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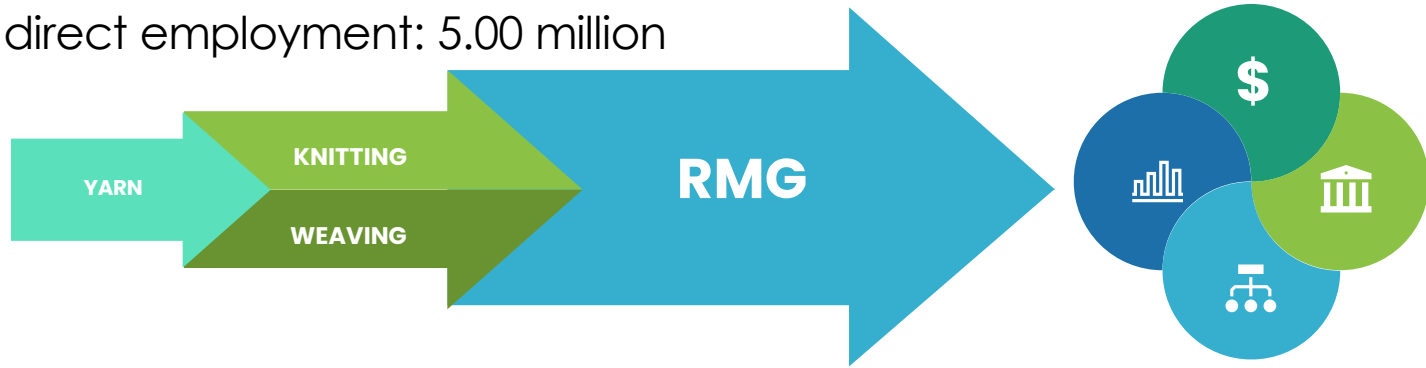
BTMA – FBCCI

March 12, 2023

# Textile and Clothing Sector of Bangladesh

Bangladesh Textile Mills Association (BTMA) - \$16 billion investment

- 515 Spinning Mills
- 915 Fabric Mills
- 320 Dyeing, Printing and Finishing Mills
- T&C Growth due to combined efforts of BTMA, BGMEA and BKMEA
  - 60% RMG export is with local input i.e. US\$ 25.00 billion
  - 50% value addition / retention US\$ 12.50 billion
- Combined direct employment: 5.00 million



# Achieving an T&C Export of \$100 Billion

## Opportunities

- 1) Untapped market/products (synthetic, high performance, tech textile)
- 2) Logistics (direct vessels)
- 3) Preferred sourcing destination
- 4) National Resilience

## Focus Areas:

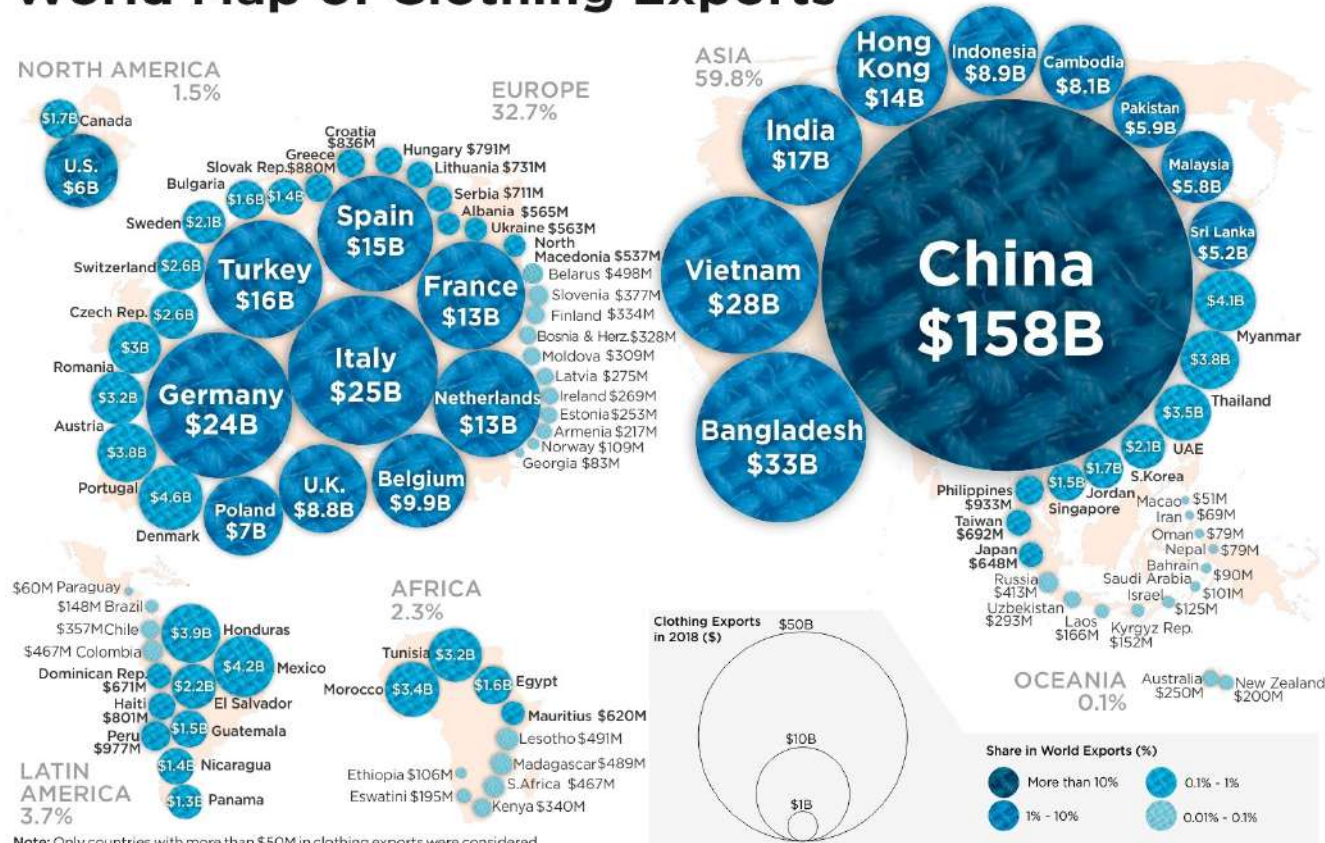
- 1) Sustainability
- 2) Competitiveness
- 3) Investment Opportunities

## Bangladesh's Vision 2041

- Diversification
- Standardization
- Digitization
- Competitiveness

# BD RMG Double in 5 yrs. (\$48 -> \$100 Billion+)

## World Map of Clothing Exports



### Opportunities of Bangladesh

- Man Made Fiber
- 74% of BD Garments Cotton
- 78% of world's garments MMF
- 10% of China = \$16 Billion
- 10% of EU = \$17 Billion
- World Growth = \$15 Billion
- Tech. Textiles = \$18 Billion
- Growth Potential = \$66 Billion**
- Graduating from low value to value added products
- 'Untapped' US Market

