

# 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 2<sup>nd</sup> Largest Export Sector**

# SNAPSHOT: BD LEATHER INDUSTRY

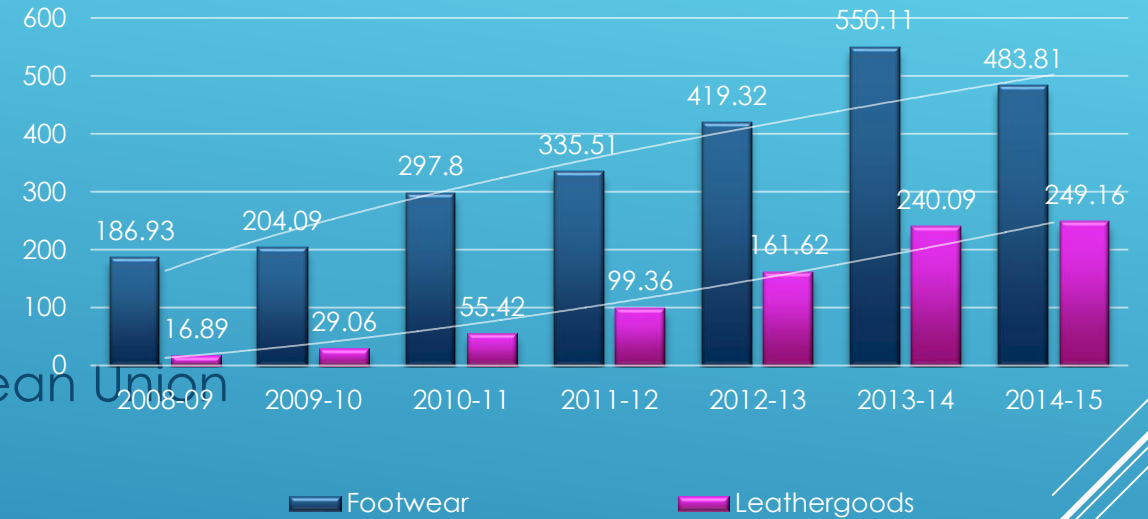
Accounts  
**1.8% cattle**  
& **3.7%**  
**goat** of  
global  
livestock

Almost **50%**  
leather is  
being  
exported  
abroad

## 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.

Bangladesh Footwear and Leather goods export trend in (million USD)



## 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

**WHY BANGLADESH?**

## 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

# 4 Key factors

ENCOURAGE  
INVESTMENT  
IN LEATHER  
SECTOR

LINKAGE  
with SMEs  
& ALLIED  
INDUSTRIES

SKILLS &  
TECHNICAL  
FACILITY

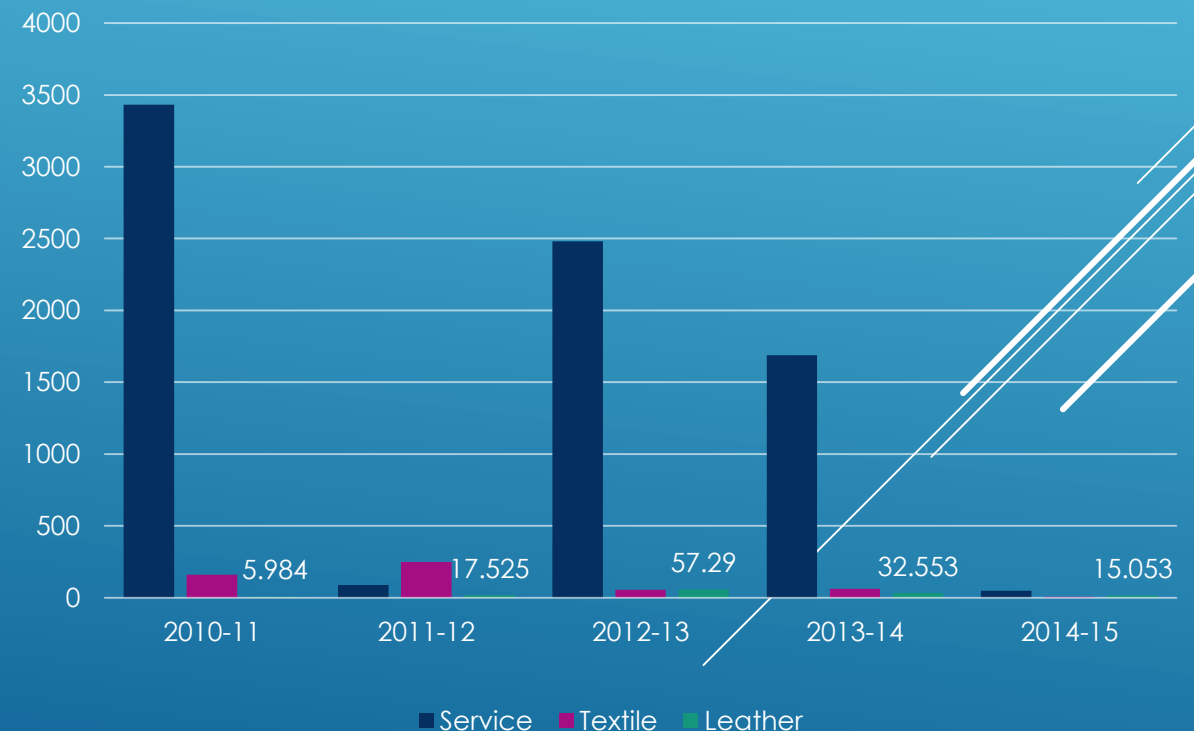
RIGHT  
POLICY &  
EFFECTIVE  
SUPPORT  
STRUCTURE

