

The clothing and fashion industry is preparing to slug it out with the competition

While both activities used to operate separately, the fashion and apparel manufacturing industries are becoming increasingly entwined. Globalization and fully integrated production lines have in a sense merged. While both the fashion and apparel industries have struggled in recent years, this segment of the economy is undergoing a full restructuring. Many obstacles lie ahead, with labour, image and competition the most obvious challenges. But those who work in the field are not backing down and efforts are being made to channel their energies. At a time when competition is getting fierce and new technologies are making things much easier for consumers and upturning traditional production lines, the fashion and apparel industry has no other choice but to mobilize and conquer.

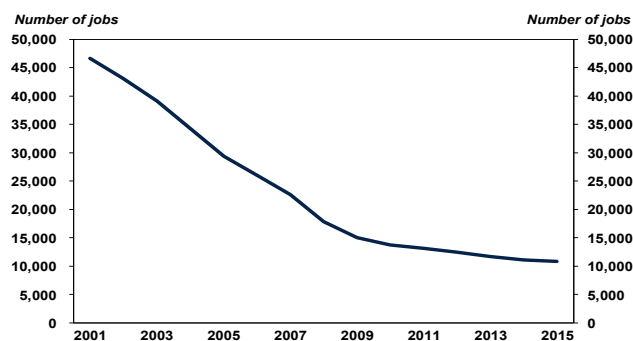
A MUCH MORE DEMANDING ENVIRONMENT IN MANY WAYS

The fashion and apparel industry has facing headwinds for some time now. In January 2005, the expiry of the World Trade Agreement on Textiles and Clothing, which eliminated quotas on clothing imports, marked an important step in the development of Quebec's clothing manufacturers. While announced many years before, this provision rattled the industry, which has been reshaped by the many changes that have taken place in the last 10 years. Huge inflows of clothing manufactured in emerging countries, but mainly in China, pushed manufacturers in Canada and Quebec to make some choices. Some resisted while others simply threw in the towel. The impact on jobs, just on the manufacturing side, was devastating (graph 1). The bloodletting has now stopped and while no gains have

been made, salaried employment in clothing manufacturing, if isolated on its own, has stabilized in recent years.

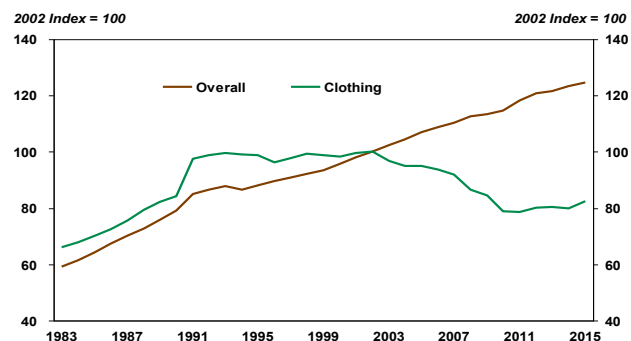
The upheavals also affected the distribution networks and points of sale. The arrival of foreign banners, retail giants, was also a game-changer. The sheer size of these retail behemoths—not to mention their commercial locations and supply networks—has rocked the way retail trade does business. In addition, the colossal purchasing power of these retail giants has suppliers in their grip, and the strength of their sales teams (marketing campaign design, amounts invested in promotion, etc.) have helped them implant their brands and products. Add the loonie's sharp increase between 2003 and 2014 to the mix, which helped stock shelves with products from around the world at cheaper costs, and the growing popularity of online shopping, it's

Graph 1 – Quebec: The decline has slowed in the number of salaried workers in clothing manufacturing



Sources: Statistics Canada and Desjardins, Economic Studies

Graph 2 – Quebec: The overall CPI and the clothing index are charting different paths



Sources: Statistics Canada and Desjardins, Economic Studies

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not surprising that Quebec’s output got lost in the shuffle. Graph 2 on page 1 shows the combined effect of these factors on the cost of clothing in Quebec—and the bite it takes out of consumers’ pockets. We can see that the clothing price index has fallen dramatically since 2002 (-17.5%), unlike the general price index, which has soared +24.7%, driven primarily by increases in energy and housing costs over the same period.

In short, shockwaves rippled through the entire industry—from the design table to the sales floor. Industry players had no other choice but to adapt. New ways of doing things emerged. Products that are 100% designed, manufactured and sold in Quebec are fewer and harder to find. A mixed output, where products are designed in Quebec and manufactured locally and/or elsewhere, or sold here and exported elsewhere, seems to be the new normal. Some manufacturers made bold moves by setting up their own network of boutiques or by developing niche products.

