

EUROPE, USA: 2009 SOURCING REPORT

End consumption of textile and apparel articles in 2009 lost ground on nearly all Western markets. In Europe, consumption even dropped by more than 6% in value in Spain, while in the USA consumption of fashion and textile goods fell by 3.7%. What have the consequences of these downswings in consumption been on retailers' sourcing strategies?

On the other side of the Atlantic, US clothing imports, measured in dollars, plunged 12% in 2009 in comparison to 2008. In terms of quantity, the downtrend has been more modest, as it translates into a 6% drop in prices of imports, on average. The largest market on earth, with expenditures at more than 300 billion Euros, is also the market in which retail concentration has the highest market share: 89%, as opposed to 70% for the European Union. The US tends to import products from low-cost sourcing countries far away, and the crisis has only intensified this phenomenon. In particular, goods imported into the US market from China—which have been free of all import quotas as of January 1st 2009—enjoyed a 2.5% increase in value. In volume, American

apparel imports from China even rose by 11%, as prices on Chinese import products fell by 7%. Imports from Viet Nam—the United States' second-leading supplier country—also climbed 5% in volume.

Overall, Asia's market share for the United States' apparel sourcing totalled 75% of all imports in value in 2009, as opposed to 71% for the European Union. Market share of US imports from China is now as high as 38%, that is, 6 percentage points lower than market share for the EU. Therefore, compared to Europeans, Americans are more likely to choose procurement from Asia, though it may be more evenly spread out among China and other Asian countries, while European Union member countries tend to concentrate more exclusively on China. Since 2007, Asia's market share in apparel imports to the European Union and the United States has progressed 5 percentage points.

The downturn in consumption in the United States has certainly not been a boon to sourcing from neighbouring countries, as clothing

imports from Mexico and Honduras plummeted 15 and 22% in value in 2009.

As for the European Union, apparel imports fell 5% in value in 2009. The fall in terms of quantity was comparable, as import prices, on average, stabilised in comparison to 2008. European clothing imports from all Asian countries as a whole held steady, in spite of a drop in consumption, since they decreased only 1% in value. Imports from China remained stable, while sourcing from Bangladesh increased by 7% in value. Bangladesh, which stands out as the great winner in this crisis, benefits from the advantages of the EU's Generalised System of Preferences, which allows clothing which is manufactured there, mostly from fabrics produced in neighbouring countries, access to EU markets exempt from normal customs duties.

European and Mediterranean producers have been especially hard-hit by stagnating consumption. European Union apparel imports from Mediterranean Basin countries slumped 14% in value in 2009. Imports from Morocco

fell 18%, while imports from Tunisia dropped 14%. The decline in imports from Turkey was slightly less pronounced (-12%).

Therefore, in Europe and the United States there are similarities in retailers' sourcing strategies: Faced with shrinking turnover, they tend to choose importing goods from Asian countries over near-sourcing in order to maintain their profit margins.

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