

NEWSLETTER

DECEMBER 2023 EDITION

NEWS IN BRIEF

Resilient Sri Lankan SMEs find growth opportunities in Indian apparel market



- SMEs readying to weather cascading impacts of global economic challenges
- Jia Moda shifted manufacturing base to Sri Lanka 20 years ago, headquartered in Paris
- Cites Sri Lanka's latent talent to develop high-end apparel as competitive edge

With global economic challenges impacting Sri Lanka's apparel sector, small and medium enterprises (SMEs) are moving from the drawing board into realization of envisaged plans with numerous options to weather the cascading impacts of declining orders. Jia Moda for example is seeing potential opportunities in the Indian market.

Located in the suburbs of Colombo, Jia Moda is a study in resilience, where for over 20 years it has provided employment to over 250 individuals, most of whom have been with the company since inception.

Jia Moda Founder and Managing Director John De Silva, who first launched his company in Paris, made a conscious decision to shift his manufacturing base to Sri Lanka. He cites the latent talent that could be developed to create high-end apparel by merging his European experience and knowledge as the competitive edge Sri Lanka has.

The Paris based De Silva stated that the company was able to forge ahead primarily because of Sri Lanka's knowledgeable workforce, "with their ability to produce high-end apparel, which we leveraged with strong partnerships we have built with our buyers over the years. Most of our buyers are located in neighbouring India."

Explaining further he said, "One cannot overlook the potential of trading with India. Jia Moda's export capacity to India has significantly grown and now accounts for 80% of our output. However, there is further room for expansion if we fully leverage the ISFTA (Indo-Sri Lanka Free Trade Agreement)."

De Silva stated that Jia Moda is in the process of launching an online platform specifically catering to the Indian market, as a measure to enter into the retail market further under the brand Jia Moda. "Plans are afoot to open an additional two new outlets in Sri Lanka and in Paris."

India is one of Sri Lanka's largest export partners, with over \$ 800 million in trade carried out in 2022, showing a notable increase in textile imports. This increase is not limited to raw materials but includes finished goods. However, Sri Lanka is permitted to export only 8 million pieces of ready-made apparel to India without applicable duties. The Joint Apparel Association Forum (JAAF) has consistently called for the possibility of increasing the quota to allow Sri Lanka to use this as an avenue to boost its apparel exports to India.

Source: DailyFT



India is one of Sri Lanka's largest export partners, with over \$ 800 million in trade carried out in 2022, showing a notable increase in textile imports. This increase is not limited to raw materials but includes finished goods. However, Sri Lanka is permitted to export only 8 million pieces of ready-made apparel to India without applicable duties. The Joint Apparel Association Forum (JAAF) has consistently called for the possibility of increasing the quota to allow Sri Lanka to use this as an avenue to boost its apparel exports to India.

At a recent event, the Chairman of JAAF Sharad Amalean revealed that discussions are being held with relevant Government counterparts to revisit the ISFTA, stating that the country must not overlook the opportunity to engage in trade with the neighbouring country. "It is pivotal that we strategize to become an integral part of it," he said. "This will be especially crucial for SMEs, which have been essential for the continued development of Sri Lanka's apparel sector and have felt most of the impact with the recent decline in orders in apparel exports." In Sri Lanka, approximately 80% of SMEs work in partnership with larger export firms.

Jia Moda has embraced the opportunity to work with this \$ 24 billion Indian apparel market, given that it opens opportunities and allows the company to subcontract for major brands and be an integral stakeholder in the fashion industry.

"Sri Lanka's potential should be harnessed wisely," stressed De Silva. "Instead of chasing low-value exports, the focus should be on utilizing the country's unique strengths and making the most of available resources, from raw materials to fabric. The opportunity is right next door."

