

**IN 2019, ITALIAN FABRICS POSTED A NEGATIVE SALES PERFORMANCE (-4.7%) RESULTING FROM REDUCED EXPORTS (-3.8%) AND LOWER DOMESTIC SPENDING. HOWEVER, THE TRADE SURPLUS TOTALLED OVER EURO 2.25 BILLION. ALL SEGMENTS CONTRIBUTED TO THE RESULT, WITH WOOL AT THE TOP, WHICH – INSTEAD – IN THE PAST YEARS HAD CONTRIBUTED TO THE OVERALL POSITIVE PERFORMANCE OF ITALIAN FABRICS. THE POSITIVE RESULTS OF USA (+3.1%), FRANCE (+2.2%), PORTUGAL (+10.4%), SPAIN (+5.1%), BULGARIA (+11.5%) AND JAPAN (+8.0) WERE NOT ENOUGH TO REVERSE THE NEGATIVE TREND RECORDED IN IMPORTANT MARKETS LIKE GERMANY (-15.3%), CHINA (-6.5%) AND HONG KONG (-19.2), ROMANIA (-9.3%), TUNISIA (-11.8%) AND TURKEY (-15.3%)**

## 1. The preliminary balance for 2019

According to Confindustria Moda's Research Center estimates for SMI - based on the economic context of reference and on internal Sampling Surveys - Made-in-Italy textiles (including wool, cotton and silk fabrics and knits) are expected to close 2019 with a negative performance. After a two-year period of low growth, 2019 ended with unfavorable performances; the overall turnover, prudentially estimated to be down -4.7%, would therefore total euro 7.6 billion, thus making for 13.8% of total sales generated by the Textiles/Apparel industry as a whole (see Fig. 1). The result reflects reduced sales on foreign markets, especially for wool, which had been growing in the past years.

In 2019, sales of textiles are expected to be down -4.7%

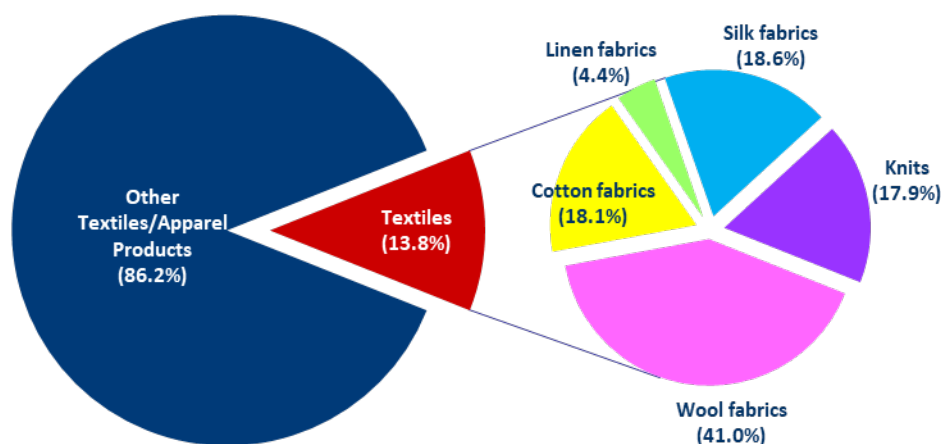
**Table 1 – Made-in-Italy textiles<sup>(1)</sup> (2013-2019<sup>2</sup>)**  
(Millions of current Euros)

	2013	2014	2015	2016	2017	2019	2019 <sup>(2)</sup>
<b>Sales</b>	7,730	7,985	7,910	7,839	7,882	7,947	7,573
% Var.		3.3	-0.9	-0.9	0.5	0.8	-4.7
<b>Production value</b>	6,021	6,173	6,080	6,011	6,025	6,041	5,742
% Var.		2.5	-1.5	-1.1	0.2	0.3	-4.9
<b>Exports</b>	4,276	4,400	4,337	4,294	4,322	4,305	4,141
% Var.		2.9	-1.4	-1.0	0.6	-0.4	-3.8
<b>Imports</b>	1,912	2,036	2,042	2,000	2,003	1,889	1,880
% Var.		6.5	0.3	-2.1	0.1	-5.7	-0.5
<b>Trade balance</b>	2,365	2,364	2,295	2,295	2,319	2,416	2,262
<b>Apparent consumption</b>	3,656	3,809	3,785	3,716	3,706	3,625	3,481
% Var.		4.2	-0.6	-1.8	-0.3	-2.2	-4.0
<b>Structural indicators (%)</b>							
Exports/Sales	55.3	55.1	54.8	54.8	54.8	54.2	54.7
Imports/Apparent consumption	52.3	53.5	54.0	53.8	54.0	52.1	54.0

Source: Confindustria Moda on ISTAT data and internal surveys

(1) Silk, wool, cotton, linen and knits. (2) Estimates

**Fig. 1 – The role of textiles in the Italian Textiles-Fashion supply chain (2019)<sup>(1)</sup>**  
(% on sales)



Source: Confindustria Moda

<sup>(1)</sup> Estimates

The domestic market, mainly focused on the production of high-end items often for subsequent re-export, did not prove to be fully satisfactory, or at least not in all sectors.

