



No. 59 – December 2020

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Between November 20th and December 14th, 2020, ITMF has conducted its 6th ITMF Corona-Survey among ITMF members and affiliated companies and associations about the impact the Corona-pandemic has on the global textile value chain. The results are presented here.

Fast Consumption Recovery **Page 9**

The Swiss based company hpo forecasting presents economic forecasts for retail sales and industrial production in the USA, EU, and China.

EDITORIAL

by Dr Olivier Zieschank, economist, ITMF

The year 2020 is coming to an end. Despite all the difficulties faced this year, textile companies around the world are closing in a better situation than imagined a few months ago. When asked about their turnover expectations in April, companies anticipated a 35%-reduction of turnover on average worldwide. Today, after having overcome the first impact of the COVID-19 pandemic, it seems that companies will close with a turnover reduced by -12% compare to 2019 (see Article 1). At the same time, some economic indicators show that the economic outlook might well be better in 2021 (see Article 2). On this note, Mr. Ruizhe Sun, president of ITMF, and Dr. Christian Schindler, ITMF general director, send you the following message:

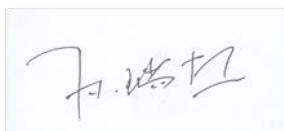


and a Happy New Year 2021

As this challenging year draws to a close, we think of all we are grateful for and all the challenges awaiting.

Thank you for your great support during 2020!

On this occasion, we wish you a healthy, happy and prosperous year 2021 and are looking forward to a continued mutually fruitful cooperation!



Ruizhe Sun
(on behalf of the Board)



Christian Schindler
(on behalf of the Secretariat)

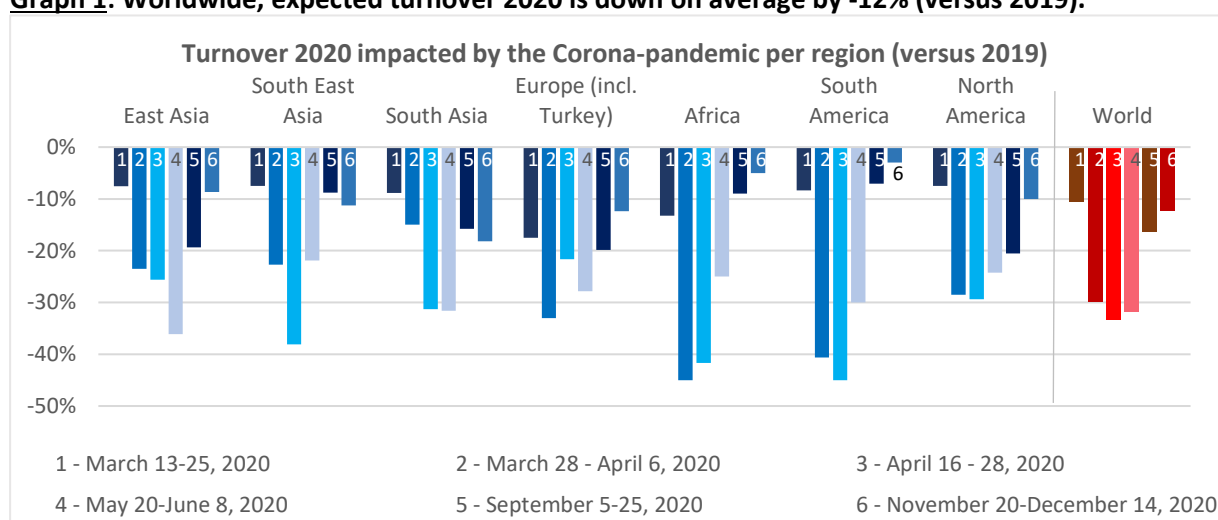
6TH ITMF CORONA-SURVEY: IMPROVE TURNOVER EXPECTATIONS

by Dr Christian Schindler, director general, ITMF

Between November 20th and December 14th, 2020, ITMF has conducted its 6th ITMF Corona-Survey among ITMF members affiliated companies and associations about the impact the Corona-pandemic has on the global textile value chain. In total, 159 companies from around the world participated.

