

# Quarterly Review on Readymade Garments (RMG)<sup>1</sup>: April-June FY'22



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

---

<sup>1</sup>Comments on any aspects of the report are highly welcomed and can be sent to Shampa Chakraborty, Joint Director, Research Department, Samim Uddin, Deputy Director, Research Department. and Md. Jahedul Islam, Assistant Director, Research Department. E-mails: [shampa.chakraborty@bb.org.bd](mailto:shampa.chakraborty@bb.org.bd), [samim.uddin@bb.org.bd](mailto:samim.uddin@bb.org.bd), and [jahedul.islam@bb.org.bd](mailto:jahedul.islam@bb.org.bd).

## Summary

- ❖ Total export earnings from Readymade Garments (RMG) stood at USD 11184.76 million in April-June FY22 (Woven USD 5090.34 million and Knitwear USD 6094.42 million), which was 2.97 percent lower than that of the previous quarter but 40.36 percent higher than the same quarter of last year.
- ❖ RMG's total export earnings in April-June FY22 were 26.99 percent higher than the quarterly target of USD 8807.81 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 FY22. From these nine countries, Bangladesh earned USD 8215.13 million from RMG, accounting for 73.45 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 6045.59 million, or 54.05 percent of gross RMG export.

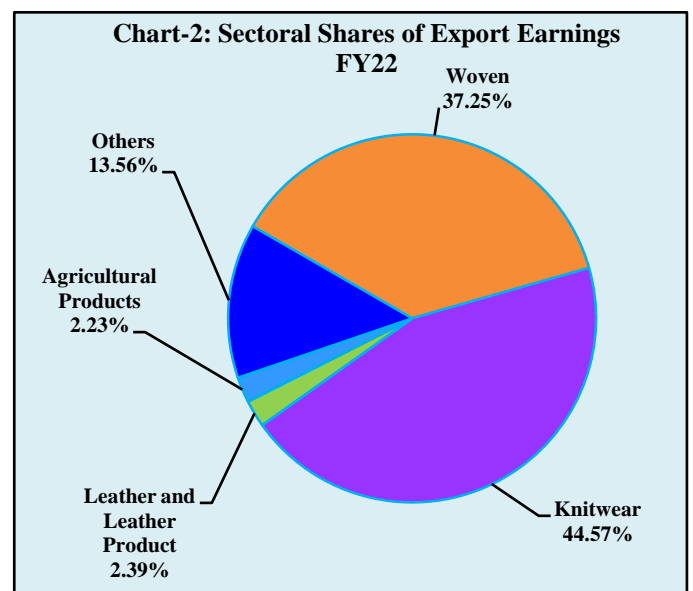
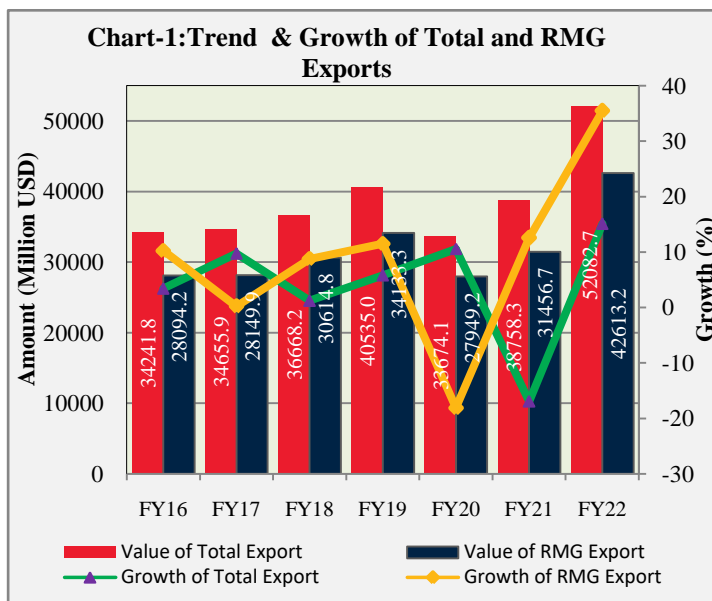
## Quarterly Review on Readymade Garments (RMG): April-June FY'22

Export earnings in Bangladesh hit an all time high of USD 52.08 billion in FY22, where as usually the Readymade Garments (RMG) fetched the lions share, netting USD 42.61 billion despite COVID related uncertainties throughout the world.

