



NEWSLETTER

DECEMBER 2022 EDITION

NEWS IN BRIEF

CB Governor tells exporters to come clean on conversions: SLEA Chief wants extension



Central Bank Governor Dr. Nandalal Weerasinghe

Central Bank Governor Dr. Nandalal Weerasinghe last week called on exporters to be open and transparent on export proceeds and conversions, and called on industries to improve their reputation in order to receive better support from regulators.

Addressing the Sri Lanka Apparel Exporters Association (SLAEA) Annual General Meeting, the Governor said: “The allegations you are keeping money out is bad for the industry,” adding the Central Bank alongside Treasury needs to better understand what is happening. Notwithstanding that, Dr. Weerasinghe was also appreciative of the apparel industry’s continuing assistance to the nation during the ongoing crisis.

“In difficult times, when we needed urgent assistance in terms of currency to pay for a shipment waiting out there including demurrages, they have been forthcoming, which we appreciate,” he said.

Addressing the membership and its guests that included US Ambassador Julie Chung, SLEA Chairman Indika Liyanahewage, made representations on behalf of These included providing additional meals the industry to the Governor, seeking his support to secure the future of the industry to deliver \$ 8 billion in revenue. He expressed complete confidence in the industry’s capacity to meet the target, but said it was more a question of ‘when’ due to prevailing challenges in the market.

Outlining five pain points, Liyanahewage said: “We would like tax numbers to be revised, as 30% is a figure we haven’t heard of hitherto in this industry. For our industry to be competitive we need to offer a competitive price, and this tax impacts cost per minute. If income tax is over 36% it will lead to further brain drain of our knowledge workers who we continue to invest in.

“They take our dollars and knowledge which is our competitive advantage. Free Trade Agreements are extremely important for us and would help us grow value addition beyond 55%. We need new labour regulations, and we welcome the suggestions made by the President.”

Source: Daily FT



SLAEA Chairman Indika Liyanahewage



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In addition, the SLEA Chairman requested the Governor to increase the time allowed for Mandatory Conversions to two months to support business cycles and requested a review of arbitrary new charges imposed at the Colombo port for imports. “We know you have to make unpopular decisions, but you don’t have to make unfair decisions. Our sector is very efficient. When we are charged 36% taxes; they are paying for some inefficient workers in another sector,” he added.

As has become customary, Governor Weerasinghe explained it is the Central Bank’s business to determine monetary policy and financial system stability and said industry must address much of its pain to the relevant line ministries.

“Have you ever seen the Head of the Monetary Authority in the US, or the industry in the US asking for tax concessions from the head of its Central Bank. This doesn’t happen anywhere. FTAs, labour reforms, taxes; there are established institutions to handle these. People and businesses in Sri Lanka think for anything you need a concession go to the Central Bank. But they never asked the Central Bank why it was printing so much money.”

Dr. Weerasinghe advised the industry to address their issue of taxes to the Treasury. However, he noted that given the deficit he likes this government budget which promises increased revenue. “But how they do that is up to them.” He stated that without addressing the issue of revenue-based fiscal consolidation, it is difficult to envisage a future.

Alluding to comments made by a speaker at a different forum, the Governor said brain drain is not caused by taxes but instead a lack of confidence in the country and its future. He also stressed the importance of keeping the door open and providing adequate opportunities for Sri Lankans to return to the country in time to come.

“In the time of crisis people are going. But you must keep the door open for them to come back. They will gain new knowledge and technologies. If you close the door then the brain drain is permanent.” He also underscored the need to open up Sri Lanka’s market through FTAs and other means, as protectionism breeds inefficiencies and costs.

On mandatory conversions – which does come under Central Bank purview – the Governor said despite industry saying 55% value addition, the data only points to 14%. He said the numbers were up for discussion, but remarked such incidence fuels the negative perception on the industry that it is holding export proceeds outside the country. He said some reports suggest that over \$ 35 billion have been held outside over the past 15 years.

“This is where perception in the industry is pretty bad. They say exporters are keeping money abroad. Come clean that you are not doing that. Be transparent. We are struggling to finance essential items for people and even for you to operate. We have facilitated all your requests during the crises. Your industry and other industries all use the same public resources.

“Taxation must be fair. I appreciate your target of \$ 8 billion, but that is also because you want to advance your business and earn more. Countries like Vietnam and Bangladesh are growing not because of less tax, but because of ease of doing business and reforms that have been key to reduce costs,” the Governor explained

Batik In Fashion Again?



With the world leaders and other diplomats donning batik during the recent G20 summit on the Indonesian island of Bali, the wax-resist textile has come under spotlight once again.

