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China's booming economy shows signs of weakening

DATE: 2008/08/07

BEIJING: Changshu Zhongjiang Import-Export Co., a clothing exporter in Suzhou, west of Shanghai, is accustomed to double-digit annual revenue growth. This year, with its key U.S. export market limping, sales have fallen an alarming 10 percent.

Changshu, with 580 employees, has avoided layoffs but profits will be down as much as 85 percent from their 2005 peak, said Xue Jianfang, the company's vice president.

"We are not going to switch to domestic sales, because the domestic market is even worse," Xue said. "There are still some profits in this industry, but they are squeezed."

China's booming economy, a bright spot amid global gloom, is weakening in areas ranging from clothing exports to auto sales to manufacturing. Communist leaders who have spent a year fighting politically dangerous inflation are scrambling to change course and avert job losses by revving up struggling industries.

"Growth concerns have definitely become more important," said Grace Ng, a JPMorgan Chase & Co. economist. "I don't think they have come to the definite conclusion that we are having a sharp slowdown in growth, but they are clearly cautious. They do not want to re-ignite inflation pressure."

Companies are suffering a triple blow from record-high costs for energy and raw materials, slowing foreign demand and a rise in China's currency, the yuan, which makes their goods more expensive for American consumers.

A slowdown could have a global impact if China buys less factory equipment from the United States and Europe or oil and raw materials from developing countries. It would set back hopes that as U.S. demand falters, China would fill the gap in global growth.

Analysts expect economic growth to fall as low as 9 percent this year. That's well ahead of other major countries but a sharp decline from 2007's 11.4 percent. That worries Chinese leaders, who need to create jobs and satisfy urban workers who have come to expect steadily rising living standards.

Premier Wen Jiabao and other top economic officials could be politically damaged if they fail to cope with the problem.

Source: China Textile Network Company

"I think there is a bit of gridlock and not a lot of consensus about what to do," said William Hess, chief China analyst for the consulting firm Global Insight. "For some senior leaders who have come out and taken personal responsibility for the issues, they face some career pressures."

Textile exports fell 4.2 percent in June from the same month last year, a serious blow to an industry that employs millions of people. Overall export growth in June was 18.2 percent, down from May's 28 percent rate.

Two weeks ago, the Communist Party's ruling Politburo issued an economic plan that switched its stance from just taming prices to a dual mission of "ensuring stable and fast growth and preventing inflation."

Last week, in a first step to help individual industries, the government raised rebates of value-added taxes on textile exports by 2 percentage points to 13 percent. That reversed a decision last year to cut such rebates in hopes of narrowing China's swollen trade surplus and reducing a flood of export revenues that is adding to pressure for prices to rise.

On Wednesday, the government extended support to small businesses by boosting lending limits for local banks by 10 percent.

Also this month, auto consulting company J.D. Power and Associates cut its forecast of China's 2008 auto sales from 6.2 million units to 5.95 million. It said higher gasoline prices were prompting drivers to delay car purchases. That would be a blow to global automakers that are counting on China's fast-growing market to drive sales at a time of slumping demand in the United States and Europe.

"In the second half, exports will continue to slow down while consumption will remain stable and investment drop slightly," Liu He, vice minister of the Communist Party's Central Leading Group for Financial Affairs, said in comments published in the party newspaper People's Daily.

Liu said Beijing was considering tax rebates for labor-intensive industries and changes in energy pricing but gave no details.

The new growth strategy is a departure for a government that has spent two years trying to slow rapid growth in exports, credit and investment. Beijing has repeatedly hiked interest rates and imposed curbs to cool a boom in construction and investment that it worries could lead to a debt crisis.

Consumer inflation eased in June but prices still were up 7.1 percent from the same month last year. That was down from May's 7.7 percent though well above the official target of 4.8 percent for the year.

Even as consumer inflation eases, the economy faces problems as Chinese companies are forced to pay higher costs for energy and raw materials. Prices paid by steel mills for iron ore have nearly doubled. The government added to companies' costs in June by hiking fuel prices to curb demand.

"The places that are feeling the effects previously were engines of job creation, and that's a big worry for policymakers," said Hess.

Elsewhere, some parts of China's economy are still healthy.

Retail sales in June turned in the strongest monthly growth on record, rising 23 percent from the same month in 2007. Investment in factories and other assets rose 26.3 percent in the first half from the year-earlier period. Economists say it might even be accelerating.

