

# VIETNAM'S LEATHER AND FOOTWEAR INDUSTRY STANDARD REPORT Q1/2020



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MOIT	Ministry of Industry and Trade
CBI	Centre for the Promotion of Imports from developing countries
CICB	Centre for the Brazilian Tanning Industry
FAO	Food and Agriculture Organization
FED	Federal Reserve Board
FIA	Foreign Investment Agency
GDVC	General Department of Vietnam Customs
GSO	General Statistics Office

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IMF	International Monetary Fund
Lefaso	Vietnam Leather, Footwear and Handbag Association
MARD	Ministry of Agriculture and Rural Development
SBV	State Bank of Vietnam
UN Comtrade	United Nations Comtrade Database
USITC	United States International Trade Commission
VIRAC	Vietnam Industry Research And Consultancy JSC
World Footwear	World Leather – Footwear Association

❖ WORLD LEATHER MARKET

SUPPLY

xx% of the world's leather material comes mainly from the food industry and is directly affected by meat and dairy consumption.

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❖ WORLD FOOTWEAR MARKET

SUPPLY

According to World Footwear data, total global footwear production in 2018 reached xx billion pairs, an increase of x% compared to 2017.

❖ VIETNAM'S LEATHER MARKET

TRADE

In 2019, Vietnam imported x billion USD of leather with a slight growth of x% compared to the previous year

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❖ VIETNAM'S FOOTWEAR MARKET

SUPPLY

- As of the end of 2018, Vietnam's leather and footwear industry has x,xxx enterprises, attracting about x million workers, of which female workers account for xx%.

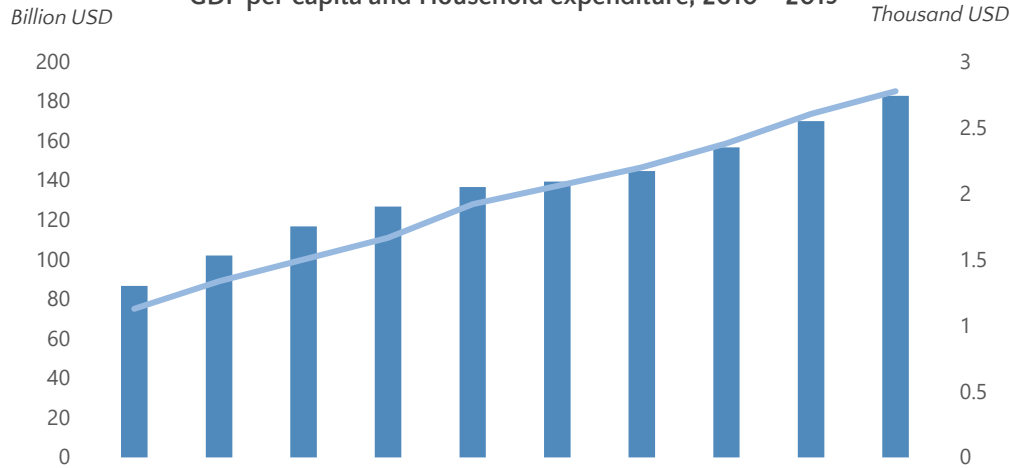


# 1. BUSINESS ENVIRONMENT

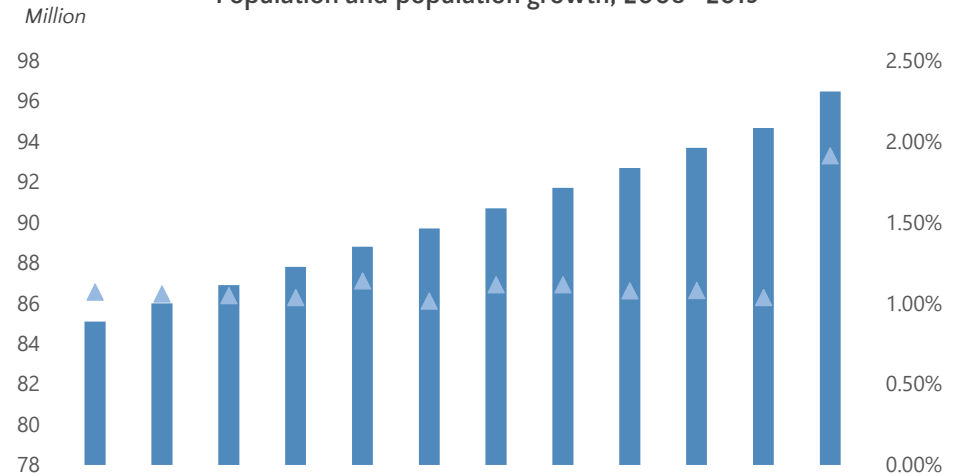
# 1. Business environment

## 1.1 Macroeconomic situation

### GDP per capita and Household expenditure, 2010 - 2019



### Population and population growth, 2008 -2019



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Source: VIRAC, Economist Intelligence Unit

Source: VIRAC, GSO

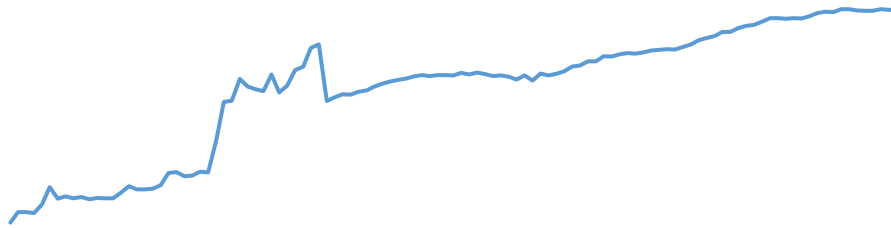
- Vietnam has become a middle-income country with estimated GDP per capita in 2019 reaching x thousand USD. Besides, household expenditure also grew significantly at a CARG of xx% thanks to the increase in employment and income rate along with falling inflation.

### Consumer Confidence Index, 2016 - Q3/2019



- Positive signs from the macro economy have been strongly affecting the growth rate of each industry and the footwear industry is not the exception.

VND/USD, 1/2013 – 12/2019



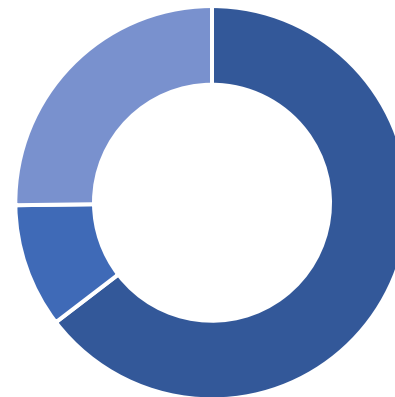
- VND/USD exchange rate in 2019 continued the slight upward trend but was relatively stable

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Source: VIRAC, SBV

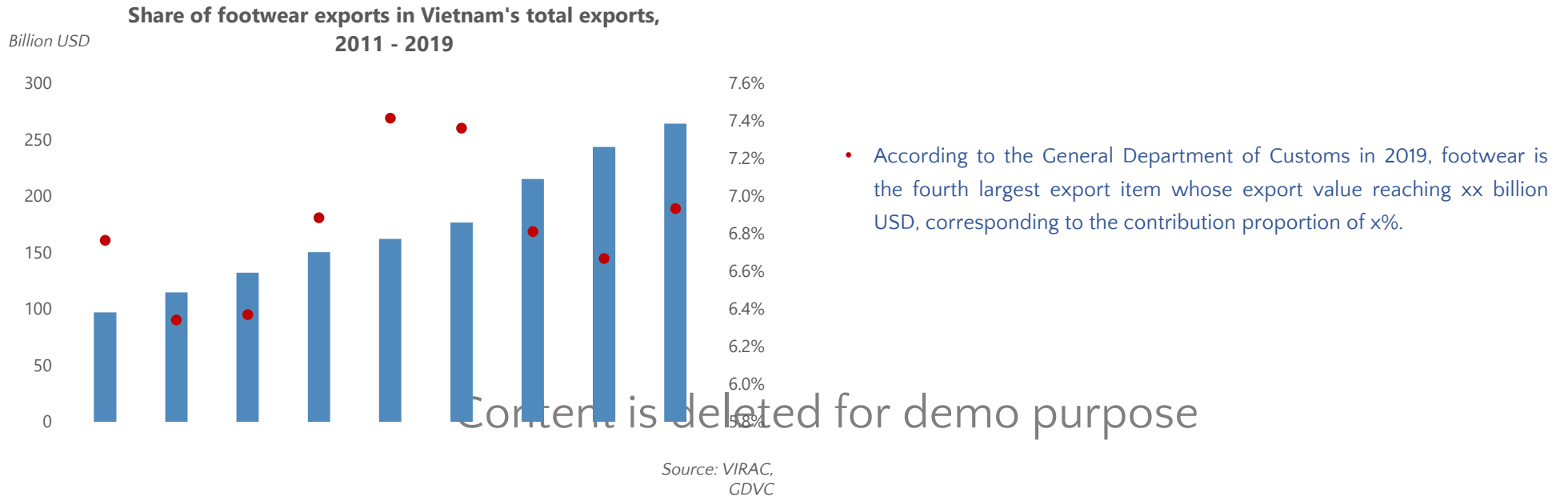
Especially, with the advantages brought by trade agreements, Vietnam market in general will become more and more attractive to investors; so will the leather and footwear production market in particular.

