

LEATHER FOOTWEAR



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1. Disclaimer

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. Although, the material included in this document is based on data/information gathered from various reliable sources; however, it is based upon certain assumptions, which may differ from case to case. The information has been provided on as is where is basis without any warranties or assertions as to the correctness or soundness thereof. 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 concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision, including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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2. Introduction to SMEDA

Small and Medium Enterprises Development Authority (SMEDA) is an apex SME development agency working under the Ministry of Industries and Production (MoI&P), Government of Pakistan. In pursuit of its mission, SMEDA has adopted an integrated strategy that comprises SME sectors & clusters development, Business Development Services (BDS), and Policy advocacy to protect and promote SME interests.

SMEDA offers a broad spectrum of business development services to SMEs which include prefeasibility studies, identification of experts and consultants, delivery of need based capacity building programs in addition to business guidance through help desk services.

3. Introduction to Leather Sector

The objective of this short write-up is to provide the reader with an overview of the sector. The information covers global trade of leather products, status of Pakistan's exports and summary of industry structure. Trade information for global comparisons has been obtained from www.trademap.org, International Trade Centre's Database.

Leather and leather products are some of the most widely traded products globally. It is estimated that international leather trade exceeds US\$ 80 billion annually, and this figure is expected to continue growing with increasing population and urbanization of developing and countries.

The production and supply of leather products has gradually moved from industrialized to developing and emerging economies. Many emerging economies can now manage the whole supply chain on their own and are fast becoming important suppliers of value-added finished products. For example, about 45% of footwear is made in China.

Pakistan, because of its large livestock resources, has remarkable growth potential in the leather sector. Unfortunately this potential remains mostly untapped due to the following reasons:

- lack of technical know-how
- Lack of access to information
- visibility
- In effective quality management,
- Poor Marketing
- Lack of investments
- Insufficient international industrial alliances

The leather industry of Pakistan is the second biggest export-oriented industry in the manufacturing sector and is third in its contribution towards the overall exports of Pakistan. The leather industry's core products in Pakistan are leather jackets, leather gloves, leather bags, leather garments, tanned leather and footwear.

3.1. HS: Code Listing

The Harmonized System (HS) is an international nomenclature for the classification of products published by the World Customs Organization (www.wcoomd.org). It allows countries to classify traded goods on a common basis for customs purposes

For the purpose of studying international trade in Leather Sector with reference to Pakistan we will be looking at the following product HS codes;

Harmonized System Codes		
41	4101, 4102, 4103, 4104, 4105, 4106, 4107, 4112, 4113, 4114, 4115	
	6403	640420
	4201, 4202, 4203, 4205	420310, 420321, 420329, 420330, 420340

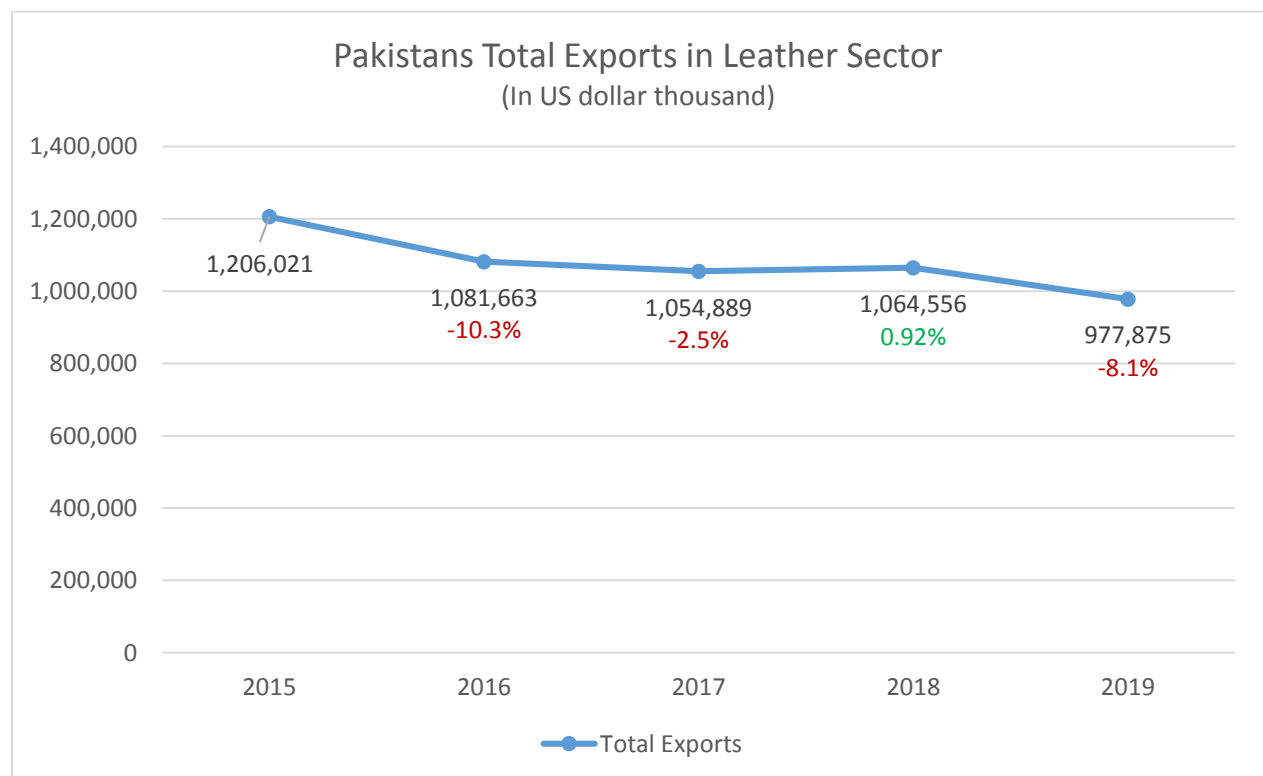
4. Pakistan's Trade in Leather Sector

4.1. Pakistan's Exports

The total US dollar value of Pakistan's exports in the leather sector in various categories from 2015 to 2019 is shown in the table below

