



LINEAPELLE LEATHER MARKET OVERVIEW

2nd QUARTER 2018



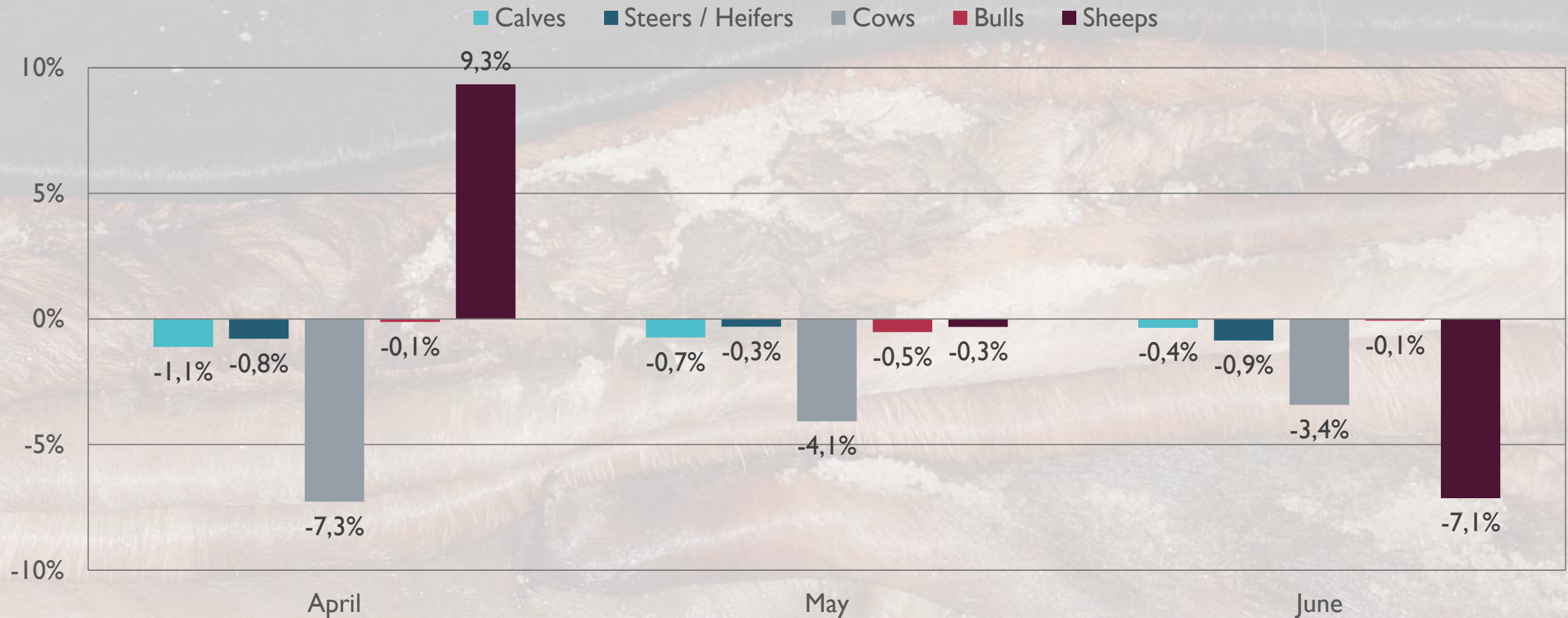
RAW MATERIALS

RAW HIDES AND SKINS AND SEMI-PROCESSED LEATHER – PRICE TRENDS

- The **widespread downward trend** in the average price indices for leather raw materials observed at the beginning of 2018 consolidates in the second quarter of the current year.
- Among the main kinds of **bovine raw hide**, the downturn trend appears continuous and quite consistent for cows, while the other sizes (bulls, steers, heifers, bullocks, calves..) posted less significant drops.
- The negative dynamic concerns **all the main origins**; with only some exception (Spain for calves, Australia for both calves and young bovines), which showed stability.
- **Sheep** much more fluctuating compared to the bovine sector, with the general price index going up in May and going down in the following two months.
- Double-digit losses even for the medium quotations of **bovine wet blue** (-13% from the beginning of 2018, -11% in the quarter) – among the main origins, Brazil -23% (since January), New Zealand -8%, Australia stable.

