

A Quarterly Review on Readymade Garments (RMG): October-December of FY'24*



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**A Quarterly Review on Readymade Garments (RMG):
October-December of FY'24**

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Highlight

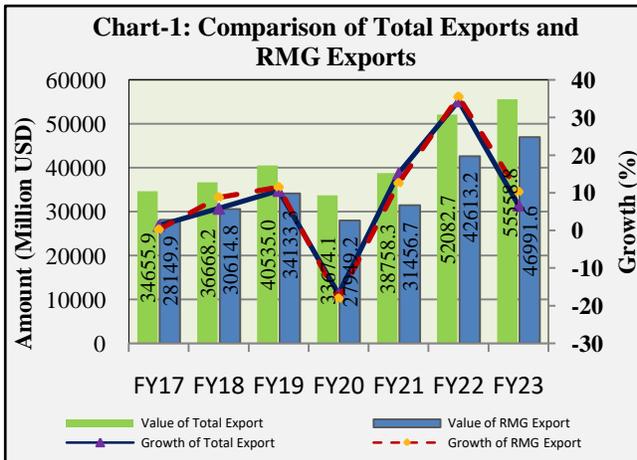
- ❖ Total export earnings from Readymade Garments (RMG) stood at USD 11773.84 million in October-December of FY24 (Woven USD 5056.24 million and Knitwear USD 6717.60 million) which was 1.35 percent higher than that of the previous quarter but 7.46 percent lower than that of the same quarter of the previous year.
- ❖ RMG's total export earnings in October-December of FY24 were 13.40 percent lower than the quarterly target of USD 13595.78 million due to depreciation of Taka against USD, price hike of raw materials and global economic turbulence.
- ❖ The United States, Germany, the United Kingdom, France, Spain, Italy, the Netherlands, Canada, and Belgium were the top destinations for Bangladesh's RMG exports during October-December of FY24. From these nine countries, Bangladesh earned USD 7954.77 million from RMG, accounting for 67.56 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 8400.55 million or 71.35 percent of gross RMG exports.

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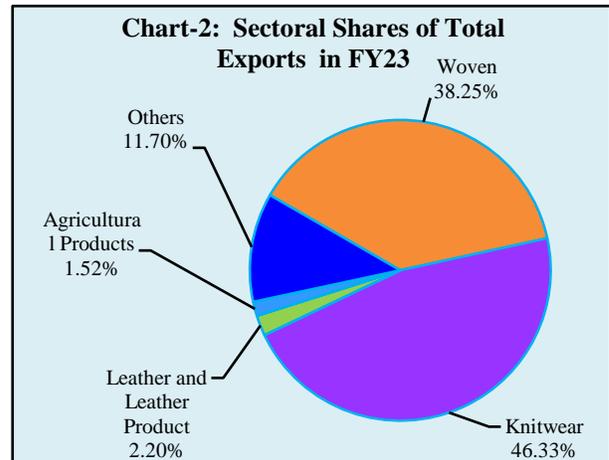
1. Introduction:

Bangladesh is one of the largest exporters of readymade garments (RMG) in the world. RMG sector has significant impact on Bangladesh economy in creating employment opportunities, strengthening women empowerment and providing foreign currency, etc. However, since the very beginning this sector has been facing some impediments such as limited products and market diversity, lack of sufficient backward linkage industry, concentrated market, high lead time and lack of efficiency in producing high value products, etc. Moreover, recently RMG industry has been experiencing a series of challenges including domestic political unrests, global geopolitical conflicts, energy price hike, cotton price fluctuations, and COVID-19 pandemic which have changed the overall trade dynamics in this sector. Besides, upcoming LDC graduating can be considered as another challenge of developing this industry in Bangladesh which will have to be addressed in the medium to longer term by undertaking required reforms in trade-related areas, adjustments in investment policies, strengthening of intellectual property rights and phasing out of some export subsidies, etc.

Nevertheless, the RMG sector made a significant contribution of 10.35 percent to Bangladesh's GDP in FY23. The total RMG export earnings for FY23 stood at USD 46991.61 million, indicates a growth of 10.27 percent as compared to the previous fiscal year (Chart-1). The shares of total export earnings across different sectors in FY23 are shown in Chart-2.



