

## *Quarterly Review on RMG: April-June FY'20<sup>1</sup>*



# **Bangladesh Bank**

## **Research Department**

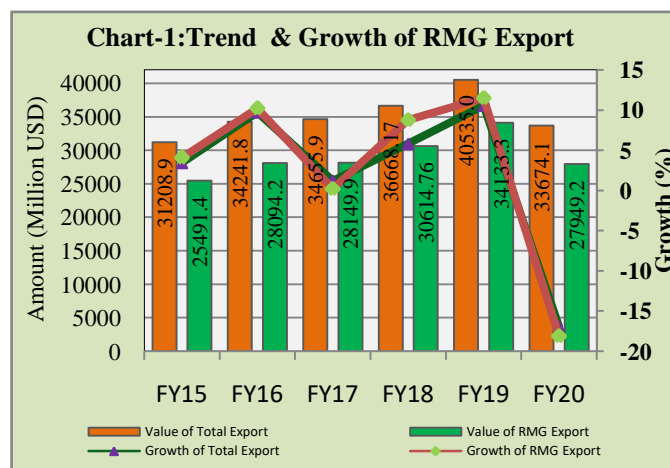
### **External Economics Division**

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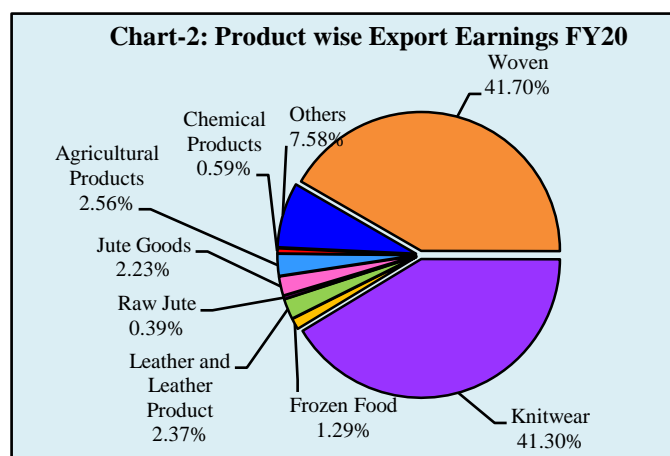
## Quarterly Review on RMG: April-June FY'20

The readymade garment (RMG) sector is a prime sector of industrial production in Bangladesh. In FY'19, 4.5 million of our workforce was directly engaged in this sector. Any commotion in this sector may create negative impact on the GDP. Therefore, this sector is not only a driving force of poverty reduction but also a major contributor to the export earnings of the country. With the effect of global COVID-19 pandemic, global export chain has collapsed. Country's total export earnings in FY'20 dramatically declined due to disturbances of productive activities specially in the RMG sector and receipt of fewer number of work orders from foreign buyers. As a result, Bangladesh earned USD 27949.2



Source: Export Promotion Bureau (EPB)

million or 83.0 percent of total export receipts from RMG sector in FY'20 which was 18.12 percent lower than the previous fiscal year's earnings<sup>1</sup>. Of the total export earnings from RMG, woven garments and knitwear constituted USD 14041.19 million and USD 13908.00 million respectively in FY'20. The contributions of non-RMG products to total export



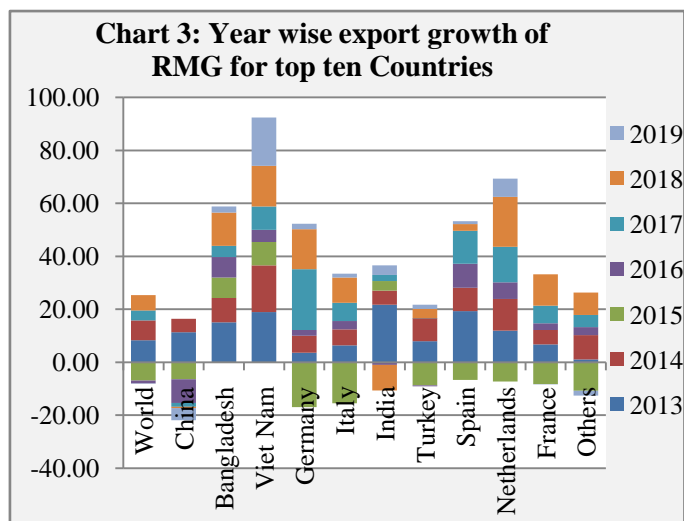
Source: Export Promotion Bureau (EPB)

earnings in FY'20 were as follows (Chart 2): The agriculture products (2.56 percent), Leather and leather products (2.37 percent), Jute goods (2.23 percent), Frozen food (1.29 percent), Chemical products (0.59 percent), Raw jute (0.39 percent) and other products (7.58 percent).

