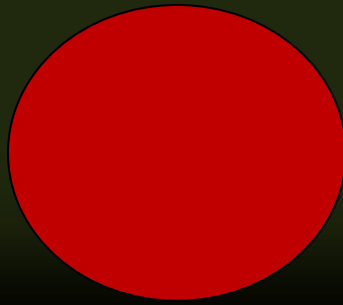


# 'Bangladesh'

## *A Rising Textile Economy*



**By: Fibre2Fashion.com**

## Bangladesh – A Rising Textile Economy

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Bangladesh is a country with rich and diverse culture. Comprising of a deep rooted heritage reflecting in its architecture, literature, dance, music, and painting, the country also excels in textile and clothing sector. Apparel industry of Bangladesh generates employment for more than 40% of the total industrial workforce, accounting for 80% of the total exports.

Textile and apparel sector is the country's main industry. Growth of the apparel export sector of Bangladesh is one of the most significant social and economic developments. The country specializes in making inexpensive clothing. With an increased investment in the apparel sector, and enhanced capacity in backward linkages such as dyeing, yarn manufacturing, and washing, the country would continue to dominate the global arena as the second largest apparel maker.

### Bangladesh clothing export data (WTO report 2011)

Value (billion \$)	% Share in world exports				Annual % change			
	2010	1980	1990	2000	2010	2005-10	2008	2009
16.0	0.0	0.6	2.6	4.5	18	23	15	25

**Mr. Mohammed Monabber Ahmed, Director, Anowara Group** enthusiastically quotes that apparel exports from their country have doubled in a decade; from 1990-2000. He also refers to McKinsey's survey results, and asserts that Bangladesh would be the next hotspot, subsequent to China.



*Ajoykumar Roy,  
M.D., KDS Textile  
Mills Ltd.,*

**Mr. Ajoykumar Roy, Managing Director, KDS Textile Mills Limited** states, "Bangladesh Apparel Industry is doing quite well at present. RMG export has nearly doubled in last five years. Export in the year 2011-12 is also expected to be better than last year. For apparels imports, Bangladesh ranks third among importers in EU-15 and fourth among importers in US".

He asserts that his country's export performance was not affected even during recession. He says, "As Bangladesh RMG industry supplies mostly basics in value market segment and some amount in mid-market segment, its RMG exports were not affected by global slowdown in the past, and according to trend are not likely to be affected by the same at present".

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## A preferred; economical sourcing destination:



Bangladesh garment sector has none other than the Chinese textile and garment industry to thank; partly for the robust growth. Earlier China was a most preferred sourcing destination. Currently, factors such as increasing aging work force, increasing labor costs, Yuan appreciation, and hiking material costs are pushing China from its place as a desirable sourcing destination.

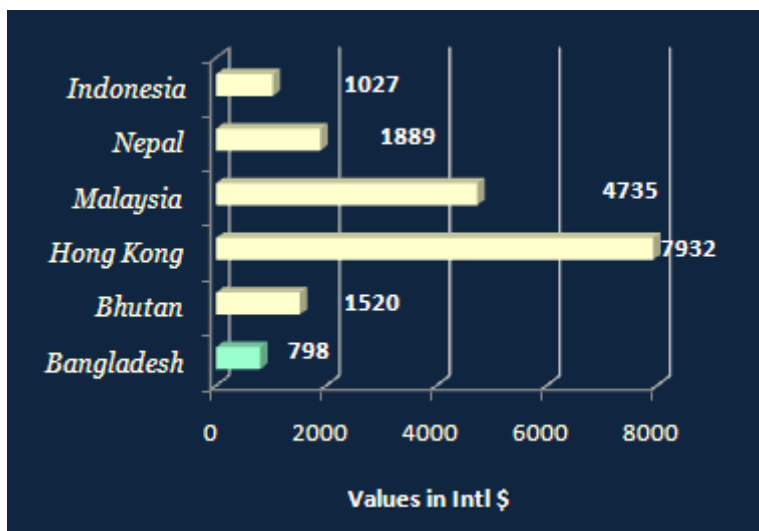
Many small orders from China are being diverted to Bangladesh. Apparels such as T-shirts, sweater, shirts, and denim pants have become a top choice of sourcing. The country has special access to markets in EU, Canada, and Japan. As Bangladesh is a least developed country, its textile and apparels enjoy quota free, and duty free access into international markets. This concession along with less labor costs and low priced apparels offer a strong competitive advantage in the global market. Bangladesh is growing into one of the fastest growing RMG exporters in the world.

