

MARKET INSIGHTS

SEPTEMBER 2024



LINEAPELLE

ITALY – Current (partial) estimates on the performance of the Italian tanning industry in the first half of 2024 show an **overall decline** of 3.1 percent **in turnover and 2.7 percent in production volumes** compared to the corresponding period last year.

After ending 2023 with a loss of 6.5 percent in value and 9.5 percent in volume, the current year has shown so far little change in the negative market trend for the industry and the entire leather supply chain. The persistent generalized consumer purchasing pain, particularly relevant for fashion and furniture goods (as compared to services and technology products, for example), originated from the inflationary wave



triggered in 2022 due to the post-Covid recovery and the onset of the Russian-Ukrainian conflict, but it amplified during the past year and the early months of the current one, partly due to Middle East tensions and uncertain political forecasts in the EU (new EU Parliament and Commission, elections in some important member countries) and the US (presidential elections in November). The widespread climate of uncertainty is also holding back sales of high-end brands, which had been an important driver for the Italian tannery in recent years but are now suffering (almost) as much as other product ranges.

Italian **export** flows of leather also showed an overall decline, down 1.6% in value in the January-May 2024 period, compared with the same period last year. Despite the negative sign of total exports, the analysis of flows by main destination country registered differentiated trends, even of considerable intensity. Among the top 20 destination countries, Spain (+16%), China (+17%, including Hong Kong), Vietnam (+39%), Germany (+6%), Serbia (+6%), Mexico (+11%), South Korea (+3%) and India (+1%) grew, while Romania (-12%), the US (-4%), Tunisia (-13%), Portugal (-18%), Poland (-8%), Albania (-8%), the UK (-3%), Slovakia (-17%), the Czech Republic (-10%) and Turkey (as much as -42%) are falling. Stable was France, the first foreign destination for Italian leathers.

Analysis of the performances of the **individual segments and production districts** of the Italian tanning industry unfortunately highlights no exceptions to the negative picture mentioned above. In terms of production by animal origin, bovine leathers showed, on average, slightly less negative variations than sheep and goat leathers, while, in terms of client sector, difficulties appear widespread across all types of destination use. Declining are the turnovers of all major national tanning districts.

OTHER COUNTRIES – At the global level, monitoring the production of medium-large **bovine leather** in the first part of 2024 offers a broadly declining picture, both in the rest of Europe (with major losses in Germany, Portugal, Austria, and the United Kingdom, and milder decreases in France and Spain) and in the other world areas (again, sharp declines everywhere except China, which declares recovery, and Brazil, which registers moderate decreases). In the **calf leather** segment, negative average sign in France and positive in Spain, while for **sheep and goat leathers** the overview is more differentiated (China, Spain and France on the rise, the other main producers in the segment on the decline).

ACCESSORIES, COMPONENTS, SYNTHETICS

TEXTILES, SYNTHETICS AND LEATHER ALTERNATIVES –

The first half of the year shows a general slowdown in the sector at the EU level, which closes in a deadlock over the previous six months tried due to weakness in the Germans and declines in the Italians despite the good performance of the French. Heavy declines for regenerated leather fibers, also bad the synthetic fabric materials. Sluggish dynamics in the synthetic.

ACCESSORIES AND COMPONENTS – Negative performance in 2024 partial, with all major EU manufacturers on the decline with the exception of the Romanians. At the segment level, thought double-digit declines affect other footwear parts, significant but more moderate losses for small metal parts and other accessories.



MANUFACTURING SECTORS

FOOTWEAR – The first half of 2024 shows a rather fragile **Italian footwear sector**, with significant declines compared to the same period last year and persistent difficulties confirmed also in the dynamics in the second quarter of the year. The seasonal comparison shows signs of criticality of the sector at the EU level as a whole (-9% the EU average), with more or less marked declines for all manufacturers except the Germans. Predominantly negative is also the scenario outside the EU borders except for Vietnam and Mexico, which rose during the period.

LEATHER GOODS – The six-month cumulated figure confirms the negative trend in the sector (-6%) already observed in previous period. Criticality especially for **Italian leather goods manufacturers**, with double-digit declines. Stable French and Germans. Some positive signs from the Spanish. Beyond EU borders, India slows down, bringing in stability. China is disappointing.

GARMENTS – The first six months of the year reward the dynamics of EU manufacturers (+6%). Some difficulties for Spanish and Germans, which are slowing on the corresponding 2023. China catches up, while difficulties persist for Turks, Indians and Pakistanis.

UPHOLSTERY – The six-month comparison is less than forgiving for **upholstered furniture**, which shows a decidedly bearish dynamic for the sector, with noticeable declines for Italians and Poles (both posting -5%). Double-digit losses for Germans, on the other hand. While China and the U.S. are doing well. In the **automotive sector**, the dynamic is good, with an overall increase of 5% in EU new var registration in the semester. Beyond EU borders, U.S. registrations are going

up 2%. China (+6.5%) and India (+15%) are on the rise as well. Nice performance of UK registration: (+6%).

LUXURY BRANDS – In a still rather disrupted and uncertain geopolitical and economic environment, major EU luxury fashion players record divergent performance in partial 2024.

LVMH revenues posted an increase of 2% in the first half of 2024 (organic growth). Slower dynamics in the fashion and leather goods segment, which is stable on the results of the same period 2023. Overall decent results for **Louis Vuitton, Dior, Celine** and **Loewe**. **Fendi, Loro Piana** and **Berluti** performed well. **Kering** slumps in partial 2024 cumulate, with revenues down by 11% (constant rates) over the period. **Gucci** suffers, sinking to -18% over the same period last year. Significant declines for **Yves Saint Laurent** -7% and the group's minor brands (-6%). The only positive note was **Bottega Veneta**, placing a 3% increase. Robust growth for **Hermès** with revenues up by 15% in cumulative 2024 (constant rates). In a difficult environment, all major markets showed good momentum: Japan +22%, Americas +13%, EU +18%. The growth of Asia, +10%, was more tempered. Notable performance of leather goods and saddlery division: +19%. Further declines for **Ferragamo**, with a revenues loss of -11% at constant rates in the first six months of 2024. Mostly negative dynamic in European and Asian markets. Smaller declines in sales to the Americas and Japan. Overall net sales down for leather goods (-12%) and footwear (-9%). Net sales up by 17% for **Prada** (at constant exchange rates). Good trend for **Prada** (+6% retail sales in the first half), strong growth trajectory for **Miu Miu** (+93% retail sales). **Church's** recovers (+15%). Good sales trend in European (+18%), Middle East (+22%), Asia Pacific (+12%) and Americas (+7%) markets.