NEW ZEALAND

APPAREL MARKET INSIGHTS IN AUSTRALIA, CANADA, THE UK, AND THE USA

Prepared for Mindful Fashion

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Introduction to this report

Background

Mindful Fashion New Zealand (MFNZ) are a not-for-profit organisation with the goal of supporting Aotearoa New Zealand's Fashion, Clothing and Textiles Industry (NZFCTI). Sustainability and inclusivity are key pillars of MFNZ's approach, and their vision is for the NZFCTI to be an industry where business, nature and people all thrive.

Their members include a variety of NZ clothing and textile companies, all with values that align with MFNZ's goal of creating a sustainable and inclusive future. MFNZ supports their members and the wider NZFCTI through advocacy, education and facilitation.

Methodology

This report was generated using secondary desktop research based on publicly available sources and paid-for subscription databases available to NZTE. These sources include:

- Euromonitor
- ITC Trade Map
- GWI
- Statista

Purpose

The aim of this report is to provide research that supports businesses in the NZFCTI to capitalise on their potential to grow exports of responsibly produced fashion, clothing and textile-based products, and boost their contribution to New Zealand.

Limitations

The information provided in this report is compiled from secondary data sources. A variety of methodologies have been used to source the original data, and data points are often from differing time periods.

The latest information available has been used where available. As such the data in this report should be seen as indicative and not absolute.

Contents

Data in this report is colour coded for each market.

Australia – Black

Canada – Orange

UK – Blue

USA – Green

Where this is not the case, markets can be identified by their flags:

Australia Canada UK USA

SECTION 1

MARKET SIZING AND KEY BRANDS

Key Market Indicators and Brands

For specific apparel industries, the following pages detail:

- Total market size (USD)
- Growth in total market size (CAGR, 2018-23)
- Market size per capita
- The top 10 brands by retail market share

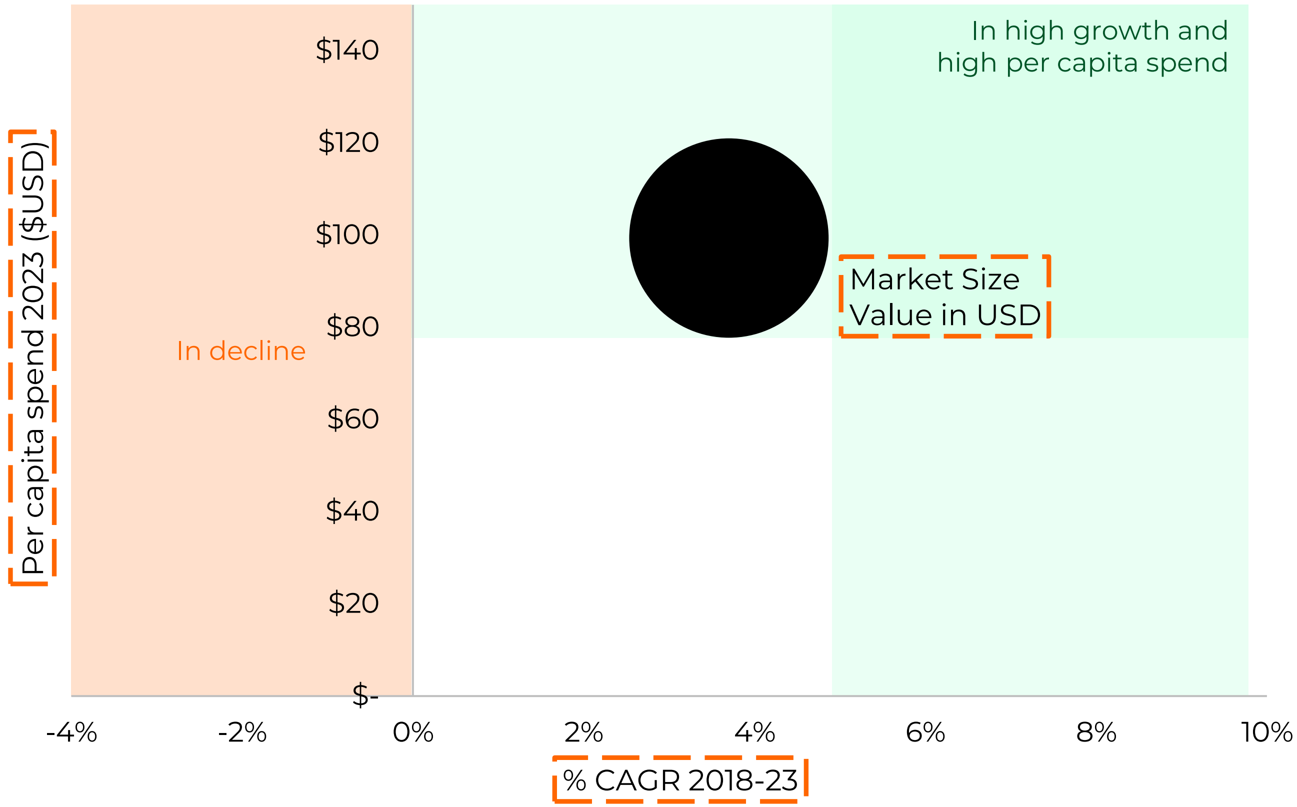
Guidance slide: bubble charts

The bubble charts used in this section look at categories across markets for market size, compound annual growth (CAGR) and per capita spend.

- The bubble size depicts the market size.
- Its vertical position tells us the spend per capita, meaning the higher the bubble appears on the chart the more that is spent per capita.
- The placement of the bubble horizontally tells us the compound growth of the category, the further right the bubble the higher the growth has been over the time period.

Ideally a market would be in high growth showing capacity for potential new products, and the per capita spend would be high, making it a market most likely to meet the premium cost of New Zealand products.

MARKET SIZE, PER CAPITA SPEND, AND GROWTH OF CATEGORY
Value in USD



A risk for the NZFCTI is that none of the markets have grown relative to 2018. The USA and UK have high per capita spend but whether this spend is on premium items or fast fashion is unclear.

It is unclear whether the contraction in the apparel industry will have a positive or negative impact for the NZFCTI.

Typically, a decrease in market size is a negative sign for NZ exporters as it indicates a shrink in the total opportunity available.

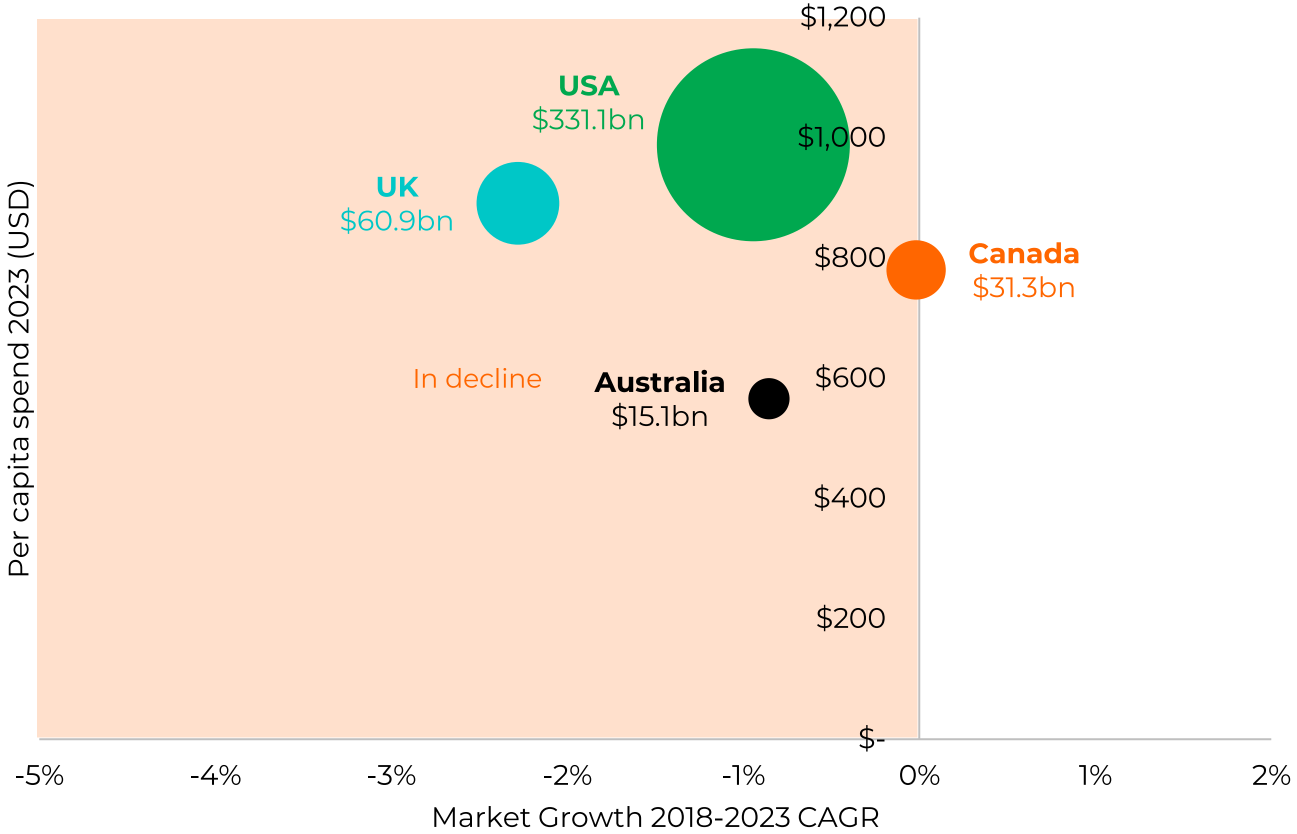
However, in the apparel industry a drop in value may mean a decrease in fast fashion / mass apparel purchases. The consumer insights detailed later in the report indicate that there is some interest in purchasing apparel from more sustainable brands.

A major reason why most markets haven't returned to 2018 levels is the impact of the pandemic on sales and apparel purchase behaviour. Following the pandemic, the rising cost-of-living in these markets fueled by inflation further depressed the growth of the apparel industry.

To test this, NZTE MR recommends members of the NZFCTI conduct primary research to understand what has caused overall spending to drop for some consumers.

MARKET SIZE, GROWTH, AND PER CAPITA SPEND FOR APPAREL

Retail value in USD, fixed ex rates, constant prices



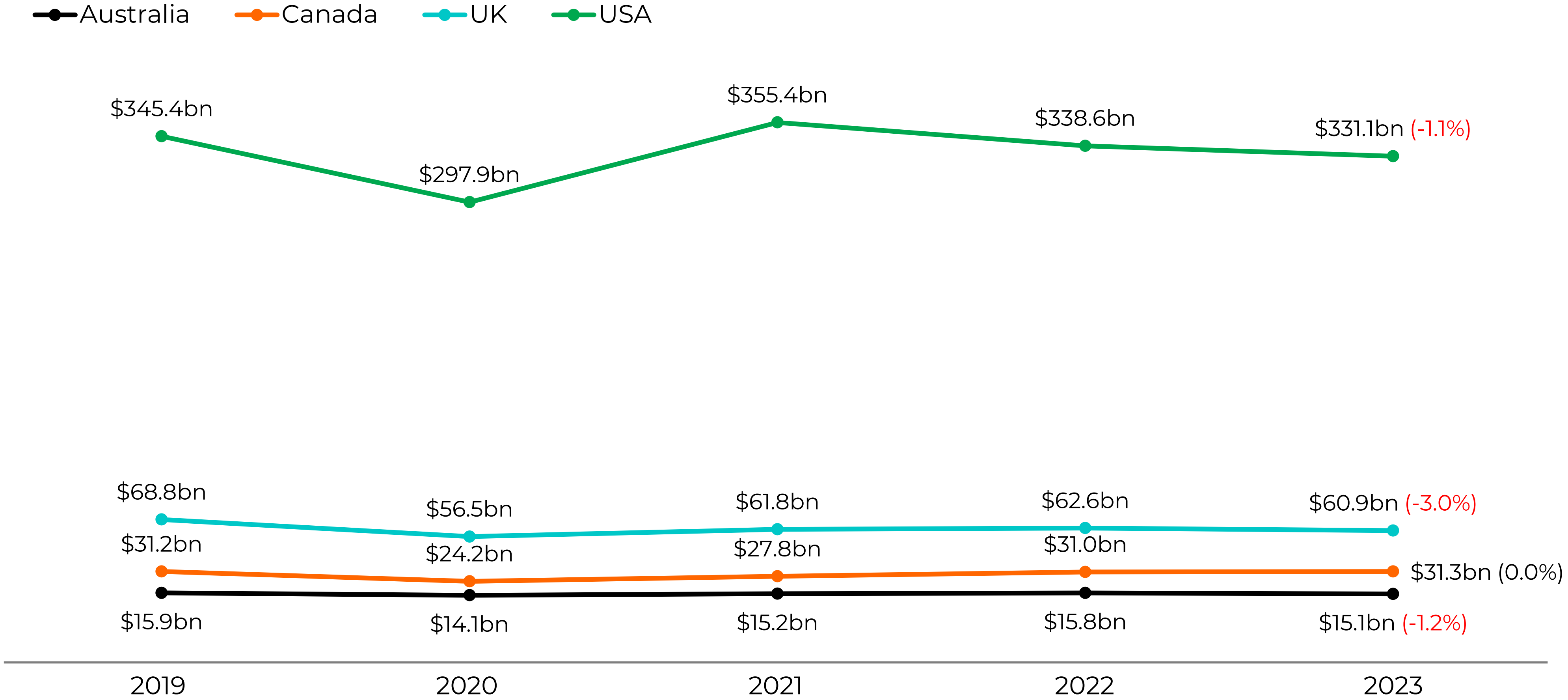
Source: Euromonitor.

Articles of dress; wearing apparel; garments. Items must be new when sold to the consumer; second hand/used clothing is excluded. Antique and/or vintage clothing is also excluded. Sports clothing (broken out as a separate category) is included in total clothing figure.

Only Canada has recovered to pre-COVID levels. In the other 3 markets, the total opportunity for apparel has not strictly increased post-COVID. There may be fewer dollars to go towards NZ brands.

MARKET SIZE FOR APPAREL

Retail value in USD, (2019-2023 CAGR in brackets)



Source: Euromonitor. Fixed ex rates, constant prices.

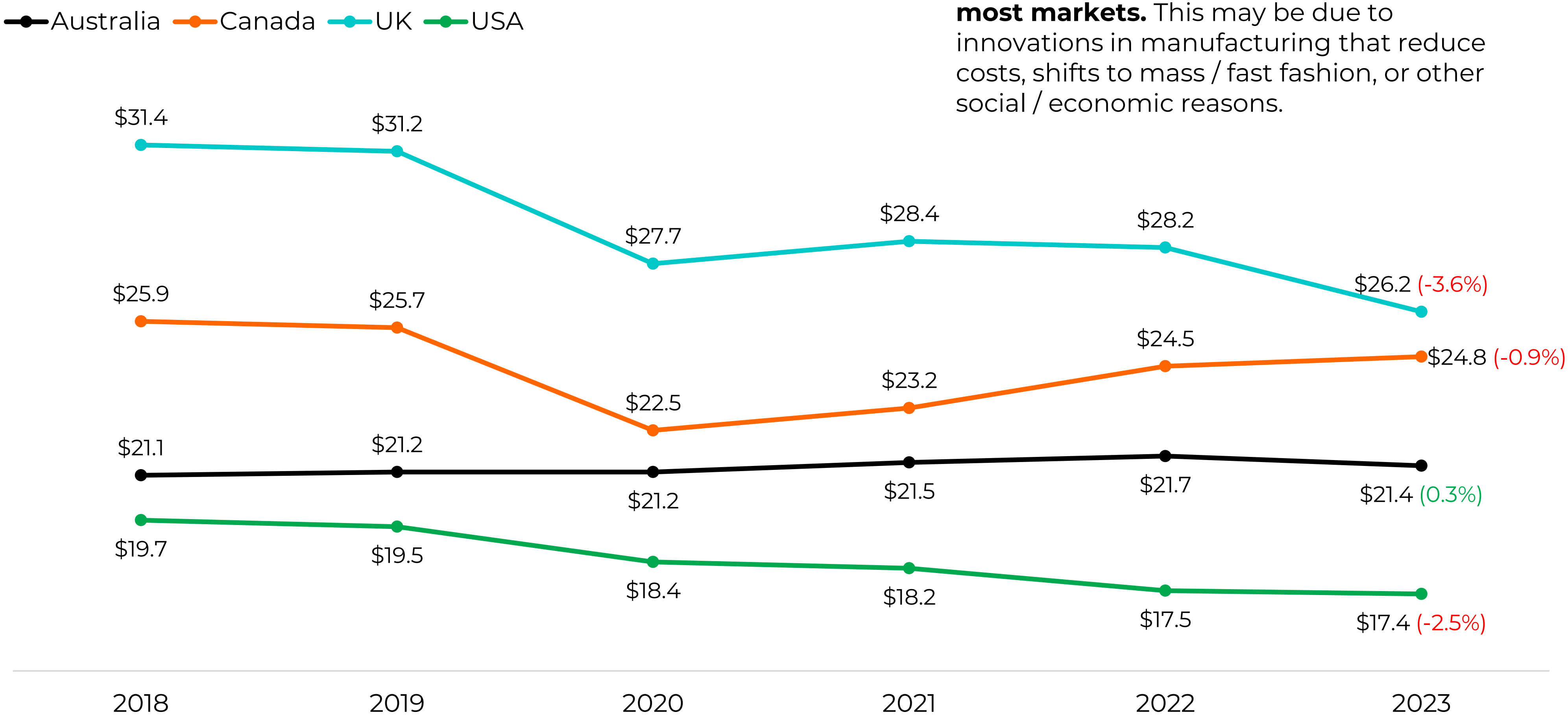
Articles of dress; wearing apparel; garments. Items must be new when sold to the consumer; second hand/used clothing is excluded. Antique and/or vintage clothing is also excluded. Sports clothing (broken out as a separate category) is included in total clothing figure.

The USA has the lowest unit price at $17.4 but has the highest per capita spend. USA consumers may be purchasing more clothing but at lower prices, which may not be as suitable to the NZFCTI.

UNIT PRICE FOR APPAREL

USD per unit, (2018-2023 CAGR in brackets)

The unit price has decreased across most markets. This may be due to innovations in manufacturing that reduce costs, shifts to mass / fast fashion, or other social / economic reasons.



Source: Euromonitor. Fixed ex rates, constant prices.

Articles of dress; wearing apparel; garments. Items must be new when sold to the consumer; second hand/used clothing is excluded. Antique and/or vintage clothing is also excluded. Sports clothing (broken out as a separate category) is included in total clothing figure.

Mass apparel and footwear refers to brands that are generally intended for broad consumption and are positioned at accessible price points, with wide availability, non-exclusive distribution, and subject to discounting. Examples of mass apparel and footwear brands include Bata in India, Clarks in the UK, Shein across Europe and in the US, Kiabi in France, C&A in Germany, Private label ranges, such as George by Asda in the UK or Target clothing range by Target Corp.in the US and items intended for sale in the mass merchandisers and discounters channels fall under mass positioning.

Mid apparel and footwear refers to moderately-priced apparel and footwear; brands that are generally viewed as more premium in terms of price and quality than mass, but not as exclusive or as high-priced as high apparel and footwear. Examples of mid apparel and footwear brands include: Esprit in Western Europe, United Colours of Benetton in Italy, J Crew in the US.

High apparel and footwear refers to premium and designer apparel and footwear; brands that are widely viewed as being more exclusive than the rest of the market owing to their higher-price positioning, selective distribution, exclusivity in store-based and online retail, and their perceived greater craftsmanship, brand-heritage and higher quality. Core and entry-level luxury brands all fall under high apparel and footwear. Examples of high apparel brands include Lacoste, Sandro, Chanel, Ralph Lauren, Gucci, Claudie Pierlot, Michael Kors, Armani, Calvin Klein.

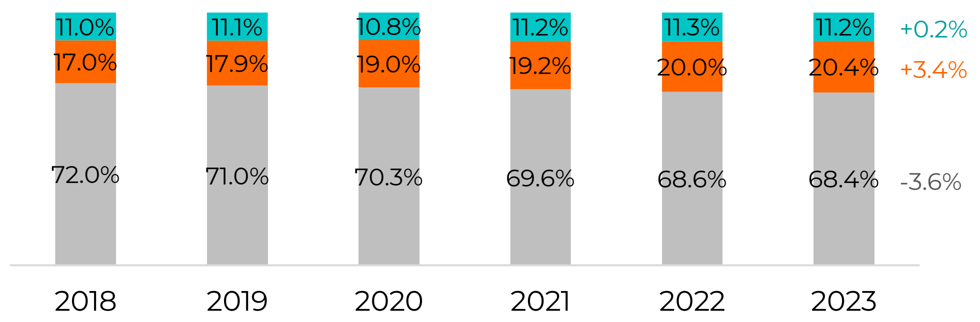
The next page details the value split for apparel

The definition for mass, mid, and high can be found to the right.

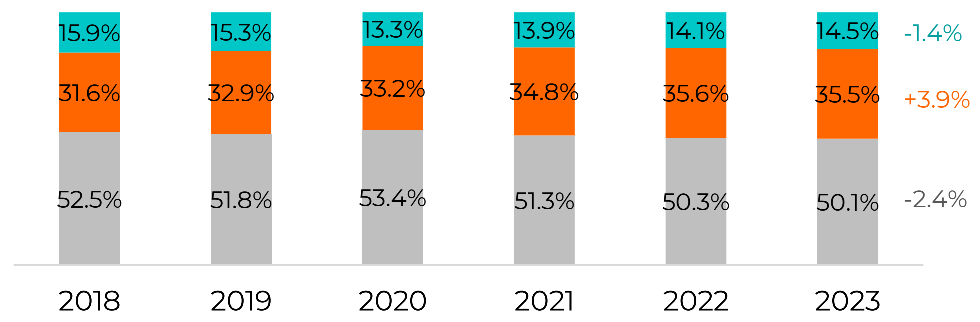
Australia and Canada standout as markets where consumer spending has shifted away from mass and towards mid-range apparel. This may be advantageous to the NZFCTI's often higher-priced offering.

■Mass ■Mid ■High

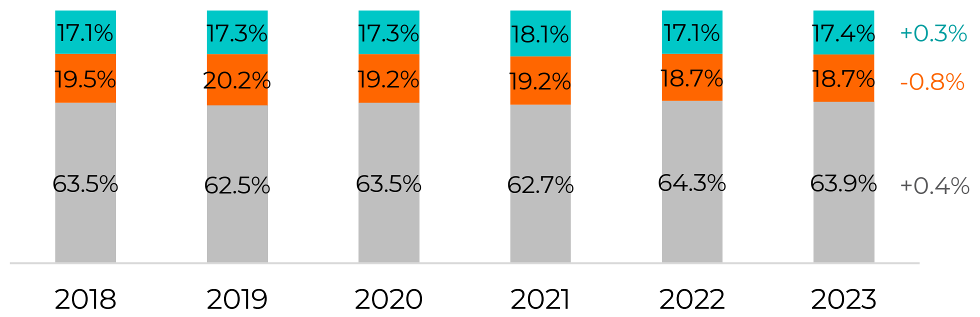
VALUE SPLIT FOR APPAREL
Australia, % of retail value



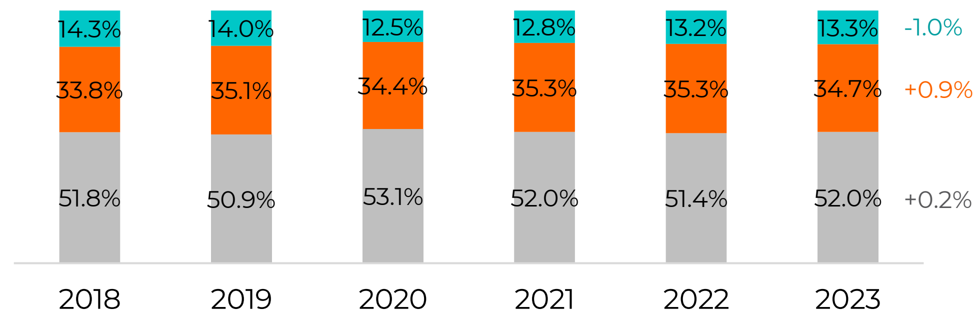
VALUE SPLIT FOR APPAREL
Canada, % of retail value



VALUE SPLIT FOR APPAREL
UK, % of retail value



VALUE SPLIT FOR APPAREL
USA, % of retail value



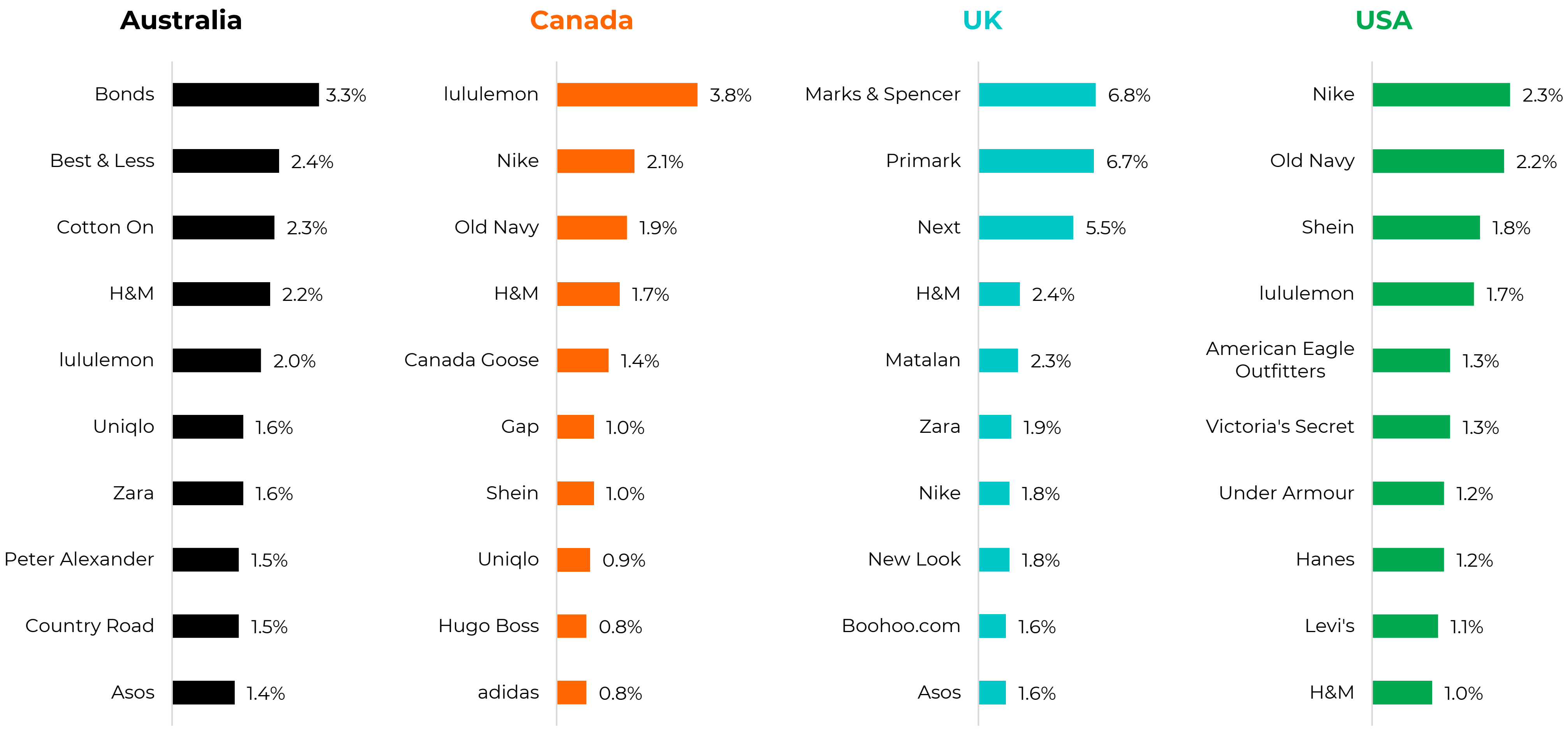
Source: Euromonitor. Fixed ex rates, constant prices. Due to rounding, the sum of the percentage point changes may not sum to 0.

