



# LINEAPELLE LEATHER MARKET OVERVIEW

4<sup>TH</sup> QUARTER 2019

# RAW MATERIALS

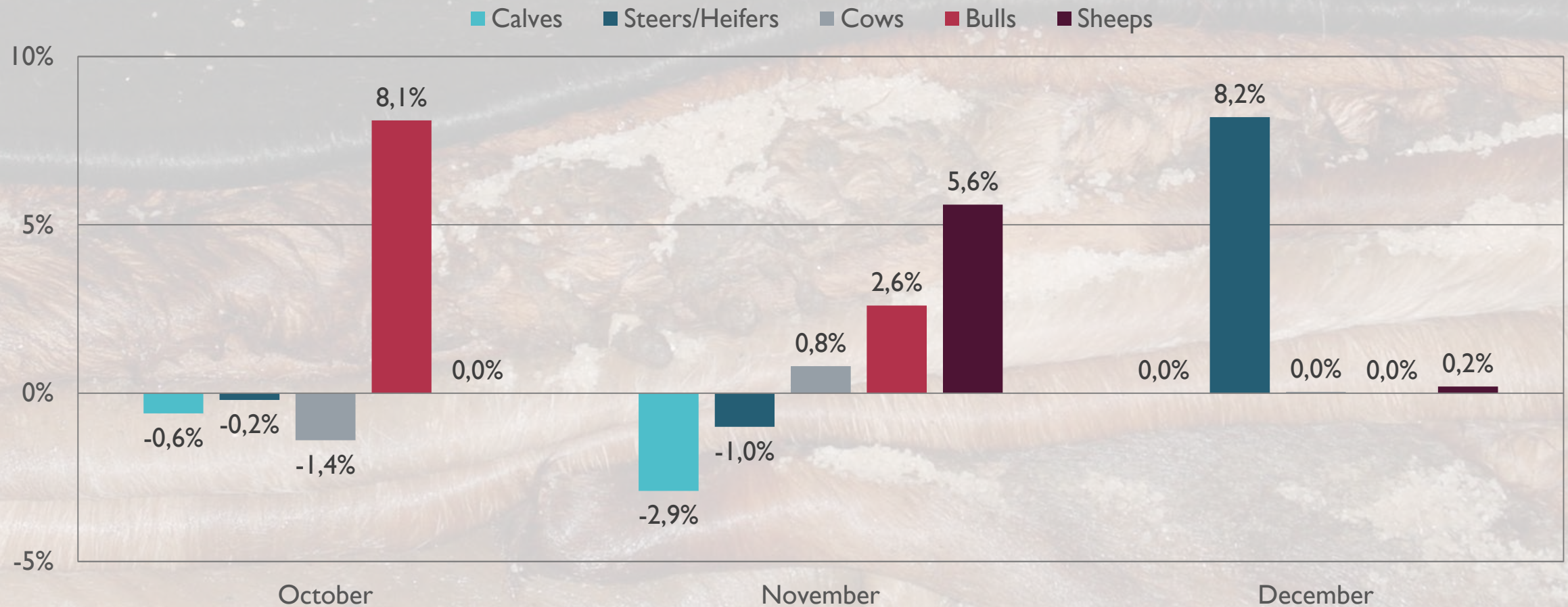
## RAW HIDES AND SKINS AND SEMI-PROCESSED LEATHER – PRICE TRENDS

- Last **quarter 2019 strongly differentiated** for the average tanning raw material price indexes, but overall an upward trend seems to prevail
- **Calves** are the only typology in the raw bovine segment to show marked declines, while the remaining typologies (steers, bull calves, heifers, etc.), substantially stable in autumn, showed a sharp acceleration at the end of the year
- Among the biggest weights, there was a volatile (and not very intense) trend for **cows**, against a significant increase in **bulls** between October and November (mainly from France and Scandinavia)
- **Sheep** prices are still showing a positive trend (+6% on average in the last three months of the year) with increases in all the main European, Middle Eastern and Oceanic markets
- Average index substantially stable for wet-blue bovine between October and November (-20% since the beginning of the year) - among the main origins, only a slight upward adjustment is reported in Australia in November



