



**2020**

**CHINA COTTON TEXTILE INDUSTRY  
STATUS AND FORECAST**

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**China Cotton Textile Association(CCTA)**



# General Information of the Industry

Since 2020, Covid-19 is a threaten of the whole world, which has enormous impact on world economy and trade, the industry supplying chain is affected greatly, consequently the international trade recession, bulk commodity market turbulence are like normal. Under this situation , China's Cotton Textile Industry is facing serious challenge, all major economic index are going downwards. While with the Pandemic under control domestically, the industry is gradually recovered, Major index like manufacturing, exporting, benefit etc. are decreasing less.

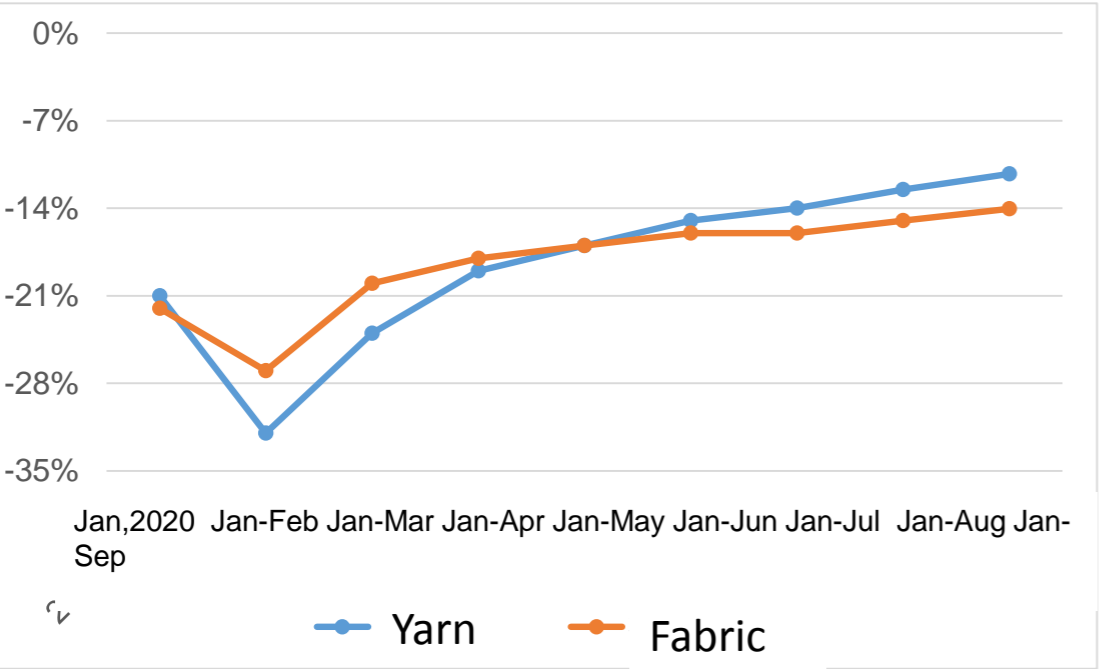




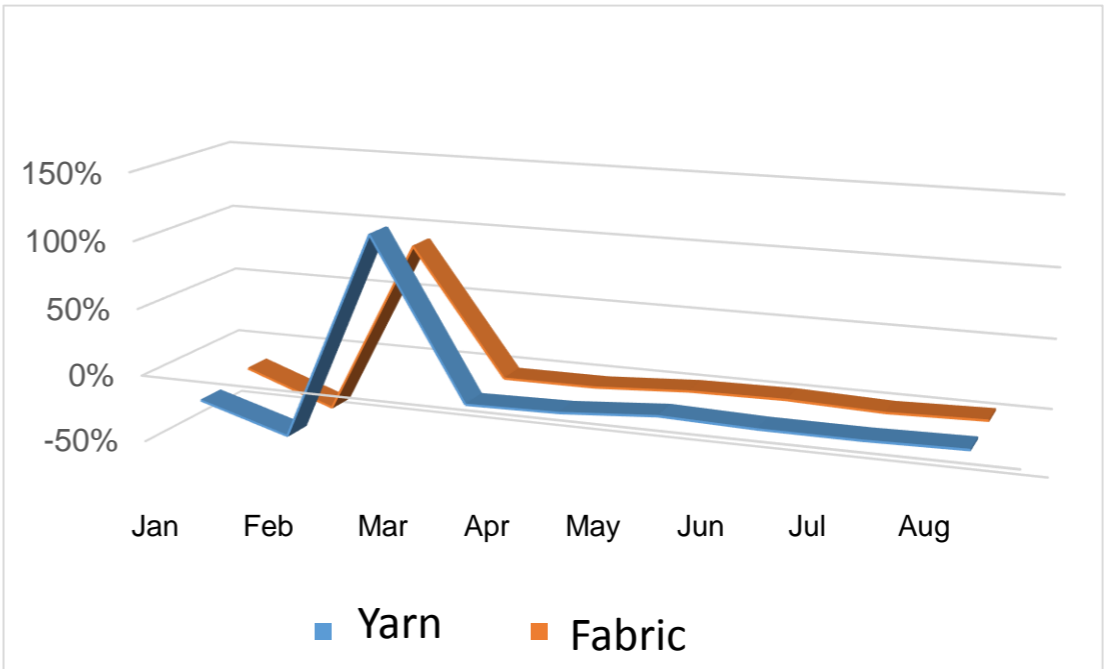
# Mill Production Tracing

- According to CCTA Mills tracing data, the yarn production has a year-on-year decrease of 11.25%, fabric production with a year-on-year decrease of 14.05%.
- With the improving of the Covid-19 control and pushing by other supporting policies, start from March, the Mills production start to recover, and the production of the yarn and fabric are increasing.
- Up-to the end of Sep, all of the tracing mills are running with capacity over **90%**, among these mills, 79% mills are producing yarn with capacity over **85%**, 77% mills are producing fabric with capacity over **85%**.

