

EXTRACT**Content:**

- **Industrial output growth slows to 12.8% in August**
- **Small firms to get benefit package soon**
- **24th IAF World Apparel Convention, October 29 - 31, 2008**
- **China's cashmere makers look to local market to improve**
- **Declines in Retail Apparel Prices Ease in August**
- **Weakness in Domestic Cotton Price Could Trigger New Price Support**
- **CNTEX: The analysis of economic performance of painting & dyeing industry from January to May**

Industrial output growth slows to 12.8% in August

DATE: 2008/09/12

China's industrial output rose 12.8 percent in August from a year earlier, the lowest in one and a half years, the National Bureau of Statistics said Friday.

The pace, which decelerated for a second straight month, was 1.9 percentage points lower than July and 4.7 percentage points lower than last August.

The last slowest growth rate was 12.6 percent in February 2007 when many businesses closed during the Chinese lunar new year holiday.

Industrial output jumped 15.7 percent from January to August, down from 16.1 percent in the first 7 months and 18.4 percent in the same period last year.

Source: *XinHua*

Small firms to get benefit package soon

DATE: 2008/09/12

The Ministry of Finance will "soon" draft special rules requiring local governments to buy more products from small and medium-sized enterprises (SMEs).

Funding to SMEs will be increased significantly to help them cope with the tightened credit situation and falling global demands, the ministry said Thursday.

The ministry will earmark 3.51 billion yuan (\$512 million) worth of special funds to help the growth of SMEs, which will enjoy preferential tax policies, too. It, however, did not say when exactly the new government procurement rules would be announced.

Analysts said the new rules would change the prevailing situation in which governments shun SMEs to buy goods from big companies.

The country has about 40 million SMEs, including those run by individuals. They have become the

Source: China Textile Network Company

national economy's most dynamic factor, accounting for about three-fourths of the urban labor force.

But because of last year's tightening monetary policy, aimed to rein in the runaway economy, it has become difficult for vulnerable SMEs to get bank loans.

Moreover, the demand for their products have fallen, thanks to the slowing of economic growth from 11.9 percent last year to 10.1 percent in the second half of this year.

And the drop in exports of their products, as a result of this year's gloomy global economy, has made things even worse.

The central treasury, too, has given financial help to enterprises facing multiple problems.

Of the 3.51-billion-yuan support package, 500 million yuan (\$73 million) will go into making SMEs acquire state-of-the-art technologies. This year's amount is 25 percent more than last year's.

A total of 200 million yuan (\$29.2 million) of the technology development fund will be used to subsidize institutions that guarantee the SMEs would get bank loans, the ministry said.

The SMEs' technological innovation fund will get 1.4 billion yuan (\$204.4 million), up 27.3 percent than last year.

The ministry will use 1.2 billion yuan (\$175.2 million), up 20 percent, to help the SMEs tap the international market by providing them information and helping them go through the often complicated global certification process.

The ministry imposes a 20 percent tax on SMEs with low profit levels, and has cut the tax rate for high-tech SMEs to 15 percent, according to the newly promulgated corporate tax law.

The government passed a unified corporate tax law for domestic and overseas companies in March, imposing a flat tax rate of 25 percent on them. Before that, domestic enterprises had to pay a 33 percent tax.

The law stipulates that high-tech firms and small enterprises with marginal profits will enjoy preferential tax rates.

Source: China Daily

24th IAF World Apparel Convention, October 29 - 31, 2008

DATE: 2008/09/12

Maastricht - Prominent speakers from renowned international fashion companies have agreed to present their outlook on important industry-related topics at the 24th IAF World Apparel Convention to be held in Maastricht (The Netherlands) on October 29th - 31st, 2008. Changing Consumer Needs and the Future of Fashion Business is the central theme of this year's convention. Four plenary sessions related to the main theme will take place during the convention:

- How will the new generation of consumers shape fashion?
- How will technology shape the future of fashion business?
- How will fashion education shape the future of fashion business?
- What will the future geography of apparel manufacturing and consumption be?

How will the new generation of consumers shape fashion business?

