

**Required Report:** Required - Public Distribution

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**Report Name:** Cotton and Products Annual

**Country:** Malaysia

**Post:** Kuala Lumpur

**Report Category:** Cotton and Products

**Prepared By:** Abdul Ghani Wahab

**Approved By:** Megan Francic

**Report Highlights:**

Post forecasts domestic consumption of cotton by the Malaysian textile industry at 350,000 bales in marketing year (MY) 2021/22 on presumed economic growth in Malaysia and strong consumer demand for textiles in the United States and the European Union as the COVID-19 pandemic wanes.

## Production

Malaysia does not produce cotton.

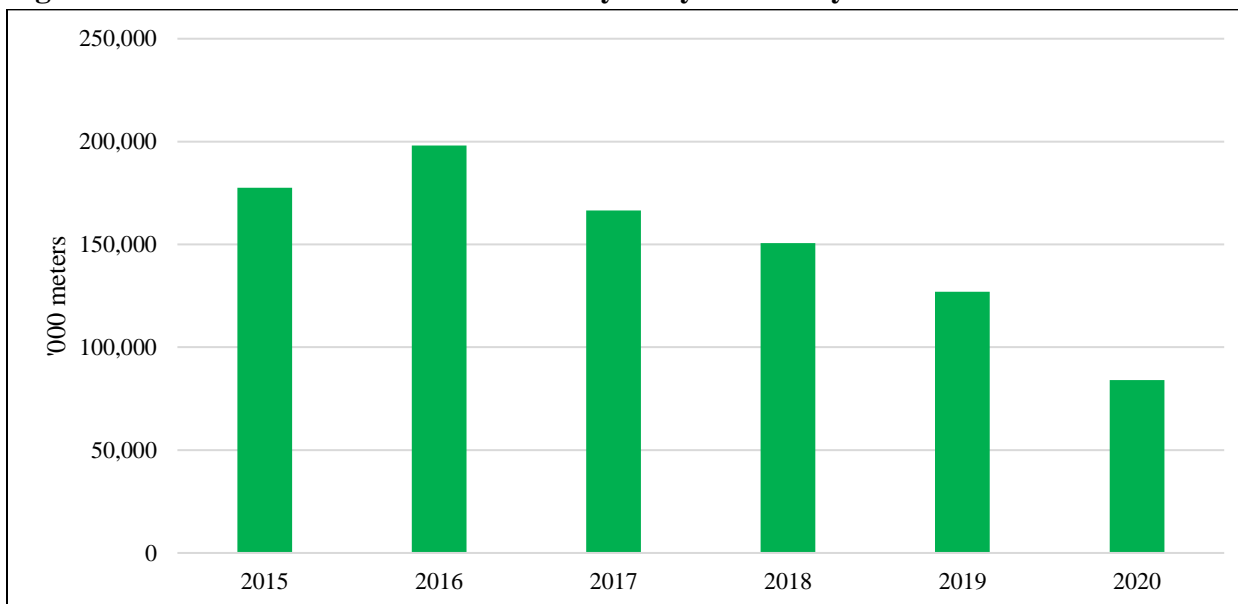
## Consumption

In marketing year (MY) 2021/22, Post forecasts domestic consumption of cotton at 350,000 bales, a roughly 16 percent increase from Post's MY 2020/2021 estimate. This increase is in line with anticipated post-pandemic economic growth in Malaysia, which is based on the assumption that Malaysia will vaccinate 80 percent of its population by the end of 2021. Industry also expects strong consumer demand from the United States and the European Union by the end of 2021, leading to higher cotton consumption for domestic apparel production for export markets.

The COVID-19 pandemic heavily affected the textile sector in Malaysia, with cloth and apparel production dropping (Figures 1-4; Tables 1-3). Esquel Group and TAL Apparel, major original equipment manufacturers for international brands in the United States and Europe, closed their operations permanently. Esquel had been in Malaysia for more than 50 years and employed 2,000 workers, while TAL employed approximately 5,000 workers.

