

Quarterly Review on RMG: July-September FY20¹



Bangladesh Bank

Research Department

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Quarterly Review on RMG

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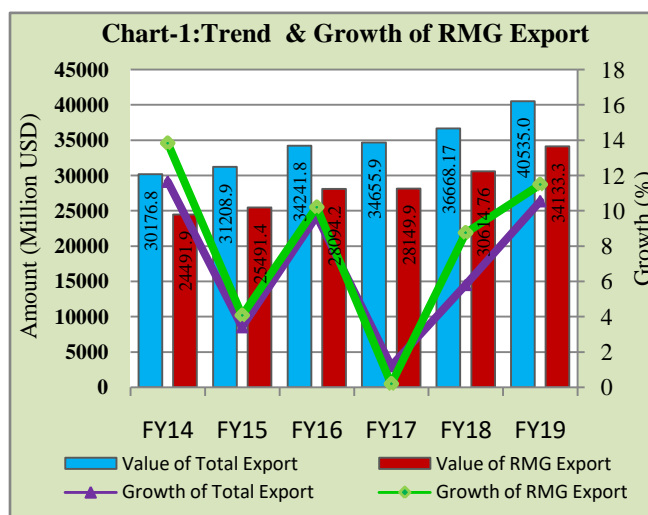
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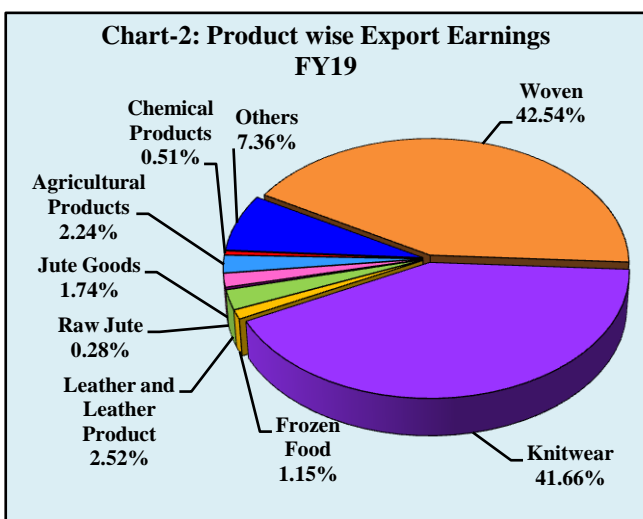
Quarterly Review on RMG: July-September FY20

The readymade garment (RMG) sector of Bangladesh plays a significant role in creating huge employment opportunities mostly for female workforce, reducing poverty through socio-economic development and earning foreign exchange. This sector also creates supportive linkage industries and other related business activities.

The RMG sector is growing with a view to achieving the export target of 7th five year plan. Country's total export earnings have been increasing over the time with continued high dependence on RMG (Chart.1). The RMG sector of Bangladesh has earned USD 34133.3 million or 84.21 percent of total export receipts in FY19 with 11.49 percent growth as compared to the previous fiscal year earnings¹. Of the total export earnings of RMG sector, woven garments



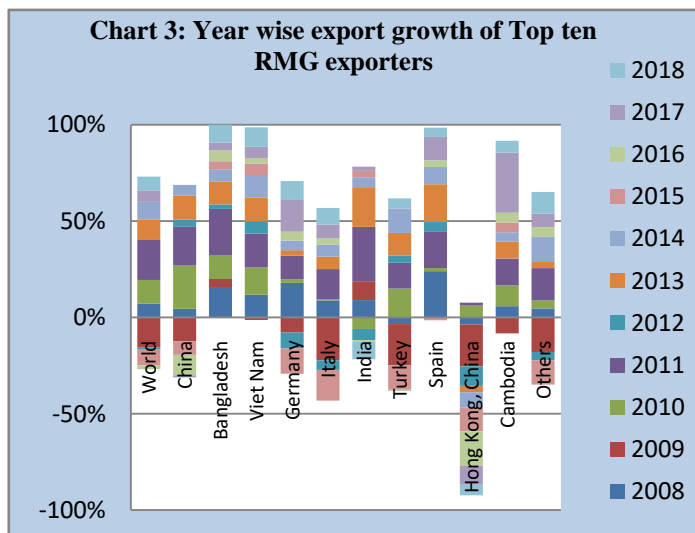
and knitwear constituted USD 17244.73 million and USD 16888.54 million respectively in FY19. The contribution of non-RMG products to total export earnings were the leather and leather products (2.52 percent), agriculture products (2.24 percent), jute goods (1.74 percent), frozen food (1.15 percent), chemical products (0.51 percent), raw jute (0.28 percent) and other products (7.36 percent) in FY19 (Chart 2).



