

# China Textile Industry Production Analysis Monthly Report

China Cotton Textile Association(CCTA)

Released on Nov, 2020

## Overview of the month:

According to the tracking data from China Cotton Textile Association (hereinafter CCTA), in Oct, 2020, Cotton Textile market continues the recovering trend, production and sales keep growing, production in stock decreasing on MoM basis.

## Companies Operation:

Compare with Sep, 2020, Cotton and textiles Mills procurement and stock decrease MoM, consumption increase MoM, yarn, fabric production and sales increase, stock reduce MoM.

### A. Raw material procurement and stock status

#### a) Raw material procurement

Raw material procurement of the tracking mills decreased overall by 1.88% in Oct. among that 47% mills decreased, 6% increased compared with previous month. Cotton procurement dropped by 8.16%, in Oct., China standard grade cotton price around 14,600 RMB/Ton, increased 14.3% compared with Sep, totally increased 25.9% in the last 5 months in a row. In Oct. cotton price increased till the last 10 days of Oct, then dropped a little, up to 8th, Nov, domestic standard grade cotton price is around 14,600 RMB/Ton in average.

Among cotton raw material, imported cotton dropped by 14.31%, the major reason is the quota of imported cotton is almost finished. In Oct, Int'l Cotton Price Index A is 74.82 USD cents/Pound, increased 5.7% MoM, include 1% of custom duty equivalent to 12,000 RMB/Ton, 2100RMB lower than domestic cotton price, price gap enlarges 1,300 RMB compare with previous month.

Non-cotton fiber procurement increased 10.64% MoM, Viscose, Polyester fiber price increased in Oct. average price increased by 13.8% and 7.23% MoM.

Chart 1 Raw material procurement changes in Oct, 2020, MoM

Raw Material MoM	Among raw material	
	Cotton	Non-cotton
-1.88%	-8.16%	10.64%

#### b) Raw material consumption and stock status

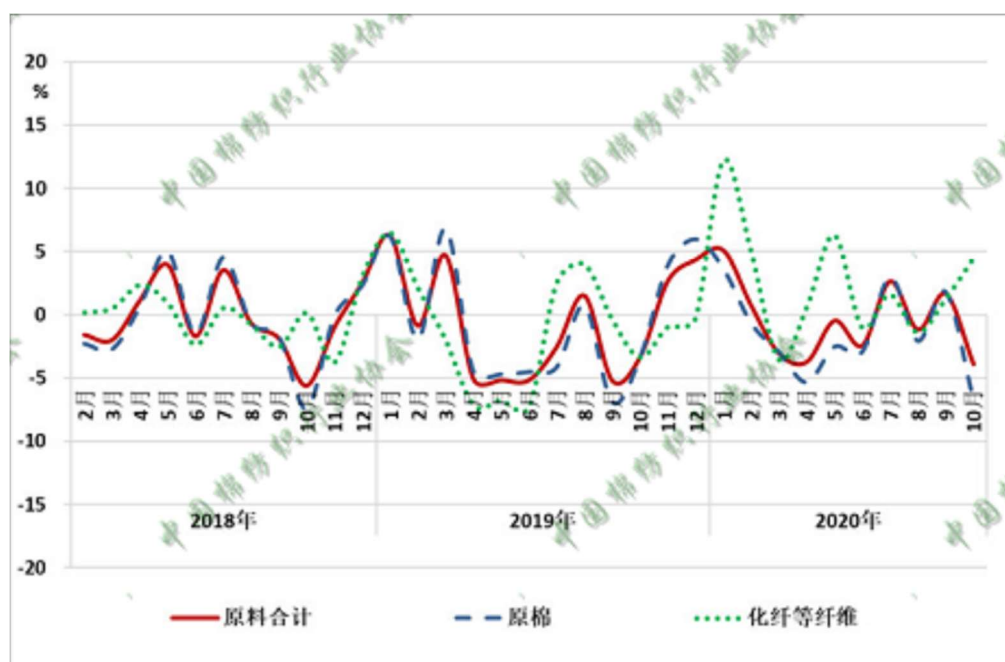
According to the tracking data in Oct, 2020, raw material consumption in Cotton textile mills increased 3.40% MoM, 58% of the mills are increasing MoM, 10% higher compare with the previous month.

