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Report Name: Cotton and Products Annual

Country: Malaysia

Post: Kuala Lumpur

Report Category: Cotton and Products

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Report Highlights:

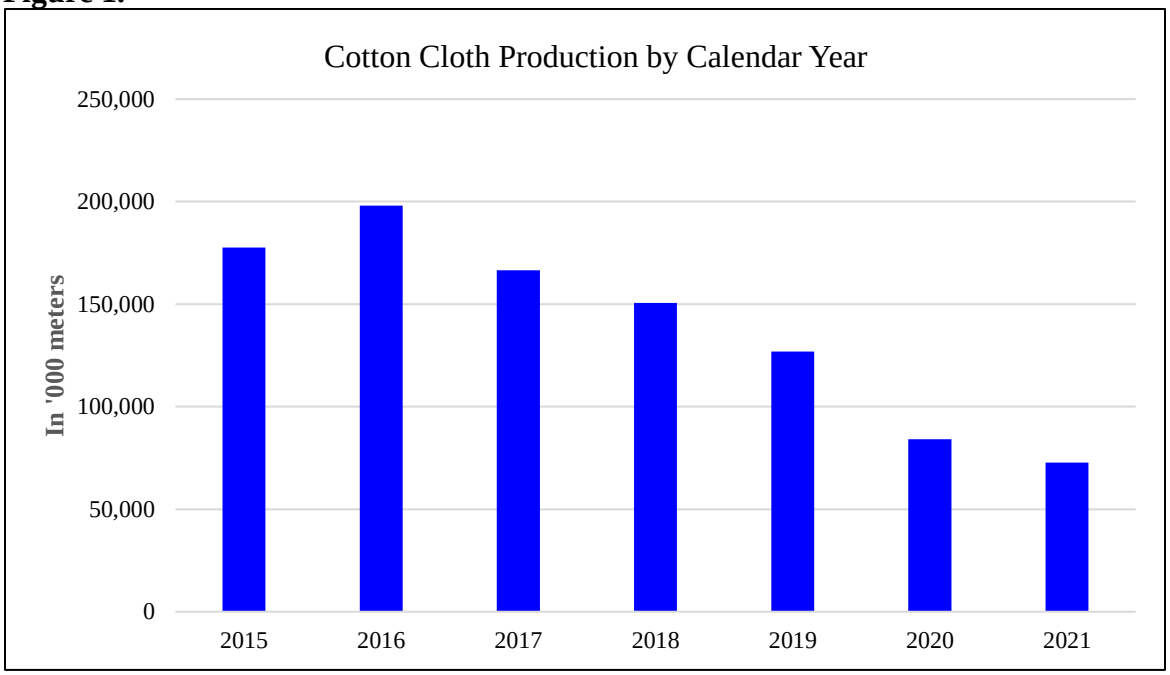
Post forecasts consumption of cotton in the Malaysian textile industry at 290,000 bales in marketing year (MY) 2022/23, a 3.3 percent drop from the previous year post's estimate. The expected reduction is based on textile companies shifting their operation to other South-East Asian countries as the cost of labor increased in Malaysia with the revision of new minimum wages on April 1, 2022. Imports in MY 2022/23 are forecast at roughly 650,000 bales, slightly higher than the 600,000 bales imported in the previous year as price of cotton is expected to stabilize and traders re-stocking in Malaysia for trans-shipment markets.

Production
Malaysia does not produce cotton.

Consumption
In marketing year (MY) 2022/23, Post forecasts domestic consumption of cotton at 290,000 bales, a roughly 3.3 percent drop from Post's MY 2021/2022 estimate. This drop is due to Malaysia being less attractive location for labor intensive industries, as cost of labor has increased with the introduction of new minimum wage on April 1, 2022. In addition, during the COVID-19 pandemic Malaysia imposed a moratorium on the intake of migrant workers. This led to a severe shortage of migrant workers and forced some textile companies to relocate their operations to other countries. Although the Government of Malaysia (GOM) now allows migrant workers, the approval process is slow and expensive.

Due to these labor issues, the COVID-19 pandemic heavily affected the textile sector in Malaysia, with cloth and apparel production dropping (Figures 1-4). 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.

