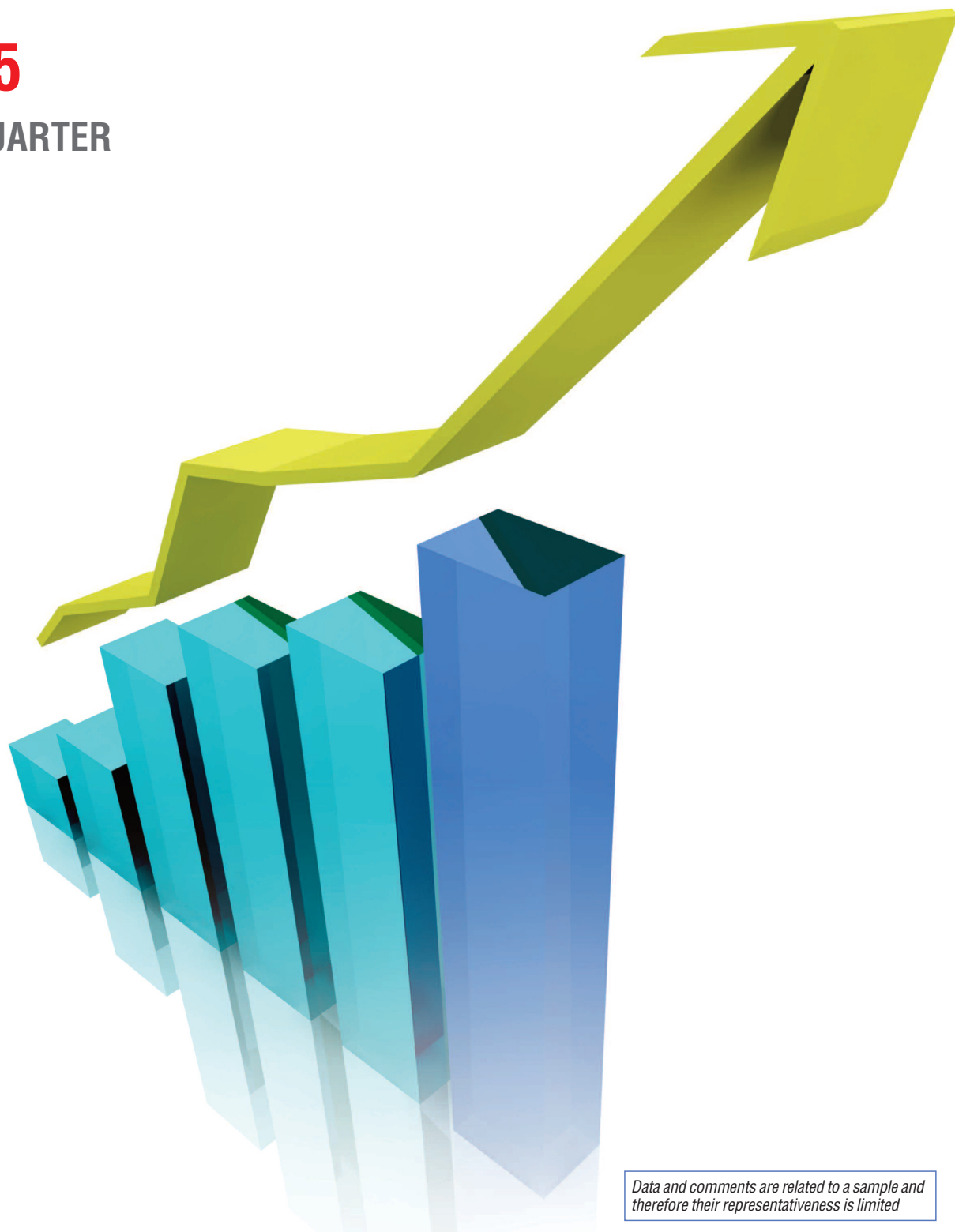


LEATHER MARKET OVERVIEW

LINEAPELLE
Economic Department

2015

3RD QUARTER



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



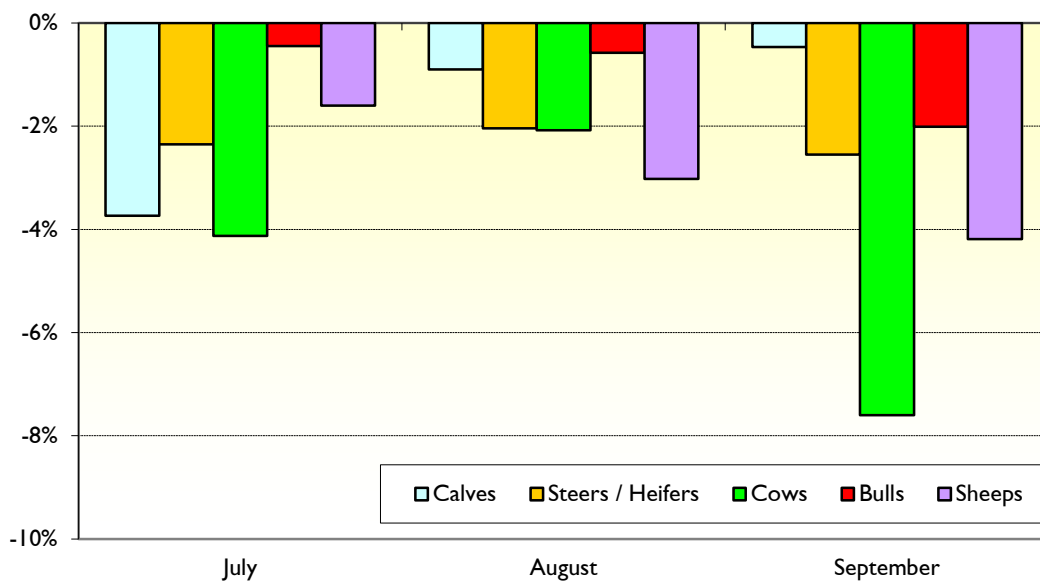
▶ RAW MATERIAL ◀

PRICES

Average price indexes in the quarter showed a generally negative trend. Medium-sized **raw bovines** (cows and calves), which had shown a stable or rising trend in the first part of the year, suffered the same downward pressure as small and large bovines. This trend was particularly evident for cows, whereas calves gradually slowed down the decrease rate in the course of the quarter in question. Bulls were still on higher levels than at the beginning of the year.

The general economic situation continued to weaken the most relevant international **sheep** prices. In the summer months, this was especially the case of New Zealand, with European prices generally more volatile (Spanish origin falling in July and August but rising in September).

