Overview of Taiwan Textiles Industry - 2009

2010.05

Status of Taiwan Textiles Industry

Taiwan's textiles industry got its start by processing imported raw materials and exporting finished goods. Later, the sector turned to using materials derived from petrochemicals, and concurrently also imported raw cotton yarn and man-made staple yarn. Gradually, the industry became vertically integrated, eventually joining all the links in the production chain, including the manufacture of man-made fibers, yarn spinning, weaving and knitting, dyeing and finishing, and apparel and accessories industries.

Since the 1950's, Taiwan's textiles industry has steadily invested in new machinery and developed new products to meet the global market demand. As a result of these effects, the textiles industry has built a comprehensive production system, making Taiwan a major supplier of textiles products to the world.

Overview of Taiwan Textiles Industry

- Taiwan textiles industry's production value, manufacturers number and the employees

The textiles industry of Taiwan is highly export-oriented. The export value of textiles and apparel accounts for more than 80% of total textiles and apparel production in the recent six years. Textiles industry's production value, manufacturer number and the employees all reveal a decline phenomenon in the past 10 years. The production value of textiles in Taiwan was NTD374.8 billion in 2009, down 39% from NTD615.4 billion in 1997, the manufacturers in 2007 were reduced 1,342 units from 1997, and there was decline in employment from the number of 285,730 in 1997 to 176,157 in 2008, down 38%。

Table 1- Taiwan's Textiles Production Value, Manufacturers and Employees

Year	1997	2002	2009	1997	2002	2007	1997	2002	2008
	Production Value (billion NTD)			Manufacturers			Employees		
Textiles	510.7	429.7	350.1	4,151	3,732	3,508	209,335	155,020	122,360
Apparel	104.7	68.1	24.7	1,897	1,325	1,198	76,395	79,000	53,797
Total	615.4	497.8	374.8	6,048	5,057	4,706	285,730	234,020	176,157

Sources: Directorate General of Budget, Accounting and Statistics (Employees)、Dept. of Statistics, MOEA (for year 2009, 1USD=33.057NTD)

Table 2- Taiwan Textiles industry's production value in 2000~2009

(unit：100 million NT$)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1.Man-made fiber	1,227	1,137	1,233	1,379	1,588	1,516	1,510	1,535	1,216	1,029
2.Textiles	3,865	3,360	3,270	3,163	3,401	3,011	2,943	3,076	2,803	2,381
3.Apparel	824	671	595	561	529	462	409	372	319	247
4.Glass fiber	102	121	97	97	128	125	135	137	129	91
Total	**6,018**	**5,289**	**5,195**	**5,199**	**5,645**	**5,114**	**4,997**	**5,119**	**4,467**	**3,748**

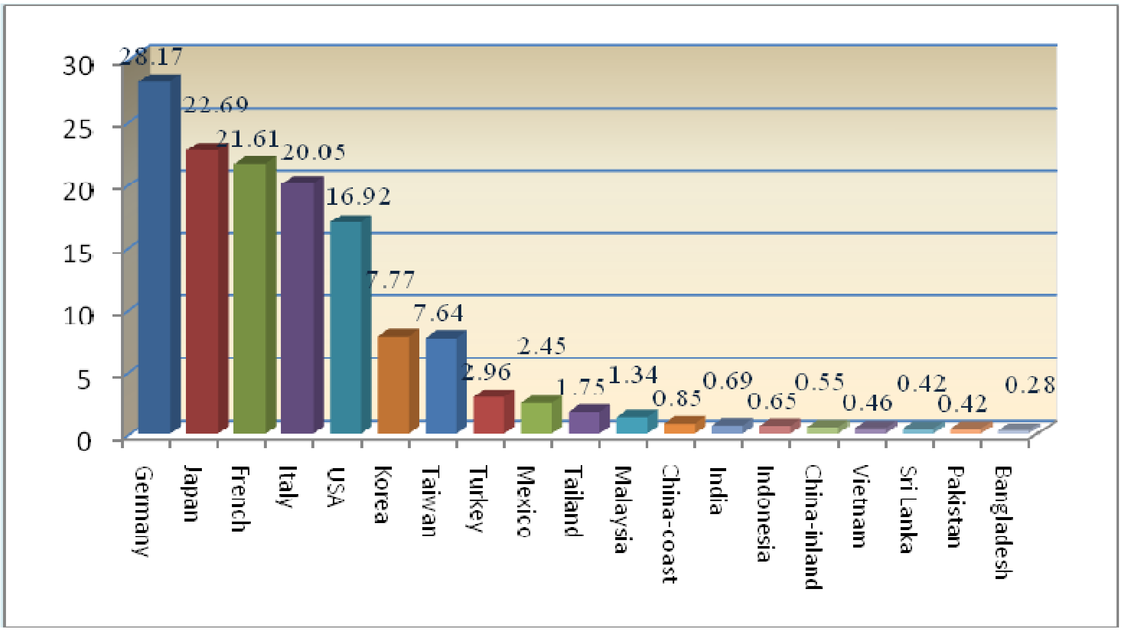
Sources: Dept. of Statistics, MOEA, glass fiber is included in the textiles industry from 2008.

