

We Built Too Much



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I keep going to these machinery shows and coming home uneasy.

OVERCAPACITY ACROSS THE TEXTILE VALUE CHAIN

The halls are busy and everybody I talk to has a project underway. What nobody wants to sit with for two minutes is whether this industry already owns more capability to make textiles than it has customers for the output.

Spindles and looms, polyester lines, knitting machines, sewing floors by the acre. All of it aimed at order books that aren't expanding anywhere close to the rate the equipment is.

The announcements keep coming anyway, and they all read about the same. Demand is up. Buyers need somewhere to go that isn't China. Therefore, capacity.

Sometimes that holds up. More often than anyone will admit over dinner, it's a rationalization drafted after the financing was already arranged.

Capacity is easy to announce and almost impossible to retire. Governments want factories, because a factory arrives with investment figures and export projections and a ribbon to cut. Machinery suppliers, obviously. Consultants too, and I'll put myself on that list, because nobody in forty years has hired me to talk them out of a project. Boards would rather stand in front of a groundbreaking than a padlock. And a bank, once the loan starts going sideways, will refinance the equipment a second time and a third before it writes down an asset that was never going to earn its cost of capital.

So it piles up.

Start With China

Still the largest manufacturing base by a wide margin, so it's the place to start. Second quarter of 2026, Chinese textile capacity utilization ran 74.9 percent, down 2.9 points from a year earlier. Chemical fiber sat higher at 84.2 percent, and that slipped too.

I don't put much weight on any single quarter. Seventy-five percent by itself proves nothing. The business is seasonal, mixes shift, machines come down, and some slack is how you run a mill in the first place. What I watch is the direction, and the direction is down while new money keeps going in and end-market demand crawls along at low single digits.

The American numbers say something similar from another angle. Federal Reserve data put textile mill utilization at an average of 69.5 percent through 2025, better than 2023 or 2024 and still leaving three of every ten machine-hours the country theoretically owns sitting there doing nothing. When I came into this business a mill running in the

sixties was a mill with a problem, and everybody around Gastonia knew whose problem it was.

Bangladesh is the harder case. Hundreds of mills and garment operations described as closed or in distress, with industry groups putting 370 of them on a list for government support. Overcapacity didn't do that alone. Energy shortages, the political situation, the cost of money, disrupted operations, all of it contributed. But when a market carries that much idle capacity and producers are knife-fighting over the same orders, the distinction gets abstract in a hurry for the guy trying to make payroll on Friday.

Polyester Got There First

Fiber is where the imbalance shows up with the least ambiguity.

Beijing has already started dealing with excess in parts of its petrochemical chain, and PTA is the obvious case. Chinese capacity roughly doubled between 2019 and 2025, at about 92 million metric tons. PET chip expanded on a similar curve. Margins went where you'd expect. Chinese policymakers started using language about destructive competition, which is the polite version of what mill managers say.

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I watched a version of this in the quota years. Quota was supposed to be the constraint, the hard ceiling on how much any country could ship, and the machinery still went in. It always goes in.

Somebody projects demand and builds a plant, and the new one is bigger and cheaper to run than what came before it. The old plant doesn't close. Why would it? The debt is mostly paid, the workers are local, and the province would rather it kept running. Now two plants fight over one book of business. Price goes first and margin follows it down. Somewhere in there the maintenance budget stops existing, governments get pulled in, and a few companies disappear without a press release.

Then somebody announces a new plant.

For buyers it's a nice stretch of road while it lasts. Excess capacity is leverage, and leverage means mills sharpen their pencils and suppliers start eating costs they'd never

touch in a tight market. Somebody pays for all of that eventually. It just isn't the buyer, and it isn't this quarter.

Cotton Is a Different Shape of the Same Problem

Cotton looks healthier at first glance. USDA has world mill use at 122 million bales for 2026/27, up around 2 percent, with China, India and Pakistan carrying most of the gain.

Fine. Two percent growth in raw material consumption is still not a mandate for unlimited spinning investment.

Spinning doesn't live or die on aggregate cotton use. It lives on count and blend and energy tariffs and labor productivity and where the mill sits relative to the knitter or the weaver buying from it, plus what the financing costs and whether the customer has been coming back for fifteen years or fifteen minutes.

