



OPPORTUNITIES IN CHINA MARKET FOR SRI LANKA'S APPAREL

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1. MARKET OVERVIEW

1.1. Introduction

The design, manufacture and export of textiles and apparel products is one of the biggest industries in Sri Lanka, and one which plays a key role in advancing the economy. Sri Lanka maintains very good trade relations with China from ancient times, with Chinese travelers came to Sri Lanka through the silk route for trading. Sri Lanka signed a number of agreements with China during the recent visit of the H.E. the President of Sri Lanka to China and during the bilateral meeting, two countries agreed to establish two committees that would work towards a free trade agreement and this would give Sri Lankan products a wider access in the Chinese market.

China apparel industry is exhibiting a stupendous growth over the past few years, owing to increasing domestic market, increasing foreign players' participation and private players' expansion. Additionally, expansion of brands in lower-tier cities and opening of numerous new luxury stores in the country are taking the Chinese textile and apparel industry to new heights. Besides, as per analysis, Chinese apparel market is dominated by women's wear segment, which is expected to continue ruling in the future. Other segments such as sportswear and woolen & thermal wears are also expected to witness a rapid growth in the coming years. Considering the above factors, the total Chinese apparel market is projected to grow at a CAGR (Compound Annual Growth Rate) of around 7% during the forecast period 2012-2016. Therefore, Sri Lanka as a supplying partner of apparel to China can consume good trading opportunities. Objective of this report is to identifying the China as a potential export destination for Sri Lanka and enhance the export of apparel to Chinese market.

1.2. HS code description

HS 61 & 62 – Apparel

HS Code	Product description
HS 61	Articles of apparel, accessories, knit or crochet
HS 62	Articles of apparel, accessories, not knit or crochet

1.3. Global market size and trend for apparel, (last 5 years) value in US\$ thousands

Year	2008	2009	2010	2011	2012
Total import	346,654,839	311,925,212	339,535,172	390,603,674	384,583,422

According to the above table it is observed that import of apparel has a good position in the world nations by showing an import value increasement during last five years.

1.4. Main world importers of apparel (HS 61 & 62) value in US \$ thousands

Importers	2008	2009	2010	2011	2012
USA	76363556	66795357	75646794	81514136	80688749
Germany	30504998	30965830	32692631	38239235	33877534
Japan	24216340	24069826	25262227	31110939	32037455
United Kingdom	23427436	20765953	22041572	24889191	23754957
France	22341200	20250543	20690019	23497877	21051592
Hong Kong, China	17563369	14706372	15709269	16090500	15206924
Italy	16604070	14829577	15537955	17606344	14926296
Spain	14830428	12618613	13302590	15573343	13247882
Netherlands	10089652	9395022	10086427	11389135	10256195
Canada	7453455	6857129	7542858	8653902	8496336
Russian Federation	4225362	3674312	5552075	6741465	8184769

Belgium	9737187	8381598	7530856	8785958	7984948
United Arab	2617275	4676604	4807255	6126044	7179546
Republic of Korea	3993304	3161659	4124146	5722012	5899087
Australia	3901163	3714135	4439679	5354352	5583487
Austria	5750958	5038466	5218822	6032151	5380388
Switzerland	5361205	4860236	4907518	5697242	5316776
Viet Nam	212375	203799	289122	336607	4185093
China	2075670	1651745	2238244	3572325	4009904

Apparel products are mainly imported by world leading trading nations and high level of yearly imports are recorded by nations including USA, Germany, Japan, UK and France. According to the above table it figures out that China has the 19th market position among world apparel importers. China's import of apparel from world wide countries shows a considerable amount of improvement by recent five years time period. As such, Sri Lanka as a supplying partner of apparel to China, it has good market opportunities for apparel exporters.

