

Quarterly Review on RMG: January-March 2016¹

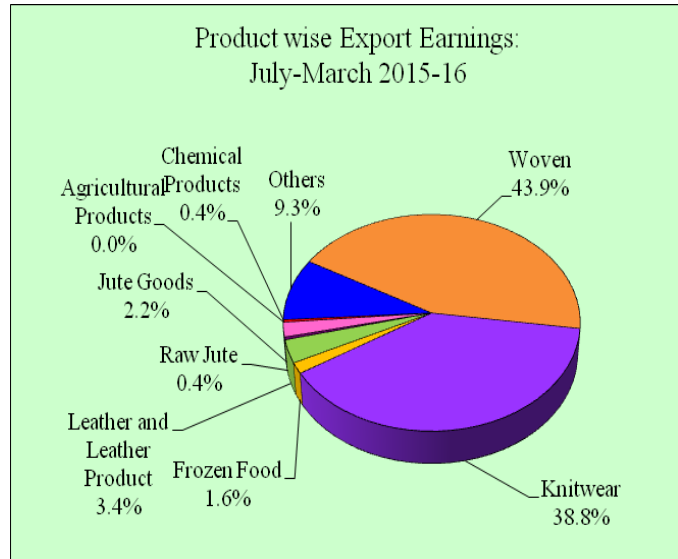


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Introduction

Bangladesh received more than three fourth (about 83%) of total export earnings from Readymade garments (Woven and Knitwear). Total export of Readymade Garments rose by 13.7 percent year-on-year in January-March 2016 and by 12.1 percent from the previous quarter. The RMG export increased in January-March, 2016 was mainly driven by increase of the export of

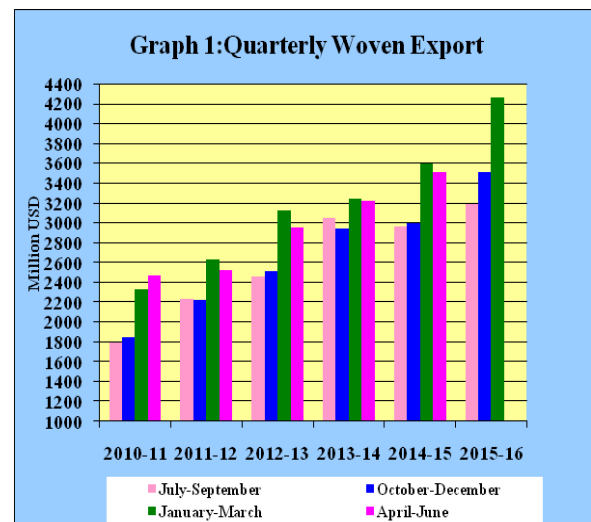


both woven and Knitwear garments. However, against the target of January-March, 2016, total RMG export growth higher by 7.1 percent. During July-June FY 2015, 41.86 percent and 39.82 percent of total export earnings received respectively from woven and knitwear. In FY 2014, share of these two subsectors in total export earnings were 41.23 percent and 39.93 percent respectively. The employed manpower, trend of value addition and other RMG related issues for October-December 2015 are discussed below.

Quarterly Progress of Readymade Garments: January-March 2016

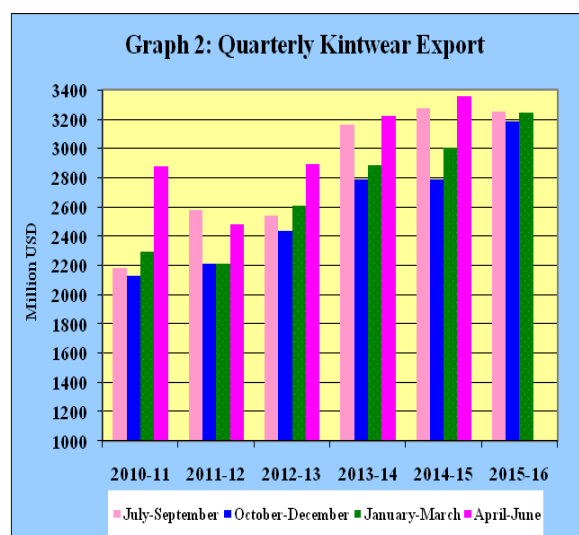
Woven Garments

In January-March 2016 quarter, earnings from woven garments stood at USD 4262.1 million, which is 19.8 percent and 11.0 percent higher compared to previous quarter and January-March 2015, as well as 2.3 percent higher than targeted export earnings from this subsector (Table-1). Quarterly export earnings of woven garments are depicted in Graph-1.



Knitwear Garments

In January-March 2016 quarter, earnings from knitwear garments stood at USD 3242.3 million, which is 7.8 percent and 4.3 percent higher compared to previous quarter and January-March 2016. But it is 11.4 percent lower 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 2009 to January-March 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 2009	15565.19	5684.00	5918.50	6583.70	6429.30	12347.80	38.02	41.31	79.33
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

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 2014. 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 July-March FY16, import price of raw materials stood at USD 5193.2 million through back to back L/C, which is 25.2 percent of total export value of woven and knitwear of USD 20640.1 million. As a result, gross value addition from this sector stood at 74.8 percent, which is 0.31 percentage points lower than the same period of 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).

