



LINEAPELLE LEATHER MARKET OVERVIEW

4th QUARTER 2018



RAW MATERIALS

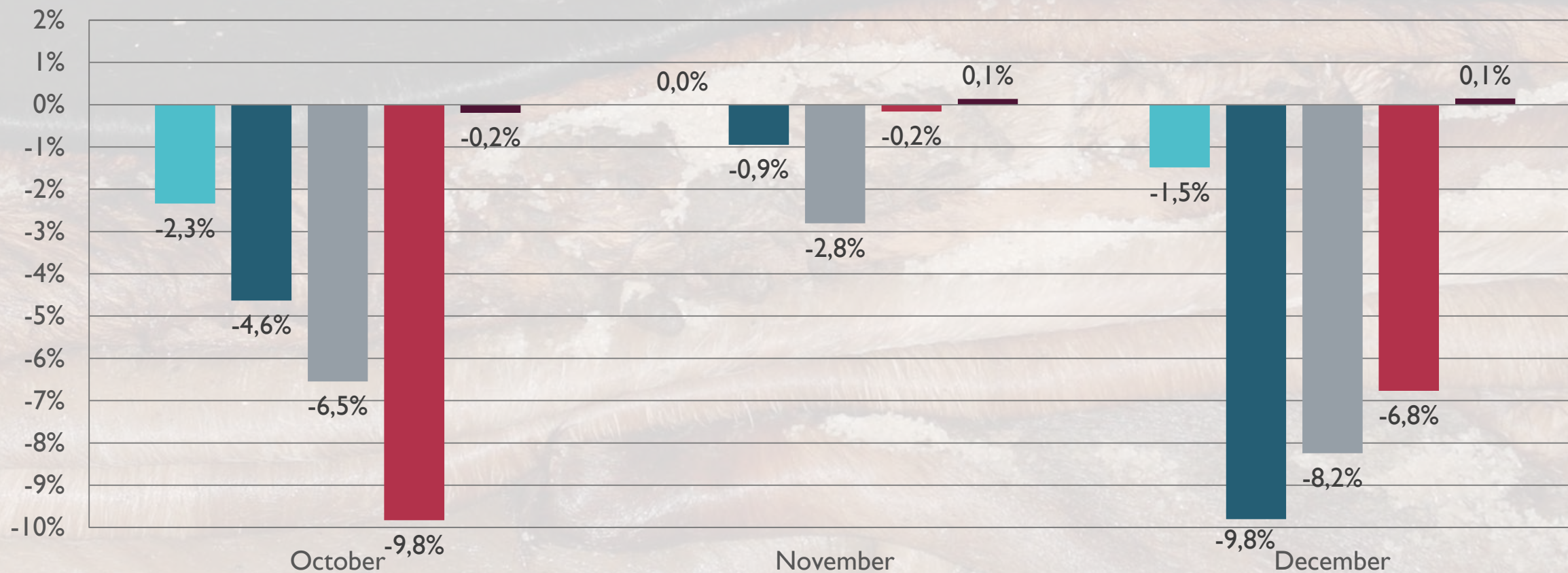
RAW HIDES AND SKINS AND SEMI-PROCESSED LEATHER – PRICE TRENDS

- In the last months of 2018, the average price indexes of the tanning raw material have intensified the **downward trend**, with just some few and rare exceptions in terms of typologies and places of origin.
- The decline has hit heavily the medium-large sizes of **bovine raw hides** above all (steers/heifers, cows, bulls), all in double-digit decrease during the quarter - the prices of calves also fall, but with much more moderate intensity
- Scarce movements for the general **sheep** index, but the trend appears to be very diversified, depending on the supplying market
- It was another quarter of decreases also for **wet-blue leather** (general index -9% in the period) - among the main origins, Brazil was fluctuating, while the Oceanic countries collapsed in September and then stabilized

