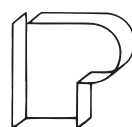


# LEATHER MARKET OVERVIEW

LINEAPELLE  
*Economic Department*

## 2016

2<sup>ND</sup> QUARTER



## ▶ RAW MATERIAL ◀

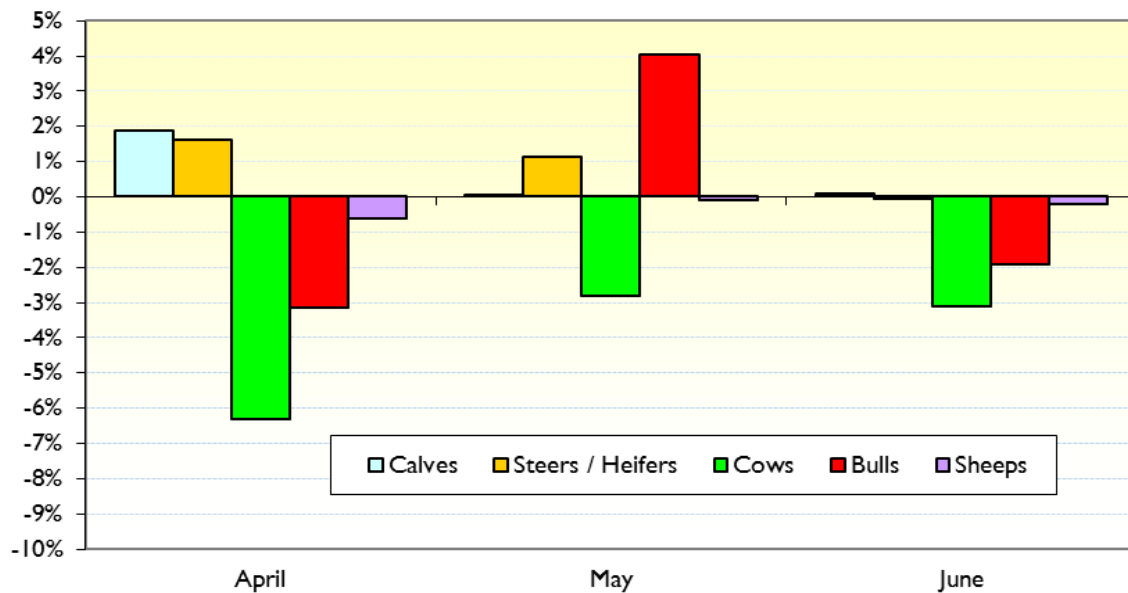
### PRICES

The trend in raw material prices tanning did not show a strong clear trend during the second quarter and remarkable differences between animal types and places of origin emerged.

Among the **bovine raw hides**, the small and medium sizes (calves, steers, heifers) recorded a slightly rising tendency in the period, with a prevailing stability in June. Cows marked substantial and widespread declines throughout the 3-months, while there was a particularly strong volatility for bulls.

The overall index of prices for **sheepskins** instead was substantially stable on the average between April and June (less than one percentage point of monthly variations, downward) but the whole picture is varied: Middle East origins unchanged, Oceania countries on the grow and European down.

