

2020

ILLIES in the Chinese Textile Market 2020

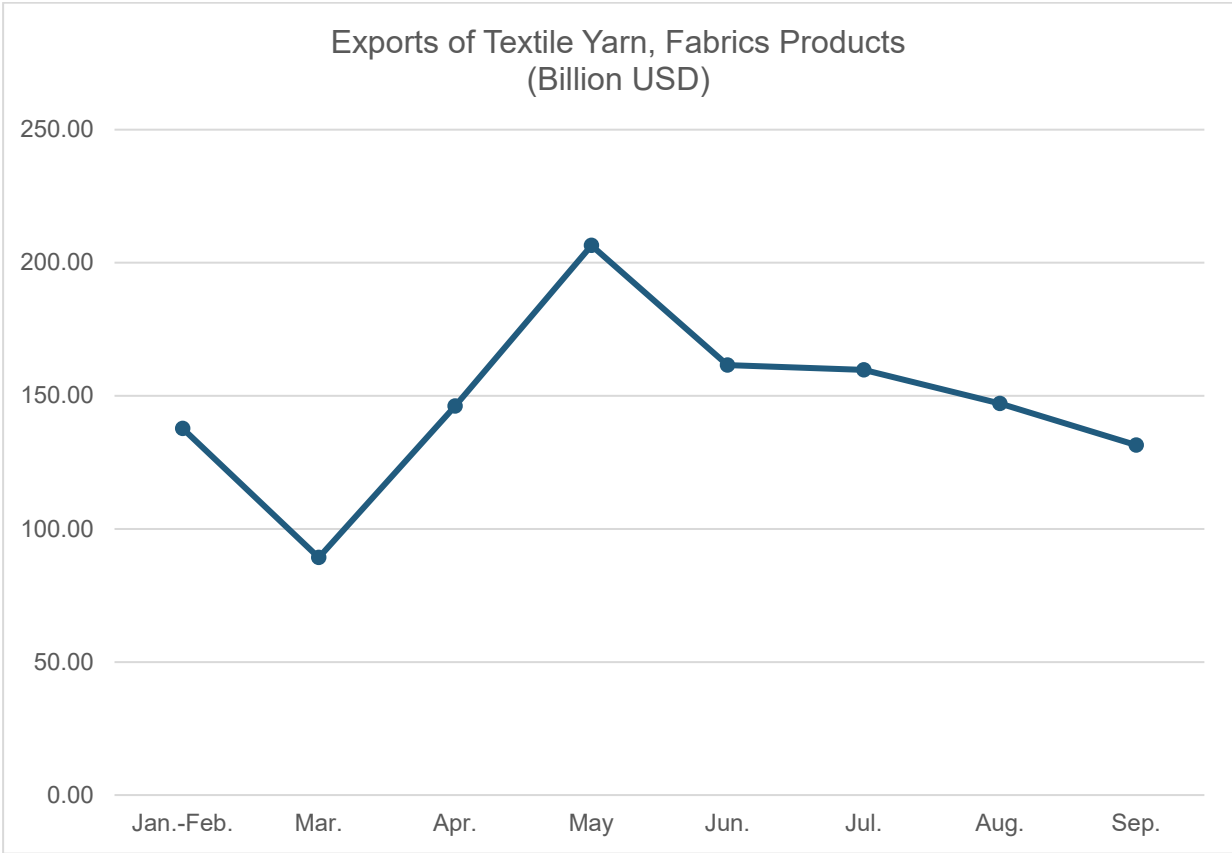
The COVID-19 pandemic has posed severe challenges to every industry in the world and has stagnated their growth. The textile industry is no exception.

In China, containment measures have helped to reduce the spread significantly and allowed the economy to recover rapidly since the second half of this year. Chinese businesses largely resumed work at the beginning of this year and the market improved thereafter. Though the cold winter for China's textile industry is not over yet, the warm spring will not be far behind.

Textile Trade Rebounds

According to the data released by the China Customs, China's exports of textile yarns, fabrics, and products amounted to USD 13.1521 billion in September 2020 and USD 117.9675 billion from January to September 2020, an increase of 32.28% over the same period the previous year, when the exports amounted to USD 89.1835 billion.

