

CICCA Update by Member Organisations



Issue 15 – 4 November 2020

Welcome to this Update, keeping you informed of the new developments at the Member Organisations and Observer Organisations. This publication comes as a result of a decision reached at the 2012 Plenary Meeting that “To facilitate the understanding of the latest cotton related information in the countries of Member Associations and to make CICCA more pro-active if necessary, it was agreed that Member Associations would update their countries’ cotton market information on a quarterly basis, and this would be distributed within the CICCA forum.”

Any suggestions and comments would be greatly appreciated. The following Member Associations and Observer Organisations have contributed to this issue:

ACSA Australia, ACSA USA, AFCOT, ALCOTEXA, APPA, BBB, BBM, CCA, Cotton SA, GCA, ICA, ICE, ITMF, JCTA.

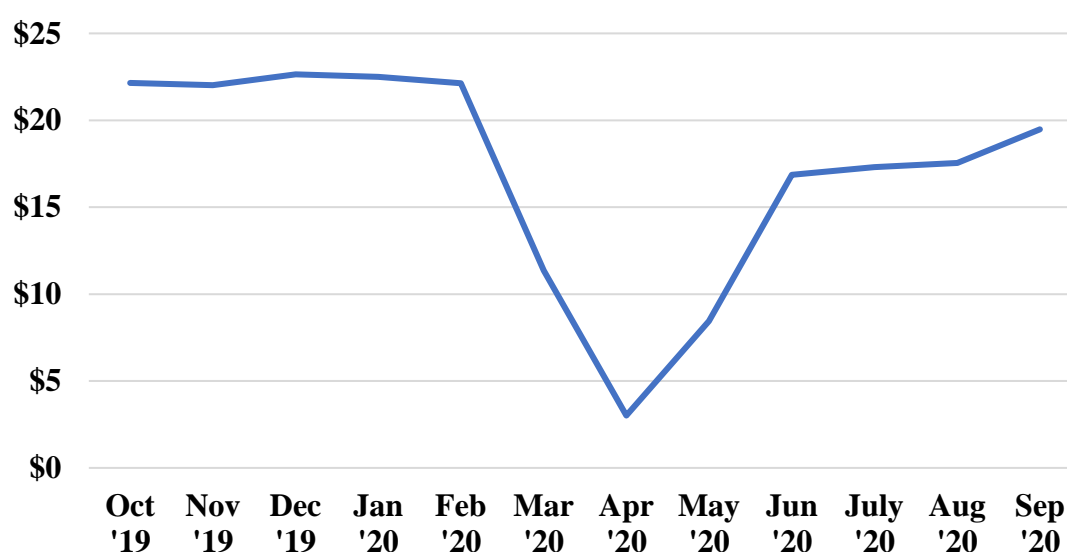
ACA – African Cotton Association

(No update)

ACSA – American Cotton Shippers Association

This year has been governed by impact from COVID-19 pandemic to the entire cotton supply chain. The U. S cotton industry estimates impact between \$4.0 and \$4.3 billion. During the height of the pandemic, retail stores’ sales diminished roughly 90% from pre-pandemic sales. Renewed purchasing is encouraging, although current levels remain 14% below pre-COVID levels. (Graph 1 U.S. Census Bureau)

Graph 1: U.S. Retail Clothing Sales (In Billions of U.S. Dollars)



By October 29, 2020, 3,209,063 upland cotton bales and 22,805 Pima cotton bales have been classed in the United States. The United States Department of Agriculture's Agricultural Marketing Service (USDA/AMS) provided the data (Table 1) regarding the average quality of the upland cotton crop classed as of October 29th. Although the average quality of the crop coming through the USDA classing offices is extremely high thus far, a record setting hurricane season in the U.S. will diminish the grade of upland cotton in later harvest dates.

Table 1: Average Quality Summary by U.S. Region for Upland Cotton Classed on October 29, 2020

Region	Leaf	Mike	Staple	Length	Strength	Uniformity	Trash	Loan P/D
Southeast	3.73	4.50	37.13	1.16	30.40	81.28	0.50	43
South Central	3.50	4.53	38.25	1.2	31.40	81.95	0.48	271
Southwest	2.76	4.28	36.40	1.14	30.82	81.03	0.33	232
Far West	1.69	4.57	36.96	1.15	30.58	81.24	0.16	395
United States	3.07	4.39	37.08	1.16	30.96	81.35	0.39	230

ACSA – Australian Cotton Shippers Association

Australia, like the rest of the world has been impacted by the effects of COVID-19 shutdowns with reduced sales or delayed shipments to spinning mills. The effects of drought meant that Australia had its lowest production in 30+ years at approximately 600,000 bales. Whilst we don't wish to see a repeat of this weather pattern and such a small production, it was beneficial that there weren't 3 million bales to market in 2020 due to the slow trade.

Looking forward, it is forecast that Australia is set to benefit from the current La Niña. For Australia La Niña typically means increased rainfall across much of the country, cooler daytime temperatures south of the tropics, warmer overnight temperatures in the north, a shift in temperature extremes and greater tropical cyclone numbers.

