



OPPORTUNITIES OR CHALLENGES?

In a balancing act between international trends, Brexit and tension over tariffs, Italian fashion gets ready to meet the buyers: at fieramilanocity from 22 to 25 February for THEONEMILANO, the best international prêt-à-porter companies look to the future with some concern but also a desire to get things done.

TheOneMilano, the women's haut-à-porter exhibition, is just one week away now, and it will be the perfect business opportunity for the sector, ready to welcome Italian and international buyers. The exhibitors feel different sentiments about the current situation. Some talk about the challenges posed by the market and some - in perhaps a more modern way - prefer to tackle uncertain times by focusing on new opportunities that only emerge during turbulence and change, envisioning what the future could be like.

The general feeling is one of slight pessimism, as can be seen in the difficulty of doing business in an Italy where the economic and political scenario can be perplexing and where consumption shows no signs of recovery. Fashion industry professionals consider themselves skilled in style, creativity and quality, but they are critical about the growth possibilities of their work, which has always been export-oriented and has now become even more complex due to international trends, the threat of Brexit, and the tariff situation.

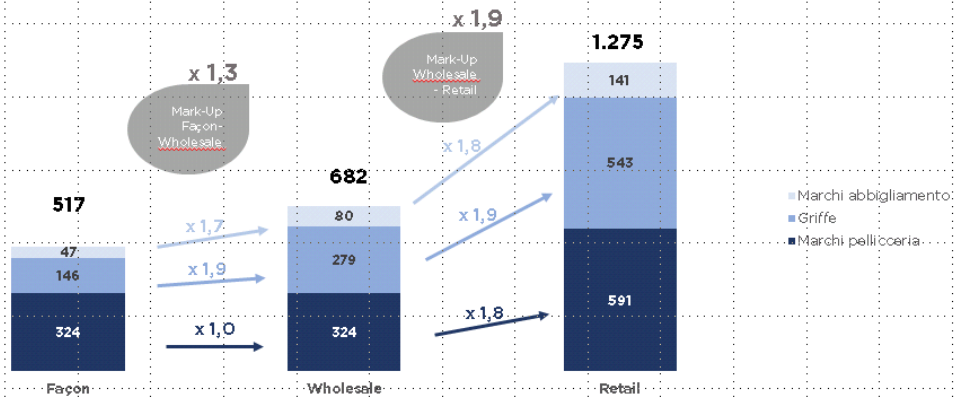
According to research carried out for TheOneMilano by the Confindustria Moda Research Centre, the 2018 preliminary data of the exhibition's integral sectors - fur and clothing - reveal a situation that is certainly not easy for furs, with a production value, in retail terms, of 1,275 million euros and a decrease of -6.7% in 2018 compared to 2017.

“But the data must be interpreted taking into account two of its important elements. The first relates to the fall in the price of leather: the decline has been caused by the fact that China, which has been the biggest buyer for years at all the international fur skin auctions, has significantly reduced its purchases to focus on domestic production, purchased locally, with modernised and improved farms. Its decision to reduce its role as an international player has meant the level of the whole market has taken a nosedive. The value of production has obviously been affected, because the price of furs has fallen. The second element is linked to the change in the incidence of client types for Italian fur production,” says the president of TheOneMilano, Norberto Albertalli. “Considering the percentage shares of the various clients, we see that production for fur brands remained substantially stable (with a share of 46% of the total in 2017 and 47% in 2018), production for designer labels fell (from a 43% share to a 41% share) and production for clothing brands increased (from 10% to 12% in the two years under consideration). This is significant when in interpreting the value of production at the retail level, because the mark-up changes depending on the client, as shown by the summary slide ”.

LA PELLICCERIA NEL 2018

VALORE DELLA PRODUZIONE ITALIANA PER TIPOLOGIA DI COMMITTENTE

(Milioni di euro - anno 2018)



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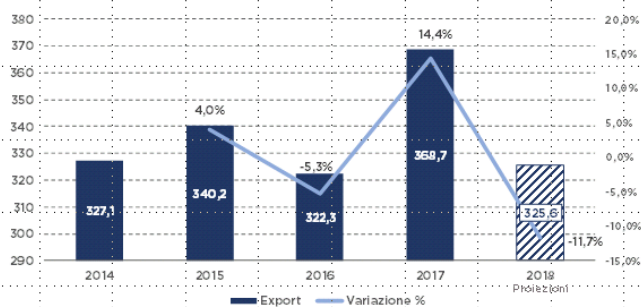
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For fur, exports of finished garments returned to historic levels, after a totally triumphant 2017 that saw an increase of + 14.4% in Italian exports in the sector. In terms of percentage 2018 was down by -11.7% compared to 2017, but when export value is analysed, the figures are 325.6 million euros in 2018, in line with 322.3 in 2016 and with 327.1 in 2014:

COMMERCIO ESTERO

ESPORTAZIONI ITALIANE di PELLICCE

(Milioni di euro e variazioni % - serie storica 2014/2018)



EXPORT di PELLICCE
stimato in calo del
-11,7% per il 2018:
ritorno sui dati 2016, dopo
un exploit del **+14,4%**
nel 2017

Aggregato SH 4303

Fonte: dati ISTAT e stime Confindustria Moda

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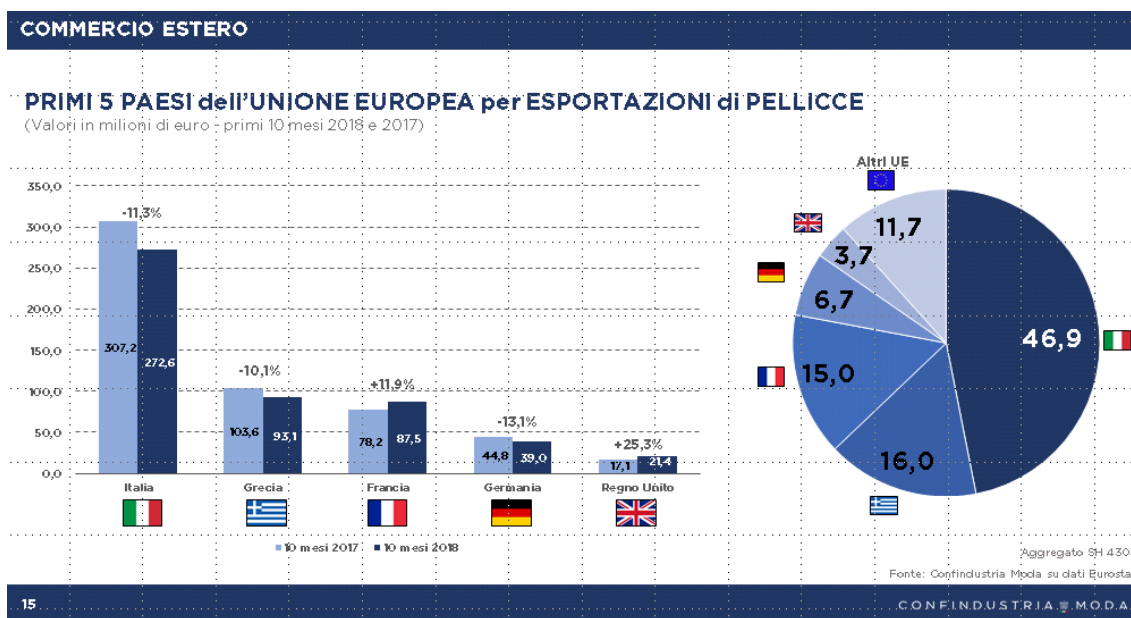


"The historical export figures clarify what sector professionals know from experience," says Albertalli. "Normally a positive year is followed by a year of reflection. This happens because the retail sector around the world enthusiastically stocks Italian furs by making quantitatively large purchases to get better prices; Italian furs, however, because of their infinitely superior quality and design compared to other countries' output, are also more expensive and are more difficult to sell than other furs. They have a longer sales cycle and usually the result is a two-year purchase process."

These aspects that are typical of this sector's trade are joined by more generalised ones, regarding economic issues and tariff wars: bearing the brunt are exports to Russia, which has always been a reference market for the fur sector, now in trouble due to a euro/rouble exchange rate that is extremely unfavourable (74 roubles to the euro) and the change in import regulations, which require furs entering the country to be chipped, which has led to greater interest in purchasing domestic furs.

Balancing out these negative signals are purchases from two markets that have always been keen on aesthetics and fashion: France and South Korea, purchasing + 1% and + 4.5% more Italian furs respectively.

Confirming the supremacy of Italian fashion in the sector was the analysis of the top 5 European countries for fur exports, which reveals Italy's clear lead over other European competitors; Italy, of course, is second after China in global terms.