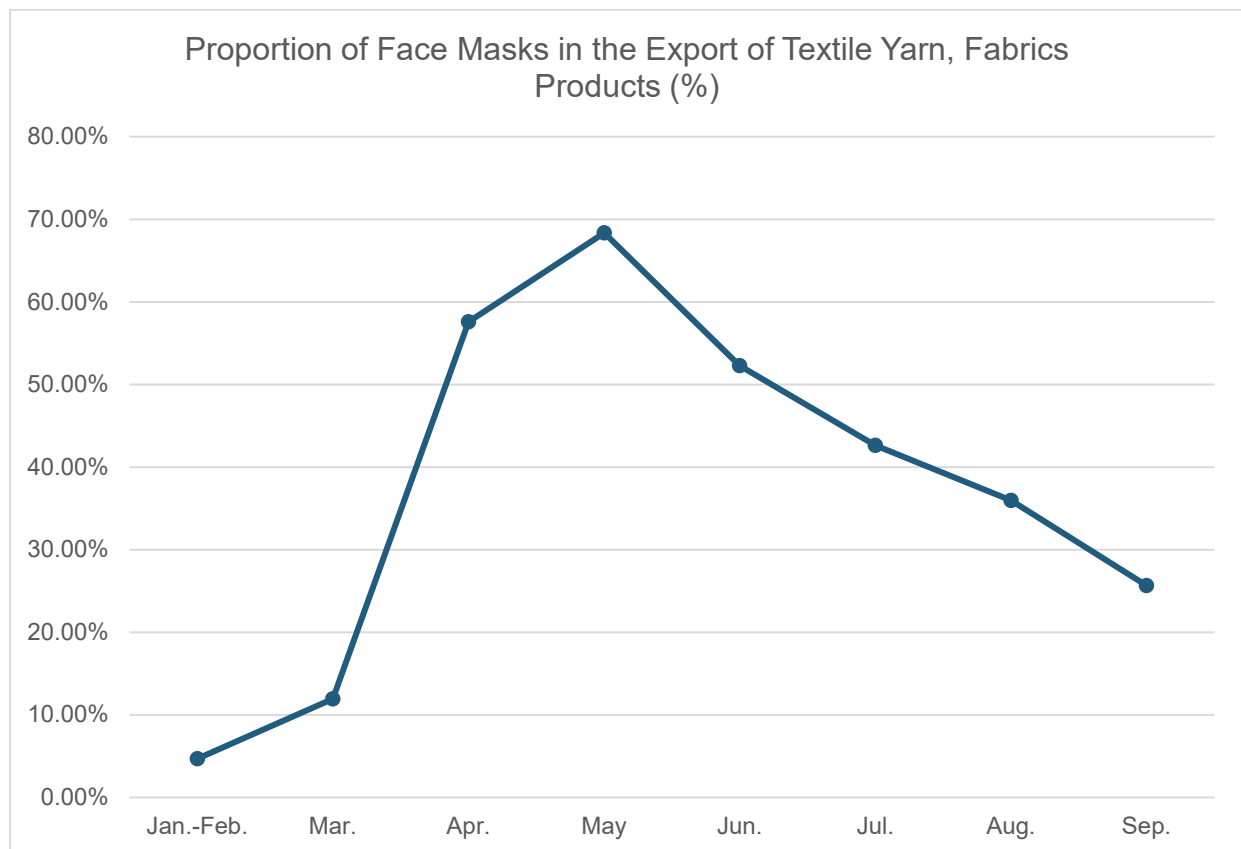
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Textile and Garment Export Trend from January to September in 2020 (Source: China Customs)

However, it should be noted that masks account for a large proportion in the export of textile yarn, fabric and its products this year. As the world's largest producer and exporter of masks, China's annual production of masks accounts for about 50% of the world's. After the stable control of the domestic epidemic situation in March this year, the domestic mask production

capacity gradually recovered, while the foreign epidemic outbreak, so the proportion of mask export increased, reaching an astonishing 68.35% in May. Therefore, as a whole, as of September this year, the export volume of traditional textile yarns, fabrics and their products, except masks, has declined compared with previous years.