Planting of the 2021 crop has already commenced in northern regions with further plantings expected to continue through to December. At this time, a crop in the range of 2 to 2.5 million bales appears possible.

At the time of writing this report, Australian merchants are working to understand the apparent changes to export conditions for Australian cotton to China. With unconfirmed reports that the NDRC has been discouraging spinners from using Australian cotton, we are very disappointed given our long term respected relationship with Chinese spinners. The Australian cotton industry will work with stakeholders to respectfully and meaningfully engage with China to find a resolution.

Appendix 1: Joint Statement – Australian cotton industry disappointed by apparent Chinese export changes

AFCOT – Association Française Cotonnière

We are pleased to inform you that our new cotton magazine is now online. All articles are in both French and English.

You will find it on the AFCOT site or if you click on this link: <https://afcot.org/brochure/2020/>

If you choose to read it on our site, we recommend going to the French part of the site. When you reach the home page, just click on 'Publications'. For better reading we also recommend you download it.

Because of the COVID-19, our industry is experiencing a terrible crisis, and even if it is too early to try to assess all the consequences, we know that everyone in their profession still faces significant difficulties.

However, as you will see from the various articles that we publish, the actors of our industrial sector are showing flawless dynamism. Research, innovation, development, tenacity, are the words that best characterise their action. Their commitment is at the image of a combative industry that has decided to take up this new challenge.

Wishing you a good reading.

ALCOTEXA - Alexandria Cotton Exporters' Association

	Commitments (Tons)	Shipped (Tons)	Value (US\$)
1st Quarter	33,212.70	3,796.45	80,707,534
2nd Quarter	24,359.25	20,572.15	56,909,150
3rd Quarter	5,737	11,788	13,038,075
4th Quarter	6,959	30,586.35	15,204,270
Total	70,267.95	66,742.95	165,859,029

APPA – Asociación para la promoción de la Producción Algodonera

Argentina: Cotton situation during the 2019/20 season in relation to Co-vid 19

Production conditions during the 2019/20 season

During the 2019/20 cotton season, over 413,400 hectares were harvested nationwide out of the approximately 449,400 hectares sowed, with a national production of around 1,044,150 tons.

The current season achieved an increase in planting compared to the previous ones; among the reasons for this growth are: i) the good results obtained by the producers in terms of yield in previous seasons; ii) decreased profitability of competing crops; iii) and the implementation of management practices for the control of the cotton boll weevil. This was due to the continuous training and awareness of producers and technicians, the use of pheromone traps and the destruction of stubble on the indicated dates to prevent the spread of the insect and thus achieve the necessary sanitary period proposed by official organizations such as SENASA.

Government decisions related to Covid-19

The National Government made the decision to suspend activities throughout the country since the beginning of the Covid-19 pandemic, under the modality of quarantine. At the beginning of it, only critical activities were carried out, such as those related to health, safety and the availability of food and medicines. Teleworking is a modality implemented in many cases. The quarantine extends throughout the country to these day. It is a dynamic and ongoing strategy.

Also through the national and provincial governments, the harvesting process was regulated as well as the transit and displacement. It is necessary to have an official authorization online for all those professionals and producers linked to the agricultural sector to give continuity to these essential activities and avoid further losses. In all cases, safety, protection and hygiene measures are applied. For the rest of the summer crops, such as soybeans, sorghum, corn, others, they were treated with the same transit protocol due to the harvest period.

The strategies, which include producer support, were implemented in each province, always within the national framework, depending on the available resources. The complex context due to the Covid-19 situation requires a balance between health and the economy.

Prices, income, industrial processing, trade and export

The first price values at this beginning of the harvest season were negatively affected, both by an international and a domestic effect. As an example, the first cotton harvested was traded domestically at the start of the season with prices around 35-40% higher than the rest of the season, indicating a significant drop in a matter of weeks.

Due to Covid-19 and its official procedures, activities within the spinning and industrial processing plants in Argentina were restricted, which was another factor that affected the current season. The demand for fiber is non-existent in the local market (clothing stores are practically closed in the first part of the year). This leads to local demand being below 100,000 tons. The textile industry, in general terms, does not have capital to store fiber.

Even in this difficult situation, both for the domestic market and for exports, there was agreement in the adequacy of the cotton classification system tending to international standards. The US standard would improve the export market, and this would also improve the domestic market. Argentina has suffered a substantial devaluation in recent years, which has a significant effect on each of the actions that the producer needs to perform, from the access and availability of agronomic inputs that are mainly imported, as well as services. Solid distorting elements that seriously affect the profitability of the sector are: strong fiscal pressure, withholdings on fiber exports and the existence of differentiated exchange rates.

Challenges for the rest of the season

From an agronomic perspective, the main challenge for the rest of the season was to achieve a clean harvest with good fiber yields and commercial quality attributes. It was necessary to consider the recommended practices for post-harvest management associated with sanitary aspects such as pest control (weevil) and weeds.

