Around the World

CHINA

Textile exports touch US $175 billion by 2011

China has urged its textile producers to merge, innovate and export more, as part of a strategy to strengthen competitiveness. According to the State Council statement, major textile producers should realize added value of 1.2 trillion yuan (US$175 billion) by 2011 with an annual growth of 10% and their exports are to rise 8% year on year to US$240 billion by 2011.

The Central government pledged to further increase export tax rebates and actively explore emerging markets to develop new momentum for sustainable export growth. It also encouraged textile manufacturers to invest overseas and acquire shares in foreign companies to lift China's global position.

Cabinet will also offer financial support to the industry which will include helping textile makers diversify their financing tools and encouraging financial institutions to strengthen credit loans to textile producers, especially small and medium ones. A special fund to support the development of small and medium enterprises would provide special access to textile companies to help them consolidate and explore the overseas markets.

Chinese authorities ready to release cotton reserves after stockpiling

Chinese authorities are ready to release cotton stocks to tackle an expected shortage after Beijing's stockpiling of last year's harvest caused supplies to tighten, said country's top planning body.

The government finished purchasing 2.72 million tonnes of cotton for state reserves in early April, which dried up supplies and shored up prices at home, National Development and Reform Commission said in a monthly report on the cotton market. Supplies are tightening and a shortage in cotton supplies is expected in the coming period, and the authorities are prepared with cotton release measures.

Cotton traders expect some stocks to be released before the end of May. The most-traded September contract has gained more than 12% this year supported by Beijing's stockpiling, which accounts for nearly 40% of the country's harvest.

China has raised its tax rebates on exports of textile products several times since last year to try to protect the labour-intensive industry amid weak global demand.

Tough time for wool trade

China's wool textile industry is experiencing tough conditions as its exports of wool clothing to most major markets declines, but wool prices have shown signs of recovery because of the low supply of wool from Australia, with production forecast to fall again in 2009-10, its latest survey say.

Meanwhile the new forecast from the Australian Wool Production Forecasting Committee on supply for 2008-09 and 2009-10 indicates a greater than expected decline in 2008-09 and a further drop in 2009-10.

Shorn wool production in 2008/09 is now expected to be 355 million kg greasy, down 11% on the 2007-08 level. A further drop of 6% to 335 million kg greasy is predicted for the 2009-10 season, the lowest shorn wool production in Australia since 1924-25. Production has fallen in 12 out of the past 13 years.

Australian sheep numbers have also fallen substantially in recent years. The Committee predicts that sheep numbers at the start of the 2009-10 season will be about 75 million head, down 5% and the lowest level since 1923. The number of sheep in Australia has fallen by 25% since 2005, from 101 million head on June 30, 2005, to just 75 million in 2009.

While persistent drought has been a factor, the most significant driver for the falling sheep numbers and wool production is the relative returns from wool versus other farming enterprises.

Apparel exports drop 11% year-on-year

According to April trade report released by China Customs, exports of apparel and apparel accessories increased by 3.9% from the previous month but decreased by 11.2% from the same month of last year to US$7.37 billion. In April exports of spun yarn and fabrics rose by 13.4% from March but fell by 14.4% from the year before to US$5.12 billion.

January-April 2009 exports fell by 28.7% from the same period of last year to US$261.99 billion. The accumulated trade surplus was US$75.43 billion, up US$18.45 billion (32.4%) from the year before.

INDIA

Textile industry looks to government for aid

The textile sector accounts for nearly a third of the Rs 15,000 crore of corporate debt restructuring initiated by Indian companies since April 2008, illustrating the tough times the industry is passing through, according to people familiar with the situation.

The amount of loans under restructuring by textile companies has doubled from Rs 2,300 crore in December to Rs 4,600 crore in April, the people said. State Bank of India and ICICI Bank Ltd, the nation's two largest lenders, have the largest exposure to these loans.

The profitability of the $50 billion (Rs 2.37 trillion) textile sector, which employs 30 million workers, has been severely eroded and exports have declined by as much as 25% because of the global economic downturn.

With exports continuing to decline, and other price-competitive countries eating into their global market share, textile companies are hoping the government will come to their aid soon with a stimulus package.

