

STUDY OF SPANISH TRADITIONAL SECTORS

WP3 Design a value-driven traditional sectors cross-border framework

OUTPUT3.1: Framework for development of local and transnational value chains to ignite matchmaking

Prepared by:

Introduction

- Aims of study.
- Overview of the sectors in Spain
- COVID effects

Traditional sector's structure

- General overview.
- Companies.
- Employment.
- Business.

Themes in focus

- Activity.
- Financial indicators.
- External trade.
- Performance indicators.

Conclusions



Introduction

Introduction. Aim of the study



Med territories in Spain

To analyse the performance of the **textile**, **clothing**, **footwear** and **leather** (TCFL) sectors through a series of indicators, for which it is structured in blocks:

- Evolution of the performance of each sector
- Conclusion Indicators of each sector performance

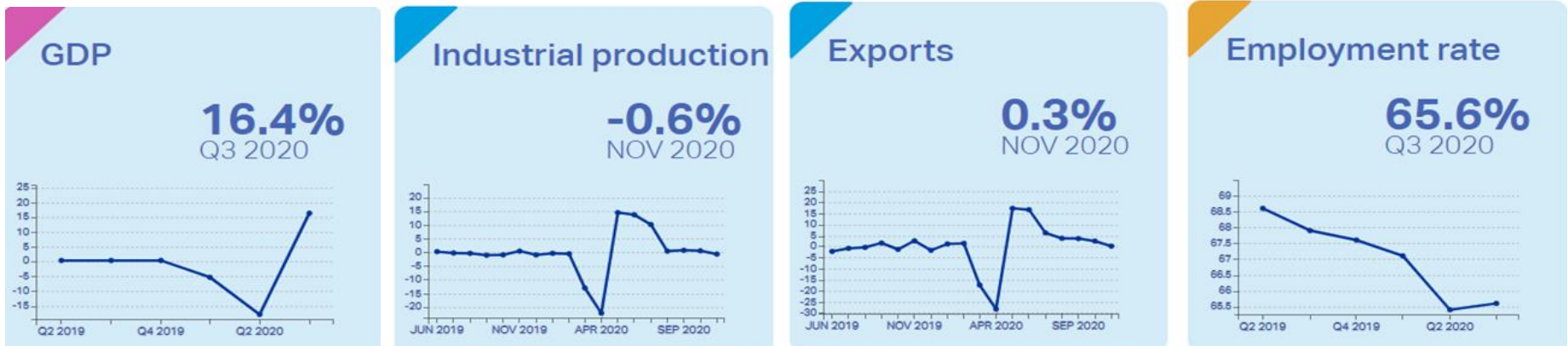
Introduction. Overview of the sectors in Spain

TCFL industries are one of the Spain strongest sectors, contributing with more than **6,000 million euros** in taxes each year.

In 2019, the textile industry:

- Contributed **2.8%** to the **national GDP**
- Accounted for more than **4.2%** of **total employment**.
- Exported **8.9%** of the total manufactured in Spain
- Attracted **13%** of total **world shopping tourism**.

Source: "Informe sector moda en España" EY

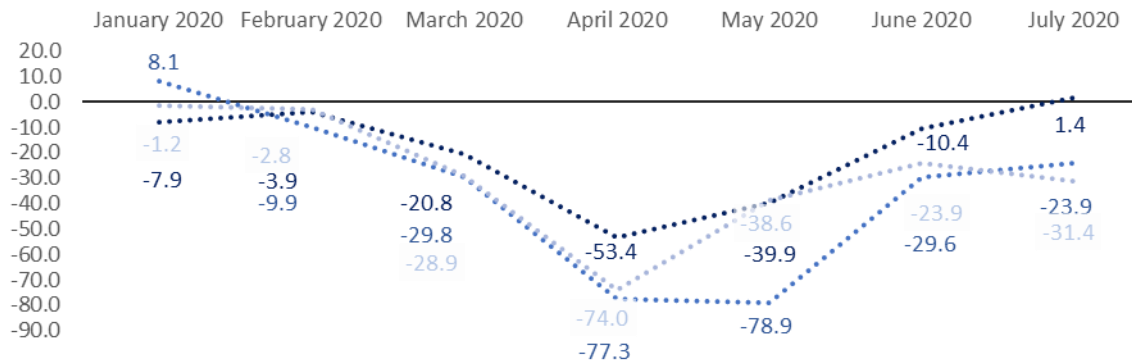


Source: EUROSTAT

Introduction. Effects of COVID-19 pandemic

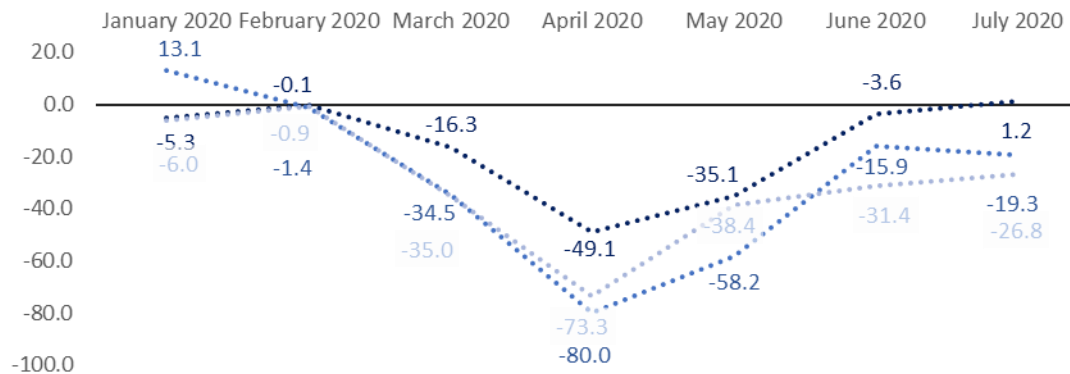
- The *Boston Consulting Group* estimated a **reduction** of vogue sector revenue volume in 2020 of **35-40%** respect the last year.

The Industrial Production Index (IPI) variation



Although there has been a recovery throughout 2020, only the textile industry has been able to recover its activity (**1.4%**) and turnover (**1.2%**) in July, after a great loss due to the pandemic.

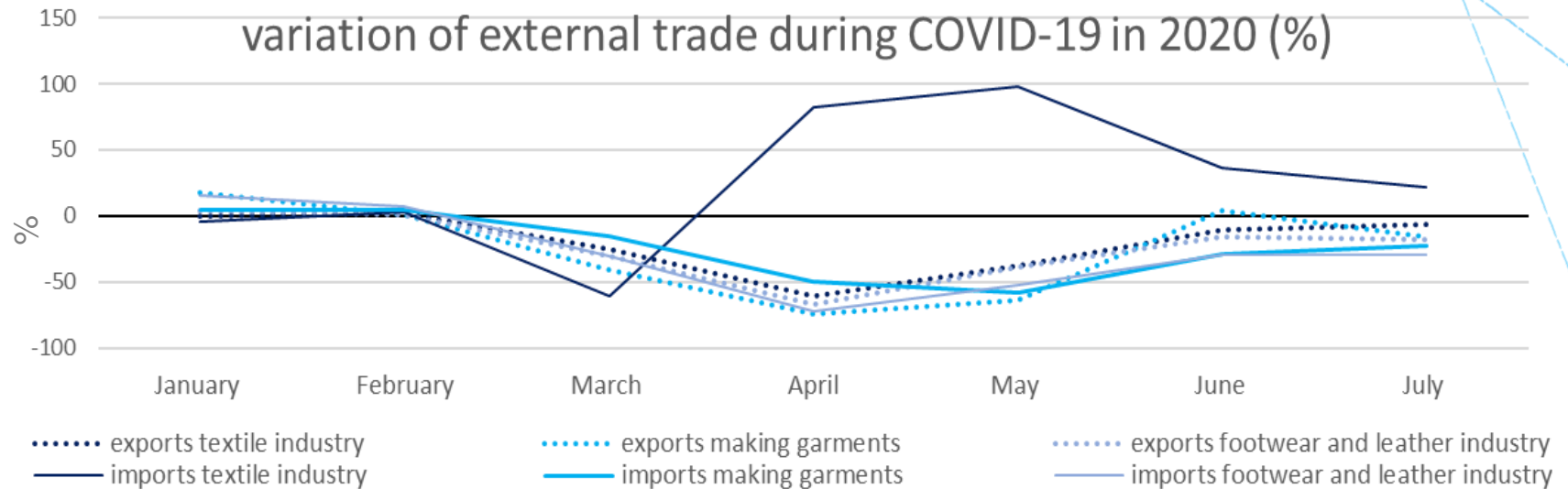
The Industry Turnover Indices (ICN) variation



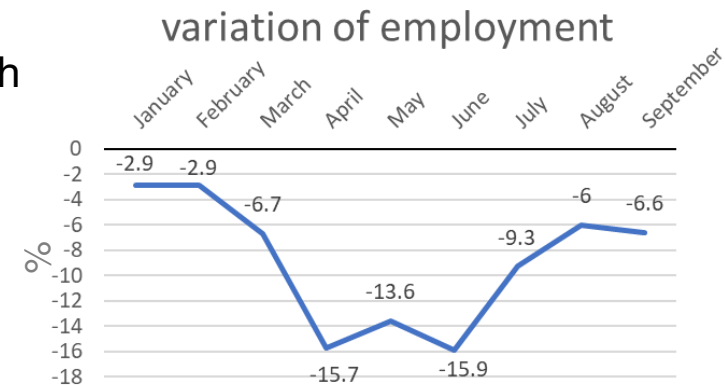
IPI measures the monthly evolution of production activity (quantity and quality, eliminating the influence of prices) of industrial branches, excluding construction.

ICN measures the monthly evolution of demand directed at industrial branches excluding construction.

Introduction. Effects of COVID-19 pandemic



- **70%** of textile companies changed from fashion to **health sector**.
- Textile industry prevented the fall in imports due to health products demand.
- Change in fashion sector business models needs to adapt to the new consumer habits
- **6.6%** decrease of people working in these sectors.





