



LINEAPELLE LEATHER MARKET OVERVIEW

2nd QUARTER 2023

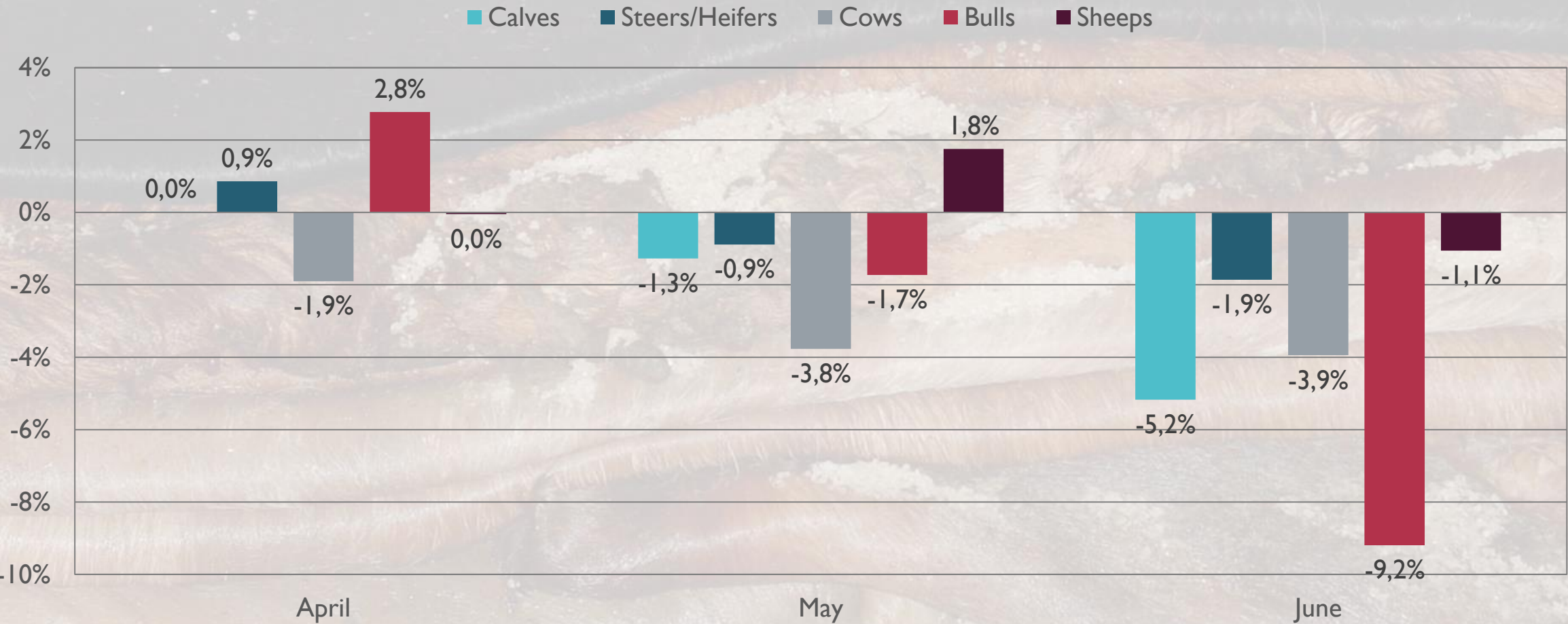
RAW MATERIALS

RAW AND SEMI-PROCESSED HIDES/SKINS – PRICE TRENDS

- In the second quarter of the year, the average prices of the main raw and semi-finished hides and skins showed a **progressive prevalence of downward variations**, with a few limited exceptions
- In the **bovine segment**, substantially all animal types recorded overall decreasing trends: constant, over the period, for **cowhides**, increasing for **calfskins**, moderately volatile for **steers/heifers** and particularly volatile for **bull hides**
- After the partial recoveries in the first quarter of the year, between April and June the average prices of **bovine wet-blue hides** appeared to be in a **widespread and continuous decrease** in all the main production centers
- A **slightly increasing trend** still prevails for the average price index of **raw sheep skins**, in this case almost exclusively due to the Middle Eastern origins

