

THE ITALIAN YARN INDUSTRY IN 2019-2020

Notes by Confindustria Moda - Centro Studi for



The preliminary balance-sheet for 2019

Following two years which we can label as cautiously favorable for the Italian yarn industry (in this context, inclusive of production of wool, cotton, and linen yarns), the year 2019 was not a satisfactory one, as was also the case for Textile-Fashion as a whole. Early estimates drawn up by Centro Studi of Confindustria Moda for SMI on the basis of macro-variables and of figures from internal Sample Surveys indicate forecast a -5.8% downturn for industry sales, a dynamic which would have pushed turnover to a level below ca. 2,760 million euro. The negative trend extended to both wool yarns (the preponderant subsector, accounting for more than 80% of sales) and cotton yarns, while linen spinning confirmed the positive trend of 2018. For the two principal segments – and therefore, for yarn industry in general – the dynamics were negative over the course of 2019 on both the foreign and the domestic markets.

Italian spinning closed 2019 in negative numbers, with estimated turnover falling by -5.8%.

Table 1 – The Italian Yarn Industry⁽¹⁾ (2014-2019*)
(millions euro at current value)

	2014	2015	2016	2017	2018	2019*
Sales	2.918	2.917	2.837	2.837	2.928	2.757
% Var.		0,0	-2,7	0,0	3,2	-5,8
Value of Production	1.834	1.820	1.759	1.755	1.803	1.705
% Var.		-0,8	-3,3	-0,2	2,7	-5,4
Exports	871	871	828	824	848	806
% Var.		0,0	-4,9	-0,4	2,9	-4,9
Imports	833	849	881	886	884	857
% Var.		1,9	3,8	0,6	-0,2	-3,1
Trade Balance	38	22	-54	-62	-36	-50
Apparent Consumption	1.797	1.798	1.813	1.817	1.839	1.756
% Var.		0,1	0,8	0,2	1,2	-4,5
Structural Indicators (%)						
Exports/Sales	29,8	29,8	29,2	29,1	29,0	29,2
Imports/Apparent	46,4	47,2	48,6	48,8	48,1	48,8

Source: ISTAT and internal survey data processed by Confindustria Moda

⁽¹⁾ Wool, cotton, and linen yarns

* Estimates

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Moreover, the industry balance seems not to have benefitted from the decrease in raw materials prices that occurred over the course of 2019; rather, the figure would seem to reflect the markups of 2018. In this connection, it is worthwhile recalling that in 2018, the Awex Eastern index was up by +15,6% in European currency, and instead dropped by -10.5% in the twelve months of 2019, while “A” index prices had increased by +4.4% in 2018, fell by -10.0% in 2019.

The value of production (a variable intended to estimate the value of Italian production alone, net marketing of imported yarns) for the year is expected to have decreased with respect to 2018 levels (by -5.4%).

On the foreign trade front, spinning all in all saw a trend inversion, with exports dropping back down into negative territory. In line with the figures for the first ten months of the year, 2019 exports are expected to have closed the year down by -4.9%, a dynamic which would have depressed the industry foreign sales total to about 806 million euro. Exports of both wool and cotton yarns were characterized by losses over the entire course of 2019: in the first three quarters we saw negative variations for both, although at different rates of fall. In the first quarter, foreign sales of wool yarns lost -2.4%; in the second, -4.2%; and finally, -6.5% in the third; not to be outdone, exports of cotton yarns dropped by -10.1% in Q1, then by -11.7% from April to June, and by a “mere” -6.5% from July to September.

Contrariwise, exports of linen yarns enjoyed especially lively growth rates, although down from the first three-month cumulative figure (+40.8%) to the nine-month figure (+19.0%).

At the same time, 2019 imports should close with a slight decrease (estimated at -3.1%) for an overall total of 857 million euro.

Given the foreign trade trends outlined above, the 2019 trade balance for Italian yarn industry should be negative, to the tune of ca. 50 million euro: worsening, that is, with respect to the 2018 datum.

