

DOING BUSINESS WITH TEXTILE AND APPAREL INDUSTRY IN EUROPE LEVERAGE ON SKYMINDER SOLUTIONS

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Textile and Apparel Overview

The European Textiles and Clothing sector is a very globalized industry, with annual exports exceeding €60 bln and imports well over €100 bln. 38% of the industry's turnover is sold on global markets, whereby SMEs are particularly active (covering more than 50% of those international sales).

Textile and Clothing products are developed more than in other sectors through global value chains. For these value chains to operate efficiently, well-functioning markets are essential, both within the EU (the EU Single Market) and outside Europe (global markets). This relates to transparency and predictability, practical and equal application of rules, eliminating barriers to trade, efficient customs procedures, and industrial resilience.

The European textile and clothing (T&C) manufacturing industry has a tremendous capacity for research and innovation, boasts a skilled workforce, and has reinvented itself through investment in people, creativity, advanced manufacturing technologies, market diversification, and internationalization.

The textile ecosystem is an integral part of the EU economy, with a turnover of EUR 150 billion and over 147 000 companies. It employs around 1.3 million workers, with small and medium-sized enterprises representing over 99.5% of all businesses and employing 74.4% of the workforce. The textile ecosystem encompasses the transformation of natural, man-made synthetic and artificial fibers into yarns and fabrics, home textiles, industrial filters, technical textiles, carpets, clothing and footwear. Furthermore, Europe's luxury brands shape the global fashion and design landscapes.

The textile and clothing industry is vital to many regions in Europe like Lombardy, Tuscany and Piedmont in Italy, Norte in Portugal and Cataluña and Comunitat Valenciana in Spain. Over 40% of EU apparel is produced in Italy and a few other countries. The workforce's highest shares of the textile industrial ecosystem can be found in Bulgaria, Portugal, and Romania. The European textile ecosystem operates in global value chains, with imports mainly from Asian countries (30% from China) amounting to EUR 106 billion in 2021. On the other hand, EU exports had a total value of EUR 58 billion, making the EU the second-largest exporter after China.

The sector's labor-intensive nature and concentration of small and medium-sized enterprises make it an essential contributor to social and economic cohesion in Europe, with significant potential for further modernization and innovation. While the textile industry is often called a "traditional" one, its modernization efforts have led to increased productivity and the shift towards high-quality products.

The textile value chain refers to all the activities involved in the life cycle of a textile product, including designing, product development, production, distributing, retailing, and disposing of it after its useful service life. The value chain begins with raw material (natural or manmade), fiber production and fiber preparation, spinning fibers into yarn, creating and fabric finishing, cutting, sewing, and distributing to consumers. Textile products can be recycled or re-used for a different purpose, but ultimately they may end up in end-of-life treatment, such as in a landfill or incinerator plant. The value chain is complex, involving physical processes and non-manufacturing activities like design, marketing, retailing, advertising, publishing and sales.

The textiles ecosystem comprises various products, including high-end and technical textiles for multiple applications such as automotive, medical, agro textiles, and protective equipment. Technical textiles are developed and produced for their performance or functionality rather than appearance, and include a range of products and applications such as industrial filters, textiles for medical and hygiene applications, protective textiles, and functional clothing for sports applications. Technical textiles are made from natural and synthetic fibers and are produced through various processes like knitting, weaving, braiding, nonwoven, and tufting.

The industry faces challenges threatening its growth and competitiveness, including environmental and social pressures, green claims, fast fashion trends, adaptation to digitalization and e-commerce, competition from low-cost countries and connected to it sector-wide overproduction, lack of skilled workforce, and fragmentation. EU has the strongest legal vanguards in water, energy, emissions, chemical management, waste and wastewater, etc. This high performance sometimes it is not recognized by the market. Industry produces with High standards and the international market does not recognize it. However, these should be translated into opportunities by focusing on developing sustainable practices, investing in technology, and improving working conditions in textile and clothing factories worldwide to remain competitive and relevant in the global market.

