

Quarterly Review on Readymade Garments (RMG)¹: July-September FY'23



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Summary

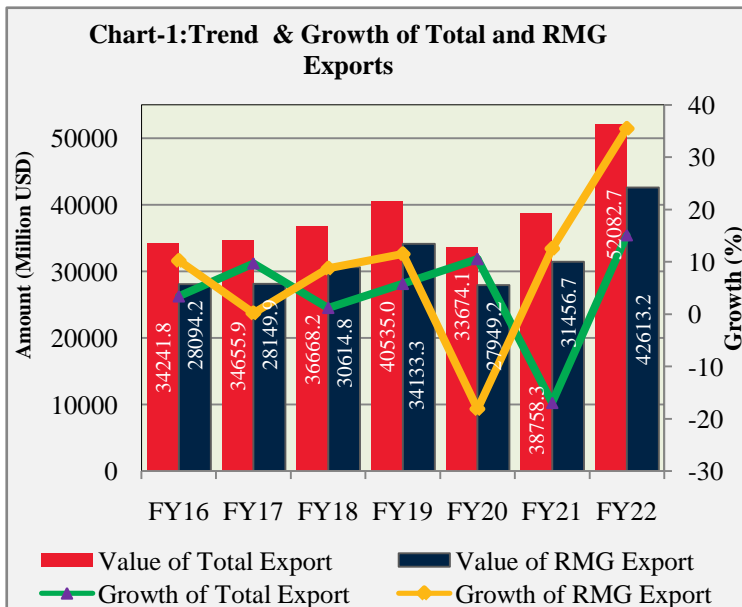
- ❖ Total export earnings from Readymade Garments (RMG) stood at USD 10274.34 million in July-September FY23 (Woven USD 4624.88 million and Knitwear USD 5649.46 million), which was 8.14 percent lower than that of the previous quarter but 13.41 percent higher than the same quarter of last year.
- ❖ RMG's total export earnings in July-September FY23 were 2.52 percent higher than the quarterly target of USD 10021.66 million.
- ❖ The United States, Germany, the United Kingdom, Spain, France, the Netherlands, Italy, Canada, and Belgium were the top destinations for Bangladesh's RMG exports during July-September FY23. From these nine countries, Bangladesh earned USD 7422.70 million from RMG, accounting for 72.25 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 5290.21 million or 51.49 percent of gross RMG exports.

Quarterly Review on Readymade Garments (RMG): July-September FY'23

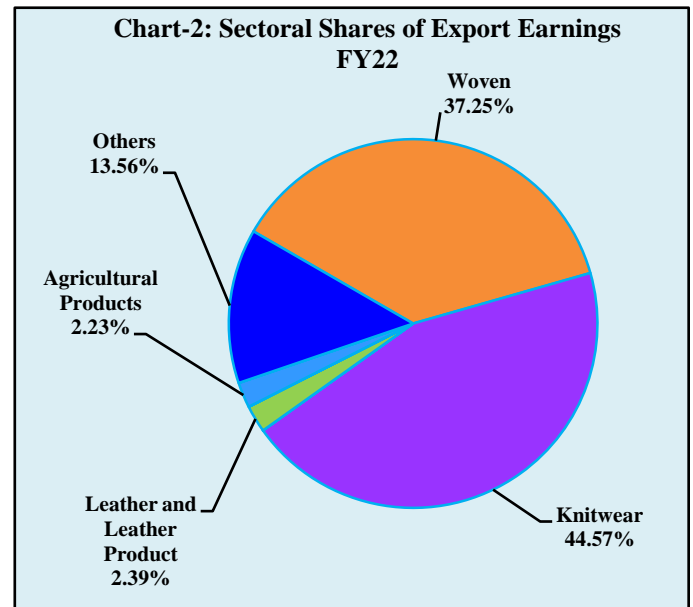
Readymade Garments (RMG) industry is one of the mainstay of Bangladesh economy, experiencing a slowdown (8.14 percent) in the July-September quarter of FY23 as worldwide inflation has pushed up the living costs and forced people to reduce their expenditure on clothes in the key corresponding export destination countries.

