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# Challenges & Opportunities of Textile Industry: A Pandemic Perspective

■ Kutubuddin Ahmed



## Background:

For the last ten years Bangladesh has recorded an almost linear increase in Ready Made Garment (RMG) export (BGMEA, 2020). The growth took a downward turn in 2020, which has been marred by Covid-19 pandemic. Soon after the first cases were reported in December 2019, the disease spread all over the world. To ensure social distancing many countries imposed restrictions on

free movement. This chain of events caused a massive decline in clothing sales. According to McKinsey & Company, the global garment industry will see a 30 percent decline in sales revenue in 2020 (Tribune Desk, 2020). Consequently, Bangladesh's apparel export in 2019-2020 fiscal year reduced to 27949.19 million USD from 34133.27 million USD a year earlier (BGMEA, 2020). It comes as a blow to our economy, as RMG and textile industry are the major contributors to the country's GDP.

This article intends to discuss the effect of pandemic on both national and global level with focus on the textile industry of Bangladesh. We will also be using statistics from the garment and knit manufacturing industry as all these units are closely related and part of the apparel value chain.

There are 1461 mills listed with Bangladesh Textile Mills Association, BTMA. About 90 percent of the yarn required for knit RMG and 35-40 percent of the yarn demand for woven RMG are met by the local mills. According to the latest reports, annual yarn spinning capacity of the

mills present in Bangladesh is 2964 million kgs (BTMA, 2020). Apart from direct employment, the textile sector serves as a conduit for widespread economic activities. Overall, the contribution of the textile sector in Bangladesh's GDP is more than 12 percent (BTMA, 2020). Due to Covid-19 export-oriented spinning and weaving mills of Bangladesh faced order cancellation of about 1.4 billion USD (BTMA, 2020). Local business-oriented mills also suffered as there were no significant sales during national festivals, e.g., Pohela Boishakh, Eid ul Fitr and Eid ul Adha. It resulted in a market loss of tk. 20-25 thousand crore (BTMA, 2020).

Our neighbouring country India's economy is also hit hard by the pandemic. India is one of the leading exporters of apparel to the US and the EU. Buyers from these regions have either cancelled orders or delayed shipment (Khan, 2020). Thus, the apparel export segment suffered a loss of 10.36 billion USD for the financial year ending April 2020 (Textile Value Chain, 2020). Similar downfall of earnings is observed in other exporting economies in close proximity, e.g. Sri Lanka, Myanmar (Rodrigo, just-style, 2020). These countries have also struggled to cope with drastic changes brought forward by the pandemic (Abdulla, 2020). Bangladesh's close competitor

Vietnam also suffered from order cancellations but this Southeast Asian country responded better against Covid-19. The country exported 13.18 billion worth of textile and garments in the first six months of 2020 (Fashionating World, 2020). During the same period Bangladesh exported readymade garments of 11.92 billion USD. (Ovi, 2020).

### Challenges:

Order cancellations and deferred shipments are the more highlighted effects caused by the pandemic. The real driver behind these actions is consumers' demand. Changes in consumer behaviour reflects how people adapted to living in the pandemic. For example, people stopped buying clothes for luxury. Decreasing order from foreign fashion houses is a direct result of such change. Not only there is scarcity of orders, but also a backlog of unpaid bills. Due to Covid-19, backward linkages, e.g. fabric, yarn manufacturers have fallen at odds with the banks (Hossain, 2020). Member mills of BTMA are facing payment delays of exported textile goods (BTMA, 2020). Banks are not responding generously to disburse stimulus packages though the central bank is continuously giving them reminders.

Backward & Forward linkage industries of RMG sector employ more than five million people, of which 80% are female (BTMA, 2020). The decline in export has adversely affected the livelihood of garment workers (Ahmed, 2020). According to Bangladesh Institute of Labour Studies more than 300,000 garment workers lost their job (Tribune Report, 2020). It is a great challenge for both the government and mill owners to ensure the safety of the remaining workforce. Except for large establishments others are facing difficulties in implementing the safety guidelines in a cost-effective manner (Fair Wear, 2020).

The traditional norm of buyers inspecting the production facility or supplier physically visiting the buyers' office is no longer viable. Suppliers' are now in pressure to display the merchandise online and

engage buyers in the digital space. Still, buyers are unsure of making big investments due to uncertain future. Noticeable changes in new orders are drop in order amount and lower target prices compared to previous orders (Barrie, 2020). For example, export to the US market has become more price competitive. Unit price per square meter is 10–15 percent less than what it was in 2019 (Lu, 2020).

