

Quarterly Review on Readymade Garments (RMG)¹: January-March FY'23



Bangladesh Bank **Research Department** **External Economics Wing**

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Quarterly Review on Readymade Garments (RMG)

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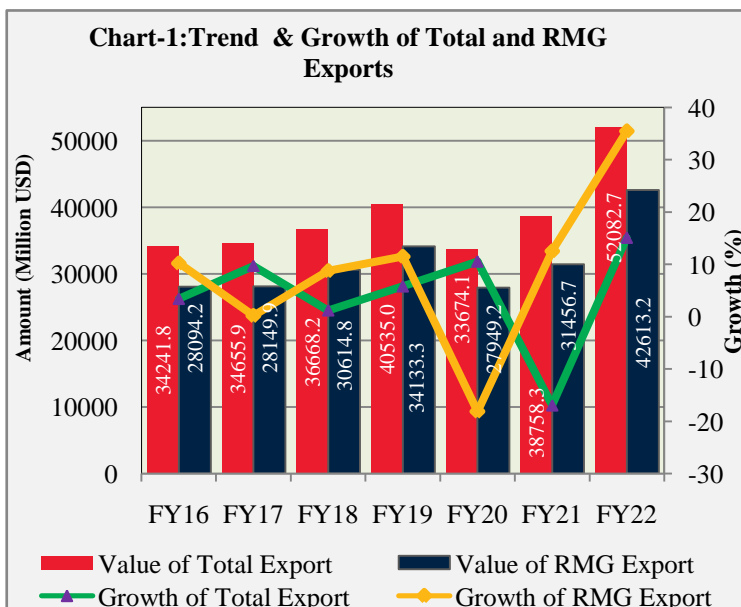
Summary

- ❖ Total export earnings from Readymade Garments (RMG) stood at USD 12255.75 million in January-March FY23 (Woven USD 5777.95 million and Knitwear USD 6477.80 million) which was 3.67 percent lower than that of the previous quarter but 6.32 percent higher than same quarter of the last year respectively.
- ❖ RMG's total export earnings in January-March FY23 were 0.77 percent higher than the quarterly target of USD 12162.36 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 January-March FY23. From these nine countries, Bangladesh earned USD 8412.46 million from RMG, accounting for 68.64 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 8709.23 million or 71.06 percent of gross RMG exports.

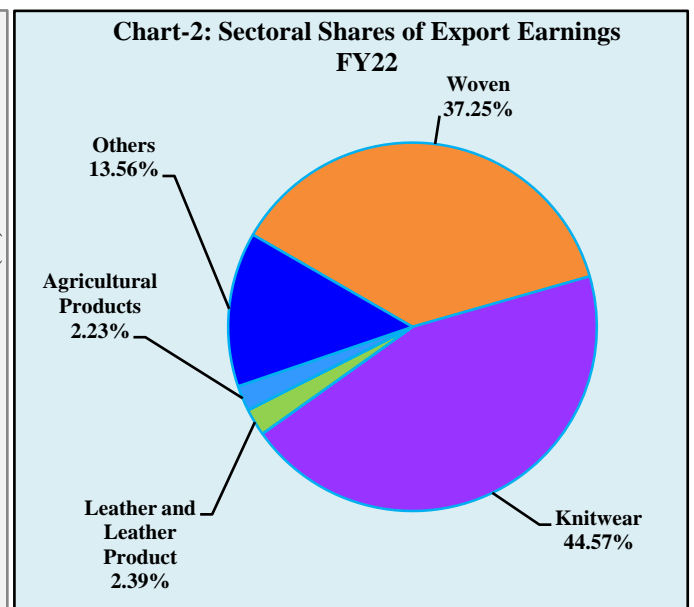
Quarterly Review on Readymade Garments (RMG): January-March FY'23

Bangladesh's economy is widely dependent on export earnings from the Readymade Garments (RMG) sector. Due to potential threat of a global recession, the buyers and brands of our major export destination countries are facing slow growth of demand which is being resulted in our RMG sector to witness slightly downturn in the growth of January-March quarter of FY23 compared to the previous quarter, though the total RMG export has been maintaining a decent growth during the fiscal year. The total export earnings of Bangladesh from the RMG sector in the said quarter were USD 12255.75 million, which outperformed by 6.32 percent and 0.77 percent than that of the previous year's corresponding quarter and the quarterly target respectively. Nevertheless, the RMG sector may face some challenges in the upcoming periods as the persistent trade tensions and economic slowdown are continued in our export destination countries.

