

Pricing pressure
in the global
fashion industry

Squeezed Dry

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EXECUTIVE SUMMARY 3

1 INTRODUCTION 6

2 THE CHASE FOR THE CHEAPEST NEEDLE 8

- The pattern of global T-shirt trade 8
- EU T-shirt origins: the pivotal role of Bangladesh 9
- Import prices drive trade deviations 9
- Accounting for inflation: real sourcing value is contracting 12

3 PRICING PRACTICES OF LEADING BUYERS 15

- How much are fashion brands actually paying for T-shirts made in Bangladesh? 15
- Reactions from major buyers 17
- Sourcing prices in the B2B market segment 18
- The low-price imperative overrides commitments to sustainable costing 18

4 THE POWER GAME OF PRICE NEGOTIATIONS 19

- Expert interviews with merchandisers and managers 19
- Findings from the expert interviews 19

5 POVERTY WAGES: THE FLIPSIDE OF LOW-PRICE COMPETITION 24

6 WHAT WOULD IT TAKE? 26

- From top-down to bottom-up pricing 27
- Introducing minimum price targets 29
- Could USD 30/kg serve as a minimum price target for T-shirt sourcing? 30
- Limitations 31

7 OUTLOOK AND RECOMMENDATIONS 33

GLOSSARY 35

INDEX OF BOXES, FIGURES AND TABLES 36

ENDNOTES 37

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Executive Summary

Fashion's sustainability commitments ring hollow when set against the prices major brands actually pay their suppliers. Despite inflation and rising costs across global supply chains, sourcing prices for basic garments such as cotton T-shirts have barely increased in nominal terms and have declined in real terms over the past two decades.

Today, many buyers still source a standard cotton T-shirt at around USD 2–3 per piece, with unit prices below USD 1 persisting in parts of the market. The sustained erosion of sourcing value in real terms undermines suppliers' economic resilience, depresses wages and throws into question the credibility of industry claims on sustainability and a just transition.

Taken together, the evidence shows that persistently low sourcing prices are not a market failure but a central organising principle of today's garment industry, shaping sourcing geographies, buyer behaviour and structurally locking-in poverty wages and precarious working conditions.

REAL SOURCING PRICES ARE CONTRACTING

Overall, price levels have remained very low. In 2025, the average EU import price stood at just USD 16 (EUR 14.15) per kg. Import prices from Bangladesh, the main supplier to the EU, were even lower at around USD 13 per kg. Between 2001 and 2025, the world economy grew on average by around 3% per year, and global inflation led the average household living costs to more than double.

In contrast, long-term data for EU T-shirt imports display only a meagre nominal purchasing price increase of 0.9% per

year during the same period. When adjusted for EU inflation, this development translates into a real price erosion of –1.4% per year. In other words:

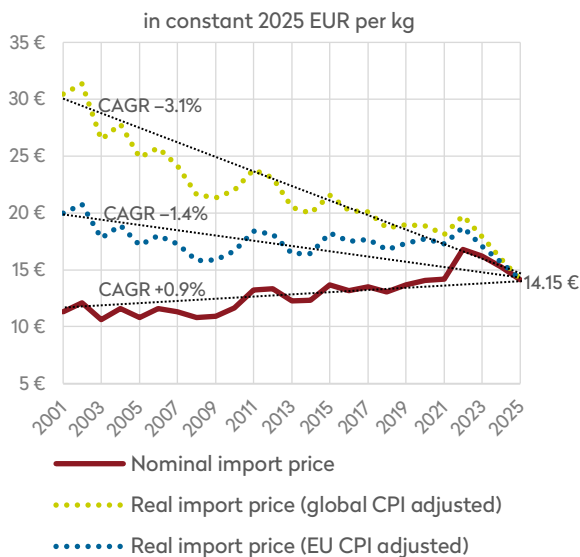
Nominally, EU buyers today pay roughly a quarter more for cotton T-shirts sourced abroad than they did 25 years ago. But in real terms, they are paying 30% less.

When adjusted for global inflation, the decline in real sourcing prices deepens to –3.1% per year, meaning that average sourcing prices have fallen by roughly half in real terms. This reflects a deliberate competitive reliance on ultra-low price points in mass-market apparel.

THE CHASE FOR THE CHEAPEST NEEDLE

The geographical pattern of trade illustrates how buyers have shifted sourcing towards locations that offer the lowest prices at scale. In the EU – the world's largest import market for T-shirts – Bangladesh has become the dominant country of origin, reflecting its role as a global hub for large-volume, low-price knit-

EU AVERAGE IMPORT PRICES FOR COTTON T-SHIRTS, WITH INFLATION ADJUSTMENT



Public Eye calculations based on COMTRADE and IMF Data

wear. In 2025, 61% of T-shirts imported to the EU were sewn in Bangladesh. This is not diversification. It is a deepening concentration around the lowest cost production base, reinforcing dependency on both sides of the relationship

THE PRICING PRACTICES OF LEADING BUYERS

The ceiling is low, and the floor continues to pull the market down. Public Eye had access to company-specific trade data. These reveal that purchasing prices among the largest fashion companies are clustered within a relatively limited – and above all low – range, despite notable differences in market positioning. Even among higher-paying brands, sourcing prices from Bangladesh rarely exceed USD 18 per kg (about USD 3 per piece), while discounters and B2B companies often source at substantially lower levels (USD 10 per kg and below).