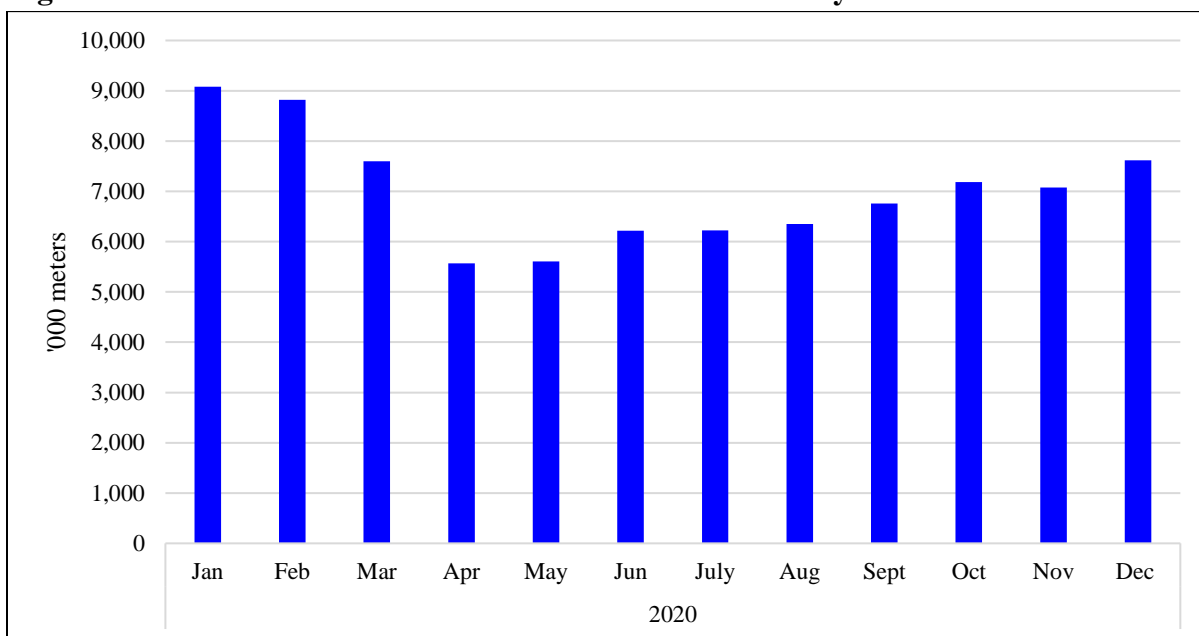
Based on Department of Statistics Malaysia employment data, the total number of paid employees in the textile and apparel manufacturing sector dropped from 81,810 in 2019 to 68,618 in 2020.

**Figure 1: Cotton Cloth Production in Malaysia by calendar year**



Source: Department of Statistics Malaysia

**Figure 2: Cotton Cloth Production in Calendar Year 2020 by month**



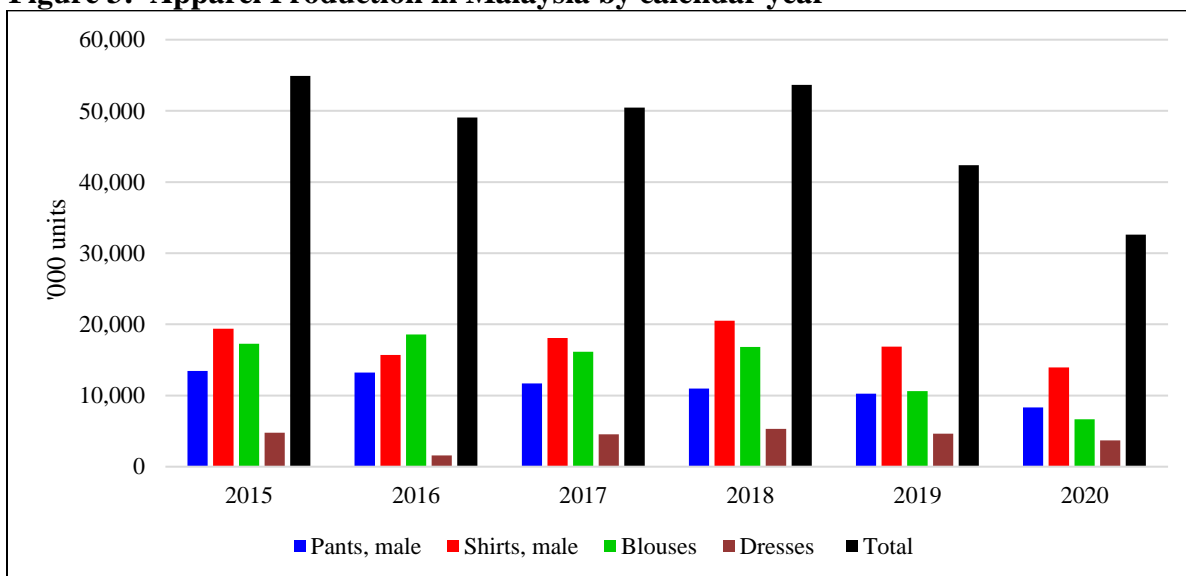
Source: Department of Statistics Malaysia

