

DAKA MONDAY AUGUST 10, 2009

Stocks
DGEN <span style="float: right;">0.64%</span>
2,974.74

  

Currencies
Buy Tk Sell Tk
USD 68.42 69.42
EUR 94.88 100.57
GBP 112.13 118.08
JPY 0.69 0.77

SOURCE: STANDARD CHARTERED BANK

Commodities
Gold <span style="float: right;">▼</span>
\$956.00 (per ounce)
Oil <span style="float: right;">▼</span>
\$70.93 (per barrel)

SOURCE: AFP

(Midday Trade)

## News in Brief

Wen: No plan to halt China's easy credit policy



AP, Beijing

China's top economic official cautioned Sunday that the country still faced economic problems and assured jittery investors that easy credit policies aimed at kick-starting a recovery would continue.

"We still face many difficulties and challenges and there is uncertainty over the prospect of the international economy," Wen Jiabao said during a recent visit to eastern Jiangsu province, according to remarks posted Sunday on the central government's website.

He said the economy continues to be challenged by plunging demand for Chinese exports and challenges in boosting domestic demand.

**Bourses hit highest levels this year**

AFP, Paris

Reassured by second quarter results and by a series of encouraging indicators, the world markets have rebounded significantly since the start of the summer, and climbed to their highest levels this year.

This week, Wall Street's Standard & Poor's 500 broad-market index surged above 1,000 on Thursday and the Paris CAC 40 on Friday rallied 1.24 percent to 3,521.14 points -- both highs not seen since last November.

In Tokyo, shares on Thursday reached a 10-month high with the benchmark Nikkei-225 index rising 135.56 points to 10,388.09, the best finish since October 6.

The previous week, it was London's and Frankfurt's turn with the FTSE 100 index of leading shares and the Dax which reached 4,600 and 5,300 points respectively.

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# Leather makers switching to value-added products

SAYEDA AKTER

Manufacturers and exporters now increasingly opt for producing value added products, including footwear and leather bags and purses, amid a demand decline in finished leather on global market because of the ongoing recession.

Industry people said major exporters are concentrating on developing their own expertise to manufacture high quality footwear that caters to the needs of the globally renowned brands. These brands outsource from Bangladesh. The exporters say this new development will help overcome the global crisis fallout to some extent.

Data from Export Promotion Bureau, the state-run agency, shows over 10 percent rise in footwear exports in the immediate past fiscal year, while the rise is more than 90 percent in the case of leather bags and purses.

The data point to the significant drop in finished leather exports in FY 2008-09.

Leather footwear exports rose to \$186.93 million from \$169.60 million a year earlier, while \$16.89 million was earned from leather bag and purse exports in FY 2008-09 against \$8.87 million earnings in FY 2007-08.

Industry insiders see the declining global demand for fashionable and costly leather items as an opportunity for the country to make footwear that is ordinary but essential.

In the last six months, around 40 percent of the 120 companies opted for making value added leather products. The number of such exporting companies was 80 just a year ago.

Tipu Sultan, chief executive officer (CEO) of Bengal Leather Complex Ltd, said the demand decline has prompted local exporters to go for manufacturing value added items.

"The slump in consumption of finished leather globally has led to the growth in exports of these value added products," he pointed out.

"We produce high quality finished and crushed leather, which is used in producing footwear, bags and purses," said Sultan, also former chairman of Bangladesh Finished Leather, Leather Goods and Footwear Exporters



Association.

"Simultaneously, we have offered competitive prices, which has increased demand for our products in the global market," he elaborated.

The cost of production of quality leather shoes is lower in Bangladesh than in China and India, and this is the main reason for getting more orders from European countries, according to industry people.

China and India were the largest leather shoe exporters in the world, but in recent years these countries are failing to make and sell quality low-cost leather shoes due to WTO anti-dumping rules.

Sultan said now Bangladesh is getting more orders from Germany, Italy, France, Japan and Canada.

Earlier, these countries used to go to India and China to meet their demand for shoes.

"Another big reason behind this growth is the technology we have adopted now is from Italy, which creates trust about the quality of our products among buyers," he added.

The country started exporting leather footwear in 1994 on a small scale to neighboring countries, including India and Nepal.

Currently, the market size of locally made leather footwear stands at around Tk 1,700 crore, of which at least 45 percent is exported. The country exports around six million pairs of leather footwear a year.

Bangladesh mainly exports men's footwear, ladies sandals and shoes and sport shoes to European countries, China, Canada, Saudi Arabia, Dubai, Iraq, Jordan, India and Nepal.

Along with the branded shoes, the country also exports non-branded shoes.

Apart from footwear, the country has witnessed a huge growth in export of leather bags and purses. At present, the annual market size for leather bags and purses stands around Tk 100 crore.

Earlier, these countries used to go to India and China to meet their demand for shoes.

Reza Ashikur Rahman, managing director of Rahman Leather Bangladesh, said his company went for manufacturing value added products from November last. The company that was earlier engaged in leather processing and

exporting has now shifted to produce leather bags and purses.

"We already have started exporting to Nepal on a very small scale from March, and have received two orders from Japan and the Maldives," he said.

Meanwhile, exports of luxury leather items, such as photo frame, gift boxes, puffe, jewellery boxes, footstool and floor cover have declined a lot, which forces the entrepreneurs to find alternative ways for survival.

Tushar Kona Khandker, CEO of Colonial, an export oriented company that manufactures leather home appliances, has recently opened its showroom in Dhaka to reach out to domestic consumers.

Colonial produces a wide range of luxury items like wall mirror, photo frame, gift boxes, puffe, jewellery boxes, footstool and floor cover. These items are mainly exported to the USA, Canada and the European Union.

