

Calgary Herald

Clothing costs rise as cotton prices soar

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Byline: Sandra Pedicini
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With the cost of cotton sky high, Katrina Moon of Longwood, Fla., said she has already noticed a difference on clothing price tags.

"Dresses and things have gone up in price. Even things like cotton underwear," said Moon, a trade-show model.

The price of cotton has more than doubled in the past year because of bad weather and increasing demand, and consumers and retailers are feeling the pinch.

For Moon, it means T-shirts for her 7-year-old daughter now cost \$10, when she is used to paying about \$6. If prices go much higher, she said she would probably go to consignment shops.

At Big Frog in Winter Park, Fla., franchise owner Nancy Salcido said she might raise the price of T-shirts she prints for sports teams, special events and individuals.

"What I paid for a blank, white cotton T-shirt a year and nine months ago, and what I pay now, is close to 100 per cent markup," said Salcido, who sells shirts for between \$5 and \$15.99, depending on quantity. "It's ridiculous."

The Big Frog's parent company has given individual stores permission to raise prices.

"Some are saying yes; some are saying no," said Salcido, who worries about scaring off customers.

Other stores also fear alienating consumers, who reined in spending during the recession and are now grappling with higher costs for food and gasoline.

"That can get a little dangerous if you start creeping them up a little bit," said Gary Straub, managing director of the Sadler's men's clothier in Orlando. "You don't want to seem greedy."

His store's costs for cotton shirts have gone up about 10 per cent to 12 per cent over the past year. So far, he said, Sadler's has not changed its retail prices.

Many national companies, however, have already decided to start charging more.

The price of jeans already has increased by an average of 10 per cent over the past six months, said Jeremy Rubman, a partner with consulting firm Kurt Salmon Associates.

Companies that have already acknowledged charging more include VF Corp., whose brands include jeans

such as Wrangler, Lee and Children's Place. The children's chain has often advertised tops starting at \$5. This week, tops started at \$6 online.

Manufacturers also are making clothes with fewer frills by "taking off pieces of trim, going to smaller buttons or buttons that don't have logos on them anymore," Rubman said.

Much of the pressure has come from a cotton shortage that has been caused by several factors. China, the world's largest cotton producer, had cold, wet weather that contributed to a poor crop. Flooding in Pakistan hurt that country's production, and India put strict limits on its exports.

But even before nature took its toll, farmers had been producing less, said Jon Devine, an economist with trade group Cotton Inc. When cotton sold for lower prices, many switched to more lucrative crops. The rising demand for ethanol persuaded many farmers to switch to corn, and others went into soybeans.

The Globe and Mail

Rising prices underscore foreign investment; Overseas buyers buoy the country's hottest market, realtors say

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VANCOUVER -- On a recent trip to Vancouver, Jin Wang, a Chinese businesswoman, toured a large home - six bedrooms and seven baths - listed at \$3.6-million in the British Properties, a wealthy enclave on the north shore overlooking the ocean and the city.

Ms. Wang and her husband, Hui Huang, made their money in the import and export of electronics, leveraging government connections in Beijing to do business in Shanghai. The Chinese nationals also expanded their business to domestic real estate in China.

Now, they're looking to invest more heavily in Vancouver real estate. Three years ago, the couple first bought a \$2.1-million home on Vancouver's west side and rented it to a local family. Its value has since hurtled past \$3-million. Back this month to scout more buys, Ms. Wang closed a deal for a \$3-million home on Chartwell Drive in the British Properties and mulled the additional \$3.6-million home on the same street.

Investments by Chinese buyers such as Ms. Wang and Mr. Huang are playing a role in helping to buoy the hottest real estate market in Canada, according to local realtors. Canadian realtors do not tally data on foreign investment in residential real estate, unlike the national realty association in the U.S., but widespread anecdotal reports from local players suggest investment cash from China is a small but significant factor, especially in the market for expensive homes. The additional demand may be helping to underpin a market whose prices seem to impossibly levitate above the typical local incomes in the region.

And it may increase, as more affluent Chinese aim to move, as well as invest their money abroad. There are nearly 600,000 high-net people worth at least \$1.5-million in China this year, according to the consultancy Bain & Co. About 10 per cent of them have already left, another 10 per cent are planning to apply for immigration, and about 30 per cent are considering it, according to results based on Bain's survey of 2,500 rich Chinese released last week.