Yarn & fabric production comparison YOY



Yarn & fabric production comparison MOM



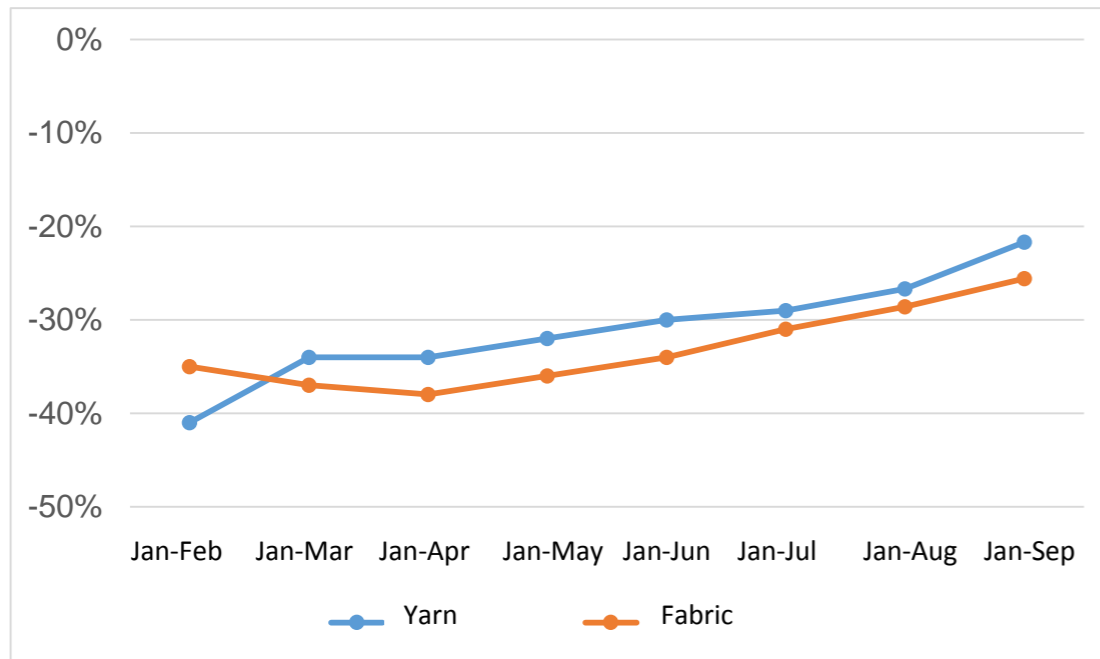
source: CCTA

# Cluster Manufactures Production Tracing

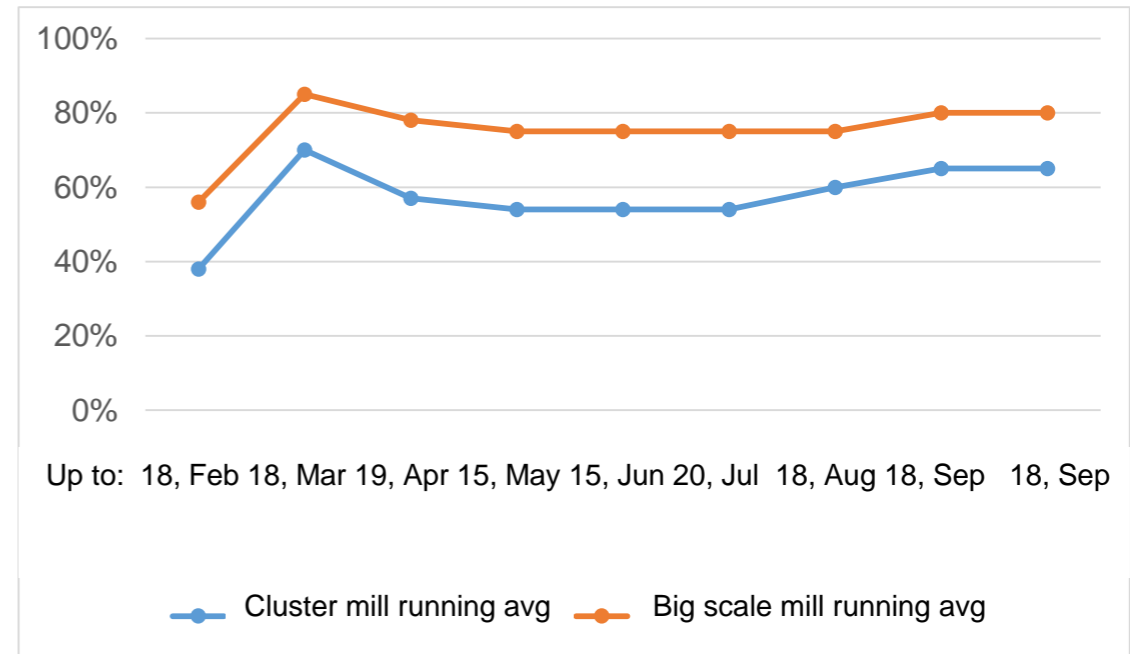


- According to the tracing to the cluster manufactures, up to September, the yarn production reduced by 21.7% YOY, fabric production reduced by 25.6% YOY.
- Cluster manufactures get more affect by COVID19, the running capacity is 15-20% lower than big mills.

