

# UPSURGE IN CHINESE EXPORTS EARLY THIS YEAR

After downsliding for two years in a row in 2008 and 2009, French consumption of fashion and textile goods should continue losing ground in 2010, albeit to a lesser degree than in recent years. Therefore, no resurgence of growth can reasonably be expected this year; apparently, we will have to content ourselves with less severe deterioration rather than true recovery.

During the first two months of 2010, consumption slipped 3.9 % in value in comparison to the same period in 2009. This decrease in the first bimestrial period is in keeping with the same trend observed year: -3,5 %. It is important to remember, however, that the reference point, January 2009, corresponded to last year's strongest result. Furthermore, as the year progresses, performance should naturally change for the better, as the basis for comparison—the third quarter of 2009—was particularly weak.

In short, initial data that have come in for the month of March are relatively positive. Nevertheless, consumption should drop off slightly, by 1 %, over the year as a whole. What

will the influence of this new drop in consumption be on retailers' sourcing strategies?

While it is still too early to study France's foreign trade statistics on the month of January alone, China's statistics on the first two months of 2010 are highly informative. After recording an 11 % drop in 2009, Chinese clothing exports measured in dollars rose by 23 % during the first two months of this year. The volume of exports from China during this first bimestrial period is, of course, greater than the weak reference point of early 2009, but it shows a 9 % progression in comparison to the first two months of 2008 as well. Chinese exports to the United States rose sharply (+ 35% in comparison to January-February 2009), as did Chinese exports to the main European markets: Germany (+32 %), the United Kingdom (+23 %) and France (+ 29 %). This intensification of procurement in China is tied to greater activity on the American market and, to a certain degree, of retailers in European markets replenishing their stocks.

Just as in 2009, the strategy of retailers faced with falling demand will no doubt be to continue sourcing in low labour cost countries in order to maintain their profit margins. Retailers can thus be expected to further increase their purchasing in Asia. Primary contractors will no doubt also continue turning to Bangladesh as well, especially if the Chinese currency is revalued in the near future.

If consumption does not pick up, near-sourcing is likely to continue to suffer in 2010. French and European manufacturers will be among the first affected by this greater reliance upon sourcing in Asia. On the other side of the Mediterranean, times will no doubt also be hard for producers, just as they were in 2009. In Morocco, according to the Moroccan Foreign Exchange Office, exports of ready-made clothing plummeted 31 % in value during the first bimestrial period in 2010; for hosiery articles the decrease was as high as 24 %. In Tunisia, exports in the textile-leather sector fell 3 % in value over the same period. However, if the euro continues to depreciate against the dollar—a hypothesis that remains to be proved—this

could encourage prime contractors to rethink their strategy somewhat and once again increase their reliance on sourcing in neighbouring countries. The very latest information about business activity in Morocco and Tunisia does indeed seem to point in this direction.

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