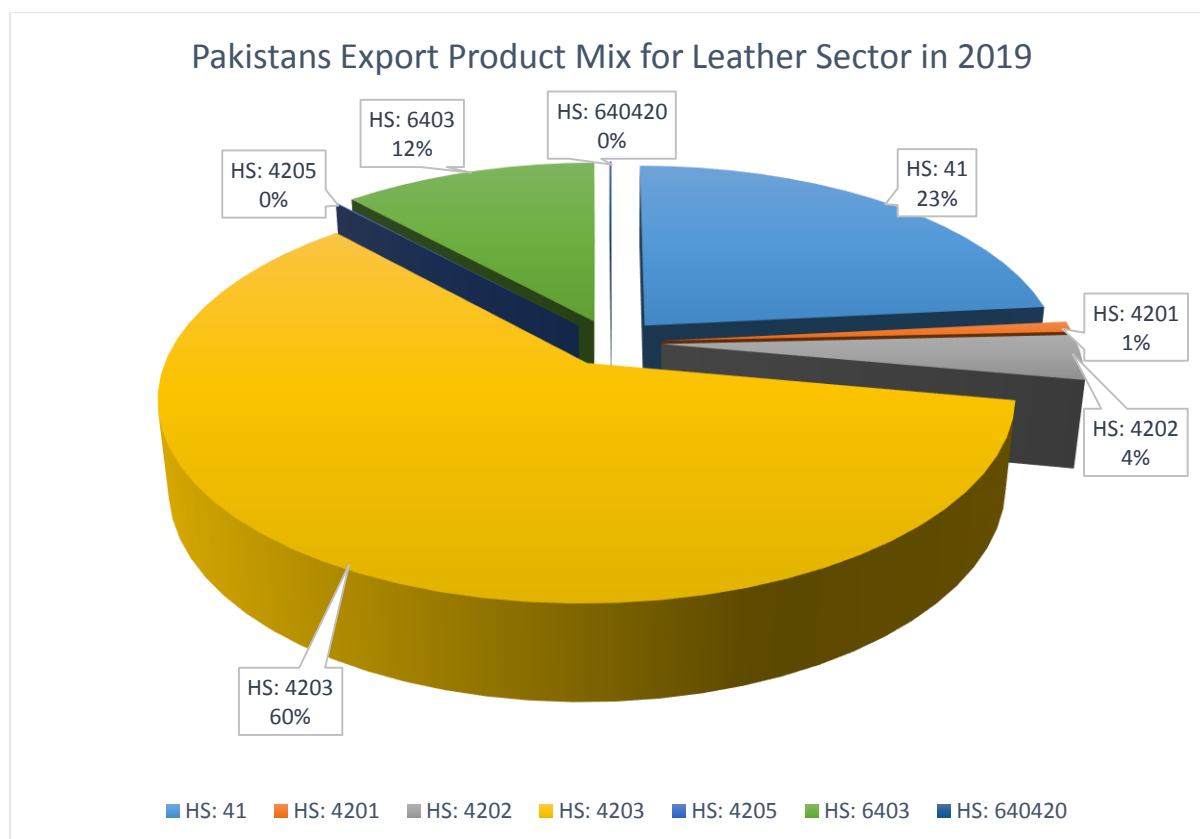
Pakistan's Exports in Leather Sector					US Dollar thousand
Product Categories	Exported value in 2015	Exported value in 2016	Exported value in 2017	Exported value in 2018	Exported value in 2019
HS: 41 (All sub-categories)	425,085	349,003	335,863	298,629	228,614
HS: 4201	7,736	9,445	8,695	9,308	8,400
HS: 4202	34,206	32,243	35,503	37,204	35,801
HS: 4203	640,904	599,815	588,152	616,861	589,412
HS: 4205	4,772	3,424	576	1,170	667
HS: 6403	91,893	86,823	85,061	100,131	114,045
HS: 640420	1,425	910	1,049	1,253	936
Total	1,206,021	1,081,663	1,054,889	1,064,556	977,875

The following illustration shows the total value of Pakistan's leather sector exports (in US dollar thousand) as a five year trend from 2015 to 2019. Also indicated is the percentage increase/decrease in sales value as compared to the previous year.



4.1.1. Pakistan's Export Product Mix for Leather Sector

The following chart indicates Pakistan's export product mix for leather sector, based on total value of products exported in the year 2019. Also indicated is the percentage of value that each product category contributes to the total value of leather sector exports of Pakistan. It can be seen that the major value contributor in Pakistan's leather sector exports is product category HS: 4203 which represents Leather Apparel. For HS codes reflecting 0%, please note that the values are rounded down and form a negligible portion of the Product Mix.

