COMMENTS ON THE ITALIAN FOOTWEAR INDUSTRY IN 2006

The year 2006 will be remembered as a year of transition for the footwear sector. Despite overall trends that were not yet quite positive, the markedly negative trends that had characterized the past five years have finally begun to dissipate, while several signs of a potential reversal have begun to emerge.
Clearly, these are not structural changes nor changes that can considerably influence the bottom line of industry companies; still, the recent developmental trends in several indicators lend the impression that the worst would seem to be over.

In the approximate picture that emerges, some of the more obstinately negative indicators include the trend in volumes produced and exported, the most recent record reached by the incoming flows of commercial trade, decreasing levels of employment, and the balance of company openings and closures.

Domestic production totals 244 million pairs (-2.5% with respect to 2005), posting a 3.2% increase in absolute values (€ 7,199 million).

The selection process among companies has continued (down to 6,657, -2.5%) with the concurrent loss of 2,862 jobs (-3%) among direct employees (currently numbering 94,143).

Exports – including purely marketing and sales-related activities – totalled 243.6 million pairs (5.4 million fewer than last year, -2.2%) for a value of € 6,480 million (up by 6.3%).
Average prices show an increase of 8.7% which confirms the slightly more favourable results for better quality and higher product bracket shoes.
The trend of stagnant demand continued in many of our traditional sales markets: -11.5% volumes in Germany; -5.4% in France (although with a +3.2% in value); -8.9% in the United States (partly caused by the unfavourable exchange rate) and -10.7% in the United Kingdom.
Instead, positive signs preceded sales in Spain (+19.3%), Switzerland (+5%), Benelux (+2.2% overall), Greece (+13.2%) and the European Eastern countries (driven by Russia, which recorded a rise of 8.7% in volume and +32% in value, and by Ukraine, +34%). Sales were essentially stable in Japan (+0.8%).
In terms of product categories, only rubber-upper shoes posted a positive return in sales (+34%). Slightly lower were sales of leather shoes (-1.3% in volumes, with a +6.7% rise in values).

Trends in footwear imports (although these also include the increasingly significant presence of outward processing trends and outsourcing) attest to the strong competitive pressure that Italian footwear companies are compelled to face on the domestic markets.
Incoming flows (363.6 million pairs imported, +9.6%) have reached and broken yet another record.
After the +130% in the three years from 2002-2004 and the 29% rise in 2005, imports from China rose to 184.7 million pairs (up 12.5%) in 2006, despite the fact that application of anti-dumping duties have produced a specific and noticeable slowdown in imports of leather goods involved in the measure.
Imports from India, Italy's fifth-largest supplier, were also significantly higher (+34.4%).

Despite the difficulties, the sector still managed to achieve a large positive balance in 2006 and – finally reversing the negative trends in the past four years – positive growth to € 3.3 billion (+2.2%). In terms of volumes (similar to the events in 2004 and 2005), the balance was negative, as imports were nearly 120 million more pairs higher than exports.

Small increases have involved domestic consumption.