

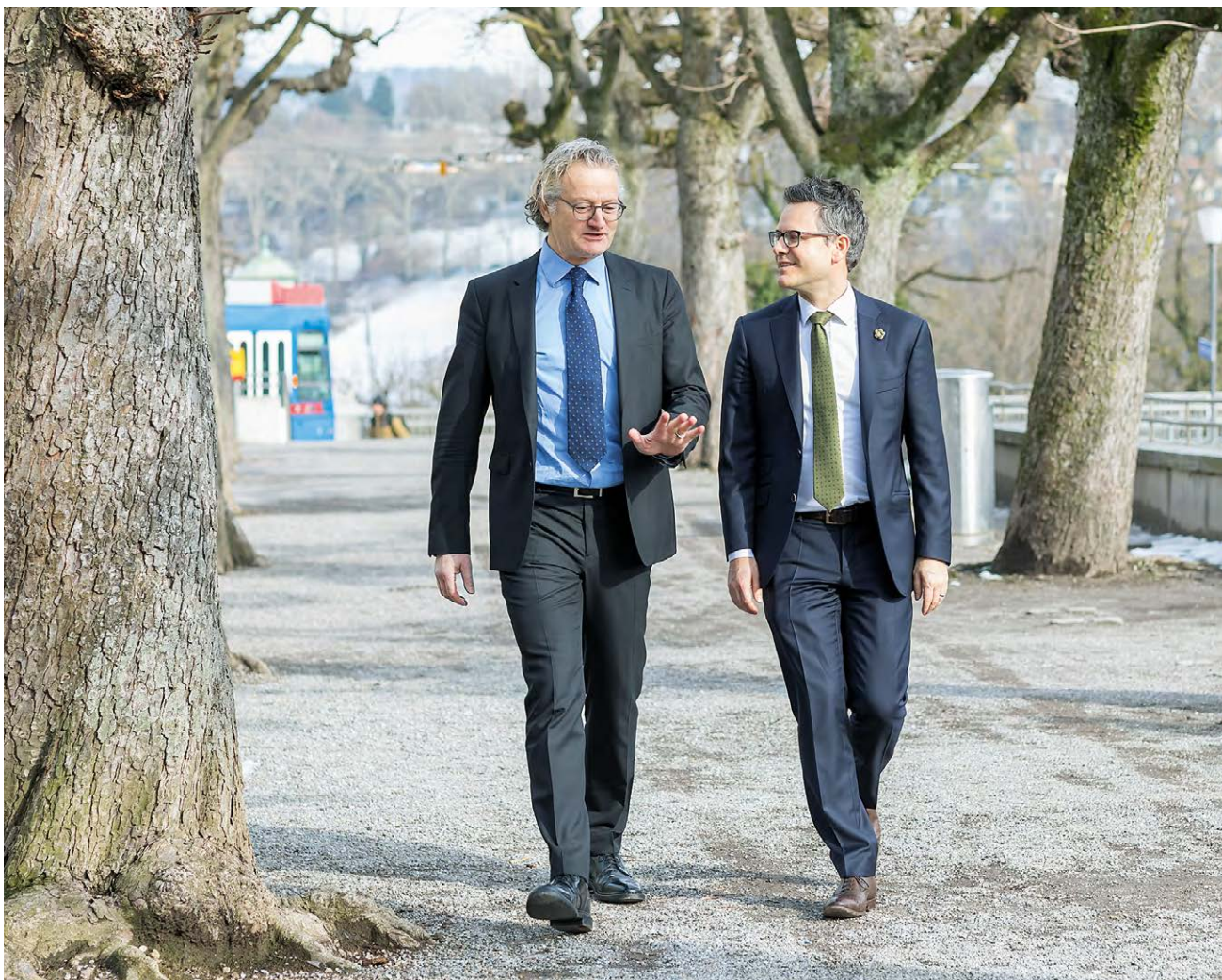
SWISS TEXTILES

ANNUAL REPORT
2017

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CREATING PERSPECTIVES TOGETHER

Digitisation and automation have long since become part of daily life in the textiles industry. Consumers' buying behaviour has fundamentally altered. Changes are taking place throughout the industry.

In this interview, the President of Swiss Textiles, Carl Illi, and its Director, Peter Flückiger, talk about the chances for this industry that is constantly having to reinvent itself.

Interview: Mirjam Matti Gähwiler

Carl Illi, when you took over as President of Swiss Textiles last summer, you emphasised how important the training of young professionals is to you. What is the situation in the industry today?

CARL ILLI / I am certain that our members are able to provide an excellent platform for young professionals – the companies are dynamic and have flat hierarchies, they promote team spirit and have an international orientation. Our industry is driven by an innovative spirit and therefore offers attractive jobs. In small and medium-sized companies, individual employees are able to make a difference more easily and effectively than they can in a large corporation.

Skilled employees are highly sought-after everywhere. Is the textiles industry able to successfully compete with other sectors?

PETER FLÜCKIGER / Certainly. Many of our members operate at the interface between creativity and technology. This is unique and offers a broad spectrum of opportunities. It also gives rise to high-quality products in both aesthetic and functional terms – products that correspond to the spirit of our times and are tangible. But we need to take care to ensure that the industry is able to keep its skilled personnel and offer them attractive prospects.

CI / Being involved in a creative process builds emotional bonds and a strong identity.

What is the industry doing in order to make people aware of these prospects?

CI / I have to admit that in the past few years we have done too little to show our young professionals how attractive our industry is. I am referring to young people with management potential: business economists, materials scientists, engineers, etc.

PF / The textiles industry has changed enormously. What is being developed, produced and marketed in Switzerland no longer corresponds to the products many people still associate with it. We need to rectify this image and show how dynamic and future-oriented the textiles industry is today.



