

# Quarterly Review on Readymade Garments (RMG)<sup>1</sup>: July-September of FY'24



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# **Quarterly Review on Readymade Garments (RMG)**

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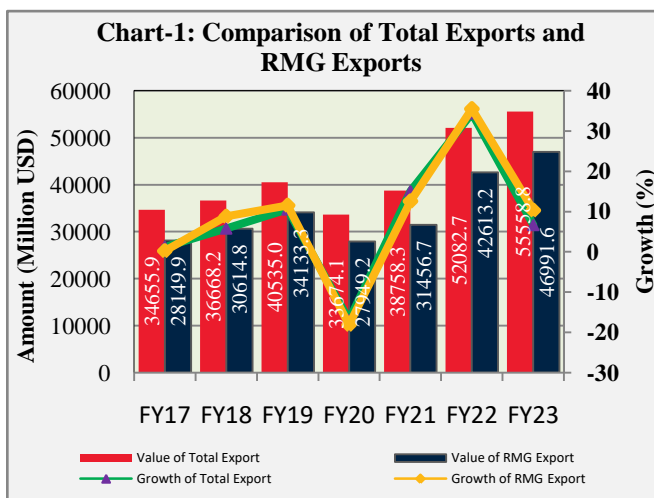
## Summary

- ❖ Total export earnings from Readymade Garments (RMG) stood at USD 11617.50 million in July-September of FY24 (Woven USD 4854.91 million and Knitwear USD 6762.59 million) which was 13.07 percent higher than that of the same quarter of the previous year but 1.04 percent lower than that of the previous quarter.
- ❖ RMG's total export earnings in July-September of FY24 were 1.49 percent lower than the quarterly target of USD 11793.24 million.
- ❖ The United States, Germany, the United Kingdom, Spain, France, the Netherlands, Italy, Canada, and Belgium were the top destinations for Bangladesh's RMG exports during July-September of FY24. From these nine countries, Bangladesh earned USD 8106.12 million from RMG, accounting for 69.78 percent of total RMG exports.
- ❖ In this quarter, RMGs' net export (determined by subtracting RMG raw material import value from RMG export value) was USD 8223.04 million or 70.78 percent of gross RMG exports.

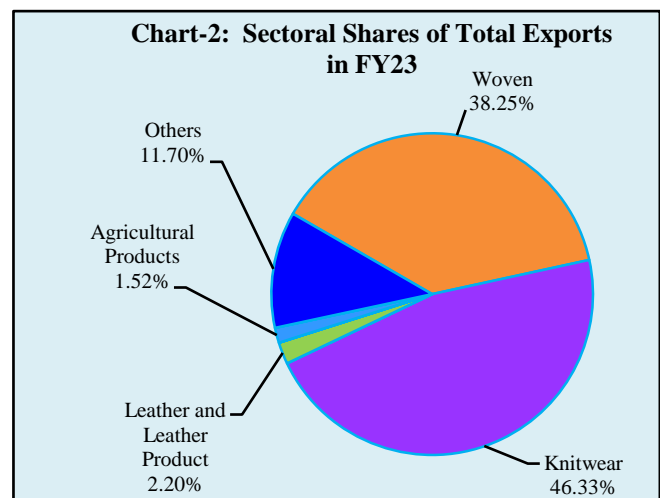
## Quarterly Review on Readymade Garments (RMG): July-September of FY'24

Bangladesh is one of the largest exporters of readymade garments (RMG) in the world. RMG sector has significant impact on Bangladesh economy in creating employment opportunities, strengthening women empowerment and providing foreign currency, etc. However, since very beginning this sector has been facing some impediments such as limited products and market, lack of sufficient backward linkage industry, concentrated market, high lead time and lack of efficiency in producing high value products, etc. Moreover, recently RMG industry has been experiencing a series of challenges including domestic political unrests, global geopolitical conflicts, energy price hike, cotton price fluctuations, COVID-19 pandemic and EU-Vietnam Free Trade Agreement which have changed the overall trade dynamics in this sector. Besides, upcoming LDC graduating can be considered as another challenge of developing this industry in Bangladesh which will have to be addressed in the medium to longer term by undertaking required reforms in trade-related areas, adjustments in investment policies, strengthening of intellectual property rights and phasing out of some export subsidies, etc.

