



PRESS RELEASE

ILM EDITION #156. More is more!

The ILM is more than a trade fair. The number one international fair for leather goods, bags, accessories and luggage is an unmissable event for ordering, innovation and inspiration. ILM EDITION #156 will be held from 3-5 September in Offenbach, where 252 brands will be presenting their new collections for spring and summer 2023. It is almost fully booked, with 91% of space already taken.

More business. The ILM represents innovation with added value. Exciting side events, new, digital forms of communication and unrivalled service make the fair an indispensable meeting place for the industry. Essentially, it is and remains an ordering fair. Plenty of good business is done in Offenbach – as it has been for over 70 years now. "No other fashion fair in the world does this in quite the same way. We enjoy the trust of the industry, and that is what counts," says Arnd Hinrich Kappe, Managing Director of Messe Offenbach, explaining the success of the fair. The high degree of trust and reliability, and the fact that the event is always tailored to the specific needs of the sector, account for the great international significance of the ILM.

More content. ILM has constantly evolved without ever losing sight of its traditional values. "We offer more content, more innovation and more inspiration. We are always one step ahead," says Arnd Hinrich Kappe, spelling out the ILM's claim. Beyond the carefully curated range of international collections, the fair offers an array of innovative digital services. The new, completely redesigned homepage now provides users with even better service and the best possible basis for preparing their visit to the fair.



Analogue meets digital. At ILM #156, a content crew will be on hand to capture the authentic voices, emotions and daily business there. These reports will be posted the same evening in the multimedia library on the ILM website. "The ILM is expanding its reach and enabling all those who can't be at the fair itself to experience it virtually and check out the latest products and industry topics," says Kappe, explaining the innovative project. Further digital communication packages complete the range of tools designed to make ordering at the ILM even more professional and successful. Polished daily fashion shows, live photo shoots, trend presentations and the "Bag to D2C" Offenbach Industry Dialogue round off the ILM supporting programme. Face-to-face exchanges will play a more important role than ever. The ILM community will meet for relaxed after-work drinks in the foyer of the fair on Saturday and Sunday evening.

What's next? Now is the time to invest – and not give way to resignation. Especially in times of crisis, it is important to make proactive changes in order to thrive in the future. The new multi-storey car park and the high levels of investment in sustainability and digitalisation are just some of the many new aspects designed to ensure the success of the fair today and in the future. "Our exhibitors and visitors are always at the heart of our efforts to provide value-added and maximum benefit," says Arnd Hinrich Kappe. This will also apply to the new, earlier slot in February 2023. Tailored to the needs of the industry, ILM EDITION #157 is scheduled to take place from 4 - 6 February 2023.

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THE ECONOMIC SITUATION OF THE GERMAN LEATHER GOODS AND LUGGAGE INDUSTRY IN THE 1ST HALF OF 2022

Manfred Junkert
General Manager
Federal Association of the German Footwear and Leather Goods Industry

- **Slight rise in turnover**
- **Increase in number of employees**
- **Moderate price growth**

Development in turnover and employment

In the first half of 2022 German leather goods and luggage manufacturers were able to maintain their sales revenue roughly on a par with the same period last year, posting a slight increase of 1.3 percent to EUR 276.8 million. Total turnover in the first half of 2021 was EUR 273.2 million. However, it declined by 16.8 per cent in the first six months of 2022 compared to the first half of 2019.

The domestic market is the main focus of the German leather goods manufacturers. Here, sales revenues increased by 3.8 per cent to EUR 201.2 million in the first months of the current year. Many events that had previously been postponed could finally be held in the second quarter of 2022, offering numerous opportunities for handbag consumption. For instance, there was a 22.1 per cent increase in the number of weddings: 116 thousand in January to May 2022 compared to 95 thousand in the same period last year. The foreign markets, by contrast, are declining for the German leather goods industry.

In the first half of 2022, leather goods manufacturers posted turnover of EUR 75.6 million abroad, 4.7 per cent down on the same period last year.

According to official statistics, the number of employees in the leather goods and luggage industry increased by 6.4 per cent to 966 in the first half of 2022 compared to the first half of 2021.

These figures are based on companies with 50 or more employees. The actual number of people employed in the German leather goods and luggage industry is much higher, estimated at 2,700.

