

**EXTRACT**

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**Textiles export sees new start in 2009**

DATE: 2008/11/19

The Ministry of Commerce (Mofcom) has said China's textiles exporters will face a new start when quota management on global textiles trade will be relinquished at midnight on December 31 this year, but they need to timely adjust ideas in avoiding blind expansion of production.

An official from Mofcom's Department of Foreign Trade noted that the limit on Chinese textile exports under paragraph 242 of the Report of the Working Party on the Accession of China as well as Sino-US and Sino-EU textile memorandums will come to an end.

"The abolishing of the quotas will be undoubtedly a good start. Exporters of textiles products will no longer worry about quotas," the official said.

By then, the official said, members of the World Trade Organization can no longer quote paragraph 242 to impose limit on Chinese textiles export while Mofcom will no longer exercise amount and quota management on Chinese textiles export to the United States, or conduct quota management on Chinese textiles export to the European Union.

Mofcom will take measures to safeguard the smooth transition and stable growth of Chinese textiles and clothing exports in 2009, and further strengthen dialogues with relevant countries, so as to provide a sound environment for China's textiles export.

Currently, as the world financial market is undergoing turbulent changes, China's textiles export meets some new problems.

Statistics from the Chinese Customs indicated that during the first nine months of this year, China's textiles and clothing exports hit \$136.94 billion, a rise of 8.1% over the same period of 2007. But the growth rate is 11.9 percentage points lower than that of the corresponding period last year.

Source: *MINISTRY OF COMMERCE, PRC*

## Official warns Chinese industrial economy faces "grim situation"

DATE: 2008/11/19

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Chinese industry faced a grim situation, as the global financial crisis would have a deep impact on the industrial and information technology sectors, a senior official warned on Wednesday.

Zhu Hongren, an official with the Ministry of Industry and Information Technology, said the country needed to increase investment in key areas and weak points of the industrial economy. The government should maintain a reasonable investment scale and step up technical innovation.

He said the imbalance between weakening demand and expanding capacity would become more problematic as the crisis spread. Labor-intensive and export-oriented businesses would be hurt as prices of energy and raw materials would continue fluctuating.

Among others, the electricity, textile and non-ferrous metal industries had already sustained heavy losses, with 18.3 percent of large industrial companies losing money during the first eight months of the year.

Industrial output growth fell to 11.4 percent in September, the lowest since April 2002. Power generation and oil production grew a mere 3.4 percent and 3.7 percent, respectively, while steel output fell 9.1 percent year-on-year.

In the first three quarters, the value of industrial exports rose 15.7 percent, which was 6.1 percentage points less than a year earlier.

Source: Xinhua

## A timeline of China's recent economic-stimulus measures

DATE: 2008/11/19

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China will adopt an "active" fiscal policy and "moderately easy" monetary policy to support fast but steady economic growth by expanding domestic demand, an executive meeting of the State Council (cabinet) said on Sunday.

The economy grew by 9 percent in the third quarter, the slowest in five years, as the global financial crisis sapped demand for Chinese goods, and domestic industrial production waned in response to weak demand and rising raw material costs.

In response to changing conditions, the government shifted efforts from fighting overheating to seeking sound and fast development. Following are moves taken over approximately the past 90 days to boost the economy:

On Aug. 1, China raised tax rebates for certain textile and garment exports to help producers cope with the paper-thin profit margins squeezed by the yuan's appreciation, higher costs and rising raw material prices.

Export tax rebates for some textile and garment items, including silk, wool yarn, chemical fibers and cotton products, were increased by 2 percentage points to 13 percent.

On Aug. 5, the People's Bank of China (PBOC), the central bank, agreed to raise the 2008 credit quota by 5 percent for national commercial banks and 10 percent for local commercial banks, aiming

to ease the financing difficulties of small and medium-size enterprises. There were minor adjustments made to reflect differing conditions among local banks.

The PBOC cut interest rates for one-year loans by 0.27 percentage points to 7.2 percent as of Sept. 16. It also cut the reserve requirement ratio for all but the country's five largest banks by 1 percentage point to 16.5 percent from Sept. 25.

The reserve requirement ratio was reduced by 2 percentage points for local financing institutions in areas badly hit by the May 12 earthquake.

On Sept. 19, the country removed the stamp tax on stock purchases, but the tax on sales remained at 0.1 percent. It was the first such move since 1991 and followed a two-thirds fall in the key stock index since October 2007.

