

# Apparel leaders fear major challenges in 2026

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Apparel sector leaders fear the industry will continue to face major challenges in 2026, followed by relatively weak consumer demands amid sluggish economic growth and persistent inflationary pressures in the major markets, including the US and the European Union (EU).

They, however, believe the upcoming national elections with a stable post-polls situation will help address the local issues.

They expect an elected government to prioritise solving the private sector's problems and improving the law and order situation, as well as addressing the banking sector's issues and other factors that are affecting businesses.

Insiders opine that 2025 was not a "good year" for the sector because of both external and internal reasons, including the imposition of US reciprocal tariffs, intensified global competition, ongoing geopolitical and trade uncertainties, rising local production costs, and poor energy supply.

"Business was not good in 2025. However, we expect a mix in 2026," says Md Fazlul Hoque, managing director of Plummy Fashions Ltd.

He said the new year would be better as the national elections were scheduled to take place next month.

According to him, an elected government is expected to bring dramatic changes in improving the law and order situation, resolving banking issues, and most importantly, prioritising the private sector that was ignored last year.

"These will help bring back buyers' confidence and increase work orders," said Hoque, also a former president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

He said some work orders were finally not executed as some buyers were not confident enough.

Besides, he said the negative export growth recorded over the last several months might continue in the coming days mainly because of the sluggish

global demand caused by the US tariff hike.

The high tariffs not only affected garment demands but also forced American consumers to spend less due to the rise in prices, he said.

The China shift became a blessing for Bangladesh, helping the country sustain in the global competitive market, he added.



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Inamul Haq Khan, vice president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), told The Financial Express though they expected to do well due to the US tariff being higher for China and India compared to Bangladesh, they could not grab the expected level of business for a number of reasons.

Hit hard by the high US tariffs, China and India were focusing more on the EU market, where Bangladesh was competitive, he said, adding the competition would intensify more in the EU market in the new year too.

Besides, the Indian government was providing a number of policy support schemes, including incentives that helped exporters offer "very low rates" to apparel buyers, Mr Khan noted.

"We now have a technical disadvantage," he said, stressing increasing local productivity and efficiency to be competitive in the global market. He said buyers were not increasing the prices of products amid the fall in demands.

The BGMEA leader also stressed addressing local problems, including lowering bank interest rates, smooth supply of energy, easing customs procedures, and other measures, to

reduce the cost of production in order to help sustain competitiveness.

Exporters also described the least developed country (LDC) graduation as one of the major challenges in 2026, with Bangladesh scheduled to graduate in November this year.

After the graduation, the duty benefits would continue until 2029, and Bangladesh's exports, mostly garments, would face a major setback in the post-graduation period, they said.

Bangladeshi garments in the EU, the largest destination of local exports, would lose duty-free market access there, and the item would not get duty-free benefits even under the Generalised System of Preferences (GSP) plus scheme due to safeguard measures, they noted.

Salim Rahman, BGMEA vice president, said they were not against LDC graduation but demanded an extension of the graduation period for better preparations.

However, exporters are divided over this extension, saying no preparations have yet been taken, while delayed graduation will not bring any desired outcome unless sufficient preparations are taken to improve infrastructure, reduce lead time, make doing business easy, and others.

A latest Research and Development Integration for Development (RAPID) study showed LDC graduation posed a significant threat, with Bangladeshi exporters likely to bear a large share of tariff costs, as they might need to absorb 40 per cent of the post-graduation tariffs to remain competitive in the EU. After Bangladesh's graduation and the end of the transition period in 2029, the country will lose duty-free market access in the EU.

Apparel exports could face a 12 per cent tariff under the "EU safeguard measures," while major competitors like Vietnam are expected to retain duty-free access. The study also found that the unit value of Bangladesh's top apparel exports was consistently lower than that of the major competitors in the EU market.

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