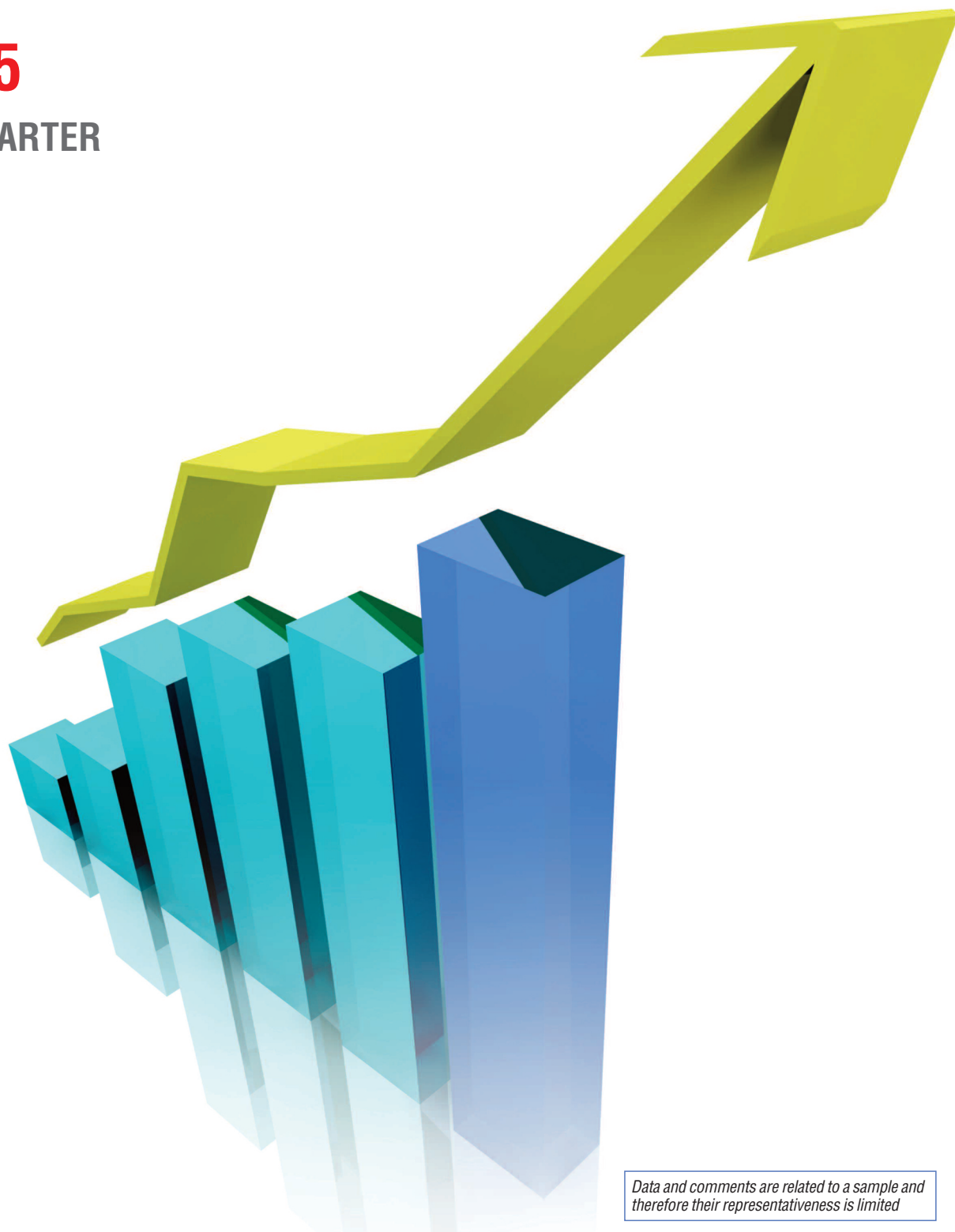


# LEATHER MARKET OVERVIEW

LINEAPELLE  
*Economic Department*

## 2015

### 4<sup>th</sup> QUARTER



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



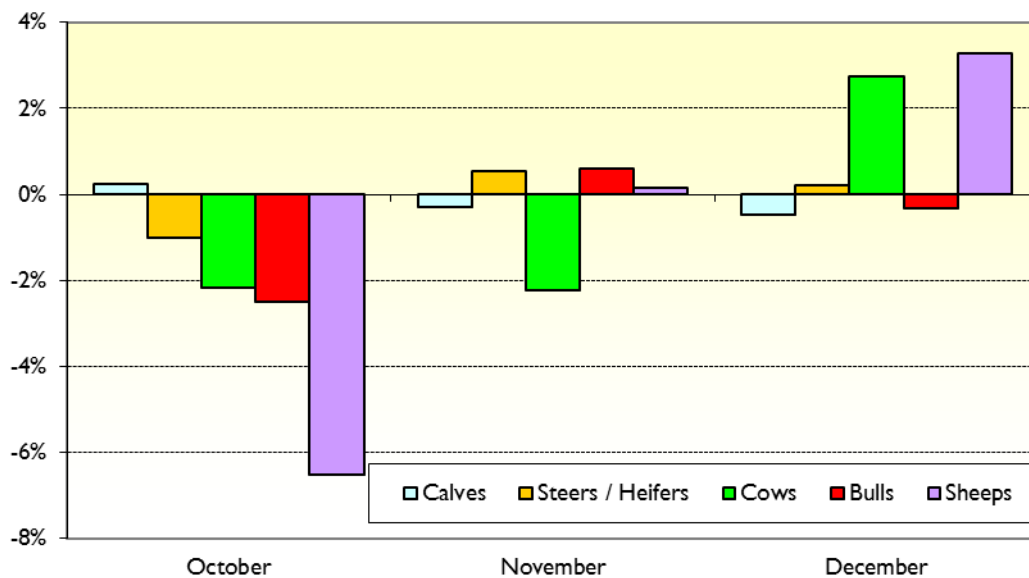
## ▶ RAW MATERIAL ◀

### PRICES

Overall price indexes for **bovine raw hides** showed substantially limited variations in the last quarter of 2015, though the monthly breakdown by main type shows diverse trends, also in volatility terms. Calves, steers, heifers and bull calves were stable from October to year end, with minimum monthly variations (both upward and downward), while cows showed more substantial variations, which were positive in October and November, then negative in December. Bulls posted a decline in October and then became stable until year end.

