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RMG a bright spot

REFAYET ULLAH MIRDHA

A series of events marked the outgoing year in the readymade garment sector that stayed on track, thanks to robust growth in exports. The early part of the year was not so bright. But orders for Bangladeshi garments poured in, with some Western economies shaking off recession jitters.

Cheap labour has also shifted the focus of the buyers from China to Bangladesh, and the sector has started diversifying its exports to be customised with the varied orders. Garment units spent much time than before in developing quality and designs for their buyers, both the existing and new. Some other new hopes also stirred the hearts -- Bangladeshi garments will get relaxed 'rules of origin' facility from the Europeans from January 1.

On the downside, workers' unrest for a better wage rocked the textile units, many a time. The workers also got a new minimum wage, although their satisfaction was mixed over what they got new.

The export witnessed a robust growth despite gas and power crisis, poor infrastructure and labour unrest.

The combined growth of knitwear and woven products marked a 36.36 percent rise in the July-November period compared with the same period a year earlier, according to Export Promotion Bureau data.

Knitwear exports worth $3.6 billion saw a 36.56 percent growth and woven products worth $2.89 billion registered a 35.83 percent growth, the data said.

Production was put in halt in many garment factories for some days following the labour unrest in the middle of the year. The government resolved the issue by setting the minimum wage for the workers at Tk 3,000 per month from Tk 1,662 before.

The government formed a six-member minimum wage board on January 14 to set the minimum salary, which came into effect from November 1.

The exporters, trade experts and government officials credited the growth to the recovery of Western economies from recession, cheap labour, new export markets, production of basic garment items and the buyers' shift from China.

Mohammad Abdullah, managing director of Nassa Group, said the orders from China are shifting to Bangladesh as the buyers get cheaper rate here.

"We are solving the power crisis installing generators," he said, adding that his group is expecting $300 million export revenue at the end of 2010 and $350 million in 2011, from 34 garment units.

Managing Director of Standard Group Mosharraf Hussain echoed the views of Abdullah, regarding the growth in export.

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But he said: "If we can't explore gas, the growth will stop at a certain point." His company exported garment items worth $180 million in 2010.

The export of RMG products increased mainly for recovery of the global demand, said Mustafizur Rahman, executive director of Centre for Policy Dialogue.

The Japanese government adopted the China plus one policy in 2008 to diversify markets and reduce dependency on China, the world's largest apparel supplier. As a result, Bangladesh is now enjoying a new but bright Japanese market, he said.

"But, we should remember that the export growth of this year is calculated on low-base that means the export was low last year. Sustaining higher growth will be a challenge."

Rahman said the manufacturers faced gas and power crises, but they took initiatives and started using alternative sources.

The prices of Bangladeshi garment items increased because the prices of raw materials like yarn and cotton rose worldwide. "The export growth is not only volume driven, but also value driven," he said.

Rahman called for properly using the relaxed rules of origin facility under the Generalised System of Preferences (GSP) given by the EU-27 to the least developed countries, from January 1.

"The relaxed rules of origin created ample opportunities, so we should increase the export of not only high-value knitwear, but also woven products," Rahman said.

The government should set a target to double the export and grab more shares in the global apparel market within the next five years through product diversification, efficient port management and lead-time reduction, the CPD researcher said.

At present the market share of local apparel products worldwide is nearly 4 percent, he said.

AM Hamim Rahmatullah, president of Foreign Investors' Chamber of Commerce and Industry (FICCI), also said the higher cost of production in China sent many buyers to Bangladesh.

"We need a long-term power solution; the manufacturers survived because of the electricity from their own plants," he said.

Monoj Kumar Roy, joint secretary (export) of the commerce ministry, said if there were no gas and power crises, the growth would be 50 percent.

He said the recession could not affect export because Bangladesh is strong in production of basic or low-end garment items.

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Meghna aims to double turnover, jobs

Mostafa Kamal, *in white punjabi*, chairman and managing director of Meghna Group of Industries, visits the company's site for expansion works in Narayanganj on Friday.

SAJJADUR RAHMAN

When many domestic businesses are stuck in energy crisis and have shelved new ventures or expansion ideas, Meghna Group of Industries has taken the risk of investing Tk 1,400 crore ($200 million) for expansion and setting up new lines of business.

Presently, the $1 billion turnover group, dubbed as the second biggest conglomerate after Abul Khair, has taken an ambitious plan of setting up a number of industries, including the biggest chemical factory in the country, a condensed and a powdered milk factory, a paper mill, a salt factory and a composite hatchery.

Also the group is marching fast with expansion of many of its existing industries. The list includes sugar and oil, flour, power, shipbuilding, mineral water, printing and packaging and cement production.

"Rising domestic demand and export potential have prompted us to take the risk of investing a huge amount," said Mostafa Kamal, chairman and managing director of the group.

