SECTOR STUDY | SEPTEMBER 15, 2026

Footwear

Research Team

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Footwear

Introduction

- Footwear encompasses a broad range of products designed to provide protection, comfort, and support while also serving functional and fashion-oriented purposes. The footwear market comprises products differentiated by their intended use, design, materials and consumer preferences. Several types of Footwear are stated as under
- **Casual Footwear:** Casuals (including sneakers and loafers) dominate the market with their comfort, versatility and alignment with the global athleisure trend, appealing to a broad consumer base who seek both style and practicality.
- **Athletic Footwear:** This segment continues to record strong growth, fueled by increasing health awareness and the popularity of sports and fitness activities. Products such as running shoes, sports trainers and hiking Footwear are widely preferred, both for their performance and everyday wear.
- **Formal Footwear:** Formals, such as dress shoes and heels, maintain their relevance for professional and formal occasions. Consumer demand in this segment is driven by quality, elegance, and premium craftsmanship.
- **Boots and Sandals:** These categories cater to specific climatic conditions and fashion preferences. Boots are particularly popular in colder regions, while sandals dominate in warmer climates, offering comfort and breathability.

Global | Market Segmentation

- **Footwear Sector**
  - **By Product**
    - Non-Athletic Footwear: Casual, Dress, Sandals, Slippers, Boots
    - Athletic Footwear: Running, Training, Specialty Sports Shoes
  - **By End-User**
    - Men: Formal, Casual, Boots.
    - Women: Heels, Casual, Flats
    - Children: School Shoes, Sneakers, Slip-Ons.
  - **By Distribution Channel**
    - In-Store Retail Establishments, Specialty Stores
    - Online: E-commerce platforms & Brand specific websites

Source: IMARC

Global | Supply Chain

Raw Material Sourcing	Intermediate Products	Manufacturing	Logistics, Retail & End Consumer
Leather, Synthetic Material (Polyurethane (PU), Polyvinyl Chloride (PVC)), Textiles (Natural & Synthetic fibers, Rubber	Insoles (Foam, gel or leather), Soles & Outsoles (Rubber, or PU), Zipper, Laces & Eyelets (Essential for assembly of Footwear)	Design & prototyping, cutting & sewing, assembly, quality inspection	Warehousing, distribution, in-store & e-commerce retail, end use

Global | Key Market Players

- In CY25, the global Footwear industry posted a YoY growth of ~4.3%, with total Sector revenue reaching USD ~441.6Bn (CY24: USD ~423.4Bn). The Top 10 players' combined revenue, however, declined slightly to USD 85.9Bn, pulling their share of the Sector down from ~20.6% to ~19.5%.
- "Nike" retained its position as the global leader despite a ~11.9% YoY decline in revenue to USD ~31.0Bn (CY24: USD ~35.2Bn). This came on the back of continued weak demand in North America. China also saw sharp declines amid an inventory clean-up. "Converse" remained a weak spot too, with revenues declining with reports of a possible sale.
- "Adidas" registered a strong increase of ~6.6% YoY to USD ~16.1Bn (CY24: USD ~15.1Bn), achieving record revenue driven by double-digit growth in its Terrace/Originals lines (Samba, Gazelle) and strong growth in its Performance/Running segment, in its first full year without any Yeezy sales. "Skechers" grew ~7.8% YoY to USD ~9.7Bn (CY24: USD ~9.0Bn), supported by continued demand for its comfort-technology products and steady growth across international and domestic channels. Amid rising tariff-related uncertainty, the company was subsequently taken private by 3G Capital in a USD ~9.4Bn deal completed in Sep'25.
- "New Balance" surged ~17.9% YoY to USD ~9.2Bn (CY24: USD ~7.8Bn), marking its fifth consecutive year of double-digit growth, driven by premium positioning strategy and strong sales in North America (~20%) and Europe (~30%). "Puma", by contrast, fell ~7.8% YoY to USD ~4.7Bn as the company declared "reset year" under new leadership. It posted a net loss amid distribution clean-up, reduced promotions and tariff pressures.
- The global Footwear market is expected to remain fragmented, with momentum favoring brands executing focused turnarounds and premium positioning ("New Balance", "Adidas", "ASICS") over incumbents still navigating resets ("Nike", "Puma", "Under Armour").

Revenue in USD Bn

Rank	Company Name	CY24	CY25
1	Nike	35.2	31.0
2	Adidas	15.1	16.1
3	Skechers	9.0	9.7
4	New Balance	7.8	9.2
5	VF Corporation (VANS, Timberland)	6.9	6.7
6	Puma	5.1	4.7
7	ASICS	3.7	4.4
8	Converse (Nike-Owned)	2.1	1.7
9	Under Armour	1.4	1.2
10	Wolverine Worldwide (Merrell, Saucony)	1.0	1.2
Top 10 Players' Revenue		**87.3**	**85.9**
Total Revenue of the Sector		**423.4**	**441.6**
Share of Top 10 Players		**20.6%**	**19.5%**

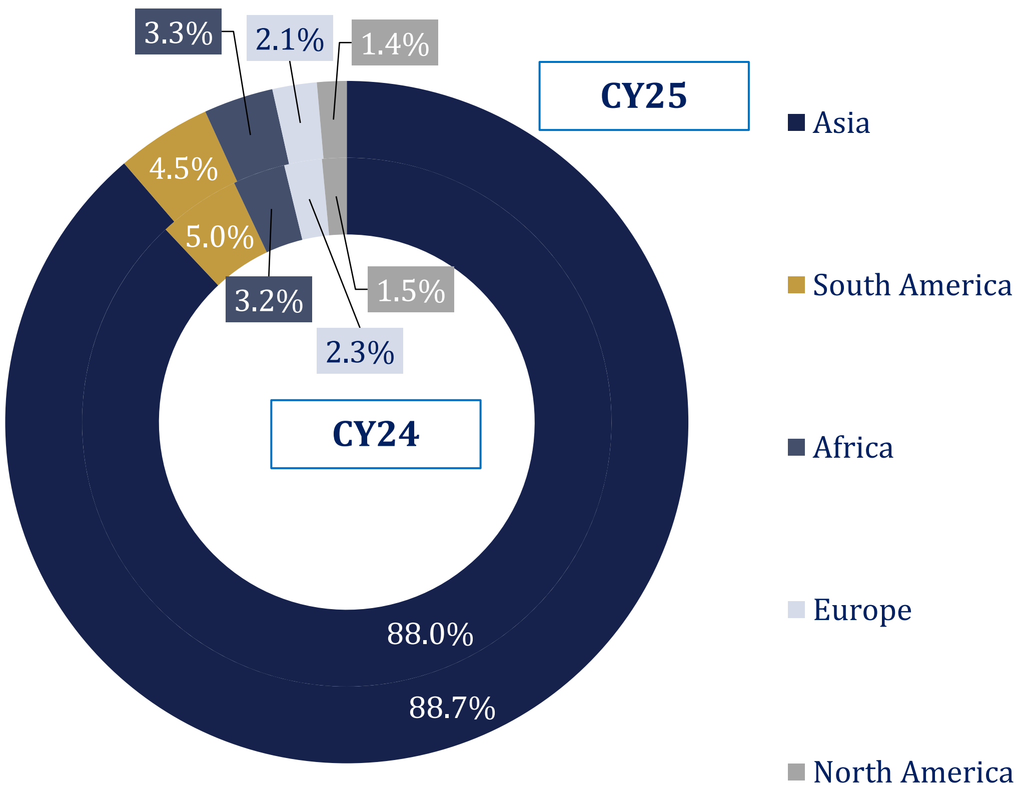
Note: *Footwear Revenue only.*

Source: IMARC, World Footwear Yearbook, Straits Research

Global | Production

- In CY25, global Footwear production grew marginally, up ~0.1% YoY, to ~24.6Bn pairs (CY24: 24.5Bn).
- Asia further extended its dominance to ~88.7% of world production (CY24: ~88.0%), anchored by China, which alone stood at ~55.6% (~13.7Bn pairs). China's dominance reflects its highly integrated Footwear supply chain, large-scale manufacturing capacity, established export infrastructure and extensive supplier ecosystem. This enables significant economies of scale and cost competitiveness. This was followed by India (~3.0Bn pairs) & Vietnam (~1.7Bn pairs) at ~12.2% & ~6.7% respectively. The top 10 footwear manufacturing countries together accounted for ~89.5% of global output, underscoring concentrated manufacturing around low labor costs and established clusters.
- South America remained the second largest producer, though its share declined to ~4.5% (CY24: ~5.0%). This was followed by Africa (~3.3%), Europe (~2.1%) & North America (~1.4%).
- The near-term outlook points toward some diversification of global footwear sourcing at the country level, with US-China trade tensions encouraging brands to expand production across Indonesia and India. While China remained the largest Footwear supplier to the US in CY25, its share of US imports fell to a 35-year low, highlighting the gradual erosion of its dominance in the market. However, the extension of the US-China tariff truce through Nov'26 could moderate the pace of further sourcing shifts, particularly as brands balance tariff considerations against China's established manufacturing scale and supply-chain depth.

