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Garment exporters must focus on growing Asian market: Analyst

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Bangladesh should focus on the growing Asian apparel market, where the retail value of garment and textile consumption in just India and China will more than double to $750 billion by 2020, from approximately $300 billion at present, said a Swiss textile expert.

The Asian garment and textile sector has been growing fast and will continue to do so in the next four years, said Christian P Schindler, Director General of Switzerland-based International Textile Manufacturers Federation or ITMF.

Schindler was in Dhaka to discuss the global textile and garment industry with Bangladeshi spinners and weavers on Sunday.

“The garment retail markets of Asia, particularly China and India, will increase as well as the western markets,” Schindler said. Currently, about 80 percent of China’s garment products are produced for its local consumption.

The remaining export-focused 20 percent of Chinese garment products make up about 40 percent of global apparel trade, worth nearly $200 billion. This makes China the leading supplier of the item in the world, followed by Bangladesh.

Bangladesh exported garment goods worth $26 billion last fiscal year.

However, contrary to China, about 80 percent of Bangladesh’s entire export basket consists of apparel, and it relies almost entirely on foreign demand, said Schindler.

China, on the other hand, has 1.35 billion people, for which many Chinese manufacturers do not bother with exports, he said. The Chinese domestic market is very strong, and its exports are also ten times that of Bangladesh at the moment, he added.

China also beats Bangladesh in the import of textiles and garment manufacturing machines, except electronic flat machines for knitwear, which were imported equally by the two competitors last year, he said.

The good news for Bangladesh is that China's global share of garments and textile is not increasing anymore, and may even fall slightly in the near future, shifting its demand to countries such as Bangladesh, Vietnam, Myanmar and other African countries, according to Schindler.

This is because China is now moving its focus to higher value-added garment items to counter its increasing costs of production, as the country's labour cost has been increasing between 10 percent and 15 percent year-on-year, he added.

By 2020, the per capita textile and garment consumption in the US will reach 36 kilograms per person from 32 kilograms at present; in Europe it will become 26 kilograms from 24 kilograms at present, Schindler noted.

The question now is whether Bangladesh should focus on textile and garment consumption in both the Asian countries and the US at the same time.

If Bangladesh increases its focus on the Asian markets, it would bring balance and diversity in the country's garment destinations, Schindler said.

A special boost to exports also came from the Chinese duty-free facility awarded to 4,721 Bangladeshi garment items since July 2010, he added.

Garment exports to China rose 26 percent year-on-year, to $304.24 million in fiscal 2014-15, as demand for low-priced basic clothes is still high among middle-income customers, he said.

China and India are stronger, bigger markets, which are have a shorter lead time facility and is also safer for Bangladeshi exporters, said Schindler.

“Diversification is important as it is not wise to depend on some specific markets. Diversified markets also reduce risks.”

Another important issue for Bangladesh is branding; developing its own brand and retail chain are the few next challenges for the country. “Branding of the country is very difficult, it is not easy,” the researcher said.

The consumption of textiles and garments in China, India, USA and Europe is increasing because of two factors: a growing global economy and growing populations.

With the growth of textiles and garment consumption, the inter industry competition is also growing worldwide.

However, the spending trend is shifting away from garments and textiles, apart from luxury textiles, and is being diverted into holidays, mobiles, and insurance in the developed countries, he added.

The consumption of cotton has also been on the decline due to a higher use of manmade fibres like filament, polyesters and viscose in recent years. Currently, the ratio of cotton and manmade fibre use is 28:72, with a pronounced tilt towards artificial fibres, resulting from its lower price, improved functionality and ease of use, Schindler said.

Though cotton consumption will not disappear, there will not be much of an increase in the sector; it might grow to reach 30 percent of total fibre use by the end of 2020, he said.

Cotton was sold between $2 and $2.5 a pound even four-five years ago, but now it is sold between 60 cents and 62 cents, which led many growers to abandon the crop, said Schindler.

The ITMF survey showed that the import of textile machinery will increase in the near future in Bangladesh, but the growth will depend on improved infrastructure, labour, energy, availability of qualified labour, and better educated people to handle sophisticated machinery.

ITMF feels it is necessary to work together in Bangladesh and learn something from each other, Schindler said.

“It is good for everybody. We do the same things in other countries. Some of the local companies have become members of the ITMF right now, and some are being processed for membership.”