**Table 1: Cotton Cloth Production in Calendar Year 2020 by month**

'000 meters	2020											
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
<b>Cotton Cloth</b>	9,083	8,818	7,597	5,570	5,605	6,220	6,220	6,354	6,760	7,183	7,078	7,614

Source: Department of Statistics Malaysia

**Figure 3: Apparel Production in Malaysia by calendar year**



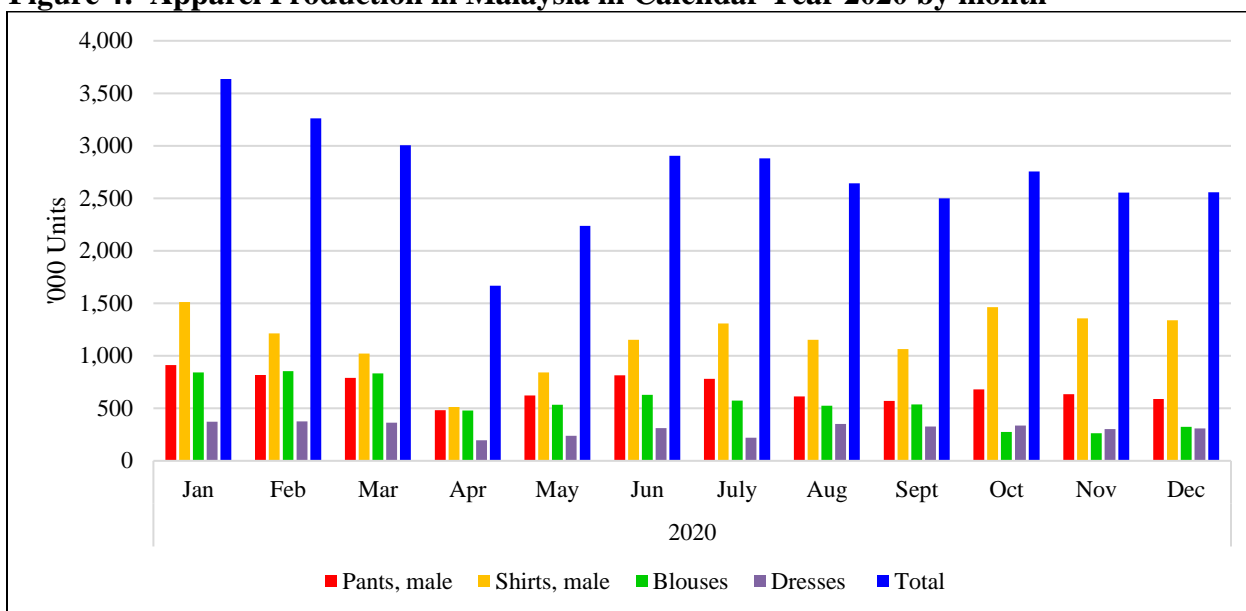
Source: Department of Statistics Malaysia

**Table 2: Apparel Production in Malaysia by calendar year**

'000 units	2015	2016	2017	2018	2019	2020
<b>Pants, male</b>	13,451	13,246	11,705	10,997	10,245	8,304
<b>Shirts, male</b>	19,400	15,688	18,065	20,491	16,859	13,937
<b>Blouses</b>	17,274	18,565	16,147	16,824	10,630	6,663
<b>Dresses</b>	4,772	1,572	4,526	5,332	4,649	3,704
<b>Total</b>	<b>54,897</b>	<b>49,071</b>	<b>50,443</b>	<b>53,644</b>	<b>42,383</b>	<b>32,608</b>

