



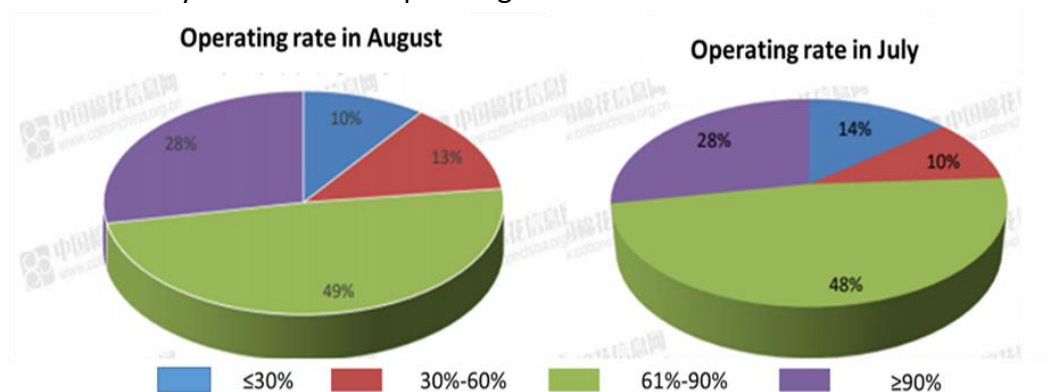
MEMORANDUM

Date: September 11th, 2020
To: ACSA
From: Yuan Associates
Subject: **Latest Situation of China's Textile Mills**

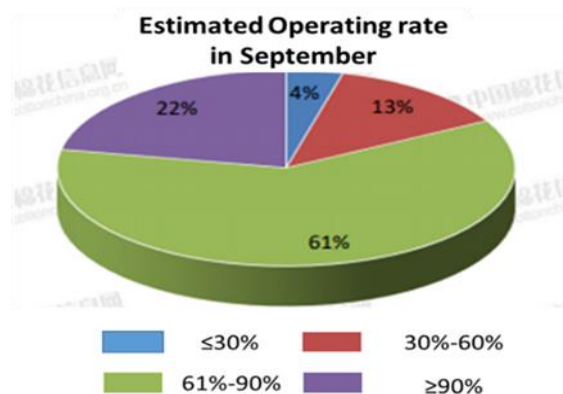
Cottonchina.org.cn, China's leading cotton trade media outlets, have conducted a survey among over 100 textile mills to understand the latest situation of their operation and demand for cotton. Based on their findings, compared with July, mills' operating rate and orders were slightly recovered in August. The cotton yarn stock reduced in August while mill's profits suffered decrease due to the raised price of cotton as raw material. Most of the mills are holding expectations for the traditional peak season from September and October and believes the recovery will continue in the rest of the year.

Here is the detailed information covering the operating rate, orders, profits, cotton consumption and purchase, cotton yarn production and stock, expectation for downstream demand as well as the latest supply and demand balance sheet for your reference.

- **Operating rate:** Slight recovery of operating rate was witnessed in August. Those enjoy operating rates at 90% and above took 28% of the total, which is the same as July. Those that have only less than 30% operating rate reduced from 14% to 10%.

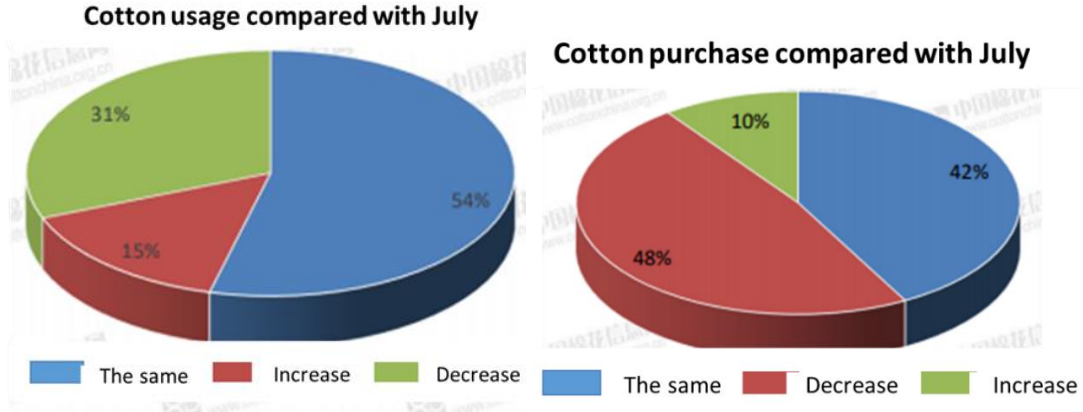


As for estimation in September, the majority believes they will have operating rate between 60% and 90%, and only 4% believe they will have less than 30% operating rate.

