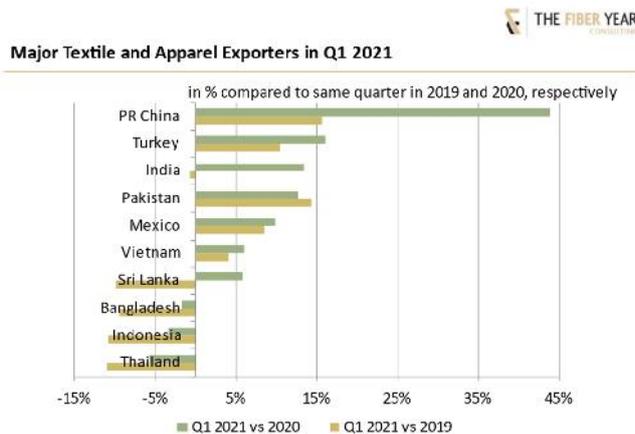


Early 2021 Indicators and Impact on Demand (June 2021)



The heavily trade-driven industry shows a mixed performance with Chinese industry best in class of major exporting countries.

A comparison of quarterly exports between now and last year would be misleading, thus, we enlarged by the pre-crisis quarter of 2019.

It can be seen by means of the Indian export performance after a second catastrophic wave of infections beginning in March with locally-imposed lockdowns restricting movement of goods and leading to supply disruptions. Several ports closing now for ships from India will badly affect Q2 containerized shipments.

Half of the listed countries suffered from export value below pre-crisis year.

This is, in particular, threatening for Bangladesh with the textile chain of paramount importance as its share in total exports remained one of the highest in the world.

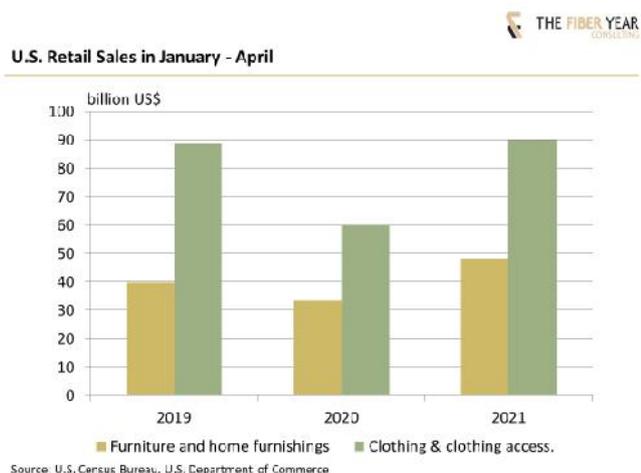
In total, improvements have been witnessed in several countries but it is certainly not a broadly-based recovery - that is still in some distance, strongly depending on national vaccination campaigns, availability of vaccines and people's willingness to take a vaccine for the coronavirus.

Additional concerns arise for Southeast Asia that managed to avoid the worst of the pandemic last year. But now, many countries are facing exponential increases in case numbers from new variants prompting new restrictions and factory closures.

U.S. retail sales in early 2021 illustrate corona-induced changes in consumer behavior:

First, apparel sales in stores marginally advanced over the same period in 2019, up 1% despite aggressive spending in March as consumers used their \$1,400 stimulus checks but this boost from stimulus checks faded with clothing sales declining by 5% a month later.

Observable across the globe, apparel business was hardest hit with several retailers filing for insolvency. Without having workplaces, recreational spots and social events to go why should people buy new outfits? Wearing a white shirt during a Zoom conference and afterwards going back into the closet until the next virtual meeting has not prompted consumers to refresh their wardrobe from season to season.



Secondly, work-from-home policies have inspired people to refurbish their home. In addition, record-high 2020 Atlantic hurricane season and the largest wildfire season recorded in California’s modern history further pushed sales. However, growing private residential expenditures did not compensate for missing non-residential investments.

Looking ahead, easing restrictions are expected to result in a shift of spendings in favor of travel and entertainment while a gradual return to office will allocate less of disposable income to home improvement projects



Data for 27-nation EU showed continuing sharp contractions in January and February.

Surging March retail sales after 13 monthly reductions look promising but need to put into perspective as last year’s March sales dropped by 55%, thus, Q1 still is considerably below last year.

A glimmer of hope may derive from the household saving rate in euro area climbing to highest values in Q2 and Q4 since beginning of the time series in 1999.

However, recovery seems to be threatened by surging prices of raw materials including fibers, masterbatches, dyestuffs and other additives, the negative impact of CO₂ prices and higher transportation costs.

Despite complex pandemic-induced uncertainties, it looks like more than 2 lost years for the world fiber industry!

The industry will lose more than 2 years, different to the 1-year loss during financial crisis in 2008/9 where we have seen a rapid v-shape recovery.

Economic activity is anything else but normalized despite heavy policy support.

Freight costs at elevated level due to container shortage and deficit in semiconductor supply for global automotive industry are just two examples that a smooth material flow is still missing.

Besides, economic uncertainties like inflationary pressure and sovereign debt levels in many regions must not be neglected.

Modest demand growth this year seems possible despite changing consumption patterns with expenditures for travel and entertainment gaining weight and uncertainties like spread of Covid-19 variants, vaccine rollout and willingness for vaccination making any forecast highly speculative.

