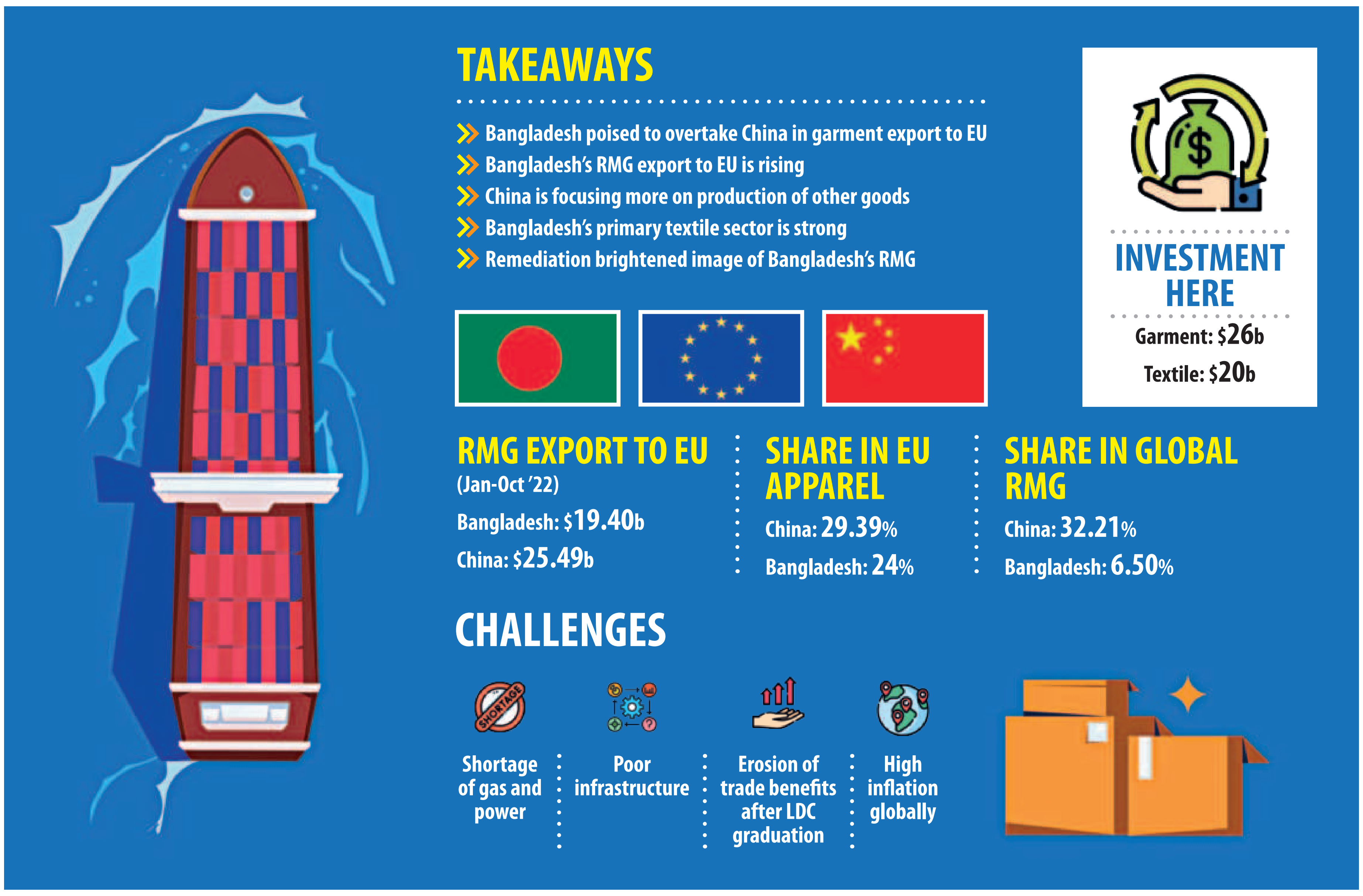

Can Bangladesh overtake China to be EU's biggest apparel source?

ANALYSIS

REFAYET ULLAH MIRDHA

Bangladesh is poised to become the source of most of the European Union's (EU) apparel as China, the largest apparel supplier worldwide, is witnessing a decrease in its share of trade with the bloc.

The penetration of Bangladeshi garment items has been growing with rising demand for basic and value-added garments.