Global | Footwear Production | Region-wise



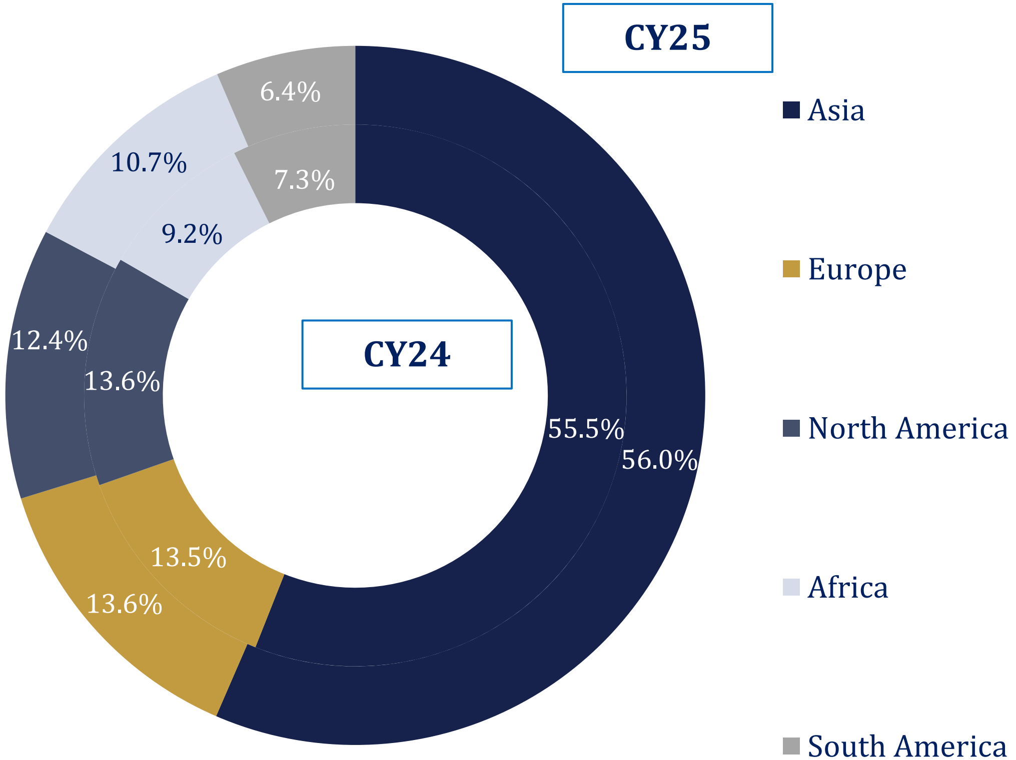
Note: *Production shares are based in terms of quantity [Pairs].*

Source: World Footwear Yearbook

Global | Consumption

- In CY25, Asia extended its lead in global Footwear consumption to ~56.0% (CY24: ~55.5%), driven by rising disposable incomes in China and India, urbanization and expanding e-commerce. Asia's per-capita consumption remains only ~3.0 pairs, well below mature markets.
- Europe reclaimed its position as the second-largest consumer, edging up to ~13.6% (CY24: ~13.5%), with per-capita consumption of ~4.0 pairs. This reversal reflects a pullback in US demand as steep tariffs on Chinese Footwear pushed retail prices sharply higher through CY25.
- North America's share declined to ~12.4% (CY24: ~13.6%), reflecting weaker Footwear volumes amid tariff-driven price pressures and cautious consumer spending, despite retaining the world's highest per-capita consumption at ~5.0 pairs.
- Africa's share rose to ~10.7% (CY24: ~9.2%), supported by its expanding consumer base, although low purchasing power keeps per-capita consumption at just ~2.0 pairs. South America's share declined to ~6.4% (CY24: ~7.3%), reflecting weaker regional demand, while per-capita consumption also remained below levels seen in more mature markets.
- Global Footwear consumption is expected to grow steadily into CY27, with Asia and Africa driving volume growth on rising incomes and urbanization, while elevated US tariffs could keep North American demand subdued even as Europe holds its recovered second-largest position.

Global | Footwear Consumption | Region-wise (CY25)



Note: *Consumption in terms of quantity [Pairs].*

Source: World Footwear Yearbook

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Global | Trade

Exports | Footwear (USD Mn)		CY21	CY22	CY23	CY24	CY25
1	China	50,715	61,773	53,008	50,980	54,039
2	Viet Nam	18,236	24,553	20,769	34,902	40,172
3	Italy	13,114	14,419	14,461	13,124	13,639
4	Germany	9,568	10,287	11,270	11,400	12,200
5	Indonesia	6,186	7,738	6,436	7,281	7,976
Rest of the World		55,826	61,439	61,835	62,101	48,112
Total		**153,645**	**180,209**	**167,779**	**179,788**	**176,138**

Imports | Footwear (USD Mn)		CY21	CY22	CY23	CY24	CY25
1	USA	28,407	37,966	26,791	28,388	27,193
2	Germany	13,318	15,211	13,629	12,738	15,648
3	France	8,559	9,514	9,276	9,109	9,644
4	Italy	7,139	8,799	8,707	8,681	7,886
5	China	6,457	6,224	6,252	6,206	6,256
Rest of the World		89,765	102,495	103,124	114,666	109,511
Total		**153,645**	**180,209**	**167,779**	**179,788**	**176,138**

***Note**: HS Codes: 6401, 6402, 6403, 6404, 6405, 6406. *China & Viet Nam footwear trade figures based on 5-year CAGR.*

Source: UN Comtrade

Global | Key Takeaways

Global Footwear Market Set for Steady Expansion Through CY34, Anchored by Asia’s increasing Demand and Europe's Value Growth

Market Size & Segment Demand

- Global Footwear Market is projected to grow at a ~4.3% CAGR to reach USD ~645.0Bn by CY34 (from USD ~441.6Bn in CY25).
- Asia leads current demand both by consumption volume (~56.0% of pairs) and market value (Asia Pacific ~38.4%), while Europe posts the fastest regional growth in value terms (~6.8% CAGR).
- Men’s Footwear accounts for ~42.6% of the global market in CY25, supported by consistent demand for formal, casual, sports, and outdoor footwear. Women's footwear is the fastest-growing segment with projected ~6.3% CAGR through CY34.
- Non-athletic Footwear (casual, formal, fashion, work) holds ~58.2% market share in CY25, driven by fashion trends and rising demand for comfortable everyday footwear across all age groups.

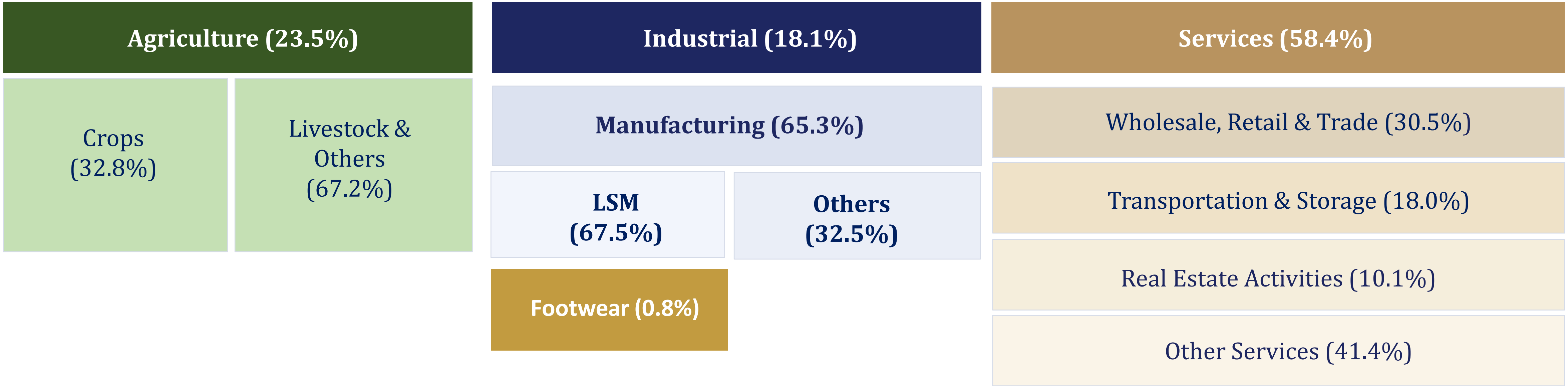
Retail, Innovation & Risk Factors

- Budget-friendly Footwear leads the market on the back of wide online/in-stores availability and secure payment gateways, even as premium demand is reinforced by rising social-media marketing and celebrity endorsements.
- In-store Footwear retail remains the largest distribution channel in CY25, prized for fit and personal service.
- Brands are using AI-assisted product development and athlete performance data to shorten development cycles and introduce new cushioning systems, particularly in the running Footwear segment.
- Cost pressures have intensified, with Brent rising from USD ~90/bbl at end-Aug'26 to above USD ~100/bbl going into Sep’26. Disruptions in the Strait of Hormuz are further raising freight, insurance and footwear input costs. Meanwhile, stacked US tariffs of ~12.5–37.5% by origin are weighing on landed costs and export competitiveness.

