



LINEAPELLE LEATHER MARKET OVERVIEW

IST QUARTER 2020

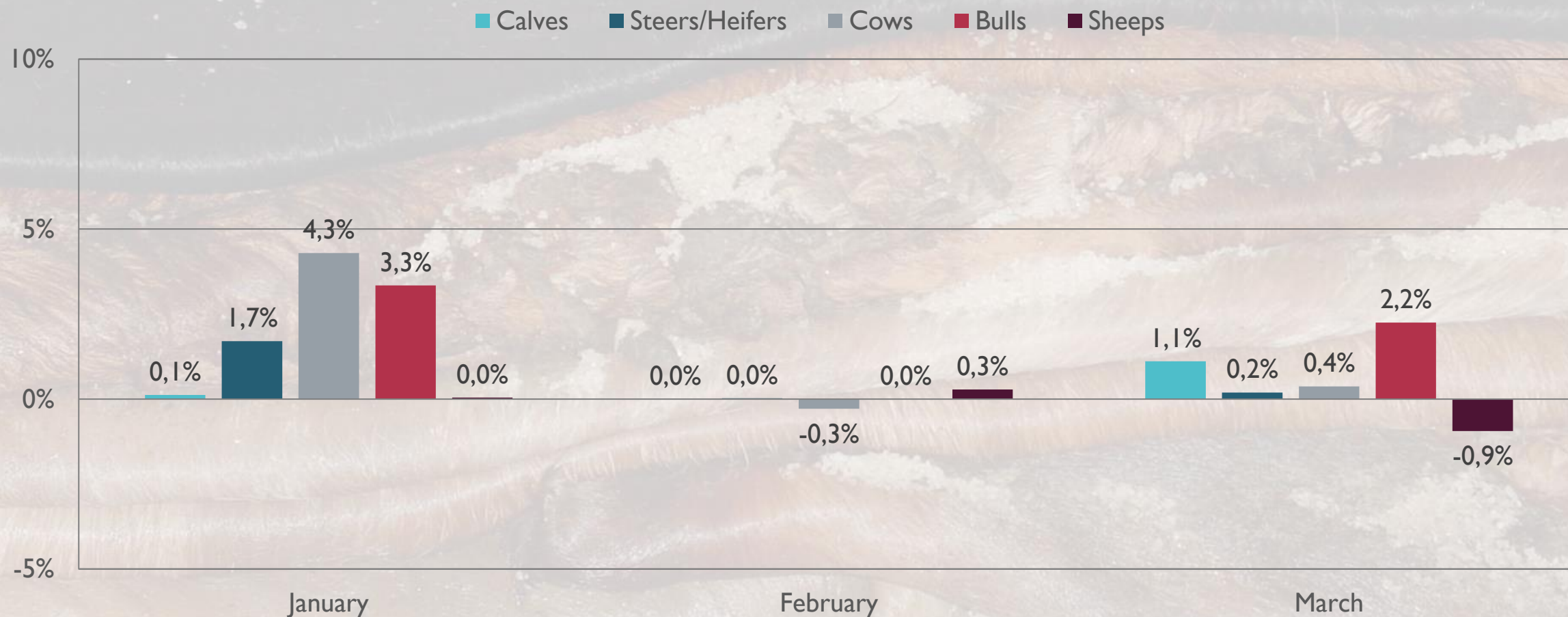
RAW MATERIALS

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

- Y2020 began with a **(prevailing) upward trend in raw material prices**, albeit minimal and of decreasing intensity with the passing of the weeks (February and March, already under the progressive influence of the Covid-19 effects in China and then in Europe, were substantially unchanged)
- **Calfskins** showed the greatest stability within the bovine segment, while bulls (followed by cows) recorded the most significant variations (on the rise). Some upward movement also on steers/heifers, but practically only in January
- On the other hand, the average price indices for **sheepskins** have not moved, with few variations also from the detail of the main origins monitored
- Average downward trend for **wet-blue bovine leather** in January (-2% compared to December), then stability prevailed due to the evolution of the pandemic