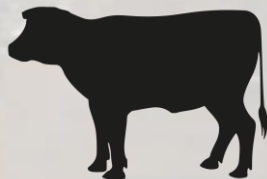
RAW MATERIALS

RAW HIDES/SKINS - MONTHLY VARIATIONS OF AVERAGE PRICE INDICES BY ANIMAL TYPE



RAW MATERIALS

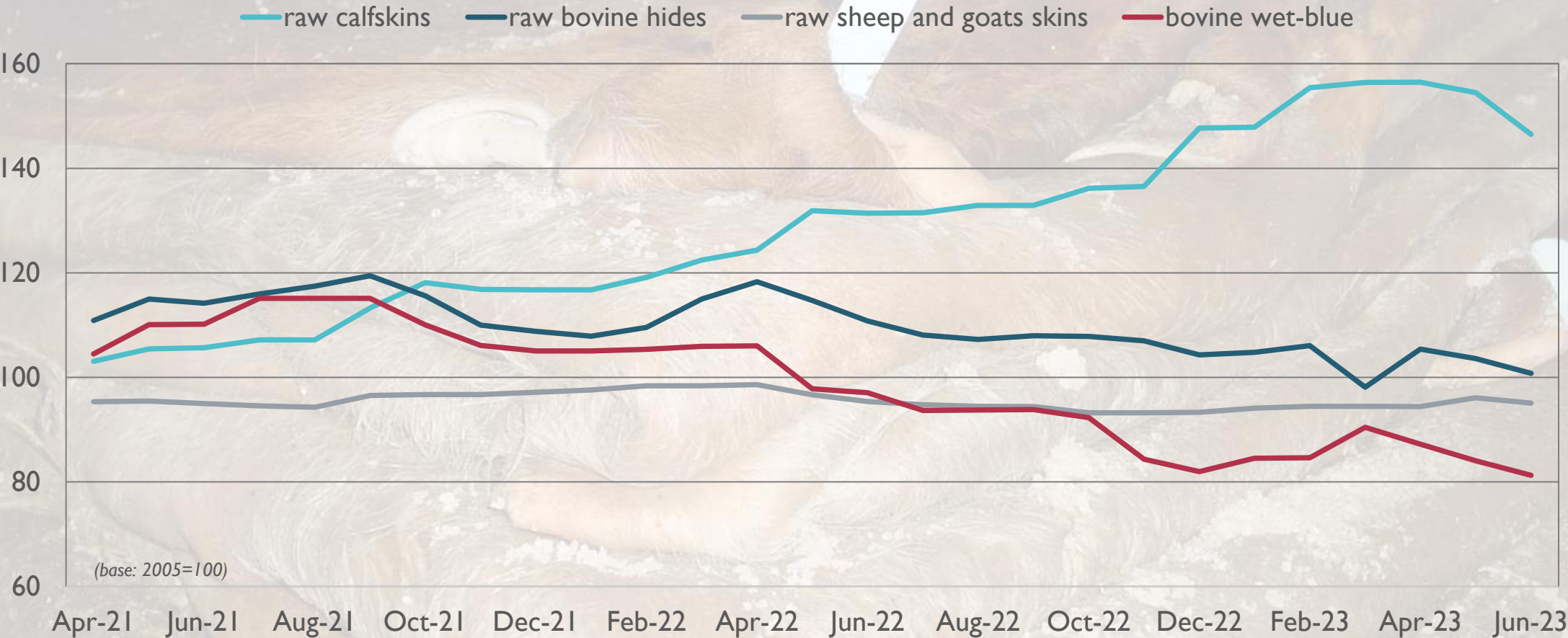
RAW HIDES/SKINS - AVERAGE PRICE CHANGES BY ANIMAL TYPE/ORIGIN (FROM JANUARY TO JUNE 2023)



Calves	-1%	Steers, bull calves, heifers	-2%	Cows	-9%	Bulls	-9%	Sheep	+2%
Italy	+1%	Italy (bull calves)	=	Italy	-1%	France	-10%	Iran	+3%
France	-1%	Germany (heifers)	-16%	France	-17%	Netherlands	-3%	Spain	-4%
Netherlands	-2%	United Kingdom (mixed)	-6%	Netherlands	=	Germany	-1%	New Zealand	-1%
Australia	-3%	Spain (bull calves)	+6%	Germany	-14%	New Zealand	+13%		
		United States (mixed)	-10%	Spain	-3%	Denmark	-7%		
		Australia (mixed)	-1%	United States	-16%				
		Sweden (mixed)	-2%	Sweden	+3%				
		New Zealand (bull calves)	=	New Zealand	-6%				
		Denmark (mixed)	-3%	Denmark	+3%				

RAW MATERIALS

RAW AND SEMI-PROCESSED HIDES/SKINS - LONG TERM AVERAGE PRICE INDEXES BY ANIMAL TYPE



RAW MATERIALS

RAW HIDES - TRENDS IN AVAILABILITY (SLAUGHTERING)

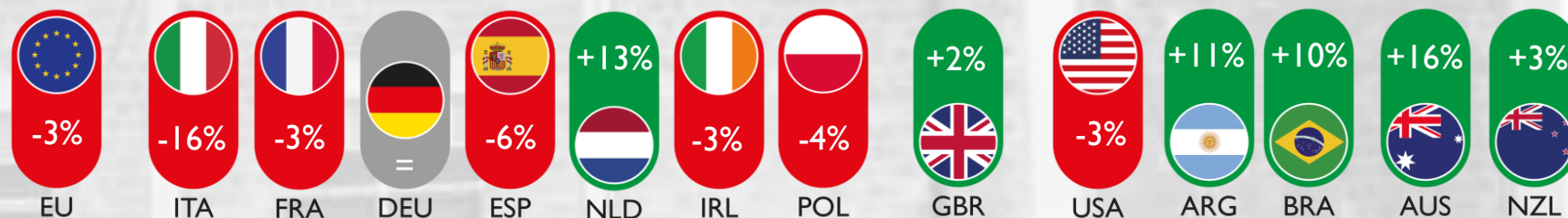
- The first part of the year closed with an **overall growth** of 4% for the total slaughter volume of **adult bovines** in the monitored regions - Europe showed a total decrease of 3%, due to declines in Italy, Spain, France, Ireland and Poland (Germany and Belgium stable, increases only in the UK and the Netherlands) - Slight decline also for the US, compared to the confirmed double-digit increases in Brazil and Argentina - Recoveries also in Oceania, especially thanks to Australia (still positive change in New Zealand)
- General picture of **decline** for **calf slaughter** (-5% in total) - Negative sign in Europe, where the three main EU producers decreased (France, Spain, Netherlands) and only Italy and Belgium increased - Outside European borders, still strong growth in Australia, with losses in New Zealand and the US
- The overall situation of **sheep slaughters** in the main areas analyzed is persistently positive (+5%) - Slight decline for European production, due to the negative sign in France and Spain (with increases in Italy, Ireland and the UK) - Australia confirmed in notable increase, New Zealand still (slightly) down, USA slightly growing