Traditional sector's structure

Traditional sector's structure

General overview in Spain (2020)



companies



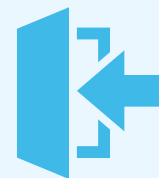
employees



millions €



millions €



millions €



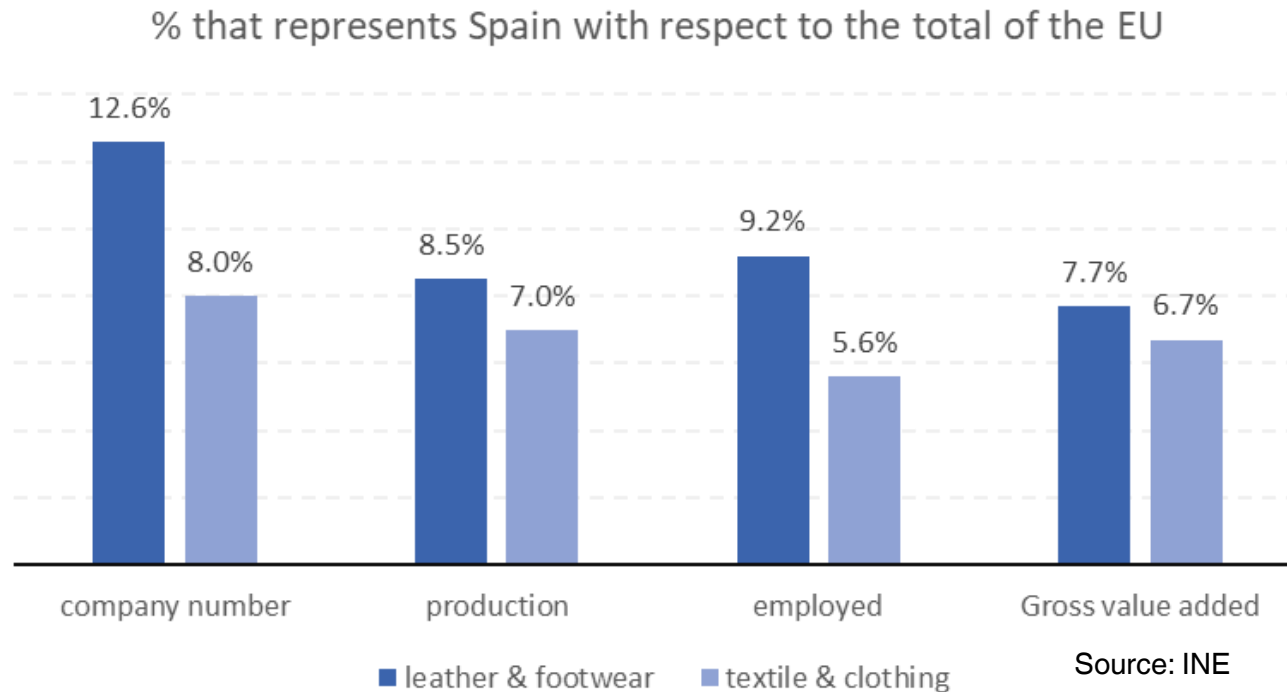
millions €

F&L	~4,500	~39,000	~4,300	~4,300	~5,000	~ (-)700
T&C	~29,000	~90,000	~10,000	~16,000	~20,000	~ (-)3,800

Sources: INE, DIRCE, MINCOTUR

Traditional sector's structure

General overview in Spain



The leather, footwear, textile and clothing are fundamental sectors for Spain since they represent 20% of the total number of companies in Europe.

Traditional sector's structure

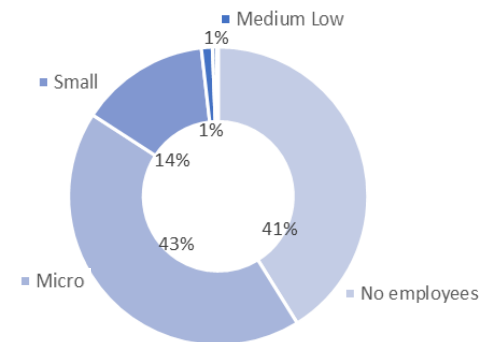
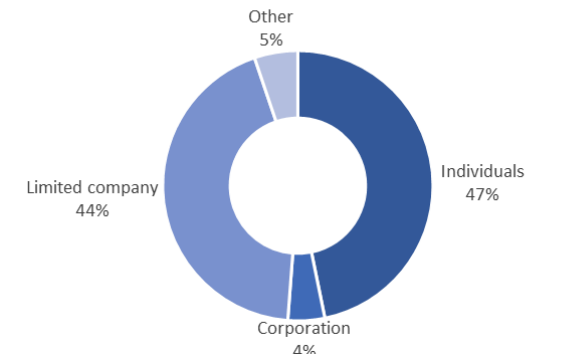
Companies

Evolution of the number of companies



Distribution of size company (2019)

companies by legal form 2019. Textile, clothing and leather and footwear



■ No employees ■ Micro ■ Small ■ Medium Low
■ Medium High ■ Large Low ■ Large High

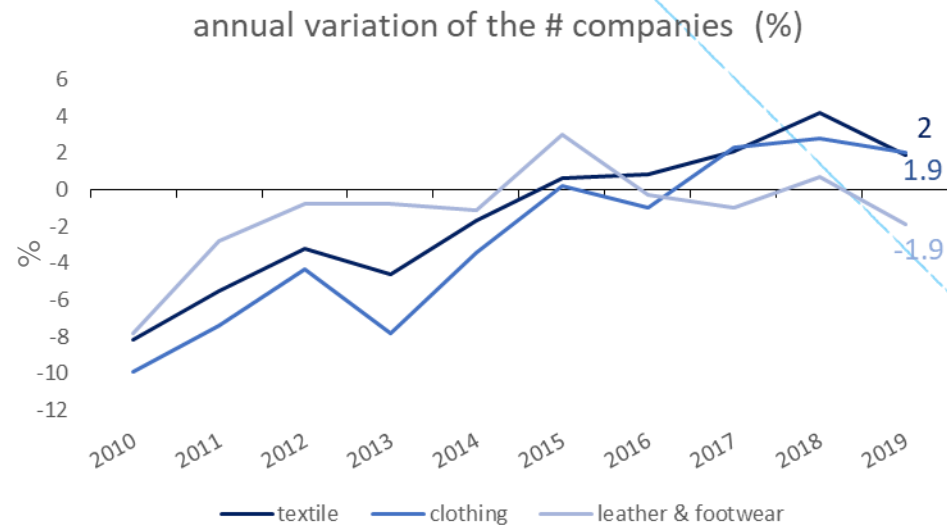
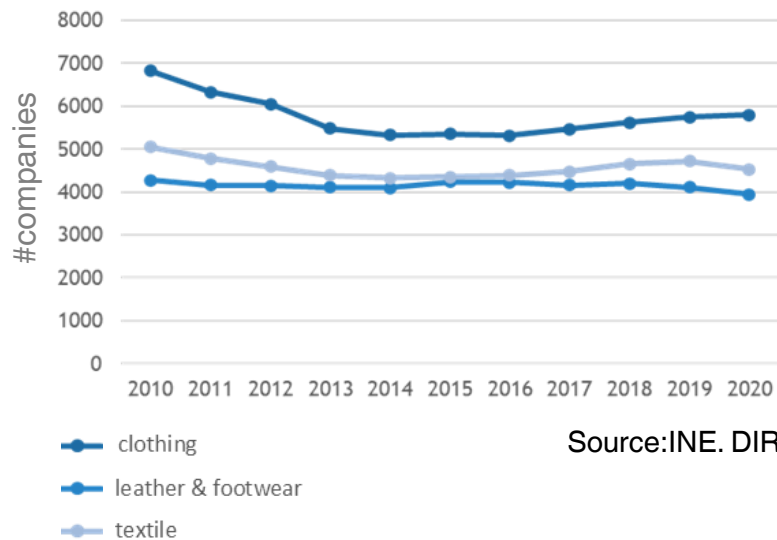
Source: INE

In recent years the number of companies has been decreasing (~ 12% less).
Most of the companies are **SMEs**.

Traditional sector's structure

Companies

Evolution of the number of companies



↑ 2.0% increase registered in the # companies of **textile industry** in 2019

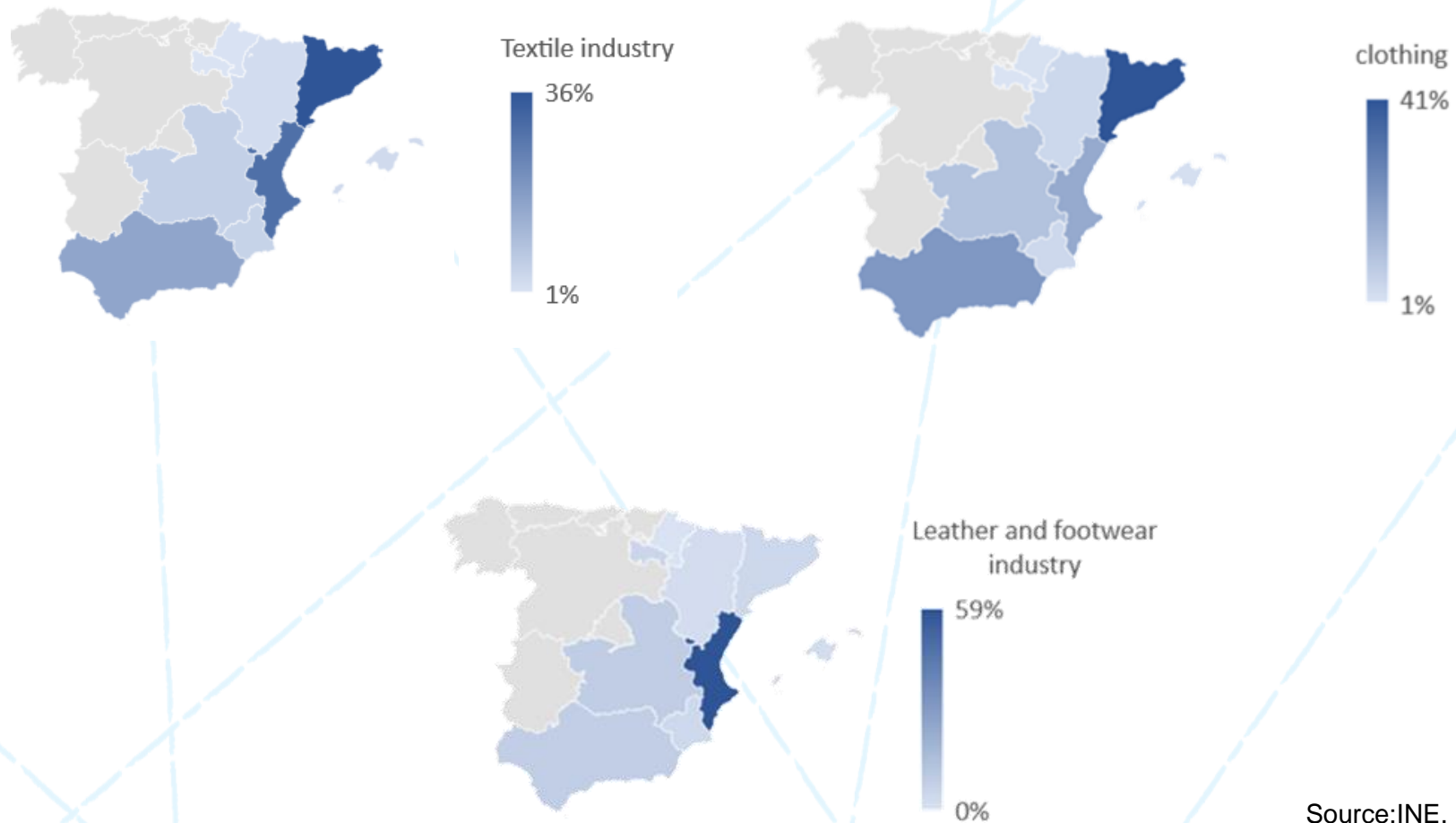
↑ 1.9% increase registered in the # companies of **clothing** in 2019

↓ -1.9% decrease registered in the # companies of **footwear and leather industry** in 2019

