

The Effect of Covid 19 on China's Cashmere business

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Infection rates – China 45 days + ahead of Europe

- China – first 1000 cases by Jan 24 – total cases to date 82,000
- Italy – first 1000 cases by Feb 29 – total cases to date 199,000
- France – first 1000 cases by Mar 7 – total cases to date 165,000
- Spain – first 1000 cases by Mar 9 – total cases to date 229,000
- UK – first 1000 cases by Mar 14 – total cases to date 157,000

Infection rates in Inner Mongolia

- Inner Mongolia covers an area of 1.2 million sq km
- (x 2 size of France, x 4 size of Italy and x 5 size of UK)

Total recorded infections for Inner Mongolia have been 122 and only 11 in Ordos region

Effects on day to day life in China

- Coincided with CNY – Holiday extended by 1-2 weeks. Some factories started to reopen on 9 Feb with much reduced workforce
- In Inner Mongolia anyone travelling back from their homes to the workplace more than 50 kms had to spend a further 2 weeks in isolation
- In period since 9 feb to date most workers now back in work and most factories have reopened with around 80% of the workforce
- Schools – Mid and High Schools reopened last week, Primary will open next week
- Most shops and restaurants have now reopened but cinemas, leisure centres and places of mass gathering remain closed

General Economic effects

- Big fall in GDP (numbers not yet available)
- Overall 32% fall in retail sales for Q1
- Reduced travel – pre covid there were 7 flights per day between Beijing and Ordos – now there is 1
- Reduction in salaries
- Higher unemployment

Specific effects to the Cashmere Industry

- Farming relatively unaffected – fibre yields expected to be similar to 2019. However demand has now fallen off a cliff resulting in a sharp fall in fibre prices for the new clip, currently at around -30% compared to 2019
- Timing – Virus hit at the beginning of main production season, factories had started preparing fibre and yarn but garment production had not really started.
- Domestic retail market badly hit in Jan/Feb but some recovery in March and this is continuing.
- Most export orders initially put on hold and then after assessment either cancelled, reduced or delayed

Challenges for the Future – short and mid term

Manage a way through AW20 season

- Clearance of stocks – fibre, yarn and garments
- Cashflow
- Expectation of reduced orders for Spring 21
- Reduce production – fibre price recovery
- Changes to payment and credit system
 - Insurance being cancelled or reduced on many European retailers
 - How to prevent some retailers cancelling orders and accepting no financial responsibility – deposit paid on orders being issued ?