

*Quarterly Review on Readymade Garments (RMG)<sup>1</sup>:  
October-December FY'22*



**Bangladesh Bank**  
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## Summary

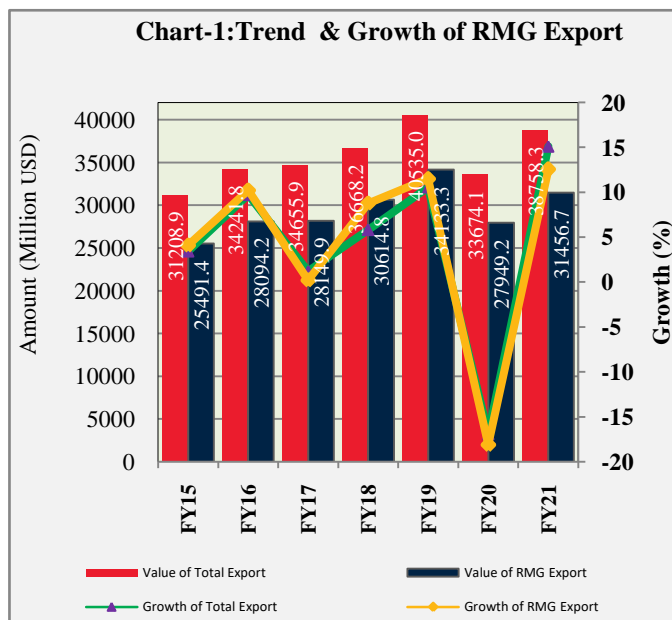
- ❖ In October-December FY22, total export earning from Readymade Garments (RMG) stood at USD 10841.26 million (Woven USD 4843.81 million and Knitwear USD 5997.45 million) which was 19.67 percent higher than that of the previous quarter and 46.12 percent higher than that of the corresponding quarter of last year aided by various continued policy initiatives by government and Bangladesh Bank.
- ❖ In October-December FY22, total export earning from RMG was 22.54 percent higher than that of the quarterly target of USD 8847.40 million.
- ❖ During October-December of FY22, the main destinations of Bangladesh's RMG were the USA, Germany, UK, Spain, France, Italy, Netherlands, Canada, and Belgium. Total RMG export earnings from these countries stood at USD 7955.98 million or 89.77 percent of the total RMG exports.
- ❖ The net export of RMG (as calculated by subtracting import value of RMG raw materials from RMG export value) was USD 6266.35 million or 57.80 percent of gross RMG export in this quarter.

## *Quarterly Review on Readymade Garments (RMG): October-December FY'22*

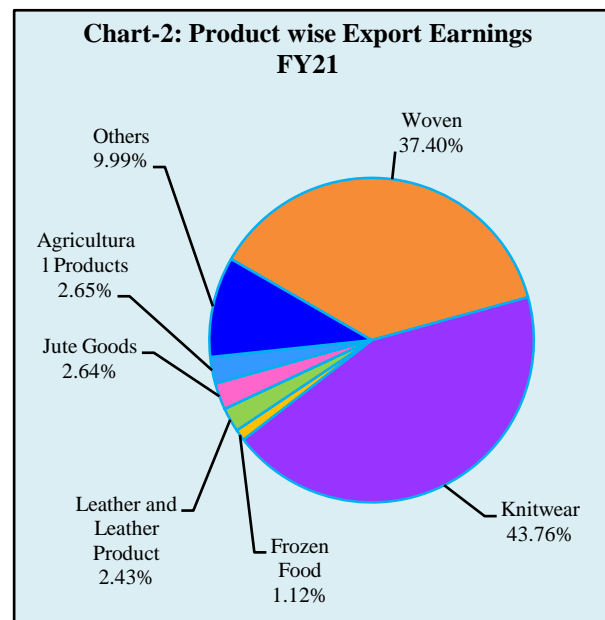
The external sector's of Bangladesh mainly impacted by both the value and volume of Readymade Garments (RMG) exports. The robust growth (19.67 percent) in export earning from RMG sector showed a ray of new hope in October-December FY22 quarter. Moreover, the quarterly export earnings from RMG was 46.12 percent higher than that of the corresponding quarter of the preceding year. This upsurge mainly aided by the reopening of western and USA economies following the improvement of Covid-19 situations along with various supportive roles from the government and the central bank. However, it is still uneven as Omicron's is the potential threat to garments exports to the west.

The contribution of RMG sector to GDP stood at 7.66 percent in FY21. At the same time, Bangladesh's total export earnings from RMG stood at USD 31456.73 million which was 12.55 percent higher than that of the previous fiscal year (Chart-1).