**YOU CAN MAKE PROGRESS ALONE,
BUT TOGETHER YOU’LL THRIVE**

Operations, from the design floor to the delivery to the consumer, are becoming increasingly integrated. To contain costs and ensure product quality, companies are striving to fine-tune their manufacturing, distribution and sales processes—all these operations are merging as a result.

Quebec’s fashion and apparel industry had slightly more than 28,000 jobs in 2011, with about 13,700 in manufacturing alone. The most recent estimate in 2015 was 10,800 salaried employees in manufacturing. Now that the fashion and apparel industry have joined forces, this includes the manufacturing of shoes and leather products (jackets, handbags, etc.) and shoe and clothing wholesalers and retailers. Add to this those who work in design, product development and production in clothing and clothing accessories stores, and those who hold the same positions at department stores.

Quebec’s industry started to study its practices in 2010 and a task force was established to assess the situation. A report submitted in 2013¹ included a list of the industry’s strengths and weakness. On one hand, this report highlighted the restructuring efforts made in recent years, the presence of world-class players and the growth and diverse nature of companies within the industry, especially in the Montreal

area. But the authors admitted that much remained to be done. The report brought to light the heavy toll of globalization, the image problem plaguing Quebec’s broader fashion and apparel industry, the serious labour shortage, the lack of updated production and communication technologies across Quebec’s home-grown industry, and other structural problems, despite the considerable efforts invested to date.

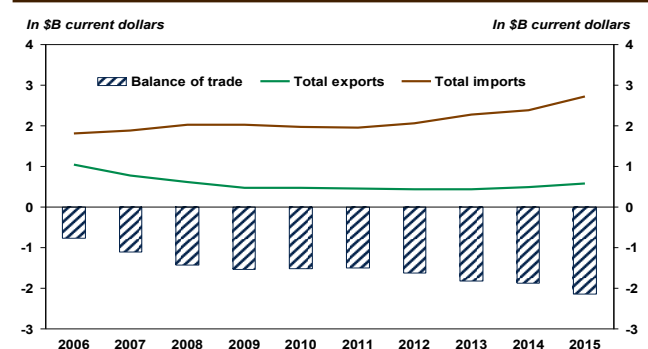
One major finding: the different players have no choice but to work together if they want to survive the onslaught of competitors. Later on, we will see how a growing number of initiatives are bringing these once disparate forces together.

QUEBEC IMPORTS AND EXPORTS AS WELL

Clothing imports have been the centre of attention in terms of international trade in recent years. This is not surprising, given the influx of large foreign retail banners, the sharp increase in the Canadian dollar (until 2014) and the closure of many clothing manufacturers once a portion of the production had been outsourced outside Quebec.

What is not as well known is that Quebec does export. Graph 3 provides an overview of the commercial trade in the clothing industry. Not surprisingly, the value of imports (in current dollars) has increased in the past 10 years and outweighs the value of Quebec’s exports. In 2006, the value of imports to Quebec was 1.7 times that of exports. This ratio reached 4.8 in 2015, given the rise in imports since 2006 and the decline in exports. That said, exports recorded a gradual increase in 2013, 2014 and 2015. That the loonie was still flying relatively high in 2013 is worth noting. The trade balance is negative and has deepened in the past

Graph 3 – Quebec: The manufacturing trade balance is deteriorating

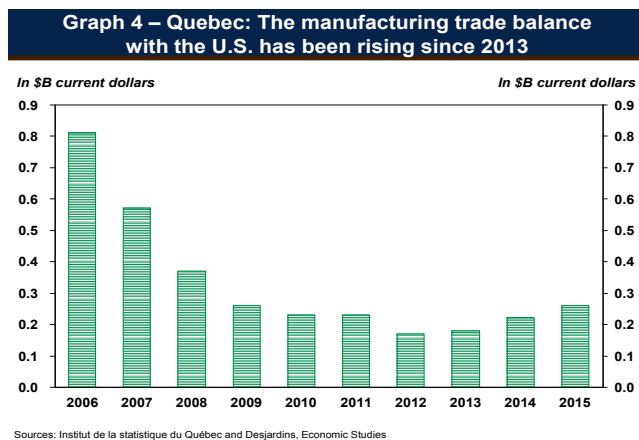


Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

¹ Fashion and Apparel work group, *Rapport du groupe de travail Mode et Vêtement* (in French only), submitted to the Minister of Finance and the Economy, and to the Minister for Industrial Policy and the Banque de développement économique du Québec, April 2013, 62 pages.
https://www.economie.gouv.qc.ca/fileadmin/contenu/publications/administratives/rapports/rapport_mode_et_vetement.pdf

10 years. Despite the slight uptick in the value of exports in recent years, the faster pace of imports is an obstacle that is tilting the trade balance.

