

Impact of Novel Coronavirus Pneumonia on China's Textile and Garment Industry

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Abstract

The outbreak of novel coronavirus pneumonia (COVID-19) has caused impact on China's textile and garment industry from many aspects such as production, export and consumption. This paper first analyzes the whole textile industry, and then analyzes the overall impact of COVID-19 on China's textile and garment industry from the aspects of domestic sales, production and export, analyzes the opportunities and challenges brought by the epidemic situation for the development of China's textile and garment industry, and puts forward countermeasures and suggestions from the aspects of green production, brand construction, finance, taxation and finance.

Keywords

COVID-19; Textile and garment industry; Export; Production.

1. Introduction

Novel coronavirus pneumonia broke out in Wuhan, Hubei province in early 2020, and the WHO declared that the outbreak of coronavirus in China was a "public health emergencies with international concern". The outbreak of novel coronavirus pneumonia (COVID-19) has seriously affected the economy of many industries in China. This paper mainly studies the impact of China's textile and garment industry on the impact of the epidemic.

2. Overall Operation of China's Textile and Garment Industry

2.1. Overall Production of China's Textile and Garment Industry

China's textile and clothing industry as a whole is in a downward trend. With the influence factors of Sino US trade friction, supply side reform, enterprise relocation and poor economic situation, China's textile industry is growing slowly with risks and challenges[1]. The main products of China's textile and garment industry are yarn, cloth, clothing, etc. Among them, yarn output and cloth output started from 2016, showing a downward trend. The following is China's yarn and cloth output from 2010 to 2019, as shown in Figure 1.

It can be analyzed from Figure 1 that the yarn and cloth output increased steadily from 2010 to 2015. However, due to trade friction between China and the United States in recent years, the global economic situation is sluggish, and many Chinese enterprises have moved abroad, resulting in the decline of yarn output and cloth output since 2016. Among them, the yarn output in 2019 is 28.921 million tons, which is 1868000 tons less than that in 2018. Therefore, China still needs to open up new ways to expand overseas markets, emerging markets and domestic sales.

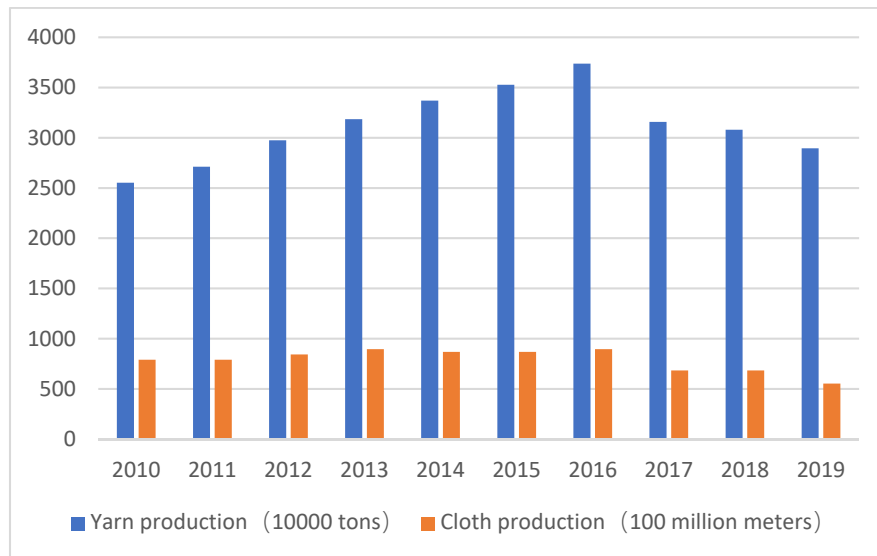


Figure 1. China's yarn and cloth production from 2010 to 2019

In recent years, the sales volume of China's major textile and clothing products are showing a downward trend, as shown in Figure 2. It can be seen from Figure 2 that the sales of sand, cloth and clothing in China have been on a downward trend since 2016. According to the data of the National Bureau of statistics, in 2019, the sales volume of yarn products in China was 28.804 million tons, a year-on-year decrease of 3.78%, the sales volume of cloth products was 44.8 billion meters, a year-on-year decrease of 7.84%; the sales volume of clothing reached 23.8 billion pieces, up 8.33% year-on-year.

