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China builds new Silk Roads to revive fortunes of Xinjiang

DATE: 2010-07-02

For more than a thousand years, camel caravans carrying silk, jade and porcelain from inland Chinese towns lined the vast deserts in China's far-flung western region. Chinese, Central Asian traders who crossed the daunting mountain range with loads of saffron and rugs converged at Kashgar, an oasis town east of the Taklamakan Desert and a trading hub along the ancient Silk Road that connected China to Europe. The route, however, faded into history with the rise of maritime trade in the 15th Century. Since then, Kashgar, along with many Silk Road stops in what is now the ethnic Uygur-populated Xinjiang region, has been left in the dust as the economy elsewhere in China took off.

But the authorities hope that is about to change. With China's central government planning to ramp up growth in Xinjiang, Kashgar has a good chance of catching up, officials and analysts said. Authorities aim to restore southwest Xinjiang, near the borders of Pakistan, Uzbekistan, Kyrgyzstan and Afghanistan, where Kashgar is located, as a transport and trading hub. "The prosperity of the Silk Road trade will be gradually restored," said Wang Ning, an economist with the Academy of Social Sciences in Xinjiang Uygur Autonomous Region. "For a long time, inadequate infrastructure and transportation hindered the region's development."

Source: Xinhua via CNTEX

Renminbi's New Flexibility May Exert Impact on Textile Exports

DATE: 2010-07-02

by Gracie Guo

People's Bank of China over the weekend said it was abandoning its peg to the US dollar, a move taken to shelter the China economy during the recent global crisis, and was reinstating a managed float it first detailed in July 2005. China's currency surged Jun.22 to its highest level yet, with central bank setting the daily official level at 6.7980 yuan to the dollar, acting on a pledge to allow greater

Source: China Textile Network Company

flexibility in the exchange rate ahead of a weekend G-20 summit. Although Beijing's pledge to let the currency fluctuate more after keeping it pegged near 6.83 for the past two years was welcomed by many of China's trading partners, CNTAC has warned that the appreciating yuan in China could spell serious trouble for the Chinese textile industry as it will further slash the marginal profitability of China's textile makers.

Trouble for the textile industry

The rising of the RMB exchange rates has drawn attention increasingly in the global economy world. In China, the RMB appreciation has close links with the establishment of the exchange rate policy, transformation of the economic system and adjustment of industrial structure, etc. Policy on RMB exchange rate in the 1981-2010 period included: "Double" exchange rate regime (1981-1993); "single system" of exchange rates (1994-1997); pegging to the US dollar (1998-2005); adjustable floating exchange rate regime (2005-2008) and pegging to the US dollar (2008 to date).

The People's Bank of China made the decision based on the recent economic situation, market developments at home and abroad, and the balance of domestic payments. The bank says stability of the yuan exchange rate has played an important role in mitigating the impact of the global financial crisis. It also stressed it has contributed significantly to the Asian and worldwide recovery, and demonstrated China's efforts in promoting global re-balancing. The gradual recovery of the global economy has gained momentum on the back of the upturn of China's economy. That provided rational for the bank to proceed further with the yuan exchange rate's reform and enhance its flexibility. Meanwhile, the bank says as the balance of payments account moves closer to equilibrium, the basis for large-scale appreciation of the yuan exchange rate does not exist. The central bank will further enable markets to play a fundamental role in resource allocation, promote a more balanced BOP account and maintain a stable yuan exchange rate. Obviously, the RMB appreciation will hold back China's textile exports. The appreciation of the Chinese currency has added burdens on exporters as a strong Renminbi is increasing their production costs and export prices of finished products.

Textile export growth may slow

In the first five months of this year, China's total export of textile and apparel reached 70.215 billion U.S. dollars, increasing by 19.33 per cent compared with the same period of last year, in which the export of textile was up 29.7 per cent and garment was up 13.1%. We believe that the growth was attributed mostly to the low base in the same period last year, and the rapid growth will not last long.

