AUSTRALIA

Wool demand is continuing grow in major international markets

The demand for wool for imported clothing is continuing to grow in major international markets, like the EU and the US. The demand is forecast to grow more strongly in China - the world's largest producer and exporter of woolen clothing and textiles. An increasing domestic consumption of luxury woolen textiles is also a factor pushing wool demand in China.

The continuing growth in wool demand has led to increasing in the price of wool in Australian dollars since 2014, said Senior ABARES Economist Dr. Caroline Gunning-Trant.

In the two years since early January 2015, prices have risen by about 35%. The Australian Eastern Market Indicator (EMI) wool price is forecast to rise by 8% in 2016-17 to around 1,360 c/kg.

The prices are expected to peak next year before easing in real terms as wool production increase and by the end of 2021–22, prices are expected to still be relatively high at around 10% above the 10 year average in real terms.

The shorn wool production by the end of 2016–17 is forecast to be 5% higher than last year, reflecting flock rebuilding across the sector supported by good pasture growth on the back of 2016 rainfall and the national sheep flock is forecast to increase to 73.6 million head in 2016–17 and to continue an increase of around 83 million head by 2021–22.

According to Gunning-Trant, wool exports are forecast to rise by 4% and reach 442,000 tons in 2017–18, as the expanding national flock results in further increases in the number of sheep shorn. This trend is expected to continue over the medium term and exports in 2021–22 are projected to grow to around 492,000 tons, valued at $3.9 billion, in real terms. The export growth is supported by a slow, but steady increase in international demand, especially in the EU, the US and the Chinese markets.

BANGLADESH

Top brands to boycott garment summit

Leading fashion brands including H&M and Zara will boycott a key industry conference in Bangladesh in support of garment workers who have been sacked or jailed for participating in wage strikes.

For example, H&M, C&A, Tchibo and Inditex (Zara) - all top clients of Bangladesh's $30-billion garment industry have pulled out of the Dhaka Apparel Summit, the signature annual event in Dhaka.

The move follows strikes in December 2016 when tens of thousands of garment workers in the industrial town of Ashualia staged mass protests demanding a three-fold hike in pay, which can run as low as $68 a month. Dutch clothing brand C&A said that C&A together with other apparel brands, including H&M and Inditex, decided not to participate in the BGMEA Dhaka Apparel Summit.

The summit is hosted by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), an industry body that represents the country's 4,500 clothing factories, and features Prime Minister Sheikh Hasina as its keynote speaker. BGMEA President Siddiqur Rahman said that they did not get any communication from any brand not attending the summit.

However, international rights group Clean Clothes Campaign welcomed the brands' decision to withdraw participation and said it would be "a major embarrassment" for the government and the organisers.

CHINA

High costs push textile buyers west

China remains a world leader in textiles, employing over 4.6 million people, contributing a tenth of GDP and with exports, including apparel, of $284 billion in 2015, according to data from China's National Bureau of Statistics, the Ministry of Industry and Information Technology.

International textiles buyers are increasingly switching away from China, and back to Western suppliers, as rising labour, raw material and energy costs make the world's dominant producer more expensive. The wages there have been rising at an annual compound growth rate of more than 12% outpacing the economy, and are simply no longer cheap enough to compete just on price.

At the same time, China's textiles sector faces rising costs of inputs such as cotton and wool, hefty import taxes for basic manufacturing equipment, and costlier environmental rules.

The government's five-year plan for textiles, released in September, 2016 acknowledged that higher costs are weakening its international advantage, and it faces a 'double whammy' from developed countries like Italy with better technology and developing countries with lower wages.

The labour cost gap between Italian and Chinese yarn narrowed by around 30% between 2008 and 2016, to $0.57 per kg from $0.82/kg, according to International Textile Manufacturers Federation (ITMF) data.

The hourly wage for a Chinese weaver last year was $3.52, according to the ITMF, up 25% since 2014, though still a fraction of the more than $27.25 paid in Italy, an increase of 9% over the same period.

Textile mills work off cotton inventories ahead of state sale

China's textile mills have worked off cotton inventory in the hope of picking up lower-priced fibre when the government in the world's top textile market resumes annual sales of state reserves even after getting caught short last year.

China will offer 30,000 tonnes of cotton per day for sale until the end of August, the National Development and Reform Commission announced late last year, as Beijing seeks to whittle down its large and aging stockpile. Most of the companies have low stocks, as they expect cotton prices would drop with the coming state reserves auction, said Ye Jianchun, Vice President of China Cotton Textile Association.

Traders say they are confident that the government will be able to meet its daily auction target this time, and prices will drop, at least in the short term.

INDIA

Country to be self-sufficient in silk production by 2020'

Indian could be self-sufficient in silk production by the year 2020 as the country has recorded an annual growth rate of 19%, according to the Central Silk Board (CSB). The current silk output of India is currently between 28,000 tonnes to 30,000 tonnes and the country aims to stop importing silk from China in the next three-four years.

