

FDRA

GLOBAL SHOE SOURCING 2023 SNAPSHOT

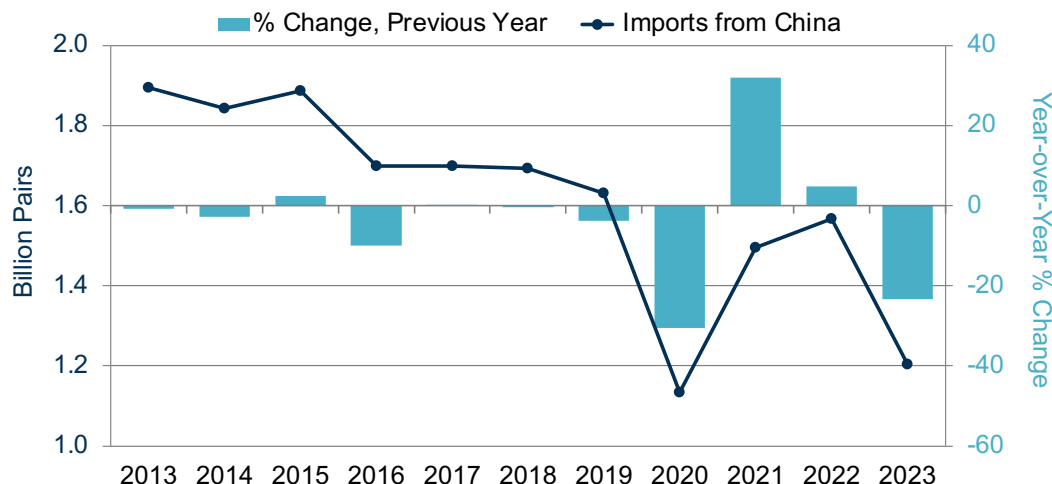
Chinese Shoe Production Snapshot

As the world's largest footwear producer, consumer, and exporter, China's influence on the global footwear market cannot be understated. Boasting an annual turnover of more than 13.0 billion pairs, China's footwear industry accounts for 54.6% of world production and is mainly located in the coastal provinces of Guangdong, Zhejiang and Fujian.

Much of that production is destined for foreign markets. Since the pandemic, the country's footwear exports rebounded to 9.3 billion pairs of footwear in 2022 worth a record ~\$57.6 billion, effectively accounting for more than three out of five pairs of shoes exported by Asian countries. In fact, the country leads the world—by far—in exports of waterproof (a 57.2% share), rubber & plastic footwear (73.7%), leather footwear (30.5%), textile footwear (57.5%), and other footwear (62.9%). This dominance is due in part to generally lower costs. At an average export cost of just \$6.19 per pair, the average cost of Chinese footwear exports is one of the lowest in the world, due in part to low—albeit rising—labor costs and the higher proportion of rubber & plastic footwear in its product mix.

Despite these dominant qualities, US footwear imports from China fell sharply in 2023 from a post-pandemic high, owing to a retrenchment in total US footwear imports. Plunging -23.2%, the volume of Chinese footwear reaching US shores fell in 2023 at the second-sharpest rate on record. The decline was less than last year's record -30.2% collapse in shipments from the rest of the world. This implies China's share of US footwear imports expanded modestly in volume terms, but we caution its dollar share tumbled to a 31-year low of 37.1% in 2023. Perhaps shipments did not fall as steeply from China given that the average landed cost of Chinese footwear reaching the US declined -7.8%, while the average cost from the rest of the world rose 7.0% to a record high. The lower cost helped China maintain its cost-competitive position in 2023, but rising wage pressures across China and mounting geopolitical tensions may dissuade sourcing from America's largest supplier, suggesting China's share of footwear imports may erode further in 2024.

US FOOTWEAR IMPORTS FROM CHINA FALL IN 2023 TO SECOND LOWEST IN 25 YEARS



Source: USITC

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GLOBAL SHOE SOURCING 2023 SNAPSHOT

Vietnamese Shoe Production Snapshot

Until 2023, US footwear imports from Vietnam climbed 21 of the last 22 years to successive record highs, propelling the country to second place among America's largest foreign footwear suppliers. While Vietnam maintained its second-place rank in 2023, shipments to the US fell a record -28.2% last year, pegging shipments at a three-year low. Certainly, the decline in total US footwear imports was a key factor—but not the only factor—behind the lost shipments from Vietnam.

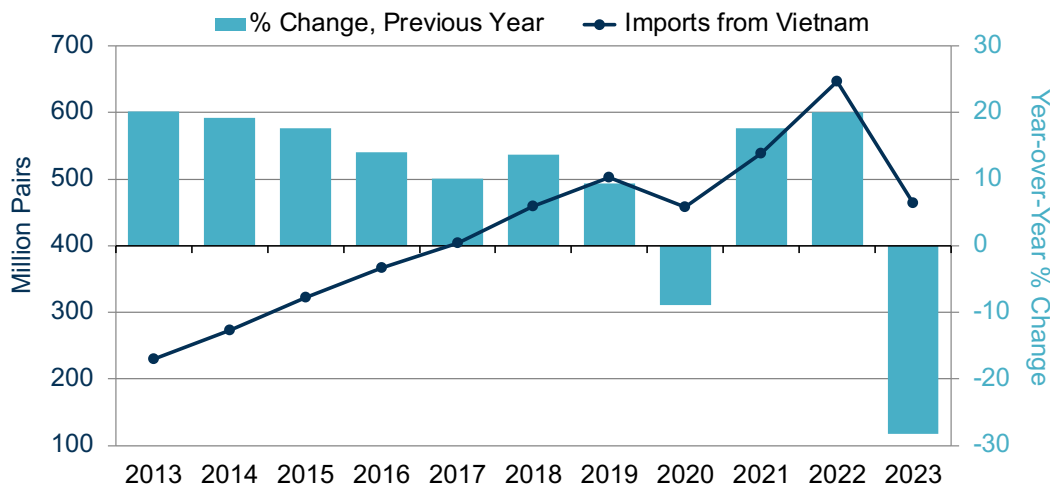
The decline in Vietnamese shipments was sharper than the loss in total US footwear imports, owing in part to a *rising* average landed cost from Vietnam set against a falling average landed cost from the rest of the world. At a modern-day high of \$16.58/pair, the average landed cost from Vietnam rose in 2023 for the twelfth time in the last fourteen years. But at \$11.73/pair, the average landed cost from the rest of the world declined -1.2%, lower six of the last nine years. In fact, at \$4.85/pair, last year's difference in average landed cost between Vietnam and the rest of the world climbed again to a 22-year high, likely weighing on decisions to shift sourcing to other lower-cost suppliers.