- Taiwan's labor cost of textiles and apparel industry

According to Werner International, Taiwan's labor cost of textiles and apparel industry in 2008 is US$7.89 per hour, which is higher than US$7.64 in 2007, up 3.3%. Mainland China's labor cost increased more than double due to the appreciation of RMB and the implementation of the New Employment Contract Law. The labor cost in 2008 is US$1.88 in the coast area, US$1.44 for inland area. While in 2007, the costs are US$0.85 and US$0.55 in the coast and inland area respectively. The labor costs of other main emerging exporting countries in Asia are listed as follows:

Turkey(US$4.27), Thailand(US$1.80), Malaysia(US$1.57), India (US$0.85), Indonesia(US$0.83), Vietnam (US$0.57), Bangladesh (US$0.31).

Chart 1- Labor Cost of Main Textiles and Apparel Exporting Country (US$/hr)



Sources：Werner Int'l - 2008 Primary Textiles Labor Cost Comparisons

- Textiles: Taiwan's 4th-largest foreign exchange earner

In 2009, the gross export and import values of Taiwan's textiles production were USD9.35 billion and USD2.19 billion. In that same year the textiles industry recorded a total trade surplus of USD7.16 billion, making it Taiwan's fourth-largest trade surplus industry. Taiwan is now ranked as the 7th-largest textiles and 29th-largest apparel exporter and also one of the major suppliers of high quality man-made fabric.

Table 3- The Export and Import Value /Trade Surplus of Textiles & Apparel Industry in 1999 to 2009

(Billion USD)

Item / Year	Export Values (A)	Import Values (B)	Trade Surplus of Textiles & Apparel Industry(C=A-B)	Trade Surplus of Total Trade (D)
1999	14.19	2.88	11.31	10.93
2000	15.22	2.89	12.32	8.37
2001	12.64	2.36	10.28	18.34
2002	12.14	2.47	9.68	22.07
2003	11.88	2.40	9.48	22.59
2004	12.53	2.68	9.85	13.61
2005	11.81	2.61	9.20	15.81
2006	11.76	2.70	9.06	21.32
2007	11.60	2.65	8.95	27.43
2008	10.90	2.70	8.20	14.83
2009	9.35	2.19	7.16	29.04

Source: Compiled from Dept. of Statistics, MOFA by TTF

Taiwan Textiles Exports

- Textiles export proportion

The export value of Taiwan textiles stood at USD9.35billion in 2009, accounting for 4.6% of Taiwan's total exports. Fabric category exports amounted was USD5.54 billion, down 16%, exports volume was 945,800 tones, down 11%, comparing with year 2008. Yarn exports amounted to USD1.79 billion, down 9%, exports volume was 869,700 tones, up 13%. Fabric was the main export item, took up 59% of total textiles exports, connoting that fabric not only play an important role in the full stream of textiles production, but also an major export item. Yarn with the share of 19% took up the second place.

Table 4- 2009 Taiwan's Textiles Exports Proportion

Items	Export Value (million)	Ratio (%)	08/09 (%)	Export Volume (10,000Mt)	08/09 (%)	Unit Price (US$/Kg)	08/09 (%)
1.Fiber	952	10	-2	64.34	24	1.48	-21
2.Yarn	1,793	19	-9	86.97	13	2.06	-20
3.Fabric	5,536	59	-16	94.58	-11	5.85	-6
4.Apparel	724	8	-25	4.14	-24	17.50	-2
5.Miscellaneous	340	4	-8	9.39	-3	3.62	-5
Total	9,345	100	-14	259.42	4	3.60	-17

Source: Compiled from Taiwan Customs Statistics by TTF

- Textiles main export markets

Taiwan's main export markets were mainland China, which represented 22% of the total export volume, amounting to USD 2.06 billion in 2009, down 2%; followed by Hong Kong at 14% (USD1.27 billion), down 27%; followed by Vietnam at 13%(USD1.18 billion), down 7%; followed by United States at 9% (USD0.85 billion), down 26% and the EU at 6% (USD0.53billion), down 18%. The main five export markets accounted for 64% of Taiwan's total textiles exports of which the top two markets, mainland China and Hong Kong, accounted for 36%.

