

Future bright for RMG sector after record year



Mostafiz Uddin is the managing director of Denim Expert Limited, and the founder and CEO of Bangladesh Apparel Exchange (BAE) and Bangladesh Denim Expo.

MOSTAFIZ UDDIN

The future looks bright for Bangladesh's RMG sector after a period of profound uncertainty due to the global pandemic. The latest apparel export figures show that, despite the coronavirus pandemic and global lockdowns in key markets, Bangladesh set a new record for apparel exports in the 2021 calendar year.

Bangladesh exported garments worth USD 3.8bn in December 2021 and this took the annual export figure to USD 35.57bn. This figure was USD 2.5bn higher than the previous record of USD 33.07bn which was set in 2019.

That Bangladesh RMG exporters have been able to bounce back so spectacularly from the economic tsunami of 2020 offers an indication of their tenacity, resilience, and ingenuity. These characteristics will be vital in the years ahead as the RMG sector seeks to adapt and innovate in line with shifting customer demands and a broader societal move towards more responsibly and sustainably produced products.

So, what does the future hold for Bangladesh's RMG sector and how significant will our industry be in terms of Bangladesh's broader economic growth prospects?

First of all, some perspective. In terms of exports, the RMG sector contributes around 83 percent of all export earnings for Bangladesh. This figure tends to vary from year to year but has been in the 80s for several years now.

With regards overall Gross Domestic Product (GDP), the RMG sector's contribution to overall GDP is around 11-12 percent, and the trend for this figure has been downwards in recent years. This is an issue which we need to address because



Over the next 12-18 months, I expect our industry to consolidate on the successes of 2021 and continue to grow export revenues. PHOTO: STAR

although our industry is a vital source of exports and job creation and has helped put Bangladesh on the global economic map, it's actual contribution to GDP is relatively small.

In considering the future of the industry, we must ask ourselves how this poor GDP contribution level can be addressed.

The issue, which is well recognised, is that export earnings from the RMG sector are mainly dependent on four to five basic products, including T-shirts, sweaters and other knitted products. There is a very high dependence on cotton-made products and less use of man-made fibres, particularly high value fibres such as viscose.

This lack of a diversified product base coupled with relatively low rates of private research and development and reinvestment have held our industry back and hitherto prevented it from fulfilling its true potential.

To achieve this potential in the coming years and remain globally competitive, the RMG industry needs to take a number of steps.

First of all, RMG manufacturers need to adopt a more long-term approach by investing more in research and development and in new growth areas such as technical textiles. Investing in higher value areas, where products are more specialised, will enable garment makers to attract a higher price premium and put them in a better bargaining position with fashion buyers.

We have seen other countries, notably China, diversify into higher added value garment production and this is the next logical step for Bangladesh. This in turn will also enable the RMG industry to make a higher contribution to GDP and living standards.

The second area to consider is speed and agility. Faster, faster, faster is the mantra in our industry right now. The move to digital purchasing, which is

progressing at lightning speed—and has increased due to lockdowns—means fashion buyers are looking for increased speed and agility from their garment makers.

We should closely watch stories such as that of Shein, the Chinese online brand here. This brand works closely with a select group of suppliers in China, all within two hours of its HQ, which provide it with rapid turnaround times and ensure Shein can quickly have the latest fashion trends up on its website.

Bangladesh garment-makers along with the government and other industry stakeholders need to consider how we can increase speed to market for our products. This will include internal investments at individual factories as well as broader investment by policymakers in tackling port congestion, improving logistics



infrastructure and reducing lead times.

How else can we be more competitive? As well as increasing quality and speed, another area of focus must be sustainability. The issue of sustainability actually ties in with costing and price and the required move towards higher added value products discussed above.

Increasingly, I am seeing more and more buyers demanding that their vendors produce products responsibly and sustainably. Many buyers now ask that their suppliers adhere to certain standards or eco-textile labels governing social and environmental standards. Therefore, from a purely practical standpoint, it is imperative that all suppliers in Bangladesh look to adhere to the highest possible production standards in the coming years. These will increasingly become a "must have" or prerequisite of doing business in our industry moving forwards.

