

Quarterly Review on RMG: July-September FY'21¹



Bangladesh Bank **Research Department** **External Economics Division**

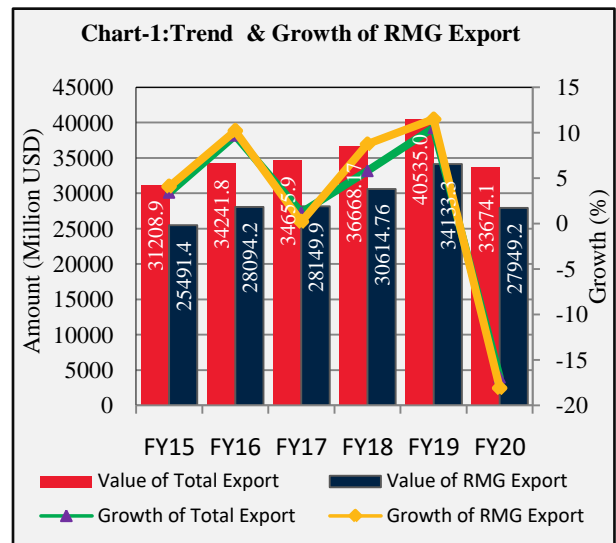
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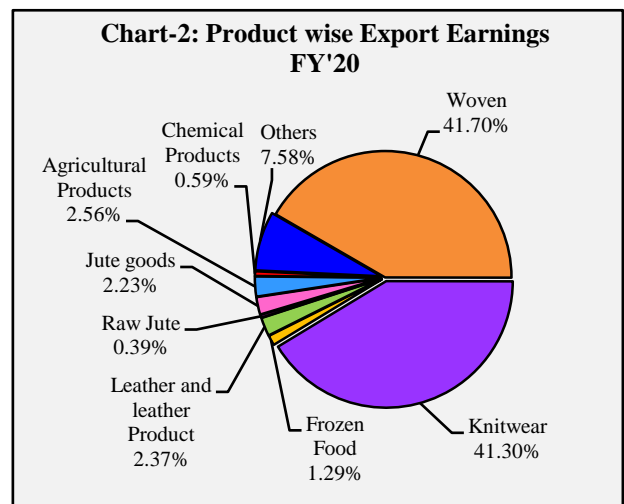
The main source of foreign currency earnings of Bangladesh is RMG export which covers about 83 percent of our total export earnings. However, the corona virus pandemic creates an adverse situation for the readymade garment (RMG) sector of the country. As the production of RMG is quite labor intensive, entrepreneurs had to take adequate health measures for safety of the labor force from the pandemic. On the other hand, RMG demands from our main buyers like the USA, EU countries became lower due to maintaining lockdown measures to minimize the social contact.

In this pandemic situation, Bangladesh's total export earnings in FY'20 declined. Export earnings from RMG stood at USD 27949.2 million in FY'20 which was 18.12 percent lower than that of the previous fiscal year¹ (Chart-1). 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 earnings in FY'20 were as follows: agricultural products (2.56 percent), leather and leather products (2.37 percent), jute goods (2.23 percent), frozen foods (1.29 percent), chemical products (0.59 percent), raw jute (0.39 percent) and other products (7.58 percent) (Chart-2).



Source: Export Promotion Bureau (EPB)



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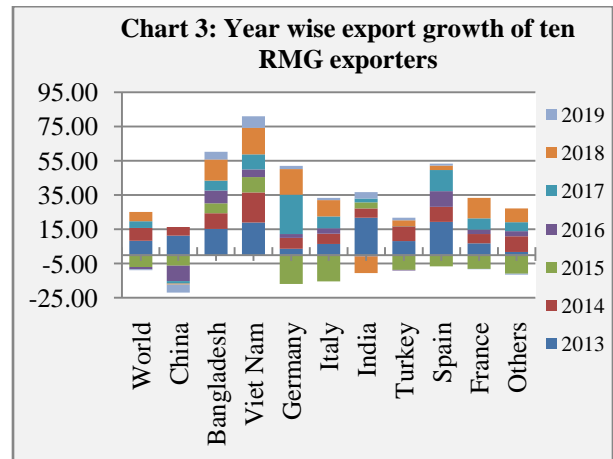
¹Source :Export Promotion Bureau (EPB)

