

Development of China Leather and Footwear Industry

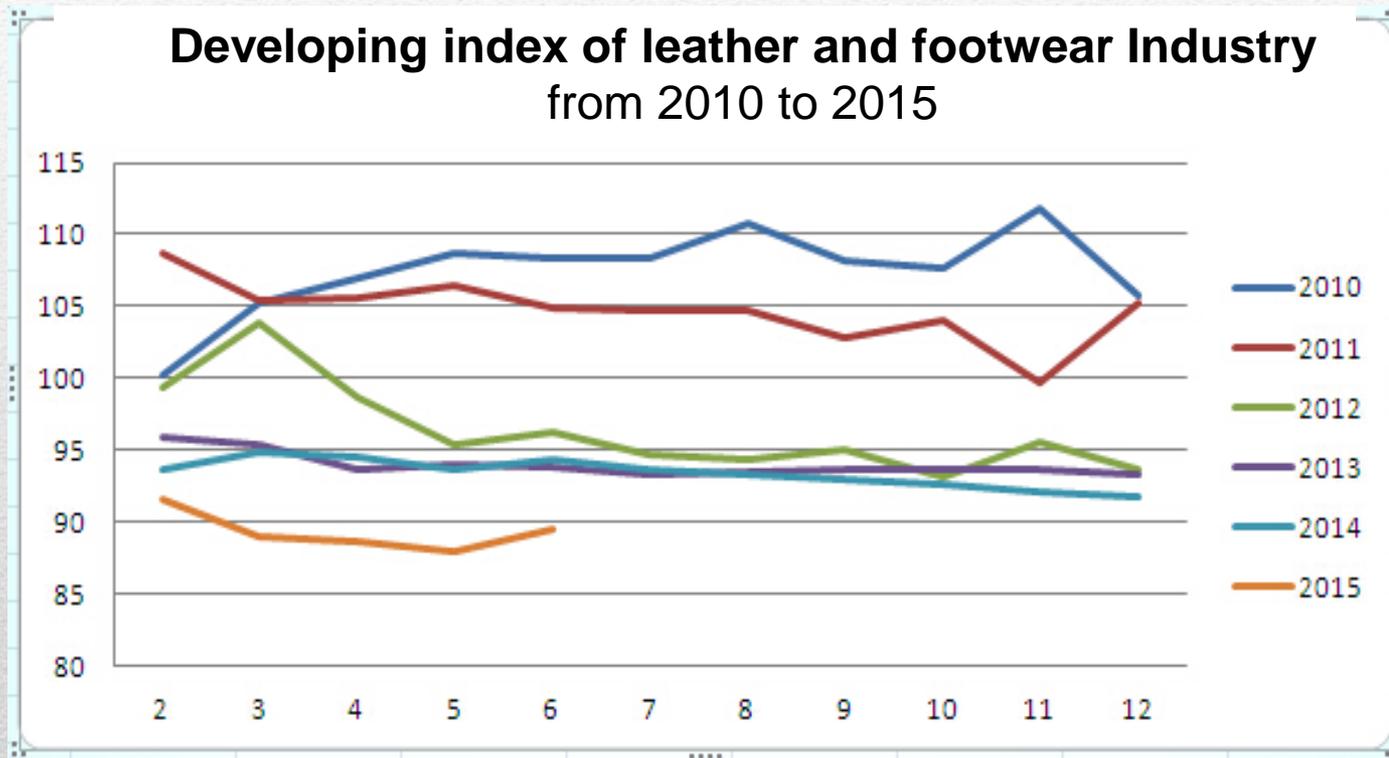
China Leather Industry Association

2015.9

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- **1 Overview of China Leather and Footwear Industry**
 - **2 Challenges and Opportunities Facing the Industry Development**
 - **3 Prospect for the Development of China Leather and Footwear Industry**

1 Overview of China Leather and Footwear Industry

Performance of China leather industry in the past five years



>110 **overheat**

90-110 **normal**

<90 **cool**

In the past five years, the developing index curve of China leather industry has been moving down year by year, which suggests the industry's slower growth. Evident downward in the first half of 2015. Hard time of leather industry.

