

EXTRACT

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China's economy slows moderately

DATE: 2010-07-15

China's economy slowed in the second quarter as the government steered monetary and fiscal policy back to normal after a record credit surge last year to counter the global crisis. Annual gross domestic product growth moderated to 10.3 percent from 11.9 percent in the first quarter, the National Bureau of Statistics (NBS) said on Thursday. The reading was slightly below market forecasts of 10.5 percent growth. Inflation cooled to 2.9 percent in June, the statistics bureau also reported in Beijing today. Industrial output rose a less-than-estimated 13.7 percent. Economists expect no dramatic policy response to Thursday's data. The government has engineered the slowdown -- markets feared overheating earlier this year -- and Premier Wen Jiabao has said the economy is going in the expected direction. "The GDP and other activity data are basically in line with expectations, and consistent with our view that China's recovery is slowing from the fast pace set in the first quarter but remains relatively solid so far," said Brian Jackson, strategist at Royal bank of Canada in Hong Kong.

Factory growth slowed to 13.7 percent in the year to June, below forecasts for 15.3 percent and May's 16.5 percent growth. "The good news is the economy is holding up. The bad news is investment is coming down, hence demand for commodities will fall," said Dong Tao, chief non-Japan Asia economist for Credit Suisse in Hong Kong. The Shanghai stock market edged up 0.5 percent and stocks in Asia-Pacific outside Japan pared early losses and were broadly steady in a sign of relief that the data brought no major negative surprises.

Source: CNTEX

Half Of China Textile Firms Could Be Bankrupted By 5% Yuan Rise

DATE: 2010-07-14

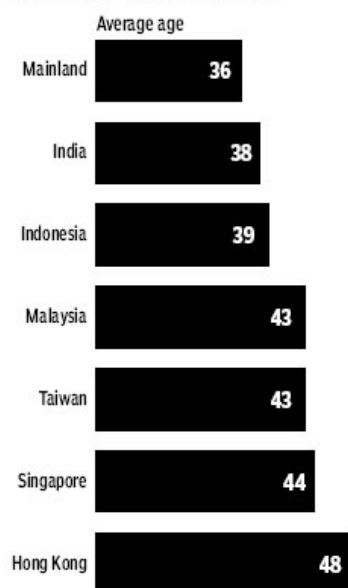
Half of the textile companies in China could go bankrupt if the yuan rises 5% against the U.S. dollar, China Daily reported Tuesday, citing an industry group official. The textile industry's profit margins are 3%-5%, the report cited China National Textile and Apparel Council Vice President Gao Yong as saying. China's central bank said last month it would increase the flexibility of the yuan exchange rate, raising concerns about the impact of a stronger yuan on exporters.

Source: Dow Jones via CNTEX

The rich are getting richer and younger

DATE: 2010-07-15

AFFLUENT MAINLANDERS ARE YOUNGEST AMONG REGION'S WEALTHY



Source: HSBC

SHEN WEI / CHINA DAILY

The wealthy are getting younger on the mainland, with an average age of 36, far below the average age of 48 in Hong Kong, according to a HSBC survey released on Tuesday. The survey, which covered major Asian countries and regions, also showed that the mainland's rich had stronger liquid assets, \$126,537 on average, while other emerging economies in Asia reported less, including \$87,769 in India and \$56,891 in Malaysia. But the figure remains much lower than Hong Kong and Singapore, which on average hit \$301,289 and \$183,145 respectively. The rich in the survey are defined as those who have at least 500,000 yuan (\$73,840) in liquid assets. "The young generation in mainland are joining Asia's newly affluent with growing wealth," said Bonnie Qiu, head of Personal Financial Services at HSBC Bank (China) Company Limited. "We have several friends that made hundreds of thousands of yuan in their 30s it's not difficult to become well-off riding on the booming economy creating plenty of chances to earn money," said Liu Xiaoyan, a 32-year-old financial-software entrepreneur in Shanghai. She and her husband have bought two houses worth 10 million yuan in the city after diving into the industry three years ago.

HSBC's report showed 69 percent of mainland respondents said that their net assets increased in the past six months. In addition, the survey said that the mainland's rich put 59 percent of their assets in banks, while the remainder went into investments such as stocks or funds. By comparison, Indonesia's rich put 95 percent of their total assets in banks. "In addition to their own hard work, the increasingly diversified wealth management channels in the Chinese mainland have also allowed them to better accumulate and protect wealth," said Qiu. "We only deposit 10 percent of our assets into banks in case of any emergency, given lenders' low interest rates. We'd rather put spare cash into equities and the property market," said Zhang Sa, a 35-year-old property developer in Shanghai, who collectively invested 2 million yuan in stocks. Indeed, the survey showed 71 percent of the mainland's respondents said they have invested in stocks, compared with Indonesia's 5 percent. The transaction volume made by the mainland's rich reached \$371,885 in the past 12 months, five times higher than Indonesia's \$72,105, the survey showed. Yet, only 18 percent of the mainland's rich said they would increase their stock investments, lower than Hong Kong's 42 percent, after the Shanghai gauge dropped 26.9 percent in the first half.