Analysis of apparent consumption leads us to believe that the domestic market will close the year with a downtrend on the order of -4.5%, a figure aligned with Italian spinning’s performance overseas.

On the employment front, data supplied by a panel of companies associated with SMI in response to the SMI Sample Survey processed by Confindustria Moda show that employment at the wool spinning companies dropped during all three quarters monitored, worsening from quarter to quarter: in the first, jobs were down by -0.8%; in the second, by -2.1%; and in the third, by -2.7%.

The average drop-off in exports for the year is estimated at -4.9%; for imports, the forecast is for a -3.1% backslide.

In 2019, the foreign trade deficit settled at 50 million euro.



Foreign trade in the first ten months of 2019

If we focus our analysis on the first ten months of 2019, the ISTAT data available to date give us a more detailed breakdown, by goods categories, of Italy's exchanges with the foreign markets. In this period, spinning as a whole inverted the 2018 trend and closed with a decrease of -4.2% in exports and a -2.7% drop in imports. From January through October, therefore, the value of Italy's exported yarns fell to 704 million euro, while the value of imported yarns was 733 million.

The trade balance for spinning on this time period was -29 million, down by more than 10 million with respect to the same period of 2018. The foreign trade surplus was limited to carded wool yarns and needlework yarns, as was the case in the first ten months of 2016-2018; the January through October 2019 figures for these two categories were ca. 132 and ca. 49 million euro, respectively.

As the industry average suggests, the foreign sales dynamics were negative for the majority of the yarn types considered here; only carded wool yarns and linen yarns showed growth overseas. In more detail, cotton yarn exports were down by -8.2% in the period in question; however, linen yarn exports experienced a +19.4% renaissance. In the wool universe, as mentioned above, foreign sales of carded yarns were up (+2.6%) but the combed wool yarns and the chemical fiber/wool blend yarns were down by -7.0% and -13.8%, respectively. Finally, flows of needlework yarns to markets abroad slowed by -0.6%.

Overall, from January to October 2018, yarn exports changed pace and recorded a -4.2% loss. Imports also contracted, by -2.7%.

In terms of exports, the best performers were linen yarns (+19.4%) and carded wool yarns (+2.6%).

Exports of combed yarns, instead, fell off by -7.0%; cotton yarns exports lost -8.2%

Table 2 – Italian Yarn Industry Foreign Trade: Analysis by Sub-Sector
(period: January-October 2019)

	Imports		Exports		Balance Millions Euro
	Millions Euro	% Var.	Millions Euro	% Var.	
Carded wool yarns	33	-6,8	165	2,6	132
Combed wool yarns	283	-4,9	229	-7,0	-55
Chemical fiber/wool yarn	81	-16,8	65	-13,8	-15,4
Needlework yarns	9	16,6	58	-0,6	49
Cotton yarns	248	-0,3	148	-8,2	-100
Linen yarns	79	18,4	39	19,4	-40
Total Yarns	733	-2,7	704	-4,2	-29

Source: ISTAT data processed by Confindustria Moda



On a parallel track, from January through October 2019 the dynamics for imports of yarns from abroad were just as divergent as were the export figures and likewise broke along goods-category lines. Wool yarn imports were negative, down by -6.8% in the case of carded yarns, by -4.9% in the case of combed yarns, and by -16.8% in the case of chemical fiber/wool blend yarns; the exception was represented by the needlework yarns, imports of which were up by +16.6%.

Imports of cotton yarns, which in the 2018 shrank by a non-negligible -11.1%, in the corresponding period of 2019 came to a virtual standstill at -0.3% Imports of linen yarns increased by +18.4%; that is, at rhythms not much different from 2018's (+22.0%).

We can fine-focus the general picture by analyzing trends in sales of each yarn type on Italy's principal customer markets.