Factory wages average 12 million dong per month (~\$488.35) and are rising rapidly. The average duty rate of shoes imported from Vietnam in 2023 was 13.1% due to the number of athletic shoes made there, as athletic shoes generally have higher duties than non-athletic. This rate is well above the world average calculated duty rate of 12.0% the same year.

Key challenges for footwear brands who do not currently have a foothold in VN are access to inputs, limited factory capacity, and a limited workforce. Indeed, many factories are not taking orders from new customers. Estimated at well over 90%, factory capacity is limited and likely will remain so in Vietnam. And at just 2.3%, the national unemployment rate is among the lowest in Asia and risks driving domestic wages higher as employers compete to attract and retain workers.

Despite these limitations, we remain bullish on prospects for US sourcing of Vietnamese footwear. Indeed, both the volume and value of Vietnamese footwear exports to the world grew again the last two years, rebounding from near-term COVID lows. The 1.5 billion pairs shipped abroad with a value of \$30.0 billion stand at records, pegging the country as the world's second-largest supplier. The domestic industry is primarily concentrated in the Southeast, including Ho Chi Minh City, the Red River Delta, and the Mekong River Delta.

US FOOTWEAR IMPORTS FROM VIETNAM PLUNGE FROM A RECORD IN 2023



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GLOBAL SHOE SOURCING 2023 SNAPSHOT

Indonesian Shoe Production Snapshot

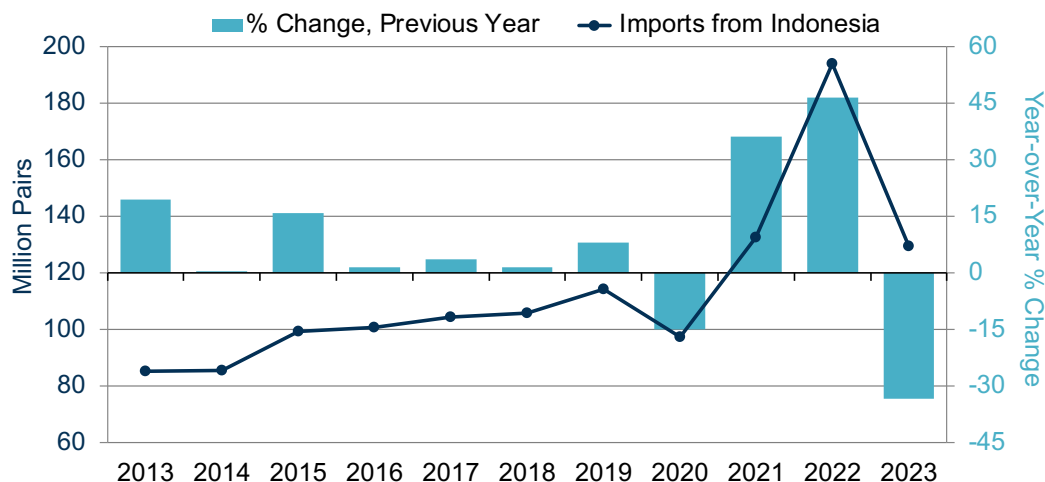
As the fourth-largest footwear manufacturer in the world, Indonesia has enjoyed robust growth in foreign demand over recent years. Similarly, the volume and value of Indonesian footwear exports have grown impressively in the wake of COVID, propelling the country among the world's largest suppliers. These footwear exports have risen each of the last few years to a record volume and dollar amount, spurred by strong growth to Germany, China, and Korea, benefiting from several government support programs.

But footwear shipments from Indonesia to the US fell at a record rate in 2023, owing to the broader decline in total U.S. footwear imports *and* to a relatively higher average landed cost from Indonesia. At 129.5 million pairs, shipments to the U.S. market fell to a three-year low, off by full a third from a year earlier, sharper than a -25.6% drop in shipments from the rest of the world. At a record \$16.73/pair, the average landed cost *rose* 7.2% in 2023 while the average cost from the rest of the world *sank* -1.4%. What's more, these diverging trends widened the gap between these costs in 2023 to a near-record \$3.87/pair, disincentivizing sourcing from Indonesia.

In value terms, US footwear imports from Indonesia are split between shoes with leather uppers (44.7%) and with uppers of textile materials (37.8%), while all other footwear shipments account for just 17.6%.

The Indonesian footwear industry employs roughly 800,000 workers, primarily concentrated in the provinces of Banten and West Java. The average monthly earnings of factory workers in Indonesia are 3.2 million rupiah (~\$206), comparable to other Asian competitors. But we caution nominal wages in the Indonesian garment, textile, and footwear sector have grown an average 12.6% per year each of the last few years, faster than most other Asian competitors.

US FOOTWEAR IMPORTS FROM INDONESIA ALSO PLUNGE FROM A RECORD IN 2023



Source: USITC

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GLOBAL SHOE SOURCING 2023 SNAPSHOT