Source: CNTEX

Products made in China often cost more there than in the West

DATE: 2010-07-14

The laptop computer Luo Guangli carried out of the Apple flagship store in Beijing was no different from the models sold in the United States. It had the same high-resolution screen, an identical processor and the same printed label on the back: "Assembled in China." The only difference besides a manual written in Chinese was the price. Luo paid \$2,760. That's about \$460, or 20%, more than an American buyer would spend at an Apple store or buying it online. "It's a huge expense, but what can I do?" said Luo, a 24-year-old professional photographer who wears glasses with Buddy Holly frames. The premium prices aren't limited to foreign-branded computers. Kobe Bryant's Nike sneakers with the Made in China label go for \$165 in the U.S. But at an official Nike store in China \$190. A flat-screen Sony TV assembled by Chinese laborers runs about \$800 at a Best Buy store in the U.S. But you'd pay 30% more at the popular Chinese appliance chain Gome. The same goes for that Maclaren Techno XT infant stroller. It's also manufactured here, but you'll typically pay 40% more for one at a Beijing mall than you would in the U.S.



It's a paradox of life here in the world's factory floor. The place known for delivering low-cost goods to Western consumers doesn't always do the same for its own people. This may have been of little consequence to economists and world leaders a few years ago. But today, getting China's consumers to open their wallets is crucial to balancing a wobbly global economy grown too dependent on American and European shoppers. It won't be easy. Chinese households are already famously frugal and with good reason. A flimsy social safety net means tens of millions must save for their own education, healthcare and retirement. And while consumer spending has been rising along with China's prosperity, it has done so almost in spite of an economic model geared almost exclusively toward production rather than domestic consumption. For example, U.S. manufacturers have long complained that the Chinese government keeps the value of its currency, the yuan, artificially low. That has boosted China's exports by making its goods cheap for foreigners to buy. But it also makes imported products expensive for Chinese consumers. Then there are taxes and levies. That Apple laptop is made at a factory that's granted a rebate on China's 17% value added tax, as long as those computers are exported and sold abroad. Chinese buyers aren't so fortunate. Before that same machine can be sold domestically, it is first sent to Hong Kong, a special administrative region of China, then returned to the mainland with a 20% import tariff, industry experts said. The price penalty is frustrating to savvy Chinese consumers who know what things cost elsewhere thanks to the Internet and their own shopping trips abroad.

"When I saw the prices at an outlet mall in New York, I thought it was crazy how much we were paying in China," said Joanna Tong, 22, a Beijing native who has vacationed in the U.S. "It's not fair. Now that I know the prices in the U.S., I've been reluctant to shop here at all." Still, some foreign companies have made a conscious decision to raise their prices in China, or they've adopted a strategy of marketing their products as luxury items to make up for the higher cost of doing business. That might seem counterintuitive in a nation where the typical urban resident last year earned about \$2,800. But high-priced goods carry cachet here, while China's consumer class is burgeoning. High prices can boost the prestige of some products while fattening the manufacturer's bottom line. Take Budweiser. The beer that Joe Six-pack drinks in the U.S. is considered a premium brand in China. A can sells for about 25 cents more than local suds in grocery stores, even though it's brewed locally. Buick's LaCrosse sedan is seen by some here as a rival to the BMW 3-series. It's priced about 23% more than in the U.S., even though it's assembled in China by laborers earning a fraction of their U.S. counterparts. And Haagen-Dazs ice cream, a staple of U.S. convenience stores, can fetch \$12 a pint in some upscale cafes in China. "In China, people equate high prices with high quality," said Shuan Rein, managing director of China Market Research. "Brands know that if their products are too cheap it will push consumers away." The psychology, analysts say, is

Source: China Textile Network Company

about making aspiring consumers feel like they're buying a piece of the middle class. The pull can be even stronger when Chinese purchase gifts to show respect. "If I'm buying for friends or clients, I could never buy a Chinese brand," advertising agent Liu Hao said. "It's about face." The painstaking task of moving goods around the country is another factor driving up prices. Logistics companies rarely consist of more than a handful of employees and a single truck, said William McCahill, vice chairman of Pacific Epoch, a Shanghai-based research firm. Freight carriers often are reluctant to cross provincial borders because of local fees, meaning that goods often have to pass from one distributor to another, depending on geography.