Global Export of RMG: Top Ten Countries

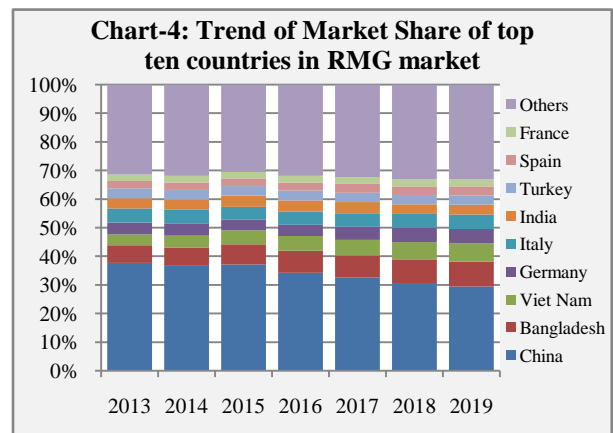
Globally RMG exports have been increasing over time. All RMG exporter countries are engaged in a competition to increase their shares in the world market by producing quality products, maintaining competitive prices and timely shipping. According to the latest available export data from the International Trade Centre (ITC), Bangladesh and Vietnam experienced strong growth from 2013 to 2019 (Chart-3). Vietnam possesses the highest growth among the top ten RMG exporters and is being considered as a strong competitor of Bangladesh in the RMG market. Bangladesh's² strong RMG export growth was due to favorable conditions in the international market (comparatively lower price), domestic political stability, exploring new markets and expansion of exports to the existing market. However, as a global leader, China is going to divert their production strategy from labor intensive to capital intensive. Resultantly, the global RMG market share of China is diminishing from 2013 (37.73 percent) to 2019 (29.39 percent). On the contrary, the market share of Bangladesh's RMG is increasing in the same period. According

²Mirror export data from International Trade Centre (ITC)

to ITC Data, the global market share of Bangladesh RMG export was 8.7 percent followed by Vietnam (6.39 percent) and Germany (5.06 percent) (Chart-4).



Source: International Trade Centre (ITC)

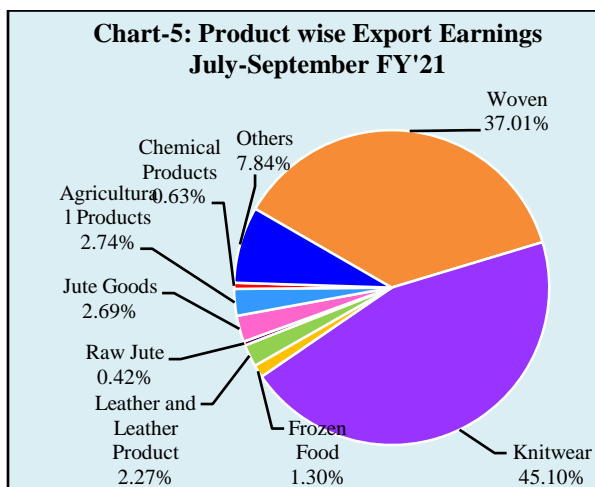


Source: International Trade Centre (ITC)

Quarterly Performance of RMG: July-September FY'21

During the first quarter of FY'21, total export earnings from RMG increased by 111.32 percent compared to the previous quarter, due to there was a sharp drop in RMG exports in the previous quarter in the lock-down situation prevailed in many countries. So, a drastic increase in exports during July-September 2020 is considered

as a recovery of export earnings from the loss of exports in the previous quarter. During July-September of FY'21, total export earnings from RMG was 2.09 percent higher than the quarterly target. Product-wise export earnings showed that the contribution of woven garments and knitwear to total export earnings stood at 37.01 percent and 45.10 percent respectively during the quarter under report (Table-1). In this quarter, the contributions of non-RMG products to total exports earnings were as follows: agricultural products (2.74 percent), jute goods (2.69 percent), leather and leather products (2.27 percent), frozen foods (1.30 percent), chemical products (0.62 percent), raw jute (0.42 percent), and other products (7.84 percent) (Chart 5).