Articles of dress; wearing apparel; garments. Items must be new when sold to the consumer; second hand/used clothing is excluded. Antique and/or vintage clothing is also excluded. Sports clothing (broken out as a separate category) is included in total clothing figure.

The apparel sector is highly fragmented, with the top 3 brands making up less than 20% of total retail value across these markets. Given how diverse the range of brands is, there may be room for new entrants.

BRAND SHARE FOR APPAREL

Top 10 brands, % of retail value, 2023

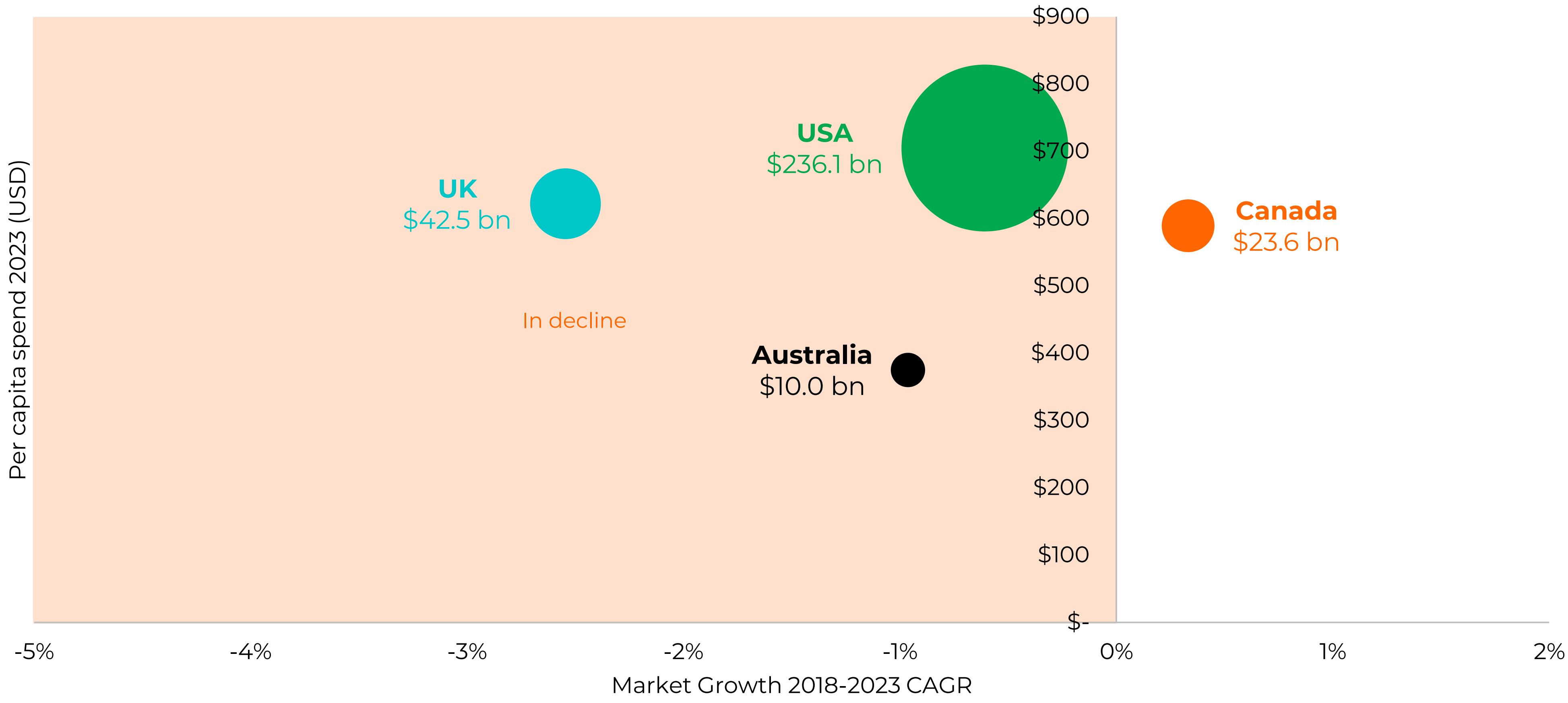


Source: Euromonitor.

Outerwear follows the trend of the broader apparel category, where most markets have fallen in value relative to 2018, and while Canada has grown it is by a small amount.

MARKET SIZE, GROWTH, AND PER CAPITA SPEND FOR OUTERWEAR

Retail value in USD, fixed ex rates, constant prices
*Outerwear is clothing for outdoor / out-of-the-house wear, not specifically for outdoor activities



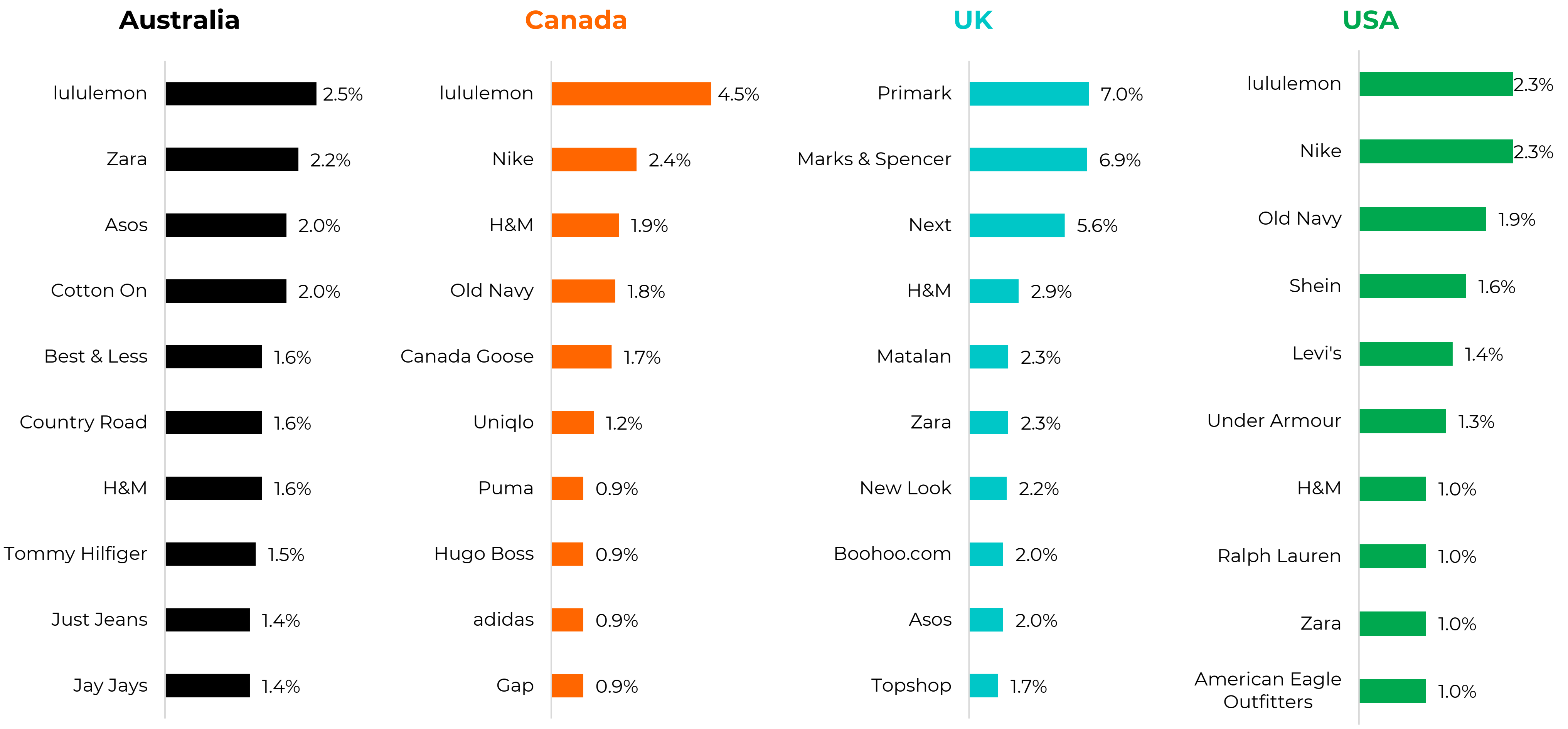
Source: Euromonitor.

Clothing for outdoor/out-of-the-house wear. Includes shorts & trousers, jeans, jackets & coats, suits, shirts & blouses, jumpers, tops, dresses, skirts, leggings. For the purpose of this study men's underwear, nightwear, swimwear and hosiery are excluded and attributed to each sector as appropriate. Knitwear products are included.

lululemon being a top brand across 3 of these markets may be a good sign for the NZFCTI, since it is less associated with fast fashion than other brands.

BRAND SHARE FOR OUTERWEAR

Top 10 brands, % of retail value, 2023

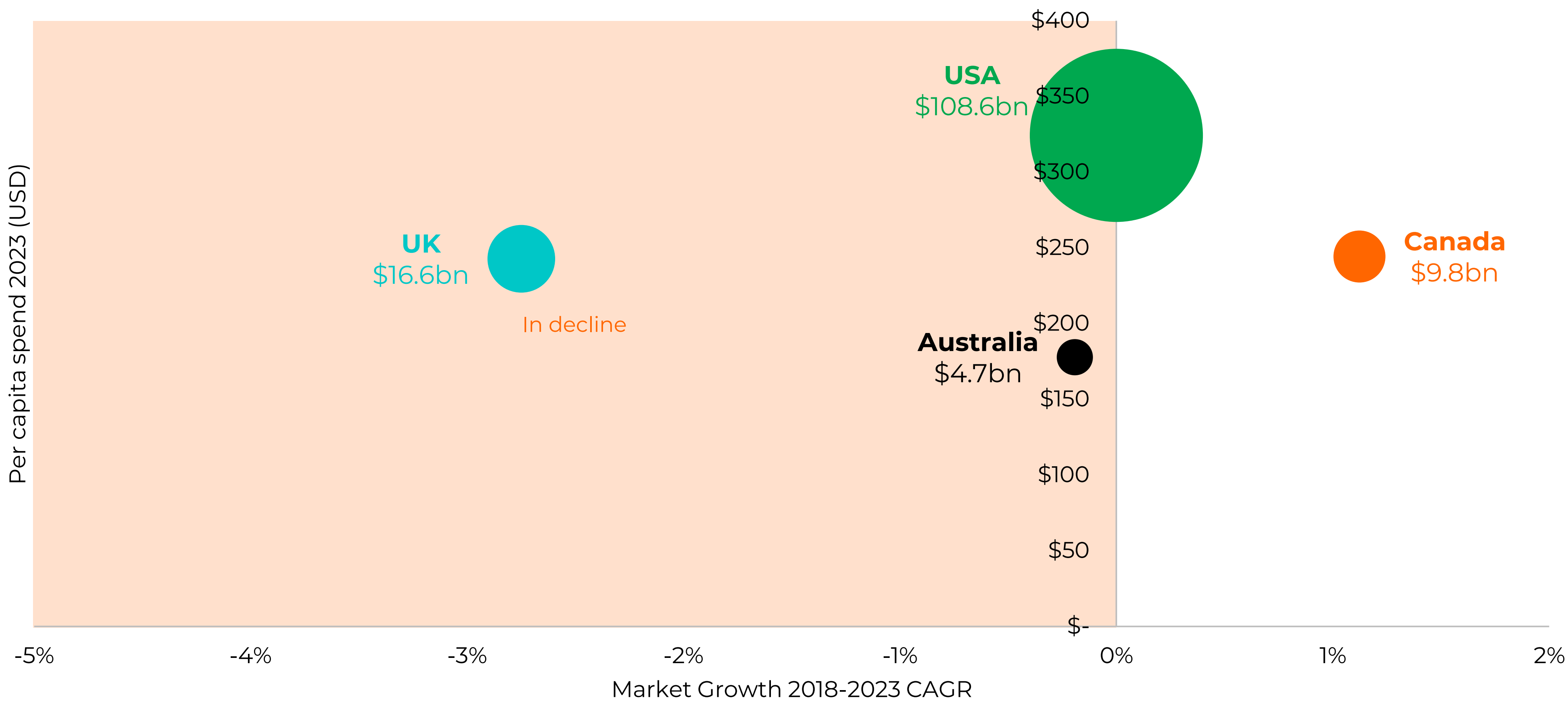


Source: Euromonitor.

Like the broader category, in many markets the menswear industry is in decline relative to 2018. Canada has experienced growth, but at only 1.1%.

MARKET SIZE, GROWTH, AND PER CAPITA SPEND FOR MENSWEAR

Retail value in USD, fixed ex rates, constant prices



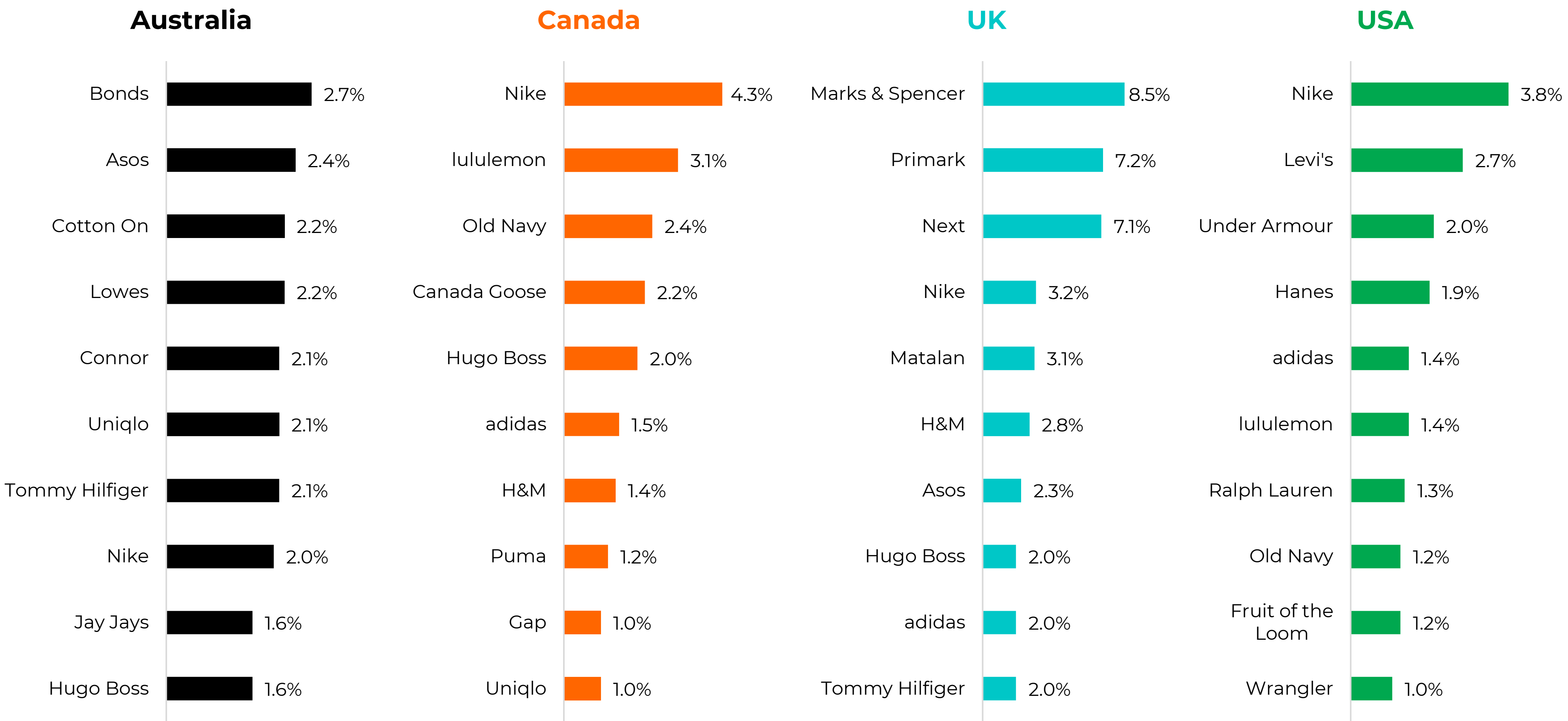
Source: Euromonitor.

This is the aggregation of men's outerwear and men's underwear, nightwear and swimwear.

Menswear is just as fragmented as the broader apparel industry, though in the UK where are 3 brands with slightly higher shares of the market.

BRAND SHARE FOR MENSWEAR

Top 10 brands, % of retail value, 2023

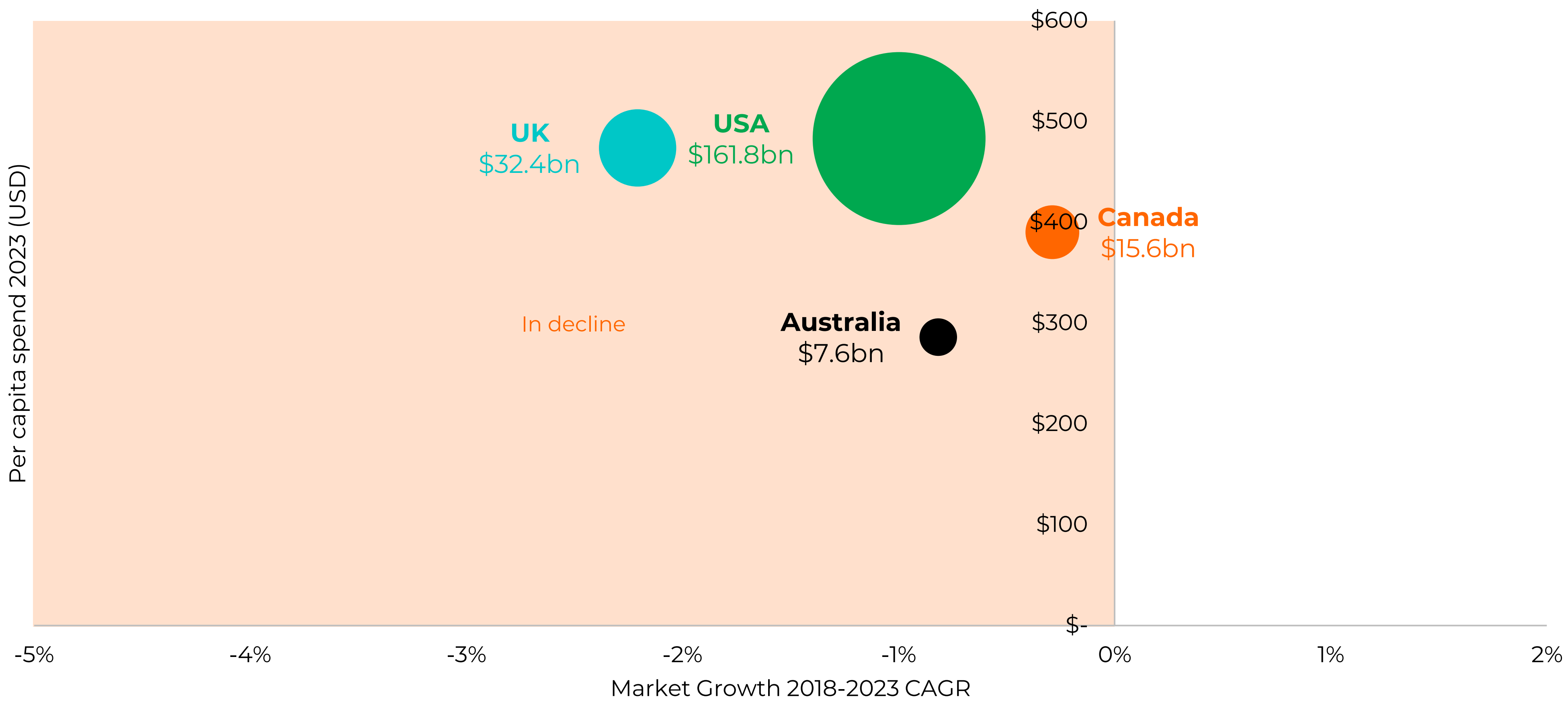


Source: Euromonitor.

Like the broader industry, by value womenswear has been declining relative to 2018.

MARKET SIZE, GROWTH, AND PER CAPITA SPEND FOR WOMENSWEAR

Retail value in USD, fixed ex rates, constant prices



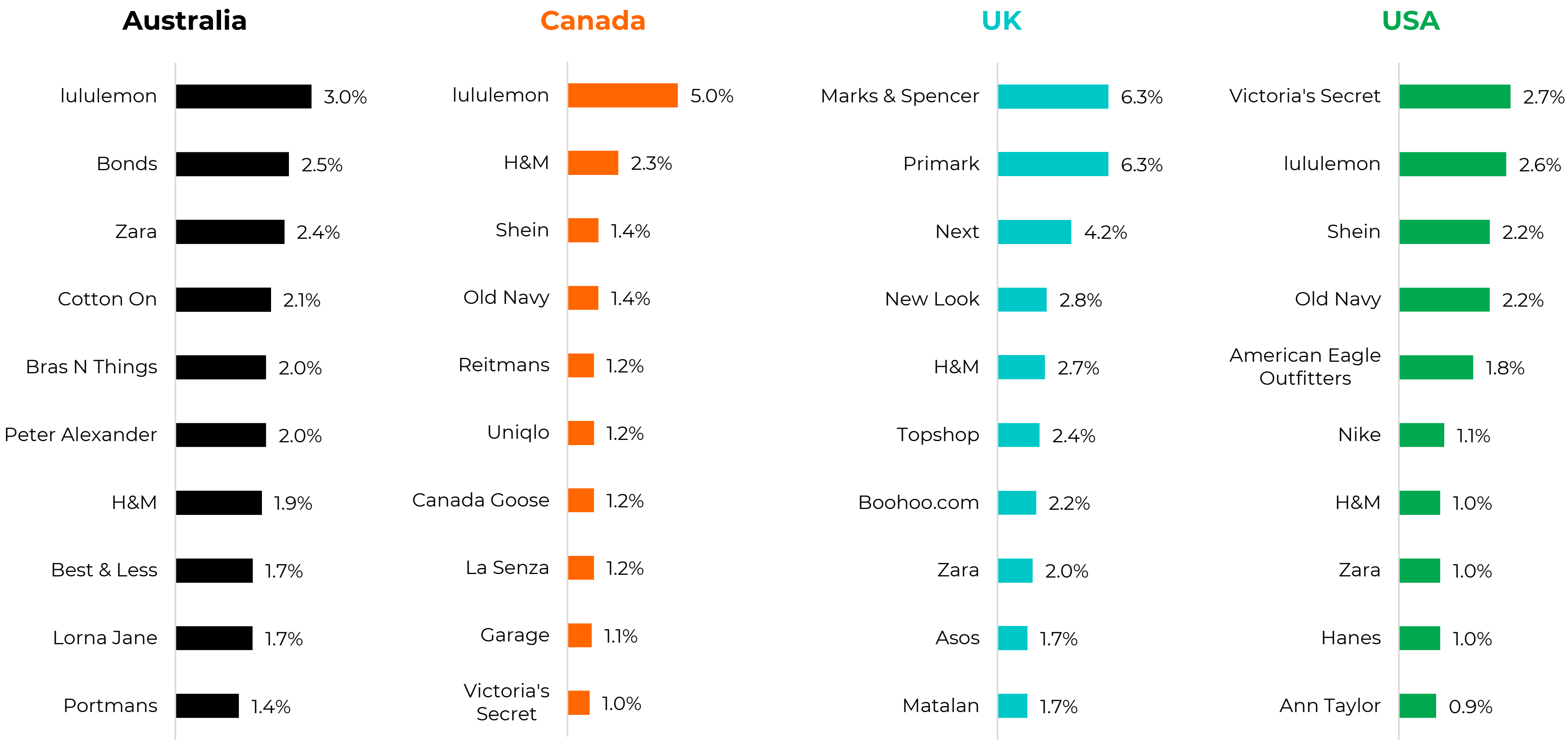
Source: Euromonitor.

This is the aggregation of women's outerwear and women's underwear, nightwear and swimwear.

lululemon is a top 3 brand across 3 of the markets. Should members of the NZFCTI target womenswear in *Australia*, Canada, or the USA, the strategies used by lululemon may be worth examining.

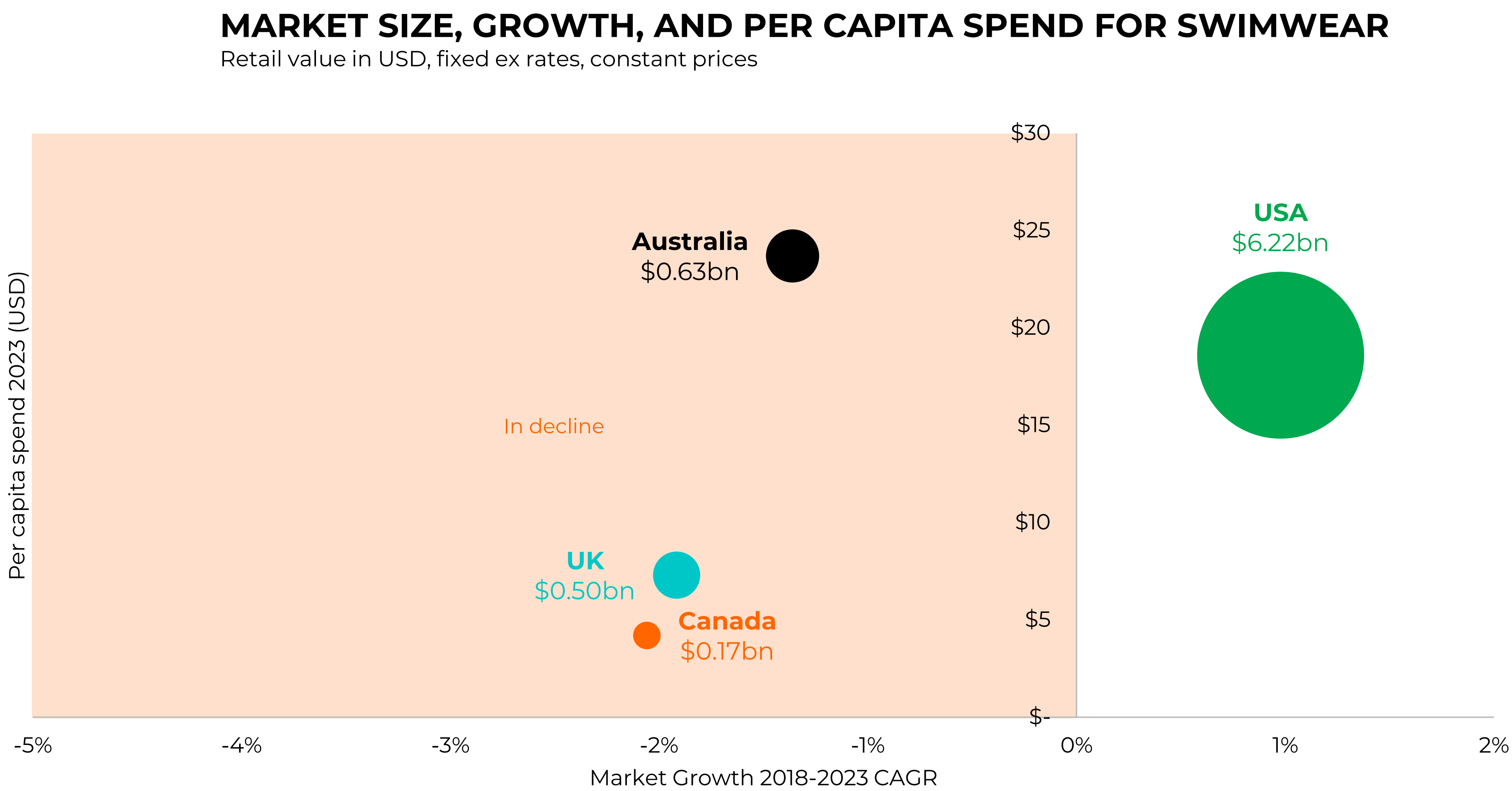
BRAND SHARE FOR WOMENSWEAR

Top 10 brands, % of retail value, 2023



Source: Euromonitor.

