

ECONOMIC UPDATE

T&C INDUSTRY EVOLUTION DURING THE **FOURTH
QUARTER OF 2021** AND SHORT-TERM PROSPECTS

FOURTH QUARTER
2021

EURATEX



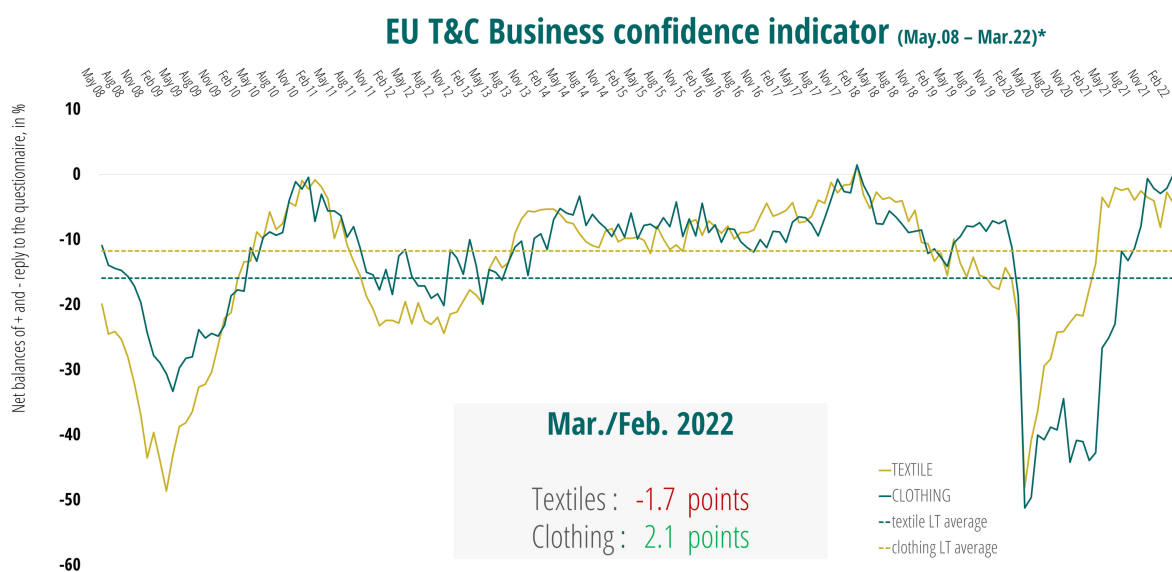
THE EUROPEAN APPAREL
AND TEXTILE CONFEDERATION

EU-27 economy: Short-term business statistics

In the 4th quarter of 2021, the T&C sector recovery continued, but at a slower pace.
Looking forward, 2022 is expected to be particularly challenging.

Textile activity expanded further in the 4th quarter 2021, although at a slower pace than in previous quarters. Performances in the clothing industry improved significantly during this period. Furthermore, EU exports and retail sales grew at a sustained pace, following strong domestic and external demand. Looking at the full year of 2021, the textile activity has fully recovered from the strong contraction in 2020, while clothing companies have almost reached their pre-pandemic level. However, as a consequence of the COVID-19 pandemic, global supply chains and shipments slowed down, causing worldwide shortages and affecting consumer patterns. Persistent price surges of raw materials and energy weighed increasingly heavy on the T&C industry.

The **EU Business Confidence*** indicator for the months ahead fell slightly in textiles (-1.7 points), probably reflecting their energy-related challenges, while the clothing industry is more optimistic (+2.1 points). To note however that managers' confidence in both textiles and clothing remains higher than its long-term average and to pre-Covid level in Q4 2019. Besides, **consumer** confidence dropped, following the collapse in households' expectations about the general economic situation and their assessments of their own future financial situation, which fell to a historical low. Similarly, the **retail** trade confidence dropped, mainly as a result of retailers' assessment of their expected business situation. After a brief interruption end of 2021/beginning of 2022, **selling price** expectations for the next three months rose to unprecedented levels in the T&C sectors, due to the sharp increase in energy costs and raw materials.

