



ITMF Annual Conference 2016 Jaipur, India

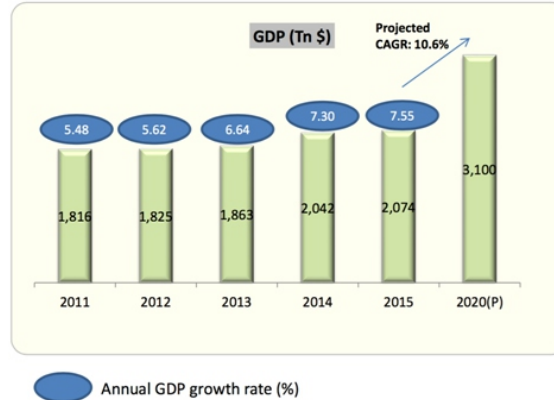
ITMF (International Textile Manufacturers Federation) conference 2016 was held at Jaipur, India under the conference theme “Global textile economy in the new normal”. The only kind of conference where leading textile industry participants from fibre to fashion have an opportunity to meet and exchange views on the current and evolving future industry scenario. ITMF also invites leading speakers, decision makers and industry leaders from around the globe to present and elaborate on their views. ITMF, 2016 conference is very unique wherein all the participants and presenters had a wonderful opportunity to gain an exposure to wide ranging discussion from cotton farming, macro economic situation, evolving high tech textile production technologies, cotton and manmade fibre current and future scenario, millennial's demand for satisfying need on real time and retailers and manufactures response to meeting such demands.

 **TSR. Rajaguru Raja**
TEXCOMS TEXTILE SOLUTIONS

1.0 Global Economy

Global growth is projected to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017, reflects a more subdued outlook for advanced economies following the June U.K. vote in favor of leaving the European Union (Brexit) and weaker-than-expected growth in the United States. These developments have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer. Although the market reaction to the Brexit shock was reassuringly orderly, the ultimate impact remains very unclear, as the fate of institutional and trade arrangements between the United Kingdom and the European Union is uncertain. Financial market sentiment toward emerging market economies has improved with expectations of lower interest rates in advanced economies, reduced concern about China's near-term prospects following policy support to growth, and some firming of commodity prices. But prospects differ sharply across countries and regions, with emerging Asia in general and India in particular showing robust growth and sub-Saharan Africa experiencing a sharp slowdown. In advanced economies, a subdued outlook subject to sizable uncertainty and downside risks may fuel further political discontent, with anti-integration policy platforms gaining more traction. Several emerging market and developing economies still face daunting policy challenges in adjusting to weaker commodity prices.

India's GDP US\$ 2.1 Trillion in 2015, projected to cross US\$ 3.1 Trillion (nominal) by 2020-21



Source: Technopak, ITMF 2016

Imminent federal rate hike, strengthening dollar, president elect Trump's protectionist trade views, subdued T&C demand from advanced economies points to weakening exports to advanced economies. Emerging economies relative robust growth led by India and growing T&C per-capita consumption is a positive sign for T&C sector. Textile producing countries focus should be on growing domestic consumption and trading among emerging economies.



2.0 Cotton outlook and India

Global all fiber consumption reached 89 million tons in 2015 and the cotton fiber constitutes 23.65 million tons. The cotton share of total world consumption declined to 26% in 2015 from 41% in 1990. China's share of cotton consumption is also declined to 13% in 2015 from 56% in 1990. India's share of cotton consumption is expected to grow to 63% in 2015 from 61% in 1990.

World cotton stocks reached a peak 22.24 million tons and world stock to use ratio stood at all time high of 92% in 2014/15 following China's policy to reserve cotton. World cotton prices marked by A index fell from an all time high of 100 cents /pound in 2011/12 to 71 cents/pound in 2014/15. Since then cotton stocks started declining globally and also in China owing to lower yield per hectare of 693 KGS in 2015/16. Yield and global cotton production is expected to recover at 753 KGS per hectare and 22.4 million tons in 2016/17, and the global stocks to use ratio is also expected to reach 74.8%. The stock use ratio in world less China is expected to reach 48% in 2016/17 and in China the stock use ratio is expected to decline for the second consecutive year from an all time high of 173% in 2014/15 to 133% in 2016/17.

India for the second consecutive year to emerge as the largest producer of cotton in the world. China still continue to remain as the highest consumer of cotton, but China is no more the largest importer of cotton. The largest cotton importer is Bangladesh at 1.22 million tons followed by Vietnam at 1.15 million tons, China 0.98 million/tons, Turkey 0.91 million tons and Indonesia 0.65 million tons. The cotton price observed by A index is expected to be at 70 cents/pound for 2016/17.

