

textrends.org

Apparel Supply/Demand In the United Kingdom *What Happens Next?*



Article Updated Q4 2008

Knitted Hosiery. Workwear
Outerwear. Sportswear. Knit
Babywear. carpets & rugs
Brassieres. Pyjamas. Socks
ed linen. Table linen. Kitch
raks. Men & Boy's Knitted
T-shirts. cotton trousers. ol
lon-wovens. swimwear. kn
uses & Shirts. Dresses. Skirt
Wool Jumpers. Curtians. Co
oves & Mittens. Handkerch
Overcoats. Ties. Denim Tro

**Apparel Supply/Demand
In the United Kingdom
*What Happens Next?***

First Published by Textrends.org in April 2008, updated and revised June 2008, August 2008, and October 2008.

© Xavier Research Limited 2008;
Textrends.org is a trading name of Xavier Research Limited, registered offices 286A High Street, Dorking, Surrey, U.K.

If you wish to contact Textrends.org please telephone 01737 213094 or email hello@textrends.org. More information is available on the Textrends.org website: www.textrends.org.

All information is offered in good faith; Xavier Research Limited (Textrends.org) accepts no liability or responsibility for the outcome of any commercial decisions made on the basis of the information provided.

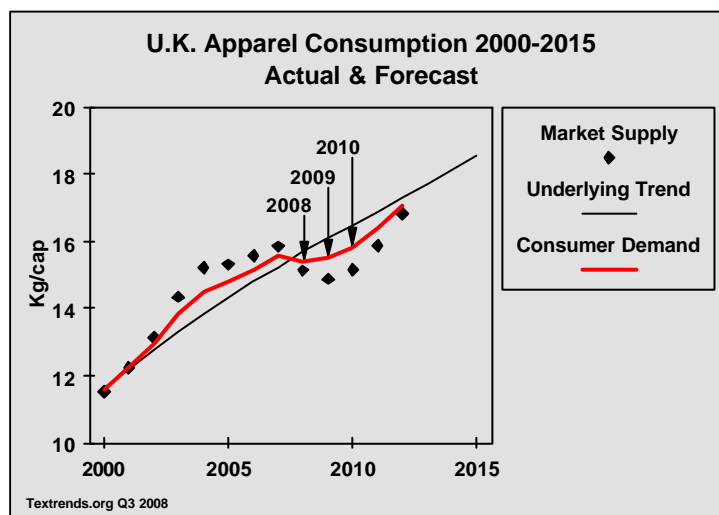
Introduction: Over-supply and Weak Demand

In the United Kingdom the market for apparel appears to be set on a difficult path for the next few years, with two recent developments particular matters of concern: large-scale over-supply and a weakening of consumer demand.

The apparel market is diverse and by its very nature complex, but considering the consumption of clothing and accessories in the whole there have been over the past few years substantial changes to the pattern, but perhaps of more relevance for our purpose, to the volume of supply (and this last with some impact on underlying consumption).

There is now the prospect of a very real and imminent global economic slowdown and a weakening of U.K. consumer demand, this coming at a time when the U.K. textile system is, theoretically at least, awash with goods. This situation presents some key questions...

why is supply running so far ahead of demand?
 can the supply/demand imbalance be sustained?
 when might corrections come and how long will they last?
 where are we headed long-term?



Recent Changes to Supply and Demand

In 1980 total consumer demand for apparel in the U.K. was 383 thousand tons (mKg), or 6.8 Kg/cap. Demand increased year-on-year, to reach 525 mKg by 1990, 690 mKg by 2000 and apparel consumption in 2007 was 945 mkg (15.5 Kg/cap). Growth over the past few years has however been particularly strong.

An increase in availability remains the key factor in maintaining comparatively low unit prices at retail and affording underlying demand a degree of supply-side push, caused by China's entry into the WTO in 2000 and sustained by the end of global textile quotas in 2005, increasing global competition in textile and apparel export markets and, for the U.K. and elsewhere, realised by very strong growth in "cheap" apparel imports.

The impact was evident in strong apparent market demand growth (the volume of apparel goods manufactured in the U.K. combined with net imports, and a reasonable measure of market supply), but moreover, in the difference between underlying consumer demand and inflated supply. Over the past six years or so supply has run far ahead of underlying demand causing the volume of total stock in the U.K. system to increase dramatically. We calculate the volume of accumulated stock in the textile pipeline in 2000 was 166 mKg, including all apparel goods all along the supply-chain, from dockside to shop floor. In 2007 accumulated stock was estimated to be 483 mKg.

From our modelling of the entire U.K. textile system it is clear that there now exists underlying pressure for the system to re-balance; for the volume of supply to decrease over the coming years and for the level of accumulated stock to fall. In the normal course of events this would not be a problem, indeed, it is such machinations of the textile cycle that drive the various textile systems across the World, including the U.K. What is exceptional is that the volume of over-supply is very high from a historical perspective, and that the need for market corrections to supply are coming at a time when the rate of growth in consumer demand is under pressure from a weakening of the wider economy.