Nevertheless, the RMG sector made a significant contribution of 10.35 percent to Bangladesh's GDP in FY23. The total RMG export earnings for FY23 stood at USD 46991.61 million, indicates a growth of 10.27 percent as compared to the previous fiscal year (Chart-1). The shares of total export earnings across different sectors in FY23 are shown in Chart-2.



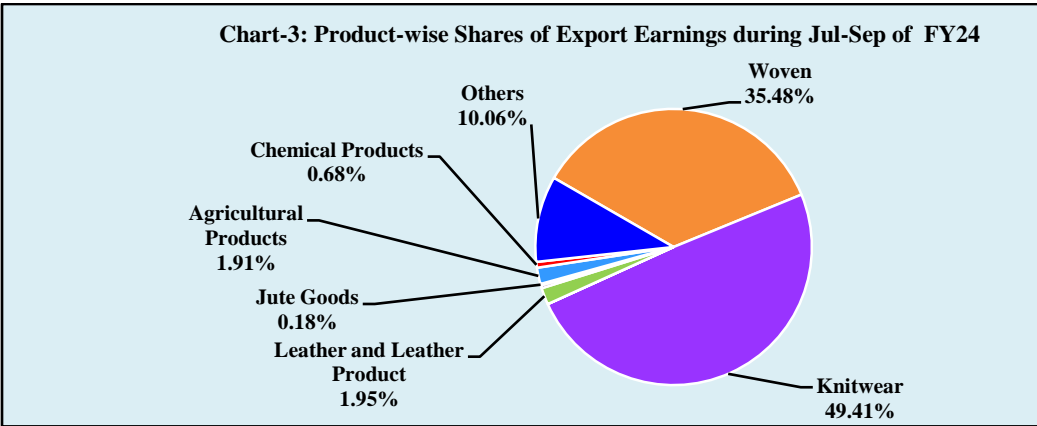
Source: Export Promotion Bureau (EPB)



Source: Export Promotion Bureau (EPB)

## Quarterly Performance of RMG: July-September of FY24

During the first quarter of FY24, the export earnings from RMGs stood at USD 11617.50 million which was 13.07 percent higher than that of the corresponding quarter of previous fiscal year. However, due to troublesome financial condition of the global economy, RMG exports showed slightly down trend by 1.04 percent as compared to the previous quarter. It also fell short by 1.49 percent of the target set for the quarter. Among the RMG sub-sectors, woven garments accounted for 35.48 percent of total export earnings, while knitwear contributed 49.41 percent (Table-1). Product-wise shares of export earnings during July-September of FY24 in chart-3 showed that among the non-RMG items, leather and leather products accounted for 1.95 percent, agricultural products for 1.91 percent, jute goods for 0.18 percent, chemical products for 0.68 percent, and other products for 10.06 percent.



Source: Export Promotion Bureau (EPB)