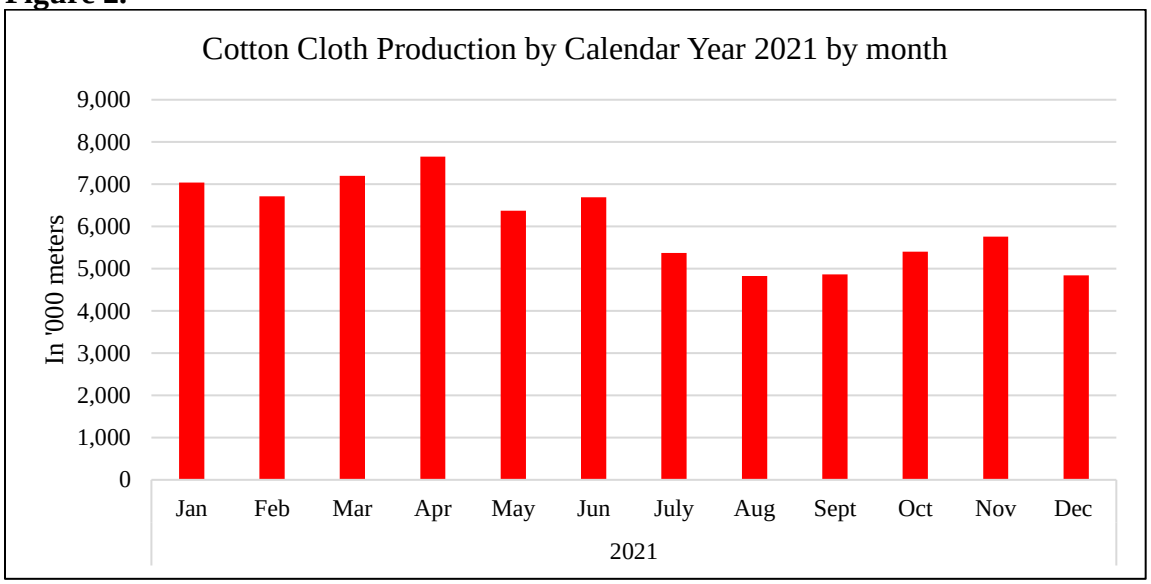
Figure 1.



In '000 meters	2015	2016	2017	2018	2019	2020	2021
Cotton cloth	177,565	198,014	166,566	150,618	126,941	84,100	72734

Source: Department of Statistics Malaysia

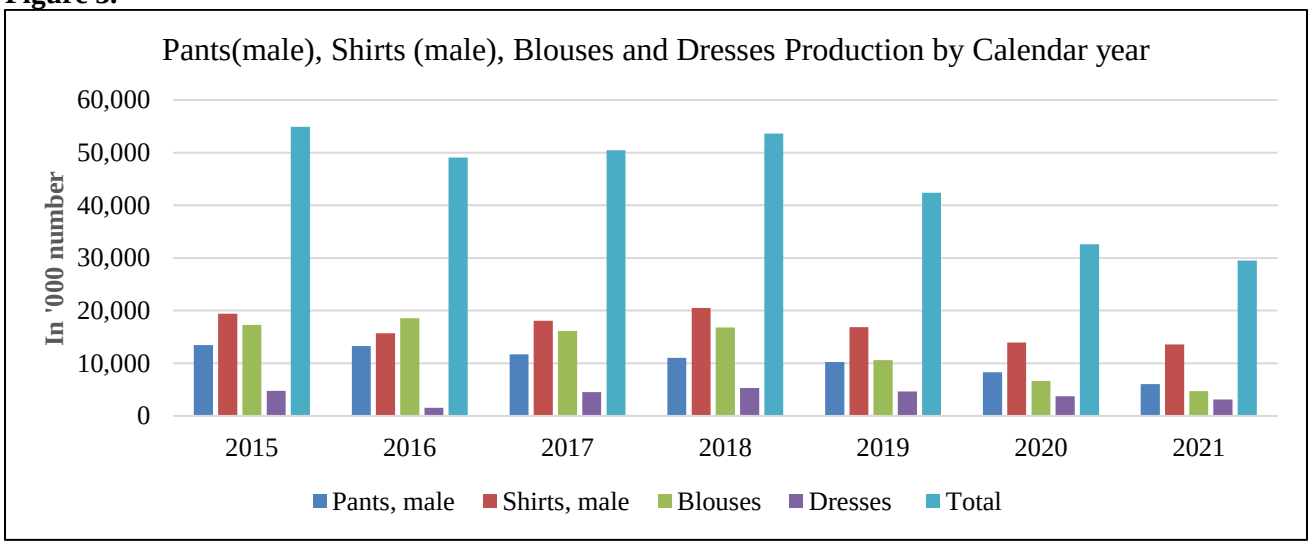
Figure 2.