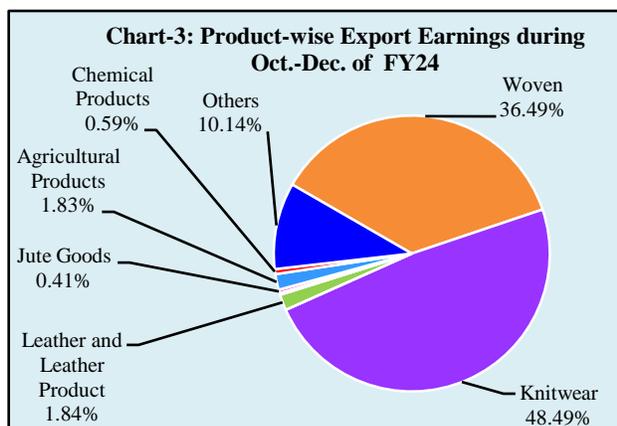
Source: Export Promotion Bureau (EPB)



Source: Export Promotion Bureau (EPB)

2. Quarterly Performance of RMG: October-December of FY24

During the second quarter of FY24, the export earnings from RMGs stood at USD 11773.84 million which was 1.35 percent higher as compared to the previous quarter (USD 11617.50 million), but 7.46 percent lower than that of the corresponding quarter of the previous fiscal year (USD 12722.35 million). It also fell short by 13.40



Source: Export Promotion Bureau (EPB)

percent of the target set for the quarter under report. It may be mentioned that after Covid-19 pandemic, RMG sector of Bangladesh showed a good performance of growth all along the year. But now it has been facing numerous challenges such as Russia-Ukraine conflict, Taka-Dollar depreciation, weak global demand for RMG, and global high inflationary pressure etc., all of which resulted in a slight edge down of export of knitwear in this quarter. However, overall performance of RMG exports earnings during July-December of FY24 is still better compared to the previous year (July-December, FY23). Among the RMG sub-sectors, woven garments accounted for 36.49 percent of total export earnings, while knitwear contributed 48.49 percent (Table-1). Product-wise shares of export earnings during October-December of FY24 in chart-3 showed that among the non-RMG items, leather and leather products accounted for 1.84 percent, agricultural products for 1.83 percent, chemical products for 0.59 percent, jute goods for 0.41 percent, and other products for 10.14 percent.

