

China Apparel Retail Analysis (2007-2008)



RNCOS

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About the Report

RNCOS "China Apparel Retail Analysis (2007-2008)" report provides extensive research and rational analysis on China apparel and Textile Industry. This report has been made to help clients in analyzing the opportunities, challenges and drivers critical to the growth of apparel and textile industry in China. The report provides detailed overview on various market segments, and production of apparel and textile in China. It helps clients to understand the Chinese consumer behavior and their preferences and various distribution channels existing in the Chinese market.

The overview of domestic and foreign players along with their expansion strategies allows the client to formulate their business plans as per the Chinese market environment.

Key Findings

- Chinese apparel industry had a trade surplus of over US\$ 100 Billion in 2006.
- Chinese apparel exports to grow at 9.46% in 2007.
- Distribution channels for apparel industry in China are very diversified - ranging from Hypermarket and Departmental Store to Commodity market.
- Female apparel is the most dominant segment in the entire apparel industry.
- Changing consumer behavior.

Key Issues and Facts

The research report addresses the issues and facts critical to the success of Chinese apparel industry, including:

- The market size and scope of apparel and textile industry in China.
- Evaluation of current market trends.
- Analysis of various challenges and opportunities for the industry.
- Factors driving growth in the sector.
- Apparel and textile clusters in China.
- Profile discussion of key players operating in the industry.

Key Players

This section covers the businesses and financials of domestic and international key players currently operating in the Chinese apparel industry, including Youngor Group, ROMON Group Co., Ltd., Giordano International Limited, BAOXINIAO Group, Weiqiao Textile Company Limited, DKNY, Armani, Calvin Klein, Inc. and LVMH.

Research Methodology

Information Sources

Information has been sourced from various credible sources, namely books, newspapers, trade journals, and white papers, industry portals, government agencies, trade associations, monitoring industry news and developments, and through access to more than 3000 paid databases.

Analysis Method

The analysis methods include Ratio Analysis, Historical Trend Analysis, Linear Regression Analysis using software tools, Judgmental Forecasting and Cause and Effect Analysis.

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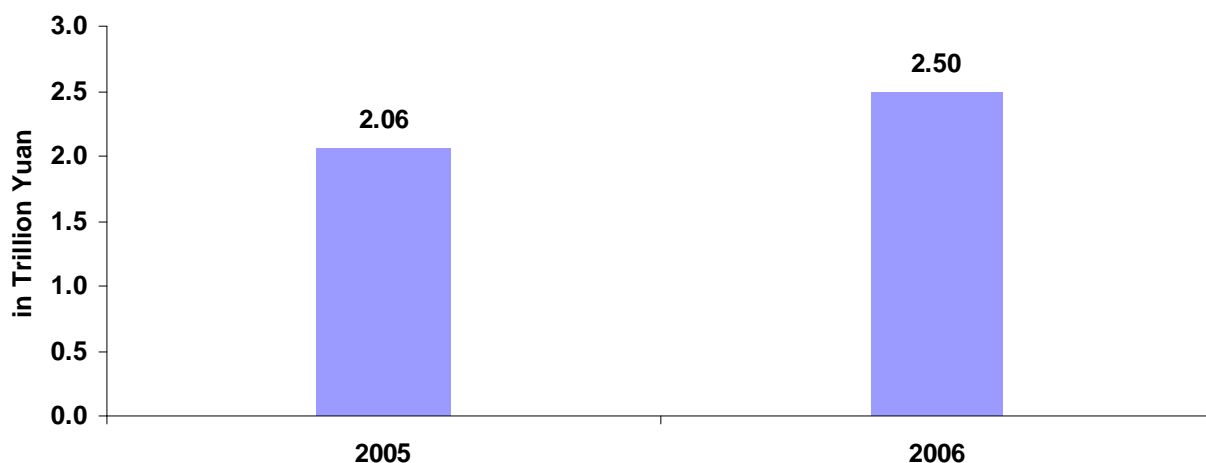
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3.2 China Apparel & Textile Industry

The apparel and textile industry has become an important industry in China with fairly tangible competitiveness in the international market due to industrial restructuring and upgrading. The apparel and textile industry was worth Yuan 2.06 Trillion (US\$ 271 Billion) in 2005, which increased to Yuan 2.5 Trillion (US\$ 328.88 Billion) in 2006 at CAGR of 21.36%.

