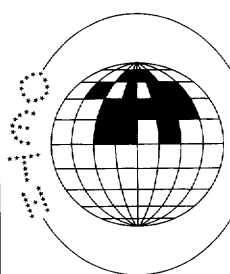


THE EU  
TEXTILE  
AND  
CLOTHING  
INDUSTRY  
1993/1994



L'OBSERVATOIRE  
EUROPEEN DU  
TEXTILE ET DE  
L'HABILLEMENT

## THE EU TEXTILE AND CLOTHING INDUSTRY 1993/94

- Factual Report -

### ERRATA NOTICE

A small number of typographical errors have come to light in this report. Please note that in the following tables and figures, the units of measurements were incorrect and should instead read:

|      |               |             |
|------|---------------|-------------|
| p.31 | Figure 5.4    | ECU million |
| p.66 | Tables 12, 13 | ECU million |
| p.67 | Table 14      | ECU million |
| p.70 | Table 17      | ECU million |

We apologise for this oversight and for any inconvenience it may have caused you.

July 1995



Michèle Ledic  
Director General

# **THE EU TEXTILE AND CLOTHING INDUSTRY**

**1993/1994**

**- A Factual Report -**

Prepared by the OETH at the request of Directorate General III  
of the European Commission

Brussels, April 1995

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## **INTRODUCTION**

The purpose of this report is to present an analysis of the situation in the EU textile and clothing industry, including consumption and distribution, in 1994. Information for individual Member States (EU 12) is given where appropriate.

For the first time, comparisons are made on selected topics with the situation in the USA.

An analysis of the performance of EU textile and clothing companies is included as special topic.

The OETH would like to thank the many organisations and individuals who have contributed material and comments for this report.

## **1. SUMMARY**

*The EU textile and clothing industry represents a major industrial sector, employing 2.4 million in more than 123,000 enterprises. It has a turnover of ECU 170 billion and investment of ECU 5.6 billion, and its exports were over ECU 29 billion in 1994. In relation to EU manufacturing industry as a whole, the industry represents 8.2% of employment, 5% of value added and more than 6.5% of manufactured exports.*

### **1.1 The economic environment**

In the course of 1994 the economic environment developed favourably in most of the world, including the EU. World GDP, outside the EU, increased in real terms by 3% in 1994. In the EU, a fall in GDP in 1993 was replaced, as the EU came out of recession, by a rise of 2.6%.

This performance by the EU economy was mainly due to an expansion in exports to the rest of the world, while at the same time domestic demand and investment grew. The export performance of the EU was stimulated by the depreciation of a number of national currencies.

The textile and clothing sector profited from the improvement in economic conditions, and especially from a strong growth in its exports. The industry is however going through a process of structural adjustment, in the light of intense global competition which is likely to increase with the gradual phasing out of the quantitative limitations.

### **1.2. Demand**

The demand for clothing, measured by the value of retail sales, in constant prices, has continued its decline, and in 1994 was 4.5% below the 1990 level. In 1994, in spite of the overall recovery from the recession, retail sales of clothing fell by 2%.

Consumer spending on clothing, as a share of total consumer expenditure, has also continued to decline. This has been true for all Member States, except for Belgium and Spain. Italian consumers continue to spend more per head on clothing than others.

Another sign of weak demand in 1994 was that apparent consumption of knitted and woven garments fell, in constant prices, by nearly 1%, compared with a small increase in 1993.

New developments in information technology are beginning to have an effect on retailing in general, and the retailing of clothing in particular. It is estimated that the full effects of this new technology will take a decade or more to make themselves felt.

### **1.3. Production, employment, investment**

After falling over several years, production of textiles and clothing began to recover in 1994. Production of textiles increased by 4.4% and clothing by 0.6%. Despite these increases, the volume of production of textiles was still 6%, and that of clothing 13%, below their 1990 levels. There was also an increase in man-made fibre production in most Member States.

Employment continued its downward trend. Almost 140,000 jobs were lost, representing a reduction of 5.7% in the workforce over 1993. Nearly 17% of the loss of all manufacturing jobs in the EU was accounted for by the textile and clothing industries.

Investment in the textile and clothing industries has been declining since 1991. It remains to be seen whether it will recover with production.

### **1.4. Foreign trade**

There was a strong export performance of textiles and clothing in 1994, reflecting a demand for EU products throughout the world. The value of textile exports increased by 13.5%, and those of clothing by 14.5%.

EU imports of textiles increased by nearly 18% in value, and of clothing by 6%. The average import price of textiles fell to ECU 4.1 per kilogram, and that of clothing to ECU 17 per kilogram - both well below EU export prices.

The EU continued to have a positive trade balance in textiles in value terms, and a negative trade balance in clothing. The overall trade balance deteriorated slightly.

EU firms have continued to be active in outward processing activities. The share of OPT in total imports of clothing rose, in tonnage terms, to nearly 12% in 1994.



## **1.5. Competitiveness**

The competitiveness of the EU textile and clothing industry improved in 1994.

Exports of individual countries, such as Italy and the UK, benefited from a fall in their exchange rates. On the other hand, the EU was adversely affected by the high level of prices of imported raw materials in the first half of 1994.

Wage costs in the EU textile and clothing sectors have experienced important changes recently. After increases in nominal terms for several years, they fell in 1993 in both the textile and clothing industries. In 1994 wage costs rose only slightly in nominal terms.

Labour productivity, measured by value added per employee, has risen steadily. In 1994 productivity rose by 8% in the textile, and 6% in the clothing industry. These large increases have helped to strengthen the competitiveness of these industries.

## **1.6. Performance of companies**

For EU companies as a whole, the picture has been mixed, with some increasing their sales in recent years, while others have seen decreasing sales.

Firms are adopting a wide range of strategies to cope with the intense competitive conditions. For example, rises in raw material costs have been offset by cutting production costs, re-engineering products and raising some prices.

At the sectoral level, the gross operating margin of the EU textile industry was cyclical during the 1980s and early 1990s, following the average movement in margins for all manufacturing industry - but at a higher level. In 1994, textile industry margins were near their peak level of 1986/87.

For the EU clothing industry, on the other hand, there has been a steady improvement over the period in gross operating margins, although from a low level. In the last three years, margins in the clothing industry have been higher than those in manufacturing industry as a whole.

## 2. THE ECONOMIC ENVIRONMENT<sup>1</sup>

*In the course of 1994, the economic environment developed favourably in most of the world, including the EU. The improvement in the performance of EU industry has been based primarily on an expansion of exports from the EU, as a result of a limited increase in domestic demand. The depreciation of a number of national currencies in the EU has permitted the textile and clothing industry in those countries to take especial advantage of the growth in external demand. As a whole, the textile and clothing industry has continued its process of structural adjustment, and will have to face, in the medium-term, the progressive elimination of quantitative restrictions within the framework of the MFA.*

### 2.1 The world economy

In 1994, the improvement in economic performance outside the EU<sup>2</sup> has continued and even strengthened on the trends seen in 1993. The world rate of growth, outside the EU, increased from 2.5% in real terms in 1993 to 3% in 1994. This performance comes principally from the persistent strength of the economies of North America and a strong expansion of several Asian countries (whose GDP has increased by 6.3% over 1993 in real terms). Elsewhere, Japan is emerging slowly from one of the most serious recessions in its recent history.

These performances are reflected in the trends in foreign trade. Imports in the rest of the world (excluding the EU) grew by almost 10% in 1994 in real terms (following an increase of 9.4% in 1993). This expansion in import demand is most noticeable in the USA (12.8%) and in the dynamic Asian economies (12.6%).

This favourable economic environment has made a significant contribution to the economic recovery in the EU. Exports to the rest of the world, the first beneficial effects of which had already been felt during the course of 1993, can be considered as the real engine of the recovery.

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<sup>1</sup> For a more detailed analysis, see: Annual Economic Report 1995, EC, COM (94) 615, Brussels, 13 December 1994.

<sup>2</sup> The term "European Union" covers the 12 Member States up to 31 December 1994.

## **2.2 The EU economy**

The performance of the European economy has exceeded forecasts. **GDP** grew by 2.6% in 1994 in real terms compared to a fall of 0.4% in 1993. This result stems principally from the expansion in **exports** from the EU to the rest of the world, which increased by 10% over 1993. This confirms the trend begun in 1993 which saw an increase in exports of 8%. In comparison, **domestic demand** (including stocks) grew by only 2%. This does, however, represent an important recovery, coming after a fall of almost 2% in 1993. Growth has also been sustained by a recovery in **investment** of 2.4%, which had recorded a decline of 5.5% in 1993.

The rapid growth of exports to the rest of the world indicates that European producers, faced with the weakness in domestic demand, have turned increasingly to these markets. In the course of 1994, however, with the domestic situation recovering gradually, part of the recovery came about through a strengthening of private consumption and investment.

The economic recovery at the EU level has not had the same strength in all **Member States**. The rate of GDP growth in 1994, in real terms, varied from 0.4% in Greece to 6% in Ireland. The largest economies of the EU had increases in GDP of over 2%. The UK even experienced a growth of 3.8% in 1994. Among the Member States in the south of the EU, Portugal and Greece, indeed were able to reverse the fall in their GDP in 1993, but at a lower rate than all other Member States, with rates of growth of 1% and 0.4% respectively.

Demand for products made in the EU has been stronger in the principal **EU export markets**: North America, Japan, South East Asia, China and Latin America. During 1994, the combined effects of a moderation in the growth of wages, a strong increase in productivity and the depreciation of European currencies between August 1992 and February 1994 have permitted a net improvement in European competitiveness. These factors explain why the growth in exports to the rest of the world has been accompanied by a growth in the EU's share of the external market of around 7% during last year.

Despite limited information on the subject, it appears that **intra-community trade** has picked up during the first half of 1994, after a fall in 1993. According to estimates by the European Commission, intra-community exports of goods grew by around 7.5% in 1994.

In the course of 1994, the strengthening of the recovery favoured a continued improvement in **investment**. This trend is likely to produce a real growth in investment of 6 to 7% in 1995 and 1996. The factors which

underpin this development are the continued expansion of production and demand, the expectation of a continued improvement in the medium-term, as well as an increase in capacity utilisation, especially in export sectors, and a sustained profitability of investment.

### **2.3. Implications for the EU textile and clothing industries**

The textile and clothing sector has been able to profit from the **improvement in economic conditions**, notably from the strength of the recovery outside the EU. The depreciation in **national currencies** between August 1992 and February 1994 has been particularly beneficial to Member States who are among the largest exporters of textile and clothing in the world, notably Italy. The Italian Lira depreciated by almost 16% against the US\$ over this period. Other countries, such as the UK and Spain, have also experienced depreciations in their currencies which have favoured the international competitiveness of their textile and clothing products. In addition, the effect of a strong recovery outside the EU, combined with a fall in the value of European currencies, has worked in favour of the textile and clothing industry, which was seriously affected by the weakness in domestic demand in 1993.

In addition to the external factors which have influenced the competitiveness of the textile and clothing industry, an important **internal factor** has been the continued growth in productivity, in the context of a reduction in the workforce and only modest rises in wage costs in nominal terms. In fact, labour costs per employee declined by 1.4% in the EU in 1994 in industry as a whole.

Despite these positive elements, which are to some extent cyclical, the textile and clothing industry has undertaken a process of **structural adjustment**, one consequence of which has been a continued reduction in employment.

The conclusion of the GATT agreements on textile and clothing products, signed in April 1994 in Marrakesh, will bring about a period of **progressive liberalisation** of quantitative limits on imports into the EU of textile and clothing products. To some degree, this liberalisation, the extent of which remains to be defined<sup>3</sup>, presents the EU textile and clothing with a new challenge, the outcome of which will be determined by the capacity

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<sup>3</sup> This is, among others, the objective of a report, currently being prepared at the time of writing, by Mercer Management Consulting for DG III of the European Commission.

of industry to maintain and reinforce its competitiveness on an international scale.

#### **2.4. Phasing-out of quantitative limitations - the case of the EU and the USA**

The integration of textile and clothing products started on 1 January 1995, under the terms of the agreement signed at Marrakesh. The integration of textile and clothing products into the GATT framework will be carried out in **three successive stages** (at the beginning of each stage), over a period of 10 years<sup>4</sup>. The first stage of the EU's integration will affect a total of 54 products according to the 6-figure HS nomenclature. In total, these products represent a little over 16% of total EU textiles and clothing imports in tonnage terms<sup>5</sup> (based on the level of the volume of trade in 1990). Of the products selected for this first stage few are covered by quantitative restrictions. These are notably products such as yarn and certain jute products, glass-fibre yarn, plastic-coated fabrics as well as a limited number of clothing products of which the EU imports only a small quantity. By type of product, 4.2% are yarns and other products, 8.0% fabrics, 3.5% textile products and 0.4% clothing.

The textile and clothing products chosen for the first stage of integration by the **USA** follow a similar pattern to those of the EU, with 16% of textile and clothing imports integrated in the first stage, in conformity with the agreement. This 16% is made up of 8.4% yarns and other products, 2.4% fabrics, 3.3% textile products and 1.9% clothing.

The quantitative restrictions in the USA with third countries will not be affected by the first stage of integration. They will only be affected by about 1% by the second stage and by a further 13% by the third stage, if the published programme of integration is followed. Some 86% of quantitative restrictions will still be in force until the end of the integration period.

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<sup>4</sup> See: OETH Quarterly Bulletin No 4, December 1993 - Special Topic: Agreement on textiles and clothing in the Uruguay Round.

<sup>5</sup> The agreement stipulates that the phases of successive integration must apply to a minimum of 16%, 17% and 18%, followed by the remaining products.

### **3. DEMAND FOR TEXTILE AND CLOTHING PRODUCTS**

*The share of consumption of clothing and shoes in total consumer spending has declined gradually over recent years. That consumption of clothing and footwear remains weak is borne out by figures on retail sales which, measured in constant prices, fell slightly in the EU in 1994. In several member states sales by larger retailing groups have gained at the expense of smaller retailers, as concentration in the sector has increased.*

#### **3.1 The pattern of consumption**

Consumer spending on clothing and textiles products is dominated by spending on clothing and clothing accessories. The total household textile and clothing market in 1993 amounted to ECU 229.9 billion, including VAT and retail margins<sup>1</sup>. Of this ECU 197.1 billion (86%) was accounted for by sales of clothing, with the remaining 14% accounted for by home textiles.

Within overall consumption of clothing in the EU, formal outerwear such as suits is the dominant category (32%), followed by light garments, which include shirts, T-shirts and jeans (31%), underwear (15%) and children's wear (13%). An example of how this spending is broken down between the sexes and age groups is provided by France. Of total spending on clothing of FF 138.9 billion in 1994, 52% was on women's wear, 29% on men's wear and 19% on children's wear. Similar data are also available for the USA, which show that the shares of total consumption on clothing are very similar between the two countries. In the USA in 1994, women's wear represented 53% of clothing consumption, men's wear 28% and children's wear 19%<sup>2</sup>.

The largest household textile and clothing market in the EU is Germany, which represented 29% of total EU consumption in 1993, followed by Italy (18%), France (16%) and the UK (13%). These four countries accounted therefore for 76% of total household spending on textiles and clothing in the twelve Member States in 1993.

The relative share of consumer spending on clothing and shoes has declined steadily since 1980 in the majority of Member States. As a result the average percentage of total consumer spending for the EU as a whole has fallen from 8.4% in 1980 to 7.2% in 1993. The only exceptions to this downward trend have been Belgium and Spain. In Germany, which

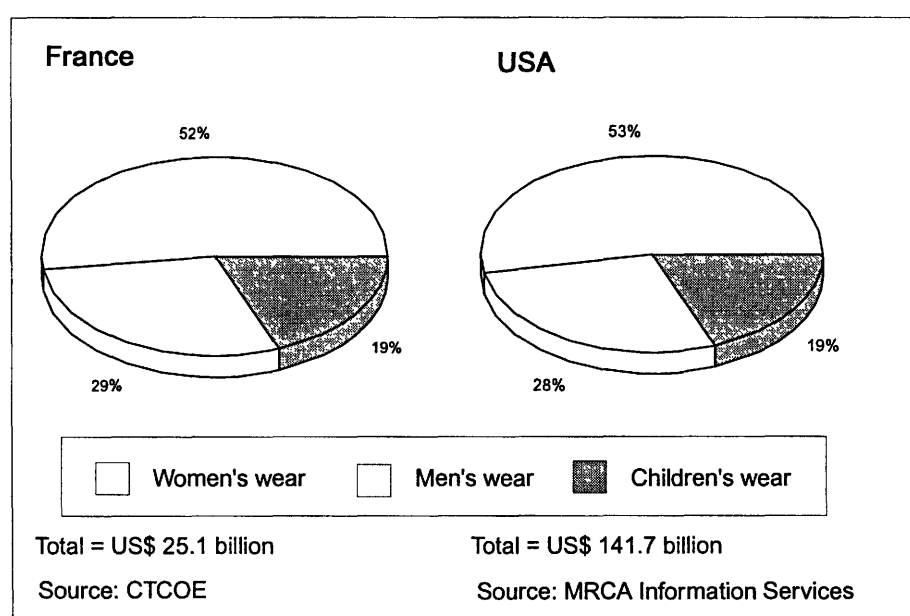
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<sup>1</sup> Further analysis of consumption and distribution will appear in a forthcoming publication, "Long-Term Scenarios for Consumption and Distribution of Textiles and Clothing in the EU", IFM, CTCOE and RISC, to be published by the OETH.

<sup>2</sup> MRCA, Stamford, Connecticut, USA

represents the largest EU clothing market in value terms, the share of spending on clothing and footwear in total consumer spending has fallen from 9.4% in 1980 to 7.4% in 1993 for the Western Lander. In Italy the proportion has fallen from 11.2% to 9.4% over the same period and in France from 7.3% to 6.0%. The countries with the lowest share of consumption on clothing and footwear are Denmark and the UK. In the UK the proportion has fallen from 7.1% in 1980 to 5.7% in 1993.

Figure 3.1. Consumption of Clothing in 1994  
By Type of Garment



Looking at the five most important clothing and footwear markets in the EU, expressed in US dollar terms it is clear that Germany represents by far the largest market with almost US\$ 80 billion in 1993. This is followed by Italy with US\$ 58 billion, France with US\$ 46 billion, the UK with US\$ 35 billion and Spain with US\$ 27 billion. The last three countries have seen the dollar value of their clothing and footwear consumption fall significantly as a result of the depreciation in their currencies against the dollar. In Italy for example the dollar value declined from US\$ 76 billion in 1992 to US\$ 58 billion in 1993.

These currency changes have not affected the share of spending on clothing and footwear but they have had a significant effect on the level of spending on clothing and footwear per head of population. However, despite falling from US\$ 1,340 in 1992 to US\$ 1,014 in 1993, the Italian consumer still spends more on clothing than their counterparts in the other Member States. They are followed by German consumers (US\$ 955), the French (US\$ 790), the Spanish (US\$ 693) and those in the UK (US\$ 600).

A smaller proportion of disposable income is spent on items such as clothing and footwear in the more developed countries. In general, this represents an historical trend. As countries become more developed, consumers, even though they may spend more in absolute terms on clothing and footwear, devote a smaller proportion of their rising incomes to these products.

In addition, consumer prices of clothing have contributed to the decline in the proportion of total consumption dedicated to clothing and footwear. Over recent years there has been a general tendency for the price of items of clothing to rise by less than the increase in consumer prices in general. As a result, consumers can buy the same quantity of clothing as in previous periods, but with a smaller proportion of their budget. In many Member States prices of clothing increased by 1% less than consumer prices in general between 1993 and 1994. They even fell in the Netherlands. This is, in part, a reflection of increased price competition in domestic markets, but is also a result of a growing volume of cheaper clothing imports.

### **3.2. Apparent consumption, import penetration and price changes**

An alternative way of looking at consumption is to examine movements in **apparent consumption**. Apparent consumption rose modestly in current prices for both categories of clothing in 1994 - by 1.3% for knitwear and 1.0% for woven clothing. However, these increases are more than accounted for by increases in the level of consumer prices. Between 1993 and 1994 consumer prices of clothing for the EU increased by 2%. Taking this into account, apparent consumption in real terms fell by about 1% for both clothing categories.

In volume, **consumption of textiles and clothing** in the EU grew by 0.6% in 1993 (the last year for which data are available). However, this growth was primarily the result of an increase in the consumption of clothing (2.6%), given the fall in the final uses of textiles of 2% (including carpets and home textiles). In the two categories of products, the European industry experienced a reduction in its domestic market shares.

Looking at apparent consumption of individual **product categories** in tonnage terms, there were increases in 1993 over 1992, most particularly in industrial textiles (14%), knitwear (6%) and knitted fabric (5%). Falls were most marked in man-made fibres (32%), carpets (13%) and woven fabrics (8%).

Apparent consumption is calculated by subtracting net exports (i.e. exports minus imports) from the value of domestic production.



Estimates of EU production of knitwear and woven garments for 1994 show increases of 1.4% and 0.5% respectively in current prices. Exports rose faster than imports in 1993 for both categories of garment. But the rise in imports which occurred was still large enough to result in an increase in apparent consumption.

It is also possible to draw conclusions about the respective market shares of domestic and non-EU producers. This is measured by the level of **import penetration** which gives the share of the domestic market accounted for by imports. The largest part of EU clothing consumption continues to be devoted to domestically produced goods. However, the level of import penetration has grown significantly between 1990 and 1994 for both woven and knitted garments. The increase (in value) has been greatest for knitwear, which has seen import penetration grow from 23% in 1990 to 37% in 1994, compared to an increase from 21% to 28% for woven clothing over the same period. The level of import penetration is higher in tonnage terms. In 1993, the level was 48.9% for woven clothing and 41.3% for knitted clothing.

### **3.3 Retail trade**

#### **3.3.1 Structure**

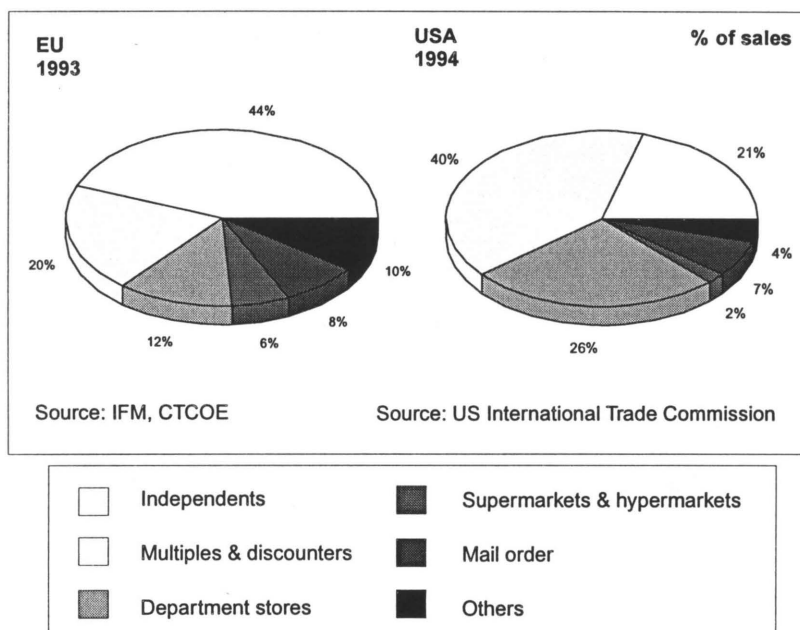
A third method of examining trends in demand is to look at **retail sales** which measure the value and volume of sales reported by individual retailers. This can not only reveal changes in the overall level of sales but also changes in the structure of the retail trade.

Estimates of the **structure of retailing** in the EU for 1993 suggest that the largest single category of retailers remain independent stores with 44% of the total value of clothing sales. They are followed by multiples and discount stores with 20% between them, department stores with 12%, mail-order companies with 8% and supermarkets and hypermarkets with 6%. It is interesting to note that this structure of clothing retailing differs significantly from that in the USA where larger retail groups control a greater part of the market. In 1994 40% of clothing sales were accounted for by multiples and discount stores, 26% by department stores and only 21% by independent retailers.

Retailing across the EU has been undergoing a process of profound change over recent years. This has been marked by a process of concentration: a smaller number of larger retail groups account for a growing proportion of sales.

Figure 3.2

Retail trade in Clothing  
The share of different distribution channels  
in the EU and the USA



This is clearly evident in France. Data from CTCOE shows that, between 1985 and 1994, specialist chains, hypermarkets and supermarkets have significantly increased their share of the French clothing market. This has largely been at the expense of independent stores. While specialist chains increased their share from 13% to 24% over this period and hypermarkets and supermarkets from 15.8% to 19.5%, independent stores have seen their share fall from 38% in 1985 to 28% in 1994.

