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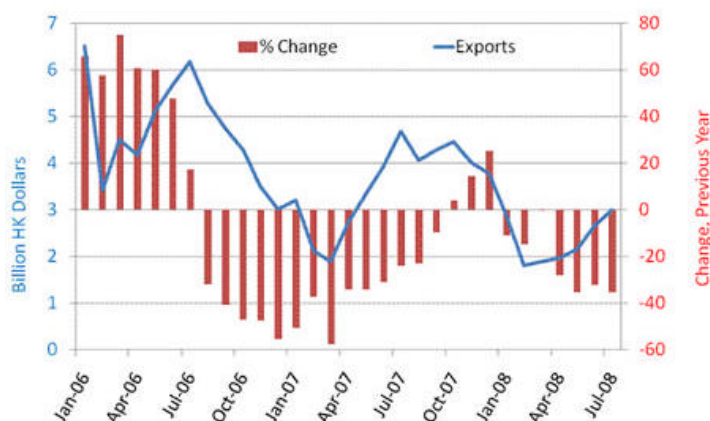
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Textile, Apparel Exports Fade of Hong Kong in July and YTD

DATE: 2008/09/05

Continuing the erosion witnessed over each of the last seven years, Hong Kong exports of textile and apparel products fell again in July, exacerbating the year-to-date decline. Total textile and apparel exports plummeted -35.7% in July, the steepest decline in sixteen months, falling to 3.0 billion Hong Kong dollars. Both textiles and apparel fell by double digits from a year ago. Textile exports dropped -17.3% from a year earlier, the 41st decline in the last 42 months. This pulled year-to-date textile shipments down -12.3% from the first seven months of last year, promising to extend the current sixteen-year streak of eroding textile exports. At the current pace, Globecot projects 2008 shipments will fall to 2.98 billion Hong Kong dollars, a record low.

July Hong Kong Textile & Apparel Exports Fade



Clothing exports are faring even worse. Shipments in this latest month fell to 2.762 billion Hong Kong dollars, down -36.9% from a year ago and the lowest July reading since 1981. July's fall accelerated the 2008 decline, down -26.9% from the first seven months of last year, virtually assuring that full-year shipments decline for the eighth straight year. Globecot forecasts peg 2008 Hong Kong garment exports falling to 24.5 billion Hong Kong dollars, the lowest total in 28 years.

Source: Globecotnews

Domestic Cotton Prices Remain Weak

DATE: 2008/09/05

Chinese domestic cotton prices remain very soft. The average spot price of T328 has declined to a new low for the year of 13,472 yuan per ton (89.47 U.S. cents per pound). Prices in certain provinces are even more depressed. Merchants are aggressive sellers of the Xinjiang consignment

Source: China Textile Network Company

stocks now held in eastern locations. The most assertive offers are of Xinjiang Grade 3 non-PCC cotton, which are now offered in Jiangsu at 13,500 yuan per ton, down 150 yuan per ton (approximately one cent per pound) below week-ago levels. This also represents a 300-yuan per ton (approximately two cents per pound) discount to PCC ginned and classed cotton. PCC cotton is HVI classed, low contamination, 480-pound bales and higher uniformity.

Grade	Yuan per Ton	U.S. Cents per Pound
T129	14,130	93.66
T229	13,873	91.96
T328	13,472	89.47
T428	12,963	85.93
T527	12,247	81.18

Source: GlobecoNews

July Yarn Trade Dominated by a Few Players

DATE: 2008/09/05

In July, China imported 70,718 tons of yarn and exported 45,047 tons. Pakistan retained its position as top import supplier, shipping 25,637 tons to China, while India, Taiwan, Hong Kong and Vietnam were the other major suppliers. A significant volume of imports continues to be classified as "from China", which remains a different classification. 70 percent of all exports are still moving to Hong Kong.