**Tracing cluster manufactures yarn & fabric production comparison YOY**



**Tracing cluster manufactures running capacity**

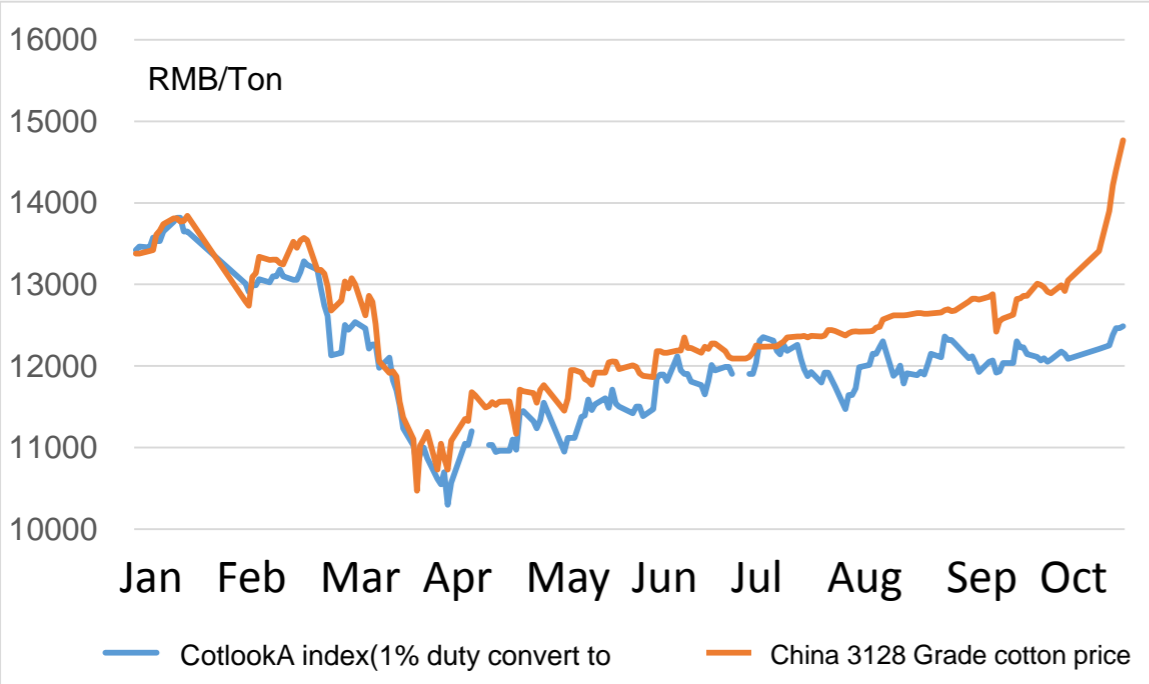




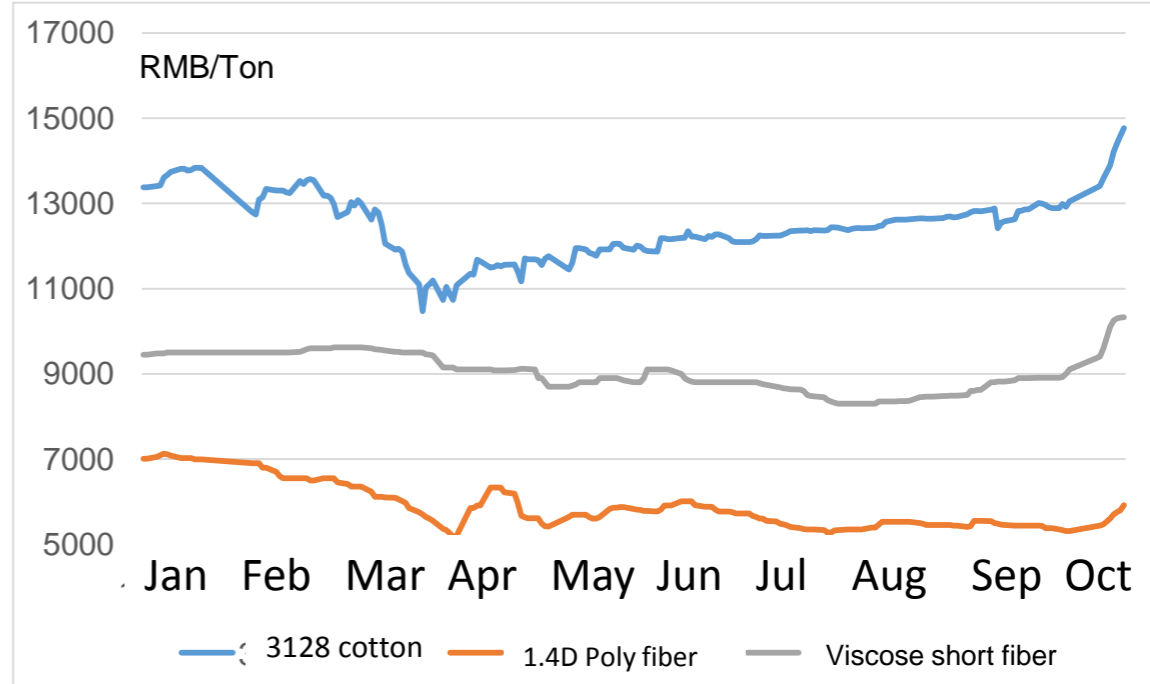
# Major Raw Material Price Trend for Cotton Textile

- In 2020, grade 3128 cotton price dropped from 14,000RMB/ton in Jan to 11,000RMB/ton in late March. Price increasing afterwards. After the national day festival(1<sup>st</sup>. Oct.) , grade 3128 cotton increased to over 14,000 RMB/ton. Start from mid July, cotton price gap in domestic and abroad becomes bigger.
- In 2020, chemical fiber price dropped to historical low level. Viscose fiber as low as 8,300RMB/ton, 1,150 RMB lower than beginning of 2020; polyester short fiber lowest 5.200 RMB/ton, 1,800 RMB/ton lower than beginning of 2020.。
- Start from mid Oct, raw material increasing dramatically, cotton, viscose short fiber price both increased more than 1,000 RMB/ton compare with before 1<sup>st</sup>, Oct.

### Cotton price trend domestic & abroad



### Cotton & Chemical fiber price trend



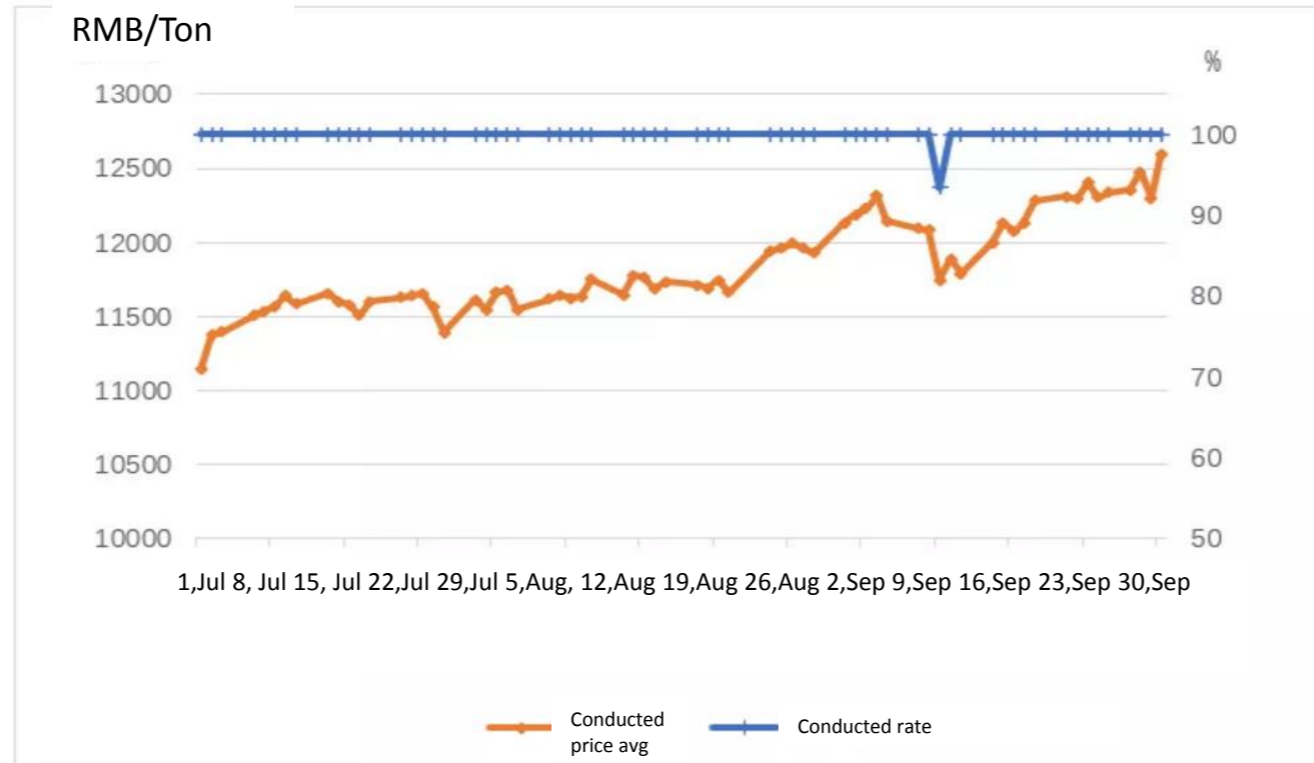
Source: CCTA

# Cotton Reserve Release



- Start from 1<sup>st</sup>, July, Totally 504,000 tons cotton reserve released to the market, 503,400 tons are concluded, concluded rate is 99.87%, among that, 234,100 tons are concluded by textile mills, 269,200 tons are concluded by trading companies.
- Under the influence of the global epidemic and Sino-US economic and trade frictions, the demand for foreign trade has declined, and the deep development of the domestic market has become the main goal of textile mills. With the adjustment of domestic product structure, in the low-grade cotton demand increased significantly, cost-effective reserve cotton effectively filled the gap in cotton used in textile mills, to a certain extent, reduced the cost of cotton.