China Historical Stock Policy

Strategic reserve stock expected to come down to 7 million tons

Million Tons	Reserve Beginning Stocks	Reserve Domestic Purchase	Reserve Import Purchase	Release Local Cotton	Release Import Cotton	Reserve Ending Stocks	Total China Stocks	Target Price
08/09	1.20	2.80	0.00	0.68	0.53	2.78	4.65	NA
09/10	2.78	0.00	0.00	0.94	0.18	1.66	3.10	NA
10/11	1.66	0.00	0.00	1.04		0.62	2.31	NA
11/12	0.62	3.14	0.80	0.26	0.08	4.22	6.77	\$1.40
12/13	4.22	6.84	0.75	3.26	0.96	7.53	10.96	\$1.45
13/14	7.53	6.58	0.13	2.22	0.15	11.88	13.65	\$1.45
14/15	11.88	0.00	0.00	0.31	0.07	11.50	14.79	NA
11 to 14		16.56	1.69	6.05	1.26	10.93		\$1.40+
15/16	11.50	0.00	0.00	1.35	0.30	9.85	13.13	\$0.975
16/17	9.85	???	0.00	2.45	0.00	6.40	11.04	\$1.04?

Source: Gill&Co, ITMF 2016



The cotton price will lot depend on the policy of the Indian government as largest producer of cotton and China's reserve policy as a largest consumer of cotton. The other factors which can influence cotton price is the price of competing fibers polyester and viscose, over all commodity price index trend and globaleconomic growth.

3.0 Synthetic Fibers outlook

Polyester alone is expected to have achieved an over all growth of 310% from 1980 to 2030. Growth of all other fibers, cotton, viscose, wool, nylon and acrylic is expected to have 84% growth for the same period. The phenomenal growth of a single fiber polyester is attributed to ease of manufacture and quality of the fiber enabling it to be used in Apparel, home textiles and technical textiles alike. China continue to dominate the global production of synthetic fibers and will remain so in the foreseeable future. China's production share is expected to be at 70%, SE-Asia 7%, India 9% and rest of the world 13% by 2020.

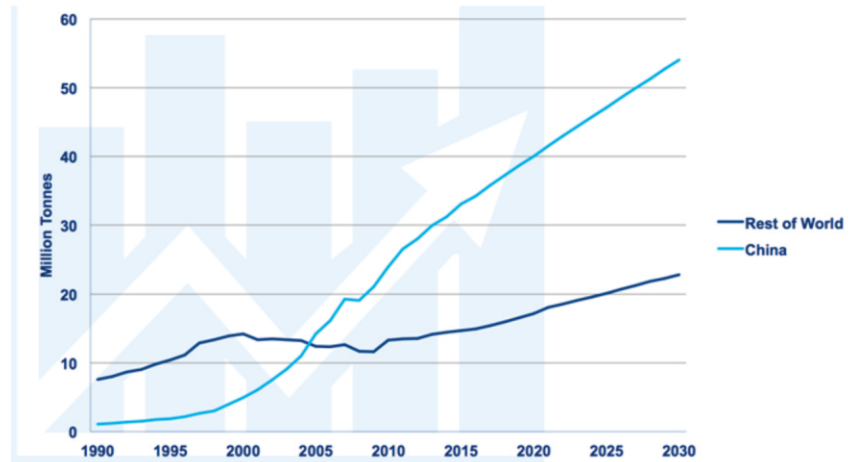
Prospects for polyester filament yarn look brighter than staple fiber. Polyester filament production is expected to reach 62 million tons in 2030 from 32 million tons in 2010, but the staple fiber production is expected to reach 30 million tons in 2030 from 18 million tons in 2010.

Spinning's share of polyester staple fiber stood at 80% in 1990 and expected to reach 50% by 2025. Staple fiber consumption growth is taken away by fillings and non woven. Cotton share of fiber consumption is expected to decline to 20% in 2030, however, cotton consumption is to remain at current levels in absolute quantity terms.

Polyester filament continue to claim market share from polyester staple and cotton and increasingly becoming a preferred fiber of choice in Apparel and in technical textiles. Short production cycle and costs of production favors this trend. Short staple manufacturers and spinners have to find innovative ways of competing with polyester filament yarn increasingly eroding their market share.

