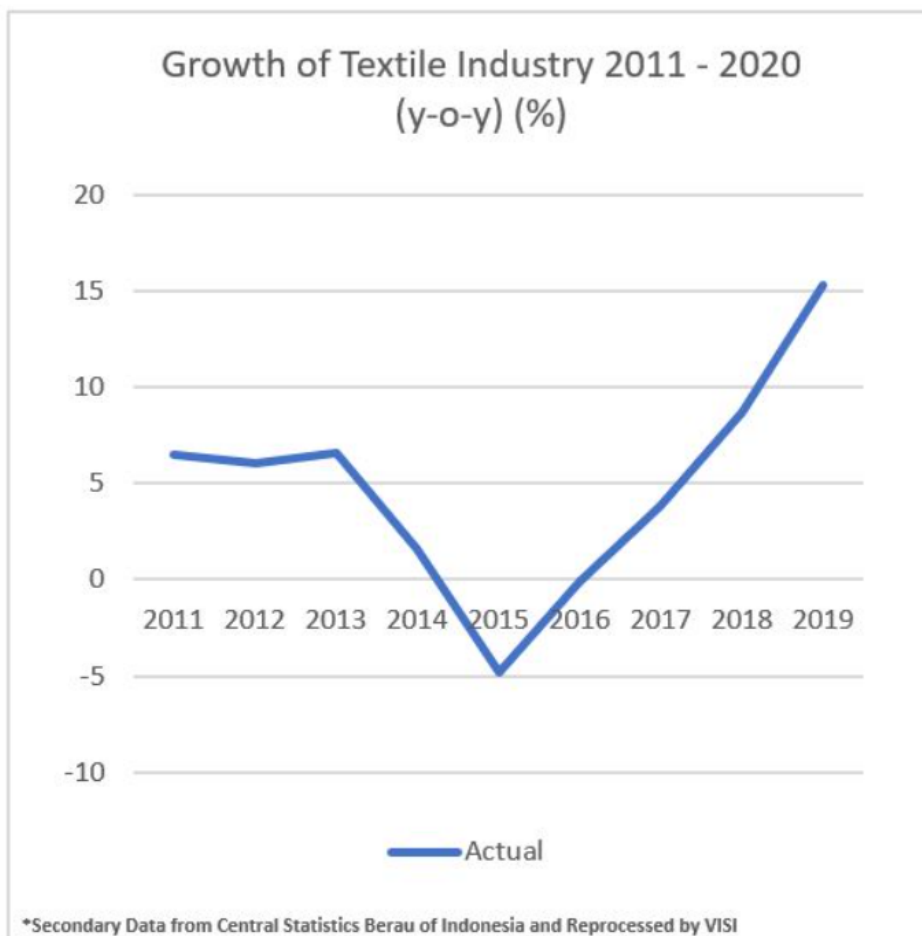


# CRIF PT VISI STUDY: PERFORMANCE OF TEXTILE AND APPAREL INDUSTRY IN INDONESIA - 2020 AND ITS PREDICTIONS IN Q1/2021



The textile and apparel industry is one of the largest and strongest industrial structure sectors and capable of absorbing labor on a large scale. Based on data from the Statistics Indonesia (BPS), in the last 3 years, the growth of the textile and apparel industry continued to record a positive growth with an average growth of 9.3% each year.

Based on its track record, after several years of stagnant movement, in 2014, the textile and apparel industry experienced a significant decrease in growth. In 2015, the growth was still decreasing and recorded a negative growth of -4.79% (yoy) or a decrease of 6.35 points when compared to 2014.



This is due to the decline in global demand and the clothes smuggling activities from overseas that caused the demand for textile and apparel industry producers to decline. With the government's action against this, in 2016, the textile and clothing industry began to experience a growth recovery of 4.7 points, or to -0.09% (y-o-y).

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Although it is still growing negatively, it is not as big as in 2014 and 2015. Based on its growth in the local industry in 2016, the textile and apparel industry is getting worse due to the increasing number of imported textile products and raw materials that are imported regularly and with an increasing volume every year. This is started from the continued increase in production costs which have an impact on rising prices for textile products and raw materials for domestic textile products. The high selling price of products that exceeds the selling price of imported products causes the domestic market to prefer to supply imported products. Based on this, the textile and apparel industry has lost some of its markets and each year the performance of these sectors has declined. Not only that, the higher selling price of the product causes the weaker value of Indonesian textile products in the international market because competing countries such as China can produce textile products that are cheaper but with similar product quality.

