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CRIF INDUSTRY WATCH

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Analysis and Studies

Doing business with the Textile and Apparel industries in EU



The textile ecosystem is an integral part of the EU economy, with a turnover of EUR 150 billion and over 147 000 companies. Europe's luxury brands shape the global fashion and design landscapes

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



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.

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



Facts and Figures

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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.

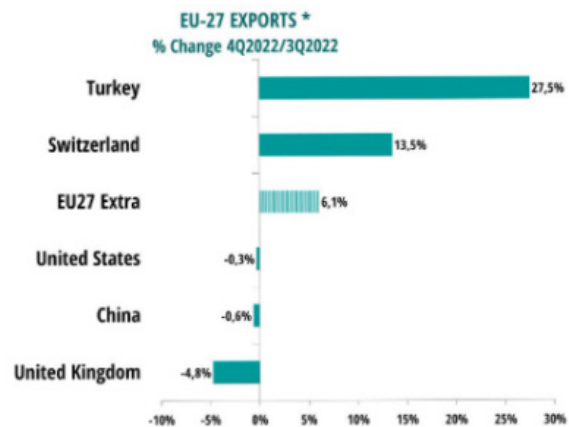
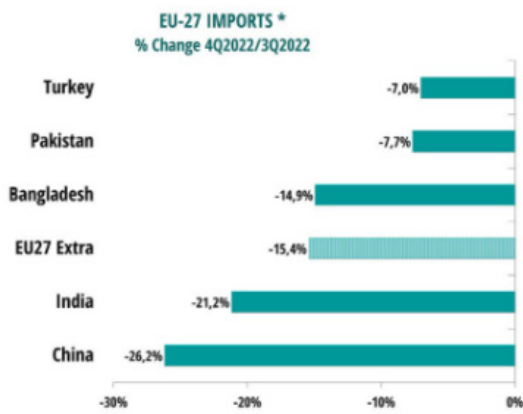
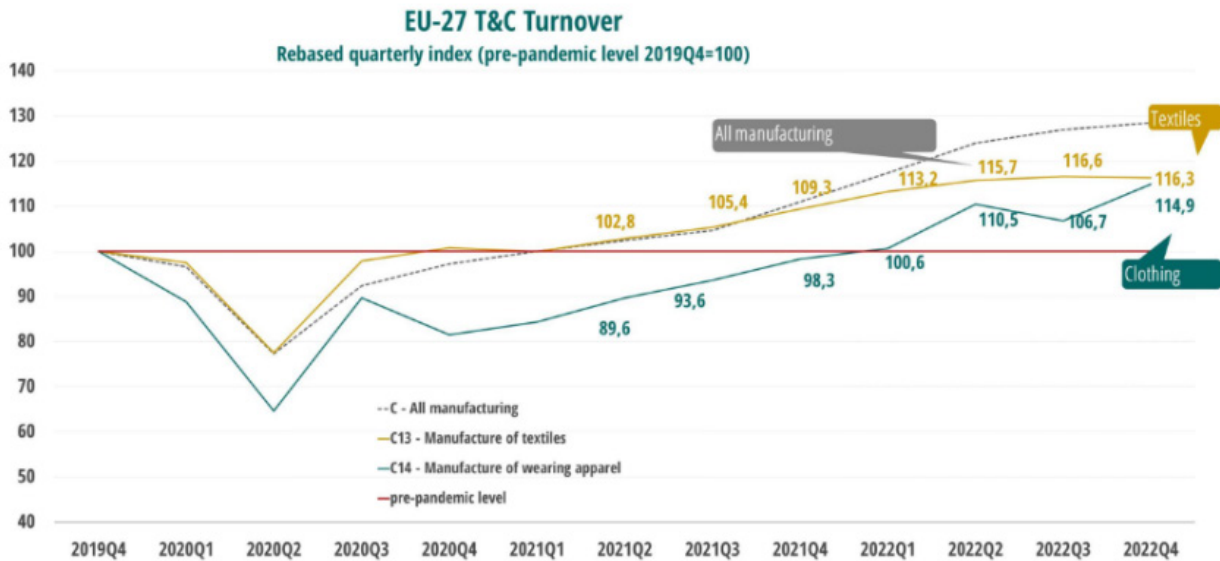
Although the number of companies has slightly decreased to 143,000, the EU trade performance has improved with exports reaching €58 billion in products – an increase of 10.6%.

