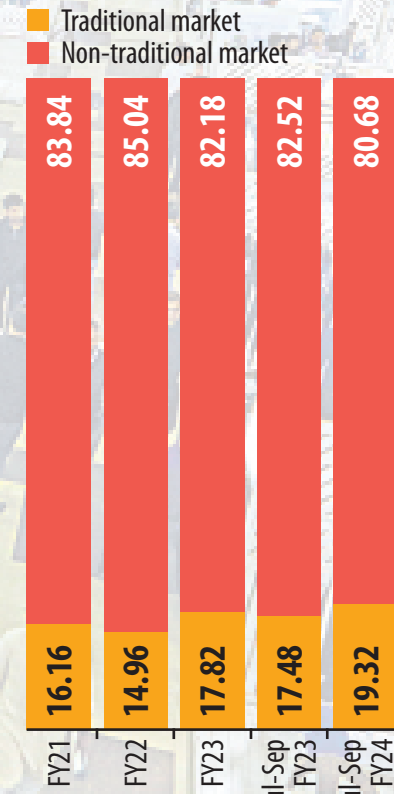




Garment export to traditional and non-traditional markets

In %, SOURCE: BGMEA



Apparel export to non-traditional markets growing

STAR BUSINESS REPORT

Bangladesh's garment entrepreneurs' push for diversifying export markets and cut high reliance on Europe and the US is paying off.

Apparel exports to markets other than European and North American destinations, termed as non-traditional markets by exporters, is growing and so is its share in overall garment shipments.

During the July-September period of the current fiscal year of 2023-24, non-traditional markets accounted for 19.3 percent of the \$11.6 billion earned through garment exports, according to data compiled by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

During the same period a year ago, it was 17.4 percent.

From another perspective, garment exports to these non-traditional markets,

which include Japan, India, Australia and South Korea, grew 25 percent year-on-year.

In contrast, the growth in Europe, the biggest market for Bangladesh's exporters, was 11.4 percent.

And in the US, the second largest destination from Bangladesh's apparel, it was far lower, around 3 per cent.

One major reason is the increased efforts of exporters as the scope for growth in Europe is shrinking, said Fazlul Hoque, managing director of Plummy Fashions Lt.

Besides, buyers of non-traditional markets are reducing their dependence on China, said Hoque, a former president of the Bangladesh Knitwear Manufacturers and Exporters Association.

Three years ago, traditional markets, namely Europe, the US, UK and Canada, had generated around 84 percent of the total apparel export receipts.

At the end of fiscal year 2022-23, it was just over 82 percent.

Of the amount earned from non-traditional markets in the past three months, half came from Japan, Australia, India and South Korea.

Bangladesh's garment makers fetched over \$2.2 billion from exports to non-traditional markets in the last July-September period, up from \$1.7 billion in the same period of fiscal year 2022-23, according to the BGMEA

Among them, Australia registered the highest year-on-year growth of 54 percent to reach \$344 million.

In Japan it was 39 percent, reaching

nearly half a billion US dollars.

South Korea, another emerging export market for Bangladesh, was closely trailing at 37 percent, reaching \$180 million.

"However, our apparel export earnings from India declined by 7.69 percent," said Mohiuddin Rubel, a director of the BGMEA, a platform representing the garment industry which generates some \$47 billion in annual export earnings.

Clothing exports to the neighbouring country fetched \$282 million in the first quarter of fiscal year 2023-24.

During the same period a year ago, it was \$306 million.

Products from Bangladesh get duty free access to Japan, Australia, South Korea and India since it is a least developed country, said Mostafa Abid Khan, a former member of the Bangladesh Trade and Tariff Commission.

It appears that exporters are now focusing more on these markets, he said.

ICC chair in Dhaka

STAR BUSINESS DESK

Maria Fernanda Garza, chairperson of the International Chamber of Commerce (ICC), a global business organisation, arrived in Dhaka yesterday on a three-day visit.



Maria Fernanda Garza

The Mexican businesswoman was elected as chairperson of ICC for a two-year term, effective from July 1, 2022, making her the first woman to hold this position, ICC Bangladesh said in a press release.

She is also a part of the group of advisers and leaders of the B20 and the United Nations Internet Governance Forum.

Maria will call on Commerce Minister Tipu Munshi as well as the president of the Federation of Bangladesh Chambers of Commerce and Industry and other business leaders during her stay.

