

IN THE JANUARY-MARCH 2023 TIME SPAN, EXPORTS OF FABRICS RECORDED A DOUBLE-DIGIT INCREASE (+13.8%) ALTHOUGH WELL BELOW THE INCREASE IN THE SAME PERIOD OF 2022 (+46.2%). IN THE PERIOD, EXPORTS OFFSET BOTH THE PERFORMANCE OF FABRIC MANUFACTURING AND IMPORTS. ACCORDING TO THE ISTAT INDUSTRIAL PRODUCTION PRICE INDEX, WOVEN FABRICS FELL BY -19.8% AND KNITS WERE DOWN BY -11.5%, WHILE IMPORTS DROPPED BY -21.4%. AS A RESULT OF THE SHORT-TERM DIVERGING TREND BETWEEN IMPORTS AND EXPORTS, THE INDUSTRY'S TRADE BALANCE TOPPED EURO 517 MILLION, UP APPROXIMATELY EURO 225 MILLION AGAINST THE SURPLUS RECORDED IN THE SAME PERIOD OF 2022. ALONG WITH THIS POSITIVE TREND, IT SHOULD ALSO BE NOTED THAT THE COMPARISON BETWEEN Q1 2023 AND Q1 2019 RESULTS SHOWS GROWTH RATES BOTH FOR EXPORTS (+15.2%) AND IMPORTS (+7.7%). THE POSITIVE PERFORMANCE OF EXPORTS, VISIBLE ACROSS ALL PRODUCT CATEGORIES SURVEYED BY THE CONFINDUSTRIA MODA STUDY CENTER, WAS DRIVEN BY CARDED AND WORSTED WOOLEN FABRICS (+37.9%) AND PURE SILK FABRICS (+19.5%). FRANCE AND GERMANY, REPRESENTING THE FIRST AND SECOND LARGEST EXPORT MARKETS, ROSE +13.7% AND +13.5%, RESPECTIVELY; CHINA AND HONG KONG, DESPITE THE LATTER'S SHARP DECLINE, RANKED THIRD, WHILE THE UNITED STATES RECORDED A -12.5% DROP.

1. The industry balance in 2022

Made-in-Italy textiles (including wool, cotton, linen, silk and knits) closed 2022 with positive figures, recording a +29.6% growth rate on an annual basis. Overall sales totaled Euro 7.9 billion, up Euro 1.8 billion in absolute value compared to 2021. The positive estimates released by the Confindustria Moda Research Center last February on the occasion of the previous edition of Milano Unica, showing a +32.4% forecasted recovery, have thus been confirmed, albeit with a slightly slower pace of growth. The industry's recorded performance in 2022 exceeded pre-Covid levels, with an increase of Euro 367 million in absolute value over 2019.

In 2022, Made-in-Italy textiles recorded a positive performance with a +29.6% increase. Total sales reached Euro 7.9 billion

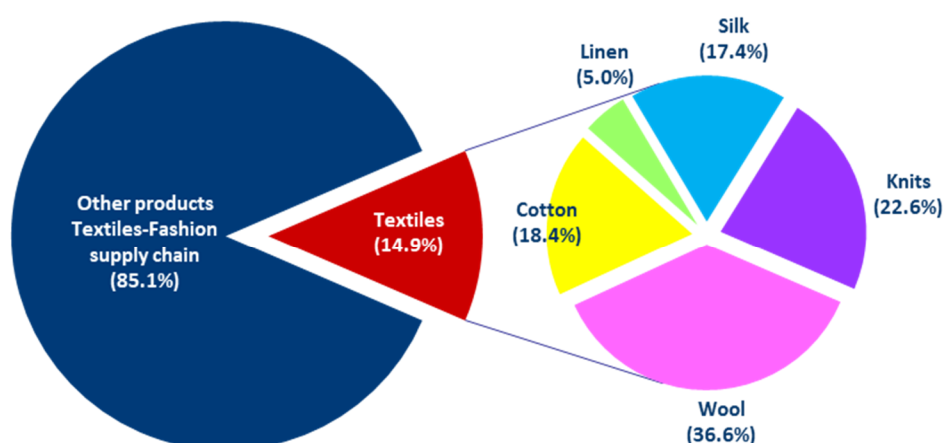
Table 1 – The Italian textile industry (2017-2022)⁽¹⁾
(Euro millions)