Traditional sector's structure

Companies

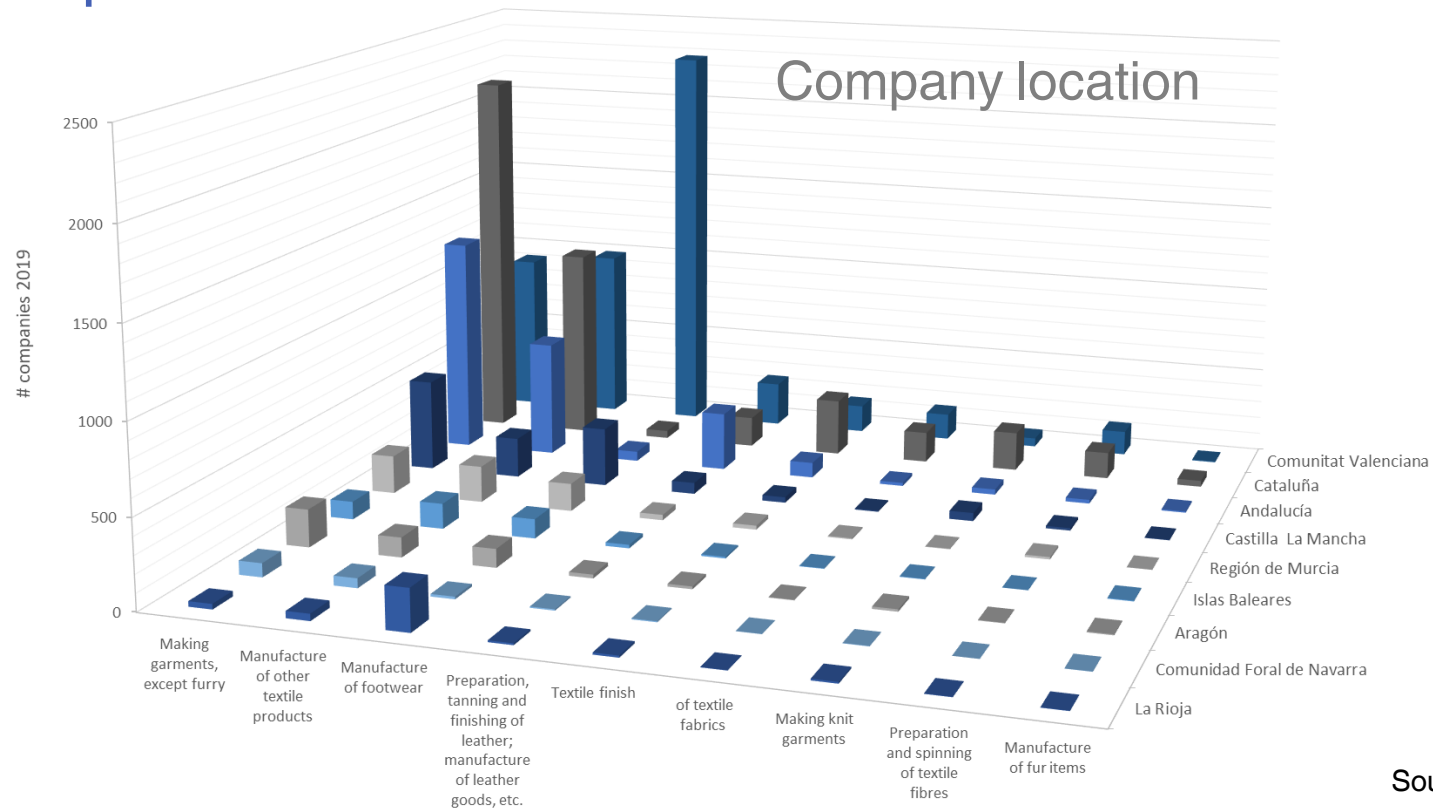
Number of industries distribution per region (2019)



Source:INE. DIRCE

Traditional sector's structure

Companies



Source:INE. DIRCE

The largest number of companies are located in **Cataluña** and **Comunidad Valenciana**, followed by **Andalusia**.

Traditional sector's structure

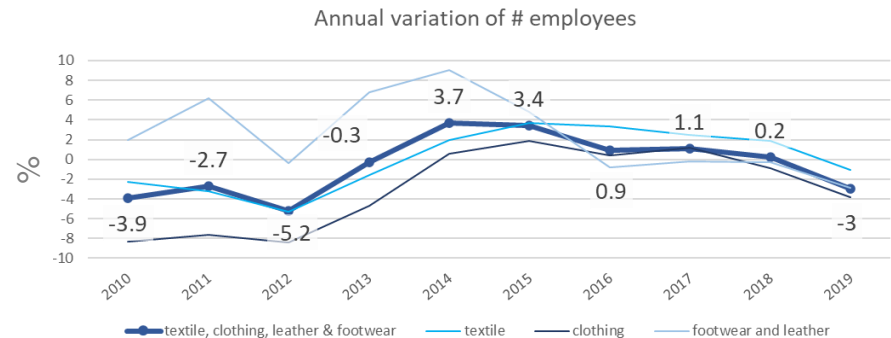
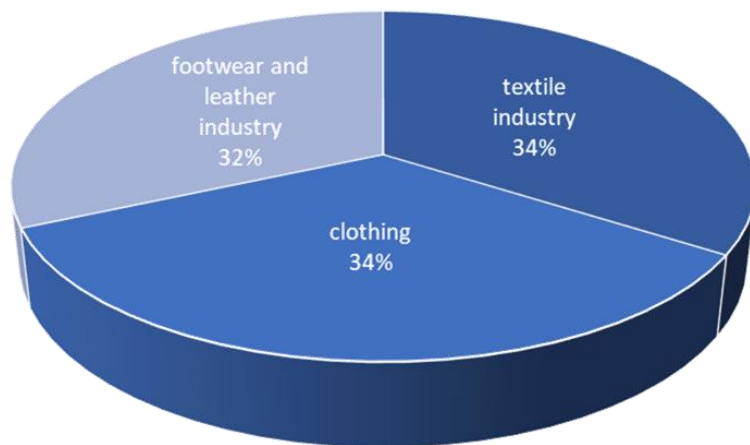
Employees

Number of workers per sector in Spain (2018)



Annual variation of # workers in Spain (%)

Distribution of # workers per sector

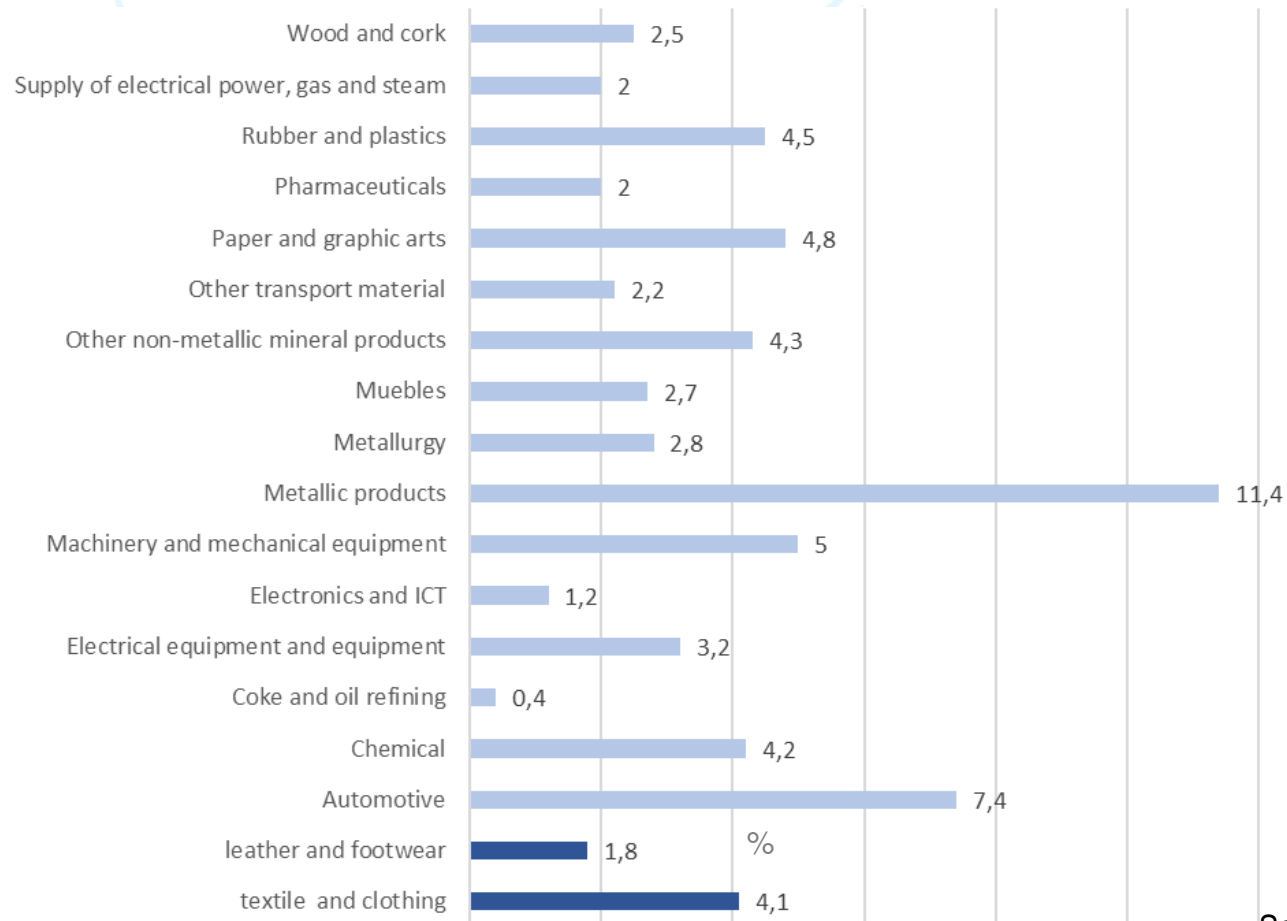


employment in the Spanish industry fell by **3%** in 2019, with a total of 137358 affiliated to the Social Security

Traditional sector's structure

Employees

Comparison of # of workers in Spain with other industrial sectors (%)

