



## Global Textile Business - Current Scenario

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The global economy is at a crossroads, poised to either continue its gradual comeback or once again slide backward. The key to pushing it forward in a positive direction is collaboration and jointly developing solutions that work for the entire supply chain. The global economy stands in such a fragile state that it is poised delicately balanced between a slow recovery or a second slide, which the experts bill as a double dip recession.

At this junction, it is important to sit collectively, analyze the current scenario, and jointly consider various future strategies. Continuous global crisis, fluctuations in oil prices and war situation in middle east, middle east countries facing deficits because of low oil prices, threat of ISIS, turmoil & political instability is creating very huge concern to all business particularly Textiles as people when they are in crisis they indeed spend money on food but their expenditure on textile gets reduce to minimum as people even in worst crisis situations always have clothes to wear.

Today the world population is more than 7 billion this is of course big news for textile industry but for some reason textile industry continuous to be in depression and collectively everybody faces some problem in textile value chain.

American Market is getting revived now, however European Union, Middle East are in depressed conditions. China have been doing very well, so far but changing business acquisition in China they are shifting their unviable production capacities to adjoining countries such as Vietnam, Myanmar, Bangladesh, Pakistan etc. India have been expecting some advantages because of various costs increases in China but so far it is not happening, however, **Make in India** a big Government initiative followed by Massive Drive by Government of Madhya Pradesh, Government of Gujarat & Government of Maharashtra with their new textile policies, India is definitely heading for creating big capacities for textile industry.

China continues to be the world leader in most of the fields and they have done it very systematically and with great planning. China's textile and clothing exports rose many folds since 2000, compared to stagnant exports from other top exporting countries, China's capacity development could be peaking. Government investment will ebb as competition weighs on the country's mills.

More than 40% of the world's production of clothing and textiles is in China and India. India and China are projected to become the largest GDP by 2050. Another side of the picture is as Professor John of UK chief scientist warned that by 2030 demand for global resources will create a crisis with dire consequences. Demand for food and energy will jump 50% by 2030 and for fresh water by 30% as population tops 8.3 billion.

We expect consolidation to enter into an aggressive phase as companies pursue buying clout on the global market. The main pressure for consolidation is the price of raw material which is expected to decline as global stocks rise and competition from cotton synthetics continues to create more affordable options for mills.

However, now the good news is the BRICS Region is getting consolidated in recent conference they have announced the formation of BRIC Bank on the lines of World Bank, among the BRIC Banks currencies will be converted which will be a big blessing as dependency of dollar will go down and  $\frac{3}{4}$  of the world population is among the big BRIC Region including China, India, South Africa, Brazil & Russia. All these countries together with their strength and weakness on one umbrella will do wonders collectively.

Most pressing issues in the textile industry, including capacity development, risk management, contract sanctity and trends in major and emerging markets.

Major challenges for the textile industry include:

- 1) The eurozone crisis
- 2) Britain Post BREXIT
- 3) US economy under new President
- 4) National protectionist policies
- 5) Greater importance of emerging economies
- 6) Hunting new consumer markets
- 7) Investment on product mix and research
- 8) Hunting new low cost production facility

The most urgent challenge, Europe's fiscal woes, is far from solved.

We're lucky that Greece did not end up in a situation like Lehman Brothers (the over-leveraged investment bank that folded after 158 years). "The austerity measures will lead to a recession in Europe, and I think the recession will last for some time".

Other political factors influencing global commodity trading includes myriad elections, specifically in the U.S. and France. The interdependency between emerging economies and developed economies could thwart latent demand in major manufacturing centers, specifically in Southeast Asia. India's on-again, off-again permission to export also continues to create supply uncertainty.

However, textile has to constantly do innovations and research should be the integrated part of textile industry today, investment of quality control should be everyday's assignment and new opportunity which are coming up such as Defense Textile, huge requirement of Camouflage Fabrics as size of Armed Forces increasing all over the world and for the safety of Armed Forces Personnel's Camouflage Fabrics is must. Similarly coated fabrics, industry textiles have become very huge markets now. Application of textiles in medical sector, construction industry is getting increase every day.

The good news: Solid relationships with the entire value chain with constant communication mitigate risk on volatile prices. The textile and apparel industry is buyer-driven and dominated by retailers, brands and sourcing companies. Retailers demand more full-package service from their suppliers, but they are reluctant to pay for additional services.

