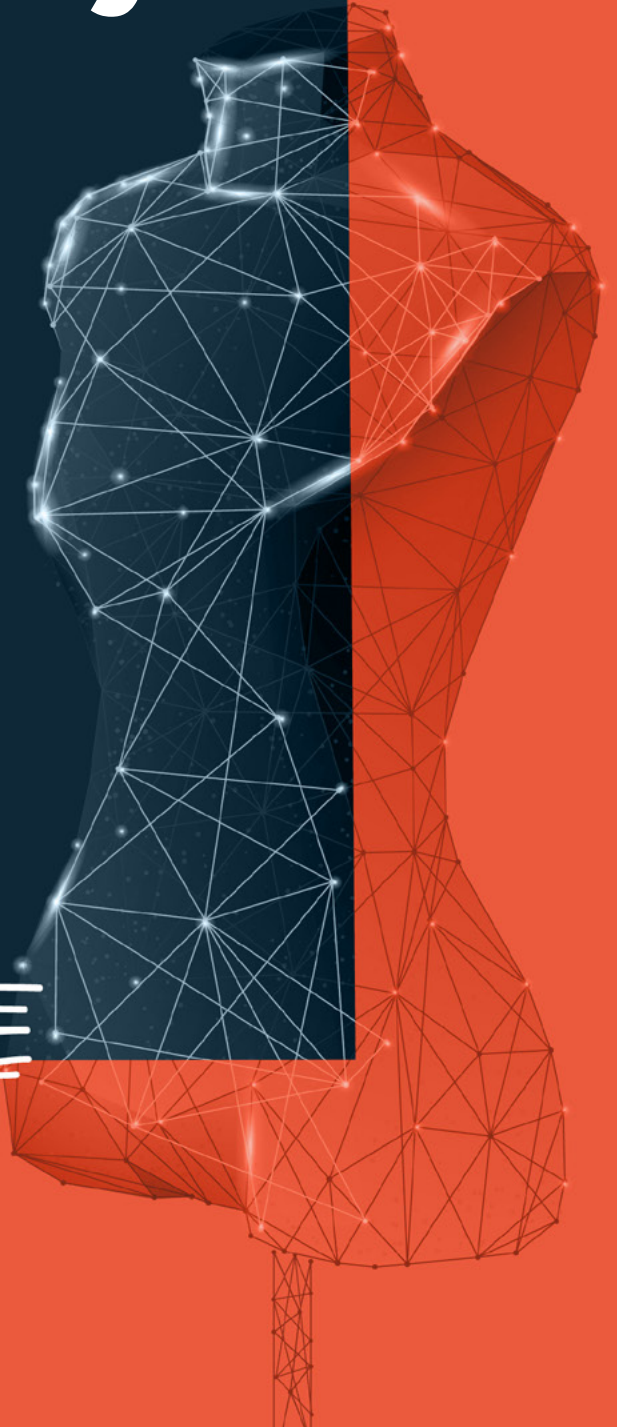




MARCH 2023

# A Sector of Opportunity

—  
ANALYSIS OF THE KSA FASHION  
VALUE CHAIN AND A FUTURE  
FASHION DATA HUB



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# List of Acronyms

<b>ANDAM</b>	ANDAM – National Association for the Development of the Fashion Arts
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<b>CAGR</b>	CAGR – Compound Annual Growth Rate
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<b>GCC</b>	GCC – Gulf Cooperation Council
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<b>GDP</b>	GDP – Gross Domestic Product
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<b>GNI</b>	GNI – Gross National Income
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<b>KSA</b>	KSA – Kingdom of Saudi Arabia
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<b>MVA</b>	MVA – Manufacturing Value Add
------------	-------------------------------

<b>SAR</b>	SAR – Saudi Arabian Riyals
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<b>UAE</b>	UAE – United Arab Emirates
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<b>UN</b>	UN – United Nations
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<b>UNIDO</b>	UNIDO – United Nations International Development Organisation
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<b>US\$</b>	US\$- United States Dollar
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# Executive Summary

The Kingdom of Saudi Arabia (KSA), with its large domestic market, strategic geographic location, and deep cultural significance, has a potentially powerful opportunity to develop a high value fashion value chain in support of the realisation of Vision 2030.

Vision 2030<sup>1</sup>, launched in 2016, aims to diversify and expand the Kingdom away from oil, **increasing non-oil gross domestic product (GDP) from 16% to 50%** while increasing the private sector contribution to GDP from 40% to 65%. Vision 2030<sup>1</sup> also aims to **increase women's labour force participation to 30%, from 22%**.

The fashion ecosystem is defined based on the internationally recognized definitions of economic activities that are directly or indirectly considered to be related to fashion. The sector is defined as all activities for design, retailing, development, production, and preservation for products such as apparel, footwear, jewellery and more; including the related raw materials and related components, which includes traditional, and modern fashion. **The analysis undertaken as part of this study adopts a broad definition of fashion, which is in line with international research and aligns with the Fashion Commission's Strategy.** This broad definition includes activities that contribute to the fashion industry as well as elements that are broader than a cultural definition of fashion.

**This ecosystem is estimated to contribute towards 1.4% of the Kingdom's GDP**, contributing US\$12.5 billion in gross value addition in 2022<sup>2</sup>. This value addition is driven predominantly by consumption, relating to activities within wholesale and retail.

**The fashion ecosystem is estimated to contribute to 1.8% of the total Saudi workforce**, employing 230 000 people<sup>3</sup>. The ecosystem has a 52% female participation in the Saudi fashion workforce and 66% Saudization within core fashion jobs. This workforce is made up of 90 000 in core fashion occupations and 140 000 in non-core fashion occupations<sup>4</sup>.

Domestic retail sales are forecasted to reach US\$32 billion in 2025, a 30% growth from 2021's total of US\$24 billion<sup>5</sup>. Luxury fashion is a significant driver of growth, with the market growing by 19% in 2021 due to repatriation of spending given travel restrictions,



increased female empowerment and the continued rise of e-commerce.<sup>6</sup>

A review of the current state highlights the extent of both mainstream and niche fashion opportunities in the domestic KSA market. This demand creates upstream value chain opportunities in ideation, design, product development and the manufacture of a range of fashion products.

However, to realise this opportunity, the Kingdom will need to develop further upstream value chain capabilities and increased capacity, particularly in clothing and textile manufacturing, and product development. Trade analysis indicates a significant reliance on imported raw materials and finished products. While some existing capability appears to exist in raw hides and leather and synthetic textiles, the opportunity remains largely untapped and with limited linkages to advanced technology nor niche design houses. Development of these capabilities would support increased agility, allowing greater speed to market and product flexibility, allowing brands to diversify their sourcing and reduce risk in their supply chain.

**This report analyses key trends with respect to industry and market performance and aims to illuminate local industry performance themes to date and opportunities for growth and development. The focus of this report is to support the realisation of The Fashion Commission's strategic initiative to develop fashion industry databases. The Commission is building a data-led understanding of the Kingdom's fashion sector. The key outcomes of this project will be the launch of industrial publications and insights (Saudi Arabia: State of Fashion Report) and an online platform for stakeholders to engage with sector data. Through these outcomes the Commission aims to better inform local and international fashion stakeholders on the considerable potential within the Kingdom, thereby supporting the sector's growth.**





Section 1.0

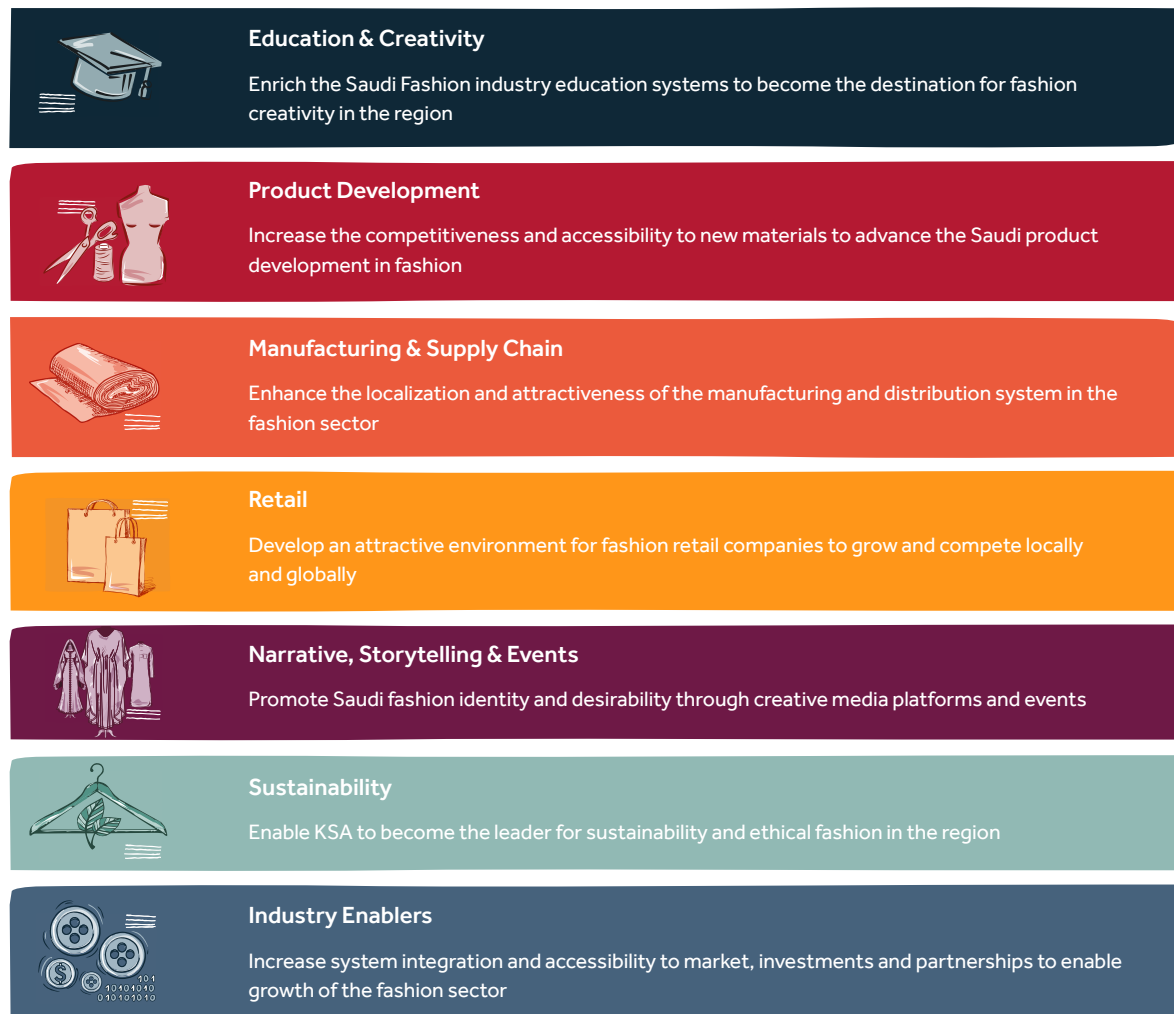
# The Fashion Commission's strategic objectives

## The Saudi Fashion Commission aims to enable the development of a thriving Saudi fashion industry.

The Commission's vision is an industry which is sustainable, inclusive, and fully integrated along the value chain, maximising the Kingdom's local talent, experiences, and competences. The Fashion Commission has 7 strategic pillars: Education and creativity; product development; manufacturing and supply chain; retail; narrative, storytelling and events; sustainability; and industry enablers.