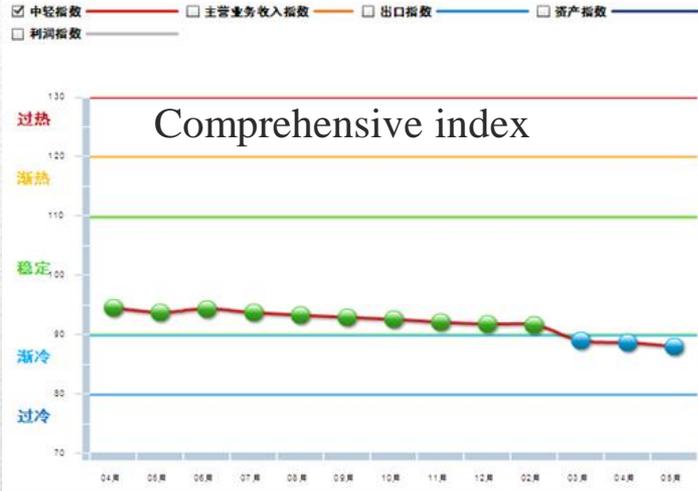
1 Overview of China Leather and Footwear Industry

◆ Overall performance in 2014

- **Growth rate of main economic indicators slower to single digits**
- **Sales revenue** rose by 9.1% year-on-year to USD201.6 billion, growth rate down 1.5 percentage point.
- Total profits reach USD13.2 billion, rising 8.6%, down 4.9 percentage point.
- **Export and import:** Growth rate of exports continued to slide, and closed at USD88.9 billion with a year-on-year growth rate of 7.2%, down 1.8 percentage point. Imports rose by 10.7% year-on-year to USD8.4 billion, up 2.2 percentage point

Performance of China leather industry from May 2014 to May 2015

2014.4—2015.5 月皮革行业景气指数变化态势



2014.4—2015.5 月皮革行业主营业务收入景气指数变化态势

2014.4—2015.5 月皮革行业出口景气指数变化态势



2014.4—2015.5 月皮革行业利润景气指数变化态势



1 Overview of China Leather and Footwear Industry

◆ Overall performance in first half of 2015

- **Growth rate of main economic indicators drop further**
- **Sales revenue** rose by 6.5% year-on-year to USD99.6 billion, growth rate down 3.9 percentage point.
- **Total profits** reach USD6.1 billion, rising 4.1%, down 15.2 percentage point.
- **Export and import:** Growth rate of exports continued to slide, and closed at 41.2 billion USD with a year-on-year growth rate of 3.9%, down 1.8 percentage point. Imports rose by 6% year-on-year to 4.7 billion USD, down 6.1 percentage point

