



ANFAO

**ITALIAN EYEWEAR GROWS THANKS TO INTERNATIONAL MARKETS:
IN 2013 EXPORTS +7.2%, MORE THAN 2.8 BILLION EURO**

**THE UNITED STATES, FRANCE AND GERMANY IN EUROPE, A FEW
EMERGING MARKETS: THE GEOGRAPHY OF SUCCESS IN EXPORTS.**

**THE DOMESTIC MARKET, SIX YEARS SINCE THE ONSET OF THE CRISIS,
IS YET TO GIVE ANY SURE SIGN OF RECOVERY.**

THE GENERAL CONTEXT

By the end of **2013** the economy had actually **improved at an international level**. In spite of the uncertain climate, the recovery that was established and steadily continues in the United States has more or less spread to the emerging markets and reached the Eurozone.

The situation in Italy however is completely different. Industrial production and employment data continue to indicate recovery is extremely slow with trends that dip towards recession from time to time, rather than rise steadily as expected. According to the analysts and the report issued by CNEL last October, 2013 was the worst year the Italian economy experienced since the end of WW2.

Certainly the crisis, which started in 2007, direly affected the income of families and businesses, hence generating widespread financial hardship that led to an epic change in consumer habits. The cumulative loss in GNP since the start of the crisis, which reached 8%, has profoundly affected the production and employment fabric of our nation.

Nonetheless, it is encouraging to know that things could hardly be worse....

The eyewear sector mirrors this ambivalent growth trend, as the strong international orientation by which it fully exploited the opportunities offered by exports has allowed it to overcome the weakness of the national market for the sixth consecutive year.

PRODUCTION, COMPANIES AND EMPLOYEES

Italian eyewear **production** in 2013 totaled **2,919 million Euro**, a **4.3%** increase compared to 2012.

Exports were solely responsible for this growth.

The overall number of **companies** decreased slightly as small businesses and micro-enterprises find it harder to survive the situation due to their limited size. In 2013, there were **869 companies** in the sector (**-1.3%** compared to 2012).

A decrease in employment (which hardly moved for two years) also applies to industrial leaders this year; without counting temporary workers (nearly 1,000) the sector employed **15,830 people in 2013, -2.4%** compared to 2012.

EXPORTS AND OVERALL TRADE BALANCE

Exports of frames, sunglasses and lenses, which account for 90% of the sector sales **increased by 7.2%** vs. 2012 and reached **2,811 million Euro** (a historical record).

The main segments in the sector, frames and sunglasses, are responsible for this growth trend, with sunglasses recapturing the lead lost the year before.

In 2013 **exports of sunglasses soared 9% year on year**, for an overall worth of approximately **1,872 million Euro**.

The reported **increase in the export of frames** instead was decisively **lower at +3.7%**, and settled at **878 million Euro**.

The monthly exports trend for 2013 was rather constant although the second part of the year, **particularly the last quarter, marked a decisive improvement in performance with double digit growth** in exports.

Also standing witness to the international market vitality of eyewear are the import trends, up by **5.7%**, for a total of **892 million Euro**.

The overall trade balance of Italian eyewear is utterly positive (export-import balance was around **1,919 million Euro in 2013**), a 7.9% increase compared to 2012.

The contribution of eyewear to the Made in Italy fashion sector continues to rise (12%) as opposed to its contribution in terms of production (2.5%), hence showing an exports inclination greater than any other market sector.

EXPORTS BY GEOGRAPHICAL AREAS AND COUNTRIES

In 2013 recovery and consolidation respectively marked the two primary reference markets of Italian eyewear, Europe and the United States, which together purchased 80% of products exported by companies in the sector.

European sales in particular rebounded from the slow growth of 2012 and once more achieved significant results, with increases just short of the double digits.

Italian eyewear exports to emerging markets were also positive.

In relation to specific geographical areas, considering the overall exports of sunglasses and frames, we should note:

- Europe remained the main **market outlet** for eyewear exports in 2013, accounting for **almost 50%** of all Italian sector exports, with a **9.4% y/y increase** (+9.8% for sunglasses, +8.8% for frames). The foremost contribution came from the recovery in performance of sunglasses exports and the overall excellent results achieved in France and Germany.
- In 2013 the volume of exports to **America** was just shy of 30%, with an **8.8% increase from 2012** in exports of sun-prescription eyewear. The best results were achieved in **North America (+11.3%)**.
- In **Asia**, where 17% of Italian sunglasses and frames are exported, the export trend for 2013 rose by **+2.7%**, a decisively less formidable growth due to the lagging performance of the frames segment.
- In 2013 exports in the sun-prescription segment instead slowed down in both **Oceania (-11.2%)**, with falling sales in Australia, and Africa (-7.4% compared to 2012).
- As regards imports, Asia continued to dominate, with a share close to 70%.