Company-specific price data were shared with major buyers. In response, some companies questioned the figures, arguing that average price metrics overlook key factors such as product mix, efficiency gains and cost drivers, while none provided alternative pricing data. Responses are summarised in the respective chapter (p.19).

Noteworthy is the selective price elasticity in the market. When raw-material prices spike, sourcing prices can rise temporarily and buyers may absorb increases. However, wage increases do not have comparable weight. Even significant minimum-wage adjustments in Bangladesh have not translated into sustained uplifts in export prices. Energy shocks had a partial impact during 2022, but this faded as commodity conditions

normalised. The pattern is clear: suppliers can sometimes pass on higher material costs, and buyers are willing to absorb them. Labour costs, however, do not have comparable weight. Moreover, suppliers cannot sustain elevated price levels beyond the duration of the underlying commodity surge.

THE POWER GAME OF PRICE NEGOTIATIONS

Interviews with merchandisers, production managers and buying-house specialists in Bangladesh shed light on how pricing pressure is applied in day-to-day negotiations. Many interviewees describe a process in which buyers enter discussions with fixed target prices and expect suppliers to match them regardless of rising costs or compliance requirements. Suppliers report systematic benchmarking against the lowest available option across countries, limited scope for negotiation, and recurring tactics such as last-minute concessions or attempts to renegotiate prices even once production is under way. In the words of one interviewed merchandiser:

“The biggest challenge in negotiating higher prices is that this product has become completely commoditized.”

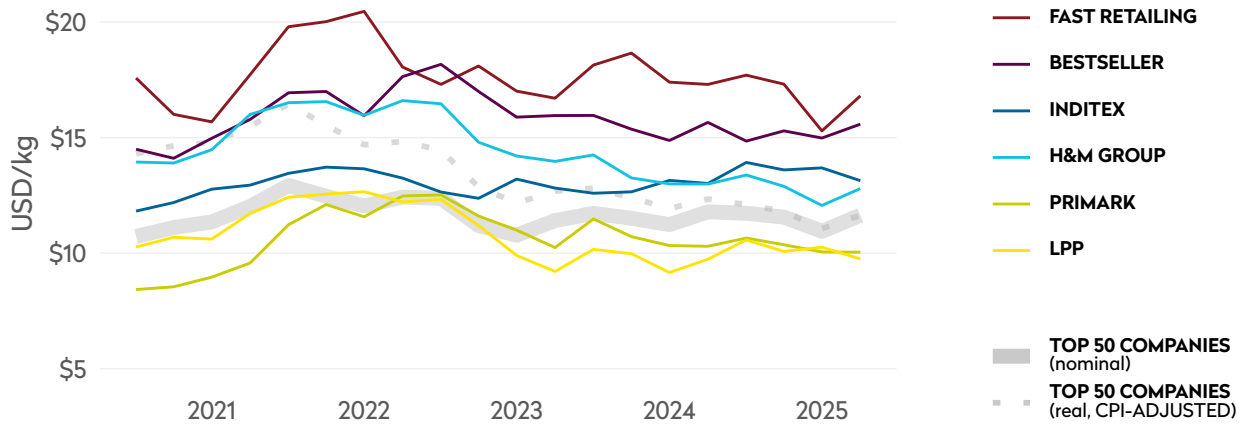
Margins on basic T-shirts are described as razor-thin and increasingly unstable. To avoid idle production lines, retain staff and protect cashflow, many factories accept orders at or below cost – particularly in off-peak months. As nominal prices stagnate while other costs rise, suppliers are systematically pushed towards the most “flexible” lever left: labour. This translates into intensified work, extended hours, and sustained wage suppression. Ultra-low prices therefore lock in poverty wages, weaken factories’ ability to absorb shocks, and crowd out investment in social and environmental improvements.

BOTTOM-UP PRICING AND MINIMUM PRICE TARGETS

Two decades of voluntary standards, codes of conduct and multi-stakeholder initiatives have not corrected the structural undervaluation embedded in garment sourcing. Pricing must become a core lever of responsible purchasing and human rights due diligence (HRDD). A shift from top-down to bottom-up pricing is central to this. Prices should be built from the real costs of compliant, rights-respecting and environmentally responsible production, rather than negotiated down from retail targets and margin expectations.