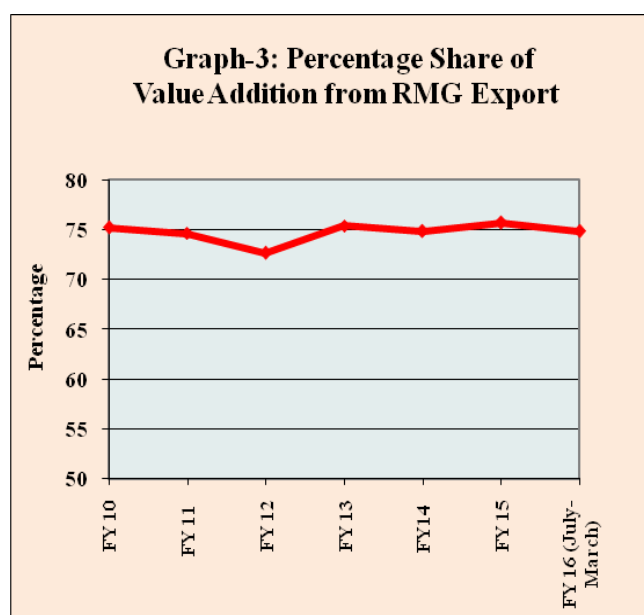


Table-3: Trends of Value Addition from RMG Export in context of Raw Materials Import
(Million USD)

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*	24955.17	20640.08	5193.21	25.16	74.84

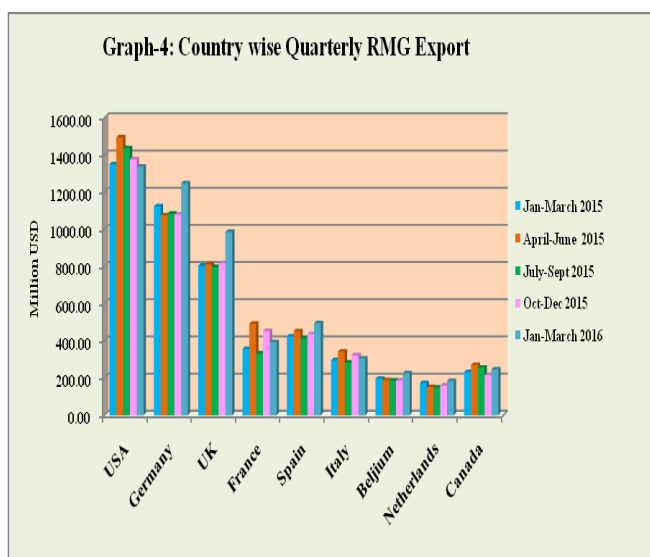
Source: A / Export Promotion Bureau.

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

B/ Amount of L/C Settlement under back to back import. *July-March

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 January-March 2016 quarter, total export to these nine countries stood at USD 5942.5 million, of which 91.3 percent (woven 52.3% and knitwear 38.9%) is RMG export (Table-4). RMG export to these nine countries in January-March 2016 quarter



was USD 5423.8 million, which is 7.4 percent and 9.4 percent higher than the previous quarter and January-March 2015 respectively (Table-5). During this period excepting decrease in France (13.2%), Italy (5.8%) and USA (2.9%) 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 January-March 2015-16

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	1515.97	1039.51	298.49	1338.00	68.57	19.69	88.26	11.74
Germany	1321.74	603.85	644.63	1248.48	45.69	48.77	94.46	5.54
UK	1059.55	577.78	408.89	986.67	54.53	38.59	93.12	6.88
France	424.48	182.49	211.2	393.69	42.99	49.75	92.75	7.25
Spain	530.84	242.06	253.02	495.08	45.60	47.66	93.26	6.74
Italy	330.84	112.69	191.87	304.56	34.06	57.99	92.06	7.94
Belgium	264.61	109.05	117.46	226.51	41.21	44.39	85.60	14.40
Netherlands	214.32	89.75	94.42	184.17	41.88	44.06	85.93	14.07
Canada	280.19	151.24	95.38	246.62	53.98	34.04	88.02	11.98
Sub-Total	5942.54	3108.42	2315.36	5423.78	52.31	38.96	91.27	8.73
Others	2928.73	1153.71	926.91	2080.62	39.39	31.65	71.04	28.96
Total	8871.27	4262.13	3242.27	7504.40	48.04	36.55	84.59	15.41

(Million USD)

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

(Million USD)

