



# Fast fashion, fat margins

## How retailers cash in on low-cost RMG

REFAYET ULLAH MIRDHA

Global fashion brands are reaping triple-digit profits on Bangladeshi garments, buying at \$3 and selling for three to four times more. Yet, they continue to pressure factories to cut prices further.

A shirt manufactured in Bangladesh at a free on board (FoB) price of \$5 often retails for as much as \$28 in Europe or North America. Once shipping, warehousing, duties, and other operational costs are added, bringing the total to around \$16, retailers may still earn a profit of about \$12 per item.

Western retailers and brands often justify their pricing strategies by pointing to the high costs associated with global operations, including freight charges, currency hedging, warehousing, demurrage, markdowns, and advertising.

"There are overheads, of course, but let's not pretend they're not making money," said Fazle Shamim Ehsan, proprietor of Fatullah Apparels. "Especially in the mid to high-end market, many brands earn huge profits from goods made in Bangladesh."

Still, many Western buyers continue to pressure Bangladeshi factories to reduce the prices further.

A 2020 study by the European non-profit Fair Wear Foundation found that nearly 39 percent of garment manufacturers in the country had sold products at a loss.

The practice, exporters say, is mainly to preserve long-standing relationships with global retailers and to secure future contracts.

Meanwhile, data from the Centre for Policy Dialogue (CPD), a Dhaka-based think tank, suggests that Bangladesh consistently receives lower prices than its Asian competitors for similar products.

In 2020, Bangladeshi cotton T-shirts exported to the European Union (EU) fetched €1,091.5 per 100 kilogrammes, a 1 percent decline from the previous year, while Vietnam's equivalent product saw a 3 percent price increase, rising to €2,157.9.

The contrast was even sharper in pullovers. Bangladesh's average price fell 7 percent to €1,329.5, whereas Vietnamese pullovers held

### A 'MADE IN BANGLADESH' SHIRT RETAILING \$28 INCLUDES

\$5 FoB price, shipping cost, warehousing charge and duties

Still it fetches a whopping \$12 profit

### WHY BANGLADESH GETS LOWER PRICES

Cotton-heavy exports, limited value addition

Price undercutting among local exporters

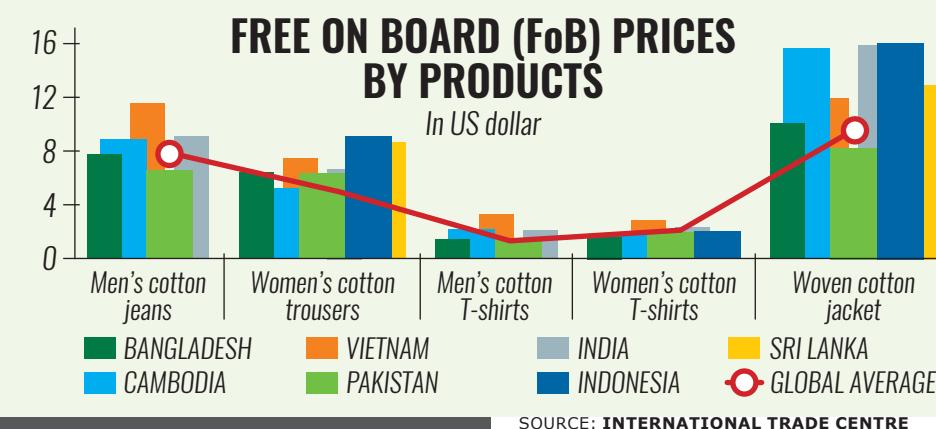
Accepting lower rates to secure orders

### RETAILERS' JUSTIFICATIONS

High costs of shipping, warehousing and retailing

Discounted sales for unsold stocks after each season

Higher wages for retail staff in Europe and US



SOURCE: INTERNATIONAL TRADE CENTRE

steady at €2,157.8.

For garments made from man-made fibres, Bangladeshi exports declined 6 percent to €1,319.4, while Vietnam's fell by just 3 percent to €1,906.2.

The United States market reflected similar patterns, as shown in the CPD data. The average price for a dozen Bangladeshi

made cotton T-shirts dropped from \$22.43 in 2019 to \$17.99 in 2020, a 20 percent fall, while Vietnamese suppliers experienced a slightly smaller decline, with prices falling from \$38.2 to \$31.9.