Carl Illi
President of Swiss Textiles

“Our industry is driven by an innovative spirit – and therefore offers attractive jobs.”

Peter Flückiger
Director of Swiss Textiles

“Swiss Textiles has to lead the way and address issues that could shape the future.”

Where does Swiss Textiles provide support?

CI / We strongly support sector-specific education platforms in order to offer attractive and needs-based training and further education. However, it is above all the responsibility of the companies themselves to offer their young employees attractive career opportunities. We have to have confidence in our young professionals.

PF / The way in which the work environment is changing is a matter of concern for us. People are becoming less and less likely to stay with a company for 40 years or more. Today's generation of employees are constantly searching for meaning in their work, for change. Here, companies have to adjust to this trend and anticipate the employment models that will be needed in the future. Hierarchies are growing flatter, teams are becoming more interdisciplinary and more open, working hours and workplaces are becoming increasingly flexible. This is an issue that will be on the agenda of the next summit in June. Swiss Textiles has to lead the way and address issues that could shape the future.

CI / Exchanges and cooperation between companies and beyond the bounds of the sector need to be intensified. Through various events and research projects, we offer a platform for professional exchanges with materials scientists, biologists, medical professionals, mechanical engineers, etc., as well as with graphic artists and industrial and interior designers. Our aim is to communicate inspiration for the use of textiles, not only for fashion, but also in fields such as medical technology, vehicle manufacturing and architecture.

As you have already pointed out, the industry is changing. How do you think it will look in the future?

PF / Digitisation has, of course, been in use in our industry for quite some time. Production is becoming smarter and more networked, as are the products themselves through the increasing use of electronics for integrated sensors, etc. But the biggest changes concern interaction with clients at both the B2B



Peter Flückiger
Director of Swiss Textiles

“Interdisciplinary cooperation will be key in the future.”

and B2C levels. Communication is becoming faster and more direct, and the degree of transparency is increasing. The entire industry, from production to marketing, is increasingly coming under pressure to innovate. *CI* / All the involved players will have to close ranks, i.e. greater interaction will be required between research and development companies, industrial manufacturers (which account for around 40 percent of our members) and distributors. Innovation is essential at all levels and this can only be achieved through cooperation.

What is your assessment of the economic situation?

CI / The economic outlook is more positive than it has been for many years. Our most important markets are growing and the currency situation has eased somewhat, even though the Swiss franc is still overvalued. Our members must make good use of this

Carl Illi
President of Swiss Textiles

“Those who keep a close eye on the markets and have done their homework in the past few years are in a strong position now.”

opportunity. Those who keep a close eye on the markets and have done their homework in the past few years are in a strong position now.

PF / But a positive outlook does not automatically mean growth. Growth is something that you have to work hard for. It requires top quality and distinctive products. It is pleasing to note that, in the past few years, exports of technical textiles have increased by an average of three percent. Although the industry will continue to be confronted with high costs, opportunities can be created by intensifying research and development and offering more attractive services.

What action would you like to see at the political level?

PF / Unfortunately, an increasing trend towards protectionism and populism is becoming apparent. This represents a major threat to the textiles industry, which is so open and highly networked.

Free trade is essential, both for exports and imports. I am especially pleased that, after lengthy campaigning on the front line, we have succeeded in persuading the Federal Council to abolish tariffs on industrial goods. We are now calling on Parliament to back up this decision – and we will, of course, actively participate in the debate.

CI / As attractive employers, we need a liberal labour market. Increasing regulation – for example, through implementation of the mass immigration initiative and introduction of the verification of wage equality – is a concern of mine. We have to be able to readily recruit personnel both in Switzerland and abroad. Small and medium-sized companies have to be able to act simply and flexibly.

PF / Sustainability is a major topic that is increasingly appearing on the political radar. It needs to be made clear that sustainability is an international issue, especially in the global textiles industry, and that international cooperation is essential. Our members are well positioned in this regard and can use sustainability as an opportunity. In the area of public procurement, we are campaigning for the criteria relating to more sustainable procurement to be incorporated into the relevant legislation.

Will the upheavals in the industry also give rise to changes in the activities of Swiss Textiles?

CI / Definitely. It is our duty to lead the way. This is a good time for reviewing our existing structures and activities and determining which services our members will need from us in the future. In the spring, we intend to initiate a comprehensive strategy process.

PF / We have to focus more intensively on innovation in both the fashion and technical segments, since this is important for all our members. Our organisation cannot directly implement innovations in our member companies, but we can network with our members both within the industry and beyond. Interdisciplinary cooperation will be key in the future.

OUR ACTIVITIES

The members of Swiss Textiles have a lengthy history behind them. They have repeatedly succeeded in adapting themselves to new developments and markets, taking tried-and-tested technologies to new levels and supporting new applications. They are drivers of innovation and together they form a global competence centre for textile solutions. The aim of Swiss Textiles is to ensure that the sector will remain successful throughout the world.

Textiles are omnipresent in our daily lives. They are used not only for making clothing, but also for producing bank notes, artificial tendons and implants, luminous concrete, kinetic mesh structures, environmental filters, etc. Textiles are the materials of the future: they can be light, thin, flexible, highly porous, tough, pliable but dimensionally stable, as well as re-workable and multifunctional – no other material possesses such diverse properties and can be used in so many ways.

Helping shape the future of the industry

The products and services offered by Swiss companies in the textiles and clothing industry clearly reflect this diversity. These companies focus on global niche markets and offer a wide range of speciality products, either in the fashion segment – with fabrics, embroidery and high-quality linen and clothing collections – or in the technical textiles segment, in which high-tech products are manufactured for a broad variety of sectors, including healthcare, transport, construction, sports and work clothing. They carry out research and development, and create and manufacture products both within Switzerland and throughout the world. They are highly motivated to be

innovative in order to remain internationally competitive. And in their respective segments they are among the best in the world.

