

THE COVID-19 PANDEMIC HAS CANCELLED ANY SIGN OF TREND RECOVERY IN THE FIRST TWO MONTHS OF 2020 COMPARED TO THE PREVIOUS YEAR, WHICH HAD CLOSED WITH A -4.9% OVERALL DROP IN SALES AND A -4.3% REDUCTION IN EXPORTS, BUT WITH A POSITIVE TRADE BALANCE RESULT OF EURO 2.25 BILLION. IN THE FIRST SIX MONTHS OF 2020, MANUFACTURING OF WOVEN FABRICS WAS DOWN -25.1% AND KNITS -31.7%. IN THE JANUARY-MAY PERIOD, EXPORTS DECREASED BY -34.4% AND IN THE FIRST 5 MONTHS OF 2020 TRADE BALANCE AMOUNTED TO APPROXIMATELY EURO 500 MILLION

Sector performance in 2019

After a mild recovery in the 2017-2018 two-year span, in 2019 Made-in-Italy textiles (including wool, cotton and silk fabrics and knits) showed a reverse trend, marking a -4.9% reduction on a year-on-year basis and sales down to euro 7,555 million. The estimates released by Confindustria Moda's Research Center last February on the occasion of the past Milano Unica edition, showing a -4.7% reduction by year end as a result of the global deterioration of the economic scenario in the second half of the year, were confirmed. After all, only two out of the five segments taken into account in this report closed the year with a positive sign, although they could not compensate for the losses recorded by the other three segments.

In 2019, the textile industry as a whole recorded a -4.9% reduction down to euro 7.5 billion in value

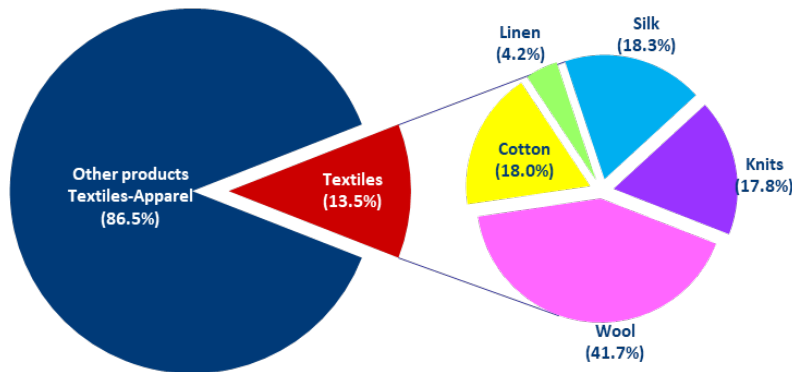
Table 1 – Made-in-Italy textiles (2013-2019)⁽¹⁾
(millions of current Euros)

	2013	2014	2015	2016	2017	2018	2019
Sales	7,730	7,985	7,910	7,839	7,882	7,947	7,555
Var. %		3.3	-0.9	-0.9	0.5	0.8	-4.9
Value of production	6,021	6,173	6,079	6,011	6,025	6,041	5,711
Var. %		2.5	-1.5	-1.1	0.2	0.3	-5.5
Exports	4,276	4,400	4,337	4,294	4,322	4,305	4,121
Var. %		2.9	-1.4	-1.0	0.6	-0.4	-4.3
Imports	1,912	2,036	2,042	2,000	2,003	1,889	1,868
Var. %		6.5	0.3	-2.1	0.1	-5.7	-1.1
Trade balance	2,365	2,364	2,295	2,294	2,319	2,416	2,253
Apparent consumption	3,656	3,809	3,785	3,716	3,706	3,625	3,457
Var. %		4.2	-0.6	-1.8	-0.3	-2.2	-4.6
Structural indexes (%)							
Exports/Sales	55.3	55.1	54.8	54.8	54.8	54.2	54.5
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) - Wool, cotton, linen, silk and knits

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



Source: Confindustria Moda

Despite this performance, the industry still plays a central role in the Italian Textiles-Fashion Apparel supply chain, making for 13.5% in terms of overall sales (see Fig. 1), down one percentage point compared to 2018. In fact, the percentage grows to 38.4% if we limit the analysis to the "upstream" part of the supply chain (38.8% in 2018).