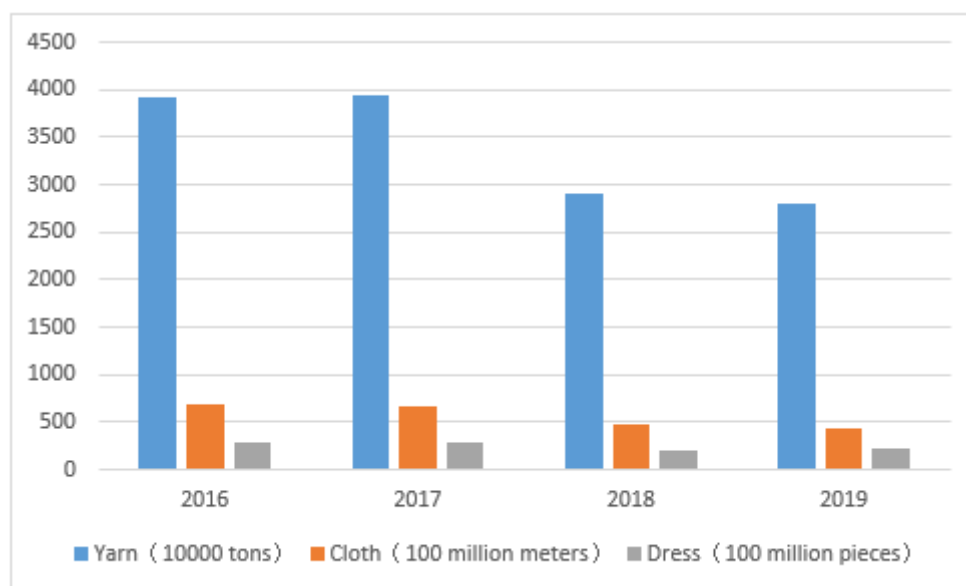


Figure 2. Sales volume of main textile and garment products in China

2.2. Export situation of China's textile and Garment Industry

It can be seen from table 1 that after China's accession to the WTO, China's textile export has soared from 53.44 billion US dollars in 2001 to 185.22 billion US dollars in 2008, accounting for a large proportion of China's total exports [2]. However, in recent years, due to the weakening of foreign demand, Sino US trade friction and capacity transfer, the export growth of textile industry has slowed down [3].

Table 1. China's textile exports and total exports from 2001 to 2008

Time	Textile export data (USD100mn)	Total exports (USD100mn)
2001	534.4	2661.0
2002	618.6	3256.0
2003	789.6	4382.3
2004	950.9	5933.2
2005	1150.1	7619.5
2006	1439.9	9689.4
2007	1711.7	12180.0
2008	1852.2	14247.7

According to the data of China Customs, the cumulative export value of China's textiles and clothing will be 280.7 billion US dollars in 2019, a year-on-year decrease of 1.5%, and the growth rate is 5.3 percentage points lower than that of the previous year. From the perspective of product structure, the export value of textiles was 127.25 billion US dollars, with a year-on-year increase of 1.4%; the export amount of clothing was 153.45 billion yuan, a year-on-year decrease of 3.7%. The export amount of China's textiles and clothing from 2013 to 2019 is shown in Figure 3.

**Figure 3.** Export amount of China's textiles and clothing from 2013 to 2019

Due to Sino US trade friction, global economic slowdown, weakening foreign demand and other factors, China's textile and clothing exports are affected. As can be seen from Figure 3, especially after 2015, the growth rate is more slow, and the growth rate is very small. Although the economic situation is not good, China is still the world's largest producer and exporter of textiles and clothing. In recent years, Vietnam, Bangladesh and other countries have seized a part of China's textile and clothing export market due to their advantages of cheap labor and low cost[4]. Then, textiles and clothing are separated. The following is a comparison chart of the export structure of textiles and clothing, as shown in Figure 4.

