The Italian footwear sector 2020

Highlights & notes

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L'INDUSTRIA CALZATURIERA ITALIANA "LINEAMENTI PRINCIPALI" 2020

Schede statistiche

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The Italian footwear industry 2020 - Highlights

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L'INDUSTRIA CALZATURIERA ITALIANA 2019/2020 – LINEAMENTI PRINCIPALI
THE ITALIAN FOOTWEAR INDUSTRY 2019/2020 – HIGHLIGHTS

DESCRIZIONE *Description*		**2019**	**2020**	**VARIAZIONE %** *Variation %*
Aziende *Companies*		4.326	4.152	-4,0
Addetti *Employees*		74.890	71.882	-4,0
PRODUZIONE *Production*	paia (milioni) / *pairs (millions)*	179,1	130,7	-27,0
	valore (milioni Euro) / *value (million €)*	7.992,26	6.081,02	-23,9
EXPORT	paia (milioni) / *pairs (millions)*	201,4	165,2	-18,0
	valore (milioni Euro) / *value (million €)*	10.269,70	8.738,60	-14,9
IMPORT	paia (milioni) / *pairs (millions)*	333,9	271,1	-18,8
	valore (milioni Euro) / *value (million €)*	5.362,88	4.492,07	-16,2
Saldo commerciale *Trade balance*	paia (milioni) / *pairs (millions)*	-132,5	-105,9	+20,1
	valore (milioni Euro) / *value (million €)*	4.906,82	4.246,52	-13,5
Produzione per l'interno *Production for domestic consumption*	paia (milioni) / *pairs (millions)*	26,3	18,7	-28,9
	valore (milioni Euro) / *value (million €)*	1.070,14	767,26	-28,3
Consumi interni *Domestic consumption*	paia (milioni) / *pairs (millions)*	189,0	142,7	-24,5
	valore (milioni Euro) / *value (million €)*	3.575,50	2.538,79	-29,0
Export/Produzione % *Exports/Production %*	paia / *pairs*	85,3	85,7	+0,5
	valore / *value*	86,6	87,4	+0,9
Import/Consumi % *Imports/Consumption %*	paia / *pairs*	86,1	86,9	+0,9
	valore / *value*	70,1	69,8	-0,4

Fonte: ISTAT, SITA RICERCA. Stime: Confindustria Moda per Assocalzaturifici.
Source: ISTAT, SITA RICERCA. Confindustria Moda estimates for Assocalzaturifici.

NOTES ON THE ITALIAN FOOTWEAR INDUSTRY IN 2020

The final figures for 2020 reveal the severity of the effects on the footwear industry of the health emergency caused by the spread of Covid-19 throughout Italy and the world. Along with the other components of the Italian Textile, Fashion and Accessories industries, footwear was among the hardest hit manufacturing sectors.
In 2020 the sector lost about 1/4 of its total turnover (with the final balance being 10.72 billion euro, -25.2% compared to 2019) and national production. There were sharp reductions in both foreign trade and domestic consumption. After the collapse in levels of business during the first part of the year, as a result of the lockdown, there was just some respite in the severity of the decline in the next two quarters (although this still remained in double-digit territory), as opposed to a V-shaped recovery. The second wave of the virus in autumn immediately put a stop to the first tentative signs of a recovery; in September foreign sales and household consumption in Italy were on par with volumes for the same period in the previous year, but in the final quarter exports and consumption were still largely unsatisfactory (with Christmas sales compromised by the restrictions).

Made in Italy production for the year is estimated to be 130.7 million pairs (48.4 million less than in 2019, -27%), with a value of just under 6.1 billion euro (-23.9%); 3 out of 5 pairs produced had leather uppers (81 million pairs).

The official ISTAT figures point to a decrease in exports of approximately -18% in quantity (equivalent to 36.2 million less pairs), with a reduction in value of -15%. The average price was up 3.7% to 52.89 euro/pair. Italian exports are down – including pure trading operations – to 165.2 million pairs, for a value of 8.74 billion euro.
Compared to 2019 nearly all markets experienced reductions (almost invariably higher than -10% and often in excess of -20%); the decline in sales to members of the European Union (which includes, as of this year, 27 nations, after the UK's exit from the EU) was a bit less pronounced than the decline in sales to non-EU markets.
Indeed, exports to EU partners, which account for approximately 63% of total quantities, experienced an overall decrease of -15% in volume and -13% in value terms. France, the leading EU destination, experienced reductions in the order of 20%; the fall in exports to Germany was less severe (-14% in the number of pairs), although it must be noted that this market had already experienced a -8.4% reduction in its final balance for 2019. The fall in volume for Spain was -17.4%, -19% for Austria and just over -10% for Belgium and the Netherlands. The only positive exception is Poland.

