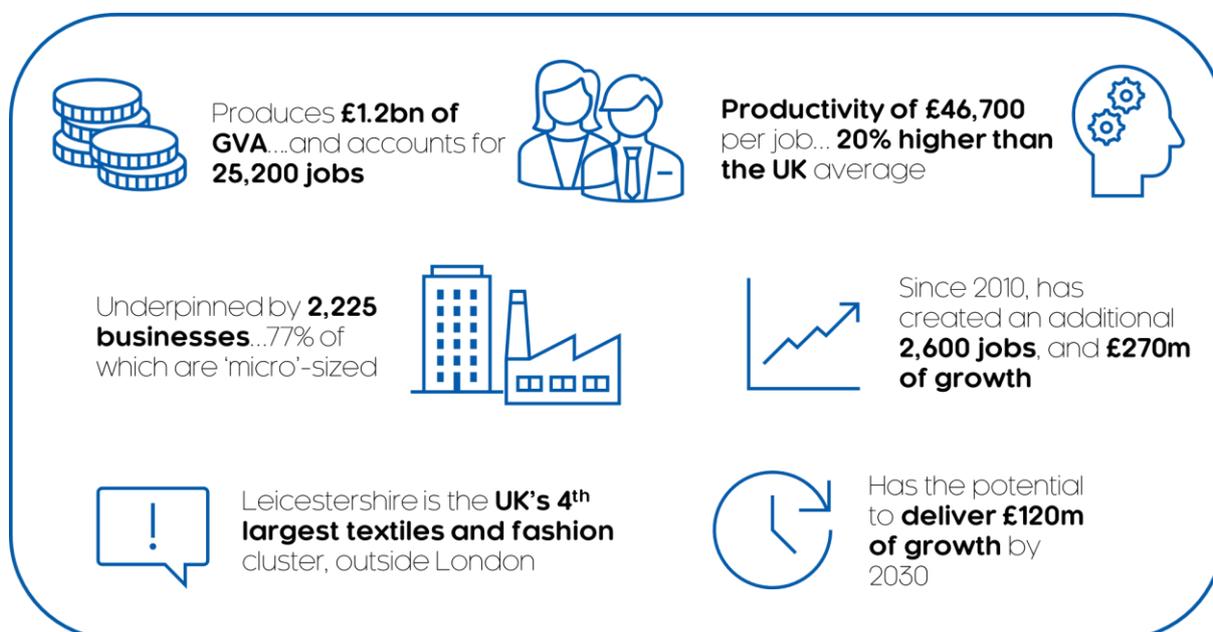


Sector profile: Textiles and Fashion in Leicester and Leicestershire



Source(s): See *Economic and growth indicators*.

Defining Textiles and Fashion

The textiles and fashion sector involves the manufacture of textiles by preparation, spinning, weaving, finishing, knitting, crocheting, and the manufacture of wearing apparel and garments, clothes and outerwear. Fashion activities include fashion design related to textiles and wearing apparel.

Market and economic outlook

Global market

The global apparel market generated \$850 billion of sales in 2019 according to fibre2fashion.com. The fashion industry has been negatively affected by the COVID-19 outbreak on every level from retailers to supply chains to vendors. A number of retailers have closed, production has ceased and demand has plummeted. High-street stores have been massively affected by store closures; H&M announced it will close around 70% of its stores worldwide, and Gap announced it was closing all retail stores in France, Italy and the UK.

For some national economies - such as Bangladesh, the world's second-largest apparel exporter of western fast fashion brands - the impacts of Covid-19 have been substantial – with Bloomberg reporting that an estimated 1,089 garment factories in Bangladesh had orders cancelled due to the outbreak, costing roughly \$1.5 bn. The most significant trends have been a decline in consumer spending, a switch to spending on home and leisure wear, the decline of physical retail and increase in online sales.