State government to provide relief to smaller textile units

The State government has decided to extend the benefits given to power looms and textile units located in industrial areas to those situated in residential and commercial areas. However, these benefits would be given only to units located in tehsils classified as C and D (backward and extremely backward). The textile sector has been badly hit by the recession in United States and Europe. The textile units and power loom owners had been long asking for some relief to survive the difficult times.

Textile officials said that the benefits will be given to those power looms and units that had applied under Textile Ministry's common encouragement scheme (CES) 2001. Owners operating in common shed as well as individual ones are eligible.

Under CES 2001, a special category D+ was created for textile units and power looms operating in C and D category talukas. These units were given concessions in sales tax, electricity tariff, etc.

They were also provided special capital grant. The scheme was implemented from February 2004. Textile Ministry has directed the local officials to provide the difference in special capital grant provided to units in C and D category talukas and D+ category to the units recently brought under the scheme with effect from February 2004.

Suresh Agrawal, Textile Wing President of Vidarbha Industries Association (VIA), welcomed the government decision but said that more needs to be done for the sector. "There are about 800 readymade garment units in and around the city and most of them are small scale units and operate in residential areas. They do not have the money to shift to MIDC. Hence, VIA had demanded way back in 1998 that these units be given sops at par with those located with industrial areas.

Agrawal further said that Nagpur has become the biggest hub of moulded furniture and has the potential to become a readymade garment hub. The government should create a readymade garment complex where 500 to 700 units could be accommodated.

Indian cotton imports set to surge 60%

India is likely to register a 30 to 60% increase in cotton imports in the current cotton year (October'08-September '09) as international prices quote at a marginal discount to domestic prices after the government increased the floor price, or the so-called MSP of cotton.

Against 6 lakh bales of 170 kg each imported last year, the country could import about 8-10 lakh bales this year, said DK Nair, Secretary General, Confederation of Indian Textile Industries (CITI).

He said imports could go upto 10 lakh bales in the current year. Imports of extra long staple cotton will account for between 4.0 and 5.0 lakh bales and short and medium staple variety 6 lakh bales.

KF Jhunjhunwala, Chairman of Cotton Textiles and Allied Products Research Foundation, and past president of Cotton Association of India said the country will import nearly 8 lakh bales this year. 5 lakh bales of cotton have already arrived in the country and additional 3 lakh will arrive by September 30, 2009.

Domestic prices have increased over global prices due to a 40% increase in minimum support price (MSP) by the government. Medium long staple cotton prices increased by over 31% to Rs 2,500 a quintal and price of long staple cotton was increased by 48% to Rs 3,000 a quintal compared with previous year's prices.

Traditionally, imports, primarily of extra long staple cotton, domestic production of which is low, have been in the range of 5-6 lakh bales.

Meanwhile, exports are estimated to be lower by 30% this year due to a reduction in global demand following the economic recession. India is likely to export not more than 5 lakh bales against 8.5 lakh bales last year primarily due to a fall in demand from China and Pakistan, Bangladesh, Indonesia and Hong Kong.

Of the estimated production of 29 million bales this year, 28 million bales have already arrived and the remaining may arrive by the end of cotton year in September 30

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Textile exports showing signs of recovery

India's textile exports could be showing some signs of recovery as local demand for cotton and synthetic fibre has picked up, an industry lobby group said.

Apparel exports fell 4 to 5% to $908 million (Rs 4,576.3 crore) in February compared with the same month last year but the sector will "escape negative growth" in the year to 31 March, according to Vijay Mathur, Deputy Secretary General at the Apparel Export Promotion Council (AEPC).

Exporters are expected to clock about $10 billion in sales in the just-concluded financial year, marginally up from $9.68 billion in the preceding fiscal. Spinning activity has picked up in manufacturing centres, such as Bhiwandi in Maharashtra and Coimbatore in Tamil Nadu, said J.N. Singh, Joint Secretary in the Textile Ministry.

Currently, India has a 3.5% share in Japanese textile imports, the world's second largest retail economy. In South Africa, Indian exports account for one-third of South Africa's $1,100 million market. In Brazil, its share is a mere $130 million out of $2.5 billion.