Swiss Textiles represents the interests of these approximately 200 internationally oriented small and medium-sized companies. Our goal is to create the best possible framework conditions in order to ensure that the innovative capacity of the textiles and clothing industry can be constantly strengthened.

200

internationally-oriented small and medium-sized companies are members of Swiss Textiles.

WE BRING PEOPLE TOGETHER

Whether we are lobbying for a business-friendly environment, supporting research projects or actively networking our members, our focus is always on people. We help our members deal with day-to-day challenges and provide an attractive network for active exchanges of ideas and experiences.

1 / Techtextil trade fair

17 exhibitors displayed their products at the SWISS Pavilion at the Techtextil trade fair.

2 / Event for the Swiss Parliament

More than 70 guests attended this annual get-together.

3 / Swiss Skills Championship

Eight candidates competed for the title of first Swiss "Rope and Hoisting Technology" Champion.

4 / Personal consulting and conferences

Swiss Textiles provided around 900 people with personal advice this year.



LOBBYING

— We actively represent the business interests of the sector at the political level and maintain very close ties with political decision-makers, particularly in the areas of trade policy, employer and social policy, environment, energy and education.

CONSULTING AND COMMUNICATION

— We provide our members with personalised advice on issues relating to labour law, intellectual property, design protection, import and export (customs duty, rules of origin), environmental legislation and sustainability.

— We keep our members constantly informed about amendments to legislation and court rulings that directly affect the day-to-day business of companies in the textiles and clothing industry.

— We organise conferences and workshops on topical issues.

NETWORKING

— We network our members with one another and with leading players in other sectors, as well as with research institutions at home and abroad.

— We promote and support research projects and organise joint appearances at trade fairs for our members.

— We provide an interdisciplinary platform called "Kontext" on which members can discuss and communicate the latest trend knowledge and socio-cultural developments.

TRAINING AND FURTHER EDUCATION

— We assume responsibility for the basic training of EFZ textile technologists and EBA textile practitioners, as well as for various other vocational and higher professional examinations.

— We also work closely together with the relevant educational institutions in order to provide training and further education for specialists.

FACTS AND FIGURES

Three years after the minimum exchange rate policy was revoked, production in the textiles and clothing industry has stabilised. Meanwhile, the wholesale segment is facing structural changes.

Due to its strong dependence on the EU and its high degree of pricing sensitivity, the recovery of the production segment of the textiles and clothing industry was slower in comparison with other industries. For the first time in two years, the value chain in the textile production industry is posting growth of 0.8 percent. The value chain in the clothing segment is still declining, though at a slower pace now. The companies themselves regard their business situation as very favourable. Since 2017, the market has become more predictable for them, as the low volatility of their assessments clearly indicates. After increasing sharply at the end of the year and moving into positive territory for the first time in several years, the order situation looks highly promising. The statistics indicate that the production segment of the textiles and clothing industry is back on track. To accomplish this, shifts of mandates and even production were required, as the 75.2 percent increase in direct investments in 2016 underscores. Most of these investments were made in Europe.

Contrary to the production segment, wholesale trade turnover rose by 2.3 percent in 2015. But the falling employment figures and number of companies indicate that wholesale trade is undergoing a period of transition. Changing consumer behaviour is giving rise to new structures to which wholesalers will have to adapt. Online trade is effectively turning the world into a village. End consumers are moving ever closer to wholesalers, but also to manufacturers. The greater transparency on the Internet will increase pressure on prices, while access to more distant markets will become easier. The next five years will show whether the wholesale segment of the Swiss textiles and clothing industry is able to successfully respond to the changing circumstances.

WHOLESALE

TOTAL SALES

In million Swiss francs, 2015

15,386 +2.3%

Textiles	Clothing
7,052 (+5.7%)	8,334 (-0.4%)



Thanks to the textiles segment, wholesale figures rose despite the strong Swiss franc. However, sales in the clothing segment fell by 0.4 percent.

COMPANIES

No. of companies, 2015

1,297 -2.4%



1,137 (-2.6%)	Micro companies (< 10 employees)
160 (-1.2%)	Other companies (> 10 employees)

Structural changes are leading to a slight drop in the number of companies.

EMPLOYEES

In Switzerland, 2015

7,652 -6.1%

Textiles	Clothing
2,390 (-6.2%)	5,262 (-6.1%)



In 2015, employment in the wholesale sector followed the negative trend reported in the previous years and fell to 7,652 full-time equivalents. The decline was roughly the same in both segments.

NO. OF UNEMPLOYED / UNEMPLOYMENT RATE

In Switzerland, December 2017

527

Textiles	Clothing
126 (4.6%)	401 (7.3%)



The number of employed in the wholesale textiles sector fell in December 2017 by 20.8 percent versus the same month in 2016. By contrast, the number of unemployed in the wholesale clothing sector rose by five percent.

MANUFACTURING

TOTAL SALES

In million Swiss francs, 2015

3,024 -6.6%

Textiles	Clothing
1,649 (-8.9%)	1,375 (-3.6%)



In 2015, the revocation of the minimum exchange rate weighed on sales in both the textiles and the clothing segments, though the decline was greater in the textiles segment.

COMPANIES

No. of companies, 2015

2,576 -1.2%



2,385 (-0.9%)	Micro companies (< 10 employees)
191 (-4.0%)	Other companies (> 10 employees)

The number of companies has been slowly falling for several years.