German engineering giant Siemens AG, which sells equipment for Chinese steel mills, power plants and factories, has seen no slowdown in orders, said Richard Hausmann, president of Siemens China.

“We are running at our capacity limits at the moment in supplying China with steel plants,” Hausmann said. “This is really a boom.”

Bonnie Cao in Beijing contributed to this report.

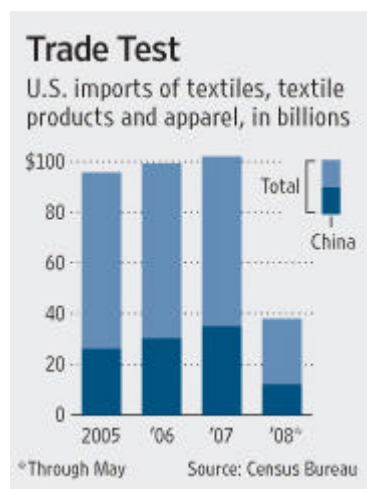
Source: www.iht.com

Textile Industry Lobbies for Renewed Protections

DATE: 2008/08/07

WASHINGTON—U.S. producers of textiles and apparel want new protections against Chinese imports. With existing import caps slated to expire Jan. 1, the issue could provide the first test of the next president’s trade credentials.

The Bush administration imposed the curbs three years ago after U.S. producers said a surge of low-cost textiles from China was threatening the domestic industry. The curbs, which applied to everything from cotton shirts and pants to brassieres and skirts, were negotiated with China after the Bush administration signaled its intention to impose restraints. The increase in Chinese imports followed the dismantling in early 2005 of a global system that tightly controlled textile trade.



With China likely to challenge through the Geneva-based World Trade Organization any U.S. effort to extend the existing limits, U.S. industry officials are pushing for the U.S. to set up a program that would monitor textile flows from China. Such a program would commit the U.S. government to pursuing limits on imports if the Chinese were found to be shipping textiles to the U.S. at unfairly low prices or if such goods were found to have been produced with unfair government subsidies. The U.S. has a similar program to monitor Vietnamese textile

The domestic textile industry is also considering asking trade authorities to file a complaint with the WTO aimed at pressuring China to end all government subsidies to its textile industry imports.

“If you want to get serious about trade, you’re going to have to define a policy with the biggest player on the block,” said Augustine Tantillo, executive director of the American Manufacturing Trade Action Coalition, or AMTAC, an industry trade group.

The trade group and the National Council of Textile Organizations, another textile group, are pushing for the new protections.

So far, the Bush administration has shown no interest in wading into the issue.

Democratic presidential candidate Barack Obama, a free-trade skeptic, has signaled a willingness to dust off a provision of U.S. law that allows the U.S. to erect protections for industries that face competitive pressure from their Chinese counterparts. “Barack Obama will administer this law, as Congress intended,” an Obama spokesman said.

Republican presidential candidate Sen. John McCain, a free-trader, isn't expected to support any efforts to erect new trade barriers. A spokesman for the McCain campaign declined to comment. U.S. retailers, which source many of their garments from China, expressed concern over the push by domestic textile makers for new curbs. The retailers say increased labor and fuel costs are weakening China's advantage in the global marketplace.

"Our view is that all of this is totally unnecessary," said Erik Autor, international-trade counsel at the National Retail Federation, whose members include [J.C. Penney](#) Co., [Saks](#) Inc. and [Macy's](#) Inc.

Chinese textile and apparel imports to the U.S. totaled \$34.9 billion in 2007, compared with \$30.1 billion in 2006. Such imports account for a small part of overall bilateral trade, which exceeded \$380 billion in 2007.

The textile industry has strong allies in Congress.

A group of U.S. lawmakers, including Reps. John Spratt (D., S.C.) and Howard Coble (R., N.C.), are backing the industry's efforts to win new protection.

Rep. Coble, whose mother once sewed pockets onto clothes at a factory in Greensboro, N.C., said he hopes the next administration will move to protect U.S. textile jobs.

Source: *WSJ Digital Network*

Why China adjusted export tax rebate rates for some commodities?