On this basis, the report explores minimum price targets as both normative guidance for negotiations and a practical instrument to anchor responsible purchasing in company practice. For cotton T-shirts, an interim benchmark could help lift the lowest prices towards market-average levels and slow harmful relocation dynamics. A preliminary benchmark proposal in the order of USD 30 per kg (roughly USD 5 for a 165 g T-shirt) illustrates

SOURCING PRICES OF MAJOR FASHION BRANDS FOR T-SHIRTS MADE IN BANGLADESH



The diagram displays the development of the average sourcing price for cotton T-shirts of the top 6 major brands. In 2025, each sourced cotton T-Shirts (HS code 6109.10) with a total trade value of at least USD 100 million from Bangladesh. Grey lines show the sourcing price development of the top 50 buyers. Because differences in product mix, quality and sourcing geography affect price levels, direct comparisons between buyers in this sample should be interpreted with caution.

Public Eye, based on trade data

the order of magnitude of change required to create space for living wages, safe and non-stressful work organisation, and credible environmental performance.

Yet a benchmark alone is not enough; it must be embedded in practical mechanisms that allow brands, suppliers and regulators to use target prices as a guiding reference for responsible purchasing.

OUTLOOK

Low prices are not merely a symptom of fast fashion, but its structural foundation. Without raising purchasing prices, efforts to improve labour rights, safety and environmental performance will continue to hit a hard ceiling. Bottom-up pricing and minimum price targets will not solve every problem, but they address a core constraint that prevents fair value distribution and blocks a credible just transition.

Re-pricing and redistributing value towards the base of the chain is therefore a prerequisite for a just transition toward a socially, economically and environmentally sustainable industry.

1

Introduction

Fashion's sustainability ambitions ring hollow against a persistent reality: the prices paid to suppliers remain far too low to support safe, dignified and environmentally responsible production, living wages and decent working conditions. Despite rising inflation, the sourcing prices of basic garments have barely increased over the past two decades. This report addresses basic but fundamental questions:

How low are current sourcing prices, why are they not increasing, and what would it take to ensure they cover the real costs of socially, environmentally and economically sustainable production?

The analysis seeks to cut through the gap between corporate responsibility commitments and the economic conditions under which suppliers actually operate. To illustrate this structural problem in concrete terms, it focuses on the cotton T-shirt as one of the most important standardised products in the garment industry – and a paradigmatic example of its entrenched low-price addiction. The analysis draws in particular on Bangladesh as the central low-price production hub and on the EU as the main import market. Today, major buyers continue to source standard cotton T-shirts at prices of USD 2–3 per piece (roughly USD 13–18 per kg), with unit prices below USD 1 still not uncommon in certain market segments.

By tracing long-term sourcing patterns, company pricing behaviour and the negotiation dynamics inside factories, the report examines why ultra-low prices have become structurally entrenched – and what mechanisms could help move the sector towards fairer value distribution. The objective is to understand the drivers of today's downward pricing spiral and show how bottom-up pricing and minimum price targets can anchor responsible purchasing in practice.

The structure of the report reflects this approach. It begins by mapping the evolution of global and EU T-shirt sourcing patterns, showing how extreme price sensitivity has reshaped production geographies and reinforced dependence on a handful of ultra-low-cost production hubs. Within this landscape, Bangladesh plays a pivotal role as the world's dominant low-price sourcing hub for cotton T-shirts.

It then turns to the purchasing behaviour of leading brands and retailers, drawing on company specific sourcing data to reveal how price competition overrides stated commitments to fairness and sustainability.

A subsequent chapter brings in the perspective of Bangladeshi manufacturers and buying houses, whose first-hand accounts illustrate the power imbalances and commercial pressures that underpin persistently low prices.

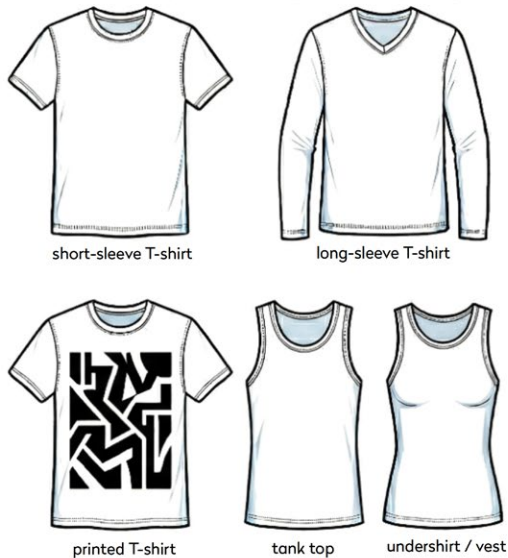
Building on this evidence, the report outlines the consequences for wages and working conditions before introducing the concept of minimum price targets and exploring practical pathways for their adoption by industry actors and regulators. The final chapter formulates recommendations for brands, suppliers, governments and civil society organisations.

