Textile and apparel worst hit

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The International Monetary Fund downwardly revised its global growth projection in June to -4.9% for 2020. The further surge of daily new coronavirus cases to top levels and an increasing number of countries facing a second wave may lead to another economic growth rate adjustment following reimposing of lockdown measures or extension of restrictions.

The International Labour Organization estimated more than 30 million full-time job losses since the beginning of 2020 and an uncertain recovery leaves the question unanswered when people will earn a living again. For millions of most vulnerable workers in developing countries means no income, no food and no future. Economic backbone and essential foreign exchange earner in several low-income nations is the apparel business. About 80% of Bangladesh’s exports depend on garment. Joint shipments in the first four months 2020 fell 25%, plummeting 85% in April compared with the same month a year ago. The country’s poverty rate may double with the inequality in society further increasing as Bangladesh Garment Exporters’ Association revealed that reopened garment factories are running at only 55% utilization because of canceled orders.

Consumers in industrialized nations attach greater importance to savings. In the first quarter of 2020 the euro area, for instance, reached an all-time high in the household saving rate. Growing concerns for job security and future income as well as an unpleasant feeling with face mask and social distancing regulations when shopping made essentials the focal point of interest. Consumers rather cleaned out their wardrobe during Stay-at-Home Order, which left a rich choice of clothes anyhow.

The simultaneous crisis of supply and demand poses a life-threatening burden for the entire world and economic activity is not expected to normalize on short notice despite policy support. Consumer sentiment may even further worsen when the regular flu season meets coronavirus.

Latest trade data for May reveal the dramatic changes on both sides.

U.S. apparel imports contracted 60% to USD2.7 billion, which is equal to a shortfall of USD9.2 billion during the first five months. Apparel import value declined at slower pace into Korea, down 20% with five-month shortfall of USD0.5 billion, and into Japan, down 32% with USD1.3 billion reduced foreign sourcing in the first five months.

Chinese apparel exports decreased 27% to USD8.9 billion in May, causing a deficit of USD13.1 billion during January to May. The spreading of coronavirus becomes apparent by means of the Turkish export performance. Strong gains were visible in the first two months after coronavirus outbreak in Asia because European apparel orders quickly moved to Turkey. The industry succeeded to grow their exports by almost 6% each in January and February before contracting 31% in March, 66% in April and 53% in May. Total garment exports from Turkey shrank 29% to USD5.0 billion in the first five months, equal to USD2.0 billion lower sales.

The world will not return to what life was like before January but rather adjust to a „new normal“, which will be on a lower level we all got used to before. The impact on globalization remains to be seen as countries realized the importance of being able to supply themselves. Will it lead to a revival of local manufacturing?
Apparel manufacturing always has been like a traveling circus, moving from one place with low labor costs to another with even lower costs. A growing number of stakeholders and consumers requests sustainable products but reliable sourcing should be included as well. It is up to us to draw the right conclusions from this unprecedented crisis in an attempt to make the world a better place worth living for next generations. Sustainability in the broadest sense should be the guideline for future investments for both expansions and possible relocation of existing capacity.