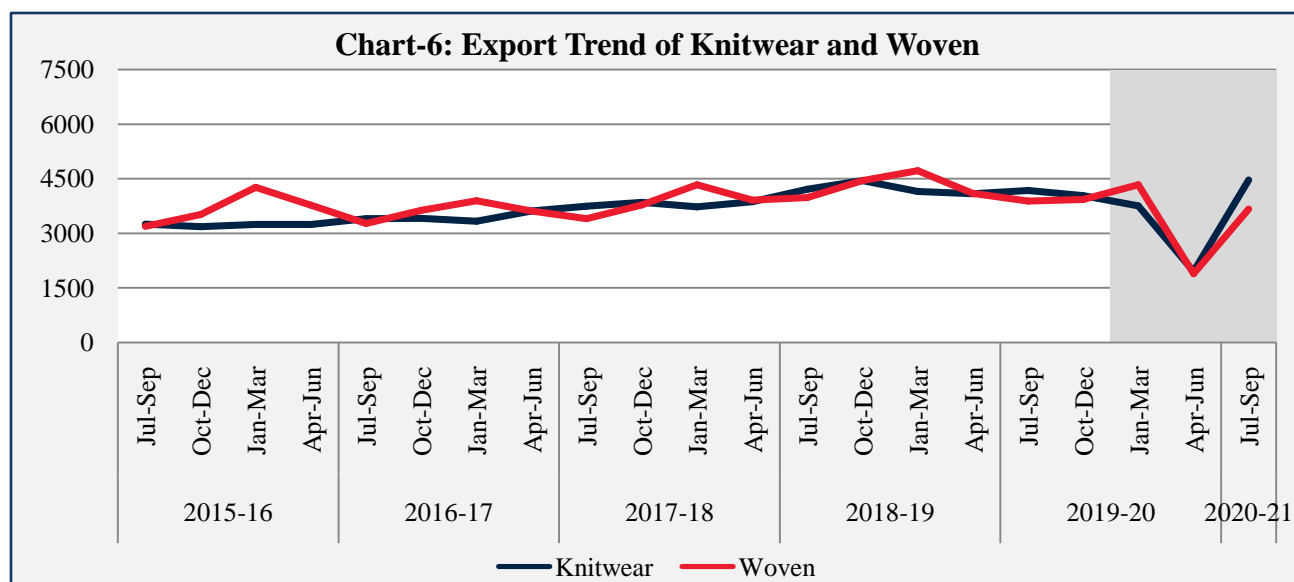
Source: Export Promotion Bureau, Bangladesh.

Knitwear

After a sharp drop of export in previous quarter, the export of knitwear in July-September 2020 regained its pace. Export earnings from knitwear stood at USD 4463.66 million during the 1st quarter of FY'21, which were 128.50 percent higher than that of the previous quarter and 7.04 percent higher than that of the same quarter of the preceding year. Knitwear export was also 13.44 percent higher than the export target for the quarter under report (Table-1). Quarterly export earnings from Knitwear are shown in Chart-6.

Woven Garments

Like knitwear, export of woven garments rebounded in July-September, 2020 from the huge fall in export in the previous quarter. Export earnings from woven garments stood at USD 3662.72 million during the first quarter of FY'21, which was 93.59 percent higher than the previous quarter's earnings but 5.78 percent lower than the earnings of the same quarter of the preceding year. Moreover, woven garments export was 9.01 percent lower than the export target of that quarter (Table-1). Quarterly export earnings from woven garments are depicted in Chart-6.



*Shaded area denotes the export earnings during Covid-19

Table-1: Export of Readymade Garments

(From FY'11 to July-September, FY'21)

(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	22924.00	6614.77	8432.40	7131.62	9482.06	17914.50	36.78	41.36	78.15
FY12	24287.70	9559.98	9603.34	10800.10	9486.39	19089.70	39.54	39.11	78.60
FY13	27027.36	10927.37	11039.85	10610.89	10475.88	21515.73	40.85	38.76	79.61
FY14	30176.80	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	25491.40	41.86	39.82	81.68
FY 16	34241.82	14105.42	14738.74	13266.21	13355.42	28094.16	43.04	39.00	82.05
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
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
FY'20	33674.09	19350.00	14041.19	18850.00	13908.00	27949.19	41.70	41.30	83.00
July-Sept FY21	9896.84	4025.39	3662.72	3934.68	4463.66	8126.38	37.01	45.10	82.11

Source: Export Promotion Bureau, Bangladesh

Employment and Factories in the RMG Sector

About 4.50 million employees worked in 4621 garment factories in Bangladesh in FY'19. The number of employees in RMG sector was 2 million in FY'05 which

increased to 4.0 million in FY'12 and remained unchanged till FY'18. On the other hand, the number of factories declined to 4222 in FY'14 from 5876 in FY'12 (Table-2). Afterwards, the number of factories has increased gradually.