Attracting FDI by sector, 2019



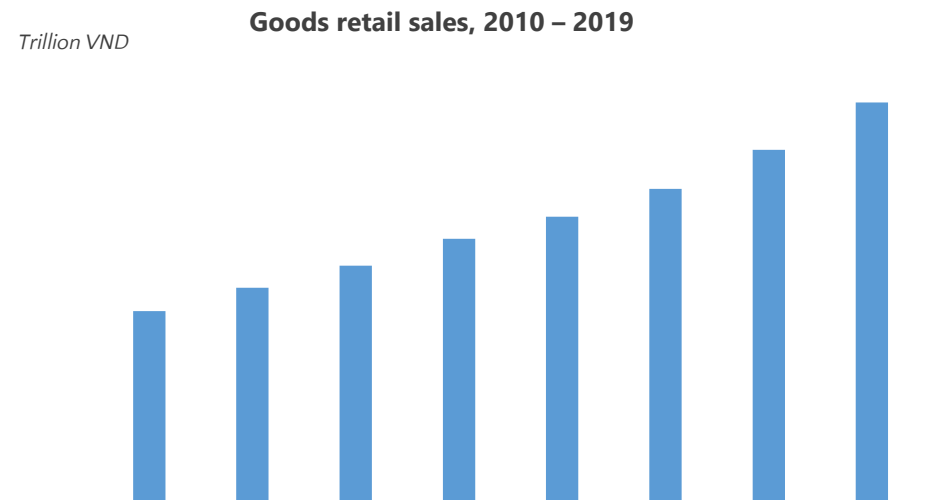
Source: VIRAC, FIA





- According to the General Department of Customs in 2019, footwear is the fourth largest export item whose export value reaching xx billion USD, corresponding to the contribution proportion of x%.

- Vietnam's retail market is assessed to grow quite strongly in recent years



Regulations on import - export:

- ❖ Decision on issuing the HS code table of the list of terrestrial animals and animal products subject to quarantine (4758/QĐ-BNN-TY)

Legal documents related to leather quarantine

Document	Date	Ministry/Department	Content

Source: VIRAC

- Decision No. 45

Decision 4758

causes many businesses' shipments to be currently congested outside the ports and unable to be cleared.

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- ❖ Circular No. 38/2015/TT-MOF dated 25/3/2015 of the Ministry of Finance governing customs procedures;

**Regulations on production:**

Technical standards compiled by the Leather and Footwear Research Institute:

- Decision No. 1483/QĐ-TTg dated 26/8/2011

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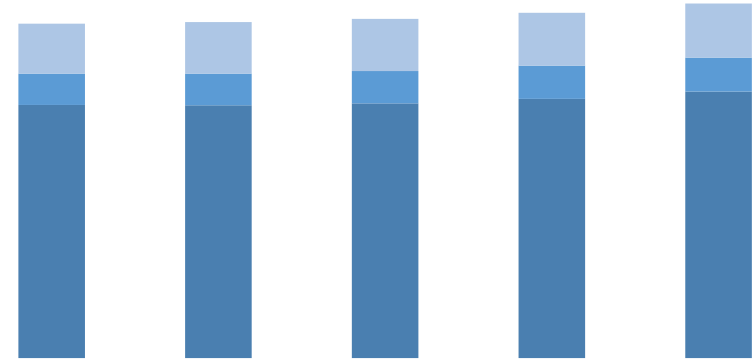


## 2. GLOBAL MARKET

The tanning industry has been characterized by small or medium-size family businesses.

Hides and skins (buffalo, cattle, sheep, goat), 2014 – 2018

Thousand tons

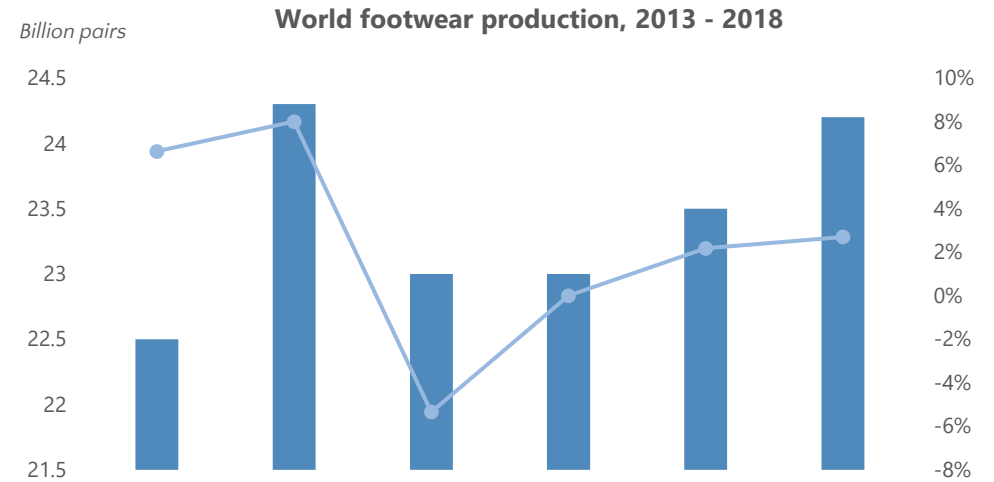


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Source: VIRAC, FAO

In the history of development of tanning industry, chrome tanning (Cr) is the dominant method of making leather.

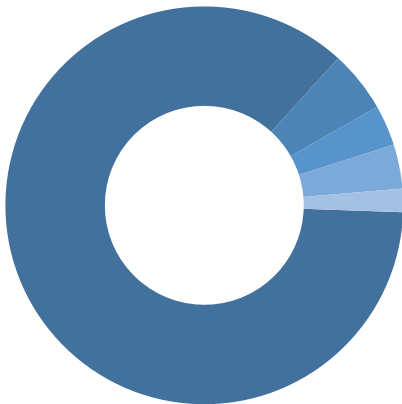
According to World Footwear's data, total global footwear production in 2018 reached xx billion pairs, increasing by x% compared to 2017.



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Source: VIRAC, World Footwear

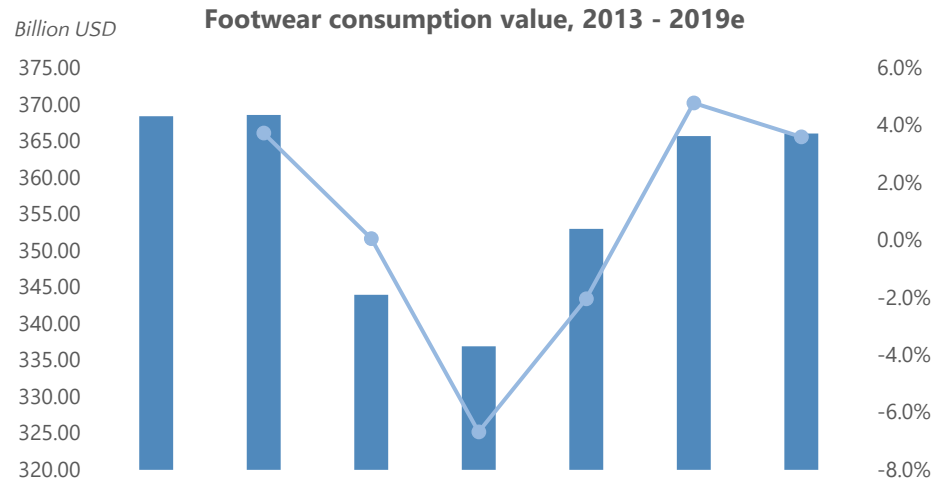
Footwear production by region, 2018



Although there have been small changes in market share over the years, the footwear industry market share by continent has remained almost unchanged since 2011.

Source: VIRAC, World Footwear

Footwear consumption recovered continuously in the past 3 years, the consumption value in 2019 was nearly equal to that in 2014 (before a sharp decline), reaching xxx billion USD and achieving a growth rate of x% over the same period last year.

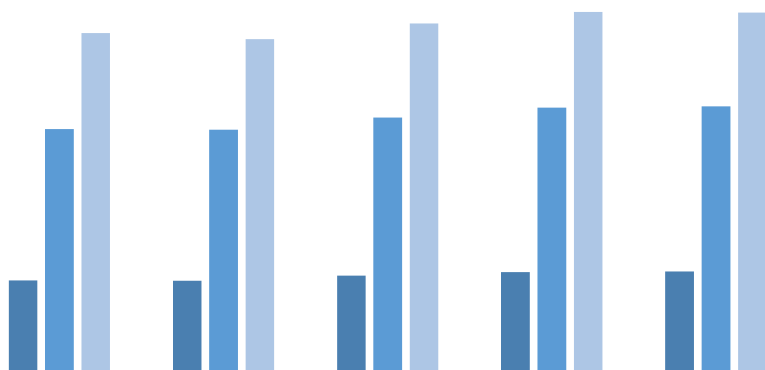


Source: VIRAC, Euromonitor

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Footwear consumption by type, 2015 - 2019e

Million USD



Sneakers consumption value, 2015 – 2019e (Million USD)

Type of footwear	2015	2016	2017	2018	2019e

Source: VIRAC, Euromonitor

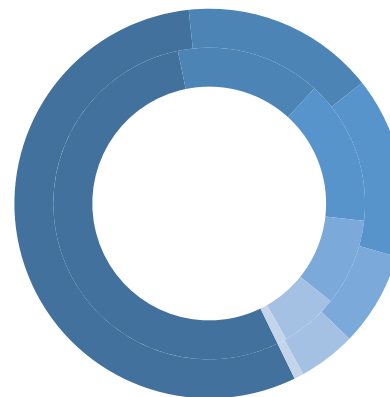
Source: VIRAC, Euromonitor



From a global perspective, Asia continues to be the major footwear consumer region (xx%), followed by Europe (xx%) and North America (xx%). There is also a repositioning, which involves footwear continuing to move from more mature economies (North America and Europe) to younger countries, in a trend that is more in line with the global population distribution, that has been going on for a few years and is likely to continue in the future.

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Consumption market share by region (volume), 2017 - 2018



Source: VIRAC, World Footwear

Top 10 consumers (by volume), 2018

Country	Share

Source: VIRAC, World Footwear



### 3. VIETNAM MARKET



**Foundation period**

- Vietnam's footwear industry was born 527 years ago.

