



**COUNTRY REPORT**  
**BANGLADESH**



**37<sup>TH</sup> INTERNATIONAL  
FOOTWEAR CONFERENCE**



## BANGLADESH LEATHERGOODS AND FOOTWEAR INDUSTRY REPORT 2018



*Report by*

**Knowledge & Resource Center (KRC),**

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



**Leathergoods And Footwear Manufacturers  
& Exporters Association of Bangladesh**

### Bangladesh: an overview

- ☐ Current population size: 162 million.
- ☐ GDP per capita (FY'2016-17): 1,411 USD.
- ☐ Available workforce: a young, industrious workforce growing by roughly 2 million per year, competitive workforce compared to other South Asian Countries.
- ☐ Over 10% of its population is entering into middle income class with growing purchasing power.
- ☐ After attaining significant progress in “Millennium Development Goals”, Bangladesh is moving towards Sustainable Development Goals (SDG).
- ☐ On March 2018, UN declared Bangladesh eligible for graduation from LDC by 2024.
- ☐ Pro investment government.
- ☐ Homogeneous society.
- ☐ Liberal democracy.
- ☐ Investor friendly regulation.
- ☐ Young, low cost labor: 47 million young People.
- ☐ Proximity to Chindia.
- ☐ English proficiency.
- ☐ Increased PPP of middle class.
- ☐ HDI 50% increase over last 20 years.
- ☐ 42.1 Export Import (% of GDP).



*Bangladesh geo-strategically located between China and India*

### Overall industry fast facts

- ☐ Now, after RMG, leather industry is the 2<sup>nd</sup> exporter position of the country.
- ☐ In last 10 years from FY'2007-08 to FY'2016-17 achieved a growth rate of 513%, yearly growth rate 16.65%.

#### Size & capacity

- ☐ Around 220 tanneries, 2500 footwear making units and 90 large firms.
- ☐ 4% contribution to country's total export earnings.
- ☐ Almost 90% of its finished products is being exported.

### Raw material is the natural advantage

- ❑ Bangladesh livestock base: 1.8% of the world's cattle & 3.7% of the world's goat.
- ❑ The annual supply of hides and skins in Bangladesh is estimated - 300 million sft.
- ❑ About 76% of tanneries in Bangladesh are export-oriented.

### Overview of Livestock (from FY' 2009-10 to 2017-18, in million)

Livestock	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2018-19 (*up to February 2018)
Cow	23.051	23.121	23.195	23.341	23.488	23.636	23.735	23.5	24
Buffalo	1.349	1.394	1.443	1.45	1.457	1.464	1.471	1.5	1.6
Goat	23.275	24.149	25.116	25.276	25.439	25.602	25.766	26	26
Ship	2.977	3.002	3.082	3.143	3.206	3.27	3.335	3.5	3.4
<b>Total Livestock</b>	<b>50.652</b>	<b>51.666</b>	<b>52.836</b>	<b>53.211</b>	<b>53.59</b>	<b>53.972</b>	<b>54.357</b>	<b>54.5</b>	<b>55</b>

Source: Department of livestock service, Economic review-2018, Bangladesh

### Overview of footwear industry 2017

- ❑ Bangladeshi footwear industry is one of the fastest growing in the world increased export by almost 700% in the last decade –*World Footwear Yearbook 2017*.
- ❑ Bangladesh ranked 8<sup>th</sup> position in terms of footwear production in the world in 2016, with a production of 399 million pairs (1.6% World Share).
- ❑ In 2016, Bangladesh shares 1.8% (Pairs) of world consumption, and 6.4% import share of consumption.
- ❑ Growth in sport shoes segment from 14% in 2012-13 to ~20% in 2015-16.

### Production vs. Consumption

- ❑ Production: 399 million pairs (world rank 7) Consumption: 375 million pairs (world rank 12).

### Local footwear market size

- ❑ Number of large firms in operation 180 (approximately).
- ❑ Production 14 million pairs.
- ❑ Per capita consumption 3 pairs.
- ❑ Imports (value) is approximately 218.24 million USD.
- ❑ The estimated domestic footwear market size is around 300 million pairs annually.