Firstly, the performance of export markets for Chinese textile products is complicated. The U.S. economy grew at a slightly slower-than-expected pace in the first quarter, held back by inventories and exports. Business inventories increased \$31.1 billion in the first quarter as businesses restocked to meet firming domestic demand, the first increase since the first quarter of 2008. Inventories contributed 1.57 percentage points to GDP, less than half the contribution in the last three months of 2009 when businesses became less aggressive in clearing their warehouses. When businesses slow the rate at which they are liquidating inventories, manufacturers raise production and this boosts GDP. Inventories fell \$19.7 billion in the last quarter of 2009.

Next, an unrelenting rise in the cost of raw materials in China is cutting textile corporate profits, in some cases, pushing up consumer prices. One glaring example is the sky-rocketing cost of cotton. On Jun. 23, China Cotton Index for 328-grade cotton reached CNY 18,089 a ton, adding 21.57% over the index for the beginning of 2010. Thirdly, Mainland salary increases started this year when Guangdong, Shandong and Jilin cities raised pay by an average of 17 percent because of a labor shortage. Analysts said the moves could trigger a new wave of salary hikes in the "factory of the world" and raise production costs. Those sectors that are labor-intensive will be hit most as their previous pay levels were actually low.

Besides, European debt crisis and the consequent sovereign credit risk of developed economies and a new round of global financial market turmoil also have impact on China. The reality might become much worse if the RMB is appreciated as it will further slash the marginal profitability of China's textile makers in a short run, yet they will also be helpful to the restructuring of the industry from a long-term perspective.

Source: CTEI News

China is largest importer of Italian textile machinery

DATE: 2010-07-01

"China International Textile Machinery Exhibition & ITMA Asia Exhibition" was held on June 22-26 in Shanghai, 110 Italian textile machinery manufacturers formed Italian National Pavilion exhibitors during the session. President of the Italian Textile Machinery Industry Association Sandro Salmoiraghi said, the exhibitors are best companies of Italian textile machinery industry. Italian textile machinery industry employs about 14,000 people, exports account for nearly 80 percent of total industrial revenue, of which, half are from Asia. 2009 turnover of Italian textile machinery industry was around 1.4 billion euros.

Referring to China, Salmoiraghi said, China is a very important partner of Italian textile machinery. Exports to China from Italian textile machinery industry accounted for 21.5 percent, export value reached 250 million euros in 2009, accounted for almost half of total exports from Italy to Asia. In addition, Indonesia, Thailand, Vietnam, India, Turkmenistan, Iran and other countries have also expanded imports of Italian textile machinery. From data perspective, India comes in second after China, with exports nearly 100 million euros.

Source: ccfgroup via CNTEX

China's manufacturing expands at a slower pace

DATE: 2010-07-30

China's manufacturing expanded at a slower pace for a second month in June, adding to signs that growth in the world's third-largest economy is moderating. The Purchasing Managers' Index fell to 52.1 from 53.9 in May, the Federation of Logistics and Purchasing said in an e-mailed statement Thursday. That was less than the median 53.2 estimate in a Bloomberg News survey of 12 economists. The figures indicate the government is succeeding in tempering an expansion that hit an 11.9 percent annual pace in the first quarter, which threatened to inflate consumer and asset prices. Signs of the slowdown have unsettled investors around the world because limited demand in advanced economies has left global growth reliant on emerging markets, led by China. Asian stocks headed for a third day of losses. "China's growth is off the peak and will gradually cool," Qu Hongbin, a Hong Kong-based economist at HSBC Holdings Plc, said before the release on Thursday. "Still, this is just a slowdown to a more sustainable rate rather than a meltdown."

Qu said "resilient" private consumption and government spending on public housing will help to sustain growth. That outlook hasn't been shared by investors, who sent the Shanghai Composite Index to a 14-month low on Wednesday. The MSCI Asia Pacific Index dropped 0.9 percent as of 8:52 am in Hong Kong. The world is relying on China to help sustain a recovery that Group of 20 leaders this week described as "uneven and fragile."

