



LINEAPELLE LEATHER MARKET OVERVIEW

2nd QUARTER 2019



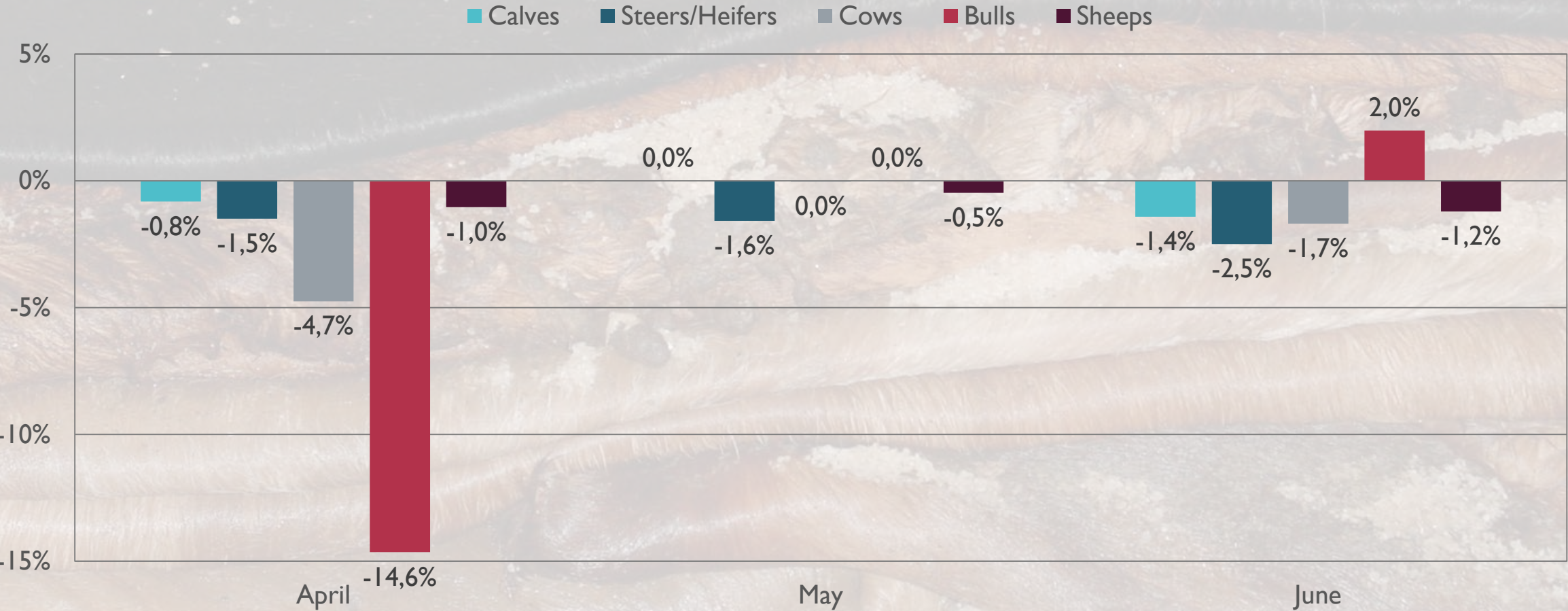
RAW MATERIALS

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

- In the second quarter of the year, the **downward trend** of the average price indexes of the tanning raw material is confirmed, although with different intensities and some exceptions
- Still slight but constant declines for **calves and medium-small bovine sizes** (steers, heifers..), with the exception of French and Australian origins (substantially unchanged in the period in question)
- Average index variation returned to negative for **cows**, but always strong volatility and different trends among the various market places (strong losses in the US, some positive rebound in France and decreases in the rest of EU)
- **Bull** prices continue to fall, with significant declines especially in June
- **Sheep** index down slightly during the quarter but still growing compared to the beginning of the year
- Also the general index of **wet-blue bovine** moves back (-9% between the beginning and the end of the period), mainly due to the trend of Brazilian leathers