Up to the end of Oct, raw material stock dropped by 3.92% MoM, increased by 7.23% compare with last year. Among that, raw cotton stock dropped by 6.72%, 50% of the mill stock are decreasing, cotton price increased a lot in Oct, new harvest cotton goes onto the market step by step, the risk of keeping stock is increasing, most mills are

expecting the price increasing trend might not continue, so they buy raw material on demand, and consume the stock raw material, some of the mills increased the procurement and stock for high quality cotton, non-cotton fiber stock increased by 4.39% MoM, 58% of the mills are increasing.

Chart 2 Raw material stock changes in Oct, 2020

Item	Raw material	Among the raw material	
		Cotton	Non-cotton
MoM	-3.92%	-6.72%	4.39%
YoY	7.23%	6.00%	10.64%



Graphic 1 Raw material status comparison MoM

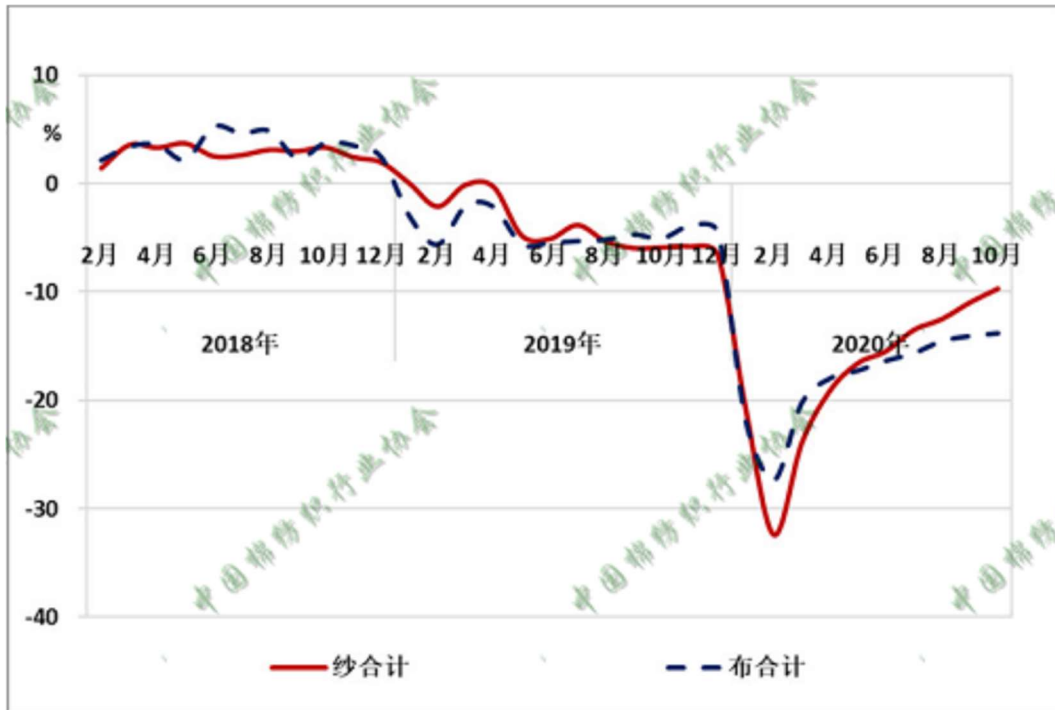
Red: Raw Material in Total

Blue: Cotton

Green: Non-cotton

## B. Production status

According to the data from the tracking mills, in Oct, Yarn and fabric production increased by 2.41% and 1.85% MoM. From Jan-Oct, the tracking mills yarn and fabric production dropped by 9.7% and 13.79% YoY, from March onwards, the decreasing gap is continuously smaller, among which the yarn production reduction ratio first come to less than 10% this year.