From the economic point of view, the main challenge was associated with price formation in the current context of uncertainty; this is an extremely decisive challenge for the Argentine cotton sector. Different cotton organizations in the country, both in the public and private sectors, proposed some actions to overcome the current and future situation: i) genuine source of financing for producers in the very short term; ii) standardization of quality parameters tending to international ones; iii) address and act on export logistics; iv) solve input problems for ginneries; v) support any action in favor of the honor and ideals represented by the sanctity of the contract throughout the cotton community; vi) declare cotton as a strategic crop in Argentina.

BBB – Bremer Baumwollbörse

Bremen Cotton Exchange and Discover Natural Fibres Initiative

The Discover Natural Fibres Initiative (DNFI) was created in January 2010 in the wake of 2009's International Year of Natural Fibres, declared by the United Nations General Assembly. The DNFI's purpose is to advance the interests of all natural fibre industries and to encourage the increased use of natural fibres in the world economy. The Bremen Cotton Exchange has committed itself to DNFI since its founding in 2010. At the beginning of this year, Elke Hortmeyer, Head of Communications and International Relations for the Bremen Cotton Exchange, has agreed to take the honorary chairmanship of DNFI for one year.

The DNFI grants the Innovation in Natural Fibres Award every year and honours outstanding scientific achievements in the field of natural fibres. This year's award goes to Dr. Nouredine Abidi, Professor and Director, Fiber and Biopolymer Research Institute (FBRI), Texas Tech University, U.S.A.

Dr. Abidi has developed a process to produce a plastic substitute from cotton by dissolving the fibres to form a gel which can be transformed into bioproducts, including plastic films. Several commercial applications are envisioned, including shopping bags, soil covering in agriculture, bioplastic packaging, and other single-use items. This technology can be developed as an inexpensive alternative to petroleum-based plastics providing a solution to plastic accumulation in the environment.

Videos to promote the positive properties of cotton to fashion consumers

On October 7th, the Bremen Cotton Exchange published three short videos targeted at younger consumers, stressing the positive properties of cotton. The three topics were: cotton biodegrades and doesn't produce microplastics, cotton offers livelihood for millions of people, many in developing countries and cotton is a natural renewable product that is comfortable and easy to take care of. Their mutual headline is "There is more to cotton than you think".

All three videos were very well received and also shared by some German retail companies. Spoken language is English with French, German, English or no subtitles. They can be watched on <https://baumwollboerse.de/en/cotton-videos/>.

BBM – Bolsa Brasileira de Mercadorias

- Estimated production for 19/20 Season (current crop) of 2,916,551 metric tons of which about 75/80% already sold by producers (either to merchants or end users)
- Planting intentions for season 20/21 abt 15% reduction in acreage (maybe a bit more due weather issues) with an expected lint production of about 2,540,000 metric tons
- If planting intentions are confirmed we believe about 60% to be already committed
- Domestic consumption recovering, and estimated at about 700 / 720 thousand tons
- Since December 2018 we haven't had any request of arbitration

BCA – Belgian Cotton Association

(No update)

CAI – Cotton Association of India

(No update)

CAN - Centro Algodonero Nacional

(No update)

CCA – China Cotton Association

According to the China Cotton Association's forecast, the cotton production in 2020/21 will be 5.93 million tons, the import will be 1.98 million tons, and the consumption will be 7.99 million tons. In September, the national reserve cotton round out was finished, with a total turnover of 503,000 tons, with a turnover rate of 99.87%, well fulfilling the expected task.

On September 30, the round out of the 2020 cotton reserve lasted for 3 months starting from July 1, with a total listing of 504,000 tons and a total turnover of 503,000 tons, with a turnover rate of 99.87%, including 283,000 tons in Xinjiang, and 220,000 tons by other areas. The turnover of

textile enterprises was 234,000 tons, and the turnover of non-textile enterprises was 269,000 tons.

In September, textile enterprises increased demand for cotton, commercial inventory continued to decline. At the end of the month, China's total commercial cotton inventory was about 2.093 million tons, down 14.57% month-on-month and 5.01% year-on-year.

The domestic economy continued to recover steadily, and the effects of stabilizing foreign trade policies continued to appear. The export performance in the first three quarters exceeded market expectations. Textiles grew by 33.7% driven by anti-epidemic products, while apparel still fell by 10.3%. Customs data show that in September, China's textile and apparel exports amounted to US\$28.38 billion, an increase of 15.73% year-on-year, of which textile yarn, fabrics and products exports were US\$13.150 billion, an increase of 34.69%; garment exports were US\$15.23 billion, an increase of 3.19%. In the first three quarters, the cumulative export of textiles and apparel was US\$215.78 billion, a year-on-year increase of 9.36%, of which exports of textile yarns, fabrics and products were US\$117.95 billion, a year-on-year increase of 33.70%, and exports of apparel and apparel accessories were US\$97.83 billion, a year-on-year decrease of 10.30%.

China Cotton Supply and Demand Balance Sheet (Oct. 2020) Million tons

Year	Beginning Stock	Production	Import	Consumption	Export	Ending Stock
2020/21	790.08	593.2	198	799	3	779.28
2019/20	807.51	590.57	160	765	3	790.08
2018/19	802.6	611	205	807	4.1	807.51

Cotton SA

The latest cotton crop estimate for the 2019/20 production year is estimated at approximately 26,815 tons of cotton lint.

