

A difficult year on the apparel factory floor

Despite headline growth, 2025 tested garment exporters across markets and margins

REFAYET ULLAH MIRDHA

Throughout 2025, local garment makers had to spend much of their time recalculating decisions rather than executing long-term plans in their production lines.

The main uncertainty was how much duty their shipments would face in the US, the largest single-country market for Bangladesh. From April, tariff rates shifted punishingly upwards before settling in August at levels higher than before. By the time some stability returned, much of the damage to margins and order planning had already been done.

External volatility coincided with mounting pressures at home.

High bank interest rates squeezed working capital, while inconsistent gas and power supplies disrupted operations. Trade tensions with India continued throughout the year, complicating

TARIFF TURBULENCE

- ◆ US tariffs spiked to 53.5% in Apr, eased to 36.5% in Aug
- ◆ Rushed shipments created high inventories, slower new orders

DOMESTIC HEADWINDS



High bank interest rates



Gas, power shortages disrupt production



Dhaka airport fire destroyed samples, raw materials



Amended labour law adds compliance pressure

EXPORT PERFORMANCE

US: Jan-Aug exports \$5.64b (19.8% growth)

Overall: Jul-Nov exports \$20.02b (0.6% growth)

EU: Jan-Sept exports €15.26b (13.7% growth)

Non-traditional markets: \$5.23b but slowing in H2



THE REWIND

logistics and sourcing.

In October, a fire at Dhaka airport destroyed garment samples, imported accessories and raw materials worth millions of dollars. Lately, tighter labour rules have added to the manufacturers' concerns.

Looming over all of it was the approach of graduation from the least developed country club in 2026, which would strip away preferential market treatments for "Made in Bangladesh" items.

Exporters say 2025 failed to deliver the stability or margins they had hoped for, despite pockets of shipment growth. Expectations of improvement have largely been deferred to 2026, resting more on political timing and buyer behaviour than on any clear easing of structural pressures.

On April 2 this year, the US announced reciprocal tariffs on several countries, including Bangladesh, setting the rate at 37 percent on apparel, on top of the existing 16.5 percent rate. The move lifted the effective tariff to 53.5 percent, raising costs for exporters and buyers at a time when global demand was already fragile.

After negotiations, the tariff was reduced to 20 percent from August 7, bringing the effective rate down to 36.5 percent.

As part of the agreement, Dhaka committed to importing more American goods to narrow the annual bilateral trade deficit of about \$6 billion, tilted towards Bangladesh.

The relief came somewhat late to restore momentum.

Many exporters had already rushed shipments between April and August to avoid higher duties. That front-loading left international retailers with high inventories, which in turn slowed new order placement later in the year, even after US tariffs eased.

In the January-August period, US apparel imports grew 3.32 percent year-on-year to \$53.01 billion.

Exports from the country to the US increased 19.82 percent to \$5.64 billion over the same period, according to the Office of Textiles and Apparel.

Data from the Export Promotion Bureau (EPB), compiled by the Bangladesh Garment Manufacturers' and Exporters Association (BGMEA), show exports to the US at \$2.59 billion during the July-October period, up 5.14 percent year-on-year and accounting for nearly one-fifth of total garment shipments.

Overall export earnings tell a flatter story. Total exports rose just 0.62 percent year-on-year to \$20.02 billion during the July-November period.

Garment exports increased 1.67 percent to \$35.28 billion in the January-November period, far below the double-digit growth rates the sector once considered routine.

"For business, 2025 has not been a good year as companies are facing many domestic and external challenges," said Md Fazlul Hoque, managing director of Plummy Fashions Ltd.

"The situation could improve next year, as an election is scheduled and buyers are expected to place larger volumes of work orders," he added.

Abdul Hai Sarker, chairman and chief executive of Purbani Group, expressed

similar views.

Inamul Haq Khan, senior vice-president of BGMEA, also pointed to electoral timing. "Usually, international retailers and brands hold back some work orders before the general election and place full orders after it," he said.

"This year, Christmas sales in the US were disappointing, as clothing prices rose due to higher tariffs," said Khan.

In 2025, export trends to the European bloc were also mixed.

Garment exports to the European Union rose 13.7 percent year-on-year to €15.26 billion in the January-September period, according to Eurostat, as more recent data is unavailable.

During the July-November period, exports to the EU accounted for nearly half of total garment shipments, although earnings from the bloc edged down slightly compared with the same period a year earlier, according to Mohiuddin Rubel, former BGMEA director and managing director of Bangladesh Apparel Exchange Ltd.

He said that Canada and the United Kingdom recorded steady, if unspectacular, export growth.

Non-traditional markets such as Japan, South Korea and India contributed \$5.23 billion in the January-October period, or about 16 percent of total exports.