1.5. Analysis of Sri Lanka apparel market

1.5.1. Sri Lanka's Exports of Apparel to World (HS 61 & HS 62), value in US\$ thousands

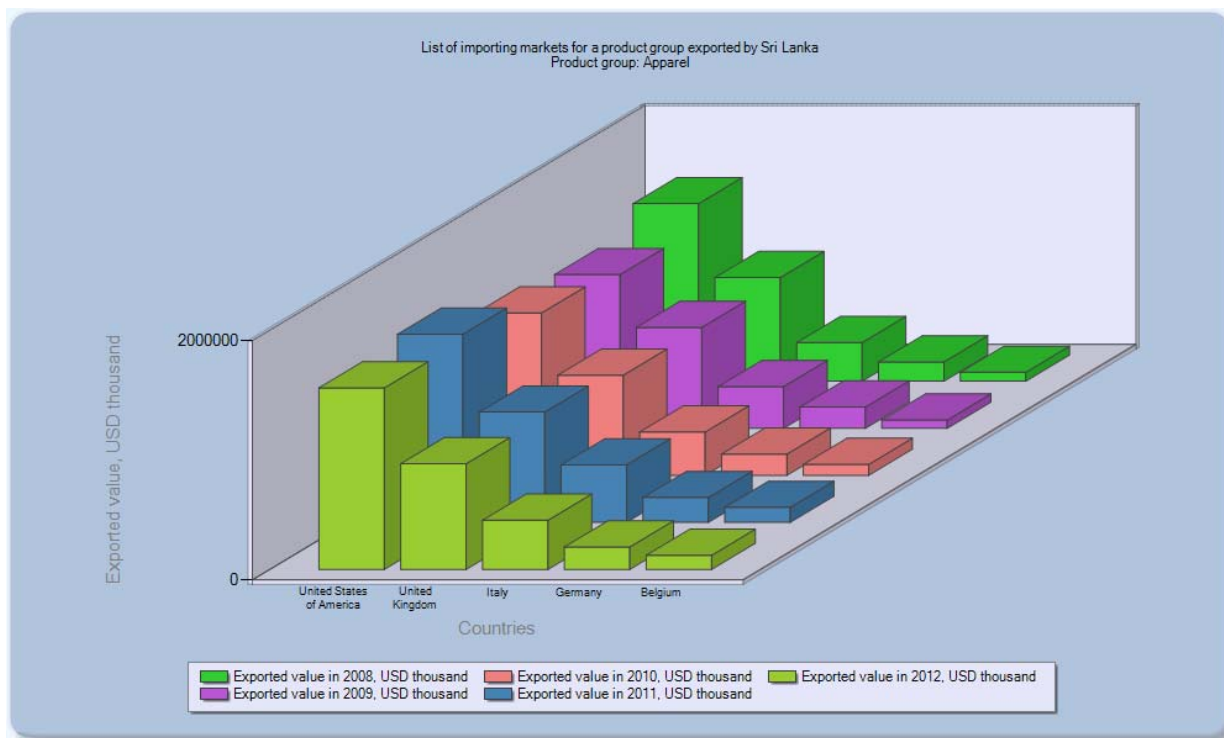
HS Code	2008	2009	2010	2011	2012
HS 61	1,677,609	1,581,368	1,634,380	2,111,620	1,965,208
HS 62	1,604,831	1,538,523	1,543,829	1,874,164	1,810,917
Total	3,282,440	3,119,891	3,178,209	3,985,784	3,776,125

Apparel is treating as the Sri Lanka's main export category it has good and affordable market position around the world. Above details figure out that more than US\$ three million worth of apparel are exported in each year to the world countries from Sri Lanka and it consist with two categories, HS 61 and HS 62. According to the available data HS 61 (Articles of apparel,

accessories, knit or crochet) has the more market share, compare with the HS 62 (Articles of apparel, accessories, not knit or crochet).