Italy, traditionally the bastion of the independent retailers, has begun to witness a similar process. The share of independent retailers of the Italian clothing market has fallen from 70% in 1989 to 62% in 1994<sup>3</sup>. Over the same period the share of larger retail groups such as franchise networks, hypermarkets and supermarkets has risen from 18.6% to 28%. Franchise networks have seen the largest gains, increasing their share from 10.8% in 1989 to 16% in 1994.

In Germany 84 retail groups account for 46% of the clothing market<sup>4</sup>, the remaining share being divided between some 63,000 smaller retailers. Of the 84 groups the 15 most important, mainly large stores and mail-order

<sup>3</sup> Texco International, Inter Selection Paper No 13.

<sup>4</sup> For more information on the concentration of German clothing retailing, see "Quarterly Bulletin", N° 3, October 1994.

companies, had a 35% share in 1992. The five largest firms alone - C&A, Quelle, Metro (Kaufhof), Kardstadt and Otto, account for 28% of the total market.

A similar picture is evident in the UK. Here larger retailing groups control the lion's share of the market. The top nine companies accounted for 43% of the clothing market in 1994<sup>5</sup>. The top two clothing retailers - Marks & Spencer and the Burton Group - accounted for over 25% alone. Marks & Spencer continued to expand its UK retail selling space by more than 4% per annum. Other specialised retailers made up 29% of the market.

These trends indicate that, in a market increasingly characterised by intense price and quality competition, larger retail groups have a distinct competitive advantage which allows them to increase their market share at the expense of independents. This stems from a number of different factors. These include greater buying power, greater flexibility in the choice of suppliers, the use of innovative methods of ordering and stock control and the ability to advertise widely. The new technical and organisational innovations being introduced in clothing retailing are described below (3.3.3).

### 3.3.2 Recent trends

The intensity of competition in the domestic retail market owes much to the overall weakness in sales. For the EU as a whole it is estimated that the **value of retail sales** of clothing, footwear and leather goods, measured in **constant prices**, fell by 1.7% in 1994 over 1993. Sales in 1994 were 4.5% below their 1990 level.

Sales in 1994 fell in the majority of Member States. This was most marked in Luxembourg, Belgium, Germany, Italy and France. In contrast, there were large increases in Greece and Denmark, with more modest increases occurring in the UK and Ireland.

In most cases those countries which saw a fall in retail sales in 1994 also witnessed falls in 1993 and 1992. As a result the level of sales in several **Member States** is now significantly below the level seen in 1990 in constant prices. This is particularly true for Luxembourg, Italy and Belgium where sales are more than 13% below the 1990 level, and France and Germany where they are 7% and 3% below respectively. The stronger performances of Greece, Denmark, Ireland, the Netherlands and the UK over the period from 1990 are yet to be reflected in the other Member States.

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<sup>5</sup> Verdict on clothing retailers, Verdict Research Limited, London.

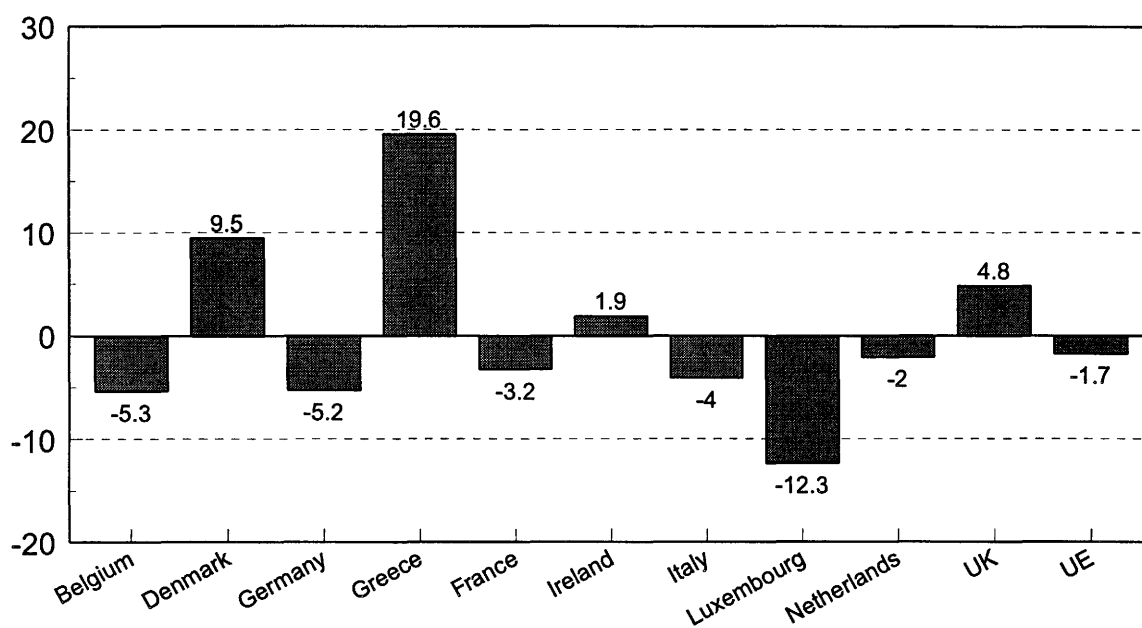
Figure 3.3

## Retail Sales

## Clothing, Footwear &amp; Leather Goods (NACE 645/646)

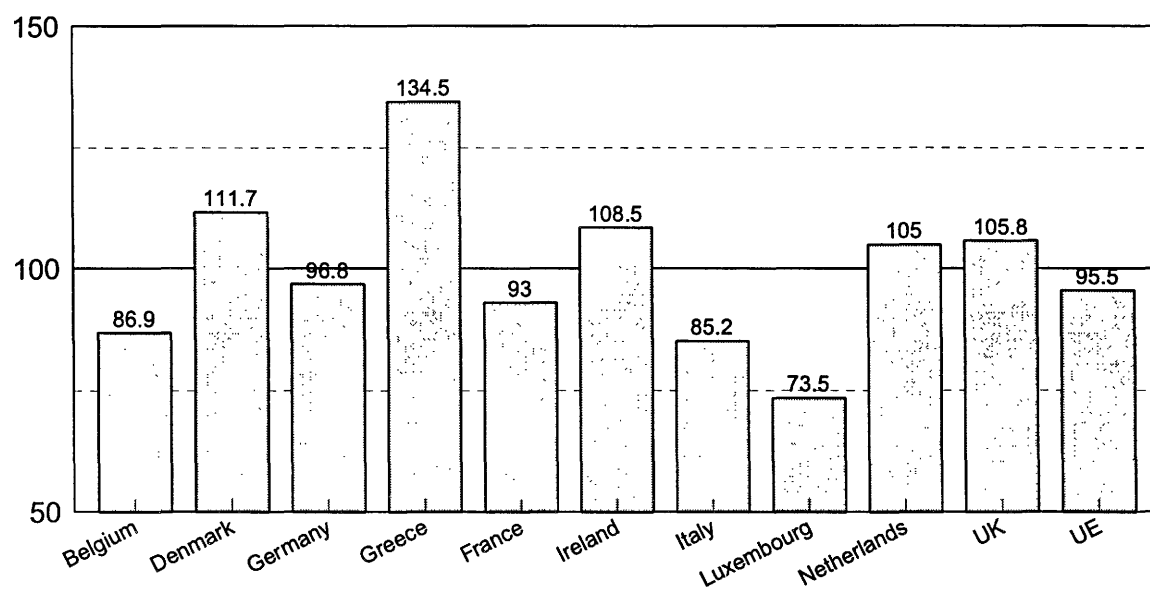
## Change 1994/1993 (%)

% change, constant prices



## Index of Retail Sales, 1994

Index (1990=100), constant prices



Source: Eurostat

The experience of weak performance in retail sales of clothing and footwear is not limited to the EU alone. In the USA the volume of retail sales of clothing grew by only 0.6% between 1993 and 1994, having fallen by 2.7% in 1993<sup>6</sup>. Sales of men's wear have been particularly weak over the two years.

### 3.3.3 The use of information technology

New developments in information technology are already beginning to have a profound effect on retailing in general and the retailing of clothing in particular<sup>7</sup>. Electronic Data Interchange (EDI) has been used for a number of years now to enable the direct exchange of data between computers. Its application is likely to grow as computer networks become more prevalent and more widely understood, and as information highways become more of a reality.

Technological progress in the collection, treatment, storage and transmission of text, sound and images (more often called multimedia) will provide new ways of communicating, and will encourage the development of new selling channels.

Improved information systems, often linked between companies or between retail outlets and headquarters are being used by many retailers for a number of reasons:

- to decrease the volume of inert stocks
- to limit losses due to unsold items
- to increase sales through just-in-time delivery
- to reduce manpower in the inventory, ordering and logistics process
- to improve decision making through improved monitoring of sales and the movement of goods

New telecommunications systems are gradually reshaping the relationship between retailers and manufacturers. Both can use EDI to send and receive instantaneously information on transactions and point of sales (POS) data. Used in this way, a co-operative alliance between the retailer and its supplier can be exploited to enable more rapid changes in the range of products offered to the consumer through quick response production, and can significantly reduce stocks.

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<sup>6</sup> MRCA Information Services, Stamford, Connecticut, USA, February 1995.

<sup>7</sup> For a fuller discussion of the impact of new information on clothing retailing see, see "Quarterly Bulletin", N° 4, December 1994.

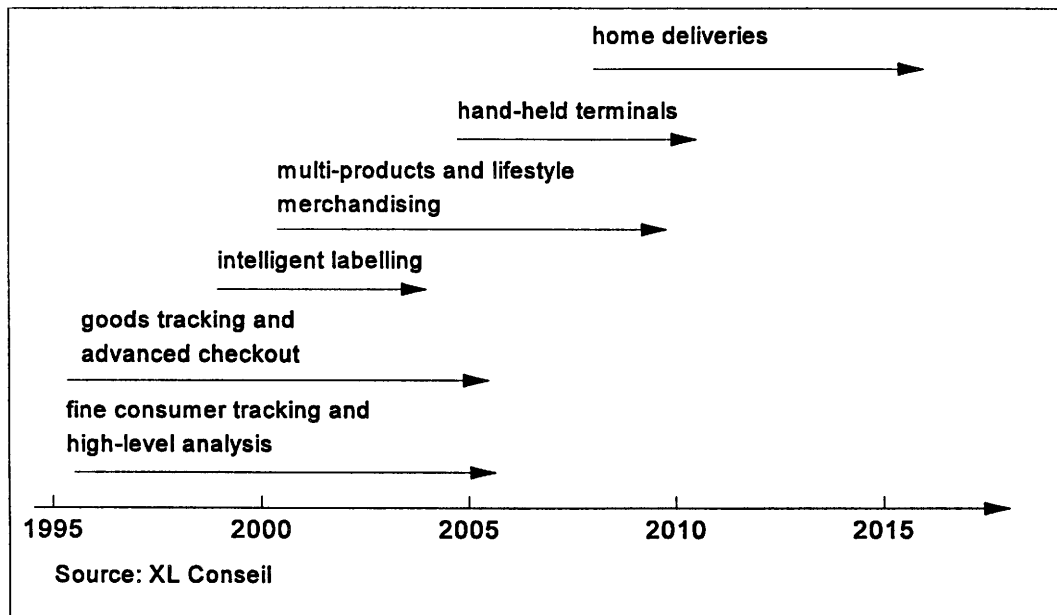
The impact of new information technology is also being felt in new forms of retailing. Already a number of mail-order companies such as Quelle in Germany are beginning to offer their products via CD-ROM. Plans for on-line access to electronic catalogues are also underway in several companies. The German mail-order company, Otto, is a leader in this field.

Teleshopping has been slower to take off in the EU than it has in the USA. However, it is likely to grow in the future, encouraged by the introduction of ways of making the teleshopping experience more interactive, allowing the viewer to browse, select and order in their own home.

Research carried out for the OETH<sup>8</sup> identifies a number of trends in new technology and examines their impact on consumption and distribution of textiles and clothing. For large stores, especially supermarkets and hypermarkets, increased use of goods and consumer tracking over the next 10 years is expected to be followed by a move towards home delivery in conjunction with the selection of products by electronic means. Home shopping is also set to emerge from its current format of TV shopping, first to on-line remote shopping, then interactive TV shopping.

Figure 3.4.

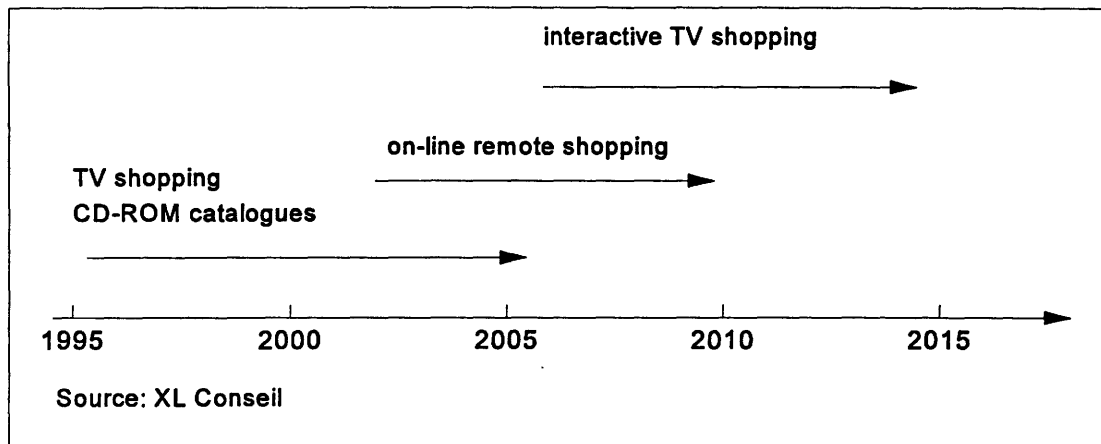
**Use of new technology in large stores  
Trends to 2015**



<sup>8</sup> "Information Technology, Telecommunications, Multimedia: Their impact on consumption of textiles and clothing and their application in manufacturing and distribution", XL Conseil, to be published by the OETH.

Figure 3.5.

**Trends in home shopping to 2015**



## 4. RECENT DEVELOPMENTS IN PRODUCTION, EMPLOYMENT AND INVESTMENT<sup>1</sup>

*In 1994 the textile and clothing industry continued to be one of the largest users of labour, despite a significant reduction in the workforce, which continued during the course of 1994. The industry was able to raise the level of its production, after an particularly difficult year in 1993, due notably to the strength of exports. However, the level of investment still shows no signs of recovery.*

### 4.1 The position of the sector

The EU textile and clothing industry, despite significant losses in employment in recent years, employed almost 2,400,000 people in 1994, and realised a turnover of ECU 170 billion. The combined effects of the economic recession, and continued strong competitive pressure from third countries with low labour costs, have compelled the industry to undertake an adaptation of its structure of production, which has led notably in a sustained improvement in productivity. In 1994, along with the continued restructuring and modernisation of its production capacity, the industry remains a major user of labour.

The textile and clothing industry has continued to be characterised by a strong reduction in its workforce. In 1994 employment fell by 4.8% in the textile industry (including knitwear) and by 6.2% in the clothing industry. In comparison, the losses in employment in manufacturing industry increased to 4% in the course of 1994. The losses of employment in textiles and clothing represented almost 17% of the total loss of employment in manufacturing industry.

The recent expansion of EU textile and clothing export markets, with a global increase estimated at 15% in 1994, indicates that, on the whole, EU textile and clothing producers, faced with relatively weak demand within the EU, have expanded their outlets outside the EU - including the Asian countries, which took up half the increase in EU clothing exports in 1994. The confirmation of this trend, however, depends importantly on factors external to the industry, among which are the health of the economies of third countries and movements in exchange rates of European currencies. The internal market continues to represent the most important outlet for EU textile and clothing products.

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<sup>1</sup> The OETH will soon publish a report, updating the 1992 publication, on structural data. This report will include, among others, new information on the sub-sectors of the industry.



## 4.2 Production

The largest part of EU clothing consumption continues to be devoted to domestically produced goods. After a period of falling production volumes over several years, the EU industry has been able to grow once more in 1994. Production of textiles increased by 4.4% over 1993, as opposed to an increase of 0.6% for clothing. Despite these increases, the level of EU production in 1994 remained 6% lower than its level in 1990 in textiles and 12.8% lower in clothing. Only textiles and clothing in Italy, and clothing in Belgium and Denmark have succeeded in overtaking their 1990 levels. In the textile industry, the only falls in production during 1994 were recorded in Germany (4.2%) and in Greece (3.3%). The outcome is much more mixed in clothing where, in the ten Member States for which data is available, five countries experienced a fall in their production in 1994. The falls were most marked in Germany (14.3%), Portugal (12%) and Greece (10.1%). The slightly positive trend in clothing production at the EU level is explained, above all, by the good performance of the Italian industry (with an increase of 5.6%) and the industry in the UK (with an increase of 5%), which represented almost 40% and 17% of the volume of EU clothing production respectively in 1994. The clothing industry in Spain recorded the largest increase in production in 1994, with an increase of 13.3%.

In the two industries, the evolution of production during 1994 was most negative in Germany. The general economic recovery has only had a limited effect on the level of activity of the German textile and clothing industry, and was affected by the bias towards exports. In the clothing industry in particular, delocalisation of production to low-cost countries has continued throughout 1994. In real terms, the turnover of the industry has fallen by around 6% over 1993, compared to a fall in production of more than 14%. The outlook for 1995 is little better, with a fall in incoming orders during 1994 of 5.2% (following a fall of 9% in 1993)<sup>2</sup>.

In the Former East Germany, the position of the industry appears to have stabilised during 1994, after drastic reductions in production capacity over recent years. The clothing industry in the Eastern Lander employed no more than 11,000 people in 1994. In terms of turnover, companies in the Eastern Lander generated only 3% of the clothing turnover of the whole of Germany. The incentive for industry in the west of Germany to invest in the Eastern Lander remains weak, given the unfavourable relationship between productivity and costs of production; moreover, the labour costs in Eastern Europe represent only 10% to 15% of those in the Eastern Lander.

The outcome for the textile and clothing industry in Germany contrasts with that of Italy. The recovery in activity in the Italian industry has been based

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<sup>2</sup> Source: Statistische Bundesamt, Textilwirtschaft 7/95

largely on a boom in exports (which increased by 18% over 1993, in value terms). This phenomenon is largely explained by the fall in the value of the Lira, which started in August 1992. These exports are, above all, orientated towards countries outside the EU (with an increase of 30% in 1994). The increased competitiveness of Italian textile and clothing products has resulted, moreover, in a growth in their share of foreign markets. This performance is to be found mostly at the upper end of the value-added chain (yarns and fabrics). The production of the textile industry increased by more than 7% in 1994, compared to 5.6% for clothing, in volume terms. The expansion of clothing imports, notably from countries in Eastern Europe, confirms the growing appeal of delocalisation for the Italian clothing industry, which began at the start of the 1990s. In terms of OPT<sup>3</sup>, Italian imports of clothing from all countries outside the EU in the form of OPT increased by almost 80% over 1993, to reach a record level of 20,000 tonnes in 1994.

The impact of exchange rate movements on the textile and clothing industry are also clearly shown in **Spain**. Spanish production of textiles in 1994 increased by 10.9%, and that of clothing by 13.3% over 1993 in volume terms. These results are based on a strong expansion of exports which increased by almost 25% over their level in 1993, in value terms.

In **France**, the clothing industry experienced, in 1994, a further fall of 6.3% in its production, in volume terms. The loss of competitiveness of French products, following the devaluation of several other European currencies since the second half of 1992, has led to a loss of their share of markets in all other Member States, except the UK. On the other hand, the textile industry has been able to profit from the revival of down-stream production in other countries, including Italy and Spain. In this way, textile production in France has seen an increase of 2.2% in 1994, following a fall of 7.3% in 1993.

Production of **man-made and cellulosic fibres** in the EU (in volume) has experienced different trends (in volume terms) between member states (an index of production for the EU is not yet available). The change in 1994 was positive in all countries except the UK and France. In Portugal, production remained at its 1993 level. The strongest increases were achieved in Italy and in Germany.

Very incomplete information on production of **knitwear** in 1994 show that there was a fall in production volumes in Germany (11.7%) and Portugal (3.4%) compared to an increase in Italy (2.3%). Data on **other textile sectors**<sup>4</sup>,

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<sup>3</sup> Outward Processing Trade (see Chapter 6 for a more detailed analysis of this phenomenon).

<sup>4</sup> From 1994 onwards, industry data is available in a new activity nomenclature, NACE Rev .1, which is now used by Eurostat. In this classification, the sub-sectors of the textile industry are

which are limited at present to seven Member States, show broadly parallel movements across sub-sectors within each country. In this way, all available sub-sectors show a growth in production in Italy, Portugal (with the exception of knitted fabrics), Spain and Denmark. The situation is mixed in France and in the UK, where only a small amount of information is currently available. The evolution of production is negative in all sub-sectors in Germany (except in spinning), with falls most marked in the production of knitted fabrics.

Turnover generated by the EU industry experienced an increase, both for textiles and for clothing, during 1994, in current prices (3% and 1.1% respectively). In real terms, only the textile industry achieved a modest increase in turnover. In both industries, this represents a significant improvement on 1993 which saw a fall in turnover of almost 10%, in current prices.

At the level of the two principal textile sectors, the turnover generated in 1994 by the knitting industry increased (in current prices) in all Member States, except Germany (where turnover fell by 15.2%). In the cotton industry, only Germany and Greece experienced a fall in turnover (3.8% and 3.3% respectively), while the largest increase took place in Italy (11%). Likewise, turnover generated by the wool industry fell in Germany and Greece (by more than 5%), in the UK (3.1%) and very slightly in Portugal (0.3%). The wool industry experienced an increase of almost 20% in Italy.

The economic information contained in these turnover figures is, however, limited, given that they are based on a total expressed in expressed in ECU, which experienced variations linked solely to fluctuations between European currencies.

### 4.3 Employment

Employment in the textile and clothing industry has continued its downward trend in 1994. Almost 140,000 jobs have been lost, which represents a reduction in the workforce of 5.7% over 1993. These losses were distributed equally between the textile and clothing industries, but represented a relatively more important reduction in the clothing industry (6.2%) than in textiles (4.8%). In comparison, manufacturing industry as a whole in the EU lost 833,000 jobs in 1994, of which almost 17% was accounted for by the textile and clothing industries.

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distinguished principally according to their stage of production, in contrast to the old NACE, which distinguished them by type of fibre. An essential contribution from this new nomenclature is to improve the comparability of data between EU Member States.

Compared to the change in employment in 1993, the losses in employment have been less marked in the textile industry (5.5% of jobs were lost in 1993), while the clothing industry has reduced its workforce by a greater degree in 1994 (4.4% of jobs were lost in 1993). This phenomenon in clothing is all the more worrying because last year was marked by a general recovery in activity, which was felt as much in the level of demand outside the EU as in that of internal demand. Thus, the largest clothing producer in the EU, Italy, has been able to increase its production of clothing in volume by almost 6% in 1994, due notably to improved international competitiveness, after the fall in the value of the Lira. At the same time, the industry has reduced its workforce by almost 13% in the course of the year. A similar phenomenon has occurred in Spain, which represents almost 9% of EU clothing production: clothing production increased 13.3% accompanied by a fall in employment of 9.4%. It is clear that the improvement in the performance of industry in 1994 has not had a beneficial effect on employment.

The cumulative reduction in the workforce between 1990 and 1994 amounted to 515,000, of which 302,000 was in the textile industry and 213,000 in the clothing industry. These losses in employment do not take into account the collapse of the textile and clothing industry in the Eastern Lander of Germany, estimated at 300,000 job losses over this period.

The losses of employment in 1994 have been slightly more limited in companies employing more than 20 people. This is more evident in the clothing industry, where small companies have reduced their workforce by 8.2% compared to 5.3% for larger companies. Small companies also confirm their greater fragility in facing the, perhaps delayed, effects of the recent recession. These companies, which continue to represent an important part of the industrial fabric in clothing with a third of total employment in 1994, show also a rate of insolvency greater than that of larger companies. In 1993 (the last year for which figures are available), the number of small textile companies in the EU fell by 12.5%, compared to a fall of 4.2% in the number of larger companies. In clothing, the fall in the number of companies was 8.1% for small companies and 3.6% for larger companies. Despite these important reductions in the number of companies, the textile and clothing industry in the EU still comprised, in 1993, almost 100,000 small companies. These companies, on average, provided employment for six people.

Employment data on textiles and clothing by Member State show a loss of employment in 1994 over 1993 in all Member States, except in the UK where the level of employment remained almost constant. In 1994, Italy continued to be the largest employer in the EU, with a total of 670,000 employees in the two industries, which represents 28% of total textile and clothing employment in the EU. The second largest employer is the UK, with a workforce of 371,000 (15% of EU employment), followed by Germany (287,000) and France (280,000).