China's dominance in polyester production

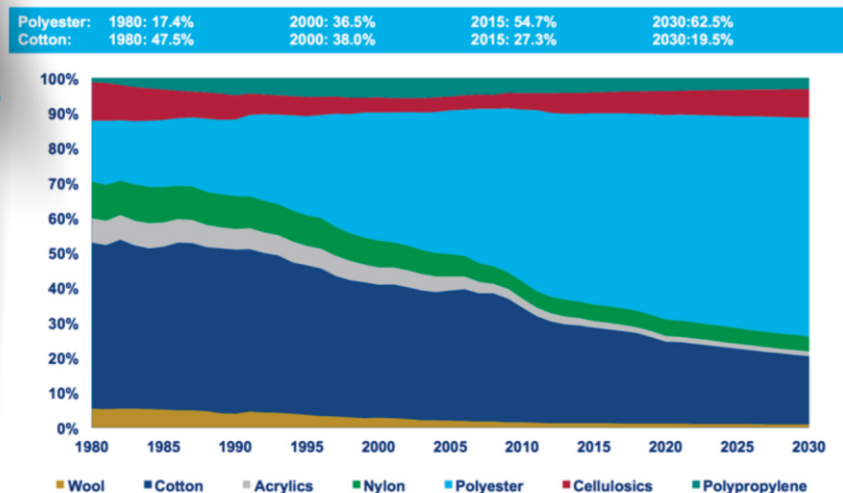
Overtakes rest of the world in 2005, double the rest of the world by 2012



Source: PCI, ITMF 2016.

World fibre production share 1980-2030

Cotton's market share drops from 48% to 20% as polyester grows from 17% to 63%



Source: PCI, ITMF 2016

4.0 Textiles and Clothing Sector (T&C)

China still dominates the textile and clothing sector exports. China exported USD 282 billion worth of textiles and apparel in 2015. The closest rival India exported USD 35.1 billion for the same period. Vietnam and Bangladesh are fast becoming major exporters amidst the company of Germany, Italy, United States and Turkey. Bangladesh ranked 18 in global T&C exports in 2000 and it is at the 6th rank in 2015, Vietnam ranked 35 in 2000 and rank 5th in 2015. China's share though highest in percent term but starting to decline in absolute dollar terms. The growth in export share is taken away by India, Bangladesh and Vietnam. The continued shift of export growth is expected from China to other emerging economies due to increasing cost of production in China. The countries that would benefit from this trend are India, Indonesia, Bangladesh, Vietnam, Pakistan and Mexico.

The total global textile market is worth USD 1,600 billion in 2020. The share of apparel is USD 1,300 billion, home textiles USD 1 billion and technical textiles is USD 180 billion. Currently bulk of textile consumption is in advanced economies, but the trend is fast changing, as demographic and economic growth in advanced economies are negative or stagnant while the demographic and economic growth is robust in emerging economies favoring increasing textile and apparel consumption. The combined textile and apparel consumption in absolute dollar terms in China and India put together will exceed that of EU and US.

The changing consumption pattern from advanced to emerging economies will enable China and India to rely less on exports and focus on domestic consumption. While export growth of T&C from India and China to decline due to increased domestic consumption, other countries specifically from South east Asia will fill up the gap.

Changes of the leading exporters of textiles and apparel
主要出口国家和地区的变化情况

Country/Region 国家/地区	2015		2014		2010		2000	
	Rankings 排名	% in Global Total 世界占比 (%)	Rankings 排名	% in Global Total 世界占比 (%)	Rankings 排名	% in Global Total 世界占比 (%)	Rankings 排名	% in Global Total 世界占比 (%)
China 中国	1	38.00	1	37.13	1	34.09	1	14.80
India 印度	2	4.77	3	4.49	5	3.97	9	3.28
Viet Nam 越南	5	3.98	8	3.17	11	2.22	35	0.60
Bangladesh 孟加拉国	6	3.91	7	3.35	8	2.66	18	1.55
Hong Kong, China 中国香港	7	3.70	5	3.77	2	5.83	2	10.67
Turkey 土耳其	8	3.50	6	3.63	6	3.58	12	2.89
Korea 韩国	14	1.71	14	1.76	12	2.07	6	5.03
Taiwan, China 中国台湾	18	1.41	18	1.39	17	1.76	7	4.22
Mexico 墨西哥	21	0.95	22	0.89	21	1.04	10	3.18

Source: CNTAC, ITMF 2016

Asia textile and apparel domestic vs. export 2010-2025

An export shift to SE Asia, while India focuses on domestic growth

Country	2010		2015		2020		2025	
	Domestic	Export	Domestic	Export	Domestic	Export	Domestic	Export
China	35%	65%	43%	57%	45%	55%	48%	52%
Taiwan	10%	90%	12%	88%	15%	85%	18%	82%
Korea	60%	40%	62%	38%	64%	36%	65%	35%
South East Asia	65%	35%	60%	40%	57%	43%	52%	48%
India Sub Continent	65%	35%	70%	30%	75%	25%	80%	20%

Source: PCI, ITMF 2016.