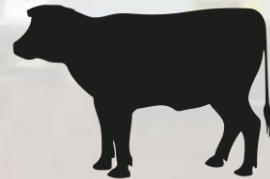
RAW MATERIALS

RAW HIDES - MONTHLY VARIATION OF AVERAGE PRICE INDICES BY ANIMAL TYPE



RAW MATERIALS

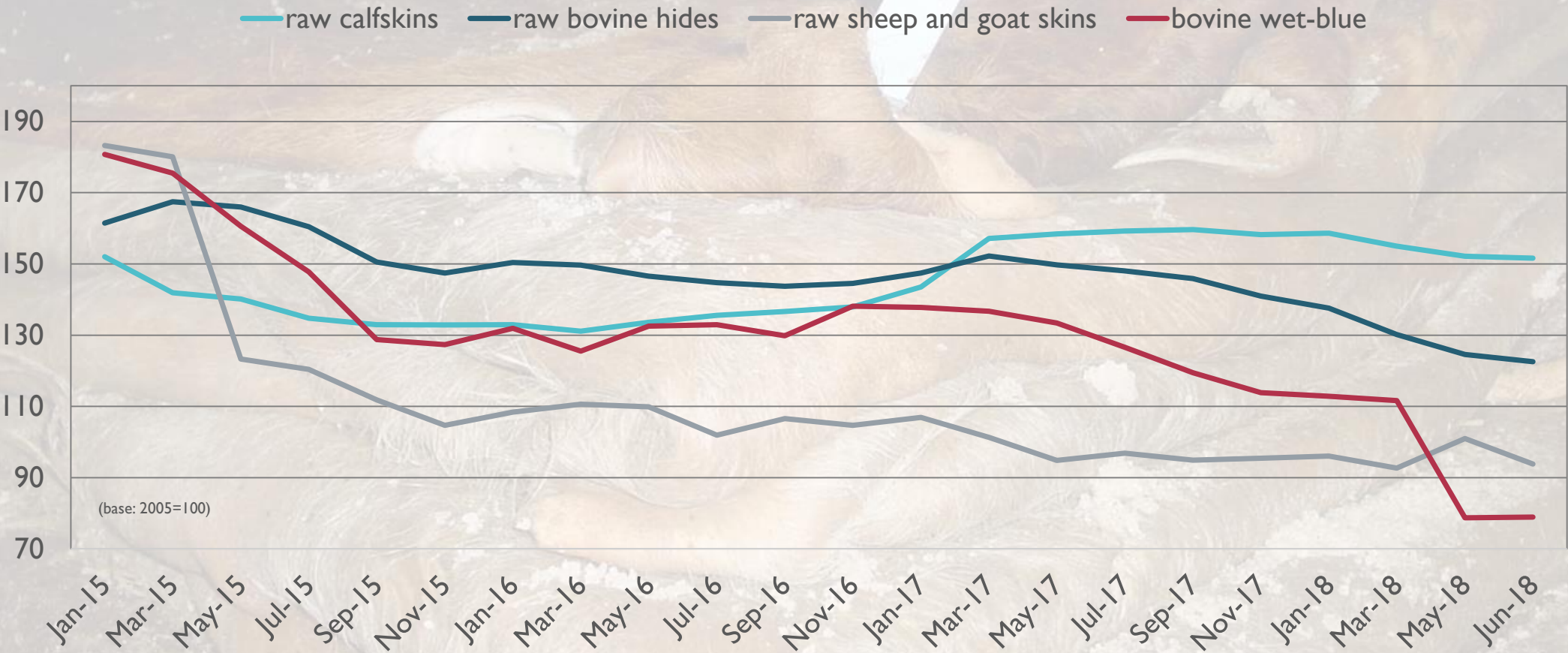
RAW HIDES - AVERAGE PRICE CHANGES BY ANIMAL TYPE/ORIGIN (FROM JANUARY 2018)



Calves	-4%	Steers, bull calves, heifers	-4%	Cows	-27%	Bulls	-13%	Sheeps	-2%
Italy	-2%	Italy (bull calves)	-2%	Italy	-4%	France	-14%	Iran	-16%
France	-7%	Germany (heifers)	-8%	France	-37%	Netherlands	-12%	Spain	-1%
Netherlands	-1%	United Kingdom (mixed)	-4%	Netherlands	-24%	Germany	-4%	New Zealand	-2%
Spain	=	Spain (bull calves)	-5%	Germany	-9%	New Zealand	-11%		
Australia	=	United States (mixed)	-17%	Spain	-31%	Denmark	-7%		
		Australia (mixed)	=	United States	-29%				
		Sweden (mixed)	-10%	Sweden	-28%				
		New Zealand (bull calves)	-7%	New Zealand	-11%				
		Denmark (mixed)	-5%	Denmark	-19%				

RAW MATERIALS

RAW HIDES AND SKINS AND SEMI-FINISHED LEATHER – LONG TERM AVERAGE PRICE INDECES BY ANIMAL TYPE



RAW MATERIALS

RAW HIDES – TRENDS IN AVAILABILITY (SLAUGHTERING)

- Positive variation in the global picture for the slaughtering of **adult bovine** in 2018 aggregates (+5% in the second quarter, +4% in the first-half year) – Overall, Europe is growing (although with the significant exceptions of France, Germany and the Netherlands), the Americans (both the US and the Mercosur countries) and, in double figures, Oceania are also increasing.
- The general levels of **calves** slaughter is stable in the first six months of the year (but with a growing trend, since the second quarter closed at +2%) – divergent dynamic in the UE (with all the main producers going down, except the Netherlands), while the other major players worldwide are growing (also in this case, Australia and New Zealand in double-digit).
- Positive overview for **sheep** slathering, which is growing in the main monitored areas – in the EU, the first-half 2018 is stable (negative trend in the second quarter), thanks to Spain and United Kingdom (the only ones on the rise); increases in the US and Australia, New Zealand stable in the first part of the year due to the positive trend recorded in the second quarter.