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

## Export Growth of RMG for Top Ten Countries

Global RMG demand with changing preference to fashionable dress is increasing over the time. All RMG exporting countries are engaged in a competition to increase their shares in the world market by producing quality products, maintaining competitive price and timely shipping. Vietnam is being considered as a strong competitor of Bangladesh in RMG market. According to

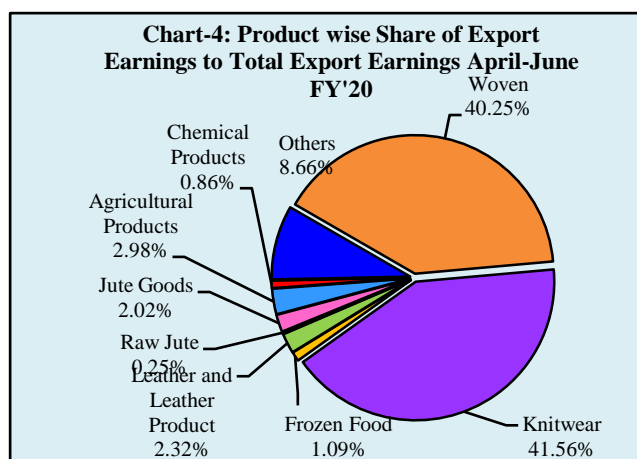


Source: International Trade Centre (ITC)

latest available export data from International Trade Centre (ITC), all countries except China and Turkey experienced strong growth during 2013 to 2019. However, among the top ten RMG exporters Bangladesh's<sup>2</sup> RMG growth had been always positive over the period (Chart 3). Favorable condition in the international market, domestic political stability, exploring new markets, and expanding exports to the existing market were the key drivers for Bangladesh's RMG export growth during the period.

## Quarterly Performance of RMG: April-June FY20

Total export earnings from RMG during April-June FY'20 decreased by 52.41 percent and 53.00 percent compared to the previous and corresponding quarter earnings respectively of the last fiscal year. During April-June FY'20, total export earnings from RMG was 60.53 percent lower than the quarterly target. Product-wise export earnings showed that the contribution of



Source: Export Promotion Bureau (EPB)

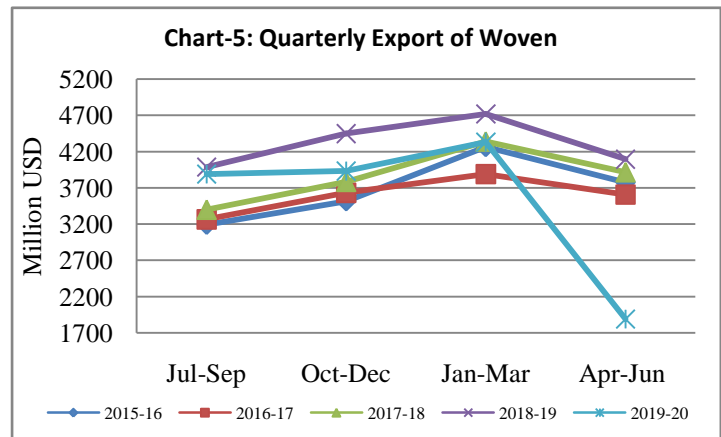
woven garments and knitwear to total export earnings stood at 40.25 percent and 41.56 percent respectively during the quarter under report as compared to 42.51 percent and 42.44 percent in the same quarter of the corresponding year (Table-1). During April-June quarter of

<sup>2</sup> Mirror export data from International Trade Centre (ITC)

FY'20 the contributions of non-RMG products to total exports earnings were as follows: The agriculture products (2.98 percent), Leather and leather products (2.32 percent), Jute goods (2.02 percent), Frozen food (1.09 percent), Chemical products (0.86 percent), Raw jute (0.25 percent), and other products (8.66 percent) (Chart 4).