## Cotton reserve release & conclude during 1<sup>st</sup>, July-30<sup>th</sup>, Sep



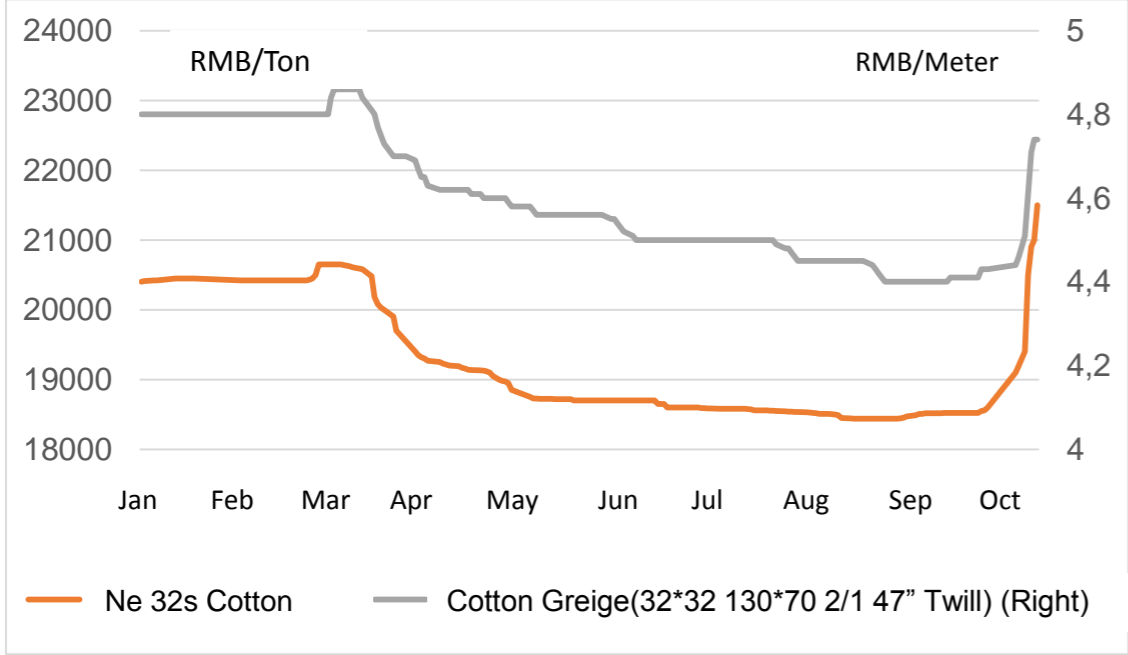
Source: national cotton dealing market



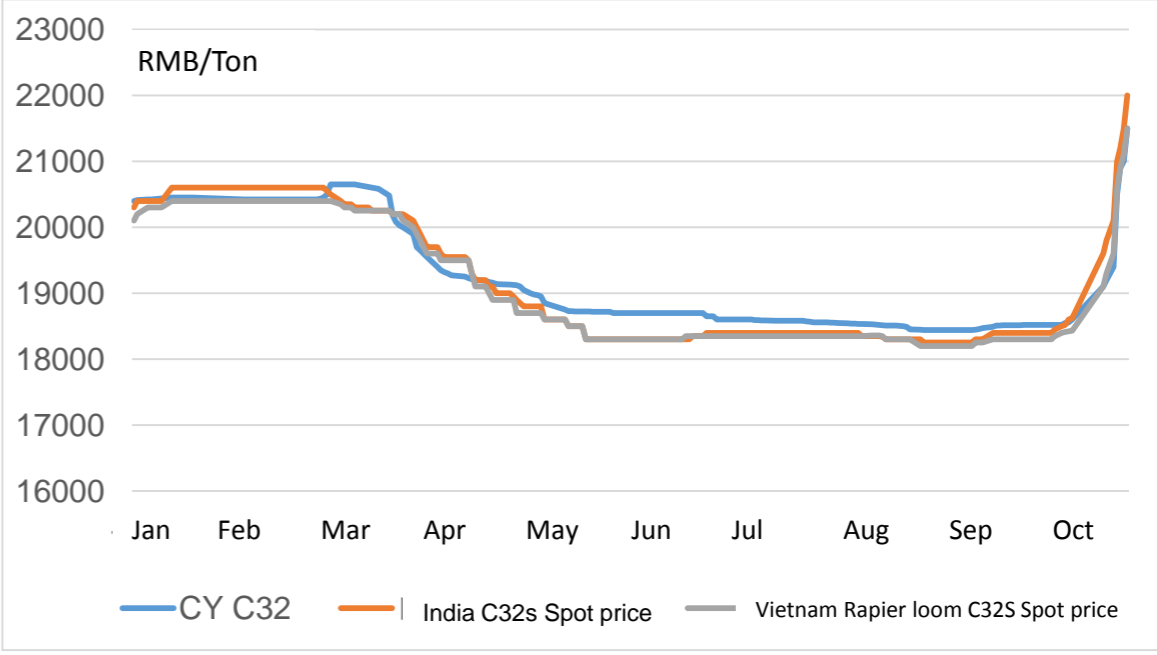
# Cotton Textile Product Price Trend

- Since March, affected by the pandemic abroad, a large number of foreign trade orders delayed, cancelled, domestic demand has not recovered, yarn & fabric prices began to fall, and continued until September. After National Day(1<sup>st</sup>, Oct), cotton textile mills orders increased slightly, in addition with a sharp rise in raw material prices, yarn & fabric prices rebounded.
- Affected by the epidemic, global textile and clothing consumption weakened, the trend of international cotton yarn prices and domestic cotton yarn prices are basically the same.

### Yarn & Fabric price trend



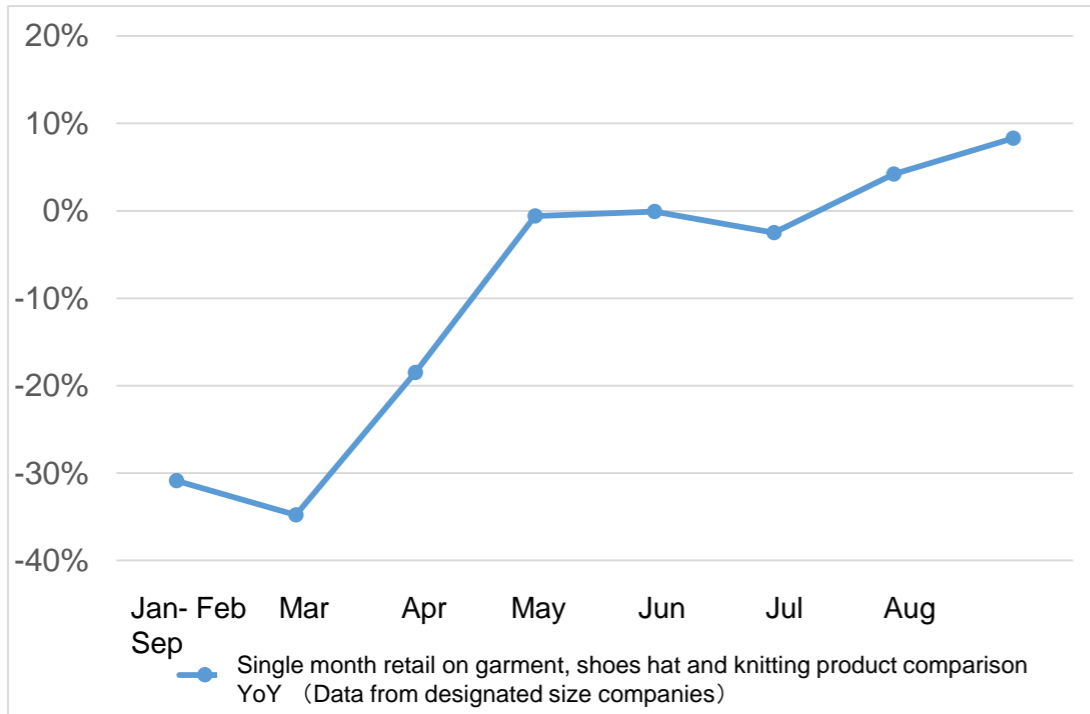
### Domestic and international yarn price trend