RAW MATERIALS

RAW HIDES – TRENDS IN AVAILABILITY (SLAUGHTERING) 1st HALF 2018 VS 1st HALF 2017



RAW MATERIALS

OTHER REFERENCE COMMODITIES – PRICE TRENDS AND PERFORMANCE



OIL

+39%

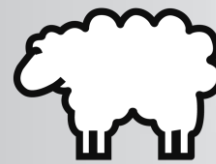
+29%



COTTON

+6%

+7%



WOOL

The first half of 2018 marks a new record for wool prices, which reached their historical maximum in June.

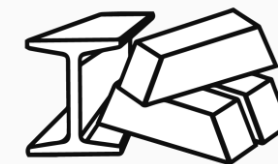
The tightening on the supply side affects the upward trend, which observes a strong competition between buyers coming from China, India and Europe.



NATURAL RUBBER

-20%

-28%



METALS

- Aluminum +19%
- Copper +21%
- Iron -1%
- Nickel +51%
- Zinc +20%
- Aluminum +17%
- Copper +20%
- Iron -9%
- Nickel +37%
- Zinc +22%

■ 2nd QUARTER 2018
VS 2nd QUARTER 2017

■ 1st HALF 2018
VS 1st HALF 2017

TANNING SECTOR

TRENDS

- The **uncertainties in the demand** of some of the main sectors of destination of the material continue to weigh on the overall situation of the sector with very different results.
- Despite persistent positive dynamics, the **medium-large bovine** show a market widespread cooling in the quarter – Italy, Austria, United Kingdom, Asian and Latin American producers slow down, while Iberian countries, France, Germany and Turkey keep a good pace.
- A negative sign prevails in the **small bovine (calves)**, which, among the most important producers, shows sales increases only in France
- Trend similar to the one of small bovine for **sheep and goats** – only Spain and Turkey appear on the rise, compared to greater difficulties in the rest of Europe and in Asia