The contributions of RMG sector and non-RMG products to total export earnings in FY21 were shown in Chart-2.



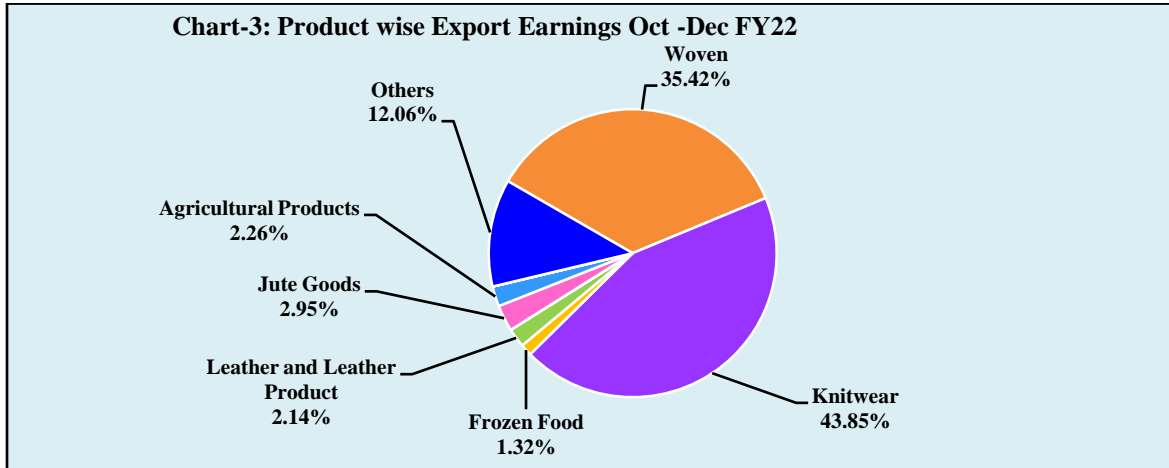
Source: Export Promotion Bureau (EPB)



Source: Export Promotion Bureau (EPB)

## Quarterly Performance of RMG: October-December FY22

During October-December of FY22, total export earnings from RMG increased by 19.67 percent compared to that of the previous quarter. During this quarter, total export earnings from RMG were 22.54 percent higher than the quarterly target due to improvement of COVID-19 situation. Product-wise export earnings showed that the contribution of woven garments and knitwear to total export earnings stood at 35.42 percent and 43.85 percent respectively during the quarter under report (Table-1). In this quarter, the contributions of non-RMG products to total exports earnings were as follows: jute goods (2.95 percent), agricultural products (2.26 percent), leather and leather products (2.14 percent), frozen food (1.32 percent) and other products (12.06 percent) (Chart 3).



Source: Export Promotion Bureau (EPB)