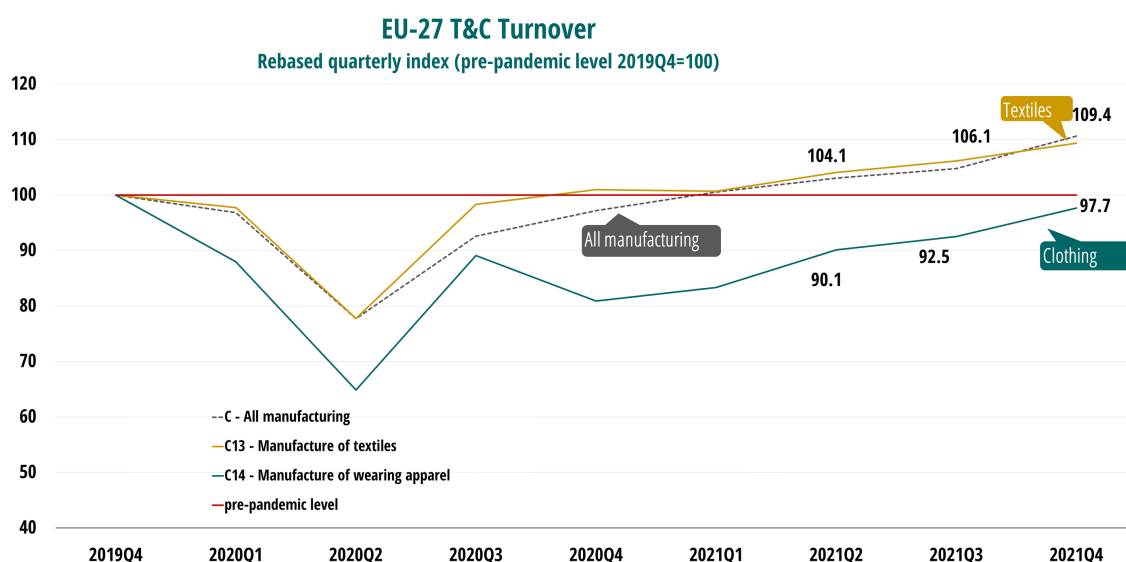


NB: Average of production expectations (3 months), current overall order books and current stock of finished products.
*EU Commission's March 2022 survey:

European Business Cycle indicators and Business Consumer Survey (sub-sector database)

EU-27 economy: Short-term business statistics (continue)

EU T&C turnover continued to show signs of improvement during the 4th quarter of 2021, with especially clothing recording double-digit growth rates. Textile rose by +8.4% year-on-year, slowing down from a +8.9% climb the previous quarter. Business activity in the clothing sector expanded significantly by +21.4% in Q4 2021, after increasing by +3.1% in the previous quarter. When compared to its pre-pandemic level in Q4 2019, EU turnover was 9% up in textiles, while it was still 2% down in clothing.



Similarly, EU27 production continued to improve during the last quarter of the year. In textiles, the manufacturing activity increased at a slower pace (+2.5% y-o-y, against +5.7% the previous quarter), while in the clothing sector production evolution turned positive (+10% vs -5.5% the previous quarter). Production activity in most T&C sub-sectors picked up, compared with the same quarter of the previous year: man-made fibres (+1.8%), yarns (+5%), fabrics (woven: +11.8% and knitted: +4.1%), finishing (+8.7%), technical textiles (+0.7%) as well as clothing articles and accessories (woven: +11.8% and knitted: +12.1%). By contrast, the 4th quarter saw an output decline in the manufacturing of non-wovens (-3.5%) and hosiery (-1.7%).

The member states that performed best were Bulgaria, Latvia, Italy, Denmark and Lithuania, who reported growth in production of +14% on average. The hardest-hit countries were Spain and Finland with respectively -5.9% and -9%, as compared with the same quarter of the previous year. In the clothing sector, Greece saw a tangible improvement in Q4 2021 (+65%), followed by Lithuania (+29%), Belgium and Spain (+27%), the Netherlands and Denmark(+23%), Finland and Hungary (+15%), Germany (+14%), Bulgaria (+10%), Italy (+8%), Latvia and the Czech Rep. (+4%). In France and Romania, production activity remained almost stable, while in Poland and Austria the industry suffered a -3% setback.