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

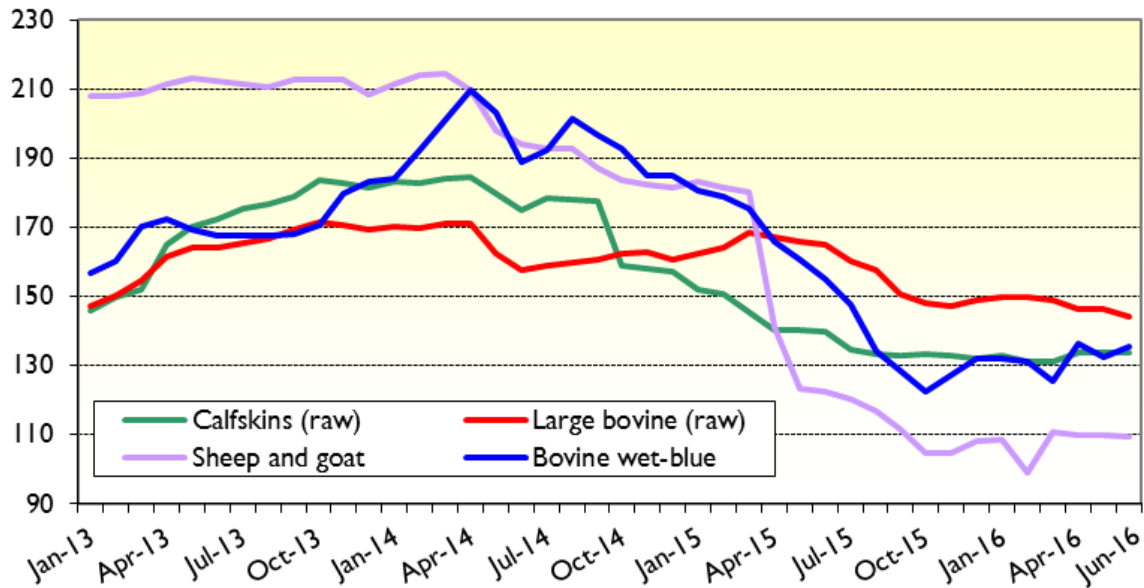


After continuous drops in the previous months, the **bovine wet-blue** quotations registered mixed movements in the quarter with mostly bullish trend. Strong growth for Brazilian leathers in April and then a fall.

**TAB. I - PRICE CHANGES FOR RAW HIDES/SKINS BY ANIMAL TYPE AND ORIGIN SINCE THE BEGINNING OF 2016 UNTIL JUNE**

Calves	-+1%	Steers, bull calves, heifers	+2%	Cows	-11%	Bulls	-3%	Sheep	+1%
Italy	==	Italy (bull calves)	==	Italy	-3%	France	-4%	Iran	+4%
France	+2%	Germany (heifers)	-1%	France	-12%	Netherlands	-2%	N. Zealand	-3%
Netherlands	-4%	UK (mixed)	+6%	Netherlands	-16%	Germany	-4%	Spain	-17%
Spain	+2%	Spain (bull calves)	+3%	Germany	-6%	N. Zealand	-3%		
Australia	+10%	United States (mixed)	+6%	Spain	-12%	Denmark	==		
		Australia (mixed)	+9%	United States	-7%				
		Sweden (mixed)	-1%	Sweden	-2%				
		New Zealand (steers)	+5%	New Zealand	+6%				
				Denmark	-6%				

FIG. 2 - INDEX PRICE TREND FOR RAW MATERIAL BY MAIN TYPE (BASE 2005=100)



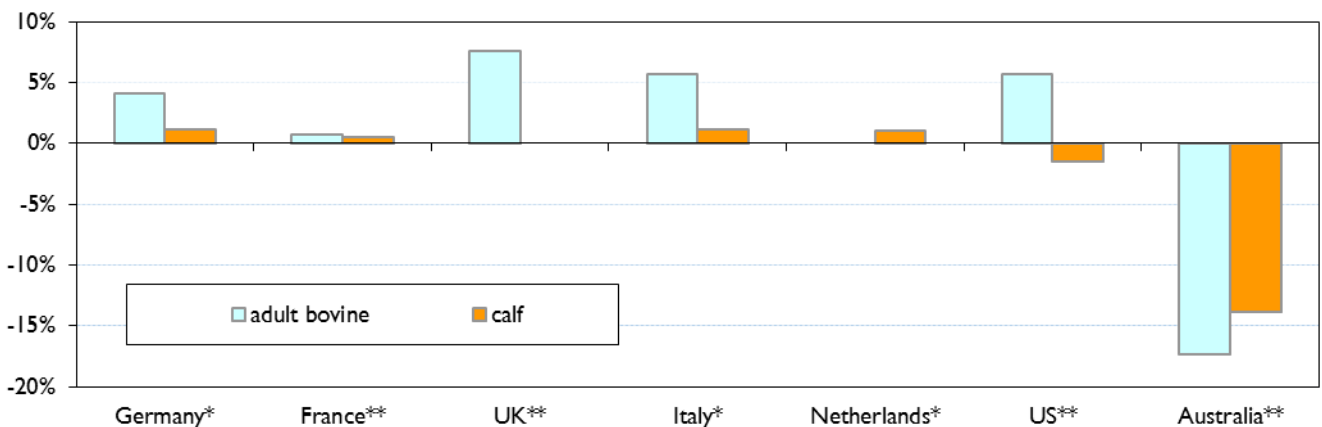
### SLAUGHTERING

During the second quarter, the slaughtering level of **adult bovine animals** in the main countries monitored globally resulted in "positive stability" (+0.2%) if compared to last year. The trend in Europe, improved as respect to the initial quarter, was back to positive (+5% in total) and production appeared to be rising for all the major producers (France +1%, Germany +4%, UK +8 %, Italy 6%, Ireland +1%, Poland +10%, Spain +2%). Beyond the EU borders, the US confirmed a recovery (+6%) while Brazil and Argentina lose ground (-6% for both). In Oceania, New Zealand +4% and Australia down (double figure).