Customary batik shirts were worn by numerous dignitaries at the recent G20 summit in Bali, Indonesia. Indonesian President Joko Widodo welcomed the leaders wearing an udeng cap and a saput skirt, used for the special occasions like Balinese religious ceremonies, while fashionable batik scarves were given to delegates as a welcome gift.

The majority of the group of twenty leaders were also seen wearing brightly coloured outfits decorated with floral designs. Prime Minister of the Netherlands Mark Rutte and Australian Prime Minister Anthony Albanese wore attire that paid homage to the country hosting the meeting, as is customary at these gatherings; in this case, long-sleeved batik shirts with floral or botanical motifs.

Even Elon Musk, the new owner of Twitter, who joined the conference digitally, wore a green Bomba batik shirt. In short, the G20 summit has brought focus again on batik, which was named by UNESCO in 2009 as a 'Masterpiece of the Oral and Intangible Heritage of Humanity' because it is a highly developed Indonesian craft.

What is batik?

It is a wax-resist dyeing process that is used to colour complete fabrics or fabrics created using this method. The term 'batik' is derived from the Javanese words amba (meaning 'to write') and titik (meaning 'dot') or maybe from the word beCk (meaning 'to tattoo'). The word, which is sometimes written battik, was first used in English in the Encyclopaedia Britannica of 1880. As mbatek, mbatik, batek, and batik, it is documented in the Indonesian Archipelago throughout the Dutch colonial era in a variety of forms.



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In batik, the artist either prints the resist with a copper stamp known as a cap or creates dots and lines using a spouted tool called a canting. The cloth can be dyed selectively by the artist by soaking it in one colour, removing the wax with boiling water, and repeating if various colours are needed because the applied wax resists dyes.

Although experts debate on the exact origins of batik, Dutch documents from the 17th century make reference to “fabrics richly adorned”. According to some experts, batik was originally a royal Javanese art form.

Other experts dispute the notion that batik was primarily used by royalty and believe that the rakyat, or common people, frequently used it. For Central Javanese women, the ability to operate a canting—a pen-like tool used to apply wax to cloth—relatively well was seen as a vital component of a young woman’s accomplishment, at least on par with cooking and other domestic skills.

Everywhere throughout Indonesia, especially for significant events, batik is worn. It is a significant aspect of Indonesian culture and is present in all aspects of the people’s daily lives. Batik patterns frequently incorporate Chinese dragons, phoenixes, and copper coins. A number of handicrafts, including apparel, handbags, and coin bags, have integrated batik patterns, which are typically seen on fabric or cloth.

What are the different batik patterns?

The batik tradition has been handed down in Indonesia from one generation to another, evolving from the traditional hand-drawn to a more modern fashion symbol. There is evidence that batik patterns have been a part of Indonesian culture since the fifth century. Since then, the complete human life cycle—birth, marriage, and death—has been portrayed using the wax-resistant dyeing technique. It was initially solely worn by royal families when unique theme designations known as batik parang were allocated to each member of the lineage such as monarchs, princes, and nobles.

There are several batik designs, and each one has a corresponding meaning. In fact, some designs have distinct meanings and are intended for particular purposes. For example, the parang geometric batik pattern which features long, narrow symbols resembling a sword, or the letter ‘S’, is viewed as a sign of security and protection. According to mythology, Panji, a Javanese prince, was shielded because of the parang batik on his clothing.



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However, the most popular batik print for weddings is ‘Sekar jagad’, which features floral motifs and expresses love and joy. ‘Ulamsari Mas’ is a different well-liked batik pattern. With pictures of shrimp and fish, it demonstrates fascinating themes. Due to the island’s abundance of marine life, one of the Balinese people’s main sources of income is fishing. To express their appreciation for the island’s natural riches, including fish, shellfish, and raw materials, the people of Bali produced this batik. Ulamsari mas designs thus reflect the way of life and wealth of the Balinese people.

The batik fabric is also utilised in funeral rituals, specifically as a body cover. The slobok motif represents loss. The hope that spirits would have a pleasant and painless journey to God is symbolised by this batik design.

Today, batik designs and fabrics are also seen in many nations, including Nigeria, India, Indonesia, Singapore, Malaysia, and Bangladesh.

Source: Fiber2fashion



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GLOBAL TECHNICAL TEXTILE MARKET ON UPSWING POST PANDEMIC: STUDY



When it comes to engineered products with non-aesthetic purposes, where function is a primary criterion the technical textile market reigns supreme over traditional textiles every time. Manufactured using natural as well as man-made fibres such as Nomex, Kevlar, Spandex and Twaron that exhibit enhanced functional properties such as higher tenacity, excellent insulation and greater thermal resistance, the global technical textile market is in good shape these days.