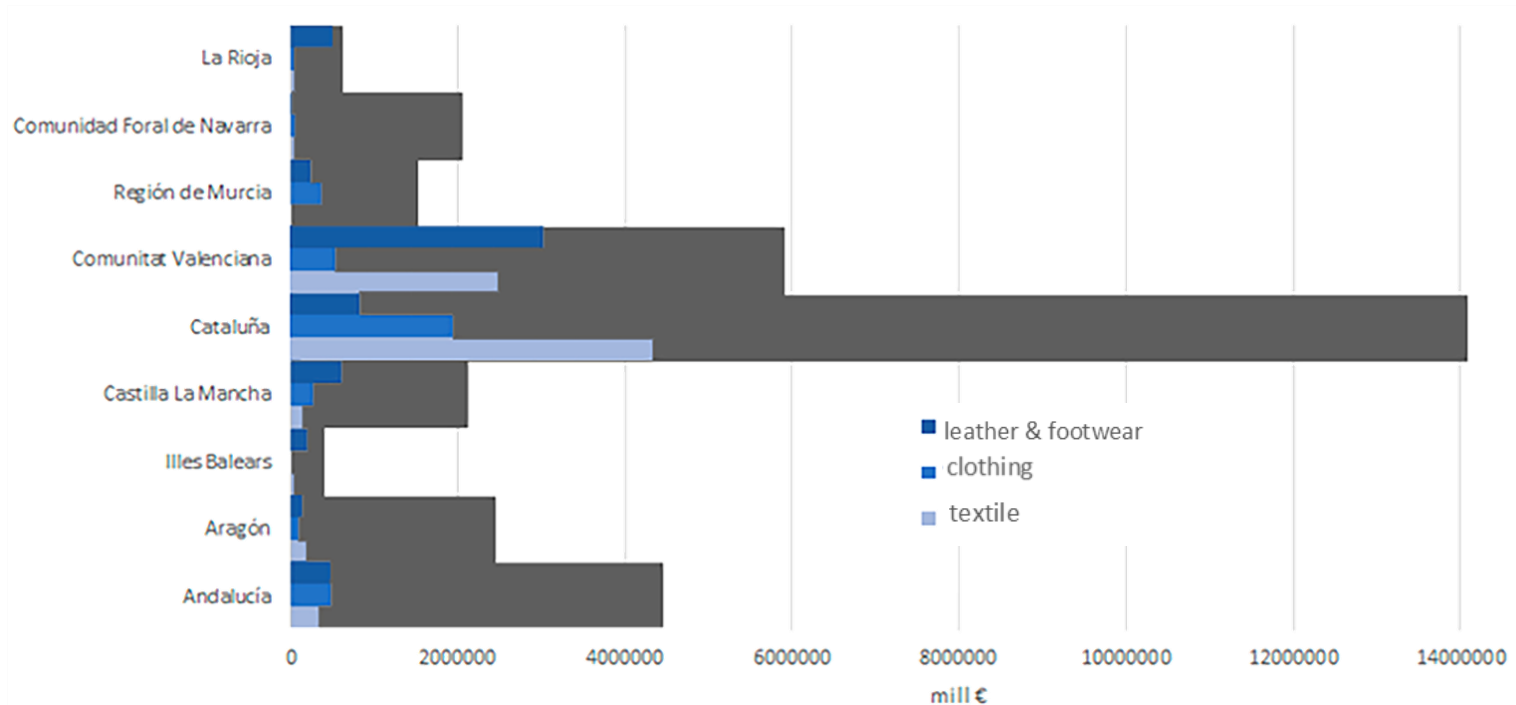


Source: MITES

Traditional sector's structure

Salaries

Salaries of each sector compare with all the manufacturing industry per region (2018)

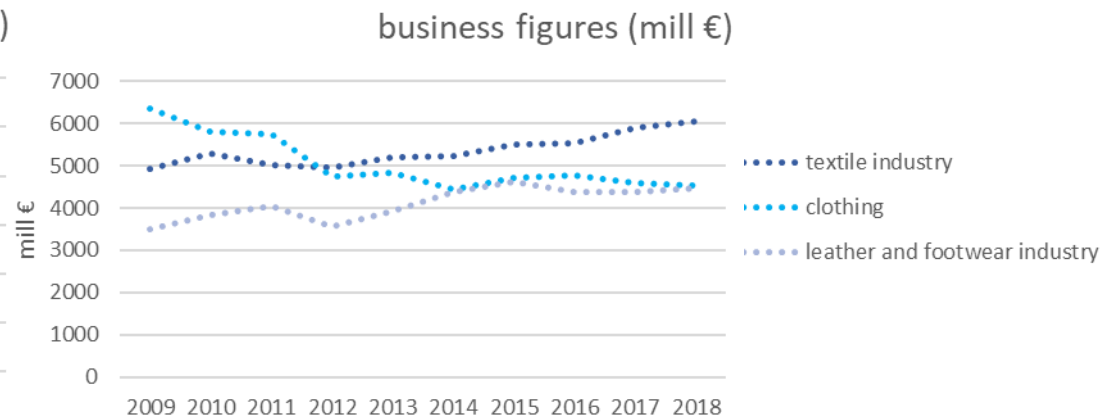
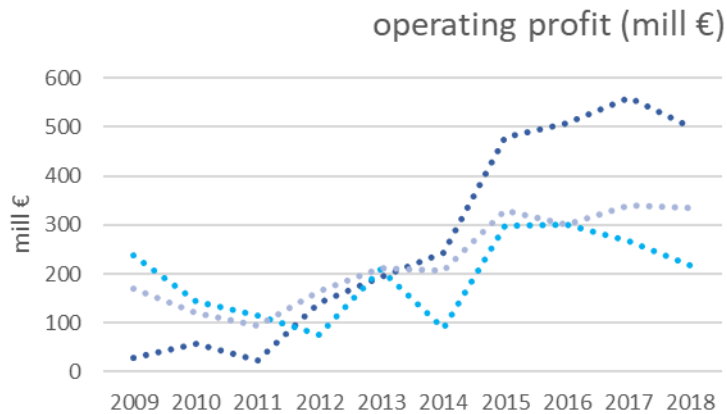


Source:INE

The industries of these sectors in Spain dedicated in 2018 the equivalent of **20%** of their turnover to the payment of personnel.

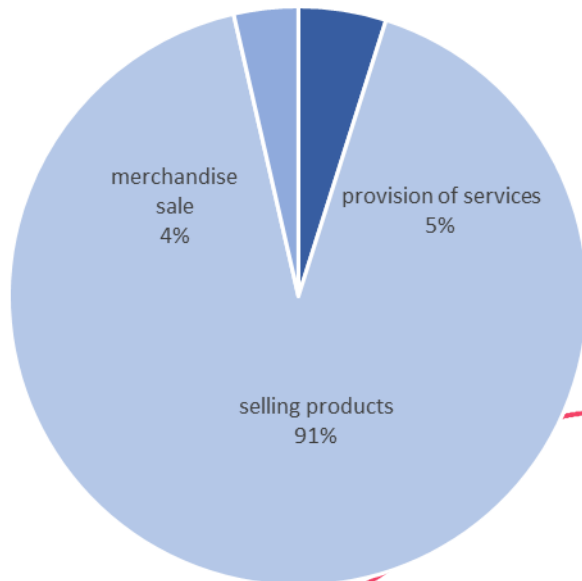
Traditional sector's structure

Business



Source: INE

income generation

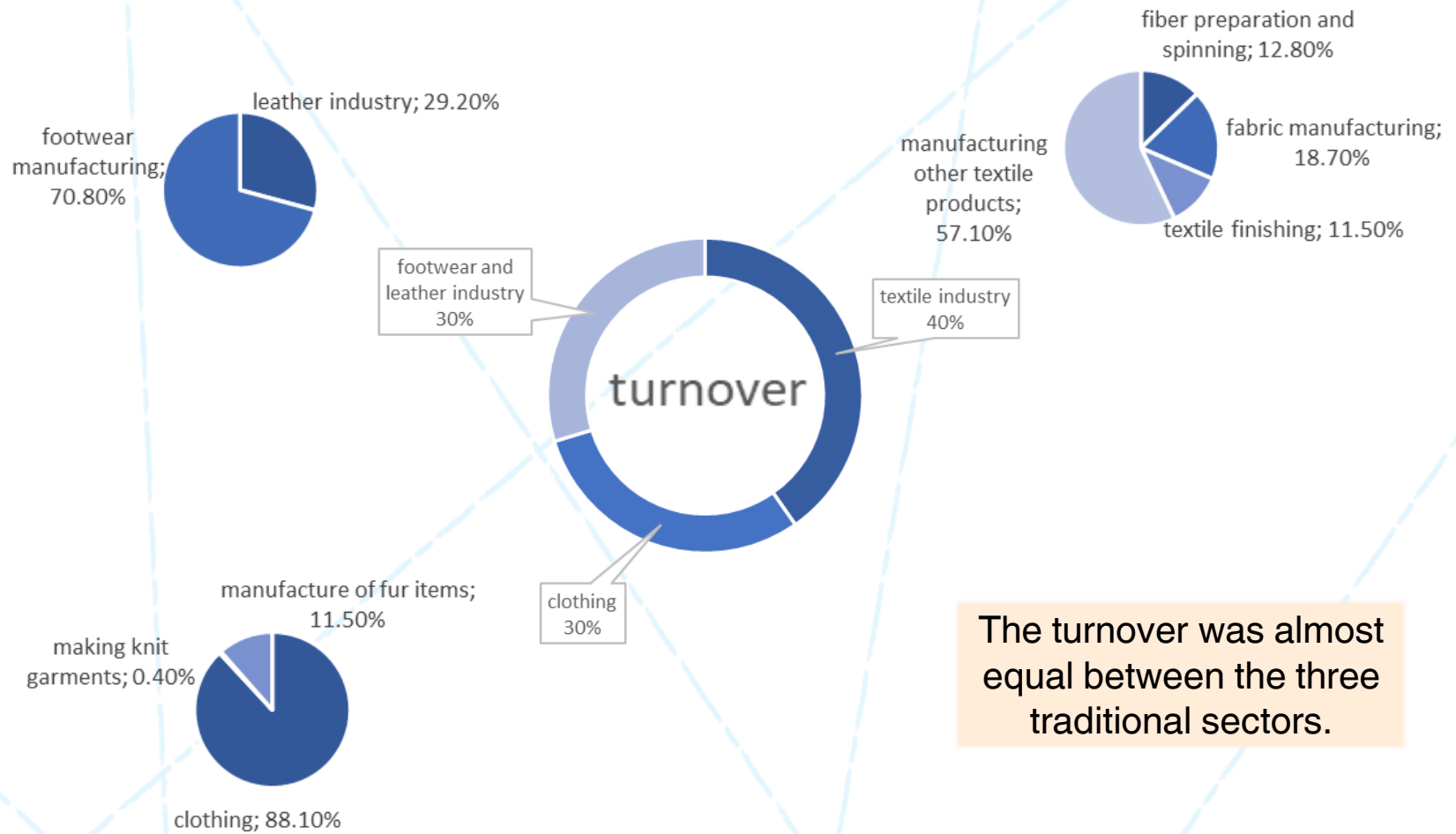


In general, the aggregate turnover of the industries of these sectors in Spain rose in 2018 by **1.2%** for the second consecutive year, exceeding the barrier of **€ 15 billion** for the first time since 2008

Source: INE

Traditional sector's structure

Business



The turnover was almost equal between the three traditional sectors.