### Knitwear

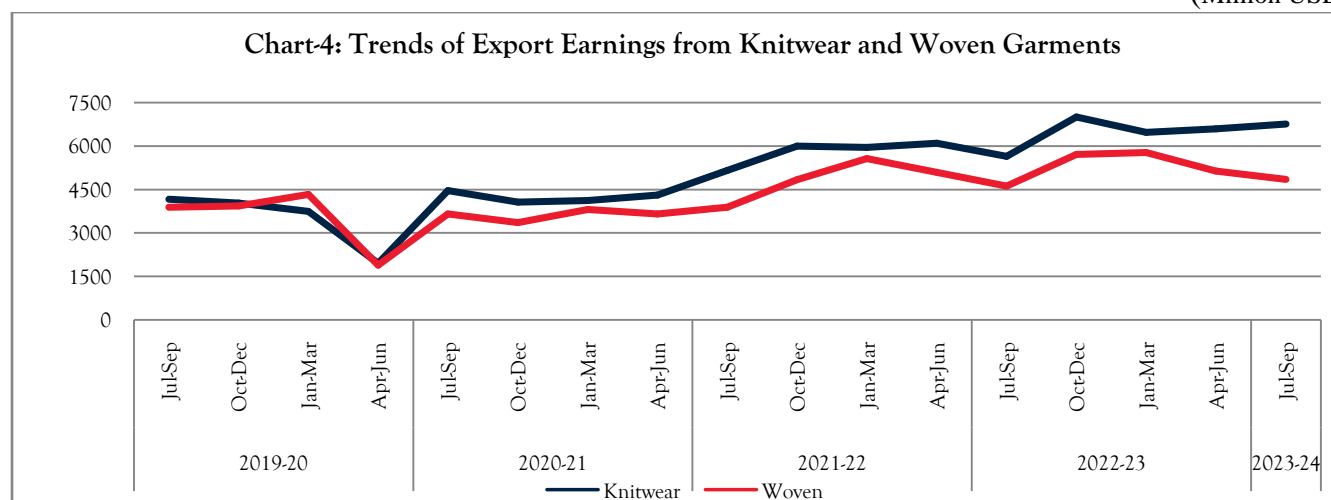
In July-September quarter of FY24, export earnings from the knitwear sector reached to USD 6762.59 million which escalated by 2.45 percent and 19.70 percent respectively compared to the previous quarter and the same quarter of the previous year. Moreover, knitwear exports exceeded its target by 5.42 percent for the quarter under report (Table-1).

### Woven Garments

The first quarter of FY24 showed a declining trend in export earnings from woven garments, which stood at USD 4854.91 million indicating 5.52 percent lower than that of the previous

quarter, while 4.97 percent higher than that of the same quarter of the previous year. However, exports of woven garments fell short by 9.74 percent of the quarterly export target set by the EPB (Table-1). Chart-4 shows quarterly trend of export earnings from knitwear and woven garments.

(Million USD)



**Table-1: Export of Readymade Garments**

(From FY18 to July-September FY24)

(Million USD)

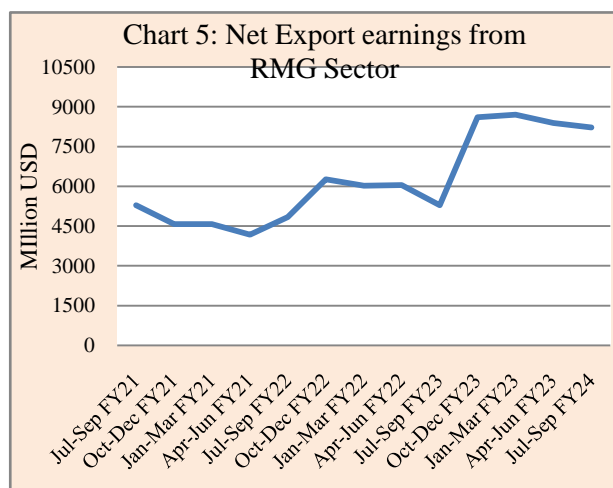
FY	Total Export	Woven Garments		Knitwear		Total RMG (Woven + Knitwear)	Percentage Share in Total Export		
		Target	Actual	Target	Actual		Woven Garments	Knitwear	Total
1	2	3	4	5	6	7=(4+6)	8=(4÷2)	9=(6÷2)	10=(8+9)
FY'18	36668.17	15060.00	15426.25	15100.00	15188.51	30614.76	42.07	41.42	83.49
FY'19	40535.04	16539.00	17244.73	16150.00	16888.54	34133.27	42.54	41.66	84.21
<b>FY'20</b>	<b>33674.09</b>	<b>19350.00</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>
Jul-Sep FY21	9896.84	4025.39	3662.72	3934.68	4463.66	8126.38	37.01	45.10	82.11
Oct-Dec FY21	9336.61	4173.74	3356.67	4079.69	4062.51	7419.18	35.95	43.51	79.46
Jan-Mar FY21	9704.90	4418.35	3814.35	4318.78	4128.01	7942.36	39.30	42.54	81.84
Apr-Jun FY21	9819.96	4467.52	3662.96	4366.85	4305.85	7968.81	37.30	43.85	81.15
<b>FY'21</b>	<b>38758.31</b>	<b>17085.00</b>	<b>14496.70</b>	<b>16700.00</b>	<b>16960.03</b>	<b>31456.73</b>	<b>37.40</b>	<b>43.76</b>	<b>81.16</b>
Jul-Sep FY22	11021.95	3748.44	3895.26	4680.46	5164.18	9059.44	35.34	46.85	82.19
Oct-Dec FY22	13676.60	3934.56	4843.81	4912.84	5997.45	10841.26	35.42	43.85	79.27
Jan-Mar FY22	13907.12	4029.05	5569.43	5030.84	5958.27	11527.70	40.05	42.84	82.89
Apr-Jun FY22	13476.99	3916.95	5090.34	4890.86	6094.42	11184.76	37.77	45.22	82.99
<b>FY'22</b>	<b>52082.66</b>	<b>15629.00</b>	<b>19398.84</b>	<b>19515.00</b>	<b>23214.32</b>	<b>42613.15</b>	<b>37.25</b>	<b>44.57</b>	<b>81.82</b>
Jul-Sep FY23	12496.89	4539.72	4624.88	5481.93	5649.46	10274.34	37.01	45.21	82.22
Oct-Dec FY23	14814.37	5399.06	5712.13	6519.61	7010.22	12722.35	38.56	47.32	85.88
Jan-Mar FY23	14410.36	5509.44	5777.95	6652.92	6477.80	12255.75	40.10	44.95	85.05
Apr-Jun FY23	13837.15	5751.78	5138.45	6945.54	6600.72	11739.17	37.14	47.70	84.84
<b>FY'23</b>	<b>55558.77</b>	<b>21,200.00</b>	<b>21,253.41</b>	<b>25600</b>	<b>25,738.20</b>	<b>46991.61</b>	<b>38.25</b>	<b>46.33</b>	<b>84.58</b>
Jul-Sep FY24	13685.44	5,378.61	4854.91	6414.63	6762.59	11617.50	35.48	49.41	84.89

