EMERGING PAKISTAN

# LEATHER SECTOR OF FRANCE
# MARKET INTELLIGENCE REPORT

BY:

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## THE FRENCH LEATHER INDUSTRY

### A: INTRODUCTION:

France's economy is the fifth largest in the world and represents around one fifth of the Euro Region's Gross Domestic Product (GDP)[1]. Services are currently the main contributor to the country's economy, with over 70% of GDP stemming from the services sector. In the manufacturing sector, France is one of the global leaders in automobiles, aerospace and railways as well as cosmetics and luxury goods. Furthermore, France has a highly educated labour force and the highest ratio of science graduates per thousand workers in Europe.

France's closest trading partner in the external sector is Germany, accounting for more than 17% of France's exports and 19% of total imports. The country's primary exports are machinery and transportation equipment, aerospace equipment and plastics, while primary imports include machinery, automobiles and crude oil. Additionally, France is the most visited country in the world, making tourism a prominent sector of the economy.

Since 2005, France has maintained a current account deficit, predominantly driven by trade in goods. In 2013, however, the country's trade deficit shrank to its lowest level since 2010, although this decrease was caused mainly by the fact that exports fell less rapidly than imports.

### B: FRENCH LEATHER INDUSTRY AT A GLANCE:

The leather industry is one of most prominent industries in France, especially in terms of export value. France is the 4th largest exporter in the world across all leather sectors, with 4% of all international exports after China, Italy and Vietnam. Its main clients are Italy (15% of exports) where France has gained four percentage points in the leather market over the last decade; Hong-Kong (13% of exports) and USA (10% of exports).

Despite the fact that France is experiencing its worst balance of trade since 2011, the French leather industry reduced its own deficit by 13%. Although, it is still showing a loss, the balance of trade fell to €955 million in 2017 compared with €1.1 billion in 2016, and €1.4 billion in 2015. The coverage ratio stood at 92%, an increase of six points since 2014.

A similar trend can be seen in imports and exports, since the French leather industry has enjoyed better results than all other sectors. The French leather industry experienced growth in exports with sales continuing to grow since 2009, rising from €5 billion to €10.6 billion.

Taking all sectors into account, French Customs authorities recorded a 7% rise in exports and 4.5% rise in imports.Imports by the French leather industry were valued at €11.6 billion and rose by 5%, whilst exports, which represent €10.6 billion, grew by 7%.

Sales to main clients, namely Italy, Hong Kong, USA and the UK grew by 7%, 13%, 1% and 18% respectively. The footwear and leather goods sectors, representing 30% and 61% respectively of French exports by the French leather industry, are the best export performers. Their overseas sales grew by 7% and 9%.

Key figures of the French Leather Industry are as follows:

[1]https://www.focus-economics.com/countries/france

- 9 400 businesses.
- Euro 25 billion turnover.
- 130,000 people employed in the leather, tanning, footwear, glove making and leather goods retail industries.
- One of the world leaders for finished calf leather and exotic leather.
- 3rd biggest exporter in the world of leathers and raw hides.
- 13th largest exporter of finished leathers.
- World No.3 for exports of leather goods.

## C: IMPORT MARKET ANALYSIS:

France is the 4th largest importer of leather goods (6.3% of global imports with China supplying 42% and Italy 31% of French imports).Imports by the French leather industry were valued at €11.6 billion registering an increase by 5%. France is the 3rd largest importer of shoes (6% of global imports, with China supplying 29% and Italy 21% of French imports), and leather clothing and accessories (7.7% of global imports, with Italy supplying 20% and India 24% of French imports).