Prices

Producer prices for leather goods increased by 3.5 per cent year-on-year. In contrast, overall manufacturing producer prices increased by 30.5 per cent in the first half of 2022 compared to the first half of 2021.

The strained supply chains and the increased demand compared to previous years have so far had little effect on consumer prices for the sector's products. Consumer prices for women's handbags, satchels, suitcases and travel bags were higher in the first half of 2022 than in the first half of 2021 (women's handbags: +2.7 per cent; satchels: +2.4 per cent; suitcases and travel bags: +4.7 per cent).

Nevertheless, the prices paid by consumers for the industry's products are lagging behind the overall consumer price development. For the entire basket of goods, consumer prices increased by 6.7 per cent in the first half of 2022 compared to the same period last year.

Foreign trade

Exports

EUR 1.1 billion worth of leather goods and luggage were exported from Germany in the first half of 2022. This represents an increase of 14.3 per cent compared to the first half of 2021. In the period January to June 2021, the export value was EUR 1.03 billion. The top buying countries in the first half of 2022 were Poland, Switzerland and France (Poland: +19.3 per cent to EUR 122.6 million; Switzerland: +9.4 per cent to EUR 106.3 million; France: +1.1 per cent to EUR 103.7 million).

The European single market is of great importance for the export of leather goods from Germany. In the first half of 2022, leather goods and luggage to the value of EUR 697 million were exported from Germany to countries in the European Union. This represents an increase of 12.9 per cent in comparison to the same period last year. The European Union countries accounted for a 59.2 per cent share of total exports in the first six months of the current year. Exports to Asian countries and the United States diverged. While the United States and South Korea posted increases in export value, there were decreases for China and Japan (United States of America: +19.3 per cent to EUR 58.8 million; South Korea: +34.4 per cent to EUR 35.7 million; China: -25.3 per cent to EUR 33.8 million; Japan: -5.4 per cent to EUR 15.3 million).

Exports rose across the different product groups. Travel bags with a textile exterior, bag articles with a leather exterior and travel and carry-on suitcases made of moulded plastic all showed year-on-year increases in the first six months of 2022: travel bags with a textile exterior: +20.6 per cent to EUR 150.5 million; travel bags with a leather exterior: +7.7 per cent to EUR 58.9 million; travel/hand luggage made of moulded plastic: +26.6 per cent to EUR 58.1 million.

Handbag exports

A total of 10.1 million handbags with a total value of EUR 286.8 million were exported from Germany in the period from January to June 2022. This represents an increase of almost a quarter in the number of units (+23.9 per cent). The value of handbag exports is 22.6 per cent up on the equivalent figure last year. Each exported handbag had an average price of EUR 28.36 in the first half of 2022. This corresponds to a one per cent increase on the first half of 2021.

While the number of exported leather handbags remained stable at 1.6 million units in the first six months of 2022 compared to the same period last year, there were increases in the numbers of handbags with a plastic film exterior and those with a textile exterior (handbags with plastic film exterior: +21.4 per cent to 5.3 million units; textile handbags: +47.0 per cent to 3.1 million units).

Export values increased across all handbag types, regardless of material (leather: +14.3 per cent to EUR 152.4 million; plastic film: +28.8 per cent to EUR 79.3 million; textile: +41.2 per cent to EUR 55.1 million). The average price of each leather handbag exported from Germany was EUR 93.90 in the first half of 2022. This is an increase of 14.2 per cent compared to the first half of 2021. There was also an increase in the average export price for handbags made of plastic film (+6.1 per cent to EUR 14.89), whereas the average export price for textile handbags fell by 4.0 per cent to EUR 17.50.

Imports

In the first half of 2022, the value of total imports of leather goods, suitcases and luggage increased by a quarter (24.5 per cent) compared to the first half of 2021. The value of imported goods rose from EUR 1.57 to 1.97 billion. The goods value increased across all major product groups. While the import value of travel bags with a textile exterior increased by 34.1 per cent to EUR 281.2 million in the first six months of 2022 compared to the same period last year, that of travel and carry-on suitcases made of moulded plastic increased by a full 61.5 per cent to EUR 102.8 million. There was also growth in the imports of travel bags with a plastic film exterior (+24.8 per cent to EUR 52.0 million).

These high import values reflect the sharp rise in logistics costs.