Unless specified, EU refers to EU27

Data source: EURATEX, based on EUROSTAT

EU-27 economy: Short-term business statistics (continue)

During the 4th quarter, **employment** in the textile and clothing industry decreased at a softer pace (-0.8% on average, against -2.2% the previous period). When compared to its pre-pandemic level in Q4 2019, job creation in Q4 2021 was still 3% down in textiles and 7% down in clothing. Among EU member states, France, Italy and Greece recorded strong improvements in both textiles and clothing employment during the 4th quarter, while Ireland saw the sharpest drop. Germany and Croatia recorded decreases above EU average in both sectors. Similarly, the textile labour market in Latvia and Spain as well as the clothing employment in the Czech Rep., Poland, Sweden and Austria saw more significant drops.

Thanks to quarter-on-quarter progress since the beginning of the year, **retail sales** returned in force in 2021, with a +7.4% increase as compared with 2020. After a slight decrease in the 3rd quarter, retail activity rebounded strongly in Q4 2021, following a surge in consumer spending (+17.9% on a y-o-y basis). However, the “retail sales of textiles, clothing, footwear and leather goods in specialised stores” were still 9% below pre-pandemic level. Q4 2021 has also shown a recalibration between traditional retailing and e-commerce, which confirms the importance of physical store presence within a strong omnichannel offering. Greece, Ireland, Italy, Denmark, France, Belgium, Spain, Sweden, Croatia and Portugal saw a significant boost in retail sales, ranging from +18% to +60%, while growth in Romania, Finland, Austria and Bulgaria recorded growth between +5% and +14% over that same quarter.

Looking forward to 2022, the environment is becoming particularly challenging for the industry, as the war between Russia and Ukraine pushes energy prices at record levels, dampens confidence and affects trade. Rising energy, material and freight prices are strongly weighing on companies’ production costs and profit margins. In particular the energy-intensive segments of the industry (man-made fibres, non-woven, finishing and dyeing) face very significant challenges, which require emergency measures to be taken.



EU-27 economy: short-term business statistics

(Source: Euratex based on Eurostat data)

PRODUCTION	Annual*, % change based on previous year				Year-to-date*	Quarter**, % change based on same quarter of previous year				
% Evolution	2018	2019	2020	2021	JAN - DEC 21/20	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
All manufacturing	1.5	-0.5	-7.9	8.8	8.8	-0.2	5.2	25.4	6.7	0.7
Man-Made fibres	1.7	-5.2	-13.2	10.9	10.9	-4.5	-0.6	35.2	12.2	1.8
Textile	-1.5	-3.4	-11.5	9.8	9.8	-1.3	2.8	32.5	5.7	2.5
Clothing	-2.2	-6.1	-24.0	2.7	2.7	-24.2	-9.4	23.7	-5.5	10.0

EMPLOYMENT	Annual***, % change based on previous year				Year-to-date***	Quarter***, % change based on same quarter of previous year				
% Evolution	2018	2019	2020	2021	JAN - DEC 21/20	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
All manufacturing	1.8	0.8	-2.1	-0.5	-0.5	-2.4	-2.3	-0.3	0.4	0.5
Textile	0.4	-0.8	-2.1	-2.3	-2.3	-2.5	-4.4	-1.3	-2.6	-0.7
Clothing	-1.6	-1.8	-5.3	-3.8	-3.8	-6.1	-7.4	-5.4	-1.9	-0.8