Swimwear was one of the few industries where the USA was #1 for per capita spend, and *Australia* was not at the bottom. This may be a result of the differing climates across the USA vs. *Australia*.



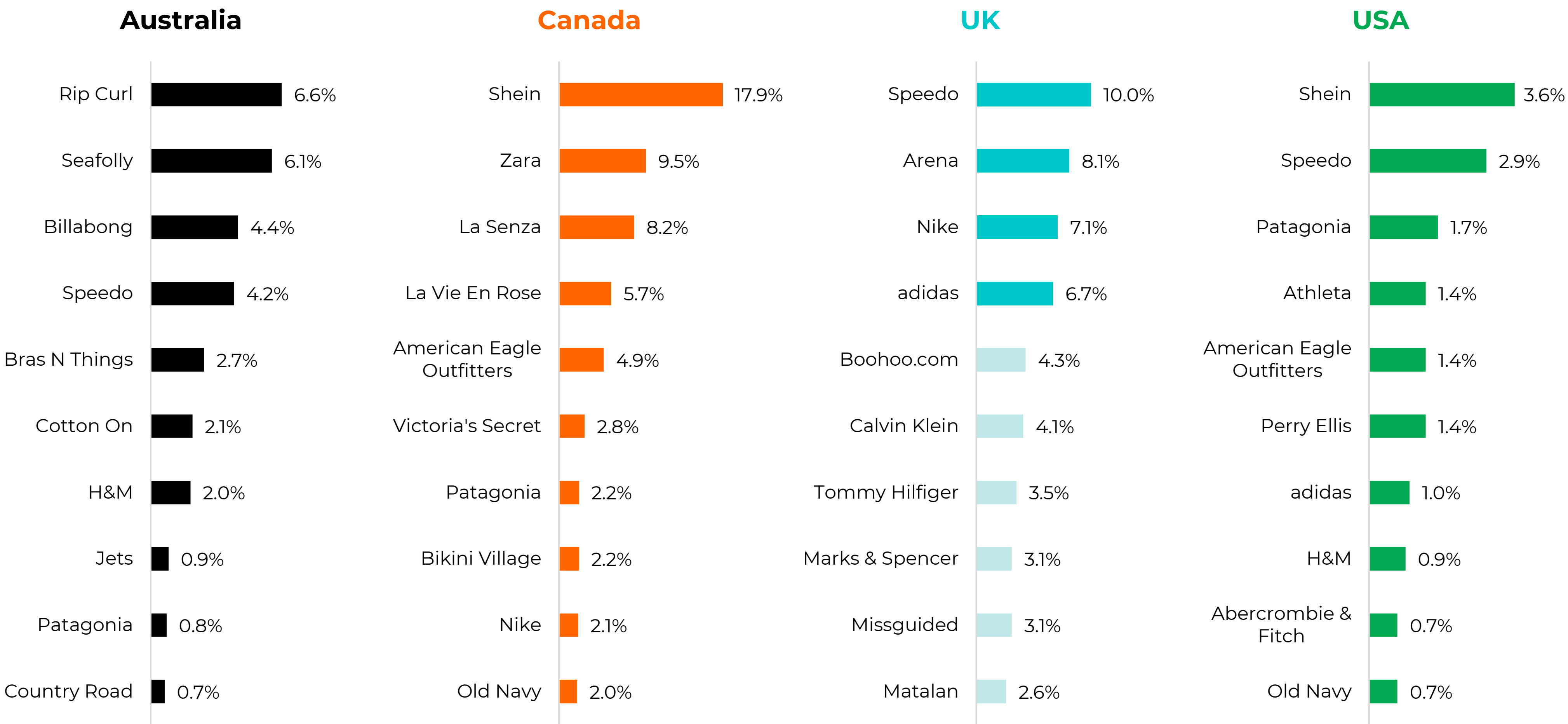
Source: Euromonitor.

Clothing designed to be worn for swimming. Please note that beach clothing such as beach kaftans, dresses, shirts are excluded from swimwear and instead included in respective outerwear categories. The following types of garments are included: one-piece swimsuits, bikinis, bikini separates, men's shorts and trunks designed for swimming.

Top swimwear brands in the UK tended to have a sports-focus vs the leisure / mixed focus seen in the other markets. The NZFCTI may need to consider whether their products match the main use of swimwear in these markets.

BRAND SHARE FOR SWIMWEAR

Top 10 brands, % of retail value, 2023

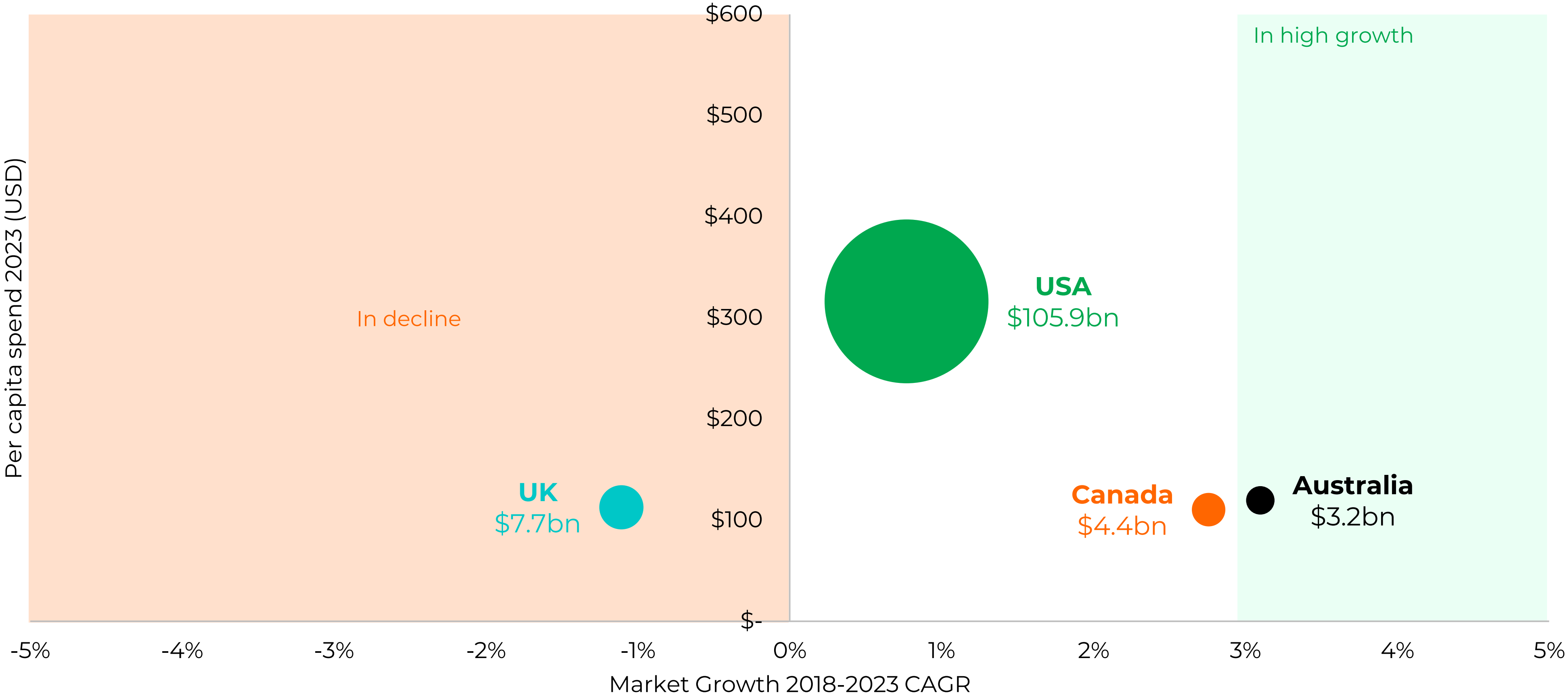


Source: Euromonitor.

Sports apparel was the only industry that was growing across all markets. This growth was driven in part by the rise of athleisure, which may be a threat to NZ exporters making non-sportswear.

MARKET SIZE, GROWTH, AND PER CAPITA SPEND FOR SPORTS APPAREL

Retail value in USD, fixed ex rates, constant prices



Source: Euromonitor.

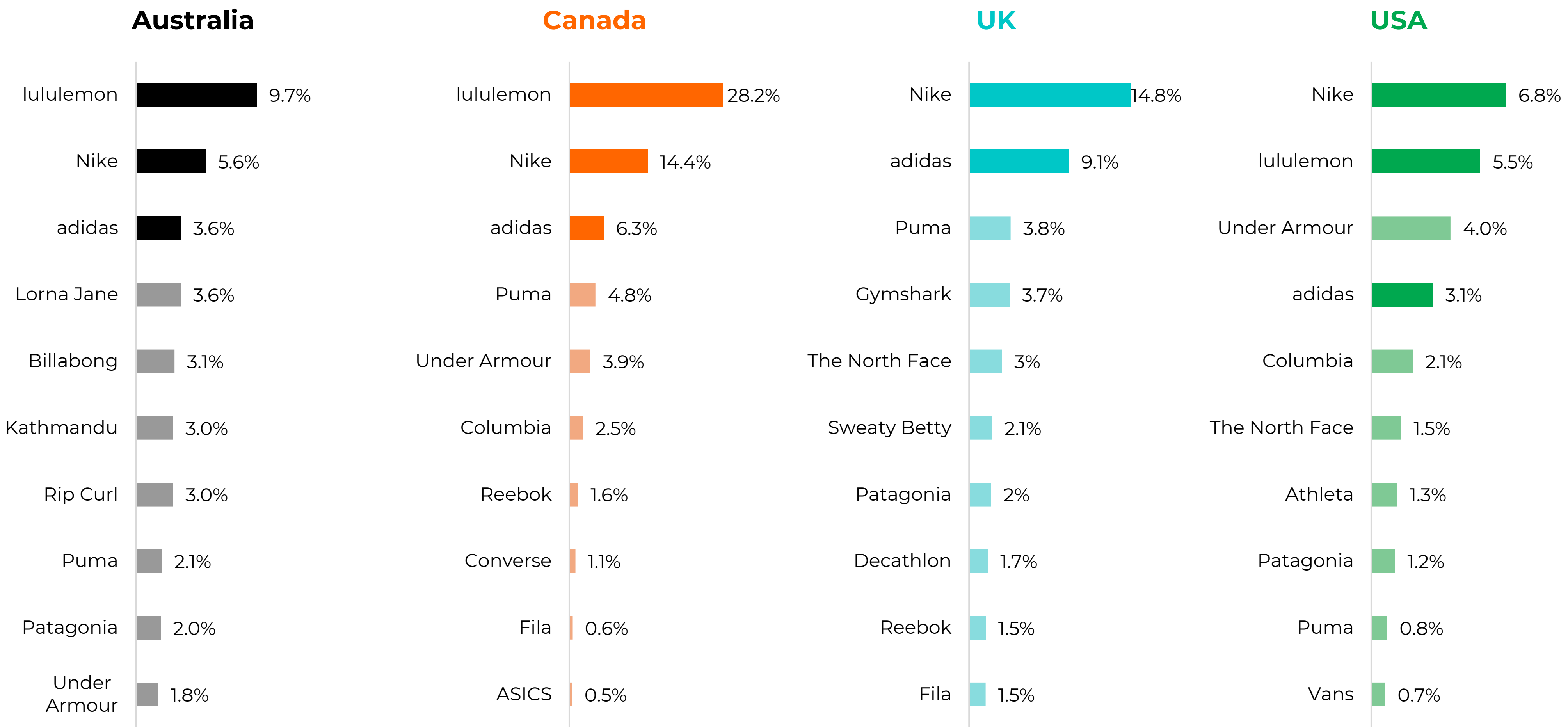
Sports apparel is an aggregation of performance, outdoor and sports-inspired clothing.

SECTION 1

Given that Nike, lululemon, and adidas are in the top 3 for most markets, it may be worth examining the gap left in their product offering to understand where an NZ exporter could play.

BRAND SHARE FOR SPORTS APPAREL

Top 10 brands, % of retail value, 2023

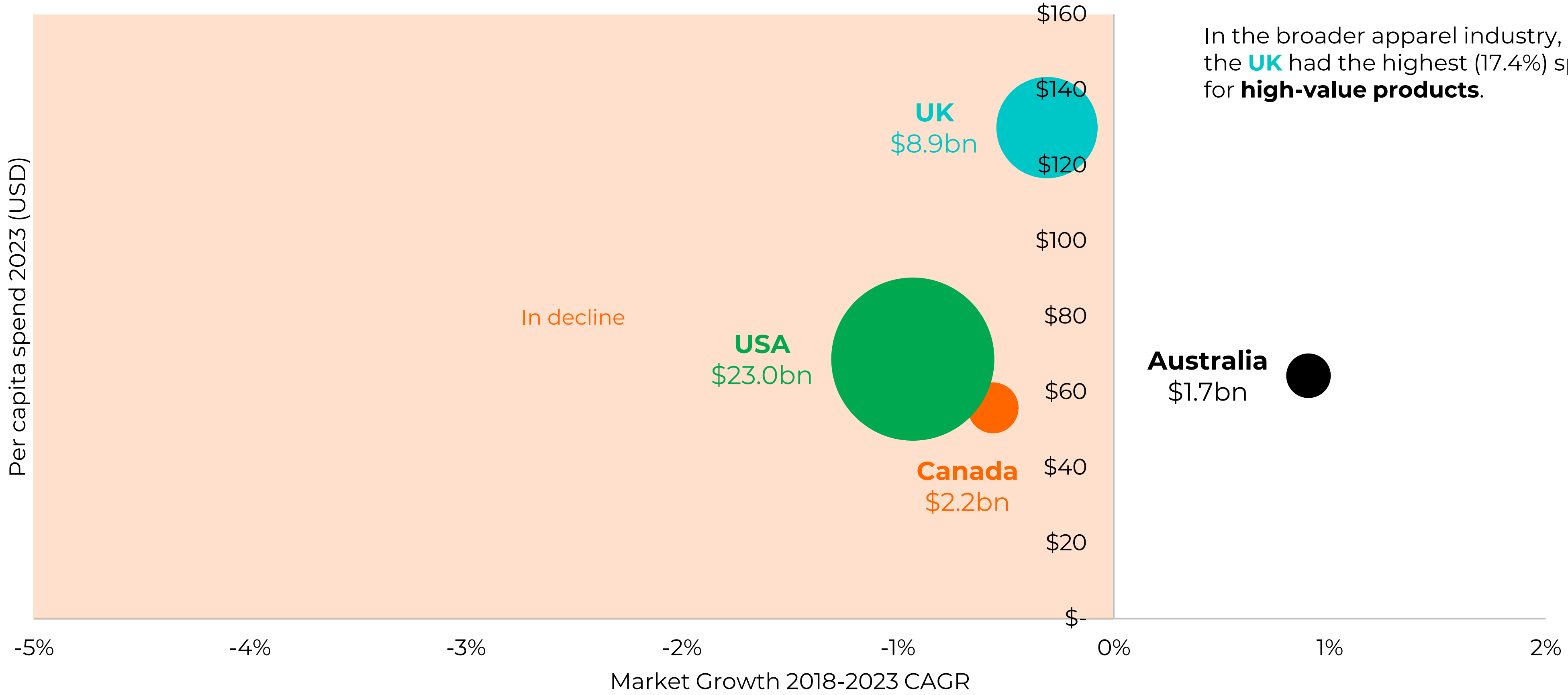


Source: Euromonitor.

Designer Apparel was one of the few industries where the USA was not top for per capita spending. For members of the NZFCTI targeting super-premium consumers, the UK may be a strong choice.

MARKET SIZE, GROWTH, AND PER CAPITA SPEND FOR DESIGNER APPAREL

Retail value in USD, fixed ex rates, constant prices



In the broader apparel industry, the **UK** had the highest (17.4%) split for **high-value products**.

Source: Euromonitor.

This is the aggregation of designer women's apparel, designer men's apparel, designer childrenswear and designer clothing accessories and hosiery. Designer brands are mostly sold through high end department stores or high fashion boutiques.

Key takeaways

Given the NZFCTI's value proposition and price point, the shift away from mass apparel in Australia and Canada may be beneficial.

Canada and Australia were the only markets where there was a decrease in mass-value share, and in the case of Australia there was an increase in both the mid and high-value shares.

Australia was the only market where there was a rise in the Designer Apparel category, though this growth was small.

In Canada, the prominence of a higher-priced brand like lululemon as opposed to fast fashions brands like H&M is a good sign for NZ exporters.

A risk in Canada is the drop in high-value share. Ideally, we would like to see a shift away from mass that is split into mid and high value products. Overall, the drop in mass share is a good sign but members of the NZFCTI should keep an eye on any shifts away from high-value products.

A risk in Australia is how stable the unit price of apparel has been. Ideally, we would like to see an increase in the unit price of apparel to ensure customers are purchasing higher-priced items.

The NZFCTI may find that with the higher concentration of brand shares, the UK is a difficult market to gain traction in.

The standout difference in UK was that the top 3-4 brands generally held a greater market share than the top 3-4 in other markets.

Members of the NZFCTI may find that in the UK there are more established brands than what might be found in the other markets.

The main positive sign in the UK was that it had the highest unit price, and highest share of high-value items, which has increased in the past 5 years. **However, a risk is that the unit price of apparel has dropped relative to 2018**, which could indicate that consumers are switching to mass products.

The UK also had the highest per-capita spend for designer apparel. **A next step for the NZFCTI may be to understand who the top designers are in the UK to understand the landscape for these high-value products.**

The USA stood out as a market that may lean towards fast fashion / mass apparel.

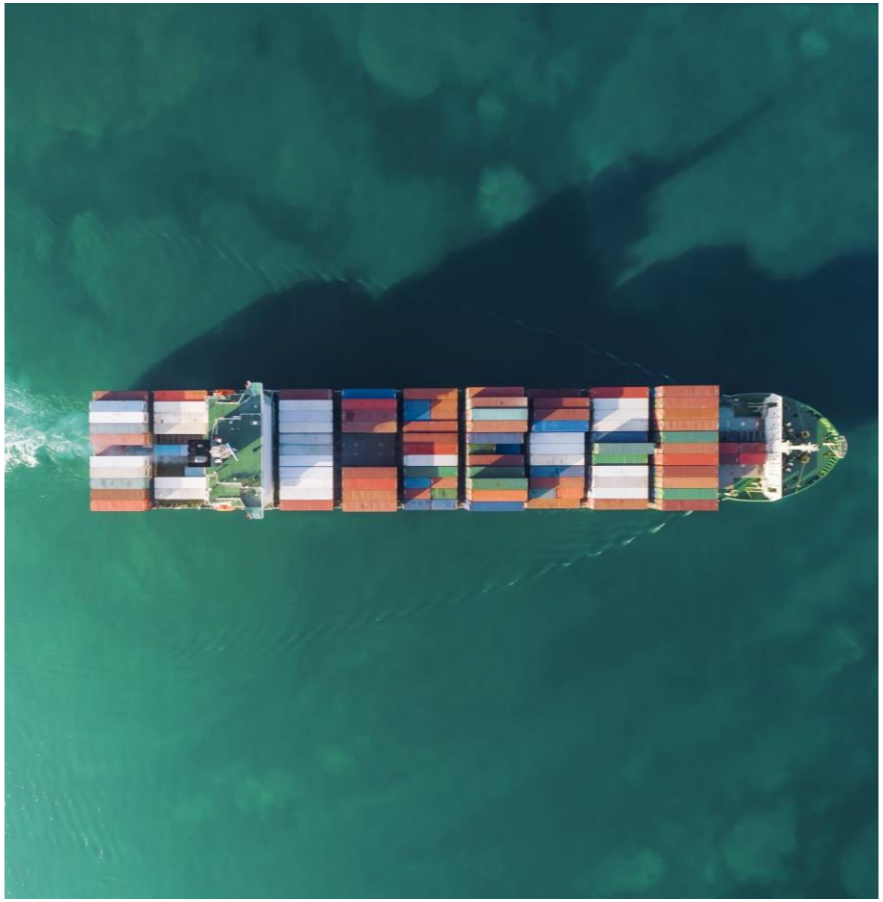
Not only did the USA have the lowest apparel unit price across these markets, but this price had decreased year-on-year. Combined with the high per capita spend in the USA, it is likely that the apparel industry leans towards fast-fashion / mass apparel, at least at a high-level.

It could be that there have been improvements in manufacturing processes that have led to cost reductions, but with so many of the top brands in the USA also being present in other markets we might expect to see a similar unit price drop if that were the case.

The USA also had a drop in the share of the industry held by high-value items. Due to export costs, NZ products are typically more expensive, so a shift away from purchasing higher cost items may be a risk.

SECTION 2

TRADE OVERVIEW



Import history and key trade partners

For specific apparel products, the following pages detail:

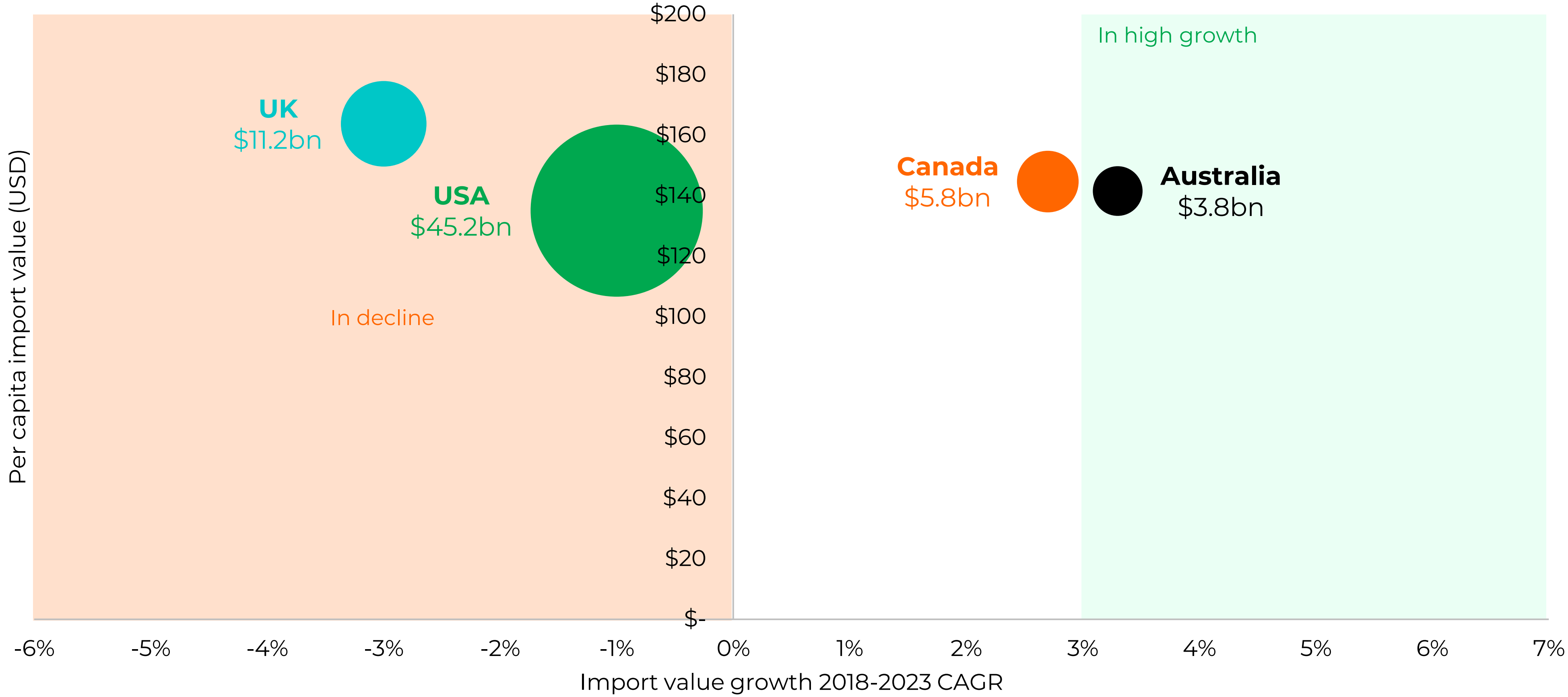
- Import value (USD)
- Import value per capita (USD)
- Growth in import value (CAGR, 2018-23)
- Key trading partners and value imported from New Zealand.

A limitation of this data is that we cannot distinguish NZ brands that export overseas (i.e., from a factory in Viet Nam) from the total exports from Viet Nam.

Relative to 2018, only *Australia* and Canada have had an increase in imported value for products in the major apparel codes.

IMPORT VALUE, GROWTH, AND PER CAPITA IMPORT VALUE

Knitted or crocheted apparel*, 2023, USD



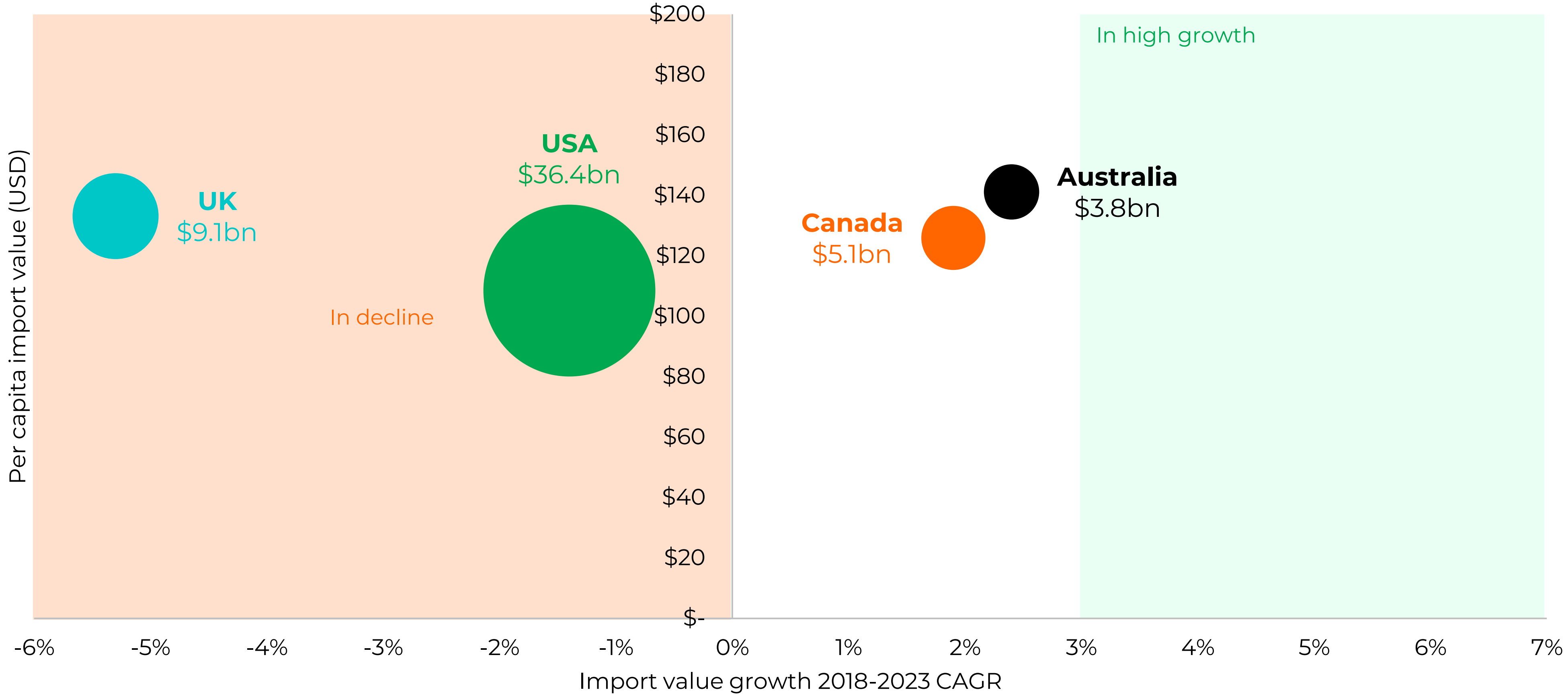
Source: ITC Trade Map. Summary of all trade data can be found in the appendix.

