STOCKS		
DSEX	▲ 1.65%	4,513.89
CSCX	▲ 1.56%	8,337.26

COMMODITIES		
Gold ▼	$1,552.20	(per ounce)
Oil ▼	$62.30	(per barrel)

ASIAN MARKETS		
MUMBAI	▼ 0.66%	41,386.40
TOKYO	▼ 0.98%	23,795.44
SINGAPORE	▼ 0.60%	3,234.56
SHANGHAI	▼ 2.75%	2,976.53

CURRENCIES — STANDARD CHARTERED BANK

	$USD	€EUR	£GBP	¥CNY
BUY TK	83.95	92.24	109.61	11.99
SELL TK	84.95	96.04	113.41	12.60

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STAR/FILE

Big garment entrepreneurs have remediated their factories to global standards.

Small garment factories feeling the heat

Units closing thick and fast as export orders contract

REFAYET ULLAH MIRDHA

Rowshan Ali had everything going for him: a small sweater factory he set up in Demra on the outskirts of Dhaka in 2011 was raking in $2 million in export receipts every year.

So well was the humble factory with 350 workers was doing that he began to harbour hopes of expansion.

Just as he got off to executing his plan did he starting feeling headwinds: the price that foreign buyers were prepared to give him for knitwear started cratering and at the same time production costs were rising.

He started to feel the squeeze, which only intensified over time. Then finally in June last year, with a heavy heart he decided to pull the trigger on his business.

"The cutting and making (CM) charge now is unviable for me. So, I decided to shutter my unit for good," said a rueful Ali.

Ali is not alone. The list of such cases is getting longer by the day. Over the last four years, about 1,200 factories of that scale had closed down.

The small and medium garment factories mushroomed in the 90s to avail the quota system of international buyers.

Such openings started petering out from January 2005, when the quota system in apparel trade was eliminated with the final phasing out of the Multi Fibre Arrangement (MFA).

The MFA was an international trade agreement that imposed quotas on the amount of clothing and textile exports from developing countries to developed countries between 1974 and 2004.

Bangladesh made the best of this agreement: it was the springboard that sent the country to the number two spot in global apparel trade, grabbing

Small and medium-sized factories typically employ between 300 and 600 workers, whereas the large ones have workers to the tunes of thousands.

Those that survived in the post-MFA era are now finding the new order in global apparel trade beyond them.

Stricter compliance set by the Accord and Alliance after the Rana Plaza building collapse in April 2013 and the discontinuation of garment production in a sub-contracting units and shared buildings meant that these small and medium factories are dropping off from the international buyers' radar, according to industry insiders.

As many as 75 small knitwear factories -- including Ali's -- had closed last year, according to Mohammad Hatem, senior vice-president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

And another 61 garment factories had closed, rendering 31,600 workers jobless, according to Md. Rezwan Selim, director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the sector's apex trade body. Selim is responsible for labour affairs and monitoring the factory situation in the sector.

"The small factories do not have work orders as they cannot follow the strict compliance. So, they are failing to run their business anymore."

Moreover, the salaries of workers are increasing every year.

For instance, this January the factory owners have to increase the salary of workers by 7 per cent as per the provision of the labour law. The minimum wage was hiked 51 per cent to Tk 8,000 per month from Tk 5,300 in December 2018.

"Sometimes the situation turns so bad that the factory owners flee the country to avoid facing their workers -- they cannot pay the salary."

The situation will worsen for small and medium factories in the near future because of the ever-shrinking profits and work orders.

However, the bigger units can do good business as the Rana Plaza tragedy was a watershed for them, Selim said.

The big garment entrepreneurs remediated their factories to global standards.

Now, Bangladesh can boast having more than 100 LEED-certified (Leadership in Energy and Environmental Design) factory buildings. More than 500 such buildings are waiting to be certified by the by the US Green Building Council.

Of the world's top 10 greenest buildings, top six are in Bangladesh.