Source: Straits Research, World Footwear Yearbook

Local | Overview

- In FY26, Pakistan's GDP (nominal) stood at PKR ~126.9Tn, increasing, in nominal terms, by ~11.3% YoY (FY25: ~8.3% growth). The agriculture segment accounted for ~23.5% of GDP, industrial activities made up ~18.1%, while services comprised ~58.4%.
- Within the Industrial segment, Manufacturing accounted for ~66.9% of activity, of which Large-Scale Manufacturing (LSM) held a ~67.4% share. Footwear contributed ~0.8% to LSM output, while its contribution overall GDP for the period was 0.1%.
- Despite its low share within the national GDP, the Footwear Sector remains a labor-intensive segment within LSM, with output closely tied to domestic consumption demand, raw material (leather and synthetic) input costs, and export competitiveness in regional markets.



Note: **FY26 values are Provisional – Sectoral Shares in real GDP.*

Source: PBS, PES

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Local | Overview

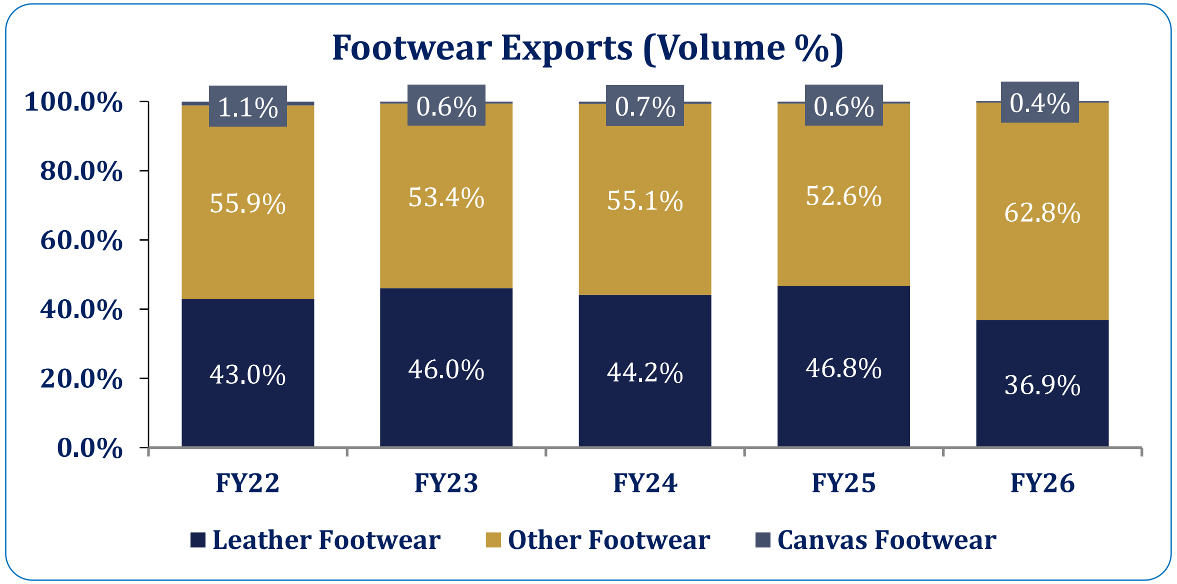
- Pakistan's Footwear Sector is a significant employer (~1Mn workers) within the consumer goods industry, with a diversified base of leather shoes, sports footwear, sandals, and safety boots. Sialkot & Karachi account for ~86% of national capacity, with Punjab remaining the dominant production region.
- Leather Footwear production growth stalled at ~37.7Mn pairs in FY26, following a stronger ~7.2% YoY rise in FY25. Footwear export value remained flat at USD ~176.0Mn in FY26, even as export volumes rose ~23.2% to ~23.5Mn pairs (FY25: ~19.0Mn pairs).
- Net FDI in Leather & Leather Products remained negative for a second consecutive year at USD ~-0.4Mn in FY26 (FY25: USD ~-5.7Mn), though the outflow narrowed markedly, pointing to some stabilization in investor sentiment. Separately, revenue of listed players (Service Global Footwear Limited and Bata Pakistan Limited) rose to PKR ~37.7Bn in CY25 (CY24: PKR 35.7Bn), up ~5.6% YoY. 6MCY26 revenue stood at PKR 17.9Bn.
- The Sector's near-term outlook will depend on the implementation of the Finance Act 2026 and concerns over Footwear's inclusion in the Third Schedule, which may raise compliance costs and encourage undocumented trade. Beyond fiscal policy, growth will require greater investment in technology, skills and vertical integration, alongside a shift toward higher-value products, FDI and export expansion.

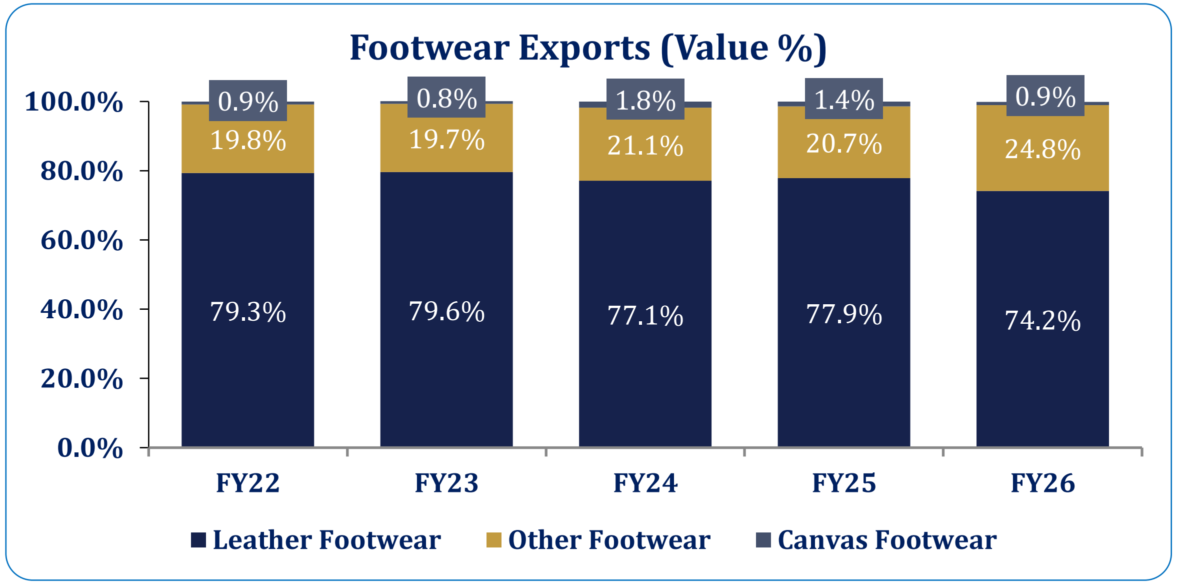
Particulars	FY24	FY25	FY26
Contribution in LSM	0.8%	0.8%	0.8%
Leather Footwear Produced (000 Pairs)	35,152	37,682	37,693
Exports (USD Mn)	**162**	**176**	**176**
Leather	125	138	130
Canvas	3	2	2
Other Footwear	34	36	44
Exports (000 Pairs)	**21,475**	**19,049**	**23,465**
Leather	9,472	8,906	8,649
Canvas	156	119	83
Other Footwear	11,848	10,024	14,733
Net FDI (Leather & Leather Products) (USD Mn)	0.1	-5.7	-0.4

Particulars	CY25	6MCY25	6MCY6
Listed Players' Revenue (PKR Bn)	37.7	18.6	17.9
Market Structure	Competitive		
Association	Pakistan Footwear Manufacturers Association		