The method of exit is to qualify abroad as an "immigrant investor." In Canada, that means an immigrant must have a net worth of \$1.6-million and make an \$800,000 investment - figures that are twice what they were last year. The Vancouver region has already welcomed about half of 10,000 or so immigrants who come to Canada annually under such programs.

Yolanda Chen and Simon Yang arrived earlier this year as immigrant investors. The couple, and their six-year-old daughter, came for the same reason cited by a majority of people from China: a better education system. Ms. Chen, who was a television executive in Shanghai, has purchased a \$2-million home in White Rock, south of Vancouver. "It's a better, and healthier, life here," she said.

While realtors cite the influence of rich immigrants and investors on markets such as Vancouver, data suggest that the absolute number of buyers in such categories is small.

In the U.S. the most recent figures show that foreigners are a factor in real estate markets but not a massive one.

Foreigners spent \$41-billion on U.S. real estate from April, 2009, to March, 2010, about 4 per cent of the American market. Canadians accounted for about a quarter, roughly \$10-billion, of that total. Buyers from China counted for \$3.3-billion, behind Mexico and the United Kingdom.

Of the properties purchased, half of them were bought as a primary residence, with only about a quarter for investment purposes.

The U.S. figures are the result of a survey by researchers at the National Association of Realtors. In Canada, there are no comparable numbers, "because there wasn't demand for us to collect these statistics," said Pierre Leduc, a Canadian Real Estate Association spokesman.

But the U.S. market results echo what realtors in Vancouver are seeing. Ian Gillespie, head of Vancouver developer Westbank Projects Corp., just opened a Shanghai office. In the company's last major project, the \$450-million Fairmont Pacific Rim luxury condo-hotel tower completed last year, Mr. Gillespie said about one-third of the apartments went to people with roots in China, largely for residences, not investments.

"They're not coming in to speculate, throwing money at things. They're not trying to flip. They probably flip less than anybody," said Mr. Gillespie.

Ms. Wang - who was scouting another home in the British Properties - buys for investment purposes, and although she and her husband don't plan to move to Canada, the desire for a stronger education is a

factor: Ms. Wang's 17-year-old daughter lives in Vancouver, where she attends private school.

"The weather is good, the scenery is good, and the education is good," said Ms. Wang, speaking in Mandarin in an interview. "For the next generation, Canada is a more fair country."

Last year's Winter Olympics has sparked additional interest from overseas, said John Lichtenwald, whose Metro Vancouver Properties sold \$3.7-billion of residential real estate in 2010 under the Re/Max banner. He estimated that about a sixth of his firm's buyers are foreign, led by those with China roots. "The Olympics was a great advertisement program for all of Vancouver, it really helped," he said.

Quickly rising home prices have led conservative commentators to point to the role of foreign buyers, though there is no evidence investment money is a primary fuel for the hot market. Peter Ladner, a business leader, recent mayoral candidate for the city's conservative-leaning party and former city councillor, this month suggested foreign ownership of local real estate should be restricted to discourage "overseas property speculators." The high cost of living hurts businesses looking to attract workers, he said.

The price of a "standard" two-storey house in the city and on the north shore jumped 10 per cent to \$1.1-million in the first three months of 2011, according to research last week by real estate agency Royal LePage. The figure puts Vancouver at triple the national rate for a typical two-storey residence - a \$379,000 average, up 4 per cent in the past year.

The city's most recognizable real estate face, the condo marketer Bob Rennie, insists Vancouver has become a multipart market. There are some neighbourhoods, such as the west side, that can't be judged on traditional metrics such as income to house price.

And while Mr. Rennie says prices in some areas such as the west side are "pretty frothy," he leans on an exhortation common among realtors: In a city bounded by mountains to the north, water to the west and the U.S. to the south, hot neighbourhoods with spacious homes are rare. "Even if it slows down, where is the supply?" Mr. Rennie said. "It's not like we're producing mansions."

It is a message embraced by Guo Tai Sun, a 48-year-old who works in real estate and building materials in Guangzhou near Hong Kong. In April, he came to visit friends who had moved to Vancouver and to look at real estate investments. He's not moving here but made an offer on a \$2.5-million home on the city's west side.

