ARIA | CAPITAL

INVESTMENT INSIGHT

A weekly look inside the investment world.

There is no greater harm than that of time wasted.
Michelangelo

Friday, 24 March 2023

In this week's Investment Insight

Slowing down fast fashion
I recall a colleague enthusing about her 'fast fashion' experience in late 2003. Not having heard the term before, I enquired further. It turned out she had visited the latest phenomenon to hit Dublin retail: Zara. The concept of buying 'disposible' garments was explained to me and, at the time, it seemed a perplexing, if not morally dubious, concept. However, that was just the beginning. Slotting neatly into the new retail groove were many others: Topshop, Primark/Penneys, New Look, followed by their online counterparts Boohoo, Pretty Little Thing, Nasty Gal, Shein and many others. Their march might stall, however, as consumer consciousness of sustainability considerations start, as they have recently, to trump cheapness in the purchase decision-making priority order. In *The Inside Track* we delve a little deeper.

Monopoly money
It has been a favourite board game in households across the world for over a century, but it seems today's central bankers still adopt Monopoly's playbook! In *Pic of the Week* we reveal all.

Newswire
Some interesting nuggets from this week's newswires.

Market view
A visual snapshot of recent market performance.

The Inside Track: Slowing down fast fashion

So called 'fast fashion', clothes that are made and sold cheaply so that people can buy new clothes often, is the result of demand-driven economics and the human desire to consume. Historically, voluntary sustainability initiatives have not been enough to deter wanton consumerism, but this is changing. In the first instance, sustainability considerations, are less and less a voluntary consideration for producers. Both investors and customers, particularly those in the 15-35 age bracket, are now less willing to 'look good' at any environmental or social cost. Sustainability is becoming mainstream. Sustainable fashion requires more thought at the design phase, is often more expensive and is directly tied to the concept of consumers buying less.

Aside from greater consumer demand for sustainably produced garments, there are a number of factors contributing to the slow down of the fast fashion model. 'Nearshoring' means producing goods closer to home. This means less need for retailers to buy in bulk as shipping times are no longer a significant part of the process, lower 'garment miles', less waste (as smaller production runs allow retailers to test the market before committing to vast quantities of a garment). It also supports flexibilty - retailers can react more quickly to new consumer trends and preferences. Social media platforms, such as the much maligned Tiktok, are driving the emergence of 'make-to-order' business models. 'Influencers', many of whom either have their own merchandise or fashion collections that their followers can buy, can ignite instant demand. A traditional 6-9 month lead time is completely incompatible with this, meaning that manufacturers and retailers benefit from faster and more flexible production processes.

Traditionally in garment manufacturing the fabric dyeing process would take a couple of weeks and would be done by specialist suppliers offsite. Virtual design, proto-typing and digital printing techniques are some of the technological innovations that are likely to become more pervasive in the future, particularly in a 'make-to-order' environment. New digital printing technology now means that manufacturers can reduce lead times and waste as the printers are designed to encourage the efficient use of fabric.

On the environmental side, garment manufacturers and retailers are now more answerable for their environmental stewardship, with areas such as recycling and energy efficiency in focus. On the social side, human capital management is a key theme, especially at manufacturing sites, with fewer retailers willing to turn a blind eye to dubious employment practices.

It seems, therefore, that while there is a major move by the investment community, especially in Europe, to promote sustainability and good ESG practices, this is increasingly being backed by other stakeholders, most notably consumers, who want fast fashion to 'slow down'.

Pic of the Week: Monopoly money

As the US grapples with the issue of depositor guarantees, it seems the solution is straightforward!

Newswire

...on Monday
Holders of AT1 Credit Suisse Bonds see their investment wiped out.

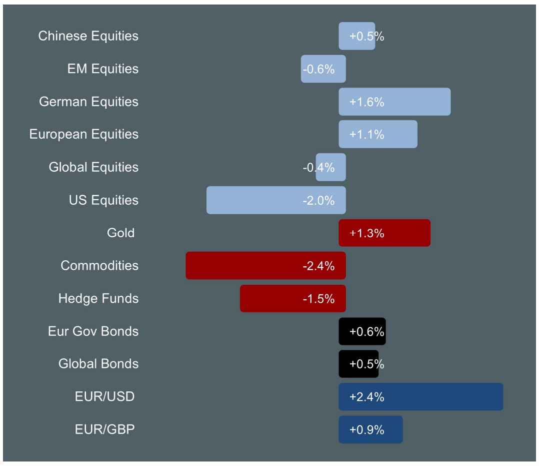
...on Tuesday
Markets close higher as fears over liquidity in the banking sector subside.

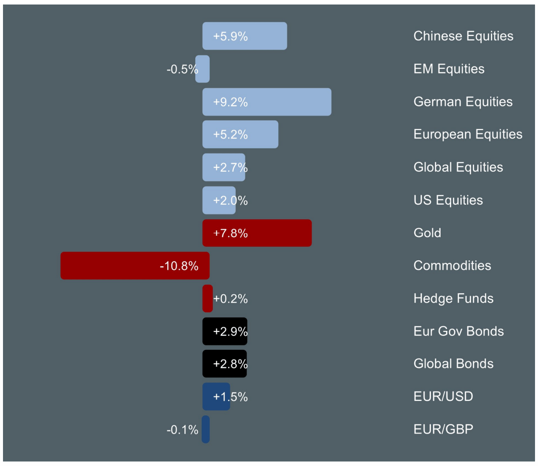
...on Wednesday
The US Federal Reserve adopts a more cautios tone as it announces a one quarter percenage rise in US interest rates.

...on Thursday
Yields on US Treasury bonds fall as investors digest yesterday's Fed policy decision.

Market View

Last 7 days (€) *Year to date (€)*





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