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**Sub-industrial period**

- The transition to this period was driven primarily by the development of the Leather - Footwear Industry in the South,





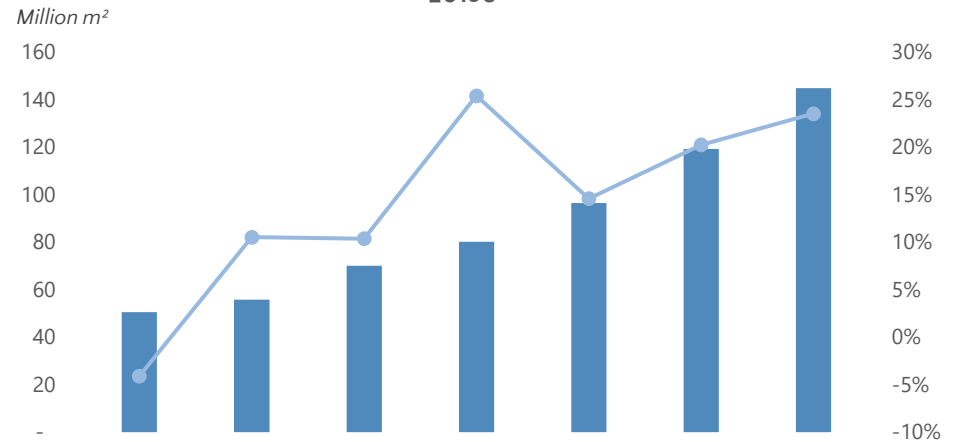
**Industrial period (1990 to date)**

- Since 1992, Vietnam has embraced a shift in production from emerging industrial countries in the region

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The compound annual growth rate in the period of 2013 – 2019e reached xx%, in 2019 tanned leather output (excluding synthetic leather) reached xxx million m<sup>2</sup>, an increase of xx% compared to the same period in 2018.

Total products of leather, preliminary processed leather and dyed fur, 2013 – 2019e



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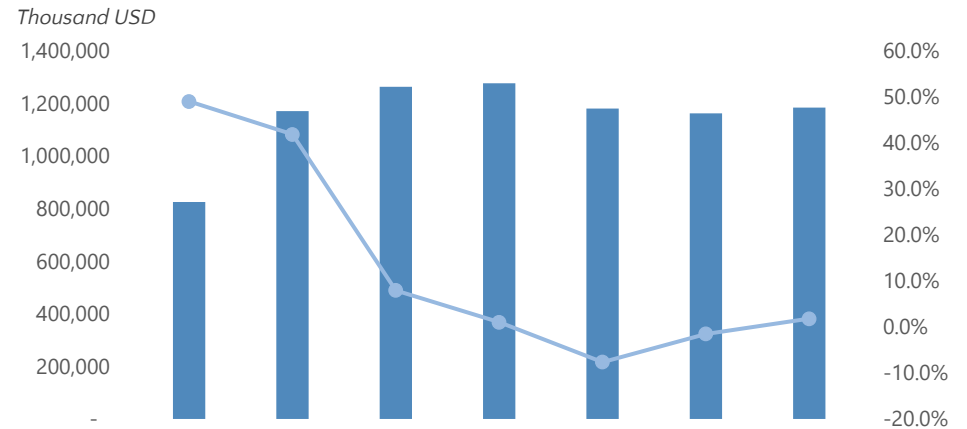
Source: VIRAC, GSO

The advantage is falling to FDI enterprises with large capital of Korea, Taiwan and China.

Tanned leather imports remained at high level due to:

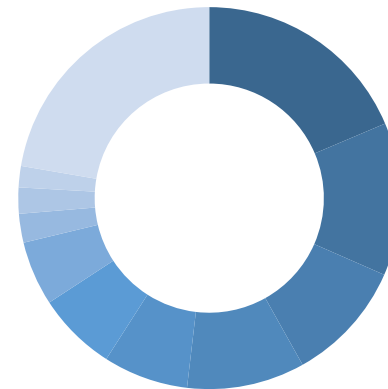
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Tanned leather imports, 2013 - 2019e



Source: VIRAC, UN Comtrade, Lefaso

Tanned leather imports by country, 2018

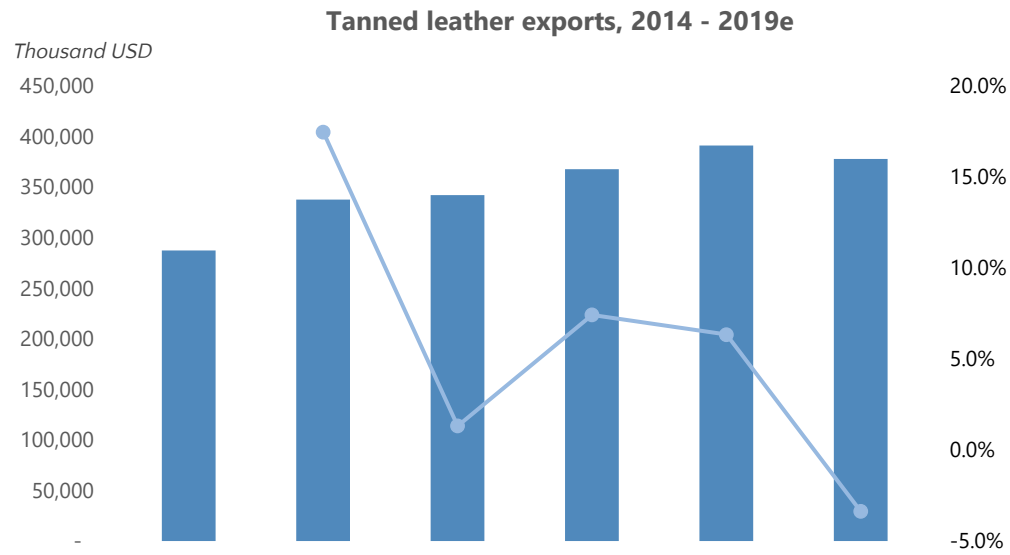


In 2019, Vietnam imported x billion USD of tanned leather with a slight increase of x% compared to the previous year due to the increase in footwear export orders, which raised the demand for leather.

Source: VIRAC, Lefaso

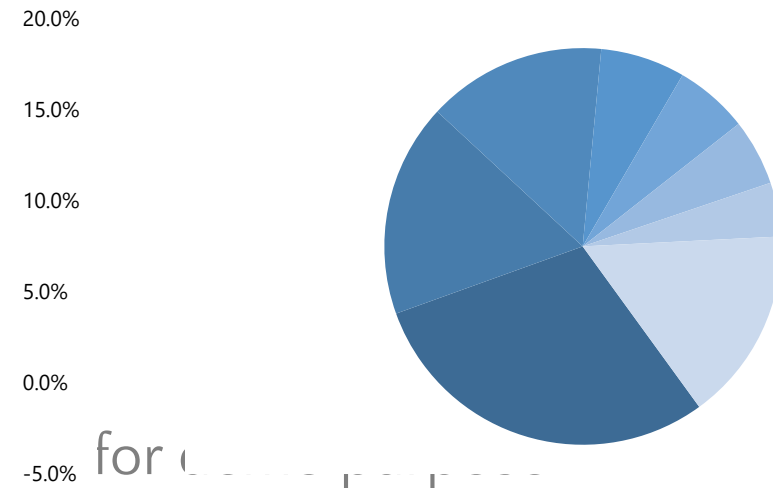
### 3. Vietnam market

#### 3.2 Leather industry – 3.2.3 Export



Source: VIRAC, UN Comtrade, Euromonitor

### Tanned leather exports by country, 2018e



Source: VIRAC, Trademap

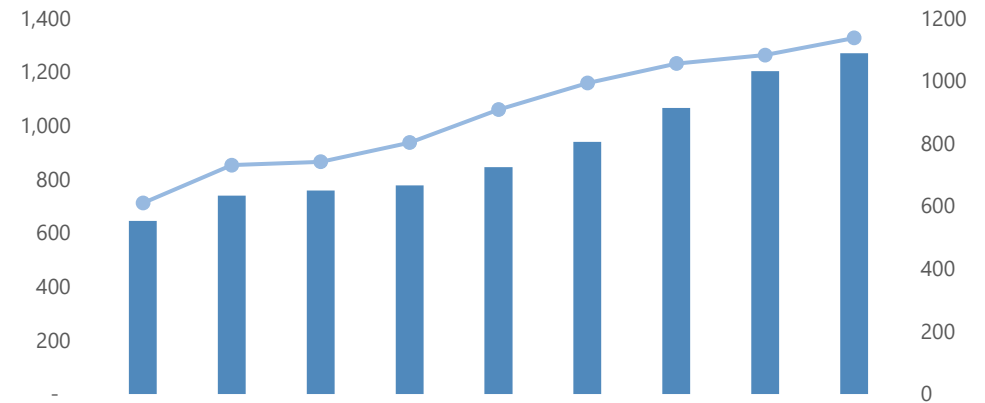
Vietnam's leather of all types exports continued to increase in the period of 2014 - 2018, but according to VIRAC estimates, total leather exports in 2019 are estimated to decrease by x% compared to 2018.

### 3. Vietnam market

#### 3.3 Footwear industry – 3.3.1 Production

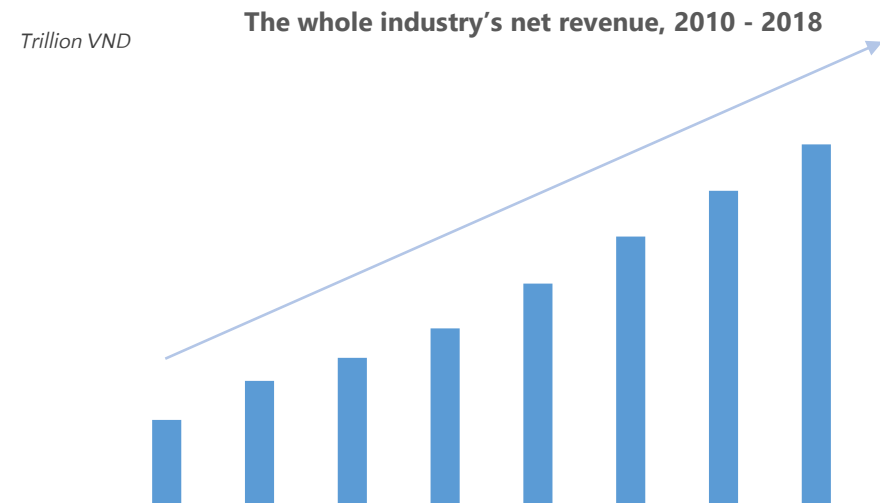
- According to data from the General Statistics Office, by the end of 2018, the whole footwear industry had about x,xxx operating enterprises,
- The size of the footwear production market is constantly increasing with the CAGR from 2010 to 2018 reaching xx%. In 2018, the net revenue from footwear production reached xxx trillion VND.

