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## PRESS RELEASE

### Hi-Tech-TEX | Market and Trend Analysis

#### Hi-Tech-TEX - New sustainable and cross-sectorial value chains towards excellence in Hi-Tech Textiles to foster the uptake of innovation and increasing competitiveness.

Hi-Tech-TEX project envisage to foster SME competitiveness and assist companies to successfully access global markets, facilitate exchanges and strategic partnering between clusters and specialised eco-systems and cities across Europe, including through implementation of the ClusterXchange mobility scheme. Additionally, Hi-Tech-TEX will strengthen cluster management excellence of the participating European clusters to boost their specialized innovation eco-system by facilitating the cross-sectorial and cross-regional collaboration to facilitate the uptake of emerging technologies for the development of technical textiles.

Hi-Tech-TEX partnership integrates Portuguese Textile Cluster/ CITEVE (the coordinator), from Portugal, AEI TÈXTILS, from Spain; ATEVAL, from Spain; NTT, from Italy; DCC TTC, from Turkey; CLUTEX, from Czech Republic.

For more Information: Website | LinkedIn | Twitter

#### Introduction

The market and trend analysis, for the target markets (Japan, USA, UK, Germany and Sweden), was produced on the scope of Hi-Tech-TEX project, with the objective to anticipate new business opportunities, both in regard to developing new markets for already existing products and services and to developing products and services to be sold on markets that are just emerging due to new needs of society and industry.

The market and trends analysis study was carried out independently by the Hi-Tech-TEX partnership, based on the previous work developed in the Hi-Tech-TEX activities and also based on available sources, such as previous work developed under other project and initiative of the Hi-Tech-TEX Clusters and information from supporting organisations relevant to the sector and markets analysed.

For each of the target markets (Japan, USA, UK, Germany and Sweden) the market and trend analyses presents the overall characteristics of the market, size and structure of the markets with indication of the most promising areas, current trends, export, legal framework with particular focus on requirements on quality, legislation, standardization, IP, electronic tools, available in target countries, potential entry barriers, in particular SME specific ones, key buyer's information sources (e.g. internet websites of institutions) relevant in the context of the project.

#### Japan market

Japan is among the top five leading world economies ranking as the third-largest economy in the world in 2021, following the United States and China. In 2021, Japan generated a GDP of 4.941 billion USD, which represents approximately 5,2% of the total worldwide and has a GDP per-capita of 39.313 USD (source: Worlddata.info).

In 2022, Japan was ranked in the 12th place in terms of Global Innovation Index (GII), among the 48 high-income group economies (source: [https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_2000\\_2022/jp.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_2000_2022/jp.pdf)).

Japan is considered a low risk country, being classified has COFACE A2 country risk and A1 in business climate. Some of Japan strengths are being in a privileged location in a dynamic





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region, having a high level of national savings rate (around 25% of GDP), having advanced technology products and diversified industrial sector, behaviour as an excellent corporate payment and having trade agreement with the EU and Transpacific Partnership as well as Regional trade agreements - RCEP and CPTPP (source: <https://www.cofacecentraleurope.com/Economic-analysis/Japan>).

There are several Japanese automotive companies among the world's top companies, such as Toyota, Honda, Suzuki, Mazda, Mitsubishi, Subaru and Isuzu. Japan is also a world leader in electronic products, with companies such as Sony, Casio, Mitsubishi Electric, Panasonic, Canon, Fujitsu, Nikon and Yamaha. As well as in information and communication technologies, with companies such as Fujitsu, NEC, Unisys and Toshiba.

The textile articles represent 0,97% of the total Japan exports and 4,32% of the total Japan imports.

Japan and the European Union have an Economic Partnership Agreement (EPA) that entered into force on 1st February 2019. This agreement removes tariffs and other trade barriers and creates a platform to cooperate to prevent obstacles on trade, gives EU better access to public contracts in Japan and offers better conditions for services suppliers, greater mobility for company employees, and a framework to enable the mutual recognition of professional qualifications.

In January 2020, the Japan Textile Federation presented their proposal on the ideal textile industry in 2030 - Plan Leading from Traditions to the Future (New Design 2030), which present 6 strategic measures for the development of the textile and clothing sector in Japan. One of those strategic measures is dedicated to sustainability issues (Handle sustainability), which include the topics: i) Global warming; ii) Achieve a sustainable textile industry (achieve a circular economy); iii) Handle sustainability in the supply chain (due diligence, chemical substances, etc.); iv) Microplastics.

## USA market

With a GDP of 23.32 trillion dollars, the USA is by far the world's largest economy in this ranking for 2021. It is followed by China in second place with a GDP of 17.73 trillion dollars. USA GDP represents approximately 24,7% of the total worldwide (source: [Worlddata.info](http://Worlddata.info)).