In the said quarter of FY22, the country's RMG export earnings were USD 11184.76 million which were 2.97 percent lower than that of the previous quarter but 40.36 percent higher than the same quarter of last year and simultaneously 26.99 percent higher than the quarterly export target. This upsurge in export growth mainly fueled by the continuous supporting roles from the government and Bangladesh Bank. However, the momentum of this rising trend may some-what be conical in the current fiscal year due to ongoing Russia-Ukraine war, the global energy price-hike, and rising inflation in our major export destinations.

In FY22, the RMG sector contributed 9.25 percent to GDP. Bangladesh's overall RMG export earnings stood at USD 42613.15 million, 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.

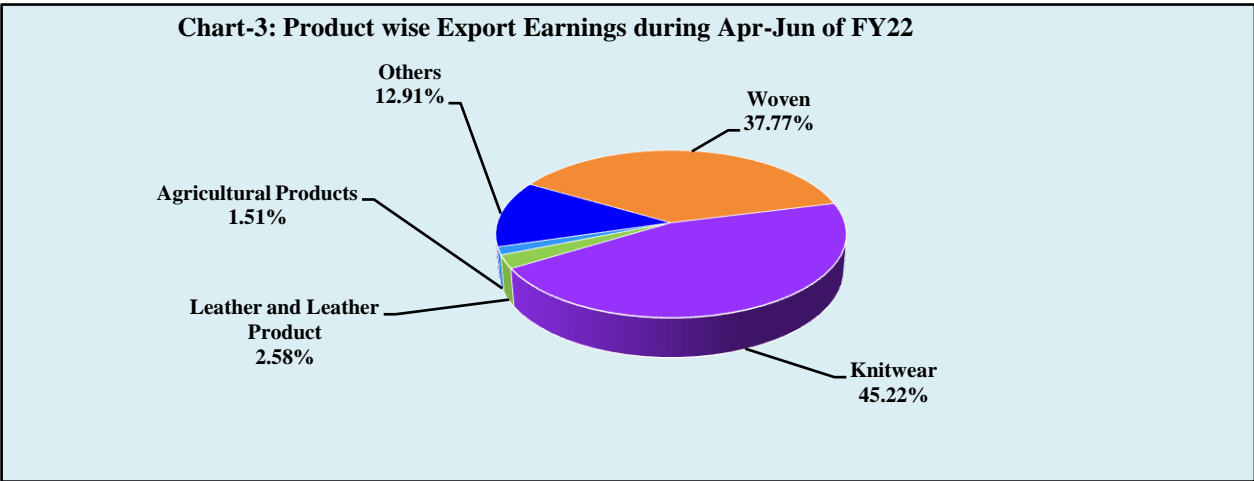


Source: Export Promotion Bureau (EPB)

Source: Export Promotion Bureau (EPB)

### Quarterly Performance of RMG: April-June FY22

RMG's export earnings stood at USD 11184.76 million during the last quarter of FY22. Due to substantial improvement of COVID situation, RMG's export earnings escalated into 26.99 percent higher than that of the quarterly target. Woven garments and knitwear contributed 37.77 percent and 45.22 percent respectively to total export earnings during the quarter under review (Table-1). Besides, in this quarter, the contributions of non-RMG products to total exports earnings were as follows: leather and leather products (2.58 percent), agricultural products (1.51 percent), and other products (12.91 percent) (Chart 3).



