



APPAREL/MARKET FOCUS

# HONGKONG CALLING!

**BINDU GOPAL RAO** takes a look at Asia's fashion hub Hong Kong and gives insights into its apparel market.

In the last few years, Hong Kong has emerged as Asia's prominent fashion hub. There is enormous interest in Hong Kong as an apparel export market. It has not only become a leading production centre but also a global hub for sourcing apparel. This has got both international and Indian exporters interested in its fashion market.

## ACTIVITY HUB

India's relations with Hong Kong are historical and date back to the 1840s. Foreign Direct Investment (FDI) to India from Hong Kong has increased in the recent years. Hong Kong is also a major sourcing centre for Indian companies and it has emerged as a major exporter to mainland China of the items it imports from India. To promote the Indian garment industry, the Apparel Export Promotion Council (AEPC) inaugurated the Indian Pavilion at the Hong Kong Fashion Week for Spring/Summer for the 13th consecutive year. To its advantage, the quality of Indian textiles and clothing is better than China's. Also, the Indian textile industry relies heavily on software design. India's textile diversification is better and India's exports of garments (mainly high-end apparel) have a considerable competitive edge. India's textile and handicrafts, decorative fabrics, embroidery, printing and dyeing technology, chiffons and georgettes occupy an important place in exports.

Yasharth Verma, Executive Director, Bizpluss, in, explains, "As environmental regulations and production costs have increased, the number of Hong Kong-based manufacturers that have outsourced production of lower-end products to mainland China and other Asian countries have also grown according to the Trade Development Council. Hong Kong textile manufacturers, thus, have turned to producing high value added apparel and have undertaken high value added functions like quality control, design, development, sales and marketing. Indian companies are mostly exporting branded garments or designer labels."

## GOVERNMENT IMPETUS

Sunny Kataria, CEO, Karsci Clothing, opines, "Hong Kong being a free port is ideal for doing business in Asia as it does not levy any custom duty. Having few manufacturing facilities, the city has completely evolved into a massive trading hub over the years. India is the second biggest supplier of men's apparel to Hong Kong." Though a slowdown in China gave an opportunity to Indian textile exporters,



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the segment managed to expand its performance rate by just 8.2 per cent over the last three years. In the last few months, though, the growth of textile and apparel exports from India slowed down because of several internal and external factors.

“The Hong Kong apparel industry has been transformed since its early days of cut, make and trim (CMT) manufacturing. Rising costs have made it uncompetitive. Domestic production has declined as Hong Kong firms have relocated manufacturing operations to mainland China in an attempt to remain profitable. So, Indian products have a direct challenge from Chinese apparel,” opines Verma. The Indian government is also set to unveil a national textiles policy that aims to raise exports to US\$ 300 billion by 2024-25 and create around 35 million jobs. Apparel and garment industries are to be set-up in Uttar Pradesh, Bihar and the North-Eastern States and millions of jobs are expected to be created. In order to boost the textile sector, the Government has also simplified guidelines for setting up of textile parks.

### A LOOK AT THE NUMBERS

India’s apparel exports, supported by the expectations of increase in the global apparel trade and due to the benefits of the depreciated Indian rupee in 2015, are likely to increase to US\$ 20 billion in 2016 as against US\$ 16.5 billion in 2014, according to a report from the investment information and credit rating agency, ICRA. India’s exports to Hong Kong amounted to US\$ 12.4 billion or 2.1 per cent of its overall imports in 2014 and these include cotton worth US\$ 159.1 million and clothing (not knit or crochet) worth US\$ 41.3 million. The global trade forecast from four per cent to 3.3 per cent for 2015, exports to Hong Kong could play a key role in fulfilling India’s ambitious aim to double outbound shipments to US\$ 900 billion over the next five years. Nearly 25 years since India unveiled the ‘Look East’ policy for building strategic and economic relations with its neighbours, Hong Kong has emerged as the next big destination for exports. According to the Commerce Ministry, Hong Kong has jumped two ranks up in just five years, and is now the third-largest market for the Indian exports, after the US and UAE.

Exports to Hong Kong jumped to US\$ 10.96 billion in April 2014-January 2015 from US\$ 6.65 billion in 2008-09. Analysts estimate that 30 per cent of exports to Hong Kong (led by gems, jewellery and leather products) are locally consumed. The rest is shipped to China, but majority of it comes back to Hong Kong as value added goods. Between January 10, 2016, to

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February 8, 2016, India exported ready-made garments worth US\$ 702,396. Hong Kong is the largest importer of ready-made garments accounting for exports worth US\$ 702,396. Average value per shipment of ready-made garment exports in India is US\$ 702,396. A total of 286 export shipments of ready-made garments were reported during this period. “Hong Kong’s total imports of clothing and clothing accessories in 2015 was US\$ 14.8 billion, decreased 7.9 per cent year on year,” says Patty Yeung, Exhibitions Department, Hong Kong Trade Development Council (HKTDC).

### FASHION MATTERS

Hong Kong’s worldwide recognition is attributed to its fashion designers’ professional expertise, their sensitivity to current trends and ability to blend commerce and innovation. Medium to high-priced fashion clothing with Hong Kong designer labels are found in department stores like Bloomingdale’s, C&A, Harrod’s, Isetan, Macy’s, Marui, Mitsukoshi, Neiman Marcus, and Seibu. “Hong Kong is also known for its trade fairs and exhibitions,” says Verma. “HKTDC offers opportunities for business connections and exploring new markets for manufacturers in Beijing, Budapest, Chengdu, Dalian, Dubai, Düsseldorf, Hong Kong, Moscow, Mumbai, Paris, Tokyo, Warsaw and Jakarta. The Hong Kong Fashion Week is another highlight, organised twice annually where international suppliers and buyers participate and where local designers’ collections and brands are promoted.”

Online shopping is also becoming popular in Hong Kong and the Chinese mainland. Clothing has emerged as one of the most purchased items online. With the number of online shoppers soaring from 60-360 million in 2014, online clothing sales surged 42 per cent. “Products and demands keep changing. The actual market segments include easy-care, functional, organic apparel and clothes for children, women and men. Hong Kong’s clothing manufacturers have teamed up with the textile manufacturers. The future looks promising for the two trades as they can offer in-demand products,” adds Verma.

Hong Kong is an ideal one-stop shopping centre for buyers looking for new and trendy apparel. “There is a high demand for traditional Indian clothes in Hong Kong,” says Kataria. “Our wedding apparel like the Indo-western jackets, sherwanis, *bundys*, etc., is famous here. Hong Kong cannot compete in prices but excels in product development and innovation. All major fashion brands are eyeing the Hong Kong stock exchange to launch their IPOs. If Hong Kong emerges as a big fashion finance centre, it can be a massive advantage to its economy.” ■