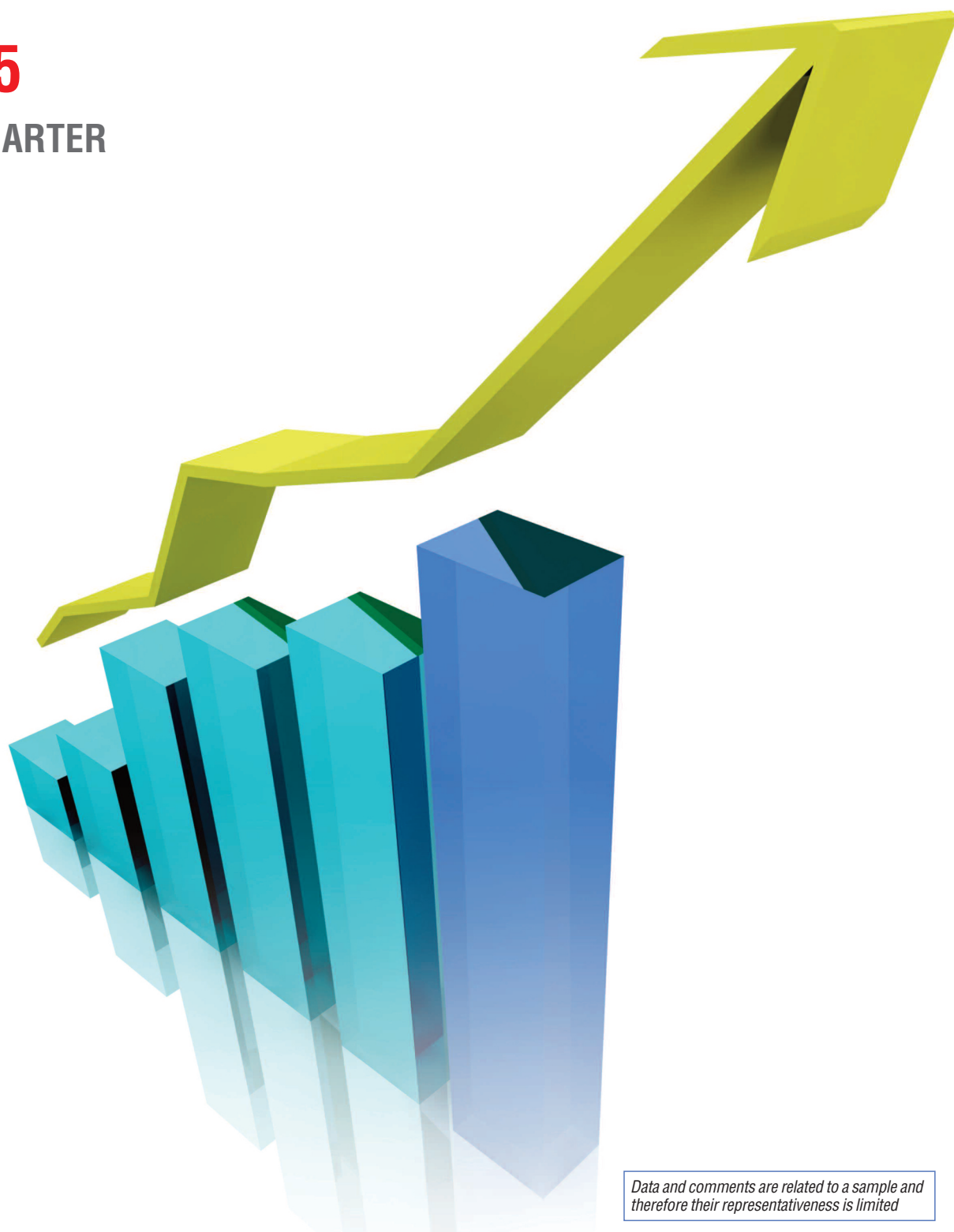


LEATHER MARKET OVERVIEW

LINEAPELLE
Economic Department

2015

2nd QUARTER



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



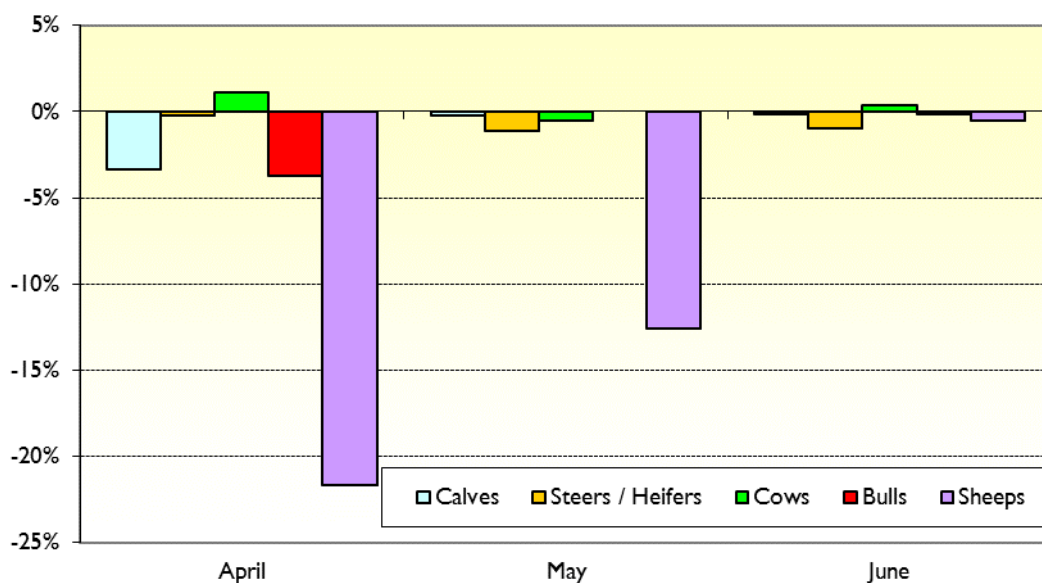
▶ RAW MATERIAL ◀

PRICES

The trend in raw materials for the tanning industry during the second quarter was slightly negative on the whole, but there were some exceptions and differences between animal categories and original marketplace. In the **raw bovine hides** category, medium sized hides generally bucked the trend, with slight growth in cows and steers/heifers essentially unchanged; calves and bulls declined in April and then stabilised. Since the start of the year, all medium and large sized bovines recorded growth (also considerable), while the small bovines (calves) posted declines.

The price index for **sheepskins** experienced a sharp drop in value between April and May due solely to Iran and New Zealand; Europe increased in April and decreased between May and June.