Demographic and economic slow down will impact T&C consumption growth in advanced economies. But the opposite set of circumstances in emerging economies will increase T&C consumption in emerging economies specifically India and China.

5.0 Emerging Textile Production Technologies

Traditional production and distribution systems are rooted in discontinuous production of textile goods, production centers are far away from consumption centers leading to extended delivery time and limited or no integration with final consumer. Emerging trends need newer production technologies and textile materials to meet the demands of the customer. Millennial's demand for fast fashion, good quality, value for money and on line searching for alternatives put enormous pressure on retailers to meet the demand on real time. Current production, distribution and discontinuous information flow is unsuitable for meeting the requirements.

Also growing environmental concerns does not permit use of hazardous chemicals and higher water consumption per piece of fabric produced. Sustainable production of textiles is the need of the hour. Current initiatives or technologies employed are ill suited for this purpose. Newer manufacturing technologies and materials are to be employed to overcome afore said challenges, seamless integration, production near point of sale, sustainable technology and real time execution of orders. Emerging technologies can meet such stringent manufacturing requirements in the horizon are;

Apart from newer technologies, Newer synthetic materials matching comfort of cotton is produced by Invista & Golden lady under brand name Nerino G: hydrophilamide fiber (staple or filament) combining the best mechanical properties of MMF (PA 66) with the best characteristics of CO (softness & moisture management). Smart clothing, an all encompassing clothe made of stainless steel fiber as core material incorporating in it different sensors for receiving, storing and communicating with the consumer and external world in real time would replace all independent wearable's currently used and tied to different parts of the body.

Newer technologies and materials help reduce costs, manufacturing time and can be produced by the consumer for the consumer and delivered on time and on a more sustainable basis will replace all traditional technologies and materials. The manufacturers and retailers alike have to learn to adapt to these innovations to meet customer demand.



Source: AQI, ITMF 2016

1.0 LCo2 - Dyeing technology

2.0 Plasma Technology for finishing

3.0 UV - Coating

4.0 Digital printing technology

5.0 Speed factory of ADDIDAS (Products made for the consumer, by the consumer and delivered on real time)

6.0 Liquid factory REEBOK (3D drawing and layering)

7.0 Spin Knit by Mayer&Cie (Direct production of fabric from roving)

SPEEDFACTORY



- 2 units: Ansbach (D) and Atlanta (US)
- Production time us reduced from months down to a few hours
- It allows to make product for the consumer, with the consumer, where the consumer lives in real time, unleashing unparalleled creativity and endless opportunities for customization



Source: Gherzi, ITMF 2016

LIQUIDFACTORY

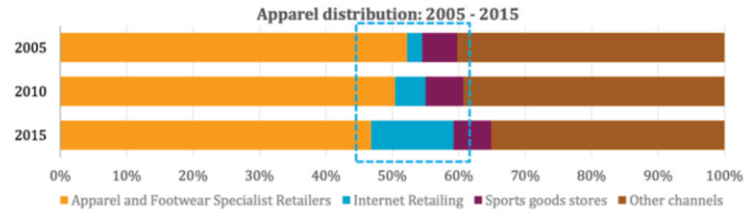


- The new technique leverages 3D drawing & layering
- The proprietary liquid material was created especially for Reebok by BASF



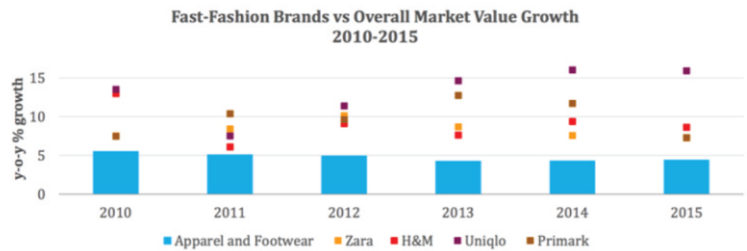
6.0 Textile Value chain: Distribution preferences

Consumers are increasingly preferring to shop online and expect very quick delivery. Internet retailing of apparel has been growing steadily for apparel's. Internet shopping offers convenience, choice and price. Few major retailers positioned themselves favorably are taking advantage of the internet retailing and growing faster YOY, Amazon, Walmart and Decathlon.



