

LEATHER MARKET OVERVIEW

LINEAPELLE
Economic Department

2016

1ST QUARTER



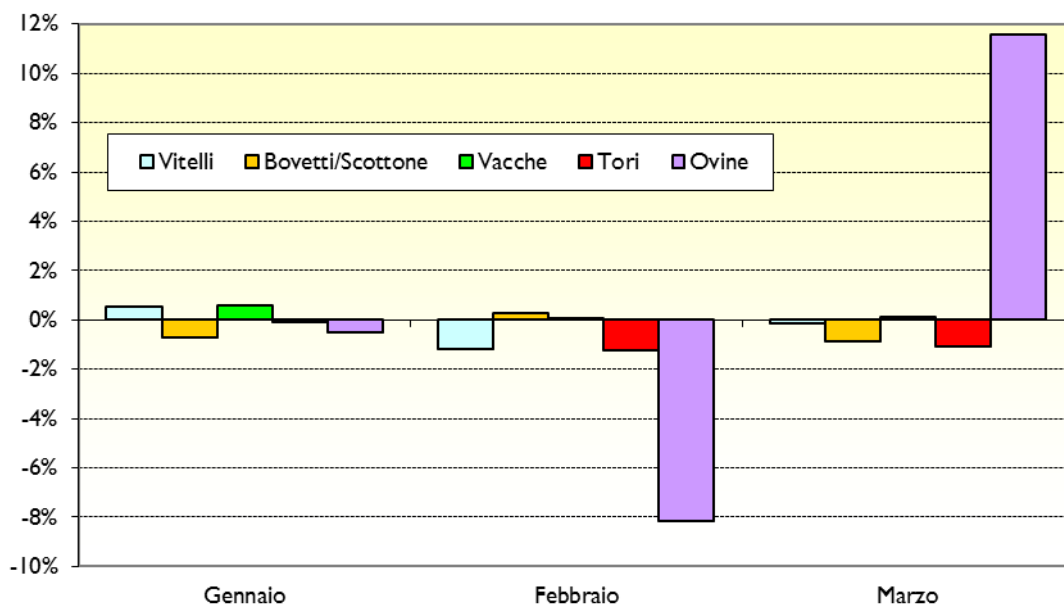
▶ RAW MATERIAL ◀

PRICES

Despite very diversified trends across markets and animal types, the weighted price indexes for **raw bovines** showed limited changes, most of which negative, in the first quarter of the year. The overall declines for calves, steers and heifers from late 2015 to March were around 1% (2% for bulls), whereas cows posted slight growth in the period. In any event, the monthly variations appeared extremely volatile, and prices showed no strong, rooted and uniform trend.

The general **sheep** price index showed an abrupt trend reversal in March, going up again after a long period of declines. This trend reversal was almost exclusively referable to the main Middle Eastern markets, whereas European origins grew in the first two months before declining at the end of the quarter.