Autos, electronics

The manufacturing index, released by the logistics federation and the Beijing-based National Bureau of Statistics, covers more than 730 companies in 20 industries, including energy, metallurgy, textiles, automobiles and electronics. On June 29, the New York-based Conference Board corrected its leading economic index for China to show the smallest gain in five months in April, fueling investors' concerns that growth is easing and adding to signs of weakness worldwide. Europe's manufacturing and services expansion slowed in June and Japan's industrial production and household spending slipped in May. Baosteel Group Corp, China's second-biggest steelmaker, this week scaled back its growth plans, cutting its target for capacity in 2012 by 38 percent. In China, policy makers have spent the first half of the year seeking to prevent property-price bubbles and contain inflation, which surpassed the government's full-year target of 3 percent in May. So far, the winding back of the stimulus has not included an interest-rate increase.

Credit target

The government has told banks to set aside more money as reserves, targeted a 22 percent reduction in new lending from the record \$1.4 trillion in 2009, and indicated that the yuan's peg to the dollar is over. Lu Zhengwei, a Shanghai-based economist at Industrial Bank Co, said concern that an economic slowdown is possible may have damped purchasing managers' sentiment and higher labor costs may have altered hiring plans. Manufacturers including Honda Motor Co and Foxconn Technology Group have pushed up wages and at least nine Chinese provinces and cities will raise minimum wages from Thursday.

The government has cracked down on property speculation by raising down-payment ratios and mortgage rates for multiple home buyers. Clamping down on local-government borrowing to contain risks from last year's explosion in debt could also limit growth. The finance ministry said it will scrap export rebates on some steel and metal products from July 15 to limit energy consumption and pollution. "The biggest uncertainty in the outlook later this year may be how determined the government is in meeting its energy and pollution targets and in limiting related industries," said Lu. Signs that China may be able to maintain momentum include a 49 percent jump in May exports from a year earlier and quickening growth in retail sales. Still, June or July trade data may start to show the effects of Europe's crisis, cabinet researcher Zhao Jinping said, according to a June 28 China Business News report. The statistics bureau is scheduled to release June and second-quarter data on July 15.

Source: China Daily via CNTEX

How some textile mills sidestepped Armageddon

DATE: 2010-06-30

To get an idea of how some U.S. textile mills can compete with developing-world rivals who pay far lower wages, roll a bowling ball down one of the production lines at Parkdale Mills' Walnut Cove yarn plant. Chances are you won't hit anybody, though you may have to foot the bill for some pricey equipment repairs. The 200,000-square-foot (18,580-sq-meter) plant runs 24 hours a day, seven days a week, turning out 1.5 million pounds (680,400 kg) of cotton yarn every week with a staff of just 71 people spread over three shifts. On the overnight shift, just 11 people run the plant, which sprawls over an area about the size of four football fields. What's the secret? Constant investment in automation equipment that allows the highly profitable plant to make more yarn with fewer skilled workers at a price low enough that it can export it to Honduras and the Dominican Republic, where it is knit into T-shirts to be sold by customers including Canada's Gildan Activewear Inc. The environment, where hundreds of machines churn away with little human intervention, is worlds away from what plant manager B.B. McGuire saw when he started his first, part-time job in a textile factory in 1973.

Source: China Textile Network Company

"We used to have people running all over each other," recalled McGuire, 53. The latest new equipment at the 19-year-old plant, located in a town of 1,465 people near North Carolina's rural northern border, automates a process of moving rough yarn into the final round of spinning, allowing the four workers to do a job that needed 15 to 20 people with the old gear. "It wasn't bad equipment, it's just that the technology has been updated," said McGuire. "We couldn't be competitive without this type of technology." The factory has reduced its staff by about 40 percent over the past five years, while boosting production, McGuire said. While productivity improvement is a goal for pretty much every American manager, the drive is particularly zealous at textile companies like Parkdale, and with good reason. Mills have been falling like flies in this country. According to industry lobbying group the National Council of Textile Organizations, more than 200 have closed since 2005, when the nations of the World Trade Organization agreed to drop the quotas that once regulated the global trade in fabric and clothing. But if the industry has declined, it hasn't disappeared. About 410,000 Americans still worked in textile and apparel manufacturing as of May - - more than worked in broadcasting or making electric appliances -- according to government data. Still, that represents about one-quarter of the 1.6 million people who worked in apparel and textile factories back in 1990.