Domestic consumption of cotton lint is at such a level that South Africa will be a net exporter of cotton lint for the second consecutive season.

As a result of the Covid 19 pandemic, the cotton textile pipeline show negative results for 2020.

Cotton SA's latest cotton market report and other stats are available upon request.

GCA – Gdynia Cotton Association

PRODUCTION SOLD

The period of **8 months of 2020**, including the 2.5-month period of the "Covid-19 lockdown" brought the decrease of value of the production sold in both sectors. The value of production sold

of the Polish **textiles** sector, when compared to the same period of 2019, lowered by 9.2%, and the value of production sold of the Polish **clothing** sector resulted lower by 11%. The critical month for both sectors was April when the production sold of textiles, when compared to March, dropped by 31%, and the production sold of clothes dropped by 21%.

TEXTILES – PRODUCTION SOLD CURRENT PRICES		
January – August 2019	January – August 2020	change
PLN 10022.6M	PLN 9094.8M	-9.2 %

CLOTHES – PRODUCTION SOLD CURRENT PRICES		
January – August 2019	January – August 2020	change
PLN 5046.7 M	PLN 4491.3M	-11 %

INVESTMENT OUTLAYS

The Covid-19pandemics has obviously affected decisions referring to investment in the Polish textile industry.

In the 1st half of 2020, the investment outlays in the textile industry were PLN 152.1 M and were lower by 14.2%, when compared to 2019.

In the **clothing** sector, the value of investment outlays was hardly PLN 24.3 M and they resulted lower by 31.3%, when compared to outlays made in the 1st half of 2019.

When the investment outlays in the **textiles** sector were considerably rising in the 2nd quarter, in the **clothing** sector the 2nd quarter was the period of continuing decrease of investment outlays.

TEXTILES – INVESTMENT OUTLAYS		
2018	2019	change
PLN 490.9 M	PLN 524.1M	+6.8%

CLOTHES – INVESTMENT OUTLAYS		
January - April 2019	January - April2020	change
35.4	24.3M	-31.3%

ICA – International Cotton Association

SIMA Correspondence (June)

The Southern India Mills' Association (SIMA), Coimbatore circulated a letter to all their members on 3 June 2020 about 'Enforcement of force majeure clause in the contract relating to the import of cotton'. Unfortunately, there were several inaccuracies and misrepresentations of international obligations contained in this letter. The International Cotton Association has written to SIMA to correct these inaccuracies and misrepresentations, which relate to ICA Arbitration, Force Majeure and Implementation. Since then, SIMA have circulated the ICA's response to their members along with advice from their legal experts. Unfortunately, this advice continues to contain inaccuracies which the ICA have now also addressed.

Arbitration - Temporary relaxation of '8 Rule' to become an '11 Rule' and new rule for Chairs.

ICA Arbitrators Code of Conduct wording (below) has been amended by the Board to allow arbitrators to have 11 active cases rather than 8, for an undetermined temporary period. The ICA will monitor the current 'spike' in arbitrations with a view to restoring the previous limits as soon as possible.

We have had 103 arbitration applications to date (27.10.2020) compared with 52 in the same period in 2019.

Top 5 arbitration respondents China (34%), Bangladesh (16%), India (11%), Vietnam (7%), Pakistan (8%) and top 5 defaulters: China (15%), Bangladesh (13%), India (10%), Pakistan (8%), Brazil (8%)

Singapore 2021 Postponed

Due to the ongoing pandemic and international travel restrictions in place, the ICA has postponed its Singapore 2020 Trade Event for one year. This event will now take place from 27-28 October 2021 at the same venue, Raffles City Convention Centre (Fairmont & Swissotel).

Vision 2020

For the first time, the ICA held its annual Trade Event online. Taking place on 28 & 29 October, 'Vision 2020' was open to anyone with an interest in the cotton trade and is FREE to attend. The event featured sessions from a variety of industry leaders and used the latest technology to ensure there is plenty of opportunity to network and engage online.

BTMA Letter

The Bangladesh Textile Mills Association (BTMA) contacted the ICA seeking ICA intervention between cotton merchants and their contractual parties with respect to the non-fulfilment of contractual obligations during the COVID-19 pandemic. BTMA have also contacted merchants regarding these contractual obligations during the pandemic. The ICA has communicated that it has no ability to influence the execution of individual contracts or the individual terms and conditions that those contracts may contain.

New ICA App

The ICA app is now available to the global cotton community – bringing you a more intuitive, smarter and simplified experience. With quicker and easier access to our most popular services and information, the app also includes access to our event apps and will help you stay more connected with the ICA and the global cotton community.

To download, simply search for 'ICA LTD' in the Apple App Store or Google Play Store.

ICE – Izmir Commodity Exchange

Izmir Commodity Exchange made the harvest estimation studies carried out for the 2020/21 season in Aegean Region, which is one of the significant cotton production regions in Turkey. According to the results of this study, we forecast that cotton cultivation in the Aegean Region decreased to 167 thousand tons.

