Business

DHAKA TUESDAY OCTOBER 13, 2026, ASHWIN 28, 1433 BS
starbusiness@thedailystar.net



Is Bangladesh's low-cost garment model running out of steam?

REFAYET ULLAH MIRDHA



Bangladesh's readymade garment (RMG) sector is facing mounting challenges as international clothing retailers and brands diversify their sourcing destinations. Rising production costs, energy shortages, geopolitical tensions and uncertainty over preferential market access after the country's graduation from the least developed country (LDC) category are putting pressure on exporters.

The challenges are exposing the limits of a business model built on low production costs and competitive prices. Although many manufacturers have started moving towards higher-value products, the transition remains gradual.

The situation has raised questions about how well Bangladesh can compete as costs rise and trade preferences come under pressure.

At a recent press conference, Mahmud Hasan Khan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said several major international retailers and brands that had sourced garments from Bangladesh for years were shifting some work orders to other destinations for strategic reasons.

The prolonged energy crisis has further weakened buyers' confidence, as some suppliers have struggled to meet shipment deadlines.

Meanwhile, geopolitical conflicts and Houthi attacks on commercial vessels in the Red Sea have disrupted shipping routes connecting Asia with Europe and North America.

With vessels increasingly rerouting around the Cape of Good Hope instead of travelling through the traditional Suez Canal, shipping journeys have become longer and more expensive.

These disruptions have also encouraged buyers to consider sourcing from countries closer to European markets, including Egypt and Ethiopia, to reduce logistical complications and shipping risks.

THE LIMITS OF A LOW-COST MODEL

Bangladesh established itself as a major global manufacturing hub for basic garments from the early 1980s, capitalising on an abundant labour force and low production costs.

That model helped the country become a leading apparel exporter in the world. But rising production expenses, combined with continued pressure on garment prices, are making it increasingly difficult to sustain the same competitive advantage.

In the European Union, Bangladesh's garment export unit price is less than half that of Vietnam, reflecting, in part, the limited share of higher-value products in the country's export basket.

Eurostat data show that the average unit price of garments exported from Bangladesh to the EU fell to €13.80 per kilogramme in January-June this year, from €15.07 in the same period of 2025.

By contrast, Vietnam's average unit price rose to €29 per kg from €25.95 over the same period. China's garment export unit price to the EU fell by 2.18 percent.

Among major garment suppliers to the EU, Bangladesh remains one of the cheapest, with only one supplier recording a lower average unit price.

Although many Bangladeshi manufacturers have started exporting higher-value products, the transition remains gradual. According to industry estimates, high-end garments account for 30 to 40 percent of the sector's output, suggesting considerable scope for upgrading.

The government has been considering a gradual phase-out of export cash incentives, which supported exporters during the sector's development, ahead of Bangladesh's graduation from the LDC category.

On top of that, following LDC graduation, Bangladesh will face growing pressure to compete without relying on existing preferential trade arrangements.

The possible loss of duty-free market access is a particular concern. Unless Bangladesh secures the European Union's GSP+ facility or negotiates a free trade agreement (FTA), exporters could face higher tariffs in a market that absorbs nearly 60 percent of the country's garment exports, worth more than $25 billion annually.

Average duties on RMG products could approach 12 percent, further eroding the price advantage of Bangladeshi suppliers.

LABOUR AND INVESTMENT PRESSURES

The challenges extend beyond production costs and trade policy. After nearly five decades of growth, the first generation of garment entrepreneurs is ageing, while some second- and third-generation successors are struggling to sustain the traditional business model.

Several older factories are closing, and fresh investment in the sector is gradually slowing.

The workforce is also shrinking, particularly among women. Long working hours, demanding workloads and relatively low wages have discouraged younger workers from entering the industry.

READ MORE ON B3

Bangladesh in talks with IMF over new loan

MD MEHEDI HASAN, *from Bangkok*

Bangladesh is in talks with the International Monetary Fund (IMF) for a fresh loan package in the current fiscal year to help cushion the economy against the energy shock caused by the conflict in the Middle East, after exiting its previous loan programme midway.

Speaking to journalists at the venue of the IMF-World Bank Annual Meetings in Bangkok yesterday, Finance and Planning Minister Amir Khosru Mahmud Chowdhury said Bangladesh has held several meetings with the multilateral lender.

"Discussions are going on," said Khosru. He did not give further details but said another meeting is scheduled for today or tomorrow.

Bangladesh entered a $4.7 billion IMF programme in January 2023 under the then Awami League government. The interim government later increased the package to $5.5 billion. The country has so far received $3.8 billion in five tranches.