Cambodian Shoe Production Snapshot

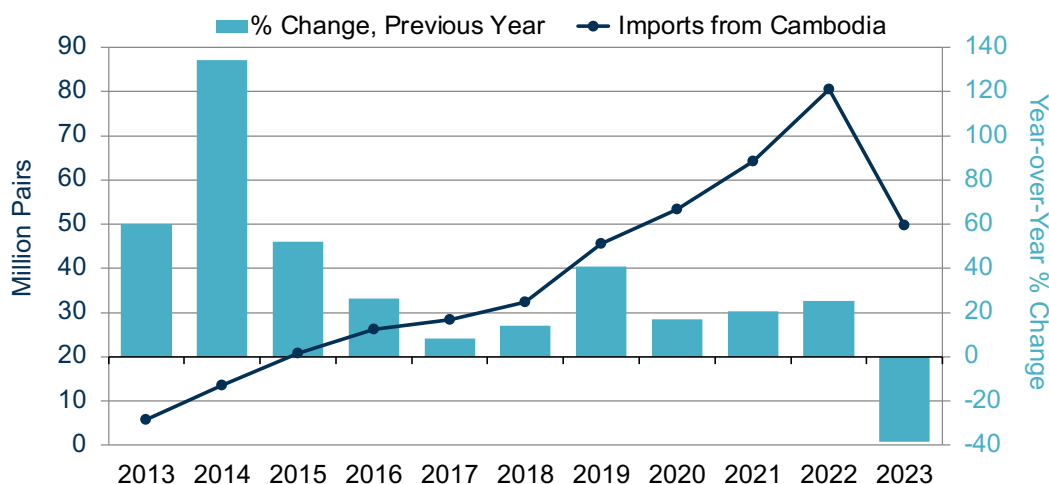
For more than two decades the garment and footwear sector has been the backbone of Cambodia's economy, with exports mushrooming in recent years. Indeed, both the dollar value and the volume of footwear leaving the country climbed again in 2022 to unprecedented highs, owing to a competitive average export cost. Indeed, the country has grown to become the tenth largest producer and volume exporter in the world. But the footwear industry has grown heavily reliant on shipments to America, the largest market. Accounting for more than one third of the value and volume of Cambodian footwear exports, shipments to the U.S. soared 285% over the last five years, easily outstripping gains to any other key market.

Indeed, until 2023, U.S. footwear imports from Cambodia had climbed each of the previous fifteen years, with shipments ballooning from effectively none in 2005 to more than 80 million pairs in 2022, making the country America's fourth-largest foreign supplier with a 3.0% share of all footwear imports. But last year saw shipments from Cambodia fall by -38.2%, steeper than a -25.8% drop from other key suppliers. In addition to the broader decline in total U.S. footwear imports, a relatively higher average landed cost weighed on shipments from Cambodia last year.

Historically, America's landed cost of footwear from Cambodia averaged less than from the world each of the last several years until rising to match the world average cost in 2022. And in 2023 the average landed cost from Cambodia stretched to a fourteen-year high of \$13.64/pair, while the average cost from the rest of the world sank -1.0%. These diverging trends widened the gap between these costs in 2023 to an eleven-year high of 78 cents/pair, disincentivizing sourcing from Cambodia.

Cambodia employs some 113,000 in its footwear factories, earning as little as \$204/month, but typically closer to 2,310,000 Cambodian riel (~\$570/month), still one of the lowest rates in Asia. But this minimum wage is up 217% over the last decade, crimping local competitiveness in labor-intensive industries like footwear.

US FOOTWEAR IMPORTS FROM CAMBODIA COLLAPSE FROM A RECORD IN 2023



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GLOBAL SHOE SOURCING 2023 SNAPSHOT

Indian Shoe Production Snapshot

Boasting an annual production and consumption of some 2.7 billion pairs, India is the second-largest footwear manufacturer and consumer in the world. The country exports about 11% of the footwear it manufactures each year, roughly 285 million pairs, still enough to be the world's sixth largest exporter. Footwear shipped abroad in 2023 rose again from a 2020 COVID low, owing to increased volume to China and the Netherlands.

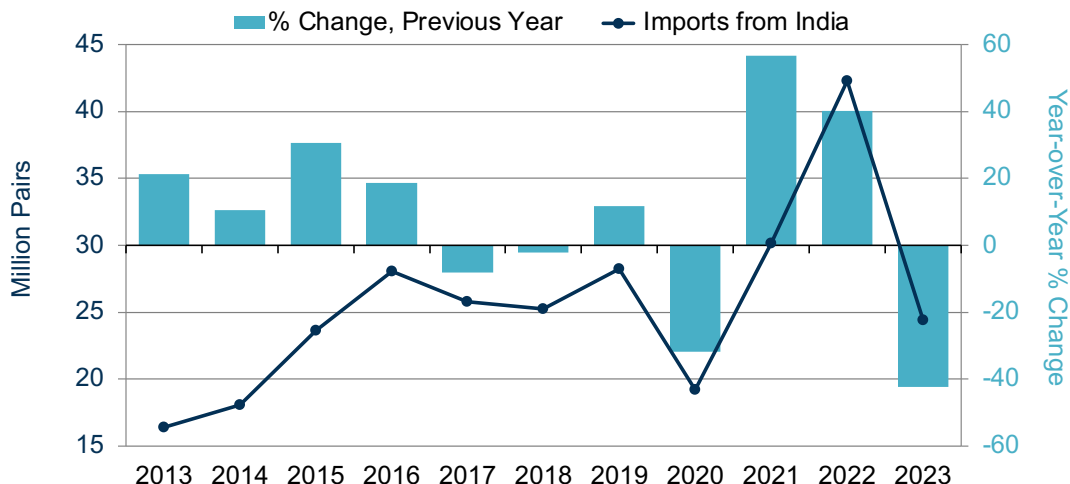
While the U.S. remains India's largest foreign footwear market, those shipments sank sharply in 2023. After exporting a record 42.3 million pairs to American shores in 2022, the volume of footwear from India—like from the rest of the world—dropped sharply last year, falling a record -42.2% to 24.4 million, the second fewest in eight years. Again, lower U.S. imports from the world as a whole and higher average landed costs from India were behind the plunge.

While America's landed cost of footwear from India has averaged more than from the world every year for many years, in 2023 the average landed cost from India rose to an eight-year high of \$18.20/pair, while the average cost from the rest of the world sank -0.8%. These diverging trends widened the gap between these costs in 2023 to a five-year high of \$5.41/pair, disincentivizing sourcing from India. This is despite India's rupee plumbing a record low against the dollar in 2023, an issue that typically makes imports more cost competitive.