**Figure 1: Fashion Commission's 7 strategic pillars**





As shown in Figure 2 below, the Commission is delivering this strategy through 14 initiatives. The focus of this report is to support the realisation of strategic initiative #11, which is focused on the development of fashion industry databases. The Commission is building a data-led understanding of the Kingdom's fashion sector. The key outcomes of this project will be the launch of industrial publications and insights (Saudi Arabia: State of Fashion Report) and an online platform for stakeholders to engage with sector data. Through these outcomes the Commission aims to better inform local and international fashion stakeholders on the considerable potential within the Kingdom, thereby supporting the sector's growth.

**Figure 2: Fashion Commission's 7 strategic pillars**

<b>Education &amp; Creativity</b>	<ol style="list-style-type: none"> <li>1 Develop and enrich education and training programs for the fashion sector</li> <li>2 Develop creative spaces for talents and those interested in the fashion sector</li> </ol>
<b>Product Development</b>	<ol style="list-style-type: none"> <li>3 Enable the design and upskilling of product development for the fashion sector</li> </ol>
<b>Manufacturing &amp; Supply Chain</b>	<ol style="list-style-type: none"> <li>4 Support the development and upskilling of a local manufacturing and distributor system</li> </ol>
<b>Retail</b>	<ol style="list-style-type: none"> <li>5 Enable the growth and upskilling of local retailer in fashion sector</li> </ol>
<b>Narrative, Storytelling &amp; Events</b>	<ol style="list-style-type: none"> <li>6 Narrate/communicate the Fashion Commission's work and Saudi fashion identity &amp; designers through media</li> <li>7 Establish platforms and events to enable and support the fashion sector</li> </ol>
<b>Sustainability</b>	<ol style="list-style-type: none"> <li>8 Enable sustainability in the fashion sector</li> <li>9 Access global centers for the development of new materials, and for the preservation and accessibility of crafts and styles</li> </ol>
<b>Industry Enablers</b>	<ol style="list-style-type: none"> <li>10 Promote and facilitate access to investments in the fashion sector</li> <li>11 Develop fashion industry databases</li> <li>12 Develop the fashion industry regulatory environment</li> <li>13 Strengthen and develop a network of public, private and third sector partnerships supporting the fashion sector</li> <li>14 Cross value chain projects and programs to support the fashion sector strategy</li> </ol>

The report is divided into four sections. The first outlines our methodology in aligning a value chain analysis with the Commission's seven strategic pillars and presents the availability of data when accounting for these two frameworks. The second section unpacks the performance and key trends within the Kingdom's fashion sector across each point of the value chain. The third section presents a short summary of our findings from a four-country sector intelligence benchmark. The fourth section unpacks key opportunities for the KSA fashion value chain, as identified through the data. Two appendix sections unpack the methodology and references in further detail.



Section 2.0

# KSA Fashion value chain: overview of dynamics and trends

Saudi Arabia is the 19<sup>th</sup> largest economy globally, with a GDP per capita of US\$23 585. The economy is driven by the oil sector which accounts for 80% of export earnings<sup>7</sup> and 43% of the nation's GDP<sup>8</sup>. The economy, driven by Vision 2030, is undergoing significant structural transformations to reduce its dependence on oil and diversify economic activity.

The Saudi fashion ecosystem (illustrated below) accounts for 1.4% of the Kingdom's gross domestic product (GDP), with 60% of the value created within retail and wholesale value chain components ("the market" as shown in the figure below)<sup>1</sup>. The fashion ecosystem is estimated to contribute approximately 230 000 jobs, 1.8% of KSA's total labour force<sup>9</sup>. This workforce is made up of 90 000 in core fashion occupations and 140 000 in non-core fashion occupations<sup>10</sup>.

GDP per capita

**US\$23 585**

The Saudi fashion ecosystem accounts for

**1.4%**

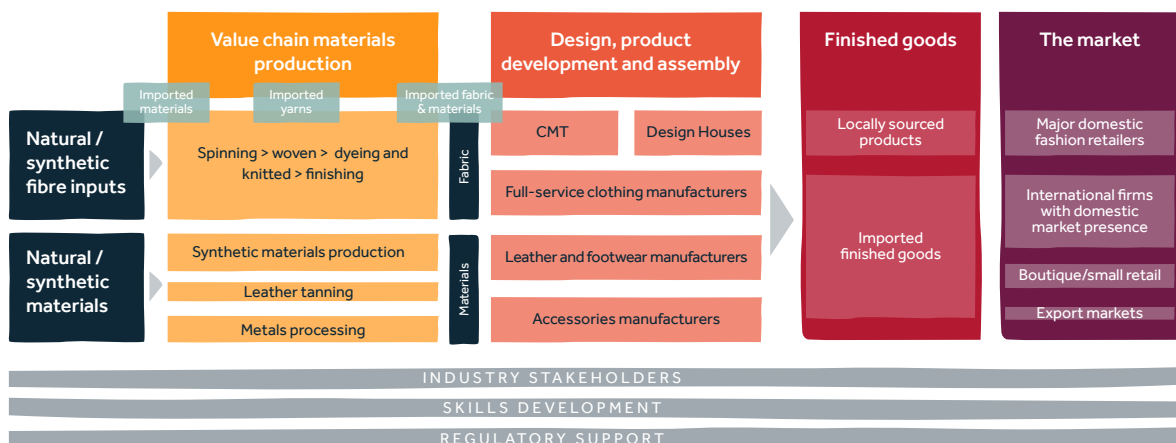
of the Kingdom's GDP

The fashion ecosystem is estimated to support

**1.8%**

of KSA's total labour force

Figure 3: Fashion value chain ecosystem



The following sub-sections unpack KSA's fashion value chain dynamics, drawing from available data, media, and academic articles. A review of the current state highlights the extent of both mainstream and niche fashion opportunities in the domestic KSA market. This demand creates a range of upstream value chain opportunities in ideation, design, product development and the manufacturing of a range of fashion products which to date have not been realised.

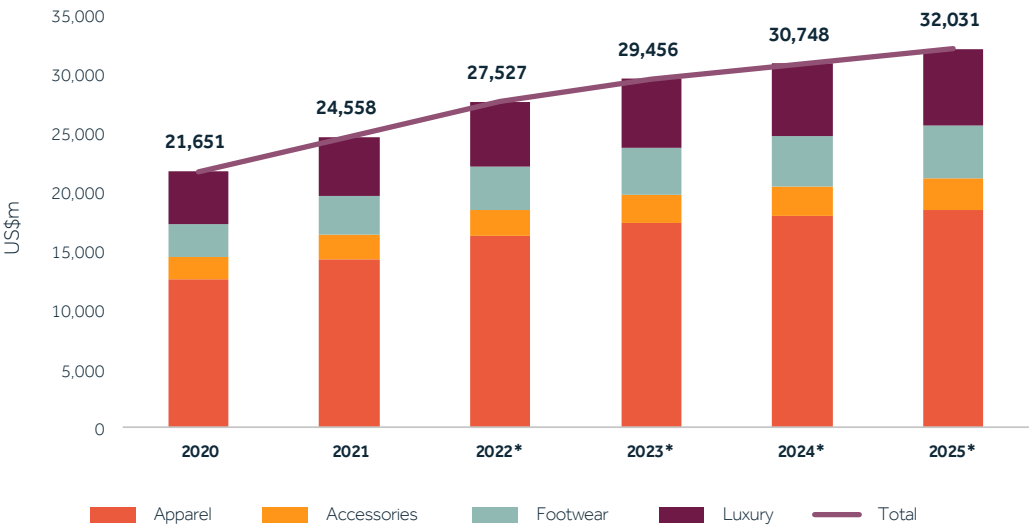
## 2.1 The market

Saudi Arabia has a thriving fashion sector, valued at US\$24.6 billion in 2021<sup>11</sup>. Demand for fashion products is forecast to increase by a CAGR of 13% from 2020 to 2025, a total growth of 47.9% over the period. As shown in the figure below, growth is expected across apparel, accessories, footwear, and luxury goods, with the luxury segment expected to grow by 30% from 2022 to 2025.



<sup>1</sup> The economic impact includes the direct and indirect contribution to GDP. Mix of publicly available economic literature and 3rd party sources have been used to estimate. These are further validated by analyzing seven comparator countries. All sources are noted in the reference list at the end of the report.

Figure 4: KSA Fashion sub-sector product sales (US\$m)



SOURCE: STATISTA (2021)

The KSA market is dominated by retail holding companies. These are companies which hold multiple mid-retail and luxury brand distribution licences, but do not appear to source significant volumes of product from Saudi clothing, footwear, and jewellery producers, relying mainly on imported final products.