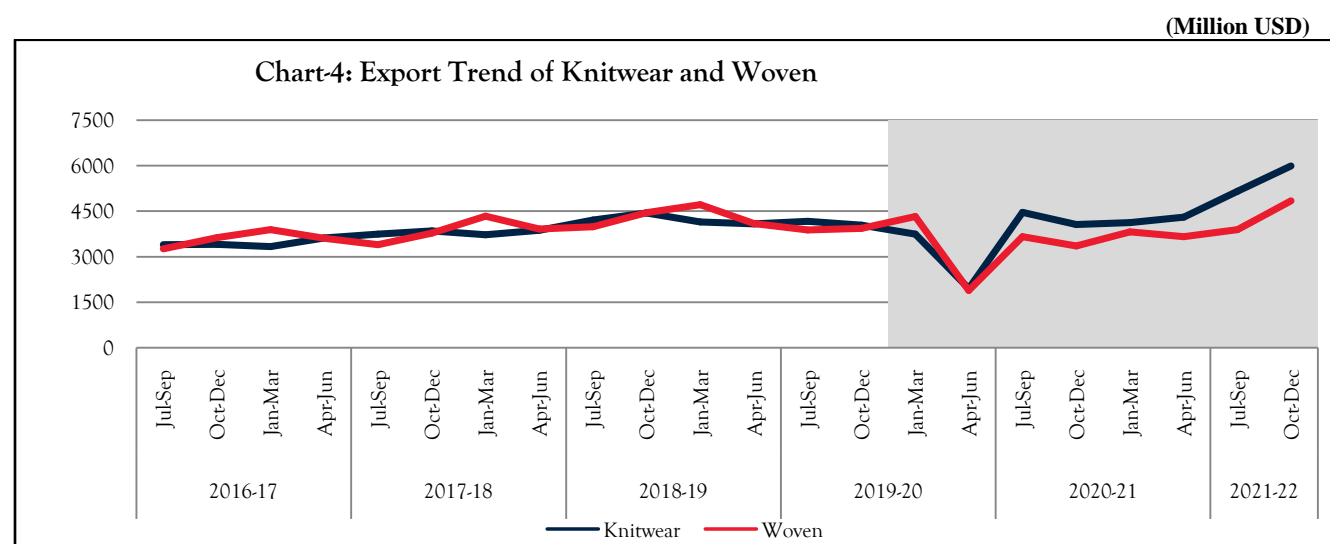
### Knitwear

After a tenuous rise of export in previous quarter, the export earning from knitwear in October-December FY22 regained its momentum and stood at USD 5997.45 million, which was 16.14 percent higher than that of the previous quarter and 47.63 percent higher than that of the same quarter of the preceding year. Moreover, knitwear export was 22.08 percent higher than the export target for the quarter under report (Table-1). Quarterly export earnings from knitwear are shown in Chart-4.

### Woven Garments

Alike knitwear, export earning from woven garments significantly rebounded and stood at USD 4843.81 million during the second quarter of FY22, which was 24.35 percent higher than the

previous quarter's export earning and 44.30 percent higher than the same quarter of the preceding year. Again, woven garments export was 23.11 percent higher than the export target of that quarter (Table-1). Quarterly export earnings from woven garments are depicted in Chart-4.



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

**Table-1: Export of Readymade Garments**

(From FY16 to Oct-Dec, FY22)

(Million USD)

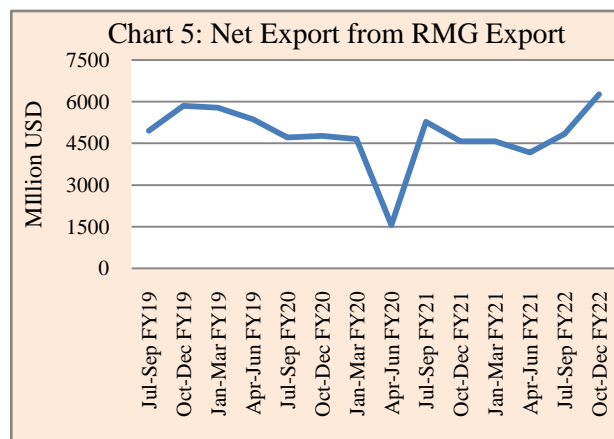
FY	Total Export	Woven Garments		Knitwear		Total RMG (Woven + Knitwear)	Percentage Share in Total Export		
		Target	Actual	Target	Actual		Woven Garments	Knitwear	Total
1	2	3	4	5	6	7=(4+6)	8=(4÷2)	9=(6÷2)	10=(8+9)
FY 16	34241.82	14105.42	14738.74	13266.21	13355.42	28094.16	43.04	39.00	82.04
FY17	34655.92	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
<b>Oct-Dec FY22</b>	<b>13676.60</b>	<b>3934.56</b>	<b>4843.81</b>	<b>4912.84</b>	<b>5997.45</b>	<b>10841.26</b>	<b>35.42</b>	<b>43.85</b>	<b>79.27</b>

Source: Export Promotion Bureau, Bangladesh

## Import of Raw Materials and Net Exports

During October-December of FY22, the 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 4574.91 million, which was 42.20 percent of total export earnings from RMG sector. Therefore, the net export from this

sector stood at USD 6266.35 million, which was 29.48 percent higher than that of the previous quarter and also 37.08 percent higher than that of the same quarter of the preceding year. Import of raw materials and net export based on L/C statement (FEOD) from FY19 (July-September) to FY22 (October-December) are shown in chart-5 and table 2.



**Table-2: Trends of net exports from RMG sector in context of 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
Jul-Sep FY19	8191.67	3240.83	4950.84
Oct-Dec FY19	8893.24	3040.68	5852.56
Jan-Mar FY19	8866.51	3088.16	5778.35
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