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

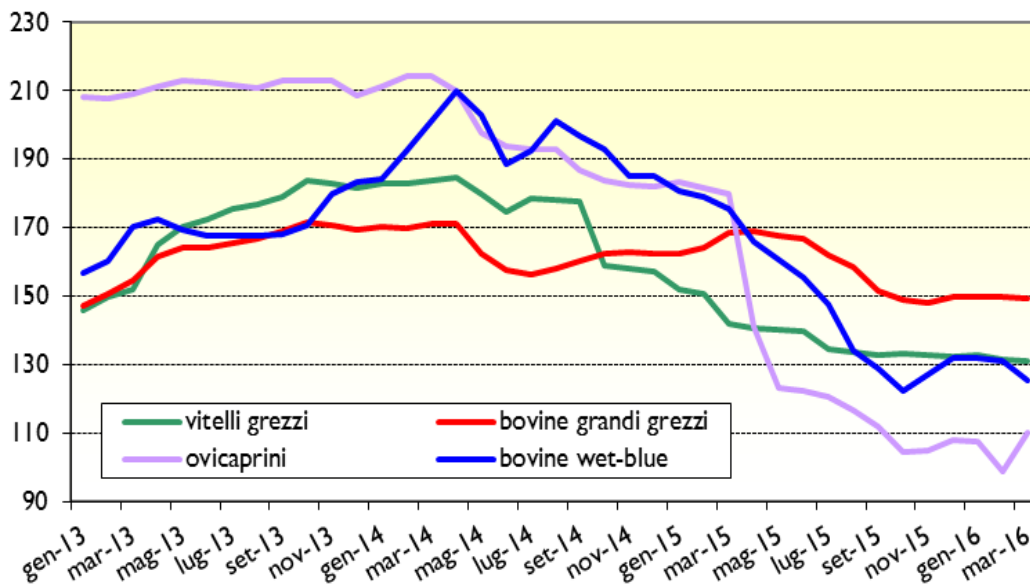


Bovine wet-blue prices did not escape the strong volatility characterising also the raw hides of the category. Brazilian origins posted continuing declines (-10% in the period). New Zealand origins were very fluctuating, Australians increased considerably in the first months before stabilizing, South Africa remained unaltered.

TABLE I - PRICE CHANGES FOR RAW HIDES AND SKINS BY ANIMAL TYPE AND ORIGIN FROM THE BEGINNING OF 2016 TO MARCH

Calves	-1%	Steers, bull calves, heifers	=	Cows	+1%	Bulls	-2%	Sheep	+2%
Italy	=	Italy (bull calves)	=	Italy	=	France	-3%	Iran	+4%
France	-3%	Germany (heifers)	-6%	France	-5%	Netherlands	=	New Zealand	-9%
Netherlands	=	Great Britain (mixed)	+1%	Netherlands	=	Germany	-1%	Spain	=
Spain	+3%	Spain (bull calves)	=	Germany	+1%	New Zealand	-8%		
Australia	+6%	United States (mixed)	=	Spain	+64%	Denmark	-1%		
		Australia (mixed)	+5%	United States	-5%				
		Sweden (mixed)	=	Sweden	+2%				
		New Zealand (steers)	=	New Zealand	+2%				
				Denmark	+2%				

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



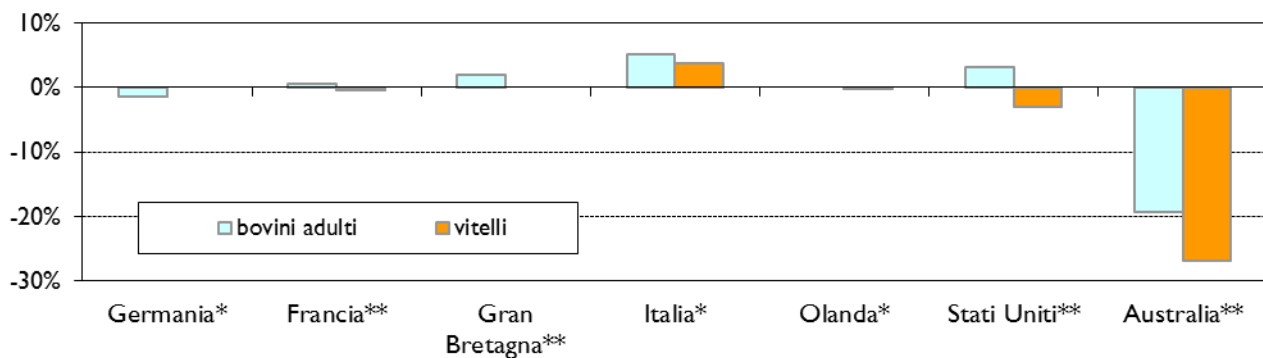
SLAUGHTERING

After the 2015 positive year end, the slaughtering of **adult bovine** in the EU posted once again an overall decline in the year in progress (-3%). The loss was mostly attributable to small member states, whereas the aggregate value of the leading operators went up by around 2%. As regards specifically the latter, France, Great Britain, Italy, Spain, Poland and Ireland went up, whereas Germany and the Netherlands went down. The same picture can be given for **calves** (-2% in the EU total in early 2016), with stability in France and the Netherlands and increases in Italy and Spain.

In the rest of the world, the US started growing again: 3% on adult cattle (though continuing declines on calves). Slaughtering declined, instead, in Argentina, Australia and New Zealand (the latter two posting double-digit losses).

