



Market Trends – 2nd quarter 2008

WE PREPARED A MARKET REPORT BASED ON THE TRENDS OF THE SECTORS TRADITIONALLY MEETING AT LINEAPELLE (BOLOGNA, OCTOBER 28–30, 2008). YOU WILL FIND BELOW A BRIEF **SUMMARY**.

Widespread weakness

PRICES OF RAW HIDES AND SKINS

Following the end of optimism that characterised Lineapelle, during the second half of the quarter **prices of bovine hides (including calf) began falling again** across the board, cancelling out the rises recorded from the beginning of March and sending the general index on a downward trend. Prices have only remained relatively unchanged in the countries of the dollar area, the direct suppliers of China (USA, Australia, New Zealand).

The high prices for **sheep and goat skins (letting up** compared to recent growth rates) and the low level for calf skins (the lowest since 2004) could shortly interrupt the prolonged replacement effect between the types and, should demand pick up again, lead to more extensive use of the latter.

SUPPLIERS

Tanning sector records a **widespread downturn** as regards both the year-on-year comparison and the trend since the beginning of 2008. The detail for animal typology shows falls of varying intensity: bovine leather is the worst affected, whilst by comparison the situation regarding sheep leather is less serious. **Forecasts** for the third quarter are generally **pessimistic** with some notable exceptions for sheep and goats. Among the main client markets, sales volumes have dropped especially in the dollar area (better in Europe). The **leather goods** sector is still the most active, the **footwear** destination is slack, whilst the serious downturn in the **upholstery** leather continues.

The year-on-year comparison shows **widespread falls**, including for the remaining intermediate sectors, with particularly poor performance of **textiles and synthetics**. The short-term situation for **accessories** and **soles/bottoms** shows improvement.

CUSTOMERS

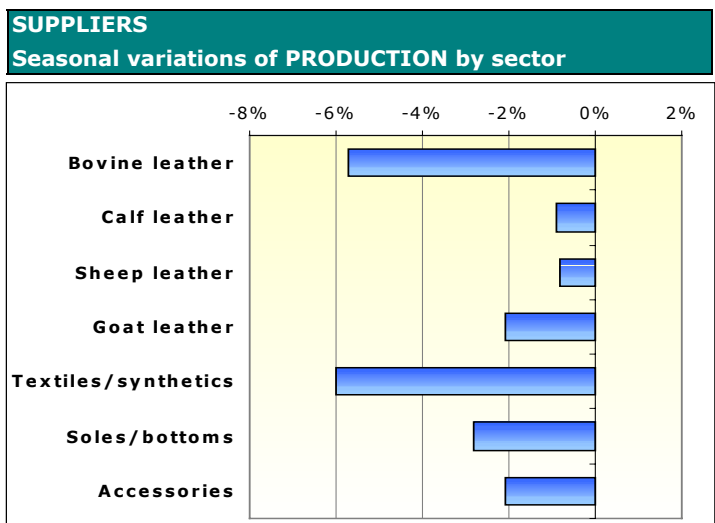
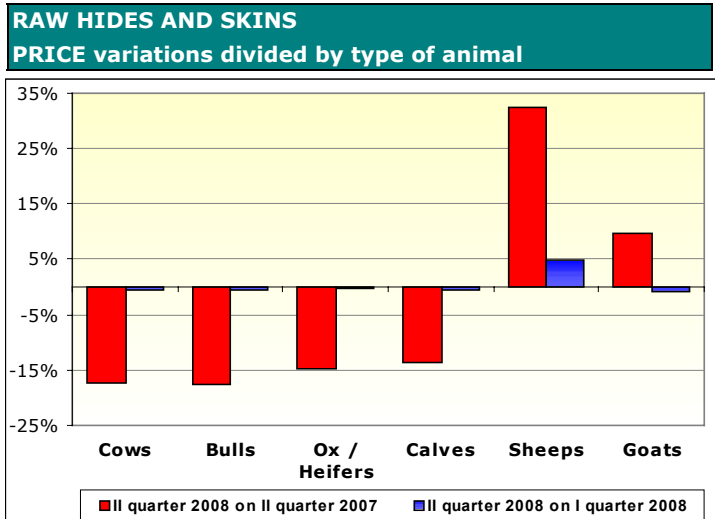
Footwear output shows general year-on-year stability. On average, **Italian** companies record a rise, whilst the other **European** countries show a **slight annual increase**, but a fall over the first three months.

The **leather goods** sector records a rise but has a slackening trend with forecasts of a downturn during the summer quarter. **Italy** has performed worse than the overall average.

Uncertainty in the **garments** segment. Italian output is generally stable, while the rest of Europe records a year-on-year fall, but has staged a short-term recovery.

There is a significant decrease in the output of **upholstery**: Italy is struggling, whilst the other EU countries record more moderate decline.

Consumer demand from United States continues to **fall** (that of European countries is nothing special either).



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