The country's large and young workforce, relatively low wages, and abundant cattle herd make it a viable competitor in the global footwear market. At more than 1.4 billion people, India's population is comparable to China's, but growing while China's is shrinking. The median age is just 28.7 years old. The country's footwear industry employs over 1.1 million workers, dwarfing the industries in most other countries around the world. While India has no national minimum wage per se, minimum wages may be set by state or sector of industry. Typical wage rates in the domestic footwear industry—adjusted for currency differences—are near the low end of the scale witnessed across Asia. With more than 307 million head of cattle, India also has the world's biggest livestock herd, accounting for 32.6% of the planet's cattle population. Unsurprisingly, leather footwear makes up 48% of the volume of Indian footwear exports.

The Indian footwear industry is highly fragmented with almost 15,000 small and medium-sized enterprises operating with at most several dozen people each. With government support (i.e., Make in India and the Indian Footwear, Leather & Accessories Development Program) and growing foreign direct investment in the country's footwear manufacturing sector, the country is increasing its presence in the global footwear export market. Indeed, a growing number of international footwear and fashion companies are manufacturing footwear products in India and shipping them overseas.

US FOOTWEAR IMPORTS FROM INDIA FALL FROM A RECORD IN 2023



Source: USITC

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GLOBAL SHOE SOURCING 2023 SNAPSHOT

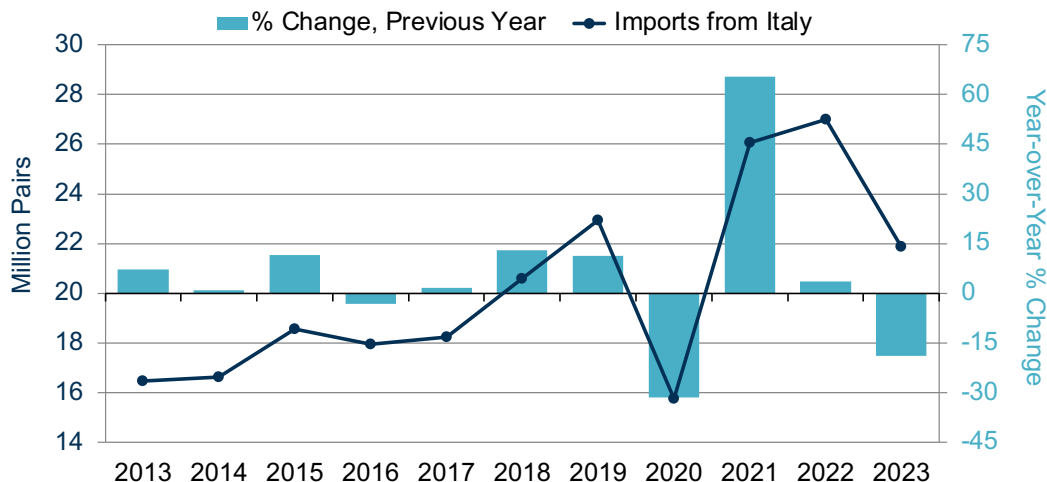
Italian Shoe Production Snapshot

One of the world's most highly regarded manufacturers of high-end footwear, Italy also is one of the biggest producers and exporters of *total* footwear. The domestic sector footwear employs some 76,000 people and exports most of its production. Shipments destined abroad in 2022 reached a record \$13.3 billion, pegging the country as the third-largest exporter in the world behind lower-cost suppliers China and Vietnam. Indeed, Italy has achieved this lofty global status despite having an average export cost more than five times the world average export cost.

Key markets remain concentrated in Europe and the United States, where shipments to the latter climbed nine of the last eleven years to an eighteen-year high of 27.0 million pairs before retreating in 2023. At 21.9 million pairs, shipments fell faster in volume terms than value terms, implying the average landed cost rose again to record of more than \$101 per pair, also several times the average landed cost from the rest of the world. These trends are not new, as Italy has been a top-7 footwear supplier to America—in volume and value terms—every year for more than a quarter century, all while shipping products with an average cost well above the world average.

One way the country has managed this remarkable feat is through its long-standing reputation in craftsmanship and specifically in leather footwear. Indeed, Italy reportedly has the highest density of bespoke shoemakers for any country in the world, often combining the best materials, techniques, fit, and finishing available. In a global industry of often commoditized products where cost often is the main driver, Italian footwear naturally cannot compete on cost alone with cheaper Asian rivals. Instead, Italy has managed to grow to become the dominant supplier—by far—of high-end footwear to markets in America and around the world.

US FOOTWEAR IMPORTS FROM ITALY FALL FROM A SEVENTEEN-YEAR HIGH IN 2023



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GLOBAL SHOE SOURCING 2023 SNAPSHOT

Mexican Shoe Production Snapshot

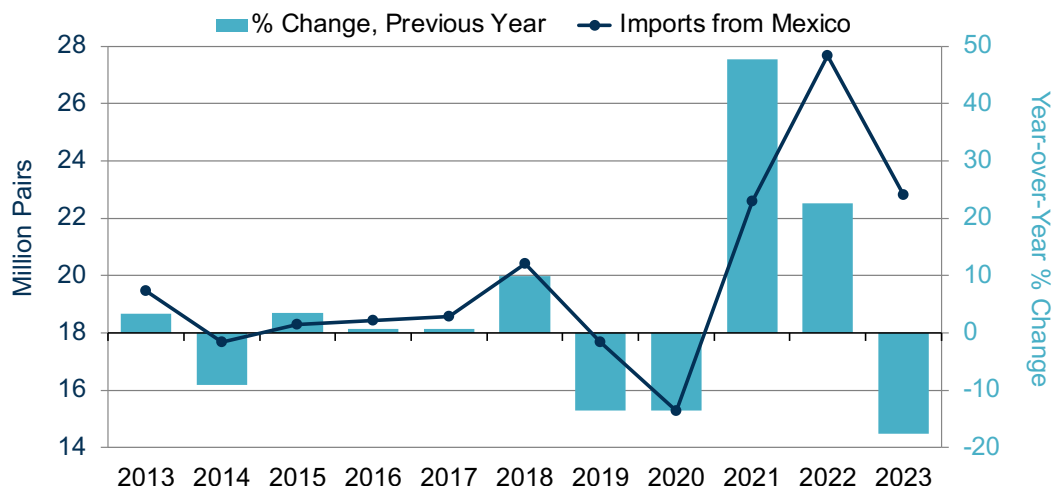
As one of the ten largest footwear producers in the world, the Mexican footwear industry is keenly focused on its domestic market, with exports only about 9% the size of the domestic market. The value of Mexican footwear exports rebounded in 2022 to \$883 million, a record year, with most of that product destined North of the border. Mexico retains a key competitive position to the American market over other suppliers, given its proximity to US customers and its mostly duty-free status for footwear afforded under the NAFTA and now the USMCA. Indeed, shipments to the US account for 94.4% of the value of Mexican footwear exports, perhaps a potential disadvantage, given the concentration.

