Overview of Taiwan Textile Industry – 2015

2016.11

A. Status of Taiwan Textile Industry

At the beginning stage, Taiwan textile industry imported raw materials for processing and exported most of the finished goods to overseas markets. 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 supply chain, including the manufacture of man-made fibers, yarn spinning, weaving and knitting, dyeing and finishing, and apparel and accessories industries.

From its inception, Taiwan textile industry has steadily invested in new machinery and developed new products to meet the global market demand. As a result of these efforts, the textile industry has built a comprehensive production system, making Taiwan a major supplier of textile products to the world.

I. <u>Overview of Taiwan Textile Industry</u>

- Scale of Production, Manufacturer and Employment

  The textile industry of Taiwan is highly export-oriented. The export value accounts for more than 75% of total textile and apparel production in the recent 10 years. Textile industry's production value, manufacturers and the employees all declined in the past 10 years. The production value of textile in Taiwan was NT$409.3 billion in 2015, went down 17.95% from NT$498.9 billion in 2005, there were 4,307 manufacturers in 2015, and employment declined from 164,606 in 2005 to 143,014 in 2015, declined 13.1% (please refer to Table 1).

Table 1 Taiwan Textile Production Value, Manufacturers and Employees

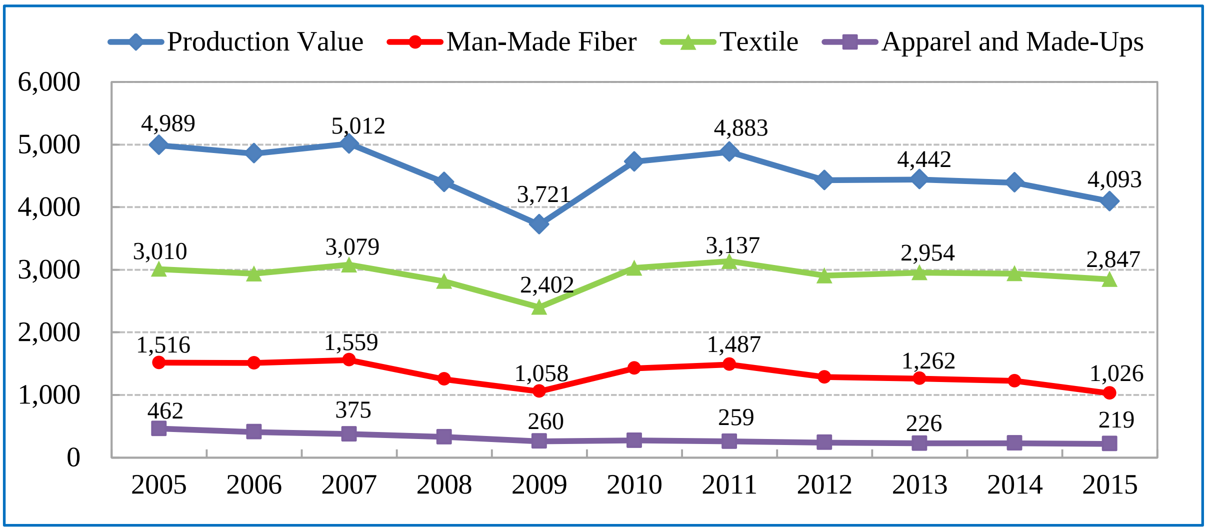
Item \ Year	Production Value (billion NT$) 2005	2012	2015	Manufacturers 2005	2012	2015(f)	Employees 2005	2012	2015(f)
Textile	452.6	419.1	387.4	3,614	3,149	3,163	125,378	109,943	110,943
Apparel	46.2	23.9	21.9	1,244	1,129	1,144	39,228	33,299	32,071
Total	498.9	443.0	409.3	4,858	4,278	4,307	164,606	143,242	143,014

Sources: Directorate General of Budget, Accounting and Statistics, Executive Yuan (employees), Dept. of Statistics, MOEA (production value). (Central Bank of Taiwan: for year 2015, 1US$=31.898NT$).

The total textile industry production value includes three sub-segments, i.e. man-made fiber, apparel and made-ups, and textile. During the past 10 years, the production value of textile declined 17.96% and apparel and made-ups decreased 52.6%, while the man-made fiber dropped 32.3% (please refer to Fig. 1).

