Institute of Apparel Research & Technology iART

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A Brief on
The Japanese Knitwear Market

Bangladesh Knitwear Manufacturers & Exporters Association

In collaboration with giz

A Brief on the Japanese Knitwear Market

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Foreword

The rapid changing pattern in consumers' taste and fashion especially for clothing has become the major challenge of apparel manufacturers to meet the expected requirements. And to remain in the hunt of competition understanding of market behavior and trend is inevitable. The market brief of iART is not just an industry orientation with knitwear rather it portrays the significant economic composition stating suggestions for exporters to diversify their product baskets in a market where maximum gain is possible. The current issue on Japanese Knitwear Market is the second edition as part of BKMEA's scoping mission in 2010. This new understanding from the follow-up mission would help acquiring better knowledge and skim out the potentiality of this unexplored market for Bangladesh RMG sector.

The trade diversification to non-traditional markets is now the call from experts particularly the wake of economic crises again in EU & USA. This is high time Bangladesh exporters learnt lessons from 2009 crunch and makes prudent and rational decision to offset from the reduced earnings by expanding market base. Importing USD 12.64 billion worth of knitwear in 2010, Japan became the third largest importer as a single country in the world. The market of knitwear in Japan is growing at an average of 5% since 2006 whereas among the import compositions Bangladesh knitwear garments grew about 76.84% with an amount of $93.83 million in FY 2010-11. Though the export base is very small compared to other ASEAN suppliers, its share of value and quantity is rising every year. This incremental momentum is the result of GSP-2 stage transformation effect from 2011, which is yet to flourish, following BKMEA's initiative to convince Japanese government.

This market brief publication is indeed aimed at diversification of export destinations particularly in Japan in such a time when sourcing strategies are taking new phase due to cost factors in China and other ASEAN suppliers. And this mini endeavor from Institute of Apparel Research & Technology would obviously boost knitwear exports in value added sectors.

My cordial appreciation goes to Minhaz Uddin Ahmed and Redwan Ahmed for their untiring efforts to compile knowledgeable informants, analyses and interpretations. I strongly believe that members of BKMEA find this market brief as necessary information and guidelines for a move to Japan apparel sector. Lastly, I pay my gracious felicitations to GIZ for their constant support to iART in expanding its trade promotional activities.

-A.K.M Salim Osman
President, BKMEA

A Brief on the Japan Knitwear Market

Japan is one of the highly industrialized nations in the world. Its industrial sector is heavily dependent on imported raw materials and fuels. Moreover its tiny agricultural sector is highly subsidized and protected, with crop yields among the highest in the world.

Country Overview

Japan is an island nation in East Asia. Located in the Pacific Ocean, it lies to the east of the Sea of Japan, Peoples Republic of China, North Korea, South Korea and Russia stretching from the Sea of Okhotsk in the north to the east of China Sea and Taiwan in the south. Japan is sometimes identified as the "Land of the Rising Sun".

Total Area: 377,915 sq km with land: 364,485 sq km & water: 13,430 sq km, this is the 62 th largest country in the world and slightly smaller than California .

Population (2011 EST.):

126,475,664 (growth rate: -0.278%); birth rate: 7.31/1000; death rate: 10.09/1000; infant mortality rate: 2.78/1000; life expectancy: 82.25 year; density per sq mi: 334.67.

Government: A parliamentary government with a constitutional monarchy. There are 47 prefectures and these are as Aichi, Akita, Aomori, Chiba, Ehime, Fukui, Fukuoka, Fukushima, Gifu, Gunma, Hiroshima, Hokkaido, Hyogo, Ibaraki, Ishikawa, Iwate, Kagawa, Kagoshima, Kanagawa, Kochi, Kumamoto, Kyoto, Mie, Miyagi, Miyazaki, Nagano, Nagasaki, Nara, Niigata, Oita, Okayama, Okinawa, Osaka, Saga, Saitama, Shiga, Shimane, Shizuoka, Tochigi, Tokushima, Tokyo, Tottori, Toyama, Wakayama, Yamagata, Yamaguchi, Yamanashi.

Capital: Tokyo.

Key economic sectors: Electronics & automobile industries, agriculture & others.

Currency: Yen (JPY) per US dollar - 87.78 (2010), 93.57 (2009), 103.58 (2008), 117.99 (2007), 116.18 (2006).

Time: UTC + 9.

Transportation: Excellent air (airport-32, heliport-15), rail (26,435 km) and roads (1,203,777 km) facilities.

Telecommunications: Numerous submarine cables provide links throughout Asia, Australia, the Middle East, Europe, and US; satellite earth stations - 7 Intelsat (Pacific and Indian Oceans), 1 Intersputnik (Indian Ocean region), 3 Inmarsat (Pacific and Indian Ocean regions), and 8 SkyPerfect JSAT (2008).

Merchant marine: total: 673, by type: bulk carrier 152, cargo 31, carrier 3, chemical tanker 28, container 2, liquefied gas 63, passenger 12, passenger/cargo 120, petroleum tanker 152, and refrigerated cargo 4, roll on/roll off 52, vehicle carrier 54.

Ports & terminals: Chiba, Kawasaki, Kobe, Mizushima, Moji, Nagoya, Osaka, Tokyo, Tomakomai, Yokohama.

[1] *CIA Factbook, 2011*

Economy of Japan

Japan's postwar economy developed from the leftovers of an industrial infrastructure that suffered widespread destruction during World War II. Over the following 2 decades, Japan averaged an annual growth rate of 8%, enabling it to become the first country to move from "Less-developed" to "developed" status in the postwar-era. In the year 2010, total GDP of Japan was about US$ 4.31 trillion and an efficient labor force with about 62.97 million was employed to raise its GDP. High rates of personal savings and private-sector facilities investment, a labor force with a strong work ethic, an ample supply of cheap oil, innovative technology and effective government intervention in private-sector industries contributed to Japan's growth. It is surprising that Japan is the only country which experienced deflation in its domestic market. During the last couple year, price level fell significantly and measured by about 1.3% and 0.7% in the year 2009 and 2010 respectively. However, in the late 1990s, Japan's economy suffered its longest recession because of Gulf war. By late 1999 and early 2000, signs of recovery such as increasing stock prices and revenue growth in some industries, began to be visible. At present, Japan emerged as the most developed nation in Asia. It is the third largest in purchasing power parity after US and China. It is also the world's fourth largest exporter and sixth largest importer. Japan was ranked as the 12th out of 178 countries in the world in 2008 in 'Ease of Doing Business'.

Major Economic Indicators

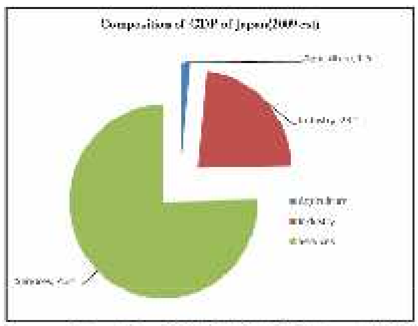
Table 1: Major economic indicators of Japan

Indicator	Value
GDP (PPP, 2010 estimate).	US$ 4.31 trillion
Real GDP growth rate (2010 estimate).	3.9%
GDP per capita (PPP, 2010 estimate).	US$ 34,000
GDP composition (PPP, 2010 estimate).	Agriculture; 1.6%, Industry; 23.1%, Services; 75.4%
Inflation (CPI, 2010 estimate).	-0.7%
Labor force (2010 estimate).	62.97 million.
Labor force by occupation (2010 estimate).	Agriculture; 3.9%, Industry; 26.2%, Services; 69.8%
Unemployment rate (2010 estimate).	5%
Exports (2010 estimate).	US$ 730.1 billion.
Imports (2010 estimate).	US$ 639.1 billion.
Exchange rate (2010 estimate).	US$ 1 = JPY 87.78
Revenue budget (2010 estimate).	US$ 1.776 trillion
Expenditure budget (2010 estimate).	US$ 2.221 trillion
Reserves of foreign exchange.	US$ 1.063 trillion.

Source: CIA Fact Book (downloaded 2011)

Composition of the Economy

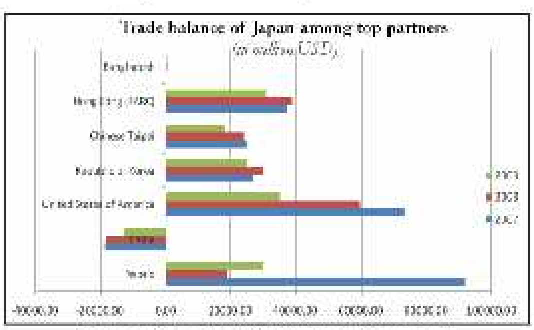
The composition of Japanese economy is not very different than other OECD countries. High industrial growth during the 70s and afterwards made Japan one of the superior industrialized nations of the world. Service sector contributes more than 75.4% and then comes the industry which accounts 23% of the nation's economy. The contribution of agriculture (rice, sugar beets, vegetables, fruit, pork, poultry, dairy products, eggs, fish etc) in Japanese economy is just above 1.6% which accounts US$ 0.069 billion (PPP). Japanese industry sector (motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, processed foods and others) accumulates about US$ 0.996 billion (PPP) and more than 23.1% of its GDP. Interesting thing is that service sector has a very high contribution in Japanese GDP which is more than US$ 3.25 billion (PPP). The economy's 26.2% labor force is working in the industry sector. Service and agriculture sector account 69.8% and 3.9% of the labor force respectively.



Source: Drawn from CIA Fact Book Database (2010)

Composition of Trade

Japan is one of the top importing countries in the world ranked 6th with an import value of about US$ 639.1 billion in 2010. China (22.1%), USA (9.9 %), Australia (6.5%), Saudi Arabia (5.2%) and UAE (4.2%) are the main import partners of Japan. Japan's import reduced significantly in 2009 to 2008 (during the period of recession) which was -27.77%. In 2008 total import of Japan was USD 762.53 billion. Japan mainly imports machinery and equipment, fuels, foodstuffs, chemicals, textiles, raw materials and others. Following table shows a brief about the import items of Japan from the world.



Source: Drawn from ITC Database (Trade Map)

Table 2: Top ten import items of Japan in billion US$

Rank	HS Code	Product Description	2005	2006	2007	2008	2009
1	HS 27	Mineral fuels, oils, distillation products, etc	133.13	161.73	172.79	267.79	152.61
2	HS 85	Electrical, electronic equipment	61.44	67.73	73.68	77.69	64.90
3	HS 84	Machineries like nuclear reactors, boilers etc	52.22	54.69	55.68	59.00	45.94
4	HS 26	Ores, slag and ash	14.40	20.79	25.40	28.37	19.15
5	HS 90	Optical, photo, technical, medical, etc apparatus	19.77	22.96	20.98	21.55	18.13
6	HS 29	Organic chemicals	11.44	12.26	13.04	15.58	14.07
7	HS 30	Pharmaceutical products	7.28	7.59	8.33	9.95	13.02
8	HS 62	Woven Garments	11.38	12.05	11.84	12.47	12.07
9	HS 61	Knitwear	9.79	10.38	10.76	11.74	11.96
10	HS 87	Vehicles other than railway, tramway	13.87	14.22	15.26	16.06	10.93
		Others	181.16	194.66	214.48	242.34	187.98
	TOTAL IMPORT		**515.87**	**579.06**	**622.24**	**762.53**	**550.77**

Source: Calculated by iART from ITC database.

Japan also is one of the leading exporters of the world positioning 4th according to 2010 estimate. Japan mainly exports transport equipment, motor vehicles, semiconductors, electrical machinery, chemicals and other materials which accounts more than US$ 730.1 billion in the same period. Table 3 shows a brief about the export items of Japan to the world. Japan has positive trade balance with the world over the years which were over US$ 91 billion in 2010 after a sharp rise than that of 2009. Before that the trade balance between Japan and the rest of the world was quite higher than in last two years. China is the main trading partner of Japan exported US$ 141.24 billion in 2010 and imported US$ 141.64 billion at the same time. Trade balance of Japan with China is negative over the years, but it is increasing at a gradual rate. The main tradable items from China are electronics, ores, apparel and others. The USA is the next major trade partner of Japan after China. The USA exported over US$ 63.27 billion in 2010 while imported over US$ 114.63 billion at the same time. Japan has a positive trade balance with the USA which is reducing over the years. Japan has positive trade balance with most of its important trade partners.

Table 3: Top ten export items of Japan in billion US$

Rank	HS Code	Product Description	2005	2006	2007	2008	2009
1	HS 85	Electrical, electronic equipment	122.27	128.04	134.99	138.58	107.33
2	HS 87	Vehicles other than railway, tramway	125.13	141.69	160.29	172.20	102.93
3	HS 84	Nuclear reactors, boilers, machinery, etc	119.49	125.94	139.37	151.14	102.04
4	HS 99	Commodities not elsewhere specified	26.16	30.29	35.60	36.87	34.24
5	HS 90	Optical, photo, technical, medical, etc apparatus	35.92	35.45	32.63	34.32	28.65
6	HS 72	Iron and steel	24.37	25.96	30.15	39.20	28.44
7	HS 89	Ships, boats and other floating structures	11.80	14.06	15.52	19.82	22.02
8	HS 39	Plastics and articles thereof	17.44	19.64	22.05	23.85	21.70
9	HS 29	Organic chemicals	17.85	18.59	20.79	20.31	18.88
10	HS 27	Mineral fuels, oils, distillation products, etc	4.45	5.90	9.28	18.78	10.54
		Others	90.06	101.18	113.66	126.33	104.12
	TOTAL EXPORT		**594.94**	**646.73**	**714.33**	**781.41**	**580.89**

Source: Calculated by iART from ITC database.

Japanese Domestic Market and Consumption Pattern

The Japanese apparel market is considered to be one of the largest apparel markets in the world in terms of sales volume. According to a report published by the Japan Textiles Importer's Association (JTIA)[2], few important features of Japanese apparel market / consumers are as follows:

- Japanese apparel market is *highly sophisticated consumer's market, full of information* and supply requires small-lot and delivery short supply cycle is needed.
- Consumers are much diversified.
- Constant oversupply or downpour market with sufficient supply of merchandise is a unique characteristic of Japanese market.
- Market is heavily competitive.
- High quality consumer demand exists in the market.
- Traditional consignment sales to retailers still exist in some sectors.
- There is an increasing trend of the SPA (Specialty store retailer of Private label Apparel).

[2] *The Japanese Apparel Market in Imports, JTIA 2009*

According to the "Family Income and Expenditure Survey" compiled by the Statistics Bureau of the Management and Coordination Agency, average household expenditure on clothes and footwear has declined continuously in nominal terms since 1992. In 1997, average household expenditures on clothes and footwear fell 0.3% in nominal terms and 2.5% in real terms. The decline in consumption has occurred in all categories, but the decline has been particularly marked in men's wear and children's wear.

Fashion Trend

Men's' Casual Ware Fashion Trend

i. Utility-chic:

Work wear and military taste are considered to be the number one choice for this category especially for the fall/winter season. 3-D pockets, removable sleeves, functional work-taste, and basic colors like beige, khaki, and gray, charcoal are the main factors generally for other season.

ii. Outdoor:

We can have some idea about the outdoor fashion trend of Japanese Men from the 1999/2000 fall/winter season:

a. *mainly for town use, but with functional materials for outdoor activity use.*

b. *Standard items (ex. mountain parka, field jackets, etc.) with functional pockets (for CD / cassette players and a cell phone, sunglasses, etc.)*

c. *Add the taste of winter sports, such as snowboarding.*

iii. Street:

Street casual wear can be divided in to three categories:

1. "American street" that reflects biker's fashion, silver jewelry, images of dragons and bare scalp.

2. New York: Fashion originated from lifestyle in New York. In Japan, New York has been recognized as a center of culture and fashion as the New York Collection becomes more and more popular in Japan.

3. Hip-hop: Casual fashion originated from music such as soul, R&B and rap. Baseball shirts, hockey shirts and high-school jackets are becoming popular again.

iv. X-games:

"Extreme Sports" (as in the USA as "X-Games") gains popularity in Japan. Skateboarding, surfing, in-line skating and MBX are very popular in Japan. These trends not only increase the sales of sports merchandise but also increase the sales of related apparel to these X-Games; especially T-shirts and sweat shirts, shorts, shirts, jeans, shoes, etc.

Women's Casual Ware Fashion Trend

The fashion trend of women's casual wear can be summarized through

i. Women's suits

Japanese women's choice of suits follows the 60s and 70s classic style. They choose mainly cotton and rayon during spring and summer. Woolen items rest in their choice basket during fall and winter. Velvet on the collar and cuffs also appear in addition to fundamental colors such as black, gray, navy, and beige, pastel colors (pink and blue). These colors are even popular in fall and winter sessions. Exclusive Italian and French brands were top sellers sometimes along with low-priced Chinese products.

ii. Women's coats and jackets

Japanese women choose three-quarter length, super long, or medium length (ie. Knee length) coats and jackets. Jackets with box shape are also a popular item. Coats or jackets made with wool are the main seller. Coats and jackets made with high-quality fabrics like cashmere, silk, and alpaca-angora blends are popular in Japan. The basics-black, camel, gray, brown and navy blue are among the most popular color. Japanese ladies mainly prefer lightness, good durability, easy to wear items of this category.

iii. Women's pants & skirts

Japanese ladies choose mainly tight skirts and pants with two tucks or those with slim line. Wool, summer wool, cotton, polyester, corduroy, and stretch fabrics are among the choice list of women's pants and skirts. Products made with acrylic wool blends, or shiny silk-satin are preferable when price is one of the main concerns. In this case black, brown, gray, beige and navy blue colored pants and skirts attract Japanese women. The products preference also includes the quality of easy to coordinate and washable at home

iv. Women's shirts & blouses

In this case famous brands are one of their main concerns. They prefer tailored colors and off turtle neck, quality design, plenty of room at the neck in case of shirts & blouses. Cotton, silk, polyester and rayon are the key proffered materials for this category as well as glossy fabrics such as satin. In case of color, generally solid colors or glossy solid colors in white or black monotones are preferred. The items can be washed at home but non iron quality is desired.

v. Women's sweaters and cardigans

Twin sets (ensembles) with rounded necks, and sweaters with turtle neck or high necks items are in the prior choice list of Japanese ladies. Sweater or cardigans made with pure sheep's wool, pure cashmere, sheep's wool-cashmere, mohair and silk-mohair have very high demand. Materials with their own unique gloss and feel such as silk, polyester and rayon are also preferred. Solid basic colors in white or black and bright colors like pink or blue are preferred for these items. Items are preferred which fit good, lightweight and comfortable to wear.

Brands and Japanese Consumers

Japanese consumers have a reputation of being highly brand-name conscious. Although this trend still remains for some categories of people, especially young women who are sensitive to latest fashion trends, nowadays Japanese consumer are also starting to choose apparel that matches their tastes and life styles. Due to the improvement of stitching technology in Asian countries, there is a tendency of peoples' paying less attention to the brand name or where the item was produced. No distinction is made between imports made in China or other Asian countries and those made in Japan.

Import Structure of Japanese Knitwear Market

Historically, Japan was a manufacturer of Apparel items but with the increase of labor costs, shortage of resources, speedy change of consumer's taste it experienced a fall in the domestic production since 1992. Although Japanese apparel imports occupy only 3.65% of the country's total import, it imports more than USD 25.26 billion worth of knitwear and woven garments in 2010. Importing USD 12.64 billion worth of knitwear in 2010, Japan becomes the third largest importer as a single country in the world. The market is growing at an average of 5% per year since 2006. About 7.50% in 2010 of world's total knitwear exports go to Japan which falls from 7.52% in the year 2006.

Table 4: Knitwear Import Scenario of the World (in million US$)

Rank in 2010	Importers	2006	2007	2008	2009	2010	Annual Growth from 2006-2010
World Import		137,252.45	154,364.64	169,879.38	152137.26	168647.40	
1	USA	37,199.80	39,650.95	39,028.12	34,668.15	39952.65	.08%
2	Germany	11,806.00	12,914.41	14,309.89	14,793.14	15995.25	6%
3	Japan	10,377.97	10,755.33	11,743.17	11,958.69	12643.40	5%
4	UK	10,016.42	11,260.83	11,269.42	10,236.14	11189.80	1%
5	France	8,057.23	9,340.49	10,330.40	9,380.91	9991.44	4%
6	Hong Kong	9,477.89	9,887.89	9,662.13	8,211.60	8802.13	-3%
7	Italy	6,154.33	7,252.70	8,091.67	7,312.49	7678.25	4%
8	Spain	4787.72	5831.98	6774.37	6366.34	6193.76	6%
9	Netherlands	3073.52	3432.87	3932.23	3879.87	4281.03	8%
10	Canada	2,934.35	3,346.42	3,722.14	3,415.18	3861.59	6%

Source: ITC Database (Trade Map); data include intra EU trade as well

The knitwear market has been growing for the last three years because of the growth in Japanese economy. The growth rate between 2006 to 2010 of Japan's knitwear import is more than 5%. However, an increase of 5.73% in value was observed in 2010 compared to the year 2009 which was only 1.84% over its corresponding year.

Table 5: Knitwear Import Scenario of Japan

	2006	2007	2008	2009	2010
	Annual Change in Knitwear Import				
Growth in Import Value	-	3.64%	9.18%	1.97%	5.59%
Share in Total Import	1.79%	1.73%	1.54%	2.17%	1.83%

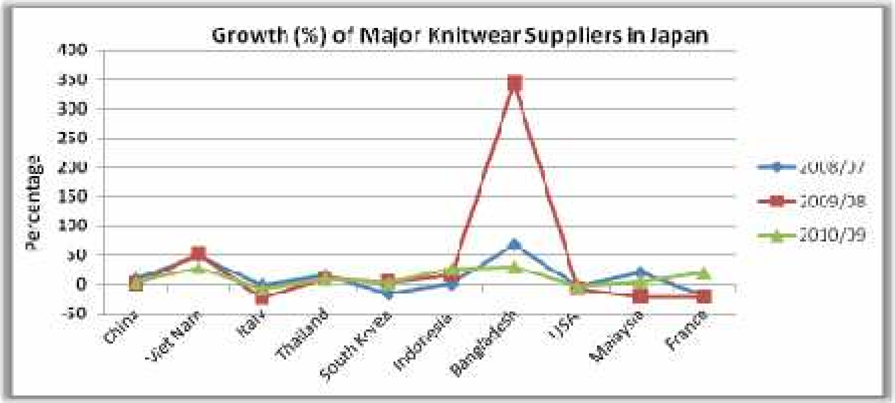
Source: ITC Database

China is the main knitwear exporter with a share of 87.18% in total knitwear import of Japan. And Chinese share in value gradually increased since 2007. It exported more than USD 11.02 billion worth of knitwear to Japan in 2010 registering a growth of 4.83% over 2009. Vietnam is the second major supplier of knitwear in Japan exporting more than USD 419.72 million in 2010 and over the years the share gradually increased from 1.33% in 2006 to 3.32% in 2010. Among the other suppliers export share of Italy, South Korea, USA and France has been falling while a positive growth trend is noticeable for Bangladesh.

Table 6: Major Knitwear Import Partners of Japan (in million US$)

Rank in 2010	2007		2008		2009		2010		Growth (%) from 2007-2010
	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)	
Total	**10377.9**	**100.0**	**11743.2**	**100.0**	**11974.51**	**100.00**	**12643.40**	**100.00**	
China	9444.37	87.81	10363.4	88.25	10514.1	87.80	11022.1	87.18	**2.42%**
Vietnam	143.08	1.33	212.39	1.81	324.35	2.71	419.72	3.32	**20.03%**
Italy	298.67	2.78	294.97	2.51	228.48	1.91	210.11	1.66	**-6.34%**
Thailand	140.46	1.31	161.67	1.38	179.97	1.50	198.55	1.57	**5.90%**
South Korea	183.30	1.70	153.02	1.30	159.16	1.33	162.98	1.29	**-1.55%**
Indonesia	52.87	0.49	53.14	0.45	61.69	0.52	78.00	0.62	**6.80%**
Bangladesh	7.20	0.07	12.06	0.10	53.50	0.45	69.70	0.55	**51.44%**
USA	75.34	0.70	73.01	0.62	67.44	0.56	65.54	0.52	**-2.46%**
Malaysia	47.31	0.44	56.65	0.48	44.88	0.37	47.05	0.37	**-1.24%**
France	44.38	0.41	35.83	0.31	28.46	0.24	34.22	0.27	**-4.93%**

Source: ITC Database (Trade Map); data include intra EU trade as well



Source: table 6

Major Knitwear Products Imported by Japan

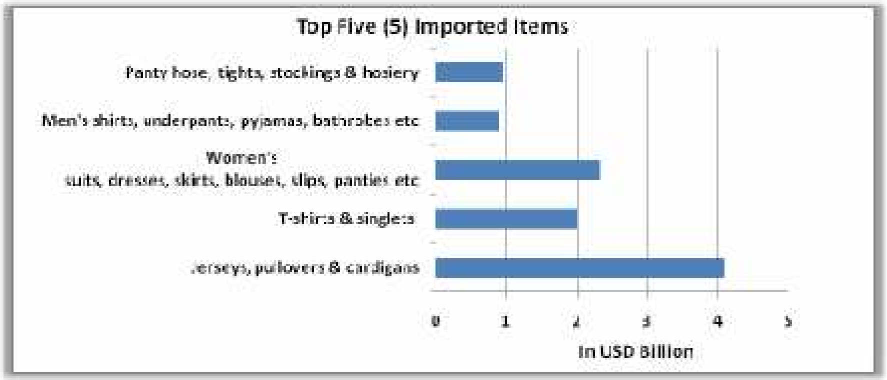
Jerseys, Pullovers, Cardigans are the top imported items worth $4.08 billion in 2010 of Japan. Though it occupy more than 33% of total knitwear imports in 2010, it growth in vale gradually declines since 2008. The next most imported items include T-shirts & Singlets with an amount of nearly $2 billion making a growth of 9.80% over the last year. Japan also imported huge amounts of Women's suits, dresses, skirt, blouses, shirts etc. Interestingly, over the years the import amounts of most of the Knitwear products are rapidly growing.

Table 7: Top Ten Knitwear Import Items (HS 4 digit) by Japan

In Million USD

Code	Product Label	2008	2009	2010	Annual Growth (%)	
					2009/08	2010/09
6110	Jerseys, pullovers, cardigans etc	4350.12	4208.98	4088.13	-3.24	-2.87
6109	T-shirts, singlets and other vests	1535.74	1799.34	1975.71	17.16	9.80
6104	Women's suits, dresses, skirt etc	1111.92	1198.96	1265.61	7.83	5.56
6106	Women's blouses & shirts	941.78	930.69	1062.10	-1.18	14.12
6115	Panty hose, tights, stockings & hosiery	816.63	834.16	945.08	2.15	13.30
6108	Women's slips, panties, pyjamas, bathrobes	697.58	717.35	740.81	2.83	3.27
6105	Men's shirts, knitted or crocheted	438.62	401.71	446.46	-8.42	11.14
6107	Men's underpants, pyjamas, bathrobes etc	357.23	388.27	444.30	8.69	14.43
6114	Garments, knitted or crocheted	236.78	270.09	342.63	14.07	26.86
6116	Gloves, mittens and mitts, knitted	345.47	294.59	341.32	-14.73	15.86

Source: ITC Database



Source: table 7

Bangladesh-Japan Bilateral Trade

Bangladesh and Japan enjoy good bilateral relationship since 1972. Japan is Bangladesh's 12th-largest export market; imports from Bangladesh make up 9.96% of all Japanese imports from the least developed countries, ranked fourth only after Sudan, Yemen and Myanmar. Common imports from Bangladesh to Japan include leather goods, ready-made garments, and shrimp. Japan's political goals in its relationship with Bangladesh include gaining support for their bid to join the United Nations Security Council and securing markets for their finished goods. Indeed, Japan is a significant source of development aid to Bangladesh

Table 8: Bangladesh's merchandise trade with Japan

Bangladesh's merchandise trade with Japan			Total share		Rank		Growth (yoy)%	
	2009	2010	2009	2010	2009	2010	2009	2010
Exports to Japan (Sm)	264.38	373.89	1.54	1.85%	12	12	31.90%	41.42%
Imports from Japan (Sm)	762.28	1023.07	4.14%	3.97%	7	6	-4.45%	34.21%

Source: ITC Database

Knitwear Export to Japan

In terms of growth rate, Bangladesh is the fastest growing export country in Japan. In fiscal year 2010-11 Bangladesh knitwear export grew 76.84% with an amount of $93.83 million. Though the export base is very small compared to China, its share of value and quantity is rising every year. With GSP-2 Stage Transformation (manufactured from textile yarn) effect from April 2011, the country's future exports are likely to grow further. In fact, Bangladesh shows lot of progress in marketing and export development of knitwear in Japan market due to frequent business trips made by Knitwear Manufacturers. Bangladesh is now the 7th largest exporter in Japan market. However, the position will take a new move as Italy, South Korea, USA and France are falling with share and enjoying negative growth in recent years.

Table 9: Total Knitwear Export by Bangladesh to Japan (Amount: $ million, Quantity: million kg. /pcs)

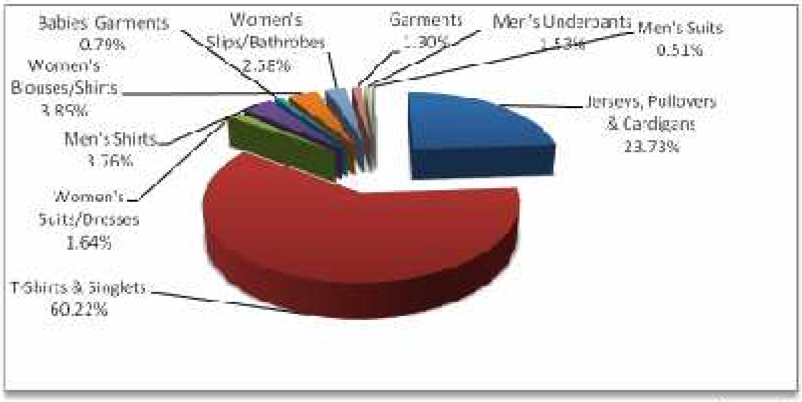
Year	Total Knitwear Export		Annual Growth (%)	
	Value	Quantity	Value	Quantity
2010-11	93.83	6.56	76.84%	30.94%
2009-10	53.06	5.01	141.29%	229.61%
2008-09	21.99	1.52	204.15%	133.85%
2007-08	7.23	0.65	-	-

Source: Export Promotion Bureau of Bangladesh, EPB

Table 10: Top Ten Knitwear Import Items from Bangladesh to Japan

Product Code	Product Label	Japan's Imports from Bangladesh			Japan's Imports from World		
		2008	2009	2010	2008	2009	2010
6109	T-shirts, singlets and other vests	3.52	14.53	42.86	1535.7	1799.3	1975.7
6110	Jerseys, pullovers, cardigans etc	3.51	30.76	15.74	4350.1	4208.9	4088.1
6106	Women's blouses & shirts	1.28	1.34	2.85	941.78	930.69	1062.1
6105	Men's shirts, knitted or crocheted	0.71	1.77	2.49	438.62	401.71	446.46
6108	Women's slips, panties, pajamas, etc.	2.12	2.28	2.00	697.58	717.35	740.81
6104	Women's suits, dresses, skirt etc	0.20	1.00	1.33	1111.9	1198.9	1265.6
6103	Men's suits, jackets, trousers etc	0.07	0.24	0.65	277.98	313.69	314.79
6114	Garments, knitted or crocheted	0.16	0.33	0.60	236.78	270.09	342.63
6111	Babies' garments	0.06	0.17	0.48	201.85	198.20	224.67
6115	Panty hose, tights, stockings & hosiery	0.16	0.15	0.27	816.63	834.16	945.08

Source: ITC Database



Source: table 10

Pricing Structure of Various Suppliers in Japan Market

Price is the key determinant to select amount of goods demanded and/or source of that good which is also implied by the law of demand and quality. In most of knit items that Bangladesh exports are relatively more competitive compared to others suppliers and the interesting fact is the increase of market price per unit over the last two years. Despite growth in price of the products of leading suppliers, Bangladeshi garments continue to be competitive in Japan market.

Table 11: Price Structure[3] of Japanese Knitwear Import ($/unit)

Product Code	Country	2009	2010	Growth (%)	Product Code	Country	2009	2010	Growth (%)
HS 610821	Bangladesh	1.16	1.2	3.45	HS 611020	Bangladesh	3.99	4.04	1.25
	China	1.13	1.16	2.65		China	5.44	6.01	10.48
	Indonesia	10.20	13.99	37.16		Indonesia	5.23	4.98	-4.78
	India	2.66	6.31	137.22		India	11.75	7.6	-35.32
	Vietnam	2.40	2.05	-14.58		Vietnam	4.29	4.58	6.76
HS 610910	Bangladesh	1.96	1.68	-14.29	HS 611090	Bangladesh	19.22	3.74	-80.54
	China	2.48	2.53	2.02		China	14.84	15.52	4.58
	Indonesia	4.78	4.21	-11.92		Indonesia	58.56	25.45	-56.54
	India	5.98	6.51	8.86		India	7.14	7.21	0.98
	Vietnam	1.86	2.39	28.49		Vietnam	51.46	40.98	-20.37
HS 610990	Bangladesh	1.79	4.01	124.02	HS 610510	Bangladesh	3.98	3.38	-15.08
	China	3.19	3.27	2.51		China	5.85	6.18	5.64
	Indonesia	4.95	5.57	12.53		Indonesia	6.95	7.67	10.36
	India	16.98	14.37	-15.37		India	7.74	9.06	17.05
	Vietnam	4.97	4.06	-18.31		Vietnam	3.79	4.78	26.12
HS 611011	Bangladesh	8.86	12.99	46.61	HS 611030	Bangladesh	4.56	6.55	43.64
	China	13.32	15.56	16.82		China	5.88	6.23	5.95
	Indonesia	20.31	24.19	19.10		Indonesia	6.61	6.09	-7.87
	India	26.24	40.05	52.63		India	26.11	22.4	-14.21
	Vietnam	14.79	12.87	-12.98		Vietnam	6.11	6.37	4.26

Source: WITS data base.

[3] *Price is calculated using value - quantity ratio of the respective HS items*

Characteristics of the Japanese Market

It is a highly sophisticated consumers' market, which is full of various information and requires small-lot, wide-range, and short cycle deliveries of supply. The consumption is much diversified. The market is constantly oversupplied and is flooded with more than enough merchandise supply. It is a very severely competitive, open market. Consumers demand extremely high quality products. Consignment sales to retailers, which are very traditional business practice in Japan, is still carried on in some sectors. The SPA (Speciality store retailer of Private label Apparel) types of companies are on the increase.

Points to be Considered on Import

1. There are primarily two indication markings for clothing - (a) Misleading Representations of Country of Origin and (b) Quality Indication.

(1) As to indication of country of origin (country or area where clothes are sewn), the "Article 71" of the "Customs Act" stipulates the false indication of country of origin of import goods, and does not allow importation if the foreign of import goods are found to have false or misleading indication, indirectly or directly. Moreover, "Act Against Unjustifiable Premiums and Misleading Representations" enacted by Fair Trade Commission, prohibits improper indications concerning country of origin of merchandise, at the time of sales in the Japanese market.

(2) In the sales of clothing in Japan, the "Household Goods Quality Labeling Law" requires to attach, at the time of sales in the Japanese market, (a) Composition of Fibers, showing percentage of textile fiber used, and (b) Care Labeling Using Symbols, showing handling of laundering at home. An indicator is also required to identify its name and where to contact (address or telephone number).

2. The copied products (products that infringed on intellectual property rights), namely sham brand products are not allowed to be imported.

Customs Tariff: Knitwear Industry

The tariff is basically applied in the order of preferential rate, WTO rate, temporary rate and general rate. However, preferential rate is limited only when fulfilling the legal requirements (LDCs and EPA signatory countries are applied only) and WTO rate is applied when it is lower than those of temporary and general rates.

Table 11: Custom duty at Japan

Item (HS Code)	Rate of Duty			
	General	WTO	Preferential	Temporary
• Knitted outer garments (6101, 6102, 6103, 6104, 6105, 6106, 6110 etc.)				
(i) Containing embroidery or lace, or figured.	**16.8%**	**8.4-10.9%**	**Free**	
(ii) Others	**14%**	**8.4-10.9%**	**Free**	
• Knitted under garments (those clothes that can be classified as under garments out of 6107, 6108, 6109 etc.)	**11.2%**	**7.4%**	**Free**	

Source: JTIA

Recommendations for Bangladesh Exporters

China now not only offers competitive price, but high skills. To compete with this giant in the same field, Bangladeshi products must have additional advantages that can attract Japanese consumers. In large, there are two product categories of fashion and apparel: **Inexpensive Casual Items** and **High-end Items**. Although there are differences in market size, there are strong demands on both, and Bangladeshi manufacturers/exporters must clearly identify in which field their products are eligible, and to focus the target consumer. In another words, the choices are:

1) OEM manufacturing or

2) Exporting "Made in Bangladeshi" brand

Fashion, both traditional and the latest, is an important factor to demonstrate image or impression of the exporting country itself. China has succeeded in appealing its apparel products to the Japanese consumer to be "cheap but high quality". Therefore, Bangladeshi companies are deeply responsible for its exporting apparel products to show its positive image and impression to the Japanese consumer and society, at the same time, differentiating its product characteristic from that of China.

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LIST OF PUBLICATIONS BY iART

Market Brief

A Brief on Canadian Knitwear Market	2007
A Brief on USA Knitwear Market	2007
A Brief on Polish Knitwear Market	2008
A Brief on Japanese Knitwear Market	2008
A Brief on Australian Knitwear Market	2008
A Brief on German Knitwear Market	2008
A Brief on Hong Kong Knitwear Market	2010
A Brief on South African Knitwear Market	2010
A Brief on Russian Federation Knitwear Market	2011
A Brief on Malaysian Federation Knitwear Market	2011
A Brief on Brazil Federation Knitwear Market	2011

Export Statistics

Annual Apparel Export Statistics Fiscal Year 2007-08	2008
Annual Apparel Export Statistics Fiscal Year 2009-10	2010
Annual Apparel Export Statistics Fiscal Year 2010-11	2011

A Brief on iART's Market Brief

Publishing Market Brief is an effort to explore the unexplored area of world knitwear market. EU is the major partner of Bangladeshi knitwear. More than 75% of our total knitwear export goes to this region. Most of our EU export is concentrated in five or six countries. Rest of the countries has great potential. About 90% of our total knitwear export is concentrated in the EU and the USA. It is necessary for Bangladesh to reduce dependence from the two major markets and diversify her export to the rest of the world. Market Brief is that initiative to create scope for the Bangladeshi manufacturers providing the basic information related to our unexplored area of world knitwear.

iART's Upcoming Market Brief:

Market Brief
A Brief on South Korean Knitwear Market

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