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# Buyers' take on apparel

REFAYET ULLAH MIRDHA

**P**OSH areas in the city, like Gulshan Avenue, Banani and DOHS, have already lost their residential status for the overgrowing number of offices in those exclusive zones.

The areas are now abuzz with local and international offices where hundreds of executives, including foreigners, are working everyday. A majority of the offices present there are garments buying and accessories sales offices. They prefer to operate there for the high standards of civic amenities available there.

The number of international garments buyers opening office in Dhaka shows that they are shifting their attention here as other competitive countries have already turned into costly destinations for outsourcing.

Recently, almost all international garments brands have opened their liaison offices or are lobbying with local partners to open a new office in Dhaka, to buy garment items at prices lower than other competing nations.

Bangladesh is already a popular destination for low-priced garment items. The country exported \$10.26 billion in the first six-months of the current fiscal year, compared to the same period last year.

Of the total value of exports, the country's main foreign currency earning, knitwear, contributed \$4.31 billion and woven garment products' contribution was \$3.63 billion,

registering 43.39 percent and 40.79 percent growth during this period, compared to the same time last year.

The export growth of ready-made garment (RMG) products registered 41 percent growth.

With recovery from the global financial recession, western buyers operating in Bangladesh have also increased the volume of orders placed with local manufacturers.

A German buyer said a majority of the western countries is rising with recovery from recession. "We are also increasing purchases from Bangladesh."

International buyers are placing a substantial number of orders with Bangladeshi garment manufacturers because China, the world's largest apparel supplier, is losing its competitiveness.

China suffers from a shortage of labour and higher costs of production. Moreover, China is now shifting focus to industries other than the garments sector, he added. "So far the business trends in apparel products are positive," said the senior official of the brand, requesting anonymity.

"Demand of T-shirts is higher among the German customers. This is why we concentrate on T-shirts," he said.

"I do not know whether it is possible to export garment products worth \$30 billion within the next three years, but business will go very close to this figure as international buyers are placing orders," he



Global brands at Hamid Fabrics Ltd in Narsingdi.

AMRAN HOSSAIN

*'But a smooth supply of gas and power is a must for sustainability in the industrial sector. Political sustainability is also important'*

added. Bangladeshi garment manufacturers are upbeat on achieving the \$30 billion export mark within the next three years.

However, an inadequate supply of gas and power to the industrial sector is a major problem for Bangladesh. Sometimes, international buyers cannot make deliveries on time because they received goods late from the factories.

"The country needs to improve infrastructure for long-term business," he said.

A senior official of a Spanish brand said buyers are coming here because they are confident that the country is capable of carrying out the orders.

"The international buyers' level of confidence on Bangladesh's capacity has gone up in the last five years, which is an important factor for business growth," he said.

In the next five years, the apparel business will run smoothly, he added. He said his company is also increasing purchase volume from here.

"But a smooth supply of gas

and power is a must for sustainability in the industrial sector," he said. "Political sustainability is also important."

K I Hossain, managing director of a local buying house, Total Apparels, said many buyers are approaching the nation because they have little choice in terms of the price factor. Bangladesh is still able to supply clothing items at lower prices, compared to other competing nations for cheap labour, he added.

"But, Bangladesh is lacking in skilled manpower development, production capacity and managerial capacity, to cater to so many orders from international buyers," Hossain said.

However, the owner of the buying house disagreed on the reasons behind why exports registered such high growth during July-December. It was for a rise in the value of the products for price hike of raw materials worldwide, Hossain said.

He said Bangladeshi manufacturers make garment items by importing raw materials like cotton and yarn at higher

costs. "Since the prices of garment raw materials have recently gone up worldwide, our profit margin has gone down even though the buyers have increased the prices of products to some extent," Hossain added.

After bank loans at 13-14 percent and other costs are deducted, retention from the garments business is very low, he said.

A senior official of Swedish IKEA said the international buyers are paying more because of a price hike of raw materials. Bangladesh could have exported more if the production capacity in factories was not hampered by an inadequate supply of gas and power, he said.

"We are increasing volumes by 30 percent a year. But we do not buy the products from the factories that do not comply with our standards," he said. Buyers' interest might not last long in Bangladesh if the country does not properly address the labour and environmental issues, he added.

Local apparel exporters are upbeat on further growth because Bangladesh started enjoying a zero duty-benefit in the European Union for Eurozone's relaxation of Rules of Origin under its Generalised System of Preferences from this year.

Qayum Reza Chowdhury, president of Bangladesh Garment Buying House Association (BGBA), said the cost of production in China and Cambodia has gone up. As a result, buyers are coming to Bangladesh, he added.

"We have orders from international buyers. We are now booked for a long time, but lack sufficient capacity to carry out all the orders."

If the manufacturers want to carry out the orders based on overtime, it will still not be possible because of the inadequate supply of power and gas in the industrial units, he added.

"We are looking for improved infrastructure as well."

reefat@thedailystar.net



# Hopes build on no-duty access

REFAYET ULLAH MIRDHA

**S**TATE-owned Export Promotion Bureau (EPB) started issuing the generalised system of preferences (GSP) certificates to garment exporters on January 1. This certificate would give them a zero-duty entry to Eurozone.

As per the European Union's (EU) decision, Bangladesh will get a zero-duty facility to the EU from now on under the GSP facility. "We started issuing certificates from January 1 so that the country does not face any hurdles in getting the facility," said EPB Vice-Chairman Jalal Ahmed.

The biggest change is that single-stage processing (manufactured from fabric) will be allowed in many cases, instead of only two-stage processing (manufactured from yarn).

It means most apparel items from all least developed countries (LDCs) will get duty-free access, no matter where the raw materials originate. The standard import duty for readymade garments in the EU is 12 percent.

Before January 1, apparel exporters used to use local fabric to get the zero-

tariff facility to EU under the GSP. However, with the latest move, exporters will get the facility even if the products are exported and manufactured from imported fabrics, but are originated in Bangladesh.

The GSP is a trade arrangement allowing reduced or zero tariff on imports from developing countries; and the rules of origin determine whether imported goods really do originate in the countries covered by the GSP.

"The rate at which certificates are issued is higher in January than previous months because the exporters are upbeat on exploiting the facility given by the EU," Ahmed said.

Ahmed said Bangladesh exported knitwear items worth \$4.71 billion and woven garment products worth \$2.47 billion to the EU in fiscal 2009-10. In the same time, the country exported knitwear items worth \$891 million and woven garments worth \$2.73 billion to the US.

"We are expecting higher growth in both knitwear and woven garments to the EU from now because of the latest EU move on GSP," Ahmed added.



Workers at a garments factory in Gazipur.

AMRAN HOSSAIN

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## Correction

In a report "Credit cards popular, but still largely untapped" published in Star Business on January 24, it was inadvertently mentioned that the number of credit cards by The City Bank stood at 40,000. The correct number is 92,000, including Amex and Visa credit cards. City Bank is the second biggest player after Standard Chartered Bank Bangladesh in the credit card market.