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THE STATE OF TEXTILE SOURCING



As world commerce recovers from the pandemic, textile and apparel sourcing still faces a storm of challenges such as demand volatility, the Russia-Ukraine war, the energy crisis, soaring inflation, and more. Companies may still have to deal with a highly volatile and uncertain market situation in 2023. However, manufacturers are still hopeful that their hardest sourcing challenges will start to ease gradually at some point in this year.

by **FIBRE2FASHION**

Sourcing is basically procuring inventory required for the manufacturing process or it could also refer to procuring at the best price and of the finest quality. Material sourcing is an essential step in the textile and apparel production process. The selection of textile raw materials such as fibre, yarn and fabric form the basis for the development of the end textile products. Textile and apparel manufacturers source the right material by evaluating different

quality and cost criteria for different end-uses. Moreover, raw materials are a key element in determining the cost of production of any textile product. Other important factors that sourcing personnel consider are lead time and minimum order quantity (MOQ). They often apply various sourcing strategies to utilise low-cost supply markets.

The global textile and apparel export in 2021 was estimated at \$863.64 billion, with apparel

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The growth in the trade of home textiles in the last two years could be credited to the growth in the demand for bed and bath linen, carpets, blankets, curtains, and other furnishing segments.

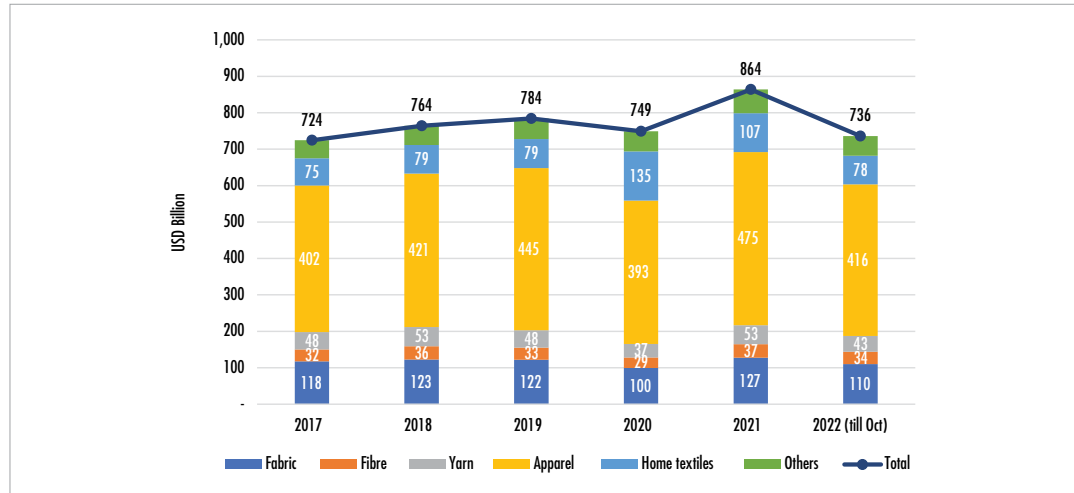
having the largest market share of 54.98 per cent. In general, developed countries are major importers of textile and apparel products produced in developing economies.

In the first ten months of 2022, the world textile and apparel export trade accounted for \$735.99 billion. China was the leading apparel exporter with \$270.92 billion. Vietnam (\$38.29 billion), Germany (\$34.36 billion), and India (\$32.96 billion) were the next leading textile and apparel exporters. During the same period, the world textile and apparel import accounted for \$648.71 billion, over 8.27 per cent up from \$599.17 billion during the same period in 2021. The United States was the leading textile importer with \$119.18 billion,

followed by Germany (\$52.28 billion), France (\$30.19 billion), Japan (\$29.39 billion) and the United Kingdom (\$27.63 billion). The current backdrop of the global textile and apparel industry reflects that developed countries such as the US, Germany, France, Japan, and the UK are engaged in textile and apparel "import" activities while countries such as China, India, Italy, and Vietnam are involved in apparel "export" activities.