DIRECT INVESTMENTS

Abroad, in million Swiss francs, 2016

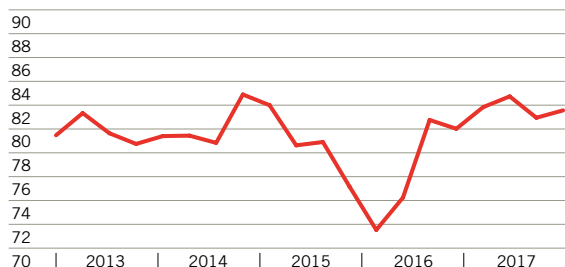
4,143 +75.2%



Foreign direct investments increased as a result of the strong Swiss franc. Investment rose sharply, especially in Europe and the USA.

CAPACITY UTILISATION

In percent



In the year under review, capacity utilisation stabilised at slightly above the 80 percent level.

Sources: Federal Tax Administration, State Secretariat for Economic Affairs, Federal Statistical Office, BAK Basel Economics AG, Swiss National Bank, Federal Institute of Technology, Zurich

ADDED VALUE

In million Swiss francs, 2017

1,001*

Textiles	Clothing
593 (+0.8%)	408 (-0.4%)



* Added value is indicated as a nominal figure, i.e. at current prices, while the change rate is expressed in real terms.

In the year under review, added value picked up in the textiles segment. In the clothing segment, however, it is still negative, but the rate is slowing down.

EMPLOYEES

In Switzerland, 2015

10,903 -4.4%

Textiles	Clothing
6,581 (-5.4%)	4,322 (-2.9%)



The currency crisis already had an impact on employment in 2015, and reduced it from 11,409 to 10,903 full-time equivalents.

NUMBER OF EMPLOYEES

Abroad, 2016

43,920 -13.7%



The fall in the number of employees concerns not only domestic personnel, but also employees abroad. In 2015 the number of employees abroad was 50,910.

NO. OF UNEMPLOYED/UNEMPLOYMENT RATE

In Switzerland, December 2017

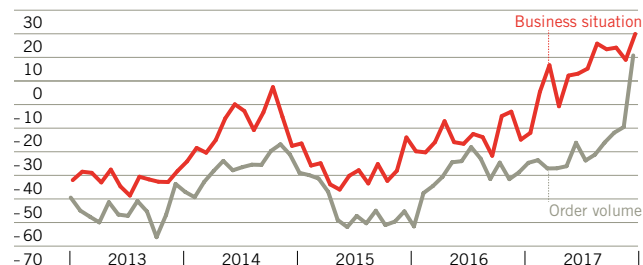
364 3.4%



The situation on the labour market is improving. The number of unemployed fell by 25.9 percent versus the same month last year.

BUSINESS SITUATION/ORDER VOLUME

Balance of positive and negative answers



Companies assess their business situation as considerably better than it was before the revocation of the minimum exchange rate.



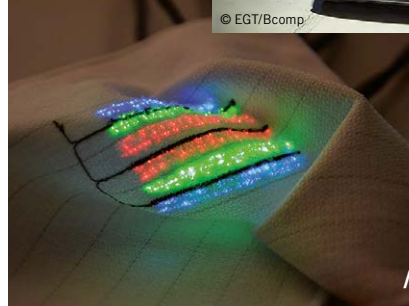
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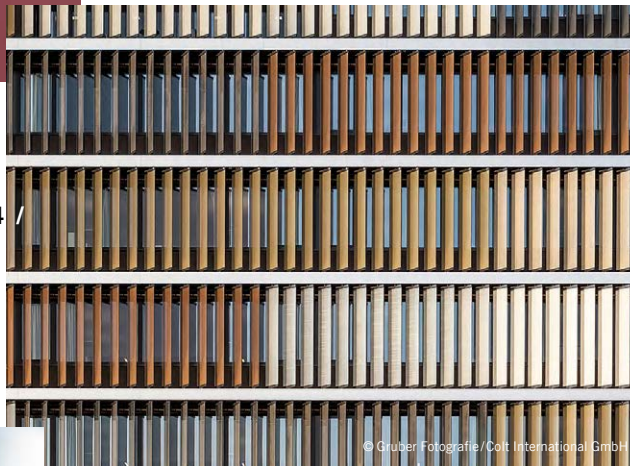


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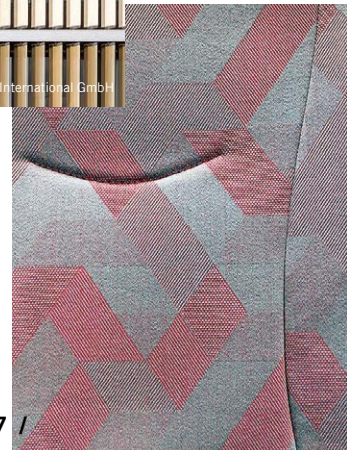
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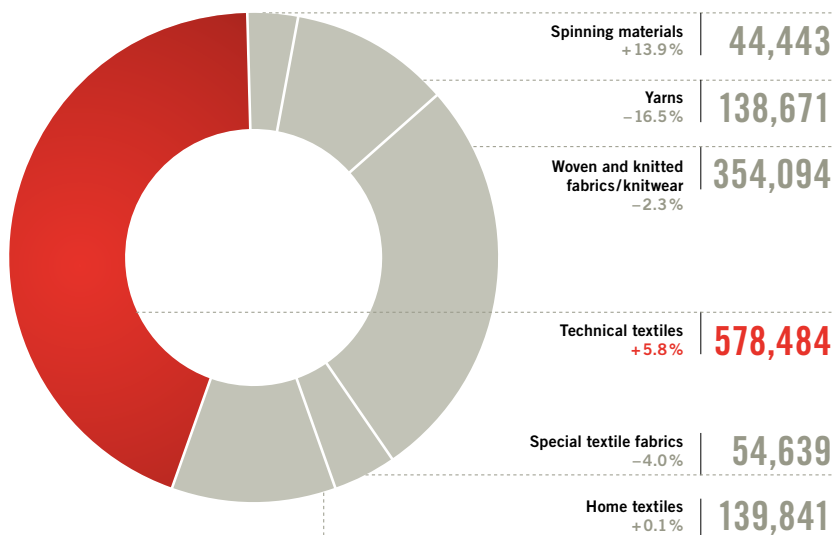
TECHNICAL TEXTILES

