

Footwear Exchange



A platform of people worldwide who make the footwear, leather and allied industry work.

connect@footwarexchange.com



the
footprint

monthly newsletter by Footwear Exchange



EDITOR'S NOTE

Dear Readers,

Footprint February Edition is Launched!

As February 2025 unfolds, the leather, footwear, and allied industries are evolving with innovative developments locally and globally.

On the international front, the spotlight is on the rapid adoption of AI-driven production technologies, sustainable leather processing, and the growing influence of circular economy models in shaping the future of our sector.

Bangladesh's leather and footwear exports are breaking records, with new trade agreements opening doors to untapped markets. On the Other hand, Significant challenges are waiting in 2025 with high inflation, liquidity issues in the banking sector, and political uncertainty posing risks to the stability and growth of Investments. Demand of competitive labor and sustainable manufacturing practices are positioning our country as a key player in the global value chain. These achievements and challenges remind us of the resilience and innovation driving our industry forward.

This issue of *Footprint* explores these dynamic shifts, featuring insights into the latest trends, success stories, and strategies to navigate challenges in 2025. Our goal remains the same: to empower the industry with knowledge, foster collaboration, and spotlight the progress shaping our collective future.

Let's continue exchanging ideas and embracing opportunities for growth.

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India's "UNION BUDGET 2025" to make Leather & Footwear Industry on the Rise: What Challenge is waiting for Bangladesh

Important Update on Payment Periods for Importers

The payment period for importing **raw materials and agricultural inputs** has been extended from **180 days to 360 days**, offering greater flexibility in managing working capital and cash flow. This policy change is expected to benefit businesses by providing additional time to settle payments, encouraging smoother import operations. For the **footwear, leather, and allied sectors**, this extension will ease financial pressures, particularly for manufacturers importing raw materials like leather and chemicals, and support more efficient production cycles. It's a positive move that can foster growth and stability in these industries

LEATHER & FOOTWEAR BIZ INSIGHT

Banks can now open deferred import LCs for up to one year

This provision will remain in effect until December

- *Payment period for imported raw materials, and agricultural inputs extended from 180 days to 360 days*
- *Bangladesh Bank allowed delayed payments for imports to conserve foreign exchange reserves*
- *This facility does not apply to imports under Export Development Fund (EDF) loans*

SOURCE:
The Daily Star

Powered by
Footwear Exchange
Exchanging industry knowledge.

Source: The Daily Star

The Q4 edition of our quarterly magazine Leather and Footwear Hive is out now! Stay tuned for exclusive insights. Contact with Footwear Exchange to get your copy.

AVAILABLE *Now*

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2024 Year in Review
Looking Back at an Eventful year for The Economy,
Politics, and The Leather & Footwear Industry

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BATA Bangladesh has received 'Corporate HR Excellence Award 2024' by the Federation of Bangladesh Human Resource Organizations acknowledging its outstanding contributions to human resources management. The recognition highlights Bata's commitment to fostering a positive workplace culture and implementing innovative HR strategies in the footwear industry by setting benchmarks in talent management.



"Apex Golf Tournament 2025" was four day long, held at the Army Golf Club, Dhaka, from January 22 to 25. Organized by Apex Footwear Limited. The chief guest of the closing ceremony was General Walker-Uz-Zaman, SBP, OSP, SGP, PSC, Chief of Army Staff, Bangladesh Army, and Chief Patron of Army Golf Club.



Footwear Exchange has officially launched the Campus Ambassador Program 2025, aiming to engage students in promoting the industry. The entire month of February will be dedicated to the selection process, where candidates will be evaluated based on their skills and commitment. The chosen campus ambassadors will be announced on March 1. This initiative aims to empower young leaders and build stronger connections with the student community.



Syed Manzur Elahi, Chairman of Apex Footwear Ltd. has been elected as the Chairman of Mutual Trust Bank PLC (MTB). A renowned industrialist and two-time Adviser to the Caretaker Government, he has received multiple awards for his contributions to trade and industry. His leadership and expertise continue to shape Bangladesh's financial and business sectors



Decathlon Bangladesh has achieved EDGE ASSESS Certification, reaffirming its commitment to Diversity, Equity, and Inclusion (DE&I). This recognition highlights its efforts in creating equal opportunities, pay equity, and a truly inclusive workplace. Decathlon continues to empower teammates and foster a culture where everyone thrives.