## Woven Garments

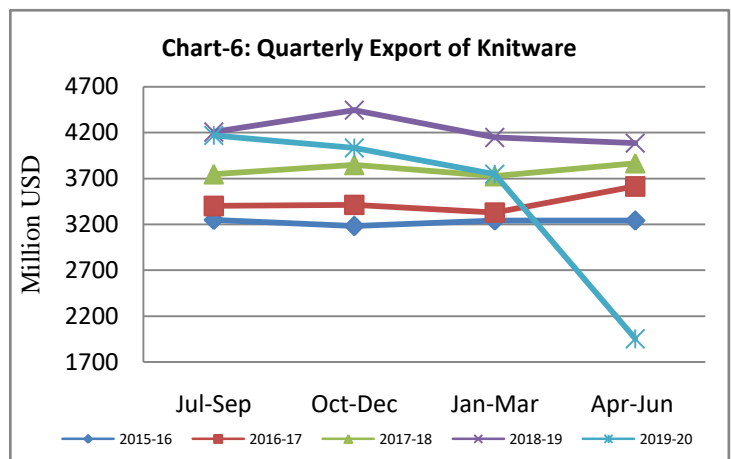
Export earnings from woven garments stood at USD 1892.02 million during the last quarter of FY'20, which was 56.31 percent lower than the previous quarter's earnings and 53.79 percent lower than the earnings of the same quarter of the preceding year. Moreover, woven garment export was 61.67 percent lower than the export target of that quarter (Table-1). Quarterly export earnings from woven garments are depicted in Chart-5.



Source: Export Promotion Bureau (EPB)

## Knitwear

Export earnings from knitwear stood at USD 1953.45 million during the last quarter of FY'20, which was 47.89 percent lower than that of the previous quarter and 52.21 percent lower than that of the same quarter of the preceding year. Knitwear export is also 59.37 percent lower than the export target for the quarter under report (Table-1). Quarterly export earnings from Knitwear are shown in Chart-6.



Source: Export Promotion Bureau (EPB)

**Table-1: Export of Readymade Garments**  
(From FY'11 to FY'20)

(Million USD)

FY	Total Export	Woven Garments		Knitwear		Total RMG (Woven + Knitwear)	Percentage Share in Total 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)
FY11	22924	6614.77	8432.4	7131.62	9482.06	17914.5	36.78	41.36	78.15
FY12	24287.7	9559.98	9603.34	10800.1	9486.39	19089.7	39.54	39.11	78.6
FY13	27027.36	10927.37	11039.85	10610.89	10475.88	21515.73	40.85	38.76	79.61
FY14	30176.8	12571.46	12442.07	11575.85	12049.81	24491.88	41.23	39.93	81.16
FY15	31208.94	13681.77	13064.61	13215.61	12426.79	25491.4	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>
July-Sept FY20	9647.99	4612.95	3887.34	4493.76	4170.22	8057.56	40.29	43.22	83.52
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
<b>FY'20</b>	<b>33674.09</b>	<b>19350</b>	<b>14041.19</b>	<b>18850.00</b>	<b>13908.00</b>	<b>27949.19</b>	<b>41.70</b>	<b>41.30</b>	<b>83.00</b>

Source: Export Promotion Bureau, Bangladesh

## Employment and Factories in RMG Sector

About 4.50 million workers worked in 4621 garment factories in Bangladesh in FY'19. The number of employment in RMG sector was 2 million in FY'05 which increased and stood at 4 million in FY'12 and remained unchanged until FY'18. On the other hand, the number of factories declined to 4222 in FY'14 from 5876 in FY'12 (Table-2). But the number of factories has increased gradually.

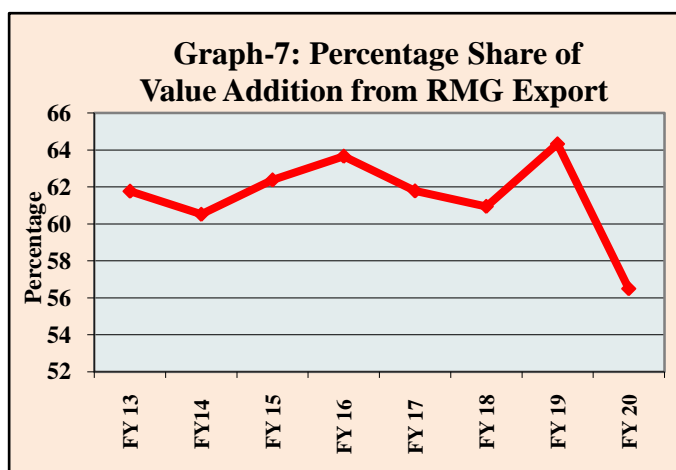
**Table-2 Number of Factories and Employment**

