



65 Skyway Ave,  
Toronto, ON M9W 6C7 Canada  
tel: +1.416.675.9320  
fax: +1.416.675.6865  
www.nafa.ca

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Market Report by Herman Jansen and Diane Benedetti

## ***Beijing Fur Fair Reflects Strong Domestic Sales***

The newly opened China National Convention Centre was the venue for the 36<sup>th</sup> annual Beijing Fur & Leather Fair. The complex is ideally located in the heart of the Olympic Community next to the famous stadiums known as the “Bird’s Nest” and “Water Cube”. The fair commenced on January 12<sup>th</sup>, 2010 and featured over 200 exhibitors who occupied 240,000 square feet of exhibition space.

When it first started, the main objective of this fair was export sales to foreign markets for inexpensive Chinese products. Approximately five years ago it took on a more professional air, at which time quality and design began improving. Although this fair cannot yet compete with Hong Kong, at the current rate of progress it will soon become a strong competitor to Hong Kong.

The total attendance for the four-day event was up from last year at close to 12,000 visitors. There was a decrease in the number of foreign visitors that was offset by an increase in Mainland China visitors.

This is a direct reflection of the incredible strength of the Chinese domestic fur retail market. With one of the coldest winters on record, coupled with an economy which still continues to grow at 9% annually, the Chinese fur retailers have experienced sales and profits that previously were unheard of.

Stores newly opened in the autumn of 2009 have doubled their sales expectations, while established retail outlets report a 50% and higher increase over last season. With a full three weeks in the lead up to Chinese New Year, this is the lowest inventory position of fur garments that retail veterans can recall.

As unbelievable as it may seem, the Chinese domestic market that dominated the 2009 auction sales has successfully sold nearly all of the mink that was obtained through these auctions. At present, there is shortage of both skins and garments in China.

There are some problems with a tax investigation being conducted by the Federal government that are causing disruptions at a limited number of dressing and manufacturing companies. However, retail sales have not been affected.

Needless to say, the visa applications for our March sale are running at an all time high. The large price increase that we witnessed at the opening of the season is expected to be the basis for the upcoming sales.