1.1 Tanning Industry

◆ Performance in 2014

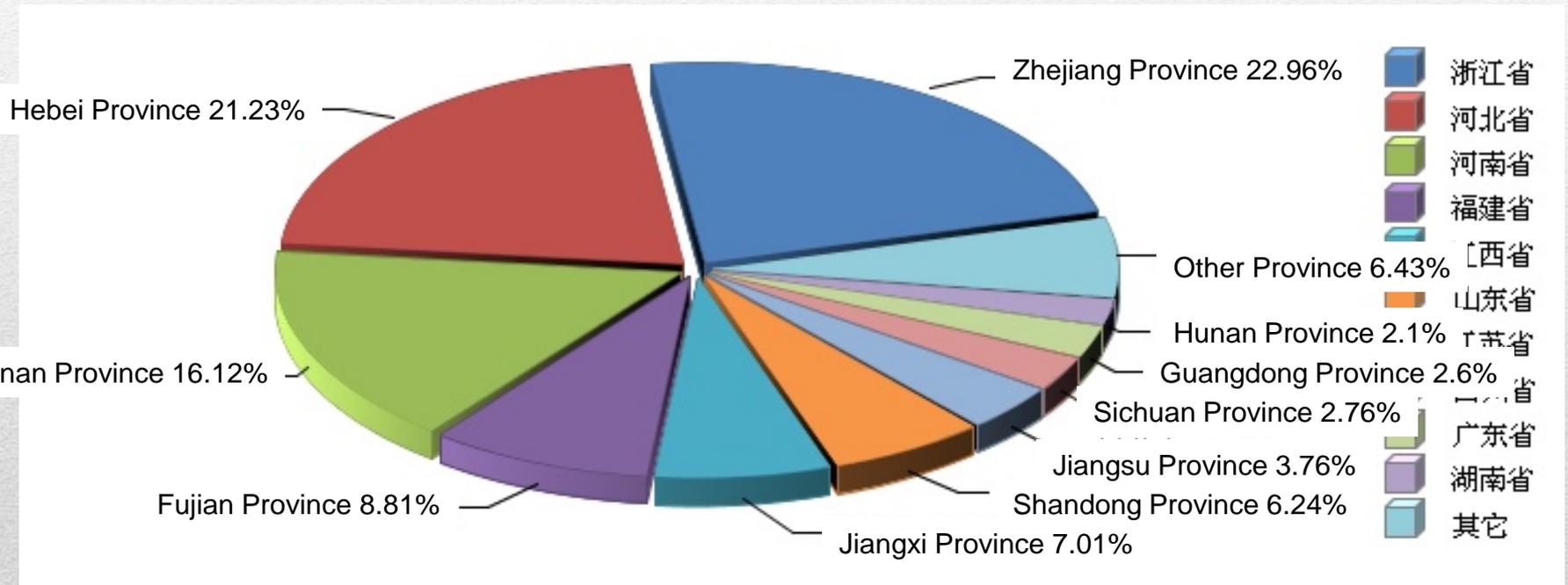
➤ production

- ✓ Scaled tanneries produced 594 million square meters of finished leather, up by 0.6% year-on-year.
- ✓ The whole production of finished leather: estimated 800 million square meters, bovine leather accounting for 74%
- ✓ Sofa leather and auto leather make the best performance

1.1 Tanning Industry

◆ Performance in 2014

➤ production



Production of finished leather in different provinces

1.1 Tanning Industry

◆ Performance in 2014

➤ Import

	2014		Compare 2013(%)	
	Volume(×1000tons)	Value(bilionUSD)	volume	value
Hides/skin	1291	3.43	- 17.6	- 22.2
semi-finished	804	1.91	- 13.6	- 0.6
finished	181	2.91	- 8.9	- 0.3
total	2276	8.26	- 15.5	- 9.7

1.1 Tanning Industry

◆ Performance in first half of 2015

➤ production

Scaled tanneries produced 286 million square meters of finished leather, falling by 0.86% year-on-year, down 0.7 percentage point

➤ Total profit achieved USD755 million, declining 0.94%, down 14.32 percentage point

➤ Import

	Jan.-Jun. 2015		Compare 2013(%)	
	Volume(×1000tons)	Value(bilionUSD)	volume	value
Hides/skin	700	1.69	5.9	- 4.3
semi-finished	388	1.00	- 7.8	8.3
finished	84	1.39	- 4.8	- 4.1
total	1172	4.08	0.2	- 1.4

1.2 footwear industry

◆ Performance in 2014

➤ Production and sales revenue

✓ Scaled footwear enterprises achieved sales revenue of USD109.5 billion, rising 8.9%, down 0.5 percentage point