Themes in focus

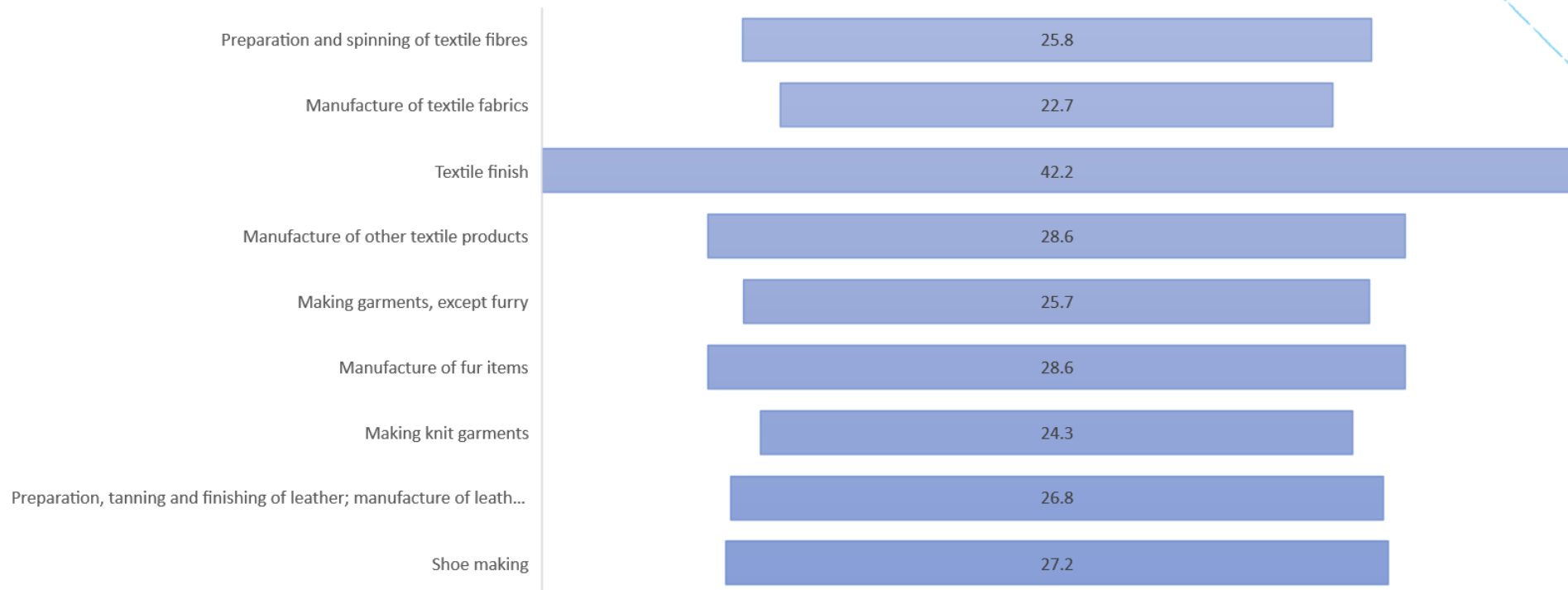
Themes in focus

Activity

Performance of each sector

$$\text{Add value rate} = \frac{\text{value added at the cost of factors}}{\text{value of production}}$$

Add value rate

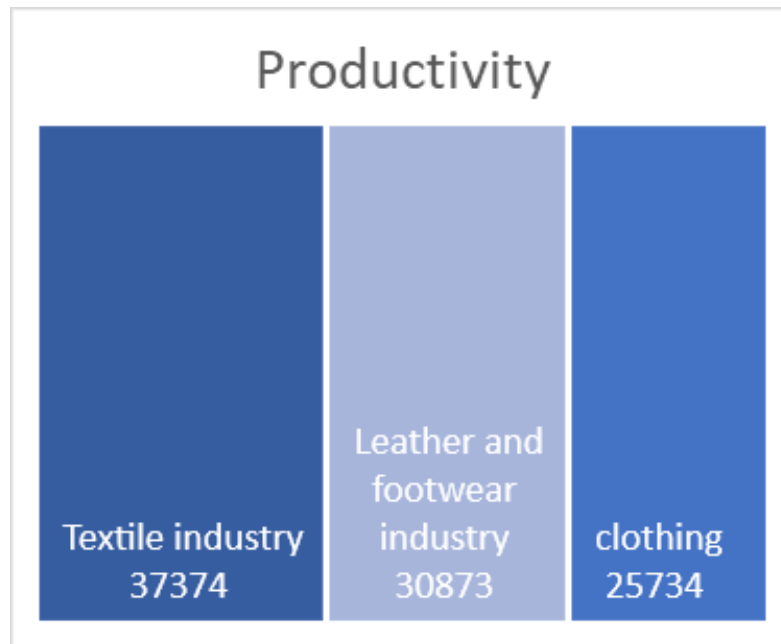


Themes in focus

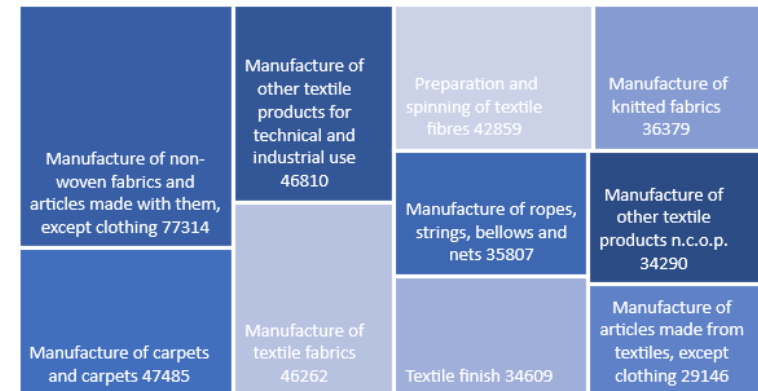
Activity

Performance of each sector

$$\text{Productivity} = \frac{\text{value added at factor cost}}{\text{average staff employed}}$$



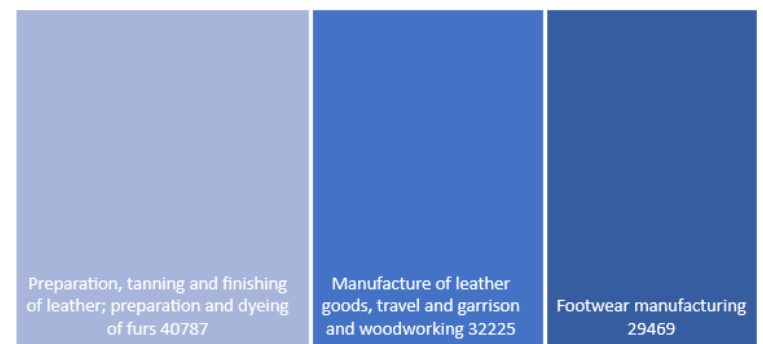
Productivity Textile Industry sector



Productivity Clothing sector



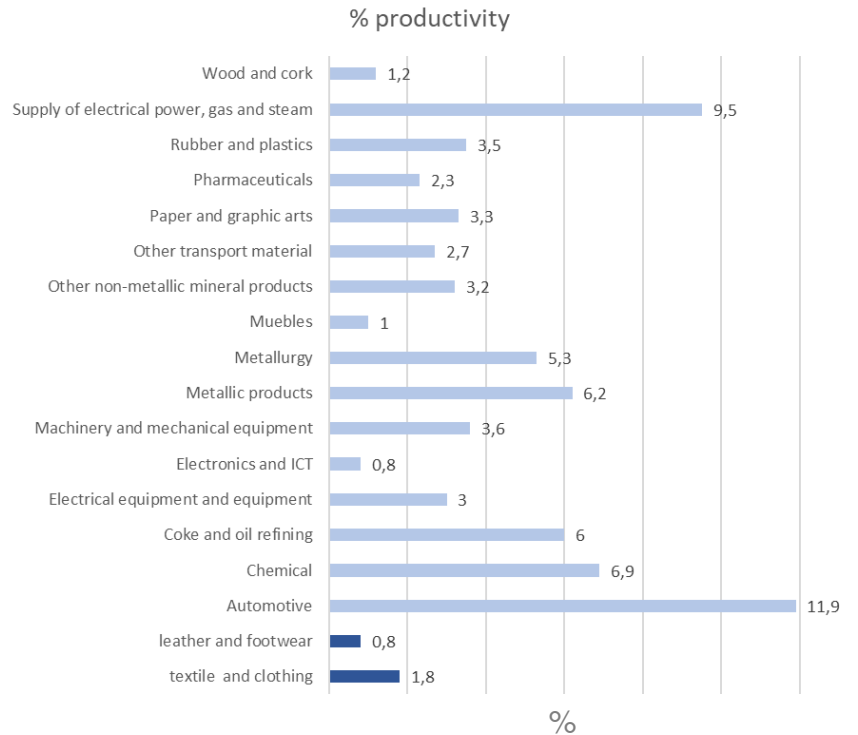
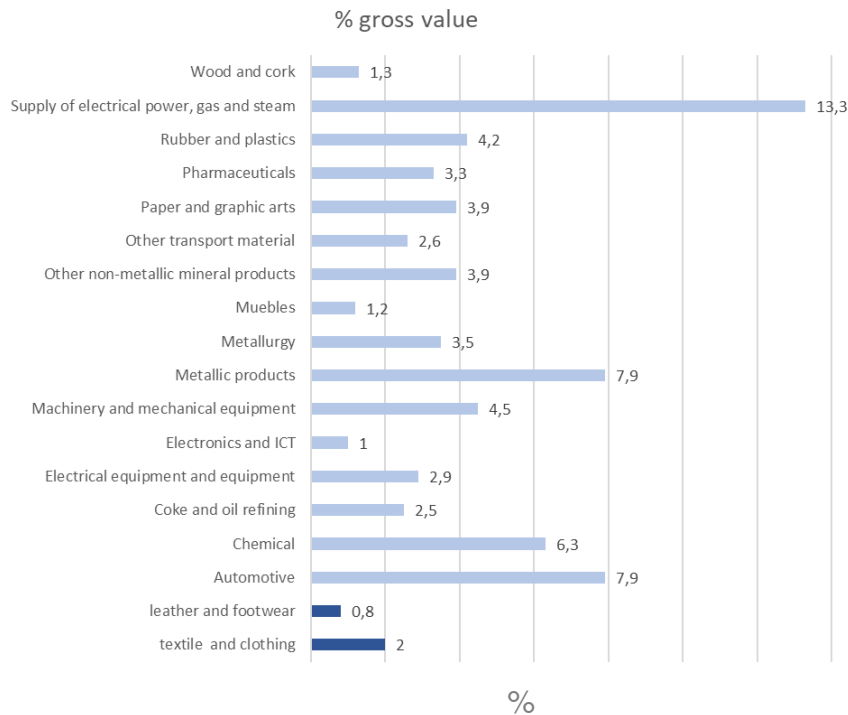
Productivity Leather & Footwear Industry sector



