

ECONOMIC UPDATE

T&C INDUSTRY EVOLUTION DURING THE **FIRST
QUARTER OF 2022** AND SHORT-TERM PROSPECTS

FIRST QUARTER
2022

EURATEX



THE EUROPEAN APPAREL
AND TEXTILE CONFEDERATION

EU-27 economy: Short-term business statistics

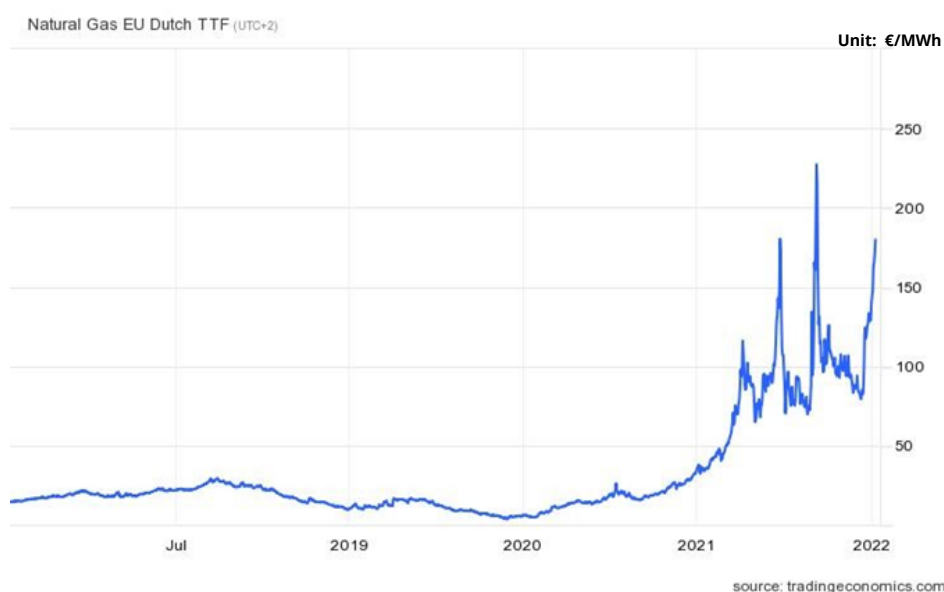
Turnover recovery continued in the beginning of 2022, despite increasingly challenging economic conditions. T&C business expectations for the months ahead decreased, reflecting energy-related challenges and increased economic uncertainty.

Compared with the same period of 2021, economic performances in the textile & clothing industry improved significantly. However, compared to the previous quarter, the industry evolution during the first quarter of 2022 revealed a mixed picture: turnover improved further in both sectors, while production, employment, retail sales and exports faced a slowdown over the period. High energy prices, geopolitical tensions, increased transportation bottlenecks, sanctions against Russia and input shortages are today among the top concerns for companies.

After the optimism of the global “grand reopening” in 2021, 2022 could be much more of a rocky road for T&C manufacturers. Economic damage from the war in Ukraine will contribute to a significant slowdown in global growth in 2022. Both business and consumer confidence have taken a hit from the conflict, and higher commodity prices and extended supply-chain disruptions will deepen the cost of exporting for months to come.