Fig. 1 Taiwan Textile Industry's Production Value in 2005~2015

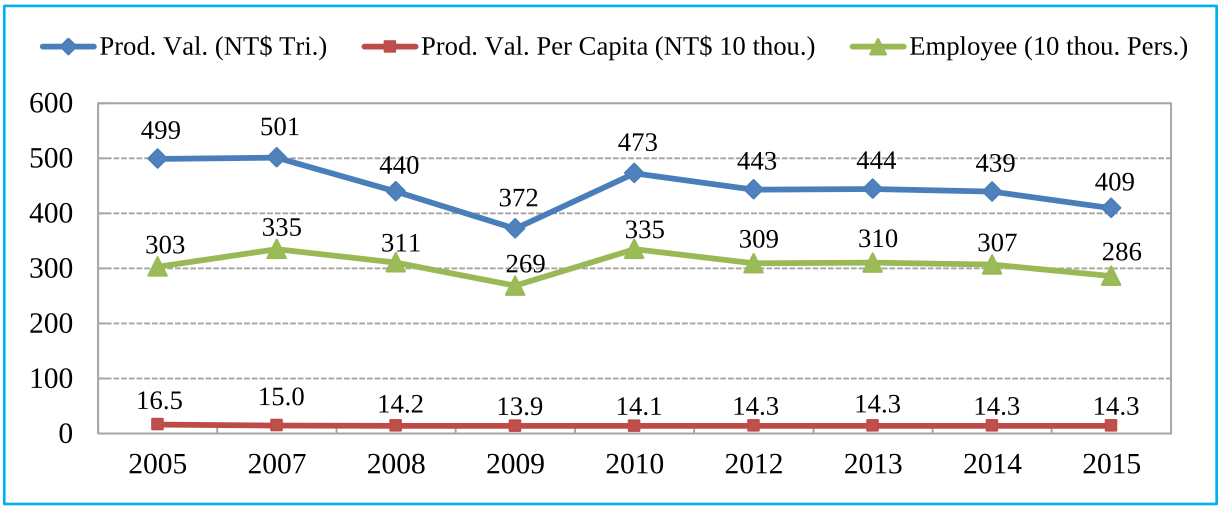
(Unit: NT$ Billion)



Sources: Dept. of Statistics, MOEA.

Considering per capita productivity, the average value grew from NT$3.03 million in 2005 to NT$2.86 million in 2015, with a growth rate of -5.6%. It revealed that Taiwan textile industry has been transformed from labor intensive to technical intensive and finally to capital intensive. The effect of upgrade has also been substantiated (Fig. 2).

Fig. 2　Productivity Per Capita in 2005~2015



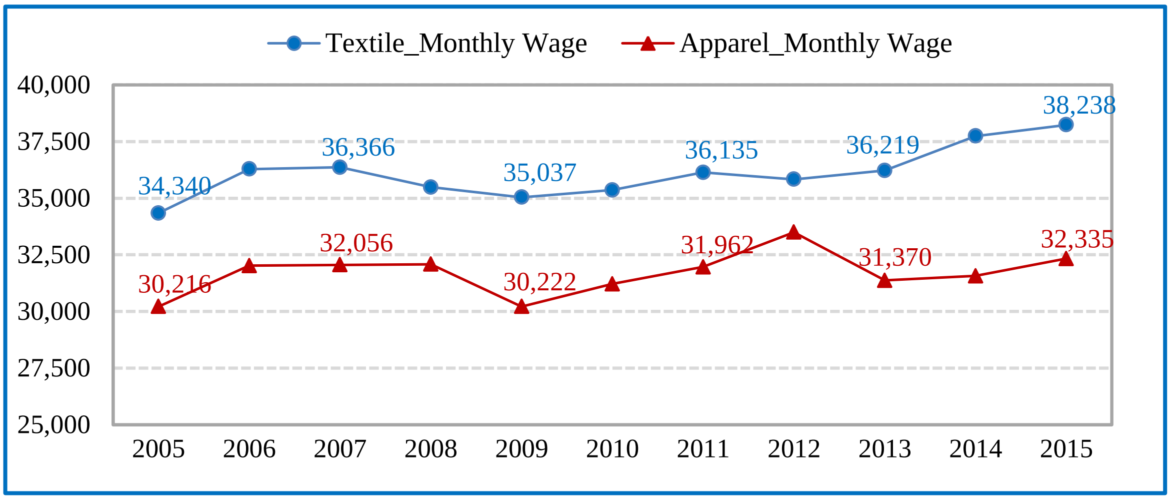
Sources: Dept. of Statistics, MOEA.

