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## Footwear

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### Research Team

**Saniya Tauseef** | Senior Manager Research  
**Ayesha Wajih** | Assistant Manager Research  
**Sundus Fatima** | Senior Research Analyst



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# Footwear

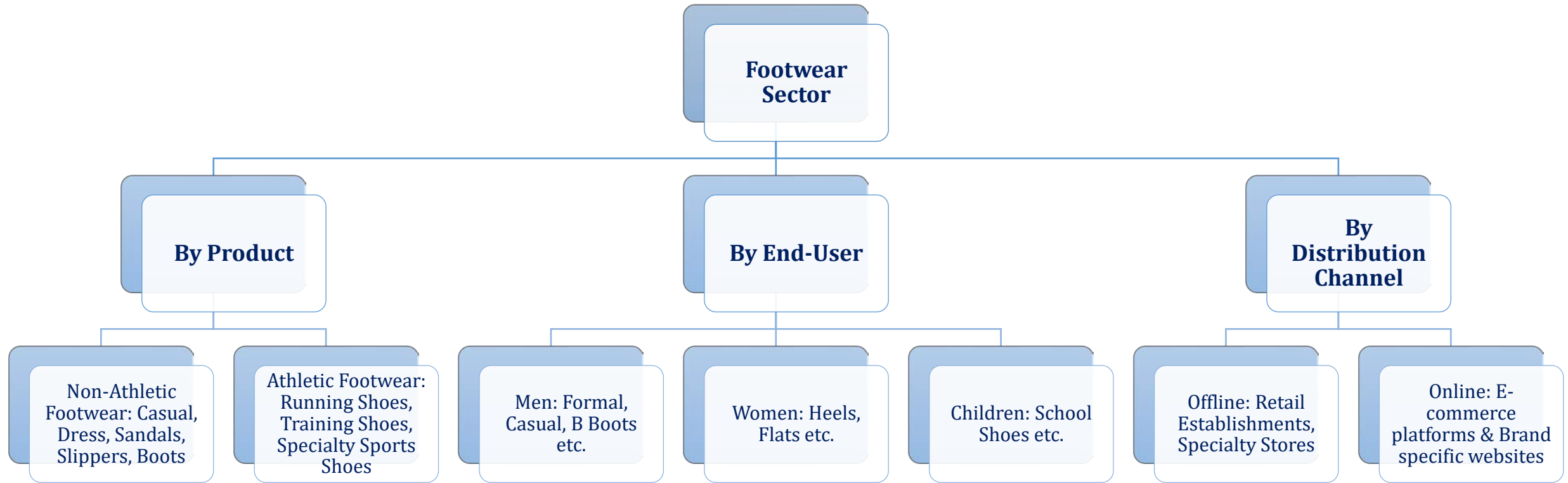
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## Global | Overview

- The global footwear market reached a value of USD~406bln in CY23, driven by evolving fashion trends, increased athletic activities, and a growing global population. It is projected to grow at a CAGR of ~4.3% during CY24-32, reaching to USD~593bln by CY32. The market is diverse, encompassing several types of footwear, stated as under:
  - 1. Athletic Footwear:** This segment is experiencing robust growth due to the rising popularity of sports and fitness activities. Products in this category include running shoes, sports shoes, and trekking/hiking shoes, which are increasingly favored for both performance and everyday comfort.
  - 2. Casual Footwear:** Casual shoes, such as sneakers and loafers, are in high demand for their comfort and versatility, catering to a broad consumer base that values both style and practicality.
  - 3. Formal Footwear:** Formal shoes, including dress shoes and heels, remain essential for professional and special occasions. This segment is driven by consumer preferences for quality and style in formal settings.
  - 4. 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.
  - 5. Technological and Sustainable Innovations:** There is a growing demand for technologically advanced footwear, such as smart shoes with performance tracking features and eco-friendly options made from sustainable materials. Brands are increasingly focusing on sustainability, responding to consumer demand for environmentally conscious products.

# Footwear

## Global | Market Segmentation





# Footwear

## Global | Supply Chain



### Raw Material Sourcing

- Leather, Synthetic Material (Polyurethane (PU), Polyvinyl Chloride (PVC)), Textiles (Natural & Synthetic fibers, Rubber)



### Intermediate Products

- Insoles (Foam, gel or leather), Soles & Outsoles (Rubber, or PU), Zipper, Laces & Eyelets (Essential for assembly of footwear)



### Manufacturing

- Design & Prototyping, Cutting & Sewing, Assembly, Quality Control



### Logistics, Retail & End-Consumer

- Transportation, Warehousing, Retail Distribution

# Footwear

## Global | Key Market Players

Revenue in USD bln

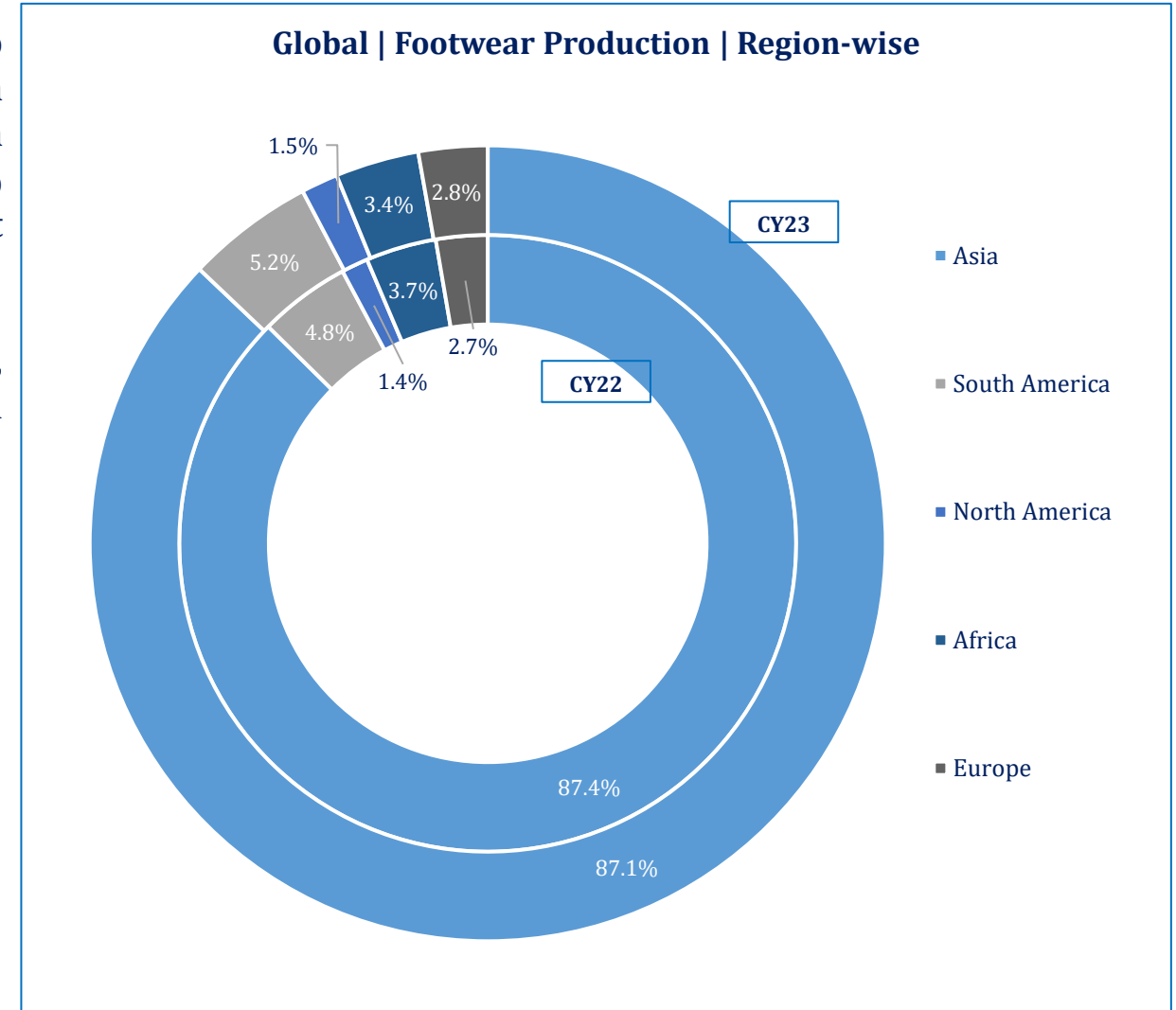
- In CY23, the global footwear industry experienced a year of mixed results, reflecting varying degrees of growth across the major players.
- Nike maintained its leadership position in the footwear industry with a robust growth of ~9.6% YoY in CY23 revenue. This increase was attributed to the company's aggressive push in digital and direct-to-consumer sales. The rise in athleisure and sports participation also fueled demand for Nike's products.
- Adidas registered a slight decline in revenue of ~1.7% YoY in CY23, owing to competition from emerging brands. Similarly, VF Corporation experienced a marginal decline of ~0.8% YoY in revenue, attributed to shifts in consumer preferences towards casual and athleisure wear, which impacted their core brands like Timberland.
- Puma saw a moderate growth of ~2.4% YoY, driven by its expanding presence in emerging markets and the successful launch of new product lines. Similarly, Skechers posted a strong ~8.1% YoY increase in revenue during the year, reflecting its growing popularity in the comfort and casual footwear segments.
- In CY23, the footwear industry slowly recovered from pandemic-related challenges, with a noticeable shift towards casual and athleisure footwear driven by lifestyle changes and remote work.

