SOUTHERN AFRICAN CUSTOMS UNION

Since 1910

TEXTILES AND CLOTHING

INVESTMENT ROUNDTABLE

12- 13 APRIL 2022

Mission:

1. Promoting integrated and sustainable **primary production and industrial growth of value-added manufacturing** in SACU Textiles and Clothing value chain.
2. Enhancing **continental and global competitiveness** of the SACU Textiles and Clothing value chain.
3. Promoting **continental and global trade** of the SACU Textiles and Clothing value chain.

Rationale:

The Textile and Clothing industry in the SACU region has most of raw materials and processes in place to make up the full value chain consisting of fibres, yarns, fabrics, dyeing/finishing and make-up of final products such as industrial, medical and household textiles as well as apparel manufacturing.

Possible opportunities to be identified for cross-border value chains in the textiles and clothing sector which could enhance the economic development, diversification, industrialization and competitiveness of SACU Member States.

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Overview and Rationale of the Sector

Global production trends

- Major suppliers of textiles in the world are China, India, and the United States, they were contributing significantly to the growth of the global textile market prior to Covid 19 pandemic
- Global textile trade collapsed during the first half of 2020 due to COVID-19 pandemic
- The industry also suffered several supply chain disruptions due to the shortages of cotton and other raw materials across the globe as well as logistical issues.
- This has led to more support by retailers towards local manufacturers in an effort to reduce lead times. This move has been greatly welcome as it helped the local manufacturers.

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SACU Production Trends

- The Textile and Clothing sector is a very strategic sector for SACU region as it plays a significant role in economies of all Member States.

- The sector has substantial forward and backward linkages and huge employment creating capacity.

- However, in the global context the sector is very small, accounting for an estimated less than 1% of world production in textiles and clothing.

- Countries that grow cotton and produce hemp fabric from cannabis in the region (SACU) are South Africa, Lesotho and Eswatini.

- South Africa and Lesotho are the only 2 countries in the region who have a pronounced value chain within the textile industry.

- Within the SACU region, cotton is grown by smallholder farmers, each with less than roughly 20 hectares of land.

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AFRICA PRODUCTION TRENDS

- The African Textile Industry is a developing industry with a value chain that constitutes among others the growing of cotton fabric, weaving and apparel/garment manufacturing
- Cotton is one of the most important cash crops on the continent currently grown by Tanzania, Uganda, Benin, Burkina Faso, Mali, Zimbabwe, Egypt, Ethiopia, Senegal, South Africa, Lesotho, Eswatini (summed at an estimated amount of 5% of global cotton production).
- The majority of industry players in Africa are mainly End Product Manufacturers operating at a micro level mostly manufacturing from residential areas.
- However, these manufacturers have been severely affected by Covid 19 pandemic.

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Trade Trends (import and exports)

- **Global textiles and clothing trade profile**
  - The global textiles and clothing sector is an important component of world trade flows, particularly for some developing and least developed countries where clothing accounts for a large proportion of total exports
  - Textiles and clothing products comprise a significant portion of overall international trade.
  - In 2020, global exports of textiles and clothing products were valued at US$147.6 billion and UD$573.5 billion, representing about 0.9% and 3.3% of the world merchandise trade, respectively.
  - China, which has over the years become a major threat to many clothing and textiles producers around the world, is the largest exporter of textiles and clothing products globally.
  - Its share of world exports increased from mid-1990s to an estimated 34.6% and 38.5% for textiles and clothing in 2020, respectively.

Trade Trends (import and exports) Cont'

- The USA is the biggest importer of both textiles and clothing products, accounting for 9.2% and 19.2% of the world's total textiles and clothing products imports in 2020, respectively.