RAW MATERIALS

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

Calves Steers / Heifers Cows Bulls Sheeps



RAW MATERIALS

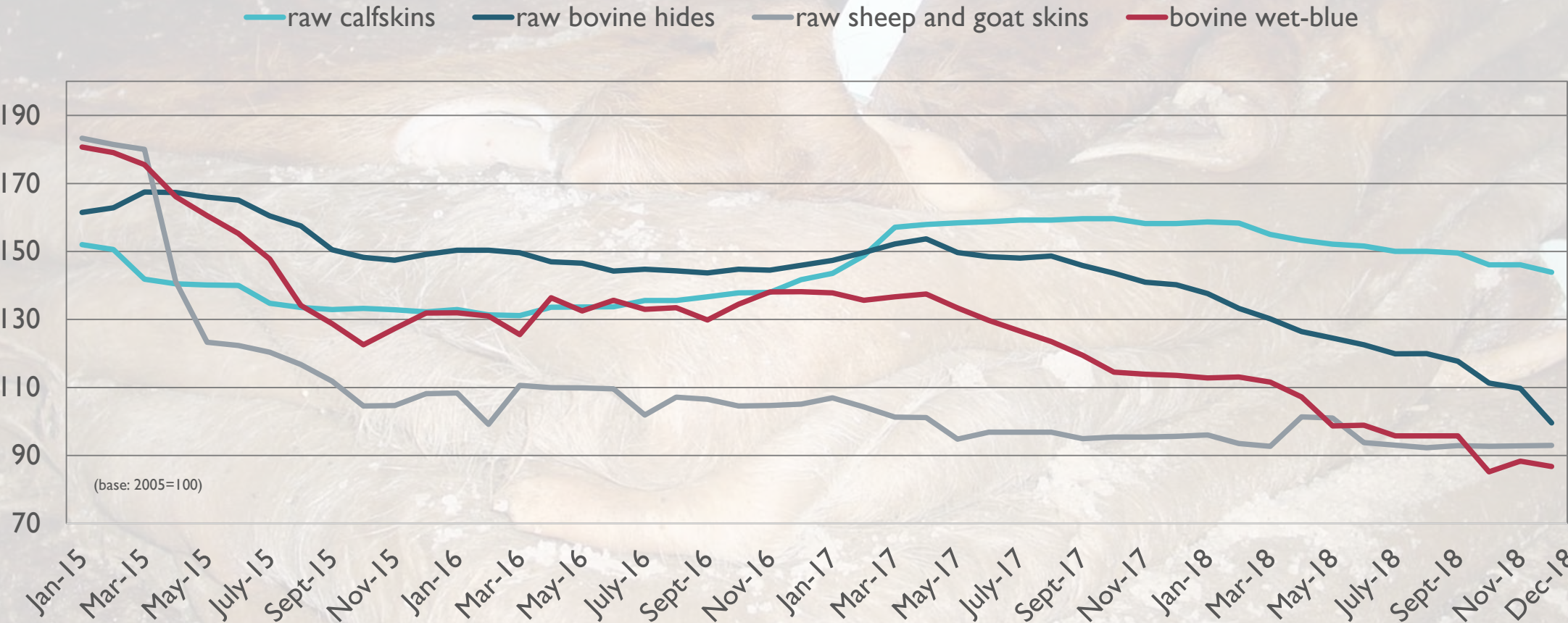
RAW HIDES - AVERAGE PRICE CHANGES BY ANIMAL TYPE/ORIGIN FROM JANUARY TO DECEMBER 2018



Calves	-9%	Steers, bull calves, heifers	-20%	Cows	-44%	Bulls	-28%	Sheeps	-3%
Italy	-3%	Italy (bull calves)	-5%	Italy	-6%	France	-29%	Iran	-1%
France	-13%	Germany (heifers)	-15%	France	-54%	Netherlands	-26%	Spain	-19%
Netherlands	-5%	United Kingdom (mixed)	-14%	Netherlands	-45%	Germany	-18%	New Zealand	-7%
Australia	-10%	Spain (bull calves)	-19%	Germany	-29%	New Zealand	-26%		
		United States (mixed)	-32%	Spain	-75%	Denmark	-20%		
		Australia (mixed)	-9%	United States	-63%				
		Sweden (mixed)	-16%	Sweden	-50%				
		New Zealand (bull calves)	-14%	New Zealand	-18%				
		Denmark (mixed)	-15%	Denmark	-33%				

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)

- The global slaughter levels for **adult bovine** in 2018 record an overall increase of about 4% - all the most important producing areas (EU, US, Latin America, Oceania) rose, with some exceptions emerging in the detail of European Countries
- On the other hand, the overall volume of **calves** rebated in the main monitored regions (-3%), due to a widespread slowdown at the end of 2018 - the overall picture is varied, with Europe unchanged, falls in New Zealand and Argentina, rises in the US and Australia
- Slight increase (+1%) for total **sheep** slaughtering but the more specific data show falls in the EU, stability in New Zealand and increases in Australia and the US

RAW MATERIALS

OTHER REFERENCE COMMODITIES - PRICE TRENDS AND PERFORMANCE



OIL

+31%

+33%



COTTON

+7%

+10%



WOOL

Outstanding year for the quotations of wool. The crucial combination of strong Chinese demand and reduction in wool production volumes, which has allowed prices to double over the last five years, supported the 2018 upward trend.



NATURAL RUBBER

-12%

-20%



METALS

- Aluminum -3%
- Copper -9%
- Iron +11%
- Nickel +6%
- Zinc -17%
- Aluminum +9%
- Copper +7%
- Iron -3%
- Nickel +30%
- Zinc +3%

■ 4th QUARTER 2018
VS 4th QUARTER 2017

■ FULL YEAR 2018
VS FULL YEAR 2017

RAW MATERIALS

RAW HIDES – TRENDS IN AVAILABILITY (SLAUGHTERING) FULL YEAR 2018 VS FULL YEAR 2017



TANNING SECTOR

TRENDS

- The Y2018 closing was in line with the **decreasing trend** recorded during the year - although there are positive data in the quarterly analysis, the annual picture appears to be predominantly downward.
- The **medium-large bovine leather** segment continued to show the least negative performances within the total industry, but just a few countries (Spain, Portugal, Turkey), however, registered an annual growth.
- On the other hand, there is no positive exception for **small bovine leathers** (calves), where all the main producing Countries recorded annual decreases.
- The scenario was almost exclusively recessive also for the **sheep and goat segment**, showing positive changes only in Spain and Turkey (bad results for the other European and Asian producers).

