



LINEAPELLE LEATHER MARKET OVERVIEW

1st QUARTER 2018

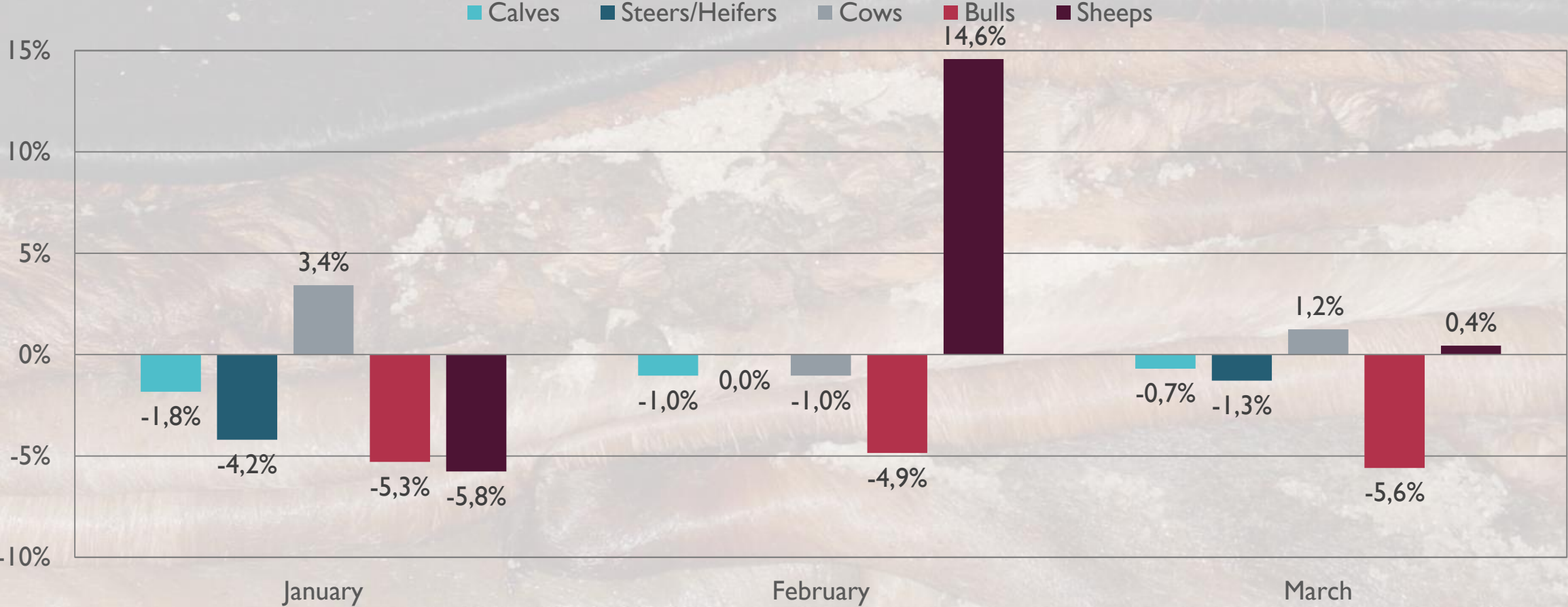
RAW MATERIALS

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

- **Still a widespread downward trend** in the average price indices for leather raw materials, but with some exceptions
- The small-medium sizes (**steer, heifers, bullocks, calves**) posted slight although constant drops, with no significant differences among the major markets
- Extremely volatile performance for **cows**: medium index on the rise between January and March (but declining again in April already), with clear differences in trend among the single origins
- **Bulls** quotations keep declining strongly and widely
- Opposite trend for **sheep**, which go up in the Middle East and Europe (and go down in Oceania)
- The general index of **bovine wet blue** recorded a drop of 2% in the first three months of the year – among the main places of origin, Brazil -4% (but declining strongly in April), New Zealand -3%, Australia stable

