



By Robert S. Reichard, Economics Editor

Encouraging Signs

Early 2006 activity continues to hold up tolerably well despite still-rising import levels. The January report from the Tempe, Ariz.-based Institute for Supply Management — a grassroots group that surveys the nation's leading purchasing executives — puts textiles and apparel on the list of industries reporting growth in both new orders and production. To be sure, the sample of firms queried is small and might well be slightly off the mark. Nevertheless, these findings lend credence to the feeling that the bottom isn't about to drop out from under the textile market. In any event, *TW*'s near-term

forecasts for domestic production of basic textiles like yarns and fabrics over the next six months or so suggest little more than a 4-percent annual rate of decline. Moreover, any losses in this sector could be partially offset by steady to even a bit higher activity in the more highly fabricated home furnishings and floor covering areas.

A Long Look Ahead

There's also some indication the long-term prognosis for the industry isn't all that bad. Key evidence here comes from brand-new production projections by the Bureau of Labor Statistics (BLS). A just-released 10-year study calls for an average annual

decline of only about 3.2 percent overall for basic textile mills — with no specific subsector expected to experience any catastrophic decline. While hardly bullish, this does seem to suggest the American textile industry is here to stay. In looking a bit closer at three key basic textile subgroups, a 3.7-percent average annual decline over the next decade is seen for fabric mills; 2.8 percent for textile and fabric finishing and coating mills; and 2.4 percent for fiber, yarn and thread mills. Moving over to the textile product mill area, some small gains are forecast — 2.5 percent overall — with a higher 3.1-percent advance seen for textile furnishing mills. On the other hand, as might be expected, apparel manufacturing output will continue to disappoint, falling by about 2.9 percent annually over the next 10 years.

A Smaller Workforce

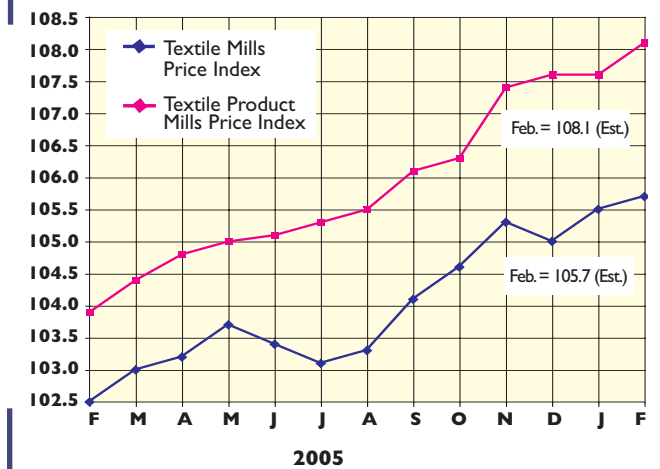
The downward pressure on textile and apparel employment, however, looks a little more disturbing, primarily because of expectations for continuing solid industry productivity gains — advances that will allow each employee to turn out more units of product for each hour

worked. More to the point, BLS projections call for these substantial productivity advances: 3.5 percent a year for basic textile mills; 4.5 percent for textile product mills; and 5.8 percent for apparel. While all this should be great for holding costs down, such efficiency gains will tend to intensify job losses, which for the basic textile mill sector are as follows over the next decade: overall, 6.7 percent a year; fabric mills, 7.5 percent; and textile and fabric finishing and coating mills, 6.2 percent. Average job declines for the textile mill product sector should be somewhat more modest — about 2 percent a year, with the textile furnishing mills subsector dropoff put at only 1.3 percent a year. Look for considerably rougher sailing for the hard-pressed apparel industry, where an average annual 8.7-percent employment decline is anticipated.