Figure 3-6: China - Apparel & Textile Industry (in Trillion Yuan), 2005 & 2006



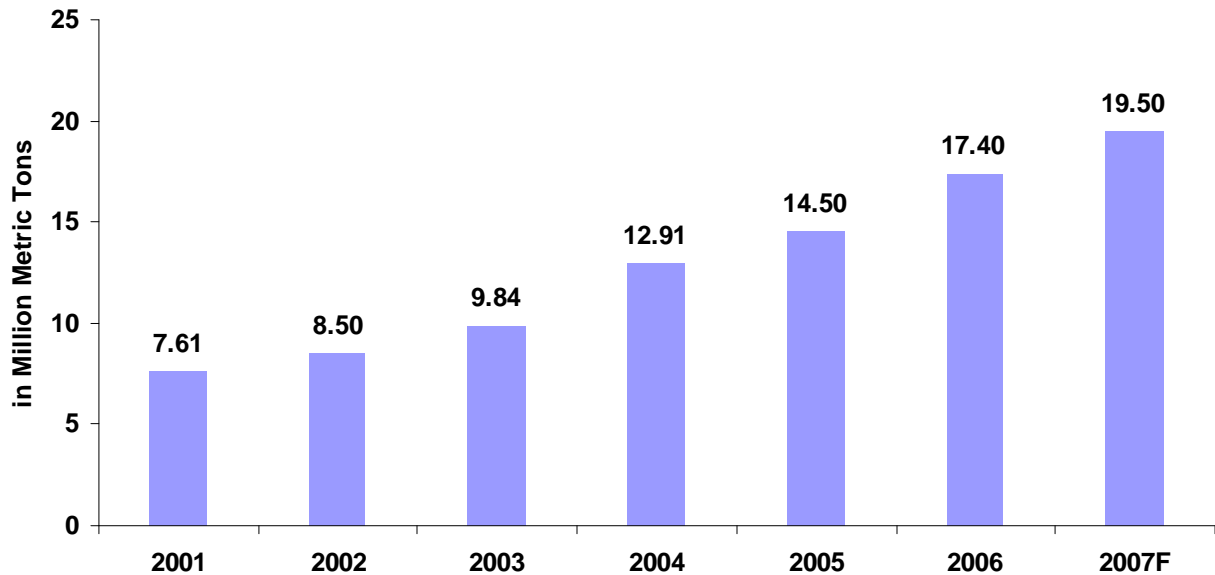
Source: [REDACTED]

The Chinese have a highly developed retail infrastructure consisting of formal and informal shopping venues, from malls and underground shopping centers to free-standing mass merchants and open-air markets. Like the U.S., China has a developed structure of department stores, chain and specialty retailers, and hypermarkets (or mass merchants) that have varying price points, from mass retailers like Wal-Mart and Carrefour to luxury specialty stores such as Gucci. At the same time, China has a well-developed informal shopping infrastructure consisting of indoor and outdoor clothing markets and small shops, which are literally tiny and tend to specialize in only a few products, such as jeans or T-shirts.

4.1.1 Yarn

China's yarn production soared to 17.40 Million Metric Ton (MMT) in 2006, which was up by 20% from 2005 when total production was 14.50 MMT. High growth in yarn production is expected to continue in FY 2007 because of the strong demand in the textile industry. Total yarn production is forecasted to rise to 19.5 MMT in 2007, up 12.07% from 2006.