# 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 DECEMBER 2019)

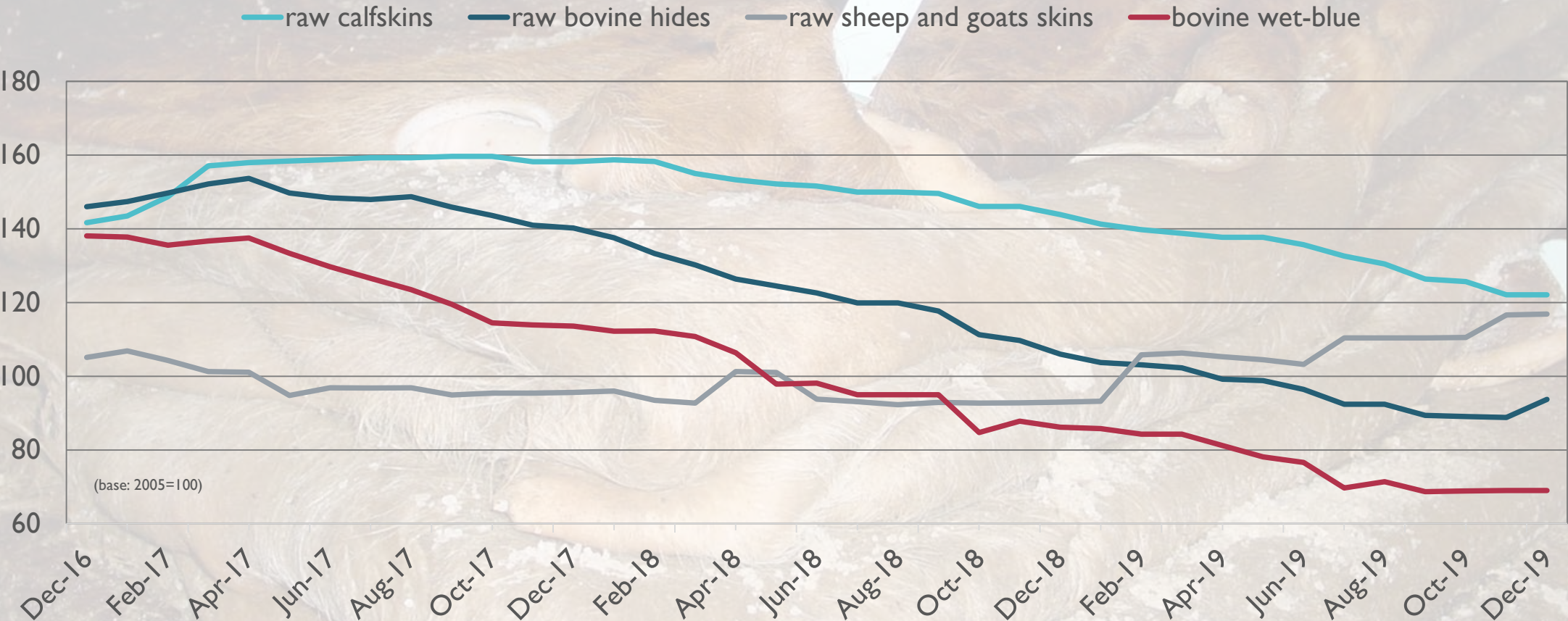


Calves	-15%	Steers, bull calves, heifers	-12%	Cows	-8%	Bulls	-27%	Sheeps	+26%
Italy	-11%	Italy (bull calves)	-11%	Italy	-3%	France	-27%	Iran	+33%
France	-7%	Germany (heifers)	-26%	France	+3%	Netherlands	-34%	Spain	-7%
Netherlands	-25%	United Kingdom (mixed)	-10%	Netherlands	-19%	Germany	-23%	New Zealand	-7%
Australia	-66%	Spain (bull calves)	+20%	Germany	-29%	New Zealand	-46%		
		United States (mixed)	-22%	Spain	-2%	Denmark	-15%		
		Australia (mixed)	-77%	United States	-44%				
		Sweden (mixed)	-30%	Sweden	-12%				
		New Zealand (bull calves)	-41%	New Zealand	-44%				
		Denmark (mixed)	-17%	Denmark	-4%				



# RAW MATERIALS

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



# RAW MATERIALS

## RAW HIDES - TRENDS IN AVAILABILITY (SLAUGHTERING)

- The global picture of 2019 slaughtering of **adult bovines** closed with an annual increase (estimated at 2%) - the European Union as a whole lost 2% but in detail Spain, Germany and the United Kingdom bucked the trend - the rest of the main world producers monitored (Americas, Oceania) on the rise
- Positive sign also for the total **calf** slaughtering volumes (+5%) - Against a weaker Europe (-1%, but France +2% and the Netherlands stable), Australia and New Zealand grew double-digit, the USA also on the increase
- On the other hand, the total picture of **sheep** slaughtering in the main available regions was negative (-3%) - EU countries reported an overall decrease limited to 1% (only Italy and the UK in positive), while Australia and New Zealand gave up about 4% - a slight increase for the USA



# RAW MATERIALS

## RAW HIDES - TRENDS IN AVAILABILITY (SLAUGHTERING) TOTAL YEAR 2019 VS TOTAL YEAR 2018



# RAW MATERIALS

## OTHER REFERENCE COMMODITIES – PRICE TRENDS AND PERFORMANCE



OIL

-6%



COTTON

-13%



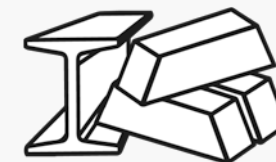
WOOL

-15%



NATURAL RUBBER

+10%



METALS

- Aluminum -10%
- Copper -4%
- Iron +23%
- Nickel +34%
- Zinc -9%
- Aluminum -15%
- Copper -8%
- Iron +35%
- Nickel +6%
- Zinc -13%

The massive fires that hit Australia at the end of the year contributed to a rise in the average price of wool, compensating the drops recorded following the Chinese's demand decline. Expectations for the coming months are likely to be higher, albeit moderate.