It can be seen from Figure 4 that the proportion of textiles is decreasing year by year, while that of clothing is increasing year by year. The output of textiles has been reduced, and the economic situation of the whole industry is not good.

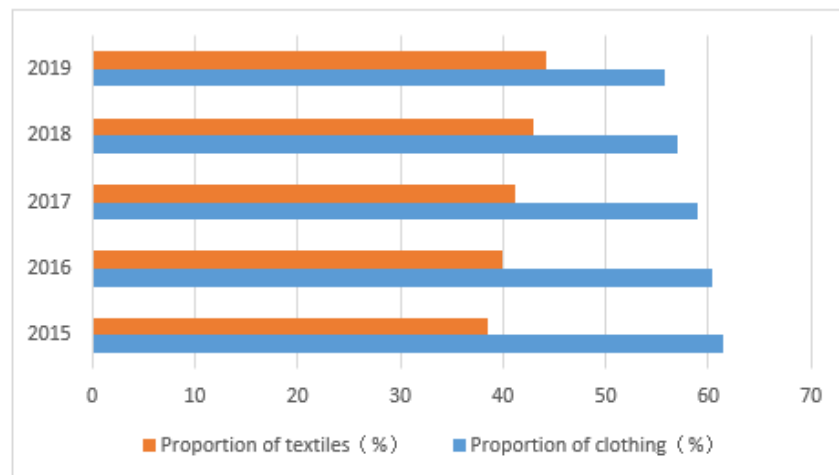


Figure 4. Comparison of China's textile and garment export structure from 2015 to 2019

2.3. Profit Situation of Chinese Textile and Garment Enterprises

The profitability of China's textile and garment enterprises will grow slowly in 2019 [5]. China's textile enterprises are under great pressure. Figure 5 shows the operating income of the textile industry and the textile clothing industry in the second half of 2019.

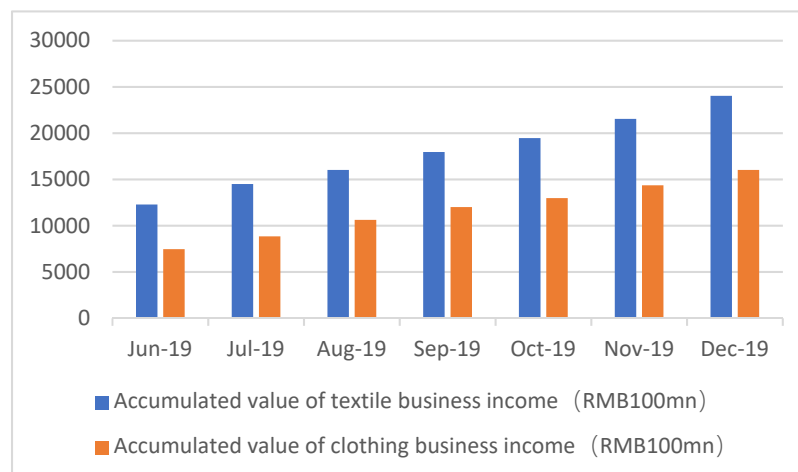


Figure 5. Business income of textile industry and clothing industry in the second half of 2019

In the second half of 2019, the cumulative growth of textile industry business income shows a downward trend. In June 2019, the cumulative growth rate of textile industry business income is 2.7%, in July 2019, the cumulative growth rate is 2.4%, in August 2019, the cumulative growth rate is 1.3%, 0.9% in September, 0.5% in October, and November, 2019 The cumulative growth of textile industry business income is -0.7%, and that of December 2019 is -1.8%.

In February and February of 2019, the accumulated business income of textile and clothing industry will increase by 8.0% in February and February of 2019, and the cumulative business income of textile and clothing industry will increase by 8.0% in February and February of 2019, and the accumulated business income of textile and clothing industry will increase by 8.0% in February and February of 2019 In October 2019, the cumulative growth rate of business income of textile and clothing industry is -0.2%, that of November 2019 is -0.5%, and that of December 2019 is -3.4%.

