

Quarterly Review on RMG: July-September 2015¹

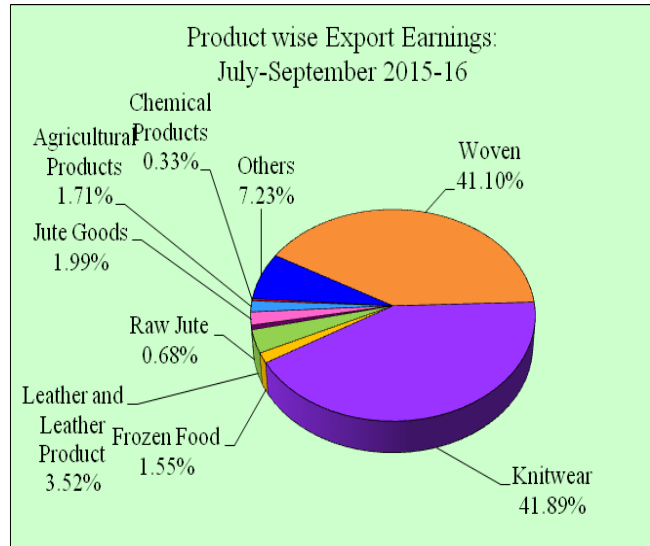


Bangladesh Bank
Research Department
External Economics Division

¹Comments on any aspects of the report are highly welcome and can be sent to Ms. Zahira Hasin, Deputy Director, Research Department, Bangladesh Bank. E-mail: zahira.hasin@bb.org.bd.

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 3.1 percent year-on-year in July-September 2015 and by 6.2 percent decreased from the previous quarter, April-June 2015. The RMG export decline in July-September, 2015 was mainly driven by

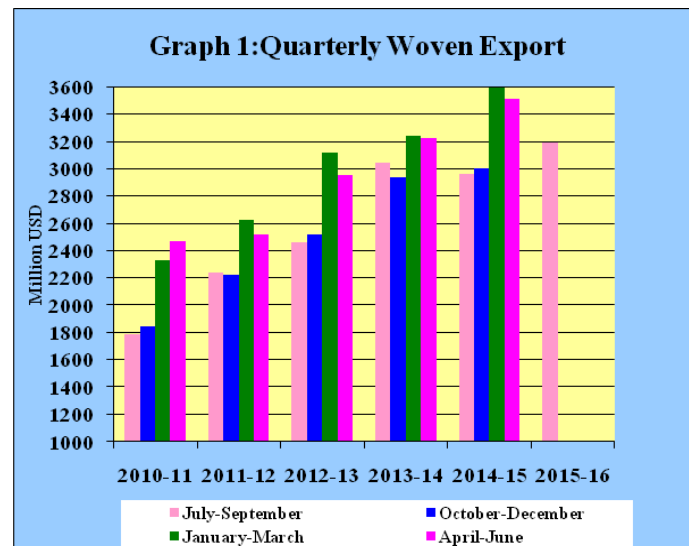


decrease of the export of both woven and Knitwear garments. However, against the target of July-September, 2015, total RMG export growth declined by 2.7 percent. The export of knitwear garments was 1.3 percent higher and woven garments registered 6.5 percent lower against the target level. During July-June FY 2015, 41.86 percent and 39.82 percent of total export earnings received respectively from woven and knitwear (Chart). 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 July-September 2015 are discussed below.

Quarterly Progress of Readymade Garments: July-September 2015

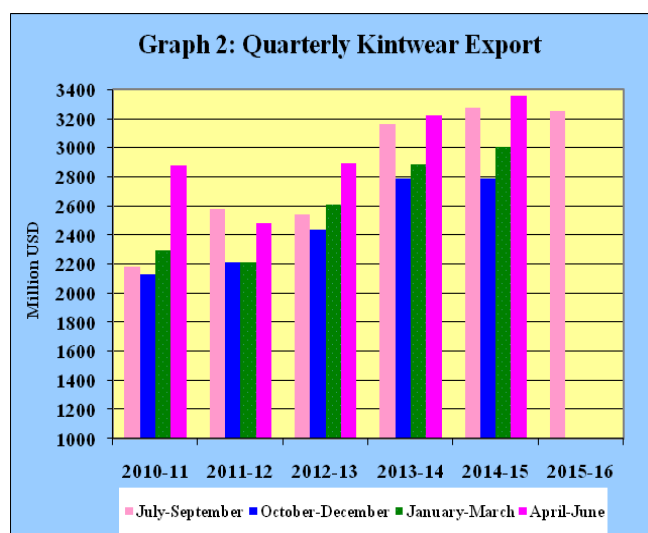
Woven Garments

In July-September 2015 quarter, earnings from woven garments stood at USD 3189.12 million, which is 9.07 percent and 6.53 percent lower compared to previous quarter and targeted export earnings from this subsector (Table-1). On the other hand it is 7.64 percent higher than July-September 2014. Quarterly export earnings of woven garments are depicted in Graph-1.