DATE: 2008/08/07

Interviewer: reporter Li Lihui
Interviewee: Official with the Ministry of Finance

From August 1, China will increase tax rebate rates on some textile and clothing exports by 11%-13%. This is the first pullback since China largely cut down the enterprise export tax rebate rate in September 2006.

Enhance competitiveness of textile exports

An official with the Ministry of Finance said the weakened international market demand drove the appreciation of the RMB and rising prices of raw materials and labor costs this year; while bringing down the profits of enterprises exporting textiles. Given the slow down in export growth, enterprises face enormous operational pressure. Data showed that in the first half of this year, exports of textile and apparel totaled \$83.851 billion, an increase of 11.11% percent over the previous year; and a decline of 6.4 percentage points compared with the growth rate of the same period last year. Under such circumstances, it is necessary to adjust the fiscal policy to help tide enterprises over in the crisis and maintain the steady, rapid development of foreign trade and exports in the country.

The Official maintained that raising the export tax rebate rate can directly reduce export costs and increase business profits, which will help to reduce pressure on export textile industries, alleviate the fund shortage resulting from the tight monetary policy, and play a positive role in improving the competitiveness of textile and clothing exports.

In addition, textile and garment enterprises belong to labor-intensive industries, which play an important role in absorbing labor. Raising the export tax rebate rate can enhance their ability to withstand market risks, support SMEs to overcome operational difficulties, and further develop

Source: China Textile Network Company

healthy urban and rural labor employment.

Case by case treatment

According to the official, the central government's goal for economic work in the second half of year is to maintain steady and rapid economic growth and promote fast and sound economic and social development; while curbing the rapid price increase and striving to gain a reasonable range of price control. In order to achieve this goal, we must adhere to the focus, pace and momentum of macro-control; approach issues on a case by case basis; and provide flexible and accurate solutions.

In addition to raising tax rebates for some textile and clothing exports, China cancelled exports tax rebates for some products with high-energy consumption, high pollution and resource demand. Products affected include red pine nuts, some pesticide products, some organic arsenic products, some paint products, some battery products and carbon anode. The cancellation of export tax rebates for these products is conducive to reducing emissions, reducing wasted resources, and promoting economic restructuring.

Source: Xinhua

CNTAC officially joined ITMF

DATE: 2008/08/05



The top officials of China National Textile & Apparel Council (CNTAC) including President Mr. Du Yuzhou, Vice Presidents Mr. Wang Tiankai, Mr. Gao Yong and Mr. Sun Ruizhe and Vice Secretary General Mr. Xu Yingxin met the senior delegation of International Textile Manufacturers Federation (ITMF) composed of President Mr. Walter Simeoni, Vice President Mr. Halt Narin, Director General Dr. Christian Schindler and Special Envoy Mr. Heinz Bachmann in Shanghai on July 28, 2008. This was the first official meeting of the two organizations since CNTAC became a member of ITMF in this April.

The two parties held the talks on the position and function CNTAC would take in ITMF and on how to better develop the cooperation with each other in future. The meeting indicated that CNTAC would start to participate in the various activities of ITMF and fulfill the duties and obligations it should take as a national representative.

At the meeting in Zurich on April 17, 2008, the Committee of Management of ITMF accepted the proposal of the Board regarding the new status of the Taiwan Textile Federation (TTF) in ITMF. The proposal affirmed that TTF would enjoy the status of an associate member instead of a member and all ITMF activities and documents would identify region Taiwan as "Taipei, China" or "Taiwan, China". The proposal defined as well that CNTAC should be the sole national representative of China textile industry and the only full member association representing China in ITMF, having the right to vote in the Committee of Management.

The acceptance of the proposal by the Committee of Management paved the way for CNTAC's membership in ITMF. Therefore, CNTAC made the formal application to join ITMF on April 17, 2008 and the application was accepted by the Committee of Management immediately.

CNTAC is the national Federation of all textile-related industries and the membership includes the textile and clothing industrial associations and other economic entities that have the direct company members. CNTAC is dedicated to provide the service in the modernization of China textile and clothing industry. ITMF, founded in 1904, was one of the oldest non-governmental international organizations in textile industry. Through more than 100 years' development, ITMF has become the Federation of the major parts of the world textile production, representing the broadest segments of the world textile industry ranging from downstream to upstream. The annual conferences of ITMF have been the important stage for the textile players across the world to exchange views and ideas.