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

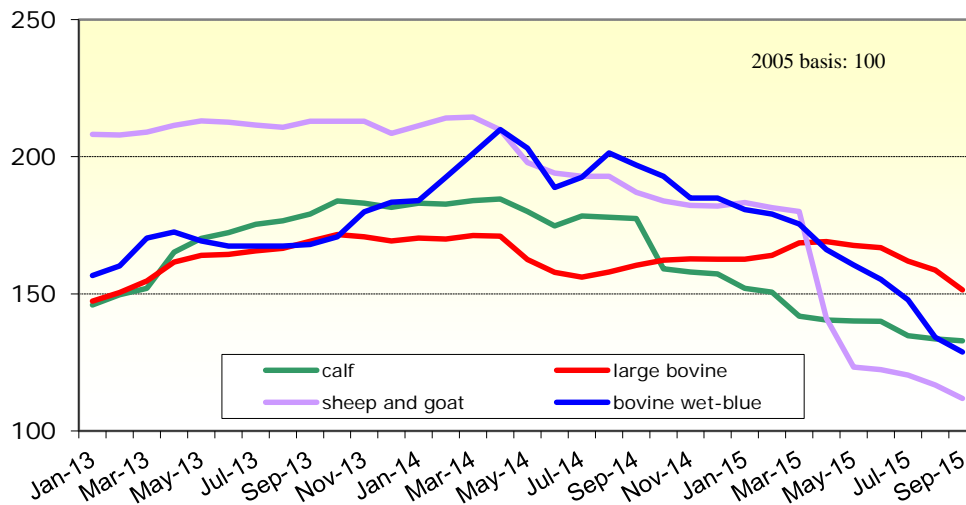


Bovine wet blue continued to post strong declines across all the main markets. South-American origins were specially penalized, with double-digit drops in the quarter also for Australia and New Zealand.

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

Calves	-15%	Steers, bull calves, heifers	-7%	Cows	-7%	Bulls	+3%	Sheep	-39%
Italy	-3%	Italy (bull calves)	=	Italy	-3%	France	+4%	Iran	-40%
Australia	-21%	Germany (heifers)	-12%	Denmark	-8%	Germany	-6%	New Zealand	-38%
France	-18%	Spain (bull calves)	-5%	France	-9%	Denmark	-5%	Spain	-6%
Netherlands	-16%	United States	-33%	Germany	-13%	Netherlands	-3%		
Spain	-11%	New Zealand (steers)	-27%	Netherlands	+4%	New Zealand	-28%		
		Australia (mixed)	-18%	New Zealand	-24%				
		United Kingdom (mixed)	-9%	Spain	-26%				
		Sweden (mixed)	-7%	United States	-37%				
				Sweden	-11%				

FIG. 2 - PRICE TREND FOR RAW MATERIAL BY MAIN TYPE



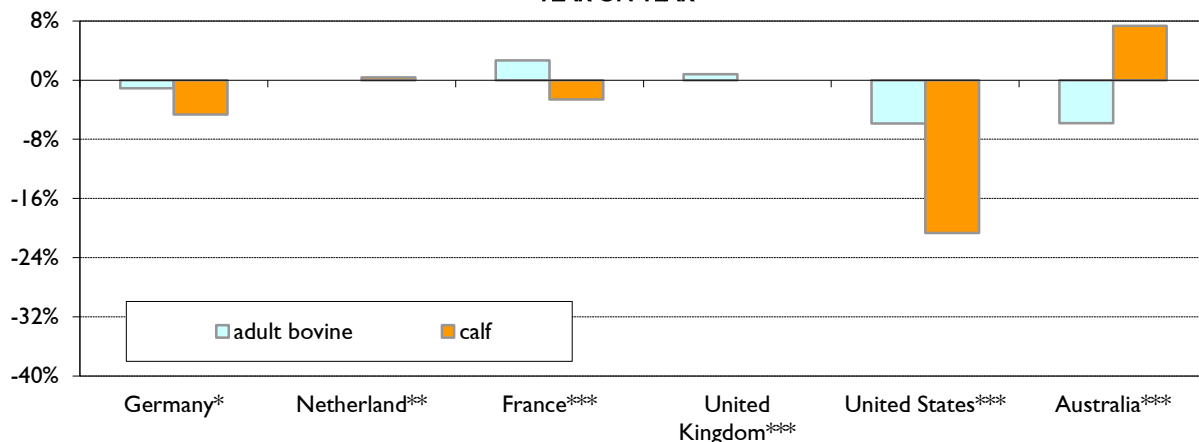
SLAUGHTERING

The slaughtering of **adult bovine** in **Europe** was overall on the rise (+3%), according to the 2015 partial results available (first 7 months year on year). The markets that showed the most positive trend were Spain, Poland and Italy, and only the UK, Ireland and the Netherlands remained weak. The scenario was still weak for **calves** (-1% in the aggregate period of January-July): declines, albeit modest, in France, Poland and Germany; stability in Spain and slight growth in Belgium and the Netherlands.

The situation continued to be negative in the **United States**, where large cattle posted 7% declines and calves slipped 26% in the first 9 months. Slaughtering in the austral continent went upward (except for New Zealand calves which showed a slight decline).

