

MARKET

THE FUR INDUSTRY

The results of the survey carried out by Associazione Italiana Pellicceria and PwC.

The response of the companies that took part in the recent tradeshow was positive, a result further confirmed up by the preliminary 2017 figures for the sectors that make up a good part of the show. The retail production value for the fur sector, was 1.367 mln./€, with an increase of 3.5% compared to 2016; meanwhile, at the end of last year, the turnover in the textile, leather, clothing and footwear industry closed at approximately 64.822 mln./€, with an increase of 2.5%. Furthermore, 2017 exports also recorded very positive results. In 2017 fur exports saw a global rise of approximately 4% compared to 2016, which was due to an increase in demand for the Italian product in China (+19%), France (+13%) and Russia (+12%). The year for the textile, leather, clothing and footwear sectors also closed on a positive note for overseas sales, signposting a recovery of the Asian markets (China +13.5 and South Korea +12.8%) and Russia (+12.8%). However, US exports are still a stumbling block for both the fur and other sectors. In fact, there was a -34% and -1.3% decrease in sales, respectively, a result that is above all connected to the purchasing habits of American stores that offer a more commercial, low-cost product. Meanwhile, an analysis of the imports highlights the difficulties faced by the Italian manufacturing industry. In the fur sector imports rose by

approximately 6.5% (particularly goods from China, Greece and Spain in particular), whereas textiles, leather, leather goods, clothing and footwear increased by roughly 3% (especially those from China). This is mirrored by the number of company closures in the fur sector in 2017, which was 2.585 (-11%), whereas, during 2017, despite the significant restructuring of the sector in recent years, the active companies in the textile and clothing sectors achieved similar results to those of 2016. A final note on consumption: after the downturn in 2014, which lasted until 2016, retail consumption saw a slight recovery in 2017 (+1.8% vs. 2016), reaching a value of approximately 996 mln./€. The recovery was also seen in the clothing textile industry, which has now stabilised after the notable downturn seen in previous years in any case, in this generally favourable period for business – benefited by a good recovery that continues to be driven by overseas demand – TheOneMilano appointment has reconfirmed itself as a reference point for understanding the market trends, individualising new opportunities and forecasting which markets will be the most receptive to the offers presented at the fair; an endeavour made possible also thanks to partnerships with ITA – Italian Trade Agency Ice, which promotes the internationalisation of Italian companies.