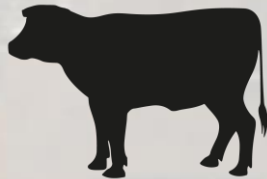
RAW MATERIALS

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



RAW MATERIALS

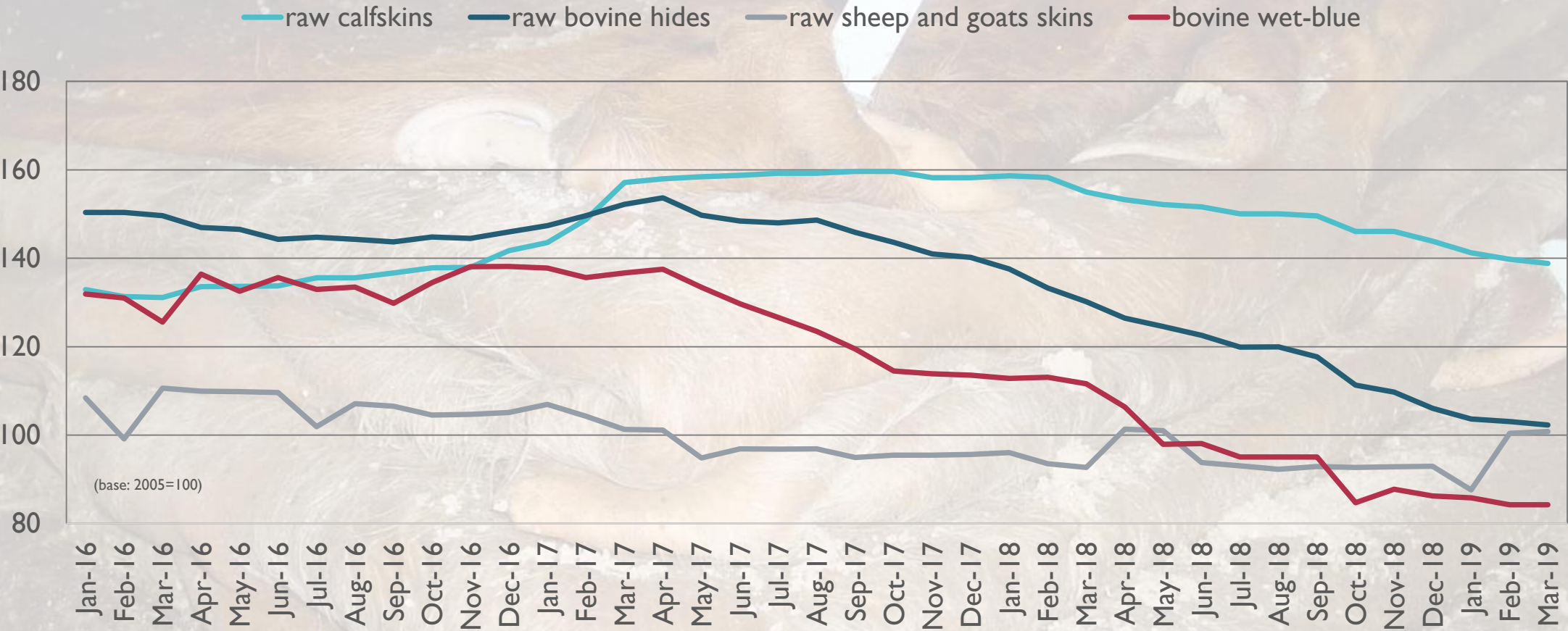
RAW HIDES - AVERAGE PRICE CHANGES BY ANIMAL TYPE/ORIGIN (FROM JANUARY TO MARCH 2019)



Calves	-4%	Steers, bull calves, heifers	-5%	Cows	+4%	Bulls	-15%	Sheeps	+8%
Italy	-3%	Italy (bull calves)	-4%	Italy	-1%	France	-15%	Iran	+17%
France	-1%	Germany (heifers)	-13%	France	+15%	Netherlands	-27%	Spain	+23%
Netherlands	-10%	United Kingdom (mixed)	-3%	Netherlands	=	Germany	-8%	New Zealand	-48%
Australia	=	Spain (bull calves)	-8%	Germany	-18%	New Zealand	=		
		United States (mixed)	-4%	Spain	+27%	Denmark	-6%		
		Australia (mixed)	=	United States	-1%				
		Sweden (mixed)	-7%	Sweden	-4%				
		New Zealand (bull calves)	=	New Zealand	=				
		Denmark (mixed)	-7%	Denmark	+15%				

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 levels of slaughter of **adult bovines** increased in the first months of 2019 (+2% of the global sample analyzed) - Situation overall stagnant in Europe (-1%), but quite varied (France, Netherlands, Italy and Poland go down, Germany, Spain and Ireland go up), US basically stable, small drops in Argentina, double-digit increases in Oceania
- Downward trend for the slaughtering of **calves** worldwide at the beginning of the year compared to the same period 2018 (-5%) - Widespread losses in the EU (-2% total, but with remarkable drops for some important Countries), Netherlands is the only exception - double-digit growth in the US, Australia and New Zealand
- Slight negative sign for the total **sheep** slaughter (-1%) - Total volumes production declining in the European Union (slight increases in Italy and Greece, losses, also strong, in the other Countries), US and New Zealand, while Australia records a good positive variation

RAW MATERIALS

RAW HIDES – TRENDS IN AVAILABILITY (SLAUGHTERING) 1st QUARTER 2019 VS 1st QUARTER 2018



RAW MATERIALS

OTHER REFERENCE COMMODITIES – PRICE TRENDS AND PERFORMANCE



OIL

-6%

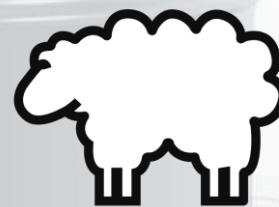
-6%



COTTON

-8%

-5%



WOOL

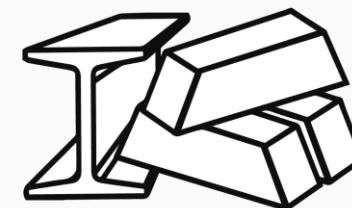
During the first weeks of the year, the demand for raw wool was lively, while a progressive consolidation was observed in the following weeks. The uncertainty on trade, mainly in the US and China, was relevant. Moreover, the adverse weather conditions strongly influenced the fluctuations of the Australian production in the period