The slaughtering of **sheep** increased in Europe (+2% overall) thanks to slight growth in France, Spain and the UK. Positive results also in New Zealand, while Australia posted a decline.

FIG. 3 - CHANGE IN SLAUGHTERINGS OVER THE LAST 3 MONTHS YEAR ON YEAR[†]



[†] excluding figures for British and Irish calves and Dutch adult cattle as these were insignificant

* quarter ended in July
 ** quarter ended in August
 *** quarter ended in September

▶ TANNING SECTOR ◀

ITALY

TURNOVER INDEX - Quarterly Trend (3rd quarter 2015 vs 3rd quarter 2014)

- ▶ MEDIUM-LARGE BOVINE - 6% average decline for quarterly sales.
- ▶ SMALL BOVINE - Increase in losses compared to the same period in 2014 (-14%).
- ▶ SHEEP & GOAT - Essential stability thanks to an increase in goats (+7%) and a moderate drop in sheep (-3%).

TURNOVER INDEX - Annual Trend (1st 9 months 2015 vs 1st 9 months 2014)

- ▶ MEDIUM-LARGE BOVINE - A general, annual 3% decline continued.
- ▶ SMALL BOVINE - Overall 5% turnover decline.
- ▶ SHEEP & GOAT - Negative results in line with bovine (-3%); confirmed rise of goats.

OBSERVATIONS AND FORECASTS

General slowing, including the luxury segment. The year is expected to close at stable levels year on year.

REST OF EUROPE

TURNOVER INDEX - Quarterly Trend (3rd quarter 2015 vs 3rd quarter 2014)

- ▶ MEDIUM-LARGE BOVINE - The spring quarter trend was confirmed: double-digit growth of Austria, the UK and Portugal (and Poland on the rise); continued decline for Spain (-7%), Germany (-3%) and the Netherlands (-9%); France stable.
- ▶ SMALL BOVINE - General declines (Spain -9%, France -18%, Germany -2%).
- ▶ SHEEP & GOAT - The downward trend extended also to Spanish (-4%) and French operators (-12%).

TURNOVER INDEX - Annual Trend (1st 9 months 2015 vs 1st 9 months 2014)

- ▶ MEDIUM-LARGE BOVINE - Similar situation to the quarterly trend. Austria, the UK and Portugal going significantly up (about +20%); substantial stability for Germany and Poland; declines for the remaining production countries (Spain -18%, France -5%, the Netherlands -25%).
- ▶ SMALL BOVINE - Negative year in Spain (-14%) and France (-6%), slightly positive in Germany (+2%).
- ▶ SHEEP & GOAT - Gradually worsening scenario (Spain -10%, France -12%).

OBSERVATIONS AND FORECASTS

Tanning Europe essentially goes ahead only in some market niches (automotive in Austria, footwear in Portugal, etc.). The final quarter of 2015 is not likely to improve.

REST OF THE WORLD

TURNOVER INDEX - Quarterly Trend (3rd quarter 2015 vs 3rd quarter 2014)

- ▶ BOVINE - Exports of China, India and Mexico going up; Brazil, Argentina, Pakistan, Turkey down.
- ▶ SHEEP & GOAT - Slight growth for Pakistan and China; declines in Turkey and India.

TURNOVER INDEX - Annual Trend (1st 9 months 2015 vs 1st 9 months 2014)

- ▶ BOVINE - South-American exports going significantly down (Brazil -16%, Argentina -20%); declines also for Pakistan (-6%) and Turkey (-8%), growth for India (+6%) and Mexico (+14%); Chinese production going down (-4%)
- ▶ SHEEP & GOAT - Declines especially in Turkey and China (though not even India and Pakistan have excellent performances).

OBSERVATIONS AND FORECASTS

Rather negative forecasts for the end of the year.

