

## *Quarterly Review on RMG: April-June FY19<sup>1</sup>*



# **Bangladesh Bank**

## **Research Department**

### **External Economics Division**

---

<sup>1</sup>Comments on any aspects of the report are highly welcome and can be sent to Mr. Mohammad Masuduzzaman, Deputy General Manager, Research Department and Mr. Sheikh Md. Nurul Islam, Joint Director, Research Department, Bangladesh Bank and Samim Uddin, Assistant Director, Research Department. E-mail: [mohammad.masud@bb.org.bd](mailto:mohammad.masud@bb.org.bd), [sheikh.islam@bb.org.bd](mailto:sheikh.islam@bb.org.bd) and [samim.uddin@bb.org.bd](mailto:samim.uddin@bb.org.bd)

# *Quarterly Review on RMG*

## **Preparation Team**

### **Editor**

**Dr. Md. Akhtaruzzaman**  
Executive Director (Research)

### **Co-Editor**

**Mahfuza Akther**  
General Manager

### **Team Members**

**Mohammad Masduzzaman**  
Deputy General Manager

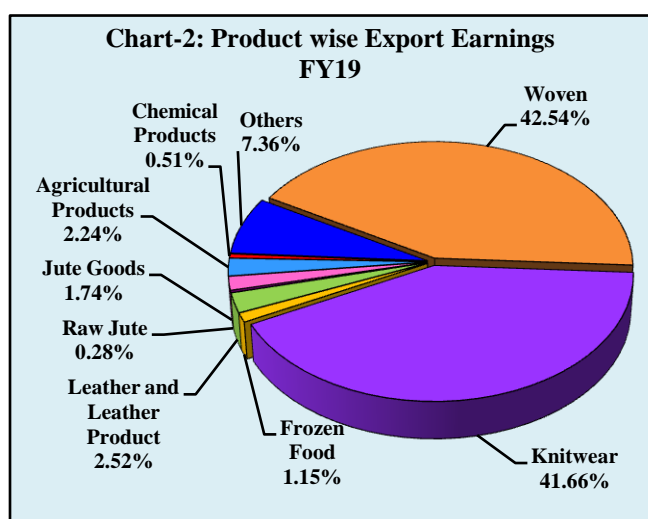
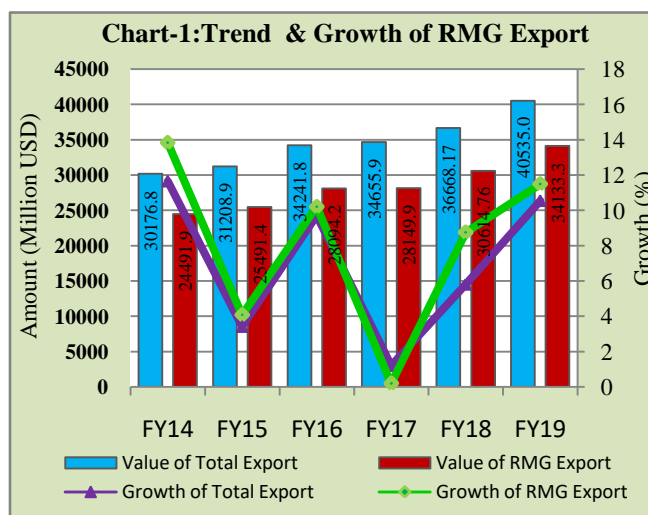
**Sheikh Md. Nurul Islam**  
Joint director

**Samim Uddin**  
Assistant Director

## *Quarterly Review on RMG: April-June FY19*

Bangladesh graduated from least develop country to lower middle income country based on two major sectors where readymade garment is one of them. RMG sector of Bangladesh is not only the biggest source of foreign currency in Bangladesh, but also the biggest employment sector for the female workers from the rural areas. This sector creates about 4.5 million employment opportunities and contributes significantly to the GDP. The sector flourished through mostly young female workers. There is ample opportunity to have wider market coverage and diversification in the RMG sector.

Country's total export earnings have been increasing over the time with continued high dependence on RMG (Chart.1). The RMG sector of Bangladesh has earned USD 34133.3 million or 84.21 percent of total export in FY19 with 11.49 percent growth as compared to the previous fiscal year<sup>1</sup>. Despite high price decline in international market, this growth is attributed to political calmness during the year, exploration of new markets, diversion of the Chinese production from the RMG, increased productivity, entrepreneurs' resilience and improvement of workers' safety standards in factories and ease policy procedure for exports. Of the total earnings, woven garments and knitwear constituted USD17244.73million and USD 16888.54million respectively in FY19.