In the principal **sub-sectors** of the textile industry (the knitting, cotton and wool industries), all Member States show losses of employment in 1994, except in the UK, where employment more or less maintained its 1993 level. The reduction in the workforce was most severe in Germany, Greece and France, with falls of between 8% and 12%.

#### 4.4 Investment

Investment in the **textile industry** (in current prices) has declined since 1991, with the most pronounced fall in 1992 (7.1%). In 1993 (the last year for which data are available), this trend towards sustained reduction in investment has continued, although to a lesser extent than in 1992 (6.1%).

The major part of this investment was carried out by the Italian and Germany industries (27% and 18% of total investment in 1993 respectively). The next most important are France and the UK. Together, these four Member States represent 73% of total investment in the EU. In terms of investment per employee among these countries, Italy<sup>5</sup> has the highest rate, with ECU 5,200 per employee in 1993, followed by Germany (ECU 4,300), France (ECU 3,800) and the UK (ECU 2,900).

In the **clothing industry** investment has followed a different trend to that in the textile industry. The first significant fall only occurred in 1993 (7.3%), under the combined pressure of international competition and the economic recession.

In 1993, investment in clothing was carried out principally by French industry (26% of total EU clothing investment) and Italian industry (22%), followed by the industry in Germany (15%) and the UK (11%). In terms of investment per employee, France shows the highest rate (ECU 2,300 per employee in 1993), followed by Germany (ECU 1,500). Italy (ECU 870) and the UK (ECU 840).

Investment per employee is generally at a lower level in clothing than in textiles, which is a logical result of the higher labour intensity of clothing production compared to textile production, which is much more automated.

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<sup>5</sup> Following the fall in the Lira against the ECU, the level of Italian investment expressed in ECUs is underestimated in relation to its intrinsic importance.

## 5. EVOLUTION OF EU FOREIGN TRADE

*The EU had a trade deficit with non-EU countries in total textiles (excluding raw materials) by weight, but a trade surplus measured by value in 1994<sup>1</sup>. This indicates that EU textile exports had higher prices than its textile imports. In clothing the EU had a trade deficit with non-EU countries in 1994, both in weight and value. Between 1993 and 1994 the balance of trade deteriorated in both textiles and clothing. The deficit in textile trade increased from 335 thousand tonnes in 1993 to 560 thousand tonnes in 1994, although this is still below the 1990 level of the deficit. In clothing the trade deficit increased from 1,246 thousand tonnes in 1993 to 1,342 thousand tonnes in 1994.*

### 5.1 Exports of textiles

EU exports of all textile products, excluding raw materials, increased by almost 16% in tonnage terms between 1993 and 1994. Textile exports in value terms increased by a similar, but slightly lower, amount (13%). Exports of textiles in value terms grew less than exports in tonnage terms as a result of a small reduction in the average price of exports of 2%. This represents a continuing downward trend in the average price of EU textile exports, which have fallen from ECU 6.6 per kilogram to ECU 6.1 per kilogram between 1990 and 1994, a fall of 8%.

Exports of textile products in the traditional **MFA categories** (1 to 114) increased slightly less both in tonnage and in value (13% and 12% respectively). These product categories accounted for 67% of total textile exports, by weight, in 1994.

There were increases in exports in 1994 for all **product groups**. The largest increases were seen (around or more than 20%) in exports of carpets, knitted fabrics and household textiles.

All **Member States** experienced increases in their textile exports in tonnage terms in 1994 except Ireland. The growth in textile exports was strongest in Greece, Portugal and Belgium. The largest exporters of textiles in 1994, in volume terms, were Germany, Belgium, Italy and France. Belgium's important position owes much to its sizeable carpet industry.

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<sup>1</sup> Estimates based on data from January to September: the number of months for which data on foreign trade are available for 1994 differs between Member States. For a number of Member States data are available to October. Estimates are made using the maximum amount of available data.

## 5.2 Exports of clothing

EU exports of all clothing products, including both woven and knitted garments, increased by 13% in tonnage terms and 14% in value in 1994 compared to 1993. Exports in value terms grew more strongly than exports in terms of tonnage, as a result of an increase of just over 1% in the average price of EU clothing exports, from ECU 37.4 per kilogram in 1993 to ECU 37.9 per kilogram in 1994. However, the average export price still remains below that in 1990 (ECU 39.4 per kilogram).

The increase in exports was slightly lower for MFA clothing with a increase of 9% in tonnage terms and 10% in value. MFA clothing products accounted for 88% of total exports of clothing in tonnage terms in 1994.

Exports of woven clothing increased more strongly than exports of knitwear, both in tonnage and value terms: the value of exports of woven clothing was 17% higher in 1994 than in 1993 compared to an increase of 10% for knitwear.

The most important exporters of clothing, including knitwear, in the EU in 1994 in tonnage terms were Italy, Germany, the UK and France. The largest increases in exports of clothing were seen in Italy, France, the UK and Spain. In Germany exports remained little changed in 1994 over their 1993 level. There were falls in exports most noticeably in Ireland and the Netherlands.

## 5.3 Imports of textiles

EU imports of all textile products (excluding raw materials and knitwear) increased in 1994 over their level in 1993 by 22% in tonnage terms and 18% in value. The difference between the two increases came about as a result of a fall of 4% in the average import price of textiles from 4.4 ECU per kilogram in 1993 to ECU 4.1 per kilogram in 1994. There was a similar, but slightly lower increase in imports of MFA textiles over the same period. Imports of products in these categories accounted for 68% of all textile imports in 1994 in tonnage terms.

There were increases in EU imports, in tonnage terms, for all textile product groups except industrial textiles. The largest increases were in yarn and thread, man-made fibres, knitted fabric and woven fabric.

The largest importers of textiles in 1994, in terms of weight, were Germany, the UK, Italy and France. All these countries saw increases in their imports of textiles in 1994 except for Ireland and the Netherlands. Among

the other Member States there were also large increases in Spain and Greece in particular.

#### **5.4 Imports of clothing**

EU imports of all clothing products increased at a lower rate than exports in 1994 over their level in 1993. In tonnage terms clothing imports increased by 9%. In value terms they increased by 6%, the difference coming about as a result of a 3% fall in the average price of EU clothing imports from ECU 17.4 per kilogram in 1993 to ECU 17 per kilogram in 1994. Imports of MFA clothing increased by a much smaller degree - by 5% in tonnage terms and 4% in value. This indicates that much of the growth in clothing imports came from those products not covered by MFA categories 1 to 114. Products in these, often more sensitive, categories accounted for 89% of total clothing imports in 1994. This indicates a significant rise in imports of the traditionally less sensitive clothing categories which notably include silk garments.

Imports of knitwear increased less than imports of woven garments. The value of EU imports of knitwear grew by 1% in 1994 over 1993, compared to an increase of 9% for woven garments.

The largest importers of clothing in 1994, by weight, were Germany, the UK, France and the Netherlands. Comparing imports in 1994 with the level in 1993, there were increases in the majority of Member States, notably Spain, Belgium and Italy. There were more modest increases in imports to the four largest importers. Imports remained unchanged in Denmark and Portugal, but fell in Greece.

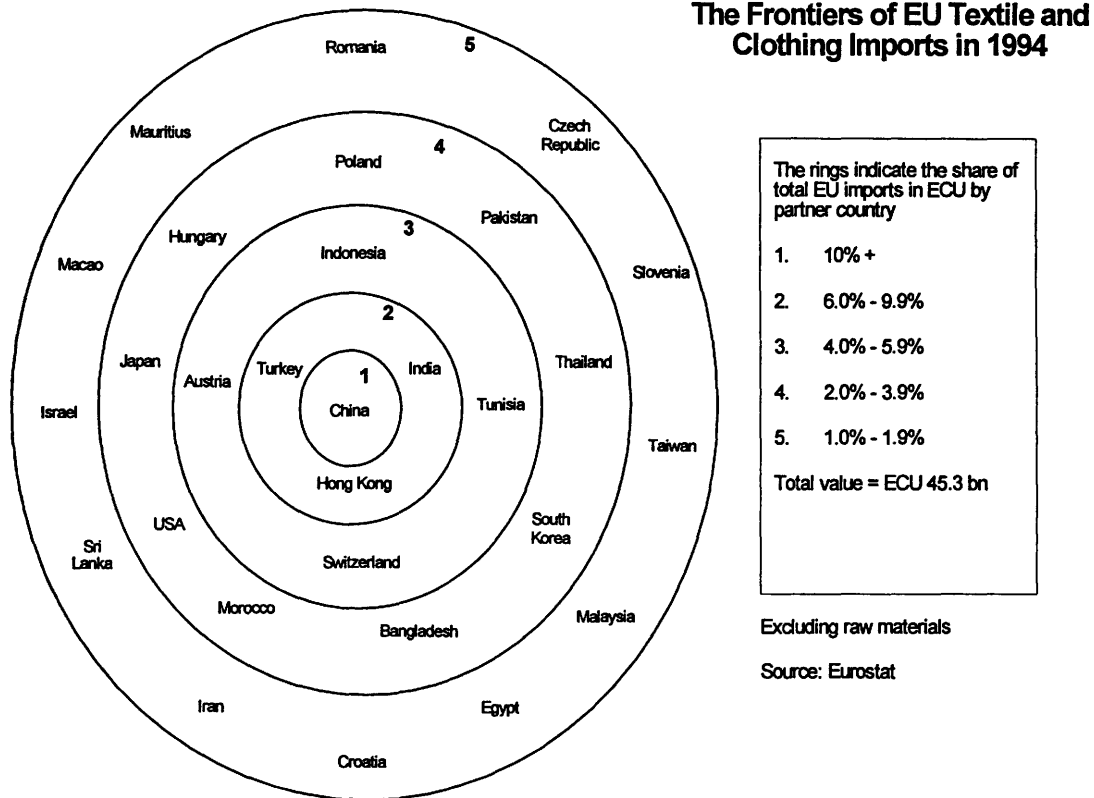
#### **5.5 The EU's main trading partners**

EU imports of textiles increasingly originate from Asian countries. The most important among these are India, China, Pakistan and Indonesia. These have tended to replace imports from other developed countries such as Switzerland, Austria, the USA and Japan, whose share of EU textile imports has fallen since 1990.

The principal suppliers of EU imports of clothing are, on the one hand, Asian countries such as China, Hong Kong, India and Indonesia, and, on the other hand, those countries close to the EU, especially those with a strong tradition in OPT. These include Turkey, Tunisia, Morocco and Poland. In 1994 the most important suppliers of clothing imports to the EU were China, Turkey and Hong Kong. Imports of clothing from China have grown



Figure 5.1



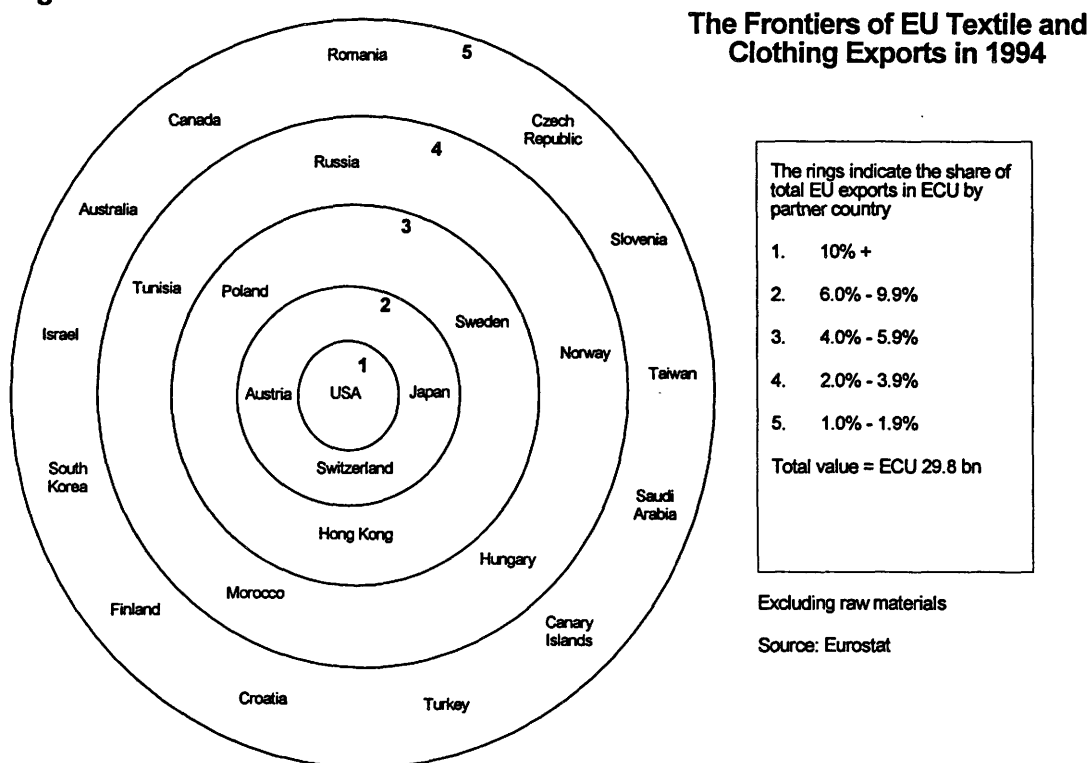
significantly since 1990. China's share of the value of EU clothing imports has increased from 10% in 1990 to 14% in 1994. However, a significant part of this increase can be attributed to a shift from imports of clothing from Hong Kong, whose share of EU clothing imports has fallen from 13% in 1990 to 9% in 1994.

The most important markets for EU exports of textiles are other developed countries - the USA, Switzerland, Austria and Japan - and countries where a significant amount of production is devoted to OPT. This latter category includes Poland, Tunisia, Morocco and Hungary. Since 1990 Hong Kong has also become a relatively important market for EU textiles.

The most important destinations for EU exports of textiles are the USA, Poland and Switzerland. The most significant change that has occurred to the pattern of EU textile exports since 1990 has been the diminished importance of the former Yugoslavia, where the war has led to a drastic reduction in the extent of OPT.

EU exports of clothing are concentrated on markets in developed countries. The most important among these are Switzerland, Austria, the USA, Japan and Sweden. In a similar way to exports of textiles, there has been a rapid growth in the exports of clothing to Hong Kong

Figure 5.2



The most important markets for EU clothing exports are Switzerland, Austria, the USA and Japan. Together, these countries accounted for 47% of the total value of EU clothing exports in 1994.

Taking both exports and imports together, the EU's trading partners can be listed according to the main deficit and surplus countries. The EU's principal **deficits** in textiles are with the main Asian textile suppliers - India, China, Pakistan and Indonesia. The most important deficits in clothing are with, on the one hand, Asian producers such as China, Hong Kong and India, and on the other hand, with the EU's OPT partners including Turkey, Morocco, Tunisia and Poland.

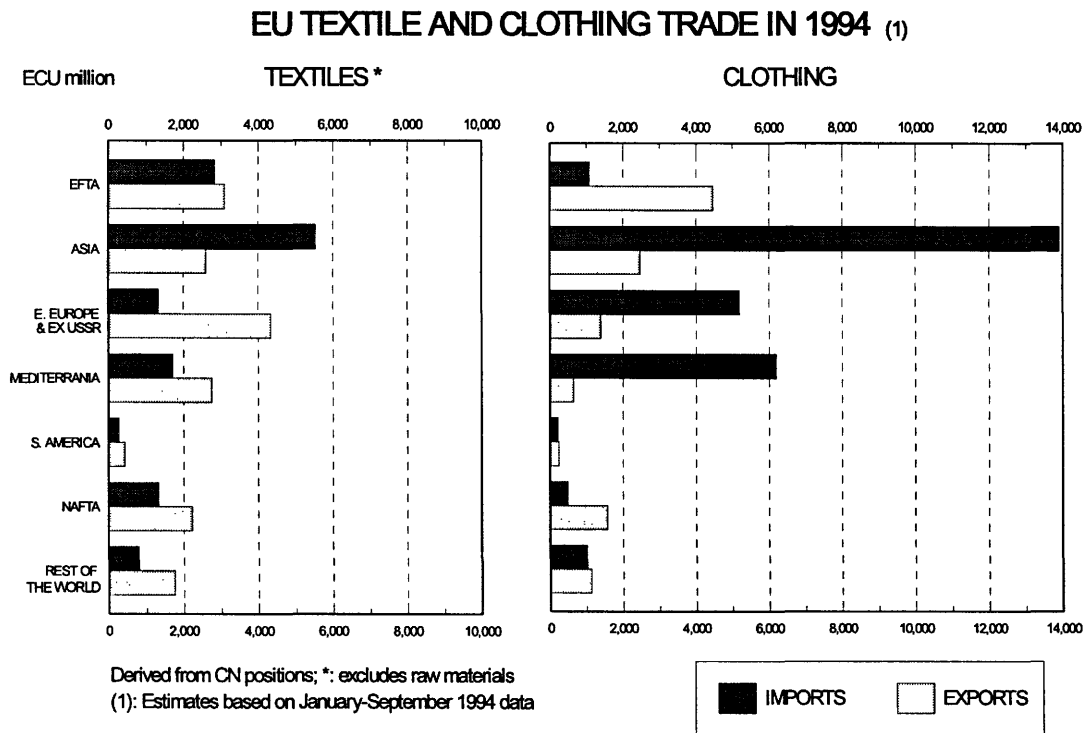
The principal **surpluses** in textiles are also with OPT partners in the Mediterranean and Central and Eastern Europe. These include Poland, Tunisia, Morocco, Romania and Hungary. There is also a significant surplus in textile trade with the USA. The EU's main surpluses in clothing tend to be with developed countries. The most important among these are Switzerland, Japan, the USA and Austria.

### 5.6 The EU trade balance

The EU had a trade deficit in total **textiles** (excluding raw materials) in 1994 of 560 thousand tonnes. This is higher than the deficit of 335 thousand tonnes in 1993, although still below the 1990 level. In contrast to the EU's textile trade balance measured in tonnes, the balance of trade in textiles in value terms in 1994 showed a surplus of 3.4 billion ECU, slightly below that of 1993.

The EU's balance of trade in **clothing** (including knitwear) has witnessed a continued deterioration over recent years, both in terms of tonnage and in terms of value. In tonnage terms the deficit increased from 1,246 thousand tonnes in 1993 to 1,342 thousand tonnes in 1994. In value terms, the deficit widened from 16.1 billion in 1993 to ECU 16.2 billion ECU in 1994. This was despite the fact that a strong export performance by EU clothing manufacturers managed to more than match the increase in imports over the same period. However, with imports at a level over two times that of exports in value terms and five times their level in terms of tonnage, a significantly higher growth in exports than in imports is required to prevent a deterioration in the trade balance.

Figure 5.3



As a whole the EU exports more expensive **textile products** than it imports. The average EU **import price** of textiles is 4.1 ECU per kilogram compared to an average **export price** of 6.1 ECU per kilogram, almost 50% higher. This disparity in prices explains a large part of the fact that the EU has a trade deficit in textiles in terms of tonnage but a trade surplus in terms of value. The EU imports relatively cheaper textile products than it exports.

A significant difference also exists between the average EU import price and export price of clothing goods. The average price of EU clothing exports in 1994 was around 38 ECU per kilogram compared to an average import price of 17 ECU per kilogram. This reflects the fact that the EU tends to export high quality garments to other developed countries, while it imports cheap, lower quality garments from regions with significantly lower costs of production.

## **5.7 Trade by product categories**

Breaking down the EU's pattern of trade in textiles and clothing by **product group** reveals a number of differing trends. The most important component of the EU's trade in textiles is woven fabric which accounted for 35% of the value of EU imports of textiles and 49% of the value of its exports. The difference between the trade balance in tonnage and in value terms is particularly striking for woven fabrics. The average price of EU exports of woven fabrics was 2.5 times the average import price in 1994. However, both prices have fallen since 1990, indicating that the effects of price competition are being felt both in domestic markets and in export markets.

**Woven fabrics** were the single largest contributor to the EU's trade surplus in textiles in value terms. Much of this can be explained by exports of fabrics for OPT purposes. The other product groups in which the EU had a surplus in 1994 were industrial textiles, other textile products and knitted fabrics.

The EU had a trade deficit, both in tonnage and value terms, in yarn and thread, household textiles and man-made fibres.

In **carpets** a very different picture is evident to that shown by fabrics. The EU is an importer of higher quality, often hand made carpets, principally from the Middle East and Asia. By contrast the EU exports cheaper, mass produced carpets. As a result the EU had a balance of trade surplus in terms of tonnage, but a deficit in terms of value in 1994. This was in spite of the fact that exports of carpets in 1994 went up 38% in tonnage and 28% in value terms.

Figure 5.4

| EU: Trade balance <sup>1</sup> by type of product in 1994 <sup>2</sup> |       |   |        |   |                          |   |               |   |               |   |       |   | OETH              |   |        |
|--|-------|---|--------|---|--------------------------|---|---------------|---|---------------|---|-------|---|-------------------|---|--------|
| ECU 000  | EFTA  |   | ASIA   |   | EASTERN EUROPE & EX-USSR |   | MEDITERRANIAN |   | SOUTH AMERICA |   | NAFTA |   | REST OF THE WORLD |   | TOTAL  |
| Men-made fibres  | -     |   | -      |   | -                        |   | +             |   | +             |   | -     |   | +                 |   | -      |
|  | -280  | ▼ | -167   | ▼ | -124                     | ▼ | 90            | ▼ | 31            | ▼ | -91   | ▼ | 230               | ▼ | -311   |
| Yarn and thread  | -     |   | -      |   | +                        |   | -             |   | -             |   | +     |   | +                 |   | -      |
|  | -76   | △ | -519   | ▼ | 24                       | ▼ | -238          | ▼ | -39           | ▼ | 152   | △ | 43                | ▼ | -653   |
| Woven fabrics  | +     |   | -      |   | +                        |   | +             |   | +             |   | +     |   | +                 |   | +      |
|  | 55    | △ | -919   | △ | 2,118                    | △ | 1,233         | ▼ | 80            | △ | 683   | △ | 474               | ▼ | 3,723  |
| Knitted fabrics  | -     |   | -      |   | +                        |   | +             |   | +             |   | -     |   | +                 |   | +      |
|  | -28   | ▼ | -105   | ▼ | 289                      | △ | 127           | △ | 10            | △ | -15   | △ | 41                | △ | 313    |
| Woven clothing   | +     |   | -      |   | -                        |   | -             |   | +             |   | +     |   | +                 |   | -      |
|  | 2,305 | △ | -6,803 | △ | -3,405                   | ▼ | -3,310        | ▼ | 86            | △ | 839   | △ | 380               | △ | -9,907 |
| Knitwear <sup>3</sup>  | +     |   | -      |   | -                        |   | -             |   | -             |   | +     |   | -                 |   | -      |
|  | 1,081 | ▼ | -4,626 | △ | -402                     | △ | -2,241        | ▼ | -62           | △ | 245   | △ | -262              | △ | -6,265 |
| Carpets  | +     |   | -      |   | +                        |   | -             |   | +             |   | +     |   | -                 |   | -      |
|  | 230   | △ | -521   | △ | 418                      | △ | -112          | △ | 31            | △ | 114   | △ | -345              | ▼ | -183   |
| Home textiles  | +     |   | -      |   | -                        |   | -             |   | -             |   | +     |   | +                 |   | -      |
|  | 141   | △ | -704   | ▼ | -167                     | ▼ | -233          | ▼ | -68           | △ | 157   | △ | 85                | ▼ | -787   |
| Industrial textiles  | +     |   | +      |   | +                        |   | +             |   | +             |   | +     |   | +                 |   | +      |
|  | 142   | △ | 118    | △ | 264                      | △ | 138           | ▼ | 60            | △ | 51    | △ | 161               | △ | 934    |
| Other textiles <sup>4</sup>  | +     |   | -      |   | +                        |   | +             |   | +             |   | -     |   | +                 |   | +      |
|  | 89    | ▼ | -123   | ▼ | 170                      | △ | 39            | ▼ | 52            | △ | -152  | ▼ | 255               | ▼ | 336    |

Source: Eurostat, OETH

<sup>1</sup> Extra-EU only

<sup>2</sup> Estimations based on January - September 1994

<sup>3</sup> Including 'fully-fashioned' products

<sup>4</sup> including non-wovens

|   |                   |   |                   |
|---|-------------------|---|-------------------|
| ▼ | Deficit widening  | ▼ | Surplus narrowing |
| △ | Deficit narrowing | △ | Surplus widening  |

The trade balance in value terms worsened between 1993 and 1994 in a number of textile product groups, including man-made fibres, yarn and thread, household textiles and other textile products, but improved in woven and knitted fabrics, carpets and industrial textiles.

Looking at the main trading regions certain patterns emerge in the EU trade in textiles. The EU had a trade deficit in 1994 with Asia in all textile product groups, except industrial textiles. In industrial textiles the EU has a trade surplus with all regions. In woven fabrics the EU has a trade surplus with all regions except Asia. The surplus in woven fabrics is most marked for the regions where most OPT is carried out - Central and Eastern Europe and the Mediterranean countries. For the other textile categories the EU's trade balance differs between regions.