RAW MATERIALS

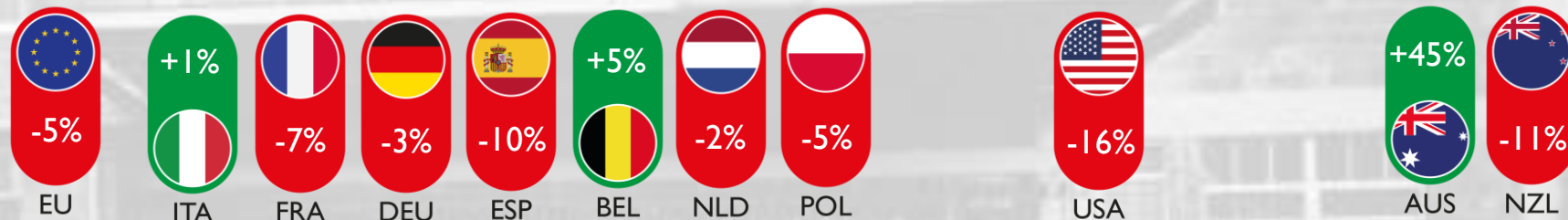
RAW HIDES - TRENDS IN AVAILABILITY (SLAUGHTERING) | 1ST SEMESTER 2023 VS 1ST SEMESTER 2022



Adult bovine:



Calves:



Sheep:



RAW MATERIALS

OTHER REFERENCE COMMODITIES – PRICE TRENDS AND PERFORMANCE

■ 2nd QUARTER 2023
VS 2nd QUARTER 2023



OIL

-30%



COTTON

-40%



WOOL

-7%



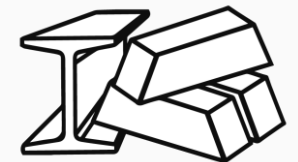
NATURAL RUBBER

-25%



SYNTHETIC RUBBER

-4%



METALS

- Aluminum -21%
- Copper -11%
- Iron -19%
- Nickel -23%
- Zinc -35%

■ 1st HALF 2023
VS 1st HALF 2022

-25%

-35%

-4%

-24%

-7%

- Aluminum -24%
- Copper -11%
- Iron -15%
- Nickel -13%
- Zinc -26%

TANNING SECTOR

TRENDS

- The second quarter of the year shows an **almost totally negative global framework** for the productions of the main tanning countries, confirming a diffusely challenging moment for « leather»
- In the **medium to large bovine** segment, only Spain records a positive trend in Europe in the second quarter and in the first half of the year (to which Austria is added for this last index) - Still a generalized adverse outlook among the most important Latin American, Asian and Middle Eastern producers
- Basically, the picture for **small cattle (calves)** is still all declining
- **Sheep and goat leather segment diffusely weak in the EU**, while the trend outside Europe appears somewhat more dynamic