In its 2020 The State of Fashion report, McKinsey highlighted several key global trends and challenges:

- **Market uncertainty and the decline of physical retail.** After an extended period of relatively strong growth, then the downturn that accompanied the Covid-19 pandemic in 2020, the economic outlook for 2021 and beyond appears to be more subdued and uncertain. Against this backdrop, the fashion industry faces challenges ranging from sustainability issues to generational shifts, many of which require investment at a time when profitability is under threat. The strain is starting to show. Vacancies in US shopping malls are at a record high and a growing list of brick-and-mortar players have filed for bankruptcy, hastened by digital competition.
- **Expect fashion companies to take steps to become more resilient.** That means assigning additional resources to understanding risks and putting in place solutions. This may include actions to boost productivity, promote operational flexibility, optimize digital, and instil financial flexibility. Companies that can lead on these priorities and focus on executing their strategic agendas are likely to emerge from the current slowdown ahead of the pack.
- **Emerging markets can be a very competitive environment for western brands, but there are some potential market opportunities.** Over the past ten years, China accounted for 38 percent of global fashion-industry growth, with the luxury segment taking a lead. However, while some brands have prospered, others have struggled. ASOS and New Look are among companies to have retreated, amid strong competition from Chinese brick-and-mortar players. The Indian clothing market will be worth \$53.7 billion in 2020, making it the sixth largest globally, and South Asia has an average age of just 29, compared with 37 in China, which suggests significant growth potential. Compared with the average Chinese consumer, the average consumer in the United Arab Emirates spends over six times as much on fashion, and the average Saudi Arabia consumer twice as much.
- **The power of social media platforms.** As a result of their popularity, social-media platforms have become advertising behemoths, attracting tens of billions of advertising dollars every year. However, engagement with digital advertising and social-media platforms appears to be waning in some markets. As a result, brand content often fails to connect with target markets and influencers are also seeing engagement rates fall. This suggests it is increasingly challenging to excite and inspire audiences. New approaches are needed to exploit social media platforms and other online channels such as gaming networks.
- **Local presence.** As consumers grow tired of social media channels, fashion retailers may ramp up their presence in neighbourhoods and districts beyond traditional commercial zones, with stores that focus on service, convenience, personalization, and the customer experience. Stores might use cutting-edge design, highly focused assortments, and experiential elements to strike a chord with local communities – including pop-ups.
- **Materials technology.** According to McKinsey, companies filed around eight times as many fibre-innovation patent applications in 2019 as they did in 2013. Synthetic and reengineered fibres, including biofabricated leather and e-textiles, have the potential to contribute to an enhanced design palette, greater functionality, and range of commercial opportunities. Initiatives include new lines made from hemp

(rather than cotton), bioengineered silks, 3-D printed textiles that can harvest and store electricity, and textiles with higher potential for recycling.

- Sustainability.** The fashion industry consumes large amounts of energy and has a well-documented record on pollution and waste. As consumers worldwide buy more clothes, the growing market for cheap items and new styles is taking a toll on the environment. On average, people bought 60% more garments in 2014 than they did in 2000. Fashion production makes up 10% of humanity's carbon emissions, dries up water sources, and pollutes rivers and streams. Fashion accounts for 20 to 35 percent of microplastic flows into the oceans and outweighs the carbon footprint of international flights and shopping combined. Some industry players are taking steps, for example by developing new fabrics, cutting destruction of unsold goods, and ensuring products can be repaired or recycled. Some brands have committed to radical transparency in the supply chain, while several e-commerce platforms have enabled searches for sustainable brands. These are small steps, but there will need to be some bigger transition to more sustainable modes of production.

UK market

According to the UK Fashion and Textile Network, the UK's trade association for the sector, the UK consumer spent over £74bn on clothing, clothing accessories, household textiles and carpets in 2018, with strong growth in consumer demand since 2011. Garment sales, which make up by far the greatest component of fashion and textiles, grew to over £53bn in 2018, up from £36bn in 2008.

In 2017, 109,000 people were employed within textiles and apparel manufacture (excluding self-employed), which is an increase of 1% on the previous year. Over the longer-term there has been a continuing steady growth in employment numbers. The wholesale sector accounted for some 43,000 people, while 276,000 people were reported to be employed within retail of clothing in specialist stores in 2017.

