

CBI MARKET SURVEY

THE OUTERWEAR MARKET IN PORTUGAL

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**Introduction**

This CBI market survey gives exporters in developing countries information on some main developments on the outerwear market in Portugal. The information is complementary to the information provided in the CBI market survey 'The outerwear market in the EU' which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.nl/marketinfo>.

**1. Market description: consumption and production**

**Consumption**

- In the depressed economic climate of recent years, Portuguese consumers have cut their spending and competition has intensified. As a result, the expenditure on clothing fell 4.4% in 2003. However, in the ensuing years, consumer demand grew again.
- Portugal ranked 11<sup>th</sup> in EU outerwear consumption just above Poland.
- Clothing retailers will continue to feel the restraints in consumer confidence and spending quite severely, and the intense competition and economic climate is expected to maintain the pressure on clothing prices.

**Table 1 Consumer expenditure on outerwear in Portugal in value, 2002-2007 (in € million)**

	2002	2003	2004	2005 e)	2006 f)	2007 f)
Women's outerwear	2,638	2,487	2,584	2,660	2,761	2,840
Men's outerwear	1,286	1,246	1,283	1,347	1,384	1,420
Knitwear	234	226	231	239	244	250
Clothing accessories	127	128	133	134	136	140
<b>Total outerwear</b>	<b>4,285</b>	<b>4,087</b>	<b>4,231</b>	<b>4,380</b>	<b>4,525</b>	<b>4,650</b>
Total clothing	5,266	5,034	5,151	5,307	5,452	5,600
Yearly change	+ 1.8%	- 4.4%	+ 2.3%	+ 3.0%	+ 2.7%	+ 2.7%

e) estimated f) forecasted

Sources: Euromonitor and national statistics (INE)

- As with most European countries Portugal's population is maturing. In 2002 16.7% of the population was aged 65 or more compared to 15.9% aged 0-14. However, data by INE indicates that by 2050 the overall population is set to decline to 9.3 million. The under 14s will represent 13% of the population, while those over 65 will account for just under a third of the population (32%).
- A number of factors has driven the Portuguese clothing market in recent years including lower prices, better value, fast fashion and the aggressive expansion of many specialist chains. This will lead to a forecasted annual increase of 2.7% for the coming years.

**Production**

- Portugal is the 6<sup>th</sup> biggest clothing manufacturing country in the EU, after Italy, France, Germany, Spain and the UK. The turnover for the clothing industry dropped for the third year in a row to € 3.4 billion in 2004. The annual average decline was 3.7% since 2000.
- The EU market represents 93% of the Portuguese exports and from January 2005 onwards, Portugal had to cope with free competition, 80% of the exports having previously been under protection in the EU. This big challenge for the clothing industry in the short term led to the situation that according to INE (National Statistics Institute) the total turnover of the

clothing manufacturing industry declined by 13.1% in the first half of 2005. A further decrease in turnover of manufacturing companies is expected as a result of growing imports from low-cost countries.

- Leading clothing manufacturing companies are: Maconde Confeccoes SA (men's wear) and Confetil (knitwear; <http://www.confetil.com>).

### Trends

- Expansion of foreign clothing multiples, especially from Spain, in the past and coming year gives the clothing sector a boost and it is expected that consumer expenditure on clothing in Portugal will grow around 3% in the coming years.
- Based on developments in the Portuguese retail sector, successes of Swedish H&M and Spanish Zara, both representing a high level of fashionability in their collections, suggest that consumers are becoming more fashion conscious.

### Opportunities and threats

- Portuguese clothing manufacturers, especially in knitwear, remain more attractive suppliers for smaller West European brands (medium and higher price levels) than producers in low cost countries. The availability of the latest technical processes guarantee buyers flexibility and quality. However, the global problem of price sensitivity is present in Portugal, too. Prices have been depressed by cheap Asian imports.

### Useful sources

Euratex Bulletins (<http://www.euratex.org>); Apparel Retailing in Western Europe, Retail Forward (<http://www.retailforward.com>); Clothing Retailing Europe and European Retail Handbook 2005/6, Retail Intelligence/Mintel (<http://www.mintel.com>); Euromonitor publications (<http://www.euromonitor.com>); national statistics and websites of organisations mentioned in this survey.

## 2. Trade: imports and exports

### Imports

- In 2004, Portugal imported 21,000 tonnes outerwear valued € 1,056 million, consisting of € 521 million of woven outerwear, € 505 million of knitted outerwear and € 30 million leather garments. Total imports showed a growth of almost 4.4% compared to 2002. Only 7% of total outerwear imports came from outside the EU, which is much lower than the EU average of 60%.
- Imports of knitted outerwear consisted of jerseys, pullovers etc. (33%); T-shirts (23%); blouses and shirts (12%); trousers, shorts etc. (7%); sportswear (6%).
- Imports of woven outerwear consisted of trousers, shorts etc (37%); blouses and shirts (15%); coats and outdoor jackets (12%); indoor jackets (8%); suits and ensembles (5%); skirts (6%); sportswear (4%).
- Spain remained by far the leading outerwear supplier to Portugal, with an import share of 57 percent in terms of value, followed by Italy (an import share of 8%), France (an import share of 8%), Germany (import share of 4%) . Leading suppliers from outside the EU were China 7<sup>th</sup> , India 8<sup>th</sup> , Mauritius 10<sup>th</sup> and Bangladesh 11<sup>th</sup>: imports from all these countries increased.
- Total imports by Portugal from developing countries increased in terms of volume (+29%) and value (+24%) in the period 2003-2004 to € 69 million in 2004. This growth can mainly ascribed to increasing imports from India, Mauritius, Bangladesh and Brazil.