Appealing issues during the first of four sessions include consumer behaviour related to fashion, internet and fashion tribes and how they make or break a brand, the rise in luxury goods and sales vs. downgrading, ethical and corporate social responsibility and how to deal with it, and young consumers and environmental concerns. Leading industry speakers involved in the first session include Ludo Onnink (CFO Tommy Hilfiger, The Netherlands), Bill McComb (CEO Liz Claiborne, USA), Tim Kitchin (Partner, Glasshouse Partnership, UK), Gabriel Llaguno (Director Compliance NIKE, USA), Peter Ingwersen (Director Noir-Illuminati2, Denmark), Samuel Chan (CEO Baleno Holdings, Hong Kong), and Koen Snoeren (International Group Account Manager, GfK Panel Services Benelux, The Netherlands). The moderator during this session is Dr. Michiel Scheffer (Saxion University, The Netherlands).

How will technology shape the future of fashion business?

The focal point of the afternoon session will be on smart textiles creating new niches in fashion, information technology and mass customization, internet connectivity and internet based apparel solutions and consumer communities and their influence on product development. During this session, moderator Dr. Mike Fralix (President & CEO TC[2], USA), will provoke the opinions of Dr. Marc van Parys (University of Gent, Belgium), Uwe Quiede (RFID Project Manager Kaufhof Warenhaus AG, Germany), Paul Wright (General Manager Quality GEORGE, UK) and Antonella Marega (R&D Director Tecnica, Italy).

How will fashion education shape the future of fashion business?

During the morning session of the second convention day, topics to be discussed include balancing creativity and technical skills and harnessing talent to meet the needs of the fashion businesses. Prof. Dr. Dominique Jacomet (Director Institut Francais de la Mode, France) will moderate this sitting. He will be joined by speakers Elizabeth Rouse (Pro Rector Academic Development and Quality University of the Arts London, UK), Liesbeth in't Hout (Dean Amsterdam Fashion Institute, The Netherlands), Linda Florance (CEO Skillfast, UK), Roland Kahn (CEO Coolcat, The Netherlands) and Agnes Maestriperi (Manager Textiles Decathlon, France).

What will the future geography of apparel manufacturing and consumption be?

The final session of the two day convention will mainly raise awareness on India, where the 25th IAF World Apparel Convention will be held in 2009. Topics to be concentrated on include a worldwide "level playing field" for apparel companies, the growing importance of logistics in outward production and consumer and production trends in India. The Textile Minister of India, Mr. Shankersinh Vaghela, will be joining this session, as well as Harminder Sahni (Managing Director Technopak), Thomas Glaser (Sourcing Director VF Corporation), Andreas Stockert (Supply Chain Director Charles Voegle), and Jan Hilger (Director Operations Hugo Boss Ticino SA). Mr. Arnoud Maas (Senior Partner at KSA) will moderate this session.

Source: International Apparel Federation

China's cashmere makers look to local market to improve

DATE: 2008/09/12

A dominant position in global exports has allowed more than 2,000 companies to establish themselves in cashmere manufacturing in China, but the industry is seeking to shift from reliance on exports to greater emphasis on domestic sales.

The Erdos Group, the top cashmere manufacturer in China, has reduced its original export plan from 4.5 million garments to 2.5 million this year. It will invest 800 million yuan (almost 118 million U.S. dollars) in the domestic market over five years to set up 100 flagship shops.

Xinjiang Tianshan Wool Tex Stock Co., Ltd. for the first time combined its international and domestic order fairs into one event and held it in Urumqi, capital of Xinjiang Autonomous Region, hoping to boost domestic sales to equal its exports.

The industry is shifting focus because of a paradox. It's ramped up production capacity and dominates the world market, but it has a weak position in negotiating prices with foreign dealers.

China supplies more than 75 percent of the world's cashmere and 90 percent of the high-quality goat cashmere, according to the China Chamber of Commerce for Import and Export of Foodstuffs, Native Produce & Animal By-Products.

After more than 20 years of development, China's cashmere production and manufacturing system can turn out 40 million items annually. Last year, it exported 20.37 million cashmere garments, worth 623 million U.S. dollars.

The country has shifted from a major exporter of cashmere raw material to a production base for finished products, Bian Zhenhu, vice-president of the Chamber, told a summit of major cashmere makers in July.

But many entrepreneurs found that being dominant in resources as well as manufacturing didn't translate into a strong position in the international market.