RAW MATERIALS

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



RAW MATERIALS

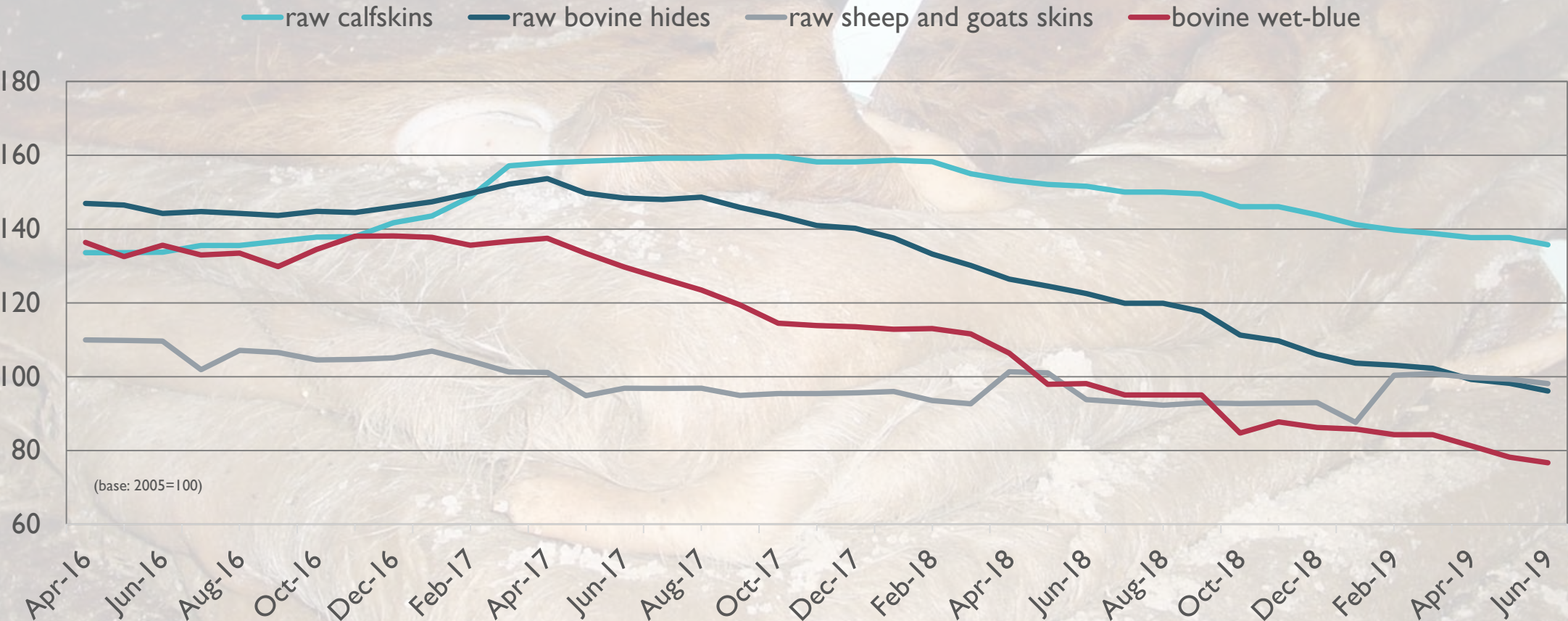
RAW HIDES - AVERAGE PRICE CHANGES BY ANIMAL TYPE/ORIGIN (FROM JANUARY TO MARCH 2019)



Calves	-6%	Steers, bull calves, heifers	-11%	Cows	-3%	Bulls	-26%	Sheeps	+6%
Italy	-7%	Italy (bull calves)	-6%	Italy	-2%	France	-27%	Iran	+17%
France	-1%	Germany (heifers)	-24%	France	+7%	Netherlands	-34%	Spain	-22%
Netherlands	-16%	United Kingdom (mixed)	-9%	Netherlands	-13%	Germany	-16%	New Zealand	-52%
Australia	=	Spain (bull calves)	-14%	Germany	-21%	New Zealand	=		
		United States (mixed)	-28%	Spain	+22%	Denmark	-15%		
		Australia (mixed)	=	United States	-38%				
		Sweden (mixed)	-27%	Sweden	-4%				
		New Zealand (bull calves)	-4%	New Zealand	-6%				
		Denmark (mixed)	-15%	Denmark	+3%				

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 volumes of **adult cattle** slaughtering recorded a light increase in the first half of 2019 (+1% for the world sample) - the EU overall fell modestly (-2%), with a positive sign only in Spain and Ireland; US, Australia and New Zealand growing, with a stagnant situation in South America (Brazil stable and Argentina in very slight loss)
- The global picture for **calves** showed a negative sign (-1%) - No remarkable variation in Europe, against declines in Belgium, Germany, Spain, Poland and increases in Italy, France and the Netherlands; US and Oceania countries on the rise, falls in Argentina
- Total **sheep** slaughter dropping: -4% in the first 6 months of the current year - Overall levels in Europe fall, with increases only in Italy and Great Britain; growth in US while New Zealand and Australia showed decreases

RAW MATERIALS

RAW HIDES - TRENDS IN AVAILABILITY (SLAUGHTERING) 1st HALF 2019 VS 1st HALF 2018



* January-March (last available data)