The UK's fashion and textile manufacturing sector produces £9.1 billion of products ranging from designer creations seen at the leading catwalks to fabrics used in medical, defence and transport industries. UK fashion and textile exports continued to perform well in 2017, continuing the upward trajectory to stand at £9.7bn. This represents a 66% increase since 2008. Interestingly, whilst textiles exports have performed well, it has been apparel exports that have driven much of these increases, more than doubling since 2008.

Over 90% of the fashion and textiles that consumers buy on the UK's high streets is imported. 2018 was still the second highest UK import value for fashion and textiles on record standing at over £25bn. Imports of textile goods stood at £5.6bn, while apparel stood at £19.9bn in 2018, representing a slight increase on the previous year.

The textile manufacturing sector, more than many other sectors in the UK, has undergone significant change and reconfiguration over the past 40 years. The forces of globalisation saw the UK shed much of its manufacturing base in previous decades, especially within high volume; high labour intense manufacturing that yielded a particular decline in both businesses and employment within the textiles sector. Drivers such as: access to low-cost labour overseas, better transportation links (coupled with more efficient logistics) and the liberalisation of trade agreements saw much of UK textile manufacturing outsourced and production moved offshore. Even today the sector continues to evolve as a wide variety

of factors and drivers at a global, national and LLEP level influence business, employment and skills demand.

Business impacts of Covid-19 and Brexit

The UK Fashion sector experienced a significant decline in sales in 2020. Retailers can expect sales to continue to decline heavily, even once the full lockdown has been lifted, due to the disruption from continued social distancing and the economic consequences of the crisis, as it might take time for customers to return to their normal shopping habits. The collapse in international travel, notably a lack of Chinese tourists in western capitals, cost the UK fashion industry £10 billion in 2020.

There are also the impacts on spring and summer stocks for 2021, and the likelihood that retailers will struggle to sell all of this stock. Many retailers have cancelled future orders and this will inevitably have a huge impact on global supply chains and could push factories in developing countries to the brink of collapse. The supply chain may take years to recover.

Like almost every sector, fashion is going to be more digital. When the pandemic forced stores to close, brands that had been slow to embrace online had no choice but to accelerate this. Data from [Bain](#) shows online luxury fashion purchases were worth \$58 billion in 2020, compared with \$39 billion in 2019.

Brexit is an immediate concern for fashion designers and retailers. In an open letter to HM Government in February 2021, 451 industry leaders warned that work visa restrictions for designers and models and the additional tariffs and duties that now have to be paid when goods leave the UK for Europe threaten to “decimate” UK fashion. Paul Smith is among many designers who are considering shifting some production from Britain to the EU to avoid the extra charges.

Activities and key organisations in Leicester and Leicestershire

The textiles manufacturing sector was at the heart of Leicester and Leicestershire’s economic development throughout the 19th and 20th century, predominantly developing a specialism for knitwear and hosiery, including companies such as Corah, Wolsey and Byford. The textile sector still has 1,500 firms in Leicester and Leicestershire, the second largest concentration of textile firms in the country outside of Manchester. Hosiery and clothing companies that are still based in include Next, Boden, Pantherella as well as many smaller firms making high quality clothing and specialty textiles. One of these firms is Jack Masters, a local success story which started in 1987 by supplying other local hosiery companies, and moved to new premises in the Lifeguard building in 1996.

Textiles manufacturing is heavily clustered around Leicester City, with significant presence also around Hinckley. Textile manufacturing employment in central Leicester is clustered particularly around the north end of East Park Road throughout both the North Evington and Spinney Hill wards. Other large areas of activity can also be found north of around the inner ring-road within the City Centre and along the Belgrave Road, Narborough Road and Woodgate. There is also a small cluster around New Walk in the University of Leicester area). Other key areas of industry presence are centred around Market Harborough,

Lutterworth and Loughborough; indicating how the textile manufacturing industry has traditionally developed and grown up as an integral part of society around urban conurbations in close proximity to available labour pools. Many of these textiles firms have historic ties to these industrial centres.