¹ Source : Export Promotion Bureau (EPB)

RMG Export Growth of Top Ten Countries

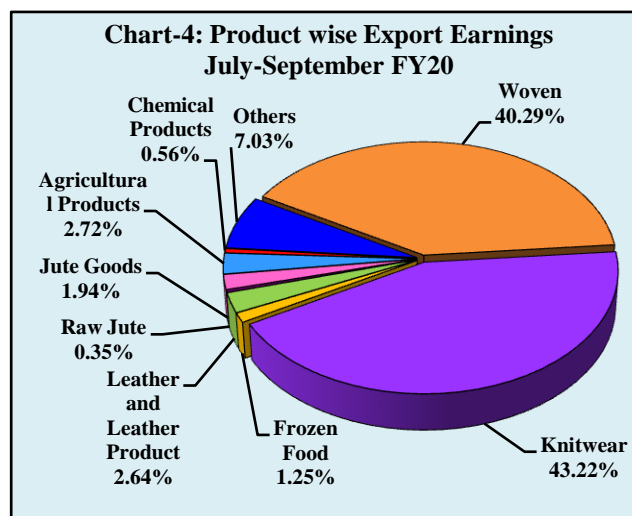
Demand for RMG has been increasing in the global market over the time. All RMG exporting countries are trying to increase their shares in the world market by producing quality products, maintaining competitive price and timely shipping. Thus competition among the exporter in the world RMG market is increasing gradually. Vietnam is being considered as a strong



competitor of Bangladesh in RMG market. According to global export data from International Trade Centre (ITC) Bangladesh, Vietnam, Spain and Cambodia experienced strong growth during 2008 to 2018. Among the top ten RMG exporters only Bangladesh's RMG growth was always positive over the period (Chart 3). Favorable condition in the international market and domestic political stability, exploring new markets and expanding export in the existing market were the main drivers for Bangladesh's RMG export growth during the period. On the other hand, Hong Kong, Italy, Turkey and China among other countries experienced negative growth in RMG export during global financial crisis of 2008-09.

Quarterly Performance of RMG: July-September FY20

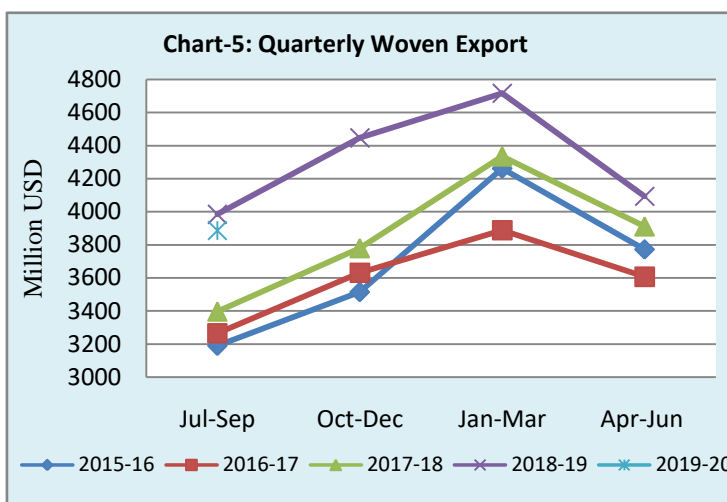
Total export earnings from RMG during July-September FY20 decreased by 1.52 percent compared to the previous quarter's earnings and also decreased by 1.64 percent compared to the earnings of the corresponding quarter of the previous fiscal year. During July-September FY20, total export earnings from RMG was 11.52 percent lower than the quarterly target. Product-wise export earnings



