

2019

Trade Analysis Series

Pakistan Leather Footwear Sector



Turn Potential into Profit!



Small and Medium Enterprises Development Authority (SMEDA)
Ministry of Industries and Production
Government of Pakistan

www.smeda.org.pk

UAN: 111 111 456

Disclaimer

The purpose and scope of this information memorandum is to introduce the subject matter and provide a general idea and information in this regard. All the material included in this document is based on data / information gathered from various sources and is based on certain assumptions. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the factors concerned, and the actual results may differ substantially from the presented information. SMEDA does not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking any activity. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information he / she feels necessary for making an informed decision

For more information on services offered by SMEDA, please contact our website: www.smeda.org.pk



1 Product Description

The use of leather in footwear manufacturing has historically been dominant and still continues to persist as one of the most frequently used raw materials along with plastic and rubber in the production of both the outer and/or upper sole components of footwear products.

Products in this category comprise of various types of leather footwear articles with each category being distinguished by the amount of leather material used in its production as well the differing material used to manufacture the component parts of a particular footwear product. The Harmonized Commodity Description and Coding System (referred as HS Codes) designated for trade of Leather Footwear is classified under the HS Code categories 6403, 6404 and 6405 and is provided in the table below along with their relevant sub-categories.

Table 1: Product Details of Leather Footwear

HS Code	Description
6403	Footwear (Outer sole of various materials and upper sole of leather)
640312	Winter Sports Footwear (includes, Skiing, Snowboarding & Skating)
640319	Sports Footwear excluding 640312
640320	Footwear with uppers consisting of leather straps across instep and around the big toe
640330	Footwear made on a wooden base or platform, without an inner sole or protective metal toe cap
640340	Footwear with metal toe-cap
640351	Footwear covering the ankle
640359	Footwear with outer and uppers of leather excluding 640312, 640319, 640320, 640330, 640340 and 640351
640391	Footwear covering the ankle; excluding all others mentioned under 6403
640399	Other footwear not mentioned under 6403

6404	Footwear; with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials
640420	Footwear; outer soles of leather or composition leather, uppers of textile materials
6405	Other footwear with either uppers or outer soles made from leather or composition leather – 640510 and 640590

Source: Trade Map

2 Global Trade of Leather Footwear

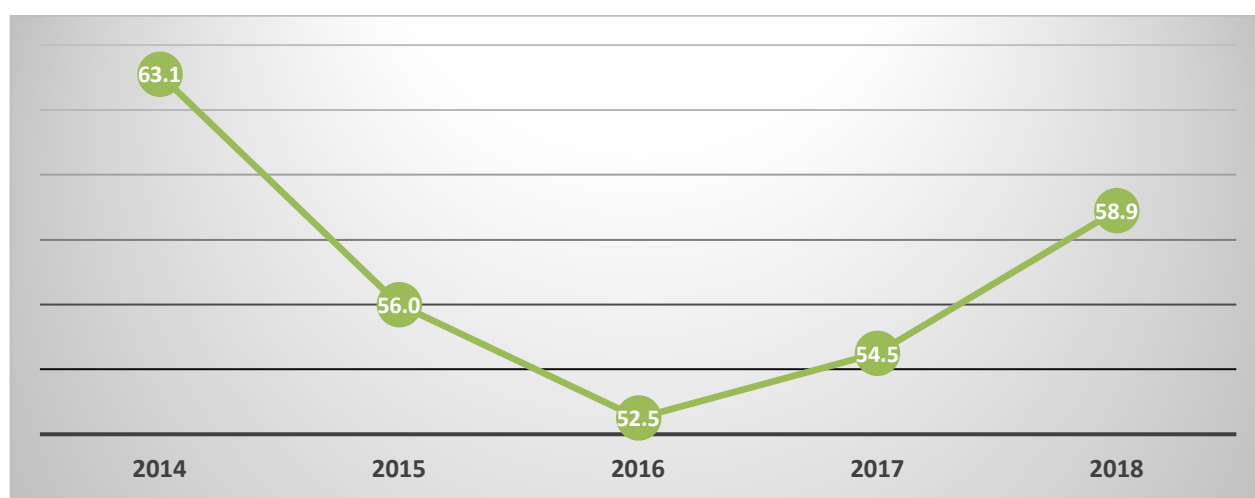
Leather Footwear is one of the most valuable commodities in international trade and was valued at US \$ 58.9 billion in 2018 growing by 4.4% compared the previous year. The growth in trade of global leather footwear has shown a mixed trend from the year 2014 ~ 2018 recording a CAGR of -1.71%. During this 5-year period, exports rapidly fell for the first two years before recovering to record positive growth in 2017 and 2018 (see table and figure below).