TANNING SECTOR

TURNOVER INDEX TRENDS



4th QUARTER 2018 VS 4th QUARTER 2017



FULL YEAR 2018 VS FULL YEAR 2017

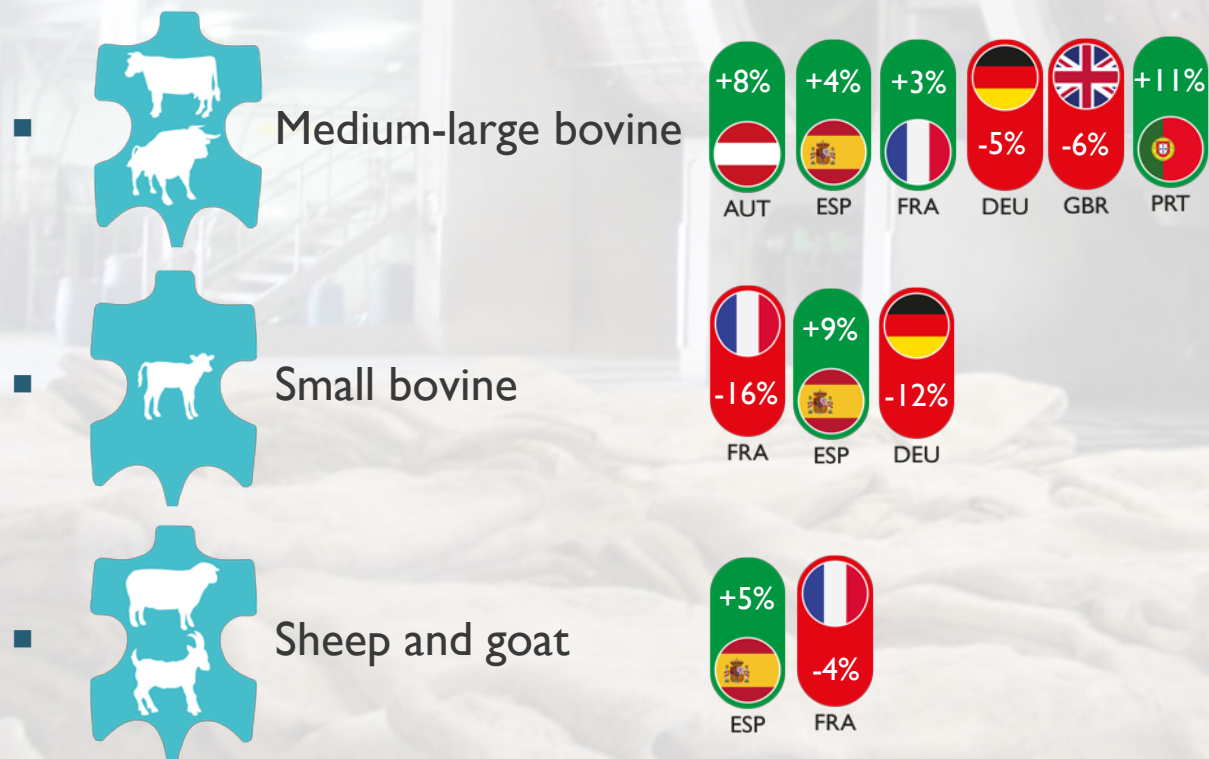


TANNING SECTOR

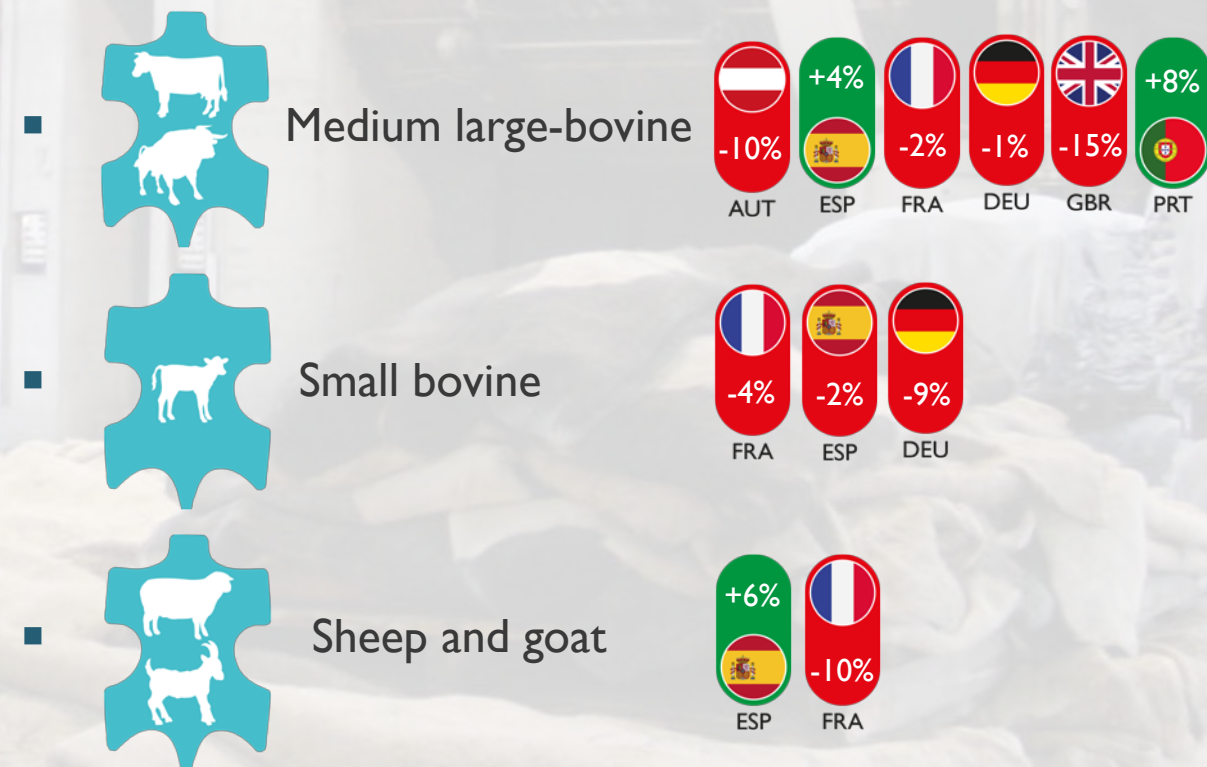
TURNOVER INDEX TRENDS



4th QUARTER 2018 VS 4th QUARTER 2017



TOTAL 2018 VS TOTAL 2017

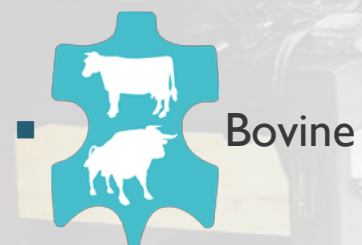


TANNING SECTOR

TURNOVER INDEX TRENDS



4th QUARTER 2018 VS 4th QUARTER 2017



Bovine



Sheep and goat



TOTAL 2018 VS TOTAL 2017



Bovine



Sheep and goat

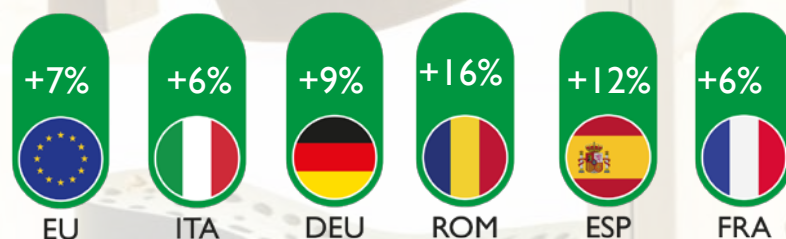


ACCESSORIES AND COMPONENTS SECTOR

TURNOVER INDEX TRENDS

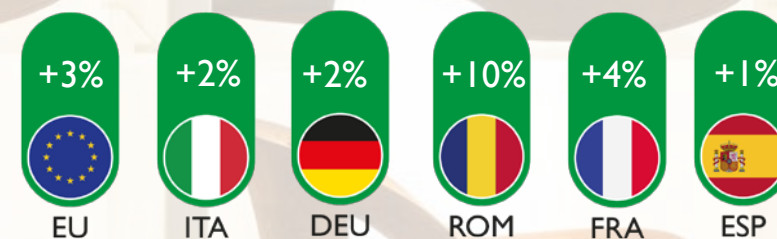
4th QUARTER 2018 VS 4th QUARTER 2017

The long-term comparison reflects a **rising trend** for the sector in 2018. Positive results for all segments, where the **small metal parts** record, once again, the most dynamic growth. Good performance also for **footwear components**. Modest increases for the “**other accessories**”.



FULL YEAR 2018 VS FULL YEAR 2017

Overall **positive year** end for the accessories and components sector. The great performance of the **small metal parts** outstands; satisfying also the dynamics of the **footwear components**. Uncertainty for the “**other accessories**”, slightly decreasing in the year on year comparison.