✓ Totally 14.2 billion pairs of footwear produced

The number of enterprises

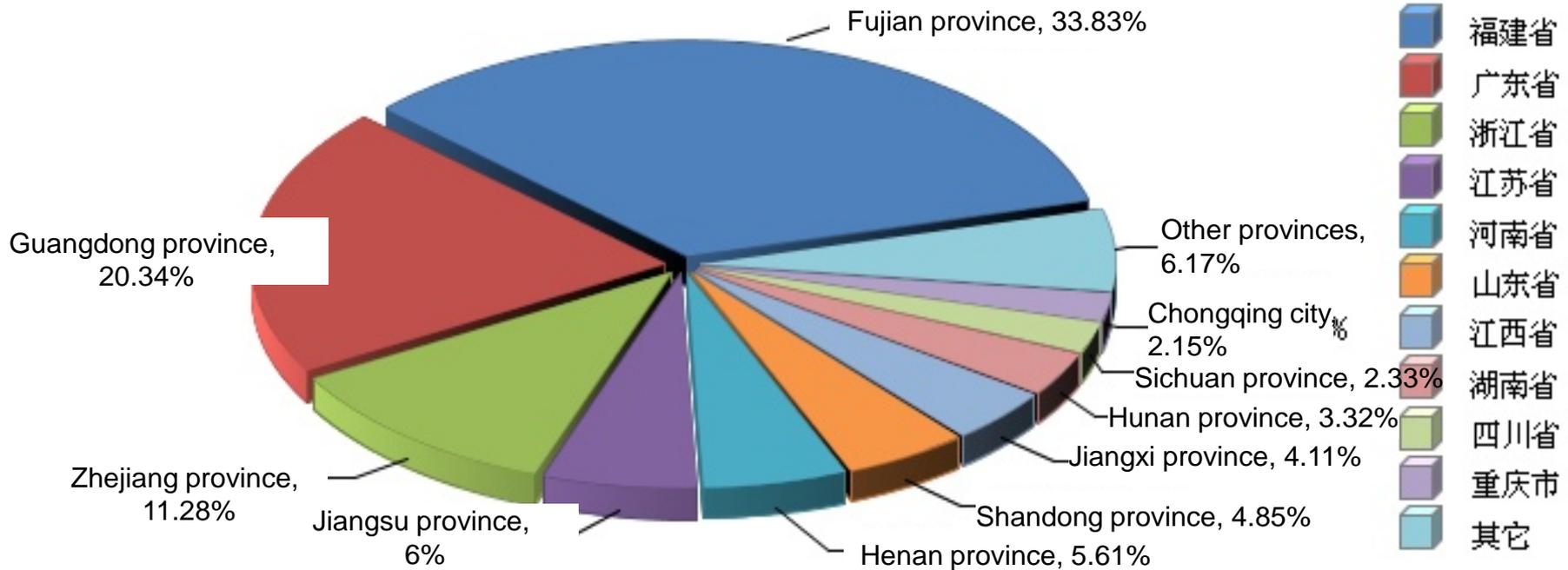


Sales revenue of the footwear industry



1.2 footwear industry

◆ Performance in 2014



**Proportion of Sales Revenues of footwear industry
in different provinces**

