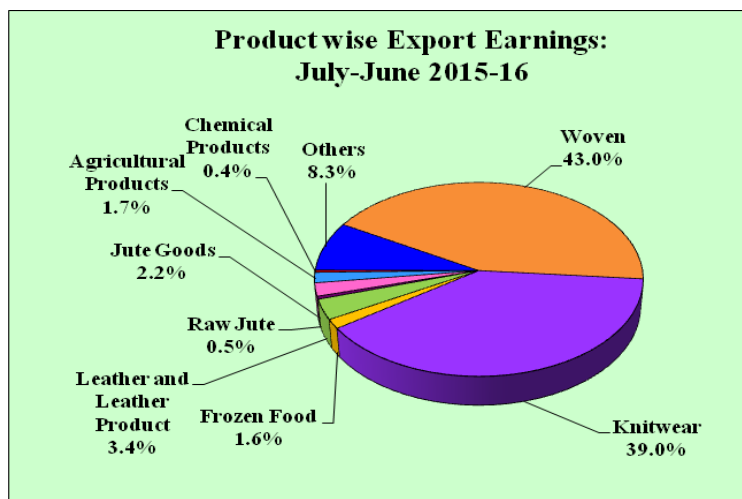


Quarterly Review on RMG: April-June 2016

Introduction

Bangladesh received more than three fourth (about 82%) of total export earnings from Readymade garments (Woven and Knitwear). Total export of Readymade Garments rose by 8.6 percent year-on-year in April-June 2016 and by 0.7 percent decreased from the previous quarter. The RMG export

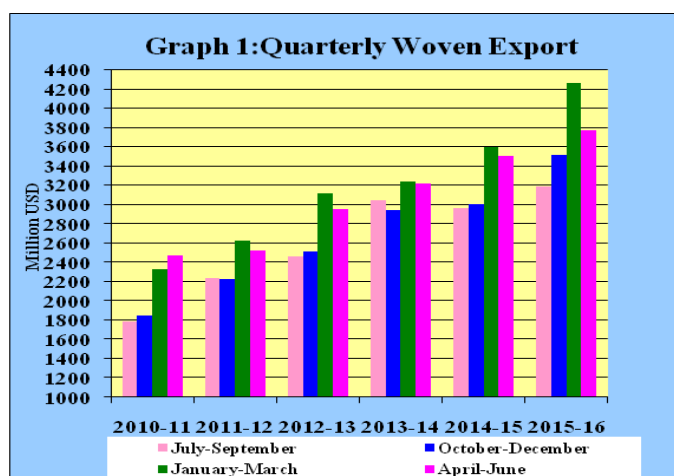


increased in April-June, 2016 was mainly driven by increase of the export of Knitwear garments. However, against the target of April-June, 2016, total RMG export growth higher by 0.7 percent. During July-June FY 2016, 43.0 percent and 39.0 percent of total export earnings received respectively from woven and knitwear. In FY 2015, share of these two subsectors in total export earnings were 41.9 percent and 39.8 percent respectively. The employed manpower, trend of value addition and other RMG related issues for April-June 2016 are discussed below.

Quarterly Progress of Readymade Garments: April-June 2016

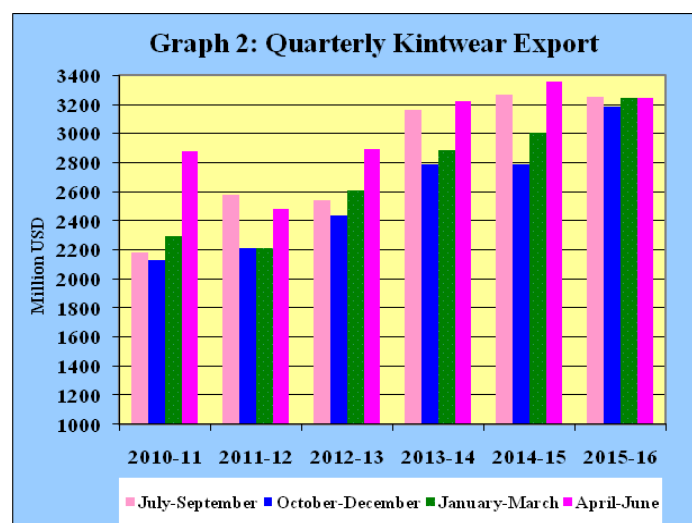
Woven Garments

In April-June 2016 quarter, earnings from woven garments stood at USD 3772.98 million, which is 11.5 percent and 1.2 percent lower compared to previous quarter and targeted export earnings from this subsector. On the other hand, 7.6 percent higher than the April-June 2015 (Table-1). Quarterly export earnings of woven garments are depicted in Graph-1.