Year	Number of Factories* (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 <sup>#</sup>

Source: BGMEA Website. \* Including BGMEA Member List. <sup>#</sup> Deutsche Gesellschaft für Internationale Zusammenarbeit Bangladesh (GIZ)

## Import of RMG Raw Materials

In FY'20, import value of raw materials (raw cotton, synthetic/viscose fibre, synthetic/mixed yarn, cotton yarn and textile fabrics and accessories for garments) stood at USD 12160.33 million, which was 43.51 percent of total export earnings from RMG sector. Therefore, the gross value addition from this sector stood at 56.49 percent (Table-3) in FY'20. Average value addition based on data of RMG export and import of raw materials from FY'13 to FY'20 is shown in Chart-7



Source: Bangladesh Bank  
Export Promotion Bureau (EPB)

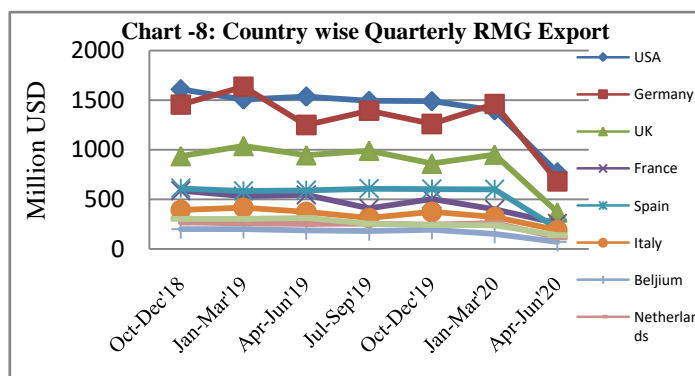
**Table-3: Trends of Value Addition from RMG Export in context of Raw Materials Import (Million USD)**

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
FY 19	40535.04	34133.27	12178.31	35.68	64.32
<b>FY 20</b>	<b>33674.09</b>	<b>27949.19</b>	<b>12160.33</b>	<b>43.51</b>	<b>56.49</b>

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

## Destination of RMG

The main destinations of Bangladesh's RMG are USA, Germany, UK, France, Spain, Italy, Belgium, Netherlands and Canada (Chart-8). During April-June, 2020 total export earnings from these countries stood at USD 3155.65



Source: Export Promotion Bureau (EPB)

million. Of which 96.57 percent or USD 3047.48 million was earned from the RMG (woven 45.62% and knitwear 50.95%) export (Table-4). During the quarter under report, RMG export earnings from these nine countries decreased by 44.95 percent as compared to the previous quarter and 49.12 percent lower than the corresponding quarter of the preceding fiscal year. Moreover, RMG export to these nine countries also decreased by 18.43 percent in FY'20 as compared to the previous fiscal year.

**Table-4: Country wise RMG Export in April-June 2020**

(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	6=2-5	7=5÷2	8=6÷2
USA	888.31	524.2	246.21	770.41	117.9	86.73	13.27
Germany	726.5	320.25	359.35	679.6	46.9	93.54	6.46
UK	402.13	175.42	194.21	369.63	32.5	91.92	8.08
France	286.12	94.43	163.19	257.62	28.5	90.04	9.96
Spain	231.57	94.49	111.86	206.35	25.22	89.11	10.89
Italy	203.05	65.89	124.95	190.84	12.21	93.99	6.01
Belgium	93.67	45.16	26.91	72.07	21.6	76.94	23.06
Netherlands	154.88	49.56	66.06	115.62	39.26	74.65	25.35
Canada	169.42	70.23	69.19	139.42	30	82.29	17.71
Sub-Total	3155.65	1439.63	1607.85	3047.48	108.17	96.57	3.43
Others Countries	1544.61	452.39	345.6	797.99	746.62	51.66	48.34
<b>Total</b>	<b>4700.26</b>	<b>1892.02</b>	<b>1953.45</b>	<b>3845.47</b>	<b>854.79</b>	<b>81.81</b>	<b>18.19</b>

Source: Export Promotion Bureau, Bangladesh

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

The Government has taken a number of measures to improve overall workplace safety and compliance and has made some commitments to international community including but not limited to the following:

1. **Cooperation agreement with Germany:** A cooperation agreement between Bangladesh government and the Deutsche Gesellschaft für Internationale Zusammenarbeit Bangladesh (GIZ) has been prepared to improve social and environmental standards in Bangladesh's textile industry. In view of that, GIZ trained around 30,000 mid level management and staff on fair pay, fire safety and safe chemical handling in RMG factory. At the same time, 1000 factories have significantly improved their working conditions under the "Factory Improvement Programme".
2. **Cash Incentive:** In order 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 with effect from 1 July 2019 to 30 June 2020. In view of that 4% cash incentives have been fixed for export oriented garments sector, small & medium sized industry of garments sector and expansion of the new market or new items of garments sector (excluding USA, Canada, EU), and 2% cash incentive has been fixed for the exporters of garments sector of EURO zones, etc.

