

Quarterly Review on RMG: January-March FY'20¹



Bangladesh Bank **Research Department** **External Economics Division**

¹Comments on any aspects of the report are highly welcome and can be sent to Mr. Mohammad Masuduzzaman, Deputy General Manager, Research Department, Shampa Chakraborty, Joint Director, Research Department and Samim Uddin, Assistant Director, Research Department. E-mail: mohammad.masud@bb.org.bd and samim.uddin@bb.org.bd

Quarterly Review on RMG

Preparation Team

Editor

Asish Kumar Dasgupta
Executive Director (Research)

Co-Editor

Mahfuza Akther
General Manager

Team Members

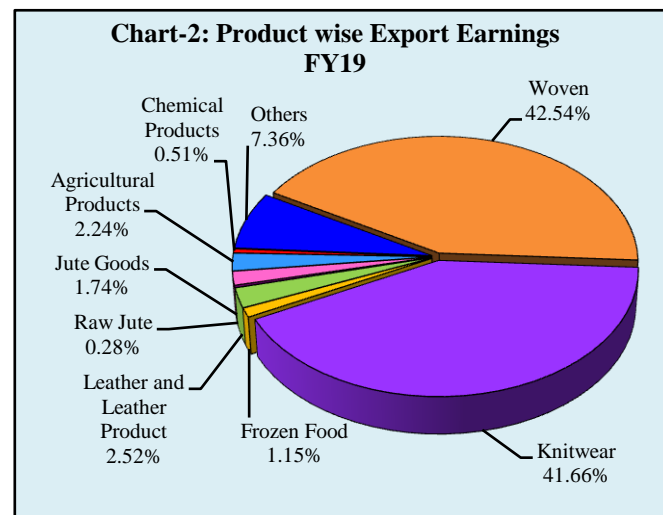
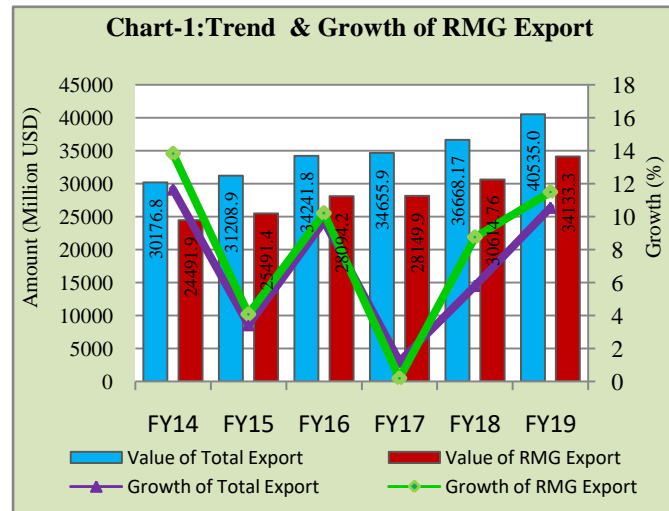
Mohammad Masuduzzaman
Deputy General Manager

Shampa Chakraborty
Joint Director

Samim Uddin
Assistant Director

Quarterly Review on RMG: January-March FY'20

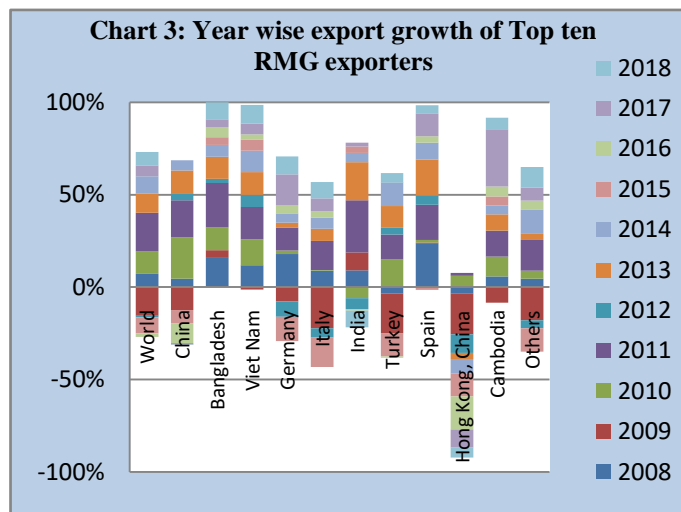
The readymade garment (RMG) sector of Bangladesh is considered as the backbone for foreign earnings of Bangladesh economy. Around 4.5 million of our workforces are engaged directly and about 15 million people are dependent indirectly on apparel sector of Bangladesh. Bangladesh RMG is a driver force of reducing poverty through socio-economic development and earning foreign exchange. This sector also creates supportive linkage industries and other related business activities. However, due to global pandemic of Novel Corona Virus, it is predicted that in FY'20 country's total export earnings will dramatically decline in due to cut off the work order from the buyer. The RMG sector of Bangladesh has earned USD 34133.3 million or 84.21 percent of total export receipts in FY'19 with 11.49 percent growth as compared to the previous fiscal year earnings¹. Of the total export earnings of RMG sector, woven garments and knitwear constituted USD 17244.73 million and USD 16888.54 million respectively in FY'19. The contribution of non-RMG products to total export earnings were the leather and leather products (2.52 percent), agriculture products (2.24 percent), jute goods (1.74 percent), frozen food (1.15 percent), chemical products(0.51 percent), raw jute (0.28 percent) and other products (7.36 percent) in FY'19 (Chart 2).



¹Source :Export Promotion Bureau (EPB)

RMG Export Growth of Top Ten Countries

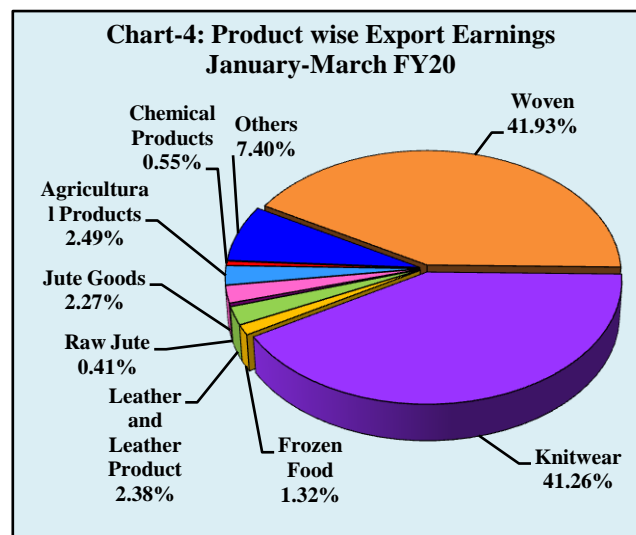
Global demand for RMG is increasing over the time. All RMG exporting countries are trying to increase their shares in the world market by producing quality products, maintaining competitive price and timely shipping. Thus competition among the exporting countries is increasing gradually. Vietnam is being considered as a strong



Vietnam is being considered as a strong competitor of Bangladesh in RMG market. According to latest available global export data from International Trade Centre (ITC) Bangladesh, Vietnam, Spain and Cambodia experienced strong growth during 2008 to 2018. Among the top ten RMG exporters only Bangladesh's RMG growth was always positive over the period (Chart 3). Favorable condition in the international market, domestic political stability, exploring new markets and expanding exports to the existing market were the key drivers for Bangladesh's RMG export growth during the period. On the other hand, Hong Kong, Italy, Turkey and China among other countries experienced negative growth in RMG export during global financial crisis of 2008-09.

Quarterly Performance of RMG: January-March FY'20

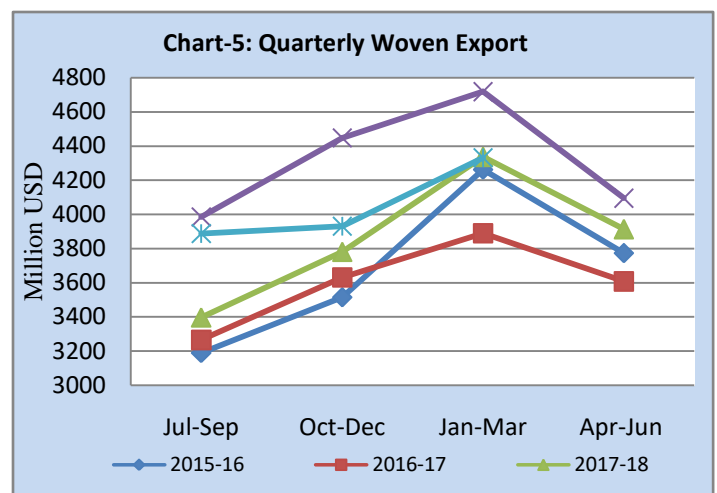
Total export earnings from RMG during January-March FY'20 slightly increased by 1.42 percent compared to the previous quarter's earnings and decreased by 8.87 percent compared to the earnings of the corresponding quarter of the last fiscal year. Bangladesh is losing competitiveness with Vietnam and getting low price due to long lead time. During January-March FY'20, total export earnings from RMG was 18.21 percent lower than the quarterly target. Product-wise export earnings



data showed that 44.78 percent and 38.76 percent of total export earnings were received from woven garments and knitwear respectively in the third quarter of FY'20 as compared to the earnings 45.35 percent and 39.88 percent in the same quarter of the corresponding year (Table-1). In the same period product-wise contribution of non-RMG products to total exports were agriculture products (2.49 percent), leather and leather products (2.38 percent), frozen food (1.32 percent), jute goods (2.27 percent), chemical products (0.55 percent), raw jute (0.41 percent), and other products (7.40 percent)(Chart 4).

Woven Garments

Export earnings from woven garments stood at USD 4330.95 million during the third quarter of FY'20, which was 10.18 percent higher than that of the last quarter but 8.21 percent lower than that of the same quarter (January-March) the preceding year. Moreover, woven garment export was 13.45 percent lower than the export target of January- March, FY'20 (Table-1). Quarterly export earnings from woven garments are depicted in Chart-5.



Knitwear

Export earnings from knitwear stood at USD 3748.75 million during the third quarter (Jan-Mach, 20) of FY'20, which was 7.11 percent lower than that of the last quarter and 9.63 percent lower than that of the same quarter of the preceding year. Knitwear export is 23.10 percent lower than the export target for the quarter under report (Table-1). Quarterly export earnings from Knitwear are shown in Chart-6.

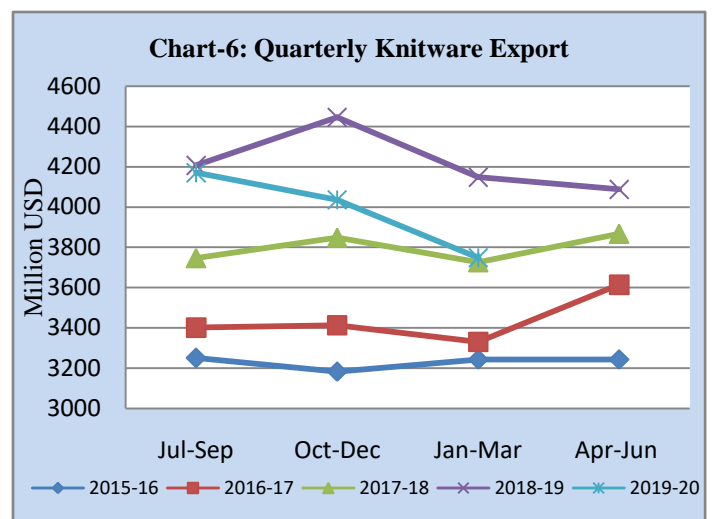


Table-1: Export of Readymade Garments

(From FY'11, July-June to FY'20, January March)

(Million USD)

Fiscal Year	Total Export	Woven Garments		Knitwear		Total RMG (Woven + Knitwear)	Percentage Share of Export (%)		
		Target	Received	Target	Received		Woven Garments	Knitwear	Total
1	2	3	4	5	6	7	8=(4÷2)	9=(6÷2)	10=(8+9)
FY'11	22924	6614.77	8432.4	7131.62	9482.06	17914.5	36.78	41.36	78.15
FY'12	24287.7	9559.98	9603.34	10800.1	9486.39	19089.7	39.54	39.11	78.6
FY'13	27027.36	10927.37	11039.85	10610.89	10475.88	21515.73	40.85	38.76	79.61
FY'14	30176.8	12571.46	12442.07	11575.85	12049.81	24491.88	41.23	39.93	81.16
FY'15	31208.94	13681.77	13064.61	13215.61	12426.79	25491.4	41.86	39.82	81.68
FY' 16	34241.82	14105.42	14738.74	13266.21	13355.42	28094.16	43.04	39	82.05
FY'17	34655.92	16210	14392.59	14169	13757.3	28149.89	41.53	39.7	81.23
FY'18	36668.17	15060	15426.25	15100	15188.51	30614.76	42.07	41.42	83.49
July-Sept FY'19	9940.6	3956.64	3984.82	3863.58	4206.85	8191.67	40.09	42.32	82.41
Oct-Dec FY'19	10559.27	4009.65	4447.49	3915.34	4445.75	8893.24	42.12	42.10	84.22
Jan-Mar FY'19	10403.15	4259.00	4718.24	4158.83	4148.27	8866.51	45.35	39.88	85.23
Apr-Jun FY' 19	9632.02	4313.71	4094.18	4212.25	4087.67	8181.85	42.51	42.44	84.94
FY' 19	40535.04	16539	17244.73	16150	16888.54	34133.27	42.54	41.66	84.21
July-Sept FY'20	9647.99	4612.95	3887.34	4493.76	4170.22	8057.56	40.29	43.22	83.52
Oct-Dec FY'20	9654.17	4797.10	3930.88	4673.14	4035.58	7966.46	40.72	41.80	82.52
Jan-Mar FY'20	9671.67	5004.21	4330.95	4874.90	3748.75	8079.70	44.78	38.76	83.54

Source: Export Promotion Bureau, Bangladesh

Employment and Factories in RMG Sector

About 4.50 million of total manpower is working in 4621 garments factories in Bangladesh (GIZ). Employment in RMG sector increased from 2 million in FY'05 to 4 million in FY'12 and remained unchanged until FY'18. On the other hand, the number of factories declined from 5876 in FY'12 to 4222 in FY'14 (Table-2). After that the number of factories increased gradually and reached to 4621 in FY'19.

Table-2 Number of Factories and Employment

FY	Number of Factory* (Cumulative)	Number of Employment (Cumulative) (In Millions)
2004-05	4107	2.00
2005-06	4220	2.20
2006-07	4490	2.40
2007-08	4743	2.80
2008-09	4925	3.50
2009-10	5063	3.60
2010-11	5158	3.60
2011-12	5876	4.00
2012-13	5600	4.00
2013-14	4222	4.00
2014-15	4296	4.00
2015-16	4328	4.00
2016-17	4482	4.00
2017-18	4560	4.00
2018-19	4621	4.50 [#]

Source: BGMEA Website. * Including BGMEA Member List. [#] GIZ

Import of RMG Raw Materials

During July-March of FY'20, import value of raw materials (raw cotton, synthetic/viscose fibre, synthetic/mixed yarn, cotton yarn and textile fabrics and accessories for garments) stood at USD 9877.26 million, which was 40.98 percent of total export earnings from RMG sector. Therefore, the remaining portion of export value is considered as

the gross value addition from RMG sector and stood at 59.02 percent (Table-3). Average value addition based on data on RMG export and raw materials import from FY'13 to FY'20 (July-March) is shown in Chart-7.

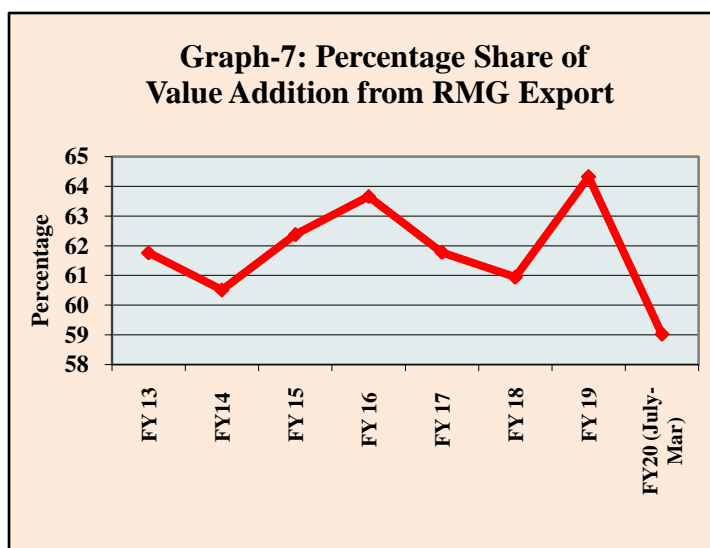


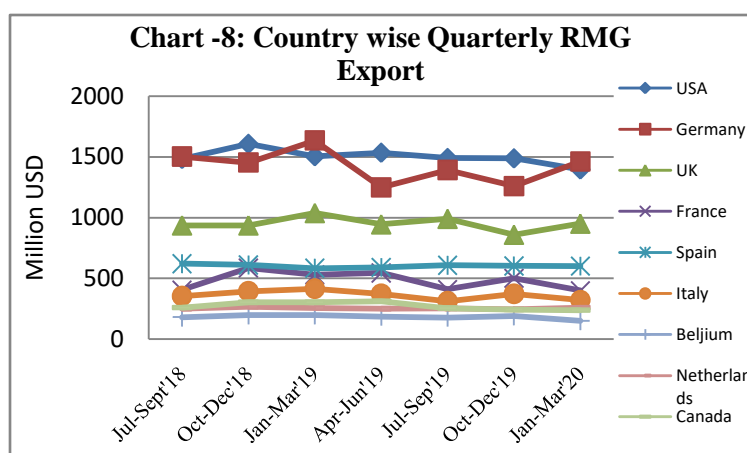
Table-3: Trends of Value Addition from RMG Export in context of Raw Materials Import (Million USD)

FY	Total Export ^{A/}	RMG Export	Raw Materials Import ^{B/}	Raw Materials Import as percentage of total RMG Export	Value Addition (Percentage Share)**
FY' 13	27027.36	21515.73	8226.97	38.24	61.76
FY' 14	30176.80	24471.88	9663.53	39.49	60.51
FY' 15	31208.94	25491.40	9591.72	37.63	62.37
FY' 16	34241.82	28094.16	10210.63	36.34	63.66
FY' 17	34655.92	28149.89	10760.12	38.22	61.78
FY' 18	36668.17	30614.76	11957.80	39.06	60.94
FY' 19	40535.04	34133.27	12178.31	35.68	64.32
FY'20 (Jul-Mar)	28973.83	24103.71	9877.26	40.98	59.02

Note: ^{A/}Export Promotion Bureau. ^{B/}Amount of L/C Settlement Foreign Exchange Operation Department, Bangladesh Bank. **From July- September 2018, We have considered the main head value of the components (raw cotton, synthetic/viscose fibre, synthetic/mixed yarn, cotton yarn and textile fabrics and accessories for garments) instead of only back to back L/Cs Raw materials

Destination of RMG

The major importing countries of Bangladesh's RMG are USA, Germany, UK, France, Spain, Italy, Belgium, Netherlands and Canada (Chart-8). During January-March



2020 total exports to these nine countries stood at USD 6361.22 million of which 87.03 percent or USD 5536.29 million was from the RMG (woven 50.97% and knitwear 36.06%) export (Table-4). During the quarter under report, RMG export to these nine countries decreased by 3.95 percentas compared to the last quarter and 14.44 percent lower than the corresponding quarter of the last fiscal year.

Table-4: Country wise RMG Export in January March2020

								(Million USD)
Countries	Total Export	Woven Garments	Knitwear	Total RMG (Woven + Knitwear)	Woven Garments (%)	Knitwear (%)	Percentage Share of RMG in Total Export (%)	Others (%)
1	2	3	4	5	6=(3÷2)	7=(4÷2)	8=(6+7)	9
USA	1608.98	1059.47	337.48	1396.95	65.85	20.98	86.82	13.18
Germany	1543.94	733.11	728.92	1462.04	47.48	47.21	94.69	5.31
UK	1024.41	497.42	454.30	951.72	48.56	44.35	92.90	7.10
France	436.15	177.60	222.30	399.89	40.72	50.97	91.69	8.31
Spain	648.82	307.41	293.90	601.32	47.38	45.30	92.68	7.32
Italy	340.53	136.45	184.73	321.18	40.07	54.25	94.32	5.68
Belgium	177.02	62.67	88.34	151.00	35.40	49.90	85.30	14.70
Netherlands	310.89	129.86	129.53	259.39	41.77	41.66	83.43	16.57
Canada	270.48	138.41	100.31	238.72	51.17	37.09	88.26	11.74
Sub-Total	6361.22	3242.40	2293.89	5536.29	50.97	36.06	87.03	12.97
Others	3310.45	1088.55	1454.86	2543.41	32.88	43.95	76.83	23.17
Total	9671.67	4330.95	4035.58	8079.70	44.78	41.73	86.51	13.49

Source: Export Promotion Bureau, Bangladesh

Recent Measures Taken by the Government, Bangladesh Bank and Other Stakeholders

The Government has taken a number of measures to improve overall workplace safety and compliance and has made some commitments to international community including but not limited to the following:

- 1. Amendment of Labour Law:** The amendment bill of the Bangladesh Labour Act, 2018 was approved by the cabinet on 3 September 2018 to make it workers friendly in line with the international communities' suggestion to ensure workers' safety, welfare and rights and promote trade unionism and collective bargaining. Major amendment in this Act included mandatory maternity leave, prohibition of child labour, punitive action against workers for unlawful shutdown, formation of Tripartite committee for dispute resolution etc.

2. ***Trade union registration:*** According to the amendment of the Bangladesh Labour Act, 2018 worker participation requirement for trade union formation at factories has to be reduced to 20 percent from the existing 30 percent. Moreover, in the amendment it was proposed that finishing the registration process of a trade union has to be finished 55 days instead of 60 days.
3. ***Update on Publicly Accessible Database for releasing indicative performance:*** According to the Department of Inspection for Factories and Establishment, DIFE as per report submitted by the factories till March 2018, 422 factories have remediated more than 50 percent and 111 factories have remediated more than 80 percent of compliance issues identified in CAPs. It is also noticeable that National tripartite Action Plan-joint collaboration of BUET, Accord and Alliance – for the building and fire safety was adopted with a target of covering 1500 factories.
4. ***Minimum Wages:*** The Government has declared Taka 8000 as the minimum average wage of garments workers with effect from 01 December 2018. The new minimum wage is 51 percent higher than the previous minimum wages for the workers of the readymade garments industry.
5. ***Cooperation agreement with Germany:*** A cooperation agreement between Bangladesh government and the Deutsche Gesellschaft für Internationale Zusammenarbeit Bangladesh (GIZ) has been prepared to improve social and environmental standards in Bangladesh's textile industry. In view of that, GIZ trained around 30,000 mid level management and staff on fair pay, fire safety and safe chemical handling in RMG factory. At the same time, 1000 factories have significantly improved their working conditions under the "Factory Improvement Programme".
6. ***AFD fund:*** With the sponsor of Agence Francaise de Developpement (AFD) of France, Bangladesh government has constituted a loan fund worth of 50 million Euro through Bangladesh Bank to support safety and remediation, environmental and social up-gradation of readymade garments factories. Participating Financial Institutions (PFIs) would be provided with pre-finance amount up to one million Euro with maximum 7.0 per cent interest rate for eligible RMG factories and the loan amount might be extended up to 3 million Euro for major environmental up-gradation.

- 7. Cash Incentive:** In order to encourage the country's export trade, export subsidies or cash incentives instead of duty bond and duty-draw-back have been given for some export items with effect from 1 July 2019 to 30 June 2020. In view of that 4% cash incentives have been fixed for export oriented garments sector, small & medium sized industry of garments sector and expansion of the new market or new items of garments sector (excluding USA, Canada, EU), and 2% cash incentive has been fixed for the exporters of garments sector of EURO zones, etc.
- 8. Establishing Garments Park:** Bangladesh Garment Manufacturers and Export Association (BGMEA) and Bangladesh Economic Zone Authority (BEZA) have signed a Memorandum of Understanding (MoU) to lease out 500 acres of land at Mirsarai Economic Zone in Chittagong for establishing a garment park. After the completion of the park likely 0.5 million employment opportunity will be created these.
- 9. Welfare Fund:** A fund titled 'Central Fund (RMG sector)' has been created under the initiative of Ministry of Labor and Employment (MoLE) in order to provide financial support to the family members of departed or handicapped labors who were employed in hundred percent export oriented garments industry and fell victim to work related accidents or diseases, to provide scholarship to the meritorious students of the garment labors and to support the maternal welfare of the female labors. According to the directives of the MoLE and Bangladesh Bank, all authorized dealer banks have to deduct 0.03% from the export earnings of the export-oriented garment industries and have to deposit it to a certain account in Sonali Bank Ltd. This fund will be used for the welfare of the above-mentioned group and so far the fund has been successfully used on a number of occasions to facilitate the departed or handicapped labors and their families and to pay the salaries to the labors of a particular garment industry.
- 10. Green Transformation Fund (GTF):** Bangladesh Bank has allowed refinance facility from GTF to all manufacturer-exporters against the import of capital machinery and accessories for implementing specified green/environment friendly initiatives for export-oriented textile, leather and jute sectors from FY'20.
- 11. Interest Rates on EDF Loan:** To facilitate export trade, Bangladesh Bank has decided to change interest rates at six month USD LIBOR+0.50% on EDF loans to ADs while ADs

will charge interest rate at six-month USD LIBOR + 1.50% to manufacturer-exporters against the disbursement of EDF loans until 30 June, 2020 from 19 November, 2019.

Moreover, to facilitate export trade due to COVID-19 related disruptions, it has been decided that interest rates on EDF loans to ADs will be charged by Bangladesh Bank at 1.00% pa. while ADs will charge interest to manufacturer-exporters at 2.00% pa. for disbursements. The size of EDF has been enhanced to USD 5.00 billion.

Conclusion

Export sector drives the wheel of foreign currency earnings in Bangladesh. Bangladesh RMG covered 83.54 percent of our total export earnings and 86.31 percent of industrial product exports during January-March FY'20. These statistics indicated that Bangladesh's export sector is much depended on RMG. During the worldwide Corona pandemic Bangladesh is losing the work order gradually. Due to COVID-19 many buyer countries divert their work order from China. As China is gradually diversifying her production from labor intensive to high tech production and Bangladesh is a competitor of China in global apparel market. As Vietnam handles the corona pandemic very well, Vietnam is being considered as the strongest competitor of Bangladesh. To compete in post corona period, RMG producers should consider diversifying and converting their product range from low end to mid and high end market.

1. Top ten RMG Products of Bangladesh export to world Market

Value in Million Dollars

SL	HS -Code	Product Name	FY'17	FY'18	FY'19	Growth Rate (FY'19 over FY'18)
1.	610910	T-shirts, singlets and other vests, of cotton	5,486.67	5,866.90	6,552.84	11.69
2.	620342	Men's or boys' trousers, breeches	4,797.43	5,208.96	5,555.87	6.66
3.	620462	Women's or girls' trousers, breeches	2,506.94	2,877.51	3,062.47	6.43
4.	611020	Jerseys, pullovers, etc, of cotton	1,677.22	1,926.73	2,209.26	14.66
5.	620520	Men's or boys' shirts of cotton	1,664.41	1,668.04	1,954.25	17.16
6.	611030	Jerseys, pullovers, etc, of man-made fibres	860.22	1,070.05	1,384.11	29.35
7.	610462	Women's or girls' trousers, etc, of cotton	698.74	819.87	933.29	13.83
8.	620343	Men's or boys' trousers	690.78	645.89	815.65	26.28
9.	610510	Men's or boys' shirts of cotton	707.76	788.33	805.94	2.23
10.	611090	Jerseys, pullovers, etc, of other textiles, nes	726.57	549.73	516.26	-6.09
		Other RMG products	8,333.15	9,192.75	10,343.33	12.52
	61 & 62	Total RMG	28149.89	30614.76	34133.27	11.49

Source: Export Promotion Bureau, and BKMEA Apparel Export Statistics of Bangladesh

2. Country wise RMG export scenario of Bangladesh

Value in Million Dollars

SL	Destination	FY'15	FY'16	FY'17	FY' 18			FY' 19		
		RMG	RMG	RMG	Knitwear	Woven	RMG	Knitwear	Woven	RMG
1	USA	5288.12	5624.92	5204.00	1374.37	3977.70	5352.07	1514.65	4619.07	6133.72
2	Germany	4338.76	4653.13	5135.01	3216.58	2362.94	5579.51	3302.46	2538.45	5840.91
3	U.K	2903.57	3523.78	3306.49	1897.63	1826.62	3724.26	2017.55	1841.60	3859.15
4	Spain	1625.8	1864.04	1878.73	1220.95	1056.83	2277.77	1333.73	1073.40	2407.13
5	France	1617.51	1714.31	1764.62	1071.53	780.40	1851.93	1232.34	834.25	2066.59
6	Italy	1243.33	1278.07	1348.57	947.83	506.21	1454.04	980.10	555.81	1535.91
7	Poland	548.24	616.27	720.09	536.19	328.67	864.85	709.76	471.12	1180.88
8	Canada	928.76	998.44	946.3	411.02	552.13	963.15	528.16	651.14	1179.30
9	Japan	652.55	612.35	744.47	444.80	401.94	846.74	603.71	487.72	1091.43
10	Netherlands	626.58	659.55	814.34	520.62	414.76	935.38	569.01	455.46	1024.46
11	Australia	533.63	636.27	582.01	391.16	242.85	634.01	406.71	313.07	719.78
12	Denmark	631.73	642.66	671.84	438.86	229.09	667.95	472.88	231.54	704.41
13	China	304.94	341.22	391.60	157.75	233.89	391.64	223.96	282.56	506.51
14	India	104.25	136.42	129.81	71.06	207.62	278.68	129.66	369.43	499.09
15	Russia	214.39	249.16	379.39	260.68	167.24	427.93	292.78	195.80	488.58
16	UAE	186.85	184.01	172.38	98.50	90.31	188.81	92.34	101.98	194.32
17	Turkey	488.08	460.29	381.37	85.89	174.27	260.16	63.68	126.18	189.86
18	Brazil	186.44	120.20	99.80	77.74	80.64	158.38	77.65	82.86	160.51
19	South Africa	66.54	66.87	57.97	40.68	32.58	73.27	52.56	50.03	102.58
20	Others	3001.33	3712.20	3421.10	1924.67	1759.55	3684.22	2284.88	1963.26	4248.14
	Total	25491.4	28094.16	28149.89	15188.51	15426.25	30614.76	16888.54	17244.73	34133.27

Source: Export Promotion Bureau, and BKMEA Apparel Export Statistics of Bangladesh

3. Export Scenario of Bangladesh to world Market

Value in Million Dollars

	Items	FY'15	FY'16	FY'17	FY'18	FY'19
1.	Woven garments	13064.61	14738.74	14392.59	15426.25	17244.73
2.	Knitwear products	12426.79	13355.42	13757.25	15188.51	16888.54
3.	Agricultural products	586.05	596.06	553.17	673.7	908.96
4.	Footwear	673.27	714.01	777.84	809.69	879.41
5.	Jute goods	756.96	746.41	794.58	869.87	703.79
6.	Frozen shrimps and fish	558.8	495.63	490.08	467.01	424.95
7.	Leather and leather products	646.7	666.21	697.04	519.91	411.9
8.	Petroleum by-product	77.55	297.01	243.77	33.7	203.74
9.	Raw jute	111.57	173.17	167.84	155.68	112.48
10.	Others	2306.64	2474.52	2781.74	2523.85	2756.54
	Total:	31208.94	34257.18	34655.9	36668.17	40535.04

Source: Export Promotion Bureau