Content:

China Textile Industry Report 2009/10 (Part B)

DATE: 2010-02-08

Domestic markets boom continues

In Oct., 2009, the IMF increased its 2010 forecast for China's GDP. In July it forecast China's economy would grow 8.5% next year. In the latest GDP forecast, China will grow 9% in 2010. The World Bank in Nov. also raised its forecasts for Chinese growth this year and projected a slightly faster pace of expansion in 2010. Gross domestic product would increase 8.4% this year and 8.7% in 2010 on the back of massive fiscal and monetary stimulus, the bank said. China's consumer confidence index (CCI) rose to 103.9 in the fourth quarter last year, up 3.1 percentage points from the previous quarter, said a report released on Jan. 26 by the China Economic Monitoring & Analysis Center under the National Bureau of Statistics. Textile industry analysts generally agree that, 2010 growth rate of textile and garment industry in domestic market is likely to reach 20-25 percent compared with 2009.

Organization	Release Date	China Groth (%)	
		2009	2010
IMF	Jul. 2009	7.5	8.5
IMF	Oct. 2009	8.5	9.0
World Bank	Jun. 2009	7.2	7.7
World Bank	Nov. 2009	8.4	8.7

China's economy shot back to nearly double-digit growth in 2009 after nearly standing still at the end of 2008. "In 2010, active fiscal policies will continue, and this means we cannot weaken the intensity of fiscal support for economic development, avoiding the losses to our achievements that would come from an excessively early exit." Chinese Finance Minister Xie Xuren made the comments at a policy-setting meeting in Jan. Xie said that efforts to expand domestic demand would include policies to raise incomes, especially for poorly paid workers and farmers; continued spending on public works, including schools and hospitals; and taxation changes.

Waiting for overseas market recovery

Organization	US		Eurozone		Japan	
	2009	2010	2009	2010	2009	2010
UN	- 2.5	2.1	- 4.1	0.4	- 5.6	0.9
OECD	- 2.5	2.5	- 4.0	0.9	- 5.3	1.8
IMF	- 2.5	1.5	- 4.2	0.3	- 5.4	1.7

The Conference Board, a New York-based research group, said its Consumer Confidence Index rose to 52.9 in December, from an upwardly revised 50.6 in November. A more optimistic outlook for business and labor market conditions was the driving force behind the increase in the expectations index. Consumers' evaluation of the job market was mixed. The percentage of those claiming jobs are currently hard to get fell to 48.6% from 49.2%, but the number of consumers claiming that jobs are "plentiful" fell to a new low to 2.9% from 3.1%.The European Commission's closely watched consumer confidence indicator for the 27-member EU rose from minus 14.3 in December to minus 13.3 in Jan.2010. But while the data showed the mood among consumers in the broader EU improving this month, it remained almost unchanged in the 16-member eurozone.

Japan's consumer confidence index posted the second straight monthly drop, falling to 37.6 in December from 39.5 in November, when it showed its first drop in 11 months, as more people became concerned about their job security and incomes six months ahead, according to Cabinet Office. Anyway, continuity in the demand for the Chinese textile covering in the U.S., Japan and EU markets is keeping the hopes of Chinese exporters alive that after the recession. Moreover, a decade after it was first mooted, the world's largest free-trade area by population came broadly into effect on January 1st. The agreement between China and the ten-country Association of South-East Asian Nations (ASEAN) covers nearly 1.9 billion people. In terms of economic value, this is the third-largest regional agreement, after only the EU and NAFTA. Cooperation between China and ASEAN nations will offer further impetus to China textile export.

Vulnerabilities and risk

It is not contradictory for China to amass a larger share of wealth and power while still suffering from domestic vulnerabilities. In 2010, China textile industry needs to remain vigilant about international pressure for renminbi revaluation. Few questions loom larger with currency strategists this year than whether. China is under growing pressure from its international trading partners, led by the US, Europe and Japan, to let the renminbi rise.Meanwhile, trade barriers and material price rising (e.g. raw materials prices) will affect the export of China’s textile industry and further exacerbate competition on textile market.

