

# IS THE WORST BEHIND US?

2009 has, without contest, been one of the global economy's most difficult years to date. For instance, the GDP of the European Union slid 4.1 % in comparison to 2008. This recessive context has indeed taken its toll on business throughout the textile-apparel sector. Companies anywhere from upstream in the supply chain all the way to downstream industries have sometimes had to deal with their turnover plummeting drastically. After a 3 % downtrend in 2008, consumption of fashion and textile articles fell once again by 3.5 % in 2009. Will 2010 be the year that consumption picks up again? In other words: Is the worst behind us?

While the situation in the first half of 2009 may have given the impression that the overall slump in consumption of fashion and textile articles would be less severe in 2009 than in 2008, as of the month of July, the situation began deteriorating. During the third quarter of 2009, for example, consumption of fashion and textile articles plunged an average of 9 % in value in comparison to the same period in 2008. Thus, last year not only did households place priority

on low prices, they also cut back on their purchases in terms of quantity, something that has not occurred since the crisis of 1992-93.

2009 proved to be a hard year for other European Union member countries as well. In Spain, for instance, consumption of clothing articles dropped 6 % in value, while Italy experienced a 1 % decline. In North America too, sales of fashion and textile products fell by nearly 4 % in 2009.

This fall in consumption translates into a far more serious downturn in business for producers in upstream industries within the sector, to the degree that an average drop in turnover of 3.5 % for retailers over 2009 as a whole starts to look downright modest next to what France's textile manufacturers have lived through: a freefall of 23 % in comparison to 2008. For, when retailers were faced with diminishing profits, they increased the amount of their outsourcing in Asia, to the detriment of European and Mediterranean producers. For several years now, French textile manufacturers have been confronted with the pressure of competition from manufacturers in countries

with low labour costs. To make matters worse, their opportunities in turn have also shrunk dramatically as a result of the slump in business of their clothing manufacturing clients.

The fact remains however, that at the end of last year, consumption did improve somewhat. For the first time since early 2008, French consumption of fashion and textile articles came close to stabilising during the fourth quarter of 2009 (- 0.4 % in value in comparison to the very weak reference point of the last quarter of 2008). While this is no clear-cut recovery, the situation has improved significantly in comparison to the 9 % fall recorded in the third quarter of 2009. In the United Kingdom, Germany and the United States fashion sales also starting holding firmer as of October.

The path that leads to recovery will no doubt be long, as the performance for the first fifteen days of the winter-sales season in January 2010 confirms: Consumption of fashion and textile articles on average during this period fell 5 % in comparison to 2008. Consumption will only truly bounce back onto a positive track once the

unemployment rate starts easing up, and this is far from being the case at present. It is true that since the second quarter of 2009, the unemployment rate is no longer rising as steeply, but there are still fewer jobs to be had. According to the INSEE, (French National Institute of Statistics and Economic Studies), after losing 260,000 jobs in the first half of 2009, the French economy will lose approximately 110,000 more during the second half of 2010. Under these conditions, one cannot expect a significant improvement in consumption during the first half of 2010, even if the worst is indeed behind us.

**GILDAS MINVIELLE**

[gminvienne@ifm-paris.com](mailto:gminvienne@ifm-paris.com)