	2017	2018	2019	2020	2021	2022
Sales	7 882	7 947	7 555	5 307	6 115	7 922
Var. %		0.8	-4.9	-29.7	15.2	29.6
Value of production	6 025	6 041	5 711	4 049	4 688	6 043
Var. %		0.3	-5.5	-29.1	15.8	28.9
Exports	4 322	4 305	4 121	3 009	3 474	4 483
Var. %		-0.4	-4.3	-27.0	15.4	29.0
Imports	2 003	1 889	1 868	1 401	1 705	2 339
Var. %		-5.7	-1.1	-25.0	21.8	37.2
Trade balance	2 319	2 416	2 253	1 609	1 768	2 144
Apparent consumption	3 706	3 625	3 457	2 440	2 919	3 899
Var. %		-2.2	-4.6	-29.4	19.6	33.6
Structural indexes (%)						
Exports/Sales	54.8	54.2	54.5	56.7	56.8	56.6

Source: Confindustria Moda on ISTAT data and internal surveys

(1) Silk, wool, cotton, linen and knits

Figure 1 – The role of textiles in the Italian Textile-Fashion production chain (2022)
(% on sales)



Source: Confindustria Moda

Textiles play an important role in the Italian Textile-Fashion supply chain, accounting for 14.9% of overall sales (see Figure 1). However, the incidence rises to 37.5% if we restrict the analysis to the "upstream" part of the supply chain only (34.6% in 2021).

Considering the analysis, the main segment is wool milling, making for 36.6% of total sales. Knits come in second with 22.6%, followed by cotton with 18.4% and silk with a share of 17.4%. Finally, linen recorded an incidence of 5.0%. Compared with 2021 values, only wool gained ground.

All segments performed positively. Wool was the only one to outperform the industry average, registering a +39.4% growth rate, followed by silk, up +28.2%.

Cotton fabrics and knits both grew about +23% and linen was up +21.6%.

In 2022, the value of production (whose projections the Confindustria Moda Research Center calculates separately, considering the value of total sales net of the portion deriving from the sale of imported products), showed a positive performance, substantially in line with overall sales and equal to +28.9%.

The domestic market, estimated by the "apparent consumption" projections, recorded strong growth (+33.6%), sufficient to exceed 2019 figures. It should be noted that all segments considered recorded positive increases in the domestic market.

In 2022, the performance of trade "from" and "to" Italy showed a +29.0 increase, totaling approximately 4.5 billion. Exports rose by one billion versus 2021, up +8.8% compared to 2019 (+ Euro 362 million in absolute value).

In 2022, Made-in-Italy textiles made for 14.9% of total sales in the Italian Textiles-Fashion supply chain

All segments in the industry showed marked upturns in turnover

Apparent consumption recorded a sharp increase of +33.6%

In 2022, exports rose +29.0% on an annual basis...

Concurrently, imports showed an equally interesting increase of +37.2% (+Euro 634 million in absolute value) totaling Euro 2.3 billion. Imports were up +25.2%, i.e. + Euro 471 million, versus 2019.

As a result, the trade surplus for the industry was equal to Euro 2,144 million, up Euro 376 million compared to 2021, but still below the value recorded in 2019. It should be noted that the quota of Made-in-Italy textiles made for 21.8% of the trade balance of the Textile-Fashion supply chain (just over Euro 9.8 billion).