data showed that 40.29 percent and 43.22 percent of total export earnings were received from woven garments and knitwear respectively in the first quarter of FY20 as compared to the earnings 40.09 percent and 42.32 percent respectively in the same quarter of the corresponding year (Table-1). In the same period product wise contribution of non-RMG products were agriculture products (2.72 percent), leather and leather products (2.64 percent), jute goods (1.94 percent), frozen food (1.25 percent), chemical products (0.56 percent), raw jute (0.35 percent), and other products (7.03 percent) (Chart 4).

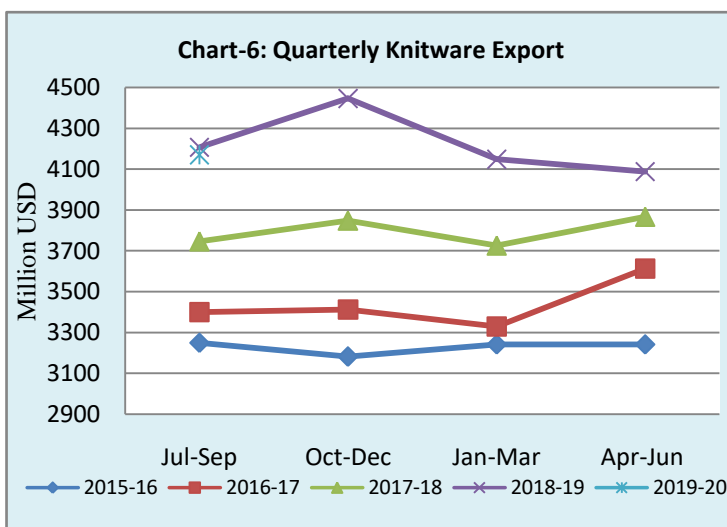
Woven Garments

Export earnings from woven garments stood at USD 3887.34 million during the first quarter of FY20, which was 5.05 percent lower than the previous quarter's earnings and 2.45 percent lower than the same quarter's earnings of the previous year respectively. Moreover, woven garment export was 15.73 percent lower than the export target of that quarter (Table-1). Quarterly export earnings from woven garments are depicted in Chart-5.



Knitwear

Export earnings from knitwear stood at USD 4170.22 million during the first quarter of FY20, which is 2.02 percent higher than the previous quarter but 0.87 percent lower than the same quarter of the previous year respectively. Knitwear export is 7.20 percent lower than the export target for the quarter under report (Table-1).



Quarterly export earnings from Knitwear are shown in Chart-6.

Table-1: Export of Readymade Garments

(From FY11, July-June to FY20, July-September)

(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)
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
FY18	36668.17	15060	15426.25	15100	15188.51	30614.76	42.07	41.42	83.49
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
FY 19	40535.04	16539	17244.73	16150	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

Source: Export Promotion Bureau, Bangladesh

Employment and Factories in RMG Sector

About 4.50 million of total manpower is working in 4621 garments factories in Bangladesh (GIZ). Employment in RMG sector increased from 2 million in FY05 to 4 million in FY12 and remained unchanged until FY18. On the other hand, the number of factories declined from 5876 in FY12 to 4222 in FY14 (Table-2). After that the number of factories have increased gradually and reached to 4621 in the last fiscal year, FY19.

