

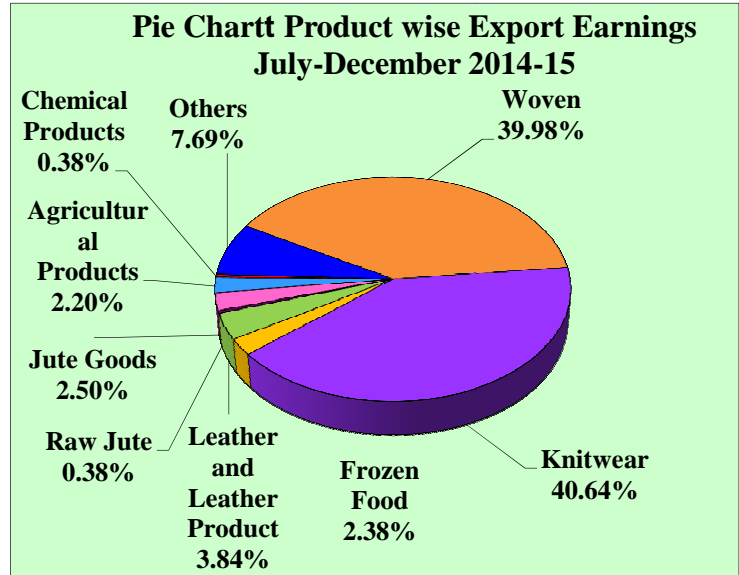
Quarterly Review on RMG: October-December 2014¹



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Bangladesh received more than three fourth (about 80.62%) of total export earnings from Readymade garments (Woven and Knitwear). Total export of Readymade Garments rose by 1.1% year-on-year in October-December 2014, their growth slightly increasing by 0.63 percentage points from the previous quarter, July-September 2014. The weak growth in export in Readymade Garments was

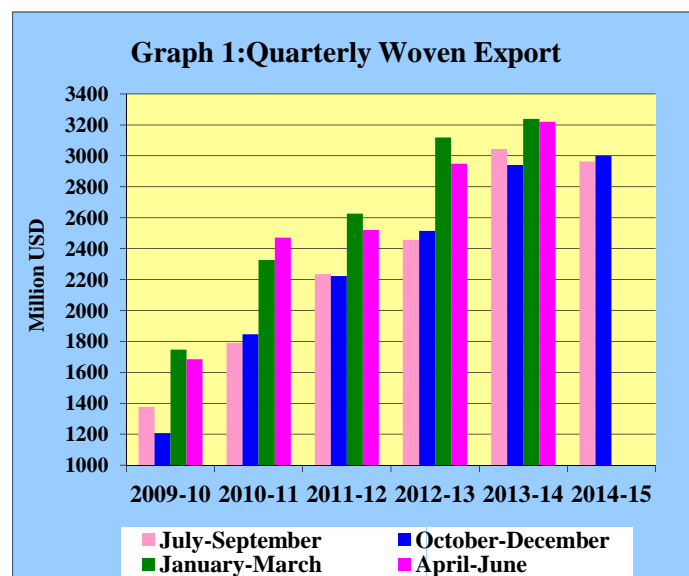


linked mainly with more moderate growth in external demand in the Bangladesh's major trading partner countries. During July-December FY 2015, 39.98 percent and 40.64 percent of total export earnings received respectively from woven and knitwear (Pie Chart-1). In FY 2014, share of these two subsectors in total export earnings were 40.74 percent and 40.51 percent respectively. The employed manpower, trend of value addition and other RMG related issues for October-December 2014 are discussed below.