Ranking	Company Name	CY22	CY23
1	Nike	46.7	51.2
2	Adidas	23.6	23.2
3	VF Corporation (VANS, Timberland)	11.8	11.7
4	Puma	8.4	8.6
5	Skechers	7.4	8
6	New Balance	5.3	6.5
7	Under Armour	5.4	5.2
8	ASICS	3.6	4
9	Converse (Nike-Owned)	2.3	2.4
10	Wolverine Worldwide (Merrell, Saucony)	2.6	2.2
	<b>Top 10 Players' Share</b>	<b>117</b>	<b>123</b>
	<b>Total Revenue of the Sector</b>		<b>406</b>
	<b>Share of Top 10 Players</b>		<b>30%</b>

# Footwear

## Global | Production

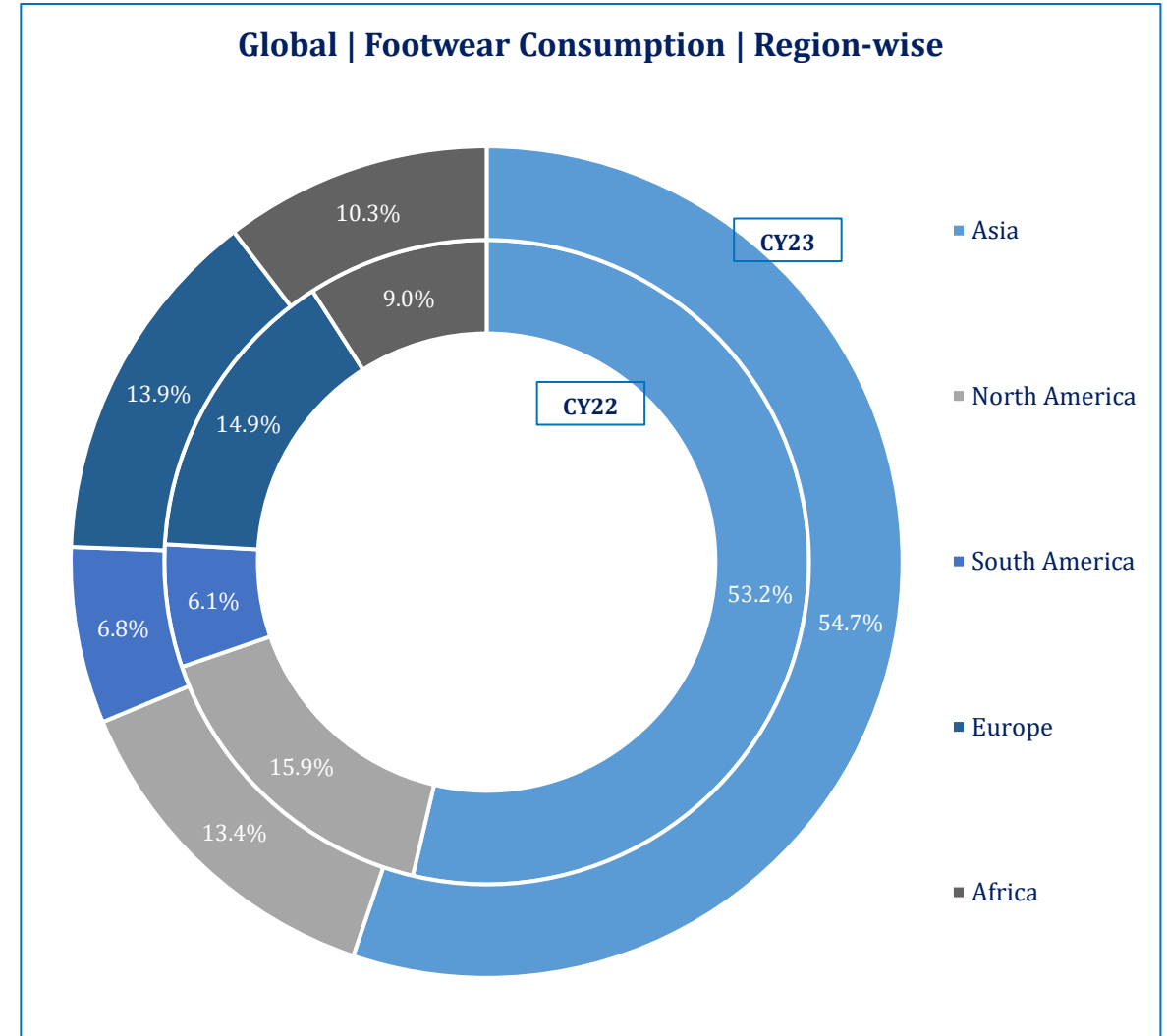
- In CY23, the global footwear production fell by ~6.0% YoY to ~22.4bln pairs, with significant regional declines recorded in Africa ~14.0% YoY to ~3.4% of total production (SPLY: ~3.7%), Asia ~7.0% YoY to ~87.1% (SPLY: ~87.4%), and Europe ~5% to ~2.8% (SPLY: ~2.7%). Despite these drops, Asia remained the dominant producer.
- In CY22, global footwear production had reached ~23.9bln pairs, bouncing back to pre-pandemic levels. Overall, production had increased by ~7.6% YoY during the last year.



# Footwear

## Global | Consumption

- Global footwear consumption reflects economic and demographic trends, with Asia leading at ~54.7% share in CY23, up from ~53.2% in CY22, driven by its large population and economic growth, particularly in China and India.
- Europe and North America follow with ~13.9% and ~13.4%, respectively, indicating strong purchasing power. Africa holds a ~10.3% share, reflecting its growth potential amid rising populations and emerging economies.
- The data underscores Asia's growing economic influence, stable markets in developed regions, and untapped opportunities in Africa, though significant disparities in per capita consumption persist, ranging from ~1.5 pairs in Africa to ~4.6 pairs in North America.





# Footwear

## Global | Trade

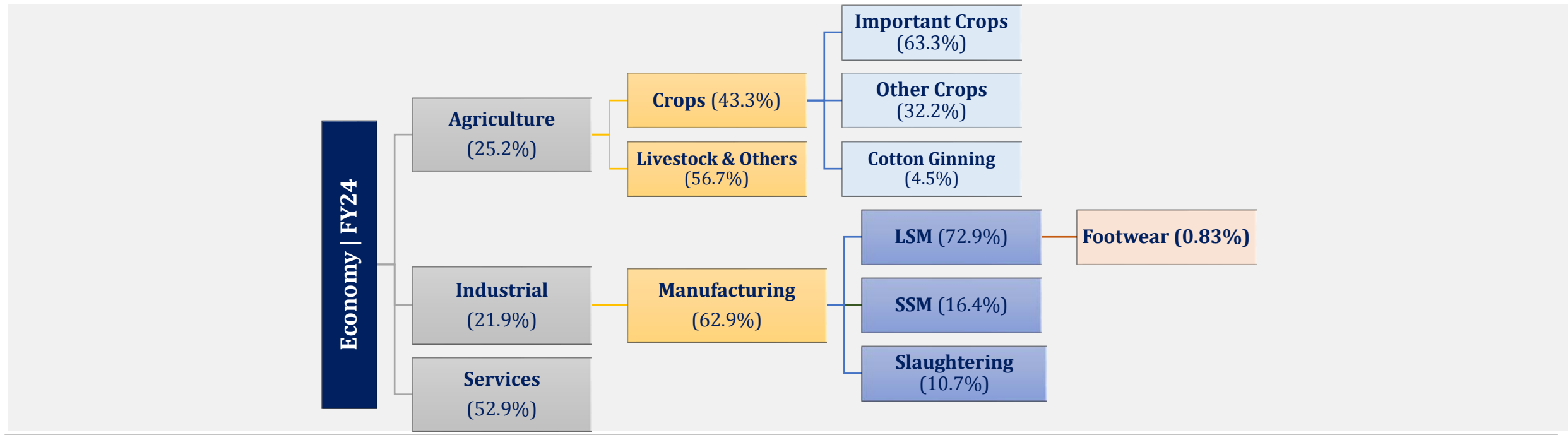
Exports   Footwear (USD mln)							Imports   Footwear (USD mln)						
Sr.	Countries	CY19	CY20	CY21	CY22	CY23*	Sr.	Countries	CY19	CY20	CY21	CY22	CY23*
1	China	47,699	38,111	51,674	62,020	53,326	1	USA	28,170	21,503	28,407	37,966	26,791
2	Viet Nam	18,989	17,253	18,235	24,553	31,123	2	Germany	13,214	12,436	13,318	15,211	13,629
3	Italy	12,460	10,661	13,120	14,419	14,461	3	France	8,458	7,510	8,559	9,514	9,276
4	Germany	8,978	8,268	9,523	10,287	11,270	4	Italy	6,874	5,914	7,139	8,799	8,707
5	Belgium	7,019	7,112	7,039	7,814	8,383	5	China	5,635	5,972	6,457	6,224	6,252
Rest of the World		53,622	46,288	54,039	61,071	57,764	Rest of the World		86,416	81,868	89,750	102,450	111,672
Total		148,767	127,693	153,630	180,164	176,327	Total		148,767	127,693	153,630	180,164	176,327

