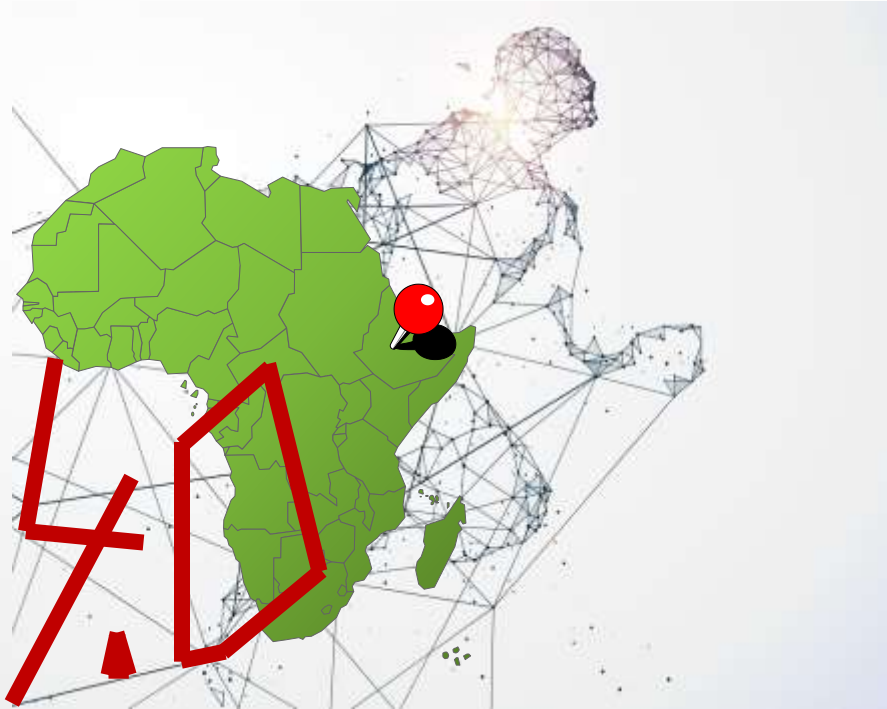




International  
Trade  
Centre



G H E R Z I



# Investment & Technology Upgradation in Africa's T&A Sector- Opportunities & Challenges

Addis Ababa, 14th February 2020



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# Key messages

1

Shifts in global textile chain present new opportunities.....and risks for international buyers

2

Renewed interest of international buyers in sourcing from Africa.... and lessons from successful apparel exporting countries

3

Preferential market access is still a key driver for FDI in Africa

4

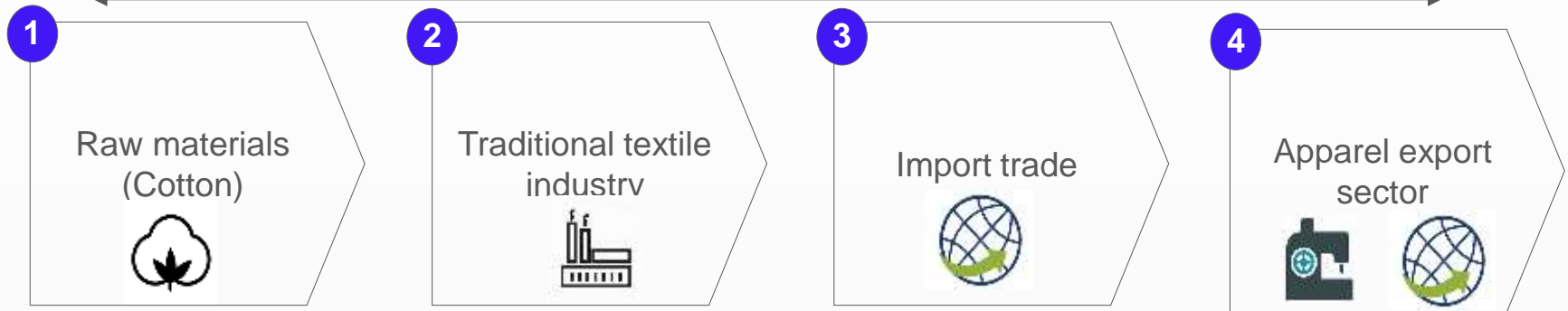
Large regional market(e.g.,ECOWAS 350 million)

5

Significant potential for investment for upgradation and expansion across the African textile value chain as the enabling environment improves....