- Taiwan’s labor cost of manufacture industry

According to labor statistics from Directorate-General of Budget, Accounting & Statistics, Executive Yuan, from 2005 to 2015, the monthly wages of textile industry and apparel industry grew from NT$34,340 and NT$30,216 to NT$38,238 and NT$32,335 respectively, with the average growth rate of 11.35% and 7.01% (Fig. 3).

Fig. 3　The Average Monthly Wage of Textile Industry and Apparel Industry

(Unit: NT$/month)



Sources: Directorate-General of Budget, Accounting & Statistics, Executive Yuan.

- Textile: The 4th-largest foreign exchange earner segment in Taiwan.

In 2015, the gross export and import values of Taiwan textile products were US$10.8 billion and US$3.5 billion respectively. In that same year the textile industry recorded a total trade surplus of US$7.3 billion, which marking it Taiwan's third-largest trade surplus industry. (Table 2).

Table 2 The Export and Import Value /Trade Surplus of Textile & Apparel Industry from 2005~2015

(Unit: NT$/month)

Item / Year	Export Values (A)	Import Values (B)	Trade Surplus of Textile & Apparel Industry (C=A-B)	Trade Surplus of Total Trade (D)
2005	118.3	26.4	91.9	158.2
2006	117.9	27.5	90.4	213.2
2007	116.1	26.9	89.2	274.3
2008	108.9	27.2	81.7	151.8
2009	93.4	22.1	71.3	293.0
2010	113.1	29.4	83.7	233.7
2011	127.1	36.3	90.8	268.2
2012	118.4	34.4	84.0	307.1
2013	117.3	33.8	83.5	355.4
2014	116.2	35.0	81.2	396.7
2015	108.0	34.6	73.4	515.6

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

II. <u>Taiwan Textile Exports</u>

- Textile export proportion

The export value of Taiwan textile stood at US$10.8 billion in 2015, accounting for 3.9% of Taiwan total exports. Fiber category exports amounted to US$0.88 billion, went down 18.8%, exports volume was 586 thousand tons, dropped 2.1%, comparing with year 2014. Yarn exports amounted to US$1.6 billion, reduced 19.5%, exports volume was 601 thousand tons, declined 10%. Fabric was the main export item, took up 67.8% of total textile exports, indicating that fabric not only play an important role in the full stream of textile production, but also a major export item. Yarn with the share of 14.8% took up the second place. (Table 3).

Table 3　2015 Taiwan Textile Exports Proportion

Items	Export Volume(10,000 Tons)			Export Value (100 million USD)			Share (%)	Unit Price (US$/Kg)		
	2014	2015	14/15 (%)	2014	2015	14/15 (%)		2014	2015	14/15 (%)
1.Fiber	59.9	58.6	-2.1	10.8	8.8	-18.8	8.1	1.81	1.50	-17.0
2.Yarn	66.7	60.1	-10.0	19.9	16.0	-19.5	14.8	2.98	2.67	-10.5
3.Fabric	95.8	95.0	-0.9	74.1	73.2	-1.3	67.8	7.74	7.71	-0.4
4.Apparel	3.1	3.0	-3.2	6.9	6.5	-6.2	6.0	22.19	21.52	-3.0
5.Miscellaneous	9.3	7.2	-22.6	3.9	3.5	-9.0	3.3	4.15	4.88	17.6
Total	234.9	223.9	-4.7	115.6	108.0	-6.6	100	4.92	4.83	-2.0

Source: Compiled by TTF with data from Taiwan Customs Statistics.