Source: Export Promotion Bureau, Bangladesh

## Import of Raw Materials and Net Export Earnings from RMG

The import value of raw materials (raw cotton, synthetic/viscose fibre, synthetic/mixed yarn, cotton yarn and textile fabrics and accessories for garments) was USD 3394.46 million in July-September of FY24, accounting for 29.22 percent of total RMG export earnings. As a result, net exports from this sector stood at USD

8223.04 million in the first quarter of FY24 which was 2.00 percent lower than that of the preceding quarter but 55.44 percent higher than that of the same quarter of the previous year. The imports of raw materials and net exports based on L/C statements from July-September of FY21 to July-September of FY24 are shown in Chart-5 and Table-2 respectively.



**Table-2: Trends of Net Exports from RMG Sector Against Raw Materials Import**

(Million USD)

Fiscal Year	RMG Export <sup>A/</sup>	Raw Materials Import <sup>B/</sup>	Net export earnings in RMG
1	2	3	4=2-3
Jul-Sep FY21	8126.38	2845.83	5280.55 (64.98%)
Oct-Dec FY21	7419.18	2847.81	4571.37 (61.62%)
Jan-Mar FY21	7942.36	3366.55	4575.81 (57.61%)
Apr-Jun FY21	7968.81	3795.97	4172.84 (52.36%)
Jul-Sep FY22	9059.44	4219.94	4839.50 (53.42%)
Oct-Dec FY22	10841.26	4574.91	6266.35 (57.80%)
Jan-Mar FY22	11527.70	5505.17	6022.53 (52.24%)
Apr-Jun FY22	11184.76	5139.17	6045.59 (54.05%)
Jul-Sep FY23	10274.34	4984.13	5290.21 ( 51.49%)
Oct-Dec FY23	12722.35	4110.42	8611.93 (67.69%)
Jan-Mar FY23	12255.75	3546.52	8709.23 (71.06%)
Apr-Jun FY23	11739.17	3348.47	8390.70 (71.48%)
Jul-Sep FY24	11617.50	3394.46	8223.04 (70.78%)

<sup>A/</sup> As per Export Promotion Bureau.

<sup>B/</sup>We considered the 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 as reported by the FEOD of Bangladesh Bank. The values in parenthesis denote the net export in RMG as percentage of Total RMG Export earnings.

Source: Own calculation of the research staff of Bangladesh Bank.