▶ ACCESSORIES, COMPONENTS, SYNTHETICS ◀

RAW MATERIALS

PRICES - Long-Term Quarterly Trend (3rd quarter 2015 vs 3rd quarter 2014)

The summer quarter of 2015 continued to record a downward trend compared to the same period in 2014. Specifically, the price of oil (in USD) slipped by 8%; cotton and wool posted a slight decline of 8% and 7%, respectively, while double-digit declines were posted by natural rubber (-21%) and metals, with drops ranging between 20 and 40% ((aluminium -20%, copper -25%, iron -40%, nickel -43%, zinc -20%).

PRICES - Annual Trend (1st nine months 2015 vs 1st nine months 2014)

The annual accumulated variation is once again weak. In the first nine months of 2015, oil slipped by 34% year on year. More moderate, yet marked, declines for natural rubber (-20%). Significant decline in the prices of metals (aluminium -6%, copper -18%, iron -44%, nickel -27%, zinc -5%) and widespread declines for wool and cotton (ranging between 10% and 20%).

TEXTILES, SYNTHETICS AND ALTERNATIVES

TURNOVER INDEX - Long-Term Quarterly Trend (3rd quarter 2015 vs 3rd quarter 2014)

In the summer quarter the textiles, synthetics and alternatives market showed a heterogeneous trend, with general average values going slightly down compared to the same quarter in 2014. Overall, this result is due to the unsatisfactory trend of synthetics and regenerated materials, which counterbalances the positive results of textiles. A breakdown by country shows a good performance for Italy and Germany in the textiles segment though declines in France. Conversely, the synthetics segment posted widespread declines, except for some limited cases (France and the UK).

TURNOVER INDEX - Annual Trend (1st nine months 2015 vs 1st nine months 2014)

Overall, the result of the first nine months of the year is moderately positive (+2%) Specifically, this period confirmed the general growth in synthetics (except for Hungary and Romania) and regenerated materials (except for Italian ones). Conversely, textiles posted a substantial stagnation, with drops for Italy, Spain, the UK and Germany.

ACCESSORIES AND COMPONENTS

TURNOVER INDEX - Long-Term Quarterly Trend (3rd quarter 2015 vs 3rd quarter 2014)

Compared to the same period in 2014, the third quarter in 2015 showed an essentially stable accessories and components market, going slightly upward. A detailed breakdown by country shows a stable trend in Italy for the components segment of the footwear industry, with positive results in Spain and a decline in Portugal and France. Widespread declines in other accessories (-9%), with some positive exceptions (the UK, the Czech Republic and Romania), and heterogeneous trends for small metal components, which overall posted a 6% decline (Italians aligned with the general average).

TURNOVER INDEX - Annual Trend (1st nine months 2015 vs 1st nine months 2014)

The overall result of the first nine months is stable, with a slight decline in the components segment of the footwear industry, and some growth for small metal components and other accessories. Italy, France and Germany slightly on the rise, good positive outlook for Spain.

▶ MANUFACTURING SECTORS ◀

FOOTWEAR

TURNOVER INDEX - Long-Term Quarterly Trend (3rd quarter 2015 vs 3rd quarter 2014)

- ▶ ITALY - The long-term trend suffered a setback for Italian manufacturers, who closed the quarter with a 3% turnover decline year on year.
- ▶ REST OF THE WORLD – Better average outlooks for the leading EU countries: all on the rise except for Romania, which continued its decline though slightly reducing its losses (-5%), and for Germany which goes markedly down; Portugal essentially stable (+0.2%). As for extra-EU countries, Brazilian exports went further down (-13%), whereas Bangladesh, China, Pakistan and Mexico continued their double-digit growth. Turkey posted losses (-6%).