The situation for **calves** was different: the overall kill resulted in loss of 5%. The European figures was comforting (drop only in Poland among the main nations) while a widespread drop was shown by the most important extra-EU producers (Australia -14%, Argentina 11%, New Zealand -3%, US -2%).

The global panorama for **sheep** slaughtering is generally negative but with important exceptions. EU members rose (Spain and France +10%, Italy 6%, UK +1%), while New Zealand (-10%) and Australia (-1%) dropped.

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



+ excluding figures for British 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 (2<sup>nd</sup> quarter 2016 vs. 2<sup>nd</sup> quarter 2015)

- ▶ MEDIUM/LARGE BOVINE - The negative trend recorded earlier in the year intensifies (-4%).
- ▶ SMALL BOVINE - Quarter with a negative sign, although substantially unaltered (-0.7%).
- ▶ SHEEP & GOAT - Average double-digit decline (-10%), homogenous between sheep and goats.

#### TURNOVER INDEX - Annual trend (1<sup>st</sup> half 2016 vs. 1<sup>st</sup> half 2015)

- ▶ MEDIUM/LARGE BOVINE - The first half of 2016 closed with an average loss of 3%.
- ▶ SMALL BOVINE - Thanks to the good beginning of the year, the semester records, although slightly, a positive change (+ 1%).
- ▶ SHEEP & GOAT - Complicated period for the market: the decrease is -4% for goats and -8% for sheep.

**OBSERVATIONS AND FORECASTS** - Overview conditioned by the sharp drop in the shipments toward the Chinese manufacturing offshoring. Luxury demand fractionated but present. The automotive sector holds on.

### REST OF EUROPE

#### TURNOVER INDEX - Quarterly Trend (2<sup>nd</sup> quarter 2016 vs. 2<sup>nd</sup> quarter 2015)

- ▶ MEDIUM/LARGE BOVINE - The rest of the EU tanning sector proceeds at double speeds. The centre-European specialists in upholstery for automotive and furniture setback consistently (Austria -12%, Germany -8%), whereas the Mediterranean gain positive results focusing on the fashion demand (Spain and France +4%, Portugal +18%). United Kingdom stable, strong double-digit recoveries for Poland and Netherlands.
- ▶ SMALL BOVINE - Similar scenario to medium-large: Spain and France increasing moderately, Germany down.
- ▶ SHEEP & GOAT - Substantial stability for Spanish manufacturers, brilliant results for the French (+10%).

#### TURNOVER INDEX - Annual Trend (1<sup>st</sup> half 2016 vs. 1<sup>st</sup> half 2015)

- ▶ MEDIUM/LARGE BOVINE - Austria and Germany stored the first part of the year with a loss of 5/6%; the other major countries instead showed a positive sign (Spain and United Kingdom +2%, France and Portugal +7%, Netherlands and Poland more than doubled).
- ▶ SMALL BOVINE - Negative year so far for France (-2%) and Germany (-10%), positive for Spain (+4%).
- ▶ SHEEP & GOAT - The positive quarter saves the French semester (+2%) but not the Spanish one (-3%).

**OBSERVATIONS AND FORECASTS** - Upholstery slowdown does not appear worrisome, yet not negligible in the prospective since the long positive trend. The sector recovers vitality, although with little continuity.

### REST OF THE WORLD

#### TURNOVER INDEX - Quarterly Trend (2<sup>nd</sup> quarter 2016 vs. 2<sup>nd</sup> quarter 2015)

- ▶ BOVINE - Double-digit drops for India and Brazil, more limited for Turkey and Pakistan; well Mexico and Argentina.
- ▶ SHEEP & GOAT - Indian manufacturers limit the losses, remarkable decline for Turkish and Pakistani instead.

#### TURNOVER INDEX - Annual Trend (1<sup>st</sup> half 2016 vs. 1<sup>st</sup> half 2015)

- ▶ BOVINE - Argentina stable, Mexico positive, slight drops for China and Turkey (stronger in India and Brazil).
- ▶ SHEEP & GOAT - Overall negative picture: India -5%, Pakistan and Turkey over -10%.

**OBSERVATIONS AND FORECASTS** - Market pushed negatively by EU demand and positively by the US. Dynamism for China only on the domestic market (leather goods export declining continuously).