Table 5- 2009 Taiwan's Textiles Main Export Markets

Rank	Main Export Markets	Export Value (billion)	Share of Total Textiles Export (%)	08/09 (%)
1	China	2.063	22	-2
2	Hong Kong	1.270	14	-27
3	Vietnam	1.175	13	-7
4	U.S.	0.847	9	-26
5	EU	0.527	6	-18
Total		5.882	64	-15

Source: Compiled from Taiwan Customs Statistics by TTF

Taiwan Textiles Imports

- Textiles import proportion

The import value of textiles in Taiwan was USD2.19 billion in 2009, down 18.9% over 2008. Apparel & accessories imports amounted to USD940 million (43% of the total, down 13.7%), fabric amounted to USD370 million (17%, down 22.6%), yarn was USD280 million (13%, down 30.2%), fiber was USD420 million (19%, down 21.6%), and miscellaneous textiles were USD180 million (8%, down 9.6%). Apparel increased most in the share of textiles imports over the year before.

Table 6- 2009 Taiwan Textiles and Apparel Imports

Items	Export Value (million)	Ratio (%)	08/09 (%)	Export Volume (10,000Mt)	08/09 (%)	Unit Price (US$/Kg)	08/09 (%)
1.Fiber	420	19.0	-21.6	28.0	-3.4	1.5	-18.9
2.Yarn	280	12.7	-30.2	7.9	-20.3	3.5	-12.4
3.Fabric	370	17.1	-22.6	6.6	-18.8	5.7	-4.7
4.Apparel	940	42.8	-13.7	10.7	-1.0	8.8	-12.9
5.Miscellaneous	180	8.4	-9.6	4.7	-10.4	3.9	0.9
Total	2190	100.0	-19.0	57.9	-8.2	3.8	-11.8

Source: Compiled from Taiwan Customs Statistics by TTF

- Textiles main import markets

Taiwan's major import sources are China (34% of the total import, amounting to USD738 million), down 6% over 2008.

Table 7- 2009 Taiwan's Textiles Main Import Market

Rank	Main Export Markets	Import Value (million)	Share of Total Textiles Import (%)	08/09 (%)
1	China	738	34	-6
2	EU	233	11	-28
3	Japan	200	9	-22
4	Vietnam	182	8	-11
5	U.S.	159	7	-28
	Total	1,512	69	-16

Source: Compiled from Taiwan Customs Statistics by TTF

Overview of Global Textiles and Apparel Industry

After the textiles trade was liberalized in 2005, the production was shifted to emerging economies such as China, India, Pakistan, Bangladesh and Vietnam. Meanwhile, the trade of textiles and apparel flourished more than in the era of quota restraint. The WTO data reveals that the trade of textiles and apparel kept on growing during the past 10 year. The average growth rate for textiles and apparel between 2000 and 2008 was 6.6% and 9.2%. While during the 7 year from 1998 to 2004 when the textiles trade was under quota restraint, the average export growth rate of the textiles and apparel was 4.2% and 5.6% respectively. After the quota was eliminated in 2005, the average annual export growth rate between 2005 and 2008 increased; for textiles it increased to 5.9%, and apparel 7.7%.

Table 8- Growth of Textiles and Apparel Export in the World (billion USD)

Year / Product	2000	2008	Value Increased	Growth Rate	2000-2008 Ave. Growth Rate
Textiles	157	250.2	93.2	59.4%	6.6%
Apparel	198	361.9	163.9	82.8%	9.2%
Total	355	612.1	257.1	72.4%	8.0%