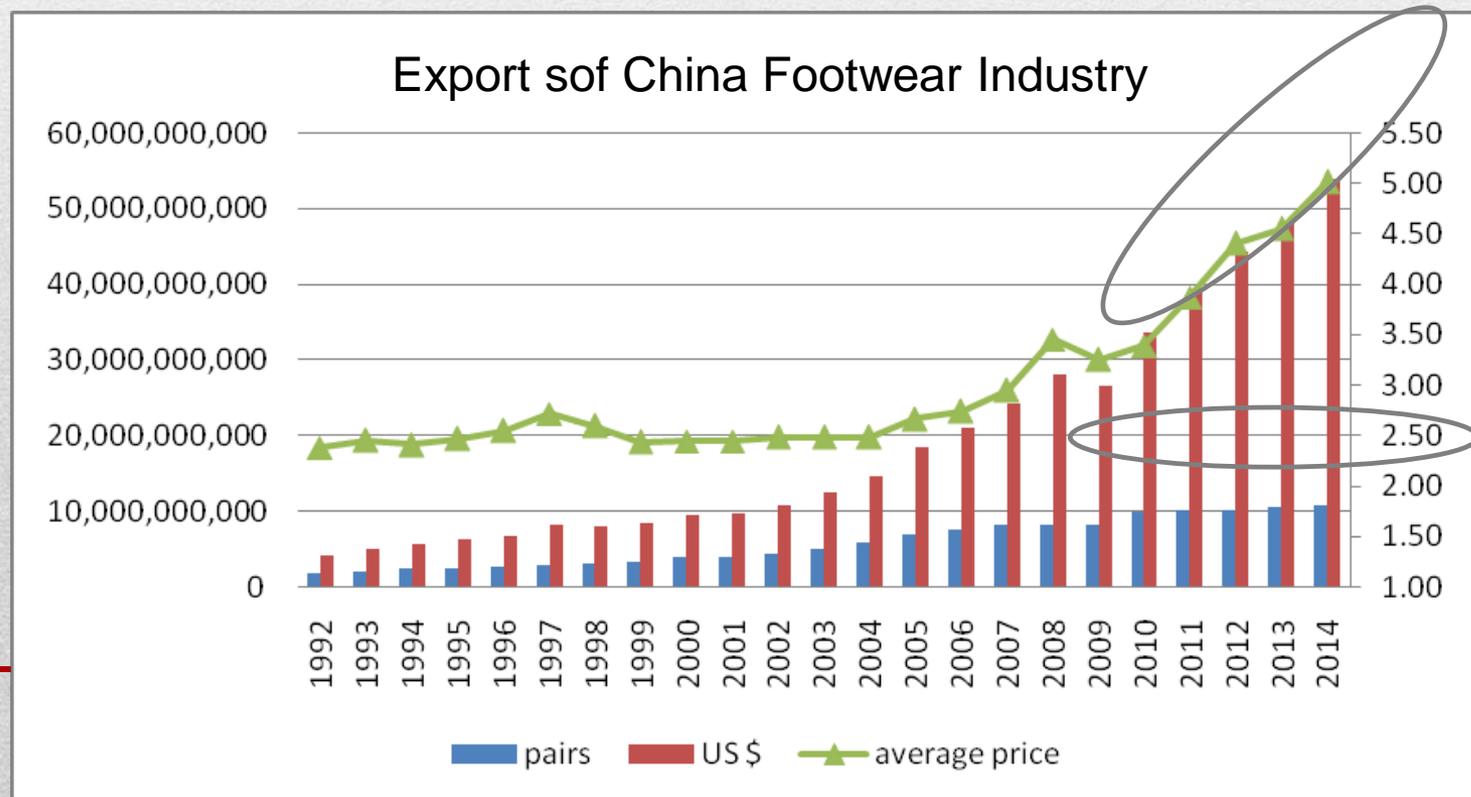
1.2 footwear industry

◆ Performance in 2014

➤ Export of footwear

✓ The growth rate of footwear export slightly climbed

footwear exports totaled 10.7 billion pairs and USD53.8 billion by value, respectively up 2% and 13% year-on-year.