3. ***Establishing Garments Park:*** Bangladesh Garment Manufacturers and Export Association (BGMEA) and Bangladesh Economic Zone Authority (BEZA) have signed a Memorandum of Understanding (MoU) to lease out 500 acres of land at Mirsarai Economic Zone in Chittagong for establishing a garment park. After the completion of the park likely 0.5 million employment opportunity will be created these.
4. ***Welfare Fund:*** A fund titled 'Central Fund (RMG sector)' has been created under the initiative of Ministry of Labor and Employment (MoLE) in order to provide financial support to the family members of departed or handicapped labors who were employed in hundred percent export oriented garments industry and fell victim to work related accidents or diseases, to provide scholarship to the meritorious students of the garment labors and to support the maternal welfare of the female labors. According to the directives of the MoLE and Bangladesh Bank, all authorized dealer banks have to deduct 0.03% from the export earnings of the export-oriented garment industries and have to deposit it 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 facilitate the departed or handicapped labors and their families and to pay the salaries to the labors of a particular garment industry.
5. ***Green Transformation Fund (GTF):*** Bangladesh Bank has allowed refinance facility from GTF to all manufacturer-exporters against the import of capital machinery and accessories for implementing specified green/environment friendly initiatives for export-oriented textile, leather and jute sectors from FY'20.
6. ***Interest Rates on EDF Loan:*** To facilitate export trade, Bangladesh Bank has decided to change interest rates at six month USD LIBOR+0.50% on EDF loans to ADs while ADs will charge interest rate at six-month USD LIBOR + 1.50% to manufacturer-exporters against the disbursement of EDF loans until 30 June, 2020 from 19 November, 2019.



Moreover, to facilitate export trade due to COVID-19 related disruptions, it has been decided that interest rates on EDF loans to ADs will be charged by Bangladesh Bank at 1.00% pa. while ADs will charge interest to manufacturer-exporters at 2.00% pa. for disbursements. The size of EDF has been enhanced to USD 5.00 billion.

## **Conclusion**

Bangladesh's inflow of foreign currency mainly originates from RMG and remittance. During Covid-19 pandemic, RMG export earnings had dramatically declined in the last quarter of FY'20. Moreover, Bangladesh RMG covered 83 percent of our total export earnings and 86.38 percent of industrial product exports in FY'20. Bangladesh's export sector is primarily dependent on RMG. During the worldwide Corona pandemic Bangladesh has been troubled with less RMG production and exports order from the buyers. There seems to be a shuffle in global export chain in post-Covid period. Countries like Bangladesh need to follow different strategies to grab the market share and lost customers with increased productivity and competitive pricing. To compete in post-Covid period, RMG producers should consider diversifying and converting their product range from low end to mid and high end market.

## Annexure

### 1. Top ten RMG Products of Bangladesh export to world Market

Value in Million Dollars

SL	HS - Code	Product Name	FY18	FY19	FY20	Growth Rate (FY20 over FY19)
1.	610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	5,866.90	6,552.84	5,296.43	-19.17
2.	620342	Men's or boys' trousers, breeches, etc, of cotton	5,208.96	5,555.87	4,323.15	-22.19
3.	620462	Women's or girls' trousers, breeches, etc, of cotton	2,877.51	3,062.47	2,445.82	-20.14
4.	611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	1,926.73	2,209.26	1,908.97	-13.59
5.	620520	Men's or boys' shirts of cotton	1,668.04	1,954.25	1,502.78	-23.10
6.	611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	1,070.05	1,384.11	1,207.83	-12.74
7.	610462	Women's or girls' trousers, etc, of cotton, knitted or crocheted	819.87	933.29	796.09	-14.70
8.	620343	Men's or boys' trousers, breeches of synthetic fibres	645.89	815.65	716.53	-12.15
9.	610510	Men's or boys' shirts of cotton, knitted or crocheted	788.33	805.94	595.61	-26.10
10.	530710	Single yarn of jute or of other textile bast fibres of 53.03	466.06	383.63	431.35	12.44
		Other RMG	9,276.45	10,475.96	8,724.64	-16.72
		<b>61 &amp; 62</b>	<b>30614.76</b>	<b>34133.27</b>	<b>27949.19</b>	<b>-18.12</b>