"There is no national logistics system," McCahill said. "Dell has a plant in Xiamen where all the suppliers have to be a bicycle ride away." Still, there is some hopeful news for Chinese consumers. The government said last month that it would allow a more flexible exchange rate for the yuan. Trading partners hope that will lead to a stronger currency, enabling Chinese businesses and households to purchase more imported goods. And a wave of labor unrest in recent months in China has heightened calls for wage increases to boost domestic purchasing power. "An economy with weak consumption is not sustainable," said Wang Xuanqing, a Ministry of Commerce official, at a conference of retailers last month. In the meantime, resourceful Chinese shoppers are finding ways to skirt the higher prices. Although knockoffs are common, the so-called gray market is also thriving, particularly online. There sellers peddle discounted luxury handbags, Apple gadgets and other authentic brand-name consumer goods acquired abroad. "Chinese people will always want a bargain," said Wang Da, who sells Coach bags on the popular e-commerce site Taobao. "More and more people are traveling and telling their friends they can get things cheaper overseas." Wang has a network of 30 runners who travel to the U.S., visiting California, New Jersey, Florida and other states, and bring back purses, clutches and wallets. He said almost all of these goods were manufactured in Chinese factories. "Yes, I realize it's ironic," Wang said.

Source: Los Angeles Times via CNTEX

Prada denies Chinese tycoon's share-buying rumor

DATE: 2010-07-14

Italian fashion house Prada has denied reports that a Chinese tycoon has been quietly buying up its shares to become the biggest shareholder. "Following the news reported by the Chinese media, alleging that Mr Lu Qiang acquired 13% of Prada's capital in the course of the past two years, Prada denies such rumour, which has no ground whatsoever," Prada said in a statement. China's Economic Observer newspaper reported on Monday that Lu Qiang, chairman of Shanghai-based fashion factory outlet FoxTown, had indirectly acquired 13% of the business over the past two years and was in talks to buy more shares aiming to become Prada's controlling shareholder. The paper also reported that Prada had raised its price for the additional stake after learning of Lu's involvement in the transaction. However, the Agence France-Presse reported that of the capital "94.89 percent is held by the Prada family and Mr Bertelli, husband of [owner] Miucha Prada, and 5.11 percent by the Intesa Sanpaulo Bank." , citing a Prada executive as saying.

Source: ibtimes via CNTEX

China's future nonwovens market will be big enough to accommodate everyone

DATE: 2010-07-14

Chinese companies have not surprisingly moved into the production of nonwovens manufacturing machinery in a big way over the past ten years, and at the recent ITMA Asia + CITME show in Shanghai, virtually outnumbered the established names in this field from West Europe. They included Jiangsu Yingyang Machinery, which is located in Changsu, near Shanghai and has been developing its extensive machinery range for the past decade. It includes both drylaid and spunmelt systems, as well as all bonding technologies, and the company is not just selling to its domestic market, but already has installations in Australia, France, Greece, Russia, Saudi Arabia and South Africa. China High Tech Heavy Industry, meanwhile, based in ZhengZhou, in Henan Province, was promoting spunlaced nonwovens equipment for products in the weight range of 35-220 gsm. Changshu Feilong Machinery was a third company showing an extensive range of machines for nonwovens production.



This company introduced the first China-made 6.6-metre-wide needlepunching line for geotextiles and automotive products, as well as a hydroentanglement unit, over a decade ago, and has also exported machines, notably to South Korea, Russia and Thailand. Lars Brucker of needle specialist Groz-Beckert confirmed that China's nonwovens sector is currently booming, with entire nonwoven cities' being established. Four months ago, Mr Brucker moved to Yantai as the technical sales manager for the nonwovens division of Groz-Beckert in China solely to be able to offer hands-on

assistance to the many needlepunch customers the company now has in the country.

Global shift

At the 2009 Insight conference held in Memphis, Tennessee, USA, Warren Collier of consultancy John R Starr made some illuminating observations on how the global nonwovens market worth an annual US\$25 billion, equating to seven million tons of product has developed in recent years. Chinese nonwovens production in 2008, he revealed, was 1.35 million tonnes, having grown at 17-20% per year for the last 30 years. Domestic Chinese consumption is increasing to make up for lower exports. Spunmelt production overtook drylaid in China by 2008, reaching 650,000 tonnes, or about 50% of total nonwovens, according to the China Nonwovens Technical Association (CNTA), while airlaid and wetlaid combined constitute only 5% of this market at present. Industrial end-uses are still the largest Chinese nonwoven market with 39% of the total, but this will soon be overtaken by medical, health care and hygiene currently 29%, but growing at 26% a year compared to industrial growth of just 8%. The growth of Chinese spunmelt between 2007 and 2008 at 135,000 tonnes far exceeded the new installations of European machines in China of just 32,000 tonnes and Mr Collier suggested a range of companies who are virtually unknown so far outside China, as the suppliers of the rest.



These include, in addition to the companies already mentioned, Anfu Plastic Machinery, Changlong Machinery, Hongda Research Institute, Shuangwu NW Machinery and Wenzhou CL Import/Export. Chinese made installations, Mr Collier said, cost about 30% of their European counterparts at the same width, but operate at lower speeds, with lower uptimes. As a result, they achieve only about 35-40% of the output of a modern European installation at present, and if these developments are troubling the

European machine builders, it certainly wasn't evident at ITMA Asia + CITME. All of the major West European machinery associations Germany's VDMA, Switzerland's Swissmem, ACIMIT of Italy, the UCMTF in France, Spain's AMTEX and the UK's BTMA reported brisk business at the Shanghai show, and a number of key nonwovens contracts were announced.

