ITALIAN WOMEN'S FASHION IN 2019-2020

Notes by Confindustria Moda - Centro Studi for SMI Sistema Moda Italia Federazione Tessile e Moda

The preliminary balance sheet for 2019

Following the slowdown in growth that plagued the Italian women's fashion industry (for our purposes, understood as inclusive of fabric outerwear, knitwear, shirts, and leather apparel) over the course of 2018, in 2019 it returned to offering spirited performances on the international markets for most of the year.

According to preliminary analyses processed by Centro Studi of Confindustria Moda for SMI, industry growth is expected to have expanded by +2.7% in 2019 and, consequently, to have generated about 13.7 billion euro in sales. With these figures, women's fashion would have accounted for ca. 24.5% of the year's total Italian Textile-Fashion turnover.

According to the preliminary balance sheet, Italian women's fashion should close the year 2019 up by an estimated +2.7%.

As the Italian women's fashion industry balance-sheet shows, the sector's primary driving force came from demand on the foreign markets, while domestic sales remained below par. The overall rate of growth on the foreign markets was higher than it was in 2018; the figures for domestic consumption, while on the average showing improvement with respect to 2018, nonetheless carried a minus sign through the year, from start to finish.

Table 1 – The Italian Women's Fashion Industry (2014-2019*)
(millions euro at current value)

	2014	2015	2016	2017	2018	2019*
Sales	12.465	12.760	12.937	13.216	13.341	**13.708**
% Var.		*2,4*	*1,4*	*2,2*	*1,0*	*2,7*
Value of production	7.703	7.655	7.725	7.848	7.705	**7.555**
% Var.		*-0,6*	*0,9*	*1,6*	*-1,8*	*-1,9*
Exports	7.354	7.721	7.936	8.207	8.460	**8.866**
% Var.		*5,0*	*2,8*	*3,4*	*3,1*	*4,8*
Imports	4.013	4.305	4.280	4.310	4.746	**4.983**
% Var.		*7,3*	*-0,6*	*0,7*	*10,1*	*5,0*
Trade Balance	3.341	3.416	3.657	3.897	3.714	**3.882**
End Consumption (**)	10.782	10.543	10.229	10.005	9.614	**9.388**
% Var.		*-2,2*	*-3,0*	*-2,2*	*-3,9*	*-2,3*
Structural Indicators (%)						
Exports/Sales	59,0	60,5	61,3	62,1	63,4	64,7

Source: ISTAT, Sita Ricerca, and survey data processed by Confindustria Moda
(*) – Estimates; (**) – Inventories and out-of-family consumption included.

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Although results inevitably varied, all the industry segments examined here are expected to have closed 2019 in the positive numbers. Differently from 2018, knit outerwear, shirts, and leather apparel abandoned their negative trends and once again enjoyed increases (especially knitwear and shirts; leather apparel's growth did not reach 1%); it is however estimated that fabric outerwear, although still positive, grew at slower rhythms in 2019 than in 2018.

The value of Italian production is estimated to have dropped by -1.9%.

The total value of production actually carried on in Italy (net revenues deriving from marketing of imported products), obtained by averaging the production dynamics of the single sub-sectors, is estimated to have dropped by about -1.9% in 2019.

The Italian women's fashion sell-out for the solar year is expected to have declined by -2.3%.

As regards the Italian market, Sita Ricerca data processed by Centro Studi of Confindustria Moda indicates that we should – once more – expect a new worsening of the women's fashion sell-out figures. After a Spring/Summer season result showing a -2.8% decrease, the rate of fall continued at a similar pace into the second part of the year, although consumption picked up in the month of December and buoyed up the fourth-quarter results; all in all, the estimate for the 2019 twelve-month period is for a drop of -2.3% on an annual basis.

For 2019, growth in exports is estimated at +4.8%, and growth in imports at +5.0%.

A look at the foreign markets shows, as mentioned above, that the favorable trend in exports of Italian women's fashion – which began in 2010 – was continuing, and what's more at an accelerating rate. In more detail, foreign sales during the year 2019 should close with a positive variation of +4.8% and thus amply exceed 8.8 billion euro. Imports of women's fashion are also expected to have increased to a value of about 5 billion thanks to growth estimated at +5.0%.