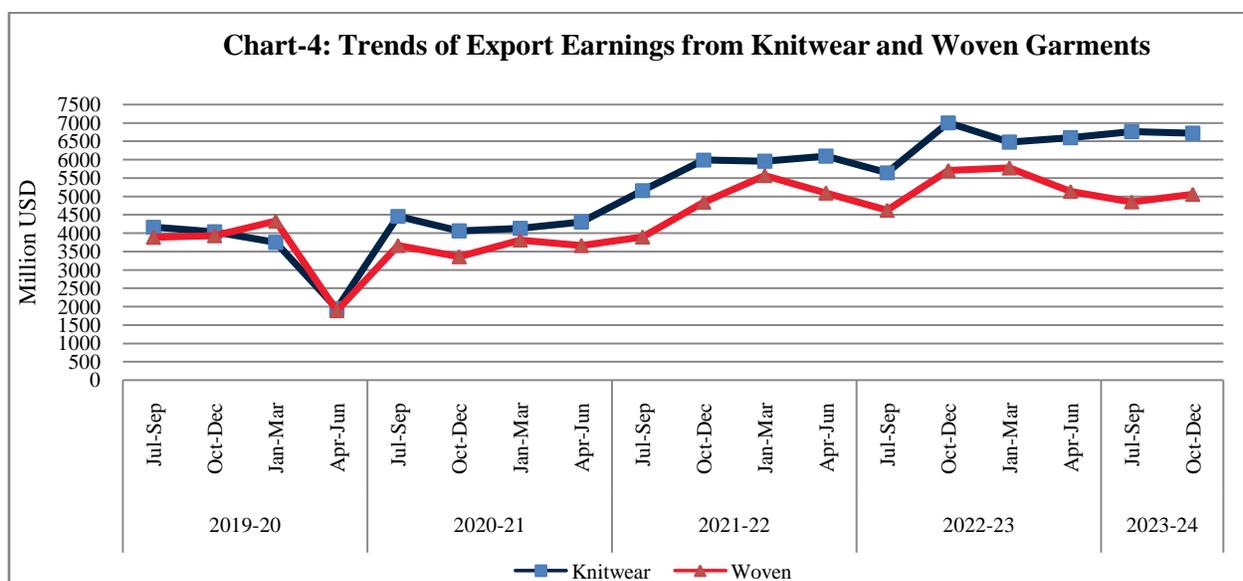
2.1 Knitwear

In October-December quarter of FY24, export earnings from the knitwear sector reached to USD 6717.60 million which marginally declined by 0.67 percent and 4.17 percent compared to the previous quarter (USD 6768.59 million) and the same quarter of the previous year (USD 7010.22) respectively. Moreover, knitwear exports fell short its target (USD 7395.07 million) by 9.16 percent for the quarter under report (Annexure-1). According to the BKMEA officials, depreciation of taka against USD in Bangladesh

coupled with global raw materials price hike has inflated production cost, causing some small and weak factories to hold up their operation for the time being. Moreover, to manage fixed cost and loan obligations, many factories have been compelled to offer their products at minimal prices. As a result, knitwear export showed a slight downward trend in this quarter.

2.2 Woven Garments

Export earnings from woven garments in the second quarter of FY24 stood at USD 5056.24 million indicating 4.15 percent higher than that of the previous quarter (USD 4854.91 million), while 11.48 percent lower than that of the same quarter of the previous year (USD 5712.13 million). However, exports of woven garments fell short by 18.46 percent of the quarterly export target (USD 6200.71 million) set by the EPB (Annexure-1). Chart-4 shows quarterly trend of export earnings from knitwear and woven garments.

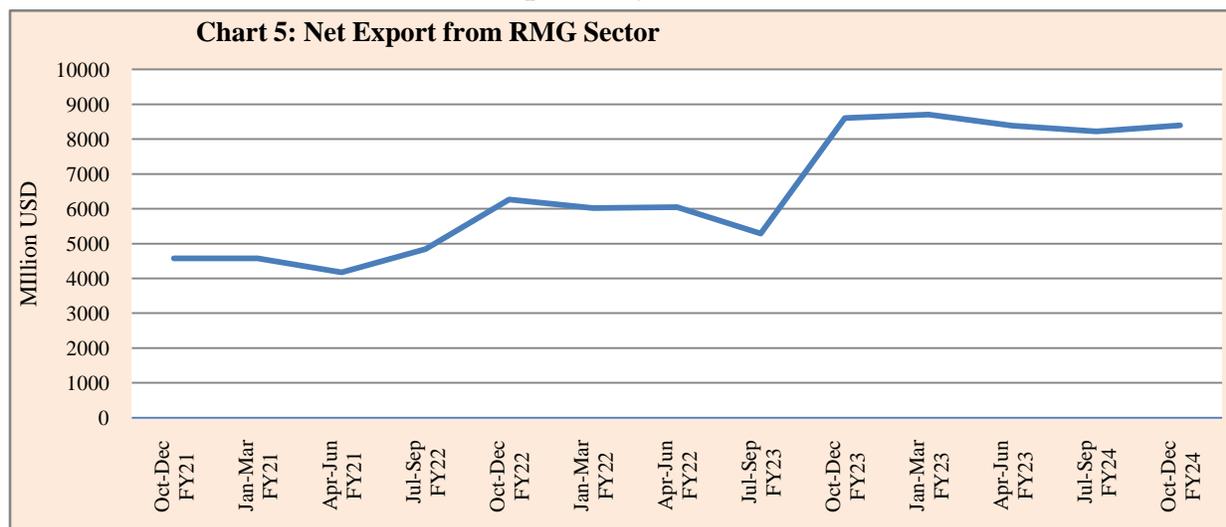


Source: Export Promotion Bureau

3. Import of Raw Materials and Net Export Earnings 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 3373.29 million in October-December of FY24, accounting for 28.65 percent of total RMG export earnings. As a result, net exports from this sector stood at USD 8400.56 million in the second quarter of FY24 which was 2.16 percent higher than that of the preceding quarter (USD 8223.04 million) but 2.45 percent lower than that of the same quarter of the

previous year (USD 8611.93 million). The imports of raw materials and net exports based on L/C statements from October-December of FY21 to October-December of FY24 are shown in Chart-5 and Annexure-2 respectively.



