

From high fashion to high vis

The economic contribution of
Australia's fashion and textile
industry

31 May 2021



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Foreword

This is a critical moment for Australia's fashion and textile industry. Covid-19 has been a once-in-a-lifetime disruption to the economy, upending retail and global supply chains. But as an industry, we are weathering this storm and shaping a stronger and more exciting future.

Clothes, uniforms, and the materials they are made of are core to our lives. They touch us – literally – every day. Apart from their obvious role protecting us from the elements, they help us express our individuality, values and creativity.

Beyond this, there exists a dynamic and diverse industry that employs hundreds of thousands of Australians and sits front and centre within Australia's creative economy. Ours is an industry that brings together creatives, makers and manufacturers, and world-class retail platforms. It truly is a multi-layered and dynamic ecosystem.

This report showcases the economic and social footprint of our industry, highlighting its incredible depth and scale.

Significantly, the report finds our fashion and textile industry contributes more than \$27.2 billion to Australia's economy, generating \$7.2 billion in exports each year. It employs more than 489,000 people, 77% of whom are women.

The Australian fashion and textile industry has proven we punch well above our weight on the global arena. We are on the cusp of a great digital, industrial and circular business transformation. By collaborating and being fearless, we can lean into the future, reshaping an industry that continues to be a world-leader in innovation, creativity and human-centricity.

I encourage you to read this landmark report and help us celebrate the success of our industry.

This report was made possible by the generous support of Afterpay. Thank you.



Leila Naja Hibri
CEO Australian Fashion Council

Key messages: A vibrant part of Australia's creative economy

Australia's fashion and textile industry is large, diverse and globally connected

- ▶ The industry is much more than high-end designer fashion. Indeed, it encompasses a complex ecosystem of design, textile, manufacturing, retailing and education activities.

Helping drive our national economy

- ▶ In 2020-21, Australia's fashion and textile industry contributed more than \$27.2 billion to the national economy. This represents about 1.5% of the economy. (See next slide).
 - Industry exports were around \$7.2 billion in 2021, with the industry forming a high-value component of Australia's trade portfolio.
- ▶ The industry generates more than 489,000 jobs across its broad spectrum of functions.
 - Its employment is higher than Australia's mining and utilities industries.
- ▶ About 77% of the fashion and textile industry's workforce is female, making it a key driver of women's economic advancement.

- ▶ While there are high levels of global sourcing within supply chains, much value adding occurs in Australia.
 - Some of our leading fashion brands are true global icons, helping elevate Australia's international brand equity.

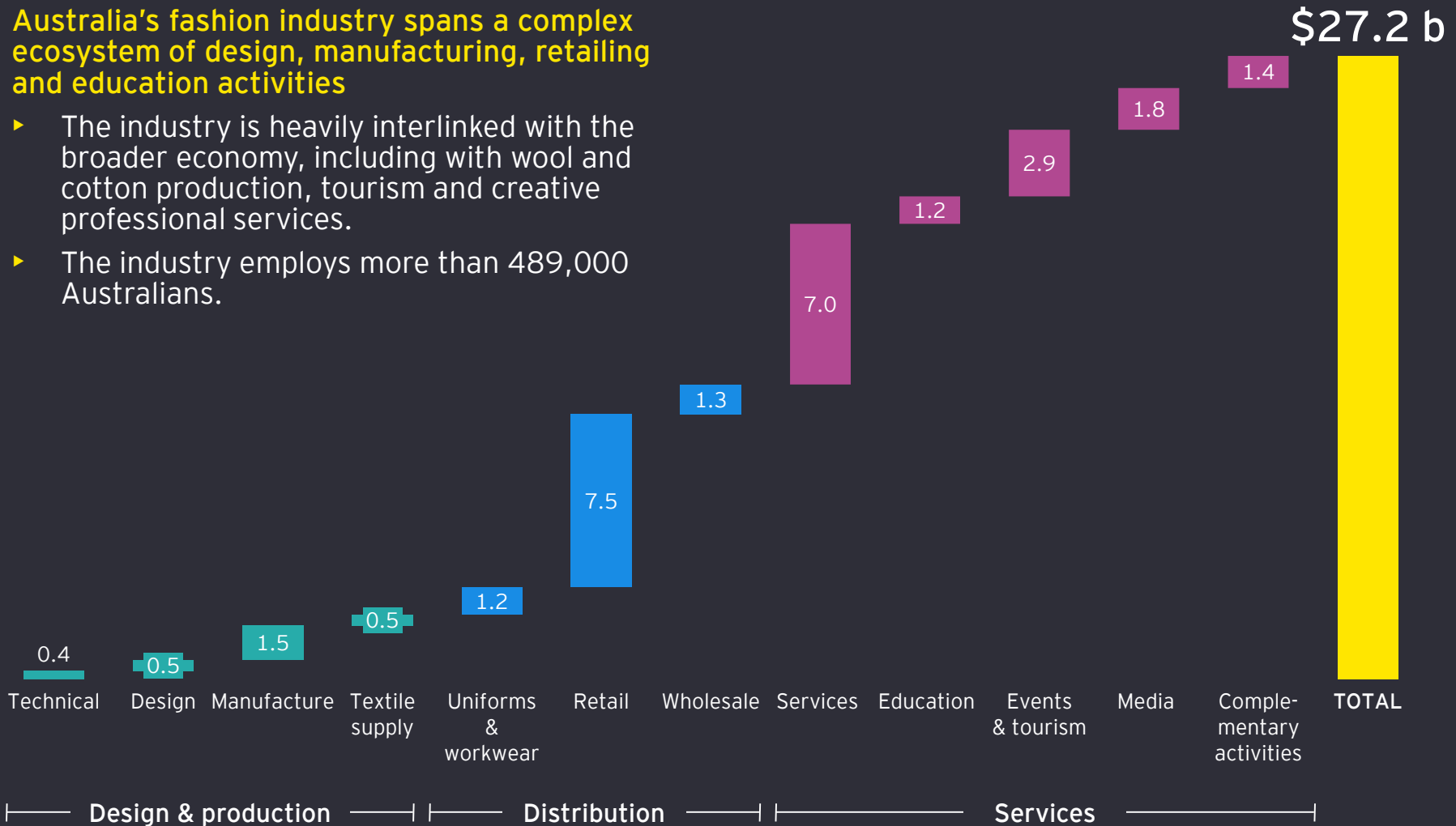
Building industry capabilities

- ▶ The industry is facing some major challenges as it emerges from the impacts of Covid-19. This includes the need to innovate, embrace more sustainable production, and manage higher penetration of online merchandising.
- ▶ This will place greater emphasis on:
 - Upskilling workers to secure future opportunities and adapt to new business models, with a concerted focus on women.
 - Embracing new technologies and innovations to accelerate growth, maximise local content, and enhance operational resilience to future market disruptions.
- ▶ Fashion and textiles is one of Australia's leading creative industries. The industry will be crucial in driving our collective prosperity in the years ahead.

Our diverse fashion industry contributes \$27.2 billion to the national economy in 2021

Australia's fashion industry spans a complex ecosystem of design, manufacturing, retailing and education activities

- ▶ The industry is heavily interlinked with the broader economy, including with wool and cotton production, tourism and creative professional services.
- ▶ The industry employs more than 489,000 Australians.



Fashion and textile industry contributions shown in \$ billion.
Note, references to 2021 in this report are for FY 2020-21.

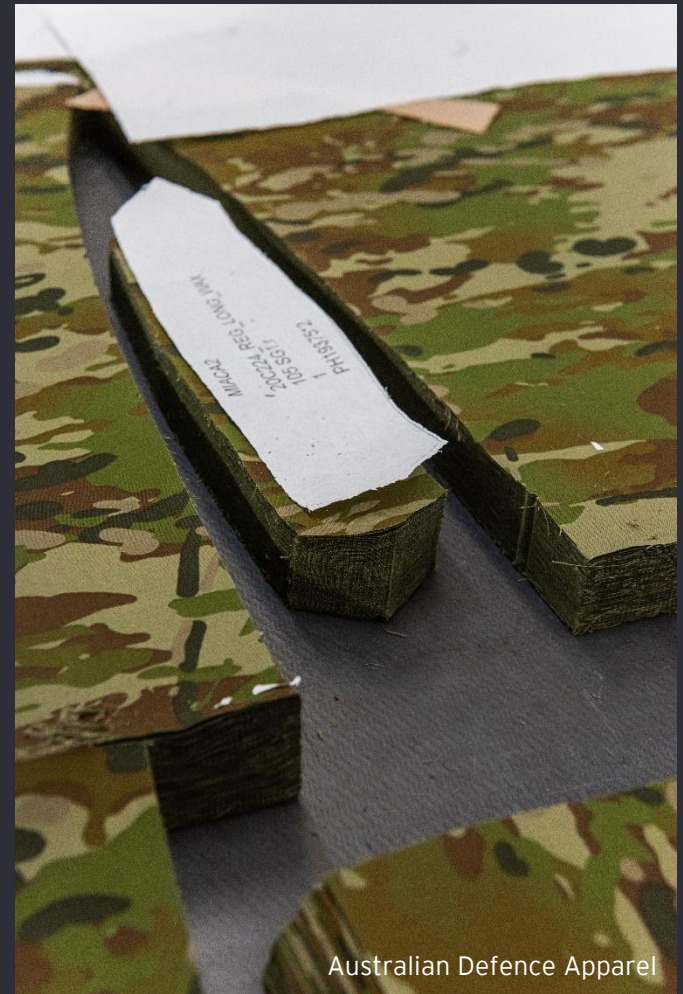
Showcasing our fashion and textile industry