Knitwear Garments

In April-June 2016 quarter, earnings from knitwear garments stood at USD 3681.10 million, which is 13.5 percent and 9.6 percent higher compared to previous quarter and April-June 2016. As well as 2.6 percent higher than targeted export of this subsector (Table-1). Quarterly export earnings of Knitwear garments are shown in Graph-2.



**Table-1: Trend of Readymade Garments Export
(From FY 2010 to FY 2016)**

(Million USD)

FY	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 2010	16204.65	6687.92	6013.43	7297.21	6483.29	12496.72	37.11	40.01	77.12
FY 2011	22924.00	6614.77	8432.4	7131.62	9482.06	17914.5	36.78	41.36	78.15
FY 2012	24287.70	9559.98	9603.34	10800.1	9486.39	19089.7	39.54	39.11	78.60
FY 2013	27027.36	10927.37	11039.85	10610.89	10475.88	21515.73	40.85	38.76	79.61
FY 2014	30176.8	12571.46	12442.07	11575.85	12049.81	24491.88	41.23	39.93	81.16
July-Sept 14	7695.10	3298.67	2962.71	3186.28	3270.46	6233.17	38.50	42.50	81.00
Oct-Dec 14	7219.11	3131.76	2999.99	3025.06	2791.12	5791.11	41.56	38.66	80.22
Jan-Mar 15	7990.54	3513.48	3594.70	3393.77	3007.30	6602.00	44.99	37.64	82.62
April-June 15	8304.19	3737.86	3507.21	3610.50	3357.91	6865.12	42.23	40.44	82.67
FY 2015	31208.94	13681.77	13064.61	13215.61	12426.79	25491.40	41.86	39.82	81.68
July-Sept 15	7758.99	3411.83	3189.12	3208.84	3250.11	6439.23	41.10	41.89	82.99
Oct-Dec 15	8324.91	3268.24	3514.51	3073.80	3181.94	6696.45	42.22	38.22	80.44
Jan-Mar 16	8871.27	3609.73	4262.13	3394.96	3242.27	7504.40	48.04	36.55	84.59
April-June 16	9286.65	3815.62	3772.98	3588.61	3681.10	7454.08	40.63	39.64	80.27
FY 2016	34241.82	14105.42	14738.74	13266.21	13355.42	28094.16	43.04	39.00	82.05

Source: Export Promotion Bureau, Bangladesh.

Employment and Industries in RMG Sector

There are 4306 garments factories and about 4 million employees engaged in the RMG sector of Bangladesh, of which 85 percent is women. According to BGMEA, 30 percent capacity of RMG sector is unutilized due to lack of skilled labor force. Since 2005 employment in RMG sector increases from 2 million to 4 million in FY 2015. As well as number of active factories increased from 4107 to 5600 in 2012-13. However, in 2014-15 the number of factories stood at 4306 (Table-2).

Table-2 Number of Factory and Employed Manpower

FY	Number of Factory* (Cumulative)	Employed Manpower (Cumulative) (In Million)
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	5150	3.60
2011-12	5400	4.00
2012-13	5600	4.00
2013-14	4222	4.00
2014-15	4306	4.00

Source: BGMEA. * Included in BGMEA Member List.

Raw Materials Import

In FY16, import price of raw materials stood at USD 6925.69 million through back to back L/C, which is 24.7 percent of total export value of woven and knitwear of USD 28094.16 million. As a result, gross value addition from this sector stood at 75.4 percent, which is 0.43 percentage points lower than the FY 2015 (Table-3). The trend of RMG export and back to back raw materials import shows that the export value addition from RMG sector is almost 75.0 percent (Graph-3).

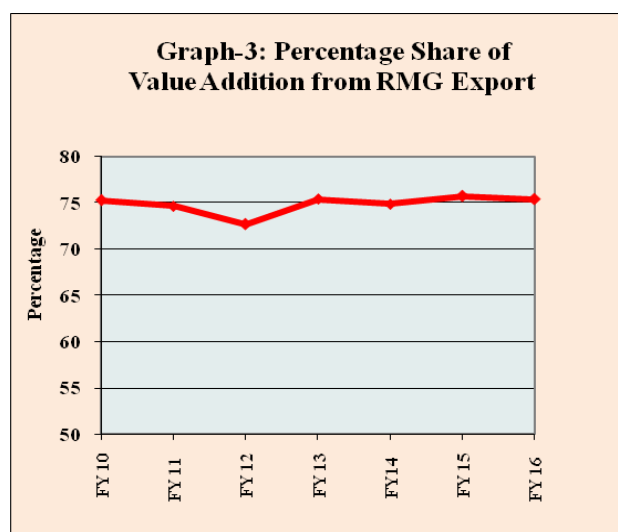


Table-3: Trends of Value Addition from RMG Export in context of Raw Materials Import
(Million USD)

