



PRODUCTION OF LEATHER PARTS OF FOOTWEAR

Project

Proposed project – **production of parts of footwear of leather.**

Feasibility of establishing this production is determined by the following factors:

- Acute shortage of parts of footwear for sustainable domestic production in Belarus and for reduction of import parts share in shoes production.
- High growth rate of leather parts imports to Belarus (CAGR **+47%** since 2009 respectively) and lack of sufficient domestic production to meet market needs.
- Localization of production close to final consumers.**
- The main market is **the domestic market of Belarus**, there is also a possibility to export to **Russia**.
- Investment costs for the creation of the production of leather parts for footwear are estimated at **10-30 mn USD**, payback period – **5-6 years**.

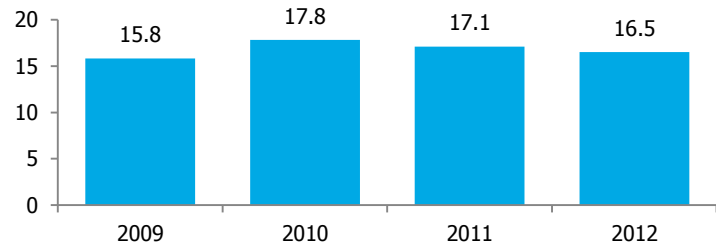
SALES MARKETS

Domestic market of Belarus:

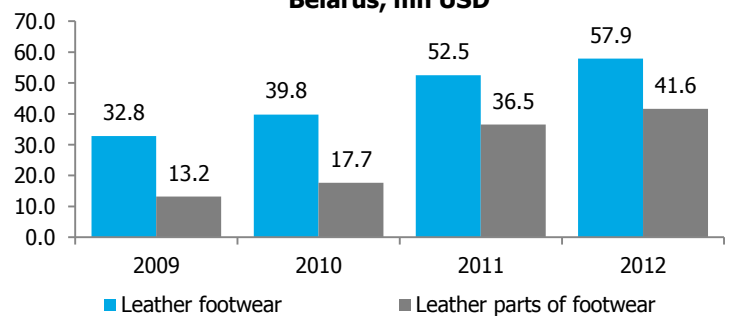
- There are more than 60 manufacturers of footwear in Belarus. Production volume in 2012 amounted to **16,5 mn pairs**.
- The major problem of the domestic production of footwear is that the **import share in cost of footwear production reaches 70%**. Almost all footwear parts are imported.
- Imports of leather parts for footwear is comparable to import supplies of leather shoes in value terms. This demonstrates a high demand of Belarusian shoe manufacturers for footwear parts. Imports of leather parts for footwear in 2009-2012 grew on average by **47%** per annum (**42 mn USD** in 2012).

Thus, to provide domestic footwear producers with the sufficient amount of parts and to reduce the share of imports in the cost of shoes the most promising market is the **domestic market of Belarus**. There is also a possibility to export footwear parts to **Russia**.

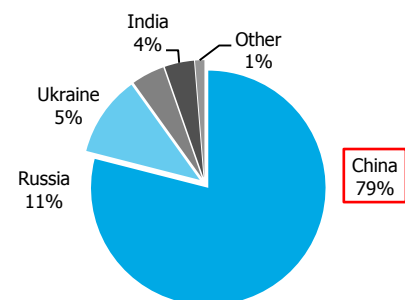
Volume of footwear production in Belarus, mn pairs



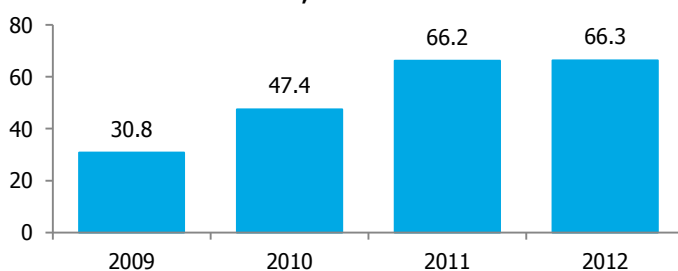
Imports of footwear and footwear parts of leather to Belarus, mn USD



Structure of imports of footwear parts of leather to Belarus split by countries



Imports of footwear and footwear parts of leather to Russia, mn USD



MARKET OPPORTUNITIES

Global opportunities:

- According to forecasts the global footwear market will continue to grow by on average **5%** annually. Global footwear market is expected to reach **253 bn USD** by 2018.

Global market growth is affected by:

- Rising world population and, consequently, growth of footwear consumption.
- Growth of disposable income which is reflected in the increase in footwear consumption per capita.
- Changing fashion trends.

Regional opportunities:

- Demand for footwear parts depends on the demand for domestic footwear. Currently Russia and Belarus have lower footwear consumption per capita compared to European countries: **1,8 and 2,2 pairs** per capita in Russia and Belarus, respectively, and **4 pairs** per capita in Europe. This demonstrates the significant potential of the footwear market and, accordingly, of the footwear parts market.
- The significant increase of leather footwear imports (CAGR **+21%** since 2009) reflects a growth of the Belarusian footwear market. Thus, with footwear market growth a potential to substitute imports exists provided that domestic production will be increasing.
- Growth of Russian footwear production together with simultaneous growth of leather footwear parts imports may also pose an opportunity for Belarusian footwear parts producers.
- Sharp increase in the production of leather goods – from 197 mn sq dm in 2010 to 521 mn sq dm in 2012 (**+164%**). This indicates the development of the tanning industry in Belarus.

INVESTMENT OPPORTUNITIES

- Investment costs are estimated at **10-30 mn USD**.
- Profitability of leather parts production amounts to on average **15-20%**.
- Payback period of the project may amount to **5-6 years**.

POTENTIAL INVESTORS