TANNING SECTOR

TURNOVER INDEX TRENDS



2nd QUARTER 2018 VS 2nd QUARTER 2017



1st HALF 2018 VS 1st HALF 2017

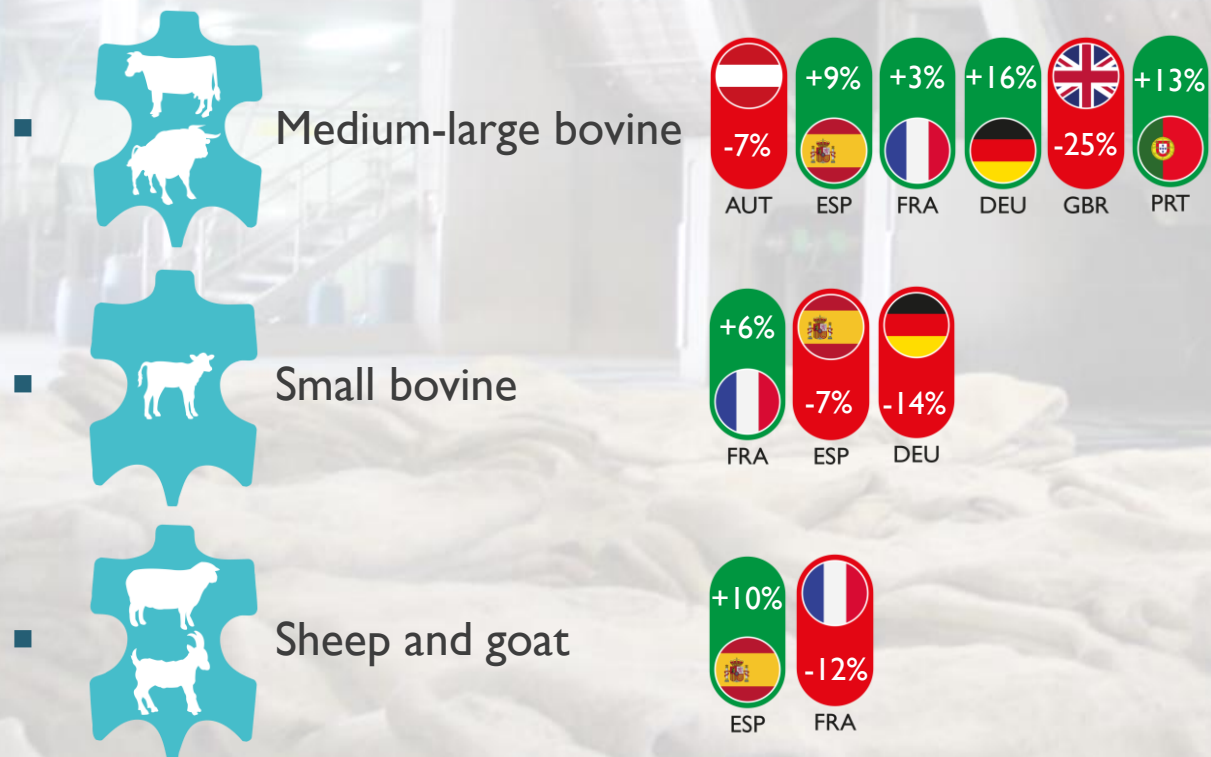


TANNING SECTOR

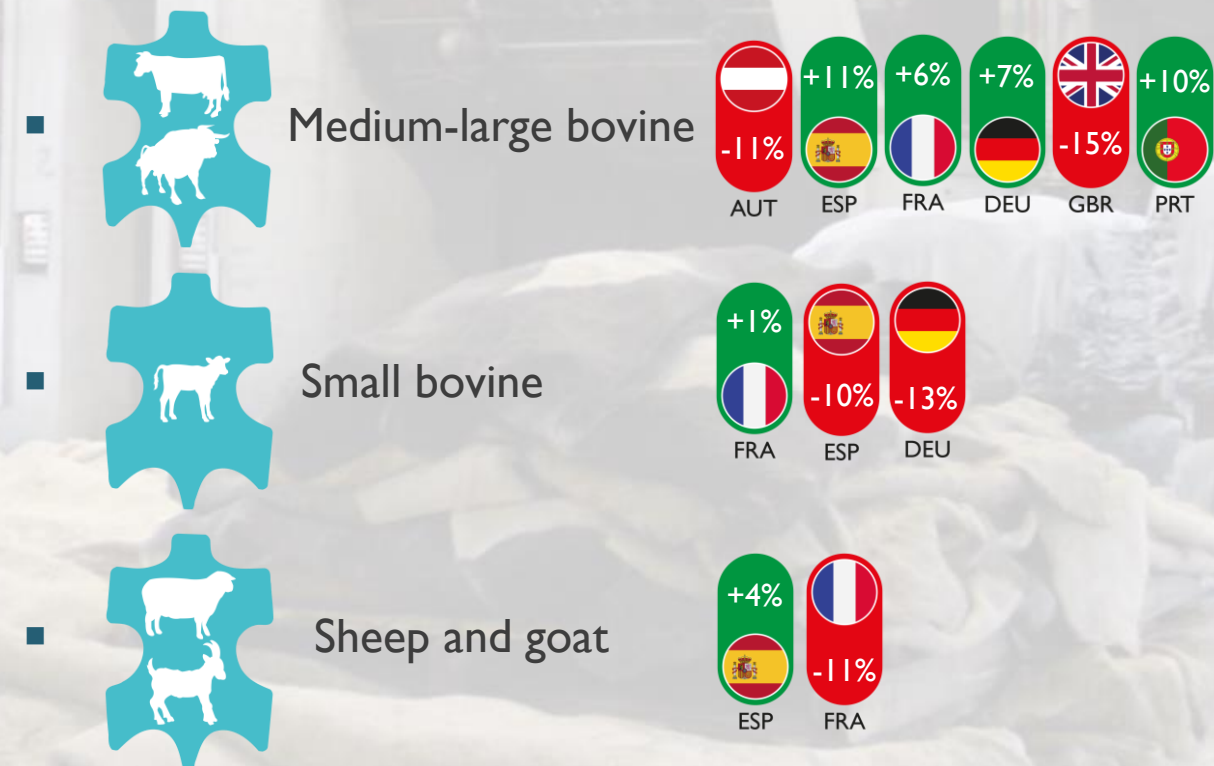
TURNOVER INDEX TRENDS



2nd QUARTER 2018 VS 2nd QUARTER 2017



1st HALF 2018 VS 1st HALF 2017



TANNING SECTOR

TURNOVER INDEX TRENDS



2nd QUARTER 2018 VS 2nd QUARTER 2017

1st HALF 2018 VS 1st HALF 2017



Bovine



Bovine



Sheep and goat



Sheep and goat

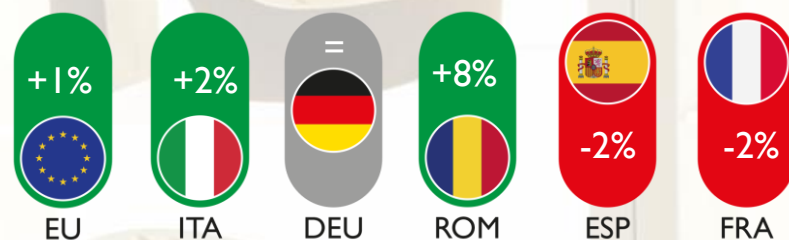


ACCESSORIES AND COMPONENTS SECTOR

TURNOVER INDEX TRENDS

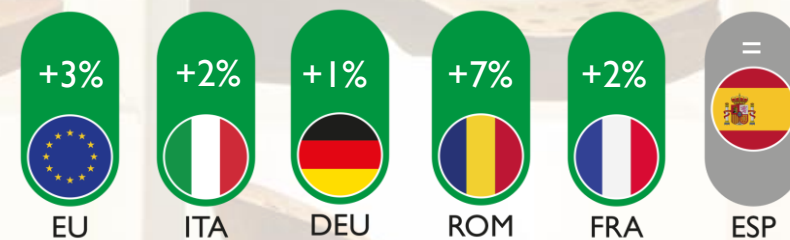
2nd QUARTER 2018 VS 2nd QUARTER 2017

Slight increases for the sector in the quarterly comparison, although with very different results among the main EU manufacturers. The excellent performance of small metal parts stands out, some criticality for other accessories. Footwear components look stable.



1st HALF 2018 VS 1st HALF 2017

