

June, 2013

## China Textile Industry

### Contents

- **Market Overview**
  - **2012 Industrial Development**
  - **Fixed Asset Investment in 2012**
  - **Foreign Trade 2012**
  - **Foreign Direct Investment on textile industry**
- **Labor Cost**
- **Production Cost**
- **Policies**
  - **Textile Industry Twelfth Five Year Plan**

MEMBER OF THE CONFEDERATION OF EUROPEAN BUSINESS (BUSINESSEUROPE)

**Headquarters:** Meşrutiyet Cad. No: 46 Tepebaşı 34420 İstanbul – Turkey  
**Ankara:** İran Cad. No: 39/4 Gaziosmanpaşa 06700 Ankara – Turkey  
**Brussels:** 13, Avenue des Gaulois, 1040 Brussels – Belgium  
**Washington D.C. :** 1250 24th Street, N.W., Suite Nr. 300, Washington D.C. 20037 - USA  
**Berlin:** Märkisches Ufer, 28 Berlin 10179 Germany  
**Paris:** 33, Rue de Galilée 75116 Paris – France  
**Beijing:** Beijing Lufthansa Centre, Office C-319, Beijing 100025, P. R. China

**Phone:** +90 (212) 249 19 29 **Fax:** +90 (212) 249 13 50  
**Phone:** +90 (312) 468 10 11 **Fax:** +90 (312) 428 86 76  
**Phone:** +32 (2) 736 40 47 **Fax:** +32 (2) 736 3993  
**Phone:** +1 (202) 776 77 70 **Fax:** +1 (202) 776 77 71  
**Phone:** +49 (30) 288 786 300 **Fax:** +49(30) 288 786 399  
**Phone:** +33 (1) 44 43 55 35 **Fax:** +33 (1) 44 43 55 46  
**Phone:** +86 (10) 6462 2066 **Fax:** +86 (10) 6462 3206

**e-mail:** [tusiad@tusiad.org](mailto:tusiad@tusiad.org)  
**e-mail:** [ankoffice@tusiad.org](mailto:ankoffice@tusiad.org)  
**e-mail:** [bxloffice@tusiad.org](mailto:bxloffice@tusiad.org)  
**e-mail:** [usoffice@tusiad.us](mailto:usoffice@tusiad.us)  
**e-mail:** [berlinoffice@tusiad.org](mailto:berlinoffice@tusiad.org)  
**e-mail:** [parisoffice@tusiad.org](mailto:parisoffice@tusiad.org)  
**e-mail:** [tusiad.china@euccc.com.cn](mailto:tusiad.china@euccc.com.cn)

# China Textile Industry



## ➤ Market Overview

### 2012 Industrial Development

In 2012, the total output of the whole textile industrial enterprises above designated size was 5.78 trillion RMB (869.7 billion USD), the total textile industry output was 3.25 trillion RMB (531.6 billion USD) that accounted 56.20% of whole textile industry output; the labor productivity was 143 800 RMB (96,807 USD) per person. The industry sees about 10.5% increase rate in 2013, according to

market analysis.

In 2011, the total investment on cotton textile industry in eastern, middle and western region reached 96 billion RMB (15.24 billion USD), 58 billion RMB (9.2 billion USD) and 13.8 billion RMB (2.14 billion USD), up by 29%, 56% and 53%; the total investment in these regions accounted 49%, 42% and 9% of total investment on cotton textile

industry in China.

### Fixed Asset Investment in 2012

In 2012, total amount of fixed asset investment by textile companies on project that with the investment of over 5 million RMB (812,500 USD) in China reached 779.3 billion RMB (126.6 billion USD), up by 14.62%. The investment on textile industry accounted 6.24% of total investment on manufacturing industry. The top five provinces

invested on fixed asset in textile industry are list below:

As the increasing cost of labor and resources, the center of China's textile industry is moving to the middle and west China. In 2012, the amount of fixed asset investment increased by 15.9 year on year in the six provinces of middle China, which is 3% higher than that in the eastern area. The regional distribution structure gets improved.