DATA SOURCES

The report combines several main sources of evidence. Long-term EU and global trade data (COMTRADE, ITC Trade Map, Eurostat) provide a quantitative basis for analysing shifts in import volumes, unit prices and sourcing patterns over more than two decades. For Chapter 3, company-specific trade data on exports from Bangladesh, accessed through a commercial trade data provider, enables direct comparison of purchasing behaviour across major buyers. Differences in product mix, quality and sourcing geography substantially affect price levels. The direct comparison of average sourcing prices between buyers should therefore be interpreted with caution.

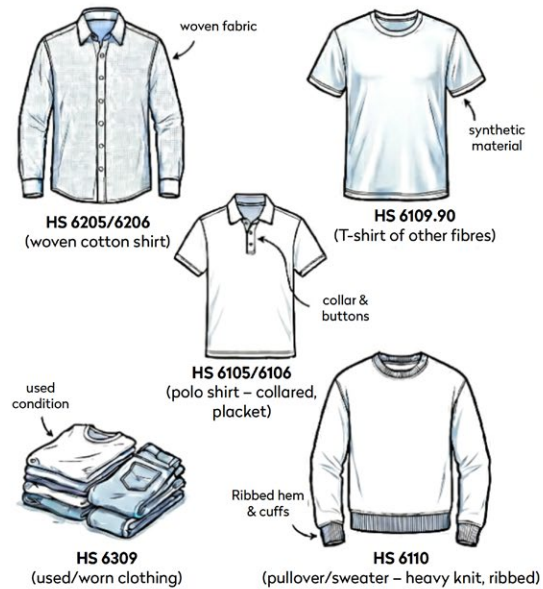
Box 1 – WHAT IS A COTTON T-SHIRT?

HS code 6109.10 (T-shirts, singlets and other vests, knitted or crocheted, of cotton (>50%))



In the international Harmonized System (HS) nomenclature used by customs and statistical authorities alike, T-shirts are classified under HS code 6109, defined as “T-shirts, singlets and other vests, knitted or crocheted.” This category encompasses a highly standardised, high-volume product segment, within which regular basic T-shirts account for by far the largest share. This report therefore refers simply to “T-shirts” when discussing products classified under HS 6109.

similar products in other HS codes



Although synthetic materials are on the rise in the fashion industry, the T-shirt market remains dominated by cotton. In 2024, products falling into the material sub-category HS 6109.10 “... of cotton” accounted for 69% of global T-Shirt exports – slightly down from 76% in 2001. This sub-category also includes products from fibre blends with a majority share of cotton.

The report uses Harmonised System code, product category 6109.10 as it represents one of the more homogeneous segments and is therefore suitable for tracking long-term price and volume trends. However, this code still includes various related products alongside classic T-shirts. Differences in composition, technical specifications and material inputs introduce certain limits to comparability and missing or misclassified data points – including exports declared under alternative names or in incorrect categories – cannot be entirely ruled out.

The company-specific price data were shared with major buyers ahead of publication, providing an opportunity to review and comment.

To complement these quantitative insights, nine semi-structured expert interviews were conducted in 2025 with merchandisers, buying-house specialists and factory managers in Bangladesh.

2

The chase for the cheapest needle

THE PATTERN OF GLOBAL T-SHIRT TRADE

Since 2001, the global T-shirt exports have nearly quadrupled, rising from USD 15.5 billion to USD 56.8 billion per year (Figure 1). The steepest increase occurred in the first decade, with an average annual growth rate of 10%. Since then, annual growth has slowed to an average of 4%.

The global T-shirt trade is highly concentrated. In the larger market for cotton T-shirts (HS 6109.10), Bangladesh overtook China in 2011 as the leading exporter and has since continued to expand its market share, reaching 20% in 2024. The five largest net exporting countries together represented 48% of global cotton T-shirt trade, or 78% of total net export volume among countries with a positive trade balance. This latter measure is more meaningful, as gross export data often presents a distorted picture due to intermediary trade, particularly within the EU.

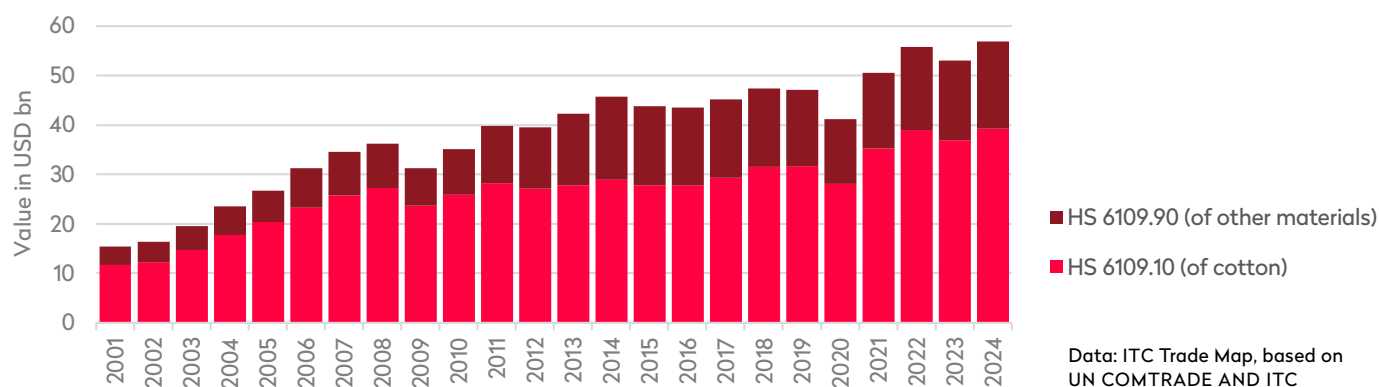
Table 1 – MAIN EXPORTERS OF COTTON T-SHIRTS

