

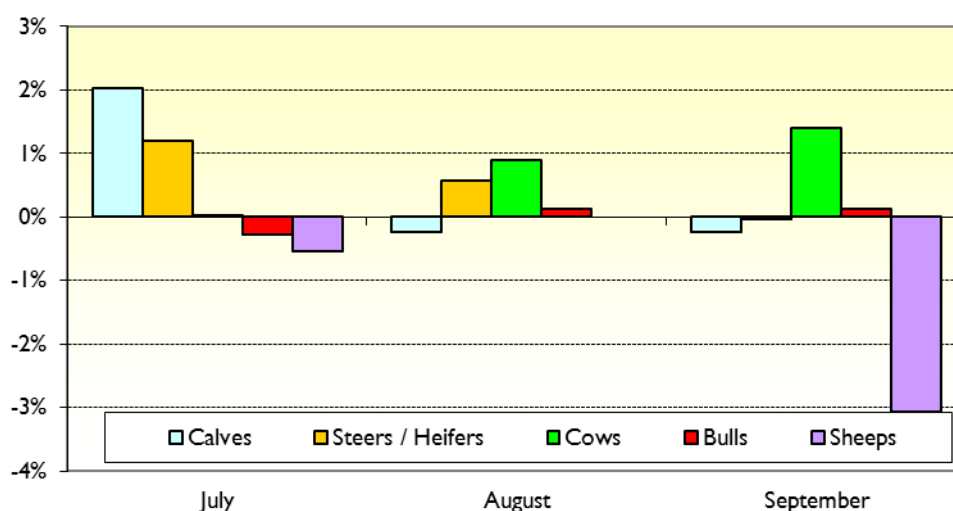
## ▶ RAW MATERIAL ◀

### PRICES

A partial turnaround in price trends marked this quarter. Small **raw bovines**, which had managed to withstand downward pressure more significantly than large bovines, were still weak in September. Conversely, higher sizes and especially cows went partially upward. The above-average performance of German raw hides continued.

The general economic situation and the effects of the anti-pollution measures taken in China last spring (which affected an important small-hide tanning district), continued to weaken **sheep** prices, especially in New Zealand.

FIG. I - PRICE CHANGES, MONTH ON MONTH, FOR RAW HIDES AND SKINS BY ANIMAL TYPE IN THE QUARTER



**Bovine wet blue** posted growth that was more marked than raw hide prices, with fluctuations above 5% on a monthly basis.