Average **sheep** prices went down during the quarter overall, though the decline in October was partially counterbalanced by the increase in December. The monthly trends of European and Middle Eastern origins were opposite to Oceanic ones, which went up in the first two months and then down in the third month.

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

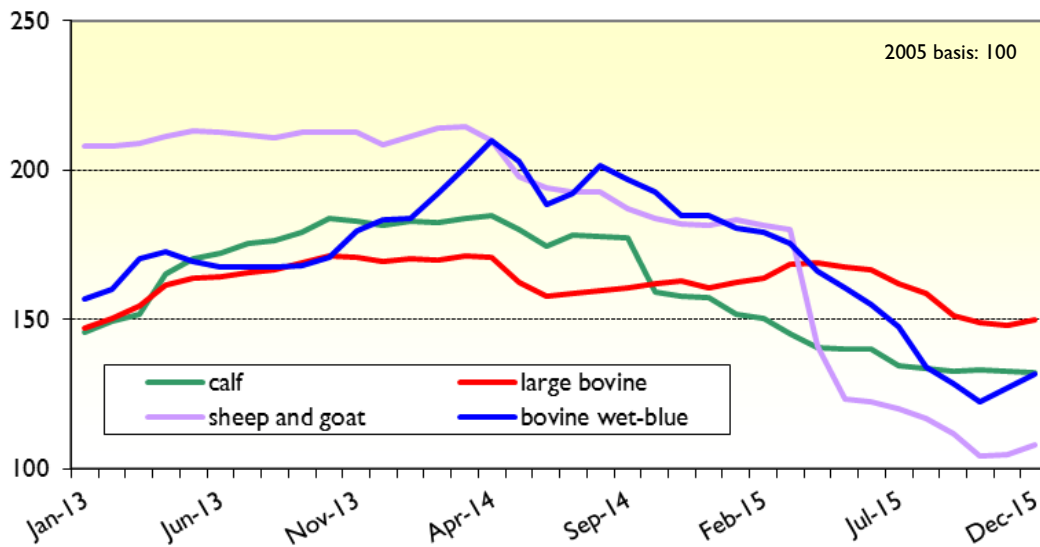


Interrupting the decline of the previous months, the **bovine wet blue** index posted a 2% average increase in the quarter. This trend reversal was almost exclusively due to Brazilian products.