Source: PBS, SBP, PSX, TDAP

Local | Exports

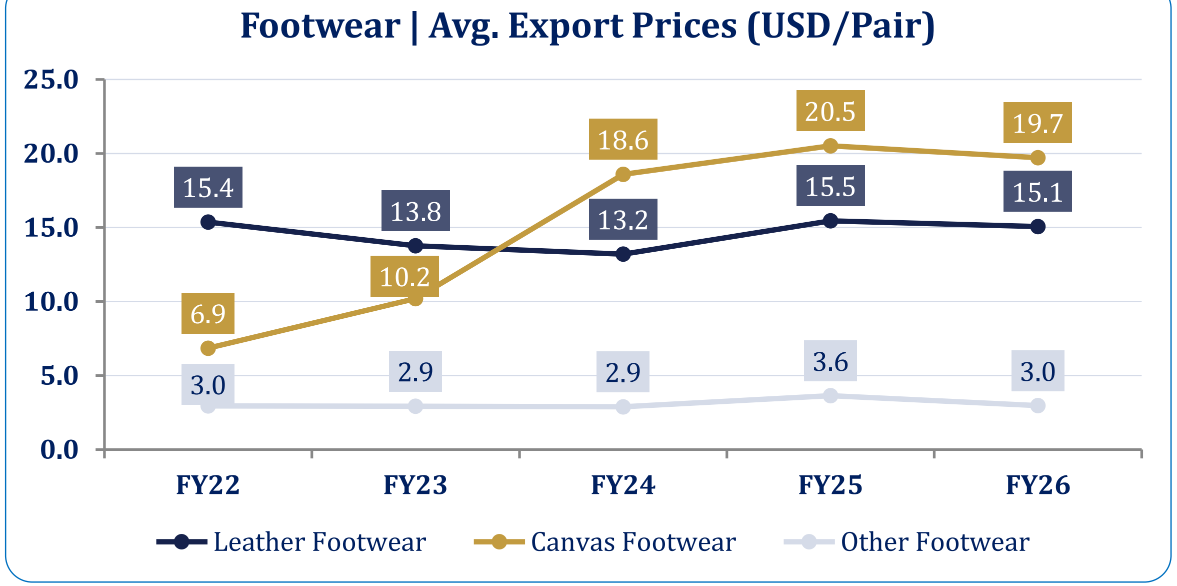


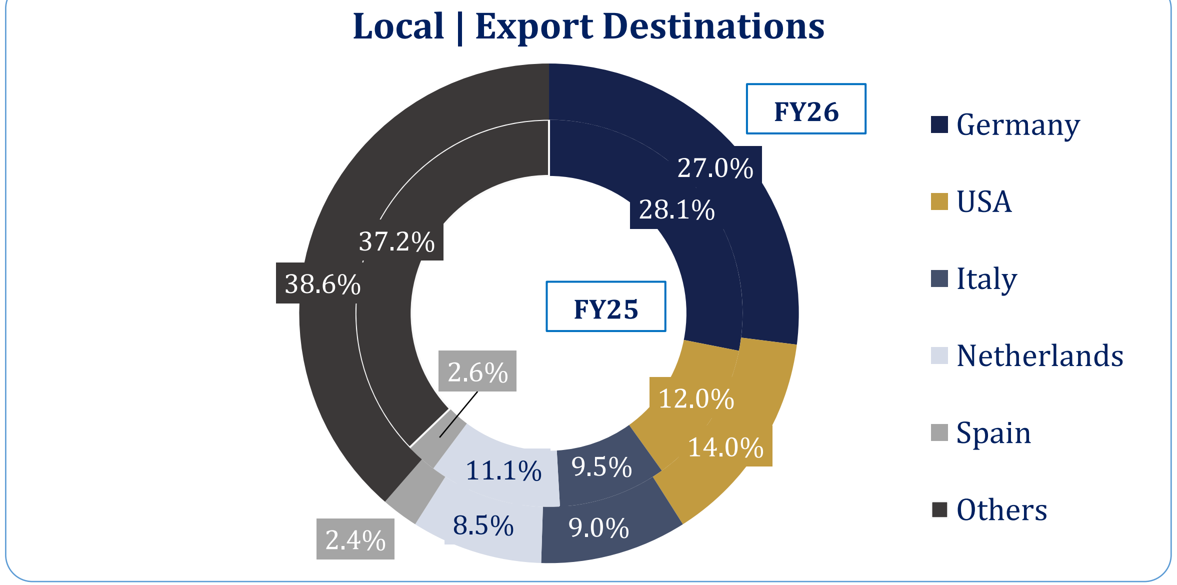


- Pakistan's Footwear exports remained largely flat at USD~176.0Mn in FY26 (FY25: USD~176.5Mn), forming ~0.6% of country's total exports. In volumetric terms, exports increased sharply by ~23.2% YoY to record at ~23.5Mn pairs (FY25: ~19.0Mn pairs). This was mainly on the back of lower value products being exported for the period as high value (leather Footwear) items decreased.
- Leather Footwear made up ~74.2% of Pakistan's Footwear exports in FY26 in value terms (FY25: ~77.9%). The export value declined by ~5.8% YoY to record at USD ~130.0Mn. In volumetric terms, leather Footwear exports were recorded at ~8.6Mn pairs (SPLY: ~8.9Mn pairs), marking a ~2.9% YoY decline. This was driven by continued global substitution toward non-leather alternatives and softer demand from countries such as Netherlands.
- Canvas accounted for ~0.9% of the total Footwear exports in FY26 (FY25: ~1.4%). It declined ~16.7% YoY to USD ~2.0Mn (FY25: USD ~2.4Mn). A steeper decrease was reported in volumetric terms, with a ~30.3% decrease YoY. Other Footwear (including rubber/plastic, synthetic, and athletic) made up ~24.8% of total Footwear exports. Export value increased ~22.2% YoY to USD ~44.0Mn.