In FY22, the RMG sector contributed 9.25 percent to GDP. Bangladesh's overall RMG export earnings stood at USD 42613.15 million in FY22, which was 35.47 percent higher than that of the previous fiscal year (Chart-1). The sectoral shares of export earnings in FY22 have been shown in Chart-2.



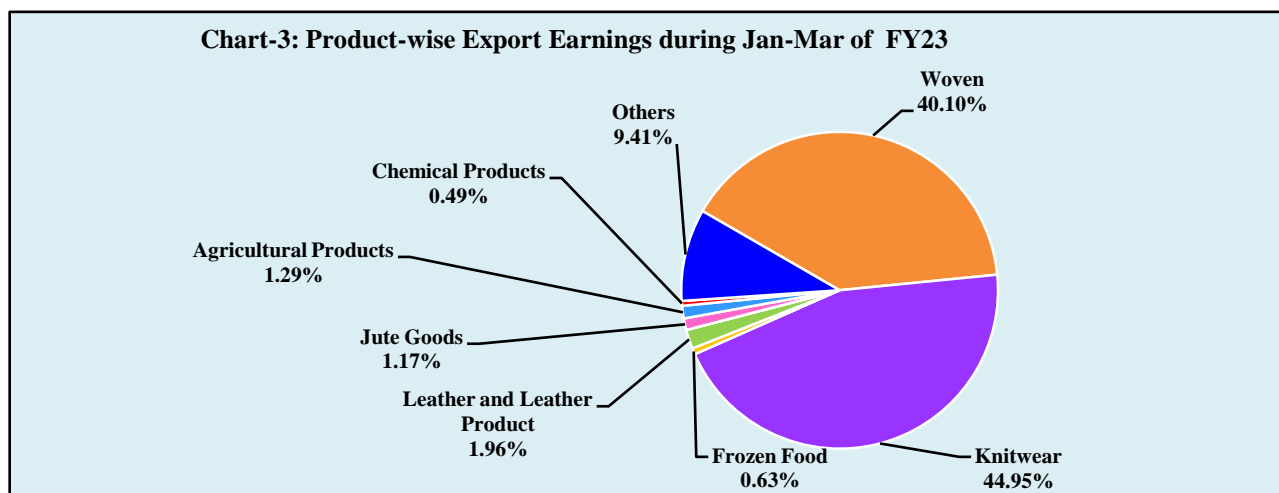
Source: Export Promotion Bureau (EPB)



Source: Export Promotion Bureau (EPB)

Quarterly Performance of RMG: January-March FY23

RMGs' export earnings stood at USD 12255.75 million during the third quarter of FY23. Due to the sluggishness of growth in the world economy, RMGs' export earnings abated by 3.67 percent than that of the previous quarter. Woven garments and knitwear contributed 40.10 percent and 44.95 percent respectively to total export earnings during the quarter under report (Table-1). Besides, in this quarter, the contributions of non-RMG products to total export earnings recorded as leather and leather products (1.96 percent), agricultural products (1.29 percent), jute goods (1.17 percent), frozen foods (0.63 percent), chemical products (0.49 percent) and other products (9.41 percent) (Chart-3).