The number of Enterprises above Designated Size in the textile industry has been declining, and the loss of enterprises is also increasing year by year, as shown in Figure 6.

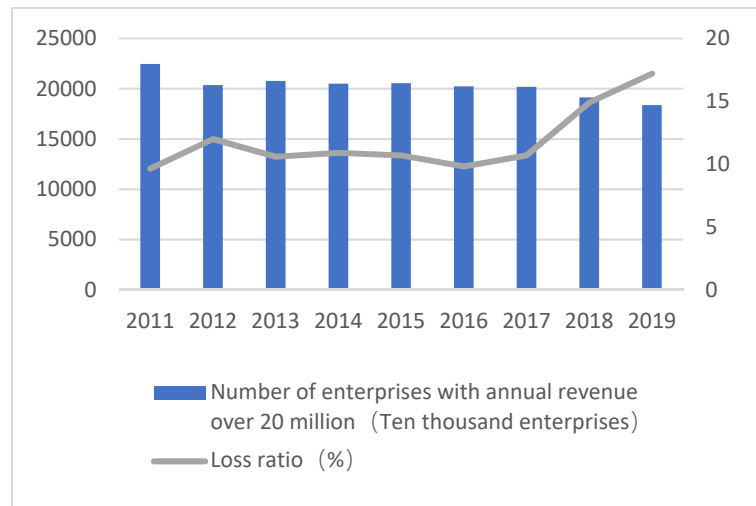


Figure 6. Changes in the number and loss ratio of textile enterprises

3. The Impact of Epidemic Situation on China's Textile And Garment Industry

The sudden outbreak of novel coronavirus pneumonia has a great negative impact on our enterprises and people. Textile industry is a labor-intensive industry. Due to the outbreak of the epidemic, it can not be produced and sold, which has seriously impacted China's textile and clothing industry, and appeared a relatively low period.

3.1. Textile and Garment Industry Chain

The upstream of the textile and garment industry chain involves the production of natural fibers (such as cotton, hemp and wool) and chemical fibers; the middle reaches include the processing steps of spinning, weaving, printing and dyeing; and the downstream includes the final products such as clothing, home textiles and industrial textiles. Affected by the epidemic situation, it was only from February to March this year that work resumed and production resumed gradually, and the economy gradually narrowed. However, many textile and garment manufacturers broke their capital chain and many textile and garment factories closed down. Due to the textile and clothing industry, a series of complete industrial chain is needed, and the cycle time is long, which directly leads to the damage of textile and clothing industry chain.

China is the most complete country in the global textile and clothing industry chain. Especially after China's entry into WTO in 2001, the quota of clothing export was cancelled, which greatly promoted the development of China's textile and garment industry. China has gradually become the global textile and clothing manufacturing center. However, in recent years, with the rise of textile industry in Southeast Asia and South Asia, India has become the second largest exporter of textiles and clothing in the world. Despite the rapid rise of textile industry in Southeast Asia and South Asia, there is still a big gap between China and Southeast Asia. Although Southeast Asia and South Asia have seized the market share, they have also driven the construction of China's spinning and garment processing production bases, and formed a supporting cooperative relationship with China's upstream and downstream enterprises. "China + Southeast Asia" has gradually become a new international layout model of China's textile manufacturing industry. Southeast Asia and South Asia have imperfect industrial systems, especially chemical fiber, dyeing and finishing, equipment and other links are weak. They need to import a large number of chemical fibers, surface accessories and textile equipment from China, which is an important growth force to drive China's textile and textile machinery exports. The following is an overview of China's textile and clothing industry chain, as shown in Figure 7.