TABLE I - PRICE CHANGES FOR RAW HIDES AND SKINS BY ANIMAL TYPE AND ORIGIN SINCE JANUARY 1ST

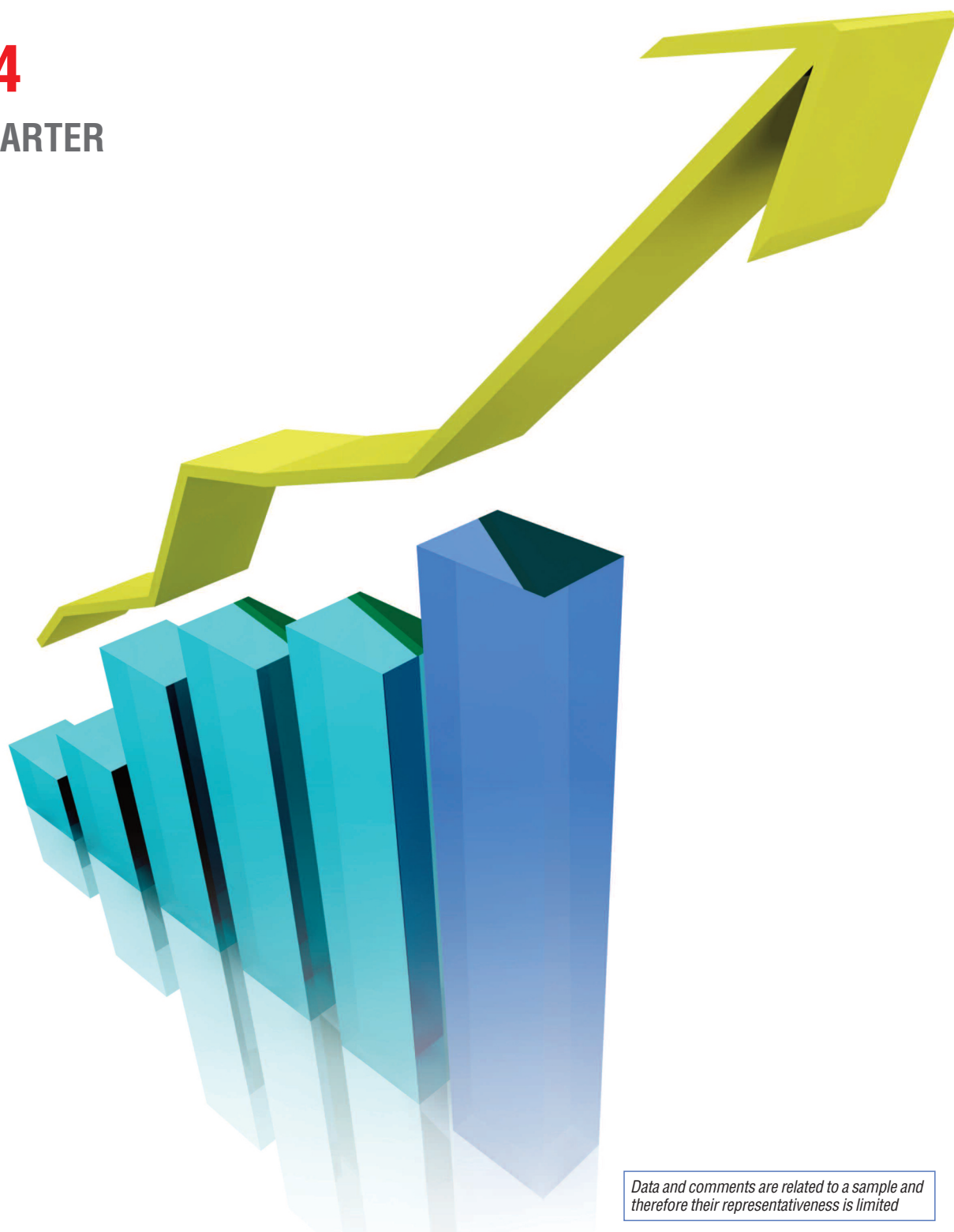
| Calves      | -2%  | Steers, bull calves, heifers | -2%  | Cows          | -9%  | Bulls       | -4% | Sheep       | -10% |
|-------------|------|------------------------------|------|---------------|------|-------------|-----|-------------|------|
| Italy       | -3%  | Italy (bull calves)          | -4%  | Italy         | -7%  | France      | -4% | Iran        | -5%  |
| Australia   | -4%  | Germany (heifers)            | +9%  | Denmark       | -2%  | Germany     | -1% | New Zealand | -35% |
| France      | +2%  | Spain (bull calves)          | -6%  | France        | -9%  | Denmark     | +3% | Spain       | -11% |
| Netherlands | -10% | Unites States (steers)       | +10% | Germany       | +5%  | Netherlands | -8% |             |      |
| Spain       | -3%  | United States (heifers)      | +11% | Netherlands   | -20% | New Zealand | -2% |             |      |
|             |      | New Zealand (steers)         | -2%  | New Zealand   | -6%  |             |     |             |      |
|             |      | Australia (mixed)            | -3%  | Spain         | +6%  |             |     |             |      |
|             |      | United Kingdom (mixed)       | -5%  | United States | -8%  |             |     |             |      |
|             |      | Sweden (mixed)               | -4%  | Sweden        | -1%  |             |     |             |      |