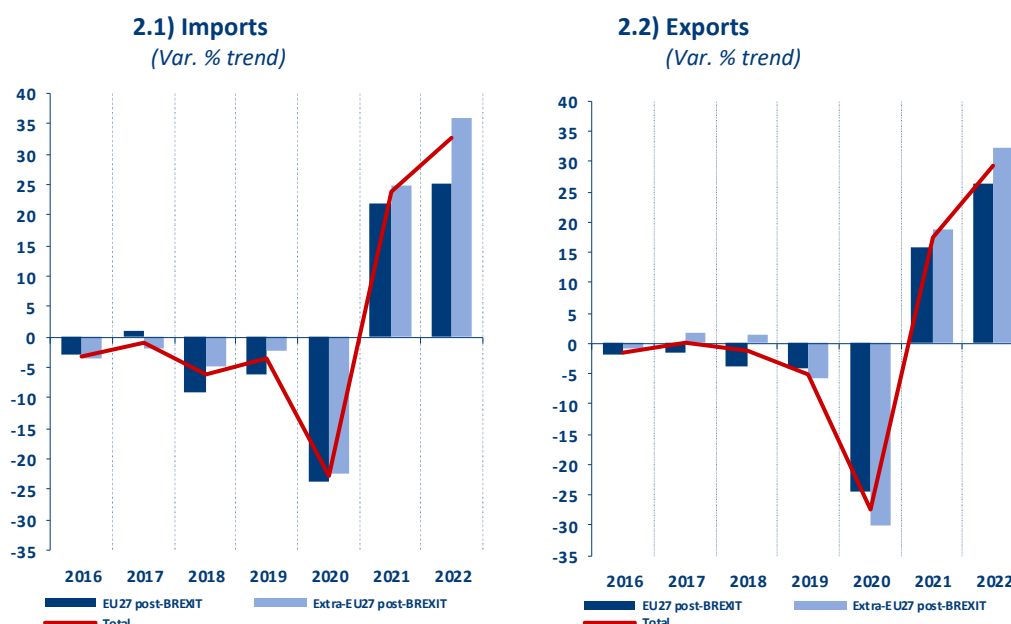
In 2022, as shown in Figure 2, an analysis of exports from a geographic perspective reveals that the EU (post-Brexit) and the extra-EU markets maintained the favorable trend recorded last year. In particular, the EU markets recorded a +25.1% year-on-year increase in the case of imports and +26.3% in the case of exports. The extra-EU markets recorded greater changes. Imports of textiles from extra-EU countries rose by +35.8% and exports to extra-EU markets also grew by +32.2% (it should be noted that, as specified in the Note of Figure 2, only fabrics with a percentage of natural fiber above 50% were considered, thus excluding blends and synthetic fibers, which may result in a discrepancy with the figures shown in Table 1).

... imports
were up
+37.2%

The trade surplus
exceeded Euro
2,144 million,
making for 21.8%
of the Textile-
Fashion surplus

The geographic
breakdown of
exports showed
positive
performances for
both EU and extra-
EU markets.
Similar trends
were recorded for
imports

Figure 2 – Textile exports and imports: breakdown by geographic macro-area⁽¹⁾
(January-December 2016-2022)



⁽¹⁾ The products analyzed here represent a sub-group (including only woven fabrics with at least 50% natural fiber) of those used to calculate 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 data

To complete the overall picture, with reference to employment, despite the favorable balance of the industry, in 2022 the industry recorded a reduction in the employment rate. The industry registered a negative performance, with a 1.9% decrease in the workforce (ATECO code 13.2 – Source: Milan Chamber of Commerce). Based on data from the same source, a greater reduction of -6.7% was recorded in the number of active companies compared to 2021.

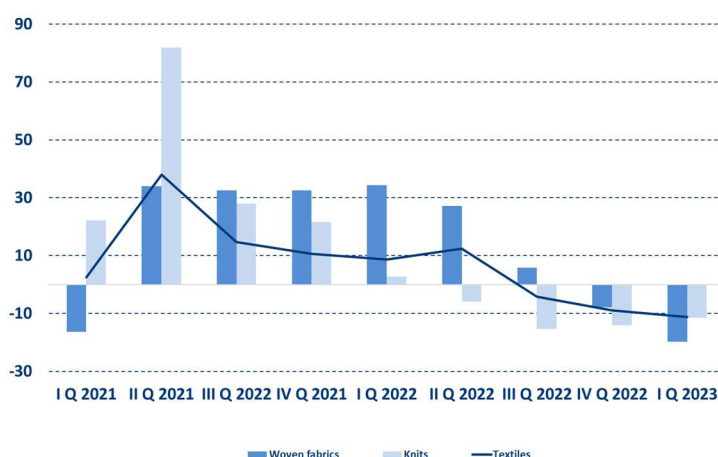
2. Made-in-Italy fabrics in the first half of 2023