In comparison to the 5th ITMF Corona-Survey (September 5th – 25th, 2020), the turnover expectations have improved in the second half of November/first half of December by 4 percentage points from -16% to -12% compared to 2019 (Graph 1).

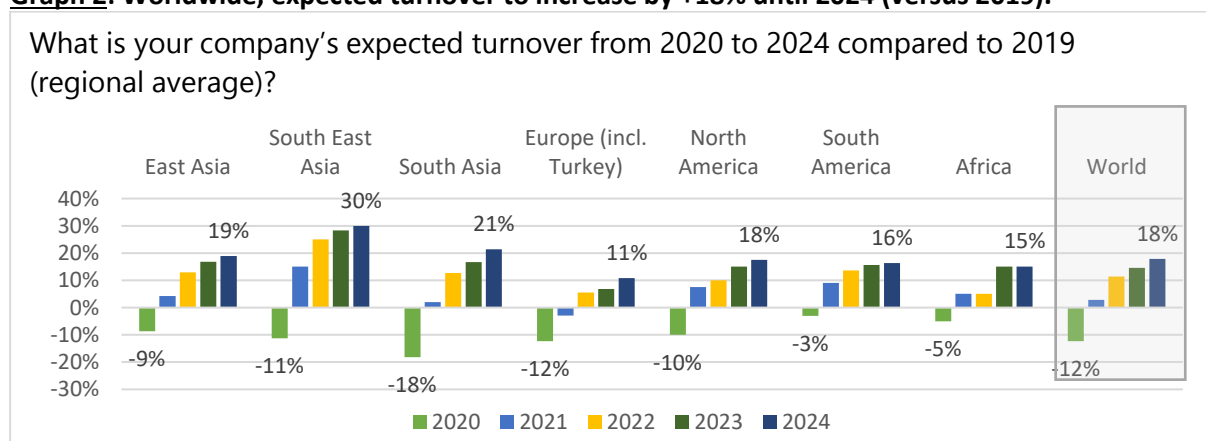
Graph 1: Worldwide, expected turnover 2020 is down on average by -12% (versus 2019).



Source: 1st 'til 6th ITMF Corona-Surveys (March 13 until December 14, 2020)

Turnover expectations have overall improved slightly since the last survey (see Graph 2). On average, compared to 2019, companies are now expecting their turnover to increase by +3%, +11%, and +15% for 2021, 2022, and 2023, respectively. The turnover expectations for 2024 have not changed since the last survey and lay at +18% compared to 2019. The industry is expecting to recover the 10%-loss incurred in 2020 by the end of 2022.

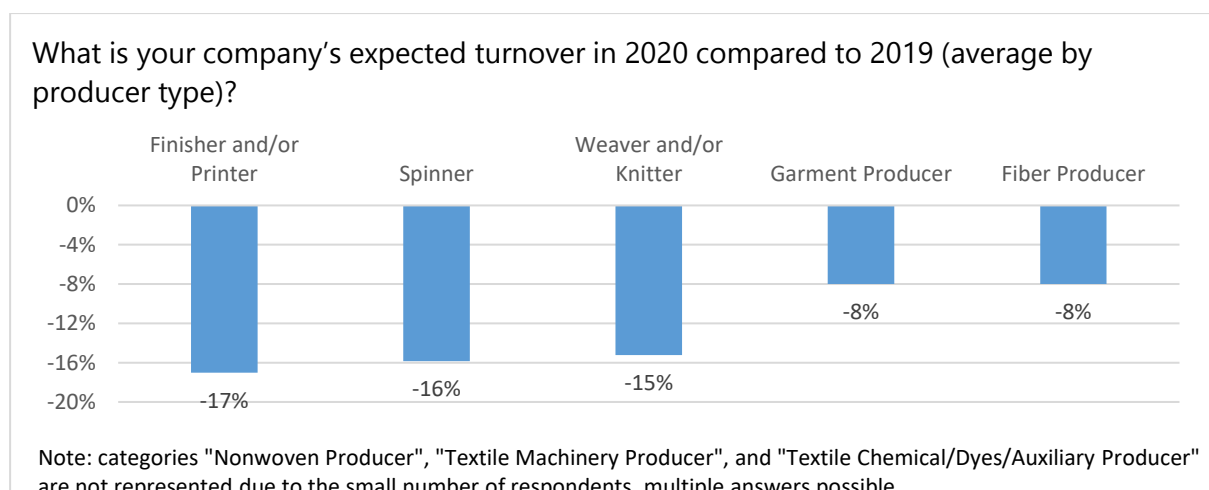
Graph 2: Worldwide, expected turnover to increase by +18% until 2024 (versus 2019).