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

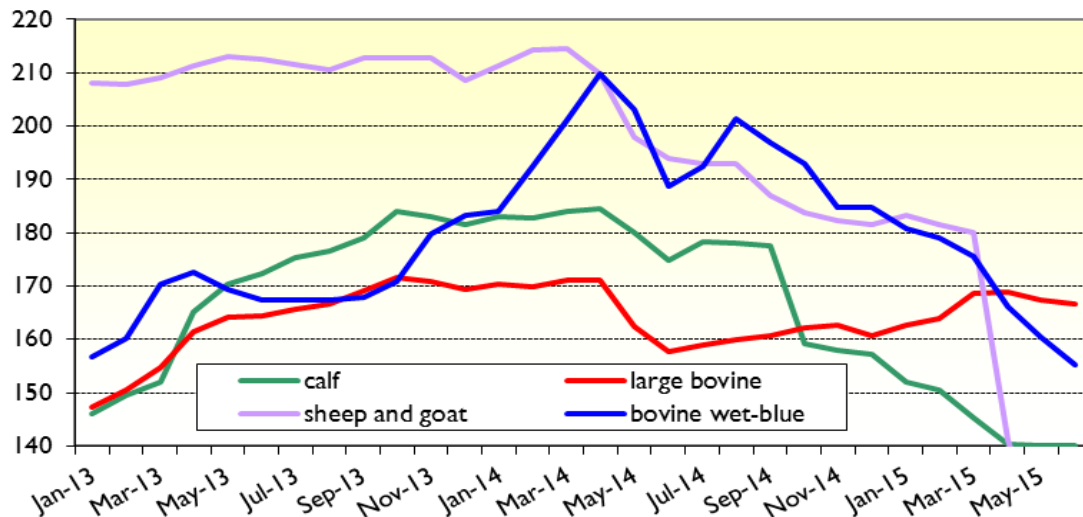


Wet-blue bovine posted decreases during the quarter. Those of Brazilian origin declined steadily during the three-month period, while the others, after a decline in April, remained essentially stable.

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

Calves	-11%	Steers, bull calves, heifers	+2%	Cows	+7%	Bulls	+4%	Sheep	-32%
Italy	-1%	Italy (bull calves)	==	Italy	+1%	France	+7%	Iran	-36%
Australia	-6%	Germany (heifers)	-3%	Denmark	+8%	Germany	+2%	N. Zealand	-20%
France	-17%	Spain (bull calves)	==	France	+5%	Denmark	==	Spain	-5%
Netherlands	-6%	United States	-19%	Germany	+7%	Netherlands	+4%		
Spain	-1%	New Zealand (steers)	-8%	Netherlands	+14%	N. Zealand	-10%		
		Australia (mixed)	-6%	N. Zealand	-6%				
		United Kingdom (mixed)	+2%	Spain	+3%				
		Sweden (mixed)	+3%	United States	-15%				
				Sweden	+9%				

FIG. 2 - INDEX PRICE CHANGES FOR RAW MATERIAL BY TYPE



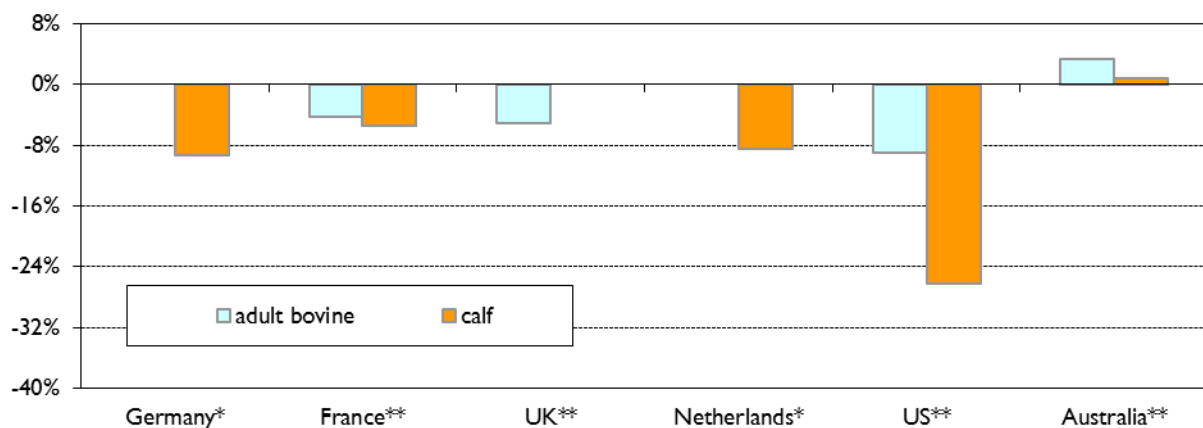
SLAUGHTERING

Overall, there was a slight decrease (-2%) in **adult cattle** slaughters in the main countries monitored, during the three months under review. The situation in Europe is varied: slaughtering levels in Italy (+7%) and Spain (+16%) grew, remained unchanged in Germany, and were down in the other most important EU manufacturers (double-digit declines in the Netherlands and Ireland). Outside of the EU, figures in the USA continue to drop (-9%), while increases were posted for Argentina (+2%) and the Oceanian countries (Australia +3%, New Zealand +1%).