- Major textile export market

Taiwan's major export market is Vietnam, which represented 19.8% of the total export value, amounting to US$ 2.14 billion in 2015, went up 4.2%; followed by mainland China at 19.0% (US$2.05 billion), went down 13.0%; followed by United States at 8.1% (US$0.87 billion), decreased 5.5%; followed by Hong Kong at 7.9% (US$0.85 billion), dropped 7.6% and Indonesia at 5.1% (US$0.55 billion), went down 4.6%. The major five export markets accounted for 59.9% of total textile exports. (Table 4)

Table 4　2015 Taiwan Textile Main Export Markets – by Country

Country	**Export Volume(10,000ton)**			**Export Value (100million)**			**Share (%)**	**Unit Price (US$/Kg)**		
	2014	2015	14/15 (%)	2014	2015	14/15 (%)		2014	2015	14/15 (%)
Global	234.9	223.9	-4.7	115.6	108.0	-6.6	100	4.92	4.83	-2.0
1. Vietnam	39.4	39.5	0.2	20.5	21.4	4.2	19.8	5.21	5.42	4.0
2. China	48.3	45.6	-5.7	23.6	20.5	-13.0	19.0	4.88	4.50	-7.8
3. USA	13.8	13.7	-0.3	9.2	8.7	-5.5	8.1	6.69	6.35	-5.2
4. Hong Kong	11.6	10.9	-6.3	9.2	8.5	-7.6	7.9	7.93	7.82	-1.4
5. Indonesia	8.2	7.9	-3.5	5.8	5.5	-4.6	5.1	7.05	6.97	-1.1

Source: Compiled by TTF with data from Taiwan Customs Statistics.

The ASEAN 10 countries were the biggest area with export amount of US$3.92 billion, taking the share of 36.2%. The two of these markets, mainland China and Hong Kong, accounted for 26.9% of total exports, amounting to US$2.9 billion. In the past years, the main markets such as North America Free Trade Area (America, Canada and Mexico) and the EU has lost their shares in export markets year by year, with the share of 9.9% and 4.5% respectively in 2015. (Table 5)

Table 5 2015 Taiwan Textile Main Export Markets – by Area

Area	Export Volume(10,000ton)			Export Value (100million)			Share (%)	Unit Price (US$/Kg)		
	2014	2015	14/15 (%)	2014	2015	14/15 (%)		2014	2015	14/15 (%)
Global	234.9	223.9	-4.7	115.6	108.0	-6.6	100	4.92	4.83	-2.0
1.ASEAN 10	71.0	70.4	-0.8	38.6	39.2	1.3	36.2	5.44	5.56	2.1
2.China+H.K	60.0	56.5	-5.8	32.8	29.0	-11.5	26.9	5.47	5.14	-6.0
3.NAFTA	18.7	18.5	-0.7	11.4	10.7	-5.6	9.9	6.09	5.79	-5.0
4. Middle East	16.1	14.0	-13.2	6.1	5.4	-11.5	5.0	3.81	3.88	2.0
5. EU 28	17.1	16.3	-4.8	5.8	4.9	-15.5	4.5	3.39	3.01	-11.3
6.Japan+Koren	12.5	12.3	-1.6	5.0	4.6	-8.7	4.2	4.01	3.73	-7.2
5.Others	39.5	35.8	-9.3	15.8	14.2	-10.4	13.1	4.01	3.96	-1.3

Source: Compiled by TTF with data from Taiwan Customs Statistics.

III. Taiwan Textile Imports

- Textile import proportion

The import value of textile in Taiwan was US$3.5 billion in 2015, increased by 1.0% over 2014. Apparel & accessories imports amounted to US$1.81 billion (52.4% of the total, went up 10.2%), fiber was US$463 million (13.4%, went down 17.5%), fabric amounted to US$456 million (13.2%, dropped 9.4%), yarn was US$418 million (12.1%, rose 0.6%), and miscellaneous textile was US$310 million (8.97%, went up 2.9%) (Table 6).

Table 6　2015 Taiwan Textile and Apparel Imports

Items	Import Volume(10,000ton)			Import Value (100million)			Share (%)	Unit Price (US$/Kg)		
	2014	2015	14/15 (%)	2014	2015	14/15 (%)		2014	2015	14/15 (%)
1.Fiber	27.1	27.0	-0.5	5.6	4.6	-17.5	13.4	2.1	1.7	-17.1
2.Yarn	10.8	11.5	6.7	4.2	4.2	0.6	12.1	3.9	3.6	-5.7
3.Fabric	8.2	8.1	-1.4	5.0	4.6	-9.4	13.2	6.1	5.7	-8.1
4.Apparel	12.2	12.6	3.4	16.4	18.1	10.2	52.4	13.5	14.4	6.6
5.Miscellaneous	6.4	7.0	8.9	3.0	3.1	2.9	8.9	4.7	4.4	-5.5
Total	64.7	66.2	2.2	34.2	34.6	1.0	100	5.3	5.2	-1.2

Source: Compiled by TTF with data from Taiwan Customs Statistics.

