

Star BUSINESS



WEEKLY INTERVIEW



Syed Nasim Manzur

‘Buyers want deliveries in hours, we are taking weeks’

SOHEL PARVEZ

Global buyers for leather goods and footwear now want their orders delivered faster than before, requiring local manufacturers to respond promptly. And this calls for easing customs procedures and ensuring faster clearance of goods to facilitate export growth, according to market players.

“We are offering deliveries in weeks while customers are asking for deliveries in hours,” said Syed Nasim Manzur, president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB), urging for faster clearance from customs.

He shared this information in an interview with The Daily Star yesterday, on the sidelines of the 4th Bangladesh Leather Footwear & Leathergoods International Sourcing Show 2023 at the International Convention City Bashundhara in Dhaka.

The three-day event, that began on Thursday, aimed to showcase the strength of local leather goods and footwear makers as capable suppliers in order to bolster export earnings from the sector.

Bangladesh exported \$1.7 billion worth of leather goods and footwear in fiscal year 2022-23 and it can increase these exports to \$5 billion in five years, he said at the opening of the exhibition.

READ MORE ON B3

DECISIONS THAT DENTED INVESTORS' CONFIDENCE

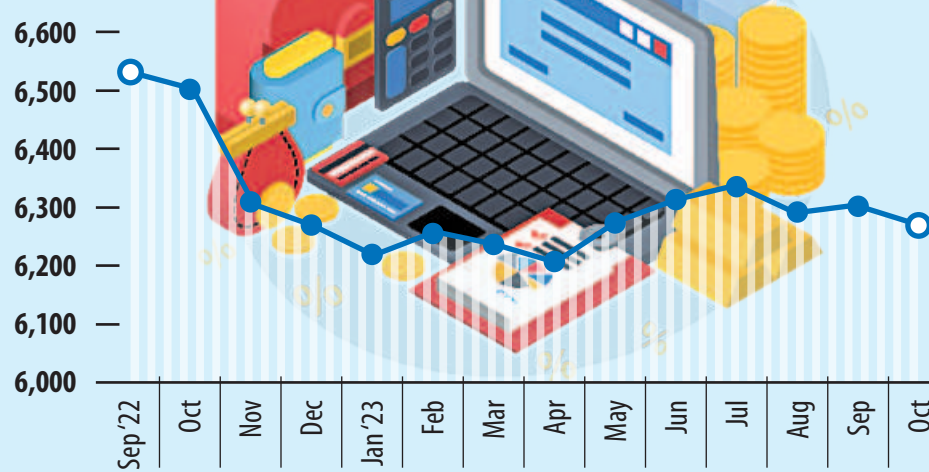
- STOP!** Stopping forced sale in 2011
- Extending tenure of mutual funds
- Introducing floor price
- APPROVED** Giving approval to IPOs of companies performing poorly

RESULTS OF THE STEPS

- Intermediaries' negative equity reached over Tk 20,000cr
- Mutual funds' investors have to wait for another 10 years to get their money back
- Market seeing uneven competition
- Almost all investments are stuck, buyers are scared
- 35% of listed companies are now poor performers

MOVEMENT OF DSEX (In points)

SOURCE: DSE



PRESENT SITUATION OF THE MARKET

- DSE's main index hovering around 6,300 points for the last one year
- Most of the stocks remain unsold
- There is a lack of buyers in the market
- DSE's average daily turnover around Tk 400cr for the last several months

BSEC measures to prop up stocks backfiring

Say market analysts



ANALYSIS

AHSAN HABIB

The main index of the stock market in Bangladesh has been hovering around 6,300 for the past year, with many shares remaining unsold amid scant investor participation, according to market analysts.

Besides, only junk stocks are performing well thanks to the prevalence of rumour-based trading, which is not a good sign for any market as it erodes investor confidence in the long run.

But this is a common scenario for the country's share market due to the growing confidence crisis that has been exacerbated by some decisions of the Bangladesh Securities and Exchange Commission (BSEC).

Of these decisions, the move to stop market intermediaries from executing forced selling following the crash in 2010 and setting floor prices for all stocks in 2020 were the most impactful, they said.

And in 2018, the BSEC allowed fund managers to extend the tenure of closed-end mutual

funds by 10 years, denting the confidence of foreign and institutional investors as many were awaiting returns.

Also, the market regulator's lack of restraint in giving licences to firms for operating as stock brokerages, merchant banks and

prices has led to investors' funds becoming stuck even in blue-chip or other well-performing stocks," he said, adding that foreign investors will not be interested in such a market.

The DSEX introduced floor prices in 2020 to halt the freefall

would be left unscathed.

"Many intermediaries have become paralysed as they could not execute forced selling. So, their funds have become negative and they are still inactive in the market," Siddiqi said.

Forced selling occurs when an investor or business is compelled by their broker or financial advisor to sell assets or securities to create liquidity for repaying debts or meeting margin calls.

In 2011, the regulator verbally ordered all stockbrokers and merchant banks not to execute the forced sale of shares that were bought against margin loans in a bid to boost confidence in the market.

Take the case that an investor bought shares worth Tk 200 by taking a margin loan of Tk 100 from a stockbroker or merchant bank.

If the share price drops to Tk 150, then the market intermediary can order the investor to repay Tk 50.

And if the investor fails to repay the sum and the share price drops further, then the broker or merchant bank is allowed to sell his or her shares without consent in what is called forced selling.

READ MORE ON B3



asset management companies is not healthy for the market, they added.

Faruq Ahmad Siddiqi, a former chairman of the BSEC, said there is no doubt that these decisions have hurt investor confidence as people invest for mainly two reasons.

The first reason is that the stock market provides the scope to potentially turn a profit while the second is that it is a place where parked funds can be easily liquidated.

"However, launching floor

of market indices amid economic uncertainty brought on by the Covid 19 pandemic.

The floor price mechanism was gradually lifted in 2021 following criticism from most analysts and investors, but it was ultimately reinstated in mid-2022 after the Russia-Ukraine war began.

Another misstep was to bar market intermediaries from executing forced selling as investors would have otherwise at least gotten some money back and the intermediaries themselves

The use of credit cards in Bangladesh is increasing sharply, bolstered by growing spending on daily essentials at departmental stores



Story on B4

IMF defends revising down GDP forecast for Bangladesh

STAR BUSINESS REPORT

International Monetary Fund (IMF) has defended revising down its forecast for Bangladesh's GDP growth in fiscal year 2023-24, saying it was "pretty reasonable" amidst various ongoing challenges, including elevated inflation.

The revised prediction was 6 percent in the IMF's "World Economic Outlook" published on October 10.

However, its April edition had projected the growth to be 6.5 percent.

Bangladesh has elevated commodity prices, a slowdown in external demand, and global monetary tightening, which continues, said Krishna Srinivasan, director of the Asia and Pacific Department.

All these factors continue to weigh on Bangladesh's growth, he said in response to a journalist's question at a press briefing organised by the IMF in Morocco on Friday on the Asia and Pacific Region's Economic Outlook.

The revised prediction was 6 percent in the IMF's "World Economic Outlook" published on October 10.

"And that's why we have growth at 6 percent in FY '24, unchanged from FY '23," a transcript of the press briefing quoted him as saying.

Regarding the Bangladesh government's target of 7.5 percent, he said, "It's not very uncommon for the countries to have a higher growth number than us."

"Now, Bangladesh has taken significant measures to address the macroeconomic challenges," said Srinivasan.

It is important to distinguish between macro stability objectives and growth objectives. The country has tightened its monetary policy stance to reduce inflation and allowed more flexible exchange rates while unifying the exchange rate system, he said.

And, the government has kept a prudent fiscal policy and reprioritised spending to support the poor and vulnerable, he added.

"So, at this point in time, the effort is going towards macro stability. A 5 percent growth in that context is pretty reasonable," said Srinivasan.

Going forward, Bangladesh has significant growth potential, he said.

READ MORE ON B3

STOCKS		WEEK-ON WEEK
DSEX ▲	CASPI ▲	
0.12%	0.07%	
6,269.35	18,545.51	

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$1,932.28	\$87.75	
(per ounce)	(per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.19%	▼ 0.55%	▼ 1.02%	▼ 0.64%	
66,282.74	32,315.99	3,185.79	3,088.10	



Foreign buyers peruse the goods on offer at the 4th Bangladesh Leather Footwear & Leathergoods International Sourcing Show 2023 at the International Convention City Bashundhara in Dhaka. The fair ended yesterday.

PHOTO: PALASH KHAN

LEATHER GOODS AND FOOTWEAR

80% of exports going to just 10 countries

Speakers call for market diversification

STAR BUSINESS REPORT

Bangladesh's export earnings from leather goods and footwear are concentrated in 10 countries, with these markets buying roughly 80 percent of the total shipments from the nation in the fiscal year 2022-23.

Industry stakeholders shared the information at a discussion yesterday, highlighting the urgency for market diversification to reduce the risk of export losses stemming from a decline in demand in these markets. Doing so would also create scope for exporters to explore new markets and grow.

At the same time, they also urged Bangladesh's businesses to adopt strategies to improve market access and increase export competitiveness.

"The biggest advantage for Bangladesh is the availability of manpower and raw materials. So, Bangladesh can use this to find new markets and expand its export basket," Cheng Hsing Yu, managing director of Blue Ocean Footwear Limited, said at a seminar held on the sidelines of the 4th Bangladesh Leather Footwear & Leathergoods International Sourcing Show

2023 at the International Convention City Bashundhara in Dhaka.

The three-day expo, jointly organised by the Ministry of Commerce and the Leather Goods and Footwear Manufacturers and Exporters Association of Bangladesh (LFMEAB), concluded yesterday.

Hsing Yu said Bangladesh should join the global value chain. "Leather is one of the

Bangladesh has already identified 12 to 14 countries and work is underway on how to establish bilateral trade with these countries

most prospective industries in Bangladesh. It has enough scope for both vertical and horizontal expansion in terms of economic return," he added.

Abdur Rahim Khan, additional secretary for the trade support measures wing of the Ministry of Commerce, said, given the circumstances, Bangladesh has to find new markets to be more competitive.

Bangladesh as a least developed country

READ MORE ON B3