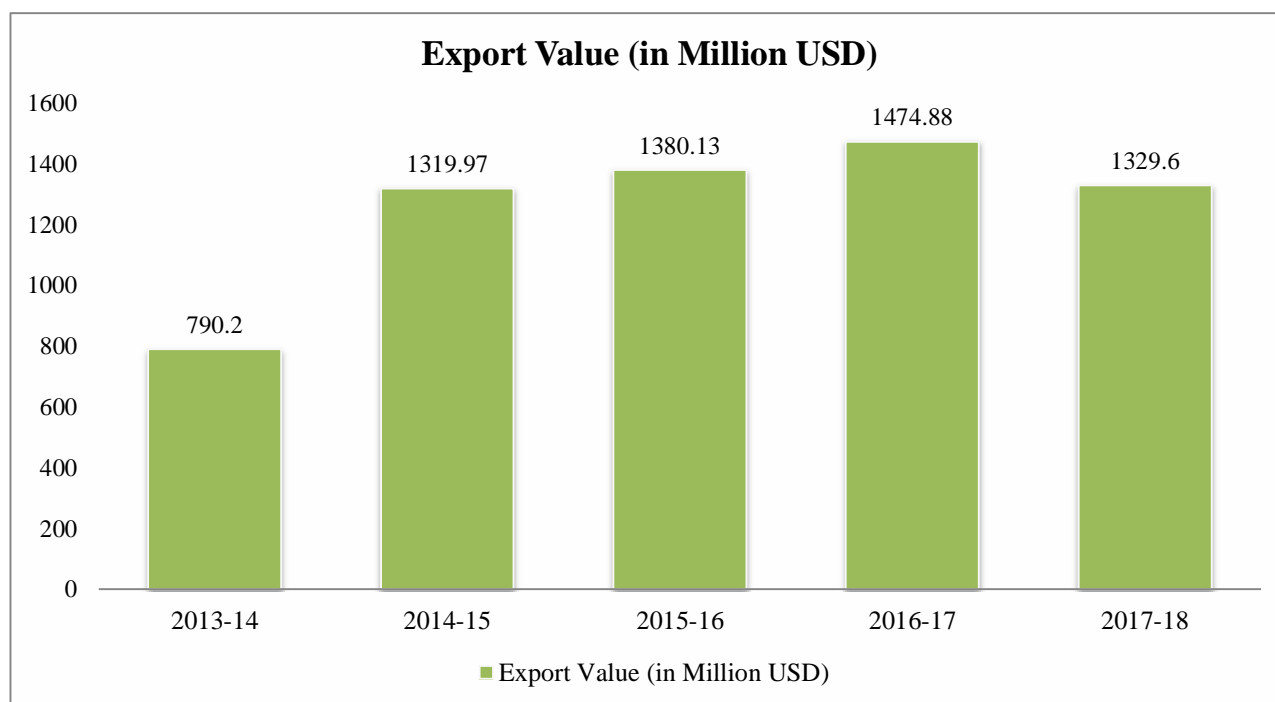
❑ Per capita consumption of footwear, including leather is 3-pairs, five years back it was 1.7 pairs.

❑ Bangladesh imported approximately 24 million pairs of footwear in FY'2016-17.