Source: China Textile Network Company

German lead

Germany, for example, overtook Japan as the largest supplier of textile machines to China in 2009, the VDMA revealed at a press conference in Shanghai. VDMA textile companies achieved machinery sales worth 1.813 billion in 2009, which was down by 40.3% on 2008 and from sales of 3.8 billion in record-breaking 2007 but orders have happily bounced back this year. First quarter sales for 2010 were up 17.7% on the comparable period of 2008, at 279 million, with almost 85% of this achieved in just six countries, said managing director of the VDMA's textile machinery association, Thomas Waldmann. This once again confirms the dominance of the major Asian manufacturers, and especially China. In 2009, Asia accounted for 1.050 billion and China alone 628 million of German textile machinery sales, followed by those worth 452 million in Europe, 477 million in North America, 111 million in Latin and South America and 47 million in Africa.

Nanoval

And meanwhile, on a very small booth tucked away in a corner of the show, a small German company was promoting a comparatively new technology that has the potential to be massive in China. The Nanoval process, developed by the Berlin-headquartered company of the same name, is a method of either totally or partially splitting monofilaments to obtain much finer filaments approaching the level of nanofibres. In the Nanoval process, a melt filament extruded through a spinneret is seized by air streams flowing in parallel but at ever increasing speed, causing the filament to eventually disintegrate, or explode. And the beauty of this process is that it enables the creation of much finer fibres than is possible with meltblowing and at high capacity on robust and standard equipment.

Bico or multicomponent fibres are not required if all that is desired are finer diameters, and the process is suitable for all polymers, for the production of fibres of below one micron. China's rapid progress in becoming the world's largest producer of polyester is well known it produced 26.3 million tons of man-made fibre in 2009, of a global total of 44.1 million tons. By 2000, China was already producing 30% of the world's polyester and in 2010 its share is 65%, with eight of the leading producers in the top ten being situated there. But what is also well known is that there is a tremendous amount of unused fibre capacity in China a situation exacerbated by the recent recession and not just in polyester, but in nylon, acrylic and spandex too. This has led to allegations of dumping by Europe and other trading partners against Chinese mills. Nanoval offers the opportunity for Chinese producers of standard synthetic fibres to switch to higher added-value products which are, as yet, not commonly available in the country, at a reasonable outlay. Little wonder that its booth at ITMA Asia + CITME was constantly packed

Source: innovationintextiles via CNTEX

China Textile and Apparel Trade Show opens in NY

DATE: 2010-07-14



People visit the China Textile and Apparel Trade Show and the Home Textiles Fabric Sourcing Expo in New York, the United States, July 13, 2010. Some 400 enterprises from 15 countries showcased their products at the Expo, more than half of which are Chinese companies.



A worker works at a Chinese pavilion during the China Textile and Apparel Trade Show and the Home Textiles Fabric Sourcing Expo in New York, the United States, July 13, 2010.



Bedding articles are on display at a Chinese pavilion during the China Textile and Apparel Trade Show and the Home Textiles Fabric Sourcing Expo in New York, the United States, July 13, 2010.



A woman selects the displayed products at a Chinese pavilion during the China Textile and Apparel Trade Show and the Home Textiles Fabric Sourcing Expo in New York, the United States, July 13, 2010.

Source: Xinhua via CNTEX

EU's safeguard duties on high tenacity yarn of polyesters set an alarming trend

DATE: 2010-07-12

The EU has imposed a provisional anti-dumping duty on high tenacity yarn of polyesters from China on Jun. 2. Overseas crisis-fighting measures such as antidumping action, are up sharply in recent years. Chinese suppliers have to live with a challenging production environment through relief initiatives in response to overseas protectionism.

Action Review

Source: China Textile Network Company

On 2 June 2010, the Official Journal published Commission Regulation 478/2010 imposing a provisional anti-dumping duty on imports of high tenacity yarn of polyesters (CN code 54022000) originating in mainland China. The rate of the provisional anti-dumping duty applicable to the net, free-at-Union-frontier price, before duty, is 9.3% for Zhejiang Guxiandao Industrial Fibre Co., Ltd, 7.7% for Zhejiang Unifull Industrial Fibre Co., Ltd, 0% for Zhejiang Hailide New Material Co., Ltd, 8.9% for Hangzhou Huachun Chemical Fiber Co., Ltd, Heilongjiang Longdi Co., Ltd, Hyosung Chemical Fiber (Jiaxing) Co., Ltd, Oriental Industries (Suzhou) Ltd, Shanghai Wenlong Chemical Fiber Co., Ltd, Shaoxing Haifu Chemistry Fibre Co., Ltd, Sinopec Shanghai Petrochemical Company and Wuxi Taiji Industry Co., Ltd and 9.3% for all other companies.