Face Masks Export Trend from January to September in 2020 (Source: China Customs)

But a lot of trading companies went through a difficult time and received very few orders in May and June. Then in July and August, the usually slack season for the trade, the market improved. The textile trade rebounded and many textile businesses received orders.

“Our company mainly exports to the U.S.. Since the beginning of this year, we had received no order from the U.S. till May, when the exports to the U.S. resumed. From then on, we had received orders now and then. Recently, the number of orders has increased remarkably and our production has been scheduled to the end

of October,” said a manager of a trading company.

Domestic Demand Continues to Grow

The sudden outbreak of COVID-19 at the beginning of this year caused a sharp decline in international demand. As a result, several companies that rely on foreign trade were faced with order cancellation. In an effort to expand sales channels, they set out exploring the domestic market which they were not so familiar with before.

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The head of a sales company said, “though the market is gloomy on the whole, it has little impact on small companies like ours. We still have orders. Recently the production of autumn and winter fabrics for the domestic market has started. As a manufacturer specializing in the production of autumn and winter fabrics, we have received several orders these days and the order amount has increased from thousands of meters to tens of thousands of meters.”

China has been able to implement effective epidemic prevention and control measures, which so far have made a V-shaped economic recovery more likely. Additionally, the industrial backbone of the country has proven itself as a strong foundation of the domestic economy, being able to return to regular operation more quickly than many services-based economies.



Domestic demand recovered quickly after containment measures began to show their effect.

**Zhejiang and Jiangsu Province:
Tricot Machine has been Well
Received and the Home Textile
Market is Thriving**

Due to the epidemic, people have to work from home and spend more time at home. Besides, with the improvement of the quality of life, people have sped up the replacement of household items, which has led to an increase in the demand for home textile products. Fabrics like linen, suede, peach skin and velvet chiffon are sold well and manufacturers of these products destock easily.

“This year home textiles are sold well. In April and May, we were asked by our customers to stop the production of clothes for some of the orders and to step up the production of home textiles instead. The machines in our plant are in full gear. They were not stopped even when the market was stuck in the doldrums. We almost keep no stock of goods. All of our products are exported to Walmart in the U.S.,” said the head of a home textile manufacturer.



Home textiles sold well in 2020.

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A senior executive engaged in foreign trade for many years also remarked, “we have sold more home textile products this year than previous years. American customers contribute to the bulk of the orders. Our products are mostly sold to IKEA and Walmart, and then hospitals and hotels. As we mainly produce disposable four-piece bedding sets, the worst moment of the epidemic turned out to be our opportunity.”

As shown in the market feedback, the epidemic has contributed to the thriving home textile market. Due to the epidemic, people change their beddings more frequently. Besides, as hospitals and hotels mostly use disposable beddings,

they naturally consume more home textile products and have a large demand for these products. Meanwhile, the flourishing growth of the home textile market should be attributed to the stable customer base of home textile manufacturers. It is difficult for their customers to source quality suppliers in a short time. If they choose to import from Vietnam and other Southeastern Asian countries, they have to figure out a solution to the incomplete supply chain of those Southeastern Asian suppliers and import most of the raw materials from China. But labor shortage and logistics delays have become two of the toughest problems during the epidemic. Therefore, many of them choose to work with existing suppliers.



Due to the epidemic, people change their beddings more frequently.

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ILLIES recommends the Tricot machines from Karl Mayer to its customers as they are the best choice for the production of a variety of warp-knitted home textile fabrics.

This year, Karl Mayer, a partner of ILLIES, launched the third generation TM 3, which is well received by the customers.

This upgraded version has a working width of up to 290 inches. The ultra-wide working width and stable, high-speed operation of the machine can help customers improve their production efficiency remarkably. In

addition, TM 3 can meet the requirements of a variety of applications. It embodies the perfect integration of high efficiency and precision.

The first equipment was delivered to the customer at the beginning of August, 2020. As of today, it has been put into operation smoothly for more than three months. At the plant of the customer, this machine has worked stably at a speed of 2200 rpm and has increased the production efficiency of the first-generation TM 3-186" by almost two times. The outstanding performance has drawn a lot of investors and customers.