#### Industry export performance in 2017-2018<sup>1</sup>

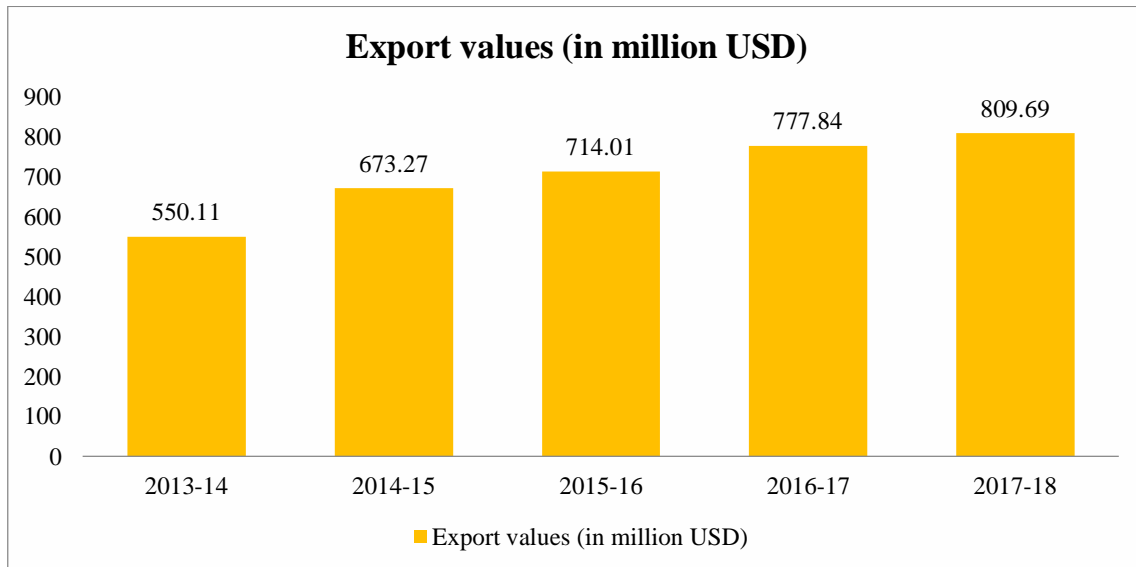
Products	Export Performance for FY'2016-2017	Export Performance for FY'2017-18	% Change of export Performance FY'2016-2017 VS FY'2017-18
Leather (Chapter 41)	232.61	183.10	-21.28
Leather Products (42-43)	464.43	336.81	-27.48
Leather Footwear (6403)	536.96	565.60	5.33
Footwear (other than 6403)	240.88	244.09	1.33
<b>Total Leather, Leather Products, and Footwear</b>	<b>1474.88</b>	<b>1329.6</b>	<b>-9.85</b>

#### Export performance of leather and footwear industry (HS Code: 41, 42, 43, and 64) of last 5 years (2013-2018)

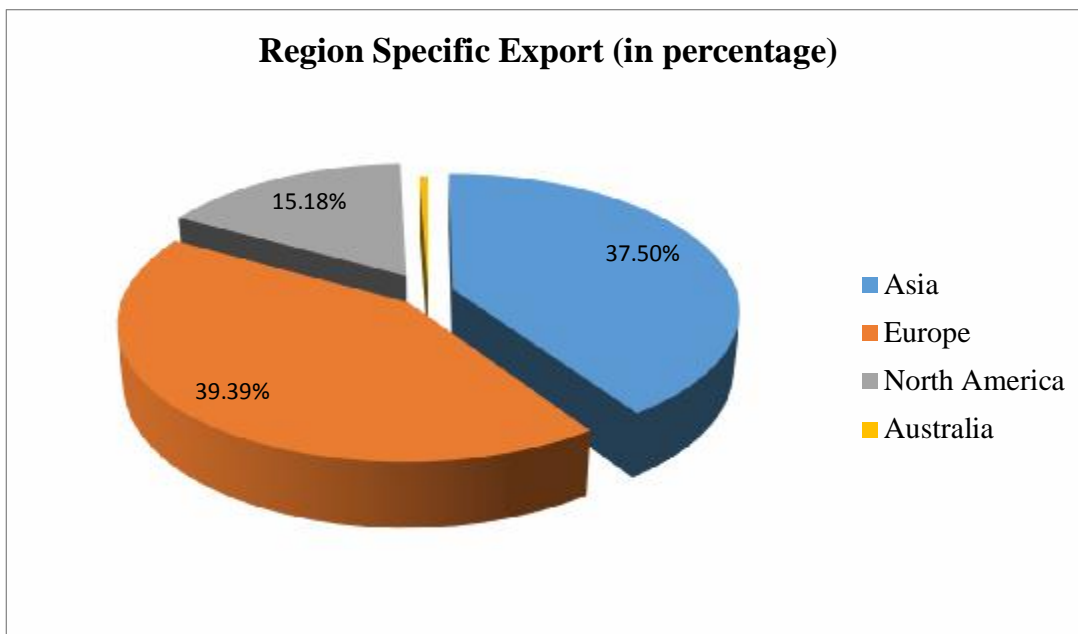


<sup>1</sup> Export Promotion Bureau (EPB)

### Export earnings of footwear industry in last 5 years



### Region-wise industry export performance in FY 2017-2018



### Reasons to invest in Bangladesh

- ❑ *“Bangladesh offers a truly competitive cost base, average factory worker salary is around USD 100+” – JETRO.*
- ❑ *“One of the major potential hubs for global value chain of footwear” –FDRA.*

### Why Bangladesh?

- 57% of the population is golden age (age of 25).
- Privileged market access to EU, Japan, China India with duty free quota free access of around 3 billion people in the region and 160 million in the country.
- 66 among 100 private and public economic zones are underway comprising 77000 acres of fully serviced land.
- Unbroken 6% economic growth for a decade.
- No capping on amount or percentage of investment, repatriation of profit or equity is most hassle free.