Knitwear Garments

In July-September 2015 quarter, earnings from knitwear garments stood at USD 3250.11 million, which is 3.21 percent and 0.62 percent lower than previous quarter and July-September 2014 respectively. But it is 1.29 percent higher compared to targeted export earnings from 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 July-September 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
July-Sep 13	7627.97	3000.81	3043.69	2763.16	3160.20	6203.89	39.90	41.43	81.33
Oct-Dec 13	7057.84	2871.31	2939.82	2643.92	2788.49	5728.31	41.65	39.51	81.16
Jan-Mar 14	7556.85	3223.33	3238.21	2968.05	2882.28	6120.49	42.85	38.14	80.99
April-June 14	7934.14	3476.01	3220.35	3200.72	3218.84	6439.19	40.59	40.57	81.16
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

Source: Export Promotion Bureau, Bangladesh.

Employment and Industries in RMG Sector

In Bangladesh there are 4296 garments factories and about 4 million employees engaged in RMG sector, 85 percent of which 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 4296 (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	4296	4.00

Source: BGMEA. * Included in BGMEA Member List.

Raw Materials Import

In July-September FY16 import price of raw materials stood at USD 1677.95 million through back to back L/C, which is 26.06 percent of total export value of woven and knitwear of USD 6539.23 million. As a result, gross value addition from this sector stood at 73.94 percent, which is 0.62 percentage point 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 about 75.0 percent (Graph-3).

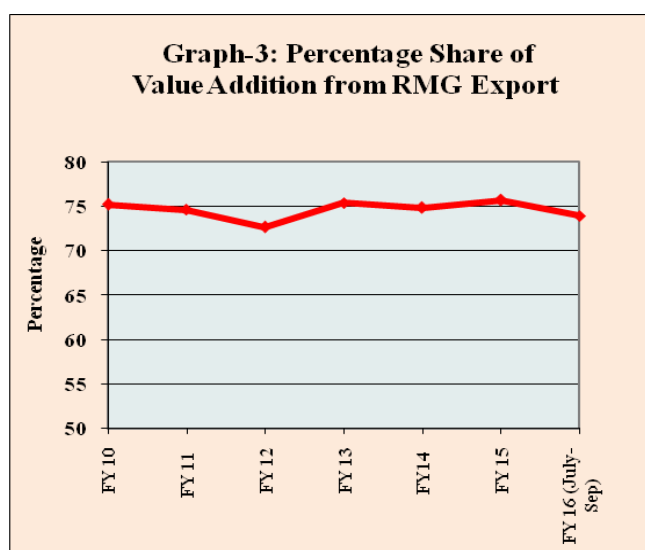


Table-3: Trends of Value Addition from RMG Export in context of Raw Materials Import

(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*	7758.99	6439.23	1677.95	26.06	73.94

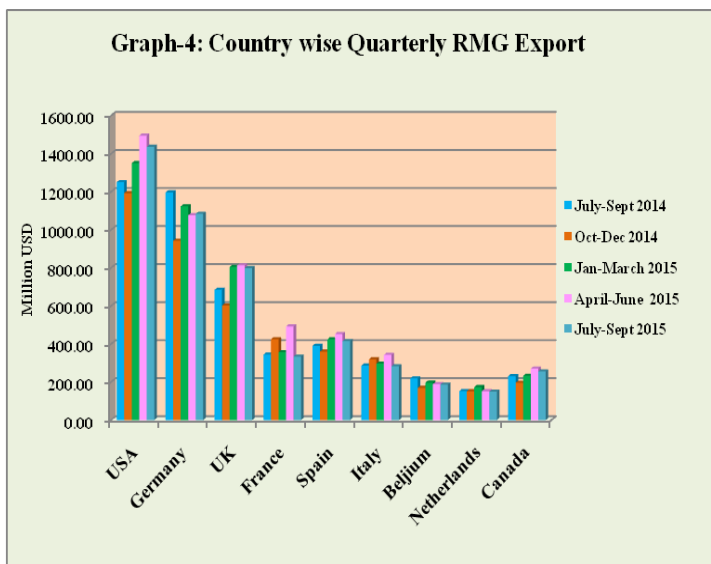
Source: A / Export Promotion Bureau.