NATURAL RUBBER

-5%

+18%



METALS

- Aluminium -14%
- Copper -11%
- Iron +12%
- Nickel -7%
- Zinc -21%
- Aluminium -5%
- Copper +1%
- Iron +16%
- Nickel +8%
- Zinc +3%

■ 1st QUARTER 2019
VS 1st QUARTER 2018

■ 1st QUARTER 2019
VS 4th QUARTER 2018

TANNING SECTOR

TRENDS

- First 2019 months figures **confirmed the general downward trend** already observed in the latest months of the previous year, although with some relevant exceptions
- The **medium-large bovine** segment records losses among the major international players - in the seasonal comparison, Italy, France, Spain and the United Kingdom posted slight declines. More consistent drops in the rest of the EU, Asia and Latin America, Turkey looks against the trend (increasing slightly)
- Similar situation for the **small bovine (calves)**, which posted growing figures only in Spain in the comparison with the first quarter 2018 (limited declines in Italy and France anyway)
- Partially changing the trend in the **sheep and goats'** segment, with overall positive seasonal results in Italy (good trend for goats), France and Spain, Asian players still suffering

TANNING SECTOR

TURNOVER INDEX TRENDS



1st QUARTER 2019 VS 1st QUARTER 2018



1st QUARTER 2019 VS 4th QUARTER 2018

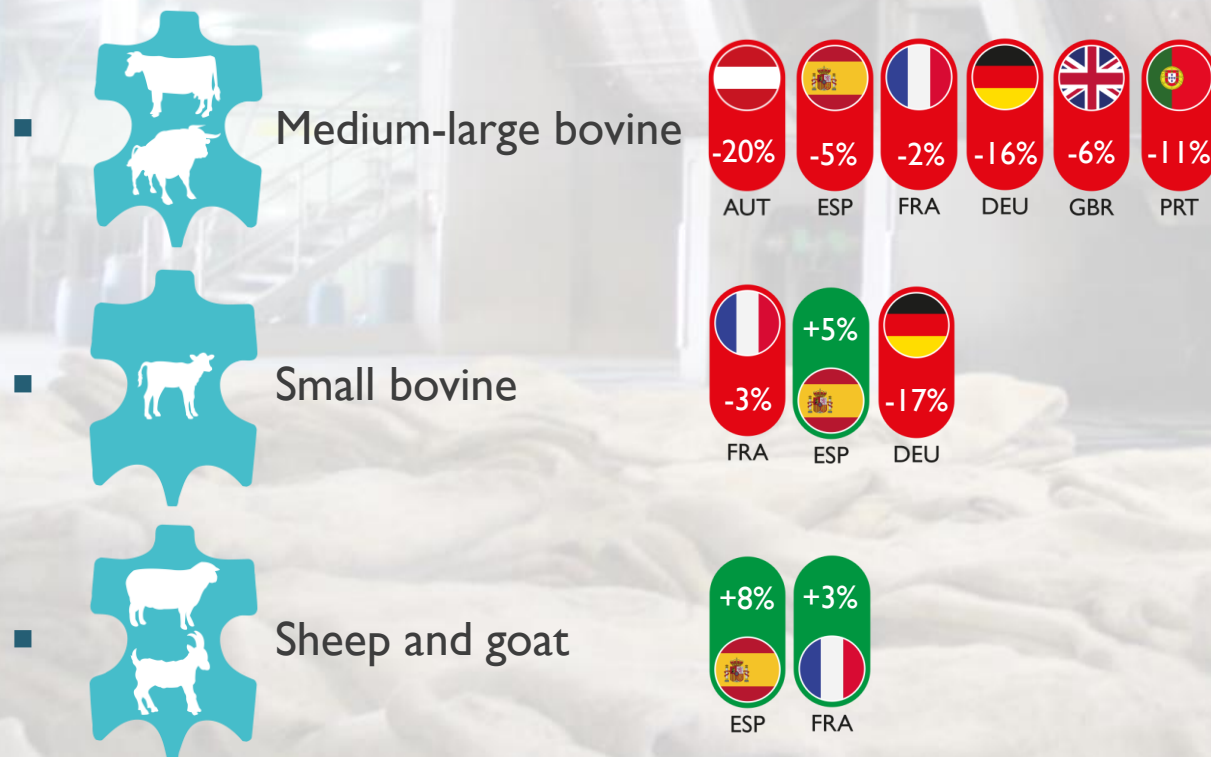


TANNING SECTOR

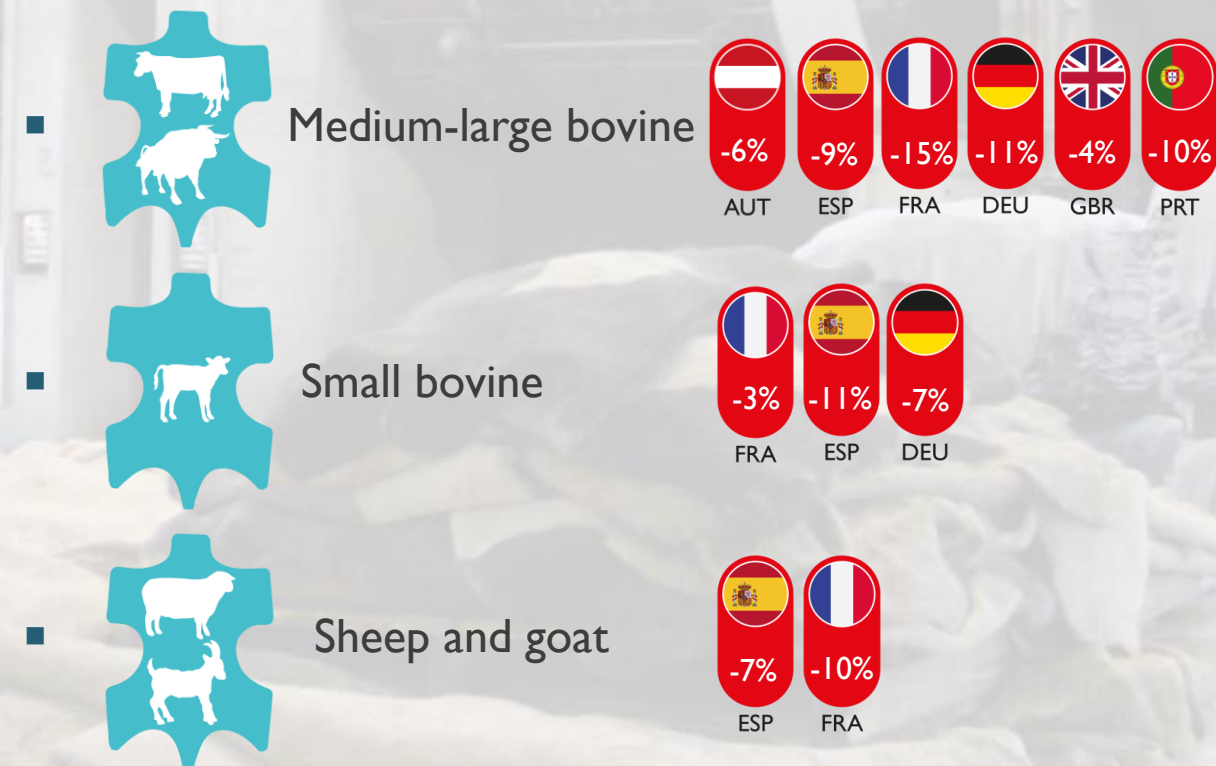
TURNOVER INDEX TRENDS



1st QUARTER 2019 VS 1st QUARTER 2018



1st QUARTER 2019 VS 4th QUARTER 2018

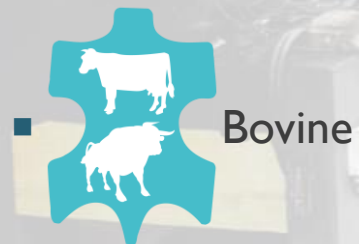


TANNING SECTOR

TURNOVER INDEX TRENDS



1st QUARTER 2019 VS 1st QUARTER 2018



Bovine



Sheep and goat



1st QUARTER 2019 VS 4th QUARTER 2018



Bovine



Sheep and goat

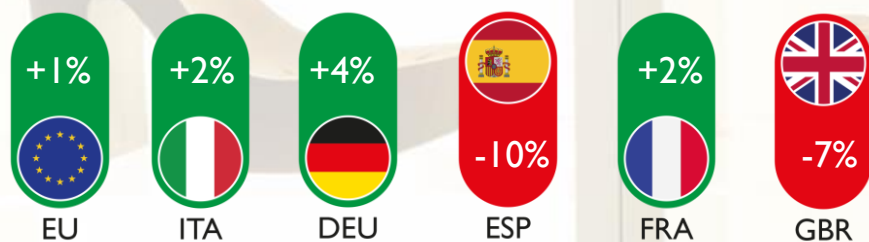


ACCESSORIES AND COMPONENTS SECTOR

TURNOVER INDEX TRENDS

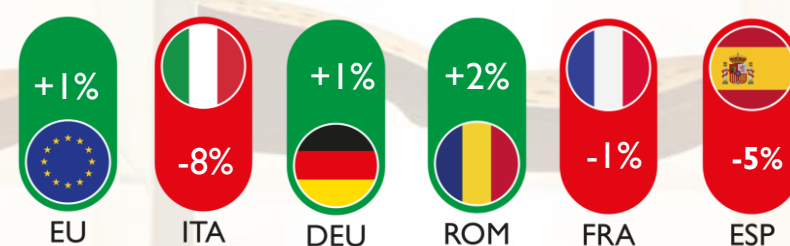
1st QUARTER 2019 VS 1st QUARTER 2018

Positive sign for all the major UE producers in the seasonal comparison. The bullish trend affects all the segments except the footwear components



