

THE DECLINE IN CONSUMPTION SHOULD ABATE SLIGHTLY IN 2010

After an unprecedented fall during the third quarter, (- 9.1 % in value in comparison to the same period in 2008), consumption of fashion and textile articles started back on a positive course in October 2009. The slight increase recorded (+ 0.2 % in value in comparison to October 2008), should be interpreted first and foremost as the market catching up after the sharp declines during the preceding months. It does not, however, signal a lasting recovery for consumption, especially considering that this year the calendar bestowed one more Saturday on us in October than last year. Nonetheless, the fact remains that, in data adjusted for seasonal variation, consumption increased in October by 9.6 % (with inflation adjustment) in comparison to September 2009, which is undeniably an improvement.

Unfortunately, the first information collected for the month of November seems to indicate that October's comeback will not be born out. While the situation during the first quarter suggested that the slump in consumption of fashion and textile articles might be less severe in 2009 than in 2008, the situation began deteriorating as of July. Price seems to have once again

become the crucial determining factor for households in their consumption decision-making. Consumers are constantly on the lookout for a bargain and are more opportunistic. This attitude was already prevalent in 2008, with the difference that this year the quantities purchased decreased as well. On average, households cut back on their buying and tended to buy lower-priced articles, leading to a snowball effect in the fall in fashion consumption. In total, for the year 2009 as a whole, a 4 % drop in value in French consumption of fashion and textile articles is to be expected.

The situation in some other European countries is even worse than in France. In Spain, for example, according to the CITYC (Centro de Informacion textil y de la confeccion), consumption may drop as much as 5 % in value in 2009. According to our estimations, in the United Kingdom and in Germany the drop in value in 2009 should be - 1.5 %. Finally, in Italy, according to the Sistema Moda Italia, during the eight first months of 2009, sales decreased by 1.6 % in value in comparison to the previous year.

What are the prospects for consumption of fashion and textile articles in France in 2010? After the recession in 2009 —when the Gross Domestic Product fell by 2 %— growth in France should once again start picking up in 2010. Various forecasting institutions all concur; they are all banking on an increase in the GDP in 2010, though the range of these organisations' forecasts is rather wide. As for the French government, it shows some restraint in its forecast: (+ 0,75 %). In all likelihood, the pace of growth in France next year will not live up to its potential: (+ 2 %). The stimulus for growth will be an improvement in the international environment which should encourage exports, while investments —after having shrunk by more than 7 % in 2009— will decrease less sharply in 2010.

Overall consumption for households should only rise slightly in 2010, in an evolution comparable to that in 2009, (approximately + 0.6 % in comparison to 2008). In this context, the evolution of consumption of fashion and textile articles should improve to a certain extent in 2010 without, however, getting back

on a positive track. Expenditures may also fall by about 1.1 % in value next year, according to our forecasts. Thus, we will have to be patient and wait until 2011 to be able to hope for a new upswing in consumption of fashion and textile articles.

GILDAS MINVIELLE

gminvielle@ifm-paris.com