TANNING SECTOR

TURNOVER INDEX TRENDS IN ITALY



2nd QUARTER 2023 VS 2nd QUARTER 2022



1st HALF 2023 VS 1st HALF 2022

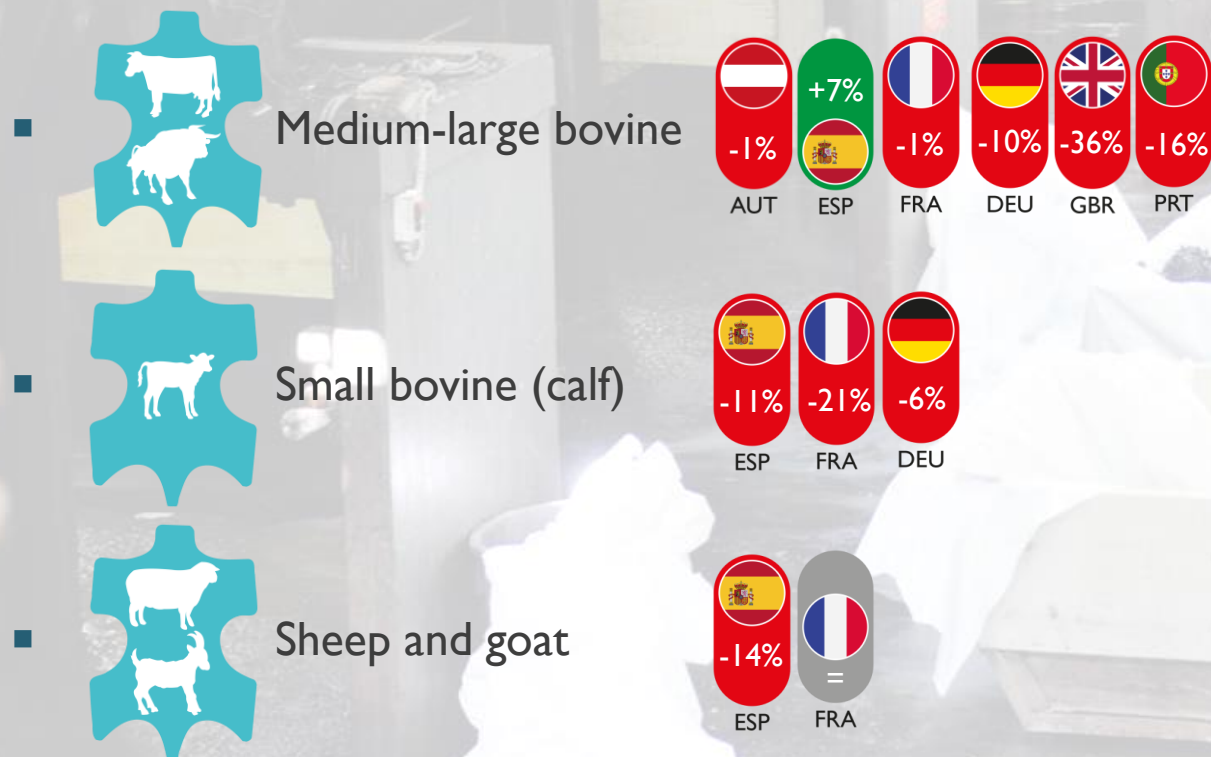


TANNING SECTOR

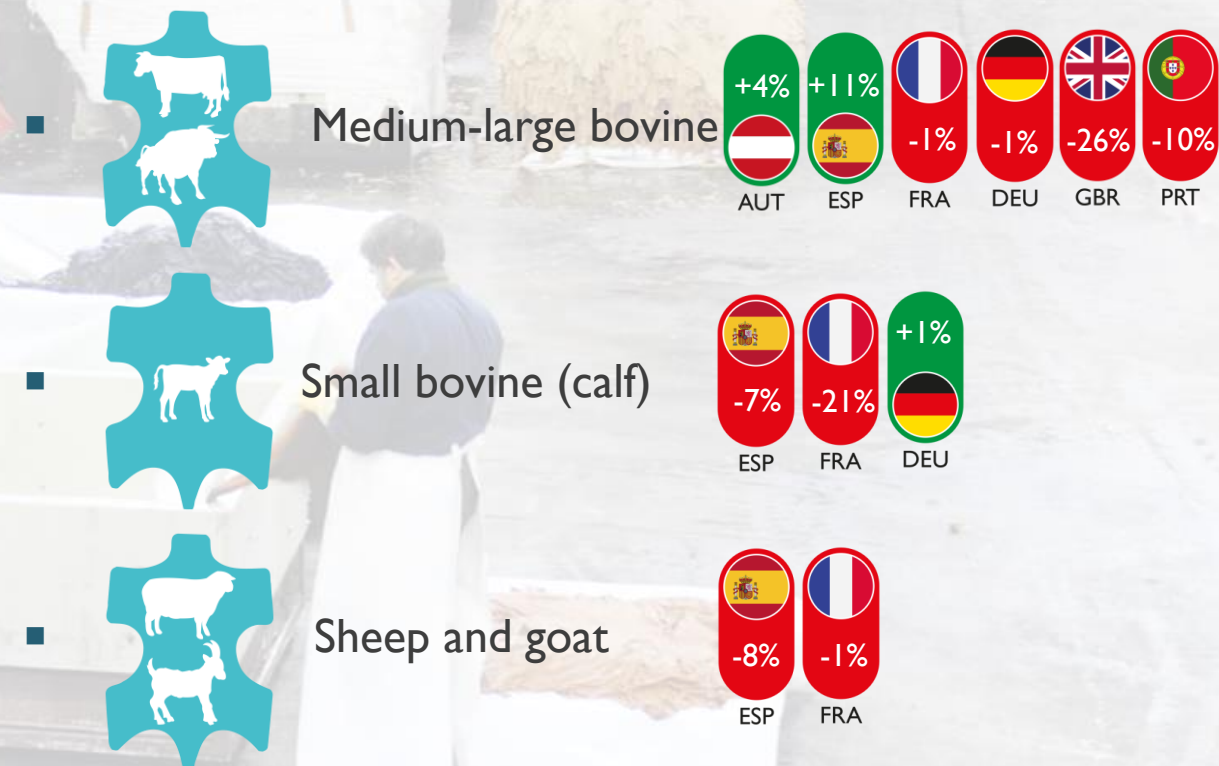
EXPORT INDEX TRENDS IN EUROPE



2nd QUARTER 2023 VS 2nd QUARTER 2022



1st HALF 2023 VS 1st HALF 2022



TANNING SECTOR

EXPORT INDEX TRENDS IN THE WORLD



2nd QUARTER 2023 VS 2nd QUARTER 2022



Bovine



Sheep and goat



1st HALF 2023 VS 1st HALF 2022



Bovine



Sheep and goat

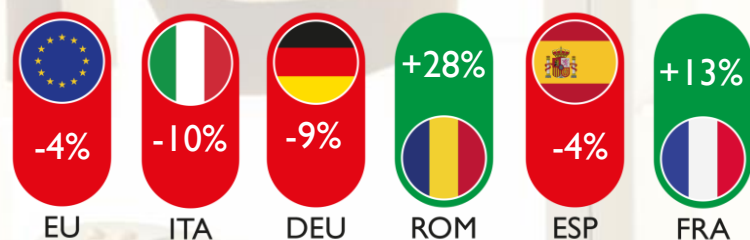


ACCESSORIES AND COMPONENTS SECTOR

EXPORT INDEX TRENDS

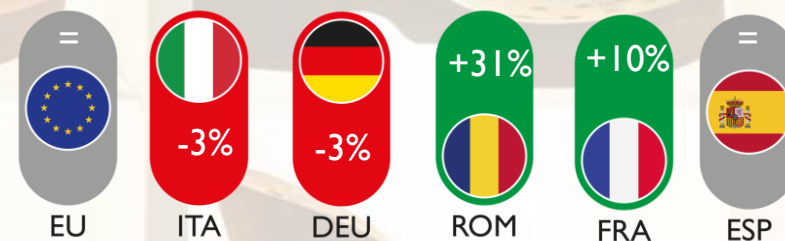
2nd QUARTER 2023 VS 2nd QUARTER 2022

With few exceptions, the second quarter 2023 shows thoughtful signs of a slowdown for European manufacturers. The breakdown by segments shows a very bad performance of other footwear accessories, which fell sharply. Stable compared to last year's dynamics small metal parts, and other accessories.



1st HALF 2023 VS 1st HALF 2022