Leicester’s strategic position and easy access to the rest of the UK, and its capacity for logistics, combined with its history as a textile hub, has made Leicester a strategic hub for ultra-fast fashion. Firms such as Asos, Boohoo and Missguided are able to replicate the most popular styles on social media in a matter of days thanks to the short lead times of the Leicester factories, where garments can be designed and finished within two weeks.

The Leicester Fashion Technology Academy is Leicester’s new textiles training centre established in 2021, and is a collaboration with Fashion Enter Ltd - sister company to FashionCapital.co.uk - Haringey Council, DWP and global e-tailer ASOS.com.

Economic and growth indicators

Table 1: Summary of key economic and growth indicators for the Textiles and Fashion sector in Leicester and Leicestershire

	Value, 2019	% of economy total	% of economy total (UK average)
GVA (£m)	1,176	4.8%	1.8%
Jobs	25,200	4.6%	2.3%
Businesses	2,255	4.5%	2.8%
Productivity (£)	46,700	104.8%	79.9%
	Value, 2010-19	% change p.a.	% change p.a. (UK average)
Real GVA growth (£m)	269	2.9%	1.6%
Jobs created	2,600	1.2%	0.0%
New businesses	120	5.6%	4.5%
Productivity growth	-	1.7%	1.6%

Source: ONS, Cambridge Econometrics.

Worth £1.2bn and accounting for 25,200 jobs (according to official statistics - see [Table 1](#) above), Leicester and Leicestershire is the **UK’s 4th largest textiles and fashion cluster** (outside of London), and the **most specialised in the country** (ranked out of 38 LEP areas).

Recent growth has been buoyant, with the sector creating 2,600 additional jobs since 2010, driving GVA growth of £270m, both at rates in excess of the UK sector average, and compared to peers only in London is the sector growing faster.

Productivity growth in the sector has also outpaced the UK average since 2010, with local activity now some 20% more productive than the UK sector average, highlighting the strength and expertise of the sector locally.

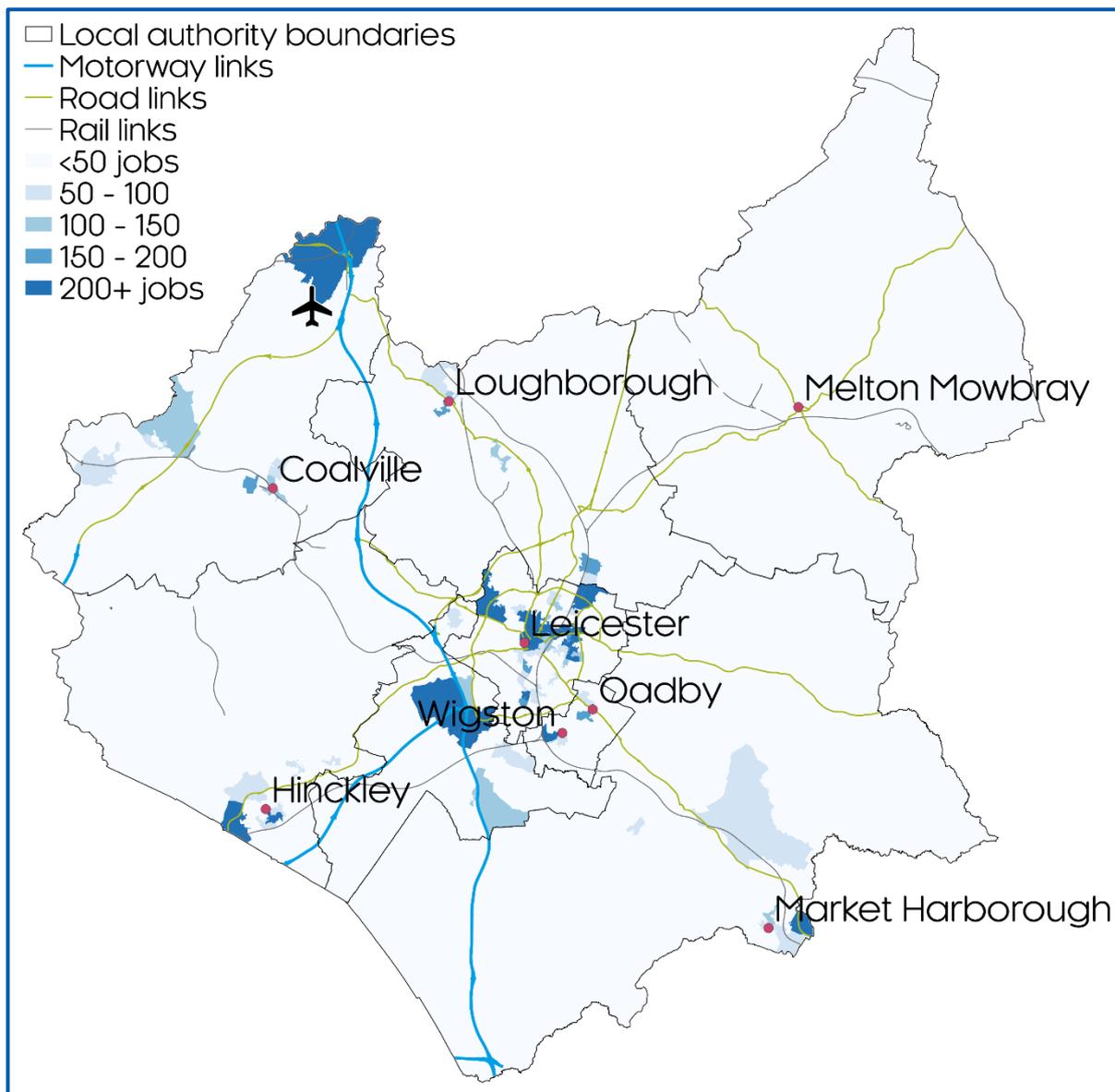
The sector comprises of over 2,000 local businesses, of which three-quarters are 'micro'-sized (employing <9 people). An additional 120 textiles and fashion businesses have been established since 2010.