1st QUARTER 2019 VS 4th QUARTER 2018

The short-term comparison looks stable in the EU sector. Good dynamic both for the small metal parts and the other accessories. Troubles for the shoe components

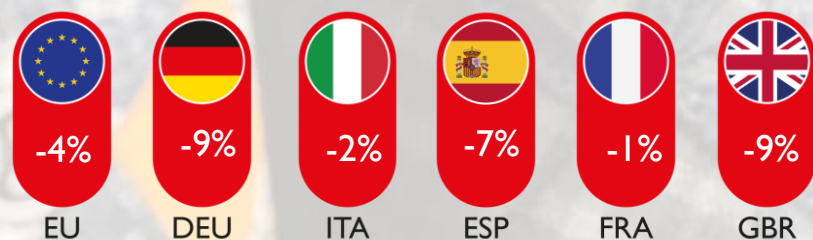


TEXTILES AND SYNTHETICS SECTOR

TURNOVER INDEX TRENDS

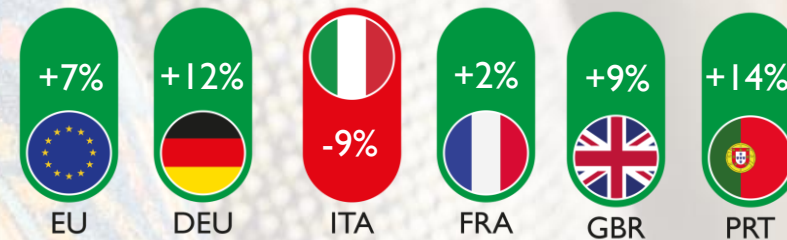
1st QUARTER 2019 VS 1st QUARTER 2018

Negative seasonal comparison for the EU sector. Criticality above all for synthetics and synthetic fibre/artificial textiles. Overall positive situation for the regenerated of leather fibers



1st QUARTER 2019 VS 4th QUARTER 2018

The comparison with the latest months of the past year, sees a slow recovery of the major European producers, except for Italy. Among the segments, difficulties still prevail for the regenerated of leather fibers

