

## THE ITALIAN YARN INDUSTRY IN 2017-2018

Notes by Confindustria Moda - Centro Studi for



### 1. The industry balance-sheet for 2017

Once again, the balance sheet for the Italian yarn industry (understood as comprising production of wool, cotton, and linen yarns) was a study in chiaroscuro. On the one hand, the year 2017 showed recovery with respect to 2016; on the other, the picture was very similar to the portrait taken in 2015; that is, of a "stable" sector that was struggling to find a launch pad to reach higher levels.

According to data processed by Centro Studi of Confindustria Moda, Italian spinning sales confirmed 2016 results, amounting to little more than 2.8 billion euro. The more optimistic forecasts released in January, on occasion of the previous edition of Pitti Filati when the year was expected to close up by about +0.8%, simply did not materialize.

In 2017 Italian spinning industry sales weighed in at 2.8 billion euro.

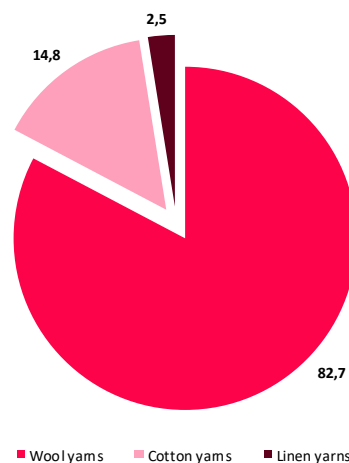
**Table 1 – The Italian Yarn Industry<sup>(1)</sup> (2014-2017)**  
(millions euro at current value)

**TOTAL SPINNING (wool, cotton, linen yarns)**

	2014	2015	2016	2017
<b>Sales</b>	2.918	2.917	2.837	2.837
% Var.		0,0	-2,7	0,0
<b>Value of Production</b>	1.834	1.820	1.759	1.755
% Var.		-0,8	-3,3	-0,2
<b>Exports</b>	871	871	828	824
% Var.		0,0	-4,9	-0,4
<b>Imports</b>	833	849	881	886
% Var.		1,9	3,8	0,6
<b>Trade Balance</b>	38	22	-54	-62
<b>Apparent Consumption</b>	1.797	1.798	1.813	1.817
% Var.		0,1	0,8	0,2
<b>Structural Indicators (%)</b>				
Exports/Sales	29,8	29,8	29,2	29,1
Imports/Apparent Consumpt	46,4	47,2	48,6	48,8

Source: ISTAT and internal survey data processed by Wool, cotton, and linen yarns

**Figure 1 – Italian Yarn Sales in 2017**  
(% share by segment)



Pitti Immagine srl  
Via Faenza, 111 - 50123 Firenze  
T +39 055 369 31  
F +39 055 369 32 00  
www.pittimmagine.com

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Wool spinning was once again the preponderant segment, accounting for 82.7% of industry turnover; cotton yarns accounted for 14.8% and were followed at a distance by linen yarns, with a mere 2.5% share.

Wool yarns, with a +0.3% increase, were slightly better performers than spinning as a whole; after two years of negative results, cotton spinning enjoyed growth, albeit weak (+1.1%); linen yarns, instead, fell off considerably.

The value of the production carried on in Italy was still unsatisfactorily dynamic and in fact showed a -0.2% variation.

For the year 2017, foreign trade overall was essentially flat. In more detail, industry exports, following on the disappointing results had in 2016 (-4.9%), clawed their way upward and closed the twelve-month period with only a -0.4% variation, which brought foreign sales in 2017 to 824 million euro. As shown in Table 2, differently from 2016, when all the yarn types we considered lost ground, the trends in 2017 were divergent. The negative situation persisted for foreign sales of chemical fiber/wool blend yarns (-4.8%), for needlework yarns (-10.7%), and for linen yarns (-8.2%). But these losses were somewhat compensated by growth in exports of both combed and carded wool yarns (+1.9% and +2.7%, respectively) and by the cotton yarns, up by +1.5%.

