



Market Trends Report 2nd Quarter 2009

Signs of improvement

PRICES OF RAW HIDES AND SKINS

The prices of raw hides and skins experienced an **inversion of the trend** during the 2nd quarter 2009, with a stop to the continual price falls of the latest months. The growth, which started as early as in March for calfskins, has now spread to the majority of the markets and of animal types, although at different rates. Overall, large bovine hides grew by 4% and calfskins by 10% as compared to the first three months of the year. Sheep and goat skins still experienced some falls in prices, although a lot less heavy than in the first quarter.

This change in the market trends seems to be generated, beside the general improvement in the current economic outlook, by excessively low prices in many categories, remarkable falls in slaughtered animals in some countries, and higher orders than expected in some areas (Far East).

SUPPLIERS

Although the quarterly results of **tanners** still reveal two-digit falls as compared to last year, the situation looks remarkably better than the earliest months of 2009, for large bovine leather especially (smaller skins proved more stable). However, there are no strong indications of a general trend in terms of product: the conditions vary heavily depending on the tanners, and they are not expected to change much over the next quarter.

Strong seasonal falls are felt in the sectors of **components**, **accessories** and **alternative materials** (the first two in particular). Here too, however, some signs of moderate recovery are seen in the short term (accessories and soles).

MANUFACTURERS

A widespread negative situation is revealed for **footwear** manufacturers both in the long and the short comparison. The Italian manufacturers

were less heavily affected as compared to the mean of the rest of EU (although only on a year-to-year basis), with general falls hitting the non-EU countries too (especially Brazil, China and Vietnam).

Leather goods recorded losses, especially if compared to the 2nd quarter 2008. The Italians experienced heavy seasonal falls and a slowdown as compared to the start of the year, with prospects for next summer months not being rosy either. In Europe, the Spanish were affected by weaker falls, while the French recovered.

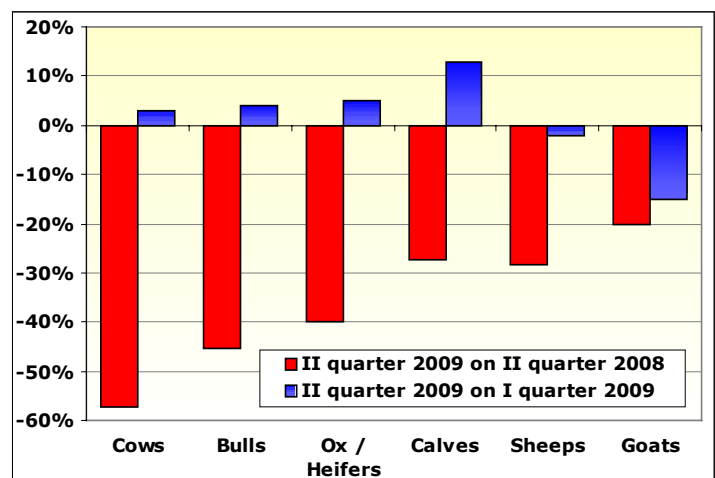
General falls in the **garment** sector too (where consumption is likely to recover only at the end of the general crisis).

The trend is negative for **upholstered furniture** (in Italy, this is a consequence of a drop in volumes in favour of quality).

If demand plummeted in the **automotive** sector on a seasonal basis, the positive signs seen last March are confirmed in the short term, thanks to higher registration rates.

EXPECTATIONS. High uncertainty for September, with some light fluctuations (positive or negative), depending on the specific product.

RAW HIDES AND SKINS
PRICE variations by animal typology



A copy of the full Report (16 pages) is available for a fee.