Table 2: Global Exports of Leather Footwear - Last 5 Years

Description	2014	2015	2016	2017	2018
World Exports (Value is US \$ Billion)	63.1	56.0	52.5	54.5	58.9
Growth (%age)	Base Year	-7.1%	-3.5%	2%	4.4%

Source: Trade Map

Figure 1: Growth Trend of Leather Garments Exports (Value US \$ Billion)



Source: Trade Map

Major Exporters

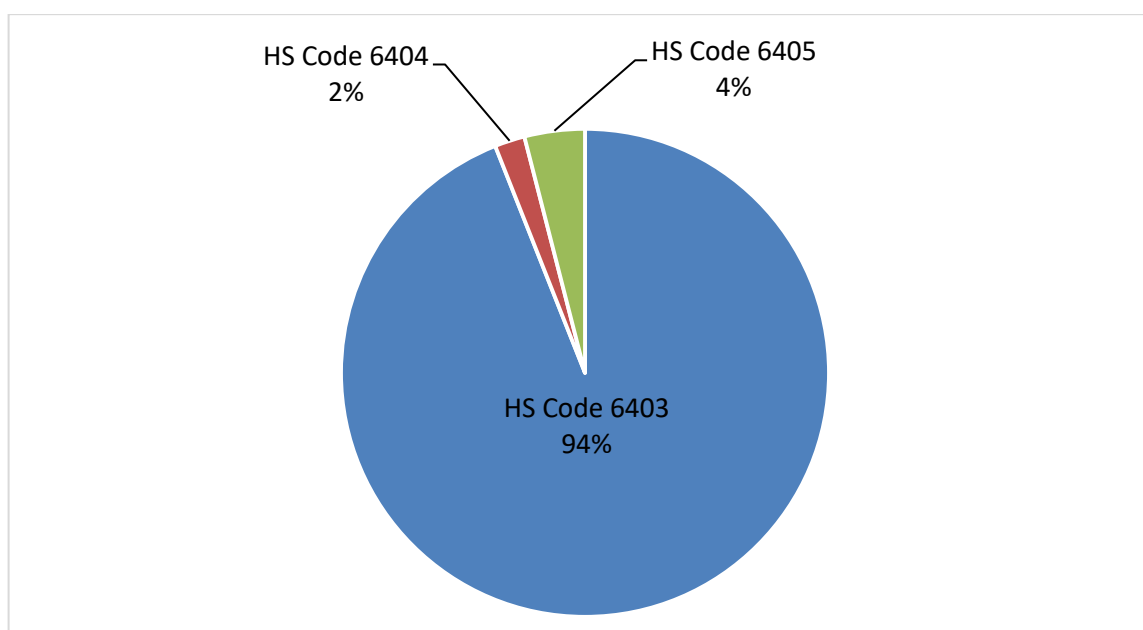
During the last 5 years, the exports of Leather Footwear have been dominated by China followed by Italy and Vietnam. The percentage share of the five biggest exporting countries is provided in the table below.

Table 3: Major Leather Footwear Export Countries in 2018

Country	Exports (Value in US \$ Billion)	Market Share in World Exports	CAGR % (2014 – 2018)
China	9.6	16.3%	-9.2%
Italy	8.7	14.8%	-2.2%
Vietnam	6.8	11.7%	10.9%
Germany	3.7	6.3%	6.3%
Indonesia	2.7	4.6%	5.3%

Source: Trade Map

Figure 2: World Export Product Mix - Leather Footwear 2018



Source: Trade Map

3 Pakistan's Exports

Leather Footwear is one of the emerging export commodities of Pakistan. Over the last decade, export figures have shown significant potential for growth; however, a negative trend has been observed over last five years with an overall CAGR of -2.0% from the year 2014 ~ 2018. The major reasons for this slump include:

- Falling global export value of Leather Footwear Products witnessed in the world economy



- Non-availability of basic raw material
- Lack of technology up-gradation
- Low value addition and R&D, especially for Fashion articles
- Non-availability of trained and skilled manpower

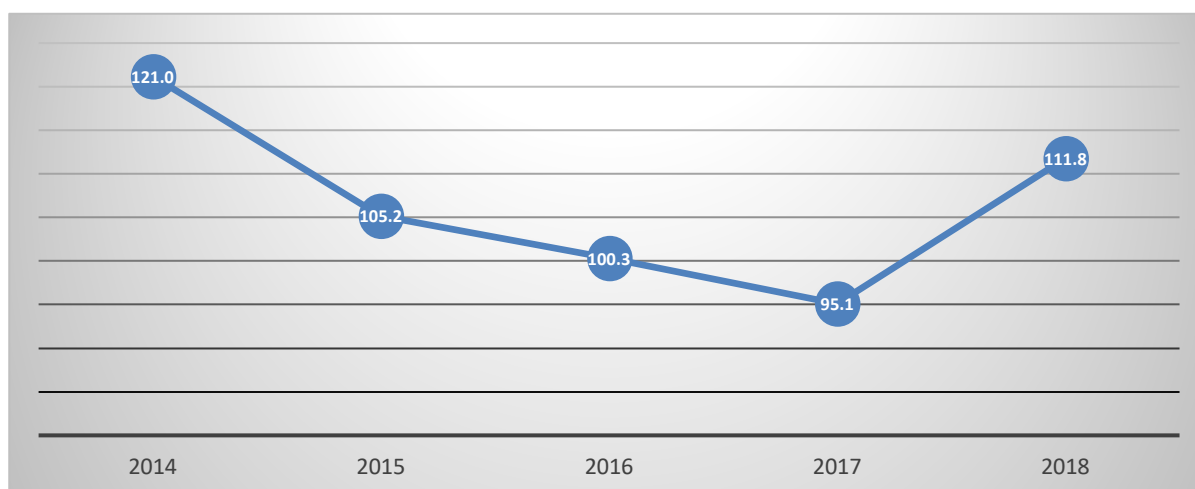
Despite the various challenges, the export potential of this commodity cannot be overlooked. During the year 2018, the exports value of Leather Footwear was US \$111.8 Million and grew by 17.6% compared to the previous year which was the highest since 2014. Pakistan's export figures over the last five years are as follows:

Table 4: Pakistan Exports Leather Footwear - Last 5 Years

Description	2014	2015	2016	2017	2018
Pakistan Exports (Value is US \$ Million)	121	105.2	100.3	95.1	111.8
Growth (%age)	Base Year	-13.2%	-4.7%	-5.2%	17.6%

Source: Trade Map

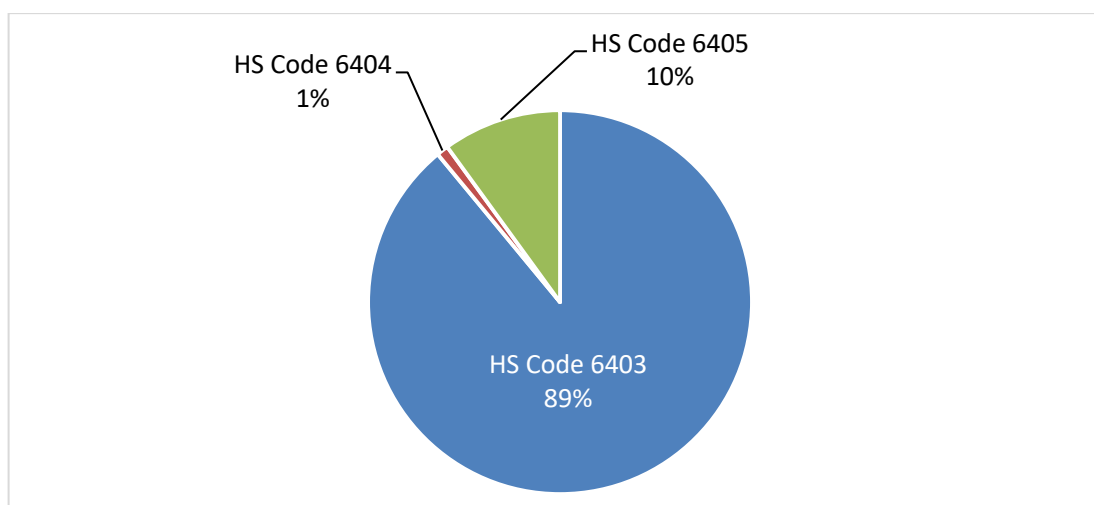
Figure 3: Growth Trend of Pakistan's Exports (Value in US \$ Million)



