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**Govt gives exporters shot in arm**

DATE: 2008/10/24

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China will raise tax rebates for a quarter of its export portfolio and jumpstart an array of infrastructure projects, trying to buffer the impact of weaker overseas demand.

The move came as the government announced an array of stimulus measures after the nation's GDP growth declined to 9 percent year-on-year in the third quarter, the slowest pace over the past five years.

"It's necessary to adjust the fiscal policy and prevent a drastic slump in the export sector," the Ministry of Finance said in a statement posted on its website last night. "If we don't take measures, exports will continue to shrink and the plight faced by exporters will only worsen."

The export sector, a major driver of the Chinese economy, has fallen victim to the global credit crisis and weaker foreign demand. In the first three quarters, exports grew 22.3 percent year-on-year, 4.8 percentage points lower than the same period last year. And the annual growth rate of exports was below year-earlier rates in eight of the first nine months of 2008.

Some economists say exports may continue to shrink in the rest of the year, with the most pessimistic forecast being negative growth in 2009.

"As the global economy enters a recession, we expect China's export growth to slow significantly in the coming quarters, bringing investment in export-related sectors down with it," said Wang Tao, an economist with UBS Securities.

The government will raise export tax rebates from Nov 1 for 3,486 products such as textiles, clothing, furniture and toys, according to the Ministry of Finance. For textiles and clothing, the refund rate will be increased from 13 to 14 percent.

"The move may help some companies," said Tang Jianwei, an analyst with Bank of Communications. "But how much it benefits exporters remains questionable as the trend of shrinking foreign demand is unlikely to reverse."

The government raised export tax rebates in late July from 11 to 13 percent in response to an export slump over the past months, with a stronger renminbi and rising labor and raw materials costs eating into local exporters' profit margins.

“The government might use more credit measures such as loan incentives to help exporters,” said Tang.

The government also said yesterday it has approved an array of infrastructure projects, including roads, airports and nuclear power plants.

Source: CNTEX

## **China to raise export tax rebates for textile, garment products**

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China is to raise the tax rebate for certain textile and garment exports to help producers cope with the paper-thin profit margins squeezed by slacking market demand, yuan's appreciation and rising production cost.

Export tax rebates for some textile and garment items would be increased by 1 percent to 14 percent from Nov. 1, according to a circular on the web site of the Ministry of Finance (MOF) on Tuesday.

Source: Xinhua

## **Cotlook Cuts Global Cotton-Use Forecast as Retail Sales Slow**

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Global cotton demand will drop more than expected a month ago as slowing retail sales and tightening credit reduce purchases by textile mills, especially in China, the biggest importer, industry researcher Cotlook Ltd. said.

Consumption will drop to 25.15 million tons in the year through July 31, 2009, down 2.4 percent from a year earlier and 1.9 percent less than forecast last month, Birkenhead, U.K.- based Cotlook said today in an e-mailed report. Rising costs and slowing sales are making yarn prices unprofitable for mills, the researcher said.

“A consensus is forming that off-take in most of the major consuming centers will fall,” Cotlook said in the report. “Even China, the powerhouse that has driven significant expansion in global off-take since the turn of the century, appears to be undergoing a period of retrenchment.”

Cotlook lowered the consumption forecast for China by 1.9 percent from a month ago to 10.4 million tons and estimated the Indian subcontinent will use 7.24 million tons, 1.2 percent less than expected in September.

Still, demand for cotton will exceed production, which will decline from a year earlier because of smaller crops in China and in the U.S., the world's largest exporter of the fiber. Global cotton production will reach 24.55 million tons, up 39,000 tons from last month's forecast, Cotlook said. A year earlier, the total was 26.126 million tons.

The production deficit will erode global inventories, though at a slower pace than expected a month ago, according to the report. Stockpiles will fall by 605,000 tons during the marketing year, less than the 1.14 million-ton decline forecast last month, Cotlook said.

Cotton futures for December delivery fell 1.34 cents, or 2.7 percent, to 49.08 cents a pound on ICE Futures U.S. in New York. The price has dropped 28 percent this year.

*Source: bloomberg*

## **The Rupp Report: 2009 - The International Year Of Natural Fibers**

DATE: 2008/10/24

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### **Jörg Rupp, Executive Editor**

According to the Food and Agriculture Organization of the United Nations, 2009 will be the International Year of Natural Fibers. In this exceptional time of excessive financial crisis, natural fibers in general, and cotton in particular, are suffering on the world markets.

### **Dumping Prices**

The turbulent development of the markets worldwide has had also distinct effects on sales of raw cotton in the local range. Dumping prices for yarns from other markets has made it nearly impossible for the local spinners to cover their supply. The prices for available cotton have not completely been included in the downtrend of the quotations in New York, and consequently, here have been large differences between the merchants's offering prices and the ideas of the buyers. Nevertheless, smaller quantities could be committed until the second quarter 2009.

Cotton prices dropped sharply in September. The decline during the first half of the month coincided with the departure of investors from commodity markets, uncertainty regarding the global economy and lack of demand from Chinese spinning mills. As the US financial system went into a deep crisis in mid-September, cotton prices continued to decline along with other commodity prices. Cotton prices then stabilized for a few days as confidence in financial markets was momentarily restored, helped by government intervention. However, persistent problems with the US financial system, and growing doubts regarding global cotton mill use in 2008-09 continued to exert pressure on cotton prices in the second half of the month.