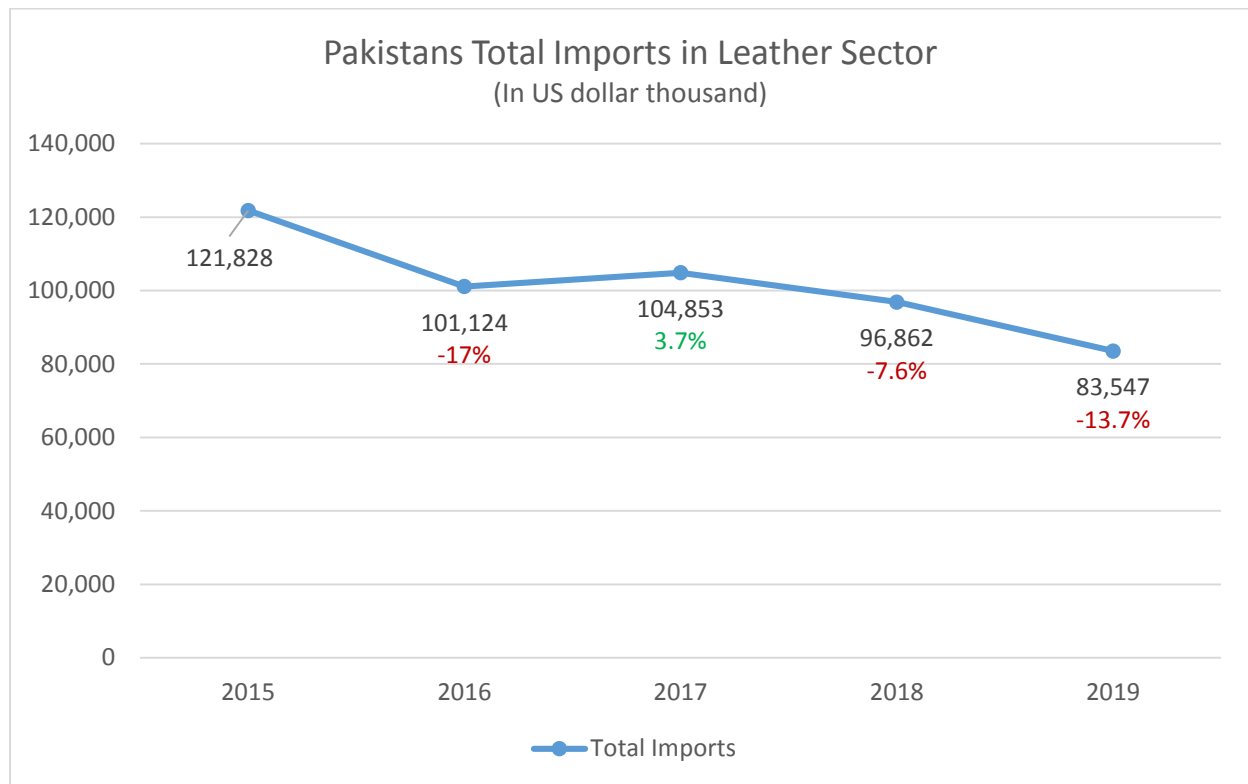


4.2. Pakistan's Imports

The total US dollar value of Pakistan's imports in the leather sector in various categories from 2015 to 2019 is shown in the table below

Pakistan's Imports in Leather Sector				US Dollar thousand	
Product Categories	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019
HS: 41 (All sub-categories)	73,915	57,236	56,991	56,858	52,045
HS: 4201	6	8	15	24	14
HS: 4202	24,296	24,609	32,646	28,883	25,881
HS: 4203	4,446	4,996	6,162	1,514	1,658
HS: 4205	115	113	156	217	167
HS: 6403	18,951	13,998	8,766	9,274	3,734
HS: 640420	99	164	117	92	48
Total	121,828	101,124	104,853	96,862	83,547

The following illustration shows the total value of Pakistan's leather sector Imports (in US dollar thousand) as a five year trend from 2015 to 2019. Also indicated is the percentage increase/decrease value of purchases as compared to the previous year.



5. Leather Footwear Global Perspective

In this section we will be looking at global trade of a subsector in leather, namely leather footwear and how Pakistan plays into it.

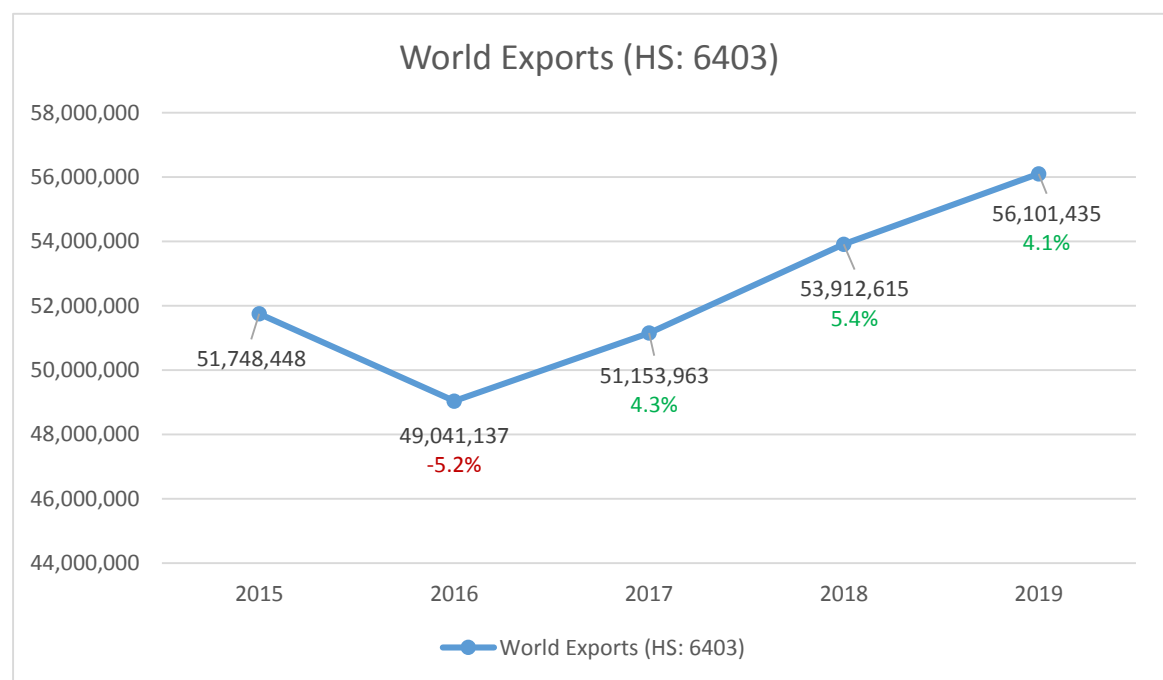
To study trade in leather footwear sector, we will focus on product HS codes 6403 and 640420, further described below;

Harmonized System Code (HS Code)	Description of Goods
6403 (all sub categories)	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather (excluding orthopaedic footwear, skating boots with ice or roller skates attached, and toy footwear)
640420	Footwear with outer soles of leather or composition leather and uppers of textile materials (excluding toy footwear)

5.1. World Exports

The total world exports for leather footwear HS 6403 stood at USD 56,101,435 thousand million (\$56,101 million) in the year 2019. Similarly, total world exports for HS: 640420 in 2019 stood at USD 950,277 thousand (\$0.95 million).