Also that day, the State-owned Assets Supervision and Administration Commission said the government would support centrally-administered State Owned Enterprises in buying more stocks of their listed subsidiaries.

Central Huijin Investment Co., Ltd., a government investment arm, said it planned to buy shares of three major Chinese lenders on the secondary market to support their share prices.

On Oct. 5, the China Securities Regulatory Commission announced it would launch margin financing and securities lending on a trial basis. Eleven securities companies took part in a trial run on Oct. 25.

Non-financial enterprises were allowed to float mid-term bonds as of Oct. 6, which would help ease financing difficulties.

The PBOC cut both interest rates and the reserve-requirement ratio. Deposit and lending rates was cut 0.27 percentage points effective Oct. 8, and the reserve-requirement ratio was cut by 0.5 percentage points from Oct. 15. This was the first time in nine years that the country reduced deposit rates at all financial institutions.

On Oct. 17, Premier Wen Jiabao announced at an executive meeting of the State Council that the government would adopt comprehensive measures and allocate central funds in the fourth quarter to boost domestic demand, improve living standards and stimulate economic development.

The PBOC announced tax exemptions and downpayment cuts as of Oct. 27 to boost the falling real estate sector. The minimum downpayment for a first-time buyer of a residence smaller than 90 square meters was reduced to 20 percent from 30 percent.

Interest rates on mortgages for first-time buyers were cut 0.27 percentage point. The floor for interest rates was lowered to 70 percent of the central bank's benchmark rate.

The PBOC cut benchmark interest rates by 0.27 percentage point as of Oct. 30, the third such move in six weeks.

The benchmark one-year deposit rate dropped to 3.60 percent from 3.87 percent, while the benchmark one-year lending rate fell from 6.93 percent to 6.66 percent.

China raised tax rebates for 3,486 export items as of Nov. 1. The adjustment covered such labor-intensive industries as textiles, toys, garments, and high-tech products, accounting for 25.8 percent of products covered by customs tariffs. Rebate rates run roughly from 9 percent to 14 percent.

Source: Xinhua

Source: China Textile Network Company

## Half harvest remains unsold in China major cotton producing region

DATE: 2008/11/19

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Half of the autumn harvest from China's largest cotton plantation area of Xinjiang Uygur Autonomous Region remains unsold.

The China Bank of Agricultural Development, the government's main financial arm on agriculture, confirmed on Thursday that the bank had used 22.35 billion yuan (3.3 billion U.S. dollars) of the fund earmarked for 2008 by the central government to provide loans to firms to buy cotton by the end of October, and more financial assistance was planned. The bank could not provide the specific figure of expected subsidies.

However, the bank's statistics showed that the credit, which has gone higher than the same period of last year, has only helped growers sell half of this year's cotton harvest, or 1.29 million tonnes so far.

Xinjiang produced 2.9 million tonnes of cotton last year, accounting for more than one third of the country's total.

The bank used 28 billion yuan of the government's 2007 subsidies in making low-interest loans to help farmers sell the crop last year.

"This year's cotton subsidies would be inevitably higher than that of last year, as the government aims to protect millions of cotton growers from being hurt by the sluggish market," said Ding Xingui, an official from the Xinjiang branch of the bank.

Ding said that many cotton dealers have complained their cotton stockpiles were too high and are reluctant to buy more.

Statistics from the National Development and Reform Commission showed that the cotton price in October plummeted by 2,000 yuan per tonne, from 13,722 yuan in August.

Xu Wenying, head of the China Cotton Textile Industry Association, attributed the sales plight to shrinking demand from the upstream industry.

"Textile and garment factories in south China are having difficulties in eking out business, as the industry became one of the hardest hit in the global financial crisis," he said.

Xinjiang has 1.6 million hectare of cotton fields. Millions of impoverished farmers find seasonal jobs in Xinjiang picking cotton.

Source: Xinhua

## Troubled economy drags down China's power consumption

DATE: 2008/11/18

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China's power consumption stood at 269.85 billion kilowatt hours (kwh) last month, down 3.7 per cent compared with October last year, the first year-on-year monthly decrease since 1999.

According to the China Electricity Council (CEC), electricity consumption was 2.9 trillion kwh in the first 10 months, up 8.27 percent from the same period last year, compared with 9.67 percent in the first nine months.

Source: China Textile Network Company

Power supply also dropped last month with total electricity generated at 264.5 billion kwh, down 4 percent from October last year.

