



**No. 47 – March 2020**

## **SPECIAL EDITION**

### **Table of Contents**

<b><u>1. Open Letter by the ITMF President, Mr. Kihak Sung</u></b>	<b>Page 2</b>
<b><u>2. Letter by Mr. Ruizhe Sun, CNTAC President and ITMF Vice President</u></b>	<b>Page 4</b>
<b><u>3. ITMF - Survey about the Impact of the Corona-Pandemic on the Textile Industry</u></b>	<b>Page 4</b>

## 1. OPEN LETTER BY THE ITMF PRESIDENT, MR. KIHAK SUNG

Ladies and Gentlemen,

### **Re. Coronavirus-Pandemic**

The Corona-pandemic has become a reality most of us would not have imagined only a few weeks ago. Life has changed dramatically within a very short period of time. In many regions of the world, social activities and gatherings are restricted or forbidden entirely. People are asked to avoid any sort of mingling and to keep a distance of two meters when meeting other persons in order to reduce the risk of an infection with the Coronavirus. For families, this is a real challenge and requires flexibility, creativity and tolerance from everyone.

On this occasion, I would like to extend my condolences and sympathies to all the victims and families affected by COVID-19. Our thoughts are with them.

The Corona-pandemic has of course also dramatic effect on the entire textile value chain. Both supply and demand shocks have hit our industry very hard. The disruption of the textile supply chain in many regions of the world, mainly caused by the forced extension of the Chinese New Year holidays due to the Corona-epidemic, had certainly some serious negative effects for many in our industry in China and elsewhere. But the global demand shock we are currently experiencing is dramatic. Existing orders are postponed or cancelled altogether, new orders are delayed and/or reduced. The scale and scope of this demand shock cannot be estimated in the traditional manner as the Corona-pandemic has no precedent.

As ITMF President, but especially as a colleague and friend of you, I would like to encourage all of us to work together in the supply chain as much as possible. By working together in the supply chain, we can weather this hurricane much better as an industry than by looking only at ourselves. Of course, within each country, the respective national textile and apparel associations do their utmost to convince their respective governments that quick and strong financial support is crucial if companies are to survive this demand and liquidity shock.

The support of governments is paramount. But equally important in many cases can be the understanding and support of partners in the textile value chain. For example, companies could grant each other longer payment periods, discuss the scale and scope of cancellations of orders, renegotiate contracts, etc. As national associations and as

companies, we have to be creative and we have to act swiftly within a country but also across borders.

In addition to this, ITMF will also do its part to connect the ITMF-membership. ITMF should act as a platform where creative ideas and solutions are shared. We would like to invite all members to share ideas and concepts that could help to mitigate the problems. The ITMF-Secretariat will circulate ideas and concepts in the ITMF Newsletter. Furthermore, ITMF will connect with other international organisations/associations inviting them to look for creativity and solutions that could help companies in the value chain to better overcome this crisis.

While this Corona-pandemic is for many of us the first pandemic, it is not our first big challenge. We must and will emerge stronger from this crisis, provided we also use this crisis to review and streamline our internal and external processes and supply chains. In closing. Let me wish you and your family safety and health and the strengths and perseverance to overcome this challenge.

Yours sincerely,

Kihak Sung

A handwritten signature in black ink, appearing to read 'Sung K H'.

ITMF-President

## 2. LETTER BY MR. RUIZHE SUN, CNTAC PRESIDENT AND ITMF VICE PRESIDENT

### Words of concerns and offer for urgent support to ITMF Members

Dear Dr. Schindler,

As the coronavirus outbreak grows in scale and scope, we note that an increasing number of countries and regions in the world are introducing tough measures to contain the outbreak. On behalf of the China National Textile and Apparel Council (CNTAC), also on behalf of Mr. Wang Tiankai, the past President of CNTAC and ITMF, I would like to extend our deepest and sincerest concern and care to you and your colleagues in the ITMF, and to its members worldwide.

At present, the situation in China is witnessing good changes with the importantly achieved progress. Once again, I highly appreciate your kind support including your letter dated February 10.

Virus knows no borders. We will always be together towards a community with a shared future. **Hence, to ITMF and its members, we, CNTAC are willing to do our best to offer anything that is urgently needed, such as masks, protective suits, etc.**

We firmly believe that ITMF and its members through sharing weal and woe in a hard time will embrace a closer relationship. Let's continue to work hand in hand to create a peaceful and beautiful world.

Yours truthfully,

Sun Ruizhe  
President of CNTAC  
Vice President of ITMF

## 3. ITMF -SURVEY ABOUT THE IMPACT OF THE CORONA-PANDEMIC ON THE GLOBAL TEXTILE INDUSTRY

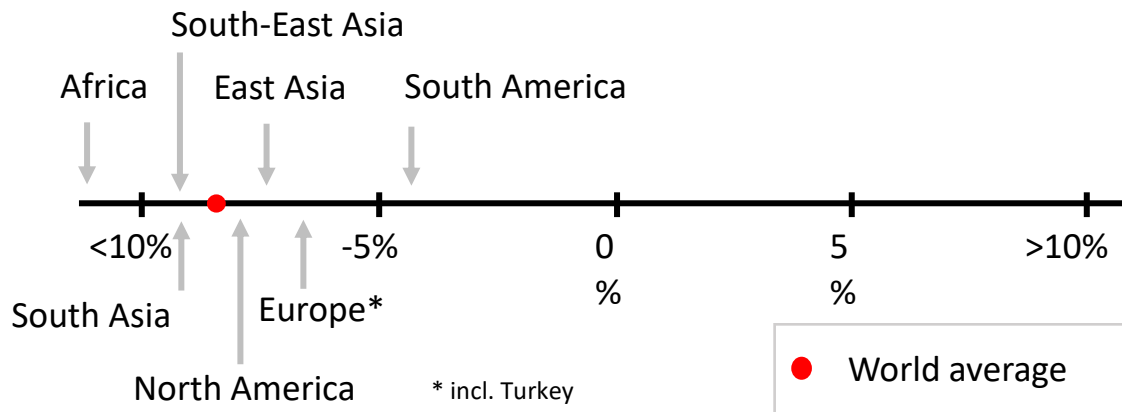
by Dr Christian Schindler, Director General, ITMF