As for textiles, wool fabrics represent the largest segment with 41.7% of total sales, followed by silk (18.3%), cotton (18.0%), knits (17.8%), and finally linen, accounting for 4.2%. The average performance of the textile industry was affected by the decline in sales recorded by wool fabrics, showing a sharp drop equal to -7.2% after five years of uninterrupted growth. Cotton fabrics also continued to decrease, showing an even more marked reduction than wool fabrics (-7.9%). The decline of knits (-2.7%) decelerated compared to the rate registered in 2018. Conversely, silk and linen fabrics were up, although both posted smaller increases than the ones recorded in 2018. Specifically, silk fabrics (excluding scarves) grew by +0.8% on a year-on-year basis and linen closed with a +2.7% positive sign.

In 2019, 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) was characterized by a negative trend equal to -5.5%. The domestic market (estimated by the 'apparent consumption' projections) fell by -4.6%. Once again, this variation reflects the very different performances of the single segments. Contrary to the overall industry result in Italy, silk and linen fabrics posted a positive trend.

Italian textiles made for 13.5% of overall sales in the Italian Textiles-Apparel supply chain

Silk and linen recorded a positive evolution of 2019 sales, while cotton and knits declined

Apparent consumption is projected to decrease by -4.6%

In 2019, the performance of trade “from” and “to” Italy showed a not particularly satisfactory performance. In the twelve-month period, exports were down -4.3%. This variation led exports to slightly exceed euro 4.1 billion in value (below the 2013 performance). Concurrently, imports limited their drop to -1.1%, just below euro 1.9 billion in value.

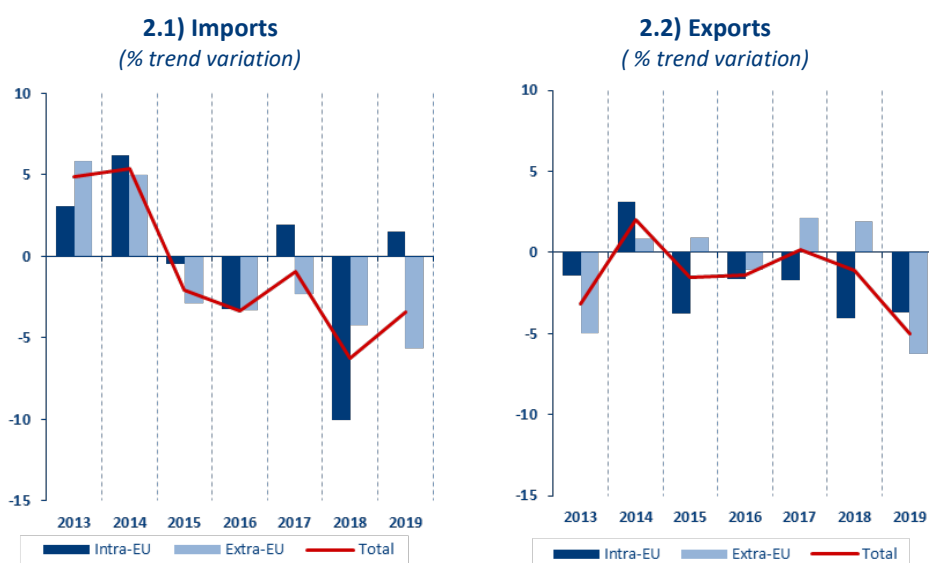
Given the aforementioned trade performance, the trade surplus for the industry decreased (euro -162.3 million less than in 2018), falling below euro 2.3 billion. Therefore, the surplus in textiles accounts for approximately 21.4% of the total sales generated by the Textiles/Fashion Apparel segment (slightly over euro 10.5 billion, as already mentioned).

In 2019, the geographic breakdown reported in Fig. 2 shows a negative performance of exports and imports both for the EU (UK still included) and the non-EU countries, although with different rates; the only exception related to intra-EU imports.

In 2019, exports were down -4.3% on a y-o-y basis and imports dropped by -1.1%

The trade balance amounted to euro 2.3 billion, ensuring 21.4% surplus in the Textiles-Apparel industry

Fig. 2 – Imports and exports of textiles: analysis by geographic macro-area⁽¹⁾
(January-December 2013-2019)



⁽¹⁾ 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

More in detail, EU imports increased by +1.5% on an annual basis, while exports were down -3.7%. Imports of fabrics from non-EU regions fell by -5.7% and exports to non-EU countries dropped by -6.2% (note that, as specified in the footnote to Fig. 2, the analysis considers only fabrics with a prevalence of natural fiber, thus excluding mixed fabrics or man-made fibers. This explains the discrepancy with the figures reported in Table 1).