### **Production Declines**

World cotton production is expected to decline by 6 percent in 2008-09, to 24.7 million tons, resulting from a decline in world cotton area caused by increased competition from alternative crops. The world yield is projected down slightly to 782 kilograms per hectare; this would still be the second-highest yield to date. The projected decrease in world production in 2008-09 is driven by an expected fall of 1.2 million tons in the United States, to 3 million tons. Production is also expected to decline in Turkey, Brazil and Egypt. However, cotton production is projected up in Australia and Pakistan.

### **World Mill Consumption**

World cotton mill consumption increased continuously between 1998-99 and 2006-07, rising by 8 million tons; but mill use was almost stable in 2007-08 at 26.4 million tons. On the other hand, consumption is estimated to decrease in 2008-09 in Pakistan, Turkey, the United States, Brazil, the European Union, Mexico, Thailand, Russia, Taiwan and the Republic of Korea.

Cotton mill use is forecast slightly up in China and stable in India. In spite of lower US production, large accumulated stocks could maintain US exports around 3 million tons. World cotton stocks are forecast to decrease by 11 percent to 10.9 million tons in 2008-09. The largest decline in stocks, 1 million tons, is expected to take place in the United States.

Source: China Textile Network Company

## Extra-Fine Cotton

A fall in production of world extra-fine cotton is expected in 2008-09. Production is projected at 469,000 tons, down by 37 percent from the previous season. This production level would be the lowest since the middle of the 20th century. Available supplies in producing countries, including beginning stocks and production, are expected to decline by 26 percent to 768,000 tons, the lowest since 2005-06.

Production is expected to decline in every producing country except India, including Egypt, from 224,000 tons to 127,000 tons, the United States, from 185,000 tons to 100,000 tons, and China from 153,000 tons to 90,000 tons. Production is also forecast to be lower in Central Asia, Israel, Peru and Sudan.

The decline in extra-fine cotton prices in 2007-08, combined with strong competition from grains and, in the case of the United States, higher prices for irrigation water, pressed farmers to switch to other crops in 2008-09. The Cotlook quote for American Pima averaged US\$1.47 per pound during the first two months of the 2008-09 season. This is the highest average since 1995-96. Then, the quote averaged US\$1.54 per pound during the first two months and US\$1.70 per pound during the season.

*Source: Bremen Cotton Report*

## Chinese official: China's strong domestic demand to keep its economy growing

DATE: 2008/10/22

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Zhang Ping, Chairman of China's National Development and Reform Commission, said here on Tuesday that China's 1.3 billion consumers are set to underpin continuing Chinese growth, helping China to counter a slowdown across the industrialized world.

Zhang told a press conference in the parliament house jointly with Australian Treasurer Wayne Swan that China will be able to maintain growth of around 9 percent despite the global financial crisis because of strong domestic demand.

Due to the action of economic turbulence outside of China, there is some slowdown in our growth rate," Zhang said. "But according to my predictions I think the growth rate of China's economy will still be kept at 9 percent."

China would benefit from ongoing reform of its economy, Zhang said, as well as its substantial population.

"China is a country with 1.3 billion population, China itself is a large market," he said.

Zhang had talks with Treasurer Wayne Swan Tuesday morning and met with Prime Minister Kevin Rudd late in the afternoon. He is scheduled to meet Trade Minister Simon Crean on Wednesday.

"The importance of China and its economic growth to Australia and to the world has never been greater," Swan said at the press conference.

Over the past 25 years, the Chinese economy has grown at an annual average rate of around 10 percent in real terms, and over the past decade it has accounted for around 20 percent of global growth.

"China is now our largest trading partner and second largest export destination," Swan told reporters.

Source: China Textile Network Company

Swan and Zhang discussed continuing negotiations on a free trade agreement, which began in 2005.

“Both sides have always acknowledged the FTA will take time and it will take time. We have a commitment to discuss all of the issues in the FTA” Swan said.

Source: Xinhua

## **6th International Caprolactam & Nylon forum to be held in Nov**

DATE: 2008/10/21

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6th International Caprolactam & Nylon forum will be organized by China Chemical Fiber Economic Information Network (CCFEI) and Tecnon OrbiChem at Rainbow Hotel, No. 2000, West Yan'an Road, Shanghai, China.

In 2008 nylon producers in China are facing a variety of difficulties: tightened currency policy, continuous RMB appreciation as well as global-scale inflation, soaring crude oil values and poor downstream performance. How should nylon enterprises cope with them?

It will provide an opportunity to look over those widely concerned issues and exchange ideas with other players, on the basis of previous five successful China Int'l Caprolactam & Nylon Forums, China Chemical Fiber Economic Information Network (CCFEI) and Tecnon OrbiChem are to cooperate again to jointly organize 6th China International Caprolactam & Nylon Forum.

Supporters: China Chemical Fiber Association  
China National Chemical Fiber Corp

Conference themes:

- Supply/demand Status & prospect of global adipic acid market
- Influence from macro-control and RMB exchange rate to nylon market
- Review & prospect of China nylon chip market
- Supply/demand status & prospect of global caprolactam market
- Review and perspective on nylon 6/66 market
- Perspective of nylon engineering plastics in China

Participants:

- Major nylon feedstock suppliers and traders home and abroad
- Major nylon 6 and nylon 66 producers in China and overseas
- Engineering nylon plastics and film producers
- Major enterprises of nylon machinery, finish oil and auxiliaries all over the world
- Related industry associations
- Related R&D and consulting institutes

Top management from famed companies will attend the coming 6th forum, including: BASF, Honeywell, Ube, DSM, Invista, Baling Petrochemical, Xinhui Meida Nylon, Shijiazhuang Chemical Fibers, Zig Sheng Industrial, Capro, Shenma Group, etc., and related industry associations and institutes.

Source: 6th Intl' Caprolactam & Nylon forum