At present, social and environmental sustainability has become a key priority for textile and apparel companies due to its growing importance in consumer choices and government policies. Manufacturers are under increasing pressure to create transparency in their supply chains and to share that information with consumers. Ensuring that raw material and finished products are sourced and procured sustainably is very critical to maintaining sustainability across the supply chain. Generally, sourcing decisions are based on product costing methods that often do not take the environmental risks into account. In textile and apparel supply chains, manufacturers usually request a short lead time for supplies, especially, for goods with high demand variability. However, a short supply lead time would create environmental problems such as higher per unit pollutant as there are high chances that the provider has less time to adequately manage the proper control of chemicals and material processing operations and that would lead to lower production yield of good quality supplies.

FIGURE 1 GLOBAL EXPORTS OF TEXTILE AND APPAREL OVER THE YEARS



Source: IHS Markit

TABLE 1 TOP MARKETS OF TEXTILE AND APPAREL PRODUCTS IN 2022

Exporters	Market share (%)	Importers	Market share (%)
China	36.81	United States	18.37
Vietnam	5.20	Germany	8.06
Germany	4.67	France	4.65
India	4.48	Japan	4.53
Italy	4.45	UK	4.26

Source: IHS Markit



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FIBRE & YARN

The global textile fibre export was valued at \$36.97 billion in 2021 and is anticipated to grow at a compound annual growth rate (CAGR) of 4.81 per cent between 2021 and 2026 and reach \$49 billion. The global fibre export was valued at \$34.98 billion in the first ten months of 2022. The major demand for fibre came from the Asia-Pacific region with China, Turkiye and Vietnam importing large amounts of fibre. The major exporting countries were the US, India, Brazil, and Australia.

The demand for man-made fibre is growing significantly across the world. There are several reasons behind this trend, such as low cost, the demand-supply gap in cotton, and versatility in application and adaptability. However, environmental concerns attached to synthetic fibres may hamper the growth of the market in the coming future. The growing awareness around sustainability is raising the demand for natural and organic alternatives to synthetic fibres. Thus, the rising consciousness regarding environmentally friendly products may lessen the demand for synthetic fibres in the coming years.

According to an analysis based on data from Fibre2Fashion's market insight tool TexPro, the polyester fibre market was 44.672 million ton in 2015, which grew to 55.759 million ton in 2021. Its market share also increased from 52.38 per cent to 57.57 per cent in the same period. But the market share will reduce to 56.36 per cent (62.950 million tons) by 2025. The annual growth of polyester fibre will be 3.1 per cent against the total textiles' fibre market growth of 3.29 per cent during 2020-2025.

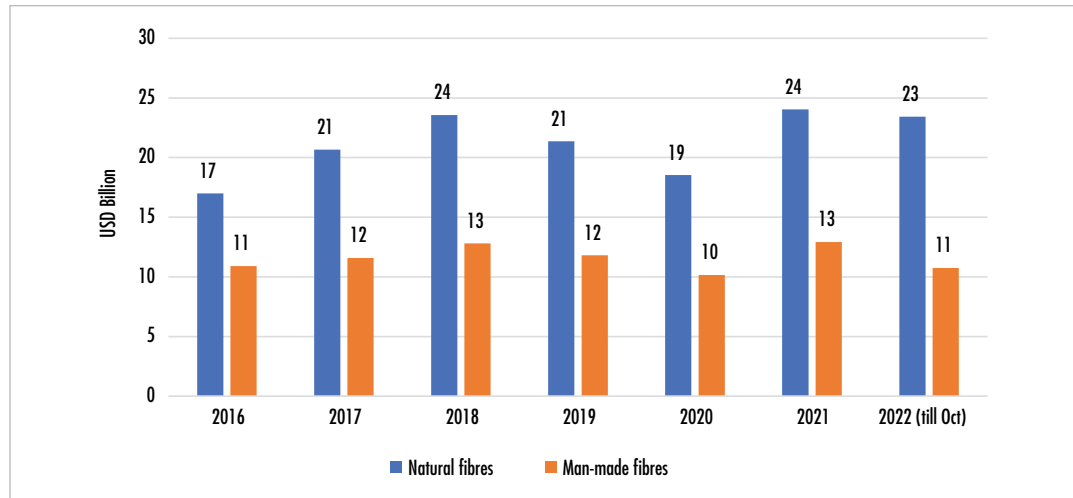
Cotton production has been disrupted in recent