Countries	Jan-March 15	April-June 15	July-Sep 15	Oct-Dec 15	Jan-March 16	Quarterly Growth (%)	Yearly Growth (%)
USA	1350.34	1494.97	1436.20	1377.40	1338.00	-2.86	-0.91
Germany	1123.52	1076.40	1083.85	1080.29	1248.48	15.57	11.12
UK	804.74	812.61	798.38	818.43	986.67	20.56	22.61
France	356.40	492.14	333.37	453.33	393.69	-13.16	10.46
Spain	424.12	452.13	414.96	436.00	495.08	13.55	16.73
Italy	296.02	342.40	282.65	323.18	304.56	-5.76	2.88
Belgium	196.14	188.90	186.13	186.63	226.51	21.37	15.48
Netherlands	172.89	151.07	148.78	160.76	184.17	14.56	6.52
Canada	232.56	270.32	255.24	215.67	246.62	14.35	6.05
Sub-Total	4956.73	5280.94	4939.56	5051.69	5423.78	7.37	9.42
Others	1645.27	1584.18	1499.67	1644.76	2080.62	26.50	26.46
Total	6602.00	6865.12	6439.23	6696.45	7504.40	12.07	13.67

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 "ÒTREES (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 "ÒInclusion 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 "ÒRMG 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 84.6 percent of our total export and 87.4 percent of industrial products export during January-March, FY16. In October-December the shares were 80.4 percent and 83.3 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.

Annexure-1

Bangladesh's RMG Export to World									
Million US\$									
EU Countries	Woven			Knit			Total		
	July-Dec	July-Dec	Growth	July-Dec	July-Dec	Growth	July-Dec	July-Dec	Growth
	2014-15	2015-16	%	2014-15	2015-16	%	2014-15	2015-16	%
Austria	8.8	9.85	11.91	15.82	14.03	-11.28	24.62	23.89	-2.99
Bulgaria	0.03	0.02	-48.4	0.21	0.28	33.46	0.24	0.29	22.65
Denmark	78.76	97.97	24.39	242.69	202.49	-16.56	321.45	300.46	-6.53
France	278.83	301	7.95	490.14	485.7	-0.91	768.97	786.7	2.31
Germany	852.95	883.5	3.58	1285.89	1280.64	-0.41	2138.84	2164.14	1.18
Italy	239.96	231.89	-3.36	364.95	373.94	2.46	604.91	605.83	0.15
Ireland	42.69	33.21	-22.21	68.82	53.19	-22.72	111.51	86.4	-22.52
Netherlands	131.37	146.52	11.53	171.25	163.02	-4.81	302.62	309.53	2.28
Portugal	5.54	7.27	31.17	15.37	18.2	18.43	20.92	25.48	21.81
Spain	322.05	360.09	11.81	427.5	490.87	14.82	749.56	850.96	13.53
Sweden	55.75	62.36	11.85	130.14	127	-2.41	185.89	189.35	1.87
U.K.	597.1	789.2	32.17	689.12	827.61	20.1	1286.22	1616.81	25.7
Czech Republic	38.74	113.4	192.71	22.86	28.12	22.98	61.6	141.52	129.72
Poland	94.55	103.31	9.26	147.05	167.18	13.69	241.6	270.49	11.96
Slovakia	11.63	13.43	15.44	17.26	20.79	20.49	28.89	34.22	18.45
Slovenia	5.66	4.92	-13.17	12.91	10.75	-16.76	18.57	15.66	-15.67
Croatia	2.43	1.89	-22.24	5.66	4.23	-25.33	8.1	6.12	-24.4
Other Countries	10.35	8.52	-17.68	31.53	30.58	-3.01	41.88	39.09	-6.66
Sub-Total (EU)	2947.95	3338.77	13.26	4355.37	4500.63	3.34	7303.33	7839.4	7.34
EU % of World	49.44	49.81		71.85	69.97		60.74	59.68	
USA	1819.47	2082.14	14.44	623.34	731.46	17.35	2442.81	2813.6	15.18
Non-Traditional Markets									
Australia	84.09	113.25	34.69	152.71	196.12	28.43	236.79	309.37	30.65
Brazil	40.7	38.17	-6.22	58.55	37.01	-36.79	99.25	75.18	-24.25
Chile	6.55	9.41	43.82	10.85	12.59	16.01	17.4	22	26.48
China	71.6	83.14	16.12	64.9	53.9	-16.95	136.5	137.04	0.4
India	46.83	46.75	-0.18	11.37	16.21	42.53	58.21	62.96	8.17
Japan	182.17	172.77	-5.16	134.32	171.86	27.95	316.49	344.63	8.89
Korea Rep.	50.46	52.6	4.24	28.06	37.85	34.89	78.52	90.45	15.2
Mexico	26.3	33.49	27.33	38.16	46.84	22.72	64.47	80.32	24.6
Russia	36.57	44.15	20.74	65.51	60.14	-8.21	102.08	104.29	2.16
South Africa	18.06	21.27	17.74	10.57	14.41	36.33	28.63	35.68	24.6
Turkey	160.07	148.71	-7.1	62.53	59.5	-4.85	222.6	208.21	-6.47
Other Countries	228.34	250.44	9.68	262.99	291.1	10.69	491.33	541.53	10.22
Total (Non-Trad. Markets)	951.74	1014.16	6.56	900.53	997.51	10.77	1852.27	2011.67	8.61
% of Non-Traditional	15.96%	15.13%		14.86%	15.51%		15.40%	15.31%	
GRAND TOTAL	5962.7	6703.53	12.42	6061.58	6432.05	6.11	12024.28	13135.58	9.24

Source: EPB, Compiled by: RDTI Cell, BGMEA