The geographical breakdown shows exports down to both EU and non-EU countries

As for employment, job losses were recorded in the industry during the year. While the Textiles/Fashion Apparel supply chain as a whole recorded a -1.1% reduction, the Textiles industry alone experienced a -3.2% downtrend.

1. The performance of Italian textiles in the first part of 2020

A few weeks after the beginning of 2020, the outbreak of Covid-19 in China and the spread of the pandemic in Italy, Europe and the rest of the world presented the Italian textiles industry with a completely unforeseen scenario, profoundly different from any previous one.

The data available to date allow us to make a snapshot of the evolution of the industry in the first part of the year, taking into account the impact on the industry generated by health crisis.

The first two months of 2020 had proven rather rosy for the Italian textiles industry. In February, the manufacture of woven fabrics was up +4.2% compared to February 2019, and knits recorded +0.3%. In the first two months of the year, exports had limited their fall rate to -3.7%, while imports had slowed to -0.2%.

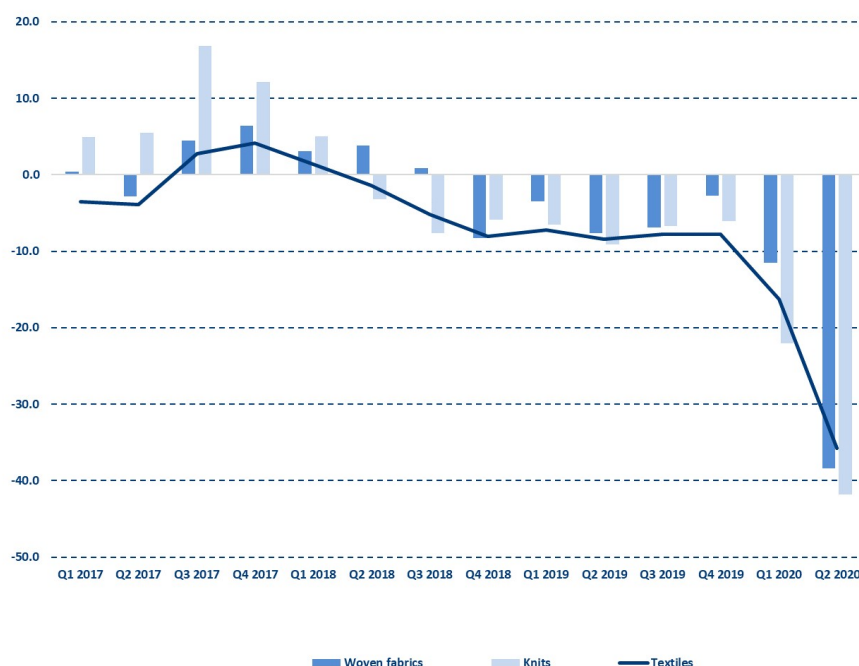
Starting in March the industry was struck by the outbreak of the COVID-19 pandemic and, consequently, by the Prime Minister's Decree mandating the lockdown of all economic activities, with only a few rare exceptions in the textile industry. According to ISTAT data, in March and April, manufacturing (adjusted for calendar effects) of woven fabrics decreased by -34.0% and -73.1%, respectively, and knits were down -55.5% and -85.1%, respectively, in the same period. When activities reopened in May, manufacturing kicked off again compared to April, but remained significantly lower than the value recorded in May 2019. Woven fabrics posted a -14.6% reduction and knits -19.3%. In June, there was another decrease in the manufacturing index with woven fabrics down -31.3% compared to June 2019, and knits down -33.0%.

Fig. 3 shows, on a quarterly basis, the performance of the industry in the January-March span with a reduction totaling -11.5% for woven fabrics and -22.1% for knits. In the same period, the textile industry as a whole dropped -16.3%. In the second quarter, the reduction was -38.4% for woven fabrics and -41.8% for knits.

Considering the values of the first part of the year, the ISTAT manufacturing index recorded a decrease of -25.1% for woven fabrics and -31.7% for knits on a six-monthly basis, while the textile industry as a whole dropped -26.0%.