We expect total cotton production in Turkey to decrease in a significant amount and realize between 550-600 thousand tons.

The costs of our farmers increased with the depreciation of the Turkish Lira. Moreover, the extreme weather conditions caused by the climate change decreased our yield mostly in Aegean zone. Turkey faces with temperatures above seasonal norms. The cotton bolls could not grow healthy due to this high temperature at growing period.

ITMF – International Textile Manufacturers Federation

The year 2020 was obviously marked by the cancellations of many activities whether these were conferences, meetings or field trips due to the Corona-pandemic. This had an enormous impact on companies around the world and consequently also for associations and their activities.

The meeting of the **ITMF Intl. Committee on Cotton Testing Methods (ICCTM)** in 2020 could not take place in Bremen, Germany as a result of the cancelled Intl. Bremen Cotton Conference in March which was postponed to March 2021. Instead the Executive and Steering Committees met virtually.

Likewise, the **ITMF Spinners Committee** had to drop plans to visit the cotton growing areas in Brazil in the middle of the year. Instead, the Committee met virtually in October. No activities in the field are planned at the moment.

The ITMF Annual Conference 2020 in Seoul, Korea could not take place as originally planned. Instead, a hybrid format – a combination of an in-person meeting in Seoul for Korean delegates and virtual delegates for international delegates was arranged in October. During the traditional Fiber Session, three presentations on cotton were delivered highlighting the sustainable characteristics of cotton (Cotton Association of India and Egypt Cotton Association) as well as the range of new applications of cotton (Cotton Inc.).

Since the middle of March, ITMF has conducted 5 so called ITMF Corona-Surveys, which have provided a lot of information about the state and outlook of the textile industry including spinners (see attached the results of the 5th ITMF-Corona-Survey). The surveys revealed that the entire textile supply chain – from fiber to garment producers – was impacted negatively by the pandemic and that it will take time until the demand will recover fully.

During the height of the pandemic, the ITMF together with the BCI, CICC, ICA and ICAC published a joint press release “Cotton and Textile Sectors Call for Collaborate Action” in May 2020.

This year in May, the ITMF published again the ITMF Cotton Contamination Report 2019. Contamination is especially an issue in countries where mechanization is not yet fully implemented.

Appendix 2: 5th ITMF Corona-Survey: Turnover is expected to fall by “only” - 16% in 2020

JCTA – Japan Cotton Traders’ Association

Cotton Imports into Japan in 2019/20

Cotton imports into Japan in 2019/20 totaled 47,790 tons, slightly below from 48,330 tons in 2018/19. This was the lowest level of cotton imports after World War II. Prior to the COVID-19 outbreak, Japanese import demand was relatively strong, but it slowed down thereafter and our imports started sharply down since July 2020.

The main sources of supply were the United States, followed by Australia, Greece and Brazil. These top four countries accounted for 93 percent of imports, which suggest that oligopoly is on the rise.

The impact of COVID-19

Japan is in the middle of 2nd wave of COVID-19. As of October 26, cumulatively there are more than 97,000 cases of COVID-19 with the death toll of 1,730. Most of the cases are concentrated in Tokyo, followed by Osaka. The severe cases and mortality are lower compared to that of 1st wave.

KCA – Karachi Cotton Association

(No update)

JOINT STATEMENT 16 October 2020

Australian cotton industry disappointed by apparent Chinese export changes

Statement attributable to Adam Kay – CEO, Cotton Australia and Michael O’Rielley – Chair, Australian Cotton Shippers Association

The Australian cotton industry is working to understand apparent changes to export conditions for Australian cotton to the People’s Republic of China.

It has become clear to our industry that the National Development Reform Commission in China has recently been discouraging their country’s spinning mills from using Australian cotton.

Our industry is working with the Australian Government, including the Trade and Agriculture ministers’ offices, to investigate the situation and fully understand what is going on.

The Australian cotton industry has earned a reputation as a reliable international supplier of cotton with fast shipping times to export destinations and reliable delivery. Our crop is in strong demand internationally and can attract a price premium due to its high quality, excellent sustainability credentials, reliability and a proven track record in meeting manufacturer and consumer needs, including in China.

Our industry’s relationship with China is of importance to us and is a relationship we have long valued and respected. To now learn of these changes for Australian cotton exports to China is disappointing, particularly after we have enjoyed such a mutually beneficial relationship with the country over many years.

Despite these changes to our industry’s export conditions, we know Australian cotton will find a home in the international market. The Australian cotton industry has long enjoyed positive relationships with the many other countries we export to, and we look forward to continuing and developing those other relationships further.

The Australian cotton industry will continue having meaningful conversations with stakeholders to fully understand this situation, and we will continue working with the Australian Government to respectfully and meaningfully engage with China to find a resolution.