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

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

Bangladeshi RMG Importer Countries

The main importer countries of Bangladeshi RMG are USA, UK, Germany, France, Spain, Italy, Belgium, Netherlands and Canada (Graph-4). In July-September 2015 quarter, total export to these nine countries stood at USD 5407.08 million, of which 91.35 percent (woven 46.44% and knitwear 44.92%) is RMG export (Table-4). RMG export to these nine countries in July-September 2015 quarter is 6.46 percent lower and 3.96 percent higher



than the previous quarter and July-September 2014 respectively (Table-5). During this period excepting increased in Germany (0.69%) RMG export to other eight countries decreased compared to the previous quarter. In this quarter RMG export substantially decreased to France (32.26%) and Italy (17.45%).

Table-4: Country-wise RMG Export in July-September 2015-16

(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	1554.76	1018.64	417.56	1436.20	65.52	26.86	92.37	7.63
Germany	1162.73	441.19	642.66	1083.85	37.94	55.27	93.22	6.78
UK	867.60	364.64	433.74	798.38	42.03	49.99	92.02	7.98
France	363.77	120.66	212.71	333.37	33.17	58.47	91.64	8.36
Spain	442.63	170.30	244.66	414.96	38.47	55.27	93.75	6.25
Italy	308.37	99.88	182.77	282.65	32.39	59.27	91.66	8.34
Belgium	233.57	86.92	99.21	186.13	37.21	42.48	79.69	20.31
Netherlands	200.32	67.08	81.70	148.78	33.49	40.78	74.27	25.73
Canada	273.33	141.58	113.66	255.24	51.80	41.58	93.38	6.62
Sub-Total	5407.08	2510.89	2428.67	4939.56	46.44	44.92	91.35	8.65
Others	2351.91	678.23	821.44	1499.67	28.84	34.93	63.76	36.24
Total	7758.99	3189.12	3250.11	6439.23	41.10	41.89	82.99	17.01

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

(Million USD)

Countries	July-Sep 14	Oct-Dec 14	Jan-March 15	April-June 15	July-Sep 15	Quarterly Growth (%)	Yearly Growth (%)
USA	1250.22	1192.59	1350.34	1494.97	1436.20	-3.93	14.88
Germany	1196.63	942.21	1123.52	1076.40	1083.85	0.69	-9.42
UK	684.51	601.71	804.74	812.61	798.38	-1.75	16.64
France	344.15	424.82	356.40	492.14	333.37	-32.26	-3.13
Spain	389.82	359.73	424.12	452.13	414.96	-8.22	6.45
Italy	286.05	318.86	296.02	342.40	282.65	-17.45	-1.19
Belgium	218.42	168.76	196.14	188.90	186.13	-1.47	-14.78
Netherlands	151.55	151.07	172.89	151.07	148.78	-1.52	-1.83
Canada	230.24	195.64	232.56	270.32	255.24	-5.58	10.86
Sub-Total	4751.59	4355.39	4956.73	5280.94	4939.56	-6.46	3.96
Others	1481.58	1435.72	1645.27	1584.18	1499.67	-5.33	1.22
Total	6233.17	5791.11	6602.00	6865.12	6439.23	-6.20	3.31

Measures to Develop the RMG Sector

Time to time various measures have been taken to develop the country's RMG sector. BGMEA circulated a order to initiate Bio-matrix database of 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, Narayangonj 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 which 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 enterpreneur 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 to have a better situation in the RMG sector through increasing working inspiration and productivity of labour.**

Conclusion

RMG is the major item of exportable, which is 82.99 percent of our total export and 86.04 percent of industrial products export during July-September, FY15. In April-June the shares were 82.67 percent and 85.59 percent respectively. In context of recent disaster in RMG factories, USA and EU countries were a bit of disinterested 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 farther, the following steps may be considered:

- a) 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 mentality 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.

Through all these initiatives stated above, it is expected that the RMG sector may be able to make a far reaching contribution to our export arena of trade.