However, the total export earnings of Bangladesh from the RMG sector in the said quarter were USD 10274.34 million, which outperformed that of the previous year's corresponding quarter and the quarterly target by 13.41 percent and 2.52 percent respectively. Notwithstanding, the impetus of this sector may still be uneven as Russia's invasion of Ukraine triggering the global gas crisis, upside inflation, tightening financial conditions and further US dollar appreciation worldwide.

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.



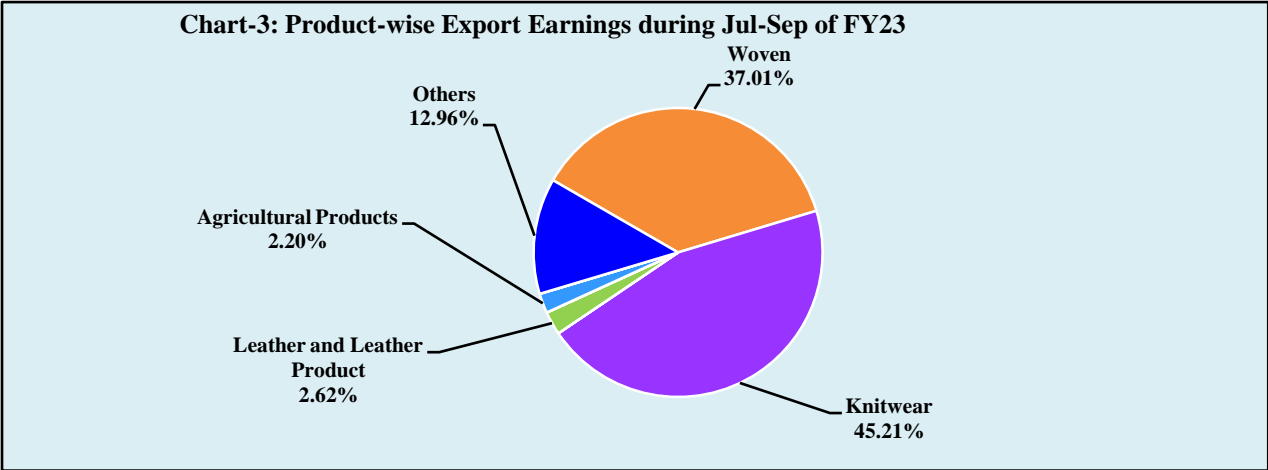
Source: Export Promotion Bureau (EPB)



Source: Export Promotion Bureau (EPB)

Quarterly Performance of RMG: July-September FY23

RMG's export earnings stood at USD 10274.34 million during the first quarter of FY23. Despite downside growth in world-wide, RMG's export earnings escalated into 2.52 percent higher than that of the quarterly target. Woven garments and knitwear contributed 37.01 percent and 45.21 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 were as follows: leather and leather products (2.62 percent), agricultural products (2.20 percent) and other products (12.96 percent) (Chart 3).



Source: Export Promotion Bureau (EPB)