The study

The fashion and textile industry is a core pillar of Australia's creative economy

- ▶ The Australian Fashion Council (AFC) engaged EY to undertake a study on the economic contribution of the fashion and textile industry to the national economy.
- ▶ The study shifts the spotlight from consumer trends towards the industry's place in our dynamic economy, and what is likely to shape its future development.
- ▶ For the first time, the study surveyed the entire fashion and textile ecosystem to understand its economic profile, current challenges and where the industry is heading.
 - The *EY Australian fashion and textile industry survey 2021* provides the most comprehensive picture of this dynamic industry.
 - Industry players and businesses were asked about their business financials (before and during Covid-19), export and supply chain linkages, and workforces, as well as their view on key challenges and prospects.
 - This information, together with official industry data sources, was used to develop a whole-of-economy footprint of the industry.



Australian Defence Apparel

Contours and dynamics of the fashion and textile ecosystem

Australia's fashion and textile economy is diverse, involving a complex ecosystem

- ▶ The system is much broader than designer labels. In fact, it encompasses everything from pattern making, textile production, retailing and education.
- ▶ The value chain is expansive and involves design, production, distribution, as well as other services.

The industry's complexity makes it hard to draw clear boundaries

- ▶ To highlight its contemporary features, we have developed an inner and outer fashion and textile economy.
- ▶ Inner economy activities (e.g. fashion design and production) fit firmly within a traditional industry construct.
- ▶ Outer economy activities (e.g. tourism, education, media and waste circularity) have higher cross-over with other industries.



Remodelling for a post Covid-19 world

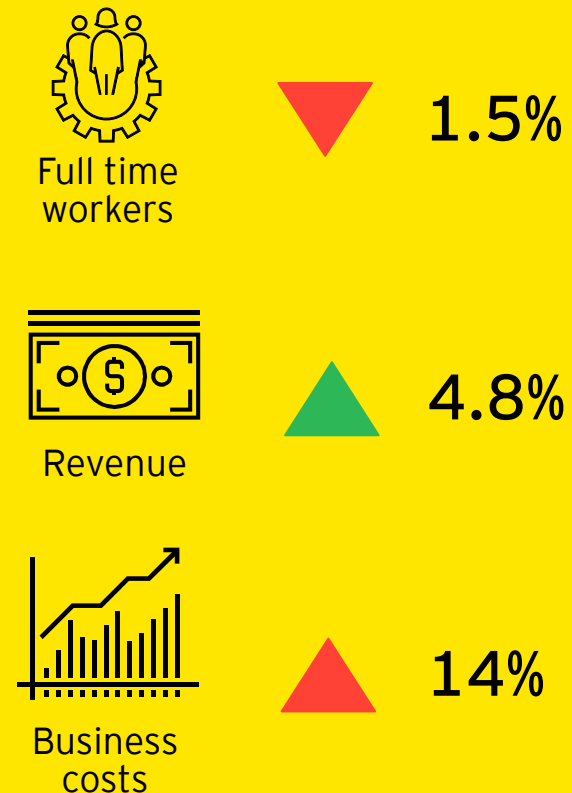
The impact of Covid-19 was unprecedented with the pandemic upending many parts of the industry

- ▶ The pandemic caused a change in consumer behaviour and sentiment, and many people shifted their purchases from services to goods.
- ▶ Bricks and mortar retailing was especially devastated by the lockdowns and restrictions. This caused consumers to pivot to online platforms – changing what people purchased, and how they accessed it.

The crisis amplified and accelerated the rise of trends that emerged before the pandemic

- ▶ Businesses adapted to Covid-19 conditions. Freight costs have risen and many companies have been unable to review production samples.
 - As a result, processes have become more digitised (a trend that will only continue).
- ▶ Reflecting a sharp rise in working from home, there has also been a 'relaxing' of the modern wardrobe with an increase in athleisure and casual wear sales.
- ▶ Online sales have spiked and moving forward there will be an ongoing focus on reimagining the role of the traditional store.

The impact of Covid-19 on fashion and textile businesses*



*Based on the EY Australian fashion and textile industry survey 2021. This is an average among respondents and is not based on value.

The economic value of the industry

The fashion and textile industry boosts Australia's economy



\$27.2 billion

added to the Australian economy in 2021



1.5%

contribution to Australian GDP



489,000 workers

in 2021 (about 3.8% of the Australian labour market)



376,000 women

working in the industry in 2021



\$7.2 billion

in export revenue in 2021



1.7%

of all Australian exports (by value) in 2021

The industry makes up about 1.5% of the national economy

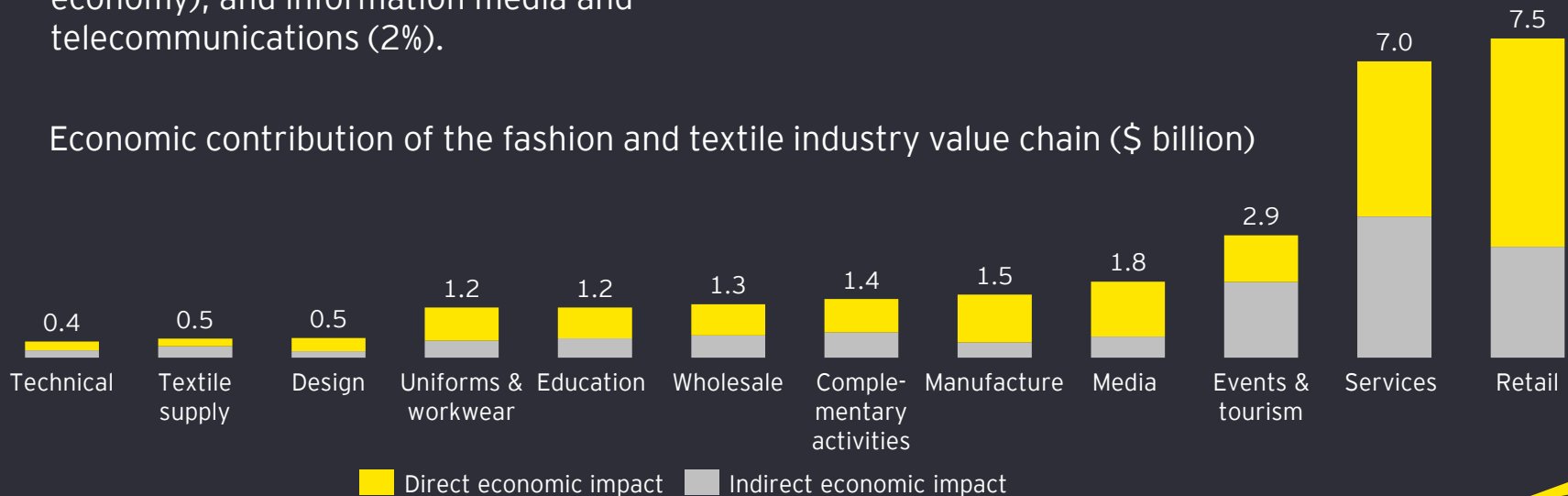
Australia's fashion and textile industry makes a sizeable contribution to the national economy

- ▶ Across the value chain, workers in specialised industry roles (e.g. stylists, services) generate additional value-added due to the technical nature of their work.
- ▶ The pattern of indirect economic benefits changes from activities across the industry's inner and outer cores. Activities within the outer core generally exhibit higher economic linkages with the broader economy.
- ▶ The economic activity from Australia's fashion and textile industry sits alongside other creative-economy heavyweights such as arts and recreation (0.8% of the economy), and information media and telecommunications (2%).

The fashion and textile industry's economic impact in 2021 ...

