**Siro Badon, Chair of Assocalzaturifici: *“The record for exports - which luxury brands helped propel past ten billion euro in value terms - was attenuated by reductions in export and manufacturing volumes, which essentially translate to a falling workforce, against the backdrop of a domestic market in the grips of a recession”***

## THE ITALIAN FOOTWEAR INDUSTRY: IN 2019 EXPORTS INCREASED (+6.8% IN VALUE TERMS) BUT PRODUCTION SLOWED DOWN (-3.1% IN QUANTITY)

A year of ups and downs for the Italian footwear industry: in 2019 exports increased (+6.8% in value terms) as did the trade surplus (+10.3%) but there was a slowdown in production (-3.1% in terms of volume). The snapshot for the sector emerges from the report prepared by the Confindustria Moda Research Centre for Assocalzaturifici, which was presented to the industry’s professionals during the Press Conference for Micam.

*“The record for exports, which exceeded ten billion euro in value terms on the back of the performance of luxury brands (as demonstrated by the increase of +27% in flows towards Switzerland, the traditional logistics and distribution hub for these brands) is attenuated by some unencouraging signs* – explains **Siro Badon, Chair of Assocalzaturifici** – *The reductions in export and manufacturing volumes equate to a falling workforce for the sector, against the backdrop of a domestic market in the grips of a recession. To this we must add the major uncertainties for 2020, with the as yet unquantifiable consequences for the global economy from the coronavirus emergency, which broke out in one of the few areas of constant growth for our sector in the last decade. In this complex situation, our industry needs to focus on technological innovation and on training new professionals in order to manage the generational turnover process. These are the drivers for improving the performance of a sector that - with its workforce of 75,000 people, trade surplus of almost 5 billion euro and production of 8 billion - is of crucial importance to the Italian economy".*

In terms of exports, the analysis of the main foreign destination markets reveals trends that fell short of expectations in Russia (-15.3% in quantity in the first 10 months) and the other countries of the former Soviet bloc, with serious repercussions for the Italian districts that have traditionally relied on this area; there were also fairly significant reductions in Germany (-9.3% deriving from the slowdown in the economy), the Middle East (-9.2%) and Japan (-6.7%, despite an increase in value of +6.8%). On the other hand, there were positive performances in France (+6.4% in volume and +9.3% in value), increases of around 10% in value in the US and China, and almost 20% in South Korea, after yet another double-figure increase.

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 - the increase of Italian footwear exports in the first 10 months of the year would only have been +2.6% (down from +7.1%), with a reduction in volume of around -3%.

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The negative trend for domestic consumption continues, with reductions for household spending in both volume and value terms (-3.2% and -2.3% respectively). 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).

Despite the sector's high export propensity (approximately 85% of our country's production is 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.
Only sports shoes/sneakers fared well, with an overall +0.7% increase in volume and a +1.5% increase in value compared to 2018 (with sneakers stable and increases of around 2% for sports shoes). There were significant reductions for "classic" men's shoes (in the order of -8%, in both volume and value terms) and women's shoes (-5.2% in volume, despite a stable performance for ankle boots and high boots). The reduction for the children's segment was more modest (approximately -1.2%) even though it was consistently negative across almost all shoe types. The figures for slippers are also negative (-4.3% in volume).

Finally, in terms of company birth rates and employment, at the end of December 2019 the sector had 4,326 companies (179 less) and 74,890 direct employees (-790), down by a non-negligible -4.0% and -1.0% respectively on levels in December 2018. Considering also components, negative balances increased to -266 companies and -1,086 employees, with heterogeneous performance trends across regions. The Marche, which was heavily affected by the crisis in Russia and the CIS, experienced the largest reduction in absolute terms (-122 companies, for industrial and craft operators as whole) In terms of the number of workers, the biggest reductions were again to be seen in the Marche (-1251) and Emilia Romagna (-278), while there were reductions in the order of 100 units for Lombardy and Tuscany.

Evidence of the above described tensions in terms of employment also emerges from INPS data for wage support hours (CIG). The number of authorised hours during the course of 2019 in the leather supply chain was up to almost 8.3 million (+28% compared to the 6.5 million hours authorised in 2018), after two years of significant reductions.

The regional analysis reveals widespread increases, with the exception of Tuscany (-19%) and Puglia (-38%) in terms of the most important footwear manufacturing regions. Marche (+48%) was the leading region in terms of the number of hours authorised (2.7 million, 1/3 of the national total). There were increases of around 80% for Veneto and 47% for Campania.

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