Source: Trade Map

Pakistan's Major Product Mix

Leather Footwear products categorized under HS Code 6403 were the most valuable commodity as a composition of all exports from Pakistan accounting for 89% of all Leather Footwear exports during 2018. This percentage share of different product HS Codes as a composition of Pakistan's exports are exhibited in the chart below:

Figure 4: Pakistan's Product Mix - Leather Footwear 2018*Source: Trade Map***Pakistan's Exports Destinations**

Over the previous five years, Pakistan's major export partner for Leather Footwear products was Germany followed by Italy and the United Kingdom. The share of the top five importing countries of this commodity from Pakistan represented 64% of its total exports in 2018.

The table below provides the total value of goods Pakistan exported to its top five trading partners from 2014 ~ 2018.

Table 5: Pakistan's Top Five Export Partners – Last 5 Years (Value in US \$ Million)

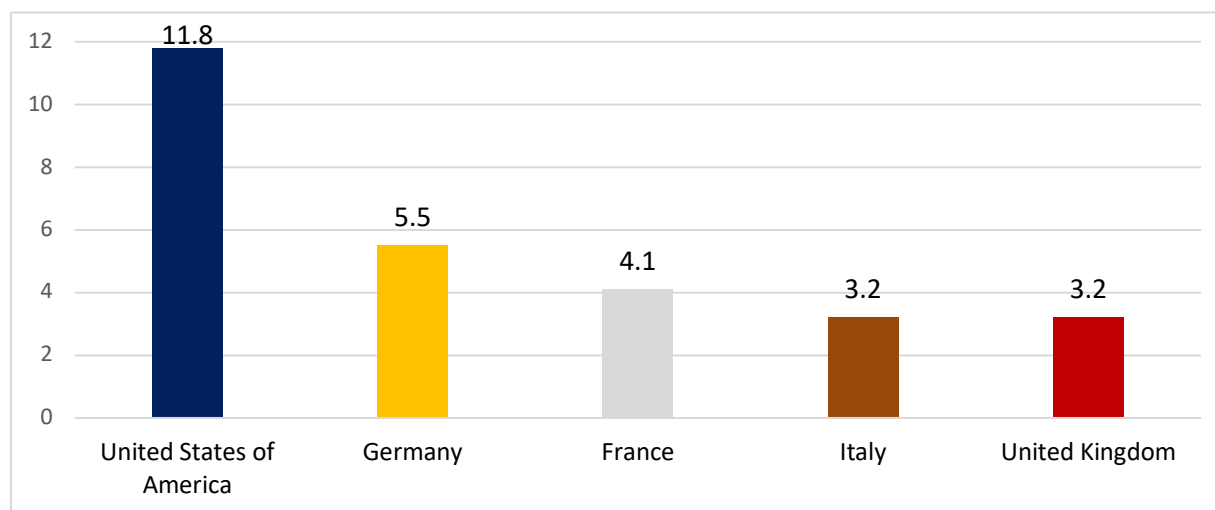
Country	2014	2015	2016	2017	2018
Germany	32.8	23.7	24.5	27.7	31.1
Italy	18.8	15.8	14.5	16.7	18.0
United Kingdom	7.8	8.8	9.8	6.8	8.2
Saudi Arabia	6.3	2.8	7.0	7.0	7.4
Netherlands	8.0	7.3	6.6	6.5	7.2

Source: Trade Map

4 Import Destinations of Leather Footwear

The largest importing country of Leather Footwear is the United States of America followed by Germany and France. The import trade value of five biggest importing countries are given below:

Figure 5: World Top 5 Importers (Trade Value in US \$ Billion)

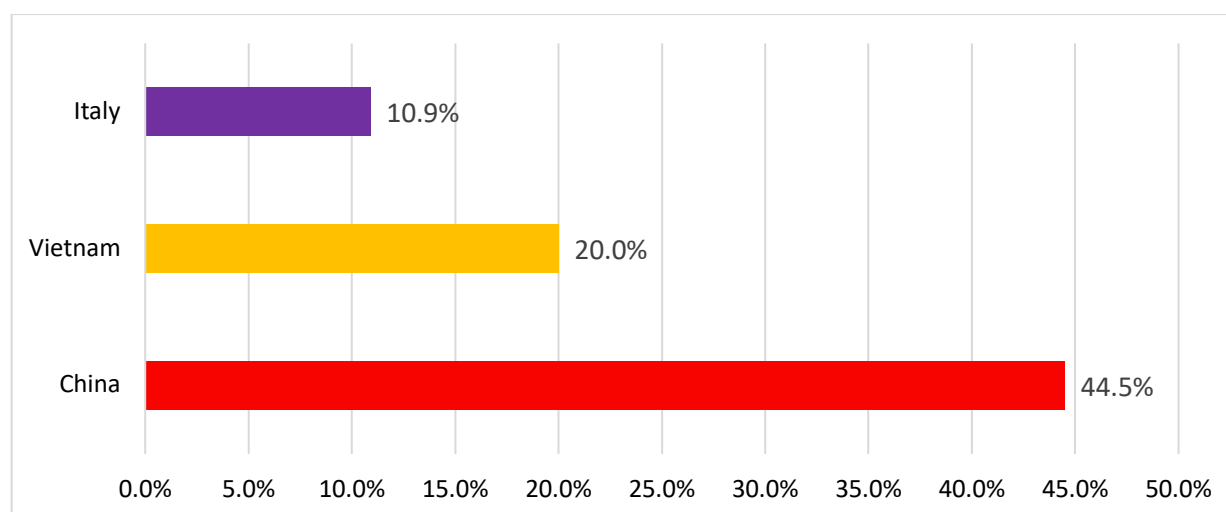


Source: Trade Map

Partner Countries of Top 3 Importers

The trade partners of the world's three largest importing countries of Leather Footwear are discussed in the following section. The average percentage share of exported value of Leather Footwear to top three importing countries is evaluated and presented in the form of graphs.

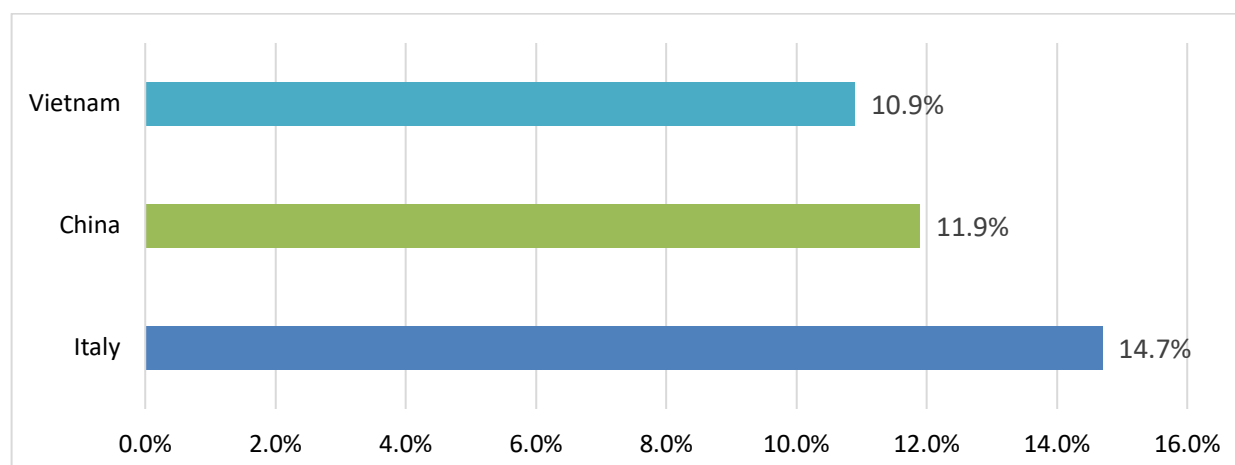
Figure 6: Trade Partners of United States (Ave. % Share in Export Value)



Source: Trade Map

The United States is the 6th largest export destination for Pakistani Leather Footwear products in terms of value; however, its market share is relatively miniscule as a composition of aggregate United States import value and the country is ranked as the 34th biggest exporter to the country.

