

## Market Trends – 1<sup>st</sup> quarter 2008

WE PREPARED A MARKET REPORT BASED ON THE TRENDS OF THE SECTORS TRADITIONALLY MEETING AT LINEAPELLE (BOLOGNA, APRIL 22 -24, 2008). YOU WILL FIND BELOW A BRIEF **SUMMARY**.

### Slackening and expectations

#### PRICES OF RAW HIDES AND SKINS

A **drop** of almost even intensity (-5% on the previous quarter) has been recorded **in the prices** of the various types **of bovine hides and skins**. It must be noted though, that few important suppliers (France, USA, UK) have marked an **upward trend** in the month of **March**. It is possible that speculative buying, adjustments prompted by exchange rates, or anticipations of a recovery of certain segments by large dealers may be contributing factors of this evolution. In the year-on-year comparison for the quarter, the fall of cow hides (-20%) has surpassed that of bulls'.

The **increasing trend of raw sheepskins** seems to loose steam in the first quarter 2008 (+2,8%), largely due to the mild rise of prices in Iran and New Zealand if compared with those of previous quarters. **No changes** reported **for goat** crust. Average prices of sheepskins and goatskins are actually 30% higher than one year ago.

#### SUPPLIERS

In the **tanning** sector the seasonal production of **bovine leather** has maintained a **downward trend**, while data on light leathers have shown a **fall for calves** and a **recovery for sheep and goats**. On the other hand, all the typologies have recorded losses if compared with the last months of 2007 (excluding sheep leather, stable). The **expectations** of the exhibitors on next quarter result to be **cautiously optimistic**.

As regards the other intermediate sectors, **accessories** have exhibited a slight rise, hiding a clear difference between high range (on the rise) and medium range (in difficulty). Considerable decrease for **textiles** and **synthetics**, while **soles** and **bottoms** have remained stable in the seasonal comparison and shrink in the short term.

#### CUSTOMERS

During the first quarter 2008, the overall footwear production has showed a moderate annual increase and a general stability in the short-term comparison. Slight decline for **Italian** manufacturers, while the rest of **Europe** has kept the pace.

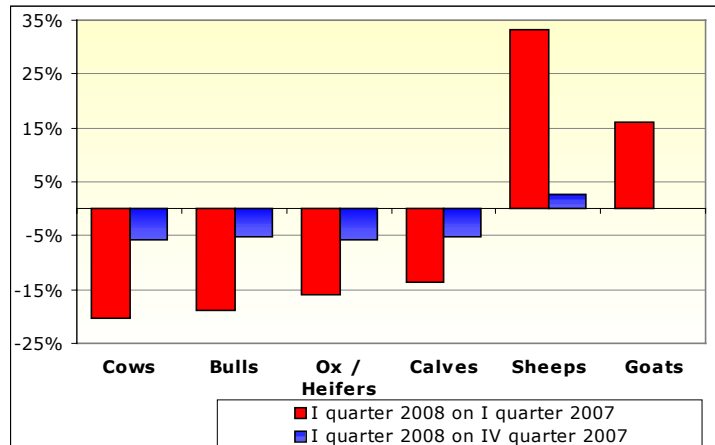
**Leather goods** industry still on a **rising** trend, with a particularly brilliant performance of **Italy**. Some **slackening** in the short term.

In the **garment** sector the situation is strongly differentiated: satisfying results for the Italian top range, production decreases (with few exceptions) for **China** and the rest of **Europe**.

Widespread fall for **upholstered furniture** in the EU (including Italy) and negative signs coming also from Chinese market. Problems are still alive for US retail sales and consumption.

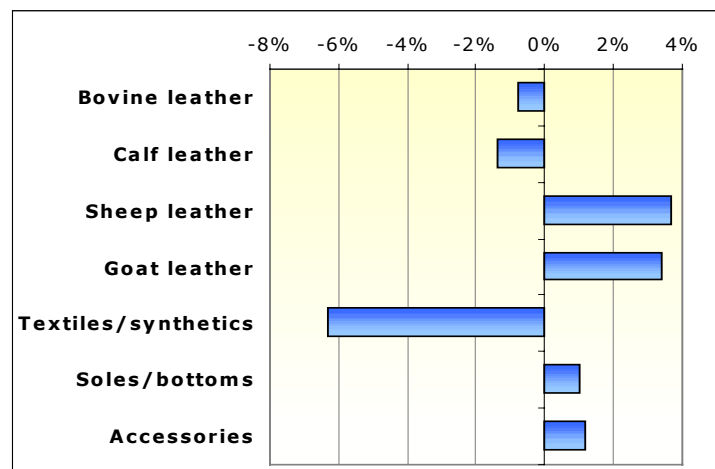
#### RAW HIDES AND SKINS

PRICE variations divided by type of animal



#### SUPPLIERS

Seasonal variations of PRODUCTION by sector



Full report (15 pages) is available upon request. Please contact Lineapelle Economic Department.