Note: \*Data does not pertain to complete 12 months. HS Codes: 6401, 6402, 6403, 6404, 6405, 6406.

# Footwear

## Local | Introduction

- In FY24, Pakistan's GDP (nominal) stood at PKR~106.0trn (FY23: PKR~83.9trn), increasing, in real terms, by ~2.4% YoY (FY23: ~-0.21% growth). Industrial activities in FY24 held ~21.9% share in the GDP while the manufacturing activities made up ~62.9% of the value addition. In 3QFY24, Pakistan's GDP (nominal) stood at PKR~25.4trn (3QFY23: PKR~20.6trn), rising in real terms by ~2.1% YoY (2QFY24: ~1.8% YoY). Real GDP growth rate (~2.1%) for 3QFY24 signals a moderate improvement in the economic activity as compared to SPLY.
- Large Scale Manufacturing (LSM) in Pakistan is essential for the economic growth considering its linkages with other sectors, as it represented ~72.9% value of the manufacturing activities in FY24. Overall, the LSM fell by ~10.3% YoY in FY23 (FY22: ~11.7%), however, it inched up ~0.9% YoY in FY24.
- The Footwear Sector is classified as a Large Scale Manufacturing (LSM) industrial component within the country's industrial Sector holding ~0.83% share in the QIM.



# Footwear

## Local | Snapshot

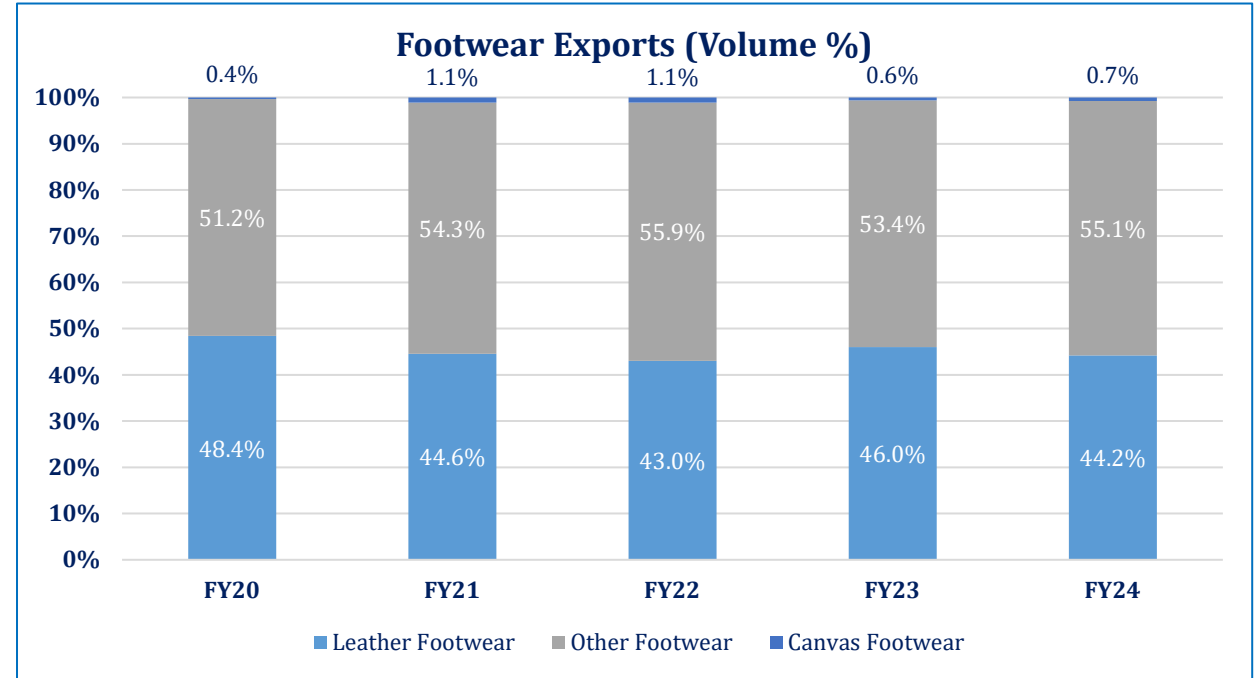
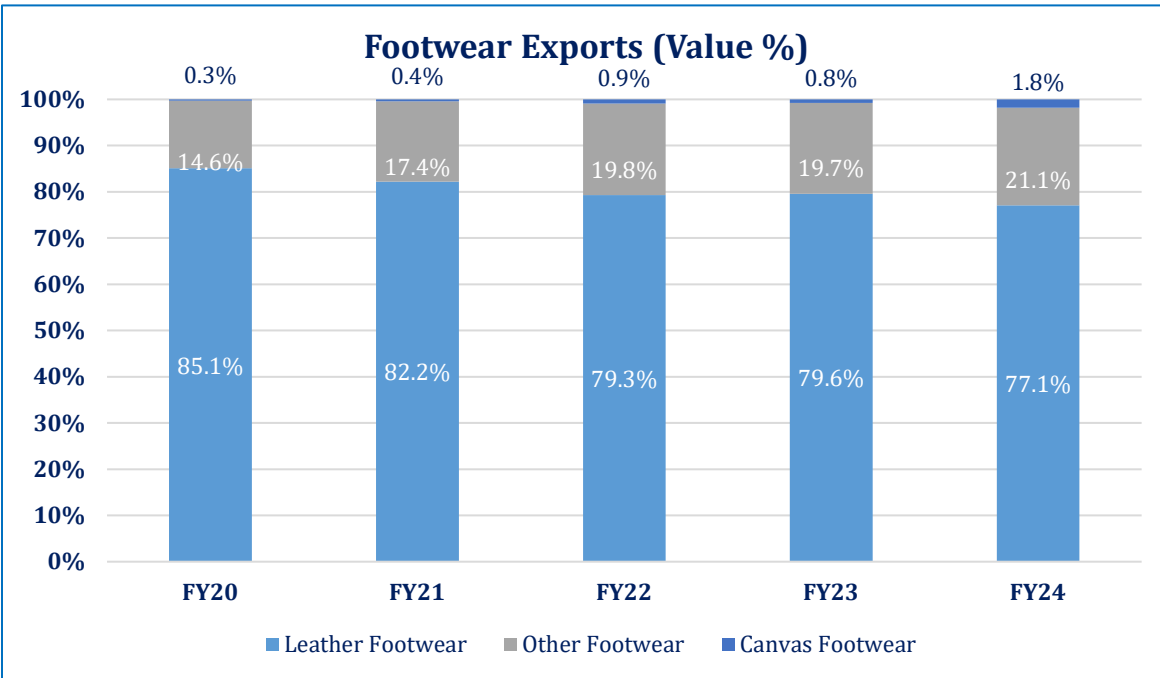
- The footwear sector in Pakistan is a significant component of the consumer goods industry as it is an essential need of the population. Its economic significance is reflected by the large number of people employed (over ~1bn) in the footwear industry. Pakistan is known for producing a wide range of footwear, including leather shoes, sports shoes, sandals, and safety boots, catering to both domestic and international markets.
- The major hubs for footwear production in Pakistan are clustered in cities such as Lahore, Gujranwala, and Sheikhpura, which together account for more than half of the country's total production. Other key areas for footwear production include Karachi and Sialkot, and these regions collectively contribute ~86.0% of the total production capacity in Pakistan.
- In FY24, footwear exports amounted to USD~162mln, whereas produced ~32mln pairs each year. Pakistan is the 7<sup>th</sup> largest consumer of footwear globally, and the industry employs ~1mln people across the country.
- In Pakistan, the cottage industry caters to domestic footwear needs with a focus on changing designs, while the organized sector meets export demands. Factories produce between ~2,500 to ~10,000 pairs daily, with annual footwear demand around ~600mln pairs.