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INTERNATIONAL TEXTILE MANUFACTURERS FEDERATION
FEDERATION INTERNATIONALE DES INDUSTRIES TEXTILES
INTERNATIONALE VEREINIGUNG DER TEXTILINDUSTRIE

Article for the ITMF Newsletter, September 2020

by

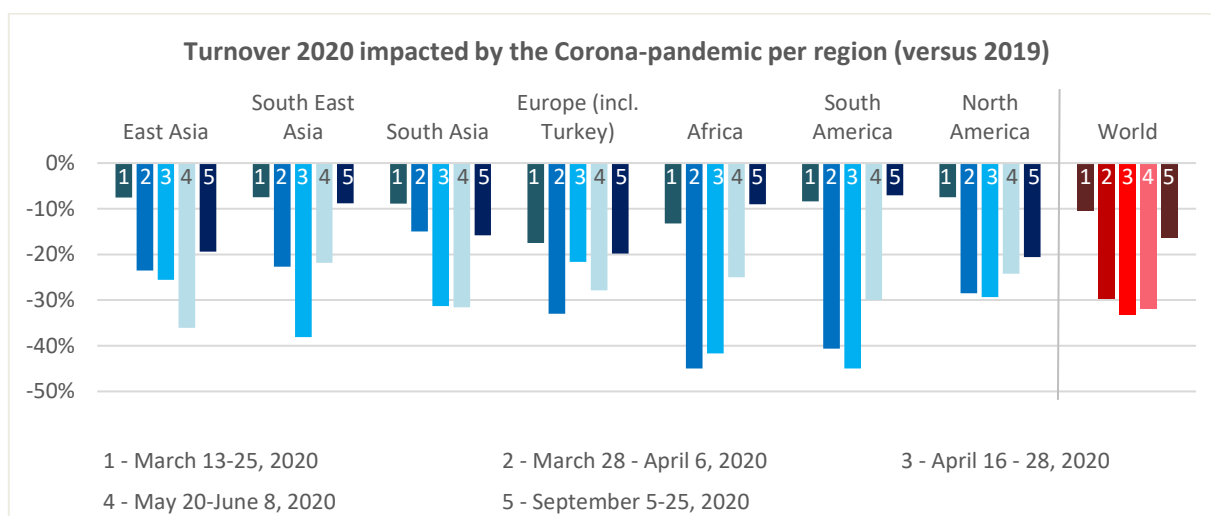
Dr. Christian Schindler, director general, ITMF

5th ITMF Corona-Survey: Turnover is expected to fall by “only” -16% in 2020

Between September 5th and 25th, 2020, ITMF has conducted its 5th ITMF Corona-Survey among ITMF members and affiliated companies and associations about the impact the Corona-pandemic has on the global textile value chain. In total, 216 companies from around the world participated.

When asked about the expected turnover in 2020 compared to 2019 since the beginning of the Corona-pandemic, the companies' expectations have significantly improved since 4th survey. While in the beginning of June companies were expecting a drop in turnover of around -32%, the expected reduction fell to -16% by the middle of September (Graph 1). One explanation can be seen in the fact that since June companies have received new orders for the remainder of the year, which was not the case in June when most companies were still struggling with cancellations and delays of orders.

Graph 1: Worldwide, expected turnover 2020 is down by -16% on average (versus 2019).



Source: 1st 'til 5th ITMF Corona-Surveys (March 13 until September 25, 2020)



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INTERNATIONALE VEREINIGUNG DER TEXTILINDUSTRIE

In the 5th ITMF Corona-Survey we have asked for the first time about the turnover expectations for the period beyond 2020 until the year 2024 (Graph 2). On a global average, the expectations are that in 2020 turnover will be down by -16% compared to 2019. For 2021, the global textile industry is expecting stagnation (-1%). In the following years, companies are expecting to see higher turnovers compared to 2019. In 2022 they are expecting a turnover level of +9%, in 2023 of +14% and in 2024 of +18% compared to the base year 2019. With other words, the expectations are that it will take on average until 2024 to fully recover the losses suffered in 2020.

Graph 2: Worldwide, expected turnover to increase by +18% until 2024 (versus 2019).



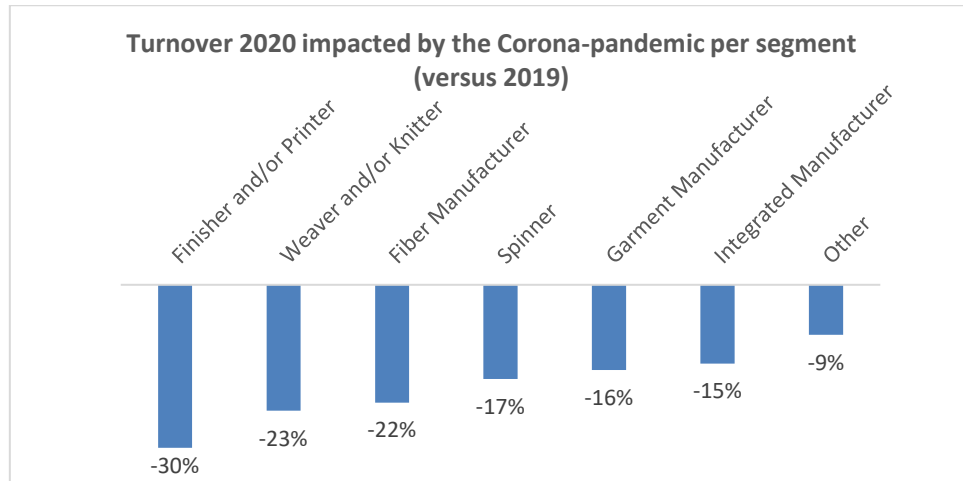
Source: 5th ITMF Corona-Survey (September 5-25, 2020)

