

# Bangladesh yet to tap small-order apparel shift as buyers favour China

Buyers prefer China for wider product range and competitiveness, study finds

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Bangladesh is yet to take full advantage of global apparel buyers' shift towards small-quantity orders, as many still prefer China for its strong competitiveness and wide range of product variety, industry insiders said.

Amid geopolitical and trade tensions, global buyers are diversifying sourcing destinations and placing smaller work orders to better prepare for and navigate shocks, they added.

With changing consumer demand patterns and fast-evolving fashion trends, buyers are increasingly placing orders in small quantities. Bangladesh is receiving some such orders, but not in significant numbers as it mostly handles volume-based work orders.

Industry insiders identified long lead time for shipments, lack of adequate backward linkage -- especially in woven garments -- and the mindset of factory owners as key reasons behind the situation. A recent case study titled "H&M's Evolving Apparel Sourcing Base" by Dr Sheng Lu, a professor at the University of Delaware, also hinted at similar findings.

Using H&M's publicly released factory list on February 26, the study analysed the company's sourcing strategies and changes to better understand its fast fashion model and sourcing practices.

H&M sources apparel from nearly 800 factories across 23 countries, along with about 550 textile raw material suppliers in 15 countries.

Compared to its 2024 sourcing base, the company appears to have consolidated the number of factories it sources from, the study said.

The retailer maintains long-term relationships with suppliers. Of its nearly 800 contracted apparel factories, 314 (about 40 per cent) have worked with H&M for more than 10 years, and another 126 for six to 10 years. Only 261 factories (around 33 per cent) have relationships of less than three years.

At the country level, China remains H&M's largest sourcing destination, accounting for over 230

China dominates small orders with diverse product capability

BD factories remain focused on large-scale volume production

Global brands diversify sourcing amid geopolitics, trade tensions

Long lead time and weak linkage hinder Bangladesh's growth

factories or 29.5 per cent as of February 2026.

H&M also sources the widest range of apparel categories from China, including woven (85 factories), jersey (56), knitwear (32) and denim (11).

"In other words, China is one of the few countries that can make almost all types of products for H&M," the study noted.

In contrast, H&M sources narrower product categories from other major suppliers, such as Türkiye for jersey, denim and knitwear; India for denim; Indonesia for underwear and swimwear; and Pakistan for denim and socks.

This finding aligns with recent studies indicating that Western fashion companies commonly regard China as highly competitive for its product variety,

which is difficult for other countries to match. The study also showed that more than 76 per cent of H&M's contracted factories in China employ fewer than 500 workers, reflecting its role in supplying variety-driven, small- to medium-sized orders.

In contrast, factories in Bangladesh, Pakistan and Indonesia are more concentrated in large-scale production, typically employing over 1,000 workers. In Bangladesh, 41 per cent of H&M's contracted factories have more than 4,000 workers, indicating a focus on high-volume production.

H&M sources from 234 factories in China, followed by 127 in Bangladesh, 115 in Türkiye, 92 in India, 57 in Vietnam and 36 in Portugal.

Talking to The Financial Express, Sheikh HM Mustafiz, managing director of Cute Dress Industry Ltd, said he handles small-quantity orders by adding value through complex work, which brings higher profit.

However, Bangladesh is yet to scale up such work due to its existing setup, lack of supply chain efficiency and limited product diversification, he noted.

He said many premium and mid-sized buyers place small orders and offer good prices, but local exporters often prefer bulk production as it is easier in terms of design and manufacturing.

Exporters said that although Bangladesh did not receive many small-quantity orders in the past, the situation is gradually changing.

In many countries, multi-skilled workers can produce entire garments -- around 200 to 300 pieces -- under a "tailor-shop" model.

In Bangladesh, however, production follows a line system, where each worker performs a specific operation. This system is efficient for bulk production but less suited to small orders. Bangladesh also requires a long lead time -- up to four months from production to shipment -- while an additional 45 days may be needed if raw materials are imported, exporters added.

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# Bangladesh presents its case for LDC graduation deferment

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Bangladesh cited gaps in readiness, incomplete core reforms, and economic fallout from the Iran war as reasons for seeking an extension of the transition period for graduation from the least developed country (LDC) category by three more years at the public hearing of the UNCDP on April 29.

Commerce Minister Khandakar Abdul Muktedir attended the virtual hearing with Chair of the United Nations Committee for Development Policy (UNCDP) José Antonio Ocampo, Additional Commerce Secretary Md Abdur Rahim Khan told The Daily Star.

Khan also said the UNCDP wanted to know the reasons why Bangladesh is seeking an extension of the transition

**UNCDP asked why Bangladesh seeking extension**

### BANGLADESH'S REASONS

Lack in preparedness and reform implementation

Middle East war

Financial vulnerability

Weak banking system

Export slowdown

Uncertain business climate

**Next step:** UNCDP to send report on hearing to another UN panel in June

period for LDC graduation.

Bangladesh mainly cited the country's gap in preparedness, lower implementation of core reforms, and the fallout of the US-Israel war on Iran as the main reasons for the requested extension, the additional secretary said.

Apart from these three main reasons, Bangladesh also mentioned vulnerabilities in the financial sector, weaknesses in the banking system, an export slowdown due to volatile global supply chains, high interest rates, and an uncertain business and investment climate in support of the extension, he said.

Bangladesh is scheduled to graduate from LDC status on November 24 this year, but it has sought to delay the

transition until 2029, citing domestic and external economic pressures.

The UNCDP will prepare a report on Bangladesh's hearing and submit its recommendations to the United Nations Economic and Social Council (ECOSOC) in June.