# Value Chain

Cotton-Textile-Apparel Value chain is highly fragmented



*Salient features*

- West African Franc zone represents 2/3rd of Cotton pdn
- Increasing production
- Potential to improve productivity

- Estb 1960-90's
- Stagnation (Y2K)
- Integrated mills
- Traditional fabrics for local mkt
- Uncompetitive
- Potential for revival

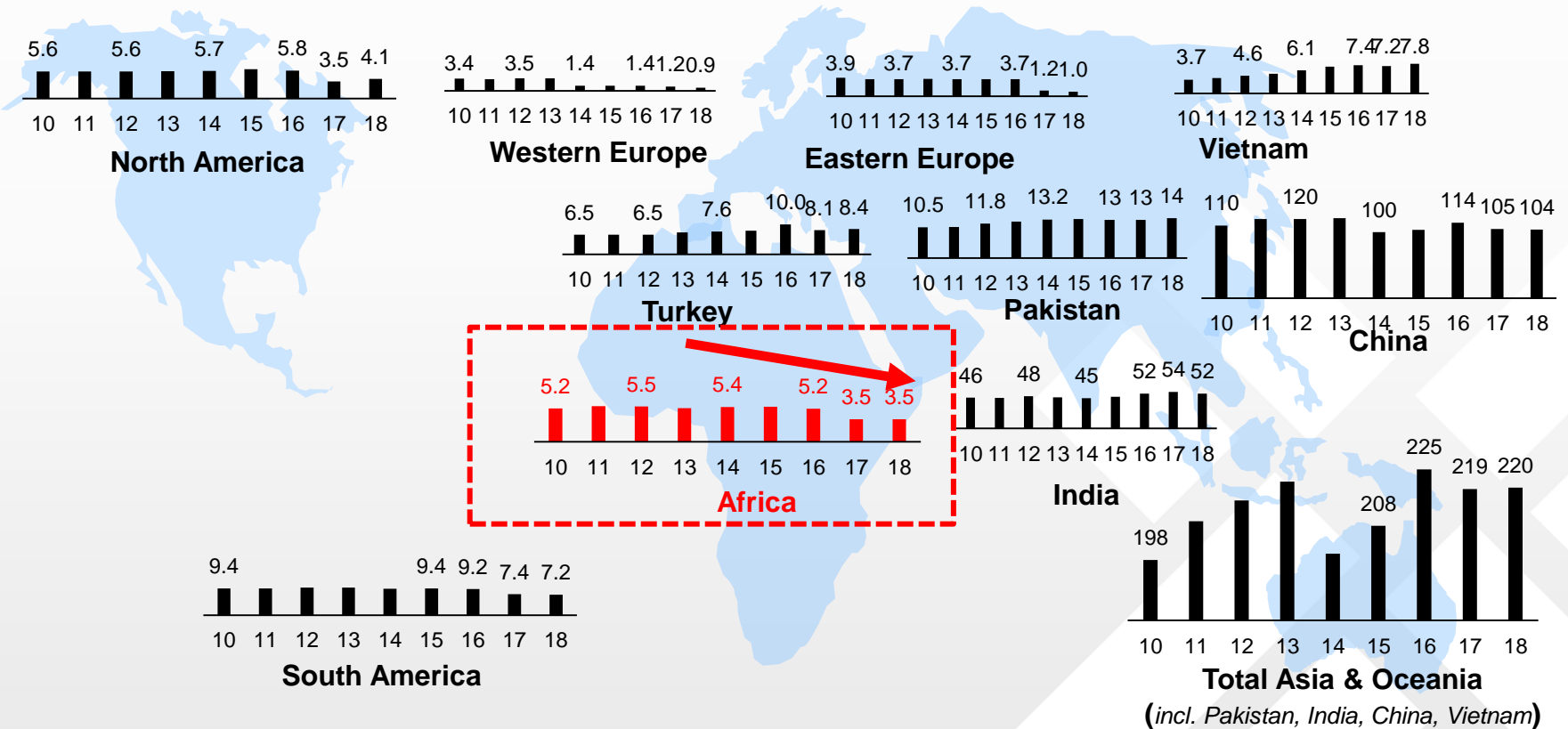
- Growing penetration with 90% market share
- Unorganised, Grey cross border trade
- 2nd hand clothing
- Emerging modern retail
- Shift towards RMG