Knitwear

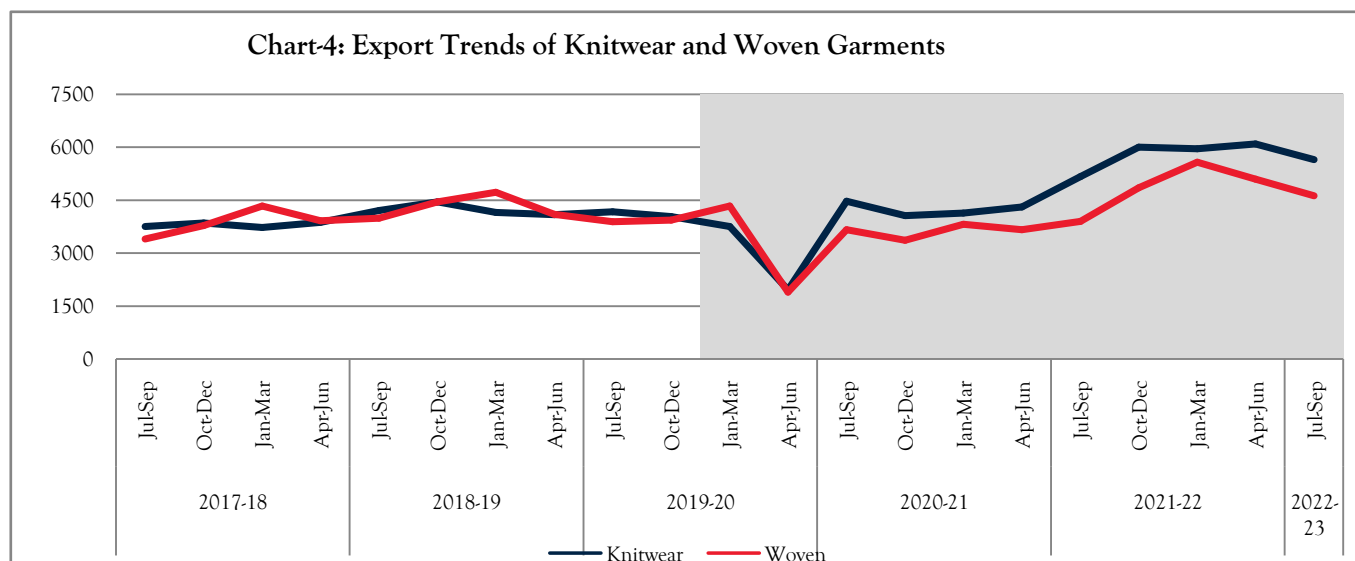
After experiencing a higher growth in the previous quarter, export earnings from knitwear squeezed in July-September FY23 to USD 5649.46 million, which was 7.30 percent lower than the previous quarter but 9.40 percent higher than the same period of the previous year. Furthermore, knitwear exports were 3.06 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 first quarter of FY23 showed a declining trend of export earnings from woven, which stood at USD 4624.88 million, 9.14 percent down from the previous quarter but 18.73 percent higher than that of the same quarter of the previous year. Moreover, exports of woven garments were

1.88 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 FY22)

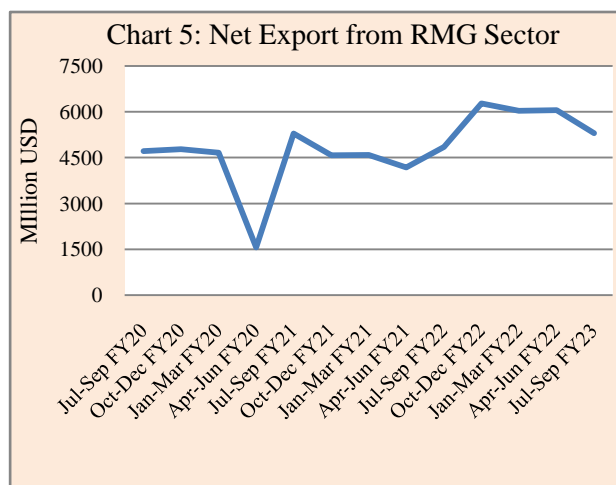
(Million USD)

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

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 4984.13 million in July-September FY23, accounting for 48.51 percent of total RMG export earnings. As a result, net exports from this sector stood at USD 5290.21 million in the first quarter of FY23 which was 12.49 percent lower than that of the preceding quarter but 9.31 percent



higher than the same period of previous year. The imports of raw materials and net export based on L/C statement from FY20 (July-September) to FY23 (July-September) 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
Jul-Sep FY20	8057.56	3349.17	4708.39
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

^{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, Netherlands, Italy, Canada, and Belgium (Chart-6). During July-September of FY23, total export earnings from these nine countries stood at USD 8262.32 million; of which 89.84 percent or USD 7422.70 million was earned from the RMG (woven 41.37 percent and knitwear 48.46 percent) exports (Table-3). During the quarter under report, RMG export earnings from these nine countries decreased by 9.65 percent as compared to that of the previous quarter but this was 12.18 percent higher than that of the corresponding quarter of the preceding fiscal year.