India is witnessing a 19% growth in silk production and aims to produce 34,000 tonnes to make it self-sufficient. He said that the target is achievable if the country continues to keep its growth momentum.

About 80% cent of the total global silk output comes from China and India produces 1% of the total output. Silk imports from China have already reduced from 6,500 tonnes to 3,500, tonnes. While China only produces mulberry silk, India produces multiple varieties including muga and tassar.

According to the Chairman, CSB, the organisation is offering assistance in the form of subsidies on machines, technological support and free training to farmers.

CAI: Country to produce 34.1 million bales cotton in 2016-17

The Cotton Association of India (CAI) has maintained in its January projection that India will produce 34.1 million bales of cotton in 2016-17. It has also increased its estimation for cotton consumption in India this year from 29 million bales to 29.5 million bales. The projected balance sheet drawn by the CAI estimated total cotton supply at 40.5 million bales.

As the domestic consumption of cotton in this season will be 29.5 million bales, total available surplus for the season works out to 11 million bales. The pace of arrivals has started picking up lately and is now approaching 2.2 million bales a day as the farmers are realising better price for their produce. The association estimates cotton exports to decline from 2.2 million bales in the last season to 1.9 million bales in the current season.

India needs to capture global denim market

Denim makes up a sizable share of India's total textile exports and production is expected to increase to 1.5 billion metres by 2020. Indian denim industry is primarily aiming to increase its exports share, currently pegged at 35% of production compared to domestic consumption of 65%, said P R Roy, Chairman of Diagonal Consulting (India).

He said denim is witnessing one of the fastest growth rates as an apparel fabric segment, up by 500 million metres from 700 million metres in 2010 to 1.2 billion in 2015. Yet, there is a gap of another 300 million metres if the denim industry needs to tap its full export potential.

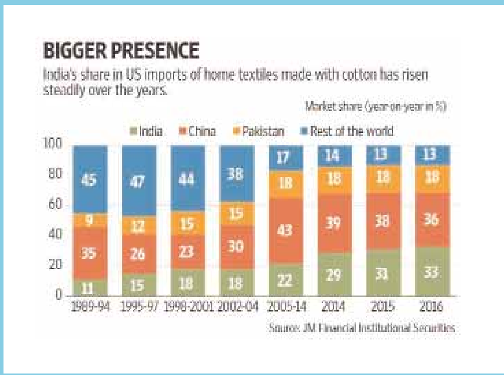
Total denim fabric capacity in the country is about 1.2 billion metres per annum; utilisation is at around 900 million metres, of which 250 million metres are exported. However, denim apparel exports are around 50-60 million metres.

Global denim market is slated to grow at about 8% annually from $55 billion in 2015 to $59 billion in 2021. While the projected growth rate in Asia including India is around 12%, that for Latin America, North America and Europe is expected to be around 15%, 10% and 4%, respectively in the next six years, according to industry experts.

INDIA

Home textiles market growing at faster pace

The Indian Rupee appreciation and firm cotton prices undermine home textile exporters' profitability, but investors are attaching little importance to these emerging risks



A firm rupee, higher raw material prices (cotton) and subdued demand in the key export market (US) are doing little harm to home textile exporters' stocks. Even as the rupee appreciated 3.8% against the US dollar in the last three months and cotton prices rose 20% from a year ago, shares of Indo Count Industries Ltd., Trident Ltd., Himatsingka Seide Ltd., and Welspun India Ltd., gained 20-40% in the last three months.

The rupee appreciation and firm cotton prices undermine home textile exporters' profitability. JM Financial Institutional Securities Ltd warns that cost pressures can impact India's competitive advantage. "Higher Yuan depreciation vs. INR (Indian rupee) appreciation and reduced cotton price spread between India and China is impacting the Indian advantage," adds JM Financial.

First and foremost, many see the cost pressures as transitory and not risky yet. One analyst says the situation can turn adverse if the rupee continues to appreciate, say around 5-6% from hereon. Pawan Jain, president (corporate affairs) at Trident, says that while cotton prices remained firm on tight supplies, as the new crop arrives he expects the cotton prices to turn range bound.

The second and another important reason for the resilience in the home textile stocks is consolidation in the market. According to Jain, organised and large firms are gaining market share in the export market. So, even as the US market is not seeing notable growth, companies like Trident see much scope for market share gains, he adds.

Also providing growth and earnings visibility is backwards integration and capacity expansion. Himatsingka Seide expanded sheeting capacity (bed linen) and is aiming to commission spinning capacity, which helps in backwards integration, next fiscal year. Similarly, Indo Count Industries is expanding bed linen capacity and is planning to build a new plant. Analysts expect the new capacities to help these firms improve profitability and market share. Indo Count expects 10-12% volume growth in FY18. Indo Count also believes its volume growth has the potential to grow at a higher rate post FY18," according to the information released by IDBI Capital Market Services Ltd. ◆

ITALY

The Italian clothing exports to Russia

The Italian clothing exports to Russia grew by 5% during January to September 2016. This is good news for Italian companies, in particular, the fashion industry, which since 2010 had been struggling to get export orders from a country that was one of their main markets in the past.