The common theme among the companies that have survived and thrived is technology: run high-speed, highly automated equipment or make specialized, highly engineered fabrics that cannot easily be copied at a lower cost. The industry has long railed against what it describes as unfair Chinese trade practices and even with Beijing's recent move to allow the yuan to float more freely versus the U.S. dollar, it regards China as a major competitive threat.

"LET THEM HAVE THE BUSINESS"

A decade ago, Allen Gant looked at Glen Raven mills and realized the company his grandfather founded in 1880 after serving in the U.S. Civil War had a problem. About 90 percent of the fabric it produced was basic cotton twill and denim used in clothing, which could easily be produced at a lower price outside the United States. An even bigger problem was that his customers -- apparel factories -- were fleeing his home country and setting up shop in Mexico and China, where costs were far lower. It was time for a change, Gant realized. "We just said, 'I'm sorry, we're going to use our resources and assets only for markets in which we have an opportunity to compete on a global basis, and we're not going to follow cost as a competitive strategy. If somebody can do it cheaper somewhere else, then for gosh sakes, let them have the business,'" said Gant, 63, who serves as president of the Glen Raven, North Carolina-based mill. The company turned its focus to its Sunbrella line, fabrics designed to stand up to prolonged exposure to sunshine or bleach without fading. It can cost about four times as much as some of its less highly engineered rivals, but lasts far longer when used in an awning, as the roof of a convertible car or on patio furniture that's exposed to the elements.

Today, Glen Raven ships fabric made at its Anderson, South Carolina factory to Chinese furniture manufacturers, who use it to cover sofas and lawn chairs that they then ship back to the United States. Recognizing that nation's growing importance as a furniture manufacturing center, Glen Raven in 2006 opened a factory in Suzhou, outside Shanghai, where it makes some of the fabric it sells in China. About half of its 2,500-plus employees are based outside the United States, mainly at plants in China and France. It sells the Chinese-made fabrics at prices comparable to what it charges for U.S.-produced goods. It also makes a range of engineered fabrics used in everything from lining the ceilings of cars to producing camouflage netting the U.S. military uses to hide troops and vehicles from enemy radar.

The common theme among all these products, Gant said, is that they cannot be easily copied, which means the company faces little direct competition from rivals in low-wage nations. Apparel fabrics today represent about 1 percent of production. "Costs are important -- don't get me wrong, we work hard on our costs -- but it's really the innovation that makes a difference," Gant said. "Would we like

to find a penny (of cost savings) a yard somewhere? Yeah, absolutely. Does that keep us from doing business? Absolutely not. And quite frankly, if a penny a yard keeps you from doing business, you're in the wrong business."

MORE WITH LESS

Parkdale and Glen Raven's focus on technology has made them survivors in an industry littered with stories of failure. Industry giants including Burlington Industries, J.P. Stevens and Avondale Mills have all sought bankruptcy protection or closed outright over the past decade, though portions of Burlington live on in International Textile Group Inc, a company created by private equity investor Wilbur Ross in the early 2000s out of the wreckage of several bankrupt companies. The companies that have survived have found ways to do more with less. Through automation and cost cutting, U.S. textile mills boosted their output per hour of work by about 49 percent from 1998 through 2008, according to Labor Department data. "When you walk into these plants, it's hard to find people," said Blanton Godfrey, dean of North Carolina State University's College of Textiles in Raleigh. "A lot of times, you go to these textile companies and people think they're not doing well because their parking lots are half full. Well, the parking lots were built 20 years ago when you needed lots of people. You don't need as many people today."

