

THE ITALIAN COTTON INDUSTRY IN 2005

The Italian cotton industry (yarns and fabrics) in 2005 continued to reflect the negative performance of both Italian downstream sectors and main export markets.

Anyway, while physical production showed a -9% decrease, figures for turnover have been less impressive (-2%, even if difference in performance between single firms have never been so huge) and the 3,9 billion euro of generated turnover has still granted a significant support (around 10%) to total sales of the Italian textile-clothing pipeline.

This difference in quantities and values outcomes reflects the significant increase of average prices of Made in Italy products that's, in turns, has to do with the (tremendous) effort Italian firms are doing to enhance quality and to escape disruptive price wars (not only with emerging producers, but also among them...).

Even in 2005, the largest downturn in production (-11,7%) was posted by the cotton **spinning** sub-sector where output dropped to 171 thousand tonnes owing to weak demand by leading costumers: weaving (where the denim industry has suffered more than shirts' one) and, above all, knitting.

The "best" news from the industry arises from estimated end-year order portfolio which seems consistent with a forecast of a slow recovery during this year.

Final year-end results have been negative also for the cotton **weaving** sector (-6,3%%, to 175 thousand tonnes).

Even in this case, no sub-sector has been able to escape downturn pressures; anyway worst performances have been recorded in denim-type weaving.

Cotton fabric deliveries fell (almost) in line with production during 2005 so that, nowadays, stock piling seems not to be the main problem of firms.

As experienced for spinning, also in the weaving industry, end of years figures for order books shows a slight recovering toward stability: a (weak) signal that the worst days of the last slump period are gone.

Also the **linen industry** recorded a fall in production and even in this case yarns experienced worst results compared with fabrics.

Household linen too suffered for the general negative trend in the textile-fashion industry but here the relative stability of domestic sell-in has been able to limit the year on year drop in turnover (3-4%).

Foreign trade figures in 2005 for cotton products (yarns, textiles, household linen) showed a -1.8% in the value of imports (€1,645 million). This fall is the result of the figures posted by both cotton yarns (-6.7%) and fabrics (-2,7%), while for linen products drops in imports have been less pronounced.

A further huge increase (+10,3%) has been instead recorded for Household linen products.

With a -5,6% decrease (to €3 million), overall exports performed bad. This poor result reflects significant drops for both yarns (-9,4%) and fabrics (-5,8%) while household linen firms have succeeded in maintaining previous year export levels.

As a consequence, the cotton-linen textile trade surplus decreased toward the 1,4 billion euro threshold.