Source: GlobecoNews

Flawed Study on China Jobs Impact Distracts from Real Issues, USCBC Says

DATE: 2008/09/05

WASHINGTON, DC, July 30, 2008 - A study released today blaming widespread US job losses on trade with China is based on flawed analysis and distracts from the real challenges facing the US economy and the trade relationship with China, the US-China Business Council (USCBC) said today.

"The Economic Policy Institute's study, 'The China Trade Toll,' assumes that every product imported from China would have been made in the US otherwise, which is clearly wrong--several decades wrong, in fact," said John Frisbie, USCBC's president. "Think about a Sony TV. It used to be made in Japan--and was an import. Look on the label now and it is likely made in China--and still an import." Frisbie continued, "Much of what we import from China is replacing imports from other

Source: China Textile Network Company

countries, not products we make in the US today. A jobs impact study that ignores the facts undermines its own credibility."

The United States remains the world's largest manufacturer, with manufacturing output hitting an all-time high last year. US manufacturing jobs have been in a long decline over the past four decades, long before China came on the scene, and now constitute about 10 percent of total US employment.

"The simple reason for the decline in manufacturing jobs is productivity--the US makes more with fewer people, because of productivity and technology advances," continued Frisbie.

Some workers nonetheless do lose their jobs to lower-cost imports. US policymakers need to ensure these workers have the opportunity to transition to new work in growth sectors of the economy.

"The key is not to build walls around the US to isolate us or cut us off from our growing export opportunities with China," Frisbie said. "The key is to make sure our companies and workers stay competitive and remain global leaders in manufacturing--and that means encouraging innovation, improved education, better healthcare policies, and sensible energy policies."

In addition, Chinese trade policies that create unfair advantages should be addressed through focused dialogue and the use of available trade dispute tools to level the playing field.

"Critics dismiss the effectiveness of dialogue, but dialogue has produced a nearly 20 percent appreciation in China's exchange rate, nearly the amount critics claimed was necessary two years ago," Frisbie said. "The US just won a World Trade Organization case against China to remove barriers curbing US auto parts exports, and has three more cases pending to address China's poor record of protecting intellectual property rights and remove barriers that keep out American movies and financial news services." Frisbie concluded, " We need to continue this mix of effective dialogue and the use of trade rules to ensure the US benefits from what is our most important economic relationship now and in the future."

The USCBC is the leading organization of US companies engaged in business with the People's Republic of China. Founded in 1973, the USCBC provides extensive China-focused information, advisory, and advocacy services, along with events, to more than 250 US corporations operating within the United States and throughout Asia.

Source: US-China Business Council.

China' s textile export growth slows

DATE: 2008/09/04

The export delivery value of the Chinese textile industry totaled 435.2 billion yuan (\$63.56 billion) in the first seven months of this year, up 7.9 percent year-on-year, said the National Development and Reform Commission on Tuesday.

Yet the growth rate was eight percentage points lower than the previous year.

Industry experts attributed the decline to the appreciation of the yuan and the weakening demand of major consumption countries, according to Shanghai Securities News.

Garment exports to the United States, one of the major importers of Chinese garments, for example, increased only six percent in June.

The downtrend of Chinese textile exports will last in the short run, said Shanghai Securities News, quoting industry experts. It depends on the trend of the appreciation of the yuan and the US consumption demand.

The Ministry of Finance increased tax rebate rates on some textile and clothing exports from 11 percent to 13 percent from August 1. Experts believed that the policy would be a great impetus to textile exports in August and many textile and garment companies have postponed their export orders to enjoy more preferential rate.

During the January-July period, China produced 12.2 million tons of yarn, 31.8 billion meters of fabric, 14.02 million tons of chemical fiber and 11.5 garments, up 10.8 percent, 6.7 percent, 4.8 percent and 6.2 percent year-on-year respectively, the commission said.

Source: *China Daily*

Economists: China's economy still in shape

DATE: 2008/09/03

The Ministry of Commerce (MOC) has officially made suggestions to the State Council, or the cabinet, to increase tax rebates for certain exporting items including garments, toys and shoes, in a move to prevent exports from sliding significantly, Nanfang Daily reported Tuesday, citing unnamed sources.