years due to rough weather conditions in various regions of the world. The cotton fibre market was 24.040 million tons in 2015 which reduced to 22.765 million tons in 2020 but bounced back to 26.023 million tons in 2021. It will increase to 27.040 million tons in 2025 with annual growth rate of 3.5 per cent during the preceding five years. Major consumers including China, India, and Pakistan are facing challenges including a downward trend in profit margins and yarn orders, which in turn have resulted in conservative buying practices for cotton lint. Additionally, lower global consumption reflects the slowing of overall global demand for cotton products.¹ Other issues that relate to cotton are the production of greenhouse gases such as CO₂, methane, and nitrous oxide leading to temperature increase and changes in rainfall patterns. Cotton 2040 notes that "around half of the cotton growing regions will be exposed to increased risk of meteorological drought by 2040 while 75 per cent of cotton regions will experience increased heat stress by 2040"². Water scarcity is set to be one of the most significant climate risks for the world's most productive cotton-growing regions, adding extra pressure to a fibre already under scrutiny for its water footprint. Many cotton-growing regions are set to experience insufficient rainfall, while others will experience extreme and more intense rainfall leading to flooding and crop failures. The highest climate risk overall is projected particularly for two regions of the world, namely, North-Western Africa, including northern Sudan and Egypt, and Western and Southern Asia. These pressures present enormous difficulties for farmers and other players across the value chain.

Man-made cellulosic fibres (MMCF) are the third most used fibre in the world, after polyester and cotton.

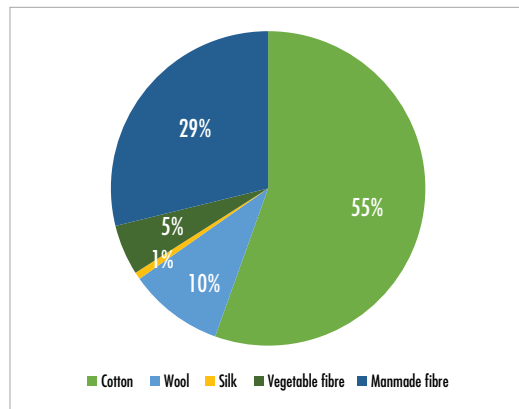
In 2021, women's apparel exports were much higher than that of men's apparel. Womenswear had an export share of 42.0 per cent in global apparel exports, compared to 21.5 per cent of menswear.

