



## SUMMARY OF THE ECONOMIC ANALYSIS DRAFTED BY THE ECONOMIC RESEARCH DEPARTMENT OF SISTEMA MODA ITALIA FOR THE 38<sup>TH</sup> EDITION OF MILANO UNICA

According to the Economic Research Department of Sistema Moda Italia, Made-in-Italy textiles slowed down in 2023 compared to the previous 2 years, yet still remain at higher levels than in 2019, the year before the outbreak of the covid-19 pandemic. In 2023, total sales amounted to over euro 7.7 billion (-2.5% on a y-o-y basis, +2.2% vs. 2019). The sector's trade balance surplus confirmed the strength of Made-in-Italy production, with the best performance in the last 7 years. The balance was positive for more than euro 2.4 billion, mainly resulting from the sharp decline in imports (-16.8% over 2022), which stood at about euro 1.95 billion, while exports, down -2.7% on 2022, with reported sales of euro 4.4 billion, posted the second-best result of the last 7 years. In the first nine months of 2023, China+Hong Kong confirmed its position as the leading export market for Italian textiles, with a combined total of approximately euro 241 million. A breakdown by country shows China (-3.2%) ranking third, behind France (+ 0.3%) and Germany (+ 0.1%). Hong Kong (-22.5%) fell to the sixteenth position. As for imports, a high proportion of non-EU imports (68.0%) was reported, of which over 51% is represented by fabrics from China, Turkey and Pakistan. In the January-September 2023 period, exports of worsted wool were up (+23.0%), followed by linen (+8.4%), pure silk (+3.0%) and carded wool (0.8%).

According to the analyses of the Economic Research Department of Sistema Moda Italia, based on the current economic scenario and internal market surveys, Made-in-Italy textiles (including wool, cotton, linen, silk and knits) are expected to close 2023 with a negative sign. Overall, total sales dipped down to €7.7 billion, namely -2.5%, thus contributing 12.0% to the turnover generated by the entire Textile-Clothing supply chain. Sales in 2023 were still +2.2% higher than pre-Covid-19 figures. The unfavorable performance was the result of both reduced sales in foreign markets and, above all, in the domestic market. In a segment-by-segment analysis, we see that worsted wool, representing a big share of the total with 39.1%, and also linen, again posted a positive performance, as in the past two years. Conversely, cotton and knits, making for a share



of 17.6% and 20.9%, respectively, of the total of Made-in-Italy textiles, closed 2023 with a negative sign, penalized by both foreign and domestic demand, similarly to silk (17.3% of the total).

The trade balance surplus of the industry confirmed the strength of Made-in-Italy production, recording the best performance in the last 7 years at more than euro 2.4 billion, mainly resulting from the sharp decline in imports (-16.8% vs. 2022), which stood at approximately euro 1.95 billion, while exports (-2.7% vs. 2022) totaled euro 4.4 billion, the second-best result of the last 7 years.

Based on ISTAT data on foreign trade in textiles, in the first nine months of 2023, exports to China+Hong Kong totaled approximately euro 241 million, confirming the area as the leading export market for Italian textiles. Individually, China (-3.2%) ranked third, behind France (+0.3) and Germany (+0.1%), while Hong Kong (-22.5%) slipped to the 16th position.

Romania ranked fourth, with a positive performance of +4.4%, followed by Tunisia (double-digit growth rate of +11.7%), making for 6.0% of total sales, and Turkey, up +12.3%. Exports to Spain recorded a slight increase (+0.2%) and exports to Portugal were up +9.4%. Considering the top markets, the U.S. showed a considerable decline (-26.7%).

Most countries reported values showing a recovery from the effects of the pandemic. Considering just the first top ten destinations, only the U.S. and France are still recording a shortfall of -15.6% and -14.5%, respectively - against the corresponding January-September 2019 period.

The analysis of imports showed a high proportion of non-EU origin (68.0%), of which over 51% refers to fabrics imported from China, Turkey and Pakistan. Despite a substantial reduction of 31.0% in the January-September 2023 period, China confirmed its leadership, though reducing its incidence to 24.6% of total imports; Turkey, making for 18.1% on the total, reported a -23.9% decline, while Pakistan recorded -19.9%.

In addition to the market performance, we can also analyze the results obtained by the different product categories, which reveals distinctly different trends. In the January-September 2023 period, exports of worsted wool grew the most, at +23.0%, followed by linen (+8.4%). Pure silk was up +3.0%, while carded wool recorded a marginal +0.8% increase. Conversely, exports of cotton were down -11.2% and knits fell by -7.4%.

Among these, only linen (+39.4%), knits (+23.7%), and worsted wool (+11.8%) registered higher values than in the first nine months of 2019, while all the other fabrics posted results below pre-pandemic levels.

As to imports in the January-September 2023 period, only wool reported a positive



performance. Carded wool was up +32.5% while worsted wool rose by +40.1%. Conversely, imports of all other types of fabrics dropped: knits were down -17.0%, and cotton -21.6%. Imports of linen were also down -27.2% as well as silk -29.8%.

Expectations by sector operators for the first part of 2024 are tinged with caution. After months characterized by unprecedented inflation, Italian textile producers are currently operating in an economic context that is seeing a slowdown of many important economies and a climate of mounting uncertainty, due to an international scenario threatened by different conflicts.