In another indication of recovery, raw material prices have strengthened. Viscose staple fibre prices have shot up from $1.4 a kg in January to $1.8 per kg in May. Cotton prices have risen by 10% to Rs 22,700 per candy. A candy is equal to 356 kg. Some companies said the real growth in textiles will be pushed by retail sales.

Anti-dumping duty on Chinese tyre cord fabric

The anti-dumping duty on nylon tyre cord fabric imported from China has been extended for five more years by the Central Board of Excise and Customs (CBEC). This will increase the input costs of tyre manufacturers as nylon tyre cord fabric makes up about 29% of the raw material costs of the tyremakers. Domestic manufacturers of nylon tyre cord fabric will be benefitted by this move.

The Directorate declared that nylon tyre cord fabric imported from China was at a price below normal value which amounted to dumping of the product into the country, and would cause damage to the domestic industry. The duty levied is equivalent to the extent of dumping. The anti-dumping duty would range from $ 1.24-$1.76 per kg.

INDONESIA

Textile sector may recover soon

Exports of Indonesia's textile industry suffered a contraction in the first quarter this year but at a slower pace than in the previous quarters, bringing hopes of a recovery in the next quarters, an organization says. According to the Alumni Union of the State-sanctioned Textile Technology Institute (ITT-STTT), exports of textile products dropped 3.47% in the first quarter this year from the last quarter of 2008. The quarter-to-quarter figure was relatively better than the 19% drop from the third to the fourth quarter of last year.

The value of exports of textiles in the first quarter of 2009 declined, but not by much, resulting in optimism for the next quarters as it (the decline) showed a slowing trend, said Redma Gita Wirawasta, the Alumni Union's Secretary-General.

He said Indonesia's textile industry suffered from negative impacts from the global economic downturn, which led importing countries to cut their demand for textiles. As the US cut demand on textiles, exports of Indonesian textiles dropped 13.9% year-on-year. Cloth and thread products suffered the largest drop of 28.1%. Still, domestic demand of textiles between January and March managed to increase by 25% year-on-year, or 67,500 tonnes up on the same period in 2008, helped in part by the legislative elections. In the first quarter of 2008, the textile industry sold up to 270,000 tonnes. Yuliab Koersen, the marketing analyst of Indotextiles, said that of the 25% rise in domestic demand 15% was for locally made goods while imports accounted for 10%.

According to the Manpower and Transmigration Ministry, 51,000 workers have been laid off this year, with most of them working in the garments, plantations and forestry industries. The Industry Ministry has said the textile industry is the most affected by the global downturn, but still expects full-year growth in the sector of up to 4.6%.

Textiles turn to local market

With exports still in the doldrums, textile manufacturers are turning to the domestic market with help from government campaigns aimed at bolstering sales of locally made goods. And prospects are even brighter for those firms already focusing on the domestic market.

The majority of textile firms export their products overseas and we are lucky because 70% of our textile products are for the domestic market. The domestic market is helping us to survive, especially today when the local currency is strengthening, said Director of PT Ratutex Purwakarta.

Ratutex is one of the top fully integrated textile processing firms in West Java, the province that supplies 40% of the country's total textile and garment products. Lie Kim Liang of PT Indratex Batujajar Cimahi, West Java, said the domestic market had helped textile producers at a time of crisis, thanks to its huge size.

He said that although his company faced market uncertainties, he had kept on buying raw materials at US$430 per ball (1 ball = 181.44 kilograms) of yarn in January and February to meet the expected needs for production of fabric.

The Indonesian Textile Association (API) said that of all the business sectors, the textile industry was the most badly affected by the global economic downturn. The textile industry contracted by 4.8% in the first quarter of the year from the previous quarter, far more than the 1.61% contraction suffered by the entire manufacturing sector.

The government has however put in place a number of measures to help sustain domestic demand to compensate for declining exports. One of them is by launching the so-called "I Love Indonesia" program to encourage Indonesians to love and appreciate locally made goods and services. The Industry Ministry is also carrying out a program under which selected textile manufacturers can get a government subsidy when they secure bank loans to upgrade or change their production machinery.