# LEATHER MARKET OVERVIEW

LINEAPELLE  
*Economic Department*

2014

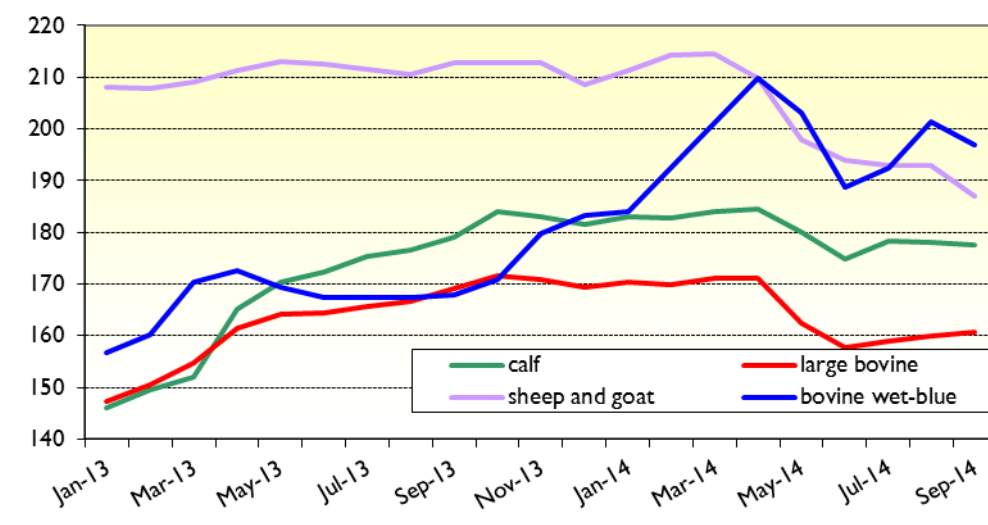
3<sup>RD</sup> QUARTER



*Data and comments are related to a sample and  
therefore their representativeness is limited*



FIG. 2 - PRICE CHANGES FOR RAW HIDES AND SKINS BY ANIMAL TYPE

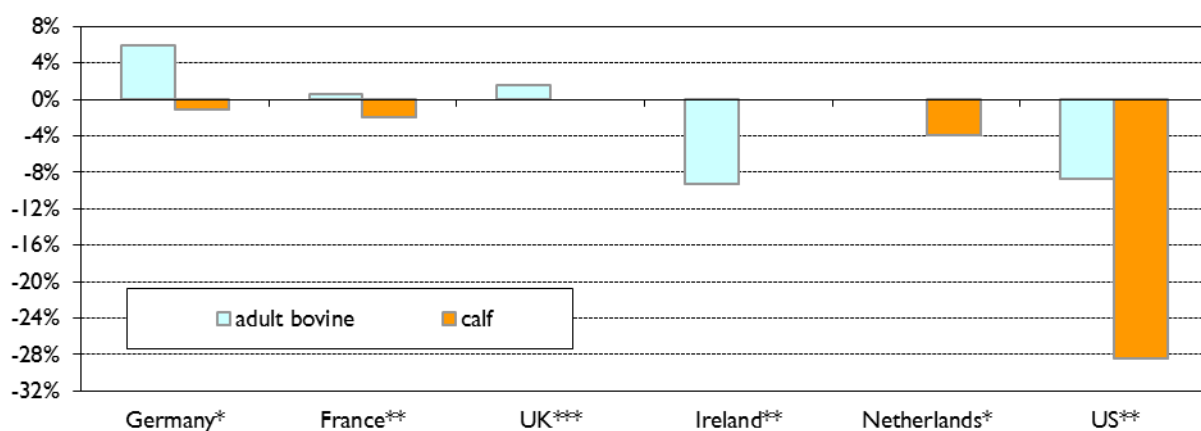


## SLAUGHTERING

The slaughtering of **adult bovine** in Europe was stable in the first 7 months of the year compared to 2013. The markets that most reacted to recent declines were Germany, Poland and the UK, whereas Mediterranean countries remained weak and France was essentially stable; Ireland continued to decline sharply. Delicate situation for **calves**: stability in France, Netherlands and Germany, yet declines in the rest of Europe except for Belgium going upward.

The situation continued to be critical in the United States, where large cattle posted 5-10% declines and calves slipped 20% in the first 8 months. The protracted rise in the austral continent went on.

The slaughtering of **sheep** continued to be unfavourable in all markets surveyed (Europe and Oceania): stability in France and the UK, slight growth in Ireland and Australia, downward trends in Mediterranean countries and in New Zealand.

FIG. 3 - CHANGE IN SLAUGHTERINGS OVER THE LAST 3 MONTHS  
YEAR ON YEAR<sup>+</sup>

<sup>+</sup> excluding figures for British and Irish calves and Dutch adult cattle as the figures there were insignificant

\* quarter ended in July

\*\* quarter ended in August

\*\*\* quarter ended in September

## ▶ TANNING SECTOR ◀

### ITALY

#### TURNOVER INDEX - Quarterly Trend (3<sup>rd</sup> quarter 2014 vs 3<sup>rd</sup> quarter 2013)

- ▶ MEDIUM-LARGE BOVINE - Total sales still up (+2%).
- ▶ SMALL BOVINE - Slight drop in the seasonal turnover index (-4%).
- ▶ SHEEP & GOAT - Double-digit slowing (-18%), with similar declines for both animal types.