- Driven by preferential market access to EU/US
- FDI driven
- CMT
- Interest from int'l buyers
- Global players enter
- Future integration

# Textile investments

## Ring spinning : Decline and stagnation

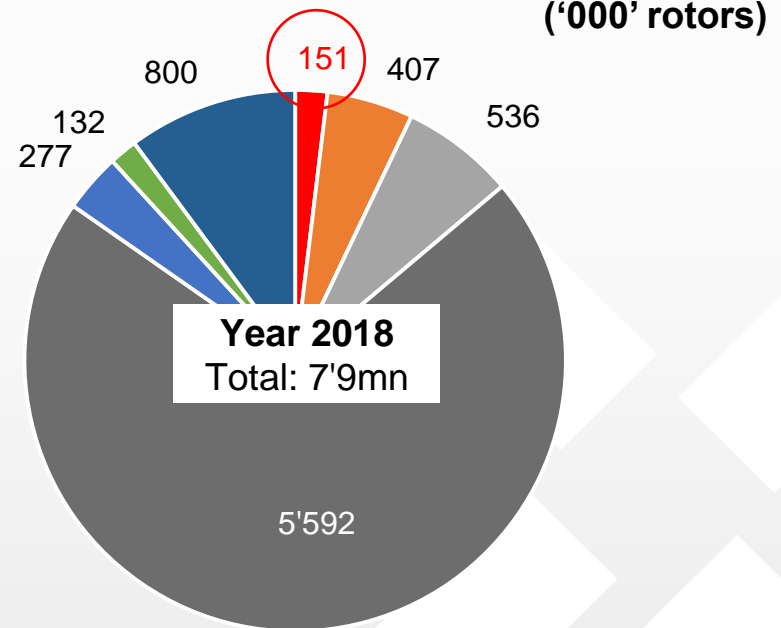
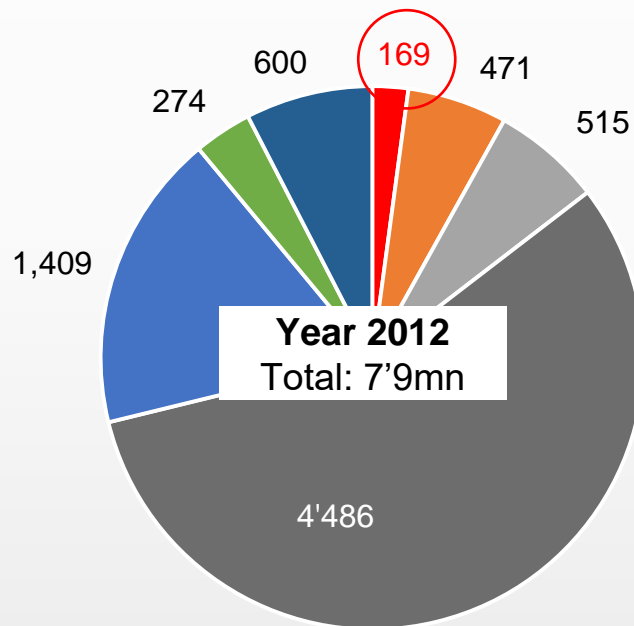
### World installed ring spinning capacity [mn spindles]: 2018



# Textile investments

## Ring spinning : Decline and stagnation

World installed rotor spinning capacity [mn rotors]: 2018



- Africa
- North America
- South America
- Asia & Oceania
- Eastern Europe
- Western Europe
- Europe Others