The industry trade surplus should top 3.85 billion euro.

Given the picture of trade flows into and out of Italy drawn above, the industry trade surplus should rise above 3.85 billion euro (for an estimated 160 million euro surge over the 2018 figure).

Foreign trade in the first ten months of 2019

From January through October 2019 , Italian women's fashion exports grew by +6.6%, while imports were up by +5.9%.

According to currently-available ISTAT data relative to the period from January through October 2019, foreign exchanges of women's fashion were still enjoying a positive course and an accelerating growth rate with respect to the same period of 2018. Italy's exports, in particular, would have increased by +6.6% while imports grew by +5.9%. In terms of value, sales abroad in the period in question climbed to more than 7.9 billion euro; at the same time, imports also increased to a total exceeding 4.9 billion.

The trade balance for the period was thus equal to 3 billion euro, up with respect to the surplus for the first ten months of 2018 (by 217 million euro).

Analysis of performance by geographic macro-areas shows a generalized positive evolution affecting both the EU and extra-EU areas. In terms of exports, sales within the EU grew by +6.2% (accounting for 50.5% of all Italian women's fashion industry exports), and exports to extra-EU countries increased by +7.0%. In the case of imports, goods incoming from EU countries were up by +9.1%; imports from extra-EU suppliers increased by +2.8% and so accounted for 49.1% of total incoming flows.

Intra- and extra-EU exchanges both enjoyed positive dynamics.

Within the average data by macro-area, it is worthwhile to analyze the single-country results, since they better reflect the trends on each market.

In the EU area, France, the top customer market for Made-in-Italy women's fashion, with an 11.3% share, showed a good positive variation of +8.1%. Second-place Germany, instead, slowed by -0.2%. Again in the EU area, sales to the United Kingdom grew by +12.2%, upping the country's share of the total to 7.3%; Spain about-faced again, to the tune of +10.3%. As far as the smaller markets (in terms of value of Italian womenswear exports) are concerned, Austria and Poland grew by +24.6% and by +2.1%, respectively. On the other hand, we saw contractions in the absorbance capacities of Belgium (-1.4%) and the Netherlands (-12.7%).

From January through October 2019, exports to France grew by +8.1%, to the U.K. by +12.2%, and to Spain by +10.3%.

Table 2 – Italian Women's Fashion (*): Country-by-Country Analysis of Foreign Trade
(January-October 2019)

1) Imports

Country of Origin	Millions Euro	*% Var.*	% Share
TOTAL	**4.917**	***5,9***	***100,0***
of which:			
Intra EU 28	*2.505*	*9,1*	*50,9*
Extra EU 28	*2.412*	*2,8*	*49,1*
Top 15 Supplier Countries			
China	892	*-1,7*	*18,1*
Spain	598	*86,1*	*12,2*
France	495	*-19,6*	*10,1*
Bangladesh	347	*8,4*	*7,1*
Romania	259	*-0,1*	*5,3*
Germany	246	*5,4*	*5,0*
Netherlands	202	*13,2*	*4,1*
Belgium	177	*1,2*	*3,6*
Turkey	150	*7,1*	*3,1*
India	121	*3,1*	*2,5*
Tunisia	119	*-2,8*	*2,4*
United Kingdom	109	*-6,9*	*2,2*
Bulgaria	92	*11,0*	*1,9*
Cambodia	89	*1,7*	*1,8*
Albania	77	*9,8*	*1,6*

