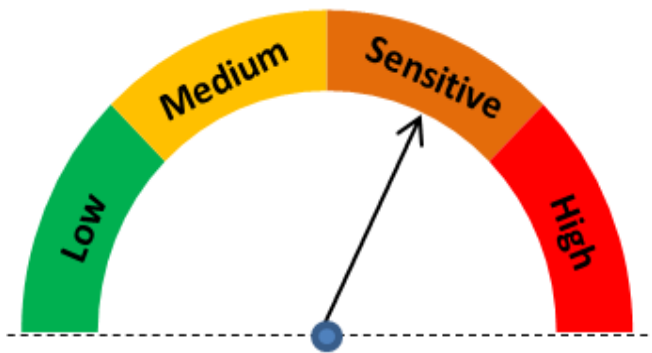


Sector Risk Rating



What to Watch?

- Evolution of raw materials prices in 2015 (cotton and wool now on a downward trend)
- Economic development in India on both the production and consumption sides
- M&A activity in the retail sector potentially increasing bargaining power over textile producers
- High potential for development in technical textiles (for both Personal and Industrial applications)

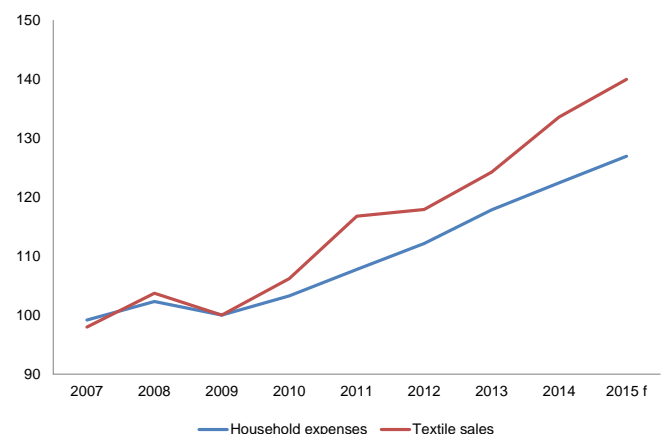
Rising Consumer Spending in Emerging Markets Boosts Textile Sales

Increasing household expenditures (+3.7%) will continue to boost textile sales in 2015. Euler Hermes expects the latter to keep momentum at around +6%.

This dynamism is mainly driven by emerging markets and their expanding middle class. In China, household expenditures will grow +12% in 2015 after having doubled between 2010 and 2014. India is expected to be the standout in the sector during coming years, underpinned by two complementary features. First, the market benefits from strong demographic growth expected to rise +9.6% between 2013 and 2020. Second, higher incomes will substantially increase household purchasing power, as GDP per capita is expected to soar, increasing +77% between 2013 and 2020.

The challenge the textile sector now faces is turning these rising revenues into greater profitability. The main textile companies in India managed to enjoy comfortable profit growth in 2014 (+11%), but their Chinese counterparts struggled (-10%). Tackling the issue of profitability will be even trickier for smaller companies, who have very low pricing power within the supply chain.

T&C sales and Household expenditures
(Index: 2009=100)



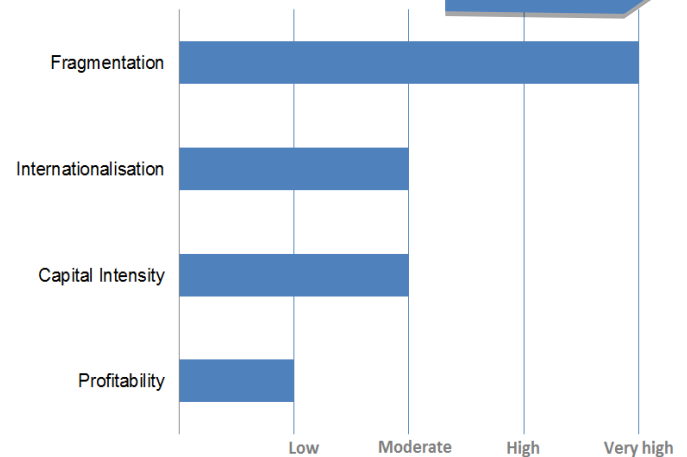
Sources: IHS, Euler Hermes

Sector Value:
448bn
USD

Key Players

Country	Role	Sector Risk
China	#1 producer #1 exporter	●
Italy	#2 producer #2 exporter	●
India	#3 producer #3 exporter	●

ID Card



Strengths

- New market opportunities thanks to rising middle classes in emerging markets
- Rising use of man-made fibers to reduce dependency on commodities

Weaknesses

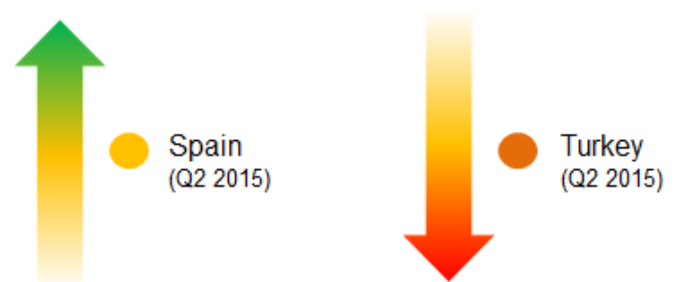
- Low pricing power leading to asymmetric relationship with retailers
- Fierce competition weighs heavily on margins
- High sensitivity to raw material prices, including energy

Subsectors Insights

Textile: Operating high in the value chain, they will be first to benefit from decreasing cotton prices (A-index -25% ytd as of May 2015).

Clothing and Footwear: Global market output was worth USD1tn in 2014 and is forecasted to expand at an average annual growth rate of +8% until 2018.

Recent Sector Risk Changes



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