1.5.2. Main world importers of Sri Lanka's Apparel (HS 61 & 62), value in US\$ thousands

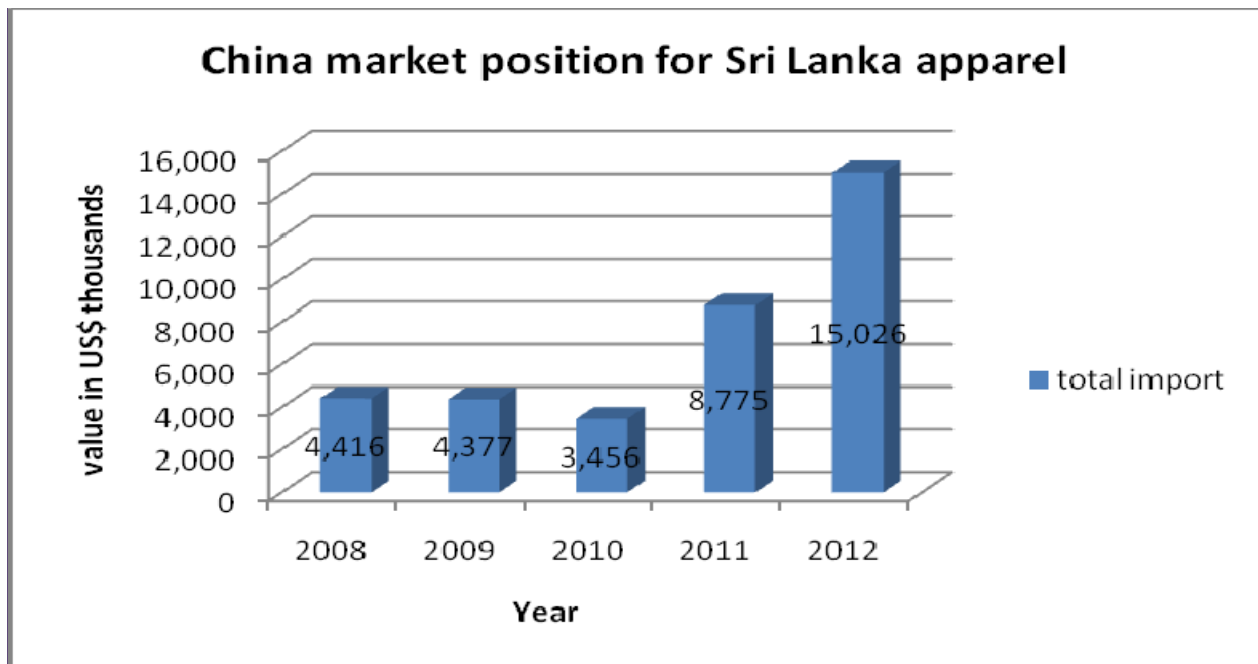
Importers	2008	2009	2010	2011	2012
USA	1485209	1285401	1357208	1572768	1517429
United Kingdom	867107	843864	837646	921682	883611
Italy	323866	349064	362003	480774	411252
Germany	161904	178112	177688	208029	187728
Belgium	75219	69404	91350	125768	118012
France	55030	56501	59521	81529	92075
Canada	47068	41766	55456	72230	76900
United Arab Emirates	7965	19273	24891	46085	43497
Netherlands	46940	59431	77388	69892	42648
India	5177	6813	13836	26559	39329
Australia	7918	9240	13765	23123	29140
Sweden	11135	11371	20702	35144	29125
Hong Kong, China	24539	17392	15080	26816	27197
Japan	11604	12412	19036	22982	27147
Slovakia	13119	19600	18671	28310	17811
Russian Federation	7175	5422	9036	14481	17289
Spain	24590	12995	11295	21052	16930
Mexico	10429	10198	10596	15928	15774
China	4416	4377	3456	8775	15026



When analyzing the above table and graph it can be noted that Sri Lankan apparel are imported by main word trading nations such as USA, UK, Italy and Germany. China is remaining at 19th position for Sri Lankan apparel. According to the past export data it can be identified that China has gradually increased the demand of Sri Lanka apparel for last five years. Therefore it is observable to the export partners that there is a strong market opportunity in China.

1.5.3. China market position for Sri Lankan apparel

Year	2008	2009	2010	2011	2012	% Average export growth
HS code						
HS 61	2,955	3,066	2,282	6,270	8,928	31.34
HS 62	1,461	1,311	1,174	2,505	6,098	
Import value in US\$ Thousands	4,416	4,377	3,456	8,775	15,026	



China as the 19th destination for Sri Lanka apparels it has considerable level of position among the other trading partners. Detail shows that export value for 2008 remain around US\$ 4 million and in 2012 it is more than US\$ 15 million by showing a average growth rate of 31.34%. When considering the two categories of apparel, it has good market in China for HS 61 (Articles of apparel, accessories, knit or crochet).