The Apparel Market Over The Next Few Years

Underlying consumer demand for total apparel is about to enter a period of somewhat weaker demand growth and strong decreases in supply are likely. We estimate market supply will decrease to 922 mKg in 2008, a 4% decrease on 2007. In 2009 a further decrease of 1% is forecast, reducing market supply to 909 mKg. The mechanism for the reduction in supply, to facilitate the decrease in accumulated stock, should in normal circumstances manifest as a weakening of import growth, a squeeze on domestic manufacturing, greater competition and discounting at retail (and we include to complete the picture a proportionately small degree of re-export out of the U.K. system and some wastage).

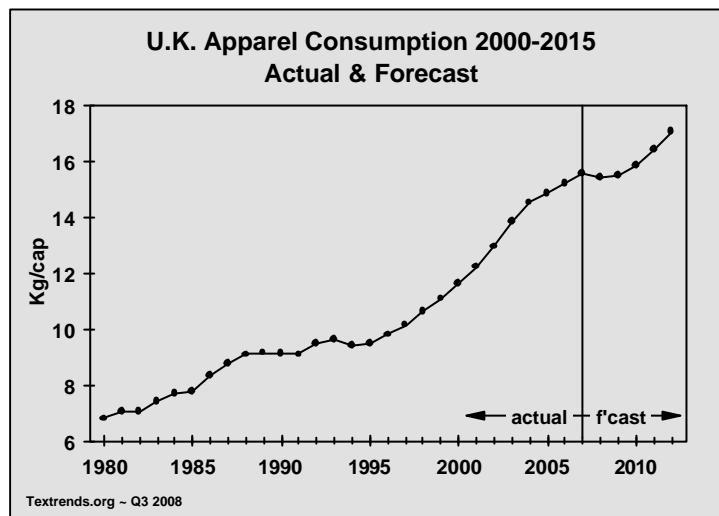
Within total apparel some distinct markets are more over-supplied than others, and a number of apparel categories are actually well-balanced, either because the increase in apparent demand was not so strong in these markets or because corrections are currently underway or have progressed through 2006-07 and are now complete.

For example, the market for women/girl's blouses and shirts remained distinctly over-supplied in 2007 and strong corrections are forecast going forward from 2008. In the market for women/girl's denim trousers a notable decrease in supply in 2007 brought some balance to the market and now supply-side growth is possible from 2009 going forwards. The short-term fortunes for the various individual apparel categories will be mixed going forward, and forecasts for each can be made, but for this article we concentrate on the larger market picture.

For a detailed picture of the entire U.K. market, with special consideration of specific groups and categories, we recommend the Textrends.org quarterly report "UK Textiles & Apparel - The Outlook for Supply-Demand".

For the entire apparel market as a whole the pain of supply-side corrections are only forecast to last for two years. From 2010, and to satisfy the forecast of modest growth in consumer demand, growth in supply will be necessary to keep the U.K. textile system moving. Positive growth of 2% is forecast for 2010, 5% for 2011 and 8% for 2012. Stronger growth in underlying consumption than currently appears likely in 2008/09 would otherwise make this readjustment process far easier on market suppliers, but unfortunately this scenario appears unlikely given prevailing market conditions.

Long-term Apparel Growth Prospects



The underlying trend for U.K. apparel consumption in per capita terms is forecast to continue to increase over the long-term at 2.4% p.a. (between 2007-2017), equating to 2.7% p.a. growth in the volume of demand over the same period. Within total apparel there are long-term growth opportunities for some categories, but for other categories the long-term forecast is less promising. By 2010 total apparel consumption is forecast to increase to 970 mKg (15.8 Kg/cap) and reach 1,300 mKg (20.6 Kg/cap) by 2020.

Conclusion

Over the past few years international competition amongst textile exporters caused a strong increase in imports of apparel goods into the U.K. textile system, leaving the market awash with the spoils of over-supply and the U.K. textile pipeline brimming with an accumulation of apparel stock. To reduce stocks to a more realistic level, supply-side corrections are expected going forward from 2008, but these are likely to coincide with a period of weaker consumption growth that is likely to make the readjustment process all the harder. Long-term growth in apparel demand is forecast however, with a return to supply-side growth currently expected to come around 2010.

Matthew Boxall
Senior Analyst
Textrends.org

Other Reports Available from Textrends.org

A subscription to the Textrends.org information service gives access to **all** of the reports we publish for one year, including all updates, our quarterly flagship market report **UKTXAP**, and any new report that may be released. Below is a list of all the information currently available online.

U.K. Supply/Demand Market Reports

Summary Report: Total U.K. Apparel

Summary Report: Total U.K. Home Textiles

includes blankets; bed Linen; table linen; utility linen; curtains; home furnishings; camping goods and carpets & rugs.

Apparel By Group: Hosiery

Apparel By Group: Workwear

Apparel By Group: Jumpers

Apparel By Group: T-shirts

Apparel By Group: Babywear

Apparel By Group: Leather Apparel & Accessories

Apparel By Group: Sportswear

Apparel By Group: Other Apparel & Accessories

includes gloves & mittens; shawls, scarves and veils etc.; ties; handkerchiefs; nonwoven garments; and all other apparel.

