



RMG Industry of Bangladesh: An Overview of Export



The RMG Industry of Bangladesh: An Overview of Export

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Abstract

Bangladesh's readymade garments (RMG) sector is more diverse than any other sector, with growth and foreign exchange profits. This sector generates employment opportunities and reduces poverty through socioeconomic development, significantly boosting the country's economy. Despite its undeniable success, the RMG industry faces many obstacles to further expansion. The study uses secondary data from the BGMEA website to depict the RMG industry's situation in Bangladesh, specifically its growth, problem, contribution, and challenges. The RMG sector is the largest export sector in Bangladesh and has seen rapid expansion over the past 25 years. Approximately 4 million Bangladeshis are directly employed in the RMG Industry. Total exports of RMG have been increasing over the years, contributing 3.89% to national exports in FY1984, and currently have increased to 81.82% (BGMEA, 2022). In FY2022, the percentage of readymade garments (RMG) contribution to the gross domestic product stood at 9.25%, which increased from 2.74% in FY1991. This study forecasted RMG export data, showing an increasing trend in the next two years. This RMG sector has been the key driver of Bangladesh's economy. However, it experienced many challenges like Covid 19, the war between Russia and Ukraine, unskilled workers, insufficient infrastructure, raw materials, energy crises, safety issues, political crises, and coverage of accords and alliances. Distinct actions must be taken by owners and significant stakeholders with the help of the government to overcome these obstacles.

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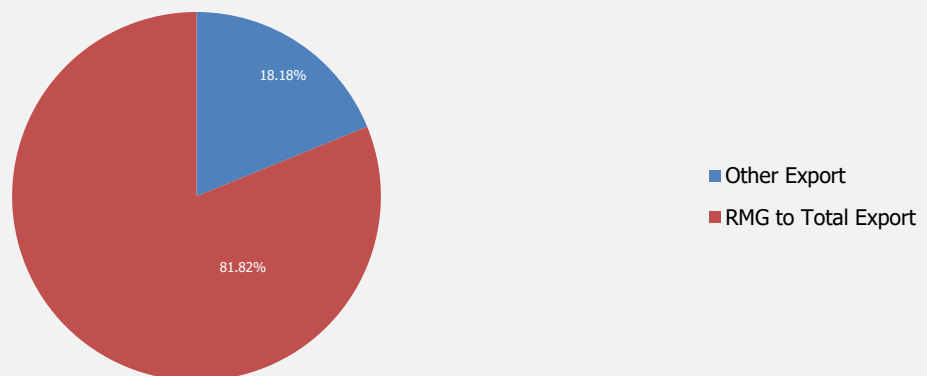
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Introduction

Bangladesh was regarded as one of the world's poorest nations after independence, and no significant industrial plants were built in Bangladesh at the time. The war-torn nation faced the greatest rebuilding challenge due to the lack of natural resources. The first readymade garment clothes of Bangladesh started around 1970, and the textile sector of Bangladesh started in the sixties of the 19th century. This industry-first was exported in 1965 to the European market and produced from Karachi. After the birth of Bangladesh, nine export industries were established. With the development of Bangladesh, the garment sector started developing and exporting to different countries. Currently, the trend of exports has increased. Bangladesh is rapidly establishing industrial factories and engaging in the manufacture of various types of garments.

Knitwear and woven are among Bangladesh's most exported products of readymade garments. In Bangladesh, there are over 1,430 textile mills, including 796 producers of woven fabrics, with an annual production capacity of 3,850 million meters (EPZ, 2022). In addition, Bangladesh has 240 printing, dyeing, and finishing mills producing 3,170 million meters of fabric annually (BIDA, 2022). Readymade garments are of various types, such as sportswear, suits, pants, dresses, women's suits, blouses, blazers, jackets, cardigans, pullovers, coats, sports jackets, shirts, ties, jeans, shorts, T-shirts, polo shirts, etc. Bangladesh ranks second in the world's garment industry (EPZ, 2022), and 81.82% of its export earnings come from readymade garments, and the total other exports are only 18.18% (Figure 1). Currently, Bangladesh has more than 4000 garment factories. In the RMG Sector, employing more than 12 lack laborers where 85% of the labor force is women (EPZ, 2022). The RMG industry is the country's largest export earner, with a value of over USD 38.52bn in exports in the last financial year (EPZ, 2022). The knitted item production is increasing considerably, and now about 40.25% of export earnings have been achieved from knitted products.

Figure 1. The Contribution of RMG to Total Export (FY22)



In FY2022, Bangladesh exported USD42613.15 million (BGMEA, 2022). RMG exports from Bangladesh increased by 16.61% to \$3.366 billion in the first month of FY23 (July-June) compared to exports of \$2.887 billion in July 2021. The export was 6.45% more than the target of \$3.163 billion for July 2022 (EPZ, 2022). The garments industry suffered a temporary setback due to Covid-19 but is now back to normal. However, the Russian and Ukraine war will again damage the apparel readymade garments industry.