### Massive infrastructural development is in progress

- Growing investment infrastructure.
- Dhaka-Chittagong highway.
- Deep sea port - Sonadia, Cox’s Bazar.
- Growing air connectivity.
- Padma Multipurpose Bridge Project.
- Dhaka Elevated Express Highway.
- Special Economic Zones.
- 100 SEZs.
- 10 years tax holiday, incentives, duty free imports, no ceiling FDI etc.

### Bangladesh footwear market

- One of the fastest growing footwear industries in the world.
- 7<sup>th</sup> in production.
- 12<sup>th</sup> in consumption.
- 22<sup>nd</sup> in export.
- GSP facility EU – 28 countries.
- GSP facility others – 10 countries.

### Untapped Domestic Market

- \$600m+ Market Value.
- 300m pairs sold annually.
- 55% informal market.
- 10% annual growth rate.
- 03 pairs/person/year.

### Investment prospects in backward linkage industry

- ☐ Currently backward linkage industry is in evolving state.
- ☐ In line with growing export performance and industry 5 billion USD target by 2021 backward linkage/component setup are increasing.
- ☐ Backward linkage/component investors are entitled to enjoy policy support and specialized supports applicable to general investors as per government policy and rules.

### Investment opportunities & government supports

- ☐ Leather sector as **focus industry** under non-traditional market & product diversification.
- ☐ Government offers exclusive economic zone: **8-EPZ** in operation and target to establish **100 EPZ & SEZ by 2030**.
- ☐ Foreign and **joint venture investments** are encouraged in leather products and footwear industry.
- ☐ **Bond facilities** for 100% export oriented leather industries.
- ☐ Duty and tax draw-back for exporters.
- ☐ 100% foreign ownership permissible.
- ☐ **Enjoy MFN (most favored nation) status.**
- ☐ No ceiling on foreign and local investment.
- ☐ Duty free import of construction materials.
- ☐ Duty free import of machineries.
- ☐ Relief from double taxation.
- ☐ **One stop service** for investors is coming soon.

### Our competitive advantage

- ☐ Locally available raw materials needed for leather and footwear production.
- ☐ Integrated production chain from raw materials to tanneries and footwear available.



- ☐ Containerized shipment is available from the industry site.
- ☐ Increased linkage industries – Packing, Lasts, Adhesives, Outsoles.
- ☐ Tariff and quota free access to the European Union (GSP), Canada, Australia and Japan.
- ☐ Shipment facilities-both by frequently available air and large sea port.
- ☐ A perfect sourcing diversification opportunity for manufacturing.
- ☐ Proactive compliance practice.
- ☐ Increased middle class purchasing power.
- ☐ A large domestic market.

#### **Future vision**

- ☐ Bangladesh government and industry aim to reach USD 5 billion annual export by 2021, resulting in 200,000 additional employment in this sector.
- ☐ Enhancement of compliance regulations and to acquire sustainable competitive edge.
- ☐ Bangladesh government and industry target to train at least 15,000 skilled workers by 2020 under the implementation of Skills for Employment Investment Program (SEIP) through Ministry of Finance in cooperation with Asian Development Bank (ADB).
- ☐ Establishing world class Design Center.

#### **Important Links for More Information**

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

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

Knowledge & Resource Center (KRC)

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

Bangladesh Investment Development Authority (BIDA)

[www.boi.gov.bd](http://www.boi.gov.bd)

Centre of Excellence for Leather Skill Bangladesh Limited (COEL)

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



Erectors House (9<sup>th</sup> Floor), 18, Kemal Ataturk Avenue,

Banani C/A, Dhaka-1213 Bangladesh

Tel: 880-2-9821418-9

Fax: 880-2-9821420

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