*61 – Articles of apparel and clothing accessories, knitted or crocheted.

Non-knitted or crocheted apparel has seen a lower rate of growth, with the UK experiencing a strong decrease. From a per capita standpoint, the USA was the lowest in both apparel codes.

IMPORT VALUE, GROWTH, AND PER CAPITA IMPORT VALUE

Non-knitted or crocheted apparel*, 2023, USD



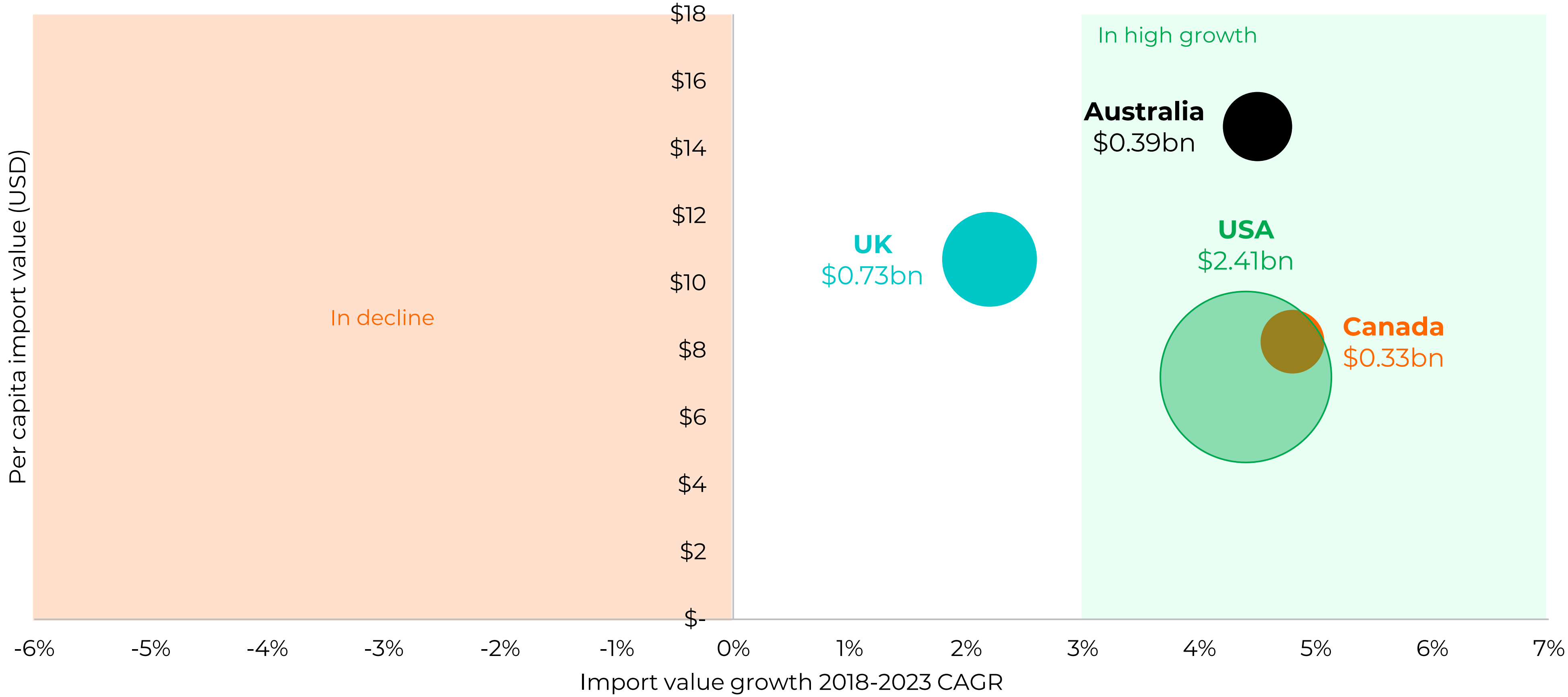
Source: ITC Trade Map. Summary of all trade data can be found in the appendix.

*62 – Articles of apparel and clothing accessories, not knitted or crocheted

For the imports of leather handbags, *Australia* was the standout market from a per capita point of view.

IMPORT VALUE, GROWTH, AND PER CAPITA IMPORT VALUE

Leather handbags*, 2023, USD



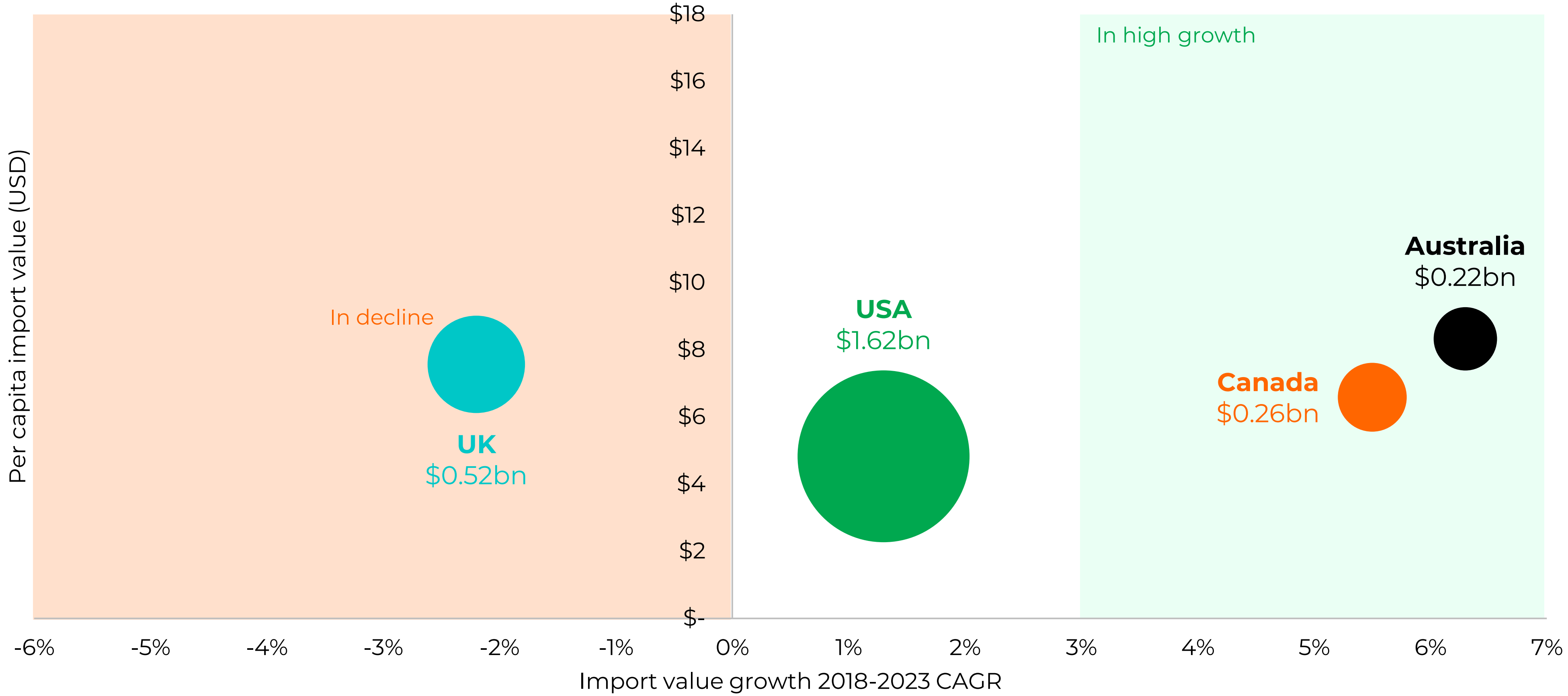
Source: ITC Trade Map. Summary of all trade data can be found in the appendix.

*420221 – Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface of leather, composition leather or patent leather

Canada and *Australia* have seen a steep increase in import value for plastic / textile handbags relative to 2018. They may be key future markets for these products if this trend continues.

IMPORT VALUE, GROWTH, AND PER CAPITA IMPORT VALUE

Plastic / textile handbags*, 2023, USD



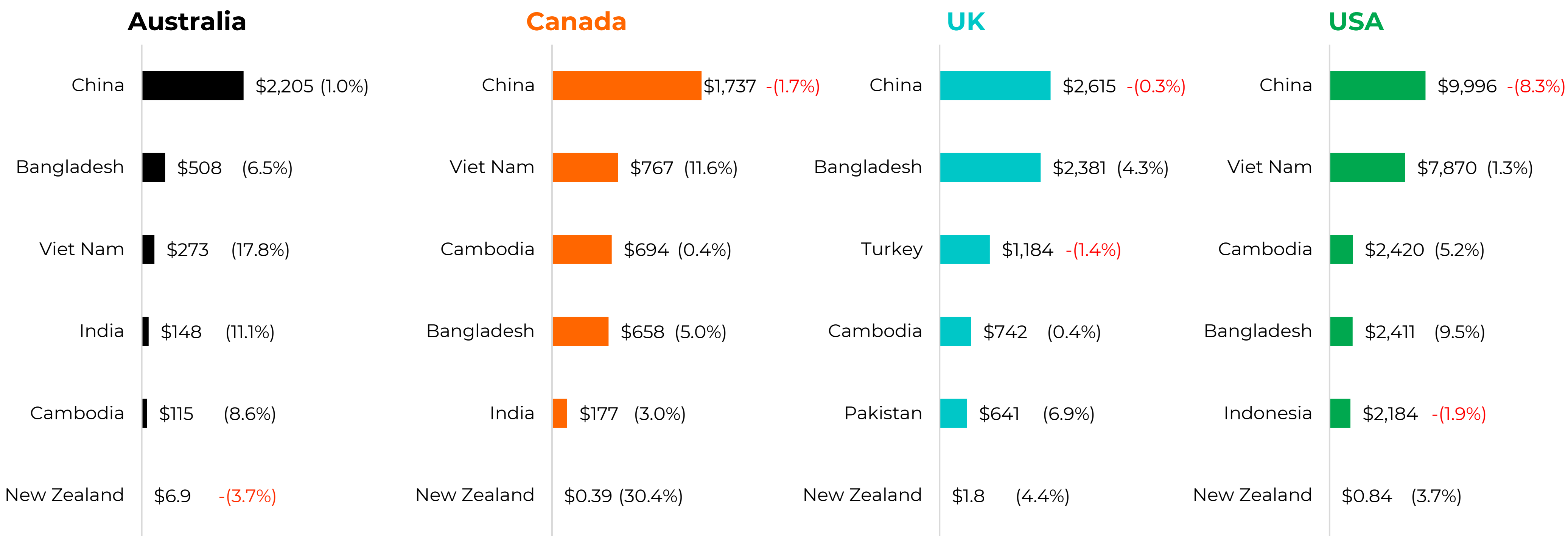
Source: ITC Trade Map. Summary of all trade data can be found in the appendix.

*420222 – Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface of plastic sheeting or textile materials

NZ companies manufacturing domestically may find it difficult to be competitive on price due to the significant presence of products from Bangladesh, China, Cambodia, and Viet Nam.

KEY TRADING PARTNERS – KNITTED OR CROCHETED APPAREL*

2023, Top 5 + NZ, USD millions, (2018-23 CAGR in brackets)



- **Australia is the largest market for NZ exports** by a significant margin.
- Negative NZ growth may be a sign of decreasing demand for NZ products, and/or that NZ brands have shifted manufacturing to other markets.

- Although **Canada** was the smallest market for NZ exports, it had the highest growth rate. **Canada may be a market to monitor if this growth continues.**
- For context, **Canada's** import value from NZ was US$104k in 2018 and US$135k in 2022.

- In the **UK**, the CAGR for NZ exports may be 4.4%, but there was a recent spike between 2022 and 2023, where exports increased from US$1.1m to US$1.8m.
- Even though historically the market hasn't strictly grown for NZ exports, **this spike may make the UK worth monitoring to see if in 2024 there is a similar increase.**

- It is a good sign that despite the total value of imports decreasing relative to 2018, there is still a small NZ presence.
- **While NZ imports were higher in 2023 than they were in 2018, they have not strictly grown in this period.** They peaked in 2020 at US$1.3m and then fell to US$0.83m in 2022 before rising to $0.84 in 2023.

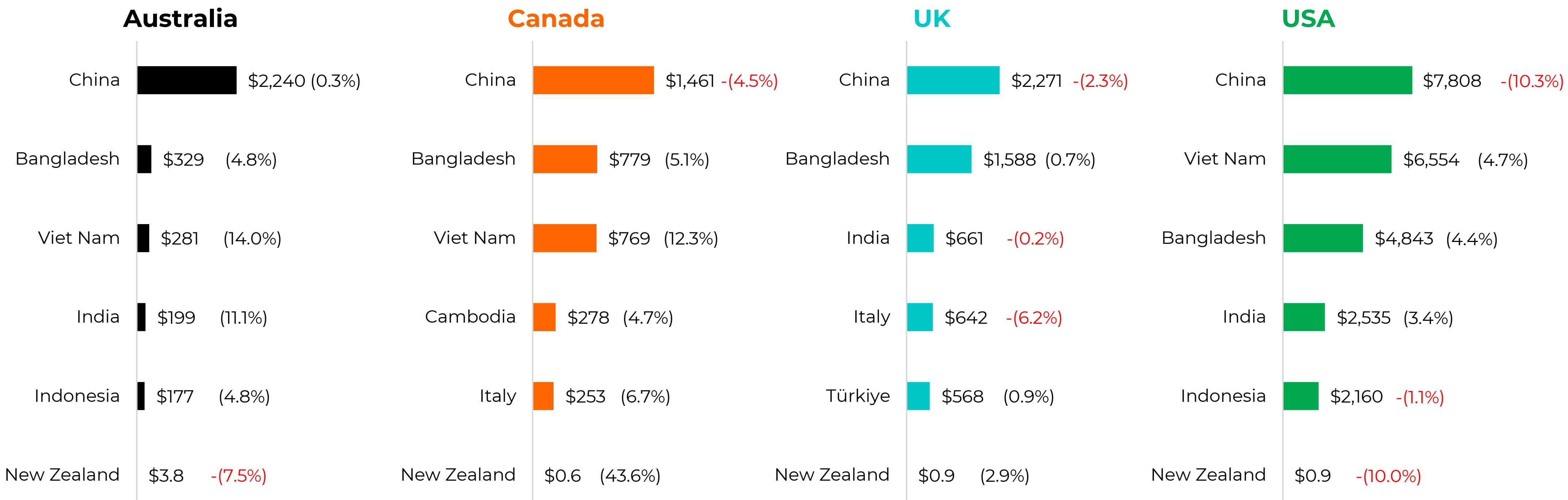
Source: ITC Trade Map.

*61 – Articles of apparel and clothing accessories, knitted or crocheted.

NZ companies manufacturing domestically may find it difficult to be competitive on price due to the significant presence of products from Bangladesh, China, and Viet Nam.

KEY TRADING PARTNERS – NON-KNITTED OR CROCHETED APPAREL*

2023, Top 5 + NZ, USD millions, (2018-23 CAGR in brackets)



- Again, **Australia** is the largest export market for NZ products by a significant margin, but this value has dropped relative to 2018.

- Like with the 61 code, we see a small NZ export value that has increased significantly relative to 2018.

- The share of exports from NZ has been relatively low in the **USA**, with not a lot of growth relative to 2018.
- NZ exports to the UK in 2022 were U$1.3m and have dropped since then.

- The share of exports from NZ has been relatively low in the **USA**, and decreasing.

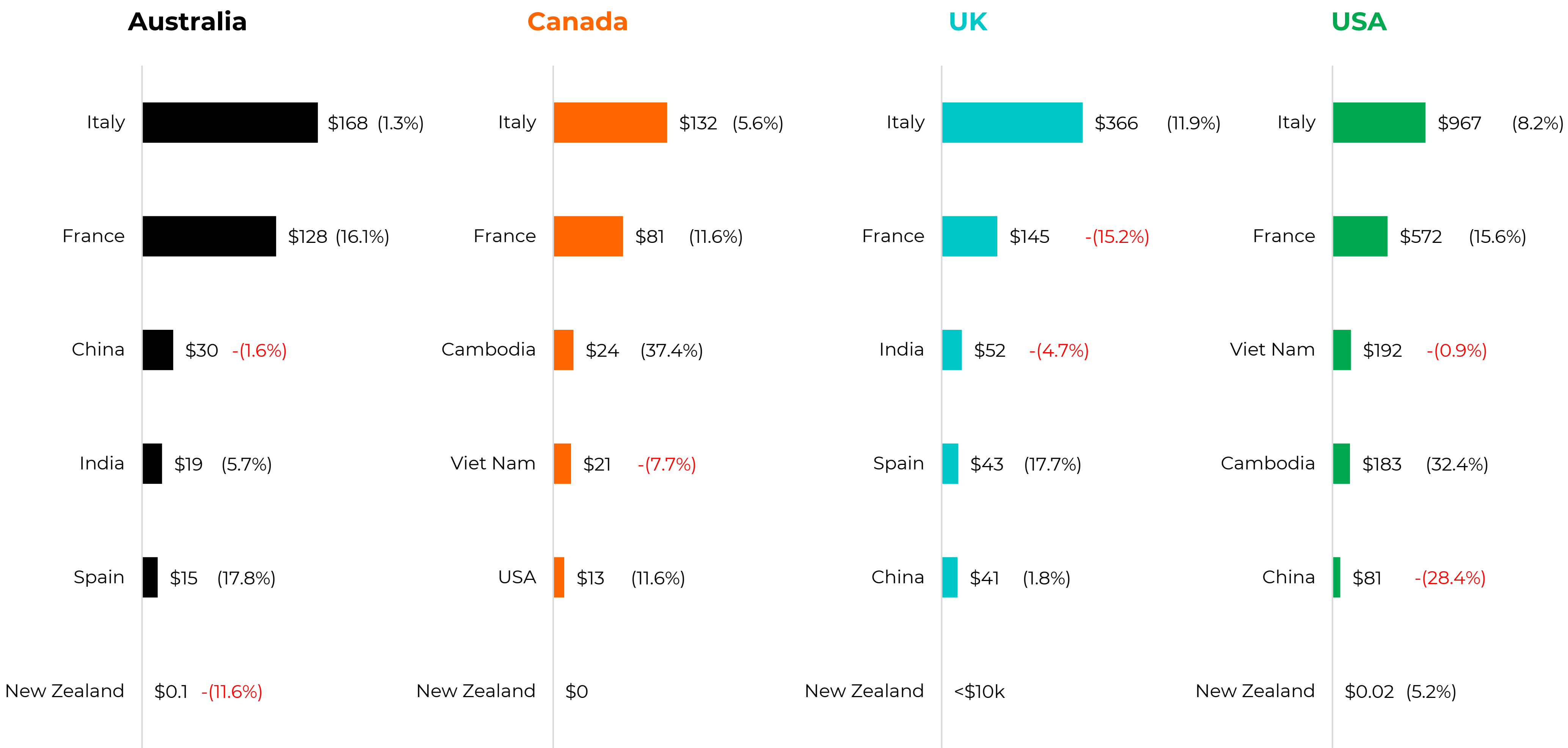
Source: ITC Trade Map.

*62 – Articles of apparel and clothing accessories, not knitted or crocheted

New Zealand is not a strong trade partner in any of these markets, which may be due to NZ leather bag brands manufacturing and then exporting from outside NZ.

KEY TRADING PARTNERS – LEATHER HANDBAGS*

2023, Top 5 + NZ, USD millions, (2018-23 CAGR in brackets)



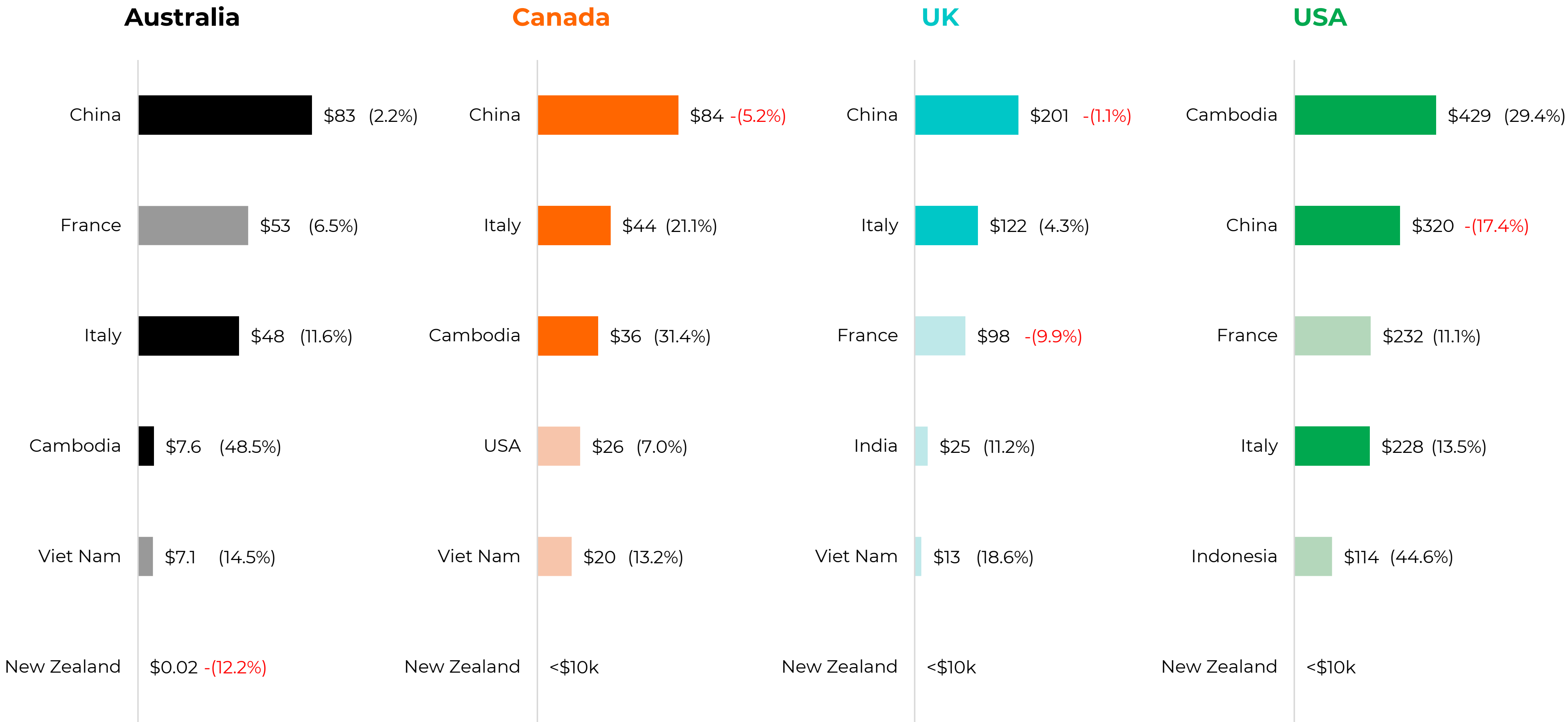
Source: ITC Trade Map.

*420221 – Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface of leather, composition leather or patent leather

The biggest difference between the leather and non-leather handbag trade is that markets like China and Cambodia are more prevalent for non-leather handbags, though Italy has increased significantly in some cases.

KEY TRADING PARTNERS – PLASTIC / TEXTILE HANDBAGS*

2023, Top 5 + NZ, USD millions, (2018-23 CAGR in brackets)



Source: ITC Trade Map.

*420222 – Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface of plastic sheeting or textile materials

Key takeaways

The fall in NZ imports is a worrying sign for the future of NZ brands in Australia.

Across both major apparel codes (61 & 62) the value of products imported from NZ has fallen relative to 2018.

What the data does not capture is whether this decrease is because NZ exporters are now manufacturing overseas and shipping directly from their factories, which is a possibility.

For NZ exporters manufacturing in NZ, this trend is concerning as it may mean NZ-made products are becoming less competitive in the Australian market.

For NZ exporters that are manufacturing overseas, it may be more difficult to leverage unique aspects of the manufacturing process (i.e., ethical, sustainable) if goods are manufactured in the same locations as many other brands.

NZTE MR recommends that members of the NZFCTI investigate the landscape for NZ products in Australia to understand what brands are succeeding and whether these products are made in NZ.

The NZ import value for these markets is relatively low but will be worth keeping an eye on due to recent activity.

Across the UK and USA, the NZ import value from these codes has not strictly increased in the past 5 years. A risk for successful NZ-made exporters is the volatile nature of trade with NZ. Members of the NZFCTI will need to understand the cycles of demand for their products so they are insulated from shortfalls in export revenue.

In Canada, the significant increase in import value relative to 2018 may mean that an NZ exporter has been successful or is testing that market. It at least shows there is some demand for NZ-made products.

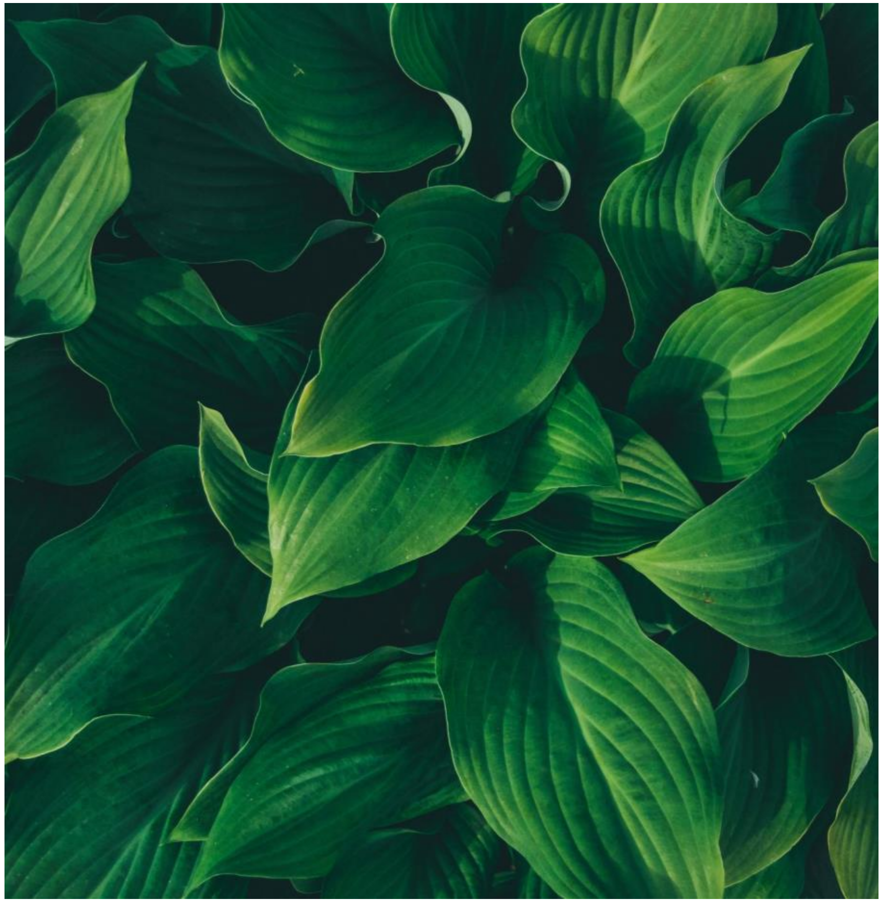
As with Australia, this data will not pick up on NZ brands that are manufacturing overseas and shipping directly from their factories.