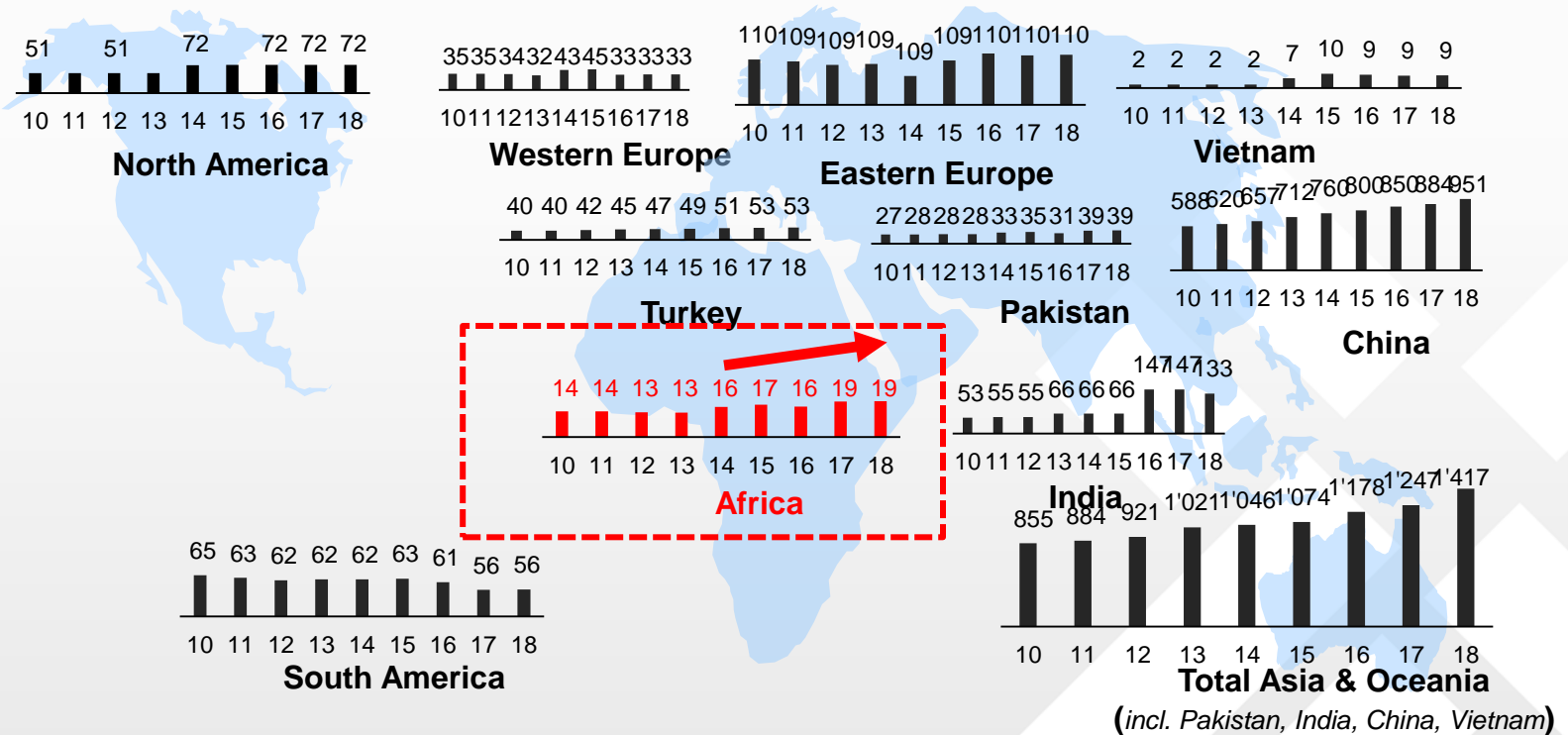
Source: ITMF

# Textile investments

## Shuttle-less weaving and circular knitting : show recovery (1/2)



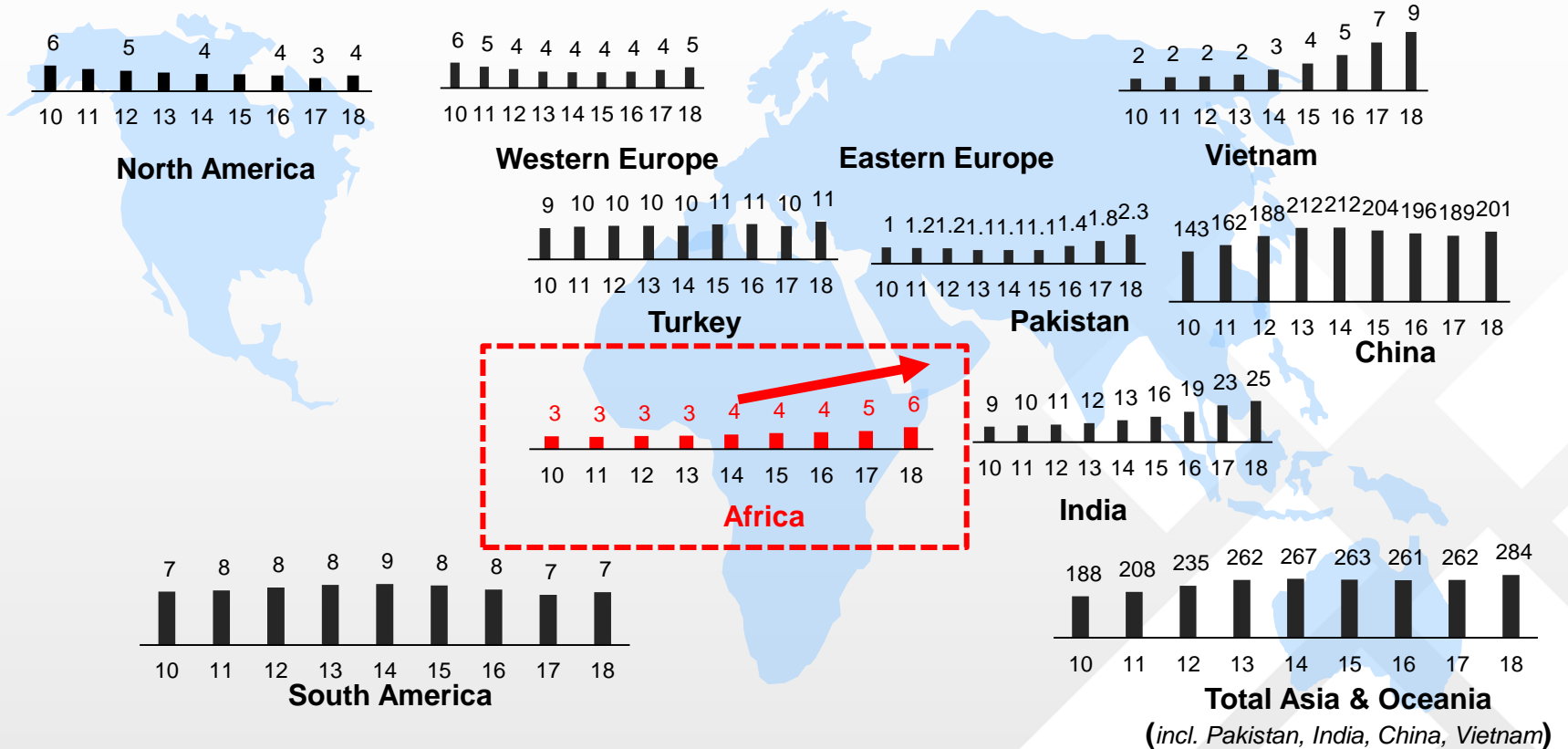
### World installed shuttle-less weaving capacity '000 mc's]: 2018



# Textile investments

## Shuttle-less weaving and circular knitting : show recovery (2/2)

### World installed circular capacity ['000 mc's]: 2018