■ 4<sup>th</sup> QUARTER 2019  
VS 4<sup>th</sup> QUARTER 2018

■ TOTAL YEAR 2019  
VS TOTAL YEAR 2018



## TANNING SECTOR TRENDS

- Still a **predominantly negative quarter** for the average turnover indexes of tanneries in the main producing countries - Always few exceptions both in Europe and the rest of the world
- Among the **medium-large cows**, the countries that recorded positive signs in the last quarter of the year were Iberian, Turkish and Mexican, while out of the 2019 total only France and Turkey closed with an annual increase - the others were down
- Spanish and French producers are the only ones to increase sales indices in the **small bovine segment (calves)**, both in the quarterly analysis and in the overall annual figure.
- Always a complicated situation for **sheep and goats** - Positive quarter only for Spain and Turkey which are also the only players to archive 2019 with an increase in turnover.



# TANNING SECTOR

## TURNOVER INDEX TRENDS IN ITALY



### 4<sup>th</sup> QUARTER 2019 VS 4<sup>th</sup> QUARTER 2018



### TOTAL YEAR 2019 VS TOTAL YEAR 2018



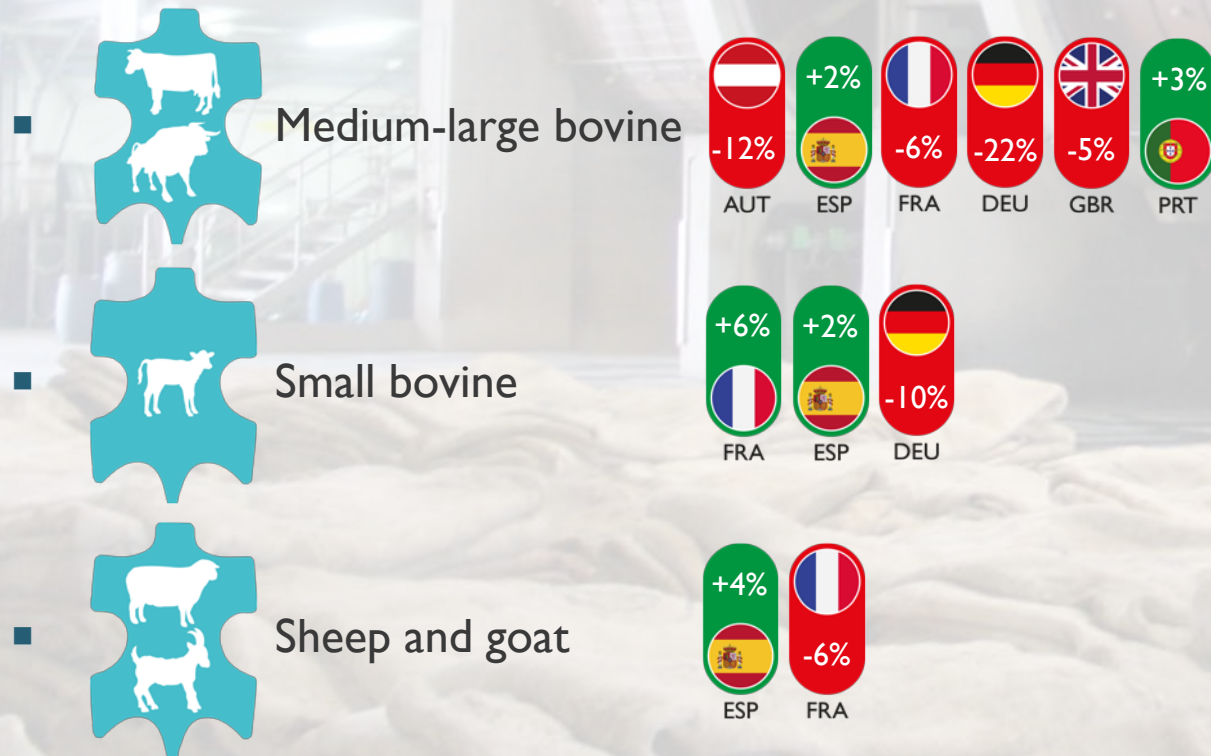


# TANNING SECTOR

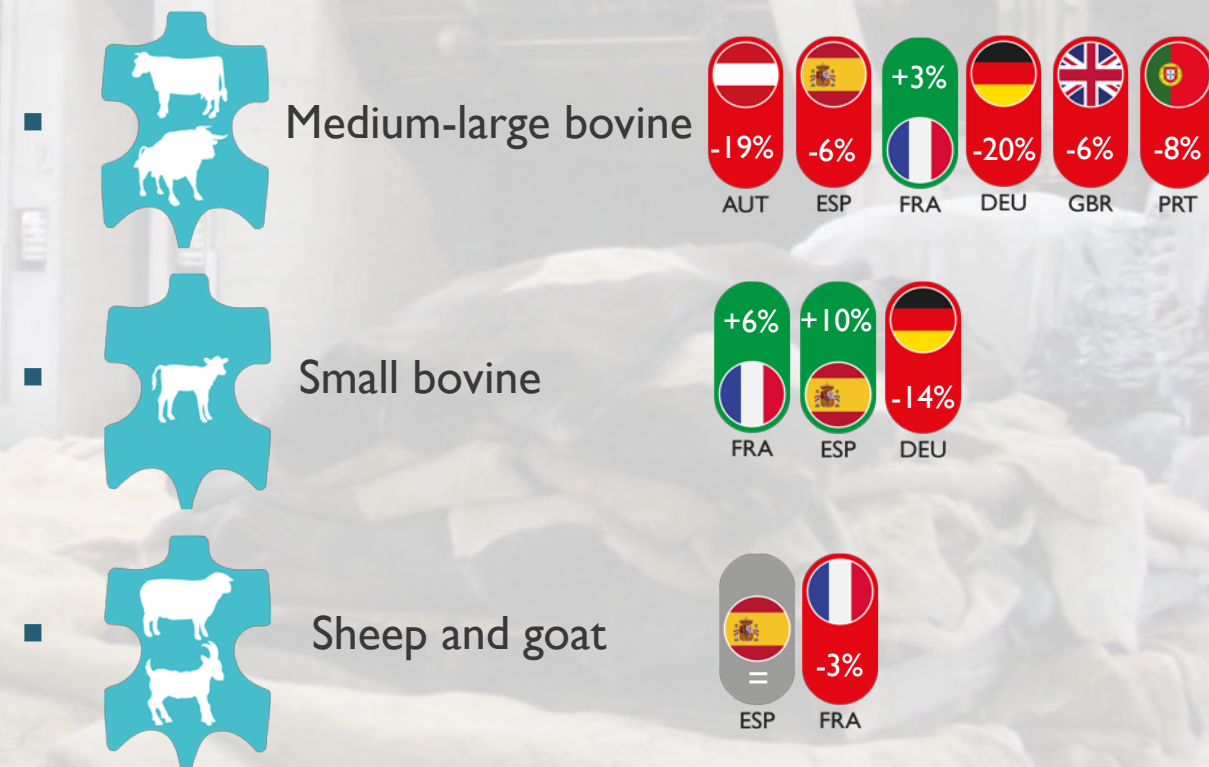
## TURNOVER INDEX TRENDS IN EUROPE



### 4<sup>th</sup> QUARTER 2019 VS 4<sup>th</sup> QUARTER 2018



### TOTAL YEAR 2019 VS TOTAL YEAR 2018



# TANNING SECTOR

## TURNOVER INDEX TRENDS IN THE WORLD



4<sup>th</sup> QUARTER 2019 VS 4<sup>th</sup> QUARTER 2018



Bovine



Sheep and goat



TOTAL YEAR 2019 VS TOTAL YEAR 2018



Bovine



Sheep and goat



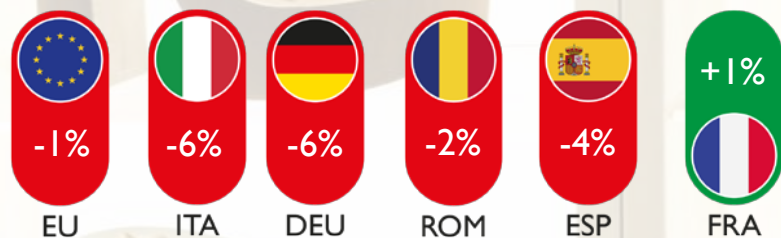


# ACCESSORIES AND COMPONENTS SECTOR

## TURNOVER INDEX TRENDS

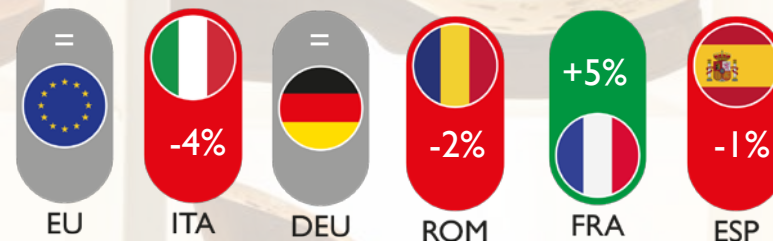
### 4<sup>th</sup> QUARTER 2019 VS 4<sup>th</sup> QUARTER 2018

The year ended in negative stability for the sector, weighed down by the difficulties of Italy and Germany. The dynamics of **small metal parts** are good despite the criticalities of some EU producers. Uncertainty prevails for **other accessories** and **footwear components**