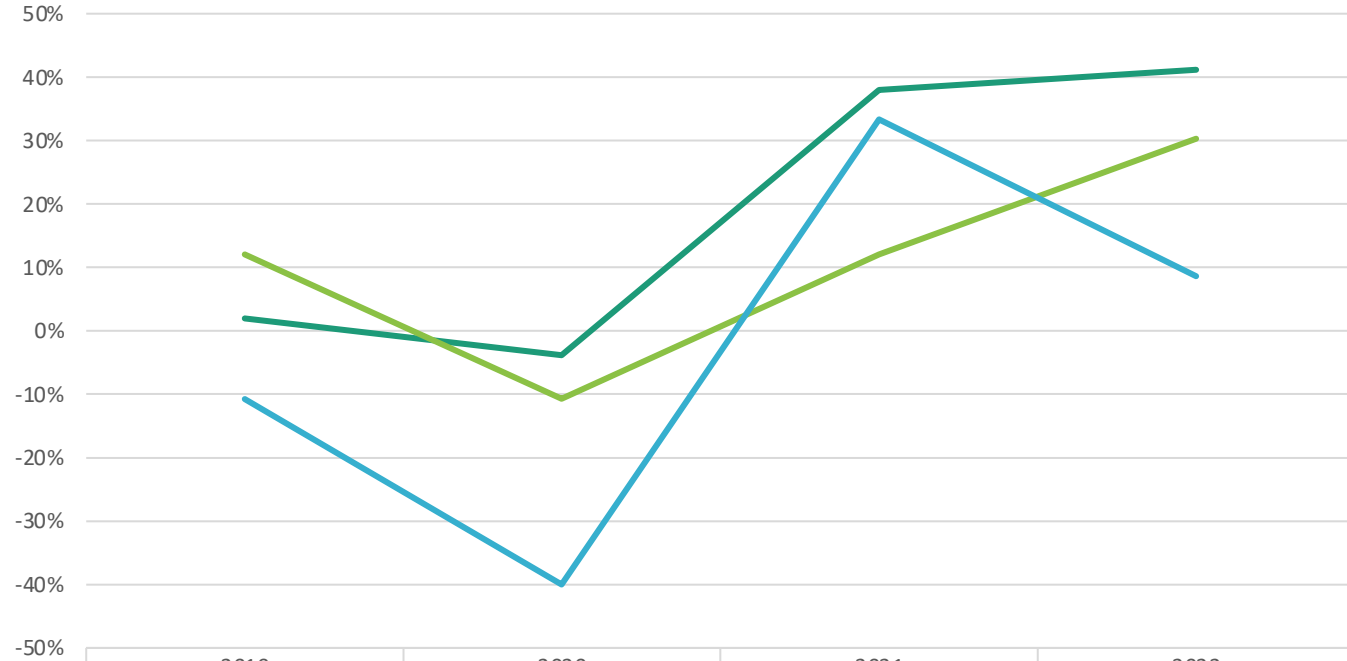


Note: Only countries with more than \$50M in clothing exports were considered.

Article & Sources:  
<https://howmuch.net/articles/world-map-clothing-exports>  
 World Trade Organization - <https://data.wto.org>

# Robust Export Growth to the USA

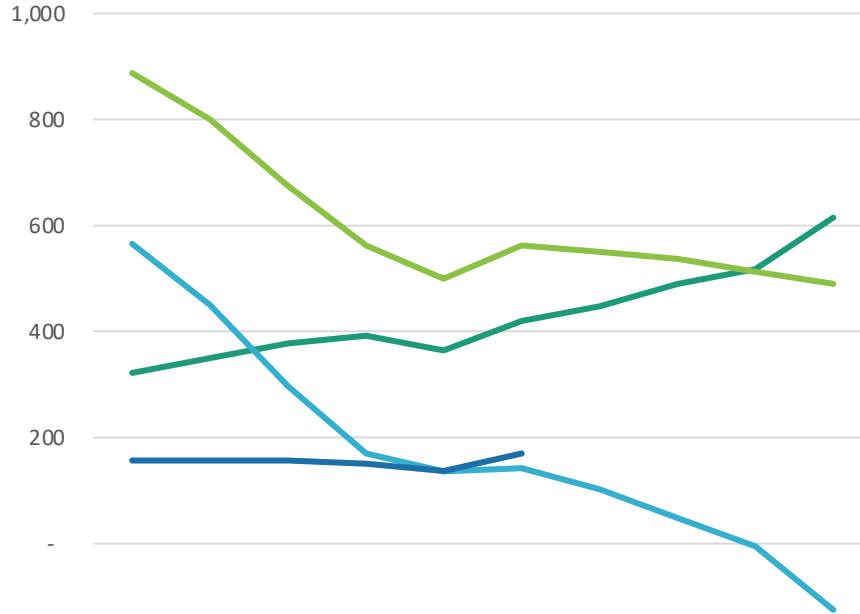
Export Change % to the USA



	2019	2020	2021	2022
Bangal desh	2%	-4%	38%	41%
Vietnam	12%	-11%	12%	30%
China	-11%	-40%	33%	9%

# China

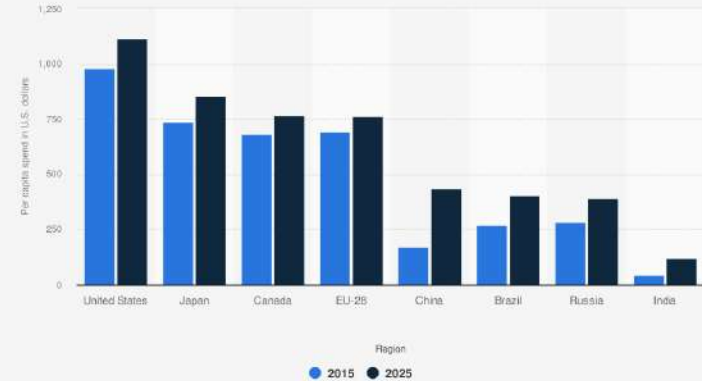
China's Balance of Trade (T&C)  
(billion US\$)



(200)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Domestic Market	322	350	378	392	364	420	448	490	518	615
Production (Retail adj.)	888	800	675	563	500	563	550	538	513	490
Available for Export	566	450	297	171	136	143	102	47	(6)	(125)
Export	157	157	157	151	137	170				