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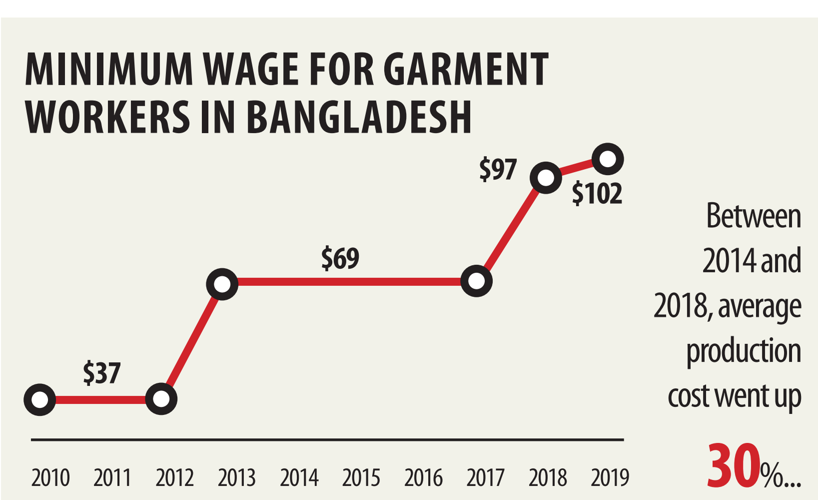