**TABLE I - PRICE CHANGES FOR RAW HIDES/SKINS BY ANIMAL TYPE AND ORIGIN FROM JANUARY TO DECEMBER 2015**

Calves	-16%	Steers, bull calves, heifers	-7%	Cows	-9%	Bulls	+1%	Sheep	-41%
Italy	-2%	Italy (bull calves)	-1%	Italy	-5%	France	+2%	Iran	-43%
France	-19%	Germany (heifers)	-12%	France	-9%	Netherlands	-10%	New Zealand	-38%
Netherlands	-15%	UK (mixed)	-10%	Netherlands	-1%	Germany	-8%	Spain	-5%
Spain	-18%	Spain (bull calves)	=	Germany	-12%	New Zealand	-33%		
Australia	-22%	United States (mixed)	-37%	Spain	-30%	Denmark	-6%		
		Australia (mixed)	-21%	United States	-40%				
		Sweden (mixed)	-7%	Sweden	-13%				
		New Zealand (steers)	-30%	New Zealand	-28%				
				Denmark	-13%				

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



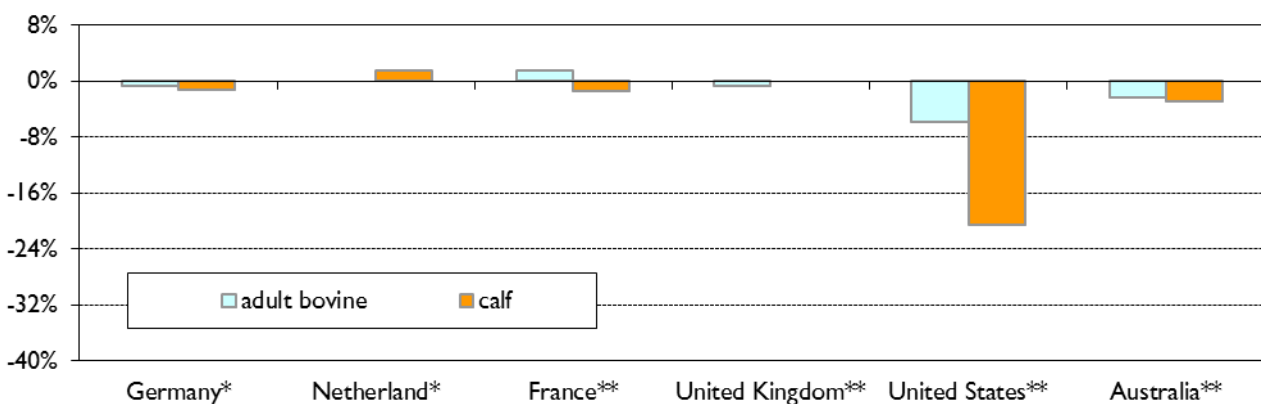
### SLAUGHTERING

For the second year in a row and after a long period of continuing declines, the slaughtering of **adult bovine** in Europe slightly increased (+0.8%) in 2015. The leading member states that showed a positive trend included France, Italy, Spain and Poland (the last two countries posting double-digit growth); minimum losses (less than -1%) for Germany and United Kingdom, significant losses for Ireland and the Netherlands. Still focusing on the EU, substantially unchanged situation for **calves** (+0.1% in 2015), with Belgium and the Netherlands on the rise and very limited declines (lower than 2%) on the other most important markets.

As for extra-EU countries, the United States closed 2015 with another substantial decline both for adult bovines (-6%) and calves (-21%). Declines also in Australia and Brazil, Argentina stable, New Zealand on the rise.

Overall stable picture for the slaughtering of **sheep** in Europe: Spain and United Kingdom stable, slight increase for Italy, France and Ireland going slightly down. Australia falling, New Zealand rising.