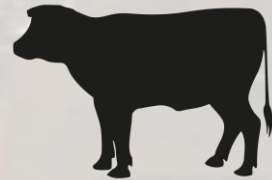
RAW MATERIALS

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



RAW MATERIALS

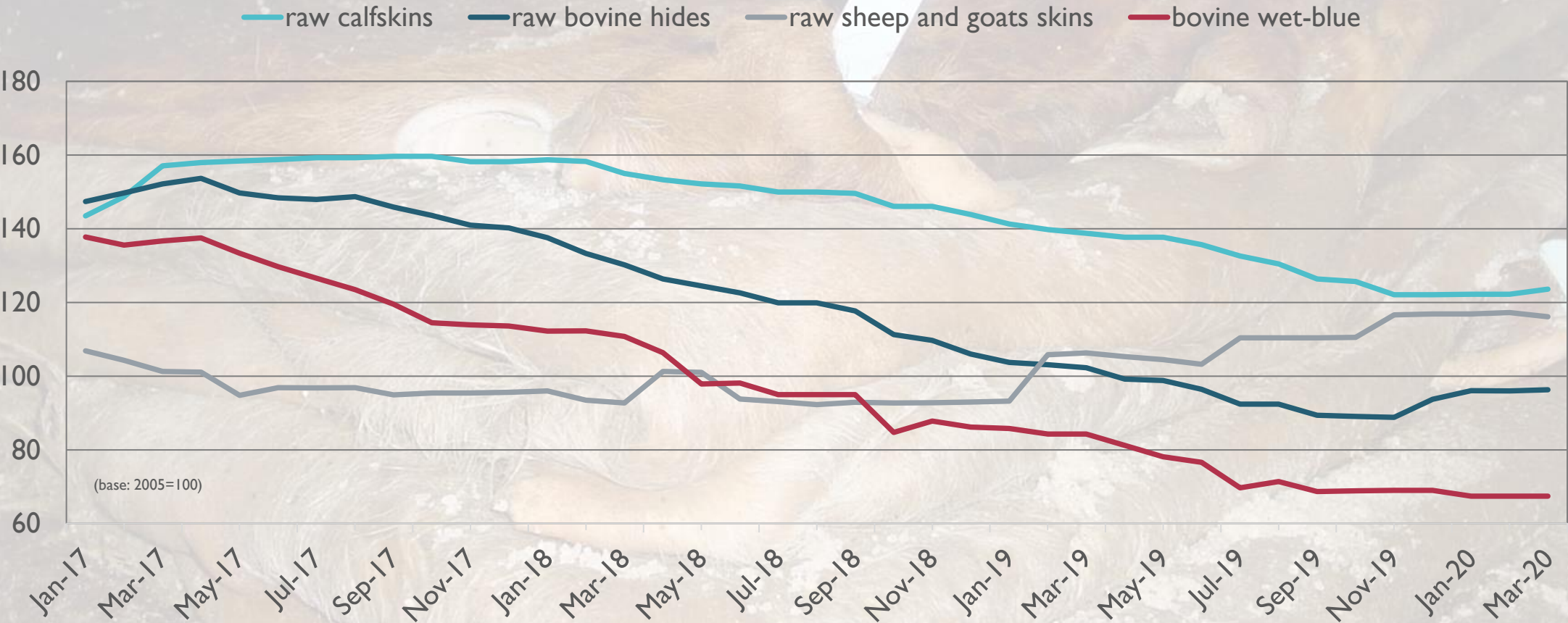
RAW HIDES - AVERAGE PRICE CHANGES BY ANIMAL TYPE/ORIGIN (FROM JANUARY TO MARCH 2020)



Calves	-1%	Steers, bull calves, heifers	+2%	Cows	+4%	Bulls	+6%	Sheeps	-1%
Italy	+1%	Italy (bull calves)	=	Italy	=	France	+6%	Iran	=
France	-3%	Germany (heifers)	=	France	-1%	Netherlands	+10%	Spain	-1%
Netherlands	+14%	United Kingdom (mixed)	+3%	Netherlands	+8%	Germany	+1%	New Zealand	-6%
Australia	=	Spain (bull calves)	+8%	Germany	+14%	New Zealand	=		
		United States (mixed)	-26%	Spain	+73%	Denmark	=		
		Australia (mixed)	=	United States	-36%				
		Sweden (mixed)	+2%	Sweden	+9%				
		New Zealand (bull calves)	=	New Zealand	=				
		Denmark (mixed)	+1%	Denmark	+8%				