1 / Embroidered LED from Forster Rohner AG, produced for foldable spotlights made by Carpetlight GmbH. **2 /** Natural fibre composites for vehicle body components from Bcomp AG. **3 /** Luminous textile sensors for measuring heart frequency and/or blood circulation through the skin, developed by Empa, the Swiss Federal Laboratories for Materials Testing and Research – the Federal Institute of Technology’s research centre. **4 /** Kinetic façade for sun protection from Sefar AG. **5 /** Textile braided products for use as implants, from Meister & Cie AG. **6 /** Textile fuel tank for safety and weight reduction in Formula 1 cars from Cortex Hümbelin AG. **7 /** Textiles that make aircraft lighter: seat covers from Lantal Textiles AG.

TEXTILES / EXPORTS

EXPORTS BY PRODUCT GROUP

In thousand Swiss francs, 2017



In the year under review, at -0.1 percent textile exports recovered from the impacts of the revocation of the minimum exchange rate, largely thanks to the pleasing development in the technical textiles segment. With a total of 578 million Swiss francs, technical textiles form the largest group and with a plus of 5.8 percent they greatly strengthened their broadly based increase. Interest in technical textiles was particularly strong in China and the USA, where demand increased by 35.5 and 19.8 percent respectively. China's stable economy, structural reforms and growing prosperity in general are having a positive influence on demand for Swiss textiles. Hungary and Romania are important contract processing locations for Switzerland's clothing industry and are thus major importers of woven and knitted fabrics. They therefore figure among the most important export destinations.

