

MARKET INSIGHT LINEAPELLE – First Semester 2020

SLAUGHTERING

During the first half of the year, slaughter volumes of **adult bovine** in the main countries monitored at global level (EU, USA, Brazil, Argentina, Oceania) do not seem to have been particularly affected by the effects of the Covid-19 pandemic and show, overall, a decrease of 4% compared to the same period in 2019. In Europe, the decrease is limited to less than 1% in total, thanks to the stability of France and the United Kingdom and the growth of the Netherlands (+12%) and Poland (+2%). Moderate decreases in Germany (-3%), Italy (-1%), Ireland and Spain (-4% for both). Beyond the EU borders a negative picture is prevailing, with the USA at -5%, Brazil -8%, Australia -7%, New Zealand (-2%). Argentina was the only in countertrend (+4%).

Some more difficulties emerged for **calves**; whose overall slaughter level decreased by 8%. The EU registered a decrease of 6% and Spain (stable) was the only important EU producer not showing a negative sign (France -6%, Netherlands -8%, Italy -6%, Poland -14%). Double-digit declines in the extra-EU: USA -17%, Australia -20%, New Zealand -29%.

The global **sheep** slaughtering outlook followed the prevailing trend and the first six months of the year closed with a seasonal loss of 7%. The overall European picture is in line with the general figure, with Ireland alone reporting growing results (+8%). Spain -6%, France -1%, Greece -15%, Italy -5%. Two-speeds for Oceania: Australia in sharp decline (-15%), New Zealand on the growth (+4%).

LEATHER AND TANNING SECTOR

ITALY. In the first half of the year, the Italian tanning industry is estimated to have lost a total of 31% of seasonal **turnover** and 23% of **production in volume** compared to the correspondent period of last year.

In detail, if the first two months of 2020 had marked seasonal drops due to the beginning of the pandemic in China but still of minimal intensity, the spread of Covid-19 in Italy and Europe and the adoption of the consequent precautionary measures **caused drastic falls in monthly sector indices starting in March**, with the peak of the lockdown of activities during the following month. The restart of production from May onward then occurred at levels strongly reduced with respect to capacity, due to an extremely lower level of demand and final consumption of the products of the industry.

The above-mentioned estimates of the decrease in production and sales in the first half of the year are confirmed by the corresponding changes in **external trade** of raw materials and finished leather. Import volumes in Italy fell by 18% for raw hides and skins and by 24% for semi-finished leathers, while domestic exports of finished leather fell by 34% in value.

The analysis of the single flows of Italian finished leather **exports** by country of destination does not show great differences among the main markets reached, all with decreases between 20% and 40%.

The negative economic panorama has obviously affected indiscriminately all the **production segments** (by geographical district, animal typology, destination of use, price range).

OTHER COUNTRIES. As a consequence of the global spread of the Covid-19 pandemic, the picture for the first six months of 2020 is understandably very negative also for all the remaining top producers of **bovine and sheep and goat** leather. The losses compared to the same period in 2019 are generalized and of similar intensity (between -25% and -50%, depending on the individual country).

ACCESSORIES, COMPONENTS AND SYNTHETIC MATERIALS

TEXTILES, SYNTHETICS AND LEATHER ALTERNATIVES. The half-year data for the sector reflect the effects of the containment measures of the current pandemic. In fact, in the first 6 months of 2020, the average EU turnover decreased by 25%. The trend of **synthetics and fabrics** appears particularly critical. Severe drop in the **regenerated leather fibers** whose total turnover is more than halved compared to 2019.

ACCESSORIES AND COMPONENTS. Heavy declines in turnover for the sector in the period January-June 2020, where the EU average is down 26%. The losses uniformly affected **small metal parts, shoe components and other accessories**.

MANUFACTURING SECTORS

FOOTWEAR. For **Italian footwear**, the first half of 2020 closed with turnover and production at -35% on an annual basis; the losses related to the period March-April were only partially mitigated by a very slow restart. In the rest of Europe, in a six-months average quite in line with Italian results, Germany seems to be the least penalized producer (-19%), followed by France (-24%) and Iberian countries (-26%). Persistent difficulties of the Asian area, that reported a double-digit decline.

LEATHER GOODS. After years of increases, **Italian leather goods** sector closed the first half of 2020 with sales down by -43%. Among the main EU producers, only Portugal recorded worse results, while Germany, France and Spain, even though in double-digit decline, reported smaller losses.

GARMENTS. Leather garment manufacturers appear to be very affected by the current crisis: Europe has recorded an average six-monthly contraction of 37%, due to the collapse of the Italians (-57%) coupled by France and Spain falling by 40%. In Asia, generalized decrease, between 10 and 30%.

UPHOLSTERY. The European **upholstered furniture** closed the first part of the year on average contraction between 15 and 20%. Once again, Italian producers were particularly affected (-28%) against a more moderate decline for producers in Northern Europe. Chinese exports and US orders fell (-11/-16%). As regards **automotive**, in the first half of the year, registrations in Italy and the Iberian countries fell by more than 40%, while France and Germany lost about 30%. Widespread declines in the North American market, with estimated losses of 20%.

BRANDS. The spread of the current epidemiological emergency on a global scale has abruptly impacted on the results of the main European luxury fashion groups, which in the first half of the year reported **losses of between 25% and 50%**. For the end of the year, uncertainty remains high despite the signs of recovery shown by consumptions in the segment, especially in China.

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