



LINEAPELLE LEATHER MARKET OVERVIEW

3RD QUARTER 2020

RAW MATERIALS

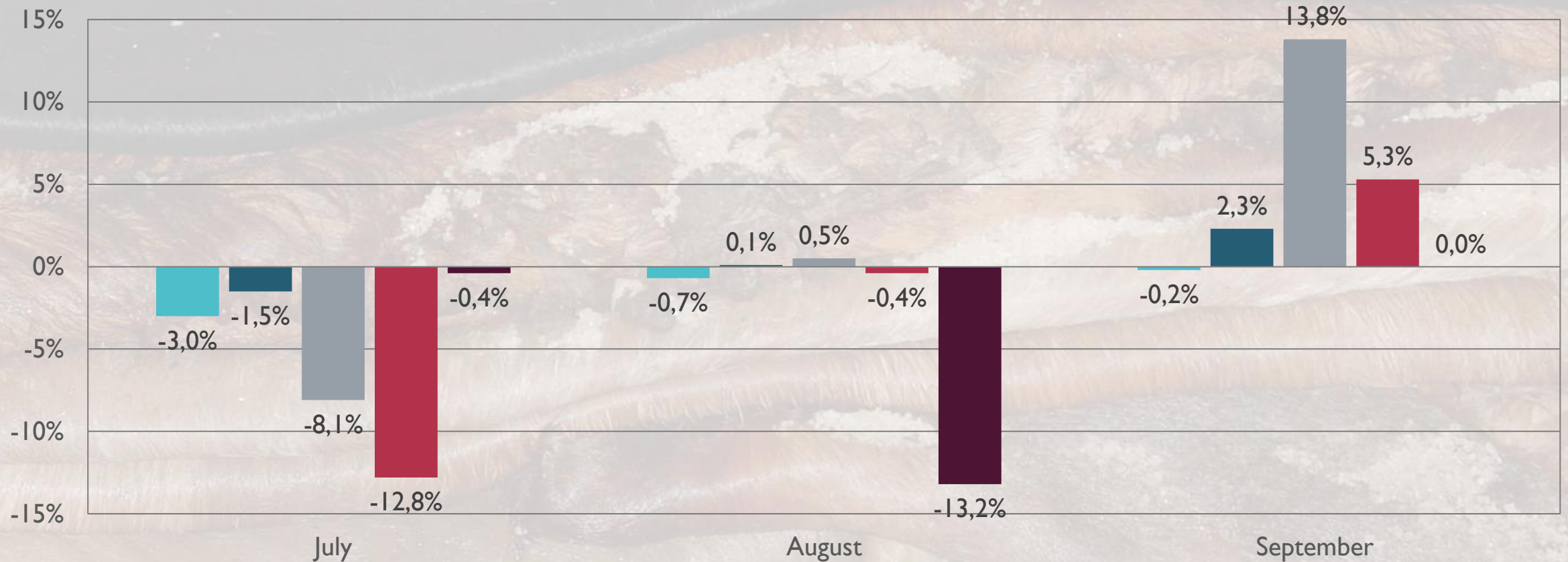
RAW HIDES AND SKINS AND SEMI-PROCESSED LEATHER – PRICE TRENDS

- Whether the first two months of the third quarter of 2020 continued, in line with the previous quarter, to show signs of distress due to the joint difficulties caused by the global Covid19 pandemic, **in September** the trend was slightly reversed, and **the first signs of price increases** were recorded.
- Among **calfskins, calves and steers/heifers** showed the greatest stability during the period examined, with monthly fluctuations (both positive and negative) that were always moderate, while **cows** and **bulls**, on the other hand, showed a more intense level of volatility (with still considerable fluctuations in July and at the beginning of September).
- Weak, during the period, the average indications of the percentage of **sheepskins**, which alternated between low and high levels.
- After the persistent downward trends observed in the first part of the year, **wet-blue bovine leather** began a gradual recovery in the final part of the summer season