Momentum there faded later in the year, with shipments to these destinations declining during the July-November period, underlining the limits of diversification at a time when exporters had hoped newer markets would soften shocks elsewhere, according to former BGMEA director Rubel.

"The slowdown in garment exports to new markets was a surprising shock for Bangladesh, as shipments to these markets had remained high for many years," said BGMEA Senior Vice-President Inamul Haq Khan.

He added that market peers, including India, China, Vietnam and Pakistan, were sending large volumes to these destinations while also facing higher US tariffs.

Bangladesh did not receive the expected volume of shifting orders from China, as Vietnam, Indonesia and Myanmar got a larger share.

Khan said Brazil is emerging as a promising market, although competition from Indonesia is intensifying.

Performance also diverged by product segment. Knitwear exports slipped slightly during the early months of the current fiscal year, while woven garments recorded slight growth. The split points to uneven demand and cost pressures rather than a broad-based recovery.

Meanwhile, gas shortages hurt spinning mills, a problem worsened by cheaper yarn imports from India. The suspension of transshipment facilities through India in April disrupted logistics, while retaliatory trade restrictions at land ports further slowed cross-border movement.

Several large factories that closed after the political changeover in 2024 have attempted to reopen but remain entangled in bureaucratic processes.

As the year draws to a close, the garment sector somewhat stands on uncertain ground. The hope of stronger performance in 2026 depends on calmer politics, steadier trade relations and renewed buyer confidence.

Govt to expand Eastern Refinery with Tk 35,465cr

ASIFUR RAHMAN and REJAUL KARIM BYRON

The government has finally approved the long pending modernisation and expansion project of Eastern Refinery Limited (ERL), the country's only fuel oil refinery, opting to implement it with state financing after shelving an earlier joint venture plan with S Alam Group.

The Executive Committee of the National Economic Council (Ecneec) yesterday approved the project at an estimated cost of Tk 35,465 crore.

Once completed, the project will triple ERL's crude oil refining capacity, allowing the refinery to process up to 4.5 million tonnes of crude oil annually, up from the current capacity of 1.5 million tonnes.

Established in 1968 at Patenga in Chattogram, ERL currently meets only around 20 percent of the country's total demand for petroleum products. Due to limited refining capacity, Bangladesh has to import large volumes of refined fuel such as petrol, diesel and octane, which costs the country a substantial amount of foreign currency. Refining crude oil domestically is significantly more cost-effective.

Energy sector officials expect the modernisation and expansion project to save billions of dollars in foreign exchange over the long term.

Earlier, the ousted Awami League government had decided in February last year to build a second unit of ERL, previously called ERL-2, through a joint venture with S Alam Group. After assuming office, however, the interim government scrapped the joint venture plan and explored

Once completed, the project will triple the company's crude oil refining capacity to 4.5 million tonnes annually

foreign investment options before eventually deciding to implement the project using government funds and ERL's own financing.

"We are not calling this project ERL-2, as the existing refinery will be modernised and expanded under the same project," said Amin Ul Ahsan, chairman of Bangladesh Petroleum Corporation (BPC), the parent body of ERL.

He said the government will finance 60 percent of the project, while ERL will bear the remaining 40 percent.

According to the Ecneec meeting proceedings, the project cost stands at Tk 35,465 crore, of which Tk 21,277 crore will come as government loans and Tk 14,187 crore from ERL's own financing. The project will be implemented between December 2025 and November 2030.

Officials said the modernised refinery will produce Euro-5 standard gasoline and diesel, significantly reducing reliance on imported finished petroleum products and conserving foreign exchange.

Although ERL has been in operation for more than five decades, it has not undergone any major expansion since its commissioning in 1968, forcing the country to depend heavily on imported refined fuel.

The approved plan includes detailed engineering, procurement, civil and mechanical construction, and installation of 20 processing units along with 18 utility and off-site units, according to the meeting proceedings.

Ancillary works such as electricity and gas connections, drainage infrastructure, and procurement of necessary IT and office equipment will also be completed under the project, the meeting proceedings read.

In yesterday's meeting, a total of 22 projects worth Tk 46,419 crore were approved. Of the amount, Tk 1,299 crore will be spent on the Ganga-Kapotaksha irrigation project's emergency maintenance, and another Tk 1,273 crore will be used for a water management project of the Surma-Kushiara rivers.

Japan-Bangladesh chamber hails progress in EPA deal

STAR BUSINESS REPORT

The Japan Bangladesh Chamber of Commerce and Industry (JBCCI) yesterday welcomed the finalisation of the economic partnership agreement (EPA) between the two nations.

The JBCCI remains committed to supporting the implementation of the EPA, the trade body said in a statement.

