

THE DROP IN CONSUMPTION AMPLIFIES THE CRISIS IN THE TEXTILE INDUSTRY

While there seem to be ever more signs of improvement in the economic environment and experts agree that the economy has already bottomed out, consumption of fashion and textile articles has never fallen to such a low point: During the third quarter of 2009, consumption dropped 9 % in value in comparison to the same period in 2008. Since the beginning of the crisis, the monthly consumption of fashion has suffered several severe setbacks, but the fact that this slump lasted so long—three consecutive months: July, August and September— is indeed unusual. For 2009 overall, a drop in consumption of fashion and textile articles of about 4 % is therefore to be expected. While this fall in consumption is quite substantial, it is still quite modest compared to the drop in production for manufacturers in supply-chain industries. How can such a great discrepancy in performance between downstream and upstream industries be explained?

First of all, clothing and textile retailers, as they watched their turnover decrease, began clearing their stocks on a large scale and significantly curtailing or even stopping placing orders with

manufacturers. Secondly, retailers would do their sourcing in Asia in order to maintain their profit margins in a context where, not only have the average prices for articles purchased by consumers fallen, but the number of purchases has fallen as well. This has been an especially thorny issue in the second half of 2009.

Consequently, manufacturers in Europe and the Mediterranean Basin have been particularly hard hit. This is why French imports of apparel from other European countries dropped 12 % in value between January and August 2009. Clothing imports from the Mediterranean Basin region fell 13 %. In contrast however, imports coming from Asian countries rose 6 % in spite of the fall in end consumption. Remember that, in 2008, though France may have cut back on its imports from other European Union countries, it did not give up on the Mediterranean countries. Now however, the even steeper decline in consumption in 2009 has caused their orders with Mediterranean Basin manufacturers to dwindle to a trickle.

Business drying up for European and Mediterranean manufacturers has an even more

harmful effect on French companies upstream in the industry, as it is they who absorb nearly all French textile exports. French weavers, whose business is heavily dependent upon their export markets, have therefore had to deal with a crushing lack of business: French fabrics exports to other European Union countries have plummeted 25 % in value during the period from January to August 2009, while deliveries to Tunisia and Morocco have decreased 18 and 12 %!

Another element exacerbating the situation is that in recent years French weavers have also had to deal with a formidable competitor—Turkey. Turkey had a total of 9 % in value of Moroccan textile imports in 2008, that is, up 4 points of market share from 2006. As for China, it had 11 % of market share in 2008, up 2 points of market share from 2006. As the third most important importer supplier country for Morocco, behind Spain and Italy, France has a 14 % market share in Morocco's textile supply.

Finally, French textile production dropped a whopping 25 % during the first eight months of

2009. There is nothing exceptional about France's performance in Europe, as on average, European Union member countries have seen their production deteriorate 20 % this year in comparison to 2008. Textile producers, faced with competition from China and Turkey, are also heavily impacted by the crisis their customers in manufacturing are enduring. Therefore, households' end consumption losing just a few points of market share produces a chain reaction of recessive effects that are amplified considerably as one moves upstream in the industry.

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