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**Today's challenges for the global textile industry
with a special focus on spinning**

Cotton India 2015/2016
February 22-24, 2016
Goa, India

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- 2) Manufacturing hubs & Investments trends
- 3) Production and technological efficiency investments
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1) Global demand for the textile industry

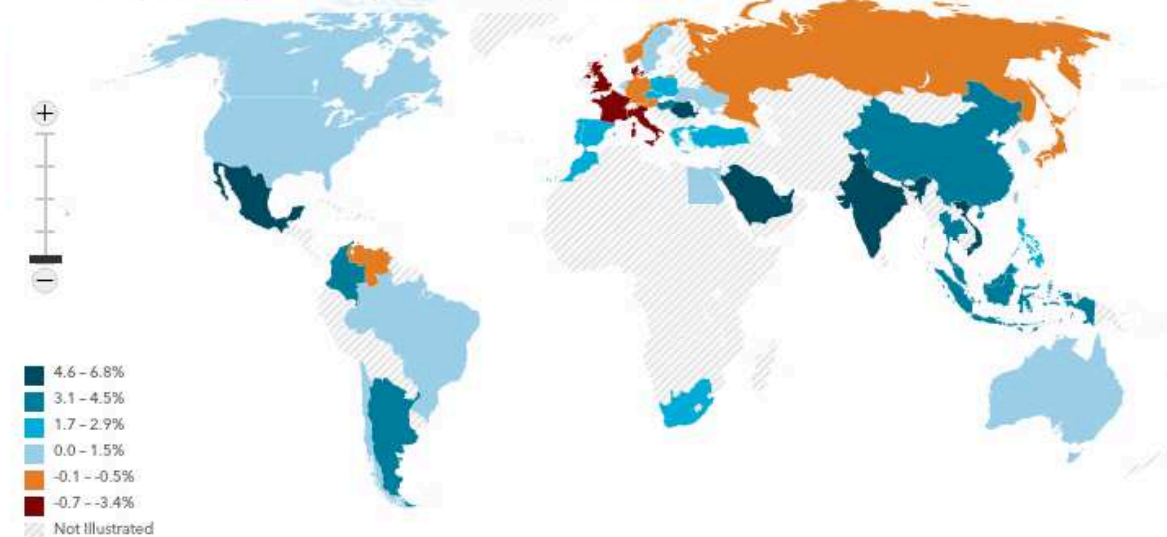
Apparel sales will grow strongest in Asia

Apparel

Forecast Growth ▼

Retail Value RSP, USD million, Constant 2014, Fixed 2014 Ex. Rates, 2014-19 CAGR

Currency ▼ Highlight Countries ▼



World [Explore in Detail](#)

Market Size
2014, USD million **1,388,578.2**

Per Capita
2014, USD **192.6**

Growth
2014-19 CAGR **1.8%**

Global Figure

2014-19 CAGR

1.8

Regional Comparison

2014-19 CAGR



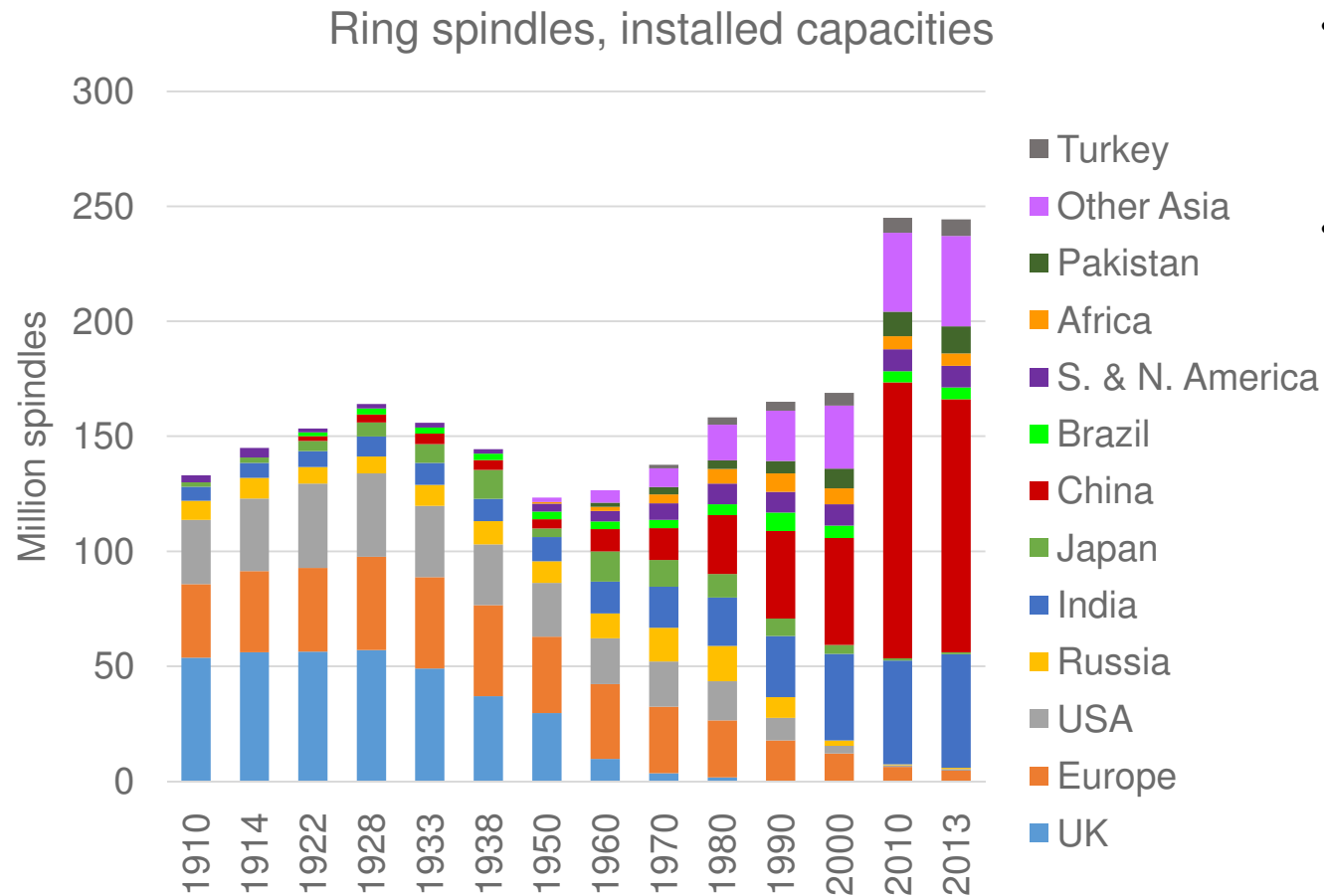
Apparel Market Size of China/India and USA/EU in 2025

| Region | 2012 market size (US\$ bn.) | Expected growth rate 2012 to 2025 | 2025 market size (US\$ bn.) |
|---------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| India | 45 | 12% | 200 |
| China | 150 | 10% | 540 |
| India and China combined | 195 | 11% | 740 |
| | | | |
| USA | 225 | 2% | 285 |
| EU-27 | 350 | 2% | 440 |
| USA and EU-27 combined | 575 | 2% | 725 |

Source: Wazir, „The Road to 2025“

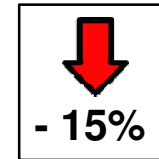
2) Manufacturing hubs & investments trends

Geographical shift towards Asia and

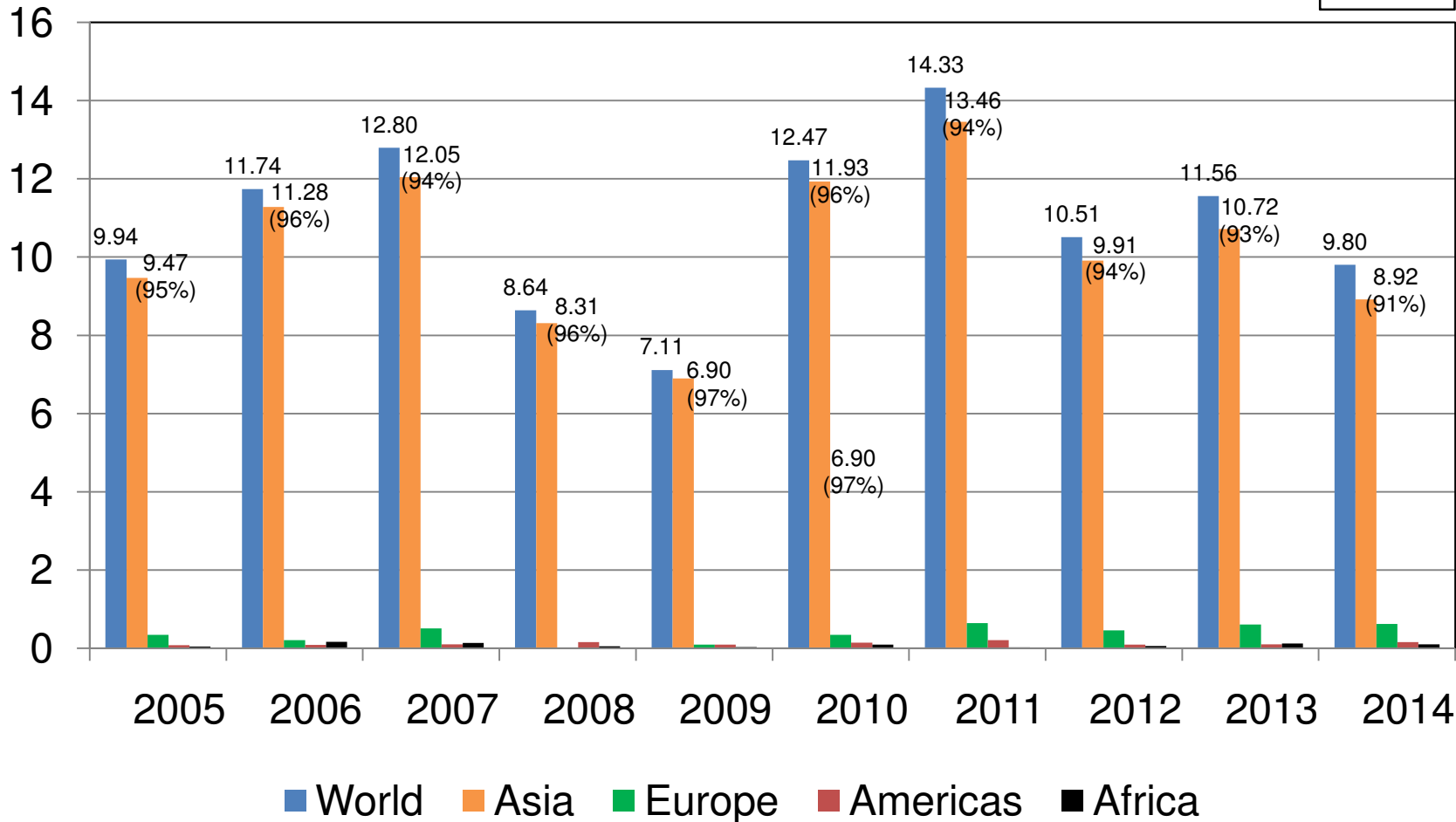


- **Since 1950s, textile and apparel industry shifts to Asia**
- **Trade liberalisation process:**
 - **1995–2004:** Gradual removal of trade quotas
 - **2005:** Quantitative restrictions expire
 - **2001:** China joins WTO