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.

The EU economy has seen a number of positive developments



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.



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.

EU T&C Business confidence indicator (Jan.08 – Mar.23)*



The European Union textile and fashion industry is highly innovative, ranking high in the number of patents (over 6,600 between 2015 and 2019)



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.

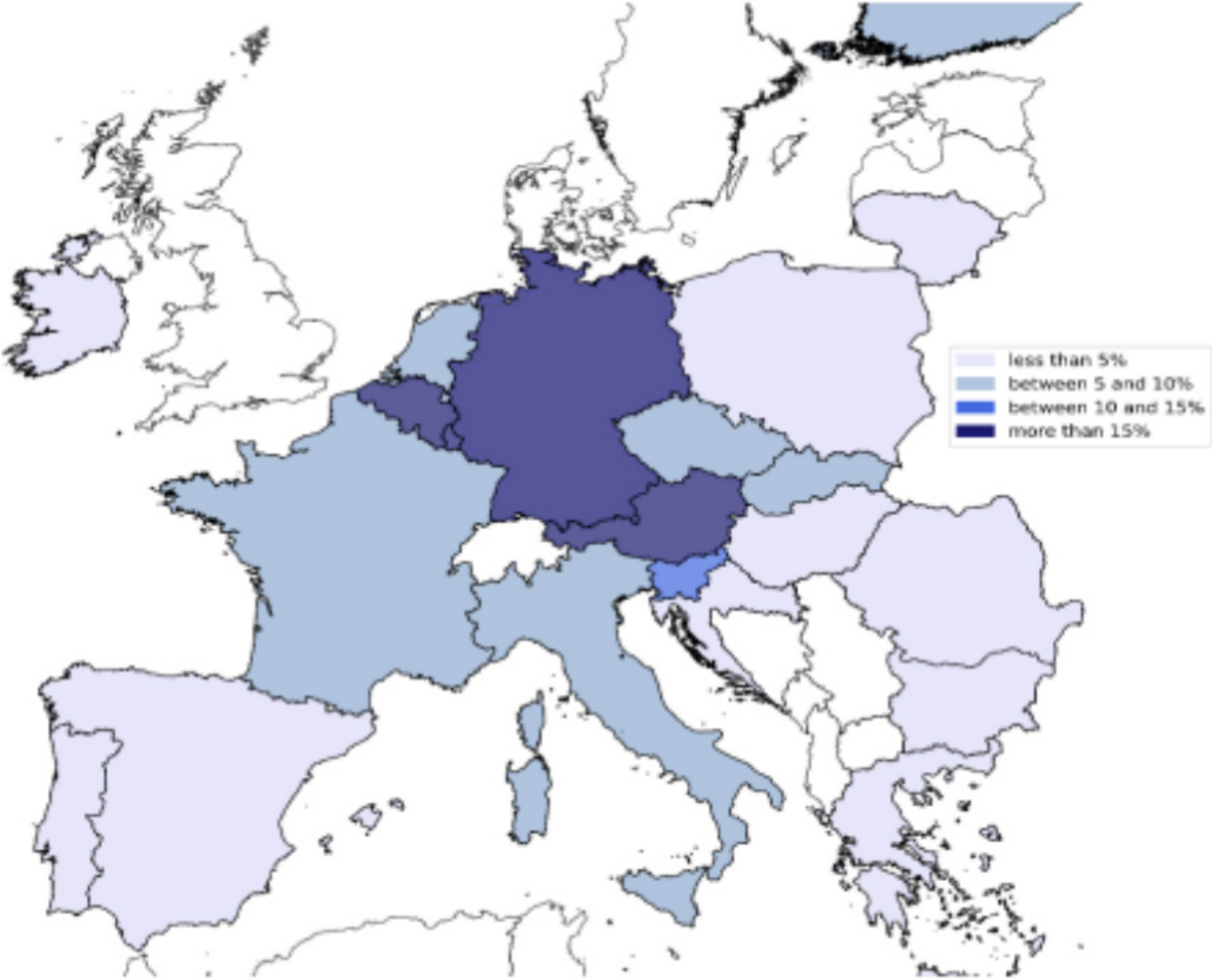
Companies are constantly increasing their efforts and investments in technological and non-technological innovation. A large share of the industry also engages regularly in applied research, often in collaboration with suppliers, customers, and knowledge providers such as research institutions and universities.

