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CNEX: Weak global demand hurting the bottom line of Chinese textile and apparel exporters

DATE: 2008/10/06

CNEX Exclusive: With the yuan appreciation, the rising material and labor costs, the tax rebate cut as well as dismal overseas market hit by the subprime lending crisis, the prospect of China's textile export industry is dim.

The growth rate falls

The growth rate of China's textile and garment total exports in this year's first quarter was 18.52 percent year-on-year, followed by 4.87 in the second quarter. However, the merchandise export indexes are calculated using dollar. And the yuan has risen 21 percent against the dollar since China stopped pegging its currency to the dollar in July 2005. Actually, the growth rate of exports of China's textile and garment was slowdown.

US market remain in doldrums

United States which stands as the major market for Chinese textile and garment exports, accounting for 15 percent of the country's overall export market, has become gloomy under the expanding impact of subprime lending crisis. China's textile export to the United States in the first six months dropped by 2.43 percent from the same period of last year to 13.834 billion USD, said sources with the Office of Textiles and Apparel, US Dept. of Commerce.

The crisis in America's subprime mortgage market, which lends to people with patchy credit records, has crimped US economic growth and set off huge turmoil in the global credit markets. More worse, analysts predict that fallout from global financial crisis will be long lasting. All these could mean a weakened demand in the US, hurting the bottom line for Chinese exporters that supply US stores. Can China exporters be lucky enough to be exempt from the negative influence of the subprime crisis?

More pronounced slowdown EU market

GDP declined by 0.2% in the euro area¹ (EA15) during the second quarter of 2008, compared with the previous quarter, according to flash estimates published by Eurostat, the Statistical Office of the European Communities. Indications that the EU economy will lose momentum heading into the second half of the year have become stronger. Confidence indicators cooled significantly in recent months due to deepening fears over the negative impact of the US slowdown, the global financial

crisis and particularly on concerns about the impact of rising inflation on the EU economy. The economic slowdown in the euro zone would help the growth rate for China's textile exports to the market decrease from 17.929 billion USD in mid 2008 to low level at the end of the year.

Weak Japan's demand

The Japanese economy has also retreated owing to weaker consumer spending and easing export growth. Japan's real GDP registered a slower growth of 2.4% during the second quarter of 2008, compared with the previous quarter, as the trade exposure to the US takes its toll. Japan is the largest trade partner importing China's textile products over recent years. China's textile export to Japan in the first six months amounted 9.608 billion USD, 6.82% higher than the same period last year. However, a predicated weakened demand in Japan would hurt Chinese exporters in the future.

Southeast Asian's undetermined demand

While costs in China are rising nationwide, the U.S. and E.U. textile's manufacturers have established more and more offshore production facilities in lower-cost countries, particularly in Southeast Asian countries. Since these countries have not well-equipped supply chain integration, they have to import textiles from China. (See table1.)

Table1. China's textile and garment exports to Southeast Asian during the first half of 2008

Countries	Value (billion USD)	Value, Y-on-Y Change (%)
Vietnam	1.199	70.14
Bengal	0.990	36.55
India	0.891	30.89

Although Southeast Asian countries' demand for China's textiles is high, its forecast is undetermined. Anyway, many analysts predict that fallout from global financial crisis will be long lasting.

By Gracie Guo, CNTEX

Prices of Man-Made Fiber Raw Material Sharply Decline

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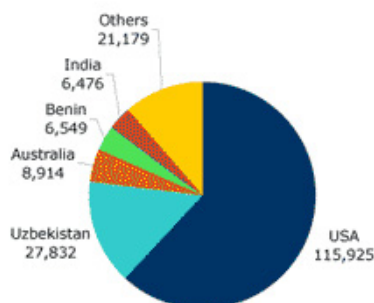
The raw material market for man-made fibers has collapsed this week in Asia. Mounting inventories and weak demand created a rush to liquidity this week, as traders attempted to stimulate offtake by slashing prices. The break in prices followed the closing collapse in crude oil prices. Prices of Tolvane (used to produce paraxylene, which is one of the raw materials of PTA) plummeted to 810 - 815 U.S. dollars (USD) per ton, FOB South Korea, down 60 USD per ton from the levels of last week. Prices of both purified terephthalic acid (PTA) and monoethylene glycol (MEG) have fallen sharply. Polyester polymer is manufactured from PTA and MEG, and from the polymer comes PET resin and polyester fibers. Prices of all these products also tumbled in Asian markets this week. PET or polyethylene terephthalate dropped to a two-year low of 1,200 USD per ton, which was down 25% from the July record high of 1,620 USD per ton, FOB Southeast Asia.