Source: Export Promotion Bureau (EPB)

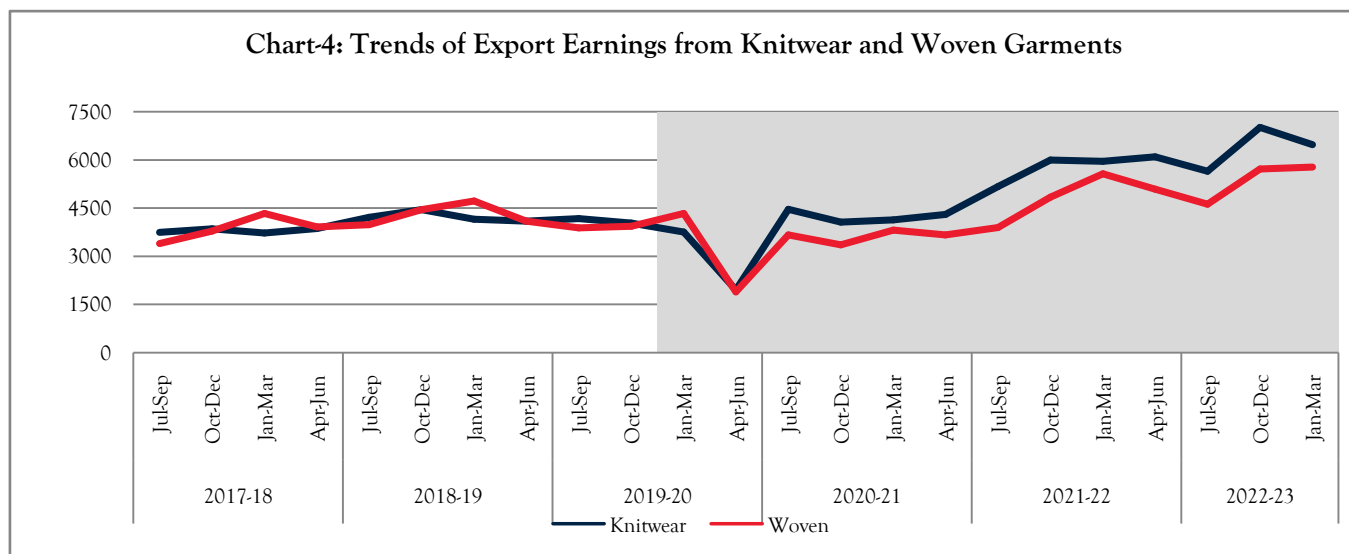
Knitwear

After moderately improving in the previous quarter, export earnings from the knitwear sector lessened in January-March FY23 to USD 6477.80 million, which was 7.59 percent lower than the previous quarter but 8.72 percent higher than the same quarter of the previous year. Furthermore, knitwear exports were 2.63 percent lower than the target for the quarter under review (Table-1). Export trends of knitwear and woven garments are displayed in Chart-4 on quarterly basis.

Woven Garments

The third quarter of FY23 showed slightly rising trend in export earnings from woven, which stood at USD 5777.95 million, 1.15 percent and 3.74 percent higher than that of the previous

quarter and the same quarter of the previous year respectively. Moreover, exports of woven garments were 4.87 percent higher than the quarterly export target (Table-1). Chart-4 shows quarterly trend of export earnings from knitwear and woven garments. (Million USD)



*Shaded area denotes the export earnings during Covid period

Table-1: Export of Readymade Garments
(From FY17 to Jan-Mar 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)
FY17	34655.92	16210.00	14392.59	14169.00	13757.30	28149.89	41.53	39.70	81.23
FY18	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
Jul-Sep FY20	9647.99	4612.95	3887.34	4493.76	4170.22	8057.56	40.29	43.22	83.51
Oct-Dec FY20	9654.17	4797.10	3930.88	4673.14	4035.58	7966.46	40.72	41.80	82.52
Jan-Mar FY20	9671.67	5004.21	4330.95	4874.90	3748.75	8079.70	44.78	38.76	83.54
Apr-Jun FY20	4700.26	4935.74	1892.02	4808.20	1953.45	3845.47	40.25	41.56	81.81
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

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 3546.52 million in January-March FY23, accounting for 28.94 percent of total RMG export earnings. As a result, net exports from this sector stood at USD 8709.23

million in the third quarter of FY23 which was 1.13 percent higher than that of the preceding quarter and also 44.61 percent higher than the same period of previous year. The imports of raw materials and net export based on L/C statements from FY20 (January-March) to FY23 (up to January-March) are shown in Chart-5 and Table-2 respectively.