Customs data showed that trade surplus for the first six months shrank to \$99 billion, down by 11.8 percent year-on-year, and the trade surplus in June alone declined by more than 20.6 percent, making it \$5.5 billion less than the previous month.

Exports of the most seriously influenced textile and garment sectors declined by 4.2 percent year-on-year to \$15.5 billion in June, representing the slowest increase in five years.

The sources said last week the State Council required the MOC to hand in a report on China's foreign trade in the first half of this year.

In the report, the MOC said export enterprises need more time to make adjustments to unexpected challenges such as rising raw material prices, the appreciation of the yuan and the slowdown of US economy, or more firms will close their doors, the newspaper reported.

"Some industries, especially the garment and textile sectors, are facing export difficulties brought by the international economy change and the appreciation of yuan," said vice minister of commerce Gao Hucheng on Monday.

Gao said the MOC and related parties are working on policy changes accordingly.

The newspaper said the ministry has suggested that policies shift to support the export businesses by increasing tax rebates and slowing down yuan appreciation.

China's currency, the yuan, last Friday broke the 6.84 mark to set a new high against the weakening US dollar for the second consecutive day.

The newspaper said in its report that the textile export rebate will be increased to 13 percent from 11 percent, and the garment export rebate will be lifted to 15 percent from 11 percent.

"Given the pain of the textile enterprises, it's just a matter of time before the government shifts its policies," said Wang Qian, Webtextile.com editor-in-chief was quoted by the newspaper as saying.

At the beginning of the month, Premier Wen Jiabao visited Shanghai and Jiangsu. Last week, other top leaders, including Vice Premier Li Keqiang and Commerce Minister Chen Deming, travelled to export-oriented provinces and visited enterprises, many of which were in the textile sector.

This week, the central economic work conference will be held in Beijing, and the meeting will appraise the macro economy in the first half of this year.

Source: China Daily

Apparel Features: Global Attitudes

DATE: 2008/09/01

Consumers around the world seek products that add value to their lives including apparel with features that provide functionality beyond visual and textural appeal. To understand this growing market, the 2008 Global Lifestyle Monitor surveyed consumers in ten countries to gauge awareness of and interest in apparel features. The results reveal a worldwide interest in low-maintenance apparel, with awareness of specific features differing among countries. Wrinkle resistance and easy care consistently ranked high in both awareness and perceived value among global consumers, who also showed a consistent preference for natural fibers, such as cotton. The natural properties of cotton are enhanced by an increasing array of textile technologies, positioning cotton as an important component of the growing market for apparel with functional features.

Natural fibers perform

Regardless of which features global consumers want in their clothing, over half consider natural fiber content to be an important factor in their purchase decisions. In fact, over half (54%) of global consumers agree that clothes made of 100% natural fiber are of higher quality than synthetics, up 5 percentage points from 2003. A clear majority of consumers (64%) are willing to pay more for clothing made of natural fibers, such as cotton or wool, than for clothing made of synthetic fibers. When respondents were asked to compare cotton and polyester, cotton emerged as the clear favorite. Globally, 92% of consumers agreed that cotton was comfortable, compared with 31% for polyester. Cotton also was more often perceived as soft (88% vs. 29%), breathable (84% vs. 27%), and a "quality fabric" (89% vs. 34%).

The evolution of wrinkle resistance

Wrinkle resistance is one of the most recognized functional features in the apparel market. Globally, over two thirds of consumers said they disliked wearing wrinkled clothing, and of those consumers who were concerned about wrinkling and had heard of wrinkle resistance, 60% said they had purchased wrinkle-resistant clothing.

