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Intra-RMG diversification: The next frontier

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the second place (27.1 percent). On a welcome note, in recent past years, Bangladesh has been able to make some inroads into the upmarket segment of the global apparels market. In addition to the traditional market segment commanded by Walmart, K-mart, Primark and H&M, Bangladesh's apparels items are entering the upmarket segment controlled by GAP, ZARA and others. As China gradually shifts from the global apparels markets (lower and middle-end), Bangladesh has an opportunity to occupy a larger share of the vacated territory. Thus, there is a lot of space for Bangladesh to manoeuvre in the global apparels market. But what is being argued here is that it is in the non-cotton segment



FILE PHOTO: AFP

There is no denying the fact that Bangladesh's strong presence in global apparels market is a testament to the country's success in terms of export-oriented strategy pursued over the years.



PHOTO: STAR

RMG's share in the country's earnings from global exports currently stands at about 84 percent.



Knitwear items emerged as Bangladesh's top export in the July-September period of FY2023.

PHOTO: STAR

of the apparels market where the potentials for export expansion are the highest.

A WINDOW OF OPPORTUNITY Bangladesh's apparels exports have traditionally been concentrated at the lower end of the demand curve. That Bangladesh has been able to triple its global market share in apparels, between 2001 and 2021, owes much to its strong

showing in export of basic items in cotton-based apparels. However, in moving forward, exporters will need to go for greater diversification within the apparels market to take advantage of the emerging opportunities.

A number of countries is at present vying for being considered as the source-country in view of the China Plus One Strategy being pursued by many brands and buyers. And it is here that non-cotton apparels offer an opportunity to Bangladesh. To note, in traditional market segments Bangladesh is facing unrelenting competitive pressure from several countries such as Vietnam, Myanmar, Cambodia, Turkey and some of the African and Latin American Countries. Research carried out at the Centre for Policy Dialogue (CPD) clearly indicates that export growth is becoming increasingly more driven by volume rather than price, indicating the pressure

the country's entrepreneurs are facing. Also, in the buyer-driven value chain (BDVC) that dominates the apparels market, lower-end exporters are by and large at the mercy of the bulk buyers and major brands. It is where high value, non-mass produced, fast-fashion non-cotton items have a better prospect and hold promise.

The above is not to say that composition of Bangladesh's apparels exports has remained the same over the years. If in the early years Bangladesh's apparels export earnings were primarily driven by woven-items, beginning from early 2000s knitwear exports have started to post higher pace of growth compared to the wovenwear. Consequently, the share of knitwear exports in overall RMG exports began to register a secular rise. From this vantage point, the year FY2007-8 was a turning point and a major milestone when for the first-time earnings from

the knitwear items exceeded those of wovenwear (i.e., crossed the 50 percent threshold of earnings from apparel exports). With some exceptions, knitwear export was able to sustain this record for many years since, including over the course of the past three fiscal years.

One formidable challenge, which is also an emerging opportunity from the perspective of intra-RMG diversification, concerns Bangladesh's ability to enter the non-cotton segment of the global apparels market from a position of strength. Bangladesh's apparels exports have traditionally been concentrated in cotton-made items. Of the top five apparels items of export, only one belonged to non-cotton (MMF) category (at 6-digit level). Over the past decade or so, there has been some positive changes in this regard, in the particular case of woven-RMG exports. The share of non-cotton items

in wovenwear (manmade fibre and synthetic fibre-based items and others) has increased from 26.9 percent of the country's total earnings from wovenwear export to 39.4 percent (between FY2015 and FY2023). However, in case of knitwear the scenario has not undergone any discernible change: the share of non-cotton items remained more or less the same over the corresponding period, at about 24 percent. Indeed, earnings from cotton-based exports accounted for about 70 percent of Bangladesh's total apparel exports (in FY2023). To compare and contrast, in terms of global imports, cotton-based apparels accounted for only about 40 percent of the global apparel market, the rest 60 percent being the share of non-cotton items. Over the recent years, a clear trend of shifting away from cotton-based apparels items to MMF and synthetic fabrics-based items is becoming increasingly visible in the global

market. Bangladesh should seize this emergent opportunity. Bangladesh must now do the needful to ensure greater market share in the growing non-cotton based global apparels market.

In taking advantage of the potential market openings in the non-cotton segment, Bangladesh has a number of advantages to begin with. The country is already a major player in the apparels market, with a proven track record. Buyers and brands know the country as a reliable source and a competitive player, with substantial capacity for mass production. The country's entrepreneurs have strong networks with key global brands and buyers, have a long history of navigating the sourcing and marketing terrain, understand the complexities of this business and are adept in the crafts and tools of marketing. Accordingly,

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