Source: EURATEX



Facts and Figures

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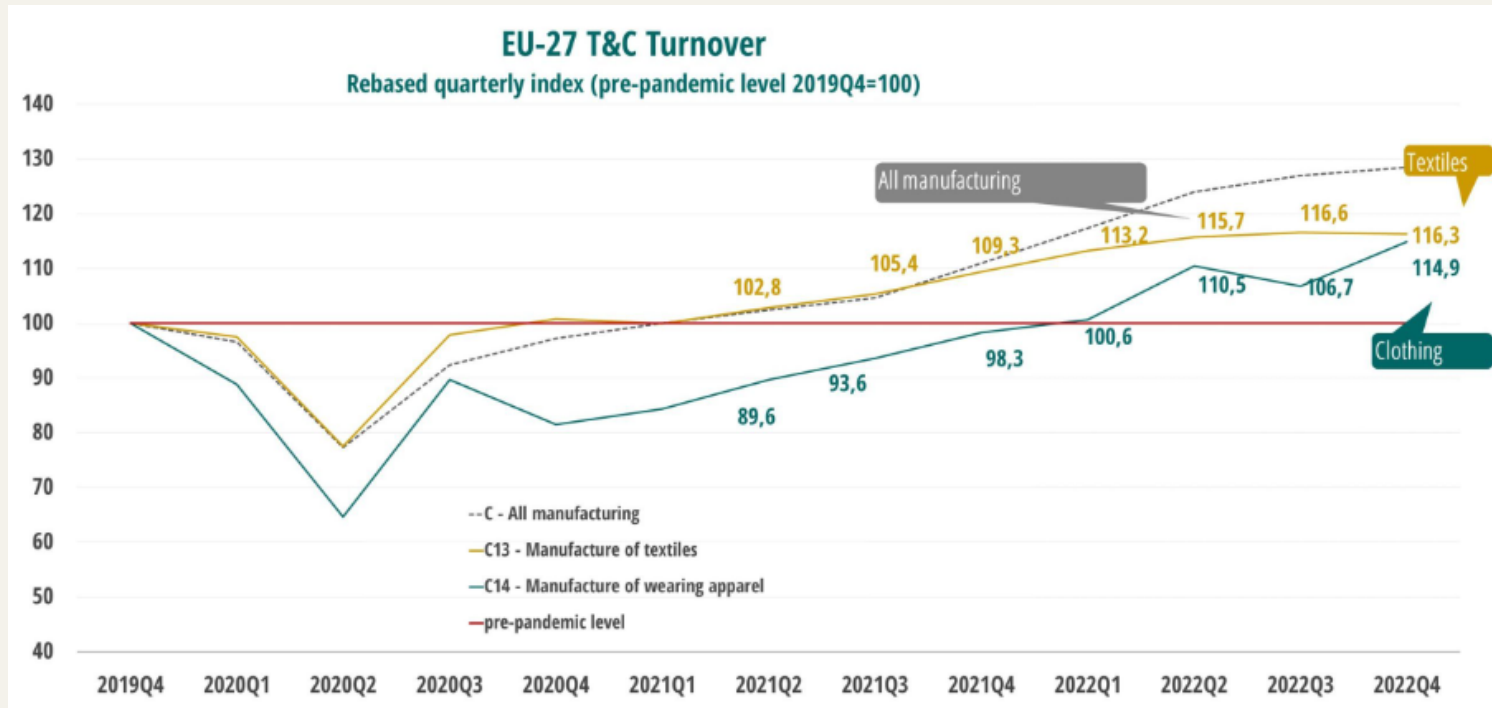
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Textile activity in the EU has fully recovered from the strong contraction caused by the Covid-19 pandemic, while clothing companies have almost returned to their pre-pandemic level. According to EURATEX estimates, the turnover of the textile and clothing industry in the EU-27 region was €147 billion in 2021 – an increase of 11% compared to 2020.

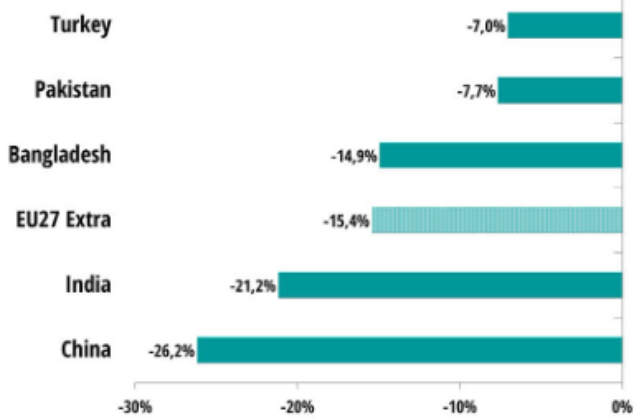
Although the number of companies has slightly decreased to 143,000, the EU trade performance has improved with exports reaching €58 billion in products – an increase of 10.6%.

