Exports of leather, leather goods and footwear surged in fiscal 2021-22 as importing countries reduced their dependence on China. PHOTO: STAR/FILE

Export of leather goods hits decade high

SUKANTA HALDER

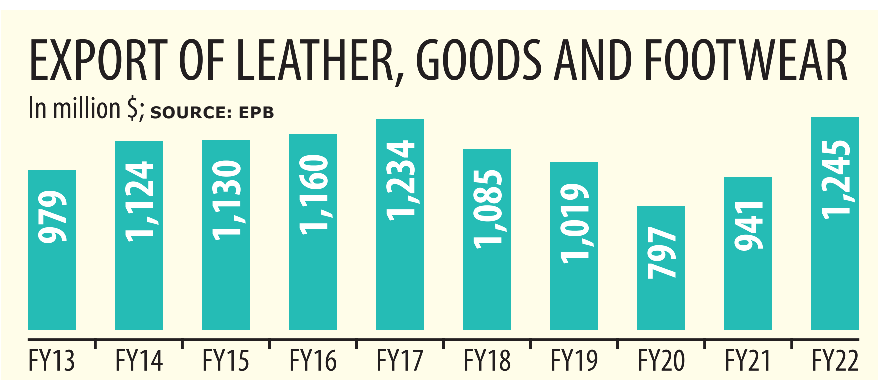
Leather, leather goods and footwear exports from Bangladesh reached a 10-year-high in the just concluded fiscal year thanks to the arrival of orders that shifted away from competitors, according to industry players.

Exports were at a record high of $1,245 million in fiscal 2021-22 as importing countries reduced their dependency on China and other producing nations amid the Covid-19 pandemic.

Besides, there are new products and innovations in local industry, they said.

Exports were at their lowest point in the last decade during fiscal 2012-13, when $979 million worth of leather products were shipped abroad. The last time exports came close to the current record was in fiscal 2016-17, when international buyers purchased $1,234 million worth of leather products from the country, as per data from the Export Promotion Bureau.

Ziaur Rahman, managing director of Bay Footwear, said several orders from Indonesia, Vietnam and Cambodia had shifted to Bangladesh due to the coronavirus crisis, specifically during the second wave in 2021.



"That's why Bangladesh has seen such an unusual hike in exports but this will decrease to some extent in the coming days," he added.

Rahman then said growth in the next few quarters could be slow as their main buyers are from the US, where inflation has increased considerably.

"There is also over stocking as many products have remained unsold since the start of the pandemic."

Md Saiful Islam, president of Metropolitan Chamber of Commerce and Industry, said the last two fiscal years were an unusual time for Covid-19.

"But we did not face any factory disruptions during pandemic and this gave a positive message to customers."

Buyers are reducing their dependence on China considering the current state of the global economy, which is recovering from Covid-19 at a time when the Russia-Ukraine war has disrupted the global supply chain.

"And we got some of the positive benefits," added Islam, also managing director of Picard Bangladesh.

Islam, also a former president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh, went on to say that new innovations have been introduced in the domestic industry.

"We have developed new products and I think that's why we have had good growth." Islam said every single factory in the industry has increased their production capacity and efficiency.

Shaheen Ahamed, chairman of the Bangladesh Tanners Association, said international buyers have increased their selling prices by 20-25 per cent at retail and so, this had a positive impact on export receipts.

There are about 60 local leather goods companies in Bangladesh, including Apex Footwear, Jennys Shoes and Bay Footwear, that export various items mainly to Japan, the EU and to some extent, the US.

Leather goods are one of the top three highest export earning sectors of the country.

Meanwhile, the government is drawing up a ten-year perspective plan that includes a target to increase the leather sector's export earnings to $10-$12 billion by 2030.

The global leather goods market size is anticipated to reach $624.08 billion by 2028, registering a CAGR of about 5.9 per cent over the forecast period, according to a report by Grand View Research.

EMBEZZLED BY BROKERS

DSE returning funds of investors

STAR BUSINESS REPORT

Dhaka Stock Exchange (DSE) has started returning money which stock investors were cheated out of by three brokerage firms -- Tamha Securities, Crest Securities and Banco Securities.

The premier bourse of the country, in a circular, said the recipients were those who submitted allegations prior to May 15 and the amounts were proportional to the investments.

Following a directive of the Bangladesh Securities and Exchange Commission (BSEC), the money was being returned through the respective beneficiary owners accounts.

Investors having any complaint can communicate with the DSE. The DSE has already returned over Tk 4 crore to around 430 investors, according to a top DSE official.

The three brokerage houses were shut two years ago for allegedly embezzling around Tk 200 crore of general investors.

Stocks slip to red

STAR BUSINESS REPORT

Stocks returned to the red yesterday on rising the day beforeamidst a lot of pressure from sales coupled with a lower participation of stock investors.