Source: 6th ITMF Corona-Survey (November 20 - December 14, 2020)

Looking at different segments (see Graph 3) and their turnover expectations for 2020, finishers/printers are expecting a drop of -17% followed by spinners (-16%), weavers/knitters (-15%), and garment and fibre producers (both -8%).

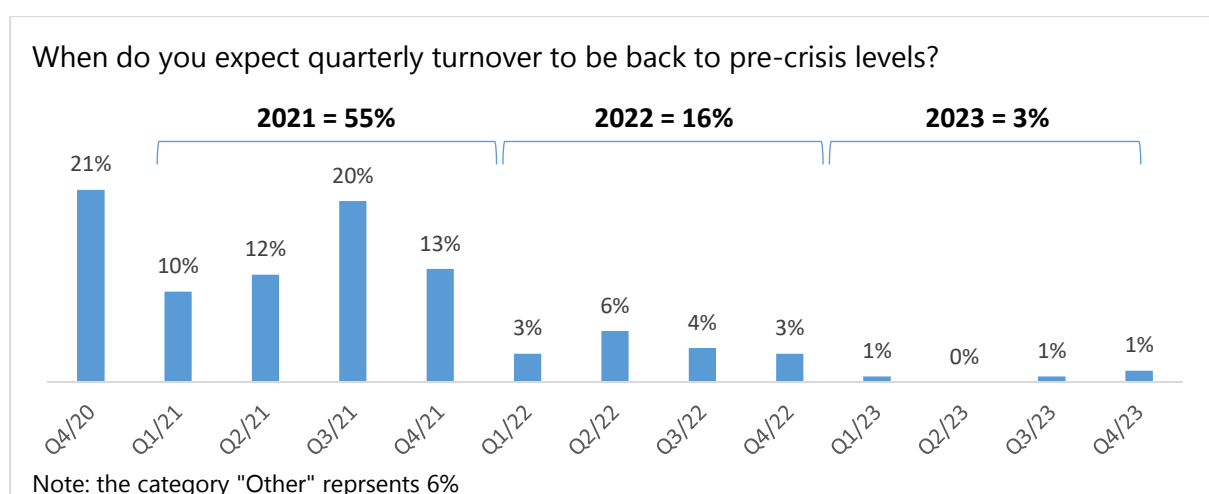
Graph 3: The entire textile value chain – from fibre to garment producers – has suffered from the pandemic.



Source: 6th ITMF Corona-Survey (November 20 - December 14, 2020)

If asked when quarterly turnover will reach pre-crisis levels again, 21% of companies are expecting this to happen in the current 4th quarter of 2020 (see Graph 4). Another 6% stated that they have either never experienced a drop in turnover or have already recovered in the 3rd quarter of 2020. Nevertheless, a majority of 55% is expecting to reach quarterly pre-crisis turnover levels in the year 2021. Another 18% of companies is of the opinion that it will take until sometime in 2022 to get back to pre-crisis quarterly turnover levels.