The Saudi consumer also appears to be more resilient than comparator economies and regional neighbours, with private consumption decreasing by 6% during the height of Covid-19 in 2020 versus 12% in the United Arab Emirates (UAE), 10% in the United Kingdom (UK) and 7% in France<sup>12</sup>. This indicates the stronger domestic orientation of the KSA market relative to, for example, the UAE, which is dependent on foreign tourism purchases.

Private consumption decreased by

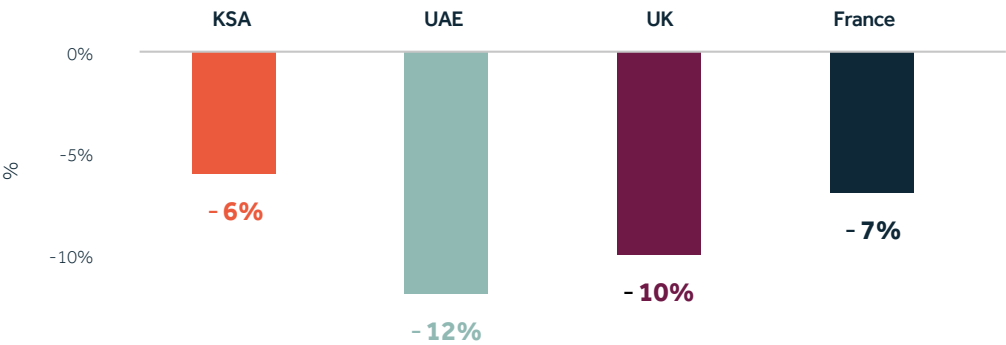
**6%**

during the height of Covid-19 in 2020 versus

**12%**

in the United Arab Emirates (UAE)

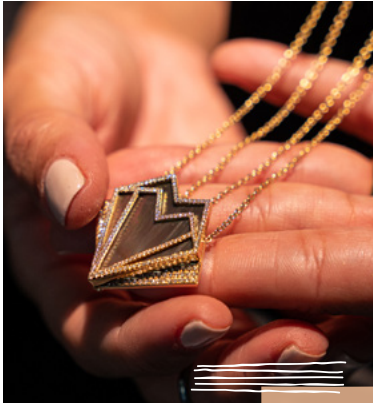
Figure 5: Private consumption growth (%), 2020



SOURCE: ECONOMIST INTELLIGENCE UNIT (2022)

## 2.2 Finished goods

Retail sourcing is overwhelmingly dependent on imported product, resulting in an apparel trade deficit of US\$3.8 billion in 2021 and a footwear trade deficit of US\$865m<sup>2</sup>. Apparel exports increased by 11% from 2012 to 2021, from US\$118m to US\$130m. However, imports increased by 42% over the period: from US\$2.7bn to US\$3.8bn<sup>13</sup>.



Footwear exports grew by 218% from 2012 to 2021, although off a low base of US\$5.1m at the start of the period. In 2021 US\$16.4m was exported while US\$881m was imported, representing an increase of 43% on 2012 importing levels.

As illustrated in Figure 8 jewellery and jewellery inputs such as pearls, precious and semi-precious stones and metals has traditionally been heavily skewed towards imports, with a dramatic shift in exports evident in the last 2 years. However, the 2020 spike in exports is not noted in any public or academic literature and requires further investigation. Handbags and leather accessories are also heavily skewed to imports with a trade deficit of US\$453 million in 2021.

From 2012 to 2021,  
apparel exports  
increased by

**11%**

However, imports  
increased by

**42%**

from US\$2.7bn to  
US\$3.8bn

Footwear exports  
grew by

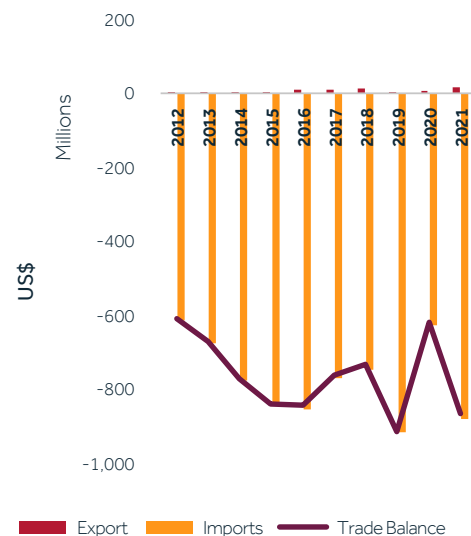
**218%**

Figure 6: KSA Apparel trade position, 2012-2021



HS CODE: 61,62 SOURCE: UN COMTRADE (2022)

Figure 7: KSA footwear trade position, 2012-2021

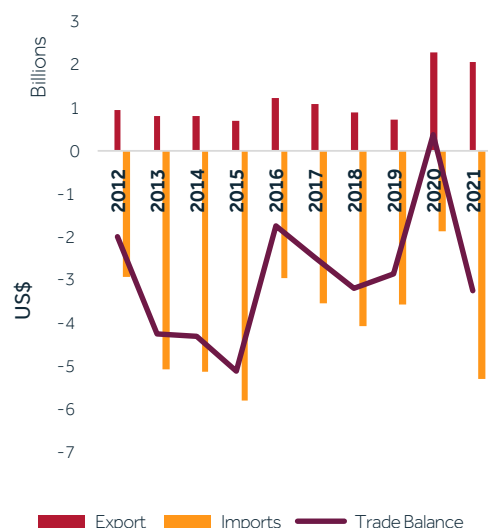


HS CODE: 64 SOURCE: UN COMTRADE (2022)

<sup>2</sup> Footwear is a broad category encompassing all shoes such as sneakers, sandals, heels, boots etc.

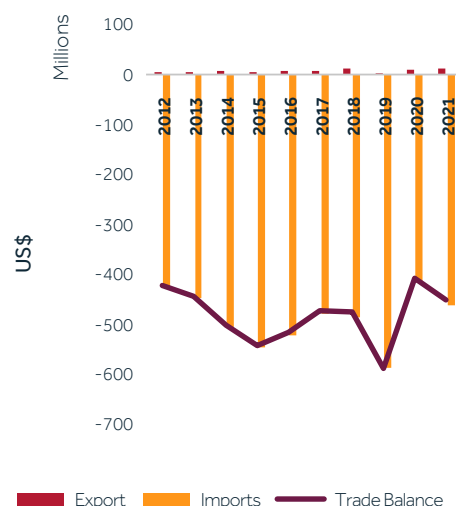


**Figure 8: Jewellery trade position, 2012-2021**



HS CODE: 71 SOURCE: UN COMTRADE (2022)

**Figure 9: Handbags and leather accessories trade position, 2012-2021**

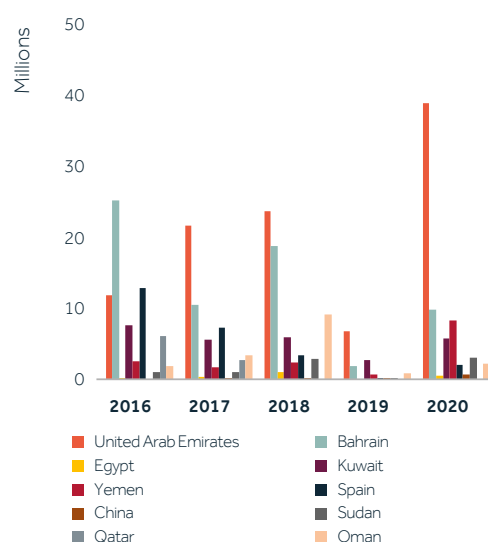


HS CODE: 42 SOURCE: UN COMTRADE (2022)

A deeper exploration of KSA's export data reveals that the most successful export category relates to HS code 6211, which covers tracksuits, swimwear, and other garments (not knitted or crocheted), and includes thobes and abayas of man-made fibres (HS code 62113310) and cotton (HS code 62113210).

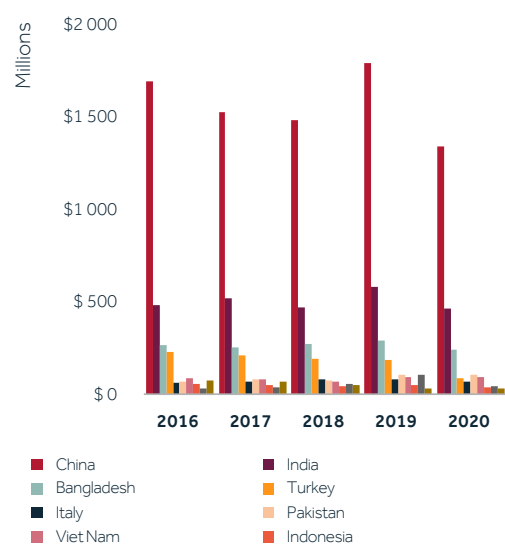
As shown in the figures below Saudi Arabia's largest apparel export markets are its regional neighbours, with the UAE the Kingdom's most important apparel export destination (US\$38m), followed by Bahrain (US\$9.9m). China has been KSA's most important import source for apparel products over the five years, with its 2020 level of US\$1.3bn well ahead of India (US\$463m) and Bangladesh (US\$244m).

**Figure 10: Top 10 apparel export destinations, 2016-2020**



SOURCE: UN COMTRADE (2022)

**Figure 11: Top 10 apparel import destinations, 2016-2020**

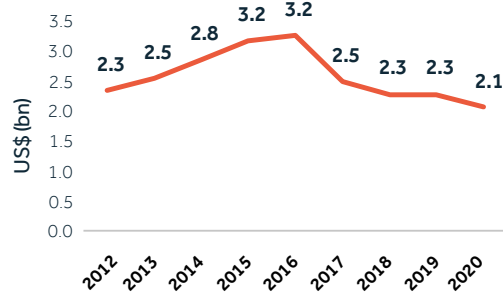


SOURCE: UN COMTRADE (2022)

## 2.3 Design, product development and assembly

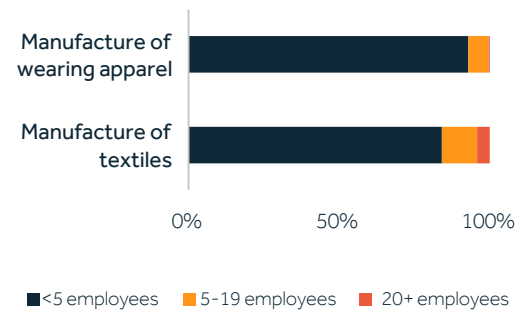
There is limited data on KSA's production output; however, research from the World Bank (2022) indicates that there is approximately US\$2.1 billion in clothing and textiles manufacturing value addition within the Kingdom. Clothing and textiles MVA have declined substantially since reaching its peak of US\$3.2bn in 2016.

