

Ready Made



Garments

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# Garment orders may slow down

REFAYET ULLAH MIRDHA

**G**ARMENT makers see a slowdown in orders from international buyers who have now taken a wait-and-see stance as the prices of raw materials are on the slide worldwide pushing the outsourcing agents to rethink about the prices they would offer.

The buyers of all brands are waiting to see where the prices of cotton and yarn reach, because prices of basic raw materials are on the decline following a slide in demand in the manufacturing

countries, businessmen said.

Last year the buyers increased the prices of garment items sourced from Bangladesh to adjust the higher prices of raw materials, but this year the prices of those materials are declining.

Following the trends among the buyers, the garment makers are saying the next three months -- July, August and September -- will go dull.

"But the orders will pick up momentum from early October. The buyers are now studying the price trends of cotton and yarn," said Mohammad Abdullah, managing



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director of Nassa Group.

He said the cotton price might become stable within another 15 days as the price of the fibre is now hovering around one dollar from its peak at \$2.35 per pound in March.

Cotton is now trading at rates between \$1.17 per pound and \$1.13 per pound at futures market in New York. Yarn price also declined to \$4.50 per kg from its \$7 per kg a few months ago.

The international buyers either stopped placing orders or went for short buys when they saw that the prices of raw materials including cotton and yarn started declining, Abdullah said.

The buyers paid at least 40 percent higher price for each unit of garment item last year to adjust the higher prices of raw materials, but this year they might cut the prices to adjust with the lower prices of raw materials, he said.

As a result, cutting and making charges for garment items will either remain the same or in some cases will increase, but the overall prices of per unit of garments will decline to a

measure, he added.

The export of garment items might rise in volume this year as the orders from China, the largest apparel supplier worldwide, are shifting to Bangladesh for higher costs of production there, Abdullah said.

The orders from other competing countries such as Turkey and Pakistan are also shifting to Bangladesh for other reasons, he said.

Moreover, orders are pouring in Bangladesh from new destinations like Japan, South Africa, Australia, New Zealand and some Latin American countries, he said.

Shafiqul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association, said the issuance of certificates of utilisation declaration declined nearly 15 percent in July from June.

"This indicates that there might be a slowdown in orders for the garment items in July, August and September although there is good indication that it should change for better from October onwards," he said.

Mohiuddin also said, besides the higher prices of raw materials, the

overall sales of clothing items declined in the EU market for bad economic situation there and for higher prices of petroleum products.

A German buyer having office in Dhaka said generally orders decline in the months of July, August and September every year.

"The trend is good. The price slump of raw materials is also a factor. The export growth of garments from Bangladesh may continue to be higher this year also," said the German buyer, requesting not to be named.

Price slump of cotton and yarn is true to some extent, but this is a lean season as people are seeing changes in fashion and styles in different countries in Eurozone, he said.

"You will see a lot of fashion shows nowadays in Italy, France and other European countries for changing fashion and style," the buyer said.

Now the buyers will choose the styles from different fashion houses to place orders to the manufacturers for execution, he added.

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# Garment makers open liaison offices in HK

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**M**ANY Bangladeshi garment entrepreneurs are opening their liaison offices in Hong Kong to ensure easy and quick services in businesses, said the industry insiders.

The RMG sector entrepreneurs are getting interested to open new offices in Hong Kong also for geographical proximity with China, the largest apparel supplier worldwide, said a businessman. Bangladesh is largely dependent on Chinese fabrics for making the exportable garment items.

The Bangladeshi entrepreneurs have come to understand that Hong Kong is a hub or platform where the western buyers, Chinese fabric manufacturers and Bangladeshi RMG exporters meet conveniently, the businessman added.

Moreover, representative of many internationally renowned apparel brands prefer to stay either in Hong Kong or Singapore to execute business deals rather than flying down to Dhaka, said an entrepreneur requesting anonymity.

The business facilities are better in Hong Kong than Dhaka. As a result many Bangladeshi entrepreneurs now like to open a liaison office there, he said.

"As a sourcing country, the garment business for Bangladesh is closely related with three important elements

-- products, delivery and comfort level," he said. The buyers can easily avail all the required services from Hong Kong, he added.

The Hong Kong offices are mainly operated by either Bangladeshi born citizens living in Hong Kong or by Chinese people as they know the language and have experience of maturing business deals, he added.

Having foreign offices of any local company strengthens the supply chain management for smooth running of business, said another garment exporter.

Majority of the offices are opened under joint venture initiatives to avoid hassles of seeking and getting the government permissions, the exporter added.

Payment to officials and employees is borne by the partners, as Bangladesh government does not allow expatriation of foreign currency beyond a certain amount.

At least 20 offices of various Bangladeshi garment manufacturers have already been opened in Hong Kong for facilitating services in businesses, he said.

Migration is a problem in Hong Kong, said a Bangladeshi garment manufacturer who has recently closed his office there.

"I appointed some Bangladeshi nationals living in Hong Kong, but after a few years they opened their own offices and I faced acute shortage



T-shirts and jerseys are on display at a garment factory in Gazipur.

of skilled manpower. Due to some more associated problems I closed the office eventually," he said.

Asked, Ahmed Jamal, general manager for the foreign currency policy department of Bangladesh Bank, said the entrepreneurs can open their offices in a foreign land and they can

take \$10,000 out for expenses annually.

"We have conferred a general authorisation to both the public and private commercial banks for allowing the amount to be spent for offices," Jamal added.

Bangladesh Bank allowed the amount for the expansion of their

businesses in foreign land, he said.

If they need more than the amount, they need to take permission from the central bank, he said adding so far the central bank did not receive any such application from the entrepreneurs.

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