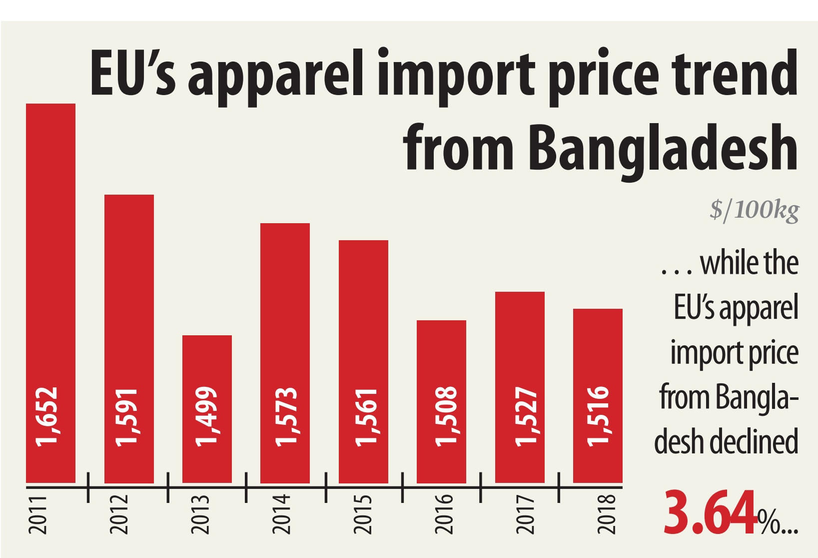

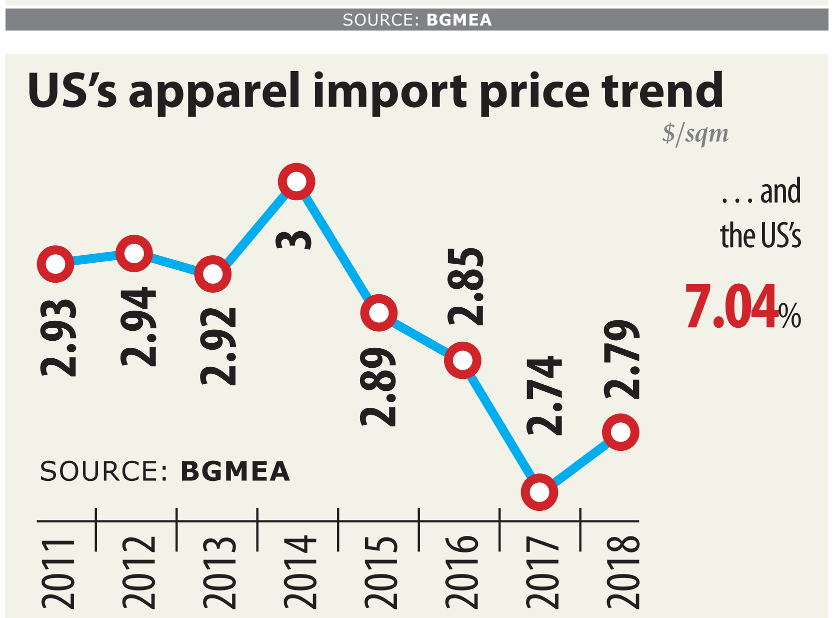

Symphony now meets smartphone demand from own plant

Plans to set up two more units, targeting export in 2022

MUHAMMAD ZAHIDUL ISLAM

A new era is dawning in the manufacturing industry as local companies are putting their best foot forward towards building a 'Made in Bangladesh' brand.

One such brand is Symphony, which is going neck and neck with foreign companies to grab a bigger pie of the smartphone market that was dominated by imports until recently.

The company is assembling about 1.5 lakh smartphones every month in its plant in Ashulia on the outskirts of Dhaka and has been meeting all its local demand from the plant since June last year.

The factory is also making basic phones at such a pace -- currently 1.25 lakh units a month -- that no imports would be required by the year end, said Jakaria Shahid, managing director of Edison Group, Symphony's parent company.

"We stopped importing smartphones last June and our target is to meet the entire local demand from our plant by December this year."

The plant currently manufactures about seven to eight lakh units of basic and smartphones every month, according to Shahid, also the general secretary of the Bangladesh Mobile Phone Importers Association.

In the face of rising demand, the company is working to expand the plant's capacity and build two more units, he told journalists, who were taken to Ashulia for a tour of the factory.

"The two new plants should be ready by 2022 and then we will seek to explore export opportunities."

Symphony, which has a market share of 30 per cent, is splashing out about Tk 100 crore for the three plants.

They also have a plan to make mobile accessories, which will go some way towards building a total value chain for mobile assembling.

"We will develop software, mobile applications and games as well, while the plants will churn out about two lakh units of accessories."

The factory is now adding 20 per cent value to the products and that will rise to 30 per cent over the next five years.

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MUHAMMAD ZAHIDUL ISLAM

People work at the assembly line of the Symphony plant in Ashulia yesterday.

Budget deficit crosses 5pc for first time in 11 years

Similar trend may continue this fiscal

STAR BUSINESS REPORT

Budget deficit went past the sensible limit of 5 per cent last fiscal year, for the first time in 11 years, largely because of lower-than-expected revenue collection, official figures showed yesterday.

The deficit, a situation when spending exceeds revenue, was 5.18 per cent in 2018-19, 4.05 per cent a year ago, according to the data released by the finance division.

The last time the fiscal deficit went past 5 per cent was in 2007-08 when it stood at 5.8 per cent.

For developing countries, a budget deficit is not unusual as the government needs to spend big on building infrastructure to shore up future economic activities. The government meets the gap between income and expenditure through domestic and foreign borrowing obtained as loans or grants.

But keeping the deficit within 5 per cent is recommended, and is in fact considered international best practice.

In Bangladesh, when the budget is drafted, a 5 per cent deficit is projected. The actual deficit turns out to be about 4 per cent every year as the ministries and divisions fail to use up their allocated funds.

But it was different in FY19, as shortfall in revenue generation pushed the budget deficit up.

The revised budget aimed to generate Tk 316,612 crore in revenues in the last fiscal year, but the government managed to earn Tk 251,873 crore at the end, down 20.44 per cent.

Collection by the National Board of Revenue (NBR) was Tk 218,610 crore against the target of Tk 280,000 crore.

Although the spending was down 13 per cent to Tk 384,624 crore against the planned Tk 442,541 crore, it was enough for the budget deficit to overshoot the target, according to a finance ministry report.

Low-cost foreign borrowing to bankroll the deficit financing declined compared to the target, while borrowing from the costly domestic sources went up.

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