Footwear Exchange is going to publish a special bulletin featuring a short interview with the President and General Secretary candidates of the LETS B election. The bulletin will highlight the candidates' vision, commitments, and credentials to serve the association in the near future. This initiative aims to provide voters with valuable insights to work for LETSB. The publication will serve as an essential guide for making an informed choice in the upcoming election.

As we enter 2025, the leather, footwear, and allied industries in Bangladesh face a series of pressing challenges. From political uncertainty surrounding the upcoming elections to inflation, banking issues, and labor strikes, these factors could significantly impact the sector's growth. The key challenges ahead and their potential effects on the industries need to be considered very carefully.

INFLATION RISK:

- Inflation has been identified as the biggest risk to Bangladesh in 2025, with the 12-month average inflation rising to 10.34% in 2024 (from 9.48% in 2023).
- IMF forecasts an average inflation rate of 11% in 2025, with the interim government targeting a 7% reduction by June 2025
- Since shoe developments and pricing are set one or two seasons in advance, fluctuations in the exchange rate can lead to potential losses and create uncertainty for manufacturers
- Production costs for raw materials and labor have surged due to highest interest rates, increasing the cost of manufacturing in the leather, footwear, and allied sectors.
- The devaluation of the Taka has raised the price of imported materials, adding further strain on businesses, especially export-driven ones.



BANKING SECTOR:

- Ten banks are technically bankrupt and illiquid. Many financial institutions in Bangladesh are grappling with liquidity crises, operational inefficiencies, and weakened public and business confidence.
- Non-performing loans (NPLs) have reached Tk 2.85 lakh crore, putting significant pressure on export and business which challenge might need to be faced in 2025.
- The central bank's backtracking on its commitment not to provide liquidity support to ailing banks has raised concerns about policy credibility.
- A task force is working on banking sector reforms, with the IMF closely monitoring the situation.



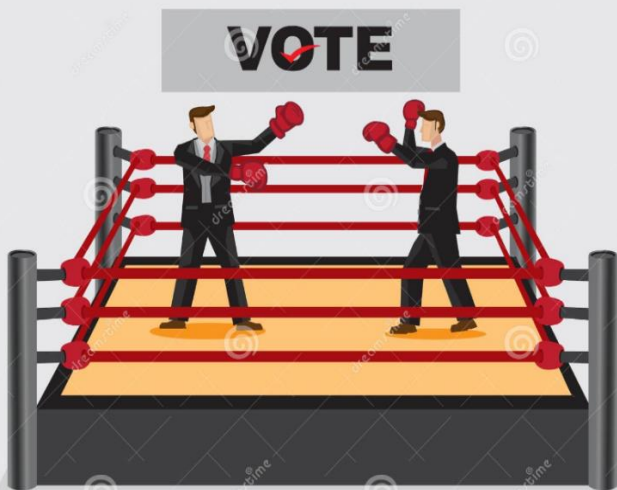
Source: The Daily Star, The Business Standard & WEF report 2025

POLITICAL UNCERTAINTY:

- Uncertainty over the national election timeline between end of 2025 to mid of 2026 will likely lead to political instability and Investment might be reduced expecting chaos and unrest related with national election.
- Due to overall law and order situation, workers' unrest could escalate, causing disruptions in production and delivery schedules.
- The police force, still grappling with a loss of public trust, will struggle to manage unrest and security issues in manufacturing areas, further complicating operations.
- Ongoing labor strikes and protests, similar to those seen in the past, may disrupt services and indicate difficulties in maintaining order, undermining business confidence.
- Unresolved political tensions could deter foreign investment, creating a climate of uncertainty and negatively affecting the overall growth of the leather and footwear sectors.

LEARNING LOSS:

- In every 100 graduates, 13 face unemployment, underscoring a growing gap between education and job market requirements, which may widen in 2025 due to persistent learning losses.
- The recent student unrest, Reformation of authority after July-August 2024 movements disrupted university operations, causing significant learning losses and delays in skill development.
- Prolonged academic closures can create a vacuum of skilled workers, particularly affecting industries like leather, footwear, and allied sectors, which rely on specialized talent.
- While the Education Reform Commission is addressing these challenges, the long-term effects of these disruptions threaten industry growth and economic stability in 2025.