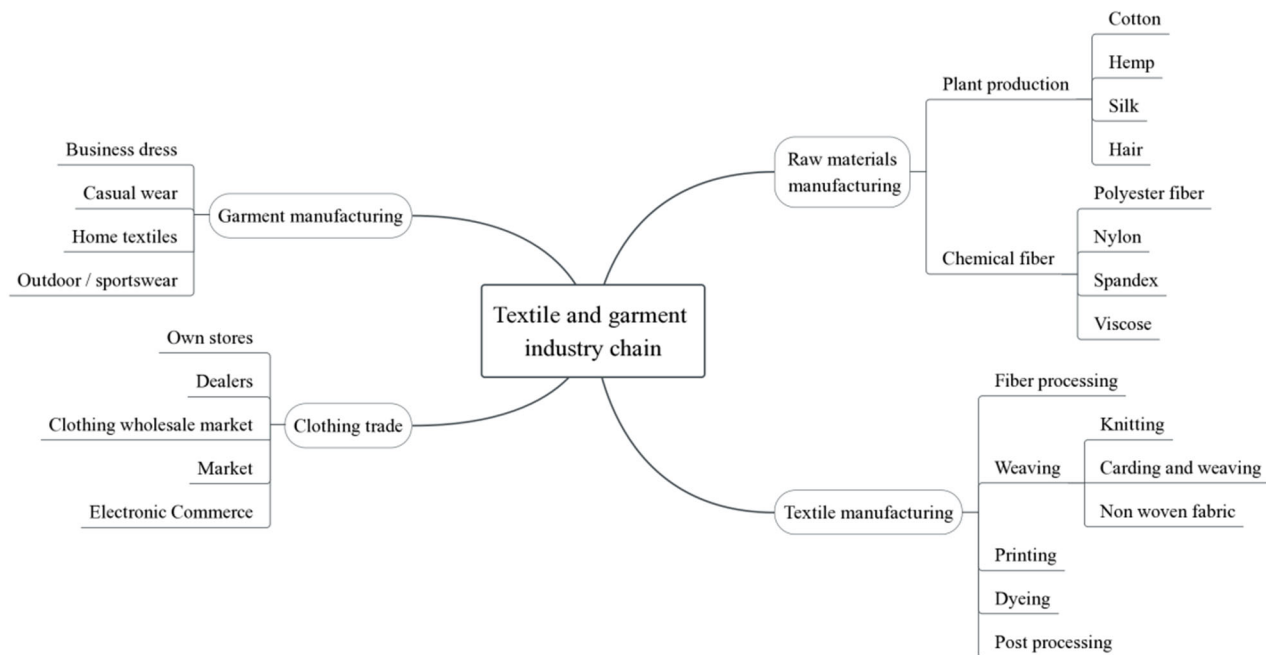


Figure 7. Textile and garment industry chain

(1) Production

During the epidemic period, it had a great impact on the production of China's textile and clothing industry. The delayed resumption of work caused the textile and garment enterprises in China unable to produce products and start to make profits. However, the concentrated areas of textile and garment industry coincide with the areas with severe epidemic situation. Due to the epidemic situation, most textile and garment enterprises at home and abroad have stopped production and many orders can not be completed on time[6]. The regional development model of China's textile and clothing industry is obvious, mainly concentrated in Zhejiang, Guangdong, Jiangsu, Shandong, Fujian, Hubei and other places, these areas are also serious epidemic areas. Among the provinces with concentrated textile and garment industries, Zhejiang, Fujian, Jiangsu and Shandong have higher rates of returning to work, while those of Guangdong, Shaanxi, Henan and Hebei are all less than 50%. Among the enterprises under the plan, the best one is Sichuan, with 98% of the enterprises under the plan, 71% in Jiangxi, and no more than 70% in other provinces and cities.

China is the largest textile and garment producer and exporter in the world. The sustained and stable growth of textile and garment export is very important to ensure China's foreign exchange reserves, balance of payments, stable RMB exchange rate, social employment and sustainable development of textile industry.

Textile and garment industry is one of the traditional industries in China, which carries a large number of employment, and plays an important role in ensuring the employment of residents, the market main body and the stability of the industrial chain supply chain. Clothing is an optional consumer goods which is strongly affected by the economic prosperity. Under the epidemic situation, global clothing consumption has fallen sharply and orders have been cancelled in large numbers, which has brought great impact on the development of textile and clothing industry[7].