- Major textile import sources

  Taiwan's biggest import source was mainland China (43.5% of the total import, amounting to US$1.5 billion), rose 2.4% over 2014, with major import items of apparel and made-ups. Other major import sources are Vietnam (with major import item of apparel and made-ups), USA (cotton), Japan (fabric), and Indonesia (fabric). (Table 7)

Table 7　2015 Taiwan Textile and Apparel Import Sources

Country	Import Volume(10,000ton)			Import Value (100million)			Share (%)	Unit Price (US$/Kg)		
	2014	2015	14/15 (%)	2014	2015	14/15 (%)		2014	2015	14/15 (%)
1. Global	64.7	66.2	2.2	34.2	34.6	1.0	100	5.3	5.2	-1.2
2. China	24.4	23.1	-5.5	14.7	15.0	2.4	43.5	6.0	6.5	8.4
3. Vietnam	4.8	6.1	25.8	3.0	3.7	22.9	10.6	6.2	6.0	-2.3
4. USA	8.1	10.1	24.8	2.24	2.20	-1.97	6.4	2.8	2.2	-21.5
5. Japan	1.9	2.3	21.0	2.0	1.9	-6.5	5.4	10.6	8.2	-22.8
6. Indonesia	5.0	5.2	2.33	1.4	1.5	7.3	4.4	2.8	3.0	4.9

Source: Compiled by TTF with data from Taiwan Customs Statistics.

IV. Effectiveness of ECFA

Taiwan signed the "Economic Cooperation Framework Agreement" (ECFA) with mainland China on June 29, 2010, and the Agreement took effect on September 12, 2010. With the implementation of ECFA, Taiwan could be able to compete on fair terms with other countries and expand market share in mainland China. The signing of ECFA will help Taiwan to negotiate with other countries on FTA so that Taiwan may be able to avoid economic marginalization and reduce the risk of trade diversion.

In addition, with duty-free concessions Taiwan textile manufacturers could enhance product competitiveness, increase willingness of staying in Taiwan and enjoy growth of export. Furthermore, it will increase the sourcing from Taiwan for Taiwanese and foreign traders in mainland China, attract multinational corporations to invest in Taiwan, and create more employment opportunities in Taiwan.

B. Overview of Global Textile and Apparel Industry

After the textile trade was liberalized in 2005, the production was shifted to emerging economies such as mainland China, India, Pakistan, Bangladesh and Vietnam. Meanwhile, the trade of textile and apparel flourished more than in the era of quota restraint. The WTO data reveals that the trade of textile and apparel kept on growing during the past 10 year. The average growth rate for textile and apparel between 2005 and 2015 was 4.4% and 5.6% respectively. (Table 8)

Table 8 Growth of Global Textile and Apparel Export

(Unit: NT$ Billion)

Product	2005	2009	2014	2005-2014 Growth Value	2005-2014 Growth Rate	Average Growth Rate
Textile	218.6	211.1	314.1	95.5	43.7%	4.4%
Apparel	310.6	317.3	483.3	172.7	55.6%	5.6%
Total	529.2	528.4	797.4	268.2	50.9%	5.1%

Sources: WTO.

I. The Statistics of Global Textile and Apparel Trade

During the past ten years (2000-2014), the average growth rate of world Trade in Textile & Clothing accounted for 5.6% and 6.9%. The global textile trade amounted to US$314 billion and US$483 billion for apparel trade. (Fig. 4).

Fig. 4 2000-2014 Global Textile and Apparel Exports

(Unit: NT$ Billion)