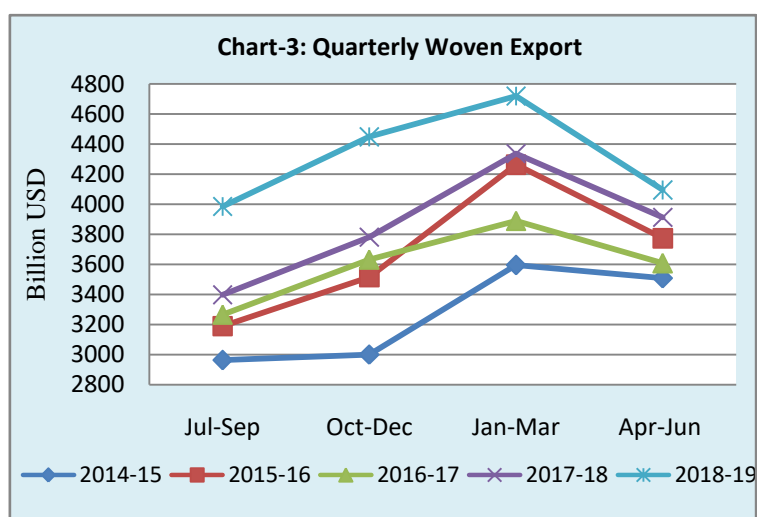
<sup>1</sup> Source : Export Promotion Bureau (EPB)

## Quarterly Performance of RMG: April-JuneFY19

Total export earnings from RMG during April-JuneFY19 decreased by 7.72 percent compared to the previous quarter. In the same time, total export earnings from RMG increased by 5.16percent compared to the corresponding quarter of previous fiscal year. During April-June FY19, total export earnings from RMG stood 4.04percentlower than the quarterly target. Data on product-wise export earnings in the last quarter ofFY19showed that42.51percent and 42.44percentof total export earnings were received from woven garments and knitwear respectively as compared to42.46percent and 41.96percent respectively in the same quarter of the corresponding year (Table-1).

### Woven Garments

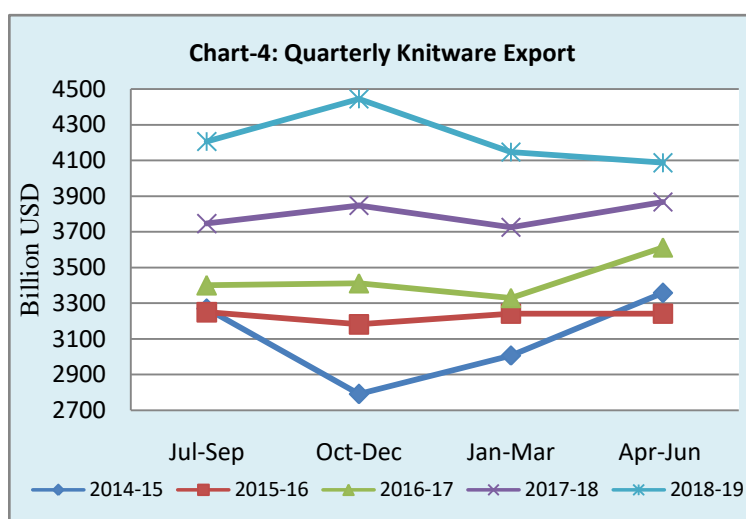
Export earnings from woven garments stood at USD 4094.18million during the last quarter ofFY19, which is 13.23percent lower than the previous quarter and4.63percent higher and the same quarter of the previous year respectively. Moreover, woven garment export is



5.09percentlowerthan the export target of that period (Table-1). Quarterly export earnings from woven garments are depicted in Chart-3.

### Knitwear

Export earnings from knitwear stood at USD 4087.67million during the third quarter ofFY19, which is 1.46 percent lower and 5.70 percent higher than the previous quarter and the same quarter of the previous year respectively. Knitwear export is 2.96 percent lower than the export target



for the quarter under report (Table-1). Quarterly export earnings from Knitwear are shown in Chart-4.