Themes in focus

Activity

Performance of each sector



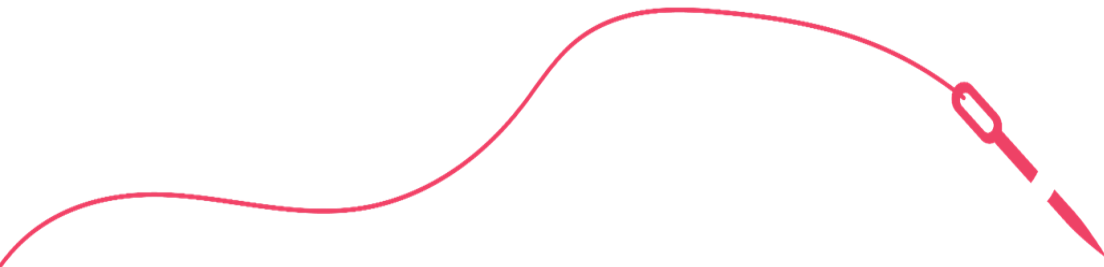
Source: MITES

Themes in focus

Financial indicators

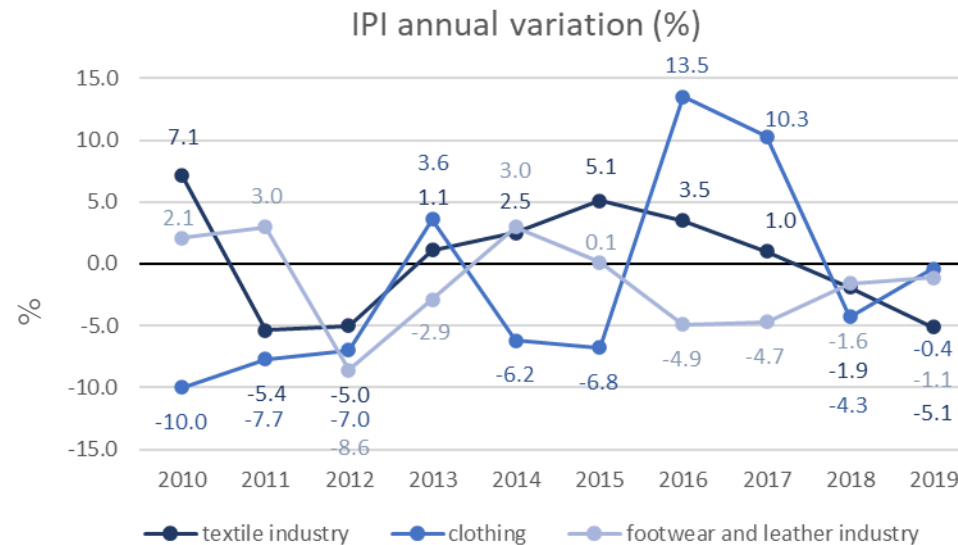
Industrial Production Index (IPI)

- **Textile:** in July registered the first rise of 2020, with a year-on-year **increase** of **1.4%**, after a cycle of decreases with maximums of up to **50%**.
- **Confection:** The IPI came to fall close to **80%** and has not stopped falling in recent months with available data, with falls of **23.9%** in July.
- The results are similar in **the leather and footwear industry**.



Themes in focus

Financial indicators

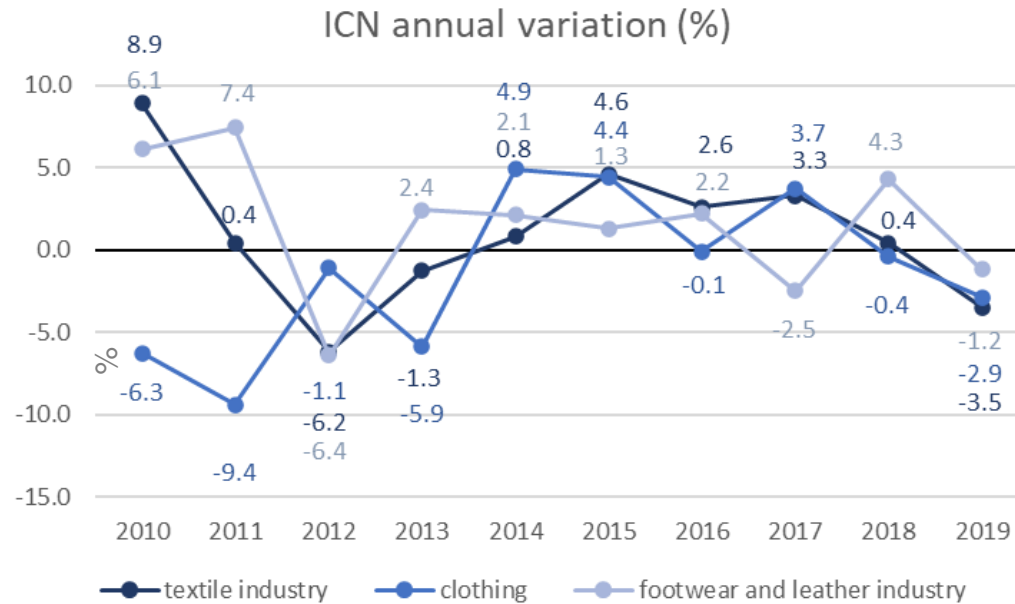


Source: INE

- Textile industry: fell continuously in 2019 for all subsectors, with the steepest decline in the **fiber preparation and spinning** segment.
- Making garments: ended with a cumulative average fall of **0.4%**, the lowest of the three sectors.
- Leather and footwear industry: suffered the fourth consecutive decline, but also the lowest of those recorded since 2015. It was **footwear** that allowed mitigating the falls in productive activity in 2019.

Themes in focus

Financial indicators

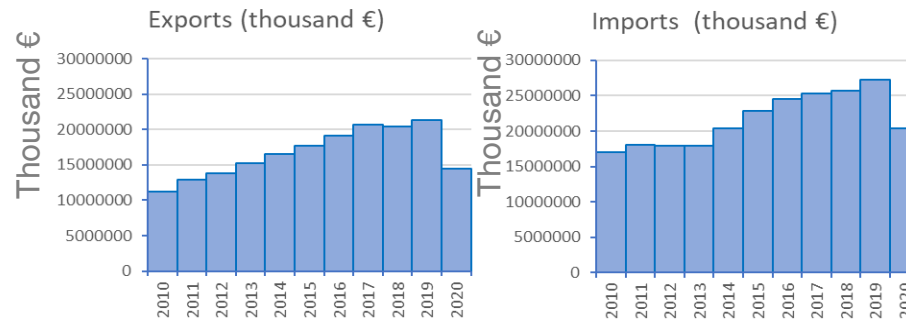


Source: INE

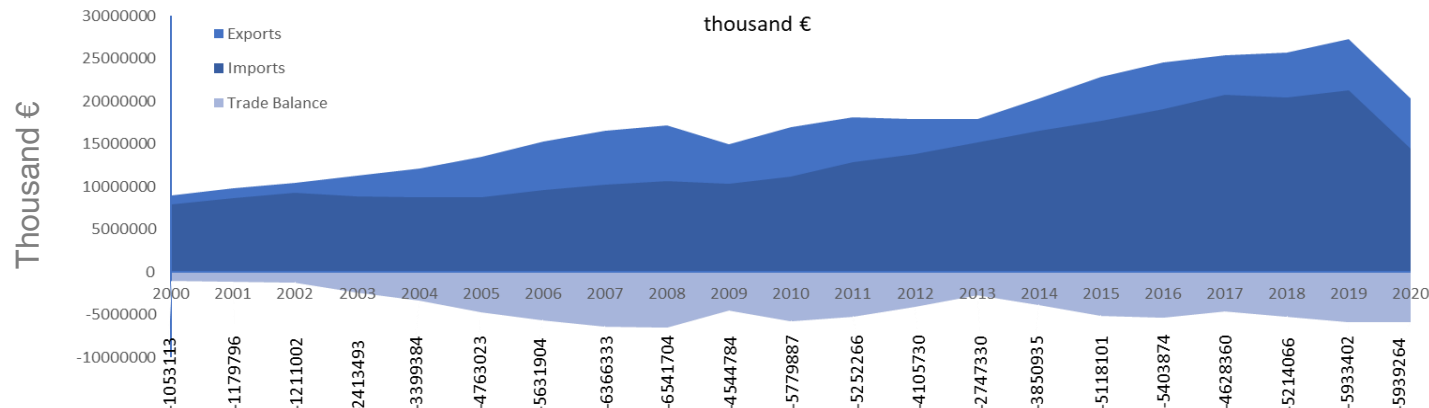
- Textile industry: the turnover finished in 2019 a period of continuous years of increases .
- Making garments: ended with a fall of 2.9%.
- Leather and footwear industry: ICN falls in 2019, joining with the 2012 and 2017 falls , as occasional facts.

Themes in focus

External trade evolution



Source: MITES, Dpto de Aduanas and estimates from CITYC



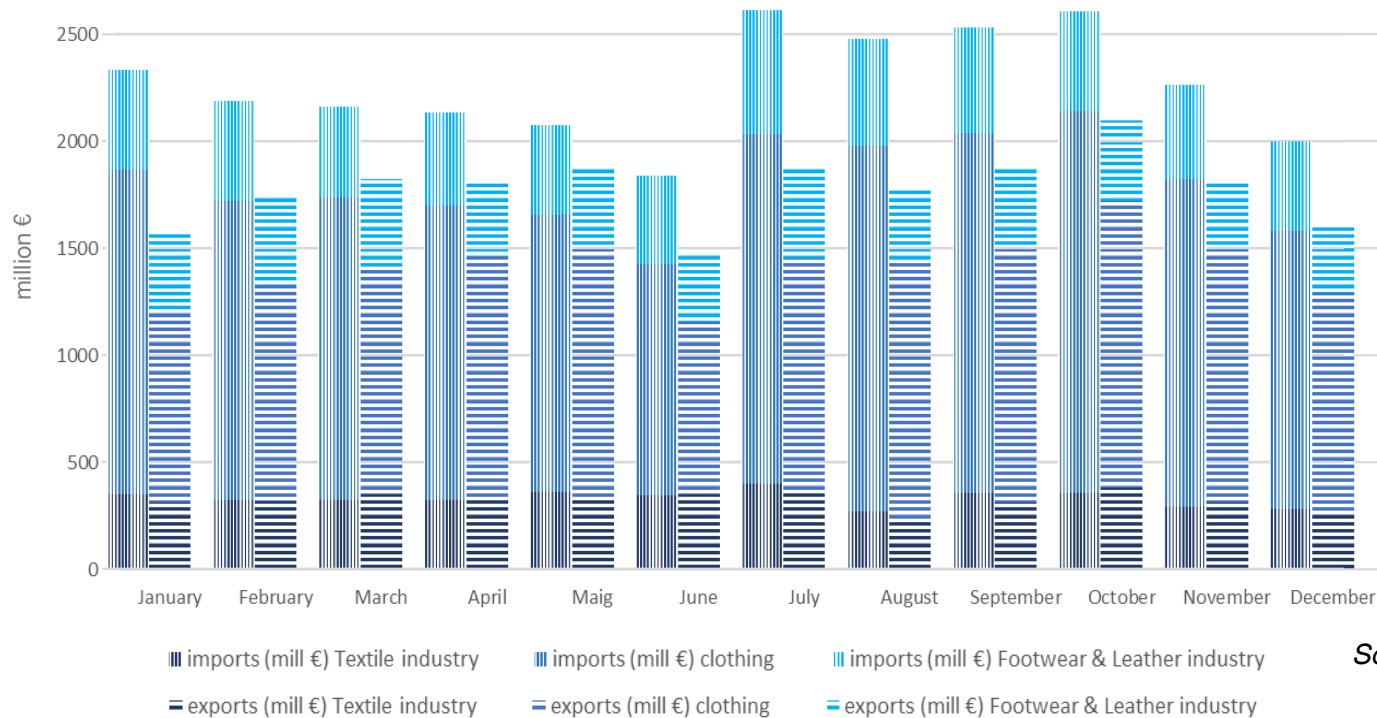
Source: ICEX (October of each year)

In 2020, foreign trade has been affected by COVID-19, breaking with the growing trend that had been maintained since 2000.

The trade balance has remained stable, compared to 2019. On the contrary, in the previous crisis (2013), while imports remained constant, exports grew following the trend of previous years.