As for **sheep**, slaughtering increased in Spain, France, Italy, Great Britain and Ireland, though declined in Greece, Australia and especially New Zealand.

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



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

* quarter ended in February

** quarter ended in March

▶ TANNING SECTOR ◀

ITALY

TURNOVER INDEX - Long-Term Quarterly Trend (1st quarter 2016 vs 1st quarter 2015)

- ▶ MEDIUM-LARGE BOVINE - Slight decrease (-2%) in quarterly sales overall.
- ▶ SMALL BOVINE - The market started going up again: +8% on average.
- ▶ SHEEP & GOAT - Sharp setback (-13%) though, goats continued to grow (+10%).

TURNOVER INDEX - Short-Term Quarterly Trend (1st quarter 2016 vs 4th quarter 2015)

- ▶ MEDIUM-LARGE BOVINE - These went down by 9% overall.
- ▶ SMALL BOVINE - Decline also for calves: -12% overall.
- ▶ SHEEP & GOAT - Negative comparison also for this segment (sheep -19%, goats -11%).

OBSERVATIONS AND FORECASTS

The manufacturing demand continues to proceed slowly for the main product uses and customer ranges (including luxury). Considerable and continuing uncertainty, also for the coming quarters.

REST OF EUROPE

TURNOVER INDEX - Long-Term Quarterly Trend (1st quarter 2016 vs 1st quarter 2015)

- ▶ MEDIUM-LARGE BOVINE - Positive results prevailed for the remaining EU producers. Growth in France, Austria (both posting double-digit growth), Great Britain, Poland and, slightly, also in Spain. Germany and Portugal went down.
- ▶ SMALL BOVINE - Declines in France (-8%) and Germany (-1), growth in Spain (+4%).
- ▶ SHEEP & GOAT - Strongly negative picture for the French market (-20%); declines also in Spain (-7%).

TURNOVER INDEX - Short-Term Quarterly Trend (1st quarter 2016 vs 4th quarter 2015)

- ▶ MEDIUM-LARGE BOVINE - A certainly not brilliant picture when compared to the end of 2015. All the leading European operators went down (especially Great Britain), with the sole exception of Austria (unaltered) and Poland (slight increase).
- ▶ SMALL BOVINE - Widespread losses also in this case (France -4%, Spain -6%, Germany -8%).
- ▶ SHEEP & GOAT - Double-digit losses (to the same extent as in Italy) for Spanish and French producers.

OBSERVATIONS AND FORECASTS

Except for small hides, the seasonal results were generally better than expected. In any event, the forecast is not particularly optimistic, except for the automotive sector.

REST OF THE WORLD

TURNOVER INDEX - Long-Term Quarterly Trend (1st quarter 2016 vs 1st quarter 2015)

- ▶ BOVINE - Generally negative picture; double-digit losses for all the leading Asian and South-American producers (except only for Mexico).
- ▶ SHEEP & GOAT - The late 2015 trend was confirmed: exports grew in India and Pakistan, losses in Turkey and China.

TURNOVER INDEX - Short-Term Quarterly Trend (1st quarter 2016 vs 4th quarter 2015)

- ▶ BOVINE - Better trend than the last quarter of 2015 for Brazil and China; positivity confirmed for Mexico, whereas losses in Pakistan, Turkey and India.
- ▶ SHEEP & GOAT - Continuing satisfaction for Indian producers, poor results for China and Turkey.

OBSERVATIONS AND FORECASTS

The prevailing dynamics are still negative. The poor Chinese dynamism and the Russian ban, above all, affect the market.

▶ ACCESSORIES, COMPONENTS, SYNTHETICS ◀

RAW MATERIALS

PRICES - Long-Term Quarterly Trend (1st quarter 2016 vs 1st quarter 2015)

The main raw materials for this sector showed a general sharp decline in the early months of 2016, with very few exceptions.

Oil prices (in USD) reversed the downward trend compared to the first quarter of 2015, posting a 19% increase; also wool prices started to go up again (+8% on average). The prices of the other commodities dropped, especially metals, all posting double-digit losses: aluminium -16%, copper -20%, iron and nickel -24%, nickel -41%, zinc -19%.

Cotton reduced losses (-3%); strong declines for natural rubber (-25%).