While improved productivity may be good news for the surviving mills, it holds a downside -- fewer jobs. Overall employment in the industry is down about 40 percent over the past five years, a trend that reflects mill closures, higher productivity and the closing of many apparel factories in the region. Garment manufacturing remains far more labor-intensive, with factories still featuring rows of hundreds of workers manning sewing machines in configurations that would be familiar to the European immigrants who flocked to New York City dress factories almost a century ago. The decline in the number of jobs available has even prompted some institutions that were once closely allied with the industry to pull away from it. For instance, Philadelphia University, which for most of its history was known as the Philadelphia College of Textiles and Science, in recent years has dropped its undergraduate major in textile engineering. "You do not want to take a 17- or 18-year-old person and give them such a narrow focus," said David Brookstein, dean of the School of Engineering and Textiles, which still offers graduate level specialization in textiles. Even in southern towns that were once dominated by textile mills, some have grown wary of working for the industry.

Jack Woodson, director of operations at Glen Raven's 1 million square foot (92,900 sq meter) plant in Anderson, South Carolina, said when skilled jobs come open at the plant, it can be difficult to lure experienced textile workers, who have experienced a layoff or two at prior jobs, to return. "The middle aged, experienced worker says, 'I don't know if I want to go back to textiles,'" said Woodson, 43, who followed his father and grandfather to work in the mills. "It is a staffing challenge for us." Rather, experienced manufacturing workers gravitate toward the cluster of automotive parts suppliers that have sprung up nearby to serve BMW's U.S. plant in Spartanburg, about 60 miles to the northeast.

PRIVACY POLICY

Another common trait of both Glen Raven and Parkdale is that both have been family owned throughout their history, which has allowed them to invest in new equipment even during the recent brutal recession and make decisions like Glen Raven's to pull out of the apparel business. The heads of both companies said they were highly profitable and growing, but declined to discuss dollar amounts. "We have the opportunity to invest for the long term," said Anderson Warlick, president of Parkdale, which has its headquarters in Gastonia, North Carolina. "We don't have to worry about a bad quarter or making an irrational decision based on some knee-jerk reaction to a share price. It gives us a little bit of a longer-term view, and I think that is starting to pay off." At a time when most other U.S. textile companies are cutting back production, Parkdale is reopening some idle plants, including a facility in Graniteville, South Carolina, that reopened recently and another in Gaffney, South Carolina, that it plans to reopen later this year.

All told it employs some 4,000 people today in 36 mills spread across the United States, as well as Mexico, Honduras, Colombia, Canada and Thailand. Its constant investment in automation equipment allows it, like Glen Raven, to export U.S.-made yarn to China. "We have quite a bit of yarn going from Rabun Gap, Georgia, to China," said Warlick, 53. Still, success hasn't been limited to private companies. Unifi Inc, which makes polyester and nylon yarn, has recently returned to a profit, posting three straight quarters of earnings after a four-year streak of losses. That Charlotte, North Carolina-based company, which has \$178.7 million in publicly traded bonds, regards access to the public capital markets as critical given the high cost of financing its heavy equipment. "There is a downside to being a public versus a private company. Being public, you obviously have much more accounting and reporting and regulatory standards ... and you provide information to the rest of the marketplace," said Chief Financial Officer Ron Smith. "But at the end of the day, our ability to access the capital markets and the high-yield market to refinance our debt is our biggest advantage."

NEXT STEPS

At North Carolina's College of Textiles, meanwhile, researchers are focused on probing the frontiers of fabric technology, finding uses for mill products in everything from the stents that doctors use to prop open blood vessels in patients with heart disease, to ways of using nano-scale carbon fibers in lithium-ion batteries for hybrid cars. Scientists at the school's Raleigh, North Carolina campus are also working on developing cutting-edge protective equipment for firefighters and other emergency response personnel. There, Professor Donald Thompson spends his days putting protective jackets, gloves and other garments through a barrage of tests including one chamber where sensor-loaded dummies are dressed up in protective gear and blasted with flames to test fireproofing. Actual people test the comfort of clothing in a climate controlled room where they face temperatures ranging from -20 degrees Fahrenheit (-10 degrees Centigrade) to 120 degrees Fahrenheit (49 degrees Centigrade).