Positive seasonal trend for the sector, which benefits of the good performance of small metal parts and footwear components. Uncertainty prevails for the other accessories, which suffer the losses posted by the biggest EU producers.

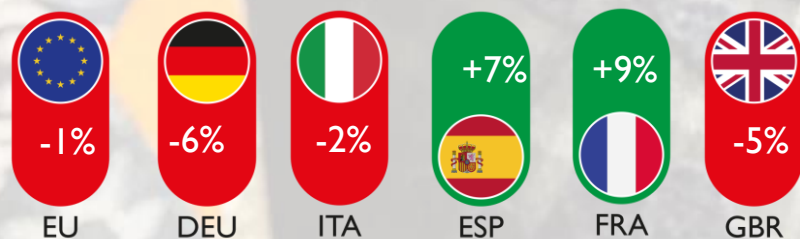


TEXTILES AND SYNTHETICS SECTOR

TURNOVER INDEX TRENDS

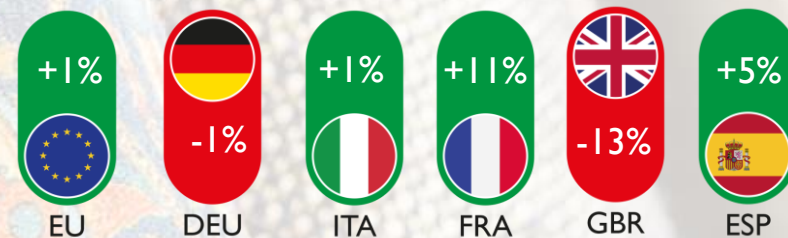
2nd QUARTER 2018 VS 2nd QUARTER 2017

Uncertain scenario for the sector in the second quarter 2018. Above all, the tricky situation of the regenerated leather fibers and the fabric materials weighs heavily on the sector, with the major European producers losing ground. Moderate increases for the synthetic.



1st HALF 2018 VS 1st HALF 2017

Although slowing down, the sector's annual trend records a slight increase, thus confirming its good performance. Nonetheless, the difficulties of both the regenerated and the fabric materials persist. The synthetic looks very good instead.

