

MARKET TRENDS REPORT – III 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

Prices for raw hides still on the rise. In the third quarter 2006 average prices rose for all the main typologies and origins, with maximum intensity for European cows and calves. (In particular for calves, pressure on prices was boosted by an the increased manufacturing demand and by an extended and widespread decrease in slaughtering).

Sharp rise in prices of bulls and goats (the most valuable origin). Only the seasonal comparison for goats is negative.

UPSTREAM SECTORS

The **tanning sector** reports positive annual variations for all the main segments: the confirmed growth of bovine leather and calf leather (started a few months ago) is accompanied by a good recovery for sheep and goats. Increasing trend for orders on the most important destination markets (it is worth noting the renewed dynamism of Europe and North America).

In the remaining intermediate sectors, **soles and bottoms** proceed on a rising path, while **accessories** experience a remarkable growth in the long term and a steady situation as compared to the previous quarter.

Prospective improvement for **synthetics**, that shows a slight increase. Stagnation for textiles.

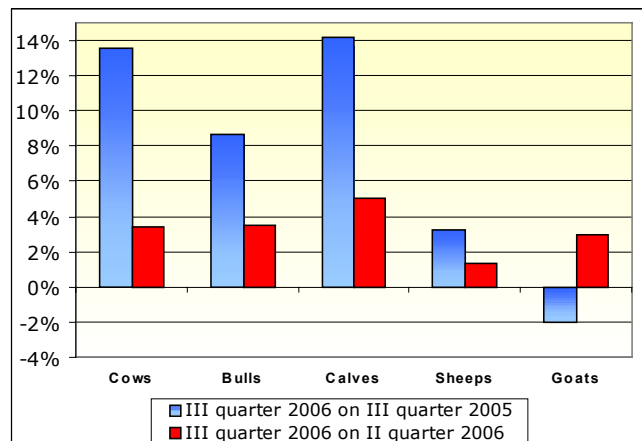
DOWNSTREAM SECTORS

Strengthening of **footwear** sector is confirmed in the long run as in the short-term comparison. Italian producers follow the average trend, while production on the rest of Europe is still sluggish. Rising turnover for **leathergoods**, for all the product ranges. General stability, with some positive signs, for **garment** manufacturers: in Europe production is generally stagnating, except for Italians,

who keep the pace. Widespread uncertainty for **upholstery** producers, in particular as compared to the same reference period of last year, while **automotive** sector remains stable.

Raw hides Prices trend by typology

Source: Lineapelle processing on sampled firms information



Upstream sectors Seasonal production trend

Source: Lineapelle processing on sampled firms information