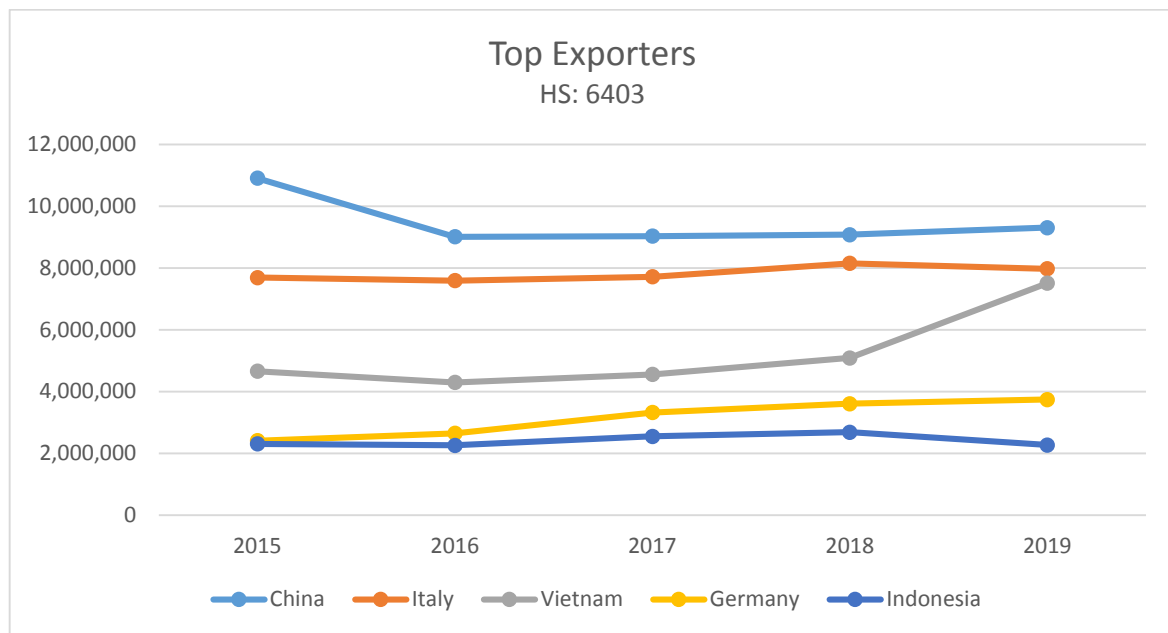
Leather Footwear (HS 6403)			US Dollar thousand		
Year	2015	2016	2017	2018	2019
World Exports	51,748,448	49,041,137	51,153,963	53,912,615	56,101,435
Growth % (from previous year)		-5.2%	4.3%	5.4%	4.1%



While considering the top five exporters of product code HS: 6403 in the world, China has been the leading exporter, followed by Italy, Vietnam, Germany and Indonesia as shown in the table below. Data from Pakistan is also shown for contrasting and comparison.

HS: 6403		US Dollar thousand				
Top Exporters	Exported value in 2015	Exported value in 2016	Exported value in 2017	Exported value in 2018	Exported value in 2019	Percentage growth 2018-19
China	10,911,278	9,014,432	9,031,375	9,078,519	9,310,686	2.6%
Italy	7,693,129	7,593,364	7,717,167	8,155,206	7,974,632	-2.2%
Vietnam	4,661,033	4,295,258	4,553,689	5,089,449	7,512,422	47.6%
Germany	2,408,413	2,648,442	3,323,261	3,607,311	3,740,811	3.7%
Indonesia	2,303,478	2,260,270	2,551,716	2,684,821	2,269,096	-15.5%
Pakistan	91,893	86,823	85,061	100,131	114,045	14%

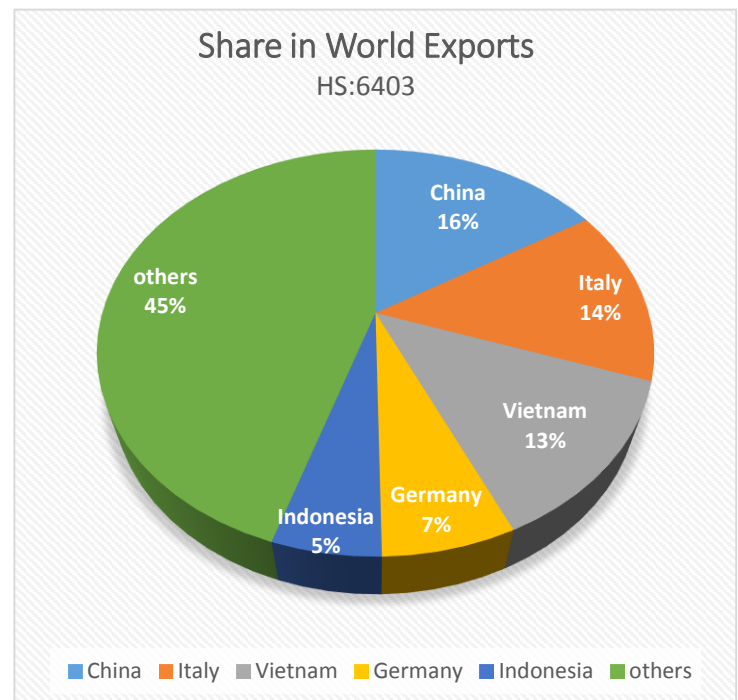
The illustration below demonstrates the dollar export value top five leather footwear (HS: 6403) exporting countries from 2015 to 2019.



5.1.1. Major Exporter Market Share

The table below, and the accompanying pie chart show shares of top leather footwear exporting countries under the category HS: 6403, with reference to total world exports.

Exporters (HS:6403)	Exported value in 2019 (USD thousand)	Share in World Exports %
China	9,310,686	16.2%
Italy	8,109,338	14.1%
Vietnam	7,414,541	12.9%
Germany	3,740,811	6.5%
Indonesia	3,038,564	5.3%
Pakistan	114,045	0.2%
Others		45%