Figure 12: Clothing and textiles MVA



SOURCE: WORLD BANK (2022)

Figure 13: Firm size, 2018

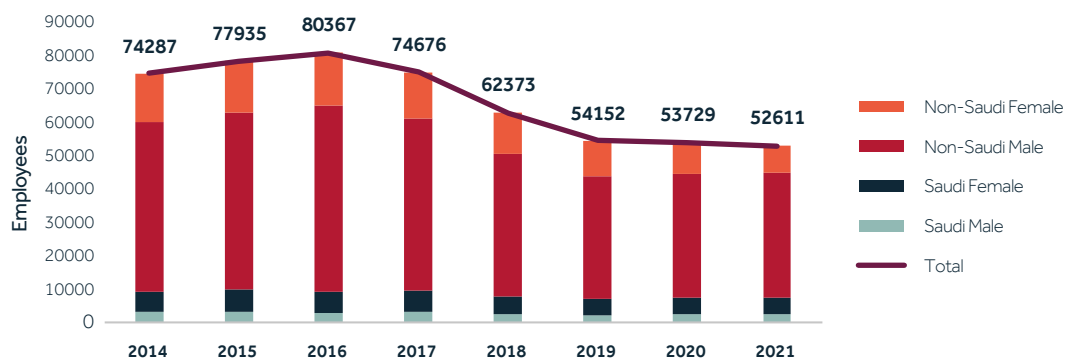


SOURCE: GASTAT (2018)

While no recent industrial survey has been conducted, findings from a 2018 study indicates that there are 32 928 apparel manufacturers in the Kingdom<sup>14</sup>. Manufacturing activity is not concentrated within large firms, with 93% of clothing manufacturers having less than 20 employees. This indicates that clothing manufacturing in the Kingdom is currently conducted as a relatively small-scale activity across a large number of small firms.

Data from the Saudi Arabian Central Bank indicates that 52 611 people work in the manufacture of clothing as of 2021 (classified as 'on the job subscribers')<sup>15</sup>. This is down from 74 287 in 2014, as illustrated in Figure 14 below. The decline in employment is consistent with the decline in clothing manufacturing value added, as presented in Figure 12.

Figure 14: Clothing manufacturing employment, 2014-2021



SOURCE: SAMA (2022)

## 2.4 Value chain materials production

UN Comtrade trade data highlights the strong reliance of the KSA value chain on imported knitted, synthetic, woven, and natural textiles. Of these four categories synthetic textiles are most highly demanded, followed by knitted, woven, and natural textiles (in that order).



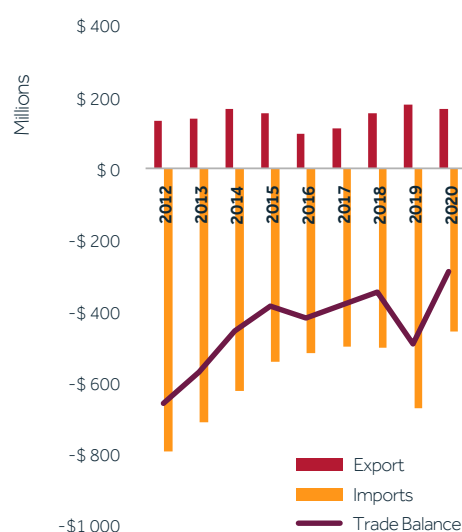
As evident in Figure 15, while KSA has some capability in synthetic textiles, exporting US\$168 million in 2020, imports have consistently ensured a large (albeit declining) trade deficit over the period. There

is clearly a fashion value chain link to KSA's key petrochemical industry, which needs further exploration.

As illustrated in Figure 16 there appears to be little production of

knitted textiles in KSA, with the trade deficit on knitted textiles increasing by 307% over the period 2012-2021.

**Figure 15: KSA Synthetic textiles trade position, 2012-2020**



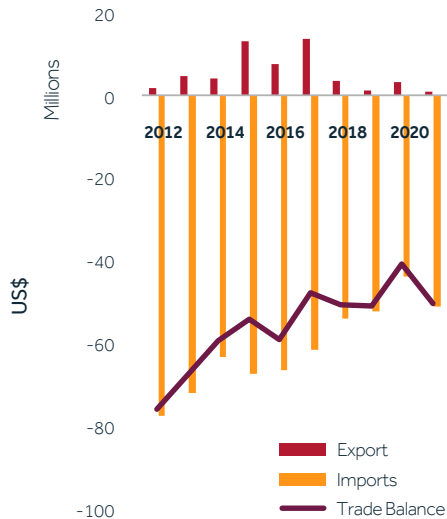
HS CODES: 54,55 SOURCE: UN COMTRADE (2022)

**Figure 16: KSA Knitted textiles trade position, 2012-2021**

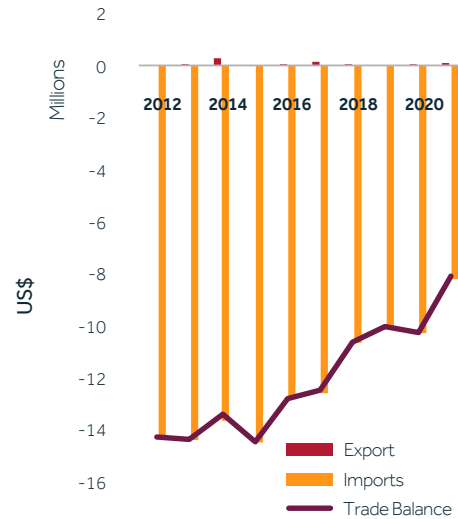


HS CODE: 60. SOURCE: UN COMTRADE (2022)

As illustrated in Figure 17 and Figure 18, in terms of natural and woven textiles, there appears to be limited production within KSA, with the value chain heavily reliant on imported textiles. Woven textiles has seen a decline in imports of 43% over the period. The underlying factors for this remain unclear and require further exploration.

**Figure 17: KSA Natural textiles trade position, 2012-2021**

HS CODE: 52,53 SOURCE: UN COMTRADE (2022)

**Figure 18: KSA Woven textiles trade position, 2012-2021**

HS CODES:5111,5112,5113 SOURCE: UN COMTRADE (2022)

## 2.5 Raw materials

The two most significant raw material inputs into clothing manufacturing are cotton and oil-based polyamides.

As shown in Figure 20, cotton imports have steadily declined from 2012 to 2021, with cotton declining by a full 52% over the period<sup>16</sup>.

Further investigation is required to confirm where demand for cotton is being driven by. It may be driven by technical textiles fabrications as opposed to fashion production as there is evidence of limited knitting and weaving capabilities. However, prior to 2016, trade data does suggest clothing production existed within the Kingdom. This could have accounted for cotton imports, especially if the firm/s were vertically integrated.

Oil, which is a key component of synthetic fabrics such as polyester, acrylic, and nylon, is a cornerstone of the KSA economy, accounting for 80% of the country's exports. In 2021 mineral oil exports (which includes crude oil) was valued at US\$210 billion, with KSA securing a trade surplus of US\$205 billion.

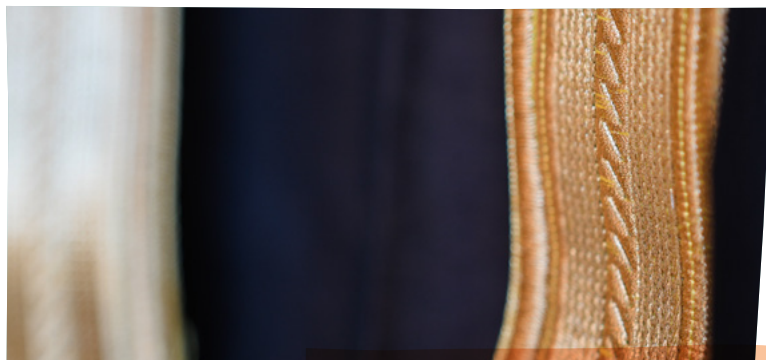
Oil accounts for over

# 80%

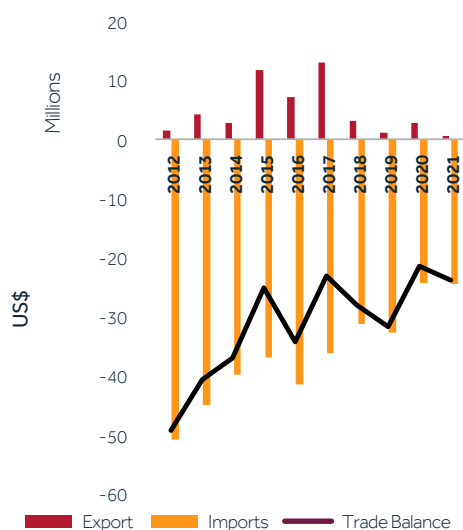
of KSA exports

Over the period from 2012 to 2021, cotton imports have declined by a full

# 52%



**Figure 19: KSA Cotton trade position, 2012-2021**



HS CODE: 5510, SOURCE: UN COMTRADE (2022)

**Figure 20: Mineral oil trade balance, 2012-2021**



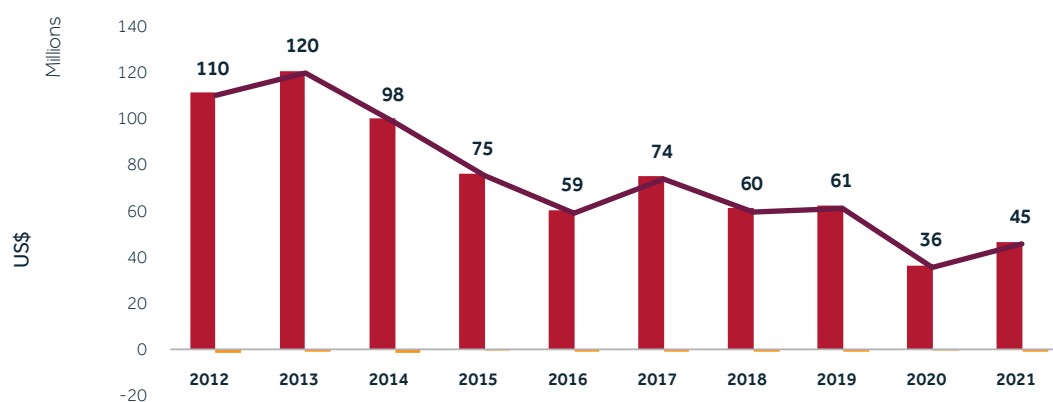
SOURCE: UN COMTRADE (2022)

The trade data presented in Figure 21 indicates that KSA has a foothold in raw hides, skins and leather production. The Kingdom imported hardly any of these products over the period 2012 to 2021, with exports ranging from a high of US\$120 million in 2013 to a low of US\$36 million in 2020 (followed by recovery to US\$45 million in 2021).