RAW MATERIALS

OTHER REFERENCE COMMODITIES - PRICE TRENDS AND PERFORMANCE



OIL

-9%



COTTON

-14%



WOOL

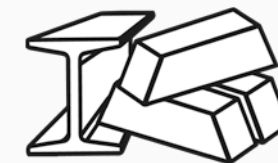
-11%



NATURAL RUBBER

+9%

+2%



METALS

- Aluminum -21%
- Copper -11%
- Iron +54%
- Nickel -15%
- Zinc -11%
- Aluminum -17%
- Copper -11%
- Iron +31%
- Nickel -11%
- Zinc -16%

■ 2nd QUARTER 2019
VS 2nd QUARTER 2018

■ 1st HALF 2019
VS 1st HALF 2018

Wool prices in free fall after the remarkable increases observed between the end of 2018 and the beginning of 2019. Quotations went down by more than 28% since the start of the year. The trend is driven by the US-China trade war, which resulted in a sharp drop in the Chinese demand for wool

TANNING SECTOR

TRENDS

- In the second quarter of the year, the **decreasing trend** of the average indexes of tanning industry sales, that started at the end of 2018, did not change
- The panorama of **medium-to-large bovine leather** production is widely negative, both in the reference quarter and in the semi-annual aggregate, with intense declines (often double-digit) in all major EU and non-EU producing countries and very few exceptions
- A more varied situation for **small bovine leathers** (calves), which marked declines in Italy and Germany and some good recovery in France and Spain
- Also for the **sheep and goat leather sector**, the overall picture is down, but substantially slight (or even on a little increase) in Europe and more consistent outside the EU