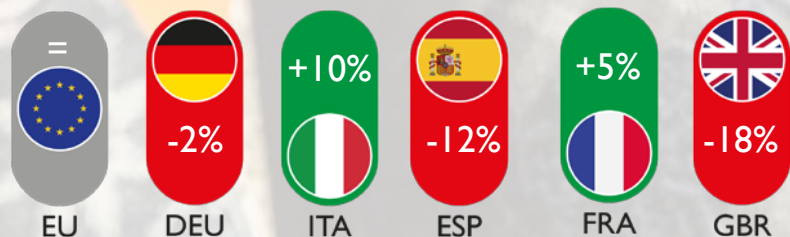


TEXTILES AND SYNTHETICS SECTOR

TURNOVER INDEX TRENDS

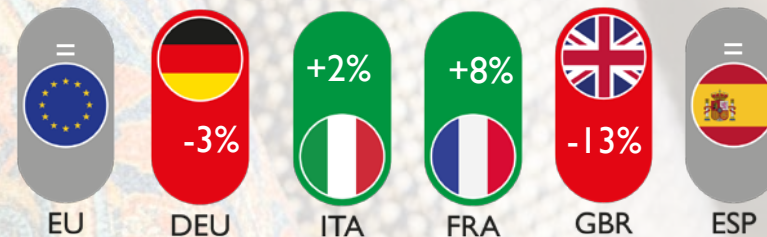
4th QUARTER 2018 VS 4th QUARTER 2017

Negative stability for the sector in the last quarter 2018 compared to the same period 2017. Consistent the rebates reported by the **regenerated leather fibers** along with the weak trend of the **fabric materials**. The **synthetic** also slows down, which nonetheless confirms on the rise even in the fourth quarter of the year.



FULL YEAR 2018 VS FULL YEAR 2017

Unvaried, although with a negative sign, the 2018 full year results of the sector in the comparison with the previous year. The growing dynamic of the **synthetic** did not balance the poor performance of the **regenerated leather fibers** and the criticalities of the **fabric materials**.

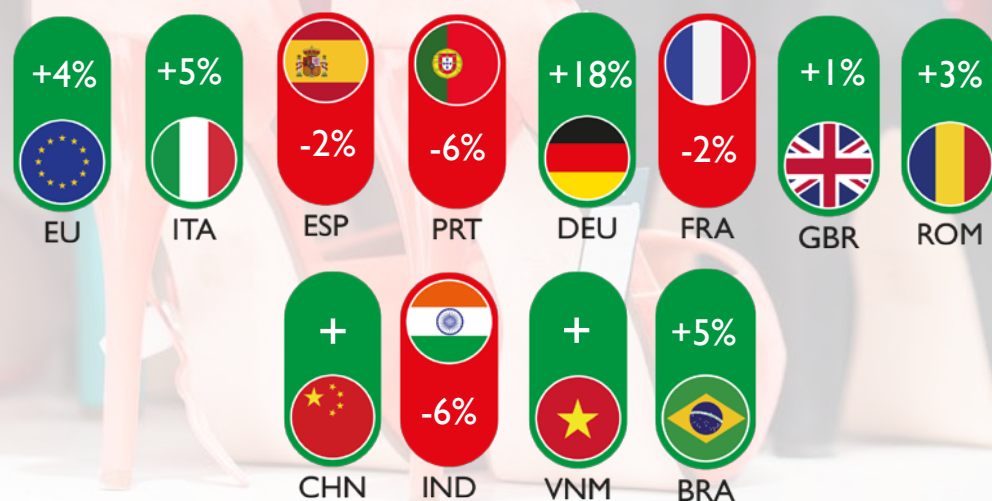


FOOTWEAR

TURNOVER INDEX TREND

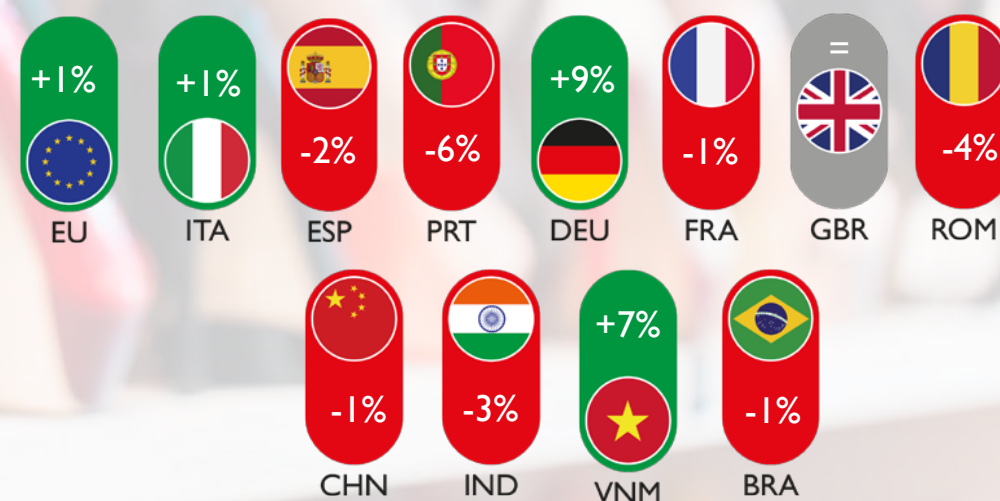
4th QUARTER 2018 VS 4th QUARTER 2017

Slightly positive results for the European sector in the reference quarter, even with some exception. China and Vietnam on the rise, moderate slowdown of Indian export. Some recovery of production in Brazil (decrease in export).



