

ITMF urges govts to support textile industry

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Against the backdrop of the ongoing Covid-19 pandemic, which has spread across the entire globe, the International Textile Manufacturers Federation (ITMF) has urged governments across the globe to increase the support to their respective textile and apparel industries to overcome the current period of an unprecedented demand and supply shock.

The results of second ITMF Corona Survey reveal that on average orders are down by 31 per cent and the turnover for 2020 is expected to drop by 28 per cent. "In our lifetimes such a demand shock is unprecedented," said ITMF president Kihak Sung. "The textile and apparel companies around the world are struggling and with them millions of workers and employees. In such times, both the public and the private sectors must work closely together, to avoid an economic and social meltdown," Sung added.

Some industrialized countries have sophisticated instruments like short-time work. To avoid laying off workers, companies are reducing their working hours and wages, with the government making up some of the employees' lost income. Most governments in developing countries do not have the necessary mechanisms in place and are lacking the resources. "Therefore, it is important to find creative solutions between governments, international institutions and the private sector, that can be implemented quickly," Sung said in a statement.

The Covid-19 pandemic has forced governments around the world to introduce lockdowns and all sorts of exit restrictions, leading to a sudden closure of all sorts of “offline” business for textiles and apparel. Within a few days, shops and stores of any kind selling “unessential” products had to close, cutting of global demand of textiles and apparel.

In the past three weeks, ITMF has conducted two surveys among textile companies around the world. The first ITMF Corona-Survey in the second half of March indicated already the dire consequences of this demand and supply shock: orders were down by an average of around 8 per cent globally and turnover in 2020 is expected to be down on average by 10.5 per cent compared to 2019.

The second ITMF Corona-Survey conducted at the end of March and beginning of April highlighted the devastating impact the Covid-19 pandemic has on the global textile industry. Across all continents, orders dropped on average by dramatic 32 per cent. On average, companies around the world expect their turnover to plunge by 29 per cent compared to 2019.

Furthermore, the ITMF Corona-Survey revealed that the companies are struggling with many issues. The two most important and pressing issues are, first, to keep the workforce safe, and second, to have enough liquidity to cover all the running expenses. Both issues are essential for the survival of each company. In the short-term, the safety and health of everyone working in a company is indispensable. In the medium-term, the availability of liquidity is crucial. In such a situation it is important that governments step in, if possible, with the support of international financial institutions like the International Monetary Fund or the World Bank to provide fibre, textile and apparel companies with financial assistance. “The ITMF is asking governments to provide banks with additional credit facilities backed by guarantees of states and/or international institutions, to suspend any taxes or any other forms of social levies and contributions, etc with the objective to provide companies with enough liquidity to overcome this critical period,” Sung noted.

"At the same time the ITMF is asking all stakeholders in the supply chain to work closely together. Above all, ITMF is asking retailers and brands to refrain from making use of any ‘force majeure clauses’ in their contracts with suppliers. These would lead to a cascade of cancellations of orders that are ready for shipment or in the process of completion. Instead, brands and retailers as well as all other stakeholders in the supply chain should have dialogues and look for creative solutions that allow partners to survive this unprecedented period together," the statement said.

While the supply chain is certainly disrupted dramatically, all stakeholders should do their part not to destroy it. If otherwise healthy companies go under because of insufficient numbers of orders and/or a lack of liquidity, the supply chain will not be capable to produce the necessary number of products with the necessary quality and speed once demand is returning, ITMF said.

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