## Destination of RMG Exports

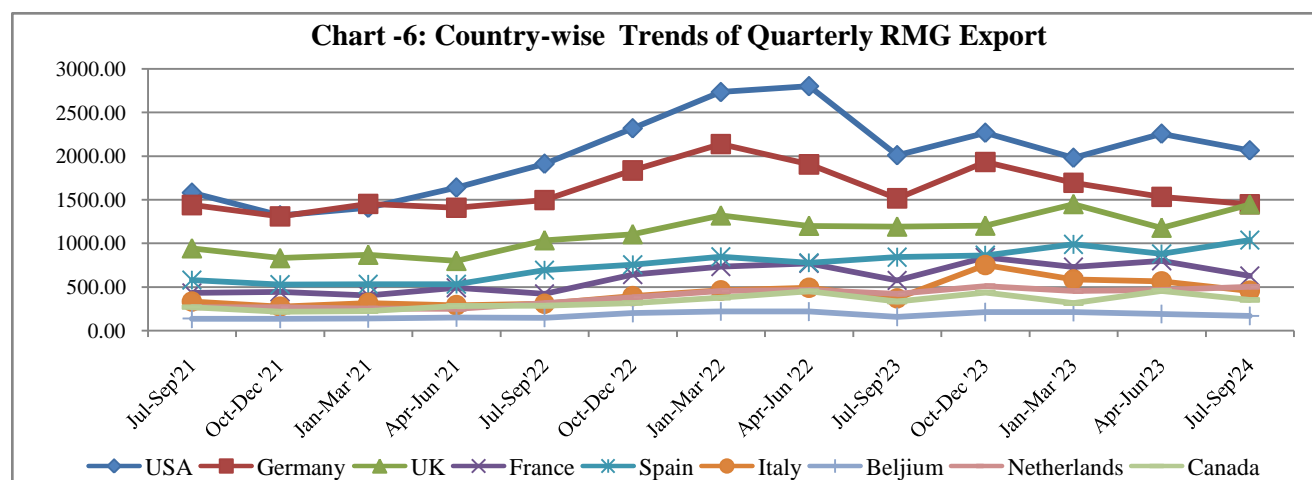
**Table-3: Country wise RMG Export in July-September, FY24**

(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=(3+4)	6=(2-5)	7=(5÷2)	8=(6÷2)
USA	2291.20	1259.99	806.06	2066.05	225.15	90.17	9.83
Germany	1534.47	473.95	976.23	1450.18	84.29	94.51	5.49
United Kingdom	1524.04	497.55	949.8	1447.35	76.69	94.97	5.03
France	720.15	224.74	401.76	626.50	93.65	87.00	13.00
Spain	1062.05	450.99	587.38	1038.37	23.68	97.77	2.23
Italy	493.39	127.95	327.82	455.77	37.62	92.38	7.62
Belgium	202.91	55.06	112.38	167.44	35.47	82.52	17.48
Netherlands	556.74	218.49	283.11	501.60	55.14	90.10	9.90
Canada	384.10	186.69	166.17	352.86	31.24	91.87	8.13
<b>Sub-Total</b>	<b>8769.05</b>	<b>3495.41</b>	<b>4610.71</b>	<b>8106.12</b>	<b>662.93</b>	<b>92.44</b>	<b>7.56</b>
Others	4234.58	1359.50	2151.88	3511.38	723.20	82.92	17.08
<b>Total</b>	<b>13685.44</b>	<b>4854.91</b>	<b>6762.59</b>	<b>11617.50</b>	<b>2067.94</b>	<b>84.89</b>	<b>15.11</b>

Source: Export Promotion Bureau, Bangladesh.

The main destinations of Bangladesh's RMG exports are The United States, Germany, the United Kingdom, France, Spain, Italy, Belgium, Netherlands, and Canada (Chart-6). During July-September of FY24, total export earnings from these nine countries stood at USD 8769.05 million of which 92.44 percent or USD 8106.12 million was earned from the RMG (woven 39.86 percent and knitwear 52.58 percent) exports (Table-3). During the quarter under report, RMG export earnings from these nine countries relatively decreased by 2.68 percent as compared to the previous quarter. However, it increased by 9.21 percent as compared to the corresponding quarter of the preceding fiscal year.