Enterprises and labors in the industry, 2010 - 2018



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Source: VIRAC, GSO



Source: VIRAC, GSO



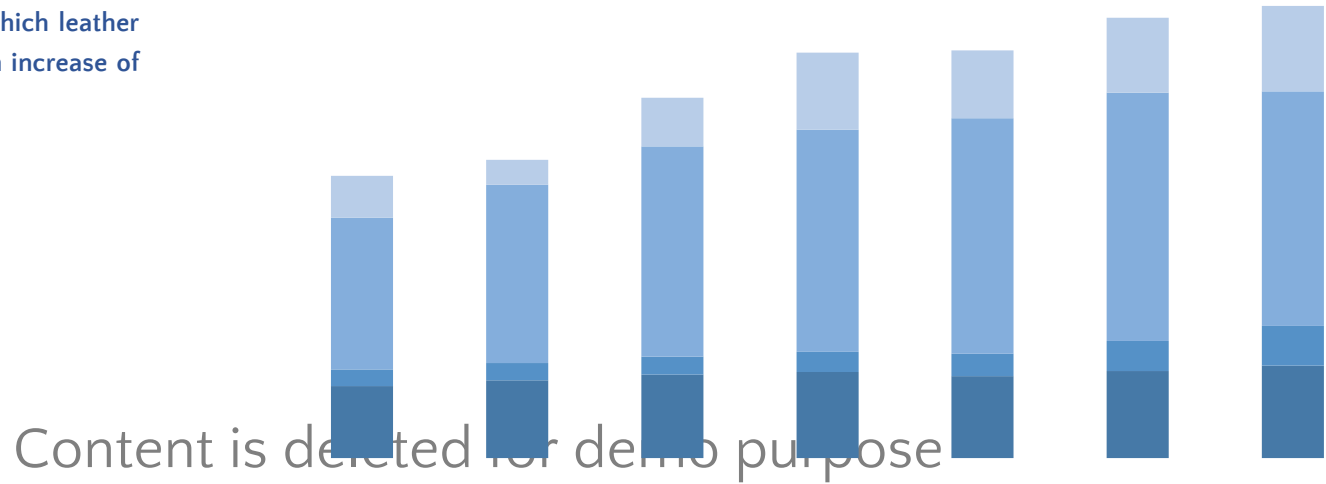
### 3. Vietnam market

#### 3.3 Footwear industry – 3.3.1 Production

Continuing the growth momentum from the previous year with positive impacts from CPTPP, footwear production in 2019 is estimated at x,xxx million pairs, of which leather shoes and sandals reach xxx million pairs, an increase of x% over the same period of 2018.

Main products output, 2013 – 2019e

Million pairs



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Source: VIRAC, GSO

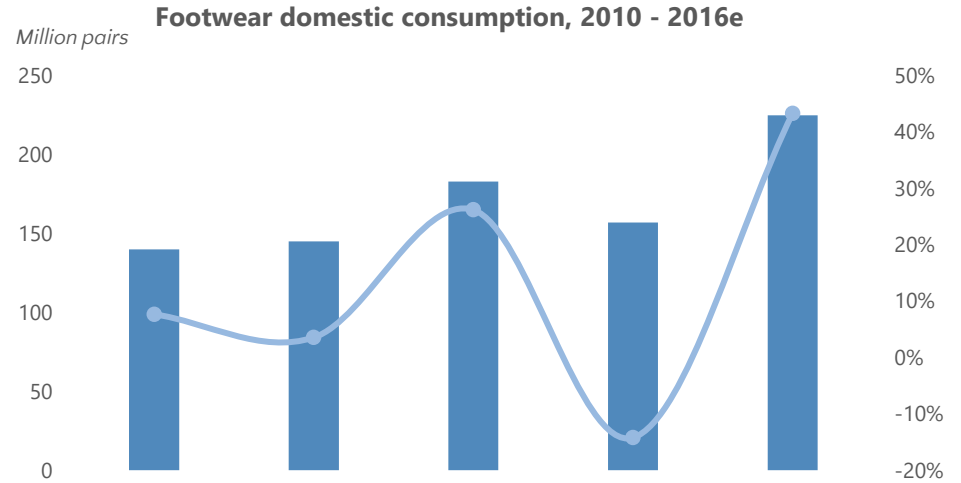
#### GROWTH ADVANTAGES

- Many domestic enterprises have expanded their production scale, innovated technology, enhanced sample design and created more products suitable for domestic consumption.

### 3. Vietnam market

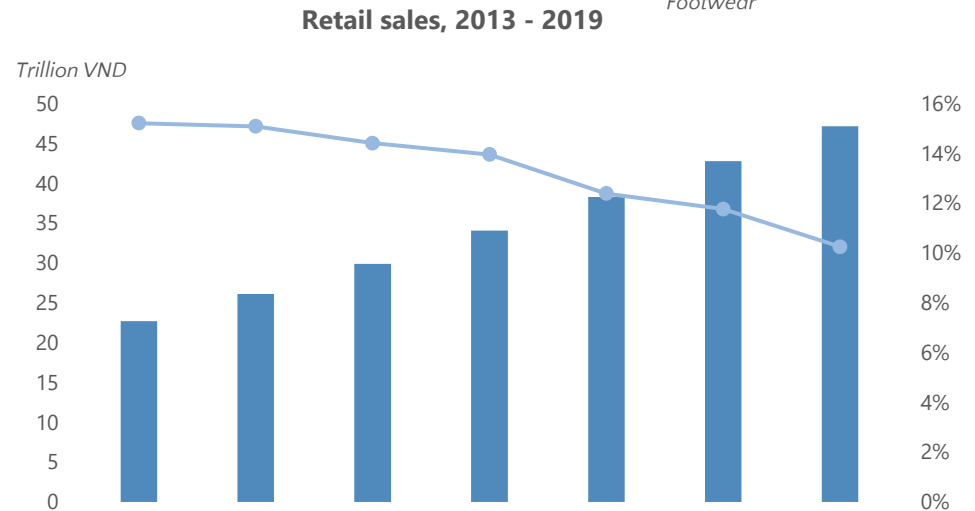
#### 3.3 Footwear industry – 3.3.2 Consumption

Vietnam is in the world's top 4 countries producing footwear in terms of quantity, with revenue in 2018 (domestic and export) estimated at xx trillion VND.



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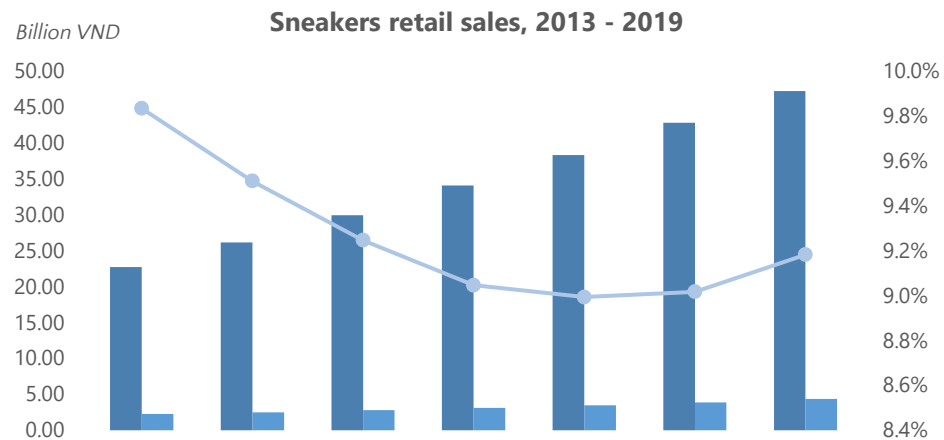
Source: VIRAC, World Footwear



Retail sales in 2019 are estimated at xx trillion VND. Expected footwear revenue will increase with a CAGR (2018 - 2023) of xx%, equivalent to xx billion VND.

Source: VIRAC, Euromonitor

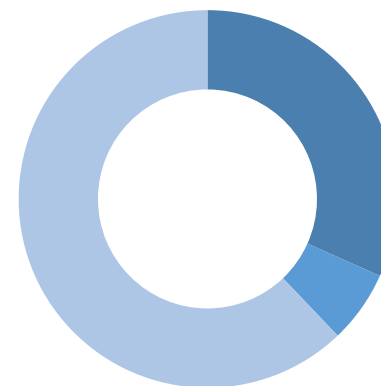
Sales of sneakers continued to increase sharply in the period of 2013 – 2019e with a CAGR of xx%, in 2019 sneakers sales rose to x billion VND, contributing x% of total retail sales of footwear.



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Source: VIRAC,  
Euromonitor

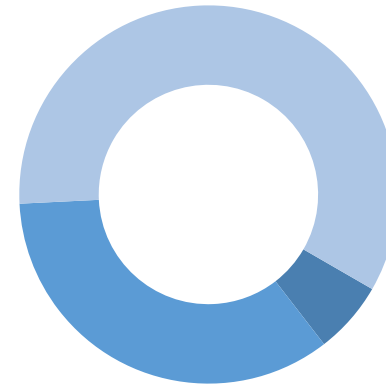
### Sales of main type of sneakers, 2019



Source: VIRAC,  
Euromonitor

Consumption of women's footwear accounts for the largest share in the market in both value (xx trillion VND) and growth rate (xx%) in 2019.