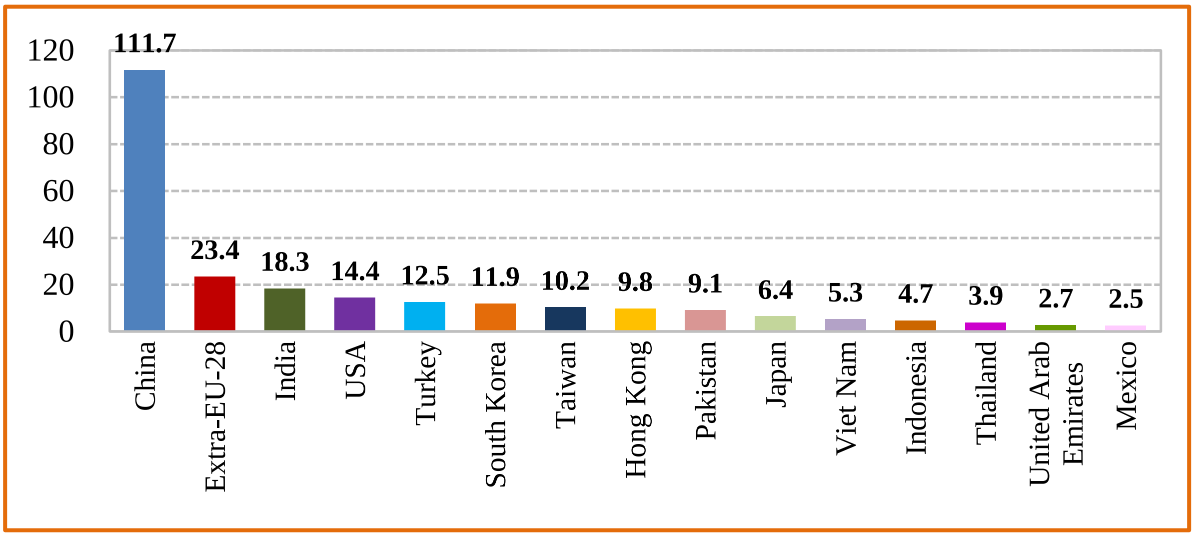
Sources: WTO.

II. <u>The Leading Textile and Apparel Exporting Countries in 2014</u>

- The leading textile exporting countries in 2014

  In 2014 the global trade of textile industry amounted to US$314 billion. China was the biggest textile exporting country with export amount of US$111.7 billion, accounting for 35.6% of the global clothing trade. Taiwan was the 7th biggest country with export amount of US$10.2 billion. (please refer to Fig. 5).

Fig. 5 The Leading Textile Exporting Countries in 2014 (unit：US$ Billion)



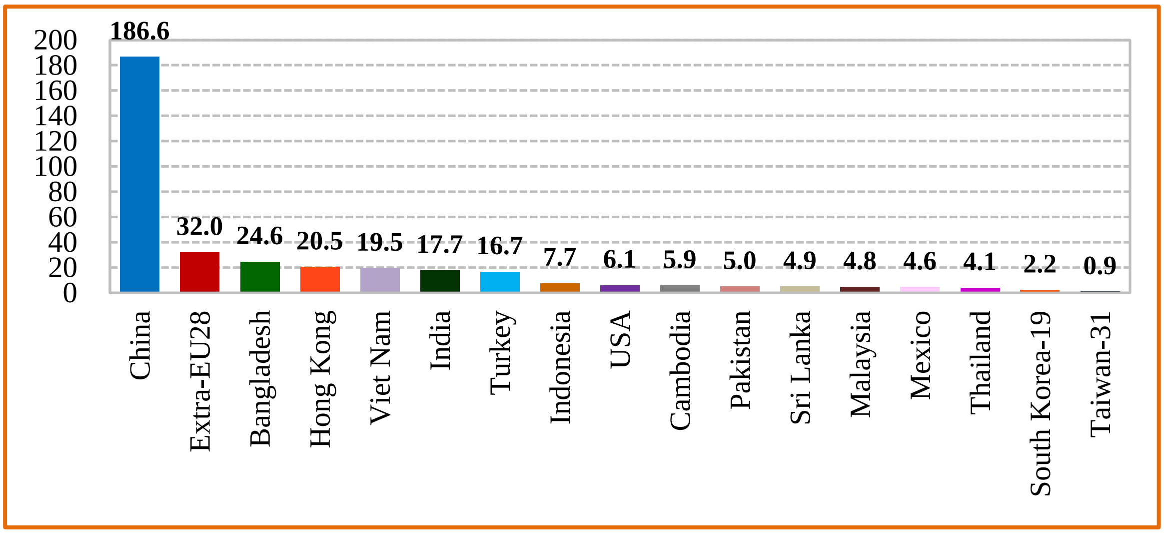
Sources: WTO.