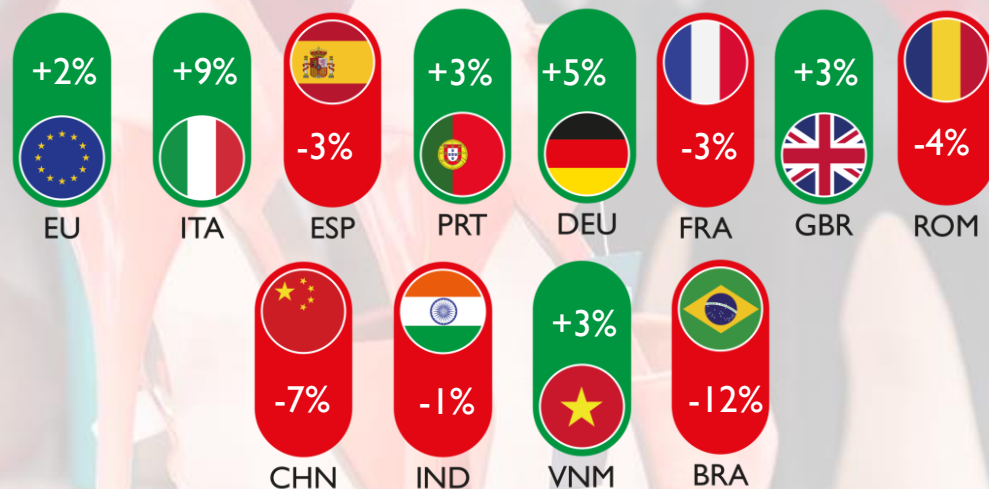


FOOTWEAR

TURNOVER INDEX TRENDS

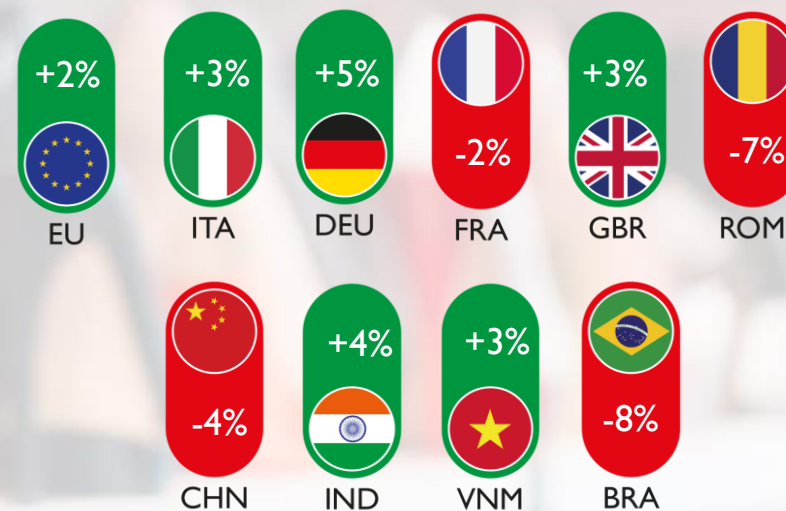
2nd QUARTER 2018 VS 2nd QUARTER 2017

Weak trend for the segment, which looks moderately active in Europe (although with significant exceptions), while China and Brazil continue to suffer.



1st HALF 2018 VS 1st HALF 2017

Italian and Chinese manufacturers mitigated their losses during the first half of the year, but the overall trend confirms not brilliant for the segment.

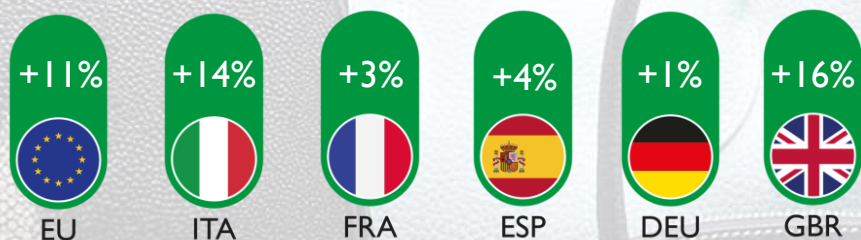


LEATHER GOODS

TURNOVER INDEX TRENDS

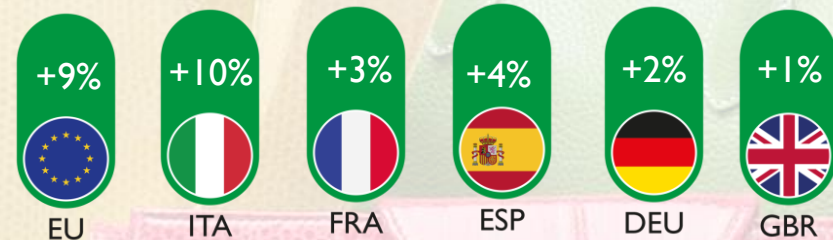
2nd QUARTER 2018 VS 2nd QUARTER 2017

Positive trend for the sector in the EU, more difficulties for some Asian players instead.



1st HALF 2018 VS 1st HALF 2017

Positive first half 2018 for the sector, pushed up by the good performance of Italy. India reduces its losses.