In the first half of 2022, China was Germany's top supplier of leather goods, suitcases and travel luggage, as in the same period last year. In the first few months of the current year, goods worth EUR 849.5 million were imported from China into Germany, representing a 47.2 per cent increase in the import value compared to the period January to June 2021. China's share of the total import value increased by almost seven percentage points to 43.2 per cent. Italy was the second most important supplier country of leather goods and suitcases for Germany in the first half of 2022.

Leather goods and suitcases to the value of EUR 237.5 million were imported from Italy to Germany in the first half of 2021, whereas the figure in the first half of 2022 was EUR 213.2 million.

This represents a fall of 10.2 per cent. Increases in import value were recorded for Vietnam, France and India (Vietnam: +29.1 per cent to EUR 178.3 million; France: +12.2 per cent to EUR 151.9 million; India: +33.5 per cent to EUR 141.7 million).

Handbag imports

Almost half as many handbags were imported into Germany in the first half of 2022 as in the same period the previous year: 24.3 million handbags were imported into Germany in the first six months of 2022, a 44.8 per cent increase on the 16.7 million imported in the first half of 2021.

This means that almost as many handbags were imported in the first half of 2022 as before the pandemic. 24.8 million handbags were imported into Germany in the first half of 2019. The average price of each imported handbag was EUR 20.00. This means that the average price of handbags imported into Germany fell by almost one sixth (-17.9 per cent).

More handbags, across all material types, were imported in the first half of 2022 than in the first half of 2021. Large increases in imports were recorded for both leather and synthetic handbags (leather: +24.4 per cent to 2.9 million units; synthetic: +30.9 per cent to 12.2 million units).

Imports of textile handbags have increased significantly: 5.0 million handbags with a textile exterior were imported into Germany in the first half of 2021, while the figure for the first six months of 2022 was 9.0 million. Lower growth was recorded in the import value of handbags (leather: +7.1 per cent to EUR 237.0 million; synthetic: +34.3 per cent to EUR 164.5 million; textile: +29.7 per cent to EUR 83.6 million). The average price of both imported leather and textile handbags decreased in the first six months of 2022 compared to the same period last year (leather: -13.9 per cent to 80.20 euros; textile: -28.1 per cent to 9.25 euros). The average price of imported synthetic handbags increased by 2.6 per cent from EUR 13.09 to 13.43.

Outlook

At the beginning of the year, there was hope of a recovery in the business climate. However, this was dashed by the Russian attack on Ukraine. The EU has imposed sanctions on Russia as a result of the attack. These are having a negative impact on German leather goods manufacturers. Exports to Russia, for example, slumped by 45.4 per cent to just EUR 7.9 million in the first half of 2022 compared to the first half of 2021. In the first half of 2019, leather goods, suitcases and luggage to the value of EUR 16.4 million were still being exported from Germany to Russia. Numerous companies have material suppliers in Ukraine, some even have their own factories there. The Russian attack is causing major disruption to the procurement of materials and goods from Ukraine.

The recovery in German tourism and passenger air travel, especially in the second quarter of 2022, created an upswing in demand for the suitcase and luggage manufacturers compared to the past two years. However, in both areas the KPIs are still far from the levels seen before the outbreak of the pandemic.

In the first three months of 2022, passenger flights in particular suffered from the high omicron incidence levels, travel warnings and restrictions, and difficulties with baggage handling. In the first half of 2022, passenger numbers at German airports were 41 per cent below the levels in the first half of 2019. German accommodation providers recorded around 68.7 million arrivals from January to May 2019, whereas this number was just 49.6 million in the period from January to May 2022. This represents a fall of 27.8 per cent.

Against the backdrop of rising gas and electricity prices and inflation, all the leather goods manufacturers questioned in the latest Ifo Business Survey expect business to decline in the coming six months. Leather goods manufacturers also fear the introduction of measures aimed at combatting the pandemic, which could have a negative impact on business. The suitcase and bag manufacturers believe there must be no further lockdowns involving shop closures or travel restrictions and limitations.

Functioning supply chains are necessary for companies to cope with all the different crises at the same time. The EU Commission and the member states must create the appropriate framework conditions for this, for example by dismantling trade barriers and entering into new free trade agreements with India.