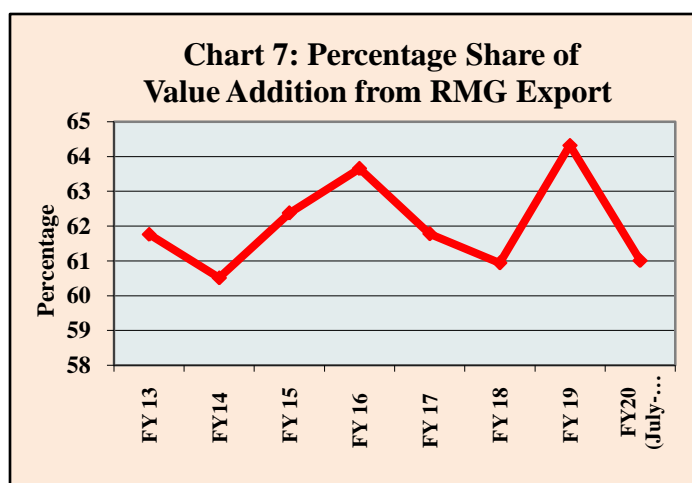
Table-2 Number of Factories and Employment

FY	Number of Factory* (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 [#]

Source: BGMEA Website. * Including BGMEA Member List. [#]GIZ

Import of RMG Raw Materials

During July-September of FY20, 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 3141.57 million, which was 38.99 percent of total export earnings from



RMG sector. Therefore, the gross value addition from this sector stood at 61.01 percent (Table-3). Average value addition based on data on RMG export and raw materials import from FY13 to first quarter of FY20 is shown in Chart-7.

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

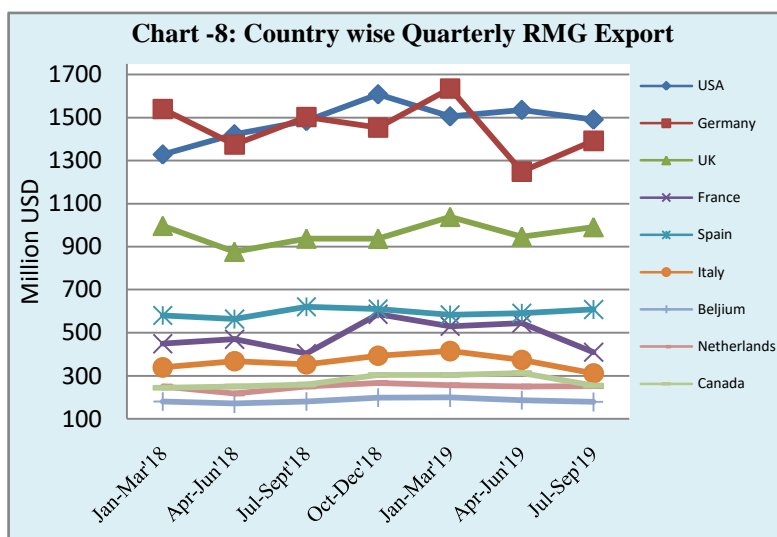
FY	Total Export ^{A/}	RMG Export	Raw Materials Import ^{B/}	Raw Materials Import as percentage of total RMG Export	Value Addition (Percentage Share)**
FY 13	27027.36	21515.73	8226.97	38.24	61.76
FY 14	30176.80	24471.88	9663.53	39.49	60.51
FY 15	31208.94	25491.40	9591.72	37.63	62.37
FY 16	34241.82	28094.16	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
FY20 (July-Sep)	9647.99	8057.55	3141.57	38.99	61.01

Note: ^{A/}Export Promotion Bureau. ^{B/}Amount of L/C Settlement Foreign Exchange Operation Department, Bangladesh

**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 Back to Back L/Cs Raw materials

Destination of RMG

The major importing countries of Bangladesh's RMG are USA, Germany, UK, France, Spain, Italy, Belgium, Netherlands and Canada (Chart-8). During July-September, 2019 total exports to these nine countries stood at USD 6492.48 million of which 90.74 percent or USD 5891.14 million was from the



RMG (woven 44.77% and knitwear 45.96%) export (Table-4). During the quarter under report, RMG export to these nine countries decreased by 1.64 percent as compared to the previous quarter and 1.72 percent lower than the corresponding quarter of previous fiscal year.