FIGURE 2 GLOBAL EXPORT OF NATURAL AND MAN-MADE FIBRES OVER THE YEARS



Source: IHS Markit

FIGURE 3 COMPOSITION OF FIBRE EXPORT IN 2021



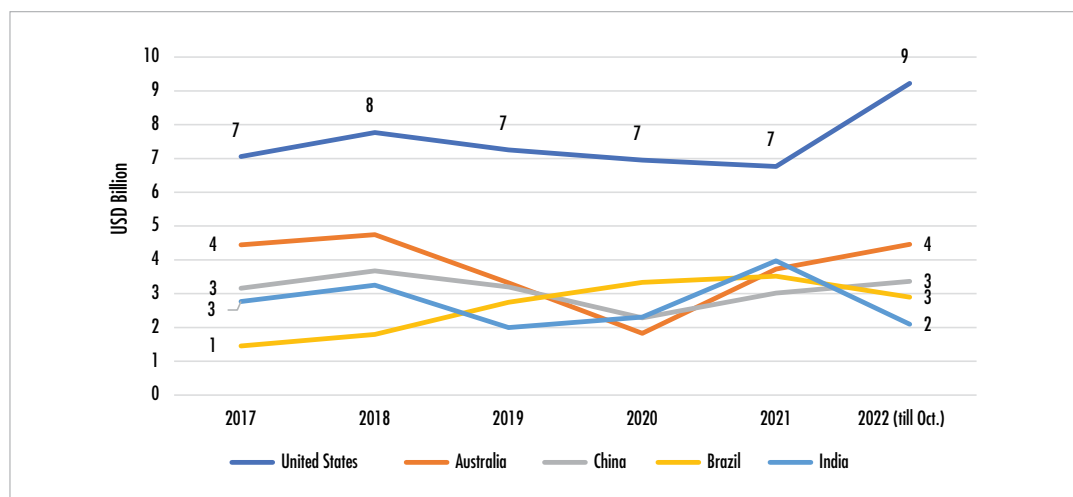
Source: Trade Map

TABLE 2 TOP EXPORTERS AND IMPORTERS OF FIBRES IN 2022

Exporters	Market share %	Importers	Market share %
United States	26.98	China	23.45
Australia	13.04	Turkiye	11.94
China	9.85	Vietnam (BOL)	11.55
Brazil	8.48	India	7.12
India	6.13	Indonesia	5.04
Belgium	3.14	Italy	4.95
South Korea	2.97	United States	3.49
Indonesia	2.63	Germany	3.10
Thailand	2.50	Thailand	1.84
Germany	2.22	South Korea	1.65

Source: IHS Markit

FIGURE 4 MAJOR EXPORTERS OF FIBRES OVER THE YEARS



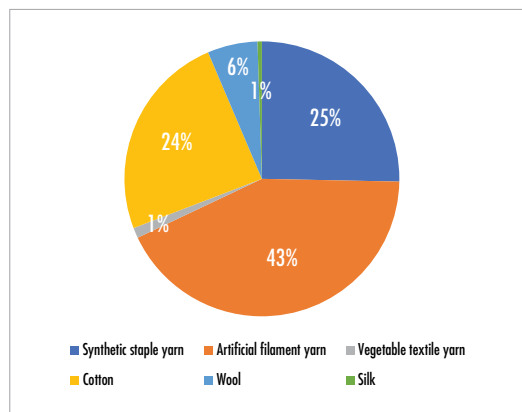
Source: IHS Markit

With an annual production volume of approximately 7.1 million tonnes, MMCFs constitute around 6.4 per cent of the overall fibre production volume.

As, manufacturing companies are progressively shifting to sustainable and environmentally friendly

fibres and threads, they are opting for recycled raw materials to produce eco-friendly fibres and yarns that cause little or no harm to the environment. The growing market of eco-friendly fibres and yarns follows the rising global demand for more sustainable textile

FIGURE 5 COMPOSITION OF YARN EXPORT IN 2021



Source: IHS Markit

products. The changes in the consumers' everyday life and mindset drive trends in the end products and the effect of such trends are passed along the value chain through a combination of requirements centred on cost, durability, performance, and availability. The acceptance of new trends globally and the awareness regarding sustainable products are some of the major factors driving demand for textile yarns and fibres.

The 2025 Recycled Polyester Challenge was launched in 2021 by Textile Exchange and the UN Fashion Industry Charter for Climate Action to accelerate the recycled polyester market. Between its launch in April and December 2021, over 132 brands and suppliers (including subsidiaries) have signed on to the Challenge and committed to jointly increasing the share of recycled polyester to 45 per cent by 2025.⁴

Sourcing textile fibre is a very responsible job as fibre not only affect the cost of the total production but also there are various environmental impacts during the production. For instance, for manufacturing a women's knit shirt for the approaching season, the manufacturer needs to decide on the raw material whether to be a natural fibre, such as cotton, or a synthetic fibre, such as polyester or a blend of cotton/polyester. This simple decision could make a considerable impact on the production and selling price of the shirt.

