

Fall in RMG work orders triggers domino effect

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The country's accessories and packaging industry has started to feel the pinch as the local export-oriented garment sector has been experiencing a significant fall in work orders.

Industry insiders said they have been grappling with different issues, including delayed payment, deferred shipments of ready goods and banking complexities, in recent months.

The local accessories industry meets over 90 per cent demand of the export-oriented readymade garment (RMG) sector.

But the fall in apparel work orders has left a reaping effect on the accessories and packaging industry, said the packaging entrepreneurs.

RMG exporters claim that work orders have decreased by 30-40 per cent in recent months.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Vice President Md Shahidullah Azim said buyers are now asking for delaying their shipments citing huge inventory as demands have declined in western markets mainly because of high infla-

Accessories industry



tion and fuel price induced by Russia-Ukraine war.

So the drop in work orders in the local RMG sector means the local accessories and packaging industry will see a decline in work orders too.

In this regard, Abdul Kader Khan, former president of Bangladesh Garment Accessories and Packaging Manufacturers and Exporters Association, said, "If we received a work order for 0.1 million pieces earlier, it now has come down to 35,000-40,000 pieces."

Also in many cases, buyers (local

RMG manufacturers) are asking for deferred shipments for already ready goods, citing deferred shipments by their respective customers (global apparel customers) as a reason, he explained.

Echoing Mr Khan, garment accessories manufacturers association Vice President AKM Mostafa Selim said they are also facing delay in getting payment from their respective commercial banks.

Banks usually take seven working days to issue maturity letters against shipments, said Mr Selim, adding that now accessories makers have to wait up to 45 days in many cases.

"On the other hand, we don't get payment from our commercial banks even after 120 days," said Mr Selim, adding that they have raised the banking related issues in a meeting with the central bank recently.

Mr Selim, also managing director of Sans Packaging and Accessories Ind Ltd, said the downtrend in their business might continue till the end of 2023.

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To help the sector sustain and grow, garment accessories manufacturers association's President Moazzem Hossain demanded fixing the exchange rate for per US dollar at Tk 106 and requested reducing the interest rate of EDP loans.

He also proposed formation of a task-force comprising representatives from the accessories industry, National Board of Revenue (NBR) and commerce and industries ministries so that the body can take appropriate actions to address the challenges after LDC graduation.

The RMG sector has set a target of \$100 billion export earnings by 2030, said Mr Hossain, adding, "We also have to double our export earnings by this time alongside the RMG sector."

Some \$15 billion worth of accessories and packaging goods would be needed to meet the garment sector target, said Mr Hossain, adding that the industry needs technological, financial and other related support in doing so. He also demanded cash incentives for the accessories and packaging industry.

In the last decade, many entrepreneurs made fresh investments in setting up new

units or expanding their existing capacities according to the garment accessories manufacturers association.

With the growth in the local RMG sector, the demand for accessories and packaging products is increasing, encouraging many to invest in the industry, insiders said. More fresh investments are needed in the accessories industry to make it grow in line with the RMG sector, they observed.

Currently, over 1,800 accessories and packaging companies are registered with the accessories manufacturers' association producing more than 25 items, including corrugated carton, poly bag, hanger, elastic button, burton, label, zipper, hang tag, gurtape, twill tape, embroidery and quilting.

The majority of the companies are small and medium in capacity - only some dozen are big in size, according to the association. The accessories and packaging industry made deemed exports worth \$7.25 billion in the last fiscal year. It fetched \$2.75 billion in the fiscal year of 2010-11.

Some 20 per cent of the total \$7.25 billion deemed export was directly shipped to various destinations of the world, according to the association.

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