RAW MATERIALS

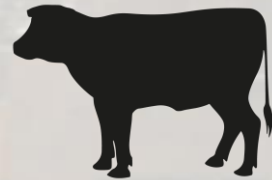
RAW HIDES - MONTHLY VARIATION OF AVERAGE PRICE INDICES BY ANIMAL TYPE

Calves Steers / Heifers Cows Bulls Sheeps



RAW MATERIALS

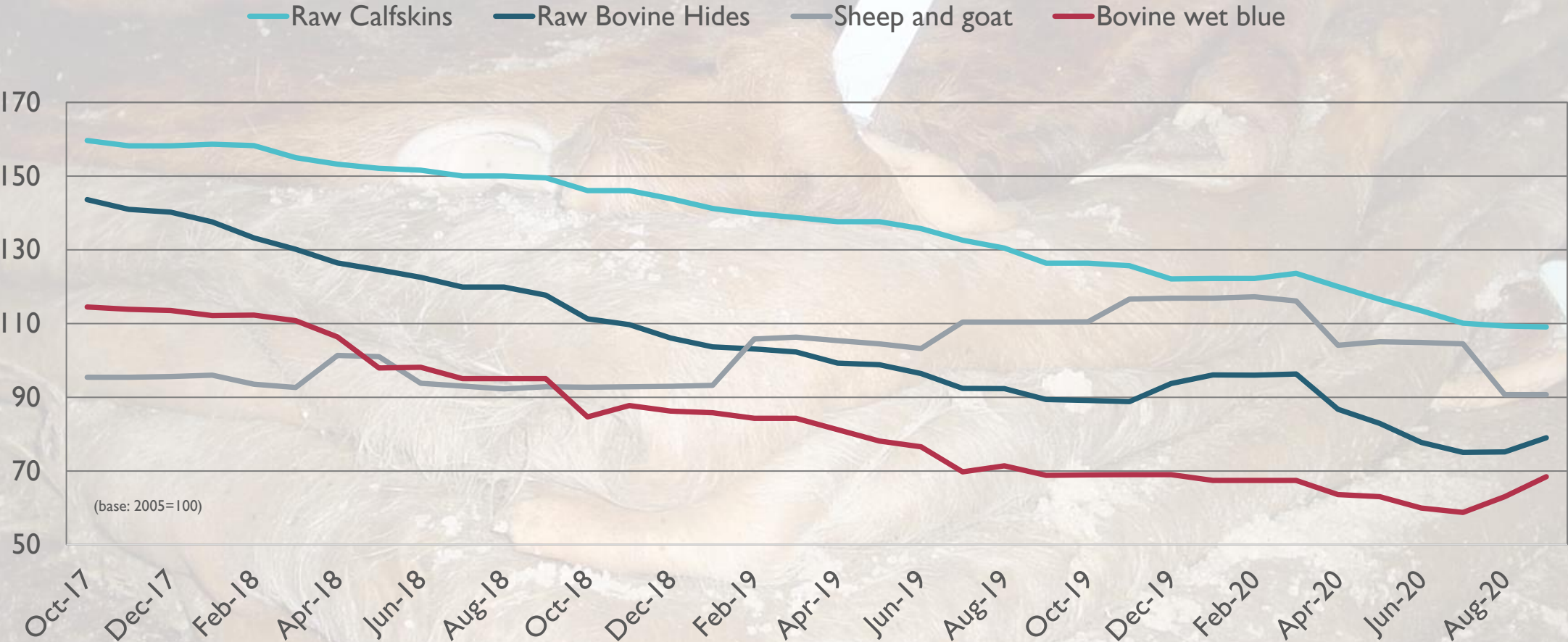
RAW HIDES - AVERAGE PRICE CHANGES BY ANIMAL TYPE/ORIGIN (FROM JULY TO SEPTEMBER 2020)



Calves	-11%	Steers, bull calves, heifers	-12%	Cows	-22%	Bulls	-38%	Sheeps	-22%
Italy	-4%	Italy (bull calves)	-2%	Italy	-3%	France	-39%	Iran	-47%
France	-15%	Germany (heifers)	-33%	France	+3%	Netherlands	-12%	Spain	-24%
Netherlands	-7%	United Kingdom (mixed)	-8%	Netherlands	-19%	Germany	-31%	New Zealand	+3%
Australia	=	Spain (bull calves)	-27%	Germany	-15%	New Zealand	=		
		United States (mixed)	-42%	Spain	-18%	Denmark	-35%		
		Australia (mixed)	=	United States	-64%				
		Sweden (mixed)	-12%	Sweden	-14%				
		New Zealand (bull calves)	=	New Zealand	=				
		Denmark (mixed)	-27%	Denmark	-31%				

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 general overview the slaughtering of **adult bovine** animals in the aggregate for the first three quarters of 2020 shows a decrease of 4% compared to the previous year. The European Union appears to be overall stable, with different trends for the main member countries between the non-EU Countries, decreases in the USA, Brazil and Australia, increases in Argentina.
- On the other hand, there has been a downward variation in the overall volume of **calves** (-%) - The decrease is widespread in all the main countries under review, with the sole exception of New Zealand (increase).
- Negative the overall sign of **sheep slaughtering** in the areas surveyed (-6%) - The aggregate figure for Europe is down by 4% (only France and Ireland are against the downward trend), with falls also in the USA and Australia and increases in New Zealand alone.

RAW MATERIALS

RAW HIDES - TRENDS IN AVAILABILITY (SLAUGHTERING) 3RD QUARTER 2020 VS 3RD QUARTER 2019



RAW MATERIALS

OTHER REFERENCE COMMODITIES – PRICE TRENDS AND PERFORMANCE



OIL



COTTON

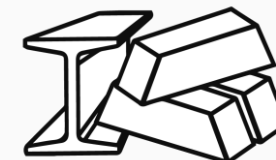


WOOL

Pressure on wool prices in the partial 2020. The uncertainties in the Chinese and European markets have put pressure on the global wool supply chains. Prices have fallen to the lowest levels in recent years, while the global macroeconomic outlook does not expect a significant rise in prices by the end of the year.