FULL YEAR 2018 VS FULL YEAR 2017

EU manufacturers keep the pace; Italy in moderate value growth, UK stable, Germany on the rise, while France and Iberians on a slight decrease. Among the main non-EU countries, only Vietnam closed the year with a positive balance.

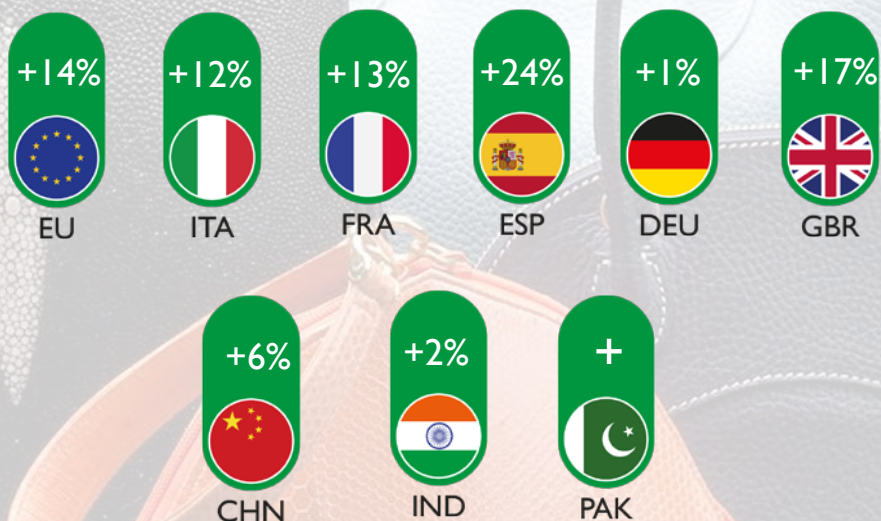


LEATHER GOODS

TURNOVER INDEX TREND

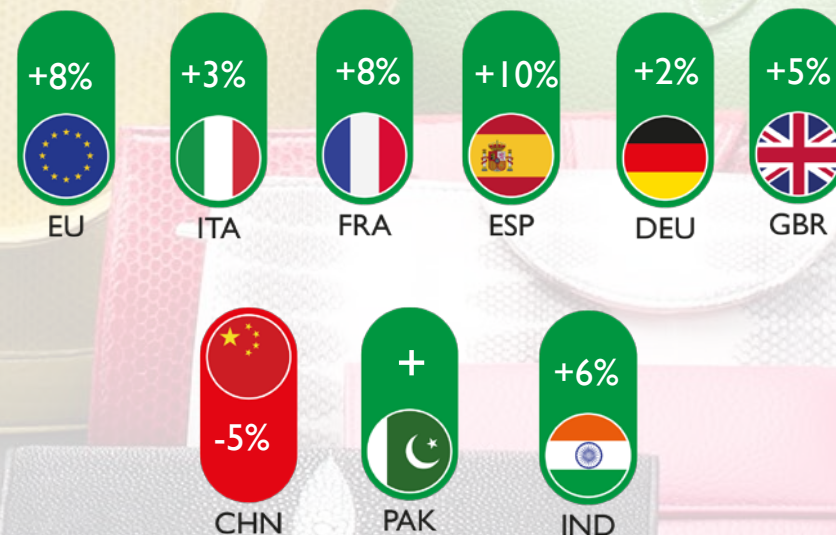
4th QUARTER 2018 VS 4th QUARTER 2017

Brilliant trimester for EU leather goods, that shows widespread increases in all the main producing areas. Positive trend, on aggregate, for Asian manufacturers.



FULL YEAR 2018 VS FULL YEAR 2017

Positive full year results in the EU: all the main manufacturing countries recorded an increase as compared to the previous year. Persistent difficulties in China.

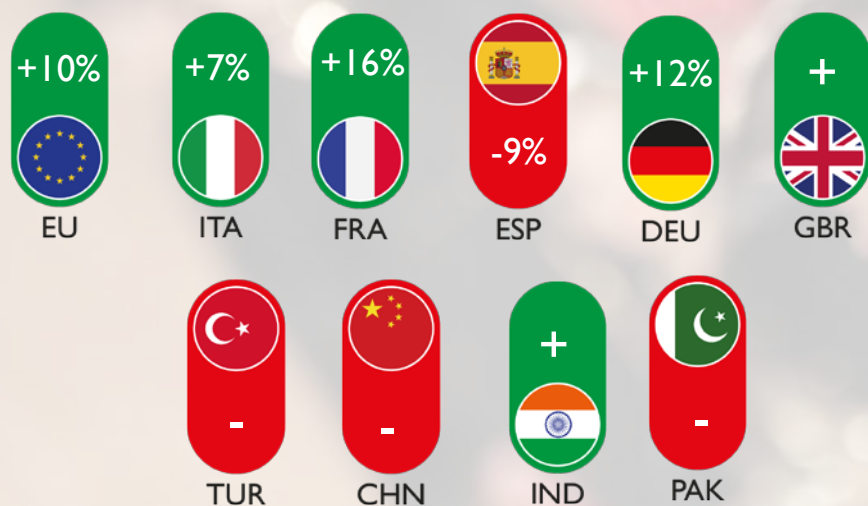


LEATHER GARMENTS

TURNOVER INDEX TREND

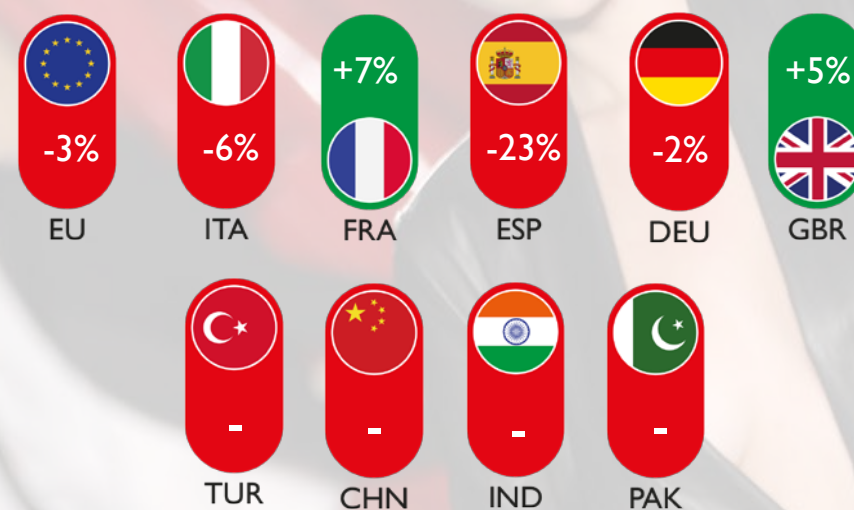
4th QUARTER 2018 VS 4th QUARTER 2017

The last three months of the year were positive for the Italian leather garments sector, thanks to export dynamic and general bright situation also in the rest of Europe (except for Spain). Asia on the decrease (rising trend only in India).



FULL YEAR 2018 VS FULL YEAR 2017

Sluggish situation for the sector in Europe, with moderate losses as compared to the previous year. Differentiated outlook in the different areas. Negative trend in Asia.