Source: PBS, SBP

Local | Exports



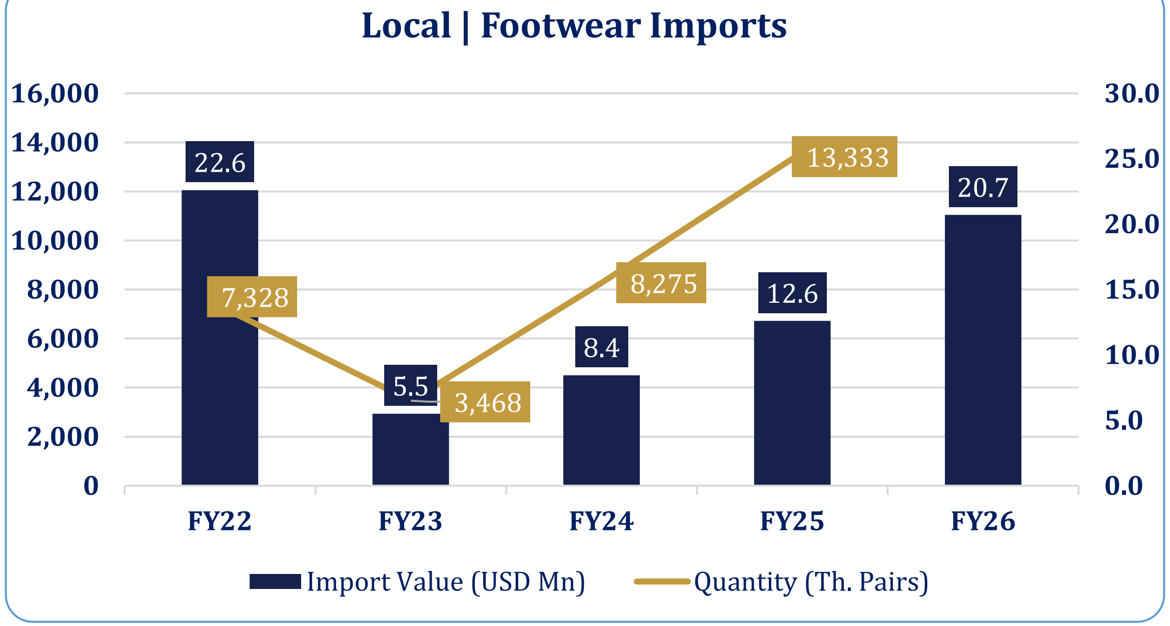


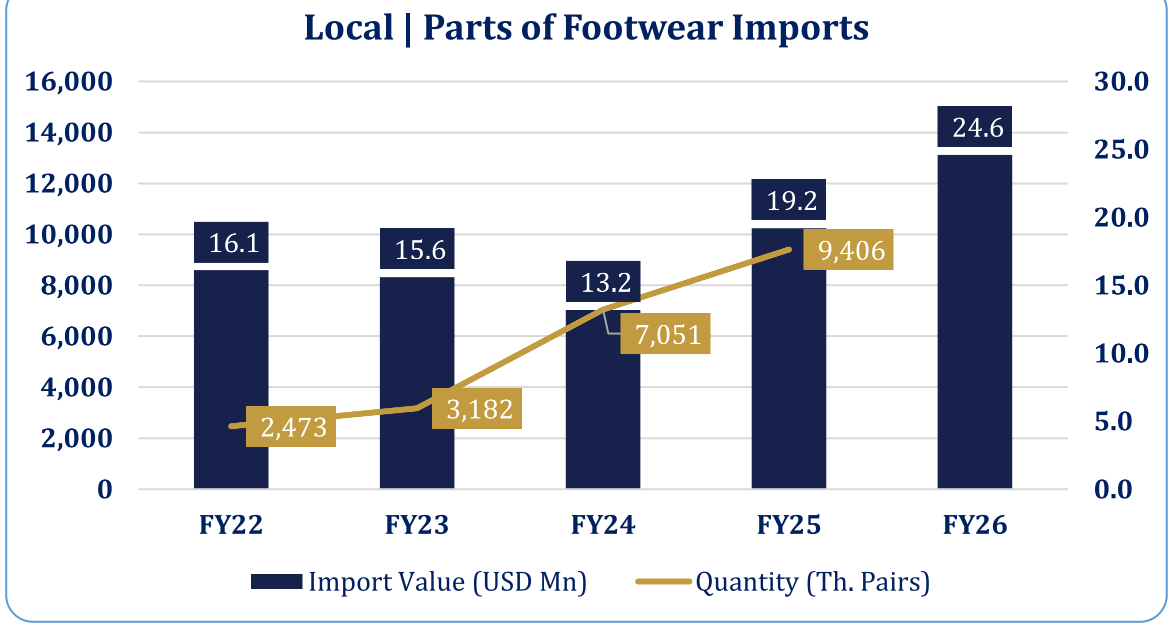
- Pakistan's average Footwear export price declined ~19.4% YoY to USD ~7.5/pair in FY26 (FY25: USD ~9.3/pair), reversing the ~23.4% increase recorded in FY25. The decline reflects a shift towards lower-priced Footwear products.
- Leather Footwear prices remained relatively stable, declining ~1.9% YoY to USD ~15.1/pair (FY25: USD ~15.4/pair), while canvas prices fell ~3.9% to USD ~19.7/pair (FY25: USD ~20.5/pair). Prices for other Footwear declined more sharply by ~16.7% to USD ~3.0/pair (FY25: USD ~3.6/pair), with its increasing volume share weighing on the overall average export price.
- Germany remained the largest export destination in FY26, with exports rising to USD ~49.2Mn from USD ~47.5Mn in FY25, although its share declined to ~27.0% from ~28.1%. USA strengthened its position, with its share increasing to ~14.0% from ~12.0%, partly supported by Pakistan's relatively favorable tariff position in the US market. Italy's share also edged up to ~9.5%, while the Netherlands declined to ~8.5% from ~11.1%, indicating some diversification toward other markets. Spain remained broadly stable at ~2.4%.

***Note**: HS Codes: 6401, 6402, 6403, 6404, 6405, 6406.*

Source: PBS, SBP

Local | Imports





- Footwear imports increased sharply by ~64.3% YoY in FY26 to USD ~20.7Mn (FY25: USD ~12.6Mn). The sustained rise points to growing demand for imported finished footwear, particularly from China, where large-scale production, competitive pricing and established supply chains continue to support strong penetration in the domestic market. Import volumes rose ~61.1% YoY to ~13.3Mn pairs in FY25 (FY24: ~8.3Mn pairs). Finished Footwear imports could see further momentum in FY27 as overall duty incidence eases, potentially narrowing the cost gap for imported product against domestically manufactured Footwear.
- Imports of Footwear parts also increased by ~28.1% YoY in FY26 to USD ~24.6Mn (FY25: USD ~19.2Mn). Volumes rose ~33.4% YoY to ~9,406MT in FY25 (FY24: ~7,051MT), reflecting sustained demand for imported inputs and the Sector's continued dependence on imported components.

***Note**: HS Codes: 6401, 6402, 6403, 6404, 6405. Parts of Footwear: Insoles, Gaiters etc. pertains to HS Code 6406. *Import volume data is available up to FY25.*

Source: PBS

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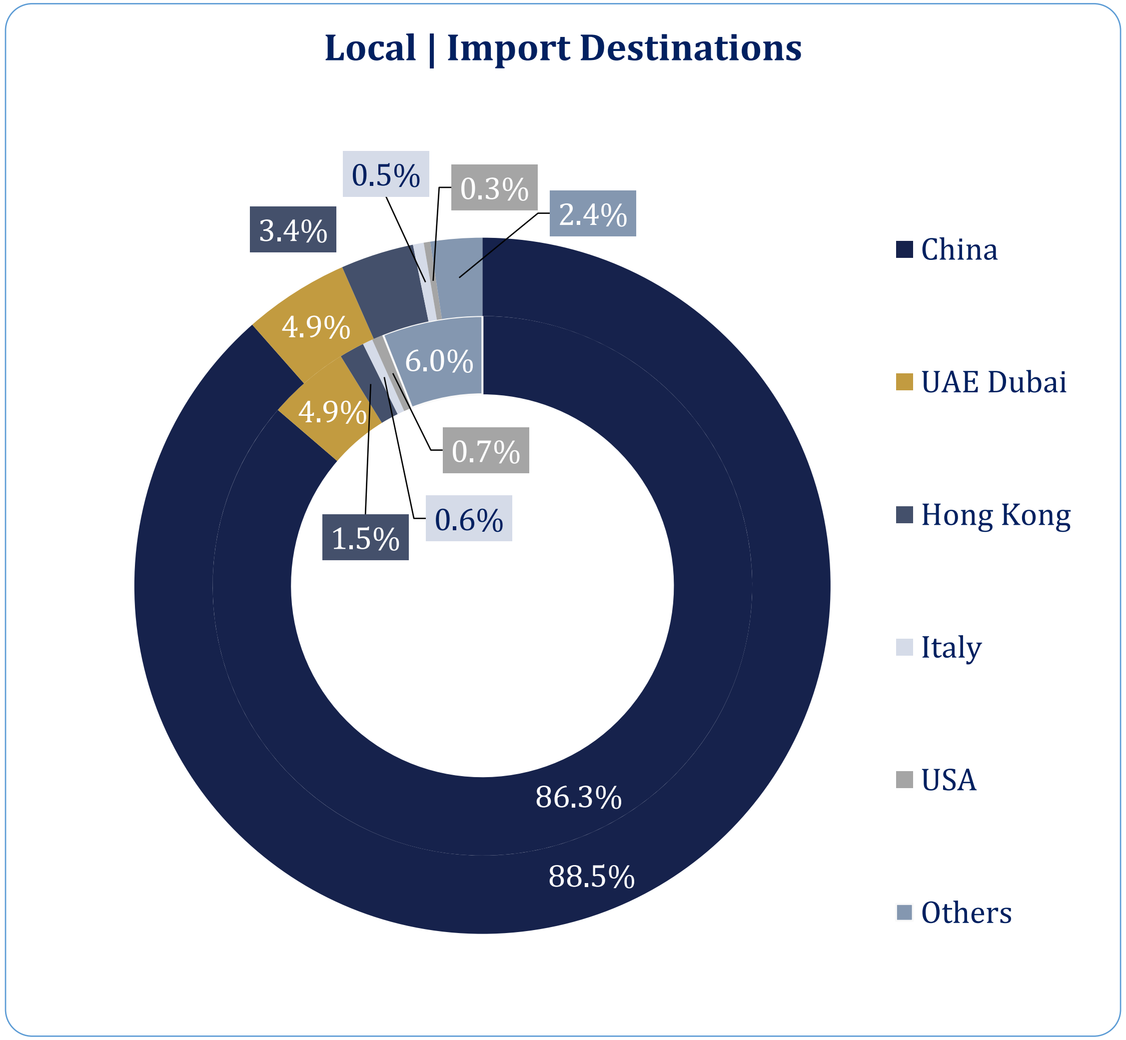
Local | Import Destinations