TANNING SECTOR

TURNOVER INDEX TRENDS



2nd QUARTER 2019 VS 2nd QUARTER 2018



1st HALF 2019 VS 1st HALF 2018

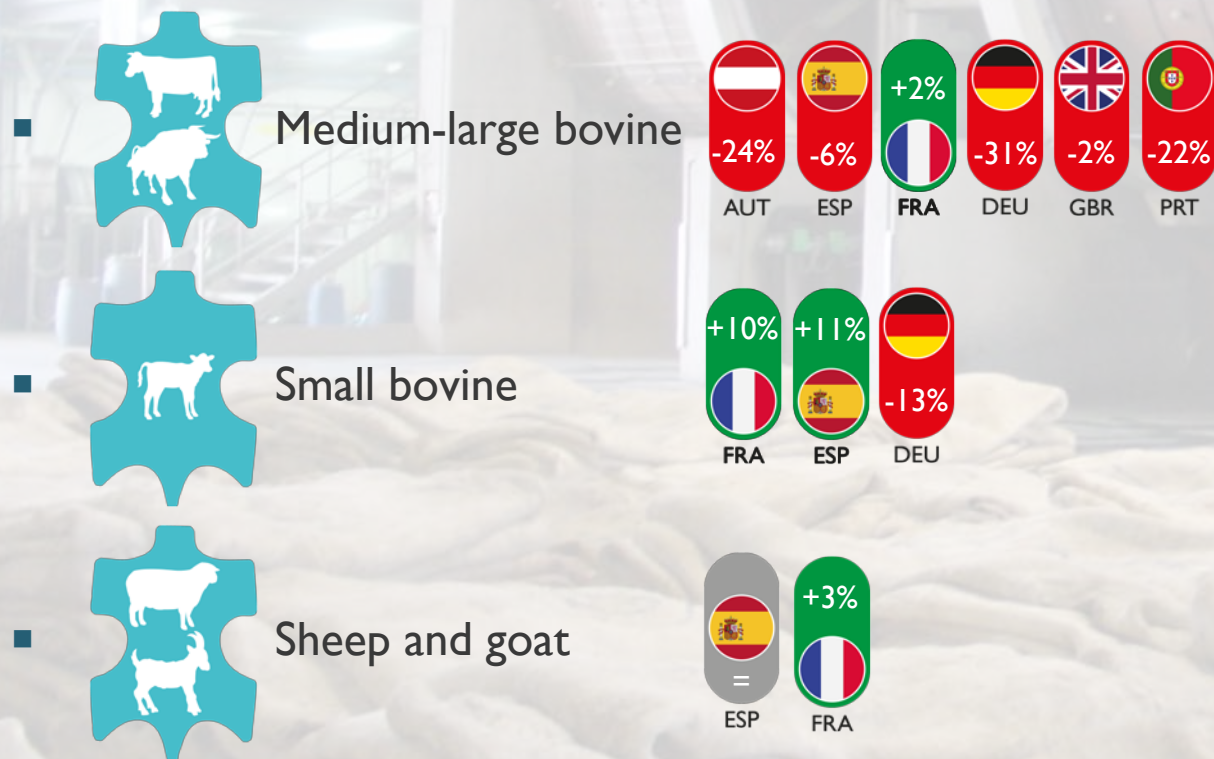


TANNING SECTOR

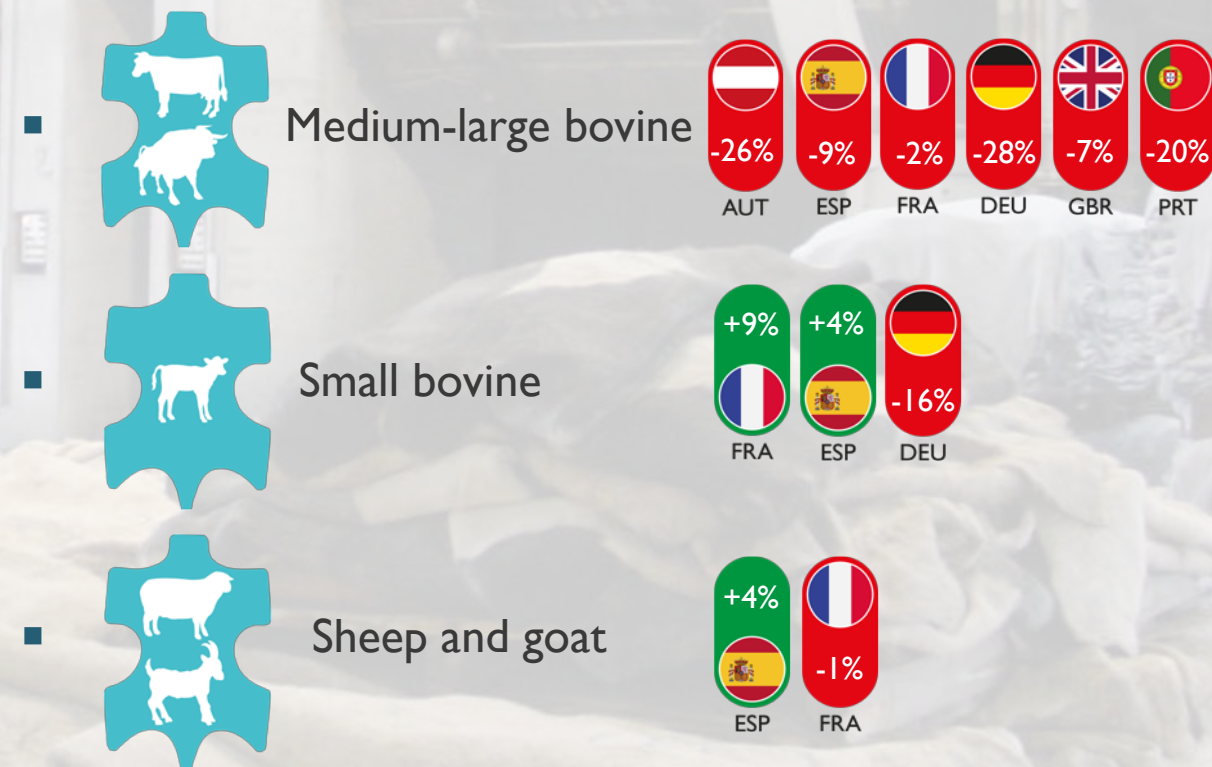
TURNOVER INDEX TRENDS



2nd QUARTER 2019 VS 2nd QUARTER 2018



1st HALF 2019 VS 1st HALF 2018



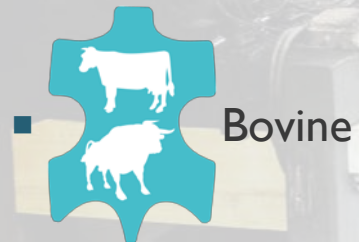
TANNING SECTOR

TURNOVER INDEX TRENDS



2nd QUARTER 2019 VS 2nd QUARTER 2018

1st HALF 2019 VS 1st HALF 2018



Bovine



Bovine



Sheep and goat



Sheep and goat

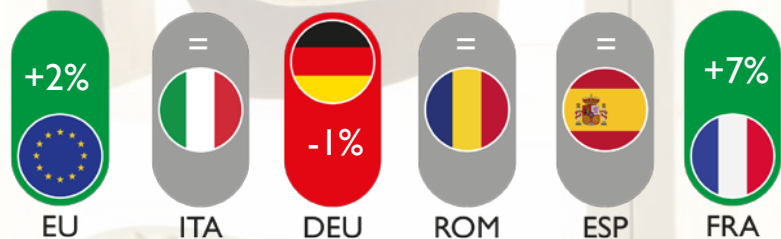


ACCESSORIES AND COMPONENTS SECTOR

TURNOVER INDEX TRENDS

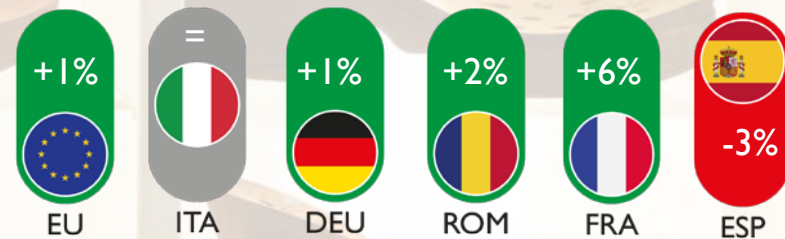
2nd QUARTER 2019 VS 2nd QUARTER 2018

Slight increases for the sector in the quarterly comparison, but with quite patchy results among the main EU manufacturers. The excellent performance of small metal parts still stands out, some critical issues for the other accessories instead. Footwear components look stable.