Graphic 2 Yarn and Fabric production in total comparison, YoY

Red: Yarn in total      Blue: Fabric in total

As of the end of Oct., the yarn producing equipment and fabric production equipment running capacity are over 90% from the tracking Mills, yarn producing equipment running capacity is slightly higher than fabric producing equipment. Among that, 84% of the mills with Yarn producing equipment running capacity over 85%, 5% higher than previous month, 78% of fabric producing equipment running capacity over 85%, 1% higher compare with previous month. Yarn producing equipment running capacity and fabric producing equipment running capacity dropped 2% and 5% YoY basis.

Chart 3 Yarn production changes in Oct, 2020

Item	Yarn	Cotton Yarn	Cotton Blend	Synthetic Yarn
MoM	2.41%	3.76%	-2.00%	2.94%
Cumulative YoY	-9.70%	-10.32%	-7.18%	-10.13%

Chart 4 Fabric production changes in Oct, 2020

Item	Fabric	Cotton Fabric	Cotton Blend	Synthetic Fabric
MoM	1.85%	3.47%	1.77%	-20.69%
Cumulative YoY	-13.79%	-10.73%	-21.54%	-16.37%

### C. Product Sales status

According to the data from the tracking mills, the yarn sales increased by 6.00% in Oct. Fabric sales increased by 2.40%, with continuously affected by the epidemic overseas, the orders from areas like India continuously coming back to China. Also, by the pushing of “Chinese Black Friday” (11<sup>th</sup>, Nov) and Christmas orders, the production and sales in the mills are increasing significantly, which is a peak time of the year, by the end of the Oct, the market showed the trend of dropping, in Oct, pure cotton, pure viscose yarn, pure polyester yarn price are increasing as a whole, and start to drop down at the end of Oct. in Oct, Ne32's cotton carded, Ne32's viscose and Ne30's polyester yarn price in average increased by 15% MoM; imported yarn price tend to increase, among them Ne32's cotton yarn imported from Vietnam slightly higher than domestic carded cotton yarn Ne32's. As of end of Oct, 37% of the tracking mills are at a loss, 10% higher than last year. From Jan-Oct, sales revenue of the tracking mills cumulative decreased by 11.79% YoY, among them 78% are decreasing YoY, 3% lower than previous month. Compare with Feb, cumulatively decreasing range is 18.7% lower; export value cumulatively decreased by 29.84%, among that 69% mills are decreasing YoY, 1% lower than previous month. Compare with Feb, cumulatively decreasing range is 42% lower, in Oct, raw material price increased significantly, while product price and rate is not as much as raw material increase, consequently even the sales is good, but the profit is limited.

Chart 5 Yarn product sales variation in Oct, 2020

Item	Yarn	Cotton Yarn	Cotton Blend	Synthetic Yarn
MoM	6.00%	8.58%	7.85%	0.35%
Cumulative YoY	-6.73%	-6.92%	-4.72%	-7.71%

Chart 6 Fabric product sales variation in Oct, 2020

Item	Fabric	Cotton Fabric	Cotton Blend	Synthetic Fabric
MoM	2.40%	3.67%	-0.55%	-3.40%
Cumulative YoY	-15.47%	-11.82%	-24.03%	-21.97%