The technical textiles market is expected to grow significantly to reach a CAGR of 6.2 per cent by 2025, says a report 'Global Technical Textiles Market'. The niche market includes textiles for automotive applications, medical textiles, geotextiles and for protective clothing such as heat and radiation protection, molten metal protection for welders, stab protection and bulletproof vests and spacesuits among other uses. This segment is now coming into its own by using both synthetic and natural fibres for chemical processing to make high-performing textiles of far greater quality and strength than traditional textiles.

Source: Fashionating World
(FRIDAY, 16 DECEMBER 2022)



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Hi-tech speciality fibres is the focus

The pandemic may have led to reduced growth but due to increased demand for medical garments such as masks and gowns made using technical textiles, there was always a glimmer of light in the middle of darkness for the technical textiles market. Technical textiles which were earlier a sunrise segment came into their own during the Covid-19 crisis with mass production and export of medical equipment including N95 face masks and protective gear among others.

The number one market driver for is global increase in awareness and demand for technical textiles. As there is an increase in awareness about the quality, functionality, and availability of technical textiles, demand for product has increased as well. More and more consumers are demanding flexible, durable, high-quality, and high-strength textiles. Whether it is for activewear, undergarments, or medical apparel, technical textiles are superior to traditional textiles.

Many countries are now focussing on setting up manufacturing units for technical textiles and moving away from traditional textiles as their quality and not quantity keeps raking in profits. Invention of speciality fibres and including them in all segments is increasing their popularity for the future. The Asia-Pacific has seen the maximum growth in this sector and captures the largest market share due to rapid urbanisation, technological advancements in medical, automobile and construction industries and also fuelled by easy production, low-cost labour and conducive government policy support.

Asia Pacific markets the growth drivers

Asia-Pacific has seen tremendous growth in this sector and captures the largest market share due to rapid urbanisation and technological advancements in the medical, automobile and construction industries. This is further catalysed by easy production, low-cost labour and conducive government policy support. Industry analysts feel that the Asia-Pacific region has 40 per cent of global market, while North America and Western Europe have around 25 and 22 per cent respectively.

However, it's not a walk in the park for the technical textile segment as it has to cope with many restraints. High manufacturing and production costs of the textiles due to sophisticated manufacturing infrastructure and expensive raw materials needed make the finished products produced expensive as compared to traditional textiles. The pricing structures for the finished products are sometimes not worth the high production costs, which discourages many manufacturers.

There are also many environmentally friendly criteria mandates to deal with which regulate the technical textile manufacturing materials and this is different in every region. The technical textile market is expected to be on an upward swing during the forecast period until 2025 with key market players pitching in such as Asahi Kasei (Japan), DuPont (US), Mitsui Chemicals (Japan), Berry Global Group (US), and Freudenberg & Co. (Germany) among others.

AMIDST FEAR OF ECONOMIC CONCERNS, GROWTH IN DISCOUNT SALES BOOSTS CONFIDENCE OF US RETAILERS



Shopping in the US from Thanksgiving to Cyber Monday was up four per cent year on year. This has boosted retailers' confidence despite inflationary pressures and economic concerns. Across each major event, the proportion of sales with a markdown increased, reaching a peak on Cyber Monday at 61 per cent. Inflationary pressures led to an increase in selling prices each day, culminating in a seven per cent uptick compared to last year's sales.

Average order values were boosted three percent year on year while units per order fell below 2021 results and heavy markdowns resulted in profitability declining ten percent year on year. Cyber Monday sales enticed the highest rate of new shoppers at 44 per cent. More VIP customers shopped compared to last year, with Thanksgiving the most appealing day for this cohort as retailers rewarded loyalty with access to Black Friday pre-sales and exclusive offers.

Average discount per cent increases over previous year !

While retailers were able to be more reactive with fulfilling orders on Thanksgiving, shaving off half a day versus 2021, the demand from competitive discounts made it harder to keep up, causing average shipping times to reach two and a quarter days by Cyber Monday. Nearly half of US retailers' assortments were advertised as marked down on Black Friday, with an average reduction of 49 per cent, higher than the previous two years. The deepest discounts were saved for Cyber Monday, where the average climbed to 50 per cent, a four-year high for the event. The most popular discount brackets retailers participated in on this day were also more aggressive than in previous years – between 70 per cent to 80 per cent off.



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Combined with inflation, increased inventory levels from misjudged consumer demand and cautious holiday spending appeared to influence these competitive markdowns as retailers held seven per cent and ten per cent more styles stocked online vs. Black Friday in 2021 and 2020. The 40 per cent to 50 per cent bracket was the most common among retailers. However, the overall market opted for lower discount bands to protect margins on newly marked-down styles amid growing supply chain costs, with only 22 per cent of products experiencing a first reduction of over 50 per cent.

As the cost of living crisis will continue into 2023, discounting strategies next year will have to offer heavy reductions to entice consumers, so brands will need to forward plan assortments to build discounts into margins. Across Black Friday deals, tops accounted for the highest proportion of products marked down.