France imported 79.4 million hand bags, some 6.8 million less than in 2016[2]. Deliveries of Asian handbags (64.6 million) fell by 8.6 million items. In contrast, deliveries of handbags coming from the EU (11 million items) increased by 1.6 million. This change in the source of imported hand bags is accompanied by a clear increase in price. The average transaction value of a handbag has leaped by 17%.Imports of articles from Europe (€5.7 billion) increased by 11% while those from Asia (€5.4 billion) increased by 1%. Imports from Vietnam (third largest supplier to France), India (5th largest supplier) and Indonesia (7th largest supplier) grew by 9%, 2% and 3% respectively, compensating for the slowdown in orders to China. The average price of a pair of shoes (not including slippers) from these countries stands at €18, €17 and €23, whereas it is €7 for a Chinese pair. The proportion of French imports coming from Europe is showing an increase, while the proportion coming from Asia is reducing. Imports from Europe and Asia represent 49% and 46% respectively (against 45% and 50% in 2015 and 47% and 48% in 2016).The slowdown in Asian imports into France can be largely explained by the reduction in imports from China, which shrank by 7% in 2016 and 3% in 2017. China was the largest supplier to France but has been overtaken by Italy, whose sales to France have increased by 15%. The slowdown in imports from Asia and the increase in those from Europe is proof of an increase in quality concerns and value addition with regard to the items being imported by France.

Although, the rankings of the largest importers in the leather sector change little each year, the market share of certain countries in worldwide imports has begun to shrink.

This is the case of Hong Kong, the United States and Japan. While five years ago, Hong Kong's imports represented 9% of global imports, today they represent just 6%. For a long time, Hong Kong was the second largest importer in the world but it has since fallen two places in the rankings and in 2014 stood at fourth place, behind the United States, Germany and Italy.

The same applies to Japan which was once the fifth largest importer in the world until 2013 but has now been overtaken by France and China. Although the United States is still the world's leading importer, far ahead of any other country, its share of global imports has nevertheless fallen from 20% to 17.8% in the past five years. Italy too has experienced a slight fall. The market shares of France and of Germany are, however, more or less stable. Among the main importers, China has been gaining the most ground. China has traditionally been a large importer of raw materials, but in recent years it has also ventured into imports of finished luxury

[2] https://conseilnationalducuir.org/en/press/releases/2018-04-10

goods, which has benefited countries like France and Italy. While Singapore does not yet appear in the rankings of the largest importers, it is making regular progress in imports of luxury goods.

## D: PAKISTAN'S LEATHER INDUSTRY:

Pakistan's leather industry (including leather products) is the second largest export earning sector after textile. This sector presently earns almost $874 million[3] yearly but has the potential to multiply further with quality improvement and product diversification. The leather industry comprises of 6 sub-sectors such as tanning, leather garments, leather gloves, leather footwear, leather shoe uppers, and leather goods. Recently, the country is among the leading states in the production of leather garments and gloves. The leather and leather made-ups industry plays a significant role in Pakistan's economy and its share in Gross Domestic Product (GDP) is 4 percent. The State Bank of Pakistan (SBP) revealed in a recent statistical report that leather manufacturing plunged by 17 percent in FY2017 as against 6.9 percent rise in FY2016.

## E: FRENCH LEATHER IMPORTS FROM PAKISTAN:

As per FBR data French imports of leather goods from Pakistan has increased in 2017-2018 as compare to 2016-2017. The table given below shows that theier has been an increase in 11% of exports in leather from Pakistan. Product-wise detailed statistical analysis of overall Pakistani leather exports is as follows:

| Export of Leather month wise comparison (HS Code 42.03) | | | |
|---|---|---|---|
| **Export to France in 2016-2017** | **Value in Pak Rs.** | **Export to France in 2017-2018** | **Value in Pak Rs.** |
| **July** | 294,129,713 | July | 222,654,690 |
| **August** | 357,025,433 | August | 451,758,766 |
| **September** | 323,558,249 | September | 299,808,499 |
| **October** | 243,138,647 | October | 365,961,771 |
| **November** | 356,719,777 | November | 299,890,998 |
| **December** | 309,983,481 | December | 258,539,070 |
| **January** | 246,476,461 | January | 372,462,459 |
| **February** | 220,176,859 | February | 303,478,138 |
| **March** | 241,935,636 | March | 337,685,242 |
| **April** | 226,656,128 | April | 327,830,850 |
| **May** | 347,416,685 | May | 343,983,696 |
| **June** | 465,176,856 | June | 448,478,925 |
| **Total** | **3,632,393,926** | **Total** | **4,032,533,105** |

[3] https://businessmirror.com.ph/leather-industry-of-pakistan/

There has been increase of exports in most of the leather products which is given below;