In 2021, the global yarn export was valued at \$52.64 billion, up from \$37.33 billion in 2020. It stood at \$42.82 billion in the first ten months of 2022. It is expected that its export market will grow to \$58.15 billion by 2025 at a CAGR of 2 per cent. The global supply of fibres and yarns was particularly pushed by man-made fibres. In 2021, the man-made yarn segment covered polyester, nylon, viscose, and acrylic textile yarn and held the largest market share in the global textile yarn market. Polyester has emerged as one of the most used and most preferred yarns in the textiles industry due to its lower cost, durability, adaptability, and recyclability, which offer a unique set of benefits unparalleled by any other natural or synthetic yarn. The surging demand for polyester in home furnishing and industrial

TABLE 3 TOP EXPORTERS AND IMPORTERS OF YARN IN 2022

Exporters	Market share %	Importers	Market share %
China	33.90	China	11.04
India	12.30	Turkiye	9.24
United States	7.86	Vietnam	8.26
Turkiye	6.15	Italy	6.05
Italy	4.96	United States	4.75
Indonesia	4.77	India	4.70
Germany	3.32	South Korea	4.24
South Korea	2.42	Germany	3.87
Taiwan	2.28	Brazil	3.30
Thailand	1.94	Japan	2.49

Source: IHS Markit

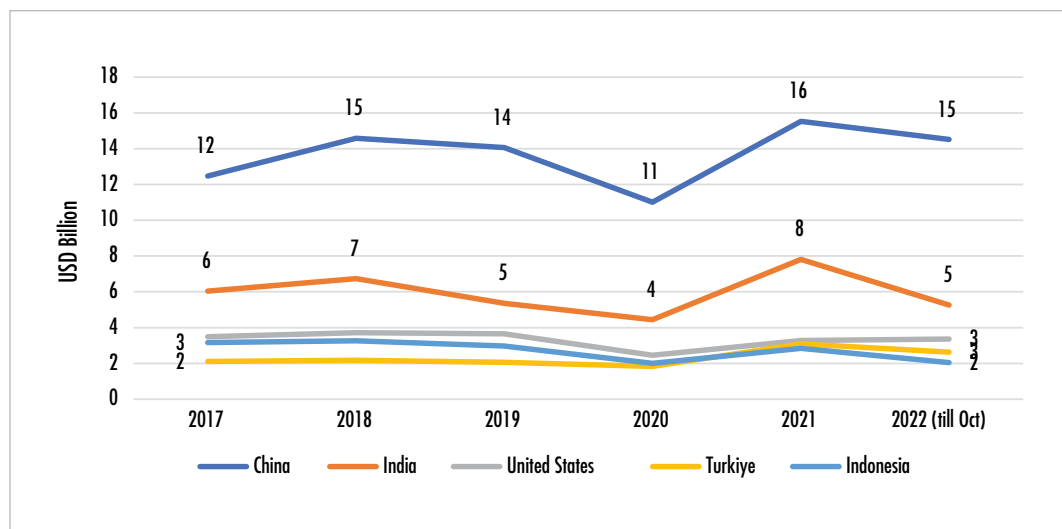
applications is expected to spur the growth of the segment. Moreover, the use of polyester in industries in the form of ropes and yarns has exponentially favoured market growth. China remained on the top in yarn exports with a 34 per cent share in 2021. It was followed by India, Vietnam, the United States and Turkiye.