Retailers went steepest on bottoms, underwear and hosiery across the four days. Aéropostale drove heavy markdowns on bottoms, putting all of its jeans on sale for an average discount of 60 per cent off. Underwear and hosiery allow enticing discount depths without significantly damaging margins and offer low-priced add-on sales to meet price thresholds.

- **Blanket discounts and sale-on-sale dominate**

However, the most significant proportion of discounted ranges happened in January. This indicates retailers marked down a broader range of goods at a subtler discount to move stock at the start of the year without impacting margins as harshly and saved more targeted price cuts for buzzier, clearance-specific events. Blanket discounts and sale-on-sale communications were abundant, with retailers trying to move through stock, like jewelry, denim, loungewear and partywear. Other major themes across Black Friday e-mails included buy one, get one and buy more, save more deals, exclusive membership offers and last chance steals.

Source: Fashionating World
(WEDNESDAY, 07 DECEMBER 2022)



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EXPORT OF APPAREL STATISTICS

Export of Apparel for the Month of November 2017 - 2022

	2017 US\$. Mn	2018 US\$. Mn	2019 US\$. Mn	2020 US\$. Mn	2021 US\$. Mn	2022 US\$. Mn	2021/2022 Change %
Total Exports	406.00	446.00	459.00	299.48	466.24	425.03	-8.84
US	187.00	218.00	208.00	119.54	200.05	166.23	-16.91
EU	105.16	111.22	127.77	96.03	141.13	136.41	-3.34
UK	61.17	59.33	62.50	44.92	57.11	40.36	-29.33
Other	52.67	57.45	60.73	38.99	67.95	82.03	20.72

Export of Apparel January -November (Cumulative) 2017 - 2022

	2017 US\$. Mn	2018 US\$. Mn	2019 US\$. Mn	2020 US\$. Mn	2021 US\$. Mn	2022 US\$. Mn	2021/2022 Change %
Total Exports	4,366.13	4,580.58	4,846.69	3,730.68	4,577.41	5,140.27	12.30
US	1,959.12	2,069.48	2,149.01	1,615.54	1,901.34	2,148.10	12.98
EU	1,074.06	1,211.43	1,303.24	1,070.99	1,379.60	1,543.82	11.90
UK	766.91	705.32	728.66	540.03	621.02	663.78	6.89
Other	566.04	594.35	665.78	504.12	675.45	784.57	16.16

Export of Apparel in the Month of November 2017 - 2022 to All Countries

	2017 US\$. Mn	2018 US\$. Mn	2019 US\$. Mn	2020 US\$. Mn	2021 US\$. Mn	2022 US\$. Mn
Chapter 61	237.00	259.00	281.00	182.17	291.26	257.72
Chapter 62	162.00	179.00	167.00	99.18	164.13	160.04
Chapter 63	7.00	8.00	11.00	18.13	10.85	7.27
Total	406.00	446.00	459.00	299.48	466.24	425.03



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EVENTS

40th ANNUAL GENERAL MEETING SRI LANKA APPAREL EXPORTERS ASSOCIATION PHOTOGRAPHS !



The Chief Guest for this occasion was Dr. P Nandalal Weerasinghe Governor of the Central Bank of Sri Lanka . Mr., Douglas. E. Sonnek – Deputy Chief of Mission, Unites States Embassy lighting the oil lamp along with the chief Guest.



The Guest of Honor who graced the occasion was – H. E. Julie.J. Chung, Ambassador of the United States of America.



The Office Bearers of the Sri Lanka Apparel Exporters Association for the Year 2021 - 2022 Mr. Aroon Hirdaramani – Chairman,, Mr. Rehan Lankhany, Immediate Past Chairman, Mr. Indika Liyanahewage Deputy Chairman and Mr Jeevith Senaratne, Hon. Secretary



The New Office Bearers for the Year 2022 – 2023 Mr. Indika Liyanahewage, Chairman, Mr Jeevith Senaratne, Deputy Chairman and Ms Rajitha Jayasuriya, Hon, Treasurer along with Ms. Sureshni Whella the Past Administrative Secretary of the Sri Lanka Apparel Exporters Association

EVENTS



The Chief Guest for this occasion was Dr. P Nandalal Weerasinghe Governor of the Central Bank of Sri Lanka Mr. Douglas. E. Sonnek – Deputy Chief of Mission, United States Embassy lighting the oil lamp along with the chief Guest.



The Immediate Past Chairman Mr. Aroon Hirdaramani, in conversation with Mr. Indika Liyanahewage, Chairman and Mr. Jeevith, Deputy Chairman.



The Secretary General the Joint Apparel Association Forum (JAAF), Mr Yohan Lawrence lighting the oil lamp



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