ASEAN to team up to boost textile industry

Textile producers in ASEAN countries agreed to set up an alliance to boost up competitiveness, said Indonesian Trade Minister Mari Elka Pangestu. The ASEAN governments would soon invite the ASEAN Federation of Textile Industries (AFTEX) to bring about the plan to promoting the textile and garment industry in the region. Textile and garments export from ASEAN region stood at over US $30 billion last year.

Earlier reports said that Indonesia, Thailand and Vietnam would set up a full service alliance by the end of the year. They have been regarded the top three textile manufacturing countries in the region.

Indonesian Textile Association (API) Deputy Chairman Ade Sudrajat said that the alliance was expected to boost up the inter regional textile and garment trade and cut buyers' costs by integrating orders from upstream to downstream products. In the future, buyers would no longer need to open offices in countries where their orders were processed.

MOROCCO

Thousands of textile workers lose jobs

Morocco's textiles industry has been hard hit by the global economic crisis. An aggressive government aid plan aims to minimise losses. Commercial activity has slowed down since the beginning of this year in the industrial district of Temara where the firms are based. Textile manufacturers say that a downturn in business has forced them to lay off staff.

The Moroccan Textile and Clothing Industry Association (AMITH) claims that at the end of the first quarter of this year, Moroccan exports were down by 12.9% over last year. The AMITH says that 13,000 jobs have been shed in the sector and that 10,000 of these were lost due to the global economic meltdown. The AMITH wants the proportion of textiles eligible for state aid to rise to over 35% so that the sector's losses can be minimized.

The government says that its plan to deal with the crisis is going well. Finance Minister Salaheddine Mezouar said that some 130 companies have received state aid intended to keep the economy stable and save jobs. The Ministry of Finance said the plan would encourage workers to become more versatile and improve their performance.

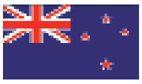
Salah Mediouni, an economist, said that state aid would not be granted to all stricken companies in the sector. This means that job losses will be inevitable. A lot of firms are receiving no orders at all, especially those that depended on the British market. This has made it hard for them to keep their staff and benefit from the measures that the government has put in place.

Trade body demands more incentives for textile sector

Exports from the textiles and garment sector of Morocco in the first quarter of 2009 have fallen by 12.9%. 13,000 jobs have been lost, of which the economic crisis is responsible for around 10,000 layoffs, claims the Morocco Textile and Clothing Industry Association (AMITH).

To put a stop to more job losses, AMITH is demanding that more companies be brought under the stimulus package formulated for the textile and garment industry, since the state is not providing the aid to all affected companies, but doing so on a selective basis and on basis of eligibility.

Experts from the sector say that, this selective way of providing incentives is bound to increase the job losses as many affected industries may not be eligible for the package from the government. The government on its part has assured of full help to the sector to survive the crisis.



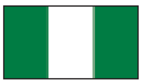
NEW ZEALAND

Wool prices rise despite NZ dollar

Wool prices showed some positive trends and resisted a stronger New Zealand dollar at the North Island auction in Napier. New Zealand Wool Services International says the dollar has strengthened by more than 1% against the main wool trading currencies since last week of May sale.

It says a limited offering of fine and coarse crossbred fleece was in greatest demand, gaining in value between 2% - 6%. Only the larger volumes of shears and shorter lamb's wool on offer suffered from the negative impact of the stronger currency, with prices easing by up to 4%.

Nearly three-quarters of the offering of more than 10,000 bales were sold. The domestic Chinese hand knitting sector continues to dominate the market. Most other international customers continue to display only limited interest in the face of the international economic downturn.



NIGERIA

Non-Pneumatic Anti-Shock garment

A new invention, the Non-Pneumatic Anti-Shock Garment (NASG), is expected to reduce, drastically, the number of deaths of women, caused due to hemorrhage during child births in Nigeria. This was disclosed by the Minister of State for Health, Dr Aliyu Hong who said that 80% of women who died, while giving birth, did so due to blood hemorrhage and that this garment will go a long way in reducing those numbers.

The Life-Wrap continuously and safely applies lower body counter pressure to stabilize women suffering from obstetric hemorrhage, effect resuscitation and arrest further bleeding. The government is collaborating with organizations like the Mac Arthur Foundation, which intends to spend about $11 million which will involve the effective implementation of the programme.

