

STATE OF TRADE REPORT 2Q 2011

Year-on-Year Global Fabric Production Down in Q2/2011

Estimates for Yarn and Fabric Production Negative for Q3 but Outlook Positive for Q4

Only as a result of higher output in Asia in general and China in particular global yarn production increased in the 2nd quarter of 2011 in comparison to the previous quarter. Also global fabric production rose in the 2nd quarter due to higher output in Asia and South America while production in Europe and North America fell. It is important to note that production in the 1st quarter in China is traditionally lower as a result of fewer working days due to the Chinese New Year holidays. Compared with the previous year, global yarn production increased somewhat due to higher output in Asia and North America and despite lower production in South America and Europe while global fabric production dropped with all regions suffering declines except for South America. Global yarn stocks soared in the 2nd quarter of 2011 compared with the previous quarter especially due to higher stocks in South America and Asia, while those in Europe and North America remained practically unchanged. Year-on-year yarn inventories jumped, especially in Asia and South America. Fabric stocks were up in North and South America in the 2nd quarter of 2011 as compared to the previous one, while those in Europe and Asia fell slightly. On an annual basis fabric stocks jumped in North and South America, irrespective of slight falls in Europe and Asia. Global yarn and fabric orders fell in Europe and Brazil both in comparison with the previous quarter and with the 2nd quarter of 2010.

Estimates for yarn and fabric production in the 3rd quarter of 2011 in most countries is either negative or unchanged. In the 4th quarter the outlook for yarn and fabric production improves with most countries seeing higher or unchanged output levels.

In comparison with the previous quarter, world yarn production increased in the 2nd quarter of 2011 by +12.1%. While Asia recorded an increase of +13.9%, all other regions recorded decreases (South America -7.3%, Europe -6.5% and North America -3.1%). Year-on-year global yarn production rose slightly by +1.0% due to higher output in Asia and North America by +1.8% and +0.4%, respectively, and despite lower levels in Europe (-8.3%) and in South America (-16.3%).

Compared with the previous quarter global fabric production increased in the 2nd quarter of 2011 by +4.4%. Fabric production rose by +5.1% in Asia and by +3.6% in South America, but fell in Europe and North America (-1.3% and -0.4%, respectively). In comparison to last year's 2nd quarter global fabric production was down by -6.0%. Looking at the various regions only South America recorded an increase (+7.7%), while North America, Asia and Europe fabric production was reduced by -8.8%, -7.3% and -3.4%, respectively.

Yarn inventories soared worldwide by +16.4% in the 2nd quarter of 2011 compared to the previous one. In South America and Asia they jumped by +39.9% and +21.8%, but remained almost unchanged in Europe and North America. On an annual basis global yarn stocks were up by +21.2%. Especially in South America and Asia yarn inventories soared by +82.8% and +26.1%, respectively, while in Europe and North America they were unchanged.

Global fabric inventories rose in the 2nd quarter of 2011 by +8.1% as compared to the previous one. In South America and North America they jumped by +56.8% and +9.2%, respectively, but fell in Asia (-3.5%) and Europe (-0.6%). In comparison to last year's 2nd quarter global fabric inventories increased by +8.1%. In South America they were up by +44.6% and in North America by +12.9%, whereas they fell in Asia by -1.6% and in Europe by -0.4%.

Yarn and fabric orders in Europe were slightly down by -0.4% and -1.2%, respectively in the 2nd quarter of 2011 compared to the previous one; in Brazil they plummeted by -30.4% and -10.5%, respectively. On an annual basis yarn and fabric orders were unchanged in Europe but dropped in Brazil by -40.0% and -18.7%, respectively.