(2) For the domestic market

Most of the textile and clothing industry is exported, only a small part is domestic sales. Under the influence of the Spring Festival holiday, the outbreak of Xinguan epidemic, the closure of the city and isolation, offline sales of textile and clothing industry basically stopped. The offline textile and clothing markets across the country delayed the opening time, the passenger flow

dropped sharply, the operation basically stopped, and the offline retail sales were significantly affected.

Companies are trying to mitigate the impact of the epidemic through online trading. When the offline market can not operate normally, textile and garment enterprises try to open up the industrial chain through online trading, increase sales volume and mitigate the impact of the epidemic. For example, Jiangxi textile industry association, Qingshanhu Clothing Designers Association and other local associations help small and medium-sized garment factories and clothing e-commerce businesses in the province to organize "online industry resource docking" activities, help them to open up the upstream and downstream docking cooperation of the industrial chain, reduce their respective operating costs and improve their anti risk ability. The clothing brands have also focused on online channel sales, through online live broadcast, online promotion and other ways to increase sales, reduce the loss of offline sales caused by the epidemic.

Textile and clothing demand may rebound in retaliation after the epidemic. After the end of the epidemic, consumers' demand for healthy sports is expected to break out, and the demand for health and functional brands such as sportswear will grow explosively. In addition, the demand for masks, protective clothing and other sanitary and disinfection textiles will continue in the short term, which will drive the development of industrial textiles industry. However, the negative impact of the epidemic on the economy will affect the overall development situation of the textile and clothing industry in a period of time.

(3) Export

There is a risk that orders will be reduced or lost. Affected by the epidemic situation, textile and garment enterprises' overseas orders are delayed before the Spring Festival, and enterprises are faced with the problems of customers' refund and claim, and may also face the risk of overseas orders transferring to other countries. After the Spring Festival, although the epidemic situation in China has been effectively controlled, the epidemic situation in overseas markets has spread, and many countries have announced control measures such as city closure and border closure, which makes overseas customers hesitate to place orders or cancel orders. Weak external demand led to a sharp decrease in new orders [8].

As shown in Table 2, from May 2019 to December 2019, the delivery value of China's textile exports continued to rise, reaching 284.27 billion yuan in December 2019. Under the influence of Xinguan epidemic situation, the value of China's textile export delivery decreased rapidly from January to February 2020, and gradually recovered to 70% of the same period level in 2019 in May 2020.

Table 2. Delivery value and year-on-year growth of China's textile exports

Time	Export delivery value (100 million yuan)	Year on year growth of export delivery value (%)
May 2019	1239.0	1.6
June 2019	1508.1	1.2
July 2019	1777.6	0.5
August 2019	1966.9	0.3
September 2019	2173.7	-0.7
October 2019	2358.9	-1.2
November 2019	2583.1	-2.0
December 2019	2842.7	-2.4
Jan-Feb 2020	289.6	-27.5
March 2020	512.9	-20.2
April 2020	698.0	-21.3
May 2020	892.9	-21.1

The impact of the epidemic on freight logistics may affect the timely delivery of goods. With the development of the epidemic situation in the world, many countries have taken various control measures, including the control of ships entering the port, the land border blockade, the suspension of international railway links, and the control of the import of goods from countries with severe epidemic situation. The above situation will seriously affect the timely delivery of China's export goods, and the risk of default on orders will increase significantly. Therefore, China's textile and clothing exports have a great impact, as shown in Table 3.

Table 3. Import proportion of textiles and clothing from China in the three key markets

	China's share in 2019 (%)	China's share from January to June 2020 (%)
EU	32.51	33.55
U.S.A	32.71	25.73
Japan	55.3	48.63

3.2. Benefits of Textile and Garment Enterprises

Under the influence of the epidemic situation, the global textile and garment industry is suffering a rare impact, many enterprises are in a difficult situation, and even announced layoffs or bankruptcy.