RAW MATERIALS

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



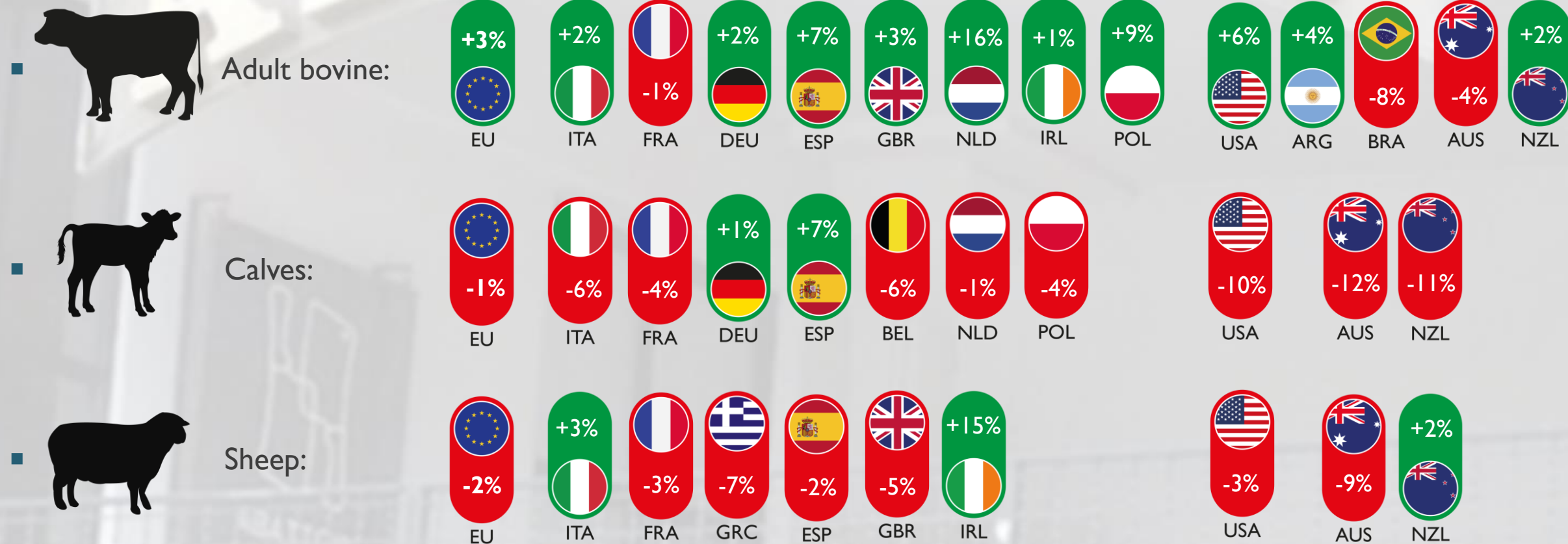
RAW MATERIALS

RAW HIDES - TRENDS IN AVAILABILITY (SLAUGHTERING)

- The overall panorama on the slaughtering of **adult bovine** animals in the first quarter of 2020 is substantially unchanged if compared with the same period of the previous year - The EU complex grows by 3% with France as the only major producer to show a (slight) drop - also increasing US, Argentina and New Zealand, while Brazil falls
- A negative sign for the total slaughtering volumes of **calves** (-3%) - The drop appears widespread in all the main Countries monitored, with few exceptions going against the trend (Spain, Germany)
- The overall picture of **sheep** slaughtering in the main available regions also fell (-3%) - The total European production lost 2% (with only Italy and Ireland on the rise), against declines in the US and Australia as well, New Zealand on the rise

RAW MATERIALS

RAW HIDES - TRENDS IN AVAILABILITY (SLAUGHTERING) 1st QUARTER 2020 VS 1st QUARTER 2019



RAW MATERIALS

OTHER REFERENCE COMMODITIES – PRICE TRENDS AND PERFORMANCE



OIL

-19%

-19%



COTTON

-10%

-1%



WOOL

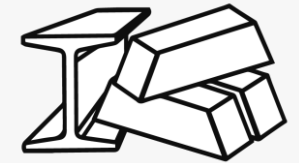
Wool prices have been under pressure since mid-2019. Despite a promising start in 2020, the quarterly variation shows double-digit declines compared to last year's figure. A downward trend further accentuated by the pandemic. Rather low confidence both in the short and medium-term outlook.



NATURAL RUBBER

-3%

+3%



METALS

- Aluminum -9%
- Copper -10%
- Iron +9%
- Nickel +2%
- Zinc -22%
- Aluminum -4%
- Copper -4%
- Iron +2%
- Nickel -17%
- Zinc -11%

■ 1st QUARTER 2020
VS 1st QUARTER 2019

■ 1st QUARTER 2020
VS 4th QUARTER 2019

TANNING SECTOR

TRENDS

- **Widely negative quarter** for the average turnover indexes of tanneries - The market situation appeared already influenced by the consequences of Covid-19 in the first three months of the year and the sales results were affected by the different degree of spread of the pandemic in the various main manufacturing Countries
- In the medium-large **bovine leather** segment, only Turkey and Argentina, driven by exports, showed a positive sign compared to the first quarter of the previous year (all the other national players were down) - More differentiated performances in the comparison made with the last three months of 2019, but the value of this analysis (due to the diversity of seasonal production levels) is more limited
- Widespread double-digit sales index losses in the **calf leather** segment
- Overall situation of **sheep and goats leather** was also negative - Only Turkey seems to show positive variations

