

Impact of COVID-19 on Bangladesh's Apparel Export Competitiveness

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Introduction: Bangladesh is one of the most prominent apparel-exporting nations in the world. It plays a vital role in the economic and social development of the country, with a contribution of 11.2% to the country's GDP in 2021 (Hossain & Uddin, 2021). The apparel industry constitutes more than 4600 factories and is the country's largest industrial sector, employing more than 4 million workers. It contributes 36% of the total manufacturing employment, and over 80% of the labor force is women. The total apparel export of Bangladesh has crossed \$42.6 billion in the 2021- 2022 fiscal year, with 84% contribution to the country's total exports and 6.5% market share in the global apparel trade (BGMEA, 2022). The apparel industry experienced a massive growth of 35% compared to the 2020-2021 fiscal year, i.e., the Covid-19 years. COVID-19 had a drastic impact on the apparel industry. It devastated the world economies, causing an estimated loss of upto \$9 trillion globally, affecting over two hundred countries, and Bangladesh was no exception (Gössling et al., 2021). Bangladesh's apparel industry went through unseen disruptions in its operations due to the government-imposed factory shutdowns from March to December 2020 (Swazan & Das, 2022). This severely impacted the export of apparel goods as the nation's clothing trade abruptly fell by 17.4% in 2020 (BGMEA, 2022).

Literature review: The aftermath of this pandemic was even worse. One thousand nine hundred thirty-one brands had canceled or delayed orders worth \$3.7 billion (Chowdhury et al., 2022). More than one million workers lost their jobs due to this pandemic (Kabir et al., 2021). Even though the suppliers received the purchase orders and sourced the raw materials, 72.1% of the retailers declined to pay for those orders. Additionally, 91.3% did not pay the manufacturers for the cut-make-trim cost, forcing 58% of the factories to stop most of their business operations (Majumdar et al., 2020). Because of the pandemic, the factories dealt with increased overhead costs while the number of orders was reduced. Not surprisingly, Bangladesh has lost its marketshare in global apparel exports due to these factors. Consequently, it lost the second position in the global apparel trade to Vietnam in 2020.

Although many studies have investigated the impacts of COVID-19 on Bangladesh's apparel industry, little research has examined how COVID-19 has impacted the export performance of the apparel product categories. Previous studies aimed to understand the impacts of COVID-19 on Bangladeshi garment workers (Kabir et al., 2021), and apparel and textile supply chains (Ali et al., 2021; Su et al., 2022). However, no research has been conducted to determine the impact of Covid-19 on its export competitiveness. To address this gap, this study aims to investigate the export competitiveness of Bangladesh's apparel products and accessories and to analyze how COVID-19 has impacted their export performance.

Method: One of the most often used metrics for measuring export competitiveness is the Revealed Comparative Advantage (RCA) index (Balassa, 1965). A variation of revealed comparative advantage (RCA) known as normalized revealed comparative advantage (NRCA) offers more stable means across nations and commodities (Yu et al., 2009). From January 2017 to December 2022, monthly export trade statistics at the product level (chapters 61 and 62) for Bangladesh were gathered from the UN Comtrade database to evaluate the changes in export competitiveness. The 72-month timeframe was finalized to have comprehensive data on the apparel export trend in Bangladesh before and after COVID-19. RCA and NRCA were calculated for the two-, four-, and six-digit HS codes. A non-parametric rank correlation confirmed the consistency between the RCA and NRCA indices ($\rho = 0.81985$, p-value <0.001).

Results: The RCA and NRCA indices suggested that Bangladesh firmly retained its competitiveness among twenty-four out of thirty-four product categories within HS61 and HS62. Bangladesh was found to be performing poorly in terms of its apparel exports in seven out of the remaining ten product categories (HS6112: knitted tracksuits), HS6113: garments of knitted fabrics, HS6213: handkerchiefs, not knitted, HS6214: shawls, scarves, not knitted, HS6215: ties, not knitted, HS6216: gloves & mitten, not knitted, and HS6217: clothing accessories, not knitted) from January 2017 and continued this poor performance till December 2022. However, the three categories had some impact as the industry dealt with the issues created by the pandemic. Among them, HS6115 (hosiery) was the only product category in which Bangladesh showed a comparative disadvantage due to the pandemic. HS6116 (gloves) and HS6117 (clothing accessories) were the two categories that indicated a decline in their competitiveness after COVID-19 took place. Further analysis of the six-digit level sub-categories of these three product categories revealed that twenty out of twenty-five sub-categories experienced an ongoing comparative disadvantage after the pandemic. The remaining five had fluctuations which are described as follows: HS611520 (Women's full-length hosiery) [disadvantage in 2021], HS151591 (knitted hosier & footwear) [disadvantage in 2021-2022], HS611692 (knitted gloves or mittens) [disadvantage in 2019-2022], HS611699 (knitted gloves or mittens other than cotton or synthetic fiber) [disadvantage in 2020-2021], HS611790 (knitted clothing parts) [disadvantage in 2020-2021].

Conclusions: The study's findings have significant implications and contributions to academia and industry. It has demonstrated that Bangladesh retained its apparel export competitiveness during COVID-19, though it lost its market share due to the pandemic. It contributes to the existing academic literature on Bangladesh's apparel industry and fills the gap regarding the impacts of COVID-19 on Bangladesh's export competitiveness. This could also draw investments from domestic and international investors, which could help the industry grow further.

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