In parallel, growth in imports slowed with respect to the rates achieved in 2016 (+3.8%) but remained positive thanks to a +0.6% increase, on an annual basis, that hiked the total up to 886 million euro. We saw better-than-average increases for imports of the major wool yarn types as well as for the cottons. Imports of chemical fiber/wool blend yarns showed a lively +6.2% growth rhythm; combed wool yarns were up by +3.9% and carded wool yarns by +0.8%. Imports of cotton yarns grew, instead, by +2.4%.

Finally, imports of needlework yarns were instead down considerably (-33.4%) as were incoming linen yarns (-21.4%).

Overall, yarn exports  
braked by -0.4% in  
2017 . . .

. . . and imports  
increased by no  
more than +0.6%.



Table 2 – Italian Yarn Industry Foreign Trade in 2017: Analysis by Sub-Sectors

Table 2 – Italian Yarn Industry Foreign Trade  
2017

	Imports		Exports		Balance
	Millions Euro	% Var.	Millions Euro	% Var.	Millions Euro
Carded wool yarns	38	0,8	184	2,7	146
Combed wool yarns	327	3,9	252	1,9	-75
Chemical fiber/wool yarn	119	6,2	93	-4,8	-27
Needlework yarns	9	-33,4	65	-10,7	56
Cotton yarns	328	2,4	195	1,5	-134
Linen yarns	65	-21,4	36	-8,2	-29
<b>Total Yarns</b>	<b>886</b>	<b>0,6</b>	<b>824</b>	<b>-0,4</b>	<b>-62</b>

Source: ISTAT data processed by  
Confindustria Moda

Consequently, the Italian yarn industry trade balance, which had been positive in the period from 2012 through 2015, for the second year running showed a deficit, this time of 62 million euro. The surplus was restricted to carded yarns, for 146 million euro, and needlework yarns, for 56 million, while imports topped exports in all the other categories: the trade deficit for cotton yarns was -134 million euro; for combed wools, -75 million; for linen yarns, -29 million.

Going on to analysis of the domestic market, we see that after the slight growth of 2016 (+0.8%), apparent consumption, gross inventories, was up a bit again and closed the year with a +0.2% increase. More specifically, the average datum for domestic demand was heavily influenced by the sharp drop-off experienced by linen yarns, although the demand for both wool and cotton yarns was above average at home.

Apparent  
consumption  
increased by only  
+0.2%.

## 2. The economic situation in the first quarter of 2018

The situation as the curtain opened on Italian spinning's 2018 was more favorable, especially as regards sales abroad.

For the first three months of 2018, the ISTAT production index data referred to spinning (ATECO Code CB 13.1) registered a downward trend of -0.8%, in line with the figures for last year.

From January  
through March  
2018, production fell  
by -0.8%.

With reference, instead, to foreign trade in the first quarter of 2018, we saw a reprise of dynamism in exports, which were up by +5.5% over the same period of 2017. On the other side of the scale, imports were down slightly, by -0.5%.

In the first quarter  
2018, exports grew  
by +5.5% while  
imports recorded a  
-0.5% drop.



The trade balance for the three-month period was therefore negative to the tune of 16.1 million euro, a clear improvement over the figure for the same period last year (that is, +12.9 million with respect to the first quarter of 2017).