Source: Foreign Exchange Operation Department, BB

4. Destination-wise RMG Exports

Table-1: Country wise RMG Export in October-December, FY24
(Million USD)

Countries	Total Export	Woven Garments	Knitwear	Total RMG	Other Exports	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	2191.33	1264.37	704.62	1968.99	222.34	89.85	10.15
Germany	1495.91	500.56	912.75	1413.31	82.6	94.48	5.52
United Kingdom	1326.47	465.79	800.25	1266.04	60.43	95.44	4.56
France	881.18	301.66	517.34	819	62.18	92.94	7.06
Spain	801.1	315.19	464.76	779.95	21.15	97.36	2.64
Italy	653.38	232.2	389.04	621.24	32.14	95.08	4.92
Belgium	230.95	63.07	119.82	182.89	48.06	79.19	20.81
Netherlands	573.75	217.33	296.93	514.26	59.49	89.63	10.37
Canada	428.72	211.53	177.56	389.09	39.63	90.76	9.24
Sub-Total	8582.79	3571.7	4383.07	7954.77	628.02	92.68	7.32
Others	5953.95	1484.54	2334.53	3819.07	2134.88	64.14	35.86
Total	13854.93	5056.24	6717.6	11773.84	2081.09	84.98	15.02

Source: Export Promotion Bureau, Bangladesh.

The main destinations of Bangladesh's RMG exports are the United States, Germany, the United Kingdom, France, Spain, Italy, the Netherlands, Canada, and Belgium. During October-December of FY24, total export earnings from these nine countries stood at USD 8582.79 million of which 92.68 percent (woven 41.61 percent and knitwear 51.07 percent) or USD 7954.77 million was earned from the RMG exports in these nine countries (Table-1). During the quarter under report, RMG export earnings from these nine countries relatively declined by 1.87 percent and 11.81 percent as compared to the previous quarter (USD 8106.12 million) and the corresponding quarter of the preceding fiscal year (USD 9020.44 million) respectively (Annexure-3).

5. 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 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: To encourage the country's export trade, export subsidies or cash incentives have been given against the shipment of various exportable commodities during the period of 1 July 2023 to 30 June 2024. Among them, 4 percent cash incentive has been given to export oriented local garments sector, small & medium industry of garments sector and to help expanding the new items/ new markets for garments sector (excluding the USA, Canada, EU, UK). For the exporters of garments items to EURO Zone an additional 2 percent has given as special incentives with the

existing 4 percent. Moreover, special cash incentive has been given to RMG sector with 1 percent (FE Circular No-13, Date August 24, 2023).

Green Transformation Fund (GTF): Bangladesh Bank has formed a GTF for refinancing at local currency worth of BDT 5000 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).

Export Facilitation Fund: The export sector is the main spur of economic growth in Bangladesh. To create the export-oriented industries in the RMG sector and for enhancing its resiliency against the global adverse financial situation after Covid-19 and for providing adequate liquidity support to the RMG industries, BB has formed the Export Facilitation Pre-finance Fund (EFPPF) worth of BDT 10,000 crore with easy terms. Pre-financing facilities can be availed against of import/ local procurement of raw materials for the production of export-oriented industries. In the case of final export, BGMEA, BKMEA and BTMEA member mills (excluding yarn producing BTMEA members) and Type-B and Type-C organisations of EPZ may get equivalent of the value of imported raw materials or BDT 200 crore (which one is lower) from BB for 180 days. (BRPD Circular No-01, Date January 01, 2023).

Export Development Fund (EDF): The Export Development Fund (EDF) allows Authorized Dealers (ADs) to borrow US Dollar funds which is repayable within 180 days from dates of disbursement, extendable by Bangladesh Bank up to 270 days against foreign currency loans provided to manufacturer-exporters for input procurements related to export orders (FE Circular No-07, Date April 13, 2023). To bring wider range of customers under EDF loans, it has been decided to reset its ceiling to USD 10.00 million from USD 15.00 million for input procurements under back to back LCs (BBLCs) against relevant export orders. The limit for imports under BBLCs by individual member mill of BGMEA and BKMEA is set at USD 20.00 million and USD 15.00 million respectively. (FE Circular No-06, Date April 09, 2023).