PRICES - Short-Term Quarterly Trend (1st quarter 2016 vs 4th quarter 2015)

The short-term trend showed the continuing and strong decline of oil prices (-22.5%); cotton prices also went down. Wool prices continued to go up (+3 to +7%). Natural rubber on the rise (+4%). Negative yet less critical situation for metals, with aluminium, iron and zinc going slightly up. Continuing declines for nickel (-10%) and copper (-4%).

TEXTILES, SYNTHETICS AND ALTERNATIVES

TURNOVER INDEX - Long-Term Quarterly Trend (1st quarter 2016 vs 1st quarter 2015)

The general trend in the textiles, synthetics and alternatives market in the first quarter of the year showed a decline compared to the early months of 2015. The performances of the leading EU manufacturers were all positive, except for Romania (-30%) and France (-2,4%). Specifically, synthetics were the most dynamic segment thanks to excellent performances in Romania, Poland and Germany, all posting double-digit growth; good performances also in Italy (+10.5%).

TURNOVER INDEX - Short-Term Quarterly Trend (1st quarter 2016 vs 4th quarter 2015)

In the short term, the dynamics in this market were rather weak (European average: -3.5%); modest growth for the leading European manufacturers except for France (-4%), Italy and Romania (posting double-digit losses).

ACCESSORIES AND COMPONENTS

TURNOVER INDEX - Long-Term Quarterly Trend (1st quarter 2016 vs 1st quarter 2015)

The turnover in the accessories and components sector went up on average in the first quarter of the year, with the sole exceptions of the UK (-0.5%), Romania (-2%) and Italy (-2.5%). Poland and Portugal posted double-digit growth; good performances also in Germany (+7%).

TURNOVER INDEX - Short-Term Quarterly Trend (1st quarter 2016 vs 4th quarter 2015)

The short-term average values were negative overall, with Poland at the bottom of the list of the leading European countries (-29%), right after Italy (-19%). Also the other European manufacturers posted declines; only Romania posted slight growth (+2.5%).

Specifically, the market with the strongest declines was that of small metal components, dropping even up to 40%.

▶ MANUFACTURING SECTORS ◀

FOOTWEAR

TURNOVER INDEX - Long-Term Quarterly Trend (1st quarter 2016 vs 1st quarter 2015)

- ▶ ITALY – Sales for Italian manufacturers were essentially stable or went slightly up in the first quarter of 2016 compared to the same period in 2015 (+1/2%).
- ▶ REST OF THE WORLD – Positive trend for the first months of the year in the leading EU countries, especially in Spain (+17%), Germany (+14%) and France (+12%). Moderate gains also for Portuguese manufacturers (+2%); declines in the UK (-5%). General declines in extra-EU countries: Chinese exports fell by 17% year on year; India, Pakistan and Turkey posted double-digit losses. Stagnation for Vietnamese production, Brazilian exports went slightly down. Positive trend for Cambodian exports (+13%).

TURNOVER INDEX - Short-Term Quarterly Trend (1st quarter 2016 vs 4th quarter 2015)

- ▶ ITALY – The short-term trend was much better: sales for the Italian segment went up by more than 10%.
- ▶ REST OF THE WORLD – Widely positive results also for European manufacturers compared to the final quarter of 2015: double-digit growth in sales for all the leading countries. The sole exception was the UK again, which reduced losses in the short term. The economic situation of Asian players, above all China and India, was still not brilliant, though exports grew in the short term. Uncertainty for Brazilian footwear.

LEATHER GOODS

TURNOVER INDEX - Long-Term Quarterly Trend (1st quarter 2016 vs 1st quarter 2015)

- ▶ ITALY – Sales for Italian manufacturers of leather goods slightly declined in the first quarter of 2016 (-2%).
- ▶ REST OF THE WORLD – Better quarterly results for the European average (+6%), especially for France (+6%), Spain (+11%) and Portugal (+6). Growth in Eastern Europe, slight increase in the UK (+2%), whereas marginal decline in Germany (-2%). Difficult situation for Asian exports, with double-digit losses for China, Pakistan and Turkey. Stability in India.