Economic performances in the textile & clothing industry showed a mixed picture in the 4th quarter of 2022, as companies in the upstream sectors are still struggling with tough market conditions and insufficient demand. On a quarter-to-quarter basis, textile turnover and production deteriorated, while the clothing segment showed a strong rebound in activity. The labor market evolution turned negative and worsened in the entire T&C value chain. Finally, EU export performances ended the year with a significant increase in value, while imports were reduced, leading to an improvement in the EU trade balance.

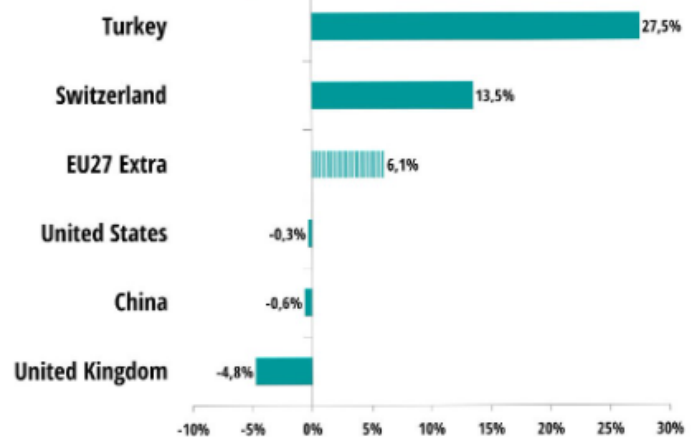
Since Autumn, the EU economy has seen a number of positive developments. The European gas benchmark price has fallen below its pre-war level. Despite the energy shock and ensuing record-high inflation, the EU economy managed a broad stagnation in the fourth quarter, instead of the expected contraction. Three months of falling inflation rates confirm that the peak is now behind. However, 2023 began with a new downside risk to the global economy: turbulence in the banking sector, which will increase economic uncertainty.