China has remained the global leader in exporting fibre and yarn. In 2020, China experienced a drastic fall in its export volume of fibre and yarn due to the spread of COVID-19, but in 2021 its export volume bounced back to the pre-pandemic level. China witnessed soft growth in natural fibres, primarily cotton and wool, on the other hand, it experienced sharp gains in polyester, nylon, and spandex to reach a record high. Meanwhile, India secured the second position while being the world's largest supplier of natural fibres and yarns and dominated as a major sourcing hub for natural fibres while continuing its transition from cotton to man-

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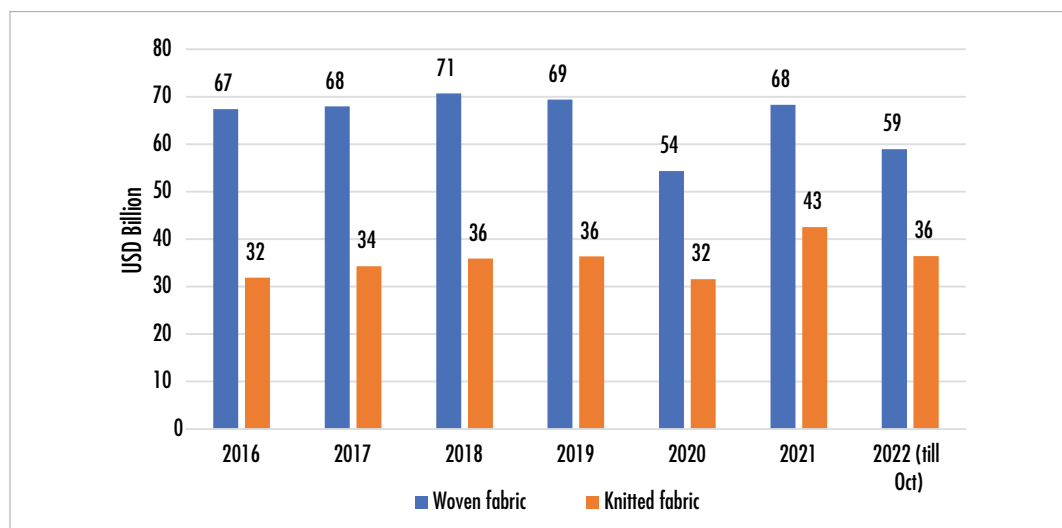


FIGURE 6 MAJOR EXPORTERS OF YARN OVER THE YEARS



Source: IHS Markit

FIGURE 7 EXPORT OF WOVEN AND KNITTED FABRIC OVER THE YEARS



Source: IHS Markit

made fibres to be in sync with global demands.

FABRIC

The global fabrics export was valued at \$110.11 billion in the first ten months of 2022, which is 6.9 per cent up from \$103.03 billion during the same period in the previous year. In 2021, the fabric export was recorded at \$127.43 billion, up from \$99.51 billion in 2020. China dominated the market with a 52.74 per cent share and exported \$67.21 billion worth of fabric in 2021, followed by Italy, India, Taiwan and Turkiye.

Knitted fabric: The knitted or crocheted fabric export reached nearly \$46 billion in 2021. According to TexPro, in the first ten months of 2022, the global export of knitted and crocheted fabric was \$36.41 billion compared to \$34.66 billion during the same period of 2021. It will likely expand at a CAGR of nearly 4 per cent from 2021 to 2025 and reach \$56 billion. Major exporters of knitted fabric in 2021 were China

TABLE 4 MAJOR MARKETS OF KNITTED FABRIC IN 2021

Exporters	USD billion	Importers	USD billion
China	23.12	Vietnam	9.30
Taiwan	2.50	Indonesia	1.99
South Korea	2.42	Hong Kong	1.52
Turkiye	2.16	China	1.15
Hong Kong	1.59	Sri Lanka	1.05
Vietnam (BOL)	1.56	United States	1.02
Italy	1.18	Morocco	0.77
United States	0.82	Italy	0.75
Germany	0.81	Mexico (BOL)	0.73
India	0.76	India	0.68

Source: IHS Markit

(\$23.12 billion) with over 51 per cent share, followed by Taiwan, South Korea and Turkiye.

Global knitted fabrics export is projected to reach nearly \$60.5 billion by 2030. Due to their low cost, better

elasticity, and simpler manufacturing method, knitted fabrics will continue dominating the market. For this reason, the increasing adoption of knitted fabric in a wide range of end-use sectors, such as automobile, medical, construction, and manufacturing is driving the market growth. Also, the shifting customer preference in the direction of superior-quality and lightweight knitted activewear is propelling the market. Likewise, continuous technological advancements in the field of knitting machines and the development of sustainable, fire-resistant, and lightweight breathable knitted fabrics, are further fuelling the market.

