

Quarterly Review on Readymade Garments (RMG)¹: April-June of FY23



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Quarterly Review on Readymade Garments (RMG)

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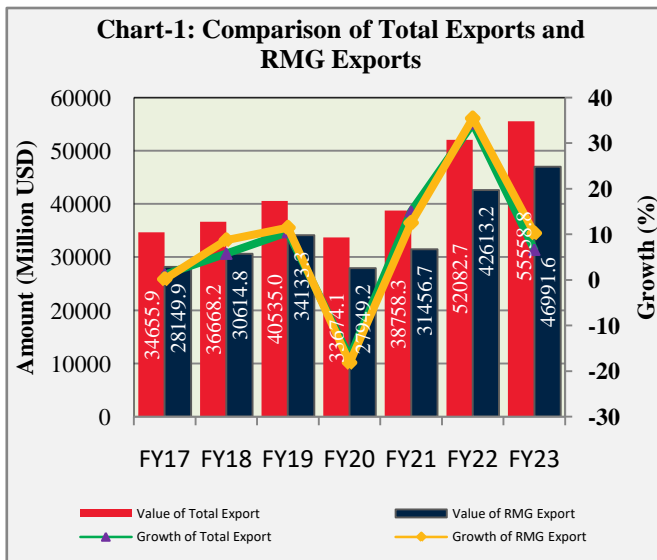
Summary

- ❖ Total export earnings from Readymade Garments (RMG) stood at USD 11739.17 million in April-June of FY23 (Woven USD 5138.45 million and Knitwear USD 6600.72 million) which was 4.22 percent lower than that of the previous quarter but 4.96 percent higher than that of the same quarter of the last year.
- ❖ RMG's total export earnings in April-June of FY23 were 7.55 percent lower than the quarterly target of USD 12697.32 million.
- ❖ The United States, Germany, the United Kingdom, Spain, France, Italy, the Netherlands, Canada, and Belgium were the top destinations for Bangladesh's RMG exports during April-June of FY23. From these nine countries, Bangladesh earned USD 8329.16 million from RMG, accounting for 70.95 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 8390.70 million or 71.48 percent of gross RMG exports.

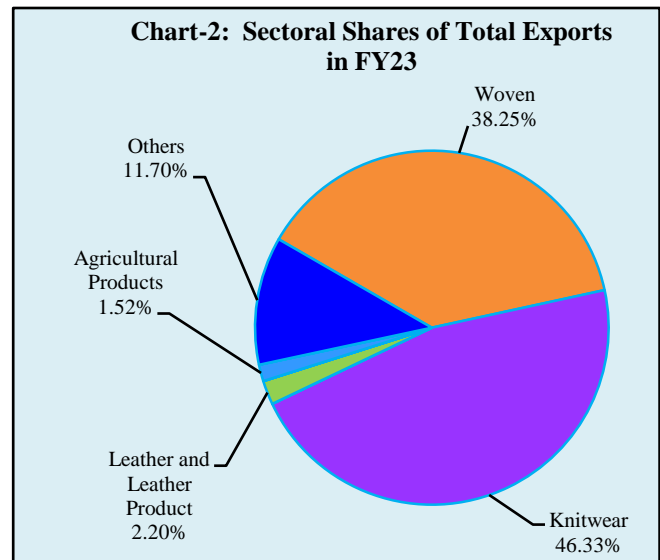
Quarterly Review on Readymade Garments (RMG): April-June of FY'23

The RMG industry plays a crucial role in Bangladesh's economy by making a substantial contribution to the country's GDP and representing a lion share of gross export earnings. However, the RMG sector experienced a slight decline in growth during the April-June quarter of FY23 compared to the previous quarter, primarily due to a potential global recession that has resulted in reduced demand from major export destination countries. Nevertheless, it is worth noting that the overall RMG export has maintained reasonably a good growth throughout the fiscal year. In the coming periods, the RMG sector may encounter challenges due to ongoing trade tensions and economic slowdown in our major export destinations.

In FY23, the RMG sector made a significant contribution of 10.35 percent to Bangladesh's GDP. The total RMG export earnings for the fiscal year amounted to USD 46991.61 million, representing a growth of 10.27 percent compared to the previous fiscal year (Chart-1). The distribution of total export earnings across different sectors in FY23 may be observed in Chart-2.