Thanks to the constant efforts jointly by ITMF and CNTAC, China has become a member of ITMF finally after solving the status issue of TTF in ITMF. China has a very important position in the world textile society as it's the biggest producer, consumer and exporter of the textiles and its fiber processing capacity accounts for 40% of the world's total. CNTAC's membership makes ITMF more representative and influential in the world textile industry. CNTAC joining ITMF will also help Chinese textile industry in developing the exchanges and cooperation with the international counterparts. It is the common wishes of the most ITMF members to absorb CNTAC as a sole national representative of Chinese textile industry in ITMF and more importantly it is in accordance with the developing trend of the world textile industry. It is believed that CNTAC's membership in ITMF will promote the harmonious development of the world textile industry, enhance the industrial exchanges and cooperation, and consequently make the production and trade of the textile industry in the global scope healthier and more orderly.

Source: CNTAC

Asian Polyester Prices Advance 2 - 3 Cents in July

DATE: 2008/08/05

The upward movement in crude oil prices earlier this summer to a new all-time record has long led to expectations that global polyester fiber prices would move higher, especially in the depressed Asian markets. Raw material prices have declined from their highs due to the drop in crude prices over the past 30 days. In July, polyester fiber prices in the Asian markets, outside of China, averaged 66.00 to 70.00 U.S. cents per pound, which was up from the second quarter 2008 price of 63.00 to 68.00 cents, C+F—these prices were for 1.4/1.5 Denier staple fiber. Markets in Taiwan, Thailand and South Korea are firming due to the reduction in capacity of some larger producers because of poor profit margins. July prices in China were steadily holding at 12,000 yuan per ton or approximately 79.77 U.S. cents per pound, which was up slightly from the second quarter average price of approximately 76.78 U.S. cents per pound.

Domestic polyester prices in the U.S. are holding near a record at 100.00 to 103.00 U.S. cents per pound versus the second quarter price of 90.00 to 97.00 U.S. cents. The same is true in Europe, where prices are averaging 100.69 to 118.38 U.S. cents per pound. Domestic polyester prices in India have also been rising, reaching 74.50 rupees per kilogram in July or approximately 79.60 U.S. cents per pound, the highest price of the year

Grade/Quality	July 2008 Average Price		2nd Qtr 2008 Average Price	
	Local	U.S. Cents per Pound	Local	U.S. Cents per Pound

Source: China Textile Network Company

Asia 1.4/1.5 Den Staple Fiber C+F Outside of China	----	66.00 - 70.00	----	63.00 - 68.00
China Short Staple	12,000 Yuan per Ton	79.77	11,567	76.78
India 1.4 Staple Fiber	74.50 Rupees per Kilogram	79.60	62.50 Rupees per Kilogram	66.24
U.S. 1.2/1.5 Den Staple Fiber Delivered Mill	----	100.00 - 103.00	----	90.00 - 97.00
Western Europe	----	100.69 - 118.38	----	96.16 - 114.30
Pakistan 1.4 Den Staple Fiber	126 Rupees per Kilogram	80.49	105 Rupees per Kilogram	67.08

Source: GlobecoNews

U.S. Retailers Order Less Apparel for Christmas 2008

DATE: 2008/08/04

U.S. economic woes are continuing to cause anxiety among many of the major U.S. retailers. Across the entire U.S. retail sales market, reports are surfacing that retailers are heavily focusing on reducing inventories and limiting selections to goods that move. Christmas is the major sales season for U.S. retailers, with last year's sales reaching 469.9 billion U.S. dollars. Given credit constraints all retailers face, the focus on limiting cash outlays at many large chains is reducing inventories up to 10 percent or more. This is done to improve cash flow and limit the volume of unsold product they will have to sell at a discount. Retailers will also concentrate on any exclusive deals with apparel manufacturers that might give them an edge with consumers. In a move that appears set to reduce apparel offtake, many chains have indicated more attention will be on non-apparel items such as purses, electrical items, accessories, etc. this holiday season, with less emphasis on sweaters, shirts, jeans, etc.

Concern over the holiday season is making it difficult for apparel exporters to obtain the price increases needed to maintain their profit margins, which is putting pressure on all markets. Reduced orders from the U.S. will affect the higher-cost exporters. Bangladesh and Vietnam seem to be maintaining order flow due to their concentration in Wal-Mart and other discount chains, while Indonesia and India appear to be fighting to hold order flows. China's orders are weaker, with many of the Chinese exporters shifting their focus to other markets, especially with the medium and lower-priced products. Mexico is continuing to have a difficult time despite the freight advantage to the U.S. market.