1.5.4. Sri Lanka's share in China apparel market

HS Code	Sri Lanka's exports to China			China's imports from world			Sri Lanka's share in China apparel market %		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
HS 61	2282	6270	8928	818220	1187148	1344679	0.28	0.53	0.66
HS 62	1174	2505	6098	1420024	2385177	2665225	0.08	0.11	0.23
Total	3456	8775	15026	2238244	3572325	4009904	0.15	0.25	0.37

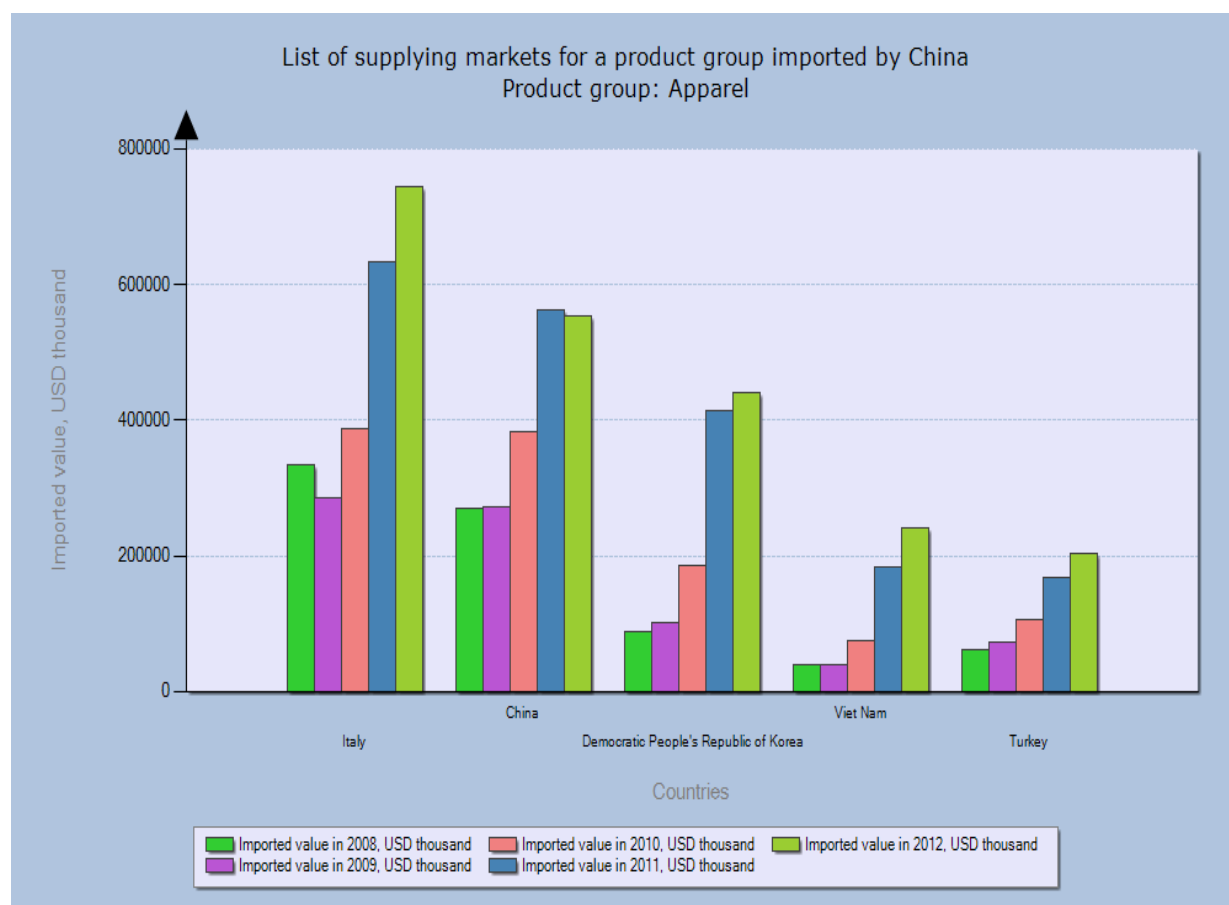
In the above table it has analyzed the relevant market share of Sri Lanka for export of apparel to China. Comparing the market share with world leading nation Sri Lanka is maintaining a small portion of percentage. However the market share has increased up to a certain level for each and every year. The calculated figure in 2012 is 0.37%.