Shipped Short-staple Spindles 2005 - 2014




million spindles - World & Regions -



Source: ITMF

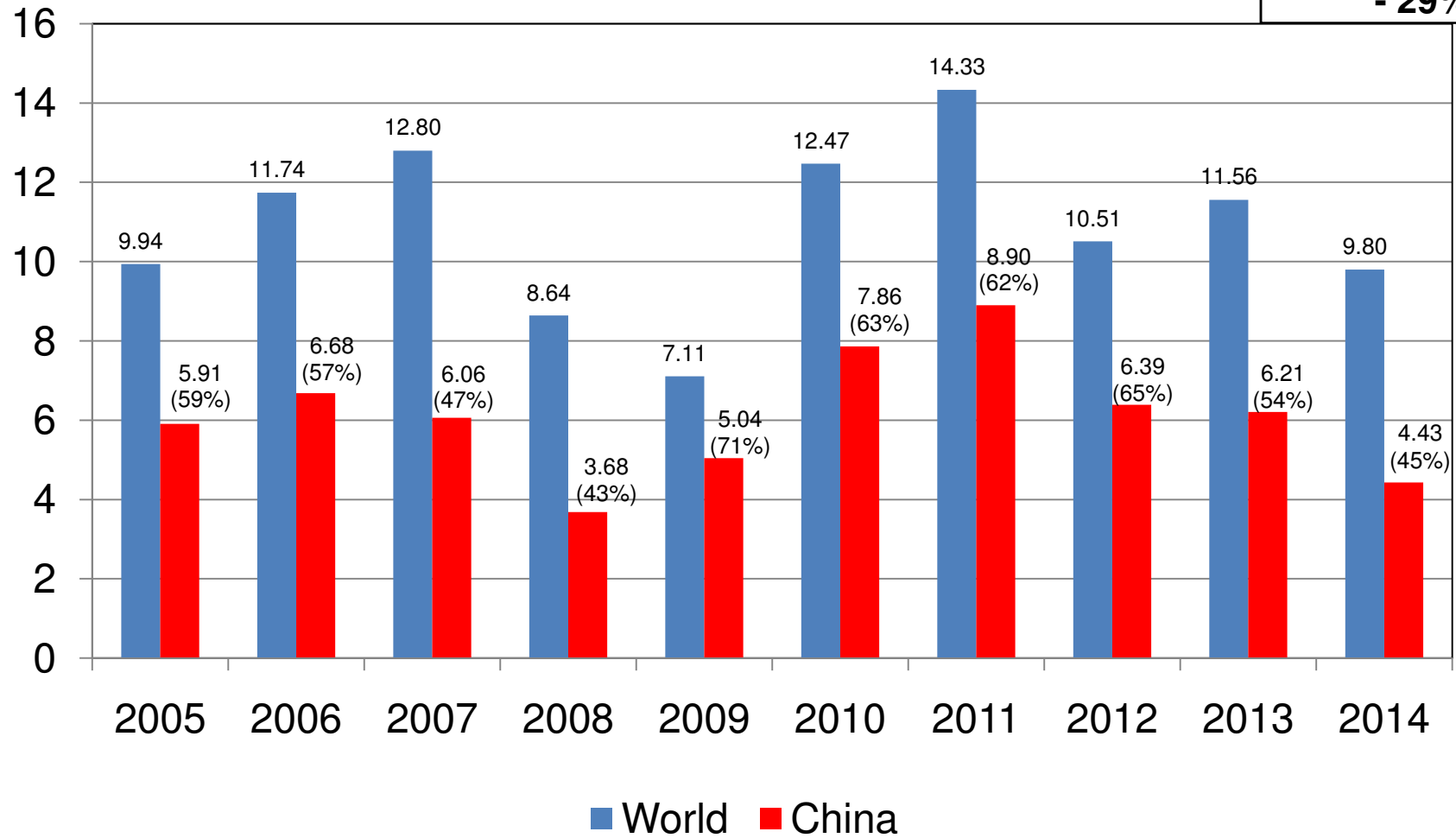
Shipped Short-staple Spindles 2005 - 2014



