SUMMARY OF THE ECONOMIC REPORT ON THE ITALIAN TEXTILE INDUSTRY IN 2021

ACCORDING TO CONFINDUSTRIA MODA'S RESEARCH CENTER ESTIMATES, MADE IN ITALY TEXTILES ARE EXPECTED TO CLOSE 2021 WITH TOTAL SALES AT JUST OVER EURO 5.8 BILLION (+9.6% ON A Y-O-Y BASIS), STILL BELOW PRE-PANDEMIC LEVELS. IN ADDITION, THE PERFORMANCE OF THE INDUSTRY IN THE SECOND HALF OF 2021 WAS SIGNIFICANTLY IMPACTED BY PRICE INCREASES AND DIFFICULTIES IN RAW AND SEMI-FINISHED MATERIALS PROCUREMENT, AS WELL AS THE SURGE IN ENERGY PRICES. DESPITE THIS, THE TEXTILE TRADE BALANCE RECORDED A SURPLUS OF EURO 1,740 MILLION. CHINA-HONG KONG, WITH A TOTAL OF APPROXIMATELY EURO 244 MILLION IN EXPORTS, CONFIRMS ITS STANDING AS THE FIRST EXPORT MARKET FOR ITALY, FOLLOWED BY FRANCE.

According to the estimates published by Confindustria Moda's Research Center, in 2021 the overall performance of Made-in-Italy textiles (including wool, cotton, linen, silk and knits) showed a comprehensively positive trend compared to 2020. In fact, Made-in-Italy textiles are expected to close 2021 with total sales at just over Euro 5.8 billion (+9.6% on a y-o-y basis). However, this represents only a partial recovery compared to the pre-pandemic period, as total sales were down -23.0% vs 2019.

In the second half of 2021, in addition to market uncertainties, there were also price increases and difficulties in raw and semi-finished materials procurement, along with a surge in energy prices. All these factors affected business operations and many of the segments considered in this analysis.

Textiles, accounting for 11.1% of total sales generated by the Textiles-Fashion Apparel supply chain, recorded a surplus equal to approximately 13.5% of the overall trade balance of the entire supply chain.

As for employment, despite the extensive use of the Covid-19 redundancy fund by companies, in 2021 there were reductions in the workforce employed in the textile industry. All the segments considered in this analysis have been affected by a positive change of

pace in the period in question even if with enormously differing performances compared to 2020. Greater concerns about the recovery were observed in the performance of wool fabrics, both carded and worsted, and silk fabrics. Conversely, knits and linen recorded very positive trends and their performance is expected to exceed 2019 levels.

In 2021, the performance of trade "from" and "to" Italy showed a reversal of the trend against the heavily negative results recorded in 2020. Exports are expected to post a performance equal to +11.2% over the twelve months, and imports +14.7%. Total exports are projected to reach nearly Euro 3,350 million (up approximately Euro 340 million vs 2020, but still down approximately Euro 770 compared to 2019), while imports would total around Euro 1,600 million.

Given the aforementioned trade performance, the trade surplus for the industry would increase by almost Euro 130 million over 2020, totaling Euro 1,740 million.

Imports and exports in the first ten months of 2021

The analysis on imports and exports reveals that in the January-October 2021 period exports – after the -28.5% reduction recorded in the first 10 months of 2020 – grew by +13.3%. Therefore, exports totaled slightly over Euro 2,340 million, gaining approximately Euro 274 million of the over Euro 800 million lost during the previous year. The comparative analysis with 2019 shows that exports of Italian textiles show a -19.0% gap, equal to Euro 550 million in absolute terms. Concurrently, imports also recorded a positive trend of +19.6%.

In January-October 2021, France was the first export market, with a +15.3% increase, accounting for 8.3% of total exports. Germany ranked second, reflecting a -6.5% drop in sales. China rose to the third position with +37.6% in the period in question, accounting for 7.1%, not far behind Germany. Hong Kong ranks eleventh despite a +29.6% growth rate, and the combined China-Hong Kong region, accounting for approximately Euro 244 million in terms of exports of fabrics, confirmed to be the biggest export market, ahead of France. Insofar as the Iberian Peninsula, direct sales to Spain and Portugal registered an increase of 42.8% and 22.2%, respectively. The top export market analysis also revealed that exports to Tunisia and Turkey grew by +8.9% and +14.2%, respectively. Outside Europe, the USA was up +36.7%.

Moving on to the analysis of imports, characterized by a high concentration in the extra-EU countries from a geographic standpoint (71.3%), Turkey and China remained the top two suppliers. With an incidence of 25.8% on total imports, Turkey grew by +41.8% in the January-October 2021 period, while China, after more than a decade, fell to the second position at 22.0%, with a +9.5% increase.

With reference to the other minor partners, all with values equal to or lower than 8.0%, performances are mainly positive. Imports from Pakistan rose by +12.6%, Germany +20.1%, Hungary +16.2%, and Spain +28.0%. The Czech Republic instead showed a reduction equal to -25.6%.

The export market scenario before the pandemic

In addition to the 2020 comparative performance data of the main markets for Italian textiles, the comparison with pre-pandemic levels is also interesting. In fact, even if some of the above-mentioned markets managed to regain ground from the slide caused by the pandemic, many have not yet fully closed the gap. More specifically, if we limit the analysis to the top ten markets, only Spain showed an increase of +15.0% over the January-October 2019 period. China recorded a negative performance, limiting the reduction to -7.0%. Similarly, France posted a -10.0% drop. Exports to the USA were -18.0% lower than pre-pandemic levels. There is greater concern about the other markets showing reductions in the order of -28.5% (Hong Kong) and -20.8% (Tunisia, Turkey and Bulgaria, albeit with different absolute values).

The complete economic note – in Italian and in English – is available for download in the Media section of Milano Unica's website at **www.milanounica.it**

Data processed by Confindustria Moda's Research Center