### Exports

- Portugal exported outerwear valued € 2,341 million in 2004, consisting of € 785 million of woven outerwear, € 1,554 million of knitted outerwear and € 2 million of leather garments.
- Total outerwear exports fell by 6% during the period 2002-2004.

- Destinations were mainly (93% in value) other EU countries, like Spain (29%), United Kingdom (17%), France, Germany, Italy, The Netherlands and Belgium. Leading destinations outside the EU were the USA and Switzerland.

### Opportunities and threats

- In the first half year of 2005, clothing imports grew 4.8% while exports decreased by 12.2% compared with the corresponding period of 2004, which means a further decline in the Portuguese trade surplus.
- An increasing part of Portugal's outerwear imports came from developing countries, however, this share accounted for a very limited 6% in 2004 against an EU average of 46%!
- Import shares from developing countries were higher than average for the product group woven shirts and blouses (12%) and far lower for product groups like woven suits and indoor jackets.
- Import prices fell sharply during the period under review. The decrease in average import prices will put further pressure on Portuguese producers.

### Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>
- Euratex Bulletins (<http://www.euratex.org>)

### 3. Trade structure

- Most interesting trade channels for exporters in developing countries are: exports to wholesalers, manufacturing companies and domestic clothing multiples.
- The retail clothing market in Portugal is highly fragmented, and is characterised by a large number of small and medium sized independent specialists. However, these businesses are coming under increasing pressure due to the success of international multiple chains.
- Specialist clothing retailers account for the bulk of the clothing market (an estimated 69% in 2004, of which 40% independent retailers and 29% clothing multiples), however independents face increasing competition from specialists chains and super-and hypermarkets.
- International chains from several European countries dominate the Portuguese clothing market. The majority of these chains comes from neighbouring Spain, Inditex (Zara: 40, Pull& Bear: 49, Massimo Dutti: 39, Bershka Young Fasion: 27 and Stradivarius Fashion: 21 stores) Cortefiel (Cortefiel: 24 and Springfield: 24 stores, Mango (51) and Induyco (60 stores under the fascia Sintesis, Tinteretto and Amitié) are ranked amongst the top ten clothing retailers in Portugal in terms of sales. However, domestic groups Maconde (Macmoda chain: 35 stores; <http://www.macmoda.pt>) and Modelo Continente (Modalfa chain: 52 stores) operate by two leading fascias. In 2001, Lanidor stores became known as LA Woman and LA Kids and operates through 88 stores.
- Retailers from Italy and France are the next most prolific in Portugal, the main examples being Alain Manoukian (30) and Groupe Zannier (13) from France and Benetton (82 stores), Chicco Artsana (43 children's and maternity wear stores) and Stefanel (35) from Italy. The German/Dutch giant C&A also has a presence here operating a network of some 22 stores across Portugal. H&M entered the Portuguese market in 2003 and currently operates five stores.
- Non-specialists accounted for 31% of the clothing market in 2004, of which 4% department/variety stores, 9% hyper- and supermarkets, 6% sports shops, 2% home shopping companies and 10% street markets and other channels.
- Department and variety stores sector in Portugal is dominated by the Spanish El Corte Inglés.
- Super- and hypermarkets like Continente, Feira Nova, Carrefour, Jumbo, Pão de Açúcar, Intermarché, and Leclerc. All these stores have the space to sell a reasonable selection of clothing.

- Three of the major European mail order players are present in Portugal: Redcats, the mail-order subsidiary of PPR, is the market leader, followed by German retailer Quelle and VPC, a subsidiary of Otto.
- Market stalls are still very common and attract a significant share of the market. Although it is unlikely that on most occasions street markets would operate as shopping destinations, the frequency that they can be found makes them particularly popular with consumers on lower incomes. Market stalls are important to the Portuguese way of life, and this is a leading channel for clothing just like in other Mediterranean markets including Greece, Italy and Spain. Obviously the drier weather lends itself to this type of retailing, compared to the more Northern European nations.

#### 4. Prices

- Analysis of clothing prices in 2004 relative to 2000:

Consumer prices	+ 0.8%
Import prices	- 5.3%
- Consumer prices of clothing decreased 1.3% in 2004 compared to the previous year. The Portuguese clothing market can be characterised by a small increase in consumption, relatively low increase of consumer prices while prices of import were higher.
- The VAT tariff for clothing is 21%.
- An impression of average prices can be formed by browsing through the catalogues of large multiples, department stores, mail-order companies or from other company websites. For websites we refer to the previous chapter.

#### 5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country's government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- For more information go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>.

#### 6. Business practices

Try the following website for information on business practices:

- The website of the Portuguese trade association ANIVEC/APIV (National Association of Clothing Manufacturers) is <http://www.anivec.com>.

This survey was compiled for CBI by Fashion Research & Trends.

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