Karl Mayer TM 3 Tricot Machine

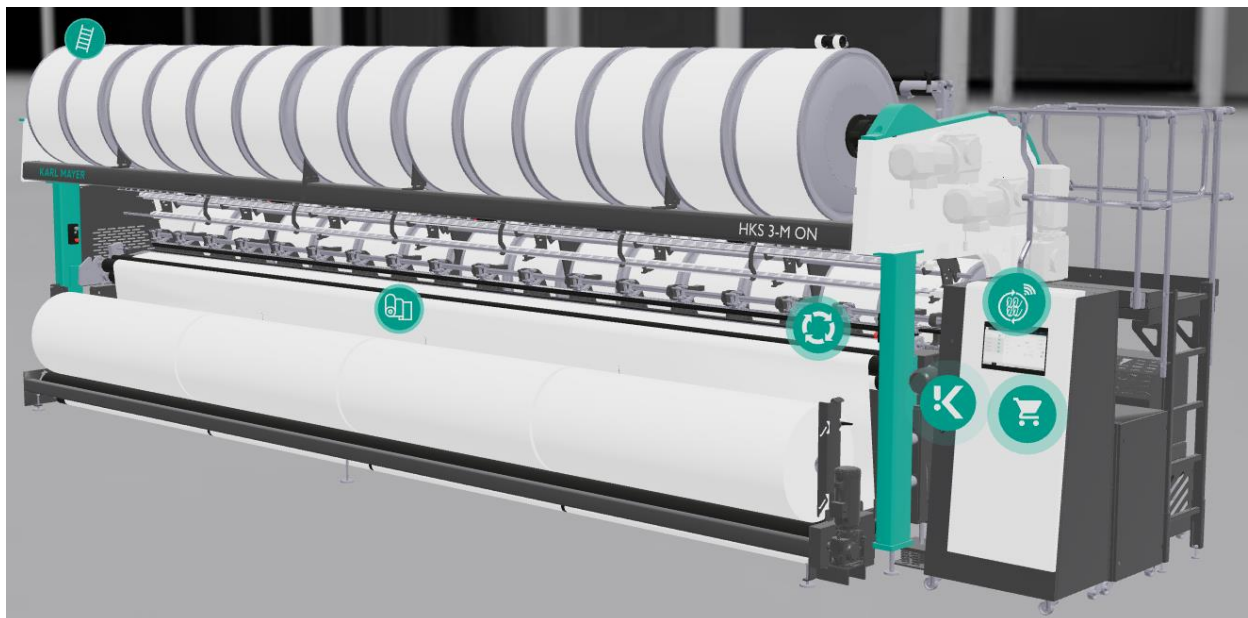
Advantages of TM 3:

- Working Width: 280" (+10")
- Gauge: E28, E32
- Operating system: KAMCOS® 2-N traverse mechanism
- Warp beam support: 3x32" (1x40"+2x32")
- Speed: 2200 rpm

In November of this year, Karl Mayer has launched HKS 3-M ON 300" high-performance tricot machine with 3 guide bars. Its maximum width is 300 inches. This machine has faster running speed, stronger pattern change ability and better user control experience.

Advantages of HKS 3-M ON 300" :

- Production speed increase of 15% compared to HKS 3-M 280"
- Available with working width extension +10" (290") and +20" (300") for highest flexibility in panel width and panel number
- Flexible equipment of beams for individual customer needs with 14 x 21" or 7x42" wide beams possible
- New spring motion assistant for an easy, fast and – most important – safe guide bar change
- New warp beam support design with improved accessibility to clamping positions and easier beam change
- Up to 2,500 rpm



Karl Mayer HKS 3-M ON 300" High-performance Tricot Machine with 3 Guide Bars

"ON technology" adds more flexibility to your production

- Flexible models how to create patterns and designs on the machine according to the needs of your business.
- SwapKnit and k.innovation - CORE provide the flexibility required by the new business environment
- Immediate pattern change and availability of lappings for quick reaction to market demands
 - lower down-times of the machines waiting for pattern discs
 - Predefine customized articles and load from cloud
- No trained staff necessary to change patterns and reduced risks of faults when changing patterns on the machine.

