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## SUSTAINABLE COTTON CLUSTER REPORT 4/2017

### OUTLOOK ON TEXTILES

#### Introduction:

According to an opinion in the *Business Report* during March 2017 the “local textile industry needs support to be safe”, referring to **the dti**’s clothing and textiles competitiveness programme (CTCP). According to **the dti** local manufacturers have received funding and grants amounting to R3.5 billion, “saving more than 67 000 jobs and creating an estimated 7 000 new jobs”. In April 2017 the *Engineering News* reported on **the dti** “approves R439 billion in incentives for clothing, textile sector” and stated that “South Africa’s clothing and textile sector has saved thousands of jobs with the assistance of **the dti**’s production incentive programme within the CTCP”. It stated that companies were, apparently, be “able to save 81 252 jobs, while an additional 9 672 jobs were created”. During October 2017 *Fin24* reported on the “great textile turnaround”. *Moneyweb* reported during November 2017 of “a cotton industry revival”.

Those who do not know this industry, who are not involved in the textile and clothing industry, and those who are not aware of the background, could think that salvation happened in one year. Wishful thinking. This industry has a long history in respect of support and incentives, and it definitely needs a great turnaround. And the Sustainable Cotton Cluster (SCC) has also started a couple of years ago, not only during 2017.

The SCC was established in June 2014, funded by an initial grant from **the dti**. The grant supports a five-year plan to establish a strong momentum for the growth and development of the Southern African cotton sub-national cluster.

The three core concepts that underlie the SCC strategy are integrated supply chains, collaboration, and sustainability. It incorporates the full value chain from farm to market. The integrated supply chain programme forms the backbone of the Cluster’s competitiveness improvement interventions.

The question is to what extent is there revival in the local textile and clothing industry with specific reference to the cotton pipeline.

#### General:

Local retail trade sales for textiles, clothing, leather and footwear (at current prices) amounted to R177 564 million in 2017, an increase of 0.1 per cent compared to the previous year.

It appears that local production of textiles and clothing declined from 2016 to 2017. The average volume of production index (2015=100, seasonally adjusted) for the sector dealing with spinning,

weaving and finishing showed a decline of 1.3 per cent, while other textiles declined by 2.6 per cent. The index for knitting mills (fabrics and garments) is 4 per cent less, while that of clothing showed a decline of 10.3 per cent.

Capacity utilization in both textile (<67 per cent) and clothing (<77 per cent) factories showed a decline from 2016 to 2017. The reason being insufficient demand.

The value of ex-factory sales for 2017, however, showed an increase. Textiles and clothing represented 2 per cent of total manufacturing ex-factory sales. Spinning, weaving and finishing showed an increase of 1.1 per cent from 2016 to 2017 (R8 385 million), while other textiles showed an increase of 1.3 per cent (R14 313 million). The knitting sector's ex-factory sales increased by 11.1 per cent (R2 622 million), while that of clothing increased by 2 per cent (R18 295 million).

According to the statistics as published by Stats SA the volume of production is declining while the value of ex-factory sales increased (increase in prices). During 2017 the production price index (PPI) (2016=100) showed that the PPI for textiles increased by 3.8 per cent, while that of clothing increased by 5.4 per cent year-on-year.

During 2017 the South African market for textiles and clothing amounted to R72 317 million, as set out in the next table.

Table 1: South African Market for Textiles and Clothing for 2017

	<b>SA Market R'million</b>	<b>% of total</b>
Spinning, weaving & finishing	13 625	18.8
Other textiles	18 389	25.4
Knitting mills (fabrics & garments)	12 519	17.3
Clothing (not knitted)	27 784	38.4
<b>TOTAL</b>	<b>72 317</b>	<b>100</b>

Source: SARS & Stats SA

The average employment for textiles and clothing for 2016 was 78 222 workers (according to figures obtained from Stats SA). The average for 2017 showed a decline to an average of 73 504 workers. This number differs from the figure in the first paragraph, where mentioned "that 81 252 jobs were saved".

The total free-on-board value of textile and clothing imports and exports during 2017 are set out in the following table.

Table 2: Imports and exports

<b>2017</b> information	<b>IMPORTS</b> R'mill	<i>% change yr-on-yr</i>	<b>EXPORTS</b> R'mill	<i>% change yr-on-yr</i>
TEXTILES	19 214	-0.3	11 552	+11.0
Clothing - knitted	10 432	-6.6	2 864	+5.4
Clothing - other	11 878	-5.5	2 389	-5.6
<b>CLOTHING (Total)</b>	<b>22 310</b>	<b>-6.0</b>	<b>5 253</b>	<b>+0.1</b>

Source: SARS

Although the value of imports showed a decline, the volume showed an increase. In the case of exports the situation is different. The value of exports showed an increase while the volume, in most cases, showed a decline.

**Cotton:**

During 2017 the consumption of cotton lint in South Africa increased by 8 per cent to 22 602 tons compared to the previous year.

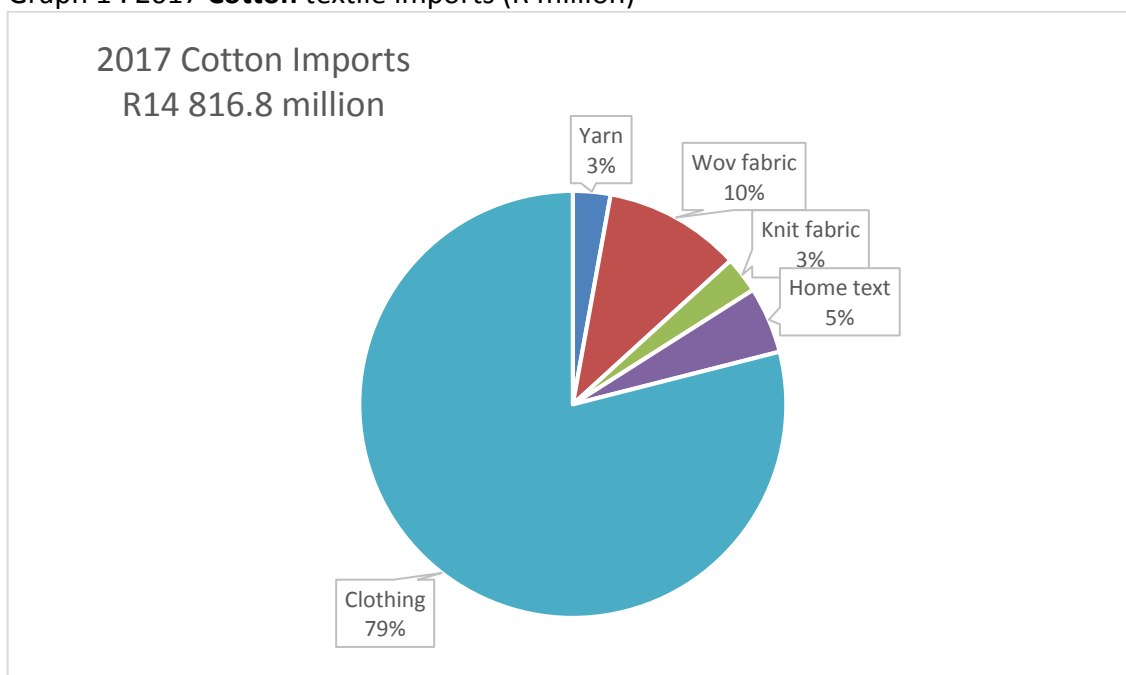
Total imports for all types of fibres for 2017 were 62 614 tons of which all cotton fibre (including waste) represented 36 per cent and man-made fibres 38 per cent. Cotton fibre, ginned but not further processed, was about 66 per cent of total cotton fibre imports. Total yarn imports were 56 484 tons of which 17 per cent was cotton yarn, 19 per cent was yarn of man-made staple fibres, and 63 per cent was filament yarn.

A total of 99 450 tons of woven fabrics were imported, of which 19 per cent represented cotton woven fabrics, 40 per cent woven fabrics of man-made staple fibres and 38 per cent of man-made filaments. During 2017 a total of 54 088 tons of knitted fabrics were imported, of which 12 per cent was cotton knitted fabrics.

During 2017 a total of approximately 578.1 million units of clothing were imported of which 40 per cent was cotton.

