The Italian footwear sector 2019

Highlights & notes

taken from:


ASSOCALZATURIFICI

L'INDUSTRIA CALZATURIERA ITALIANA "LINEAMENTI PRINCIPALI" 2019

Schede statistiche

A CURA DEL CENTRO STUDI
CONFINDUSTRIA MODA

The Italian footwear industry 2019 - Highlights

CONFINDUSTRIA MODA

ASSOCALZATURIFICI

L'INDUSTRIA CALZATURIERA ITALIANA 2018/2019 – LINEAMENTI PRINCIPALI
THE ITALIAN FOOTWEAR INDUSTRY 2018/2019 – HIGHLIGHTS

DESCRIZIONE *Description*		**2018**	**2019**	**VARIAZIONE %** *Variation %*
Aziende *Companies*		4.505	4.326	-4,0
Addetti *Employees*		75.680	74.890	-1,0
PRODUZIONE *Production*	paia (milioni) / *pairs (millions)*	184,3	179,1	-2,8
	valore (milioni Euro) / *value (million €)*	7.861,24	7.992,26	+1,7
EXPORT	paia (milioni) / *pairs (millions)*	203,2	201,4	-0,9
	valore (milioni Euro) / *value (million €)*	9.585,40	10.269,70	+7,1
IMPORT	paia (milioni) / *pairs (millions)*	336,1	333,9	-0,7
	valore (milioni Euro) / *value (million €)*	5.161,36	5.362,88	+3,9
Saldo commerciale *Trade balance*	paia (milioni) / *pairs (millions)*	-132,9	-132,5	+0,3
	valore (milioni Euro) / *value (million €)*	4.424,05	4.906,82	+10,9
Produzione per l'interno *Production for domestic consumption*	paia (milioni) / *pairs (millions)*	27,4	26,3	-4,3
	valore (milioni Euro) / *value (million €)*	1.106,02	1.070,14	-3,2
Consumi interni *Domestic consumption*	paia (milioni) / *pairs (millions)*	193,6	189,0	-2,4
	valore (milioni Euro) / *value (million €)*	3.627,69	3.575,50	-1,4
Export/Produzione % *Exports/Production %*	paia / *pairs*	85,1	85,3	+0,3
	valore / *value*	85,9	86,6	+0,8
Import/Consumi % *Imports/Consumption %*	paia / *pairs*	85,8	86,1	+0,3
	valore / *value*	69,5	70,1	+0,8

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 2019

The year 2019 as a whole closed with lacklustre results and a highly inconsistent situation between companies, with a non-negligible number still stuck in a recessionary phase. Despite average data for the sector pointing to increases in value and fairly modest reductions in quantity for both exports and production, the year was characterised by a number of difficulties at an international level – which had a major impact on results for several key markets – and still sluggish domestic performance that dragged down imports.

Made in Italy production stood at 179.1 million pairs (5.2 million less than in 2018, -2.8%), with a value of just under 8 billion euro (+1.7%).

Aggregate data published by Istat reveal a healthy increase in exports in value terms (+7.1% from 2018), although there was also a reduction in volumes (-0.9%), with average prices up 8.1%; despite a +3.9% increase in value, shoes with leather uppers – a key segment for Italian footwear production – experienced a -3.6% fall in quantity. Between January and December, including pure product commercialization, 201.4 million pairs of shoes were sold abroad, for a value of 10,270 million euro. This was the first time foreign sales exceeded the threshold of 10 billion euro, establishing yet another record even when adjusting for inflation.

This result was possible thanks to the performance of global international luxury brands producing in Italy, as can be seen clearly from the league table of destinations in value terms, which for 2019 is led by Switzerland, the traditional logistics platform for fashion brands, who deliver to their worldwide customers from there.
After the 60% increase in 2015-2018, in 2019 Switzerland experienced a further double-digit increase (+26.5% on 2018, along with a +4.8% increase in quantity) to make it the leading destination country, after it overtook France, which also enjoyed positive trends: +8.9%, with +6.3% in volume).
Therefore, the trends for the sector – where total turnover again exceeded 14.3 billion – clearly point to two different "speeds": large global luxury brands and small and medium sized companies (which are much larger in number and have their own brand or customers other than major fashion brands), whose performance was not so positive and very often even negative (if we are to look at the overall picture, because even here there are obviously examples of companies that performed very well).
Discounting flows to Switzerland and France – the main destinations for contract manufacturing by fashion brands, which together account for 1/3 of foreign sales in value terms – increases in Italian footwear exports in 2019 would only have been +2.6% (down from +7.1%) with volume reducing by around -3%.