Chinese Investments

- 29%

million spindles

- China's Share -

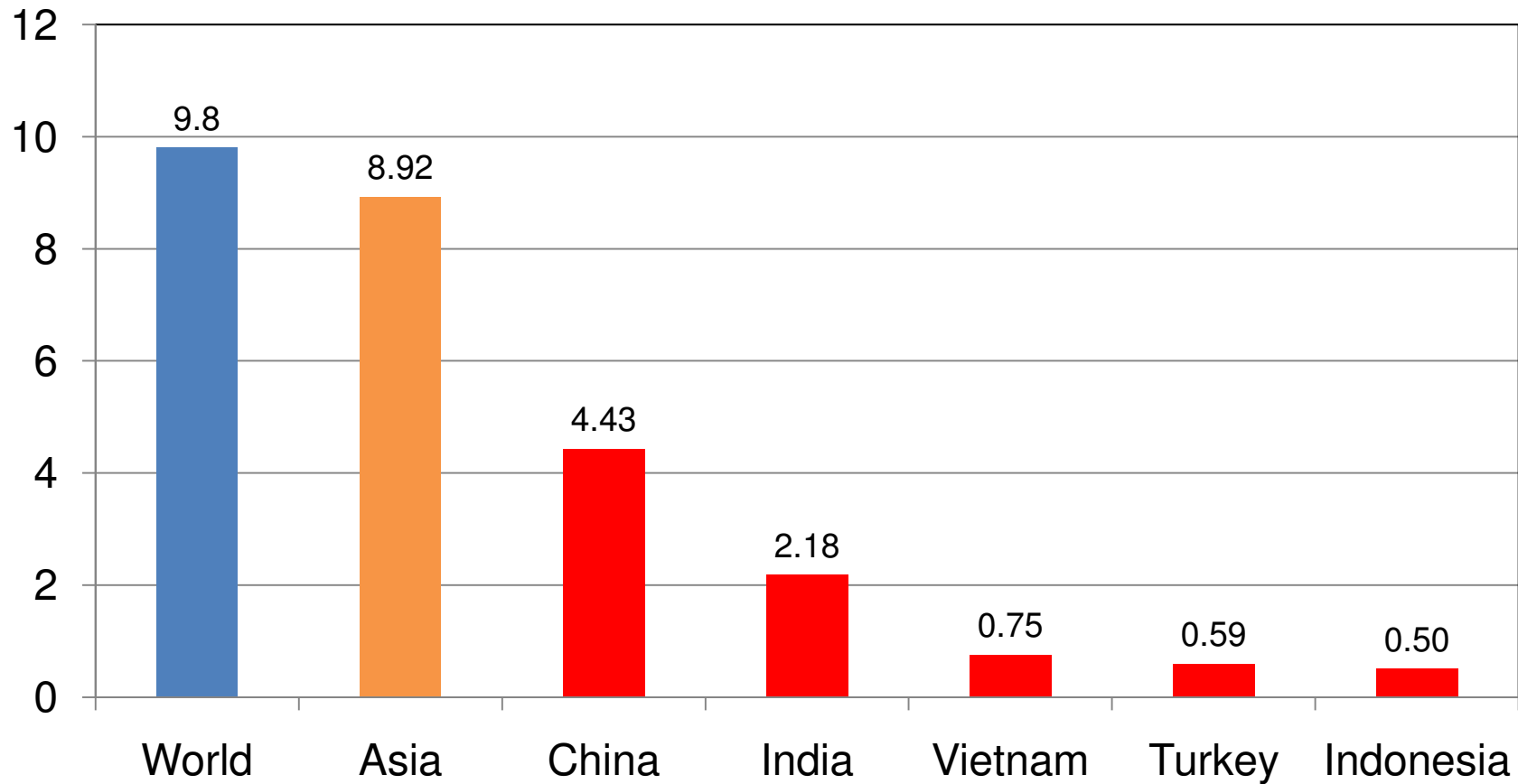


Investments in Short-staple Spindles 2014

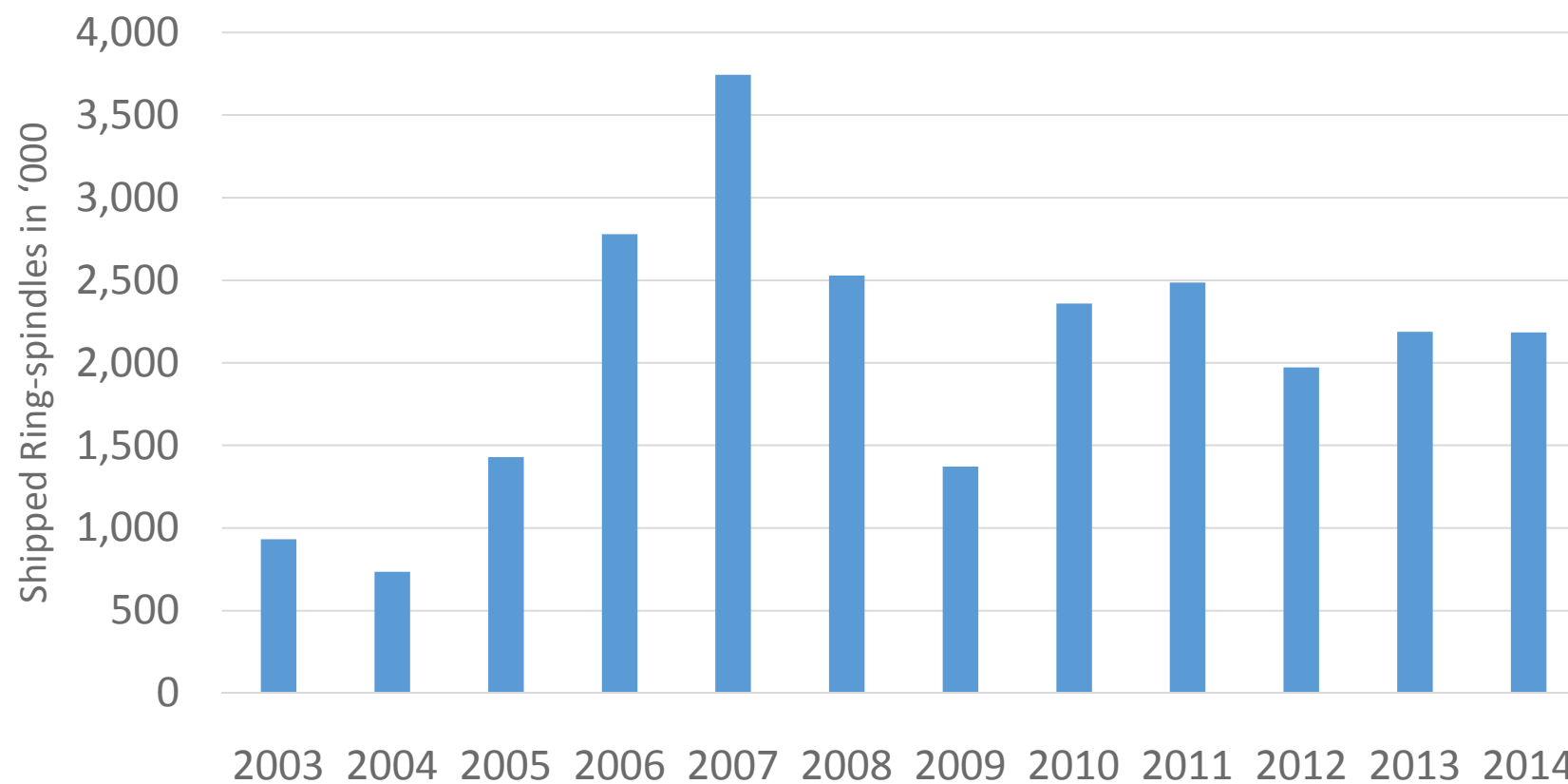
- 5 Biggest Investors -



million spindles

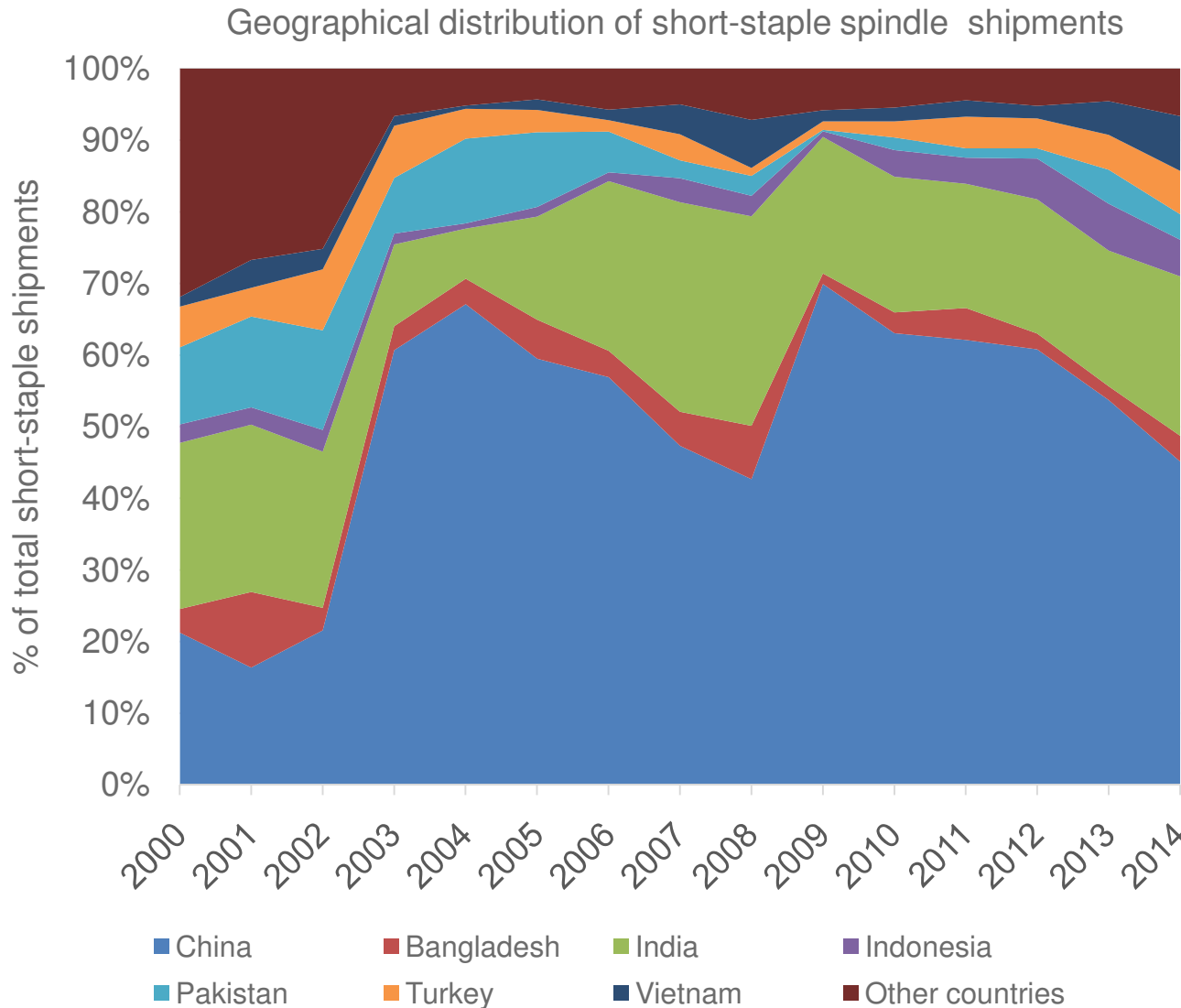


Shipments of Short-staple Spindles to India



TIME

Geographical shift within Asia



- **China:**

- Remains a global player
- Active in every stage of the textile value chain
- Textile industry will shift from factor-driven to innovation-led industry

- **Southeast Asia – ex China:**

- Top textile and apparel exporting countries are from Asia (Bangladesh, India, and Viet Nam etc.)
- These and other Asian countries want to improve and complete their textile supply chain.
- Increase of machinery shipments to these countries

- **Turkey:**

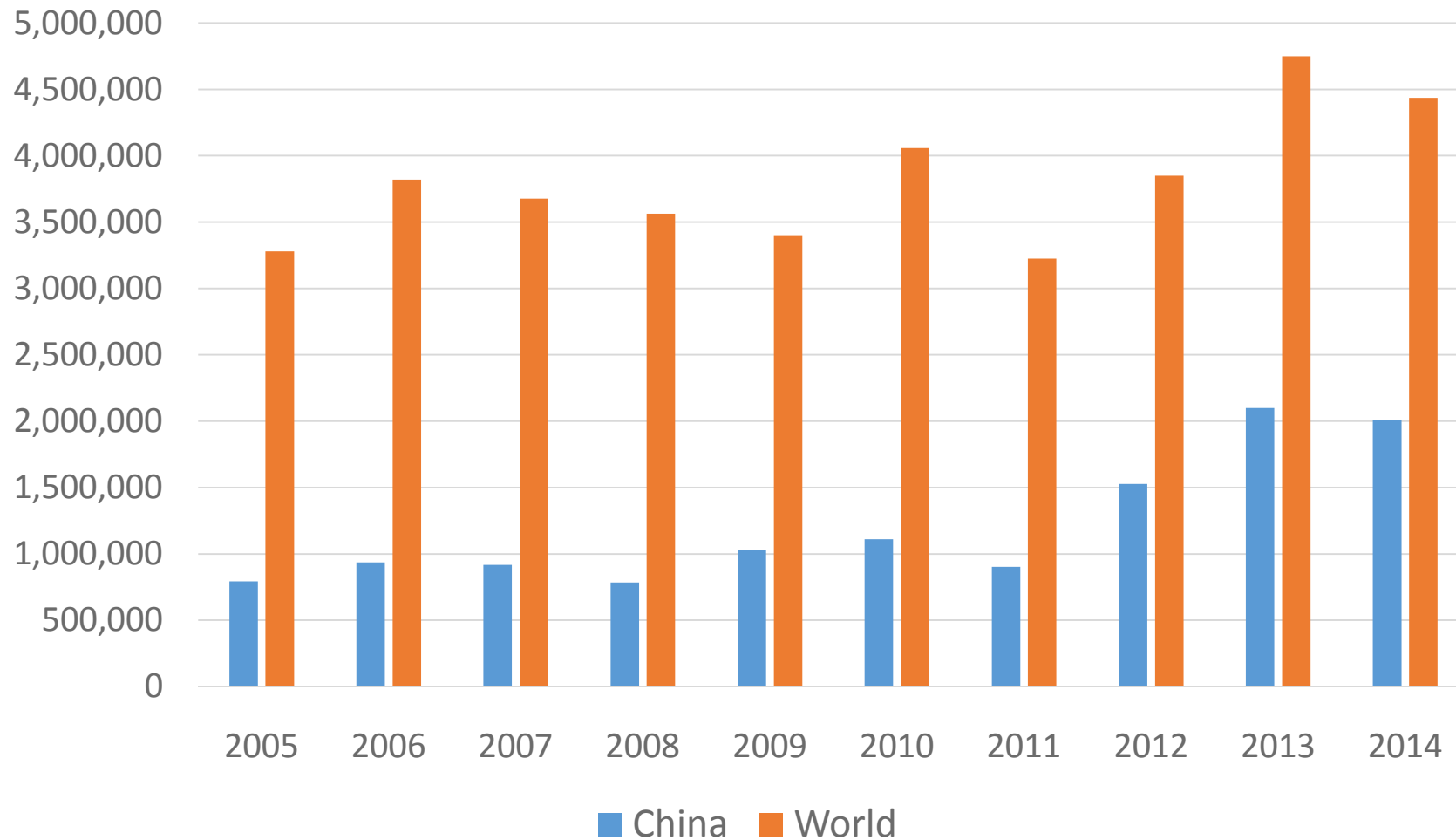
- Proximity to Europe

Source: ITMF

World & China Cotton Yarn Imports 2005-2014



(HS Codes 5205 + 5206 in tons)

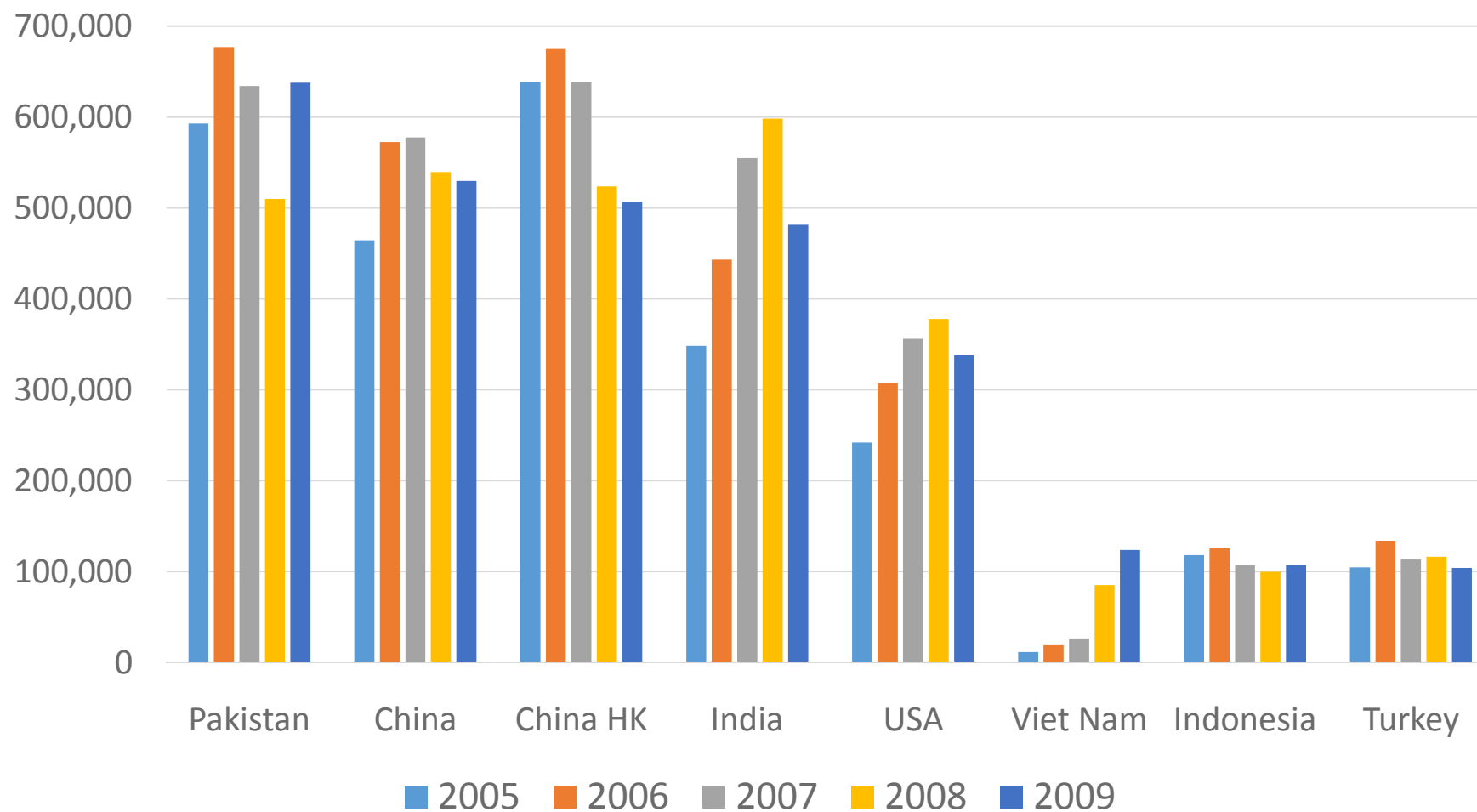


Source: UN Comtrade;

