

Five ways world textile and apparel trade is changing

By Dr Sheng Lu | 12 August 2020

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- › **2019 was the first year that world merchandise trade fell since the 2008 global financial crisis – with worse set to come in 2020 in the aftermath of the global coronavirus pandemic.**
- › **China and Vietnam are continuing to gain momentum in textile exports, with Vietnam climbing to seventh place in the top-ten league table.**
- › **China's market share of world apparel exports fell to a record low in 2019 – but global fashion houses remain loyal to apparel sourcing from Asia.**
- › **Reshoring is not yet a mainstream industry practice in the US and the EU.**

The latest [World Trade Statistical Review 2020](#) newly released by the World Trade Organization (WTO) offers an insight into fashion companies' evolving production and sourcing strategies – and points to new patterns of world textiles and apparel trade in 2019. Here Dr Sheng Lu, associate professor in the Department of Fashion and Apparel Studies at the University of Delaware, sets out five key trends to watch.

#1: The volume of world textiles and apparel trade fell in 2019 due to weakened demand and the negative impact of trade tensions. According to the WTO, the value of world textiles (SITC 65) and apparel (SITC 84) exports totalled \$305bn and \$492bn in 2019, respectively – a decline of 2.4% and 0.4% from the year before.

The textiles and apparel sector is NOT alone. World merchandise trade also fell by nearly 3% measured by value, and 0.1% measured by volume, between 2018 and 2019 – in contrast with a positive 2.8% growth from 2017 to 2018.

To put these numbers into context, **2019 was the first year that world merchandise trade fell since the 2008 global financial crisis – and the decline happened even before the pandemic.** As noted by the WTO, the economic slowdown and escalating trade tensions, particularly the tariff war between the United States and China, were among the major factors contributing to the contraction in trade flows.

However, **the worst is yet to come.** As a sign of the severity of the economic impact of Covid-19, GDP growth in most world economies turned negative in the first quarter of 2020, including the United States (-1.2%), China (-9.8%), the Euro area (-3.8%), and Japan (-3.4%). Due to sharply weakened demand, it is highly likely that world merchandise trade – including textiles and apparel products – could decrease further and dramatically in 2020.

On the other hand, reflecting the more diversified product structure of world trade, textiles and apparel accounted for around 4.2% of world exports in 2019, similar to the result in 2018, but lower than the 5% share seen in 2016.

#2: World textile exports overall remained stable in 2019. However, China and Vietnam continued to gain momentum.

Table 1: Top-ten world textile exporters in 2019 (by value)

Rank	Exporter	Value of exports (\$bn)	Market share	Growth rate (2019 vs 2018)
#1	China	\$119.6	39.2%	0.9%
#2	EU (28)	\$66.3	21.7%	-6.0%
#3	India	\$17.2	5.6%	-5.1%
#4	US	\$13.4	4.4%	-3.3%
#5	Turkey	\$11.8	3.9%	-0.9%
#6	South Korea	\$9.1	3.0%	-6.9%
#7	Vietnam	\$8.8	2.9%	8.3%
#8	Taiwan	\$8.5	2.8%	-7.8%
#9	Pakistan	\$7.1	2.3%	-11.4%
#10	Hong Kong*	\$6.4	2.1%	-13.4%

Source: World Trade Organization (2020); *Note: the majority of exports from Hong Kong were re-exports

As shown in Table 1, **China**, the **European Union (EU28)** and **India** remained the world's top three textile exporters in 2019. Together they accounted for 66.9% of the value of world textile exports, almost unchanged from two years ago.



China's market share of world apparel exports fell to a record low in 2019

The **United States** was the world's fourth-largest textile exporter in 2019, accounting for 4.4% of the total, also the same as in 2018. However, **over 70% of US textile exports in 2019 went to countries in the Western hemisphere**. During turbulent economic times, such as those we are experiencing right now, such a high market concentration could put US textile exporters in a vulnerable position.