In **clothing** there is a very similar pattern in the development in the trade balance for both **knitted** and **woven** garments. Both categories show significant deficits in both value and tonnage terms with broadly similar ratios of exports to imports - around 20% in tonnage terms and 40% in value terms. However, there is a noticeable difference in the change in the trade balance between 1993 and 1994. The trade deficit in knitwear clothing improved slightly in 1994 over 1993 in value terms, as exports outstripped imports by a significant margin.

The deficit in clothing trade is most marked with Asia, but also with the EU's main OPT partners in Central and Eastern Europe and the Mediterranean countries. The EU has a trade surplus with the two principal developed regions - the EFTA and NAFTA countries.

## **5.8. Outward Processing Trade (OPT)**

There are a number of forms which increased internationalisation of production can take. One method is to purchase goods in third countries for direct importation into the EU as finished products. An alternative strategy, increasingly taken up by EU manufacturers, has been either to establish production units in countries close to the EU either by direct investment in own-managed units or through joint ventures, or to subcontract production to manufacturers in those countries.

Over recent years there has been a growing move by EU producers of clothing in particular to relocate their production outside the EU so as to take advantage of lower labour costs. Labour costs form a significant proportion of total production costs of clothing, which reflects a relatively labour intensive manufacturing process.

OPT has played an important role in this strategy. OPT involves the export from the EU of, in general, domestically produced fabrics to be made up into finished garments in third countries. Finished items are then re-imported into the EU, at preferential tariffs (tariff based only on value added). For many countries there are specific OPT quotas in addition to quotas on direct imports.

A new OPT regulation was introduced in December 1994<sup>2</sup> to harmonise the system of allocating OPT licenses. Under the regulation, applicants for OPT licenses must manufacture in the EU products that are similar to or at the same stage of manufacture as those to be imported, and perform the main production processes on these products within the EU. The goods temporarily exported must be in free circulation in the EU and in general must be Community products, subject to a 14% derogation for products from third countries. Manufacturers, who are newcomers for certain products or countries can apply for licences only up to a value of the processing carried out in third countries no higher than 50% of the value of their EU production. OPT quotas are now established at the EU level, but licenses are granted by national authorities providing that applicants meet the required criteria and sufficient quota is available, which is controlled by the European Commission.

Estimates based on data from January to September 1994 suggest that OPT imports of clothing increased by 63% between 1990 and 1993 in tonnage terms and increased by a further 18% between 1993 and 1994. Over the period from 1990 to 1994 direct imports of clothing increased by a smaller degree, but even so, grew by 51% over the four years. As a result, the share of OPT imports in total imports of clothing increased from 9% in 1990 to nearly 12% in 1994.

Germany remains the most important OPT importer of clothing. OPT imports into Germany accounted for 63% of total EU imports of OPT clothing in 1994. OPT imports of clothing to Germany represented 20% of total German clothing imports in 1994, having increased by nearly 24% over 1993.

Estimates of OPT imports to Italy have shown the most rapid increase over the period from 1990 to 1994. They accounted for less than 1% of total Italian clothing imports in 1990 but have, since then, increased dramatically to 15% of total imports. Italy has now overtaken France in its volume of OPT imports.

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<sup>2</sup> Council Regulation (EC) No 3036/94, OJ L 322/1, 15.12.94

The use of OPT by firms in the UK has traditionally been lower than that carried out by their German or French counterparts. However, OPT imports of clothing have also increased rapidly over recently years, albeit from a low base.

OPT production of clothing takes place in countries close to the EU which can combine the benefits of lower production costs and close proximity. Their proximity to the EU means that co-ordination and supervision of production is more easily performed and that quick response production can be carried out. The most important OPT partners are the Mediterranean countries, in particular Tunisia and Morocco, and countries in Central and Eastern Europe, especially the PECO, and Associated PECO countries (Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania), but also Slovenia and Croatia.

Official statistics, however, do not completely reflect the importance of OPT with the Mediterranean countries. Because trade with these countries is covered by Preferential Agreements, which grant access to EU markets for their textile and clothing exports free of tariffs, there is little incentive for importers to declare imports as OPT. It is estimated that as much as 80% of clothing production in the Mediterranean countries is carried out for OPT purposes<sup>3</sup>. If this is taken into consideration, OPT clothing imports coming from these countries is almost 50% in tonnage terms of total EU OPT imports of clothing, 43% coming from countries in Central and Eastern Europe and the remainder from the Former USSR and Asia.

The underestimation of the importance of OPT in the Mediterranean countries applies particularly to France who has traditionally had strong links with producers in North Africa. The proportion of OPT imports in total clothing imports in France is therefore likely to be considerably higher than those given.

The OPT regime in clothing, as EU products generally have to be used in economic OPT, works to the advantage of domestic EU textile production. This, in addition to the stronger competitive position of textile producers, has limited the extent of OPT in textiles. OPT imports of textiles accounted for only 1% of total EU textile imports in 1994. However, OPT imports of textiles increased by over 70% between 1993 and 1994. It seems that, to some extent, textile production tends to follow the pattern of delocalisation of clothing production, albeit at a much lower level.

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<sup>3</sup> See a forthcoming report to be published by Textiles Intelligence and the OETH, under the working title "Internationalisation of European textiles and clothing production: Eastern Europe and North Africa", by Mr M Mersch of the OETH.



## 6. COMPETITIVENESS OF THE EU TEXTILE AND CLOTHING INDUSTRY

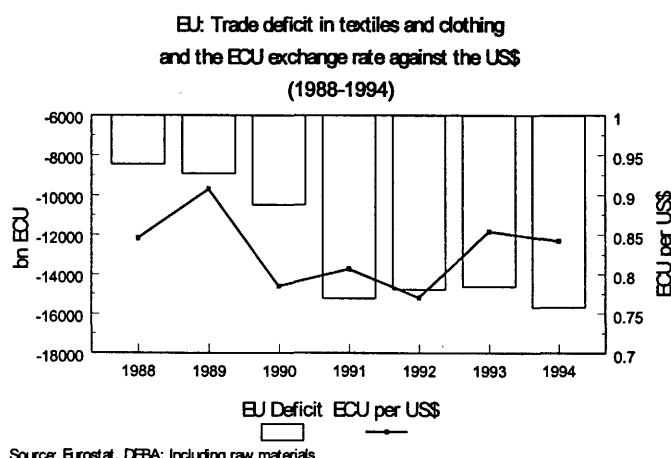
*The competitiveness of the EU textile and clothing industry has improved during the course of 1994 due to a number of factors. Movements in exchange rates, which have occurred since 1992, have had an important impact on the performance of the industry both at the EU level and in Member States. The fall in labour costs in real terms in 1994, combined with a continued increase in productivity, has contributed to a reduction in the share of salary costs in the sector's value added. Elsewhere, the sector has also been influenced by fluctuations in the prices of the industry's principal raw materials.*

### 6.1 Exchange rates

The EU textile and clothing industry has been influenced by movements in exchange rates with the principal non-European currencies (principally the US dollar) and between national currencies in the EU. These movements have an impact on the industry, in terms of its supplies (including raw materials), and thus on its on the evolution and balance of foreign trade, as well as at the level of its markets. In 1994, the competitiveness of the EU textile and clothing industry was partly favoured by the continued fall in a number of European currencies, begun in 1992. These trends also led to a slight appreciation of the US dollar against the ECU in 1994.

An important part of the EU's foreign trade in textiles and clothing is carried out with third countries in the **dollar zone** (principally the USA, Canada and Asia). In particular, imports of textile raw materials (including wool and cotton) are usually priced in US dollars. As a result, the competitiveness of the EU textile and clothing industry is influenced by changes in the exchange rates between European currencies and the US dollar.

**Figure 6.1**

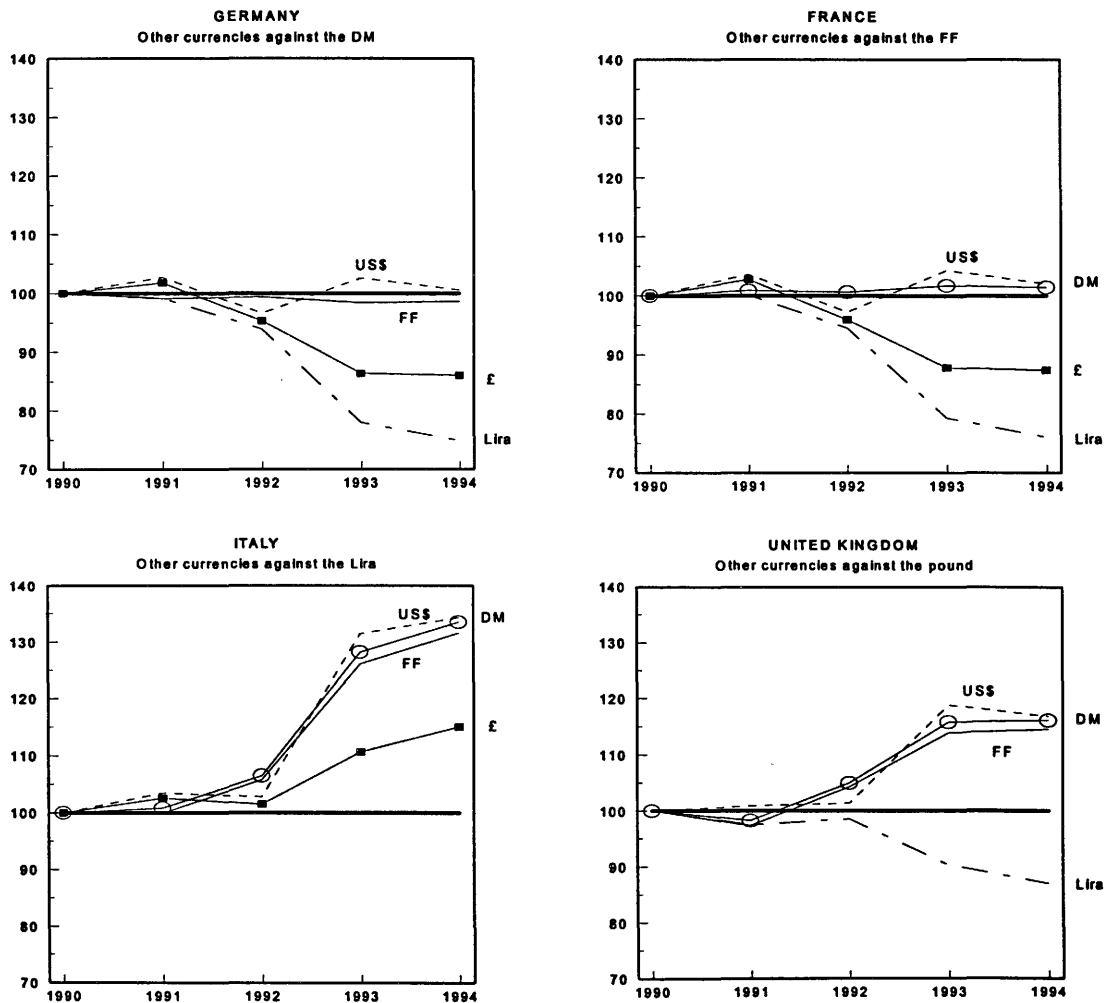


The impact that this can have, to a certain extent, is shown by changes in the **trade deficit**, taking into account that factors in addition to exchange rates have an influence on the balance of trade. Between 1989 and 1991, the appreciation of the ECU against the dollar was accompanied by a

significant worsening of the trade deficit. The deficit improved in 1992 and 1993 in part due to a depreciation of the ECU against the US currency. The fall in European currencies against the dollar, in these years, also had the effect of making imports from the dollar zone, expressed in ECUs, more expensive. In contrast, there is an opposite effect on EU exports, which become less expensive in dollar terms (to the extent that European exporters absorb this difference in exchange rates in their sales prices abroad)<sup>1</sup>.

Figure 6.2

Exchange rate movements of main national currencies in the EU  
between 1990 and 1994



Source: DEBA, OETH calculations

<sup>1</sup> If European exporters choose to reduce their margins in order to protect their market shares in third countries, rather than recover the difference in the exchange rate in prices, the impact of the movement in the exchange rate on exports will be reduced.

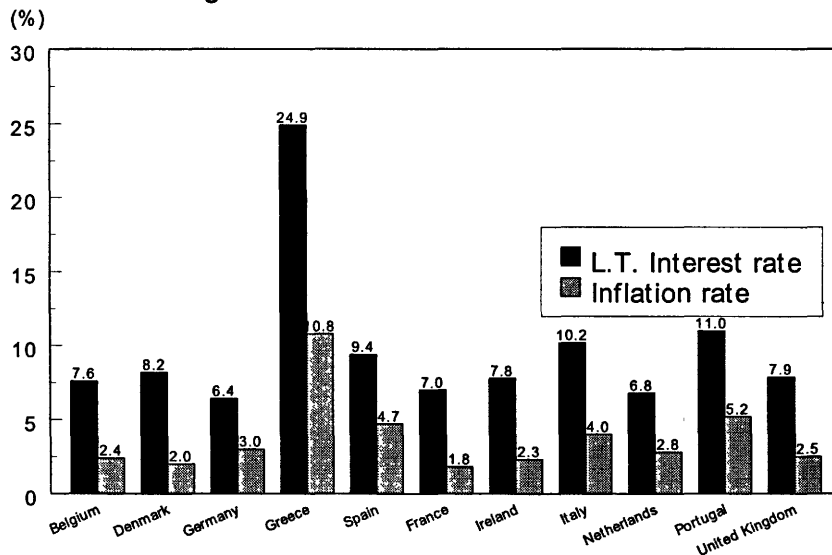
During 1994, the level of the exchange rate of the ECU against the dollar was more stable, with a very modest appreciation of the ECU. The EU trade deficit in textiles and clothing worsened once again (by 7.3% in value terms, including raw materials). This increase in the trade deficit, however, appears to be disproportionate in relation to the modest appreciation in the ECU, and is explained more by the high level of prices of raw materials in the first half of 1994. Imports of raw materials increased by almost 40% in ECU terms over 1993.

The effects of movements in exchange rates are also felt in **internal EU trade** between Member States. The difficulties encountered in the European Monetary System (EMS) since August 1992, with the devaluation of several European currencies, had clear consequences for the level of competitiveness between the textile and clothing industries in different Member States<sup>2</sup>. The recent evolution in foreign trade and the performance of different national industries in the sector (notably in Italy, Spain and the UK) indicates the extent to which the variations in national currencies have influenced trade and industrial activity.

The textile and clothing sectors in the different Member States are also affected by the level of **interest rates**, notably in their investment decisions, and by the **rate of inflation**.

**Figure 6.3**

Long-term interest rates and inflation in 1994



<sup>2</sup> For further discussion, see Chapter 4 of this report.

## 6.2. Labour costs<sup>3</sup>

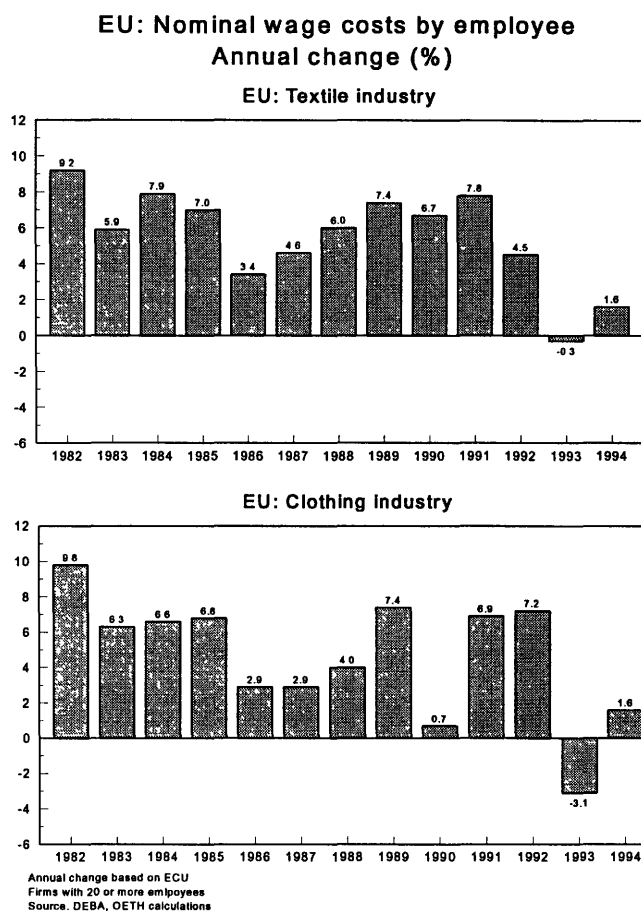
Labour costs play an important role in the international competitiveness of the textile and clothing industry. On the one hand, this is due to the fact that labour remains a significant element in the textile and clothing production process, as a result of the labour-intensive nature of some parts of the industry.

The share of labour costs in total production costs is estimated at around 60% in the production of clothing (excluding the value of purchases of raw materials). In textiles, the share is lower, estimated at around 40% in spinning and weaving.

On the other hand, differences in textile and clothing production costs throughout the world are explained to a large extent by **differences in labour costs**. In the textile industry, hourly labour costs were, in 1993, between US\$ 15 and US\$ 20 in certain EU countries (such as Germany or France), compared to hourly labour costs of less than US\$ 1 notably in certain Asian countries<sup>4</sup>. A similar gap exists in the clothing industry.

Within the EU, labour costs also vary between Member States. Hourly labour costs are around US\$ 4 in Portugal or US\$ 11 in the UK. This divergence is not only explained by differences in the level of economic

Figure 6.4



<sup>3</sup> Labour costs cover direct wage costs as well as all other related costs, such as social security contributions

<sup>4</sup> See: "The EU Textile and Clothing Industry 1992/93", OETH, Brussels, 1994.

development between different countries, but also by differences in the level of social charges imposed on salaries, of which the rates that are applied show significant disparities. This explains, to a large extent, the relatively competitive level of wage costs in the UK compared to countries such as Germany (US\$ 20.5) or France (US\$ 16.5).

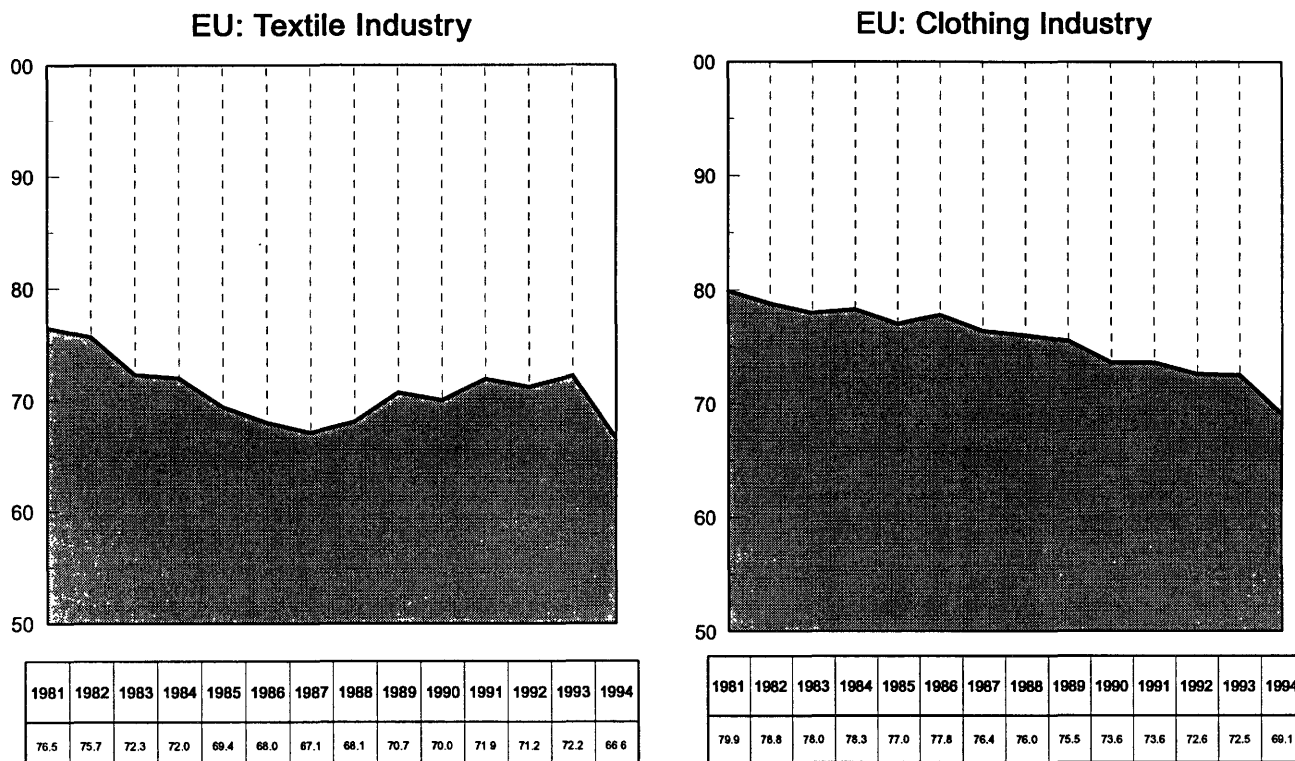
At the EU level, wage costs in the textile and clothing sectors have experienced important changes recently. In nominal terms, **wage costs per employee** have seen uninterrupted growth throughout the 1980s until 1992. In 1993, wage costs fell by 0.3% in the textile industry and by 3% in the clothing industry. In 1994, the level of wage costs grew slightly (by 1.6% in both industries), but only in nominal terms. Taking inflation into account, wage costs per employee continued to fall in 1994 in the EU as a whole, in real terms.

This recent evolution implies an improvement in the level of competitiveness by companies in the sector. It has also translated into a reduction in **labour intensity**, also due to an improvement in labour productivity (see Figure 6.4 below). Traditionally higher in the clothing industry than in the textile industry, labour intensity (measured by the ratio of wage costs to value added) experienced a record fall in 1994 and reached its lowest level for many years. In the textile sector, labour intensity fell to 67% in 1994, compared to a level of 72% in 1993. This corresponds to a fall of 8%, in nominal terms. In the clothing industry, labour intensity fell to 69% in 1994 from 72% in 1993. This fall of nearly 5% is lower than that experienced in the textile industry.

These levels of labour intensity, for the EU as a whole, are, however, still very high, due to the importance of wage costs. Data on labour intensity in the textile and clothing industry in the USA show a level of only 35% in 1993. This difference is not to be taken as a sign of a higher level of modernisation in the US textile and clothing industry, but is explained more by lower levels of wage costs (US\$ 11.6 per hour in 1993), in part linked to the lower importance of indirect costs in the USA (such as social security and other social charges, which are included in wage costs), compared to the majority of EU Member States.

Figure 6.5

### EU: Labour Intensity (%) (1981-1994)



Labour intensity is determined by the ratio of labour costs to value added (ECU, current prices)  
Companies with 20 or more employees; Source: DEBA, OETH calculations

## 6.3 Raw materials

Textile production uses different raw materials, the most important of which are cotton, synthetic and cellulosic fibres and wool. The prices of these materials are determined and negotiated in different ways. While the price of synthetic and cellulosic fibres is the subject of individual negotiations between companies, the prices of raw materials such as cotton and wool are determined on international commodity markets, strongly influenced by changes in supply (through harvests), but also by speculation. The EU textile and clothing industry, as a net importer of these products, is particularly susceptible to fluctuations in raw material prices, not only as a result of changes in prices themselves but also fluctuations in exchange rates (principally with the US dollar).

The price of cotton was relatively unstable in 1994 (especially in the short term), which posed a particular problem for producers, namely in making accurate forecasts and in hedging adequately. Prices sustained an increase during the first half of 1994, based on forecasts of poor world

harvests. The price reached US cents 87 per pound in May only to fall to around US cents 73 in October. During the last quarter of 1994, prices once again rose strongly, to reach more than US cents 90 per pound at the end of December.

In contrast to cotton, **wool** followed a steadier upward course in 1994. After very low prices in 1993 (Austr \$ 3.8 per kilogram in mid-1993), the wool price rose to almost Austr \$ 7.7 per kilogram at the end of 1994 - the highest level for several years.

In 1994, the price rises of **synthetic** and **cellulosic fibres** were driven up by a rise in the prices of raw materials (chemical intermediates). The increase in these, measured in DM, was between 30 and 85%. Measured in weaker currencies, the increase was even greater. In some cases there were actually raw material shortages. The rate of capacity utilisation in man-made fibres improved in 1994, but since the industry is highly capital-intensive, any rate of utilisation below 90% is regarded as unsatisfactory. No fibres achieved this level of capacity utilisation in 1994.