### TOTAL YEAR 2019 VS TOTAL YEAR 2018

The 2019 closure is flat, with the EU average stable in comparison with the same period 2018. The negative performance of Italian manufacturers and the weakness of the Germans weighs on. The breakdown by segments rewards **small metal parts**, while **footwear components** and **other accessories** perform badly



# TEXTILES AND SYNTHETICS SECTOR

## TURNOVER INDEX TRENDS

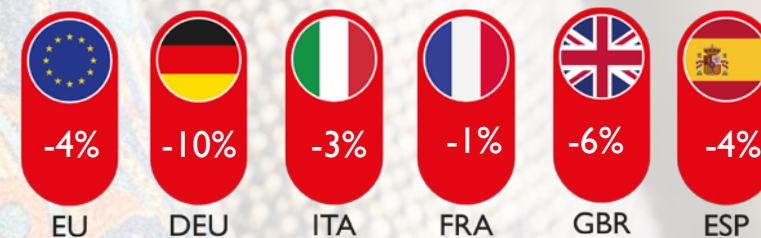
### 4<sup>th</sup> QUARTER 2019 VS 4<sup>th</sup> QUARTER 2018

The quarterly comparison gives an opaque image of the sector at European level, dragged down by the losses of Germany and Italy. Declines across all segments of the sector, especially **regenerated leather fibers**, down double-digit (EU average)



### TOTAL YEAR 2019 VS TOTAL YEAR 2018

2019 closed with declining results for the sector, which was affected by the losses of the main EU producers. The most critical issues concern **synthetics** and **fabric materials**. Downward trend, although slight, also for **regenerated leather fibers**



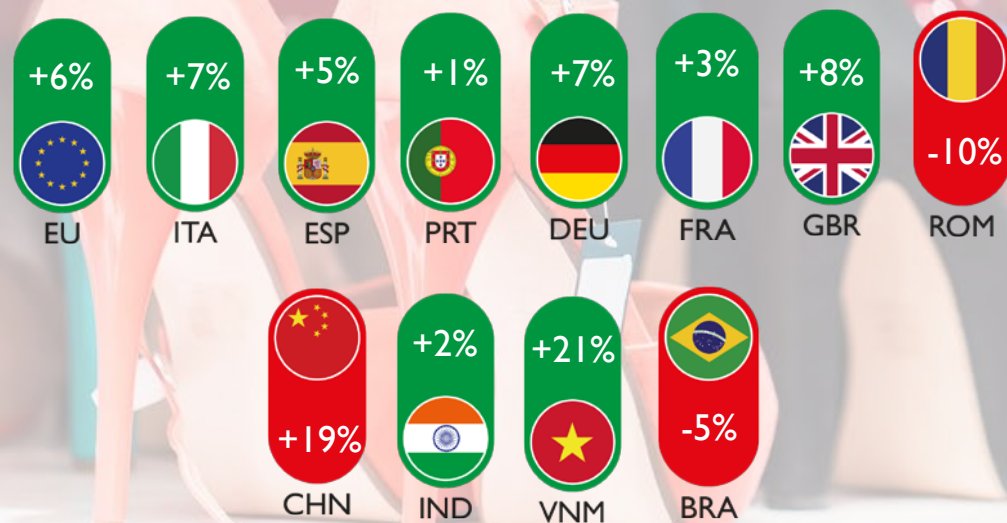


# FOOTWEAR

## TURNOVER INDEX TRENDS

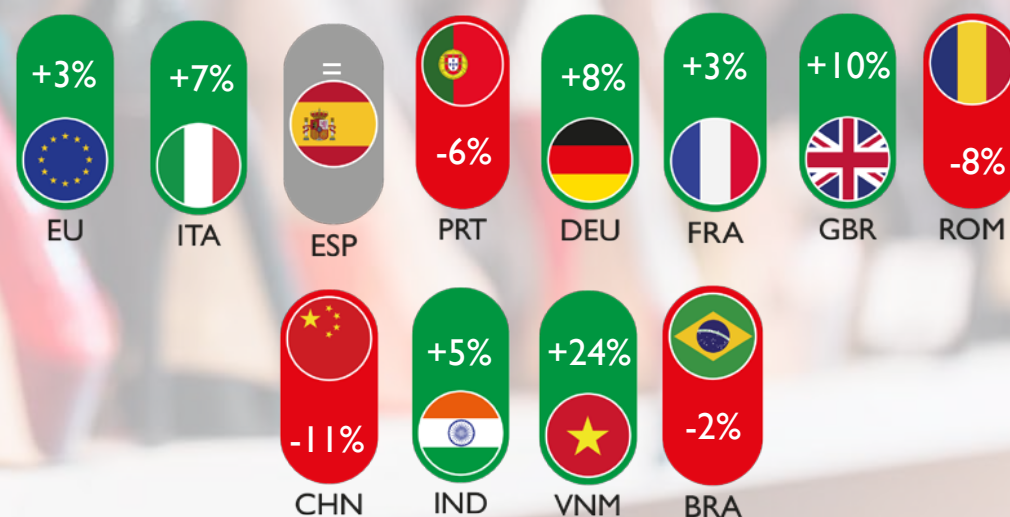
### 4<sup>th</sup> QUARTER 2019 VS 4<sup>th</sup> QUARTER 2018

The last quarter was positive for European footwear, with increases widespread among all the main producers. Decreases for Romania and Slovakia. In Asia, significant declines for China, more moderate for Pakistan. Highs for Vietnam and India.