in '000 meters	2021											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
Cotton cloth	7,043	6,716	7,196	7,652	6,371	6,690	5,371	4,823	4,864	5,405	5,761	4,844

Source: Department of Statistics Malaysia

Figure 3.

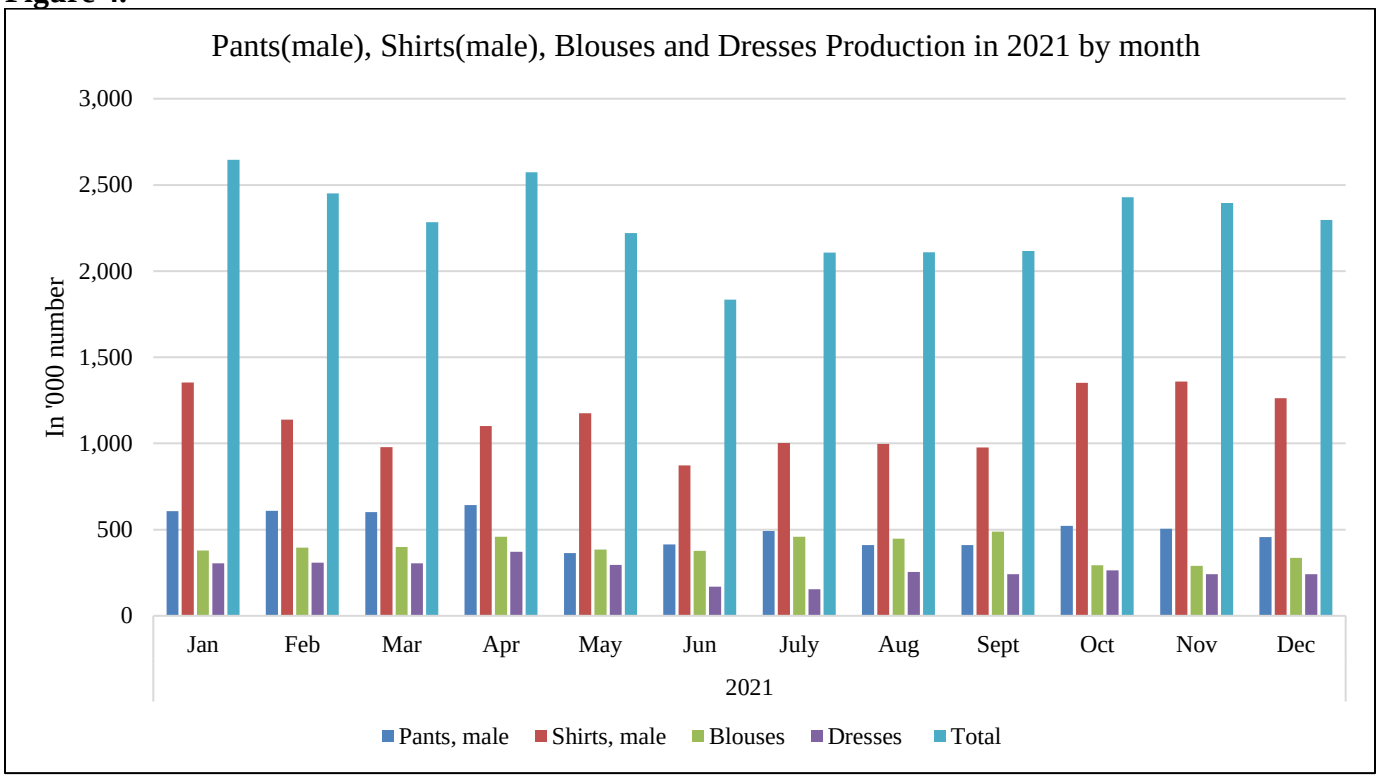


In '000 number	2015	2016	2017	2018	2019	2020	2021
Pants, male	13,451	13,246	11,705	10,997	10,245	8,304	6,035
Shirts, male	19,400	15,688	18,065	20,491	16,859	13,937	13,569
Blouses	17,274	18,565	16,147	16,824	10,630	6,663	4,709