NATURAL RUBBER



METALS

- Aluminum **-3%**
- Copper **+12%**
- Iron **+12%**
- Nickel **-9%**
- Zinc =
- Aluminum **-10%**
- Copper **-3%**
- Iron **+3%**
- Nickel **-3%**
- Zinc **-18%**

■ 3rd QUARTER 2020
VS 3rd QUARTER 2019

■ FIRST 9 MONTHS 2020
VS FIRST 9 MONTHS 2019

TANNING SECTOR

TRENDS

It is noteworthy that **also the third quarter of 2020 registers substantially negative results** for the average turnover indicators of the tanneries - Few possible comments regarding the market situation, which appears to have been seriously affected by the consequences of Covid-19 during the year, also in light of the substantial uniformity of the figures shown in the main producing Countries (basically all of which fell seasonally by double digits both in the quarterly breakdown and in the aggregate for the first 9 months)

TANNING SECTOR

TURNOVER INDEX TRENDS IN ITALY



3rd QUARTER 2020 VS 3rd QUARTER 2019

FIRST 9 MONTHS 2020 VS FIRST 9 MONTHS 2019

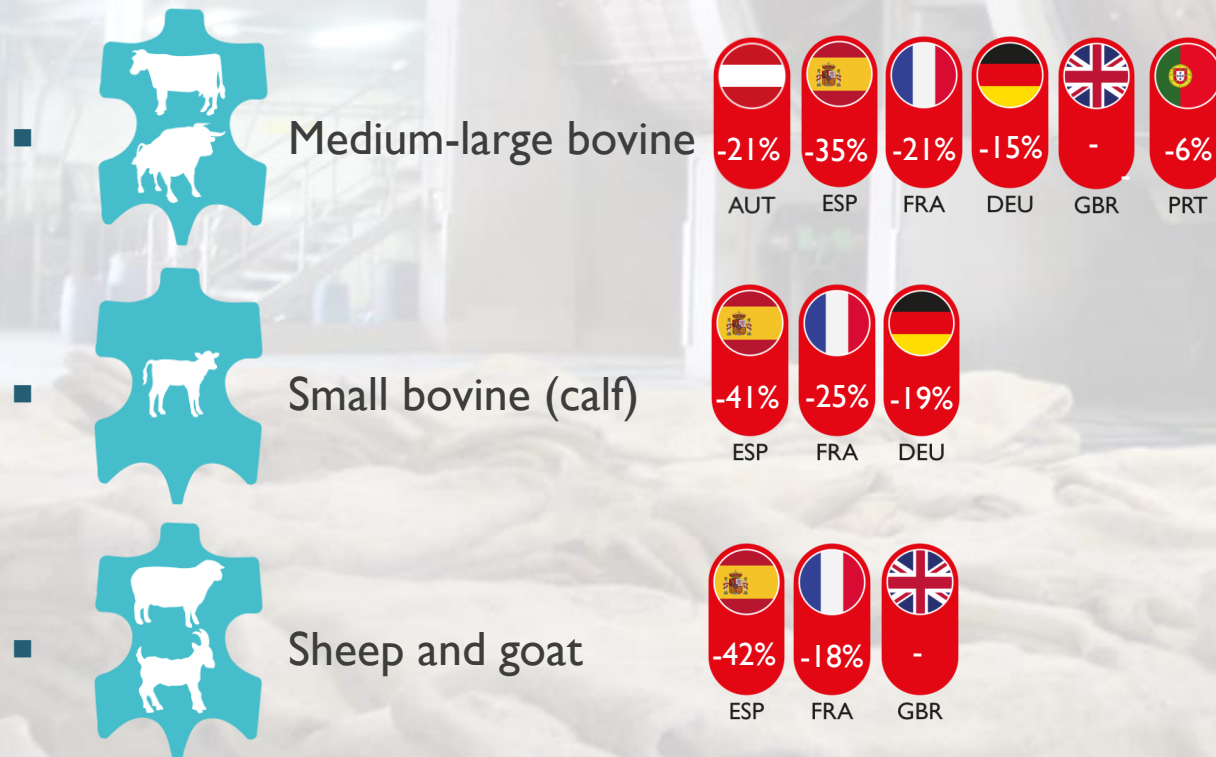


TANNING SECTOR

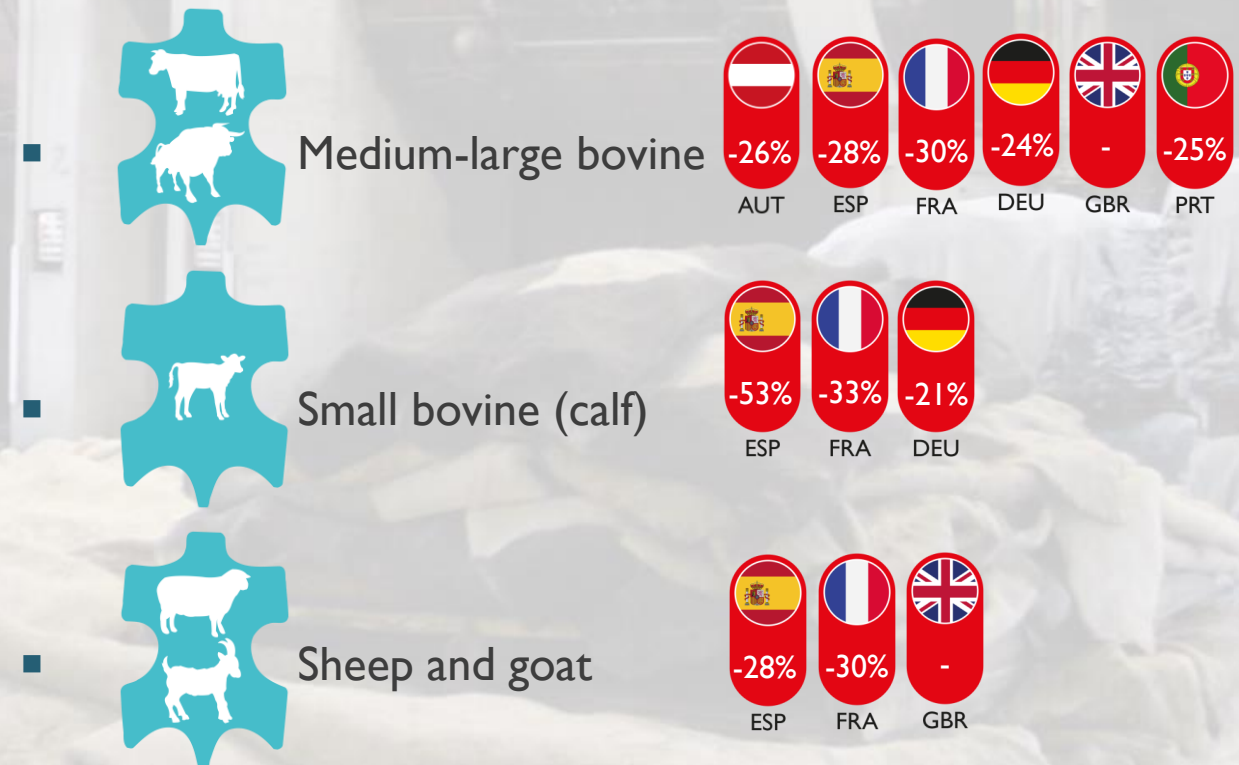
