

# *Leather Footwear*

## *Sector Brief*

The objective of this short write-up is to provide the reader with an overview of the sector. The information covers global trade of the product, status of Pakistan's exports and summary of industry structure. Trade information for global comparisons has been obtained from PC-TAS, International Trade Centre's Database. Latest available export data on Pakistan has been obtained from the Federal Bureau of Statistics, Pakistan.

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**Small and Medium Enterprise Development Authority**  
Government of Pakistan  
[www.smeda.org.pk](http://www.smeda.org.pk)

### **HEAD OFFICE**

Waheed Trade Complex, 1<sup>st</sup> Floor, 36-Commercial Zone, Phase III, Sector XX, Khayaban-e-Iqbal, DHA Lahore  
Tel: (042) 111-111-456, Fax: (042) 5896619, 5899756  
[helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

### **REGIONAL OFFICE PUNJAB**

Waheed Trade Complex,  
1<sup>st</sup> Floor, 36-Commercial  
Zone,  
Phase III, Sector XX,  
Khayaban-e-Iqbal, DHA  
Lahore.  
Tel: (042) 111-111-456  
Fax: (042) 5896619,  
5899756  
[helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

### **REGIONAL OFFICE SINDH**

5<sup>TH</sup> Floor, Bahria  
Complex II, M.T. Khan  
Road, Karachi.  
Tel: (021) 111-111-456  
Fax: (021) 5610572  
helpdesk-  
[khi@smeda.org.pk](mailto:khi@smeda.org.pk)

### **REGIONAL OFFICE NWFP**

Ground Floor  
State Life Building  
The Mall, Peshawar.  
Tel: (091) 9213046-47  
Fax: (091) 286908  
helpdesk-  
[pew@smeda.org.pk](mailto:pew@smeda.org.pk)

### **REGIONAL OFFICE BALOCHISTAN**

Bungalow No. 15-A  
Chaman Housing  
Scheme  
Airport Road, Quetta.  
Tel: (081) 831623,  
831702  
Fax: (081) 831922  
helpdesk-  
[qta@smeda.org.pk](mailto:qta@smeda.org.pk)

## 1. Introduction:

Leather is one of the most valuable and important international trading commodities. In 1999 the international leather trade value was above US\$ 41 billion which can be divided into five major categories i.e. finished leather, leather garments, leather footwear, leather goods and leather gloves. Major exporters of leather include Italy, China and the Republic of Korea exporting up to 43% of the total international market of leather. The leather industry has been on a decline, for the last five years<sup>1</sup> with an average growth rate of -2%. On the international horizon 1999 was the worst year for leather products (7% decline in international exports) which could be attributed to a high slaughter of cows in Europe, which were infected from what is called the mad cow disease.

Pakistan's share in the international market is hovering at about 1.5% from the last five years, earning an average foreign exchange of US\$ 681 million per annum. According to Federal Bureau of Statistics data, Pakistan exports for the year 2001 were about US\$ 763 million. Out of total leather exports, leather footwear accounts for 50.93%, which makes leather footwear extremely significant.

## 2. Global Perspective:

The global export market in leather footwear has been valued at nearly \$21 billion. The five year trend shows negative growth (-3% for the last 3 years) for leather footwear and in 1999 exports fell by 5% while its share as a sub commodity of leather has increased from 47% to about 51%. Thus even though there has been lower trade in leather as whole, leather footwear has not declined significantly.

Table 1:

Value in \$ million					
LEATHER FOOTWEAR 85115, 85124 & 8514					
	1995	1996	1997	1998	1999
WORLD	21,477	23,083	22,771	22,053	21,049
Growth % age		7%	-1%	-3%	-5%

Leather footwear exports can be further divided into three major classes i.e. footwear with upper of leathers (83%), sports footwear (14%) and other footwear (2.29%). The leading exporter of leather footwear is Italy with a 28.21% share of total exports in 1999. China is second with 13% of the export market and Portugal has 7.57% of the total export market.

Table 2:

Value in \$ million						
Major Exporters Leather Footwear						
	1995	1996	1997	1998	1999	% share 1999
Italy	5,938	6,665	5,977	5,617	5,938	28.21%
China	2,737	2,971	3,626	3,743	2,737	13.00%
Spain	1,535	1,670	1,773	1,713	1,535	7.29%
Portugal	1,593	1,609	1,562	1,497	1,593	7.57%
Brazil	1,330	1,459	1,365	1,171	1,330	6.32%
Germany	1,002	962	946	989	1,002	4.76%

<sup>1</sup> Here data for the years 1995-99 is used for international comparison, which is the latest available.