### Growth Drivers:

Sourcing garments from Bangladesh is seen as a viable option by Indian players. Despite lacking adequate raw material base, Bangladesh is quickly emerging to be competitive in the global forefront. They have stable currency rates with no major fluctuations during the recent past. Cheap fabric imports, and low labor costs are the main advantages for Bangladesh. Due to its supporting factors, the country even have an edge over Chinese apparel industry.

Bangladesh is the seventh most populated country in the world. Abundant availability of labor force is one of the driving factors for the growth of textile and apparel industry. As apparel industry is more labor intensive, availability of cheap labor force fuels the growth of the industry.

Gross annual wage rates (Intl \$)





*Mohammed  
Monabber Ahmed,  
Director, Anowara  
Group*

While conversing with Fibre2Fashion, Mr. Ahmed discusses about the industry's growth drivers. He says "We give best quality, next to China, good infrastructure, supported with adequate backward linkages. Up-to-date internet facilities are also available facilitating quick and easy communication with our customers".

Ajoykumar shares his views saying, "Increasing number of large EU and US buyers are contemplating to move some of their sourcing from China to other countries because of increasing labor cost and labor shortage. Bangladesh is a more profitable market for manufacturers, planning to switch to more value added industries to "balance" economy. Bangladesh probably is the most competitive destination having two main advantages, i.e., price and capacity".

Price and capacity are the two main growth factors. The country provides good quality merchandise in entry level mid-market products, along with good speed and risk levels. Having 30 years of garment making experience, the country is superior in the lower end niche with a handful of suppliers involved in brand items. Rapidly developing backward linkages help in the growth of the industry.

### **RMG Industry of Bangladesh:**

RMG sector of Bangladesh employs 1.8million workers, mainly women. RMG industry consists of knitwear, and woven apparels. Main apparel export consists of T-shirts, sweaters, shirts, jackets, and trousers. During the FY 2009-10, the country exported USD 12.5 billion readymade garments making 77% of the country's total exports. Exports of woven garments saw a drastic increase of 30%, making 48.3% share of the total RMG exports. Knitted apparels accounted to 51.7% of the total RMG exports and is the main growth driver of the country. Of the total RMG exported during 2009-10, knitwear apparels account to USD 6.5 billion.

### **Opportunities:**

Bangladesh is predicted by industry analysts to become one of the biggest production centres for apparels by 2016, surpassing China. A study conducted by Goldman Sachs regarding 11 largest populations (N-11) after BRIC which could greatly influence global economy includes Bangladesh in the list of 11 countries. The study further identifies these N-11 countries with rapid growing populations and significant industrial capacity.

Ajoykumar's opinion supports the same. He states, "Bangladesh is in the list of "Next 11" emerging countries to watch for after BRIC and in the list of "Frontier Five" emerging economies worth investing in. RMG industry is the main force behind country's GDP



Development. The industry's export is expected to grow in foreseeable future, though at a lesser rate than present 12%."



"International buyers are increasing their sourcing for value markets from Bangladesh. Sourcing for mid-markets and more fashionable markets are also growing and growth in these sectors will probably be more than that of value markets in the coming years. RMG exports will also grow supported by exploration of relatively untapped markets, e.g., Japan, Australia, Latin American countries etc." Population growth rate in these countries are above developed Western economies, indicating good consumer market potential over the medium term. Huge mass of population represent wide potential of consumers, making good targets for businesses. Potential for growth rates will

expand rapidly, providing more customers in the future.

Adequate Government support is also needed to fuel industry growth. The Anowara Director states, "We need good infrastructure, and road facilities. The Government is already working on it, and we still need more to enable much faster delivery. The main focus should be on power and gas".

### Challenges:

Bangladesh garment industry needs regular orders from international buyers. Manufacturers feel that they are squeezed by the slump in prices at the global market due to fragile recovery from the economic crisis. Due to poor prevalent energy crisis, and poor infrastructure, they face the burden of higher production costs. While workers and labor leaders fight for a wage rise, it is also argued that the increase would hit hard on small factories.



Ajoykumar states the following challenges need to be addressed to enhance the growth of the industry.

- "Infrastructure: Gas and power supply to the industry, inland transportation from production centers to Chittagong port.
- Value Chain Inefficiencies: Low productivity, acute shortage of labors, and unskilled manpower at various levels.
- Quality improvement: Of indigenous fabrics and apparels.
- Trade support from the Government: Bi-lateral agreements with other countries, high interest rates".

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Overall, textile and apparel industry in Bangladesh is going through unprecedented expansion, with a year-on-year 20% growth rate. Knitwear remains the highest contributor to the exports of the country. Along with all the available resources, weak dollar value, aggressive marketing, and supportive political environment also aid for the growth of the textile and apparel industry.

**References:**

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**Image Courtesy:**

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