1st HALF 2019 VS 1st HALF 2018

The six-monthly comparison with the same period 2018, closes with a positive sign for the sector. The dynamic of small metal parts confirms very positive. Slightly negative performance for footwear components. Stationary trend for the other accessories.

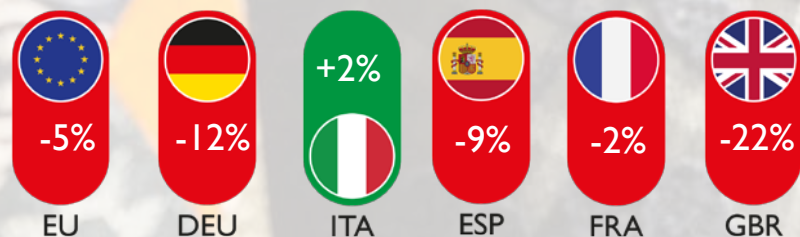


TEXTILES AND SYNTHETICS SECTOR

TURNOVER INDEX TRENDS

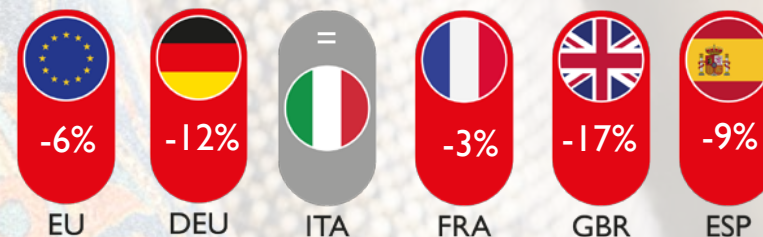
2nd QUARTER 2019 VS 2nd QUARTER 2018

Difficulties prevail over the long term for fabrics and synthetics. Downward trend for all the major segments: synthetic and fabric materials. Slight declines for the regenerated leather fibers.



1st HALF 2019 VS 1st HALF 2018

Setback of the sector in the first six months of the year. The moderate increases in the regenerated are not strong enough to compensate the remarkable losses of the synthetic and fabric materials, which follow the downward trend of all the major EU manufacturers.