In fact, with reference to the different segments considered, linen and silk are expected to close 2019 with a positive performance, “rewarded” both by foreign and domestic demand. Conversely, cotton and knits showed a continued downtrend, extending from 2018, while wool - a predominating segment with a 41.0% share – reversed the positive trend after five years of consecutive growth, recording dropping sales both domestically and internationally.

Production value (which projections by Confindustria Moda’s Research Center calculate separately, considering the value of total sales net of the contribution deriving from the sale of imported products) is characterized by a negative evolution, with a projected -4.9% decline.

As for employment, there was some friction during the year. However, the survey carried out by Confindustria Moda on a panel of businesses members of SMI, showed an average moderate increase in the headcount in the January-March time span (+0.9%), followed – however – by a decline both in the second (-1.6%) and third (-2.5%) quarters of 2019 in the wool fabrics segment.

In 2019, the performance of trade “from” and “to” Italy showed an increased slowdown, with signs that had already emerged in 2018, while imports seem to be definitely limiting the fall rate.

Only linen and silk fabrics showed a positive performance

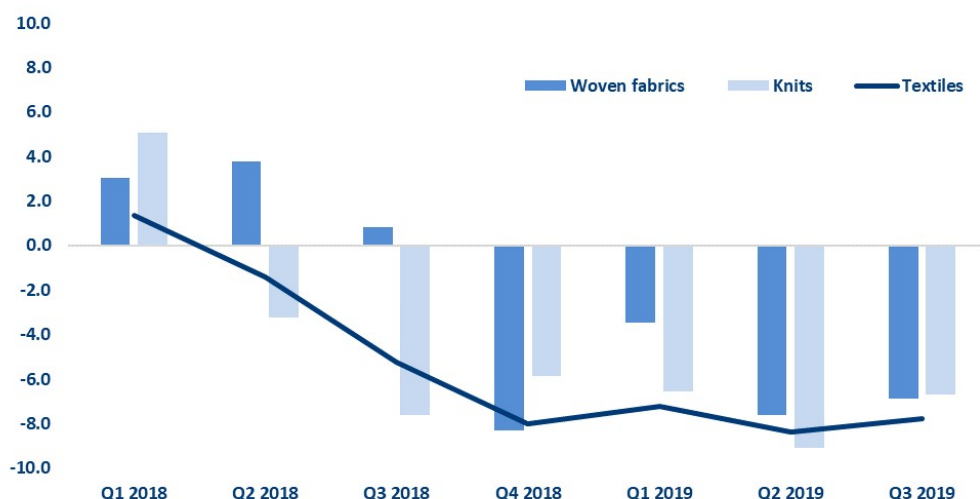
Production value is expected to fall by -4.9%

In fact, in 2019 exports are expected to drop by -3.8%; this trend is also expected to bring the overall level of foreign sales to just over euro 4.1 billion. Concurrently, imports should slow down to -0.5%, totaling approximately euro 1.9 billion.

Given the aforementioned trade performance, the trade surplus for the industry is expected to decrease (over euro 150 million less in 12 months), down to euro 2,260 million. The surplus in textiles accounts for approximately 24% of the total sales generated by the Textiles/Apparel segment.

The domestic market (estimated by the 'apparent consumption' projections), often represented by luxury brands, posted a reduction of -4.0%.

**Fig. 2 – Textiles: ISTAT index of industrial production (adjusted for calendar effects, base year 2010=100), 1 Q 2018 – 3Q 2019**  
(% trend variation)



Source: Confindustria Moda on ISTAT (cod. ATECO 2007 CB13, CB132, CB1391)

According to ISTAT data on industrial manufacturing (see Figure 2), in 2019 woven fabrics performed negatively. The first quarter recorded a decrease equal to -3.5%, followed by an additional decrease of -7.6% in the April-June time span and of -6.9% in the July-September time span. As for knits, ISTAT data on industrial manufacturing recorded accentuated negative trends compared to those posted by woven fabrics, i.e. -6.5% in the January-March period and -9.1% in the April-June period; in the third quarter, instead, the fall totaled -6.7%.