Exports (2024) HS 6109.10	(USD m)	% of exports	% of net export
Total Exports	39,247	100%	100%
Share of Top 5	18,841	48%	78%
1. Bangladesh	7,777	20%	34%
2. China	5,840	15%	23%
3. India	1,723	4%	7%
4. Türkiye	1,853	5%	7%
5. Viet Nam	1,648	4%	7%
other	20,406	52%	22%

Ranked by net exports. % of net exports = share of total net exports of all countries with positive balance (USD 22,626m).

Data: ITC Trade Map, based on UN COMTRADE AND ITC

Figure 1 – THE GROWTH OF GLOBAL T-SHIRT EXPORTS 2001–2024



Non-cotton T-shirts (HS 6109.90) include a range of synthetic and functional garments, such as performance shirts that are sometimes considered technically more complex. This market is dominated by China, which increased its share of global exports from 20% in 2001 to 29% in 2024. The top five net exporters together accounted for 51% of global trade in this category in 2024 – or 73% of net exports among countries with a positive trade balance.

Table 2 – MAIN EXPORTERS OF NON-COTTON T-SHIRTS

Exports (2024) HS 6109.90	(USD m)	% of exports	% of net export
Total Exports	17,549	100%	100%
Share of Top 5	8,969	51%	73%
1. China	5,156	29%	42%
2. Viet Nam	1,363	8%	11%
3. Bangladesh	938	5%	8%
4. Türkiye	910	5%	7%
5. India	602	3%	5%
other	8,581	49%	27%

Ranked by net exports. % of net exports = share of total net exports of all countries with positive balance (USD 11,773 m).

Data: ITC Trade Map, based on UN COMTRADE and ITC

The ranking of the main importing countries has remained relatively stable from the turn of the millennium to the present day. The EU, the United States, Japan and the United Kingdom continue to be the largest importers of both cotton and non-cotton T-shirts.

Table 3 – MAIN IMPORTERS OF T-SHIRTS

Imports (2024) HS 6109.10 / .90	Cotton T-shirts (USD m)	Non-cotton T-shirts (USD m)
Total Imports	34,165	13,813
Share of Top 5	45%	47%
1. EU	6,997	2,610
2. USA	4,942	1,963
3. Japan	1,402	834
4. UK	1,468	691
5. Korea	674	401
other	18,682	7314

Ranked by net imports.

Data: ITC Trade Map, based on UN COMTRADE and ITC

EU T-SHIRT ORIGINS: THE PIVOTAL ROLE OF BANGLADESH

The export value figures above already illustrate the overall pattern of global T-shirt trade. However, these trends become even clearer when considering not only the economic value but also the quantities and unit prices of T-shirts traded. At the global level, such data is consistently incomplete and lacks uniformity. For this reason, the following section of this report focuses on the EU, the world's largest T-shirt import economy. Furthermore, the analysis will concentrate on cotton T-shirts (HS 6109.10), which represent by far the largest market segment.

In 2025, the EU imported 483 thousand tonnes of cotton T-shirts, equivalent to about 2.9 billion pieces (6.5 per capita). Similar to global patterns, EU imports reveal a growing market concentration. Bangladesh's share of EU cotton T-shirt imports has increased significantly in terms of value, rising from 15% in 2001 to 46% in 2025 (Figure 2). When measured by weight, its share has increased even more, to 61%.

Over the same period, Türkiye's share fell from 19% to 7%, a decline even in absolute terms. China gained part of this share during the first decade but has since lost ground, accounting for just 5% in 2025.

This development highlights that supply diversification is not at all a priority for companies selling on the EU market; instead, they continuously shift their sourcing to locations offering high volumes at the lowest global prices – namely Bangladesh. The dependency is equally strong in the opposite direction. For Bangladesh's apparel producers, the EU is by far the most important export destination (see Figure 3). Today, a staggering 64% of the country's cotton T-shirt exports go to the EU, with an additional 12% shipped to non-EU European markets such as the UK and Switzerland.