It is important in today's business environment to select customers who see you as partners. While prices are key in our industry, they cannot be the only criteria for a successful long-term business relationship. Reliability, expertise, quality and service are more important than prices.

Very critically if review of experiences we can very confidently say that the quality manufacturers who have followed high standard of manufacturing & innovation are still selling very well and expanding their capacities and they are very much out of any depressing situation.

Following is the interesting data of different countries:

The Rapid pace of Economic integration among various countries has made Trade Relationship increasingly complex.

Today Global Trade has become a very complex exercise which requires tremendous study of trends, forecasting, political situation study and economical study as well before taking major business decisions.

Global Trade situations are getting more complicated every day because recession in various countries ultimately resulting in currency fluctuation. In spite of all these the business has to go on, trade has to go on and human beings will continue to wear clothes. As one of my professor told me as long as child is born naked textile industry's future is bright. Some of the figures down are examples, how in spite of difficult times business is going. Therefore, style of business may change, conducting effective business and trade may add Additional norms to survive and do well in critical times. Annual growth rate).

Figures mentioned are approximate basis as these are collected from many sources. However, these are indicative approx. figures.

### **American Market getting revived**

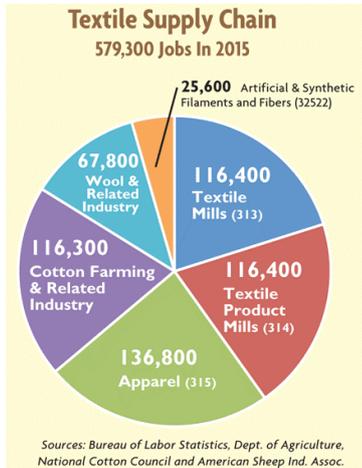
In 2015, the value of U.S. man-made fiber and filament, textile, and apparel shipments totaled an estimated \$76 billion. This is an increase of almost 14 percent since 2009.

The breakdown of 2015 shipments by industry sector is as follows:

- \$30.7 billion for Textile Mills;
- \$23.2 billion for Textile Product Mills;
- \$13.9 billion for Apparel; and
- an estimated \$8.2 billion for Artificial and Synthetic Fibers and Filaments.

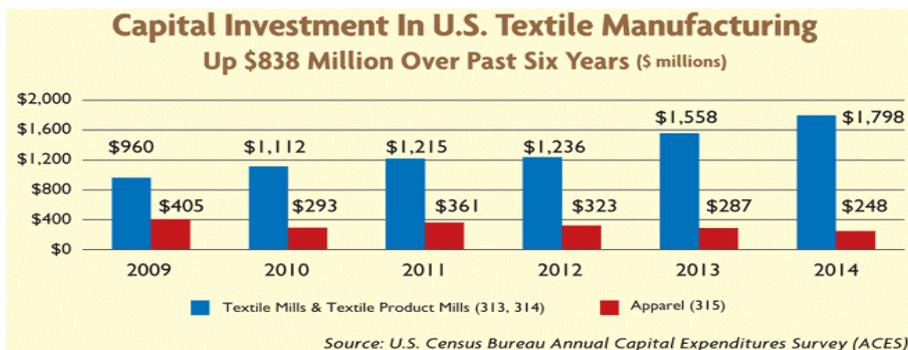
The sector's supply chain employs 579,300 workers. The 2015 figures include:

- 116,400 jobs in Textile Mills;
- 116,400 jobs in Textile Product Mills;
- 136,800 jobs in Apparel Manufacturing;
- 25,600 jobs in Artificial & Synthetic Fibers & Filaments Manufacturing;
- 116,300 jobs in Cotton Farming and Related Industry; and
- 67,800 jobs in Wool Growing and Related Industry.



A look back to employment data from 2009 onward further illustrates that precipitous job losses have virtually stopped. Today, job gains and losses likely are the result of normal business cycles, new investment, or productivity increases instead of being tied to the massive loss of market share as was the case in the 1995-2008 timeframe. Since 2009, U.S. exports of fiber, yarns, fabrics, made-ups, and apparel are up 38 percent, reaching almost \$27.8 billion in 2015. In particular, the U.S. has a strong export position in fiber, yarns, and fabrics. Exports of those products totaled \$21.6 billion alone in 2015, making America the fourth largest exporter of fiber and textile products in the world.

Growing capital expenditures also are a clear sign of the textile industry's positive outlook. The textile and apparel sector spent \$2 billion on capital expenditures in 2014, the latest year for which data is available.