Source: Department of Statistics Malaysia

**Figure 4: Apparel Production in Malaysia in Calendar Year 2020 by month**



Source: Department of Statistics Malaysia

**Table 3: Apparel Production in Malaysia in Calendar Year 2020 by month**

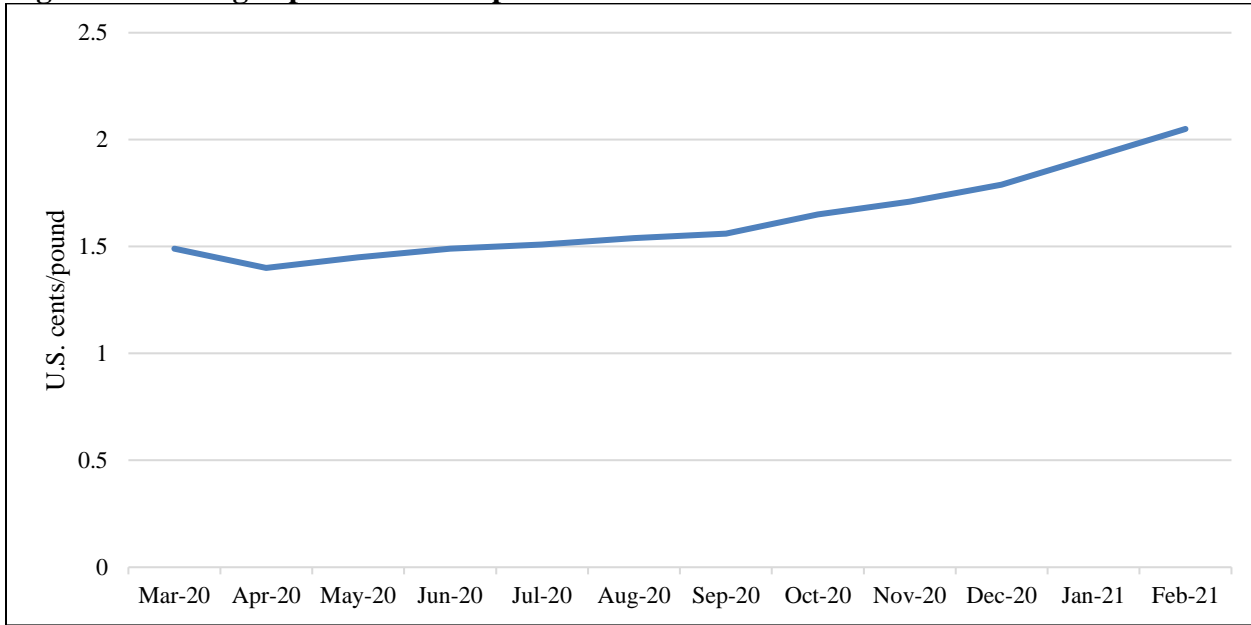
In '000 Units	2020											
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
<b>Pants, male</b>	912	819	789	481	622	814	781	613	572	681	633	588
<b>Shirts, male</b>	1,512	1,212	1,023	512	843	1,152	1,307	1,153	1,063	1,464	1,358	1,338
<b>Blouses</b>	840	855	831	478	534	629	573	524	538	274	263	324
<b>Dresses</b>	372	377	362	195	239	312	221	352	327	337	301	308
<b>Total</b>	<b>3,636</b>	<b>3,262</b>	<b>3,006</b>	<b>1,667</b>	<b>2,238</b>	<b>2,906</b>	<b>2,882</b>	<b>2,643</b>	<b>2,500</b>	<b>2,756</b>	<b>2,555</b>	<b>2,557</b>

Source: Department of Statistics Malaysia

## Imports

Cotton imports for domestic use are a direct function of demand from textile manufacturers. In MY 2021/22, Post forecasts imports at 800,000 bales, up approximately 14 percent from Post’s MY 2020/21 estimate. Post’s MY 2020/21 estimate is 150,000 bales lower than the USDA official estimate on increased prices (Figure 5).