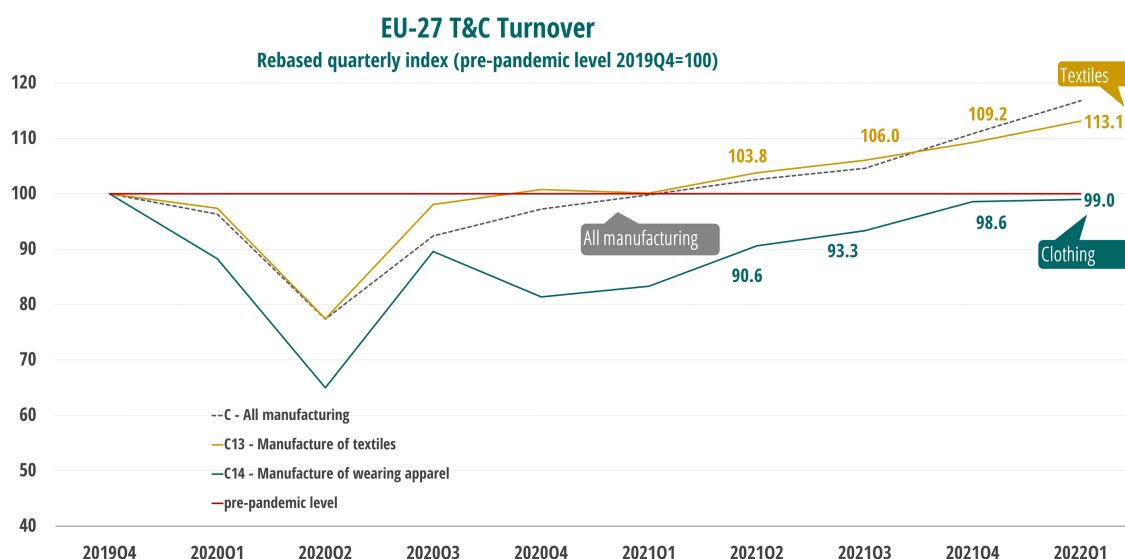
The **EU Business Confidence*indicator** for the months ahead fell slightly in the textile (-1 point) and clothing industry (-0.4 point), reflecting their energy-related challenges and increased economic uncertainty. To note however that managers' confidence in both textiles and clothing remains higher than its long-term average and to pre-Covid level in Q4 2019.

Besides, **consumer** confidence fell further below its long-term average, and closer to the record low recorded in April 2020, at the beginning of the COVID-19 pandemic. **Retail** trade confidence declined slightly, as managers' slightly improved appraisal of the past business situation only partially offset the marked deterioration in their expected business situation. **Selling price** expectations for the next three months rose to unprecedented levels in all surveyed business sectors, including textiles and clothing. This is obviously related to the sharp increase in energy costs and raw materials. However, selling price expectations in the textile industry eased for the second month in a row.



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

EU T&C **turnover** continued to show signs of improvement during the 1st quarter of 2022. The textile industry performed relatively well, with Q1 marking the strongest growth since Q2 2021. On a seasonally-adjusted quarter-on-quarter basis, textile turnover's growth ticked up to 3.6%, compared to the previous quarter's 3.0% increase. Business activity in the clothing sector expanded by 0.4%, after increasing by 5.6% in the previous quarter. When compared to its pre-pandemic level in Q4 2019, EU turnover was 13% up in textiles, while it was still 1% down in clothing.



Similarly, EU27 **production** continued to improve in the textile industry with a 2.5% increase over the previous quarter, picking up from Q4's 0.3% increase. Production activity in most textile sub-sectors picked up, compared with the previous quarter: yarns (+3.2%), fabrics (woven: +3.6% and knitted: +0.4%) and technical textiles (+1.1%). By contrast, Q1 2022 saw an output decline in the manufacturing of man-made fibres (-2%), nonwovens (-0.2%) as well as in finishing activities (-4.8%). In the clothing sector, output evolution turned negative: -0.3% vs +4.5% the previous quarter. The good performances in the hosiery (+22.6%) and knitwear (+5.5%) sectors were not able to offset the declining production of other clothing articles and accessories.