Province	Total investment (bIn RMB)	Total investment (bIn USD)	Growth %
Jiangsu	126.83	20.61	11.25
He'nan	80.19	13.03	18.59
Zhejiang	79.04	12.84	14.49
Jiangxi	60.09	9.76	31.28
Hebei	50.86	8.26	24.19

*Foreign Exchange: USD/RMB = 6.1538*

### Foreign Trade 2012

According to China's custom, in 2012, the total foreign trade of textile and garment products was 287.36 billion USD, up by 6.03%, while the total export reached 262.56 billion USD, up by 3.32%; the total import reached 24.8 billion USD, up by 7.10%. The

trade surplus was 237.76 billion USD, up by 5.71%. The textile and garment trade occupied 7.43% of total foreign trade of China.

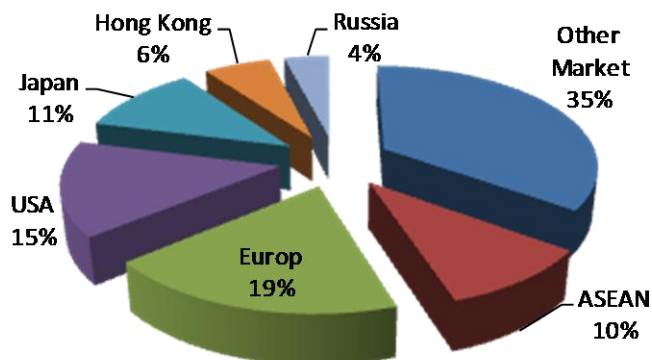
According the data from 《China Foreign Investment Report 2011》, in 2009, the export proportion from foreign investment companies

occupied 46.7% of total textile export from China.

although it was in the down trend in recent years, it still undertook a large percentage.

The proportion was 48% in 2007,

### 2012 China textile and garment major export markets



Turkish textile products trade to China in 2012				
	Export		Import	
	Mln USD	%	Mln USD	%
Turkey	130.2	7.88	1496.54	-16.1

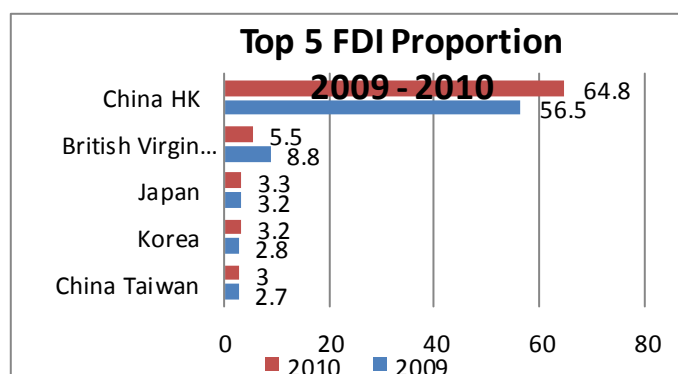
Source: China Chamber of Commerce for Import and Export of Textile and Apparel

### Foreign Direct Investment on textile industry

In the first 3 months of 2012, the total utilized FDI in textile industry realized 419.36 million USD in China, up by 1.42% year on year. The total number of foreign investment projects reached 45, up by 0.84%.

mainland. In 2010, the total FDI reached 4.32 billion USD, while the investment from Hong Kong occupied 64.8% of total FDI in textile industry. Then it was followed by British Virgin Islands, Japan, Korea, and China Taiwan. The top 5 FDI accounted 79.8% of total textile FDI in China in 2010.

Depending or according? on the China Foreign Investment Report 2011 that was released in 2012, China Hong Kong invested the most on textile industry to China



### ➤ Labor Cost

According to latest survey from ``China National Garment Association (CNGA)`, in 2011, the cost of Chinese textile and garment companies on labor force, raw material, energy and financing were in the uptrend, while the labor and resources costs occupy the major part in these costs.

The administration fee accounted for the most proportion of total cost in Chinese textile and garment companies, and it mainly reflects in the labour salary and social benefits that increased rapidly in recently.