In terms of the **competitiveness** of the textile and clothing industry, producers can experience difficulties in recovering the increase in raw material prices through higher prices of manufactured products. It appears that the fluctuations in raw material prices have only a very limited impact on retail prices. A study carried out in the USA<sup>5</sup> indicates that an increase of 30% in the price of raw cotton leads to an increase of only 1% to 2% in the retail price of clothing. This small repercussion of the increase in the price of cotton is explained, on the one hand, by the relatively low share of raw materials in the final sales price of the product (estimated at 5%-6%) and, on the other hand, by the fact that the consumer is increasingly reluctant to accept price increases, which compels retailers to absorb the higher cost in other ways (through reductions in their own, or their suppliers' margins).

## 6.4 Productivity

In the **textile industry**, labour productivity, measured in terms of value added per employee, has experienced an average annual rate of growth of 3%, in constant prices, between 1988 and 1994. In 1994, productivity rose by as much as 8%, compared to an increase of 7% in all manufacturing industry.

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<sup>5</sup> US Department of Agriculture, cited in Textile Asia, November 1994.

In the **clothing industry**, the growth in productivity between 1988 and 1993 was higher than in the textile industry, with an average annual rate of growth of 4%. The increase in 1994, however, was lower than that in the textile sector and in manufacturing industry.

The improvement in the level of productivity in the textile and clothing sectors has not been sufficient to fill the **productivity gap** which exists between these industries and the average for manufacturing industry. In 1994, productivity in the textile industry for example, was at 63% of the level of manufacturing industry. It is, however, clear that such comparisons of productivity levels between industrial sectors have their limits, given the differences in structure between them, in terms of labour and capital intensity.



## **7. SPECIAL TOPIC**

### **THE PERFORMANCE OF EU TEXTILE AND CLOTHING COMPANIES**

#### **7.1 The typology of companies**

The EU textile and clothing industry comprises a large number of firms. In 1993 the number of firms in both sectors totalled 123,000.

Both the textile and clothing industries in the EU comprise a large number of often very small firms. The EU textile industry was made up of around 56,000 firms in 1993. Of these around 72% were firms employing less than 20 employees. However, small firms account for a relatively small proportion of output and employment in the textile industry. In 1994 firms with less than 20 employees accounted for around 20% of textile industry employment and 15% of its turnover.

The EU clothing industry is even less concentrated than the textile industry. In 1993 there were more than 67,000 enterprises of which 85% employed less than 20 people. In a similar way to the textile industry, however, it is the small number of larger companies which account for the bulk of production and employment. Firms in the clothing industry with more than 20 employees account for almost 70% of employment in the industry and generate 75% of the industry's turnover.

Although it is clear that large companies in the textile and clothing industries play an important role, both in terms of employment and turnover, which is likely to continue in the future, the role of small and medium-sized enterprises (SMEs) is also very important. The development of niche markets for the fashion trade and the growth in subcontracted production in the industry will serve to enhance the importance of SMEs.

This special topic takes a brief look at the most important EU textile and clothing manufacturers in terms of turnover and analyses some aspect of their recent performance and strategies.

#### **7.2 The largest textile and clothing companies**

The largest textile manufacturing companies in the EU are located in the main textile producing countries, with the greatest proportion being based in Germany (where there are three out of the ten largest companies,

ranked by turnover). The largest textile and clothing producer is Coats Viyella in the UK with a turnover of US\$ 3.6 billion in 1993, followed by the Beaulieu Group of Belgium with a turnover of US\$ 2.1 billion. An additional four EU textile producers achieved annual sales in 1993 in excess of US\$ 1 billion. These included DMC, Marzotto, Chargeurs Textiles and Freudenberg Textiles.

It is often difficult, when looking at such rankings, to draw conclusions about individual subsectors in the industry, because several companies either have a holding company structure which incorporates individual operating companies from different subsectors, or have a vertically integrated structure which includes many different stages of production, from spinning to garment manufacture. However, although Coats Viyella's integrated structure contributes to its size, specialisation appears not to limit the potential size of companies. Other diversified textile companies such as Marzotto and the Miroglio Group combine textile and clothing production. Chargeurs Textiles is part of a diversified holding company whose interests range from textiles to transport. On the other hand, the Beaulieu Group specialises in the manufacture of carpets, DMC and the KBC Group specialise in fabrics and fabric printing and Gamma Holdings in medical textiles.

**Table 7.1. The Top 10 EU Textile Producers in 1993**

Ranked by annual turnover

| Company                | Main Activity     | Country     | Turnover 1993<br>US\$ mn | Turnover 1992<br>US\$ mn | (%)<br>1993/92 |
|------------------------|-------------------|-------------|--------------------------|--------------------------|----------------|
| Coats Viyella          | textiles/clothing | UK          | 3,607                    | 3,112                    | 15.9           |
| Beaulieu Group         | carpets           | Belgium     | 2,087                    | 1,916                    | 9.0            |
| D.M.C.                 | fabrics/printing  | France      | 1,412                    | 1,528                    | -7.6           |
| Marzotto               | textiles/clothing | Italy       | 1,243                    | 1,242                    | 0.1            |
| Chargeurs Textiles     | fabrics/yarn      | France      | 1,101                    | 1,336                    | -17.6          |
| Freudenberg Textiles   | stuffing          | Germany     | 1,088                    | 1,062                    | 2.5            |
| Miroglio Textile Group | fabrics/knitwear  | Italy       | 847                      | 747                      | 13.3           |
| Hartmann Group         | medical textiles  | Germany     | 790                      | 752                      | 5.1            |
| Gamma Holdings         | fabrics           | Netherlands | 747                      | 831                      | -10.1          |
| KBC Group              | printing          | Germany     | 671                      | 709                      | -5.4           |

Source: TextilWirtschaft (December 1994), converted from DM to US\$ at constant exchange rate 1.65 DM = US\$ 1.0

The top 10 clothing companies in the EU also tend to produce a wide range of clothing products. Several of the companies in the ranking, however, focus on a relatively narrow range of products: Benetton and Damart manufacture primarily knitwear; the Triumph Group concentrates on the production of lingerie, although it also produces a wide range of sportswear; and Escada Konzern focuses on the production of ladies outerwear, but also operates a large number of retail outlets. The more diversified among the larger companies include Courtaulds Textiles, the Steilmann, GFT and Bidermann Groups and William Baird.

Neither does the primary sector of operation appear to have affected the relative performances of companies over recent periods. The largest increase in sales over the 1992 to 1993 period were achieved by relatively specialised companies in newer markets such as technical textiles and thermal knitwear. The sales of the UK technical textile producer Scapa increased by 125% in 1993 and those of Damart, the French knitwear manufacturer by 36%. Other strong performances over the same period were put in by more diversified companies such as the Hof Textile Group and Miroglio, as well as by Benetton and the Beaulieu Group.

**Table 7.2. The Top 10 EU Clothing Producers in 1993**

Ranked by annual turnover

| Company              | Main Activity | Country | Turnover 1993<br>US\$ mn | Turnover 1992<br>US\$ mn | (%)<br>1993/92 |
|----------------------|---------------|---------|--------------------------|--------------------------|----------------|
| Benetton             | knitwear      | Italy   | 1,751                    | 1,599                    | 9.5            |
| Triumph Group*       | clothing      | Germany | 1,388                    | 1,306                    | 0.2            |
| Courtaulds Textiles  | clothing      | UK      | 1,387                    | 1,337                    | 3.8            |
| Levi Strauss Europe* | clothing      | Belgium | 1,329                    | 1,270                    | 4.6            |
| Steilmann Group*     | clothing      | Germany | 1,082                    | 1,140                    | -5.1           |
| Damart               | knitwear      | France  | 950                      | 701                      | 35.6           |
| GFT Group*           | clothing      | Italy   | 938                      | 1,315                    | -28.7          |
| Bidermann Group      | clothing      | Germany | 829                      | -                        |                |
| William Baird        | clothing      | UK      | 708                      | 955                      | -25.9          |
| Escada Konzern       | clothing      | Germany | 706                      | 913                      | -22.7          |

Source: TextilWirtschaft, Comitextil; \*Turnover in 1991, instead of 1992

According to TextilWirtschaft's rankings of the world's largest textile and knitwear companies (not including clothing companies), EU companies accounted for six out of the Top 20 largest companies, compared to five for the USA and seven from Japan, and one from each of South Korea and Sweden. The presence of three very diversified Japanese conglomerates probably overstates their importance in the ranking. Of the top 300 world textile companies identified by TextilWirtschaft, 175 are based in EU countries, with the largest number (81) being based in Germany. A further 16 companies, with a combined annual turnover of US\$ 2.8 billion, are based in the three new Member States, of which Mölnlycke of Sweden is by far the largest.

In general US companies performed relatively well in 1993, while for EU companies the picture was mixed, with many companies increasing their turnover, often quite strongly, while others saw turnover falling back. The performance of Japanese companies was in general poor with losses in sales for more than half of the firms.

With relatively stagnant consumer markets in many regions, notably the EU, and with intensified competition from producers in low-cost countries, income growth among producers in the big three trading blocks (the EU, Japan and the USA) is hard to achieve. The performance of EU companies shows, however, that growth in turnover can be achieved, although success can be hard to come by.

The range of strategies open to textile and clothing producers are many and varied. They range from the choice of scope of operations - the decision on whether to integrate various stages of production, to produce a diverse product range, or focus on gaining market share in specific, narrowly defined product markets. Additional questions then arise over need to focus both sales and production on domestic markets or to push exports and overseas production, or the balance between price and quality, and numerous other issues.

Coats Viyella, the EU's largest textile and clothing producer, is very diversified with operations ranging from yarns and through fabrics to clothing manufacture and retailing operations such as its Jaeger stores. The company has seen turnover increase in recent years. Operating profits rose in 1994, but fell after taking account of provisions for losses from the sale of its carpet, thread and fabrics divisions. The company has recovered raw material cost increases through cost cutting, product re-engineering, and by passing on some price rises. The devaluation of the Turkey currency affected demand in its core thread business, cutting £5-10 million from profits.

Coats Viyella have invested over £332 million over the past year in buying new businesses overseas, while at home it has invested heavily in

new technology such as an EDI link with its major customer Marks & Spencer, which allows it to fill orders in under two weeks. However, the company has sold a number of its assets in the UK in recent years.

Coats Viyella have not been alone in realising turnover growth. In the UK good results have also been posted by Courtaulds Textiles and Dawson International. In France, Chargeurs Textiles, saw falls in turnover between 1992 and 1993. However, they have recently reported an increase in turnover of 13.5% for 1994, from FF 6.2 billion to FF 7.1 billion. Much of the growth has been attributed to the recent increase in wool prices which served to increase the groups wool sales by 22% in value terms. However, sales of woven fabric for clothing were also buoyant in 1994.

Italy's largest textile and clothing company, Benetton, has also recently announced its plans for diversification into food retailing. Second behind Benetton in Italy, Marzotto, on the other hand continues to concentrate on textiles and clothing but have a diversified structure throughout the industry, engaging in the production of both fabrics and clothing and retaining a retail presence through Hugo Boss in Germany. Figures for the first half of 1994 saw an increase in turnover of 3% over the same period in 1993, largely due to an increase of 5% in exports both to other countries in the EU and to countries outside the EU.

The Triumph Group saw a fall of 1.1% in turnover from its core activities in women's lingerie in 1994. In contrast the group's sales of outerwear increased by 0.3% in Germany and sales to the USA by 10.5%. Germany's second largest clothing company, the Steilmann Group, also saw a fall in turnover in both 1993 and 1994. A fall of 5% in 1993 was followed by a fall of 8% in 1994, essentially due to a reduction in turnover of its women's ready-to-wear, which fell by 9% in 1994. Men's ready-to-wear in contrast grew by 5%.

That some areas of the industry continue to experience considerable difficulty is borne out by the troubles facing France's second largest textile company, DMC. Recently announced consolidated results show a fall in profits of 52%, largely attributed to a reduction in margins in its core textile printing business, which accounts for one half of its turnover through its German subsidiary KBC. Total sales by the group fell by 12%, principally the result of falls in sales by its printing and thread activities. Printing has suffered from recent changes in fashion which have favoured plainer, monotone fabrics over printed fabrics. Other divisions in the group, notably Saic and Atlantic Mills, put in strong performances in 1994.

While it is always difficult to draw general conclusions as to firms' strategies from the individual behaviour of a small number of firms, a number of clear strategic directions nevertheless do emerge. These include the drive

to exploit new markets, especially those such as higher quality garments. This can be through changes in the product range or moves into new geographical areas such as markets in Asia. In part this has involved a level of diversification, either by the integration of different processes, or through co-operation or joint ventures with favoured suppliers. Use of subcontracting has been very important in this respect. In many cases this has gone hand in hand with a drive to reduce costs through the delocalisation of more labour intensive processes to areas with low wage costs, and the enhancement of domestic productivity and product quality through investment in new technology and new methods of working.

A recent study by Mercer Management Consultants, based on a sample of 1,000 companies between 1984 and 1993 in a range of sectors, points to the importance of growth strategies for EU textiles and clothing companies. The companies which, over that period, undertook growth strategies increased their profitability by twice as much as those companies which followed policies of permanent restructuring, even if these policies aimed at increasing profitability. Sources of growth exist. But the strategic question for companies is the identification and exploitation of these sources and the management of risk.

### **7.3 Company performance at the sectoral level**

The analysis of companies at the sectoral level is generally limited to the study of aggregate data such as production, turnover and employment. Official statistics only provide a limited amount of information on data such as the structure of company accounts in a sector or the principal financial ratios. As an extension to the first part of this special topic, this section presents a more microeconomic analysis, which can be used to provide individual companies in the sector with points of reference more targeted to the evaluation of their own performance.

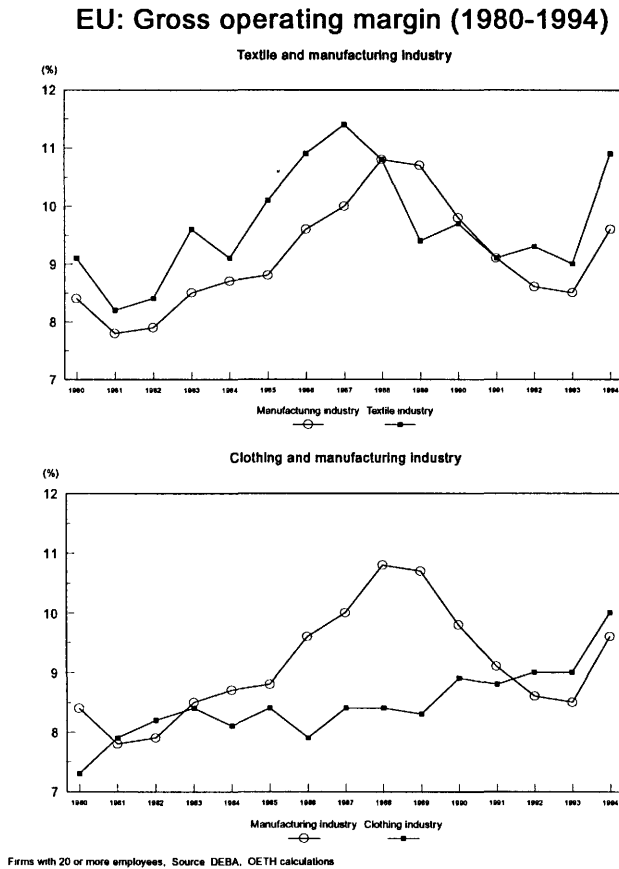
The most interesting element, provided by official statistics, is the **gross operating margin**<sup>1</sup> (gross margin on sales, for companies with 20 or more employees). At the EU level, the textile industry follows an evolution close to that of manufacturing industry (with a higher margin in textiles for most years). In 1994, the level of the margin was close to its highest point

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<sup>1</sup> The gross operating margin, from an accounting point of view, represents the ratio of operating profit to sales before depreciation and provisions. Gross operating profit is the difference between value added by the enterprise and salary costs. Value added itself is determined by turnover generated, plus changes in stocks and work in progress, less purchases of materials (cost of sales), goods and services. The current definition of the gross operating margin is expressed by "what is earned by the company for each Franc of turnover". In statistics, such as those used here, the gross operating margin is calculated by the difference between value added to the cost of inputs and wage costs divided by turnover.

since 1987. In the **clothing industry**, the gross margin followed a relatively steady upward path over the period from 1980 to 1994, from a relatively low level. From 1992, the margin was also higher in clothing than in manufacturing industry and reached its highest level for many years.

**Figure 7.3**



Within the EU, the level of gross operating margins as a percentage of sales differs widely between **Member States**. In 1994, gross margins as a percentage of sales in the textile industry was highest in Spain and Portugal, and lowest in Belgium, Germany and France.

In clothing gross margins were highest in Belgium, Portugal and Denmark, and lowest in France, Germany and Italy. The favourable position of Portugal and Spain in both industries was probably due to their relatively lower

level of labour costs. Concerning the net profitability of the textile and clothing sectors, other indicators such as the net operating margin must be considered<sup>2</sup>.

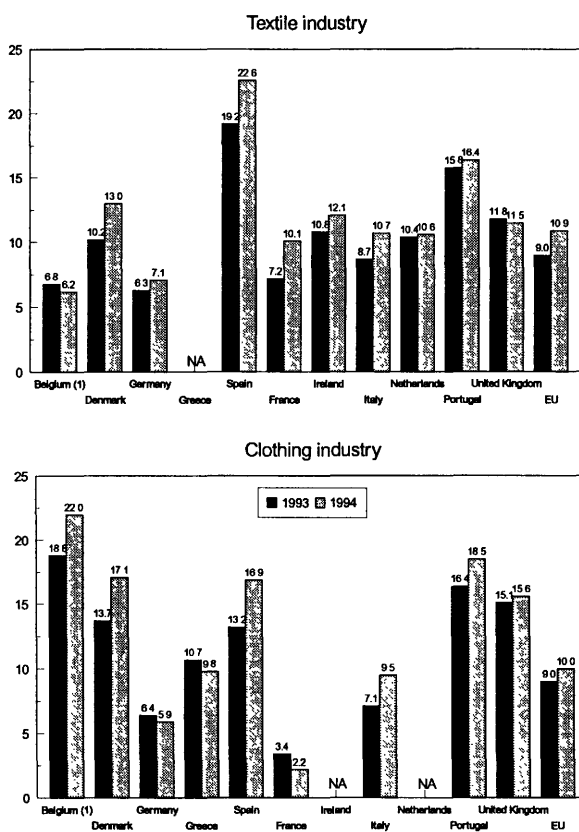
During 1994, almost all national industries succeeded in increasing their margins, of which a number have done so particularly strongly (Spain, Italy and France in textiles, and principally Spain and Belgium in clothing). In contrast, despite the more favourable economic climate in 1994, four

<sup>2</sup> The determination of the capacity of the industry to generate profits should be taken more from the net operating margin, i.e. from net operating profit and from sales after depreciation and provisions. Generally, the net margin will be lower than the gross margin. In the case of Belgium, detailed below, the gap between the gross and net margins is, on average, between 5% and 6% (the gross margin in textiles was 9.1% in 1992, compared to a net margin of 3.1%).

countries have seen their profit margins fall: in the textile industry in Belgium; and Greece, Germany and France in the clothing industry.

Figure 7.4

Gross operating margin by Member State  
1993-1994 (%)



Firms with 20 or more employees. Source: DEBA. OETH calculations; (1) Belgium 1992 and 1993

A more detailed study of the performance of the textile and clothing industry in terms of financial ratios has been carried out in Belgium<sup>3</sup>. The objective was to show the range of possibilities for analysis which are offered by data on the accounts of companies in the sector. According to the data collected, the sample of companies varies between 600 and 1,000 for the textile industry (out of a total of 1,360 companies in 1993) and between 500 and 800 for the clothing industry (out of a total of 1,215 in 1993). The latest available data is for 1992.

A number of ratios have been calculated for the years 1991 and 1992. It is useful to observe the dispersion of the ratio around the average of the sector. Thus, for the gross margin on

sales in the textile industry, 75% of companies in the sample show an average margin of only 3.6%. In comparison, only 25% of companies show an average rate of 16.1%. The average gross margin for the sector is 9.3% for all companies covered in the sample.

Without going into all the ratios given for the two sectors in detail, a number of **observations** are worthy of mention:

- The evolution of the **margin on sales**, between 1991 and 1992, was positive in the textile industry, compared to a significant fall in margins in the clothing industry. 75% of companies from both sectors

<sup>3</sup> Source: Brustat, National Bank of Belgium.



show a net margin which is less than zero, i.e. show a net loss over the two years, compared to an average ratio of 3.1% in the textile and clothing industry in 1992. This situation also applies to the ratio of net profit to own capital, after tax, which is, on average, less than zero for the average of the textile sector and only slightly positive, on average, for the clothing sector.

- The textile industry shows a net debt improvement between 1991 and 1992 in terms of the burden of debt on value added, in contrast to the clothing industry, where the ratio increased by almost 35% over the two years. However, the burden of debt remains higher in the textile industry than in the clothing industry.
- The strict liquidity ratio (the acid test)<sup>4</sup>, which measures the capacity of a company to meet short-term debt, is lower than one in both sectors, indicating a relatively low level of liquidity.
- The number of days of client credit is particularly high in the textile industry. It shows that clients pay, on average, in up to three months. For 25% of companies, however, this delay is even longer, at up to four months.

The derived ratios for the Belgian textile and clothing industry suggest that a number of difficulties are present in the sector: margins are low and net return on own capital is insufficient in the majority of companies.

Returning to the general trend in both sectors at the EU level, such as that measured by the gross operating margin; this shows a relatively consistent and sustained increase in clothing over the last 15 years, while the textile industry has followed a more cyclical path, while having a margin higher than that in manufacturing industry.

One possible interpretation for this evolution in the gross operating margin in the textile industry could be the strong competition in the sector, compelling companies to lower their margins in order to remain competitive. In the clothing industry, which is also exposed to strong competition, the growth in margins, starting at a low level, can be linked, in part, to the growing importance of the internationalisation of production.

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<sup>4</sup> The strict liquidity ratio show the capacity of a company to meet its short-term debt (such as debts owed to suppliers and cash advances) as an average of liquid assets (such as short-term deposits and current liquid assets).



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Table 1

| EU: Clothing & Footwear             |      |      |      | OETH |
|-------------------------------------|------|------|------|------|
| Share in total consumer expenditure |      |      |      |      |
| (%), current prices                 | 1980 | 1986 | 1992 | 1993 |
| Belgium                             | 6.9  | 7.6  | 7.9  | 7.8  |
| Denmark                             | 5.9  | 6.0  | 5.5  | 5.5  |
| Germany (West)                      | 9.4  | 8.3  | 7.6  | 7.4  |
| Germany (total)                     | ND   | ND   | 7.2  | 7.0  |
| Greece                              | 10.1 | 9.4  | 8.8  | 8.7  |
| Spain                               | 8.3  | 9.5  | 9.2  | 9.3  |
| France                              | 7.3  | 7.2  | 6.2  | 6.0  |
| Ireland                             | 7.4  | 7.4  | 7.1  | 7.0  |
| Italy                               | 11.2 | 10.3 | 10.0 | 9.4  |
| Luxembourg                          | 7.5  | 6.9  | 6.0  | 5.8  |
| Netherlands                         | 7.9  | 7.3  | 6.6  | 6.6  |
| Portugal                            | 10.8 | 10.3 | 8.8  | 8.8  |
| United Kingdom                      | 7.1  | 6.9  | 5.6  | 5.7  |
| EU                                  | 8.4  | 7.9  | 7.4  | 7.2  |

Source: Textiles Intelligence, OECD, National Accounts

Table 2

| <b>Consumer expenditure on Clothing and Footwear in 1993</b>                  |                | <b>OETH</b>    |               |              |              |           |
|---|----------------|----------------|---------------|--------------|--------------|-----------|
| <b>1 ECU = 1.171 US\$</b>   |                | <b>Germany</b> | <b>France</b> | <b>Italy</b> | <b>Spain</b> | <b>UK</b> |
| <b>Population (million)</b>   |                | 81             | 58            | 58           | 39           | 59        |
| <b>GDP per head</b>   | <b>US\$</b>    | 23,535         | 21,653        | 17,375       | 12,190       | 16,222    |
|   | <b>ECU</b>     | 20,098         | 18,491        | 14,838       | 10,410       | 13,853    |
| <b>Consumer expenditure per head</b>  | <b>US\$</b>    | 13,649         | 13,146        | 10,839       | 7,450        | 10,446    |
|   | <b>ECU</b>     | 11,656         | 11,226        | 9,256        | 6,362        | 8,921     |
| <b>Consumer expend. on C&amp;F per head</b>                                   | <b>US\$</b>    | 995            | 790           | 1,014        | 693          | 600       |
|   | <b>ECU</b>     | 850            | 675           | 866          | 592          | 512       |
| <b>Total consumer expenditure</b>   | <b>US\$ bn</b> | 1,110          | 760           | 619          | 292          | 609       |
|   | <b>ECU bn</b>  | 948            | 649           | 529          | 249          | 520       |
| <b>Consumer expenditure on C&amp;F</b>  | <b>US\$ bn</b> | 78             | 46            | 58           | 27           | 35        |
|   | <b>ECU bn</b>  | 66             | 39            | 50           | 23           | 30        |
| <b>Consumer expenditure on C&amp;F as %<br/>of total consumer expenditure</b> |                | 7.0            | 6.0           | 9.4          | 9.3          | 5.7       |

Source: OECD, National Accounts

# EU: Apparent consumption of knitted articles and woven clothing

OETH

(1990 -1994)

(million ECU, current prices)

|                               | Knitting industry (NACE 436) |        |               |           | Woven clothing (NACE 453+454) |        |               |           |
|-------------------------------|------------------------------|--------|---------------|-----------|-------------------------------|--------|---------------|-----------|
|                               | 1990                         | 1993   | 1994 (*)      | 94/93 (%) | 1990                          | 1993   | 1994 (*)      | 94/93 (%) |
| <b>Production</b>             | 26,930                       | 23,985 | <b>24,318</b> | 1.4       | 58,944                        | 57,050 | <b>57,339</b> | 0.5       |
| <b>Imports</b>                | 6,766                        | 10,744 | <b>11,365</b> | 5.8       | 13,781                        | 17,984 | <b>19,531</b> | 8.6       |
| <b>Exports</b>                | 4,330                        | 4,440  | <b>4,995</b>  | 12.5      | 6,727                         | 7,086  | <b>8,269</b>  | 16.7      |
| <b>Apparent consumption</b>   | 29,366                       | 30,289 | <b>30,688</b> | 1.3       | 65,998                        | 67,948 | <b>68,601</b> | 1.0       |
| <b>Annual change (%)</b>      |                              | 3.1    | 1.3           |           |                               | 3.0    | 1.0           |           |
| <b>Annual change (%) (**)</b> |                              | 0.4    | -0.7          |           |                               | 0.3    | -1.0          |           |

Source: EUROSTAT, DEBA, OETH.