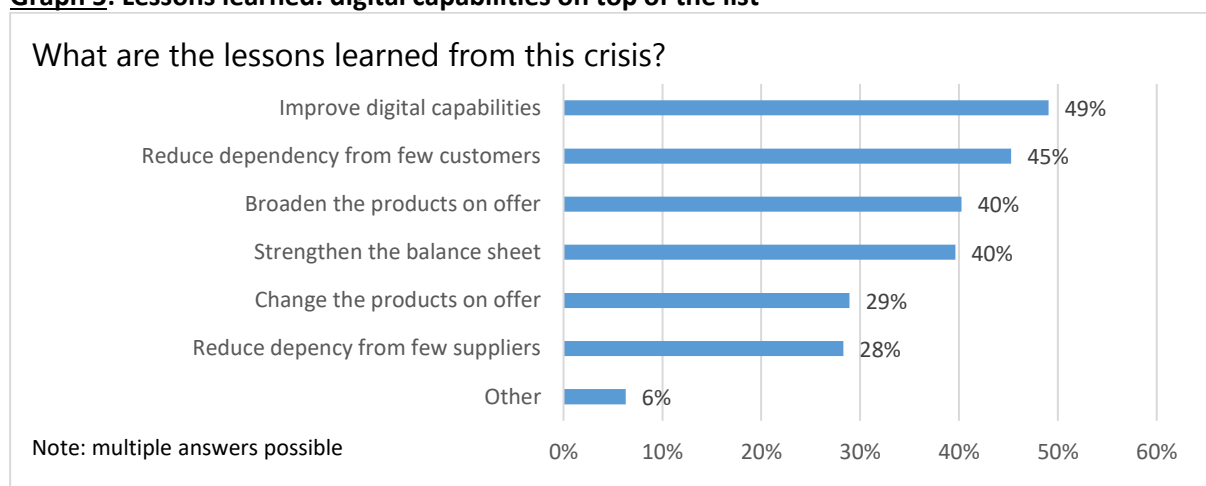
Graph 4: 55% of companies expect quarterly turnover to reach pre-crisis levels in 2021.



Source: 6th ITMF Corona-Survey (November 20 - December 14, 2020)

The 6th ITMF Corona-Survey confirmed the result of the previous one that the most important lesson learned (see Graph 5) during this pandemic and the following lockdowns, restrictions and stops of offline activities – like traveling, in-person meetings or shopping – is to improve the digital capabilities (49% of all companies). This requires investments in both hardware, software, and people who understand how to make use of the digital possibilities. 45% of companies think that they must reduce the dependency from few customers followed by 40% that have learned to strengthen the balance sheet and to broaden the products on offer.

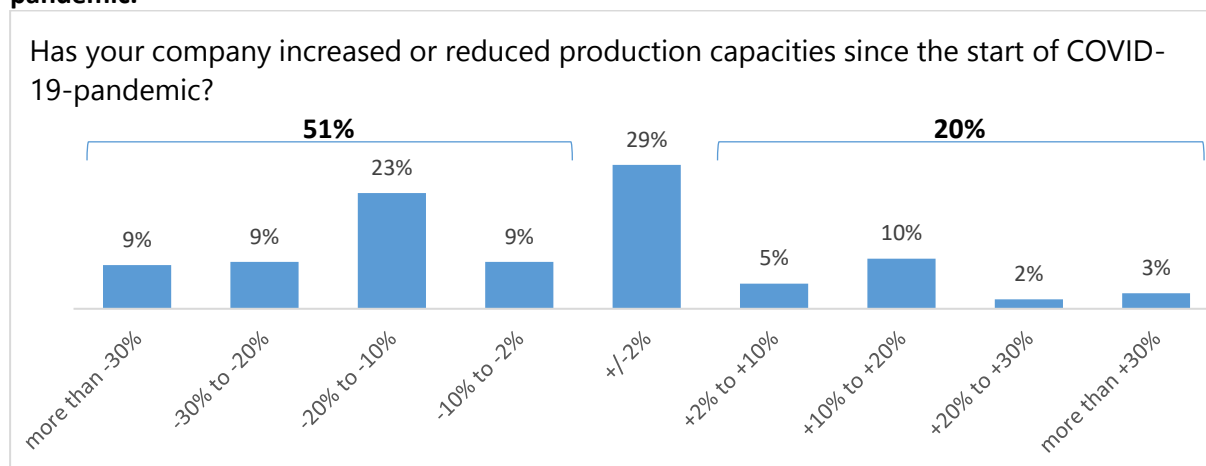
Graph 5: Lessons learned: digital capabilities on top of the list



Source: 6th ITMF Corona-Survey (November 20 - December 14, 2020)

Graph 6 illustrates that almost half of all companies (51%) have reduced their production capacities since the start of the COVID-19 pandemic. This is down from the 69% in the previous survey in September, and an indication that the recovery has continued since. 29% of companies have kept their production capacities unchanged (compared to 21% in the previous survey), while 20% have actually increased them (compared to 9% in the previous one). This means that on balance the global production capacities fell on average by -6%.