Dresses	4,772	1,572	4,526	5,332	4,649	3,704	3,150
Total	54,897	49,071	50,443	53,644	42,383	32,608	29,484

Source: Department of Statistics Malaysia

Figure 4.



In '000 number	2021											
	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
Pants, male	608	609	601	642	364	414	492	411	410	522	505	456
Shirts, male	1,354	1,138	978	1,101	1,176	872	1,003	997	977	1,351	1,359	1,262
Blouses	379	395	399	459	384	378	458	448	489	293	289	337
Dresses	304	309	305	371	296	170	154	254	241	263	242	242
Total	2,645	2,451	2,283	2,573	2,220	1,834	2,107	2,110	2,117	2,429	2,395	2,297

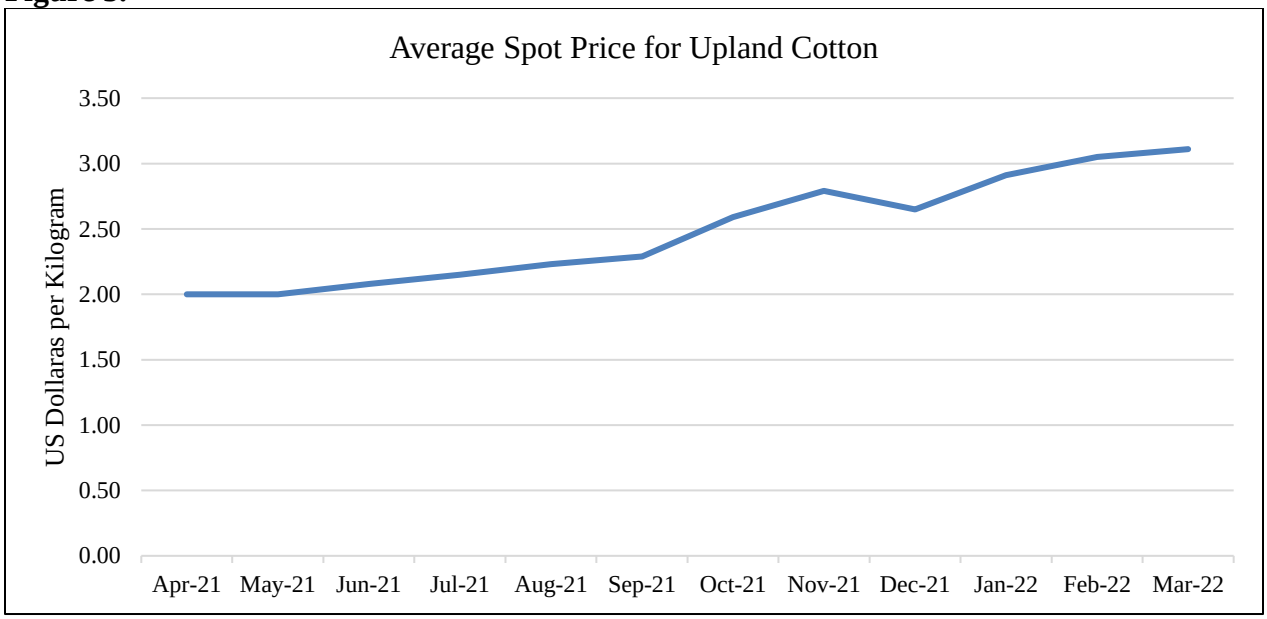
Source: Department of Statistics Malaysia

Imports

Cotton imports for domestic use are a direct function of demand from textile manufacturers. In MY 2022/23, Post forecasts imports at 650,000 bales, up approximately 8.3 percent from Post's MY 2021/22 estimate. Post's MY 2020/21 estimate is the same as USDA's estimate. Post's higher import forecast is based on the assumption that cotton prices stabilize by MY2022/23 and cotton traders re-stock their warehouses in Malaysia for trans-shipment purposes. Based on industry sources, most major yarn and

knitting companies in Malaysia hold stock of about six to eight months to ensure stable supply and to attempt to avoid price volatility, as the price of cotton is trending upward.