# Domestic Retail Data



- From the domestic demand, with China's epidemic is more and more under control, residents go out shopping gradually recovered, China's textile and clothing domestic market showed a moderate recovery trend .
- From Jan. to Sep. 2020, retail sales of clothing shoes, hats and knitting product amounted to 804.5 billion yuan, decreased 12.4% YoY and decreasing rate is 2.6 % smaller than in August.(designated size )



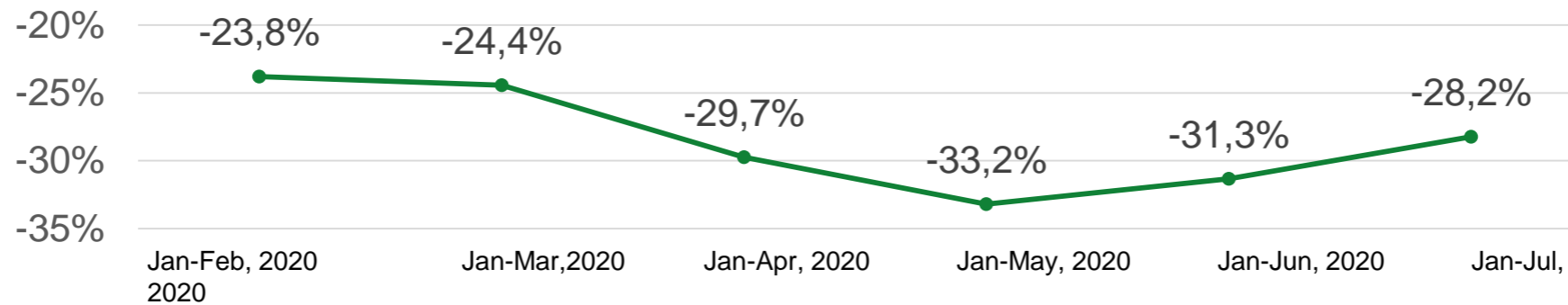


# Cotton Textile Product and Garments Export

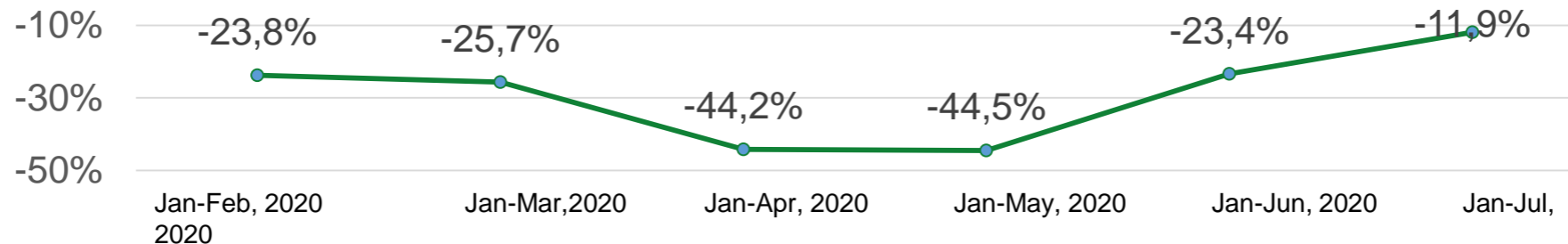


- According to customs data, China's cumulative exports of cotton textiles and clothing amounted to US\$31.1 billion in January-July, dropped 28.2% YoY. Among them, cotton textile exports amounted to US\$10.3 billion, dropped 29.4% YoY, while cotton clothing exports amounted to US\$20.8 billion, dropped 27.6% YoY.

Cotton textile product and garment export cumulative increasing YoY



Cotton textile product and garment export increasing monthly comparison YoY



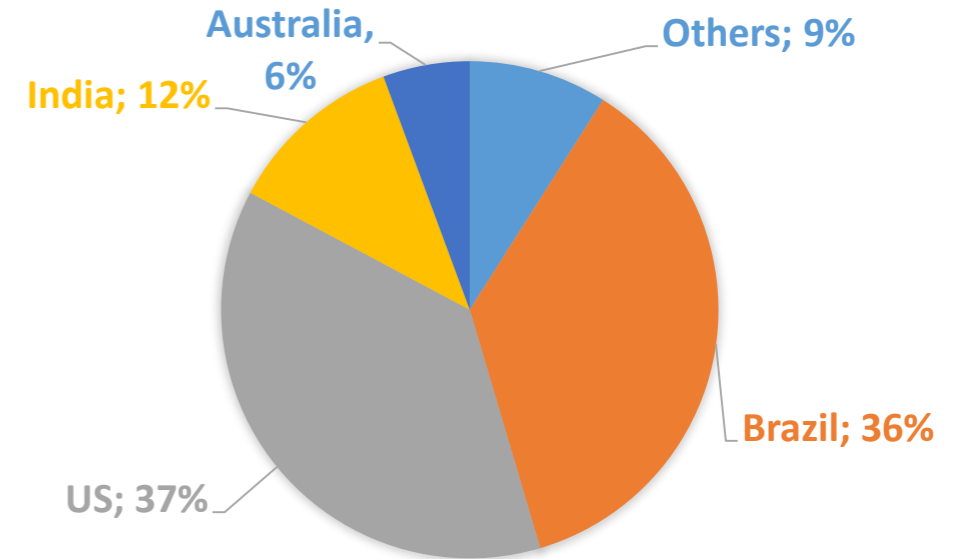
# Cotton Import



Cotton Import in 2020

Country	Unit	Jan-June			Jan-July		
		Qty	YoY	% in Total	Qty	YoY	% in total
Global	Ton	898,000	-24%		1,047,000	-22%	
Brazil	Ton	371,000	25%	41%	381,000	19%	36%
US	Ton	293,000	21%	33%	391,000	41%	37%
India	Ton	105,000	-47%	12%	121,000	-38%	12%
Australia	Ton	50,000	-75%	6%	59,000	-77%	6%

Import ratio in country from Jan-July



- From January to July, China imported 1.047 million tons cotton in total, down 22% YoY, 2% more from June
- Thanks to the benefit of the first phase of Sino-US trade agreement, U.S. cotton imports rose sharply YoY, about 100,000 tons cotton imported in July;
- Brazil cotton took a large proportion of import due to higher cost-effective;
- India and Australia cotton import dropped sharply.