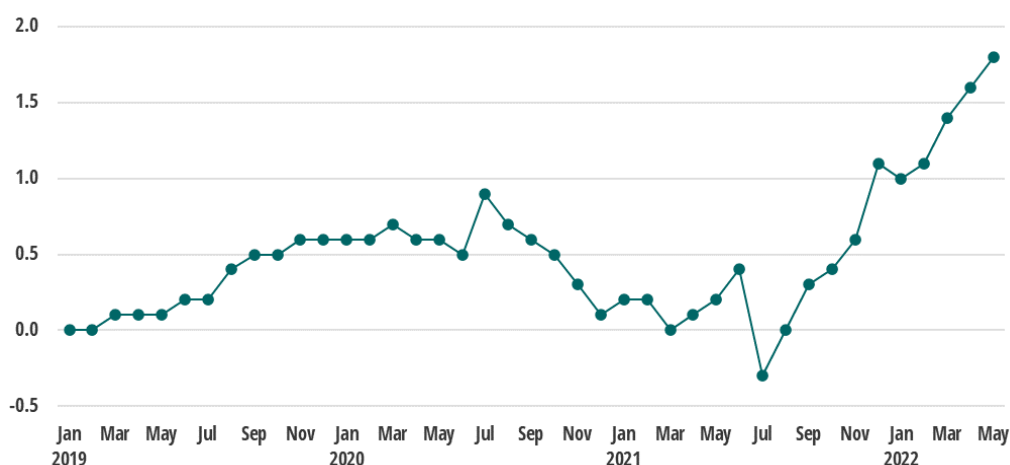
Member states that performed best in textiles were Lithuania, Denmark, Hungary, Spain, Portugal, the Czech Rep. and Italy, who reported a quarter-on-quarter growth in production above +3%. The hardest-hit countries were Greece, Austria, Germany, Latvia and Bulgaria with losses between -1% and -4% over the previous quarter. In the clothing sector, France, Greece, Bulgaria, Hungary and Austria saw a tangible improvement in Q1 2022 (+6.4% on average). Positive evolutions were also recorded in Romania, the Czech Rep., Poland, Latvia and Lithuania. In Italy, production activity remained almost stable, while in Finland, Germany, Spain, Belgium and Denmark the industry suffered a -8% setback (on average).

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

Employment turned negative, during the period, in textiles (-1.2%) and clothing (-0.1%). When compared to its pre-pandemic level in Q4 2019, job creation in Q1 2022 was still 4.4% down in textiles and 6.8% down in clothing, as firms continue to grapple with labour shortages. Employment in the textile industry recorded strong improvements in Latvia (+14%) and Ireland (+29%), while Spain, Italy and Croatia saw the sharpest drops (with respectively -9%, -2.4%, -1.4%). In the clothing industry, the labour market deteriorated in Ireland, Spain, Croatia, Latvia, Poland, Lithuania and Sweden. By contrast, the workforce expanded in Portugal, France, Italy, Germany and Austria.

Compared to the previous quarter, “**retail sales** of textiles, clothing, footwear and leather goods in specialised stores” dropped by 2.7%. In the beginning of 2022, the retail sales were still 11% below the pre-pandemic level, as inflation is and will continue to impact consumer purchasing. Retailers in Italy, Denmark, Sweden and France recorded falls above EU average, while Portugal, Belgium and Croatia registered drops between -0.8% and -2.4%. However, fashion retail remained strong in Romania, Spain, Bulgaria, Austria and Ireland. Online retail sales also slowed down on a q-o-q basis, as trading conditions continue to be “very tough”.

HICP - Consumer prices of clothing
monthly data (12-month average rate of change)



Consumer prices for clothing products jumped since the beginning of the year, contributing to **increase the inflationary pressure** on consumers. Under this inflationary background, the pass-through of energy price fluctuations by T&C companies is becoming a real challenge. This is particularly the case for companies that can't increase output prices further without losing too many sales. Appreciating energy prices will therefore be mainly absorbed by a drop in their profit margin.

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 previous quarter				
% Evolution	2018	2019	2020	2021	JAN - APR 22/21	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1
All manufacturing	1.5	-0.5	-7.9	8.8	0.7	1.3	0.3	-0.8	0.1	1.8
Man-Made fibres	1.7	-5.2	-13.2	10.9	-4.9	5.0	4.4	-5.6	0.2	-2.0
Textile	-1.5	-3.4	-11.5	9.8	4.2	-1.4	3.6	0.2	0.3	1.5
Clothing	-2.2	-6.1	-24.0	2.7	9.5	-0.3	1.3	3.5	4.5	-0.3

