



SUSTAINABLE COTTON CLUSTER REPORT 1/2018

OUTLOOK ON TEXTILES *South Africa vs China*

China has the largest textile production and export industry in the world. It is ranked the number one textile and clothing exporter to the world, producing more than 43 per cent of global demand.

However, growth dropped by 6.4 per cent in 2015 compared with 2014. China attributed this decrease in industry growth both to declining overseas orders, to labour cost as well as other costs rising too fast. Increasing labour costs have, to some extent, undermined the international competitive advantage of the Chinese textile industry.

China has committed to improving basic research and development projects and to bolstering technical textiles. As a result, the Chinese technical textile industry has experienced rapid growth over the past decade, growing at a much faster rate compared to the whole textile industry. With significant support from the central government, many Chinese producers in the industry are now seeking to produce high-end, value-added products.

In terms of production capacity, China remains the world leader.

By 2013 approximately 26 per cent of the world's cotton fibres were produced in China. In 2014 the total textile fibre production in China exceeded 50 million tons, around 54 per cent of world share. In 2014 clothing production in China reached 29.9 billion units (up by 10 per cent from 2013).

Growth rates of the Chinese textile and clothing industry had, however, showed a downward trend. Output grew only 7 per cent between 2013-2014, a drop from 10.3 per cent between 2009-2010. Similar patterns could also be seen in all the other main indicators in the industry (sales, net profit to investment), due to the overall slowdown of the Chinese domestic economy.

In 2016 China's general trade expanded by 0.9 per cent to US \$1.938 trillion, accounting for 55 per cent of China's total foreign trade (about one per cent higher than 2015).

During 2016 China exported textiles and clothing to the value of US \$253.3 billion (major markets USA and EU), and imported textiles and clothing to the value of \$28.4 billion.



China's general domestic product (GDP) grew by 6.9 per cent in 2017 and amounted to US \$ 11 969.9 billion. Consumer goods retail sales grew by 10.2 per cent to US \$5 300.4 billion. According to reports, China's fixed assets investment grew by 7.2 per cent in 2017. The Chinese population is 1 390.1 million people.

During 2017 total Chinese exports were US \$2 263.5 billion, while total imports amounted to \$1 841.0 billion. China had a trade surplus of \$422.2 billion.

It was reported that China will keep its target for economic growth at around 6.5 per cent in 2018, the same as in 2017.

In **South Africa** the economy had gone through a whole series of reforms since 1994. Despite social progress since 1994, poverty, inequality and unemployment have translated into economic under-performance. Though the economy peaked in mid-2000, growth is low and well below potential. On average the South African economy grew at 3.2 per cent a year from 1994 to 2012. Economic growth has mainly been driven by domestic demand and financed through an ongoing current account deficit.

South Africa removed import control in mid-1989 and the level of tariff protection on textiles and clothing was materially reduced in the case of the "ad valorem" percentage levels.

Employment in the local textile and clothing sectors reduced persistently every year.

During 2016 South Africa compared as follows with China:

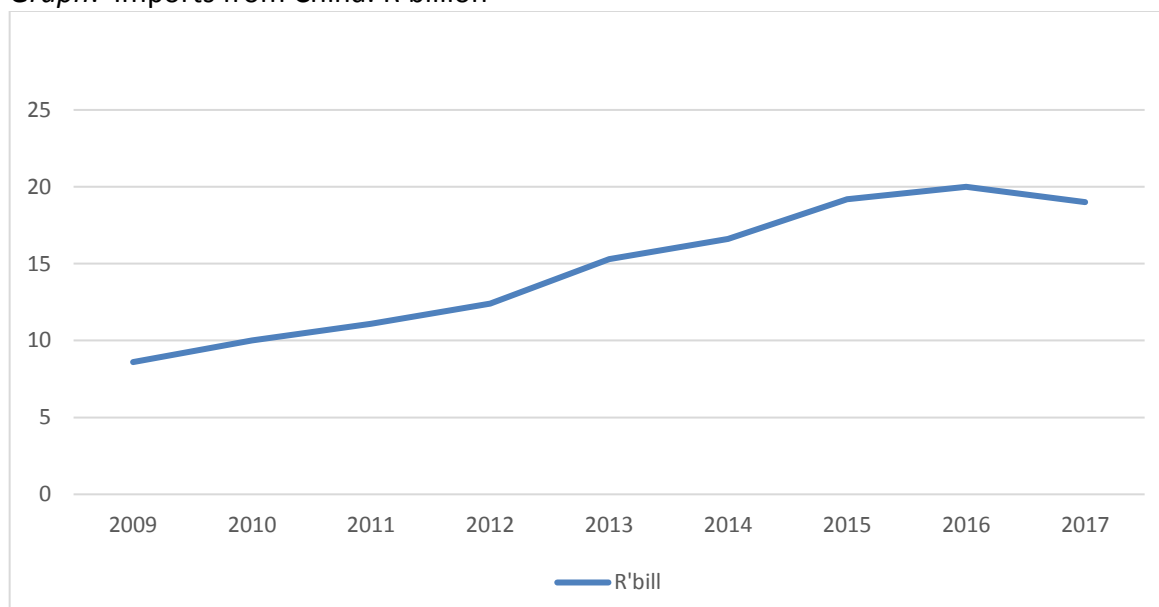
	South Africa	China
Population	55.91 mill	1.38 bill
GDP (US \$)	294.8 bill	11 200.0 bill
GDP per capita (US \$)	5 273.59	8 123.18
Textile & Clothing Exports (US \$)	1.07 bill	253.3 bill
Textile & Clothing Imports (US \$)	2.92 bill	28.4 bill

South Africa's **imports** of textiles and clothing from China represent a very insignificant percentage of China's exports, but imports from China, however, represent a major portion of South Africa's textile and clothing market.

During 2017 South Africa imported textiles and clothing to the value of R41.5 billion, of which 46 per cent came from China.

Over the years imports of textiles and clothing from China showed a steady increase. For example, it increased from R7.3 billion in 2008 to R20.0 billion in 2016. There was a slight decrease in 2017. The following graph indicates the value of imports of textiles and clothing from China since 2009.

Graph: Imports from China: R'billion



The imports of certain cotton products (that form part of the sustainable cotton cluster) from China are as follows:

Table 1: Imports from China

	Cotton yarn	Cotton knit fabrics	Cotton t-shirts	Cotton denim trousers
	Tons	Tons	Units (mill)	Units (mill)
2014	249.3	414	14.9	4.8
2015	166.7	340	13.6	4.2
2016	322.0	404	12.7	7.8
2017	196.5	2 774	7.1	9.3

Source: SARS

The clothing imports from China increased from R10.3 billion in 2014 to R12.1 billion in 2016, but declined to R10.9 billion in 2017. Approximately 64 per cent of total volume of clothing imports during 2017 was from China, down from 68 per cent in 2014.

South Africa **exports** very little to China. The major export product is raw wool.

The total exports of certain cotton products are as follows:

Table 2: Exports of cotton products

	Cotton yarn	Cotton knit fabrics	Cotton t-shirts	Cotton trousers (incl denims)
	Tons	Tons	Units (mill)	Units (mill)
2014	1 810.4	1 503.7	1.3	0.2
2015	326.1	1 016.5	0.7	0.28
2016	432.7	931.5	0.9	0.18
2017	1 087.9	920.2	0.9	0.19

Source: SARS

Total exports of clothing increased from R4 540.3 million in 2014 to R5 253.0 million in 2017.

Both global **cotton** consumption and production have been expanding since the 2015/16 season, but cotton consumption for the 2016/17 season is increasing at a faster rate. The South African

cotton crop for the 2016/17 season showed an increase of 45 per cent compared to the previous crop. It is expected that during the 2018/19 season consumption will be higher than production.

As far as the local outlook is concerned, the estimate for the 2017/18 production season indicates a cotton crop of more than 36 000 tons lint for South Africa, an increase of more than 145 per cent over the previous season. The reason is mainly the more favourable prices for cotton compared to other crops, but also due to a renewed interest in cotton production.

During 2017 South Africa imported 62 614 tons of textile fibres, of which 36 per cent is cotton. Only about 2 per cent of total fibres came from China (1 132 tons of which 1.4 per cent represent cotton).

Conclusion:

Despite the fact that the local textile and clothing industry does not show signs of growth, the cotton farmers are determined to have a successful crop, with investments taking place at farm and at the ginning levels. Investments are necessary in order to be more productive and to comply to the Better Cotton Initiative's standards.

***Cotton SA
May 2018***