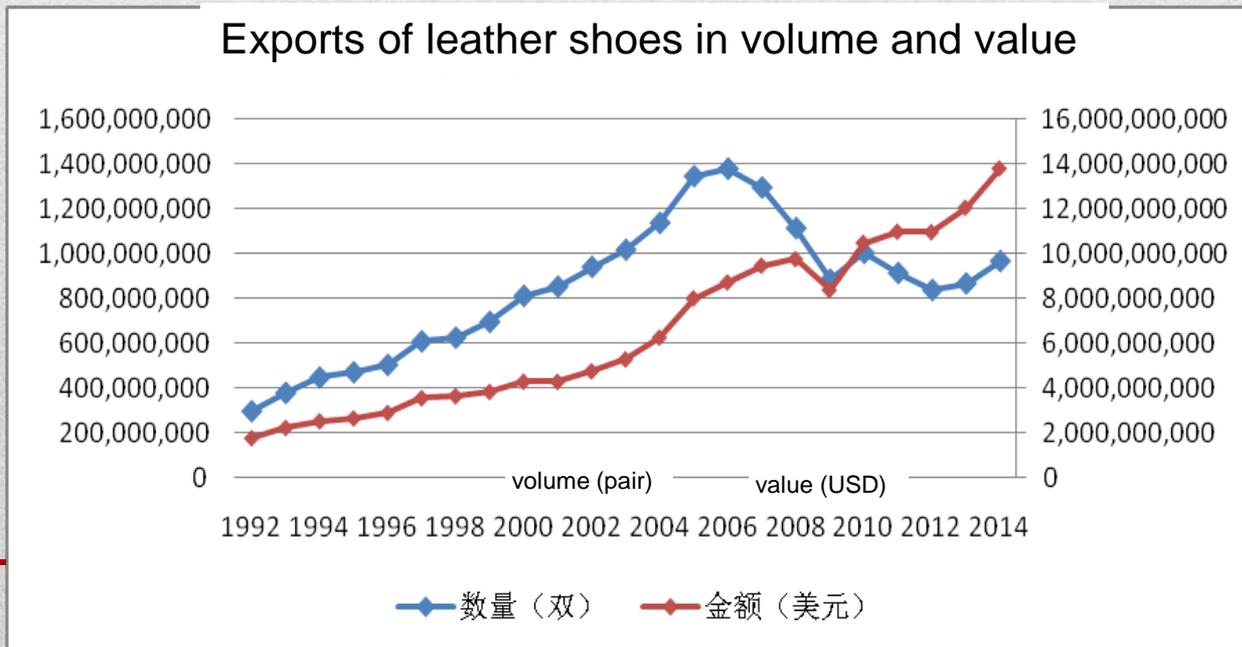
1.2 footwear industry

◆ Performance in 2014

➤ Export of leather footwear

Both export volume and value witnessed double-digit growth

Exports of leather shoes totaled 0.97 billion volume and USD13.8 billion by value, respectively up 11.5% and 14.5% year-on-year.



1.2 footwear industry

◆ Performance in 2014

➤ Import of footwear

✓ Imports of footwear increased slightly in 2014

Imports of footwear had witnessed a continuous decline in past few years, however, In 2014, footwear imports totaled 73.28 million pairs and USD 2.05 billion by value, respectively with a growth rate of 32% and 19.8%

✓ Sources of imports have been further concentrated

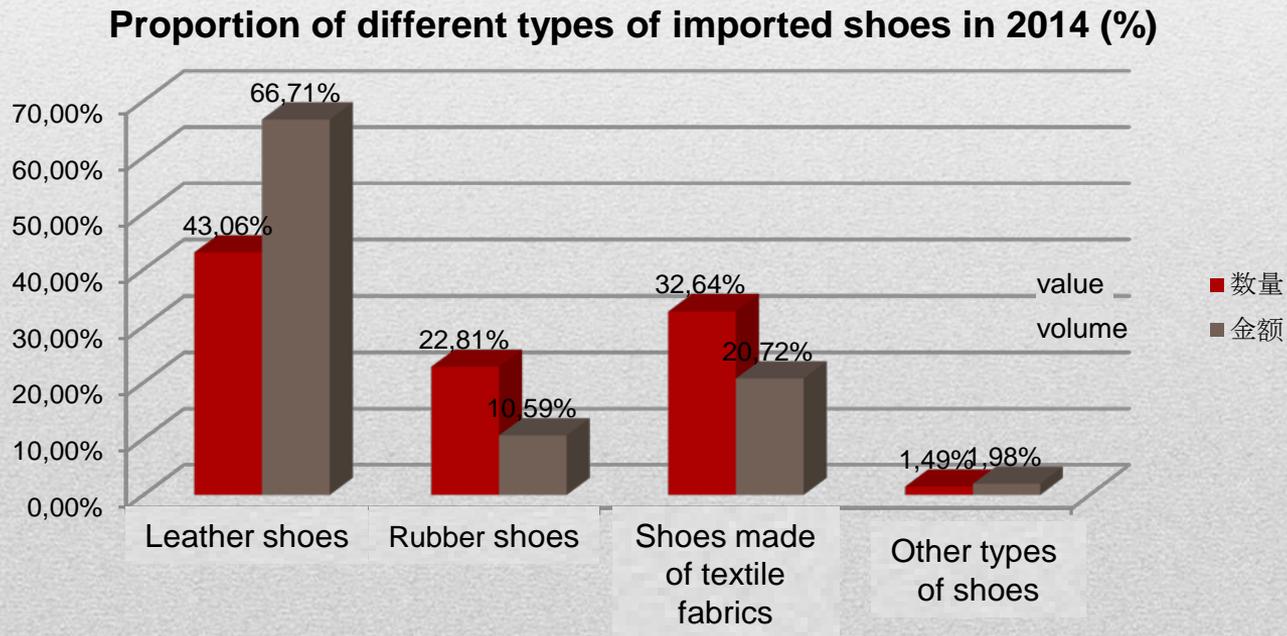
proportion of imports from Vietnam, Indonesia and Italy exceeded 70% for the first time both in value and volume, which witnessed a rapid growth.