Source: Euromonitor International, ITMF 2016.

Fast fashion retailers UNIQLO, PRIMARK and ZARA grown at 12.5%, 9.5% and 7.5% CAGR respectively and opened 661, 72 and 449 new stores between 2010 and 2015.



Source: Euromonitor, ITMF 2016.

Customer's preference for personalized care, customization, convenience, choice, price and real time delivery is changing the retail landscape. Retailers adapting to fast fashion, internet retailing and Phygital will grow faster and enjoy better profits than the traditional one.

Physical + Digital = "Phygital"

Retail stores are reinventing to give customer a unique experience by redesigning their stores to offer customers a new experience called "Retailment". Nike's female only fitness club, Revolve's social club and Topshop's virtual reality are prime examples of this emerging trend.

Increasingly the stores have become stock points, customers can search online, shop at stores and expect goods to be delivered at the destination. This popular trend of searching digitally and shopping physically earned a nickname "phygital".



Source: Euromonitor International, ITMF 2016.

7.0 Conclusion

Global cotton stocks to use ratio in world less China is returning to normal levels and Chinese stocks started declining. This trend should favor cotton price and attract more acres. But lot depends on the price of competing fibers polyester and viscose. Polyester filament production and consumption outstrips polyester staple and cotton production. Cotton's share will continue to decline in percent terms but slated to remain at current levels in absolute terms. China will be dominating the polyester production and maintain 70% market share in to the foreseeable future. Textiles and clothing consumption in advanced economies are going to slow due to declining demographics and subdued economic growth while emerging economies China and India continue to enjoy increasing fiber consumption. Millennial's demand for fast fashion, customization, convenience, price choice and real time delivery, and growing demand for sustainable production necessitates use of newer production technology, newer materials and adapting to newer distribution preferences.

ITMF 2016 GALLERY



Mr. Tiankai Wang,
President, ITMF

Mr. Naishadh Parikh,
Chairman, CITI

Mr. Jaswinder Bedi
Vice President, ITMF

ITMF 2016

Cultural Events



Christian Schindler(Director General, ITMF) and Bino Job (Secretary General, CITI) Welcoming Delegates to the Grand Gala dinner



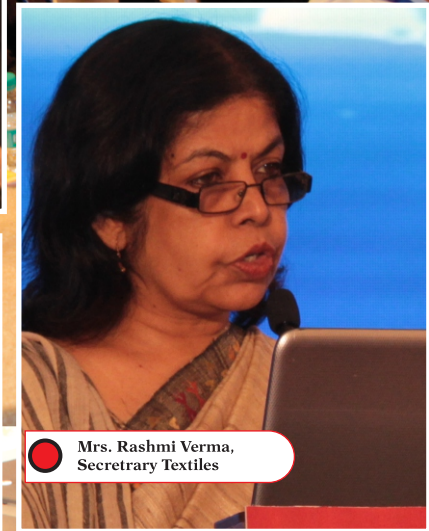
GALLERY

ITMF 2016

Conference Glimpses



**Mrs. Smriti Irani,
Minister of Textiles**



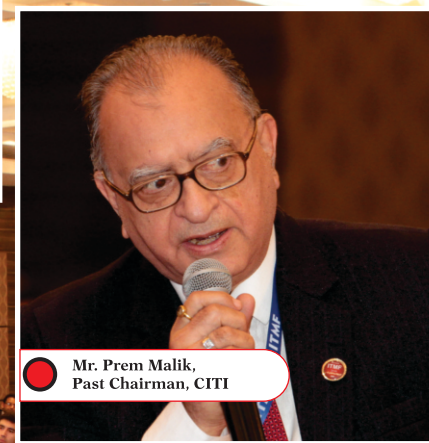
**Mrs. Rashmi Verma,
Secretary Textiles**



**On-line LIVE
Session**



**Dr. Mrs. Kavita Gupta,
Textile Commissioner**



**Mr. Prem Malik,
Past Chairman, CITI**



**Mr. B K Patodia,
Co-Chairman, CITI Committee on ITMF**

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