ANFAO

ITALIAN EYEWEAR:
FINANCIAL STATEMENTS 2009 AND OUTLOOK 2010

In 2009 the eyewear industry was affected by the global crisis: production stood at EUR 2,251 million
Exportations down by 13.6%

Signs of a possible recovery glimpsed in the last quarter 2009

Milan, 4 March 2010 – Over the past 10 years the eyewear industry – I-Style at its best – has almost always posted an increase in production as well as in exportations, proving to be a segment that is heedful of market demands and much appreciated both in Italy and on the major international markets, thanks to the quality and solidity of our products. It is pointless to deny that the economic trends of the last two years have however impaired this solidity.
In 2009, in particular, the global economic crisis was at its height and even the Italian eyewear industry felt the effects, with some weak signs of recovery only being glimpsed in the last quarter.
In 2009 production of Italian eyewear stood at EUR 2,251 million posting a downturn of 13.3% compared to 2008. Without a shadow of doubt, this decrease was mostly caused by the trends in exportations – which absorb 85% of our production and posted a downturn of 13.6% on 2008, while the domestic market posted a fall of 7.2% (for a value of approximately EUR 988 million).

A breakdown shows that in 2009 exportations of sunglasses fell by 14.8% compared to 2008, coming to stand at over EUR 1,214 million, while exportations of eyeglass frames fell by 12.5% (for a value of EUR 636 million). In terms of volumes in 2009 we exported just over 73 million pairs of glasses, 44 million 900 thousand pairs of sunglasses (approximately 61%) and approximately 28 million 300 thousand vision frames (39%). Hence even from a "quantitative" point of view a sharp downturn has been recorded, (-8.6% on 2008; -7.6% for frames and – 9.3% for sunglasses).

The quarterly performance has however brought a glimmer of cautious optimism: the contraction in exports has diminished over the year, especially in Q4 2009. In fact exports of the entire segment began with a -23.8% in Q1 and reached -4.5% in Q4 (-2.7% for frames and -5.6% for sunglasses).

As stated, 85% of our production is destined for exportation and Europe has confirmed its position as the reference market for sunglasses and frames made in Italy, with a 54.9% share, while the American market (North, Central and South America) stands at 26.4%. The percentage contraction in the Old Continent is 11.2% on 2008 (sun and prescription) while it is even sharper in America: -17.9%. The Asian area takes third place with a 14.3% market share and posted an 18% decrease in exports compared to 2008.

Some positive figures have been posted by a few of the "virtuous" European countries, like France, where total exportations of the sun-eyeglasses segment recorded a slight increase on 2008 (+3.5%) thanks to a positive performance in both frames (+6.8%) and sunglasses (+1.0%) and Portugal (+6.4% overall, which breaks down into +8.5% for frames and +4,8% for sunglasses). Meanwhile the so-called emerging countries – which over the last years had given cause for hope in terms of percentage growth – confirmed the decidedly negative global economic situation: United Arab Emirates (-24.4%), Russia (-48.8%), Brazil (-3.8%).

Different situations have been recorded within the individual segments (sun, vision and ophthalmic lenses), which depends on the specific quality of the products themselves. On one hand the vision segment (especially lenses, linked to the health area) showed that it was better equipped to withstand the negative trend, while the sun segment, decidedly more fashion-orientated, suffered more. With regard to ophthalmic lenses, approximately 18 million lenses entered the sales outlets (in line with the 2008 figure).

Once again a sound increase was confirmed in progressive lenses (+5%), a type of lens which – thanks to its specific characteristics – has been strongly promoted by manufacturers and distributors in recent years.

Prescription frames and sunglasses shared out the sell-in in 2009 with market shares of 39% and 61% respectively. On the whole they achieved domestic distribution of over 15 million pairs of glasses (- 6% compared to 2008).

All these figures and the overall contraction in the economy have also affected a fundamental aspect, and namely that of the production situation – the companies - and their workforces. The contraction in production has therefore had direct repercussions on both the number of companies and the number of employed workers, affecting small, medium and even large enterprises without distinction. Furthermore, all this has given rise to a vicious circle: on one hand the crisis has increased the companies' loan requirements, while at the same time the conditions for access to credit have been tightened, thus effectively preventing the investments required to withstand the crisis. In numeric terms 2009 closed with 950 companies, down by 5.5% compared to 2008, and with 16,600 employed workers, down by 5.1% compared to the previous year.

Outlook for 2010

It is essential to identify the strong points from which recovery may begin. At global level the Q4 2009 figures confirm that the major economies have started up again, but also underline the difficulty in speeding up recovery and the different speeds at which it is happening. Chinese consumption is advancing at higher rates than Western economies, while household expenditure is on the rise in the United States, albeit gradually. In our country all the institutes forecast for Q1 2010 a new phase of cautious confidence. After a series of quarters on the downturn, many segments should turn the trend around. There is a widespread fear that this will occur without a simultaneous rise in employment.

A similar scenario is taking shape for the eyewear industry. Considering the trends in exportations, which are the real driving force of the Italian eyewear industry, in 2009, it could be said that the segment has overcome the worst of the crisis, but that the road to recovery is still very much uphill.

Q4 2009 confirmed a slight improvement, but also the extreme difficulty in recovery with production and orders still below par for most companies. From December 2009 sales have however improved and have picked up again especially abroad. The first months of 2010 seem to confirm the trend recorded at year-end 2009: there is a more positive climate and greater confidence, even if it is too early to talk of a turning point. It will be important to see trends in orders after the Mido exhibition.

Companies are committed to taking advantage of each opportunity for recovery. It is however essential that this endeavour is accompanied by commitment from all sides, and firstly from the institutions through an industrial policy plan that directs resources to investors. Furthermore, companies must have loan support, the lack of which heavily affected the economic trends in the last two years.

Hence it is in such a context that the Italian companies of this segment must join forces and act as a compact unit so as to raise the institutions' awareness and lead them to guarantee singular measures for the sector at national level. It is necessary to fight for improved access to credit and it is fundamental that projects aimed at giving substance to the results of industrial research are supported through the planning and implementation phases of pilot and demonstration projects. Anfao is engaged in an important battle with the government: the request to allow 100% tax deduction for at least one pair of eyeglasses a year. This measure would provide sound help to companies and at the same time consumers who, today more than ever, really need it. It is not a question of scrapping incentives, but of tax relief measures on a medical device which pertains to the health sphere, as already occurs in various European countries.

Mention must also be given to the important action to promote "Made in Italy" eyewear at international level. The category association has always – and today more than ever – sustained the excellence of Italian products promoting ad hoc market research for SMEs, participating in major international trade fairs and organising events to promote the sophisticated exclusivity of the excellent workmanship that characterises the Made in Italy brand and to acquire new markets.

The Association's objective has always been to protect the segment's companies, working on a single idea: the total quality, not only of the product, but also of all the production phases. The transparent way of working, combined with the Italian culture, creativity and refinement, represents the best vehicle for upholding eyewear production on the international markets.

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