Apparel - Outerwear: Men/Boy's Knitted

includes overcoats, anoraks, suits, jackets & blazers and trousers.

Apparel - Outerwear: Women/Girl's Knitted

includes overcoats, anoraks, suits & ensembles, jackets & blazers, trousers, dresses and skirts.

Apparel - Outerwear: Men/Boy's Cut & Sewn

includes overcoats, anoraks & ski-jackets, suits, ensembles, jackets & blazers, denim trousers, cotton trousers, MMF trousers, cotton & MMF shorts and all other trousers and shorts.

Apparel - Outerwear: Women/Girl's Cut & Sewn

includes overcoats, anoraks, suits, ensembles, jackets & blazers, dresses, skirts, denim trousers, cotton trousers, all other trousers and overalls & shorts.

Apparel - Underwear: Men/Boy's Knitted

includes shirts & vests, underpants & briefs, pyjamas and dressing gowns.

Apparel - Underwear: Women/Girl's Knitted

includes blouses & shirts; briefs, panties & boxers; nighties & pyjamas; negligees & bathrobes; and slips & petticoats.

Apparel - Underwear: Men/Boy's Cut & Sewn

includes shirts; underpants, boxers & briefs; pyjamas & nightshirts; and other underwear.

Apparel - Underwear: Women/Girl's Cut & Sewn

includes blouses & shirts; nighties & pyjamas; slips, petticoats, negligees, vests & panties; brassieres; and girdles, braces, suspenders etc.

Special Annual Market Supply/Demand Reports 2008

Every year we produce comprehensive studies of supply and demand history and forecasts for every country in Europe for **Babywear**, **T-shirts** and **Hosiery**. Other specialist reports are due for publication in 2009.

Tables and Articles

A wide selection of data tables of supply and demand are presented for those clients who just wish to access our numbers for their work, and a subscription also includes articles written by members of the Textrends.org team (published on an *ad hoc* basis).

About Textrends.org

Textrends.org publishes forecasts for home textile and apparel consumption. Information is made available to individuals and organisations by an annual subscription to a secure, password-protected website or published in special market reports available to buy online. Special studies and bespoke analysis are undertaken by Textrends.org to agreed specifications.

Forecasts are generated from a model of the U.K. textile system (see "The Forecast Method" below), and each member of the Textrends team has over a decade of experience forecasting in the fibre, textile or petrochemical industries.

The Forecast Method

Consumption is forecast by extending forward a historic trend of annual apparent demand data points. The technique is data-driven, exploits the movement of the textile cycle, and is independent of all extraneous factors and bias including media, politics and economic fashion. (Indirectly such factors may help explain the resultant forecasts, but play no part in our analytical technique.)

Apparent demand is calculated for over 200 separate categories of textile and apparel goods. These are grouped into around 80 apparel categories and 9 home textile categories, and demand forecasts calculated for each. The full range of categories can be viewed on the Textrends.org website.

Getting More Information & Our Contact Details

Please feel free to contact us with any question and we welcome your comments. Our office hours are 09:00 to 17:00, Monday to Friday, excluding U.K. public holidays. We can be reached

by telephone	+(44) 01737 213094
by email	hello@textrends.org
our website	www.textrends.org

Terminology

Apparel being all items of clothing and accessories made from textile materials (incl. leather, but excl. hats and footwear). **Home Textiles** are those goods made from textile materials for home use, including carpets and rugs.

Menswear - all articles of apparel usually associated with, and designed for males, including those for boys. **Womenswear** - all articles of apparel usually associated with, and designed for women, including those for girls. **Women's & Men's** - in most cases also include boy's and girl's.

C&S - cut & sewn garments (as opposed in our analysis to knitted garments).

mKg - millions of Kilograms = thousand tonnes.

Kg/cap - Kg per capita, per head of U.K. population.

% p.a. - compound annual growth rate, expressed as a percentage.

Market Supply is the volume of product available to the market for consumption, our measure of "supply", calculated from statistics and sometimes referred to as "apparent demand". **Underlying trend (of theoretical demand)** is the trend of market supply (apparent demand); because only apparent market demand is measurable by statistics the underlying trend is over time a representation of theoretical long-term consumption. **Consumer Demand** is probably the best indicator of "true" or "real" consumption by the end-user, the "use" of apparel or home textiles, and is calculated to exist at a point between apparent demand (defined by statistics) and the underlying theoretical trend.

Sometimes we may refer to **accumulated stock** and for us this is the cumulative volume of textiles and apparel, at any location, that exist within the textile pipeline. **The Textile System** is the vehicle in which apparel and home textile goods are contained, in whatever form, and these goods can exist anywhere between domestic manufacture and the final consumer; (it is also sometimes called in our work the "supply pipeline").

textrends.org

**Apparel Supply/Demand
In the United Kingdom
*What Happens Next?***

© Xavier Research Limited 2008.
Textrends.org is a trading name of Xavier
Research Limited, registered offices 286A
High Street, Dorking, Surrey, U.K.

Telephone 01737 213094
Email hello@textrends.org
Website www.textrends.org