

**ANALYSIS** December 7, 2022

## **Inflation, recession hamper growth vision for Africa clothing sector**

Investment in growing Africa's clothing sector is being stunted as consumers cut spending on the back of rising inflation and concerns of a looming recession.

By Paul Cochrane

---





The US and Europe, two primary export markets for Africa, are seeing their consumers reduce spending as inflation and recession concerns grow, hampering a rebound for the textile and clothing sector following the Covid-19 pandemic.

The region experienced strong export growth in the first three-quarters of 2022 after a tightening of retail demand in Europe and the United States on the back of the Covid-19 pandemic. But progress appears to be halting as once again spending slows on weakening consumer confidence.

For clothing and textile producers in Africa, it is impacting investment to bolster capacity despite growing interest by international brands in diversifying sourcing away from Asia and China especially. In sub-Saharan

---

which allows duty-free access to the US market, is renewed in 2025, after upcoming presidential elections in 2024, when protectionism may be on the ballot.

For the time being, says Paul Ryberg, president of the African Coalition for Trade in Washington DC: “It is pretty much business as usual across the continent. Trade flows [in Africa] over the last six months have seen 25% growth month-on-month but a worldwide recession may have an impact.”

Currency shifts are another wild card, with clothing manufacturers from Africa currently contending with weak currencies especially versus the US dollar, but also to some extent the Euro. Also, rising inflation across most of the continent has been impacting input costs alongside weak domestic currencies, says Navdeep Sodhi, a partner at the Switzerland-based Gherzi Textil Organisation. The continent predominantly imports textiles, yarns and dyes – 80% of African cotton is exported, he notes.

As for the general trends, clothing manufacturers in North Africa, particularly in Morocco and Tunisia, have had strong demand this year from European buyers, but this may not last: “The order books are quite full now but might not be for next year. It doesn’t look that good in the medium term as the mood in Europe, as in the US, is a bit bleak,” says Matthias Knappe, senior officer and programme manager for cotton, textiles and clothing at the International Trade Centre, speaking at garment and textile exhibition, Destination Africa.

## **Buyer hesitation to grow orders from Africa**

There has been growing interest from European retailers and brands to near-shore production to Tunisia and Morocco especially. “There is some interbalancing going on, with interest from European countries to better understand north Africa. We had a business-to-business mission from

---

visited Tunisia in November, where they had never sourced from before, so there is interest in the region,” he adds.

Given the expectation of a slowdown in US and European consumer demand, north African clothing companies are however hesitant to expand capacity in the short run to meet potential demand from new customers, he says: “Some of the larger companies have told us that as their order books are full right now, if they do promotional activities [to get new orders] they can’t commit [additional] capacity right now,” says Knappe.

Egypt is in a similar position to its northern African neighbours, with 2022 having started well.

“Demand was up, but the situation started to change due to the impact of the invasion of Ukraine, and fears of recession from the middle of the year onwards,” says Samer Riad, general manager of the Riad Group, a vertically integrated textile and apparel producer in Cairo.

There had been growing interest in sourcing from Egypt as retailers diversify. “There has been more near-shoring [in orders], with the idea of not being dependent on one sourcing country in east Asia manifesting itself in Europe. This works in our favour, but it will be more long-term. There is not great will [by Egyptian companies] to invest in expanding capacity in the current [economic] environment,” says Riad.

West Africa is also emerging as a hub, with the Dubai, United Arab Emirates (UAE)-based Arise Group investing in industrial parks in Togo and Benin to utilise the region’s cotton, low energy and labour costs, as well as the relative proximity to Europe and west Africa’s populous local markets.



---

regional cotton sourcing, with West Africa producing two-thirds of African cotton, and logistics, with distances shorter to Europe and with port access, which is an edge over Ethiopia,” says Sodhi.

Ethiopia, which had been one of the continent’s rising garment manufacturers, is still reeling from a two-year civil war over 2020–2022, which has potentially ended with a recent peace deal, and its removal (along with Mali and Guinea) from the AGOA trade preference programme by the White House in January (2022).

## **AGOA withdrawal impact on Africa clothing sector**

After Kenya, [Ethiopia was the second largest garment exporter under AGOA until its suspension](#). Madagascar has now taken the second spot, “but not due to a drop in Ethiopian exports, but growth in its own sector,” says Ryberg.

Trade figures have not yet shown a drop in Ethiopian exports, but there is no data on the number of factories that have stopped production, adds Ryberg. Ethiopia’s exports may have continued due to it being a low-cost producer, with manufacturers able to absorb paying duty in the United States. “We will see in a month or two whether the suspension is reflected in trade data,” he says.

There is the expectation that production has been hard hit, however. US fashion giant PVH, which had been central in bolstering Ethiopia’s garment manufacturing when it entered the east African country in 2016, closed its manufacturing factory in the Hawassa Industrial Park in November 2021 due to the conflict.

Some manufacturers have had factories destroyed: “My factory in the  ay region was burned down,” says Kumara Kahadugoda, managing

---

Other companies however are committed to expanding activities in the country, with South Korea's Shints, a garment manufacturer, telling Just Style that sales were up 30% this year and that it intends to increase the number of employees from 5,700 to 45,000–50,000 by 2027.

With a peace treaty signed in November between the Ethiopian government and the Tigray People's Liberation Front (TPLF), there is an expectation, says Ryberg, that Ethiopia may be reinstated in AGOA at the US–Africa Leaders Summit, in Washington DC, in December.

But even if Ethiopia is re-admitted to AGOA, it will take time for its clothing and textile manufacturing sector to rebound. Knappe recalls comments from an Asian company that it would take up to a year for its mothballed Ethiopia factory to get back in operation. A decision on reopening might be taken only once the future of AGOA is known, he says.

Moreover, the whole AGOA treaty is up for renewal in 2025, and with US politics in flux, “There is some nervousness about placing major new product lines in Africa with only two and three-quarters years left of the Act,” says Ryberg.



---

---

## Related Companies



INSPECTORIO  
**Cloud-Based Software for Supply Chain Management**

[VISIT PROFILE](#)

---



EXENTA FROM APTEAN  
**High-Performance Software Platforms for Apparel Manufacturers**

[VISIT PROFILE](#)

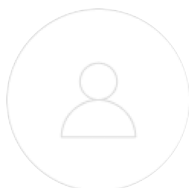
---



WFX (WORLD FASHION EXCHANGE)  
**Cloud-Based Software for Fashion Brands, Apparel Manufacturers, and Consumer Goods Businesses (PLM, ERP, Virtual Showroom, Smart Factory, etc)**

[VISIT PROFILE](#)

---



**Paul Cochrane**

---

---





**Balena debuts 100% biodegradable plastic footwear**



**Bestseller will help power up suppliers in Bangladesh**



**Lenzing, Renewcell in supply agreement to drive circularity transition**

---

## GlobalData Reports

[SEE ALL](#)

There aren't available reports.

Receive our newsletter - data, insights and analysis delivered to you >

[View all newsletters >](#)

### Just Style

[About us](#) [Advertise with us](#) [Contact us](#) [Editorial approach](#) [Newsletters](#)

[Our marketing solutions](#)

### Social





---

**Legal**

[Privacy policy](#) [Terms and conditions](#)

Apparel sourcing and textile industry news & analysis

© COPYRIGHT 2022, ALL RIGHTS RESERVED

Powered by **VERDICT**

