Textile companies continuing to fail

By Charlotte Mathews

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Factory closures and retrenchments are continuing in SA's clothing and textile sector but consumer demand remains solid and the rate of collapses seems to be slowing.

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Credit: Suat Eman

In the past two months the 45 year-old East London maker of trimmings and tapes, Castellano Beltrame, was put into provisional liquidation, and Cape Town-based textiles company SA Fine Worsteds has warned employees it will be closing its two factories.

MD Peter Koning says SA Fine Worsteds is export-oriented and in the past 12 years employment numbers have shrunk as production changed from long runs to short runs of high-fashion fabrics.

Willie Fourie, head of the Industrial Development Corporation's (IDC's) textiles and clothing unit, says he will not be surprised to see more company collapses, particularly because of rand strength. But there are several companies doing “relatively well under the circumstances”, mainly those that are flexible and working closely with their customers.

Persistent industry weakness defied supportive actions such as: government restrictions last year on the duty credit certificate scheme, which allows exporters to gain credits on certain imports; a hike in import tariffs to 45% on certain specified clothing items; and a crackdown on illegal imports by customs and excise.

The continuing company failures also contradict recent trading statements from SA's biggest retailers showing that clothing was one of the best-selling categories at the end of last year.

National Clothing Retailers Federation (NCRF) executive director Michael Lawrence says retailers were initially nervous because of the shorter holiday, as the retail trading season traditionally lasts until the schools reopen, but it was not as bad as expected. There was some “trading down” from the top end of the market, which benefited the NCRF membership as it sits between the informal retailers and exclusive boutiques.

This year, clothing retailers expect consumer confidence to benefit from enthusiasm over the Soccer World Cup and more sophisticated spending patterns, as consumers are no longer over reaching themselves.

“We are quietly confident about clothing sales, but that is partly dependent on the continuing knock-on effects of unemployment and electricity price hikes,” Lawrence says.

Although about 70% of SA's clothing sales are imports, Lawrence says informal research suggests SA's formal retail sector has been growing spending on locally produced items every year for the past three or four years. Various retailers either had their own manufacturing arms, or invested in manufacture on an enterprise-development basis.

“There is a huge upside for them if they can source locally, as local manufacturers learn to be more efficient and reliable,” he says.

The latest IDC “Trends in South African Manufacturing Production, Employment and Trade” report shows that in the first half of last year, SA's exports of wearing apparel plummeted 15%, but imports rose 19% in rand terms. The sector's production levels dropped 8,9% compared with the first half of 2008 and employment levels fell 15%, to below 90000.

The South African Clothing and Textile Workers Union (Sactwu) estimates 13400 jobs were lost in the sector in the first 11 months of last year.

In the mid-2000s, the industry was losing about 20000 jobs a year, but in the past three years this has dropped to between 12000 to 14000 a year, Sactwu researcher Etienne Vlok says.

The slowing rate of attrition can partly be attributed to the fact that the industry is smaller, but also to a more aggressive interventionist policy by the government. But more needs to be done, says Vlok.

Under-invoicing is still blatant. Sactwu's analysis of South African Revenue Service average figures for clothing imports shows, for example, that men's viscose suits are being imported from Vietnam at R5,26 each.

There needed to be more high profile arrests and convictions for customs fraud. Other Sactwu recommendations to the National Economic Development and Labour Council, such as having dedicated ports of entry for clothing and textile imports, should be implemented, Vlok says.

Source: Business Day