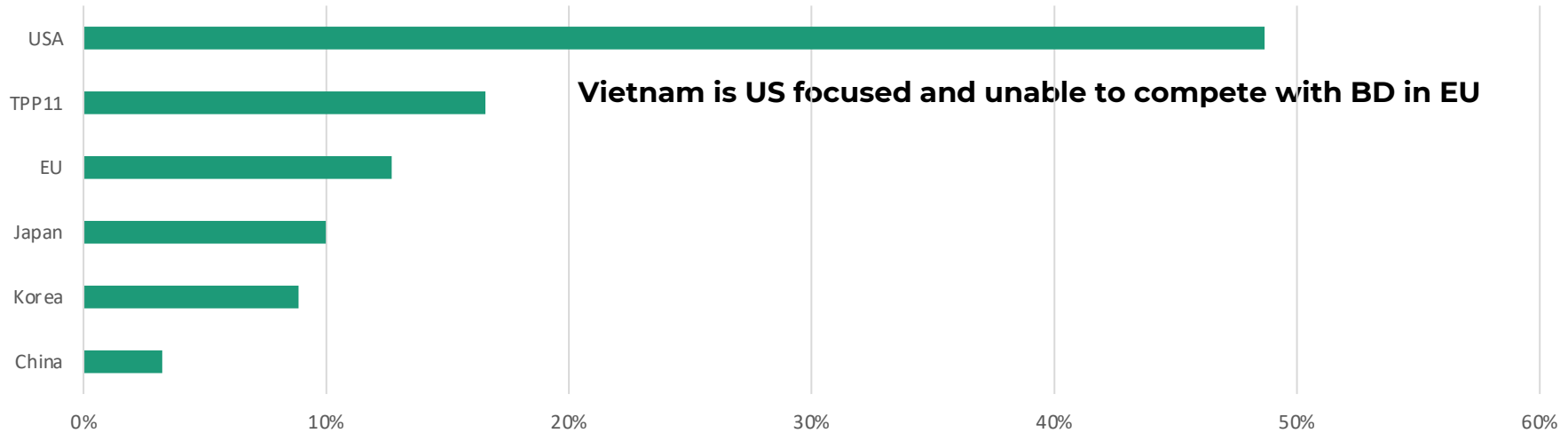
Per capita expenditure on apparel worldwide in 2015 and 2025, by region (in U.S. dollars)



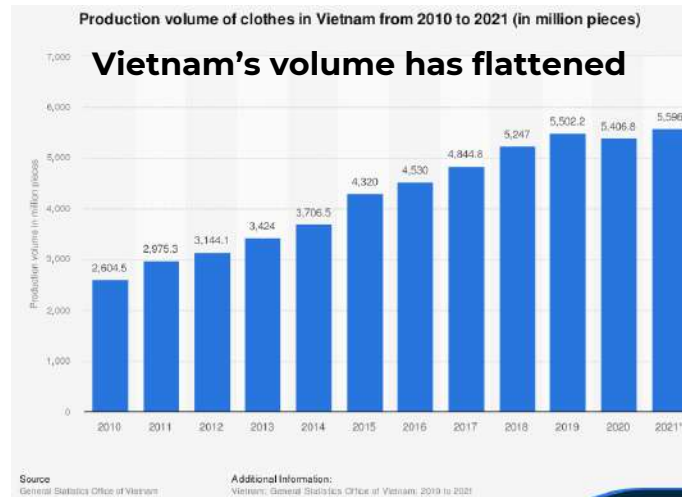
Source:  
Wozir  
© Statista 2022

Additional information:  
Worldwide; Wozir; 2015

# Vietnam



**Vietnam is US focused and unable to compete with BD in EU**



Source: General Statistical Office of Vietnam

Additional Information: Vietnam, General Statistical Office of Vietnam, 2010 to 2021

# Contributors to Bangladesh's success

Initially	Current
Lower labour cost	Increasing labour cost
Duty free market access	LDC -> Middle Income Country Other countries (Vietnam) also duty free
Affordable and abundant domestic gas supply	Expensive and import mixed gas supply
Backward linkage developed	Backward linkage becoming uncompetitive
Stable US\$ exchange rate	Unfavorable US\$ exchange rate for T&C

**Initial subsidies and supports withdrawn -> Survival of the fittest**

**CRISIS: Erosion of initial advantages**  
**=**  
**OPPORTUNITY: Create new advantages**



# Bangladesh must focus on

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- 1) Sustainability
- 2) Competitiveness
- 3) Leverage Investment Opportunities

# Our Planet

## THE ENVIRONMENTAL IMPACT OF TEXTILES



of global greenhouse gas emissions are caused by clothing and footwear production



This is more than all international flights and maritime shipping combined



Sources: EPRS (2017), UN (2018)

“

*Circularity principles need to be implemented throughout all stages of a value chain to make the circular economy a success. From design to production, all the way to the consumer.*

”

Jan Huitama (Renew Europe, the Netherlands)

Lead MEP on the circular economy action plan

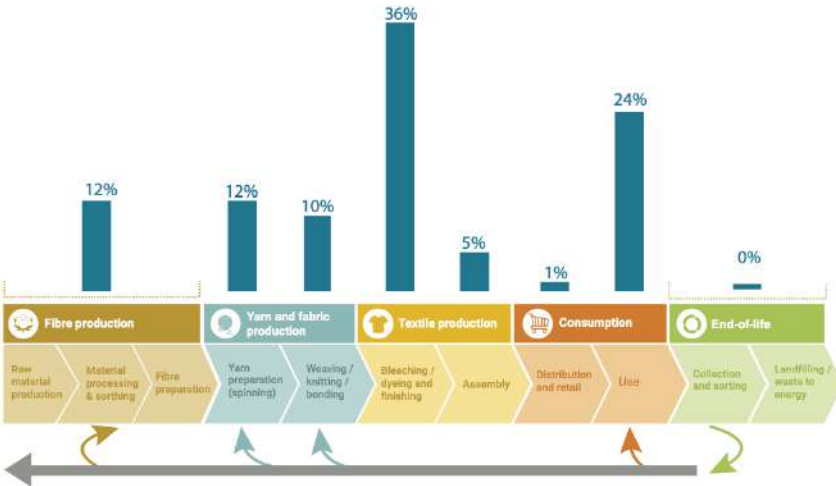


*The average person buys 60 per cent more items of clothing every year and keeps them for about half as long as 15 years ago, producing immense volumes of textile waste.*

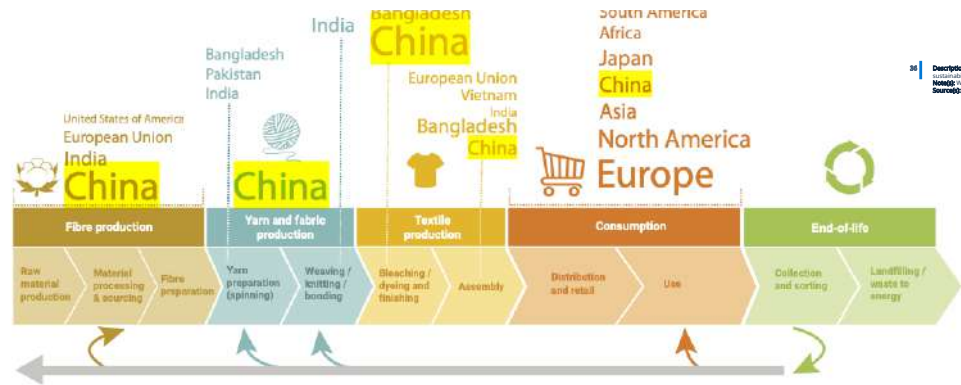
- Greenpeace

# BD is only a part of the puzzle

Figure 8: Climate impact across the global apparel value chain

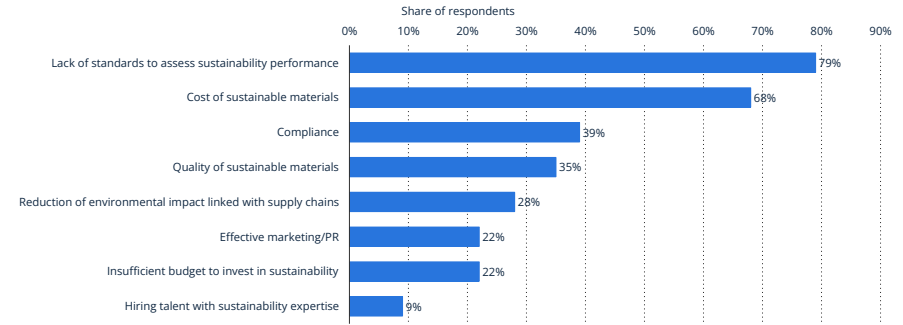


Source: LCA on global apparel, see Box 1.



## Challenges faced by fashion executives to improving consumer perceptions of their company's sustainability credentials worldwide in 2022

Fashion companies barriers to improving consumers' views on their sustainability 2022

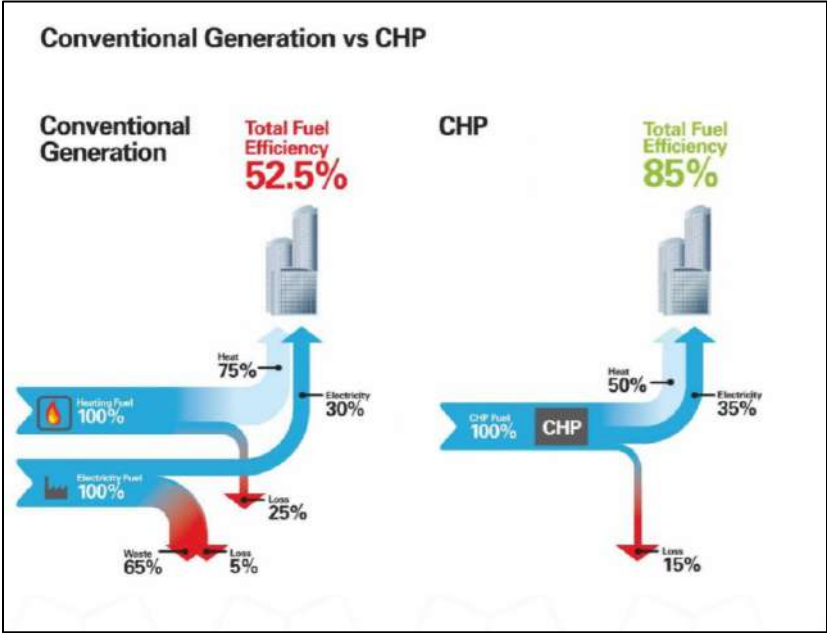
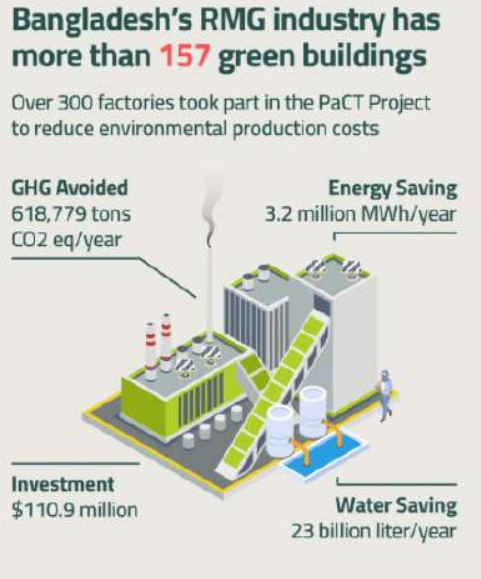


Disclaimer: According to a 2022 survey of fashion executives from companies around the world, the biggest challenge they faced when trying to improve their company's sustainability credentials in the eyes of consumers was the lack of standards to assess sustainability performance. The second biggest challenge, with a share of roughly two-thirds of respondents, was the cost of sustainable materials.   
 Source: McKinsey, The Business of Fashion.   
 Methodology: August to October 2022. 196 respondents, fashion executives.



# Bangladesh's Answer: Sustainable Production

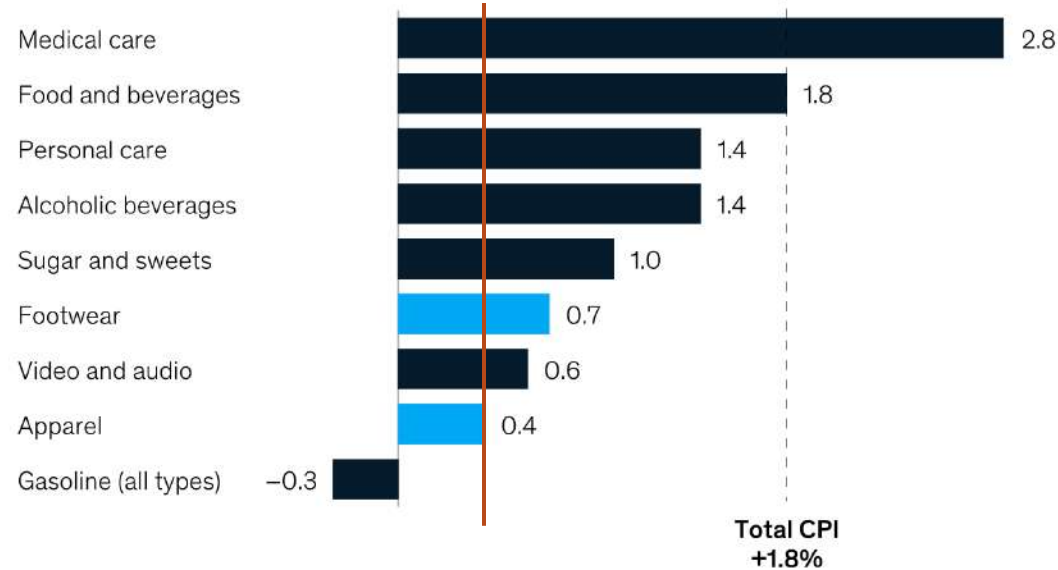
- Highest number of certified green factories in Bangladesh
- Combined Heat and Power Use (Co-generation) – 88% efficiency
- Solar (2.08% of BD grid power) – Floating Solar Farms
- Water and waste recycling
- Low liquor ratio for dyeing, new technology
- Develop sustainable fibres



Source: BGMEA, Textilepact

# Highly Competitive Industry

US Consumer Price Index for select categories, CPI CAGR 2010–19 in %<sup>1</sup>



<sup>1</sup>Based on industry revenue in the United States of \$97B (\$46B in footwear, \$51B in apparel), using NPD data without DTC for Nike or competitors in footwear. Cumulative growth gap in each category vs CPI of 1.8% over 10 years, assuming product volume sold remains constant. Source: BLS, Moody's, US Census

## The Low Wages of Garment Workers

Minimum monthly wages in the textile industry in selected countries as of 2020



\* 2019 data  
Conversion from US dollars to euros at the average exchange rate of the respective years.

Sources: Clean Clothes Campaign, FASH455 - Global Apparel & Textile Trade and Sourcing



statista

Global pricing of all essentials have increased substantially more than apparel.  
Low salary is not the reality and brands are taking advantage of this.

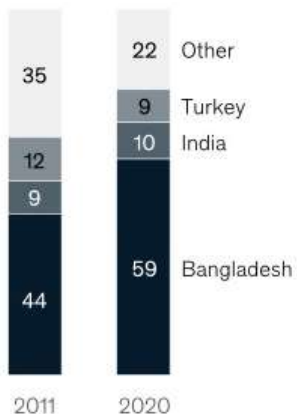
# The Mighty Cotton T-Shirt

The cotton t-shirt remains the iconic product for Bangladesh, despite price pressure.

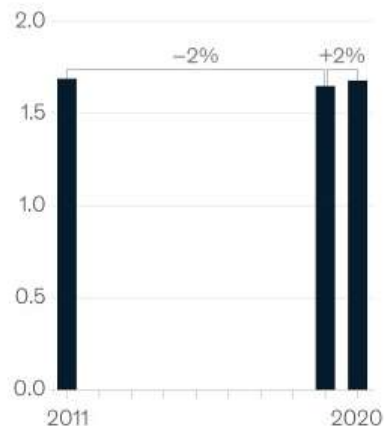
However, many of Bangladesh's factories have not yet transitioned to providing these new offerings, and have shied away from the investment required to do so. The numbers show that T-shirts, trousers, and sweaters continue to dominate the country's exports. In fact, Bangladesh's top ten products accounted for more than 55 percent of the country's export value of apparel to the EU in 2019<sup>[8]</sup>; the iconic cotton T-shirt accounts for around one-fifth of the value of Bangladeshi garment exports to Europe. Consequently, Bangladesh's garment industry is facing palpable price pressure in basic product categories (Exhibit 2).

Source: McKinsey Analysis

Imports of cotton t-shirts to Europe (EU27), value share, %



Average import price to Europe (EU27), € per t-shirt imported from Bangladesh



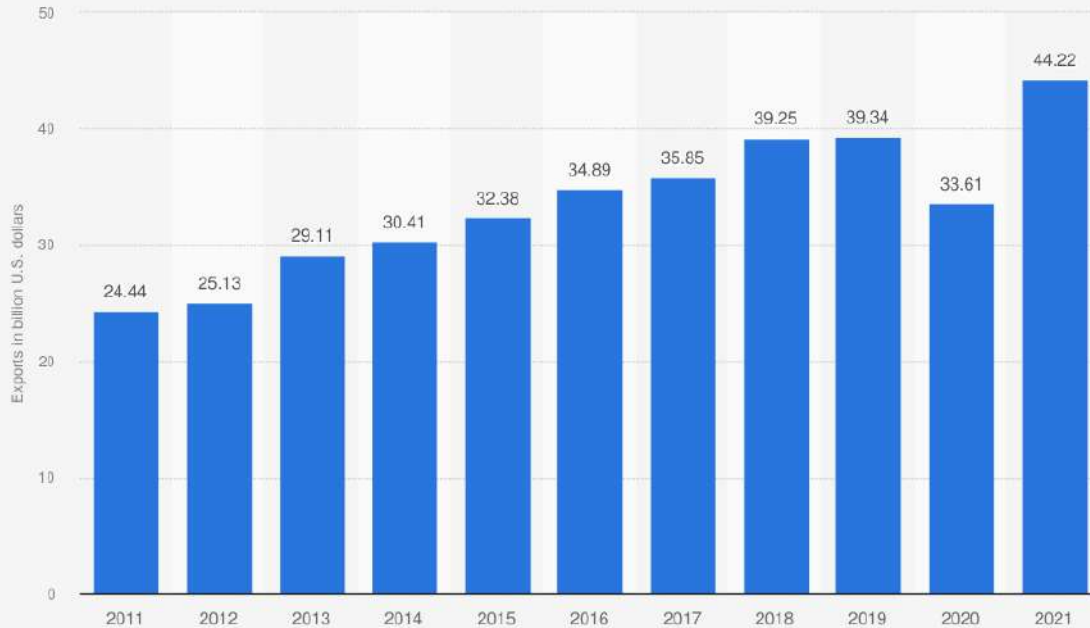
Inflation from 2011 to 2023

Cumulative price change	33.00%
Average inflation rate	2.40%
Converted amount (\$1 base)	\$1.33
Price difference (\$1 base)	\$0.33
CPI in 2011	224.939
CPI in 2023	299.170
Inflation in 2011	3.16%
Inflation in 2023	6.41%
\$1 in 2011	\$1.33 in 2023

*T-shirt price should have increase 33% but has **remained the same since 2011***

# Growth Opportunity for Bangladesh

Bangladesh: Export of goods from 2011 to 2021 (in billion U.S. dollars)



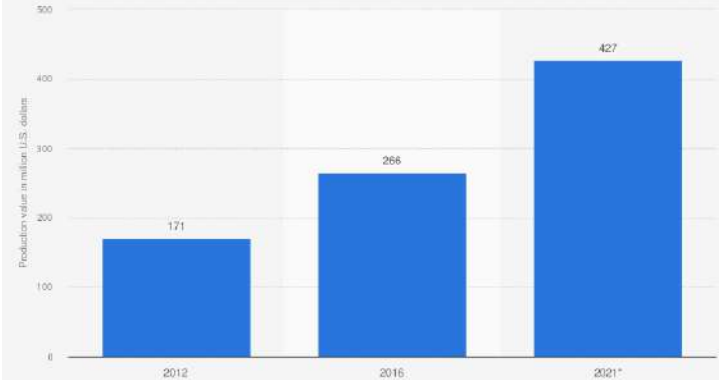
Source:  
WTO  
© Statista 2022

Additional Information:  
Bangladesh; WTO

statista

- Graduate out of basic
- Massive scope in MMF
- US Market
- Export to China
- Growing sportswear and outerwear

Production value of sportswear and outdoor apparel in Bangladesh from 2012 to 2021 (in million U.S. dollars)

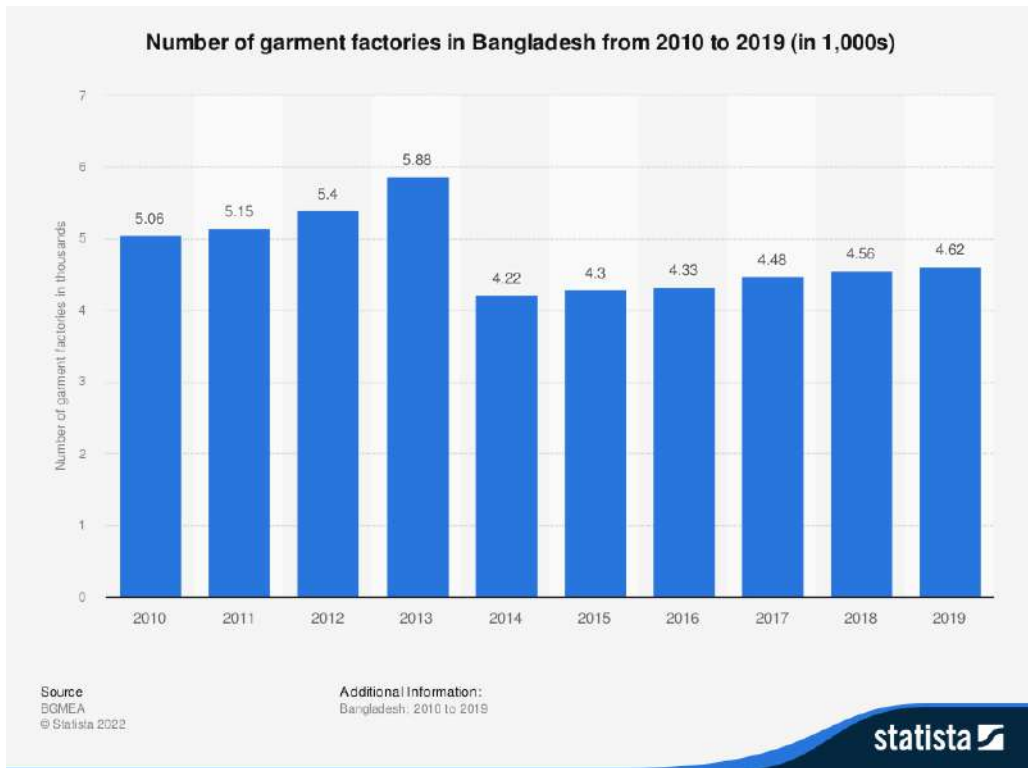


Sources:  
HRC/Asiava; Euromonitor  
© Statista 2022

Additional Information:  
Bangladesh; Asia; Euromonitor; 2012 to 2016

statista

# Bangladesh: The Preferred Sourcing Destination



NIRAPON



Safe, responsible, transparent & competitive



# Rising Country Image

Bangladesh has the highest number of LEED certified factories



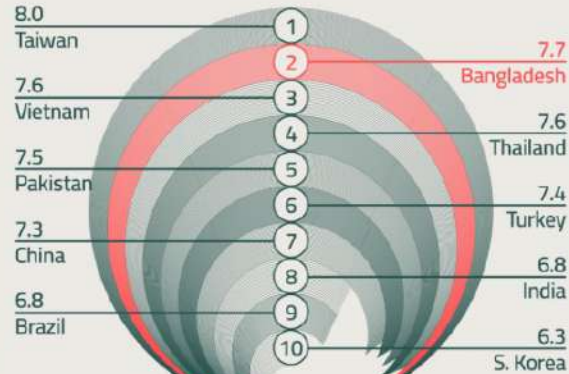
Bangladesh's RMG industry has more than 187 green buildings

Over 300 factories took part in the PaCT Project to reduce environmental production costs



## Average Ethical Audit Score

Bangladesh ranks second in the world in ethical standards of its labor force



## Factors in ethical assessment

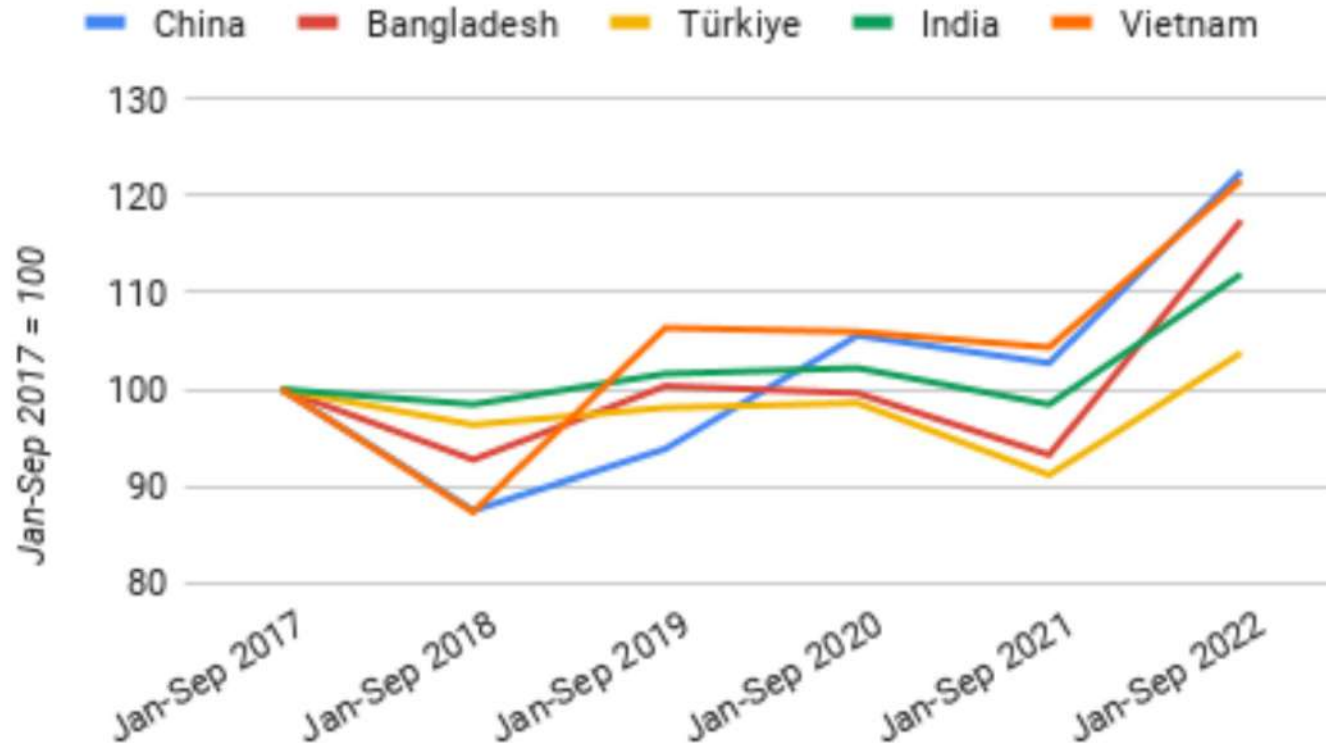
- Labor issues
- Safety measures
- Working hours & wage compliance
- Sanitation & PPE
- Tech adoption
- Quality control
- Transparency

Source: [BGMEA](#), [Textilepact](#)

Source: [Qima](#)

# Success in Value Addition

EU Clothing Imports: Unit Value Index in Jan-Sep 2017-22 (EUR)



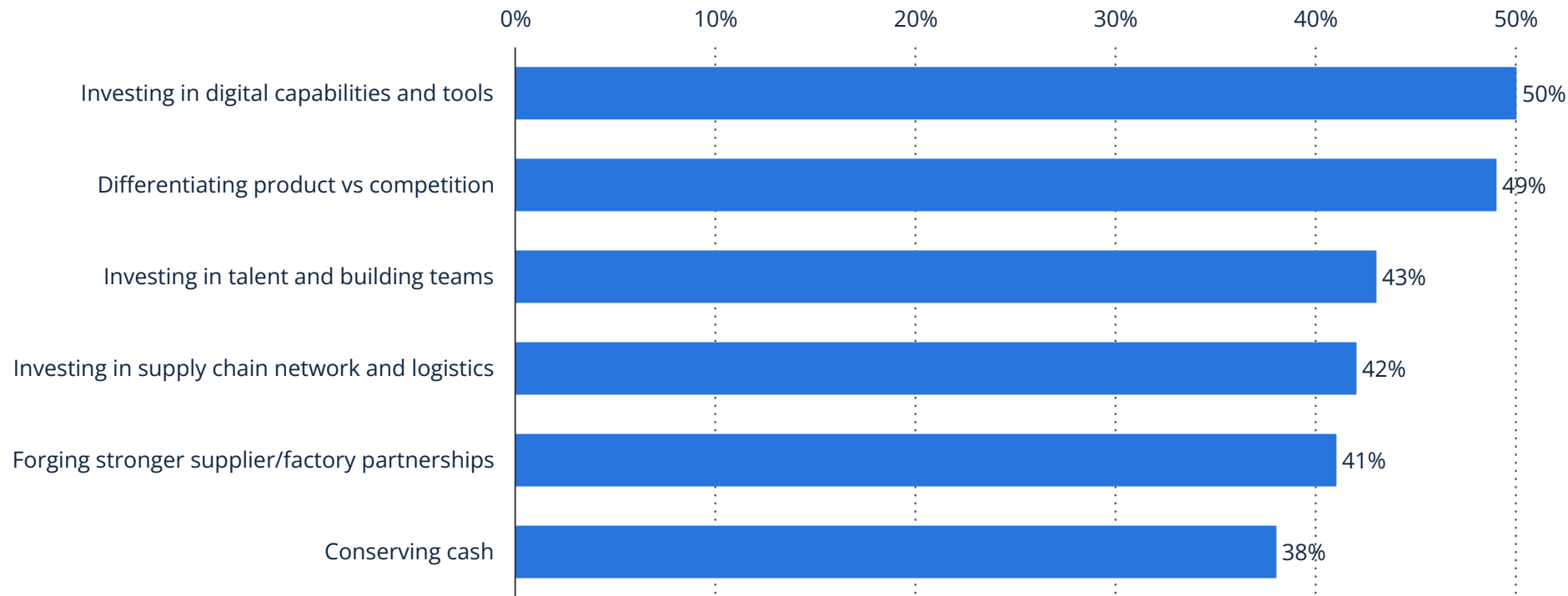
Source: EmergingTextile & Eurostat

**Bangladesh is doing something right**

# Competitiveness vs Vietnam (our biggest competitor)

Vietnam	Bangladesh	Bangladesh Future Action Plan
Customs clearance Vietnam 24 hours	48 hours to one month	Digitize and increase efficiency
Worker efficiency: 65%	Worker efficiency: 50%	Training and upskilling
Shipment: 33 day	Shipment: 45 days (feeder->mother)	Shipment: 16 days (direct vessel)
Value added products (Avg FOB \$7.22/pc.)	Basic Products (Avg. FOB \$ 2.80/pc.)	Target FOB (\$5.00/pc.)
EVFTA (Free trade agreement)	Duty free to most of the world, except USA	Negotiate FTAs
\$12.8 billion export to USA	\$9.7 billion export to USA	Substantial scope for growth to USA
FDI Avg \$7.25 billion/month (60x BD)	FDI \$1.2 billion/month	Attract FDI & Technology Transfer
Infrastructure Investment (6% of GDP) LPI Ranking: 39	Infrastructure Investment (5.88% of GDP) LPI Ranking: 100	Deep sea port Airport Terminal 3 Roads & Bridges
International JVs with brands and MNCs	Very few JVs and MNCs	Increase JVs & Partnerships

# Actions Plan by International Brands



**Description:** In a survey of executives at fashion companies ran during the second half of 2022, half of respondents said that their company was investing in digital capabilities and tools to try and fortify against increased disruption and shifts in consumer spending. This was closely followed by the share of respondents who were differentiating their product compared to their competition. [Read more](#)

**Note(s):** Worldwide; July 13 to September 9, 2022; 432 respondents; Apparel, footwear, and accessories executives

**Source(s):** AlixPartners; Sourcing Journal

# Lead-time Challenge



Bangladesh is already delivering a super fast turnaround (30 days mfg lead-time) but falls behind due to logistics and distance.

## Need to prioritise:

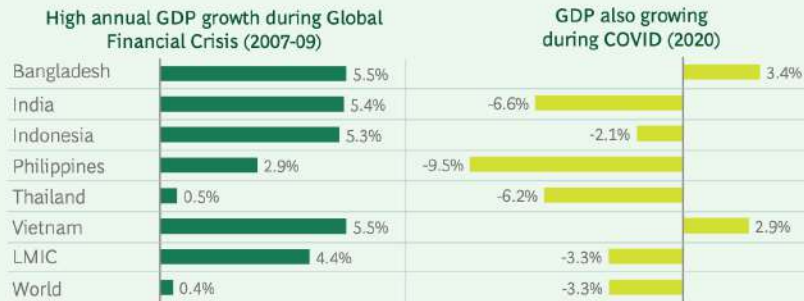
- 1) Backward Linkage for MMF
- 2) 3D Sampling – 24 days saved
- 3) Direct Vessel – 26 days saved

**Ability to counter near-shoring**

# Bangladesh must remain focused and resilient

Steady growth during global crisis periods

■ 2007-09  
■ 2019-20



## 8 GROWTH DRIVERS UNDERPINNING ECONOMIC GROWTH



### Solid optimism

57% believe next generation will have better lives



### Rise in consumption

9th largest consumer market by 2030

34Mn MAC population by 2025



### Young growing workforce

Median age 28

68.4% working age population



### High economic resilience

Savings rate 34% vs global average 27%

Govt. debt at ~19%, lowest among peers



### Digital momentum

177M mobile cellular subscription

Target to achieve 50%+ cashless rate & 90%+ financial service access



### Government shaping the economy

3X increase in public spending in last decade

Strong vision 2041 & smart nation plan in place



### Fast growing private sector

2nd largest apparel exporter

9th largest mobile market in the world

bKash - leading MFS, BRAC - largest NGO in the world



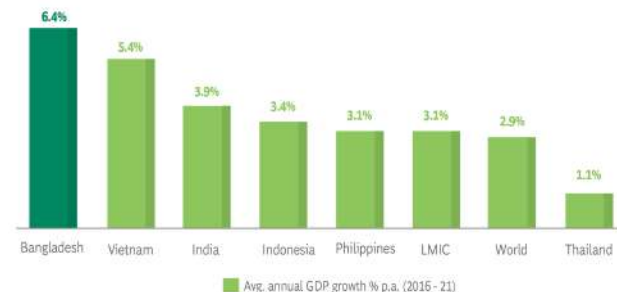
### Scaled up and thriving gig economy

2nd largest supplier of online labor globally

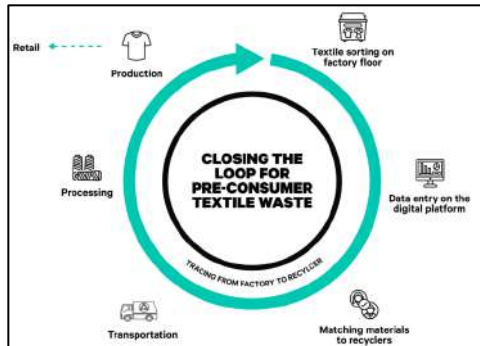
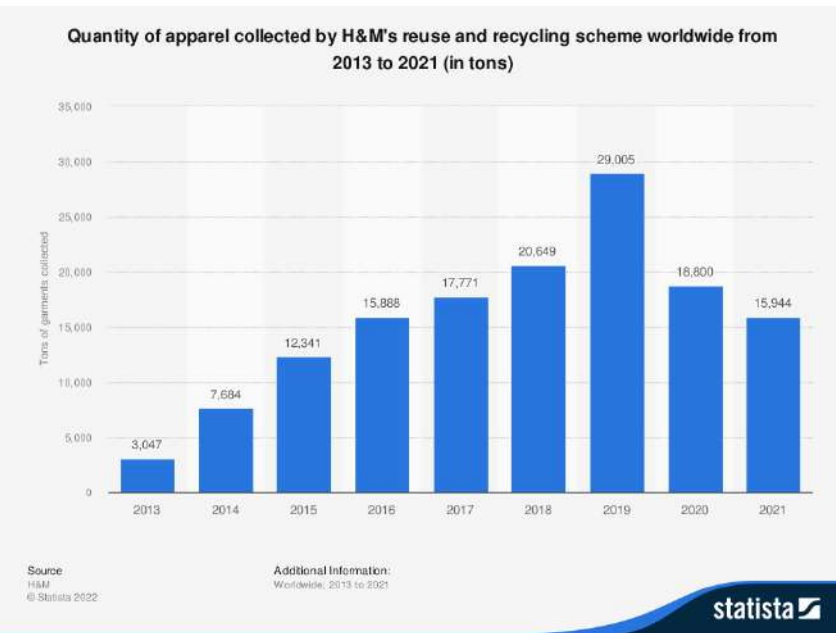
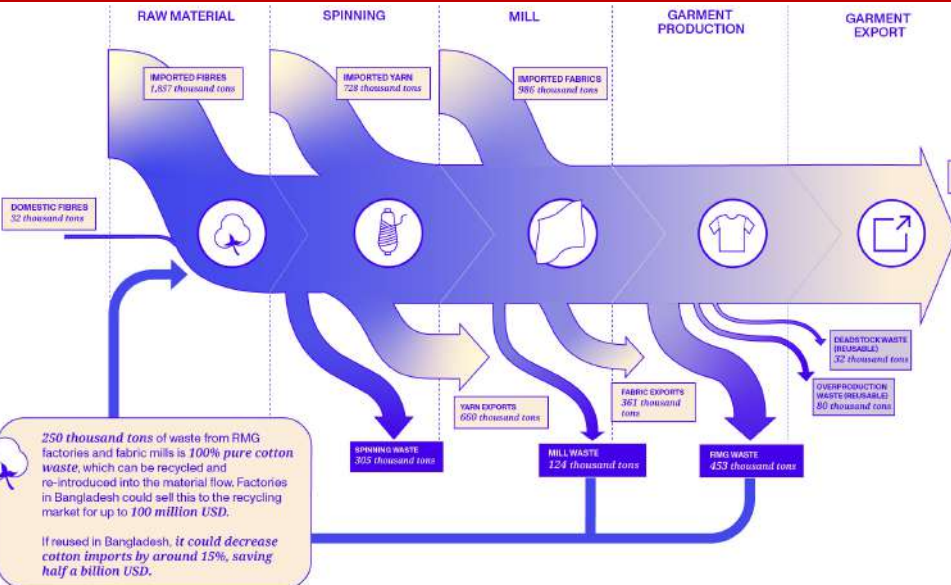
Home to ~15% (~650k) of world's freelancers

50,000+ Fb entrepreneurs

Exhibit 1 - Bangladesh Emerges as the Fastest-Growing Economy Amongst Major Peers



# Investment in Recycling



## Textile to Textile Recycling



# Investment Opportunity

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- Digitization (Industry 4.0 & AI)
- Sustainability incentives
- Strategic Partnerships
- Economic Zones (97 licensed)
- Garments importing fabric & accessories
- Dyes and Chemicals mfg investing (Rudolph, Dystar, Archroma)
- Big brands have faith in Bangladesh
- Policies that encourage FDI (Customers and technology transfer)



# Way Forward

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- 1) Sustainability
  - Continuous investment in technology and modernization
  - Efficient use of gas (co generation)
  - Recycle (water and materials)
  - Renewable energy (where possible)
- 2) Competitiveness
  - Training to increase efficiencies
  - Investment in infrastructure
  - Deep sea port / direct vessel
  - Free Trade Agreements
- 3) Leverage Investment Opportunities
  - Industry 4.0 & AI
  - Backward linkage in MMF
  - FDI & JV friendly policies
  - Technology transfer
  - Speed up the economic zones