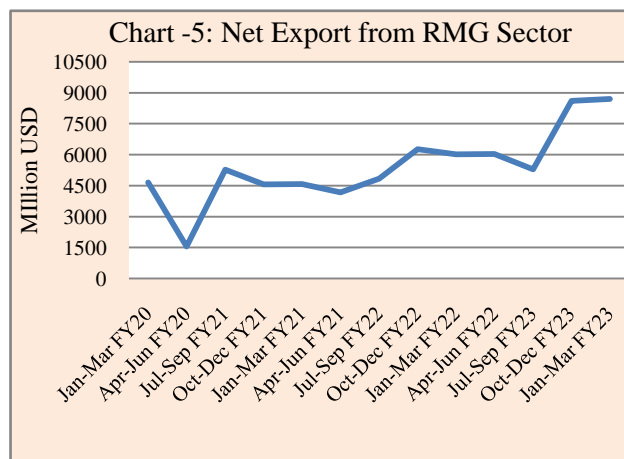


Table-2: Trends of Net Exports from RMG Sector Against Raw Materials Import

(Million USD)

Fiscal Year	RMG Export ^{A/}	Raw Materials Import ^{B/}	Net export in RMG
1	2	3	4=2-3
Jan-Mar FY20	8079.70	3427.93	4651.77
Apr-Jun FY20	3845.47	2290.85	1554.62
Jul-Sep FY21	8126.38	2845.83	5280.55
Oct-Dec FY21	7419.18	2847.81	4571.37
Jan-Mar FY21	7942.36	3366.55	4575.81
Apr-Jun FY21	7968.81	3795.97	4172.84
Jul-Sep FY22	9059.44	4219.94	4839.50
Oct-Dec FY22	10841.26	4574.91	6266.35
Jan-Mar FY22	11527.70	5505.17	6022.53
Apr-Jun FY22	11184.76	5139.17	6045.59
Jul-Sep FY23	10274.34	4984.13	5290.21
Oct-Dec FY23	12722.35	4110.42	8611.93
Jan-Mar FY23	12255.75	3546.52	8709.23

^{A/} As per Export Promotion Bureau.

^{B/} From July- September 2018, 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.

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 January-March of FY23, total export earnings from these nine countries stood at USD 9123.67 million; of which 92.20 percent or USD 8412.46 million was earned from the RMG (woven 45.45 percent and knitwear 46.75 percent) exports (Table-3). During the quarter under report, RMG export earnings from these nine countries relatively decreased by 6.74 percent and 0.11 percent as compared to that of the previous quarter and that of the corresponding quarter of the preceding fiscal year, respectively.