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Source: Federal Statistical Office, 08/2022

KEY FIGURES LEATHER GOODS INDUSTRY

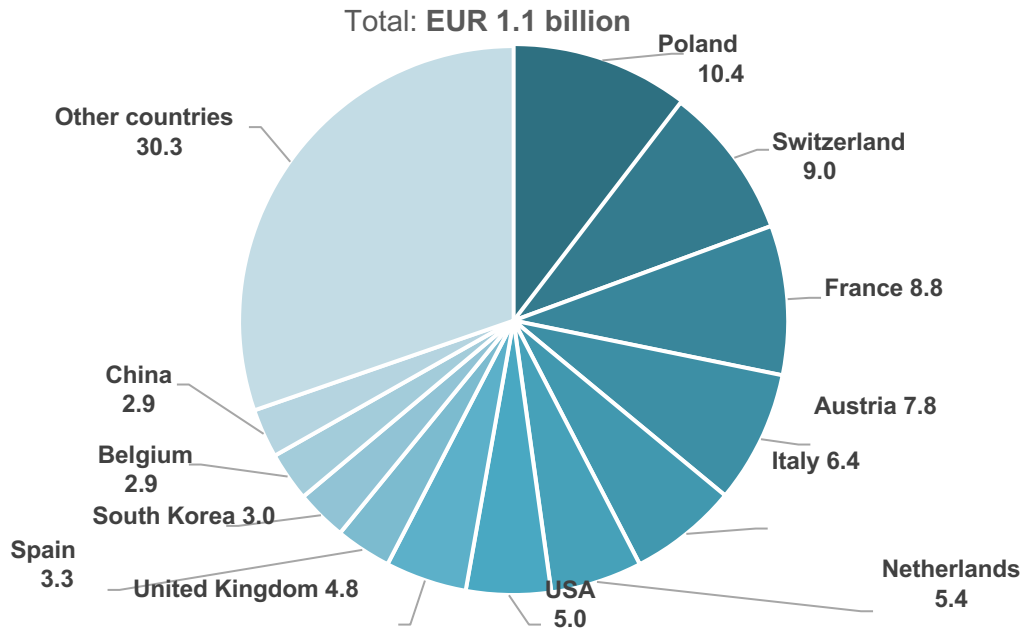
			Change from same period in previous year
1 Companies			
	1st half-year 2022	42	-4.5%
2 Employees			
	1st half-year 2022	966	6.4%
3 Sales (EUR million)			
	1st half-year 2022	276.8	1.3%
4 Domestic sales (EUR million)			
	1st half-year 2022	201.2	3.8%
5 Foreign sales (EUR million)			
	1st half-year 2022	75.6	-4.7%
6 Producer prices 1st half-year 2022 (index, 2015 = 100)			
	Clothing	107.8	2.8%
	Leather goods	107.9	3.5%
	Shoes	109.5	4.6%
	Total	141.6	30.3%
7 Consumer prices 1st half-year 2022 (index, 2015 = 100)			
	Handbags for women	103.9	2.7%
	School bags and backpacks	109.0	2.4%
	Suitcases and travel bags	107.3	4.7%
	Wallets	98.5	0.0%
	Shoes	104.7	1.6%
	Clothing	104.9	1.4%
	Total	115.0	6.7%

LEATHER GOODS FOREIGN TRADE

Leather goods foreign trade	value in € 1,000	Change on same period in previous year	Qty. in items	Change on same period in previous year
Exports first half-year 2022				
Total	1,177,872	14.3%		
Handbags	286,799	22.6%	10,111,622	23.9%
Imports first half-year 2022				
Total	1,492,859	-18.2%		
Handbags	336,955	-23.5%	18,247,761	-26.7%