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Trade Trends (import and exports) Cont'

Africa textiles and clothing trade profile

- Africa has a deficit on its balance of trade in clothing and textiles products, with total import value for textiles products being more than seven times as large as exports.
- By 2020, the trade deficit for the textiles and clothing sectors measured almost US$8.0 billion and US$3.3 billion, respectively.
- Africa's clothing imports increased from just over UD$9.9 billion in 2016 to UD$13.6 billion in 2020, while textiles imports increased from US$7.6 billion in 2016 to US$9.4 billion in 2020

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Trade Trends (import and exports) Cont

Africa textiles and clothing trade profile

- Egypt is the largest exporter and importer of textiles products on the continent with a share of 55.0% 19.9% in 2020, respectively.
- South Africa accounted for 14.1% of Africa's textiles exports in 2020, while Morocco imported about 16.2% of the continent's textiles during the same period.
- With regards to clothing trade in Africa, Tunisia (31.1%) and Morocco (27.7%) are the leading exporters on the continent.
- South Africa imports a significant share (17.4%) of the Africa's imports of clothing products.
- Africa's textiles products trade is dominated by woven fabrics of synthetic filament yarn, which accounted for 13.4% of the continent's total textiles products exports in 2020. It was followed closely by carpets and other textile floor covering with a share of 11.1%.

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Trade Trends (import and exports) Cont

Africa textiles and clothing trade profile

- Woven fabrics of synthetic filament yarn also dominate textiles products imports in Africa. These fabrics accounted for about 19.3% of the continent’s textiles products imports in 2020, followed by synthetic filament yarn with a share of 9.6%;

- Women's or girls' suits dominate clothing exports from Africa. About US$2.3 billion worth of women’s or girls’ suits were exported from the continent in 2020, which is 21.9% of the total clothing products exports. These are followed closely by men’s or boys’ suits with a share of 20.4%;

- Clothing imports are dominated by women's or girls' suits as well as men's or boys' suits, which accounted for 13.0% and 10.6% of the continent’s total clothing imports in 2020, respectively.

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Trade Trends (import and exports) Cont

Africa textiles and clothing trade profile

- The USA and Turkey are key export markets for Africa's textiles products. About 13.8% and 12.3% of the continent's textiles products were exported to these two countries in 2020, respectively. China, with a share of over 50%, is the main imports source of textiles products into the continent, followed by Turkey with a share of only 7.6% during the same period.

- The most important trading partner countries to which Africa exports its clothing products are France, Spain and the USA. These three countries absorbed over half of the continent's clothing products exports in 2020. The leading imports source where the continent procure clothing products is China (56.0%).

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Trade Trends (import and exports) Cont

SACU Textiles and Clothing trading profile

- SACU is a net importer of textiles products, with a total trade deficit of over US$545 million in 2020. Its textiles intra-regional trade remains highly imbalanced, with SA dominating and running a large trade surplus with other Member States imports.
- The region is also a net importer of clothing products, with total trade deficit of about US$1.7 billion in 2020. Intra-regional trade has grown rapidly as exports shifted from external markets (mainly the USA) to SA.
- SACU intra-trade (exports) in clothing products is dominated by South Africa and to some extent Eswatini and Lesotho. Lesotho and Eswatini's clothing exports to South Africa are expanding at an accelerating rate and catching up with the USA AGOA based exports.
- South Africa is a key player with regards to textiles trade in the SACU region. It exports almost all of the SACU textiles, with other Member States only accountable for only less than 5% of the region's total textiles exports.

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Trade Trends (import and exports) Cont

SACU Textiles and Clothing trading profile

- As is the case with textiles products, South Africa exports and imports majority of SACU clothing products. It exported and imported 47.0% and 84.9% of the SACU clothing products in 2020, respectively.

- Synthetic staple fibres, nonwovens and woven fabrics dominate SACU's textiles exports to the world. These three products categories accounted for 37.7% of the SACU's total textiles exports in 2020.

- Woven fabrics of synthetic filament yarn as well as nonwovens are the most imported textiles products into the region, altogether accounting for over 30% of the region's total textiles imports in 2020.

- Men's or boy's as well as women's or girls' suits dominate SACU clothing exports. These two products categories accounted for 43.9% of total clothing products exports in 2020.