2022 had started off with very favorable indicators for Made-in-Italy textiles, while the performance of the industry in 2023 seems to be less positive, as shown by production and imports data. Production was again affected by a negative dynamic; foreign trade remained positive only for exports, while imports showed a reduction. A slowdown in growth was almost inevitable if not physiological, as the last few years were marked by significant rebounds resulting from the decidedly penalizing performances recorded during the period of the pandemic.

Based on ISTAT surveys of industrial production (adjusted for calendar effects), woven fabrics fell by -19.8%, well off the +34.3% increase recorded at the end of the first quarter of 2022. The negative performance recorded in the last quarter of 2022 (-7.9%) was therefore confirmed. Knits followed a similar trend: in the first quarter of 2022, knits rose +2.7%, while in the first quarter of 2023 they dropped by -11.5%.

Based on the latest data, in April 2023 both woven fabrics and knits recorded a negative performance, worse than their first quarter results. Woven fabrics were down -19.1% and knits recorded a -29.2% reduction.

**Figure 3 - Textiles: ISTAT index of industrial production (adjusted for calendar effects
Base year 2015=100), I Q 2021 – I Q 2023**
(Var. % trend)



Source: Confindustria Moda on ISTAT data (ATECO code 2007 CB13, CB132, CB1391)

with a less positive performance than 2022: in the first quarter, the ISTAT index on industrial production regarding woven fabrics and knits showed reductions compared to the previous January-March 2022 period

In April, production activities remained negative

In the January-March 2023 time span (the latest data available to date), exports showed a double-digit increase (+13.8%); imports instead decreased by -21.4% (in the first quarter of 2022 they soared +65.7%).

A comparison of the above figures with the values recorded in the first quarter of 2019 shows that both exports and imports were up, by +15.2% and +7.7%, respectively.

As a result of the divergent performance of imports and exports in the January-March 2023 period, the industry's trade balance topped Euro 517 million, up approximately Euro 225 million compared to the surplus in the corresponding period of 2022.

On average, the performance of exports was comprehensively positive with, however, different rates for each of the individual categories considered in this analysis, namely knits and woven fabrics with a percentage of natural fibers above 50% (see Note 1 of Figure 2).

Exports of woolen fabrics (carded and worsted) recorded significant growth (+37.9%); pure silk fabrics followed with +19.5% in the January-March period considered here. Exports of linen fabrics and knits were up, +14% and +7.1%, respectively. Finally, overseas exports of cotton fabrics grew to a lesser extent, by +0.6 in the first three months of 2023.

A comparison with pre-Covid Q1 2019 figures reveals that exports were higher in all categories except for cotton fabrics, which remained just below 2019 levels -0.7%. Linen and woolen fabrics exceeded pre-Covid values by +35.0% and +36.7%, respectively. Silk fabrics recorded +13.8% and knits +8.5%.

The analysis of imports shows a negative performance of all categories except for wool, which was up sharply (+51.0%). Silk fabrics fell considerably, by -36.1%, and linen by -32.6%. Imports of knits and cotton fabrics were down by -27.2% and -21.0%, respectively.

As is true for exports, a comparison with pre-Covid Q1 2019 values reveals that imports were higher for all categories except for silk, still down by -31.1%. Linen was instead up +26.3%, and knits and wool rose +18.6% and +14.9%, respectively. Lastly, cotton fabrics grew by +6.3%.

