

CONSUMPTION OUTLOOK NO BRIGHTER

Some slight signs of improvement can be discerned in today's international economic environment: for example, as business in China has been picking up, so have sales of raw materials, and the US real estate market has also been making slow strides. Nonetheless, these slim pickings are not so much a sign of recovery as of deterioration that is less severe. In any case, as far as fashion consumption is concerned, the outlook isn't getting any brighter.

Throughout the period from January to April 2009, consumption of fashion and textile articles dropped 2.3 % in value in comparison to the first quarter of 2008. In April, while sales fell 1.2 % compared to the same month last year, it was the distribution channels positioned in the low-end segment that came through with the best performance. For hyper- and supermarkets, mass-market chains, and mail order sales the business atmosphere was indeed better than that of April 2008. Apparently, in times of crisis, low-priced products attract increasingly large numbers of consumers, though department stores positioned in the mid-

to up-market segments have been resisting the drop in consumption rather well.

The summer sales campaigns which begin June 24th therefore have every reason to be a big success. However, this success may be offset by consumers playing the waiting game until then. Initial reports that have come in for the month of May show a slight drop in sales which should weaken annual sales figures: by late May the fall in consumption is expected to be over 3 %.

At a time when there are ever more sales at ever greater discounts, the strong comeback of low-priced goods at many retailers' does affect contractors' sourcing practices considerably. During the first quarter of this year, European clothing imports coming from Asia increased 10 % in value in comparison to the same period in 2008. European sourcing in Bangladesh skyrocketed as much as 20%, while purchasing in China climbed 18 %. Although the weakening of the Euro against the dollar during the first quarter of 2009—in comparison to the same period in 2008—tends to accentuate the increase in imports from Asia measured in

Euros, the fact remains that purchasing in the Mediterranean Basin has trailed off by 16 %. A number of retailers therefore seem to favour producing countries with low labour costs in order to maintain their profit margins, especially as low-end goods occupy an increasingly large portion of their product range. In addition, retailers can then allow themselves to offer larger discounts when sales come around.

The situation in France is telling and mirrors the trend that can be observed throughout European Union member countries. In the first quarter of 2009, clothing imports coming from Asia increased 8.2 % in value, in contrast to the 13.4 % drop in sourcing from European Union countries and 14.5 % from Mediterranean Basin countries. Manufacturers in Europe and its neighbouring countries are thus the first to be affected. This in turn has repercussions on European companies upstream in the industry that export essentially to countries in the EU and North Africa. Indeed, for the first quarter of this year, French textile exports have collapsed, plummeting 26 % in value: exports to the European Union dropped 28.3 % and exports to Mediterranean basin countries fell 17.8 %.

Thus, when it comes to end-consumption, the state of erosion worsens substantially the further upstream in the industry one goes: According to the latest statistics from the INSEE (French National Institute of Economic Statistics and Studies), French textile production fell 28% during the first quarter of 2009.

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