HS Code 5205: cotton content > 85% and HS Code 5206: cotton content < 80%

Largest Cotton Yarn Exporters 2005-2009

(HS Codes 5205 + 5206 in tons)

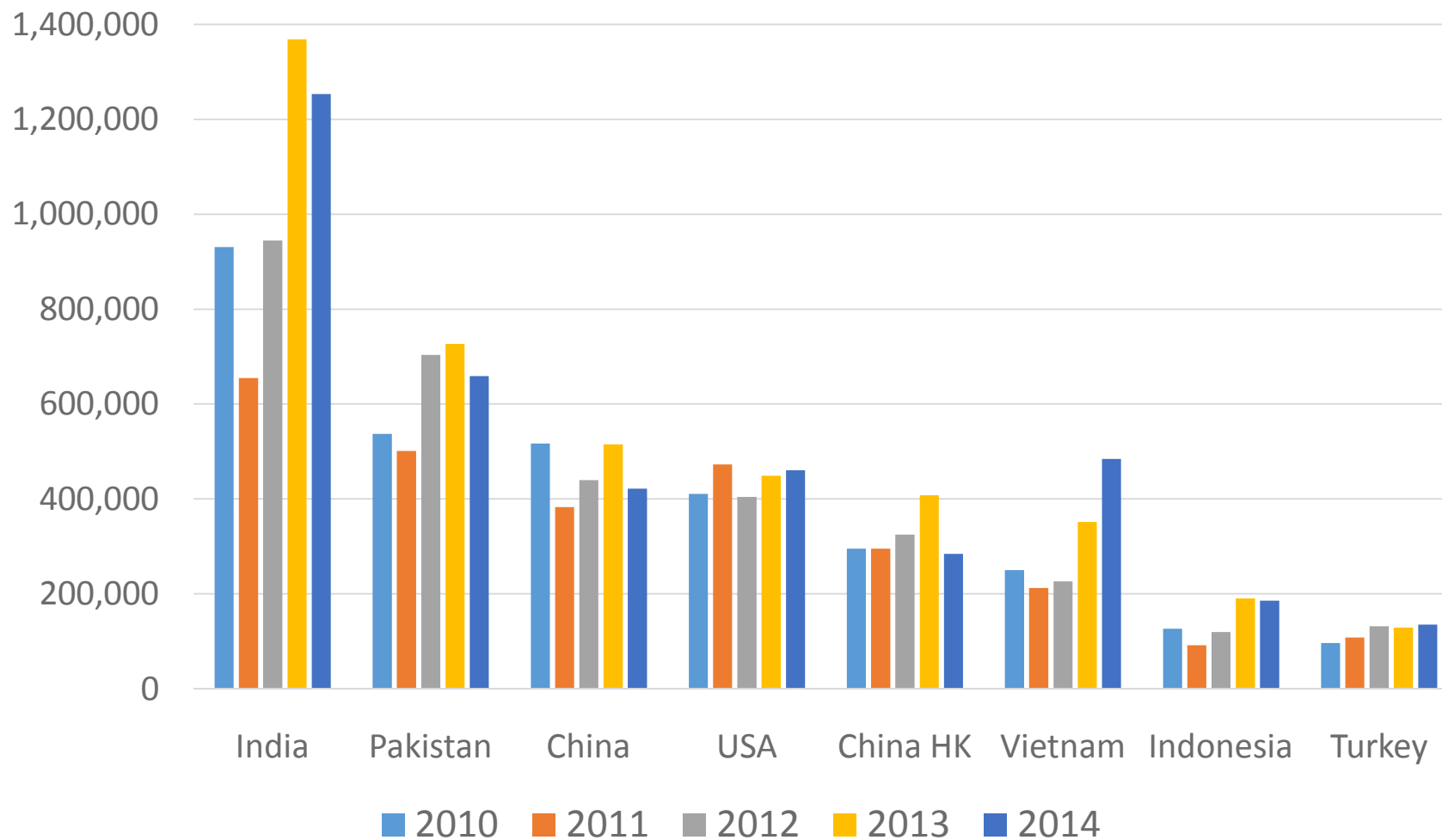


Source: UN Comtrade

HS Code 5205: cotton content > 85% and HS Code 5206: cotton content < 80%

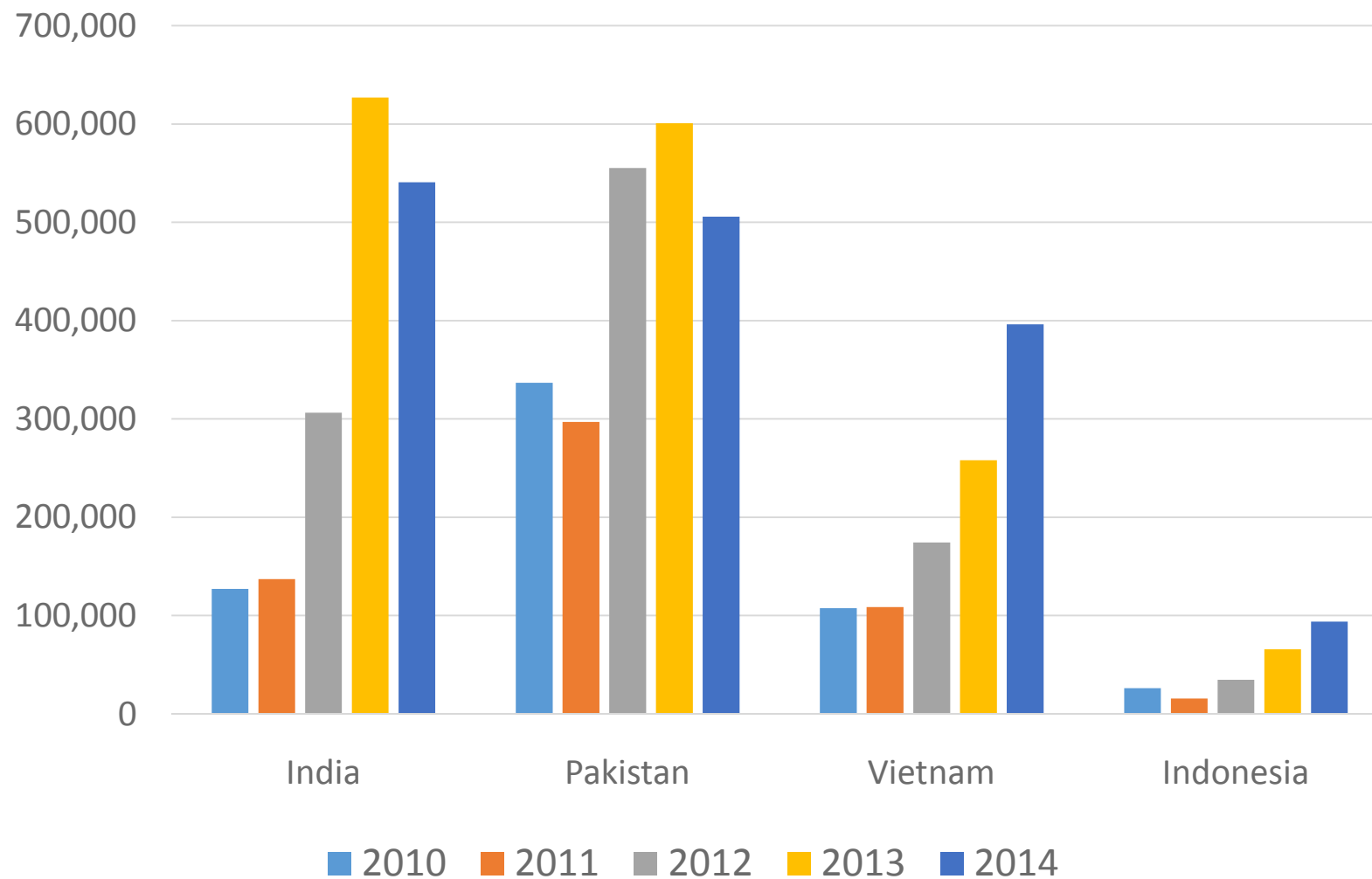
Largest Cotton Yarn Exporters 2010-2014

(HS Codes 5205 + 5206 in tons)



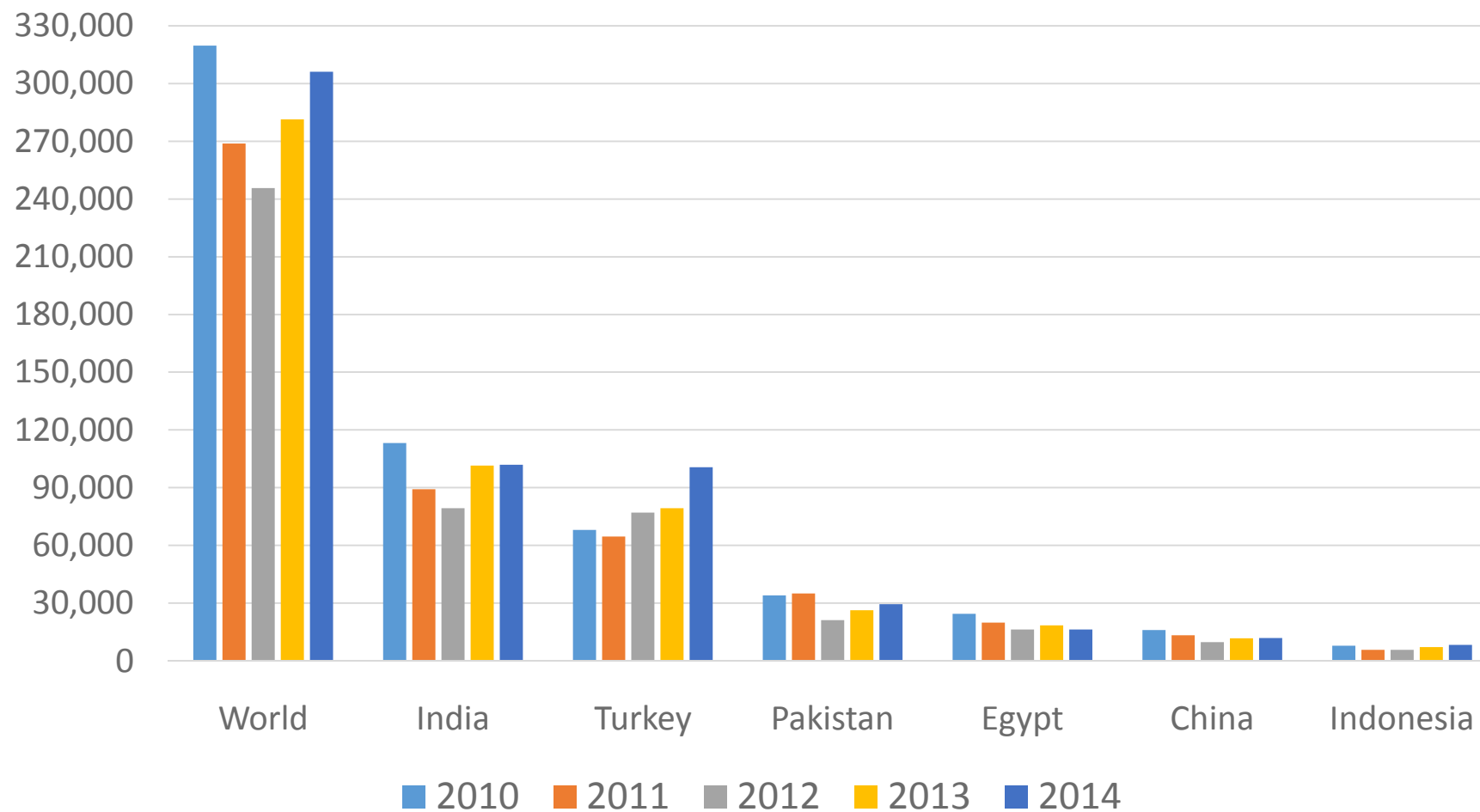
China's Cotton Yarn Imports 2010-2014

(HS Codes 5205 + 5206 in tons)