The value of the expensive material, dubbed "soft gold," has not been reflected in export prices. The average export price of a cashmere garment was only 30.58 U.S. dollars in 2007. A stronger Chinese currency helped push the average price up to 32.5 U.S. dollars in the early months of this year.

Erdos Group sold 4.6 million cashmere garments last year with export revenue of 1.1 billion yuan -- but a profit of only 10 million yuan.

Compared with the global market, the domestic market is looking better to the industry.

"The profit margin is less than 10 percent in the export-oriented processing trade but could be kept at about 40 percent to 50 percent for domestic sales," said Chen Tao, chairman of Beijing Snow-Lotus Cashmere Co., Ltd.

"A simple calculation shows that a cashmere garment sold in the domestic market would bring the manufacturer a profit four times larger than if exported," said Chen.

However, analysts said the domestic market might not be large enough to take up all the products that would once have been exported. And inflation has undercut many consumers' willingness to buy

Source: China Textile Network Company

expensive luxury goods.

Domestic sales of cashmere and wool sweaters rose only 4.3 percent during the first four months of this year, while garment sales generally grew 15.2 percent.

The industry must shift from quantity to a strategic emphasis on higher value-added and branding, and many companies have already done so, said Bian. The industry would only achieve stable growth with strong brand identities.

Source: www.chinaview.cn

Declines in Retail Apparel Prices Ease in August

DATE: 2008/09/11



Chinese consumers saw apparel prices erode further in August, but the rate of decline moderated from steeper declines over the previous year. After beginning the year down -1.9% - the steepest in two years - by August retail clothing prices were only -1.2% from a year earlier, the smallest decline in eleven months. After roughly trending in step with total Chinese consumer prices discussed here for the first half of the decade, apparel prices have had little correlation with total inflation in recent years.

By city, there is not a clear trend of price inflation or deflation by population or geography, with only larger cities generally tending to have less volatility in prices than second-tier cities. August apparel prices in Shanghai are up a scant 0.1% and Beijing prices are off -0.6% from a year earlier, while prices in smaller cities Changchun (+6.7%) and Xiamen (-12.1%) saw more explosive changes.

Source: *Globeco*news

Weakness in Domestic Cotton Price Could Trigger New Price Support

DATE: 2008/09/11

China's domestic cotton prices remain under pressure, as the combined forces of beginning movement of new crop stocks and unsold old crop stocks weigh on prices. Prices have now declined over 1,000 yuan per ton off their highs or approximately 6.63 U.S. cents per pound. The Xinjiang cotton industry has especially been affected since it is holding the greatest volume of unsold stocks. Continued holding of these stocks has kept merchandising groups from repaying their 2007 procurement loans, which, in turn, is keeping new procurement loans from being secured. Given the importance of maintaining the cotton industry in Xinjiang, this situation has ignited discussions that the Chinese government may be considering several factors to support Xinjiang prices, which include the following:

- Additional CNCRC reserve purchases with reduced requirements.
- Issuing import quotas linked to purchases of Xinjiang cotton on a 1:1 ratio.
- Additional VAT adjustments.
- Large bale processing subsidy.

Source: *Globeco*news

CNTEX: The analysis of economic performance of painting & dyeing industry from January to May

DATE: 2008/09/09

Relying on the researches on enterprises, China Dyeing and Printing Association works out the industry performance in the first five months this year. According to the results, painting & dyeing firms are fighting for their survival in 2008 with yuan appreciation, rising costs and dismal overseas market hit by the subprime crisis.

Production

From January to May, China's painting & dyeing production rose 7.2 percent from a year earlier to 18.777 billion metres, but that was 1.94 percentage points less than the growth rate during the same five-month period last year. Zhejiang, Jiangsu, Shandong, Guangdong and Fujian are the biggest production area, accounting for 90.88 percent (17.064 billion metres) of China's total production (See table1).