When looking at the different segments of the textile value chain (Graph 3), it is interesting to observe that the segment of finishers/printers is expecting in 2020 a significantly stronger reduction of turnover (-30%) than the other segments. Like the 4th ITMF Corona-Survey revealed, integrated manufacturers seem to be coping better with the negative effects of the pandemic than other segments. Under “Others” companies can be found that are active in various segments of the textile value chain listed but also companies that are supplying chemicals, dyes, auxiliary material, etc.

Graph 3: Integrated manufacturers have weathered the pandemic better than non-integrated ones.



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Source: 5th ITMF Corona-Survey (September 5-25, 2020)

As shown in Graph 4, 17% of companies are expecting quarterly turnover to reach pre-crisis levels again in the 3rd quarter of 2021. Another 15% are expecting to reach this in the 2nd quarter of 2021 followed by 11% in the 1st quarter of 2021. Even more optimistic are 11% of companies that are expecting to reach pre-crisis turnover levels already in the 3rd quarter of the current year 2020 and another 10% in the 4th quarter of 2020. Nevertheless, it is important to note that 25% of all companies are expecting turnover to reach quarterly pre-crisis levels only in 2022 and 2023.

Graph 4: 17% of companies expect quarterly turnover to reach pre-crisis level in the 3rd quarter 2021



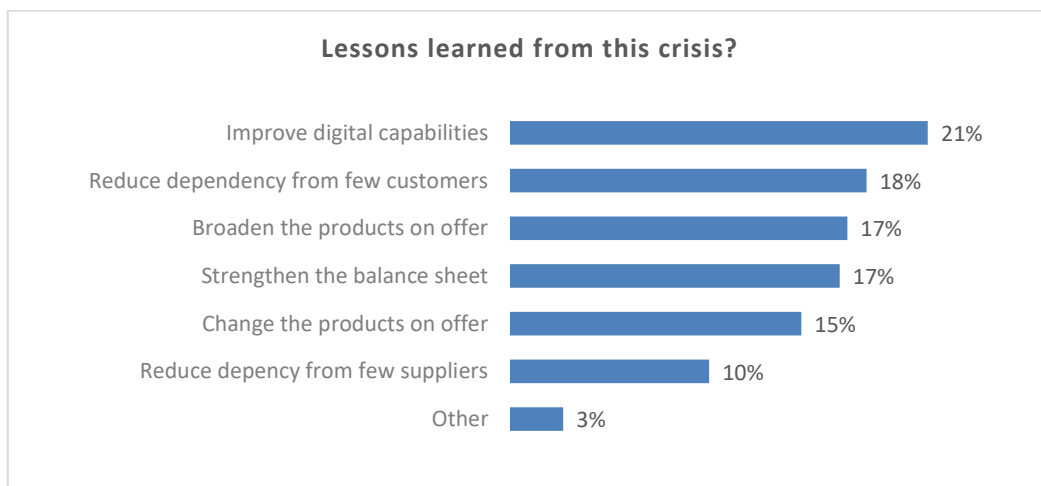
Source: 5th ITMF Corona-Survey (September 5-25, 2020)



INTERNATIONAL TEXTILE MANUFACTURERS FEDERATION
FEDERATION INTERNATIONALE DES INDUSTRIES TEXTILES
INTERNATIONALE VEREINIGUNG DER TEXTILINDUSTRIE

The Corona-pandemic has proven in a brutal way how important digital capabilities are when physical interactions with suppliers or customers are impossible or restricted (Graph 5). 21% of all companies see a necessity to improve their digital capabilities. 18% are of the opinion that reducing the dependency from few customers is important going forward, followed by 17% of companies for which both broadening the products on offers and strengthening the balance sheet are crucial in the future. 15% are of the opinion that changing the products on offer is necessary and 10% believe that reducing the dependency from few suppliers is a relevant objective.