Additional [research shows](#) that the city of **Leicester has the second largest concentration of textile and fashion manufacturing businesses in the UK** (behind only Manchester).

Spatial structure and clusters

The textiles and fashion industry in Leicestershire is largely focussed on the city of Leicester, as [Figure 1](#) below shows. The city is one of the UK's largest textiles and fashion clusters, and hosts significant head office and corporate activity, as well design, production, e-commerce and distribution functions.

Figure 1: Textiles and Fashion clusters in Leicester and Leicestershire



Source: ONS, Cambridge Econometrics.

Clustering is also evident elsewhere in the county, particularly on business and distribution parks along the M1 corridor, including Enderby on the outskirts of Leicester, and Pegasus Business Park and Segro Logistics Park to the north.

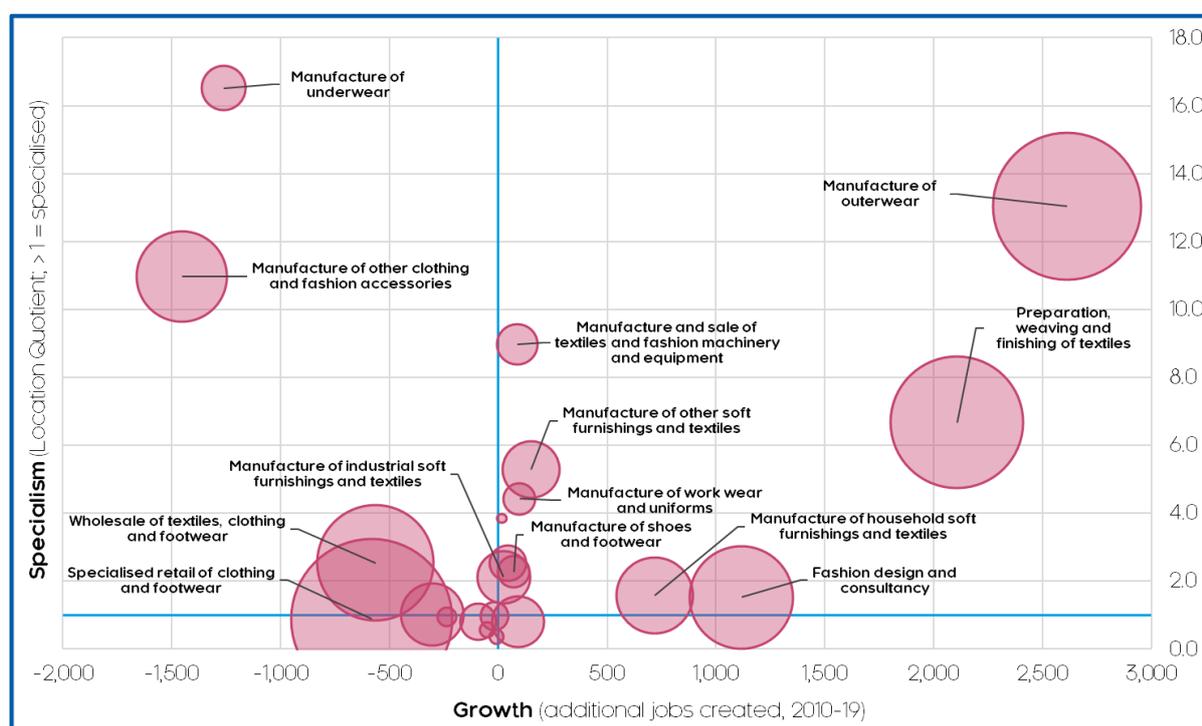
Market towns, including Hinckley and Market Harborough, also retains notable pockets of activity.