Particulars	FY22	FY23	FY24
<b>Contribution in LSM</b>		<b>0.8%</b>	
<b>Listed Players' Revenue (PKR mln)</b>	33.5	38.5	36.5
<b>Leather Footwear Produced (000 Pairs)</b>	29,812	32,011	35,152
<b>Exports (USD mln)</b>	<b>157</b>	<b>179</b>	<b>162</b>
Leather	125	142	125
Canvas	1	1	3
Other Footwear	31	35	34
<b>Exports (000 Pairs)</b>	<b>18,839</b>	<b>22,439</b>	<b>21,514</b>
Leather	8,102	10,327	9,507
Canvas	206	135	156
Other Footwear	10,532	11,977	11,851
<b>Net FDI (Leather &amp; Leather Products) (USD mln)</b>	-4.9	-1.7	-1.7
<b>Market Structure</b>	Competitive		
<b>Association</b>	Pakistan Footwear Manufacturers Association		

# Footwear

## Local | Exports

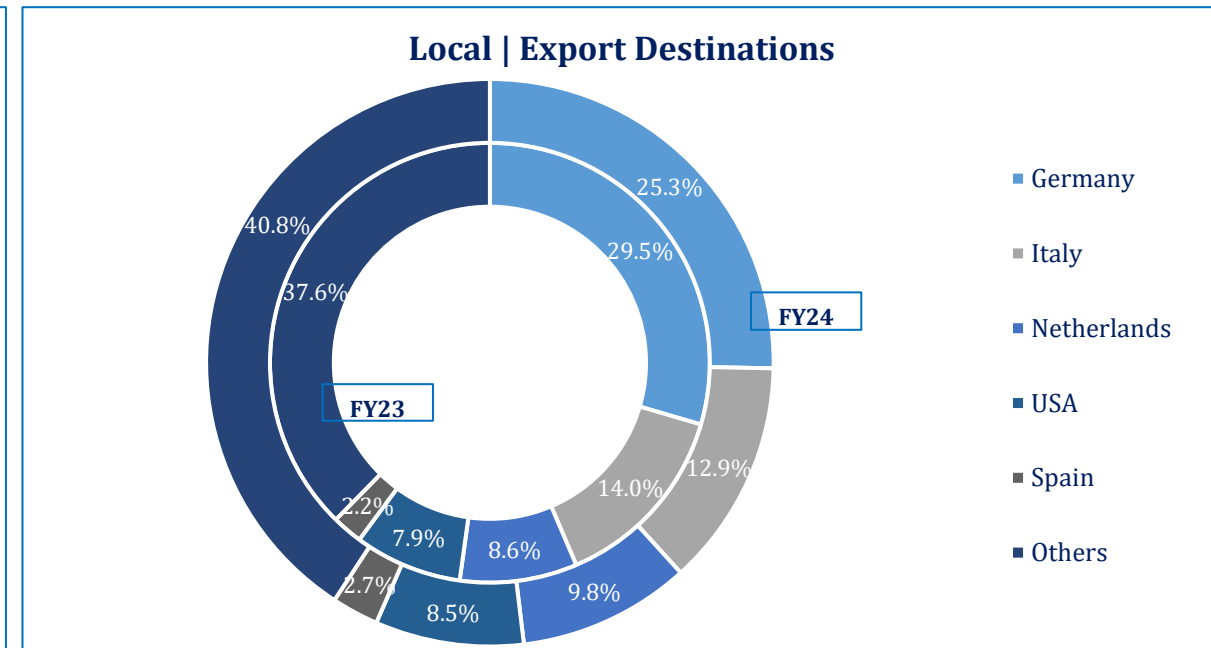
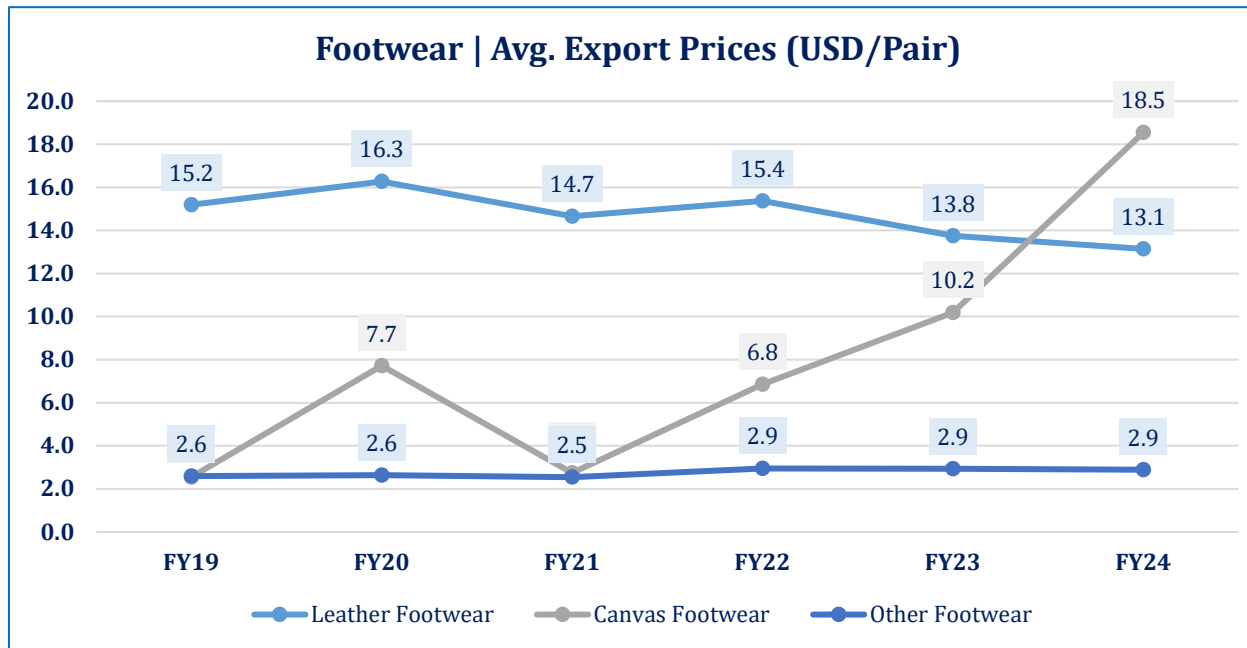
- Pakistan’s footwear exports declined ~9.2% YoY to USD~162mln in FY24 (SPLY: USD~178mln), forming ~0.5% of country’s total exports (SPLY: ~0.6%). In volumetric terms, exports were down ~4.1% YoY to record at ~21mln pairs (SPLY: USD~22mln).
- Leather footwear dominated Pakistan’s footwear exports with ~77.1% share in total footwear exports in FY24. However, these declined by ~12.1% YoY to record at USD~124mln. In volumetric terms, leather footwear exports were recorded at ~9.5mln pairs (SPLY: ~10.3mln pairs), marking ~7.9% YoY decline.
- Canvas footwear accounted for ~1.8% of the total footwear exports in FY24, however, rose ~110.4% YoY to USD~2.8mln (SPLY: USD~1.3mln). Similar increase was reported in volumetric terms, with a ~15.6% increase YoY. Other footwear, including but not limited to, rubber or plastic footwear, synthetic & athletic footwear etc. accounted for ~21.1% of the total footwear exports, down ~2.4% YoY to record at USD~34.2mln.