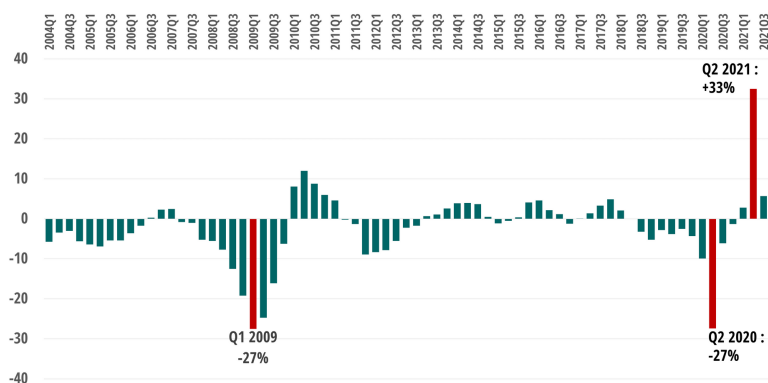
TURNOVER	Annual*, % change based on previous year				Year-to-date*	Quarter**, % change based on same quarter of previous year				
% Evolution	2018	2019	2020	2021	JAN - DEC 21/20	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
All manufacturing	3.5	0.7	-9.7	15.3	15.3	-3.1	4.4	32.4	13.2	13.7
Textile	0.8	-2.0	-9.2	12.7	12.7	0.7	3.3	33.4	8.9	8.4
Clothing	0.5	-2.0	-18.3	10.7	10.7	-18.1	-6.0	34.9	3.1	21.4

RETAIL SALES	Annual*, % change based on previous year				Year-to-date*	Quarter**, % change based on same quarter of previous year				
% Evolution	2018	2019	2020	2021	JAN - DEC 21/20	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
T&C, footwear and leather	-0.7	1.2	-24.0	7.4	7.4	-23.9	-8.8	38.7	-0.1	17.9

*Compared to the same period of the previous year; calendar adjusted data, not seasonally adjusted data; ** Seasonally and calendar adjusted data; *** Unadjusted data

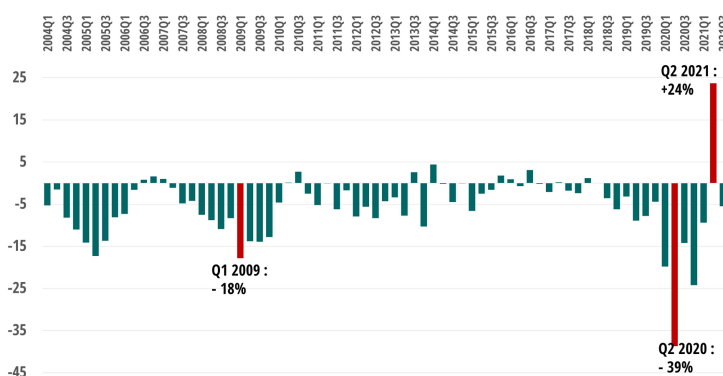
EU Textile production - Quarterly evolution

% compared to same quarter of the previous year



EU Clothing production - Quarterly evolution

% compared to same quarter of the previous year



EU-27 trade: Import and export statistics

In the fourth quarter 2021, the EU-27 trade balance for T&C deteriorated, as compared with the same quarter of the previous year, resulting from a sharper increase in EU imports from third markets, compared to our growth in exports.

T&C EU exports of textile and clothing grew by +9.5% in the fourth quarter of 2021

Extra-EU exports growth in value terms increased in the fourth quarter of 2021 (+9.5% y-o-y, against +2% the previous quarter). EU sales of textile & clothing fell sharply to the United Kingdom (-27%), but were quite dynamic on the Chinese and American markets (+29%).

▶ **Textiles' exports** increased by +11.7% compared to Q4 of 2020. The EU exporters registered good performances in the top-10 markets: the United States (+24%), Turkey (+52%), China (+3%), Morocco (+23%), Tunisia (+11%), Russia (+8%), Ukraine and Norway (+4%). Export performance deteriorated in the United Kingdom and Switzerland (-11%).

▶ **EU clothing sales** expanded by +8%, following positive growth rates of exports among some EU's top customers: China (+32%, partly reflecting higher EU shipments of pullovers and womenswear), the United States (+50%), Turkey (+45%), South Korea (+25%), Norway (+24%), Japan and Switzerland (+10%). By contrast, a -34% plunge was recorded on the UK market, as a continued result of Britain's exit from the single market. Similarly, exports to Hong Kong fell by -10% over the period.