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 these were insignificant

\* quarter ended in November

\*\* quarter ended in December

## ▶ TANNING SECTOR ◀

### ITALY

#### TURNOVER INDEX - Quarterly Trend (4<sup>th</sup> quarter 2015 vs 4<sup>th</sup> quarter 2014)

- ▶ MEDIUM-LARGE BOVINE - Slight growth (+1%) for quarterly sales overall.
- ▶ SMALL BOVINE - Double-digit losses continued for this market (-11%).
- ▶ SHEEP & GOAT - Total 4% loss; yet, when looking at animal types, the increase in goats was confirmed (+7%).

#### TURNOVER INDEX - Annual Trend (Year 2015 vs Year 2014)

- ▶ MEDIUM-LARGE BOVINE - The year closed with a turnover decline that was limited to 2%.
- ▶ SMALL BOVINE - Decline also for calves (-7%).
- ▶ SHEEP & GOAT - The year ended with sheep going down by 8% and goat increasing by 7%.

#### OBSERVATIONS AND FORECASTS

The general decline in demand is not expected to end in the short term although a segment of operators (albeit a minority) is hopeful for the first half of 2016.

### REST OF EUROPE

#### TURNOVER INDEX - Quarterly Trend (4<sup>th</sup> quarter 2015 vs 4<sup>th</sup> quarter 2014)

- ▶ MEDIUM-LARGE BOVINE - The significantly positive trend was confirmed for Austria, the UK and Poland (all posting double-digit growth), with France also on the rise (+5%). Declines for Spain (-4%), Germany (-2%) and Portugal (-6%). The Netherlands continued to fall sharply.
- ▶ SMALL BOVINE - Varied situation: France -7%, Spain stable, Germany +3%.
- ▶ SHEEP & GOAT - Stagnant picture for Spain, which remained stable, and the French market going down (-3%)

#### TURNOVER INDEX - Annual Trend (Year 2015 vs Year 2014)

- ▶ MEDIUM-LARGE BOVINE - 2015 ended with overall excellent results for Austrian, British, Polish and Portuguese operators. Slight growth for the industry in Germany and slight decline in France. Spain and the Netherlands slipping by over 10%.
- ▶ SMALL BOVINE - Negative year in Spain (-13%) and France (-4%), Germany stable (+2%).
- ▶ SHEEP & GOAT - Decline in the annual turnover for the leading EU producers (Spain -8%, France -9%).

#### OBSERVATIONS AND FORECASTS

Positive year only for specific segments (automotive and part of footwear). We expect a generally weak first half of 2016, with a slight trend reversal at the end of the year.

### REST OF THE WORLD

#### TURNOVER INDEX - Quarterly Trend (4<sup>th</sup> quarter 2015 vs 4<sup>th</sup> quarter 2014)

- ▶ BOVINE - Widespread downtrend; as for the leading players, only India and Argentina posted slight growth.
- ▶ SHEEP & GOAT - Exports on the rise for India and Pakistan, while Turkey and China went down.

#### TURNOVER INDEX - Annual Trend (Year 2015 vs Year 2014)

- ▶ BOVINE - Double-digit losses for Argentinian, Brazilian, Pakistani and Turkish exports, sharp losses also in China and India. Mexico (exports +5%) as the sole positive exception, mostly thanks to the automotive.
- ▶ SHEEP & GOAT - Moderate satisfaction for Indian producers, negative year for China and Turkey

#### OBSERVATIONS AND FORECASTS

Not yet smooth market situation, especially because of the ongoing Chinese slowdown.

## ▶ ACCESSORIES, COMPONENTS, SYNTHETICS ◀

### RAW MATERIALS

#### PRICES - Quarterly Trend (4<sup>th</sup> quarter 2015 vs 4<sup>th</sup> quarter 2014)

The last quarter of the year confirmed the general downward trend of commodity prices (in USD).

Specifically, the price of oil further slipped by 21%, the quotation of cotton went slightly up by +2.4% as well as wool. Declines were posted by natural rubber (-5%) and metals, with drops ranging between 6 and 30% (aluminium -6%, copper -11%, iron -30%, nickel -12%, zinc -11%).

#### PRICES - Annual Trend (Year 2015 vs Year 2014)

The price variation since the beginning of the year shows an essentially negative picture.

Oil contained losses going up by 13.3% as respect to year beginning. Marked declines for natural rubber (-22.2%). Significant decline in the prices of metals (aluminium -22%, copper -28%, iron -42%, nickel -45%, zinc -30%); contrasting prices for wool (values between -3% and +3%), whereas cotton went up (+3%).