"In order to understand comfort, you have to make people uncomfortable," Thompson said of the barrage of tests. "It's hard to make someone feel more comfortable. So we make them uncomfortable first and then they can perceive being less uncomfortable." The undergraduates entering the school also seem to be more interested in testing their own comfort zones in their careers. "Traditionally, a lot of the students came to the college because they didn't want to leave North Carolina and they could get a good textile job in North Carolina," said Godfrey, the school's dean. "Now a lot of the graduates want to go work in the world or work in Wisconsin or California or New York. A lot of them are going because the opportunities are everywhere."

Source: Reuters via CNTEX

ITMA Asia More Successful Than Expected

DATE: 2010-06-30

Last week, the Rupp Report reported about the opening of the ITMA Asia + CITME 2010. It was also questioned if the exhibition would be a local show or if it would also have international exhibitors. Now the show is over, and it was a big success. According to an intensive survey among the exhibitors, most of them welcomed many visitors not only from China, but also from India, Pakistan, Bangladesh, Indonesia and countries of the Middle East as well as from Brazil.

China, The Largest Exhibiting Country Times are changing rapidly. Today, China is the largest country with reference to exhibitors and floor space: 639 Chinese exhibitors occupied some 31,000 square meters (m²). Germany, as the largest non-Chinese country, occupied 5,400 m²; followed by Italy with 4,000 m²; Japan with 3,300 m²; and Switzerland with 2,500 m². More Exhibitions Than Ever hina leads the way in textile machinery exhibitions more than ever, and not only in terms

Source: China Textile Network Company

of floor space: At the official press conference during the show, it was officially announced that the next ITMA Asia will be in Shanghai again in June 2012, in spite of the ITMA Europe taking place in September 2011 in Barcelona, Spain. And, according to rumors at the show, another ITMA Asia has already been signed and confirmed for 2014, again in Shanghai. So, at least for the next two years, there will be an ITMA either in Asia or Europe.

In spite of the official language from ITMA owner the European Committee of Textile Machinery Manufacturers (CEMATEx) and the unquestioned importance of the Asian markets in general, and the Chinese market in particular, many people from the exhibitors' staff expressed their frustration with the concept of ITMA and the rhythm of two years for ITMA Asia going forward. Virtually all of them questioned the need and the benefit of having an ITMA Asia every other year, keeping in mind there is also a ShanghaiTex in odd-numbered years. "How can we present true novelties practically every year to our customers? This is impossible," said many exhibitors. "And our customers are getting tired from attending too many exhibitions." Furthermore, the India ITME society announced that the next India ITME will be held Dec. 2-7, 2012, at Bombay Exhibition Centre, in Mumbai, India. So the basic idea of reducing the number of shows in Asia by establishing an ITMA Asia is somewhat jeopardized.

IPR Problems In the official press release from the organizers mentioned that "traditional ITMA rules pronounce that only manufacturers of textile machinery and accessories are qualified to take part in the exhibition. All exhibitors must display original equipment on their stand. To ensure strict adherence to this regulation, an on-site intellectual property office has been set up to handle any intellectual property rights [IPR] issues." Nevertheless, most of the Western exhibitors articulated their disappointment, saying that their machinery had been copied and was displayed in many Chinese booths, and that it would cost a lot of time and money to pursue a case; but after the fact, it would be useless to press charges of IPR violations. Unexpected Success The current global market situation and, therefore, the overall impression of ITMA Asia + CITME 2010 were considered to be positive -- in fact, very positive. Some people even articulated some fear regarding the current situation of the markets ending up in a big bubble.

After the disastrous years of 2008 and 2009, suppliers did their homework by reducing capacities and - if necessary - staff. But since February/March 2010, the markets have been booming, especially in Asia, and some manufacturers already have very long delivery times. Today, the Asian market is extremely important for the machinery manufacturers. China is the top country, followed by India, Pakistan, Bangladesh and Indonesia. Basically, this is thanks to the soaring domestic market in China. Officials at the press conference said that from January to May 2010, the domestic market in China increased by 23 percent. Top Visitors All machinery manufacturers surveyed expressed their satisfaction with the event and the feedback about their exhibits. The expectations regarding ITMA Asia were fulfilled, sometimes even excelled. The visitors' frequency as well as the quality of the visitors was considered to be good. Nevertheless, most of the important European exhibitors declared their will to participate in Barcelona: "We are still Europeans, and our brain trust is in Europe," one exhibitor said. More detailed information will be published in the forthcoming issues of Textile World , Textiles Panamericanos and Textile World Asia .