TURNOVER INDEX - Annual Trend (1st nine months 2015 vs 1st nine months 2014)

- ▶ ITALY - The trend in the first nine months was once again uncertain for the Italian footwear industry, slipping by 2%.
- ▶ REST OF THE WORLD - Positive trend for European manufacturers, with the exception, once again, of Romania (-7%) and Germany (-1.5%); excellent performances of the UK and Poland, posting double-digit growth; good performances for France and Spain. Portugal stable (+0.1%). Strong performance of Asian countries even in the annual trends; Mexico posted double-digit growth. The downward trend of Brazilian exports (-12%) continues.

LEATHER GOODS

TURNOVER INDEX - Long-Term Quarterly Trend (3rd quarter 2015 vs 3rd quarter 2014)

- ▶ ITALY - The period ended with significant turnover declines for Italian manufacturers.
- ▶ REST OF THE WORLD - Overall, rather favourable economic situation for European partners, with turnovers on the rise. More specifically, the positive outlook for Spanish leather goods continued; excellent performances of the UK and Poland. Portugal continued to post losses but significantly reduced (-1.5%); France grows slightly (+1%). As for extra-EU countries, China started growing again; the positive performances of India and Bangladesh continued. Mexican exports reversed the trend with a double-digit growth; declines for Pakistan and Turkey.

TURNOVER INDEX - Annual Trend (1st nine months 2015 vs 1st nine months 2014)

- ▶ ITALY - The second quarter of 2015 confirmed signs of recovery for Italian leather goods, posting reduced losses; however, average turnovers were still negative (-0.3%).
- ▶ REST OF THE WORLD - Uniform positive picture for European leather goods, thanks to France and Spain going up again; good performances of Germany (+3%). Excellent performances of the UK and Poland. Uniformly positive scenario also outside the EU, with Mexican exports picking up. Chinese exports continue their recovery (+8.5%).

GARMENTS

TURNOVER INDEX - Long-Term Quarterly Trend (3rd quarter 2015 vs 3rd quarter 2014)

- ▶ ITALY - Italian leather garments did not reverse the negative trend of the first months of the year and closed the third quarter of 2015 with sharp losses (-17%).
- ▶ REST OF THE WORLD - Negative economic situation also in the rest of Europe, with the exception of Germany (double-digit growth), Poland (+6%) and the UK (+5%), with all the other European countries posting losses; Portugal posted the worst decline (-19%). Negative scenario also for extra-EU competitors, with the sole exception of India (+2.4%). Strong declines for the other extra-EU countries.

TURNOVER INDEX - Annual Trend (1st nine months 2015 vs 1st nine months 2014)

- ▶ ITALY - The annual trend is unchanged, with Italian leather garment producers posting double-digit losses compared to the first nine months of 2014.
- ▶ REST OF THE WORLD - In the rest of Europe, the situation is uncertain, with producers posting drops in sales. Sharp losses especially in Portugal; growth was posted only by English and German producers. Sharp declines for extra-EU partners. Only India going up (+5%).

UPHOLSTERY**TURNOVER INDEX - Long-Term Quarterly Trend (3rd quarter 2015 vs 3rd quarter 2014)**

- ▶ ITALY - The turnover growth of Italian furniture upholstery manufacturers continued significantly also in the third quarter of 2015. Automotive sector: new car sales increased in this period, going up by 15.2%.
- ▶ REST OF THE WORLD - In the rest of Europe, the furniture outlook is rather positive; contained losses for Portugal (-2%); stable losses for France (-0.4%), sharp decline for Spain. Good trend of the sector in the US (orders going up +3% year on year). Even Europe's automotive market continued to post growth (+10% in new car sales).

TURNOVER INDEX - Annual Trend (1st nine months 2015 vs 1st nine months 2014)

- ▶ ITALY - The trend for Italian furniture upholstery remains very positive. New car sales went overall up by 15.3% compared to the early months of 2015, confirming the good outlook for Italy, better than the European one (+9%).
- ▶ REST OF THE WORLD - In the rest of Europe, the semester is rather positive with the leading European furniture manufacturers on the rise; Portugal posted losses again (-2%), slight losses for Romania (-1%). New orders in the U.S. still up (+5%).

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