Financing from multilateral partners has taken on greater importance as the conflict in the Middle East has increased uncertainty and energy costs for Bangladesh

In May this year, the BNP-led government decided to leave the programme eight months before its scheduled expiry. It subsequently applied for a fresh package, according to a June 3 statement by Ivo Krznar, the IMF mission chief for Bangladesh.

Financing from multilateral partners, including the IMF, has taken on greater importance as geopolitical tensions and the conflict in the Middle East have increased uncertainty and energy costs for Bangladesh, which depends heavily on imports to meet its energy needs.

In fiscal year 2026-27, the government plans to seek around $4 billion in budget support from multilateral and bilateral lenders, Rashed Al Mahmud Titumir, the prime minister's adviser on finance and planning, said recently.

At the IMF-World Bank Annual Meetings venue, Khosru said the World Bank had supported Bangladesh and would continue to do so.

"We are going for a partnership framework agreement. It is under process, and future cooperation with the World Bank will be within that framework agreement," he said.

READ MORE ON B3

Strong deposit growth fails to spur private credit: GED

STAR BUSINESS REPORT

Strong deposit growth in August has failed to spur robust private sector credit expansion, according to a government report.

Banking sector deposits stood at Tk 21.31 lakh crore in August 2026, up 12 percent year-on-year, according to the Economic Update & Outlook September 2026 prepared by the General Economics Division (GED) of the Bangladesh Planning Commission.

"This is faster than the 10.01 percent growth recorded a year earlier, so deposit collection has gained momentum," the report said.

"It suggests that liquidity in the banking system has improved and that depositors' confidence is recovering," it added.

In contrast, private sector credit grew by 4.75 percent year-on-year to Tk 18.30 lakh crore in August, below the 6.35 percent growth recorded in the same period the previous year, according to the report.

Private sector credit is likely to remain subdued in the near term if borrowing costs stay high, the GED report says

Private sector credit is likely to remain subdued in the near term if borrowing costs stay high, business confidence recovers slowly and credit risk remains elevated, the report said.

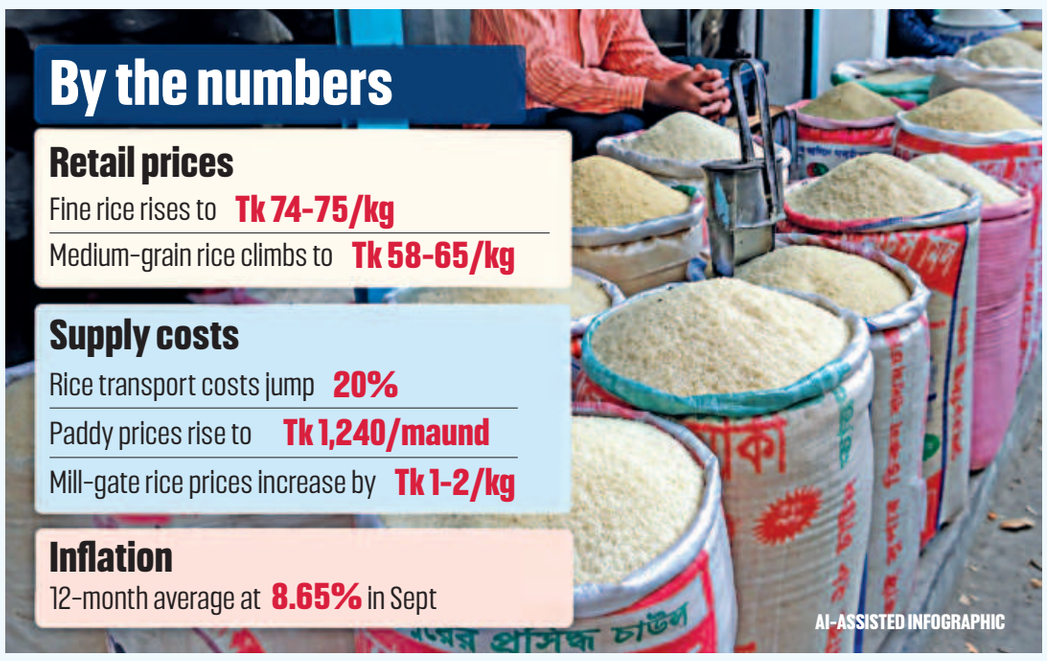
Credit growth was uneven across sectors. Public sector credit rose by 32.45 percent to Tk 7.22 lakh crore in August, more than double the 14.81 percent growth recorded in the previous year.

"Heavy public sector borrowing may also crowd out private lending. The pace of private credit recovery will therefore be the key indicator to watch," the report said.