**Raw hides, skins and leather exports in 2013 reached a high of**

**US\$120 million**

**Figure 21: Raw hides, skins, and leather trade position, 2012-2021**



SOURCE: UN COMTRADE (2022)



## 2.6 Enabling Environment

### 2.6.1 Investment

The fashion sector is dependent on broader economic conditions within the Kingdom and it is therefore important to take stock of the enabling environment surrounding the value chain.



Foreign investment, beyond construction into retail malls, is limited within the value chain<sup>17</sup>. However, the Kingdom's macro-economic restructuring and recent international agreements highlight an emerging opportunity. Investor confidence, as measured by the

Ease of Doing Business report has significantly improved with the Kingdom ranked 62nd in 2020, up from 92nd in 2019<sup>18</sup>. While there is limited specific and quantified announcements of foreign or

domestic investment intent, in July 2022 Saudi Arabia and the USA signed 13 investment agreements, including agreements on textile manufacturing<sup>19</sup>.

### 2.6.2 Education

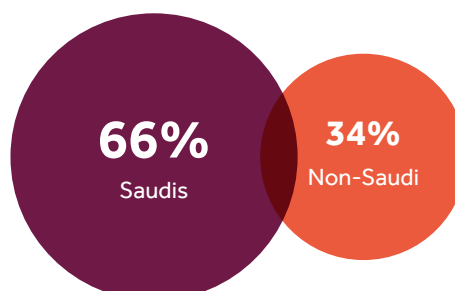
A comprehensive assessment of the Fashion value chain's workforce and education status has been conducted by the Commission, utilising Ministry of Education and Ministry of Human Resources and Social Development 2022 data. This assessment found that the fashion ecosystem's total workforce was 230 000, with 52% female participation in the Saudi fashion workforce and a 66% Saudization within core fashion jobs. Studies

show that increased participation of females within the labour force could have increased well-being impacts. Therefore, beyond an increased contribution to GDP, fashion could be an enabler of improved labour force diversity, female empowerment and wellbeing.

The greatest concentration of employees was in Makkah, Riyadh, and the Eastern Province (78%).

Most employees have attained a high-school education or lower. Analysis from the Ministry of Education found that 12 public tertiary educations offer 22 fashion ecosystem programmes, with 1615 students enrolling in 2021. This is broken down by institution in the table below.

**Fashion sector  
workforce  
Saudization**



**Table 1: Number of students accepted into fashion programmes by university, 2021**

Institution	2021
Al Baha university	58
Al Qussaim university	176
Bisha University	67
Jeddah University	193
King Abdulaziz University	237
King Khalid University	58
Northern Border University	68
Princess Noura University	214
Tabouk university	56
Taif University	260
Umm Al Qura University	132
Taibah University	96
<b>Grand Total</b>	<b>1,615</b>

SOURCE: MINISTRY OF EDUCATION(2022)

Most of these programmes (94%) are offered at a bachelor's level. As of 2021, these fashion programmes have the capacity for 3 850 students and are predominantly focused on design, covering fashion, jewellery, and textiles. The sample analysis is focused predominantly on creative fields, rather than in manufacturing and technical skills or those relating to the technical aspects of product development. It is unclear whether this focus is due to the size of the sample or whether it is driven by

demand from students or the existing needs of industry, where limited upstream activity in the value chain mitigates the need for training in product development and manufacturing-related technical skills. Additionally, there is limited insight into the quantum and quality of educational offerings on 'business of fashion' degrees relating to marketing, planning, buying and visual merchandising. Both of these gaps require further investigation.

**University fashion programmes have the capacity for**

**3 850 students**

**94%**

**of university fashion programmes are offered at a bachelor's level.**

## 2.7 An emerging trend: Sustainability



The Commission envisions KSA becoming a global influencer for sustainability and ethical fashion. Sustainability data was a noted gap in the KSA fashion value chain data inventory. However, qualitative insight highlights that the strategic intent to build a sustainable fashion industry is very much in play within KSA.

In October 2021, the Kingdom of Saudi Arabia announced their national transition towards “net zero” by 2060 as part of their Saudi Green Initiative<sup>20</sup>. Net zero refers to the absolute reduction in greenhouse gas emissions and any emissions remaining are

subsequently “off-set” through either technological or natural solutions<sup>21</sup>. The latter appears to be the solution of choice within KSA, which has pledged to plant 450 million trees and regenerate eight million hectares of land by 2030<sup>22</sup>.

The ‘Carbon Circular Economy’ approach has been identified as the most appropriate sustainability strategy for this net zero transition<sup>23</sup>. This strategy follows the methodology of “reduce, reuse, recycle, and remove” in terms of managing carbon emissions<sup>24</sup>.

The KSA has begun implementing the same methodology as it adjusts to recent national goals. In consideration of where the clothing value chain and sustainability meet, the Ellen MacArthur Foundation (2017) explains that the clothing

industry places specific pressures on the environment in four places: fibre production, clothing production, use, and after use<sup>25</sup>.

In an analysis of the polyester value chain<sup>26</sup>, specific points for sustainability-based improvements were identified during the production phase. Two key recommendations that presented the most impact for the widest range of the value chain was (1) the reduction of fossil fuels as an energy source and a materials source, and (2) the correct management of waste to ensure a closed loop cycle<sup>27</sup>.

While there is minimal production taking place in the Kingdom of Saudi Arabia, the two recommendations present an opportunity should the Kingdom begin production.

## 1. The reduction of fossil fuels as an energy source

Spinning, weaving and knitting, dyeing, printing and finishing are energy intensive activities. Clothing production on the other hand is a relatively low consumer of energy and water. As companies begin shifting to non-fossil fuel energy to decrease this footprint it results in a costly activity. Should a country have an already functional non-fossil-fuel based energy grid in place, this poses an opportunity for firms. The renewable energy system in the Kingdom of Saudi Arabia makes it an attractive location for textiles and clothing producers to invest as it is a potentially conducive environment for green manufacturing.

## 2. Correct waste management

Waste management is an ongoing focus of KSA's sustainability strategy and the emerging sustainability literature on the fashion value chain supports this approach. Correct waste management at every stage of production was emphasized in the analysis, and so while there is minimal production, the after-use phase of clothing provides the biggest opportunity to reduce the carbon footprint of fashion within the Kingdom.



**The 'Carbon Circular Economy' approach which makes use of "reduce, reuse, recycle, and remove" is seen as an overall trend in the after-use phases of clothing within KSA.**

The reuse and recycling of clothing for textiles has already been noted in the Kingdom. The National Center for Waste Management (MWAN) announced in mid-2022 that they would start recycling the ihram clothing that was discarded after the Hajj pilgrims that take place each year<sup>28</sup>.

The reuse of clothing is also gaining popularity through organisations such as Kiswa, which partners with charities to increase their reach<sup>29</sup>. Kiswa is a reprocessing facility in KSA that facilitates the collection, organisation, and redistribution of donated clothing items to those in need<sup>30</sup>. To reach mainstream users and to encourage donations, the organisation also makes use of an app to collect clothing donations from public and private sectors.

Kiswa also recycles clothing that is damaged. Kiswa separates clothing according to "material, type, and colour" and then proceeds to break them down back into fibre that can

be used for new clothing items<sup>31</sup>. The recycling of clothing to produce useable fibre prevents excess fabric being sent to landfill sites, while also reducing the amount of new fibre that needs to enter the value chain<sup>32</sup>.

The Fashion Commission also introduced a public "swap shop" to encourage sustainable consumption at the annual Fashion Futures event.

## 2.8 The regional market

Saudi Arabia is a member of the Gulf Cooperation Council (GCC), a regional, free-trade economic community that aims to effect co-ordination, integration, and inter-connection between its member states: KSA, Qatar, Oman, Kuwait, Bahrain, and the United Arab Emirates.

Spending in some of the GCC states is among the highest on a per capita basis globally, with Dubai in the UAE considered the region's shopping capital<sup>33</sup>. Luxury expenditure has increased in the region thanks to the rise in oil prices, strong economic growth and growing domestic shopping.

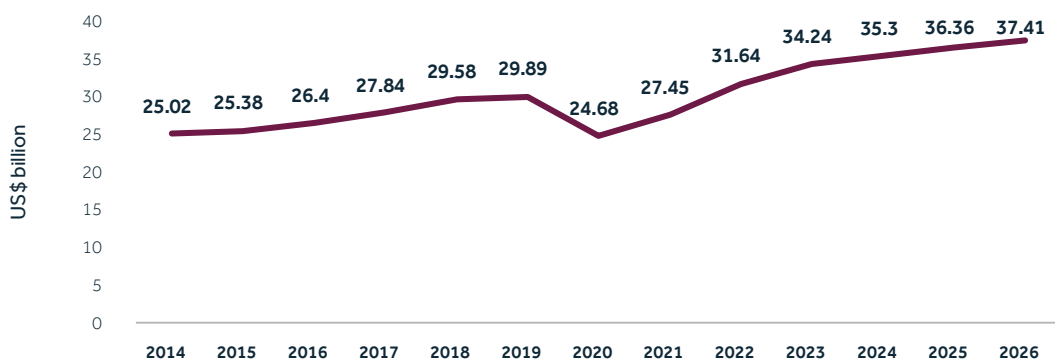
To illustrate the region's rising importance in respect of luxury purchases, Richemont's sales into the region increased by 53% for the year ending 31 March 2022, making it the group's 4th largest region, ahead of Japan. The region's growth in luxury spending is contrary to global trends and has been described as a "glimmer of hope" for luxury brands' overall revenue for the 2023 Financial Year<sup>34</sup>.