2) Exports

Country of Destination	Millions Euro	*% Var.*	% Share
TOTAL	**7.962**	***6,6***	***100,0***
of which:			
Intra EU 28	*4.024*	*6,2*	*50,5*
Extra EU 28	*3.938*	*7,0*	*49,5*
Top 15 Customer Countries			
France	902	*8,1*	*11,3*
Germany	757	*-0,2*	*9,5*
Switzerland	725	*31,2*	*9,1*
United States	629	*11,4*	*7,9*
United Kingdom	581	*12,2*	*7,3*
Hong Kong	469	*-12,3*	*5,9*
Spain	416	*10,3*	*5,2*
Russia	392	*-6,7*	*4,9*
China	391	*14,1*	*4,9*
Japan	363	*12,1*	*4,6*
Austria	201	*24,6*	*2,5*
South Korea	187	*18,3*	*2,4*
Belgium	169	*-1,4*	*2,1*
Netherlands	154	*-12,7*	*1,9*
Poland	123	*2,1*	*1,5*

Source: ISTAT data processed by Confindustria Moda – Preliminary data subject to adjustment.
(*) Differently from Table 1, these aggregates include Junior products data.

On the extra-European markets, as was the case for the other sectors under the broad heading "Textiles, Fashion and Accessories," we saw vigorous growth for Switzerland which, with a +31.2% increase, jumped to third place; such performance by this market, which is first and foremost a logistics/sales platform for many fashion industry brands, provides clear testimony to the favor accorded to Italian women's fashion – and, specifically, the top luxury *griffes* – by the global market, on which the majority of the women's fashion in question will be redistributed.

In the extra-EU area, exports to Switzerland recorded a +31.2% increase.

Exports to the U.S. were up by +11.4%; the country absorbed 7.9% of total industry exports. Hong Kong was down by a significant -12.3%, although sales to China increased by +14.1%; despite the dichotomic results, summing China and Hong Kong gives us a total of upwards of 860 million euro; taken together, the two were second only to France in Italy's overall customer rankings. Also in the Far East, as in 2018 the results were positive for Japan, which closed the first ten months of 2019 up by +12.1%; in the same period, South Korea accelerated by +18.3%.

The U.S. market grew by +11.4%.

In Far East, exports to Hong Kong lost -12.3%, but we saw increases for China (+14.1%), Japan (+12.1%), and South Korea (+18.3%).

Against the tide as far as averages and the results for most of Italy's main trading partners go, exports to Russia, which in January-October 2018 had fallen by -1.4% with respect to the same period of the previous year, fell de novo in 2019, losing -6.7% in the first ten months and bringing the overall value of Italian sales to 392 million euro (equal to 4.9% of total industry exports).

Sales on the Russian market were down by -6.7%.

Turning to analysis of Italy's major supplier markets, imports from China were again preceded by a minus sign: although losing -1.7%, the country nevertheless accounted for 18.1% of Italy's total women's fashion imports in the period examined. The Chinese drop-off was offset by increases in incoming flows from the Netherlands (+13.2%) and Belgium (+1.2%), both of which countries are traditional ports of European entry for Asian goods.

On the supplier markets front, China, which provides ca. 18.1% of Italy's incoming women's fashion, was down by -1.7%. Imports from Spain increased significantly.

Thanks to especially good growth (+86.1%), Spain took over second place from France, which was down by -19.6%.

Continuing down the ranking of main suppliers to Italy, by value, we see Bangladesh with a +8.4% increase, while Romania and Germania were instead down by -0.1% and up by +5.4%, respectively. Incoming flows from Turkey (+7.1%) and from India (+3.1%) increased, but imports from Tunisia were down (-2.8%).