### TEXTILES, SYNTHETICS AND ALTERNATIVES

#### TURNOVER INDEX - Quarterly Trend (4<sup>th</sup> quarter 2015 vs 4<sup>th</sup> quarter 2014)

In the last quarter of 2015, the textiles, synthetics and alternatives-to-leather market showed a positive trend, with general average values going up compared to the same quarter in 2014. This result was mostly due to the recovery of synthetics that counterbalanced the contrasting trend of regenerated leather fibre materials. A breakdown by country shows a good performance for Romania, Poland and the UK in the textiles segment though declines in France (-4%). The regenerated materials segment posted widespread declines, except for Romania, Poland, Germany and the UK.

#### TURNOVER INDEX - Annual Trend (Year 2015 vs Year 2014)

Overall, 2015 was a good year (+3%). Specifically, this period confirmed the recovery of synthetics (also Romania reversed its previous negative trend); regenerated materials went up though Italians continued to post losses and Spain went down too; Germany stable. Textiles were rather weak, with drops for Italy, Germany (both -5%) and Spain (-3%).

### ACCESSORIES AND COMPONENTS

#### TURNOVER INDEX - Quarterly Trend (4<sup>th</sup> quarter 2015 vs 4<sup>th</sup> quarter 2014)

The last quarter in 2015 showed a contrasting trend in the accessories and components market. Performances in Italy dropped in all the segments of this market, while positive results were posted in Spain and Portugal (except for footwear components slipping by -5% and -4%, respectively). The other accessories went up, driven by Spain, the UK and Poland (all posting double-digit growth); essentially positive outlook for small metal components, except for Germany (-7%), Italy (-3%) and the UK (-1%).

#### TURNOVER INDEX - Annual Trend (Year 2015 vs Year 2014)

The annual result of 2015 was positive on average, with recovery consolidating for small metal components and other accessories; conversely, the trend for footwear components was essentially negative. Very positive trend for the UK, with good performances also for Poland, Spain, Germany and Portugal. Conversely, Italy posted losses (-5%), as well as Romania (-3%) and France (-2.3%).

## ▶ MANUFACTURING SECTORS ◀

### FOOTWEAR

#### TURNOVER INDEX - Quarterly Trend (4<sup>th</sup> quarter 2015 vs 4<sup>th</sup> quarter 2014)

- ▶ ITALY - After the decline posted in the course of the summer period, Italian manufacturers closed 2015 with a positive quarterly result: their turnover went up by 8% year on year.
- ▶ REST OF THE WORLD - General average growth also for the leading European manufacturers: sales went up except in Germany (-4%) and the delocalizations in Eastern Europe (declines between 10 and 20% in Bulgaria, Slovakia and Romania), brilliant trend in France, the UK and Poland, Portugal essentially stable, good dynamism in Spain (+10%). As for the leading extra-EU manufacturers: in Asia, declines in China, India and Pakistan, whereas Turkish and Vietnamese exports posted double-digit growth. Declines also for Mexican and Brazilian exports.

#### TURNOVER INDEX - Annual Trend (2015 vs 2014)

- ▶ ITALY - Thanks to the positive year-end results, the Italian footwear industry contained losses and closed the year with a +1% turnover.
- ▶ REST OF THE WORLD - The positive trend for the other European footwear manufacturers was confirmed on average. Once again, the negative exceptions were represented by Eastern Europe countries, while Germany started gaining ground again in the year-on-year comparison; France, the UK and Poland continued to be the top performers with double-digit growth; positive year end for Spain (+12%) and break-even results for Portugal. Outside the EU, widespread growth in Asia except for China posting a 5% export loss. Overall 10% declines for Brazilian exports, Mexico +8%.

### LEATHER GOODS

#### TURNOVER INDEX - Quarterly Trend (4<sup>th</sup> quarter 2015 vs 4<sup>th</sup> quarter 2014)

- ▶ ITALY - The Italian manufacturing turnover suffered a setback in the 4<sup>th</sup> quarter of the year.
- ▶ REST OF THE WORLD - As concerns the other manufacturers, Germany (-8%) and Romania (-19%) posted a decline, whereas France and Spain went up (both +11%) as well as Portugal (+16%). Brilliant dynamics also for the UK. On the extra-EU countries, the Chinese and Indian growth was confirmed; strong increase in Turkish exports, Pakistan stable. Declines for Mexico.

