

MARKET INSIGHTS

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LINEAPELLE
ECONOMIC DEPARTMENT



LEATHER

ITALY – According to current non-definitive estimates, the Italian tanning industry closed 2021 with a growth of 20.1% in terms of **turnover** and 10.2% in **production** volumes (square meters) of finished leathers (+14.7% in kg of sole leather) compared to the previous year.

However, it is essential to underline that 2020 was an extraordinary year: in springtime the tanneries had to suspend production for several weeks during the first wave of Covid19 and in the following months the demand restarted very slowly. Then it appears necessary to make a **comparison between the 2021 data and the pre-pandemic data of 2019**, from which, unfortunately, a **persistent decline** still emerges (-8% in revenues and -7% in production).

Italian leather **export**, which, destined every year to around 120 countries, accounts for over 70% of the total turnover of the sector, shows values variations in line with the other main economic indicators, recording an increase of 20% over 2020 and a decrease of about 10% on the previous year. The single flows to main export destination countries does not show a very different picture. Exports to China (including Hong Kong), being the first foreign destination of Italian leathers for years, grew by 24% over the past year, but are still far from the pre-Covid19 numbers (-20% on 2019). A similar situation also in France (+28% on 2020, -14% on 2019), Germany (respectively +22% and -4%), US (+17%, -6%), Spain (+33%, -21%), Portugal (+10%, -11%), Poland (+26%, -14%), Romania (+13%, -16%), Serbia (+20%, -10%), UK (+21%, -19%). However, there are positive exceptions, such as Vietnam (currently the third most important international destination for Italian leathers), which grew by 35% over the past year but also by 5% compared to two years ago, Mexico (+58% compared to the last year and +22% over two years ago) and the emerging Cambodia (+53%, +42%).

The sector has therefore not yet fully recovered the heavy losses due to the economic effects of the pandemic, but there is a **good degree of confidence** that this can happen in the current year. This confidence is somehow **weighed down by the trend in prices of the main raw materials**: raw hides (which, despite the coolings in recent weeks, have grown by an average of 20% in 2021, with peaks even higher than 50%), chemicals and energy (the latter is certainly one of the major concerns of recent months). These increases are accompanied by increases related to services, such as purification and logistics. This is a wide, widespread and generalized trend and the real risk is that it may inhibit the timing and intensity of recovery is heavy, with serious consequences in terms of financial sustainability.

OTHER COUNTRIES – The 2021 overview shows recoveries for all the other main countries producing **bovine leather**, with the only exception of some cooling in Central Europe due to the slowdown in the automotive sector.

The **sheep and goat leather segment** recorded a more diversified situation: positive annual dynamics for the most important EU productions (Spain and France, in addition to the aforementioned Italy), while widespread difficulties still emerge outside the continental borders (especially in the Middle East).

ACCESSORIES COMPONENTS & TEXTILES

TEXTILES AND SYNTHETICS – The 2021/2020 comparison reflects the strong overall recovery of **textiles and synthetics**, with double-digit increases for all major European manufacturers, pushing the overall EU average to +16% annual sales. Good dynamics especially for Italian and Spanish manufacturers. The last quarter of the year, however, showed a slowdown in the sector's recovery from last year's losses. The greatest difficulties concern, in particular, **synthetics** and **fabric materials**. On the other hand, **regenerated leather fibers** held up well.

MANUFACTURING

FOOTWEAR – **European footwear** is back on track in 2021: +9% the EU average in comparison with 2020. In the annual comparison, all the main European manufacturers are in the positive range. Increases between 10% and 13% for Italians, Portuguese, Spanish and Polish. German footwear manufacturers jumped by 23%. Excellent results also for the French (+7%) and Romanians (+6%). Encouraging dynamics for Brazilian footwear (+37%) Major **non-EU players** are also growing strongly, in particular China, India and Vietnam, which are continuing in the wake of an upward trend that began in the second half of the year just closed. The upward trend is confirmed to be robust also in the last quarter of 2021, net of the downturn recorded by Vietnamese producers.