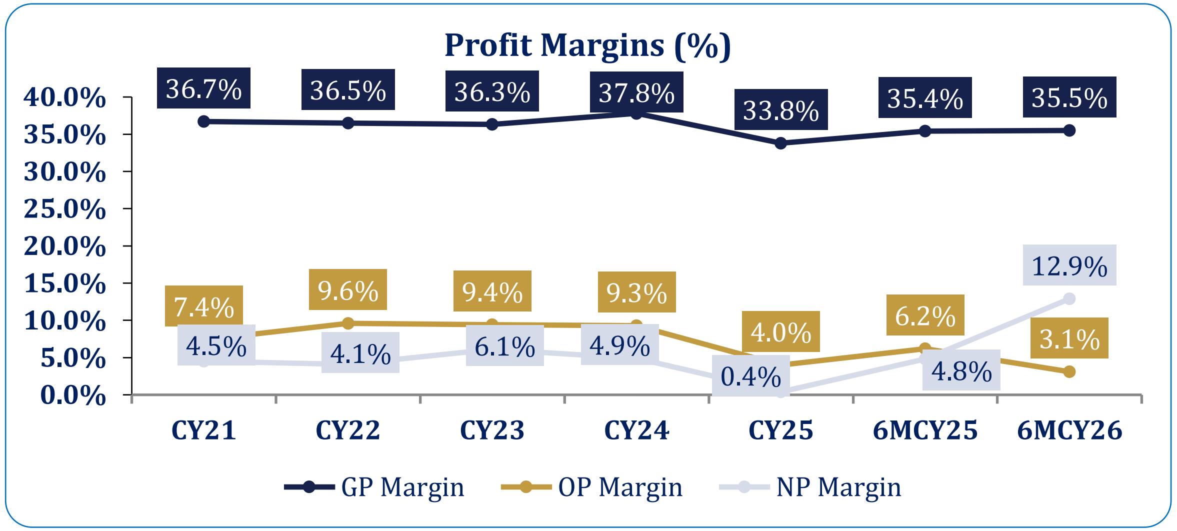
- China's dominant share of total Footwear related imports increased to ~88.5% (FY25: ~86.3%), as imports rose ~46.3% YoY to USD ~40.1Mn (FY25: USD ~27.4Mn). The faster-than-market growth further strengthened China's position as the primary supplier to Pakistan's Footwear market, supported by a modest easing in overall import duties on Footwear during the period alongside China's continued cost and scale advantages in mass-market Footwear production.
- Among secondary suppliers, UAE (Dubai) maintained a ~4.9% share, unchanged YoY, while import value increased ~42.9% YoY to USD ~2.2Mn (FY25: USD ~1.5Mn). Hong Kong recorded the sharpest increase, with its share more than doubling to ~3.4% (FY25: ~1.5%) as import value surged ~225.8% YoY to USD ~1.6Mn (FY25: USD ~0.5Mn).
- Meanwhile, the USA and 'Others' recorded declining shares of ~0.3% (FY25: ~0.7%) and ~2.4% (FY25: ~6.0%), respectively, as import values fell ~39.0% and ~43.2% YoY. Italy remained a marginal source, with its share easing to ~0.5% (FY25: ~0.6%) despite a ~17.6% increase in import value.

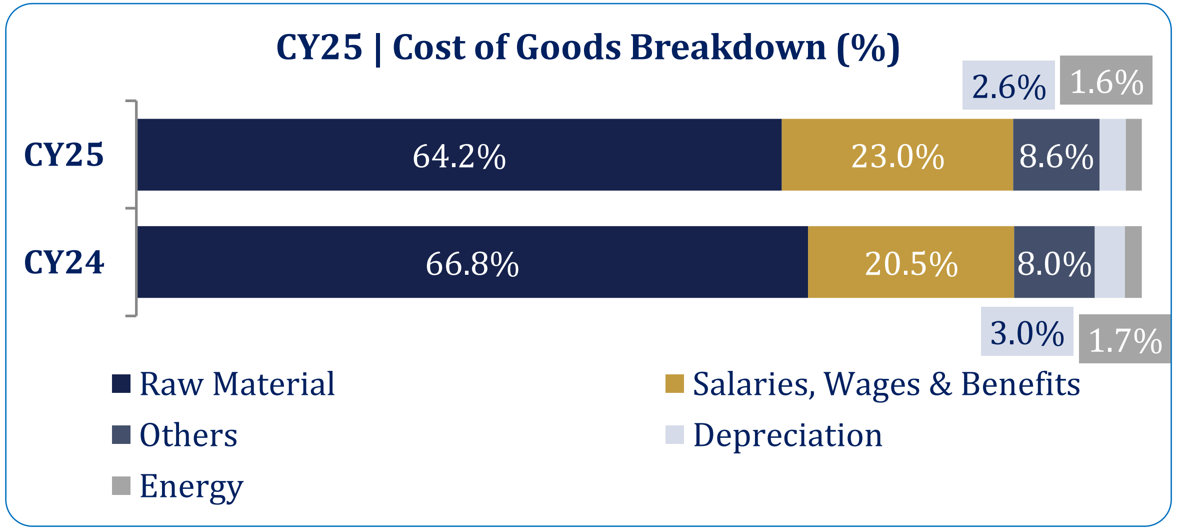


Note: HS Codes: 6401, 6402, 6403, 6404, 6405, 6406.

Source: SBP

Local | Business Risk



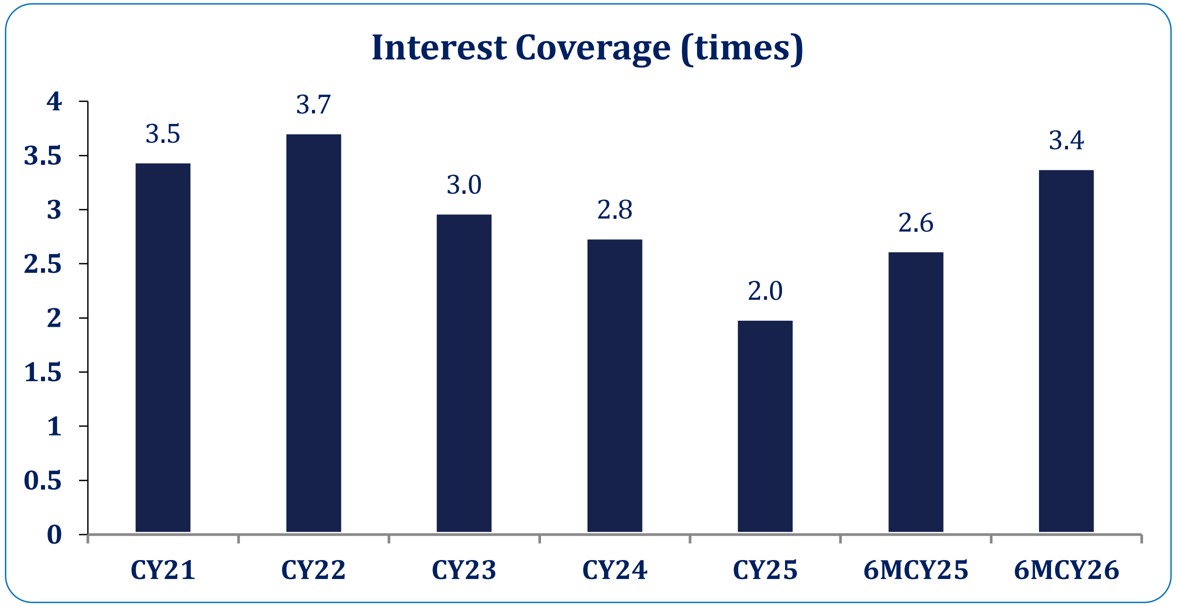


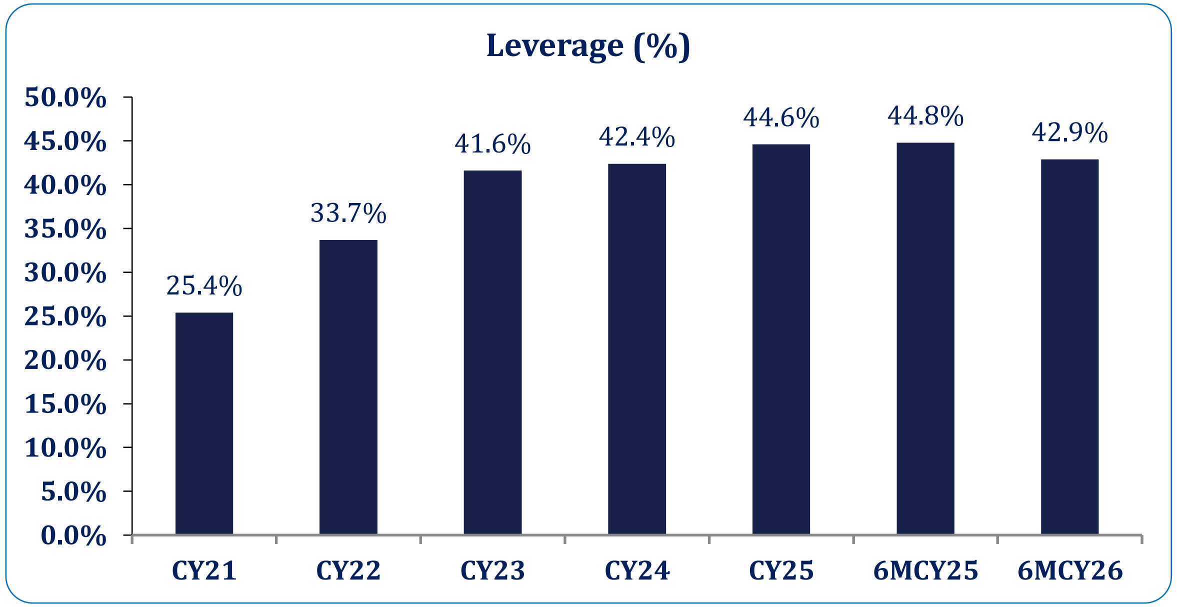
- For 6MCY26, the Sector's margins were mixed. Gross margins improved marginally to ~35.5% (6MCY25: ~35.4%), while operating margins contracted sharply to ~3.1% (6MCY25: ~6.2%), driven by higher distribution and administrative expenses for the period. Net margins, however, rose to ~12.9% (6MCY25: ~4.8%), exceeding operating margins due to substantial equity-accounted income from an associate of the Sector's export-oriented player. Recognized below operating profit, this income included a one-off gain from the associate's IPO during the period, more than offsetting the decline in operating profitability and driving net margins above operating margins.
- During CY25, gross margins declined to ~33.8% (CY24: ~37.8%), as cost of goods sold rose ~14.5% YoY, sharply outpacing ~7.4% YoY growth in sales revenue. The margin contraction was primarily driven by inventory clearance, with elevated stock levels requiring increased discounting to sustain volumes and improve cash conversion, thereby weighing on realized selling prices and gross margins. Operating margins contracted sharply to ~4.0% (CY24: ~9.3%), primarily reflecting the erosion in gross margins. Higher administrative and distribution costs, added further pressure at the operating level. Net margins narrowed to ~0.4% (CY24: ~4.9%) despite a ~13.7% finance cost decline, as a dominant player's loss driven by exceptional impairments and monetary easing hitting interest income suppressed Sector profitability. Going forward, easing duty incidence on imported raw materials and components could offer some relief to the Sector's cost base, potentially supporting a recovery in margins.
- During CY25, raw material eased to ~64.2% of total cost (CY24: ~66.8%), while Salaries, Wages and Benefits rose to ~23.0% (CY24: ~20.5%). This was followed by Others at ~8.6% (CY24: ~8.0%), Depreciation at ~2.6% (CY24: ~3.0%), and Energy at ~1.6% (CY24: ~1.7%).