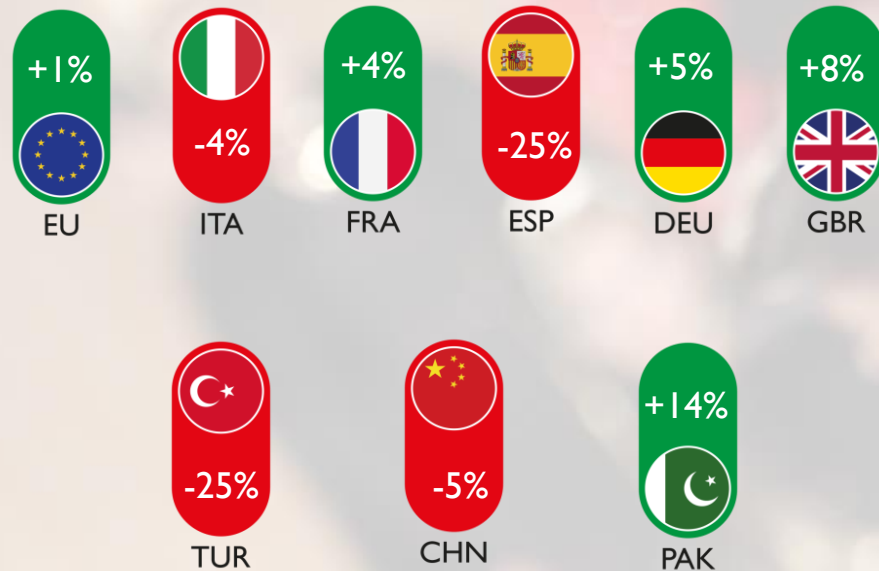


LEATHER CLOTHING

TURNOVER INDEX TRENDS

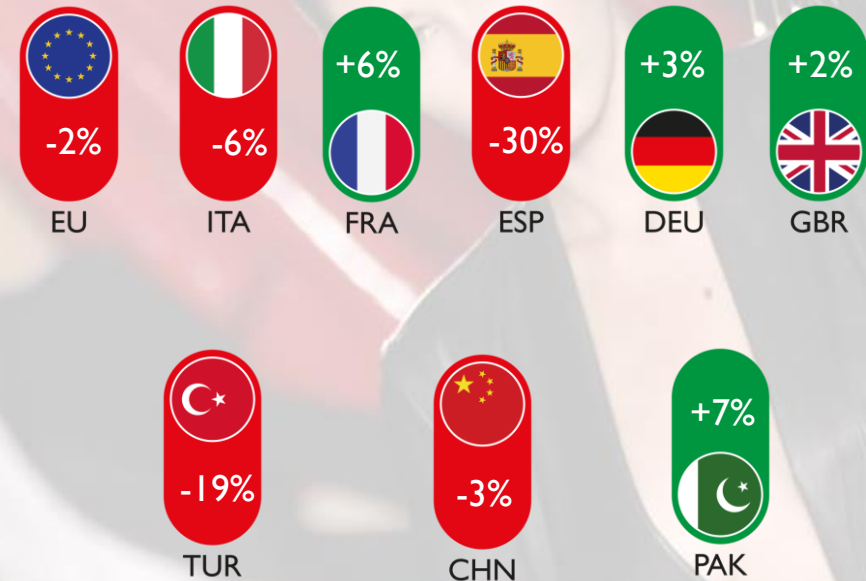
2nd QUARTER 2018 VS 2nd QUARTER 2017

The positive EU average hides wide heterogeneity of results. Turkey suffers.



1st HALF 2018 VS 1st HALF 2017

Negative European overview in the annual comparison.