Source: Export Promotion Bureau, and BKMEA Apparel Export Statistics of Bangladesh

### 2. Country wise RMG export scenario of Bangladesh

Value in Million Dollars

SL	Destination	FY17	FY18	FY19			FY20		
		RMG	RMG	Knit	Woven	RMG	Knit	Woven	RMG
1	United States	5,204.01	5,352.07	1,514.65	4,619.07	6,133.72	1,373.61	3,772.93	5,146.53
2	Germany	5,135.01	5,579.51	3,302.46	2,538.45	5,840.91	2,656.91	2,136.11	4,793.03
3	Great Britain	3,306.50	3,724.26	2,017.55	1,841.60	3,859.15	1,708.94	1,464.28	3,173.23
4	Spain	1,878.74	2,277.77	1,333.73	1,073.40	2,407.13	1,082.81	936.40	2,019.21
5	France	1,764.64	1,851.93	1,232.34	834.25	2,066.59	950.99	618.26	1,569.25
6	Italy	1,348.58	1,454.04	980.10	555.81	1,535.91	770.55	425.49	1,196.03
7	Poland	720.10	864.85	709.76	471.12	1,180.88	629.43	448.55	1,077.98
8	Japan	744.48	846.74	603.71	487.72	1,091.43	469.45	492.49	961.94
9	Canada	946.30	963.15	528.16	651.14	1,179.30	395.64	480.63	876.27
10	Netherlands	814.34	935.38	569.01	455.46	1,024.46	477.19	395.02	872.21
11	Denmark	671.84	667.95	472.88	231.54	704.41	397.38	226.42	623.81
12	Australia	582.02	634.01	406.71	313.07	719.78	340.81	260.33	601.14
13	Belgium	753.16	705.57	421.61	344.13	765.75	310.83	282.47	593.31
14	Sweden	492.72	533.09	415.78	236.55	652.33	350.95	198.50	549.45
15	Russia	379.41	427.93	292.78	195.80	488.58	262.12	178.76	440.88
16	India	129.81	278.68	129.66	369.43	499.09	148.51	272.21	420.73
17	China	391.60	391.64	223.96	282.56	506.51	137.63	192.33	329.96
18	Korean Republic of	164.83	191.97	140.42	138.78	279.20	157.94	135.49	293.43
19	Czech Republic	347.47	492.29	105.16	394.67	499.82	89.79	101.70	191.49
20	Others	2,374.34	2,441.92	1,488.14	1,210.18	2,698.31	1,196.53	1,022.79	1,764.32
	<b>Total</b>	<b>28149.89</b>	<b>30614.76</b>	<b>16888.54</b>	<b>17244.73</b>	<b>34133.27</b>	<b>13908.00</b>	<b>14041.19</b>	<b>27494.19</b>

Source: Export Promotion Bureau, and BKMEA Apparel Export Statistics of Bangladesh

### 3. Export Scenario of Bangladesh to world Market

Value in Million Dollars

	Items	FY16	FY17	FY18	FY19	FY20
1.	Woven garments	14738.74	14392.59	15426.25	17244.73	14041.19
2.	Knitwear products	13355.42	13757.25	15188.51	16888.54	13908.00
3.	Agricultural products	596.06	553.17	673.7	908.96	862.06
4.	Footwear	714.01	777.84	809.69	879.41	755.88
5.	Jute goods	746.41	794.58	869.87	703.79	752.46
6.	Frozen shrimps and fish	495.63	490.08	467.01	424.95	407.94
7.	Leather and leather products	666.21	697.04	519.91	411.9	318.85
8.	Petroleum by-product	297.01	243.77	33.7	203.74	23.48
9.	Raw jute	173.17	167.84	155.68	112.48	127.89
10.	Others	2474.52	2781.74	2523.85	2756.54	2474.34
	<b>Total:</b>	<b>34257.18</b>	<b>34655.9</b>	<b>36668.17</b>	<b>40535.04</b>	<b>33674.09</b>

Source: Export Promotion Bureau