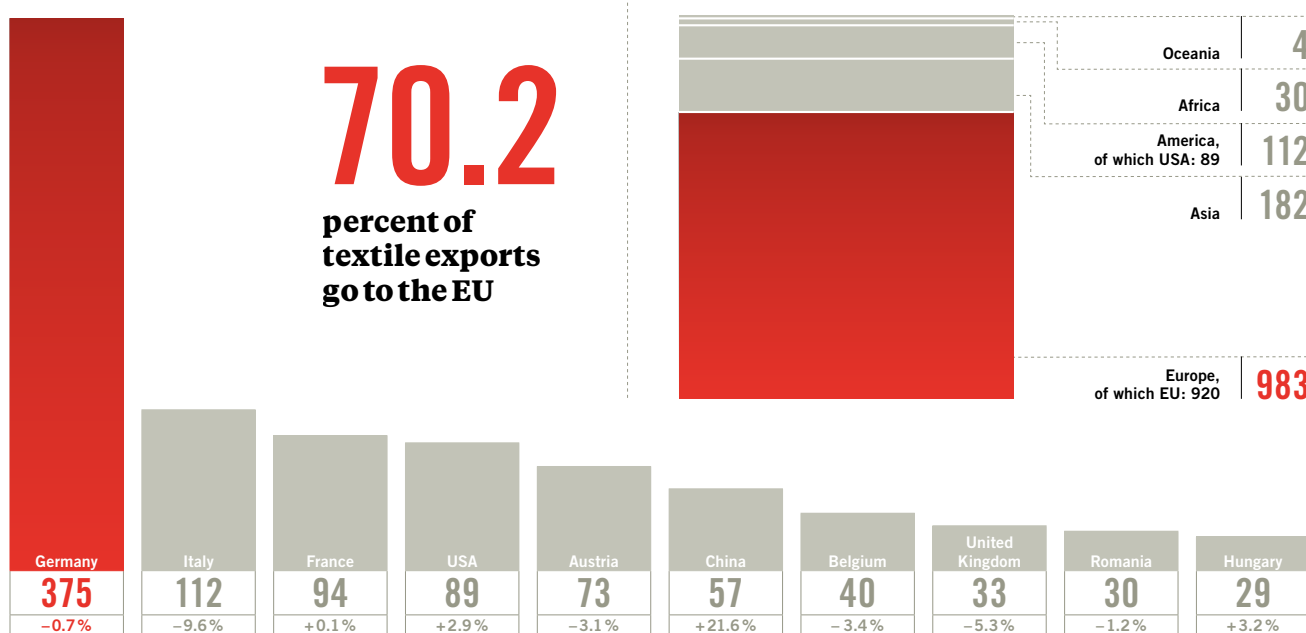
In thousand Swiss francs, 2017

Value of
all exported
textiles

1,310,172 -0.1%

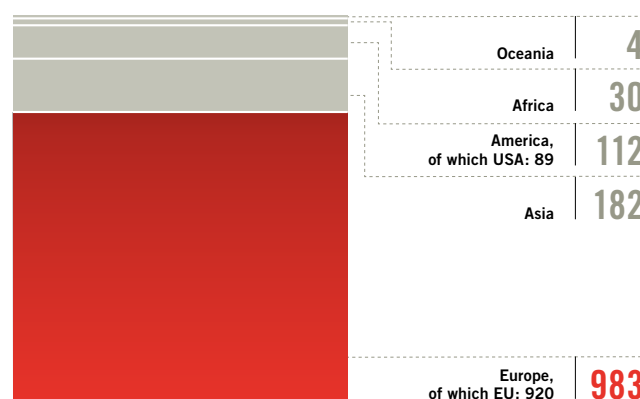
THE PRINCIPAL EXPORT DESTINATIONS

In million Swiss francs, 2017



THE PRINCIPAL ECONOMIC AREAS

In million Swiss francs, 2017

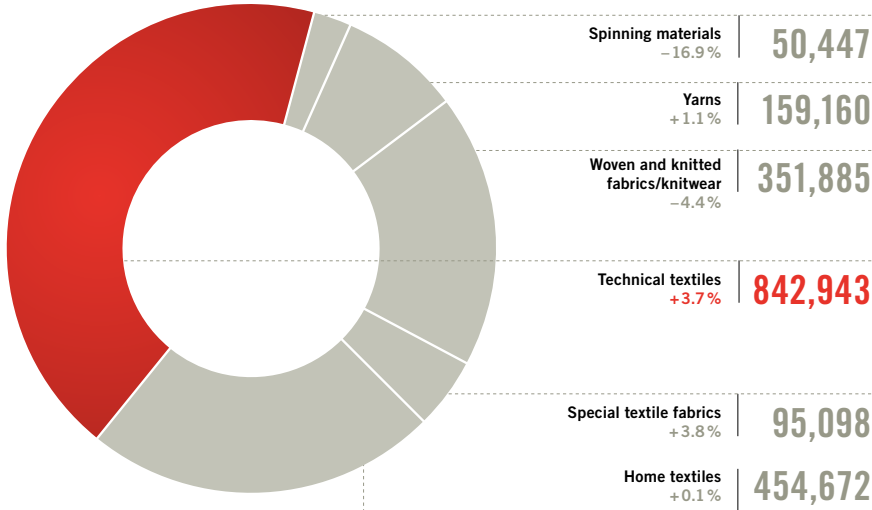


Source: Swiss Federal Customs Administration

TEXTILES / IMPORTS

IMPORTS BY PRODUCT GROUP

In thousand Swiss francs, 2017



Textile imports rose slightly in 2017 (+0.5 percent). This indicates that domestic business activity, which is greatly dependent on pre-processed products from abroad, is gradually picking up again. Because Switzerland's textiles and clothing industry showed less interest in Italian and Belgian woven and knitted fabrics, textile imports from these two countries fell sharply in 2017. However, imports from Germany, Austria and Turkey were higher. Imports from India were down: the problems in the banking sector and overdue structural reforms are apparently having a dampening effect on India's textiles sector. Imports from the USA rose by 7.8 percent thanks to strong interest in American technical textiles and chemical yarns.