D	Direct	\$16.3 billion
+		
I	Indirect	\$10.9 billion
=		
T	Total	\$27.2 billion

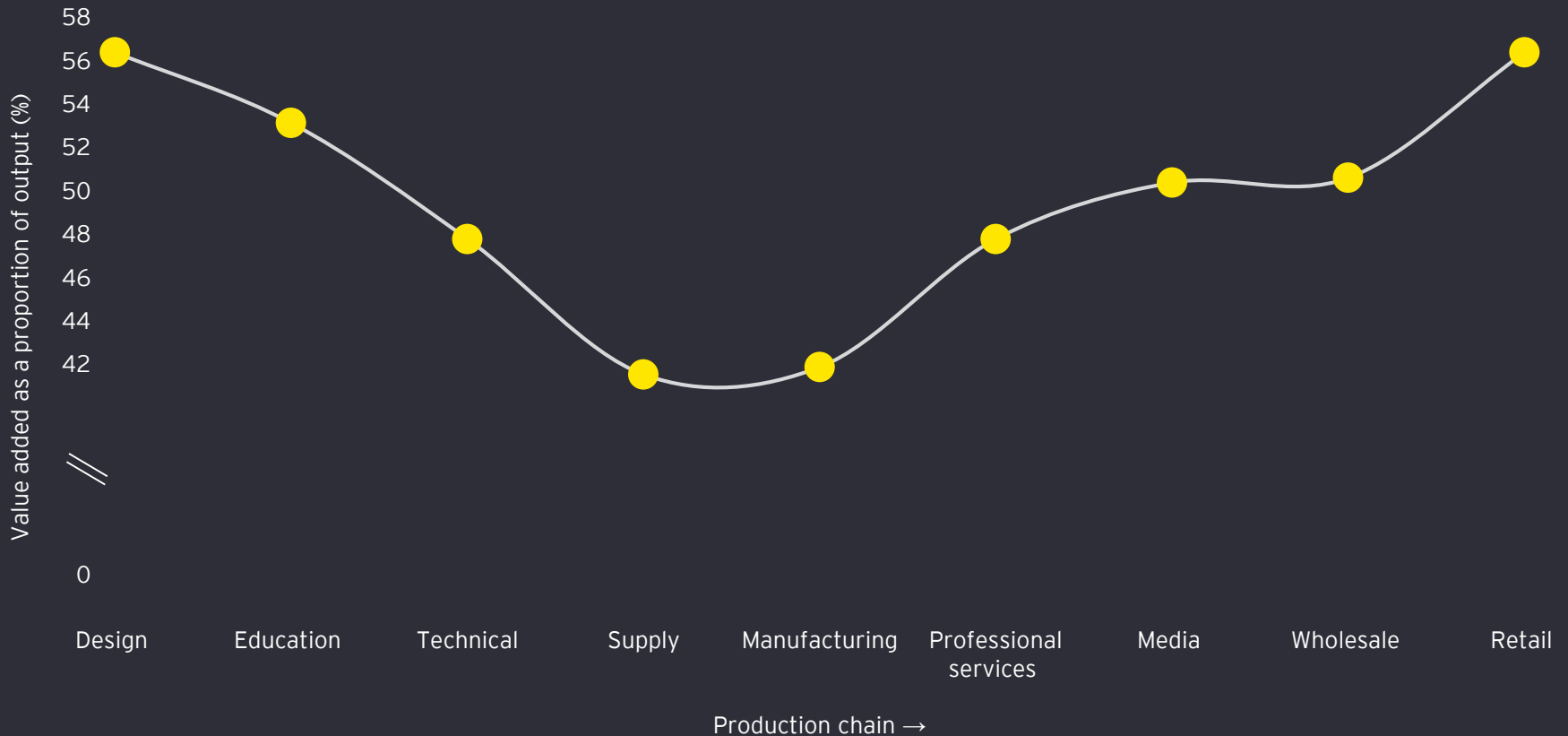
Economic contribution of the fashion and textile industry value chain (\$ billion)



The industry's smile curve: A picture of high value added across the fashion supply chain

Analysis based on the EY Australian fashion and textile industry survey 2021 and ABS data highlights high levels of economic value added across the ecosystem

Value added is particularly pronounced at the upstream and downstream components of the fashion and textile production chain. These parts of the ecosystem have more localised dimensions and high levels of professional service intensity.



The industry employs thousands of Australians

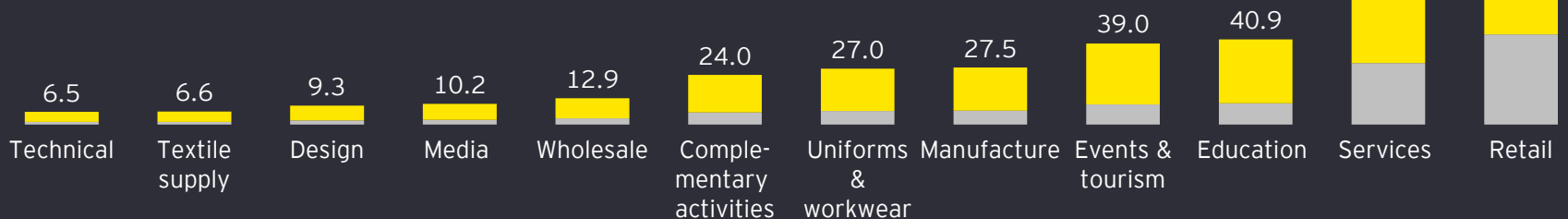
The industry generates significant jobs for Australians in all states and territories

- ▶ There are a total of 489,000 Australians in the fashion and textile industry.
 - High levels part time and casual employment in the industry help promote flexible working arrangements. This can be particularly successful in supporting workforce engagement by women and young people.
- ▶ The industry directly employs more people than Australia's mining sector.
- ▶ The industry pays over \$15.7 billion in wages – workers and households circulate this money throughout the economy, creating additional economic flow-on impacts.

The fashion and textile industry's employment impact in 2021 ...

D	Direct	364,000	workers
+			
I	Indirect	125,000	workers
=			
T	Total	489,000	workers

Workers across the fashion and textile value chain (thousands)

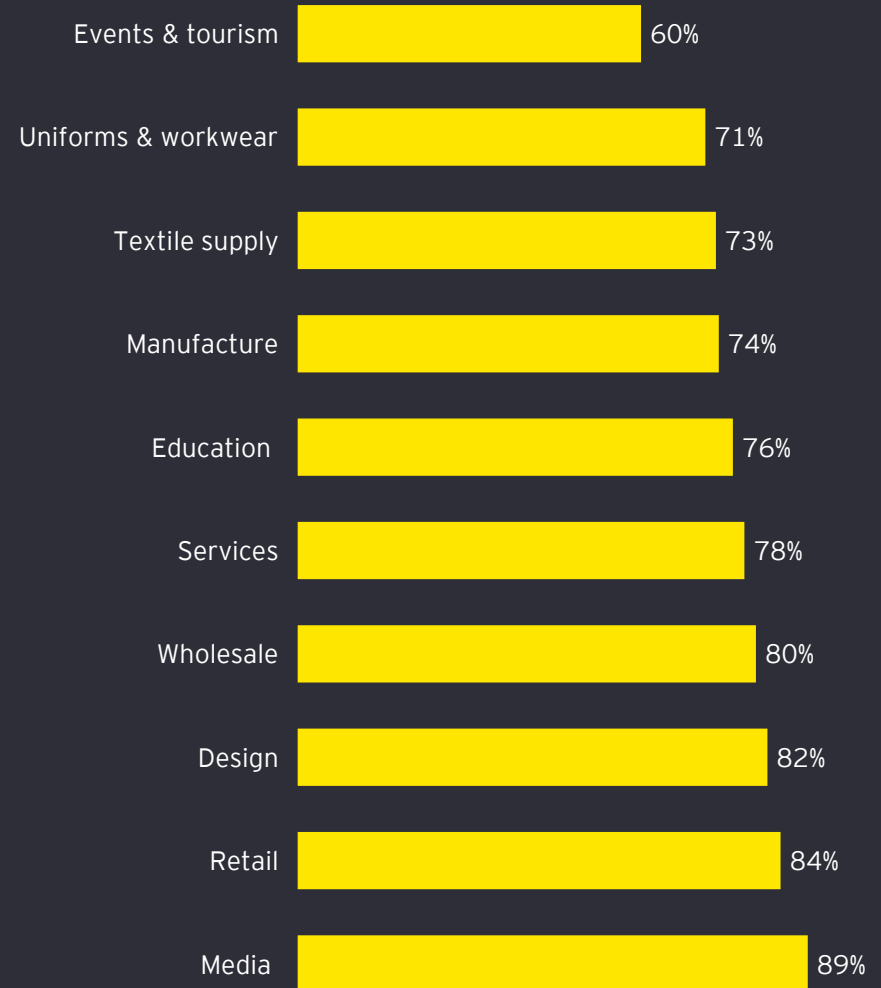


■ Direct economic impact
 ■ Indirect economic impact

An industry that is front and centre to the economic security of Australian women

Female workers sit at the heart of Australia's fashion and textile industry

- ▶ About 77% of employees in the industry are female, compared to the national average of 47%.
- ▶ This is comparable to service sectors like education (72% women) and healthcare (78% women).
- ▶ As one of the few professionally-led industries dominated by women, the industry provides opportunities for women to showcase their entrepreneurial spirit and business acumen.
- ▶ The proportion of female employment is high across the value chain, especially in sectors like retail, media and design.
- ▶ Given the high concentration of women working in fashion and textiles, the prosperity of the industry matters for the economic advancement of Australian women.