Regarding the export analysis by individual country, we should note:

- For the **United States** (the traditional primary market outlet for the eyewear industry, claiming more than 23% of exports in 2013) **overall exports of sun-prescription eyewear soared by +11.7%** from 2012. Sunglasses (+13.6%) contributed more than frames (+6.5%) to the overall exports.
- The extraordinary performance in the European market was unquestionably the result of exports to France and Germany. **Germany** confirmed the positive trend already established last year with ever

increasing sales of sunglasses. Hence the sun-prescription glasses export trend for Germany increased by **23.7% overall**, with **+26.6% for sunglasses and +21.2% for frames**. In 2013, Italian eyewear exports to **France** increased sharply compared to 2012, with a +10.4% rise in the overall growth trend, of which **+10.6% for sunglasses and 10.3% for frames**.

➤ Italian exports rebounded in **Greece (+12.97%** overall compared to 2012, with +14.8% for sunglasses and +6.5% for frames) and **The Netherlands (+19.6%** sun+prescription average, with +23.6% for frames and +16.6% for sunglasses).

➤ After the crisis of sovereign debts for the third consecutive year exports to Spain remained weak (**-4.1%** overall compared to 2012, specifically -1% for sunglasses and -10.6% for frames) as well as **Portugal (+1.4%** overall, with the good performance of frames (+11.9%) being offset by the -5.7% drop in export of sunglasses).

➤ As always we should take into account the export trend for **emerging countries**, or rather **new and non-traditional** markets for the sector, where the Italian eyewear makers' savvy in **exploiting every opportunity** that may arise in **foreign markets** truly shines. The year 2013 was not as dynamic as 2012 also because growth in some of these countries actually slowed down a little. China is an iconic example of the drastic drop in exports experienced in 2013, especially for frames. In terms of market shares our exports to these countries are hardly significant, and therefore it is quite easy for the indexes (positive or negative) to swing beyond the double digits. Nonetheless, the general and constant growth, even if slower, still inherently holds great potential as an export channel for Italian eyewear. Following are the positive trends posted by the Italian eyewear sector in each of these countries during 2013, ranked according to the current export volumes (from 2.9% to 0.5%):

- **Brazil +19.7%** (+18% for sunglasses and +25% for frames)
- **South Korea +18.7%** (+22.5% for sunglasses and -15.3% for frames)
- **Turkey +27.4%** (+28.7% for sunglasses and +13.9% for frames)
- **Russia +16.5%** (+28.8% for sunglasses and -10.3% for frames)
- **Japan +20.5%** (+14.5% for sunglasses and +37.6% for frames)
- **Thailand +11.4%** (+11.8% for sunglasses and +9.9% for frames)
- **India +11.7%** (+2% for sunglasses and +10.9% for frames)
- **Poland +26.4%** (+29.5% for sunglasses and +24.2% for frames).

ITALIAN EXPORT MARKET SHARES

Considering the **global exports of sunglasses and frames**, which in 2013 amounted to approximately **13,000 million Euro**, Italy holds around **24% of the global market share** and ranks in first place.

The individual analysis of both segments shows that in 2013 Italian sunglasses held almost 29% of the global export market while frames held 21%.

Right behind Italy are China and Hong Kong, who instead lead the low-end high volume market segment.

EXPORTS BY VOLUME

Overall Italian eyewear companies exported approximately **93.5 million pairs of eyeglasses** in 2013, a 1.6% increase from 2012.

Of the 93.5 million pairs exported, **62 million were sunglasses** (around **66%**) and **31.5 million were ophthalmic frames** (**34%**).

THE DOMESTIC MARKET

As previously indicated 2013 was the sixth consecutive year of economic crisis in our country, and the eyewear sector was not immune to the general situation although the results were a little less negative than the year before.

More specifically we will address sales to opticians and overall consumption.

In terms of sell-in, domestic sales for 2013 amounted to **940 million euro, down by -2.3% compared to 2012**. The substantial stability of the opticians' segment, which together with the frames segment experienced a slight improvement, was offset by the negative performance of the sunglasses segment, substantiating the concerning state of Italian consumer spending.

Actual proof is given by the sell-out figures. The data provided this year by **GfK Retail & Technology Italia**, once more in partnership with ANFAO, confirm the same trend.

In 2013 sales dropped by 1.8% in value due to the negative performance of sunglasses (-8%) vs. substantially steady sales of frames (+0.9%) and prescription lenses (-0.1%).

2014 OUTLOOK

The last update of the World Economic Outlook by FMI indicates that **in 2014 global economy will accelerate but not without the potential risk of a downturn**.

According to FMI in order to ensure the growth of advanced economies it is necessary to avoid the premature withdrawal of economic incentives, restore balance to the budgets and enact structural reforms.

More particularly, as regards **Italy, the recovery outlook for this year is worse.**

The Italian economic data pertaining to industrial production and employment, continue to indicate an extremely slow recovery that may even involve some set-backs rather than expected gradual consolidation and improvement. It has become clear that continuous improvements at the international level, although necessary, will not be enough to turn things around in Italy.

The credit crunch, weak domestic demand, cumulative loss in competitiveness: these key factors must be urgently addressed in order to keep the Italian economic system from deteriorating any further.

Within this context and yet unable to count on the domestic market recovery, **the eyewear sector can still rely on internationalization strategies targeted to reap the opportunities offered by new markets.** In this regard as well as others, the need for a government capable of giving the companies the support required to succeed is increasingly obvious.