



Workers busy at a factory of Shoeniverse Footwear in Bhaluka. Exports of footwear made of faux leather have been increasing at an average annual rate of about 20 per cent over the last six years thanks to increased demand from global brands, say industry insiders.

PHOTO: COLLECTED

Non-leather footwear exports can reach \$1b by 2025

As per a market assessment of Bida

JAGARAN CHAKMA

Exports and domestic sales of Bangladesh's synthetic and athletic footwear sector have been witnessing some of the highest growths among those of other sectors, according to a market assessment of Bangladesh Investment Development Authority (Bida).

Exports have been increasing at an average annual rate of about 20 per cent over the last six years thanks to increased demand from global brands, said insiders of the industry and Export Promotion Bureau.

During the July-November period of the current financial year, non-leather footwear shipments bagged \$209.50 million in export earnings, up by roughly 19.44 per cent year-on-year.

The industry's annual export earnings reached \$449.15 million last year, a year-on-year gain of a whopping 30.39 per cent, shows data from the Export Promotion Bureau.

Footwear sales amount to \$550 million, accounting for the largest share in non-leather goods, and have created employment for 165,000 people, according to Bida.

The growth in shipments is due to

increasing work orders from renowned international buyers and brands such as H&M, Puma, Decathlon, FILA and Kappa, it said.

The products being sourced include sandals, flip-flops, boots, jute-based espadrilles, canvas or rubber shoes, sneakers and molded polyurethane and PVC shoes.

The main export destinations are Spain, France, the Netherlands, South Korea, India, Italy and Germany.

Due to increasing global preference for environment and animal-friendly products, consumers across the world are switching to products like jute, plastics, textile and polyurethane leather.

Bangladesh has a robust ecosystem for manufacturing synthetic textiles and enjoys the availability of skilled and economical human capital, said the government's investment promotion entity.

Besides, the government designated it as a highest priority sector in its export policy, it said.

Regarding investment potentials of the sector, Bida said there was duty-free access to 52 countries, including the European Union under a generalized system of preference (GSP) framework for

suppliers of non-leather goods.

Investors from Taiwan and China have already showed interest to invest in the non-leather footwear sector through joint ventures with local investors, said Lokman Hossain Miah, executive chairman of Bida.

"We have discussed with local investors about potentials of the sector. There is the potential to increase exports to \$1 billion by 2025 and \$2 billion by 2030," he said.

Bida said it was ready to cooperate with investors from home and abroad to promote the sector and increase foreign direct investment to develop the backward linkage industry.

The buyers realised the capacity and quality of the products which prompted them to place orders, said Riad Mahmud, managing director of Shoeniverse Footwear.

Besides, the buyers are shifting their focus from China to reduce dependency on a single, which is helping to the sector grow rapidly, he said.

"We are also able to offer competitive prices of synthetic shoes...which helped to attract globally renowned brands and new buyers," he noted.

Shoeniverse Footwear has taken up an initiative to build up a "shoe city" focusing

supply of all accessories to reduce lead times, he said.

"I discussed with buyers to invest in this sector which would help the sector grow significantly," he said.

"If the plan materialises, shipments will also thrive rapidly as we will get raw materials, necessary accessories and designers under one umbrella," he said.

According to him, manufacturers now have to spend at least three and a half months to negotiate and ensure an export order.

The exporters get a cash incentive of only 4 per cent while the leather footwear sector receives 15 per cent, he said.

He also said synthetic footwear was now a major industry in spite of the presence of very few large-scale companies as a very small amount of investment was needed to set up an export-oriented factory.

"We need more skilled designers and locally made raw materials," Mahmud said.

Maf Shoes is another company that receives a huge number of orders from European buyers, according to Executive Director Mohammad Shahadat Ullah.

This wholly export-oriented sister concern of TK Group has a capacity to produce 50,000 pairs of shoes daily.

NBR awards 9 highest VAT-paying firms

STAR BUSINESS REPORT

The National Board of Revenue (NBR) yesterday awarded nine firms for paying the highest amounts of value-added tax (VAT) in fiscal year 2020-21.

Finance Minister AHM Mustafiz Kamal handed over the crests to representatives of the firms at an event at the InterContinental Dhaka in the capital city.

The tax administrator is giving the awards to encourage businesses to properly deposit indirect tax paid by consumers to the state coffers.

In the manufacturing sector, Olympic Industries, IBN SINA Pharmaceutical Industry Ltd and SMC Enterprise Limited won the awards, while in the services sector, Nagad, bKash and IFIC Bank bagged the awards. In the trading category, electronics giant Walton and supermarket chains Agora and Unimart received the awards.

There has been a continuous growth in revenue collection in the past two years despite the Covid-19 pandemic and Russia-Ukraine war, NBR Chairman Abu Hena Md Rahmatul Muncem said at the event.

"Hopefully, this year too, the growth trend will continue," he added.

Md Jashim Uddin, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said all eligible taxpayers should be brought under the tax net.

"Traders' allegations of harassment against VAT officials are not a pleasant thing as it slows down business and hurt the government's revenue income," he added.

The NBR has been making the names of top VAT depositing entities public in line with a policy framed in 2005 to encourage tax compliance among businesses.

STOCKS		WEEK-ON WEEK
DSEX ▲	CASPI ▼	
0.28%	0.43%	
6,227.82	18,338.60	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$1,789.25	\$71.50	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.62%	▲ 1.18%	▲ 0.31%	▲ 0.30%	
62,181.67	27,901.01	3,245.97	3,206.95	



The convener of BAMA and the Managing Director of National AgriCare Group, Mr. KSM Mostafizur Rahman - was unanimously elected as the President of BAMA and a decision was taken to adopt a committee of 11 members for the next 2 years (year 2023-2024).

ICB could lose Tk 438cr

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a satisfactory level and the investment was not profitable considering ICB's cost of funds.

The bond matured in 2020 but the fund is yet to be realised along with the interest income of Tk 4 crore, the audit report said.

Another example of ICB's wrong investment decisions was the purchase of debentures of Global Jute Industries worth Tk 25 crore in 2013. A debenture is a type of long-term business debt not secured by any collateral.

As the fund was not repaid by the jute company, ICB has rescheduled it.

Currently, the fund has turned into a defaulted loan of Tk 39 crore and the borrower is not communicating with ICB in response to queries from the lender.

The borrower also did not present the main documents of the mortgaged asset, so there is a suspicion whether there is any mortgaged asset, the audit report said.

Set up in 1976, ICB supports the stock markets in Bangladesh.

In 2017-18, ICB's profit was Tk 416 crore. It plummeted 65 per cent to Tk 144 crore in the last financial year, according to the annual report.

It invested Tk 3,009 crore in 2017-

18 and it dropped to Tk 2,499 crore in the last financial year, which ended in June.

ICB's return on investment, an important performance indicator, dropped to 2.46 per cent in FY22, way down from 10.72 per cent in 2017-18.

The bad investment decisions of ICB deteriorated its profitability and effectiveness in the stock market, said a top official of a merchant banker.

"The government should investigate to identify the persons involved in such investment decisions and whether they had any bad intentions."

In another bad investment decision, Shonaichhori Agro Firms in Bhola took a loan of Tk 91 lakh from ICB for a project. But in reality, no such project was there.

The project is not feasible as the site is not secure. So, the allotted fund was spent elsewhere, the auditor said.

The investment bank invested Tk 1.23 crore in a fictitious project named Deep Ocean Bioplant. After a visit by the ICB's recovery department, it said such a fish farming project could not be found in its registered place.

"The documents used as a collateral were also fake. If ICB had visited the project site before disbursing the funds, the funds would not have been

allocated," the auditor said.

ICB also absorbed financial losses of Tk 5 crore for the overvaluation of land and inflating the price of a transformer that Dhanshiri Auto Rice Mills has bought.

It suffered financial losses of Tk 5.57 crore by lending to Pacific Footwear Industries although the company had already secured loans beyond regulatory limit. The purchase of debentures of the firm was not right and it ultimately became unrealised, the OCAG said.

ICB also failed to recoup the investments it extended from the Equity and Entrepreneurship Fund (EEF) of the central bank to Adhunik Hatchery & Fisheries as the project had been abandoned.

Among its other EEF-backed investments, ICB has unrealised funds of more than Tk 57 crore in four projects.

"ICB invested in the equity of Farmers Bank hoping its performance would be better and it would provide good dividends. However, the performance was not up to the mark," said Abul Hossain, managing director of ICB.

In January 2019, Farmers Bank was renamed Padma Bank as the troubled lender looked to sweep the

gross irregularities and loan scams under the carpet and get an image makeover.

About the FDR in Farmers Bank, Hossain said it keeps FDR in many banks. "Maybe, the officials at the time had believed in its potential."

In the last two years, the bank has started to return the interest on the FDR slightly.

Best Holdings has sought some time to repay since it will get funds from its initial public offering soon. So, ICB has extended the repayment period to 2024, he said.

On the EEF fund, Hossain said the policy of the fund involves some problems. Entrepreneurs will get profits but they will not participate in any loss. So, the fund is hit sometimes when the project incurs losses.

The fund has been launched by the government to encourage new entrepreneurs. Bangladesh Bank is its agent and ICB is the sub agent.

"The main problem was found to be in the last instalment. Now, we are working on the recovery of EEF with the help of the Bangladesh Bank," Hossain said.

The official added ICB has branches at the divisional level alone so it is tough to monitor union-level investments.

Recession in US not inevitable: Yellen

AFP, Fort Worth

A recession in the US is "not inevitable," Treasury Secretary Janet Yellen said Thursday, adding that she believes the world's biggest economy is on the right track in lowering inflation.

Her comments come on the heels of a forceful campaign by the US central bank to cool demand this year, walking a tightrope between lowering consumer costs while trying not to tip the economy into a downturn.

For now, many economists expect the US could experience a downturn next year.

On "whether or not we can avoid a recession, I believe the answer is yes," she told reporters during a visit to the Bureau of Engraving and Printing's currency facility in Fort Worth, Texas.

Supply chain bottlenecks are starting to ease and new apartment rents have "essentially peaked," with the labor market cooling slightly as well, Yellen said.

"Without seeing significant net nationwide layoffs, I believe

we're on the right track in terms of lowering inflation and a recession's not inevitable," she added. As businesses tone down their growth expectations and hiring plans, the number of people leaving their jobs has also dipped a little, she said.

Last week, Federal Reserve Chair Jerome Powell added it remains "very plausible" for the US to reach a soft landing, referring to a scenario where unemployment rises but the economy avoids a severe recession.

On Thursday, Yellen said that the United States has been "listening very carefully" to allies and trying to understand their concerns on Washington's push to spur climate-friendly technologies in America.

"I think the objective that Congress had was to make sure we have supply chains that are secure, and to try to include our allies in them," she said.

Asked if she had plans to visit China following President Joe Biden's meeting with his Chinese counterpart Xi Jinping, Yellen said she had no definite plans yet but was "certainly open to it."

Wage growth below inflation

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"It seems that burden of resilience has wholly been put on the shoulders of people with low and fixed income and even on the middle class," he said.

The PPRC and BRAC Institute of Governance and Development (BIGD) carried out several rounds of a survey since April 2020 to assess the impacts of the Covid-19 induced health and economic crises on low-income groups.

"A vast majority is absent in the policy priority. It seems that survival is the job of this section of people," added Rahman.

Earlier this month, the Food

and Agriculture Organization (FAO) in a report said Bangladesh was suffering from severe localised food insecurity owing to economic constraints, refugee influx, floods and high prices of important food items.

"Food insecurity as well as poverty levels has increased due to income losses caused by the effects of the Covid-19 pandemic," it added.

In November, consumers had to buy coarse rice at Tk 48.09 per kilogramme while also paying a record Tk 60.11 per kilogramme for wheat flour, both of which were much higher than what they were a year ago, according to the FAO data.

Selim Raihan, executive director of the South Asian Network on Economic Modeling (Sanem), said real income of people was falling consistently as wage growth was remaining below inflation.

"It means that people can buy less, and many are forced to exhaust their savings and other options against the backdrop of high inflation," he said.

"We do not have the latest data on the level of poverty, but studies show that many people who stay just above the poverty line could fall into poverty. A sizable portion of people are under tremendous pressure," he added.

Raihan, also a professor of economics at the University of Dhaka, then said high inflation may persist until the first quarter of next year.

Under this circumstance, the government should expand coverage and allocation of social protection schemes to prevent them from falling into deeper impoverishment, he said.

The first quarter of next year is very critical and the government should enable more allocations for social protection, even if it means shifting allocations from other projects, he said.

The BBS collects data to measure

the movement of nominal and real wages of low paid skilled and unskilled labour in different segment through a wage rate index (WRI).

The November WRI data showed that workers in the agriculture, particularly fishermen, were the worst victims of high inflation as their income growth of 6.95 per cent stood below the increase in prices of goods and services in the same month.

Low and unskilled workers in the industrial sector followed suit while those in services were relatively better off as their wages grew 7.17 per cent, the highest pace attained among the three broad sectors.

Bangladesh's

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The report said Bangladesh has been showing a steady increase in cotton imports since marketing year 2014-15, with a dip in marketing year 2019-20 due to the Covid-19 pandemic.

And India is the major supplier of the raw material and the neighbouring country accounted for 24 per cent of the cotton import market share, it said.

They were followed by Benin (16 per cent), Brazil (14 per cent), Burkina Faso (10 per cent), and the US (8 per cent) as of October in calendar year 2022, it added.

As of October in this calendar year, raw cotton imports amounted to 7.1 million bales, down 5 per cent year-on-year from that a year ago, according to the USDA's data.