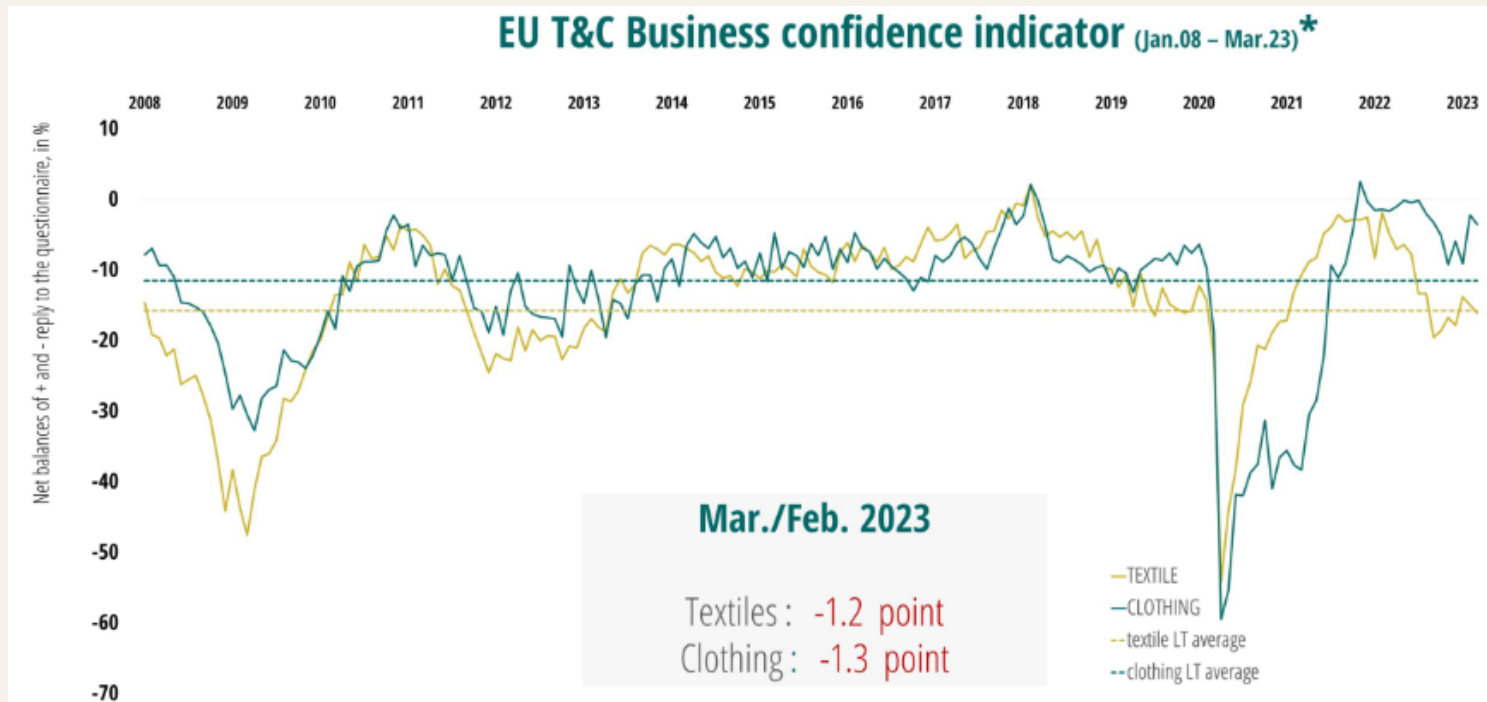
EU-27 IMPORTS *
% Change 4Q2022/3Q2022



EU-27 EXPORTS *
% Change 4Q2022/3Q2022



Economic sentiment in the T&C industry has deteriorated, suggesting that economic activity will contract in the first quarter of 2023. The EU Business Confidence indicator for the months ahead weakened in the textile industry, resulting mainly from managers' more pessimistic views on their production expectations and adequacy of stocks of finished products. Similarly, business sentiment saw a slight deterioration in the clothing sector, due to negative developments in managers' appraisals of the order-book levels and in their assessments of the adequacy of stocks of finished products.



Source: EURATEX



INNOVATION AND SKILLS

The European Textile and Clothing Industry is a dynamic and highly diversified industrial sector. The use of specialized knowledge and sectorial skills is fundamental to meeting the ever-changing needs of a large range of end markets.

Companies are constantly increasing their efforts and investments in technological and non-technological innovation. A large share of the industry also engages regularly in applied research, often in collaboration with suppliers, customers, and knowledge providers such as research institutions and universities.