Source: GlobecoNews

The grey Olympics: Should the fashion industry be worried?

DATE: 2008/08/04

If, in the next few fashion seasons, the colour palettes on runways and in stores seem exceptionally monochromatic, blame it on the Beijing Olympics. That's what some people in the international textile industry are doing.



As part of its pre-Olympic smog clamp down, the Chinese government has closed dyeing factories, along with other pollution-generating industries, within a 200-kilometre radius of Beijing. Because China controls the majority of the textile dyeing industry, that's caused a shortage of hues, usually in abundance. Dyed fabric prices have shot up in the last few weeks, and the chemicals that are used to make the rainbow of coloured pigments that tint thousands of metres of fabric in Asia are now in short supply. Some estimate that the input costs of dyeing fabric have risen by 25% in the last few weeks.

India, which has had a long tradition of textile dyeing, but which in recent years has closed down many of its manufacturers because they couldn't keep up with low-cost China, is now voicing the loudest complaints.

Rajat Sood, general secretary of the Ludhiana Dyeing Association (Cotton Division), told the Indian Express "if the Chinese industry faces any crisis, it directly impacts us." And Dilip Jiwrajka of Alok Industries, a textile manufacturer, told the BBC: "For the country [India] as a whole and for the industry, it's a major problem. We've been given to understand by the dye manufacturers that the Chinese dyes - particularly the lower and the middle end - are not available. If they are available, they're very expensive, resulting in the closing down of some small and medium-size units."

Of course, there is every likelihood that as soon as the athletes leave Beijing, factories will go back to belching out smoke.

Still, all eyes are on what happens after the Olympic Games. Colour forecasters have been wondering whether they should tell us to think beige and only beige for the next few seasons.

Chances of monotonous fashion aren't very likely, says Rachel Crumbley, a trend analyst at Cotton Inc., in New York, a marketing company that represents upland cotton growers. "Consumers have been so accustomed to colour they will not be willing to give it up." But across the line, from textile industry experts to other manufacturers, the Beijing Olympic dyed-textile story is being seen as an impetus for changes in the dyeing industry as a whole.

"I don't think the Beijing situation will have much effect on the fashion colour palette, at least on the influential upper end," says U.S. textile writer and editor Gray Maycumber.

Still, Maycumber thinks we might see price hikes in lower-end clothes. While the Olympic games' clampdown may have caused a spike in dyed textile prices, many feel that after the games they will never be as cheap as before. And as China gets more sophisticated, manufacturing prices can only continue to rise.

“It will be interesting to see what overall effect the Olympics will have on Chinese business, particularly textiles,” says Maycumber. “There is more of a demand for higher wages, so I don’t see prices going down.”

As a result, some forecast the renewal or growth of dyed textile manufacturing in other countries in Asia known for their needle skills, countries that had been priced out of the market by China. In India, owners of deserted factories that closed several years ago are pondering reopening their plants.

The Olympic story has also shone a light on the global textile-processing footprint - one of the biggest around.

According to Sam Winchester, a chemical engineer and professor emeritus in the department of Textile and Apparel at North Carolina State University, “about 85% of the water used in textile processing is in wet processing, predominantly dyeing and finishing; about 75% of all the energy - and 65% of chemicals - needed to convert fibre into apparel is used in dyeing and finishing.”

The green trend has now hitting the dyeing industry. “There is a sustainability revolution going on,” Winchester says. “[It] is not a fad or something that will go away.”

At a recent international textile fair in Shanghai, green was the colour du jour. “The treasure of natural dyes,” and the “many pleasing combinations of natural dyes” were discussed and presented in forums. Morocco, where the dyeing industry plays a vital role in the economy, was chosen for a pilot eco-efficiency program of the dyed textile industry, sponsored by BASF, a major manufacturer of chemicals, and several United Nations environment and development organizations. The improvements from this project are meant to be applied to 27 developing countries with dyed textile industries.

How much the Olympics Games will be directly responsible for changes in the worldwide dyeing industry is debatable. But change is definitely in the air.

Source: CNTEX