Overall, 61% of global consumers said they would pay more for wrinkle resistance; however, several factors have combined to erode the price premium commanded by this popular feature. Wrinkle resistance has a history of innovation, and the cost of manufacturing wrinkle-resistant apparel has been reduced by advanced chemistries, combination finishes, and lower-cost processes. Furthermore, market saturation (with a proliferation of brands into the mass market) and rising consumer expectations of wrinkle resistance have reduced the price premium retailers and brands

Source: China Textile Network Company

are able to demand. Recent research conducted by Cotton Incorporated in the U.S. market found that from 1994 to 2007, the price difference between wrinkle-resistant and non-wrinkle-resistant 100% cotton men's slacks decreased from 16% to 1%. At the same time, the share of wrinkle-resistant slacks in this market increased from 32% to 46% (according to NPD Fashionworld's AccuPanel).

Knowledge Base

From a list of ten functional features commonly found in apparel, over half of global consumers recognized wrinkle resistant, easy care, water repellent, and wind resistant, while fewer were aware of stain resistant, UV protection, moisture management, anti-microbial, abrasion resistant, or odor resistant. These awareness levels tend to reflect the prevalence of these features in retail offerings. Of all consumers who were aware of at least one of these features, just over half had purchased at least one apparel item with the feature.

Average awareness of the ten apparel product features was highest in Germany (71%) and Japan (70%), followed by China (65%). Features recognized by more than nine out of ten consumers included easy care in Germany and wrinkle resistant and water repellent in both Germany and Japan. Overall awareness of the ten features was lowest in Colombia, where only 38% of consumers were aware of wrinkle resistance, the feature they were most likely to recognize

The Value Of Functionality

For the two best-known functional features, easy care and wrinkle resistance, over 60% of global consumers said they would pay a premium. Of course, the actual prices for these features will be set by the market, as in the case of wrinkle-resistant apparel in the United States. Interest in functional features is so strong that consumers even expressed willingness to pay more for features they had not previously heard of. For example, though fewer than half of consumers (44%) were aware of stain-resistant apparel, over half (56%) said they would pay a premium for it a clear indication of this features appeal. Consumers who had purchased apparel with a particular feature were even more willing than the average consumer to pay a premium for that feature indicating that they were satisfied with and appreciated the value of the feature in the garments they owned and used. This was especially true for the less-well-known features, suggesting that "early adopters" of new types of functional features value them and will look for them in the future.

According to recent data from Cotton Incorporated's Retail Monitor™, approximately 35% of athletic apparel and active wear is marketed with at least one functional feature, and of these items, 42% have at least two features. The strategy of bundling product features also can be applied in markets beyond athletic apparel and active wear. Global consumers relatively low awareness of features such as moisture-management, UV-protection, odor-resistance, and anti-microbial properties signals a market opportunity, not only to create awareness but also to turn awareness into purchases. Although many of the technologies behind these features have been in the market for several years, the recent rise in awareness and availability of functional features in athletic apparel creates opportunities for the industry to extend these features into new apparel markets.

Natural Fiber + Enhanced Function= Winning Equation

Consumers worldwide are aware of apparel with functional features. Most popular are features that minimize wardrobe maintenance, such as wrinkle resistance and easy care. Today's innovations in the manufacture of cotton apparel make it possible for consumers around the world to enjoy the natural properties of their favorite fiber with added functional features that enhance the wearing experience. Consumers are willing to pay more for apparel with functional features, and they strongly prefer natural fibers, such as cotton indicating that clothing made from natural fibers and offering added functional features will continue to resonate at retail. For more information on innovative features and finishes for cotton products, please visit www.cottoninc.com/research.

About the Survey

The Global Lifestyle Monitor is a biennial consumer research study conducted by Cotton Council International, Cotton Incorporated, and Synovate. In the 2008 survey, 5,000 consumers (approximately 500 in each of 10 countries) were surveyed via telephone and face-to-face interviews. Consumers were male and female, aged 15 to 54, and representative of each country's demographic and geographic profiles.

For further information, please contact:

Angela Chen
Room 2309, Tower 1, Plaza 66,
No. 1266, Nan Jing Xi Lu,
Shanghai, China 200040
Tel: +86-21-6288 1666 ext 3209
Fax: + 86-21-6288 3666
Email: achen@cottoninc.com

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