THE FIBER YEAR CONSULTING

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The Fiber Year 2018

World Survey on Textiles & Nonwovens

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1. Foreword and Summary

1.1 Foreword

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Dear Readers,

The textile yearbook has grown up and it has been interesting to see the scope continuously expanding from the first issue in 2001 to the actual edition. It was my initiative to keep the reporting alive which was set up by the former world market leader in manmade fibers, Vereinigte Glanzstoff-Fabriken AG, decades ago.

Dr. Vits, chairman of the board between 1940 and 1969, used to inform at press conferences about the status of the world manmade fiber industry. On the occasion of the 1965 review he expressed that the industry will enjoy dynamic growth. A truly appropriate evaluation as manmade fibers at that time accounted for 5.5 million tonnes versus nearly 19 million tonnes of natural fibers.

I have broadened reporting from the solely manmade fiber-related development to natural fibers and nonwovens thanks to the support of international organizations like ICAC and IWTO. I am delighted to inform that this report was enriched by biopolymers for the first time by courtesy of RWTH and Maastricht University as well as nova-Institut.

The issues from 2011 have been produced thanks to support of Lenzing Group. All market data, however, are result of the independent research by The Fiber Year GmbH. Hence, statements and conclusions do not necessarily reflect the assessment of the Lenzing Group.

Furthermore, I want to address sincere thanks to all the companies, associations, colleagues and friends that have helped me to make the reports even though it would be too extensive to mention each and everyone. Fortunately, an exchange of views and mutual assistance may continue as I will remain true to textiles.

The 18th issue means time has come to let go. I will seek new challenges in the world textile industry but I am quite confident that the service of revealing latest developments in the upstream spinning industry will continue. It seems more important than ever given global excess capacity and increasing uncertainty on trade and market access as protectionism is on its way back.

This enriched textile yearbook will hopefully be of assistance to conduct your business. Its aim is to explain global industry trends, market developments and fiber competition in a way that future investment decisions may return to the principles of market economy.

Yours sincerely,

Dr. Stefan Doboczky
Chief Executive Officer (CEO)
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Dear Readers,

the 2017 fiber year was characterized by sustained good demand. The increase in global fiber consumption by around 3.7 percent (after 1.1 percent in 2016) to 103.1 million tons reflects the good economic situation of all markets, especially Asia. Increasing prosperity and population growth in general are and remain the most important growth drivers of the global fiber market.

However, 2017 was also the first year since 2014 in which fiber production exceeded the consumption rate with an increase of 5 percent to 103.4 million tons. This was mainly due to the 11 percent increase in cotton production to around 25.7 million tons compared to the previous year. These additional volumes were well received by processors, especially in Asia, due to the market growth. This caused cotton prices to rise.

The increase in synthetic fiber production of around 4.2 percent to 64.9 million tons was stronger than in the previous two years. Polyester fiber prices even increased substantially, a further indication of the overall robust market situation in 2017.

Demand for wood-based cellulosic fibers, which remained at a high level, was equally encouraging. Production increased only slightly by 2.9 percent to around 6.6 million tons due to some capacity shut downs in Asia.

Due to the good economic situation and the positive megatrends, demand for fibers is expected to remain stable in the current year 2018. As global wealth increases, so does the customers' desire for high quality, more comfort and differentiation. Many companies in our industry are willing to take advantage of the actual favourable conditions for further investments. This will hopefully lead not only to additional capacities, but to more investment in quality, sustainability and product specialisation.

Consumers are becoming more critical, also in terms of the overall impact of the apparel industry on our planet. The upcoming young generation expects innovative solutions from us and a shift towards circular economy models. We at Lenzing have developed such solutions for wood-based cellulose fibers: TENCEL™ Lyocell fibers with our REFIBRA™ recycling technology are a first step into the circular economy. Also in the polyester fiber segment innovative fiber recycling models are gaining more and more importance and are attracting fashion designers and brands. Another increasingly important issue for our industry becomes the exact identification of fibres from the manufacturer to the consumer. For this reason Lenzing has introduced ECOVERO™ branded sustainable viscose fibers for 100 percent identifiability. These examples show that our industry is already turning into the right direction in terms of differentiation, sustainability and transparency, together with its partners in the value chain.

The Fiber Year Book 2017 provides an excellent objective overview of the dynamic development of our industry. It is once again one of the most important collections of facts and thus the basis for strategic considerations of all market participants.

Yours sincerely,

Dr. Stefan Doboczky

The Lenzing Group

The Lenzing Group is an international company that produces high-quality fibers from the renewable raw material wood with environmentally friendly and innovative technologies. These fibers form the basis for a wide range of textile and nonwoven applications, and are also used in work and protective wear and in industrial applications.