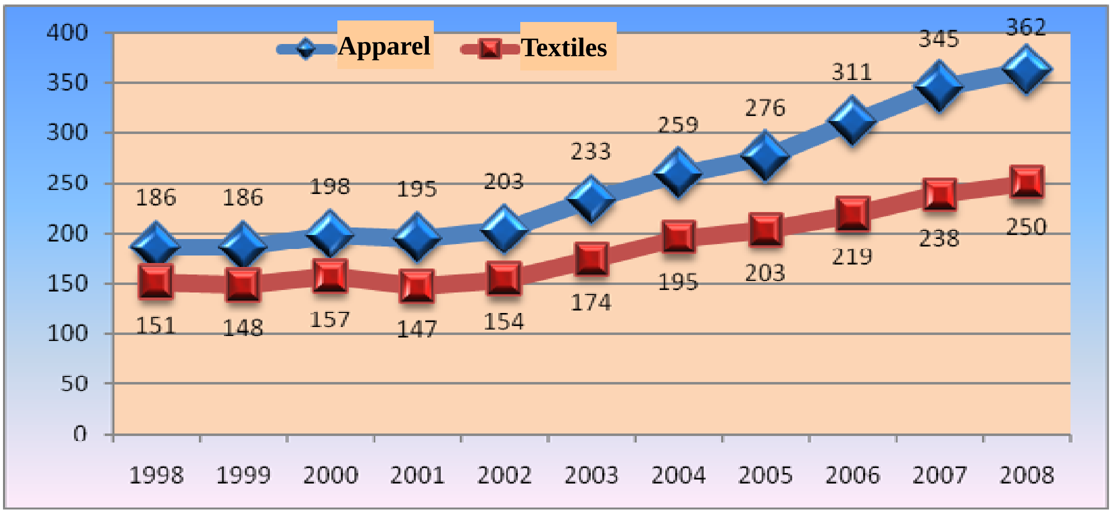
Sources: WTO

The Statistics of World Textiles and Apparel Trade

According to WTO statistics published in 2008, the global textiles trade in 2008 amounted to US$250.2 billion, US$361.9 billion for apparel trade, with an aggregate of US$612.1 billion.

Chart 2- 1998-2008 Global Textiles and Apparel Exports

unit：USD billion



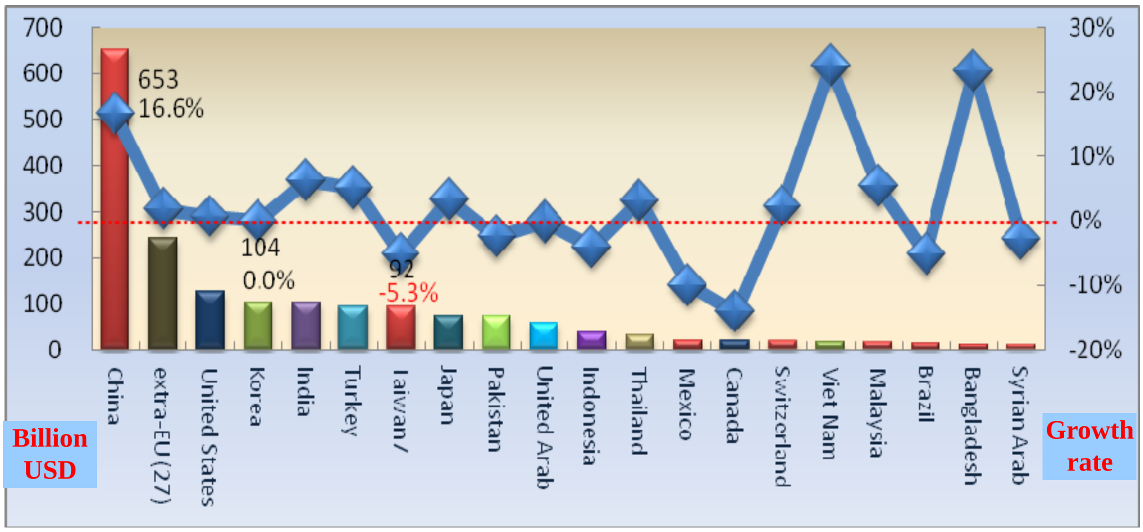
Sources: WTO

The Leading Textiles and Apparel Exporting Countries in 2008

- The leading textiles exporting countries in 2008:

China was in the first place, followed by the E.U., the U.S., South Korea, India, and Taiwan was the 7th biggest country with export amount US$9.22 billion. Taiwan plays an important role as the supply hub of functional and eco textiles in the world.

