



## JUNIOR FASHION IN 2019-2020

Notes by CONFINDUSTRIA MODA - Centro Studi for



### The preliminary balance-sheet for 2019

According to preliminary estimates by Centro Studi of Confindustria Moda for SMI, total turnover of Junior Fashion (understood as fabric and knit clothing for children in the 0 to 14 age range, including intimate apparel and accessories) saw a continuation of the positive trend. Even though the rhythms were more subdued than those that typified the year 2018, industry sales should close the year 2019 with a +3.5% increase and thus top the 3 billion euro mark.

Junior Fashion is forecast to have closed the year 2019 with a 3.5% increase in turnover.

The value of production (a variable which, you will recall, aims to quantify the value of domestic production net marketing of imported products) is expected to close down, with a -2.6% estimated loss.

**Table 1 – The Italian Junior Clothing Industry (2014-2019\*)<sup>(1)</sup>**  
(Millions euro at current value)

	2014	2015	2016	2017	2018	2019*
<b>Sales</b>	2.642	2.687	2.762	2.861	2.980	<b>3.083</b>
% Var.		1,7	2,8	3,6	4,2	3,5
<b>Value of Production</b>	1.029	980	977	969	943	<b>918</b>
% Var.		-4,8	-0,3	-0,7	-2,8	-2,6
<b>Exports</b>	947	997	1.041	1.102	1.196	<b>1.269</b>
Var. %		5,3	4,4	5,9	8,5	6,1
<b>Imports</b>	1.675	1.787	1.777	1.787	1.974	<b>2.119</b>
% Var.		6,7	-0,6	0,6	10,4	7,4
<b>Trade Balance</b>	-728	-790	-737	-685	-777	<b>-850</b>
<b>End Consumption</b>	4.284	4.256	4.246	4.236	4.155	<b>4.083</b>
% Var.		-0,6	-0,2	-0,2	-1,9	-1,7
<b>Structural Indicators (%)</b>						
Exports/Sales	35,8	37,1	37,7	38,5	40,1	<b>41,2</b>
Imports/Consumption at Producti	62,6	67,2	67,0	67,5	76,0	<b>83,1</b>

Source: ISTAT, Sita Ricerca, and sample survey data processed by Confindustria Moda

(1) Knit and fabric clothing for boys and girls ages 0-14 years, underwear and accessories included

(\*) Estimates

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A look at the figures for performance outside of Italy suggests that foreign sales of Italian Junior Fashion grew by an average +6.1% on an annual basis. The value of industry exports should thus have topped one billion, 200 million euro and accounted for 41.2% of turnover (with a gain of about one percentage point with respect to the industry's incidence on the total in 2018).

Exports are expected to have closed the year up by +6.1% . . .

Likewise, imports are expected to have continued on an upslope, although more slowly than in 2018. Specifically, in 2019 imports are expected to have increased by +7.4% on an annual basis, for an overall value above 2.1 billion euro.

. . . and imports by +7.4%.

The final dynamics for Junior Fashion trade flows into and out of Italy are thus expected to have determined a worsening of the sector trade deficit, from the -777 million euro of 2018 to -850 million in 2019 (for a loss, therefore, of 73 million in twelve months).

According to Centro Studi of Confindustria Moda forecasts, domestic consumption (for our present purpose, inclusive of purchases by Italian families, out-of-family consumption, and inventories) should close the year 2019 in the red. The loss over the twelve months is estimated at -1.7% and, therefore, at rhythms rather similar to those that beat time in 2018.

The drop in consumption on the domestic market is estimated at -1.7%.

Turning back to performance on the foreign markets, we can fine-focus analysis on infants' clothing alone, for which it is possible to isolate the pertinent customs data and, therefore, examine foreign trade flows on a country-by-country basis. According to ISTAT data, infantswear exports in the first nine months of 2019 amounted to 121.7 million euro, with a -20.5% loss with respect to the datum for the same period of 2018, when these exports – thanks for the most part to sales by the well-known fashion houses – instead grew by +28.8%. In other words: in 2019, exports by this market niche returned to more “normal” levels for the industry and balanced out the previous year's increase.

In the first 9 months of 2019, Italian infantswear exports fell by -20.5%.

