

# Economic impact of counterfeiting in the clothing, cosmetics, and toy sectors in the EU



January 2024

## ECONOMIC IMPACT OF COUNTERFEITING IN THE CLOTHING, COSMETICS, AND TOY SECTORS IN THE EU

Catalogue number : TB-02-23-317-EN-N ISBN : 978-92-9156-348-7 DOI : 10.2814/053613

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## Executive Summary

The European Observatory on Infringements of Intellectual Property Rights (the Observatory) was created to improve the understanding of the role of intellectual property and of the negative consequences of intellectual property rights (IPRs) infringements.

The sectorial studies published during 2015-2018 analysed twelve sectors separately to quantify the economic impact of counterfeiting in several sectors in the European Union (EU) economy. Since then, new information has been made available allowing a consideration of additional aspects of counterfeiting, such as trends in detentions of counterfeit goods and crimes linked to counterfeiting. Based on the same methodology with improved data, this report assesses the economic impact of counterfeiting in sales and employment in three sectors: clothing (including footwear), cosmetics and toys.

It is estimated that the legitimate clothing industry lost almost EUR 12 billion of revenue as an annual average in 2018-2021, representing 5.2 % of clothing sales in the EU. As a consequence of sales lost due to counterfeiting, the clothing industry employed 160 000 fewer people each year in the same period, with Germany and Italy the most affected markets.

The cosmetics market in the EU is much smaller than the market for clothing, amounting to about one third of the size in terms of sales. The estimated lost cosmetics sales due to counterfeiting amount to EUR 3 billion, corresponding to 4.8 % of total sales. The French cosmetics industry is the most affected in absolute terms, with EUR 800 million in annual lost sales. The lost employment in the EU is estimated at almost 32 000 people.

The toy sector is the smallest of the three sectors analysed in this study, but it suffers the highest ratio of sales lost due to counterfeiting: 8.7 %, corresponding to EUR 1 billion in lost sales and 3 600 fewer people employed in this industry. The German toy industry absorbed one third of sales lost due to the presence of fake toys in the EU.

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Table 1. Annual lost sales and employment due to counterfeiting in three sectors, EU and 27 Member States, average 2018-2021

	Lost sales (%)			Lost sales (millions EUR)			Lost employment (people employed)		
	Clothing	Cosmetics	Toys	Clothing	Cosmetics	Toys	Clothing	Cosmetics	Toys
AT	7.7	5.9	9.8	580	133	71	4 292	970	191
BE	6.6	5.1	8.9	275	134	27	3 424	654	60
BG	8.1	8.7	9.2	88	37	19	7 336	576	218
CY	10.7	7.9	14.1	49	12	3	766	107	..
CZ	4.8	4.2	10.3	125	45	na	2 696	1 289	na
DE	6.2	4.6	7.4	2 913	724	334	31 339	6 946	1 251
DK	4.7	3.5	10.6	201	38	na	1 772	690	na
EE	8.7	7.2	5.6	33	9	1	657	76	..
EL	8.0	6.5	7.4	267	80	3	6 297	1 446	26
ES	3.7	5.5	11.1	1 000	398	113	11 208	3 601	235
FI	5.6	2.5	6.8	126	14	6	806	159	..
FR	4.5	4.7	8.8	1 719	801	175	11 860	2 385	182
HR	8.1	6.0	14.2	108	16	11	2 393	211	22
HU	6.2	7.6	13.7	126	51	12	3 247	870	349
IE	10.2	6.0	10.4	349	na	na	3 196	na	na
IT	3.7	3.1	10.3	1 700	260	122	19 081	4 938	222
LT	9.1	7.4	8.5	76	20	3	2 015	248	..
LU	9.2	6.9	5.2	50	7	1	320	39	..
LV	3.7	6.6	7.3	17	15	2	487	283	..
MT	5.8	4.8	16.2	na	4	na	na	69	na
NL	4.8	4.2	10.9	526	116	na	5 786	950	na
PL	7.6	5.7	6.6	549	140	39	15 378	2 499	367
PT	6.1	7.7	9.5	337	83	18	9 495	705	23
RO	8.2	7.9	12.2	256	76	27	11 442	1 085	267
SE	4.4	3.0	11.8	443	40	28	2 497	569	20
SI	7.9	6.8	13.1	49	9	7	631	150	42
SK	7.7	6.7	11.4	107	39	8	1 934	201	73
<b>EU</b>	<b>5.2</b>	<b>4.8</b>	<b>8.7</b>	<b>11 944</b>	<b>3 169</b>	<b>1 022</b>	<b>160 352</b>	<b>31 717</b>	<b>3 608</b>

Source: author's calculations

.. low values (< 20 people employed)

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The ratios of sales lost due to counterfeiting as a share of total sales in the three sectors for all the EU MS are shown in Table 1. While estimated lost sales ratios for the clothing and cosmetics sectors are of similar magnitude, the toy sector's lost sales ratio for the EU is greater, and its range (the difference between the maximum and minimum values) among countries is also wider. Absolute losses cannot be estimated for some MS due to lack of data on legitimate sales or employment from official statistics.

Sales lost due to counterfeiting as a share of total sales in each sector are estimated based on econometric models detecting which of several counterfeiting indicators influence sales trends. It can be concluded that the higher the percentage of respondents who declare themselves to have bought fakes in a country (from the IP Perception survey), the higher the ratio of sales lost due to counterfeiting in the clothing and cosmetics sectors; the greater the border detentions of clothing and toys in an MS, the lower the sales lost due to counterfeiting; the higher the declared offences of unlawful drugs or corruption crimes, the higher the impact of counterfeiting in the three sectors; and finally, the greater the percentage of citizens that perceive corruption increasing in the past 3 years, the greater the impact of counterfeiting on the toy industry.

Another important result of the analysis of sales in 2018-2021 was the major impact of the COVID-19 pandemic on sales of both legitimate and counterfeit goods, especially in the clothing sector. A longer analysis period is needed to confirm a return to pre-crisis levels or a structural change in the impact of counterfeiting on different sectors.