**F: PAKISTANI EXPORTS OF LEATHER PRODUCTS WHERE EXPORT HAS INCREASED:**

Source: PRAL in Million Pak Rs.

| HS | Label | FrenchImport from Pakistan (2016-17) | French Import from Pakistan (2017-18) | Growth % |
|---|---|---|---|---|
| **4203.1010** | - - - jackets, leather or of composition leather | 2 187.17 | 2 430.31 | 11.11 % |
| **4203.2920** | Gloves leather industrial | 124.73 | 183.42 | 47.05 % |
| **4203.2990** | - - - OTHER | 38.32 | 150.04 | 291.54 % |
| **6403.2000** | - Footwear with outer soles of leather, and uppers which consist of leather straps across the instep and around the big toe | 85.55 | 143.36 | 67.57 % |
| **4203.1090** | - - - Others- leather and fur skin or of leather and artificial fur | 53.83 | 59.13 | 9.84 % |
| **4202.2100** | - - with outer surface of leather or of composition leather | 19.61 | 43.33 | 120.95 % |
| **4202.1190** | - - - Others- Brief-cases, portfolios and the like | 2.64 | 7.95 | 201.13 % |
| **4202.3100** | - - with outer surface of leather or of composition leather | 1.44 | 3.27 | |
| **4202.2200** | - - with outer surface of sheeting of plastics or of textile materials | 0 | 0.23 | |
| **4202.1120** | Suit-cases, of leather or composition leather | 0 | 0.22 | |
| **6405.1000** | - with uppers of leather or composition leather | 0 | 1.12 | |

**G: PAKISTANI EXPORTS OF LEATHER PRODUCTS WHERE EXPORT HAS DECREASED:**

| HS | Label | French Import from Pakistan (2016-17) | FrenchImport from Pakistan (2017-18) | Growth % |
|---|---|---|---|---|
| **4203.2910** | - - - GLOVES LEATHER FANCY | 812.12 | 708.18 | -12.79 % |
| **4112.0000** | LEATHER FURTHER PREPARED AFTER TANNING OR CRUSTING, INCLUDING PARCHMENT-DRESSED LEATHER, OF SHEEP OR LAMB, WITHOUT WOOL ON, WHETHER OR NOT SPLIT, OTHER THAN LEATHER OF HEADING 41. | 5.89 | 0.66 | -88.79 % |
| **4302.1910** | - - - LEATHER SHEARLING-FINISHED LEATHER WITH WOOL | 1 .95 | 0 | |
| **4203.1020** | - - - TROUSER LEATHER | 48.38 | 46.80 | -3.26% |
| **4202.9100** | - - WITH OUTER SURFACE OF LEATHER OR OF COMPOSITION LEATHER | 6.89 | 5.68 | -17.56 % |
| **4203.2930** | - - - MITTENS AND MITTS OF LEATHER | 1.96 | 1.85 | -5.61 % |

Similarly as per data of Euro stat increase in French imports of Pakistani leather was witnessed in 2017. Data of leather pertaining to 2018 is not updated as yet.

Source : Euro stat In € Million

| HS | Label | French Import from World (2017) | Major Competitors (2017) | French Import from Pakistan (2016) | French Import from Pakistan (2017) |
|---|---|---|---|---|---|
| 4201 | Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle-cloths, saddlebags, dog coats and the like), of any material | 31.96 | China: 8.31<br>Vietnam: 0.89<br>India: 8.0 | 0.33 | 0.30 |

| | | | | | |
|---|---|---|---|---|---|
| 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 | 100.37 | China: 715.02<br><br>Vietnam: 89.49<br><br>India: 58.11 | 0.91 | 1.21 |
| 4203 | Articles of apparel and clothing accessories, of leather or of composition leather | 236.08 | China: 24.85<br><br>Vietnam: 4.88<br><br>India: 58.18 | 26.33 | 29.45 |
| 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) | 131.64 | China: 5.78<br><br>Vietnam: 2.99<br><br>India: 40.21 | 17.05 | 18.84 |
| 420321 | Specially designed gloves for use in sport, of leather or composition leather | 4.93 | China: 0.62<br><br>Vietnam: 0.37<br><br>India: 0.23 | 1.16 | 1.44 |
| 420329 | Gloves, mittens and mitts, of leather or composition leather (excluding special sports gloves) | 46.25 | China: 10.35<br><br>Vietnam: 0.99<br><br>India: 14.00 | 7.87 | 8.92 |

## H: FRENCH LEATHER EXPORTS:

France is the 4th largest exporter of leather goods (hides and finished products) in the world.With exports valued at €6.5 billion, up by 9% as in 2016, the leather goods industry is in a strong position as one of France's leading export sectors.