Table-4: Country wise RMG Export in July-September 2019

(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	1661.69	1085.35	405.64	1490.99	65.32	24.41	89.73	10.27
Germany	1482.06	582.64	809.40	1392.04	39.31	54.61	93.93	6.07
UK	1071.54	419.14	572.10	991.24	39.12	53.39	92.51	7.49
France	441.83	149.63	260.31	409.94	33.87	58.92	92.78	7.22
Spain	658.80	254.45	354.01	608.46	38.62	53.74	92.36	7.64
Italy	341.67	90.52	221.33	311.85	26.49	64.78	91.27	8.73
Belgium	222.60	87.79	90.94	178.73	39.44	40.85	80.29	19.71
Netherlands	328.49	108.40	144.27	252.67	33.00	43.92	76.92	23.08
Canada	283.80	128.96	126.26	255.22	45.44	44.49	89.93	10.07
Sub-Total	6492.48	2906.88	2984.26	5891.14	44.77	45.96	90.74	9.26
Others	3155.51	980.46	1185.96	2166.42	31.07	37.58	68.66	31.34
Total	9647.99	3887.34	4170.22	8057.56	40.29	43.22	83.52	16.48

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. These include the following:

- 1. Amendment of Labour Law:** The amendment bill of the Bangladesh Labour Act, 2018 was approved by the cabinet on 3 September 2018 to make it workers friendly in line with the international communities' suggestion to ensure workers' safety, welfare and rights and promote trade unionism and collective bargaining. Major amendment in this Act included mandatory maternity leave, prohibition of child labour, punitive action against workers for unlawful shutdown, formation of tripartite committee for dispute resolution etc.

2. ***Trade union registration:*** According to the amendment of the Bangladesh Labour Act, 2018 worker participation requirement for trade union formation at factories has to be reduced to 20 percent from the existing 30 percent. Moreover, in the amendment it was proposed that finishing the registration process of a trade union has to be finished 55 days instead of 60 days.
3. ***Update on Publicly Accessible Database for releasing indicative performance:*** According to the Department of Inspection for Factories and Establishment, DIFE as per report submitted by the factories till March 2018, 422 factories remediated more than 50 percent and 111 factories have remediated more than 80 percent of compliance issues identified in CAPs. It is also noticeable that National tripartite Action Plan-join collaboration of BUET, Accord and Alliance – for the building and fire safety was adopted with a target of covering 1500 factories.
4. ***Minimum Wages:*** The Government has declared Taka 8000 as the minimum average wage of garments workers implemented since 01 December 2018 which is 51 percent higher than the previous minimum wages for the workers of the readymade garments industry.
5. ***Cooperation agreement with Germany:*** A cooperation agreement between Bangladesh government and the Deutsche Gesellschaft für Internationale Zusammenarbeit Bangladesh (GIZ) has been done to improve social and environmental standards in Bangladesh's textile industry. In this regard, GIZ trained around 30,000 mid level management and staff on fair pay, fire safety and safe chemical handling in RMG factory. In the same time, 1000 factories improved significantly their working conditions under the "Factory Improvement Programme".
6. ***Cooperation agreement with Sweden:*** A cooperation agreement was signed on 26 September 2015 between government of Bangladesh and government of Sweden in collaboration with ILO to enhance workplace rights and industrial relations in the Bangladesh Ready-Made Garment Sector primarily through improved dialogue between employers and workers, particularly at workplace level under 'Promoting Social Dialogue and Harmonious Industrial Relations in Bangladesh Ready-Made Garments Industry' programme up to 31 December 2020.