TANNING SECTOR

TURNOVER INDEX TRENDS IN ITALY



1st QUARTER 2020 VS 1st QUARTER 2019



1st QUARTER 2020 VS 4th QUARTER 2019

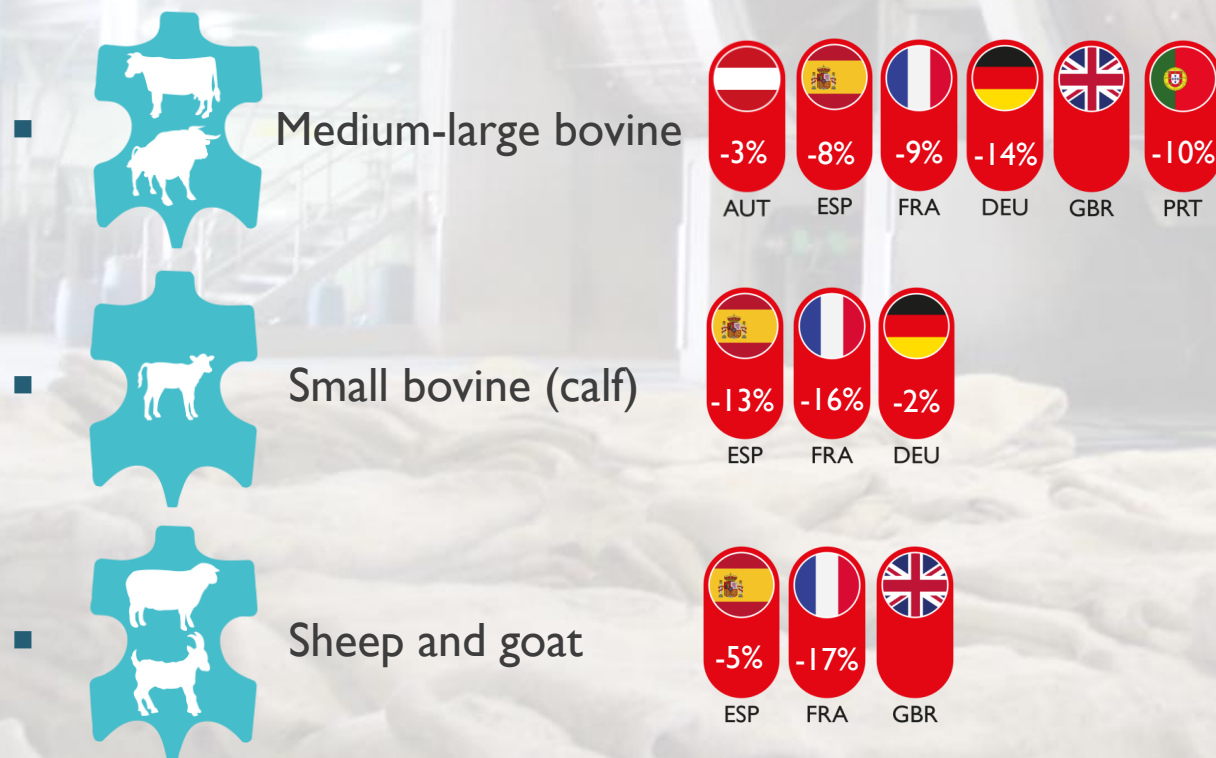


TANNING SECTOR

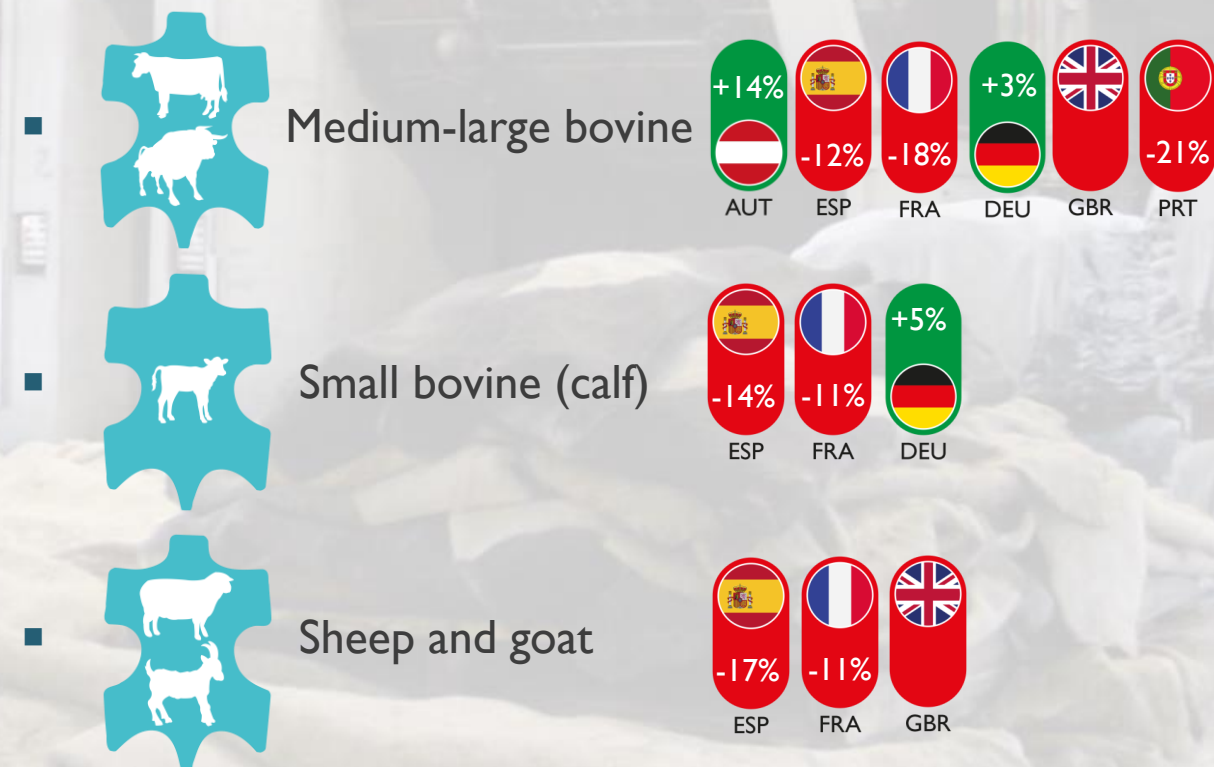
TURNOVER INDEX TRENDS IN EUROPE



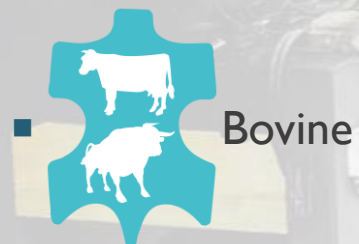
1st QUARTER 2020 VS 1st QUARTER 2019



1st QUARTER 2020 VS 4th QUARTER 2019



TANNING SECTOR

TURNOVER INDEX TRENDS IN THE WORLD1st QUARTER 2020 VS 1st QUARTER 20191st QUARTER 2020 VS 4th QUARTER 2019

Bovine



Bovine



Sheep and goat



Sheep and goat

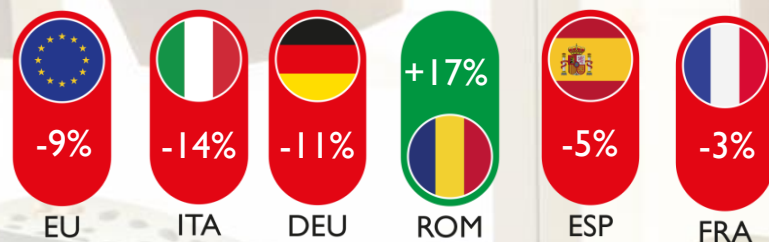


ACCESSORIES AND COMPONENTS SECTOR

TURNOVER INDEX TRENDS

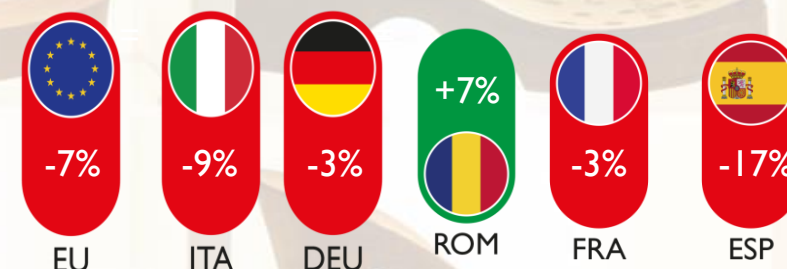
1st QUARTER 2020 VS 1st QUARTER 2019

The picture is not very favourable for the sector in the partial 2020, showing a sharp drop in relation to 2019. Declines for all EU manufacturing. Romania bucking the trend. Detail by segment reveals greater variability, with some positive data in **footwear components**. **Small metal parts** parts and **other accessories** are suffering.