"They told me it was a beautiful city," Mr. Sun said. "I look at the potential of a city. I think Vancouver has great potential."

FOREIGN BUYERS

Canadian realtors don't keep statistics about foreign investment in domestic real estate, but American figures suggest the influence of foreign buyers on the overall market is relatively small.

\$41-billion

Amount foreigners spent on U.S. real estate from April 2009 to March 2010 - 4.4 per cent of the total

\$3.3-billion

Money spent by buyers from China - a third of that spent by Canadians, the largest foreign investor in the U.S.

50 per cent

Amount of buyers who purchased a home for a primary residence, compared with about 25 per cent for investment purposes

Source: U.S. National Association of Realtors

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The Globe and Mail

For Fed chief, a new approach

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Byline: Tavia Grant
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For Ben Bernanke, taking the podium for the first time after a rate decision isn't just an attempt to boost the transparency of the U.S. Federal Reserve. It's a pivotal moment for the chairman of the world's most powerful central bank to signal the direction ahead.

It's also an opportunity for Mr. Bernanke to seize control of his own message.

This week's decision on U.S. interest rates is unusual not just for its change in time slots - which will see traders' eyes glued to screens a couple of hours earlier than is traditional.

Rates will stay on hold and the U.S. central bank will likely repeat that they will stay that way for "an extended period."

The briefing is a chance to provide clarity on the way forward and comes as a series of challenges threaten the recovery - from hot inflation in China to Europe's sovereign debt crisis and surging prices at the pump.

The press conference, likely the last before the Fed wraps up the second leg of quantitative easing at the end of June, "provides the chairman with a great opportunity to discuss his economic outlook," said Jennifer Lee, senior economist at Bank of Montreal.

"He will likely pepper his comments with familiar phrases," Ms. Lee added.

For months, Mr. Bernanke's adoption of a second round of easing measures aimed at injecting liquidity into the financial system has come under attack. Critics - many of them in emerging markets - have lashed out at the \$600-billion (U.S.) bond-buying program, saying it has destabilized capital flows and hurt the global financial system.

Now, as those measures are set to end, he is taking up the microphone, and with it, the chance to craft his own message about the legacy of his policies.

He will, no doubt, be carefully scripted and stay on message. But investors will comb through his comments for hints on when the Federal Reserve might start to hike interest rates, along with details on the nature of the recovery and the health of the labour market.

Wednesday's rate announcement will be moved to 12:30 p.m. ET, and - for the first time in the Fed's history - be followed by a press conference at 2:15 p.m.

Mr. Bernanke's appearance comes the day before a report is expected to show the U.S. economy grew

just 1.9 per cent in the first quarter of this year, a slowdown from 3.1 per cent in the prior quarter. The economy faces domestic headwinds of rising gasoline prices and a continued slide in home prices.

Still, it's a "temporary soft patch" and growth will accelerate later this year as the labour market improves and spending picks up, said economists at Toronto-Dominion Bank.

CIBC World Markets expects a better showing than most for the first quarter, annualized growth of 2.5 per cent, but that's still shy of what would typically follow a recession, yet another issue for Mr. Bernanke in that it illustrates the fragile nature of the recovery.

"After posting its best performance in three quarters, the U.S. economy likely moderated in Q1 as it met with assorted speed bumps, including higher energy costs and a slowdown in trade," said CIBC economist Krishen Rangasamy.

"The former burnt a hole in consumers' pockets, offsetting in part the benefits received from the extension of tax cuts."

Canada's economy looks to be in a soft patch, too. Economists expect a report Friday will show activity was flat in February, with weak manufacturing and wholesale sales the chief culprits.

The release comes as the loonie hit a new three-and-a-half year high last week. Factors driving the currency include broader U.S. dollar weakness, strong commodity prices, hotter-than-expected inflation and expectations that the Bank of Canada will start raising interest rates in the coming months.

The lofty levels may not last. "While the factors that have recently been strengthening the currency should remain supportive, we don't expect another significant leg up" as oil prices ease, said Shahrzad Fard, economist at Toronto-Dominion Bank, who thinks the loonie will pull back to the mid-90-cent range as the Fed starts hiking rates next year in the United States.

It all leaves markets with a lot to chew on as Mr. Bernanke moves front and centre this week.

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