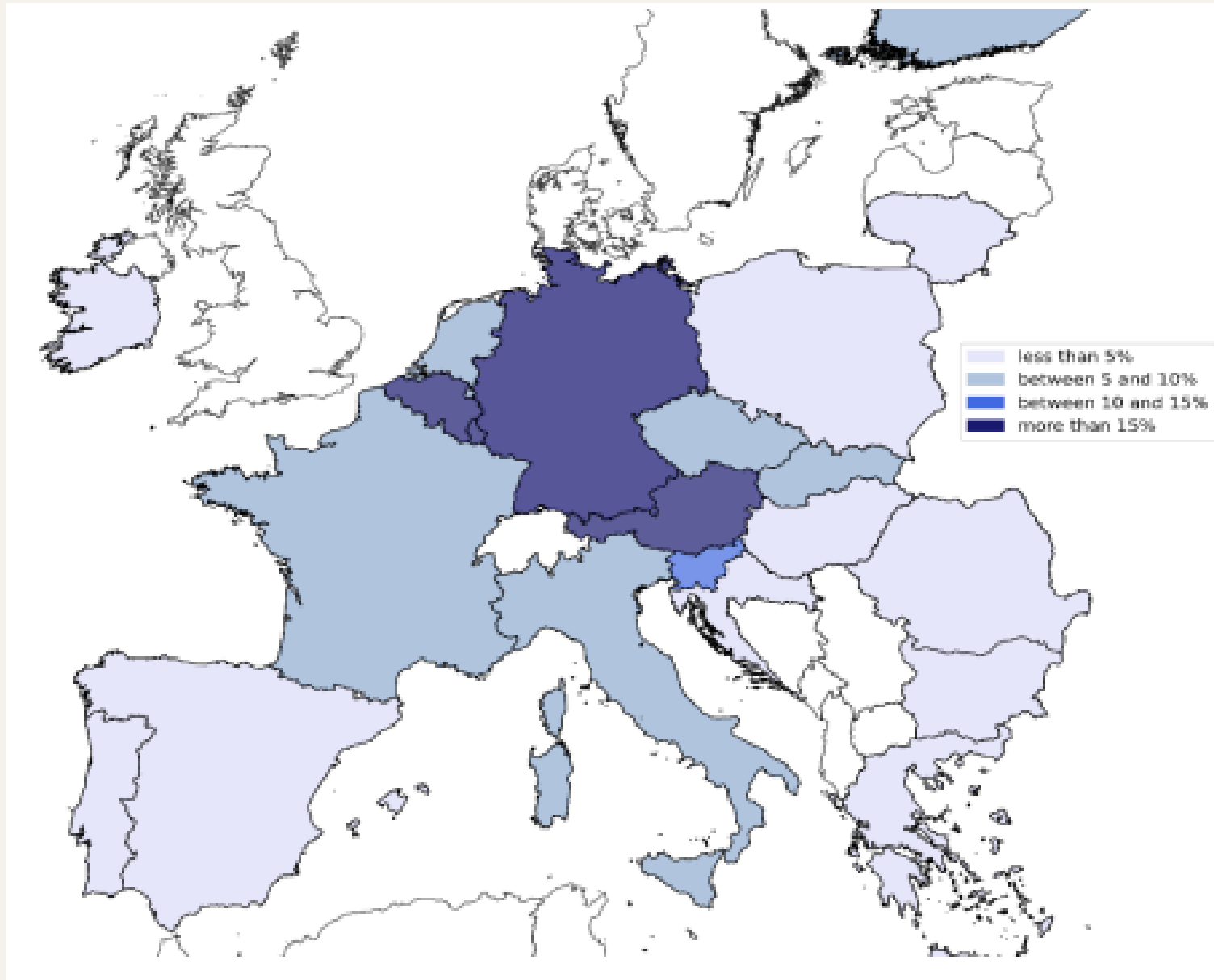
The European Union textile and fashion industry is highly innovative, ranking high in the number of patents (over 6,600 between 2015 and 2019), and it also boasts the highest number of registered industrial designs in the world (208,000 in 2019). However, trade secrecy is the preferred protection mechanism and companies prefer to avoid public disclosure of innovations and reduce the costs and administrative burden of obtaining and maintaining IP rights. Germany is the leader in patent applications, followed by Italy and France, with Italy and Germany, being more active than other EU players.

However, this industry's innovation scope exceeds R&D expenditures and IP rights. Marketing and organizational innovations and the application of breakthrough technologies are equally important drivers for innovation.

The sector is primarily made up of SMEs, and as a result, R&D&I and innovation activities are often limited by a lack of financial resources and strategic direction. However, textile clusters have emerged in various European countries, bringing together industry, academia, and research centers to advance a more knowledge-based and innovative sector. These clusters strengthen the linkages and cooperation between companies, improving their competitiveness and productivity. Additionally, textile clusters drive the growth of universities, research, and technology support services and generate increased tax revenue that can be invested in the public good.

Design and new product development are typical functions in most textile and clothing companies, but they often rely on collaborations with external knowledge and research or technology service providers.

Percentage of patents by textile companies in the EU Member States



Source: EURATEX



SUSTAINABILITY

The continued growth of textile production and consumption significantly impacts the climate, water and energy consumption, and the environment. Therefore, the European textile and clothing industry must balance the "triple bottom line" of people, planet, and profit by implementing sustainability and circularity principles in response to market and regulatory requirements. Furthermore, the industry must make significant technological, financial, and human efforts to align business operations with sustainable practices to meet the increasing end-market demand of a growing population while operating within sustainable planetary limits. There are already successful examples in the textile sectors where circular materials and processes have been successfully implemented but this implementation is not yet recognized by the market.

