Swaziland Textile and Apparel Brief

The USAID Southern Africa Trade Hub: Enhancing Economic Growth and Food Security through Trade

Swaziland is a small landlocked country bordered by South Africa and Mozambique with a land area of more than 17,000km² (slightly smaller than the state of New Jersey). It is served by air, rail and road links to all of South Africa’s major urban centers and ports. Its capital, Mbabane, is located 350 miles from South Africa’s busiest harbor of Durban and an hour by air or 250 miles by road from Johannesburg, which is South Africa’s commercial heart. The country’s official languages are English and siSwati. The literacy rate is 82 percent, which is defined as anyone over the age of 15 who can read and write. Swaziland has a population of approximately 1.3 million people, and Mbabane has a population of 74,000.

Swaziland’s textiles and garment industry has grown at an extraordinary pace over the past 12 years and has been the real driver of explosive economic growth in the country. The passing of AGOA duty-free legislation in 2000 by the United States aided the garment industry’s growth tremendously. In 2000, Swaziland’s textile and apparel industry employed less than 5,000 workers; just four years later at its peak, the industry employed more than 30,000 workers. The number of apparel companies grew 500 percent between 2000 and 2004 to total 25 manufacturers.

However, Swaziland’s apparel industry has become a casualty of the expiration of the Multi-Fiber Arrangement (MFA) in 2005, which removed quotas on the amount developing countries could export to the developed world. As many manufacturers accordingly relocated to the Far East, employment in Swaziland was reduced to 15,000 and the number of manufacturers to 16, well below the historic highs experienced in 2004.

Swaziland continues to produce high quality apparel products despite the longer lead times required for woven fabrics from the Far East and, in recent years, has displayed the ability to meet smaller orders and shorter runs. Unlike neighboring countries, Swaziland has all the element of the textiles and apparel value chain and the beginning stages of a non-woven industry. Furthermore, Swaziland garment manufacturers have begun to widen the range of products that they manufacture on a regular basis. Swaziland was once known as a volume manufacturer of jeans and t-shirts, but manufacturers now also produce complicated sewing and finishes largely in response to the push of South African retailers into the region.

Until 2009, the vast majority of apparel products were headed for the United States. In 2010, a dramatic shift occurred with sales to the US representing only 40 percent of the volume being produced. The beneficiaries have been South African retailers. The apparel manufacturers in Swaziland produce jeans, workwear, protective wear, shirts, pajamas and men’s and women’swear. Furthermore, there are four dedicated knit garment manufacturers consuming more than 9,000 MT of knit fabrics, sourced locally and from the Far East. About half of the knit garments are being produced for the US market. Besides the larger companies’ in-house operations and small companies’ embroidery and printing services, Tex-Ray and Chuan Yi supply cardboard boxes, MandF manufacture plastics polypropylene bags, five companies perform commission embroidery led by Song Chi, Shield Designers, and

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MAJOR PLAYERS IN THE INDUSTRY:
The textile industry in Swaziland developed in the 1980s when Natex, a fully integrated cotton based textile mill that included spinning, weaving, dyeing and finishing was established. This was followed by a stand-alone spinning mill, Spintex, which produces 400,000 metric tons of cotton, poly cotton yarns, core yarns and sewing thread per month, overwhelmingly for the South African market. In 1999, Spintex was bought by HGH Threads from South Africa and continues to operate under the Spintex name in Swaziland. Natex ceased operations in 1999.

Another longstanding player is the zips manufacturer, YKK Africa (a global brand with 35 sister companies around the world), who commenced production in Swaziland in 1976 using 12 and 14 millimeter widths narrow weaving looms with the capacity of producing 400,000 zips per day. United Knitting, a Tex-Ray subsidiary, is the only fabric knitting mill in Swaziland and can produce 400 MT of knit fabric per month, primarily chief value cotton (CVC). It currently employs 150 people.

TQM Textile, another Tex-Ray subsidiary, is the only textile dye house in Swaziland. It employs 200 people performing fabric and yarn dyeing. United Knitting and TQM Textile have recently invested in modern equipment, expanding the range of fabrics and are able to meet shorter lead times. Still, raw materials such as polyester staple fiber, continuous filament yarns and woven fabrics need to be imported. Today, Spintex, YKK Africa, Tex-Ray Industrial’s United Knitting and TQM Textile produce the majority of textiles in Swaziland.

Embroidery Specialists (formerly known as Swazi Designs and Embroidery Studio) and one plant performs screen printing.

The textile and garment industry in Swaziland maintains highly competitive wage rates and abundant labor supply, but possesses few highly sophisticated garment-skilled workers or value-adding services. Nonetheless, in a number of factories, production training has led to workers reaching the position of factory, production or general manager. The minimum wage for the textiles and apparel industry in Swaziland ranges between $95-$130 a month depending on the skills and length of service. A significant proportion of the labor costs of operating a plant in Swaziland are tied to engaging expatriate staff, mainly from Taiwan and China. The terms and condition of employment prohibit child labor, which is defined as anyone under the age of 15.

Wage rates are competitive, and productivity is reasonable but could be significantly improved with additional training. Meanwhile costs for electricity, water and transport are rising. The industrial water tariffs include a monthly fixed charge of $34 and up to $1.86 per cubic meter for usage of more than 50 cubic meters. Water supply issues in the Nhlangano industrial area continue to constrain wash plants. In the Matsapha industrial area, companies tend to rely on borehole water. By far the majority of the companies are located in Matsapha industrial area, with only three large apparel manufacturers situated in the Nhlangano industrial area.

Two-hour electricity cuts up to three times per week continue to cause serious disruptions and add to the cost of doing business in Swaziland. Although industrialists are supposedly advised of power cuts, they often do not happen as scheduled, making it difficult for the manufacturers to schedule related shutdown. The electricity tariff schedule for larger commercial and industrial users is a fixed cost of $163 with a cost per kWh of $0.06 and a demand charge of $9.76. The access charge is $4.39, which is based on the highest of the previous 12 months’ maximum demand and notified load.

The regulatory environment is improving, especially with the recent change to a value added tax (VAT) system and the implementation of the Electronic Data Interchange in conjunction with the South African Revenue Service. The corporate tax rate remains at 30 percent, but investors in Swaziland are eligible for a ten percent tax rate for a ten-year period. Furthermore, the Swaziland government has demonstrated a willingness to clamp down on illegally/under declared imports at border posts.