Woven fabric: Woven fabrics are put together by using two or more sets of yarn interwoven at right angles to each other. Woven fabrics are generally more durable and can be easily cut into different shapes and are excellent for producing styles in garments.

Compared to knitting, the woven fabric industry suffered more in 2020 due to the diminished demand for formal and office wear during the period of lockdowns and working from home. The total export of woven fabric declined by almost 20 per cent in 2020, but in 2021 the worldwide export of woven fabric increased by almost 26 per cent but still fell short of the pre-COVID level. Currently, China, Europe and the United States dominate the woven fabric market.

The woven fabric export reached nearly \$69.79 billion in 2021. According to TexPro, in the first ten months of 2022, the global export of woven fabric was \$60.49 billion compared to \$56.05 billion during the same period of 2021.

Nonwovens: Nonwovens represent the highest growth segment in the textiles field. Over the last decade, the extent of textile fibre used for making nonwoven products has surpassed fibre use for woven, knitted, and other textile products. The demand for new and better-performing products is driving the nonwoven industry. There is a sizeable demand for nonwoven fabric from the healthcare industry, and particularly after the COVID-19 outbreak, there has been an enormous increase in the demand for nonwoven facemasks and PPE kits to prevent the spread of the virus. Moreover, these fabrics have the property of expanding which helps them in absorbing shockwaves, for which there is a surged demand for nonwoven fabrics in the building & construction and automotive industries. The nonwovens market is growing at a faster pace with substantial growth rates over the last few years and is estimated that the export market will grow to reach \$42 billion by 2025, registering a CAGR of more than 5 per cent during 2022-2027. The United States, European Union and China are the leading consumer countries of nonwovens.

HOME TEXTILES

The global home textiles export was valued at \$106.82 billion in 2021 and is expected to grow at a CAGR of 6 per cent from 2021 to 2025. The growth in the trade of

home textiles in the last two years could be credited to the growth in the demand for bed and bath linen, carpets, blankets, curtains, and other furnishing segments. Textile manufacturers have been constantly transforming in terms of designs, styles, quality, patterns, and products to attract more consumers. Recently, the home textiles market has emerged as a major segment in the textile sector as its growth is constantly being supported by growing household income, increasing population, and rising income levels.

The global export of home textiles was valued at \$79.43 billion in 2019 and grew to \$78.16 billion in the first ten months of 2022. Home textiles account for over 9.8 per cent of the total textile export. Demand for home textiles has mostly peaked in developed economies in Europe and North America. A regional analysis of exports shows that Asia holds 69 per cent share in the global home textiles trade, followed by Europe, North America, and rest of the world, with respective market shares of 21 per cent, 6 per cent, and 4 per cent respectively in 2021.

APPAREL

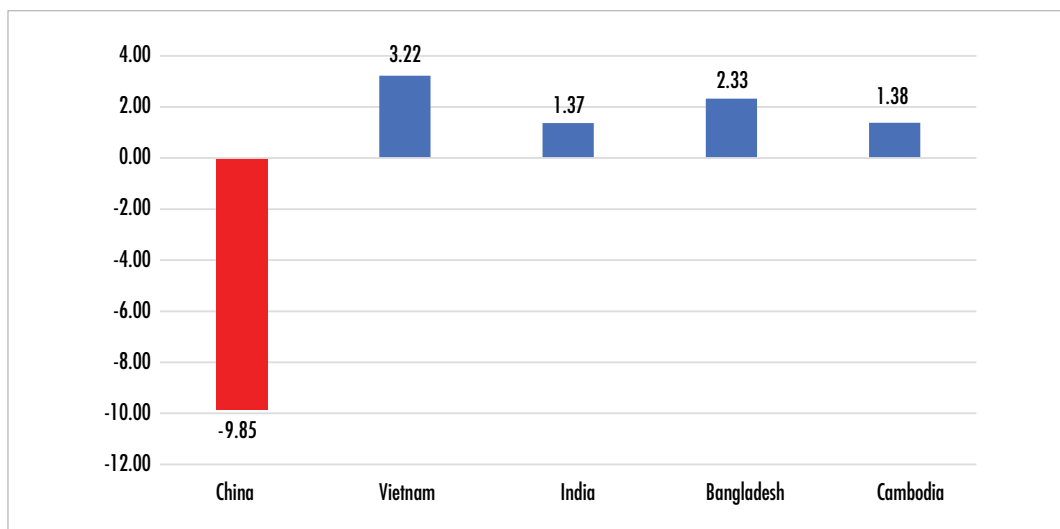
Global exports of apparel, which was \$393.25 billion in 2020, increased dramatically to \$474.74 billion in 2021, and it stood at \$416.43 billion in the first ten months of 2022.