#### TURNOVER INDEX - Annual Trend (1<sup>st</sup> 9 months 2014 vs 1<sup>st</sup> 9 months 2013)

- ▶ MEDIUM-LARGE BOVINE - The overall growth for the year is currently around 3%.
- ▶ SMALL BOVINE - The partial results for 2014 posted a slight drop (-1%).
- ▶ SHEEP & GOAT - The average drop in sales in the first three quarters was around 7%.

#### OBSERVATIONS AND FORECASTS

Diversified demand dynamics during the entire quarter, widespread drops in the medium segment, non-homogeneous situation in the high ranges. Similar trend reported in October, uncertainty for late 2014.

### REST OF EUROPE

#### TURNOVER INDEX - Quarterly Trend (3<sup>rd</sup> quarter 2014 vs 3<sup>rd</sup> quarter 2013)

- ▶ MEDIUM-LARGE BOVINE - Germany, UK and Portugal posted average +10% rises, as did Poland though to a lesser extent (+5%). France was essentially stable, while Spain declined (-7%), and Austria and the Netherlands declined in double digits.
- ▶ SMALL BOVINE - Average 7% growth for Spain and Germany, while France posted losses (-4%).
- ▶ SHEEP & GOAT - Double-digit drops in sales for French and Spanish manufacturers.

#### TURNOVER INDEX - Annual Trend (1<sup>st</sup> 9 months 2014 vs 1<sup>st</sup> 9 months 2013)

- ▶ MEDIUM-LARGE BOVINE - Satisfactory so far for the leading countries (Spain +5%, Germany +11%, France +2%, UK +3%, Poland +5%, Portugal +15%), except for Austria (-5%) and Netherlands (-15%).
- ▶ SMALL BOVINE - Moderate average growth (1%-3%) in Spain and France, more marked in Germany (+9%).
- ▶ SHEEP & GOAT - Bad year (France -9%, Spain -18%).

#### OBSERVATIONS AND FORECASTS

Orders for car interiors still on the rise, some declines for leather goods, very variable for footwear.

### REST OF THE WORLD

#### TURNOVER INDEX - Quarterly Trend (3<sup>rd</sup> quarter 2014 vs 3<sup>rd</sup> quarter 2013)

- ▶ BOVINE - Double-digit growth for exports in Brazil, Argentina, Pakistan and Mexico, slight average increase in sales (+2%) for Chinese operators, small decrease in India (-4%).
- ▶ SHEEP & GOAT - Growth for exports in Turkey, Pakistan and India, declines for the Chinese segment.

#### TURNOVER INDEX - Annual Trend (1<sup>st</sup> 9 months 2014 vs 1<sup>st</sup> 9 months 2013)

- ▶ BOVINE - Exports in Brazil, India, Pakistan and Mexico up 20%; Argentina down 15%, China stable.
- ▶ SHEEP & GOAT - Declines of around 10% in India and China, Turkey stable, Pakistan +5%.

#### OBSERVATIONS AND FORECASTS

Widespread growth for South American and Chinese operators (car interiors and footwear). Variable India.

## ► ACCESSORIES, COMPONENTS, SYNTHETICS ◄

### RAW MATERIALS

#### PRICES - Quarterly Trend (3<sup>rd</sup> quarter 2014)

In the third quarter of the year, the price of oil (in USD) slipped (-9%), after a rising second quarter. Cotton substantially adjusted, especially in August, before stabilizing in September (-19%), whereas wool prices, essentially stable in July, slightly decreased between August and September. Natural rubber posted a double-digit drop, whereas metals rose in July and declined in September, though with different overall results: aluminium, copper and zinc went up; iron and nickel went down.

#### PRICES - Annual Trend (January to September 2014)

The annual trend (in USD) is generally downward for oil, cotton, wool and natural rubber. As for the main metal commodities, aluminium, nickel and zinc have been significantly increasing since early 2014.

### TEXTILES, SYNTHETICS AND ALTERNATIVES

#### TURNOVER INDEX - Quarterly Trend (3<sup>rd</sup> quarter 2014 vs 3<sup>rd</sup> quarter 2013)

The overall performance in textiles, synthetics and other alternative materials posted in the third quarter of the year a slight increase compared to the previous year, with a 1% to 7% growth. Good results for Italy and France (especially in synthetics), followed by Spain. Germany was essentially stable. A breakdown by product segment shows that synthetics performed better than textiles, while the performance for regenerated of leather fibres markedly declined.