After reaching a nineteen-year high of 27.7 million pairs in 2022, shipments sank -17.5% last year, the steepest drop in eighteen years. This drop was not as sharp as the rest of the world, implying Mexico's volume share of US footwear imports grew to a twenty-year high, rising each of the last four years. What's more, the country did this despite its currency strengthening to an eight-year high, contributing to boost the average landed cost of Mexican footwear reaching America. In fact, over the long term, trends in the value of the peso against the dollar are positively correlated with trends in the average landed cost of Mexican footwear reaching the US border.

Average hourly earnings of factory workers in Mexico had been relatively flat from 2007 to 2020 but have climbed at double-digit rates each of the last three years, making the country more expensive than several Asian competitors. These wages averaged \$3.93/hour in 2023, reaching as high as \$5.50/hour by December 2023. These sharp gains reflect the current administration's goal to combat inflation, prioritize the poor, and reverse a decades-long decline in workers' purchasing power, but the hikes could threaten to dissuade sourcing in Mexico in favor of cheaper labor overseas.

Over 450 years old, Mexico's footwear industry is heavily concentrated in three main locations around the city of León, Guadalajara, and the Mexico City area. The domestic industry is capitalizing on international brands' nearshoring strategies but faces mounting challenges related to labor shortages and wage rates.

US FOOTWEAR IMPORTS FROM MEXICO TUMBLE FROM A NINETEEN-YEAR HIGH IN 2023



Source: USITC

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GLOBAL SHOE SOURCING 2023 SNAPSHOT

Brazilian Shoe Production Snapshot

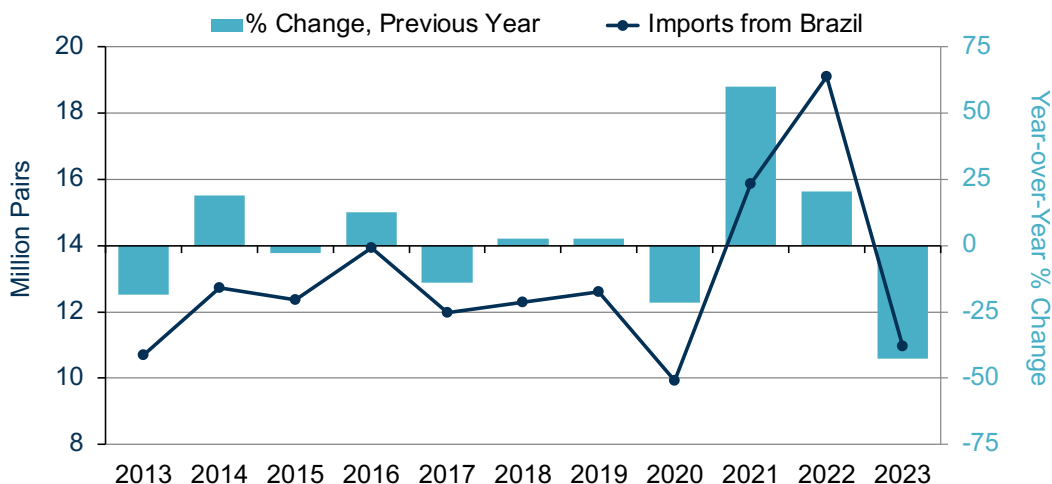
With an annual production capacity of some 849 million pairs, Brazil remains—by far—the largest footwear manufacturer and exporter in the Western Hemisphere and one of the five largest producers in the world. Key foreign customers are the US (13% of exports), Argentina (11%), France (5%), and Peru (4%). Rubber and plastic shoes account for about 71% of the volume of footwear exports. The country sources relatively little footwear from overseas, implying domestic consumption—some 732 million pairs—primarily is supplied by domestic producers. The country also has a competitive advantage in leather footwear, as Brazil has the one of world's largest commercial cattle herds, 244 tanneries, is one of the world's five largest leather producers, and has a leather industry that employs some 30,000 people and exports more than \$1.1 billion annually to more than 80 countries.

After climbing to a twelve-year high in 2022, footwear shipments to largest-market America fell -42.6% last year. The plunge is owing to a combination of the decline in total US footwear imports and being assessed record duties and import charges per pair. At an unprecedented \$3.16/pair, average per-pair duties and import charges climbed seven of the last nine years, easily exceeding per-pair duties and import charges from the world (\$2.08).

Footwear from Brazil had fared well in recent years in part because of persistent weakness in Brazil's currency, but this benefit did not help as much in 2023. After climbing to a near-term high against its American cousin in 2011, Brazil's real gradually weakened, dropping nine of the next ten years until 2022. Since then, the currency has shown some modest re-strengthening, touching a fifteen-month high by mid-2023. The recently firmer currency has contributed to raising America's average import cost from Brazil, dissuading as much sourcing from its South American neighbor.

The industry is centered in the northeast, south, and southeast of the country, particularly in the states of Rio Grande do Sul, Santa Catarina, São Paulo, Minas Gerais, and Ceará. Average monthly earnings of Brazilian employees totaled 3,078 reais (~\$618) early in 2024, relatively higher than in several Asian competitors. Countering these high costs, Brazilian footwear has a world-renowned reputation, especially relating to high quality, relatively cheap leather, and unique designs of its products that keep demand for Brazilian footwear vibrant.