Export of RMG

The export of RMG products in Bangladesh has increased year by year. However, export was disrupted after the pandemic outburst. The post-pandemic situation had improved and was recovering from the disastrous impact when the international political turmoil with the resulting impact on currency devaluation, inflation, and the supply shortage created an obstacle for this industry's growth. In FY1984, the Total RMG export was 31.57 million USD which has increased significantly up to FY2019 (recorded USD40535.04 million in FY2019). However, from FY2020, exports declined because of the Covid-19 pandemic, and exports started to increase again in FY2021. Bangladesh's export earnings in August 2022 grew by 36.18%, standing at USD4.60 billion compared with USD3.38 billion in the same month of 2021 due to increased shipments of readymade garment products. The country's export earnings in July and August of the first two months of the current financial year 2022-23 increased by 25.31% to USD8.59 billion from USD6.85 billion in the same period of FY2022 (EPZ, 2022).

Figure 2 shows the total export of RMG from FY2084 to FY2022 and the forecasted result of the total export of RMG (BGMEA, 2022).² In FY2022, the RMG industry exported USD 42,613.15 million worth of garments product. The forecasted result shows that the export of RMG in the next few years is increasing positively. The figure shows that the estimated forecasted lines pass through the 95% confidence interval limits. So it can be concluded that the export will significantly increase in the next few years. The result estimates that in the next two financial years, FY2023 and FY2024, the export will be USD 46,101.79 million and USD 49,610.811 million.

² The data of this study have been taken from the BGMEA website:
https://www.bgmea.com.bd/page/Export_Performance

Figure 2. Forecasting the Total Export of RMG

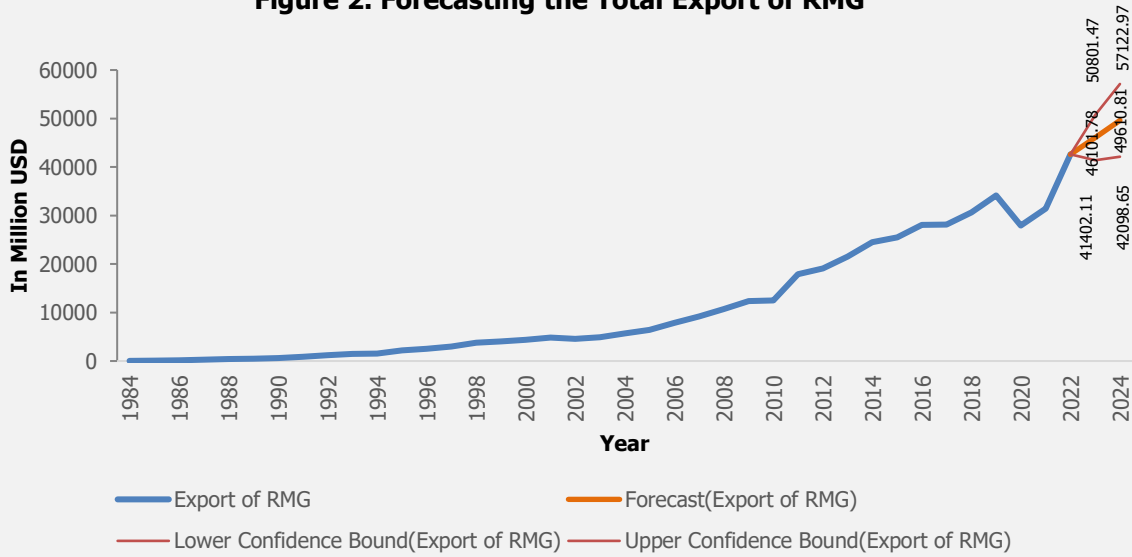
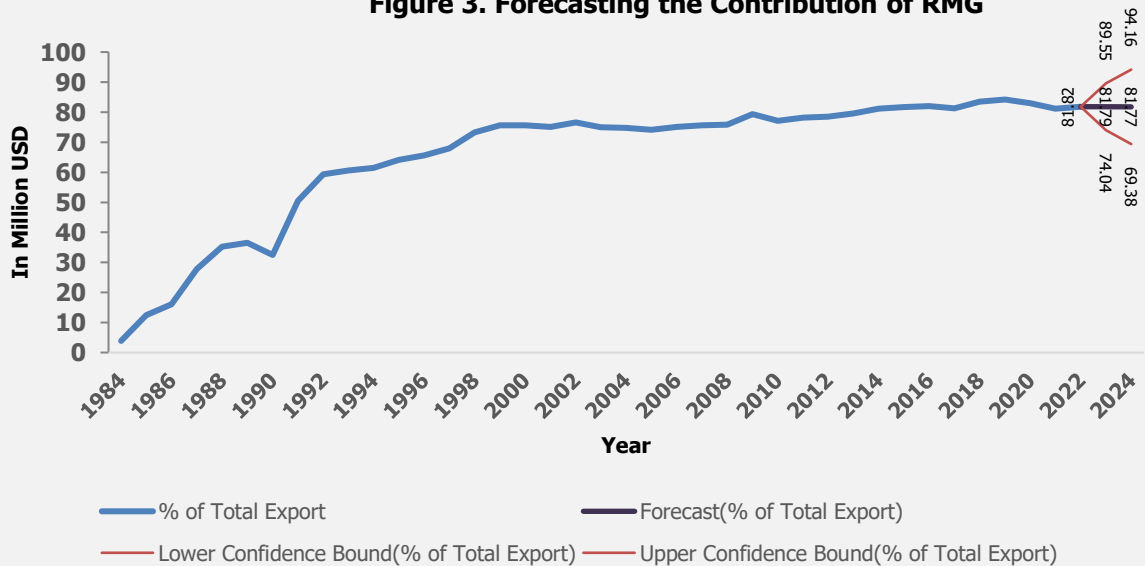