The assessment by destination area shows relative stability for the European Union (+0.1% in quantity, with a +3.9% increase in value compared to 2018), which accounts for 7 out of every 10 pairs of shoes exported. While France recovered after the poor performance of 2018, Germany – our second market in terms of volume – experienced a sharp -8.4% reduction in volume in 2019, with a corresponding decrease in value (-1.4%), thus bringing to an end three years of relative stability. There were also reductions in Belgium and the Netherlands, but positive signs for exports to the United Kingdom and Spain (approximately +5% in value terms for both) and, further east, Poland and Romania fared well.

Despite more dynamic increases in value compared to EU markets (+10.5%), sales to non-EU markets experienced a reduction in volume (-2.7%). There were no shortage of countries and areas in distress: starting with Russia which, after the sudden reversal of the recovery towards pre-crisis levels in 2018, lost a further -13.1% in volume and -10.1% in value terms in 2019. The situation in Ukraine and Kazakhstan is no better, with a significant decrease in value for both (around -8% and -17% respectively). The impact of this was significant for the manufacturing districts in the Marche and Emilia Romagna, which have always been highly exposed to this area.

The Middle East also fared poorly (-10% in volume and -6.7% in value), where the UAE, the main market in the area, experienced values that were less severe but still negative (-4% in quantity and -2% in value).
In the Far East the picture is mixed: continental China fared well (+8.4% in value and a timid +1.2% in volume) as did Hong Kong (that was stable, with a +3.5% increase in volume), which together grew by 3.9% in value and 2.3% in quantity and represent the sixth largest destination market in value terms. There was a significant increase for South Korea, which reports a double-figure increase in value for the 10th year running (+20.4%, with a +5.6% increase in volume). The trend is still shy of expectations in Japan, where there was a reduction in volume (-4.6%) despite an increase in value (+5.7%). The entry into force in February 2019 of the free trade agreement with the EU (EPA) – which will lead to a gradual liberalisation of trade during the course of the next decade – certainly represents an opportunity for companies to develop their business further in this area.
Finally, in North America there was a significant increase in value for the United States (+9.3%), despite a reduction of more than 5% in volume; sales in Canada were much less positive (approximately +0.9% in value, but -10.5% in volume), despite the CETA.

At a district level, where the Istat data refer to footwear+components, looking at the eight principal export regions, there were reductions in value for Campania and Marche (as was the case the previous year), no change for Veneto and increases for the others.

With regard to imports, which were affected by the poor performance of domestic consumption, 2019 closed down -0.7% in quantity and up +3.9% in value on the previous year (333.9 million pairs for 5.4 billion euro, including re-imports). The average price (16.06 euro/pair) is more than three times less the average price for exported products. China, the market which produces 4 out of every 10 pairs of shoes imported by Italy, experienced a marginal reduction in volume (-0.3%) and a +9% increase in value. The trend for Vietnam was the same (-0.3%), although the increase in value terms was more modest (4%).

The balance of trade surplus for the sector in 2019 was almost 5 billion, with a fairly sizeable increase of +10.9% from 2018. Chapter 64 (“Footwear and Parts”) stands in ninth position in terms of the trade surpluses of the 99 merceological chapters in the customs classification.

Domestic consumption experienced yet another negative performance. While the reduction for the year as a whole had been short of 1% for the previous two years, in 2019, according to the Fashion Consumer Panel of Sita Ricerca for Assocalzaturifici, Italian household spending reduced more sharply, and is down -3.2% in quantity and -2.3% in value compared to 2018. There was a limited increase in average prices (+0.9%), demonstrating that price sensitivity remains very high (with more than half of overall sales taking place during annual and fire sales).
The analysis by product segment only reveals positive signs for sports shoes/sneakers, which experienced an overall +0.7% increase in volume and a +1.5% increase in value compared to 2018. The analysis by sales channel reveals fairly significant reductions for traditional retail and itinerant traders, stability for retail chains and an upward trend for online sales.
Despite the sector's high export propensity (with more than 85% of our country's production sold in foreign markets), the continual erosion of domestic consumption is a significant criticality, since Italy remains the third largest market in volume terms for our companies, after France and Germany, and retains a strategic importance.

The data for the balance of the number of active companies (-179 i.e. -4%, for industrial and craft operators as whole) and workers (-790 units) compared to the end of 2018 – which becomes even more negative if we consider manufacturers of components – confirms, along with the strong upsurge in the use of salary integration instruments in the leather area (+28%), that 2019 was a difficult year for many companies.