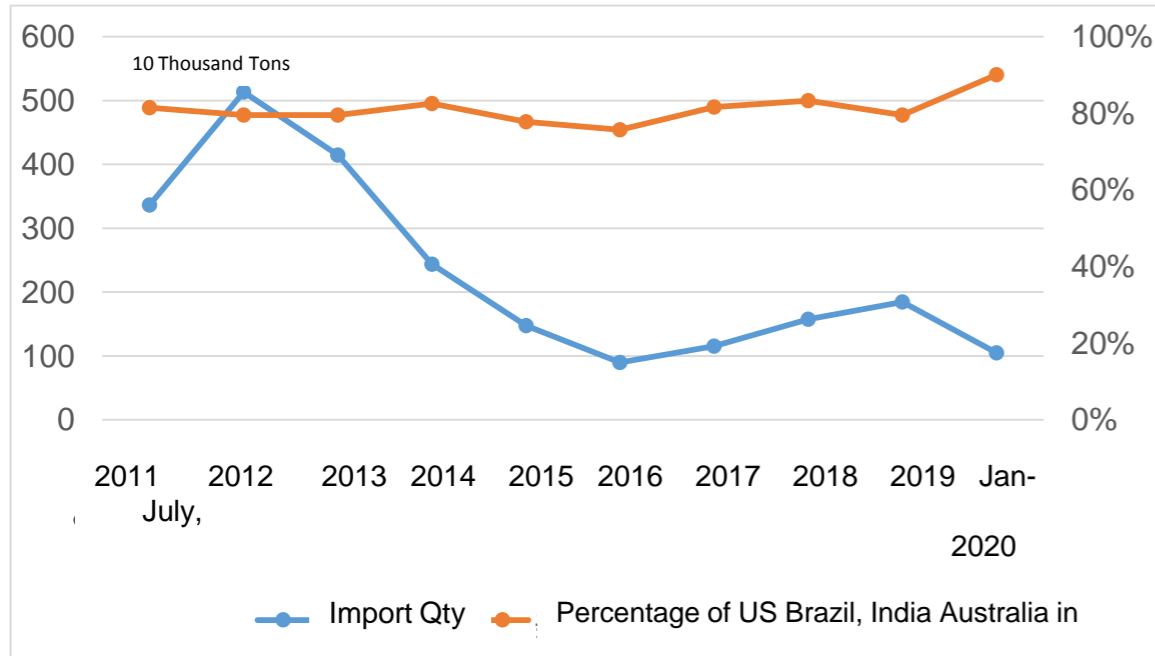
Source: General Administration of Customs

# Cotton Import

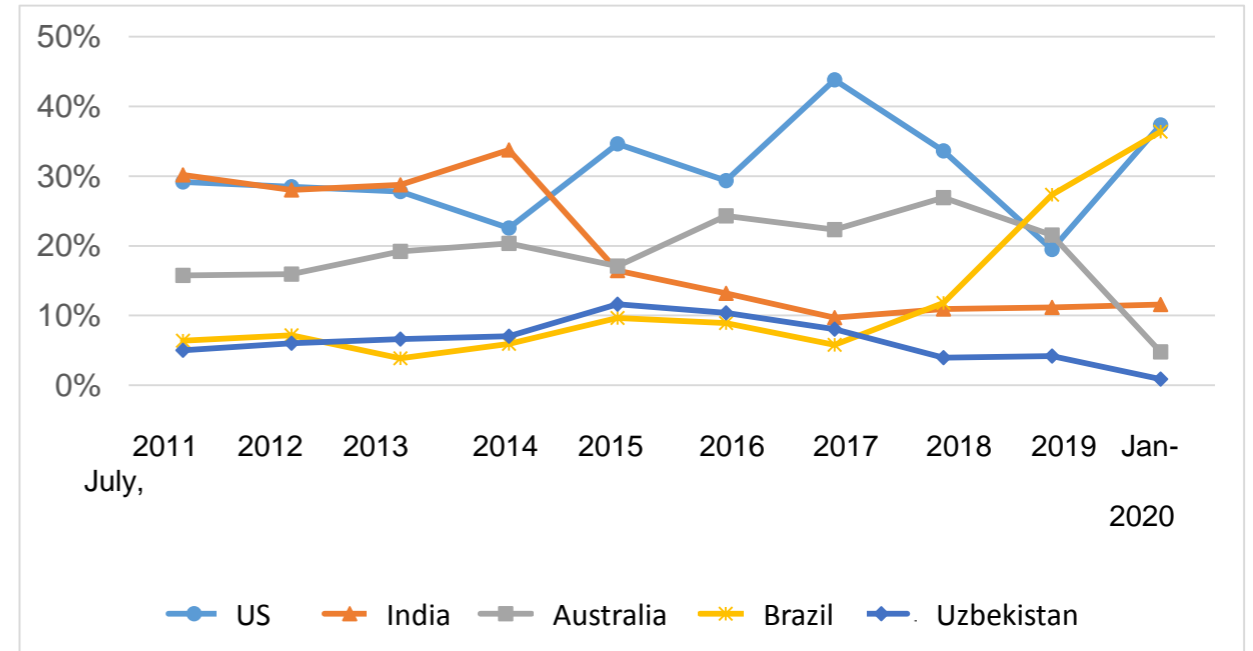


- China's imported cotton mainly from the United States, India, Australia, Brazil, the import of these four countries accounted for more than 75% of the total cotton imports. ◦
- In recent years, the United States cotton by virtue of its high cost-effective advantages gradually replace Indian cotton has become China's largest cotton imports. U.S. cotton imports have declined since 2018 as a result of trade frictions between China and the U.S. ◦
- With the implementation of the first phase of China-U.S. trade agreement, U.S. cotton imports rebounded in 2020.

Cotton import and major import countries in the last 10 years



Major cotton import countries



Source: General Administration of Customs

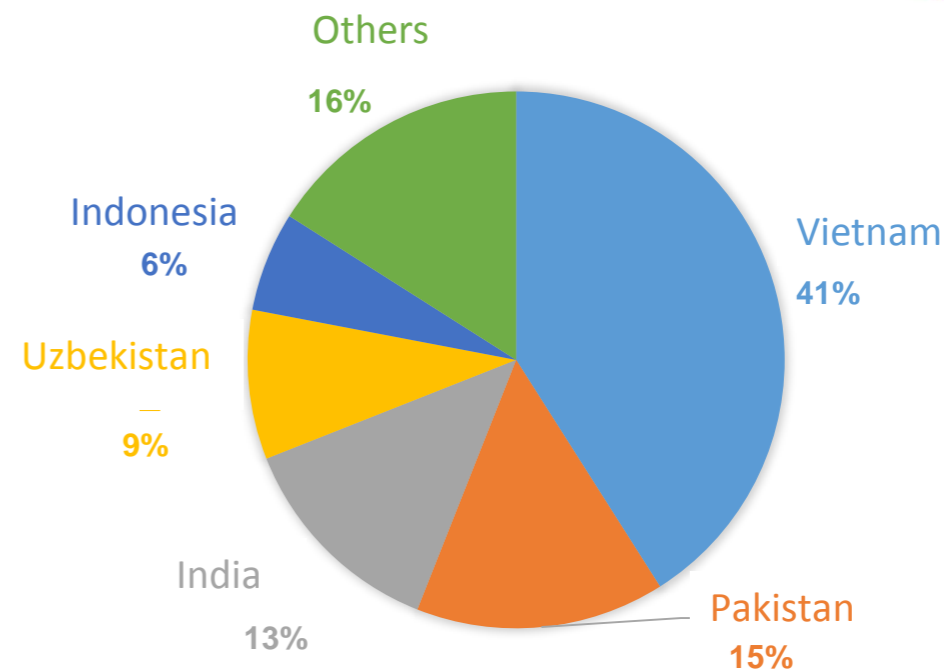
# Cotton Yarn Import



Cotton Yarn Import in 2020

	Unit	Jan-Jun			Jan-Jul		
		Qty	YoY	%	Qty	YoY	%
Total	Ton	865,000	-16%		1,037,000	-12%	
Vietnam	Ton	398,000	-3%	46%	429,000	-5%	41%
Pakistan	Ton	129,000	45%	15%	157,000	68%	15%
India	Ton	106,000	-50%	12%	133,000	-42%	13%
Uzbekistan	Ton	80,000	-7%	9%	97,000	-3%	9%
Indonesia	Ton	53,000	-30%	6%	62,000	-27%	6%