Bangladeshi sweaters and pullovers also saw a 2 percent price drop to \$39.31 per dozen, whereas Vietnamese equivalents remained largely unchanged, with prices hovering around \$47.

For trousers, the gap was wider still. A dozen cotton-fibre trousers for women and girls exported from Bangladesh earned \$64.17 in 2020, down 12 percent from the

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## Import activities hampered as taxmen extend strike

STAR BUSINESS REPORT

Protesting officials and employees of the National Board of Revenue (NBR) yesterday vowed to continue their pen-down strike today to press home their three-point demand, including the repeal of a new ordinance on restructuring the revenue administration.

The other demands are for the public disclosure of a state advisory committee's report on reforms required for the NBR, which was submitted to the finance ministry, and inclusive, consultative and sustainable reforms for the revenue administration.

The strike, led by "NBR Reform Unity Council", a platform of cadre and non-cadre officials, is in protest of a recently-issued ordinance for the dissolution of the NBR's existing structure.

Amid the ongoing strike, revenue activities—including import and

export—have been disrupted nationwide, posing a serious risk to overall revenue collection and causing significant setbacks for regular business operations.

For example, customs clearance of imported consignments at Chattogram Custom House on Wednesday dropped by nearly half of that on the day before, according to data from the customs authority.

On Tuesday, 3,460 import bills of entry were processed, whereas the number fell to 1,874 on Wednesday—the first day of the strike. It stood at 1,897 on Thursday.

On Saturday, customs activities remained suspended until 3:00pm due to the ongoing strike, officials said.

A visit to Chattogram Custom House on Saturday revealed near-complete inactivity at the customs assessment sections. Most desks were found empty,

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Must proceed with LDC graduation despite hurdles  
Salehuddin says

STAR BUSINESS REPORT

Graduating from the least developed country (LDC) category will be a challenge for Bangladesh and there are many debates surrounding it, but the country has to graduate by 2026, Finance Adviser Salehuddin Ahmed said yesterday.

He added that businesses in Bangladesh will have to move faster to ensure the country does not fall behind, as other countries are progressing rapidly.

The adviser made the comments while speaking as the chief guest at the

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Seize opportunity in US apparel market amid tariff shifts

Debapriya Bhattacharya says

STAR BUSINESS REPORT

Bangladesh has a strategic opportunity to strengthen its position in the US apparel market as major competitor countries face higher tariffs and growing risks, said Debapriya Bhattacharya, a distinguished fellow at the Centre for Policy Dialogue (CPD).

"A rational option could be eliminating para-tariffs, like supplementary duties and regulatory duties, which would lower effective import tariffs and signal goodwill toward US trade concerns," he said.

Speaking at a seminar titled "US Reciprocal Tariffs and the Way Forward for Bangladesh", hosted by the Dhaka Chamber of Commerce & Industry (DCCI) yesterday, Bhattacharya proposed strategic reforms to enhance competitiveness.

He emphasised the importance of leveraging crises for reform. "A crisis should be regarded as an opportunity," he said. "Reciprocal tariffs, though intended as fair, ultimately burden end consumers and undermine competitiveness."

"There is no final enemy in trade – commerce flows where profit lies," he added, advocating for pragmatism in policy and diplomacy.

Beyond the ready-made garment sector, Bhattacharya identified leather and pharmaceuticals as key areas with untapped export potential. He also warned of macroeconomic vulnerabilities if trade wars trigger competitive currency devaluations.

Addressing concerns over the country's upcoming graduation from least developed country status, he dismissed fears of an immediate shock. "Graduation itself won't cause a crisis. The real test lies in strategic readiness and pragmatic policymaking."

Bhattacharya also called on the government to engage more seriously in service sector trade talks, pointing out that the US remains a vital but under-leveraged market for Bangladesh.

Mahbubur Rahman, commerce secretary, said Bangladesh is committed to narrowing its trade deficit with the US by increasing imports of goods and services from the world's largest economy.

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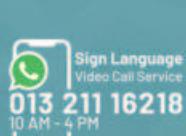
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