

# Iran war fallout hits readymade garment industry hard

Rising raw material prices and weaker orders squeeze exporters, linkage industries

MONIRA MUNNI

Bangladesh's readymade garment sector is facing mounting pressure as the ongoing Middle East conflict disrupts supply chains, drives up input costs and dampens global demand.

Industry insiders say the impact is being felt across the entire value chain, from raw-material sourcing to shipment schedules and order flows. With production costs rising sharply and uncertainty clouding future demand, exporters are bracing for a difficult season ahead, even as some buyers push for early deliveries to mitigate shipping risks.

Insiders fear a shortage of work orders in the next season. Speaking to The Financial Express, Sayeed Ahmed Chowdhury, Director of Square Denim, said that within days of the conflict beginning, letters of credit (LCs) for raw materials were cancelled under force majeure clauses, later being revised at higher prices – especially for cotton, yarn, polyester and other man-made fibres, which rose by 10 to 15 per cent. Chinese suppliers temporarily stopped offering prices for fibres, delaying procurement, while buyers – anticipating longer shipping times to the EU and the US – began requesting early shipments in April for orders originally scheduled for May–June, he explained.

He, however, noted that many buyers have nominated fabric sources, particularly for woven items, which are largely import-dependent, so sourcing has not been significantly affected in all cases.

Due to disruptions in the overall supply chain and the push for advance shipments, he anticipates a

## IRAN WAR IMPACT ON RMG SECTOR

Raw material prices  
10–20% ↑

Production cost increase  
12% ↑

Possible order shortfall  
20–25% ↓



### SUPPLY CHAIN DISRUPTION

- Raw materials delayed (China, ME routes)
- Early shipment pressure from buyers
- Higher fuel and transport costs
- Energy shortages (load-shedding)

### OUTLOOK

- Next-season order gap
- Weak global demand (EU/US)
- Margin squeeze for exporters

gap or shortfall in work orders of 20 to 25 per cent in the next season. When contacted, Mahmud Hasan Khan, President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said prices of almost all raw materials, including accessories such as polybags and carton boxes, have increased by around 10 per cent, while dyes and chemicals have risen by 15 to 20 per cent, and yarn, fibre and polyester by up to 20 per cent. The rise in input costs has pushed up overall production costs by up to 12 per cent, eroding competitiveness, he added.

The BGMEA president, however, welcomed early shipment requests,

noting that they could allow exporters to receive payments sooner.

He cautioned that not all factories have the capacity or raw material availability to meet accelerated shipment timelines for their entire order books.

On the energy front, he said factories are struggling due to shortages, adding that BGMEA has asked members to share data on generator capacity and daily energy needs in case of four hours of load-shedding. Around 266 factories in Dhaka and surrounding areas reported a combined requirement of about 264,174 litres of diesel per day to cope with four hours of load-shedding, he said.

Factories are having to bear the additional cost of alternative energy sources by relying on generators during power outages.

Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA) President Shamim Ahmed said prices of key raw materials, mainly resin, have nearly doubled within a month due to global oil price volatility and geopolitical tensions.

The price of resin has surged to \$1,500–1,800 per tonne from \$900–950 per tonne before the conflict. Plastic manufacturers attributed this to the sharp rise in crude oil prices,

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which have increased from around \$60-70 per barrel to \$115-120, significantly raising production costs.

The plastic sector, a key backward linkage industry, supplies packaging materials such as cartons and containers to food processing, pharmaceuticals, garments and consumer goods industries.

Fazlul Hoque, former President of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said imports have been affected more than exports, while shipments to the Middle East, particularly Dubai, have largely halted.

However, he noted that the region does not account for a significant share of Bangladesh's exports, adding that the country mainly sources raw materials from China, India, Indonesia and Korea.

Although imports have resumed after initial disruptions, they are now taking place at higher costs, while both order volumes and prices have declined, he said.

"This has created multi-dimensional impacts," said Mr Hoque, also Managing Director of Plummy Fashions Ltd, adding that rising global oil prices have forced Western consumers to cut apparel spending, further dampening demand. He warned of a bleak outlook in the coming months.