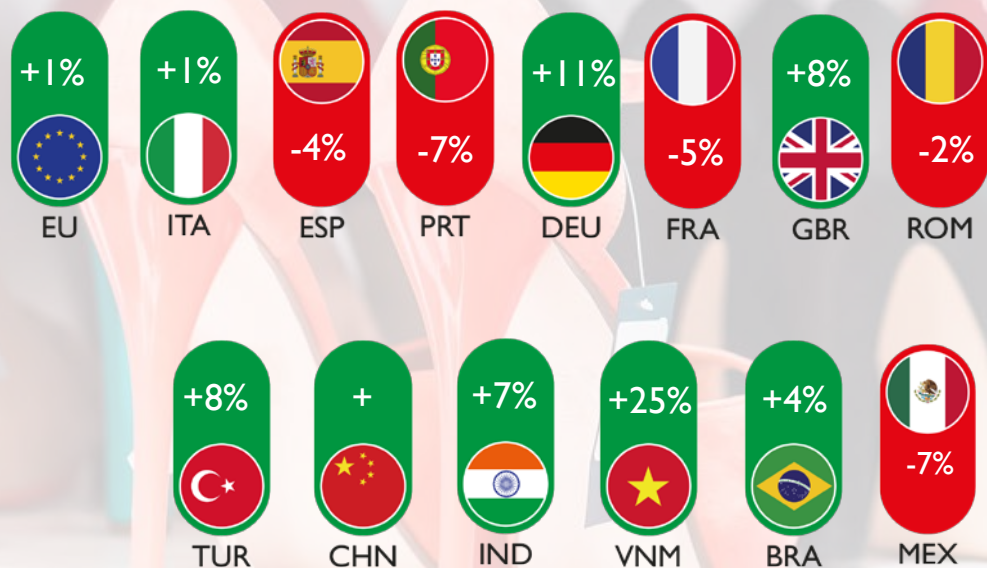


FOOTWEAR

TURNOVER INDEX TRENDS

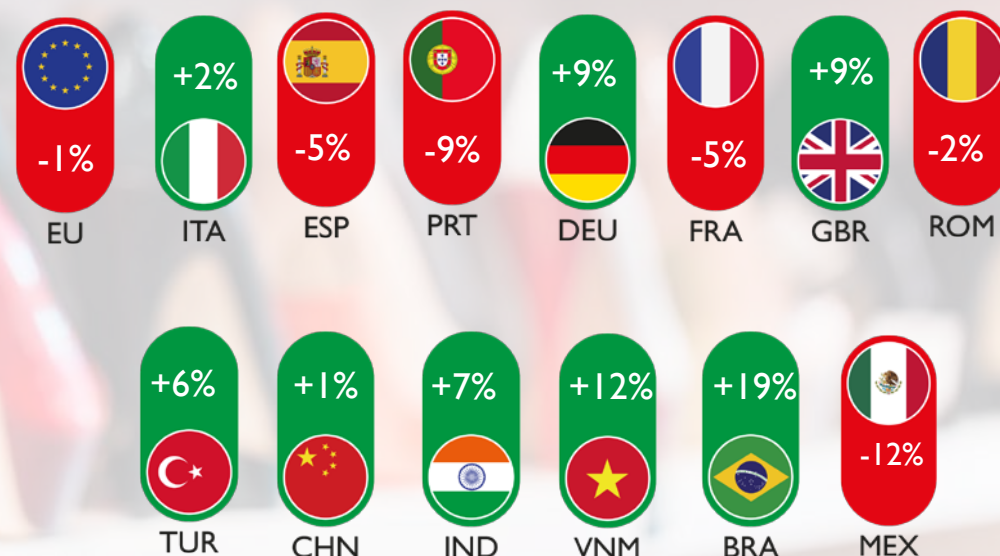
2nd QUARTER 2019 VS 2nd QUARTER 2018

Diversified situation in Europe, that on average recoded a positive stability. Asia and Brazil reported some rises in export.



1st HALF 2019 VS 1st HALF 2018

The first semester closed with a general slight contraction in the EU area and a confirmation of the good *momentum* in Asia.

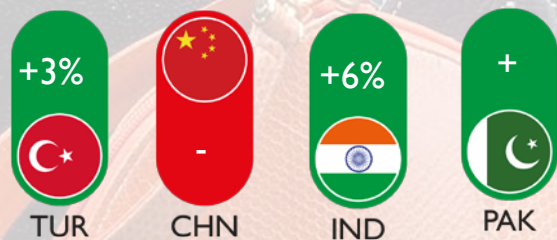
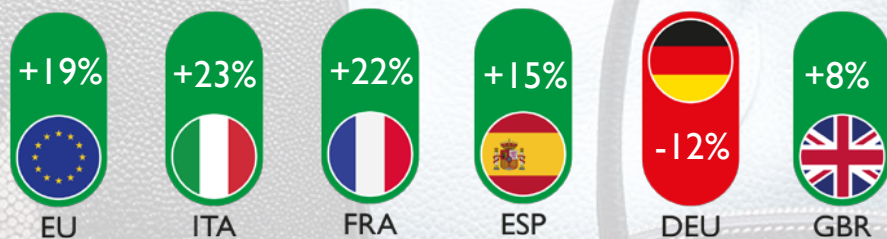


LEATHER GOODS

TURNOVER INDEX TRENDS

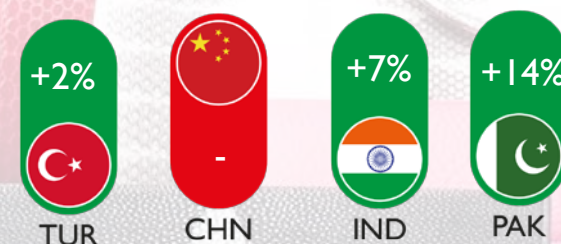
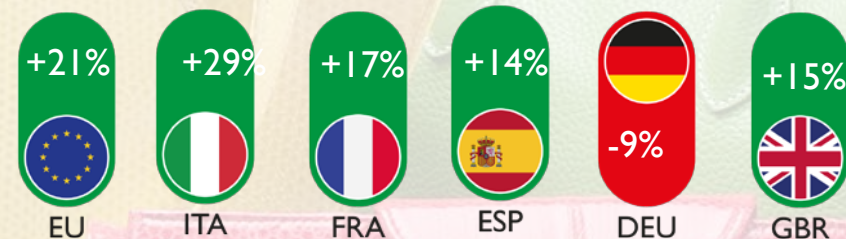
2nd QUARTER 2019 VS 2nd QUARTER 2018

Widespread vivacity in the EU, with only some negative exceptions. The Italian results seems related only to the brilliant performance of luxury segment.