#### TURNOVER INDEX - Annual Trend (1<sup>st</sup> 9 months 2014 vs 1<sup>st</sup> 9 months 2013)

The annual trend shows positive performance for textiles and synthetics, although with less marked variations, and confirms the declines for the segment of regenerated materials. Italian manufacturers continue to show better performance than the European average.

### ACCESSORIES AND COMPONENTS

#### TURNOVER INDEX - Quarterly Trend (3<sup>rd</sup> quarter 2014 vs 3<sup>rd</sup> quarter 2013)

The overall trend in sales for the components segment of the footwear industry was driven in the third quarter by the excellent performance of the Iberian peninsula (double-digit growth), followed by Italy and its delocalizations. Marginal growth for Germany. Upward trend in the accessories segment, particularly for Italy.

#### TURNOVER INDEX - Annual Trend (1<sup>st</sup> 9 months 2014 vs 1<sup>st</sup> 9 months 2013)

As for the annual trend, Spain remains the top performer, followed by France and Italy. Moderate gains also for Portuguese manufacturers. Chinese exports posted losses, whereas Indian exports posted considerable gains. Limited growth for other accessories, with Italy being a top performer.

### OBSERVATIONS AND FORECASTS

Just like for the previous quarter, uncertainty continues to characterize forecasts for footwear, particularly European footwear, and thus for the components segment. Better outlooks for the remaining fashion sectors and expected stabilization for furniture, which is anyhow a marginal sector for this market.

## ▶ MANUFACTURING SECTORS ◀

### FOOTWEAR

#### TURNOVER INDEX - Quarterly Trend (3<sup>rd</sup> quarter 2014 vs 3<sup>rd</sup> quarter 2013)

- ▶ ITALY – Sales for Italian manufacturers stagnated in the summer quarter, with average -1/+1 percentage point variations compared to the third quarter of 2013.
- ▶ REST OF THE WORLD – Brighter performance of the leading EU nations. Specifically, the strongest growth was seen in France and Germany (both around the seasonal +10%), followed by Spain and UK, slightly rising. Performance in Portugal was similar to that in Italy. Outside the EU, Brazilian exports continued to decline (-2%), while China, India, Vietnam and Bangladesh posted significant growth (around 20%). Production in Turkey was rather good.

#### TURNOVER INDEX - Annual Trend (1<sup>st</sup> 9 months 2014 vs 1<sup>st</sup> 9 months 2013)

- ▶ ITALY – Performance has been improving for Italian manufacturers since early 2014: +4% compared to 2013.
- ▶ REST OF THE WORLD – Better results for EU manufacturers (+6/8%); in particular: Germany (+12%), Portugal (+10%), France and Spain (both +8/9%), with more modest gains in the UK (+4%). The strong performance of Asia can still be seen in the annual trends, with exports up in double digits. Turkey slightly down.

### LEATHER GOODS

#### TURNOVER INDEX - Quarterly Trend (3<sup>rd</sup> quarter 2014 vs 3<sup>rd</sup> quarter 2013)

- ▶ ITALY – For Italian manufacturers, the three summer months closed with a stabilization of sales, up by 1% compared to the third quarter of 2013.
- ▶ REST OF THE WORLD – The European economy appears moderately favourable, posting gains in the Iberian peninsula (gains in excess of 10%) and Germany (+8%), slight growth in France (+3%) and declines in the UK. Chinese and Indian exports posted growth; Turkey posted significant growth.

#### TURNOVER INDEX - Annual Trend (1<sup>st</sup> 9 months 2014 vs 1<sup>st</sup> 9 months 2013)

- ▶ ITALY – The first nine months of 2014 confirmed growth for Italian leather goods, up 5% year on year.
- ▶ REST OF THE WORLD – Two-speed trend in the rest of the EU: on the one hand, Spain and Portugal with double-digit growth, on the other the traditional EU manufacturers with modest gains. Outside the EU, Chinese exports declined and Turkey dropped markedly.

### GARMENTS

#### TURNOVER INDEX - Quarterly Trend (3<sup>rd</sup> quarter 2014 vs 3<sup>rd</sup> quarter 2013)

- ▶ ITALY – Italian leather garments continued to grow, closing also the third quarter with gains of 10% compared to the same period of 2013.
- ▶ REST OF THE WORLD - Generally positive trend also in the rest of the EU, with good results in Germany, Spain and UK, and only some decline in France. As concerns the extra-EU, slight rises in Turkey and significant decline of Chinese exports.

