IMPLICATIONS OF COVID-19
ON THE TEXTILE & GARMENT INDUSTRY

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JERZY KOTWAS
Dir. for Promotion & Intl Cooperation
Since the COVID-19 pandemic was announced with a global lockdown in mid-March, countless scenarios were analyzed and most of those worse and the worst come true.

**Domino effect was triggered** -
- brands & retailers closed stores
- sales departments cancelled orders
- clothing factories stopped production for brands
- finishing, weaving, knitting and spinning mills halted
- farmers & man-made fiber mills were hit
- spillover included ads, landlords, logistics and carriers.

Finally, COVID-19 reached the point where cash flow problems had arisen, difficult to bear even by the biggest.

The pandemic has devastated live of millions of workers, no difference whether from wealthy or indigent countries. It has become a disaster for reliable and stable trade relations between business partners.

**IMF made a downward revision in world GDP growth forecasts to 4.4% in ‘2020 and 5.2% in ‘2021**
COVID-19 has a catastrophic impact on the demand and supply of textile fibers.

Cotton consumption slumped 3.1 Mn tons or 12%, compared to the previous season. Supported by production increase by 2% to 26.15 Mn tons in 2019/20, the ending stock has risen by 17% to 21.96 Mn tons. The season-average price fell below the levels observed in previous three seasons.
China, the largest producer of man-made fibers with 70% global share, faced falling prices of polyester fiber by 18% in March-Oct ‘2020 period and 29% Y/Y.

In recent weeks physical markets and futures quotes of cotton as well as polyester fiber prices remain in a strong upward trends. Will the recovery of the textile industry be stable in the coming months?
As suggested by the IMF, the fashion industry growth was predicted to slow down by 3% to 4% in 2020, but it was never anticipated that the pandemic Covid-19 would change the whole retail dynamics and have such devastating impact on it.

The key markets: USA, EU-27, UK and Japan which represent 82% of global clothing imports were reduced by 27% during January-May’2020 as compared to the previous year, largely due to closure of retail stores during the pandemic.

China which was the biggest exporter of clothing in 2019 having share of 28% (US$ 138 Bn) in global clothing trade, recorded the decline of 57% from US$ 47 Bn (Jan-May ‘2019) to US$ 20.3 Bn (Jan-May ‘2020).
In May, the retail sales in the U.S. declined by 63% from 87% decline in April Y/Y, the largest monthly fall ever. Some of the brands and retailers who were already on the brink of collapse filed for bankruptcy in US as business became unsustainable.

In the EU-27, retail sales at fashion stores fell by 55% in March and 64% in April Y/Y. In Spain, which imposed one of the strictest lockdowns, the April decline in sales was 90%.

As per estimates by BCG, the fashion retail sales is expected to fall by at least 28-38% in 2020 and the impact of the crisis will last about twelve months.

And while an increase in online sales is seen, this offers only small improvement as 80% of the fashion retail is based on direct - offline sales, at present.
Implications of COVID-19 on the textile and clothing industry

ITMF 5th Corona-Survey conducted on September 5th – 25th, 2020. In total, 216 companies from around the world participated.

Graph 1. Change in Production capacity

- 23% reduced by more than 30%,
- 19% reduced by 20 to 30%....

On the other side of the spectrum –
- only 9% have increased their production,
- 21% did not make any change.
Graph 2. Expected return to pre-crisis turnover

- 21% of all companies are expecting turnover to be back in 2020,
- 11% think it will happen in the 1st quarter of 2021,
- 15% in the 2nd quarter of 2021 and
- 17% in the third quarter of 2021....

It is important to note that
- 25% are expecting turnover to reach pre-crisis levels in 2022 and 2023.

Source: 5th ITMF-Corona Survey (September 5-25, 2020)
The Corona-pandemic has proven several principles of effective business:

Graph 3. Lessons learned from this crisis?

- Improve digital capabilities: 21%
- Reduce dependency from few customers: 18%
- Broden the products on offer: 17%
- Strengthen the balance sheet: 17%
- Change the products on offer: 15%
- Reduce depency from few suppliers: 10%
- Other: 3%

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

- The impact of COVID-19 is changing the way of consumers live, work and leisure. While the pandemic’s impact varies by geography and industry, fundamental shifts in consumer behavior are already emerging.
- Brands and retailers further advanced in digital capabilities are better positioned.
- Regardless of analyzes, all players are forced to reexamine their value chains and search for operating models and capabilities better suited for the New Normal.

THANK YOU FOR ATTENTION!