Notably, despite the headwinds, textile exports from China and Vietnam still enjoyed positive growth in 2019, up 0.9% and 8.3% respectively. In particular, **Vietnam overtook Taiwan to rank as the world's seventh-largest textile exporter** (\$8.8bn worth of exports, up 8.3% from a year earlier), the first time in history. The change also shows Vietnam's efforts to continuously upgrade its textile and apparel industry and strengthen local textile production capacity are paying off. If this momentum continues, Vietnam is likely to continue to surpass South Korea and become the world's sixth-largest textile exporter in 2020 or 2021.

#3: World apparel exports confirm fashion companies' shifting strategies to reduce sourcing from China.

Table 2: Top-ten world apparel exporters in 2019 (by value)

Rank	Exporter	Value of exports (\$bn)	Market share	Growth rate (2019 vs 2018)
#1	China	\$151.6	30.8%	-4.0%
#2	EU (28)	\$135.6	27.6%	0.0%
#3	Bangladesh	\$33.6	6.8%	2.1%
#4	Vietnam	\$30.6	6.2%	7.7%
#5	India	\$17.2	3.5%	3.8%
#6	Turkey	\$15.9	3.2%	1.4%
#7	Hong Kong*	\$12.3	2.5%	-11.3%
#8	UK	\$9.1	1.8%	0.9%
#9	Indonesia	\$8.6	1.7%	-3.6%
#10	Cambodia	\$8.5	1.7%	4.4%

Source: World Trade Organization (2020); *Note: the majority of exports from Hong Kong were re-exports

China, the European Union (EU28), Bangladesh and Vietnam remained the world's top four exporters of apparel in 2019. Together they accounted for as much as 71.4% of the world market – although this was lower than the 74% held from 2016 to 2018, and is primarily due to China's declining market share.

Specifically regarding **China**, continuing the trend in the past few years, the country is **exporting less apparel and more textiles to the world**. Notably, China's market share in world apparel exports fell from a peak of 38.8% in 2014 to a record low of 30.8% in 2019 (it was 31.3% in 2018). Between 2015 and 2019, clothing labelled 'Made in China' not only lost market share in the US (37.4% versus 30.8%), but also in almost all other major apparel import markets where there were no significant bilateral trade tensions, such as the EU (37.4% versus 31.1%), Japan (67.1% versus 56.1%), and Canada (44.3% versus 36.2%).

Meanwhile, **China accounted for 39.2% of world textile exports in 2019, which is a new record high**. It is important to recognise that China is playing an increasingly critical role as a textile supplier to many apparel-exporting countries in Asia. Measured by value, as much as 55.3% of Asian countries' textile imports came from China in 2019, compared with only 37.2% back in 2010. We can see similar patterns at a country level over the same period, such as Cambodia (up from 30% to 65%), Vietnam (up from 26% to 57%), Pakistan (up from 32% to 73%), Malaysia (up from 27% to 54%), Indonesia (up from 32% to 50%), and Philippines (up from 20% to 51.4%).

On the other hand, even though apparel exports from Vietnam (up 7.7%) and Bangladesh (up 2.1%) enjoyed fast growth in absolute terms in 2019, their gains in overall market share were quite limited. Indeed, there was no change for Vietnam and a marginal 0.3 percentage point gain from 6.5% to 6.8% for Bangladesh. This result indicates that due to capacity limits, **no single country has yet emerged to become the 'Next China.'** Instead, China's lost market share in apparel exports was fulfilled by a group of Asian countries.

Furthermore, there is **NO clear evidence to suggest global fashion houses are diversifying apparel sourcing from Asia**. On the contrary, thanks to years of continuous investment in automation technologies, research and development, product innovation and infrastructure, apparel made by 'Factory Asia' is becoming ever more competitive in the world marketplace. For example, between 2015 and 2019, Asian countries accounted for around 65% of world apparel exports. In 2019, approximately one-third of world apparel exports came from Asian countries other than China, a record high since the 22.5% share recorded in 2009.