### TOTAL YEAR 2019 VS TOTAL YEAR 2018

Positive 2019 results for European footwear, spread to all major producers, with the sole exception of Portugal and some relocations. Negative closure for China, excellent performance for Vietnam.



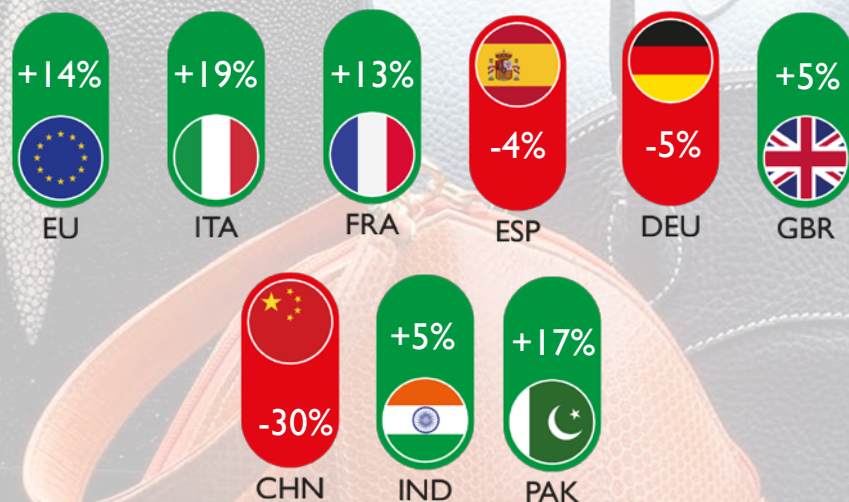


# LEATHER GOODS

## TURNOVER INDEX TRENDS

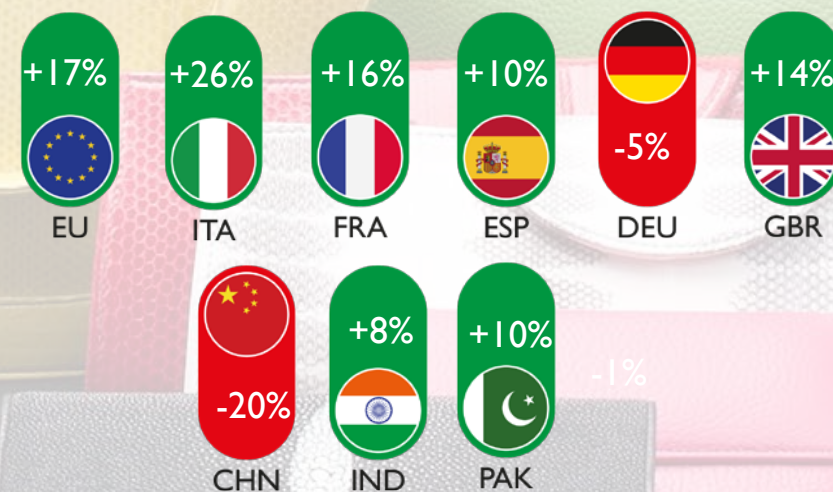
### 4<sup>th</sup> QUARTER 2019 VS 4<sup>th</sup> QUARTER 2018

The lively dynamics of European leather goods continued in the final quarter of 2019, with a few exceptions, balanced by positive double-digit results, particularly in France and Italy. Chinese exports are in great difficulty, whilst India and Pakistan performed well.



### TOTAL YEAR 2019 VS TOTAL YEAR 2018

2019 is confirmed to be a positive year for Europe as a whole, with increases in turnover spread to the main producers. In Asia, China closed the year with a double-digit negative balance, compared to increases in India and Pakistan.