7. **AFD fund:** With the sponsor of Agence Francaise de Developpement (AFD) of France, Bangladesh government has constitute a loan fund worth of 50 million Euro through Bangladesh Bank to support safety and remediation, environmental and social up-gradation of readymade garments factories. Participating Financial Institutions (PFIs) would be provided with pre-finance amount up to one million Euro with maximum 7.0 per cent interest rate for eligible RMG factories and the loan amount might be extended up to 3 million Euro for major environmental up-gradation.
8. **Cash Incentive:** During the FY20, 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 to be effective from 1 July 2019 to 30 June 2020. Such as:4% each 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 (excluded USA, Canada, UAE) respectively and 2% cash incentive determined for the exporters of garments sector of EURO zones, etc.
9. **Developing Garments Park:** Bangladesh Garment Manufacturers and Export Association (BGMEA) and Bangladesh Economic Zone Authority (BEZA) signed a Memorandum of Understanding (MoU) to lease out 500 acres of land at Mirsarai economic zone in Chittagong for developing a garment park. After the completion of the development it's expected that about 0.5 million employment opportunity will be created for the workers
10. **Welfare Fund:** In order to provide financial support to the family members of deceased or handicapped labors who were employed in hundred percent export oriented garments industry and fell fallen 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 a fund named 'Central Fund (RMG sector)' has been created under the initiative of Ministry of Labor and Employment (MoLE). According to the mandate of the MoLE and circular letter of Bangladesh Bank, all authorized dealer banks have to deduct 0.03% from the export earnings of the export oriented garment industries and must deposit 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 aid the deceased or

handicapped labors and their families and to pay the salaries to the labors of a certain garment industry.

However, recently it has come to the attention that some of the banks are not following the directive properly and as such, Bangladesh Bank has instructed all scheduled banks to provide a confirmation letter with evidence to Ministry of Labor and Employment by the 7th of each month that 0.03% of all export earnings of export oriented RMG industries have been deducted and duly deposited in the specified account of Sonali Bank Ltd.

11. Green Transformation Fund: Bangladesh Bank has allowed refinance facility from GTF (Green Transformation Fund) to all manufacturer-exporters irrespective of sectors against import of capital machinery and accessories for implementing specified green/environment friendly initiatives for export oriented textile, leather and jute sectors from FY20.

Conclusion

RMG is the main export item in Bangladesh, receiving 83.52 percent of our total export earnings and 87.01 percent of industrial product export during July-September FY20. We need product diversification in our export basket. Some of our competitor countries already succeeded in product diversification during the last decade. Vietnam emphasized on electronics and other value added export products. Another export giant China has reduced RMG intensity in its export basket from 40 percent to about 35 percent in the last five years. On the other hand, market diversification for the RMG of Bangladesh is also narrowed. Due to high dependency on RMG in export basket, any instability in this sector in future could result in huge unemployment and trade deficit. To meet up the challenges in RMG we have to take medium and long term measures. Factory to port communication should be developed to reduce lead time domestically. We have to ensure utilities supply with reasonable price along with one stop service in trade procedure and documentation in product transaction. Moreover, for continued progress in RMG export earnings, we can try to expand our market in emerging countries along with the prevailing market.

Annexure

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

Value in Million Dollar

SL	HS -Code	Product Name	FY17	FY18	FY19	Growth Rate (FY19 over FY18)
1.	610910	T-shirts, singlets and other vests, of cotton	5,486.67	5,866.90	6,552.84	11.69
2.	620342	Men's or boys' trousers, breeches	4,797.43	5,208.96	5,555.87	6.66
3.	620462	Women's or girls' trousers, breeches	2,506.94	2,877.51	3,062.47	6.43
4.	611020	Jerseys, pullovers, etc, of cotton	1,677.22	1,926.73	2,209.26	14.66
5.	620520	Men's or boys' shirts of cotton	1,664.41	1,668.04	1,954.25	17.16
6.	611030	Jerseys, pullovers, etc, of man-made fibres	860.22	1,070.05	1,384.11	29.35
7.	610462	Women's or girls' trousers, etc, of cotton	698.74	819.87	933.29	13.83
8.	620343	Men's or boys' trousers	690.78	645.89	815.65	26.28
9.	610510	Men's or boys' shirts of cotton	707.76	788.33	805.94	2.23
10.	611090	Jerseys, pullovers, etc, of other textiles, nes	726.57	549.73	516.26	-6.09
		Other RMG products	8,333.15	9,192.75	10,343.33	12.52
	61 & 62	Total RMG	28149.89	30614.76	34133.27	11.49