TURNOVER INDEX TRENDS IN EUROPE



3rd QUARTER 2020 VS 3rd QUARTER 2019



FIRST 9 MONTHS 2020 VS FIRST 9 MONTHS 2019



TANNING SECTOR

TURNOVER INDEX TRENDS IN THE WORLD



3rd QUARTER 2020 VS 3rd QUARTER 2019



Bovine



Sheep and goat



FIRST 9 MONTHS 2020 VS FIRST 9 MONTHS 2019



Bovine



Sheep and goat

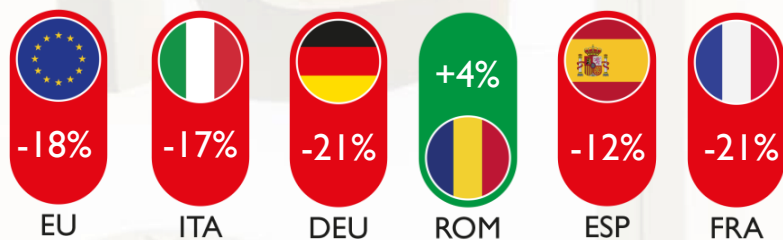


ACCESSORIES AND COMPONENTS SECTOR

TURNOVER INDEX TRENDS

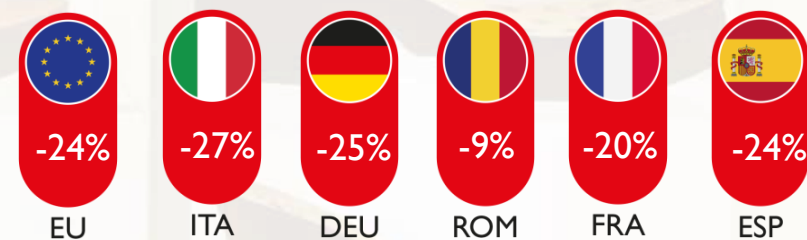
3rd QUARTER 2020 VS 3rd QUARTER 2019

The downward spiral triggered by the pandemic does not slow down in the third quarter of the current year. All European manufacturing companies are experiencing marked declines, with very few exceptions. Significant losses in all sectors of the industry.



FIRST 9 MONTHS 2020 VS FIRST 9 MONTHS 2019

The partial 2020 highlights the difficulties of all European manufacturers in the sector. Declines with more than 20% decreases are prevailing, except for some smaller but still significant drops. Criticism in all segments, which are all shrinking sharply with losses between 23% and 25%.