#### TURNOVER INDEX - Annual Trend (total year 2014 vs total year 2013)

- ▶ ITALY – Italian manufacturers of leather garments have been posting seasonal 15% growth since early 2014.
- ▶ REST OF THE WORLD - In the rest of Europe, widespread gains for the leading manufacturers, except for Germany posting slight decline. Losses both for Turkey and for Chinese exports; growth in Cambodia and India.

## UPHOLSTERY

### TURNOVER INDEX - Quarterly Trend (3<sup>rd</sup> quarter 2014 vs 3<sup>rd</sup> quarter 2013)

- ▶ ITALY – Italian furniture manufacturers experienced a modest growth in the three summer months, supported by growth in exports. Car upholstery: gains both in the export of car seats and new car sales (+4%), in particular the luxury segment.
- ▶ REST OF THE WORLD - In the rest of Europe, generally good situation for Germany and UK, with difficulties in Northern Europe (stagnant), Eastern Europe and Baltic nations. Moderate growth of furniture orders in the U.S. (+4%). Europe's automotive market posted growth though with two-speed new car sales: traditional markets up 4%, emerging markets up 12%.

### TURNOVER INDEX - Annual Trend (total year 2014 vs total year 2013)

- ▶ ITALY – The nine-month trend for Italian furniture upholstery, after protracted decline and uncertainty, shows some stabilization. New car sales confirmed the growth trend of the first half of the year (+4%), though with more moderate results compared to the rest of Europe yet with the exceptional performance of the luxury segment and an almost double number of new car sales compared to 2013.
- ▶ REST OF THE WORLD – In the rest of Europe, the January-September period showed a slight growth in sales, also in Eastern and Northern areas. New orders in the U.S. are still up (+5%). Europe's automotive market posted overall growth of 6%.

## CONSUMPTION

Despite the marginal gains experienced in the quarter, retail sales continued to stagnate in Italy and were disappointing both in Spain and the UK. The situation in the rest of Europe is slightly better. The Russian market continued to post declines due to political instability. Encouraging growth in the U.S.

## OBSERVATIONS AND FORECASTS

Traditional EU markets continue to be reference markets; yet, the manufacturing business is not expected to grow substantially and will remain stable or will show moderate growth. Forecasts are better for Asia and the US.

## LUXURY GOODS

The outlook for the luxury goods segment remains positive; gains are more modest than in the past but appear more realistic and connected with the actual situation of consumption markets. Particularly positive outlook for the automotive sector and footwear although all fashion sectors prevail over furniture. Asia and the Middle East are the driving markets, while the US and Europe will show more modest gains.

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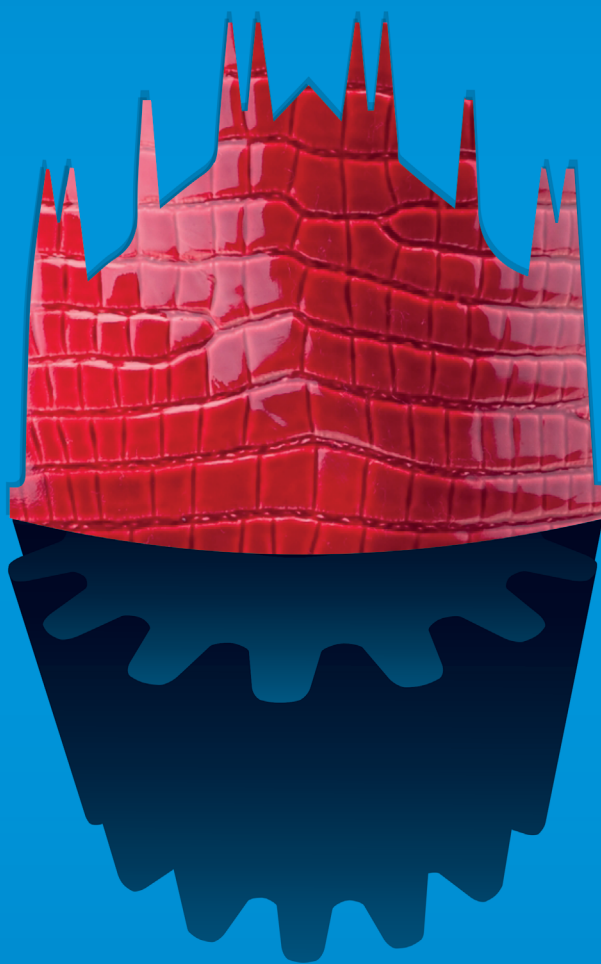
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