Source: CNTEX

China to boost web retail sales through better regulation

DATE: 2010-06-30

China's Ministry of Commerce (MOC) said Tuesday it would boost web retail sales in the next five years through better regulation of online sales. To increase the share of web retail sales in China's total retail industry to five percent by 2015 from some two percent at present, measures would be

Source: China Textile Network Company

taken to improve regulations and legislation concerning online transactions, said the MOC. In some areas where electronic business already shows signs of maturing, the target was set at 10 percent, according to the statement. The MOC also said that when the time is appropriate, China would require any person selling online to register with industrial and commercial agencies to bring them under government regulation. Further, more efforts would be taken to encourage businesses in the production, sales and services industries to develop more goods and services that fit online transactions, said the statement. In 2009, two percent of China's retail sales were conducted on the Internet, the Chinese Academy of Social Sciences said in a report released earlier this month. By the end of 2009, China had 384 million Internet users and more than 100 million online shoppers, according to data collected by the China Internet Network Information Center (CNNIC).

Source: Xinhua via CNTEX

China's yuan central parity rate weakens against USD

DATE: 2010-06-30

The central parity of the Renminbi (RMB), or China's currency yuan, weakened to 6.7909 per U.S. dollar on Wednesday from Tuesday's 6.7901, according to the data released by the China Foreign Exchange Trading System. On Tuesday, the central parity of RMB against the U.S. dollar weakened to 6.7901 from Monday's 6.7890, the strongest since China announced to unpeg the yuan from the U.S. dollar in July 2005.

Source: Xinhua via CNTEX

Textile Exports to Japan Witnessing a Downturn

DATE: 2010-06-28

China textile and apparel exports to Japan was witnessing a downturn in all statistics of China Customs and Japan METI in the Jan.-Apr. 2010 period. Exports to Japan this year later will face more pressure as gains in Japan's consumption could moderate due to a lackluster jobs market and debt crisis.

Exports to Japan slowing down

In the Jan.-Apr. 2010 period, China's textile and garment exports to Japan amounted to \$68.49 billion, dropping 3.67 percent y/y, slightly narrowed by 8.08 percentage points from the Jan.-Apr. 2009 period, while exports to the United States and EU increased by 20.61 percent and 16.34 percent respectively y/y, up 21.81% and 27.65% respectively from the Jan.-Apr. 2009 period. From Jan. to Apr. 2010, textile and apparel goods to Japan accounted for about 12.39%, down 2.5% from the Jan.-Apr. 2009 period, while goods to the United States and EU accounted for about 15.53% and 20.52%, edged up 0.62% and 0.10% y/y.

Further statistics from Japan shows that, Japan's textile and apparel imports from China amounted to 7.846 billion U.S. dollars in Jan.-Apr. 2010, down 4.52% year on year, narrowed by 11.46 percentage points from the Jan.-Apr. 2009 period. Japan's data also shows that Japan's textile and apparel imports from China are witnessing a downturn. Gains in garment consumption in Japan this year could moderate. Japanese total retail sales surged 3.8% in April from a year earlier to 42054 billion yen. Higher fuel prices as well as continued solid sales of machinery boosted overall retail sales. However, Japanese retail sales of textile and garment plummeted 9.18% in Apr. to 1771 billion yen. While we has lost market share in Japanese markets, our competitors such as Vietnam and Thailand are growing faster. From Jan. to Apr. 2010, Japan's textile and apparel imports from

Source: China Textile Network Company

Vietnam amounted to \$418 million, up 3.59% year on year, accounted for 4.08% of Japan's total textile and apparel imports, up 0.24% year on year; Japan's textile and apparel imports from Thailand from Jan. to Apr. 2010 amounted to \$204 million, up 5.52% year on year, accounted for 1.99% of Japan's total, up 0.15% year on year.

