When will fiber acceleration come into view?

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The world economy started 2018 quite optimistically following growth in manufacturing and trade through 2017, but the optimistic sentiment gave way to economic activities slowing from mid-year. Economic growth projections were downwardly revised while growth trends increasingly diverged. The US economy accelerated, thanks to tax cuts and spending increases, while the remaining advanced economies began to weaken. Unsynchronized growth at lower level in industrialized nations will persist in 2019 with momentum in Chinese and Indian economies softening likewise.

The worsening economic climate has taken its toll on fiber production, experiencing the slowest growth in three years at 1 % to about 106 million tons. Natural fibers softened nearly 2 % as result of lower cotton cultivation while the man-made fiber business continued its 10-year expansion. Synthetic fiber growth of 2 % was once again outpaced by cellulosic fibers lifting output by almost 3 %. Dynamics in nonwovens and unspun applications experienced once again a faster expansion speed in the 5th consecutive year at 4 %, even if dynamics have lost steam as last year's increase meant the slowest growth in 6 years.

The crucial question is what to expect for 2019? Cotton output in the 2019/20 season is predicted to sharply expand to reach its second-best level in history, man-made cellulosic fibers are set to keep on growing following ongoing investments at fiber stage and an unprecedented size of new feedstock capacity scheduled to come on-stream this year. Hence, the synthetic fiber business might suffer when textile demand lessens. Synthetics, which have been used to success in recent decades, have already performed below their long-term average in the previous 3 years with their market shares remaining below their peak in 2015.
It is not yet the right moment to discuss likely volumes and shares in times of growing uncertainties. Moreover, adverse weather conditions and unexpected insect attacks may affect cotton yields at all times, while excess synthetic fiber and filament lines simply need to be switched on to start production.
Hence, data-based indications may hint at this year's results. Tariffs have decisively contributed to the economic momentum losing steam and the latest decision from the US administration from May to increase tariffs on US$ 200 billion of Chinese imports from 10 % to 25 % will further raise concerns and uncertainty on trade and market access, which weighs on investment decisions, puts multinational supply chains into question and raises prices for US consumers. Consequentially, confidence levels significantly dropped with the business index for advanced economies in April marking the lowest level since late summer 2016 according to OECD.
A similar downswing has also been noticed for the textile powerhouse by the Chinese Manufacturing Purchasing Managers Index that even turned below 50, meant to be negative growth, between December and February according to data released by the National Bureau of Statistics of China. It appears highly questionable whether the recent rebound in March will last.

The trade performance in the 1st quarter into the major sales markets reveals a mixed picture. Textile and apparel imports into 28-nation European Union jumped 7 % in euro terms versus 2 % growth for the full year 2018. This increase is quite surprising amid regional uncertainty arising from the European Parliamentary elections and the still ongoing question about Brexit. US imports retained 5 % growth rate despite 3 % losses each from China and Mexico while Vietnam, Bangladesh, Pakistan and Cambodia achieved double-digit gains. Japanese import rise has halved to 3 % during the first 3 months of 2019.

No doubt, challenging times are ahead of us and the world textile industry. A subject, not yet touched but with essential influence on prices and inter-fiber competition is the situation in crude oil. It is becoming increasingly recognizable that uncertainties from potential oil supply disruptions due to geopolitical risks in key oil producing regions might add to today's challenges. Furthermore, it goes without saying, political decisions are most decisive for the future development. Surrounding political factors have consequences far beyond the boundaries of this industry. Further, the stimulating effect on fiber consumption from demographics continues to lessen. Enlarged market sizes will rather derive from income gains and new fiber applications. The impulse from fast fashion remains to be seen when growing public awareness calls for sustainability along the entire apparel life cycle.

Textiles have been an early indicator for changing business cycles and several signs point to further deceleration. Therefore, let us take encouragement from an improved economic outlook for 2020 with modestly higher growth expected. The ITMA trade fair in Barcelona will be a perfect opportunity to detect industry's sentiment and to put my recommendation into practice: Let us join hands to tackle upcoming challenges!