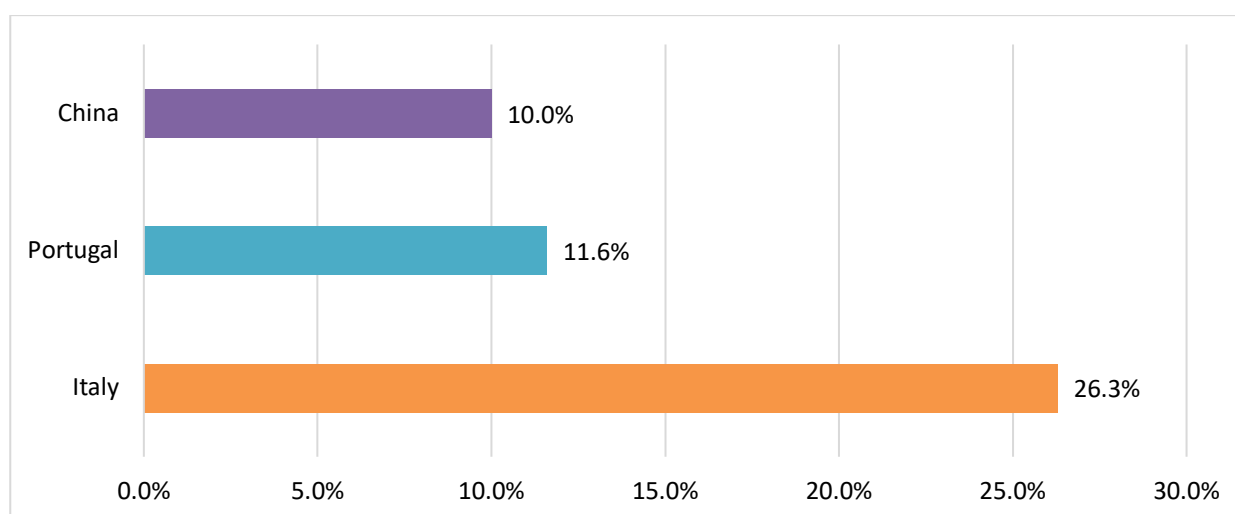
Figure 7: Trade Partners of Germany (Avg. % Share in Export Value)



Source: Trade Map

In terms of overall trade value, Germany is the largest Pakistani foreign market for its leather footwear products; however, is only ranked as its 30th largest partner. Finally, the country is the 31st biggest exporter to France with overall exports to the country recording positive growth over the previous three years.

Figure 8: Trade Partners of France (Avg. % Share in Export Value)