She will also hold a meeting with executive board members of ICC Bangladesh at the chamber's secretariat in the capital.

Maria was Mexico's employer delegate to the International Labour Organization Conference and appointed as vice-chair of Employers' at the 98th session of the International Labour Organization (ILO).

She is chief executive officer of Orestia, a home improvement water solutions company with exports to USMCA region, Latin-America and Asia.

She is a board member of some of Mexico's leading business organisations such as COPARMEX, CCE and ALIARSE, among others.

Maria was chair of ICC Mexico from 2014-2020 and regional coordinator for the ICC Regional Consultative Group for Americas during 2012-2020.

She is a member of the governing body of the International Court of Arbitration, the Advisory Committee on Sustainable Urbanization of the president of the UN General Assembly's and the International Advocacy Caucus of Indonesia B20.

She was appointed to serve on the United Nations Secretary-General's inaugural Internet Governance Forum (IGF) Leadership Panel for two years from 2022.

India's trade deficit hits \$19.37b

REUTERS, New Delhi

India's merchandise trade deficit in September stood at \$19.37 billion, according to Reuters calculations based on export and import data released by the government on Friday.

Economists had expected the country's September trade deficit to be \$23.25 billion, according to a Reuters poll.

India's merchandise exports stood at \$34.47 billion, while imports were \$53.84 billion in September, government data showed.

The government revised its August exports to \$38.45 billion from \$34.48 billion, while imports figures were revised to \$60.1 billion from \$58.64 billion.

80% of leather exports



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"But after LDC graduation we may face some challenges. For this, one instrument is going for a bilateral trade agreement with the country where we think our exports have the best possibilities," he said.

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

"Unless you have foreign direct investment in the leather sector, there are two things missing. One is capital and the other is technology. That is why the government has taken some initiatives for market expansion and product development," he added.

In future, with LDC graduation in mind, they are going to identify specific countries which can

IMF defends

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With favourable demographics, once Bangladesh overcomes the crisis and addresses reforms through a full programme, it is well placed to reach middle-income status, he explained.

"...for Bangladesh, one of the key objectives is to raise revenues to support both the development objectives and to support infrastructure needs...which will also boost the productive potential of the economy," said Srinivasan.

Enhancing revenue generation was one of the conditions tagged with an IMF loan of \$4.7 billion. A part of it was to collect Tk 3.45 crore in taxes in

broaden the market, not in terms of diversification but in terms of deepening the market, he added.

Michael Roy, president of the Manufacturing and Operations of Advanced Manufacturing Group, said political stability in Bangladesh over the past few years made it very easy to do business and helped the sector move forward.

He said the main appeal of the leather industry in Bangladesh is the ample supply of raw materials. Other than that, low costs, availability of skilled labour, product quality and infrastructure help Bangladesh compete in the leather product export market, he added.

Amrita Makin Islam, director of the LFMEAB and deputy managing director for Picard Bangladesh Limited, moderated the discussion.

fiscal year 2022-23, which could not be attained.

In the current fiscal year, the government has to collect an additional revenue of 0.5 percent of GDP. An IMF delegation is currently in Bangladesh to review the performance in achieving targets related to the loan.

"So overall, I think, the economy is on the good track in terms of meeting the objectives of the programme, getting inflation under control, addressing the macro challenges given a very difficult global environment," the transcript quoted Srinivasan as saying.

Buyers want deliveries in hours BSEC measures

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Bangladesh registered increasing entry of new factories in the leather goods and footwear industry in recent years, leading to rising export growth.

This gives the country hope of gaining a greater share of the global market for leather goods, where the demand for footwear alone is estimated at \$175 billion, according to the LFMEAB president.

Manzur, also managing director of Apex Footwear Ltd, the largest footwear exporter of Bangladesh, said demand in the global market is low at present.

"There is oversupply in all major markets, especially the US, Europe and Japan. As a result, demand has slowed sharply since June and is not expected to recover until mid-2024. So, business will suffer," he added.

As such, the implementation of reforms, reduction of lead time, and rationalisation of tariff is necessary for the sector to accelerate exports.

He said at the event, a clear direction has come from the prime minister regarding equal treatment for all sectors.