Themes in focus

External trade in 2019

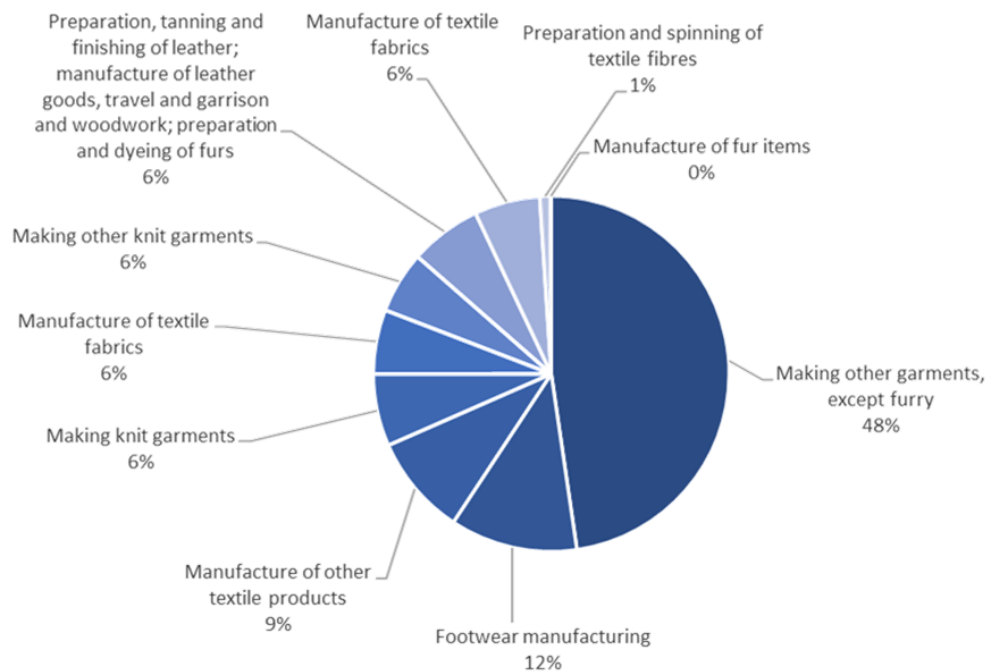


In Spain, in general more products are imported than are exported, although carrying out an analysis by sector, it is the clothing sector that tilts the trade balance since, in a rough way, the textile, leather and footwear sectors maintain the balance balanced. Among the three sectors studied, clothing in Spain is the sector that dominates foreign trade.

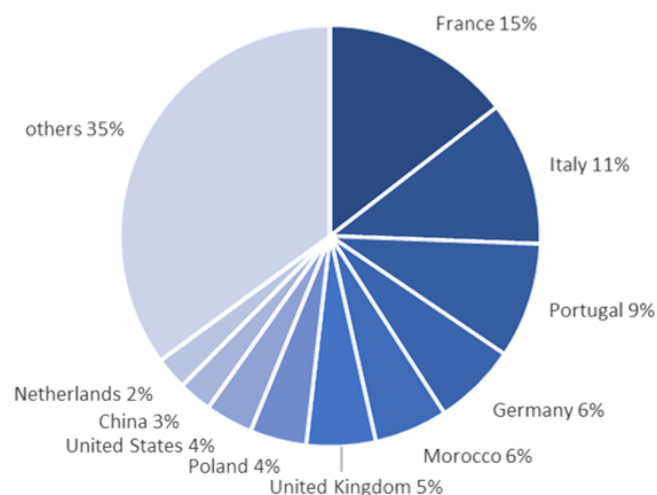
Themes in focus

External trade 2019

Principal exported products



principal destinies exports

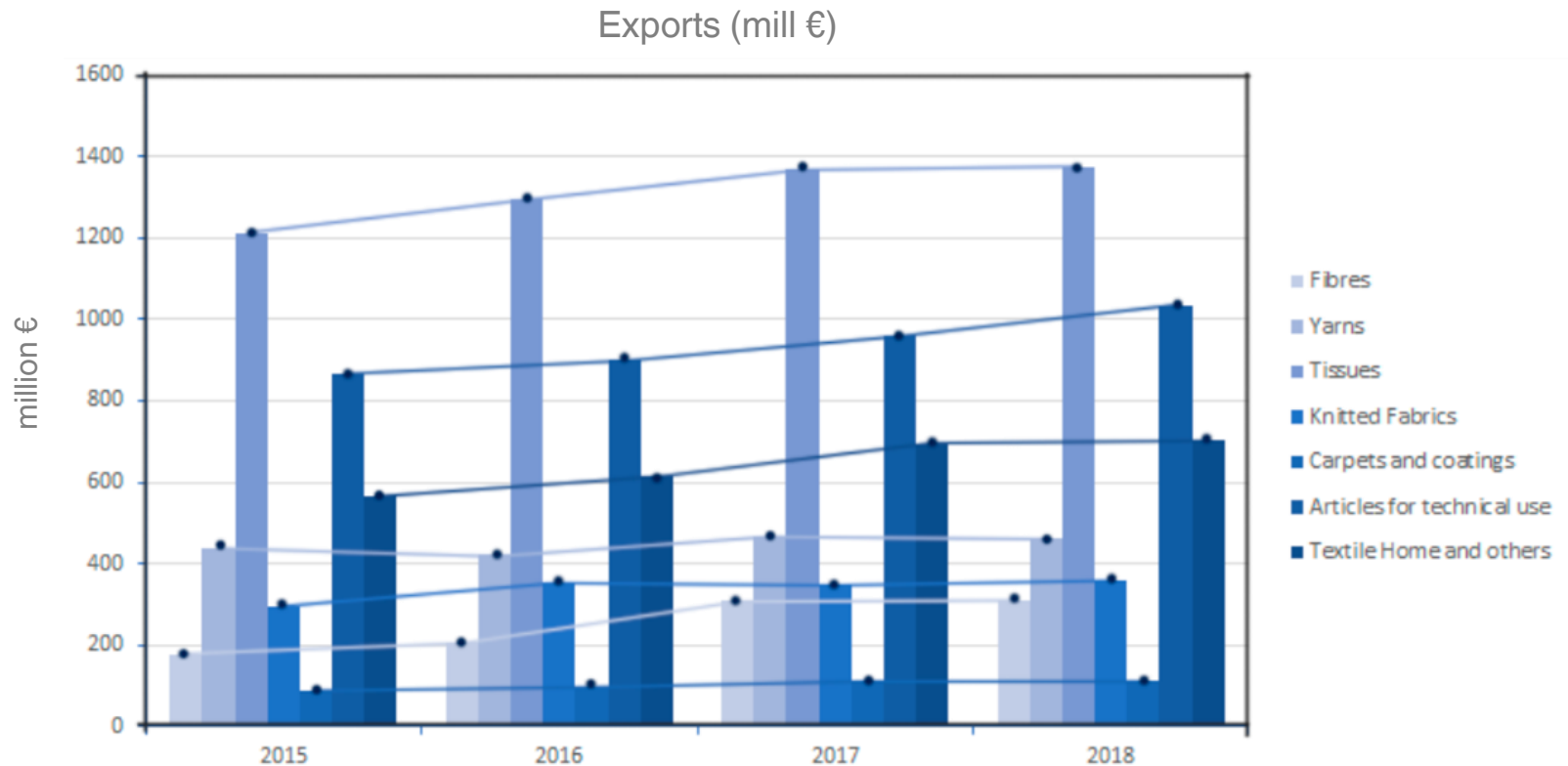


Regarding the destination of exports from Spain in the textile, footwear and leather sector, the main recipient countries in 2019 were: **France, Italy and Portugal.**

Regarding the exported products, "**Manufacture of clothing, except fur**" stands out in 2019.

Themes in focus

External trade



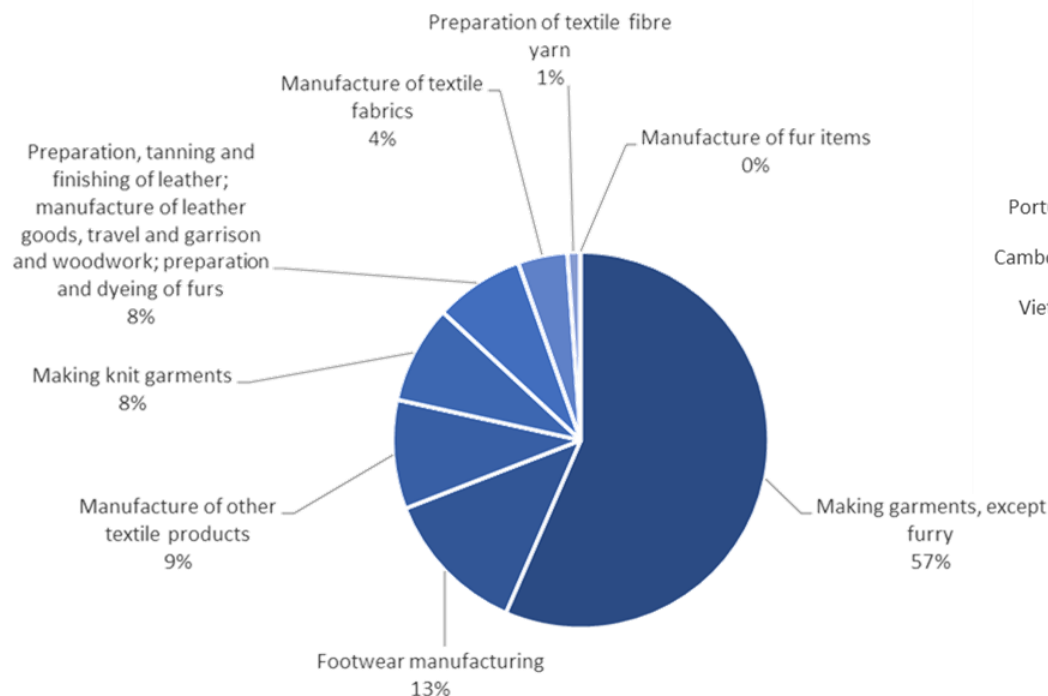
Exports of three sectors fell in 2019 for the second year in a row.