The leading importer of leather footwear is U.S.A. from atleast five years with nearly 30% of the import market. Germany imported nearly 13% of imports in 1999.

**Table 3:**

Value in \$ million						
Major Importers Leather Footwear						
	1995	1996	1997	1998	1999	% share 1999
World	25225	27463	28446	26770	26306	100%
USA	7,834	8,366	9,140	9,074	7,834	29.78%
Germany	3,413	3,524	3,286	2,978	3,413	12.97%
Hong Kong	3,245	3,554	3,670	2,796	3,245	12.33%
UK	1,586	1,733	2,051	2,037	1,586	6.03%
France	1,566	1,555	1,615	1,637	1,566	5.95%

### 3. Pakistan:

In 1999 the value of export earnings for leather footwear was \$28 million which is 4.61% of the total leather exports for Pakistan. The five-year trend shows that there are a lot of inconsistencies in the growth rate with high fluctuations. However in 1999 while the global export growth rates declined by 5%, Pakistan's export growth rate increased by 7%.

**Table 4:**

Value in \$ million					
Pakistan Exports Leather Goods					
Year	1995	1996	1997	1998	1999
Value	34	40	36	26	28
Growth % (Value)		18%	-10%	-29%	7%

For international comparisons the data used here is for the year 1999, data is also available for Pakistan for the year 2001 and according to which there is a significant increase in exports approximately by 25% i.e. from \$28 million in 1999 to \$35 million in 2000-2001. However, in 1996 Pakistan had achieved exports of \$40 million, which has since then not been attained.

Some of the leading importers from Pakistan for leather footwear include the United Arab Emirates, which in 1999 imported \$4.43 million (16.10%), United Kingdom, which had a share of 15.71% in 1999 and France with 12.3% share of Pakistani exports for this category.

**Table 5:**

Value in \$ million				
Pakistan Trading Partners 1999				
Country	Unit	Quantity	Value	% Share
UNTD ARAB EM	Pairs	580,294	4.43	16.10%
UNITED KINGDOM	Pairs	437,014	4.32	15.71%
FRANCE	Pairs	355,178	3.38	12.29%
NETHERLANDS	Pairs	272,608	2.50	9.07%
GERMANY	Pairs	261,308	2.39	8.67%
SAUDI ARABIA	Pairs	297,402	2.21	8.02%

Within leather footwear are included items such as sandals, slippers, boots and shoes. The most popular item in 2000-2001 was leather boots and shoes, which accounted for nearly 70.33% of the total export value of leather footwear.

**Table 6:**

Value in \$ million		
Leather Footwear		
Commodity	1999-2000	2000-2001
LEATHER BOOTS AND SHOES	20.978	24.631
LEATHER SANDLES	0.578	1.122
LEATHER SLIPPERS	0.657	0.632
LEATHER FOOTWEAR OF EMBROIDARY	0.007	0.054
LEATHER FOOTWEAR NS	3.450	5.262
FOOTWEAR-OUTERSOLE OF LEATHER	0.003	1.826
FOOTWEAR NES-OUTERSOLE-LEATHER	0.039	0.169
FOOTWEAR-UPPERS OF LEATHER	2.322	1.322
<b>Total</b>	28.03	35.02
Exchange Rate Rs/US\$ 51.8 (1999-2000)		
Exchange Rate Rs/US\$ 58 (2000-2001)		

### **3.1. Industry Structure:**

Total footwear production in 1994 in Pakistan was 205 million pairs. The largest concentration of units for footwear production is in Lahore where 306 units are located, which is nearly 59% of the total number of units in Pakistan. The second largest is Karachi where about 8% of the total number of units are located.

**Table 7:**

Leather Footwear Industry	
Cities	No. of Units
Lahore	306
Karachi	44
Hyderabad	38
Rawalpindi	38
Faisalabad	28
Sialkot	15
Multan	11
Sargodha	11
Sahiwal	7
Gujranwala	5
Pehawar	5
Islamabad	4
Sheikhupura	3
Sukkur	2
Gujrat	2
Haripur	2
Mirpur	1
Rawlakot	1
<b>Total</b>	<b>523</b>