Company	Rate of the provisional anti-dumping duty
Zhejiang Guxiandao Industrial Co., Ltd	9.30 %
Zhejiang Halide New Material Co., Ltd	0
Zhejiang Unifull Industrial Fibra Co., Ltd	7.70 %
Cooperation non-sampled companies	8.90 %
All other companies	9.30 %

Tabelle 1 Rate of the provisional anti-dumping duty on high tenacity yarn of polyesters from China

It is recalled that the Commission had initiated the anti-dumping proceeding in September 2009 as a result of a complaint lodged on 27 July 2009 by CIRFS the European Man-made Fibres Association (the complainant) on behalf of producers of high tenacity yarn of polyesters representing a major proportion, in this case more than 60% of the total Union production of high tenacity yarn of polyesters. The investigation of dumping and injury covered the period from 1 July 2008 to 30 June 2009. The examination of trends relevant for the assessment of injury covered the period from January 2005 to the end of the investigation period. Following its investigation, the Commission concluded that there was a substantial increase in the volume and market share of the low-priced dumped imports originating in mainland China over the period considered. The Commission found that these imports were made at dumped prices which were below the prices charged by the Union industry on the Union market for similar product types and caused material injury to the Union industry. Therefore, the Commission has imposed a provisional anti-dumping duty. Commission Regulation 478/2010 has entered into force on 3 June 2010 and shall apply for a period of 6 months.

Data Analysis

Reflecting the sustained export competitiveness of China, the share of Chinese high tenacity yarn of polyesters in EU imports has edged up from 27.52% in 2005 to 41.6% in 2009. The number of EU member states which imported high tenacity yarn of polyesters from China increased from 14 in 2005 to 23 in 2010. E.U. is China's largest trading partner of high tenacity yarn of polyesters, and imposing anti-dumping duty could be damaging to recovery in China's high tenacity yarn of polyesters enterprises.

EU's safeguard duties on high tenacity yarn of polyesters from China have set an alarming trend. The tide of protectionism is expected to linger, as unemployment and overcapacity will persist after the recession. Threats of protectionism may even increase when the danger of global recession fades out, as politicians turn their attention to local politics from international cooperation. Over 80% of involved enterprises which provisional anti-dumping duty was applicable came from Zhejiang Province. Among them, the largest amount of money involved in this case came from Zhejiang Hailide New Material Co., Ltd.

Rank	Province	Accumulated amount	Accumulated value	Average price	y/y change in amount	y/y change in value
1	Zhejiang	45187564	87297057	1.93	53.64	63.87
2	Jiangsu	9218217	16260472	1.76	170.47	171.5
3	Shanghai	6400522	11476147	1.79	50.86	72.98
4	Heilongjiang	2522560	4226697	1.67	85.86	86.71
5	Guangdong	1398387	3424292	2.45	4.92	12.63
6	Fujan	183020	489312	2.67	130.2	146
7	Sichuan	16699	120085	7.19	170.47	214.84
8	Jiangxi	28714	106125	3.7	9.57	42.74
9	Henan	10043	87069	8.67	-	-
10	Shandong	33710	84865	2.52	- 80:19	- 80:48

China is now developing to a more free and open market, the market in China is more willing to embrace the global competition. China is one of the countries that have the cheapest labourforce. It is unreasonable to compare China's goods price to the EU's as analogue. What should be the response for Chinese suppliers The answer is avoiding multiple shipments to same destination in relatively low prices in short time. Besides, the interested parties to the investigation are given adequate opportunity to represent their case at several stages of investigation. Chinese suppliers have to live with a challenging production environment through relief initiatives in response to overseas protectionism.

Source: CTEI News

China costs are great wall for fashion firms

DATE: 2010-07-12

The "Made in China" label on a garment's tag no longer translates to "made for cheap." Manufacturers of all stripes are facing cost increases as China's laborers demand higher wages. For New York's local clothing vendors, the garment center-based manufacturers who supply bigger retail chains, the pain is especially acute. Production costs could potentially go up as much as 20% annually, as both labor and cotton prices rise. Many vendors are searching out cheaper alternatives and making internal adjustments to remain afloat, following specialty retailers like Ann Taylor and Guess, which are eyeing a shift to countries like Vietnam and India. It's like a roller-coaster ride every time costs go up, says Peter Dunbar, president of Robar Inc., a 20-year-old manufacturer of baby clothing on West 33rd Street. "We'll move elsewhere if we need to, in order to survive in the business.

Source: crainsnewyorkvia CNTEX

China: The next superconsumer?