The general situation is quite similar for **calves**. Slaughtering in Italy, Belgium, Argentina, Australia and New Zealand increased, while the other leading producing countries decreased (down a whopping 26% in the USA).

The global situation is for the most part negative as far as **sheep** slaughtering in the monitored countries is concerned. Double-digit declines were posted in Italy, Spain and France; Ireland, Greece and Australia also posted losses, while the United Kingdom remains stable. The only exception is the positive trend in New Zealand (+7%).

FIG. 3 - CHANGES IN BOVINE SLAUGHTERING FOR THE QUARTER YEAR ON YEAR*



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

* quarter ended in April

** quarter ended in May

▶ TANNING SECTOR ◀

ITALY

TURNOVER INDEX - Quarterly Trend (2nd quarter 2015 vs. 2nd quarter 2014)

- ▶ MEDIUM/LARGE BOVINE - After the decline in the first quarter, sales are slightly up (+1%).
- ▶ SMALL BOVINE - Sales continue to decline slightly (-1% year on year).
- ▶ SHEEP & GOAT - Strong upturn for goats (double-digit growth), but slow down for sheep (-9%).

TURNOVER INDEX - Annual trend (1st half 2015 vs. 1st half 2014)

- ▶ MEDIUM/LARGE BOVINE - In the light of recent data, the loss recorded so far in 2015 is less weighty (-3%).
- ▶ SMALL BOVINE - Overall decrease similar to the medium-large segment: -3%.
- ▶ SHEEP & GOAT - Quarterly trends are similar for both types; the overall loss was 4%.

OBSERVATIONS AND FORECASTS

Fluctuating and fragmented demand during the quarter, with an upward trend at the end of the period (signs of recovery also reported in July). Uncertainty prevails for the second half but without excessive pessimism.

REST OF EUROPE

TURNOVER INDEX - Quarterly Trend (2nd quarter 2015 vs. 2nd quarter 2014)

- ▶ MEDIUM/LARGE BOVINE - Slowdown in Austria and Germany (-6%). Double-digit losses in Spain and the Netherlands, slight declines in France (-2%). Strong growth in the U.K., Portugal and, to a much lesser extent, in Poland.
- ▶ SMALL BOVINE - Widespread sluggishness (Spain -11%, France -4%, Germany -6%).
- ▶ SHEEP & GOAT - Declines for Spanish (-2%) and French (-16%) producers.

TURNOVER INDEX - Annual Trend (1st half 2015 vs. 1st half 2014)

- ▶ MEDIUM/LARGE BOVINE - Mixed situation. Germany basically stable, Austria slightly up, Portugal and the U.K. double digit growth; declines for the remaining countries (Spain -20%, France -7%, Poland -8%, and the Netherlands down by over 20%).
- ▶ SMALL BOVINE - Bad year so far for Spain (-16%) and France (-8%), good for Germany (+3%).
- ▶ SHEEP & GOAT - General downturn confirmed (Spain -5%, France -14%).

OBSERVATIONS AND FORECASTS

Surprising slowdown in Austria and Germany, in the light of the confirmed choppy and fragmented trend in the automotive, footwear and leather goods sectors.

REST OF THE WORLD

TURNOVER INDEX - Quarterly Trend (2nd quarter 2015 vs. 2nd quarter 2014)

- ▶ BOVINE - Growth for exports in China, Mexico, Pakistan and India, declines for Brazil, Argentina, Turkey.
- ▶ SHEEP & GOAT - Slowdowns in Turkey, improved performance in Pakistan, India and China.

