

EYEWEAR: 2020, A DRAMATIC YEAR

SIGNS OF GROWTH FOR 2021, BUT FORECASTS STILL AT A LOSS COMPARED TO 2019.

TO RETURN TO PRE-COVID LEVELS, THE SECTOR LOOKS AT 2022

Milan, 19 May 2021.

The ailing Italian eyewear industry is looking towards the early signs of 2021 to relaunch itself: this is revealed by ANFAO data referring to 2020, presented today at the press conference of MIDO Digital Edition, the world eyewear show, this year with an exceptionally virtual format.

Some highlights:

- Exports of frames, sunglasses, and lenses, representing around 90% of Italian production in the sector, plummeted by 26% compared to 2019, with the sunglasses segment suffering the most (-27%).
- Sharp drop in production of 22.6% compared to 2019.
- The number of companies and employees working in the sector remains stable, but this should be reassessed in 2021, taking into account the effects of the Italian Law Decrees on economic restoration.
- In the early months of 2021, only a few signs of recovery are expected, with more encouraging signs to come only during the second half of the year.

THE DATA

The year 2020 saw significant **impacts of the pandemic on the global economy**, with China partly involved as early as late 2019 and countries in the rest of the world progressively implicated in parallel with the worldwide spread of the contagion, for the duration of at least 10 out of 12 months.

Therefore, on a global scale, **the impact has been strongly asymmetric** both geographically and on the different economic and production segments based on their position within the essentiality chain.

If at the onset of the global health emergency, the two economies driving the growth were the US and China, the spread of Covid-19 has marked the gap even further and has, for example, widened the growth gap between Europe and the US. At the same time, **significant differences emerged between all the players** in the manufacturing sector in particular, based on their ability to integrate cross-cutting transformations, from digital to automation, from health protection to environmental sustainability.

In Italy, 2019 already showed a critical downward trend in global economic growth, and 2020 saw the emergence of further difficulties: manufacturing activities suffered a **sharp slowdown** and an immediate and violent impact from the pandemic.

In particular, the situation has been erratic in the industrial sector, with a V-shaped trend and the hope of recovery only in the second half of 2021; instead, **the expectation of returning to pre-Covid levels** is currently stretching to 2022.

In this troubling scenario, the eyewear sector is no exception, where production and exports have returned to 2013 levels: **production** in 2020 was **3.089 million Euro**, a drop by 22.6% compared to

2019, **exports** closed at **2.882 million Euro**, a decline of around 26% compared to 2019. In just one year, around 1,000 million euros were burned in terms of both production and exports.

During the lockdown periods due to the pandemic, eyewear companies manufacturing medical devices (eyeglasses) and personal protective equipment (sunglasses) could carry on their activities after securing their sites, since they were a critical part of the supply chain for producing essential goods. Similarly, opticians have been allowed to re-open their shops once they have implemented the necessary anti-Covid measures.

Despite this, the sector suffered greatly due to the lack of international mobility, which held back exports, and due to a general decline in consumption, which penalised sales, especially of sunglasses.

A realistic **assessment of the production sector and the workforce** can only be carried out after the gradual return to normality with the phasing out of social shock absorbers and the end of emergency measures such as the ban on redundancies. The relaunch of exports should allow previous employment to be maintained.

EXPORTS IN 2020

Exports of frames, sunglasses and lenses, which account for around 90% of the sector's production, stood at **2.882 million Euro**, a drop of around 26% compared to 2019.

The segment that suffered the highest loss was **sunglasses** (-27%), which stood at **1.871 million Euro**. **Exports of frames**, on the other hand, fell by 22% to approximately **936 million Euro**.

At the monthly level, exports showed the V-shaped performance: an extremely critical trend since the beginning of the year, with the figures falling sharply to a low point in April 2020 (-70%), only to recover to acceptable levels, but still below 2019 only from July onwards.

EXPORTS BY GEOGRAPHICAL AREAS AND COUNTRIES

By focusing on the two product macro-segments as a whole, sunglasses and frames, in relation to the **geographical areas** in detail, we can observe that:

- The **reference area** for eyewear exports is still **Europe** (in 2020, it accounts for 51% of all exports in the sector), and in the Old Continent, the sector has seen an average drop of 23%, with a higher impact on sunglasses.
- By 2020, exports to **America** (the target market for about 33% of Italian eyewear) dropped more than 26%, with an even greater loss for sunglasses.
- In **Asia**, reached in 2020 by more than 14% of Italian exports, the decrease was about 34%, with the most severe impact on the sunglasses segment.
- **Africa** remains a small market for the sector, with 1.3% of exports, although in 2019 it proved to be a growth area with good potential.
- In **Oceania**, which is still a very marginal area with a 0.5% share of the Italian market, exports in 2020 reveal a slightly bigger drop compared to the previous year (-14.5%).

The analysis by **individual countries** of export shows:

➤ The **United States** accounted for the largest market share (over 28%), but **overall exports fell by over 21%**.

➤ Next in line, among the largest market shares, are two European countries: **France**, where exports decreased by around 23%, and **Germany**, where Italian exports dropped by 15.6% in 2020. Other European countries followed with major decreases: The United Kingdom (-29%) and Spain (-40%).

➤ Finally, we conclude with the trend in eyewear exports to the **BRIC** countries, which together account for over 10% of the sector's exports, with one country, China, alone representing 4.3% of the market. In 2020:

- Brazil -49%
- Russia -22,7%
- India -49,5%
- China -35,4%.

THE DOMESTIC MARKET

According to the sales data of the optical channel, monitored by GfK Retail & Technology Italia, the domestic market in 2020 suffered a strong downturn: - 14.4% in value compared to 2019 for a total of 2.500 million Euro. A loss of approximately 400 million.

The most significant drop was recorded in sunglasses sales (-32%), followed by frames (-8.5%) and finally, ophthalmic lenses (-7.9%), which are obviously more related to the actual need to adjust one's vision defect and less likely to be purchased.

OUTLOOK 2021

2021 began amid the third pandemic wave and, simultaneously, with the arrival of vaccines and the hope of national and international recovery.

However, due to limited international mobility, restarting production did not coincide with the revitalisation of exports, nor did it lead to the recovery of all consumption, which was still too shrouded in a climate of mistrust and uncertainty. Specifically, the postponement of medical examinations also had the effect of slowing down the recovery of the eyewear sector and the sunglasses sector, which is more linked to the fashion world.

Exports in the first part of the year were still lacklustre, too tied to limited international mobility.

On the other hand, the domestic market showed a slight recovery compared to 2020, especially for frames and ophthalmic lenses, which returned close to 2019 levels.

The situation of the first quarter of 2020 as a whole was therefore very delicate. Finally, in April, the Italian economy saw some positive signs thanks to the change of pace brought about by the national vaccination plan and the progressive opening plan that boosted consumer and business confidence.

In contrast, the world seems to be recovering, and international trade is already growing above pre-Covid levels. Such growth is still led by Asian countries, China above all, and the United States.

Based on current evidence, we have estimated that exports in the sector will increase in value by 10% compared to the first half of 2020 and 19% compared to the second. As a result, by the end of the year, the sector will record an overall export growth of 15% compared to 2020, but still 14 percentage points lower than the growth reported in 2019.

The actual revival with the achievement of pre-pandemic values will most likely take place in 2022. At that point, we will be able to continue to reaffirm and consolidate what have always been the records of the Italian eyewear sector:

- Europe leading manufacturer of sunglasses and frames
- Europe leading exporter of sunglasses and frames
- the World second-largest exporter of sunglasses and frames
- the World leading manufacturer and exporter of high-end sunglasses and frames.

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