From the perspective of foreign textile and garment enterprises, in order to limit the spread of the new coronavirus, Nike announced that it would close its stores in the United States, Canada, Western Europe, Australia, New Zealand and its headquarters in Beaverton, Oregon, and announced that it would close half of its stores in China. Levi's, a US denim brand, has announced that it has closed about half of its stores in densely populated areas of China, including Asia's largest new flagship store in Wuhan. Fast retailing group, a Japanese retail giant, announced that it would temporarily close all 50 UNIQLO stores in the United States. Affected by the epidemic, UNIQLO, which has 750 stores in China, has closed 270 stores. The closed stores are mainly located in Hubei Province, and the reopening time is to be determined. Similarly, the epidemic in China will have a great impact on UNIQLO's performance. In the past few years, the Chinese market has become the main growth engine of UNIQLO's international market. H & M, a Swedish fashion retailer, announced the temporary closure of all 460 stores in Germany and 590 stores in the United States. It is reported that Germany and the United States are the first and second largest markets of H & M respectively.

From the perspective of domestic textile and garment enterprises, from January to June 2020, China's textile and clothing trade volume will be 138.29 billion US dollars, with a year-on-year (the same below) growth of 1.4%. Among them, the export volume was 127.33 billion US dollars, an increase of 2.5%; the import volume was 10.96 billion US dollars, a decrease of 9.4%; the cumulative trade surplus was 116.37 billion US dollars, an increase of 3.7%. The novel coronavirus pneumonia epidemic swept the world in the first half of 2020, which has a major impact on the economic and trade patterns of all countries and disrupted the pace of import and export of China's textile and clothing. In the first quarter of 2020, China's textile and clothing trade mainly encountered practical difficulties, such as domestic production and shutdown, personnel isolation and poor logistics. In the second quarter, China continued to face the risk of cancellation and reduction of orders, and production and export dropped sharply. However, China's stable and solid textile and clothing industry chain and supply chain have withstood severe tests.

4. Countermeasures and Suggestions to Deal with the Impact of Epidemic Situation

Novel coronavirus pneumonia has brought great risks to China's textile and clothing exports. Production growth slowed down, market demand was insufficient, and investment scale decreased significantly, resulting in a significant deterioration in efficiency. In the face of the export economy of textile and clothing products after the outbreak of the new crown, the Chinese government, the China Textile Federation and various large and medium-sized foreign trade textile enterprises have taken measures to revive the textile economy.

4.1. Government Support

Textile and clothing industry is greatly affected by the epidemic situation, many enterprises are facing the risk of bankruptcy. Therefore, the government should increase credit support and give loan enterprises a certain financial discount. In view of many problems in the textile and clothing industry during the epidemic period, the government, enterprises and associations have actively faced with various policies to reduce and reduce enterprise tax and pension for employees in varying degrees[9].

4.2. Environmental Protection Technology Innovation

In recent years, European and American countries have continuously issued new regulations and directives, setting up "green barriers" for China's textile export. At the same time, the domestic requirements on social responsibility and ecological environment protection of textile and clothing industry are also increasing year by year. Textile enterprises are bound to take the road of green transformation, and the demand for testing is growing[10]. China's textile and garment enterprises should improve their hard power and soft power, strengthen the research and development of green product production lines, and transform heavy pollution enterprises into light pollution enterprises[11].

4.3. Strengthen Brand Building

Textile and garment enterprises should improve their brand influence and brand competitiveness, strengthen brand building, and carry out online and offline multi-channel development[12]. At present, the new orientation of China's textile and clothing industry is innovation driven technology industry, culture led fashion industry, responsibility oriented green industry. High quality development is the inevitable direction, and promoting brand building is the inevitable way to further promote high-quality development.

5. Concluding Remarks

The outbreak of novel coronavirus pneumonia has had adverse effects on people's lives, work and study. For textile and garment enterprises, it has a profound impact. The state and government have taken many favorable measures to deal with the outbreak of novel coronavirus pneumonia. I believe that in the near future, textile and garment enterprises can still develop vigorously.

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