UK Market Report for BIR Textiles Division – 2nd June 2014 – Miami

The UK used clothing and textile market is still experiencing major economic problems. The decline started in 2013 and has accelerated since the beginning of this year with no sign of when things will get back to normal. During this period there have been numerous business closures, several hundred job losses and an overall reduction in collection capacity in the UK.

Many collectors' warehouses are full and some charity shops are struggling to maintain their collectors, particularly if they are located some distance away from their nearest one. Virtually all charity shops have seen significant decline in the prices they receive for their charity shop grade clothing of around $80 to $160/tonne since the start of the year.

The prices that UK collectors are able to command for their goods in the key markets of Eastern Europe and Africa are still under a great deal of pressure. Traditionally, British exporters have been able to command significantly higher prices than their counterparts in Western Europe or North America, mainly because of the perception that British goods are more fashionable and of higher quality. However, UK collectors have been reporting a decline in the quality of clothing for a number of years. As charities are becoming more commercially focused, many have tried to extract greater value from their clothing by rotating unsold stock between the different stores before selling it onto collectors. At the same time, as more steps are being taken to extract textiles from the waste stream, the quality being obtained from local authority and other collections is also declining. Anecdotal reports from TRA members suggest that prices now being tendered for textile bank contracts have fallen in recent weeks and this will be reflected in a decline in the market prices over the forthcoming months as more contracts come up for renewal.

It seems that the customers of UK businesses have finally realised that British goods are currently not as good as they use to be. We are seeing a significant realignment of prices as importers in the important markets of Eastern Europe and Sub Saharan Africa seek to buy clothing from other countries at a more reasonable price.

Markets in Eastern Europe have been affected significantly by the political turmoil in Ukraine. Whilst the number of UK businesses exporting directly to Ukraine is limited, it is vital onward market for our members' customers in the region. As they have not been able to sell on clothing so easily into Ukraine, customers of British suppliers have been more selective in the clothing they buy. In addition, with the recent results of the European Parliamentary election and the ruling Conservative Party's promise to hold a referendum on the UK's membership of the European Union in 2017, we may find ourselves in a very different European export market in a few years, which could create further uncertainty.

UK exports to Africa have been affected a number of different factors. Ghana is a very important market. The Ghanaian Cedi has dropped by around 40% against the British Pound in the last 12 months and the Kenyan Shilling is continuing to suffer. Importers from these countries have not been able to continue paying the same prices in British Pounds and UK exporters have been forced to drop their prices.

There is also civil unrest across several countries in Sub Saharan Africa, notably Nigeria, Chad, Central African Republic, South Sudan and Somali. Whilst this may not have a direct impact on the major UK markets in the region, it adversely affects the movement of goods. In addition, this unrest is starting to spill over into neighbouring countries. Somalian terrorists have made incursions into

Kenya and have seized vessels destined for the port of Mombassa. In addition the recent bombing of Gikomba Market in Nairobi, which is probably the largest open air market in East Africa, has been linked to Somalian terrorist. This is on the back of two devastating fires which had already wrecked large parts of the markets in recent weeks. The UK Government is warning British nationals thinking of travelling to Kenya" not to travel" and that "a serious terrorist threat exists". None of this is clearly not good for business.

Finally, at home, a matter causing concern not only to textile collectors and processors but also the wider recycling industry is that of buildings and contents insurance. A spate of fires at waste processing facilities has caused resulted in many insurance companies pulling out of the sector. Our members are finding it increasingly difficult to find anyone who will insure them and even if they do the premiums are rocketing up. This is putting ever increasing pressure on the economic margins.

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