Lights and shadows in the 2023 partial aggregate, where the European average appears stable over the equivalent 2022. Positive results are confirmed for Romania and France, while Italy and Germany are trudging along. Good sales of small metal parts. Some difficulties for the other segments.

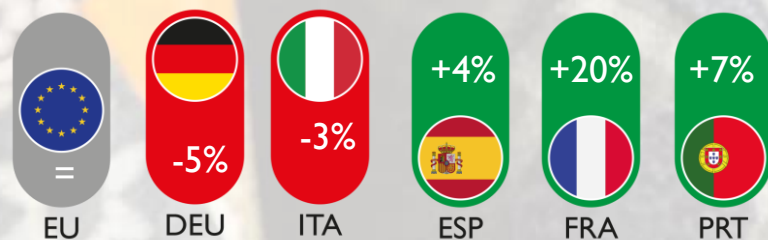


TEXTILES AND SYNTHETICS SECTOR

EXPORT INDEX TRENDS

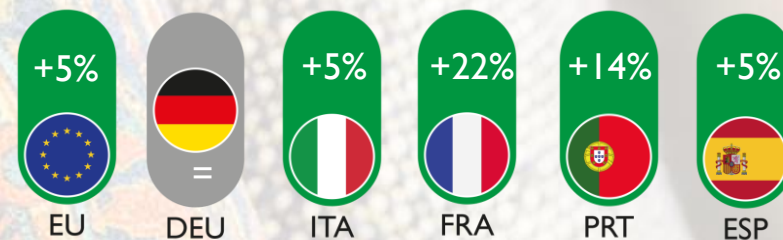
2nd QUARTER 2023 VS 2nd QUARTER 2022

After a positive first quarter, uncertainty among Italians and Germans drags down the EU average, which closes the second quarter 2023 at parity with last year's quarter thanks to the good performance of French producers. Satisfactory dynamics for synthetic. Criticality, by contrast, for regenerated leather fibers and synthetic fabric materials.



1st HALF 2023 VS 1st HALF 2022

The first six months of the year reward the sector with moderate and widespread rises in all major EU manufacturers with the notable exception of Germany, which stalled over same period last year. Very positive dynamics for synthetics, mixed signals for synthetic fabric materials and regenerated leather fibers .