The imports with the highest trade value—\$1.2B in 2015—come from China, while clothing exports from Quebec to China were estimated at \$1.4M, or 800 times less than the value of imports. The lion’s share of Quebec’s exports, about \$420.4M in 2015 (rising since 2013), winds up in the United States. This alone represents about three quarters of Quebec’s clothing exports. Graph 4 shows that the trade balance with the United States has been in Quebec’s favour, and tilting more to our side, since 2013. However, much work needs to be done before we get back to the level that existed some 10 years ago.



CONCRETE STEPS

Many initiatives have been made in the last few years to pull the industry together, increase its visibility, dust off its stodgy image and help it flourish here and around the world. These include the launch of Pro Mode—the Quebec fashion and apparel industry strategy in 2007, with an \$82M investment over three years from the Quebec government to support efforts to position the industry. In 2008, a work group comprising 40 industry players was established, in 2009, the Ville de Montréal set up a “Fashion Bureau,” and “mmode”—a fashion industry hub—was established in 2015, to name just a few.

More than at any other time, this mobilization will enable the industry to strengthen its base and thrive. Besides its networking with other industries (art, technology, etc.), this hub has four different project objectives, each of which targets a specific shortcoming flagged in the 2013 report. The efforts will be aimed at strengthening the industry’s brand, finding solutions to labour issues, supporting the integration of new technologies, and promoting support for exports. While this program is quite ambitious, a first career fair, HR Mode, has been held this March already. The Quebec Apparel and Textile Career Focus Program 2015–2017 is yet another initiative headed by Apparel Connexion to boost the ranks of skilled workers.

Other than these more obvious issues, the industry is also working on less tangible aspects, like industry pride, awareness and recognition. Of all the cities in North America with a notable fashion industry presence, Montreal ranks third after New York and Los Angeles. A proliferation of large public initiatives (fashion shows, conventions and exhibits, etc.) and a schedule of fashion-related events are just some of the concrete efforts made to enhance the visibility and reputation of this segment in Quebec’s economy and around the world.

AN ESSENTIAL TRANSFORMATION

Quebec’s fashion and apparel industry has undergone significant changes in the last few years. This field may now have fewer workers, especially in manufacturing, but all the other operations that touch on fashion and apparel are hiring other resources. Quebec has a few world-class players in the field and quite a few retailers who develop their own collections for Quebec customers. The niche market is another trend that has developed in spite of the loonie’s steady rise between 2003 and 2014. We also realized that China and the emerging countries may not be the industry saviours we thought they would be. Over time, manufacturing costs increased and turnaround and delivery times were not always met, which is not in sync with an industry that churns out fashion collections with blistering speed. Our home-grown companies have not run out of ideas, but the means to put big ideas in motion are indeed limited. Between those who continue to manufacture in Quebec, and grapple with a serious labour shortage, and those who outsource manufacturing, everyone is trying to stay afloat.

The Canadian dollar's current weakness is good for manufacturing here at home, but this implies having workers that are up to speed. Nothing points to an increase in the ranks of salaried employees in workshops, unless more people get training and the industry starts to attract more workers, which is not a given. Many sewing positions need to be filled, but pattern makers,² pattern graders, managers, designers, buyers and salespeople are also needed, and fast, given the greying of the workforce.

The growing popularity of online shopping is a threat in that Quebec's products sometimes get lost online in the flurry of foreign competition. Some Quebec-based apparel producers and retailers make the right moves, but not many of them. Quebec's industry has to take note and increase its online presence. According to CEFRIO,³ in 2014, 26% of Quebec adults purchased clothing, footwear, jewellery and accessories online.⁴

New and innovative industry developments are putting pressure on these more practical considerations and pushing companies to act: new high-tech fabrics, consumers' quest for socially responsible manufacturing, and the use of vegetable dyes or recyclable fabrics are a few trends on the horizon.

Quebec's fashion and apparel industry is restructuring. The battle is on and being waged on all fronts; the industry is banding together and its mobilization is gaining strength. Many challenges lie ahead, and all the players across the production line—from fashion design to sales—will maintain a competitive edge by working as a team.

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² Pattern maker: A person who cuts patterns, especially in the apparel industry.

³ CEFRIO: Centre facilitating research and innovation in organizations with information and communication technology (ICT).

⁴ CEFRIO, NETendances: *Le commerce électronique au Québec : croissance des achats en ligne sur mobile* (in French only), April 2015. <http://www.cefrio.qc.ca/netendances/le-commerce-electronique-quebec-croissance-achats-en-ligne/les-achats-en-ligne-au-quebec/>