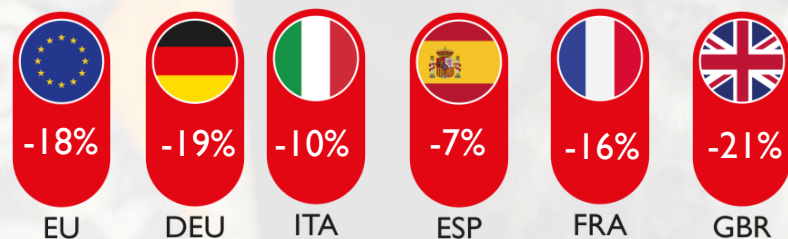


TEXTILES AND SYNTHETICS SECTOR

TURNOVER INDEX TRENDS

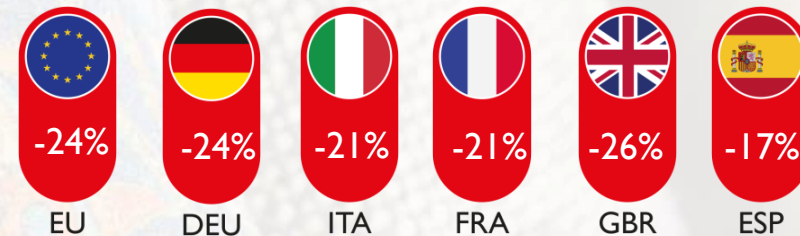
3rd QUARTER 2020 VS 3rd QUARTER 2019

The quarterly comparison returns a still clearly unfavorable scenario for fabrics and synthetics. Significant losses for all EU players with decreases mainly in double-digit figures. The declines concern all compartments of the sector, without exception.



FIRST 9 MONTHS 2020 VS FIRST 9 MONTHS 2019

The first 9 months of 2020 confirm the great difficulties of the sector related to the spread of the pandemic. More than halved the sales for manufacturers of regenerated leather fibers. Over 20% decreases for EU producers of synthetic and fabric materials.