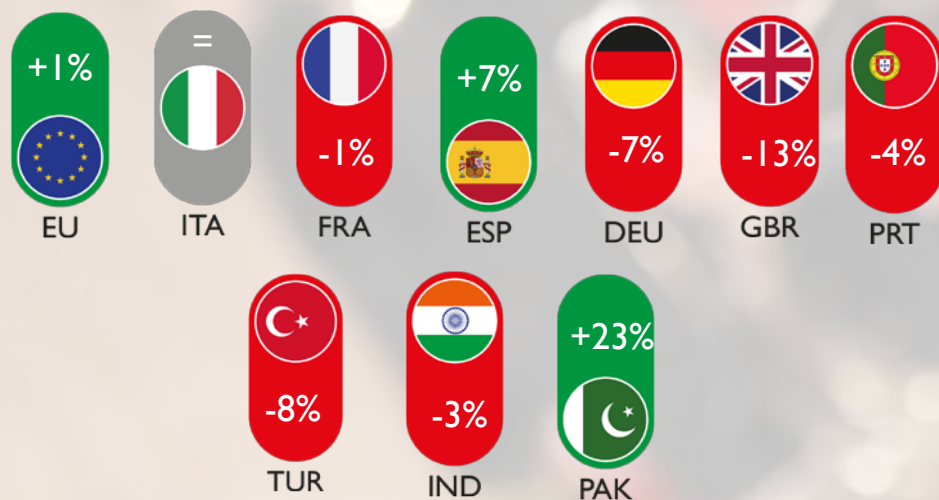


# LEATHER CLOTHING

## TURNOVER INDEX TRENDS

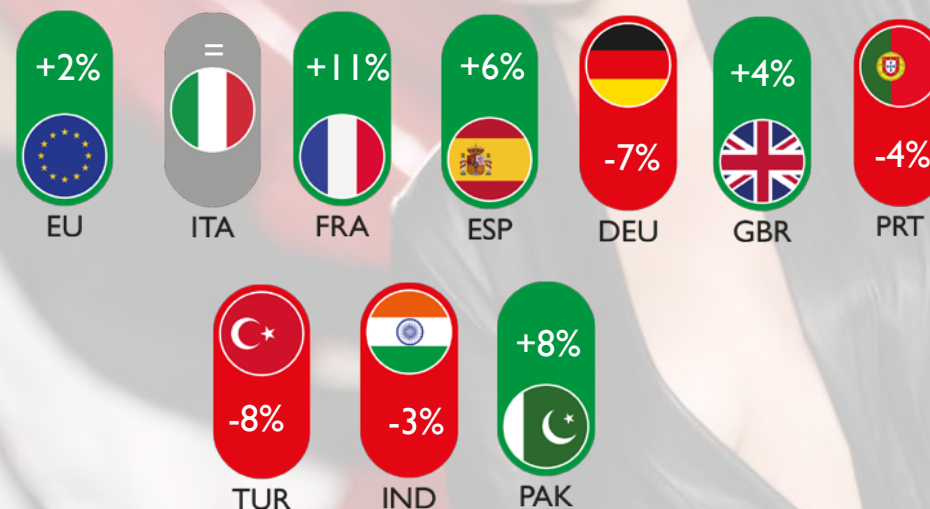
### 4<sup>th</sup> QUARTER 2019 VS 4<sup>th</sup> QUARTER 2018

Some uncertainties in the last quarter of the year, with a positive European segment average that hides variegated, but mainly negative, trends (especially in Germany and the UK). In Asia, the quarter was positive for Pakistan, while India and Turkey were down.



### TOTAL YEAR 2019 VS TOTAL YEAR 2018

European leather garment manufacturers record a 2019 in surplus, in particular France and Spain. Italians stable, declining Germans and Portuguese. Outside the EU, the quarterly trend is confirmed, with difficulties in China, India and Turkey and Pakistan in the black.

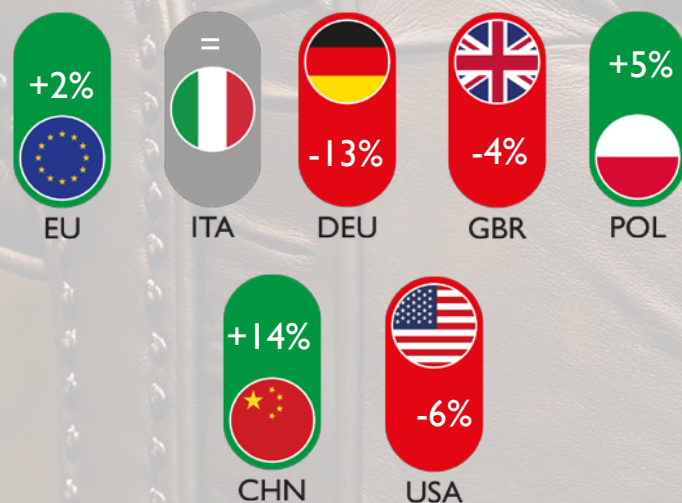


# UPHOLSTERED FURNITURE

## TURNOVER INDEX TRENDS

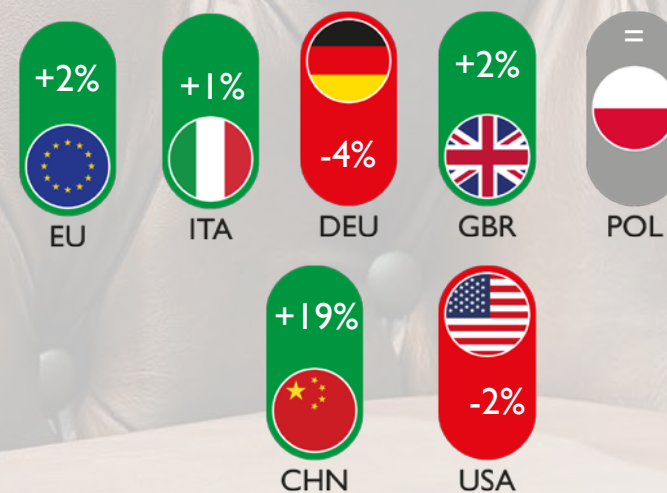
### 4<sup>th</sup> QUARTER 2019 VS 4<sup>th</sup> QUARTER 2018

