



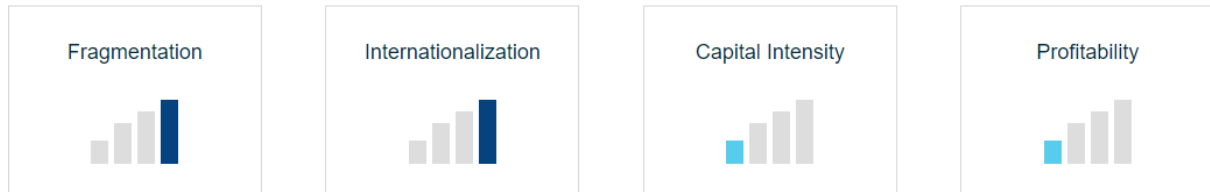
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Moderate recovery in activity expected for 2021



SENSITIVE RISK
for enterprises



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- Strong demand for personal protection equipment
- Segments enjoying favorable structural trends (sportswear, luxury)



- Global supply chains vulnerable to external shocks (pandemics, trade tensions)
- Very strong pressure from large clients (clothing retailers)
- Competition from the fast-growing second-hand market in mature economies
- Challenging relocation of manufacturing from China to other countries (Vietnam, Bangladesh, Indonesia etc.)
- Adaption of new ESG standards could inflate operating costs

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What to watch ?

- Easing of the sanitary situation allowing greater continuity in retail activity
- Consumer confidence and consumer spending in large markets
- Changes in raw material prices (cotton, synthetic fibers derived from oil)



2020 was the worst year to date for the textile manufacturing industry, with activity falling by an estimated -15%. The **Covid-19** outbreak took a toll on global trade, manufacturing and retail activities from early February to June, before disrupting retail activities again in Q4. Of all the major components of retail, apparel was hit the most, with retail sales falling by as much as -90% under lockdown in some European markets. It was also the segment that saw the slowest recovery after the easing of retail restrictions, with sales still -20% to -35% below their pre-crisis levels. Meanwhile, the pace of insolvencies among large clothing retailers and department store chains accelerated, increasing non-payment risks in an already vulnerable industry. The fashion and sportswear segments showed greater resilience, while personal protection equipment sales soared. Dominant Asian manufacturers (China, Vietnam) outperformed the wider industry.

2021 will see the industry returning to growth, but continuity in retail activity alone will not be enough to return to pre-crisis levels any time soon. The pandemic has had a clear psychological impact on consumer behaviour that has proven detrimental to demand for apparel. The increase in unemployment will also weigh on demand, apparel sales being strongly correlated to changes in consumer income.

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Textiles: about 50% of industry turnover. Textile manufacturers serve mostly the needs of the clothing and home improvement industries, to a lesser extent other industries (automotive, etc.)

Apparel: about 30% of industry turnover. Apparel manufacturers are mostly contractors to which large fashion retailers outsource the actual manufacturing of their clothes and accessories.

Leather and shoes: about 20% of industry turnover. Leather goods and shoes generally have distribution channels that are distinct from apparel.

Asia Pacific concentrates 80% of the industry's turnover, with **China's** share standing at 50-60% across most segments, the remainder being split between **India**, **Bangladesh**, **Vietnam** and **Indonesia**. Excluding Asia, **Turkey** and **Mexico** also have sizeable textile industries exporting to the European and **U.S.** markets, respectively. Some countries producing high end or technologically advanced fabric have kept a significant manufacturing base (**Italy**, **France**, **Germany**, **Japan** in particular).