In thousand Swiss francs, 2017

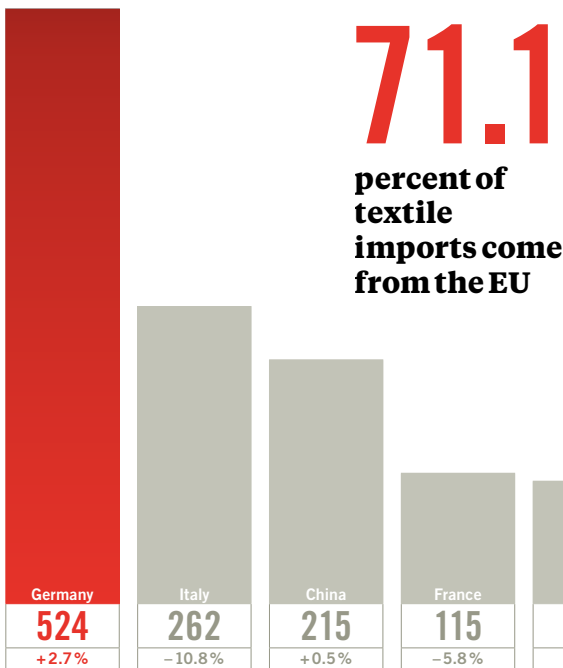
+0.5 %

Value of all imported textiles

1,954,204

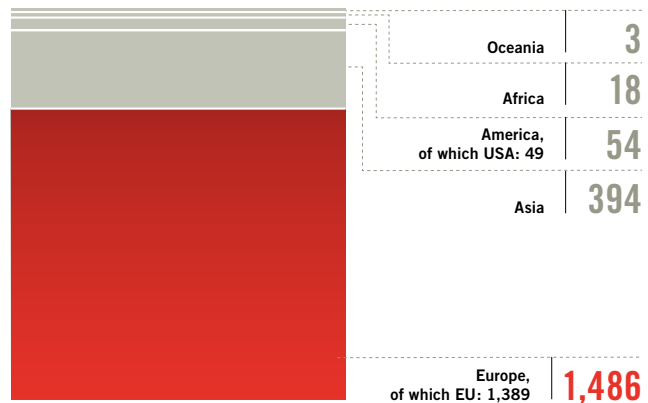
THE PRINCIPAL SOURCING COUNTRIES

In million Swiss francs, 2017



THE PRINCIPAL ECONOMIC AREAS

In million Swiss francs, 2017





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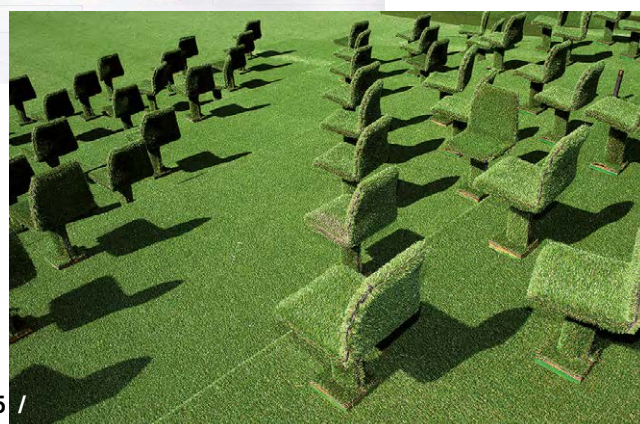
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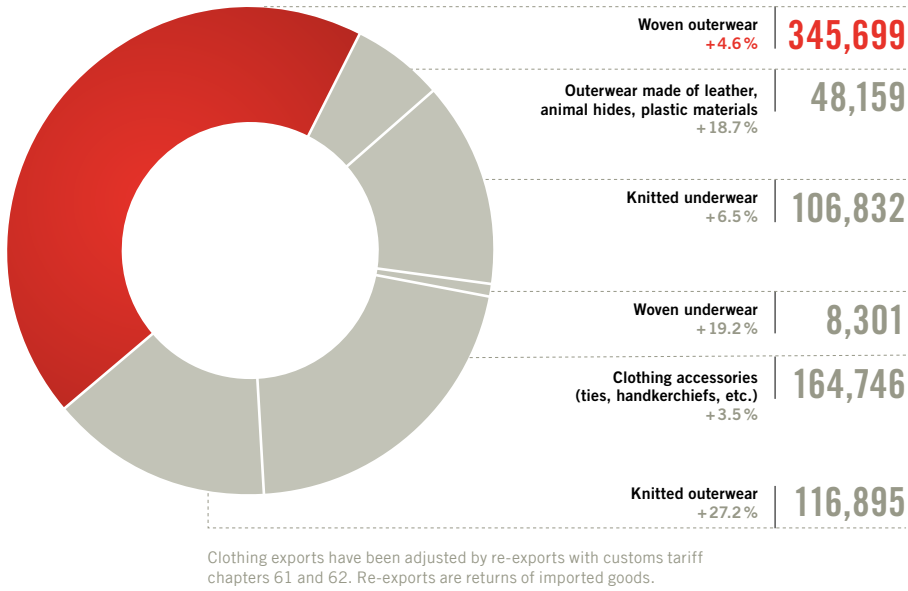
HOME TEXTILES

1 / "Silent" curtains from Création Baumann AG create visual and acoustic zones enabling people to work in peace in shared office space. **2 /** e-broidery® illuminated textiles by Forster Rohner AG: the integrated electronics enable dimming functions and animations. The LED textiles are washable and drapable. **3 /** The new Schlossberg collection, YU!, unites quality and lifestyle, design and the fascination of combination. **4 /** High-quality, Swiss made: the HITZEFREI bath towel from Christian Fischbacher AG conjures up feelings of summer. **5 /** Lawn carpet from TISCA for customised design of exterior space.

CLOTHING / EXPORTS

EXPORTS BY PRODUCT GROUP

In thousand Swiss francs, 2017



Excluding return shipments of goods, clothing exports rose in the year under review by 8.4 percent. Return shipments (or re-exports) amounted to 1.3 billion Swiss francs in 2017 – a 57.4 percent increase versus the previous year. This is attributable to online trade, which is continuing to gain ground. The majority of online dealers have set up their warehouses in Germany, which now accounts for around 95 percent of return shipments of clothing. After adjustment for re-exports, Italy has overtaken Germany as the most important destination for Swiss clothing. Clothing exports to China rose significantly, making China the third most important sales market for Swiss clothing.