**Table 3 – Italian Yarn Industry Foreign Trade: Analysis by Sub-Sectors**  
(period: January-March 2018)

**Table 3 - Italian Yarn Industry Foreign Trade**  
January-March 2018

	Imports				Exports				Balance
	Tons	% Var.	Millions Euro	% Var.	Tons	% Var.	Millions Euro	% Var.	Millions Euro
Carded wool yarns	634	16,7	13	23,2	2.498	-4,5	47	1,0	33,5
Combed wool yarns	5.771	3,5	107	13,8	3.172	10,7	82	15,2	-24,3
Chemical fiber/wool yarn:	4.824	1,2	27	4,7	2.392	-7,2	22	-9,6	-4,9
Needlework yarns	183	-21,3	2	-9,7	850	-4,2	13	5,7	11,5
Cotton yarns	18.304	-14,9	75	-19,0	7.565	8,0	52	3,0	-23,5
Linen yarns	2.223	6,7	17	1,0	767	15,9	9	7,6	-8,4
<b>Total Yarns</b>	<b>31.940</b>	<b>-8,0</b>	<b>241</b>	<b>-0,5</b>	<b>17.243</b>	<b>3,8</b>	<b>225</b>	<b>5,5</b>	<b>-16,1</b>

Source: ISTAT data processed by Confindustria Moda

Our analysis of the results for the single yarn types considered in this note shows that the most dynamic were the combed wool yarns (+15.2%); also positive were the carded wools (but at slower rhythms: +1.0%) and the needlework yarns (+5.7%). From January through March 2018, foreign sales of cotton and linen yarns also increased, by +3.0% and +7.6%, respectively. Within this generally favorable context, however, the chemical fiber/wool blend yarns fell back heavily, with a -9.6% decrease in exports.

On the imports front, we saw significant backslides for cotton yarns (-19.0%) and for needlework yarns (-9.7%). Imports of carded wool yarns were especially buoyant, growing by +23.2%, and the chemical fiber/wool blend yarns were also up, by +4.7%. Finally, linen yarn imports increased by +1.0%.

A look at the results from another viewpoint reveals that exports were up in terms of quantities as well (+3.8%) but that import quantities were significantly low with respect to value (-8.0%). By single export yarn types, the exported quantities were all up at good rates for combed yarns (+10.7%), cotton yarns (+8.0%) and linen yarns (+15.9%), while the exported quantities of all the other types decreased. As far as imports go, volumes increased significantly (as did values) for the carded wool yarns (+16.7%) but also for combed wool and chemical fiber/wool blend yarns (respectively, +3.5% and +1.2%) and for linen yarns (+6.7%). We instead saw very strong negative variations for needlework yarns (-21.3%) and cotton yarns (-14.9%).

The best performers on the foreign markets were the combed wool yarns, with a +15.2% growth rate.

In the case of carded yarns, Croatia (+40%) overtook Hong Kong as a customer market.

Exports of combed yarns to Hong Kong were also down (-14.8%) although flows to the Czech Republic, Romania, Turkey and the United Kingdom picked up.



We will now go on to analysis by customer market for each of the yarn types considered. The first-ranking market for the carded yarns, with a 22.9% share, was Croatia, which thanks to an increase in absorbance capacity of upwards of +40% relegated a still slumping Hong Kong (-10.9%) to second place. Also down were the United Kingdom (-7,9%) and Romania (-31.1%), differently from China, where sales increased by +9.6%.

In the case of the combed yarns, Hong Kong held onto first place (but its incidence on the total dropped to 14.7%); yet despite a drop of -14.8%, the value of combed yarn exports to Hong Kong was almost double that of the carded yarns procured from Italy. The trends on all the other principal markets for this yarn type were extremely positive: the Czech Republic was up by +74.0%, Romania by +19.1%, Turkey by +29.3%, and the United Kingdom by +56.9%.

**Table 4 – Exports of Yarns for Industry: Country-by-Country Analysis**  
(period: January-March 2018)

**Table 4.1 - Carded wool and fine-hair yarns**

**Exports of Yarns for Industry**  
**Carded Wool and Fine-Hair Yarns**  
**January-March 2018**

Country of destination	1000s Euro	% Var.	% Share
<b>TOTAL</b>	<b>46.602</b>	<b>1,0</b>	<b>100,0</b>
<i>of which:</i>			
Croatia	10.684	40,4	22,9
Hong Kong	7.719	-10,9	16,6
United Kingdom	7.433	-7,9	15,9
Romania	2.097	-31,1	4,5
China	1.878	9,6	4,0