Source: The Daily Star, The Business Standard & WEF report 2025

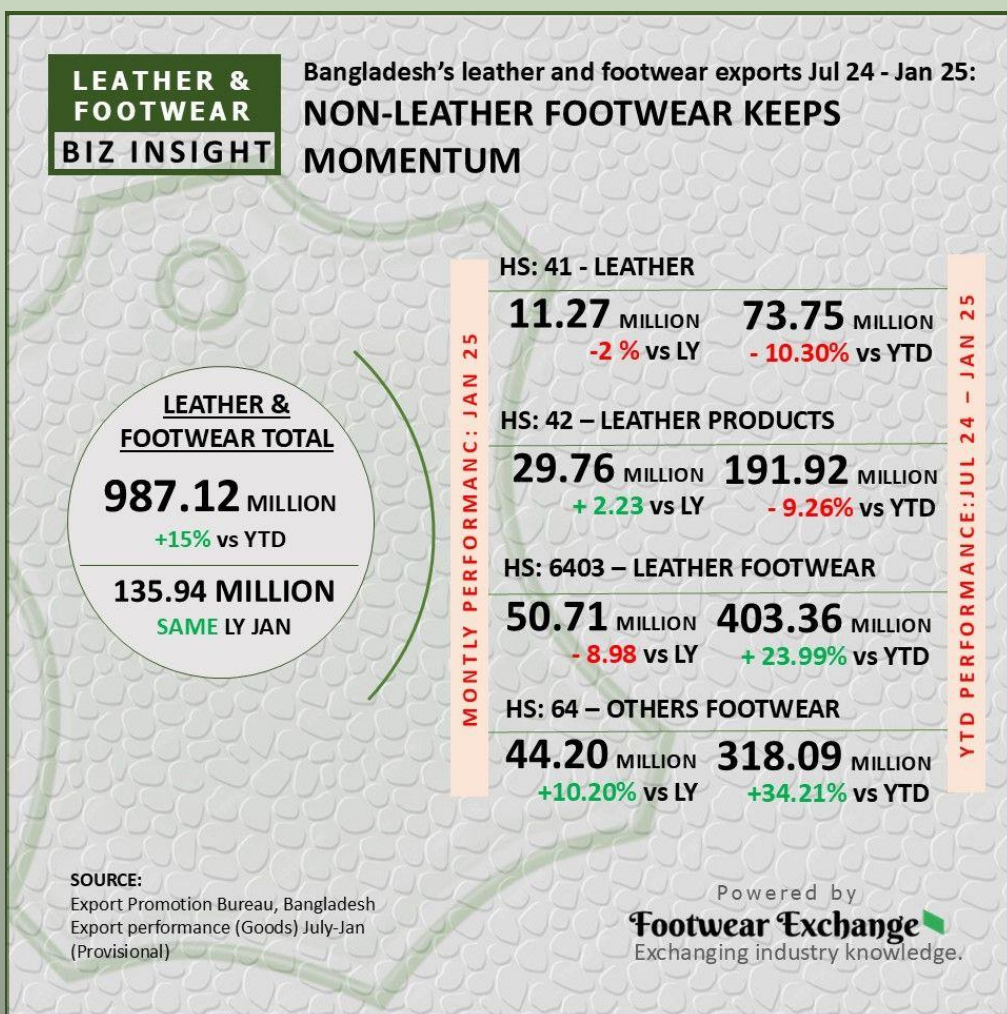
According to the Export Promotion Bureau of the Government of Bangladesh, Jul – Jan of fiscal 2024-2025, total leather and footwear exports reached 987.12 million US\$, which increased by 15%, on a comparable basis to the same period of last year. For the month of January 2025, it is 135.94 million, which is as same as January 2024

However, the finished and crust leather segment took the biggest hit. Though in Jan 2025, this segment hit only 2% of last year's Jan, in YTD, Bangladeshi finished and crust leather exports amounted to 73.75 million US dollars, which reflects a decline of 10.30% compared to the same period of the previous fiscal year.