IMPORT PRICES DRIVE TRADE DEVIATIONS

In the first decade of the millennium, the overall volume of EU imports of cotton T-shirts – and fashion items more broadly – rose sharply, in line with a global trend. This surge was driven primarily by the rapid expansion of fast-fashion business models and shifting consumption patterns, leading to a significant increase in imports from production countries.

From around 2009 onwards, this phase of rapid global expansion began to slow. The double-digit annual turnover growth of leading companies such as H&M and Inditex – typical during the first decade – has since become far less common. Their store-expansion rates slowed down and growth in online sales compensated this only partly. Furthermore, fashion trends have shifted shoppers' focus away from classical basics towards other segments, especially sportswear. Cotton T-shirt imports into the EU have largely stagnated since then, exhibiting some volatility. During this latter period, only imports from Bangladesh have continued to rise, while those from other sources have contracted.

In an attempt to maintain growth and profitability in an apparently saturated fashion market, businesses shifted their fo-

Figure 2 – MAIN ORIGIN COUNTRIES OF EU COTTON T-SHIRT IMPORTS

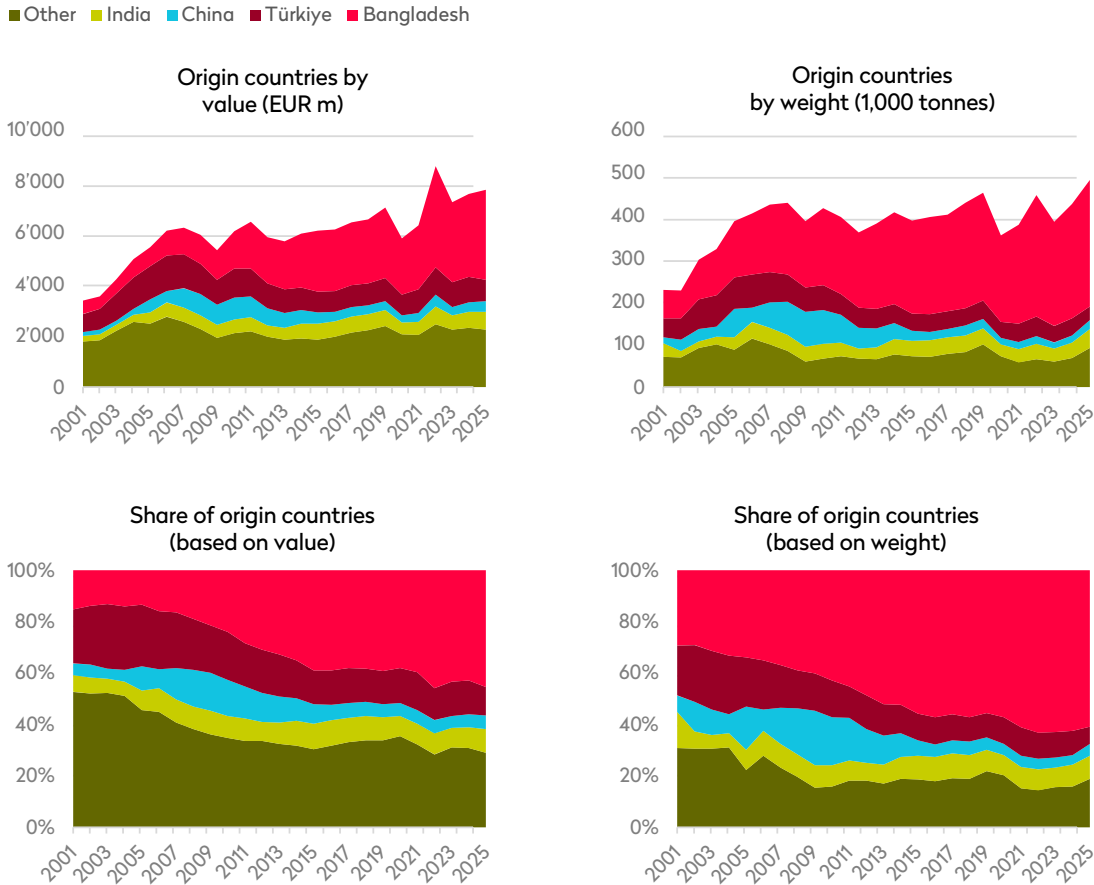
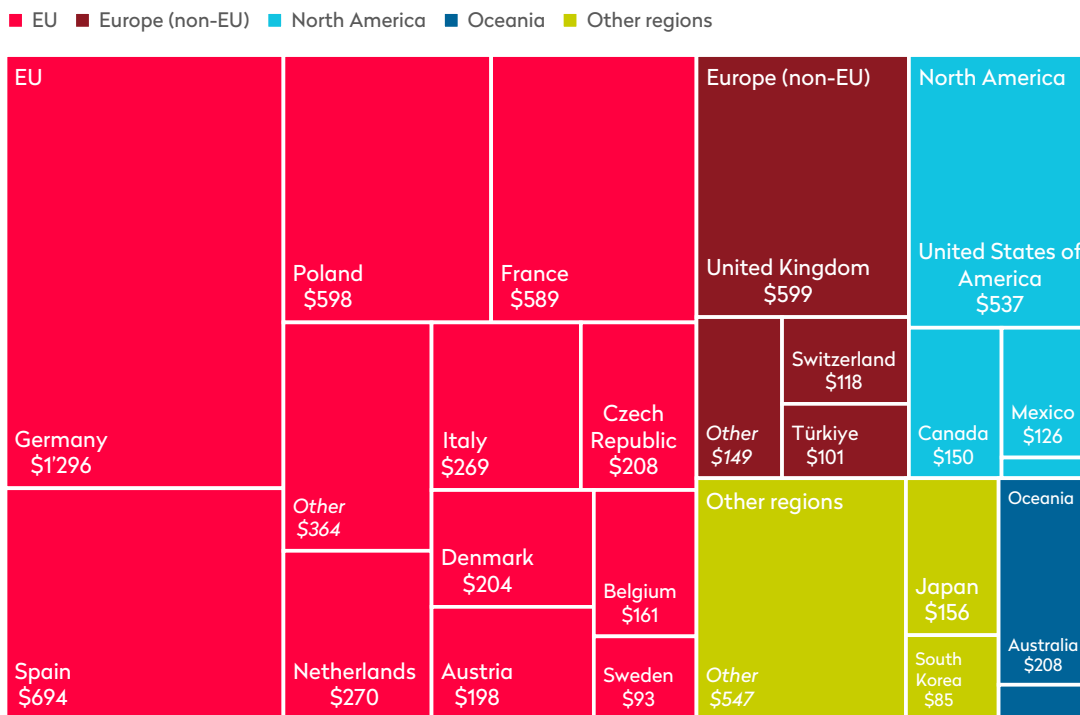