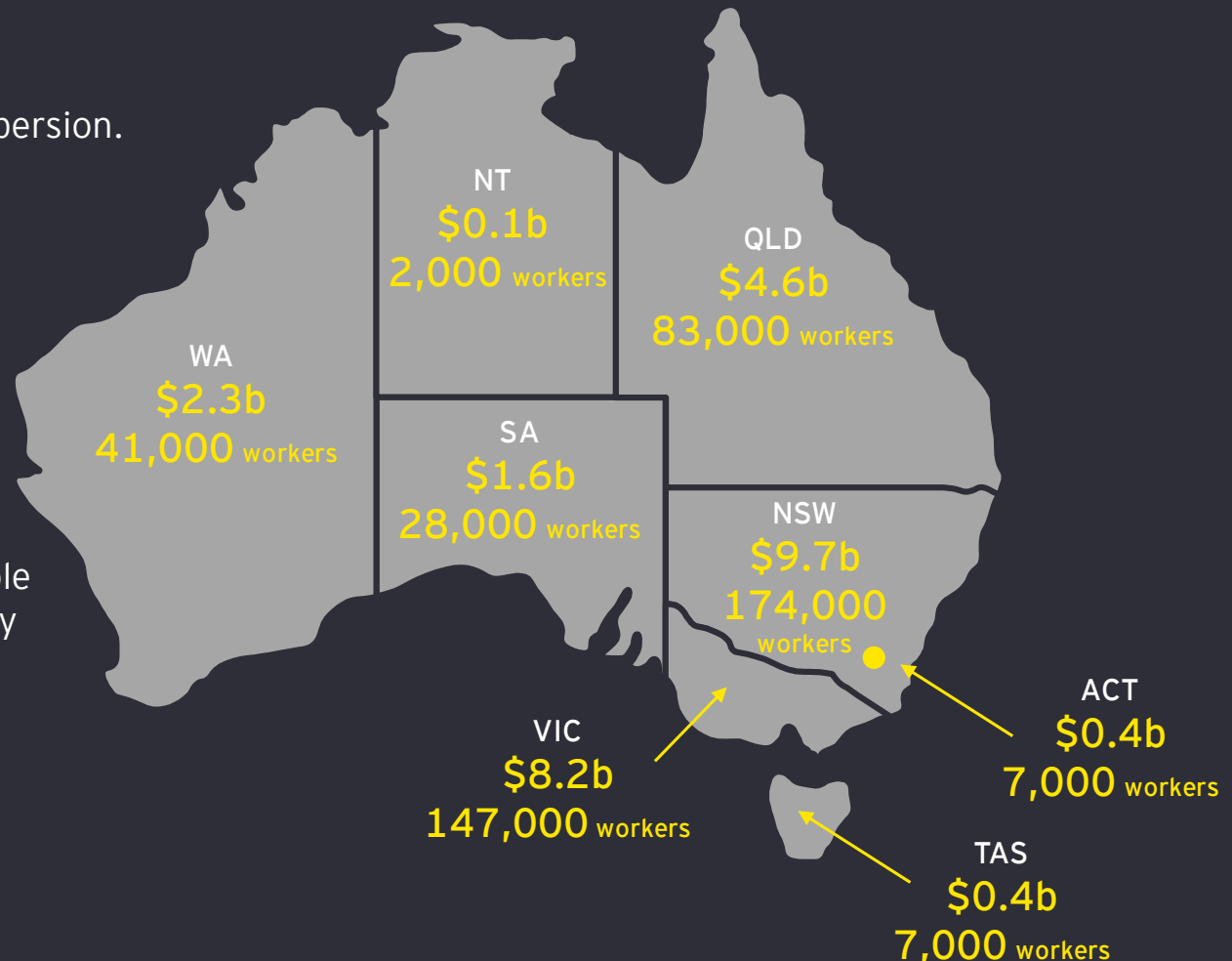
Based on responses in the EY Australian fashion and textile industry survey 2021.

The economic dividends are dispersed throughout Australia's states and territories

The industry's contribution to economic output and employment spans from coast to coast

- ▶ An important feature of the industry is its incredible dispersion.
- ▶ From small country towns to busy city hubs, the industry touches the lives of all Australians.
- ▶ The industry has a physical presence in every local shopping centre throughout the country.
- ▶ It also plays an important role in driving regional prosperity and tourism growth, particularly through events like Fashion Week.

National breakdown of the total economic benefits of the fashion and textile industry



The industry has deep global linkages

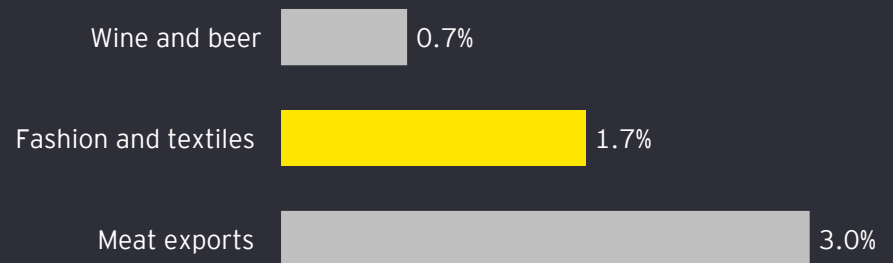
Australia's national fashion brand is unique – it is one of our most creative and globally integrated industries

- ▶ Our fashion and textile exports have an important place on the international fashion stage, helping elevate 'team Australia'.
 - The Government's support for the industry in the 2021-22 Budget highlights this.
- ▶ As creative-intensive exports, the industry helps diversify Australia's trade portfolio, generating almost \$7.2 billion of exports each year.
- ▶ This represents around 1.7% of national exports – more than double the value of Australia's wine and beer exports.
- ▶ Australian businesses, through their global manufacturing facilities, also generate additional revenues by selling directly to overseas markets in Europe and the United States. The value of these supply arrangements is estimated to be around \$565 million each year.

While the industry has strong links throughout global supply chains, there are large opportunities to add value in Australia

- ▶ The EY Australian fashion and textile industry survey 2021 highlighted that 88% of businesses designed their products in Australia, yet only 29% sourced some of their materials from local suppliers. There is a major opportunity for greater domestic sourcing.
- ▶ Every \$1 million in industry production potentially on-shored back to Australia – should this be commercially viable – could generate an economic return of around \$1.2 million.

Proportion of Australian exports



Fashioning the future



Positioning the industry for success

- ▶ Covid-19 has been a shockwave to the fashion and textile industry, with bricks and mortar retailing activities being particularly devastated. While the economic recovery has been promising, it still has some way to go.
- ▶ Large changes to consumer behaviour and supply chains will have lasting implications for the industry. Indeed, the pandemic may well amplify structural shifts and trends that were in play before the crisis erupted.

Some big changes in motion

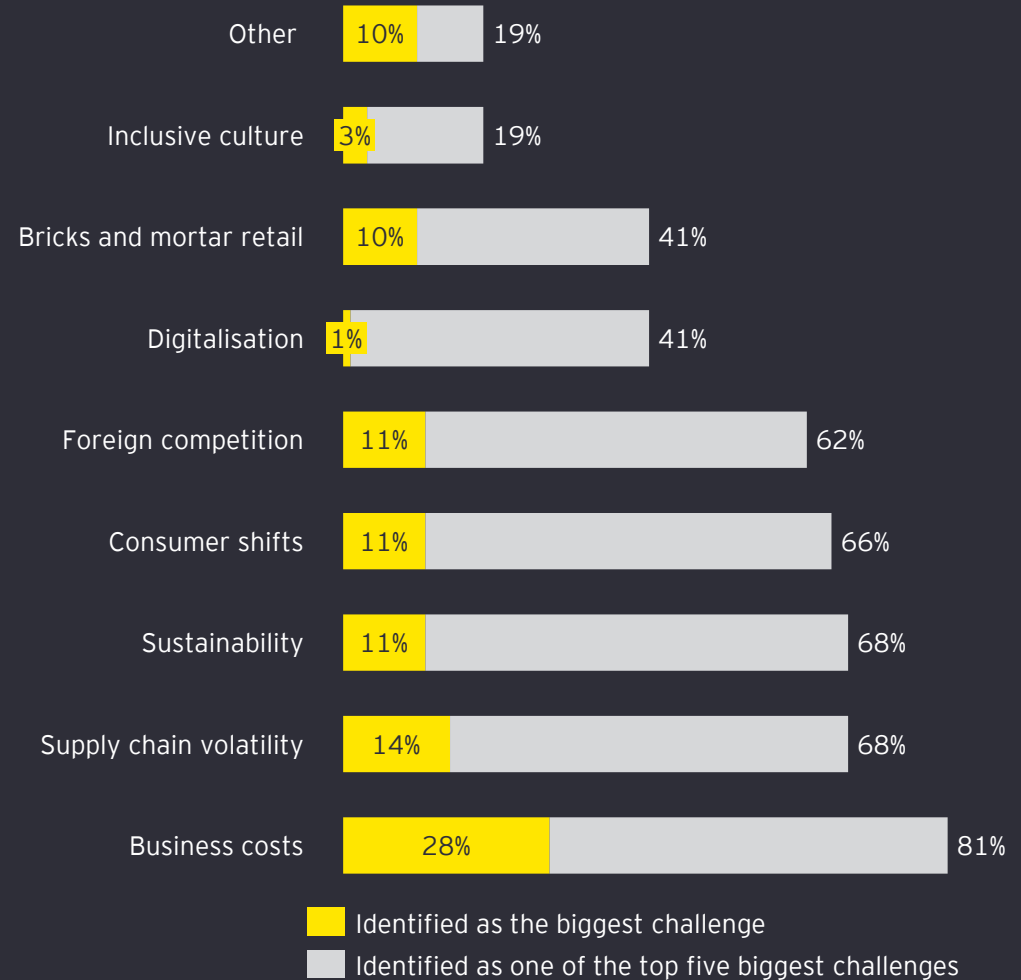
- ▶ While the fashion ecosystem has expanded, its boundaries often blur at the edges, especially in design and professional services. Much more is globally tradable and subject to fierce competition from overseas.
- ▶ The industry occupies an expansive retail footprint, reaching into every shopping centre and high street in the country. This physical presence – and its accompanying workforce – is vulnerable to greater digital transformation and online purchasing. It must adapt, become more engaging and experiential.