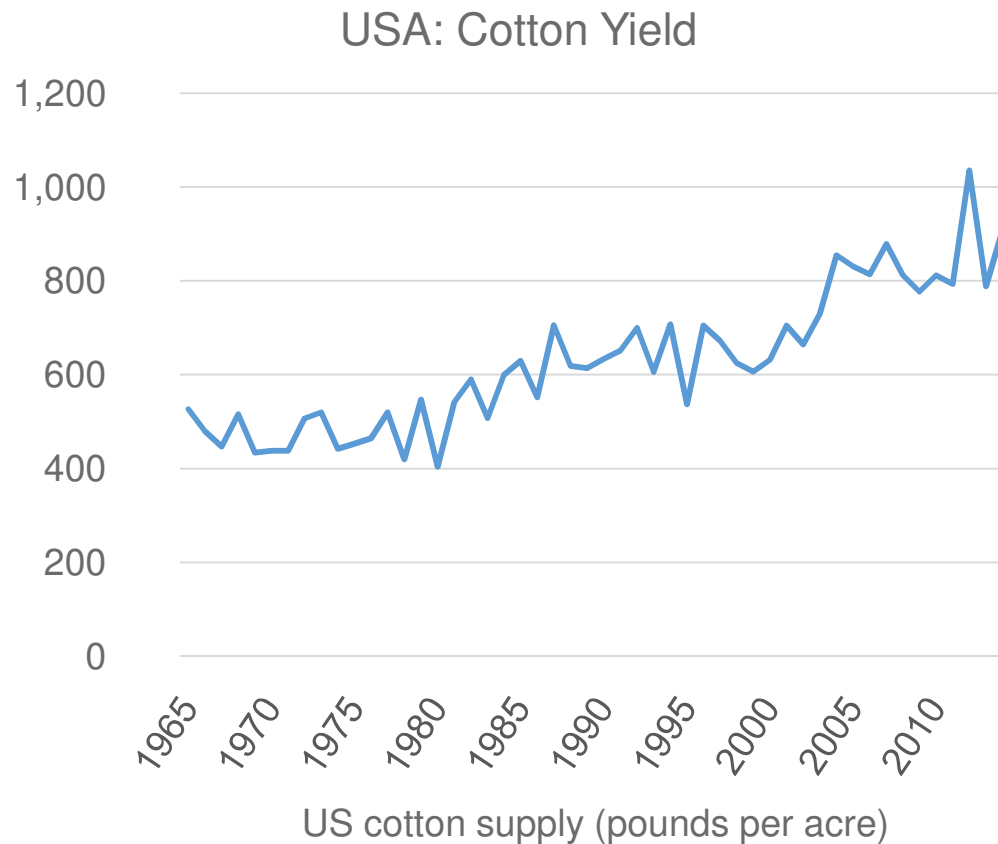
EU's Cotton Yarn Imports 2010-2014

(HS Codes 5205 + 5206 in tons)



3) Production and technological efficiency investments

Technological progress in all stages of the textile value chain



Source: USDA

- Textile and apparel manufacturing:
 - Faster
 - Less labour-intensive
 - Less energy-intensive
 - Higher productivity (e.g. cotton, labor, energy)
- Demand for automated and energy-efficient machines
- Challenges for industry:
 - Increase of R&D activities
 - Networking with customers to develop new products and processes
 - Monitoring of market for technological innovations

Labour Cost in Cotton Spinning between 1971-2014 (100% Cotton, Ne 30 combed, Turkey)

2014:

Labor Costs US\$/kg: 0.2063

% Share on Manufacturing Costs: 12.5%

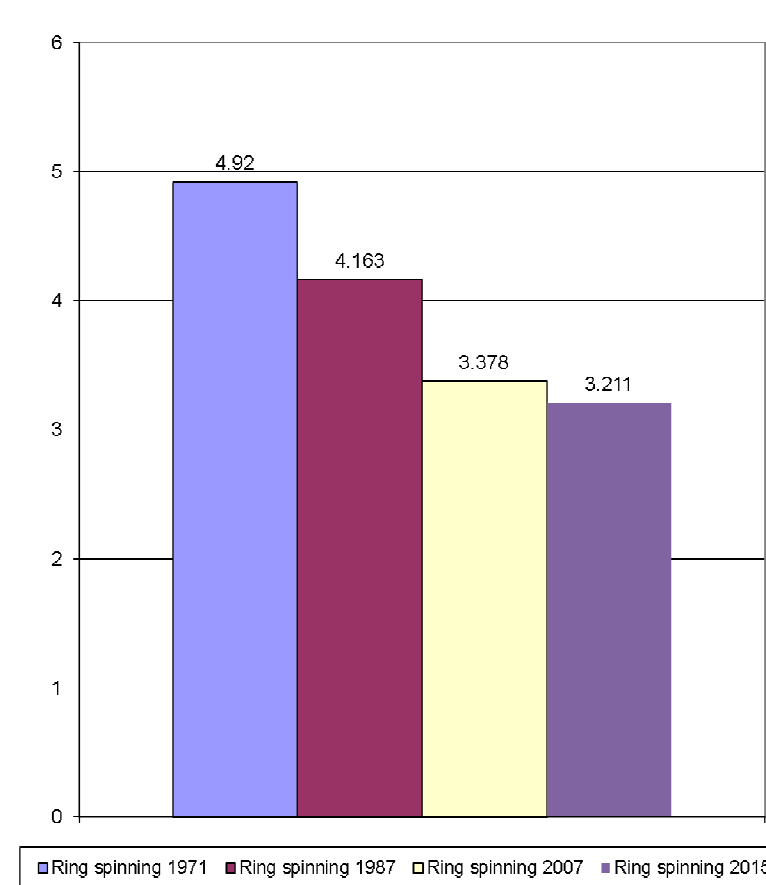
1971:

Labor Costs US\$/kg: 0.4128

% Share on Manufacturing Costs: 18.3%

%-change 2014/1971: -50%

Power Consumption in kWh/kg yarn between 1971-2014 (100% Cotton, Ne 30 carded, Turkey)

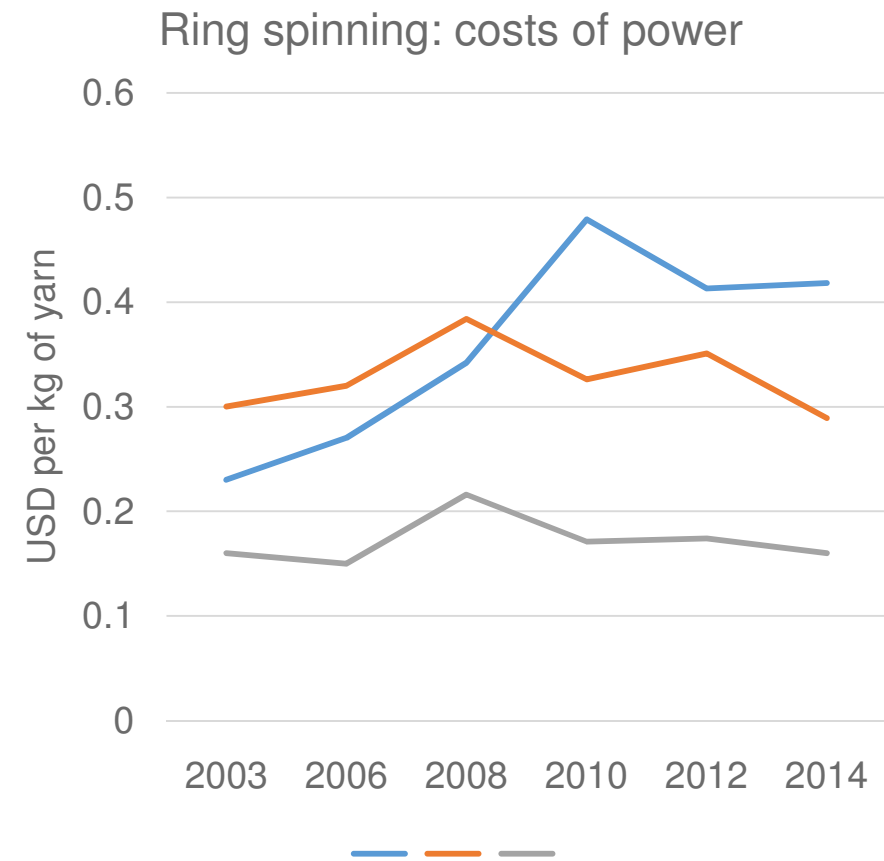
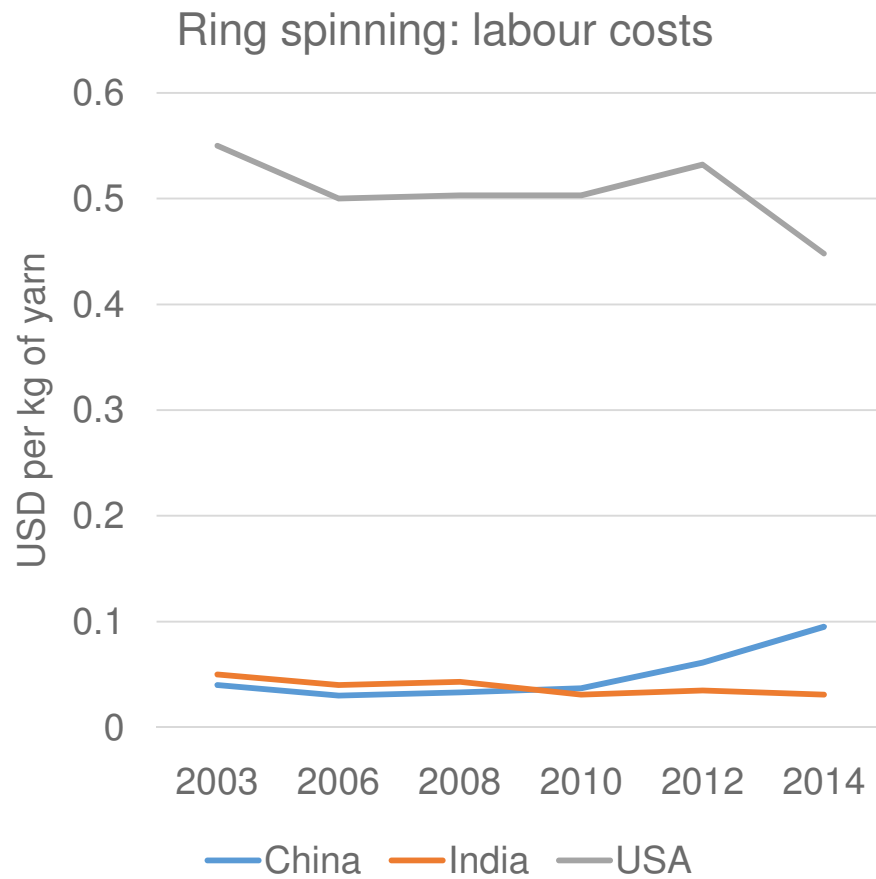