China continues to hold the title of being the largest apparel supplier to the EU.

It accounts for a 29.39 per cent share of the total import of apparel by the bloc's 27 countries, according to Eurostat, the EU's statistical office.

In the first 10 months of 2022, the EU's imports from China reached $25.49 billion with a 22.43 per cent year-on-year growth.

Apparel shipments to the EU from Bangladesh grew by 41.76 per cent in the January-October period of last year to $19.40 billion, helping to retain its position as the second largest garment exporter to the world's largest trade bloc after China.

During the period, the EU imported $86.74 billion worth of apparel from the world, which was a year-on-year growth of 24.41 per cent.

China has been losing its global apparel market share over the last couple of years mainly because of a shortage of skilled workforce, withdrawal of foreign investments and an increase in production costs.

The Chinese industrial production base is shifting from manufacturing to heavy and sophisticated technological gadgets involving mobiles and home appliances.

This is resulting in work orders being shifted from China to other Asian countries like Bangladesh, Vietnam, Thailand, Cambodia, India and Pakistan.

With workers quitting garment factories for higher salaries in the production of sophisticated items, Chinese garment manufacturers are experiencing a shortage in their skilled workforce.

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Moreover, garment manufacturers are unable to pay higher salaries as international clothing retailers and brands are unwilling to pay more for garment items.

For instance, even in 2015, the global market share of China in apparel trade stood at 39.3 per cent and now it has reduced to 32.21 per cent, according to World Trade Organization (WTO).

In 2015, Bangladesh's share in the global apparel market was 5.9 per cent and based on the country's garment export data of 2021, the percentage has gone up to 6.5 per cent.

Region-wise analysis also shows a decline in garment shipments from China.

For instance, in 2015, the market share of China in the EU apparel segment was 37 per cent and in 2022, the percentage declined to 28.4 per cent, according to a study by Sheng Lu, an associate professor of apparel and textiles at the University of Delaware.

Meanwhile, Bangladesh's market share in the EU increased to 24 per cent in 2022 from 18.5 per cent in 2017, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

As per local exporters, another reason for work orders being diverted from China to Bangladesh is the recent tariff war between the US and China as international retailers and brands want a sustainable sourcing destination.

Moreover, the remediation of garment factories with recommendations of the Accord and Alliance, two international inspection agencies, also fortified workplace safety measures in Bangladesh.

This ultimately brightened the image of the country and the sector itself for which international retailers and brands are coming up with increasing volumes of work orders.

Bangladesh is also shifting to its production base to high-end value-added garment items from basic items.

The local manufacturers are grabbing a bigger market share of garment items mnade from man-made fibres to obtain better prices and more work orders from international retailers and brands.

Over the last four and a half decades, the capacity of Bangladesh's garment industry has also grown a lot, enabling it to cater to any quantity of work orders.

Starting off with a few million US dollars in 1976, the country's garment industry has so far invested more than $26 billion.

Not only this, the country's primary textile sector, which includes spinning, dyeing, finishing, knitting, weaving and sizing, has witnessed investments worth over $20 billion.

The primary textile sector is acting as the garment industry's main supplier of raw materials locally.

Moreover, work orders have also been recently shifting from other countries like India, Pakistan, South Korea, Vietnam, Sri Lanka, Myanmar, Ethiopia and Cambodia for large volumes at competitive prices.

Bangladesh is already overtaking China in terms of exporting denim to the EU, said Faruque Hassan, president of the BGMEA.

"I am hopeful that we will overtake China in other product categories as well in the near future," he told The Daily Star over the phone.

Bangladesh has a lot of prospects but local exporters have to face challenges of energy, United Nations country status graduation, higher cost of funding and poor infrastructures such as that of ports, roads and highways, he added.

Ahsan H Mansur, executive director of the Policy Research Institute, said it may be possible to overtake China with regard to exports to the EU in the near future for two reasons.

Primarily it will be for the shortage of skilled labour and secondly for Bangladesh producing high-end value-added garment items, Mansur said.

Creating more qualified accountants need of the hour

Says a noted chartered certified accountant

MAHMUDUL HASAN

Bangladesh needs to generate more accounting professionals to meet the growing demand for qualified accountants in a bid to facilitate the faster growth of the economy, said a noted chartered certified accountant.

Currently, Bangladesh has about 4,000 qualified accountants, whereas it would be 400,000 in India and 21,000 in Pakistan, according to Md Arif Al Islam, a council member of the Association of Chartered Certified Accountants (ACCA).

"If you take the size of the population into account, we are far behind. Being a global council member, I would try to work towards raising the number of qualified accountants."

In Bangladesh, there is one qualified CA for every 38 companies, he said.

Islam is the first Bangladeshi to become a council member of the global body headquartered in London.

As Bangladesh is on its track to becoming a middle-income country in the next decade, it needs to develop accounting professionals to facilitate economic growth.

He also stressed creating enough qualified CAs since it is tough for a finance manager to get involved in wrongdoing as misdeeds may see their membership revoked.

"So, it ensures accountability."

Islam praised the accounting professionals in Bangladesh as qualified.

"The only challenge is that the number is not enough."

Islam said ACCAs are not locally recognised and allowed to sign audit reports whereas ACCAs are recognised in the UK and many other developed countries.

"We need to adopt a strategy to include such global professional degrees locally so that we have an adequate supply of qualified accountants to support our economic growth."

Islam became a professional CA in 1999 while he was working in the UK at a chartered accountancy firm. After a few years, he returned to Bangladesh and joined KPMG Bangladesh.

He joined Grameenphone and went on to become general manager for finance and the chief financial officer of the country's largest mobile phone operator before becoming the deputy CEO.

At his peak as a business professional, he left Grameenphone in 2009 to co-found Summit Communications a year later.

In less than 13 years, Summit Communications has become a major player in the country's telecommunication and internet service industry.

It is the leading internet transmission service provider after laying the largest fibre optic cable network of about 50,000 kilometres across the country.

Summit Communications is also the leading international internet gateway operator, the international terrestrial cable operator and the tower infrastructure provider. Recently, it obtained a submarine cable licence.

But the journey was not an easy one.

Initially, Muhammed Aziz Khan, chairman of Summit Group, Muhammad Farid Khan, chairman of Summit Communications, and Islam envisioned that the company would build a strong ICT infrastructure.

But it was a little too ambitious because mobile operators were already there with their infrastructure, fibre optic cables and towers. Internet service providers were also there, recalled Islam.

READ MORE ON B3

CLIMATE ADAPTATION

Bangladesh can save billions by early investment

StanChart study report says

STAR BUSINESS REPORT

Bangladesh could avoid billions in climate damages and lost GDP growth this decade by making timely investments to withstand the projected impact of climate change, according to a new study by Standard Chartered.

The study titled "The Adaptation Economy" revealed that without investing a minimum of $1.2 billion in adaptation by 2030, Bangladesh could face projected damages and lost GDP growth of $11.6 billion – nearly 10 times that amount.

It investigated the need for climate adaptation investment in 10 markets, including Bangladesh, India, China, and Pakistan, Standard Chartered Bangladesh said in a press release yesterday.

According to the study, without a minimum investment of $30 billion, the 10 featured markets face projected damages and lost GDP growth of $377 billion.

The projection assumes that the world succeeds in limiting temperature rises to 1.5˚C, in line with the Paris Agreement.

In a 3.5˚C scenario the estimated minimum investment required more than doubles to $62 billion and potential losses escalate dramatically if the investment is not made.

READ MORE ON B2

Visitors gather in front of the Marina Bay Sands hotel and resorts building in Singapore. China's reopening is set to boost tourism in Singapore and the region but will also worsen labour shortages and lead to higher costs, say experts.

PHOTO: AFP/FILE

Pharma Aids incurs losses in Oct-Dec quarter

STAR BUSINESS REPORT

Pharma Aids Limited suffered a loss of Tk 23.71 lakh in the second quarter of the 2022-23 financial year owing to a decline in net sales and an increase in the cost of production.

The manufacturer and supplier of pharmaceutical glass ampoules made a profit of Tk 1.73 crore in the October-December quarter of 2021-22.

Thus, the company reported earnings per share of Tk 0.76 in negative for October-December of FY23 against Tk 5.53 in the same quarter a year earlier, according to the unaudited financial statements.

The EPS decreased due to a decline in net sales, the increase in the cost of goods sold and the cost of raw materials, the higher expenses for gas and fuel, and the hike in tax expenses, said the company in a filing on the Dhaka Stock Exchange.