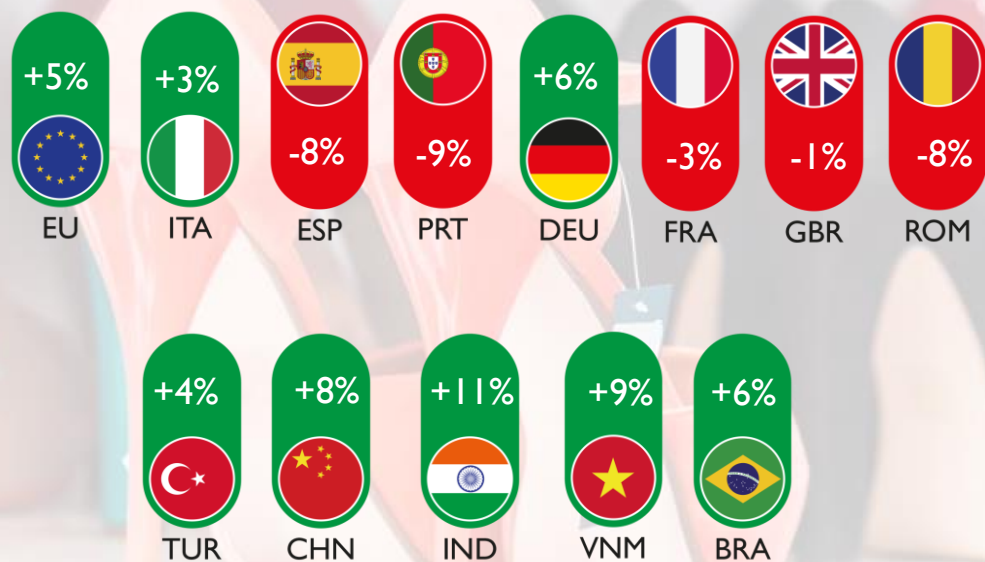


FOOTWEAR

TURNOVER INDEX TRENDS

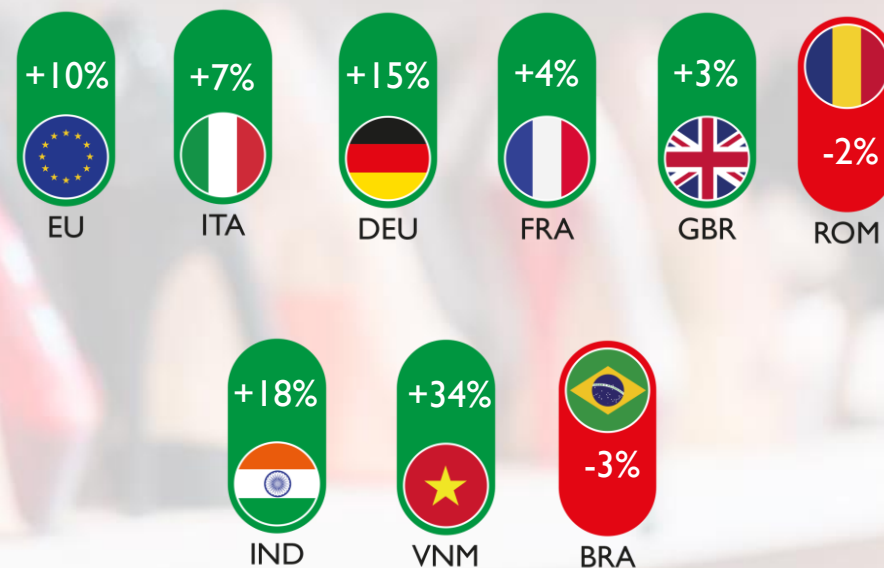
1st QUARTER 2019 VS 1st QUARTER 2018

European manufacturers on the rise, despite some notable exceptions. Asian players and Brazil recovering



1st QUARTER 2019 VS 4th QUARTER 2018

The short-term comparison shows a widespread bullish trend at EU level. Also the Asians performed well

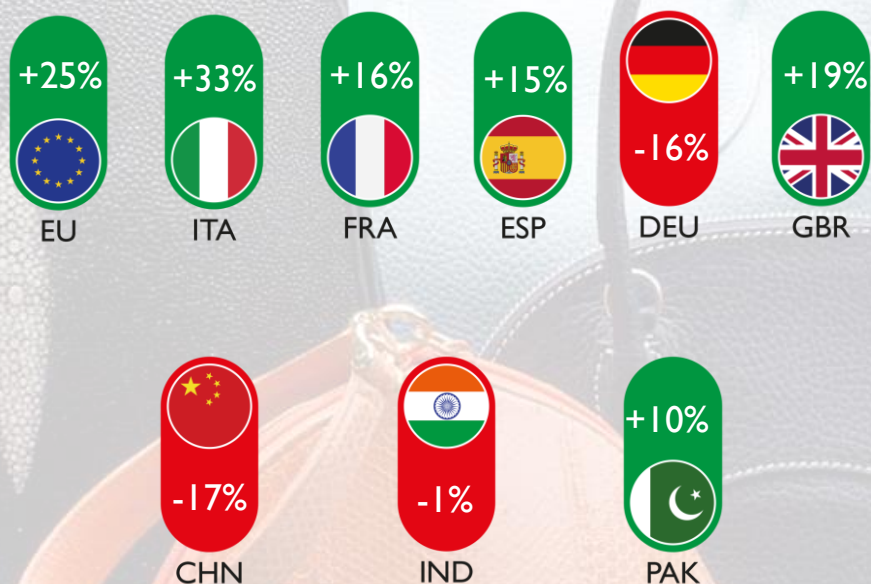


LEATHER GOODS

TURNOVER INDEX TRENDS

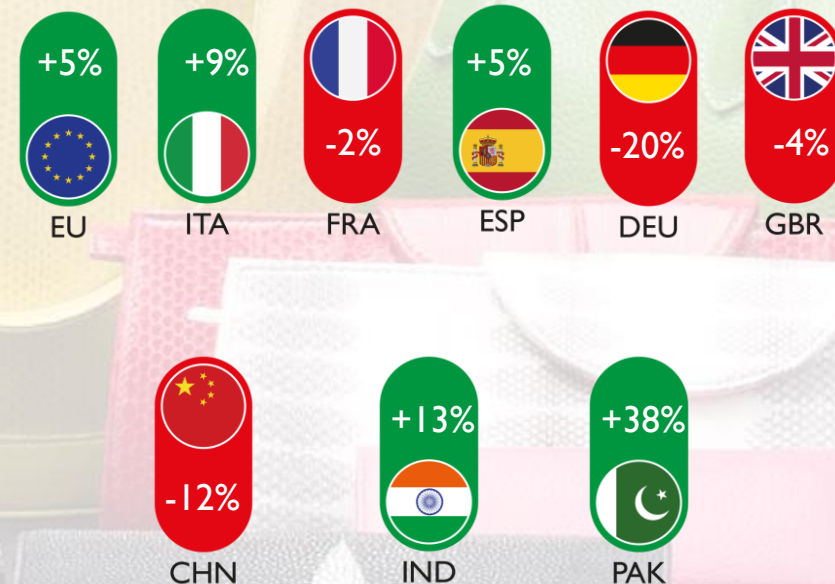
1st QUARTER 2019 VS 1st QUARTER 2018

EU trend confirms brilliant, with the sole exception of the Germans. Weakness for the Asians