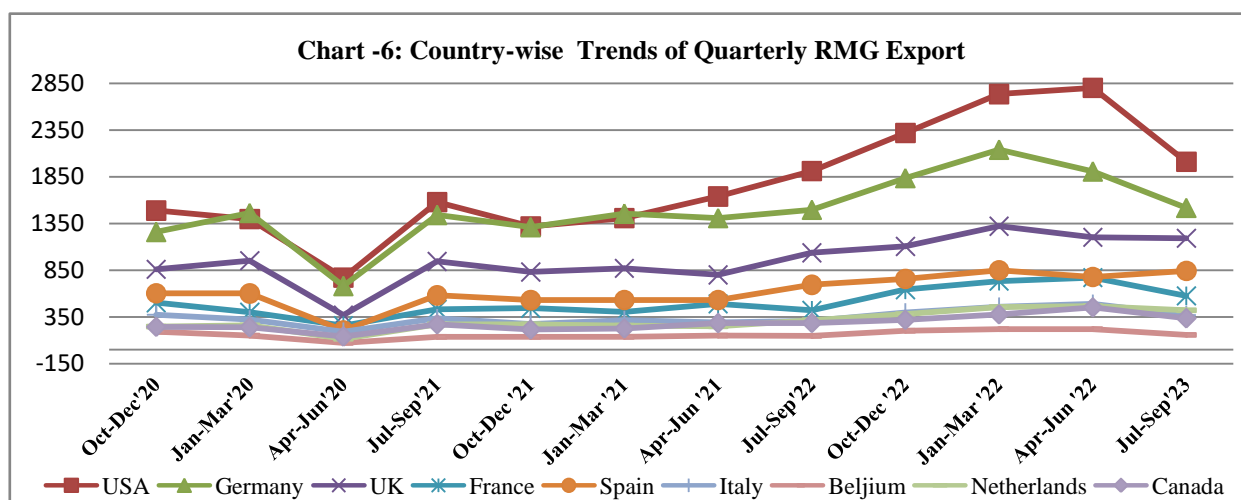


Table-3: Country wise RMG Export in July-September, FY23

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	2326.72	1367.06	643.35	2010.41	316.31	86.41	13.59
Germany	1632.41	568.70	948.37	1517.06	115.35	92.93	7.07
UK	1262.56	451.98	740.76	1192.74	69.82	94.47	5.53
France	665.84	188.03	388.47	576.49	89.34	86.58	13.42
Spain	870.60	338.59	503.86	842.45	28.16	96.77	3.23
Italy	402.79	109.17	260.71	369.87	32.92	91.83	8.17
Belgium	224.21	43.47	113.91	157.39	66.82	70.20	29.80
Netherlands	497.93	173.84	247.80	421.63	76.30	84.68	15.32
Canada	379.25	177.62	157.03	334.65	44.60	88.24	11.76
Sub-Total	8262.32	3418.45	4004.24	7422.70	839.62	89.84	10.16
Others Countries	4234.58	1206.43	1645.22	2851.64	1382.93	67.34	32.66
Total	12496.89	4624.88	5649.46	10274.34	2222.55	82.22	17.78

Source: Export Promotion Bureau, Bangladesh.

Recent Measures Taken to Facilitate RMG Exports

The government and the Bangladesh Bank have undertaken a number of measures especially for facilitating production and export of the RMG sector. Some important measures taken to boost up production and export of the RMG sector 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). Recently, for the betterment of economic growth in export sector, 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 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 garments sector (excluding the USA, Canada, EU, UK). In spite of existing 4 percent cash incentive, additional 2 percent has been given as support for the exporters of garments sector of EURO zones. 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 decisions have been implemented:

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 has been decided to extend the usance period to 360 days from 270 days effective till December 31, 2022. The extended usance period will not be 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).

Conclusion

As the present economic turbulent situation prevailed more in our major export destination countries, Bangladesh should set its new target destination towards promising Asian economies like Japan, India, China, South Korea and the Middle East. At the same time, Bangladesh should also put priority on diversification of man-made fibres (MMF) and global technical textile markets as they fetch higher profits than cotton-made items.