"There has been a realisation at the highest level of government to reduce bureaucracy and increase the speed of implementation of various decisions. The announcement of formation of the leather development authority (by the prime minister) is a major step forward for the sector," he added.

Another issue that came up at the event was the need for rationalisation of tariff on necessary accessories and raw materials for re-export beyond the bonded warehouse system, which is an opportunity for exporters to bring raw materials at zero duty to make products for export.

"This is very important. Large exporters can avail the bonded

warehouse facility. But it is not possible for small factories to comply with bonded warehouse rules as it is very complex and expensive. If you want to bring small factories to the export chain, you have to provide easy access to imported raw materials," Manzur said.

He suggested the government offer the opportunity to exporters to import raw materials and accessories at 2 percent tariff for certain period.

"Last but not least, the simplification of rules is needed to reduce lead time so we can increase our exports," he said, adding that the highest level of policymaking is very clear about what is needed.

Manzur also said it is necessary to be sensitive about the need for urgency at the mid-level, where the actual work related to documentation and clearance is dealt with.

He said another major accomplishment of the exhibition was that partners of leather goods and footwear makers joined the supply chain.

Diversified products, including non-synthetic leather bags, new kinds of footwear such as technical and work boots, were also exhibited at the fair.

"New partners localising the supply chain is very encouraging," he said, adding that buyers from India, Poland and South America also attended the show.

The show discussed moving the beyond Leather Working Group, a global body for compliance and environmental certification in the leather and leather goods sector, to the Sustainable Leather Forum (SLF) so that the local industry can be included in the global value chain.

The SLF is the first international event dedicated to CSR (corporate social responsibility) in leather industries.

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However, the BSEC had ordered the intermediaries not to execute forced sales after the market became volatile due to a crash in 2010.

As forced sales were prevented, some investors defaulted on their payments to intermediaries instead of getting their invested funds back, the former BSEC chief said.

"These decisions are denting investor confidence, which will take time to be regained," he added.

A top official of a stock brokerage, preferring anonymity, said the decisions were primarily taken to improve investor confidence but ultimately failed as they were not based on market analyses.

Due to the non-execution of forced sales, the negative equity has risen to more than Tk 20,000 crore and the intermediaries are unable to invest.

"Another wrong decision was extending the tenure of closed-end mutual funds," he added.

Closed-end mutual funds are investment tools that pool a fixed amount of money from investors for a certain period to invest in stocks, bonds and other assets.

In the case of Bangladesh, the tenure of mutual funds is 10 years, after which the fund manager returns the investment and its profit to unitholders.

But in 2018, the BSEC extended the tenure of closed-end mutual funds by another 10 years, hurting investors who were already long awaiting to get back their funds with profit.

"The move badly dented the confidence of foreign investors," the stockbroker said.

A renowned fund manager, requesting not to be named, said extending the tenure of closed-end mutual funds and imposing floor prices were by far the worst decisions.

Other failures of the regulator include approving many poorly performing companies to be listed

with the stock exchange and its lax monitoring to control market manipulation.

At present, around 35 percent of all listed companies are performing poorly, placing in either the Z or B categories, according to data of the Dhaka Stock Exchange (DSE).

"Another big blow was giving licences to a huge number of stock brokerages, merchant banks and asset management companies as it ultimately squeezed efficiency by creating uneven competition," he said.

Bangladesh has 402 brokers serving investors in the country while there are 314 in India, 67 in Nepal, 89 in Vietnam, 204 in Pakistan, 26 in Sri Lanka, 36 in Thailand, and 183 in Nigeria.

Likewise, Bangladesh is home to 68 merchant banks while India has 200, Nepal has 28, Vietnam has 17, Pakistan has 54, Sri Lanka has 21, Thailand has 50, and Nigeria has 32.

Mohammad Rezaul Karim, an executive director and spokesperson of the BSEC, said the commission did not officially order market intermediaries to stop forced sales.

Moreover, the regulator always discourages people from investing in stock using loans, he added.

Regarding the issue with closed-end mutual funds, Karim said the BSEC extended the tenure by 10 years by amending the rules.

"However, the extension was only for once," he added.

Giving logic behind the introduction of floor prices, Karim said the BSEC launched the mechanism in response to demand from investors as confidence was eroding and people were placing panic sales.

"We thought we would immediately lift the floor price when vibrancy returns to the market. However, we are still waiting for this," he added.