

MARKET INSIGHTS

FEBRUARY 2025



LINEAPELLE

ITALY – The Italian tanning industry, based on the latest ISTAT data available (11 months of the year), is estimated to end 2024 with an **overall annual decline** of 4.3 percent in turnover and 7.6 percent in production volumes.

If the evidence of these changes were confirmed in the final analysis, this would be the second consecutive year of overall declines for the sector, reflecting persistent generalized suffering in the fashion, furniture and automotive supply chains.

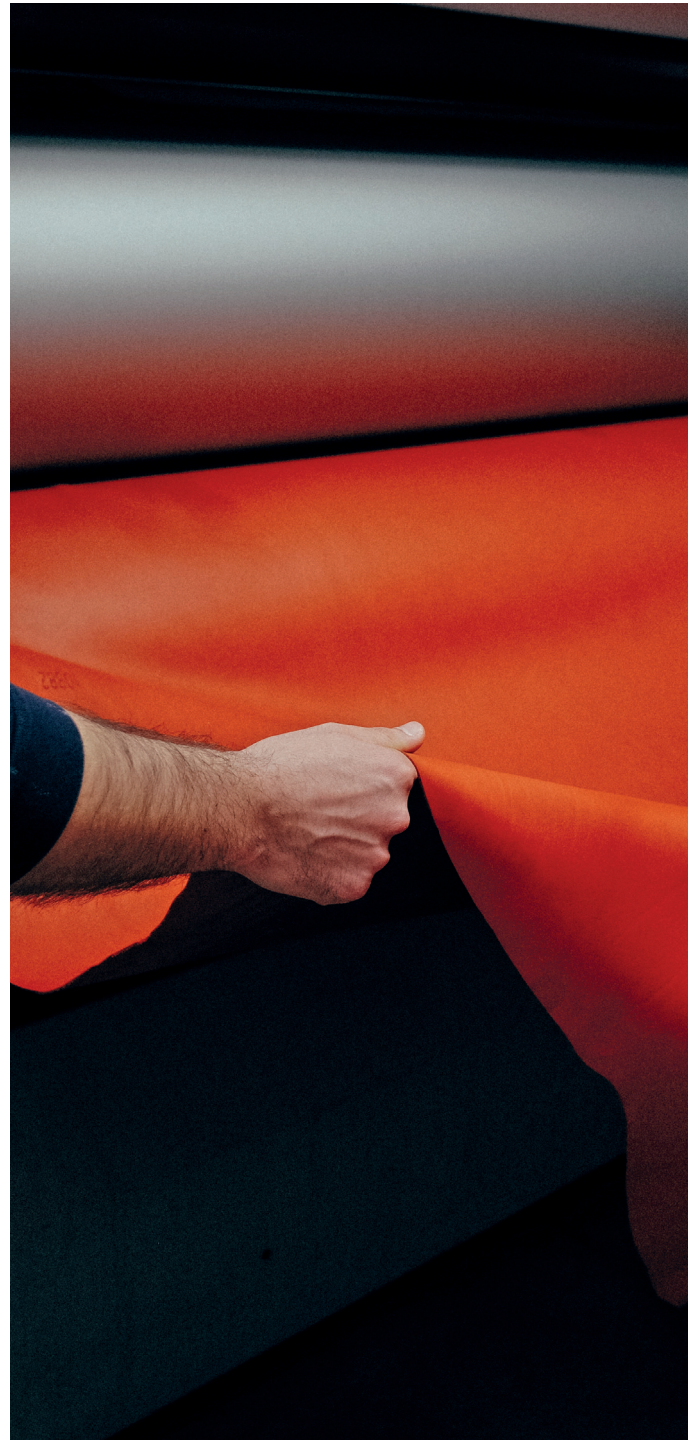
The ongoing international political tensions that have been a feature of the last few years, and their severe consequences at the economic level, have intensified an economic slowdown that affects consumer products in the aforementioned supply chains most strongly, upon which the need to rethink development strategies at the global level is clear. While on the global political level there have recently been signs of possible relaxation of existing conflicts, the prospects for trade still appear difficult and uncertain, with the risk of further exacerbation and effects unfortunately difficult to fully discern at the global level.

The performance of **Italian leather exports** also shows overall negative fluctuations in the period January-November 2024, with a total decline of 3 percent in value compared to the previous year's figure.

Despite the negative sign of total exports, the analysis of individual shipments by main destination country shows, once again, varied trends, even of remarkable intensity. Among our top 20 export countries, Spain (+11 %), Vietnam (+23 %), Germany (+6 %) and India (+2 %) are growing, against substantially unchanged flows to France (first foreign destination of Italian leathers), China (including Hong Kong) and South Korea. Shipments to the U.S. (-4%), Serbia (-3%) and the U.K. (-4%) declined slightly, while more intense declines were seen in Romania (-11%), Tunisia (-10%), Portugal (-6%), Albania (-11%), Poland (-12%), Slovakia (-15%), Mexico (-10%), Turkey (as much as -30%) Czech Republic (-20%) and Hungary (-7%).