1st HALF 2019 VS 1st HALF 2018

The semester dynamics is in line with the second quarter trend.

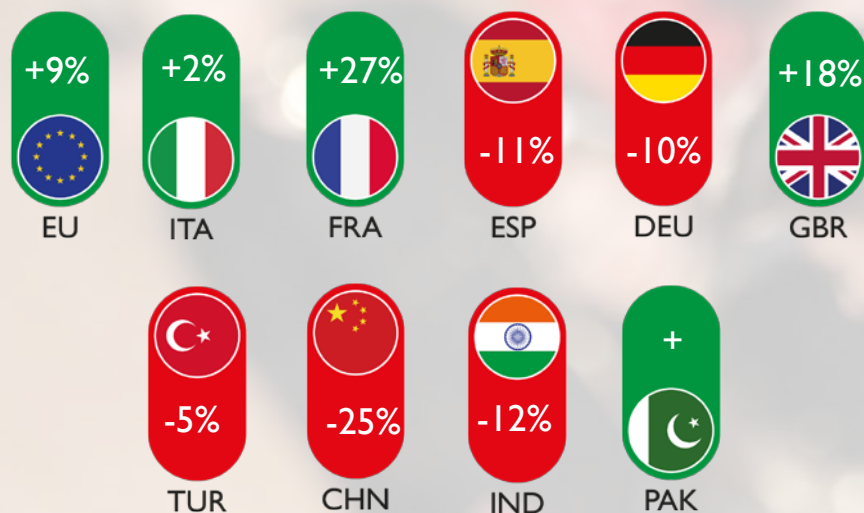


LEATHER CLOTHING

TURNOVER INDEX TRENDS

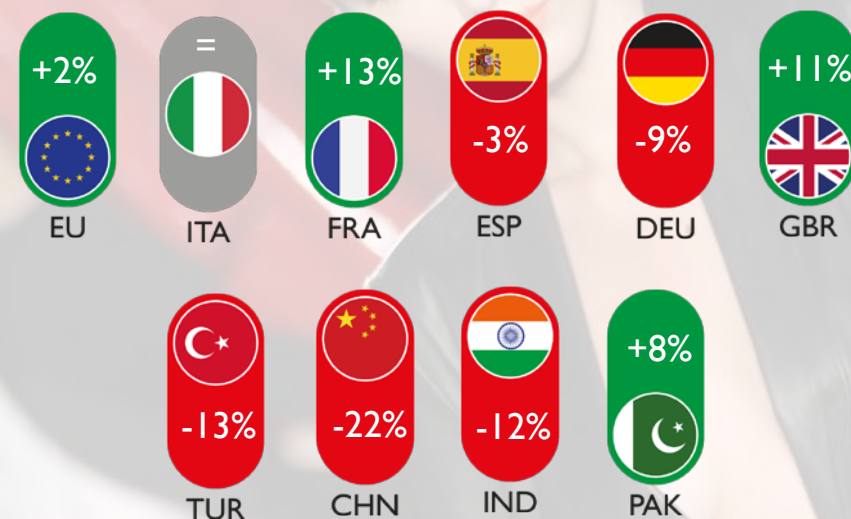
2nd QUARTER 2019 VS 2nd QUARTER 2018

The average of European producers of leather garments is on the rise in the second quarter whilst the balance is negative for the Asian area.



1st HALF 2019 VS 1st HALF 2018

The general results of the first six months is affected by the negative trend of the beginning of the year and closes with only a slight increase. Negative trend for Asian exports.