Figure 3 – EXPORT DESTINATIONS FOR BANGLADESH'S COTTON T-SHIRTS 2024



cus towards more aggressive pricing. This trend is reflected in import price data: during the expansion period in the first decade of the millennium, the nominal price trends for EU cotton T-shirt imports from all major origins was clearly positive. (see Figure 4). The shrinking value of the dollar in that period explains a part of this nominal rise, but also when converted in euro, the trend remains positive, but less pronounced. In contrast, in the following years till today, nominal prices from the major origin countries stagnated or even declined.

Overall, price levels have remained very low. In 2025, the average EU import price stood at just USD 16 per kg. Bangladesh, as the main supplier, was even lower at around USD 13 per kg. On a per-piece basis, cotton T-shirts imported by the EU were sourced at an average of USD 2.15 in 2001. By 2011, this price had risen to USD 3.04, but in 2025 it fell back to only USD 2.67. The import price for a T-shirt from Bangladesh was even about 20 % lower, at just USD 2.06.¹

An exceptional price peak occurred in 2011, when the average cotton T-shirt import prices into the EU exceeded USD 18 per kg. The spike was triggered by a convergence of factors, including flood-related crop failures – notably in Pakistan – severe supply shocks and historically low stockpiles on the global cotton market. These fundamental factors were further amplified by restrictive trade policies and speculative behaviour on commodity markets. Cotton prices surged to historic highs, more than doubling within a matter of months, before collapsing again. Crucially, this temporary surge did not translate into a lasting shift in price levels. Once the shock subsided, prices rapidly reverted. In 2025, the average import price was back down at USD 16 per kg.

The dominance of price as a factor in sourcing decisions by fashion brands and retailers importing T-shirts into the EU is evident throughout the entire period. Figure 5 illustrates how the import prices of the four leading origin countries compare to the overall average import price, and how much they deviate

from it. Figure 6 displays the changing shares of these countries in EU cotton T-shirt imports. The overlay of these two figures reveals the strong correlation between sourcing price changes and import volume share increases or decreases. The lower the export price falls, the larger the share of a production country in the EU market becomes. The reverse is also true: as export prices rise, a country's market share tends to decline.