FY	Total Export ^{A/}	RMG Export	Back to Back Raw Materials Import ^{B/}	Back to Back Raw Materials Import as percentage of total RMG Export	Value Addition (Percentage Share)
FY 09	15565.19	12347.77	3318.50	26.88	73.12
FY 10	16204.65	12496.72	3095.91	24.77	75.23
FY 11	22928.22	17914.46	4545.26	25.37	74.63
FY 12	24287.66	19089.73	5221.22	27.35	72.65
FY 13	27027.36	21515.73	5296.41	24.62	75.38
FY 14	30176.80	24471.88	6152.08	25.14	74.86
FY 15	31208.94	25491.40	6201.80	24.33	75.67
FY 16	34241.82	28094.16	6925.69	24.65	75.35

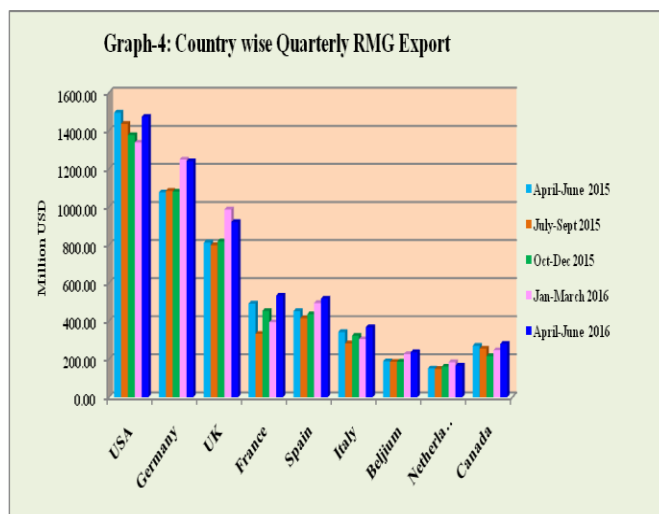
Source: A / Export Promotion Bureau.

Source: B/ Foreign Exchange Operation Department, Bangladesh Bank.

B/ Amount of L/C Settlement under back to back import.

Bangladeshi RMG Importer Countries

The main importer countries of Bangladeshi RMGs are USA, UK, Germany, France, Spain, Italy, Belgium, Netherlands and Canada (Graph-4). In April-June 2016 quarter, total export to these nine countries stood at USD 6690.08 million, of which 85.6 percent (woven 45.4% and knitwear 40.3%) is RMG export (Table-4). RMG export to



these nine countries in April-June 2016 quarter was USD 5736.54 million, which is 5.8 percent and 8.6 percent higher than the previous quarter and April-June 2015 respectively (Table-5). During this period excepting decrease in Netherlands (9.9%), UK (6.7%) and Germany (0.6%) RMG export to other six countries substantially increased compared to the previous quarter. RMG export to the non traditional market increased by 8.6 percent during July-December FY16 compared to same period of preceding year (Annexure-1).

Table-4: Country-wise RMG Export in April-June 2015-16

(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	2026.04	1106.97	366.35	1473.32	54.64	18.08	72.72	27.28
Germany	1334.21	525.79	714.72	1240.51	39.41	53.57	92.98	7.02
UK	987.78	472.71	447.59	920.30	47.86	45.31	93.17	6.83
France	569.04	218.14	315.78	533.92	38.33	55.49	93.83	6.17
Spain	555.48	229.49	288.51	518.00	41.31	51.94	93.25	6.75
Italy	395.49	134.01	233.671	367.68	33.88	59.08	92.97	7.03
Belgium	282.81	119.11	116.95	236.06	42.12	41.35	83.47	16.53
Netherlands	222.03	77.15	88.69	165.84	34.75	39.95	74.69	25.31
Canada	317.2	156.01	124.9	280.91	49.18	39.38	88.56	11.44
Sub-Total	6690.08	3039.38	2697.161	5736.54	45.43	40.32	85.75	14.25
Others	2596.57	733.6	983.939	1717.54	28.25	37.89	66.15	33.85
Total	9286.65	3772.98	3681.1	7454.08	40.63	39.64	80.27	19.73

Table-5: Country-wise Comparative Statistics of RMG Export

(Million USD)