“Focus should be on utilising the country's unique strengths and making the most of available resources, from raw materials to fabric. The opportunity is right next door”

Source: DailyFT



Lanka's Apparel industry triumphs over 31 awards at the 25th Presidential Export Awards

The apex body of the apparel sector, Joint Apparel Association Forum (JAAF), applauds the unprecedented achievements by apparel companies at the 25th Presidential Export Awards. Exhibiting excellence across multiple categories, the industry secured an impressive collection of 31 awards, reaffirming its dedication to innovation, sustainability and expanding market horizons.

Organized by the Sri Lanka Export Development Board (EDB), the awards spanned across 13 categories over the financial years 2021/2022 and 2022/2023. These awards are the pinnacle of recognition conferred by the President of Sri Lanka on exporters who have made exceptional contributions to the country's export sector and economic advancement.

The accolades achieved by the apparel sector were recognized across several categories, including best performing emerging exporter, contributors from the Regions to the export, innovative export product of the year, and contributor to sustainable development, market diversified exporter, net foreign exchange earner of the year and exporter of the year.

"The resounding success of the apparel industry at the Presidential Export Awards serves as a testament to the industry's continuous pursuit of excellence, innovative practices and sustained contribution to the growth and development of Sri Lanka's export landscape," said JAAF Secretary General Yohan Lawrence.

Leading apparel giants and SMEs recognized at the awards included MAS Active, MAS Intimates, Brandix Apparel, J.K. Garments, Dial Textile Industries, Texlan Center, Ocean Lanka, Teejay Lanka, Hela Clothing and Hayleys Fabric.

In a first for the awards, MAS Holdings secured over 16 awards, with MAS Active Trading recognized as the Exporter of the year. Brandix, was adjudged the leader in sustainable development in exports from Sri Lanka and was acknowledged for its role in the Large Category for Apparel Exports.

Source: DailyFT



Under the sectorial category, J.K. Garments was awarded the Best Exporter – Apparel - Medium, while Hela Apparel Holdings was awarded overall award for Best Exporter in Product Diversification and the Sector Award for Best Exporter–Apparel–Medium category. Dial Textile Industries gained the Merit Award for Apparel-Medium category.

Ocean Lanka, Hayleys Fabric and Teejay Lanka were recognized for their contribution in the Knitted Fabric category, while Texlan Center was presented with the Best Exporter of the year award in the Hosiery category.

The Joint Apparel Association Forum congratulates all award winners for this outstanding achievement and remains steadfast in its commitment to empowering its members to boost Sri Lanka's economy and foster its advancement. These awards serve as added motivation for the industry to persist in its efforts to reach even greater milestones.



Apparel manufacturing industry asserts importance of vertical integration, improved Govt. policy support



FAAMA Chairman Sahan Rajapakse

- **FAAMA Chairman emphasises need for SL to adopt vertical integration in apparel manufacturing**
- **Highlights adverse effects of abolishing SVAT**
- **Notes sustainability, traceability significant concerns for industry**

Asserting the importance of vertical integration, Fabric and Apparel Accessory Manufacturers Association (FAAMA) Chairman Sahan Rajapakse yesterday said that 50%-60% of Sri Lanka's fabric requirement is imported.

This dependency on imports prolongs the industry's lead times and impedes its ability to enhance speed and embrace agile models. Notably, over 40% of these imports consist of cotton, while 70% are composed of synthetic materials.

FAAMA is the governing body of fabric and apparel accessory manufacturers of Sri Lanka and a subsidiary of the Joint Apparel Association Forum (JAAF). The association has over 40 member companies and is the unified voice for the apparel industry's supply chain, aiding fabric and apparel accessory manufacturers to identify opportunities and work towards improving logistics, policies, and infrastructure.

Source: DailyFT



Rajapakse stressed that bringing in supply chains within domestic factories will help reduce lead times and allow Sri Lanka to compete with countries that already have well-established vertical integration.

“Countries such as China, Vietnam and Bangladesh all have vertical integration in place. Having this vertical integration will allow investors to develop the product organically within the local supply chain, resulting in reducing freight charges.”

He reiterated that the fabric and cotton fabric industry have great potential for vertical integration. Currently, 40-50% of the required resources is supplied by companies like Hayleys Fabric, Teejay and Ocean Lanka. The industry’s specialty is the value-added market in terms of the functionality of the fabric.