Source: CTEI Exclusive

Qinghe: Cashmere Chamber of Commerce Established

DATE: 2010-02-08

Qinghe Cashmere Chamber of Commerce was formally established on Jan. 18 2009. The Cashmere Chamber of Commerce is a private, non profit business advocacy organization supported by its business, professional, industrial and personal members. The Cashmere Chamber of Commerce's mission is to ensure the ability of all Qinghe cashmere industry segments to compete effectively and profitably at home and abroad. The Council serves as the central forum for consensus-building among producers, warehouses, merchants, dealers, cooperatives and textile manufacturers. The organization is the unifying force in working with the government to ensure that cashmere's interests are considered.The Cashmere Chamber of Commerce's objectives in 2010 are: financing support for enterprises, launching sourcing fair as well as organizing members to pay a visit to Jiangsu, Zhejiang and Shanghai.

Source: CTEI News

NY futures close the week nearly unchanged

DATE: 2010-02-08

NY futures closed the week nearly unchanged, as March dropped just 15 points to close at 68.99 cents. Despite another stellar export sales report this morning, it was nearly impossible for cotton futures to withstand the negative wave that has swept through global capital markets. The sell-off in many of these outside markets has been very pronounced and broad based, as the MSCI World Stock Index fell 2.3 percent, crude oil dropped 5 percent and even gold was down by over 4 percent. Interestingly, food crops managed to buck the trend, with corn, soybean and wheat all closing higher. Meanwhile, the Euro continued its slide against the US dollar and has now lost around 9 percent since early December. US export sales once again beat the consensus estimate as no less than 668'800 running bales of Upland and Pima cotton were sold last week. Although 143'500 of these bales were sold for August onwards shipment, we have to assume that most of them will be supplied out of current crop. Total commitments for the season have now reached around 8.4 million statistical bales, of which some 4.5 million bales have so far been shipped. Depending on how much of the 'new crop' commitments will be shipped from existing supplies, we estimate that only around 6.5 to 6.8 million bales remain unsold at this point, including the certified stock.

US cotton is clearly dominating the export market at the moment, as weekly sales have averaged nearly 500'000 bales over the last four weeks for both crop years combined. This has a lot to do with the fact that the futures market has fallen more than twice as fast as the A-index, which has allowed shippers to sell their US basis-long positions ahead of foreign growths. While March futures have lost 701 points since closing at 76.00 cents on January 4th, the A-index has only dropped 325 points since posting a high of 79.85 cents on January 5th. Another factor that is motivating shippers to push US export sales, unlike in prior seasons when the AWP redemption game was being played, is that US cotton incurs carrying charges on a daily basis, whether it is in the loan or not. This has led to a sense of urgency to dispose of US inventory, while many foreign positions are contracted for forward shipments, which allows merchants to be more patient. Despite the recent increase in the selling basis, mills have continued to buy a lot of cotton "on-call". The latest report as of January 29 shows that while on-call sales based on the March contract have dropped by 283'500 bales net last week, unfixed on-call sales based on May and later contracts have increased by 602'900 bales net. Total unfixed on-call sales now amount to 5.22 million bales, whereof 3.44 million are on current crop March, May and July, which means that they will have to be fixed within the next four-and-a half months.

We believe that this drop in prices, which was brought about by outside forces, has rendered the fundamentalpicture of cotton even more bullish. To us the question is not if, but when the market will rebound and from what level? Since this will to some degree depend on what happens on the macroeconomic front, let's take a closer look at what is currently going on in the financial markets! Rising fear in reaction to sovereign debt problems in Europe and other parts of the world, combined with China's hawkish stance on asset bubbles seem to have set in motion a reversal of the US dollar "carry trade", which prompted many fund managers to exit positions in emerging markets and commodities. In a carry trade investors borrow money at very cheap interest rates and then sell the respective currency in order to invest into higher yielding assets elsewhere. For years the yen has served as the base currency for such carry trades, but since last spring traders have been doing the same with the US dollar in a fairly big way. This tends to create asset bubbles in various countries until certain events scare this flock of investors into running the other direction.

In 1998 it was Russia's debt default and the demise of Long-Term Capital Management that created panic in global markets and forced a temporary unwinding of the yen carry trade, with the yen surging nearly 20% in just two months. This time around it is Dubai, Greece, Spain and some other culprits along with a tougher stance by the Chinese government that have caused investors to hit the rewind button. As a vast amount of money is being repatriated the US dollar rises, which in turn reinforces a negative feedback loop in stocks and commodities. These events have caught a lot of money managers by surprise, because fundamentals have been indicating a pick-up in economic activity and the forecast for global GDP growth has been raised just a few weeks ago. Not being able to make sense of the market's recent behavior, confused traders have decided to cash in some of their positions, among them commodities, and are moving to the sidelines until the smoke clears. However, as was the case on previous occasions, we don't believe that this money will stay on the sidelines for very long. Also, should the current uncertainty lead to a more pronounced drop in the stock market and threaten the recovery process, we are convinced that governments and central bankers will once again come to the rescue with additional stimulus programs and quantitative easing. This in turn will heighten concerns about inflation, against which tangible assets like commodities still offer the best protection.