Quarterly Progress of Readymade Garments: October-December 2014

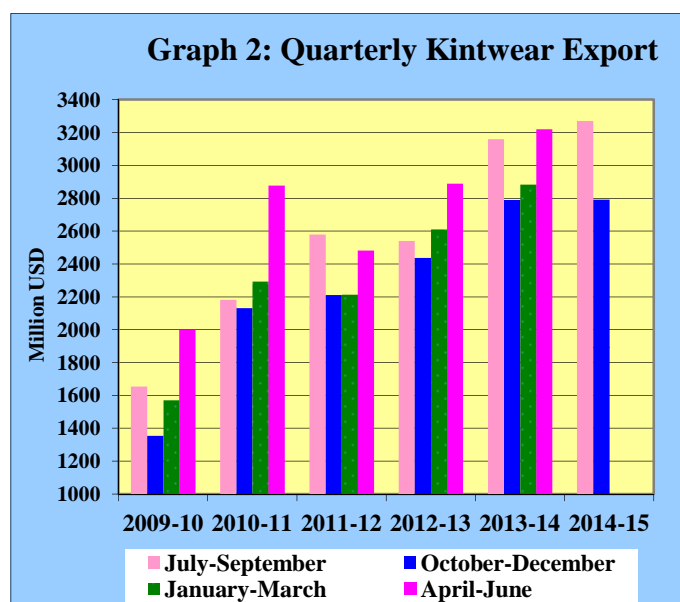
Woven Garments

In October-December 2014 quarter earnings from woven garments stood at USD 2999.99 million, which is 1.26 percent and 2.05 percent higher compared to previous quarter and October-December 2013 respectively. It is 4.21 percent lower than targeted export earnings from this subsector. Quarterly export earnings of woven garments is depicted in Graph-1.



Knitwear Garments

In October-December 2014 quarter, earnings from knitwear garments stood at USD 2791.12 million, which is 14.66 percent and 7.73 percent lower respectively compared to previous quarter and targeted export earnings from this subsector. On the other hand it is 0.09 percent higher than October-December 2013. Quarterly export earnings of woven garments is shown in Graph-2.



**Table-1: Trend of Readymade Garments Export
(From FY 2009 to October-December FY 2015)**

(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	7695.1	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

Source: Export Promotion Bureau, Bangladesh.

Employment and Industries in RMG Sector

In Bangladesh there are 4222 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 skill 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 increases from 4107 to 5876 in 2012-13. However, in 2013-14 the number of factories stood at 4222 (Table-2).

Table-2 Number of Factory and Employed Manpower

(Million)		
FY	Number of Factory* (Cumulative)	Employed Manpower (Cumulative)
2004-05	4107	2.00
2005-06	4220	2.20
2006-07	4490	2.40
2007-08	4743	2.80
2008-09	4926	3.50
2009-10	5063	3.60
2010-11	5150	3.60
2011-12	5400	4.00
2012-13	5876	4.00
2013-14	4222	4.00

Source: BGMEA. * Included in BGMEA Member List.

Raw Materials Import

In July-December 2014-15 import price of raw materials stood at USD 3220.47 million through back to back L/C, which is 26.78 percent of total export value of woven and knitwear USD 12024.28 million. As a result, gross value addition from this sector stood at 73.22 percent, which is 2.27 percent less than the same period of FY 2014. 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.

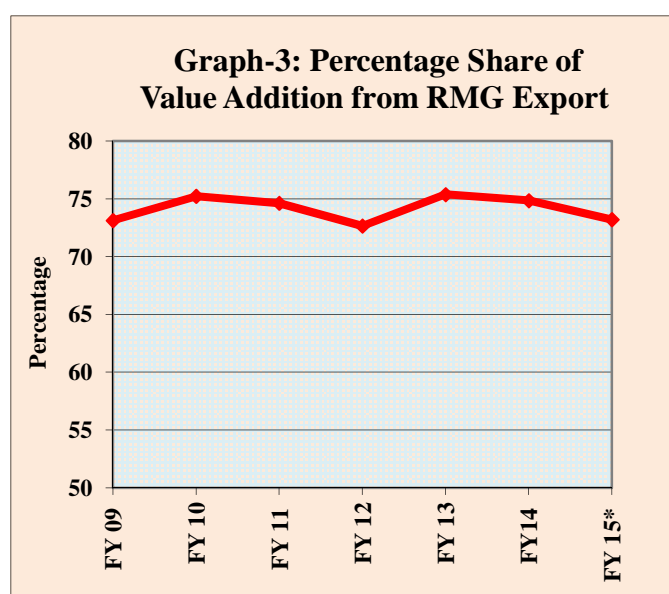


Table-3: Trends of Value Addition from RMG Export in context of Raw Materials Import
(Million USD)

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*	14914.21	12024.28	3220.47	26.78	73.22