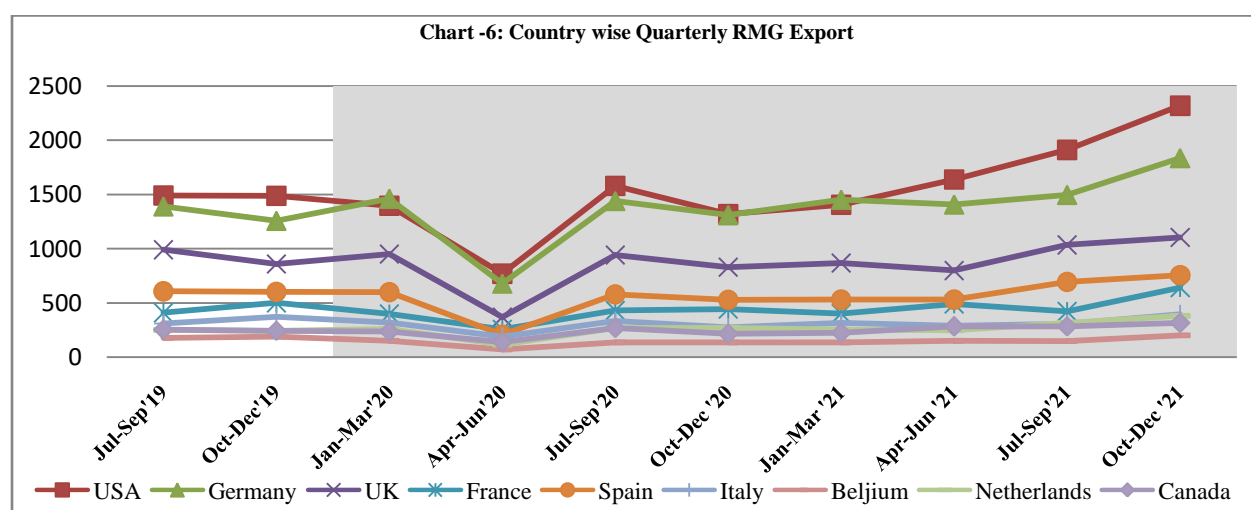
<sup>A/</sup>Export Promotion Bureau.

<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 (FEOD, Bangladesh Bank).

Source: Own calculation of Research Department.

## 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 October-December of FY22, total export earnings from these 9 countries stood at USD 8862.73 million; of which 89.77 percent or USD 7955.98 million was earned from the RMG (woven 46.65 percent and knitwear 53.35 percent) export (Table-3). During the quarter under report, RMG export earnings from these nine countries increased by 20.24 percent as compared to that of the previous quarter and this was 49.22 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 October-December, 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	2672.17	1511.05	808.21	2319.26	352.91	86.79	13.21
Germany	1953.67	729.37	1107.63	1837.00	116.67	94.03	5.97
UK	1190.92	422.52	682.79	1105.31	85.61	92.81	7.19
France	723.58	228.07	414.27	642.34	81.24	88.77	11.23
Spain	798.62	314.57	441.98	756.55	42.07	94.73	5.27
Italy	422.04	117.22	279.13	396.35	25.69	93.91	6.09
Belgium	267.59	65.18	135.87	201.05	66.54	75.13	24.87
Netherlands	465.27	164.87	215.48	380.35	84.92	81.75	18.25
Canada	368.87	158.78	158.99	317.77	51.10	86.15	13.85
<b>Sub-Total</b>	<b>8862.73</b>	<b>3711.63</b>	<b>4244.35</b>	<b>7955.98</b>	<b>906.75</b>	<b>89.77</b>	<b>10.23</b>
Others Countries	4813.87	1132.18	1753.10	2885.28	1928.59	59.94	40.06
<b>Total</b>	<b>13676.60</b>	<b>4843.81</b>	<b>5997.45</b>	<b>10841.26</b>	<b>2835.34</b>	<b>79.27</b>	<b>20.73</b>

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 increase RMG production and boost up RMG export. Following funds are important:

***Pre-shipment Credit:*** To continue the export activities of export oriented RMG industries amid the Corona Virus 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 to be effective from 1 July 2021 to 30 June 2022. Among them, 4 percent cash incentive has been fixed for export oriented garments sector, small & medium industry of garments sector and to help expanding the new items/ new market garments sector (excluded 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 fixed for RMG sector (FE Circular No-29, Date 20 September, 2021).

## **Conclusion**

After a sluggish increase in June 2021 and rebounded in September 2021 quarters, export earnings of RMG sector in December 2021 quarter was more inspiring amid the ongoing Covid-19 pandemic. Moreover, after relaxing of world-wide lockdown, work orders from our corresponding buyers are increasingly shifting to Bangladesh. However, to accelerate the continued growth in the RMG sector, the higher raw materials prices (cotton and yarn), unusual freight charge, orders cancellation from international brands and buyers due to Covid-19 etc problems should be addressed immediately.