T&C imports expanded by +15%, mostly due to a surge of clothing articles from China

T&C Extra-EU imports picked up by +15% on a y-o-y basis, following a sharp increase in imports from some Asian and Mediterranean countries. Among the top-10 suppliers, China, Bangladesh, India, Pakistan, Cambodia, Turkey and Morocco saw a strong increase in their sales to the EU, compared to 2020. Besides, EU imports from the UK collapsed further.

▶ **Textile imports** from Extra-EU countries grew by +2.5%. Divergent evolutions were recorded from EU main suppliers: imports from Turkey, India, Pakistan, the US and Japan climbed (with growth rates between 12% and 44%), whereas imports collapsed in other main markets as China (-15%), the United Kingdom (-28%) and Switzerland (-5%). This slump was mainly due to a combination of Brexit and lower demand for face masks and surgical gowns.

▶ **Clothing imports** rose by +21% during the period, despite a -73% drop from the United Kingdom. Imports from all EU top-10 suppliers expanded: Bangladesh (+42%), Cambodia (+39%), Pakistan (+36%), China (+35%), India (+32%), Morocco (+29%), Turkey (+18%), Tunisia (+12%), Vietnam and Myanmar (+2%).

Looking to the full year 2021, EU-27 T&C imports dipped by -7.5%, as compared with 2020, while exports jumped by +10.6% (after a -14% drop the previous year). As a result, the EU trade balance deficit largely improved in 2021. Furthermore, Extra-EU import prices went slightly down in clothing (-1%) and dropped in textiles (-35%), following a strong decrease in Chinese import prices of face masks and protective medical supplies.

EU-27 trade: import and export statistics

IMPORTS	Annual, % change based on previous year				Year-to-date*	Quarter, % change based on same quarter of previous year				
	2018	2019	2020	2021	JAN - DEC 21/20	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
% Evolution										
Textile & Clothing	3.3	3.3	5.1	-7.5	-7.5	-0.4	-4.0	-25.4	-11.2	14.8
Textile	2.4	0.7	58.0	-26.9	-26.9	28.5	14.5	-58.6	-23.8	2.5
Clothing	3.6	4.3	-14.3	5.6	5.6	-10.8	-11.4	29.1	-4.8	21.2

EXPORTS	Annual, % change based on previous year				Year-to-date*	Quarter, % change based on same quarter of previous year				
	2018	2019	2020	2021	JAN - DEC 21/20	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
% Evolution										
Textile & Clothing	4.3	5.0	-13.8	10.6	10.6	-6.3	-5.7	49.3	2.1	9.5
Textile	2.6	1.4	-12.7	13.2	13.2	-5.7	-4.2	43.6	9.2	11.7
Clothing	5.6	7.8	-14.6	8.6	8.6	-6.8	-7.0	54.5	-2.3	8.0

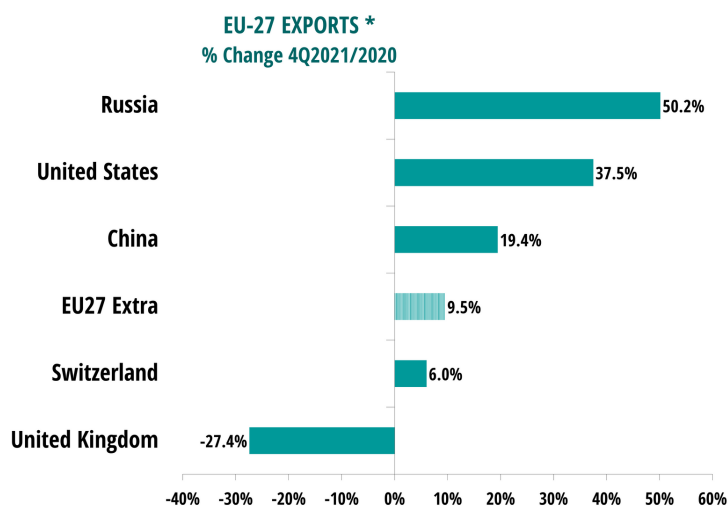
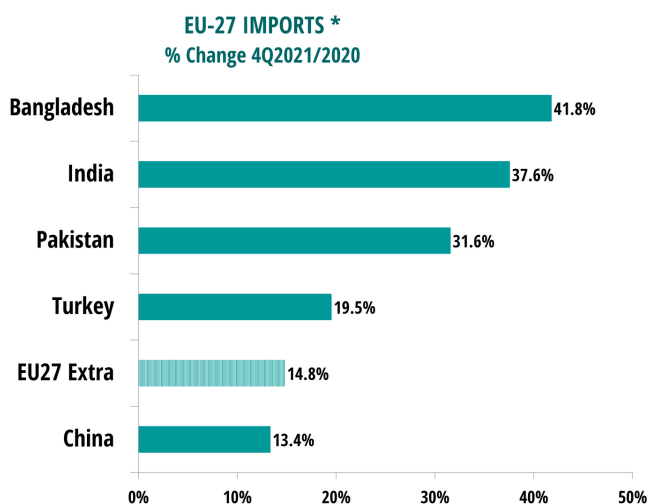
TRADE BALANCE	Annual, % change based on previous year				Year-to-date*	Quarter, % change based on same quarter of previous year				
	2018	2019	2020	2021	JAN - DEC 21/20	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
% Evolution										
Textile & Clothing	2.1	1.2	29.2	-22.9	-22.9	9.2	-1.9	-58.5	-21.9	22.2
Textile	1.2	-3.8	551.9	-64.3	-64.3	993.2	94.9	-90.2	-57.6	-19.8
Clothing	2.2	1.6	-14.1	3.1	3.1	-14.7	-14.8	10.4	-6.5	35.2

* compared with same period of the previous year

Source: Euratex based on Eurostat data

EU-27 TOP TEXTILE AND CLOTHING TRADE PARTNERS

	4Q2020		4Q2021		Evolution 4Q 2021/2020 %		
	Mio EUR	Quantity	Mio EUR	Quantity	EUR	Quantity	Price
IMPORTS							
Extra EU-27	25,608	2,836,089	29,404	3,049,964	14.8%	7.5%	6.8%
China	8,869	929,882	10,053	1,014,201	13.4%	9.1%	3.9%
Bangladesh	2,930	260,317	4,156	324,199	41.8%	24.5%	13.9%
Turkey	3,351	414,536	4,006	458,079	19.5%	10.5%	8.2%
India	1,115	239,394	1,534	276,388	37.6%	15.5%	19.2%
Pakistan	1,099	173,704	1,446	193,332	31.6%	11.3%	18.2%
EXPORTS							
Extra EU-27	14,878	1,629,016	16,297	1,588,498	9.5%	-2.5%	12.3%
United Kingdom	2,975	218,204	2,160	156,634	-27.4%	-28.2%	1.1%
Switzerland	2,037	53,641	2,160	53,138	6.0%	-0.9%	7.0%
United States	1,244	104,469	1,711	112,291	37.5%	7.5%	27.9%
China	1,157	124,333	1,382	95,881	19.4%	-22.9%	54.9%
Russia	601	180,403	902	228,874	50.2%	26.9%	18.4%



* % Change based on values.

