Ready Made RMG Garments

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Exporters ride past global downturn

LOOKING BACK 2011

REFAYET ULLAH MIRDHA

BANGLADESH exports survived the global financial crisis in 2008, helped by basic garment products. In the following years, the country's ready-made garment exports weathered out fallout from the global recession and grew nearly 42 percent in fiscal 2010-11.

The growth rate was highly appreciated at a time when the world was in economic pain; Bangladesh was one of the few countries that witnessed exports in the positive territory.

At the same time, the country turned into the world's second largest apparel supplier, after China. Garment exports stood at $17.91 billion in fiscal 2010-11, taking up more than 78 percent of overall exports.

Of total apparel exports, knitwear accounted for $9.49 billion, while woven was $8.43 billion in fiscal 2010-11.

In the first five months (July-November) of the current fiscal year, Bangladesh exported knitwear goods worth $4.0 billion and woven garments worth $3.57 billion.

However, exporters are predicting a double-dip recession for the debt crisis in the EU, which might hurt the growth of exports to the Eurozone, the largest garment export destination for Bangladesh.

Exporters aim to achieve apparel exports above targets, beating the debt crisis, riding on exports to new destinations -- Japan, South Africa, Russia, Brazil, Chile, Mexico, New Zealand, Australia and India.

Moreover, product diversification and arrival of high-end customers like Adidas, Hugo Boss, Tommy Hilfiger, s.Oliver, Olymp and Next will play a positive role in helping exports grow above the target for 2012.

Having enjoyed a significant rise in exports in fiscal 2010-11, the commerce ministry set the target higher at $20.36 billion -- knitwear garments at $10.80 billion and woven products at $9.56 billion.

Both the primary textiles sector and RMG sectors witnessed a sluggish investment trend in 2011, mainly for the inadequate supply of gas and power. Many industrial units cannot go into operations for the lack of gas and power connections

AMRAN HOSSAIN

Workers are pictured at a garment factory in Gazipur. Apparel buyers look to Bangladesh as a future sourcing hotspot as orders are moving out of China.

Garment makers said export growth depends on the adequate supply of gas and power, a pool of skilled manpower for mid-level management and efficiency in port management and good infrastructure.

Exporters also often complain about the frequent hikes in petroleum prices, higher transportation costs, traffic congestion, workers' unrest, soaring inflation, and internally, the list is seemingly unlimited.

Along with the internal factors, some external factors that may affect garment exports are the European debt crisis, proposed duty-waiver facility for 75 Pakistani products to the EU, higher prices of raw materials like cotton and yarn, and different tariff, para-tariff and non-tariff barriers to new export markets like India and Russia.

The year 2012 will be a determining period to grab the exporter orders shifting from China, the largest exporter of apparels globally, as countries like Bangladesh, Vietnam, Indonesia and Cambodia are likely to be benefited.

China is losing its market to competitors for higher costs of production and a shortage of workers in the sector.

Bangladeshi garment exporters are eyeing to be the number one supplier in the coming years, although the country does not have basic raw materials and machinery backup.

In the beginning of the year, EU relaxed the Rules of Origin (RoO) under the Generalised System of Preferences (GSP) from January 1 -- it became a boon for garments and a bane for the primary textiles sector.

Similarly, Japan, Norway and Switzerland also relaxed the RoO for the least developed countries (LDCs) in the beginning of the current calendar year.

In February-April, cotton and yarn prices went up to record levels at $2.35 a pound and yarn at $7.0 a kilogram.

In the middle of this year, Bangladesh bagged a duty-free entry for garment products to India. The opened a window of opportunity for local apparel makers.

In October, the US again granted a GSP facility to its market for some selected products, like sleeping bags, at the end of September.

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The government announced an additional five percent cash incentive for the spinners who incurred losses importing high-priced cotton from the world market.

KM Rezaul Hasanat, chairman and managing director of Viyellatex Group, said at the end of the current fiscal year, garment export growth might cross 15 percent, slightly above target.

But growth will speed up from January, as orders from China are shifting to Bangladesh. "The year 2012 will be the determining year to double garment exports within the next few years," he said.

Anwar-ul-Alam Chowdhury Parvez, former president of Bangladesh Garment Exporters Association, said five to six percent growth might take place at the end of the year for a volatile global economic situation. But he is hopeful about a rise in apparel exports from May-June.

"I do not expect a higher growth rate in 2012. A moderate growth rate hovering around 16 to 18 percent is possible, as the EU debt crisis is yet to be overcome," Zaid Bakht, research director of Bangladesh Institute of Development Studies (BIDS).

reefat@thedailystar.net

RMG exports to India buoyant on duty waiver

REFAYET ULLAH MIRDHA

GARMENT exports to India will surge, thanks to the duty-waiver given by the Indian government to Bangladesh, exporters said. All depends on a proper use of duty-waiver for all garment products from Bangladesh, they said.

In July-October, Bangladesh exported woven garments worth $16.41 million, which was $8.31 million in the same period last year.

Knitwear exports stood at $6.69 million in July-October, which was $2.52 million in the same period a year ago, data from the Export Promotion Bureau showed.

India's growing middle-class consumers are the main customers of the basic garment items from Bangladesh, industry insiders said.

In 2010-11, Bangladesh exported goods worth $512 million to India, 68 percent up from $304 million in 2009-10, EPB data showed. Of the total amount, woven and knit garment items accounted for $80 million.

Knitwear exports to India stood at $2.54 million and woven garments at $9.99 million in 2009-10, while it was $1.7 million and $10.25 million in 2008-09, EPB data showed.

M Nasir Uddin, chairman of Pacific Jeans that has been doing business with India for a long time, said garment exports to India are increasing from Bangladesh, especially after duty-waiver.

If a smooth supply chain management system is introduced, the export of garments from Bangladesh will increase manifold to India, he said.

"If India allows retail chains like Wal-Mart and Tesco into its market, the export of garment items from the country will see amazing growth," he added.

The Indian government recently backtracked on its decision to allow the entry of multi-brands in Indian retail marketing. Both the governments should work to smooth trade by removing some barriers, the chairman of Pacific Jeans said.

Bangladesh should explore the vast Asian markets also, besides the traditional EU and the US markets, he said, adding that China is losing its competitiveness in the apparel business for higher costs of production and a shortage of workers.

As a result, four countries, including Bangladesh, Vietnam, Indonesia and Cambodia, will be benefited, he added.

Javed Chaudhury, managing director of Generation Next Fashion Ltd that has business with India, said garment exports from his company are not picking up at expected level.

"It might be a weakness of marketing of the company in India, as the company is busy with other markets," he said. But, definitely, there is immense potential for exports to the India market, he added.

He said Bangladeshi garment exporters can be benefited by the devalued rupees against the greenback by exporting garments, he added.

India will be a big market for Bangladeshi garment products, as the export is increasing mainly for two reasons -- the duty waiver facility and massive reforms in the Indian retail marketing system -- said Faruque Hassan, vice-president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

A high-powered business delegation paid a visit to India on November 24-25 to explore the Indian market, Hassan said, adding that local industrial conglomerates like Reliance and other groups are opening a significant number of retail outlets across India.

As a result, the potential for garment exports to India is high. He said at the end of the current fiscal year, garment exports to India will cross $100 million and within five years, it will cross the one billion dollar mark. The Bangladeshi team also visited other major retail outlets in India, he said.

During his visit in September, Indian Prime Minister Manmohan Singh announced a duty-waiver for 46 garment items from Bangladesh and later opened up the market fully to the LDCs.

Demand for shirts is high in India although India itself is one of the strong players in global ready-made garments.

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