Chart 3-The Leading Textiles Exporting Countries in 2008



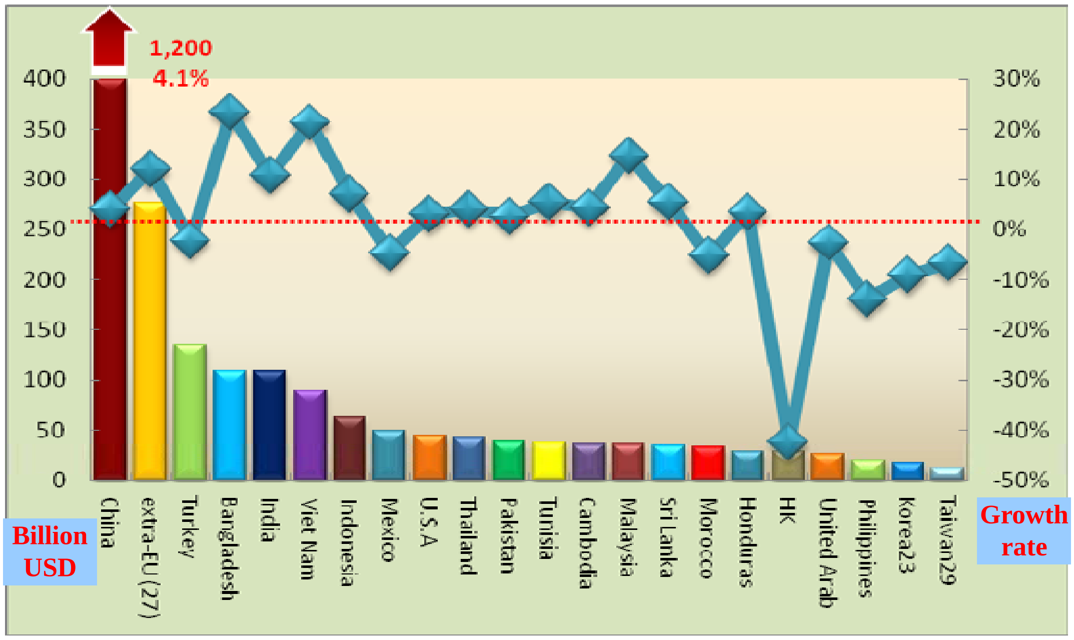
Sources: WTO

- The leading apparel exporting countries in 2008:

China remained the biggest apparel exporting country in 2008 with export amount of US$120 billion, accounting for one third of the global garment trade. The second to fifth place were E.U., Turkey, Bangladesh and India. It is noteworthy that 7 countries of ASEAN were listed in the top 20. They are Vietnam (6), Indonesia (7), Thailand (10), Cambodia (13), Malaysia (14), and the Philippines (20).

Taiwan's apparel industry has relocated the production to overseas for many years. Because of the labor intensive characteristics, apparel industry is forced to move to the low cost countries. Besides those manufacturers who focus on domestic market, most of Taiwan's export-oriented apparel producers still utilize domestic good quality, low price yarn and fabrics to produce garments for orders of small quantity and complicated style or orders with short delivery time. In 2008 Taiwan is the 29th leading apparel exporting countries in the world.