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.



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



INNOVATION AND SKILLS

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.

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



Focus on EURATEX

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.

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.

Import & Export Snapshot

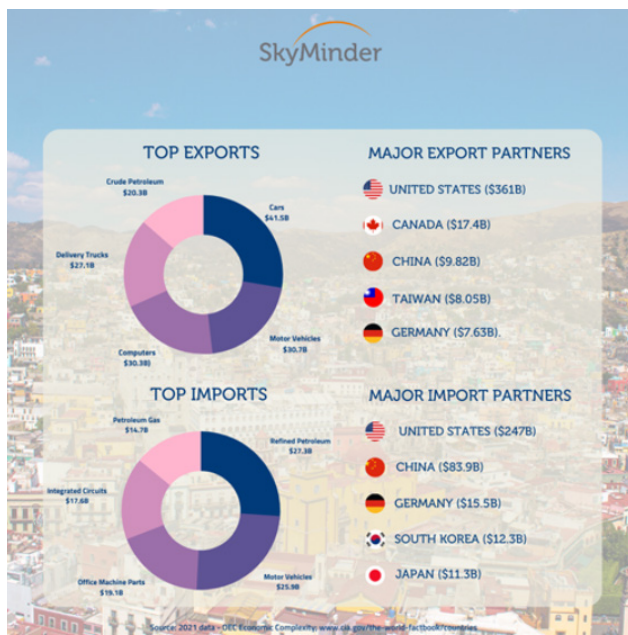
Mexico: a look at the market



Mexico is currently the second-largest (after Canada) goods trading partner of the US with nearly \$780 billion in two-way goods trade in 2022).

Mexico has been the site of several advanced Amerindian civilizations throughout history. These include notable cultures such as the Olmec, Toltec, Teotihuacan, Zapotec, Maya, and Aztec civilizations. However, in the early 16th century, Mexico was conquered and colonized by Spain. The Spanish colonization brought about a blend of cultures and influences in Mexico. Spanish settlers established a colonial administration and introduced their language, religion (Roman Catholicism), customs, and legal system.

This period of Spanish colonization lasted for nearly three centuries, until Mexico gained its independence in 1821. The struggle for independence was led by Mexican revolutionaries who fought against Spanish rule and called for political and social reforms. The history of Mexico's ancient civilizations and the subsequent Spanish colonization have left a lasting impact on the country's culture, traditions, language, architecture, and art. The diverse heritage of indigenous peoples and the legacy of Spanish colonization continue to shape the identity and rich cultural tapestry of modern-day Mexico.



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Mexico boasts a diverse range of top exports, including Cars (\$41.5B), Motor vehicles; parts and accessories (8701 to 8705) (\$30.7B), Computers (\$30.3B), Delivery Trucks (\$27.1B), and Crude Petroleum (\$20.3B). These goods are in high demand internationally, with the United States being the primary export destination (\$361B), followed by Canada (\$17.4B), China (\$9.82B), Chinese Taipei (\$8.05B), and Germany (\$7.63B).

In terms of imports, Mexico heavily relies on various goods, including Refined Petroleum (\$27.3B), Motor vehicles; parts and accessories (8701 to 8705) (\$25.9B), Office Machine Parts (\$19.1B), Integrated Circuits (\$17.6B), and Petroleum Gas (\$14.7B). The United States is the largest source of imports for Mexico (\$247B), with China (\$83.9B), Germany (\$15.5B), South Korea (\$12.3B), and Japan (\$11.3B) also significant contributors.