Considering the nine-month span, textile manufacturing slowed down and, specifically, woven fabrics decreased by -6.0% and knits by -7.5%.

For the sake of completion, the most recent data available, relative to the October-November period, show a continuation of the negative trend in the segments considered, albeit in slight deceleration given that figures remained in line with the corresponding

Exports are projected to record a -3.8% reduction on an annual basis, while imports should slow down to -0.5%

The trade surplus is expected to decrease

In the January-September 2019 time span, ISTAT data on industrial manufacturing recorded woven fabrics down -6.0% and knits -7.5%

month in 2018 (October for woven fabrics and November for knits). In any case, the two-month period posted an aggregate decrease by over -4.0% for both segments.

## 2. International trade in the first ten months of 2019

The analysis of international trade of knits and woven fabrics composed of mainly natural fibers (see Fig. 3 Note 1) reveals that exports in the January-October 2019 decreased by -4.6% compared to a -0.4% variation recorded in the same period of 2018.

Therefore, exports for the period totaled euro 2,889 million, “losing” nearly euro 140 million compared to the January-October 2018 time span. In terms of volume, this translates into a -3.3% reduction, in line with the downtrend registered in the first ten months of 2018.

Similarly, imports reversed their positive trend already in 2018, with a -2.6% decline down to euro 1,267 million; in terms of volume the reduction amounts to -4.3%.

The geographic breakdown shows that export results – as indicated in Figure 3 – presented an unfavorable trend both in the EU and extra-EU countries: the first, with a 49.8% incidence, dropped by -4.1%, while the second (making for 50.2%) decreased by 5.1%.

In the last ten years, extra-EU regions performed worse than EU regions only on three other occasions, namely in 2009 and in the 2013-2014 period. As far as imports are concerned, both areas show a downtrend; extra-EU imports, accounting for 68.0% of the total imports of textiles to Italy, fell by -2.1%, while intra-EU imports (making for 32.0%) dropped by -3.7%.

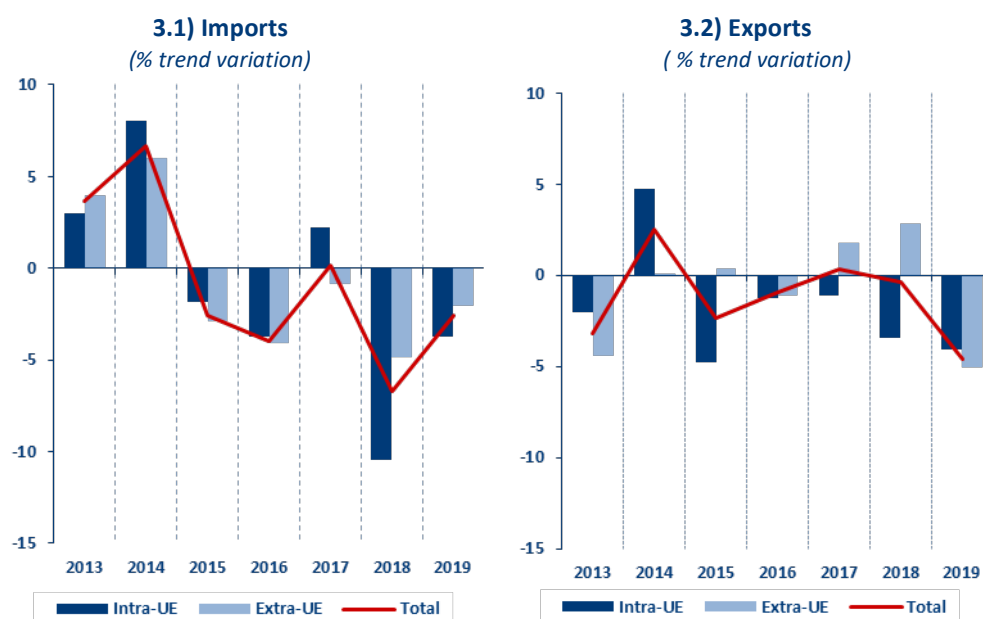
In the first ten months of 2019, the textiles considered in the analysis recorded a -4.6% reduction in exports ...

... and a -2.6% reduction in imports

Both UE and extra-UE regions recorded a negative performance

**Fig. 3 – Imports and exports of textiles: analysis by geographic macro area<sup>(1)</sup>**

(January-October 2013-2019)



<sup>(1)</sup> The products analyzed here represent a sub-group (including only woven fabrics with at least 50% of natural fiber) of those used for the definition of the industry's total results reported in Table 1. Conversely, Table 1 also considers woven fabrics with a percentage of natural fiber below 50% and the rest composed of man-made fibers. Knits are instead considered as a whole in both aggregates.

