

Bangladesh's apparel industry enjoys rejuvenation

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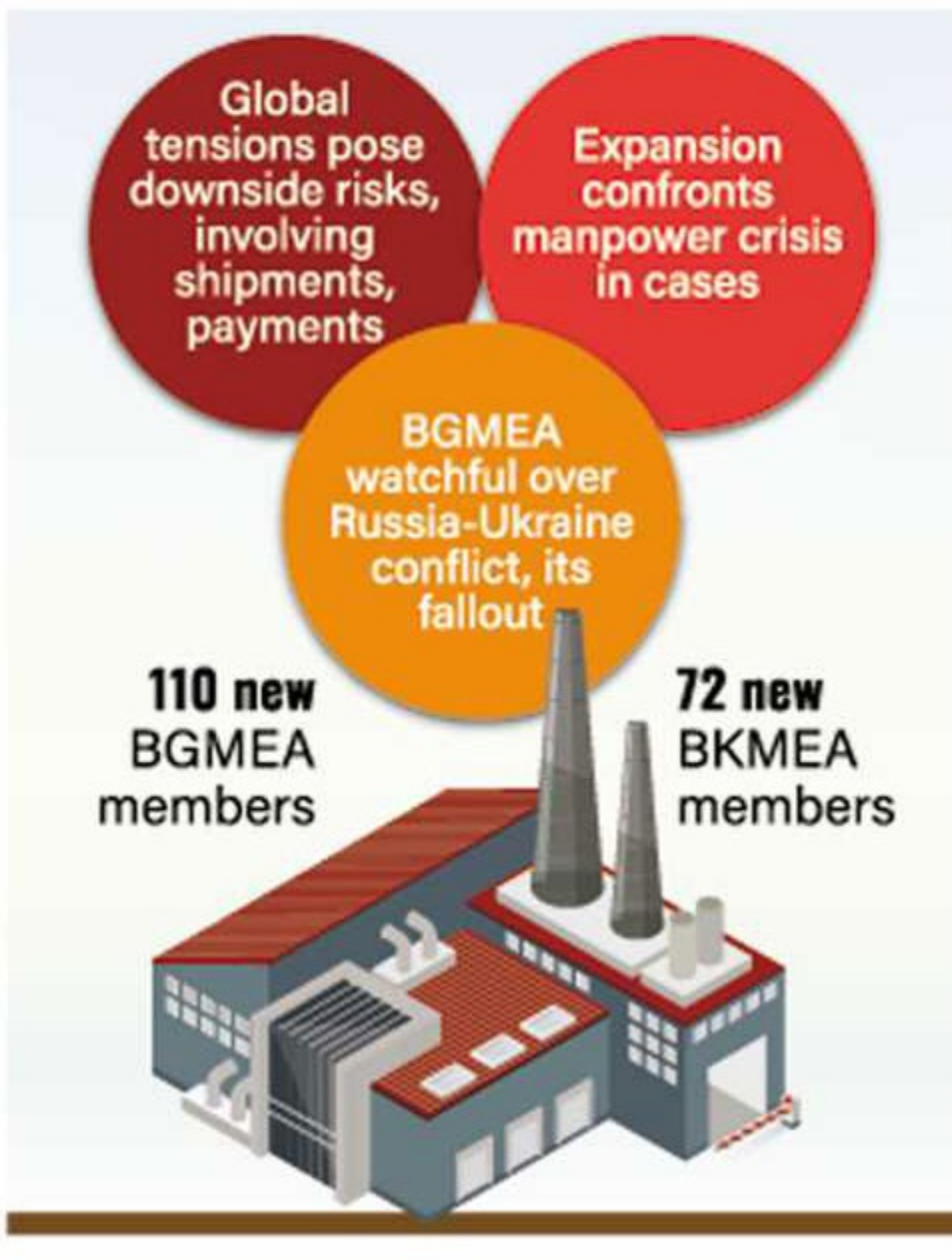


Bangladesh's apparel industry rejoices at rejuvenation with old factories expanding and new ones sprouting amid a glut of orders from buyers, though global tensions pose downside risks, sources say.

Encouraged by the strong rebound from the pandemic-time constraints, at least 200 new factories have entered into the trade since 2021, according to industry people.

Besides, they note, many factories are expanding their existing capacities while some of them doing subcontracting to grab a share of the business bonanza.

Old ones augment capacity, 200 new factories spring amid apparel order glut in bold rebound



They, however, bear mixed feelings following latest developments on the foreign front. A fear floats in the air about downside risks, involving

shipments and payments, over the Russia-Ukraine war and its geopolitical implications.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) issued membership to some 110 garment factories—some 79 in 2021 and the rest 31 in the current calendar year of 2022.