Consumption by value, 2019

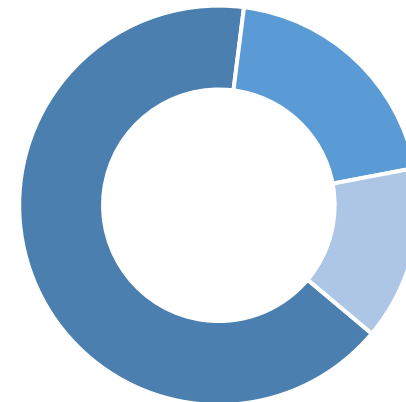


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Source: VIRAC

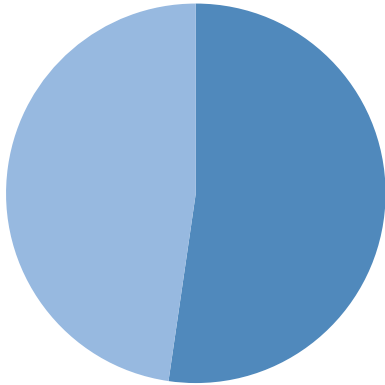
In addition, the strong growth of internet retail also plays a huge role in promoting women's footwear sales.

Consumers by spending on shoes per month, 2013



Source: VIRAC, Lefaso

Footwear consumption, 2019e



Source: VIRAC, VITIC

However, domestic production only satisfies xx% of demand.

Comparing competitive products of Vietnam and China

	Vietnam	China
Raw materials		

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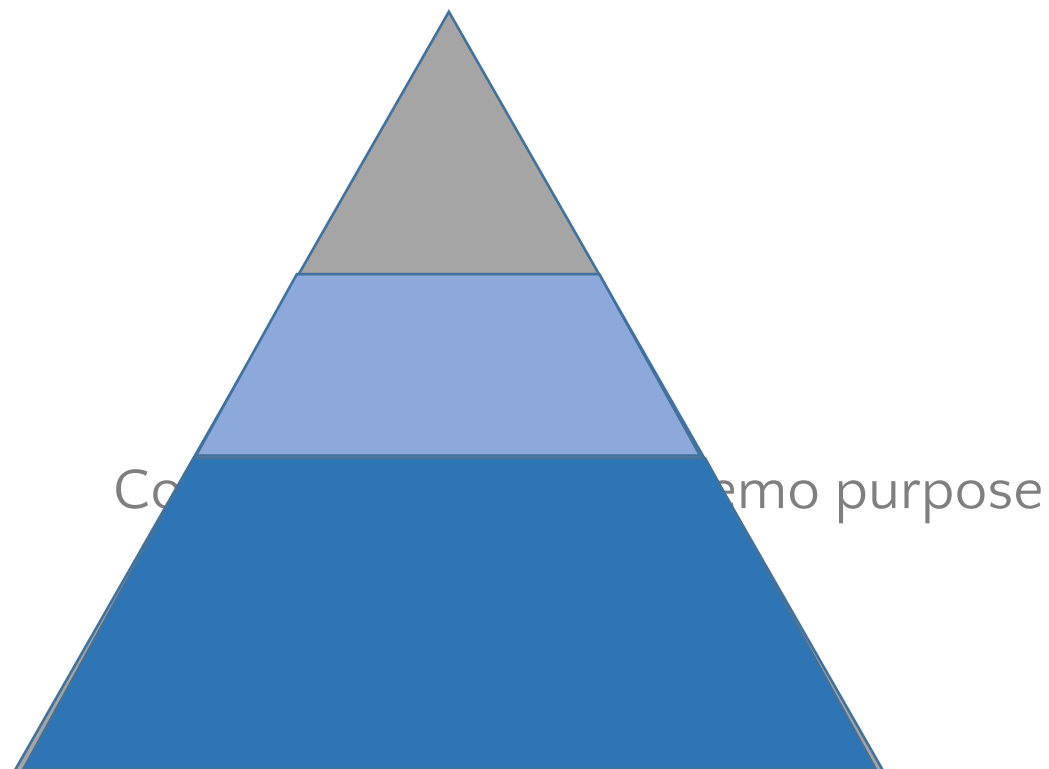
Design

Market access	
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Model

Price	
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Segmentation of the market for footwear consumption in Vietnam



Vietnam's footwear market is segmented into 3 main markets,

Source:  
VIRAC

In addition, domestic footwear products are also subject to fierce competition from similar imported products



### 3. Vietnam market

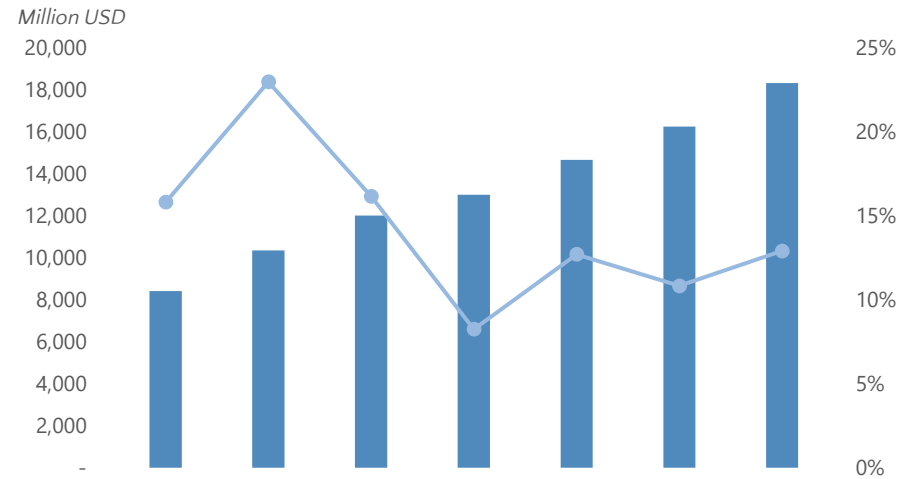
#### 3.3 Footwear industry – 3.3.3 Export

At present, Vietnam's leather and footwear industry holds the second position in terms of export in the world.

In 2019, Vietnam's footwear export value reached xx billion USD, an increase of xx% compared to 2018.

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Footwear exports, 2013 - 2019e

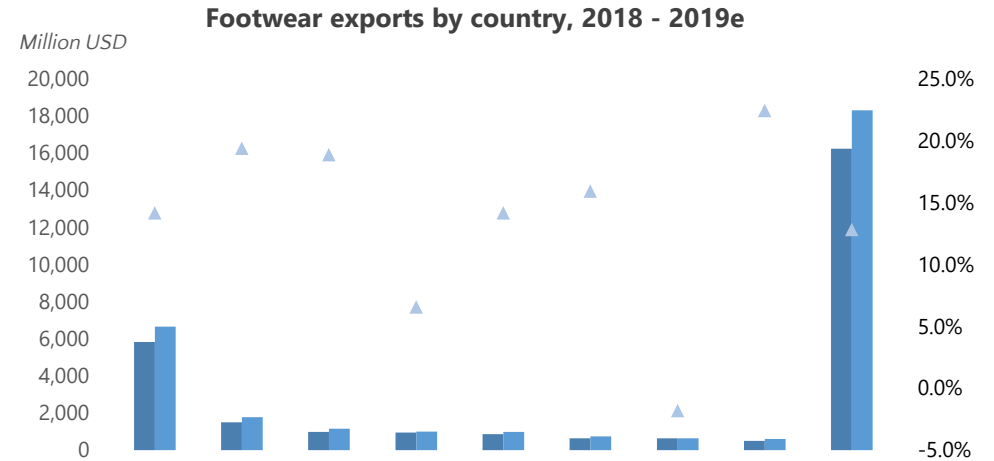


Source: VIRAC, GDVC

In 2020, footwear exports continue to grow well thanks to:



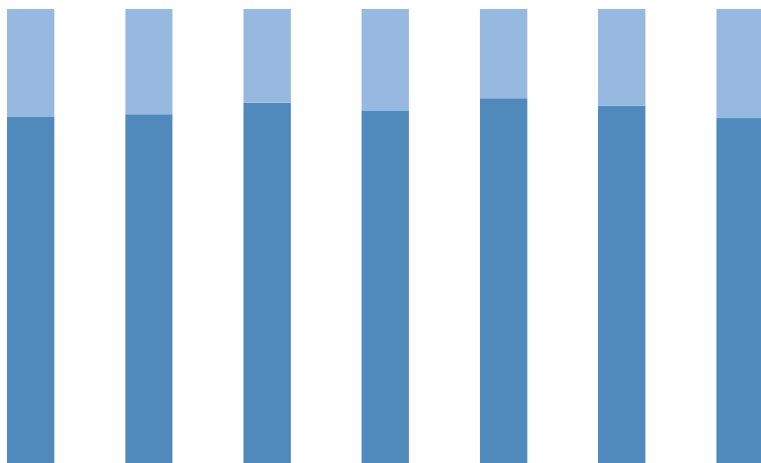
Vietnam has exported footwear to about xxx countries in the world, half of which have export value of over x million USD.



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Source: VIRAC,  
GDVC

Contribution in footwear export value by type of enterprise, 2013 – 2019e



Source: VIRAC, GDVC

Star footwear exporting enterprises, 2018 – 2019

No.	Enterprise

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Source: VIRAC, GDVC

Vietnam’s leather – footwear industry has x,xxx enterprises, in which FDI enterprises account for more than xx% of the number of enterprises in the industry but decide more than xx% of export value.

### 3. Vietnam market

#### 3.3 Footwear industry – 3.3.3 Export

The main export markets of Vietnam are the US, EU, Japan and South Korea (accounting for over xx%).