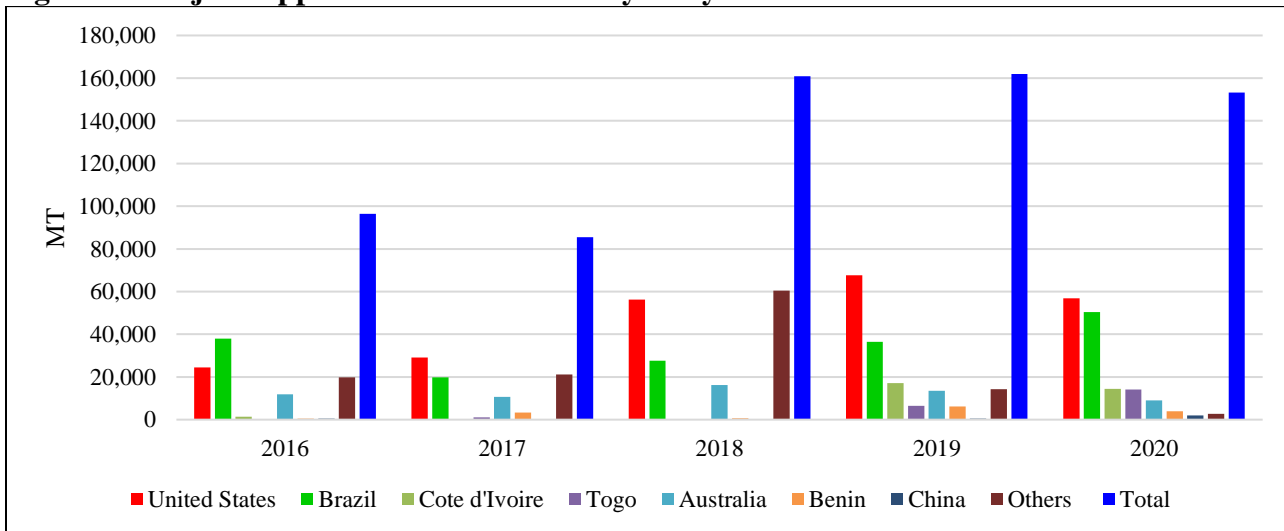
**Figure 5: Average Spot Price for Upland Cotton**



Source: Indexmundi.com – Cotton Daily Price

The primary suppliers of cotton to the Malaysian market are the United States, Brazil, Cote d’Ivoire, and Australia (Figure 6).

**Figure 6: Major Suppliers of Cotton to Malaysia by MY**



Source: Trade Data Monitor

## Exports/Transshipments

Due to good port infrastructure, free trade zone (FTZ) facilities, tax incentives within the Association of Southeast Asian Nations, and a strategic location within Southeast Asia, Malaysia is a major transshipment hub for multiple commodities, including cotton. Trade contacts report that Malaysia's Port Klang (near Kuala Lumpur) and Port of Tanjung Pelepas (near Johor in southern Malaysia) are major cotton transshipment points.