These trade figures highlight Mexico's role as a key player in the global marketplace. The country's automotive industry, evident from the export of cars and motor vehicle parts, demonstrates its manufacturing prowess. Additionally, Mexico's computer exports and imports of various machinery components showcase its engagement in the technological and electronic sectors. Crude petroleum exports underline its status as an oil-producing nation, while refined petroleum imports reflect its energy demands.

The trade relationships with the United States, Canada, China, and other nations illustrate Mexico's importance as a trading partner on the North American continent and beyond. These trade dynamics contribute significantly to Mexico's economic growth and the development of its industrial sectors.

Product Analysis

Biodiesel: import and export



In 2021, the leading exporters of Biodiesel were the Netherlands, Germany, Belgium, Spain, and Argentina.

Biodiesel is a renewable and sustainable fuel that is derived from biological sources, typically vegetable oils or animal fats. One of the significant advantages of biodiesel is its reduced environmental impact compared to petroleum diesel. It is considered a cleaner-burning fuel as it produces lower levels of greenhouse gas emissions, particulate matter, and sulfur compounds. Additionally, biodiesel is biodegradable and non-toxic. The use of biodiesel helps to diversify energy sources, reduce dependence on fossil fuels, and promote sustainability. It is commonly used in transportation, particularly in vehicles such as trucks, buses, and agricultural machinery. Biodiesel can also be utilized in heating systems and power generation.



In 2021, the leading exporters of Biodiesel were the Netherlands, Germany, Belgium, Spain, and Argentina. The Netherlands took the top spot with exports valued at \$5.68 billion, followed by Germany at \$3.37 billion, Belgium at \$2.91 billion, Spain at \$2.59 billion, and Argentina at \$1.94 billion.

On the other hand, in 2021, the primary importers of Biodiesel were the Netherlands, Belgium, Spain, Italy, and France. The Netherlands emerged as the largest importer with imports amounting to \$7.28 billion. Belgium followed with imports valued at \$3.24 billion, while Spain imported \$1.86 billion worth of Biodiesel. Italy and France also showed significant imports at \$1.83 billion and \$1.68 billion, respectively.



These figures highlight the global trade dynamics in the Biodiesel industry, with the Netherlands playing a prominent role as both a major exporter and importer. Other European countries such as Germany, Belgium, Spain, Italy, and France also demonstrated substantial involvement in the import and export of Biodiesel and its mixtures. This data underscores the importance of Biodiesel as a renewable energy source and the international trade flows surrounding this environmentally friendly fuel.

Article of the month

| ESG reporting: the solution to enhance sustainability



ESG reporting, why is no longer an option for SMEs

ESG reporting is becoming increasingly important for companies considering the growing focus on sustainability involving all stakeholders, from regulators, to businesses, to financial institutions and consumers.

For many companies, even SMEs, it is no longer a matter of choice: the recently approved Corporate Sustainability Reporting Directive, in fact, expanded the number of companies that have the obligation to publish their ESG reports.

However, because of the heterogeneity of the parameters to be monitored - which refers to environmental, social and governance aspects of the business – it is a difficult and lengthy process.

This is precisely why more and more companies are turning to Synesgy, a solution that automates and certifies the process, returning detailed information that not only helps companies determine the current situation, but also guides them toward improving their sustainability performances.

ESG reporting, why is no longer an option for SMEs

No company can afford not to monitor its sustainability performances, not even SMEs. In fact, while many small companies are still at the starting grids when it comes to ESG reporting, large companies have long since been pushed to optimize their processes for greater sustainability.

This also means looking at what is happening along the supply chain, which often consist of small companies. For the latter, therefore, failure to consider ESG reporting means risking self-exclusion from important collaboration opportunities.

But not only that, because an increasing demand for companies' environmental performance makes ESG reporting an important opportunity to promote their brand identity.

How to boost competitiveness through ESG reporting

ESG reporting, additionally, takes into consideration many aspects of the businesses that are strategic to the competitiveness of the business model. Not only it can underline the aspects that put the company at risk - for example its sourcing strategy - but many different areas which relate to its competitiveness (for example employees' turnover).