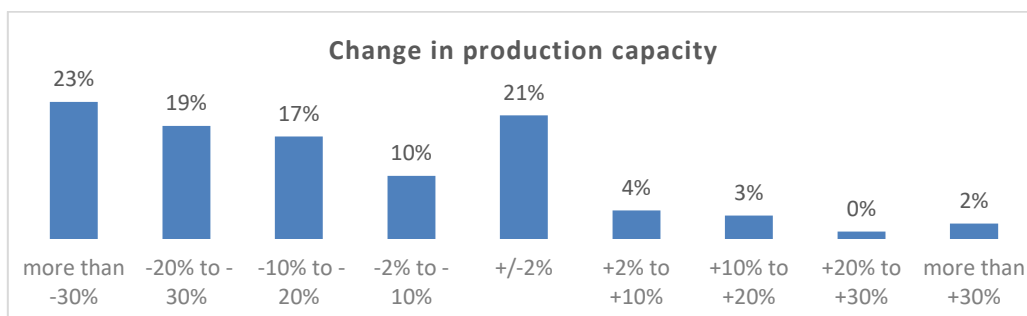
Graph 5: Lessons learnt: digital capabilities on top of the list



Source: 5th ITMF-Corona Survey (September 5-25, 2020)

As can be seen in Graph 6, the Corona-pandemic has also led to a significant reduction of production capacities. 23% of companies reduced their capacities by more than -30%, another 19% by -20% to -30%, another 17% by -10% to -20% and 10% by -2% to -10%. On the other side of the spectrum and unsurprisingly, only 9% of companies have increased their capacities during the pandemic, while 21% have not changed them.

Graph 6: A total 69% of companies have reduced their production capacity during the Corona-pandemic



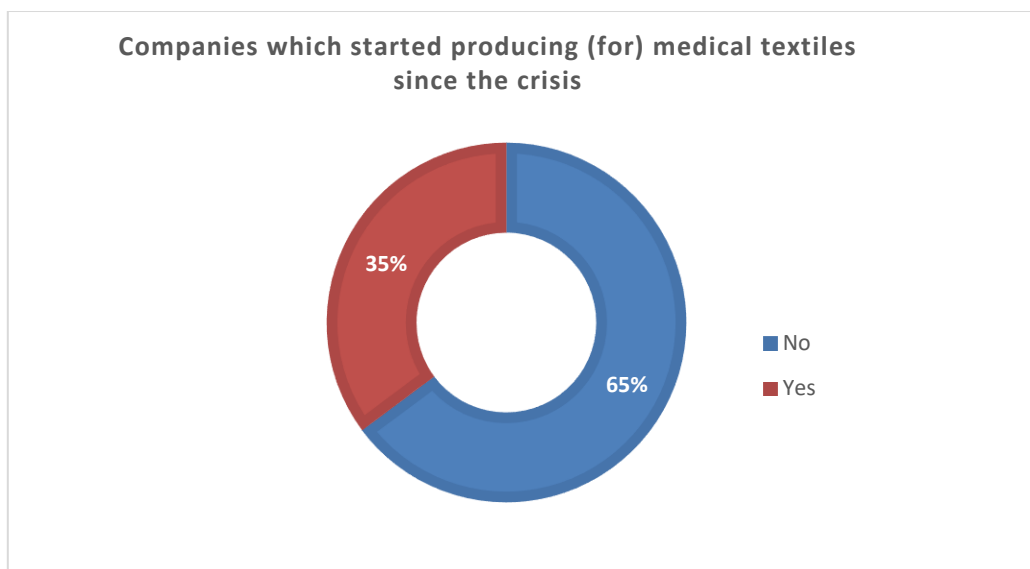
Source: 5th ITMF-Corona Survey (September 5-25, 2020)



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Graph 7 shows that 35% of all companies started in one way or the other to be involved in the production of medical textiles. This is quite a significant number that shows that many companies were reacting quickly to meet the increasing demand for medical textiles.

Graph 7: A significant number of companies (35%) started supplying for/producing of medical textiles



Source: 5th ITMF-Corona Survey (September 5-25, 2020)

Summary and conclusions

In summary it can be said that considering the scale of cancelled and delayed orders until June, the reduction of production capacity could not have come as a surprise. Even more so since the industry had already a difficult year in 2019. With restrictions loosened in the early summer months, consumer and business sentiment improved. Based on this new reality, an “improved” general outlook for the global textile industry for the current year compared to the 4th ITMF Corona-Survey – the expected fall of -32% in the 4th survey to -16% in the 5th survey – is consistent.

Of course, the industry’s outlook is mainly shaped by the development of the pandemic and the respective economic consequences. The short-term economic outlook depends on how the pandemic is handled. This can be very volatile and depends on the scale and scope of restrictions. During the early months of the summer the number of infections fell which improved the economic situation and outlook. The rising number of infections in September might indicate that offline consumption will deteriorate in the coming months of the fall and winter. This might be compensated partially by online channels. Overall, it seems that the longer-term expectations seem to be



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that it will take until 2024 (+18%) to recover from the drop of turnover in 2020 (-16%) compared to the reference year 2019.

That digital capabilities are topping the list of lessons learnt fits very well into this picture and shows how the pandemic has not only given a boost to the e-commerce business on end-consumer level but also the entire textile value chain.

It cannot surprise that the consumer behavior has changed during the pandemic. The production of medical textiles, especially of masks and Personal Protective Equipment (PPE) has of course taken off tremendously. Also, other sub-segments have benefitted from changing consumer behavior. Home textiles, comfortable leisure wear or specific outdoor/work wear (for examples for bikes) have seen an increase in demand, whereas other sub-segments like formal wear or commodities like jeans or t-shirts suffered.