- The leading apparel exporting countries in 2014

In 2014 the global trade of clothing industry amounted to US$483 billion, with a growth rate of 5.1%. China remained the biggest clothing exporting country with export amount of US$186.6 billion, accounting for 38.63% of the global clothing trade.

Because of the labor intensive characteristics and labor cost issues, the Taiwan apparel industry was obliged to move to the low cost countries. Taiwan apparel industry has relocated production bases to overseas for many years and manages their headquarters and logistics offices in Taiwan. However, apparel producers which stay in Taiwan 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 2014 Taiwan is the 31th leading apparel exporting countries (please refer to Fig. 6).

Fig. 6 The Leading Apparel Exporting Countries in 2014 (unit：US$ Billion)



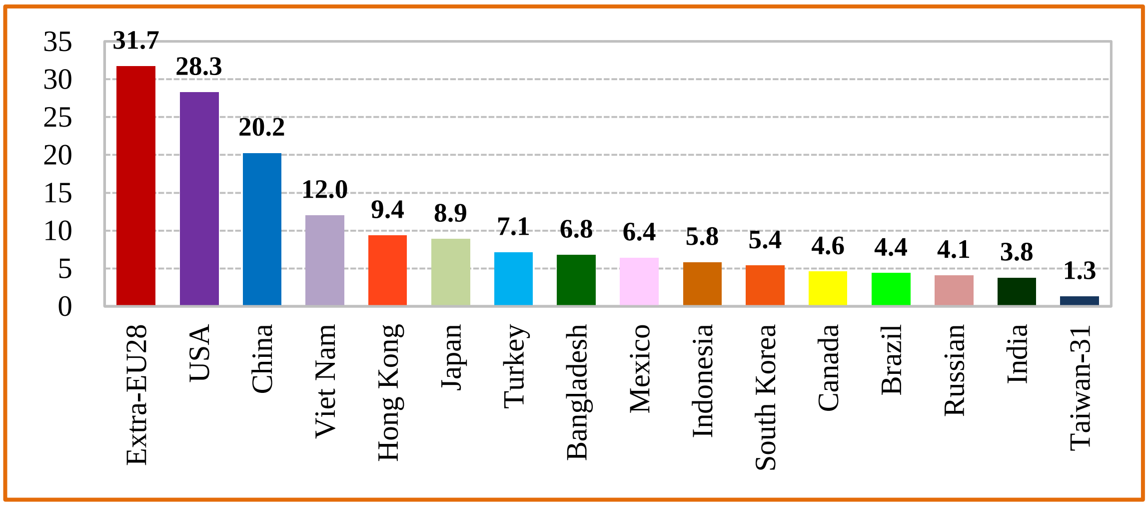
Sources: WTO.

III. The Major Textile and Apparel Importing Countries in 2014

- The leading textile importing countries in 2014

Instead of China, the EU became the biggest textile importing country with amount of US$31.7 billion in 2014. China including Hong Kong, placed the 2rd leading textile importing country with importing amount of US$29.6 billion in 2014, following by the US with importing value of US$28.3 billion. In the same year, Taiwan was the 31th leading textile importing country with importing amount of US$1.3 billion. (please refer to Fig. 7).

Fig. 7 The Leading Textile Importing Countries in 2014 (unit：US$ Billion)