USA is considered a huge economic market with strong growth perspective (being the 11th country in GDP per capita, corresponding to USD 70.249 GDP per capita)

USA has political stability and low risk, being classified has COFACE A2 country risk (source: <https://www.cofacecentraleurope.com/Economic-analysis/United-States-of-America>)

The textile manufacturing ecosystem in USA, in 2020, was manly composed by companies producing yarn and fabrics and home furnishing, carpets and non-apparel sewn products, which represent more than 70% of the total industry (Source: Admantex2i Market assessments for USA. Data: National Council of Textile Organizations):

The textile manufacturing sector is concentrated in two main areas: in the southern states of the east coast (Georgia, North Carolina, South Carolina), and in the states north of the east coast, in New York and Massachusetts. It also has a significant presence in the state of California.

The automotive and aerospace industries are very relevant when considering application sectors for the technical/ advanced textiles.





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The way Europeans and Americans do business are similar, nevertheless some USA cultural aspects must be considered. In general, negotiations will be direct and highly demanding, with strong requirements.

## UK market

In 2021, UK generated a GDP of 3.131,4 billion USD, which represents approximately 3,3% of the total worldwide and has a GDP per-capita of 46.510 USD (source: Worlddata.info)

Currently UK has a classification of COFACE A4 country risk, which means that in an economic and financial outlook UK could be marked by some weaknesses, and A1 in business climate. The mains strengths and weaknesses of UK are (source: <https://www.cofacecentraleurope.com/Economic-analysis/United-Kingdom>).

According to 2022 data, in terms of Global Innovation Index (GII), UK was ranked in the 4th place, among the 48 high-income group economies and in 3rd place when considering the 39 economies in Europe (source: [https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_2000\\_2022/gb.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_2000_2022/gb.pdf)):

The UK left the European Union on 31 January 2020, becoming a third country to the EU. On 30 December 2020, the EU-UK Trade and Cooperation Agreement was formally signed and entered into force on 1 May 2021. The figure below represents the architecture of this Partnership Agreement (source: <https://circabc.europa.eu/ui/group/09242a36-a438-40fd-a7af-fe32e36cbd0e/library/5721f514-4121-4a03-8f4e-aaebc8039b82/details>). The agreement covers a wide range of areas that go far beyond usual free trade agreements. So, EU-UK Trade and Cooperation Agreement sets out preferential arrangements in areas such as: trade in goods, trade in services and investment, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation, and participation in EU programmes.

In term of trade in goods, the EU-UK Trade and Cooperation Agreement provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin. Both parties have also committed, with the EU-UK Trade and Cooperation Agreement, to ensuring a robust level playing field by maintaining high levels of protection in areas such as environmental protection, the fight against climate change and carbon pricing, social and labour rights, tax transparency and State aid, with effective, domestic enforcement, a binding dispute settlement mechanism and the possibility for both parties to take remedial measures.

UK has also signed a Free Trade Agreement with Turkey on 29 December 2020, which entered into force on 20 April 2021. This agreement includes provisions on trade in goods, including provisions on preferential tariffs, tariff rate quotas, rules of origin and sanitary and phytosanitary measures, customs and trade facilitation, intellectual property, government procurement, technical barriers to trade, competition, trade remedies and dispute settlement (source: <https://www.gov.uk/guidance/summary-of-the-uk-turkey-trade-agreement>).

According to the report is from the Business of Fashion, Textiles and Technology Creative Research & Development Partnership (source: <https://bftt.org.uk/>), the main challenges for the Fashion, Textiles and Technology sector in UK, in the next three to five years are the changes in consumer spending, funding, tax and business rates, trade policies and Brexit, and a shortage of skilled workforce. The same report identified significant R&D and investment opportunities in circular and sustainable business models, technological advances, wide-ranging digital tools and platforms, location-based social media and marketing and reimagining online and mobile shopping.

## Germany market





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In 2021 Germany generated a GDP of 4.259,9 billion USD, putting it in 4th place worldwide and in first place in Europe. Germany has a GDP per-capita of 51.204 USD (source: Worlddata.info).

Germany was ranked in the 8<sup>th</sup> place in terms of Global Innovation Index (GII), in 2022, among the 132 economies featured. But when considering the 39 economies in Europe, Germany was ranked in the 5<sup>th</sup> place of the Global Innovation Index (source: [https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_2000\\_2022/de.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_2000_2022/de.pdf)).

Germany is classified COFACE A3 country risk and A1 in business climate. Some of Germany strengths are having a strong industrial base (24% of GDP, in 2021), low structural unemployment and well-developed apprenticeship system, importance of family-owned exporting SMEs, resilient private household debt (99% of net disposable income, 57,6% of GDI, in 2020) and consensus orientated politics as well as an institutional system promoting representativeness (source: <https://www.cofacecentraleurope.com/Economic-analysis/Germany>).