Bright spots and opportunities

- ▶ *Responsible business* – In tune with consumers, the industry is emphasising responsible business models across the value chain.
 - Circular business models (based on product stewardship and resale), coupled with sustainable sourcing will be paramount.
- ▶ *Technology and advanced manufacturing* – Compared with many other industries, apparel production, consumer analytics and recycling in the industry have substantial scope for digitisation and (semi) automation.
 - There are major opportunities to leverage new digital technologies for industry growth and innovation.
- ▶ *Reskilling talent* – As the industry evolves to embrace more complex models of design, production and retail, workers will need new skills. Simply, they will need to be adaptable and technology-savvy to reap the gains from future industry growth. Future-ready skills need careful investment by businesses and government.

Some big challenges facing the industry

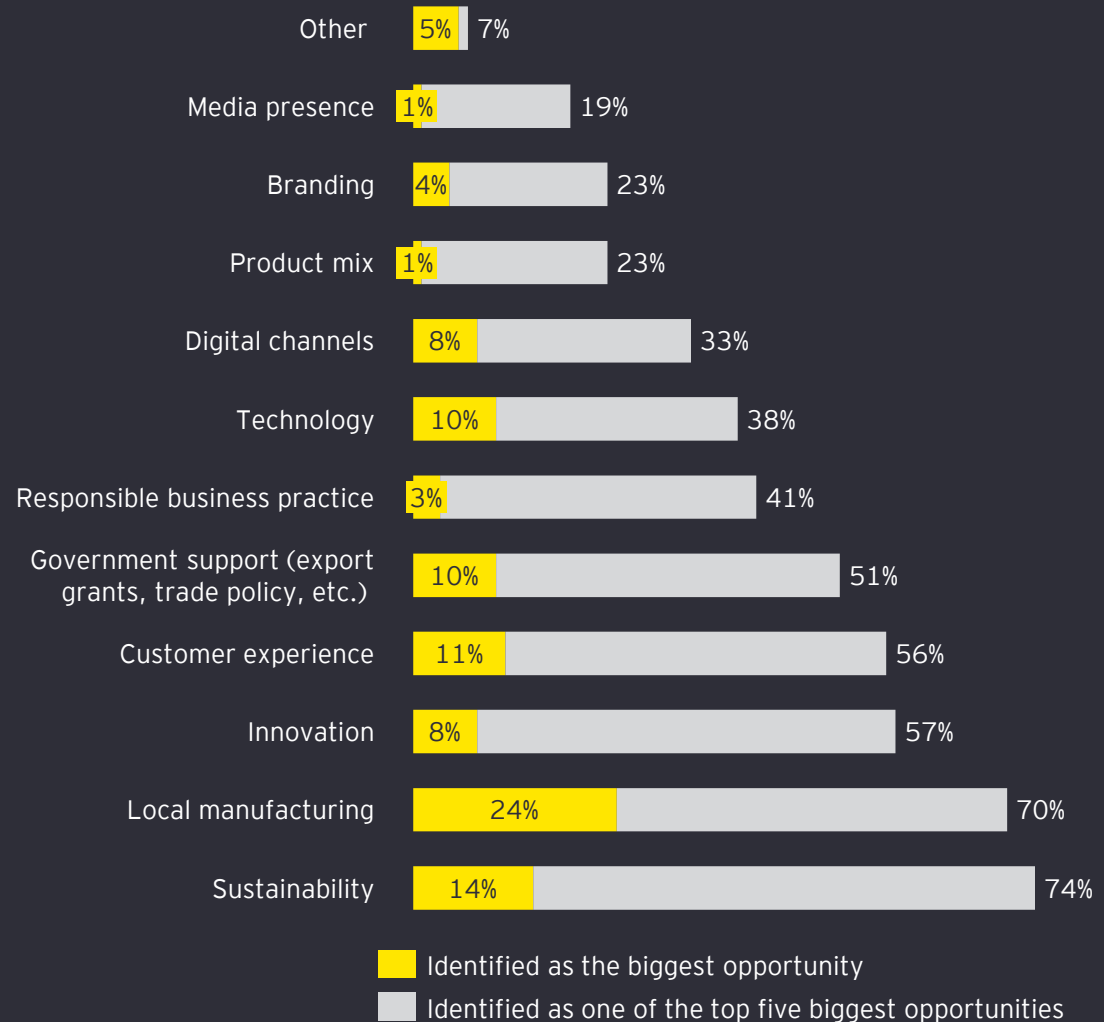
- ▶ Industry players identified some key near and far term challenges.
- ▶ We need to constrain costs (many business costs like freight have surged over Covid-19), embrace new models of sustainability, and adapt to ongoing digital disruption and global competition.
- ▶ The industry's vast physical retail presence is a major vulnerability, but provides entrenched opportunities for more engaging social experiences.



Based on responses in the EY Australian fashion and textile industry survey 2021.

Bright spots on the horizon

- ▶ There are many exciting prospects for our fashion and textile industry as we recover from Covid-19. Encouragingly, many of the key opportunities are the 'flip side' of addressing the industry's pressing challenges (see previous slide).
- ▶ The industry emphasised the need to harness new sustainable business models, embrace digital channels and new technology, and foster deeper engagement with consumers.
- ▶ The advantages of making more things in Australia – especially as technology advances – was considered vital, with governments having a key role in supporting a market environment in which this can occur.



Based on responses in the EY Australian fashion and textile industry survey 2021.

Future business models, skills and jobs



Elle Roseby
CEO
Country Road

How do you see the fashion/textile industry evolving over the coming years and what sort of new business models will emerge?

One emerging consumer trend is micro influencers producing their own product and selling, through social commerce, with 'pre-order' models – this could be a positive disruption for traditional retail supply chain models driving inventory efficiency and sustainability. The evolution of 'non ownership' is also shifting, with rental, swap and resale emerging and evolving, these business models solve for circularity. There is also a need for waste recycling of materials, that can be broken down and reused back into fabrics. The industry is sourcing these materials overseas. We have no commercial waste management system in this country for materials.

What sort of skills should we be training for now in order to meet the needs of the future industry?

The roles we are hiring for today are different to a decade ago – we need people with expertise in digital, data, sustainability, responsible sourcing, materials traceability, circular design – the capability in market is not keeping up with demand. Another gap is the manufacturing skills we lost 30 years ago when production moved offshore – it's critical that government invests in the skills and infrastructure to enable more local manufacturing, whether that be robotic or through skilled workers.

What are the biggest opportunities in terms of job creation for the fashion/textile industry?

The biggest opportunity is in local manufacturing and supporting smart on-shoring. 80% of our customers want to support Australian-made. We send cotton and wool to Vietnam and China to be spun and woven when it could be done here. We all talk about reducing emissions but the current raw material model conflicts with this, we must support the onshoring cycle. For the industry to flourish, and be more sustainable, we need to invest in creating jobs in local manufacturing, as well as in technology and sustainability. We must treat it like a serious industry if we really want to attract the brightest minds and drive real innovation.



Prof. Robyn Healy
Dean
School of Fashion & Textiles
RMIT

How do you see the fashion/textile industry evolving over the coming years and what sort of new business models will emerge?