1.5.5. Supplying partners of apparel to China (HS 61 & 62), value in US\$ thousands

Exporters	2008	2009	2010	2011	2012
World	2,075,670	1,651,745	2,238,244	3,572,325	4,009,904
Italy	334030	284660	386628	632416	744919
China	269353	270934	383396	562683	553833
DP Republic of Korea	87640	102066	186417	414294	439595
Viet Nam	39283	40466	75054	184384	241431
Turkey	60652	71982	105062	167535	204314
Republic of Korea	111522	96506	134455	170679	172441
Bangladesh	10998	19786	42401	103738	153019
Hong Kong, China	453303	169166	159100	149194	142057
Romania	48049	48257	64466	117450	128634
Japan	117366	106584	116226	135503	124196
Indonesia	26323	25576	36975	80597	110236
France	39293	38283	54653	82207	108868
India	20407	26738	40934	85488	94900
Cambodia	10333	10778	21665	51733	88124
Portugal	29470	31841	38843	59021	76265
Thailand	30745	40020	52754	73342	75967
Morocco	15199	22739	40362	52875	58359
Tunisia	18574	24950	30964	42211	50522
Spain	16177	23227	30260	40845	43593
Chinese Taipei	35255	28209	30131	40314	35939

USA	24364	15347	21227	23419	31523
United Kingdom	15529	10951	17250	33310	28760
Bulgaria	6508	10601	15056	26811	28506
Malaysia	11032	8657	10316	16275	23198
Sri Lanka	7247	8917	9354	17514	23136
Myanmar	222	475	1794	7015	21195

China is basically satisfying the apparel requirements via local production and rest is imported from other trading nations. Main supplying partners are Italy, Korea, Vietnam and Turkey. And Sri Lanka is remaining as the 25th destination for supplying of apparel to China. Even though Sri Lanka is having small portion of China market position, it is observable that import value from Sri Lanka has notable improvement for past five year's period. In 2012 import value from Sri Lanka is remain at more than US\$ 23 million.



2. TRENDS IN THE CHINESE MARKET FOR APPAREL

- The market for mature consumers continues to expand. With 300 million people over the age of 45, the potential of this market is huge. To tap this growing market, refined taste is the buzzword.
- Demand for underwear of better quality is on the rise. With the improvement in living standard, people now attach more importance to their undergarments. Comfortable, hygienic and well-designed underwear will secure good sales while inferior items will be forced out of the market.
- The consumption pattern and design of children's wear will undergo a complete change. In the past, little attention was paid to the design and health factor of children's clothing.
- Men's apparel is the highest growth clothing product category in China, growing at a rate of nearly 20%, trailed by women's and children's wear. But ladies wear and sportswear are expected to witness a rapid growth in the coming years.
- With a population of 1.3 billion and rapid economic growth, China offers the world potentially the largest consumer market for clothing and home textiles. China's large population, with its increasing textile and clothing consumption per capita year by year, also provides a lucrative business opportunity for the rest of the world.
- China's per capita fiber consumption increased from 4.1 kg in 2000 to 20.3 kg in 2008.
- It is estimated that obese population in China has reached 325 million. This has resulted in an increase in demand for plus-size clothing.

- China's apparel industry has tripled in market size over the past decade, reaching 400 billion Yuan (\$63 billion) by the end of 2010, and it is expected to grow threefold again over the next decade to hit 1.3 trillion Yuan by 2020.
- The Chinese apparel sector is expected to post a 23 percent compound annual growth rate (CAGR) during 2012-15.
- Chinese clothing sales increased 21.2% in 2008, with branded fashion and fast fashion leading the way. Around 80% of clothing is bought for Chinese consumers above the age of 20.
- Affordable fast fashion is a relative term among young Chinese. A \$35 H&M sweater is a bargain in the West, but per capita disposable income in Shanghai, China's wealthiest city, was just \$5,760 in 2011.

3. INTERNATIONAL APPAREL BRANDS IN CHINA MARKET

Men's wear	Casual wear	Child wear	Ladies wear	Sports wear	Under wear
Dunhill	Uniqlo	Bobdog	Dior	Nike	Triumph
Hugo boss	Zara	Mickey	Chanel	Adidas	Wacoal
Armany	C & A	Nike kids	Prada	Puma	Audrey aubade
Valentino	Ck jeans	Adidas kids	Gucci	Umbro	Ordifen
Ralph lauren	Levi's	Les enphants	Burberry	Reebok	Peach john
Zara	Lee		Maxmara	Converse	Etam lingerie
H & m	Wrangler		Versace	Fila	Ck underwear
JACK & jeans	Tommy hilfiger		Etam	New balance	
Gieves & hawkes	H & M		Sisley	Kappa	

4. SOURCES

- www.trademap.org
- Sri Lankan custom statistics

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