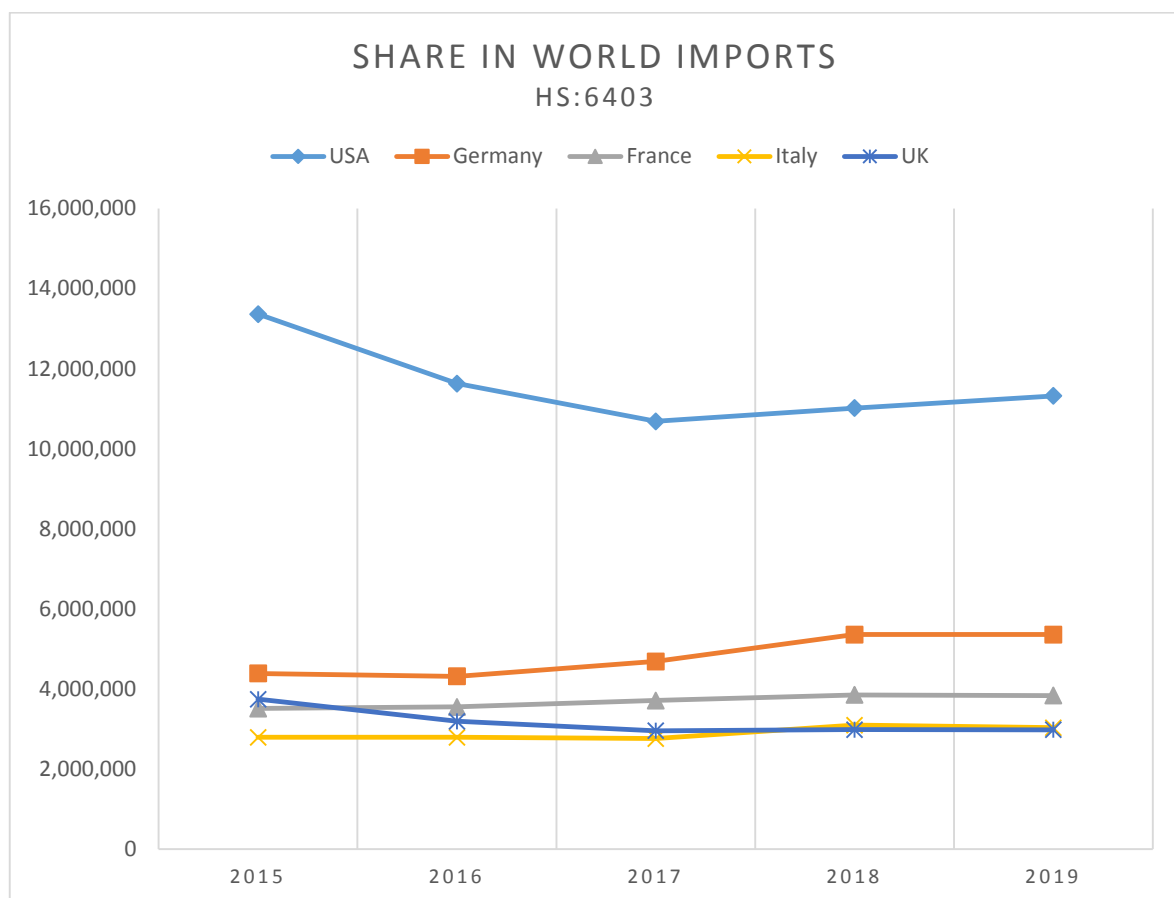


5.2. Major Import Markets

Total value for world imports of leather footwear HS: 6403 was USD 55,362 million in the year 2019. United States is the largest importer of leather footwear by a significant margin, spending more than USD 11,317 million in 2019. Germany, France, Italy and the United Kingdom also fall in top five importers of leather footwear. Details on the value of Leather footwear imports for top five importing countries, along with percentage growth from 2018 to 2019 in this category are given in table below;

HS: 6403	US Dollar thousand					
Importing Country	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019	Percentage growth 2018-19
USA	13,360,598	11,626,686	10,685,272	11,016,726	11,317,711	2.7%
Germany	4,387,765	4,319,133	4,688,924	5,358,880	5,360,865	0.04%
France	3,514,171	3,554,611	3,714,357	3,852,306	3,839,183	0.34%
Italy	2,793,102	2,793,591	2,763,655	3,097,338	3,036,341	-2%
UK	3,746,950	3,193,804	2,957,396	2,986,533	2,982,672	-0.1%

The following illustration demonstrates dollar value spent by top five importers of leather footwear HS: 6403 from 2015 up to 2019.



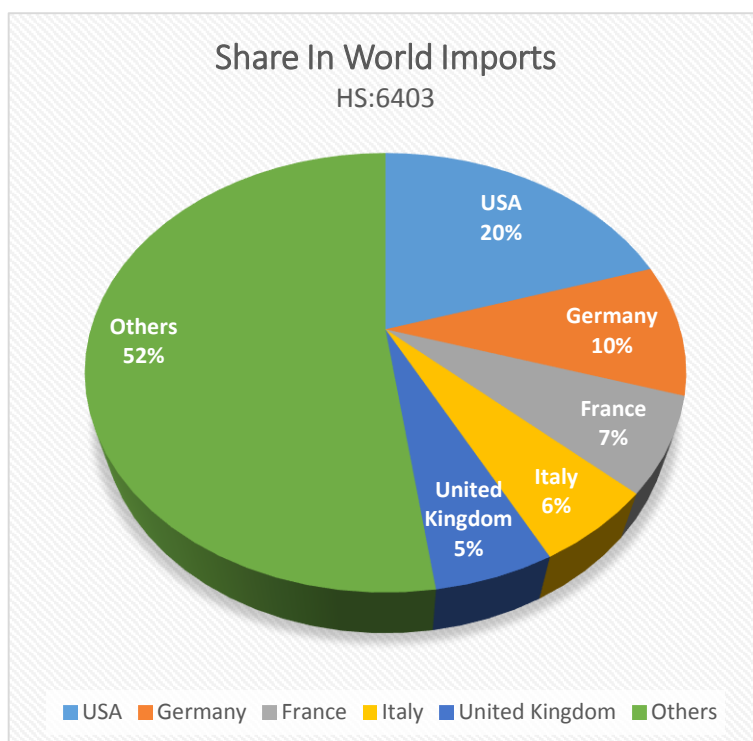
Details on dollar value of goods imported under HS code 640420 with respect to, top five importing countries are given below.

HS: 640420	US Dollar thousand					
Importers (HS: 6403)	Imported value in 2015	Imported value in 2016	Imported value in 2017	Imported value in 2018	Imported value in 2019	Percentage growth 2018-19
USA	174,393	174,020	235,252	198,552	242,127	22%
France	62,247	70,557	92,062	123,585	125,809	1.8%
UK	49,446	62,020	82,992	79,099	73,513	-7%
China	36,547	29,809	41,960	61,541	64,950	5.5%
Hong Kong, China	26,614	27,033	34,143	54,073	60,369	11.6%

5.2.1. Major Importers Market Share

As mentioned before, USA is the largest importer of leather footwear (HS: 6403 as well as HS: 640420). Based on data for the year 2019 USAs share in world imports of leather footwear HS:6403 is 20.4%, while, Germany, France, Italy and the UK account for 9.7%, 6.9%, 5.6% and 5.4% respectively. Pakistan typically does not Import any significant quantity of products that come under the leather footwear category. This is possibly due to the availability of cheap locally produced leather footwear items. The table below, and the accompanying pie chart show shares of top leather footwear importers, with reference to total world imports.