1st QUARTER 2020 VS 4th QUARTER 2019

On average, the short-term trend for the sector looks very negative: -7% at EU level. The trend is transversal, affecting all reference segments and all major manufacturers except Romanians. Double-digit declines in all segments with the only exception of **small metal parts**, showing more moderate declines.

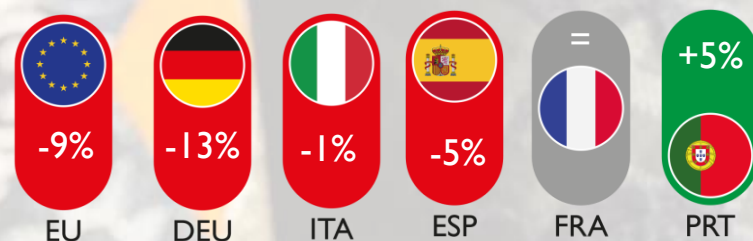


TEXTILES AND SYNTHETICS SECTOR

TURNOVER INDEX TRENDS

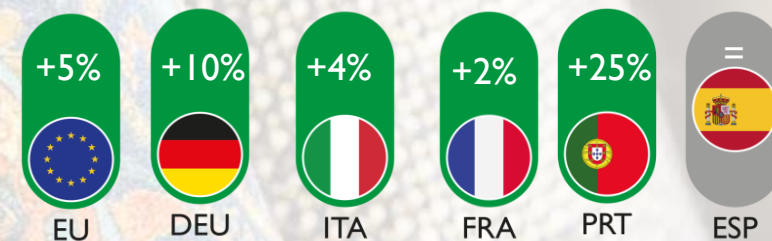
1st QUARTER 2020 VS 1st QUARTER 2019

Textiles and synthetics do not diverge from the general downward trend. The dynamics of **regenerated leather fibers** (double-digit decline at EU level) are critical. Losses more contained yet very significant for **synthetics** and **fabric materials**.



1st QUARTER 2020 VS 4th QUARTER 2019

The short-term change underlines an overall good dynamic of the sector, which is on the rise in all European manufactures. The dynamics of **synthetics** and **fabric materials** are particularly strong. Difficulties persist for the **regenerated leather fibers**.