(\*): Estimates (in bold)

(\*\*): Based on apparent consumption in current prices, deflated by consumer prices (Table 4)

Knitting industry: production data for Germany and the Netherlands cover firms with 20 or more employees.

Woven clothing: production data for Germany and the Netherlands cover firms with 20 or more employees.

## EU: Apparent consumption of knitted articles and woven clothing - million US\$

| (current prices)            | Knitting industry | 1990   | 1993   | 1994 (*)      | Woven clothing | 1990   | 1993   | 1994 (*)      |
|-----------------------------|-------------------|--------|--------|---------------|----------------|--------|--------|---------------|
| <b>Production</b>           |                   | 34,288 | 28,086 | <b>28,872</b> |                | 75,049 | 66,806 | <b>73,006</b> |
| <b>Imports</b>              |                   | 8,615  | 12,581 | <b>13,493</b> |                | 17,546 | 21,059 | <b>22,871</b> |
| <b>Exports</b>              |                   | 5,513  | 5,199  | <b>5,930</b>  |                | 8,565  | 8,298  | <b>9,818</b>  |
| <b>Apparent consumption</b> |                   | 37,390 | 35,468 | <b>36,435</b> |                | 84,030 | 79,567 | <b>86,059</b> |

| EU: Index of consumer prices in 1994 |             |             |                      |               |             |                      | OETH |
|--------------------------------------|-------------|-------------|----------------------|---------------|-------------|----------------------|------|
| National currencies                  |             |             |                      |               |             |                      |      |
|                                      | CLOTHING    |             | 1994<br>(1985 = 100) | GENERAL INDEX |             | 1994<br>(1985 = 100) |      |
|                                      | 1994/93 (%) | 1993/92 (%) |                      | 1994/93 (%)   | 1993/92 (%) |                      |      |
| Belgium                              | 1.9         | 2.3         | 140.6                | 2.4           | 2.8         | 123.5                |      |
| Denmark                              | 0.8         | 0.6         | 134.1                | 2.0           | 1.3         | 130.9                |      |
| Germany (West)                       | 1.4         | 2.7         | 117.4                | 3.0           | 4.2         | 123.5                |      |
| Greece                               | 10.0        | 10.9        | 401.6                | 10.9          | 14.4        | 391.1                |      |
| Spain                                | 2.4         | 4.4         | 171.8                | 4.7           | 4.6         | 168.1                |      |
| France                               | 0.4         | 1.2         | 131.5                | 1.8           | 2.1         | 127.8                |      |
| Ireland                              | 1.0         | 0.4         | 116.6                | 2.3           | 1.4         | 129.8                |      |
| Italy                                | 3.0         | 4.0         | 163.3                | 4.0           | 4.4         | 160.0                |      |
| Luxembourg                           | 2.1         | 3.9         | 132.2                | 2.2           | 3.6         | 122.7                |      |
| Netherlands                          | -2.0        | 0.4         | 91.8                 | 2.4           | 2.6         | 117.3                |      |
| Portugal                             | 4.2         | 7.0         | 283.7                | 5.2           | 6.4         | 231.5                |      |
| United Kingdom                       | 0.7         | 0.2         | 122.8                | 2.5           | 1.6         | 152.4                |      |
| EU                                   | 2.0         | 2.7         | 141.1                | 3.1           | 3.4         | 143.4                |      |
| Austria (*)                          | 3.4         | 3.7         | 131.9                | 3.0           | 3.6         | 127.7                |      |
| Finland (*)                          | 2.0         | 3.4         | 134.4                | 1.1           | 2.2         | 141.2                |      |
| Sweden (*)                           | 5.4         | -1.7        | 114.5                | 2.1           | 4.7         | 161.6                |      |

(\*): Clothing & footwear  
SOURCE: EUROSTAT

Index of consumer prices - 1994/93 (%)

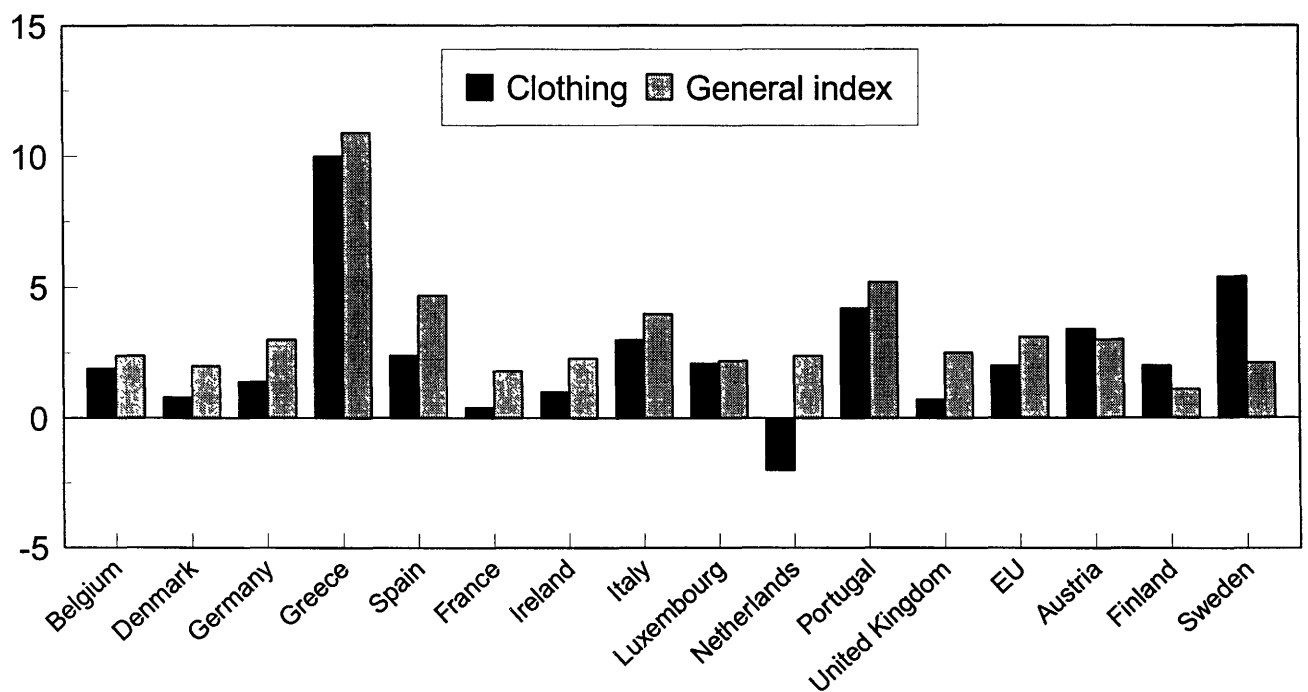


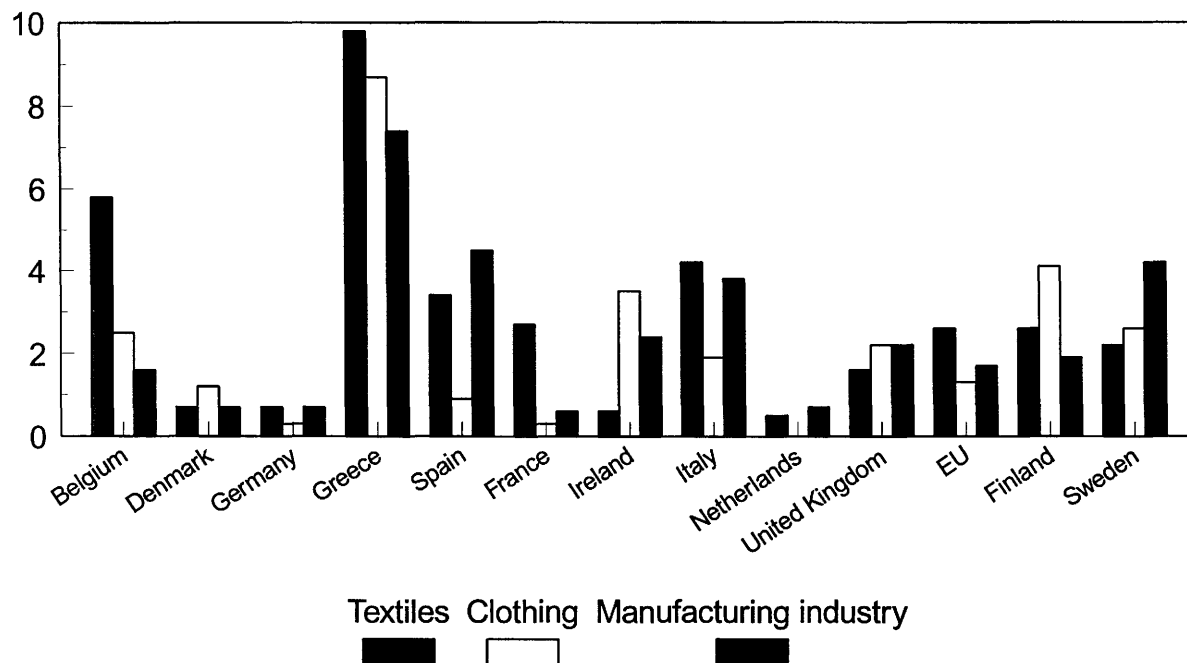


Table 5

| EU: Index of producer prices in 1994 |                                |             |                    |                                    |             |                    |                           |             |                    |
|--------------------------------------|--------------------------------|-------------|--------------------|------------------------------------|-------------|--------------------|---------------------------|-------------|--------------------|
| National currencies                  |                                |             |                    |                                    |             |                    |                           |             |                    |
|                                      | TEXTILES<br>(NACE Rev. 1 - 17) |             |                    | CLOTHING (*)<br>(NACE Rev. 1 - 18) |             |                    | MANUFACTURING<br>INDUSTRY |             |                    |
|                                      | 1994/93 (%)                    | 1993/92 (%) | 1994<br>(1990=100) | 1994/93 (%)                        | 1993/92 (%) | 1994<br>(1990=100) | 1994/93 (%)               | 1993/92 (%) | 1994<br>(1990=100) |
| Belgium                              | 5.8                            | -2.8        | 100.8              | 2.5                                | 1.7         | 108.7              | 1.6                       | -1.5        | 99.1               |
| Denmark                              | 0.7                            | 0.2         | 101.1              | 1.2                                | 1.0         | 105.7              | 0.7                       | -1.1        | 99.6               |
| Germany (West)                       | 0.7                            | -0.6        | 102.6              | 0.3                                | 2.3         | 107.7              | 0.7                       | 0.1         | 104.5              |
| Greece                               | 9.8                            | 4.9         | 134.4              | 8.7                                | 10.7        | 155.1              | 7.4                       | 11.7        | 157.5              |
| Spain                                | 3.4                            | 0.4         | 106.4              | 0.9                                | 1.0         | 110.3              | 4.5                       | 2.4         | 109.6              |
| France                               | 2.7                            | -2.4        | 99.3               | 0.3                                | -0.4        | 104.6              | 0.6                       | -1.1        | 100.8              |
| Ireland                              | 0.6                            | 0.6         | 103.4              | 3.5                                | -0.3        | 111.3              | 2.4                       | 2.8         | 107.8              |
| Italy                                | 4.2                            | 1.1         | 106.7              | 1.9                                | 0.4         | 108.9              | 3.8                       | 3.7         | 112.7              |
| Luxembourg                           | ...                            | ...         | ...                | ...                                | ...         | ...                | ...                       | ...         | ...                |
| Netherlands                          | 0.5                            | 0.6         | 103.5              | 0.0                                | 1.2         | 105.0              | 0.7                       | -1.0        | 101.5              |
| Portugal                             | ...                            | ...         | ...                | ...                                | ...         | ...                | ...                       | ...         | ...                |
| United Kingdom                       | 1.6                            | 1.5         | 109.9              | 2.2                                | 2.1         | 116.3              | 2.2                       | 3.7         | 112.4              |
| EU                                   | 2.6                            | 0.1         | 105.1              | 1.3                                | 1.2         | 109.5              | 1.7                       | 1.2         | 106.7              |
| Austria                              | ...                            | ...         | ...                | ...                                | ...         | ...                | ...                       | ...         | ...                |
| Finland                              | 2.6                            | 3.3         | 111.4              | 4.1                                | 3.7         | 118.8              | 1.9                       | 2.4         | 104.7              |
| Sweden                               | 2.2                            | 5.4         | 113.8              | 2.6                                | 5.5         | 109.5              | 4.2                       | 5.5         | 110.9              |

Estimates are in bold  
SOURCE: EUROSTAT  
(\*) including leather-wear

Index of producer prices - 1994/93 (%)



| EU: Index of production - textiles and clothing (1992-1994) OETH |                            |      |       |      |               |  |       |       |       |               |
|--|----------------------------|------|-------|------|---------------|--|-------|-------|-------|---------------|
| (1990 = 100)   | Textiles (NACE Rev.1 - 17) |      |       |      |               | Clothing (NACE Rev.1 - 18)<br>(incl. leather wear) |       |       |       |               |
|  | Country                    | 1992 | 1993  | 1994 | 1994/1993 (%) | % of total production 1994 (*) (EU=100)            | 1992  | 1993  | 1994  | 1994/1993 (%) |
| Belgium  | 94.5                       | 84.6 | 86.4  | 2.1  | 3.5           | 108.3  | 117.3 | 118.7 | 1.2   | 3.0           |
| Denmark  | 91.6                       | 86.6 | 88.3  | 2.0  | 0.7           | 104.6  | 97.5  | 104.1 | 6.8   | 0.9           |
| Germany (West)   | 81.1                       | 72.1 | 69.1  | -4.2 | 9.2           | 79.6   | 71.2  | 61.0  | -14.3 | 11.6          |
| Greece   | 81.3                       | 76.6 | 74.1  | -3.3 | 1.1           | 99.5   | 91.5  | 82.3  | -10.1 | 1.9           |
| Spain  | 87.6                       | 78.7 | 87.3  | 10.9 | 6.5           | 85.2   | 74.7  | 84.6  | 13.3  | 8.7           |
| France   | 93.4                       | 86.5 | 88.4  | 2.2  | 13.5          | 87.7   | 80.4  | 75.3  | -6.3  | 11.2          |
| Ireland  | ...                        | ...  | ...   |      | 0.6           | 83.8   | 74.3  | 67.2  | -9.6  | 0.4           |
| Italy  | 100.4                      | 98.2 | 105.4 | 7.3  | 44.1          | 98.4   | 94.4  | 99.7  | 5.6   | 39.4          |
| Netherlands  | 88.8                       | 87.8 | 92.3  | 5.1  | 2.2           | 91.6   | 92.9  | ...   |       | 1.6           |
| Portugal   | 98.2                       | 86.1 | 89.4  | 3.8  | 4.1           | 98.7   | 88.9  | 78.2  | -12.0 | 4.3           |
| United Kingdom   | 94.6                       | 96.8 | 98.8  | 2.1  | 14.4          | 92.0   | 92.0  | 96.6  | 5.0   | 16.9          |
| EU   | 94.3                       | 90.0 | 94.0  | 4.4  | 100.0         | 91.9   | 86.7  | 87.2  | 0.6   | 100.0         |

Estimates are in bold

Note: Index is based on quantities

(\*): % of 1994 total are OETH estimates based on value added (source: Eurostat)

Source: EUROSTAT

# EU: Index of production (1992 - 1994)

OETH

## Man-made fibres industry and knitwear products industry

| 1990 = 100     | Man-made fibres (NACE Rev.1 - 24.7) |       |              |                  | Knitwear products (NACE Rev.1 - 17.7) (*) |       |       |                  |
|----------------|-------------------------------------|-------|--------------|------------------|---|-------|-------|------------------|
| <u>Country</u> | 1992                                | 1993  | 1994         | 1994/1993<br>(%) | 1992                                      | 1993  | 1994  | 1994/1993<br>(%) |
| Belgium        | 115.8                               | 123.6 | <b>134.3</b> | <b>8.7</b>       | ...                                       | ...   | ...   |                  |
| Denmark        | ...                                 | ...   | ...          |                  | ...                                       | ...   | ...   |                  |
| Germany (West) | 94.2                                | 83.4  | 91.2         | <b>9.4</b>       | 78.3                                      | 75.8  | 66.9  | <b>-11.7</b>     |
| Greece         | 94.5                                | 88.6  | 91.8         | <b>3.6</b>       | ...                                       | ...   | ...   |                  |
| Spain          | 106.0                               | 101.6 | 116.2        | <b>14.4</b>      | ...                                       | ...   | ...   |                  |
| France         | 78.5                                | 77.4  | <b>73.6</b>  | <b>-4.9</b>      | ...                                       | ...   | ...   |                  |
| Ireland        | ...                                 | ...   | ...          |                  | ...                                       | ...   | ...   |                  |
| Italy          | 98.0                                | 90.8  | 99.6         | <b>9.7</b>       | 109.4                                     | 106.8 | 109.3 | <b>2.3</b>       |
| Netherlands    | ...                                 | ...   | ...          |                  | ...                                       | ...   | ...   |                  |
| Portugal       | 98.2                                | 95.5  | 95.5         | <b>0.0</b>       | 95.6                                      | 81.3  | 78.5  | <b>-3.4</b>      |
| United Kingdom | 108.5                               | 106.0 | 93.7         | <b>-11.6</b>     | ...                                       | ...   | ...   |                  |
| EU             | ...                                 | ...   | ...          |                  | ...                                       | ...   | ...   |                  |

(\*): This sector of activity only covers part of the knitwear production (o.w. hosiery, pullovers, etc.)

Index is based on quantities

Estimates are in bold

Source: EUROSTAT

## EU: Index of production (1992 - 1994)

OETH

Textile industry by sub-sectors - Data available for 7 countries in the EU

| 1990 = 100<br>NACE Rev.1 classification<br>by industry | Denmark |                | Germany |                | Spain |                | France |                | Italy |                | Portugal |                | UK    |                |
|--|---------|----------------|---------|----------------|-------|----------------|--------|----------------|-------|----------------|----------|----------------|-------|----------------|
|  | 1994    | 1994/93<br>(%) | 1994    | 1994/93<br>(%) | 1994  | 1994/93<br>(%) | 1994   | 1994/93<br>(%) | 1994  | 1994/93<br>(%) | 1994     | 1994/93<br>(%) | 1994  | 1994/93<br>(%) |
| Yarn & thread (17.1)                                   | ...     |                | 68.3    | 0.6            | ...   |                | ...    |                | 106.8 | 6.8            | 92.7     | 5.6            | ...   |                |
| Fabrics (17.2)   | ...     |                | 60.7    | -4.6           | ...   |                | ...    |                | 99.7  | 9.0            | 92.4     | 6.0            | ...   |                |
| Finishing (17.3)                                       | ...     |                | ...     |                | 92.4  | 12.3           | 85.3   | -3.5           | 101.8 | 8.8            | 91.6     | 6.8            | 77.2  | -23.9          |
| Home textiles (17.4)                                   | 86.6    | 5.1            | 86.6    | -3.1           | ...   |                | ...    |                | 94.0  | 8.3            | ...      |                | 105.3 | 9.2            |
| Other textiles (*) (17.5)                              | 78.6    | 2.2            | 81.4    | -1.3           | 95.4  | 18.1           | 104.3  | 10.3           | 114.7 | 8.0            | 100.5    | 4.8            | 102.8 | 6.2            |
| Knitted fabrics (17.6)                                 | ...     |                | 57.0    | -7.6           | 99.6  | 14.9           | ...    |                | 107.0 | 16.7           | 78.5     | -3.4           | ...   |                |

(\*) : incl. carpets, nets, non-wovens.

Index is based on quantities

Source: EUROSTAT

## EU: Structural data on the textile and clothing industries (1990 - 1994)

OETH

| <i>(In thousands)</i>                       | Textiles (NACE 43+455) |          |          |             |             | Clothing (NACE 453+454) |          |          |             |             |
|---|------------------------|----------|----------|-------------|-------------|-------------------------|----------|----------|-------------|-------------|
|   | 1990                   | 1993 (*) | 1994 (*) | 1993/92 (%) | 1994/93 (%) | 1990                    | 1993 (*) | 1994 (*) | 1993/92 (%) | 1994/93 (%) |
| Total employment                            | 1,662                  | 1,428    | 1,360    | -5.5        | -4.8        | 1,250                   | 1,106    | 1,037    | -4.4        | -6.2        |
| Employment, firms with 20 or more employees | 1,335                  | 1,145    | 1,090    | -6.2        | -4.7        | 872                     | 754      | 714      | -4.9        | -5.3        |
| Total number of firms                       | 63                     | 56       | ...      | -6.5        | ...         | 73                      | 67       | ...      | -3.8        | ...         |
| Number of firms with 20 or more employees   | 15                     | 14       | ...      | -4.2        | ...         | 11                      | 10       | ...      | -3.6        | ...         |
| Investment (mn ECU), current prices         | 5.2                    | 4.3      | ...      | -6.1        | ...         | 1.4                     | 1.3      | ...      | -7.3        | ...         |
| Turnover (mn ECU), current prices           | 117.4                  | 103.6    | 106.7    | -9.6        | 3.0         | 64.5                    | 62.4     | 63.1     | -9.7        | 1.1         |

Source: OETH calculations, based on EUROSTAT, DEBA, COMITEXTIL, ECLA and National and European Branch Associations.

**NOTE:**

Textiles and Clothing: investments for Germany, Belgium and Greece cover firms with 20 or more employees.  
Data for Germany refer to West Germany only.  
In ex-GDR, employment reduction in textiles and clothing amounted to nearly 300,000 between 1990 and 1994..  
All data for the Netherlands and Greece only cover firms with 10 or more employees.

(\*) Data for some countries have been estimated

| EU: Employment in the wool, cotton and knitting industries (1992-1994) (1) |                           |             |                             |             |                               |             | OETH |  |
|--|---------------------------|-------------|-----------------------------|-------------|-------------------------------|-------------|------|--|
| Country  | Wool industry<br>NACE 431 |             | Cotton industry<br>NACE 432 |             | Knitting industry<br>NACE 436 |             |      |  |
|  | 1993/92 (%)               | 1994/93 (%) | 1993/92 (%)                 | 1994/93 (%) | 1993/92 (%)                   | 1994/93 (%) |      |  |
| Belgium  | -6.6                      | ...         | ...                         | ...         | -10.0                         | ...         |      |  |
| Denmark  | -5.9                      | ...         | ...                         | ...         | -6.1                          | ...         |      |  |
| Germany (West)   | -11.0                     | -10.7       | -11.0                       | -7.0        | -9.2                          | -10.7       |      |  |
| Greece   | -12.0                     | -10.4       | -12.0                       | -10.3       | -14.2                         | -10.3       |      |  |
| Spain  | -9.5                      | -2.7        | -9.5                        | -2.7        | -8.3                          | -2.7        |      |  |
| France   | -10.7                     | -8.1        | -10.7                       | -8.1        | -10.7                         | -8.1        |      |  |
| Ireland  | -8.7                      | ...         | -5.7                        | ...         | 2.6                           | ...         |      |  |
| Italy  | -5.5                      | -5.1        | -5.5                        | -5.1        | -2.1                          | -5.1        |      |  |
| Netherlands  | ...                       | ...         | ...                         | ...         | -6.3                          | ...         |      |  |
| Portugal   | -9.3                      | ...         | -12.1                       | ...         | -14.7                         | -2.7        |      |  |
| United Kingdom   | -0.7                      | 0.1         | -0.7                        | ...         | -0.7                          | 0.1         |      |  |
| EU   | -6.4                      | ...         | ...                         | ...         | -6.3                          | ...         |      |  |

SOURCE: OETH calculations, based on EUROSTAT, DEBA, COMITEXIL, Eurocoton, Interlaine, Mailleurop.