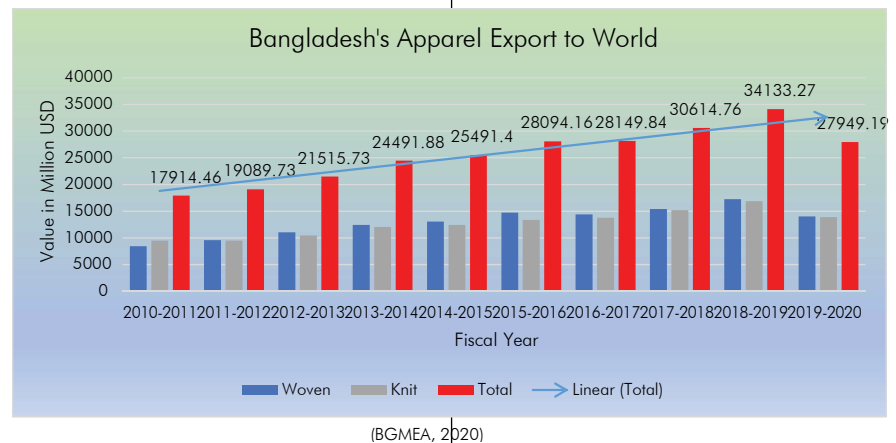
### Opportunities:

The textile industry supply chain is in need to be reset in light of the global pandemic. To survive beyond the Covid-19 means diversifying the sourcing and manufacturing.

2027 (Fortune Business Insights, 2020). PPE is now the new export item of Bangladesh (Mirdha, The Daily Star, 2020). Another point to note is that fibers used in medical textile may vary from natural fiber such as cotton, silk, to, Man-Made Fibers (MMF) like polyester, polyamide etc. Therefore, it creates an opportunity for artificial fiber production facilities in Bangladesh.

### Way forward:

To cope with the loss incurred, Bangladesh government announced a stimulus package of tk. 5000 crore in March for providing wages and benefits to RMG workers (BTMA,



A significant number of supply chain leaders are in the process of moving sourcing and manufacturing out of China (Russell, Just-Style, 2020). It will be beneficial to attract those businesses to set up shop in Bangladesh. One such country is Japan, where the Japanese government has declared a fund of 23.5 billion yen for Japanese firms who will shift base of operations from China to any other country (Isabel Reynolds, 2020).

The demand for protective masks and other medical textile products increased during the pandemic. China's textile (non-clothing) exports were up 3.2 percent for the first half of the year due to an increased demand for Personal Protective Equipment, PPE (Russell, Just-Style, 2020). The global PPE market was worth 52.43 billion USD and expected to grow at 7.4 percent (CAGR) to reach 92.86 billion in

2020). It was intended to support export-oriented manufacturers. Whereas more than 250 spinning and 500 weaving mills operating on local demand faced shortage of liquidity. To help such establishments the government announced a tk. 30000 crore fund. (Harmachi, Bdnews24, 2020); but majority of the mills continue facing difficulty in accessing funds. To make it easier for the mills, credit evaluation processes need to be relaxed. Coordination between BTMA and the government can help in restructuring Internal Credit Risk Rating System policies.

We need to mitigate the backlash from cancellation of orders by brands of major exporting destinations (EU, North America). It comes at a time when Bangladesh's garment manufacturers are in effort to widen their business with Asian countries. According to the Export Promotion Bureau, Japan was the first country to

import more than 1 billion USD worth of apparel from Bangladesh (Mirdha, The Daily Star, 2019). China recently waived tariff on 97 percent of products imported from Bangladesh. A total of 8,256 items will come under the tariff free scheme (Noyon, 2020). The opportunity to expand business comes as production cost becomes higher in China. More and more Chinese consumers are entering the middle class and Bangladeshi manufacturers can gain significantly by catering to this segment (Cheng, 2019).

