

Technical Textiles in North America

- Putting the industry in perspective

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The technical textiles industry in North America is the world's largest and richest.

And it is doing fine -- *for now!*

But everyone wants a part of it, and the economic downturn is beginning to have an impact!

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The NA technical textiles industry accounted for 33% of the world's industrial textile production in 1998.

Today, it is 30%

By 2005, it is projected to be 28%

Production will actually grow, but share of world market will shrink — to benefit of SE Asia and China.

Source: David Rigby study for Messe-Frankfurt

Even with slowdowns:

- Housing starts at historical high
- The automobile industry, the industry's largest market, though projected to be down 10%, will still yield 16 million vehicles — normally an excellent year.
- Many new markets are being generated, and many selected ones are growing.
- Spending on construction rose end of 2000

Make no mistake:

The degree and longevity of an economic slowdown, and how wide-spread it becomes (and the negative global impact) will have heavy and significant impact on the technical textiles industry

— for good or bad!

Major changes have been due to:

- **Consolidation**
- **Development of new technology**
- **Changing way of doing business**
- **Growth in nonwovens**
- **Solidifying position in market**
- **Exporting more**

The technical textiles industry in North America is highly fragmented.

One can spend an entire career in the industry and not be aware of large, significant markets in other areas or utilizing other technology

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Greatest benefit of US market is that it is a united one —

All same language, seamless state-to-state business, no regional differences or laws impacting negatively.

The per person consumption of textiles in US/Canada is 40+ square yards per person per year, Europe about 21 sq yds per person, elsewhere in world just over 7 square yards per person.

Everyone wants a part of the industry — thus the growth in imports

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The US economy has had unheralded growth over the last decade!

The Industrial textile segment benefits from that type of economy!

And it is being impacted by imports, though not as severely as apparel ---- yet!

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Most industry respondents feel the downturn will be a relatively short one — at least in NA

Most feel the projected growth will be realized, maybe surpassed, certainly in some areas

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Application	Poundage 1995 (Tons)	\$ Value 1995 (\$Million)	Poundage 2005 (Tons)	\$ Value 2005 (\$Million)	%CAGR 95-05 (Consumption)
Agricultural	150	590	168	663	1.1
Construction	405	1147	528	1551	2.7
Clothing/Shoes - Technical Components	176	1485	154	1287	(-1.3)
Geotextiles	84	389	143	659	5.4
Home Applications - Technical Components	554	2443	788	3385	3.6
Industrial Applications	544	2579	739	3543	3.1
Medical	368	2021	409	2276	1.1
Transportation	530	3139	633	3612	1.8
Environmental	56	312	90	458	4.9
Packaging	119	524	154	700	2.6
Protective	45	435	61	620	3.0
Sport/Leisure	82	513	109	628	2.9
Totals	3113T	\$15,577	3976T	\$19,382	2.4%

Source: David Rigby study for Messe-Frankfurt, 1997

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U.S. Industrial Market for Textile Fibers By Selected Application (Millions of pounds)				
Application	1983	1993	1998	AGR % 93/98
Tires	334	353	392	2.2
Coated Fabrics	111	251	300	3.9
Transportation Fabric	64	113	130	5.0
Hose & Belting	82	89	100	2.5
Filtration	30	32	35	1.9
Electrical and Related	15	56	75	6.8
Felts	27	52	60	3.1
Total	663	946	1092	3.0

AGR 93/98 = % Annual Growth Rate 1993 to 1998

Source: The Freedonia Group & Technical Textiles International

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	<u>Cars</u>	<u>Lt. Trucks</u>
Seating -	7.2	4.9
Headliner -	4.8	3.3
Carpeting -	4.5	3.2
Trunks -	1.5	1.1
Quarterpanels	4.3	3.0
Misc.:	<u>2.5</u>	<u>1.7</u>
	24.8 sy	17.2 sy

Automotive Interiors - Average usage by square yards
(Does not include air bags, hoses, belts, filters, tires, and hidden uses)

Imports have impact on industry —*BUT*

Greater impact is due to:

- **Replacing outdated, obsolete, excess plants**
- **Increased production efficiencies**
- **Market shifts**
 - Nonwovens replacing wovens/knits**
 - Nonwovens create new markets**
 - Some markets mature and fade**
- **Vertical integration — up and down**
- **Consolidation**
- **Lowering cost and becoming more competitive**

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As important as NAFTA may or may not be to the US economy and the overall textile industry, and the affects are debatable,

Only 12.7% of textile related NAFTA trade currently involves industrial textiles

NAFTA has had relatively little impact — so far — on industrial textiles in the US, but a lot on apparel.

Most, not all, industrial textiles need to be near customer and site of fabrication. And much fabrication is more complex than apparel. Technical expertise needs to be nearby. That also restricts many imports.

Canada and Mexico have gained a lot from NAFTA:

- **88% of Canada's total exports are now to US**
From 20% of textiles to now over 50%
- **Mexico had been growing 12% per year since NAFTA. So far in 2000, 4%, may end year under 2% due to slow economic conditions in the US**

Two major factors currently affecting NA markets in a time of slowing economy:

- **Too many suppliers**

Created by unbridled economic growth last decade

- **Too much inventory**

Inventory-to-shipment ratio highest since 1991
(due to high production in growing 1st half of 2000)

Many producers selling off at distressed prices

It is unfortunate, but the industry will lose some weak suppliers and producers. Resulting consolidation will create stronger industry overall

One major industry analyst (best not named):

We are not *all* going to die!

Industrial textile companies smart enough not to incur large debts are doing well

We need a recession to come in and get rid of some weak companies (to make a stronger industry).

Drastic words, but perhaps words that need to be said.

Is there a future? Of course. The industry is too strong and too vital.

The industry will prosper through the use of new technology and innovative application of that technology to use textiles to solve problems.

- **Smart/Interactive/Intelligent textiles**
- **New fibers and yarns**
- **Innovative and creative application**

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Trends:

- **Traditional vendor/supplier relationships are changing — extensive upward and downward integration to continue**
- **Increased globalization —but also growth in markets in other parts of world. WTO and NAFTA and CBI will impact.**
- **Niche/specialty markets increasing in importance**
- **Traditional manufacturers are becoming more responsive to customers needs — building partnerships and alliances**
- **Economic trends will have significant impact —currently downward, but will recover.**

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Thank you for listening

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