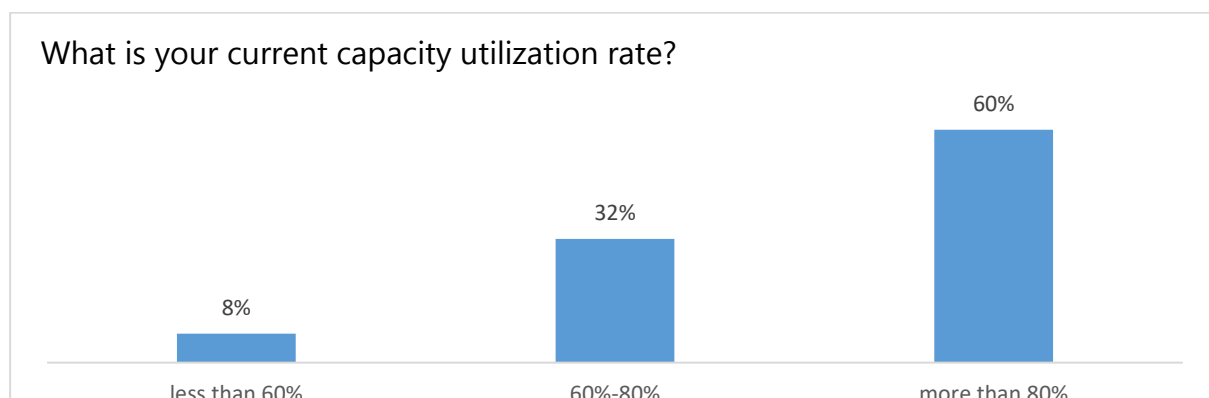
Graph 6: A total 51% of companies have reduced their production capacity since the start of the pandemic.



Source: 6th ITMF Corona-Survey (November 20 - December 14, 2020)

60% of companies have a capacity utilization rate of 80% and higher, 24% have capacity utilization rate between 60-80%, and 9% a rate below 60% (see Graph 7). These numbers translate to an average capacity utilization rate of around 80% worldwide.

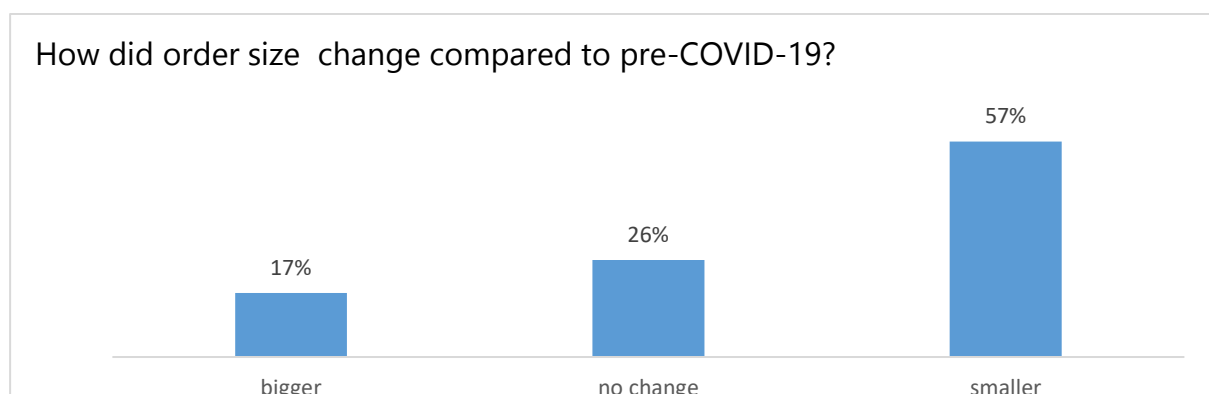
Graph 7: 60% of companies have a capacity utilization rate above 80%.