# Footwear

## Local | Exports

- In FY24, the average export price of footwear declined by ~5.3% YoY owing to a greater decrease in export value ~9.2% YoY as compared to a ~4.1% YoY decrease in volumetric terms. This could be attributed to a significant drop in demand for high-value footwear which could force producers to lower prices to clear stock or focus on more affordable products, reducing the overall average price per pair.
- The average export price for leather footwear show a slight decline of ~4.5% YoY for FY24, whereas, average export price for ‘Other’ footwear registered no change and remained stable at USD~2.9/pair in FY24. The most significant fluctuation was observed in canvas footwear, where export price reached USD~18.5/pair, a ~82.1% YoY increase. A surge in demand for premium or designer canvas footwear, driven by fashion trends, likely led to the increase in average export prices in FY24. Germany is the top destination for footwear exports followed by Italy, Netherlands, USA and Spain. Country’s major exporters include Bata Pakistan, Elegant Shoes Pvt. Ltd., EPCT Pvt. Ltd., Fircos Shoes and Firhaj Footwear, among others.



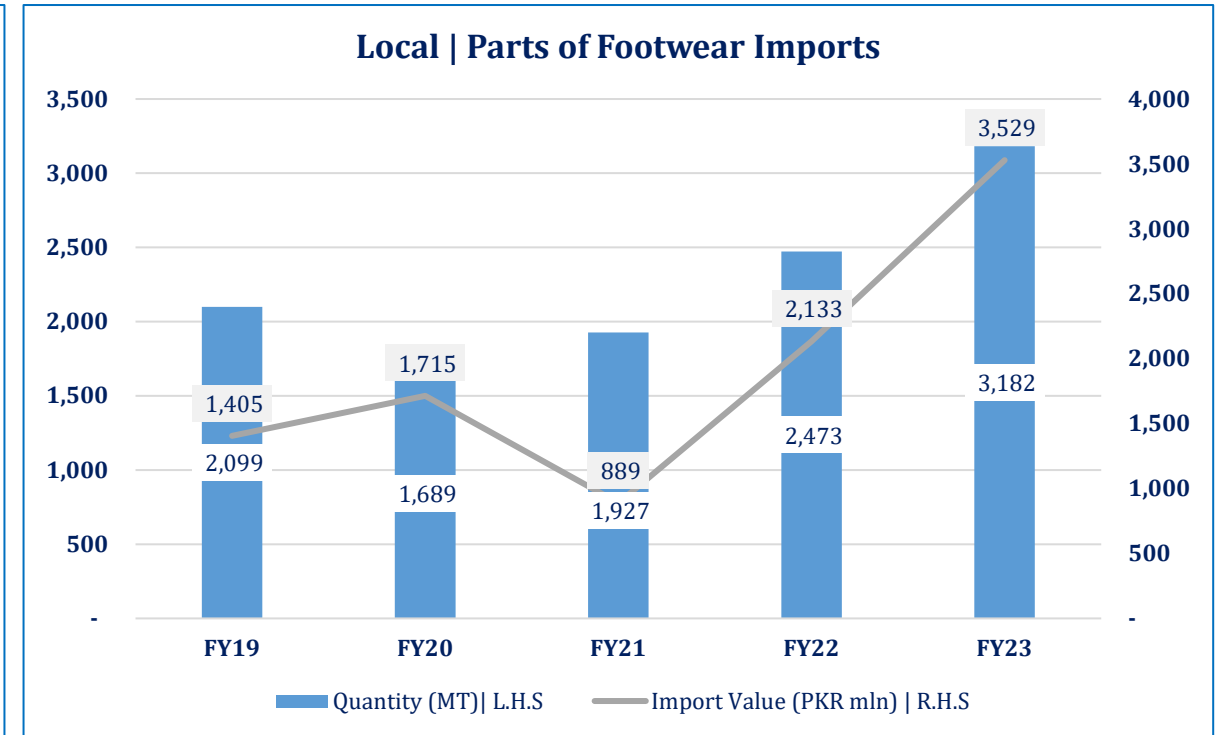
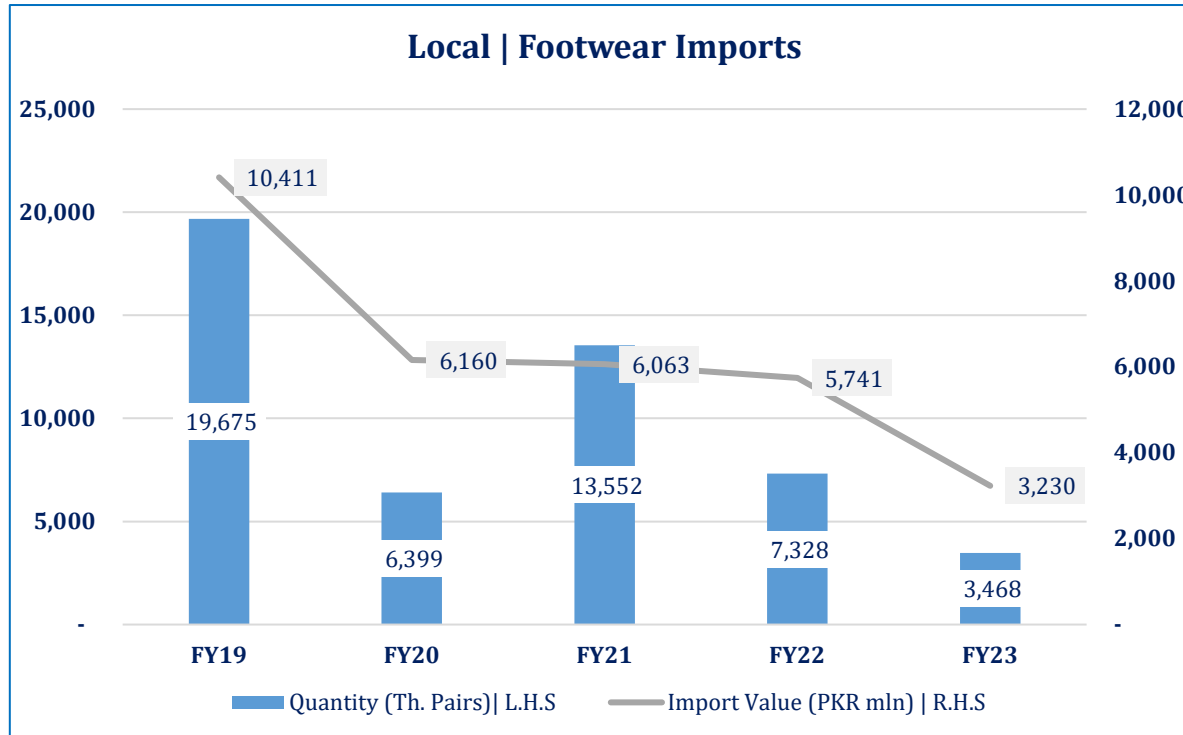
Note: HS Codes: 6401, 6402, 6403, 6404, 6405, 6406.