1.2 footwear industry

◆ Performance in 2014

➤ Import of footwear

✓ Imports are dominated by leather shoes

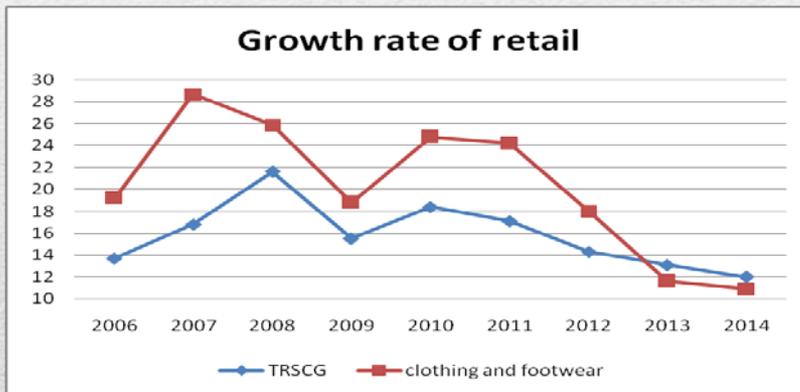


1.2 footwear industry

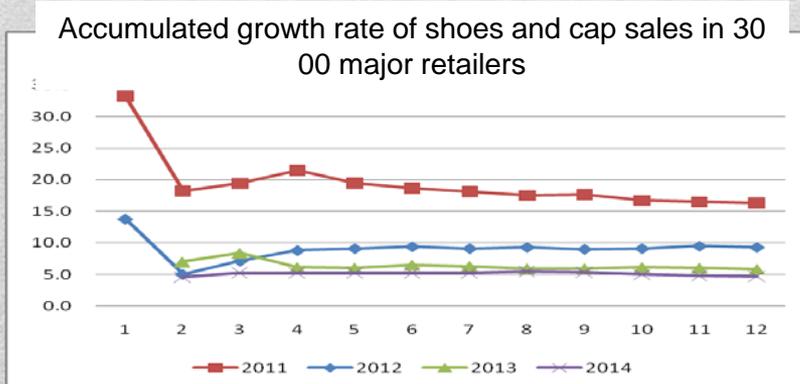
◆ Performance in 2014

➤ Footwear consumption

✓ Growth rate of domestic retail declined, and footwear retail witnessed a slower growth rate.



Retail sales of social consumer goods rose by 12% year-on-year, hitting a new low in the past 10 years, among which the growth rate of garments, shoes and caps was 10.9%, also hitting new low in the past 10 years



3000 major retailers monitored by the Ministry of Commerce witnessed a growth rate of 4.8% in sales of shoes and caps, which consistently fell in the past four years. It was caused by booming e-commerce, rising costs and inventory pressure.