In 2005, the proportion of labor salary and social benefits accounted 23% of total cost in Chinese textile and garment companies, however, the proportion number raise to over 35% in 2011. According to the survey, at the beginning of 2012, the average gross salary of textile worker reached over 3000 RMB (476.1 USD) per month in the coastal areas, and the gross salary in in-land areas reached 2500 RMB (396.75 USD) per person per month. The annual

increase of net salary was over 10% in last 3 years.

According the survey from CNGA in 2011, in a major garment industry area – Nantong city in Jiangsu Province, 1 ton of yarn can spin 5000 meters of fabric, which requires about 160 employees (including the executive managers). Base on this situation, the average salary for one employee is 100 RMB (15.87 USD), so the total salary for 160 employees is  $160 \times 100 = 16,000$  RMB (2539.2 USD) for spinning 5000 meters of fabric. Additionally, companies need to pay social insurance for these 160 employees, which is totaled 6,598 RMB (1047.1 USD). The total taxation fee from spinning to the whole process of the 5000 meters of fabric is 8,000 RMB (1269.6 USD). In conclusion, the total cost of spinning 5000 meters of fabric on labor and taxation for 160 employees is:  $16,000 + 6,598 + 8,000 = 30,598$  RMB (4855.9 USD), and in the average, it is 191.24 RMB (30.35 USD) per person.

Besides, setting the cotton yarn on

the middle price of about 30,000 RMB (4761 USD) per ton, and the fabric price is 14 RMB (2.22 USD) per meter, so 5000 meters of fabric is 70,000 RMB (11,109 USD), therefore, the total added value for producing 1ton of yarn is  $70,000 - 30,000 = 40,000$  RMB (6348 USD). As a result, the cost of 30,598 RMB (4855.9 USD) accounted 75% of this amount of added value.

In fact, in Nantong city, in 2005, the gross salary per person was 853 RMB (135.37 USD) per month, and the social benefit payment per person by employer was 270.6 RMB (42.94 USD) per month. In 2011, the gross salary increased to 1761 RMB (279.47 USD) per person per month up by 88.58%, and the social benefit payment by employer increased to 503.2 RMB (79.86 USD) per person per month up by 85.27%. The employee's gross salary rise 20 – 30% annually in recent years.

The uptrend of labor cost in textile industry is continued in 2012. According to the survey, in the first quarter of 2012, in one of the major garment production area in

China – Cha Shan area in Dong Guan City, Guangdong Province, the growth rate of labor cost in over half of the total garment companies reached 10 – 20%, and the growth of labor cost in some of the other garment companies was over 30% in Q1 2012. There were only 12.39% of total garment companies in this area that remained the same labor cost as which in 2011.

During the whole year of 2012, labor cost increased by around 10%. Meanwhile, the indirect cost occurred by the turnover and training of employees and the staff welfare become a part of the cost that could not be ignored. The energy cost increased slightly around 2%-4%. According to survey by MIIT, labor cost has been increasing since 2012, and 67.1% of the textile industry consider labor cost the main reason to affect revenue of textile enterprises.

### ➤ **Production cost**

The major element of production cost is the raw material. Currently, the price of cotton with the quality of level 3 from Xinjiang is 18,800 –

19,000 RMB (2983.6 -3015.3 USD) per ton. However, the price of cotton has declined since the beginning of 2012. The price was down by over 1500 RMB (238.05 USD) per ton. The price of whole cotton yarn is 16,200 – 55,000 RMB (2570.9-8728.5 USD) per ton depending on different types of whole cotton yarn in China.

The price of cotton has decreased 40% since February 2011, and other fiber prices declined as well, such as viscose fiber and polyester staple fiber. However, the price of other main raw materials increased, such as eiderdown, chemical fiber and wool. As a result, the increase of main raw materials prices and labour costs, price of new garment product were up by about 10 – 20% in China.

The change of production cost will take about half year to reflect to the final sales market.

In 2012, the cotton price stayed between 19000 -20000 RMB (3087.5- 3250 USD). However, due to the government policy of cotton reserve, this domestic price

is much higher than the import one's, which lead to an increase in cotton imports. The price of 32S whole cotton yarn is 25,000 – 26,000 RMB (4062.5 - 4225 USD).