#### TURNOVER INDEX - Annual Trend (2015 vs 2014)

- ▶ ITALY - Despite a difficult second half of the year, Italian leather goods posted an overall growth in turnover (+5%).
- ▶ REST OF THE WORLD - In Europe, a widespread favourable economic situation, essentially in line with Italian results. Outstanding performances in Spain (+9%) and the UK (double-digit growth); variations between 3% and 5% for Portugal, France and Germany. Chinese exports continued their recovery, alongside Indian (+10%) and Pakistan exports (+4%). Turkey still down.

### GARMENTS

#### TURNOVER INDEX - Quarterly Trend (4<sup>th</sup> quarter 2015 vs 4<sup>th</sup> quarter 2014)

- ▶ ITALY - Italian leather garments slipped further down in the last quarter of 2015, posting sharp losses that even reached 40%.
- ▶ REST OF THE WORLD - The European average posted losses, with the sole exceptions of the UK and the Iberian peninsula, all with variations above 20%. France stable. In Asia, Chinese and Indian exports posted marginal growth (about 3-4 percentage points), stagnation in Pakistan and a more significant decline for Turkey.

## TURNOVER INDEX - Annual Trend (2015 vs 2014)

- ▶ ITALY - The Italian leather garments market went down by 10% year on year.
- ▶ REST OF THE WORLD - Also the rest of Europe contained losses, especially Germany (-6%), France (-3%) and Portugal (-13%). The positive trend of English manufacturers was confirmed. General decreases for the leading extra-EU manufacturers, with the sole exception of India posting marginal growth (+2%).

## UPHOLSTERY

### TURNOVER INDEX - Quarterly Trend (4<sup>th</sup> quarter 2015 vs 4<sup>th</sup> quarter 2014)

- ▶ ITALY - Italian upholstered furniture continued its positive trend also in the last quarter of 2015. Automotive sector: new car sales increased in this period by 17%.
- ▶ REST OF THE WORLD - In the rest of Europe, moderately positive quarterly trend for furniture producers (France and Spain +10%, Germany stable and slight growth for Poland and Bulgaria). New orders continued to be on the rise in the U.S. (+2.8% vs. 4<sup>th</sup> quarter 2014). New car sales increased in Europe. Favourable trend also in North America and China.

### TURNOVER INDEX - Annual Trend (2015 vs 2014)

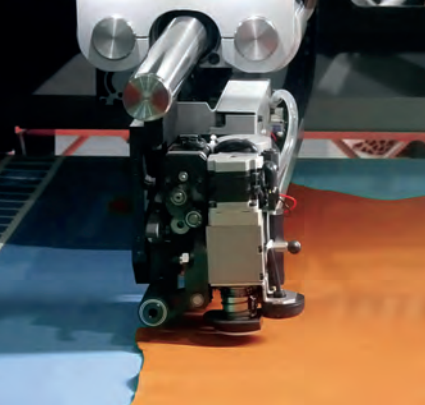
- ▶ ITALY - The Italian manufacturers of upholstered furniture closed 2015 with a satisfactory turnover growth. As for the automotive sector, manufacturing data posted record-breaking growth and new car sales increased by 16% year on year.
- ▶ REST OF THE WORLD - The rest of European furniture industry closed 2015 with essentially positive results (top performances in Northern Europe, though also Italy going up, Iberian peninsula stable). The indicators for the American market continued to be favourable (orders +4%). Largely positive outlook for the automotive sector, with production and sales going up in 2015, especially in the EU and North America.

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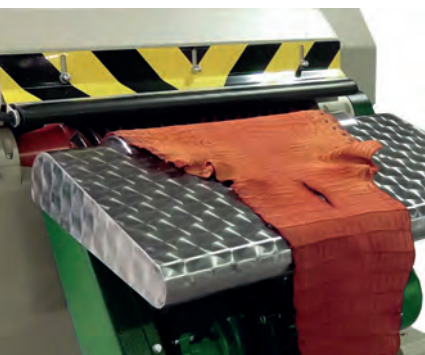


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