ESG reporting is therefore a compass that can help guide businesses on the right path to make sure that they have a business model that can be sustainable and competitive over time.

It all starts with data, which need to be both accurate, up-to-date and need to comply with international recognized standards. Standards are, in fact, crucial to ESG reporting, because, on the one hand, they certify the validity of the information and, on the other hand, provide a common measuring tool that allows to compare ESG performances.

Even though a standardised ESG reporting process is, therefore, essential, it is equally important that the assessment considers the specific context in which the company operates. The requirements imposed by the relevant industry and the laws of the country where the company operates must therefore be taken into account.

That is precisely what Synesgy does, thanks to questionnaires based on rigorous references of global ESG market regulations such as UNGC, GRI, UN 17 SDGs, EBA LOM, and EU Taxonomy for Sustainable Activities.

In addition, the questionnaires - which are filled out directly by the company in the form of a self-assessment - include sections with a focus precisely on the market environment in which the company operates.

Certify your ESG reporting with Synesgy

The ESG reporting data obtained from the questionnaires is checked by an Alert system of the platform, which, if it detects inaccuracies, reports the problem to the Synesgy team. After careful evaluation, the team may decide to request additional information.

This ensures that the information inserted in the questionnaire is correct and up-to-date and therefore that the result of the questionnaire also reflects the real situation of the company.

It is through this process and collaborations with global ESG market regulations that Synesgy is able to provide companies with a holistic, detailed and certified ESG score.

An intuitive and complete solution for ESG reporting

Simplicity characterizes the entire process, from filling out the questionnaire to reading the results, which are displayed through an intuitive dashboard that allows the company both to evaluate the overall score and the performance in individual areas of analysis (Business, Environmental, Social and Governance).

It is therefore a solution that is as intuitive as comprehensive. In fact, in addition to the result, a report is provided that can be downloaded through the platform (as well as the ESG score certificate).

The report provides a more detailed analysis of the business's ESG performance, highlighting the most critical areas. This is why choosing Synesgy not only provides companies with a tool that can facilitate ESG reporting, but also a valuable guide to improve their sustainability.

Quick Infographic

Synesgy Self-Assessment Process



Steps to begin the self-assessment process for ESG assessment with Synesgy

Signing up for a Synesgy ESG self-assessment is extremely simple



- 1** Register your company and create a user account on the Synesgy website platform.
- 2** After successful registration you will receive an account activation email on the registered email Id to complete the registration.
- 3** Post successful registration you can start answering the assessment questionnaire and submit it to download your ESG report, score, certificate and action plan from the platform.

This assessment and certification will be valid for 1-year post-successful completion. You can re-take assessment every year and obtain a certification to publish it on your digital assets.

About CRIF India

CRIF India is one of India's leading provider of Credit Information, Business Information, Analytics, Scoring, Credit Management and Decisions Solutions.

CRIF's Business Information Report, commonly known as the BIR Report, is a new way of thinking about data and information and how they are linked to each other. Available in 230 countries and territories, CRIF'S Business Information Report contains up to date information collected from various data sources. The report helps in determining a company's profitability, financial trends, and risk. It also provides an in-depth profile of a company, including financial information, legal cases, history of business, ownership details, operational information, and details on related firms and special events that occurred in the past involving company management. It's an industry standard for evaluating both new and existing credit relationships, especially medium-to-high risk accounts. Additionally, it supports a company's other efforts, like marketing and purchasing.

CRIF India's Business Information Offerings



| How is CRIF different?



We brought in new Sets of Data Points,
First in the Industry at a TAT less than 48hrs.



Global Data Environment

200 million companies across 230 countries,
2 Million directors on these companies,
400+ data points covered



Unmatched expertise in analysis

Our vast experience gives us an eye for better
assessment of information



Count on our TAT

Quality in expertise translates into
efficiency in outcome



Quality checks

We've set processes to ensure reliable
information is coming your way

Customized solutions for: Customer | Suppliers | Trade / Supply Chain solutions



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