



## Market Trends – 1<sup>st</sup> quarter 2009

LINEAPELLE (BOLOGNA, APRIL 15–17, 2009)

### Change after falling

#### PRICES OF RAW HIDES AND SKINS

In the first quarter, the declining trend that marked the end of 2008 has recorded a further strengthen, with reductions around 30% for bovine hides & skins and 20% for sheep and goats. The dynamic has been intense in the months of January and February, while March has witnessed a widespread **stability**, that can be explained as a possible response of the upcoming fairs. **During last weeks, some slight increases have also been recorded** (for some EU origins of calf skins).

The weakness of demand reflected by the above mentioned price trend seems to hit with more intensity the typical supplying markets of Far Eastern players (i.e. Australia, New Zealand, USA), that, at the current level of prices, appear to show a greater interest towards hides and skins of higher grade.

#### SUPPLIERS

In acknowledgement of the market expectations communicated three months ago, the opening of Year 2009 has recorded more strong seasonal falls for all the main tanning products. Single losses seem to be quite similar (around 20% in average), confirming the widespread drop of consumption and demand (among the most important uses, the leather goods destination appears to suffer relatively less than the others). The economic outlook for the **next quarter** provided by our sample of operators shows **a higher degree of optimism** (or, better, a minor pessimism...) for small skins than large hides.

Sharp decline for the remaining intermediate sectors (components, accessories, textiles and substitute materials), and also in this case there has been no particular differentiation among segments. All of them have registered double digit falls, both in seasonal and

short term comparison, with some negative peaks over 50% decrease.

#### CUSTOMERS

Negative results for *footwear sector* in the first quarter of the year, as compared to the same period of 2008 and the previous quarter too. Italian companies seem to show **more stability** than the average of EU producers, who suffer strong and widespread contractions. Decreasing trend also in Brazil and, for the first time after a long period of growth, in Vietnam.

Considerable decrement for *leather goods* too, especially in the year-on-year comparison, even if it is worth noting that this loss has been also due to the still bright performance during the I quarter 2008. Italian manufacturers suffered more than the remaining EU countries, but show **some expectations of a possible partial recovery for the next quarter**. Anyway, France seems to be the only European country keeping the pace if compared to last year.

General downturn for *garments*. In Italy some positive signs from the latest fashion trends.

Persistent difficulties for *upholstery furniture*, even if in Italy the medium and medium-to-high ranges have shown **some good results**. US still suffering.

As regards *automotive*, after reporting a slowdown of sales in January and February, March has experimented a good **reprise**.

#### MOST RECENT INFO

During last weeks, there has been an increase of orders and optimism.

Full report (16 pages) is available upon request. Please contact Lineapelle Economic Department.