%-change 2015/1971

-34.8%

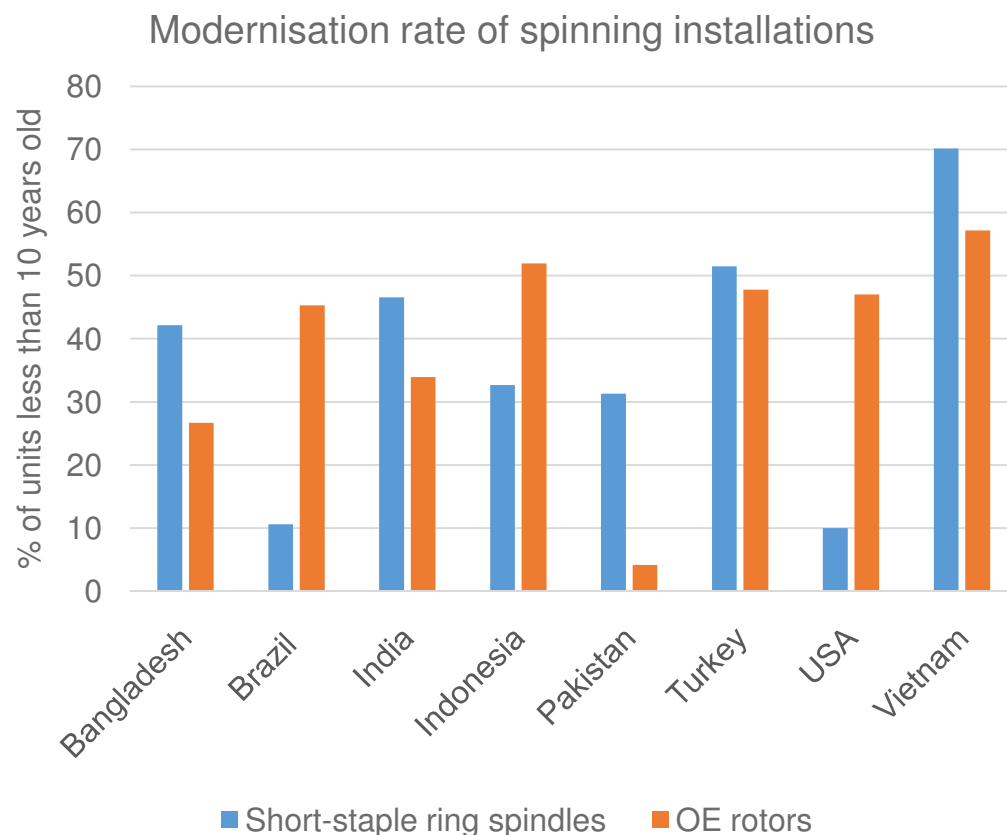
Source: Rieter Machine Works

Low energy costs improve US-competitiveness



Modernisation rates in different countries

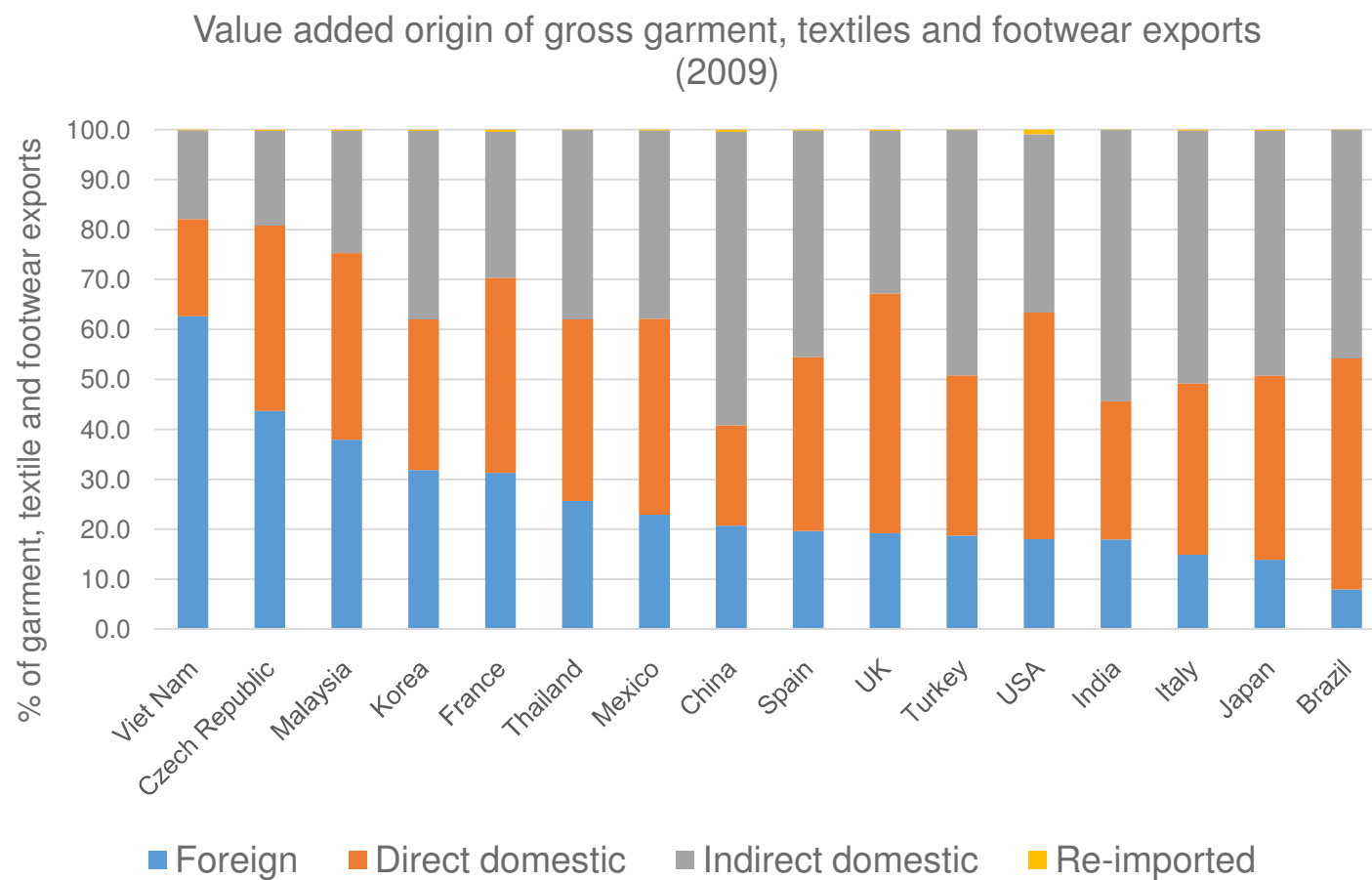
(Share of installed machinery less than 10 years old)



- Modernisation rate of spinning machines is very high in Viet Nam
- Big investments made in 2007 and 2008, after Viet Nam had concluded a bilateral trade agreement with the USA in 2006 and joined the World Trade Organization in 2007
- Turkish spinning industry also has high share of modern ring spinning and o-e rotors
- **Indian** textile companies are also updating their ring-spinning machinery park on a regular basis
- Other countries show an unbalanced age pattern – such as the USA (90% of ring spindles older than 10 years, while 47% of o-e rotors are younger than 10 years)

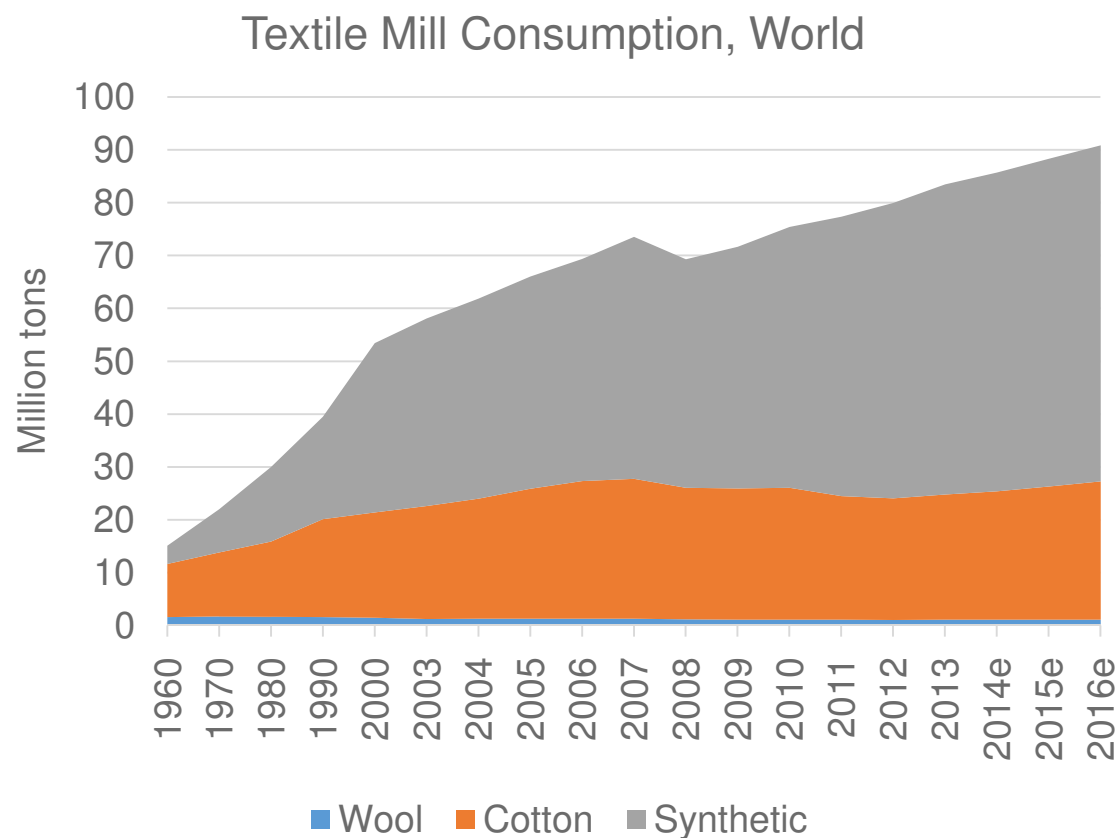
Source: ITMF

Intl. Textile Value Chain Pattern



Source: OECD

Technological innovation continues



Source: PCI Fibres Red Book

- Advent of **synthetic fibres**
 - Wearing comfort improves
 - Functional clothing
 - Technical textiles
 - Easy to control quality and quantity
- **Cotton** consumption stagnated in recent years due to both volatile and relative high cotton prices since 2010.
- While on paper there are huge cotton stocks, in reality most of the cotton is not freely available (China).