The analysis of the sector-specific performance of the **individual segments and production districts** of the Italian tannery unfortunately shows no exceptions to the adverse landscape mentioned above. In the detail of production by animal origin, bovine leathers show, on average, less negative variations than sheep and goat leathers, both in production and in turnover, while, in terms of destination sector, difficulties appear widespread across all client segments. Turnover in all major national manufacturing districts is declining.

OTHER COUNTRIES – The current global picture concerning the sector's performance in 2024 shows, for **bovine leather**, declining sales results in all the main producing countries, both in Europe and in Asia and South America,



with the only slight exception of Brazil (which shows a substantially unchanged export in value). In the **sheep and goat leather segment**, Spain and France are the only players to show less difficulty than the other players, with some signs of slight recovery in the last months of the year from India, Pakistan and Turkey.

ACCESSORIES, COMPONENTS, SYNTHETICS

TEXTILES, SYNTHETICS AND LEATHER ALTERNATIVES –

There is no sign of stopping in the cooling of the sector, which shows signs of uncertainty even in the last quarter of the year and in the annual comparison confirms the weakness of the sector as a whole, with widespread declines at the EU level (-2% on average). Particularly bad are the Italians and Germans, while the French and Spanish remain stable over the corresponding 2023. Regenerated leather fibers and synthetics hold up fairly well, greater criticality on the contrary for synthetic fabric materials.

MANUFACTURING SECTORS

FOOTWEAR – With the impact of the post-Covid rebound over and after a 2023 of substantial stability (in value), 2024 closes with negative signs in all the main parameters for the **Italian footwear sector**. The adverse performance of many major international economies and an unfavourable geopolitical context, which saw the inclusion, in addition to the Russian Ukrainian conflict, of another front of instability in the Middle East, severely penalized Italian footwear exports in 2024. After so many difficult quarters, the annual comparison also confirms a critical picture for the EU sector as a whole, with average declines of 6 percent. Non-European players are up and down, where Asians remain competitive with the exception of Indian manufacturers, declining.

LEATHER GOODS – The much-desired turnaround was not observed in the last quarter of the year, which confirms the difficulties of **Italian leather goods**, down double digits in the period, distressed by international instability, the slowdown of strategic markets such as China and Germany, and the difficulties of access to credit for domestic companies. The EU picture is also negative, showing the EU average at -7 percent over the corresponding 2023 level. The non-European landscape is contrasted: China and Pakistan are doing badly, while India is growing. Turkey is stable.

GARMENTS – European packers are cheering, as they end the year on the back of positive results already seen in previous quarters. The 2024 performance of the sector at the EU level, in fact shows decisive and widespread upturns for all major EU producers. Also joining the positive annual picture are the results of the sector's major non-EU players, all of which are on the rise in the 2023 comparison.

UPHOLSTERY – The slowdown observed during 2023 drags on into 2024 as well, with the European **upholstered furniture** sector wrapping up with signs of persistent weakness, which did not fade even in the latter part of the year (-3 % the EU ave-

ACCESSORIES AND COMPONENTS – Accessories and components end 2024 painting a sharply negative picture in comparison with the corresponding 2023, further dampened by the bearish trend during the fourth quarter of the year. Widespread declines between -2% and -11% affect all major EU manufacturers. Breakdown by sector shows other footwear parts and small metal parts sinking, declines also for other accessories.

rage). Beyond European borders China is growing while the US appears weak, with stable results over last year. Rather sluggish in 2024 also the **automotive sector**, which settles on stable results on 2023 numbers. The trend remains weak, particularly for the Italian and French markets, with significant shortfalls compared to the units needed for a market approaching standard inflows of new car registrations. More reassuring is the non-European landscape, where registrations in the UK (+3%), the US (+2%), China (+5%) and India (+8.5%) are growing.

LUXURY BRANDS – The 2024 conclusion of the major EU luxury fashion brands shows mixed results, with mostly negative or slightly stable signals, with very rare exceptions. The Asian market slowdown and global macroeconomic and geopolitical uncertainty weigh heavily. Overall unfavourable in the reporting period is also the impact of currency fluctuations. Organic sales 2024 stable at +1% (constant rates) for French luxury giant **LVMH**, despite signs of weakness experienced by the Fashion & Leather Goods division (-1%) on the corresponding 2023. Double-digit sales increases in Japan, moderate rises in the US (+2%) and Europe (+3%). Criticality for the Asian market (-11%). In trouble **Kering Group**, which closes 2024 with a 12% revenue loss (constant rates). **Gucci** sinks (-21% revenue in 2024). Significant losses also for **YSL** (-9%). Encouraging, on the other hand, is the performance of **Bottega Veneta** (+6%). Overall in decline the group's minor brands (-7%) in the period. Further validation for **Hermès**, which closes 2024 with +13% in revenues (constant rates) when comparing with 2023 and growing sales in all geographies. Buoyant demand and an increase in production capacity drives especially leather goods and saddlery: +18% sales in 2024. In contrast, **Ferragamo** struggles, with a 7% loss in revenues in 2024 (constant rates), in a complex consumer environment, and despite encouraging operating trends in the fourth quarter of last year, particularly in Europe and the United States. Sales in all destination markets declined. Back 7% in leather goods, negative trend also in footwear, down -9%.