

RMG, Remittance, and Loan: Bedrocks of Bangladesh Economy

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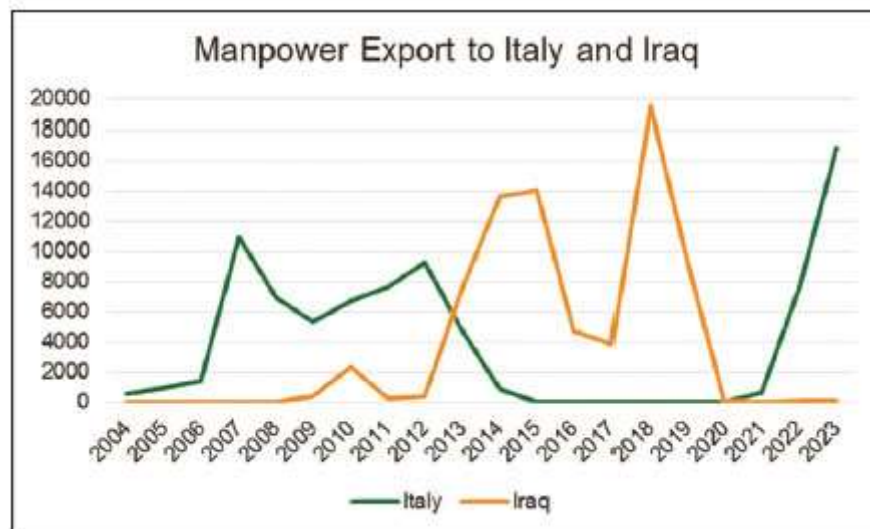
A landmark event unfolded at Dhaka's Hazrat Shahjalal International Airport on 11 November 2024. The Chief Adviser of the interim government of Bangladesh inaugurated a special lounge named "Probashi Lounge" in the airport dedicated exclusively to the migrant workers. The lounge will offer them a space for rest and relaxation as well as food at a subsidised rate. Additionally, a dedicated team will provide round-the-clock airport assistance free of cost. It is a nice tribute to the remittance earners of the country and a token of recognition for their contribution to the economy of Bangladesh.

These migrant workers, often poorly educated and unskilled or semiskilled, are vulnerable to exploitation and deception both domestically and internationally. They also face disrespectful treatment at airports even in their home country. The total number of migrant workers staying overseas is estimated to be around 13 million. There

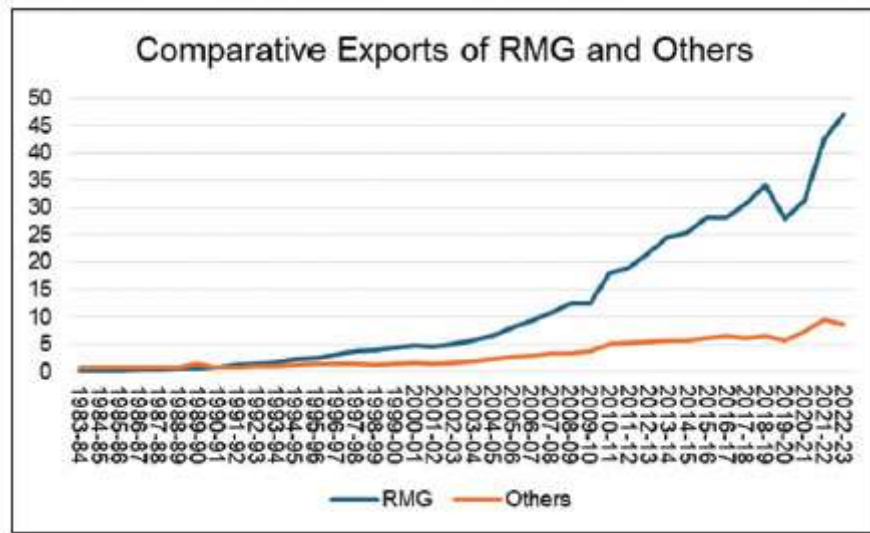
is no consensus among various agencies about the exact figure. So, what is their contribution to the economy of Bangladesh that prompted this gesture? The answer lies in the inaugural speech of the “Probashi Lounge” by the chief advisor where he remarked, “The country runs because of you.” It is a conferment of huge credit and recognition that may sound like an exaggeration but is not.

A country runs much like a family. The family has an income and expenditures, and if the expenditures exceed the income, it has to borrow from others. Grossly, a country’s income is export earnings and expenditure is import cost. If earnings fall short of costs, the country must borrow from external sources, such as foreign governments or international organisations like the IMF and World Bank. Loans always entail interests and various conditions that are never easy or benevolent for a country. Loans also increase subsequent costs with the addition of loan repayment costs or debt servicing costs. According to Bangladesh Bank, the loan repayment cost of Bangladesh was USD 2.67 billion in the financial year 2022-23. In the same period, the import cost was USD 78.30 billion. That makes a total of USD 80.97 billion. But the export earnings in 2022-23 were USD 55.56 billion (Source: EPB). Thus, there is a shortfall of USD 25.41 billion. Bangladesh received foreign loans of USD 9.27 billion in that fiscal year. This reduces the deficit to USD 16.14 billion. How did we manage this deficit? Well, here comes our remittance earners. Bangladesh received USD 21.61 billion remittance in 2022-23. That not only covered the shortfall but added USD 5.47 billion to our foreign exchange reserves. This simplified analysis shows that our country indeed runs because of our remittance earners.

But is this a sustainable economic order? The manpower needs of countries are changing with technological advancement particularly because of automation and the use of robotics. Additionally, changes in government policies or geopolitical events like wars can rapidly disrupt the demand for migrant labour. The following chart shows the number of migrant workers from Bangladesh to Italy and Iraq from 2004 to 2023 (Data Source: Bureau of Manpower, Employment and Training). The erratic pattern is clearly visible. It is difficult to make plans based on such irregular trends.



Thus, in the long run, the remittance by expatriate Bangladeshis cannot be taken for granted, as a stable and consistent source of foreign exchange earnings for the country. The export earnings need to be nurtured for sustainable growth. It is encouraging to note that Bangladesh’s export earnings have shown steady growth over the past few decades, with a minor setback during the COVID-19 pandemic. After the pandemic, it surged ahead to an unprecedented level. In 1983-84, Bangladesh’s export earning was USD 0.811 billion which rose to USD 55.559 billion in 2022-23. However, there is a catch. Most of these exports are from Ready Made Garments (RMG). RMG exports in 2022-23 increased over 1,488 times from the exports in 1983-84, whereas exports of all other items increased only about 11 times in the same period. The following chart will show a visual comparison of RMG exports and exports of all other items from 1983-84 to 2022-23 (Data source: BGMEA and values in billion US dollars):



According to the World Trade Statistical Review 2023 published by WTO, Bangladesh currently holds the second position after China in the world RMG market. Bangladesh has a 7.9% market share while China has 31.7%. Bangladesh's competitors down the line are Vietnam, Turkey, India, Indonesia, Cambodia, and Pakistan. As a labour-intensive industry, Bangladesh's garment sector is susceptible to worker unrest and increasing demands for higher wages. The rising prices of raw materials and energy, and technological advancements are also big challenges. Thus, it is not safe to depend on one industry alone for export earnings of the country which is facing so many challenges and competition. Bangladesh needs to initiate serious thoughts and actions to develop other sources of export earnings before it is too late.

The writer is a former corporate professional and academic