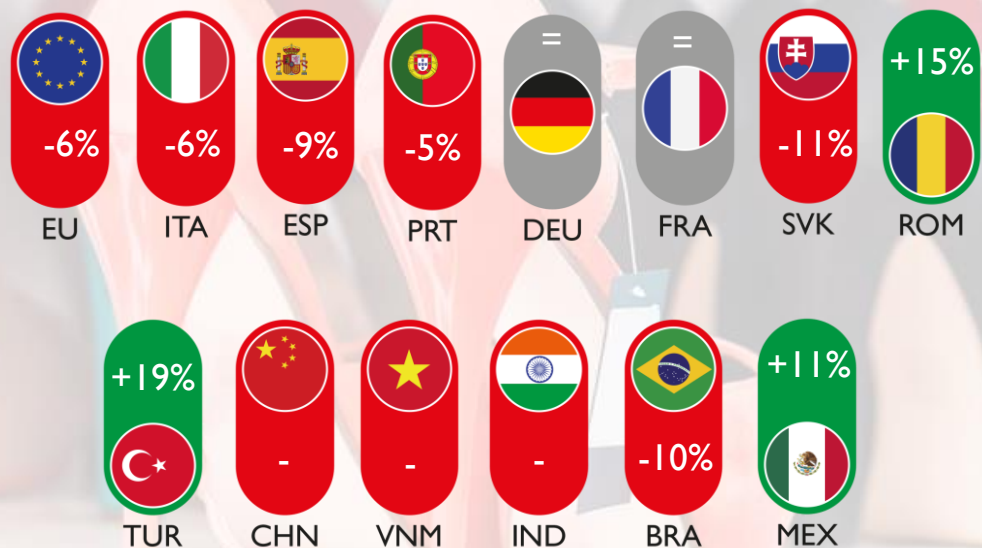


FOOTWEAR

EXPORT INDEX TRENDS

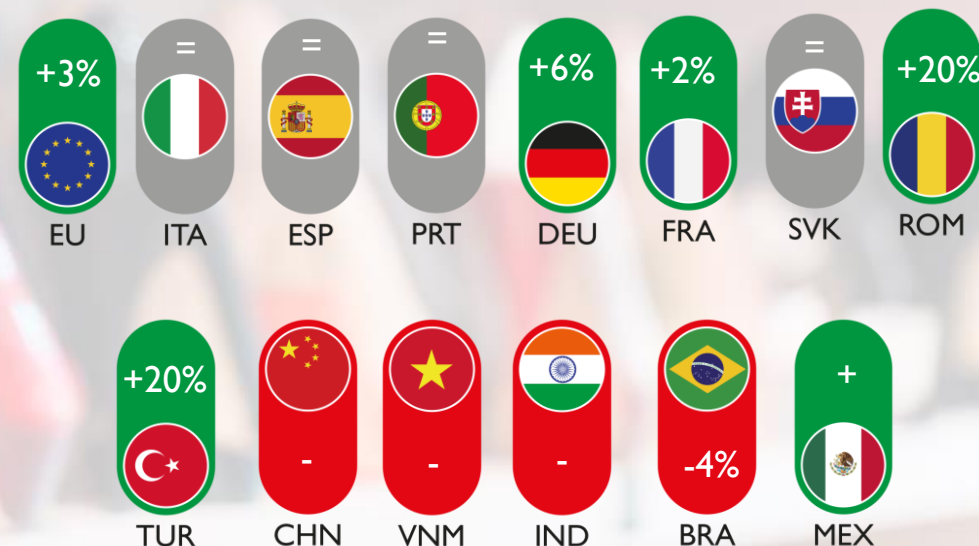
2nd QUARTER 2023 VS 2nd QUARTER 2022

Quarterly comparison shows rather negative signs for European footwear manufacturers: -6% EU average. Heavy signs of concern for Asian competitors as well.



1st HALF 2023 VS 1st HALF 2022

European footwear manufacturers show overall results in line with those of the same period last year with Germans and French supporting EU growth (+3%). Critical issues for non-EU manufacturers.