#### Top import markets of EU-28, 2012 – 2018e

Unit: million EUR

	2012	2013	2014	2015	2016	2017	2018*

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Source: VIRAC, Eurostat

#### Top import markets of the U.S, 2012 – 2018

Unit: million USD

	2013	2014	2015	2016	2017	2018

Source: VIRAC, UN Comtrade, Trademap

Export value by HS code, 2010 – 2018e

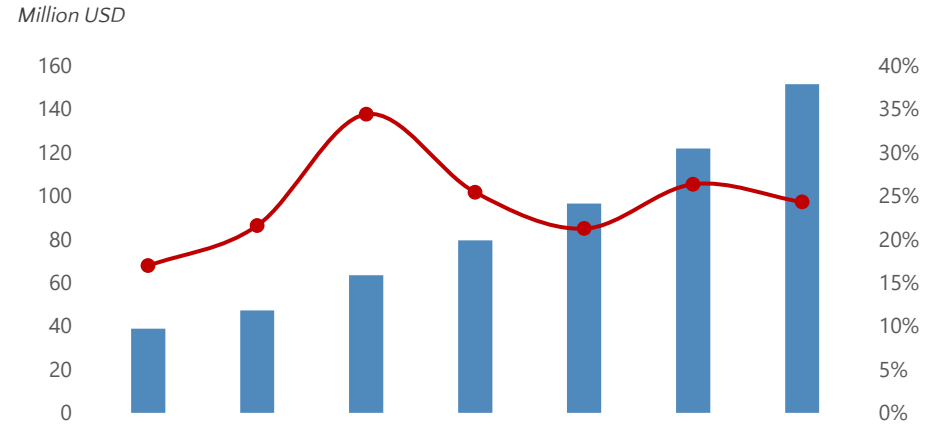
Unit: Thousand USD

HS code	Item	2010	2011	2012	2013	2014	2015	2016	2017	2018
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Source: VIRAC, Trademap

Footwear import value has continuously increased over the years with the CAGR from 2012 to 2018 reaching xx% and reached xxx million USD in 2018.

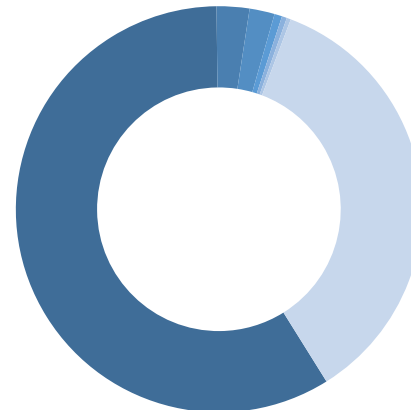
Footwear imports, 2010 – 2018e



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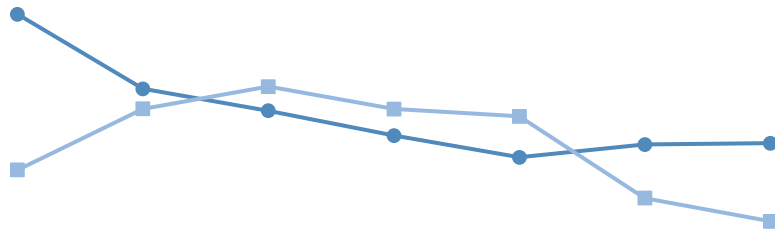
Source: VIRAC, UN Comtrade

Footwear imports by country, 2018e



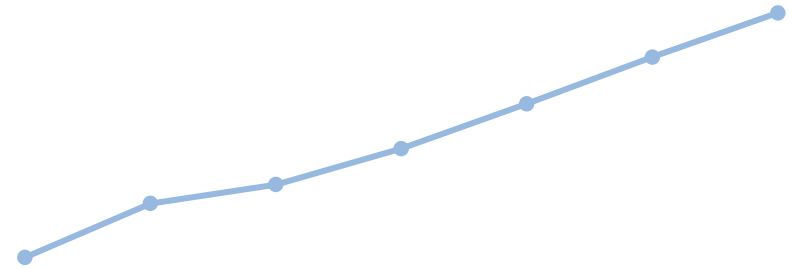
Source: VIRAC, UN Comtrade

CPI of apparel, hats, shoes, 2012 - 2019



Source: VIRAC, GSO

Footwear price index at 2010 prices, 2013 - 2019



Source: VIRAC, World Footwear

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- The export price index has been continuously decreasing from 2015 onwards,

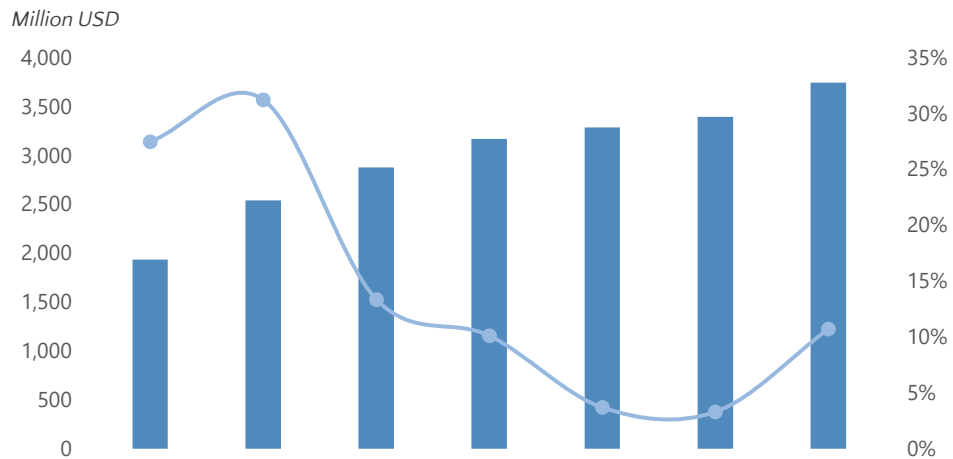
- The average annual footwear price tends to rise

Related products: bags, suitcases, briefcases ...

Export of bags, suitcases, briefcases ... grew rapidly with the compound annual growth rate (CAGR) in the period 2010 - 2018e reaching xx% per year.

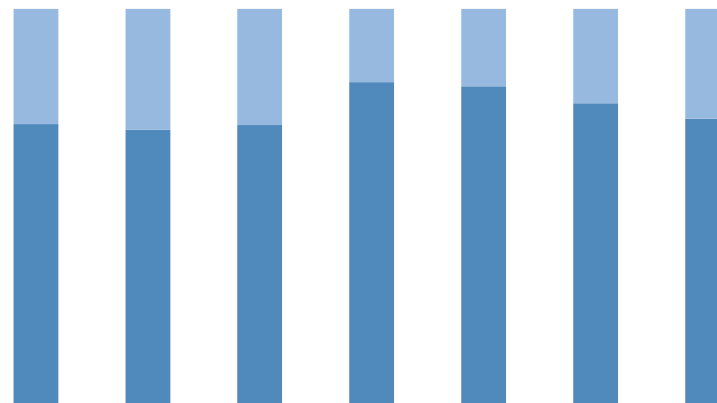
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Export of bags, suitcases, briefcases... 2013 - 2019e



Source: VIRAC, GDVC

Export of bags, suitcases, briefcases by block of enterprises, 2013 - 2019e



Source: VIRAC, GDVC

### 3. Vietnam market

#### 3.5 Planning

Decision “Overall planning for development of Vietnam's Leather and Footwear Industry in the period to 2020, with a vision to 2025” was approved and issued by the Ministry of Industry and Trade according to Decision No. 6209/QĐ-MOIT of November 25, 2010.

#### The overall goals of the industry

Criteria	2011-2015	2016-2020	2021-2025
Localization rate			
Production value growth			
Export value growth			

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Source: VIRAC

#### Development goals



Strategic product planning

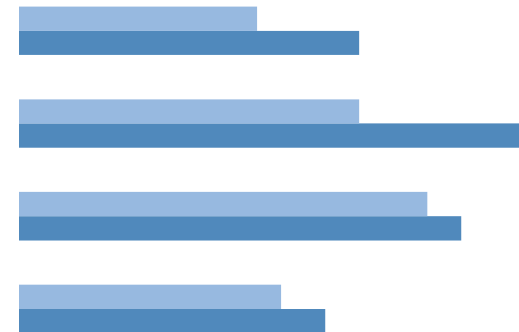
Product output

Criteria	Unit	2015	2020

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Source: VIRAC

- Overall planning for development of Vietnam's Leather and Footwear Industry in the period to 2020, with a vision to 2025 is no longer suitable, it is necessary to reorient the development planning for the industry.

Product output growth (% per year)

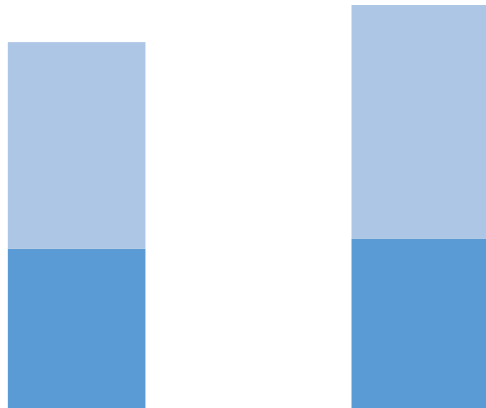


Source: VIRAC

Investment planning

Some solutions

Total investment capital in the planning period (billion VND)