**Table-1: Export of Readymade Garments  
(From FY10 to FY19)**

(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)
FY10	16204.65	6687.92	6013.43	7297.21	6483.29	<b>12496.72</b>	37.11	40.01	77.12
FY11	22924	6614.77	8432.4	7131.62	9482.06	<b>17914.5</b>	36.78	41.36	78.15
FY12	24287.7	9559.98	9603.34	10800.1	9486.39	<b>19089.7</b>	39.54	39.11	78.6
FY13	27027.36	10927.37	11039.85	10610.89	10475.88	<b>21515.73</b>	40.85	38.76	79.61
FY14	30176.8	12571.46	12442.07	11575.85	12049.81	<b>24491.88</b>	41.23	39.93	81.16
FY15	31208.94	13681.77	13064.61	13215.61	12426.79	<b>25491.4</b>	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
FY17	34655.92	16210	14392.59	14169	13757.3	28149.89	41.53	39.7	81.23
<b>FY18</b>	<b>36668.17</b>	<b>15060</b>	<b>15426.25</b>	<b>15100</b>	<b>15188.51</b>	<b>30614.76</b>	<b>42.07</b>	<b>41.42</b>	<b>83.49</b>
July-Sept FY19	9940.6	3956.64	3984.82	3863.58	4206.85	8191.67	40.09	42.32	82.41
Oct-Dec FY19	10559.27	4009.65	4447.49	3915.34	4445.75	8893.24	42.12	42.10	84.22
Jan-Mar FY19	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
<b>FY 19</b>	<b>40535.04</b>	<b>16539</b>	<b>17244.73</b>	<b>16150</b>	<b>16888.54</b>	<b>34133.27</b>	<b>42.54</b>	<b>41.66</b>	<b>84.21</b>

Source: Export Promotion Bureau, Bangladesh

## Employment and Factories in RMG Sector

About 4 million of total manpower is working in 4560 garments factories in Bangladesh. Employment in RMG sector increased from 2 million in FY05 to 4 million in FY12 and remained unchanged until FY18. On the other hand, the number of factories declined from 5876 in FY 12 to 4222 in FY14(Table-2).After that the number of factories have increased gradually and reached to 4621 in the last fiscal year, FY19.

**Table-2 Number of Factories and Employment**

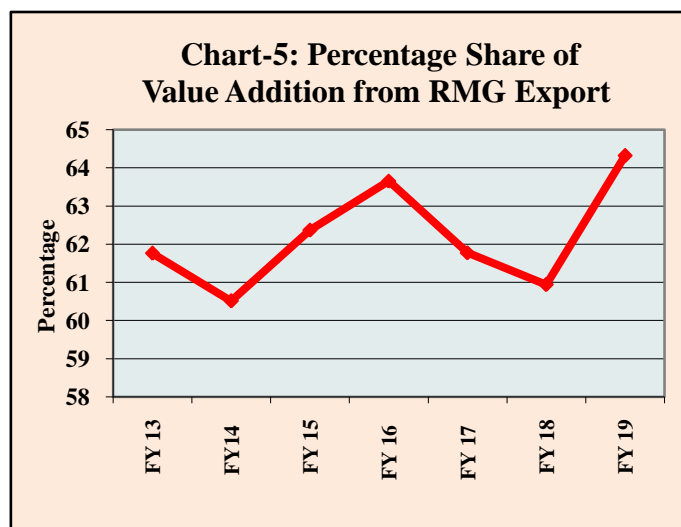
FY	Number of Factory* (Cumulative)	Number of Employment (Cumulative) (In Million)
2004-05	4107	2.00
2005-06	4220	2.20
2006-07	4490	2.40
2007-08	4743	2.80
2008-09	4925	3.50
2009-10	5063	3.60
2010-11	5158	3.60
2011-12	5876	4.00
2012-13	5600	4.00
2013-14	4222	4.00
2014-15	4296	4.00
2015-16	4328	4.00
2016-17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

Source: BGMEA Website. \* Including BGMEA Member List.

## Import of Raw Materials

During FY19 (July-June), import price of raw materials (raw cotton, synthetic/viscose fibre, synthetic/mixed yarn, cotton yarn and textile fabrics and accessories for garments) stood at USD 12178.31million, which is 35.68percent of total export earnings from RMG sector. Therefore, the gross value addition from this sector stood at 64.32 percent

(Table-3). Average value addition based on data on RMG export and raw materials import from FY13 to FY19 is shown in Chart-5.