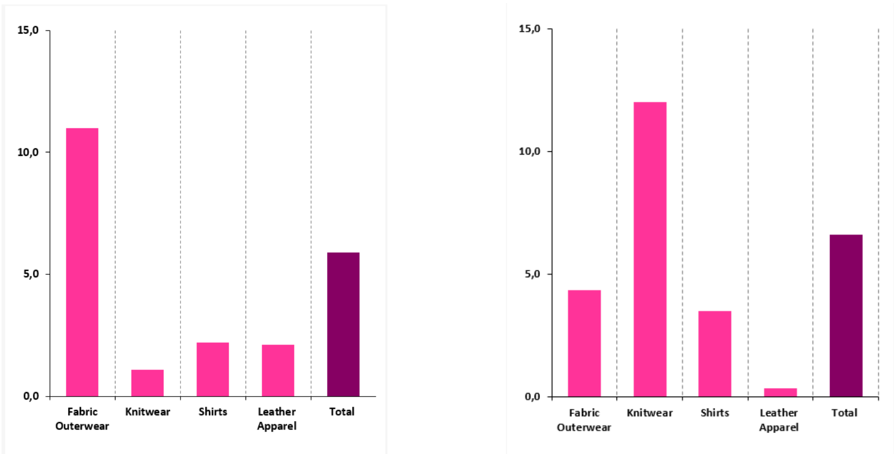
If we disaggregate the overall export data by product lines (see Fig. 1), we see that, in the first ten months of 2019, foreign sales results in the principal goods categories we monitored were all favorable, although to very different extents. Exports of *Made in Italy* women's knit outerwear gained +12.0% abroad; fabric outerwear and shirts were up by +4.3% and +3.5%, respectively, but leather apparel did no better than +0.3%.

A look at product segments shows that from January to October 2019, exports of fabric outerwear increased by +4.3% while knit outerwear gained +12.0%.

In the case of imports, we saw a double-digit increase in fabric outerwear, which closed the ten-month period with a +11.0% variation; imports of women's shirtwear and leather apparel were positive, with both categories up by a bit more than +2.0%.

Figure 1 – Women's Fashion(*): Analysis of Italian Foreign Trade by Product Line
(January-October 2019)

1) Imports *(% tendential variation)* ***2) Exports*** *(% tendential variation)*



Source: ISTAT data processed by Confindustria Moda.
(*) Differently from Table 1, these aggregates include Junior products data.

Finally, imports of women's knits – which in 2018 grew by two figures – decelerated by +1.1% in the period we examined.

Consumption and distribution on the Italian market

We will turn now from the international market panorama to analysis of consumption on Italy's domestic market. The final data we analyzed refer to the Fall/Winter 2018-2019 sell-out.

As we had occasion to remark at the last edition of Pitti Uomo, the Sita Ricerca surveys concerning Textile-Fashion products as a whole tell us that the F/W 2018-19 season was again characterized by negative trends in value (-3.1%) and in volume (-2.4%).

Within this scenario, the loss by women's fashion was aligned with the general T-F industry average: current expenditure for womenswear was down by -3.2% but the sector performed better than did men's fashion, which was down by -5.3% in the same period.

In F/W 2018-19, the domestic women's fashion sell-out slumped by -3.2%.

As shown in Fig. 2.1, the only goods category showing a positive sign (as was also the case in F/W 2017-18) was women's shirtwear and especially blouses, highly versatile articles of clothing adaptable to many occasions, for which the sell-out was up by +1.7%. Performance by both fabric and knit outerwear was disappointing, with losses of -4.1% and -2.4%, respectively. Fabric outerwear nevertheless remained the preponderant industry segment, accounting for

Sales of women's shirts and blouses remained lively (+1.7%).

56.9% of the sell-out in value; it was followed by knitwear, with a 34.9% share. Leather apparel, after the considerable contractions of the two preceding F/W seasons, slipped by -5.0% and commanded only a 1.6% share of the women's fashion market.

The retailing front was again moved by the dichotomous dynamics that have, for some time now, been characterizing the single distribution formats and are clear reflections of an evolution in the purchasing styles of Italian women's fashion consumers. In F/W 2018-19, the chain stores, following the stop of the preceding winter season (-1.9%), changed pace and saw the sell-out they intermediated grow by +2.1%.

In F/W 2018-19, the sell-out intermediated by the chain stores increased by +2.1%.