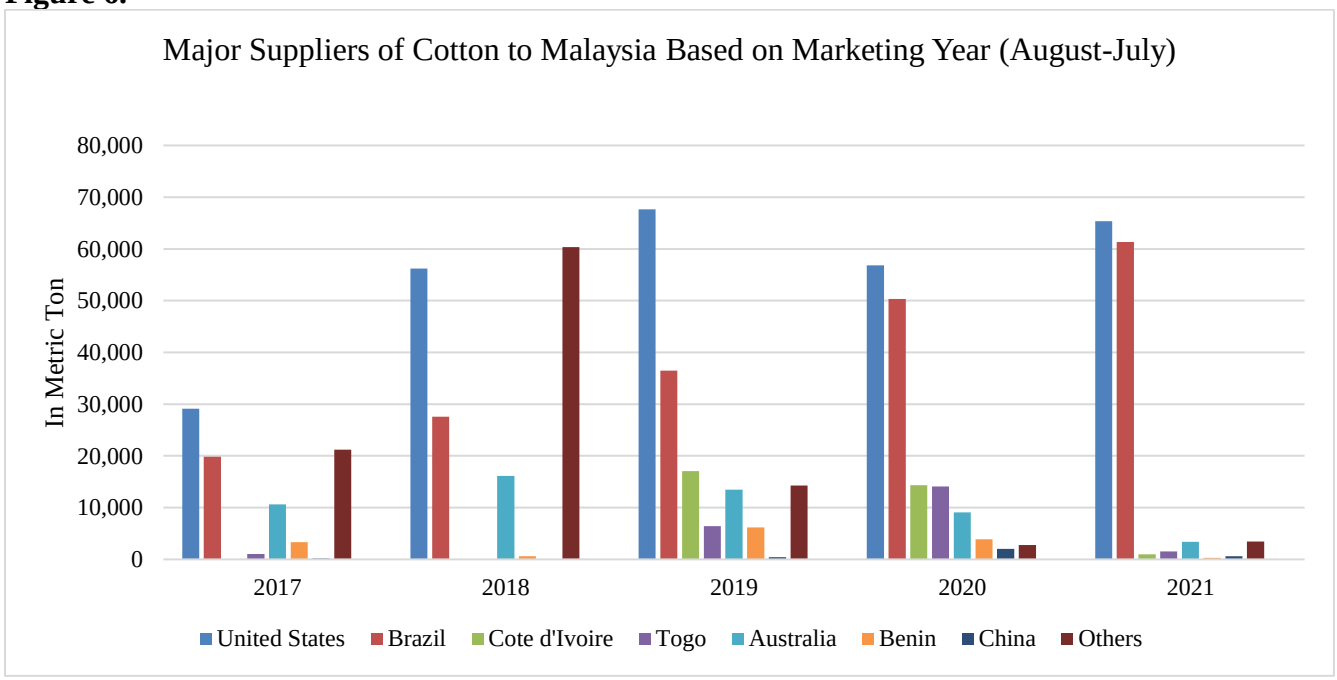
Figure 5.



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.