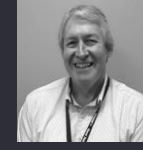
We will see change to more agile models, small scale manufacturing with rapid prototyping, manufacturing on demand, near-shoring, and circular systems that reduce surplus, minimising waste. We should also expect an increased use of automation, robotics, AI, and this will create change in workforce, as part of Industry 4.0. And we will also have mandated transparent business models.

What sort of skills should we be training for now in order to meet the needs of the future industry?

The key skills we should be training for are in the fields of Advanced Technology, Digital, Sustainability, and Legal and Human Rights responsibilities.

What are the biggest opportunities in terms of job creation for the fashion/textile industry?

Anything regarding the circular economy and product lifecycle, so designers of materials and products that minimise waste, and deliver a reduction of carbon footprint through innovation. Also, in the areas of application of smart manufacturing systems, digital prototyping, 3D digital design and advanced computer aided design. And ecommerce will continue to create jobs, in the fields of design of new platforms and creation of online environments for customers.



Craig Gordon
General Manager
Hard Yakka & King Gee,
Workwear Group (Wesfarmers)

How do you see the fashion/textile industry evolving over the coming years and what sort of new business models will emerge?

Sustainability is an evolving theme, it's about more than eco-fibres and sustainable materials. It will extend into the Circular Economy looking at the full end-to-end lifecycle of a garment. More sustainable buying patterns from consumers show that they're focusing on quality garments that last longer and transcend just one aspect of their lives. We've seen this with the rise of athleisure and now also with workwear where you're just as likely to see someone wearing Hard Yakka at a café on the weekend instead of just on the job site. Other future industry trends include technology that can increase speed to market and reduce waste, advanced materials delivering light-weight strength or thermo-regulation, and body-scanning.

What sort of skills should we be training for now in order to meet the needs of the future industry?

Apparel design and innovation skills will remain high in demand to support local trends and unique demands to our region. We also have an opportunity to bring some manufacturing back to Australia, so we need to look at creating the skills to do this. We have lost a lot of these skills to overseas, but we can do it in a smarter way using more tech. More automation, marketplaces and social selling platforms will see a continued drive for digital skills, to craft experiences across the entire customer journey. Brand and marketing skills will remain important as Gen Z's and Millennials expect authentic and transparent connection with brands.

What are the biggest opportunities in terms of job creation for the fashion/textile industry?

Jobs with more technical skills, thinking about the machinery of the future for production and how to skill up workers for these roles. Retail may move to a lot more automation like self-check-out, so we can look at creating other positions where human interaction makes a difference in creating better customer experiences. Other job creation areas include supply chain, as the need for faster, leaner and greener delivery options grow, and also marketing and ecommerce roles, for all aspects of online trading.

Technology, innovation and advanced manufacturing



Jane McNally
CEO
Camilla

How do you see the fashion industry evolving over the coming years and what sort of new business models will emerge?

As the future consumer becomes increasingly interested in sustainable practices, investing in environmentally friendly fabric innovation is key. We've seen the creation of groundbreaking fabrications such as mushroom leather, recycled synthetic materials and regenerated ocean plastics. Australia has a distinct advantage if we could commercialise spider silk. We also need a tighter control of our design IP using inbuilt blockchain techniques. This will not only protect creative jobs, but help further stimulate the circular economy (rental, resale and swap markets) due to a higher degree of consumer trust.

Do you think Australia can leapfrog other markets as a leader in global fashion if we are smart in the way we apply technology, and if so what will it take?

The digital space has given the Australian fashion industry the platform to play on a global stage without the historic barrier of distance. We need investment into state-of-the-art ecommerce functionality, such as hyper search speed, frictionless one click shopping and invisible payment methods. For fashion we need the ability to interact, excite and entertain, through such things as live shop fashion shows, social discovery and interaction, and digitally-accompanied shopping. We have a major opportunity to upskill Australians in this digital innovation space so that we can become cutting edge and showcase our local talent internationally.

What role can Advanced Manufacturing play in the future of the Australian fashion industry?

CAMILLA is a digital print house which means complicated card-based layering of prints onto different shapes and sizes to make them fit. Utilising 3D print rendering and pattern making, shared in real time with our factory would significantly simplify and speed up the design process, enabling faster prototypes, reducing raw materials use, and allowing our designers more time for creativity. Innovative robotic sewing technology would lower production costs here in Australia and make it possible for local clothing manufacturing to be resurrected, reducing both delivery lead times and the carbon footprint for local retailing.



Anthony Eisen
Co-Founder & Co-CEO
Afterpay

How do you see the fashion industry evolving over the coming years and what sort of new business models will emerge?

Technology and innovation can enable the fashion industry to fulfil the needs and wants of the next generation consumer – whether that is smarter fabrics, virtual reality experiences both online and in-store, or more personalised fashion products.

Do you think Australia can leapfrog other markets as a leader in global fashion if we are smart in the way we apply technology, and if so what will it take?

Yes, I truly believe Australia can become a leader in global fashion. As we emerge from the pandemic, we are presented with a unique opportunity to reimagine how the industry operates. It is important that we integrate technology across the value chain to become more efficient and globally competitive.

What role can Advanced Manufacturing play in the future of the Australian fashion industry?

The future of Australia's fashion industry lies in embracing new technologies and developing products and services for the next generation of consumers. Younger generations are looking for transparency across the whole value chain, and technology such as blockchain can unlock real-time data to demonstrate ethical and sustainable practices across the industry.



Erica Berchtold
CEO
The Iconic

How do you see the fashion industry evolving over the coming years and what sort of new business models will emerge?

The Australian fashion industry is at a unique juncture to holistically rethink, refine and reshape its future. We've seen the Covid-19 pandemic accelerate the redundancy of outdated models that no longer serve the modern consumer. As a collective we're being asked to re-evaluate how we consume, produce and extend our fashion life cycles into 2021 and beyond. As we enter this new frontier, it's not about returning to the way things were, rather we need to focus on renewal, where we support innovation and advancing new and emerging technology to foster greater agility, resiliency and sustainability in our ecosystem.

Do you think Australia can leapfrog other markets as a leader in global fashion if we are smart in the way we apply technology, and if so what will it take?

The Australian fashion industry has never been better placed to elevate our global standing. From our unique geography, resource sector, creative talent, to the accelerated rate of our Covid-19 recovery, we have a significant opportunity to springboard our position in the international fashion industry. Our success will be dependent on our ability to support and invest in the right infrastructure to future-proof Australia's innovation capabilities.

What role can Advanced Manufacturing play in the future of the Australian fashion industry?

Effectively nurturing Australia's advanced manufacturing capabilities will be instrumental to the future growth of our local industry. The next frontier demands more efficient, smarter and sustainable supply chains and adequate government funding to this sector will be critical in supporting the continuation of our onshore production capabilities and localised job growth.

Responsible business, circularity and sustainability



Mary Lou Ryan
Co-Founder
Bassike

Fashion businesses have made progress with Sustainability over the last few years, but many are still lagging in other areas of Responsible Business - what will be the emerging key themes in the next few years?

There is a shift towards businesses doing good and driving purpose beyond the day to day. As an industry there will be further pressure on brands to be looking at ways in which they operate holistically. You can't just be sustainable if you treat your manufacturing partners unethically.

What's next for Sustainability and how can the local fashion industry work towards circularity?

We understand that there is a huge problem globally when it comes to landfill. We need to drive innovation and technology that can turn end of life garments and fabrics into yarns that can be re-used and re-purposed. This will support the reduction of landfill and ultimately reduce carbon emissions.

What support is needed for Sustainability issues to be understood and tangible goals to be met?

There needs to be education around sustainability and the impacts that choice has on our planet. When we communicate about sustainability it's not just about yarn selection it is a much deeper dive into your business model and we need to address freight and electricity, land fill and how we can move to more renewable resources. We need to understand true cost and we need governments support that recognises the work that businesses are doing and provide benefits for organisations that reach these goals.



Omer Soker
CEO
Charitable Recycling
Australia

Fashion businesses have made progress with Sustainability over the last few years, but many are still lagging in other areas of Responsible Business - what will be the emerging key themes in the next few years?

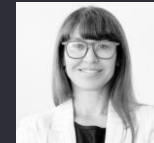
Understanding that consumer demand is high for responsible business reform, up to 90% in some countries – and growing in Australia. Taking part in global issues on a national level, connecting with peers facing same challenges, and staying ahead of increasingly strict regulatory requirements. Australia has the opportunity to position itself as a global leader.

What's next for Sustainability and how can the local fashion industry work towards circularity?

The Australian fashion industry can look to successful global sustainability initiatives and proven action plans for confidence in how to move forward. WRAP's recently completed 10-year Sustainable Clothing Action Plan (SCAP) demonstrates how a critical mass of the UK's fashion businesses have benefitted, including a reduction in costs, better understanding of their environmental footprint, and the benefits of public perception, positive publicity and green branding. Understanding that the brands and businesses that engaged with SCAP are now well ahead of their competitors who did not, is also a catalyst to embrace sustainability as a future business model.