From January through October 2019, Hong Kong confirmed its standing as top destination for Italian carded wool yarns and, following two years of contractions, once again experienced favorable dynamics with +2.3% growth and a 16.9% share of total Italian exports of this yarn type. Sales of Italian carded yarns were up in the United Kingdom as well, by +6.3%, which translates to a 16.8% share. China, in third place, recorded a +5.7% increase, although absorbs only 8.4% of segment exports. On the other scale plate, exports of this yarn type to Croatia were decidedly down (-32.6%). The dynamic for exports to South Korea was positive, up by +5.8%. With reference to customer countries to which Italy exported for values less than 10 million euro in the period in question, we can say that intake capacities generally increased, and in most cases by double digits: from Tunisia's +31.1% to Portugal's +11.2%.

In the first ten months of 2019, exports of combed yarns to Hong Kong, quite differently from the case of the carded product, were unsatisfactory, showing a -14.3% loss but nevertheless accounting for 13.2% of total segment exports. Romania, in second place, instead increased its share, by +3.3%. Sales of Italian combed yarns to third-ranked China were up by a timid +1.4%; exports to the United Kingdom were down by the same percentage (-1.4%) Flows instead increased to France (+14.8%), Turkey (+9.5%), and Germany (+6.3%). Favorable dynamics as well for sales of this yarn type to South Korea (+12.2%) and Portugal (+35.6%).

In the same period, foreign sales of chemical fiber/wool blend yarns to Italy's first- and second-ranking customer markets decreased: to Austria, by -3.5%, and to Turkey, by a significant -35.9%. Contrariwise, we saw a +24.2% increase in yarns of this type heading for the Romanian market. Romania, it should be noted, is the most important exception to what was instead a generalized fallback in sales of these yarns which affected all of the

We saw an imperfect across-the-board decrease in wool yarn imports, with needlework yarns imports representing the exception.

Incoming flows of linen yarns instead increased (+18.4%); cotton yarn imports decreased negligibly, by -0.3%.

We saw growth in exports of carded yarns to Hong Kong (+2.3%) and to the United Kingdom (+6.3%), as well as to China.

Sales of Italian combed yarns to Hong Kong dropped (-14.3%) but grew in the cases of Romania (+3.3%) and China (+1.4%) as well as France (+14.8%), Turkey (+9.5%), and Germany (6.3%).

Exports of chemical fiber/wool blend yarns to Romania increased.



segment's other principal markets; that is Portugal, Hong Kong, Bulgaria, France, and Spain. But further down the customer list, we saw increases in flows of +6.6% to Germany and +37.1% to China.

Table 3 – Exports of Industrial Yarns: Country-by-Country Analysis
(period: January-October 2018)

Tab. 3.1 - Carded wool and fine-hair yarns

Country of destination	Million s Euro	% Var.	% Share
TOTAL	165	2,6	100,0
<i>of which:</i>			
Intra EU 28	79	-3,3	48,0
Extra EU 28	86	8,7	52,0
<i>Top ten customer countries</i>			
Hong Kong	28	2,3	16,9
United Kingdom	28	6,3	16,8
China	14	5,7	8,4
Croatia	13	-32,6	8,0
South Korea	10	5,8	6,3
Bulgaria	8	22,4	4,8
Turkey	7	12,6	4,1
Romania	7	14,1	4,1
Portugal	6	11,2	3,9
Tunisia	5	31,1	3,2

Tab. 3.2 - Combed wool and fine-hair yarns

Country of destination	Million s Euro	% Var.	% Share
TOTAL	229	-7,0	100,0
<i>of which:</i>			
Intra EU 28	124	-7,5	54,4
Extra EU 28	104	-6,4	45,6
<i>Top ten customer countries</i>			
Hong Kong	30	-14,3	13,2
Romania	26	3,3	11,4
China	19	1,4	8,1
United Kingdom	18	-1,4	7,8
France	17	14,8	7,3
Turkey	16	9,5	7,0
Germany	13	6,3	5,9
Czech Republic	11	-53,4	4,7
South Korea	7	12,2	3,0
Portugal	6	35,6	2,7