TURNOVER INDEX - Annual Trend (1st half 2015 vs. 1st half 2014)

- ▶ BOVINE - Declines confirmed in exports for Brazil, Argentina, Turkey and Korea, India stable, signs of recovery in China, Mexico and Pakistan.
- ▶ SHEEP & GOAT - Lacklustre situation in Turkey, growth in exports from India, Pakistan and China.

OBSERVATIONS AND FORECASTS

Discontinuous situation in both segments, little indication of future.

▶ ACCESSORIES, COMPONENTS, SYNTHETICS ◀

RAW MATERIALS

PRICES - Quarterly Trend (2nd quarter 2015 vs. 2nd quarter 2014)

The second quarter of the year shows a decidedly negative trend in commodity prices compared with the same period last year.

Oil prices (in US dollars) have collapsed (-43%) with heavy declines also in metals, in particular iron (-44%), nickel (-29%), and copper (-11); the only exception is zinc (+6%). Cotton (-22%) and natural rubber (-15%) also suffered significant declines. Wool prices are negative.

PRICES - Annual Trend (1st half 2015 vs. 1st half 2014)

The annual trend points to a situation of continuing uncertainty. Oil prices will not reverse the long-term trend and posted an additional double-digit decline. Significant and widespread decline in metals, with iron at almost half its price; zinc (+4%) and aluminium (+2%) are the only exceptions. Further decrease in wool prices.

TEXTILES, SYNTHETICS AND OTHER ALTERNATIVE MATERIALS

TURNOVER INDEX - Quarterly Trend (2nd quarter 2015 vs. 2nd quarter 2014)

Good overall performance in textiles, synthetics and other alternative materials, which posted further growth compared to the same period of 2014. Portugal, Poland and the UK posted particularly good results; minor changes in Spain. Downward trend in Germany (-2%).

A breakdown by product segment shows that synthetics and regenerated materials posted similar performance, while the performance for textiles was a lot weaker.

TURNOVER INDEX - Annual Trend (1st half 2015 vs. 1st half 2014)

The half-yearly analysis, unlike the start of the year, shows positive performance for the entire sector during the first half of 2015. In particular, there has been a general recovery in synthetics and regenerated materials.

The situation for textiles is not very stable with Spain, France, UK and Italy posting slight losses.

Among the manufacturers farthest removed from the overall positive performance of the European partners is Poland in regenerated materials (double-digit decline).

ACCESSORIES AND COMPONENTS

TURNOVER INDEX - Quarterly Trend (2nd quarter 2015 vs. 2nd quarter 2014)

The overall trend in quarterly sales for accessories and components of the footwear industry was rather volatile in the year-on-year comparison: very good in Spain, the U.K. and Portugal (all posting double-digit growth), down in Germany, France, Italy and Poland. Performance in Romania increased slightly. In terms of product, the scenario in the small metal parts segment is generally positive.

TURNOVER INDEX - Annual Trend (1st half 2015 vs. 1st half 2014)

On the whole, the trend of the first part of the year displays mixed signals; the U.K. is the top performer (+17%), followed by Spain and Romania. Declines posted in Germany; considerable declines also for Polish and French manufacturers.

▶ MANUFACTURING SECTORS ◀

FOOTWEAR

TURNOVER INDEX - Quarterly Trend (2nd quarter 2015 vs. 2nd quarter 2014)

▶ ITALY - The long-term trend shows increases in sales for Italian manufacturers, which closed the quarter with an increase of 7% compared to the 2nd quarter of 2014.

▶ REST OF WORLD - On average, the leading EU nations posted growth, with the strongest rise in the U.K. and Poland. Bucking the trend was Romania, down by double-digits and Germany (-7%). Outside the EU, Brazilian exports declined (-10%), while Bangladesh, China, India and Mexico posted double-digit growth. Pakistan posted declines. Upward trend in Turkish exports.

TURNOVER INDEX - Annual Trend (1st half 2015 vs. 1st half 2014)

▶ ITALY - The annual trend confirms that Italian footwear is having a good period, up by 3%.