SPAIN

Textile sector to begin its recovery in second half

The significant downturn in consumption recorded in recent months, as a consequence of the global financial economic slowdown, has been felt greatly in the textile-clothing sector. Spain's industrial fabric comprises over 4,000 small to medium-sized enterprises which, like those in other neighbouring countries, are facing this economic slowdown only having recently emerged from the extensive reconversion caused by the coming-into-force of the new regulations governing international trade.

Indeed, since 2002, the sector has been implementing an intense process of adaptation to the globalisation of the textile market, which peaked in 2005 with the liberalisation of international textile interchanges. The development which has taken place throughout this time has encouraged Spanish companies to vary what has been their strategy to date and, at the present time, they are firmly committed to setting themselves apart and to seeking new alternatives which are more suited to consumer demand.

According to Angel Asensio, the President of the Spanish Federation of Fashion Companies (FEDECON), the sector is prepared to face a recession; companies need financial support after having invested heavily in their reconversion process in order to be competitive inside and outside our borders".

All the entrepreneurs and experts in the sector who were consulted about how this situation will evolve in forthcoming months coincide in showing their optimism for the second half of 2009. They unanimously say that the reactivation of the market will begin from next September onwards. Although domestic demand will continue in negative terms during the first half of the year, the drop in inflation and in interest rates will bring with it an increase in families' income, which will serve to stabilise the drop in consumption.

SOUTH AFRICA

Country offers help to textile sector

South Africa unveiled a plan to help the struggling textile sector, a key employer, to better compete with cheap Chinese imports. The department of trade and industry (DTI) said in a statement it would grant loans with preferential lending rates to textile firms wanting to upgrade equipment and would encourage cost-sharing within the industry.

It would also crack down on illegal imports of cheap textiles from Asia, which have already put several South African companies out of business and forced others to cull jobs, and would cut import duties on specialist fabrics.

The Southern African Clothing and Textile Union (SACTWU) said the plan to allow local companies to import some fabrics used in clothing and home textile manufacturing duty free will help keep production costs down.

South Africa, which is widely expected to have fallen into its first recession in nearly two decades in the first quarter, has opposed direct bailouts of companies but has said it will help certain vulnerable industries via state institutions in order to protect jobs.

The government views the vehicle manufacturing industry and textiles, one of the biggest employers in the country's second richest regions centered around Cape Town, as crucial for economic growth.

Africa's biggest economy introduced quotas to restrict Chinese textile and clothing imports in January 2007 after unions complained the cheaper products were hurting local manufacturers, but these were scrapped at the end of 2008.

SRI LANKA

Fabric maker's 2008-09 profit slumps

Sri Lanka's Hayleys MGT Knitting Mills said net profit slumped 45% to US $3.2 million in the 2008-09 financial year from a year ago as orders and profit margins fell.

The firm, the cotton and synthetic fabric manufacturing unit of the Hayeys group, said in a statement that sales fell marginally - by 1.1% to US $59 million from US $59.7 million during the year ended March 31, 2009.

It attributed the slump in profits to the global economic downturn which reduced orders and eroded profit margins, and to higher input costs, especially energy.

But Bandula Weerasinghe, Joint Managing Director of Hayleys MGT, said orders have recovered in the first quarter of the current year. He also said prospects for Hayleys MGT would improve with the commissioning of its bio-mass steam generator in the new financial year; this would offset the high energy costs.

Hayleys MGT Knitting Mills, which has a production capacity of 4.0 million metres of fabric a month, supplies top international brands such as Marks and Spencer, Next, Nike, Reebok and Decathlon. The company also supplies knitted fabric to the Sri Lankan apparel industry and to other export markets.

The company said profit after tax declined largely due to the erosion of margins as a result of higher energy costs in the first half of the year under review.

Weerasinghe said the higher prices of furnace oil and electricity resulted in energy costs escalating by an additional S1.25 million over 2007-08, despite reduced production.

There was a reduction in orders, especially from the UK in the latter half of the year, and some orders were taken at reduced margins to utilize the capacity. However, although overall production came down, production costs rose significantly. He said margins improved somewhat in the final quarter of the year due to the reduction in furnace oil prices and stringent control of expenditure.