More and more of the European sector companies chose sustainability in addition to their top-quality, to stand out in the global market.

Pushed by the companies' values, the choice of sustainability meets both demands from responsible consumers and the European legal requirements, the most stringent in the world.

True sustainability comes with great efforts, costs, investments in knowledge, research and innovation and chiefly with collaboration along the whole value chain.

Circular economy

An economy is circular when the value of products, materials and resources is kept in, for as long as possible. The generation of waste is reduced, and recycling is a reality. For the textile sector, in particular, a circular economy implies also new ways of designing, making, producing and choosing products.

The European textile industry has been pioneering new types of sustainable products and re-using different types of materials, such as jeans or plastic bottles. These examples are the avant-garde of circular textiles, and yet, higher costs, technical difficulties and legislation limit the number of cases.

While the industry is working on making circularity a reality, the EU is pioneering policies for sustainable goods and production. The main reference is the action plan on the circular economy, released in March 2020. The action plan aims at changing the way products are made and consumed, by focusing on some key sectors like the textile.

Source: EURATEX



Focus on EURATEX

EURATEX is the European Apparel and Textile Confederation, representing the interests of the European textile and clothing industry at the level of the EU institutions. As the voice of the European industry, EURATEX aims to create a favorable environment within the European Union for the manufacturing of textile and clothing products.

Textile and apparel manufacturing is an essential pillar of the local economy across the EU regions. EURATEX member federations represent in the EU some 143,000 companies with a turnover of €150 billion, employing 1.5 million workers. The textile and fashion products made in the EU are exceptional in regard to the respect of the environment, consumer safety, and labor rights. EURATEX has an ambitious program to enhance the sustainable growth of the European textile and clothing industry.

EURATEX provides the EU institutions with accurate data and useful tools for making policies that enhance Europe's economic growth and encourage job creation.

EURATEX is committed to facilitating access of our companies, which are predominantly SMEs, to European actions. EURATEX is focused on a few clear priorities: genuine industrial policy, research and innovation support, free and fair trade, and sustainable textiles.

EURATEX was officially created in 1996 with the merger of three organizations present in Brussels, all lobbying for the interests of the Textile and clothing industries since the early '60s.

Source: EURATEX

SKYMINDER AT A GLANCE FOR TEXTILE AND APPAREL INDUSTRY

Solutions available for more than **240**
countries and jurisdictions

Best in class information thanks to more
than **40** providers, both local and global

12 available products and solutions

Web and **API** integration

SKYMINDER SOLUTIONS

SkyMinder is the worldwide CRIF platform helping you to take decisions based on high-quality information. If you are required to evaluate a business partner in the Textile and Apparel Industry, a customer or a supplier, in a risk evaluation process or for compliance requirements or a cyber risk assessment, SkyMinder is the right solution.

Requirement	SkyMinder Solution	Description
Know business partners and risk level <ul style="list-style-type: none"> - have on board new suppliers - understand in depth customers creditworthiness 	Full Report and Slim Report	Information, with different level of details, related to all companies in the world, including firmographics, credit limit, risk indicator, management, shareholders, negative events etc.
Receive immediate notification with related details if a change affects a company	Full Monitoring	Detailed information about changes affecting a company as soon as happened. Combined possibility to request for free updated report.
Be alerted if there is change in company's information	Alert	Information related to the area involved by a change as soon as an event happened.
Periodically checks if there are changes involving companies	Planned Revision	Scheduled revision with updated report including company's changes if applicable
Obtain documents from Official Registry and LEI repository	Official Registry and LEI	Product range including documents coming from public sources or from LEI Registry
Company ownership overview	Verification Report	List of shareholders to understand company's structure
Compliance requirements and fraud checks	Compliance Report and Extended Check Report	Anti Bribery and Money Laundering lists checks related to financial crimes.
Risk of Cyber attack	Cyber Risk Report	Assess the level of risk related to a business partner in being involved in a cyber attack
Understand overall value of intangible assets of a company	Patent Due Diligence Report	Patent Asset Overview with geographical coverage, remaining life of active patent assets, high-value patent assets, technology and patent deployment, technology timeline, peer comparison, key inventors.