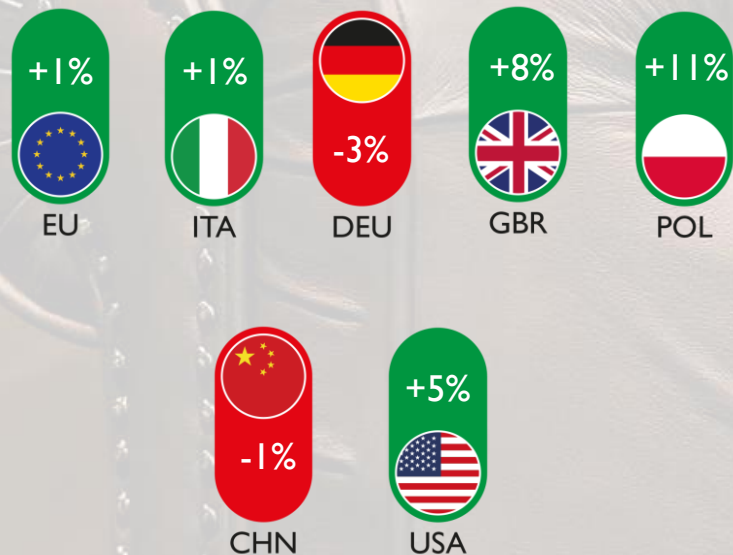


UPHOLSTERED FURNITURE

TURNOVER INDEX TRENDS

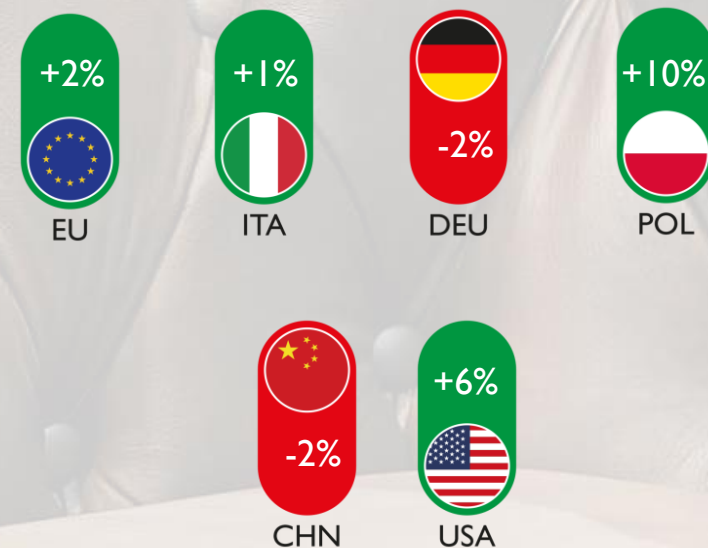
2nd QUARTER 2018 VS 2nd QUARTER 2017

The second quarter 2018 shows a two speed dynamic in the EU, with Italians posting strong decreases.



1st HALF 2018 VS 1st HALF 2017

Overall negative first half year results for the EU manufacturers. Good trend for US shipments instead.

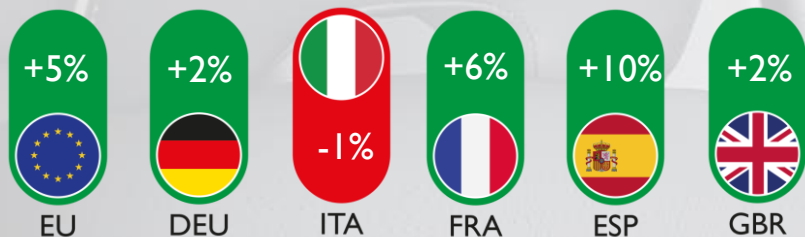


AUTOMOTIVE

TURNOVER INDEX TRENDS

2nd QUARTER 2018 VS 2nd QUARTER 2017

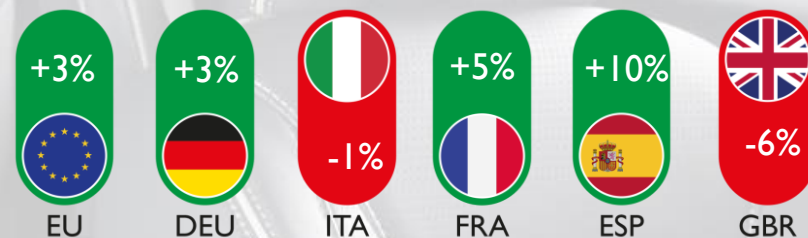
- Positive trend for EU new car registrations.



- Registrations cooling down in Italy, after a long period of increases.
- European market recovering in June.

1st HALF 2018 VS 1st HALF 2017

- The first half of the year confirmed the overall quarterly trend.



- Positive trend for the US and Chinese new car registrations.

LUXURY

2018 1st HALF RESULTS

The strong momentum of the major European luxury fashion brands continues in the first half of 2018. In spite of the threats of a commercial war between the USA and China, which reflects on the main international currencies.

- **LVMH** – organic turnover growth of 12% (constant rates) following Louis Vuitton upward trend. Good performance of Christian Dior Couture, Fendi, Céline and the brands Loro Piana, Marc Jacobs, Loewe, Kenzo and Berluti.
- **KERING** – First-half year results up by 34%, with Gucci (+44% revenues) and Yves Saint Laurent (+20%) pushing up the growth of the Group. Opacity for Bottega Veneta (-0.9%). Good performance also for Balenciaga and Alexander McQueen.
- **HERMÈS** – +11% revenues in the first part of 2018. Leather goods and saddlery division quite dynamic: +8% in sales.
- **TOD'S** – Revenues up for the Group (+2%), pushed by Hogan (+7.5%). Moderate increases also for Roger Vivier (+3%). Tod's looks stable (+0.1%). Good trend for the footwear segment, slight increases for leather goods and accessories.
- **FERRAGAMO** – Turnover reduction equal to -3% in the first six months of 2018, with the footwear division losing ground (-5.5%). Positive trend for the leather goods segment instead (+1.6%).
- **PRADA** – Decisive turnaround for the Group: +9% of revenues in the first half 2018. Both Prada (+10%) and Miu Miu (+8%) accelerate. Lasting difficulties for Church's (-4%). Positive dynamic both for leather goods (+8%) and footwear (4%).

NOTES

- Lineapelle processes and estimates data provided by statistical institutions, government bodies, international organizations, trade associations, retailers and other public/private sources
- Country acronyms refer to the official ISO alpha 3 classification
- Commodity prices. Historic price series are calculated on the basis of average price quotations in dollars (USD)
- Raw hides and skins/semi-processed leather prices. Historic original price series are collected by agents and publications in the industry and indexed using the base line 2005=100, maintaining the exchange currency used for purchases on the export market

By Servizio Economico Lineapelle

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