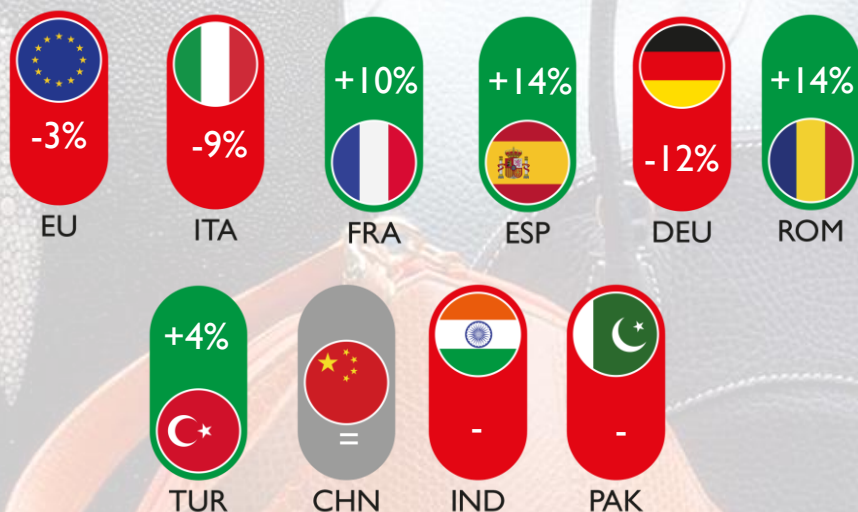


LEATHER GOODS

EXPORT INDEX TRENDS

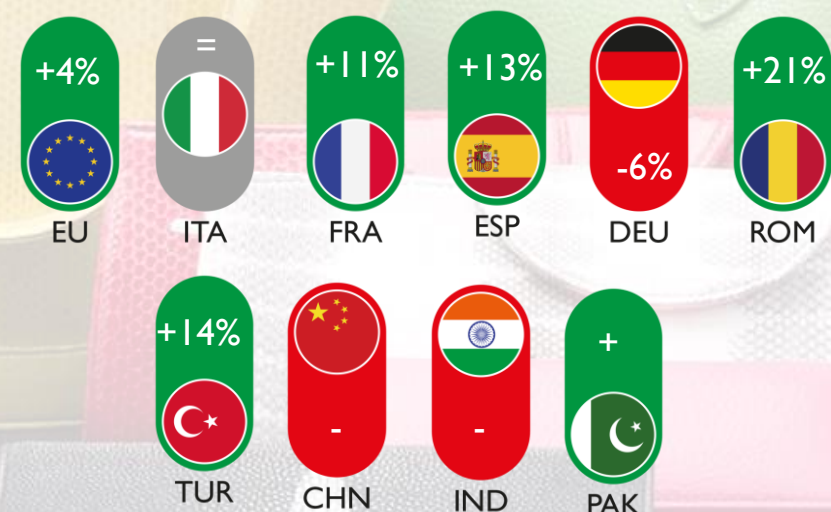
2nd QUARTER 2023 VS 2nd QUARTER 2022

Setback for EU leather goods in the second quarter 2023, where the thud of the Italians added to that of the Germans. Good dynamics instead for French and Spanish. Sluggish dynamics for Asian manufacturers.



1st HALF 2023 VS 1st HALF 2022

Six-month comparison shows signs of recovery for European manufactures despite Italy's deadlock and Germany's persistent difficulties. Uncertain and mostly negative scenario the non-European partners.



LEATHER CLOTHING

EXPORT INDEX TRENDS

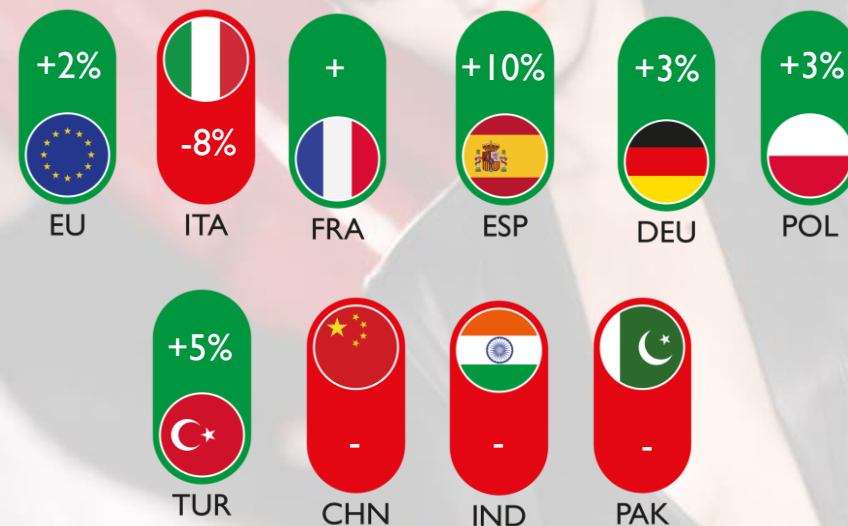
2nd QUARTER 2023 VS 2nd QUARTER 2022

The second quarter of current year reveals cooling signals for the sector when compared with the equivalent 2022. Italian losses drag down EU average (-2%). Slightly shaky the non-EU scenario.



1st HALF 2023 VS 1st HALF 2022

Aggregate 2023 shows signs of improvement for industry dynamics, despite the stumble of Italian packers. Turkey does well, while Asian partners struggle.

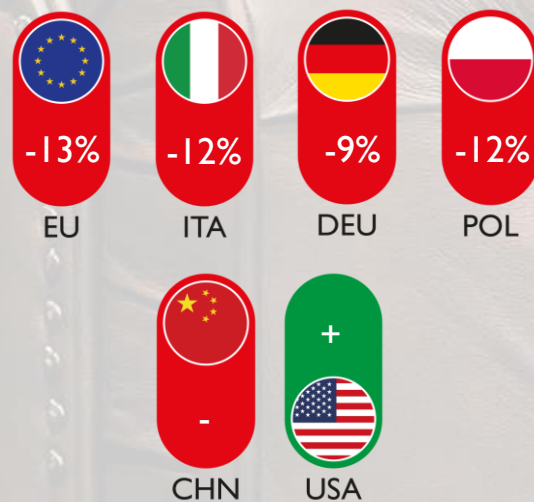


UPHOLSTERED FURNITURE

EXPORT INDEX TRENDS

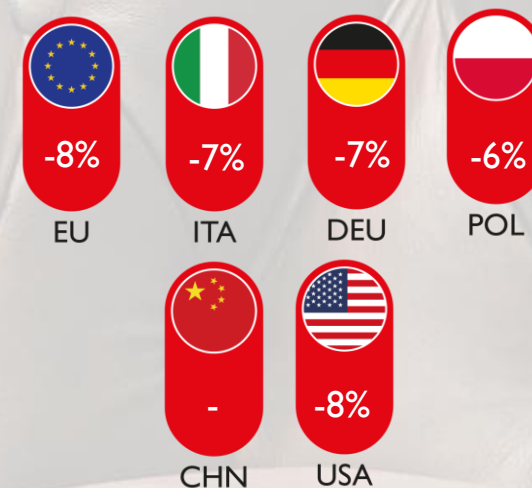
2nd QUARTER 2023 VS 2nd QUARTER 2022

The slowdown in furniture in the long-term comparison becomes more severe, with losses becoming particularly heavy for Italians and Poles. China continues to suffer, upward reversal for the US.