In the first half of 2020, the ISTAT manufacturing index recorded a -25.1% reduction in woven fabrics and a -31.7% fall rate in knits

**Fig. 3 - Textiles: ISTAT manufacturing index (adjusted by calendar effects;
basis year 2015=100), Q1 2017 – QII 2020**
(% trend variation)



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

In terms of foreign trade performance, in the January-May span (the most recent data available), exports fell by -34.4% and imports by -24.9%. By way of comparison, in the January-May period the Textile-Apparel industry recorded a drop of -25.8% in exports and -22.6% in imports. Similar rates are reflected both in the Textiles macro-sector and in the Fashion/Apparel sector.

As for textiles, in the January-May 2020 period, the trade balance amounted to euro 500 million, down approximately euro 356 million compared to the surplus recorded in the same period of 2019.

Apart from the figures regarding the first five months of 2020, it is very important to focus attention on the events that have occurred from month to month after the outbreak of the COVID-19 pandemic. After the first two months of 2020, which closed (as already mentioned) with a "limited" drop of -3.4%, exports of fabrics in March dropped by -23.9% and in April by -76.7%. On the other hand, imports of fabrics decreased by -28.2% in March and by -51.1% in April. In May, exports of textiles, although negative, showed a slowdown in the fall rate to -46.6%, while imports recorded a -43.5% reduction.

Average projections for the textile industry are therefore negative - as can be expected - but with different rates in the segments considered in this analysis, i.e. knits and woven fabrics with a prevalence of natural fibers (see Note 1 in Fig. 2). Exports of wool fabrics recorded the largest drop (-43.4%) in the first five months of the year. More specifically, worsted

In the January-May 2020 span, exports dropped -34.4% and imports -24.9%

In the same period, the trade balance was down more than euro 350 million compared to the first five months of 2019

wool fabrics were down -47.2%, and combed wool fabrics -41.4%. In terms of volume, exports of wool fabrics also fell by -46.0% (resulting from a -48.8% reduction in worsted wool and -41.3% in combed wool). In the same period, exports of cotton and linen fabrics dropped -34.5% (-30.7% in volume) and -22.4% (-26.4% in volume), respectively. Pure silk decreased by -34.6% in value and -40.8% in volume (with a slightly worse performance compared to silk). Finally, knits were down -23.9% (-22.9% in volume).

As for imports, wool fabrics fell by -21.1%, and specifically worsted wool was down over -17.0% and combed wool -21.7%. Imports of knits dropped by -22.9%. Imports of cotton fabrics fell by -23.8%, while linen fabrics showed the worst performance with a -43.9% reduction. Pure silk too, recorded a downtrend at -29.4%.

The geographic breakdown of exports reveals that in the first five months of 2020, sales of textiles decreased both in the EU and non-EU countries at rates above -30%; intra-EU sales (equal to 49.2% of total exports) dropped -32.1% and non-EU sales were down -36.5%.

The performance by individual markets (Fig. 4.2) shows a poorly differentiated picture as a result of the global impact of Covid-19.

A minimum distinction can be made for those countries that in the January-May 2020 span recorded a reduction limited to less than -30% compared to the same period of 2019 and the ones which recorded higher fall rates, i.e. higher than -30% or even higher than -40%. Among the first group there were actually only a few countries, namely Germany (-25.0%), France (-26.7%) and Poland (-26.5%) with definitely lower levels. Export drops ranging from -30% and -39.9% concern Romania (-37.4%), the United States (-34.7%), Tunisia (-36.3%), Spain (-33.7%), the UK (-32.5%) and Morocco (-34.6%). The other countries ranking among the first 15 by exports of Italian textiles recorded fall rates exceeding -40%. These were China (-41.6%), Japan (-41.9%), Portugal (-46.5%), Bulgaria (-42.8%) and Turkey (-41.3%). The black flag is, however, attributed to Hong Kong, which recorded -51.5%.

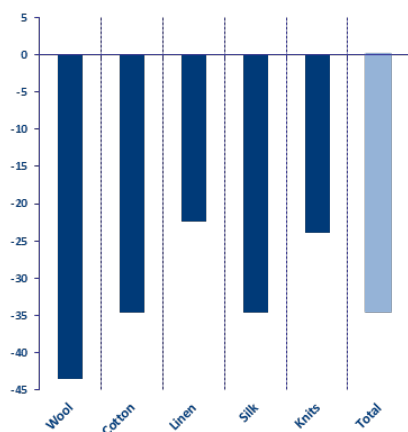
In the January-May 2020 span, imports were mainly concentrated in the non-EU countries (69.4%) and also recorded fall rates in both macro-areas. Imports from the EU countries were down -23.5% and from the extra-EU countries -25.4%. Considering the analysis of the markets of origin of textiles imported to Italy, there is a greater differentiation, especially in the case of countries that are less relevant in terms of value of imported fabrics compared to the data concerning the outlet markets.