The DSEX, the benchmark index of Dhaka Stock Exchange (DSE), edged down 6 points, or 0.09 points, to 6,366.

At the DSE, 118 stocks advanced, 210 dropped and 54 remained the same. Turnover of the premier bourse went down to Tk 746 crore from the previous day's Tk 960 crore.

In the morning session, investors were active in purchasing some stocks at lucrative prices, said International Leasing Securities in its daily market review.

But that did not sustain over the course of the day due to pressure from sales made by some investors that lowered the broad index, it said.

The investors adopted a cautious stance ahead of the Eid festival as commodity prices are soaring, it said.

Both DS30, the blue-chip index, and DSES, the Shariah-based index, lost 2.06 points and 0.06 points respectively.

Rouble keeps falling

REUTERS, *Moscow*

The Russian rouble extended the previous session's sharp slide on Wednesday, slumping to its lowest since late May against the dollar and euro and heading back towards levels the government prefers as intervention speculation swirled.

The rouble hit more than seven-year highs a week ago, but has shed over 20 per cent since then against the greenback as several officials voiced concerns about its strength, which dents Russia's income from exporting commodities and other goods priced in dollars and euros.

By 0726 GMT, the rouble was 4.5 per cent weaker against the dollar at 63.90 after touching 64.9525, its weakest point since May 30.

Private ICDs face

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The fare is usually around Tk 15,000 to Tk 20,000, he said.

"The truckers are also charging demurrage of Tk 5,000 or more for each day of additional stay while many truck drivers and helpers who are waiting for days are expressing unwillingness to stay further as Eid was nearing," he said.

Drivers and helpers of many of these vehicles are the worst sufferers as they are facing acute troubles in availing meals and baths as they cannot leave the vehicles out on the streets.

Mohammad Yusuf, one of the truck drivers who brought cargo of Shinest Apparel, said he had arrived on Saturday and was yet to enter Ispahani Summit Alliance Terminal at Dhaka Trunk Road till yesterday afternoon.

"I had to spend Tk 50 each time to go to the washroom or to have meals by rickshaw leaving the helper with the vehicle for the past 5 days now," he said.

It is becoming intolerable as the two have to spend the hot nights inside the vehicle, he said.

Leaders of Bangladesh Inland Container Depots Association (BICDA) said the situation worsened as most of the ICDs have been facing a huge pressure of export cargo for the last couple of weeks.

As the ICDs are already overloaded with export laden containers inside, they are forced to delay accepting fresh cargo, they said.

As of yesterday afternoon, a total of 13,500 TEUs (twenty-foot equivalent units) of export laden containers were stocked inside the 19 ICDs.

These ICDs usually handle 5,000 to 6,000 TEUs a day.

BICDA Secretary Md Ruhul Amin Sikder held three reasons behind the accumulation.

He said ahead of Eid every year, exporters, mainly garment factory owners, remain in a rush to send over export cargoes in advance as the factories go into a week-long vacation.

That is why the pressure rises, he said.

But this year, due to the closure of a big ICD, BM Container Depot, for the June 4 devastating fire, an unusual pressure is being faced by the remaining ICDs, he said.

Moreover, the ICDs have been experiencing a growth in export cargo by around 19 per cent in the last six months till June, said Sikder.

Leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), however, blamed the ICDs for a lack of infrastructure and efficiency as well as a shortage of workers which was delaying the handling of export cargoes.

BGMEA First Vice President Syed Nazrul Islam, in a letter to the Chattogram port authority chairman yesterday, urged passing a directive on the ICDs for quick handling of the export cargoes to ensure that shipments were made on time.

He told The Daily Star that exporters were incurring losses as truckers were charging excessively high fares while there was possibility of cancellation of export orders for shipment delays.

Liquidity stress

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It hiked its policy rate twice within a month to address the price instability.

The policy rate, which is followed by banks to fix their interest rates on both loans and deposits, was raised by 50 basis points to 5.50 per cent on June 30.

Another banker says that there is little possibility for the call money rate to go down any time soon owing to the spike in the policy rate.

Clients are also withdrawing a significant amount of funds from banks on the occasion of Eid-ul-Azha to meet the expenses for buying sacrificial animals and other expenditures.

"This has also tightened the liquidity condition," said Syed Mahbubur Rahman, managing director of Mutual Trust Bank.

Banks usually face liquidity pressure during Eid festivals in Bangladesh.

"The call money rate might stabilise after Eid," said Emranul Huq, managing director of Dhaka Bank.

Gas shortage, power cuts hit factories

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managing director of the company located in Gazipur.

Like others, Haque begins the operation of his mills after 10:00pm when gas pressure increases a bit.

Md Masud Rana, managing director of Asia Composite Mills in the same industrial belt, says production has fallen by 50 per cent because of the shortage of gas.

