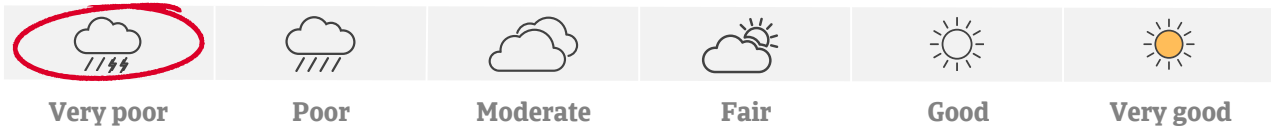


Textiles Sector Report

Q1 2024

What is the outlook?



Headlines

Low levels of optimism but challenges remain

Inflation remained high in 2023 although this has since cooled to 3.2%. With wage growth still high we wouldn't expect a cut in interest rates until at least the latter part of 2024 or later.

Retail footfall grew +3.3% in 2023 but is still -11.5% down vs pre-pandemic levels. Retail parks showed more consistent levels of footfall and also proved an attractive prospect to open new stores compared to the High Street and Shopping Centres.

Improving economic picture does give cause for some level of optimism but the continuing high interest, high inflation environment remains a dampener on demand and a challenge for those with leveraged balance sheets.

Sector updates

Consumer sentiment bounces back

Consumer sentiment has gradually improved since Summer 2023 with the general consensus feeling better off than last year. One of the main contributors toward this is that the older and wealthier generation are less affected by having a bulk of savings to dip into.

As a result, spending habits reflect that personal spending on family, travelling and home lead the way as priority areas.

Key sector highlights

Inflationary factors affect sales value growth

There was an increasing disparity in sales volume compared to sales value, with volumes seeing negative growth for clothing & furniture in 2023. Although it is clear the inflationary factor had a definite say in the sales value growth.

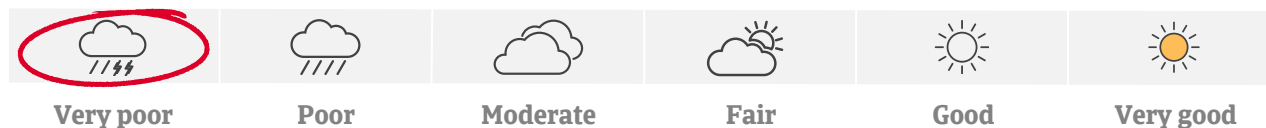
We have seen a notable increase in claims for 2023 compared to the prior year, showing a level of normalisation that we have been expecting since the drop off in government support measures.

Discounting and brand value have played big parts in where consumers choose to spend. This has led to very competitive pricing and margin dilution.

Consumer
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back



What is the outlook

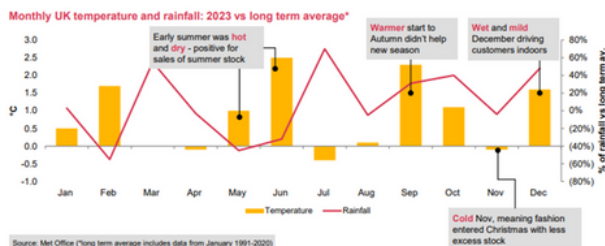


Sector updates (continued)

Fashion falls flat

Most clothing retailers saw flat and negative growth in 2023 compared to the prior year. Weather plays a big part in how consumers spend throughout the year, with both better and worse than expected weather affecting demand.

A hotter earlier summer was a positive for the summer stock and a good start to the season, although a warmer start to autumn had the opposite effect in September. Lastly, a wet December was the beginning of a below par Christmas period for clothing retailers.



Home & big ticket continue to concern

Home and Big-ticket retailers saw the most subdued results in 2023 due to low demand and high input costs. The sector saw significant growth during the pandemic but this has since eased off with the retailers showing value for money and omnichannel options faring best.

Key insolvency statistics

Increase in major retail insolvencies

Major retail insolvencies increased by 24% in 2023 to 61 compared to the prior year of 49 as the macroeconomic pressures continued.

As of this year alone, big names such as Tile Choice, Ted Baker, Matchesfashion and FarFetch have fallen into administration. The Cost-of-Living Crisis has affected demand across the industry coupled with increased overhead costs for businesses to contend with.

24%
increase in
insolvencies

Atradius approach

Continue to underwrite, case-by-case

We continue to prioritise looking at everything on a case-by-case basis.

A focus on financial insight and liquidity, along with access to forecasts is crucial for us to support large amounts of cover.

We are continuing to maintain dialogue with buyers and customers to keep on top of industry/economic changes as and when they occur.

6 month prediction

Maintain positive outlook

Expectation is that we will continue to see insolvencies at elevated levels with 2024 likely to share many similarities with 2023.

Problem areas include clothing, big-ticket items such as Furniture and online retailers. We expect demand to remain low throughout these sectors until we see a cool down in inflation and interest rates.

We remain to adopt a cautious underwriting approach for the short-medium term.