EMPLOYMENT	Annual***, % change based on previous year				Year-to-date***	Quarter***, % change based on previous quarter				
% Evolution	2018	2019	2020	2021	JAN - MAR 22/21	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1
All manufacturing	1.8	0.8	-2.1	-0.5	1.2	-0.2	0.3	0.0	0.4	0.4
Textile	0.4	-0.8	-2.1	-2.3	-0.7	-1.3	0.1	-1.1	1.5	-1.2
Clothing	-1.6	-1.8	-5.3	-3.8	2.3	-2.9	0.1	1.4	0.8	-0.1

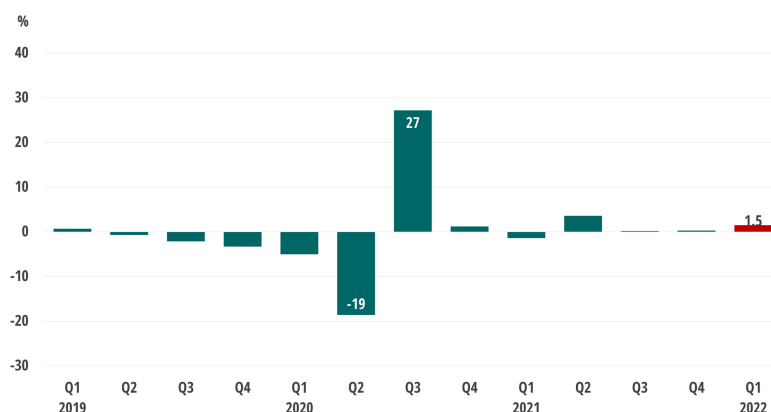
TURNOVER	Annual*, % change based on previous year				Year-to-date*	Quarter**, % change based on previous quarter				
% Evolution	2018	2019	2020	2021	JAN - MAR 22/21	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1
All manufacturing	3.5	0.7	-9.7	15.3	17.1	2.7	2.8	1.9	6.0	5.3
Textile	0.8	-2.0	-9.2	12.7	13.1	-0.7	3.7	2.2	3.0	3.6
Clothing	0.5	-2.0	-18.3	10.7	19.6	2.4	8.7	3.0	5.6	0.4

RETAIL SALES	Annual*, % change based on previous year				Year-to-date*	Quarter**, % change based on previous quarter				
% Evolution	2018	2019	2020	2021	JAN - MAR 22/21	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1
T&C, footwear and leather	-0.7	1.2	-24.0	7.4	13.9	1.0	5.0	13.5	0.5	-2.7

*Calendar adjusted data, not seasonally adjusted data; ** Seasonally and calendar adjusted data; *** Unadjusted data (Year-to-date: % based on previous year)

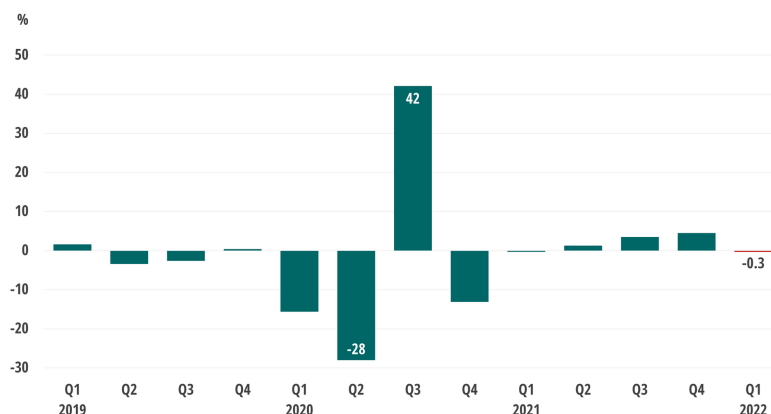
EU Textile production - Quarterly evolution

% compared to previous quarter



EU Clothing production - Quarterly evolution

% compared to previous quarter



Unless specified, EU refers to EU27

Data source: EURATEX, based on EUROSTAT

EU-27 trade: Import and export statistics

In the first quarter 2022, the textile & clothing trade balance deteriorated, as compared with the previous quarter, resulting from an increase in EU-27 imports from third markets and a drop in exports.

EU exports of textile and clothing went down in Q1 2022

Following 12% growth in the previous quarter, the EU-27 recorded a 3.5% decrease in exports' value (and -9.7% in volumes, on a q-o-q basis). Extra-EU sales of textile & clothing articles went down in all main markets, following a slowdown in demand from EU top customers.