1st QUARTER 2019 VS 4th QUARTER 2018

The European dynamic is still very positive, despite some relevant exceptions. Criticality for the Chinese

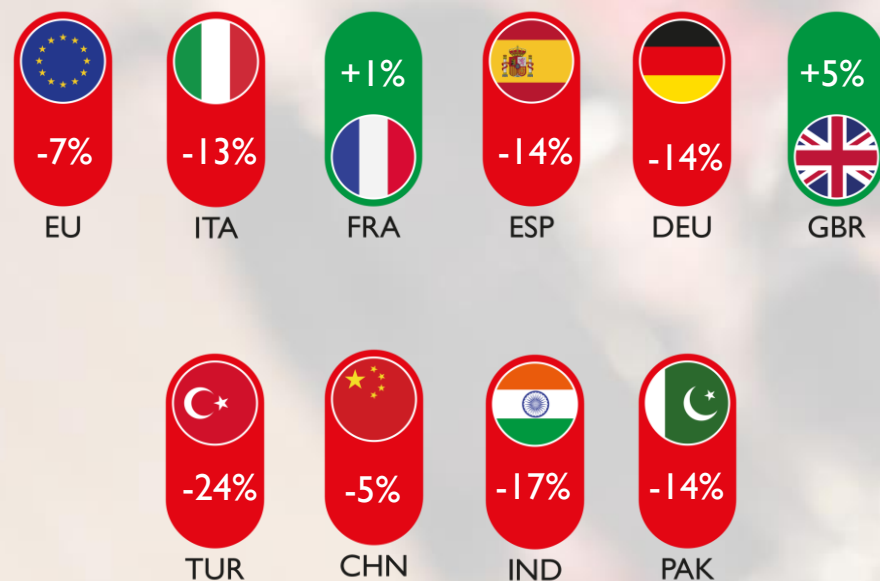


LEATHER CLOTHING

TURNOVER INDEX TRENDS

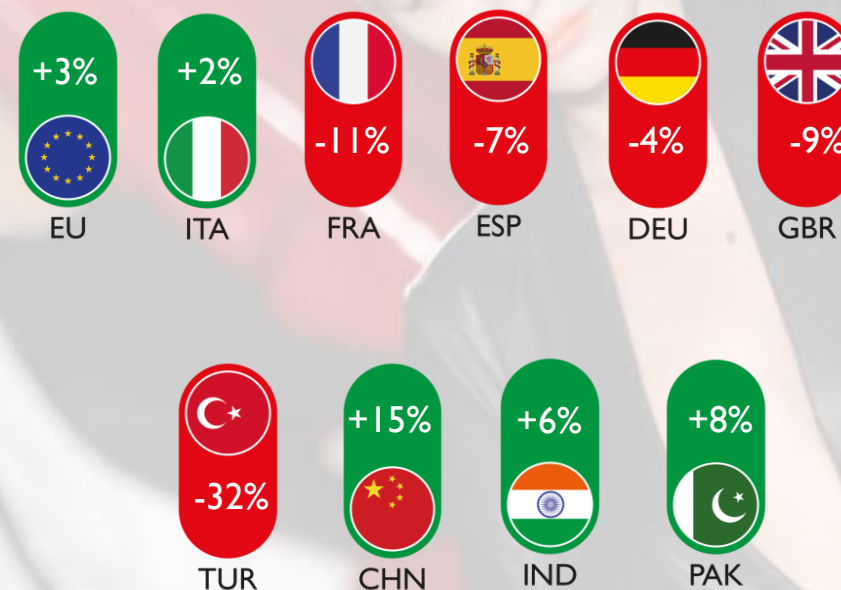
1st QUARTER 2019 VS 1st QUARTER 2018

Setback for EU players; growing difficulties for the Asians



1st QUARTER 2019 VS 4th QUARTER 2018

Italian manufacturers' growing trend supports the European performance. Good dynamics also for the non-EU manufacturers