FOOTWEAR

TURNOVER INDEX TRENDS

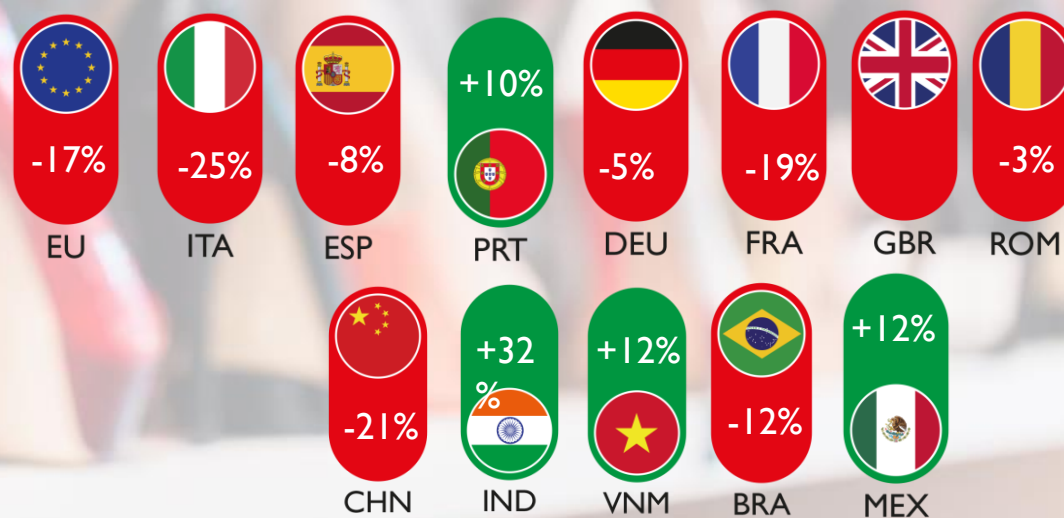
1st QUARTER 2020 VS 1st QUARTER 2019

The first quarter of the year reflects the economic effects of the spread of the pandemic, which particularly involved manufacturing sectors, with staggered lockdowns of varying lengths, between countries. China and the main EU manufacturing sectors were particularly affected.



1st QUARTER 2020 VS 4th QUARTER 2019

The short-term comparison is slightly less penalizing for the sector, which in any case shows widespread losses, due to a comparison with a final quarter of 2019 that already showed signs of subsidence.

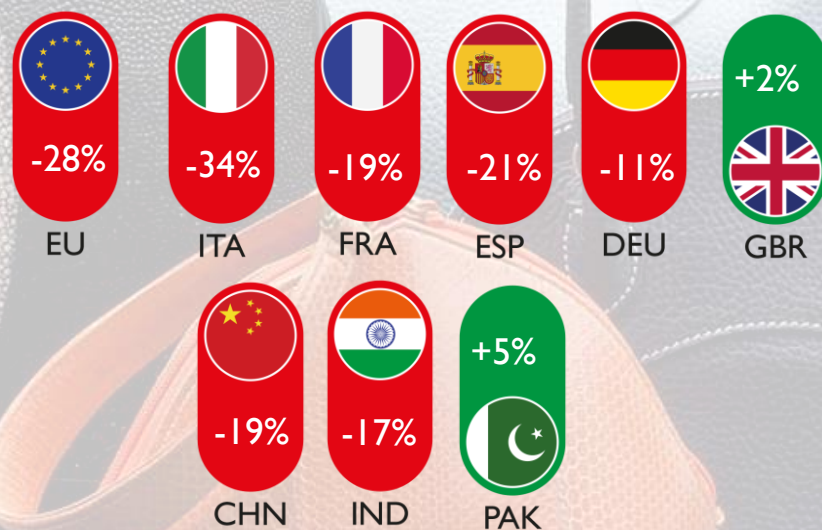


LEATHER GOODS

TURNOVER INDEX TRENDS

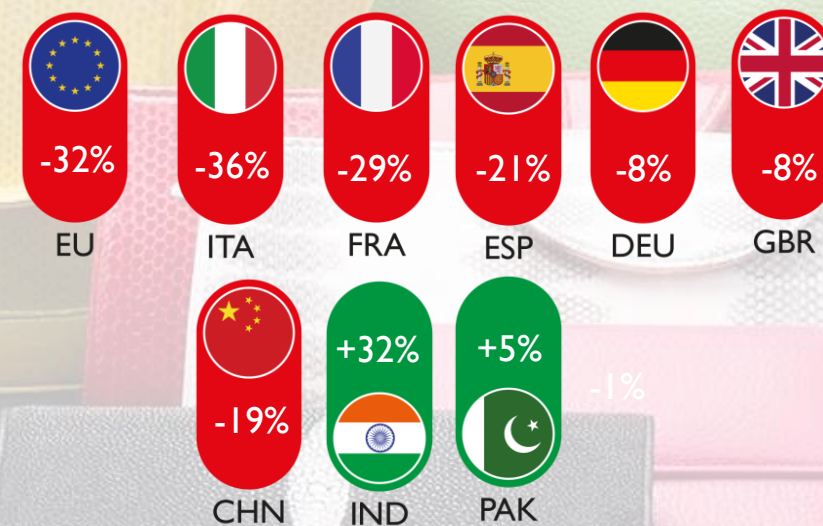
1st QUARTER 2020 VS 1st QUARTER 2019

Also for the leather goods sector the results are widely negative, and Italy is confirmed as the most affected production area. In general, the sector's results are very much influenced by the loss of luxury goods.