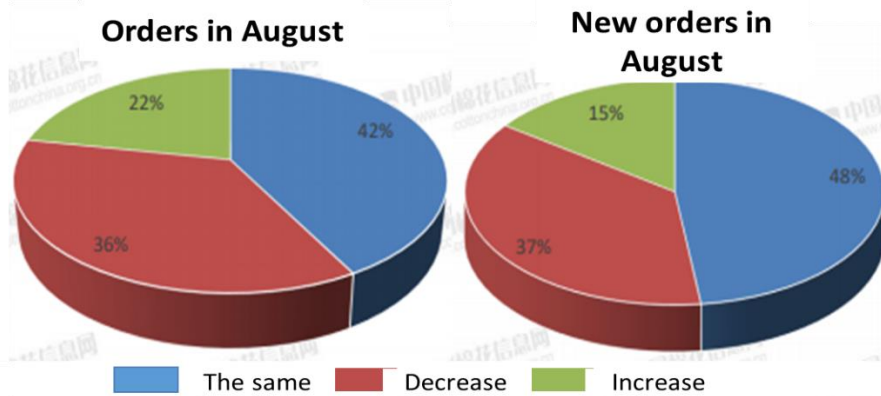




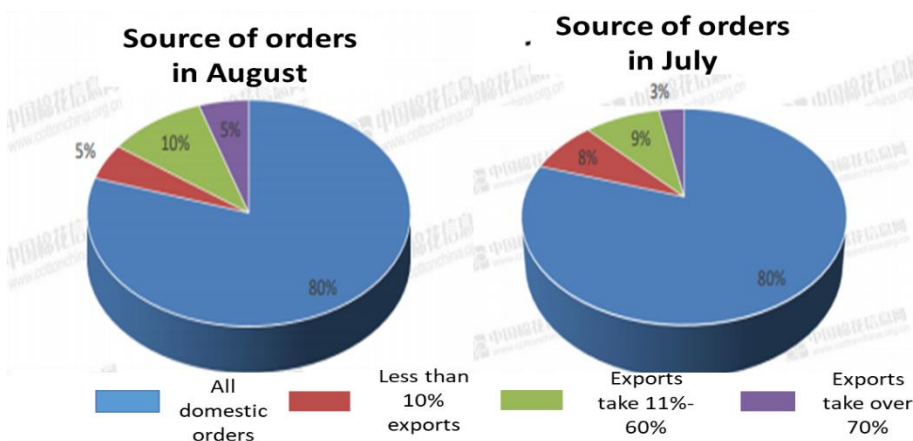
- **Cotton consumption and purchase:** In August, 54% of the mills had the same cotton consumption as in July. 15% of the mills increased their consumption and 31% of them decreased. 42% of the mills purchased the same amount of cotton in August, 48% reduced, and only 10% increased.



- **Orders:** 42% of the mills had the same amount of orders compared with July, 36% suffered less orders and 22% enjoyed increased orders. For the new orders, 48% of them had the same amount as in July, 37% had less new orders, and 15% enjoyed increased new orders.

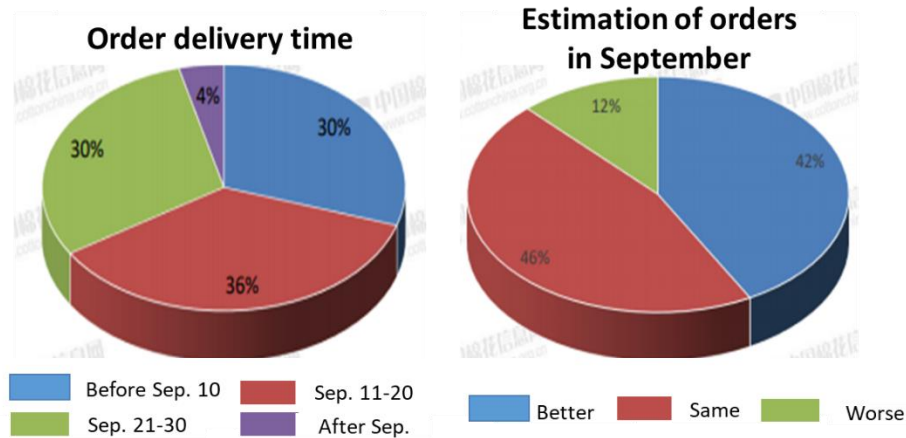


Same as in July, 80% of the mills were getting their orders all from domestic market in August. Mills whose orders from overseas took 11%-60% of their total orders increased from 9% in July to 10% in August, whose took 70% of their total also increased from 3% in July to 5% in August.