Figure 4-2: China - Yarn Production (in Million Metric Tons), 2001-2007F



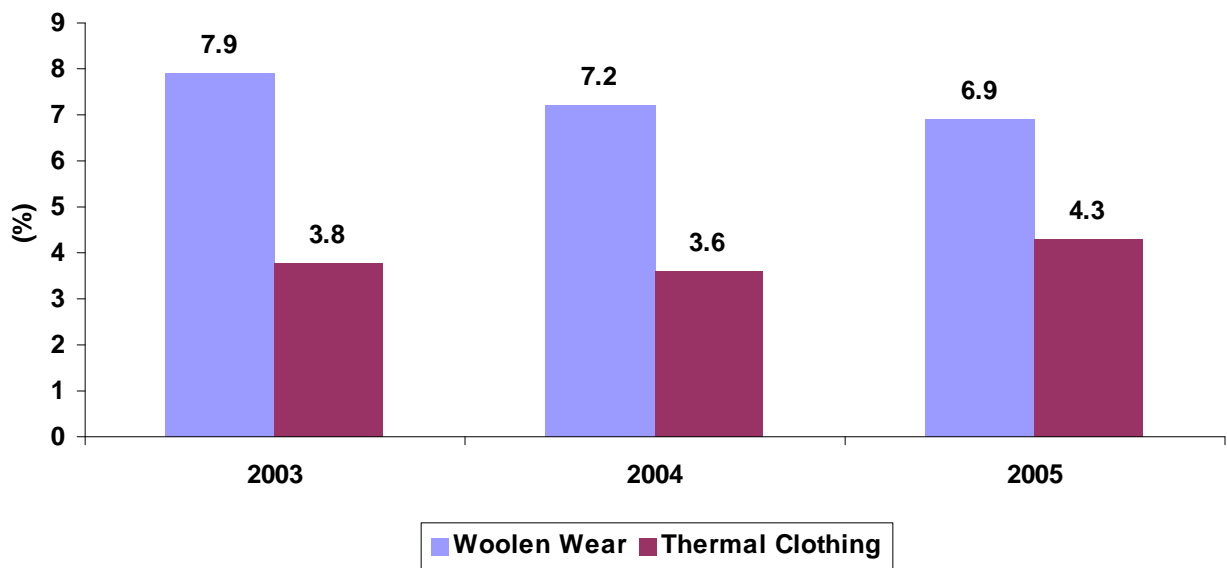
Source: [REDACTED]

The yarn production for the first three months of 2007 is estimated at 4.2 MMT, up 22.09% over the same period of 2006.

4.2.5 Woolen Wear & Thermal Clothing

Woolen wear and thermal clothing accounted for 6.9% and 4.3% of total apparel market in 2005. However, the share of woolen wear has been declining as percentage of overall apparel industry as evident by the fact that in 2003 and 2004, its respective shares were 7.9% and 7.2%. The factor responsible for the decline of woolen wear is the result of an increase in sales of thermal wear as compared to woolen wear during 2003-2005.

Figure 4-19: China - Share of Woolen Wear & Thermal Clothing in Apparel Sales (%), 2003-2005



Source: [REDACTED]

5.3 Opportunities

5.3.1 Abolishment of MFA (Multi Fiber Arrangement)

Phase out of MFA clause from WTO will provide opportunity to China to increase its exports in apparel and textile segment, as it will remove the quota restriction worldwide on trading of certain commodities. Removal of quota limit (after MFA clause) will enable the free flow of Chinese apparel and textile exports without having any clause of limited quantity. It has now been replaced by the WTO's Agreement on Textiles and Clothing and the 10-year liberalization program. This Agreement sets out a transitional process for the ultimate removal of all the quotas.

5.4 Challenges

5.4.1 General Safeguard Taxes

The abolishment of MFA clause in WTO will provide immense opportunities to Chinese manufactures and exporters but in order to prevent their domestic players, others countries may apply high taxes to goods imported from China.

Textile producing countries around the globe have expressed particular concern about the expansion of Chinese apparel and textile exports in the more open world market following termination of MFA quotas. For this reason, China-specific safeguard provisions were established in the 2001 World Trade Organization (WTO)-China Accession Agreement.

5.4.2 Higher Global Tariffs

Although MFA quotas have been completely phased out, other policy instruments, such as tariffs and preferential agreements, will affect the market. Global tariffs on textiles and apparel remain significantly higher than for most other manufactured products. Non-tariff trade barriers are also a factor, including anti-dumping duties, import "rules of origin," safeguards, elaborate custom procedures, stringent labeling requirements, and outright bans on apparel imports. Countries with preferential market access typically pay lower tariffs, and this will also influence production and trade.

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