PROSPECTS OF BANGLADESH LEATHER INDUSTRY: FARM TO FASHION PRODUCTS

Leathergoods and Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB)

April 21, 2016
Capacity & Composition

- Around 220 tanneries, 2500 footwear making units and 90 large firms
- In 2014-15, exported leather and leather goods worth $1.13 billion
- 4% contribution to country’s total export earnings
- Almost 90% of its finished products is being exported
- Bangladesh is currently exporting Leather and Leather products to 53 Countries
- The global leather market is worth $215 billion where Bangladesh accounts for only 0.5%

Growth Pattern

- The compound annual growth rate in export earnings over the last five years was over 25%

EMERGED 2nd Largest Export Sector

SNAPSHOT: BD LEATHER INDUSTRY
Strength & Advantages of BD leather industry

- **300** million SFT leather produced annually
- Abundant, young & competitive labor cost ideal for labor intensive industry
- Average value addition 85%
- Tariff and quota free access to the European Union (GSP), Canada, Australia and Japan.

Global and strategic prospects

- According to a recent HSBC analysis, Bangladesh is one among the 3 countries where China-based factories are planning to relocate
- Preferred sourcing by several international brands
Becoming preferred manufacturing base

- Contribution of manufacturing sector: 21% of GDP by FY20
- Achieving Trade GDP ratio of 50% by FY20
- Export earnings increase from $30.7 billion to $54.1 billion
- $5 billion exports earning by 2021 from leather Sector

Employment generation

- Create 12.9 million jobs
- Increasing share of employment in the manufacturing sector form 15% to 20%
- Leather products sector currently employing about 200,000 and has potential to employing several hundred thousand in the near future.

Diversification

- Breaking into new markets with new products

**NATIONAL OBJECTIVES:** MANUFACTURING, MAIN DRIVER OF GROWTH
HOW IS IT POSSIBLE?

Private sector needs to play dominant role, accounting for 77.3% of total investment

In FY14-15 local investment in leather sector was only 0.92% whereas it was 18.34%, 18.87% respectively in textile & service

- FDI needs to be increased persistently up to $9.6 billion by FY20
- Inflow of FDI needs to be increased from about 1% of GDP to 3%
- Rate of investment from 28.9% of GDP in FY2015 to 34.4% of GDP

*FY14-15 figure covers July to February only*
WHAT ARE THE CHALLENGES

2S: SAVAR & SUSTAINABILITY

Savar

- Relocation completed & proper functioning of CETP and TED
- Transfer of technical knowhow & integration with downstream industry

Sustainability

- Compliance, Quality & Competitiveness (C-Q-C)
 Establish national compliance performance mechanism and providing certificates

- Waste management & Recycle industry
- Introducing Green business initiatives and sustainability score, as a criteria to avail special Green Fund

WHAT NEEDS TO BE DONE: BRANDING BD A SUSTAINABLE SOURCING DESTINATION
WHAT NEEDS TO BE DONE: QUALITY ASSURANCE

- Building product engineering & problem solving facility
- Develop design & product innovation institute
- Strengthening Skills & Operational management education
- Affordable, competitive service delivery system & testing lab
WHAT NEEDS TO BE DONE:

- Securing alternatives to appreciate preference erosion
- Reducing regulatory barriers & cost of doing business
- Market research, Product Literature
- Product innovation & market development fund
THANK YOU!

For further information, please Visit:

www.lfmeab.org
www.coelbd.com