"Our company exports reduced to \$2 million from \$1 million last fiscal, due to the financial meltdown worldwide," Khandker said.

Rezaul Karim Ansari, the incumbent chairman of the sectoral trade body, has sought government's special incentives to safeguard the leather industry.

"Leather exporters have lost almost half of their running capital in the face of global recession. So the government should pay special attention to safeguard the industry," he suggested.

Ansari also demanded 25 percent cash incentive for finished and crushed leather exports.

Earlier, the government announced Tk 3,424 crore stimulus package in April to cushion the blow of the global financial meltdown, where value added leather products have received cash incentives to fight the recession fallout.

The stimulus raised such incentives to 17.5 percent from the existing 15 percent.

However the industry is faced with a dearth of skilled people and quality designs, according to the industry insiders.

Sultan said the government should take initiatives to develop expertise and train people in the sector that would help the survival of the age-old industry.

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## BB to extend sharecropper loans through Brac

### Atiur marks 100 days as governor

#### STAR BUSINESS REPORT

Bangladesh Bank (BB) will provide low-interest loans to three lakh sharecroppers in 160 upazilas through nongovernmental organisation Brac.

Bangladesh Bank Governor Dr Atiur Rahman said: "We are to introduce the programme next season and the central bank board has approved Tk 500 crore in principle for this purpose."

The governor said Brac would form small groups of sharecroppers, train them and distribute the loans. The loans will be disbursed at a 10 percent interest rate.

Regions that are lagging behind in terms of development would be prioritised in receiving the loans.

Rahman fulfilled 100 days in office as the central bank chief. On the occasion, he took questions from reporters on the issues ranging from his accomplishments to future plans.

On loan defaults, Atiur said coordinated efforts are required to retrieve bad loans: Sick industries and wilful defaulters will have to be identified.

The governor added that the government should form a committee, which would decide upon the action to be taken against loan defaulters. Rahman also said the definition of loan defaults should be changed.

The government is yet to pass an ordinance of the past caretaker government in parliament to redefine loan loans and reform the banking sector. "We have written a letter to the government about it. We hope the government would take steps soon."

He mentioned that the finance minister had earlier said the wholesale loan defaults would be rescheduled. He said he would soon meet the finance minister to discuss these issues.

The central bank governor said he sat in talks with the prime minister and the finance minister on a separate pay-scale for the central bank. He is optimistic that the plan would get through.

The central bank is set to provide loans for large investors and exporters from its foreign currency reserve, under a special arrangement, in an effort to fuel investment.

Rahman said the central bank is going to take steps to utilise the excess liquidity and foreign currency reserve to increase investment.

The government should immediately take steps to implement a 500-megawatt power project with its own resources, instead of looking for donor assistance, the governor told reporters.

According to statistics, the foreign currency reserve touched an all-time high of \$8.05 billion yesterday. On the other hand, excess liquidity with commercial banks on June 30 was Tk 34,762 crore, also a new high in the history of banks in the country.

The presence of vast excess liquidity points to a gloomy investment climate.

A central bank report said import expenditure decreased substantially, in comparison to export earnings and remittance and the excess liquidity was because of a presence of more foreign currency in the market.

The BB governor said: "We are taking several steps to expedite investment. We will extend loans through the banks under special arrangements to the big investors who otherwise take term-loans from outside."

He said investors could take loans from the banks that have offshore branches and the rate of interest would also be low.

## SEC restricts floatation of mutual funds below Tk 50cr

#### STAR BUSINESS REPORT

The stock market regulator will not allow floatation of any mutual fund below Tk 50 crore.

Fund managers hailed the initiative to fix the minimum size of a fund in order to make it cost effective.

Issue, management and financial costs are higher for a small size mutual fund in proportion with larger ones, said the Securities and Exchange Commission, which fixed the minimum size at a meeting yesterday.

"Besides, it will ensure qualitative supply of investment securities in the market," Ziaul Haque Khondker, chairman of SEC, told The Daily Star after the meeting.

Prior to the new rules, there was no ceiling in mutual fund sizes.

"It's a welcome move. It will be cost effective for mutual fund floatation and management," said Yawer Sayeed, managing director of AIMS of Bangladesh, an asset management company.

In yesterday's meeting, the SEC decided that from now on no company can hold board meeting during the trading session if the meeting is expected to take any price sensitive decision such as dividend and financial statement.

The company can hold the meeting after trading hours or on holidays.

## Market watch starts today

### Minister stresses fast delivery of imports from port

#### STAFF CORRESPONDENT, Chittagong

District administrations will start monitoring both wholesale and retail markets across the country today to ensure display of government-declared price charts.

"Deputy commissioners have already been instructed on the latest move," said Commerce Minister Faruk Khan yesterday during his visit to the port city.

The minister asked the officials of Chittagong Port and Chittagong Customs House to fast-track the delivery of imported commodities from the port so that the market does not become volatile during Ramadan.

Khan held separate meetings at Chittagong Port, Chittagong Customs House and the regional office of Trading Corporation of Bangladesh (TCB).

"The country has an adequate stock of essential food items as imports were sufficient in the last few months. And the goods imported by TCB will also arrive in a few days," he said.

There is a stock of 80,000 tonnes of



A salesman waits for customers at a kitchen market in Dhaka yesterday. The government has moved to monitor all wholesale and retail markets ahead of Ramadan.



The photo shows a motor parade, organised by the CNG Filling Station and Conversion Workshop Owners Association ahead of an indefinite strike at CNG filling stations from August 17. The demonstration took off in the city's Tejgaon area yesterday.