1.2 footwear industry

◆ Performance in 2014

➤ Footwear consumption

✓ E-commerce has become the new point of growth in the industry

On the whole, E-business is on the rapid upward channel

In 2014, the online retail sales reached USD442.8 billion, which rose by 49.7% compared with the previous year.

Mobile e-business is developing rapidly with irresistible force.

China's mobile e-commerce rose by 141% and 240% year-on-year respectively in 2013 and 2014 when its sales revenue reached 147.4 billion (occupying 33.3% of online retail sales) . It is expected to account for 40% in 2015.

1.2 footwear industry

◆ Performance in 2014

➤ Footwear consumption

✓ E-commerce has become the new point of growth in the industry

Cross-border e-business

Overseas online shopping has gained phenomenal development recently and is becoming the next driving force of e-business. Traditional import and export enterprises are marching into online cross-border market in large scale. Representative enterprises include AliExpress, DHgate, Lightinthebox at home and Amazon and EBAY abroad.

Wechat business

Wechat business is the new direction of e-commerce. In the second half of 2014, it witnessed the fastest development. Nowadays it is still in the early stage of development, so there is still no unified standards for its management. Its development needs to be regulated urgently.

1.2 footwear industry

◆ Performance in the first half of 2015

➤ Performance of scaled footwear company

✓ Sales revenue of scaled footwear company reached USD54.7 billion, up 6.65%, growth rate declining 2.98 percentage point

✓ Total profit achieved USD3.1 billion, declining 0.46%, down 21.0 percentage point

✓ Export of 5.03 billion pairs of footwear with export value of USD 24.7 billion, down 5.9% and up 1% respectively.

✓ Import of 46 million pairs of footwear with import value of USD1.1 billion, up 32.9% and up 20.3% respectively.

1.2 footwear industry

◆ Performance in the first half of 2015

➤ Performance of scaled **leather footwear** company

✓ Sales revenue of scaled leather footwear company reached USD34.7 billion, up 5.05%, growth rate declining 2.94 percentage point

✓ Production of leather footwear is 2.1 billion pairs, increasing 2.1%

✓ Total profit achieved USD2.3 billion, declining 6.24%, down 31.6 percentage point

✓ Export of 410 million pairs of leather footwear with export value of US\$ 5.75 billion, down 6.3% and down 1.8 % respectively.

✓ Import of 15 million pairs of footwear with import value of USD623 million, up 22.8% and up 8.1% respectively

2 Opportunities and Challenges Facing the Industry Development

➤ Challenges

(1) Increasing factor costs

Salary and costs of social security, welfare, materials, and marketing in terminal channels are all going up.

(2) Gradually weakened late-developing advantages

(3) Industries are transferred overseas

(4) Great pressure from environmental protection

(5) Diversification of sales channels

(6) Rapidly changing of foreign trade environment

2 Opportunities and Challenges Facing the Industry Development

➤ Opportunities

- (1) Growing population around the world and in China
- (2) Long-term steady growth in the world's economy and rapid development of China's economy
- (3) Upgrade of consumption on domestic market
- (4) Comprehensive advantages of the industrial chain and continuously optimized industrial distribution
- (5) Opportunities of going our brought by the strategy of "One Belt and One Road"
- (6) Upgrade of environmental protection
- (7) Innovation-driven development, as well as scientific and technological progress
- (8) Adjustment of relevant national policies

3 Prospect for the Development of China Leather and Footwear Industry

It is a very hard year for leather and footwear industry in 2015, however:

- On the whole, the opportunities for China leather and footwear industry outweigh the challenges. Prospects for industry development are still relatively positive.
- It is expected that in 2015 the industry will keep a weak growth as in 2014. The sales revenue, profits and exports are expected to maintain a single-digit growth rate, without a sharp decline from that of last year.



Thank You !