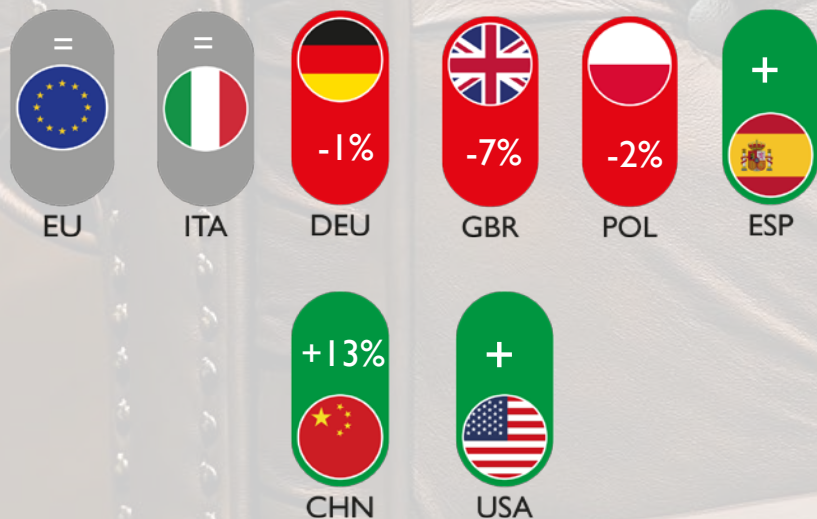


UPHOLTERED FURNITURE

TURNOVER INDEX TREND

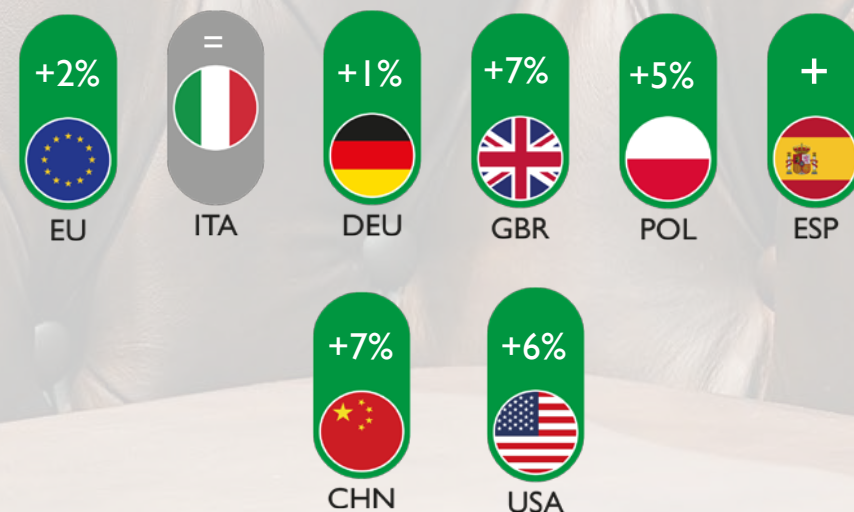
4th QUARTER 2018 VS 4th QUARTER 2017

Loose quarter for EU upholstery producers, thanks to the Italians keeping the pace and to the positive trend of the Iberians, which offset losses in Germany, Poland and the UK. Positive business for China and the US.



FULL YEAR 2018 VS FULL YEAR 2017

The turnover of Italian upholstered furniture remained stable thanks to the exports. Moderate increases for the EU average, supported by UK, Germany and Poland. Orders increasing in the US and rising trend of Chinese export.

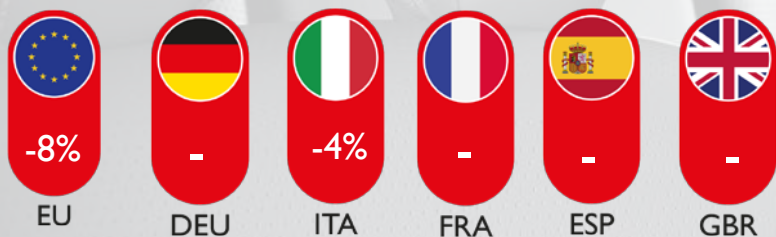


AUTOMOTIVE

TURNOVER INDEX TREND

4th QUARTER 2018 VS 4th QUARTER 2017

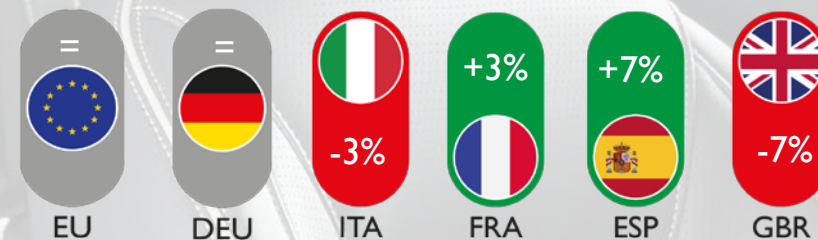
- New car registrations decreased in the final months of the year in Italy (-4%) and EU (about -8%).



- The EU market is strongly dependent on the domestic demand, that currently is negatively affected by the negative economic outlook.
- The cooling of demand is also related to some normative issues.

FULL YEAR 2018 VS FULL YEAR 2017

- In 2018 the EU market remained stable in general, with different results among countries.



- Turkey on the decrease, versus a rise in new registrations in Russia. Unvaried registrations in the US in the annual comparison. -3% for the Chinese market.

LUXURY

2018 RESULTS

Positive year end for the major European luxury fashion brands. Despite an overall economic slowdown, the cautiously optimistic forecasts advanced in the previous months were fully met, with only some exceptions.

- **LVMH** – 2018 closing with a turnover increasing by 11% for the luxury French giant (constant rates). Excellent trend for the fashion and leather goods division (+15%). Very good performances of Louis Vuitton and Christian Dior Couture. Positive results also for Céline, Loro Piana, Kenzo, Loewe, Fendi and Berluti.
- **KERING** – outstanding momentum for the group also in 2018: +29% of consolidated revenues. Gucci (+37%) and Yves Saint Laurent (+19%) lead the very performing trend, while Bottega Veneta suffers (-3%). Excellent trend also for the minor brands of the group (+32%) which follow the excellent results of Balenciaga and Alexander McQueen.
- **HERMÈS** – sales up by 10% for the French brand in 2018, with homogeneous results in all geographical areas. The increase in production capacity pushed the leather goods and saddlery division up: +9%.
- **TOD'S** – flat conclusion of the past year for the group: -0.5% revenues. Losses for Tod's (-1%), stable Roger Vivier. Hogan grew slightly (+2%). Fay went down (-3%). The segmentation by product categories showed stability for footwear (+0%), while leather and accessories kept losing ground (-3%).
- **FERRAGAMO** – the group's turnover reduced the losses recorded during the last year, although recording a -2% year end decline. The rebates for footwear (-4%) were confirmed, while the leather goods division went up (+3%).

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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