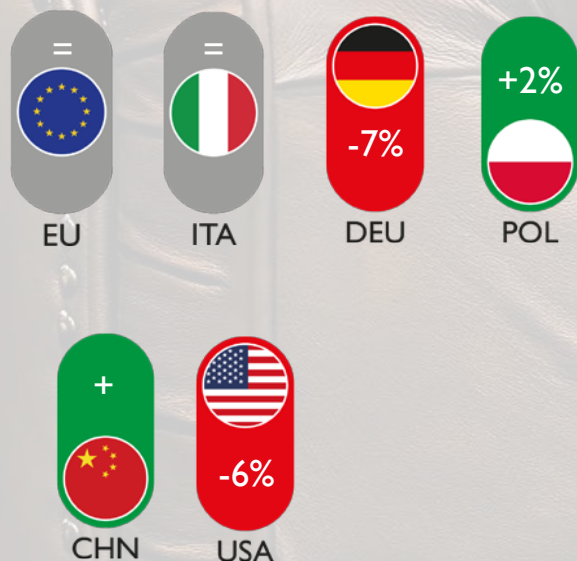


UPHOLSTERED FURNITURE

TURNOVER INDEX TRENDS

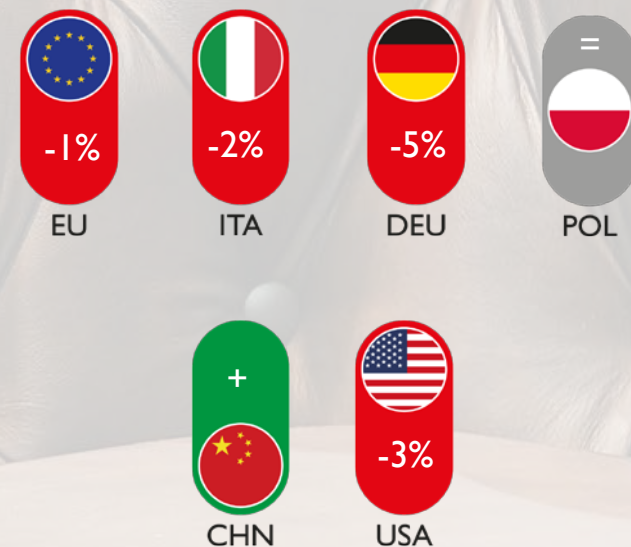
2nd QUARTER 2019 VS 2nd QUARTER 2018

The uncertain trend continued also in the second quarter for the EU upholstered furniture. Chinese export on the rise, while the US orders posted a decrease.



1st HALF 2019 VS 1st HALF 2018

Marginal decline for the EU in the first semester compared to the same period last year. Chinese export still rising.

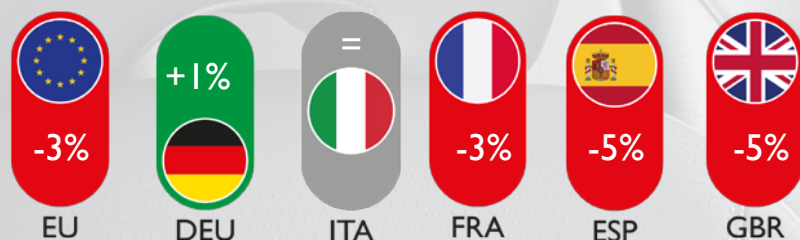


AUTOMOTIVE

TURNOVER INDEX TRENDS

2nd QUARTER 2019 VS 2nd QUARTER 2018

- Slight decrease in new car registrations in the EU



- All the main European producers posted a slowdown, with the only exception of Germany and the substantial stability of Italy.

1st HALF 2019 VS 1st HALF 2018

- The trend of the first six months confirm the dynamic of the reference quarter, strongly affected by the results of the top 5 markets which decreased considerably.
- Decreasing US market and, in general, the NAFTA area. Sharp decline of new car registrations in China and, mode moderate, in Japan.
- The sectoral results are related to a general risk context of the world economy, therefore the forecasts for the 2019 closing were revised further on the decline.

LUXURY

2019 1st HALF RESULTS

The growing political and commercial tensions at the international level, along with the slowdown in the global economy, do not worry the major global luxury fashion brands, which consolidate their growth in the first six months of the year.

- **LVMH** – excellent first half for the group: +12% organic sales growth, with the fashion and leather goods up by 18%. Exceptional performance at Louis Vuitton and Christian Dior. Positive trend of Celine. Loro Piana and Loewe still on the rise. Marc Jacobs, Kenzo and Berluti consolidate their results.
- **KERING** –half-year revenues still up by double-digit: +15% on the same period 2018 (constant rates). Gucci (+16% of revenues) and Yves Saint Laurent (+17%) still climbing. Bottega Veneta's performance gets worse (-4%). Good trend of the Other Houses (+20% overall revenues) Balenciaga and Alexander McQueen above all.
- **HERMÈS** – the French Maison consolidates: six-month revenues up by 12%, following leather goods and saddlery divisions.
- **TOD'S** – turnover down in 2019 first half-year (-6% at constant exchange rates). Tod's (-11%) and Hogan (-5%) retreat. Brilliant trend for Roger Vivier (+10%). Strong uncertainty in footwear (-5%) and leather goods and accessories (-7%).
- **FERRAGAMO** – confirmed increases in the period: +4% (constant rates). Good footwear (+4%) and leather goods (+7%).
- **PRADA** – half-year revenues up by 2% for the group, despite some uncertainty in the footwear (-2%) and leather goods (-1%) divisions. Prada's revenues stable (+1%). Setback for Miu Miu (-8%). Church's gains momentum (+3%).

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

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