But sustainability also offers an opportunity and should not simply be viewed as a burden. Manufacturers can embrace sustainability in areas such as recycling, including recycled product lines, to provide them with a competitive advantage and enable them to attract a premium price for their garments. This may mean forging relationships

▲ Bangladesh exported garments worth USD 3.8bn in December 2021 and this took the annual export figure to USD 35.57bn.

PHOTO: STAR

and entering into partnerships with technology companies in the coming years. More than ever, this is a global industry and having an outward facing, international mentality will be vital if our sector is to continue growing moving ahead.

The fourth issue we need to focus on is branding, marketing and public relations. On this front, we are already seeing excellent signs with regards the increasingly vocal and outward facing nature of our BGMEA which is becoming a thought leader on the global stage for textile production. The BGMEA gives us a voice in the global industry and helps us as garment manufacturers to put our best foot forwards.

The old days when our garment industry was somewhat passive need to become a thing of the past. We cannot allow others to shape our destiny, whether

My hope is that buyers will not forget the past 12 months, when Bangladesh garment-makers were able to deliver the goods often in the most trying of circumstances. All of this should stand us in good stead for the future.

I started this article by asking what the future holds for Bangladesh's RMG sector and how significant our industry will be in terms of Bangladesh's broader economic growth prospects.

To end, I will reflect specifically on this question with consideration to both short-medium term and long-term prospects.

Over the next 12-18 months, I expect our industry to consolidate on the successes of 2021 and continue to grow export revenues. The hope must be that some of the orders we have won from competitor nations will become permanent business relationships and that we can carry on building more business on top of these. In short, I believe we will reap some of the benefits of the hard work and perseverance we have displayed as an industry while a global pandemic raged around us.

One caveat to the above would be the global economy. While the pandemic is almost behind us, the fallout from it could be long and far-reaching. Many of our export markets are in serious debt right now due to huge increases in public spending to tackle the pandemic. Recessions may be around the corner for countries within the EU and the USA and, if economic downturns do occur, these will impact discretionary spending on products such as clothing. This is one concern and an issue I will be keeping a close eye on in the coming months.

Inflation is another issue I expect to see in the short to medium term. Price inflation has become a real bugbear in our industry during 2022, with increases in raw material and commodity prices reverberating through supply chains. High costs are placing pressure on us as garment-makers and we must stand firm with buyers and ensure some of these costs are passed on; we simply cannot afford to absorb them all ourselves.

As to the long-term, my expectation is that Bangladesh will, within this decade, take over the mantle of China as the world's leading clothing sourcing hub. I believe we will do this by becoming a global leader in factory safety, sustainability, speed, responsiveness and product flexibility.

This may sound like a bold claim to make, but the experiences of the past 18 months tell me we have the characteristics to overcome any obstacle which is thrown in our path. The way in which we have faced the challenges of the pandemic with intelligence, agility and a "can-do" mentality should serve as a caution to all our competitors: the Bangladesh RMG juggernaut has only just got started.

In the past 12-months, many garment production hubs have come to a virtual standstill. In the likes of China and Vietnam, logistical issues and industry lockdowns have seen their textile sectors grind to a halt.

that be through negative news reporting or providing misleading information about the current state of our industry.

We have to take the bull by the horns and do our own talking, by shouting from the rooftops about what we can offer. In short, world class garment production in the safest garment sourcing hub in the world, with a reputation for reliability, consistency and responsiveness. The first of these points—reliability—should be emphasised here. In the past 12-months, many garment production hubs have come to a virtual standstill. In the likes of China and Vietnam, logistical issues and industry lockdowns have seen their textile sectors grind to a halt. In Myanmar, a military coup has led to deep mistrust among buyers who are weary of even entering the country. The same story is to be found in Ethiopia, where a civil war has undone much of the progress of that country's fledgling textile industry. A couple of major fashion retailers have ceased sourcing from Ethiopia in 2020.

Amid all of this, Bangladesh has been a safe pair of hands. Some NGOs have been critical of our industry for continuing production during the pandemic, yet the decision to press on with business as usual where possible—and with stringent safety policies in place—has paid great dividends.

▲ Bangladesh garment-makers along with the government and other industry stakeholders need to consider how we can increase speed to market for our products.

PHOTO: STAR

Manufacturers can embrace sustainability in areas such as recycling, including recycled product lines, to provide them with a competitive advantage and enable them to attract a premium price for their garments.