NZTE MR recommends that members of the NZFCTI keep track of the import value to these markets from NZ so that they are aware of any future spikes, or whether Canada is becoming a more dominant market for NZ exports. **Stats NZ tracks monthly exports from NZ.**

The NZFCTI could also keep an eye on any news related to NZ brands launching in these markets. Trade data will not give a picture as to what brands are succeeding as how, so this may provide greater insight into how NZ exporters are succeeding.

SECTION 3

CONSUMER PREFERENCES



Consumer attitudes towards fashion and sustainability

The following pages detail

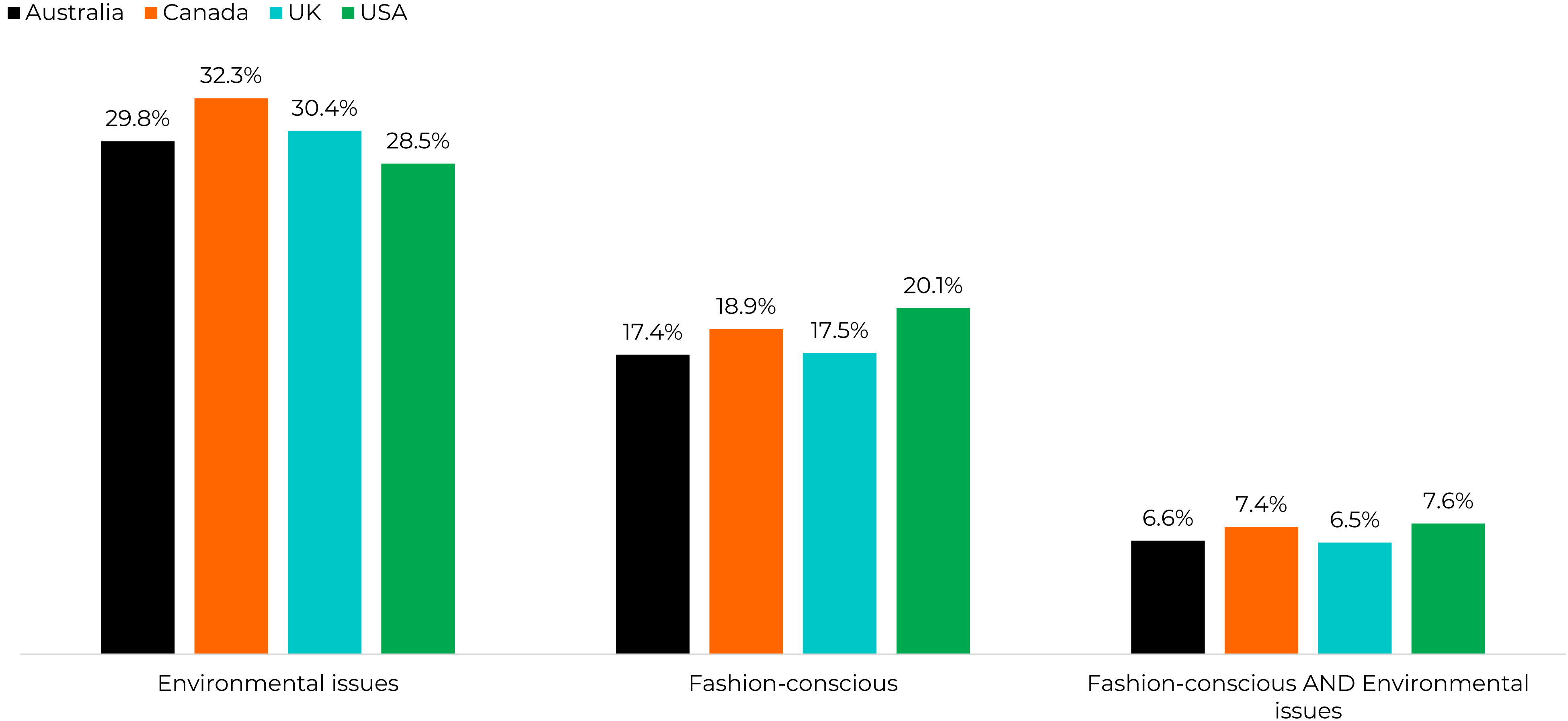
- General consumer attitudes towards fashion and sustainability
- Consumer attitudes towards sustainable fashion products.

Data comes from GWI (**Q2 2023**) and Statista (**June 2023**) survey waves. In some cases, data is only available for the US and UK.

For attitudes towards environmental issues and fashion, these markets are relatively close to each other. The USA is #1 for fashion, and Canada is #1 for environmental issues, but neither by a wide margin.

RESPONDENT INTERESTS / ATTRIBUTES

% with interest / attribute



Source: GWI. From a Q2 2023 wave. Respondents aged 16-64

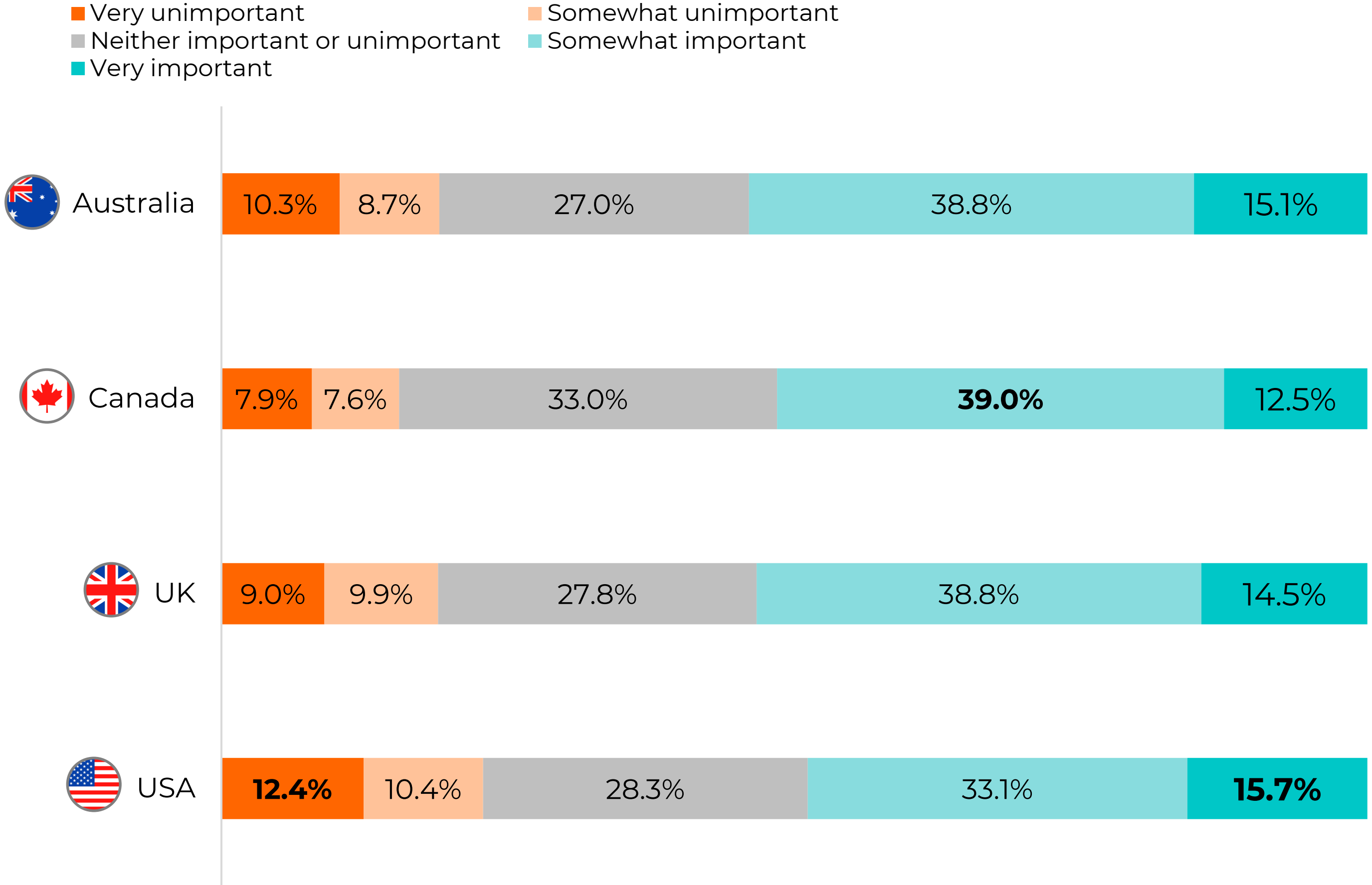
Across markets, more than 50% of respondents stated that sustainability is somewhat or very important in fashion, a good sign for a more sustainability-minded NZ fashion industry.

The **USA** had the most "polarised" responses, with the highest proportion of very important and very unimportant respondents.

- While >50% of respondents stated that sustainability was an important quality in fashion, **sometimes when an attribute is "somewhat" important it is not necessarily a purchase driver.**

SUSTAINABILITY IMPORTANCE IN FASHION

Question: How important is sustainability to you when buying fashion products?



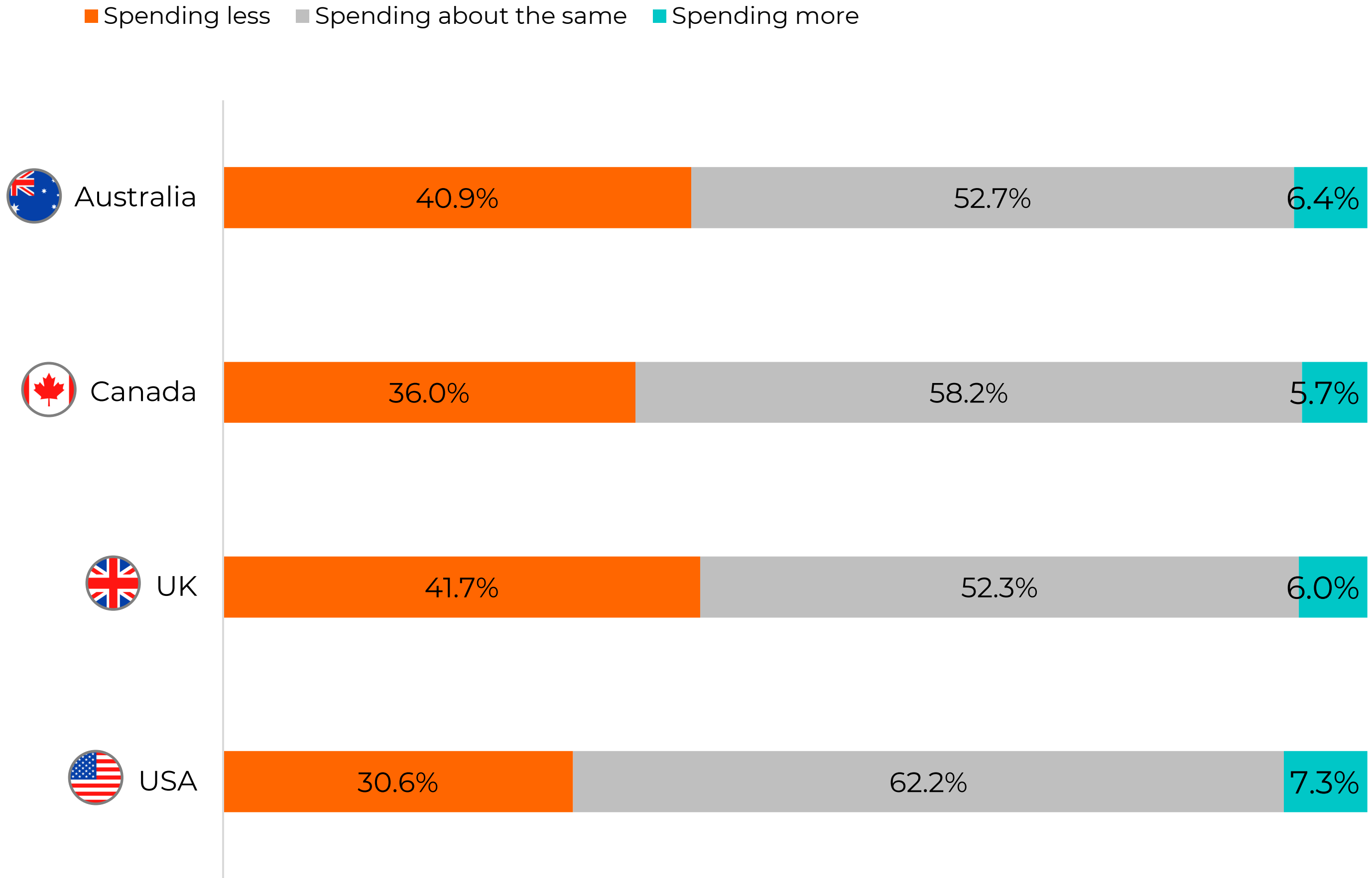
A risk to NZ exporters may be the high proportion of respondents who are spending less on fashion across these markets.

The **USA** was the standout market where the proportion of respondents spending less was the lowest.

- **A limitation of this question is that we do not know what caused the drop in spending** and whether it translates to spending less on each individual clothing item.
- Difficult economic circumstances in the past few years may have led to the drop in spend by consumers.
- There could also have been movements away from fast fashion and towards longer-lasting fashion purchases.

SPENDING ON FASHION

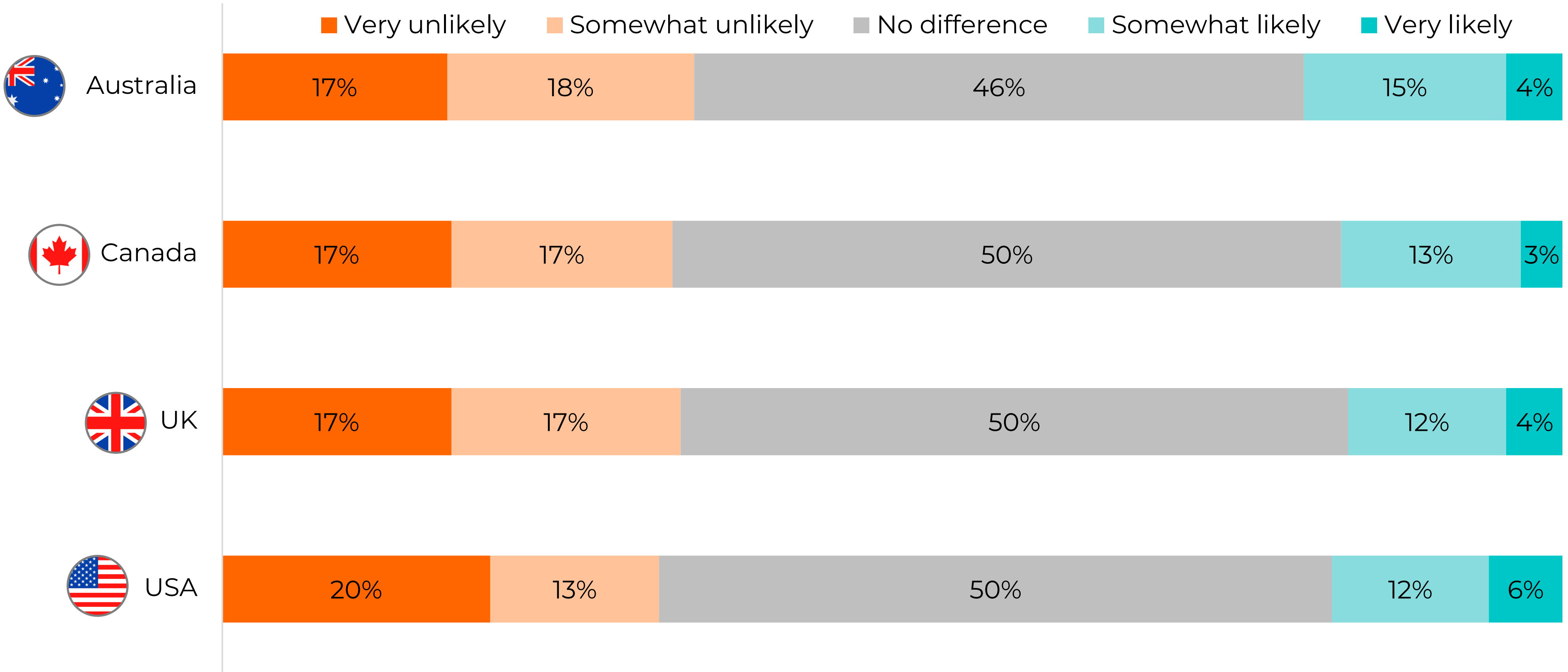
Question: How has the amount of money you spend on fashion products changed in the last 12 months?



A positive sign across markets is that over a third of respondents were somewhat or very unlikely to purchase fast fashion brands, relative to 12 months ago. Consumers may be shifting to circular fashion.

LIKELIHOOD OF FASHION BRAND PURCHASES

*Question: Compared with 12 months ago, what is the likelihood of you buying **fast fashion brands**?*



Source: GWI. From a Q2 2023 wave. Respondents aged 16-64. Values have been rounded to the nearest whole number.

Fast = Fast Fashion

More than a third of respondents in each market said they were somewhat or very likely to purchase second hand clothes. This may reduce the potential share for NZFCTI.

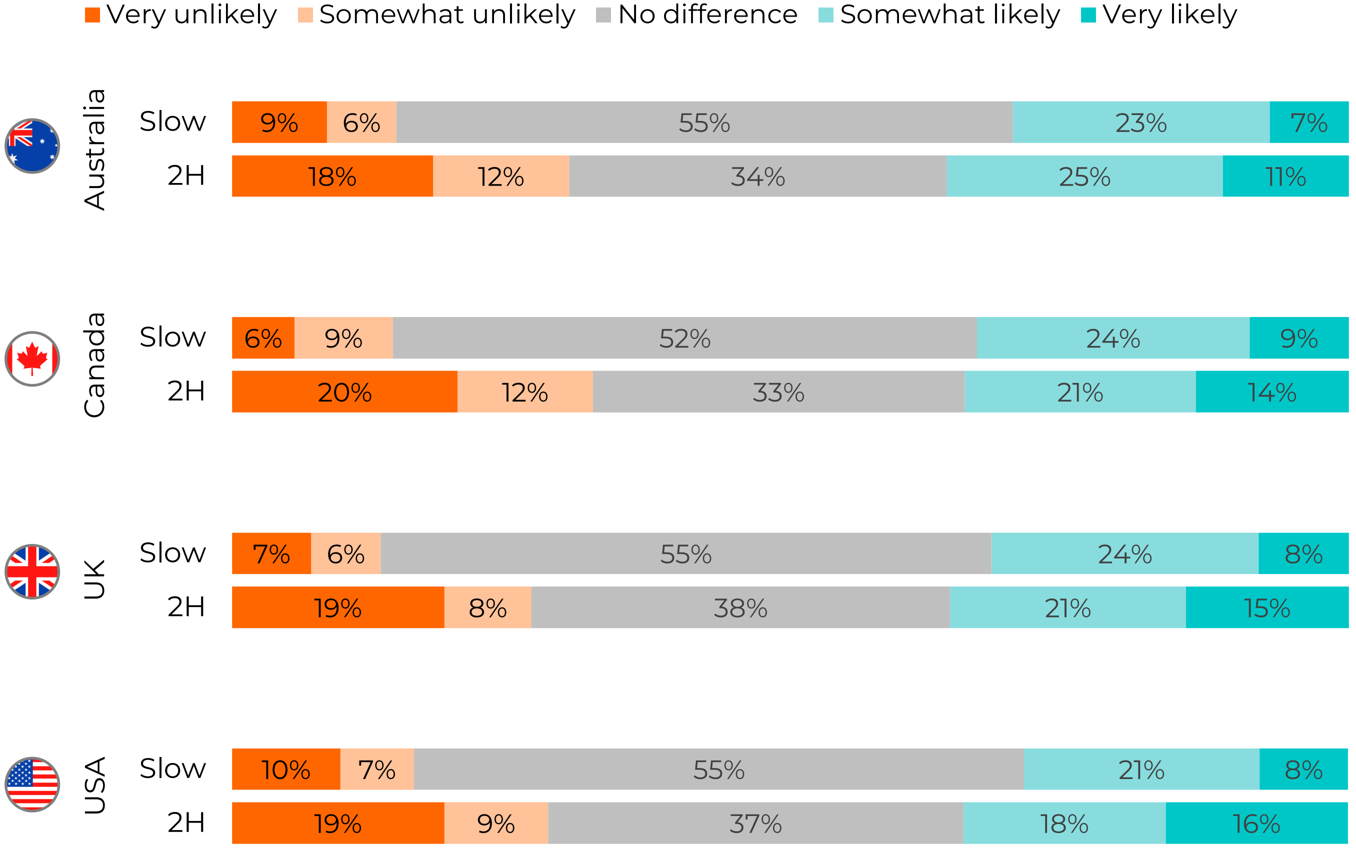
Of the options, second hand clothes had the highest proportion of respondents say they were likely to purchase.

- **Second hand / pre-owned clothes was the most polarising option** and had the lowest proportion of **No difference** respondents across all 4 markets. In all markets it had the highest proportion of **Very likely** respondents and was 1st or 2nd for **Very unlikely**.
- Based on how polarising second hand clothing was, the consumer persona of someone who purchases second hand clothing may be different to those that purchase slow fashion.
- While second hand purchases may take away from sustainable brands, this result may indicate that consumers are moving towards a more circular fashion economy. The question is how the NZFCTI can shift these second hand purchases over.

❖ **Understanding what attitudes drive consumers to purchase second hand clothing in these markets may be a next step** to see if there are attitudes the NZFCTI can leverage. Consumers may be purchasing these products for sustainability reasons, but there could be other social and economic factors at play.

LIKELIHOOD OF FASHION BRAND PURCHASES

*Question: Compared with 12 months ago, what is the likelihood of you buying **slow fashion brands or second hand clothes**?*



Source: GWI. From a Q2 2023 wave. Respondents aged 16-64. Values have been rounded to the nearest whole number.

Fast = Fast Fashion, **Slow** = slow fashion / sustainable brands, **2H** = second hand / pre-owned clothes,

The top 5 factors that influence whether a fashion brand or product is seen as sustainable are similar across markets, and in some cases, there is not a standout factor.

Sustainable packaging and **Use of eco-friendly materials** were in the top 3 for all markets.

- **Many of the top factors were related to the long-term use of a product and its impact on the environment.** This could be advantageous for the NZFCTI given the industry's focus on sustainable production and creating long-lasting products.
- **Australia** and the **UK** stood out as having respondents **that valued recycling initiatives more than the other 2 markets.** If these initiatives are seen as a point of difference, then members of the NZFCTI looking to export may need to consider the cost of setting up these initiatives overseas.

❖ While members of the NZFCTI may already meet many of these factors, **it will be worthwhile to keep an eye on the latest sustainability claims being made by competitors.** With so many factors at play that are almost equally valued, communicating why an NZ company's practices are superior will be essential.

❖ **Members of the NZFCTI may need to understand what information is needed for consumers to feel like a product has been made fairly.** This is especially important if an NZ exporter is manufacturing their products outside New Zealand.

Which of the following factors are important to you when deciding if a fashion brand or product is sustainable? (Ranks for a market in brackets)	**Australia**	**Canada**	**UK**	**USA**
Fair labour practices (e.g. living wage, gender equality, worker rights, conditions)	28.1% **(1)**	23.6% **(4)**	23.9% **(5)**	24.1% **(2)**
Use of eco-friendly materials (e.g. recycled, natural, regenerative)	27.3% **(2)**	25.7% **(1)**	28% **(2)**	25.9% **(1)**
Sustainable packaging (e.g. recycled, biodegradable etc.)	26.3% **(3)**	25.1% **(2)**	29.2% **(1)**	23.8% **(3)**
Recycling initiatives (e.g. take-back programs, garment collection / donations)	25.8% **(4)**	20.3% (7)	24.3% **(3)**	20.1% (7)
Product lifecycle (e.g. if it can be recycled)	24.3% **(5)**	22.1% **(5)**	24.1% **(4)**	21.1% **(5)**
Animal welfare	23.2% (6)	20.4% (6)	23.5% (6)	21.2% **(4)**
Low carbon footprint / emissions (e.g. trees planted for the emissions they generate)	20.2% (7)	24% **(3)**	23.3% (7)	21% (6)
Transparency (e.g. sharing information about business practices)	19.1% (8)	19.5% (8)	18.9% (8)	19.3% (8)
Sustainable certifications / accreditations (e.g. BCI, Fair Trade)	18.6% (9)	14.3% (11)	18.2% (10)	16.7% (10)
Upcycling initiatives (e.g. repurposing materials)	16.5% (10)	17.8% (9)	18.6% (9)	18% (9)
Chemical use / disposal	15.2% (11)	15.3% (10)	12.9% (11)	15.2% (11)
Use of new technologies (e.g. blockchain, QR codes etc.)	8% (12)	5.6% (12)	6.8% (12)	6.6% (12)

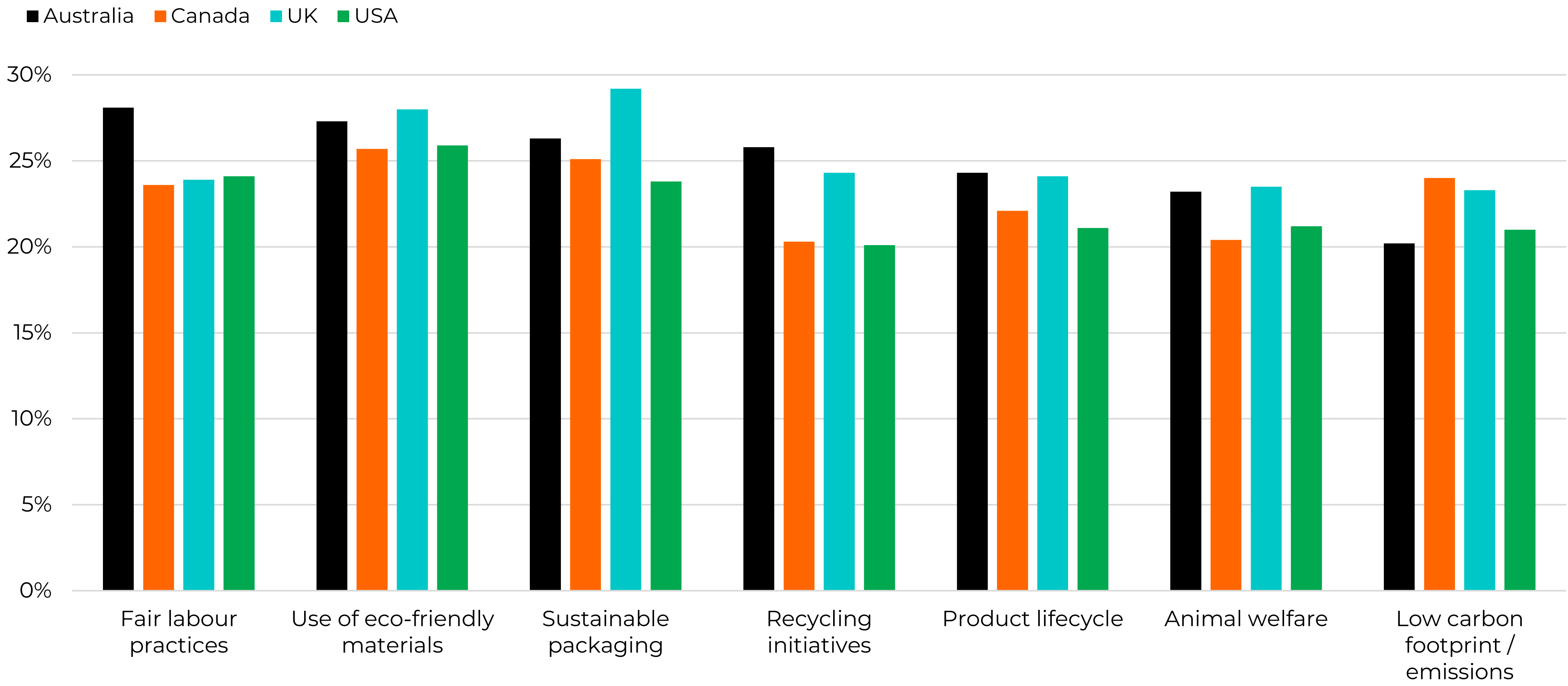
Source: GWI. From a Q2 2023 wave. Respondents aged 16-64.