# Footwear

## Local | Imports

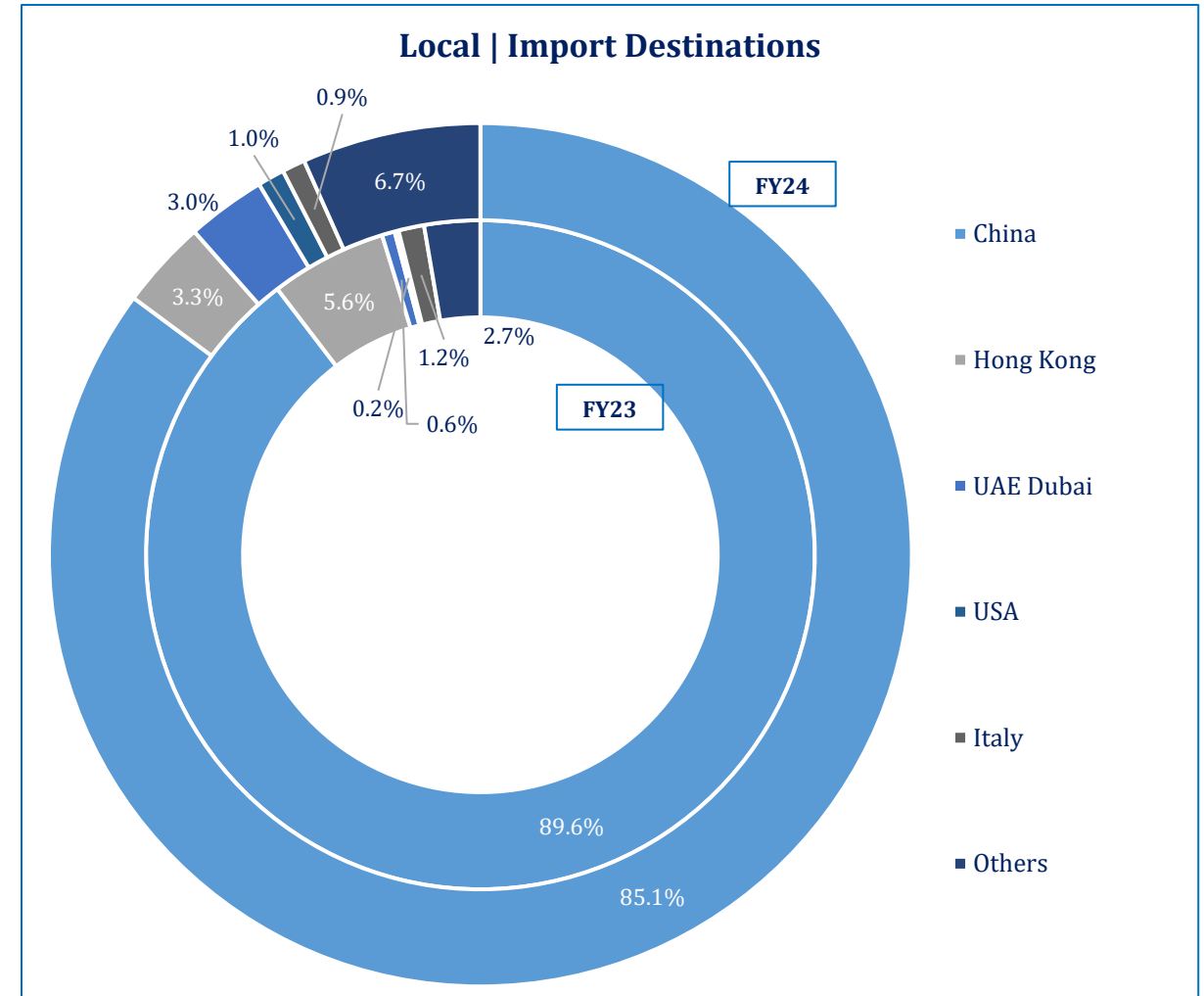
- In FY23, footwear imports declined in both volumetric terms by ~0.5% and ~0.4% in value terms. Footwear imports for FY23 stood at PKR~3,230mln (SPLY: PKR~5,741mln) and ~3.5mln pairs (SPLY: ~7.3mln pairs) were imported.
- During the year, parts of footwear imports amounted to ~3,182MT (SPLY: ~2,473MT), and increase of ~0.2% YoY. Similarly, in value terms parts of footwear reported and increase of ~0.6% YoY to PKR~3,529mln (SPLY: PKR~2,133mln).



# Footwear

## Local | Import Destinations

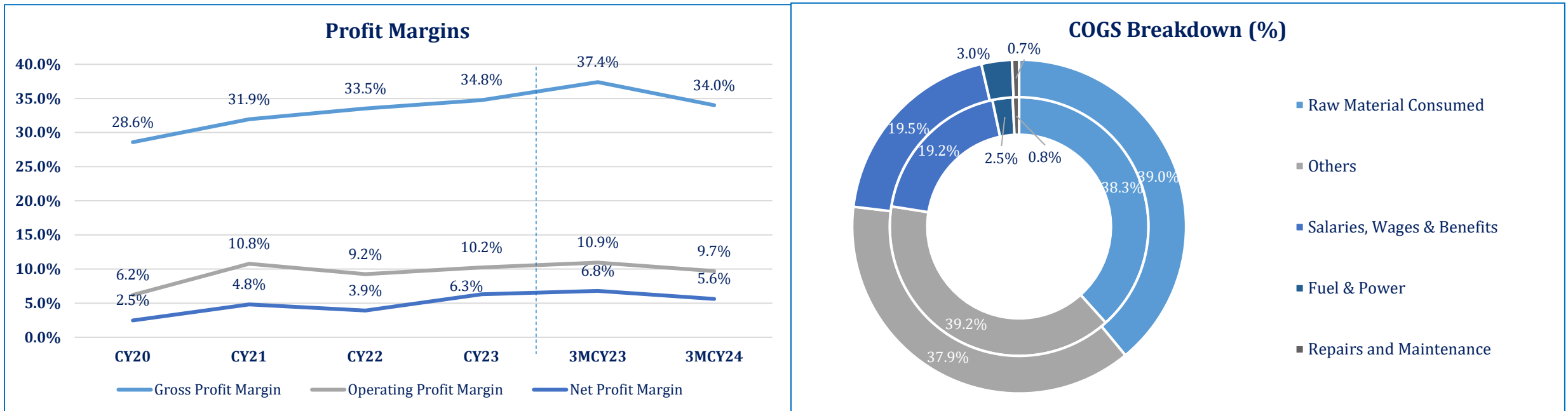
- Total imports during FY24 stood at USD~21.1mln, down ~2.2% YoY.
- In FY24, China was the top destination for footwear imports followed by Hong Kong , UAE Dubai, USA and Italy.
- Imports from China stood at USD~18.4mln in FY24 (SPLY: USD~18.9mln), a ~2.9% YoY decline. Similarly, imports from Hong Kong also reported a decline of ~39.7% YoY in FY24 to USD~0.7mln (SPLY: USD~1.1mln).
- Imports from USA increased in FY24, ~431.7% YoY to USD~0.2mln (SPLY: USD~0.04mln)



# Footwear

## Local | Business Risk

- In CY23, average profit margins increased compared to SPLY. During the year, average gross margin of the sector increased to ~34.8% due to ~16.4% YoY increase in sales while cost of sales rose by ~15.8% YoY. Average operating margin in CY23 clocked in at ~10.2% on the back of better expense management (operating profit during the period rose ~22.0% YoY). Average net margins, meanwhile, increased to ~6.3%, despite ~44.7% YoY increase in finance cost.
- In 3MCY24, average gross margins decline to ~34.0% on the back of ~36.1% YoY high revenue and ~11.2% YoY higher cost of goods sold. Average net margin also declined to ~5.6% during the period.
- During CY23, raw material constituted ~39.0% of total cost (CY22: ~38.3%), followed by salaries and wages at ~19.5% (CY22: ~19.2%) and fuel & power at ~3.0% (CY22: ~2.5%). The Others component in COGS accounts for packing material consumed, stores and spares consumed, insurance & travelling etc. It constituted ~37.9% of total cost (CY22: ~39.2%).