What support is needed for Sustainability issues to be understood and tangible goals to be met?

Government funding and support to bring all stakeholders together in a coordinated action plan. Engaging organisations like WRAP who have proven success in developing collaborative voluntary agreements that enable all participants to jointly set realistic targets together, focusing on meeting all stakeholder needs and ensuring economic activity is not curtailed – and with tougher transformations around circularity to proceed carefully over a 5-10 year framework. WRAP's newly launched Textiles 2030 is the circular replacement of the successful SCAP and takes the UK fashion industry to the next step on the journey.



Rosanna Iacono
Managing Partner
The Growth Activists

Fashion businesses have made progress with Sustainability over the last few years, but many are still lagging in other areas of Responsible Business - what will be the emerging key themes in the next few years?

A greater onus will be placed on fashion businesses to demonstrate their sustainability through transparent measurement, reporting and goal-setting. Consumers are seeing through green-washing and demanding proof-points. Hard-to-attain global certifications like B Corp will become more desirable for businesses wishing to stand apart. Responsible business will be about extending beyond sustainability to create more value for a broader group of stakeholders, including customers, workers and the community.

What's next for Sustainability and how can the local fashion industry work towards circularity?

True circularity can only be achieved through a collaborative and coordinated tri-sector approach across government, academia and business to conceptualise and implement new cradle-to-grave models. It's time to invest in R&D and the best talent to solve for an industry that's often dismissed as frivolous, but that is actually essential and also happens to be the planet's second biggest polluter after the oil industry.

What support is needed for Sustainability issues to be understood and tangible goals to be met?

We need the tools, frameworks and education to scale sustainability capabilities across the industry. Some of this can be achieved by enterprise organisations stepping up to open-source their sustainability IP for the greater good, as done by Nike and Allbirds. But this won't be enough. Government support to incentivise and accelerate the commercialisation of sustainability innovation will be fundamental.

Our approach



The EY Australian fashion and textile industry survey 2021

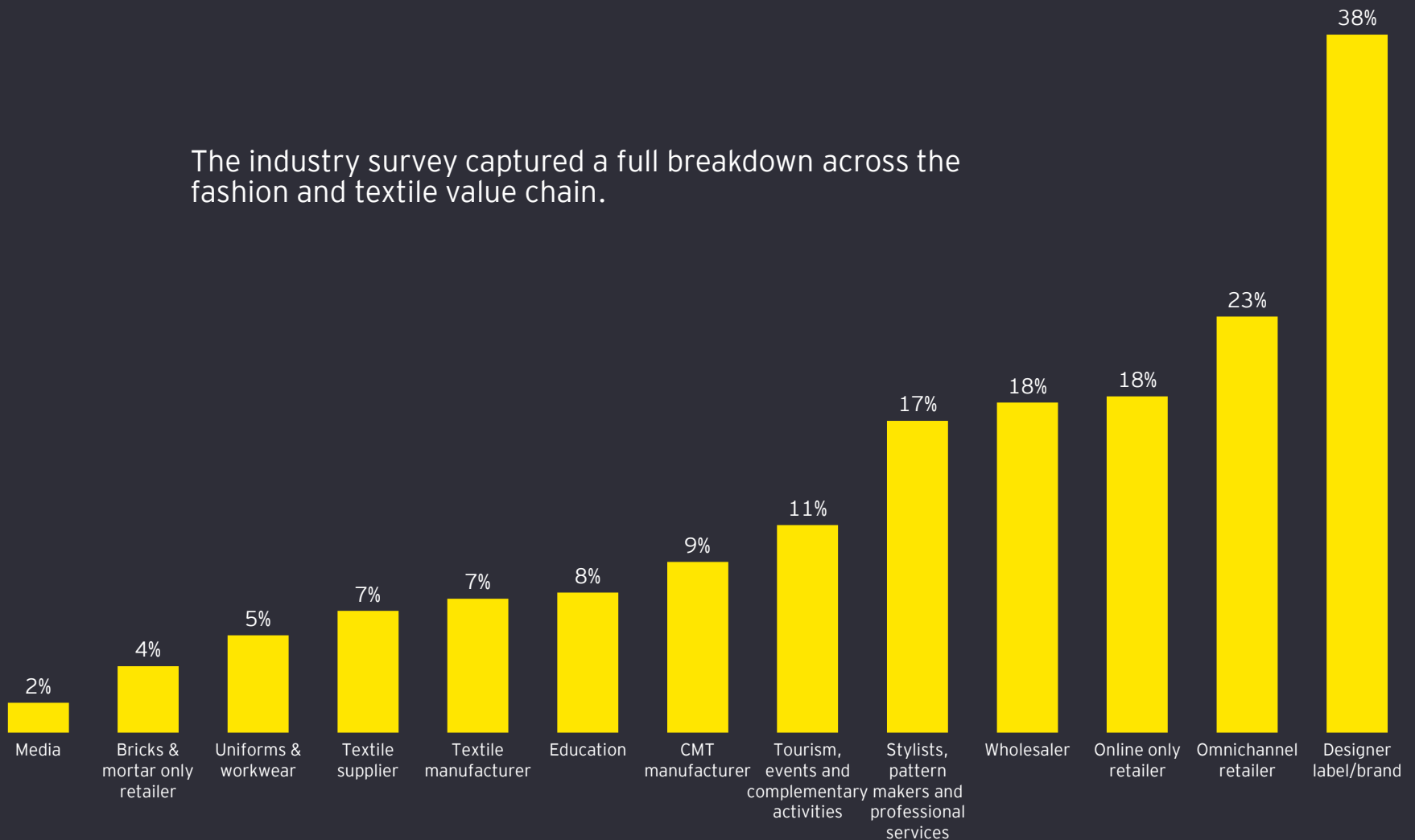
The study involved a comprehensive survey of the entire industry ecosystem to examine its economic contours and features

- ▶ As part of the survey, industry players and businesses across the value chain were asked about:
 - business financials (before and during Covid-19)
 - export and supply chain linkages
 - workforce composition and the role of women
 - linkages with manufacturing and primary industries
 - sustainability and circular economy issues
 - structural and market trends
 - key challenges and prospects facing their business and the industry.
- ▶ Findings from the survey informed the economic contribution analysis.
- ▶ The following section presents key highlights from the industry survey.



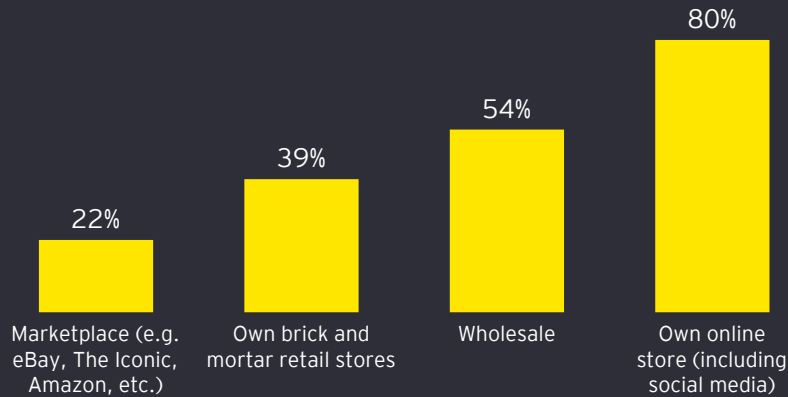
The survey canvassed Australia's entire fashion and textile ecosystem

The industry survey captured a full breakdown across the fashion and textile value chain.