► **Textiles' exports** saw a moderate decrease (-1.1%), compared to Q4 of 2021. Exports declined to the United States (-1.4%), Turkey (-13.8%), China (-0.8%), but also to Russia (-12%) and Ukraine (-28%), following the war's impact. Among the EU top-10 customers, good performances were recorded in the following markets: the United Kingdom (+7.9%), Morocco (+15%), Switzerland (+7.7%), Tunisia (+3%) and Norway (+4.9%).

► **EU clothing sales** registered a sharp decline (-5.3%). Exports to the United Kingdom continued to weaken (-12%), as among other EU's top customers: China (-22%), Hong Kong and Switzerland (-11%), the United Kingdom (-12%), Norway (-6.9%), Russia (-5.4%) and Turkey (-4.8%). By contrast, sales climbed to the United States (+3.5%), Japan (+1.5%) and South Korea (+0.5%).

T&C imports recorded significant growth over the period

T&C Extra-EU imports grew by 9.1% on a q-o-q basis, following a sharp increase in imports from some Asian countries. Among the top-10 suppliers, China, Bangladesh, India, Pakistan, Vietnam and Turkey saw a strong increase in their sales to the EU. Besides, EU imports from the United Kingdom collapsed further.

► **Textile imports** from Extra-EU countries picked up by 14%, boosted by a drastic increase of Chinese imports of protective face masks and filtering facepieces (+50%), as well as manmade filaments and fibers. Imports from all EU top suppliers expanded, with the exception of the United Kingdom (-3.9%): China (+21%), Turkey (+13%), India (+12.5%), Pakistan (+6.2%), South Korea (+18%), the US (+3.2%), Japan (+22%), Vietnam (+40%) and Switzerland (+3.4%).

► **Clothing imports** rose by 6.9% during the period, despite a drop from the United Kingdom (-21%) and from the top EU supplier, China (-7.3%). Imports from Bangladesh continued to increase on a regular basis since Q4 2020, reaching an all-time high in Q1 2022. Imports from other EU main suppliers also expanded substantially: India (+53%), Vietnam (+17%), Tunisia (+15%), Pakistan (+12%), Turkey (+11%) and Myanmar (+9.4%).

EU-27 trade: import and export statistics

IMPORTS		Annual, % change based on previous year				Year-to-date*	Quarter, % change based on previous quarter				
% Evolution		2018	2019	2020	2021	Jan-Mar 2022	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1
Textile & Clothing		3.3	3.3	5.1	-7.5	26.4	-0.9	-9.5	23.4	3.7	9.1
Textile		2.4	0.7	58.0	-26.9	17.2	-0.2	-9.2	4.3	8.5	14.2
Clothing		3.6	4.3	-14.3	5.6	31.1	-1.3	-9.6	33.4	1.8	6.9

EXPORTS		Annual, % change based on previous year				Year-to-date*	Quarter, % change based on previous quarter				
% Evolution		2018	2019	2020	2021	Jan-Mar 2022	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1
Textile & Clothing		4.3	5.0	-13.8	10.6	17.7	-10.2	5.7	3.0	12.0	-3.5
Textile		2.6	1.4	-12.7	13.2	15.5	-4.4	9.7	-7.8	15.5	-1.1
Clothing		5.6	7.8	-14.6	8.6	19.5	-14.4	2.6	12.1	9.6	-5.3