Fujian Province: Double Needle Bar Raschel Machine is more Popular and is Suitable for the Production of Sneaker Fabrics

Fujian Province has a long-standing reputation for shoemaking. Last year, the footwear industry of Fujian Province

achieved a revenue of RMB 361.8 billion, and sports shoes ranked first in China.

Over the past decades, the Fujian Province has developed a complete footwear supply chain, which has served as the strongest backup for the province to rise to the challenges of the epidemic.

Anta, for example, is a noted shoemaker in Fujian Province. During the epidemic, the company mobilized all of its employees and franchisees to contribute to the company retailing activity, which accelerated the recovery of production capacity. In May, Anta's sales caught up with those in the same period the previous year. In June, sales grew by leaps and bounds, especially during the 618 Promotional Campaign, when E-commerce sales totaled RMB 1.43 billion, a year-on-year increase of 78%.

Thanks to the wide-ranging applications of its products, Double Needle Bar Raschel Machine has been well received and has basically maintained stable sales in Fujian Province.



Warp-knitted Spacer Fabric in the Shoe

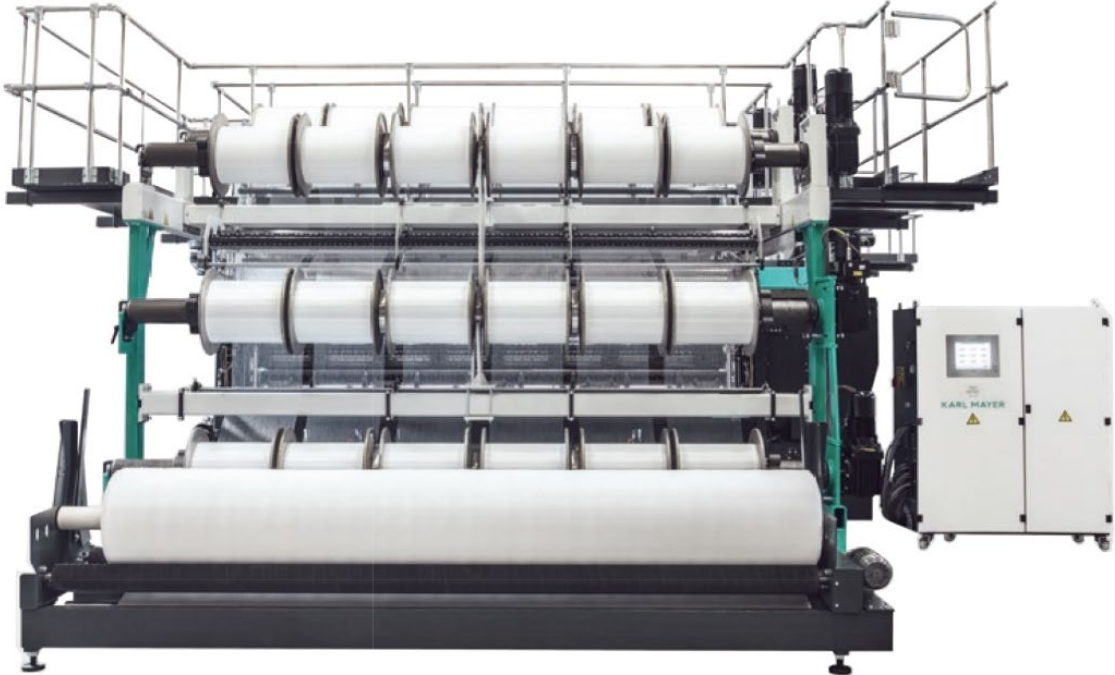
Warp-knitted spacer fabric is composed of front and back layers and a spacer layer in the middle. These three layers can be formed into various structures as required. The surface of the spacer fabric depends on the density of the loops and the spacer layer on the angle and density of the spacer filaments. Such an arrangement not

only determines the appearance of the spacer fabric, but also the unique features of the spacer fabric.

High-performance Double Needle Bar Raschel Machine can be used to produce a variety of spacer fabrics.