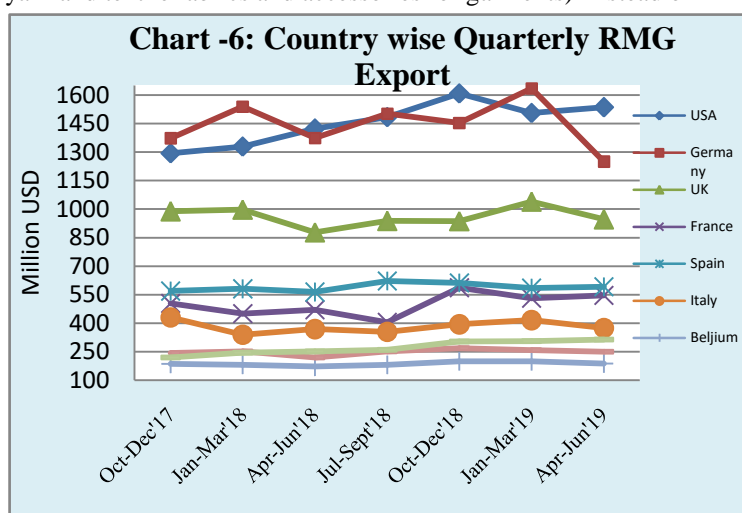
**Table-3: Trends of Value Addition from RMG Export in context of Raw Materials Import (Million USD)**

FY	Total Export <sup>A/</sup>	RMG Export	Raw Materials Import <sup>B/</sup>	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
<b>FY 19</b>	<b>40535.04</b>	<b>34133.27</b>	<b>12178.31</b>	<b>35.68</b>	<b>64.32</b>

Note: <sup>A/</sup>Export Promotion Bureau. <sup>B/</sup>Amount of L/C Settlement Foreign Exchange Operation Department, Bangladesh  
 \*\*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 Back to Back L/Cs Raw materials

## Destination of RMG

The major importer countries of Bangladesh's RMG are USA, Germany, UK, France, Spain, Italy, Belgium, Netherlands and Canada (Chart-6). During April-June of 2019, total exports to these nine countries stood at USD 6551.16 million of which 91.42 percent or USD 5989.31 million was from the RMG (woven



47.36% and knitwear 44.07%) export (Table-4). During the quarter under report, RMG export to these nine countries decreased by 7.43 percent as compared to the previous quarter and 4.71 percent higher than the corresponding quarter of previous fiscal year.

**Table-4: Country wise RMG Export in October-December2018**

(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	1712.23	1143.36	391.73	1535.09	66.78	22.88	89.65	10.35
Germany	1326.29	521.97	727.14	1249.11	39.36	54.83	94.18	5.82
UK	1011.15	455.46	490.43	945.89	45.04	48.50	93.55	6.45
France	577.85	213.23	332.31	545.54	36.90	57.51	94.41	5.59
Spain	639.76	266.95	324.05	591.00	41.73	50.65	92.38	7.62
Italy	396.64	128.26	245.63	373.89	32.34	61.93	94.26	5.74
Belgium	229.23	89.04	97.52	186.56	38.84	42.54	81.39	18.61
Netherlands	310.19	112.01	137.85	249.86	36.11	44.44	80.55	19.45
Canada	347.82	172.04	140.33	312.37	49.46	40.35	89.81	10.19
Sub-Total	6551.16	3102.32	2886.99	5989.31	47.36	44.07	91.42	8.58
Others	3080.86	991.86	1200.68	2192.54	32.19	38.97	71.17	28.83
Total	9632.02	4094.18	4087.67	8181.85	42.51	42.44	84.94	15.06

Source: Export Promotion Bureau, Bangladesh

## Measures Taken by Government, Bangladesh Bank and Other Stakeholders

The Government has taken a number of measures to improve overall workplace safety and compliance and made some commitments to international community. These commitments include adoption of a National Tripartite Plan of Action by the constituents, implementation of the Sustainability Compact, and the US Action Plan focusing on legislation and policy reform, administration and practical actions.

- 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 promoting trade unionism and collective bargaining. In this amendment, along with the maternity leave for female workers mandatory; no child will be allowed to work in factories; punitive action against workers for unlawful shutdown; formation of tripartite committee for resolving disputes different sections were incorporated in the Act.