Trade in this sector shows a large surplus (coverage rate of 174%, a rise of three points as against 2016). In value terms, France exports much more than it imports, with its main clients being Hong Kong, the US and Singapore. In these three countries, sales increased by 15%, 1% and 12% respectively. Sales of leather goods, which represent 44% of French exports, increased by 9%. Demand from Europe is developing even faster. Exports to the UK (35% of total exports) increased by 13%. Sales in Italy, the UK and Germany benefited from growth of 9%, 19% and 11% respectively.

Overseas demand for French luxury products continues to be high. Sales of luggage and handbags increased by 24% and 10% respectively. The average transaction value of exported handbags increased by 16%, rising to €477 for leather bags and €85 for bags made from other materials.

The leather goods (60% of exports) and footwear (30% of exports) sectors have experienced the steepest increases. Overseas demand for leather goods and footwear from France remains strong. Exports by the leather industry (6 billion euros) and the footwear industry (3 billion euros) have grown at the same pace, some 8%.

Sales of handbags have increased by 5% in value terms and 1% in volume. The average transaction value of exported handbags has also increased:

- Handbags (taking all materials into account): 155.70 euros (+ 4%)
- Leather handbags: 408.22 euros (+2%)
- Of the 21.1 million handbags exported, 5.2 million were made of leather.
- The sale of travel items and small leather goods have rocketed by 20% and 15%.
- The average transaction value of exported shoes and other footwear also increased by an average of 7%:
- Footwear with synthetic uppers (excluding slippers): 14.29 euros (+10%)
- Footwear with leather uppers (excluding slippers): 57.32 euros (+ 5%)
- Footwear with textile uppers and others (excluding slippers): 23.35 euros (+ -16%)
- Slippers: 9.97 euros (+27%)

France exported 106.1 million pairs of shoes (an increase of 0.9 million pairs on last year) for a total value of 3 billion euros, which represents an increase of 1% in volume and 8% in value.

Sales of leather clothing (183 million euros) are also showing positive growth (+4%). The trend shows a quite substantial drop in imports (-12% between 2016 and 2015) and an increase in exports. Since 2013, the terms of trade* for this sector have increased by 21% to stand at 78%. With regard to leather goods and footwear, the luxury labels are the main exporters of leather articles.

## I: MAJOR FRENCH BUYERS OF LEATHER ALREADY IMPORTING FROM PAKISTAN:

| Company Name | Products Imported |
| --- | --- |
| SARL FOREST | Sheep leather short jackets |
| FERNAND BACHAMNN | Leather garments & jackets |
| RED SKINS. | Sheep leather jackets |
| GIOVANNI SARL | Sheep leather jacket |
| GROUPE J A J | leather jackets |
| ART STUDIO / MEHDI SAIDI | Sheep leather jackets |
| E.C.C.E | Short jackets of sheep |
| PARIENTE SA | Leather jackets |
| ADAMEX SA (CUIRCO DIFFUSION S.A) | Vest, knicker, pants, gloves |
| ARTURO | Leather garments |
| DKS3 | Women and mens pants |
| E.M & PARTNERS | Protective leather gloves |
| SARL KABI | Leather & textile garments, gloves |
| OLD SCHOOL PRODUCTS | Leather & textile garments |
| DUNKERQUE FRANCE | Leather gloves |
| DOUBLE D IMPORT | Sport equipment, punching bag |