Source: Confindustria Moda on ISTAT

In addition to the analysis of the average data by macro-area, it is extremely interesting to also examine the market performance of the main commercial partners of Italian textile producers (see Table 2) that are currently recording unusual and often diverging trends.

In the first ten months of 2019, some of the most “traditional” partners showed rather significant reductions: one above all, Germany, even if it remains the first export market for Italy with a 8.3% share, recorded a decrease by -15.3%. Exports to Romania were down -9.3%, while China dropped -6.5%, with Hong Kong ranking twelfth, with a -19.2 reduction. Despite these trends, overall exports to China and Hong Kong totaled slightly more than euro 286 million in value, topping Germany and confirming the China-Hong Kong area to be the first outlet market for Made-in-Italy textiles. Double-digit reductions were also recorded for Tunisia (-11.8%) and Turkey (-15.3%).

On the other hand, there are also countries registering an increase in exports of Italian textiles: France was up +2.2%, coming second after Germany at 7.4%. Exports to the USA were also positive (+3.1%) for a total of nearly euro 132 million and exports to Spain and Portugal were up +5.1% and +10.4%, respectively. The aggregate figure combining exports to both Spain and Portugal (nearly euro 259 million) would place the Iberian Peninsula in the second position above Germany and after only the China-Hong Kong region.

Considering the analysis of the top 15 markets, Japan and Bulgaria showed an uptrend of exports of Italian textiles by +8.5% and +11.5%, respectively, while reductions were recorded for the United Kingdom (-1.4%), Poland (-7.8%) and South Korea (-3.9%).

Considering the analysis of the markets of origin of textiles imported to Italy, characterized by a high concentration - from a geographic perspective - in the extra-EU regions (68.0%), China and Turkey confirmed - once again - their leading position, as had already been observed in the economic notes of recent years, with a share of 27.4% and 19.1%, respectively, of total imports. However, in the period of reference, China recorded a positive variation equal to +3.8%, while Turkey was down -6.2%.

Other suppliers with an incidence below 10% included Pakistan, with a -3.0% decrease, while double-digit reductions in imports was recorded in the Czech Republic (-13.5%). Imports from Germany were up +2.7%, while imports from Hungary, Spain and Romania were down -2.6%, -22.0% and -8.1%, respectively.

As detailed further below, the results on the international markets for textiles do not show the rather divergent performances of the individual categories of fabrics considered (Fig.4).

Exports to Germany dropped by -15.3%, Romania by -9.3% and China by -6.5%

Exports of textiles increased in France (+2.2%), USA (+3.1%), Spain (+5.1%) and Portugal (+10.4%)

Imports from China, the main supplier with a nearly 27% incidence, grew by +3.8%

**Tab. 2 – Imports and exports of Italian textiles: analysis by country<sup>(1)</sup>***(January-October 2019)***2.1) Imports**

Country of origin	euro mln	% Var.	% on total
<b>Total</b>	<b>1,267</b>	<b>-2.6</b>	<b>100.0</b>
<i>of which:</i>			
<i>Intra UE28</i>	<i>406</i>	<i>-3.7</i>	<i>32.0</i>
<i>Extra UE28</i>	<i>861</i>	<i>-2.1</i>	<i>68.0</i>
<b>The top 15 suppliers</b>			
China	348	3.8	27.4
Turkey	243	-6.2	19.1
Pakistan	103	-3.0	8.1
Czech Republic	83	-13.5	6.6
Germany	67	2.7	5.3
Hungary	38	-2.6	3.0
Spain	37	-22.0	2.9
Romania	33	-8.1	2.6
United Kingdom	30	5.3	2.4
Egypt	24	-15.1	1.9
France	24	1.9	1.9
India	23	-13.2	1.8
Japan	22	-14.3	1.8
South Korea	19	-3.8	1.5
Slovenia	15	387.6	1.2

**2.2) Exports**

Destination countries	euro mln	% Var.	% on total
<b>Total</b>	<b>2,889</b>	<b>-4.6</b>	<b>100.0</b>
<i>of which:</i>			
<i>Intra UE28</i>	<i>1,439</i>	<i>-4.1</i>	<i>49.8</i>
<i>Extra UE28</i>	<i>1,450</i>	<i>-5.1</i>	<i>50.2</i>
<b>The top 15 markets</b>			
Germany	241	-15.3	8.3
France	215	2.2	7.4
Romania	207	-9.3	7.2
China	179	-6.5	6.2
United States	132	3.1	4.6
Spain	130	5.1	4.5
Portugal	130	10.4	4.5
Tunisia	128	-11.8	4.4
Japan	121	8.5	4.2
Turkey	115	-15.3	4.0
Bulgaria	112	11.5	3.9
Hong Kong	107	-19.2	3.7
United Kingdom	92	-1.4	3.2
Poland	81	-7.8	2.8
South Korea	81	-3.9	2.8

