China has been the main supplier to the world’s textile market for more than a decade and its share has been increasing in the last few years. In 2011 China accounted for 32% of total textile exports traded in the world, 5 percentage points higher than in 2007 (fig 1).

Source: International Trade Centre, UNCTAD
Chinese yarn production levels recorded an average annual growth rate of 14% between 2006 and 2011. The 2011 production reported 29 million tons, 12 million more than the 2006 output (fig 2).

![Yarn Production](image1)

*Source: China Textile Industry Association*

In 2011 75% of yarn production was cotton only, 10% cotton blended, and the remaining 15% chemical fibre. Notably, the chemical fibre production share has almost doubled since 2007 at the expense of cotton (fig 3).

![Composition of Yarn Production](image2)

*Source: China Textile Industry Association*
Cloth production in 2011 recorded 63 billion meters, a surprising drop from 68 billion recorded the previous year (fig 4). While the reduction can be attributed in part by the previous year's overproduction, other factors may include higher cotton prices and more expensive domestic labor costs.

**Fig 4**

![Cloth Production Chart](chart.png)

*Source: China Textile Industry Association*

Production of fiber experienced an average annual growth rate of 13% between 2006 and 2011, reaching 34 million tons last year (fig 5). 92% of the 2011 total was artificial fiber, including viscose staple fiber and viscose and acetate filament yarns. The remaining 8% was composed by polyamide, terylene, acrylic, vinylon, and polypropylene fibres.

**Fig 5**

![Fibre Production Chart](chart.png)

*Source: China Textile Industry Association*
While China still relies on the United States and Japan for their textile imports, Australia and India have notoriously gained market share in the last few years. In 2011, 10% of the textile imports came from Australia, a 3-point increase compared to the share recorded in 2007 (fig 6). As was pointed out in the India Sector Brief Issue5 China has emerged as a significant trading partner for India in textiles, ranking 2nd in Exports from India and 1st in Imports to India.

**Fig 6**

Top 4 Textile Import Sources

<table>
<thead>
<tr>
<th>Country</th>
<th>2007 Share</th>
<th>2011 Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States of America</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Japan</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>Australia</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>India</td>
<td>4%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: International Trade Centre, UNCTAD

Cotton imports experienced an annual increase rate of 23% between 2007 and 2011. Cotton is the main imported textile category by value, which represented 39% of total imports during 2011. This category includes carded and not carded cotton, cotton yarn, and cotton fabrics. The share of cotton increased 9 percent points in the last four years, partly at expense of manmade filaments, whose share dropped from 15% to 11% between 2007 and 2011, respectively (fig 7).

**Fig 7**

Top 4 Imported Categories

<table>
<thead>
<tr>
<th>Category</th>
<th>2007 Share</th>
<th>2011 Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>Manmade Filaments</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>Wool, Animal Hair</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Manmade Fibres</td>
<td>11%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: International Trade Centre, UNCTAD
United States has been the top destination of Chinese textiles. In 2011, 15% of total textile exports were sent to the U.S (fig 8). Interestingly, Hong Kong, which re-exports 97% of the imported textiles from China, received only 6% of total Chinese textile exports in 2011, suggesting that China is bypassing the small intermediary.

**Fig 8**

![Top 4 Textile Export Destinations](image)

Source: International Trade Centre, UNCTAD

Apparel, knitted and not knitted, together accounted for 59% of total Chinese export categories in 2011, a 7-point decrease since 2007 (fig 9). The reduction can be partly explained by the economic downturn, rising labor and energy costs, and the increasing market shares in the apparel industry by cheaper competitors, including Vietnam, Cambodia and Bangladesh.

**Fig 9**

![Top 4 Exported Categories](image)

Source: International Trade Centre, UNCTAD
The production price index for cotton revealed an average annual percent change of 5.5 between 2007 and 2011 (fig 10). The cotton price increase has been attributed to adverse weather conditions and rising labor costs, particularly in the rural areas, as young workers in China are migrating to the cities.

**Fig 10**

**2007-2011 Annual Average Price Index Changes**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.2%</td>
<td>0.9%</td>
<td>1.4%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

*Source: National Bureau of Statistics*

The highly fragmented textile industry showed healthy financial trends over the past five years. The average industry profit margin went up from 4% to 6%; companies reduced their liabilities, from 60% to 56% of total assets; and the fraction of companies making losses dropped, from 13% to only 5% (fig 11).

**Fig 11**

**Financial Ratios for the Textile Industry**

*Source: China Textile Industry Association*
For a few decades now China has played a central role in clothing the world as the destination of choice for production of global brands and as the primary source of clothing for the world. Rising labor cost, and a global economic slowdown have resulted in slower growth in this sector in China and in the economy as a whole. With neighboring countries taking over more and more of the low cost production, the importance of this sector in China is likely to wane.