

Finished Leather

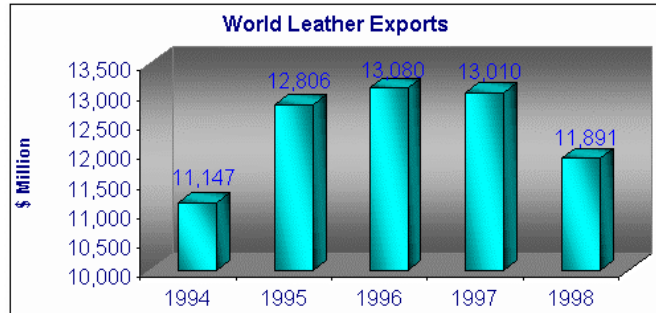


Small and Medium Enterprise Development Authority
GOVERNMENT OF PAKISTAN

Leather

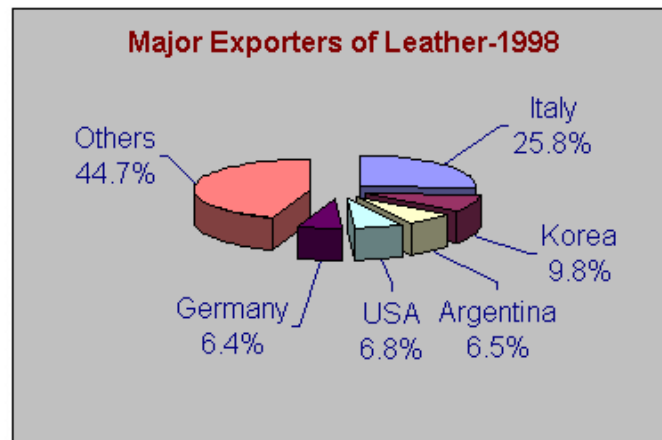
World Exports

World leather market in 1998 was \$11,891 million as compared to \$11,147 million in 1994. Average growth rate for leather exports during the five years (1994-98) was 2%. World exports increased from 1994 to 1996 and then declined. One of the reasons for this decreased was the Far Eastern crisis. Since Far Eastern countries constitute the major import market for finished leather, so the currency devaluation led to making their imports expensive. In addition to this, a decreased demand of leather garments in the international market during this period also contributed towards the decrease of leather exports.



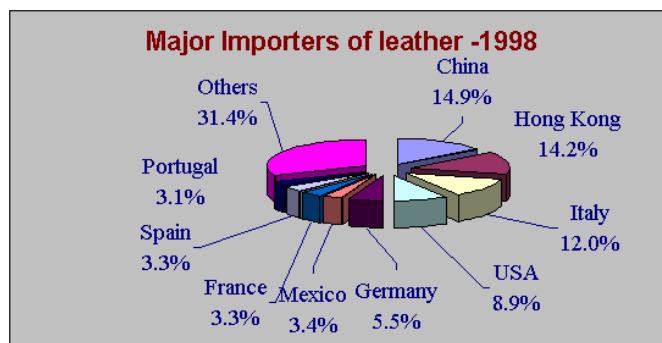
Major Exporters

Italy is at the top of the list of major leather exporters with 26% share of total global trade in 1998. Italy is considered the best leather producer in the world with highest unit price. Korea is the second largest exporter, with 10% market share and USA the third with 7% share. Germany and Argentina both hold 6% market share each.



Major Importers

Major importers include China with 15% market share. Hong Kong is at second position with 14% of market share. Hong Kong acts a trading hub and majority of the leather imported into Hong Kong is re-exported. It is interesting to note that Italy is not only the largest exporter of leather but also is the third largest importer. Most of this imported leather is converted into value-added leather products and is re-exported.



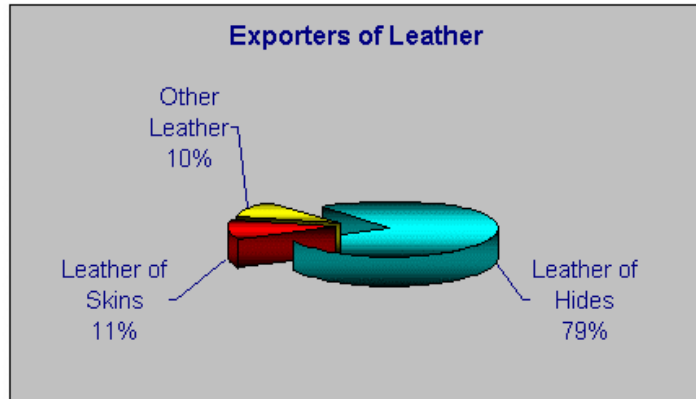
USA also imports leather and holds 9% share in world import market. These four countries hold more than 50% of total import market.

Break up of World Leather Market

World market for leather can be divided into three main categories:

1. Leather of Hides
2. Leather of Skins
3. Other Leather

Almost 80% of the trade in leather is in leather of hides. Remaining 20% is equally divided amongst leather of skins and other leather. Major use of hides leather is in footwear and upholstery and leather goods. Skins are mostly used in Leather Garments.