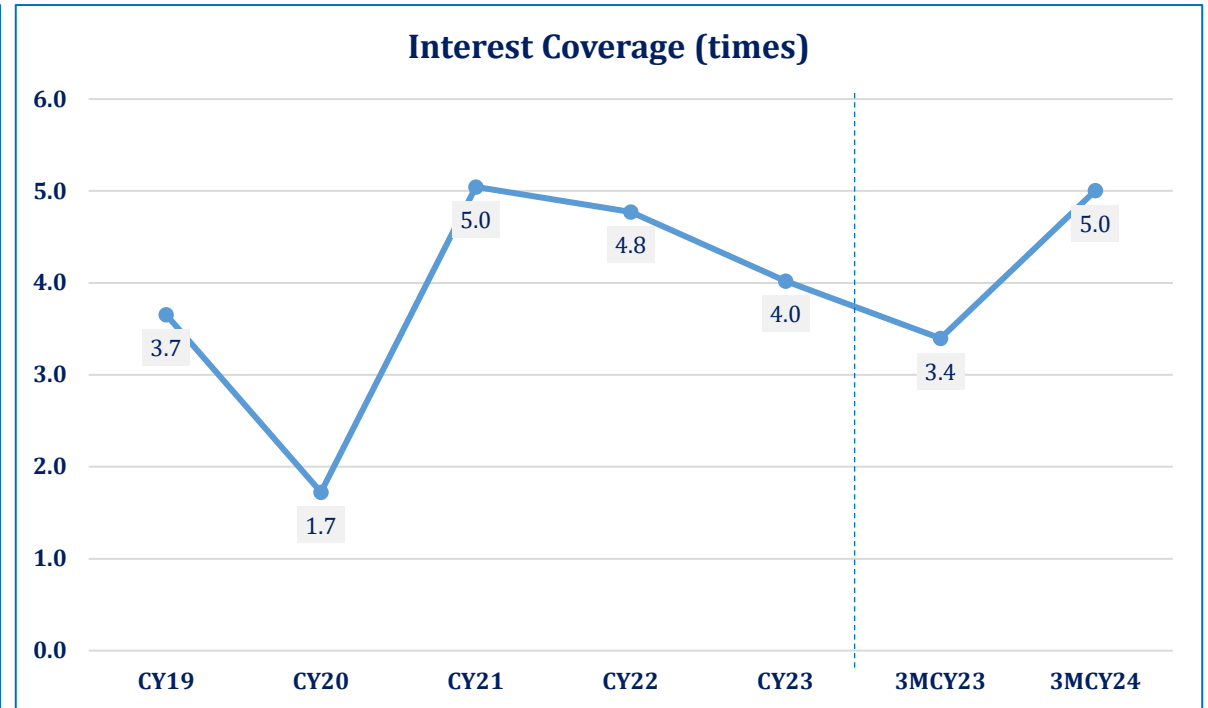
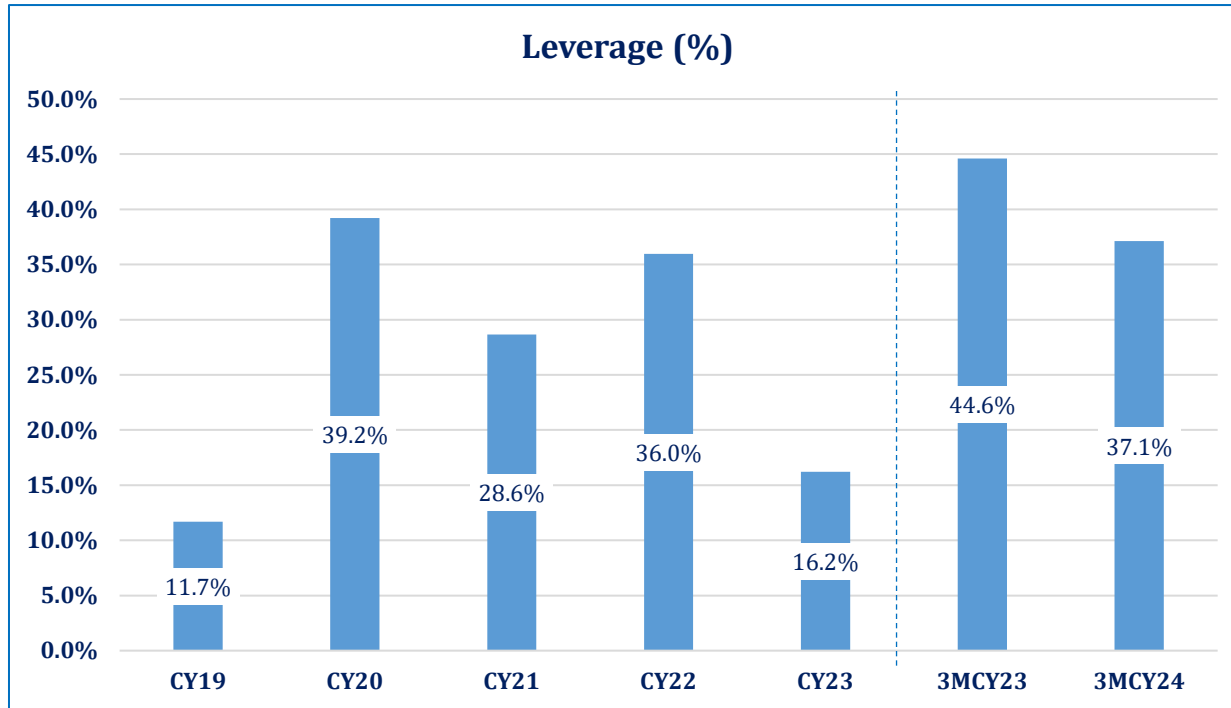


*Note: Data pertains to 2 footwear market players including 1 PACRA-rated client.*

# Footwear

## Local | Financial Risk

- Sector's average leverage ratio declined from ~36.0% to ~16.2% during CY23 and further to ~37.1% during 3MCY24. During this time, overall borrowings were down ~64.5% YoY, with short-term borrowings comprising ~14.1% (SPLY: ~19.4%) and declining ~0.7% YoY. The sector remained moderately leveraged during CY19-23.
- Meanwhile, average interest coverage deteriorated from ~4.8x in CY22 to ~4.0x in CY23, however, improved to ~5.0x during 3MCY24.

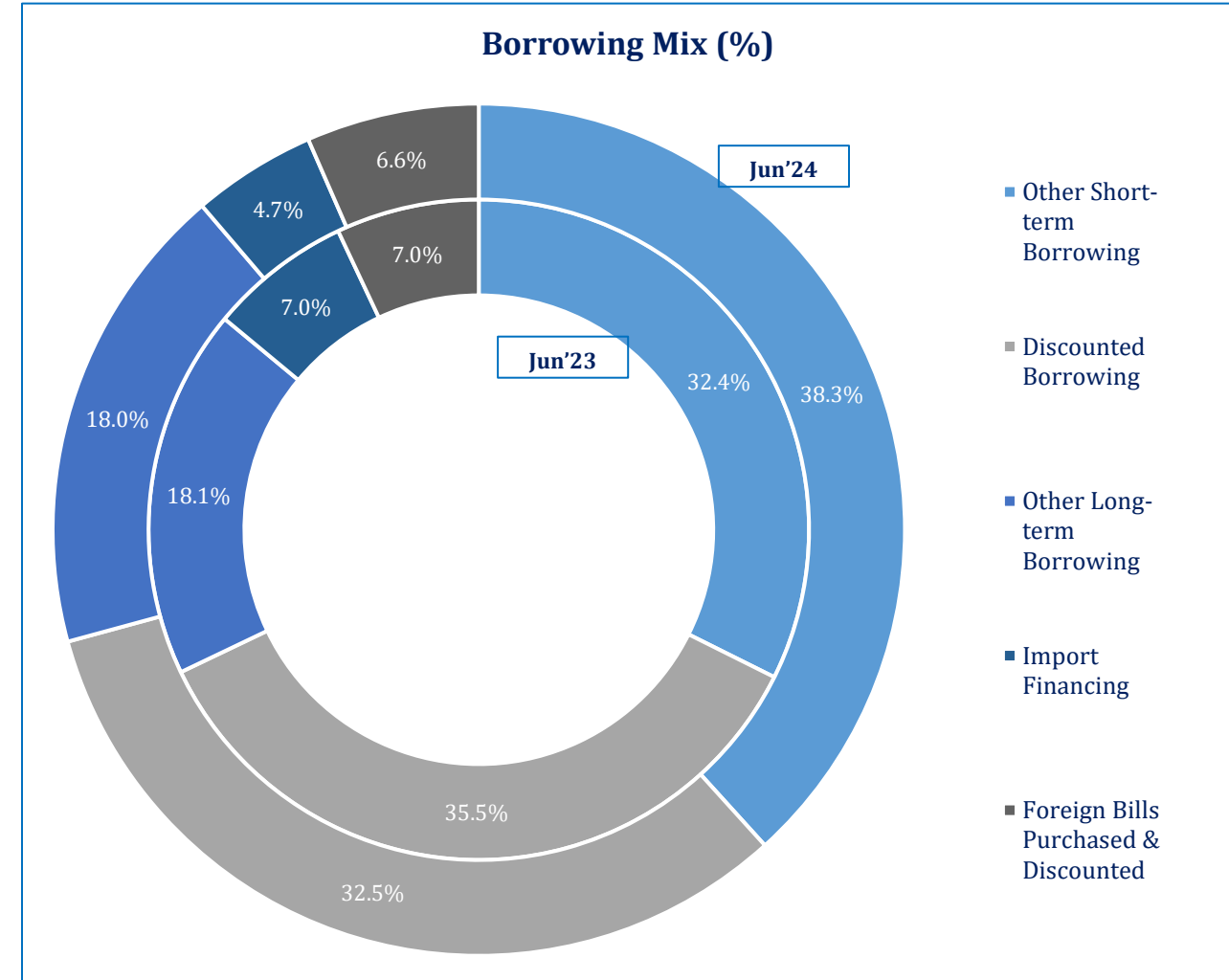


*Note: Data pertains to 2 footwear market players including 1 PACRA-rated client.*

# Footwear

## Financial Risk | Borrowing Mix

- Sector's total borrowing as at End-Jun'24 stood at PKR~43bln, up ~105.7% YoY. The largest share is occupied by other short-term borrowing that stood at PKR~16.6bln (End-Jun'23: PKR~13.3bln), up ~25.0% YoY and comprised ~38.3% of the sector's borrowings (End-Jun'23: ~32.4%).
- The second highest borrowings are discounted borrowing which comprised ~32.5% of total borrowing (End-Jun'23: ~35.5%) and were recorded at PKR~14.1bln (End-Jun'23: PKR~14.6bln), down ~3.4% YoY.
- Other long-term borrowing as at End-Jun'24 clocked in at PKR~7.8bln (End-Jun'23: PKR~7.4bln), up ~4.8% YoY comprised ~18.0% of total borrowings (End-Jun'23: ~18.1%).
- The import financing as at End-June'24 stood at ~4.7% (End-June'23: ~7.0%), recorded at PKR ~2.0bln as at End-June'24 (End-June'23: PKR~2.8bln) a ~28.8% decline.
- The Foreign bills purchased & discounted for the sector stood at ~6.6% End-June'24 (End-June'23: ~7.0%) recorded at PKR ~2.8bln as at End-June'24 (End-June'23: PKR~2.8bln) a ~1.1% decline.



