Assocalzaturifici Chair, Siro Badon: "After the sector's collapse in 2020 as a result of the severe impact of the lockdowns and restrictions over the two waves of the pandemic, there was a natural rebound effect in the second quarter followed by a less intense growth trend. However, the recovery has been fragmented and very often not yet sufficient to make up companies' losses"

THE ITALIAN FOOTWEAR INDUSTRY: IN 2021 THERE WERE INCREASES IN BOTH TURNOVER (+18.7% ON 2020) AND EXPORTS (+17.5%) BUT ONLY ONE IN THREE COMPANIES ARE BACK TO PRE-COVID LEVELS

Milan, 01 March 2022

The Italian footwear industry mounted a recovery in 2021. Indeed, turnover increased by +18.7% on 2020 to reach 12.7 billion euro. However, this is still short of pre-covid levels (-11% compared to 2019). This is the snapshot taken by Confindustria Moda Research Centre on behalf of Assocalzaturifici for a sector where luxury brands are driving exports and where distinct trends can be seen for companies (only one in three is back to pre-pandemic levels) and over which a shadow is being cast by the constantly evolving geopolitical situation in Ukraine.

"The acceleration in exports in the fourth quarter allowed the footwear industry to close 2021 with the same double-digit increases seen in the first half of the year - explains the Chair of Assocalzaturifici, Siro Badon -After the sector's collapse in 2020 as a result of the severe impact of the lockdowns and restrictions over the two waves of the pandemic, there was a natural rebound effect in the second quarter followed by a less intense growth trend. All the main variables saw significant increases in value of between +15 and +20% (Italian household spending was up +15.6%, production and exports were up by around +17%, while turnover was up +18.7%). But the recovery is fragmented and often still not sufficiently fast, which means a significant share of companies have still not returned to 2019 revenue levels, before the pandemic began. While large international luxury groups have picked up steam and are driving sales for the sector in foreign markets, many small and medium companies have not survived the shock of the crisis (chamber of commerce data on company demographics reveal a negative balance of -171 units, equivalent to a -4.1% drop) and many more are still experiencing difficulties, as indicated by the use of social security instruments which remains exceptionally high (albeit lower than in 2020). Moreover, there is major uncertainty surrounding Russia's military operation in Ukraine and the risks for the commercial impact on trade by Italian companies with countries that have always been important due to demand for high-end and luxury goods In 2021 Italy exported

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footwear to the two countries for a total combined value of approximately 317 million euro and the shortfall on pre-covid levels (where combined sales were 346.4 million euro) was gradually being eroded (after a combined increase of +9.3% on 2020)”.

In detail, exports enjoyed the second-best result ever, including net of inflation (with a final figure of 10.3 billion euro). The two leading export destinations, Switzerland and France, that are traditionally linked to manufacturing on contract, fared particularly well (with the former increasing by +16.2% in value terms on 2020 during the first 11 months of the year, and the latter up +24%). But the USA (+42%) and China (+37.5%) also saw a strong performance and the latter is now well above 2019 levels.

From the leading 20 destination markets, only 3 experienced a fall in 2021: UK, Japan and South Korea (with the latter bringing to an end its stretch of robust and constant growth over the previous years). Finally, there is concern for the Russian-Ukrainian situation which will inevitably put the brakes on the recovery described above given the strategic importance of these two markets for Italian footwear.

The balance of trade surplus is up (+22% between January and November), and is expected to be just under 5.2 billion for the year as a whole.

On the domestic front, however, despite an increase of +15.6% in value terms and +12.1% in volume, Italian household spending is still 11.1% down on 2019 levels, which were already highly unsatisfactory. The analysis by merceological category reveals increases of around +16% in expenditure on 2020 for classic men's shoes and +18% for classic women's shoes; both these items had been severely affected in 2020 due to the sharp reduction in occasions for using them and are still approximately -20% down on pre-pandemic levels; there was a +14% increase for children's shoes; a +16.3% increase for sports shoes and sneakers (where the shortfall on 2019 stands at -4%). Finally, there was a limited increase for slippers (+6%), but this was sufficient to make up the gap with the pre-covid situation (+0.3%), given their widespread use during the time people were confined to their homes in 2020 and the resulting more modest reduction in purchases for the category.

Expenditure by foreign tourists continues to be well below pre-pandemic levels.

In terms of employment, in 2021 there were a total of 3,981 active footwear manufacturers in Italy, representing a negative balance of -171 units compared to December 2020. The sector's workforce fell to 70,586, i.e. there were -1,296 less workers than in 2020 (-1.8%) If component manufacturers are also taken into account, the balance is even more negative: -312 companies and -2,067 employees compared to 2020, across both industrial and craft sectors. The number of active companies is down for all regions. In terms of the workforce, Campania and Puglia are the only two regions bucking the trend (+95 and +148 units). The Marche and Tuscany reported the largest reductions in absolute terms for both active companies (-114 and -65 units respectively) and workforce (-1,269 and -624).

Finally, after the 2020 peak, following the suspension of working activities during the lockdown (83 million hours), in 2021 authorisations granted by INPS for the leather supply chain fell to 68.2 million (-17.8%), but remain 8 times higher than in 2019 (+722%), which demonstrates exactly how complex the situation remains. Indeed, the price increase for raw materials (that continued throughout all of 2021) and energy are eating away companies' margins and putting at risk the sector's recovery.

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