## ▶ ACCESSORIES, COMPONENTS, SYNTHETICS ◀

### RAW MATERIALS

#### PRICES - Quarterly Trend (2<sup>nd</sup> quarter 2016 vs. 2<sup>nd</sup> quarter 2015)

The second quarter of the year showed a general negative trend in the prices (in USD) of the main raw materials for this sector compared to the first quarter of 2015.

Oil fell by 26% and even the prices of the other commodities dropped, especially metals, all posting sharp losses: nickel (-28%), zinc (-27%), iron (-20%), copper (-19%) and aluminium (-16%). Lighter declines for cotton (-4%) and wools, with drops ranging between 7 and 9% in the period. Very strong declines for natural rubber too.

#### PRICES - Annual trend (1<sup>st</sup> half 2016 vs. 1<sup>st</sup> half 2015)

The first-half trend showed uncertainty. Oil prices' decreases reduced considerably (-5%) as well as cotton (-2%). While criticalities in metals persist (all of them posting double-digit losses), only wool prices went up (+4 to +6%).

### TEXTILES, SYNTHETICS AND ALTERNATIVES

#### TURNOVER INDEX - Quarterly Trend (2<sup>nd</sup> quarter 2016 vs. 2<sup>nd</sup> quarter 2015)

The general positive trend in the textiles, synthetics and alternatives market continued even in the second quarter of the year showing increases compared to the early months of 2015.

Among the leading EU manufacturers, the performance of Germany stands out (with a notable recovering), followed by Poland and Portugal, all in sustained growth. Positive trend also for Spain and Italy. The analysis by product segment highlights a substantially similar performance in synthetics and textiles. On the other hand, results for regenerated leather were negative.

#### TURNOVER INDEX - Annual trend (1<sup>st</sup> half 2016 vs. 1<sup>st</sup> half 2015)

The annual comparison returns a brilliant image of the sector in the first half of the year.

Very positive performance for textiles and synthetics, while the bonded leather segment recorded a great uncertainty, with widespread losses in Spain, France, Portugal, Romania and Italy. Poland and United Kingdom recovering. Germany stable.

### ACCESSORIES AND COMPONENTS

#### TURNOVER INDEX - Quarterly Trend (2<sup>nd</sup> quarter 2016 vs. 2<sup>nd</sup> quarter 2015)

The sales trend in the accessories and components sector went up on average in the first quarter of the year, with the sole exception of the United Kingdom (-8%). Portugal and Poland record the best performance (posting double-digit growth); modest increases for the other European players.

Among the segments, the small metal accessories presented the most satisfactory situation in all the main producing countries (United Kingdom excluded, -3%). The trend of the other accessories is not homogeneous.

#### TURNOVER INDEX - Annual trend (1<sup>st</sup> half 2016 vs. 1<sup>st</sup> half 2015)

The first semester ended up with an average increase.

Poland was top performer (+18%) followed closely by Portugal (+17%). All the other European manufacturers went up; Italy stable (+0.2%). Declines only for the United Kingdom, which settles in negative territory (-6%).

## ▶ MANUFACTURING SECTORS ◀

### FOOTWEAR

#### TURNOVER INDEX - Quarterly Trend (2<sup>nd</sup> quarter 2016 vs. 2<sup>nd</sup> quarter 2015)

▶ ITALY - The quarterly comparison reports a raise in sales for the Italian manufacturers, who closed the period with a 3% increase over the same period in 2015.

▶ REST OF THE WORLD - Rising trend even for the average of the leading EU countries (+4%). Poland (+14%), Germany (+7%), France (+3%) and Romania (+3%) went up, while the United Kingdom slowed down (but still positive). Outside the European borders, the decreasing tendency of the Brazilian exportations reduced considerably (-1%). India increased moderately and China slightly declined (-1%). Pakistani export continued dropping while Turkish boosted. Great difficulties for Mexico.

#### TURNOVER INDEX - Annual trend (1<sup>st</sup> half 2016 vs. 1<sup>st</sup> half 2015)

▶ ITALY - Positive, although essentially stable, the trend of Italian footwear sales in the first half of the year (+0.6%).

▶ REST OF THE WORLD - Good trend also for the other European manufacturers (+3% overall). Only Spain (-6%), Romania and Portugal (-2% both) moved far from the EU average. Among the Asian players, China recorded a sharp decline in the export (-12%) but a total turnover increase (+7%) thanks to the domestic market. Vietnam marked bigger sales too (+14%), while India and Pakistan went down (-2% and -16% respectively); declines even for Turkey. Brazilian footwear export recovering (+3%).