Unless specified, EU refers to EU27

Data source: EURATEX, based on EUROSTAT

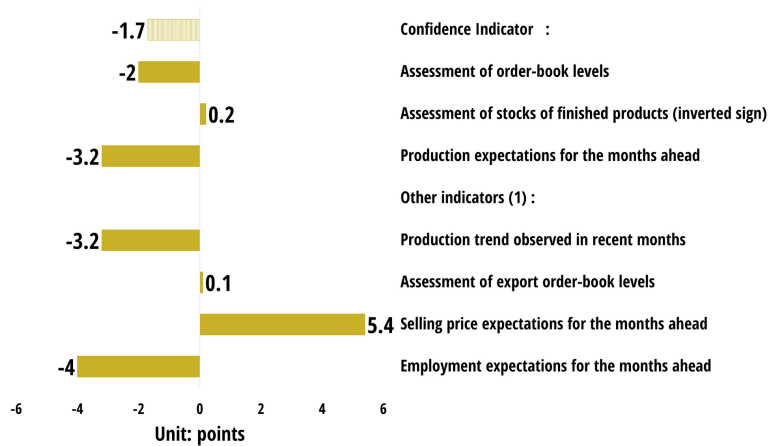
EU-27

Business confidence * in the textile industry

The textile industry's confidence indicator for the months ahead deteriorated (-1.7 points), resulting mainly from managers' more pessimistic views on their production expectations and appraisals of order-book levels. Other factors, as assessments of export order books, production trends observed in recent months and employment expectations, also worsened. However, the textile industry's confidence indicator remained markedly above its long-term average and pre-pandemic level.

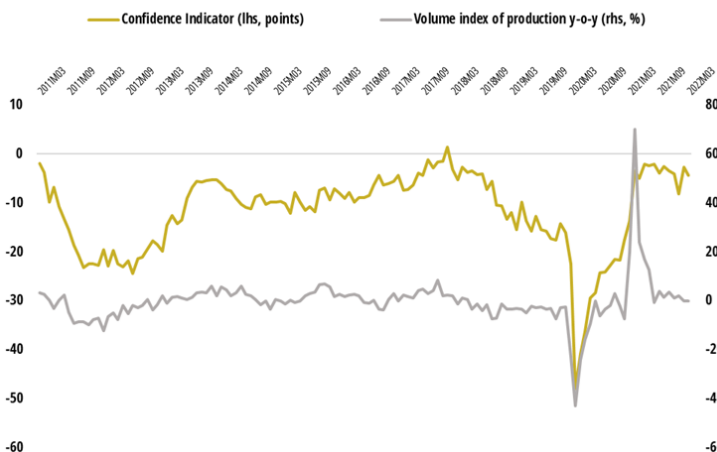
Evolution of individual indicators

March compared to February 2022

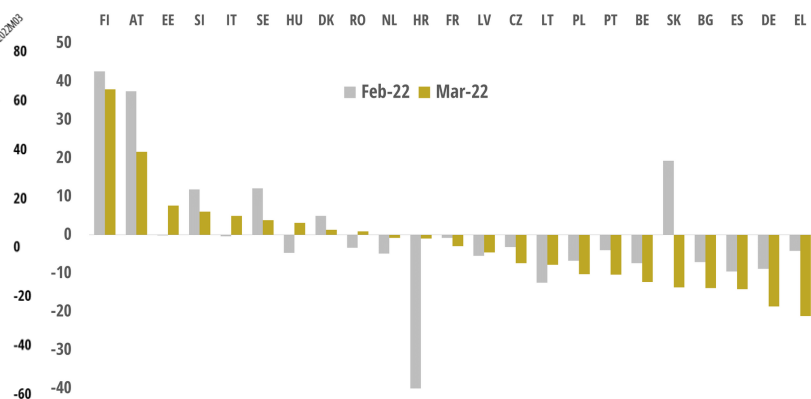


Finland and Austria continue to have the most positive outlook, when it comes to business confidence in the textiles segment. Focusing on the seven largest EU textile producers, March 2022 brought quite negative expectations in Germany (-19 points as compared with the previous month), Spain (-14 points), Belgium (-12 points), Portugal and Poland (-10 points), as well as in France (-3), while expectations brightened in Italy (+5 points).

EU Confidence indicator - Textile Industry



Business Confidence Indicator, by EU Member States



*EU Commission's March 2022 survey: European Business Cycle indicators and Business Consumer Survey (sub-sector database)
Unless specified, EU refers to EU27
Data source: EURATEX, based on EUROSTAT