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

2. Country wise RMG export scenario of Bangladesh

Value in Million Dollar

SL	Destination	FY15	FY16	FY17	FY 18			FY 19		
		RMG	RMG	RMG	Knitwear	Woven	RMG	Knitwear	Woven	RMG
1	USA	5288.12	5624.92	5204.00	1374.37	3977.70	5352.07	1514.65	4619.07	6133.72
2	Germany	4338.76	4653.13	5135.01	3216.58	2362.94	5579.51	3302.46	2538.45	5840.91
3	U.K	2903.57	3523.78	3306.49	1897.63	1826.62	3724.26	2017.55	1841.60	3859.15
4	Spain	1625.8	1864.04	1878.73	1220.95	1056.83	2277.77	1333.73	1073.40	2407.13
5	France	1617.51	1714.31	1764.62	1071.53	780.40	1851.93	1232.34	834.25	2066.59
6	Italy	1243.33	1278.07	1348.57	947.83	506.21	1454.04	980.10	555.81	1535.91
7	Poland	548.24	616.27	720.09	536.19	328.67	864.85	709.76	471.12	1180.88
8	Canada	928.76	998.44	946.3	411.02	552.13	963.15	528.16	651.14	1179.30
9	Japan	652.55	612.35	744.47	444.80	401.94	846.74	603.71	487.72	1091.43
10	Netherlands	626.58	659.55	814.34	520.62	414.76	935.38	569.01	455.46	1024.46
11	Australia	533.63	636.27	582.01	391.16	242.85	634.01	406.71	313.07	719.78
12	Denmark	631.73	642.66	671.84	438.86	229.09	667.95	472.88	231.54	704.41
13	China	304.94	341.22	391.60	157.75	233.89	391.64	223.96	282.56	506.51
14	India	104.25	136.42	129.81	71.06	207.62	278.68	129.66	369.43	499.09
15	Russia	214.39	249.16	379.39	260.68	167.24	427.93	292.78	195.80	488.58
16	UAE	186.85	184.01	172.38	98.50	90.31	188.81	92.34	101.98	194.32
17	Turkey	488.08	460.29	381.37	85.89	174.27	260.16	63.68	126.18	189.86
18	Brazil	186.44	120.20	99.80	77.74	80.64	158.38	77.65	82.86	160.51
19	South Africa	66.54	66.87	57.97	40.68	32.58	73.27	52.56	50.03	102.58
20	Others	3001.33	3712.20	3421.10	1924.67	1759.55	3684.22	2284.88	1963.26	4248.14
	Total	25491.4	28094.16	28149.89	15188.51	15426.25	30614.76	16888.54	17244.73	34133.27

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

3. Export Scenario of Bangladesh to world Market

Value in Million Dollar

	Items	FY15	FY16	FY17	FY18	FY19
1.	Woven garments	13064.61	14738.74	14392.59	15426.25	17244.73
2.	Knitwear products	12426.79	13355.42	13757.25	15188.51	16888.54
3.	Agricultural products	586.05	596.06	553.17	673.7	908.96
4.	Footwear	673.27	714.01	777.84	809.69	879.41
5.	Jute goods	756.96	746.41	794.58	869.87	703.79
6.	Frozen shrimps and fish	558.8	495.63	490.08	467.01	424.95
7.	Leather and leather products	646.7	666.21	697.04	519.91	411.9
8.	Petroleum by-product	77.55	297.01	243.77	33.7	203.74
9.	Raw jute	111.57	173.17	167.84	155.68	112.48
10.	Others	2306.64	2474.52	2781.74	2523.85	2756.54
	Total:	31208.94	34257.18	34655.9	36668.17	40535.04

Source : Export Promotion Bureau