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

Foreign and JV investment in perspective (Million USD)



## HOW IS IT POSSIBLE?

\*FY14-15 figure covers July to February only

## Savar

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

## Sustainability

- ▶ Compliance, Quality & Competitiveness (C-Q-C)

WHAT ARE THE CHALLENGES  
2S: SAVAR & SUSTAINABILITY



- ▶ 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**

- ▶ Building product engineering & problem solving facility
- ▶ Develop design & product innovation institute
- ▶ Strengthening Skills & Operational management education
- ▶ Affordable, competitive service delivery system & testing lab



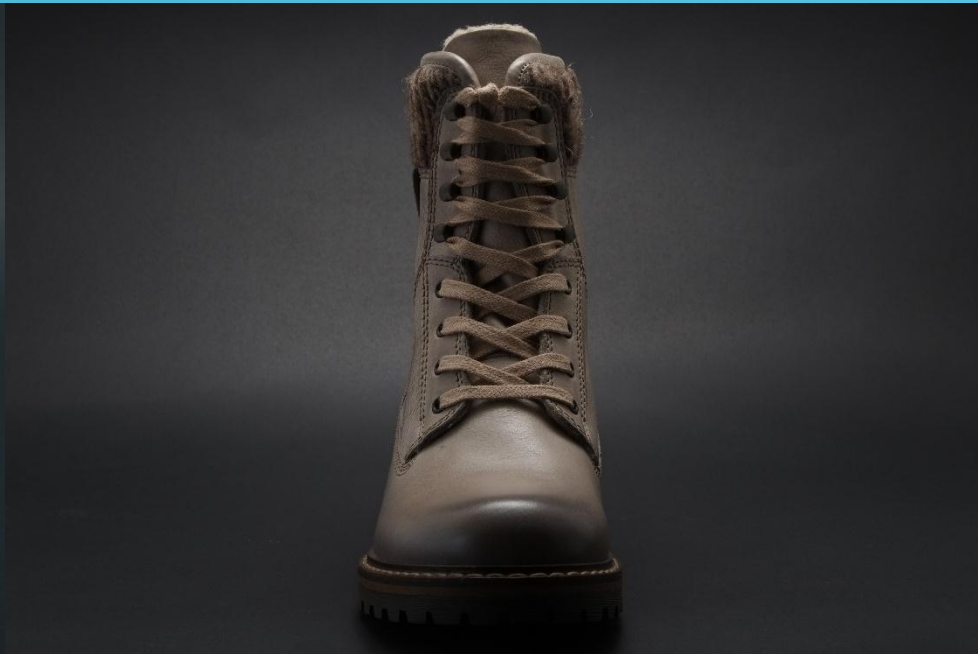
WHAT NEEDS TO BE DONE: **QUALITY ASSURANCE**



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



WHAT NEEDS TO BE DONE:  
ENHANCING COMPETITIVENESS



► For further information, please Visit:

[www.lfmeab.org](http://www.lfmeab.org)

[www.coelbd.com](http://www.coelbd.com)

THANK YOU!