### D. Product in Stock status

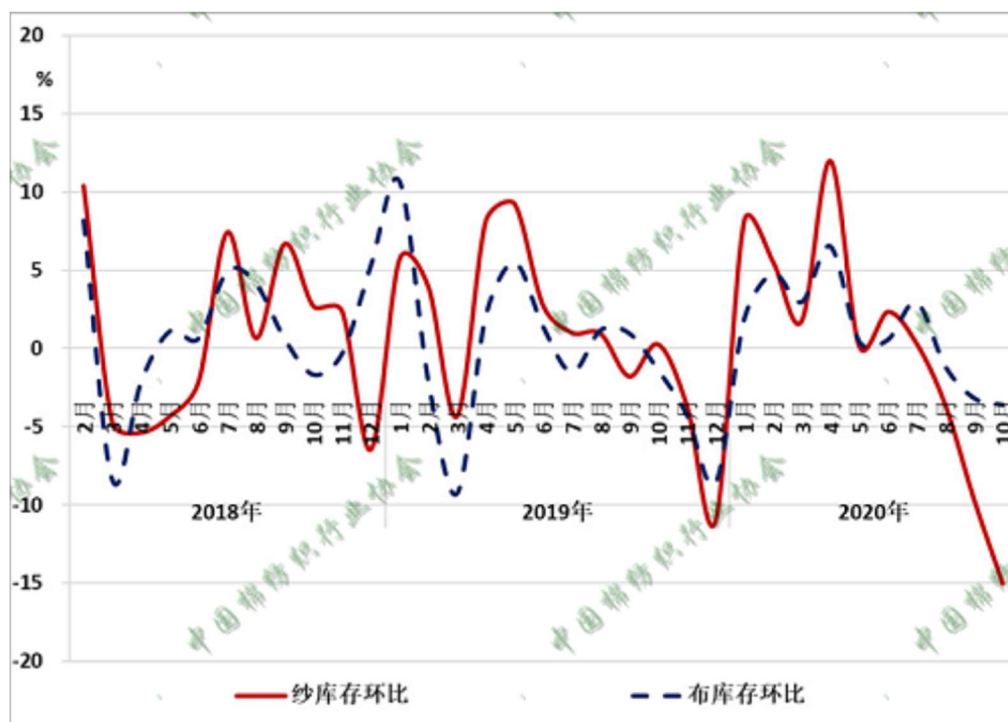
As of end of Oct, yarn and fabric stock is decreasing by 15.01% and 3.61% MoM. Among that, 78% of the tracking mills' yarn stock are decreasing, and 69% of the tracking mills' fabric stock are decreasing. With the influence of too many orders in very short time. The product stock is released very soon, some of the mills can't deliver the product on time. According to the survey, start from early Nov, product stock have the sign of increasing.

Chart 7 Yarn product stock variation in Oct, 2020

Item	Total	Yarn Product		
		Cotton	Cotton Blend	Synthetic
YoY	-15.01%	-15.47%	-15.83%	-13.88%

Chart8 Fabric product stock variation in Oct, 2020

Item	Total	Fabric Product		
		Cotton	Cotton Blend	Synthetic
YoY	-3.61%	-3.86%	-3.24%	-2.51%



Graphic 3 Yarn and Fabric product stock variation MoM

Red: Yarn Stock

Blue: Fabric Stock

### Clusters Operation:

According to the following up and survey of the cluster companies, in Oct, the overall clusters are speeding up to recover, the running capacity is continuously improving.

According to the economic statistic, YoY comparison, from Jan to Oct in 2020, the index of the cluster companies' production, production value etc. are decreasing, while the decreasing range is smaller compare with previous month. For production, all kinds of yarn products from cluster companies cumulatively decreased by 17.9% YoY, fabric production decreased by 20.4% YoY; for the economic index, cluster companies' sales revenue decreased by 18.9% YoY, Total profit decreased by 38.4%.

According to the information, part of the cluster companies confirmed that the market in Oct have a good recovery trend, the orders are almost full of running capacity, 100% running capacity mills are increasing, but mills are cautious of the upcoming market. More than 65% of the tracking cluster companies are operating now, among that, more than 85% of the over standard scale mills are operating; the running capacity of the mills in operation are continuously increasing.

*The source of the data of the above report is China Cotton Textile Association(CCTA), and the*

*data comes from more than 260 spinning and textile mills and around 15 cluster companies all around the nation. Yarn production of the above companies are 60% of all production in China, so they are quite representative.*

*We appreciate the support from Zhengzhou Commodity Exchange for this report.*