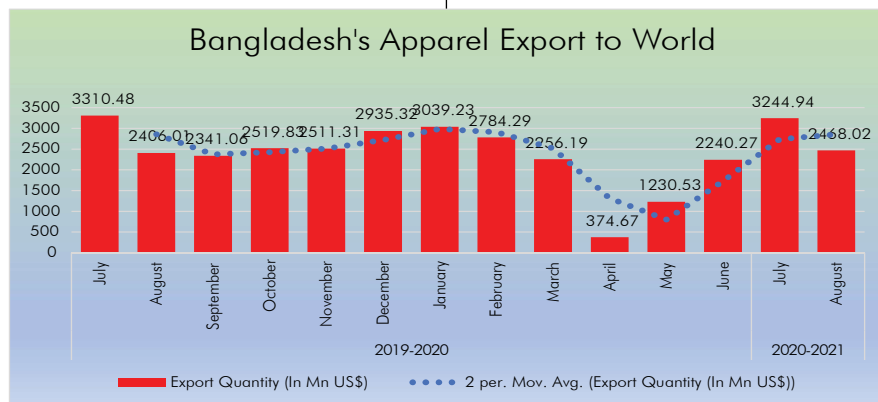
Another important destination could be in Africa, the 49 country ACFTA common market. We should also

Understanding the need Bangladesh government kept provision for tax holiday in Budget 2020-2021 to attract investment in the MMF industry (BTMA, 2020). Bangladesh Garment Manufacturers & Exporters Association (BGMEA) president, Rubana Huq stated that foreign direct investment along with government's incentive can help grow the MMF segment (Textile Today, 2020).

As mentioned before, Bangladesh wants to be an apparel sourcing destination for the businesses who are moving out of China. To do so we have to ensure better infrastructure. We have been constantly marked as below average in the "Ease of

friendliness. Bangladesh has come a long way in ensuring eco-friendly production (Karmokar, 2020), but it's not the end. When we develop the product ourselves, it is possible to set the price while maintaining a good profit margin.

Every stakeholder in this industry has their own role to play to stabilize the pandemic situation. Brands and buyers are the most important of them. The brands can follow the best practices such as, purchasing the product that was already produced, pay the payment in due time and not cancel previous orders. These steps will help the manufacturers to run the business without interruption.



(Export Promotion Bureau, 2020)

partner with comparatively smaller markets, like the one being done with Bhutan (Rejaul Karim Byron, 2020). Although export to Bhutan can in no way be compared with export to bigger economies, such steps can bring in small work orders which will keep the small apparel manufacturers active throughout the year. Bangladesh consulates in different nations along with relevant government institutions, e.g. Export Promotion Bureau can help such plans to come into reality.

Our product portfolio needs to be diversified and we have to look for novel ways to add value to the existing items. Investing in Man-Made Fiber can help us do so by capturing a larger portion of the \$150 billion global MMF apparel market (Textile Today, 2020). Not to mention, the segment of medical textile is expanding as PPEs start to become part of our daily clothing.

doing business" index, 168th out of 190 countries (Wikipedia, 2020). Among several problems for a business to run in Bangladesh is lack of consistent and quality electric power. To avoid machine failure due to electricity fluctuations, mills have to buy generators as backup. This is again a big capital investment which increases unit price of products. Another requirement for textile producers' is Effluent Treatment Plant, ETP. If the economic zones authority of Bangladesh (BEZA) can set up common ETP at their site premises, businesses will focus more on product development than compliance.

The pandemic has brought new requirements in product development. Demand for virus and bacteria resistant fiber and finished fabrics are on the rise (Rodrigo, Just-Style, 2020). Up until now the focus of R&D units of textile manufacturers was on sustainability and environment-

Although the situation is grim, recent data gives us hope of an economic recovery. Figures of July and August 2020 show an increase in export following the slump in last three months of 2019-2020 fiscal year. Foreign exchange reserve also has gone up, reaching towards an all-time high of 40 billion dollars (Harmachi, bdnews24, 2020). (Export Promotion Bureau, 2020)

### Conclusion:

Due to the pandemic, the whole world is now struggling. We are passing through a turbulent time and stressed about an unforeseen future. The disease has adversely affected the economic status of developed countries like the USA, UK and also developing countries like Bangladesh. When it comes to the economic prosperity of Bangladesh, textile industry plays a vital role as it can be considered the backbone of our RMG sector. Not only apparel, almost every manufacturing and service industries are facing adversities, which is being termed as the 'new normal'. Bangladesh needs to discover new opportunities and find ways of moving forward through this new normal.

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