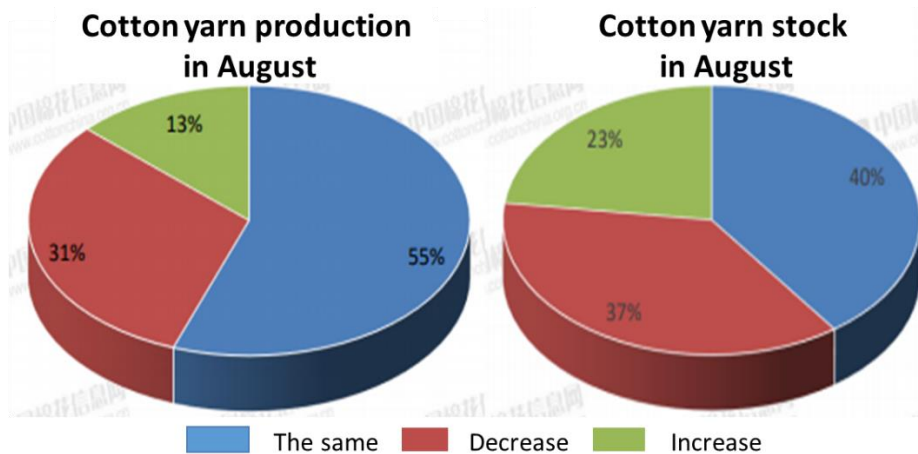




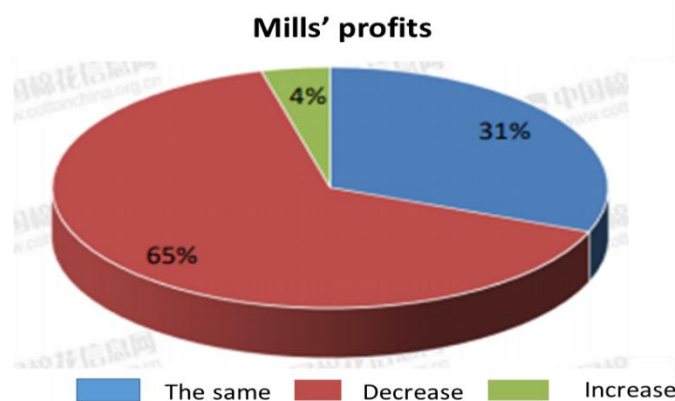
Only 4% of the mills had orders in next month's pipeline. The rest all had short orders within September. For next month, 46% believe they will have the same amount of orders, 42% think they will get more and 12% think they will get less.



- **Cotton yarn production and stock:** In August, 55% of the mills had the same yarn production compared with July, 13% had more production and 31% had less. 40% of the mills had the same yarn stock, 23% had more and 37% had less.

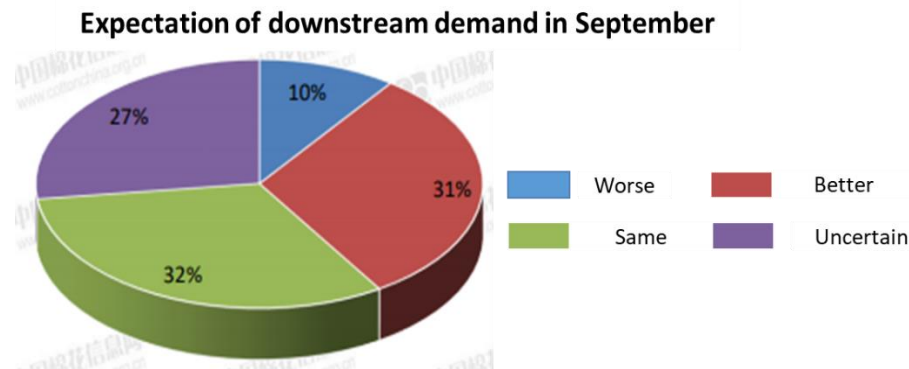


- **Profits:** 31% of the mill had the same profits in August compared with July, 65% of the mills had less and only 4% had increased profits.





- **Expectation for downstream demand:** 31% of the mills expect recovered downstream demand, 32% believe the demand will maintain the same as in August. 27% think it's hard to say given the high uncertainties especially the U.S. government's sanction on Xinjiang cotton. 10% think the situation will get worse.



- **China's cotton supply and demand balance sheet:** here is the estimation in September, which has no change compared with the August version as the impact of the Xinjiang cotton sanction and progress of global pandemic control are unclear at this stage.

China Cotton Supply and Demand Balance Sheet (MMT)			
	2018/19	2019/20	2020/21
Total Supply	13.72	12.78	12.92
Starting Stock	5.92	5.43	5.38
Domestic Production	5.77	5.75	5.54
Imports	2.03	1.6	2
Total Demand	8.29	7.4	8.07
Cotton Textiles	7.74	6.91	7.54
Others	0.5	0.4	0.4
Exports	0.05	0.04	0.04
Ending Stock	5.43	5.38	4.85

** Crop year in China is from September to the next August.*