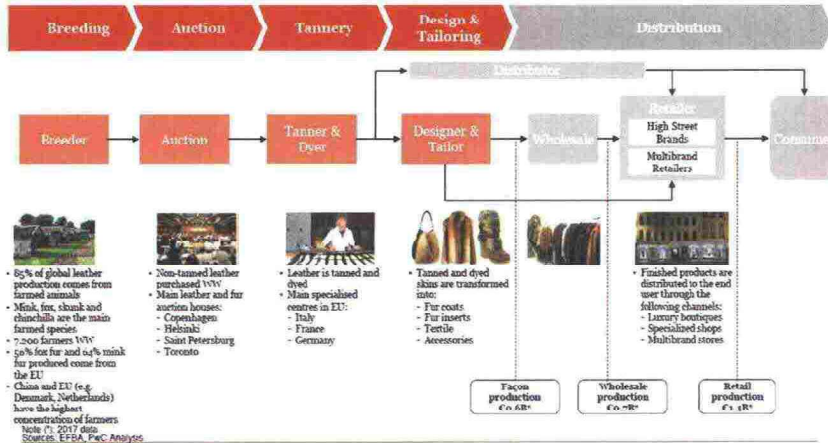
PwC Deals Strategy

**Associazione Italiana
Pellicceria**

**Traceability and sustainability in
the future of the fur industry**

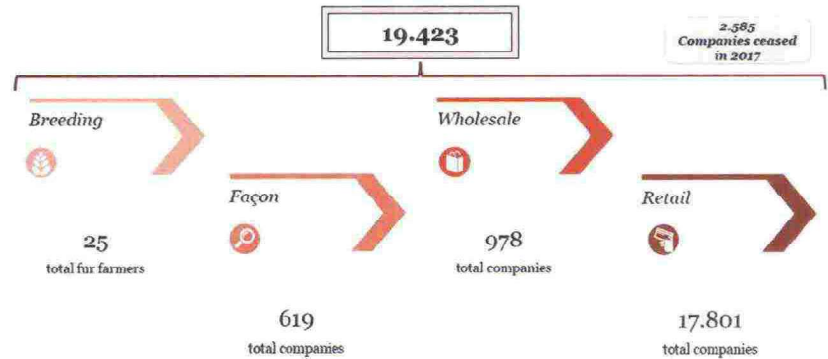
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The structure of the Italian Fur industry promotes the internationalisation of its players whose "core" activity consists in Design & Tailoring



The whole structure of the fur and leather industries in Italy consists of ~19k operators, >90% of which is represented by retailers who are specialized or focused on fashion collections

“ The whole structure of the fur and leather industries in Italy consists of 19k operators ”



Growth of the Italian fur production is driven by Fur Brands, especially at Retail level, recording a WS-retail mark-up of ~1,9x

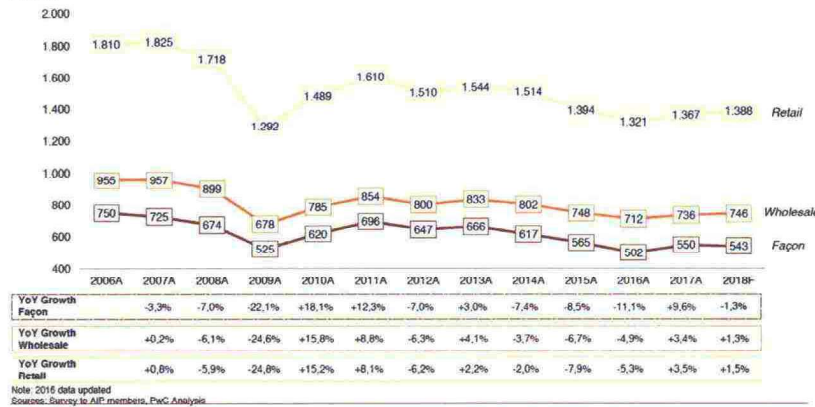
Value of Italian production by buyer (2017, CM, x times)



“ Growth of the Italian fur production is driven by Fur Brands ”

Façon production recorded an increase of ~10% in 2017, Wholesale and Retail level grew by ~4%; expectations for 2018 see a slight reduction for Façon and a contained increase for Wholesale and Retail

Value of Italian production (€M. %)



74% of operators believes the fur industry will grow / be stable in the next 3 years thanks to the positive results registered in the last year; only 26% expects a further decline

Perception of the fur market evolution according to industry operators (% of valid answers)

Question: «In your opinion how has and will the fur market evolve in the last/next 3 years?»

“ 74% of operators the fur industry will grow ”



Sources: Survey to AIF members, Istat, PwC Analysis

In 2017 a significant improvement in fur export to Russia (+38%) was recorded, whereas export to Ukraine moderately decreased compared to 2016, after growing between 2015 and 2016

Italian export to Ukraine (€M. %, cumulated values)



Italian export to Russia (€M. %, cumulated values)



For ~50% of the interviewees Russia and Ukraine are among the top 3 destinations of fur export. In 2016 a recovery of exports to Ukraine was recorded, whereas in 2017 a significant increase (especially in the 2nd half of the year) of exports to Russia was experienced after a dark two-year period as consumption increased also thanks to the trend of the oil price

Note: Import/Export data refer to clothing and accessories in leather and fur (excl. gloves, shoes, hats)
Sources: Istat, PwC Analysis

“ In 2017 fur export to Russia (+38%) ”