Importers (HS:6403)	Imported value in 2018 (USD thousand)	Share in World Imports %
USA	11,317,711	20.4%
Germany	5,360,865	9.7%
France	3,839,183	6.9%
Italy	3,086,799	5.6%
United Kingdom	2,984,015	5.4%
Others		52.0%



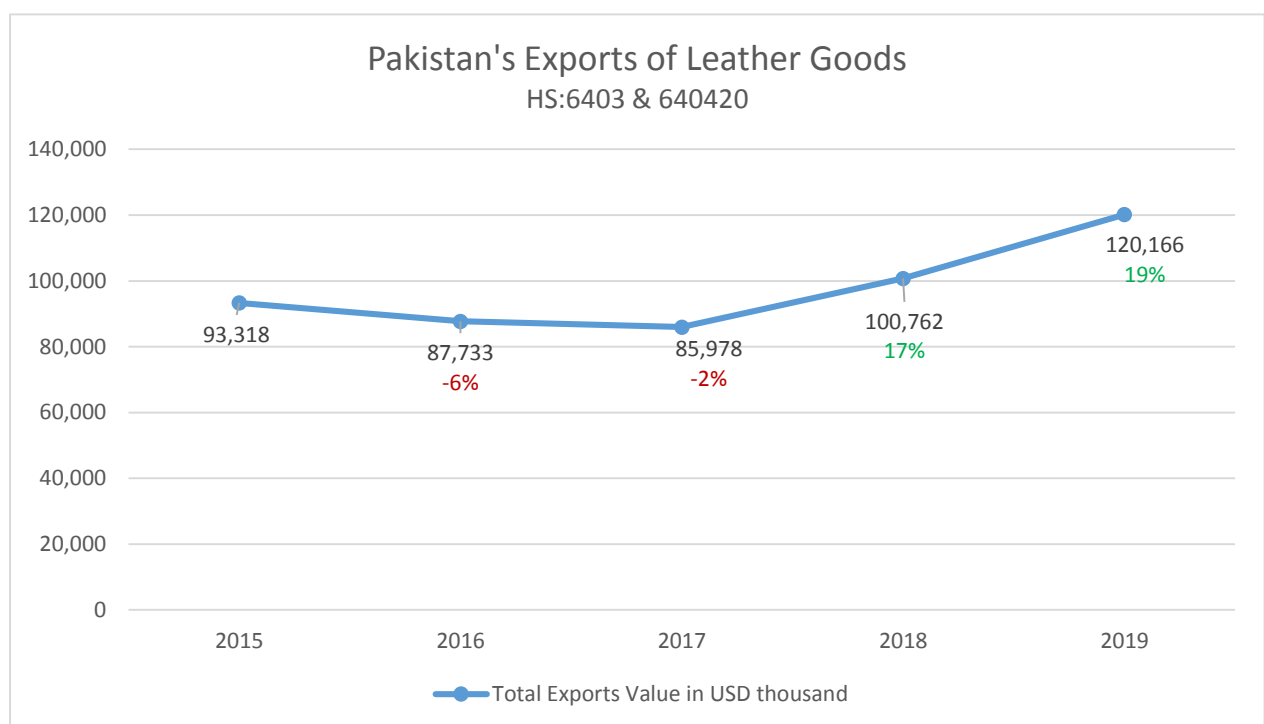
6. Pakistan

6.1. Pakistan's Exports

Pakistan's share in global exports of leather footwear is around 0.2% as of 2019. Considering that there is abundance of good quality leather available in Pakistan, this figure is very low. With calculated investments in this sector focusing on areas like technology and skill improvement, coupled with well-planned businesses decisions, Pakistani businesses should be able to produce and export in significantly larger volumes.

Leather Footwear (HS: 6403, 640420)					US Dollar thousand
HS Codes	Pakistan's Exports in 2015	Pakistan's Exports in 2016	Pakistan's Exports in 2017	Pakistan's Exports in 2018	Pakistan's Exports in 2019
HS: 6403	91,893	86,823	84,929	99,509	119,230
HS: 640420	1,425	910	1,049	1,253	936
Total	93,318	87,733	85,978	100,762	120,166
Growth % (from previous year)		-6%	-2%	17%	19%

The above data is represented graphically in the following illustration;



Sub-Category wise details of Pakistan's exports under the parent category HS: 6403 from 2017 to 2019 are shown as follows:

HS Code	Product Label	Value in USD \$ Thousand		
		Exported Value in 2017	Exported Value in 2018	Exported Value in 2019
640399	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather (excluding covering the ankle, incorporating a protective metal toecap, sports footwear, orthopaedic footwear and toy footwear)	69,098	78,621	69,464
640320	Footwear with outer soles of leather, and uppers which consist of leather straps across the instep and around the big toe	11,640	15,953	1,775
640391	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather, covering the ankle (excluding incorporating a protective metal toecap, sports footwear, orthopaedic footwear and toy footwear)	3,069	4,402	39,068
640359	Footwear with outer soles and uppers of leather (excluding covering the ankle, incorporating a protective metal toecap, with uppers which consist of leather straps across the instep and around the big toe, sports footwear, orthopaedic footwear and toy footwear)	920	801	1,557
640319	Sports footwear, with outer soles of rubber, plastics, leather or composition leather and uppers of leather (excluding ski-boots, cross-country ski footwear, snowboard boots and skating boots with ice or roller skates attached)	241	341	5,891
640312	Ski-boots, cross-country ski footwear and snowboard boots, with outer soles of rubber, plastics, leather or composition leather and uppers of leather	80	11	146
640340	Footwear, incorporating a protective metal toecap, with outer soles of rubber, plastics, leather or composition leather and uppers of leather (excluding sports footwear and orthopaedic footwear)	10	1	286
640351	Footwear with outer soles and uppers of leather, covering the ankle (excluding incorporating a protective metal toecap, sports footwear, orthopaedic footwear and toy footwear)	2	1	1,016
640330	Footwear with leather uppers, made on a base or platform of wood, with neither an inner sole nor a protective metal toecap	0	0	0

In addition to the above categories included in HS: 6403, Pakistan also has some leather footwear exports in product category HS: 640420 as shown below.