Moderately positive overall quarterly results for EU upholstered furniture. The Italians were stable, while Germany and the United Kingdom on the decline. Outside Europe, Chinese exports were good, while US orders fell.



### TOTAL YEAR 2019 VS TOTAL YEAR 2018

The year-on-year comparison shows slightly positive results for Community padding, with a few exceptions in Northern Europe. Well China, slight declines in the US market.



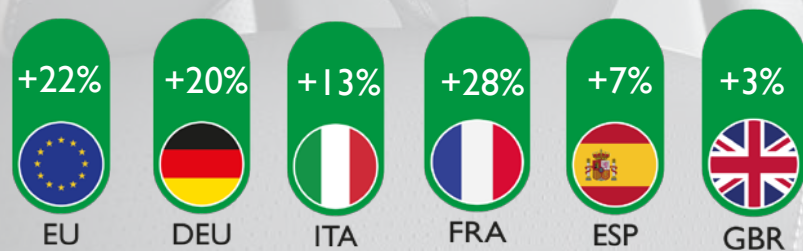


# AUTOMOTIVE

## TURNOVER INDEX TRENDS

### 4<sup>th</sup> QUARTER 2019 VS 4<sup>th</sup> QUARTER 2018

- In recovery European registrations at the end of the year

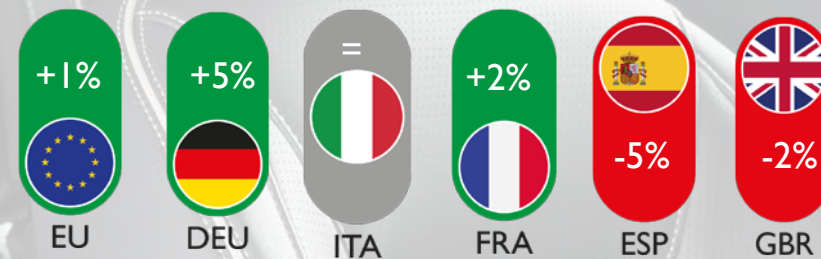


\* Change in registrations in December

- Particular dynamism for France and Germany
- The segment's industrial production indicators remain negative. For Italy, against an increase in registrations, production fell by 4% in December

### TOTAL YEAR 2019 VS TOTAL YEAR 2018

- The positive conclusion of the year brought the overall balance of registrations to a positive level, although only +1%



- Production declines were widespread in North America, where the United States recorded a -10% drop in annual car production

# LUXURY

## 2019 RESULTS

Despite the uncertain geopolitical background, 2019 ended with largely positive results for the major European luxury fashion brands. There are no exceptions to this trend, albeit limited ones. Expectations for 2020, excluding a possible worsening of the economic scenario, remain cautiously optimistic.

- **LVMH** – The organic growth in turnover of the fashion and leather goods division (+17% on the 2018 figure at constant rates) pushes LVMH's revenues (+10% in 2019). Outstanding performances by Louis Vuitton, Christian Dior and Loewe. Strong progress for Loro Piana, Rimowa and Berluti.
- **KERING** – Consolidated revenues up 13% (organic growth 2019 compared to the previous year) for the French Group. Strong increases for Gucci (+13%), Yves Saint Laurent (+14%), and the group's Other Houses (+18%), thanks especially to the excellent performance of Balenciaga and Alexander McQueen. Bottega Veneta's rebound continues (+2%), boosted by strong growth in the last quarter of 2019.
- **TOD'S** – Turnover down 4% (constant rates) for the Group in 2019, despite a slight recovery in the fourth quarter of last year. The losses of Tod's (-9%), Hogan (-5%) and Fay (-8%) brands weigh heavily. Roger Vivier (+14%), on the other hand, continued its strong increase. The analysis by product category shows generalized decreases for both footwear (-3%) and leather goods and accessories (-7%).
- **FERRAGAMO** – Slight growth in sales for the Group in 2019 (+1% compared to 2018, at constant rates). Revenues by product breakdown show an increase in both footwear and leather bags and accessories: +3% (constant rates). The Group's first core market maintained a good performance: Asia Pacific (+1% at constant rates).



# 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

© Lineapelle - Any form of unauthorised reproduction or copying of this document, even in part, is prohibited