Only respondents who said that sustainability was somewhat important or very important were asked.

Top 7 factors that are important when deciding if a fashion brand or product is sustainable.

TOP 7 INFLUENCES

Question: Which of the following factors are important to you when deciding if a fashion brand or product is sustainable?



Source: GWI. From a Q2 2023 wave. Respondents aged 16-64.

Only respondents who said that sustainability was somewhat important or very important were asked.

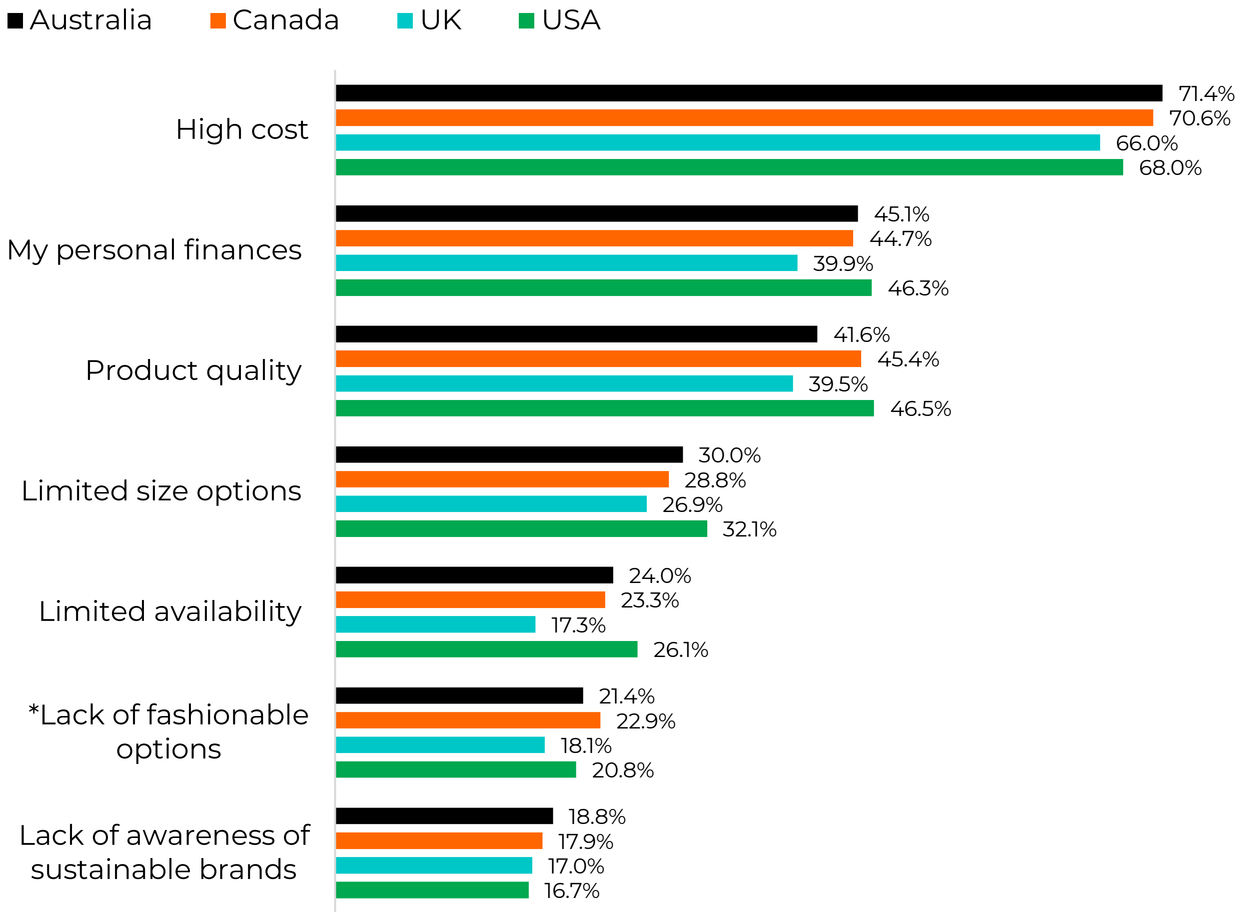
Financial pressures on consumers are the major barriers to consumers purchasing sustainable fashion. The NZFCTI may need to target premium consumers or consider ways to decrease retail pricing.

The spread of barriers across markets was quite similar, except for **limited availability** in the **UK**.

- **Product quality** being seen as a barrier may mean that sustainable products are perceived as of lower quality than alternatives by some consumers.
- With **limited size options** being a barrier for around 30% of respondents in each market, members of the NZFCTI will need to understand how NZ size categories translate to overseas markets before entry. In some cases, sizing for clothing in NZ may not match the range or even the terms used in overseas markets.

BARRIERS TO BUYING SUSTAINABLE FASHION

Question: Which of the following would stop you from buying sustainable fashion products?



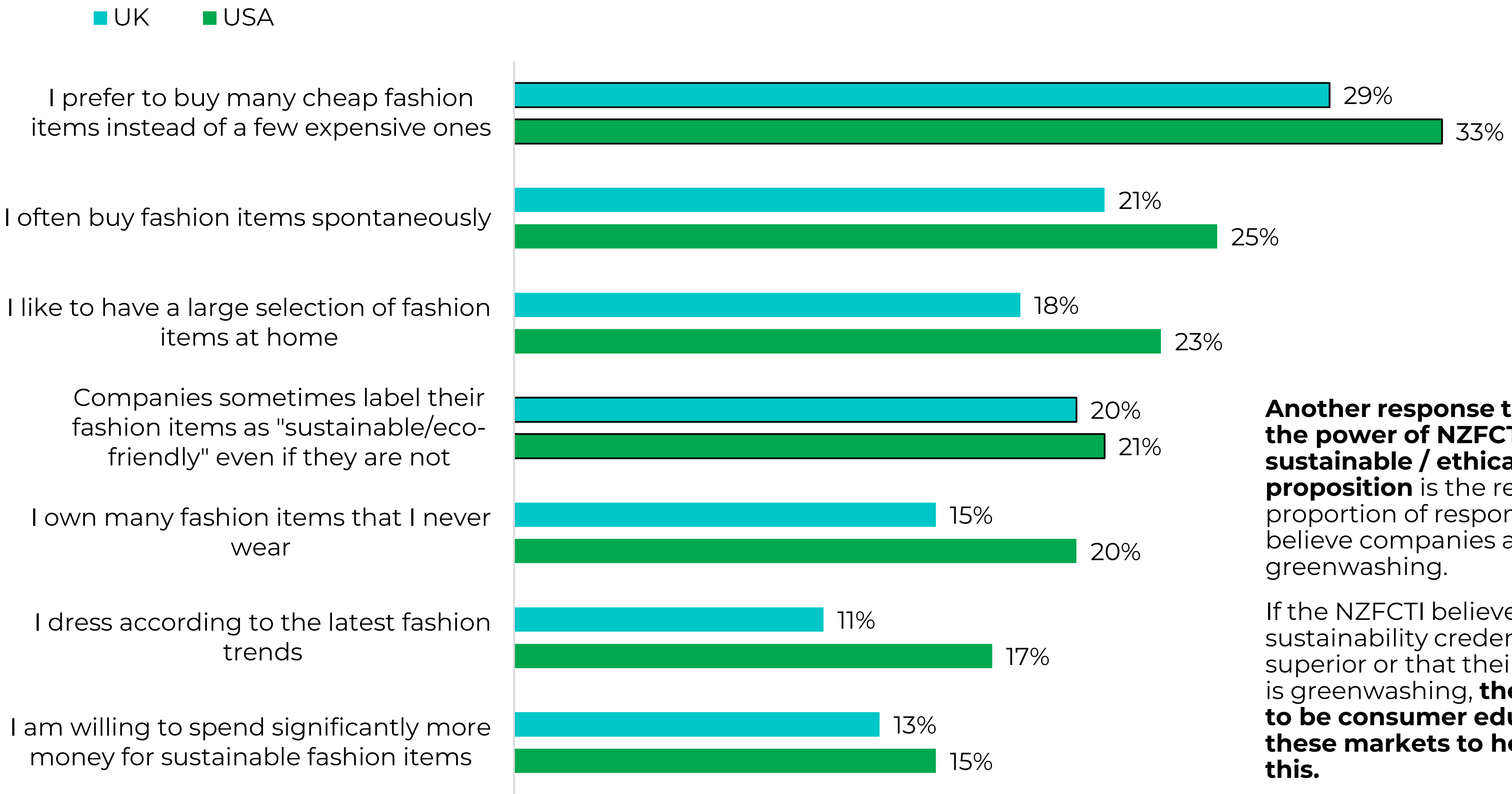
Source: GWI. From a Q2 2023 wave. Respondents aged 16-64.

*The example used in the **Lack of fashionable options** answer were style, colour, and seasonality.

A low proportion of respondents in the UK and USA would pay significantly more for sustainable apparel, which may limit the power of the NZFCTI's value proposition.

STATEMENTS ON FASHION

Question: Which of the following statements about fashion do you agree with?



Another response that may limit the power of NZFCTI's sustainable / ethical value proposition is the relatively low proportion of respondents who believe companies are greenwashing.

If the NZFCTI believe their sustainability credentials are superior or that their competition is greenwashing, **there may need to be consumer education in these markets to help convey this.**

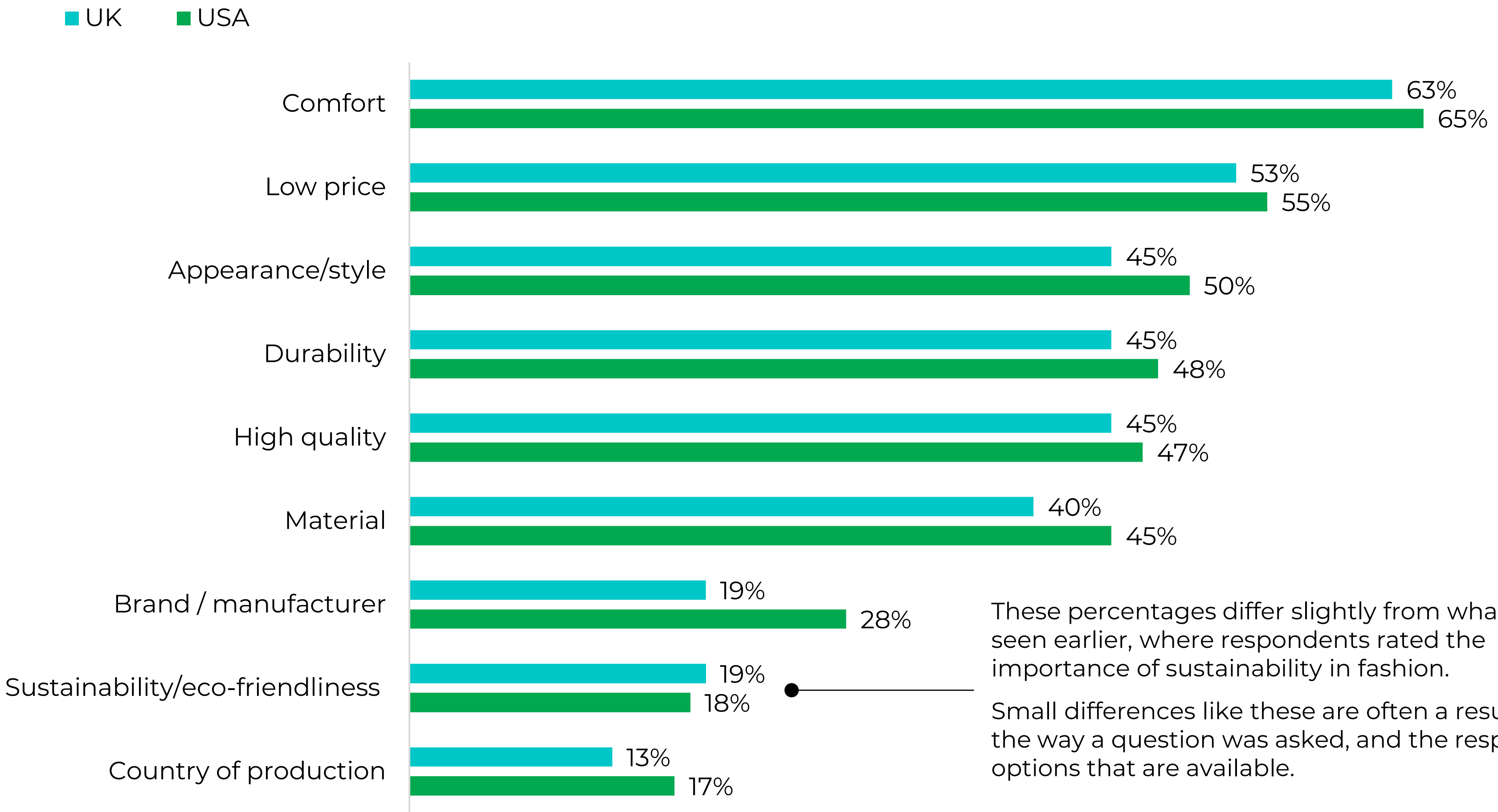
Source: Statista Consumer Insights Sustainable Consumption.

Sample – Residential online population aged 16 to 83 (UK = 1,033, USA = 1,035)

Consumers may not care where their fashion items are made. The NZFCTI's NZ provenance story may not be a strong point of difference to most consumers in these markets.

FASHION PURCHASE FACTORS

Question: Which of the following criteria are particularly important to you when buying fashion items?



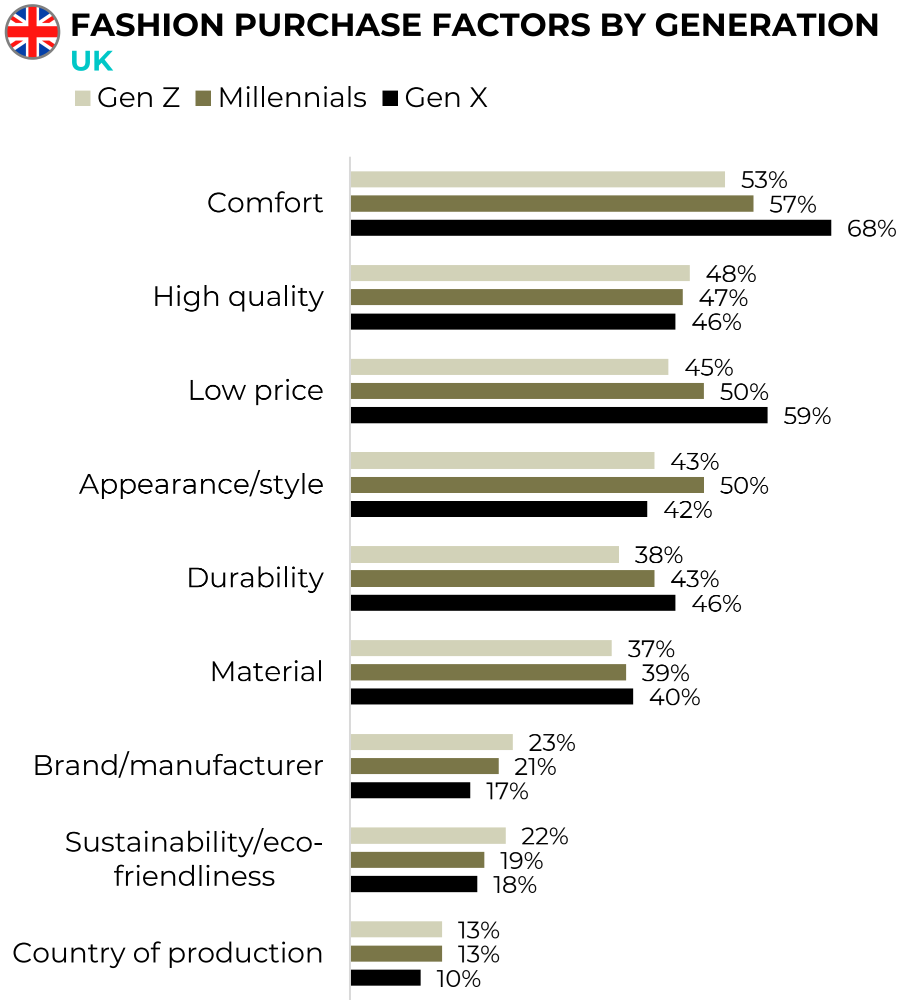
These percentages differ slightly from what was seen earlier, where respondents rated the importance of sustainability in fashion.

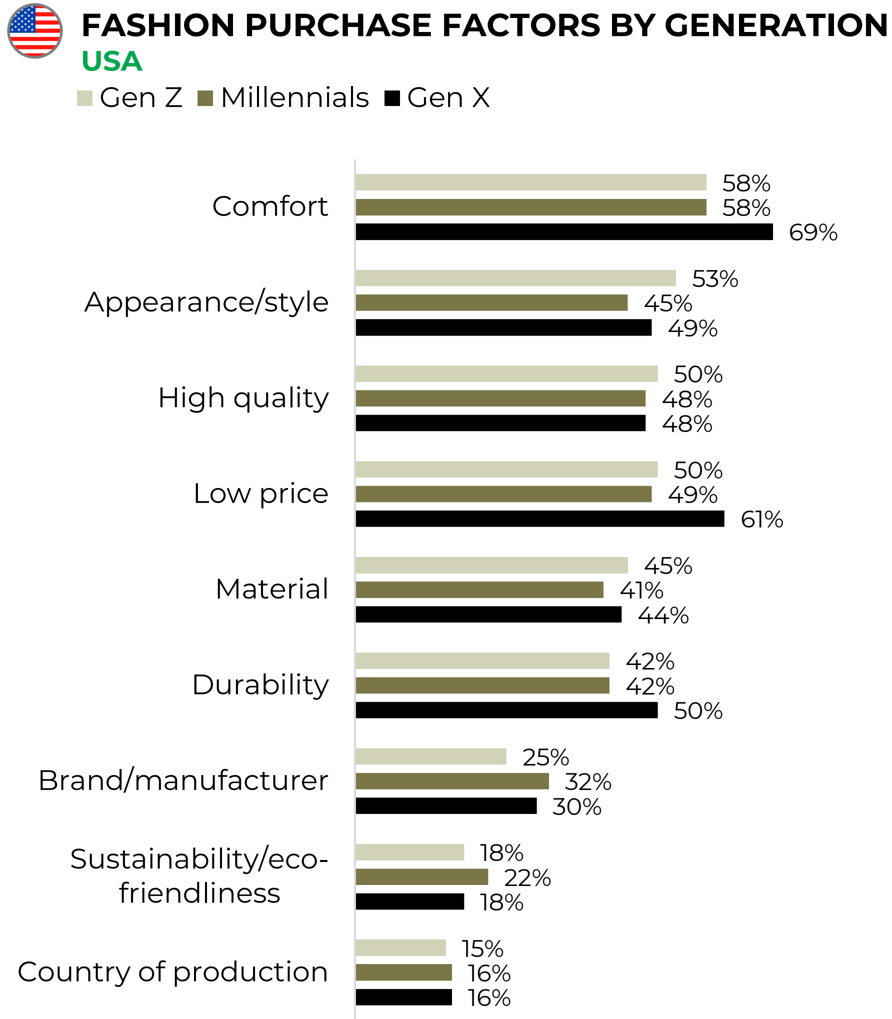
Small differences like these are often a result of the way a question was asked, and the response options that are available.

Source: Statista Consumer Insights Sustainable Consumption.

Sample – Residential online population aged 16 to 83 (UK = 1,033, USA = 1,035)

Across both markets, comfort and low price were standout factors for Gen X. In the UK, appearance / style was a standout factor for millennials.





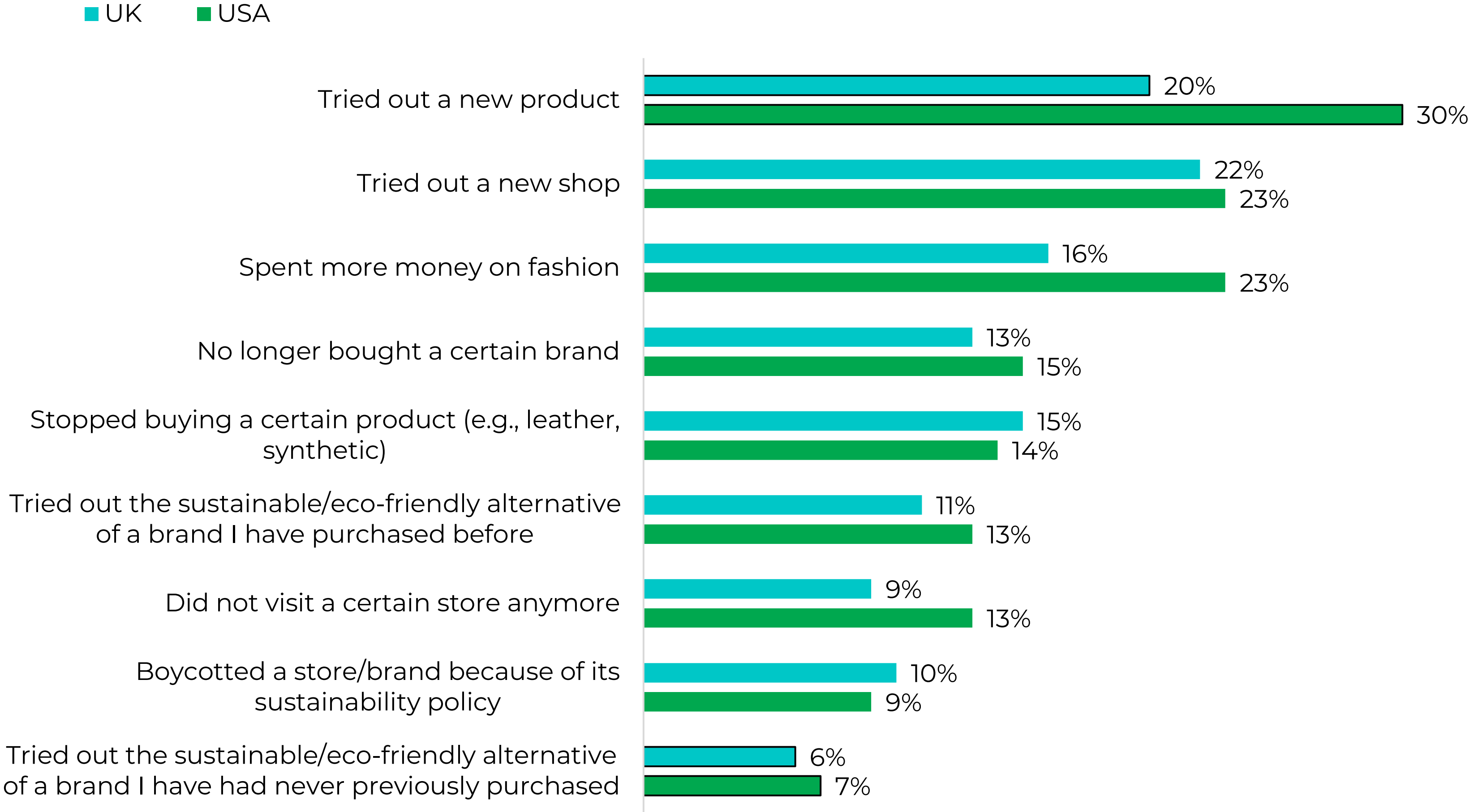
Source: Statista Consumer Insights Sustainable Consumption.

Sample sizes for each generation are between 200-310. Gen Z (1995-2012), Millennials (1980-1994), Gen X (1965-1979)

Although many respondents have tried out new products for sustainability reasons, few have shifted to a new eco-friendly brand. NZ exporters may find that the pool of consumers trying their product for sustainability reasons is low.

SUSTAINABILITY-DRIVEN FASHION PURCHASE BEHAVIOURS

Question: Thinking about fashion, in the last 12 months I have done the following for sustainability reasons:



Source: Statista Consumer Insights Sustainable Consumption.

Sample – Residential online population aged 16 to 83 who have purchased fashion (UK = 891, USA = 914)

Key takeaways

Respondents indicated an interest in purchasing more sustainable products, but price remains a significant factor.

A good sign for the NZFCTI was that across markets at least 50% of respondents put some importance on sustainability in fashion, and a greater proportion of respondents were likely to purchase sustainable brands than were unlikely too. Also, the reasons for purchasing sustainable fashion aligned with some of the practices the NZFCTI uses already. **There is certainly some alignment between the NZFCTI and consumer attitudes in these markets.**

However, the perceived high cost of sustainable fashion products, and respondent's personal finances remain significant barriers. Additionally, across markets at least 30% of respondents reported spending less on fashion in the last 12 months.

To expand the addressable market for the NZFCTI's products there may need to be some consumer education around the benefits of purchasing sustainable fashion, such as the quality and long-term value. Even though consumers are spending less, perhaps this spend is still capturable with the right proposition.

Consumer interest in second hand apparel may be a threat to the NZFCTI's potential market share.

Across markets, a greater proportion of respondents said that they were likely to purchase second hand apparel, rather than sustainable brands. A risk to the NZFCTI is that second hand apparel is seen as an alternative to purchasing sustainably produced products.

As a next step, the NZFCTI may need to understand what is driving second hand apparel purchases. This would allow the NZFCTI to what things they can leverage to entice consumers to purchase their products instead.

Due to the similarities in attitudes across markets, more primary research is likely needed.

Fair labour practices was a common influencing factor for respondents, but it is unclear what this means, especially given that most of the import value to these markets comes from manufacturing hubs.

By rank, product quality was the 3rd highest barrier for respondents to purchase sustainable fashion, **but it is unclear what their concerns around the quality of sustainable products are.**

NZTE MR recommends that the NZFCTI look for additional data or conduct primary research to understand certain attitudes in more detail. I.e., what do consumers define as "fair labour practices", what are their views on the product quality of sustainable fashion products, and why do they purchase second hand products.

SECTION 4

HIGH-LEVEL REGULATORY CHECKS

The High-Level Regulatory Landscape

The aim of this section is to identify any current or pending sustainability regulations in these markets, along with any notable non-government certifications that may be relevant to the NZFCTI.

Also included are tariff rates for the products exported by NZ from the Trade Overview.

Information in this section is not intended to be regulatory or legal advice, and it only to identify regulatory trends.

Each page is for a specific market, which can be identified by the flags.

Australia Canada UK USA

At a general level, Australia has several non-industry-specific ESG regulations that may be of interest to the NZFCTI.

Modern Slavery Act

The Modern Slavery Act (2018) requires entities based or operating in Australia to **report annually on the risks of modern slavery in their operations and supply chains**, and actions to address those risks.