"Power generation was dragged down mainly by a 5.2 percent year-on-year decrease in coal-fired power supply, which accounts for about 80 percent of China's total power," the CEC statement said.

Analysts with Shanghai-based Guotai Jun'an Securities said the drop in consumption and supply signaled a slowdown in the country's economy that went "beyond expectations".

"The sudden slowdown in power demand shows many companies in the manufacturing sector have cut production due to a continuous price slump of industrial commodities both at home and abroad," said a Guotai Jun'an analysis issued on Friday.

Experts further warned the decrease in power supply may sound an alarm for future economic slowdown, as successive falls in power generation often precede a similar downward trend in economic growth.

*Source: Xinhua*

### **China to monitor possible mass layoffs, large-scale labor disputes**

DATE: 2008/11/18

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As mass layoffs and labor disputes become more frequent when global economic slowdown wipes out more companies from business, Chinese government has urged local authorities to make best efforts to properly respond.

The top priority should be given to ensuring stable employment, said China's Ministry of Human Resources and Social Security (MOHRSS) in a notice issued on Monday.

Investigation should be carried out concerning individual companies' possible layoffs, especially labor-intensive factories, it said. The labor situation of companies that go bankrupt should be closely monitored.

In October, Local government in Dongguan of Guangdong Province, where many labor-intensive companies located, took out more than 24 million yuan (3.5 million U.S. dollars) to compensate for the salaries of over 7,000 workers, who was left helpless when a company owner secretly fled.

Emergency plans should be formulated in order to better prevent and deal with incidents involving a large group of unemployed workers, and make sure to report to higher level of the government and make appropriate arrangement as soon as possible, it said.

An efficient and convenient channel should be created for people to appeal for arbitration of labor disputes, so as to resolve major or mass disputes in time, it said.

The notice also required that arrangements be made to guarantee unemployment insurance, encourage reemployment, and better serve the migrant workers.

*Source: Xinhua*

## **CNTEX: Can China textile and apparel industry decouple itself from the global financial turmoil?**

DATE: 2008/11/17

CNTEX Exclusive: Driven by the rising specter of both recession and inflation, the financial woes of the Wall Street have recently become deepened. The current US financial turmoil has its root in the sub-prime crisis, which is in turn rooted in the housing bubble. The collapse of the housing market has seriously affected the building and construction industry, and a lot of economic activities related to household consumption. Hence, the continuing financial turmoil will precipitate or deepen the US economic recession. In July 2008, the US unemployment rate spiked again, to 5.7 percent, its highest level in more than four years. Moreover, the International Monetary Fund (IMF) expects a moderation in global economic growth from 5 per cent in 2007 to 4.1 per cent in 2008 and 3.9 per cent in 2009.

Consumer confidence in the US has collapsed to a record low after one of the bleakest months in Wall Street's history dented public optimism in the outlook for the world's biggest economy. The worsening labour market was also eroding consumer confidence, with more Americans reporting in Oct. that jobs were hard to come by. With home values falling and the stock market in a slump, Americans are finding it more and more difficult to pay for basic purchases. Credit card debt has spiraled upward, home foreclosures are rising, and banks have become more guarded in giving out loans and mortgages. In June, prices rose 1.1 percent, the second highest monthly pace in 26 years. As Americans cut back their spending, demand for products and services is dropping.

The economy of Japan, Korea and EU have also retreated owing to weaker consumer spending and easing export growth. EU's consumer expenditure on clothing has increased by only 1.5% during July and August, its lowest level in more than four years; Japan's consumer expenditure on clothing has decreased by 7.8% in the second quarter.

The present economic crisis has affected China's textile and apparel industry with the exports growth rate in the first eight months going down by 26.52 per cent than the previous year. The buyers who are coming in are not buying in as large quantities as they were buying earlier. The orders are already down in terms of quantity.

The growth of China textile and apparel industry, on the demand, depends on both domestic demand and external demand. They are vulnerable to the global economic ebbs and flows. A substantial slow-down of US's imports would create a large negative effect on China's textile and apparel industry growth.

Some economist said China, the world's fastest expanding economy, should be more cautious of fully opening up its capital account, the government should continue its market reforms on the domestic financial industry without being intimidated. The growing risks on global markets would render a negative effect on China in the short term but provided an opportunity for the country to fuel its growth more on domestic demand than on external needs.

*Source: By Gracie Guo, CNTEX*