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



# Footwear

## Local | Duty Structure

PCT Code	Description	Custom Duty		Additional Custom Duty		Regulatory Duty	
		FY23	FY24	FY23	FY24	FY23	FY24
<b>6401.1000, 9000</b>	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%	6%	6%	20%	20%
<b>6402.1900, 2000</b>	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	20%	20%	6%	6%	20%	20%
<b>6403.4000, 9900</b>	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.	20%	20%	6%	6%	20%	20%
<b>6404.1900, 1100</b>	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.	20%	20%	6%	6%	40%	40%
<b>6405.1000, 9090</b>	Other footwear	20%	20%	7%	7%	40%	40%
<b>6406.2090, 1000</b>	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%	6%	6%	10%	10%

# Footwear

## SWOT Analysis

- Ample availability of raw material (hides and skins of animals) locally
- Export friendly government policies.
- Presence of established local brands that cater to both domestic and international markets enhances industry credibility.

- The 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.
- Fluctuations in the local economy, inflation, and currency depreciation can increase production costs and reduce profitability.



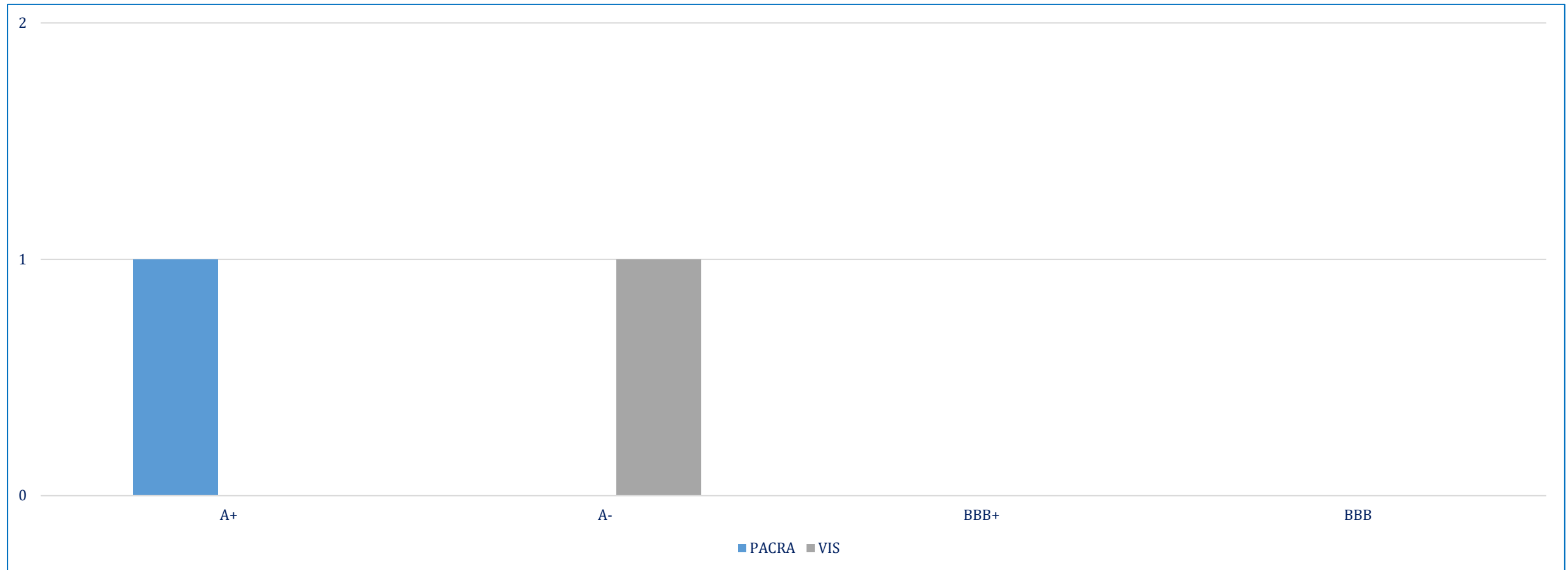
- The industry is often slow to adopt new technologies, leading to lower productivity and less innovative products.
- Lack of skilled labor force in the country.
- Quality control issues can lead to inconsistent product standards, affecting customer trust and brand reputation.

- Increasing demand for footwear in international markets, particularly for handmade and traditional styles, there is significant export growth potential.
- Depreciating PKR, resulting in increased revenue.
- Rise of e-commerce platforms offers an avenue for Pakistani footwear brands to reach global customers directly.

# Footwear

## Rating Curve

- PACRA rates 1 client in the Footwear Sector.



# Footwear

## Outlook: Stable

- In FY24, Pakistan's GDP (nominal) stood at PKR~106.0trn (FY23: PKR~83.9trn), increasing, in real terms, by ~2.4% YoY (FY23: ~-0.21% growth). Industrial activities in FY24 held ~21.9% share in the GDP while the manufacturing activities made up ~62.9% of the value addition. In 3QFY24, Pakistan's GDP (nominal) stood at PKR~25.4trn (3QFY23: PKR~20.6trn), rising in real terms by ~2.1% YoY (2QFY24: ~1.8% YoY). Real GDP growth rate (~2.1%) for 3QFY24 signals a moderate improvement in the economic activity as compared to SPLY.
- Large Scale Manufacturing (LSM) in Pakistan is essential for the economic growth considering its linkages with other sectors, as it represented ~75.6% value of manufacturing activities in FY23. The LSM fell by ~10.3% in FY23 (FY22: ~11.7%), however, it increased by ~0.99% YoY in 11MFY24 period.
- In FY24, footwear exports amounted to USD~162mln, whereas produced ~32mln pairs each year. Pakistan is the 7th largest consumer of footwear globally, and the industry employs ~1mln people across the country. In Pakistan, the cottage industry caters to domestic footwear needs with a focus on changing designs, while the organized sector meets export demands. Factories produce between ~2,500 to ~10,000 pairs daily, with annual footwear demand around ~600mln pairs.
- Pakistan's footwear exports declined ~9.2% YoY to USD~162mln in FY24 (SPLY: USD~178mln), forming ~0.5% of country's total exports (SPLY: ~0.6%). In volumetric terms, exports were down ~4.1% YoY to record at ~21mln pairs (SPLY: USD~22mln). The average export price of footwear in FY24 declined by ~5.3% YoY, driven by a larger drop in export value and reduced demand for high-value footwear, leading to price adjustments.
- In FY23, footwear imports declined in both volumetric terms by ~0.5% and ~0.4% in value terms. Footwear imports for FY23 stood at PKR~3,230mln (SPLY: PKR~5,741mln) and ~3.5mln pairs (SPLY: ~7.3mln pairs) were imported.
- In CY23, average profit margins increased due to a rise in sales and better expense management, but in 3MCY24, both gross and net margins declined despite higher revenue due to increased costs. The sector's average leverage ratio decreased significantly from ~36.0% to ~16.2% during CY23, and further to ~37.1% in 3MCY24, with overall borrowings dropping by ~64.5% YoY. Short-term borrowings made up ~14.1% of the total, down from ~19.4% YoY. The sector remained moderately leveraged from CY19-23. Meanwhile, average interest coverage, which declined from ~4.8x in CY22 to ~4.0x in CY23, improved to ~5.0x in 3MCY24.
- With strategic investments, sustained demand, expansive market diversification, and unwavering commitment to continuous quality enhancement, Pakistan's footwear sector is poised for a trajectory of sustained and dynamic growth in the years to come.

# Footwear

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- SBP
- FBR
- Cognitive Market Research
- Straits Research
- IMARC
- PACRA Database

<b>Research Team</b>	<b>Saniya Tauseef</b> Senior Manager <a href="mailto:saniya.tauseef@pacra.com">saniya.tauseef@pacra.com</a>	<b>Ayesha Wajih</b> Assistant Manager <a href="mailto:ayesha.wajih@pacra.com">ayesha.wajih@pacra.com</a>	<b>Sundus Fatima</b> Senior Research Analyst <a href="mailto:sabeen.mirza@pacra.com">sabeen.mirza@pacra.com</a>
<b>Contact Number: +92 42 35869504</b>			

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