The Act applies to organisations with an annual consolidated revenue of **more than AUD 100 million,** meaning there are around 3,000 reporting entities.

Climate-Related Financial Disclosures

A new set of legislation has recently passed in Australia, requiring some **organisations to make mandatory climate-related financial disclosures in their annual reports.**

The requirement to make climate-related financial disclosures will be rolled out in phases, the first phase applicable to **large organisations** (meeting 2 of the 3 following criteria: consolidated revenue of AU$500 million+, consolidated assets of AU$1 billion+, or 500+ employees).

Required disclosures are expected to contain information on an entity's: **governance** of climate-related risks and opportunities; **strategy, risk management**; the **financial impacts** of climate-related risks and opportunities on the entities' cash flows, revenues and asset values and anticipated future impacts over time; and **climate-related metrics and targets**.

Businesses are expected to report **on Scope 1 and Scope 2 greenhouse gas emissions** and **Scope 3 emissions from the second year of reporting.**

ISO Certifications

While opt-in, there are several ISO certifications available for the Australian fashion industry, the most relevant for the NZFCTI in this case being:

ISO 14001: the international standard for an **environmental management system**; and

ISO 9001: the international standard for a **quality management system**.

Source: Certification websites; Treasury - Mandatory climate-related financial disclosures

There aren't mandated sustainability fashion industry regulations in Australia.

Regulatory Overview – Australian Fashion Industry:

While there are **no mandated sustainability-specific regulations for the fashion industry**, the Australian market does have **sustainable fashion initiatives and certifications that are 'opt-in'**, including a new government-sponsored scheme:

Seamless

Mid-2024, the Australian Federal Government launched **Seamless**, a clothing product stewardship scheme to make Australian clothing **circular by 2030**. The scheme aims to address clothing waste and sustainability in the fashion industry. Almost 60 Australian fashion brands are listed as members – all **members of Seamless contribute $0.04 for each new garment** placed on the Australian market.

While the existence of government-promoted sustainability initiatives in the industry is positive, ultimately Australian fashion brands and retailers make their own decisions on their sustainability practices, which are usually promoted as a differentiator for consumers.

However, the **Australian Competition and Consumer Commission** does provide guidance to businesses on how to make **environmental and sustainability marketing claims** so as to not contravene **Australian Consumer Law (ACL)** through misleading or false claims. The ACL is legally binding and enforceable.

Source: Seamless Australia; Law Over Borders Comparative Guide 2024; Making environmental claims - A guide for business

Other relevant certifications exist in Australia, but are available only for Australian businesses.

Certifications listed here are available only to Australian businesses, illustrating a trend **that ethical / sustainable fashion discourse in Australia tends to emphasise buying local** and supporting the local Australian fashion industry. While this means that the majority of the below certifications would not be accessible to NZFCTI members, it does point to some level of **overarching industry and consumer interest in sustainable fashion and production**.

Ethical Clothing Australia

Ethical Clothing Australia (ECA) is an **accreditation body** that works with local textile, clothing, and footwear businesses to become ECA certified, with a particular focus on the rights of **Australian garment workers**.

To be Ethical Clothing Australia accredited, a business's manufacturing operations are audited from design to dispatch to ensure that local fashion workers, are being paid appropriately, receiving all their legal entitlements, and working in safe conditions

Woolmark

The Woolmark Company is a not-for-profit organisation working to research, develop and certify **Australian wool**.

Products bearing the Woolmark are certified on their material content, mode of manufacture, treatment, quality, and durability. The Woolmark helps to promote wool as a **natural, sustainable, non-synthetic fibre**.

Australian Made, Australian Grown

The Australian Made or Australian Grown logo certification mark can be used on products that are registered with the **Australian Made Campaign**.

Products must meet criteria around origin, production, or transformation in Australia.

Source: Certification websites

Like other markets, Canada has several relevant regulations applicable to businesses regardless of industry.

Government of Canada Gouvernement du Canada

Canada

Forced Labour and Child Labour in Supply Chains Act

Canada's new modern slavery law was introduced this year, and applies **to publicly-listed or large private organisations doing business or based in Canada.** 'Large private' organisations refers to businesses meeting 2 of the 3 following conditions: has at least CAD $20 million in assets, CAD $40 million in revenues and/or has an average of at least 250 employees.

The law requires in-scope organisations to **report on the risks of forced labour or modern slavery in their supply chain**. Reporting includes a description of the steps taken by the organisation around corporate governance, risk assessments, procurement policies, and training and education.

Every person or entity that fails to comply with the Act (including by failing to prepare a report or make a report publicly available), is guilty of an offence punishable on summary conviction and liable to a fine of not more than $250,000

Government of Canada Gouvernement du Canada

Canada

Federal Plastics Registry

In April 2024, the Canadian Government announced it would establish a **Federal Plastics Registry, aiming to reduce plastic pollution and help move towards a circular economy** by addressing the lifecycle of plastics.

The Federal Plastics Registry will require companies (including resin manufacturers, service providers and producers of plastic products) to report annually on the quantity and types of plastic they manufacture, import, and place on the market. **Reporting** on the amount of packaging and other plastic waste generated on industrial, commercial and institutional (ICI) premises **will be mandatory**.

Phase 1 of reporting to the Federal Plastics Registry will begin in September 2025 for plastics resins, packaging, electronic and electrical equipment, and single-use plastic products. Reporting in other categories such as transportation, construction, and **textiles and apparel reporting is not scheduled until 2026**.

Government of Canada Gouvernement du Canada

Canada

Proposed: Climate Related Financial-Disclosures

In October 2024, the Government announced its **intention to introduce mandatory climate-related financial disclosures.** The announcement focuses on **large, federally incorporated private companies,** but small and medium-sized entities will be encouraged to voluntarily report on their climate disclosures.

Source :Fighting Against Forced Labour and Child Labour in Supply Chains ; Government advances Made-in-Canada sustainable investment guidelines and mandatory climate disclosures

SECTION 4

There is ongoing regulatory work regarding sustainability in Canada's fashion sector.

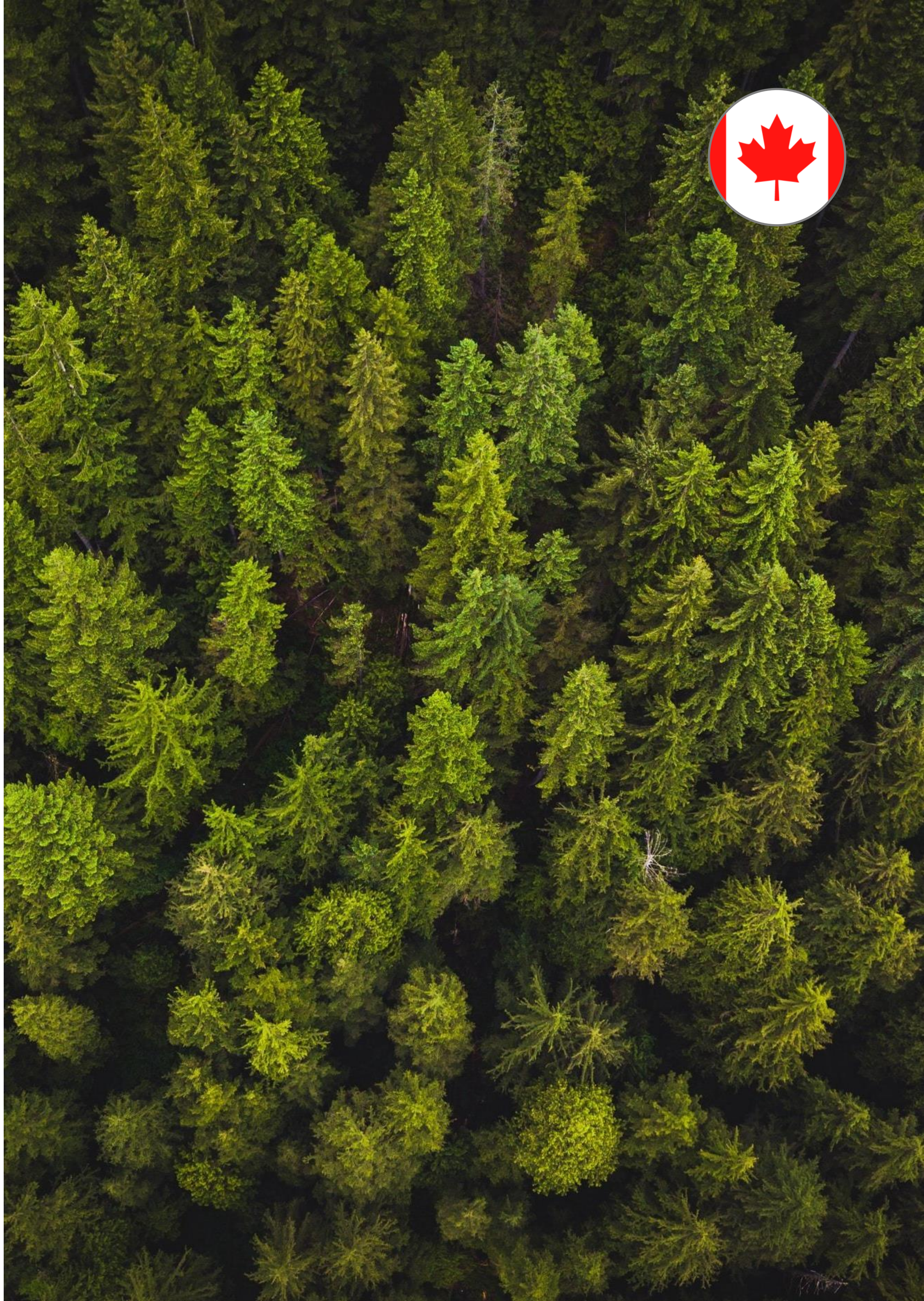
Regulatory Overview – Canadian Fashion Industry:

Like the Australia and the UK, Canada has **regulations on 'greenwashing', or environmental marketing claims**, which were recently introduced as **amendments to Canada's Competition Act** in June 2024.

At a high level, the Act requires that claims about the environmental benefits of a product "be supported by adequate and proper testing", and that claims about the environmental benefits of a business/activity "be based on adequate and proper substantiation in accordance with an internationally recognized methodology", and is **enforced by Canada's Competition Bureau** with fines up to the greater of CAD$10 million, or $15 million for subsequent breaches, three times the value of the benefit derived from the deceptive conduct, or 3% of the company's annual revenue.

In terms of regulations specifically for the fashion industry, Canada's **Ministry for Environment and Climate Change** (ECCC) is **currently investigating how to best address plastic waste and pollution from the textile and apparel sector.** Topics of investigation and potential future legislation include **developing apparel durability and recyclability standards, increasing textile and apparel repair activities, introducing Extended Producer Responsibility programs, improving textile recycling infrastructure, and addressing microfibre pollution**. A roadmap for the sector and further legislation are expected as a result of this investigation.

Source: Guide to the June 2024 amendments to the Competition Act; Addressing plastic waste and pollution from the textile and apparel sector



SECTION 4

Opt-in certifications in Canada are also available to Canadian fashion businesses.

Significant sustainable or ethical certifications led by Canadian organisations include:

Global Measure Inc: Global Measure is a Canadian certification company focused on certifying and supporting **small Canadian fashion brands** committing to responsible, sustainable, and ethical practices.

Global Measure helps brands assess, improve, and market their sustainability in six main ESG areas, including Health and Safety, Social Responsibility, Quality Management, Environmental Performance, Resource Management, and Circular Economy. Global Measure is also **supported by the Government of Canada** through the Federal Economic Development Agency for Southern Ontario.

Downmark: Downmark is a **down quality certification issued by the Down Association of Canada**, a non-profit committed to ensuring genuine and quality down products and practices.

The Downmark quality assurance program aims to certify down products (clothing, bedding, and upholstery) that are **genuine, ethical and humanely sourced**. For a product to display the certified Downmark label, it must also meet high quality standards and guidelines set by the **Canadian Government** and enforced by Canada's Competition Bureau.

Source: Certification bodies

In the UK, there are several regulations relating to ethics and sustainability. While industry agnostic, these have implications for packaging decision-making and other reporting.

Home Office

Modern Slavery Act

The UK Modern Slavery Act (2015) requires businesses operating in the UK, in **any sector**, must produce a **slavery and human trafficking statement** for each financial year. The statement should report on the steps or actions organisations have taken to ensure that modern slavery is not occurring in their supply chains or in their organisation.

While the Act is mandated only to **larger organisations with an annual turnover of £36m or more**, smaller organisations are encouraged to participate in reporting voluntarily.

Department for Environment Food & Rural Affairs

Extended Producer Responsibility (EPR)

EPR legislation introduced this year in the UK aims to reduce packaging waste. The EPR introduces **fees for importing or supplying packaging in the UK**. It also incentivises recyclable packaging — the more recyclable the material, the lower the fees. Indicative fees range from £100-605 per tonne of packaging, depending on the material, and are expected to come into force in 2025.

EPR obligations to collect and report packaging data **apply to businesses with an annual turnover of £1 million or more**, who are responsible for importing or supplying **more than 25 tonnes of packaging to the UK market**, and that carry out any of the packaging activities (i.e., supply packaged goods to the UK market under your own brand; place goods into packaging; import products in packaging; or supply empty packaging, etc).

HM Revenue & Customs

Plastic Packaging Tax

Since 2022, UK businesses that have **imported or manufactured 10 or more tonnes** of finished plastic packaging components per year (containing less than 30% recycled plastic) have been eligible for the **Plastic Packaging Tax**.

An estimated 20,000 businesses across a range of sectors are affected, particularly businesses operating in the consumer goods, food and beverage and manufacturing industries. Both manufacturers and importers of plastic packaging are affected by the tax.

The tax came into force on 1 April 2022 and is charged at a rate of £217.85 per tonne from 1 April 2024.

Department for Energy Security & Net Zero

Department for Business, Energy & Industrial Strategy

Climate-Related Financial Disclosures

Since mid-2022, **large private** (more than 500 employees or a turnover of more than £500 million) **and publicly listed UK companies have been required to report on climate-related financial disclosures.**

These disclosures include information on the governance, assessment, and management of climate-related risks and opportunities; and the actual or potential impact of these risks.

Source: Modern Slavery Act 2015; Extended producer responsibility for packaging; Extended producer responsibility for packaging: illustrative base fees; Plastic Packaging Tax; Climate-related financial disclosures

The UK provides sustainability guidance specific to the fashion sector on 'green claims'.

Regulatory Overview – UK Fashion Industry:

The most specific piece of sustainability legislation for the fashion industry in the UK is the **Green Claims Code**. The Code aims to ensure businesses make **accurate environmental claims**, and comply with their obligations under consumer protection law when making these claims. The code is enforceable by the **Competition and Markets Authority**.

In September 2024, the CMA published a **compliance document specifically for the UK fashion sector**. It provides practical advice to help businesses operating in the fashion industry comply with the Code and with the consumer protection law underpinning it.

The **CMA is able to enforce the Green Claims Code under consumer protection law,** including potential fines of up to 10% of businesses' international turnover if consumer law is broken. **Increasing stringency on green claims in the UK has already seen brands such as ASOS, Boohoo, and Asda investigated.**

Source: Complying with consumer law when making environmental claims in the fashion retail sector; Fashion greenwashing: investigation into ASOS, Boohoo and Asda

Opt-in ‘ESG’ certifications are available to fashion businesses operating in the UK.

Significant sustainable or ethical certifications led by UK organisations include:

Soil Association Certification: The Soil Association offers multiple organic certifications across industries, including fashion & textiles, food & beverage, forestry, farming, and beauty. It is the UK’s oldest and largest organic certifications body. **In the fashion industry, it offers the Global Organic Textile Standard** (GOTS) certification, which mandates that at least 70% of a product is made up of certified organic material.

Forest Stewardship Council (FSC) UK: The FSC certification system aims to support responsible forestry in wood, paper, and other forest-origin products. **In fashion and textiles, this mainly relates to man-made cellulosic fibres (MMCFs)**, which are derived from wood. The FSC label identifies responsibly sourced forest products, and can be applied to fabrics, clothing, footwear, packaging and tags made from FSC-certified materials.

Source: Certification bodies

There are federal regulations in the USA for environmental claims and climate related disclosures for certain companies. For packaging, there was no standout federal law, though states have passed their own laws.

Business Supply Chain Transparency on Trafficking and Slavery Act of 2020

This is the only law at a federal level to specifically address modern slavery but is only "introduced" and is not in force. **It is unclear how much popular support this bill has.**

The bill would not amend the Fair Labour Standards Act, but instead would amend the Securities Exchange Act of 1934. It would require companies earning >US$100m in revenue globally to disclose information around measures they have taken to identify, and address forced labour, slavery, human trafficking and child labour in their supply chains.

The Tariff Act of 1930 prohibits the import of goods made with forced labour or compulsory prison labour.

Outside of this, a notable law that passed was the Uyghur Forced Labor Prevention Act, though this was a more targeted piece of legislation.

Climate Related Disclosures

As of March 2024, the Securities and Exchange Commission (SEC) has created new rules requiring SEC registrants **"…to include climate-related disclosures in their registration statements and period reports".**

Any company that files documents with the SEC will have to comply, which is around 12,000 companies. **It applies to companies conducting initial public offering and those that file periodic reports.**

Accelerated filers (public float of US$75-700m) and large accelerated filers (public float of US$700m+) will have to disclose information about Scope 1 and Scope 2 emissions. Though there are some exemptions to this.

The rollout of this will occur over the next few years, with large accelerated filers expected to start reporting in 2026, and smaller registrants expected to start after that.

The FTC's Green Guides

The Federal Trade Commission sets out Green Guides that aim to "…help marketers avoid making environmental claims that mislead consumers.". The most recent update to these guides was in 2012. The guides layout:

1. General principles that apply to all environmental marketing claims.
2. How consumers are likely to interpret particular claims and how marketers can substantiate these claims.
3. How marketers can qualify their claim to avoid deceiving consumers.

❖ If members of the NZFCTI aim to make environmental claims they may need to consult these guides to ensure the claims are made in the correct way.

Source: USA Congress – Business Supply Chain Transparency on Trafficking and Slavery Act of 2020; SEC Finale Rules, SEC Fact Sheet, planA – US SEC's Climate-Related Discolsure; FTC – Green Guides

For fashion specifically, federal sustainability regulations in the US have only been proposed, and not passed. In some cases, states are enacting their own legislation due to outdated federal acts.

The FABRIC Act

Introduced in 2022, this act aims to amend the Fair Labour Standards Act of 1938. It would introduce new workplace protections and manufacturing incentives, with the aim to make the US a global leader in responsible apparel manufacturing.

The act enforces minimum wage standards, aims to reduce factory violations by establishing stronger workplace protections, increase supply chain transparency, and improve domestic manufacturing through a grant program.

- ❖ A risk if this legislation passes is that a rise in a domestic manufacturing industry could lead to a campaign for consumers to "buy local", leaving imported brands at a disadvantage. **As the NZFCTI monitors the progress of this act, they should also watch for rising attitudes around buying US-made apparel.**

New York Fashion Sustainability and Social Accountability Act

Reintroduced in 2023, this bill would require apparel and footwear retails making at least US$100m in global revenue to be "…accountable to standardized environmental and social due diligence policies". The bill would also establish a fashion remediation fund.

Part of this accountability would require companies to map and publish their entire supply chain, from production to where their raw materials are coming from.

Companies would also be required to adhere to a Mandatory Due Diligence Framework to mitigate their negative environmental impact, such as: set and achieve climate reductions in line with the Paris Agreement, work to effectively manage their supplier's chemical use, and improve the lives of garment workers.

- ❖ As of now, the bill is only in the Consumer Protection Senate Committee and will still have to pass in the senate. **Should it pass, it may level the playing field, forcing fast fashion brands to adhere to many of the sustainable and ethical practices of the NZFCTI.**

Garment Worker Protection Act (California, Passed)

Effective since Jan 2022, this law "…addresses proper payment of employees in the garment industry and the responsibility for parties contracting to have garment operations performed."

The law expanded the protections for garment workers and the definition of what garment manufacturing is, so now more workers are protected.

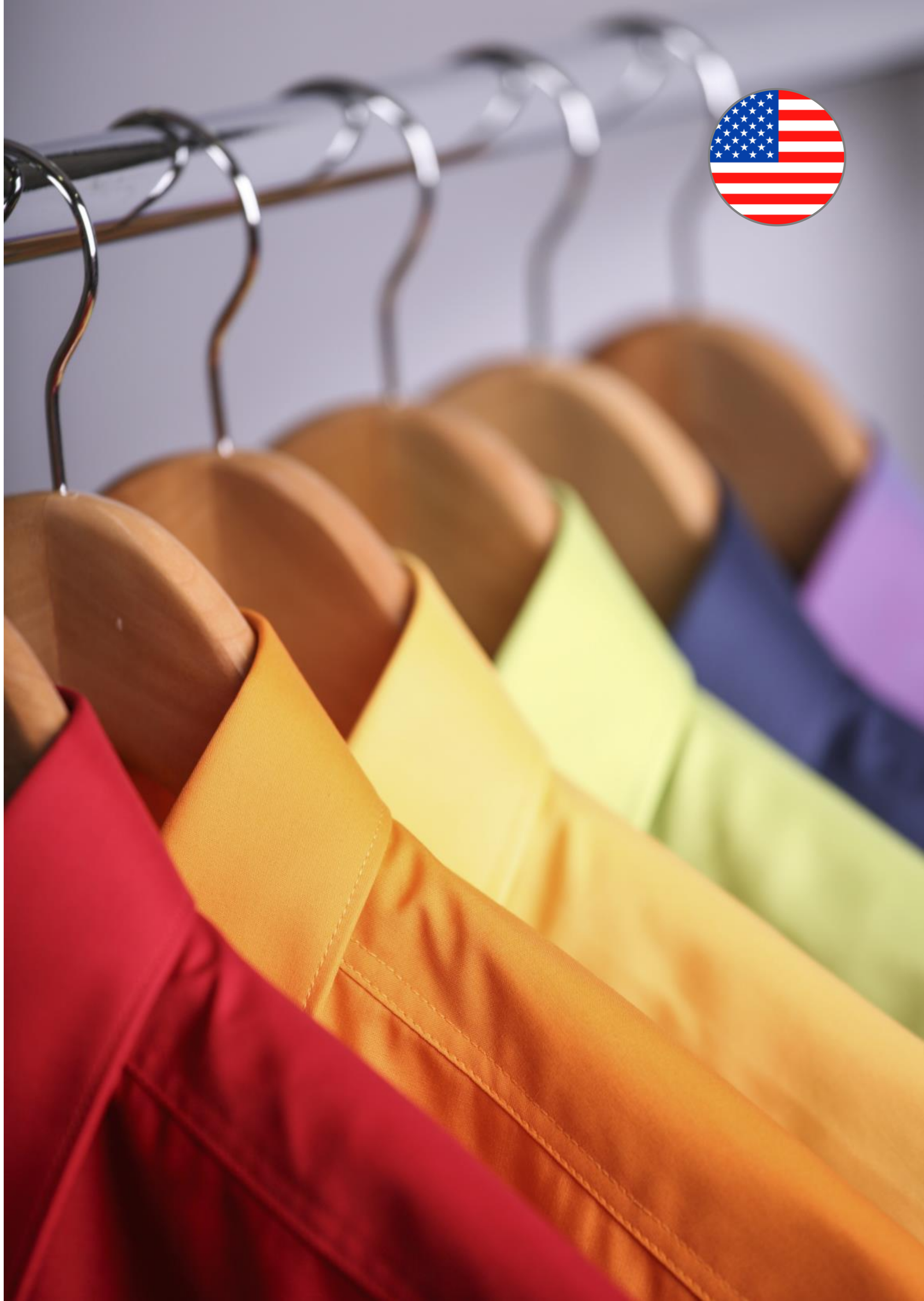
Now, employees cannot be paid an hourly rate less than the minimum wage, rather than a piece or unit rate. There are some exceptions for employees under a collective bargaining agreement.

- ❖ **The NZFCTI may find that certain states are further along their fashion sustainability journeys than others**, and that treating the USA as one market is an inefficient use of resources. Identifying which states in the USA have consumers calling for the fashion industry to be regulated may be a good next step.

Source: The FABRIC Act; NY Senate – Senate Bill S4746A; Garment Work Protection Act FAQ

Other relevant regulations include: CA California Transparency in Supply Chains Act; CA: AB 1817 - Californias Phasing out of PFAs from Jan 1 2025; NY Section 37-0121 PFAs ban; PFAs regulation also in Maine and Connecticut; CA: SB 707: California's Responsible Textile Recovery Act

There are a variety of opt-in certifications available to companies in the USA.



Example Certifications

CarbonNeutral® Certification

A global framework for carbon neutrality, this certification is to show that a business has made sufficient efforts to reduce their CO2 emissions across their supply chain.

Bluesign® Certification

A standard for sustainable textiles, Bluesign® certifies that environmentally harmful substances have been eliminated from the supply chain to minimise the impacts on people and the planet.

B Corp Certified

A B Corp certified company is one that has and continues to maintain extremely high sustainability standards for environmental impact, employment, and governance.

BCI Cotton

The Better Cotton Initiative is a program that promotes sustainable practices in cotton production.

- **A certification existing does not mean it will change the purchasing behaviour of a consumer.** There may be additional research needed to understand which of these certifications are most valued by apparel consumers.

Source: Certification bodies

As an overview, we can see that most markets have legal instruments in place which broadly cover forced labour, packaging, 'green' marketing, and climate-related financial disclosures.

IN-FORCE FEDERAL-LEVEL ETHICAL / SUSTAINABILITY LEGISLATION APPLICABLE TO THE FASHION AND APPAREL INDUSTRY:

	Australia	Canada	UK	USA
Modern Slavery / Forced Labour	YES	YES	YES	PROPOSED
Packaging Regulation / Tax	NO	YES	YES	NO
Greenwashing / Environmental Claims	YES	YES	YES	YES
Climate-Related Financial Disclosures	YES	PROPOSED	YES	YES

As an overview, we can see that most markets have legal instruments in place which broadly cover forced labour, packaging, 'green' marketing, and climate-related financial disclosures.

CURRENT TARIFF RATES ON PRODUCTS EXPORTED FROM NZ

By market and HS code

HS Code	Australia	Canada	UK	USA
61 – Articles of apparel and clothing accessories, **knitted or crocheted**	**0%**	**0%**	**0%**	**14.38%** (varies by sub code)
62 – Articles of apparel and clothing accessories, **not knitted or crocheted**	**0%**	**0%**	**0%**	**10.83%** (varies by sub code)
420221 – Handbags, whether or not with shoulder straps, incl. those without handles, **with outer surface of leather, composition leather or patent leather**	**0%**	**0%**	**0%**	**8.10%** (varies by sub code)
420222 – Handbags, whether or not with shoulder straps, incl. those without handles, **with outer surface of plastic sheeting or textile materials**	**0%**	**0%**	**0%**	**10.75%** (varies by sub code)
420229 – Handbags, whether or not with shoulder strap, incl. those without handle, **with outer surface of vulcanised fibre or paperboard, or wholly or mainly covered with such materials or with paper**	**0%**	**0%**	**0%**	**9.10%** (varies by sub code)

Source: ITC Market Access Map

There are a variety of 4 and 6-digit codes that sit under the 61 and 62 codes. NZTE MR always recommends that customers use MFAT's Tariff Finder to confirm tariffs for their specific product. Tariffs for the 61 and 62 codes will be the aggregated tariffs from all the codes that they cover and is just intended to be a sense-check.

Key Takeaways:

The UK is the most mature of NZFCTI's 4 markets of interest in terms of legislation.

The influence of the relatively advanced EU on the UK's sustainability regulatory environment can be seen in the presence of progressive legislation and policies regarding sustainability – particularly the UK's work around Extended Producer Responsibility & Packaging Taxes.