Source: Export Promotion Bureau (EPB)

### Knitwear

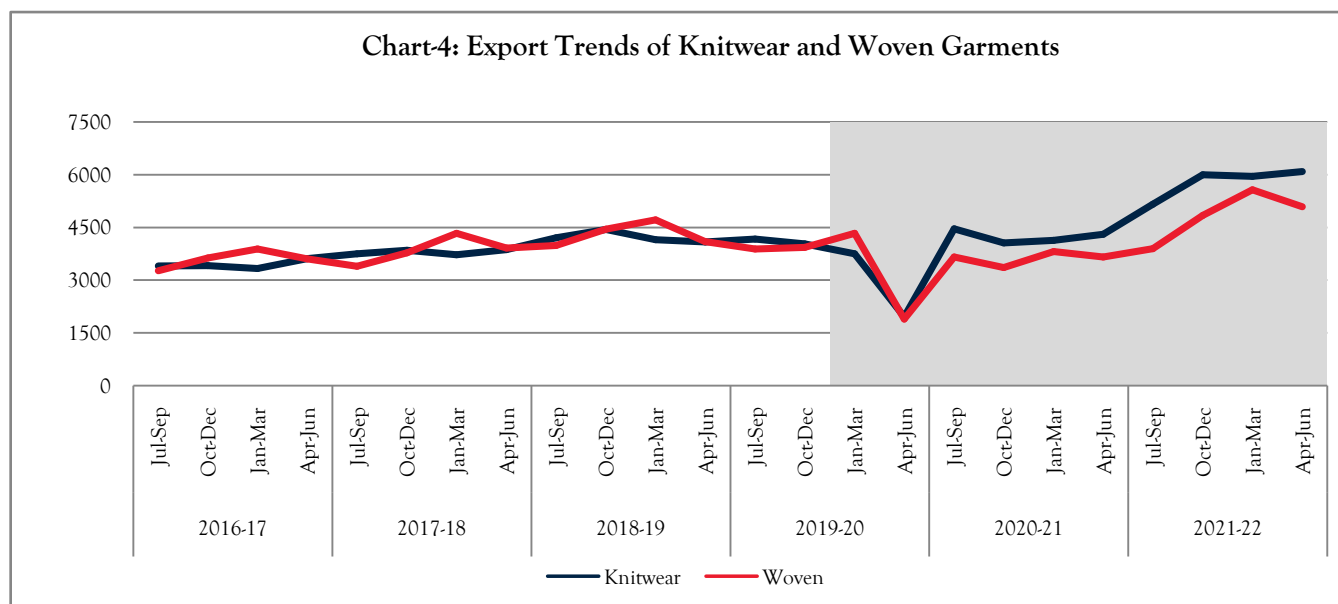
After experiencing a slight setback of growth in the previous quarter, export earnings from knitwear rose in April-June FY22, to USD 6094.42 million, which was 2.29 percent higher than the previous quarter and 41.54 percent higher than the same period of the previous year. Furthermore, knitwear exports were 24.61 percent larger than the target for the quarter under review (Table-1). Export trends of knitwear and woven are displayed in Chart-4 on quarterly basis.

### Woven Garments

The fourth quarter of FY22 showed a declining trend of export earnings from woven, which stood at USD 5090.34 million, a down 8.60 percent from the previous quarter but 38.97 percent higher than that of the same quarter of the previous year. Moreover, exports of woven garments

were 29.96 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 FY22)