Experts attributed the growth of Vietnam's to two factors. First, low labour cost in Vietnam. Second, VJEPA. As we know, The Vietnam-Japan Economic Partnership Agreement (VJEPA) took effect on October 1, 2009. VJEPA greatly helps Vietnamese exporters to Japan. Japan's tariffs on Vietnamese exports to this market will be lowered sharply. Specifically, 86 percent of Vietnamese exports to Japan will be subject to a zero percent tariff in the first year of VJEPA enforcement and this itinerary will take 10-15 years for completion. This means that Vietnamese businesses can save money if they sell products to Japan.

Japan's uneven economic recovery

Japan's economy is showing further signs of recovery on the back of a continued upturn in exports and production as overseas demand increases. Japan's annualized economic growth in the January-March period was revised higher to 5.0 per cent from an initial estimate of 4.9 per cent, beating expectations, official data showed on June 10. Japan's Consumer Confidence Survey index also posted its fifth consecutive monthly gain, rising to 42.8 in May from 42.0 in April. And, Japan May Nomura/ JMMA Manufacturing Purchasing Manager Index rose to 54.7. Japan pulled out of recession in April-June last year, helped by firm exports to Asia and firmness in consumption due to the government's stimulus measures, which included subsidies on energy-efficient cars and consumer electronics.

But, analysts say growth is likely to slow later this year as gains in consumption could moderate due to a lackluster jobs market and debt crisis. Japan's seasonally adjusted jobless rate in April climbed to 5.1% from 5% in the previous month, rising for the second straight month. The number of jobless people stood at 3.56 million, up 100,000 from a year before. A labor ministry report also showed deteriorating conditions for those looking for work. The ratio of job offers to job seekers stood at a seasonally adjusted 0.48 in April, down from 0.49 last month. That means there were 48 positions available for every 100 job seekers. Besides, Europe's debt crisis also casts doubt on the outlook for Japan's exports to that region. Japan's debt crisis was brought on by deflation-sapped economic output and high domestic debt. The Japanese government's total debt as of March was 882.9 trillion yen (about \$9.7 trillion), or 229 percent of GDP " vastly larger than Greece's in terms of its absolute size and ratio to GDP " and is expected to rise to 235 percent by the end of 2010. Our market share in Japan is too high to expand on a large scale, and our exports to Japan will continue to be curbed by its uneven economic recovery.

Source: CTEI News

China textile machinery market calls for high-end equipment

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As impacted by the financial crisis, several major European textile machinery companies like Oerlikon, Rieter, Picanol and Japanese Toyota witnessed decreased amount of business in 2009, they even suffered varying degrees of loss in China. However, these large textile machinery enterprises met the same situation in China as they had in global market. Sales of carding combination machines, drawing frames, carding machines of Truetzschler Textile Machinery were very good in Chinese market in 2009; sales situation of several other large companies was the same. In 2009, Picanol sold 1400 rapier looms in Chinese market, Toyota sold over 1000 air-jet looms in Lanxi City, Zhejiang Province, Oerlikon received Chinese order of fiber equipment fully

Source: China Textile Network Company

packed into the second half of this year, Rieter's sales in China basically resumed back to the level before the financial crisis.

This shows that regardless of the financial environment and what changes occur in market conditions, it will not fundamentally change the demand of domestic users for high-end equipment. In the first 4 months of 2010, China's imports of textile machinery registered US \$1.149 billion, up 80.22 percent year on year. In fact, equipment demand from Chinese textile enterprises has shown significant changes since 2005, mainly representing hot selling of domestic made high-end equipment and another period of increased demand for imported equipment. There were no major changes in demand pattern for equipment in 2008 and 2009. The restructuring trend of China's textile industry is clearer after the financial crisis. China's textile machinery market has considerable growth room and demand potential of high-end equipment. This is the real reason for ITMA ASIA to cooperate with China International Textile Machinery Exhibition and settle in China. Who can turn a blind eye, who can give up a slice of chance in face of such a huge market?

Source: ccfgroup via CNTEX