Source: Globecotnews

Sharp Increase in August Uzbekistan Shipments

DATE: 2008/09/25

China: Cotton Imports by Top Origins
(In Tons)
August 2008



As previously reported, China imported 186,875 tons of cotton in August, while January through August cotton imports totaled 1,641,216 tons.

The U.S. was the top supplier in August with shipments of 115,925 tons; however, volume was down 34.3% from the previous year. Uzbekistan was the second largest supplier, with imports surging to three times the year-ago volume at 27,832 tons, while 4,335 tons were imported from Turkmenistan, the first shipment of the year. Indian shipped 6,476 tons to China, pushing year-to-date volume to 567,773 tons.

Source: Globecotnews

CNTEX: Key Strengths Behind Zhongwang 's Success

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With much of the China's textile industry reeling from marketplace shrinkage, it's great to report on a company that is thriving -- Changshu Zhongwang Warp & Weft Knitting Co., Ltd.-- and its strategies for success.

Changshu Zhongwang is a privately held company that got its start in 2004, when Xu Jianping founded a knitting operation in Meili town, which is in the Riverside Economic and Technological Development Zone of Changshu City, Jiangsu Province. One year later, Changshu Zhongwang began to convert its simple fabric into home textiles fabrics and garment fabrics sales.

What is the secret of Changshu Zhongwang's success? Xu Jianping points first and foremost to science and technology. Any attempt to link Changshu Zhongwang's performance record needs to recognise the fact that a company's competitive advantages are influenced by its ability and willingness to reposition itself and adopt fresh strategies with a clear picture of China's developments at a given point of time.

At the beginning, Xu Jianping thought that he could build and manufacture his own brand. In order to achieve this goal, Changshu Zhongwang constantly looks for ways to update its technology. This commitment to continuous improvement has led to major investments in new machinery and technology. By 2005, Changshu Zhongwang had designed their own brand named "Booulun" and "Haidao".

As Xu Jianping tells it, the important role new equipment and technology would play in Changshu Zhongwang's future became clear to him in 2007 while his company has been granted three patents on the terylene fabrics by Patents and Trademark Office. This year, the company is in the process of applying for a wide-ranging patent that covers a variety of products.

Along with the above, as Xu Jianping recounts to TA Weekly: "over the past four years, we added more than 300,000 yuan every year in equipment, consisting of Karl Mayer warp knitting machines, sectional warping machines, emery machines, cloth inspecting machines and so on. In 2007, the firm's production value rose 67.3 percent from a year earlier to 66.04 million yuan, and its sales rose

Source: China Textile Network Company

49.2 percent from a year earlier to 66.49 million yuan. Our home textiles fabrics, garment fabrics, fishnet, coral fabrics and carpet export to U.S., Canada, the Middle East, Japan and etc.??

However, the textile and apparel industry has been in dilemma since this year. Textile information shows that the export of textile and apparel only increased about 10% in the first seven month, 10% lower than the same period last year. More than 70,000 apparel companies have closed because of the downbeat demand and rising cost of raw materials. About 40% textile enterprises are on the edge of bankruptcy. Changshu Zhongwang has also reached a serious crossroads today with yuan appreciation, rising costs and dismal overseas market hit by the subprime crisis. Should the company keep investing more RMB in science and technology that would enable it to make its products for worthiness? The answer: yes. Xu Jianping said all of these technology investment are doing a fabulous job at finishing and at improving our quality.

By Gracie Guo, CNTEX