From a geographic standpoint, in the January-March 2023 time span, exports of Made-in-Italy textiles performed positively both in the EU and extra-EU markets. Exports to EU countries (accounting for 49.0% of total exports) rose +12.7%, while exports to extra-EU countries were up by +14.9%.

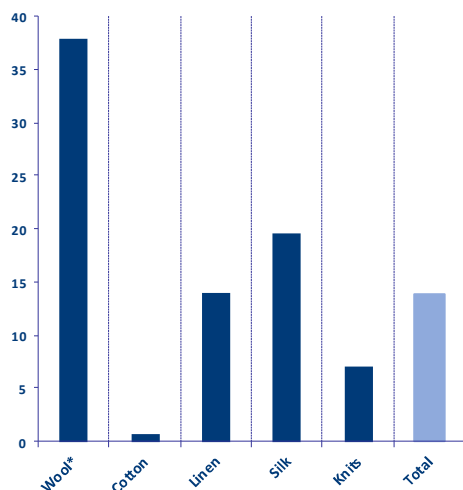
In the first quarter of 2023, exports rose +13.8% on a year-on-year basis while imports were down by -21.4%

All categories were up in exports....

... but only wool recorded a +51.0% growth rate in imports, while all the remaining categories registered a negative trend

Figure 4 – Exports of Made-in-Italy textiles^(*)
(January-March 2023)

4.1) Segments
(Var. % trend)



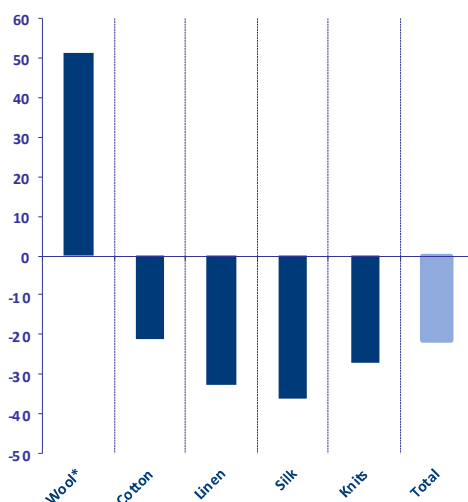
4.2) Export countries

Export countries	Euro mln	Var. %	% on total
Total	929	13.8	100.0
<i>of which:</i>			
EU27 post-Brexit	455	12.7	49.0
Extra-EU27 post-Brexit	473	14.9	51.0
The top 15 export countries			
France	88	13.7	9.4
Germany	79	13.5	8.5
Romania	57	14.3	6.2
Tunisia	57	33.5	6.1
Turkey	53	52.5	5.7
China	50	7.3	5.4
Portugal	43	45.2	4.7
Spain	42	-1.2	4.5
USA	41	-12.5	4.4
Bulgaria	32	9.1	3.4
Poland	24	-1.3	2.6
Japan	23	51.6	2.5
Morocco	22	25.8	2.4
UK	21	-1.5	2.3
Croatia	21	100.5	2.2

Source: Confindustria Moda on ISTAT data; ^(*) – See Note 1 of Figure 2

Figure 5 – Imports of Made-in-Italy textiles^(*)
(January-March 2023)

5.1) Segments
(Var. % trend)



5.2) Import countries

Import countries	Euro mln	Var. %	% on total
Total	412	-21.4	100.0
<i>of which:</i>			
EU27 post-Brexit	149	5.2	36.2
Extra-EU27 post-Brexit	263	-31.3	63.8
The top 15 import countries			
China	89	-45.1	21.6
Turkey	69	-37.3	16.7
Germany	35	16.2	8.6
Pakistan	34	-9.8	8.4
Czech Republic	30	42.8	7.3
Spain	19	18.7	4.7
Japan	10	33.3	2.5
Egypt	10	3.3	2.4
France	9	-2.3	2.3
UK	8	62.2	1.9
India	7	-25.4	1.6
South Korea	7	-28.8	1.6
Hungary	6	-37.3	1.6
Denmark	6	6.7	1.5
Portugal	6	12.9	1.4

Source: Confindustria Moda on ISTAT data; ^(*) - See Note 1 of Figure 2

An analysis of the performance of the individual export markets (see Figure 4.2) shows that France and Germany, the first and second markets, grew by +13.7% and +13.5%, respectively, making for 9.4% and 8.5% in total sales. In third place, with a +14.3% increase, is Romania, while Tunisia (+33.5%) and Turkey (+52.5%) recorded substantial upswings.

As to China, the sixth export market, exports of Made-in-Italy textiles showed a positive variation of +7.3%, although Hong Kong slipped to the nineteenth position with a -19.3% reduction. However, if taken together, exports to China and Hong Kong, amounting to Euro 67.2 million, would rank third after France and Germany.

Considering the list of the top 15 export markets by value for Made-in-Italy fabrics, Portugal, in the eighth position, recorded a +45.2% increase, followed by Spain, which, however, showed a -1.2% decrease. Taken together, the Iberian countries made for nearly Euro 85 million (accounting for 9.1% of the total), only Euro 3 million less than France, which leads the ranking.

The United States recorded a -12.5% decline, totaling Euro 41 million (4.4% on the total). The only other two markets among the top fifteen to be marked by a negative performance are Poland (-1.3%) and the United Kingdom, down -1.5% for a total of Euro 21 million (2.3% on the total).

Beyond the rather buoyant performance of many export markets among the top 15, it is also interesting to make a distinction between the markets that have reached or exceeded the levels of the first quarter of 2019 and the markets still showing a gap. From a geographic standpoint, both the EU and extra-EU markets have exceeded pre-Covid values by +20.4% and +10.5%, respectively.

A country-by-country breakdown shows that exports to France were up +39.3% against the first quarter of 2019 while exports to Germany and Romania rose by +10.1% and +1.3%, respectively. Increases over 50% were recorded for exports to Tunisia and Turkey. Export markets for Made-in-Italy textiles still below pre-pandemic levels include the United States (-12.9%), Japan (-22.7%), the UK (-32.4%) and, last but definitely not least, Hong Kong (-39.5%). As anticipated, imports in the first quarter of 2023 recorded a negative performance. Extra-EU markets in particular were down -31.3%. The analysis by import countries showed a concentration in the extra-EU markets (63.8%) while EU markets made for 36.2% on imports, up +5.2%.

The analysis of the import markets showed peculiar and often diverging trends. China, despite a -45.1% plunge, maintained the first position with a 21.6% share of total imports. Turkey came in second with a -37.3% drop and a 16.7% share of semi-finished textiles. Germany followed with a +16.2% increase, overtaking Pakistan, down -9.8%.

In the January-March 2023 period, exports of Made-in-Italy fabrics rose in all export markets...

... with the exception of Spain, the US, Poland, the UK and Hong Kong

In the first quarter of 2023, imports from China (21.6% of the total) fell by -45.1%; Turkey, making for 16.7% of the total, also dropped -37.3%

Sharp upturns were recorded by the Czech Republic (+42.8%), Japan (+33.3%) and the UK (+62.2%). Conversely, France lost ground, but limited its reduction to -2.3%. Three other countries, with an incidence of 1.6% each on total imports, also registered downturns: India (-25.4%), South Korea (-28.8%) and Hungary (-37.3%)

Beyond the first indications regarding 2023, which should be considered with caution given the limited period examined, Italian textile producers are currently operating in a general context that is far from easy. A context that is made even more complex by the rising trend in costs (both of textile raw materials and energy costs, which obviously have a heavy impact on production activities that employ industrial equipment such as looms), and geopolitical tensions. The upsurge in demand after the post-pandemic rebound is, therefore, coming up against soaring costs and inflation, forcing operators to overcome yet another obstacle in order to remain competitive and efficient in the short and medium term.

The appointment with Milan Unica will prove to be a significant litmus test of the current situation and the medium-term prospects that are opening up for the industry. A fuller understanding of the orientations of the major industry players/buyers will make it possible to develop better projections on the evolution of Made-in-Italy textiles in the months to come.

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