KENYA

Cotton farmers to adopt Bt seeds

Long after countries like India and Pakistan adopted Bt cotton seeds, Kenya has now decided to adopt these genetically modified cotton seeds in a bid to increase productivity and in turn the production, said Mr Joshua Oluyali acting CEO of the Cotton Development Authority (CDA).

He said that Kenya Agriculture Research Institute (KARI) is in the final stages of field trail of the Bt seeds after which the seeds would be available for distribution to the farmers of the country.

Adopting Bt cotton seeds is a part of the effort of the government to revive cotton production in the country after it collapsed in the late 80's. Cotton production which had touched 70,000 bales (1bale=170 kg) in 1986, touched a low of just 25,000 bales last year.

Bt cotton seeds have gained acceptance due to the fact that they do not need spraying of pesticides as well as deliver double the yield. Experts however contend that long use of Bt cotton seeds is harmful to the soil.

The CDA and KARI both will control distribution of cotton seeds to avoid sales of spurious seeds. According to KARI, the country has the potential to grow 260,000 bales of cotton, by increasing the area of cultivation from 30,450 hectares at present to 350,000 hectares.

Experts attribute the fall in cotton production in the country to the practice of cultivating recycled cotton seeds, which deliver low productivity and since Bt cotton seeds cannot be replanted, it is expected to eliminate this practice.

High costs push textile industry towards collapse

Kenya's textile manufacturing industry until recently one of the fastest growing segments of the economy -- is caving in to competitive pressure in key export markets, taking with it thousands of jobs that analysts say will take years to recover.

Data from the Kenya Apparel Manufacturers and Exporters Association (KAMEA) indicates that the industry, which four years ago had 36 players and employed more than 32,000 people, has shed nearly three quarters of those jobs after 21 player's closed shop.

Industry insiders say a third of the remaining 15 players are under intense pressure and may close shop before the end of the year sweeping away a proportionate number of the remaining 12,000 jobs.

Such unravelling is expected to dampen hopes in the cotton sub-sector, which has only recently showed signs of recovery after nearly three decades in the doldrums.

Jaswinder Bedi, the KAMEA Chairman, reckons that the industry is particularly vulnerable to increasing pressure for higher wages, competition from second hand garment imports and high cost of inputs.

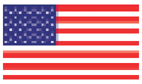
AGOA is a US government legislation that was enacted in 2000 to provide a window for duty free and quota free market access to African manufacturers of textile and 6,000 other products.

The forum is an annual platform where countries that are eligible to export goods to the US under AGOA review the impact of the scheme and discuss new ways for participating countries to increase their trade volumes under the Act.

Under the Agoa, Kenyan apparel exports to the US increased from 6 million pieces worth $30 million in 2000 to 63.3 million pieces worth $240 in 2007. Agoa was initially intended to end in 2008 but African exporters got a lifeline when it was extended to 2015.

A recent phase out of quarters in the international fabric and apparel trade under the World Trade Organisation has however made it more difficult for Kenyan exporters to penetrate the US market where they have to compete against seasoned low cost producers such as China.

Official statistics show that the sale of apparel in the US declined from $263 million in 2005 to $150 million in 2008 casting gloom over the future of the industry.



USA

Asia's textile and apparel exports will fall in 2009

Due to this crisis each country is suffering by economic slowdown. This downturn has great impact on the developed, developing and least developing countries. Because of this downturn demand in the developed countries dropped heavily that affected the exports of developing and least developed countries.

Moreover, the fluctuations in currencies also have great impact in the economy of the country. Asia's textile and apparel exports greatly affected by economic slowdown and will fall in 2009.

According to the Asian Development Bank, textile and apparel exports will fall in 2009. As prices rose in China and fell in India, results may finally be strongly different in value and volume terms.

As a dominant player, China should bear the brunt of the world textile recession but other countries are expected also suffering, such as Pakistan.

In constant 2004 prices, total Asian textile and apparel exports are expected to drop by about US$8 billion with China accounting for a large part at US$3.9 billion.

This may be more or less probable forecast, but such data are however indicating how severe the current crisis in Asian exports is after EU and US imports began sliding in the last year.◆