***Note:** Data pertains to 3 Footwear rated/listed players.*

Source: PACRA Database

Financial Risk | Coverage & Leverage



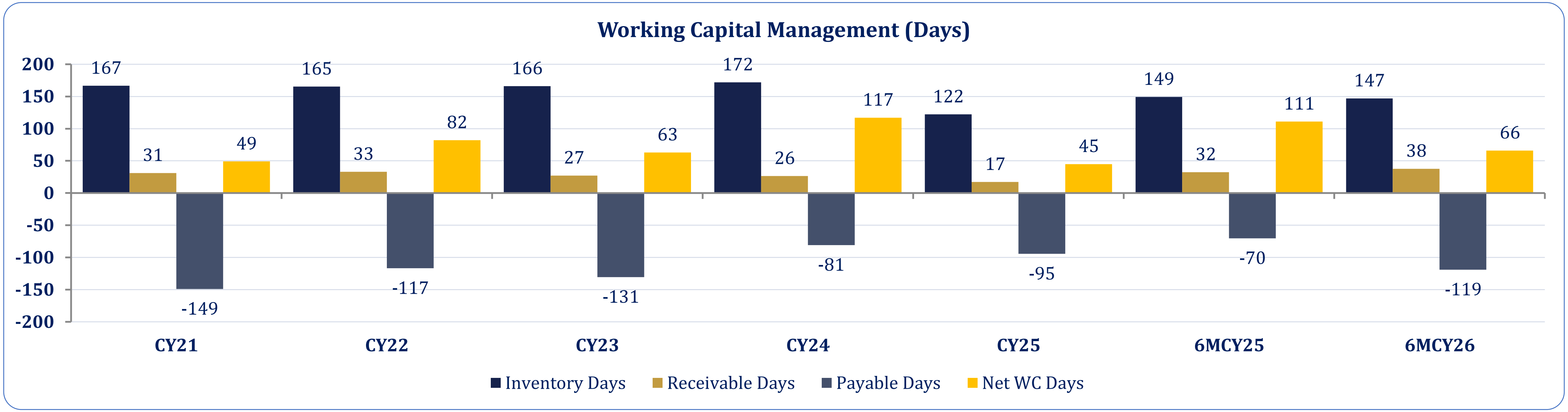


- Leverage for the Sector eased to ~42.9% in 6MCY26 from ~44.8% in 6MCY25. On a full-year basis, leverage rose to ~44.6% in CY25 from ~42.4% in CY24, continuing a gradual uptrend that reflects an increasingly favorable domestic interest rate environment (policy rate: ~11% in End-Dec'25 vs. ~13% in End-Dec'24), which encouraged greater reliance on debt-funded working capital.
- Coverage improved to ~3.4x in 6MCY26 (6MCY25: ~2.6x), supported by lower finance costs and higher reported earnings, though the earnings uplift was largely driven by non-operating associate income rather than core operating profitability. Coverages were lower, ~2.0x, in CY25 (CY24: ~2.7x), as EBITDA declined sharply by ~37.1%, significantly outpacing the ~13.7% reduction in finance costs. The deterioration primarily reflected weaker operating profitability amid gross margin compression and higher provisioning, resulting in a thinner earnings cushion against financial charges despite the easing interest rate environment.

Note: *Data pertains to 3 Footwear rated/listed players.*

Source: PACRA Database

Financial Risk | Working Capital Management

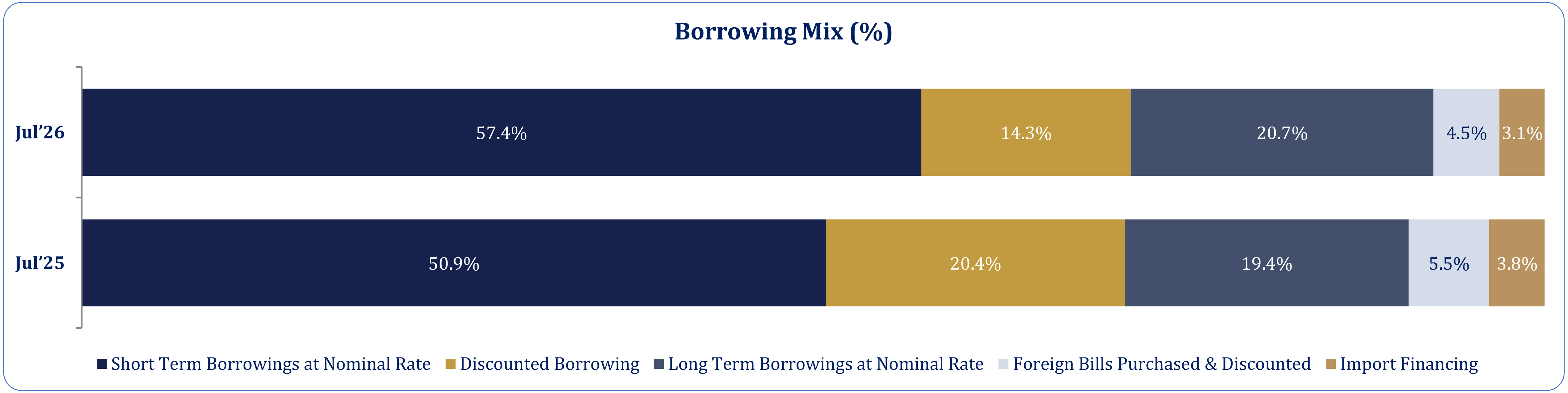


- For 6MCY26, net working capital days narrowed sharply to ~66 days (6MCY25: ~111 days), as a significant extension in payable days more than offset continued inventory buildup and higher receivable days. The increase in working capital requirements was partly funded through greater reliance on short-term borrowings amid ongoing capacity restructuring within the Sector. Higher receivable days reflected extended payment timelines as buyers navigated continued US tariff-driven channel destocking.
- On a full-year basis, net working capital days improved sharply to ~45 days in CY25 (CY24: ~117 days), primarily driven by lower inventory and receivable days. Inventory days declined to ~122 days (CY24: ~172 days) following destocking of elevated finished-goods inventories. Receivable days improved to ~17 days (CY24: ~26 days) amid greater reliance on cash-based sales. The improvement was further supported by higher payable days of ~94 days (CY24: ~81 days), reflecting greater utilization of supplier credit.

Note: *Data pertains to 3 Footwear rated/listed players.*

Source: PACRA Database

Financial Risk | Borrowing Mix



- As of End-Jul'26, the Sector's overall borrowings stood at PKR ~47.7Bn, down ~4.1% YoY (End-Jul'25: PKR ~49.7Bn).
- Short-term borrowings (STBs) at nominal rate stood at PKR ~27.4Bn, up ~8.1% YoY, and had the largest share in the Sector's borrowing mix at ~57.4% (End-Jul'25: ~50.9%). This rise came amid the ongoing transition from SBP-administered Export Finance Scheme (EFS)/Islamic Export Refinance Scheme (IERS) toward EXIM Bank-administered E-EFS. The reduced availability of concessional financing has encouraged exporters to increasingly rely on conventional short-term working-capital facilities. Long-term borrowings (LTBs) at nominal rate stood at PKR ~9.9Bn, up ~2.3% YoY and held a share of ~20.7% in overall borrowings (End-Jul'25: ~19.4%).
- Amid the ongoing restructuring of export-finance arrangements, discounted borrowings stood at PKR ~6.8Bn (End-Jul'25: PKR ~10.1Bn), down ~32.8% YoY. Their share in the overall borrowing mix also declined to ~14.3% (End-Jul'25: ~20.4%). Foreign Bills Purchased & Discounted stood at PKR ~2.2Bn (End-Jul'25: PKR ~2.8Bn), down ~21.7% YoY and held a share of ~4.5% in the overall borrowing mix (End-Jul'25: ~5.5%).
- Meanwhile, import financing stood at PKR ~1.5Bn (End-Jul'25: PKR ~1.9Bn), down ~21.0% YoY as of End-Jul'26, and held ~3.1% share in the total borrowing mix during the period (End-Jul'25: ~3.8%).