Nevertheless, the war in Ukraine, and the resulting EU sanctions against Russia and Belarus, substantially changed the outlook for the German economy in 2022. Although direct trade with Russia, Ukraine and Belarus is very limited (for instance Russia is the 15th biggest trade partner of Germany, with a share of 2,3% of total goods trade in 2021), the consequences are strong due to disruptions in the supply chain, such as in the chemicals and automotive sectors, which together account for around 6,5% of GDP, and the strong dependence on international energy imports, being 39% of all German gas imports come from Russia. Besides that, Germany is facing declining working population from 2020 onwards, despite immigration and has some capacity constraints, insufficient investment (especially in internet accessibility) and venture capital limit productivity gains (source: <https://www.cofacecentraleurope.com/Economic-analysis/Germany>).

In Germany there is a prominence of the automotive and mechanical industries, particularly in exports, representing 30% of total exports in 2020 (source: <https://www.cofacecentraleurope.com/Economic-analysis/Germany>). Germany is the European market leader in technical textiles, being in first position in terms of technical textiles production. In 2018 the European countries with the highest quantity of technical textiles production were Germany (32 000 tonnes), Italy (18 000 tonnes) and the UK (15 000 tonnes), with a total production share of 47%, followed by the Netherlands, Spain, Belgium, France, the Czech Republic, Sweden, Poland, Hungary and Romania, which together accounted for 43% (source: <https://www.textiletoday.com.bd/technical-textiles-market-eu/>).

In value terms, Germany (497M USD) constitutes the largest market for imported textile products and articles for technical uses in the European Union, comprising 24% of total technical textiles imports. The second position in the ranking was occupied by France (223M USD), with an 11% share of total imports, followed by the Netherlands, with 8,9% share (source: <https://www.textiletoday.com.bd/technical-textiles-market-eu/>).

## Sweden market

In 2021 Sweden generated a GDP of 635,7 billion USD, putting it in 22<sup>nd</sup> place worldwide, but with better position when looking to the GDP per-capita, which is 61.029 USD (source: Worlddata.info).

In terms of Global Innovation Index (GII), in 2022, Sweden was ranked in the 3<sup>rd</sup> place, among the 132 economies featured in the GII 2022, and ranked in 2<sup>nd</sup> among the 39 economies in Europe. Sweden performs best in Infrastructure and Business sophistication and its weakest performance is in Institutions and Japan performs better in innovation inputs than innovation outputs in 2022 (source: [https://www.wipo.int/edocs/pubdocs/en/wipo\\_pub\\_2000\\_2022/se.pdf](https://www.wipo.int/edocs/pubdocs/en/wipo_pub_2000_2022/se.pdf)).

Sweden is classified COFACE A2 country risk and A1 in business climate. The following figures shows an overall outlook of Sweden figures (source: <https://www.cofacecentraleurope.com/Economic-analysis/Sweden>).





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At the beginning 2022, the Swedish economy was set for yet another year of dynamic growth, still recovering from the downturn of the pandemic. However, the Russian invasion of Ukraine changed this outlook dramatically. The EU sanctions against Russia and Belarus have only a small direct impact on the Swedish economy. In 2021, only 1% of all Swedish imports came from Russia and only 1,3% of its total exports went to it. The main impact comes instead from the export blockades, supply chain issues and lower supply of energy, which lead to the strong increase in global prices, especially for energy and food. This pushed the yearly inflation rate in Sweden up to over 8% (and could even go higher), its highest level since 1991. The price pressures are eroding the purchasing power of private households. Furthermore, Swedish households invest a lot into financial markets, which have deteriorated lately. However, one stabilizing factor is the good shape of the Swedish labour market. The unemployment rate is still decreasing and has almost reached the pre-pandemic level.

Sweden has several internationally recognized fashion brands and the market for textiles continues to show growth. There is very little clothing and home textiles production in Sweden with Borås, a small town in the southern part of the country, being the Swedish 'capital of textiles'. The Swedish fashion player H&M is the largest player in the Swedish market. Other fashion brands with a domestic turnover above 94 million EUR are Lindex, KappAhl, Marqet, Dressmann and RNB Retail and Brands (with brands such as Brothers & Sisters and Polarn O. Pyret). Hemtex is the leading retailer in the home textiles segment, with 133 shops in Sweden as well as 14 in Finland and 5 in Estonia. Apart from the large retailers, the Swedish textiles market has many small to medium players, as well as small start-ups (source: <https://www.kommerskollegium.se/globalassets/publikationer/market-studies/market-study-textiles.pdf>).