Which is why one country can hold world-class mills running flat out and, forty miles down the road, mills that stopped covering variable cost two seasons ago. Everybody in the trade knows which is which. Nobody says so in print.

The useful question is narrower than the one usually asked. What kind of spinning, sited where, serving whom, at a cost that survives a bad year?

Policy Doesn't Repeal Arithmetic

Industrial policy has its thumb on the scale and it isn't coming off.

India is the headline case. Production Linked Incentives, textile parks, state-level sweeteners, all of it aimed at scale in man-made fiber and apparel and technical textiles. Government reporting has 96 projects approved under the textile PLI, carrying more than ₹32,000 crore in proposed investment.

India has good reasons. It has the raw material and the manufacturing experience, it has a domestic market most countries would kill for, and the timing lines up with brands looking past China.

Vietnam wants investment too. So do Mexico, Egypt, Ethiopia, Central America, and now the United States, which rediscovered domestic manufacturing after forty years of not thinking about it much. I've sat in enough of those government meetings to know how they go. Everyone in the room is right about their own country. Every one of those pitches is defensible standing alone, which is exactly the trouble, because stacked together they come to a number no set of buyers on this planet can absorb.

Capacity Isn't One Bucket

A line set up for commodity tees isn't going to make technical outerwear. A denim mill doesn't wake up one morning as a circular knitter. A conventional polyester line won't produce whatever specialty polymer the brands decide they need in 2031. Even inside a single category, the gap between two mills that look identical on paper can be enormous once you account for finishing, automation, the skill of the workforce, minimum order sizes, and whether the compliance documentation would survive contact with a customer audit.

Which means this industry can be long and short at the same time. There's too much commodity ring spinning in the world and a real shortage of specialty yarn. Acres of basic sewing sit idle while flexible automated assembly anywhere near the American or European consumer barely exists. Conventional PET you can buy anywhere. The recycled and bio-based lines get talked about at conferences and built at a fraction of that rate. Meanwhile brands go on complaining they can't source a particular construction, in a particular width, at a lead time they can live with, in a world drowning in fabric.

Global capacity numbers can't see any of that.

Cheap Suppliers Get Expensive

Sourcing organizations like a crowded supplier base. More options, better prices, easier negotiations. Understood.

But a factory operating on inadequate margin starts making decisions that never show up on a costing sheet. Maintenance slides. The training budget goes, then the effluent upgrade gets pushed to next year and the year after that, and working capital tightens until the mill is buying yarn a week at a time. Quality drifts. Sales starts taking orders they know the floor can't run properly, because keeping the lines moving beats the alternative.

The cheapest supplier in an overbuilt market tends to look terrific for about six months before he becomes your problem.

I've watched a vendor fail mid-season. It stops being a spreadsheet exercise around the second phone call. Companies pour real money into environmental and social auditing and spend almost nothing checking whether a strategic supplier is solvent,

which is a strange set of priorities for anybody who has lived through it. A compliant factory losing money on your program is a countdown with a certificate on the wall.

Different Questions for the Next Cycle

Nobody's suggesting the industry stop investing. Machinery wears out, technology moves on, production migrates, and some regions lack infrastructure they need.

For twenty years the question has been where to add capacity. The better one is what capacity still matters in ten years.

Can the equipment run different fibers without a rebuild? Will it switch products without eating the month? A 3,000-piece order, can the plant make money on it, because that is what more of the market is asking for. Is there enough renewable power on that grid to satisfy somebody's Scope 2 reporting three years from now? And does the supply chain around the plant actually exist, or is it a slide in a ministry presentation?

Then the one that matters most. Who buys the output?

Embarrassing question to have to ask out loud. It has also buried more textile capital than any other single oversight I can name.

How It Ends

Overcapacity never resolves cleanly. It works itself out through bankruptcy, forced consolidation, scrapped machinery, bailouts that postpone the reckoning, write-offs nobody puts in the annual report headline.

That process is underway in a few corners of the business already, whether or not anyone is calling it that.

I could be early on this. I've been early before. But the ones who come through it will be the ones who read the shortages right and had the discipline to walk away from commodity tonnage when the financing was sitting there waiting to be taken. Size won't save anybody. Neither will new machinery.

And somewhere this morning, someone is signing off on a new plant.



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