Savar-based Little Star Spinning Mills Ltd normally produces 12,000 kilogrammes of high 60 to 80-carded yarn daily. Now, the production has fallen to 4,500 kg since it runs the operation at night alone.

"Many mills have zero flow of gas and thus no production," said Khorshed Alam, chairman of the company.

A weaver at Narsingdi says his factory, which at its peak can manufacture one lakh yards of fabrics daily, is running at half of its capacity.

As a result, he is failing to supply fabrics to his customers on time and is fearing a huge loss.

"We will lose our buyers if the gas supply situation does not improve soon," he added.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said the gas crisis would affect the whole garment supply chain.

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, said almost every mill is running at losses because of the disruption in gas supply. Khokon pointed out that when the gas tariff was hiked recently, it was committed that both supply and pressure would improve.

"The situation has rather worsened. Factory and mill owners are complaining that they can't operations because of the lower pressure of gas."

The power cuts are not totally unexpected.

For example, shopping centres and stores were shut at 8:00pm every day from June 21 to June 30, instead of 10:00pm, as the government looks to conserve power and energy amid the rising prices in the global market.

The restriction has been loosened owing to the Eid festival and is said to be reinstated from July 10.

"It is a very difficult situation," said Aameir Alihussain, managing director of BSRM, one of the largest steel mills in Bangladesh.

Steel manufacturers are already facing increased import costs for the deprecation of the taka against the US dollar and higher prices of ingredients of steel in the global market.

"We are already incurring losses. The energy crisis will widen our losses," said Alihussain.

"Although it has become necessary for the country, power cuts should be kept at a minimum level for industries. Otherwise, the wheels of the economy will slow down."

The situation is particularly tough for factories like BSRM that do not have captive power plants, which use gas to generate power for their own consumption to avoid sudden power failures.

"The government should ensure a level-playing field between factories that have captive power plants and factories that do not have," Alihussain said.

Mohammed Amirul Haque, managing director of Premier Cement, says they have already been suffering from a gas crunch.

"Now, power cuts have been added to the challenges. It will accelerate the cost of production as it takes a couple of hours for a heavy machine to restart," he said, adding that there will be a 20-25 per cent production loss.

Md Helal Uddin, president of the Bangladesh Shop Owners Association, said they have accepted the government's decision to ration power supply in view of the energy shortage and high subsidy bills for petroleum.

"We are complying with the decision but we are suffering. We would urge the government to ration power supply to all types of consumers in a staggered manner."

The crisis is not limited to gas shortage alone.

For example, spinners and millers have bought cotton at higher prices from international markets.

"If they can't run their mills, almost all of them will incur losses. The interest on bank loans will accumulate if they can't pay instalments on time," said Asia Composite's Rana.

"Many buyers will pull out of Bangladesh if they don't receive shipments within the stipulated time. If factories remain shut, workers will lose jobs and millers will go bankrupt."

The entrepreneur urges the government to keep supplying gas to the industrial units even at higher prices.

"If the industrial units remain operational, the shipment will take place on time and Bangladesh will earn much-needed foreign currencies. Everybody should calculate the impacts of lower production or closure of industries."

Rolls-Royce seized for alleged duty evasion

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Z&Z is owned by a Bangladesh-Hong Kong joint venture company situated inside Chattogram Export Processing Zone.

To get the duty benefits, an importer needs to get permission from Bangladesh Export Processing Zones Authority and the National Board of Revenue (NBR).

As an exporter, Z&Z Intimates had the opportunity to get a duty benefit of Tk 24 crore under the 170 Customs Procedure Code.

Bashir Ahmed, additional director general of CIID, said the duty of the imported car was not assessed although it was imported nearly 70 days ago.

The CIID later barred clearance of the vehicle from the port by locking the Bill of Entry, a legal document needed for importing goods from abroad, he said.

The CIID is now investigating the reasons behind the delay in duty assessment of the vehicle.

AKM Sultan Mahmud, deputy commissioner of the Chattogram office of the CIID, confirmed seizing the vehicle from Dhaka's Baridhara.

No product has the opportunity to leave the port or customs house without completing duty assessment, he said.

Chattogram Customs Commissioner Fakrul Alam told The Daily Star, said normally duty assessment of an item is done when it is sent to the EPZ from the port.

"Now we are investigating how the Rolls-Royce reached the house of the managing director of the exporter company without completing the assessment."

He said they have already sent a letter to the NBR. Further action will be taken after knowing NBR's opinion, Alam said.

The officials of MI Trade Associates, the clearing and forwarding agent responsible for the release of the luxury car, declined to comment.

Sharif Zahir, managing director of Z&Z Intimates, said the company had the privilege to import the car duty-free because of operating a factory in EPZ area.