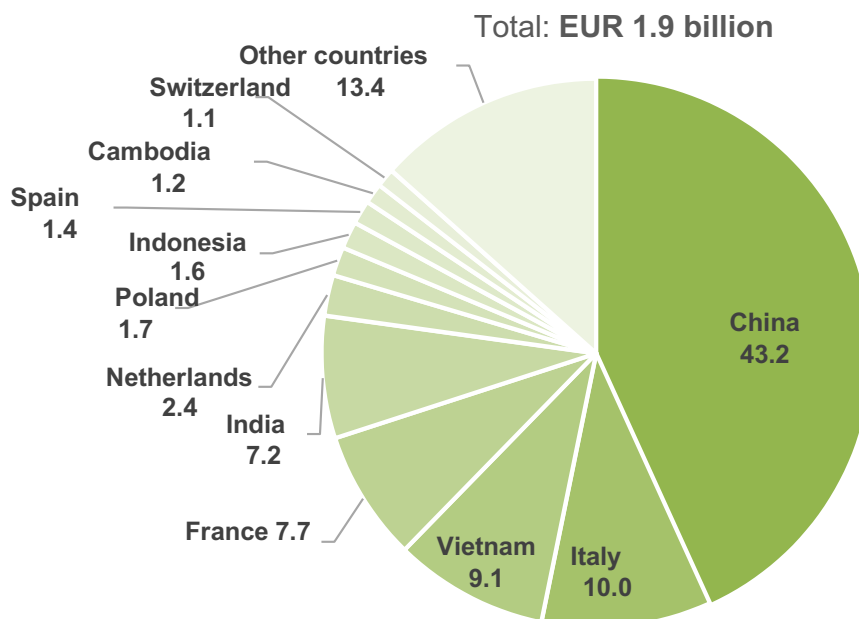
EXPORTS

Top receiving countries
Share of total exports 1st half-year 2022, %



IMPORTS

Top supplying countries
Share of total imports 1st half-year 2022, %





BTE

Handelsverband

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Leather goods trade: A race to catch up with an uncertain outcome

Despite the generally difficult conditions including high energy prices and the Ukraine war, the leather goods trade made a strong recovery in the first half of 2022. According to the first preliminary data from the Federal Statistical Office, sales in the first six months were 56.1 percent above the level of 2021. The reasons for this high growth rate, however, are quite obvious since last year shops were faced with lockdowns and access restrictions until well into May in some cases, depending on the federal state, and figures were therefore very weak.

In order to assess how well companies are actually doing, it makes more sense to compare them with the pre-Corona year 2019. According to official figures, the increase in "brick-and-mortar retail trade in leather goods and luggage" in the first half of the year is 14.8 percent compared with the same period in 2019. However, the BTE assumes that this high growth is mainly due to the heavy weighting on the very successful and lucrative luxury companies in the sector. In the classic medium-sized leather goods trade, on the other hand, at the moment it looks as though turnover will be at roughly the same level as 2019.

The industry profited above all from the boom in the travel business, which pushed sales of luggage in particular. Sales in this segment had fallen sharply in the last two years so there was some catching up to be done. The leisure and school segment continued to do well, and there was also good demand for bags. However, there were big differences depending on the location. While some shops in attractive smaller towns enjoyed double-digit growth compared with 2019, sales in some shops in formerly highly frequented city centre locations were only half the pre-Corona level.

The real winners of the Corona pandemic were the online shops. Although internet retailers specialising in clothing, shoes, leather goods and textiles saw a 6.5 per cent drop in the first half of the year compared

with 2021, they still achieved a strong increase in sales of 38.6 per cent compared with the first half of 2019. According to BTE estimates, the market share of the online retail trade is likely to have been 35 to 40 percent last year,

The leather goods industry is looking ahead to the next few months, including the very important Christmas business, with a mixture of hope and concern, since it is impossible to see if or when the extremely challenging overall conditions will change. Many customers will (have to) cut back on consumption, although the spending behaviour of the more affluent clientèle of specialist stores has been comparatively stable in recent weeks. In addition, there is hope for the industry that customers will be reticent to make large expenditures, but instead will treat themselves to small pleasures "as a substitute", which could also include accessories.

Nevertheless, the leather goods trade is also directly affected by the energy price increases. In view of the low returns on sales, often only in single figures, the massive increases in costs could drive many shops into the red - especially if the shop is not owned but (expensively) rented.

Another challenge now and in the future is the development on the labour market. In view of the demographic dip, it is becoming increasingly difficult to replace retiring employees. The leather goods trade lost a total of 21.4 percent of its employees between the end of 2019 and the end of 2021 and currently employs just under 5,500 people (excluding owners).

Note: According to the latest VAT statistics, there were a total of 1,039 brick-and-mortar businesses in Germany in 2020, mainly selling leather goods and luggage (down 13.5 per cent on 2019), with net sales of just under € 1 billion (down 9.8 per cent on 2019).

Cologne, 30 August 2022