HS Code	Product Label	Value in US dollar thousand		
		Exported Value in 2017	Exported Value in 2018	Exported Value in 2019
640420	Footwear with outer soles of leather or composition leather and uppers of textile materials (excluding toy footwear)	1,049	1,253	936

Pakistan's share in global exports of leather footwear HS: 6403 & 640420 is shown below:

Pakistan's Share in World Exports for Leather Footwear			
Product HS Code	World Exports in 2019 (US \$ thousand)	Pakistan's Exports in 2019 (US \$ thousand)	Pakistan's % Share in World Exports
HS: 6403	56,101,435	35,801	0%
HS: 640420	950,277	936	0.1%

6.2. Pakistan Trading Partners

The following table shows top leather footwear importers from Pakistan covering both product categories HS: 6403 and HS: 640420

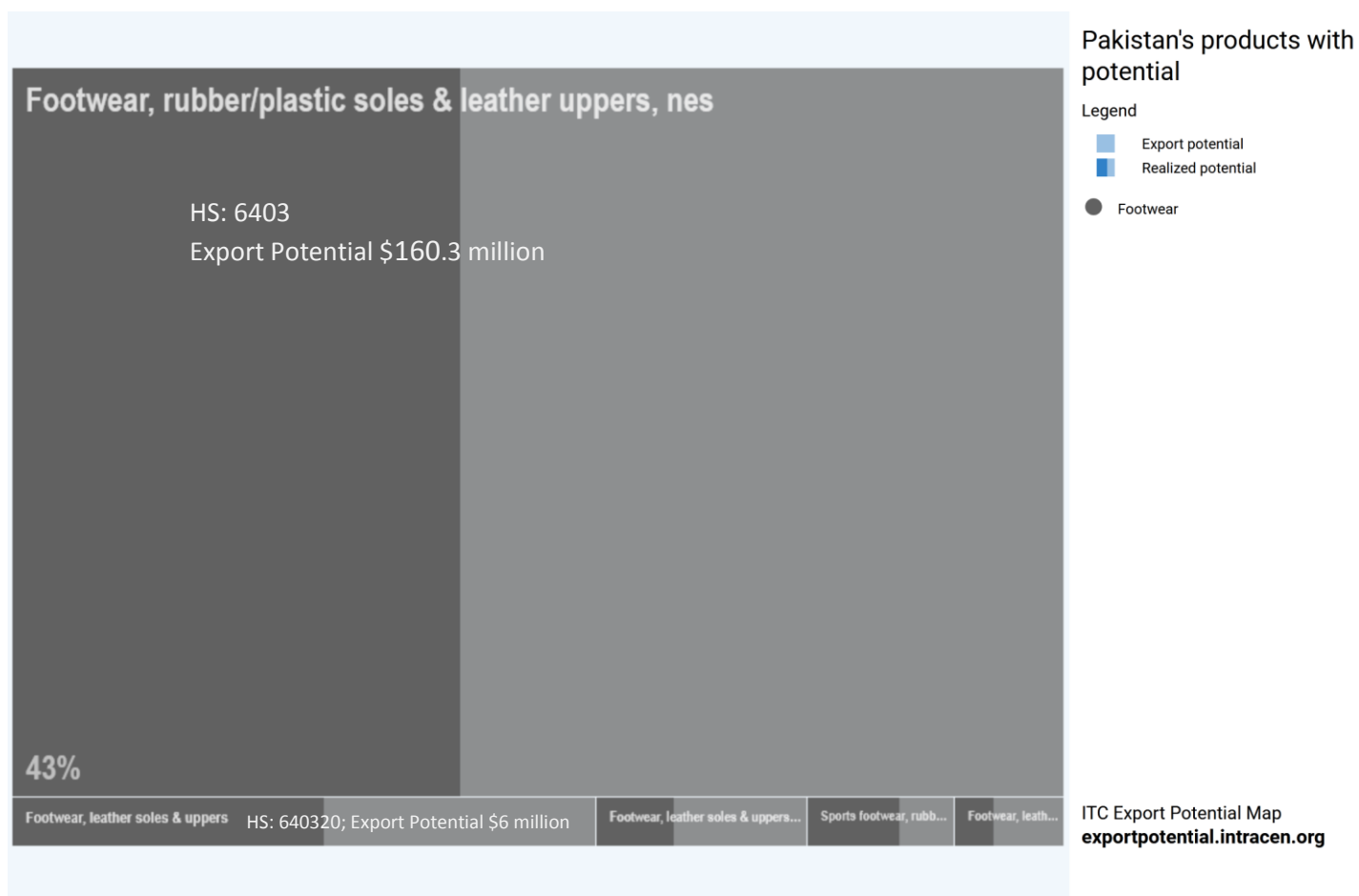
HS:6403 top Importers from Pakistan in 2019			
Country	Value (in US \$ thousand)	Quantity	Unit
Germany	29,375	1229	Tons
Italy	22,504	1098	Tons
USA	10,420	547,753	Pairs
Russia	10,221	378	Tons
United Kingdom	9,226	570	Tons
Netherlands	6,692	314	Tons
France	6,000	311	Tons
HS:640420 top Importers from Pakistan in 2019			
Country	Value (in \$ thousand)	Quantity	Unit
Denmark	77	6	Tons
Brazil	73	4	Tons
Italy	39	2	Tons
United Kingdom	32	2	Tons
China	21	Less than 1	Tons

7. Pakistan's Untapped Export Potential for Leather Footwear (HS: 6403 & 640420)

Based on the ITC Export Potential Map tool, the following products falling under the categories HS: 6403 & 640420 have untapped export potential, as shown in table below;

Untapped Export Potential for Leather Goods (HS: 6403, 4201)			
Product Code	Export Potential	Actual Exports	Untapped Potential
6403XX	\$160.3 mn	\$87 mn	\$91.9 mn
640320	\$6 mn	\$7.8 mn	\$2.8 mn
640359	\$2.2 mn	\$2 mn	\$1.4 mn
640319	\$1.5 mn	\$2.9 mn	\$558.4 k
640420	\$1.1 mn	\$860 k	\$723.8 k

Data from the above table is graphically represented in the illustration below



It should be noted that the data in ITC's "Export Potential Map" is quite different from data in the "Trade Maps" tool from which the rest of the figures in this document have been obtained. For example the "Actual Exports" section represents an average of the last five years of exports in that category, to only those countries where Pakistan has export potential.