DATE: 2010-07-12

The resident of 550 Huaihai Road in Shanghai is a rather unusual migrant. Born in Wisconsin on 9 March 1959, Barbara Millicent Roberts is the world's most famous supermodel. She drives a Corvette convertible, owns a dream home with a pool, parties with jocks and adores shopping. In the US, she was a prom queen and a role model. In China, she is emerging as an ambassador for

Source: China Textile Network Company

consumer culture. Better known as Barbie, this 30cm-tall icon was first sold in China in the early 1990s, but it was not until 2009 that she was given her own home in the retail heartland of Shanghai. Mattel, the world's biggest toy company, marked her 50th birthday by opening the planet's largest Barbie emporium. Covered in pink plastic, the six-storey doll's house on Huaihai Road became an instant landmark. Martial arts star Jet Li and the actor Christy Chung were among the celebrities at its launch. This was more than a party; it was the start of a marketing campaign aimed at prolonging and expanding the lifestyle championed by the toy firm. For the Barbie market to continue to grow for another 50 years, the doll would have to make it big in China. When I lunch at Barbie's place, in the fantastically kitsch restaurant with a menu devised by chef David Laris, it doesn't seem to be hugely popular. Along with Barbie™ burgers with Barbie™ pink sauce, Ken burgers, pinktastic pasta, doll-icious desserts and Barbie™ tini cocktails, the restaurant boasts generous promotional offers: those opting for the special meal receive a boxed set of Barbie plates and cutlery to take away.



I ask Liu Yunting, who works for an advertising company, what she plans to do with her new tableware. "I will use it myself," she says. Isn't it a little childish? "Not at all. It is cute. This is much better than the stuff for children. We know better how to appreciate it." Liu is a member of the fastest-growing consumer class: single women or *xiaobailing* (white-collar princesses). They have high levels of disposable income and a craving for designer labels. For marketing moguls, they are the future face of consumer power. State planners forecast that half the population will be middle class by 2020.

Until recently, China was living within the planet's means. If everyone in the world consumed what the average Mr or Mrs Wang did in 2007, we'd just about stay within the sustainable resources of our planet. Humanity would have a balanced ecological budget. But, understandably, Mr and Mrs Wang wanted to keep up with Mr and Mrs Jones on the other side of the Pacific. That was human nature. It was also bad news for the environment, because if we all ate, shopped and travelled like those average Americans, we'd need 4.5 Earths.



In recent years, the planet's largest corporations have become dependent on the Wangs catching up with the Joneses. The US had shopped until its economy dropped. Sinking in debt, plagued by obesity and increasingly dependent on military might to protect its lifestyle, the world's superconsumer was groaning with indigestion. Europe was too decrepit and conservative to take up the slack, so global manufacturers, retailers and restaurant chains were desperate to stimulate the Chinese appetite. Shanghai was their beachhead. While information firms and political lobbyists headed to Beijing and manufacturers flocked to Guangzhou, retail giants almost invariably chose Shanghai for their China headquarters and their first showrooms. From Kentucky Fried Chicken, McDonald's and Starbucks to Louis Vuitton, Gucci and Chanel, international brands made the city a giant shopping mall. Shanghai became the biggest, richest, most globalised mass of modernity in China, home to the most luxurious boutiques, the tallest buildings, the nation's first formula one track, the biggest auto companies, the second busiest port in the world and a gathering horde of international salesmen trying to sell the American consumer lifestyle.

Chinese consumers have never had more options. America's Wal-Mart, France's Carrefour, Britain's Tesco and Japan's Ito Yokado are expanding in China faster than in any other country. Each year, they open hundreds of new stores in the expectation that demand will surge as more rural migrants move into cities and work their way into the middle class. Young urbanites are becoming as enthusiastic about french fries, burgers and fried chicken as their counterparts in New York or

London. When the first KFC opened near Tiananmen Square in 1987, it was seen as a novel western dining experience; 20 years later, the company has 2,000 outlets in 400 cities, employing 200,000 people, making it easily the biggest restaurant chain in China. In roughly the same period, McDonald's had grown from one restaurant to 800. Along with the changing diet came a surge in obesity, diabetes and heart disease. Obese children used to be rare in China; now nearly 15% of the population is overweight. Shanghai is often cited as the worst affected city. Barbie™ burgers and the like are part of an increasingly carnivorous diet. To feed its growing livestock, China imports huge quantities of soya, much of it from Brazil, which has resulted in accelerated clearance of Amazonian forest and Cerrado savanna. Like many other wealthy cities, the high-protein, high-octane, jet-set lifestyle is being paid for elsewhere.

I meet my guide, Emily Zhang Huijia, a connoisseur of consumption, outside number 18 the Bund. Once the China HQ of Standard Chartered Bank, the Bund is now a centre for shopping, eating and clubbing. Emily is its PR manager. A fashionista since her teens, she has worked for Gucci, Yves Saint Laurent and Chanel, and says she was brought up on Vogue, Glamour and OK! magazines. By western standards, her childhood was not privileged. In 1985, when she was three, her family got its first colour television. In 1992, around the time the first Barbies went on sale in China, they bought their first air-conditioner; so did everyone in the neighbourhood. The Zhangs had their first fixed phone line installed when Emily was six. By the time she was 16, they were connected to the internet. My family in the UK had a phone three generations before Emily's, but her parents went online four years earlier than mine.