# Textile investments

Significant potential for upgradation of technology across the production chain from spinning to processing and garment making (2/2)

1

80% companies recognise upgradation of technology as a priority



2

## Key stimuli:

- Quality
- Resource efficiency
- Sustainability



3

## Scope

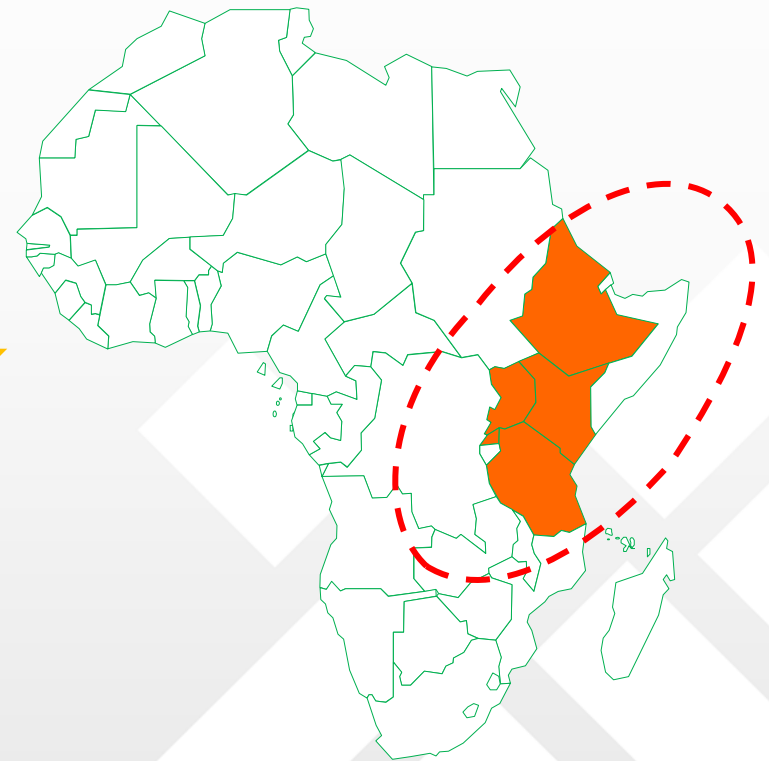
- Spinning
- Weaving/Knitting
- Finishing
- Confection