As mentioned above, sales outside the EU experienced more pronounced reductions (-22% in quantity and -16.4% in value). The decrease for the United States was particularly severe, with a more than 30% reduction in volume compared to the period January-December 2019; Canada did not fare much better, with a -25.8% decrease in volume and a -27.2% decrease in value. Losses were more limited in Switzerland (-6% in value) – the leading destination for Italian exports and the traditional distribution and logistics hub for luxury multinationals – and China (-1.5%, despite a -8.6% reduction in the number of pairs). Export flows to China, which were back in positive territory in value terms in the third quarter of the year (+17%), experienced a significant recovery in the last quarter (+38%), although this is likely to be attributable to high-end products, as shown by the sharp increase in the average price.
The only important non-EU market that is expanding (at least in value terms) is South Korea (+12.3%, despite a -6.7% decrease in quantity), which confirms the decidedly positive trend in recent years (it has been growing every year by at least 10% in value terms for a decade). Remaining in the Far East (which lost a total of -12.3% in value terms, with a -18.2% drop in volume), the other two main markets, Japan and Hong Kong, experienced reductions in value of -20% and -29% respectively.
The CIS Area also fared poorly (with Russia losing -15.2% in value) and the Middle East (where the UAE, the area's main destination market, experienced a decline of approximately -22%). Finally, there was a -23% reduction in value and almost -27% reduction in volume for sales to the United Kingdom, with which the EU signed a post-Brexit deal on trade and cooperation on Christmas Eve.

The examination of exports in terms of type highlights reductions of varying intensity for all segments, in both volume and value terms. Shoes with leather uppers and slippers were down -24% in quantity, while shoes made from synthetic materials were down -10% and fabric shoes were down -12.5%. The reduction for the remaining category of shoes with rubber uppers was less severe (-3% in volume).

With regard to imports, results for 2020 show a decrease of -18.8% in pairs (62.8 million less than 2019) and -16.2% in value. Overall, including re-imports, 271.1 million pairs of shoes were imported to Italy, for a value of 4.5 billion euro. The analysis by country of origin reveals a reduction in line with the overall average for both Chinese imports (-18.9% in quantity, with a -13.3% drop in value), which account for 2 out of every 5 pairs of shoes entering Italy, and for imports from non-Chinese suppliers (-18.8% overall), with reductions across the board which are almost always in double-digit territory. In particular, there was a decrease of -31% for footwear from Romania and approximately a 1/4 in imports from Vietnam, Belgium and the Netherlands.

In 2020 the balance of trade for the sector experienced a major downturn (-13.5%), despite retaining a surplus of 4.25 billion euro. Therefore, despite the extraordinary nature of the current situation, the sector continues to provide a significant contribution to Italy's balance of payments. Footwear occupies the ninth place in terms of the trade surpluses of the 99 merceological chapters in the customs classification, just as it did in 2019.

With regard to the domestic market, the forced closures of distribution premises because of government lockdown measures had inevitable repercussions on purchases of footwear. The suspension of business activities and travel restrictions, along with fewer occasions of use (ceremonies and working from offices), the fear of infection and uncertainty over finances and employment caused an unprecedented collapse in sales in Italy. According to the Fashion Consumer Panel of Sita Ricerca for Assocalzaturifici, in 2020 household spending fell by -17.4% in volume, with a -23.1% reduction in expenditure: 26 million less pairs of shoes were purchased than in 2019. The average price per pair fell by -6.8% including as a result of the greater use of slippers and informal footwear with a lower unit value during the lockdown when many people were at home. The share of purchases made during annual and fire sales increased further (to 62% of the total sales volumes).

Sita Ricerca's analysis on sales channels shows a predictable increase in online purchases, which were up +30% in quantity and +17% in value in 2020. Online shopping's share of the total market (following its constant increase in recent years) went from 14.1% in the final balance in 2019 to 21.4%. Just seven years ago (2013), online shopping accounted for a mere 3.6% of Italian families' purchases of footwear. All other sales channels closed 2020 with major losses: -27% in pairs purchased from traditional retailers (with a -42% drop in expenditure); -44% in the sales of itinerant traders; reductions of between -20 and -25% for retail chains, department stores and specialised large stores.

Alongside significant reductions in household spending, the dire picture is completed with the collapse in tourism to Italy and the missing proceeds from this, especially in the luxury segments.

The consequences on company demographics and the labour market have started to become apparent in such a challenging year: at the end of 2020 the number of active footwear manufacturers in Italy fell to 4,152 (174 less than at the end of 2019, -4%). In terms of the workforce, despite government measures blocking dismissals, the number of people working in the sector fell – because of businesses shutting down or as a result of legally permitted procedures (consensual terminations, retirements, fixed term contracts not being extended, etc.) – to 71,882, that is 3,008 less than in 2019 (-4%) with across-the-board reductions in all the main production districts. A decline of this magnitude has not been seen since the global economic crisis in 2009/2010.

2020 also saw a new record set for the number of hours of wage support (CIG) authorised by INPS in the leather supply chain: 83 million hours, ten times the 8.3 million of 2019 and more than two and a half times the number of hours authorised in 2010, in the midst of the global economic crisis.