Tab. 3.3 - Cotton yarns

Country of destination	Million s Euro	% Var.	% Share
TOTAL	148	-8,2	100,0
<i>of which:</i>			
Intra EU 28	101	-13,2	68,5
Extra EU 28	47	5,2	31,5
<i>Top ten customer countries</i>			
Germany	22	-16,0	15,1
Czech Republic	13	-16,5	8,8
France	11	9,6	7,6
Hungary	10	-0,9	6,5
United Kingdom	8	-10,9	5,4
Croatia	7	-21,4	4,7
Romania	7	-21,6	4,7
Spain	6	-23,0	4,2
Turkey	6	-3,2	4,0
Tunisia	6	3,9	3,8

Tab. 3.4 - Chemical fiber/wool yarns

Country of destination	Million s Euro	% Var.	% Share
TOTAL	65	-13,8	100,0
<i>of which:</i>			
Intra EU 28	42	-10,7	63,7
Extra EU 28	24	-18,8	36,3
<i>Top ten customer countries</i>			
Austria	7	-3,5	10,7
Turkey	6	-35,9	9,0
Romania	5	24,2	8,2
Portugal	5	-6,6	7,0
Hong Kong	4	-19,6	6,4
Bulgaria	4	-19,0	6,3
France	4	-12,0	6,0
Spain	4	-19,4	5,6
Germany	3	6,6	5,2
China	3	37,1	5,1

Source: ISTAT data processed by Confindustria Moda



As concerns cotton yarns, the first ten months of 2019 saw decreases in export flows to Germany and the Czech Republic (-16.0% and -16.5%, respectively). Exports to France grew by +9.6%, but this was the only positive exception among the first 10 customer markets ranked by Italian export value (if we do not count Tunisia, +3.9%). While Hungary cut its losses to -0.9%, the United Kingdom, Croatia, and Romania – as well as Spain and Turkey – all dropped off at rates in the double digits.

Italy's foreign sales of cotton yarns to Germany and the Czech Republic dropped off by about -16%, but exports to France increased (+9.6%).

Turning now to analysis of the import data – again referred to the period from January through October 2019 – for carded yarns, we note that Lithuania and the United Kingdom, Italy's first and second suppliers, enjoyed ascendant variations of +2.4% and +7.7%, respectively. China, after its upwards-of-20% increase of 2018, contracted by -19.3%. Negative variations also plagued imports from Poland, but above all flows from Hungary. German imports were instead on the increase.

From January through October 2019, Italy increased its imports of carded wool yarns from Lithuania and the United Kingdom.

The top four countries supplying combed yarns to Italy all experienced positive dynamics in the period in question: imports from Poland were up by +0.6%, from Romania by +15.6%, from Bulgaria by +2.9%, and from the Czech Republic by +0.1%. Imports from Germany instead declined (-26.5%). Imports from China, on the other hand, recorded a significant upturn: +18.1%.

Imports of combed yarns from all the principal suppliers, to the exception of Germany, were on the increase.

In the case of chemical fiber/wool blend yarns, imports from Romania and Bulgaria, respectively Italy's first and third supplier, were down by more than -20%. Also losing ground were imports from Turkey (-3.0%). Although at lesser overall values, the results for imports from Hungary, Germany, Spain, and Poland were characterized by growth dynamics.

Finally, imports of cotton yarns closed the first ten months of the year 2019 with increases for our top three suppliers: Turkey, accounting for 33.3% of cotton yarns imported by Italy, grew by +2.9%; China was up by +0.2% and Egypt, by +1.1%. Cotton-yarn imports from India and Pakistan fell off by -4.4% and -1.2%, respectively.

We saw increases in imports of cotton yarns from Turkey, China, and Egypt.

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