Echoing these concerns, SM Khaled, Managing

Director of Snowtex Group, said his company, which produces jackets, has seen a sharp increase in raw material costs, most of which are petrochemical-based, as oil prices have surged. Shipping costs have also risen significantly, with freight rates from China increasing to \$2,600 from \$1,600 previously.

Local transport costs have also increased due to delays in fuel supply, with trucks often waiting three to four hours to refuel, reducing operational efficiency. He added that buyers who had earlier indicated plans to place orders at this time have either delayed discussions or reduced volumes by around 10 per cent. Regarding early shipments, he said some buyers have requested advance deliveries due to concerns over extended transit times caused by rerouted shipping lines.

*Munni\_fe@yahoo.com*

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## Price stability, export demand, import costs in jeopardy

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chains and may exert additional pressure on both the external balance and domestic inflation," reads the BBQ, released Wednesday.

"Proactive policy measures to maintain macroeconomic stability remain central to managing these challenges," the central bank suggests, adding that continued policy coordination and ongoing reforms in the financial and external sectors are expected to support economic resilience in the quarters ahead.

The BBQ, however, notes that the newly elected democratic government, which took office at the end of February, has initiated several measures to mitigate external risks, including efforts to diversify crude-oil-import sources and reduce reliance on the Middle East.

Ongoing conflicts in the Middle East have heightened the risk of volatility in global oil markets and exchange rates, according to the BBQ.

"For energy-importing economies like Bangladesh, rising global oil prices may incur increased import payments, thereby depleting foreign-exchange reserves and creating upside risks to inflation in the country," the regulator alerts.

On the other hand, global oil-price shock may induce the domestic currency exchange rate to depreciate, which is also inflationary in nature.

"The inflationary pressure on the economy may not ease in the coming months due mainly to the ongoing geopolitical tensions that would possibly push up overall import costs," Md. Ezazul Islam, Director-General of Bangladesh Institute of Bank Management (BIBM), told The Financial Express (FE), while replying to a query.

Dr Islam, also a former executive director of the central bank, says earnings from both exports and remittances may also face setback in the coming months if the tension prolongs further, which would accelerate the deficit in the current account of the country's overall balance of payments.

The pace of economic activity showed volatility in the first half of the current fiscal year (FY), 2025-26, with alternating quarters of stronger and relatively weaker growth.

Real GDP (gross domestic product) growth decelerated in the second quarter (Q2) of FY'26 compared to the previous quarter, while inflation remained elevated.

"Overall, the latest indicators suggest that Bangladesh's macroeconomic conditions remained broadly stable despite persistent domestic and external challenges," the central bank notes.

In the real sector, economic activity showed a mixed performance, according to the BBQ.

The central bank also says agricultural production recorded strong performance during the quarter, exceeding both official targets and the previous year's output levels, reflecting benign weather conditions and continued policy support.

In contrast, industrial activity fell considerably, recording 1.27-percent growth in the quarter under review, down from 6.82 per cent in the previous quarter, the BBQ mentions.

Services-sector activities remained robust, helping in maintaining overall economic stability.

Monetary conditions remained tight as the central bank continued its contractionary-policy stance to contain inflation and support macroeconomic stability.

The policy-rate and-interest-rate corridor remained unchanged, keeping the weighted average call money and interbank repo rates close to the 10.00-percent policy rate by the end of December 2025, according to the BBQ.

Meanwhile, the banking sector's asset quality appeared to improve during the Q2 of FY'26, as the gross non-performing loan (NPL) ratio declined to 30.60 per cent from 35.73 per cent three months before.

"However, this improvement largely reflects recent regulatory relaxation rather than a fundamental strengthening of credit quality," the BBQ explains. The central bank also says renewed depositor confidence, steady advances amid cautious lending, and tighter monetary policy contributed to a decline in the advance-deposit ratio, reflected in the adequate liquidity position.

Regarding external sector, the BBQ says the external sector improved during the period under review, supported mainly by a surge in worker remittances, which helped the current account return to a surplus of US\$476 million, reversing the \$818-million deficit recorded in the previous quarter.

However, export performance weakened during the quarter, particularly in the ready-made garment sector, reflecting cautious demand from major markets and rising global trade tensions, the central bank notes.