The fabric and apparel accessory manufacturing industry is also in dire need of Government policy support given that it continually battles high electricity and water tariffs which have increased industry operational costs. Rajapakse also highlighted the adverse impact of abolishing the Simplified Value Added Tax (SVAT) can have on the industry including jeopardizing the cash flow of businesses. “With the increase of documentation and costs, investors will be discouraged from entering Sri Lanka.”

The industry also sees immense potential for partnerships through foreign direct investment to capitalize on know-how on product and machinery development. “The industry has not had much investment in the past few years,” states Rajapakse. “Improving Sri Lanka’s investment environment can certainly be a tool in strengthening Sri Lanka’s fabric and apparel accessory manufacturing industry and its supply chain.”

He added that expanding the market footprint is an absolute necessity for the industry to maintain product quality and competitiveness. “The US market should be an industry goal while attempting to reach the skilled and ever-evolving markets of China and India. The industry must hold innovation at its core in export diversification and lead through innovation.”

With sustainability and traceability being key in ensuring the customer retention, the industry’s efforts to remain competitive in the global value chain has ensured that 75% of the fabrics produced locally have met sustainability standards. Rajapakse concluded that FAAMA will continue to urge the Government to expedite policy support that can drive the industry’s capacity and potential.

Source: DailyFT



EXPORT OF APPAREL STATISTICS

Export of Apparel for the Month of November 2018 - 2023

	2018 US\$. Mn	2019 US\$. Mn	2020 US\$. Mn	2021 US\$. Mn	2022 US\$. Mn	2023 US\$. Mn	2022/2023 Change %
Total Exports	446.00	459.00	299.48	466.24	425.03	371.12	-12.68
US	218.00	208.00	119.54	200.05	166.23	141.09	-15.12
EU	111.22	127.77	96.03	141.13	134.41	126.62	-7.18
UK	59.33	62.50	44.92	57.11	40.36	48.34	-19.77
Other	57.45	60.73	38.99	67.95	82.03	55.07	-32.87

Export of Apparel January - November (Cumulative) 2018 - 2023

	2018 US\$. Mn	2019 US\$. Mn	2020 US\$. Mn	2021 US\$. Mn	2022 US\$. Mn	2023 US\$. Mn	2022/2023 Change %
Total Exports	4,580.58	4,846.69	3,730.68	4,577.41	5,140.27	4,119.84	-19.85
US	2,069.48	2,149.01	1,615.54	1,901.34	2,148.10	1,636.65	-23.81
EU	1,211.43	1,303.24	1,070.99	1,379.60	1,543.82	1,268.87	-17.81
UK	705.32	728.66	540.03	621.02	663.78	572.29	-13.78
Other	594.35	665.78	504.12	675.45	784.54	642.03	-18.17

Export of Apparel in the Month of November 2018 - 2023 to All Countries

	2018 US\$. Mn	2019 US\$. Mn	2020 US\$. Mn	2021 US\$. Mn	2022 US\$. Mn	2023 US\$. Mn
Chapter 61	259.00	281.00	182.17	291.26	257.72	220.96
Chapter 62	179.00	167.00	99.18	164.13	160.04	143.60
Chapter 63	8.00	11.00	18.13	10.85	7.27	6.56
Total	446.00	459.00	299.48	466.24	425.03	371.12

How do you expand your horizon



as you expand across borders?

With our global network spanning over 50 markets, we are uniquely positioned to help Sri Lanka companies grow their business internationally.

With specialist on the ground and deep local understanding, we can support your international growth ambitions wherever you are.

Visit www.business.hsbc.lk



HSBC

Opening up a world of opportunity

The Hongkong and Shanghai Banking Corporation Limited - Sri Lanka is a licensed commercial bank supervised by the Central Bank of Sri Lanka.

Issued by The Hongkong and Shanghai Banking Corporation Limited - Sri Lanka.