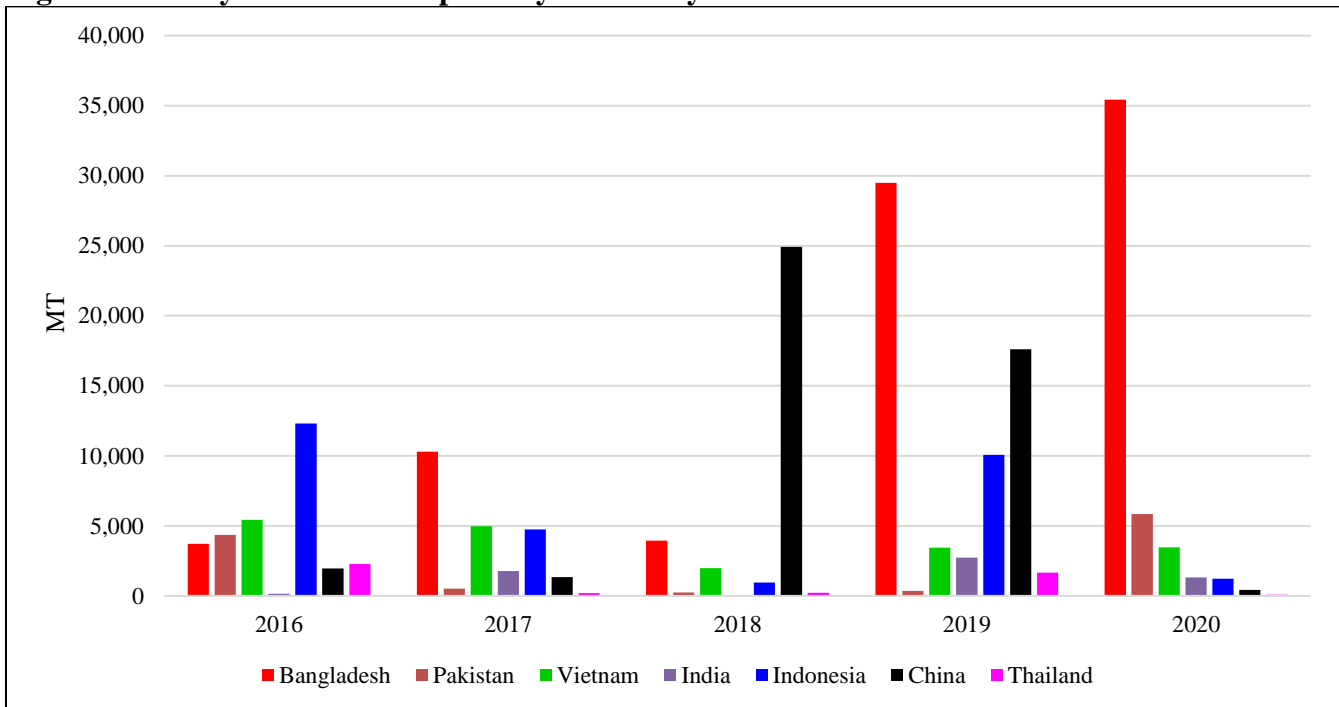
Under the Malaysian Free Zones Act 1990, products traded in FTZs are exempted from local tax and tariffs if re-export. If the product is destined for the local market, it is subject to local taxes and tariffs once it leaves the facility.

Detailed procedures on the transshipment process can be found at:

<https://www.mcmc.gov.my/skmmgovmy/media/General/pdf/2-ExportTransitTransshipment-Procedures.pdf>

Trade data for transshipments of cotton from Malaysia is unreliable and shows huge variances in volume depending on the reporting country. For MY 2021/22, Post forecasts exports at 450,000 bales, an increase of 150,000 bales from the previous year's estimate, on strong demand from millers across South and Southeast Asia that are preparing for post-pandemic recovery in the apparel sector in Europe and the United States (Figure 7).

**Figure 7: Malaysian Cotton Exports by calendar year**



Source: Trade Data Monitor

## Stocks

Industry reports that most major yarn and knitting companies in Malaysia hold approximately six to eight months of stock to ensure stable supply in the face of price volatility.

### Cotton in Bales, Production, Supply, and Distribution

Cotton	2019/2020		2020/2021		2021/2022	
Market Year Begins	Aug 2019		Aug 2020		Aug 2021	
Malaysia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	0	0	0	0	0	0
Area Harvested (1000 HA)	0	0	0	0	0	0
Beginning Stocks 1000 480 lb. Bales	546	546	771	771	0	871
Production 1000 480 lb. Bales	0	0	0	0	0	0
Imports 1000 480 lb. Bales	850	850	850	700	0	800
MY Imports from U.S. 1000 480 lb. Bales	0	0	0	0	0	0
Total Supply 1000 480 lb. Bales	1396	1396	1621	1471	0	1671
Exports 1000 480 lb. Bales	300	300	300	300	0	450
Use 1000 480 lb. Bales	325	325	350	300	0	350
Loss 1000 480 lb. Bales	0	0	0	0	0	0
Total Dom. Cons. 1000 480 lb. Bales	325	325	350	300	0	350
Ending Stocks 1000 480 lb. Bales	771	771	971	871	0	871
Total Distribution 1000 480 lb. Bales	1396	1396	1621	1471	0	1671
Stock to Use % (PERCENT)	123.36	123.36	149.38	145.17	0	108.88
Yield (KG/HA)	0	0	0	0	0	0
(1000 HA), 1000 480 lb. Bales, (PERCENT), (KG/HA)						

#### Attachments:

No Attachments