Industry structure and specialisms

The textiles and fashion industry in Leicester and Leicestershire is represented by a significant number of long established and growing specialisms, as Figure 2 below shows:

- **Manufacture of underwear** - 400 jobs: the most specialised activity in the sector, with LLEP producers accounting for a quarter of the UK's underclothing market
- **Manufacture of outerwear** - 4,300 jobs, £390m GVA: a large and fast-growing activity, doubling its workforce over the past decade. LLEP producers account for a third of the UK's underclothing market
- **Preparation, weaving and finishing of textiles** – 3,500 jobs, £150m GVA; another large and fast-growing activity, also doubling its workforce over the past decade
- **Manufacture of other clothing and fashion accessories** - 1,600 jobs, £110m GVA
- **Manufacture and sale of textiles and fashion machinery and equipment** – 300 jobs
- **Fashion design and consultancy** - 2,100 jobs; has more than doubled in size over the past decade
- **Manufacture of work wear and uniforms** – 200 jobs

Figure 2: Local specialisms and growth within Textiles and Fashion



Source: ONS, Cambridge Econometrics. Note: Size of bubbles relate to size of activity (in jobs terms). Bubbles above the blue horizontal indicate a specialism. Bubbles to the right of the blue vertical indicate growth (in jobs terms).

Sector prospects in Leicester and Leicestershire

Economic impact and recovery from Covid-19 and Brexit

The Covid-19 pandemic and the end of the EU transition present significant challenges for the sector. During a difficult and interrupted 2020, GVA losses could total £130m locally, though this will be inconsistent within the sector, with some businesses, particularly those depending on high online and e-commerce activity, seeing stronger demand. As [Table 2](#) below shows, the disruption to activity could be marginally more severe in Leicestershire compared to the UK average.

Table 2: Covid-19 impacts and recovery prospects for the Textiles and Fashion sector in Leicester and Leicestershire

Forecast Covid-19 impact (2020)			
	Value, 2020	% change	% change (UK average)
GVA impact (£m)	-131	-11.1%	-6.0%
Jobs impact	100	0.3%	1.0%
Productivity impact	-	-11.4%	-7.0%
Forecast Covid-19 recovery (2021-30)			
	Value, 2021-30	% change p.a.	% change p.a. (UK average)
Real GVA growth (£m)	123	1.1%	1.7%
Jobs created	-1,800	-0.7%	0.0%
Productivity growth	-	1.9%	1.7%

Source: Cambridge Econometrics Spring 2021 Forecasts.

Given an uncertain recovery, post-Covid rates of growth are expected to be slower than the previous decade, with the £120m of potential growth by 2030 unlikely to offset the losses of 2020. Employment will continue along its longer-term (pre-Covid/Brexit) decline, with 1,800 fewer people working in the sector by 2030, largely a result of automation and outsourcing.