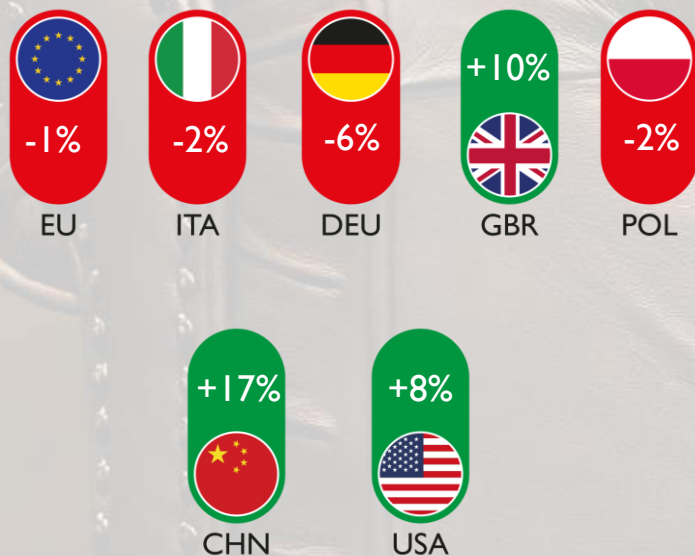


UPHOLSTERED FURNITURE

TURNOVER INDEX TRENDS

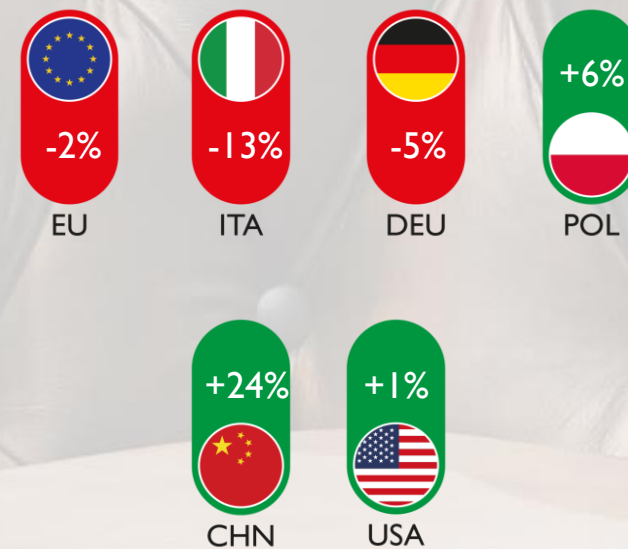
1st QUARTER 2019 VS 1st QUARTER 2018

2019 opening surrounded by uncertainties for the UE upholstered furniture sector, with the main European producers posting losses. Good performance for the manufacturers outside the EU borders instead



1st QUARTER 2019 VS 4th QUARTER 2018

The short-term comparison is also overall negative, although the non-EU players performed well

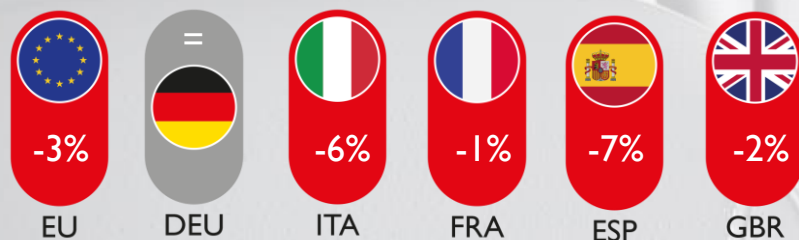


AUTOMOTIVE

TURNOVER INDEX TRENDS

1st QUARTER 2019 VS 1st QUARTER 2018

- The trend of new car registrations in the EU slows down, confirming the general downward trend already observed from the second half of 2018



- All major European manufacturers are holding back, with the exception of Germany, which closes the first quarter 2019 with a modest +0.2%

1st QUARTER 2019 VS 4th QUARTER 2018

- The short-term trend confirms the difficult economic situation of the sector at European level, where the car market is declining overall
- Setback for the US market. Criticality for the Chinese automotive sector, with new car registrations in strong contraction
- Several economic and political factors affect the market trend, as well as the regulatory repercussions related to the reduction of CO2 emissions by 2021

LUXURY

1st QUARTER 2019 RESULTS

Opening 2019 in the sign of continuity, following the positive trend registered in 2018, for the major EU luxury brands. Cautious attitude for the coming months, due to economic, geopolitical and monetary uncertainties.

- **LVMH** – the total turnover of the French giant (constant rates) rose by 11%. Brilliant trend for the fashion and leather goods division: +15% in the quarter. Exceptional performances of Louis Vuitton and Dior. Fendi, Loewe and Berluti also on the rise. Well Loro Piana and Céline.
- **KERING** – the group's revenues grew by 17.5% in the first quarter of 2019. Gucci (+20% of revenues) and Yves Saint Laurent (+17.5%) leading. Bottega Veneta marked a strong decline instead (-9%). Satisfaction for the minor brands of the group (+22% of revenues), driven by the great performances of Balenciaga and Alexander McQueen.
- **HERMÈS** – the revenues of the French brand rose by 12% in the first quarter of the new year. Particularly dynamic the trend in the leather goods and saddlery: +12.5%.
- **TOD'S** – negative opening for the group: -6% turnover at constant exchange rates. The excellent growth of Roger Vivier (+14% of revenues) is not enough to counterbalance the marked decline of Tod's (-13%) and Hogan (-3.5%). Difficulties both for the footwear (-5%) and the leather goods and accessories (-10%) divisions. Fay goes down (-6%).
- **FERRAGAMO** – the group gained momentum in the beginning of 2019: +4% in the first quarter of the year (constant rates). The footwear division (+7% of revenues) is in strong recovery, while leather goods continue to rise sharply (+9%).

NOTES

- Lineapelle processes and estimates data provided by statistical institutions, government bodies, international organisations, 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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