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Trade Trends (import and exports) Cont

SACU Textiles and Clothing trading profile

- In terms of clothing imports, made-up articles of textile materials (19.9%) dominate SACU clothing products imports, followed by men's or boys' suits (13.1%) and women's or girls' suits (12.6%).
- The most important trading partner countries to which SACU exports textiles products are mostly in the southern Africa, including Mozambique (12.3%), Lesotho (9.7%), Zimbabwe (8.9%) and Eswatini (7.1%).
- The AfCFTA provides an opportunity for the region to widen the textiles market in Africa, as it already exports to other African countries such as Kenya, Nigeria, Tanzania and Zambia, among others.
- The leading imports source where the region procures its textiles products includes China, with a share of 47.7%.

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Trade Trends (import and exports) Cont

SACU Textiles and Clothing trading profile

- South Africa is considered the most important market for SACU's clothing products, being the leading export destination with a share of over 29% in 2020 followed by the USA with a share of 23.1% during the same period.

- China (with over 54%) is the main supplier of clothing products imported by the SACU region, followed by South Africa with a share of 8.4%.

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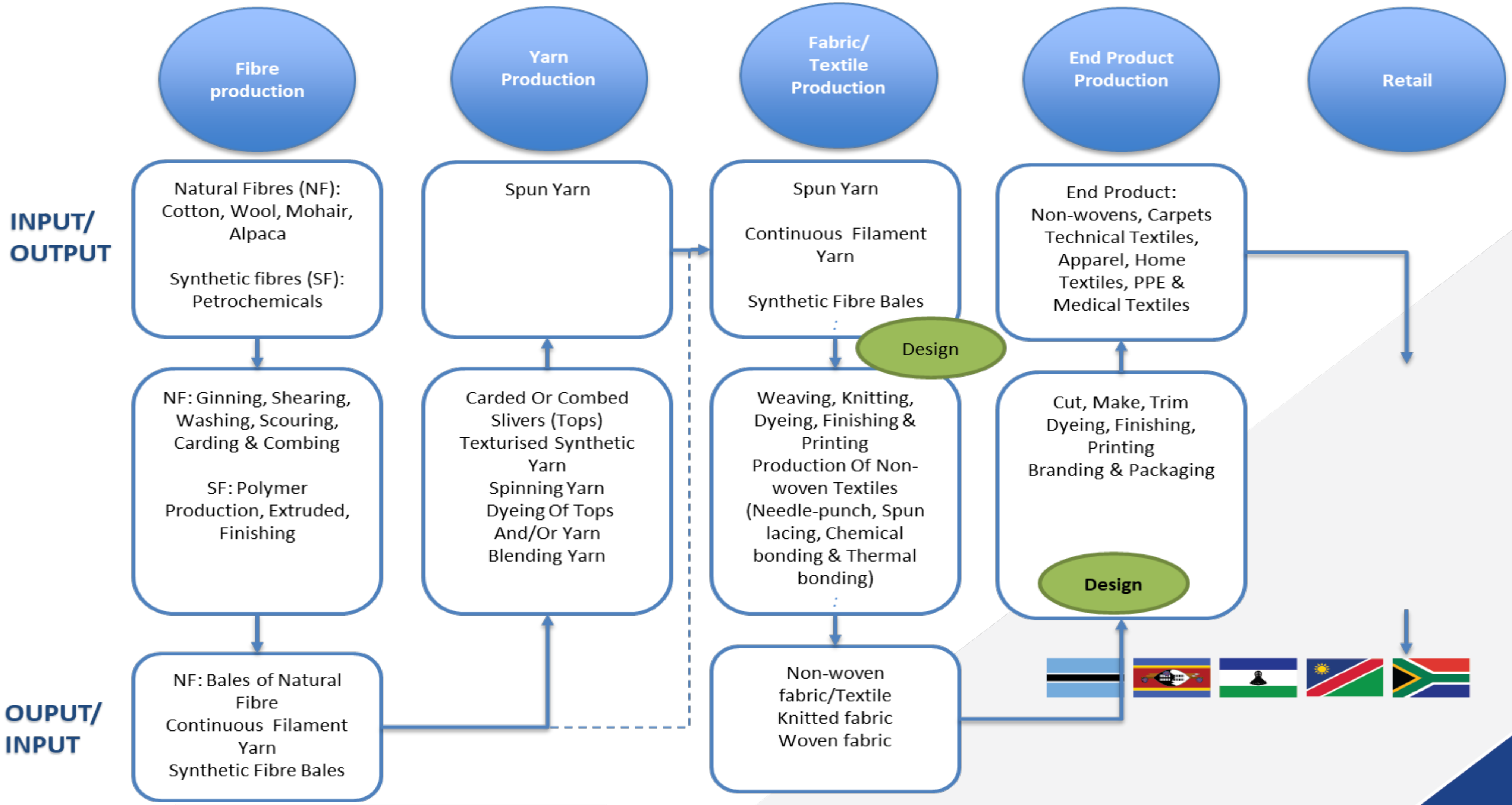
Mapping Value Chain