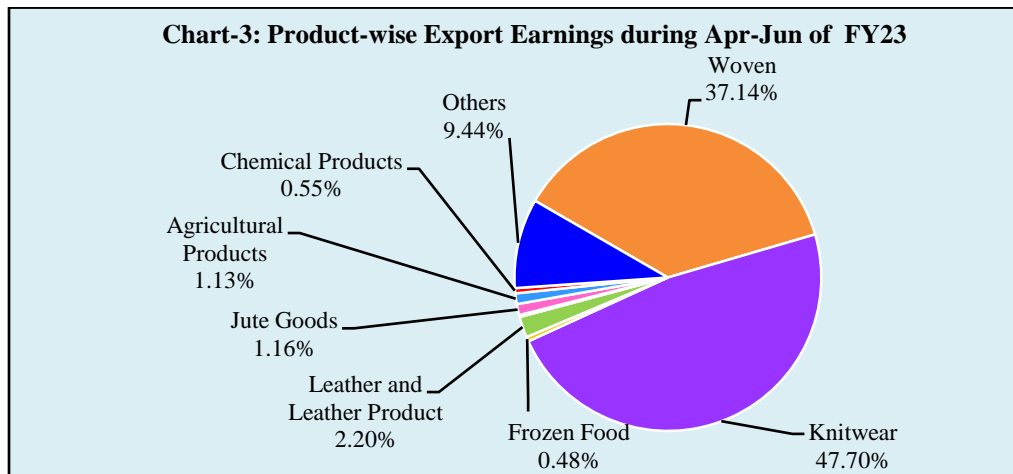
Source: Export Promotion Bureau (EPB)



Source: Export Promotion Bureau (EPB)

Quarterly Performance of RMG: April-June of FY23

During the fourth quarter of FY23, the export earnings from RMGs stood at USD 11739.17 million which was 4.96 percent higher than that of the corresponding quarter of previous fiscal year. However, due to tight financial condition of the global economy, RMG exports slightly declined by 4.22 percent as compared to the previous quarter. It also fell short by 7.55 percent of the target set for the quarter. Among the RMG sub-sectors, woven garments accounted for 37.14 percent of total export earnings, while knitwear contributed 47.70 percent (Table-1). Among the non-RMG items, leather and leather products accounted for 2.20 percent, agricultural products for 1.13 percent, jute goods for 1.16 percent, chemical products for 0.55 percent, frozen foods for 0.48 percent and other products for 9.44 percent (Chart-3).



Source: Export Promotion Bureau (EPB)

Knitwear

In the April-June quarter of FY23, export earnings from the knitwear sector reached to USD 6600.72 million which escalated by 1.90 percent and 8.31 percent respectively compared to the previous quarter and the same quarter of the previous year. However, knitwear exports fell short by 4.96 percent of the target set for the quarter (Table-1).

Woven Garments

The fourth quarter of FY23 showed a declining trend in export earnings from woven garments, which stood at USD 5138.45 million indicating 11.07 percent lower than that of the previous quarter but 0.95 percent higher than that of the same quarter of the previous year. Moreover,

exports of woven garments fell short by 10.66 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.