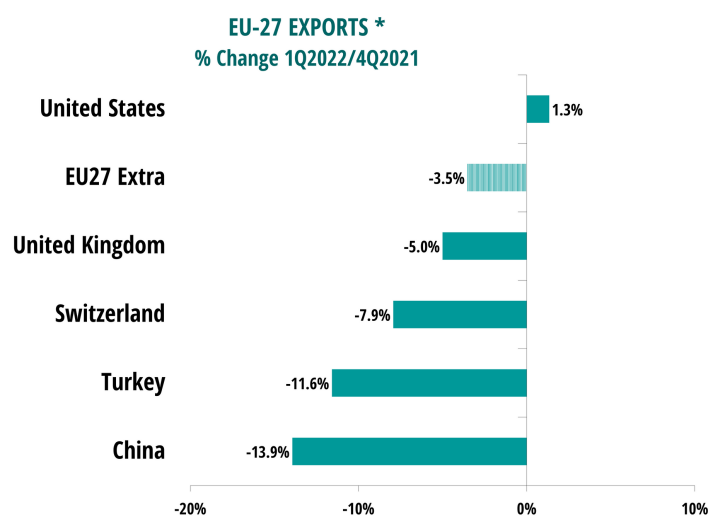
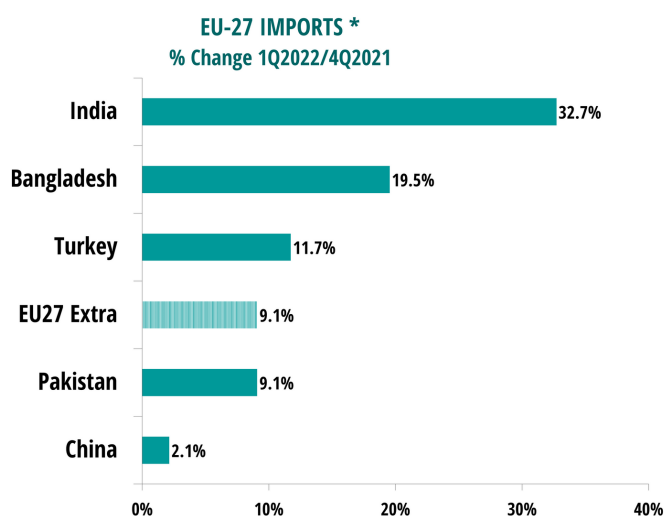
TRADE BALANCE (DEFICIT)		Annual, % change based on previous year				Year-to-date*	Quarter, % change based on previous quarter				
% Evolution		2018	2019	2020	2021	Jan-Mar 2022	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1
Textile & Clothing		2.1	1.2	29.2	-22.9	36.0	12.1	-26.4	56.0	-5.1	24.8
Textile		1.2	-3.8	551.9	-64.3	20.9	10.1	-49.2	59.3	-10.1	66.1
Clothing		2.2	1.6	-14.1	3.1	40.5	12.7	-19.5	55.3	-4.1	17.2

*Year-to-date: % based on same period of previous year

Source: Euratex based on Eurostat data

EU-27 TOP TEXTILE AND CLOTHING TRADE PARTNERS

	IMPORTS		Q4 2021		Q1 2022		Evolution Q1 2022/Q4 2021 %		
			Mio EUR	TON	Mio EUR	TON	EUR	TON	Price
Extra EU-27			29,405	3,051,153	32,077	3,181,264	9.1%	4.3%	4.6%
China			10,050	1,014,503	10,264	1,048,607	2.1%	3.4%	-1.2%
Bangladesh			4,156	324,220	4,969	354,351	19.5%	9.3%	9.4%
Turkey			4,007	458,246	4,478	463,295	11.7%	1.1%	10.5%
India			1,535	276,723	2,038	299,270	32.7%	8.1%	22.7%
Pakistan			1,447	193,470	1,579	194,666	9.1%	0.6%	8.4%
EXPORTS									
Extra EU-27			16,300	1,589,838	15,725	1,438,006	-3.5%	-9.6%	6.7%
United Kingdom			2,160	156,808	2,052	163,170	-5.0%	4.1%	-8.7%
Switzerland			2,160	53,144	1,989	55,674	-7.9%	4.8%	-12.1%
United States			1,711	112,304	1,734	114,170	1.3%	1.7%	-0.3%
China			1,382	95,879	1,190	101,271	-13.9%	5.6%	-18.5%
Turkey			903	229,227	798	157,524	-11.6%	-31.3%	28.7%



* % Change based on values.