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FIGURE 8 US LEADING SUPPLIERS AND THEIR CHANGE OF MARKET SHARE BETWEEN 2017-2022



Source: U.S. Department of Commerce, Bureau of Census

TABLE 5 SOURCES OF US TEXTILE AND APPAREL IMPORTS IN 2022 (JAN-NOV)

Textiles		Apparel	
	Market share %		Market share %
China	35.00	China	22.21
India	16.10	Vietnam	17.98
Mexico	6.35	Bangladesh	9.24
Pakistan	5.49	India	5.72
Turkiye	5.07	Indonesia	5.66

Source: IHS Markit

Trade analysis of 2021 reflects that out of total apparel exports, 47.37 per cent of woven apparel was exported globally. Woven apparel was mainly exported from China, Vietnam, Germany, Italy, and Spain.

As per the region-wise analysis of the apparel market, Asian-Pacific had the largest market share of over 44 per cent and exported \$210.15 billion of apparel in 2021. Asian countries which were dominating the market are China, Vietnam, Bangladesh, and India. With a large population base, China and India emerged as the fastest-growing markets in the segment.

In 2021, women's apparel exports were much higher than that of men's apparel. Womenswear had an export share of 42.0 per cent in global apparel exports, compared to 21.5 per cent of menswear.

SHIFTS IN SOURCING

The US Section 301 tariff actions against China have increased sourcing costs of manufacturers and cut their profit margins. As a result, companies have begun to move their sourcing orders from China to other Asian countries like Vietnam, Bangladesh, India, and Cambodia to avoid paying punitive tariffs. Trade statistics suggest that Asian countries such as Vietnam and Bangladesh picked up most of China's lost market shares in the US textile and apparel import market. During 2017-2022, the market share of Vietnam and

Bangladesh in the US market increased by 3.22 per cent and 2.33 per cent respectively while China's market share decreased by 9.85 per cent. However, despite the Section 301 tariff action, China remained a critical textile and apparel sourcing base for many US companies. In 2022, China was the leading supplier of textile and apparel products to the US with market share of 25.65 per cent. The countries with the next-largest shares of textile and apparel sourcing were Vietnam at 14.03 per cent and India at 8.05 per cent.

SOURCING SUSTAINABLY

Currently, developed economies source their textile and apparel from the developing countries. There is cutthroat competition in these markets and to sustain their competitiveness in the global market, suppliers need to be flexible and open to incorporating latest technology, working on shorter lead times, maintaining sustainability and transparency across the supply chain, and ensuring right quality while offering competitive prices. Textile and apparel companies also need to develop an understanding of their sourcing trends. Since sustainable sourcing is rapidly becoming a top priority for companies across the globe, they must know the source of their textiles and raw materials and adapt accordingly to sustain their supply chain without creating the ethical concerns that are currently an important criterion while sourcing textile and apparel. Thus, prior to making any commitment in the long run, the companies must undertake more rigid and concrete policies to take more control over their current supply chain. **FF**

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