Chart 4- The Leading Apparel Exporting Countries in 2008



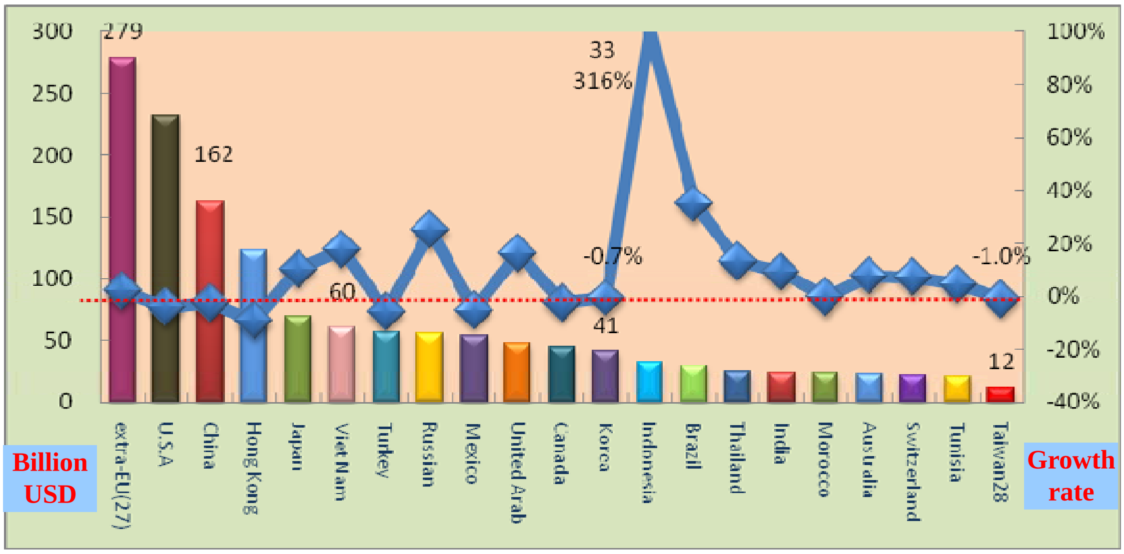
Sources: WTO

The Main Textiles and Apparel Importing Countries in 2008

- The leading textiles importing countries in 2008:

The biggest three textiles importing countries are the E.U., the U.S. and China. However, to aggregate importing value of textiles of China and Hong Kong will make China (including Hong Kong) the biggest textiles importing country. It reveals the great magnitude of Chinese textiles market, and it will be the major target of exploitation for Taiwan's textiles industry. Taiwan was the 28th biggest textiles importing country in the world in 2008 with importing amount of US$1.2 billion.

Chart 5- The Leading Textiles Importing Countries in 2008

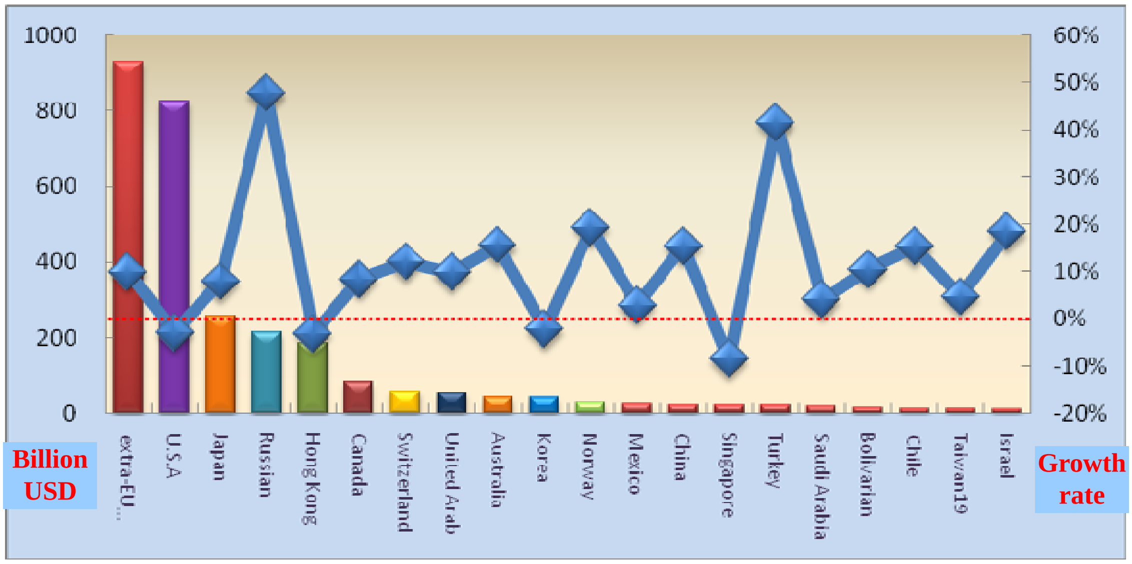


Sources: WTO

- The leading apparel importing countries in 2008

The U.S., E.U. and Japan were the three major leading apparel importing countries with aggregated import amount over US$201.4 billion, accounting for 56% of global apparel market. In 2008 Taiwan imported apparel worth of US$1.2 billion and is the 19th leading apparel importing country. It is anticipated that Taiwan will import more apparel products from China in the future.

Chart 6 The Leading Apparel Importing Countries in 2008



Sources: WTO

The focus and trends of Taiwan's textiles industry

Due to limitations in the domestic environment and severe international competition, Taiwan's textiles industry has gradually shifted focus to innovation, R&D, and design-oriented sectors, as well as the development of products with high economic benefits, including ODM and OBM production. Taiwan's textiles industry is not only increasing the added value and diversity of its products, but also undergoing a highly efficient value transformation. Taiwan's textiles industry therefore has to make major structural changes in order to develop competitive advantages beyond low pricing. One feasible approach is to build cooperative connections between Taiwan's fiber, yarn and apparel sectors, in addition to broadening cooperation with other industries. Such ties will be beneficial to setting up a common goal for future development on products with emphasis on innovation, unique, refinement and design.