Cotton yarn import by country Jan-Jul



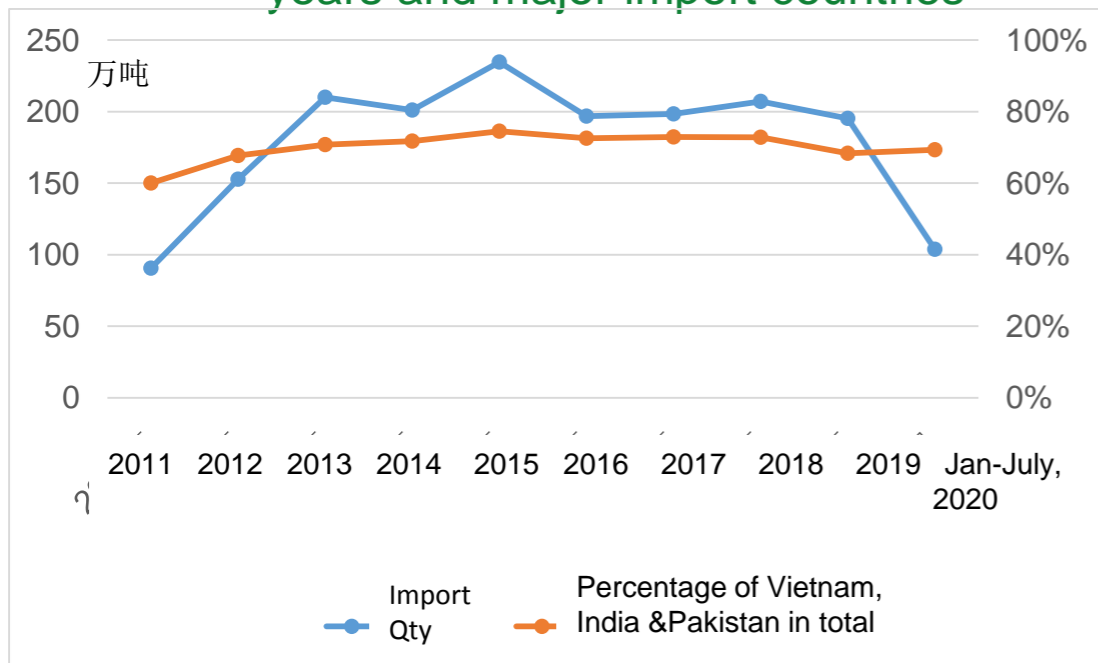
- China imported 1,037,000 tons cotton yarn from Jan to Jul, dropped 12% YoY, increased 4% than in June;
- Vietnam still takes the biggest proportion of the imported yarn market share.
- Cotton yarn imported from India and Indonesia dropped sharply.

# Cotton Yarn Import

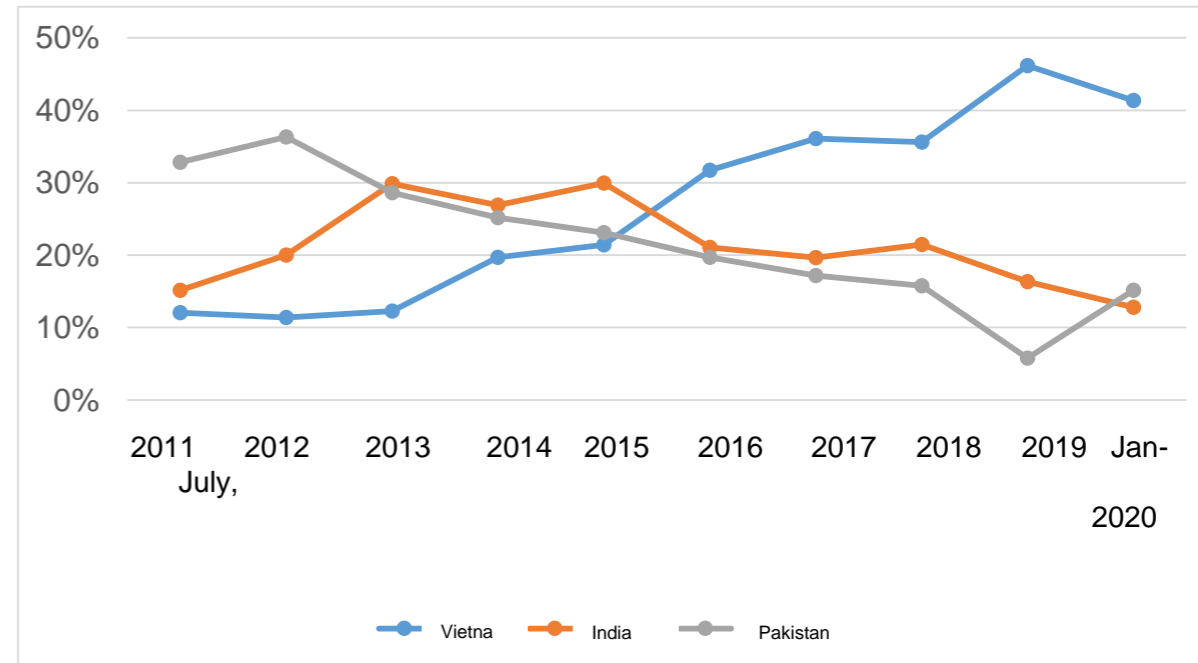


- China's main source of cotton yarn imports are Vietnam, India, Pakistan, the import of these three countries accounted for more than 70% of the total imports of cotton yarn.
- Due to the advantages of the internationalization of cotton procurement, low labor and electricity costs in Southeast Asia, in recent years, some cotton textile mills in China invest in Vietnam to setup spinning mills, more than 80% of the yarn sold to the domestic market, therefore, Vietnam yarn imports continue to grow.

Total cotton yarn import volume in last 10 years and major import countries



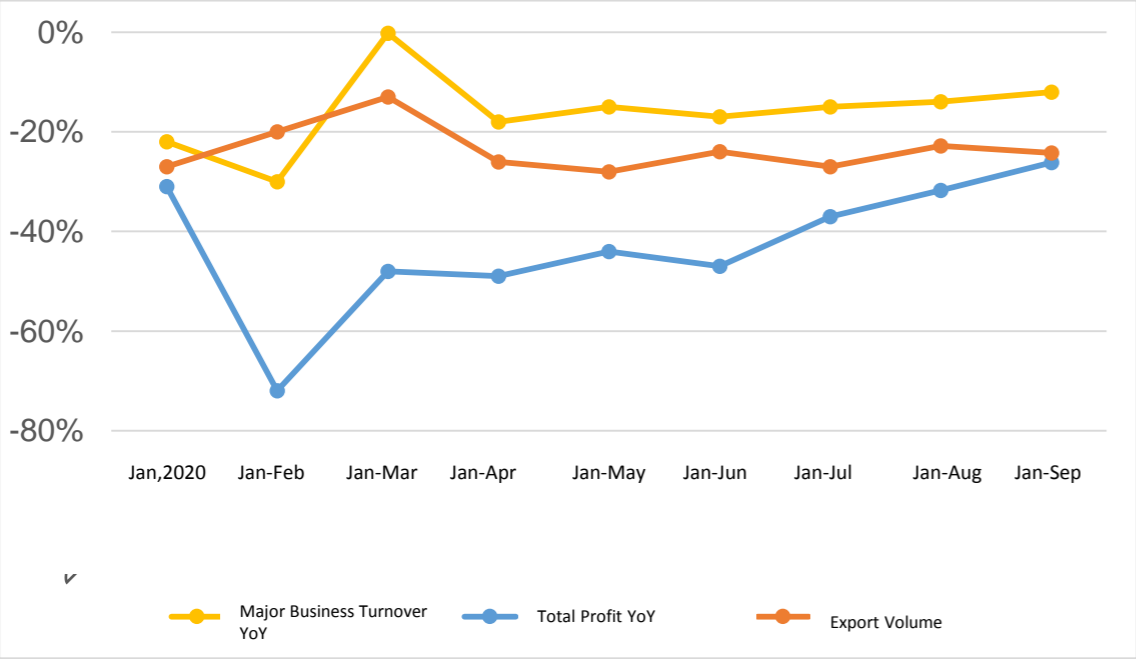
Cotton yarn major import countries ratio