<sup>(1)</sup>Cfr. Fig.3 Note 1

Source: Confindustria Moda on ISTAT

The analysis by type of fabric reveals that in the January-October 2019 period exports of linen increased by +7.0% and pure silk by +3.0% (even if silk fabrics, excluded from the sales calculation illustrated above but only included in the data presented in Table, grew by +0.7%). Worsted fabrics were down -4.3%, but combed fabrics recorded the most remarkable downtrend (-8.3%). Exports of cotton fabrics dropped by -5.8% and knits by -2.9%.

In the January-October 2019 period, imports of some categories of fabrics recorded increases (similarly to exports): linen was up +16.4% and knits +0.5%. All the other categories showed instead declines. Imports of cotton fabrics fell by -3.8%, combed wool was down -3.9% and worsted wool -17.2%. Last but not least, silk fabrics decreased by -13.1%.

With reference to the outlook of textiles in the first months of 2020, considering the short-term prospects analyzed in the survey carried out by Confindustria Moda - SMI last November, 66.7% of wool fabric producers selected in the sample expect that the unfavorable business conditions experienced in 2019 will continue, while the remaining portion (33.3%) fear a worsening of the situation. In fact, orders placed for SS2020, though still provisional and incomplete at the moment of the drafting of this note, show a negative

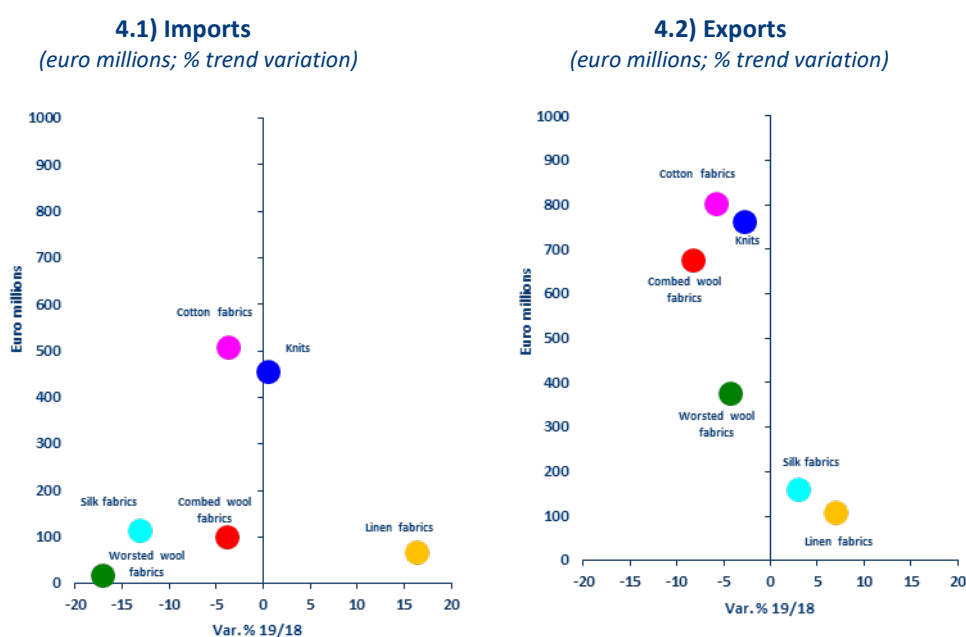
Unlike the sector average performance, exports of linen and pure silk fabrics were up

Orders placed for S/S 2020 dropped, despite the timid positive signs from foreign markets

sign. In particular, orders are down by over -10.0% in the Italian market, while the reversed trend in foreign market does not exceed +0.6%.

Apart from these still incomplete figures, Milano Unica will serve as a barometer of the market, assessing market conditions and the short-to-medium term outlook for the industry. Thanks to the feedback collected from the main players/buyers in the industry, it will be possible to formulate projections on the evolution of Italian textiles in the upcoming months.

**Fig. 4 – Imports and exports of Italian textiles: analysis by segment <sup>(1)</sup>**  
(January-October 2019)



<sup>(1)</sup>Cfr. Fig.3 Note 1

Source: Confindustria Moda on ISTAT

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#### Publication by Confindustria Moda

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