Investment in Textile Mills and Textile Product Mills has seen especially explosive growth, climbing from \$960 million in 2009 to \$1.8 billion in 2014 - an increase of 87 percent. In contrast, capital investment in Apparel is down \$157 million, a decrease of 39 percent.

The index for Capacity Utilization for Textile Mills is up 39 percent since 2009 as compared to increases of 19.5 percent for Textile Product Mills, 3 percent for Apparel, and 17 percent for All U.S. Manufacturing respectively. In even better news, Capacity Utilization for Textile Mills exceeded that of All Manufacturing during three out of four quarters in 2015.

Finally, the index calculating change in Industrial Production demonstrates that the textile industry is no longer a negative outlier within the U.S. manufacturing sector.

Since 2009, industrial production is:

- up 12.2 percent for Textile Mills;
- up 3.2 percent for Textile Product Mills;
- down 17.8 percent for Apparel; and
- up 20 percent for All U.S. Manufacturing.

But since 2012, growth in industrial production by Textile Mills has exceeded that of All U.S. Manufacturing. Industrial production is up 7.6 percent for Textile Mills as compared to just 6.1 percent for All U.S. Manufacturing. Growth in industrial production for Textile Product Mills was 5.9 percent, a figure almost identical to that for All U.S. Manufacturing. Wrapping up the numbers, the fundamentals for the industry are sound. That does not mean, however, that the industry is free of challenges.

The sector has begun to see changes in demand as the global economy struggles to grow. Downturns in the business cycle are natural to every manufacturing sector, and specific strategies are needed for weathering difficult market conditions.

### **Trans-Pacific Partnership (TPP)**

The most important policy challenge to confront the industry over the past 20 years is the Trans-Pacific Partnership (TPP) free trade agreement (FTA). Due to the inclusion of Vietnam with its state-run economy, TPP holds the potential to impact the existing U.S. and Western Hemisphere textile and apparel production chain.

### **Transatlantic Trade and Investment Partnership**

Beyond the TPP, the United States is ramping up efforts to reach a free trade agreement with the European Union (EU), known as the Transatlantic Trade and Investment Partnership (T-TIP).

While these negotiations have moved at a slower pace than that of the TPP, T-TIP talks are accelerating and that comes with two challenges for the industry:

- the EU favors a fabric-forward instead of a yarn-forward rule; and
- the EU is pressing for access to U.S. military contracts.

**Bangladesh exports** survived the global financial crisis in 2008, helped by basic garment products. In the following years, the country's ready-made garment exports weathered out fallout from the global recession and grew nearly 42 percent in fiscal 2010-11.

The growth rate was highly appreciated at a time when the world was in economic pain; Bangladesh was one of the few countries that witnessed exports in the positive territory.

At the same time, the country turned into the world's second largest apparel supplier, after China. Garment exports stood at \$17.91 billion in fiscal 2010-11, taking up more than 78 percent of overall exports. Of total apparel exports, knitwear accounted for \$9.49 billion, while woven was \$8.43 billion in fiscal 2010-11.

The growth of the global economy provides U.S. firms with greater opportunities to seek out new markets and customers and to expand their businesses. Moreover, with increased competition from overseas, companies are looking to diversify their client base and find new ways to grow.

The supply chain for textiles and apparel has become increasingly global, to include North America, Latin America, Europe, Africa and the Asia Pacific region. Customers, suppliers, manufacturers, and assemblers are located throughout the world, and represent new potential partners for U.S. firms looking to expand abroad.

This market report presents the 15 largest export markets for U.S. exports of textiles and apparel. U.S. exporters are supplying yarns, fabrics, and finished products to mills, processors, assemblers, and consumers. U.S. exporters of textiles and apparel can use this information to help determine which markets are most attractive and offer the greatest long-term growth opportunities.

Exporters aim to achieve apparel exports above targets, beating the debt crisis, riding on exports to new destinations — Japan, South Africa, Russia, Brazil, Chile, Mexico, New Zealand, Australia and India.

Moreover, product diversification and arrival of high-end customers like Adidas, Hugo Boss, Tommy Hilfiger, S. Oliver, Olymp and next will play a positive role in helping exports grow above the target for 2013.

Garment makers said export growth depends on the adequate supply of gas and power, a pool of skilled manpower for mid-level management and efficiency in port management and good infrastructure.