Source: MITES, Dpto de Aduanas y estimaciones CITYC

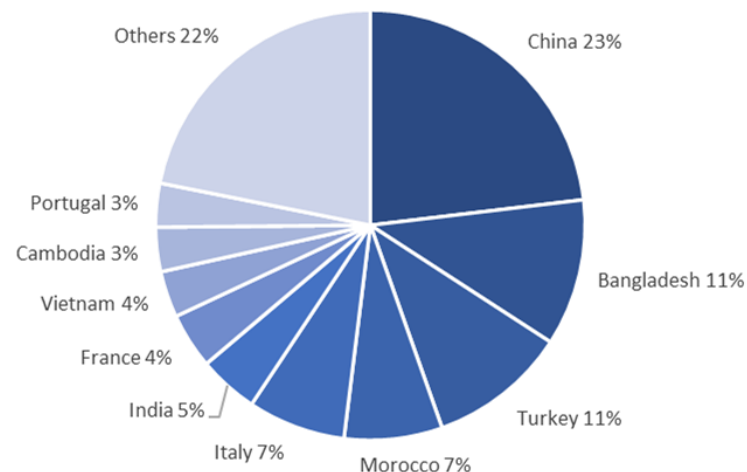
Themes in focus

External trade 2019

Principal imported products



principal destines imports

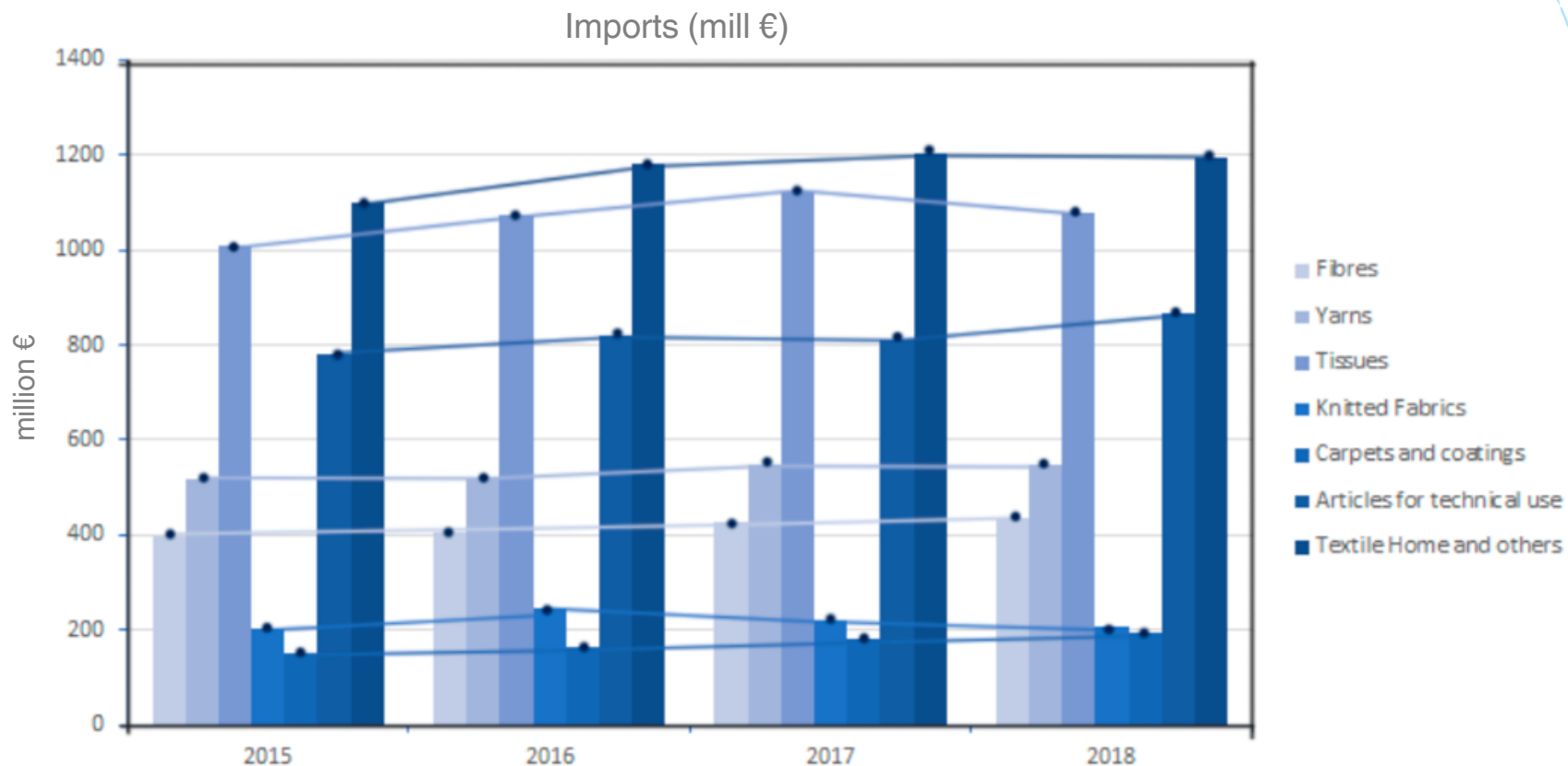


Regarding the origin of imports in 2019 they were: **China, Bangladesh and Turkey.**

In the same way, the main product of imports in 2019 was the **"Manufacture of clothing, except fur".**

Themes in focus

External trade 2019



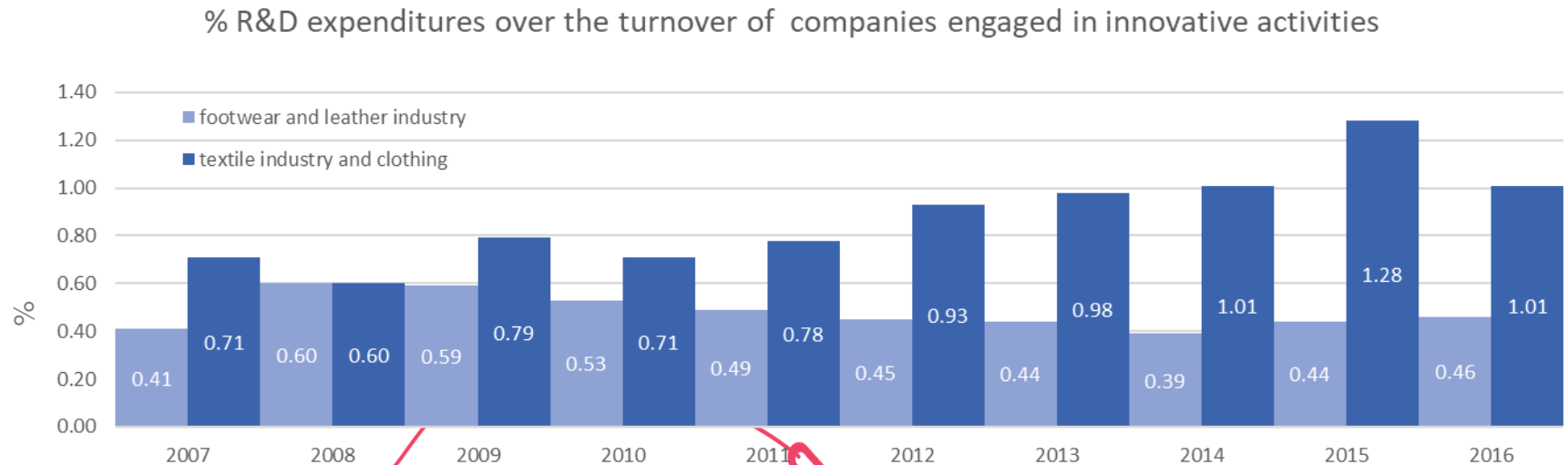
Imports of three sectors were increased in 2019 for the sixth year in a row.

Source: MITES, Dpto de Aduanas y estimaciones CITYC

Themes in focus

Performance indicators

sector	% of companies with innovative activity over the total number of companies in each sector	Innovation intensity
Textile industry and making garments	16.7	1.2
Footwear and leather industry	12.3	0.7



Source: Global Blue report

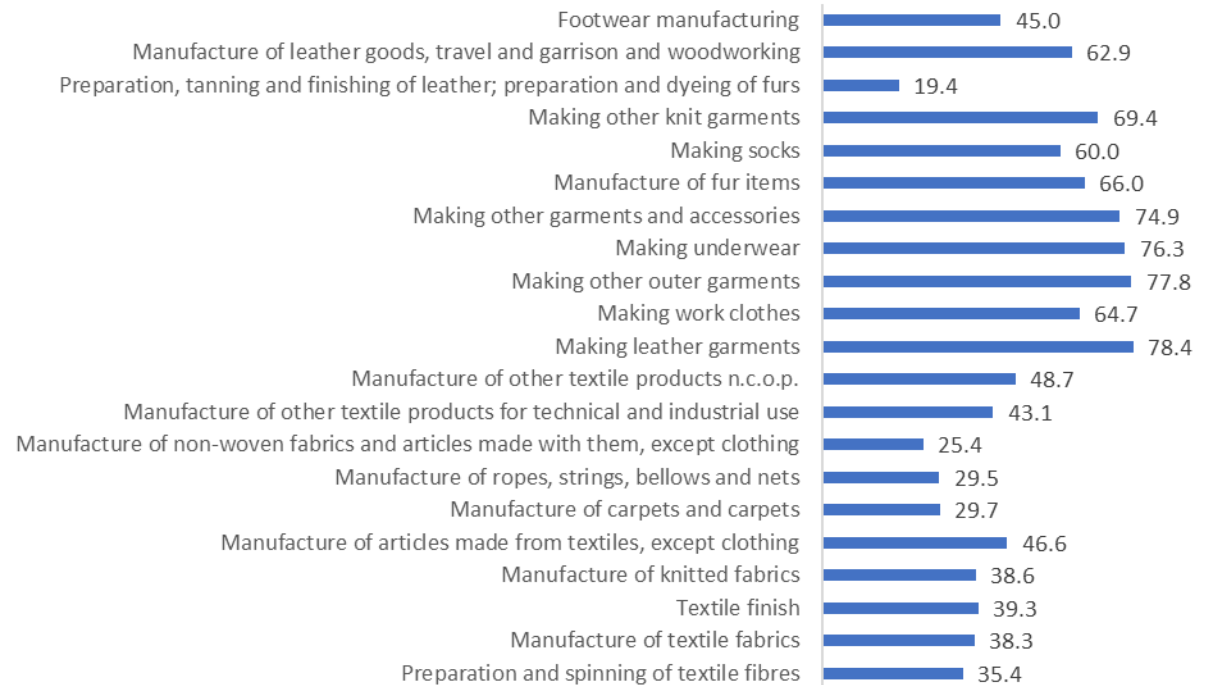
Innovation intensity: % innovative activity expenditures over the turnover of companies engaged in innovative activities

Themes in focus

Performance indicators

Women represent more than **50%** of employment as indicated by Global Blue (2019)

Female participation rate in paid staff



The leading companies in the sector (**Inditex, Tendam or Mango**) are a benchmark in terms of gender equality, having between 60% and 80% of women in managerial positions and middle managers.



Conclusions

Conclusions

- ▶ The **Textile, Clothing, Footwear and Leather** sectors are considered important and strong sectors in Spain and Europe, especially in the Mediterranean area.
- ▶ The effects of the pandemic have been negative and have been reflected in job losses and a reduction in the volume of income. Throughout 2020, a gradual recovery from the effects of **COVID-19** has been observed, with April 2020 being the most critical month. Only the textile sector has been able to place the values of the IPI and RIC in positive from July 2020. The clothing sector has diversified its production into medical devices.
- ▶ In recent years the number of companies has been decreasing (~**12%** less). Most companies are SMEs.

Conclusions

- ▶ Employment has followed the same trend as the rest of the sectors, decreasing in recent years, represented by women by more than **50%**.
- ▶ Overall, in terms of foreign trade, imports increased in 2019 mainly from **China, Italy and Turkey** for the sixth consecutive year and exports mainly to **Morocco, France, Italy and Portugal**, fell for the second consecutive year.
- ▶ The intensity of innovation has decreased in the last year studied.

acronym	name
DIRCE	Directorio Nacional de Empresas España
INE	Instituto Nacional de Estadística España
EUROSTAT	Statistical Office of the European Union
EY	Ernst & Young consulting
MITES	Ministerio de Trabajo y Economía Social del Gobierno de España
MINCOTUR	Ministerio de Industria, Energía y Turismo del Gobierno de España
SS	Seguridad Social del Gobierno de España
CITYC	Centro de Información Textil y de la Confección