The value of luxury fashion purchases in the GCC reached US\$9.7bn in 2021, with Saudi Arabia growing by 19%<sup>35</sup>. The Kingdom is expected to drive regional growth of the luxury industry, which is expected to reach US\$11 billion by 2030. The top two key differentiators for the Saudi luxury consumer were found to be the

limited-edition nature of purchases and their inclusion in Middle Eastern collections<sup>36</sup>.

The contemporary and luxury ready to wear fashion segment is growing in the Middle East, driven by growth in the professional female workforce<sup>37</sup>. Fashion Forward Dubai (2019) estimates that regionally made fashion could account for up to 30% of ready to wear fashion by 2025. Consumer analysis also indicates that consumers in the region are looking to combine modest fashion and homegrown labels to better reflect their culture. Modest wear continues to be a key driver within the regional industry<sup>38</sup>. Statista (2022) reports growth of 52% from 2020-2026 in fashion apparel revenue for the region. As illustrated below.

Figure 22: GCC apparel revenue, 2014-2026



SOURCE: STATISTA (2022)

A key development is e-commerce, which has grown by 32% in the GCC since 2015. The largest market is Saudi Arabia followed by the UAE. As a share of total retailing, e-commerce has grown from

under 2% to 8% within the region. In comparison, e-commerce in the USA accounted for 14.6% of total retailing in 2020, growing to 20.4% in 2021 because of Covid restrictions. This comparison

highlights that e-commerce in the region has the potential to significantly increase its market share, and is far from reaching its full potential.



Internet access within the region supports continued e-commerce development, with a 99% connectivity in the UAE and 89% in KSA<sup>39</sup>.

To protect consumer rights, the Saudi government and GCC officials have agreed on the United Strategic Framework of E-Commerce. Guidelines include agreement on information exchange, promoting transparency, facilitating cross-border e-commerce and unifying the rules of e-commerce consumer protections<sup>40</sup>.

The Middle East Consumer Sentiment Survey (2022) found that from 2020-2022 the total number of people shopping for products online had doubled, with 42% receiving deliveries of groceries, consumer electronics and clothing at least once per week<sup>41</sup>.

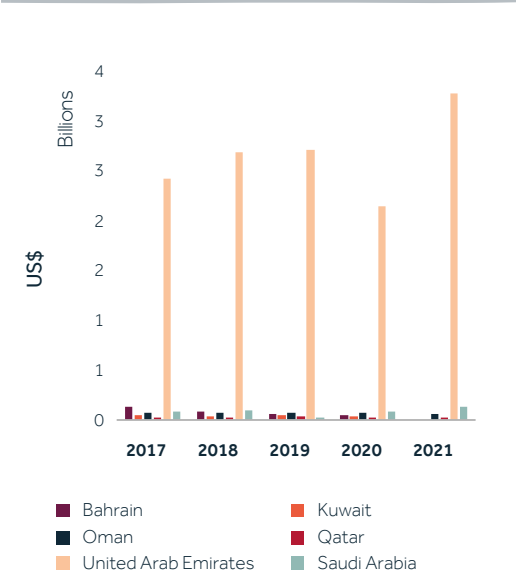
However, rising inflation and economic uncertainty has resulted in middle- and low-income households reducing their expenditure, with more than 50% of consumers in both the UAE and Saudi Arabia reporting a desire to reduce spending<sup>42</sup>.

The survey also found that younger consumers are 'price sensitive, digitally savvy and socially responsible' and thus are looking to support brands which have a certain level of environmental and ethical credence value. A demand for sustainable packaging was explicitly noted throughout the consumer sentiment survey<sup>43</sup>.

The GCC exported a total of US\$3.5bn in apparel products in 2021, while imports were reported at US\$10.6bn for 2021 (excluding Bahrain and Kuwait who did not report a 2021 trade figure)<sup>44</sup>. A review of GCC trade data indicates a high reliance on imported finished goods, with all GCC nations reporting a trade deficit in apparel products. The United Arab Emirates is the largest exporter of apparel products, dwarfing regional neighbours at US\$3.2bn in 2021, followed by KSA at US\$130.9m (Figure 23).

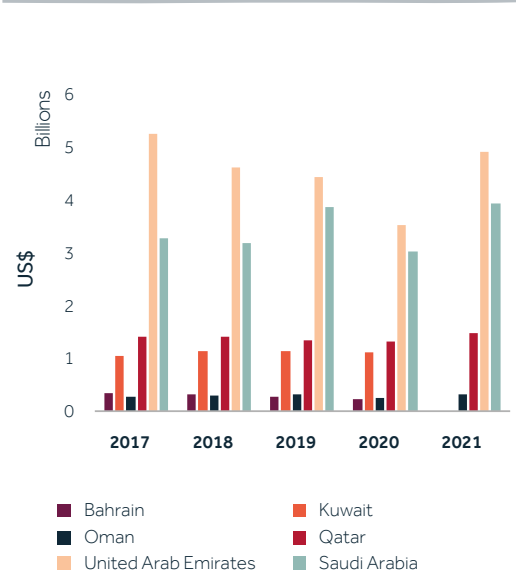
While the UAE is a stand-out exporter for the region, it is clear from import data (Figure 24) that KSA is a significant market contender with imports of apparel products valued at U\$4.9bn for the UAE and US\$3.9bn for KSA in 2021<sup>45</sup>.

Figure 23: GCC Exports of apparel products, 2017-2021



HS CODES 61, 62. SOURCE: UN COMTRADE (2022)

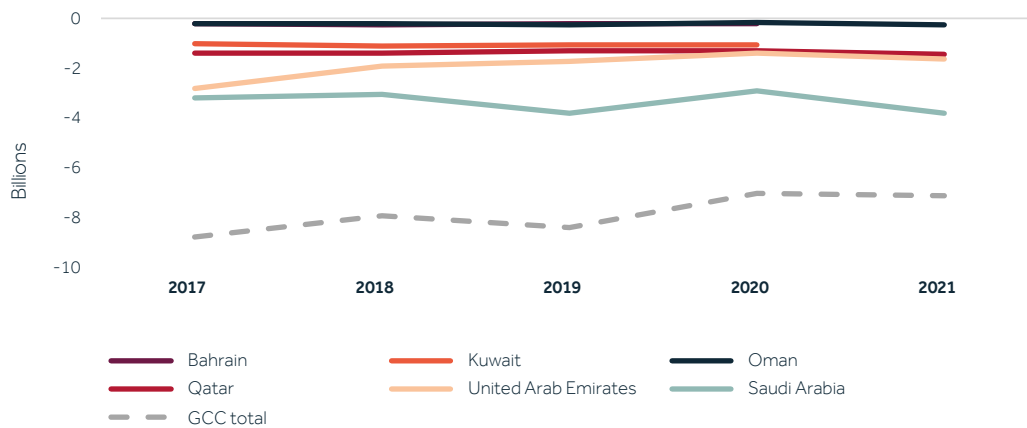
Figure 24: GCC imports of apparel product, 2017-2021



HS CODES 61, 62. SOURCE: UN COMTRADE (2022)

The region is thus a net importer of apparel products, with a total trade deficit of US\$7.1bn in 2021, as illustrated in the figure below.

**Figure 25: GCC Apparel products trade balance, 2017-2021**

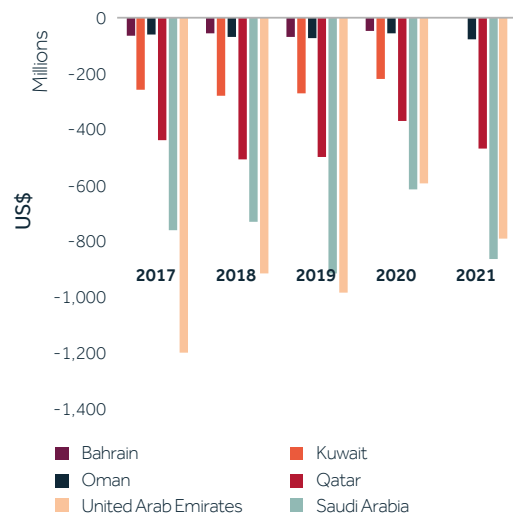


HS CODES 61, 62. SOURCE: UN COMTRADE (2022)

As shown in Figure 26, footwear exports have grown by 60% over the period 2017-2021, outcompeting exports in the region. The UAE also saw growth in footwear exports (39%) as well as a decline in imports of 4%.

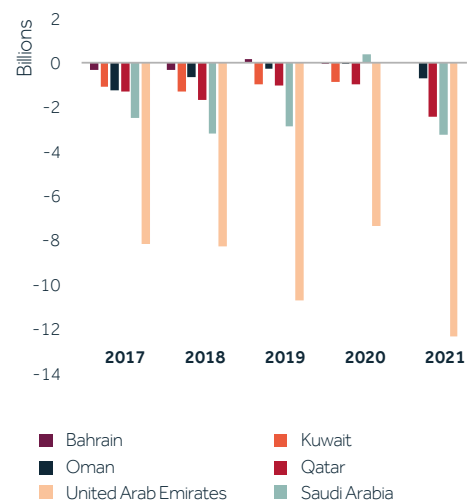
Similar to footwear, the GCC is highly dependent on imports for jewellery and jewellery inputs as illustrated in Figure 27. KSA has seen a 91% increase in exports over the period, outcompeting regional neighbours with Qatar's exports growing 49% and the UAE 32%<sup>46</sup>. Imports for the region grew by 32% over the period, indicating a strong and continued demand for jewellery across the GCC.