4

## Key challenges:

- Lack of finance
- High cost of borrowing (20% pa)
- Skills deficit
- Enabling environment



Source: ITC

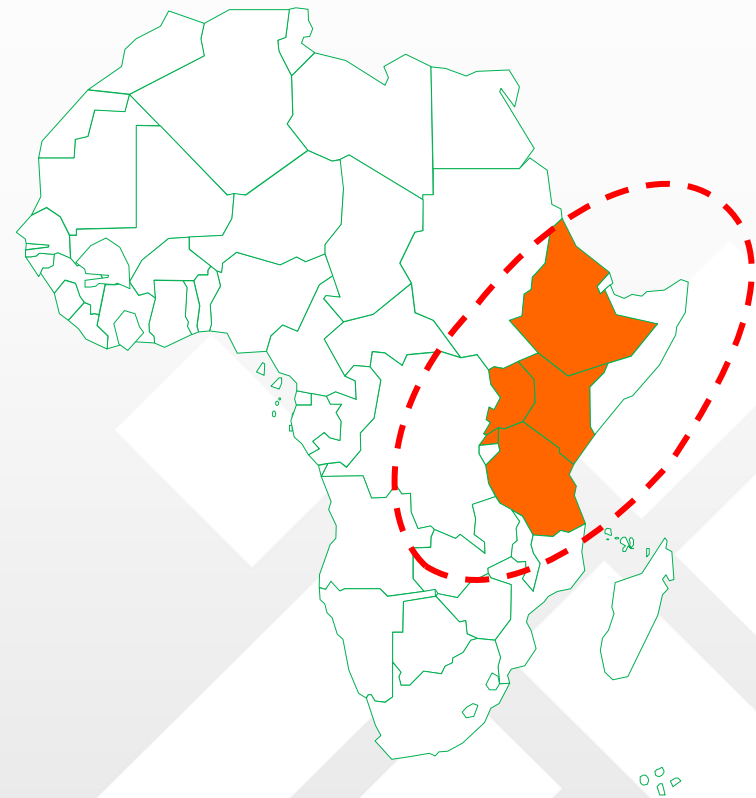


# Textile investments

Significant potential for upgradation of technology across the production chain from spinning to processing and garment making (2/2)

Degree of technological obsolescence			
	Age	Africa %	Asia %
Spinning	< 10 Years	23	50
	> 10 Years	76	50
Weaving	< 10 Years	50	70
	> 10 Years	50	30

