

THE CRISIS HAS CAUGHT UP WITH EMERGENT MARKETS

Throughout 2008, consumption of textile-apparel articles in France fell about 3 % in value under comparable conditions, in comparison to 2007. There has not been a free-fall of this magnitude since 1994-95, though it was somewhat less severe. As in 2004, the volume of purchasing decreased even as prices were dropping slightly; whereas under normal circumstances consumers take advantage of lower prices to buy more.

2008 was a difficult year for other members of the European Union as well. Even the southern European countries—which traditionally place great importance on their fashion purchases—suffered last year. In

Spain, consumption of clothing articles plummeted 5 % in value, while in Italy consumption shrank 2 %.

Across the Atlantic, sales of fashion and textile products also fell in 2008. Although less extreme than in Europe, this decline ended up being no less brutal: after benefiting from a 5 % rise in 2007, sales then slipped by more than 1 % in 2008.

The slump in end-consumption in France, which has been relatively moderate in comparison to other sectors, has sometimes manifested itself in a drastic drop in business for companies upstream in the industry. High stock levels that don't move and lack of visibility have taken a heavy toll on new orders for branch customers.

Will emergent economies still be a strong potential growth engine for European companies, as they face slackening demand on the European and American markets within a badly deteriorating international economic situation?

In China, according to local authorities, Gross Domestic Product growth should come close to 8 % in 2009, while GDP growth was as high as 9.7 % in 2008 and close to 12 % in 2007. Thus the global economic slow-down is indeed having a palpable impact on China, where exports generate 40 % of growth. China's gigantic domestic market, on the other hand, should prove to be a precious growth engine, if Beijing does indeed go through with putting its stimulus plan into action. In November 2008,

Beijing announced a hefty 586 billion-dollar reflationary package to boost economic activity over two years.

The main risk for China will be seeing growth sink below the critical threshold of 8 %, which would no longer allow it to create the 12 million jobs necessary annually to absorb the rising number of new workers entering the economy every year.

India is also affected by the slow-down of the global economy. India's GDP growth should reach 6 % in 2009, which corresponds to a two-point decline in relation to the average annual rate of 8 % recorded during the period from 2000-2007. The global economic slow-down will however have a more limited impact on India than on China, as India is less dependent upon exports to ensure its growth.

It is Russia that should suffer the most from the global economic turnaround. Severely affected by the drop in prices of raw materials, growth will no doubt be negative in 2009.

In view of growth forecasts for 2009 for the United States and the Euro zone, (- 1.3 % and - 0.9 % respectively), the emerging economies may be the only regions to enjoy positive growth this year. Over time, emerging economies will offer European companies an alternative to their shrinking activity on the domestic market, even if—for the time being—they too will be affected by the crisis.

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