Source: General Administration of Customs



# Operation Status of the Tracing Mills



Major Index	Jan-Sep,2020
Major business turnover	-12%
Total profit	-26.2%
Export volume	-24.2%

## Major economic index cumulative comparison YoY of the Tracing Mills

- After March, the cumulative YoY decline in revenue and profits of the main business gradually dropped less, and the operation of the industry stabilized;
- In April, the cumulative YoY decline in the value of export deliveries decreased significantly, and then stabilized, affected by overseas pandemic, exports continued to be depressed;
- Industry profits fell sharply YoY, tracing mills losses by about 38% at the end of September, 10% more than last year.

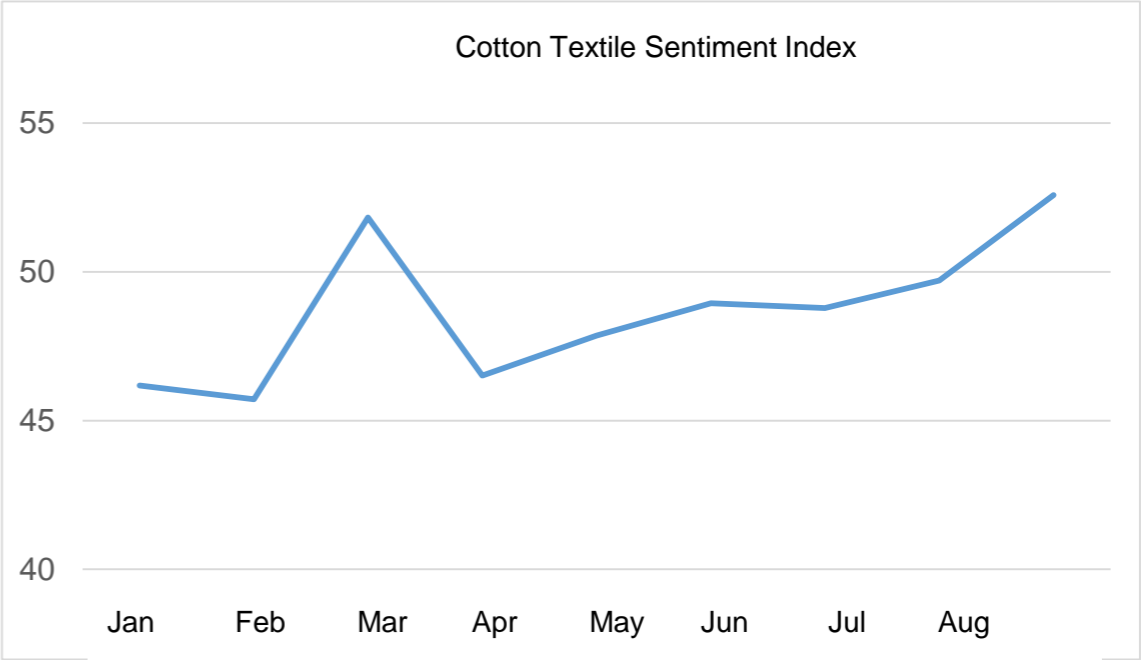
Source: CCTA



# Cotton Textile Industry Sentiment Status

- In March, cotton textile mills basically resumed to operate, production and sales resumed, the business sentiment index is higher than 50;
- In April by the impact of the pandemic abroad, the delay and cancellation of export orders is serious, mill production and operation pressure intensified, the business sentiment index decreased significantly MoM.
- From May, domestic economy recovered gradually, sentiment index rebounded slowly, and in Sep, the index higher than 50 again

Cotton Textile Industry Sentiment Index from Jan to Sep, 2020								
	Sentiment Index	Sentiment Index in Detail						
		Raw Material Purchasing Index	Raw material Inventory Index	Production Index	Product Selling Index	Product Inventory Index	Business Operation Index	Business Confidence Index
Jan	46.18	46.5	54.06	45.7	45.74	46.13	41.05	46.36
Feb	45.71	43.25	48.43	46.04	46.51	49.77	40.8	45.91
Mar	51.82	51.25	48.71	54.2	53.66	48.86	51.84	46.36
Apr	46.51	45.67	47.45	47.24	45.33	46.56	45.71	47.29
May	47.85	49.41	48.65	47.45	47.66	49.82	47.08	46.07
Jun	48.94	51.57	49.08	50.75	48.22	48.17	46.6	46.79
Jul	48.78	50.62	49.73	49.98	48.64	48.32	46.67	47.42
Aug	49.7	51.96	49.33	50.54	49.17	50.05	46.95	50.65
Sep	52.58	54	50.73	52.88	52.7	53.81	51.34	53.05



Source: CCTA



# Problems We Are Facing Now



Sustainability of order



The current outbreak in Southeast Asia rebounded, some orders from other countries back to China; and previously the lack of stock from traders; and “11.11”online shopping(Chinese Black Friday) stock increase for this; and the grim and uncertain expectations of the market, resulting in strong downstream demand in the short term, but we doubt if the strong demand can continue.



Lack of labor



Due to the COVID-19, Mills are facing operation difficulties, not running with enough capacity, workers are in the status of part time working or training; young people are less willing to work in textile industry, the average age of mill workers are in a higher level, and generation gap appears.



Security of the industry



The continue of the abroad pandemic result in the sharp decline of our yarn, textile and garment export; what’s more, due to the “Xinjiang-related Act”by U.S, some int’l brands boycott Xinjiang cotton, some of the textile mills overseas market share declined sharply.





# Solutions



Speed up the formation of double circulation

**Domestic market:** expand demand, get more orders

**Int'l Market :** more effort on “belt and road” countries, focus on restoring the orders from countries where Covid-19 better under control

Improve the power of the mills

**Quality :** Intensified domestic market competition requires much better quality

**Variety:** Increased demand for diversity, adjust the product structure to meet customer needs

Get more policy support

**Policy :** keep aware of national and local government support policy and run for it.

**Credit :** Actively understand and utilize of bank financial support

Avoid risk from market

Build up the confidence of development

# Prospect



01

## Production

In 2020, China's cotton textile mills are facing greater challenges in production and operation, the annual production of yarn and fabric is expected to decline slightly. ◦

02

## Export

Due to the second wave of COVID-19 outbreak, the control of the pandemic is still serious, at present, export of China's cotton and textile mills are still under great pressure in 2020.

03

## Raw Material

Raw material market in 2020 is over supply, high quality cotton is short on market, Non-cotton fibers consumption is increasing.

04

## Investment

Investment growth keep slowing down, domestic capacity expansion speed slowing down, mainly focus on the equipment modification and retrofitting; overseas investment will tend to be cautious.



THANK YOU



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