By 2006, the average person in Shanghai owned two mobile phones, 1.7 air-conditioners, 1.7 colour television sets, more than one fridge and spent 14,761 yuan a year (around £1,455), some 70% more than the rest of the country. They use almost twice as much toilet paper as the average in developed nations and have a bigger carbon footprint than people in the UK. The city is consuming beyond the planet's means, and its appetite is growing by the day. By the time Emily's generation were earning a salary, they could afford more than the essentials; they could buy style. "I'm a Shanghai girl," she says. "We don't earn so much, but we see luxury brands every day. We don't want to buy anything else." Most of her friends are in the industry and they share information about discounts and sample sales. At her first sale, she blew a third of her salary on Fendi sunglasses. "It is like a fever," she says. "The price is so low, you cannot refuse." Like many a proud shopper, Emily lists how much she saved rather than how much she spent. She is wearing a half-price Dior watch reduced by 2,900 yuan (£286). In her 40 sq m flat near Fuxing Park, she has dozens of other bags, accessories and clothes, including an Armani coat for 999 yuan (£98), discounted from 9,900 (£976). Compared with friends, she says, she is restrained. In the last three years, Emily's monthly salary has increased from 3,000 yuan to just under 20,000, putting her firmly in the middle-class bracket. She eats at restaurants at weekends, has a French boyfriend, plays poker every Thursday. Business and pleasure are mixed. Her favourite after-hours hangout, she says, is the building where she works. "Bund 18 has the coolest nightclub in Shanghai, so it's probably also the coolest in China." We agree to meet there again at midnight.

After dark, the Bund's spotlight neoclassical pillars and low-rise architecture are reminiscent of London. On the other side of the Huangpu river, however, the futuristic Pudong skyline rises higher than almost anywhere on Earth, including one of the world's tallest buildings, the 492m bottle opener-shaped Shanghai World Financial Centre. Twenty years ago, most of Pudong was farmland. Today, it pulsates with light and colour. The crowd in the club is made up mostly of expat western men and their Chinese girlfriends. In the cigar lounge, Emily introduces me to a French food and beverage manager, Julian Desmettre, who describes how the nouveau riche from Taiwan, Hong Kong and Singapore have made the city their playground: "Shanghai is like Paris during la belle poque. This is the city of wealth and style, where people must show their money, where they are judged by how they dress, where they look down on those with less than themselves." Julian arrived in Shanghai as a student eight years ago with 5,000 yuan in his pocket. Now, he has on his wrist an Omega watch worth six times that amount. "My life here is better than in France. I have a big apartment, a cleaner,

a compound with a pool and a gym. It is so comfortable, it is almost too much." Most revellers in the lounge are European. "Where can I meet Chinese partygoers?" I ask Emily, but she is reluctant to recommend anywhere: "There are clubs, but they are the type of place you'd find in a second-tier city. The music and decor are not as good, but Chinese men prefer them because they don't want to be near foreigners. Chinese women are different. They are more open. They go where the quality is."

Wandering around local bars and restaurants, I meet bar owners who organise prostitutes for customers and set up trips to karaoke parlours, where hostesses strip off to sing. Shanghai seems to be emulating the consumer sex industry of Tokyo; the hostess bar scene is reminiscent of Japan at the height of its "bubble economy". The next day, Emily introduces me to Cindy Tai, the head of a marketing agency and former head of EMI Music in China, who helped organise the first Rolling Stones concert in Shanghai. As a child during the Cultural Revolution, Cindy and her academic parents were sent from Shanghai to a farm on the nearby island of Chongming. "We had enough to eat, but nothing to spare. We were very happy if we got a little meat on the table once a week. My parents suffered. I vowed that one day I would buy them whatever they wanted." She has achieved that ambition; now, her dream is "to create an organic farm. I'd like to grow fruit, vegetables and rice, raise pigs and chickens. And to have a helicopter, because the traffic is so bad." But like many affluent consumers around the world, Cindy's environmentalism seems selective. She has blueberries delivered from an organic farm, baguettes from a French bakery in Xintiandi and olive oil from Italy. She eats out at least once a day, and at one point she and her French husband had four cars: a BMW, an MG and two Mercs. Now they have two; a sign, she says, of their increasing concern for the planet. Later, however, she reveals that her interest has switched to yachts. One is moored near their second home in Cannes.

She may yet get another luxury car. Cindy is a member of the Shanghai Porsche club, mainly to keep up with her friends, and has been invited to an awards ceremony hosted by Jaguar. I shamelessly ask if I can come along. The venue for the Jaguar Gorgeous Award Party is a renovated mansion off Huaihai Road, a few minutes' walk from the Barbie store. In cocktail dresses and designer suits, guests sip wine in the courtyard, where they are treated to a sales pitch for the new 5-litre XKR: "It is a wow car!" gushes a PR lady who introduces herself by her westernised name, Seraph. I am sceptical: "But you can barely move in Shanghai's traffic. Why would anyone want such a huge engine?" "Rich people never take the subway," Seraph replies. "Even if the traffic is bad, they need a car. Jaguar is nothing but gorgeous and beautiful." In the five years to 2009, sales of luxury cars in China rose five-fold, de luxe villas seven-fold and luxury goods tripled. This was just the start of a spending splurge: the number of wealthy households is forecast to double again by 2015. Earthwatch Institute estimates that if China's 1.3 billion people were to consume at the same rate as Americans, global production of steel, paper and cars would have to double, oil output would need to rise by 20m barrels a day and miners would have to dig an extra 5bn tons of coal. If it followed the US appetite, China would chew its way through 80% of current meat production and two-thirds of the global grain harvest. "China is telescoping history," says Lester Brown, president of Earthwatch. "It forces us to focus on what happens when huge numbers of low-income people rise rapidly in affluence. Chinese consumption shows the need to reconstruct the world economy."