## **Recent Measures Taken to Facilitate RMG Exports**

The government and the Bangladesh Bank have taken a number of measures especially for facilitating production and export of the RMG sector. Of which the major measures are highlighted below:

***Pre-shipment Credit:*** To continue the export activities of export oriented RMG industries amid the Corona pandemic, Bangladesh Bank formed a refinance fund worth of BDT 50.00 billion. RMG entrepreneurs can take loans from this fund through banks at 6 percent rate of interest (BRPD Circular No 9, Date 13 April, 2020). BB reduced the interest rate on this refinance fund from 6 percent to 5 percent at receiver level and 3 percent to 2 percent at bank level (BRPD Circular No-26, Date 26 April, 2021). Bangladesh Bank has expanded the tenure of loan facilities for entrepreneurs from 01 year to 03 years under this refinance scheme. Entrepreneurs can avail of the loan more than one time within the mentioned period (BRPD circular no: 44, Date 30 September 2021).

***Incentives for Export Expansion:*** To encourage the country's export trade, export subsidies or cash incentives have been given against the shipment of various exportable commodities during the period of 1 July 2023 to 30 June 2024. Among them, 4 percent cash incentive has been given to export oriented local garments sector, small & medium industry of garments sector and to help expanding the new items/ new markets for garments sector (excluding the USA, Canada, EU, UK). For the exporters of garments items to EURO Zone an additional 2 percent has given as special incentives with the existing 4 percent. Moreover, special cash incentive has been given to RMG sector with 1 percent (FE Circular No-13, Date August 24, 2023).

***Green Transformation Fund (GTF):*** Bangladesh Bank has formed a GTF for refinancing at local currency worth of BDT 5000 crore for all export-oriented manufacturers and exporters against their import of capital machineries and accessories for implementing specified green/environment friendly initiatives in Bangladesh (SFD Circular No-07, Date December 07, 2022).

***Export Facilitation Fund:*** The export sector is the main spur of economic growth in Bangladesh. To create the export-oriented industries in the RMG sector and for enhancing its

resiliency against the global adverse financial situation after Covid-19 and for providing adequate liquidity support to the RMG industries, BB has formed the Export Facilitation Pre-finance Fund (EFPF) worth of BDT 10,000 crore with easy terms. Pre-financing facilities can be availed against of import/ local procurement of raw materials for the production of export-oriented industries. In the case of final export, BGMEA, BKMEA and BTMEA member mills (excluding yarn producing BTMEA members) and Type-B and Type-C organisations of EPZ may get equivalent of the value of imported raw materials or BDT 200 crore (which one is lower) from BB for 180 days. (BRPD Circular No-01, Date January 01, 2023).

***Export Development Fund (EDF):*** The Export Development Fund (EDF) allows Authorized Dealers (ADs) to borrow US Dollar funds which is repayable within 180 days from dates of disbursement, extendable by Bangladesh Bank up to 270 days against foreign currency loans provided to manufacturer-exporters for input procurements related to export orders (FE Circular No-07, Date April 13, 2023). To bring wider range of customers under EDF loans, it has been decided to reset its ceiling to USD 10.00 million from USD 15.00 million for input procurements under back to back LCs (BBLCs) against relevant export orders. The limit for imports under BBLCs by individual member mill of BGMEA and BKMEA is set at USD 20.00 million and USD 15.00 million respectively. (FE Circular No-06, Date April 09, 2023).

## **Conclusion**

As the global economy is facing major challenges including subdued economic activities owing to higher inflation and higher interest rates, heightened uncertainties regarding the future geoeconomic landscape, weak productivity growth and a complex financial environment, export receipts from the RMG sector may also faced some challenges in the upcoming months of the current fiscal year. Despite these uncertainties and challenges, the RMG industry of Bangladesh started to rebound in receiving fair share of work orders from international retailers and major global brands which is indicating a sign of recovery from Covid-19 pandemic and the Russia-Ukraine war. However, inter-apparel diversification, reducing lead time and increasing efficiency, ensuring effective research and development, exploring new global markets, skilled RMG workforce and modernization of production process should be priority areas to escalate the RMG export earnings in the future.