Yet with an aging workforce, reduced migrant labour and sectoral shifting, demand for employment will still be strong [UKCES expects](#) because of such replacement demand, across the East Midlands region approximately 4,400 textiles and clothing roles will need to be filled over the next 5 years.

Skills needs and challenges

The sector will increasingly rely on technical skills – to operate advanced and digitised machinery, design, and production processes – as well as softer, creative skills – for design, marketing and merchandising purposes. Management skills are also critically important for the sector, given the high number of small, family-owned firms.

By 2024, [UKCES expects](#) over two-fifths (41%) of the textiles and clothing workforce in the East Midlands will require high-level (QCF4+) qualifications, double that of a decade ago.

Uncertainty relating to the availability of migrant labour could also push up demand for lower-skilled, manual-based roles, whilst the sector has the potential to continue providing good, well-paid opportunities for those without higher-level qualifications, particularly through vocational and technical training routes.

Appendix A: Sector definition and sources

Data has primarily been sourced from [Cambridge Econometrics LEM](#). For a full and detailed overview of definitions, sources and forecasting methodology, please refer to the Technical Summary report accompanying this profile.

The sector has been defined using 5-digit [Standard Industrial Classifications \(SICs\)](#), detailed as follows. These have been informed by government and/or industry recommended definitions, and aim to capture as much of the sectors value chain as possible:

- 13100: Preparation and spinning of textile fibres
- 13200: Weaving of textiles
- 13300: Finishing of textiles
- 13910: Manufacture of knitted and crocheted fabrics
- 13921: Manufacture of soft furnishings
- 13922: Manufacture of canvas goods, sacks etc
- 13923: Manufacture of household textiles (other than soft furnishings of 13921)
- 13931: Manufacture of woven or tufted carpets and rugs
- 13939: Manufacture of carpets and rugs (other than woven or tufted) nec
- 13940: Manufacture of cordage, rope, twine and netting
- 13950: Manufacture of non-wovens and articles made from non-wovens, except apparel
- 13960: Manufacture of other technical and industrial textiles
- 13990: Manufacture of other textiles nec
- 14110: Manufacture of leather clothes
- 14120: Manufacture of workwear
- 14131: Manufacture of men's outerwear, other than leather clothes and workwear
- 14132: Manufacture of women's outerwear, other than leather clothes and workwear
- 14141: Manufacture of men's underwear
- 14142: Manufacture of women's underwear
- 14190: Manufacture of other wearing apparel and accessories
- 14200: Manufacture of articles of fur
- 14310: Manufacture of knitted and crocheted hosiery
- 14390: Manufacture of other knitted and crocheted apparel
- 15110: Tanning and dressing of leather; dressing and dyeing of fur
- 15120: Manufacture of luggage, handbags and the like, saddlery and harness
- 15200: Manufacture of footwear
- 20600: Manufacture of man-made fibres
- 26520: Manufacture of watches and clocks

- 28940: Manufacture of machinery for textile, apparel and leather production
- 32120: Manufacture of jewellery and related articles
- 32130: Manufacture of imitation jewellery and related articles
- 46160: Agents involved in the sale of textiles, clothing, fur, footwear and leather goods
- 46410: Wholesale of textiles
- 46420: Wholesale of clothing and footwear
- 46480: Wholesale of watches and jewellery
- 46640: Wholesale of machinery for the textile industry and of sewing and knitting machines
- 47510: Retail sale of textiles in specialised stores
- 47710: Retail sale of clothing in specialised stores
- 47721: Retail sale of footwear in specialised stores
- 47722: Retail sale of leather goods in specialised stores
- 47770: Retail sale of watches and jewellery in specialised stores
- 47820: Retail sale via stalls and markets of textiles, clothing and footwear
- 74100: Specialised design activities
- 74201: Portrait photographic activities
- 74209: Other photographic activities (not including portrait and other specialist photography and film processing) nec
- 95230: Repair of footwear and leather goods
- 95250: Repair of watches, clocks and jewellery
- 96010: Washing and (dry-)cleaning of textile and fur products