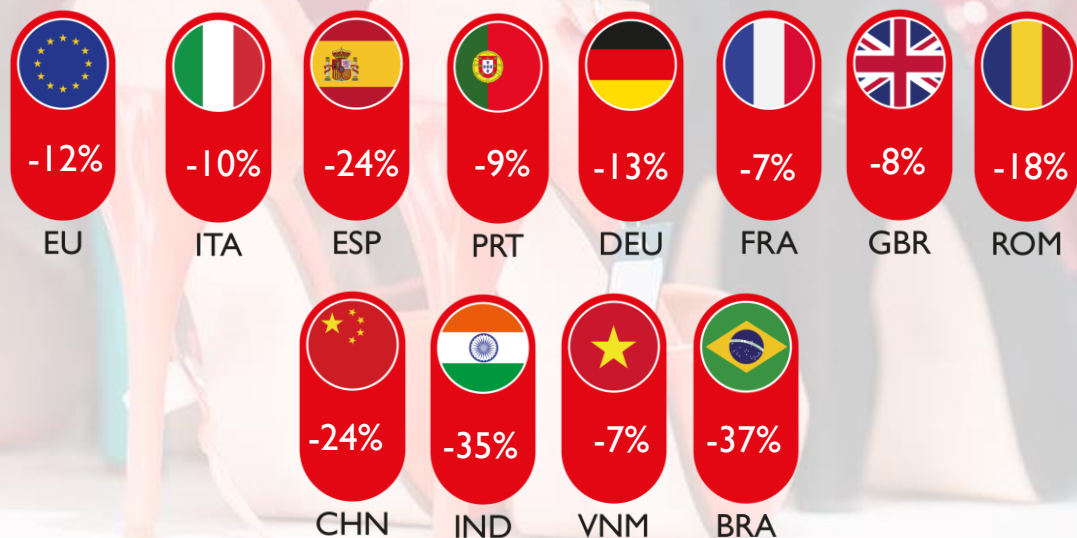


FOOTWEAR

TURNOVER INDEX TRENDS

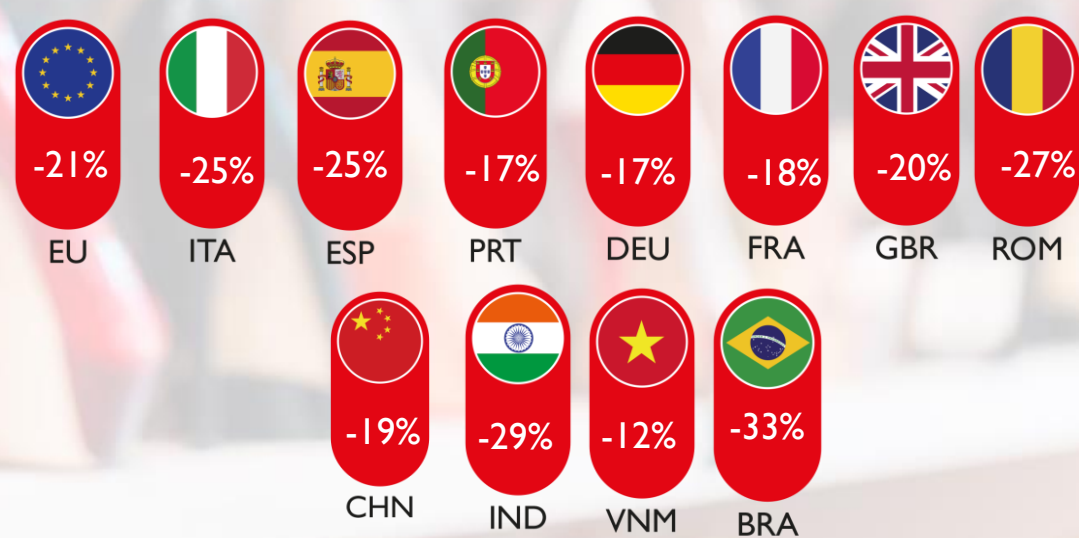
3rd QUARTER 2020 VS 3rd QUARTER 2019

After a first half of the year marked by severe setbacks, the third quarter, thanks to the easing of the pandemic health crisis in Europe, marks a deceleration in the losses, despite a general outlook that is anything but positive.



FIRST 9 MONTHS 2020 VS FIRST 9 MONTHS 2019

The overall comparison is slightly mitigated by the quarterly trend and shows widespread declines.

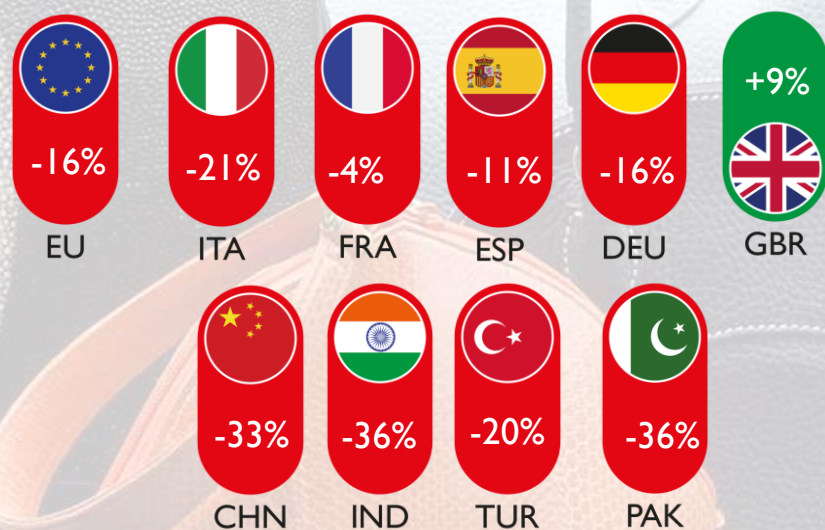


LEATHER GOODS

TURNOVER INDEX TRENDS

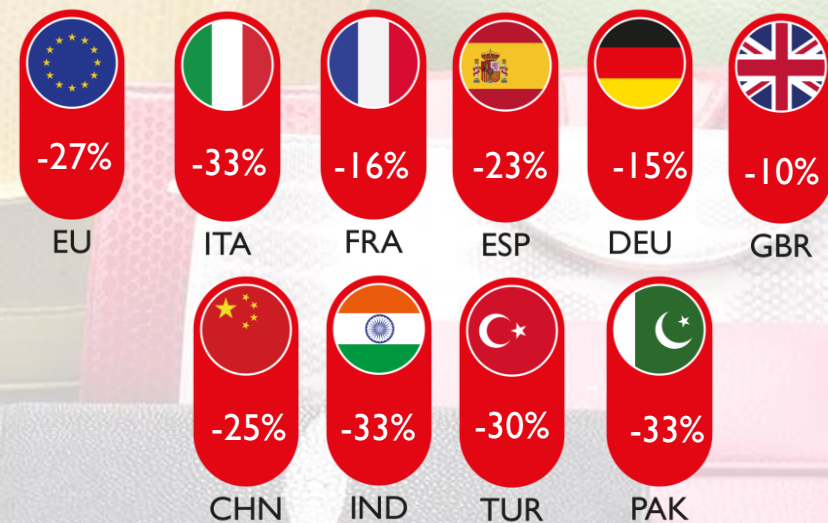
3rd QUARTER 2020 VS 3rd QUARTER 2019

The performance of the leather goods sector is also largely negative, and Italy remains the European country most affected.



