

2020 was possibly the worst year for garment exporters

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The year 2020 will most likely go down as the worst in Bangladesh's 40-year-old garment industry, the main export earner and a source of livelihood 4 million, mostly underprivileged women.

And the reasons are both of its own making and also beyond its control.

The country's garment exports were lagging when the year started and coronavirus was lurking in the shadows.

Its standing as the world's second-largest apparel supplier was under threat, with Vietnam and India hot on its heels.

In January, garment exports were down about 3 per cent year-on-year, and in February 4.3 per cent, suggesting the sector, which contributes more than 11 per cent to Bangladesh's GDP, had its tail down even before the global coronavirus pandemic took root and the order cancellations began to pour in.

The pandemic simply exacerbated the sector's woes, leaving it tottering now.

"It was a year of trepidation and angst," said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, the sector's apex trade body.

Discounts, deferred shipments and cancellations became the discourse.

About 1,150 apparel makers faced order cancellations or deferred shipments worth \$3.18 billion, according to data from the BGMEA.

Eventually, the brands reinstated 90 per cent of the orders.

"But we still had to face the back-to-back liabilities of \$1.96 billion, which remain unpaid because of either the buyers not paying or for their bankruptcies," she added.

Just as the sector was getting back up from the pandemic knock, on came the second wave of coronavirus cases in the US and the EU, the two main destinations of garment shipments from Bangladesh.

No data is available yet on the order cancellations or held orders for the second wave.

Bankruptcies, production halt for the lockdown and order cancellations by the buyers both in the first and second phase of Covid hit the sector hard, said SM Khaled, managing director of Snowtex.

"We could not produce for a month and factory efficiency also fell due to the pandemic. We exported but the profit margins were squeezed to one-third of normal."

As a result, the sector could not achieve even 50 per cent of the target set for 2020, Khaled added.

In the first 11 months of the year, garment shipments fetched \$24.8 billion, down 17.6 per cent year-on-year, according to data from the Export Promotion Bureau.

Meanwhile, lukewarm retail sales in much of the Western world even after the lockdowns were lifted meant the volume of work orders that were freshly placed was lower than normal.

For instance, in October, apparel goods sales in Europe and the US dropped 13 per cent.

Marred with order shortage a good number of factory owners decided to shutter their factories either temporarily or permanently. This took away the livelihoods of scores of workers.

About 300 factories were shuttered this year, according to the BGMEA. about 70,000 workers were employed, who lost jobs.

In addition, 101 knitwear factories belong to the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) failed to export directly and kept production off for the same reasons.

About 25,000 workers were displaced by the closure. A small portion of workers managed to get a job in another factory but the lion's share remained unemployed.

“To the best of my knowledge, there is still a shortage of workers in the sector. Though some workers lost jobs they managed to get jobs in other factories,” said Fazlee Shamim Ehsan, a BKMEA director.

However, if the situation does not improve in 2021, there is a risk to employment as the sector is suffering from a work order shortage, said Ehsan, the owner of Fatullah Apparels.

The bankruptcy of buyers was a curse for the suppliers as they failed to realise the payments.

Bangladeshi suppliers of busted Western retailers Debenhams, JCPenney and Arcadia Group are on tenterhooks as they have no idea when they would be getting the payments for the goods they have already shipped or manufactured.

The garment exporters are owed upwards of \$84 million by the three companies, according to sector people.

“Still I am waiting for the payment as the buyer declared bankruptcy. It is not clear whether I will be able to realize full payments or not,” a supplier told Dhaka Tribune on condition of anonymity.

The supplier had to pay for the raw materials for the work orders out of his own pocket as well as the operational costs.

“I have an enormous hole in my books,” he added.

On top of that, the price cuts by the retailers and discounts on shipped goods rubbed salt on the wounds of the exporters.

The factories were run with 30 per cent less capacity and it was tough to bear the operational costs, said Abdus Salam Mureshedy, president of the Exporters Association of Bangladesh (EAB).

Amid this crisis, the global retailers demanded 25 to 30 per cent discount on shipped or in progress goods.

“That was a double blow,” he added.

As per BGMEA data, the prices of apparel goods exported from Bangladesh to the world declined 2.1 per cent during January-September of 2020 from a year earlier.

In September alone, the prices of clothing goods fell 5.2 per cent

However, the sector remained afloat thanks to the government’s rescue package of Tk 5,000 crore in easy loans to pay the wages of workers.

“We are grateful to our prime minister for promptly and wisely extending the stimulus package with all other policy support,” Huq said.

Since the recovery from covid may take until the middle of next year, the industry needs continuity of the support received to stay afloat in the upcoming days along with additional facilities to withstand any adverse impact, she added.