(1): Data presented in this table are based on a forthcoming OETH publication on the structure of the EU textile industry at the level of its main sub-sectors (wool, cotton, silk, linen, knitting, finishing, carpets) for the years 1988-1994.

| EU: Turnover in the wool, cotton and knitting industries (1992-1994) (1) |                           |             |                             |             |                               |             | OETH |  |
|--|---------------------------|-------------|-----------------------------|-------------|-------------------------------|-------------|------|--|
| Country  | Wool industry<br>NACE 431 |             | Cotton industry<br>NACE 432 |             | Knitting industry<br>NACE 436 |             |      |  |
|  | 1993/92 (%)               | 1994/93 (%) | 1993/92 (%)                 | 1994/93 (%) | 1993/92 (%)                   | 1994/93 (%) |      |  |
| Belgium  | -6.8                      | ...         | -6.8                        | ...         | -7.7                          | ...         |      |  |
| Denmark  | -8.7                      | ...         | ...                         | ...         | -12.8                         | 11.5        |      |  |
| Germany (West)   | -12.0                     | -5.2        | -15.3                       | -3.8        | -0.5                          | -15.2       |      |  |
| Greece   | -11.8                     | -5.3        | -7.5                        | -3.3        | -0.2                          | 5.3         |      |  |
| Spain  | -18.9                     | 6.6         | -19.3                       | 6.0         | -9.5                          | 6.0         |      |  |
| France   | -16.9                     | 2.7         | -3.5                        | 5.1         | -2.7                          | 5.5         |      |  |
| Ireland  | -6.7                      | 19.6        | -1.9                        | 7.8         | 3.6                           | 6.3         |      |  |
| Italy  | -18.1                     | 7.3         | -16.3                       | 11.0        | -8.3                          | 4.2         |      |  |
| Netherlands  | ...                       | ...         | 3.1                         | ...         | 7.7                           | 4.3         |      |  |
| Portugal   | -15.4                     | -0.3        | -14.5                       | 6.4         | -13.0                         | 2.3         |      |  |
| United Kingdom   | -6.3                      | -3.1        | -1.9                        | ...         | -5.3                          | 3.9         |      |  |
| EU   | -15.5                     | ...         | -11.0                       | ...         | -5.9                          | ...         |      |  |

SOURCE: OETH calculations, based on EUROSTAT, DEBA, COMITEXTIL, Eurocoton, Interlaine, Mailleurop.  
Data based on turnover in ECU, current prices.

(1): Data presented in this table are based on a forthcoming OETH publication on the structure of the EU textile industry at the level of its main sub-sectors (wool, cotton, silk, linen, knitting, finishing, carpets) for the years 1988-1994.

Table 12

| EU: MFA Foreign Trade (1990 - 1994) (1)  |                         |        |                   |           |                         |        |                   |           |         |         |                   |               | OETH |                   |  |
|--|-------------------------|--------|-------------------|-----------|-------------------------|--------|-------------------|-----------|---------|---------|-------------------|---------------|------|-------------------|--|
|  | EU imports <sup>2</sup> |        |                   |           | EU exports <sup>2</sup> |        |                   |           | Balance |         |                   | Ratio E/I (%) |      |                   |  |
|  | 1990                    | 1993   | 1994 <sup>3</sup> | 94/93 (%) | 1990                    | 1993   | 1994 <sup>3</sup> | 94/93 (%) | 1990    | 1993    | 1994 <sup>3</sup> | 1990          | 1993 | 1994 <sup>3</sup> |  |
| <b>MFA Textiles (excluding knitwear)</b> |                         |        |                   |           |                         |        |                   |           |         |         |                   |               |      |                   |  |
| 000 tonnes                               | 1,813                   | 1,950  | 2,301             | 18.0      | 1,428                   | 1,670  | 1,883             | 12.7      | -385    | -280    | -418              | 79            | 86   | 82                |  |
| bn ECU                                   | 10,284                  | 10,447 | 12,066            | 15.5      | 12,018                  | 13,652 | 15,277            | 11.9      | 1,734   | 3,204   | 3,211             | 117           | 131  | 127               |  |
| <b>MFA Clothing (including knitwear)</b> |                         |        |                   |           |                         |        |                   |           |         |         |                   |               |      |                   |  |
| 000 tonnes                               | 976                     | 1,397  | 1,469             | 5.1       | 230                     | 255    | 277               | 8.8       | -745    | -1,142  | -1,192            | 24            | 18   | 19                |  |
| bn ECU                                   | 16,482                  | 23,255 | 24,160            | 3.9       | 7,876                   | 8,232  | 9,049             | 9.9       | -8,605  | -15,023 | -15,111           | 48            | 35   | 37                |  |
| <b>MFA Textiles and Clothing</b>         |                         |        |                   |           |                         |        |                   |           |         |         |                   |               |      |                   |  |
| 000 tonnes                               | 2,788                   | 3,347  | 3,770             | 12.6      | 1,658                   | 1,925  | 2,160             | 12.2      | -1,131  | -1,423  | -1,610            | 59            | 57   | 57                |  |
| bn ECU                                   | 26,765                  | 33,702 | 36,226            | 7.5       | 19,894                  | 21,883 | 24,327            | 11.2      | -6,871  | -11,819 | -11,900           | 74            | 65   | 67                |  |

Source: Eurostat, OETH

<sup>1</sup> MFA categories 1-114<sup>2</sup> Extra-EU only<sup>3</sup> Estimates based on January - September 1994

Table 13

| EU: Textiles and Clothing Foreign Trade (1990 - 1994) |                         |        |                   |           |                         |        |                   |           |         |         |                   |               | OETH |                   |  |
|---|-------------------------|--------|-------------------|-----------|-------------------------|--------|-------------------|-----------|---------|---------|-------------------|---------------|------|-------------------|--|
|   | EU imports <sup>2</sup> |        |                   |           | EU exports <sup>2</sup> |        |                   |           | Balance |         |                   | Ratio E/I (%) |      |                   |  |
|   | 1990                    | 1993   | 1994 <sup>3</sup> | 94/93 (%) | 1990                    | 1993   | 1994 <sup>3</sup> | 94/93 (%) | 1990    | 1993    | 1994 <sup>3</sup> | 1990          | 1993 | 1994 <sup>3</sup> |  |
| <b>Textiles<sup>1</sup> (excluding knitwear)</b>      |                         |        |                   |           |                         |        |                   |           |         |         |                   |               |      |                   |  |
| 000 tonnes  | 2,665                   | 2,760  | 3,364             | 21.9      | 2,030                   | 2,425  | 2,804             | 15.6      | -634    | -335    | -560              | 76            | 88   | 83                |  |
| bn ECU  | 11,774                  | 11,710 | 13,771            | 17.6      | 13,327                  | 15,108 | 17,143            | 13.5      | 1,553   | 3,398   | 3,372             | 113           | 129  | 124               |  |
| <b>Clothing (including knitwear)</b>                  |                         |        |                   |           |                         |        |                   |           |         |         |                   |               |      |                   |  |
| 000 tonnes  | 1,069                   | 1,524  | 1,656             | 8.7       | 253                     | 278    | 314               | 13.1      | -816    | -1,246  | -1,342            | 24            | 18   | 19                |  |
| bn ECU  | 18,754                  | 26,540 | 28,080            | 5.8       | 9,967                   | 10,404 | 11,908            | 14.5      | -8,787  | -16,136 | -16,172           | 53            | 39   | 42                |  |
| <b>Textiles and Clothing</b>                          |                         |        |                   |           |                         |        |                   |           |         |         |                   |               |      |                   |  |
| 000 tonnes  | 3,733                   | 4,283  | 5,020             | 17.2      | 2,283                   | 2,703  | 3,119             | 15.4      | -1,450  | -1,580  | -1,902            | 61            | 63   | 62                |  |
| bn ECU  | 30,528                  | 38,250 | 41,851            | 9.4       | 23,293                  | 25,512 | 29,051            | 13.9      | -7,234  | -12,738 | -12,800           | 76            | 67   | 69                |  |

Source: Eurostat, OETH

<sup>1</sup> Excluding raw materials<sup>2</sup> Extra-EU only<sup>3</sup> Estimates based on January - September 1994



| EU: Foreign trade by product group (1990 - 1994) |            |                         |        |                   |           |                         |       |                   |           |         |        |                   |               | OETH |                   |  |
|--|------------|-------------------------|--------|-------------------|-----------|-------------------------|-------|-------------------|-----------|---------|--------|-------------------|---------------|------|-------------------|--|
|  |            | EU imports <sup>1</sup> |        |                   |           | EU exports <sup>1</sup> |       |                   |           | Balance |        |                   | Ratio E/I (%) |      |                   |  |
|  |            | 1990                    | 1993   | 1994 <sup>2</sup> | 94/93 (%) | 1990                    | 1993  | 1994 <sup>2</sup> | 94/93 (%) | 1990    | 1993   | 1994 <sup>2</sup> | 1990          | 1993 | 1994 <sup>2</sup> |  |
| Man-made fibres                                  | 000 tonnes | 664                     | 589    | 799               | 35.7      | 529                     | 513   | 602               | 17.2      | -135    | -75    | -197              | 80            | 87   | 75                |  |
|  | bn ECU     | 1,597                   | 1,290  | 1,691             | 31.0      | 1,309                   | 1,202 | 1,380             | 14.8      | -288    | -88    | -311              | 82            | 93   | 82                |  |
| Yarn and thread                                  | 000 tonnes | 562                     | 539    | 752               | 39.4      | 151                     | 174   | 194               | 11.3      | -411    | -365   | -558              | 27            | 32   | 26                |  |
|  | bn ECU     | 1,800                   | 1,537  | 2,104             | 37.0      | 1,110                   | 1,252 | 1,451             | 15.9      | -690    | -285   | -653              | 62            | 81   | 69                |  |
| Woven fabrics                                    | 000 tonnes | 708                     | 680    | 817               | 20.3      | 414                     | 537   | 586               | 9.2       | -294    | -142   | -231              | 58            | 79   | 72                |  |
|  | bn ECU     | 4,725                   | 4,181  | 4,750             | 13.6      | 6,479                   | 7,573 | 8,473             | 11.9      | 1,754   | 3,392  | 3,723             | 137           | 181  | 178               |  |
| Knitted fabrics                                  | 000 tonnes | 43                      | 66     | 85                | 28.7      | 53                      | 56    | 69                | 22.4      | 11      | -10    | -16               | 125           | 85   | 81                |  |
|  | bn ECU     | 363                     | 457    | 589               | 28.9      | 625                     | 745   | 902               | 21.1      | 262     | 288    | 313               | 172           | 163  | 153               |  |
| Woven clothing                                   | 000 tonnes | 651                     | 855    | 958               | 12.1      | 133                     | 152   | 175               | 14.8      | -518    | -702   | -783              | 20            | 18   | 18                |  |
|  | bn ECU     | 12,425                  | 16,404 | 17,807            | 8.6       | 6,325                   | 6,767 | 7,901             | 16.7      | -6,100  | -9,637 | -9,907            | 51            | 41   | 44                |  |
| Knitwear <sup>3</sup>                            | 000 tonnes | 418                     | 669    | 698               | 4.3       | 120                     | 125   | 139               | 11.0      | -298    | -544   | -559              | 29            | 19   | 20                |  |
|  | bn ECU     | 6,329                   | 10,136 | 10,273            | 1.4       | 3,642                   | 3,636 | 4,007             | 10.2      | -2,687  | -6,500 | -6,265            | 58            | 36   | 39                |  |
| Carpets  | 000 tonnes | 121                     | 170    | 183               | 7.7       | 220                     | 299   | 412               | 38.0      | 100     | 129    | 229               | 183           | 176  | 225               |  |
|  | bn ECU     | 1,202                   | 1,466  | 1,504             | 2.6       | 942                     | 1,033 | 1,321             | 27.9      | -261    | -432   | -183              | 78            | 70   | 88                |  |
| Home textiles                                    | 000 tonnes | 129                     | 195    | 208               | 6.9       | 57                      | 63    | 75                | 19.1      | -71     | -132   | -133              | 45            | 32   | 36                |  |
|  | bn ECU     | 920                     | 1,396  | 1,509             | 8.1       | 589                     | 630   | 723               | 14.8      | -331    | -767   | -787              | 64            | 45   | 48                |  |
| Industrial textiles                              | 000 tonnes | 86                      | 148    | 101               | -31.6     | 178                     | 198   | 232               | 17.0      | 91      | 51     | 131               | 205           | 134  | 229               |  |
|  | bn ECU     | 514                     | 630    | 665               | 5.5       | 1,294                   | 1,404 | 1,599             | 13.9      | 780     | 774    | 934               | 252           | 223  | 241               |  |
| Other textiles*                                  | 000 tonnes | 352                     | 374    | 418               | 12.0      | 428                     | 585   | 635               | 8.6       | 76      | 211    | 216               | 122           | 156  | 152               |  |
|  | bn ECU     | 653                     | 753    | 958               | 27.2      | 978                     | 1,269 | 1,293             | 1.9       | 326     | 516    | 336               | 150           | 169  | 135               |  |

Source: Eurostat, OETH

<sup>1</sup> Extra-EU only<sup>2</sup> Estimates based on January-September 1994<sup>3</sup> Including 'fully-fashioned' products

\* Including non-wovens

| Volume index, 1990=100 |                                      | EU: MFA Textiles and Clothing Trade <sup>1</sup> (Extra-EU) |                    |         |                   |                    |                                      |                   |                    |         | OETH              |                    |
|------------------------|--------------------------------------|---|--------------------|---------|-------------------|--------------------|--------------------------------------|-------------------|--------------------|---------|-------------------|--------------------|
| Country                | MFA TEXTILES<br>(excluding knitwear) |   |                    |         |                   |                    | MFA CLOTHING<br>(including knitwear) |                   |                    |         |                   |                    |
|                        | Imports                              |   |                    | Exports |                   |                    | Imports                              |                   |                    | Exports |                   |                    |
|                        | 1993                                 | 1994 <sup>2</sup>   | % of total<br>1994 | 1993    | 1994 <sup>2</sup> | % of total<br>1994 | 1993                                 | 1994 <sup>2</sup> | % of total<br>1994 | 1993    | 1994 <sup>2</sup> | % of total<br>1994 |
| Belgium/Luxembourg     | 114                                  | 178   | 13.5               | 141     | 181               | 19.7               | 136                                  | 161               | 4.5                | 107     | 105               | 2.3                |
| Denmark                | 81                                   | 86  | 1.6                | 98      | 113               | 1.8                | 127                                  | 126               | 3.1                | 128     | 129               | 5.1                |
| Germany                | 110                                  | 119   | 22.6               | 119     | 129               | 29.7               | 141                                  | 145               | 38.3               | 115     | 115               | 20.5               |
| Greece                 | 101                                  | 125   | 1.7                | 117     | 160               | 1.3                | 329                                  | 281               | 0.3                | 85      | 80                | 4.3                |
| Spain                  | 109                                  | 212   | 6.1                | 93      | 105               | 5.0                | 193                                  | 218               | 2.4                | 148     | 157               | 7.2                |
| France                 | 98                                   | 101   | 8.8                | 114     | 121               | 9.5                | 137                                  | 142               | 15.8               | 107     | 123               | 11.0               |
| Ireland                | 49                                   | 38  | 0.5                | 119     | 90                | 0.3                | 80                                   | 85                | 0.3                | 76      | 54                | 0.4                |
| Italy                  | 97                                   | 135   | 19.0               | 119     | 137               | 17.5               | 182                                  | 204               | 7.6                | 119     | 151               | 24.4               |
| Netherlands            | 143                                  | 100   | 5.0                | 113     | 115               | 4.8                | 146                                  | 154               | 9.1                | 127     | 115               | 2.6                |
| Portugal               | 104                                  | 127   | 2.1                | 83      | 100               | 2.4                | 157                                  | 157               | 0.2                | 68      | 72                | 9.1                |
| United Kingdom         | 114                                  | 123   | 19.2               | 108     | 112               | 8.1                | 141                                  | 148               | 18.3               | 141     | 156               | 13.2               |
| EU                     | 108                                  | 127   |                    | 117     | 132               |                    | 143                                  | 151               |                    | 111     | 120               |                    |

Source: Eurostat, OETH

<sup>1</sup> MFA categories 1-114<sup>2</sup> Estimates based on January - September 1994

Table 16

EU: Trade balance<sup>1</sup> by product group in 1994<sup>2</sup>

OETH

| mn ECU                      | EFTA  |   | ASIA   |   | EASTERN EUROPE & EX-USSR |   | MEDITERRANEAN |   | SOUTH AMERICA |   | NAFTA |   | REST OF THE WORLD |   | TOTAL  |   |
|-----------------------------|-------|---|--------|---|--------------------------|---|---------------|---|---------------|---|-------|---|-------------------|---|--------|---|
| Man-made fibres             | -     |   | -      |   | -                        |   | +             |   | +             |   | -     |   | +                 |   | -      |   |
|                             | -280  | ↓ | -167   | ↓ | -124                     | ↓ | 90            | ↓ | 31            | ↓ | -91   | ↓ | 230               | ↓ | -311   | ↓ |
| Yarn and thread             | -     |   | -      |   | +                        |   | -             |   | -             |   | +     |   | +                 |   | -      |   |
|                             | -76   | ↑ | -519   | ↓ | 24                       | ↓ | -238          | ↓ | -39           | ↓ | 152   | ↑ | 43                | ↓ | -653   | ↓ |
| Woven fabrics               | +     |   | -      |   | +                        |   | +             |   | +             |   | +     |   | +                 |   | +      |   |
|                             | 55    | ↑ | -919   | ↑ | 2,118                    | ↑ | 1,233         | ↓ | 80            | ↑ | 683   | ↑ | 474               | ↓ | 3,723  | ↑ |
| Knitted fabrics             | -     |   | -      |   | +                        |   | +             |   | +             |   | -     |   | +                 |   | +      |   |
|                             | -28   | ↓ | -105   | ↓ | 289                      | ↑ | 127           | ↑ | 10            | ↑ | -15   | ↑ | 41                | ↑ | 313    | ↑ |
| Woven clothing              | +     |   | -      |   | -                        |   | -             |   | +             |   | +     |   | +                 |   | -      |   |
|                             | 2,305 | ↑ | -6,803 | ↑ | -3,405                   | ↓ | -3,310        | ↓ | 86            | ↑ | 839   | ↑ | 380               | ↑ | -9,907 | ↓ |
| Knitwear <sup>3</sup>       | +     |   | -      |   | -                        |   | -             |   | -             |   | +     |   | -                 |   | -      |   |
|                             | 1,081 | ↓ | -4,626 | ↑ | -402                     | ↑ | -2,241        | ↓ | -62           | ↑ | 245   | ↑ | -262              | ↑ | -6,265 | ↑ |
| Carpets                     | +     |   | -      |   | +                        |   | -             |   | +             |   | +     |   | -                 |   | -      |   |
|                             | 230   | ↑ | -521   | ↑ | 418                      | ↑ | -112          | ↑ | 31            | ↑ | 114   | ↑ | -345              | ↓ | -183   | ↑ |
| Home textiles               | +     |   | -      |   | -                        |   | -             |   | -             |   | +     |   | +                 |   | -      |   |
|                             | 141   | ↑ | -704   | ↓ | -167                     | ↓ | -233          | ↓ | -68           | ↑ | 157   | ↑ | 85                | ↓ | -787   | ↓ |
| Industrial textiles         | +     |   | +      |   | +                        |   | +             |   | +             |   | +     |   | +                 |   | +      |   |
|                             | 142   | ↑ | 118    | ↑ | 264                      | ↑ | 138           | ↓ | 60            | ↑ | 51    | ↑ | 161               | ↑ | 934    | ↑ |
| Other textiles <sup>4</sup> | +     |   | -      |   | +                        |   | +             |   | +             |   | -     |   | +                 |   | +      |   |
|                             | 89    | ↓ | -123   | ↓ | 170                      | ↑ | 39            | ↓ | 52            | ↑ | -152  | ↓ | 255               | ↓ | 336    | ↓ |

Source: Eurostat, OETH

<sup>1</sup> Extra-EU only<sup>2</sup> Estimates based on January - September 1994<sup>3</sup> Including 'fully-fashioned' products<sup>4</sup> Including non-wovens

|   |                   |   |                   |
|---|-------------------|---|-------------------|
| ↓ | Deficit widening  | ↓ | Surplus narrowing |
| ↑ | Deficit narrowing | ↑ | Surplus widening  |

| <b>EU: The ten main trade deficits<br/>in textiles and clothing in 1994<sup>1</sup></b> |        |                             |        |
|---|--------|-----------------------------|--------|
| <b>By partner country</b>   |        | <b>OETH</b>                 |        |
| bn ECU  |        |                             |        |
| <b>Textiles<sup>2</sup></b>   |        | <b>Clothing<sup>3</sup></b> |        |
| 1. India  | -1,157 | China                       | -4,042 |
| 2. China  | -958   | Turkey                      | -2,498 |
| 3. Pakistan   | -641   | Hong Kong                   | -1,810 |
| 4. Indonesia  | -554   | India                       | -1,749 |
| 5. Iran   | -438   | Morocco                     | -1,388 |
| 6. Turkey   | -386   | Tunisia                     | -1,298 |
| 7. Egypt  | -285   | Poland                      | -1,156 |
| 8. Thailand   | -219   | Indonesia                   | -1,011 |
| 9. Nepal  | -156   | Bangladesh                  | -770   |
| 10. Taiwan  | -113   | Thailand                    | -658   |
| <b>EU: The ten main trade surpluses<br/>in textiles and clothing, 1994<sup>1</sup></b>  |        |                             |        |
| <b>By partner country</b>   |        |                             |        |
| bn ECU  |        |                             |        |
| <b>Textiles<sup>2</sup></b>   |        | <b>Clothing<sup>3</sup></b> |        |
| 1. Poland   | 1,035  | Switzerland                 | 1,333  |
| 2. USA  | 734    | Japan                       | 1,176  |
| 3. Tunisia  | 722    | USA                         | 918    |
| 4. Morocco  | 708    | Austria                     | 824    |
| 5. Romania  | 392    | Sweden                      | 596    |
| 6. Hungary  | 372    | Norway                      | 456    |
| 7. Russia   | 320    | Canary Islands              | 260    |
| 8. Saudi Arabia   | 255    | Saudi Arabia                | 238    |
| 9. Croatia  | 211    | Russia                      | 226    |
| 10. Canada  | 195    | Canada                      | 138    |

<sup>1</sup> 1994 are estimates based on January-June 1994.