FIRST 9 MONTHS 2020 VS FIRST 9 MONTHS 2019

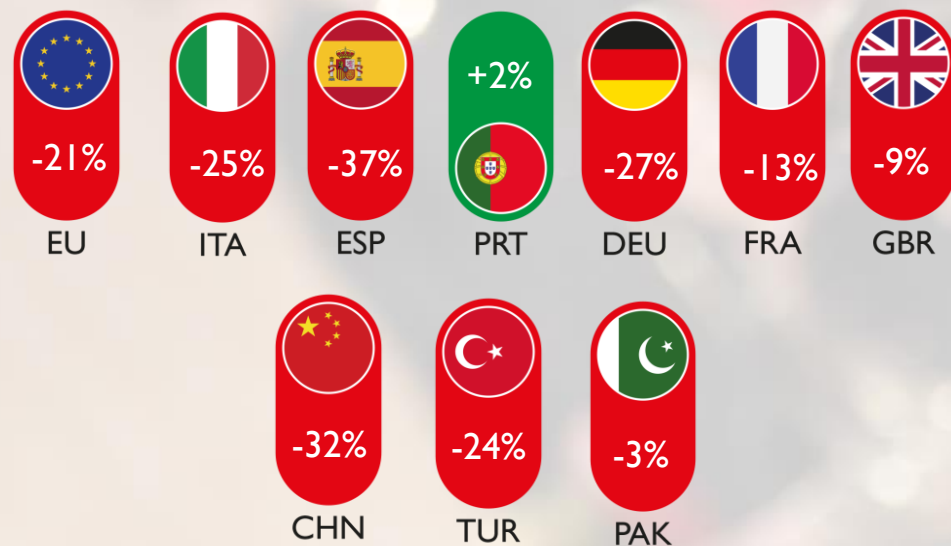
A similar trend can be seen in the cumulative comparison of the first nine months compared to the same period last year, with heavily negative results also outside the EU.



LEATHER APPAREL TURNOVER INDEX TRENDS

3rd QUARTER 2020 VS 3rd QUARTER 2019

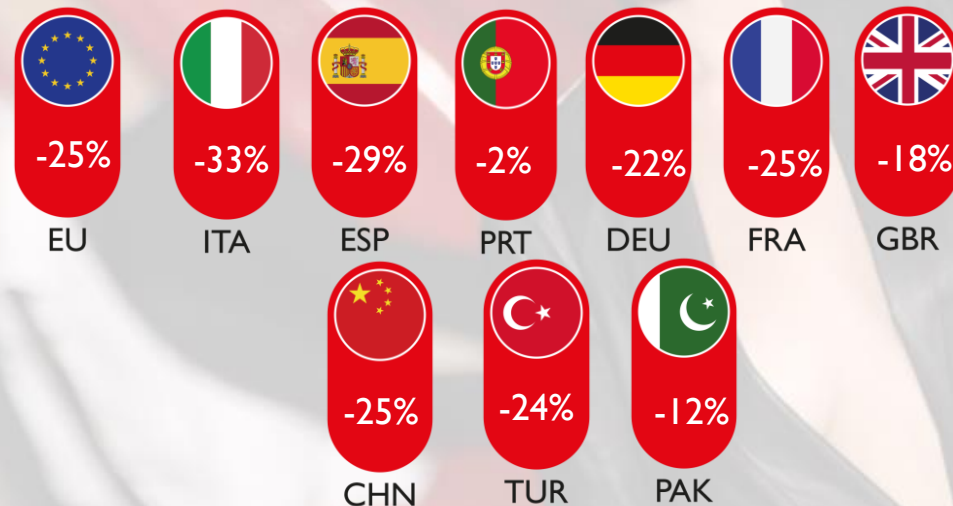
Even for leather apparel, the third quarter of the year continues to show very negative reports for major European and Asian manufacturers.



FIRST 9 MONTHS 2020 VS FIRST 9 MONTHS 2019

The long-term dynamics show very limited differences, with only Portugal being less affected.

Double-digit losses in Asia.