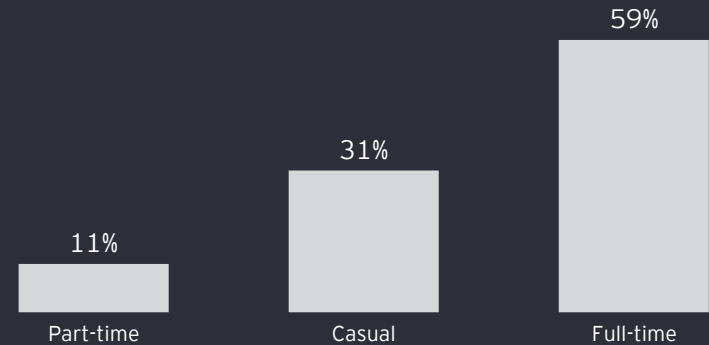


Key insights from the EY Australian fashion and textile industry survey 2021

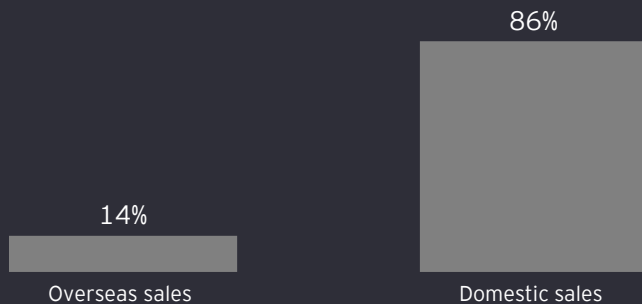
Sales and distribution channels



Composition of employees

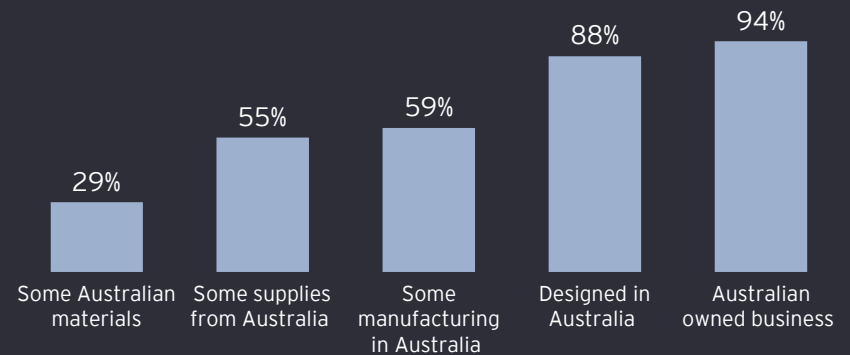


Domestic and international sales*



*By respondents, not by value

Australian production and ownership^



^By respondents, not by value

Our methodology and approach – Interpreting the estimates

- ▶ **Timeframe of analysis** – The economic contribution of the industry is reported on an annualised basis for the 2020-21 financial year.
- ▶ **Type of economic assessment** – The analysis estimates the direct and indirect impacts of the industry:
 - The direct economic impact measures the output, employment and labour income generated by various components of the fashion and textile industry (see table on right).
 - The indirect impact measures the supply chain impacts of the industry, including sourcing of goods and services used in fashion and textile activities.

Scope of the fashion and textile value chain

Value chain	Activity components
Technical	Sample machinists, production management, pattern makers
Design	Fashion design, freelance design, bespoke and sample garment makers, fashion illustrators
Manufacture	Apparel manufacturing, footwear, accessories, finishing services, CMT (cut make trim), fabric manufacturing
Textile supply	Trims and haberdashery supply, fabric agents and consultants, fabric wholesale
Uniforms & workwear	Design, manufacture and retail of workwear, uniforms and PPE
Retail	Bricks and mortar retail, omni-channel retail, online retail
Wholesale	Wholesale fashion agencies, apparel wholesale and logistics
Services	Modelling, graphic designs, creative directors, photography and film services, stylists, hair and makeup artists, mannequins and display, public relations, business and financial services, logistics
Education	Higher education, vocational education and training, professional development
Events & tourism	Fashion shows, special events and exhibits
Media	Publications, public relations and communications, print and digital news and reporting, advertising
Complementary activities	Industrial supply, waste management, conservation, apparel recycling and resale

Our methodology and approach – Profiling the industry's footprint

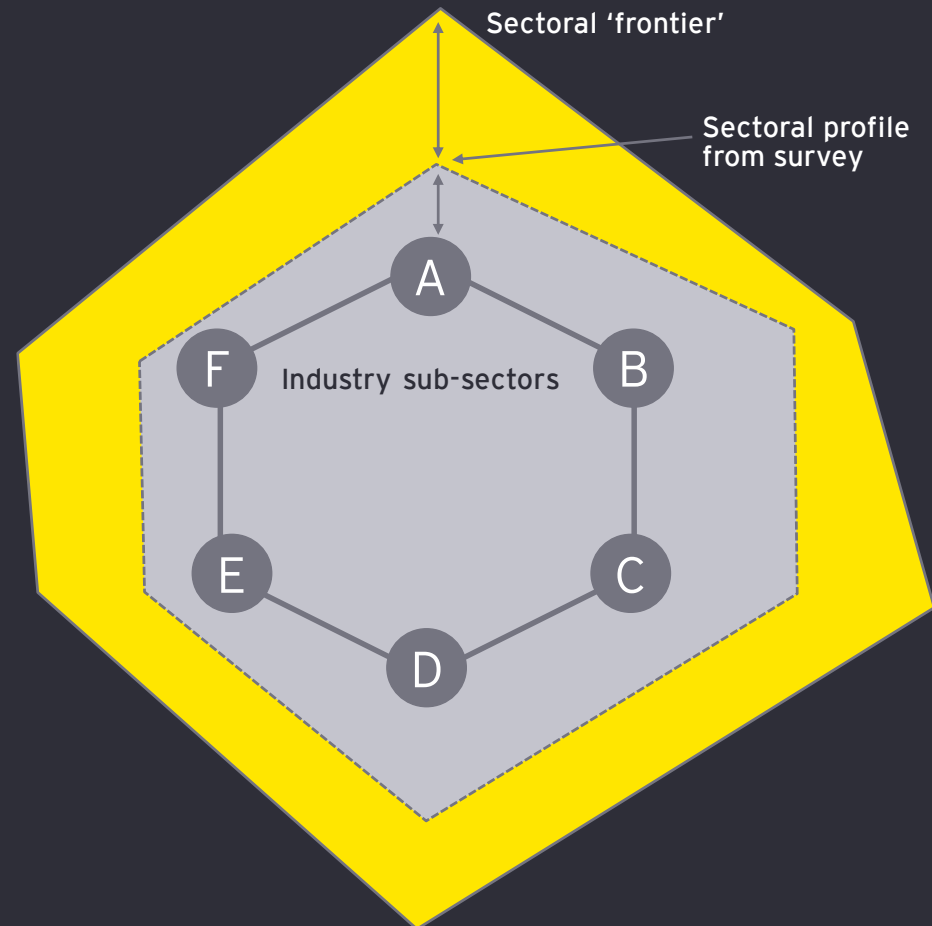
The study estimates the national economic contribution of the Australian fashion and textile industry

- ▶ The industry was decomposed into detailed subsectors (15) to highlight the breadth of the fashion and textile value chain. For reporting, some smaller subcategories were amalgamated.

To estimate the industry's impact, the study applies information from official data sources, combined with the latest data from the EY Australian fashion and textile industry survey 2021

- ▶ The analysis uses data from the ABS and other publicly available sources to determine the headline macroeconomic contribution of the industry (see next slide for more detail).
- ▶ A frontier scaling approach was used to leverage data from the industry survey. This enabled sub-sectoral profiles of the industry to be estimated based on the latest information from fashion and textile businesses.

The EY frontier scaling approach to estimate industry scale and composition



Our methodology and approach – Examining the industry's economic linkages

Constructing the economic structure of the fashion and textile ecosystem

A structural economic profile was developed using:

- ▶ ABS Census data, which includes the level of industry employment (ANZSIC 4-digit) and occupational employment (ANZSCO 4-digit).
- ▶ ABS employment data and weekly earnings data by occupation.
- ▶ ABS Australian National Accounts Input-Output table.
- ▶ Gross Value Added (GVA) estimated using the sum of total compensation of employees and gross operating surplus.

Input-output modelling estimated the flow-on effects of the industry to the national economy

- ▶ IO modelling estimates how the economic impacts of a market activity affect the broader economy.
- ▶ Input-output (IO) multipliers were used to quantify the fashion and textile industry's total economic contribution (i.e. the direct and indirect impacts).
- ▶ A state-based breakdown was based on the EY Australian fashion and textile industry survey 2021, along with Australian Census data.

Key limitations of IO modelling

- ▶ IO modelling does not consider supply constraints, price changes or structural changes in the economy.
- ▶ The method also considers average economic effects rather than marginal effects – this means that IO models do not account for economies of scale, unused capacity or technological change.

References

- ▶ **Australian Bureau of Statistics (2006)**, Australian and New Zealand Standard Industrial Classification (ANZSIC), (Revision 2.0) (cat. no. 1292.0)
- ▶ **Australian Bureau of Statistics (2016)**, Australian Census
- ▶ **Australian Bureau of Statistics (2018)**, Australian National Accounts: Input-Output tables, 2017-18
- ▶ **Australian Bureau of Statistics (2018)**, Employee Earnings and Hours, Australia
- ▶ **Australian Bureau of Statistics (2019)**, Average Weekly Earnings, Australia
- ▶ **Australian Bureau of Statistics (2020)**, Gender Indicators, Australia
- ▶ **Australian Bureau of Statistics (2021)**, Labour Force, Australia
- ▶ **Commonwealth Government of Australia (2021)**, Budget 2021-22: Budget Measures, Budget Paper No. 2, 2021-22
- ▶ **EY (2021)**, Future Consumer Index: how CEOs can prepare organizations for the future consumers
- ▶ **REMPPLAN (2021)**, Industries / Value added
- ▶ **Reserve Bank of Australia (2021)**, Composition of the Australian Economy
- ▶ **The World Bank (2021)**, GDP per capita (current US\$)
- ▶ **Workplace Gender Equality Agency (2020)**, Gender workplace statistics at a glance 2021

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