**Figure 26: GCC Footwear trade balance, 2017-2021**



HS CODE: 64 SOURCE: UN COMTRADE (2022)

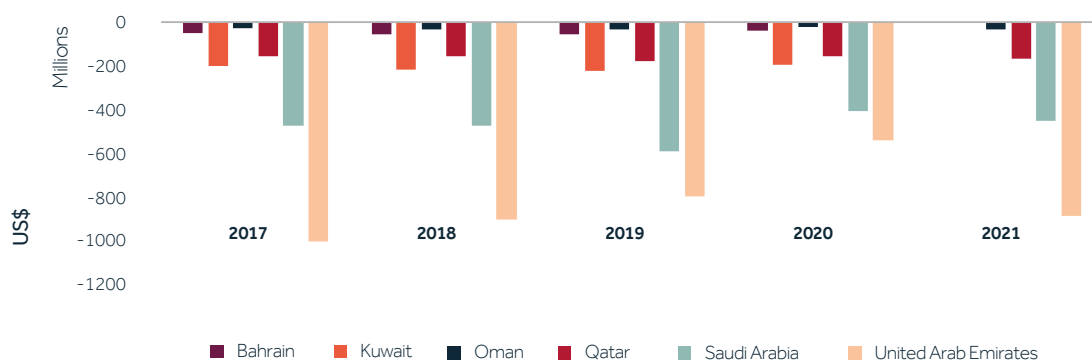
**Figure 27: GCC Jewellery and jewellery inputs trade balance, 2017-2021**



HS CODE: 71 SOURCE: UN COMTRADE (2022)

In terms of handbags and leather accessories (Figure 29), KSA, Qatar and the UAE all reported growth in exports over the period, with KSA exports growing by 50%, UAE 33% and Qatar 29%. KSA imports declined by 4% and the UAE by 1%<sup>47</sup>. All countries noted a trade deficit for handbags and leather accessories and are heavily reliant on imports to meet demand.

**Figure 28: GCC Handbags and leather accessories trade balance, 2017-2021**

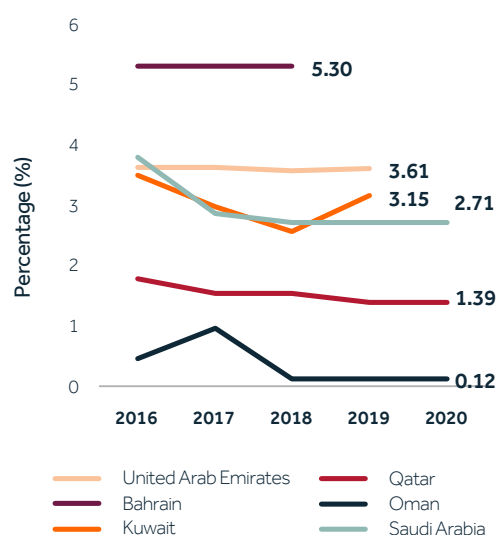


HS CODE: 42. SOURCE: UN COMTRADE (2022)

## 2.8.1 Design, product development and assembly

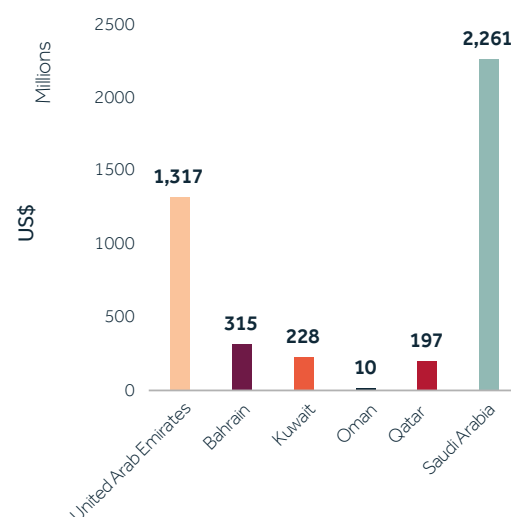
According to the World Bank (2022), of the GCC members, Bahrain has the highest share of clothing and textiles contribution to total country MVA (5.3%). This is well above the next largest contribution, which is the UAE (3.61%). However, when considering the actual quantum of clothing and textiles MVA, KSA is the clear leader within the GCC. At US\$2.3 billion, KSA's clothing and textiles MVA is US\$1 billion more than the UAE's US\$1.3 billion, with Bahrain in a distant third position at US\$315 million.

**Figure 29: Clothing and textiles MVA %, 2016-2020**



SOURCE: WORLD BANK (2022)

**Figure 30: GCC Clothing and textile MVA, US\$**



SOURCE: WORLD BANK (2022)

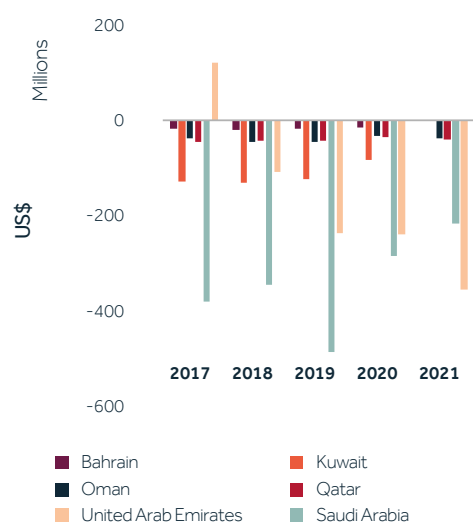
Vogue Business (2022) reports that Middle Eastern designers often struggle to access capital and other financial and physical resources to set and scale up their businesses within the fashion industry, hence the small scale of most operations. Sourcing manufacturers to produce high-quality garments at scale has been noted as a challenge within the region<sup>48</sup>.

There is limited information on the employment contribution of fashion design, product development and assembly within the GCC.

## 2.8.2 Value chain materials

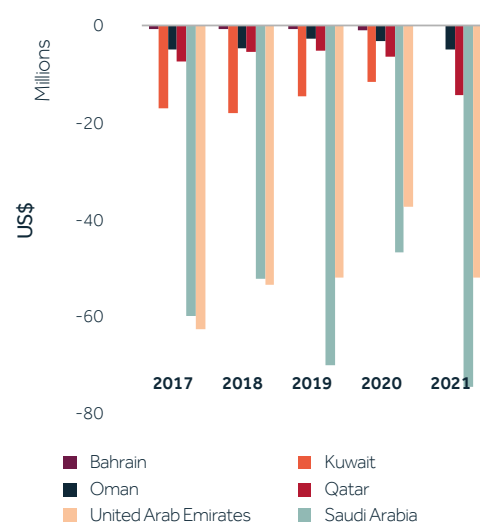
A review of the GCC's trade data from 2017 to 2021 for knitted, woven, synthetic and natural textiles indicates a high reliance on imported product and limited production capabilities within the region for knitted, woven and natural textiles. There does appear to be some capability within synthetic textiles (Figure 31) with the UAE exporting US\$873m in 2021 and KSA exporting US\$265.6m<sup>49</sup>. UAE exports of synthetic textiles has declined by 28% over the period, while KSA has increased exports by 132%<sup>50</sup>. Unlike knitted fabrics (Figure 33) where all GCC countries are reliant on large volumes of imported knitted fabric.

**Figure 31: GCC synthetic textiles trade balance, 2017-2021**



HS CODES 54, 55. SOURCE: UN COMTRADE (2022)

**Figure 32: GCC Knitted fabric trade balance, 2017-2021**

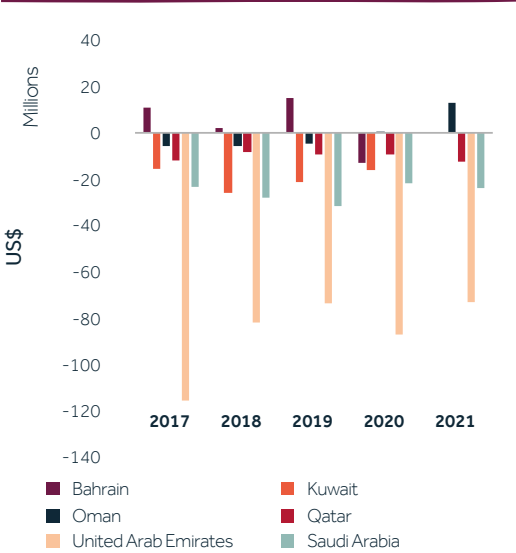


HS CODE 60. SOURCE: UN COMTRADE (2022)

## 2.8.3 Raw materials

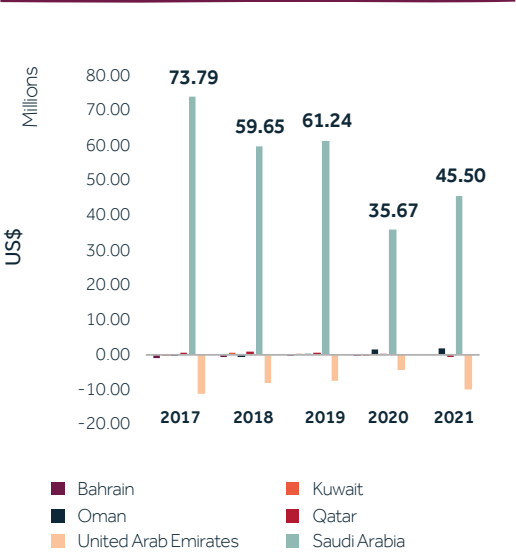
In terms of apparel raw material inputs, the GCC is rich with oil, accounting for approximately a third of global production in 2020. This highlights a potential comparative advantage in respect of synthetic textiles production. However, there is limited evidence of cotton production, which is the other staple material input into the fashion value chain. A review of cotton trade balances for the region indicates a strong reliance on imports. This is illustrated in Figure 33. Figure 34 highlights the differences across the GCC in terms of raw hides, skins, and leather trade. The figure shows that KSA is the stand-out performer in this category, with the largest trade surplus of all GCC economies and the dominant contributor to regional exports.