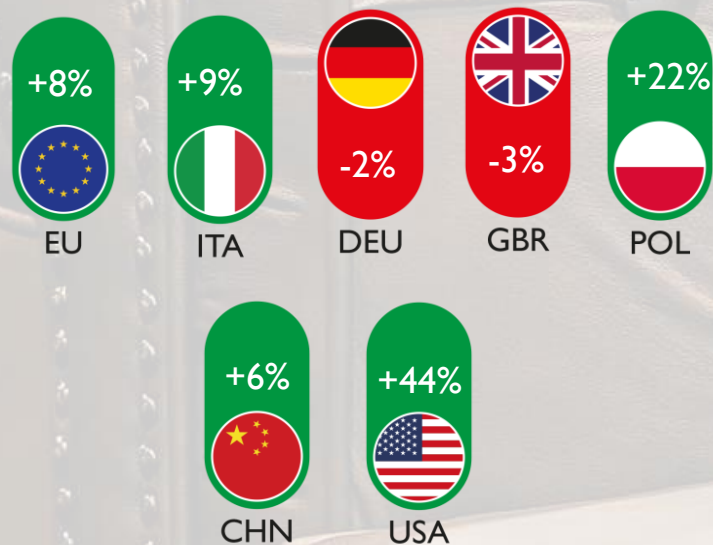
UPHOLSTERED FURNITURE

TURNOVER INDEX TRENDS

3rd QUARTER 2020 VS 3rd QUARTER 2019

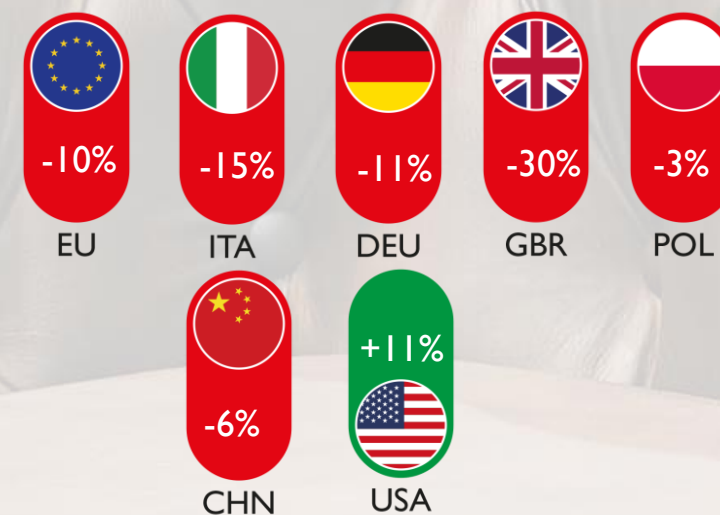
The quarterly trend of European exports of upholstered furniture shows an encouraging rebound while the markets that are still in decline ease their losses.

Positive dynamics also in China and in the USA, where new orders registered a strong quarterly increase.



FIRST 9 MONTHS 2020 VS FIRST 9 MONTHS 2019

The aggregate result for the first nine months remains negative, albeit with less heavy losses. Outside the EU, China's export balance is still largely in negative, while the USA is picking up.



AUTOMOTIVE

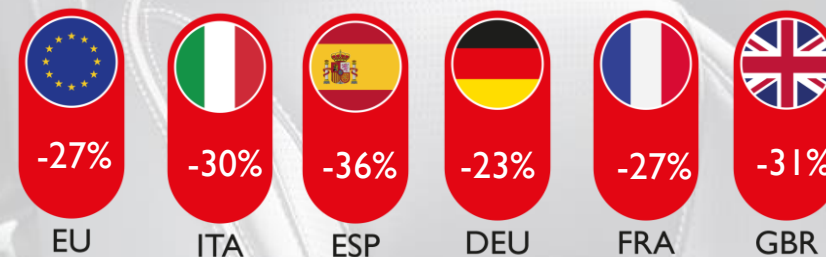
TURNOVER INDEX TRENDS

3rd QUARTER 2020 VS 3rd QUARTER 2019

- The third quarter of the year marks a slowdown in automotive losses as well
- In the Italian market, new car registrations were stable compared to the corresponding quarter of last year
- The other major European countries recorded widespread declines, particularly significant in Spain and France

FIRST 9 MONTHS 2020 VS FIRST 9 MONTHS 2019

- The dynamics of the first three quarters show a negative picture in Europe



- The 5 largest EU markets recorded losses slightly higher than the overall average
- Globally, the most severe declines are in the Americas (-20/-25%), followed by the EU. More limited drops in China (<10%)

LUXURY

9 MONTHS 2020 RESULTS

The measures to limit spread of Covid-19 contagion had a negative impact on luxury fashion brands in the third quarter of 2020, although more limited than in the first half of the year. Strong uncertainties persist for the end of the year in the face of new restrictive measures adopted by governments to deal with the second surge of the virus.

- **LVMH** – revenues down 21%, with more limited losses for Fashion & Leather Goods (-11% organic growth in revenues in the first 9 months of the year). The resilience of the French colossus' brands, in particular Louis Vuitton and Dior, was exceptional despite stores and several production sites being closed due to the pandemic.
- **KERING** – heavy drops for the group: -21% in the cumulated 2020. Gucci recorded a fall of 26% (constant rates). Yves Saint Laurent also posted some losses (-20% constant rates). Bottega Veneta held up well (+0.5% constant rates), leading the group's recovery in the third quarter of this year.
- **HERMÈS** – decreasing revenues for the Maison: -14% on the 2019 compensation (constant rates). Decreases for leather goods and saddlery (-13%). The third quarter 2020 shows signs of recovery with rises driven by growth in the leather goods and saddlery division (+8% in the quarterly comparison).
- **TOD'S** – group sales down by 33% in the first 9 months of 2020. Both footwear (-31.5%) and leather goods (-43%) divisions performed badly. In detail: Tod's (-38.5%), Hogan (-27%), Fay (-34%) and Roger Vivier (-26%).
- **FERRAGAMO** – sales down by 37% in the first nine months of 2020 (constant rates). All divisions declining, particularly footwear (-40%) and leather goods (-34%).

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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