Source: 6th ITMF Corona-Survey (November 20 - December 14, 2020)

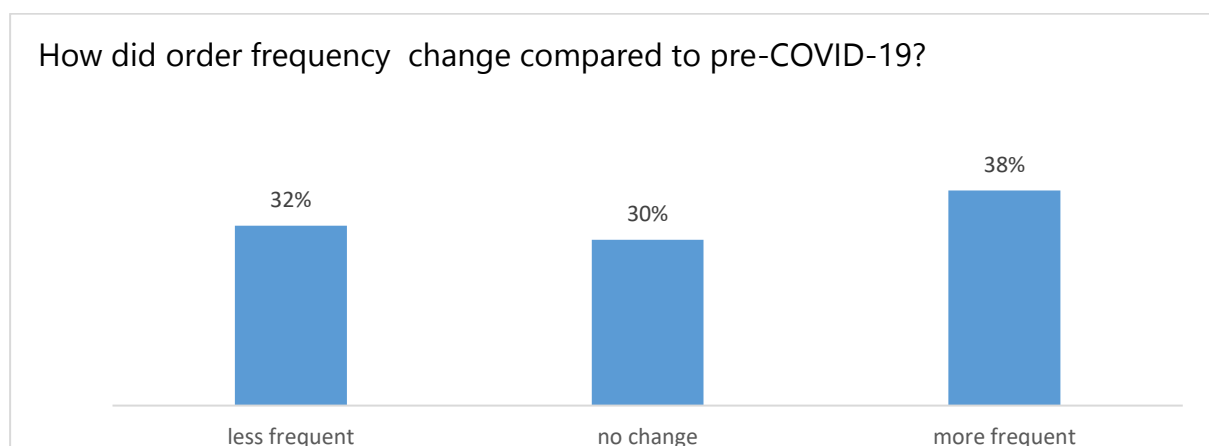
In comparison to pre-pandemic times, the size or volume of orders has changed significantly (see Graph 8). 57% of all companies reported that the size/volume of individual orders have become smaller, while 19% saw order sizes/volumes increase. The remaining 29% did not observe any changes.

Graph 8: 57% of companies saw their size/volume of orders become smaller since the start of the pandemic.



Source: 6th ITMF Corona-Survey (November 20 - December 14, 2020)

While the size/volume of orders decreased in many cases, the frequency of orders changed also. 38% of companies stated that they received orders more frequently, while at the same time 32% of companies recorded fewer orders (see Graph 9). Another 30% did not experience any significant change.

Graph 9: Frequency of orders changed in both directions – more and less frequently.

Source: 6th ITMF Corona-Survey (November 20 - December 14, 2020)

Summary and conclusions

The 6th ITMF Corona-Survey in November/December 2020 reveals that the situation of - and the outlook for - the global textile industry has improved since the 5th survey conducted in September. The 6th survey was conducted during a period when two major developments started evolving. First, a second major wave of Corona-infections started hitting Europe and North America – two major markets for the global textile industry – but also other parts of the world. Second, the announcement of two successfully tested vaccines in Europe and the USA provided a positive perspective. In other parts of the world – namely China and Russia – vaccines had been approved and vaccination of the population in these countries is under way since a few months. The results of the survey reveal that the medium- and long-term perspective of overcoming the Corona-pandemic with the help of mass vaccination around the world has outweighed the negative short-term perspective of a large second infection wave resulting in new restrictions negatively affecting the offline businesses, the tourism and hospitality industry in many countries around the world that have a negative impact on the global textile industry.

The combination of the reduction of expected turnover in 2020 from -16% to -12% and the improved expectation of the majority of companies to reach quarterly pre-crisis levels in 2021 is an indication that the recovery will be somewhat faster than previously imagined. Nevertheless, the long-term expectation on turnover for the years 2022, 2023 and 2024 have not altered significantly. This is a sign that companies are expecting a different business landscape in the future. The fact that many companies (51%) have reduced their production capacities is a sign that the industry is cautious about the recovery expectations.

Looking at the different segments in the textile value chain, all of them were negatively impacted by the Corona-crisis. Weavers/knitters reported the steepest drop (-17%). On the other side of the spectrum garment and (man-made) fibres producers experienced a significant smaller fall of -8%. One explanation for this is that garment producers were the first that benefitted from the uptake in the 3rd quarter that continued into the 4th one. The further upstream a company operates the more they lag. Producers of (man-made) fibres benefited from the extraordinary demand for nonwovens used to produce masks and other PPE, which compensated to a certain degree for the lower demand in the other traditional textile segments.