World Fiber Production 2014 (million tons)

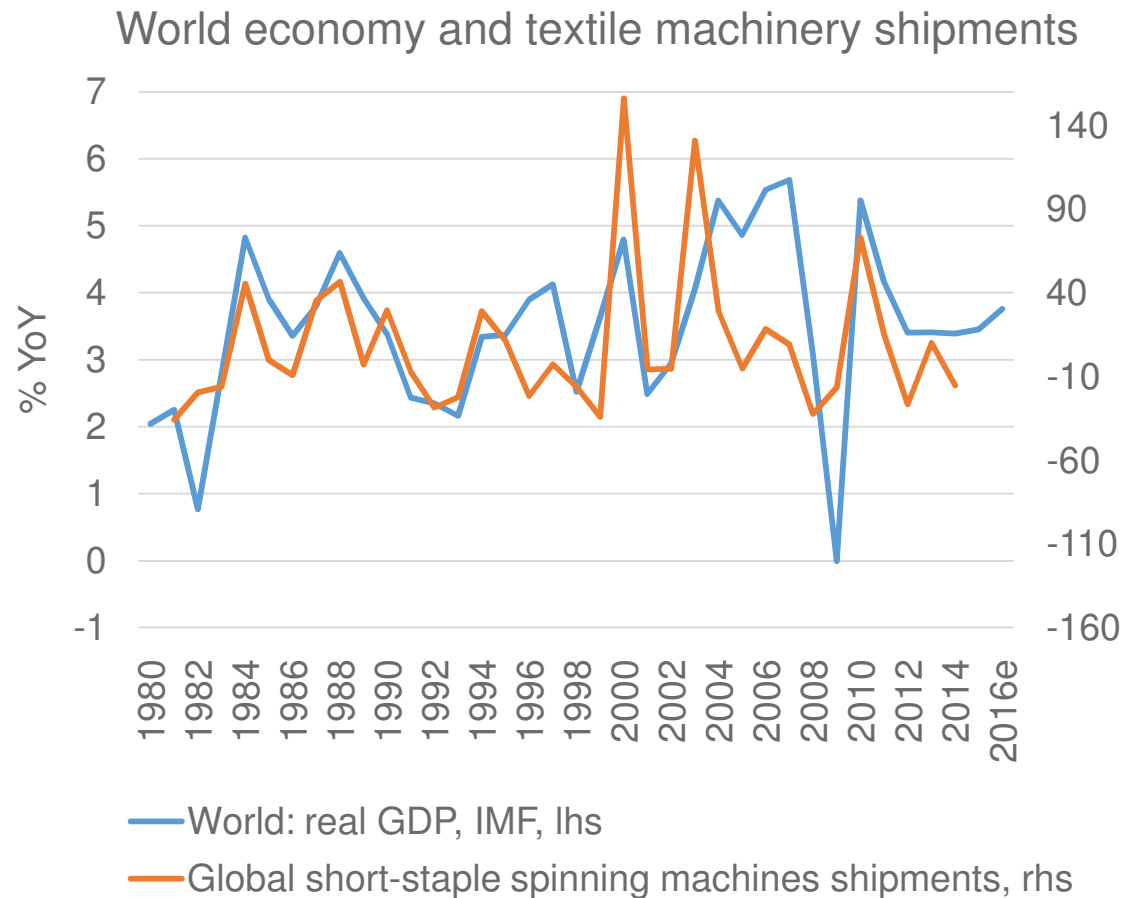
| | | |
|-----------------------------------|-------------|--------------|
| Cotton | 26.1 | -0.8% |
| Wool | 1.1 | -0.5% |
| Synthetic (Staple) | 15.7 | +3.9% |
| Synthetic (filament) | 33.0 | +5.4% |
| MMF others | 8.1 | +1.0% |
| Cellulosic | 4.9 | +2.2% |
| Total MMF | 61.2 | +4.3% |
| Total Fibre Production | 88.6 | +2.7% |

World Man-made Fibre Production by Country / Region 2014 (million tons)

| | | |
|-------------------------------|-------------|-------------|
| China | 42.9 | +6.6% |
| Western Europe | 2.2 | -1.9% |
| Taiwan | 2.0 | -1.9% |
| USA | 2.1 | +1.7% |
| India | 4.1 | -2.0% |
| Japan | 0.7 | -0.6% |
| Asean | 3.4 | +1.5 |
| S. Korea | 1.4 | -6.2 |
| Others | 2.5% | +2.5% |
| Total Fibre Production | 61.2 | +4.3 |

4) Outlook for the textile industry

Textile industry benefits from global economic recovery



- IMF forecasts global GDP-growth of 3.1% in 2015, of 3.4% in 2016 and 3.6% in 2017.
- Structure of global recovery in 2015 shifts from emerging markets to industrial economies.
- GDP-growth industrial economies: 1.9% in 2015, 2.1% in 2016 and 2.1% in 2017.
- Emerging markets: 4.0% in 2015 after 4.6% in 2014. For 2016 GDP-growth of 4.3% is expected and 4.7% in 2017.
- Demand for textile and apparel products will benefit from global economic recovery.
- Also, positive economic environment for global textile machinery industry.³⁰

Economic catch-up in Asia continues

Growing global GDP, current prices (billion USD)

| Year | World | USA | China | India |
|----------|--------|--------|--------|-------|
| 2014 | 77,302 | 17,419 | 10,380 | 2,050 |
| 2020 | 98,116 | 22,489 | 16,157 | 3,640 |
| Growth % | +26.9 | +29.1 | +55.7 | +77.6 |

GDP per capita, current prices (USD)

| Year | World | USA | China | India |
|----------|--------|--------|--------|-------|
| 2014 | 10,671 | 54,597 | 7,589 | 1,627 |
| 2020 | 12,715 | 67,697 | 11,449 | 2,672 |
| Growth % | +19.1 | +24.0 | +50.9 | +64.2 |

- Global GDP is expected to increase by +27% from 2014 to 2020.
- Economic growth in emerging and developing countries will be strong.
- Asian retail markets for textile and apparel become more and more important.
- Customer preferences in Asian countries change towards Western-style. On the other hand, Asian-style will influence textile industry.

Sources: IMF, UN

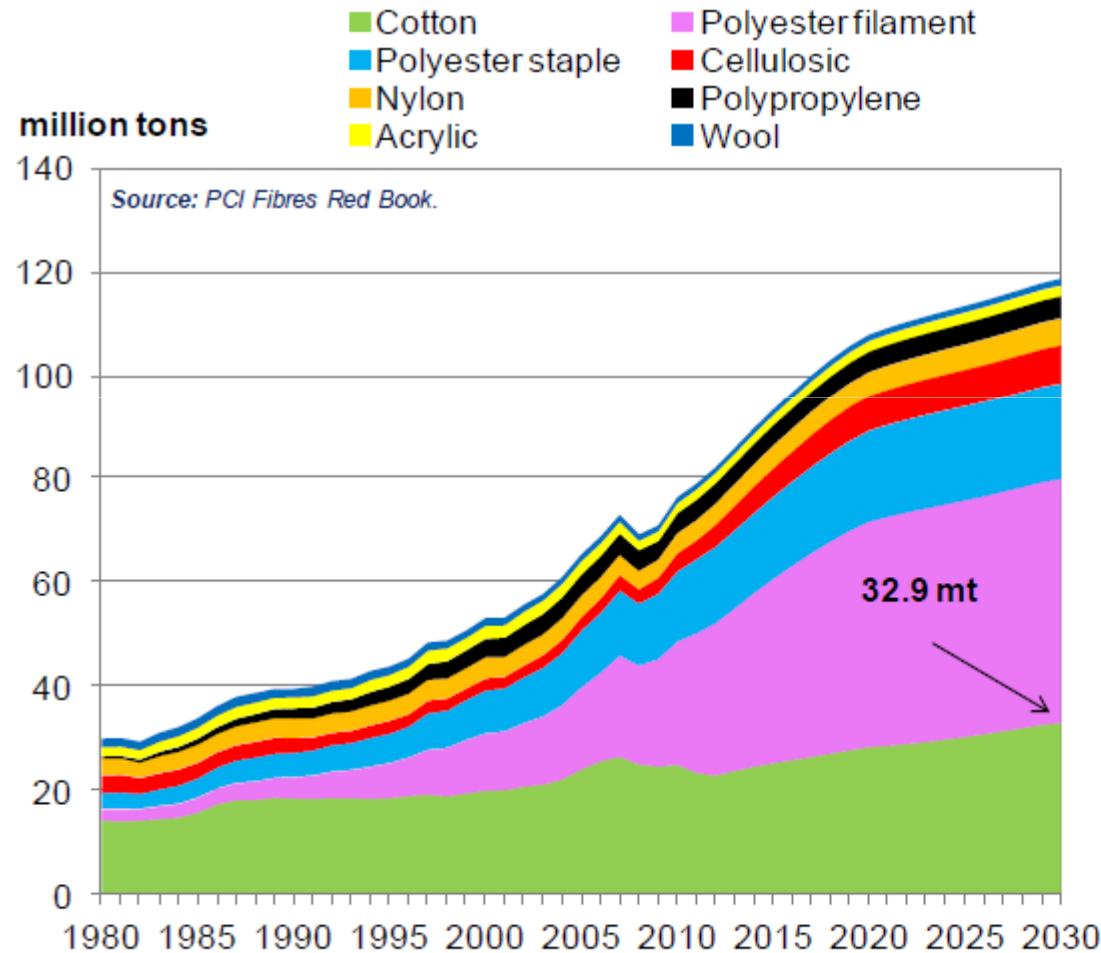
Strong increase in fibres consumption in China and India

Higher per capita fibre consumption (kg per capita)

| Year | World | West Europe | Turkey | North America | China | India |
|------|-------|-------------|--------|---------------|-------|-------|
| 2015 | 11.4 | 23.7 | 15.4 | 37.7 | 14.3 | 5.5 |
| 2020 | 12.3 | 24.8 | 20.8 | 38.4 | 15.9 | 6.3 |
| 2030 | 14.3 | 25.6 | 20.8 | 38.7 | 22.5 | 8.9 |

Source: PCI-Fibres Red Book

Long-term Perspective



Long-term growth is expected to be slower, as a result of a “China effect”, China in 2020 forecast to have 32% of global consumer demand across all fibres; in MMF, more significantly, 39%, of which nearly 80% in polyester.

Any slowdown in China hits polyester but hardly touches cotton with just 11% of the consumer market in China in 2020.