*July-December

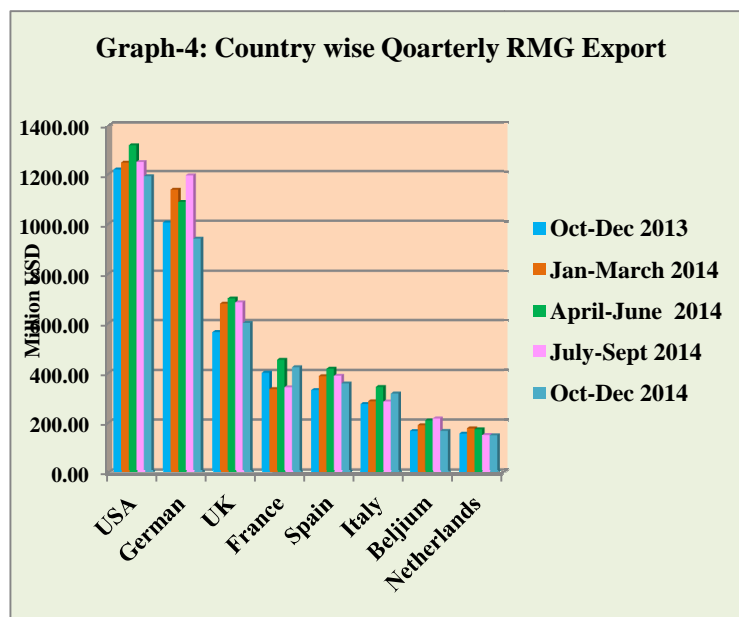
Source: A / Export Promotion Bureau.

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

B/ Amount of L/C Settlement under back to back import

Bangladeshi RMG Importer Countries

The main importer countries of Bangladeshi RMG are USA, UK, Germany, France, Spain, Italy, Belgium, Netherlands and Canada (Table-4). In October-December 2014 quarter, total export to these nine countries stood at USD 4881.48 million, of which 89.22 percent (woven 47.93% and knitwear 41.29%) is RMG export. RMG export to these nine countries



in October-December 2014 quarter is 8.34 percent lower than the previous quarter and 5.47 percent higher than October-December 2013 (Table-5). During this period, excepting increase in France (23.44%) and Italy (11.47%), RMG export to other seven countries decreases substantially compared to the previous quarter.

Table-4: Country-wise RMG Export in October-December 2013-14

(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	1320.13	908.25	284.34	1192.59	68.80	21.54	90.34	9.66
German	1029.68	397.46	544.75	942.21	38.60	52.90	91.51	8.49
UK	677.53	292.64	309.07	601.71	43.19	45.62	88.81	11.19
France	458.67	167.09	257.73	424.82	36.43	56.19	92.62	7.38
Spain	389.47	171.05	188.68	359.73	43.92	48.45	92.36	7.64
Italy	354.5	143.08	175.78	318.86	40.36	49.59	89.95	10.05
Belgium	231.41	69.75	99.01	168.76	30.14	42.79	72.93	27.07
Netherlands	198.08	71.74	79.33	151.07	36.22	40.05	76.27	23.73
Canada	222.01	118.74	76.9	195.64	53.48	34.64	88.12	11.88
Sub-Total	4881.48	2339.8	2015.59	4355.39	47.93	41.29	89.22	10.78
Others	2337.63	660.19	775.53	1435.72	28.24	33.18	61.42	38.58
Total	7219.11	2999.99	2791.12	5791.11	41.56	38.66	80.22	19.78

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

(Million USD)

Countries	Oct-Dec 13	Jan-March 14	April-June 14	July-Sep 14	Oct-Dec 14	Quarterly Growth (%)	Yearly Growth (%)
USA	1220.06	1247.95	1317.28	1250.22	1192.59	-4.61	-2.25
German	1007.29	1138.98	1088.97	1196.63	942.21	-21.26	-6.46
UK	565.20	679.60	700.94	684.51	601.71	-12.10	6.46
France	401.92	336.78	453.88	344.15	424.82	23.44	5.70
Spain	332.27	388.55	417.97	389.82	359.73	-7.72	8.26
Italy	276.61	287.68	344.90	286.05	318.86	11.47	15.27
Belgium	168.41	191.12	210.49	218.42	168.76	-22.74	0.21
Netherlands	157.86	178.99	174.65	151.55	151.07	-0.32	-4.30
Canada				230.24	195.64	-15.03	
Sub-Total	4129.62	4449.65	4709.08	4751.59	4355.39	-8.34	5.47
Others	1598.69	1670.84	1730.11	1481.58	1435.72	-3.10	-10.19
Total	5728.31	6120.49	6439.19	6233.17	5791.11	-7.09	1.10

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 80.22 percent of our total export and 84.19 percent of industrial products export during October-December, FY15. In July-September the shares were 81.00 percent and 85.46 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.