A more detailed look at exports shows that from January through September 2019, Spain was Italy's top customer market for the infants' fashion segment despite a -13.2% slump. Switzerland jumped to second place thanks to a +63.9% increase. This situation reflects the favor bestowed on Italian infantswear by the global market, on which most of the Swiss imports of these goods is destined for redistribution. The United Kingdom, which in the first nine months of 2018 had doubled the value of its purchases from Italy, fell back by -53.5% – but despite this fact accounted for 10.2% of total sales. Austria, up by more than +100%, passed France and Germany, both of which suffered strong losses. Other nations showing negative results, although in terms of value all were below the 5 million euro mark, were Russia (-13.9%), a market which from 2010 to 2014 was the top destination for Italy's childrenswear exports, and the United Arab Emirates (-18.8%). Despite a much more modest total export value, sales to Hong Kong and the United States increased by +50.2% and +36.4%, respectively. Other Top 20 countries of destination showing increases in absorbance capacity were Qatar (+36.4%) and the Ukraine (+7.5%); Italian exports to Saudi Arabia instead plummeted by -17.7%.

Spain, despite suffering a drop, was the top market for Italian infantswear; Switzerland grew considerably as a customer market and took second place.

Exports were up to Hong Kong and the U.S.



Again with reference to infantswear alone, imports to Italy slipped by -3.3%. China, while confirming its standing as number-one supplier with a 24.0% share of total segment imports, dropped off by -7.4%. Spain won second place, with a +44.0% increase. Negative dynamics were the order of the day, instead, for both Bangladesh and France, imports from which countries were down by -7.2% and -31.6%, respectively. Imports of infants' fashion were particularly "concentrated," with the top four supplier countries (China included) accounting for 65.5% of the segment total.

At the same time, although at values incomparably lower than those for the top four suppliers, incoming flows from several other countries also increased: from India (+2.3%) and the Netherlands (+8.0%), but above all from Turkey (+19.7%) and Romania (+22.7%).

### The principal Italian market results for Fall/Winter 2018-2019

Demographically speaking, as of 1 January 2019 the Italian Junior clothing market pool was made up of 7,962,215 individuals between 0 and 14 years of age. Of these, 51.4% were boys. The (preliminary) ISTAT data available to date show that Italian birth registrations from January through August 2019 numbered 282,123; for a decrease of 8,147 with respect to the first eight months of 2018 (-2.8%). Male newborns accounted for a share similar to that for the 0 to 14 age range overall; that is, 51.3% of the total.

With this premise, we will now focus our attention on consumption of Junior fashion in Italy, for which the latest available winter sell-out data refer to the Fall/Winter 2018-19 season. According to Sita Ricerca surveys conducted on behalf of SMI, the F/W 2018-19 domestic sell-out of Textile-Fashion products as a whole slowed by -3.1% in terms of current expenditure and was accompanied by a -2.4% drop in volume. Within this general T-F context, Junior Fashion's result, while negative, was decidedly better than the T-F average, recording a loss of -1.4% in value and -0.8 in volume.

The results for the season in question revealed some differences among the various Junior Fashion segments. In value, boys' clothing was in the greatest difficulty, losing -2.0%; girls' fashion (which accounted for 47.4% of the Junior industry sell-out) lost only -0.9%; infants' fashion was down by -1.2%. At the same time, in terms of volume, boys' fashion lost -1.9% with respect to the previous F/W season; girls' fashion sell-out volumes were stable; and infants' clothing fell off by -0.4%. The upshot is that average prices were decreasing.

Analysis of the Junior Fashion distribution panorama confirmed the leader position held by the chain stores, which served a 47.7% share of the market; in the F/W 2018-19 period, however, the sell-out intermediated by this channel dropped back by -4.2%. This datum was most heavily influenced by the dip in sales of boys' clothing (-7.5%), although girls' fashion sales lost -3.2% and infants' fashion also suffered, dropping by -0.4%.

Thanks to a +1.1% increase in sales, the incidence of the large-scale distribution formats on the market rose to 31.0%. On the one hand, the department stores accounted for 15.7% of the grand total (that is, a little more than half the share held by LSD overall) and showed a

From January through September 2019, imports from China fell by -7.4%, but the country still accounted for 24.0% of the total.

ISTAT data tells us that a little over 282 thousand children were born in Italy in the first eight months of 2019, for a drop of -2.8% (more than 8 thousand fewer) with respect to the same period of 2018.

In F/W 2018-19, the Junior Fashion sell-out slowed by -1.4%, but its performance topped that of the T-F industry as a whole (-3.1%).

In F/W 2018-19, the chain stores still held almost half of the Junior fashion market in Italy, despite a -4.2% loss.

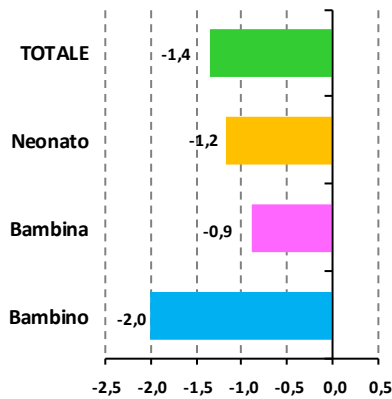
Large-scale distribution grew by +1.1% and covered 31.0% of the market.