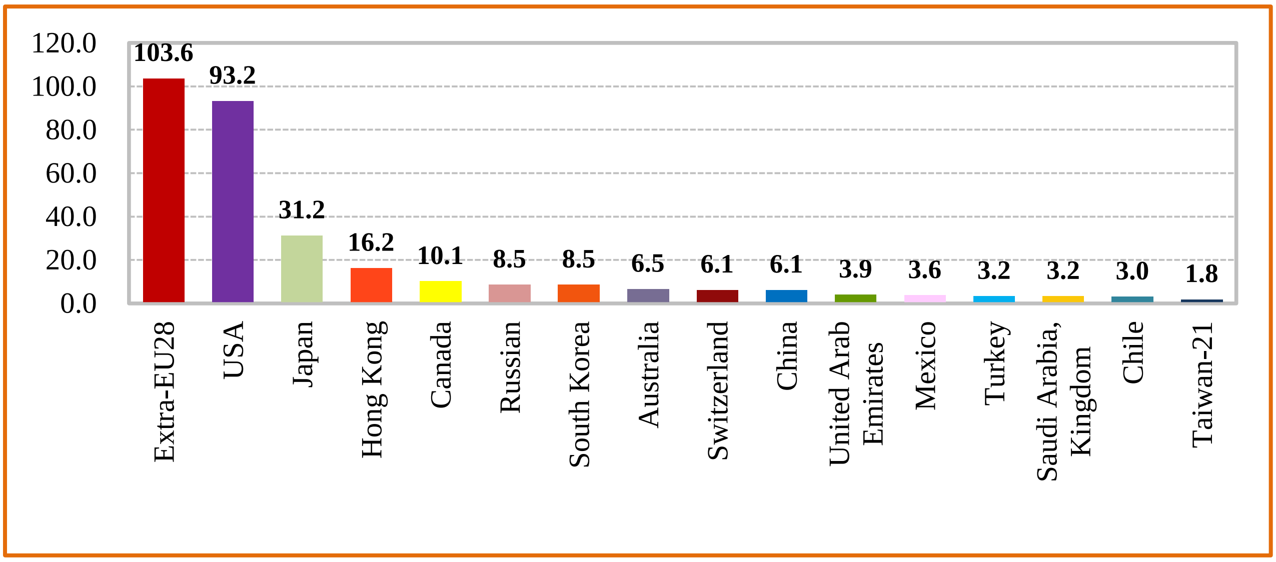


Sources: WTO.

- The leading apparel importing countries in 2014

  The EU, U.S. and Japan were the three major leading apparel importing countries with aggregated import amount of US$228 billion, accounting for 48% of global apparel market in 2014. Taiwan imported apparel worth of US$1.8 billion and is the 20th leading apparel importing country in 2014. (please refer to Fig. 8).

Fig. 8 The Leading Apparel Importing Countries in 2014 (unit：US$ Billion)



Sources: WTO.

C. The Vision of Taiwan Textile Industry

The forces, including new shocks, such as Brexit, ongoing realignments in China and among commodity exporters, slow-moving trends in demographics and productivity growth, as well as noneconomic factors, such as geopolitical uncertainties, sharp the global economy. Taiwan is also exposed to this impact. Moreover, the textile industry is faced with fierce competition in an oversupply condition since emerging countries have joined the development of textile industry. The issues of energy saving and carbon reduction become the primary concern while global warming and climate change becomes extremely anomalous. Human right, Environmental protection, Sustainability and Corporate Social Responsibility are long-term trends of major brands and buyers, and affect business strategy of suppliers.

To cope with the severe competition and adverse business environment, Taiwan textile industry has come up with the following strategies:

I. Product Differentiation

The ongoing development of our industry is to create high value-added materials and products to enhance product differentiation with emphasis on R&D and leading edge technology. It will segment Taiwan product from that of other developing countries. To do so, we not only raise the image of Taiwan textile products, but also widen the lead over other developing countries.

II. Design and Creativity

Consolidate design with esthetics and culture creativity. Taiwan textile industry has gradually shifted its focus to innovation, R&D, and design-oriented sectors. Such ties will be beneficial to setting up a common goal for collaborative development on products with emphasis on innovation, uniqueness, refinement and design.

III. Combine Function with Eco-conscious

In terms of consumer emphasis, two trends in the clothing and furnishing appliances markets have emerged. One is functional textile, which is highly regarded by consumers for fashion, ergonomic, comfort, safety and health reasons. The other is eco-textile with the characteristics of low pollution, low energy consumption, recyclable, and minimal negative impact on the environment. Taiwan textile industry is therefore vigorously considering incorporating these environmental factors in its development of functional textile. Great opportunities do exist for Taiwan textile industry as it strives to accommodate the two newly emerging market trends, namely functionality and environmental consciousness.

IV. Branding

The Taiwan textile industry will go a step further to develop brand with the solid basis of sophisticated expertise in ODM by following solutions: “Enhancing Branding” ability with the experiences from both of on-line shopping and bricks-and-mortar channel as well as from making major structural reform in developing premium products with renowned brands are necessary.

Aiming at assisting Taiwan textile industry to upgrade and transform, and help apparel industry developing, our government authorities has schemed mid-term textile strategies of developing household and industrial textile as well. Our goal is to establish a global R&D and production base of functional and industrial textile product and to transform down-stream from MIT (Made In Taiwan) to DIT (Design In Taiwan) and BIT (Brand In Taiwan).