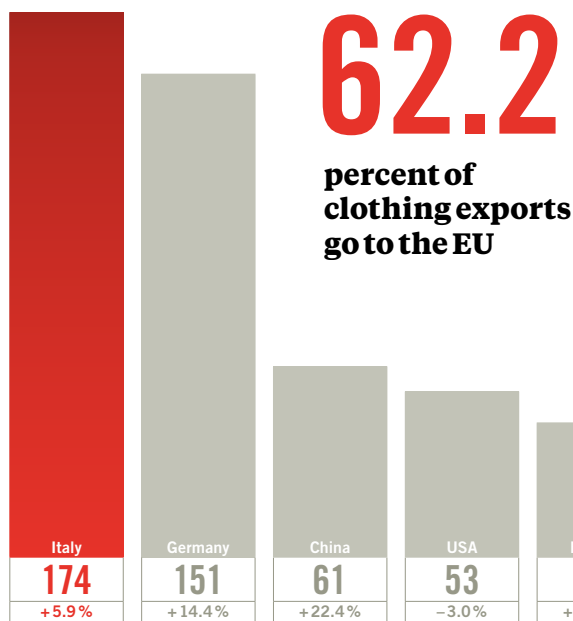
In thousand Swiss francs, 2017

**Value of
all exported
clothing**

790,631 +8.4%

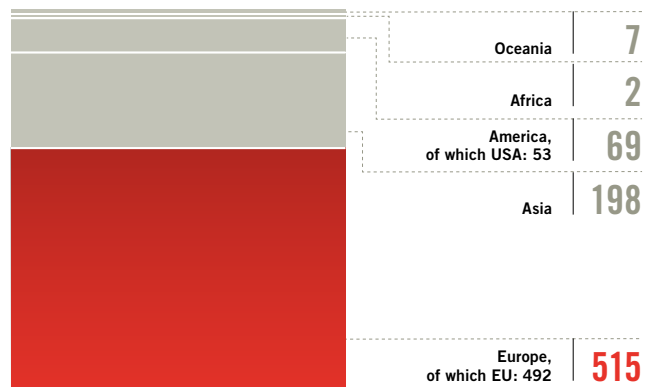
THE PRINCIPAL EXPORT DESTINATIONS

In million Swiss francs, 2017



THE PRINCIPAL ECONOMIC AREAS

In million Swiss francs, 2017





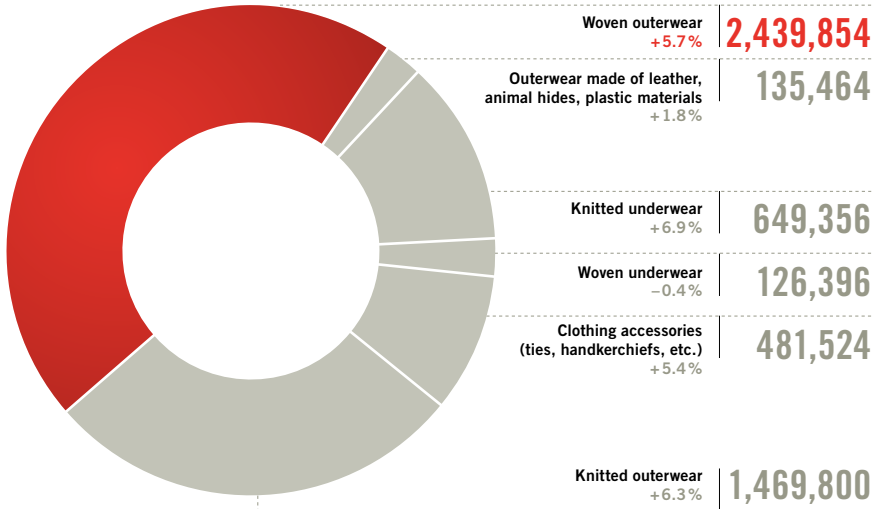
CLOTHING

- 1 /** Nature as role model: Mover Sportswear now uses natural materials such as alpaca wool and EtaProof fabric from Stotz & Co., a breathable fabric that is both wind resistant and waterproof.
- 2 /** Pippa Middleton's wedding dress was created by British designer Giles Deacon, using exclusive embroidery from Forster Rohner AG.
- 3 /** For the visor and top from her SLEEK collection, designer Yvonne Reichmuth from Zurich used finest quality Italian leather in combination with high-quality tulle from swisstulle AG.
- 4 /** Electrically heated fabric by Schoeller Textil AG: the heating technology is integrated with the fabric in a diamond-shaped geometrical pattern. It is based on conductive yarn, making it possible for the material to be evenly heated at standard voltages.
- 5 /** Maximum comfort and attention to detail: the Calida 2018 spring collection for men and women.

CLOTHING / IMPORTS

IMPORTS BY PRODUCT GROUP

In thousand Swiss francs, 2017



Clothing imports have been adjusted by re-exports with customs tariff chapters 61 and 62. Re-exports are returns of imported goods.

Clothing imports amounted to around 6.6 billion Swiss francs in 2017. Excluding re-exports, clothing worth 5.3 billion Swiss francs was sold in Switzerland. Import growth fell from 13.1 to 5.7 percent. Demand for clothing is continuing to grow. Figures were significantly higher for all of the ten most important sourcing countries. It is not possible to estimate the extent to which these growth rates are distorted by re-exports. Although re-exports are mainly collected in Germany, the previously imported items of clothing could have come from any country. However, the double-digit growth rates for imports from Vietnam and Cambodia clearly indicate that major companies are increasingly having their clothing produced in Southeast Asia.

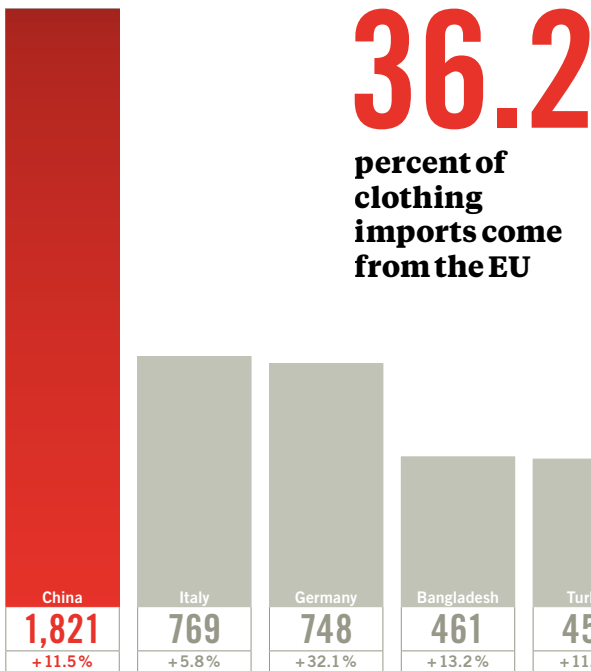
In thousand Swiss francs, 2017

Value of all imported clothing

5,302,394 +5.7%

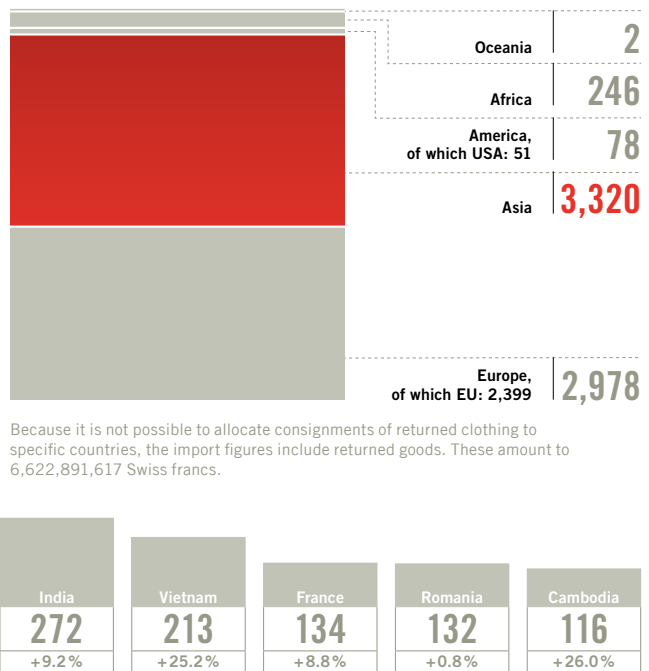
THE PRINCIPAL SOURCING COUNTRIES

In million Swiss francs, 2017



THE PRINCIPAL ECONOMIC AREAS

In million Swiss francs, 2017



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—
This publication is a shortened version of the full report in German.

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