Table 1. Production of China's Painting & Dyeing by Region (January to May of 2008)

Region	Total	Zhejiang	Jiangsu	Shandong	Guangdong	Fujian	Sum of top 5 provinces
Production (100 million metres)	187.77	104.53	20.81	17.56	15.76	11.98	170.64
Y-on-Y Change (%)	7.27	10.06	-6.28	8.46	2.51	28.34	6.18
Growth Rate (%)	-1.94	-0.96	-4.55	-10.81	-0.25	9.28	-
Proportion (%)	-	55.67	11.08	9.35	8.39	6.38	90.88

Exports

From January to May, China's painting & dyeing exports volume rose 12.65 percent from a year earlier to 4.815 billion metres, and that was 13 percentage points higher than the growth rate during the same five-month period last year; Exports value rose 22.04 percent from a year earlier to 4.525 billion USD, and that was 14.87 percentage points higher than the growth rate during the same period last year; The average export unit price rose 8.33 percent to 0.94 USD/metre (See table 2 and 3).

Table 2. China's Painting & Dyeing Exports by Category (January to May of 2008)

Category	Volume (10,000 metres)	Volume Y-on-Y Change (%)	Proportion (%)	Value (10,000 USD)	Value Y-on-Y Change (%)	Proportion (%)	Unit Price (USD/Metre)	Unit Price Y-on-Y Change (%)
100% cotton dyeing cloth	56145	-5.23	11.66	84618	5.61	18.7	1.51	11.85
100% cotton printing fabric	69021	36.11	14.33	66629	47.41	14.72	0.97	8.99
cotton blended dyeing fabric	4370	-3.67	0.91	7182	10.02	1.59	1.64	13.89
cotton blended printing fabric	2549	-34.23	0.53	2417	-28.16	0.53	0.95	9.2
synthetic filament fabric	265389	12.44	55.12	222187	21.5	49.1	0.84	9.09
T/C painting & dyeing fabric	84031	15.06	17.45	69442	31.87	15.35	0.83	15.28
total	481505	12.65	-	452475	22.04	-	0.94	8.33

Table 3. China's Painting & Dyeing Exports by Country or Region (January to May of 2008)

Country or Region	Volume (100 million metres)	Value (100 million USD)	Unit Price (USD/Metre)	Volume Y-on-Y Change (%)	Value Y-on-Y Change (%)	Unit Price Y-on-Y Change (%)
Benin	3.99	3.83	0.96	37.56	57.66	14.61
Hongkong	3.33	3.85	1.15	-22.90	-14.58	10.79
United Arab Emirates	2.52	2.23	0.89	0.26	8.52	8.24
Vietnam	2.14	2.84	1.33	57.34	81.25	15.19
Brazil	2.11	1.52	0.72	46.95	91.65	30.42

Imports

From January to May, China's imports volume of top six painting & dyeing products decreased 15.52 percent from a year earlier to 0.892 billion metres; Imports value decreased 4.97 percent from a year earlier to 1.280 billion USD; And the average import unit price rose 12.49 percent to 1.44 USD/metre (See table 4).

Table 4. China's Painting & Dyeing Imports by Category (January to May of 2008)

Category	Volume (10,000 metres)	Volume Y-on-Y Change (%)	Proportion (%)	Value (10,000 USD)	Value Y-on-Y Change (%)	Proportion (%)	Unit Price (USD/Metre)	Unit Price Y-on-Y Change (%)
100% cotton dyeing cloth	14240	-28.54	15.97	27941	-15.72	21.83	1.96	18.07
100% cotton printing fabric	1959	-16.06	2.2	3844	-4.75	3	1.96	13.29
cotton blended dyeing fabric	3700	-17.5	4.15	10057	-1.78	7.86	2.72	19.3
cotton blended printing fabric	175	-6.12	0.2	401	-3.91	0.31	2.29	2.23
synthetic filament fabric	64312	-11.52	72.12	78475	-0.17	61.32	1.22	12.96
T/C painting & dyeing fabric	4790	-19.37	5.37	7262	-11.6	5.67	1.52	10.14
total	89176	-15.52	-	127980	-4.97	-	1.44	12.49

Benefits

According to statistics from China Dyeing and Printing Association, the gross production value of painting & dyeing amounted to 79.860 billion yuan (among statistical sample enterprises) from January to May, 13.52 % higher than the same period of last year, and that was 1 percentage points higher than the growth rate during the same five-month period last year; The sales of painting & dyeing from January to May rose 14.00 percent to about 77.729 billion yuan and that was 1.65 percentage points higher than the growth rate during the same period last year; The profits of painting & dyeing industry rose by 10.69% to 2.101 billion yuan compared to the year before and that was 7.19 percentage points lower than the growth rate during the same period last year.

Source: Globecothenews

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