The ECOSOC will then forward its assessment to the United Nations General Assembly (UNGA), scheduled to meet in September, where a vote will finalise the decision on the deferment.

Earlier, on February 19, the newly elected government sent a letter to the chair of the UNCDP, requesting that the preparatory period be extended until November 24, 2029, mentioning that more time is needed to ensure readiness.

Following Bangladesh's request, the UNCDP discussed the issue at its annual meeting in February and agreed on a process to assess the proposal.

The business community of the country has also been requesting both the incumbent government and the immediate past interim government to delay the LDC graduation, as they need more time to prepare adequately. They said higher bank interest rates and political transition in the country, following massive unrest and political upheaval, have also affected the economy significantly.

A UN assessment report in March stated that Bangladesh still faces serious gaps in its readiness for graduation, as its economy continues to be affected by both domestic and international shocks, including the US-Israel war on Iran.

The report highlighted a series of disruptions between 2017 and 2026, including climate vulnerability, the Rohingya crisis, a prolonged macroeconomic slowdown that predated the regime change, the Covid-19 pandemic, the Russia-

Ukraine war, inflation, and pressure on the balance of payments.

It also noted that while Bangladesh meets all three criteria for graduation, significant risks persist, including the loss of trade preferences, fiscal and financial vulnerabilities, and weak institutional coordination.

Rising import costs for fossil fuels have created operational constraints, with gas shortages worsening due to the Middle East conflict, the report said.

Economic growth slowed from 7.1 percent in FY22 to 3.5 percent in FY25, weakening momentum ahead of graduation.

Inflation has outpaced wages, pushing millions into hardship and vulnerability.

A recent UN Trade and Development assessment estimated that Bangladesh could lose more than \$17.5 billion in annual exports after graduation.



# Rising energy costs threaten export competitiveness

GED report warns energy costs, ME tensions risk inflation, trade deficit, FX stability

## STAR BUSINESS REPORT

Rising global energy prices, driven by geopolitical tensions, along with recent domestic fuel price adjustments, are pushing up production and transport costs and threatening Bangladesh's export competitiveness, according to a General Economics Division (GED) report published yesterday.

Export performance weakened in the first quarter of 2026 after a relatively strong start, the GED said in its April issue of the Economic Update & Outlook.

Year-on-year export growth fell sharply from negative 0.50 percent in January to negative 12.03 percent in February, before declining further to negative 18.07 percent in March. The report linked this trend to softer external demand and emerging supply-side constraints.

Readymade garment (RMG) exports declined from \$3.61 billion in January to \$2.78 billion in March, reflecting seasonal normalisation and weaker global demand.

Non-RMG exports were more volatile, dropping to \$679 million in February before rising slightly to \$698 million in March. The GED said the broad-based decline across export categories points to broader pressure on the sector.

However, it added that a modest recovery in non-RMG exports and steady demand for garments offer some cautious relief, although policy support and efficiency improvements may be needed going forward.

On inflation, the report said there were some positive developments as headline inflation eased slightly in March. Lower rice prices helped offset continued price increases in meat, fish, and vegetables.

### EXTERNAL SECTOR

Energy costs rising, weighing on exports ..... Export growth slowed sharply in recent months ..... RMG exports falling; non-RMG volatile

### FINANCIAL STABILITY

Remittances, reserves supporting stability

Deposits rising, signalling confidence

### INFLATION

Inflation easing, but non-food prices still rising

### BORROWING

Public borrowing up; private credit steady

### RISKS

Energy shocks, weak overseas labour markets remain concerns

Any further increase in energy costs or depreciation of the taka could quickly reverse recent moderation, the report said

Non-food inflation rose slightly, reflecting persistent cost pressures in housing, transport, utilities, and services. The GED linked these pressures to exchange rate effects, higher energy costs, and rising production and distribution expenses.

"Persistent non-food inflation suggests that underlying inflationary pressures remain entrenched despite temporary relief from food prices," the report said.

The GED also highlighted strong remittance inflows and higher foreign exchange reserves compared to last year as key buffers for external sector stability.

It said remittances continue to support the economy by strengthening reserves, financing the current account, and improving macroeconomic resilience.

It added that, amid the energy crisis, higher remittances are helping offset rising import payments and supporting reserve accumulation. However, it warned that geopolitical tensions could affect labour markets in energy-exporting

countries where many Bangladeshi migrants work.

While seasonal factors may support inflows in the short term, the report said remittance sustainability in the medium term will depend on external labour demand and global economic stability.

It also cautioned that rising global energy costs and tensions in the Middle East pose renewed risks to inflation, the trade deficit, and exchange rate stability. "Any further increase in energy costs or depreciation of the taka could quickly reverse recent moderation."

On the domestic financial sector, the GED said public sector borrowing from banks has increased significantly. Credit growth to the public sector rose nearly 30 percent year-on-year in February 2026, the highest in five months, compared to 26.15 percent in February 2025.

"Public sector credit growth is accelerating sharply, partly reflecting

increased government borrowing amid mounting energy-related fiscal pressures," the GED said.

Private sector credit also increased, although growth remained stable at 6.03 percent in both months.

The report said that up to February 2026, both bank deposits and credit disbursement showed a generally positive trend, indicating gradual recovery and improving confidence in the banking sector.

Total bank deposits reached Tk 19.95 lakh crore in February, up 11.28 percent year-on-year.

This was higher than Tk 19.67 lakh crore in January, when deposits grew 10.44 percent year-on-year.

The data used in the report were sourced from the Bangladesh Bureau of Statistics (BBS), Implementation Monitoring and Evaluation Division (IMED), Export Promotion Bureau (EPB), Bangladesh Bank (BB), and the National Board of Revenue (NBR).

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