So where do we go from here? It is difficult to know how much longer these outside forces will influence the action in the cotton market. However, unless there is a sudden sharp drop in demand, which we do not foresee, we will be dealing with one of the tightest supply situations since 1995 as we head into spring and summer. From a technical perspective the market has so far managed to stay near the weekly uptrend line and it has also been able to bounce off of the recent 68.20 low on three occasions. While anything is possible in the short term, we remain quite friendly for the second and third quarter! Tomorrow's NCC plantings intentions will give the market something to talk about, but no matter what this number turns out to be, it will not help to alleviate the extremely tight situation in the current marketing year. We continue to believe that the July/Dec spread offers one of the best risk/reward plays in the current environment!

Source: Economy gathers more steam via CNTEX

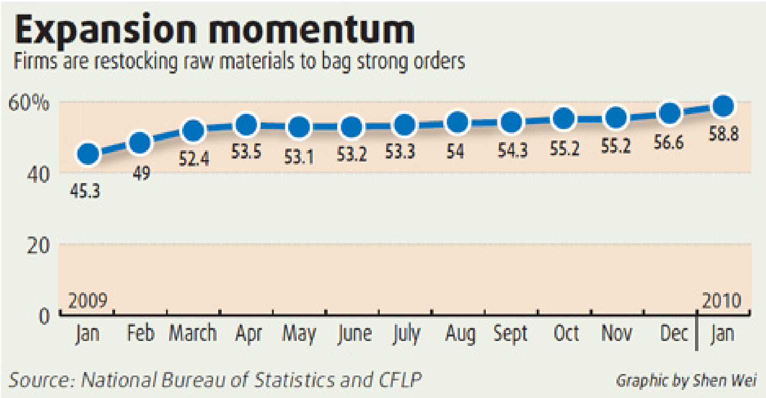
Economy gathers more steam

DATE: 2010-02-02

Nation reports robust January PMI despite inflationary pressures

China's official procurement purchasing managers index (PMI) for January showed expansionary manufacturing momentum yesterday indicating a further pick up in economic growth even as a top central bank official warned of rising inflation.The PMI index compiled by the National Bureau of Statistics and the China Federation of Logistics and Purchasing (CFLP) moderated to 55.8 in January from 56.6 in December. "The reading still remains well above the boom-bust line of 50, suggesting a continued expansion in the manufacturing sector in January", said Sun Mingchun, an economist with Nomura Securities.A PMI reading of above 50 indicates growth relative to the previous month, while a reading below 50 indicates contraction. The current figures are the second highest since the country's economic activity began slowing in May 2008, and represent the 11th consecutive month of manufacturing growth. New orders and output components slipped while new export orders and import components picked up. New orders and output were 59.9 and 60.5 from 61 and 61.4 in December. In contrast, new export orders rose to 53.2 from 52.6 in December, ending two consecutive months of drops.

Soaring inventories



The most heartening feature of the indicator is the jump in raw material inventories to 52.2 in January from 51.4 in December. That marks the highest reading since the official PMI became available in January 2005, indicating that firms are restocking raw materials, possibly due to stronger orders and higher inflation expectations on raw material prices, analysts said. "This is an early indicator that the economy may be overheating, while rising raw material prices and restocking activities may reinforce each other," said Sun in a research note. "Recent credit tightening moves should help reduce speculative inventory accumulation, and prevent the economy from becoming too overheated." China's economy survived the global economic slow down, registering an impressive 8.7 percent year-on-year growth last year. Its growth reached 10.7 percent in the fourth quarter of 2009, and is set to exceed 11 percent in the first quarter of this year, indicating strong momentum that some fear could lead to overheating and other problems like high inflation.