In terms of consumer emphasis, two trends in the clothing and furnishing appliances markets have emerged. One is functional textiles, which are highly regarded by consumers for fashion, ergonomic, comfort, safety and health reasons. The other is eco-textiles with low pollution, low energy consumption, high recyclability, and minimal negative impact on the environment. Current R&D in the textiles industry focuses on efforts to improve manufacturing processes, equipment automation and production efficiency.

Taiwan's textiles industry (from man-made fiber to yarn spinning to fabric to apparel) has already developed a highly integrated production system that joins all up-, mid- and downstream operations involved this particular industry. The industry now strives to combine the advantages of both natural and chemical fibers in a collective effort to develop new high-performance, functional and high-value-added products that meet consumer demands.

To protect the planet earth we live on, production of organic cotton textiles has come to be emphasized in recent years. Many factories in Taiwan have now joined together to engage themselves in the production of organic cotton textiles. Among others, the most renowned companies, including Far Eastern Textile Ltd., Formosa Taffeta Co., Ltd., Chia Heir Group, Everest Textile Co., Ltd. and Tai Yuen Textile Co., Ltd., have already had their whole production process certified by the Institute for Marketecology (IMO), specializing in quality assurance of eco-friendly products, organic agriculture and management systems, Bluesign Technologies, specializing in screen the organic production process, as well as the Control Union, specializing in certificating of organic production. All those companies' organic products have commercialized and have good sale in the marketplace. They play an important role in contributing in the environment protection. It is expected that organic cotton and eco-fiber textiles will become Taiwan's main export items in the future.

Taiwan's textiles industry is therefore vigorously considering incorporating these environmental factors in its development of functional textiles. Indeed, trader's strong confidence in Taiwan serves to show that great opportunities do exist for Taiwan's textiles industry as it strives to accommodate the newly emerging market trends, namely functionality and environmental consciousness.

Conclusion

Taiwan's textiles industry is utilizing the latest technology to produce high value-added and better quality products. In doing so, we not only raise the image of Taiwan's textiles products, but also widen the market differential between Taiwan's products and the low-price products produced by other developing countries, including China and South East Asian countries.

The global economic rapidly deteriorated by the impact of U.S. subprime mortgage financial tsunami in the later half year of 2008. According to the analysis of Asia-Pacific job market by the International Labor Organization, export-oriented countries were deeply affected by the financial tsunami and were facing slumped consumer and investment market and rising unemployment. Taiwan textiles industry which had been export-oriented for many years, of course, was unable to escape from this disaster.

Taiwan textiles industry is trying to develop all kinds of high value-added materials to attain the purpose of differentiation. Facing the impact of over-supply and high energy price, the industry endeavors prudently in innovating functional and eco-fibers as well as developing high quality products.

With the view of assisting Taiwan's textiles industry to upgrade and transform, our government has schemed the textiles strategy of 2015 with the goal of adjusting the ratio of apparel, household, and industrial textiles from 66:11:23 in year 2007 to 50:17:33 in year 2015, and the value of production is expected to increased to NT$580 billion in 2015 from NT$471.8 billion in 2007 by structural adjustment. In order to help the textiles industry to achieve the goal of 2015, three plans are drafted by our government. One is "Double Production Value for Industrial Textiles Plan", and the other is" Ally for Developing and Promoting Functional Textiles Plan". Finally, the third one "Taiwan Fashion Promoting Plan" aims at promoting Taiwan's textiles in the international market and helping textiles industry in elevating high value-added textiles products so that Taiwan's textiles and apparel industry may develop sustainably.

If Taiwan can reach an economic cooperation framework agreement

(ECFA) with China in 2010, it will help Taiwan to avoid economic marginalization and reduce the risk of trade diversion, compete on fair terms with ASEAN countries in China market, and get ahead of Japan and Korea in exploiting China market. In addition, with duty-free concessions Taiwan textiles manufacturers could enhance product competitiveness, increase the will of staying in Taiwan and expand the export quantity. Furthermore, it will increase the sourcing from Taiwan for Taiwanese and foreign traders in China, attract multinational corporations to invest in Taiwan, and create more employment opportunities in Taiwan.