It is therefore requested that the figures above are looked at independently from the Import/export data provided in the rest of the document. For further details on the data listed above please copy paste the following link in your browser;

<https://exportpotential.intracen.org/en/products/tree-map?fromMarker=i&exporter=586&toMarker=w&market=w&whatMarker=k>

8. Annexures

8.1. Annexure-1: Leather Sector Associations

Following are some active associations representing the leather sector in Pakistan

Pakistan Tanners Association

Central Office

46-C, 21st Commercial Street, Phase II, Extension. Defence Housing Authority
Karachi-75500, Pakistan.

Phones: 0213-5880180-84, 5899819

Fax: 92-21-5880093

E-mail: info@pakistantanners.org

Southern Zone Office

Plot # ST-7, Sector 7-A, Korangi Industrial Area, Karachi-74900, Pakistan

Phones: 0213-50620778

Fax: 92-21-5060323

E-mail: ptasz@pakistantanners.org

Northern Zone Office

1-Basement, Gulberg Heights,

Near Sherpao Bridge, Ghaus-e-Azam Road, Gulberg II, Lahore-54660, Pakistan

Phones: 0423-5763204, 5876702

Fax: 0423-5758749

E-mail: ptanz@pakistantanners.org

Pakistan Gloves Manufacturers & Exporters Association

PGMEA Building, Kashmir Road, P.O.Box: 1330, Sialkot – Pakistan

Phones: 052-4273870 / 4272959

Fax: 052-4274860.

Email: pgmea@brain.net.pk / pgmea_skt@yahoo.com

Pakistan Leather Garments Manufacturers & Exporters Association

PLGMEA Central & Southern Zone

C/o National Institute of Leather Technology ST#20, Sector 7/A, Korangi Industrial Area –
KARACHI

Phone : (021) 35116821

Email : plgmea.iq57@yahoo.com

Northern Zone

BASF Building, Main Defence Road, Sialkot - Pakistan

Phone: (052) 3254401-3

Fax: (052) 3254400

Email: plgmeaskt@gmail.com

Pakistan Footwear Manufacturers Association

6-F, Rehman Business Center, 32-B III, Gulberg III, Lahore 54660

Phone: 0423-5750051

Email: pfma@pakfootwear.org

8.2. Annexure-2: HS Codes Key for Leather Sector

Harmonized System Code (HS Code)	Description of Goods
41	Raw hides and skins (other than furskins) and leather
4101	Raw hides and skins of bovine "incl. buffalo" or equine animals, fresh, or salted, dried, limed, pickled or otherwise preserved, whether or not dehaired or split (excluding tanned, parchment-dressed or further prepared)
4102	Raw skins of sheep or lambs, fresh, or salted, dried, limed, pickled or otherwise preserved, whether or not dehaired or split (excluding those with wool on, fleeces of Astrakhan, Caracul, Persian, Broadtail or similar lambs, or of Indian, Chinese, Mongolian or Tibetan lambs and tanned, parchment-dressed or further prepared)
4103	Other raw hides and skins, fresh, or salted, dried, limed, pickled or otherwise preserved, whether or not dehaired or split (excluding those of bovine animals, equine animals, sheep and lambs, those with wool on and those of goats or kids from Yemen, Mongolia or Tibet and tanned, parchment-dressed or further prepared)
4104	Tanned or crust hides and skins of bovine "incl. buffalo" or equine animals, without hair on, whether or not split (excluding further prepared)
4105	Tanned or crust skins of sheep or lambs, without wool on, whether or not split (excluding further prepared)
4106	Tanned or crust hides and skins of goats or kids, pigs, reptiles and other animals, without wool on, and leather of hairless animals, whether or not split (excluding further prepared and leather of bovine and equine animals, sheep and lambs)
4107	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of bovine "incl. buffalo" or equine animals, without hair on, whether or not split (excluding chamois leather, patent leather and patent laminated leather, and metallised leather)
4112	Leather further prepared after tanning or crusting incl. parchment-dressed leather", of sheep or lambs, without wool on, whether or not split (excluding chamois leather, patent leather and patent laminated leather, and metallised leather)"
4113	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of goats or kids, pigs, reptiles and other animals, without wool or hair on, and leather of hairless animals, whether or not split (excluding leather of bovine and equine animals, sheep and lambs, and chamois leather, patent leather and patent laminated leather, and metallised leather)
4114	Chamois leather, incl. combination chamois leather (excluding glacé-tanned leather subsequently treated with formaldehyde and leather stuffed with oil only after tanning); patent leather and patent laminated leather; metallised leather (excluding lacquered or metallised reconstituted leather)
4115	Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather

	or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour
4201	Saddlery and harness for any animal, incl. traces, leads, knee pads, muzzles, saddle cloths, saddlebags, dog coats and the like, of any material (excluding harnesses for children and adults, riding whips and other goods of heading 6602)
4202	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers; travelling-bags, insulated food or beverage bags, toilet bags, rucksacks, handbags, shopping-bags, wallets, purses, map-cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper
4205	Articles of leather or composition leather (excluding saddlery and harness bags; cases and similar containers; apparel and clothing accessories; whips, riding-crops and similar of heading 6602; furniture; lighting appliances; toys; games; sports articles; buttons and parts thereof; cuff links, bracelets or other imitation jewellery; made-up articles of netting of heading 5608; and articles of plaiting materials
4203	Articles of apparel and clothing accessories, of leather or composition leather (excluding footwear and headgear and parts thereof, and goods of chapter 95, e.g. shin guards, fencing masks
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear and headgear and parts thereof, and goods of chapter 95, e.g. shin guards, fencing masks
420321	Specially designed gloves for use in sport, of leather or composition leather
420329	Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves
420330	Belts and bandoliers, of leather or composition leather
420340	Clothing accessories of leather or composition leather (excluding gloves, mittens and mitts, belts, bandoliers, footwear and headgear and parts thereof, and goods of chapter 95 [e.g. shin guards, fencing masks])
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather (excluding orthopaedic footwear, skating boots with ice or roller skates attached, and toy footwear
640420	Footwear with outer soles of leather or composition leather and uppers of textile materials (excluding toy footwear