Table-2 Number of Factories and Employment

Year	Number of Factories* (Cumulative)	Number of Employment (Cumulative) (In Millions)
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. [#] Deutsche Gesellschaft für Internationale Zusammenarbeit Bangladesh (GIZ)

Import of RMG Raw Materials

During July-September of FY'21, the 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 2845.83 million, which was 35.02 percent of total export earnings from RMG sector. Therefore, the gross value addition from this sector stood at 64.98 percent during July-September quarter of FY'21 (Table-3).

Average value addition based on data of RMG export and import of raw materials from FY'13 to FY'21 (July-September) is shown in Chart-7.

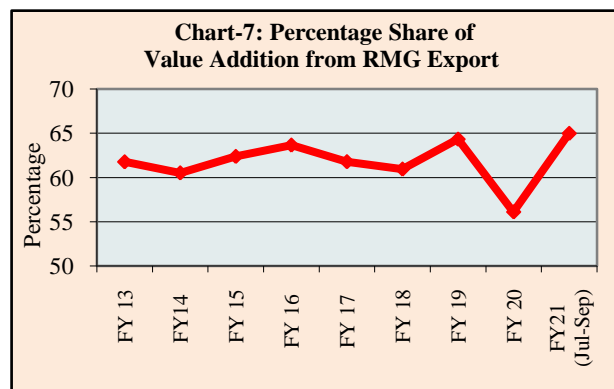


Table-3: Trends of Value Addition from RMG Export in context of Raw Materials Import
(Million USD)

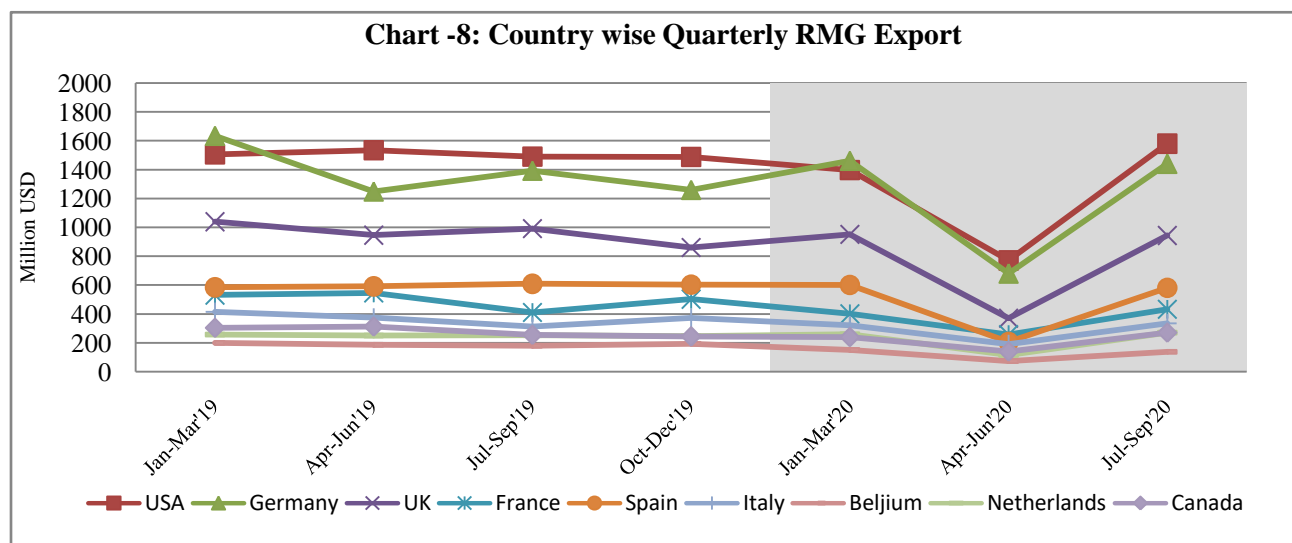
Fiscal Year	Total Export ^{A/}	RMG Export	Raw Materials Import ^{B/}	Raw Materials Import as percentage of total RMG Export	Value Addition (Percentage Share)**
FY 13	27027.36	21515.73	8226.97	38.24	61.76
FY 14	30176.80	24471.88	9663.53	39.49	60.51
FY 15	31208.94	25491.40	9591.72	37.63	62.37
FY 16	34241.82	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
FY 20	33674.09	27949.19	12160.33	43.51	56.49
FY 21 (Jul-Sep)	9896.84	8126.38	2845.83	35.02	64.98