Likewise, despite Covid-19, over 75% of US apparel imports were still supplied by Asian countries in the first five months of 2020 – the same as before the pandemic.

#4: In line with shifting patterns of world apparel production, world textile imports are increasingly driven by apparel-exporting countries in the developing world.

Table 3: Top-ten world textile importers in 2019 (by value)

Rank	Importer	Value of imports (\$bn)	Market share	Growth rate (2019 vs 2018)
#1	EU (28)	67.1	21.3%	-5.5%

#2	US	31.4	10.0%	-1.5%
#3	Vietnam	16.3	5.2%	1.4%
#4	China	15.7	5.0%	-12.1%
#5	Bangladesh	9.9	3.1%	-6.2%
#6	Japan	8.8	2.8%	-0.7%
#7	UK	7.2	2.3%	-2.4%
#8	Indonesia	6.7	2.1%	-2.1%
#9	Hong Kong	5.9	1.9%	-14.6%
#10	Mexico	5.8	1.8%	-12.5%

Source: World Trade Organization (2020)

As shown in Table 3, the **European Union (EU28)**, the **United States**, and **Vietnam** were the top three largest importers of textiles by value in 2019 – accounting for 36.5% of the world's total textile imports that year.

Import demand for textiles is increasingly driven by developing countries that are engaged in apparel production and exports, such as Vietnam, Bangladesh and Indonesia. Notably, **2019 marked the first time that Vietnam was ranked as one of the world's top three largest importers of textiles**, primarily due to its expanded apparel production and heavy dependence on imported textile raw materials.

In comparison, although the US and the EU remain the world's two largest textile importers, their total market shares have declined from nearly 40% in 2010 to only 31.2% in 2019, the lowest in the past ten years. Furthermore, both the US and the EU have been importing more finished textile products (such as home furnishings and carpets) as well as highly specialised technical textiles, rather than conventional yarns and fabrics for apparel production purposes.

The weakening import demand for intermediary textile raw materials also suggests that reshoring – making apparel locally rather than sourcing from overseas – has NOT become a mainstream industry practice in the developed economies like the US and the EU.

#5: The world apparel import market is becoming ever more diversified as import demand increasingly comes from emerging economies with a booming middle class.

Table 4: Top-ten world apparel importers in 2019 (by value)

Rank	Importer	Value of imports (\$bn)	Market share	Growth rate (2019 vs 2018)
#1	EU (28)	179.5	34.2%	-1.1%
#2	US	95.5	18.2%	0.4%
#3	Japan	29.8	5.7%	-1.8%
#4	UK	26.4	5.0%	-0.1%
#5	Hong Kong	11.2	2.1%	-11.4%
#6	Canada	11.0	2.1%	4.2%
#7	South Korea	11.0	2.1%	2.0%
#8	China	8.9	1.7%	8.1%
#9	Russia	8.1	1.5%	3.9%
#10	Switzerland	7.7	1.5%	2.2%

Source: World Trade Organization (2020)

As shown in Table 4, thanks to their consumers' purchasing power (often measured by GDP per capita) and population size, the **European Union (EU28)**, **US**, and **Japan** remained the world's top three importers of apparel in 2019. This pattern has existed for decades. However, while the three absorbed 58.1% of world apparel in 2019, this was a new historic low and compares with 84% back in 2005.

Behind the numbers, it is not that consumers in the EU, US and Japan are necessarily purchasing less clothing. Instead, **several emerging economies are becoming fast-growing apparel consumption markets and are starting to import more**. For example, China's apparel imports totalled \$8.9bn in 2019, up 8.1% from a year earlier. From 2010 to 2019, China's apparel imports enjoyed a nearly 15% annual growth, compared with only 1.9% in the traditional top three. As consumers' purchasing power in these emerging economies continues to improve, we can expect a more diversified world apparel import market in the years ahead.

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