The reduction of global capacities of around -6% is an explanation for a relative high capacity utilization rate of around 80% on average worldwide.

After many orders were cancelled and/or delayed during the first Corona-wave in spring, it does not come as a surprise that 57% of companies have received and are receiving smaller order sizes/volumes than before the pandemic. Also, the frequency of orders has altered from the pre-crisis pattern. For 38% of companies the frequency increased, while 32% of companies reported that the frequency of orders fell. This can be explained by the facts that turnover is expected to fall in 2020 and that brands and retailers have become more cautious and demand oriented.

Like in the 5th survey, companies again stated in the 6th survey that a very important lesson learned in this pandemic is to improve digital capabilities (49%). This is a clear signal that the textile industry has to develop and apply very quickly digital capabilities to remain competitive in the future.

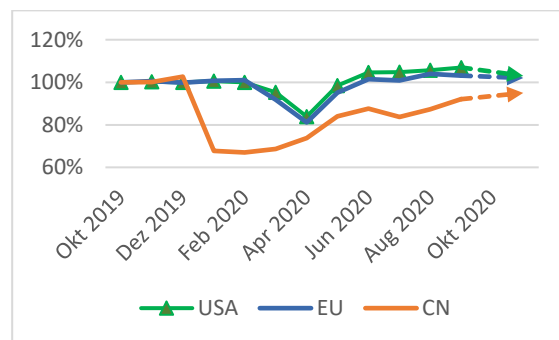
FAST CONSUMPTION RECOVERY



by Josua Burkart
Managing Director
hpo forecasting ag

Retail sales

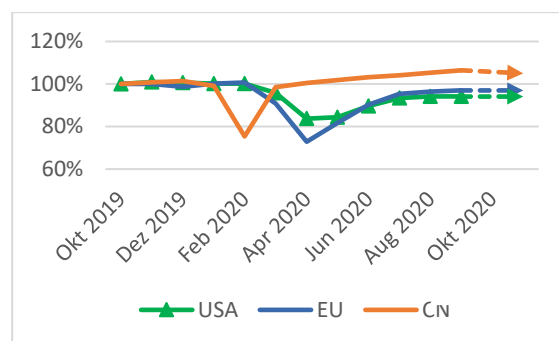
Retail sales are the long-term pacesetter for industrial companies. China was the first country hit by Covid-19. The drop in consumption was severe, followed by a slow and less complete recovery than in Europe and the United States. (Oct '19 to *Dec '20).



OECD, Nat'l Bureau of Statistics China, hpo (forecast)

Industrial Production

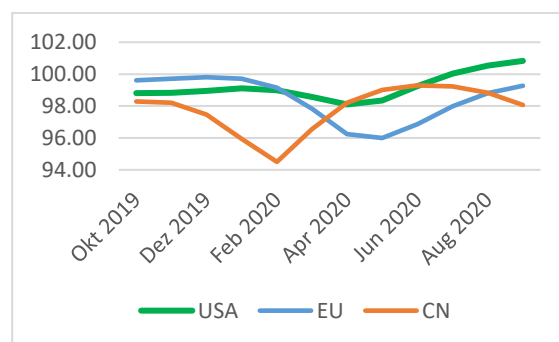
While the recovery of industrial production after the lockdown was very rapid in China, it is much slower and less pronounced in Europe and the United States. (Oct '19 to *Dec '20).



OECD, Nat'l Bureau of Statistics China, hpo (forecast)

Business Confidence Index (BCI)

The BCI has proven to be a very reliable leading indicator for the order intake. Values above 100 indicate an expansionary, below a shrinking economy. The BCI in the United States is above 100, whereas in Europe and China the value is still in the contractive area. (Oct '19 to Sep '20).



OECD, hpo

Impressum

The Swiss based company hpo forecasting provides economic forecasts for industrial companies. Dozens of international industrial companies use the model. The company has a specifically good track record in forecasting economic

The economic indicators described above are a selection of indicators used by hpo. For more information about hpo forecasting and their company specific order intake forecasts, please visit www.hpoforecasting.com.