Meghna Group started its business humbly by setting up a small vegetable oil mill in 1987 on a small piece of land at Meghna Ghat in Narayanganj. Now it runs over 25 industries on over 1,000 bighas of land.

The group runs on its own electricity of 34 megawatts generated in two units. Another unit of 25-megawatt capacity has already been built to meet the growing demand. The Prime Minister is expected to inaugurate the plant next month.

"The new industries and expansion of the existing ones will double our annual turnover and the number of employees in five years," said Kamal.

Presently, the group employs 10,000 people permanently and another 5,000 on makeshift basis.

Of the new industries, the chemical plant would be the most capital intensive. Nearly $40 million would be invested to build the factory that is expected to go for production in early 2012. The factory will produce import substitutes sodium hydroxide, hydrogen peroxide and liquid chlorine for textile mills.

The next big investment would go to a composite hatchery where breeding, egg producing and meat processing would be done on a land of 100 bighas. Acquisition of land is going on in full swing.

A state-of-the-art salt factory is being built with Swiss technology and machine. The condensed milk and powdered milk plants will have the capacity of 120 tonnes and 2,000 tonnes a day, while a soya seed-crushing factory will have 120 tonnes.

The group is also expanding a number of existing industries. The capacity of its sugar refinery is being expanded to 3,000 tonnes per day from present 2,000 tonnes. The flourmill's capacity will increase to 280 tonnes a day from current 150 tonnes.

The gram factory will double its capacity to 700 tonnes per day, and the oil refinery to 1,200 tonnes.

Also, the group is enhancing the capacity of its mineral water, feed, printing and packaging, shipbuilding, paper, cement bag and cement factories.

The cement factory will soon double its capacity to 7,000 tonnes per day to meet the growing demand of the product, according to the chairman of the group.

"We will pump nearly $50 million in two phases in 2011 and 2012 to expand the capacity of our cement factory," said Kamal. "We predict a lot of construction works will take place in the country."

The group seems to be lucky in terms of gas supply. When hundreds of factories around the country are facing gas shortage, the group is not to that extent, as the supply is better in the area where most of its plants are located.

Meghna Group that mainly produces in the name of 'Fresh' brand has paid over Tk 500 crore to the state exchequer in fiscal 2009-10. Presently, the group is supplying 15 megawatt of electricity to the national grid and another 10 megawatt will come next month from its new plant.

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Home loans for BB staff raised

REJAUL KARIM BYRON

Home loans for members of the central bank staff have been raised by 92 percent in view of an increase in the prices of land and construction materials.

Bangladesh Bank (BB) approved the proposal yesterday.

Such loans for officials on the highest salary scale has been raised by 87 percent to Tk 60 lakh. The present ceiling is Tk 32 lakh.

For the lowest tier, the ceiling has been increased by 92 percent to Tk 25 lakh. The present ceiling for the staff of this level is Tk 13 lakh.

The home loans are given to the central bank staff in five categories.

Migrant jobs on the decline: study

STAR BUSINESS REPORT

The global economic downturn cut the number of Bangladeshi migrant workers by 17.86 percent in 2009, a recent research has revealed.

The year 2010 saw the decline in the number of skilled migrants and a rise in unskilled, said the research titled Pattern and Trends of Labour Migration 2010: Achievement and Constraint.

However, the other Asian countries could maintain a growth trend.

A notable downturn has started in the remittance flow beginning from the second half this year, it said, adding that such a fall is quite detrimental to the country's vision of becoming a middle-income nation.

The findings of the study were presented at a press conference in Dhaka yesterday.

It also suggested Bangladesh should go for an aggressive marketing approach in finding new destinations for its migrant workers to come back from the declining trend.

The country must shrug off its traditional bureaucratic tangles in exploring new labour markets, said the researchers who conducted the study.

The interest of the migrant workers should come to the fore in the government's sixth five-year plan, said the study conducted by Refugee and Migratory Movements Research Unit (RMMRU).

Tasneem Siddiqui, chairman of the research organisation, said: "Measures should be taken to make the recruiting agencies accountable, while they can also be rewarded for their performances."

The study said, although three banks are currently providing specialised loans to the migrant workers, the system is yet to become fully effective due to high interest rate as well as a lack of integrity of the filed level employees of the banks.

In such cases, the banks can work in collaboration with non-government organisations to reach the grassroots, it said.

BB targets mass solar power

STAR BUSINESS REPORT

Bangladesh Bank (BB) has directed commercial banks to provide loans for installing solar panels in residential, commercial and industrial buildings.

The BB sent a circular to the banks yesterday, asking them to come up with a scheme under which borrowers will get such loans at a 10 percent interest rate. The central bank said the banks can fix as high as 10 years as deadline for repayment.