

STATE OF TRADE REPORT Q1/2012

Global Yarn Output in Q1/2012: Year-on-Year Increase Estimates for Global Yarn and Fabric Output in Q2/2012 Positive Also Outlook for Q3/2012

Output of global yarn production fell in the Q1/2012 in comparison to the previous one mainly as a result of lower output in China where production in the first quarter of the year is traditionally lower compared to any other quarter as a result of fewer working days due to the Chinese New Year holidays. It is therefore important to note that compared to Q1/2011 global yarn production increased in Q1/2012 with only North America recording a decrease. Global fabric production in Q1/2012 fell both in comparison to the previous as well as last year's quarter. In all regions a reduction could be observed with the exception of South America. Yarn stocks fell in the Q1/2012 compared to Q4/2011 in all regions. On an annual basis yarn stocks dropped significantly in Asia (-10.1%) but were higher in Europe (+0.4%) and South America (+9.5%). Fabric stocks fell slightly in comparison with the previous quarter but year-on-year they increased especially as a result of higher inventory in South and North America and despite lower stock levels in Europe and Asia. Yarn orders were slightly down in Europe but up in Brazil in comparison to Q4/2011. On an annual basis yarn orders were down both in Europe and Brazil. Fabric orders in Europe decreased as compared to the previous quarter but surged in Brazil. Year-on-year fabric orders rose slightly both in Europe and Brazil.

The estimates for global yarn and fabric production in the 2nd quarter compared to the 1st quarter of 2012 are positive. As far as yarn production is concerned especially Asia is expecting an increase in output while Europe, North and South America estimates are unchanged. Also global fabric production is expected to expand in Q2/2012 as a result of higher output in all regions. The outlook for Q3/2012 remains positive both for global yarn and fabric production. Regional-wise only in Europe fabric production is expected to fall further.

In comparison with the previous quarter, world yarn output dropped in Q1/2012 by -7.7% as a result of lower production in Asia (-9.0%), especially in China (-11.3%), where as a consequence of the Chinese New Year holidays less working days result. Nevertheless, also in Japan, Taiwan/China and Pakistan production decreased by -10.4%, -3.0% and -1.3%, respectively. In Europe, South and North America yarn production increased in Q1/2012 by +0.7%, +10.7% and +19.6%, respectively. Year-on-year global yarn production rose by +12.0% with output up in Europe (+2.1%), South America (+10.4%) and Asia (+13.0%) and down in North America (-8.6%).

Compared with the previous quarter global fabric production dropped by -11.9% in Q1/2012 as a consequence of lower output in Asia (-14.2%), especially China (-20.2%) due to the Chinese New Year holidays. Also in Europe yarn output fell by -3.3%, while South America recorded an increase of +8.3%. In comparison to Q1/2011 world fabric production was down by -1.8% with all regions reporting decreases (Europe: -5.5%, South America: -5.4%, Asia: -1.3% and North America: -0.4%).

Global yarn inventories fell by -1.7% in Q1/2012 compared to the previous one with all regions having reduced their yarn inventories (Europe: -0.6%, South America: -2.5% and Asia: -5.4%). On an annual basis global yarn stocks dropped significantly by -10.1%, a consequence of lower stocks in Asia (-18.6%) and despite higher stocks in Europe (+0.4%) and in South America (+9.5%).

Global fabric stocks decreased by mere -0.4% due to lower inventories in Europe (-0.4%) and North America (-5.6%), while inventories in Asia and South America remained unchanged. Year-on-year, global fabric inventories jumped by +14.0%. This was mainly due to soaring fabric stocks in South America (+92.1%) and also higher stocks in North America (+6.7%), whereas Europe and Asia recorded lower fabric stocks (-0.4% and -3.5%, respectively).

Yarn orders in Europe were down by -0.7% in Q1/2012 compared to the previous one but up +7.3% in Brazil. Year-on-year yarn orders fell both in Europe and Brazil by -1.5% and -11.1%, respectively.

Fabric orders were down in Europe (-0.7%) in Q1/2012 but up in Brazil (+18.7%). On an annual basis fabric orders were higher both in Brazil (+0.5%) and Europe (+0.9%).

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