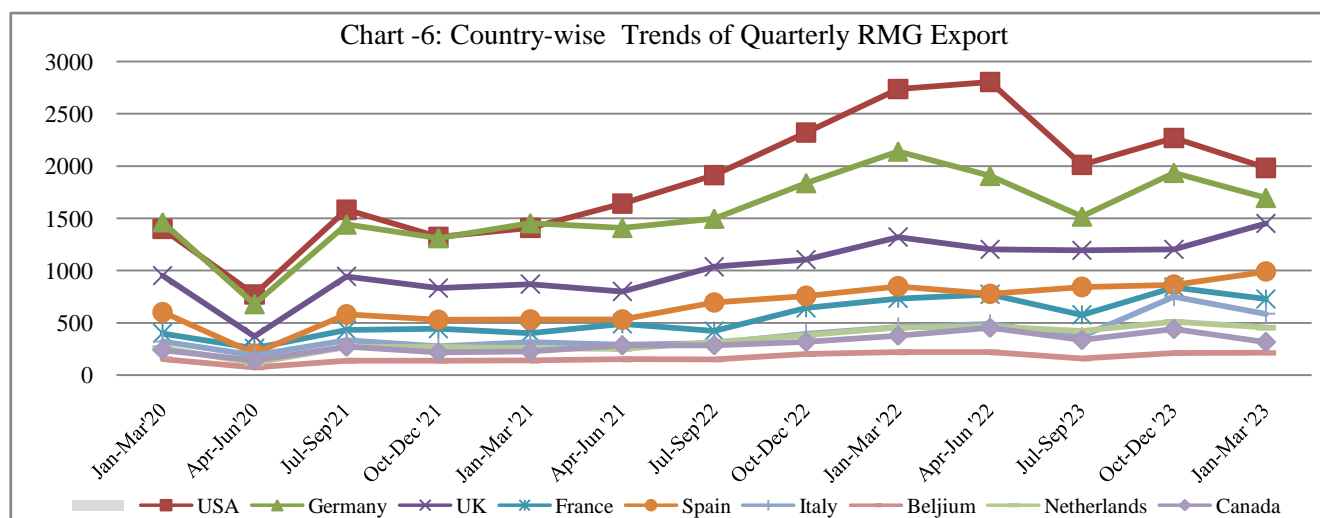


Table-3: Country wise RMG Export in January-March, FY23

(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	2260.9	1357.72	623.32	1981.04	279.86	87.62	12.38
Germany	1784.54	726.31	969.4	1695.71	88.83	95.02	4.98
UK	1527.87	659.82	790.76	1450.58	77.29	94.94	5.06
France	808.47	279.3	448.48	727.78	80.69	90.02	9.98
Spain	1017.85	419.86	569.93	989.79	28.06	97.24	2.76
Italy	616.01	255.56	330.55	586.11	29.9	95.15	4.85
Belgium	250.78	72.34	140.32	212.66	38.12	84.80	15.20
Netherlands	495.74	196.33	256.92	453.25	42.49	91.43	8.57
Canada	361.51	179.82	135.72	315.54	45.97	87.28	12.72
Sub-Total	9123.67	4147.06	4265.4	8412.46	711.21	92.20	7.80
Others Countries	5286.69	1630.89	2212.4	3843.29	1443.4	72.70	27.30
Total	14410.36	5777.95	6477.80	12255.75	2154.61	85.05	14.95

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 been 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).

Extended Facilities for Trade Transactions: To facilitate smooth transition in the external trade activities of the country, the following steps have been undertaken:

a) The usage period for industrial raw material imports, including back-to-back imports under supplier or buyer credit, has been extended up to 270 days under the Guideline for Foreign Exchange Transactions (GFET)-2018, Vol.-1. Later, it was decided to extend the usance period to 360 days from 270 days effective till December 31, 2022, though the extended usance period are not applicable for imports under EDF loans (FE Circular No-18, Date July 20, 2022).

(b) The Export Development Fund (EDF) limit for individual BTMA and BGMEA member mills have been enhanced to USD 30 million from USD 25 million and the period of EDF loan remained valid for the respective transactions till December 31, 2022 (FE Circular No-16, Date July 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 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).

Conclusion

The RMG sector of Bangladesh was turning around fairly well in the post Covid-19 period, though the Russian invasion on Ukraine in late February of the last year and its resultant impact of supply chain disruptions, globally high inflation and tight monetary policy of the Fed etc. have created some challenges in the recent months. However, to face different corresponding challenges and to accelerate the export growth of RMG, we should focus on inter-apparel diversification, increase productivity, efficiency and product innovation. At the same time, Bangladesh should prioritize exploring new global markets. Moreover, emphasis should be given on skill development of the RMG workers for facing potential challenges and harnessing available benefits of this sector.