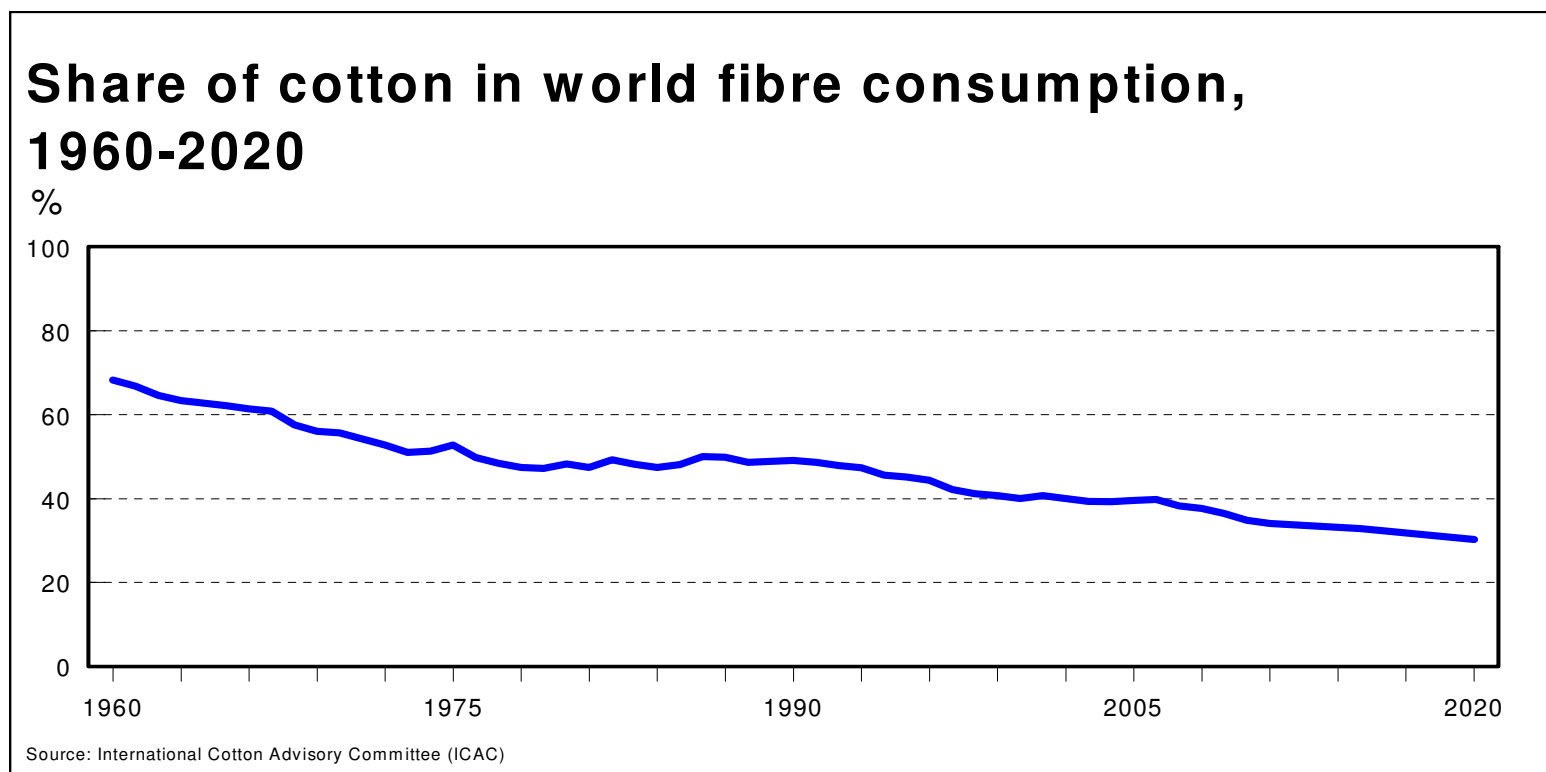
Slower growth overall enables cotton to increase at its own pace and hold market share; growth over 2010-20 for all fibres being put at 3.5% pa and over 2020-30 at 1.0% (2.5% according to other observers).

Source: PCI Fibres (ITMF Annual Conference 2013, Bregenz)

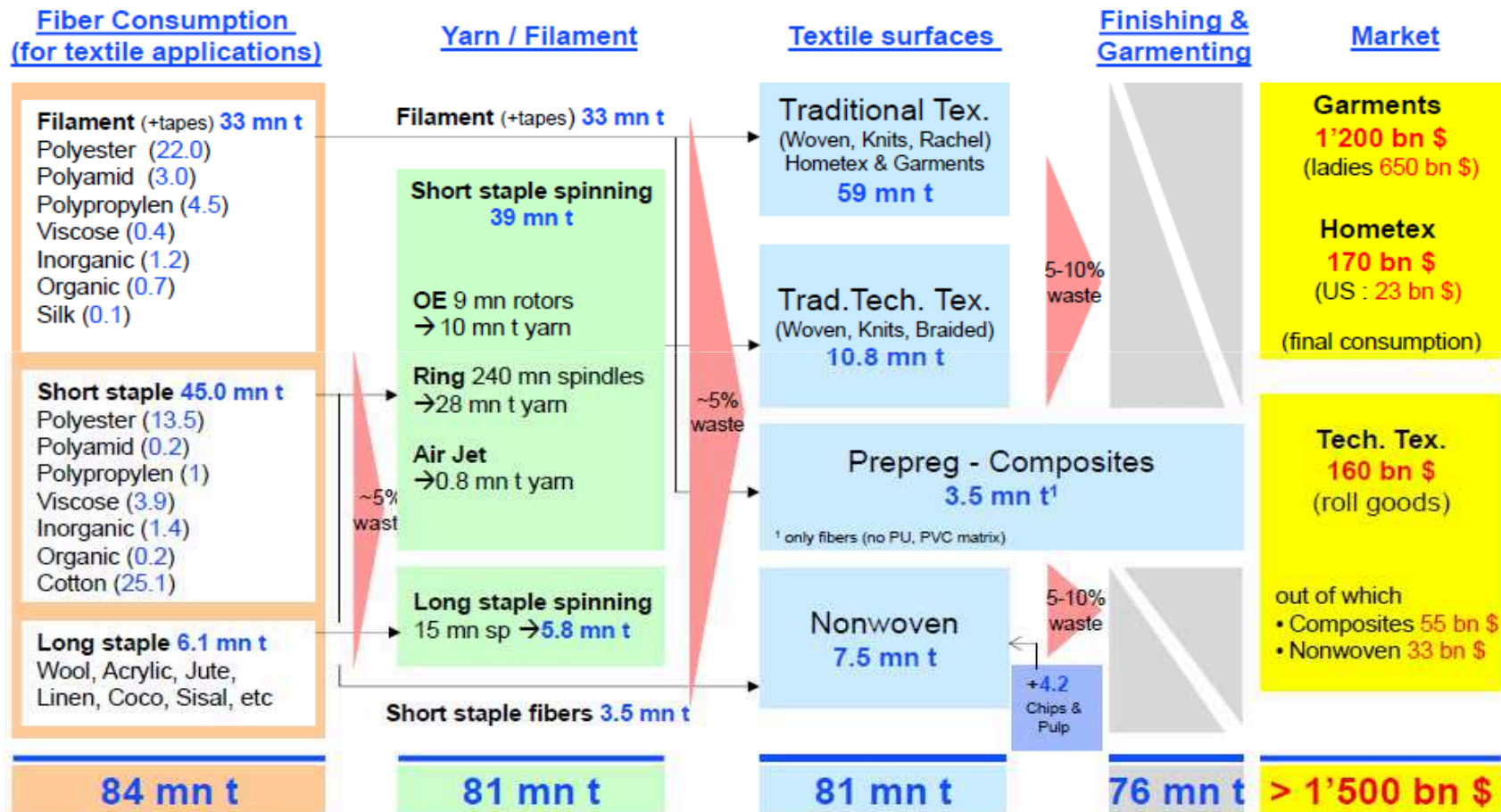
Long-term Perspective

Increasing fibre consumption

Global cotton consumption is expected to **increase**, though cotton's share on global fibre consumption will continue to **decrease**.

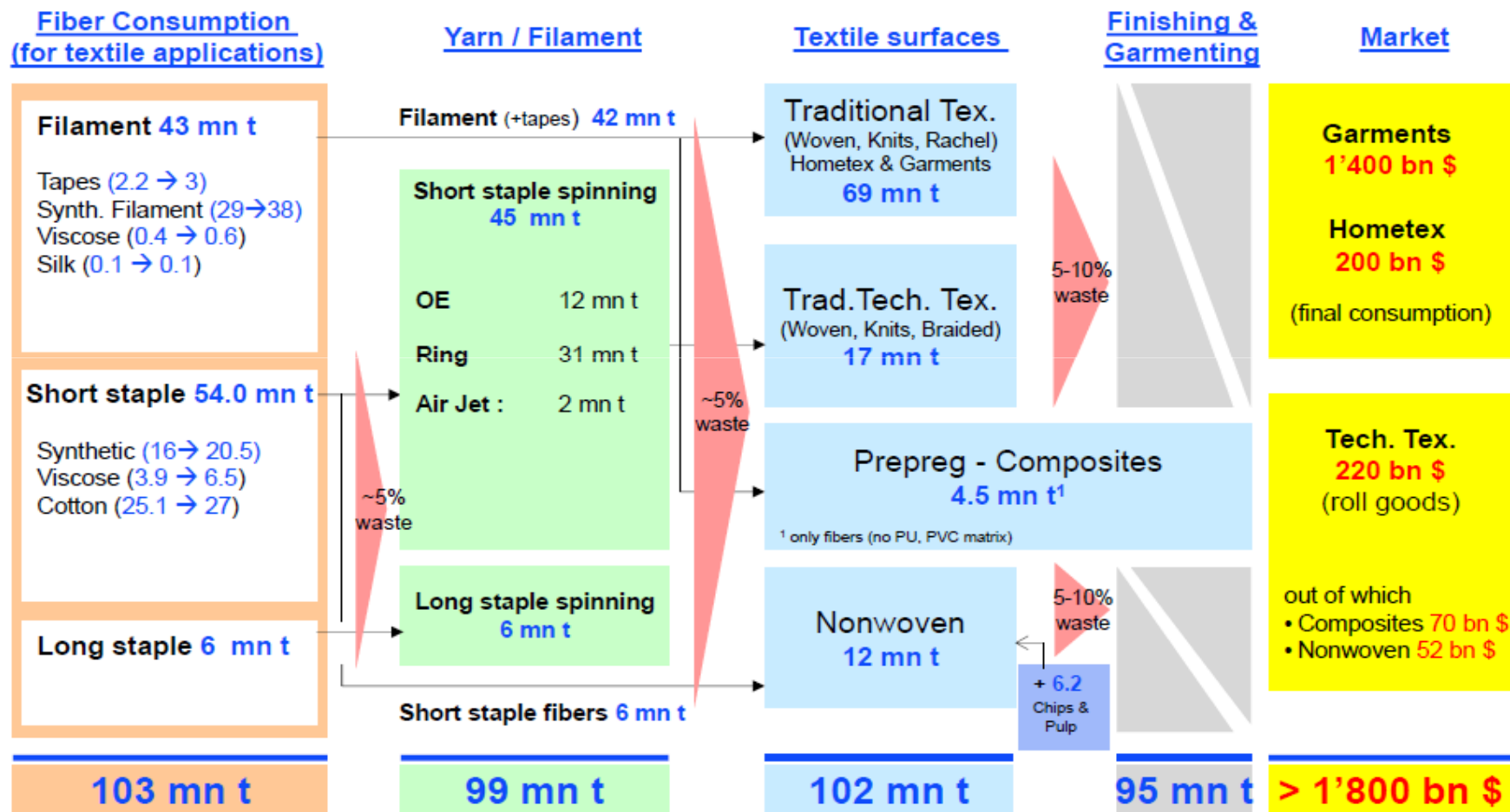


2012 Worldwide textile added value chain [mn t]



Source: Gherzi

2020 Worldwide textile added value chain [mn t]



Source: Gherzi



Thank you for your attention!

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