NZFCTI may find a greater appetite for not only its sustainable products, but also thought leadership and education in this space, as UK organisations throughout the fashion supply chain navigate a changing and relatively stringent legislative landscape.

The North American sustainable fashion regulatory environment is changing rapidly.

There has been significant movement to create a more ethical and sustainable economic environment in Canada. With new laws being introduced and some proposed, the trend in the market appears to be towards most sustainable production.

While the USA is not ahead at a federal level, many states have created their own regulations focused on sustainability. The NZFCTI may have to target specific states in the USA to maximise their value proposition.

Members of the NZFCTI will also need to confirm the tariff rates for their products for the USA.

Sustainability tends to be 'opt-in' rather than mandated in Australia's regulatory landscape.

While new circular fashion economy schemes like 'Seamless' are government-led and supported, these initiatives remain optional to Australian businesses and encourage, but do not embed, sustainable and ethical practices in the fashion industry.

NZFCTI may find in a less progressive environment, sustainable actions tend to be led at individual business level rather than industry-wide change from a regulatory mandate.

Market Summary

A historic market for NZ brands – Australia had the highest import value from NZ across the HS codes examined, though this had decreased relative to 2018. There has also been a shift in the apparel industry away from mass apparel to mid and high-value items, which may be advantageous to the NZFCTI. For sustainability in fashion, respondents in Australia were interested in fair labour practices, use of eco-friendly materials, and sustainable packaging. However, the current regulatory market in Australia is very ‘op-in’ rather than mandatory, so further research may be needed to understand whether sustainability is a strong purchasing driver for Australian consumers.

A market to watch – Of the 4 markets Canada was the only one with an apparel industry that had not decreased in size relative to 2018. Regarding trade, while the total import value from NZ has historically been low, there has been a surge in activity in Canada in the last year that may be worth monitoring. Respondents in Canada were interested in eco-friendly materials, sustainable packaging, and low carbon footprint among other qualities. The regulatory environment in Canada has been shifting towards more laws around sustainability and ethical production at the federal level, which may be compatible with the NZFCTI’s current practices.

Spikes of opportunity but with risk – While the UK was the second largest market by total size, a risk for the NZFCTI is that the top 3-4 brands hold a greater share of the industry relative to other markets. The NZFCTI may find that those top 3-4 brands are deeply embedded. In terms of trade, there have been spikes in imports from NZ, but these have not necessarily been increasing, and so the opportunity may be volatile for products made in NZ. When it comes to sustainability in fashion, sustainable packaging and use of eco-friendly materials were standout influences for respondents. Due to its proximity to the EU, the UK has adopted similar sustainability and ethical production regulations.

Requires more validation – Though the USA had the largest market size by a significant margin, metrics around per capita spend, value-segmentation, and unit value indicated that the USA may be more fast-fashion-oriented than the other 3 markets. Similar to the UK, there have been spikes in imports from NZ, but these had not been strictly increasing over the past 5 years. For sustainability in fashion, respondents indicated a particular interest in use of eco-friendly materials, fair labour practices, and sustainable packaging. A nuance in USA is that rather than having regulations at a federal level, many states have their own laws around sustainability and ethical production. Members of the NZFCTI may have to further validate states in the USA to find where the best starting point would be for their products.

Suggested Next Steps

Primary Research to Understand Consumer Habits – There are limitations to the depth of consumer data in this report. NZTE MR would recommend that members of the NZFCTI conduct more tailored primary research to better understand consumer attitudes towards sustainable fashion in these markets. That way, the differences between consumers in these markets can be better understood.

myNZTE – NZTE's Market Fit: Arm your market entry or growth with real-time insights

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Competitor Analysis to Identify Gaps in Popular Brands – There were a variety of key brands across categories. Members of the NZFCTI may need to conduct more target competitor analysis on brands that compete more closely with their offering and value proposition so that they can find gaps in these markets.

myNZTE – How to analyse your market competition
myNZTE – NZTE's Market research services

Analysis of New Zealand Brands in these Markets – With the relatively low import value from NZ in many of these markets, it may be helpful to analyse NZ brands that have succeeded to understand what their approach has been. Given that trade data does not cover brands that manufacture and ship from a factory overseas it may also be helpful to identify which brands are using offshore manufacturing for their products.

Monitoring of Key Trade Data – There have been spikes in trade between NZ and markets like the UK and the USA in the past few years, along with significant growth in Canada. Members of the NZFCTI should monitor trade from NZ to these markets to keep ahead of any developments in the market.

myNZTE – How to use Stats NZ trade data to your advantage

Continued development of sustainable practices and messaging – With such a broad array of possible claims and the rapid evolution of sustainable practices, members of the NZFCTI will need to stay across any new developments in certifications, regulations, and competitor claims.

myNZTE – Sustainability considerations for consumer goods exporters (Collection)
myNZTE – Business for Good programme
myNZTE – Sustainability Change Makers Series

APPENDIX

Market size breakdown by category

TOTAL RETAIL VALUE

2023, USD billions, ■ = highest, ■= lowest

Category	Australia	Canada	UK	USA
Apparel	$15.1■	$31.3	$60.9	$331.1■
Menswear*	$4.7■	$9.8	$16.6	$108.6■
Womenswear*	$10.0■	$23.6	$42.5	$236.1■
Outerwear	$7.6■	$15.6	$32.4	$161.8■
Sportswear	$4.5■	$7.7	$12.5	$150.2■
Sports Apparel	$3.2■	$4.4	$7.7	$105.9■
Swimwear*	$0.6	$0.2■	$0.5	$6.2■
Designer Apparel	$1.7■	$2.2	$8.9	$23.0■

PER CAPITA RETAIL VALUE

2023, USD, ■ = highest, ■= lowest

Category	Australia	Canada	UK	USA
Apparel	$566■	$781	$891	$989■
Menswear*	$178■	$244	$243	$324■
Womenswear*	$286■	$390	$474	$483■
Outerwear	$375■	$589	$622	$705■
Sportswear	$167■	$192	$184	$448■
Sports Apparel	$117	$110■	$113	$316■
Swimwear*	$24■	$4■	$7	$19
Designer Apparel	$64	$56■	$130■	$69

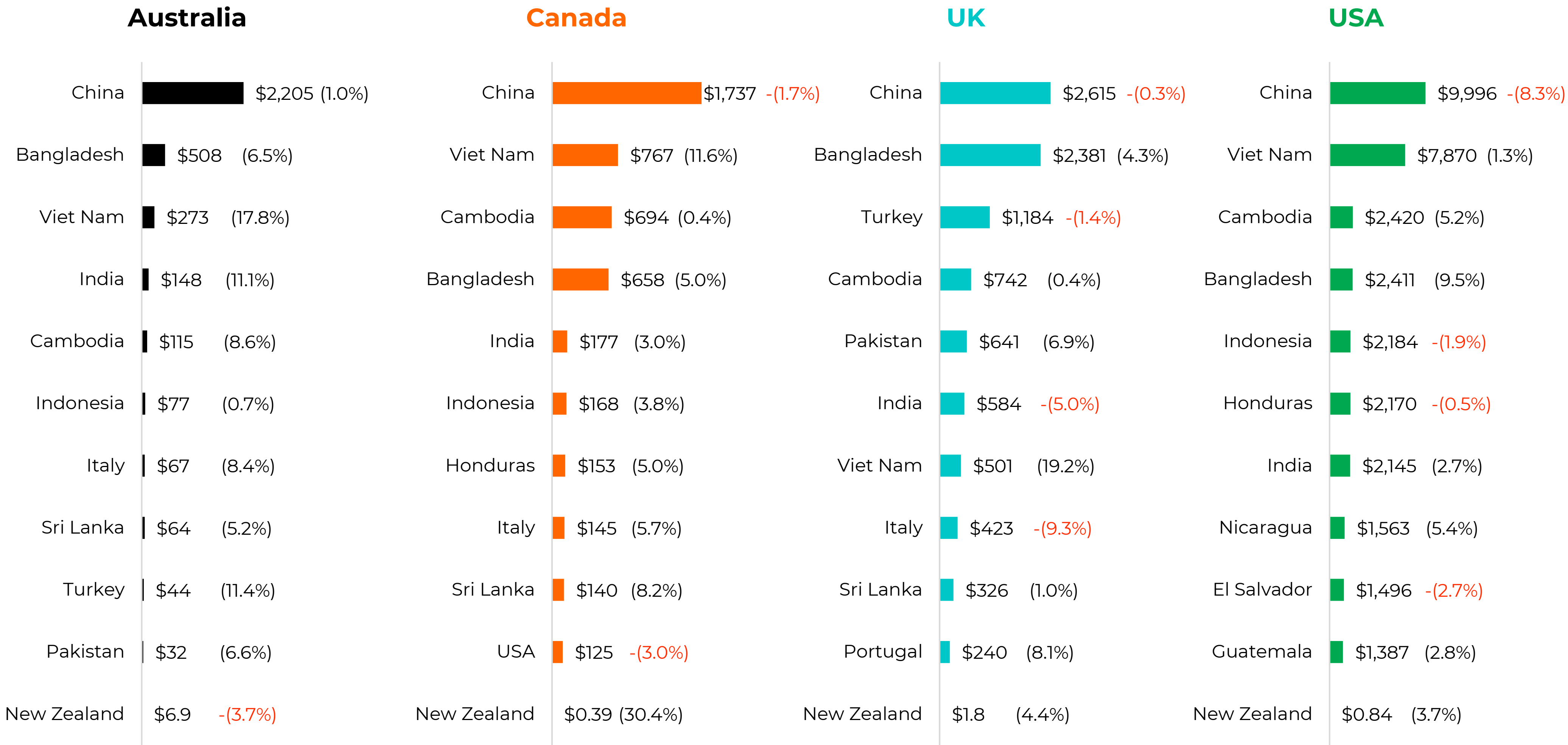
Source: Euromonitor.

Some categories will include products from others. I.e., Menswear and Womenswear include various Sportswear.

Knitted or Crocheted Apparel – Top 10 Trading Partners

KEY TRADING PARTNERS – KNITTED OR CROCHETED APPAREL*

2023, Top 10 + NZ, USD millions, (2018-23 CAGR in brackets)



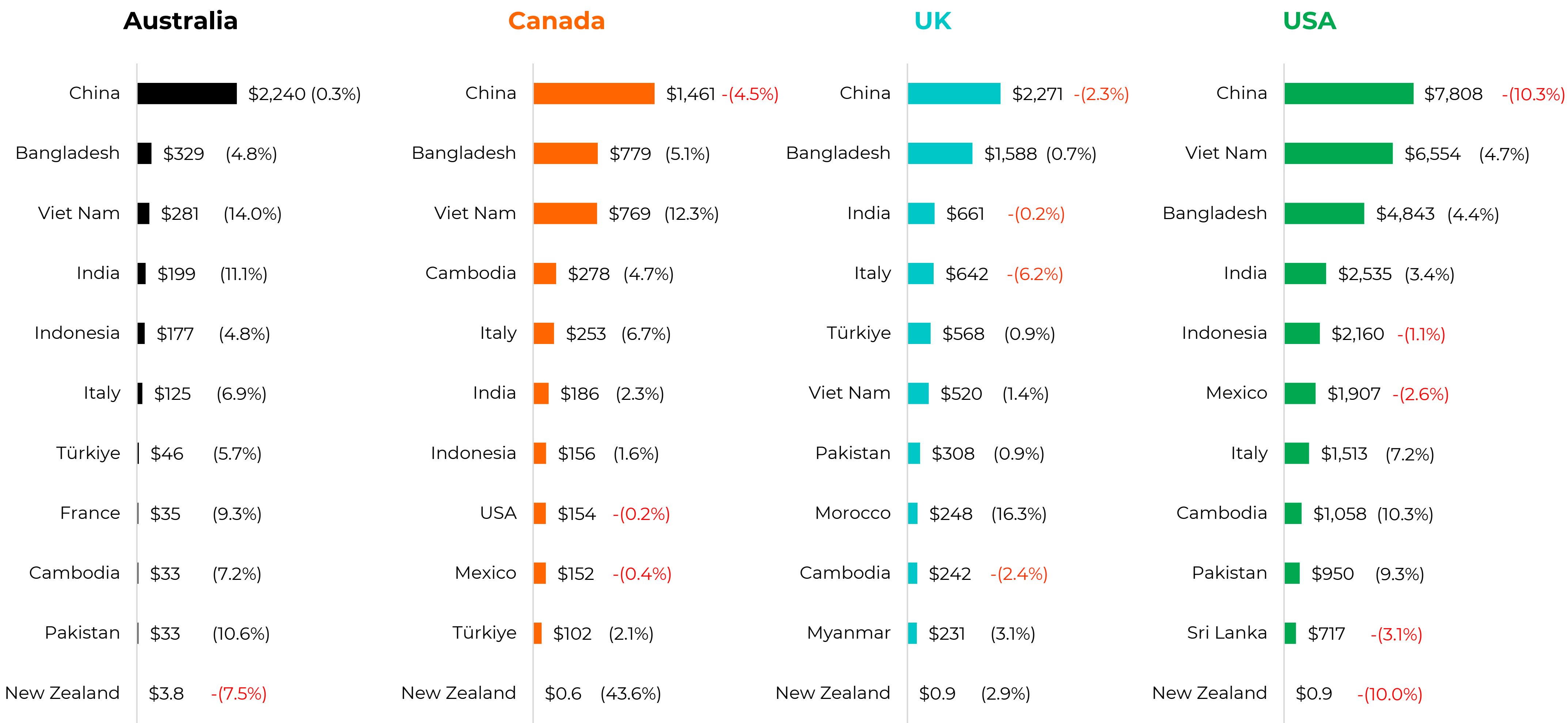
Source: ITC Trade Map.

*61 – Articles of apparel and clothing accessories, knitted or crocheted.

Non-Knitted Knitted or Crocheted Apparel – Top 10 Trading Partners

KEY TRADING PARTNERS – NON-KNITTED OR CROCHETED APPAREL*

2023, Top 10 + NZ, USD millions, (2018-23 CAGR in brackets)



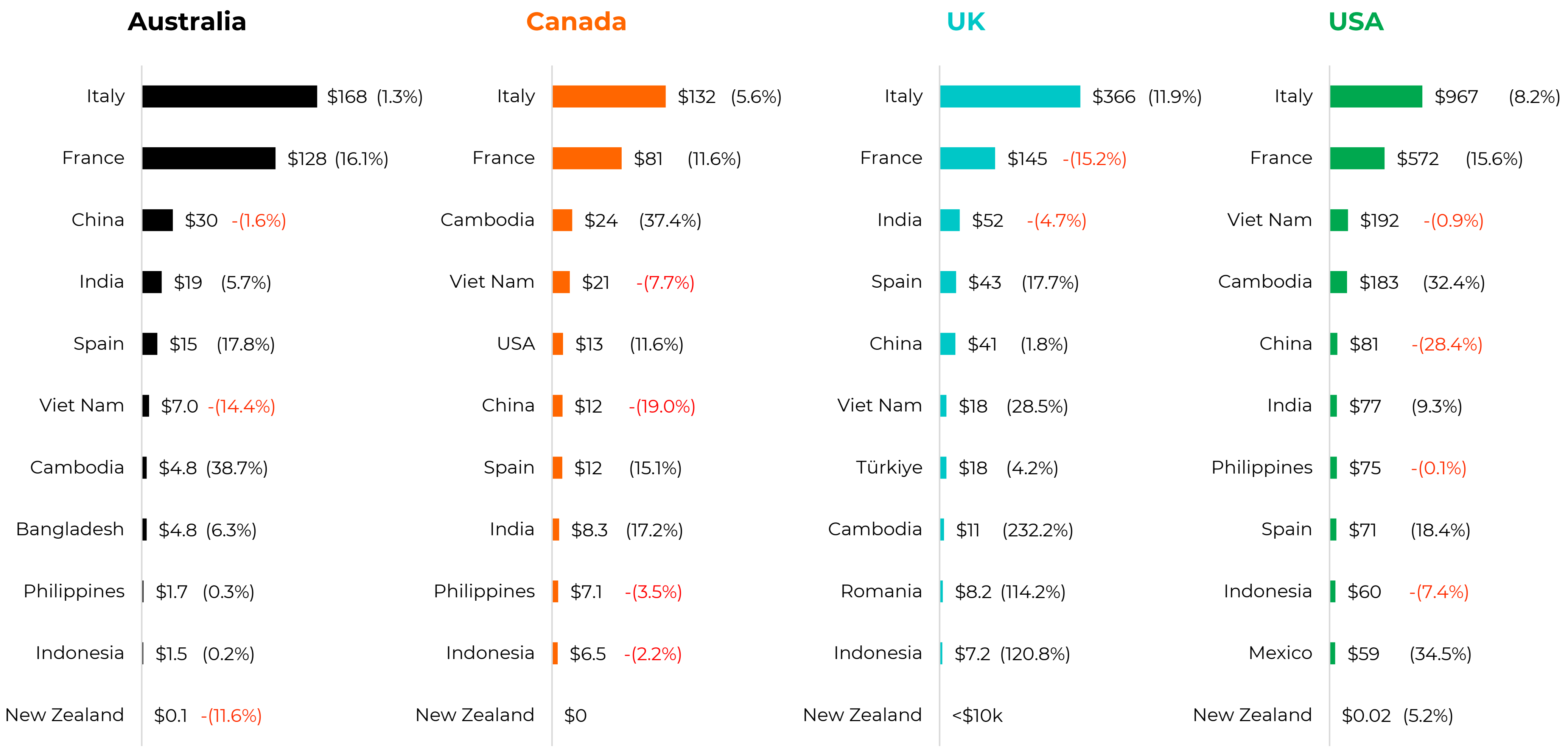
Source: ITC Trade Map.

*62 – Articles of apparel and clothing accessories, not knitted or crocheted

Leather Handbags – Top 10 Trading Partners

KEY TRADING PARTNERS – LEATHER HANDBAGS*

2023, Top 10 + NZ, USD millions, (2018-23 CAGR in brackets)



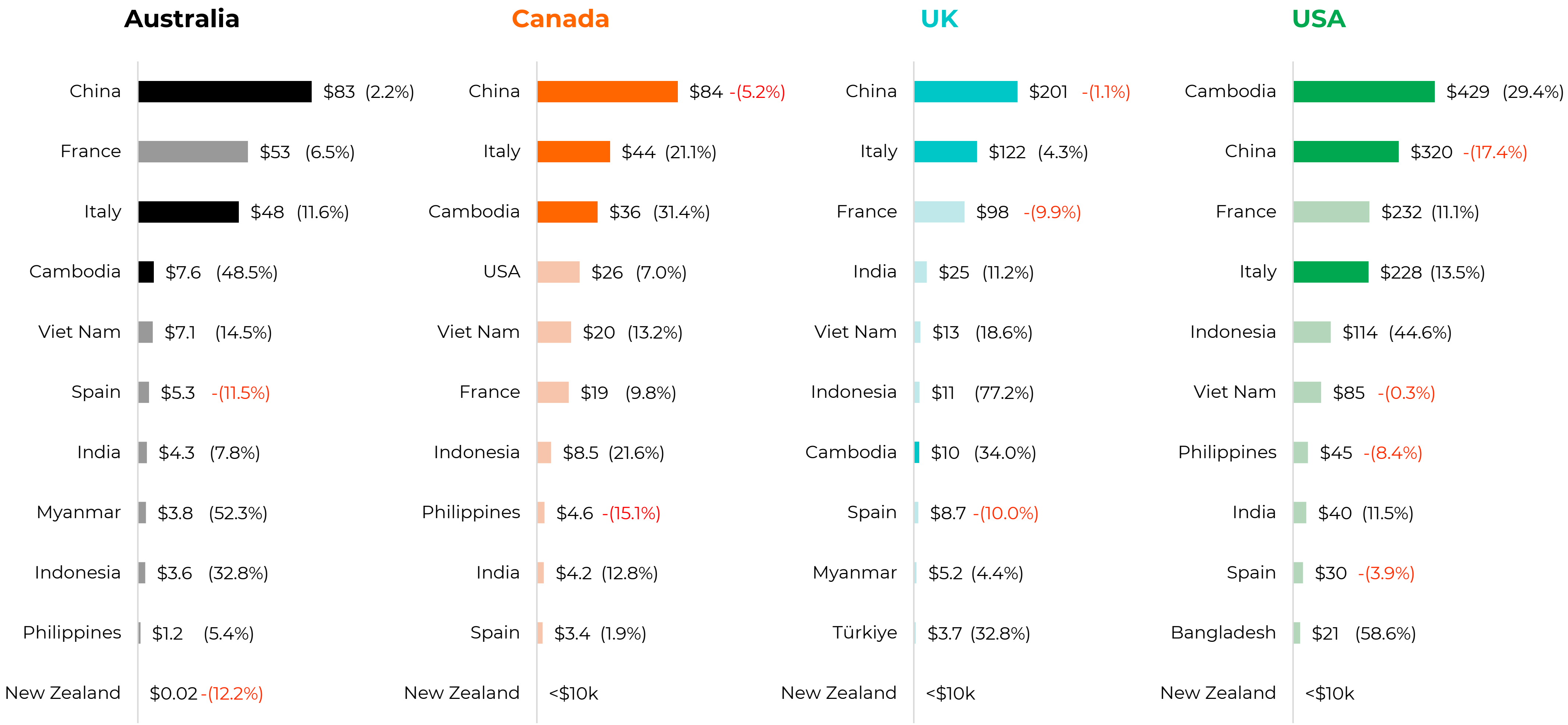
Source: ITC Trade Map.

*420221 – Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface of leather, composition leather or patent leather

Plastic / Textile Handbags – Top 10 Trading Partners

KEY TRADING PARTNERS – PLASTIC / TEXTILE HANDBAGS*

2023, Top 10 + NZ, USD millions, (2018-23 CAGR in brackets)



Source: ITC Trade Map.

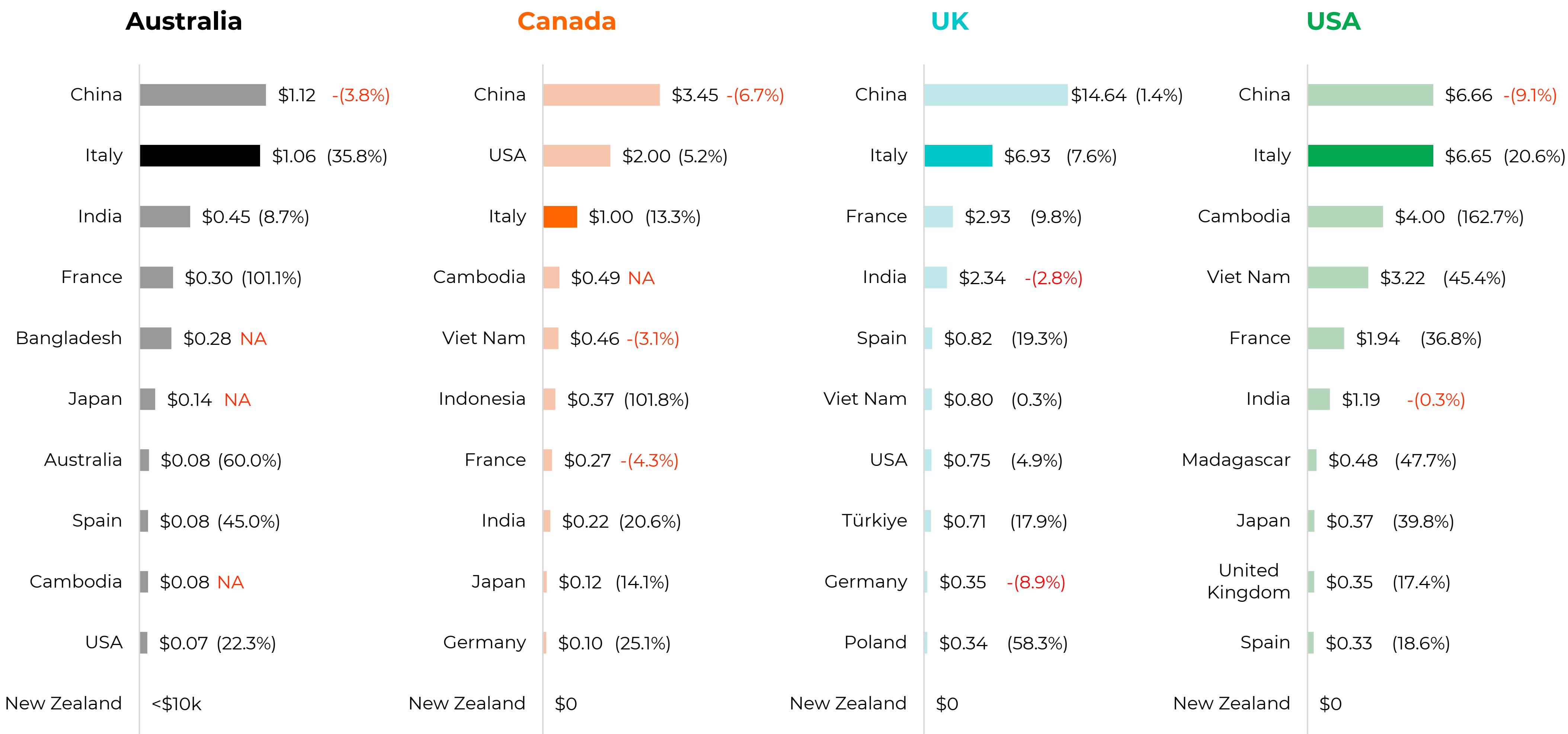
*420222 – Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface of plastic sheeting or textile materials

Vulcanised Fibre or Paperboard Handbag Imports

Omitted due to the small overall import value

KEY TRADING PARTNERS – VULCANISED FIBRE OR PAPERBOARD HANDBAGS*

2023, Top 10 + NZ, USD millions, (2018-23 CAGR in brackets)



Source: ITC Trade Map. **NA** values are where there is not enough historic data to calculate a CAGR.

*420229 – Handbags, whether or not with shoulder strap, incl. those without handle, with outer surface of vulcanised fibre or paperboard, or wholly or mainly covered with such materials or with paper

Trade Summaries

Click to return to bubble charts: 61, 62, 420221, 420222

TOTAL IMPORT VALUE AND CAGR, AND IMPORT VALUE PER CAPITA

2023, USD, ■ = highest, ■= lowest

Product	Metric	Australia	Canada	UK	USA
61 – Articles of apparel and clothing accessories, **knitted or crocheted**	**Import value**	$3.77bn■	$5.80bn	$11.18bn	$45.24bn■
	Import value CAGR (2018-23)	+3.3%	+2.7%	-3.0%	-1.0%
	Import value per capita	$141.57	$144.70	$163.80■	$135.09■
62 – Articles of apparel and clothing accessories, **not knitted or crocheted**	**Import value**	$3.76bn■	$5.05bn	$9.09bn	$36.35bn■
	Import value CAGR (2018-23)	+2.4%	+1.9%	-5.3%	-1.4%
	Import value per capita	$141.19■	$125.96	$133.17	$108.53■
420221 – Handbags **with outer surface of leather, composition leather or patent leather**	**Import value**	$0.39bn	$0.33bn■	$0.73bn	$2.41bn■
	Import value CAGR (2018-23)	+4.5%	+4.8%	+2.2%	+4.4%
	Import value per capita	$14.66■	$8.26	$10.71	$7.21■
420222 – Handbags **with outer surface of plastic sheeting or textile materials**	**Import value**	$0.22bn■	$0.26bn	$0.52bn	$1.62bn■
	Import value CAGR (2018-23)	+6.3%	+5.5%	-2.2%	+1.3%
	Import value per capita	$8.33■	$6.59	$7.57	$4.83■

Source: ITC Trade Map.

NEW ZEALAND