US FOOTWEAR IMPORTS FROM BRAZIL TUMBLE FROM A 12-YEAR HIGH IN 2023



Source: USITC

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GLOBAL SHOE SOURCING 2023 SNAPSHOT

German Shoe Production Snapshot

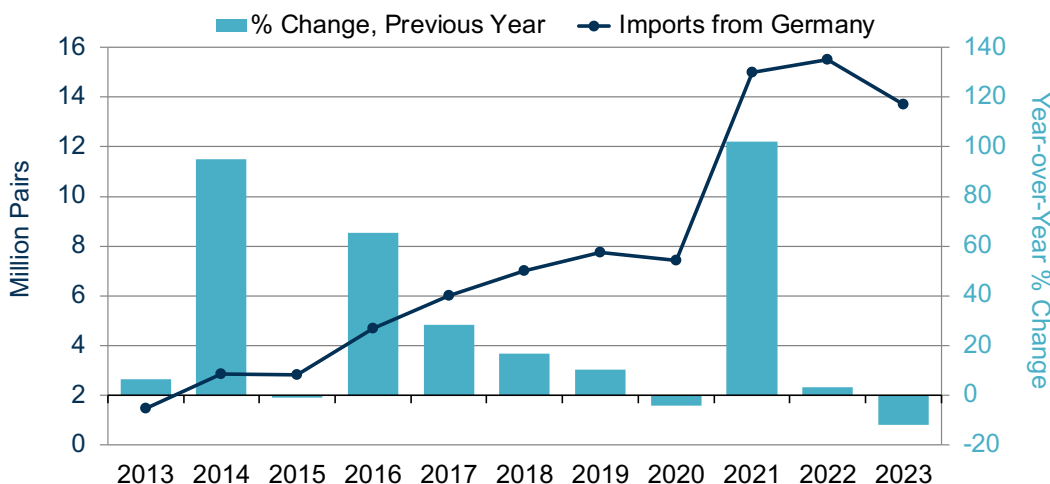
Perhaps the biggest sleeper among the list of the world's top suppliers of footwear is Germany. While the country's economic stature as the world's third-largest economy is well known, Germany also is among the world's five largest exporters of footwear, in both units and value terms. In fact, German footwear exports have climbed ten of the previous thirteen years to records in 2022, all while shipping footwear abroad with an average cost (\$26.16 per pair) well above the world average. Shrugging off the 2020 plunge from the pandemic, Germany's footwear shipments grew the next two year to a record high of more than \$9.8 billion.

The dynamics are similar in supplying the US market. While the biggest buyers of German footwear are spread across Europe, Germany has grown to become a top-ten supplier to the US market as well with shipments stretching to a record 15.5 million pairs in 2022, all while supplying product with an average landed cost *more than twice as high* as from the rest of the world. While US footwear imports from Germany retreated in sympathy with the decline in total footwear imports, the -11.7% slide was the smallest among America's fourteen largest suppliers. This implies Germany's share of total US footwear imports—while still relatively small—expanded to a record 2.9% in 2023, nearly double its share just three years earlier.

Germany has a relatively small footwear industry, with domestic production at roughly 58 million pairs. But as the world's second-largest importer and fifth-largest exporter, the country has become a major hub for global footwear trade. And adidas AG is by far the largest player in Germany, with its 59,842 employees and annual turnover of \$23.7 billion dwarfing others in the domestic industry.

Germans' appetite for footwear is about eight times the country's domestic production capacity, implying the county remains—by far—a net importer of footwear. At some 473 million pairs, annual German consumption of footwear is the eighth largest in the world. Nearly half of total imports is met by China, but—similar to the US market—shipments to Germany from second-place Vietnam have been growing much faster in recent years, cannibalizing China's dominant but eroding share.

US FOOTWEAR IMPORTS FROM GERMANY RETREAT FROM A RECORD IN 2023



Source: USITC

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GLOBAL SHOE SOURCING 2023 SNAPSHOT

Burmese Shoe Production Snapshot

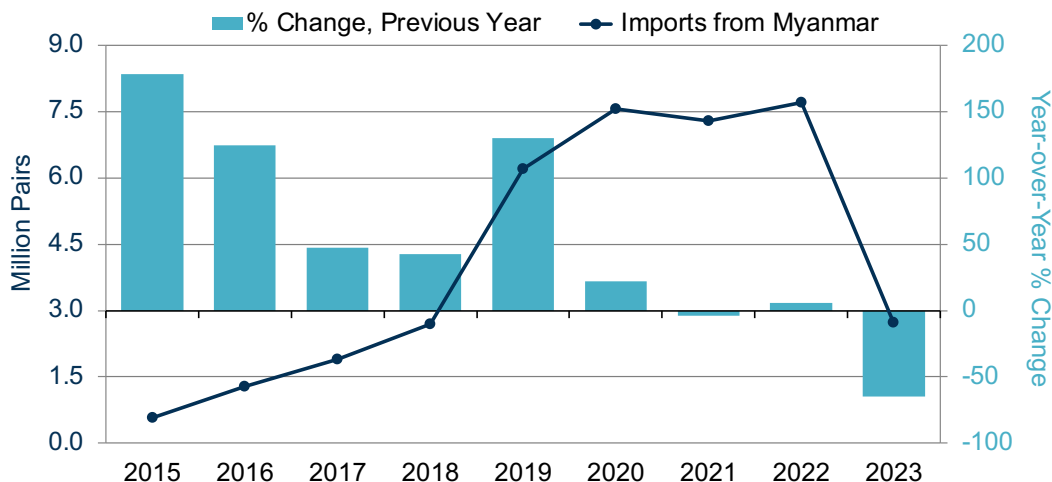
Whether known as Burma or Myanmar, one issue that is undisputed is the country's rapid ascent as a footwear powerhouse. The country shipped a record 129 million pairs of footwear abroad in 2022 worth a record \$608 million, implying an average cost of \$4.70/pair, less than the world average. In fact, the volume of footwear exported annually has risen each year for at least a decade, surpassing other traditional exporters around the globe. Over the last five years shipments have soared at triple-digit rates to record highs to key markets Germany, the U.S., Italy, and Spain.

In particular, in just ten years its footwear exports to the U.S. surged from effectively none to a record of more than 7.7 million pairs by 2022, making the country a top-twelve US supplier. But shipments to the US collapsed by nearly two thirds in 2023, falling to a five-year low as the U.S. government expanded restrictions on individuals and entities tied to Burma's military regime.