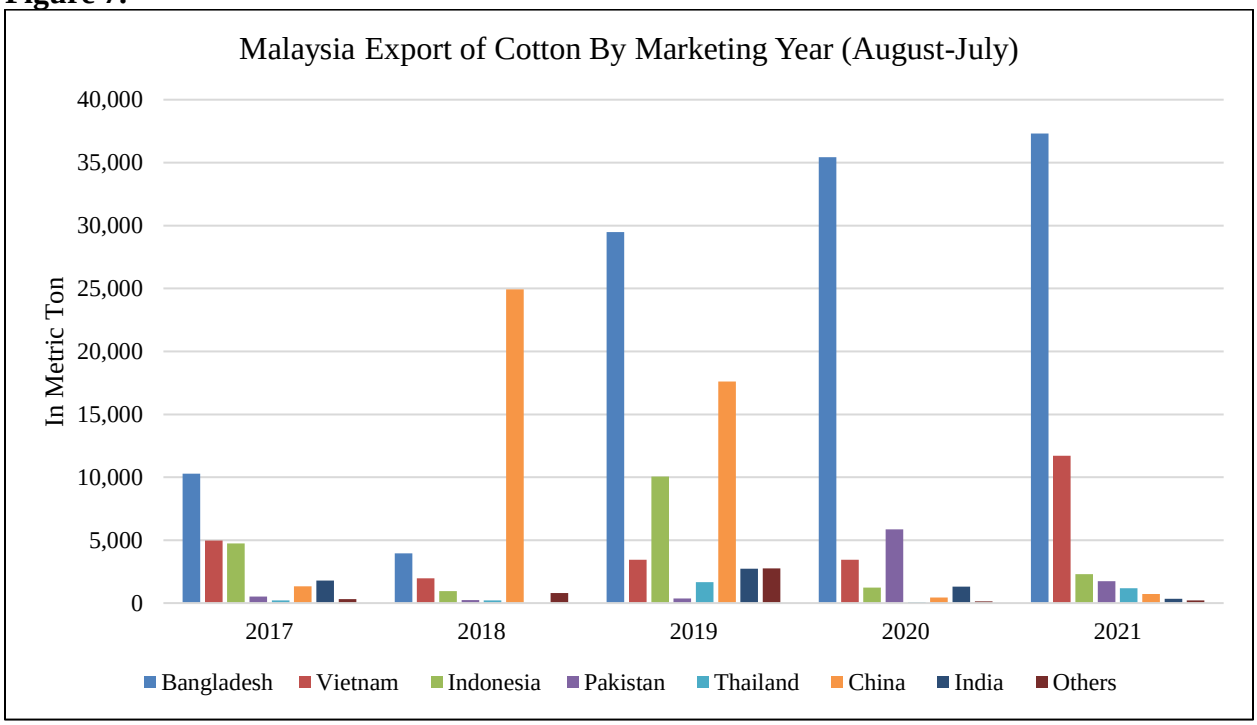
Source: Trade Data Monitor (Department of Statistics Malaysia)

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 Malaysia's Port Klang (near Kuala Lumpur) and the 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-exported. If the product is destined for the local market, it is subject to local taxes and tariffs once it leaves the facility. Details on the transshipment process can be found at: https://www.mcmc.gov.my/skmmgovmy/media/General/pdf/2-ExportTransitTranshipment-Procedures.pdf

Trade data for transshipments of cotton from Malaysia is unreliable, showing huge variances in volume depending on the reporting country. It is difficult to quantify the trans-shipment quantity as the Royal Malaysia Customs will not record it as Malaysia's export. High exports are due to strong demand from millers across South-East Asia and South Asia as demand for apparel strengthens in the post-pandemic recovery from Europe and the United States.

Figure 7.



Source: Trade Data Monitor (Department of Statistics Malaysia)

Cotton in Bales, Production, Supply, and Distribution

Cotton	2020/2021		2021/2022		2022/2023	
Market Year Begins	**Aug 2020**		**Aug 2021**		**Aug 2022**	
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	705	705	779	779	0	979
Production 1000 480 lb. Bales	0	0	0	0	0	0
Imports 1000 480 lb. Bales	629	629	600	600	0	650
MY Imports from U.S. 1000 480 lb. Bales	0	0	0	0	0	0
Total Supply 1000 480 lb. Bales	1,334	1,334	1,379	1,379	0	1,629
Exports 1000 480 lb. Bales	255	255	100	100	0	350
Use 1000 480 lb. Bales	300	300	350	300	0	290
Loss 1000 480 lb. Bales	0	0	0	0	0	0
Total Dom. Cons. 1000 480 lb. Bales	300	300	350	300	0	290
Ending Stocks 1000 480 lb. Bales	779	779	929	979	0	989
Total Distribution 1000 480 lb. Bales	1,334	1,334	1,379	1,379	0	1,629
Stock to Use % (PERCENT)	140.36	140.36	206.44	244.75	0	154.53
Yield (KG/HA)	0	0	0	0	0	0
(1000 HA), 1000 480 lb. Bales, (PERCENT), (KG/HA)						

Attachments:

No Attachments