

BACK TO A NEW 'NORMAL'?

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We are almost halfway through this year and after months of global lockdowns, it seems most countries are starting to ease restrictions and trying to get back to a 'normal' society. Around the world life is somewhat expected to normalise however social distancing and some restrictions will remain in place for now. There are still a lot of uncertainties as to how the global economic recovery will look like, how humanity will respond to these changes, how this might impact the future of retail around the world and what does it mean for the cotton consumption outlook?

Looking back in history, every pandemic or crisis the world has faced leaves a permanent impression on the psyche of the general population and changes the norms of society altogether. Be it in 1918 flu epidemic that heightened hygiene standards or the 2003 SARS outbreak that originally provided the push for online shopping. Similarly with this crisis, there will be macro-trends in most industries around the world that could see a significant consumer shift. One noticeable trend is the remote workforce and already a few well-known companies have announced they will look to close structured offices in the near future.

Focusing on retail apparel and homewares, the last few years has seen a global trend towards more conscious spending by consumers and the COVID-19 pandemic is making localised production more important. The ongoing movement for transparency and sustainability will become more evident and important for the retail industry.

So, it is not without question that the retail sector is facing challenges now and will into the future. Over the past few months, it has become evident that falling consumer demand, reduced spending and stay-at-home orders mandating certain businesses stay closed continues to take a toll on the retail industry. Around the world retail spending during the lockdowns has dropped significantly, in the US apparel sales were down 89.3% from a year ago in March/April. This has taken a toll on a few large US retailers as J.C. Penney, Neiman Marcus and others who have filed for bankruptcy. This demand disruption is noticeable throughout the supply chain with retailers cancelling and delaying orders.

The latest USDA reports for cotton highlights the concern with consumption lowered more than 5 million bales last month and over 13 million bales since the March 2020 forecast. The consumption outlook for the 2020/21 season, whose start is barely two months away, is still difficult to predict. However, the USDA outlined a very rosy outlook which seems to be predicting a V-shaped global economic recovery with figures back to around 116.46 million bales for the 2020/21 season. There is still a lot of uncertainty around the world and with the other challenges that the industry is facing, this remains to be seen.

Finishing this story on a positive note, as with every crisis the world will recover. There will be some changes to society with new trends developing and this may very well create opportunities for the retail industry – and the cotton supply chain.

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