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Source: VIRAC

Solutions of developing the production of materials and supporting industries

Market solutions

#### DOMESTIC MARKET

- The domestic market is small but full of potential

#### EXPORT MARKET

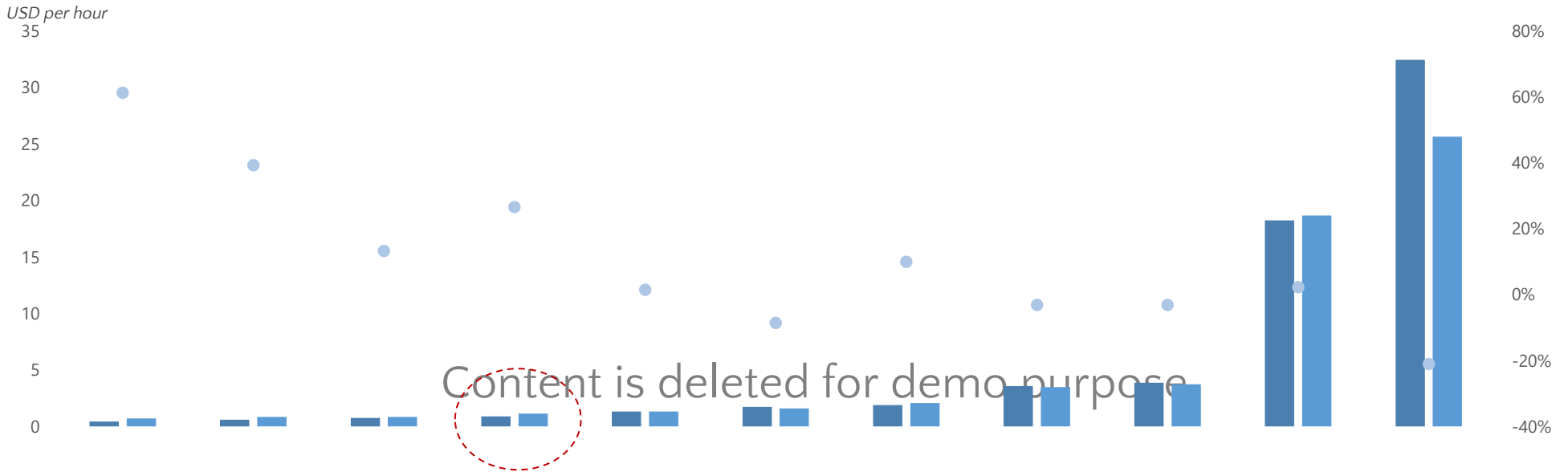
- Vietnam's Leather - Footwear industry is listed on the world map, known as the second factory after China,

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### 3. Vietnam market

#### 3.6 Motivation and forecasts – Motivation

Comparing labor costs in some major footwear producing countries



Source: VIRAC, ChinaLeather

- Despite this, in the long run until 2030, even in 2035, compared with China, Vietnam's leather and footwear industry is still competitive in terms of labor costs, economic policies and export markets.



# 4. ENTERPRISE ANALYSIS

DAT	ED	ASK	PRO	QUA
JAN	€ 41,00	€ 558,00	€ 374,00	↗
FEB	€ 15,00	€ 415,00	€ 107,00	↗
MAR	€ 1,00	€ 146,00	€ 930,00	↗
APR	€ 262,00	€ 890,00	€ 107,00	↗
MAY	€ 839,00	€ 579,00	€ 801,00	↗
JUN	€ 706,00	€ 1,00	€ 691,00	↗
JUL	€ 622,00	€ 775,00	€ 933,00	↗
AUG	€ 557,00	€ 50,00	€ 300,00	↗
SEP	€ 50,00	€ 817,00	€ 518,00	↗
OCT	€ 173,00	€ 331,00	€ 269,00	↗
NOV	€ 608,00	€ 599,00	€ 223,00	↗
DEC		€ 339,00	€ 339,00	↗

DAT	BID	ASK	PRO	QUA
JAN	€ 598,00	€ 391,00	€ 820,00	↗
FEB	€ 891,00	€ 958,00	€ 784,00	↗
MAR	€ 748,00	€ 627,00	€ 934,00	↗
APR	€ 335,00	€ 555,00	€ 386,00	↗
MAY	€ 836,00	€ 341,00	€ 802,00	↗
JUN	€ 349,00	€ 441,00	€ 941,00	↗
JUL	€ 221,00	€ 341,00	€ 802,00	↗
AUG	€ 886,00	€ 441,00	€ 941,00	↗
SEP	€ 661,00	€ 943,00	€ 802,00	↗
OCT	€ 297,00	€ 440,00	€ 557,00	↗
NOV				↗
DEC				↗

Top 10 Leather – Footwear producing enterprises by revenue, 2018

Enterprise	Information

#### 4. Enterprise analysis

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Enterprise	Information

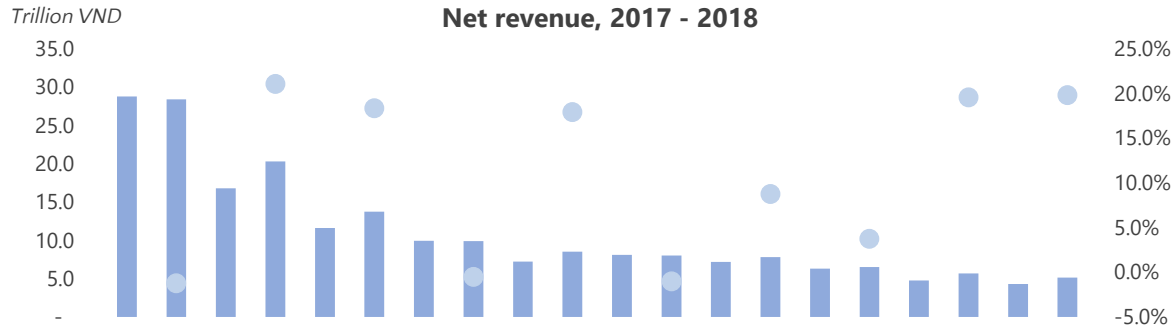
Enterprise	Information

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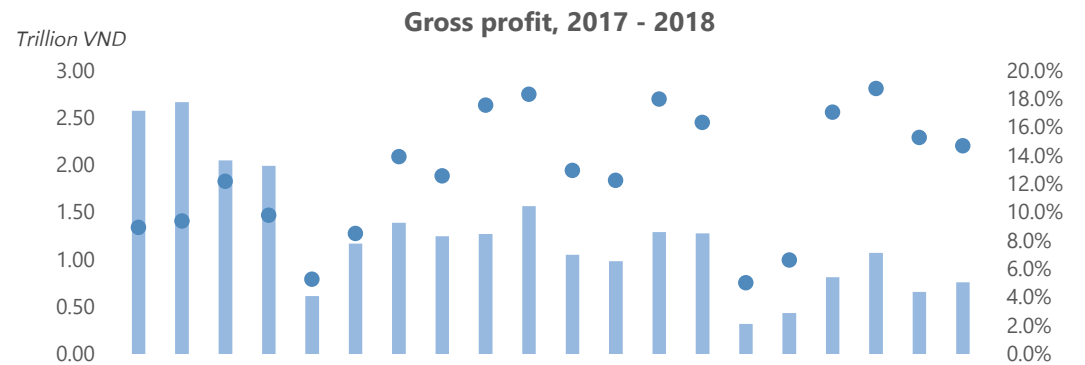
## 4. Enterprise analysis



- FDI enterprises, mainly from South Korea and Taiwan, are a huge pillar of footwear export and production.

no purpose

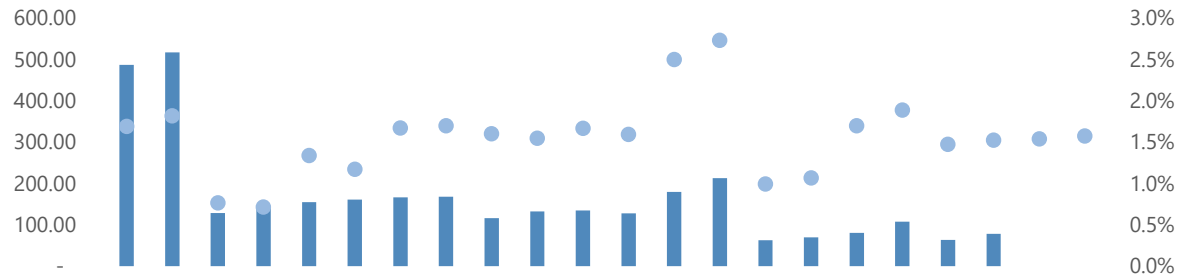
Source: VIRAC



## 4. Enterprise analysis

Billion VND

### Selling expenses, 2017 - 2018



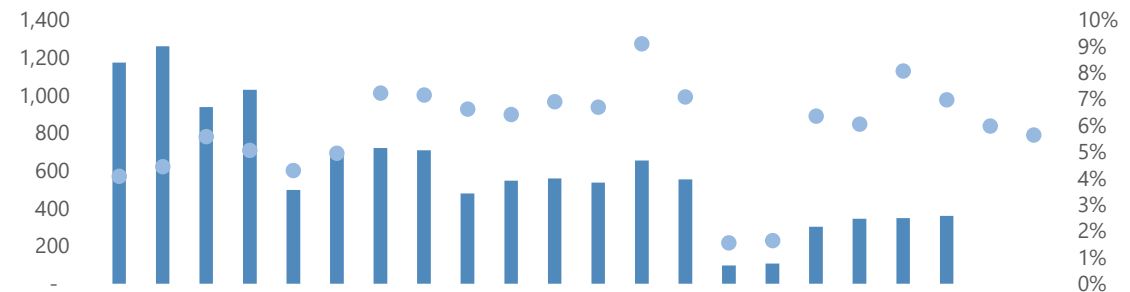
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Source: VIRAC

- General administrative expenses in enterprises are higher than selling expenses.