EU-27

Business confidence * in the clothing industry

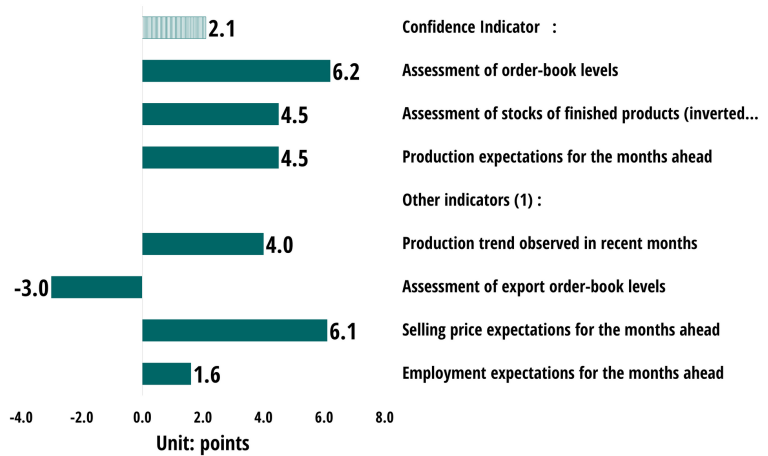
The business confidence indicator in the clothing industry improved for the second month in a row (+2.1 points), reaching the 0 balance of optimistic and pessimistic answers (in % of total answers to the questionnaire). The increase in confidence resulted mainly from positive developments in entrepreneurs' assessments of their current level of overall order books and of their production expectations. By contrast, manager's appraisals of the adequacy of stocks of finished products deteriorated (NB: this indicator is reflected with inverted sign in the graph!). The assessment of employment was also more optimistic.

Focusing on the seven largest EU clothing producers, expectations brightened in Spain (+19 points as compared with the previous month) and Italy (+2 point). By contrast, March 2022 brought some worsening in business expectations' forecasts in Poland (-21 points), Portugal (-11 points), Germany (-9 points), Romania (-4 points) and France (-1 point).



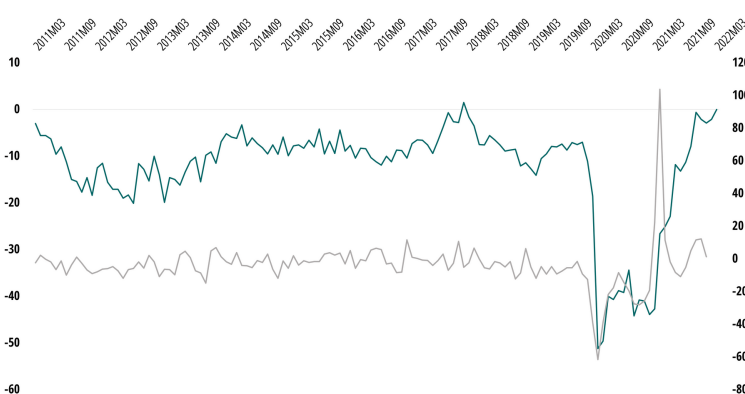
Evolution of individual indicators

March compared to February 2022

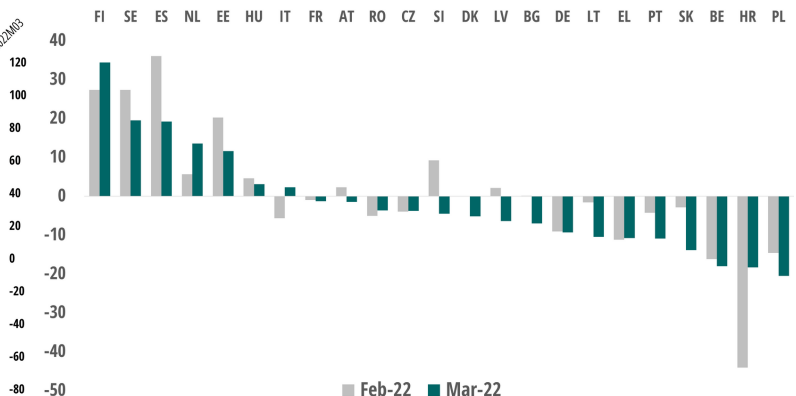


EU Confidence indicator - Clothing Industry

— Confidence Indicator (lhs, points) — Volume index of production y-o-y (rhs, %)



Business Confidence Indicator (Clothing), by EU Member States




*EU Commission's March 2022 survey: European Business Cycle indicators and Business Consumer Survey (sub-sector database)

Unless specified, EU refers to EU27

Data source: EURATEX, based on EUROSTAT

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2021**



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