The country's consumer price index (CPI), a major gauge of inflation, rose to 1.9 percent in December from 0.6 percent in November, fueling concerns that inflation could further pick up and cause serious problems if not properly dealt with. Zhu Min, deputy governor of the central bank, said at the World Economic Forum in Davos last week that tackling inflation would be the main priority for the government this year. Rising inflation and asset bubbles are the biggest worries for the nation's sustained and strong economic growth, Fan Gang, economist and member of the monetary policy committee of the central bank, said yesterday. He said the financial market had picked up the correct signals from the recent monetary moves. The benchmark Shanghai Composite Index shed 47.9 points, or 1.6 percent, yesterday as fears continued to spread that the government would tighten policies to rein in credit and nip inflation in the bud.

Deemed a source of potential high inflation, China's liquidity has increased dramatically since last year, when the government pumped money into the financial system to stimulate the economy. New lending soared to 9.6 trillion yuan in 2009 almost double that of 2008. Economists feel that China's economy could slow down from its high growth pace of last year in the wake of policy tightening measures. Most of them are of the view that there would be interest rate hikes in the second quarter of this year. Shanghai-based Guotai and Jun'an Securities expect the rate hikes to kick in this month after the economic indicators for January are released. Zhang Liqun, an analyst with the China Federation of Logistics & Purchasing (CFLP), said there are still risks in the economy. "China's economy is still in the crucial stages of stabilization," he said.

Source: China Daily via CNTEX

China Textile Industry's Upward Journey Begins

DATE: 2010-02-26

The China Textile Operation Analysis Conference 2009, sponsored by China National Textile and Apparel Council (CNTAC), was hold on 14 January 2009 in the CNTAC Building. In the year 2009, China textile industry reversed the downward trend and maintained rapid growth, thanks to industrial upgrading, rising export tax rebates and other favorable policies. On the conference, Mr. Sun Huaibin, director of CNTAC Industrial Dep., made the speech entitled China Textile Industry Outlook 2010. With sufficient data and exact instance, he explained that while the worst of the financial crisis may be over, the global recovery is still fragile and that the recovery that is now underway will slow down later this year as the impact of fiscal stimulus wanes. On the other hand, in China, the government would improve policies to spur consumption and ensure investment grow at a reasonable pace. The government aims to boost domestic demand, especially the sustainable increase in consumption next year. Foundation of the recovery of textile industry is not consolidated, and there are still some deep-seated problems, in particular the structural problem and potential inflation risk.

Source: CTEI News

2009 CNTAC Product Development Contribution Award Winners Unveiled

DATE: 2010-01-18

The annul China National Textile & Apparel Council Product Development Contribution Award winners were unveiled on Dec. 11th 2009. The theme for this year is "explore new business model and improve the right of speak on fashion". 2009 Product Development Contribution Award focused in the commercializing of technology, system innovation, optimizing of product structure and R&D. The current economic situation stressed the importance of this award. Some outstanding enterprises triumphed over their competitors and stood on the winner's stage. While a batch of typical innovative business models would also bring a fortune for this industry.

More than 100 enterprises applied for the award this year, covering the entire textile supply chain, including: dyestuff and auxiliaries, fiber, yarn, fabrics, garment, home textile and technical textile, not only the manufacturers, but also service agency, speciality markets, industrial clusters, and authorities.

Here below is the winner list: 2009 CNTAC Product Development Contribution Award Winner List

	Company name
1	Lutai Textile Co., Ltd.
2	Texhong Textile Group
3	Shandong Haolong Group
4	Xingmax Textile Group

5 Shandong Daiyin Textile Group
6 Dongguan Kefang Textile
7 Shandong Ruyi Wool Textile
8 Jiangsu Regel Science & Technology
9 Hunan Dongting Ramie Textile
10 Heilongjiang Yuanbao Textile
11 Jiangsu Xinmin Textile
12 Zhejiang Cathaya Intl
13 Yantai Spandex
14 Hebei Jigao Chemical Fiber
15 Fine Yarn Corporation
16 Qingdao Phoenix Dyeing & Printing
17 Fujian Zhonghe
18 Wujiang Deyi Fabrics
19 Fujian Federation Sanhe Textile
20 Saint Year Holding
21 Wuxi Natural Textile
22 Jiangsu Dongdu Textile
23 Hunan Mendale Home Textile
24 Jiangsu Tevel Home Textile
25 Changzhou Hongfa Zongheng Advanced Material
26 Weihai Hongxiang Auto Interiors
27 Fujian Xinhua Co. Ltd.
28 Youngor Group
29 Fujian Seven Brand Group
30 Heilan Group
31 Shandong Yeliya Garment
32 Dalang Wool Textile R&D Center

Source: CTEI News