### ➤ Policies

In order to invigorate China's textile industry and promote the upgrade of textile industry, Chinese government launched two guideline plans, Adjustment and Revitalization Plan of Textile Industry and Textile Industry Twelfth Five Year Development Plan.

- On 24th, April 2012, China unveiled *Adjustment and Revitalization Plan of Textile Industry 2011-2020*.

*There are five main points in this plan:*

1. China's government will emphasize on expand domestic consumption market and stabilize international trade share. In domestic market, the government encourages to develop new products and to explore rural market. As to the foreign trade, expanding export diversity is the



way to stabilize China's international market share.

2. Strengthen technical innovation and brand building. The government will allocate specific funds to support enterprises in yarn manufacturing, dyeing and chemical fiber industries during their process of technical innovation and domestic brands building.

3. China will also do more to eliminate obsolete capacity, reduce energy consumption and increase efficiency in the textile industry.

4. The plan encourages textile and garment manufacturers to relocate from southeastern parts to central and western areas of China.

5. Give more financial support. Government raised the export tax rebate rate from 14% to 15% in the plan. It also encourages financial institutions to provide credit guaranty and financial support to small and medium-sized textile enterprises.

## Textile Industry Twelfth Five Year Plan

On 19th, January 2012, China issued Textile Industry Twelfth Five Year Plan. It raised the main objectives in the coming five years. The average annual growth of enterprises above designated size is 8%, total exports of the industry increases 7.5% every year. The development plan also clarified four prioritized domains, including development of new textile material industry, high-end textile equipment manufacturing industry, high-performance technical textile industry and some traditional industries.

Both of the government guideline plans mentioned above emphasize on industries transfer and encourage textile industry to transfer from eastern China to middle and western areas. Some local governments in middle and western areas have launched support policies.

In Fujian Province, the government encourages textile enterprises to innovate marketing mode. For those who open a professional store in large and



medium-sized cities which attracts 30 enterprises to sell in, or those who open stores on famous websites and reach a turnover of one hundred million RMB (15.87 million USD), the government will allocate one million RMB(158,700 USD)as special purpose grants. It also gives greater support to e-commerce business. In 2012, Fujian government combined with Alibaba to contribute money to support a credit limit of 15 thousand RMB (2380.5 USD) for each enterprises using CTP of Alibaba.

In Xinjiang Uygur Autonomous Region, a fund of more than 20 million RMB (3.174 million USD) will be allocated to support textile industry by the local government each year. Moreover, the local government will provide financial support to enterprises that are processing the technical reform. For enterprises that use cotton as raw material and sell 32-supported yarns in China, the local government will give them a freight subsidy on yarn of 200 RMB (31.74 USD) per ton. From 2011, textile enterprises will be exempt from paying the local

income tax for five years. Enterprises above designated size (the enterprise whose revenue of main business is above 20 million RMB – 3.17 million USD annually) will be exempt from real estate tax and urban land use tax for five years. For those who are built in economically depressed areas, they will be exempt from income tax in the first two years after the first profitable year, and pay for half in the next three years. Those State-owned textile enterprises which transfer the whole property rights to other authorities during the enterprises restructure will be exempt from business tax.

Thanks to government's adjustment and revitalization plan on encouraging textile and garment manufacturers to relocate from southeastern areas to central and western areas in China, middle and western areas saw a rapid growth on textile industry. In 2011, industrial output of enterprise above designated scale in middle and western areas beyond 1000 billion RMB (158.7 billion USD), doubling in number compared with 2009. The textile industry output accounted 19.7%

of the total textile output in China in 2011, while the number was 15.5% in 2009. The number of employment in textile enterprises above designated scale in middle and western areas grows by 16.7%, significantly higher than the growth rate of 2.8% in eastern area.

Government's plan on textile industry transfer policy to central and western regions helped rapid development of textile industry in Sichuan Province. There are more than 5000-6000 textile companies

located in Sichuan and makes Sichuan the first on textile and garment industry in western regions.

In addition, in order to encourage private textile enterprises to "go abroad", the government strengthens the overseas investment direction, services and administration, simplifies the application process, encourages domestic financial institute to increase financial support, as well as provides taxation incentives, such as the income tax from overseas part can be exempted.