Lenzing's quality and innovative strength set global standards for wood-based cellulose fibers. With 80 years of experience, the Lenzing Group is the only company in the world which produces significant volumes of all three wood-based cellulose fiber generations. Its products are marketed under the following brands: TENCEL™ for textile applications, VEOCEL™ for nonwovens and LENZING™ for special fiber applications in other areas and other products. Innovations like REFIBRA™ recycling technology, the identifiable LENZING™ ECOVERO™ branded fibers and TENCEL™ Luxe branded lyocell filament yarn make Lenzing a global innovation leader.

The Lenzing Group's success is based on consistent customer orientation combined with innovation, technology and quality leadership. Lenzing is committed to the principles of sustainable management with very high environmental standards and can underscore this commitment with numerous international sustainability certifications for its business processes as the most sustainable company in the sector. In addition to fibers, which form the core business, the Lenzing Group is also active in the fields of engineering and plant construction – mostly for its own locations, but also for external customers.

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1.2 Executive Summary

World Fiber Production and Use

The year 2017 after some downward revisions for 2016 will be remembered as historic milestone with the market size surpassing the incredible volume of 100 million tonnes.

Fiber production on global stage has grown 5% to 103 million tonnes due to the fastest cotton expansion in seven years at 11% to reach almost 26 million tonnes and manmade fiber increasing 4% to nearly 72 million tonnes. Other natural fibers hardly changed at 6 million tonnes.

The world market has also arrived at 103 million tonnes when taking into account the cotton consumption that continued its growth in the second consecutive year by almost 4%. The new all-time high was result of acceleration in demand after slowing growth rates in four consecutive years.

Manmade fibers now occupy 69% of the global market. While synthetic fibers gained momentum at 4% cellulosic fibers decelerated somewhat to 3%.

Yarns, Nonwovens and Unspun End-Uses

The global yarn market has expanded 4% to 86 million tonnes thanks to a more dynamic growth of filaments like in the entire quota-free period. The share of spun yarns continued to soften to 46% although manufacturing rebounded after two years of decline because of enlarged cotton supply and more market-oriented cotton prices in PR China.

World production of nonwovens and unspun end-uses has increased 6% to 17 million tonnes which means slowing growth rate in the third year in a row. Above-average expansion has been observed for spunbond and wetlaid nonwovens.

Manmade Fibers

The above mentioned production volume can be divided into fast moving filaments, up 5% to 47 million tonnes, and slowly advancing staple fibers that grew 2% to 25 million tonnes.

All filament types other than polyamide carpet yarn were able to lift their volumes with nylon textile yarn even outperforming polyester in terms of the relative growth. Nevertheless, the nylon 66 supply chain came under pressure due to raw material shortage which forced companies to either stop polymer and fiber production or to shift to nylon 6.

Manmade staple fibers witnessed slower growth than natural fibers in the second consecutive year which is rather unusual. Otherwise, well-known trends continued with cellulosics expanding faster than large-scale polyester in the ninth year in a row, acrylic fibers decreasing in the sixth consecutive year and minor movements of nylon and polypropylene.

Textile and Clothing Trade

The joint textile and apparel exports of the top ten suppliers in 2017 rose 2.9% to USD519 billion including European Union as region with its extra-EU trade. Vietnam succeeded to grow at double-digit rate while Korean exports stagnated and deliveries from Hong Kong decreased.

The most spectacular surge of 42% from a considerably lower value, however, has been noticed for Myanmar, expanding its exports in the eighth year in a row to a new all-time high but minimum wages lifted 33% from March 2018 will exert pressure on apparel exports. Surprisingly, Russian exports soared by a quarter to a new century‘s high thanks to dynamic garment shipments to mainly Kazakhstan, Belarus and Ukraine.

The ten largest importers also raised their foreign sourcing by 2.9% to USD382 billion. Similarly, flows into Vietnam grew at double-digit rate and fell into Hong Kong. Surging imports by 21% into Brazil reflect the country‘s recovery from its worst recession ever.

A specific view into 28-nation European Union reveals expanded trade flows within the region and beyond. Most active countries with exports beyond the region are Italy, Germany and Spain with a joint 60% share and lifting their shipments 12% to USD32 billion. The three largest importers from outside this area are Germany, United Kingdom and Spain that increased sourcing by 3% to USD60 billion. Total extra-EU imports advanced 4% to USD127 billion of which 60% had its origin in PR China, Bangladesh and Turkey. Myanmar was able to raise apparel exports in Euro terms more than 60% in the fourth consecutive year.

1.4 Contributions from Industry Experts:

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