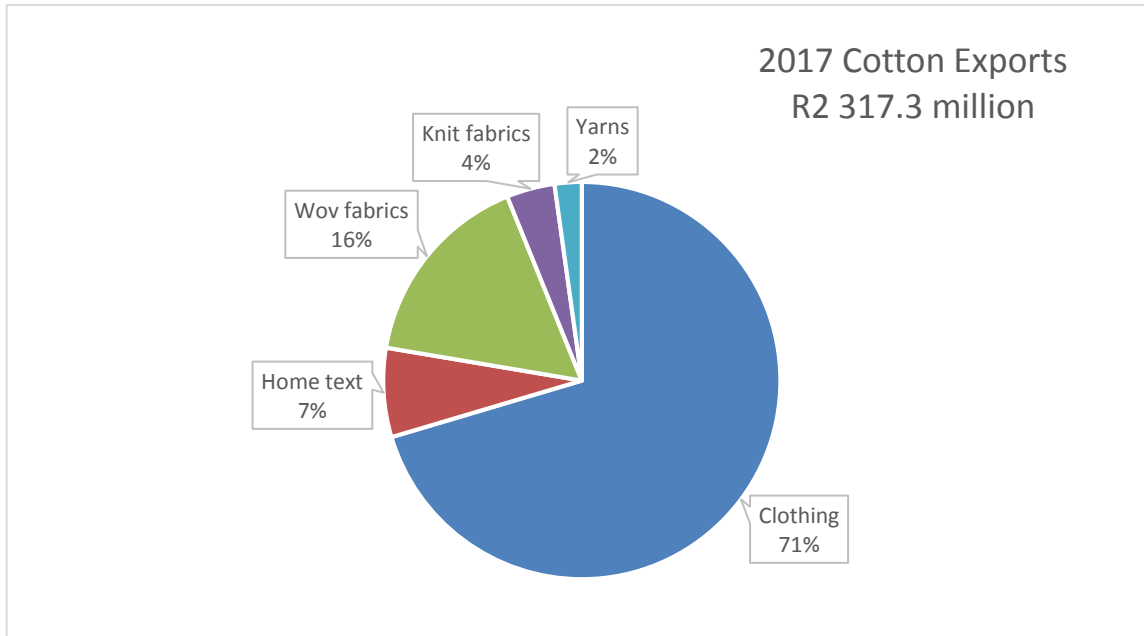
The following graph shows the **cotton** textile product imports :

Graph 1 : 2017 **Cotton** textile imports (R'million)



Approximately 84 per cent of the total value of the 2017 **cotton** product imports were finished goods, like garments and home textiles. *[Fibres are excluded.]*

Graph 2 : Exports of **cotton** textile products during 2017



Approximately 85 per cent of total **cotton** product exports (excluding fibres) was destined for the BLNS countries (Botswana, Lesotho, Namibia and Swaziland).

The cluster product range includes underwear, sleepwear and general knitwear (including t-shirts), amongst others. The knitting sector (fabrics and garments) are not doing well and are on a declining trend. It is the opinion that if knitters and retailers work together, knitters could benefit from the cluster initiative.

The volume of imports and exports of the products below, which are part of the cluster initiative, are set out in the following table.

Table 3 : Imports and exports of certain cluster cotton products

	<b>Imports</b>	<b>Imports</b>	<b>Exports</b>	<b>Exports</b>
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
Towels (Kg'000)	6 167	6 818	842	865
T-shirts (Units'000)	67 440	63 842	5 123	5 613
Cotton trousers (Units'000)	16 102	17 857	1 320	1 451
Cotton denim trousers for men (Units'000)	8 286	8 906	566	679
Ladies denim trousers (Units'000)	8 025	9 521	989	790

Source : SARS

The only product that showed a decrease in the volume of imports was cotton t-shirts, the rest of the products showed an increase in volumes. In the case of exports, only ladies denim trousers showed a decrease in volumes.

**Summary:**

The volume of production index showed a decline, capacity utilisation is declining and employment showed a decline. Due to consumer behaviour, retail sales increased by only 0.1 per cent from 2016 to 2017.

The value of textile and clothing imports during 2017 decreased, but the volumes increased. There is still major competition from imported goods, especially finished goods like clothing and household textiles. In the case of exports the value increased, but in the majority of the product lines the volumes declined.

In general, according to the indicators, there is no real revival in the industry. However, it is possible that there could be growth in certain sectors (or individual companies) of the industry, for example t-shirt production.

***Cotton SA  
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