Bangladesh and Japan on Monday finalised the principles of the EPA, which were announced through a joint declaration by the two countries.

The development marks a major step towards the conclusion of a comprehensive economic partnership between the two nations, the statement added.

The EPA aims to deepen trade, investment and services linkages and is expected to play a pivotal role as Bangladesh transitions from its least developed country (LDC) status in 2026.

The agreement in principle reflects alignment on the structure and key provisions of the EPA, with formal signing to follow upon completion of the necessary legal and cabinet-level processes in both countries.

Aquaculture must focus on food safety standards: experts

STAR BUSINESS REPORT

The aquaculture sector must tackle major challenges to sustain future growth, focusing on quality improvement, food safety standards and certification, post-harvest handling, processing, and value addition, experts said yesterday.

Pollution, climate change, and unsustainable land use are putting increasing pressure on

aquatic ecosystems, they added at the opening session of the 10th Biennial Fisheries Conference, organised by the Bangladesh Fisheries Research Forum at the Bangladesh Agricultural Research Council auditorium in Dhaka.

Bangladesh is a leading fish producer, with total production exceeding 5 million tonnes in the fiscal year (FY) 2023-24 and an annual growth rate of about 8 percent. In FY 2024-25, the country

earned around \$441.58 million from fish and shrimp exports.

Faruk Ul Islam, country representative of WorldFish Bangladesh, said, "Innovation in aquaculture technologies, disease management, genetic improvement, and alternative feeds will be essential, as will the protection of inland open waters and marine ecosystems through effective governance and co-management."



Eastern Bank (EBL) honoured 40 partner organisations at the second edition of the SKYSPHERE: EBL Digital Excellence Awards 2025 at United Convention Centre in Dhaka on December 21. Ali Reza Iftekhar, managing director of EBL, M Khorshed Anwar, deputy managing director and head of retail and SME banking, and Ahsan Ullah Chowdhury, head of digital financial services, were present.

PHOTO: EASTERN BANK PLC

EBL Digital Excellence Awards honour partner organisations

STAR BUSINESS DESK

Eastern Bank PLC (EBL) organised the second edition of the SKYSPHERE: EBL Digital Excellence Awards 2025, celebrating partner organisations and merchants whose contributions have significantly advanced the bank's growth and digital transformation journey over the past year.

The award ceremony, held at the United Convention Centre in Dhaka on December 21, recognised excellence across three distinct categories, according to a press release.

Speaking at the event, Ali Reza Iftekhar, managing director of EBL, said, "Our partners and merchants are central to our journey of growth and digital innovation. The SKYSPHERE: EBL Digital

Excellence Awards 2025 is our way of recognising their contributions, celebrating their successes, and inspiring continued excellence across the digital landscape."

Senior officials of EBL, including M Khorshed Anwar, deputy managing director and head of retail and SME banking, and Ahsan Ullah Chowdhury, head of digital financial services, also attended the programme.



PHOTO: CITIZENS BANK PLC

Alamgir Hossain, managing director of Citizens Bank PLC, and other officials of the bank attend the inauguration of the Chatkhil branch in Noakhali on December 22.

Citizens Bank opens Chatkhil branch

STAR BUSINESS DESK

Citizens Bank PLC opened a branch in Chatkhil of Noakhali on December 22.

Alamgir Hossain, managing director of the bank, formally inaugurated the branch. Deputy managing directors Md

Mostafizur Rahman and Md Abdul Latif, and other high officials of the bank were present at the event, according to a press release.

Local businessmen across different sectors and professionals were also present on the occasion.

Trust Bank signs deal with OPPO Bangladesh

STAR BUSINESS DESK

Trust Bank PLC and Huguang Electronic Distribution Co Ltd (OPPO Bangladesh) have signed a deed of agreement to facilitate smartphone purchases for the bank's customers.

The signing ceremony was attended by Md Kamal Hossain Sarkar, deputy managing director and head of the Islamic Banking Division of Trust Bank PLC, along with other senior officials from both organisations, according to a press release.

The agreement was signed by Md Mostafa Musharraf, head of the Card Division of Trust Bank PLC, and Wei Yanfang (Yana), head of the department, HR and admin of Huguang Electronic Distribution Co Ltd, on behalf of their respective organisations.

Under the agreement, all credit cardholders of Trust Bank PLC will be able to purchase OPPO smartphones from designated OPPO showrooms and the online platform with a zero percent EMI facility for up to 12 months.



PHOTO: TRUST BANK PLC

Md Mostafa Musharraf, head of the card division of Trust Bank PLC, and Wei Yanfang (Yana), head of HR and admin of Huguang Electronic Distribution Co Ltd, pose for photographs during the agreement signing ceremony in Dhaka recently.