With the control policy on imported products implemented by the government since February 2017, the demand from the domestic market continued to increase and the textile and apparel industry was able to record positive growth again of 3.83% (y-o-y) in 2017. This is also driven by the increased demand from the international market. There was an increase in demand from the international market, reaching 5% compared to 2016.

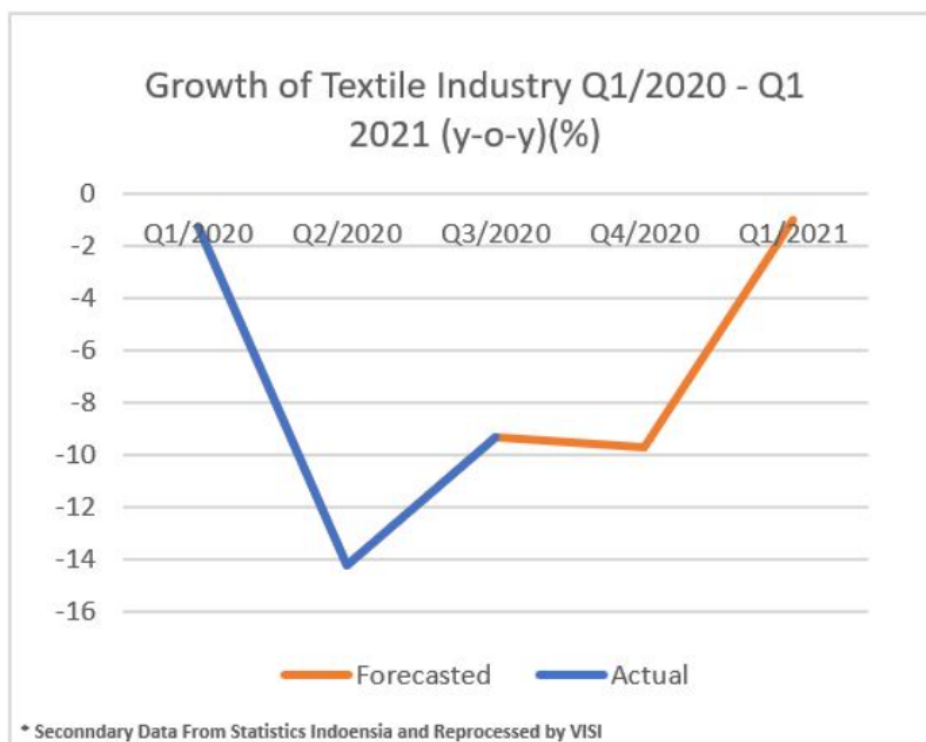
In 2018, the growth of the textile and apparel industry increased by 4.9 points to 8.73% (y-o-y). This industry became a significant foreign exchange earner with export value reaching USD 13.22 billion or an increase of 5.55% (y-o-y). In addition, this industry has absorbed a workforce of 3.6 million people and made it an export-oriented labor-intensive sector.

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Even in 2019, there was a significant increase in growth, namely by 6.62 points to 15.35% (y-o-y). This achievement exceeded the economic growth of 5.02% (y-o-y). The national textile and apparel industry has become increasingly competitive in the global market because of its high competitiveness. This is driven by an integrated industrial structure from upstream to downstream.

Along with developments in fashion and public consumption, the textile and apparel industry plays a role as one of the sectors that makes a large contribution to GDP and employment. As well as making this sector one of the important sectors for the development of the Indonesian economy. Even so, the large production costs is still the main problem in this sector so that many companies whose production increases are still experiencing losses.



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In Q2/2020, the textile and apparel industry experienced a very significant decrease, namely by -34.94 points to -14.23% (yoy), the PSBB policy carried out in the period with the largest income, namely Eid al-Fitr holiday in June 2020 had a very large impact against the industry. Factory production has also decreased in line with reduced market demand. This condition continued to worsen so that many layoffs (PHK). In the midst of COVID-19 pandemic, the average industrial utility is in the range of 20%. Until Q3/2020, the industry was still experiencing negative growth of -9.32% (y-o-y). Based on these conditions, VISI predicts that the negative growth will continue until Q4/2020, during which period industrial growth is estimated at -9.67% (y-o-y). Based on the average growth per quarter, in 2020, the textile industry is predicted to experience negative growth of around -9% compared to the previous year. In addition, in Q1/2021, the sector growth is expected to grow by around -0.97%, because the conditions caused by the COVID-19 pandemic have not yet recovered and even with the COVID-19 virus phase II that occurred in several countries, so the export-import activities will be hampered.