Leather goods exports are another segment that shows a downtrend in the first seven months of the current fiscal year, reaching 191.92 million US dollars; which is 9.26% lower than the same period of the previous fiscal year. In Jan 25, it shows 2.23% higher than same in Jan 2024, amounting only 29.76 Million

On the other hand, leather footwear exports increased by 23.99% from the same period of the prior fiscal year, totaling 403.36 million US dollars. And a big jump of Jan 2025, a negative 8.98% lower than Jan 2024, amounting 50.71 Million US dollars.

Other footwear exports grew by 34.21% in the YTD level of the fiscal year, comparable to a similar period of last fiscal year, amounting to 318.09 million US dollars. Jan 2025 also showed as growth of 10.20% than Jan 2024, amounting 44.20 Million US dollars.



Source: Export Promotion Bureau, Bangladesh
 Export performance for Leather & Footwear 2024-25 July-January (provisional)

India's Union Budget 2025, presented by Finance Minister Nirmala Sitharaman on February 1, 2025, has introduced game-changing policies for the leather and footwear industry. These reforms are expected to position India as a global leader, significantly impacting its competitors—including Bangladesh.



Key Announcements from the Budget

The Focus Product Scheme has been launched to strengthen three critical areas:

- ✓ Enhancing design capabilities
- ✓ Developing component manufacturing
- ✓ Modernizing machinery

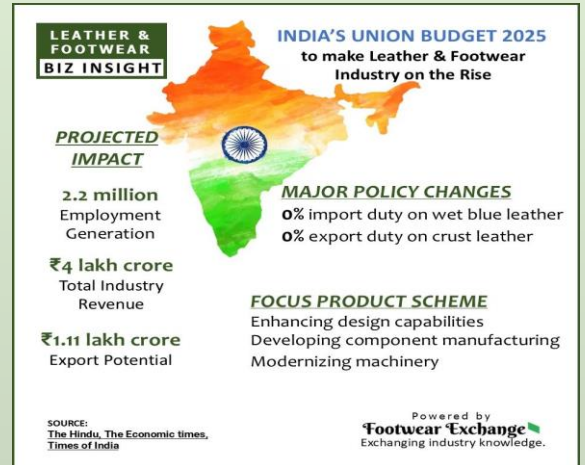
Additionally, major policy changes have been introduced:

- ◆ Import duty on wet blue leather reduced from 10% to NIL
- ◆ Export duty on crust leather reduced from 20% to NIL

These moves are expected to boost domestic manufacturing and enhance global competitiveness.

Projected Impact on the Indian Leather Industry

- ✔ Employment Generation: 22 lakh (2.2 million) new jobs
- ✔ Total Industry Revenue: ₹4 lakh crore (\$46.12 billion)
- ✔ Export Potential: ₹1.11 lakh crore (\$13 billion)



According to Mr. Selvam IAS, Executive Director of CLE, these reforms will increase India's leather exports from ₹3,000 crore to ₹8,000 crore (~USD 1 billion). These policy changes came at the right moment during the 38th Indian International Leather Fair (IILF) 2025, where many industry leaders expressed optimism about India's future in the leather sector. The removal of duties is expected to significantly ease operational costs and boost export competitiveness, making India a stronger player in the global market.

Why This Matters for Bangladesh

While these policies will fuel India's growth, they also bring challenges for Bangladesh:

- ◆ Stronger Competition: India's government-backed expansion could reduce Bangladesh's export share in leather and footwear.
- ◆ Shift in Raw Material Demand: With India focusing on non-leather footwear, its demand for Bangladeshi leather may decline.
- ◆ Pressure on Innovation & Investment: To stay competitive, Bangladesh must enhance product quality, invest in technology, and explore new markets.

For Bangladesh, this is a wake-up call. With India strengthening its hold on the industry, competition will be tougher than ever. The question is—can Bangladesh keep up?

Source: The Hindu, The Economic Times, Times of India

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We ensure that all our publication (digital or printed) and activities **reach maximum number of professionals** who are either related or working with Bangladesh leather, footwear and allied industry.

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