## J: LIST OF POTENTIAL FRENCH IMPORTERS OF LEATHER GOODS:

| Company | Contact | E-mail |
| --- | --- | --- |
| Besnard Sa | +33 299147777 | besnard@besnard.fr |
| CREATIONS ELIANE (CréationsEliane) | +33 472429898 | creationseliane@wanadoo.fr |
| Cuir International Diffusion (Arturo) | +33 147310202 | arturo@arturo.fr |
| DIET DIFFUSION TEXTILE (Diet Diffusion Textile) | +33 466687667 | dietdiffusion@orange.fr |
| DUPONT TEXTILES (Dupont Textiles) | +33 559325274 | dupont.textiles@wanadoo.fr |
| ETABL JEAN LAGARRIGUE ET CIE (Ets Lagarrigue - Fairprene) | +33 147206044 | lagarrigue.fairprene@wanadoo.fr |

| | | |
|---|---|---|
| ETABLISSEMENT DRAPIER-DEWACHTER (Confections Dewachter) | +33 467607589 | dewachter@orange.fr |
| ETABLISSEMENTS HERTISS (EtablissementHertiss) | +33 688713110 | raoul.heritier@sfr.fr |
| GORCE TEXTILES LES FABRIQUES TEXTILES (Gorce Textiles) | +33 473939961 | gorce.textiles@free.fr |
| Import Bretagne Export - Imbretex | +33 298910808 | contact@imbretex.fr |
| Jacques SAS | +33 466388585 | |
| JAGG (Jagg SA) | +33 960012582 | jagg@wanadoo.fr |
| KIASMA (Kiasma) | +33 491080893 | contact@kiasma.fr |

## K: CONCLUSION:

i. There is a lot of scope for enhancing trade relations with France in the leather sector since France' imports of leather goods are increasing steadily. Pakistan's share of leather exports to France is a very small portion of total French imports in this sector as compared to exports by other regional competitors.

ii. Active participation is required by Pakistani businessmen form the leather sector in trade delegations to France. There should also be more robust presence from the Pakistani side in Leather Expos held in France.Moreover, there is need for more collaboration with France since it has a very advanced leather sector.

iii. One of the most effective ways of achieving this would be to focus on value addition and gaining expertise in producing high quality finished products.It has been observed that French imports from Europe is showing an increase, while the proportion of imports from Asia is decreasing. Imports from Europe and Asia represent 49% and 46% respectively (against 45% and 50% in 2015 and 47% and 48% in 2016).

iv. The slowdown in Asian imports into France can be largely explained by the reduction of imports from China, which shrank by 7% in 2016 and 3% in 2017. China was once the largest supplier to France but has now been overtaken by Italy, whose sales to France have increased by 15%.

V. Thedrop in imports from Asia and corresponding rise in those from Europe reflects an increase in quality concerns and value addition to the items being imported by France.Pakistan's leather industry is struggling to cope with the new changing demand of European markets in terms of design and product development. The industry is yet to introduce the concept of value addition to its products in order to meet the demands of the global market.

vi. One of the main problems faced by Pakistani manufacturers/exporters is their inability to comply with EU regulations. EU regulations made it mandatory to treatall leather products with chemicals authorized/recommended by EU regulatory authorities. Since these chemicals are not locally available, therefore, exporters /manufacturers have to import these expensive chemicals and pay heavy import duties on them, thereby resulting in increase in production costs and loss of competitive advantage. India, one of our major regional competitors, has totally banned the import of chemicals and encouraged their local production, ensuring thereby that these chemicals are available at a very low price and provide their exporters with a competitive edge.

vii. Furthermore, local markets of raw material are not adequately regulated in Pakistan, resulting in unnecessary price fluctuations, consequently creating difficulties for exporters as it is not feasible to request price revisions for every shipment. Thus, they either have to face a loss or end up being unable to meet the quality requirements.

viii. Feedback from French importers of leather has revealed that the quality of the skin imported from Pakistan is not as good as that imported from other regional competitors. In fact, these competitors offer genetically modified leather skins that are superior in many aspects and are preferred in European markets. Moreover, the skin collection and preservation techniques commissioned in Pakistan are not up to date which causes damage to the skin and decreases the quality.

ix. The best opportunities in the leather sector are open to those Pakistani companies that can produce value added products especially in the garments sector: