

Quarterly Review on Readymade Garments (RMG)¹: October-December FY'23



Bangladesh Bank **Research Department** **External Economics Wing**

¹Comments on any aspects of the report are highly welcomed and can be sent to Shampa Chakraborty, Joint Director, Research Department, Samim Uddin, Deputy Director, Research Department. and Md. Jahedul Islam, Assistant Director, Research Department. E-mails: shampa.chakraborty@bb.org.bd, samim.uddin@bb.org.bd, and jahedul.islam@bb.org.bd.

Quarterly Review on Readymade Garments (RMG)

Preparation Team

Editor

Md. Julhas Uddin, Executive Director (Research)

Co-Editor

Sirajul Islam, Director (Research)

Team Members

Md. Syedul Islam, Additional Director

Shampa Chakraborty, Joint Director

Samim Uddin, Deputy Director

Md. Jahedul Islam, Assistant Director

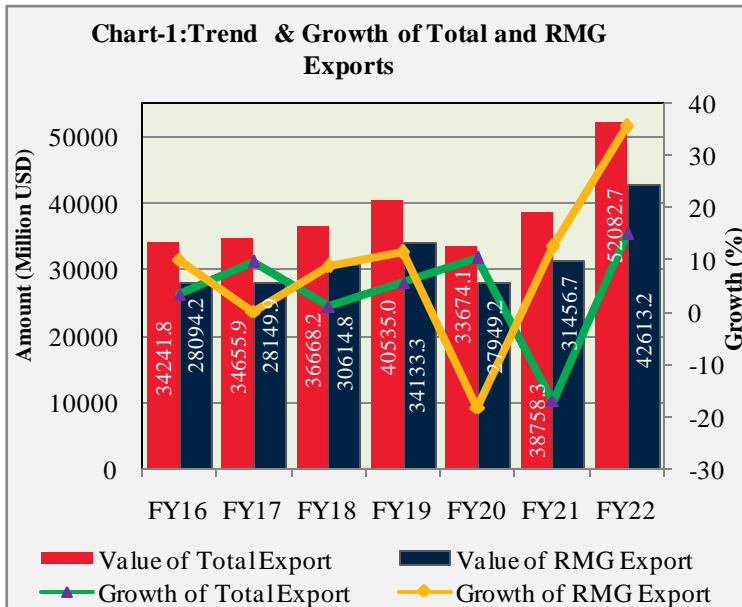
Summary

- ❖ Total export earnings from Readymade Garments (RMG) stood at USD 12722.35 million in October-December FY23 (Woven USD 5712.13 million and Knitwear USD 7010.22 million), which was 23.83 percent and 17.35 percent higher than that of the previous quarter and the same quarter of last year respectively.
- ❖ RMG's total export earnings in October-December FY23 were 6.74 percent higher than the quarterly target of USD 11918.67 million.
- ❖ The United States, Germany, the United Kingdom, Spain, France, Italy, the Netherlands, Canada, and Belgium were the top destinations for Bangladesh's RMG exports during October-December FY23. From these nine countries, Bangladesh earned USD 9020.44 million from RMG, accounting for 70.90 percent of total RMG exports.
- ❖ In this quarter, RMGs' net export (determined by subtracting RMG raw material import value from RMG export value) was USD 8611.93 million or 67.69 percent of gross RMG exports.

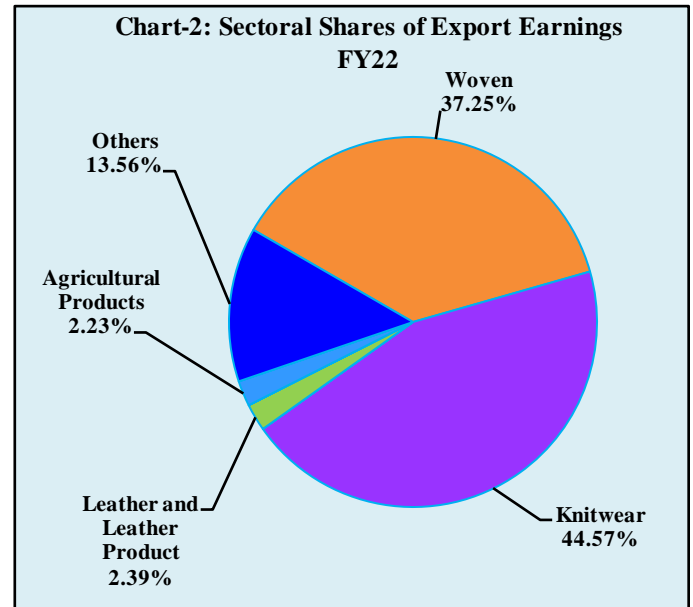
Quarterly Review on Readymade Garments (RMG): October-December FY'23

The Readymade Garments (RMG) sector is the lifeline of Bangladesh economy and the export earnings from this sector has rebounded (23.83 percent) in the October-December quarter of FY23, though the economy was severely hit by spillovers from the Russia-Ukraine conflicts. The RMG sector brought home USD 12722.35 million in the said quarter of FY23, which surpassed by 17.35 percent and 6.74 percent than that of the corresponding quarter of the previous year and the quarterly target respectively. However, the export momentum seen in this quarter may face some challenges in the upcoming periods as the global inflationary pressures are now badly hitting in our major export destination countries.

In FY22, the RMG sector contributed 9.25 percent to GDP. Bangladesh's overall RMG export earnings stood at USD 42613.15 million, which was 35.47 percent higher than that of the previous fiscal year (Chart-1). The sectoral shares of export earnings in FY22 have been shown in Chart-2.



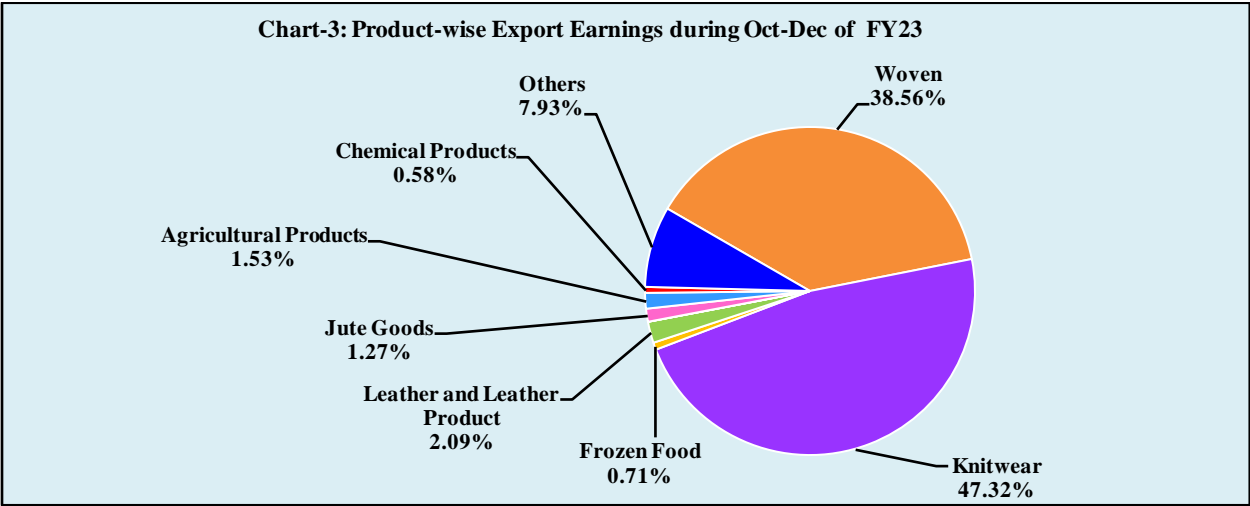
Source: Export Promotion Bureau (EPB)



Source: Export Promotion Bureau (EPB)

Quarterly Performance of RMG: October-December FY23

RMGs’ export earnings stood at USD 12722.35 million during the second quarter of FY23. Despite the world-wide sluggishness of growth, RMGs’ export earnings heightened 6.74 percent higher than that of the quarterly target. Woven garments and knitwear contributed 38.56 percent and 47.32 percent respectively to total export earnings during the quarter under review (Table-1). Besides, in this quarter, the contributions of non-RMG products to total export earnings recorded as leather and leather products (2.09 percent), agricultural products (1.53 percent), jute goods (1.27 percent), frozen foods (0.71 percent), chemical products (0.58 percent) and other products (7.93 percent) (Chart-3).



Source: Export Promotion Bureau (EPB)

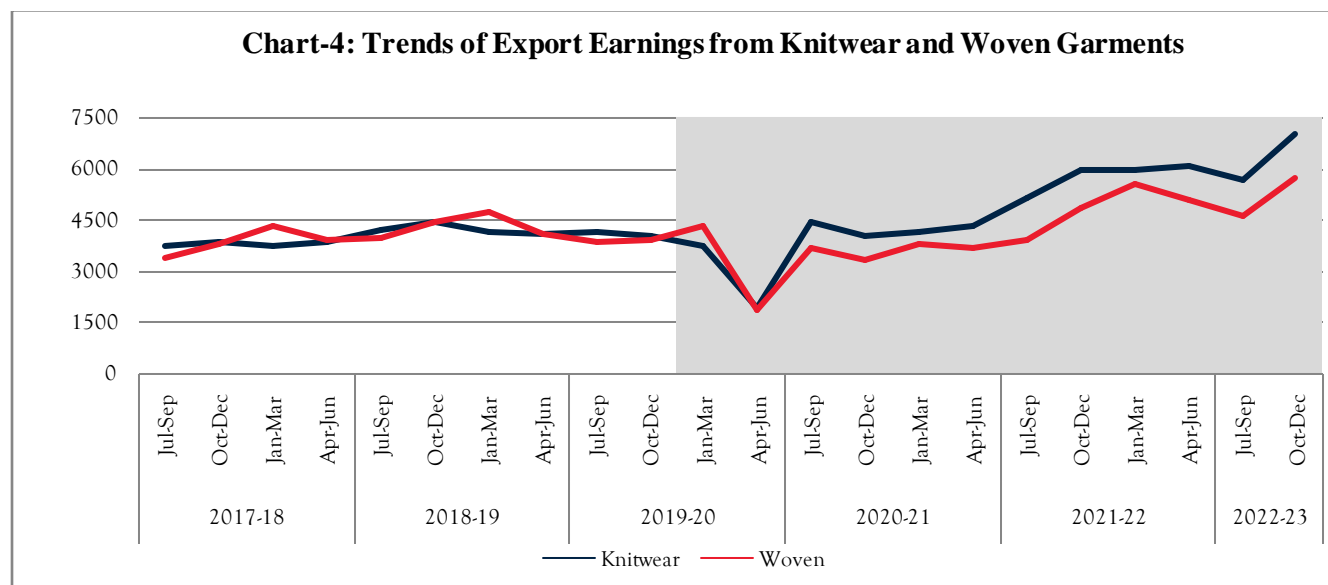
Knitwear

After slightly squeezing in the previous quarter, export earnings from the knitwear sector triggered up in October-December FY23 to USD 7010.22 million, which was 24.09 percent higher than the previous quarter and 16.89 percent higher than the same quarter of the previous year. Furthermore, knitwear exports were 7.53 percent more than the target for the quarter under review (Table-1). Export trends of knitwear and woven garments are displayed in Chart-4 on quarterly basis.

Woven Garments

The second quarter of FY23 showed sharply rising trend in export earnings from woven, which stood at USD 5712.13 million, 23.51 percent and 17.93 percent higher than that of the previous

quarter and the same quarter of the previous year, respectively. Moreover, exports of woven garments were 5.80 percent higher than the quarterly export target (Table-1). Chart-4 shows quarterly trend of export earnings from knitwear and woven garments. (Million USD)



*Shaded area denotes the export earnings during Covid period

Table-1: Export of Readymade Garments

(From FY17 to Oct-Dec FY23)

(Million USD)

FY	Total Export	Woven Garments		Knitwear		Total RMG (Woven + Knitwear)	Percentage Share in Total Export		
		Target	Actual	Target	Actual		Woven Garments	Knitwear	Total
1	2	3	4	5	6	7=(4+6)	8=(4÷2)	9=(6÷2)	10=(8+9)
FY17	34655.92	16210.00	14392.59	14169.00	13757.30	28149.89	41.53	39.70	81.23
FY18	36668.17	15060.00	15426.25	15100.00	15188.51	30614.76	42.07	41.42	83.49
FY'19	40535.04	16539.00	17244.73	16150.00	16888.54	34133.27	42.54	41.66	84.21
Jul-Sep FY20	9647.99	4612.95	3887.34	4493.76	4170.22	8057.56	40.29	43.22	83.51
Oct-Dec FY20	9654.17	4797.10	3930.88	4673.14	4035.58	7966.46	40.72	41.80	82.52
Jan-Mar FY20	9671.67	5004.21	4330.95	4874.90	3748.75	8079.70	44.78	38.76	83.54
Apr-Jun FY20	4700.26	4935.74	1892.02	4808.20	1953.45	3845.47	40.25	41.56	81.81
FY'20	33674.09	19350.00	14041.19	18850.00	13908.00	27949.19	41.70	41.30	83.00
Jul-Sep FY21	9896.84	4025.39	3662.72	3934.68	4463.66	8126.38	37.01	45.10	82.11
Oct-Dec FY21	9336.61	4173.74	3356.67	4079.69	4062.51	7419.18	35.95	43.51	79.46
Jan-Mar FY21	9704.90	4418.35	3814.35	4318.78	4128.01	7942.36	39.30	42.54	81.84
Apr-Jun FY21	9819.96	4467.52	3662.96	4366.85	4305.85	7968.81	37.30	43.85	81.15
FY'21	38758.31	17085.00	14496.70	16700.00	16960.03	31456.73	37.40	43.76	81.16
Jul-Sep FY22	11021.95	3748.44	3895.26	4680.46	5164.18	9059.44	35.34	46.85	82.19
Oct-Dec FY22	13676.60	3934.56	4843.81	4912.84	5997.45	10841.26	35.42	43.85	79.27
Jan-Mar FY22	13907.12	4029.05	5569.43	5030.84	5958.27	11527.70	40.05	42.84	82.89
Apr-Jun FY22	13476.99	3916.95	5090.34	4890.86	6094.42	11184.76	37.77	45.22	82.99
FY'22	52082.66	15629.00	19398.84	19515.00	23214.32	42613.15	37.25	44.57	81.82
Jul-Sep FY23	12496.89	4539.72	4624.88	5481.93	5649.46	10274.34	37.01	45.21	82.22
Oct-Dec FY23	14814.37	5399.06	5712.13	6519.61	7010.22	12722.35	38.56	47.32	85.88

Source: Export Promotion Bureau, Bangladesh

Import of Raw Materials and Net Exports from RMG

The import value of raw materials (raw cotton, synthetic/viscose fibre, synthetic/mixed yarn, cotton yarn and textile fabrics and accessories for garments) was USD 4110.42 million in October-December FY23, accounting for 32.31 percent of total RMG export earnings. As a result, net exports from this sector stood at

USD 8611.93 million in the second quarter of FY23 which was 62.79 percent higher than that of the preceding quarter and also 37.43 percent higher than the same period of previous year. The imports of raw materials and net export based on L/C statements from FY20 (October-December) to FY23 (up to October-December) are shown in chart-5 and table-2 respectively.

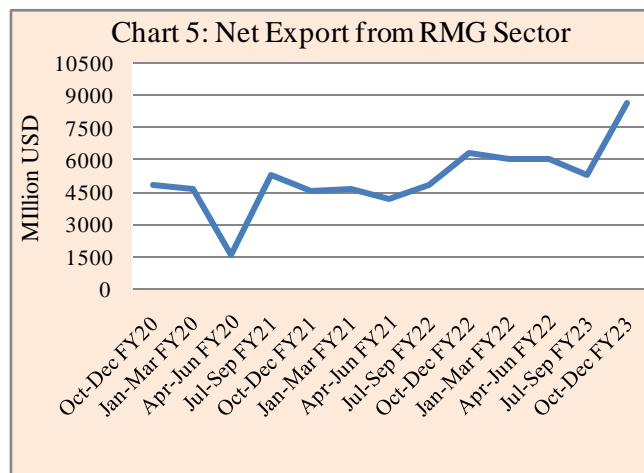


Table-2: Trends of Net Exports from RMG Sector Against Raw Materials Import

(Million USD)

Fiscal Year	RMG Export ^{A/}	Raw Materials Import ^{B/}	Net export in RMG
1	2	3	4=2-3
Oct-Dec FY20	7966.46	3201.95	4764.51
Jan-Mar FY20	8079.70	3427.93	4651.77
Apr-Jun FY20	3845.47	2290.85	1554.62
Jul-Sep FY21	8126.38	2845.83	5280.55
Oct-Dec FY21	7419.18	2847.81	4571.37
Jan-Mar FY21	7942.36	3366.55	4575.81
Apr-Jun FY21	7968.81	3795.97	4172.84
Jul-Sep FY22	9059.44	4219.94	4839.50
Oct-Dec FY22	10841.26	4574.91	6266.35
Jan-Mar FY22	11527.70	5505.17	6022.53
Apr-Jun FY22	11184.76	5139.17	6045.59
Jul-Sep FY23	10274.34	4984.13	5290.21
Oct-Dec FY23	12722.35	4110.42	8611.93

^{A/}Export Promotion Bureau.

^{B/}From July- September 2018, we considered the value of the components -raw cotton, synthetic/viscose fibre, synthetic/mixed yarn, cotton yarn and textile fabrics and accessories for garments instead of back to back L/Cs raw materials as reported by the FEOD of Bangladesh Bank.

Source: Own calculation of the research staff of Bangladesh Bank.

Destination of RMG Exports

The main destinations of Bangladesh's RMG exports are the USA, Germany, UK, Spain, France, Italy, Netherlands, Canada, and Belgium (Chart-6). During October-December of FY23, total export earnings from these nine countries stood at USD 9792.89 million; of which 92.11 percent or USD 9020.44 million was earned from the RMG (woven 43.05 percent and knitwear 49.07 percent) exports (Table-3). During the quarter under report, RMG export earnings from these nine countries increased remarkably by 21.53 percent and 13.38 percent as compared to that of the previous quarter and that of the corresponding quarter of the preceding fiscal year, respectively.

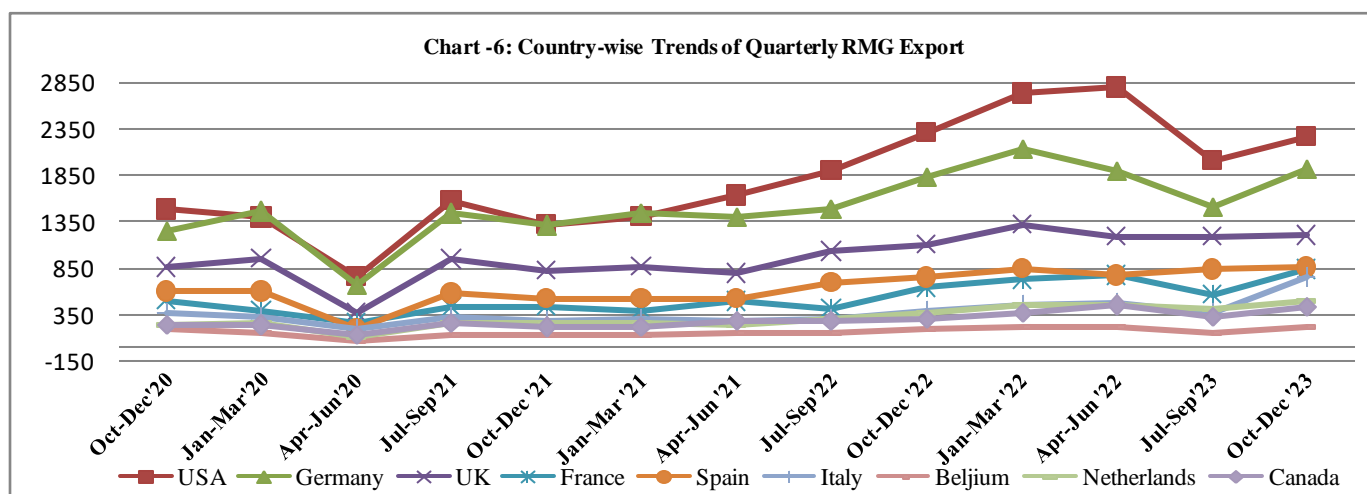


Table-3: Country wise RMG Export in October-December, FY23

Countries	Total Export	Woven Garments	Knitwear	Total RMG	Other Exports	(Million USD)	
						Share of RMG in Total Export (%)	Others Share in Total Export (%)
1	2	3	4	5=(3+4)	6=(2-5)	7=(5÷2)	8=(6÷2)
USA	2588.64	1610.38	657.72	2268.10	320.54	87.62	12.38
Germany	2041.68	761.51	1173.53	1935.05	106.63	94.78	5.22
UK	1271.33	455.94	747.48	1203.42	67.91	94.66	5.34
France	918.56	298.94	540.49	839.44	79.13	91.39	8.61
Spain	891.97	327.60	536.33	863.93	28.03	96.86	3.14
Italy	776.20	246.75	503.94	750.70	25.50	96.71	3.29
Belgium	250.26	60.50	150.41	210.90	39.36	84.27	15.73
Netherlands	570.46	193.16	316.23	509.40	61.06	89.30	10.70
Canada	483.80	260.66	178.85	439.51	44.29	90.85	9.15
Sub-Total	9792.89	4215.45	4805.00	9020.44	772.45	92.11	7.89
Others Countries	5021.47	1496.68	2205.22	3701.91	1319.57	73.72	26.28
Total	14814.37	5712.13	7010.22	12722.35	2092.02	85.88	14.12

Source: Export Promotion Bureau, Bangladesh.

Recent Measures Taken to Facilitate RMG Exports

The government and the Bangladesh Bank have taken a number of measures especially for facilitating production and export of the RMG sector. Of which some important measures are highlighted below:

Pre-shipment Credit: To continue the export activities of export oriented RMG industries amid the Corona pandemic, Bangladesh Bank has formed a refinance fund worth of BDT 50.00 billion. RMG entrepreneurs can take loans from this fund through banks at 6 percent rate of interest (BRPD Circular No 9, Date 13 April, 2020). BB reduced the interest rate on this refinance fund from 6 percent to 5 percent at receiver level and 3 percent to 2 percent at bank level (BRPD Circular No-26, Date 26 April, 2021). Bangladesh Bank has expanded the tenure of loan facilities for entrepreneurs from 01 year to 03 years under this refinance scheme. Entrepreneurs can avail of the loan more than one time within the mentioned period (BRPD circular no: 44, Date 30 September 2021).

Incentives for Export Expansion: During the FY23, to encourage the country's export trade, export subsidies or cash incentives have been given for some export items from 1 July 2022 to 30 June 2023. Among them, 4 percent cash incentive has been given to export oriented garments sector, small & medium industry of garments sector and to help expanding the new items/ new market for garments sector (excluding the USA, Canada, EU, UK). An additional 2 percent has been given as special incentives for the exporters of garments items to EURO Zone. Moreover, 1 percent special cash incentive has been given to RMG sector (FE Circular No-26, Date September 19, 2022).

Extended Facilities for Trade Transactions: To facilitate smooth transition in the external trade activities of the country, the following steps have been undertaken:

a) The usage period for industrial raw material imports, including back-to-back imports under supplier or buyer credit, has been extended up to 270 days under the Guideline for Foreign Exchange Transactions (GFET)-2018, Vol.-1. Later, it was decided to extend the usance period to 360 days from 270 days effective till December 31, 2022, though the extended usance period are not applicable for imports under EDF loans (FE Circular No-18, Date July 20, 2022).

(b) The Export Development Fund (EDF) limit for individual BTMA and BGMEA member mills have been enhanced to USD 30 million from USD 25 million and the period of EDF loan remained valid for the respective transactions till December 31, 2022 (FE Circular No-16, Date July 19, 2022).

Green Transformation Fund (GTF): Bangladesh Bank has formed a GTF for refinancing at local currency worth of BDT 5s000 crore for all export-oriented manufacturers and exporters against their import of capital machineries and accessories for implementing specified green/environment friendly initiatives in Bangladesh (SFD Circular No-07, Date December 07, 2022).

Conclusion

The foreign earnings from the RMG sector of Bangladesh accounted for 85.88 percent of total export earnings and 87.90 percent of industrial products exports in the October-December quarter of FY23. To keep up the pace and accelerate the export of RMGs, we need to explore more new global markets and improve our production capacity by introducing modern technology and facilitating the backward linkage industries. In addition, we should also emphasize on skill development of the RMG workers to prepare and face the ongoing global crises and rapidly changing environment of production technologies.