With a population of 57.5 million, a median age of 28.2 years, and a nationwide daily minimum wage of 4,800 kyats (US\$2.29) or K600 per hour for an eight-hour day, Burma has a relatively young and large labor force and some of the lowest average wage rates in Asia.

But we caution Burma remains slow to address political issues and impediments to economic development such as unclear land rights, a restrictive trade licensing system, an opaque revenue collection system, and an antiquated banking system, all issues that can hinder investment in new footwear manufacturing. And in response to the military's oppressive actions since Burma's last election, early in 2024 the Biden administration released a Supplemental Burma Business Advisory that highlighted continued risks in doing business with the country, discouraging companies from trading with the military junta until substantive reforms take place. On balance, prospects for Burmese footwear exporters will hinge on the country adopting political reforms that satisfy global trading partners.

US FOOTWEAR IMPORTS FROM BURMA/MYANMAR PLUMMET FROM A RECORD IN 2023



Source: USITC

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GLOBAL SHOE SOURCING 2023 SNAPSHOT

Bangladeshi Shoe Production Snapshot

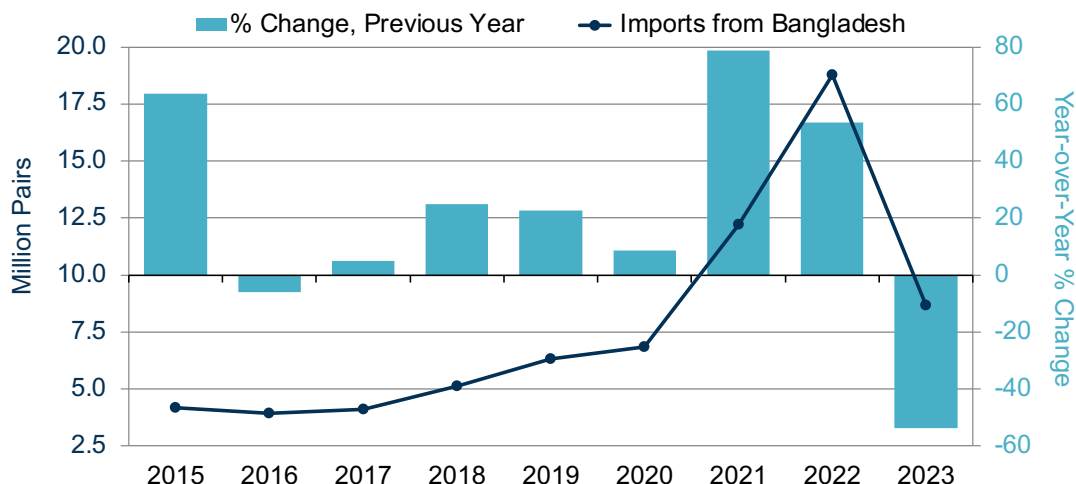
Foreign demand for Bangladeshi footwear has exploded over recent years, jumping nearly five-fold over the last decade to record highs in volume and value terms. At 107 million pairs worth \$1.6 billion, these record exports in 2022 positioned the country as one of the top ten producers of footwear globally. And the growing global appetite is broad-based, with shipments to key markets the U.S., Germany, France, and Poland all seeing triple-digit expansions over the last five years.

For example, U.S. footwear imports from Bangladesh rose sixteen of eighteen years to an unprecedented 18.8 million pairs by 2022, making the country America's ninth-largest foreign supplier, its highest rank on record. But shipments to American shores fell by more than half in 2023 as total footwear imports receded and the average landed cost from Bangladesh jumped to a near record. At \$27.40/pair, the average landed cost into the US was about twice as expensive as the average world cost landed at the US port for the twelfth straight year. In fact, the Bangladeshi cost rose 13.3% in 2023—the most in nine years—while the average landed cost from the rest of the world sank, dissuading as much sourcing from Bangladesh.

The country has several key competitive advantages in footwear production and sourcing, ranging from low labor costs, an abundant pool of laborers, and low duty rates in America. First, the average monthly earnings of factory workers in Bangladesh are 26,100 taka (~\$238), one of the lowest rates in Asia. Similarly, at 12,500 taka/month, the national minimum wage also is one of the lowest in Asia but has more than doubled from 2018. The domestic leather industry employs some 180,000 workers across 3,500 firms, with 70% of the workforce women. Foreign direct investment in the sector is estimated at some \$210 million. A final distinct advantage the country has is lower average duty rates on footwear shipped to the U.S. At just 8.2%, the average duty rate on shoes imported from Bangladesh is well below the average duty rate from the world of 12.0%, boosting competitiveness.

Looking ahead, while we are bullish on prospects for the Bangladeshi footwear industry, the biggest challenges facing the country's leather and footwear sector continue to revolve around compliance, environmental, and sustainability concerns, as well as capacity modernization and expansion.

US FOOTWEAR IMPORTS FROM BANGLADESH FALL BY HALF FROM A RECORD IN 2023



Source: USITC

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GLOBAL SHOE SOURCING 2023 SNAPSHOT

Dominican Republic Shoe Production Snapshot

With a young and highly literate workforce and a preferential trade agreement with America, the Dominican Republic is—by far—the largest Central American/Caribbean supplier of footwear to the US market, and the third-largest Western Hemisphere supplier behind Mexico and Brazil.

