

MARKET TRENDS REPORT – II QUARTER 2006

WE ELABORATED THE MARKET TRENDS REPORT ON THE SECTORS MEETING AT THE NEXT EDITION OF LINEAPELLE (BOLOGNA, 17th –19th OCTOBER 2006). A SUMMARY FOLLOWS HERE BELOW. FULL COPY OF THE REPORT IS AVAILABLE UPON REQUEST.

RAW HIDES AND SKINS PRICES

The rise of bovine raw hides and skins accelerates during the second quarter 2006: particularly for calf skins a slack in slaughterings adds to a sustained demand. The growth in prices appears remarkable in comparison both to the first quarter of the year and to the second quarter 2005. The growing variety of uses for ovine leather, accompany higher production expectations, putting **sheep and goat** skin prices on a **growing trend**.

UPSTREAM SECTORS

The **tanning sector** closes the second quarter with an improved situation compared to the same period last year, particularly for large bovines and calf leather; still some problems are observed for sheep and goat leather. In comparison with the first quarter of the year, all varieties show a positive trend. Among the main destination markets, growth is recorded for Italy and Far East, but the other UE countries show encouraging signs of recovery. With regard to the allied sectors, **soles and bottoms, accessories** are enjoying a favourable period, while **synthetics** are experiencing a decline in production. Compared to last year, **textiles** do not report significant changes, while signs of growth are signalled with comparison to the first quarter.

DOWNSTREAM SECTORS

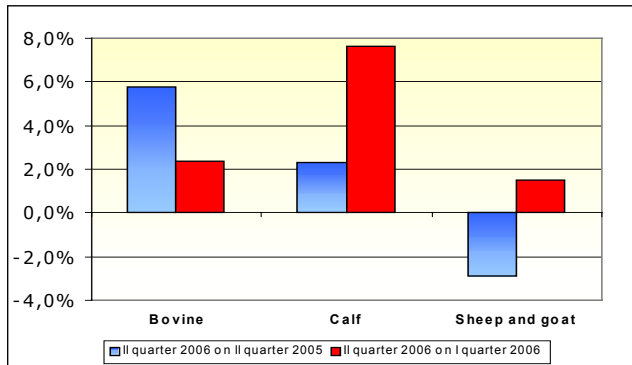
The **footwear manufacturers** have recorded a positive quarter compared to last years', while the production is stable on the short run. The Italian producers' trend is in line with the international situation, while the other EU

manufacturers still face hinders to the growth.

Strong growth is shown by **leather goods** manufacturing, that is still proving to be the best performer in the leather sector; the signs of improvement for the **leather garments** appeared in the first quarter are confirmed in the second quarter as well. Leather upholstery remains in a weak position, while the automotive leather enjoys a favourable outlook thanks to a good trend shown by car sales. ▲

Italian tanning sector Trend by leather type

Source: Lineapelle processing on sampled firms information



Manufacturers Trend for Italian leather users

Source: Lineapelle processing on sampled firms information