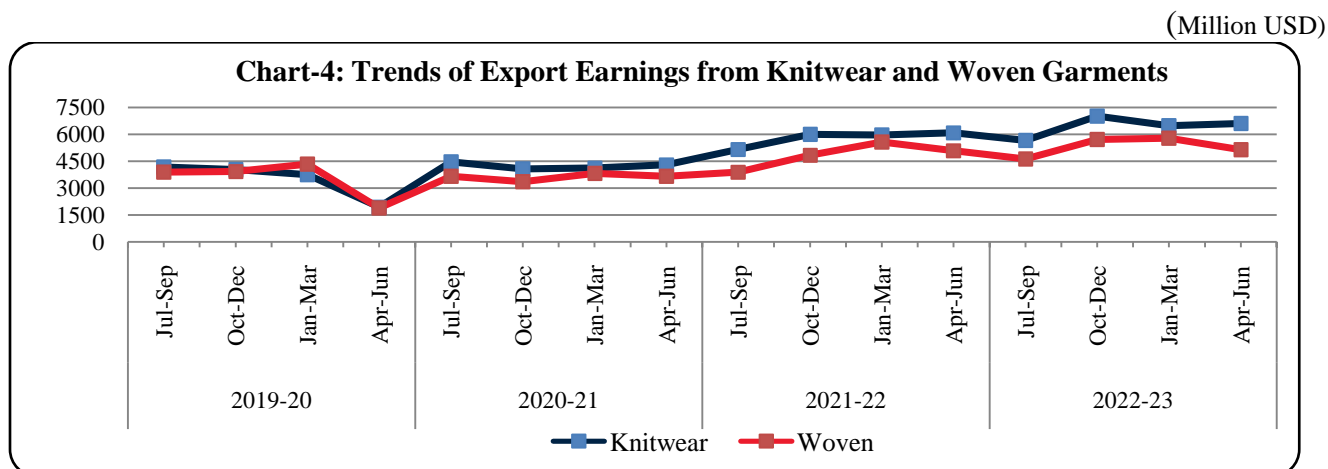


Table-1: Export of Readymade Garments

(From FY18 to FY23)

(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
FY'20	33674.09	19350.00	14041.19	18850.00	13908.00	27949.19	41.70	41.30	83.00
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
FY'21	38758.31	17085.00	14496.70	16700.00	16960.03	31456.73	37.40	43.76	81.16
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
FY'22	52082.66	15629.00	19398.84	19515.00	23214.32	42613.15	37.25	44.57	81.82
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
FY'23	55558.77	21,200.00	21,253.41	25600	25,738.20	46991.61	38.25	46.33	84.58

Source: Export Promotion Bureau, Bangladesh

Import of Raw Materials and Net Exports 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 3348.47 million in April-June of FY23, accounting for 28.52 percent of total RMG export earnings. As a result, net exports

from this sector stood at USD 8390.70 million in the fourth quarter of FY23 which was 3.66 percent lower than that of the preceding quarter but 38.79 percent higher than that of the same period of previous year. The imports of raw materials and net exports based on L/C statements from FY20 (April-June) to FY23 (April-June) are shown in Chart-5 and Table-2 respectively.

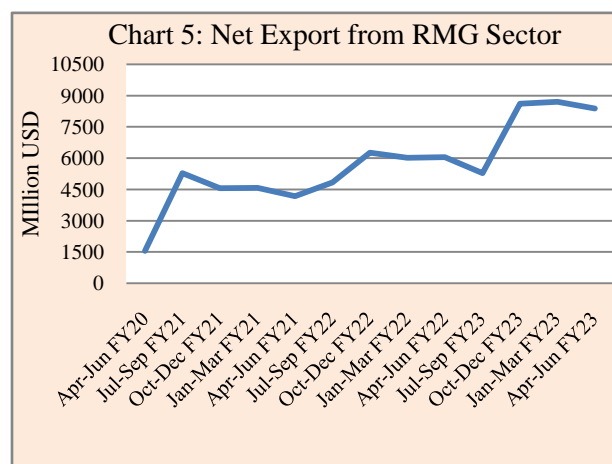


Table-2: Trends of Net Exports from RMG Sector Against Raw Materials Import

(Million USD)

Fiscal Year	RMG Export ^{A/}	Raw Materials Import ^{B/}	Net export in RMG
1	2	3	4=2-3
Apr-Jun FY20	3845.47	2290.85	1554.62 (40.43%)
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%)

^{A/} As per Export Promotion Bureau.

^{B/} 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 percentage of Total RMG Export.

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

Destination of RMG Exports

The main destinations of Bangladesh's RMG exports are the USA, Germany, UK, Spain, France, Italy, Netherlands, Canada, and Belgium (Chart-6). During April-June of FY23, total export earnings from these nine countries stood at USD 9035.04 million of which 92.19 percent or USD 8329.16 million was earned from the RMG (woven 42.16 percent and knitwear 50.03 percent) exports (Table-3). During the quarter under report, RMG export earnings from these nine countries relatively decreased by 1.00 percent but increased by 1.39 percent as compared to that of the previous quarter and that of the corresponding quarter of the preceding fiscal year, respectively.