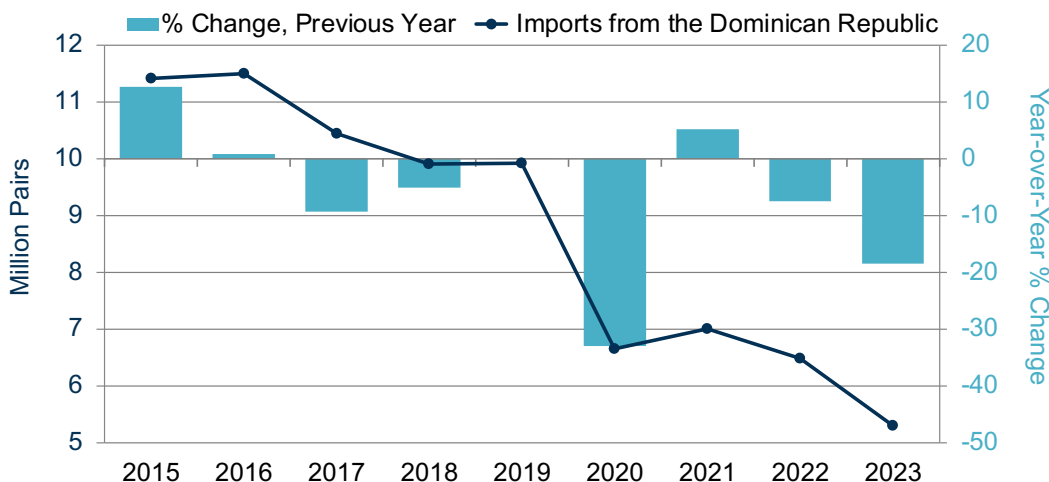
The country benefits from the Dominican Republic–Central America Free Trade Agreement (CAFTA-DR) and predecessor agreements, effectively eliminating tariffs on footwear shipped to the US. Proximity to the US is another strength, as the DR is just one time zone ahead of Eastern Daylight Time and freight takes just three days to reach many US ports instead of weeks from Asian suppliers. While the population of the Dominican Republic is mostly Spanish-speaking, English and French are mandatory foreign languages in both private and public schools, and the literacy rate is more than 93%.

After showing strong growth in the first half of the last decade and peaking close to \$400 million in 2015, footwear exports from the Dominican Republic have fallen since then to hardly \$200 million, near the lowest in well over a decade. The US accounts for more than three quarters of DR footwear shipments, a potential drawback for an origin so reliant on one market. Before the pandemic US footwear imports from the DR had been relatively steady, averaging about 10 million pairs annually with leather footwear accounting for about half these shipments. But exports to the US fell five of the last seven years, plumbing a fourteen-year low of just 5.3 million pairs in 2023.

While duty-free treatment of imports is a clear advantage for the country, the average landed cost of footwear reaching the US from the DR (\$24.02/pair) rose for the fifth time in the last six years in 2023 and remains about twice as expensive as from the rest of the world (\$11.20/pair). Part of this difference is because of the dominance of leather footwear from the DR. Even so, the average landed cost of leather footwear from the DR (\$38.20/pair) remains well above the world average cost (\$26.24/pair), suggesting other issues are at play.

Some of these other issues are relatively higher minimum wages than in other key footwear exporters. Minimum monthly wages paid in the Dominican Republic vary according to the size and location of the company, ranging from 14,232 Dominican pesos for smaller firms to 25,116 Dominican pesos, with monthly salaries averaging about 19,900 DOP (\$337) per month.

US FOOTWEAR IMPORTS FROM THE DOMINICAN REPUBLIC SAG TO A 14-YEAR LOW



Source: USITC

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GLOBAL SHOE SOURCING 2023 SNAPSHOT

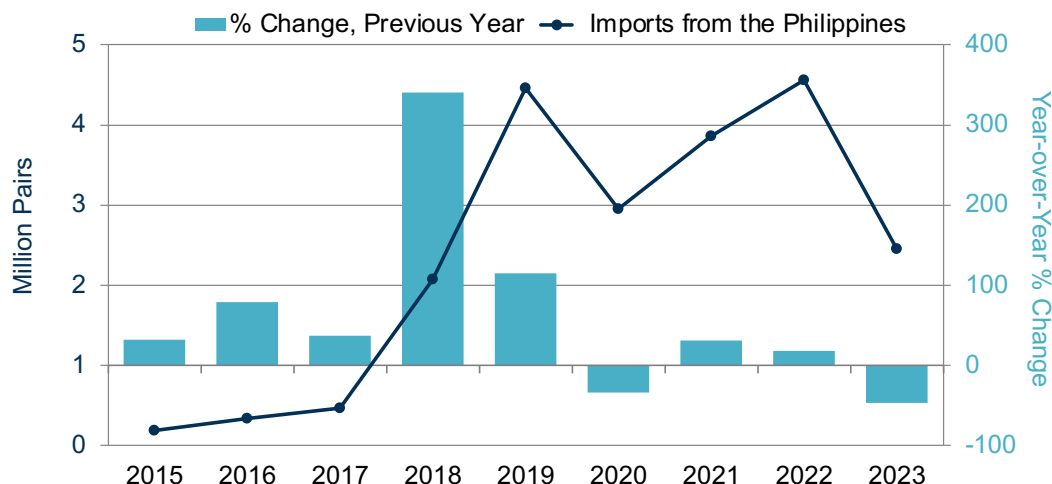
Filipino Shoe Production Snapshot

The Philippines continues to consume more footwear than it produces, implying the country remains a net importer of shoes. The country is home to a relatively large and vibrant footwear market. This outsized domestic demand imply footwear imports are growing, an appetite largely met by shipments from China.

Filipino footwear exports have been relatively steady over the last five years close to near-term highs, with the U.S. accounting for about one third of those shipments. After touching a 24-year high of more than 4.5 million pairs worth \$81 million, U.S. footwear imports from the Philippines fell -46.3% in 2023, owing to a combination of lower total footwear imports and rebounding unit costs. Stretching to a six-year high of \$18.70/pair, the average landed cost from the Philippines *rose* in 2023 while the average cost from the rest of the world *shrank*, lessening the competitiveness of Filipino footwear.

In addition to craftsmanship, higher wage costs and duty costs are other reasons footwear from the Philippines is more expensive than the rest of the world. First, the country's minimum wage ranges across city and industry, generally around \$187/month. But a typical factory worker earns close to 87,200 PHP (\$1,576) per month. Second, at a record \$2.31, average duties per pair on US footwear imports from the Philippines in 2023 were well above the average \$1.55/pair from the world. Despite these obstacles, prospects remain upbeat for a continued recovery in Filipino footwear exports as the domestic industry moves away from commodity footwear to higher-end craftsmanship.

US FOOTWEAR IMPORTS FROM THE PHILIPPINES SINK TO A FIVE-YEAR LOW IN 2023



Source: USITC