1st QUARTER 2020 VS 4th QUARTER 2019

Some areas show a worse short-term comparison due to a final quarter of 2019 characterized by a positive seasonality. In Asia, China continues to fall sharply, with exports increasing for India and Pakistan.

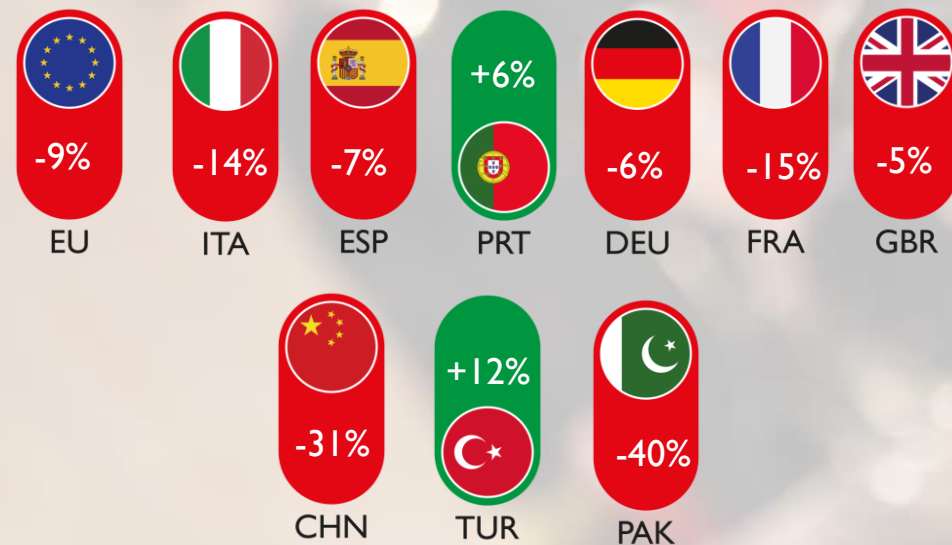


LEATHER CLOTHING

TURNOVER INDEX TRENDS

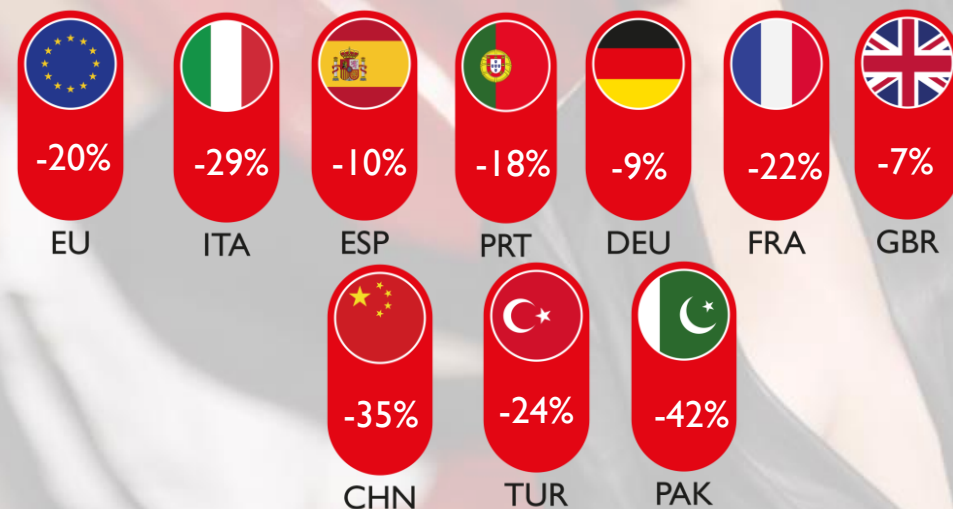
1st QUARTER 2020 VS 1st QUARTER 2019

Also for leather clothing, the initial quarter of this year shows an overall balance sheet in red, with widespread losses in exports to Europe and significant declines among Asians.



1st QUARTER 2020 VS 4th QUARTER 2019

Also for the leather apparel segment, the final quarter of the year is normally positive due to a positive seasonality, so the short-term comparison is more markedly downward for many producers (especially in Asia).