Figure 33: GCC Cotton trade balance, 2017-2021



HS CODE: 52. SOURCE: UN COMTRADE (2022)

Figure 34: GCC Raw hides, skins, and leather trade balance, 2017-2021



HS CODE: 41 SOURCE: UN COMTRADE (2022)

2.8.4 Enabling environment

Changes in the region’s economic policies has been noted as an enabler of fashion industry growth. Dubai and Abu Dhabi have both allowed foreign companies to establish full ownership of their domestic operations, thereby allowing them to take direct control of their stores and operations and to fully assimilate them within their global operations. While this has facilitated more effective trade, it has also linked the region more tightly into GVCs and their established global production networks, which are dominated by large scale producers in the East (China, India and Bangladesh), and niche specialists with advanced production capabilities in places like France, Italy, the United Kingdom and Turkey.







Section 3.0

# Industry intelligence in leading fashion economies

This section outlines the findings from a data intelligence and platform benchmark of a range of platforms across leading economies within the fashion value chain. These platforms were assessed against five key factors: objective and functionality; industry intelligence shared; news and networking; members and associated stakeholders and their commercial model. The aim of this assessment was to understand global best practice and draw out lessons and considerations for a future Fashion Commission Data Hub for KSA.

## 3.1 Comparator economies

The fashion economies were selected as comparators given their unique positioning within the global fashion industry. Comparator economy 1 is a global leader in luxury fashion, with deep technical fabric, artisan, and design capabilities as well as a sophisticated tertiary education sector supporting the value chain. Comparator economy 2 is a regional leader and global player in apparel manufacturing with a strong

export orientation, especially for mid-retail markets. The industry has seen rapid and sustained development over the past two decades, with a growing focus on the development of local brands. Comparator economy 3 was selected given its role as a regional fashion destination. The country has a similar demographic and income profile to Saudi Arabia, with a growing international presence within the fashion and design

circuit. The fourth comparator economy is a global destination in luxury and middle-income fashion. The country has seen multiple home-grown brands develop and achieve international recognition in the last 40 years. Furthermore, comparator economy 4 plays a leading role in sustainability and research and development within the fashion value chain.

## 3.2 Types of insight

As illustrated in Figure 35, there are four categories of insight which can translate into both sector intelligence and promotional activity: Raw data such as time

series or static data, Quantitative Analysis such as trends, graphs, and forecasts; Qualitative insights such as interviews and news articles and Comprehensive

Analysis and Foresight, quantitative and qualitative research which examines and explains present and future trends.

Figure 35: Categories of insight



Upon reviewing the platforms against the Commission's seven strategic pillars, it was found that there is a strong bias towards narrative, storytelling, and events while a review of the types of insights presented highlights that no platform is built on raw data or quantitative analysis alone. The 13 platforms have a strong bias for qualitative insights and comprehensive reporting on events.

### 3.3 Data inventory

Examples of the data points shared across the benchmarked platforms are shown in the table below.

**Table 2: Country benchmark data inventory**

Category	Data
1. Sector intelligence	<ul style="list-style-type: none"> <li>• GDP contribution</li> <li>• Trade data- exports, imports, and trade balance</li> <li>• Sales- apparel, footwear, accessories, handbags</li> <li>• Manufacturing value addition</li> <li>• Employment</li> <li>• Education- number of graduates by degree</li> <li>• Positioning against other sectors [automotives, services, petroleum, agribusiness etc.]</li> <li>• Firm locations</li> <li>• Major market avenues- retailers</li> <li>• FDI into fashion sector</li> <li>• Curated investment news</li> <li>• KSA fashion in the news</li> <li>• Impact of events such as the Future Fashions event</li> <li>• Education- institutions, location, courses offered</li> <li>• Incentives and grant programmes</li> <li>• Business incubation support</li> <li>• Labelling, wash care, technical handbooks</li> <li>• Industry SWOT analysis</li> </ul>
2. Sector promotion	<ul style="list-style-type: none"> <li>• Lookbook to emerging brands and designers' collections</li> <li>• Upcoming events</li> <li>• Stakeholder directory- alphabetical, by value chain segment, with website links</li> <li>• Industry job applications- Fashion education, photographers, models, designers, pattern makers, garment &amp; fabric technologists, internships</li> <li>• Investment support- policies, contact details</li> </ul>



### 3.4 Commercial model

Access to intelligence or networking features varied by platform with most quantitative and qualitative analysis available to platform users without payment. Comprehensive

analysis and foresight, along with promotional networking and event access was often only available behind a paywall. The commercial models of the platforms assessed

varied with the most common model applied being tiered membership fees.



### 3.5 Key considerations for a future fashion data hub

**The country intelligence benchmarks highlight several key considerations for any future Kingdom fashion data hub.**

Firstly, there does not appear to be an active and competitive platform which offers intelligence on the Saudi fashion value chain. While there are platforms positioning themselves as gateways to the Middle East, the intelligence shared is relatively limited with a greater emphasis on promotional activities and networking events.

Secondly, the strongest platforms

incorporated their platforms into a broader offering for users, namely access to in-person events, online webinars, and early-access passes to fashion weeks. The intelligence offered was thus presented as part of a broader value offering and access to a dynamic fashion 'community.'

Thirdly, the commercial model applied was often 'free-mium,' with certain insights such as news and industry statistics available without membership and comprehensive analysis such as reports and forecasting behind paywalls. The commercial model to access this intelligence and

service offerings varied, with the most popular option being a tiered membership system based on the size of the firm. Fourthly, the design and functionality of the platform are important differentiators. Platforms where links were broken, or design aesthetics were disjointed across the platform reduced their effectiveness and the overall user experience.

Finally, the seven strategic pillars of the Commission are clearly a valuable conceptual framework on which to build the fashion data hub, with the benchmarked platforms highlighting the need for strong thematic framing.



Section 4.0

# Key opportunities for the Kingdom's Fashion value chain



Gildo Zegna, CEO of Italian luxury group Zegna recently stated that “The new Hong Kong is Dubai. And next will be Saudi Arabia.”

While he was referring specifically to luxury goods, it is clear that the Kingdom’s market size, strategic geographical location, and its deep cultural importance globally, position it for major growth as a fashion centre. What is unclear is the extent to which KSA develops its own fashion value chain in response to this opportunity.

This situational report suggests five major opportunities in the Kingdom:



1

Elevating KSA to become the leading fashion retail destination in the GCC region, encouraging greater domestic consumption by Saudi citizens and capturing a greater share of tourist consumption in the region.

2

The development of homegrown brands that capture the unique cultural attributes of the Kingdom and its leading international cultural position.

3

Building a design-led eco-system of advanced product development and small-scale manufacturing that are linked to upstream value chain materials opportunities within the Kingdom and internationally.

4

Localising large-scale production of specific product categories which offer economies of scale and/or have a uniqueness to KSA (e.g. single jersey knitwear and thobes).

5

Establishing the Kingdom as the world’s leading green fashion producer, particularly through circularity and the development of sustainable, synthetic fibre and downstream yarn and fabric manufacturing, thereby bridging the gap between the Kingdom’s comparative advantage in polyamide-based raw materials and the fashion production eco-system.

The background is a close-up, high-angle shot of a wooden loom. The threads are a mix of light and dark colors, creating a complex, textured pattern. The loom's frame is made of dark wood. Overlaid on the left side are two vertical bars: a teal one on top and an orange one below it. The orange bar has three white horizontal lines near the top. The text is centered in the lower half of the image.

Section 5.0

# A note on methodology



The Situational report adopts a mixed methods research methodology, involving the **collection, analysis, and integration of quantitative and qualitative data sources** to derive a holistic understanding of the key dynamics of the Kingdom of Saudi Arabia's (KSA) fashion sector.

This approach is considered the most suitable form of investigation, as it brings together the strengths of both forms of research to provide an integrated interpretation of the findings in respect of the state of the sector. By incorporating qualitative insights to complement

quantitative analyses of key trends in respect of industry and market performance, the research aims to illuminate local industry performance themes to date and opportunities for growth and development <sup>51</sup>.

From August to October 2022 a desktop review of publicly available trade and other data was conducted to establish the availability and quality of Saudi Arabia's fashion value chain data. Collected data was inventoried for inclusion in the State of the Kingdom's Fashion report and online Fashion Platform and will be utilised to inform stakeholder engagements.

Intelligence gaps were noted and will be included in follow-ups with public and private stakeholders.

Sources reviewed included the Saudi Ministry of Education, The Saudi Ministry of Investment, The Saudi Ministry of Commerce, UN Comtrade for trade data, The Saudi Central Bank, the General Authority for Statistics, online investment announcements, United National Industrial Development Organisation (UNIDO), The Economist Intelligence Unit, International Monetary Fund (IMF) and the World Bank.

Three key data points which were presented are drawn from extensive impact analysis conducted by the Fashion Commission. The methodology applied to these are described in the table below.

Table 3: Country benchmark data inventory

#	Data/input	Sources
1	Economic contribution (% of GDP)	Economic impact analysis that sources data from: <ul style="list-style-type: none"><li>Ministry of Human Resource and Social Development (MHRSD) regarding employment</li><li>GaStat for economic data</li><li>Public information &amp; 3rd party sources to estimate productivity of fashion workforce &amp; indirect contribution to GDP of fashion economic activities</li><li>Analysis of seven comparator countries to refine productivity estimates</li></ul>
2	Employment data (230K jobs, % Saudi)	MHRSD regarding employment
3	Education data (Number of students)	Ministry of Education (MoE) data for fashion courses (as defined by MoE)

A global value chain (GVC) analysis was applied to fully understand the range of value-adding activities within the KSA fashion value chain. The GVC approach focuses on each of the elements associated with bringing a fashion product from concept to market, thereby accounting for each step of value addition and locating the steps within complex global dynamics. The GVC framework advocates for

a holistic view of economic activity as no firm operates in isolation from its sector, nor do sectors operate in isolation from global technology or standard dynamics, international competition, or macro-economic factors. GVC analysis allows us to understand the relationships between firms in a particular sector and identify the lead firms who set the standards and govern the value chain. Understanding what

these lead firms need to realise their growth strategy is crucial to understanding how other firms in the value chain can achieve growth too; and how supporting institutions, including government, can best facilitate growth.

Where gaps in available data were identified, these have been explicitly noted in the report.



Section 6.0

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