TURNOVER INDEX - Short-Term Quarterly Trend (1st quarter 2016 vs 4th quarter 2015)

- ▶ ITALY – Sharper losses in sales of Italian leather goods compared to the 4th quarter of 2015 (-6%).
- ▶ REST OF THE WORLD – Also European leather goods went down in the short term (-5%), with drops in sales in all the leading countries. Manufacturers in the Iberian peninsula posted better performances than the general average, reducing losses. France, Germany and the UK posted sharp declines, including double-digit losses. As for extra-EU countries, Turkey went down in the short term, moderate decline for China and India, slight growth for Pakistani exports.

GARMENTS

TURNOVER INDEX - Long-Term Quarterly Trend (1st quarter 2016 vs 1st quarter 2015)

- ▶ ITALY - Italian leather garments suffered a sharp setback in the first months of 2016 compared to the first quarter in 2015, posting a 17% total turnover decline.
- ▶ REST OF THE WORLD - Difficult economic situation in the rest of the European Union, with only a few exceptions. Specifically: brilliant dynamics for manufacturers of leather garments in Spain (+22%) and Romania (+18%), moderate growth in the UK; slight declines in France, sharp declines in all the other countries. As for extra-EU competitors, China and Pakistan posted the worst performances, with overall declines in exports nearing 20%; more modest declines for Turkey, stability for Indian manufacturers.

TURNOVER INDEX - Short-Term Quarterly Trend (1st quarter 2016 vs 4th quarter 2015)

- ▶ ITALY – The turnover trend of Italian manufacturers of leather garments remained negative in the short term, though declines were significantly more moderate (-6%).
- ▶ REST OF THE WORLD – Also the rest of Europe contained losses and went down -4% compared to the final quarter of 2015. Specifically, the period showed varied performances, including steady recovery in Germany, confirmation of the positive trend for Spanish manufacturers and marginal growth in France and the UK. Poland and Portugal posted declines. Further, albeit slight declines, for the industry in Turkey, widespread recovery for Asian exports.

UPHOLSTERY

TURNOVER INDEX - Long-Term Quarterly Trend (1st quarter 2016 vs 1st quarter 2015)

- ▶ ITALY – Good dynamism of Italian furniture upholstery manufacturers, posting satisfactory growth compared to the first quarter of 2015. A significantly positive quarter also for the automotive sector: car manufacturing in Italy went up +17% year on year, with a 30% increase in new car sales.
- ▶ REST OF THE WORLD - Good dynamics for European furniture, especially for English and French operators posting double-digit growth. Good performances also for Germany and Poland. Stable orders in the US, stagnation for Chinese exports. In the automotive sector, +11% year on year for new car sales in Europe.

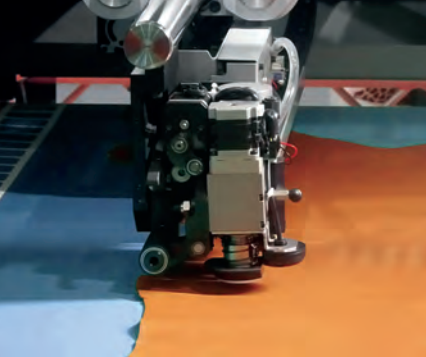
TURNOVER INDEX - Short-Term Quarterly Trend (1st quarter 2016 vs 4th quarter 2015)

- ▶ ITALY – Trend reversal for Italian furniture upholstery in the short term, with sales dropping by 9%. The vitality of the automotive sector was confirmed also when compared to the final quarter of 2015, with car sales going significantly up (+37%).
- ▶ REST OF THE WORLD - Widespread declines in the short term in the rest of Europe, except for Poland and Slovakia. The positive dynamics of the US market were confirmed. Automotive on the rise both in Europe and in the NAFTA area.

LINEAPELLE
Economic Department

economic@lineapelle-fair.it
www.lineapelle-fair.it





Milan 21-23 FEBRUARY 2017

SALONE INTERNAZIONALE DELLE MACCHINE
E DELLE TECNOLOGIE PER LE INDUSTRIE
CALZATURIERA, PELLETTIERA E CONCIARIA

INTERNATIONAL EXHIBITION OF MACHINES
AND TECHNOLOGIES FOR FOOTWEAR,
LEATHERGOODS AND TANNING INDUSTRY

www.simactanningtech.it