Instead of relying on an ever greater consumption of resources to generate growth, Brown says mankind needs to move to a fairer, more sustainable model. Yet the opposite seems to be happening. Global corporations and the communist government are trying to make China the greatest shopper of them all. In Shanghai, that goal is already being realised. By one estimate, the average carbon dioxide emissions of its residents have already overtaken those in Tokyo, New York and London. If there is a glimmer of environmental hope, it is that even in Shanghai people have not yet fully embraced western levels of throwaway consumption. Many still prefer flasks of hot tea to cans of Coke, and in the supermarkets the average basket of goods is smaller than in the west and profit margins are lower. This thrift is not inspired by environmental concerns, but by a traditional

desire to live within one's means. Even so, the rest of the country has some way to go to catch up with Shanghai, which is what the government wants. This will require a great deal more energy and raw materials. To provide everyone with a Shanghai lifestyle, factories will need to churn out an extra 159 million refrigerators, 213 million televisions, 233 million computers, 166 million microwave ovens, 260 million air-conditioners and 187 million cars.

The retail market, meanwhile, is becoming less diverse the bigger it grows. Paul French, a Shanghai-based marketing consultant, says the problem is that the shopping malls designed to create the image of a good life do not reflect reality for most people: "They are building more and more malls filled with luxury brands. Like the power stations in Soviet-era Russia, they are being built not because of demand but because of prestige. Every official in China wants one to show their city is on the international map." These emporiums are designed to generate desire, not meet needs. Many are dismissed by locals as *gui gouwu zhongxin* (ghost malls) because they attract so few customers. Yet in Shanghai they are everywhere. Xujiahui intersection, for example, is ringed by six department stores. Among them is the Orient Shopping Mall, boasting Est'e Lauder cosmetics, Rolex watches, Cartier pens and Dior lipstick. Passing through the revolving door one weekday morning, I see not a single customer. Not even a window shopper.

Source: "When A Billion Chinese Jump" by Jonathan Watts via CNTEX

German exports jump on Chinese demand

DATE: 2010-07-09

German exports surged and industrial production showed big gains in May, with many of the country's manufacturers singling out China as the driver of what seems to be an ever-faster recovery of Europe's largest economy. We're seeing a pick-up in Chinese domestic demand, said Hans-Jochen Beilke, head of Ebm-Papst, which makes ventilators and electric motors. The Chinese are buying more and more fridges, dryers and cars. Mr Beilke said some sectors seemed to be overheating and that German exports might not continue to grow at their current pace. But, with demand increasing in other markets, recovery could keep going for a year or two, he said. Industrial production rose 2.6 per cent in May, extending a 1.2 per cent gain a month earlier, with the economics ministry in Berlin reporting above average growth rates in the metal-working and carmaking sectors. Seasonally adjusted exports rose 9.2 per cent against the previous month almost as fast as the 10.8 per cent gain in March, the fastest month-on-month rise seen by the statistical office since the early 1990s.

In April, exports fell 6.3 per cent but that figure now appears to have been an anomaly. Although the figures are very volatile, the trend in foreign trade is still clearly upwards, said Simon Junker at Commerzbank. Economists also took comfort from a surge in imports, which rose 14.8 per cent in May compared with April. Andreas Rees at Unicredit said this suggested underlying momentum in the industrial sector is still strong. Since May last year, when continental Europe was in the midst of its worst recession since the second world war, German exports have risen 28.8 per cent and those to markets outside the European Union by 39.5 per cent. Such trends do not make everyone happy, however. Europe and the US remain Germany's largest export markets, but some worry that German manufacturing might be becoming too dependent for growth on China at a time when the euro is again gaining strength.

Without China we would hardly have seen this recovery it's a frightening trend, said Hannes Hesse, managing director of the VDMA engineering association. Demand for textile machines was almost exclusively Chinese. Demand said Diether Klingelberg, chairman of Klingelberg, a maker of machine tools based near Cologne. It's China, China, China by a long way, then India, Brazil, then Russia and the US remains weak, as do many of our European markets. He cautioned that the

Source: China Textile Network Company

upswing German industry was seeing was not supported by broad shoulders across the globe. Some economists have warned that a slowdown in global economic growth could curb German growth in coming months. Many already expect gross domestic product growth to slow from 2 per cent or more this year to 1.5 per cent in 2011.

Source: The Financial Times via CNTEX