2. ***Trade union registration:*** According to the amendment of the Bangladesh Labour Act, 2018 trade union formation at factories of worker participation requirement would be reduced to 20 percent from the existing 30 percent. Moreover, in the amendment it has been proposed that finishing the registration of process of a trade union by 55 days instead of 60 days.
3. ***Update on Publicly Accessible Database for releasing indicative performance:*** The Department of Inspection for Factories and Establishment (DIFE) has inspected 1549 RMG factories till 16 March 2016 and all of them have received inspection report fully/partially. It's mentionable that 1549 RMG factories have Corrective Action Plan (CAP). According to the DIFE as per report submitted by the factories till March 2018, 422 factories 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 -join collaboration of BUET, Accord and Alliance – for the building and fire safety was adopted with a target of covering 1500 factories.
4. ***Hot line (help line):*** Department of Inspection for Factories & Establishments has setup a helpline, on pilot basis, in RMG prone area at Ashulia, Dhaka on 15th March 2015. The number of the help line is 0800-4455000.
5. ***Minimum Wages:*** The Government has declared Taka 8000 as the minimum average wage of garments workers implemented since 01 December 2018 which is 51 percent higher than the existing minimum wages for the workers of the readymade garments industry.
6. ***Cooperation agreement with Germany:*** A cooperation agreement between Bangladesh Govt and the Deutsche Gesellschaft für Internationale Zusammenarbeit Bangladesh (GIZ) has been done to improve social and environmental standards in Bangladesh's textile industry. In this regard GIZ trained around 30,000 mid level management and staff on fair pay, fire safety and the safe chemical handling in RMG factory. In the same time, 1000 factories improved significantly their working conditions under the "Factory Improvement Programme".
7. ***Cooperation agreement with Sweden:*** A cooperation agreement has been signed on 26 September 2015 between govt of Bangladesh and govt of Sweden collaborated



with ILO to enhance workplace rights and industrial relations in the Bangladesh Ready-Made Garment Sector primarily through improved dialogue between employers and workers, particularly at workplace level under 'Promoting Social Dialogue and Harmonious Industrial Relations in Bangladesh Ready-Made Garments Industry' programme up to 31 December 2020.

8. **AFD fund:** With the sponsor of Agence Francaise de Developpement (AFD) of France, Bangladesh govt has constitute 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 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.
9. **Cash Incentive:** During the FY19, 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 to be effective from 1 July 2018 to 1 June 2019. Such as:4%, 4% and 4% cash incentives have been fixed for export oriented garments sector, small & medium industry of garments sector and to help to expand the new market or new items of garments sector (excluded USA, Canada, UAE) respectively and 2% cash incentive determined for the exporters of garments sector of EURO zones, etc.
10. **Developing Garments Park:** Bangladesh Garment Manufacturers and Export Association (BGMEA) and Bangladesh Economic Zone Authority (BEZA) signed a Memorandum of Understanding (MoU) to lease out 500 acres of land at Mirsarai economic zone in Chittagong for developing a garment park. After the completion of the development it's expected that about 0.5 million employment opportunity will be created for the workers
11. **Welfare Fund:** In order to provide financial support to the family members of deceased or handicapped labors who were employed in hundred percent export oriented garments industry and have fallen victim to work related accident or disease, to provide scholarship to the meritorious students of the garment labors and to support the maternal welfare of the female labors a fund named 'Central Fund (RMG sector)' has been created under the initiative of Ministry of Labour and Employment (MoLE).

According to the mandate of the MoLE and circular letter of Bangladesh Bank, all authorized dealer banks have to deduct 0.03% from the export earnings of the export oriented garment industries and must deposit 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 aid the deceased or handicapped labors and their families and to pay the salaries to the labors of a certain garment industry.

However, recently it has come to the attention that some of the banks are not following the directive properly and as such, Bangladesh Bank has instructed all scheduled banks to provide a confirmation letter with evidence to Ministry of Labor and Employment by the 7<sup>th</sup> of each month that 0.03% of all export earnings of export oriented RMG industries have been deducted and duly deposited in the specified account of Sonali Bank Ltd.

**12. Green Transformation Fund:** Bangladesh Bank has allowed refinance facility from GTF (Green Transformation Fund) to all manufacturer-exporters irrespective of sectors against import of capital machinery and accessories for implementing specified green/environment friendly initiatives for export oriented textile, leather and jute sectors.

## **Conclusion**

RMG is the primary export item in Bangladesh, generating 84.21 percent of our total export and 87.24 percent of industrial product export during FY19. Bangladesh's RMG has achieved its target successfully for the entire fiscal year of 2019. The sector depends on the cotton and yarn import, therefore, a strong backward linkage of Bangladesh's RMG is needed. If we invest and develop our capacity in cotton and manmade fiber instead of cotton import, Bangladesh RMG can meet the growing global demand. Moreover, for continued progress in RMG export earnings, we can try to expand our market in emerging countries along with the prevailing market. However, to achieve a target of RMG exports as high as USD 50 billion by 2021, Bangladesh needs to remove infrastructural bottlenecks, boost productivity, develop skills, attract more FDI and maintain safe working conditions in factories. In this regard, Bangladesh government's new initiative of establishing different special economic zones (SEZ) with one stop service facility will go a long way towards fulfilling that target.

-----