However, exporters also often complain about the frequent hikes in petroleum prices, higher transportation costs, traffic congestion, workers' unrest, soaring inflation, and internally, the list is seemingly unlimited. The year 2013 will be a determining period to grab the exporter orders shifting from China, the largest exporter of apparels globally, as countries like Bangladesh, Vietnam, Indonesia and Cambodia are likely to be benefited.

## VIETNAM

Textile is one of the key sectors of Vietnam industry in the age of industrialization and modernization of the country. Textile is considered as the leading sector with high potential of development. That Vietnam was accepted to be the full member of the World Trade Organization on January 11th, 2007 opens Vietnam with many opportunities and challenges.

In 2006, Vietnam garment and textile sector was ranked at 16th position with export turnover valued US\$ 5.2 billion; yet by the end of October 2007, Vietnam textile increased and moved to the 10th position (behind China, EU, Turkey, Malaysia, India, Mexico, Hong Kong (China), Bangladesh, and nearly equal to Indonesia and USA).

According to the prediction of Association of Textile, Vietnam has many opportunities by setting its target that by 2010 it maintains the position among 10 leading positions of the world with export turnover valued US\$ 10 billion.

## CHINA

In spite of the fact that the Chinese cost are going up including manpower cost and general cost increase, China may face competition about their competitiveness. However, very basic production volumes may shift from China as it is very difficult to replicate the capacities China has built over few decades, it may be textiles, it may be garments, it may be 100% polyester yarn or shoes etc. or industrial textiles. Therefore, it may be very difficult to assume the large buyers for dealing with China successfully for many years may shift from China. Further cost increase is the global concern and it is happening everywhere. Therefore, if the cost in China is going up then India is facing the same problem and all other countries including Korea, Taiwan, Indonesia faces the same situation.

Increase in the cost such as Fuel, power & gas is again the global issue and so is the price of oil which is making freight higher and higher and because of the recession and debt crisis in Europe and USA. Currencies are appreciating and depreciating which is creating a very difficult situation for business man world over.

Trade agreements and preferential markets are not very helpful today and every country and rather every exporter has to make their way through themselves. One example: recent Indian Prime Minister to visit to Bangladesh, India has agreed to allow Bangladesh garments to come to India duty free; this will have a negative impact on Indian Garment industry. However some benefits can be seen out of such agreements when it comes to imports to USA.

Demand Trend: Camouflage fabrics, Technical Textiles and smart textiles have registered very huge demand in last five years and India is missing their shares in these areas. Similarly India has to focus on developments of new areas of textiles and building large capacities. Business will come to India where people will find large capacities available and effective cost controls are in place. Still it is believed there are few general concepts which seem to apply universally to all platforms, to developing a more sustainable future. As William Shakespeare said "Do not wait to strike when the iron is hot, but make it hot by striking".

- 1) Make sure you have all the key actors on the board. Bring in all textile and clothing companies that are willing to explore new ideas and concepts. Do not forget that the supplier and customer sectors.
- 2) Do not reinvent the wheel, look for best practices from other textile platforms.
- 3) Be most efficient with your resources. Understand what is most needed and what is achievable at the same time. Go for low hanging fruits first.
- 4) Build recognition and trust all relevant stake holders should know you, and you should believe that what you do is useful and very well done.
- 5) Talk about your success stories, our industry badly needs to improve its image with policy makers, with students and with general public as a whole. An innovation platform should be well placed to contribute to this.
- 6) Prediction of the environmental
- 7) Economic and Social consequences of changes in production structure
- 8) Consumer behavior
- 9) The United Nations has put global reporting by companies on sustainability among its proposed key outcomes for the Rio+20 summit in June. Corporate reporting is generally limited to financial information.

10) Material and process innovations and government influences.

Fortunately, an alternative known as integrated reporting is gathering momentum. This approach seeks to bring together financial environmental social and governance information in a single comprehensive and authoritative reporting format.

The other path is sustainable growth, which is the use of sustainability-based innovations to develop products & services, business models & platforms, and infrastructure. E-commerce is going to play a very important role in Global Scenario, Financial available through Credit Cards, through Mobile Apps & Financial models such as Paypal & paytm are going to help tremendous growth in the Sector. However, it is very important for everybody to know that control on cost in today's situations where pricing and living standards are arising global unrest such as Middle East and Economical depressions in Middle East are not going to be corrected very soon, therefore everybody involved in Textile Industry has to be very cautious and very careful while managing their business.

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