1st HALF 2023 VS 1st HALF 2022

Strict half-year comparison with the previous year is also severe, where Poland moves to the negative as well, sinking the EU average (-8%). China still struggles, echoed by the United States, which report significant declines.

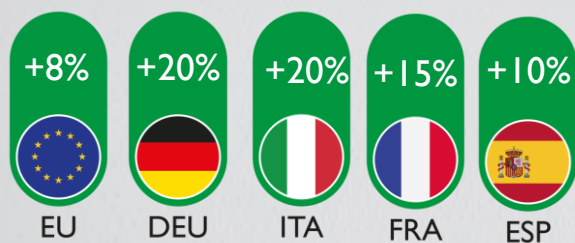


AUTOMOTIVE

EXPORT INDEX TRENDS

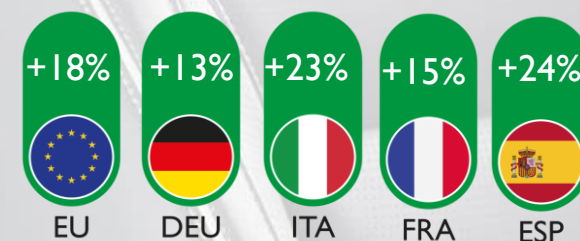
2nd QUARTER 2023 VS 2nd QUARTER 2022

- European automotive growth continues (+8%). With registrations up sharply in all major markets when comparison is made with the second quarter of 2022, the sector appears to be filing away the crisis related to last year's semiconductor shortage.



1st HALF 2023 VS 1st HALF 2022

- EU registrations also up for the six-month period. The recent months' improvement seems to indicate that the European automotive industry is recovering from supply shortages triggered by the pandemic. However, cumulative volumes are still lower than in 2019.



- Outside Europe, U.S. car registrations are up by 13 %. China (11%) and India (+19%) are also on the rise.
- About 18% up UK car registrations in partial 2023.

LUXURY

2023 1st HALF RESULTS

Amid an uncertain geopolitical and economic environment, major luxury fashion brands record mixed and rather mixed performance in the partial 2023 aggregate. Prevalence of high uncertainty in the short term as well.

- **LVMH** - organic sales growth of 17% for the French luxury titan in the first six months 2023. Very positive dynamics of fashion and leather goods, up by 20% in comparison with the equivalent 2022. Excellent performance especially for Louis Vuitton, Dior, Loro Piana and Loewe. Other minor brands in the group also did well.
- **KERING** - modest +2% growth (constant rates) for Kering in aggregate 2023. Gucci dampens, posting a timid +1% over the same period last year. Slowing but still expansive trend for Yves Saint Laurent +7%, while Bottega Veneta grows moderately by 2%. On the other hand, the group's other brands are performing badly, down by 5%.
- **HERMÈS** - Brilliant performance for the French house, up in double digits in partial 2023: +22% revenue (constant rates). All markets recorded strong growth of 20% or more. Very positive moment for leather goods and saddlery: +21%, thanks mainly to sustained demand particularly in mainland China.
- **TOD'S** - Excellent results for the group in the first half of 2023: +23% revenue (constant rates). Bounce of Tod's (+23%) and Roger Vivier (+30%), followed by Fay (+20%) and Hogan (+14%). Exceptional growth for leather goods and accessories, up by 35% in the period, also footwear (+20%) did well. Excellent response in all markets, especially China.
- **FERRAGAMO** - The Florence-based brand slows down: -7% revenues in the first half of the year. Uncertainty prevails in Asia and the Americas, on the other hand Europe, the Middle East and Africa are doing well. Overall sales down for leather goods (-13%) and footwear (-4%).
- **PRADA** - Net revenues up by 20% for the Milan-based fashion house (constant exchange rates). Double-digit increases for leather goods (+12%) and footwear (+20%). Solid growth for Prada (+18); further acceleration for Miu Miu (+50%). Church's suffers (-21%). Recovering demand in Asia Pacific, good in Japan, Middle East and Europe. Sluggish in the Americas.

NOTES

- Lineapelle processes and estimates data provided by statistical institutions, government bodies, international organizations, trade associations, retailers and other public/private sources
- Country acronyms refer to the official ISO alpha 3 classification
- Commodity prices. Historic price series are calculated on the basis of average price quotations in dollars (USD)
- Raw hides and skins/semi-processed leather prices. Historic original price series are collected by agents and publications in the industry and indexed using the base line 2005=100, maintaining the exchange currency used for purchases on the export market

By Lineapelle Economic Department

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