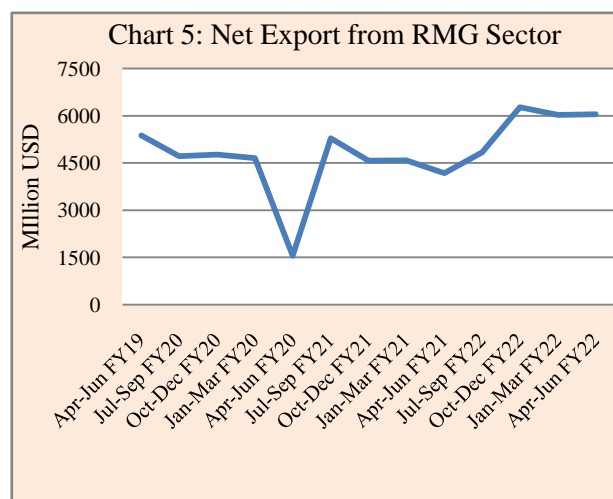
(Million USD)

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
<b>FY'19</b>	<b>40535.04</b>	<b>16539.00</b>	<b>17244.73</b>	<b>16150.00</b>	<b>16888.54</b>	<b>34133.27</b>	<b>42.54</b>	<b>41.66</b>	<b>84.21</b>
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
<b>FY'20</b>	<b>33674.09</b>	<b>19350.00</b>	<b>14041.19</b>	<b>18850.00</b>	<b>13908.00</b>	<b>27949.19</b>	<b>41.70</b>	<b>41.30</b>	<b>83.00</b>
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
<b>FY'21</b>	<b>38758.31</b>	<b>17085.00</b>	<b>14496.70</b>	<b>16700.00</b>	<b>16960.03</b>	<b>31456.73</b>	<b>37.40</b>	<b>43.76</b>	<b>81.16</b>
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
<b>FY'22</b>	<b>52082.66</b>	<b>15629.00</b>	<b>19398.84</b>	<b>19515.00</b>	<b>23214.32</b>	<b>42613.15</b>	<b>37.25</b>	<b>44.57</b>	<b>81.82</b>

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 5139.17 million in April-June FY22, accounting for 45.95 percent of total RMG export earnings. As a result, net exports from this sector stood at USD 6045.59 million in the fourth quarter which was 0.38 percent and 44.88 percent higher than that of the preceding



quarter and the same period of previous year respectively. The imports of raw materials and net export based on L/C statement from FY19 (April-June) to FY22 (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 <sup>A/</sup>	Raw Materials Import <sup>B/</sup>	Net export in RMG
1	2	3	4=2-3
Apr-Jun FY19	8181.85	2808.64	5373.21
Jul-Sep FY20	8057.56	3349.17	4708.39
Oct-Dec FY20	7966.46	3201.95	4764.51
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

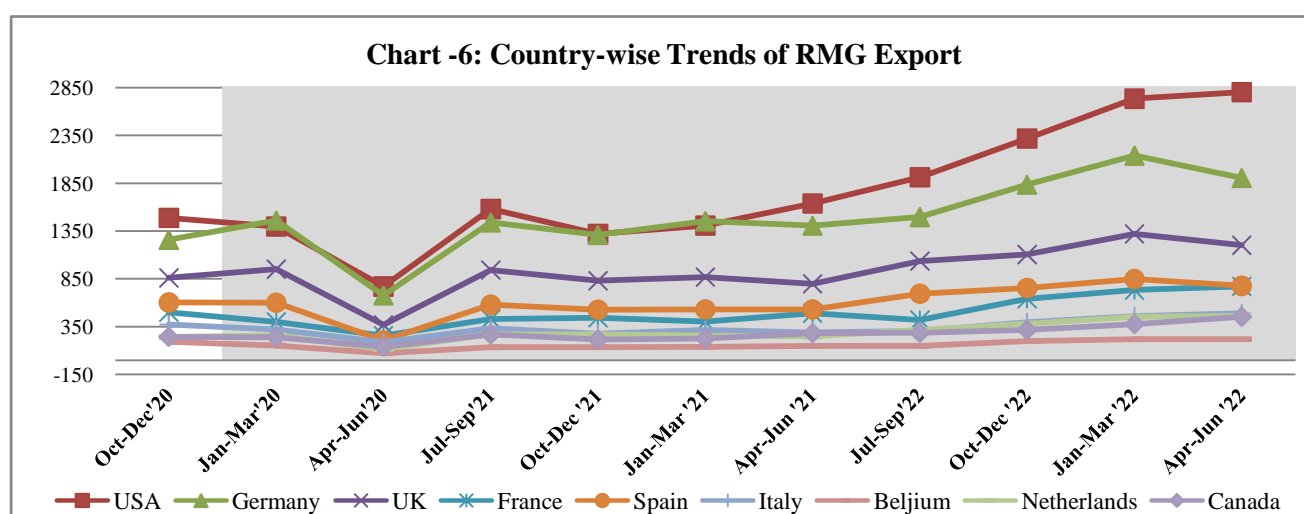
<sup>A/</sup>Export Promotion Bureau.