▶ REST OF WORLD - Good performance on average for the other EU manufacturers. However, Romania declined 5% and Germany remains static. The strong performance of the Asian countries is confirmed in the annual trends too, while Mexico reverses the tendency with a significant decline. Brazilian exports also declined (-11%)

LEATHER GOODS

TURNOVER INDEX - Quarterly Trend (2nd quarter 2015 vs. 2nd quarter 2014)

▶ ITALY - The second quarter of this year closed with a 5% growth in sales for Italian manufacturers.

▶ REST OF WORLD – The overall situation for the European partners is for the most part good, with growth in turnover as a whole. Specifically, strong performance for Spanish leather goods continues; excellent performance for the U.K. and Poland. The only downsides are Portugal, suffering a significant decline, and France (-4%).

Mixed performance in the non-European countries: China has slowed down while India and Bangladesh are speeding up. Sharp declines in Mexican exportations; double-digit growth in Turkish exports.

TURNOVER INDEX - Annual Trend (1st half 2015 vs. 1st half 2014)

▶ ITALY - The second quarter 2015 for Italian leather goods confirmed the positive signs of the quarterly trend, with significant growth in turnover.

▶ REST OF WORLD - For the rest of Europe's leather goods industry, the situation is mixed: marginal worsening in France and Spain (-1% each); Germany remains essentially stable. The situation in the U.K. and Poland is good. Outside the EU, Mexican and Pakistani exports have started to grow again. Chinese exports are back up again.

LEATHER GARMENTS

TURNOVER INDEX - Quarterly Trend (2nd quarter 2015 vs. 2nd quarter 2014)

▶ ITALY - The negative trend for Italian leather garments since the beginning of the year continues. The second quarter closed down 9% compared to the same period in 2014.

▶ REST OF WORLD - The situation in the rest of Europe is mixed: Romania, followed by France and Portugal, is the best performer. The situation in Germany is also good, but the U.K. and Poland are down. As regards non-EU competitors, only China and India posted rather low gains. The other non-EU nations posted declines.

TURNOVER INDEX - Annual Trend (1st half 2015 vs. 1st half 2014)

- ▶ ITALY - Italian manufacturers of leather garments posted negative results with double-digit declines compared to the first half of 2014.
- ▶ REST OF WORLD - The situation in the rest of Europe appears uncertain with most manufacturers reporting losses in sales. The situation is especially bad in Poland; English and Portuguese manufacturers buck the trend with double-digit growth in sales. The situation for non-EU partners continues to be very bad. Only Pakistan (+2%) experienced a slight recovery.

UPHOLSTERY

TURNOVER INDEX - Quarterly Trend (2nd quarter 2015 vs. 2nd quarter 2014)

- ▶ ITALY - Sales for Italian producers of upholstered furniture continued to rise in the second quarter of 2015. As regards the automotive segment: new car registrations increased 17% during the period under review.
- ▶ REST OF WORLD – In the rest of Europe, the outlook for the upholstery sector is on the whole positive, with the U.K. as the top performer. The U.S. performed well in this sector (with new orders up 5% compared to the same period of the previous year). The automotive segment for the EU market is picking up and especially vibrant in Italy (+14% new car registrations).

TURNOVER INDEX - Annual Trend (1st half 2015 vs. 1st half 2014)

- ▶ ITALY - The short-term trend for the upholstery segment in Italy remains positive. New vehicle registrations grew 15% compared to the first part of 2015, thereby confirming Italy's dynamic market, in line with that of Europe.
- ▶ REST OF WORLD - The first half of the year appears to be on the whole good in the rest of Europe, with growth posted by all of the leading European manufacturers of upholstered furniture; the trend in Portugal has reversed and is now looking positive, while losses continue in Romania. New orders in the USA are up (+5%). Europe's automotive market posted overall growth of 8%.

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