Source: ITMF

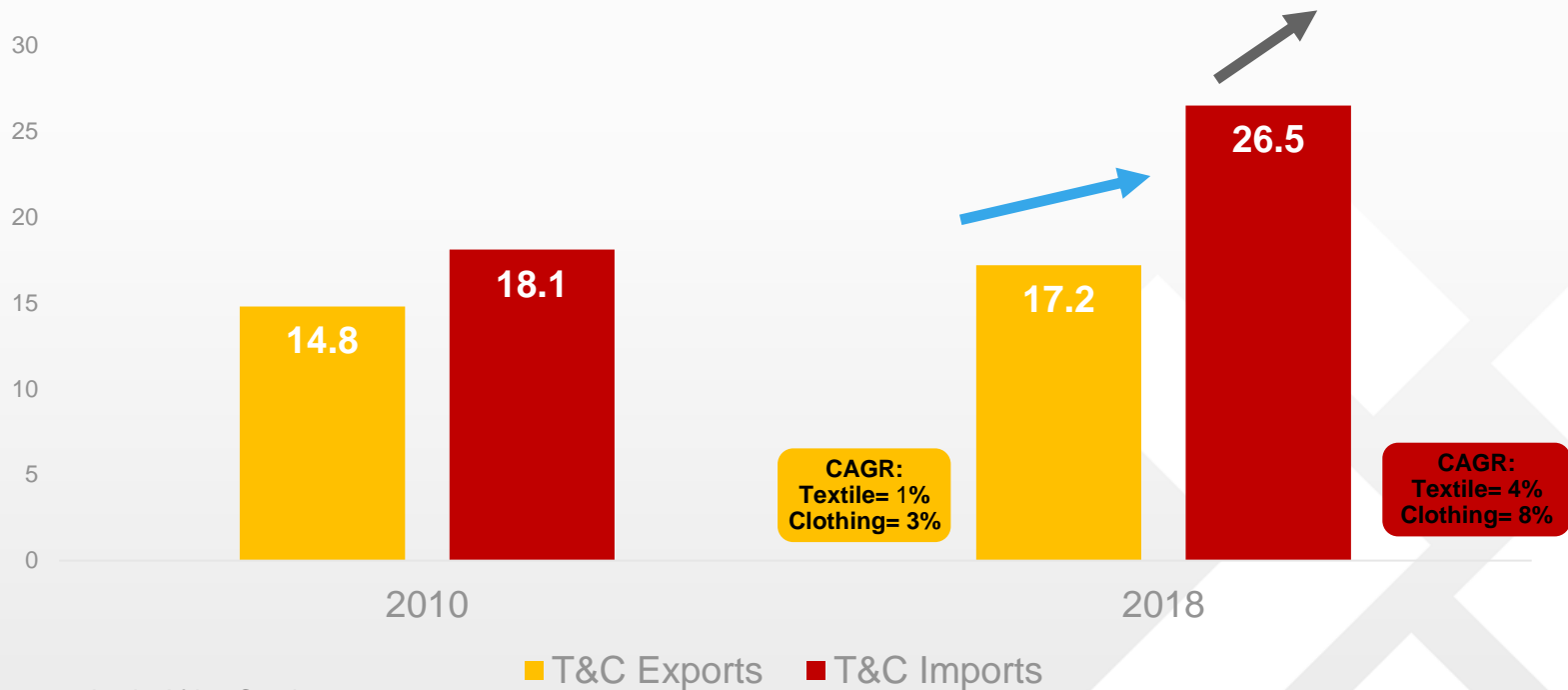


NB:112 out of 190 existing industrial T&C companies in 5 East African countries surveyed (Ethiopia,Kenya,Tanzania,Uganda,Rwanda)

# Textile & Apparel trade

Africa's global textile & clothing trade at US\$ 43 bn shows a growing deficit

Africa: Textile & Clothing trade deficit: US\$ Bn



\* All 54 countries in Africa Continent  
HS Codes: 50 to 63

Source: Comtrade

# New investment initiatives



Investment of € 1.25 bn to modernize Egypt's T&A industry announced at ITMA Barcelona 2019



- Ghana investment summit to attract FDI in textile industry



Projects worth \$ 500 mn announced at SICOT 2020, Koudougou, Burkina Faso



- Wuxi No. 1 inaugurates \$ 200 mn spinning project in Diredawa, Ethiopia. Phase 1 includes 100,000 spindles of total 300,000 spindles



Rivatex Kenya upgraded with capex of \$ 29 mn



- Made in Africa Inc acquires Vlisco Group with a \$ 190 mn Afriexim Bank facility

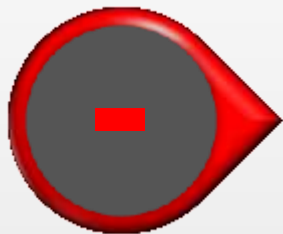


# Opportunities and risks

Opportunities in Africa are apparent however challenges must be understood



Trend



- Preferential market access to US/EU
- Interest of international buyers to diversify sourcing
- Large regional/domestic market
- Abundant manpower and land
- Raw material supply(Cotton) availability
- Incentives
- Upcoming industrial zones

- Enabling environment
- Cost of doing business
- Infrastructure
- Logistics
- Skills & Productivity
- Socio-cultural issues

Thank you!



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