RD 7/2-6 EN Double Needle Bar Raschel Machine



RDJ 6/1 EN Double Needle Bar Raschel Machine

Karl Mayer Double Needle Bar Raschel Machine allows manufacturers to give full play to brand new conceptions and Climate Regulation:

- Excellent breathability
- Directed water vapor and heat exchange
- Insulation zone and buffer zone for moisture and heat

Compression Elasticity

- Spacer filaments serve as an outstanding filling
- Large contact surface eases the load effectively

Tensile Strength

- Good vertical and horizontal elasticity

solutions. The warp-knitted spacer fabrics produced by this kind of machine also have a lot of advantages:

Design Potentials

- Flexible surface jacquard and three-dimensional structure
- Relatively low weight by volume and integrated functional features

Guangdong Province: HKS 2-SE for the Production of Sportswear, Underwear, and Swimwear Fabrics Have Sold well

ILLIES's customers in Guangdong Province focus on the production of warp-knitted elastic fabrics, which are ideal for sportswear, underwear, and swimwear.



The Application of Warp-knitted Elastic Fabrics

Based on customer needs, ILLIES recommends Karl Mayer's HKS 2-SE, which is ideal for the production of smooth, elastic, and non-elastic fabrics. Tricot machine with 2 guide bars features the best productivity and proves to be a good choice for the production of simple, lightweight fabrics.

The HKS 2-SE is the specialist for elastic fabrics and sets new standards in terms of productivity and fabric quality

- High-performance knitting machines capable of producing a wide range of products
- An extensive range of patterns and articles
- Highest operational reliability
- Long service life
- New ergonomic design for optimized handling
- New KAMCOS® 2 operator interface is easier to use and integrate assistance apps
- Integrated monitoring systems for highly efficient production
 - Integrated Camera for fabric monitoring
 - Integrated Laserstop for yarn breakage detection
- Lower power consumption thanks to LEO® (Low Energy Option)
- Functional LED lighting



HKS 2-SE Tricot Machine with 2 Guide Bars

Technical Textiles Become New Growth Points

Despite the complex challenges for global economic prospects, China's technical textile market has maintained stable growth, thanks to the stable demand of major customer groups and the innovation-driven industrial transformation and upgrade in China.

The proportion of technical textile fiber processing in China's textile industry had been increasing from 20% in 2010 to about 30% in 2019, ranking second among the three major textile applications (clothing, technical textiles, and home textiles).

Notably, multi-axial warp knitting machines for the production of technical textiles have been sold well this year. As the various infrastructure projects across the country resume work and the downstream markets embrace increasing demand, sales of this machine have grown over the previous year.

It is worth noting that customers who purchase multi axial warp knitting machines this year mainly use them in the wind power industry. In recent years, China's wind energy industry has developed rapidly, which has also led to the sustainable development of the whole downstream industry chain.



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As an important part of the wind turbine, the wind turbine's blade mostly uses warp knitted glass fiber base cloth. From 1.5 MW nearly 40 m long 10 years ago, to 2 MW more than 60 m now, not only the mechanical properties of glass fiber and other reinforcement materials need to be improved, but also the process performance improvement of fabric structure is particularly important. The reliability and flexibility of Karl Mayer knitting machine can meet these higher requirements, so it is recognized by customers.

Overall Market Prospects

In October, end customers did not stock in advance as they did in previous years. Instead, they placed small orders and reordered quickly. As the cold weather sets in, a lot of orders that were put aside earlier have all been placed recently, leading to an evident market rebound. Textile manufacturers are expected to seize the opportunity to make a breakthrough in the last days of 2020.



On November 15, the signing ceremony of the RCEP Agreement was held by video

Recently, there is also a very good news for the textile market. On November 15, the signing ceremony of the regional comprehensive economic partnership agreement (RCEP) was held by video, and the ministers of economy and trade of 15

member countries formally signed the agreement. The total GDP of the 15 member countries exceeds US \$25 trillion, covering 30% of the global population. The signing of the agreement marks the successful start of the construction of East

Asia free trade area with the largest population, the most diverse membership structure and the largest development potential in the world.

It is believed that this agreement will directly increase the competitiveness of Chinese textile enterprises, as import as well as export tariffs on textile products will be lifted. Overall, RCEP is a further reason that ILLIES China are confident 2021 will be an even better year for the Chinese textile industry!