**Table 4.2 - Combed wool and fine-hair yarns**

**Exports of Yarns for Industry**  
**Combed wool and fine-hair yarns**  
**January-March 2018**

Country of destination	1000s Euro	% Var.	% Share
<b>TOTAL</b>	<b>82.275</b>	<b>15,2</b>	<b>100,0</b>
<i>of which:</i>			
Hong Kong	12.068	-14,8	14,7
Czech Republic	9.693	74,0	11,8
Romania	8.191	19,1	10,0
Turkey	6.595	29,3	8,0
United Kingdom	5.172	56,9	6,3

**Table 4.3 – Cotton yarns**  
**Exports of Yarns for Industry**  
**Cotton Yarns**  
**January-March 2018**

Country of destination	1000s Euro	% Var.	% Share
<b>TOTAL</b>	<b>51.793</b>	<b>3,0</b>	<b>100,0</b>
<i>of which:</i>			
Germany	8.696	20,0	16,8
Czech Republic	5.366	-10,3	10,4
Hungary	3.322	28,3	6,4
France	3.277	3,9	6,3
Croatia	3.176	-16,8	6,1

**Table 4.4 - Chemical fiber/wool yarns**  
**Exports of Yarns for Industry**  
**Chemical Fiber/Wool Blend Yarns**  
**January-March 2018**

Country of destination	1000s Euro	% Var.	% Share
<b>TOTAL</b>	<b>21.988</b>	<b>-9,6</b>	<b>100,0</b>
<i>of which:</i>			
Austria	2.794	9,8	12,7
Turkey	2.294	26,7	10,4
Hong Kong	1.953	25,5	8,9
Croatia	1.702	-34,7	7,7
Portugal	1.418	4,6	6,5

We saw increases in sales of chemical fiber/wool blend yarns to Austria, Turkey, Hong Kong, and Portugal.

Exports of cotton yarns to Germany, Hungary, and France were up, but were down in the cases of the Czech Republic and Croatia.

Source: ISTAT data processed by Confindustria Moda



The top destination for the chemical fiber/wool blend yarns was Austria (+9.8%), which absorbed almost 13% of all segment exports. Austria was followed by Turkey and Hong Kong, both of which grew as customer markets by more than 25%. Croatia, very differently from what we saw in the case of the carded wool yarns, fell off by -34.7%. And finally, Italian exports of these yarns to Portugal increased by +4.6%.

As regards the top customers for Italy's cotton yarns, Germany increased its capacity by +20.0%, while the Czech Republic decreased its by -10.3%. Hungary and France both grew, by +28.3% and +3.9% respectively, so achieving quite similar values; exports of cotton yarns to Croatia instead contracted by -16.8%.

Consideration of Italy's procurements from abroad, again in the period from January through March 2018, shows that the top two suppliers of carded wool yarns, which together account for 62.5% of imports, were enjoying a positive evolution: Lithuania was up by +18.9% and China increased by more than +100%. We instead saw a -24.9% slowdown in flows from the United Kingdom, which dropped from first to third place in the supplier ranking.

The top three supplier countries, which account for 55.4% of all Italian imports of combed yarns, all showed positive dynamics: Poland was up by +24.5%, Germany by +13.2%, and Romania by +40.5%. Contrariwise, Bulgaria backpedalled by -11.4%.

In the period in question, Romania was the source of 47.9% of Italy's imports of chemical fiber/wool blend yarns and increased its flows by +2.2%. Following was Turkey, which showed a +21.1% increase. Instead, imports of this yarn type from Bulgaria and Portugal fell off, in both cases by -5.9%.

Lastly, in the first three months of 2018, all of Italy's principal suppliers of cotton yarns suffered significant decreases: Turkey was down by -16.9%, China by -15.0%, Egypt by -27.3%, and India by -17.4%. Pakistan, instead, ran against this receding tide with a +9.8% increase in cotton yarn imports to Italy.

Imports of cotton yarns from Pakistan were increasing.

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