<sup>B/</sup>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 April-June of FY22, total export earnings from these nine countries stood at USD 9084.71 million; of which 90.43 percent or USD 8215.13 million was earned from the RMG (woven 43.03 percent and knitwear 47.40 percent) export (Table-3). During the quarter under report, RMG export earnings from these nine countries decreased by 2.45 percent as compared to that of the previous quarter but this was 40.81 percent higher than that of the corresponding quarter of the preceding fiscal year.



\*Shaded area denotes the export earnings during COVID-19

**Table-3: Country wise RMG Export in April-June, FY22**

Countries	Total Export	Woven Garments	Knitwear	Total RMG	Other Exports	(Million USD)	
						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	2802.42	1617.38	805.81	2423.19	379.23	86.47	13.53
Germany	1906.15	692.54	1105.58	1798.12	108.03	94.33	5.67
UK	1201.93	473.16	650.96	1124.12	77.81	93.53	6.47
France	771.37	247.15	432.06	679.21	92.16	88.05	11.95
Spain	777.47	315.37	434.09	749.46	28.01	96.40	3.60
Italy	490.22	148.21	313.80	462.01	28.21	94.25	5.75
Belgium	217.87	54.15	130.14	184.29	33.58	84.59	15.41
Netherlands	464.90	165.14	229.21	394.35	70.55	84.82	15.18
Canada	452.38	196.31	204.07	400.38	52.00	88.51	11.49
Sub-Total	9084.71	3909.41	4305.72	8215.13	869.58	90.43	9.57
Others Countries	4392.28	1180.93	1788.70	2969.63	1422.65	67.61	32.39
Total	13476.99	5090.34	6094.42	11184.76	2292.23	82.99	17.01

Source: Export Promotion Bureau, Bangladesh

## **Recent Measures Taken to Facilitate RMG Exports**

Recently, the government and Bangladesh Bank have undertaken a number of measures especially for facilitating production and export of the RMG sector. Some measures taken to boost up production and export of the RMG sector 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). Recently, for the betterment of economic growth in export sector, 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 the loan more than one times within the mentioned period (BRPD circular no: 44, Date 30 September 2021).

***Incentives for Export Expansion:*** During the FY22, to encourage the country's export trade, export subsidies or cash incentives have been given for some export items from 1 July 2021 to 30 June 2022. 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 garments sector (excluding the USA, Canada, UAE). In spite of existing 4 percent cash incentive, additional 2 percent has been given as support for the exporters of garments sector of EURO zones. Moreover, 1 percent special cash incentive has been to RMG sector (FE Circular No-29, Date 20 September, 2021).

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

- 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.
- (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



has been extended from 90 days to 270 days which remained valid for the respective transactions until June 30, 2022 (FE Circular No-01, Date January 6, 2022).

## **Conclusion**

The strong growth in the RMG industry and the boom in export earnings in the last several months are highly encouraging for Bangladesh. However, for the next phase of export growth and competitiveness for the RMG sector, the pace of innovation and digitalization should be given high priority. Furthermore, this sector requires the adaptability appetite for fast fashion demand and diversified products in the future to settle its own brand globally through the increasing knowledge and skills of garment workers.