### LEATHER GOODS

#### TURNOVER INDEX - Quarterly Trend (2<sup>nd</sup> quarter 2016 vs. 2<sup>nd</sup> quarter 2015)

▶ ITALY - In the second quarter of 2016 sales for Italian leather-goods went up by 3%.

▶ REST OF THE WORLD - Positive overview for Europe (+6% in total). French and Portuguese manufacturers strengthened their recovery (both of them posting double-digit growth), good performance even for Poland and Germany. Spain turned negative (-1.5%). Romania (-8%) and United Kingdom (-3%) went down too. Most of the extra-EU countries declined, with persistent drops especially in China and Mexico. Even India lost turnover (-7%), while Turkish exportation posted double-digit losses. Pakistani exports increased.

#### TURNOVER INDEX - Annual trend (1<sup>st</sup> half 2016 vs. 1<sup>st</sup> half 2015)

▶ ITALY - Patchy trend for the Italian manufacturers in the first semester of the year, which slightly declined compared to the same period of the previous year (-1.5%).

▶ REST OF THE WORLD - In line with the quarterly trend, the first half of 2016 in the European leather-goods industry posted turnover losses in Romania (-7%) and United Kingdom (-1%). Stability in Spain. Strong growth in Germany (+5%) and France (+9%), double-digit growth in Portugal and Poland. As for the extra-EU countries, the favourable performance of Mexican and Pakistani exports continued. Chinese shipments turned negative again. Sharp losses for Turkey and reduction for Indian exportations too.

## GARMENTS

### TURNOVER INDEX - Quarterly Trend (2<sup>nd</sup> quarter 2016 vs. 2<sup>nd</sup> quarter 2015)

- ▶ ITALY - The long-lasting recession of the Italian leather garments sector did not stop even in the second quarter of 2016, which closed down with a sharp setback (-6% total turnover) compared to the first quarter of the previous year.
- ▶ REST OF THE WORLD - The overview in the rest of the European Union was mostly negative, except for France, Portugal and Poland. Uneven scenario in the rest of the world: growth in India, Turkey and, moderately, in Pakistan. Strong declines in the other main global manufacturers (first of all China).

### TURNOVER INDEX - Annual trend (1<sup>st</sup> half 2016 vs. 1<sup>st</sup> half 2015)

- ▶ ITALY - The turnover trend for the first half recorded a double-digit decline.
- ▶ REST OF THE WORLD - The other EU countries did not show bright performances, with a prevalence of losses (-6% on average). Marginal growth in Germany (+2%), turnover on the rise for French, Portuguese and Polish players too. In Asia, Pakistan setbacks while India grows slightly. Slow recovery for Mexico.

## UPHOLSTERY

### TURNOVER INDEX - Quarterly Trend (2<sup>nd</sup> quarter 2016 vs. 2<sup>nd</sup> quarter 2015)

- ▶ ITALY - Consolidation of the Italian upholstered furniture operators' turnover in the second quarter of the year. Continuous new car sales increase in the automotive sector: +17% in the period.
- ▶ REST OF THE WORLD - In the rest of Europe, the furniture sector is overall positive, with drops only in Spain and Germany. Slight increase in US orders (+2% on the previous year). Marginal reduction of the growth rate for the new car sales in the European market (increased by 10%).

### TURNOVER INDEX - Annual trend (1<sup>st</sup> half 2016 vs. 1<sup>st</sup> half 2015)

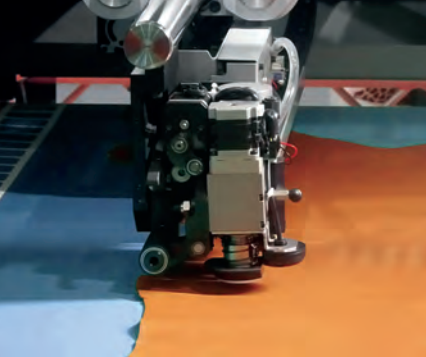
- ▶ ITALY - The trend of the Italian furniture sector was positive (+4%) in the first half of the year. The automotive sector also confirmed the brilliant market mood (+19% of new registrations compared to the same period of 2015).
- ▶ REST OF THE WORLD - The semester proved to be satisfactory for all the principal European furniture manufacturers (with Spain recovering, +2%) Germany excluded (-2%). US orders were stable. Automotive registrations on the rise in Europe (+9%).

LINEAPELLE  
*Economic Department*

[economic@lineapelle-fair.it](mailto:economic@lineapelle-fair.it)  
[www.lineapelle-fair.it](http://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](http://www.simactanningtech.it)