Imports

Some hints on how the ongoing US/China trade conflict may play out are emerging. US officials, in an effort to slow down Chinese import gains, are not calling for much tougher enforcement of existing trade laws. Results of next month's Washing-

Textile Mills & Textile Product Mills Price Indexes (December 2003=100)



ton meeting between President George W. Bush and Chinese President Hu Jintao will also bear close monitoring. White House officials are expected to argue the yuan is still grossly undervalued and

press for a much more significant upward yuan revaluation, pointing out the US trade deficit with China — the largest for any single country — rose to a record \$202 billion last year — more than 20-percent

above 2004's level. The textile and apparel subsector deterioration was even greater — with 2005 Chinese incoming shipments here soaring 44 percent on a square-meter-equivalents basis. To be sure, 2005 over-

all textile and apparel imports rose by a much smaller 8.3 percent, but only because the huge Chinese influx was partially offset by sizeable declines in shipments from Taiwan, Hong Kong and Korea. **TW**

Textile Barometers

See www.TextileWorld.com for expanded textile industry financial news.

U.S. Textile Indicators:

	Latest Month+	Previous Month++	Year Ago
Textile mill employment (Bureau of Labor Statistics [BLS], thousands)	209.5	209.0	227.4
Mill product employment (BLS, thousands)	177.1	174.5	172.8
Textile mill production workers (BLS, thousands)	166.8	166.3	185.0
Mill product production workers (BLS, thousands)	143.6	141.0	139.3
Textile mill weekly earnings (BLS)	\$510.71	\$515.84	\$496.13
Mill product weekly earnings (BLS)	\$478.36	\$482.73	\$446.01
Textile mill weekly hours worked (BLS)	40.4	41.0	40.3
Mill product weekly hours worked (BLS)	40.1	40.5	39.5
Textile production index (Federal Reserve Board [FRB], 2002=100)	92.4	93.2	90.5
Textile capacity utilization (FRB)	78.2	78.7	75.1
Producer price index, textiles & apparel (BLS, 1982=100)	123.6	123.9	121.4
Man-made fibers (1982=100)	114.1	114.3	107.3
Processed yarns & threads (1982=100)	112.5	113.4	109.3
Greige fabrics (1982=100)	116.2	117.2	112.3
Finished fabrics (1982=100)	125.8	125.9	121.8
Home furnishings (1982=100)	122.3	122.2	123.4
Carpet (1982=100)	152.6	152.2	142.9
*Manufacturers' textile mill sales (Dept. of Commerce [DOC], millions)	\$3,318	\$3,371	\$3,617
**Manufacturers' textile product sales (DOC, millions)	\$2,884	\$2,923	\$2,759
Manufacturers' textile mill inventories (DOC, millions)	\$4,234	\$4,208	\$4,434
Manufacturers' textile product inventories (DOC, millions)	\$3,782	\$3,662	\$3,654
Inventory-to-sales ratio, textile mills	1.28	1.25	1.23
Inventory-to-sales ratio, textile products	1.31	1.25	1.32
Clothing & accessories retail sales (DOC, millions, seasonally adjusted)	\$17,905	\$17,184	\$16,272
Stock price index (Standard & Poor's, 1994=100)	203.9	201.6	190.6
Imports (DOC, millions, December year-to-date total)	\$89,207	\$82,726	\$83,310
Exports (DOC, millions, December year-to-date total)	\$16,616	\$15,411	\$16,246

U.S. Economic Indicators:

Employment (BLS, thousands)	143,074	142,779	140,234
Unemployment rate (BLS)	4.7	4.9	5.2
Industrial production index (FRB, 2002=100)	109.8	109.1	106.8
Consumer price index (BLS, 1982-84=100)	196.8	197.6	190.3
Producer price index (BLS, 1982=100)	163.0	163.6	150.1
Personal income (DOC, billions)	\$10,231.0	\$10,185.7	\$9,729.2
Disposable personal income (DOC, billions)	\$9,015.1	\$8,979.7	\$8,670.9
Disposable personal income per capita (DOC)	\$30,338	\$30,298	\$29,461
Housing starts (DOC, thousands, seasonally adjusted)	2,276	1,988	2,000
Operating rates — all industries (FRB)	80.7	80.3	79.7

+ Preliminary ++ Revised

*Textile mill numbers include yarns, spinning, texturing, throwing and twisting, and all types of fabrics and finishing.

**Textile products numbers include carpet and rugs, curtains, draperies, other home textiles, canvas, tire cord, and fabric and textile bags.