At the same time, import payments remained broadly contained amid subdued domestic demand and moderate investment activity. As a result, the trade deficit widened slightly.

siddique.islam@gmail.com

Fallout on BD economy from geopolitical fracas

## Price stability, export demand, import costs in jeopardy

Latest BB report paints gloomy picture for near term

SIDDIQUE ISLAM

Ongoing geopolitical tensions pose near-term risks to Bangladesh's price stability, export demand and import costs, the central bank

Inflationary pressure on economy may not ease too soon as geopolitical tensions inflate import costs, BIBM DG Ezazul

democratic government, which took office at the end of February, has initiated several measures to mitigate external risks, including efforts to diversify crude-oil-import sources and reduce reliance on the Middle East. Ongoing conflicts in the Middle East have heightened the risk of volatility in global oil markets and exchange rates, according to the BBQ. "For energy-importing economies like Bangladesh, rising global oil prices may incur increased import payments, thereby depleting foreign-exchange reserves and creating upside risks to inflation in the country," the regulator alerts. On the other hand, global oil-price shock may induce the domestic currency exchange rate to depreciate, which is also inflationary in nature. "The inflationary pressure on the economy may not ease in the coming months due mainly to the ongoing geopolitical tensions that would possibly push up overall import costs," Md. Ezazul Islam, Director-General of Bangladesh Institute of Bank Management (BIBM), told The Financial Express (FE), while replying to a query.

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Latest BB report paints gloomy picture for near term

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The Bangladesh Bank (BB) has painted such a picture on the economic downside in its latest Bangladesh Bank Quarterly (BBQ) report for October-December 2025, while listing upside positives, too.

"Rising geopolitical tensions - particularly the Iran-Israel-USA conflict--have already disrupted global energy and food-supply

Inflationary pressure on economy may not ease too soon as geopolitical tensions inflate import costs, BIBM DG Ezazul Islam predicts

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# Bangladesh can increase duty-free exports to UK

Trade envoy calls for utilising Developing Countries Trading Scheme

## STAR BUSINESS REPORT

The United Kingdom's visiting trade envoy, Baroness Rosie Winterton of Doncaster, has called on Bangladesh to increase exports to her country utilising the Developing Countries Trading Scheme (DCTS), which offers duty-free access.

During a meeting with Commerce Minister Amir Khosru Mahmud Chowdhury at the Secretariat yesterday, she pointed to scope for increasing exports beyond ready-made garments, including processed foods, seafood, light engineering and leather goods.

She also encouraged Bangladesh to make use of approximately £2 billion

in export credit facilities available under UK Export Finance for increased infrastructure and other investments, according to a commerce ministry press statement.

During the meeting, both sides agreed to reactivate the Bangladesh-UK Trade and Investment Dialogue, the statement adds.

The DCTS, which replaced the UK's Generalised Scheme of Preferences, came into force on 19 June 2023. Under the scheme, the UK cuts tariffs, removes conditions and simplifies trading rules for 65 developing countries.

The scheme heavily benefits UK businesses and consumers by reducing the import cost of

thousands of products from around the world. Importers enjoy zero percent import tariff on 99.8 percent of products from 47 eligible least developed countries (LDCs), including Bangladesh, under the scheme's Comprehensive Preferences tier.

The UK has confirmed it will maintain duty-free access for Bangladeshi goods under DCTS even after Bangladesh graduates from LDC status.

During the meeting with the UK envoy, Minister Chowdhury said the government has been working to improve the investment climate, cut logistics costs and ease doing business.

He said Bangladesh is pursuing free trade agreements and economic

partnership agreements with several countries and intends to deepen trade ties with the UK.

The UK is Bangladesh's third-largest export destination after the United States and Germany.

In the last fiscal year 2024-25, Bangladesh exported \$4.62 billion worth of goods to the European country, accounting for 9.57 percent of total exports, according to data from the Bangladesh High Commission in London.

The major exportable items include ready-made garments, frozen food, IT engineering, leather and jute goods, and bicycles, with knitwear and woven garments accounting for 90 percent of total exports.