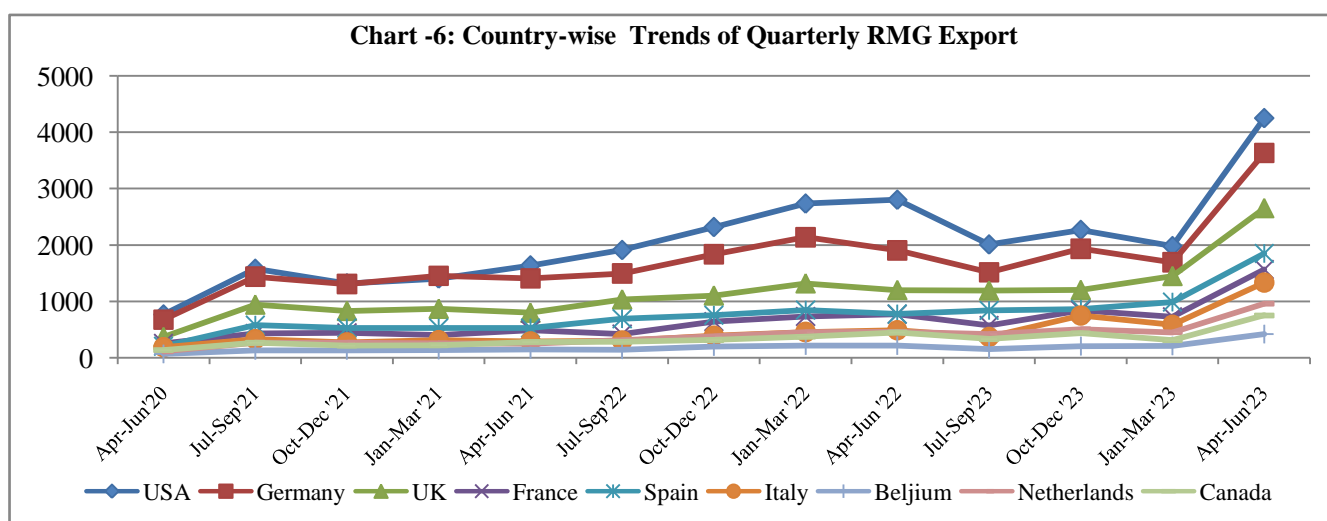


Table-3: Country wise RMG Export in April-June, FY23

(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	2525.08	1488.42	768.94	2257.36	267.72	89.40	10.60
Germany	1621.14	496.44	1036.91	1533.34	87.79	94.58	5.42
United Kingdom	1248.33	489.93	690.11	1180.04	68.28	94.53	5.47
France	898.82	303.46	497.43	800.89	97.93	89.10	10.90
Spain	903.01	362.10	519.45	881.54	21.47	97.62	2.38
Italy	596.48	161.24	401.67	562.91	33.57	94.37	5.63
Belgium	219.49	67.91	121.80	189.72	29.78	86.43	13.57
Netherlands	525.53	183.21	284.00	467.21	58.32	88.90	11.10
Canada	497.15	256.33	199.81	456.14	41.01	91.75	8.25
Sub-Total	9035.04	3809.05	4520.11	8329.16	705.88	92.19	7.81
Others	4802.11	1329.40	2080.61	3410.01	1392.10	71.01	28.99
Total	13837.15	5138.45	6600.72	11739.17	2097.98	84.84	15.16

Source: Export Promotion Bureau, Bangladesh.

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 some important measures are highlighted below:

Pre-shipment Credit: To continue the export activities of export oriented RMG industries amid the Corona 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 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: During the FY23, to encourage the country's export trade, export subsidies or cash incentives have been given for some export items from 1 July 2022 to 30 June 2023. Among them, 4 percent cash incentive has been given to export oriented garments sector, small & medium industry of garments sector and to help expanding the new items/ new market for garments sector (excluding the USA, Canada, EU, UK). An additional 2 percent has given as special incentives for the exporters of garments items to EURO Zone. Moreover, 1 percent special cash incentive has been given to RMG sector (FE Circular No-26, Date September 19, 2022).

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

The RMG sector in Bangladesh has shown signs of recovery after the Covid-19 pandemic. However, challenges like ongoing Russian-Ukraine war and its resultant impact of supply chain disruptions, global inflation hike and monetary policy tightening by the Fed may badly impact the progress of this sector. To overcome these challenges and boost export earnings growth, the focus should be given on inter-apparel diversification, increasing productivity and efficiency, product innovation, exploring new global markets, and skill development of RMG workers.