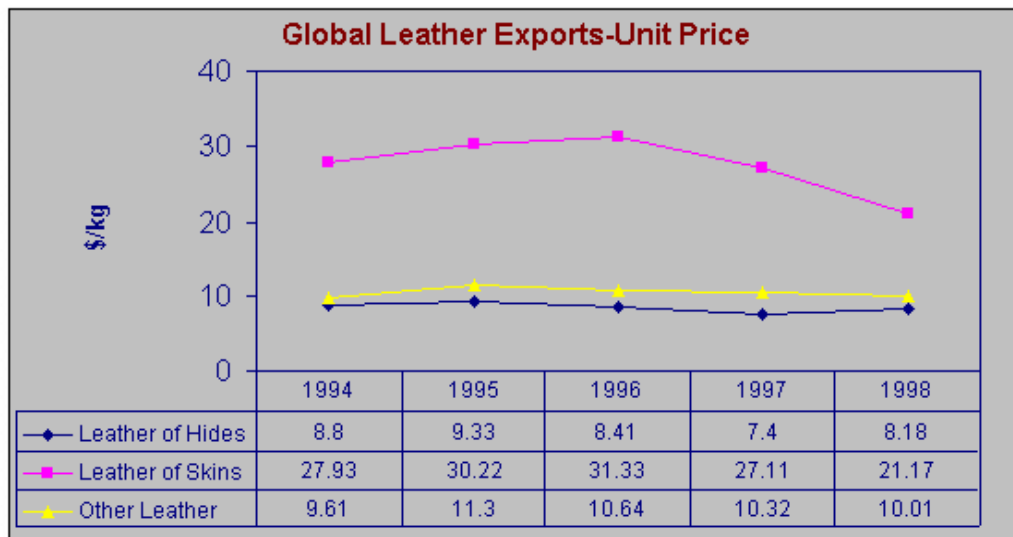


Average market growth rate for the period 1994-98 has been 4% per annum. Major decline during the period 1997-98 was due to fall in trading of skins leather for which the average decline rate was 5% per annum. The cause of this decline was decrease in demand due to change in fashion. Market for other leather declined too but the decline was not as sharp as in case of skin leather.

Unit Price Realization

There has been an average growth of 5% in the quantities of leather traded over the period of five years. In comparison to that the total increase of 2% in the total trade value, this depicts an over all decrease in unit price of leather.

The analysis of the price realization shows that the highest price realized per kg of leather is in leather of skins. This is the case since the skins leather is thin compared to hides. So the same weight of skin leather translates into larger



surface area compared to that of same weight of hides. In terms of surface area, the rates are comparable.

The trend of unit price is very much in line with the export trends. An increase till 1995 shows the increase in demand that is also reflected by increased exports during this period. After 1996, there is a decline in unit prices and the sharpest decline is seen in case of skin leather. The reason is that the best use of the skin leather is in leather garments. A decline in demand of leather garments with the corresponding decline in demand for skin leather resulted in this sharp decline in price of skin leather.

The price of other leather remained stable, as there was a growth of 1% over the period of five years.

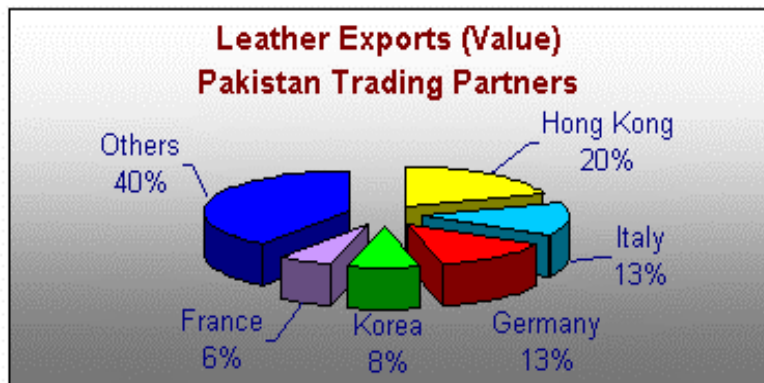
Pakistan Exports of Leather

Exports of leather from Pakistan are normally of finished leather. This finished leather is mostly used in footwear, goods and upholstery. The exports of leather from Pakistan in 1994 were \$ 249 million, next year was a period of growth and exports of leather grew from 249 million to 266 USD million, this translates into 15% growth. After that there was a period of continuous decline till 1998. The average rate of decline for five years was 2%.

Of the total leather exported from Pakistan, 53% of total exports is that of skin leather. This is opposite to the world trend where skin leather constitutes only 11% of the total leather exports. Further break up of the skin leather exports show that out of skin leather exported in 1998-99, 99.98% was goat skin leather which is also opposite to the world trend where about 80% of the skin leather traded is that of sheep.

Pakistan's Trading Partners

Hong Kong was Pakistan's biggest trading partner in 1998 with 20% share of Pakistan's exports. In 1994 exports to Hong Kong from Pakistan were of \$ 23 million which reached to \$35 million in 1998. Over all growth rate was 17% per annum.



Imports of Italy from Pakistan remained on a continuous decline during this period. In 1994 Pakistan's exports to Italy were \$47 million, which declined to \$24 million in 1998 with an overall decline rate of 10% per annum.