Unless specified, EU refers to EU27

Data source: EURATEX, based on EUROSTAT

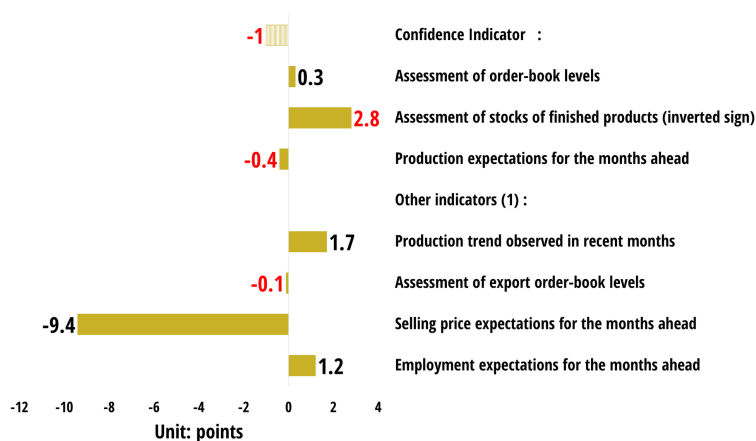
EU-27

Business confidence * in the textile industry

The textile industry's confidence indicator for the months ahead deteriorated (-1 point), resulting mainly from managers' more pessimistic views on their production expectations and appraisals of stocks of finished products (increasing stocks). However, the textile industry's confidence indicator remained markedly above its long-term average and pre-pandemic level. Among other factors, selling price expectations eased for the second month in a row, while employment expectations in the industry improved.

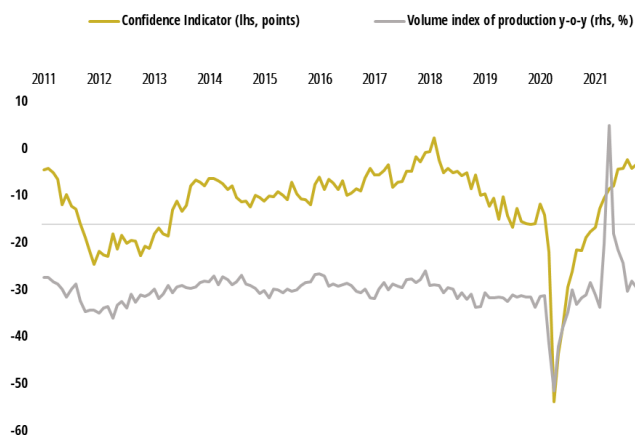
Evolution of individual indicators

June compared to May 2022

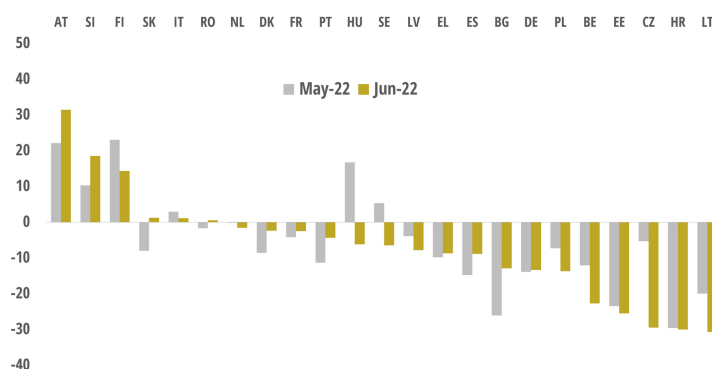


Finland, Slovenia and Austria had the most positive outlook, when it comes to business confidence in the textiles segment. Focusing on the seven largest EU textile producers, June 2022 brought a deterioration of expectations in Belgium (-11 points), Poland (-6.4 points) and Italy (-1.8 point). By contrast, confidence brightened in Portugal (+6.9 points), Spain (+5.9 points), France (+1.7 point) and Germany (+0.5 point).