***Note**: Borrowing figures are representative of 'Manufacture of Footwear including Leather wear & Plastic and Rubber wear' as per SBP classification.*

Source: PACRA Database

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Duty Structure

HS Code	Description	Customs Duty		Additional Customs Duty		Regulatory Duty		Total	
		FY26	FY27	FY26	FY27	FY26	FY27	FY26	FY27
6401.1000, 9000	Waterproof Footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.	20%	20%	4%	2%	20%	16%	**44%**	**38%**
6402.1900, 2000	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	20%	20%	4%	2%	20%	16%	**44%**	**38%**
6403.4000, 9900	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	20%	20%	4%	2%	20%	16-20%	**44%**	**38-42%**
6404.1900, 1100	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	20%	20%	4%	2%	32%	20%	**56%**	**42%**
6405.1000, 9090	Other Footwear	20%	20%	4%	2%	32%	20%	**56%**	**42%**
6406.2090, 1000	Parts of Footwear (including uppers whether or not attached to soles other than outer soles); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof.	20%	20%	4%	2%	10%	8%	**34%**	**30%**

Source: FBR

Local | SWOT Analysis

Strengths

- Ample availability of raw material (hides and skins of animals) locally for leather shoes.
- Presence of established local brands that cater to both domestic and international markets enhances industry credibility.
- Strong online and in-store networks across the country.

Weaknesses

- Slow technology adoption limits productivity and innovation
- Lack of skilled labor force in the Country.
- Quality control issues leading to inconsistent product standards, affecting customer trust and brand reputation.

Opportunities

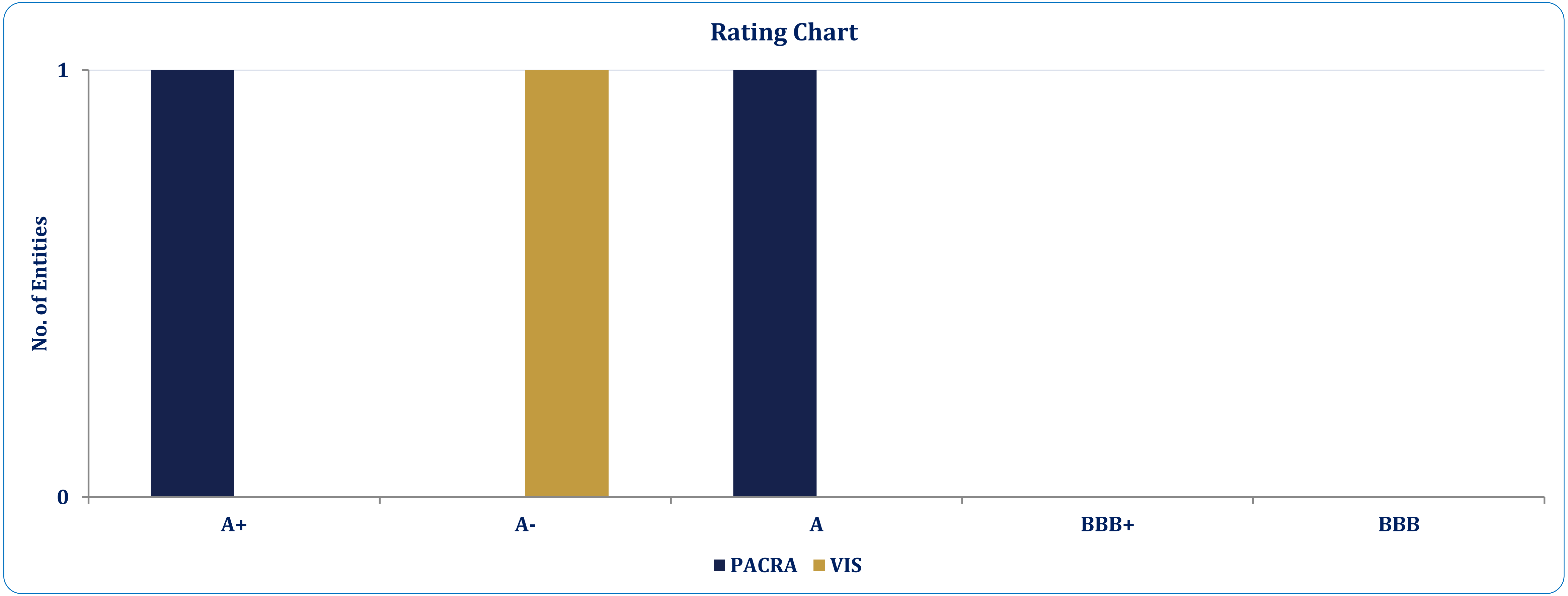
- Increasing demand for Footwear in international markets, particularly for handmade and traditional styles, signifying export growth potential.
- Rise of e-commerce platforms offers an avenue for Pakistani Footwear brands to reach global customers directly.

Threats

- Introduction of low-priced alternatives, such as synthetic leather.
- Global shift towards vegan and cruelty-free products could reduce demand for leather Footwear, affecting traditional manufacturers.
- Escalating freight and energy costs stemming from the Strait of Hormuz disruption raise input costs for imported components and squeeze export margins.
- Expiry of EU GSP+ zero-duty access at end-2026.

Rating Chart

- PACRA rates 2 clients in the Footwear Sector. Rating bandwidth for the Sector is A+ to A.



Source: PACRA Database

Outlook: Stable

- Pakistan's GDP (nominal) in FY26 reached PKR ~126.9Tn, reflecting a YoY growth of ~11.3% in nominal terms, compared to ~8.3% in FY25. Within the economy, agriculture accounted for ~23.5% of GDP, industry contributed ~18.1%, while the services sector held the largest share at ~58.4%. Looking ahead, the GoP has projected real GDP growth of ~4.0% for FY27, while SBP projects 3.5%-4.5% GDP growth range.
- Leather Footwear production growth stalled at ~37.7Mn pairs in FY26, following a stronger ~7.2% YoY increase in FY25. Footwear export volumes increased ~23.2% YoY to ~23.5Mn pairs (FY25: ~19.0Mn pairs). However, the increase was concentrated in lower-value products, with average export prices declining ~19.4% YoY to USD ~7.5/pair (FY25: USD ~9.3/pair). Consequently, export value remained broadly flat at USD ~176.0Mn (FY25: USD ~176.5Mn). Leather Footwear, the largest export category, recorded a ~5.8% YoY decline in value, reflecting continued global substitution toward non-leather alternatives.
- Competitive pressure in the domestic market has also intensified, with finished Footwear imports rising ~64.3% YoY to USD ~20.7Mn in FY26 (FY25: USD ~12.6Mn). China remained the dominant source, with its share of import value increasing to ~88.5% (FY25: ~86.3%), further challenging local manufacturers.
- In 6MCY26, Sector margins remained mixed, with gross margin improving marginally to ~35.5% (6MCY25: ~35.4%), while operating margin declined sharply to ~3.1% (6MCY25: ~6.2%). Net margin, however, rose to ~12.9% (6MCY25: ~4.8%), primarily supported by a one-off equity-accounted gain from an associate's IPO rather than core operations. On a full-year basis, CY25 margins weakened, with gross margin declining to ~33.8% (CY24: ~37.8%) and operating margin to ~4.0% (CY24: ~9.3%), amid elevated inventory levels and increased pricing pressure.
- Near-term Sector performance remains exposed to regulatory and cost pressures, particularly following Footwear's inclusion in the Third Schedule from Jul'26. While POS-integrated players are likely to see limited impact, the retail-price-based tax regime could increase compliance costs and put smaller, undocumented manufacturers under pressure. The expiry of EU GSP+ zero-duty access at end-2026 also presents a key risk to export competitiveness, given the importance of European markets (a key risk given Germany and Italy together account for over a third of export value). Meanwhile, elevated freight and energy costs following the Strait of Hormuz disruption could further pressure margins.
- Despite these challenges, Pakistan's relatively competitive tariff position in the US market provides some support to export competitiveness and offers scope for further market penetration. Continued export demand and diversification toward markets such as the US could help offset margin pressure and rising import competition. This could see further momentum as overall duty incidence eases in FY27, supporting a broadly Stable near-term outlook.

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