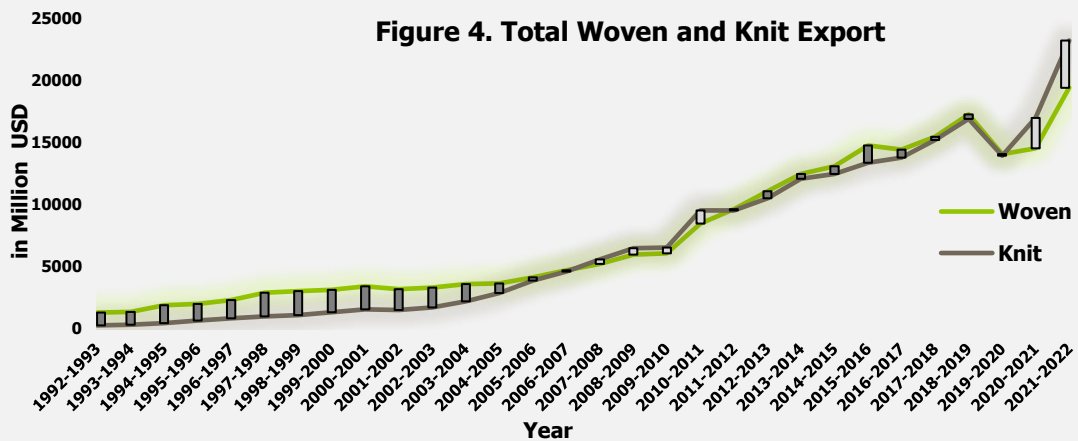
Figure 3 shows the contribution of RMG in total export from FY1984 to FY2022. Figure 3 shows that in FY1984 percentage of RMG's total exports stood at USD 3.89 million, while it is at USD 81.82 million in the fiscal year 2022. The forecasted result shows that the % of RMG in total export will increase slightly in the next two years. So it can be concluded that the 95% confidence interval shows that the % of RMG in the total export line passes through the upper and lower limit. The forecasted result in the next two, FY2023 and FY2024, is estimated to be USD 81.79 million and USD 81.77 million.

Figure 3. Forecasting the Contribution of RMG



Woven and knit are two categories of RMG products that can be analyzed separately using the data of BGMEA. Figure 4 shows the woven and knit export from FY1993 to FY2022 and the gap between the two export items. The figure shows that woven and knit exports increased significantly from the beginning of this industry. Knitwear exports grew by 20.15% to USD 3.91 billion in the first two months of FY2023, increasing from USD3.26 billion in FY2022. Whereas earnings from woven

garments export increased by 34.23%, standing at USD 3.19 billion in July-August of FY2023 from USD 2.38 billion in the same months of FY2022 (EPB, 2022).



Conclusion

The RMG sector has emerged as the primary engine driving Bangladesh's economy's growth in employment creation, revenue generation, and foreign earnings. Currently, Bangladesh's economy relies heavily on the RMG sector. This industry affects both the GDP and the GNP. Bangladesh's most important export sector has grown extraordinarily during the past 25 years. Bangladesh's inexpensive workforce and advantageous trading position make it the greatest location for the apparel sector. Bangladesh earned nearly \$4.60 billion by exporting garment products in August 2022, compared with \$3.38 billion in the same month of 2021. The country's export earnings in July and August, the first two months of the current financial year 2022-23, increased 25.31% to \$8.59 billion from \$6.85 billion in the same period of FY22, according to the export promotion Bureau. This is about 75% of the total export earnings of the country. RMG is Bangladesh's main export item, receiving 81.82% of our total export earnings other than export. The forecasted result shows that the total export of RMG will increase in FY23 and FY24 compared with FY22. The contribution of RMG forecasted result shows that it will be smoothly increased in FY23 and FY24 compared with FY22. Woven and Knit items export will increase in FY23 and FY24 compared with FY22.

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Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinion in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institutions (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhad.

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