LEATHER GOODS – The 2021 balance is extremely positive for the sector, which is growing at double-digit rates on average at **European level** (+23%) thanks to the excellent results of the Italians and French (who are growing between 22% and 27% in an annual comparison). Romanian producers, on the other hand, are in a downward trend. **Asian competitors**, all showing positive results, and the Turkish producers were also dynamic. With greater or lesser intensity, the last quarter of the year therefore confirms the upward trend already underway in previous quarters.

LEATHER GARMENTS – Towards the end of the year, sales of **European clothing manufacturers** accelerated, ending 2021 with a 4% growth (EU average). The Italians (+22%) and Portuguese (+15%) stand out, while the Germans (-19%) and French (-22%) show some uncertainty. In **Asia**, China declined, despite the moderate recovery registered in the fourth quarter of last year. India and Pakistan, on the other hand, are performing well.

UPHOLSTERY – The momentum of the upholstered furniture sector continues, closing the year with a positive balance: +18% at **European level** thanks to the excellent performance of Italian (+30%) and Polish (+22%) manufacturers. Beyond the EU borders, **China** and the **United States** also grew (the latter closed 2021 with an increase despite the slowdown in the last quarter of the year, -9%). On the automotive sector, the 2021 result is marked by the crisis linked to the shortage of semiconductors, which has negatively affected car production throughout the year, especially since last summer. At EU level, the drop

ACCESSORIES AND COMPONENTS – Sales in the **accessories and components** segment also rose for the year (+13% overall in Europe), with all the major manufacturing countries showing marked increases, especially Italy and Spain (both with growth rates between 20% and 22%). The increases involved all segments, especially **small metal parts** (+16% on average). The expansive dynamic, however, appears to be weakening towards the end of 2021, where the fourth quarter reports an overall European seasonal loss of 4%, linked above all to the decline in German manufacturers.

was around -2%, due to the drop in Germany (-10% of registrations) and the stall in France. Italy, on the other hand, held up well (+5% over the year), although the slowdown in the last quarter, when new car registrations fell by 30%, is a source of concern. Contained growth in the Chinese and US markets, both up by 3% last year.

LUXURY – Against the backdrop of a gradual recovery from the health crisis, European luxury fashion brands are closing their 2021 financial year with results that on average show a strong upturn. However, an attitude of careful caution prevails for the months ahead, still deeply marked by uncertainty. Broadly positive year-end for **LVMH**, with sales up by 36% over 2020 (+14% over 2019), thanks to the prominence of the fashion and leather goods segment: +47% over the previous year (+42% over 2019) and strong sales growth in the fourth quarter of 2021. Outstanding performance for Louis Vuitton, remarkable growth for Christian Dior. Good performance for Celine, Fendi and Marc Jacobs. Revenues 2021 up 35% for **Ke- ring** (+13% on 2019). Sustained growth for Gucci (+31%), which accelerated in the last quarter of the year. Record performance for Yves Saint Laurent (+46% in the annual comparison, +47% in the last quarter of 2021 alone). Bottega Veneta performed well: +32%. Revenues of other houses also increased (+44% on 2020), thanks in particular to the excellent performance of Balenciaga and Alexander McQueen. Extraordinary growth for **Hermès**: +42% 2021 revenue in the annual comparison (+33% on 2019) driven by the Asian and American markets. Exceptional sales of leather goods and saddlery: +29% over 2020, +23% on 2019 although after the strong acceleration of the first nine months of last year, sales in the fourth quarter reflected, as expected, some production capacity constraints (-5% in the quarter). Back to values close to pre-Covid levels, **Tod's** group sales: +39% on 2020 (-3% on 2019) thanks to Tod's and Roger Vivier sales growth (+45% and +44% respectively). Recoveries also for Hogan (+25%) and Fay (+28%). The leather goods and accessories division is up +66% on 2020 while footwear is up +36%. Consolidated revenues growing by 31% (constant rates) driving the increases recorded in the last quarter of 2021 for **Ferragamo**, thanks to the contribution of the North American market. Increases for all product categories, where shoes and leather goods respectively share 43% and 44% of total revenues.



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of the Italian Tanning Industry