All the segments considered in this analysis recorded significant reductions: from -22.4% for linen to -43.4% for wool

In the January-May span, all the main markets for Made-in-Italy textiles recorded significant reductions

Fig. 4 – Exports of Italian textiles (*)
(January-May 2020)

4.1) The segments
(% trend variation)



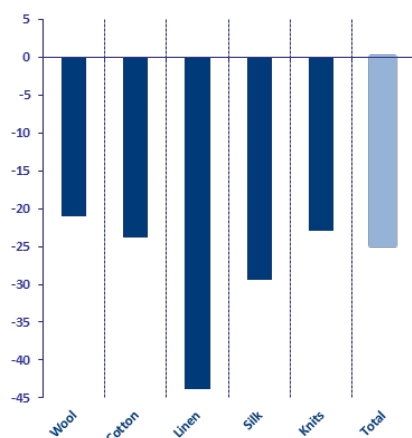
4.2) The export markets for Italian textiles

Countries of destination	Euro mln	% Var.	% on total
Total	986	-34.4	100.0
<i>of which:</i>			
Intra EU-27 post Brexit	485	-32.1	49.2
Extra EU-27 post Brexit	501	-36.5	50.8
The top 15 customers			
Germany	101	-25.0	10.2
France	85	-26.7	8.6
Romania	70	-37.4	7.1
China	53	-41.6	5.3
United States	48	-34.7	4.9
Tunisia	42	-36.3	4.2
Japan	38	-41.9	3.9
Spain	38	-33.7	3.9
Portugal	37	-46.5	3.7
Bulgaria	34	-42.8	3.4
Turkey	34	-41.3	3.4
United Kingdom	33	-32.5	3.4
Poland	31	-26.5	3.2
Hong Kong	26	-51.5	2.7
Morocco	22	-34.6	2.3

Source: Confindustria Moda on ISTAT; (*) – See Note 1 Fig 2

Fig. 5 – Imports of Italian textiles (*)
(January-May 2020)

5.1) The segments
(% trend variation)



5.2) The import markets for Italian textiles

Countries of origin	Euro mln	% Var.	% on total
Total	488	-24.9	100.0
<i>of which:</i>			
Intra EU-27 post Brexit	149	-23.5	30.6
Extra EU-27 post Brexit	339	-25.4	69.4
The top 15 suppliers			
China	128	-25.3	26.3
Turkey	84	-33.5	17.2
Pakistan	40	-25.0	8.3
Czech Republic	35	-25.3	7.1
Germany	27	-18.9	5.5
Hungary	15	-12.5	3.2
Spain	14	-23.1	2.9
United Kingdom	14	-7.6	2.9
Romania	13	-24.7	2.6
Japan	10	-10.9	2.1
France	10	-7.2	2.1
South Korea	10	-0.4	2.0
Egypt	9	-32.7	1.8
India	8	-26.4	1.7
Serbia	6	6.0	1.3

Source: Confindustria Moda on ISTAT; (*) - See Note 1 Fig 2

In any case, China, which alone accounts for 26.3% of semi-finished product imports, decreased by -25.3%. Similar (albeit lower) fall rates concerned Pakistan (-25.0%), the Czech Republic (-25.3%), Romania (-24.7%) and India (-26.4%). The list also includes supplier countries that recorded significant but less severe contractions. Among these are Germany (-18.9%), Hungary (-12.5%), the United Kingdom (-7.6%), Japan (-10.9%), France (-7.2%), South Korea (-0.4%) and, finally, Serbia (+6.0%). The worst import performance was recorded for Turkey (-33.5%) and Egypt (-32.7%).

The data above reflect a snapshot taken for the first part of the year, while expectations on the second part, which opens with the new edition of Milano Unica, remain cautious. On the basis of the survey carried out by Confindustria Moda on a sample of member companies, companies operating in the "upstream" portion of the supply chain (including weaving mills) expect - practically unanimously - to close out the year in the red; only 14% of them expect the decline to be within -20%.

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Imports of fabrics from China (accounting for 26.3% of total imports) dropped by -25.3% in the first five months of 2020