EU Confidence indicator - Textile Industry



Business Confidence Indicator (textile), by EU Member States



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

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Data source: EURATEX, based on EUROSTAT

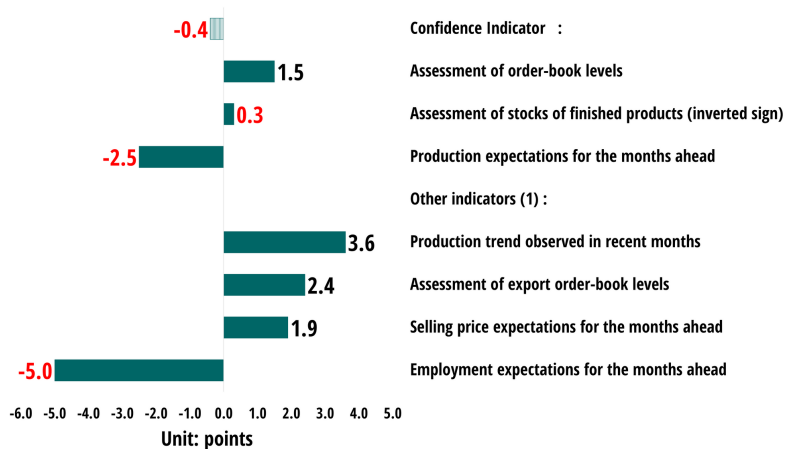
EU-27

Business confidence * in the clothing industry

The business confidence indicator in the clothing industry turned negative (-0.4 point), with slightly higher pessimistic answers (in % of total answers to the questionnaire). The decrease in confidence resulted mainly from negative developments in entrepreneurs' production expectations and in their assessments of the adequacy stocks of finished products (accumulation of stocks). By contrast, manager's appraisals of the order-book levels improved. The employment plans in the industry were more pessimistic.

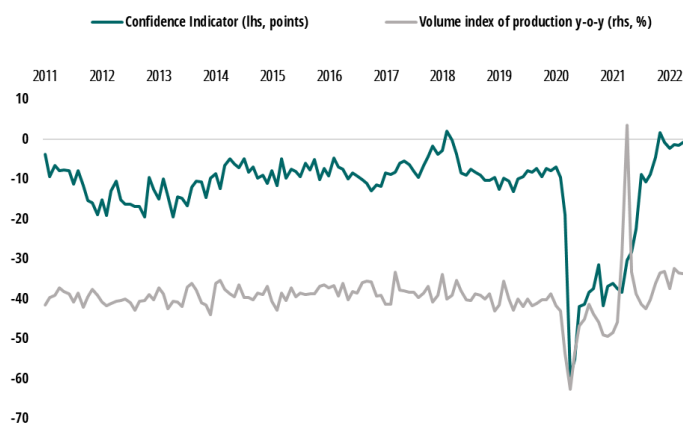
Evolution of individual indicators

June compared to May 2022

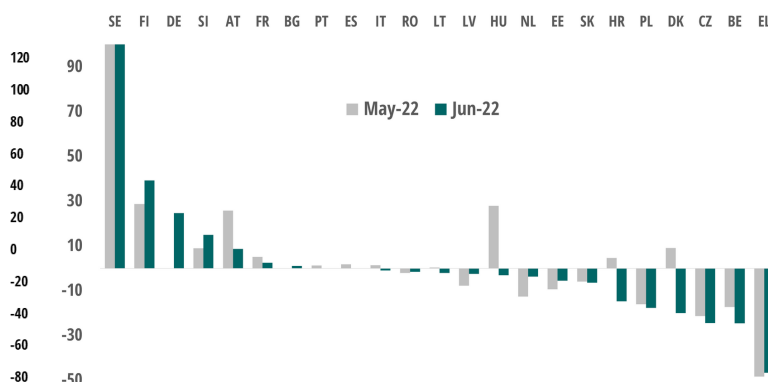


Focusing on the seven largest EU clothing producers, expectations brightened in Germany (+25 points as compared with the previous month) and Romania (+0.5 point). By contrast, June 2022 brought some worsening in business expectations' forecasts in France (-2.6 points), Italy (-2.3 points), Spain (-1.9 point), Poland (-1.7 point) and Portugal (-1.2 point).

EU Confidence indicator - Clothing Industry



Business Confidence Indicator (Clothing), by EU Member States



*EU Commission's June 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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