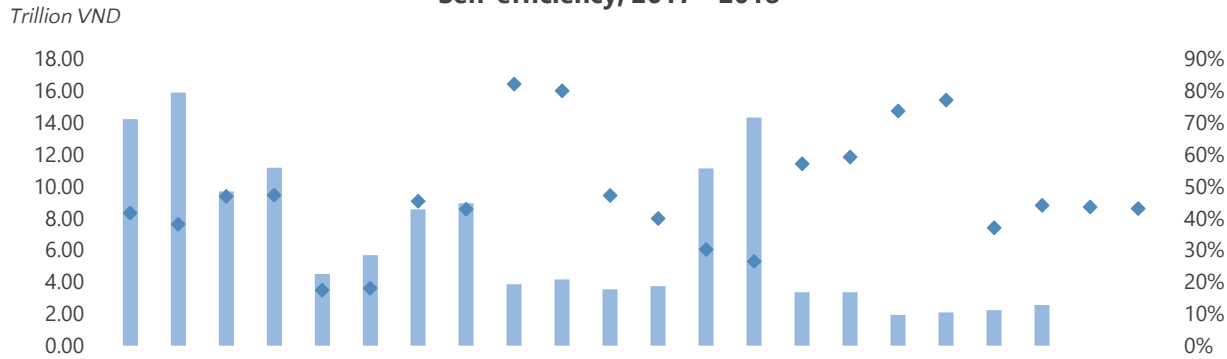
Billion VND

### G&A expenses, 2017 - 2018



## 4. Enterprise analysis

Self-efficiency, 2017 - 2018

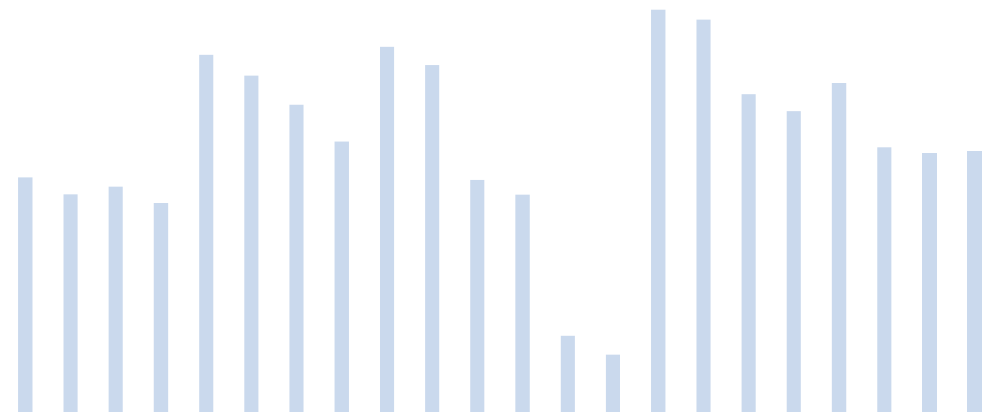


to purpose

Source: VIRAC

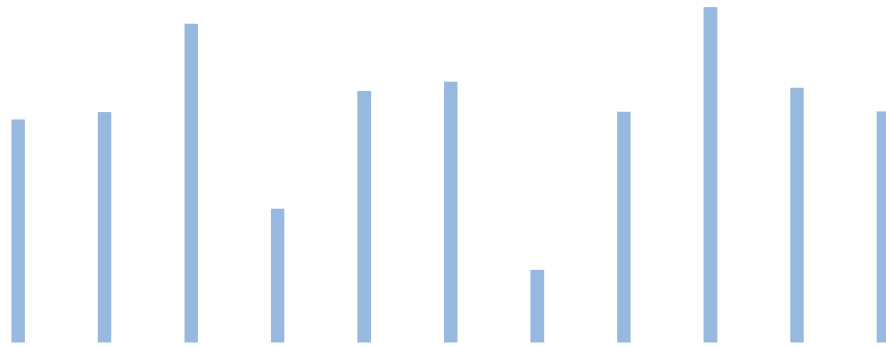
- The Leather and Footwear Industry is a labor surplus industry, so it does not require too high a number of production machines, so the ratio of fixed assets to total assets is not as high as other processing and manufacturing industries.

Fixed assets to total assets, 2017 - 2018



Source: VIRAC

Asset turnover, 2018



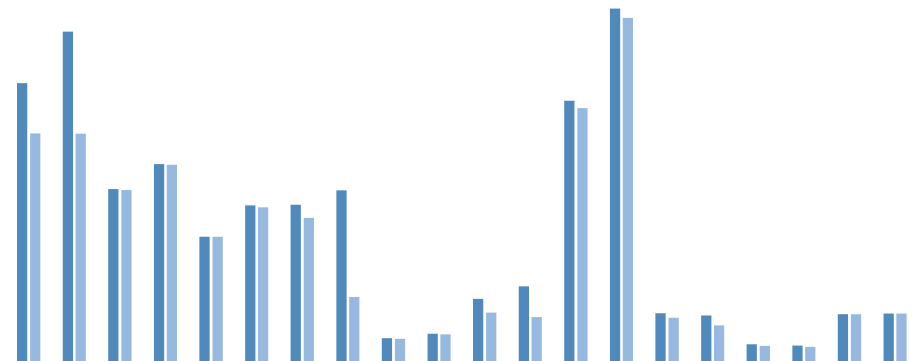
- Total assets turnover of enterprises in 2018 was maintained stably at x.

Source: VIRAC for demo purpose

- The debt structure of enterprises is generally not correlated with the asset structure.

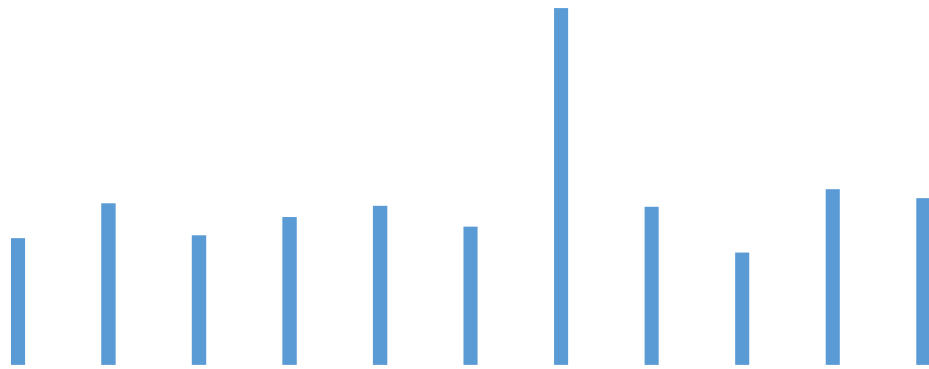
Billion VND

Liabilities, 2017 - 2018



Days in inventory, 2018

- Days in inventory of enterprises is quite high: xx days

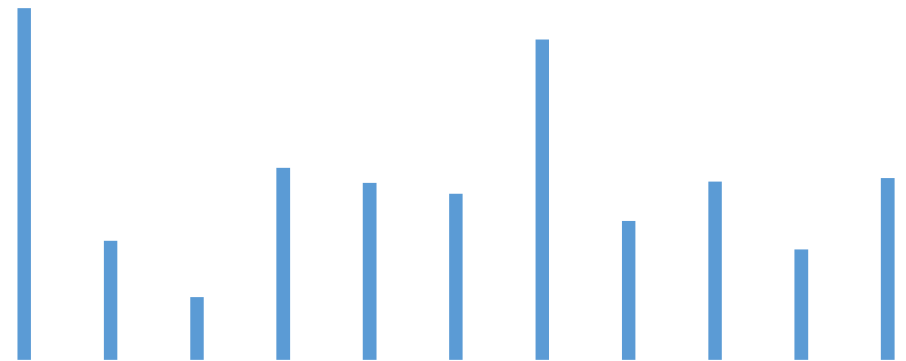


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Source: VIRAC

- The average collection period of enterprises is quite suitable with the characteristics of processing industry.

Average collection period, 2018

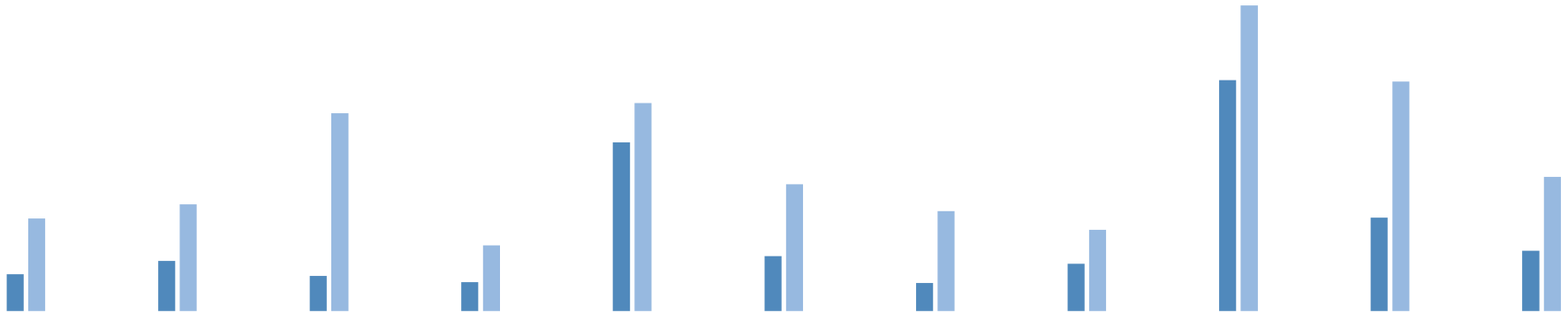


Source: VIRAC

- The profitability of enterprises is relatively low, considering the average group of leading enterprises, ROA is x% and ROE is xx%.

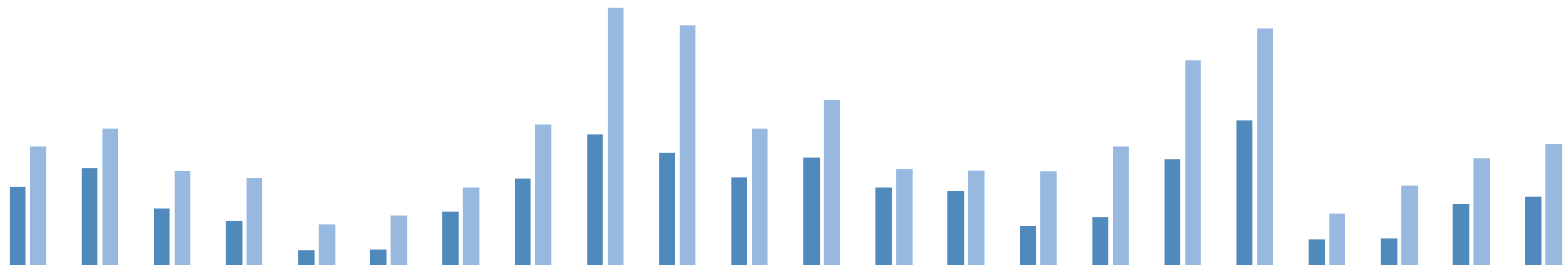
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Rate of return, 2018



Source: VIRAC

Liquidity, 2017 - 2018



Source: VIRAC

- The average liquidity ratio of the analyzed enterprises has improved significantly compared to 2017.

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Thank you !