Besides, 72 factories have become members of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) since last year till date.

On the other hand, Industrial Police (IP) data show that at least 55 new garment factories have been set up in Gazipur industrial belt during last two months—only nine of those registered with BGMEA.

Almost all the IP-listed factories are small-sized while majority of them are doing subcontracting, according to the police sources.

Out of the 55 units, 25 employed workers ranging from 20 to 50 while a few employed 300 or more, they say.

Talking to the FE on Sunday, Masud Alam, managing director of MN Seven Fashions Ltd located in Gazipur, said they set up the small-sized factory last year to make knit items.

His younger brother, who, according to him, is a buyer, got encouraged to set up the unit due to plenty of work orders.

According to IP data, this unit employs some 60 workers.

MP Sweater Ltd in Gazipur, a factory of Keya Group, has also been set up recently.

When asked about the developments, M Miraz Hossain, director of Keya Group, said they had a sweater factory having 900 manual machines established in 2004 and closed after 2016 mainly for modernization.

"But this unit is new one with automated machinery to produce sweater items," he told the FE writer Sunday, adding that they also have good flow of work orders.

Due to the trade war between China and the USA, many buyers have been shifting their orders here in Bangladesh and this unit has targeted to net the shifting work orders, he observes.

Talking to the FE, some exporters opined that many big manufacturers have received work orders beyond their capacity and now engaging subcontracting to meet the supply deadlines.

Some of them are also expanding their capacity by increasing machine lines or doing double shifts, they note.

Chorka Textile Ltd (CTL), a sister concern of Pran-RFL conglomerate, wants to start full-fledged double-shift production at its existing capacity to meet the growing demand for knitwear, especially lingerie.

It introduced double shifts in departments like cutting and finishing, but could not fully introduce the same in other departments for manpower crisis.

The group is setting up another garment unit in Godagari of Rajshahi district-in decentralization from over-served traditional hubs--to manufacture 'Polo' shirts and other apparel items, sources said.

Once production starts, the new factory plans to employ some 2,500 workers.

The CTL currently employs about 7,000 workers.

Asked, BGMEA vice-president Shahidullah Azim said some new factories had been set up in recent months as global apparel buyers are placing plenty of work orders here in Bangladesh due to the pandemic-induced crisis in China and Vietnam. Work orders have also been shifting from China due to buyers' China-plus strategy and the trade spat between the country and the USA, he said.

"Also, Bangladesh is a lucrative destination due to its compliance and other safety issues while we have also proved our resilience during the covid period," Mr Azim adds.

He, however, says buyers now are in 'wait and watch' situation due to the Russia-Ukraine issue.

Regarding newly set up factory size and their mode of operation, especially 'subcontracting', he says BGMEA only provides memberships to compliant ones. He, however, raises concern over the sustainability of the small-sized units, saying they are in operation due to having work orders, what would happen if there would be no work.

"To sustain in long term, there is no alternative to follow some minimum standards," he says, adding that they are providing required supports to those which want to be compliant.

Bangladesh received US\$23.98 billion from readymade garment (RMG), both knit and woven, exports during July-January period of 2021-22 fiscal, recording a 30.30-per cent year-on-year growth, according to official data.

February is the sixth consecutive month since last September that the country's single-month overall export earnings rose above four-billion mark mainly because of the strong rebound of apparel shipments from the pandemic-spawned recession.

RMG exports dropped to \$27.94 billion in FY2019-20 due to the Covid-19, which was \$34.13 billion in FY2018-19.

Export stood at \$31.45 billion in FY2020-21 as the industry kept its wheel rolling, under special arrangements, even amid the coronavirus onslaught, with supply chains restored and a demand surge in the reopening western world.

The ongoing Russia-Ukraine conflict has emerged as a concern for the RMG sector of Bangladesh, said BGMEA. Russia, a potential and emerging market for Bangladesh apparel exports, has come under a wide range of sanctions imposed by a number of countries, it said in a statement.

"Especially, the blocking of Russian banks' access to the SWIFT international payments system appears to be a major challenge for our trade," it says.

Bangladesh exported garments worth USD 593 million to Russia in 2020-2021 fiscal year. "BGMEA is closely observing the situation and we have advised our members to send us information with regard to buyers they are working with for exports to Russia, overdue payments and details of the concerned banks," the association says.

"We also advised our members and exporters to be in touch with their buyers and lien banks and take necessary decisions based on discussions with them," said the statement.

BGMEA has also taken up the matter with the relevant ministries of Bangladesh Government, particularly the Ministry of Commerce and the Ministry of Foreign Affairs.