

Impact of Coronavirus on Textile & Apparel Industry

The deadly Coronavirus, which has been declared as a global health emergency, has taken several lives in China and is simultaneously affecting the global manufacturing industry. The outbreak has equally affected the textile & apparel industry, where China plays a core role in the global supply chain.

China's coronavirus shutdown would also affect the Indian textile & apparel industry, with both pros and cons. The prevailing situation in China along with the uncertainty of production commencing is posing a major issue for Indian manufacturers who are dependent on supply of raw materials from China. Meanwhile global apparel brands will have to look at alternate manufacturing destinations such as India.

1. India's Yarn Exports to China Curtailed

On an average, India exports 20-25 million kg of cotton yarn a month to China. Cotton yarn prices have fallen by 3-4% in domestic market as traders anticipate a curtailed demand from China due to the prevailing situation there. Further prolonging of the coronavirus will result in a decline in China's imports of cotton yarn and hence, impact the cotton yarn export business of India. This will divert India's surplus cotton yarn to the domestic market, further reducing the price of cotton yarn.

2. Issues in Imports of Synthetic Textiles and Trims

India imports US\$ 460 million worth of synthetic yarn and US\$ 360 million worth of synthetic fabric from China annually. It also imports over US\$ 140 million worth of accessories like buttons, zippers, hangers and needles. India does not have the domestic supply base to cater to such a huge demand of these raw materials.

With the epidemic, Chinese textile factories have halted operations since the Chinese New Year. If the outbreak continues, Indian garment manufacturers will need to look at other alternatives, including local sourcing, which in turn may increase the finished goods cost by 3-5%. In addition to this, identifying vendors in such a short time can take a toll on lead times, quality and cost.

3. Global demand of Protective Masks Increases

China is importing large quantities of medical protective gears including surgical masks and protective clothing across the globe. Sales of such products in other South East countries and even western nations has jumped drastically. The supply of such products is not able to keep up with the demand.

On 31st January, 2020, the Indian government banned exports of all personal protection equipment, including clothing and masks to avoid any shortage of it in India. However, almost a week later, this ban was lifted in order to help China battle the disease.

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4. Indian synthetic value chain not able to realize benefit of anti-dumping duty removal on PTA

Indian government provided a major relief to synthetic yarn manufacturers in India by abolishing the 2.5% anti-dumping duty on Purified Tephthalic Acid (PTA) in order to strengthen the country's synthetic textiles industry. However, Hubei, and much of central China, the manufacturing hub of feedstock, is at a virtual standstill. Hence, the imports of PTA from China is not an option at the moment and manufacturers are still forced to rely on domestic supply to fulfil their demand.

5. Apparel Order Diversion from China

During the month of January, buyers from Europe and USA generally travel to China to negotiate with garment exporters for the next season. However, due to the coronavirus scare, most of the buyers are looking at alternatives.

One factor that still plays in favour of China is that a number of companies have already produced their garments for the spring and summer season. Workers often go home on vacations around Chinese New Year —just ahead of the outbreak—so companies plan for a production slowdown around this time.

However, if the situation prevails for next couple of months, buyers will be forced to seriously explore other options where Bangladesh and India stands to gain ahead of Vietnam, Cambodia or any other S. East Asian supplier. India scores ahead as it has a complete supply chain but the flip side of this is that Indian garment manufacturers neither have the scale nor the cost competitiveness to present themselves as credible alternate.

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