Note: ^{A/}Export Promotion Bureau. ^{B/}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 RMGs are the USA, Germany, UK, France, Spain, Italy, Belgium, Netherlands and Canada (Chart-8). During July-September of FY'21, total export earnings from these countries stood at USD 6649.32 million. Of which 90.03 percent or USD 5986.56

million was earned from the RMG (woven 41.50 percent and knitwear 48.53 percent) export (Table-4). During the quarter under report, RMG export earnings from these nine countries increased by 96.44 percent as compared to the previous quarter and this is 1.62 percent higher than the corresponding quarter of the preceding fiscal year.



*Shaded area denotes the export earnings during COVID-19

Table-4: Country wise RMG Export in July-September, FY21

(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	1801.75	1048.59	531.55	1580.14	221.61	87.70	12.30
Germany	1534.58	578.85	861.68	1440.53	94.05	93.87	6.13
UK	1024.03	339.23	604.45	943.68	80.35	92.15	7.85
France	480.22	158.69	272.82	431.51	48.71	89.86	10.14
Spain	636.26	234.01	346.32	580.33	55.93	91.21	8.79
Italy	359.28	96.63	237.31	333.94	25.34	92.95	7.05
Belgium	177.05	63.46	73.74	137.20	39.85	77.49	22.51
Netherlands	332.97	102.44	166.70	269.14	63.83	80.83	19.17
Canada	303.18	137.36	132.73	270.09	33.09	89.09	10.91
Sub-Total	6649.32	2759.26	3227.30	5986.56	662.76	90.03	9.97
Others Countries	3247.52	903.46	1236.36	2139.82	1107.70	65.89	34.11
Total	9896.84	3662.72	4463.66	8126.38	1770.46	82.11	17.89

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 increase RMG production and boost up RMG export. Following are the some of the important measures:

Financial Stimulus Fund: A financial stimulus fund worth of BDT 50.00 billion has been formed from the budgetary allotment of the Government to combat the negative impact of Covid-19 on exports for paying a maximum of three months' salaries and allowances to the workers-staffs of the export oriented industries. Entrepreneurs of such industries can take loans from this fund through banks at two percent service charge. (BRPD Circular No 07, Date 02 April, 2020).

Pre-shipment Credit: To continue the export activities of export oriented RMG industries amid the corona virus 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 (six) percent rate

of interest (BRPD Circular No 9, Date 13 April, 2020).

Export Development Fund: Loan limit from Export Development Fund (EDF) has been enhanced from the existing limit of USD 25 million to USD 30 million against foreign currency financing of input procurement for member mills of BGMEA and BTMA until December 2020 (FE Circular No. 21, Date 17 May, 2020). Moreover, the member mills of BKMEA can borrow a maximum limit of USD 20 million as single borrower (FE Circular No. 09, Date 25 February, 2020). BB reduced the interest rate on EDF loans from 2.00 percent to 1.75 percent per annum at borrower level until March 31, 2021. (FE Circular No-47, Date 28 October, 2020).

Conclusion

RMG export is the main source of foreign currency earnings in Bangladesh. It covers 82.11 percent of our total export earnings and 85.60 percent of industrial product exports in July-September of FY'21. After withdrawal of nation-wide lockdown due to Covid-19 pandemic, production and export started to gain pace. The shock from lockdown and Corona virus pandemic hampered the RMG industry in different aspects. Bangladesh Government has taken a number of measures to boost up the RMG sector. With the implementation of these stimulus packages and other support from the govt. and the central bank, it is expected that the RMG sector will gradually gain and utilize its production capacity. However, the export will depend on the business situation prevailed in the western market.