Figure 2 – Women's Fashion: Consumption and Distribution on the Italian Market
(Season: Fall/Winter 2018-2019)

Fig. 2.1 – Sell-out Trends: Product-by-Product Analysis
(% tendential variation in consumption, in value, by product)

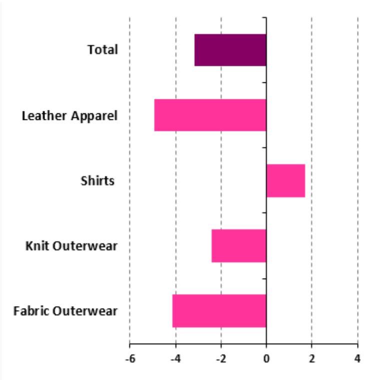


Fig. 2.2 – Sell-out Structure: Product-by-Product Analysis
(% of overall consumption, in value)

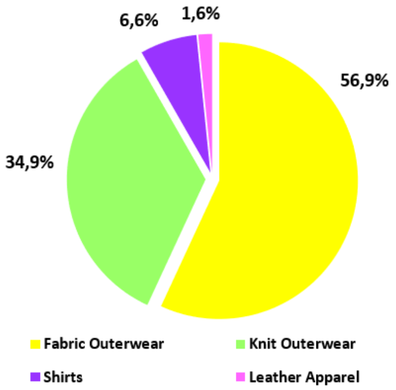


Fig. 2.3 – Sell-out Trends: Analysis by Distribution Channels
(% tendential variation in consumption, in value, by channel)

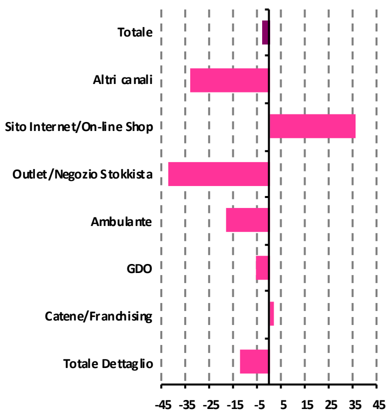
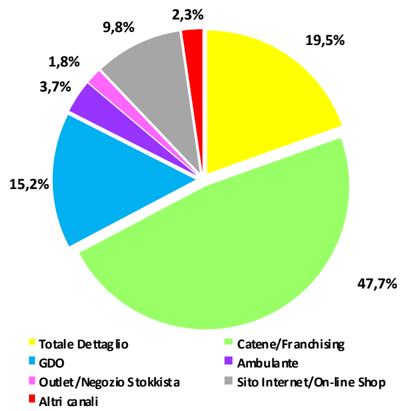


Fig. 2.4 – Distribution Structure: Analysis by Distribution Channels
(% of overall consumption, in value)



Source: Sita Ricerca data processed by Confindustria Moda.
(*) Differently from Table 1, this data refers to Italian family expenditure, not including inventories and out-of-family consumption.

The chain stores thus confirmed their standing as leader channel for women’s fashion, with a 47.7% market share in value. Specifically, the chain stores led in every product segments except leather apparel (sales of which were, incidentally, down in every distribution channel). Overall, large-scale distribution lost ground, by -5.5%; the drop is attributable largely to heavy losses by the food and big box store channels; the department stores were the exception, with a +3.3% increase in intermediated sales – in this case as well, thanks to fabric and knit outerwear, and shirtwear.

In LSD, only the department stores increased their sales of women’s fashion – by +3.3%.

If, in F/W 2017-18, growth by the online channels was limited to +1.7%, in the corresponding season a year later the grouping enjoyed a remarkably lively growth dynamic of +36.4% and thus not only accounted for a 9.8% share of the market (up by +2.8% with respect to F/W 2017-18) but topped the seasonal average for Textile-fashion as a whole, which was 7.3%.

The online channels recorded a +36.4% increase in sales and accounted for a 9.8% market share.

In the period we monitored, independent retailing’s position once again worsened as the channel lost -12.2%, thus serving only 19.5% of the market. The contraction in sales by this channel is transversal; that is to say, we saw drops in sales in all goods categories, exception made only for knit outerwear (+1.3%).

Independent retailing’s backslide showed no signs of slowing (-12.2%).

Finally, both the outlets and the licensed street vendors sustained heavy losses.

With all of the transformations now underway on the domestic market, it is to be expected that the greatest stimulus to Italian women’s fashion in 2020 will once again come from the international markets, despite an especially complex world political/economic scenario.

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