6. Conclusion

As the global economy is facing major challenges including subdued economic activities owing to higher inflation and higher interest rates, heightened uncertainties regarding the future geoeconomic landscape, weak productivity growth and a complex financial environment, export receipts from the RMG sector may also face some challenges in the upcoming months of the current fiscal year. Despite these uncertainties and challenges, the RMG industry of Bangladesh started to rebound in receiving fair share of work orders from international retailers and major global brands which is indicating a sign of recovery from Covid-19 pandemic and the Russia-Ukraine war. However, inter-apparel diversification, reducing lead time and increasing efficiency, ensuring effective research and development, exploring new global markets, skilled RMG workforce and modernization of production process should be priority areas to escalate the RMG export earnings in the future.

Annexure

Annexure-1: Export of Readymade Garments

(From FY18 to October-December of FY24)

(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)
FY'18	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
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
Jan-Mar FY23	14410.36	5509.44	5777.95	6652.92	6477.80	12255.75	40.10	44.95	85.05
Apr-Jun FY23	13837.15	5751.78	5138.45	6945.54	6600.72	11739.17	37.14	47.70	84.84
FY'23	55558.77	21200.00	21253.41	25600	25738.20	46991.61	38.25	46.33	84.58
Jul-Sep FY24	13685.44	5,378.61	4854.91	6414.63	6762.59	11617.50	35.48	49.41	84.89
Oct-Dec FY24	13854.93	6200.71	5056.24	7395.07	6717.60	11773.84	36.49	48.49	84.98

Source: Export Promotion Bureau, Bangladesh

Annexure-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 earnings in RMG
1	2	3	4=2-3
Oct-Dec FY21	7419.18	2847.81	4571.37 (61.62%)
Jan-Mar FY21	7942.36	3366.55	4575.81 (57.61%)
Apr-Jun FY21	7968.81	3795.97	4172.84 (52.36%)
Jul-Sep FY22	9059.44	4219.94	4839.50 (53.42%)
Oct-Dec FY22	10841.26	4574.91	6266.35 (57.80%)
Jan-Mar FY22	11527.70	5505.17	6022.53 (52.24%)
Apr-Jun FY22	11184.76	5139.17	6045.59 (54.05%)
Jul-Sep FY23	10274.34	4984.13	5290.21 (51.49%)
Oct-Dec FY23	12722.35	4110.42	8611.93 (67.69%)
Jan-Mar FY23	12255.75	3546.52	8709.23 (71.06%)
Apr-Jun FY23	11739.17	3348.47	8390.70 (71.48%)
Jul-Sep FY24	11617.50	3394.46	8223.04 (70.78%)
Oct-Dec FY24	11773.84	3373.29	8400.55 (71.35%)

^{A/} As per Export Promotion Bureau.

^{B/}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. The values in parenthesis denote the net export in RMG as percentage of Total RMG Export earnings.

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

Annexure-3: Destination-Wise Export Earnings of RMG

(Million USD)

Country	Apr-Jun '22	Jul-Sep '23	Oct-Dec '23	Jan-Mar '23	Apr-Jun '23	Jul-Sep '24	Oct-Dec '24
USA	2802.42	2010.41	2268.10	1981.04	2257.36	2066.05	1968.99
Germany	1906.15	1517.06	1935.05	1695.71	1533.34	1450.18	1413.31
UK	1201.93	1192.74	1203.42	1450.58	1180.04	1447.35	1266.04
France	771.37	576.49	839.44	727.78	800.89	626.50	819
Spain	777.47	842.45	863.93	989.79	881.54	1038.37	779.95
Italy	490.22	369.87	750.70	586.11	562.91	455.77	621.24
Belgium	217.87	157.39	210.90	212.66	189.72	167.44	182.89
Netherlands	464.9	421.63	509.40	453.25	467.21	501.60	514.26
Canada	452.38	334.65	439.51	315.54	456.14	352.86	389.09
Sub-Total	9084.71	7422.69	9020.44	8412.46	8329.16	8106.12	7954.77
Others	4392.28	2851.65	3701.91	3843.29	3410.01	3511.38	3819.07
Total	13477	10274.3	12722.35	12255.75	11739.17	11617.50	11773.84

Source: Export Promotion Bureau, Bangladesh