Overall, the gap between deposit growth and private credit growth points to ample liquidity that is not being channelled into productive private investment, according to the GED.

Policy attention should focus on easing financing costs, improving the investment climate and strengthening the banking sector's ability to lend, it said.

"Sustained deposit growth would give banks the resources to support a revival of private credit as macroeconomic conditions stabilise," it added.



Rice prices rise as fuel costs bite at season's end

SUKANTA HALDER

Rice prices have risen in several districts, including Dhaka, over the past week as higher fuel costs, rising paddy prices and seasonal factors pushed up prices, adding to the burden on consumers already grappling with persistently high living costs.

Visiting Dhaka's retail markets on Sunday, The Daily Star found that fine rice was selling at Tk 74-Tk 75 per kilogramme (kg), up from Tk 72 a week ago.

Medium-grain rice, widely consumed by lower-income households, had risen to Tk 58-Tk 65 per kg from Tk 55-62.

Coarse rice prices, however, remained unchanged at Tk 50-Tk 55 per kg.

The latest increase comes amid persistently high inflation. The 12-month average inflation rate stood at 8.65 percent in September, according to the Bangladesh Bureau of Statistics (BBS). This measure reflects the average rate of price increases over the preceding 12 months, rather than the change in prices during September alone.

Shamim Al Mamun, a resident of Agargaon in Dhaka, said repeated increases in the prices of essential goods were making it increasingly difficult for households to manage their expenses.

"There is no month when the price of some essential item isn't going up. Amid this already high cost of living, the rise in rice prices will put even more pressure on us," he said.

However, the market picture differs from the official data. According to the state-run Trading Corporation of Bangladesh (TCB), no variety of rice became more expensive over the past week, while fine rice prices fell by 1.27 percent.

Over the past month, medium-grain rice prices rose by 2.50 percent, the data showed.

Shatadal Mondal, assistant director for market data at the TCB, said the organisation's figures appeared accurate based on the information collected so far, but it would investigate the discrepancies after The Daily Star raised the issue.

"Our market coverage is limited to Dhaka, including Mirpur, Mohammadpur, Malibagh, Rampura, Mohakhali, Hatirpool and West Agargaon," he said, adding that the TCB's data matched on one item but differed on two others.

"Since our people and your journalists both visit the markets, there shouldn't be much room for a gap. Even so, we will look into it thoroughly to determine whether the data is accurate and whether such a discrepancy occurred," he added.

The discrepancy comes as traders in Dhaka report rising prices, attributing the increases to higher fuel costs that have pushed up transportation fares and rising paddy prices that have increased milling costs.

Mohammad Shaon, a wholesaler at Mohammadpur Krishi Market, said the wholesale price of fine rice had risen by Tk 1 per kg to Tk 66, while medium-grain rice had increased by Tk 1.50 to Tk 48.50. Coarse rice prices remained unchanged.

A 25-kg sack of fine rice now costs Tk 1,650, while a sack of medium-grain rice sells for Tk 1,212, he said.

READ MORE ON B3

SPOTLIGHT

Two Beximco firms get BB lifeline to keep business going

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has relaxed lending restrictions for two loan-defaulting companies of the Beximco Group to help them maintain regular business operations.

The central bank issued two separate circulars yesterday, granting exemptions to Beximco LPG Unit-1 and Shinepukur Ceramics.

On condition of anonymity, a senior central bank official told The Daily Star yesterday that the facilities have been provided to the firms so that they can keep their regular businesses running.

Under the exemption for Beximco LPG Unit-1, the company will be allowed to open letters of credit (LCs) against 100 percent cash margins and receive working capital financing, despite being a loan defaulter to National Bank.

The relaxation of the restrictions will remain in force until December 31, 2027.

Section 27KaKa(3) of the Bank Company Act bars banks and financial institutions from providing any form of credit facility to loan defaulters.

READ MORE ON B3

Bankers get five-day break for Durga Puja

STAR BUSINESS REPORT

Banks will remain closed from October 20 to 22 on the occasion of Durga Puja, followed by the regular weekend on October 23 and 24, giving bankers a five-day break.

The biggest religious festival of Hindus is set to begin next Friday.

However, banks will remain open on Saturday, October 17, under their normal working schedules to help customers complete financial transactions ahead of the long holiday, Bangladesh Bank (BB) said in a circular yesterday. The central bank issued the directive after the Ministry of Public Administration declared October 22 a public holiday.

Bank branches in port areas, however, will maintain limited operations from October 20 to 24 to facilitate import and export activities during the holidays and weekend.

The BB has asked banks to coordinate with local administrations and customs authorities to ensure uninterrupted services.