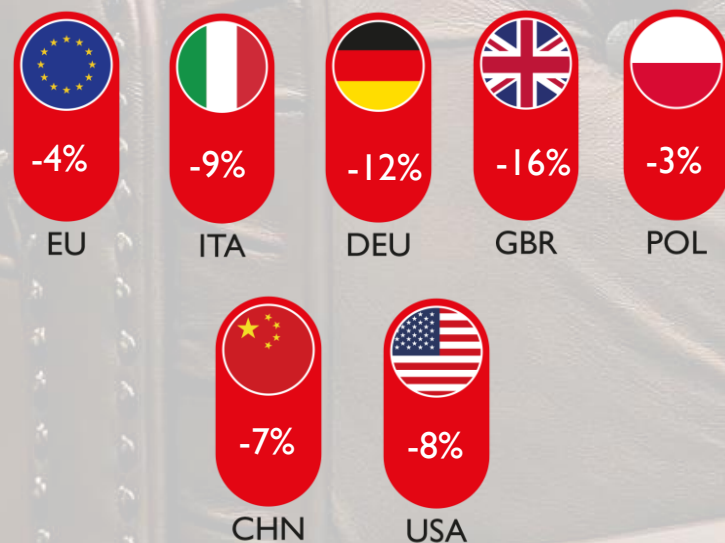


UPHOLSTERED FURNITURE

TURNOVER INDEX TRENDS

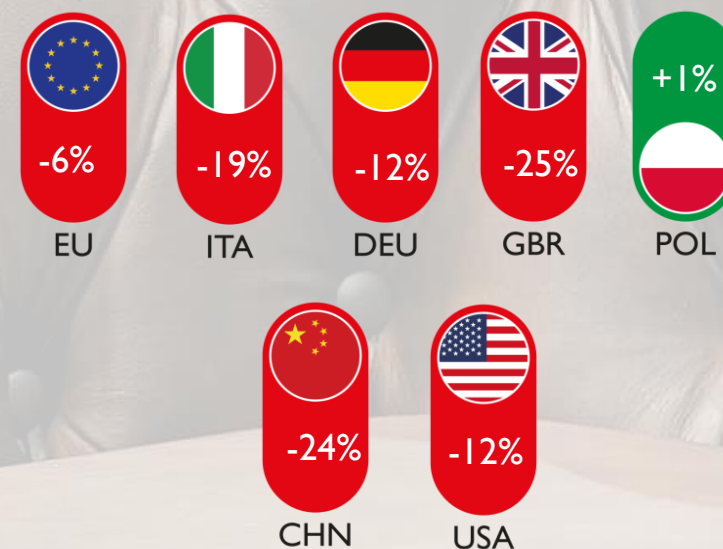
1st QUARTER 2020 VS 1st QUARTER 2019

Average moderate declines for European exports of upholstered furniture, where Eastern European relocations appear to be the least penalized. Decreases for Chinese exports and US orders.



1st QUARTER 2020 VS 4th QUARTER 2019

Similar dynamics for comparison with the final quarter of last year, however, the results of traditional producers (Italy first and foremost) worsened.

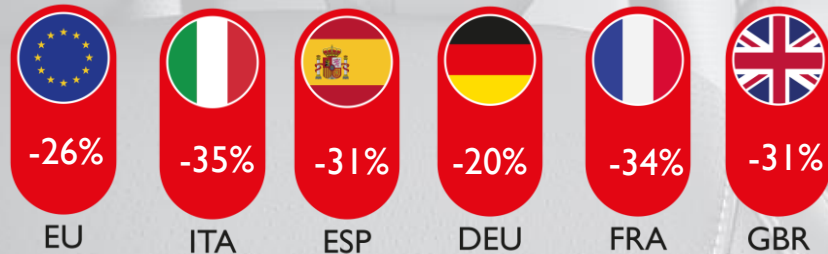


AUTOMOTIVE

TURNOVER INDEX TRENDS

1st QUARTER 2020 VS 1st QUARTER 2019

- Drop in new car registrations in the Eu market as a consequence of containment measures



- The five main markets were particularly penalized
- The automotive is stacked in China

1st QUARTER 2020 VS 4th QUARTER 2019

- Even the short-term comparison is negative, with widespread losses in Europe and Italian registrations down by 23%.
- The industrial production indexes are in line with the drop in registrations, showing that the automotive sector is among the most affected by the by the impact of Covid-19 enforcement and containment measures
- Outside Europe, the US market collapsed in March (-27%).

LUXURY

1st QUARTER 2020 RESULTS

After the successful conclusion of 2019, the cautious optimism reserved by the brands for the new year' opening, has left room for the highly negative impact of the global diffusion of the coronavirus epidemic. In fact, the first quarter 2020 results reflect a scenario seriously undermined by the outbreak of the pandemic.

- **LVMH** – Revenues decreased by 17% for the French luxury goods colossus, with the fashion/leather goods division recording the most limited loss in revenues (-10% on the 2019 equivalent). Proof of resilience especially from Louis Vuitton and Christian Dior.
- **KERING** – Evidence of resilience also from the second largest French luxury goods group, which recorded a loss in turnover by 16% in the quarter. After a promising start this year, the impact of Covid-19 mainly affected Gucci (-23%), Yves Saint Laurent (-14%) and other houses of the group (-5%). Bottega Veneta bucked the trend (+8.5%).
- **TOD'S** – strongly hit by the Covid-19 crisis, the Italian group recorded an overall decline of 30% in the quarter. Double-digit losses for all the brands in the group: Tod's (-32%), Hogan (-26.5%), Roger Vivier (-31%) and Fay (-19%). The impact of the coronavirus is reflected across the footwear (-30%) and accessories divisions (-36%).
- **FERRAGAMO** – After the stable conclusion of 2019, the Florentine brand recorded a decline of more than 30% in revenues (constant rates) in the first quarter of the current year. Results for all product categories were down: -32% for shoes, -29% for leather goods and leather accessories. The persistent global uncertainty due to the Covid-19 does not allow to make reliable forecasts about the sales dynamics in the coming months.

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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