OPPORTUNITIES IN SACU

Developmental Opportunities in the Sector

- Maintaining global competitiveness for SACU based firms requires upgrading their production capabilities – there is an opportunity to upgrade fiber production in the region.
- AfCFTA Opportunities - Opportunity to scale-up and refine collective export development and promotion efforts beyond SADC.
- Increase availability of regional fabric supply, with scale, variety and competitive pricing this would allow regional firms in downstream clothing sectors not only access to cost effective inputs but greater speed and flexibility.
- Opportunity to upgrade capacity of local firms, including adopting new production techniques & technology – this would allow regional firms to improve quality & productivity to offset relative competitiveness weaknesses stemming from relatively high labour costs.
- Addressing structural faults in the sector/industry (e.g. illegal imports and reinforcing, infrastructure, customs procedures)

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OPPORTUNITIES IN SACU cont..

- **Investment Opportunities in the Sector**
  - **Production** – There could be investments in farm level cotton and wool production as the region has plenty of land for cotton growing as well as potential to rear goat and sheep for wool and mohair. Other investment opportunities in production lie in garment trims and accessories production, textiles production as well as apparel production
- **Offcuts and water Recycling**
- **Distribution and Marketing**

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STRATEGIC RECOMMENDATIONS

Investment Related

- Improve the ease of doing business
- Enact structural and regulatory reforms.

Trade Related

- Take region should take full advantage of negotiated trade agreements to build the clothing and textile industry.
- Drive intra-African trade.
- Diversify exports away from natural resources
- Increase the ability to process primary products via regional integration (that is leveraging individual country strengths, enhancing trade corridors and facilitating linkages and communication between value chains.

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STRATEGIC RECOMMENDATIONS

Infrastructure Related

- ❑ Member States should partner to ensure the required infrastructure to facilitate trade across the borders.
- ❑ The following should be ensured:
  - Reliable and cost-effective energy supply and distribution
  - Reliable and cost-effective water supply and reticulation
  - Transport logistics rail
  - Allocating broad band spectrum and lowering data costs

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STRATEGIC RECOMMENDATIONS

❑ Policy and Regulatory Related

- Ensure law enforcement and including customs law and regulation

❑ Institutional and Governance Related

- Partnership with relevant institutions to rebuild skills and capacity across public sector and State-Owned Companies.

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CONCLUSIONS

- For SACU Member States, the textile and clothing sector remains key anchor towards economic development of the region due to its interlocking relationship with macroeconomic objectives i.e., job creation, poverty alleviation and economic growth.

- There is need to increase investment in infrastructure development to improve regional value chain competitiveness & increase efficiency.

- SACU has most raw materials & processes in place for the entire textile and clothing value chain. However, Member States continue to face competitive imports from East Asia.

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CONCLUSIONS

- There is a significant value chain gap on wool, mohair and alpaca and there is evident need to increase investments in these segments of the value chain.

- Much of the SACU opportunities are on the backing of relatively good market access and strong export-oriented sectors in markets like Lesotho & South Africa.

- To effectively work towards development of this sector, unnecessary delays at port of entry due to traditional capturing systems need to be addressed including harmonisation of relevant policies among SACU Member States.

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THANK YOU

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