During the same period exports from other major EU countries to Russia fell, and especially from the big ones, such as Germany, Spain and France. Italy bucked the trend as it was the only country to grow and remains firmly in the first position with 45.9% of the total, followed by Germany, Spain and France.

Furthermore, Italy's market share increased more than four percentage points, from 40.4% in the same period of 2015, mainly at the expense of Germany, whose market share fell from 26.3% to 24.9%. Russia's domestic market is of particular interest for Italian companies. Luxury department stores in Russia are stocking Italian fashion brands in a big way.

The Russian clothing market had grown continuously from 2003 to 2008 and later came to a standstill in the wake of the global financial crisis. After a recovery from 2010 to 2013, another collapse followed, due to the international sanctions after Russia's military intervention in Crimea in 2014 and the subsequent collapse of the Rouble and of oil prices.

Italy aims to become technological partner of China

Italy hopes to become a technological partner of China as it would achieve a win-win result for both countries.

The economic transition underway in China is pushing forward the country's 'industrial system toward innovation on the one hand, and to manufacturing high-end products on the other,' said Giuliano Noci, Marketing Professor at Politecnico University in Milan.

Resulting from the government's 13th Five-Year plan, and more precisely from the 'Made in China 2025' program, such a process marked an obvious change from previous, practice of its industrial system.

It is leading Chinese companies to move abroad, to change their positioning and to develop and nurture a brand-quality approach.

KYRGYZSTAN

Upgrades sewing sector aiming to increase trade

Kyrgyzstan plans to create a full cycle of industrial production to develop its textile industry, especially sewing. Kyrgyzstan's sewing industry consists of small and medium-sized enterprises and provides about 1,60,000 jobs.

The sewing industry is improving the skills of workers and upgrading production facilities and equipment.

The industry is now planning to enter new markets like Germany and Belarus. Kyrgyzstan is now creating a value chain in the apparel industry. All production stages will be merged into a single scheme, starting from farmers who grow cotton to sewing shops.

Garments make up 7%of the country's total exports. Since 2013, there has been a decline in garment industry due to the global financial crisis, and falling orders due to lower purchasing power in Kyrgyzstan's main export markets - Russia and Kazakhstan. More than 80% of the garment products in Kyrgyzstan are produced by individual entrepreneurs who work under patents and do not report to the National Statistical Committee.

SRI LANKA

Country wants to diversify beyond RMG

Sri Lanka feels apparel exports are no longer viable and that it is time to look at other growth areas that promise better returns. The country is looking at the production of electronic items such as mobile phone accessories and robotic machine spares since China has decided to use around 4000 robotic machines for production.

Another profitable area would be parts of electronic and electrical goods and other modern equipment needed by Japan and are manufactured in countries such as Thailand.

With this in view, Sri Lanka is planning to introduce relevant technology courses in schools soon. Sri Lanka is convinced that in the case of RMG sector, competing with countries such as Bangladesh, where wages are lower is futile. While productivity and speed are Sri Lanka's hallmarks in the current fast fashion landscape, its garment makers are acutely aware of the changes and challenges in the future. Whole industries have been wiped out or completely changed because of technology. Competition from countries like Vietnam could deal a blow to the South Asian nation's apparel export industry.

While Sri Lanka has been successful in establishing and growing its apparel manufacturing industry, more can be done to realise its potential as a regional hub and to continue to boost opportunities, especially for women and the poor.

VIETNAM

Cotton imports on the rise

Vietnam is ranked world's top five textile and apparel exporting countries. This means the country needs a lot of raw material, especially raw cotton.

Vietnam's cotton imports are likely to reach 5.0 million bales in the 2016-17 financial years. The US will be one of the biggest beneficiaries. Cotton imported from the US has made up around 40% of Vietnam's total cotton imports over the past few years.

Vietnam's cotton consumption has been increasing at an average 22% years on year for the last five years. Domestic cotton consumption for 2014-15 represented a 35% growth in quantity from the previous year. Vietnam's spinning industry is expected to consume a lot of raw cotton in 2015-2016, up by 25% from the previous year.

Vietnam is home to over 100 spinning mills with an estimated capacity of over 9,00,000 tonnes of cotton-based and manmade yarns. Up to two thirds of Vietnam's cotton imports are spun in foreign-owned mills.

The country's textile and apparel exports are expected to have even bigger growth in the near future, thanks to several free trade agreements, such as the Trans-Pacific Partnership, the free trade agreement with the EU, and that between Asean and China and between Vietnam and Korea. This also means that Vietnam will remain as one of the fastest growing cotton importing countries.◆