Survey-Period: March 13-25, 2020  
No. Participants: 36 (of which 2 are country surveys)  
Participating Regions: Africa, Americas, Asia, Europe

While this short ITMF-Survey, which was conducted among ITMF members, is not fully representative, it provides very good anecdotal evidence about the impact the Corona-pandemic has on the global textile industry, especially on current orders and on expected turnover in 2020. We are also highlighting the challenges companies are facing currently as well as the opportunities they see in the medium and long term. It is envisioned to repeat this survey on a regular basis in the coming weeks to better understand the development of the crisis and to share among ITMF-members how the situation is perceived in different regions of the world.

**Q 1: Do you experience that orders are cancelled, or do you receive additional orders as a direct consequence of the Corona-pandemic?**

**Figure 1: Impact of the Corona-pandemic on orders in the textile industry, per region**



Notes: sample average per region, value = mean of class with exception of extremes set at -20%/+20%  
Source: ITMF

**Table 1: Impact of the Corona-pandemic on orders in the textile industry (% of respondents)**

Region	-10% and less	-10 to -5%	-5 to 0%	0 to 5%	+5 to +10%	+10% and more	Average per region
Africa	70	0	0	30	0	0	-13.3
East Asia	28	22	28	22	0	0	-7.4
Europe*	0	90	0	10	0	0	-6.5
North America	0	100	0	0	0	0	-7.5
South America	20	20	20	20	20	0	-4.0
South Asia	35	35	0	30	0	0	-8.9
South East Asia	50	0	0	50	0	0	-8.8
<b>World</b>	<b>29</b>	<b>38</b>	<b>7</b>	<b>23</b>	<b>3</b>	<b>0</b>	<b>-8.0</b>

\*incl. Turkey

Of all the companies and organisations participating in the survey worldwide, a minority of around 26% (23% + 3%) was receiving additional orders in the range of up to 10% in the weeks up to the start of the survey on March 13. Around 7% experienced postponements and/or cancellations of orders in the range between 0% and -5%. Most of the companies and country organisations (38%) suffered cancellations in the range of -5% and -10%. A significant number of respondents (29%) is facing postponements and/or cancellations of -10% and more. It is important to note though, that the scale and scope of reported postponements and cancellations was often significantly above -10% in the range of up to -50%.

With regard to the above results, two factors play an important role and are interconnected with each other. These are geography and time. Those companies and country organisations that had replied early (between March 13-16) and reported about additional orders were not (yet) directly or indirectly



As there is no real precedent to this Corona-pandemic, no one really knows how long it will last and how quickly and how strongly demand will return in the coming weeks or months. Consequently, the answers to this question were given under significant uncertainty.

The majority (around 40%) of the respondents worldwide is expecting that the turnover in 2020 will drop by -10% and more compared to 2019. Many companies and organisations replying ‘-10% and less’ express the apprehension that the scale and scope of this plunge will be more likely in the range of -20 to -60%. Another 37% is forecasting a drop of -5% and -10%. Another 5% is anticipating a decrease of up to -5%. Only a minority of 17% is expecting an increase of up +5% of their turnover in 2020. And only 1% is actually anticipating an increase of +5 to +10%.

The time of the replies seems to have influenced also the expectations about the turnover in 2020. Those respondents of the survey that replied between March 13-16 were more optimistic or less pessimistic than those who replied after March 16.

Those countries and regions that did not experience a Corona-epidemic, whose major export markets were not yet fully hit by restrictions of public and business life and consequently a plunge of consumption and orders, judged the situation less dramatic than the others. These were companies in South East Asia, Africa, South Asia and South America. All respondents, irrespective of their region, that participated in the survey after March 16 emphasized that turnover in 2020 will be significantly below the levels of 2019.

### **Q3: What are the biggest challenges/opportunities in the current situation?**

#### Challenges

The list of challenges, companies must deal with in this Corona-pandemic is long. Of course, the safety and health of the workers and staff is the biggest concern. Therefore, many companies introduced new procedures and processes to enable a working environment that keeps workers and staff safe, thus allowing production to continue. Beyond safety and health, many companies report about disrupted supply chains, especially in connection with supplies from China. Companies in the apparel segment reported about a lack of and/or delayed supply. With textile companies in China having ramped up production to over 90%, the challenges from the supply side should disappear quickly.

What emerges to be the biggest challenge for literally all companies is the lack of demand (postponements/cancellations) or the fear that demand will drop significantly, should consumers in important export regions like Europe or North America should not be able to shop normally, forcing brands/retailers to postpone/cancel orders.

Because of postponements and cancellations, sufficient liquidity is becoming a challenge.

#### Opportunities

During times of crises such as the Corona-pandemic, the management of the various challenges listed above leaves normally little room to think about opportunities. Therefore, it is interesting to see, that some companies mention that streamlining their internal processes now during the crisis will make them emerge stronger for the time when demand will return.

It was also mentioned that health protection will play a bigger role in the aftermath of the crisis. Companies producing fibres, yarns, fabrics and end-products with health care and protection function and related equipment will see new opportunities.

On a different note are remarks about the opportunity for companies to reorganise/readapt their regional and international supply chains that will be more resilient to external shocks in the future.