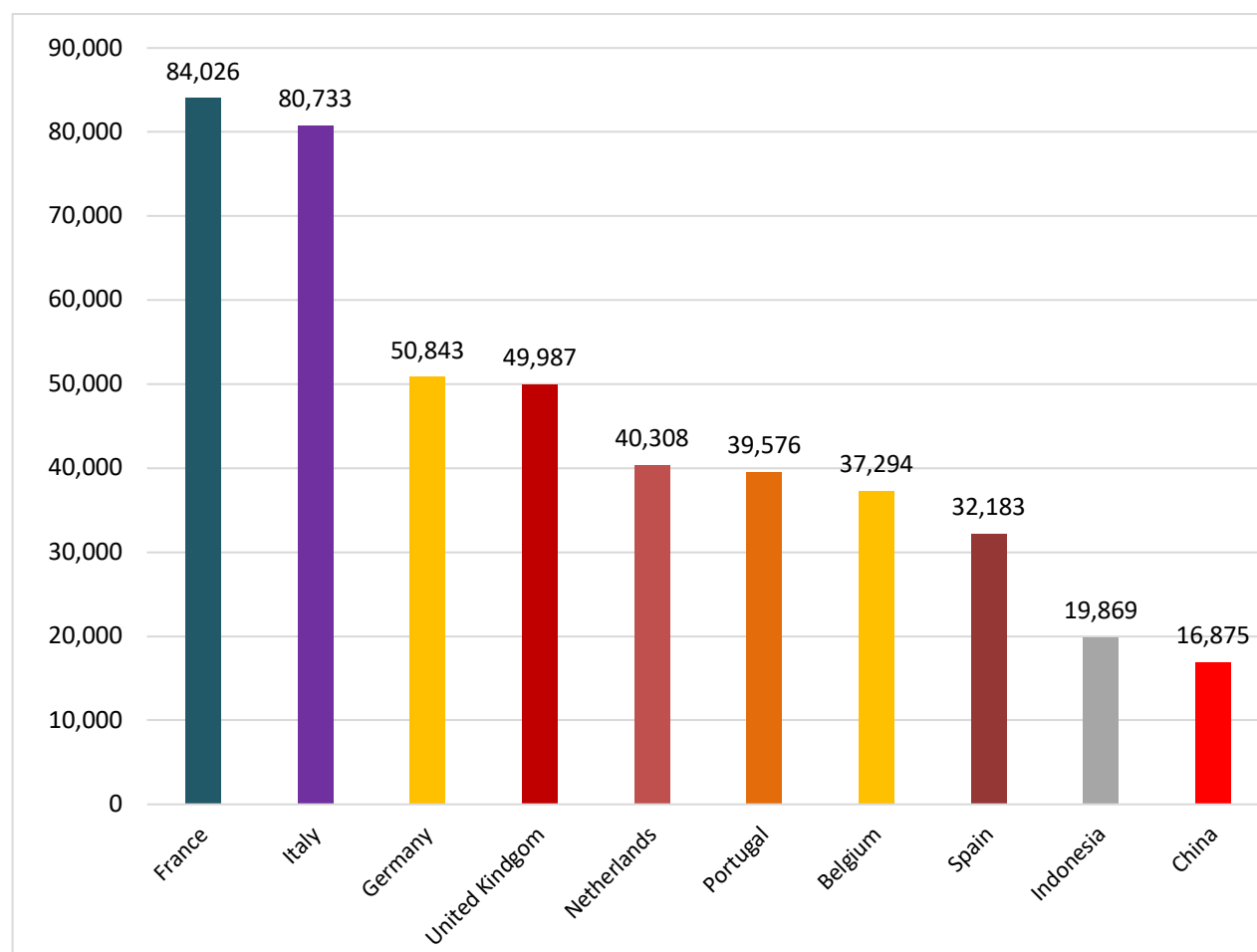


Source: Trade Map

Price Comparisons

The following price comparisons of Leather Footwear show the prices charged by top exporting countries by trade value for the following major product mix.

Figure 9: Price Comparison for Leather Footwear (HS 6403, US \$ / Ton)



Source: Trade Map

5 Pakistan's Export Trade and Tariff

There are certain conditions on exports of Leather from Pakistan. There is custom rebate of 2 % on exports of Leather Footwear from Pakistan. Additionally, there is a Duty Drawback, as well as rebate on Local Taxes & Levies on Exports of up-to 7% for exporters cum manufacturers.

This includes a flat 3% and another 3.5 % on one-time exports if there is a 10 percent increase in the exports from the preceding year.



6 Prominent International Trade Fairs

Name of Trade Show	Location	Frequency	Web Links
All China Leather Exhibition	Shanghai, China	Annual	www.acle.aplf.com/
Indo Leather & Footwear	Jakarta, Indonesia	Annual	www.indoleatherfootwear.com/
Futurmoda	Elche, Spain	Twice a year	www.futurmoda.es/
Leather & Shoes Expo	Kiev, Ukraine	Twice a year	www.artexpo.ua/
Who's Next International Fashion Trade Show	Paris, France	Twice a year	www.whosnext-tradeshow.com/
Leather & More	Izmir, Turkey	Annual	www.leatherandmore.izfas.com.tr/
LINEAPPLE	Milan, Italy	Annual	www.lineapelle-fair.it/