<sup>2</sup> Excluding raw materials

<sup>3</sup> Including 'fully-fashioned' products

Source: Eurostat

Table 18

| EU: The ten main trading partners<br>in textiles and clothing (1990-1994) |        |            |              |                   |            | OETH      |
|---|--------|------------|--------------|-------------------|------------|-----------|
| mn ECU  |        |            |              |                   |            |           |
| IMPORTS - TEXTILES <sup>2</sup>   |        |            |              |                   |            |           |
|   | 1990   | % of total |              | 1994 <sup>1</sup> | % of total | 94/93 (%) |
| Extra-EU  | 10,176 |            | Extra-EU     | 12,080            |            | 15.9      |
| 1. Switzerland  | 1,117  | 11.0       | India        | 1,206             | 10.0       | 19.7      |
| 2. Austria  | 1,017  | 10.0       | China        | 1,039             | 8.6        | 20.2      |
| 3. China  | 767    | 7.5        | Switzerland  | 1,011             | 8.4        | 10.0      |
| 4. Turkey   | 720    | 7.1        | Austria      | 995               | 8.2        | 7.9       |
| 5. India  | 716    | 7.0        | USA          | 888               | 7.3        | 17.8      |
| 6. USA  | 700    | 6.9        | Turkey       | 759               | 6.3        | 19.8      |
| 7. Japan  | 629    | 6.2        | Pakistan     | 664               | 5.5        | 10.4      |
| 8. Pakistan   | 493    | 4.8        | Indonesia    | 615               | 5.1        | 24.1      |
| 9. South Korea  | 329    | 3.2        | Iran         | 463               | 3.8        | 22.3      |
| 10. Taiwan  | 313    | 3.1        | Japan        | 451               | 3.7        | -7.3      |
| IMPORTS - CLOTHING <sup>3</sup>   |        |            |              |                   |            |           |
|   | 1990   | % of total |              | 1994 <sup>1</sup> | % of total | 94/93 (%) |
| Extra-EU  | 18,750 |            | Extra-EU     | 28,080            |            | 5.8       |
| 1. Hong Kong  | 2,352  | 12.5       | China        | 4,055             | 14.4       | 12.6      |
| 2. China  | 1,862  | 9.9        | Turkey       | 2,558             | 9.1        | -2.6      |
| 3. Turkey   | 1,842  | 9.8        | Hong Kong    | 2,471             | 8.8        | -9.8      |
| 4. Ex-Yugoslavia  | 1,556  | 8.3        | India        | 1,750             | 6.2        | 50.1      |
| 5. Morocco  | 1,019  | 5.4        | Tunisia      | 1,570             | 5.6        | 17.7      |
| 6. Tunisia  | 954    | 5.1        | Morocco      | 1,516             | 5.4        | 11.0      |
| 7. India  | 893    | 4.8        | Poland       | 1,365             | 4.9        | 11.3      |
| 8. South Korea  | 751    | 4.0        | Indonesia    | 1,015             | 3.6        | 6.0       |
| 9. Austria  | 574    | 3.1        | Bangladesh   | 771               | 2.7        | 22.6      |
| 10. Thailand  | 556    | 3.0        | Romania      | 685               | 2.4        | 12.7      |
| EXPORTS - TEXTILES <sup>2</sup>   |        |            |              |                   |            |           |
|   | 1990   | % of total |              | 1994 <sup>1</sup> | % of total | 94/93 (%) |
| Extra-EU  | 12,004 |            | Extra-EU     | 15,762            |            | 13.2      |
| 1. USA  | 1,331  | 11.1       | USA          | 1,666             | 10.6       | 10.4      |
| 2. Ex-Yugoslavia  | 1,005  | 8.4        | Poland       | 1,152             | 7.3        | 15.8      |
| 3. Switzerland  | 998    | 8.3        | Switzerland  | 985               | 6.2        | 13.3      |
| 4. Austria  | 982    | 8.2        | Austria      | 981               | 6.2        | 7.8       |
| 5. Japan  | 875    | 7.3        | Tunisia      | 857               | 5.4        | 15.3      |
| 6. Morocco  | 556    | 4.6        | Japan        | 789               | 5.0        | 25.0      |
| 7. Sweden   | 542    | 4.5        | Morocco      | 759               | 4.8        | 6.7       |
| 8. Tunisia  | 533    | 4.4        | Hong Kong    | 597               | 3.8        | 22.2      |
| 9. Poland   | 401    | 3.3        | Sweden       | 476               | 3.0        | 14.4      |
| 10. Finland   | 334    | 2.8        | Hungary      | 454               | 2.9        | 13.5      |
| EXPORTS - CLOTHING <sup>3</sup>   |        |            |              |                   |            |           |
|   | 1990   | % of total |              | 1994 <sup>1</sup> | % of total | 94/93 (%) |
| Extra-EU  | 9,946  |            | Extra-EU     | 11,908            |            | 14.4      |
| 1. Switzerland  | 1,622  | 16.3       | Switzerland  | 1,715             | 14.4       | 4.8       |
| 2. USA  | 1,339  | 13.5       | Austria      | 1,391             | 11.7       | 1.9       |
| 3. Austria  | 1,301  | 13.1       | USA          | 1,250             | 10.5       | 7.9       |
| 4. Japan  | 1,071  | 10.8       | Japan        | 1,178             | 9.9        | 26.8      |
| 5. Sweden   | 1,005  | 10.1       | Sweden       | 712               | 6.0        | -0.1      |
| 6. Norway   | 513    | 5.2        | Hong Kong    | 661               | 5.6        | 40.3      |
| 7. Finland  | 326    | 3.3        | Norway       | 461               | 3.9        | -4.3      |
| 8. Ex-Yugoslavia  | 315    | 3.2        | Russia       | 279               | 2.3        | 18.3      |
| 9. Hong Kong  | 292    | 2.9        | Tunisia      | 272               | 2.3        | 34.1      |
| 10. Canary Islands  | 247    | 2.5        | Saudi Arabia | 270               | 2.3        | 42.5      |

<sup>1</sup> 1994 are estimates based on January - June 1994.

<sup>2</sup> Excluding raw materials

<sup>3</sup> Including 'fully-fashioned' products

Source: Eurostat

| EU: Production, foreign trade and apparent consumption by product group in 1993 |                |             |                  |             |                  |            |                      |             |                           |             |                           |             | OETH                     |                |
|---|----------------|-------------|------------------|-------------|------------------|------------|----------------------|-------------|---------------------------|-------------|---------------------------|-------------|--------------------------|----------------|
| (Unit: 000 tonnes)  | Production     |             | Extra-EU exports |             | Extra-EU imports |            | Apparent consumption |             | Imp./Cons. (%)<br>(3)/(4) |             | Exp./Prod. (%)<br>(2)/(1) |             | Trade balance<br>(2)-(3) |                |
|   | (1)            | 93/92 (%)   | (2)              | 93/92 (%)   | (3)              | 93/92 (%)  | (4)=(1+3-2)          | 93/92 (%)   | 1992                      | 1993        | 1992                      | 1993        | 1992                     | 1993           |
| Man-made fibres   | 2,189.5        | -31.1       | 513.0            | 5.5         | 589.1            | -8.5       | 2,265.6              | -32.0       | 19.3                      | 26.0        | 15.3                      | 23.4        | -157.2                   | -76.1          |
| Yarn and thread   | 2,294.0        | -6.6        | 174.5            | 8.3         | 539.8            | -3.5       | 2,659.3              | -6.8        | 19.6                      | 20.3        | 6.6                       | 7.6         | -398.3                   | -365.3         |
| <b>Fabrics</b>  | <b>2,438.0</b> | <b>-4.4</b> | <b>595.3</b>     | <b>15.1</b> | <b>747.8</b>     | <b>5.5</b> | <b>2,590.5</b>       | <b>-5.6</b> | <b>25.8</b>               | <b>28.9</b> | <b>20.3</b>               | <b>24.4</b> | <b>-191.7</b>            | <b>-152.5</b>  |
| Woven fabrics   | 1,905.7        | -6.3        | 538.6            | 16.2        | 681.4            | 3.9        | 2,048.5              | -8.0        | 29.5                      | 33.3        | 22.8                      | 28.3        | -192.3                   | -142.8         |
| Knitted fabrics   | 532.3          | 2.8         | 56.7             | 5.8         | 66.4             | 25.3       | 542.0                | 4.8         | 10.2                      | 12.3        | 10.3                      | 10.7        | 0.6                      | -9.7           |
| <b>Clothing</b>   | <b>2,125.5</b> | <b>-1.4</b> | <b>280.1</b>     | <b>5.2</b>  | <b>1,526.4</b>   | <b>9.4</b> | <b>3,371.8</b>       | <b>2.6</b>  | <b>42.5</b>               | <b>45.3</b> | <b>12.4</b>               | <b>13.2</b> | <b>-1129.5</b>           | <b>-1246.3</b> |
| Knitwear (*)  | 1,078.8        | 2.4         | 126.6            | 3.3         | 670.0            | 11.5       | 1,622.2              | 5.9         | 39.2                      | 41.3        | 11.6                      | 11.7        | -478.3                   | -543.4         |
| Woven clothing  | 1,046.7        | -5.1        | 153.5            | 6.7         | 856.4            | 7.7        | 1,749.6              | -0.2        | 45.3                      | 48.9        | 13.0                      | 14.7        | -651.2                   | -702.9         |
| <b>Textiles - final uses</b>  | <b>2,726.6</b> | <b>0.3</b>  | <b>1,143.4</b>   | <b>13.4</b> | <b>889.9</b>     | <b>9.3</b> | <b>2,473.1</b>       | <b>-2.0</b> | <b>32.3</b>               | <b>36.0</b> | <b>37.1</b>               | <b>41.9</b> | <b>194.1</b>             | <b>253.5</b>   |
| Carpets   | 690.2          | -1.9        | 298.6            | 36.1        | 170.2            | 7.3        | 561.8                | -12.6       | 24.7                      | 30.3        | 31.2                      | 43.3        | 60.8                     | 128.4          |
| Home textiles   | 750.7          | -1.3        | 62.5             | 10.6        | 194.9            | 14.5       | 883.1                | 1.0         | 19.5                      | 22.1        | 7.4                       | 8.3         | -113.7                   | -132.4         |
| Industrial textiles   | 389.8          | -1.0        | 197.8            | 2.6         | 147.9            | 50.9       | 339.9                | 13.8        | 32.8                      | 43.5        | 49.0                      | 50.7        | 94.8                     | 49.9           |
| Other textiles (**)   | 895.9          | 4.1         | 584.5            | 8.3         | 376.9            | -2.7       | 688.3                | -2.8        | 54.7                      | 54.8        | 62.7                      | 65.2        | 152.2                    | 207.6          |
| <b>Total - final uses</b>   | <b>4,852.1</b> | <b>-0.5</b> | <b>1,423.5</b>   | <b>11.7</b> | <b>2,416.3</b>   | <b>9.3</b> | <b>5,844.9</b>       | <b>0.6</b>  | <b>38.0</b>               | <b>41.3</b> | <b>26.1</b>               | <b>29.3</b> | <b>-935.4</b>            | <b>-992.8</b>  |

Sources: Production - CIRFS, CITH, COMITEXIL  
Foreign trade and calculations - Eurostat, OETH

(\*): including 'fully-fashioned' products

(\*\*): including non-wovens

| EU: OPT trade (Extra-EU) (**) |        |       |            |         |       |            |       |       |            |                |       |            | OETH    |         |            |
|-------------------------------|--------|-------|------------|---------|-------|------------|-------|-------|------------|----------------|-------|------------|---------|---------|------------|
| (1990 - 1994)                 |        |       |            |         |       |            |       |       |            |                |       |            |         |         |            |
|                               | France |       |            | Germany |       |            | Italy |       |            | United Kingdom |       |            | EU      |         |            |
| 000 tonnes                    | 1990   | 1994* | %<br>94/93 | 1990    | 1994* | %<br>94/93 | 1990  | 1994* | %<br>94/93 | 1990           | 1994* | %<br>94/93 | 1990    | 1994*   | %<br>94/93 |
| <b>IMPORTS</b>                |        |       |            |         |       |            |       |       |            |                |       |            |         |         |            |
| <b>Textiles</b>               |        |       |            |         |       |            |       |       |            |                |       |            |         |         |            |
| Total imports                 | 265.5  | 269.3 | 3.8        | 608.0   | 717.9 | 13.8       | 493.2 | 660.2 | 38.0       | 460.2          | 562.0 | 9.4        | 2,664.5 | 3,363.9 | 21.9       |
| OPT imports                   | 1.1    | 3.1   | 76.2       | 3.4     | 26.0  | 119.4      | 0.3   | 5.3   | 126.1      | 0.2            | 2.3   | 19.8       | 5.5     | 32.6    | 70.5       |
| Share of OPT (%)              | 0.4    | 1.1   |            | 0.6     | 3.6   |            | 0.1   | 0.8   |            | 0.0            | 0.4   |            | 0.2     | 1.0     |            |
| <b>Clothing</b>               |        |       |            |         |       |            |       |       |            |                |       |            |         |         |            |
| Total imports                 | 176.3  | 254.3 | 9.1        | 426.3   | 625.5 | 6.0        | 62.5  | 130.9 | 14.6       | 198.3          | 309.3 | 6.8        | 1,068.6 | 1,656.2 | 8.7        |
| OPT imports                   | 15.7   | 17.2  | -29.3      | 62.7    | 122.6 | 23.6       | 0.6   | 20.0  | 79.0       | 1.6            | 9.3   | 306.8      | 98.8    | 195.9   | 18.0       |
| Share of OPT (%)              | 8.9    | 6.7   |            | 14.7    | 19.6  |            | 0.9   | 15.3  |            | 0.8            | 3.0   |            | 9.2     | 11.8    |            |
| <b>EXPORTS</b>                |        |       |            |         |       |            |       |       |            |                |       |            |         |         |            |
| <b>Textiles</b>               |        |       |            |         |       |            |       |       |            |                |       |            |         |         |            |
| Total exports                 | 189.1  | 233.4 | 8.2        | 626.5   | 886.5 | 13.6       | 309.0 | 440.4 | 15.0       | 168.7          | 250.2 | 5.6        | 2,030.4 | 2,804.3 | 15.6       |
| OPT exports                   | 14.2   | 15.5  | -9.9       | 67.2    | 133.4 | 15.2       | 1.3   | 20.4  | 88.2       | 1.3            | 8.4   | 54.4       | 103.9   | 202.7   | 13.6       |
| Share of OPT (%)              | 7.5    | 6.6   |            | 10.7    | 15.1  |            | 0.4   | 4.6   |            | 0.7            | 3.3   |            | 5.1     | 7.2     |            |
| <b>Clothing</b>               |        |       |            |         |       |            |       |       |            |                |       |            |         |         |            |
| Total exports                 | 29.6   | 37.8  | 19.4       | 52.7    | 62.3  | 2.8        | 57.3  | 85.9  | 26.8       | 24.9           | 40.7  | 14.5       | 252.9   | 314.2   | 13.1       |
| OPT exports                   | 3.3    | 5.6   | 42.2       | 7.1     | 15.0  | 25.7       | 0.3   | 6.9   | 82.5       | 0.1            | 2.9   | 293.3      | 14.7    | 38.7    | 25.6       |
| Share of OPT (%)              | 11.0   | 14.7  |            | 13.5    | 24.0  |            | 0.5   | 8.0   |            | 0.5            | 7.1   |            | 5.8     | 12.3    |            |

Source: Eurostat

(\*) : Estimates based on January-September 1994

(\*\*) : MFA and non-MFA products

Table 21

| <b>EU: Productivity (1988-1994)</b>   |      |      |      |      |           |           | OETH |
|---------------------------------------|------|------|------|------|-----------|-----------|------|
| (000 ECU per employee)                |      |      |      |      |           |           |      |
| constant prices (1990=100)            | 1988 | 1990 | 1993 | 1994 | 94/88 (%) | 94/93 (%) |      |
| <b>Manufacturing industry</b>         | 36.9 | 37.5 | 39.9 | 42.9 | 2.5       | 7.5       |      |
| <b>Textile industry (NACE 43+455)</b> | 22.3 | 23.5 | 25.0 | 27.1 | 3.3       | 8.4       |      |
| <b>Clothing industry (NACE 453)</b>   | 16.4 | 18.6 | 20.1 | 21.3 | 4.5       | 6.0       |      |

Source: EUROSTAT, DEBA, OETH

**NOTES:**

Data for some countries have been estimated for 1993 and 1994.

- Productivity is defined as value added at factor cost per employee.

- Data is based on firms with 20 or more employees.



## Belgium: Financial ratios for the textile and clothing industries (1991-1992)

OETH

| TEXTILE INDUSTRY                          |             |                 |                 |                 |                   | CLOTHING INDUSTRY                         |             |                 |                 |                 |                   |
|---|-------------|-----------------|-----------------|-----------------|-------------------|---|-------------|-----------------|-----------------|-----------------|-------------------|
| RATIO<br>(description see note)           | Period      | 75% of<br>firms | 50% of<br>firms | 25% of<br>firms | Sector<br>average | RATIO<br>(description see note)           | Period      | 75% of<br>firms | 50% of<br>firms | 25% of<br>firms | Sector<br>average |
| Gross margin<br>on sales (%)              | 1991        | 4.1             | 8.6             | 15.7            | 8.8               | Gross margin<br>on sales (%)              | 1991        | 1.5             | 5.9             | 11.4            | 6.6               |
|   | 1992        | 3.9             | 9.1             | 16.1            | 9.3               |   | 1992        | 1.3             | 5.3             | 9.3             | 5.3               |
|   | 1992/91 (%) | -4.9            | 5.8             | 2.5             | 5.7               |   | 1992/91 (%) | -13.3           | -10.2           | -18.4           | -19.7             |
| Net margin<br>on sales (%)                | 1991        | -0.7            | 3.1             | 6.6             | 2.9               | Net margin<br>on sales (%)                | 1991        | -1.8            | 2.2             | 5.3             | 4.3               |
|   | 1992        | -1.1            | 2.9             | 6.4             | 3.1               |   | 1992        | -2.6            | 2.1             | 5.3             | 3.1               |
|   | 1992/91 (%) | 57.1            | -6.5            | -3.0            | 6.9               |   | 1992/91 (%) | 44.4            | -4.5            | 0.0             | -27.9             |
| Debt burden/<br>value added               | 1991        | 2.7             | 7.2             | 16.1            | 16.5              | Debt burden/<br>value added               | 1991        | 1.4             | 4.9             | 12.0            | 10.4              |
|   | 1992        | 3.0             | 7.8             | 15.8            | 15.2              |   | 1992        | 1.7             | 5.4             | 13.5            | 14.0              |
|   | 1992/91 (%) | 11.1            | 8.3             | -1.9            | -7.9              |   | 1992/91 (%) | 21.4            | 10.2            | 12.5            | 34.6              |
| Liquidity<br>(acid ratio)                 | 1991        | 0.5             | 1.0             | 1.8             | 0.8               | Liquidity<br>(acid ratio)                 | 1991        | 0.4             | 0.8             | 1.6             | 0.9               |
|   | 1992        | 0.5             | 0.9             | 1.8             | 0.8               |   | 1992        | 0.4             | 0.7             | 1.4             | 0.9               |
|   | 1992/91 (%) | -3.8            | -4.2            | 2.3             | -1.2              |   | 1992/91 (%) | -11.6           | -5.2            | -8.3            | 0.0               |
| Number of days<br>customer credit         | 1991        | 41.0            | 66.0            | 91.0            | 73.0              | Number of days<br>customer credit         | 1991        | 17.0            | 43.0            | 74.0            | 64.0              |
|   | 1992        | 42.0            | 72.0            | 108.0           | 80.0              |   | 1992        | 17.0            | 39.0            | 70.0            | 74.0              |
|   | 1992/91 (%) | 2.4             | 9.1             | 18.7            | 9.6               |   | 1992/91 (%) | 0.0             | -9.3            | -5.4            | 15.6              |
| Number of days<br>supplier credit         | 1991        | 40.0            | 72.0            | 108.0           | 72.0              | Number of days<br>supplier credit         | 1991        | 29.0            | 62.0            | 115.0           | 72.0              |
|   | 1992        | 37.0            | 72.0            | 112.0           | 83.0              |   | 1992        | 26.0            | 54.0            | 98.0            | 89.0              |
|   | 1992/91 (%) | -7.5            | 0.0             | 3.7             | 15.3              |   | 1992/91 (%) | -10.3           | -12.9           | -14.8           | 23.6              |
| Net return on<br>own capital<br>after tax | 1991        | -3.1            | 3.4             | 11.0            | -1.1              | Net return on<br>own capital<br>after tax | 1991        | -5.6            | 3.1             | 14.8            | 4.0               |
|   | 1992        | -4.9            | 2.7             | 10.5            | -0.8              |   | 1992        | -12.2           | 1.5             | 11.0            | 2.9               |
|   | 1992/91 (%) | 58.1            | -20.6           | -4.5            | -27.3             |   | 1992/91 (%) | 117.9           | -51.6           | -25.7           | -27.5             |

Source: Brustart, National Bank of Belgium

## NOTE:

Gross margin on sales: represents the ratio of the gross operating result (value added minus operating expenditure) over sales (before depreciation and provisions)

Net margin on sales: similar to gross margin on sales, but accounting for depreciation and provisions in the level of the operating result (net)

Liquidity (acid ratio): the firm's capacity to meet its short-term debt as an average of liquid assets

Number of days customer/supplier credit: average number of days between the emission/reception of invoices and their payment

Net return on own capital: ratio of the net profit over the firm's own capital

## USERS' NOTES

1. ... or NA: data not available

### 2. BRANCH DEFINITIONS

The NACE classification of industrial branches dating back to 1970 has been revised. The **NACE Rev. 1 nomenclature** is now used by Eurostat for a growing number of variables and has produced its first results for the year 1994. For the time being, data on the structure of the industry is still available only in the old 1970 NACE, while data for short-term indicators (such as for production indices) is already available in NACE Rev.1. The main improvement is a higher comparability of data between EU member states. In several countries, data is not yet fully available for all branches. It can therefore be expected that the coverage for textile sub-sectors will be improved in the near future. Data on retail sales remain, for the time being, also only available in the old NACE classification.

The NACE Rev.1 classifies the textile sectors mainly by textile products, while the old NACE was largely based on the type of fibre used (e.g. wool industry, cotton industry, etc.). The old and new branch definitions are the following:

#### NACE 1970

|                |   |
|----------------|---|
| NACE 26        | Man-made fibres industry  |
| NACE 43        | Textile industry = NACE 431, 432, 433, 434, 435, 436, 437, 438, 439 |
| NACE 431       | Wool industry   |
| NACE 432       | Cotton industry   |
| NACE 433       | Silk industry   |
| NACE 434       | Flax, hemp and ramie  |
| NACE 435       | Jute industry   |
| NACE 436       | Knitting industry   |
| NACE 437       | Textile finishing   |
| NACE 438       | Carpets, linoleum and floor coverings                               |
| NACE 439       | Miscellaneous textile industries                                    |
| NACE 453       | Ready-made clothing   |
| NACE 454       | Bespoke tailoring   |
| NACE 455       | Household textiles  |
| NACE 456       | Furs and fur goods  |
| CODE 459       | Clothing industry = NACE 453 + 454 + 456                            |
| NACE 645 + 646 | Retail sales - Clothing, footwear and leather goods                 |

#### NACE Rev.1

|           |  |
|-----------|--|
| Section D | Manufacturing Industry   |
| 17        | Textiles   |
| 17.1      | Textile yarn and thread  |
| 17.2      | Textile fabrics  |
| 17.3      | Textile finishing services   |
| 17.4      | Made-up textile articles, except apparel (incl. blankets, bed linen, table linen, toilet and kitchen linen, curtains, other furnishing articles, sacks and bags) |
| 17.5      | Other textiles (incl. carpets, cordage, non-wovens)  |
| 17.6      | Knitted or crocheted fabrics   |
| 17.7      | Knitted and crocheted articles (incl. panty-hose, stockings, pullovers, cardigans - some knitted articles are, however, included in NACE Rev.1 - 18)             |
| 18        | Wearing apparel, furs (incl. leather clothes)  |
| 24.7      | Man-made fibres  |

### 3. METHODOLOGICAL NOTES

Where figures for individual countries are not available, the EU totals have been adjusted so as to be consistent from year to year.

Value of exports and imports for EU total and member States, is extra-EU trade only.

Most of the estimates have been prepared by the OETH and are published on the responsibility of the OETH. **ALL ESTIMATES ARE IN BOLD.**

## **THE OETH**

The OETH (L'Observatoire Européen du Textile et de l'Habillement) was founded in 1991. It is an independent non-profit making organisation, incorporated under Belgian law (ASBL). The OETH's aim is to increase objective knowledge of the economic conditions of the textile and clothing sectors, especially of EU countries. It conducts research by its own staff and in collaboration with DG III of the European Commission, Eurostat and its Working Groups.

The OETH is financed by the European Commission and through sales of its publications.

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## FORTHCOMING PUBLICATIONS 1995

**Structural Data**, an update of the 1992 publication. This will in addition include new information on a comprehensive data base for sub-sectors of the industry (June).

**Proceedings** of the OETH conference "Statistical Information and Performance of Textiles and Clothing in Europe", held in Brussels in October 1994 (May-June).

### Long-Term Scenarios for the EU Textile and Clothing Industries

1. Consumption and Distribution (IFM, CTCOE, RISC)
2. Employment and Technology (IFO, NEI)
3. Information Technology (XL Conseil)

The principal results of these three 'building blocks' will be published by the OETH in the second half of the year.

These publications will be in addition to the regular publications of the OETH: **Quarterly Bulletin** and **Monthly Report**.

## OETH STUDIES AND REPORTS

**The EU Textile and Clothing Industry 1993/94 - A Factual Report**  
OETH, April 1995, [E, F]

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Dr M. Scheffer, June 1994, [E]

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OETH and Eurostat, June 1994

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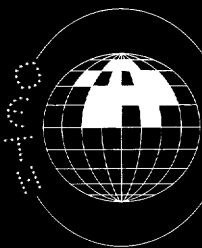
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