece and 249,000 tons in Spain. Payments had a combined CAP floor payment of 770 million euros. Changes

Source: China Textile Network Company

in EU CAP policies were made effective Jan. 1, 2006, and are applicable to the 2006-07 and 2007-08 crop years. Under this new program, EU cotton producers receive 65 percent of EU support as a single decoupled payment income aid and the remaining 35 percent as an area payment coupled or production aid. The amount of coupled support that resulted in actual cotton production in 2007-08 is estimated at \$354 million up by \$35 million and most of the increase is caused by the depreciation of the US dollar. The amount of direct subsidy per pound of cotton in 2007-08 increased from 33 to 40 cents per pound for Greek cotton and from 85 to 102 cents per pound for Spanish cotton. The higher direct subsidy per pound of cotton in Spain is due to significantly lower-than-average yields.

Source: *Textile World*

## **Chinese Textile/Apparel Investment Expands in 2008; Total Manufacturing Expands**

DATE: 2008/06/05

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After seeing capital investment expansion in the Chinese textile and apparel complex slow to single-digit increases in February, growth re-accelerated in March and April, with cumulative fixed asset investment climbing 17.0% from the same period in 2007. The renewed expansion is occurring in textiles (up 13.4%) and apparel, footwear, and headwear manufacturing (+19.7%), but new investment in the chemical fiber industry (+29.5%) is seeing the biggest increase in FAI so far in 2008.

Even with these resurgent cumulative increases in 2008, the "smart money" in China slowly continues to migrate away from textiles and apparel. Total capital investment in manufacturing in China is up 31.2% through April, for the first time growing faster than investment in textiles and apparel, implying there are relatively fewer manufacturing investment dollars going into new capital projects geared to textiles and apparel in China.

Source: *globecotnews*

## **Luxury brands don't utilise internet**

DATE: 2008/06/05

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A report by Forrester Research has revealed as many as two thirds of global luxury brands are not utilising the internet to sell their products online.

The report, which was commissioned by Walpole, showed many brands are not cashing in on double-digit online sales growth, despite eight out of 10 global affluent consumers using the internet daily.

Furthermore, of those luxury brands which don't sell online which don't sell online, over half have no plans to join the online market.

Report atuer Victoria Bracewell Lewis stated responders who don't sell online argues it was "inappropriate" or that customers preferred the physical retail experience. However firms surveyed which sell online reported booming business, with internet sales up 17 per cent this year.

Bracewell Lewis said brands such as LVMH, Orient Express and Net-a-porter are leading the luxury sector online. However, many lag behind. "Executives need to stop trying to duplicate the in-store experience online with poorly functional albeit glitzy sites; they should instead look for opportunities to help customers save time, research and order goods and services, and get assistance online," the author said.

Source: China Textile Network Company

Executives working at 178 luxury brands from across the world were questioned, as published in City A.M. on Monday.

Source: [www.fashionunited.co.uk](http://www.fashionunited.co.uk)

## **China's economy to grow moderately slower in 2008**

DATE: 2008/06/04

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China's economic growth is likely to stay high but "may moderately slow down" this year, according to the country's central bank.

The economy would be affected by a decelerated world economy, weakened by outside demand and domestic disasters such as the snowstorm in January and February and the 8.0-magnitude earthquake in southwestern China, said the People's Bank of China (PBC) in a report on its website.

It noted that the country's central areas, the hardest-hit by the snow storm, need to strengthen infrastructure such as power, transport and telecommunications facilities.

Post-quake recovery work was also an arduous task, it said.

Official data showed the freak winter had led to a direct economic loss of 151.6 billion yuan (about 20.8 billion U.S. dollars), while economists estimated the quake loss could reach hundreds of billions of yuan.

The government would continue to carry out a tight monetary policy and properly control bank credits this year, according to the report.

Innovative, conservative enterprises as well as rural and service sectors should enjoy preferences in getting loans while lending to smokestack, polluting and overproducing industries must be checked, said the PBC.

"More priority should be given to curbing price rises and preventing inflation," it said.

The PBC suggested increasing supplies of grains, edible oil, meat, eggs and vegetables to rein in surging food prices.

China will see its annual gross domestic product (GDP) growth slow down to 9.8 percent this year and 8 percent in 2009, compared with 11.9 percent last year, according to a forecast by Lehman Brothers.

Individual housing credit risk, which had triggered a U.S. sub-prime crisis, would be basically under control in China in the short term, the PBC noted.

It said the default risk caused by inadequate economic ability to repay the housing loans was relatively small in China, while most borrowers had good credit.

The average proportion of down payment in housing loans was 37.2 percent in the country, while only 3.7 percent of surveyed house buyers were unable to repay the loans in time because of money shortage, according to the PBC report.

Meanwhile, the country's commercial banks could face larger risks from borrowers who repay their housing loans in advance due to interest rate hikes and income rises, which would add uncertainties

Source: China Textile Network Company

to the banks' fund use plan, it said.

Outstanding housing loans to individuals reached 2.7 trillion yuan as of the end of 2007, 36.1 per cent up year on year and accounting for nearly 10 percent of all loans in the country, said the PBC.

*Source: Xinhua*

## **2008 China (Zhengzhou) Textile & Apparel Forum to open in June**

DATE: 2008/06/04

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2008 China (Zhengzhou) Textile & Apparel Forum with the main theme of "focusing on Middle China, opportunities in China textile and apparel industry reform ", will be held on Jun. 12, according to sources.