COMMERCIO MONDIALE

PRIMI 10 PAESI ESPORTATORI ed IMPORTATORI MONDIALI di PELLICCE

(Quote percentuali su Totale Mondo - 2013 vs 2017)

EXPORT			IMPORT		
	2013	2017		2013	2017
1. Cina	62,1	74,2	1. Russia	12,0	14,7
2. Italia	10,1	8,8	2. USA	8,7	11,9
3. Grecia	6,4	3,2	3. Hong Kong	13,6	10,9
4. Hong Kong	5,5	2,7	4. Francia	6,7	7,5
5. Francia	2,2	2,3	5. Sud Corea	4,8	6,7
6. Turchia	3,8	2,1	6. Italia	5,5	5,6
7. Germania	2,7	1,3	7. Giappone	9,4	5,6
8. USA	0,6	0,6	8. Germania	6,1	4,2
9. Regno Unito	0,6	0,6	9. Regno Unito	2,5	4,0
10. Canada	0,5	0,4	10. Cina	2,7	2,9

Nel 2017 l'Italia è
2° esportatore e
6° importatore di PELLICCE

Fonte: Confindustria Moda su ITC-TRADEMAP

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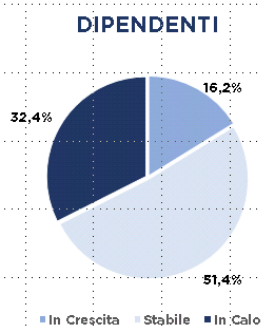
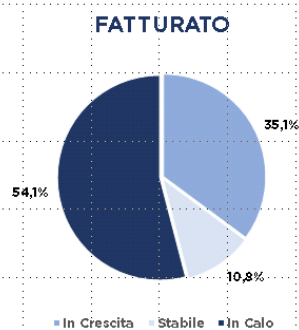
"We are certainly facing momentous changes that require companies to step up a gear," continued Albertalli, "and, unlike in the past, when sectors moved as one in a cohesive and comprehensive body, today growth occurs individually. In other words: in the same production sector there are companies that are growing, others in deadlock and yet others shrinking. Today's individual business cases are what makes the difference."

The sample survey carried out by the Confindustria Moda Research Centre on sector professionals provides confirmation of what President Albertalli said: in a fur sector that is in a reflective phase significant individual growth has been recorded, demonstrating the willingness of companies to find opportunities to guarantee their presence on the market in spite of the crisis. 35% of the sample analysed via individual interviews reported turnover that is increasing and 51.4% of the sample stated the number of their employees has not changed.

INDAGINE CAMPIONARIA

TREND FATTURATO e DIPENDENTI nel 2018

(% sul totale rispondenti)



Dipendenti: diretti + stagionali

Fonte: Confindustria Moda su analisi campionaria AIP

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These are companies that believe that operational efficiency goes hand in hand with active, concrete, effective marketing; with modern business networks; and with skilled managers who adopt strategies that make the most of the opportunities of the modern world, from digital opportunities to innovative solutions in terms of products. Companies that believe that picking up the right product is fundamental, but that style on its own is not the solution for the new rules of a market moving towards faster production cycles, linked to paying more attention to what happens commercially.

The scenario for the other sector that forms an integral part of TheOneMilano - clothing and accessories - is decidedly rosier.

The analysis of the Confindustria Moda Study Centre reveals preliminary results for 2018 that show a sector that is still growing, but that is slowing down in percentage terms; a sector that in any case remains one of the most important for the Italian trade balance and one of the frontrunners in terms of the ability to combine industry and craftsmanship around the world, and that considers exhibitions to be the main vehicle of globalisation for companies.

In particular, the turnover of companies in the sub-sector of clothing, leather goods and footwear reached 56.8 billion euros in the year just ended, up +2.2% compared to 2017's final balance of 55.6 billion euros. Clothing, leather goods and footwear exports also grew, reaching 39 billion euros, an increase of +4.9% compared to 2017's 37.1 billion euros.

Looking at the geographical distribution of exports during the first ten months of 2018 in more detail, among EU countries the partners of choice for companies in the sector were France (+5.4%), Germany (+1.7%), the United Kingdom (+8.7%) and, falling slightly, Spain (-2.5%).

Among non-EU markets mention must be made of Switzerland, up +19.7%, which has become the main logistics platform for many product categories for subsequent re-export to other markets. Sales to the United States grew by + 3.2%.

As far as Asia is concerned, Hong Kong saw a drop of -1%, while direct exports to China stayed buoyant, rising up by +26.3%. South Korea also grew (+ 15.3%), as well as Japan (+ 2.1%). Russia took a downward turn, recording -3.6% for the first 10 months of the year.

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