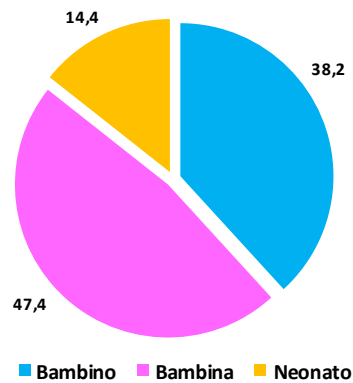
+5.5% increase in F/W 2018-19; on the other hand, the Big Box Stores and Food channels lost -1.1% and -7.5%, respectively.

**Figure 1 - Junior Fashion: Consumption and Distribution on the Italian Market (\*)**  
(Season: Fall/Winter 2018-2019)

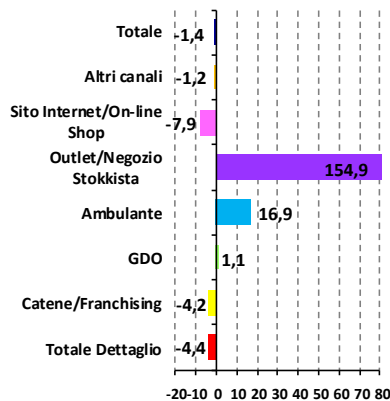
**Fig. 1.1 Sell-out Trends: Analysis by Style Area**  
(% variation in consumption, in value, by segment)



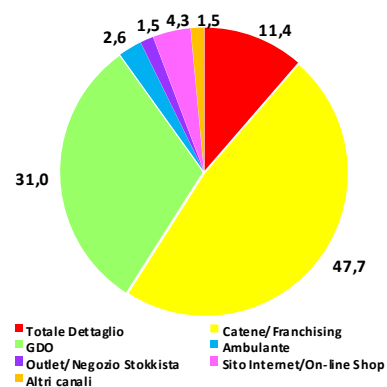
**Fig. 1.2 – Sell-out Structure: Analysis by Style Area**  
(% of overall consumption, in value)



**Fig. 1.3 – Sell-out Trends: Analysis by Distribution Channel**  
(% variation in consumption, in value, by channel)



**Fig. 1.4 – The Distribution Structure: Analysis by Distribution Channel**  
(% of overall consumption, in value)



Source: Sita Ricerca data processed by Confindustria Moda  
(\*) Differently from Table 1, the data refers only to expenditures by Italian families, excluding inventories and out-of-family consumption.

In terms of products, the increase in LSD-mediated infantswear sales was in the double digits (+14.6%) while boyswear sales were up by a much lesser +1.1% and sales of girls' clothing were down by -2.1%.



Independent retailing, whose share of the Junior industry sell-out was 11.4%, was down again with a -4.4% loss in the season we monitored. The channel retrogressed not only in boys' clothing sales (-3.7%), but also and above all in infantswear (-26.3%); nevertheless, sales of girls' fashion were up by +2.4%.

The best performers in F/W 2017-18, with a +16.3% upswing overall, were the digital channels, but in the season under our lens, these channels lost -7.9% of intermediated Junior sales; in the period, boys' and infantswear slumped by -9.6% and -52.0%, respectively; running against the tide, once again, was the girls' fashion segment, with an increase of +5.5% in online sales. The online channels' market share remained low, at 4.3%; that is, three percentage points below the national average for electronically-mediated Textile-Fashion sales (7.3% in F/W 2018-19).

Partially compensating for e-commerce's slowdown, following the losses recorded in the preceding F/W season, were rebounds in the sales intermediated by the outlets (+154.9%) and by the licensed street vendors (+16.9%).

Leaving aside the results for the F/W season, from January through September 2019 the Junior fashion sell-out fell by -1.5% in value but only -0.6% in volume. More specifically, sales by the boyswear segment dropped by -2.0% in terms of value; the structurally-preponderant girls' fashion segment lost -1.1% in sales and the infantswear segment, -1.6%. While awaiting closing of the current F/W season, we can say that S/S 2019 recorded an overall drop-off of -2.5%, with the most serious losses in the March-April period; the decline in May-June was limited to -0.8%.

Despite persisting uncertainties in the general context, the outlook for Junior Fashion is for a moderately positive evolution even in the early months of 2020.

Independent retailing's backslide continued unabated (-4.4%), although girls' fashion sales increased (+2.4%).

The digital channels were down by -7.9% overall, but the girls' fashion segment recorded a +5.5% gain.

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