Countries	April-June 15	July-Sep 15	Oct-Dec 15	Jan-March 16	April-June 15	Quarterly Growth (%)	Yearly Growth (%)
USA	1494.97	1436.20	1377.40	1338.00	1473.32	10.11	-1.45
Germany	1076.40	1083.85	1080.29	1248.48	1240.51	-0.64	15.25
UK	812.61	798.38	818.43	986.67	920.30	-6.73	13.25
France	492.14	333.37	453.33	393.69	533.92	35.62	8.49
Spain	452.13	414.96	436.00	495.08	518.00	4.63	14.57
Italy	342.40	282.65	323.18	304.56	367.68	20.73	7.38
Belgium	188.90	186.13	186.63	226.51	236.06	4.22	24.97
Netherlands	151.07	148.78	160.76	184.17	165.84	-9.95	9.78
Canada	270.32	255.24	215.67	246.62	280.91	13.90	3.92
Sub-Total	5280.94	4939.56	5051.69	5423.78	5736.54	5.77	8.63
Others	1584.18	1499.67	1644.76	2080.62	1717.54	-17.45	8.42
Total	6865.12	6439.23	6696.45	7504.40	7454.08	-0.67	8.58

Measures to Develop the RMG Sector

Time to time various measures have been taken to develop the country's RMG sector. BGMEA circulated an order to initiate Bio-metric database for RMG labour of the factories situated in Ashulia in 3 months. Tiger IT and Systec Digital Lim will combinedly complete the project of labours' finger print attached database. This project will expand to factories of Mirpur, Nrayangonj and Chittagong.*

On 10 June 2014 a MoU has been signed between BGMEA and Chinese Organisation Orion Holding to establish a Garments Village in 470 acres of land in Munshigonj. Under this MoU Orion Holding will develop infrastructure of this area including land development, road construction, establish various structure along with power plant and affluent plant.*

Another MoU has been signed between BGMEA and PSES (Promotion of Social and Environmental Standards in the Industry). Under this MoU, Bangladesh and German Government combinedly cooperate in initial stage to increase capacity of resources by dividing the 16 industries in two categories through "TREES (Toward Resource Efficiency and Environmental Sustainability)" and gradually expand the cooperation.

In context of existing crisis in RMG sector SME and Special Programms Department of Bangladesh Bank has initiated the "Inclusion of Micro Enterprises and RMG sector Safe Working Environment Program under two Step Loan Fund for refinance or pre-finance of JICA assisted Financial Sector Project for the Development of Small and Medium Sized Enterprises (FSPDSME)" titled Project to develop the work environment of RMG employees. In this context, on 3 October 2013 the "RMG sector Safe Working Environment Program" titled MoU has been signed by JICA, Bangladesh Bank, BGMEA, BKMEA and Ministry of Housing and Public Works.

Under this MOU, the factories which are the members of BGMEA and BKMEA and whose number of appointed labour is 100-2000 as well as if the factory building is owned by the entrepreneur then a credit facility up to Tk 10 crore would be obtained for rebuilding or re-establishment of the building. In this context, they will be

provided with 100 percent sub-loan as Pre-finance from Two Step loan (TSL) fund under FSPDSME project.

The selected RMG and Knitwear sector will get the pre-finance facility in three installments subject to the availability of certificates from the engineers of Public works Department (PWD) and Participating Financial Institutions (PFI). After implementation of these activities, the situation of working environment in RMG and Knitwear sector will be improved and labour unrest will be minimized. Consequently, it is expected that having a better situation in the RMG sector through increasing working inspiration will be resulted in increased productivity of labour.**

Conclusion

RMG is the major item of exportable, which is 80.3 percent of our total export and 83.6 percent of industrial products export during April-June, FY16. In January-March the shares were 84.6 percent and 87.4 percent respectively. In context of several recent disasters in RMG factories, USA and EU countries have shown their bit reservation to import from Bangladesh as well as for some cases imposed various RMG factories and labor securities related rules and instructions. The Government and the BGMEA have signed various contracts with some international organizations and taken some measures for ensuring securities and modernization of the RMG Sector.

To increase the RMG export further, the following steps may be considered:

- a) Full implementation of compliance criteria proposed by the RMG importer countries.
- b) To engage strong lobbyist in different RMG markets in the USA for creating favorable treatment of the US administration for Bangladeshi RMG import.

*Source: BGMEA Web-site

** SMESPD Circular Letter No. 02/2013, Date 22 October, 2013, SME and Special Programs Department.

- c) Infrastructural development including sufficient supply of power and gas in the RMG sector and build up good relationship between the employer and the employees.
- d) Necessary steps to be taken for doing away with the recurrent strike, frequent labor and political unrest.
- e) The government and the garment sector itself should be alert for not revision of fatal occurrence like Tajreen accident and Rana Plaza incident.
- f) Need to develop regular official inspection system for compliance checking of safety and security system of the garment facilities by the team consisting of BGMEA, Ministry of Textile and Ministry of Commerce.

Through all these initiatives stated above, it is expected that the RMG sector may be able to make a far reaching contribution to our GDP with more and more export.