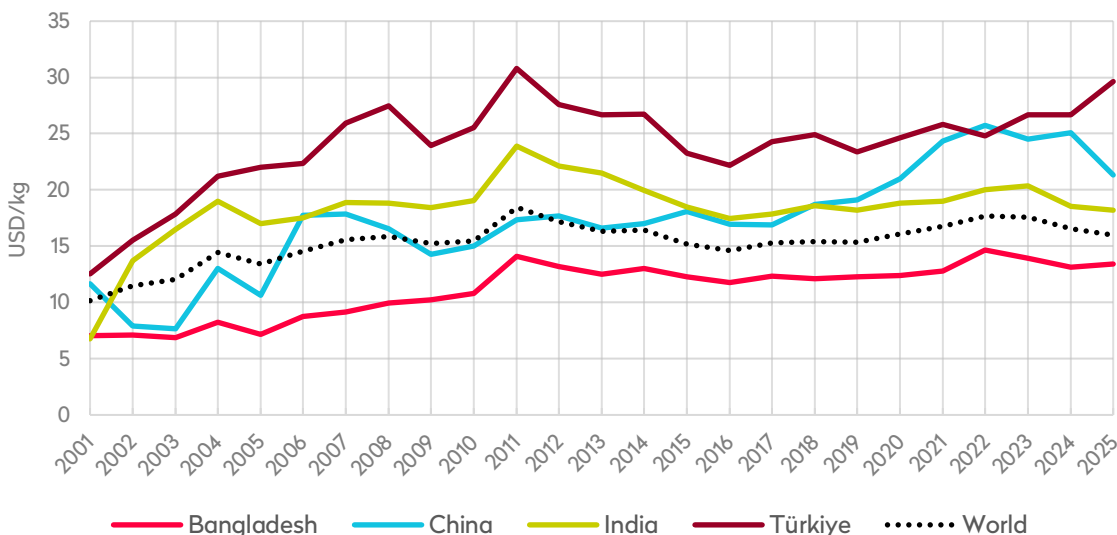
Prices for cotton T-shirts from Bangladesh were consistently well below the average, which led to a sharp increase in its sourcing share. Since 2014, when prices were only about 20 % below the average, this trend has slowed slightly.

For T-shirts from India, prices rose steeply from 2001 to 2003. The consequence was an almost halving of its market share. After 2003, only during two phases of narrowing price differences 2004–2006 and 2013–2014 did its market share recover slightly.

China experienced price drops in the early years following its WTO accession in 2001, which translated into higher market shares. However, the first two price spikes in 2004 and 2006 immediately triggered declines. Since prices from China stagnated at the average level in 2010, and especially after rising above average from 2014 onwards, fashion brands and retailers have steadily reduced imports from China. In 2025, the data show a contrasting pattern: a notable contraction in average prices was accompanied by a corresponding rise in export volume of more than 30%. This development likely reflects the growing market share of Shein, Temu and other cross-border e-commerce platforms.

Türkiye, the origin country with the highest relative prices, has consequently lost market share over time. The latest sharp price increase in 2025 was accompanied by a drop in export volume of more than 20%. This indicates that, in sourcing decisions at least for basic items such as T-shirts, low prices ultimately outweigh proximity considerations.

Figure 4 – EU IMPORT PRICES FOR COTTON T-SHIRTS (BY WEIGHT)



Data: COMTRADE

Figure 5 – IMPORT PRICES INTO THE EU: MAIN ORIGINS VS. AVERAGE

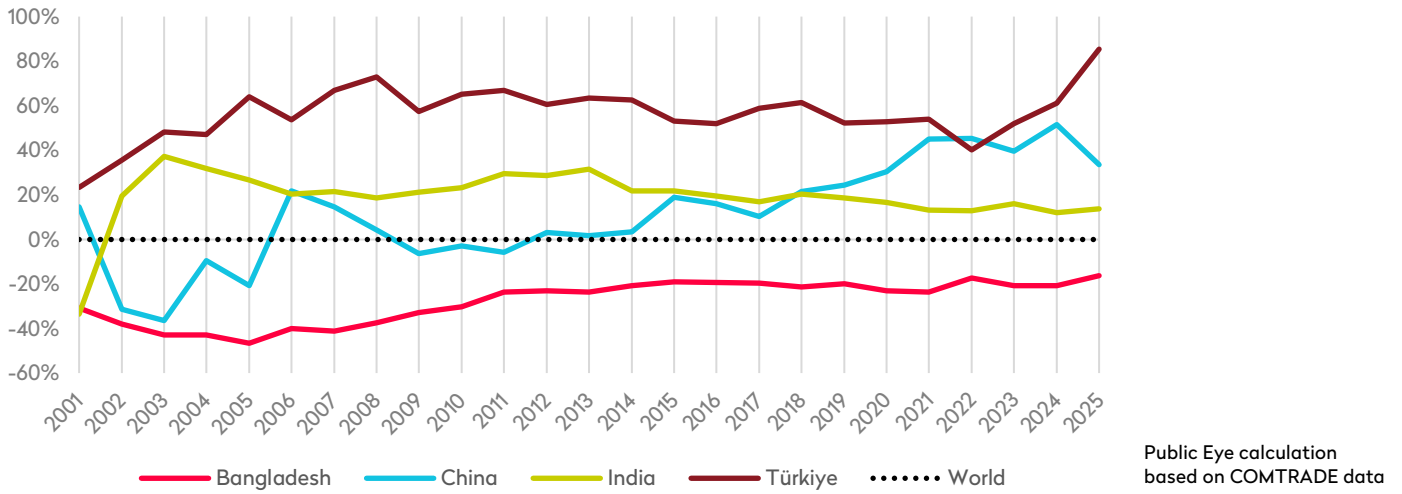
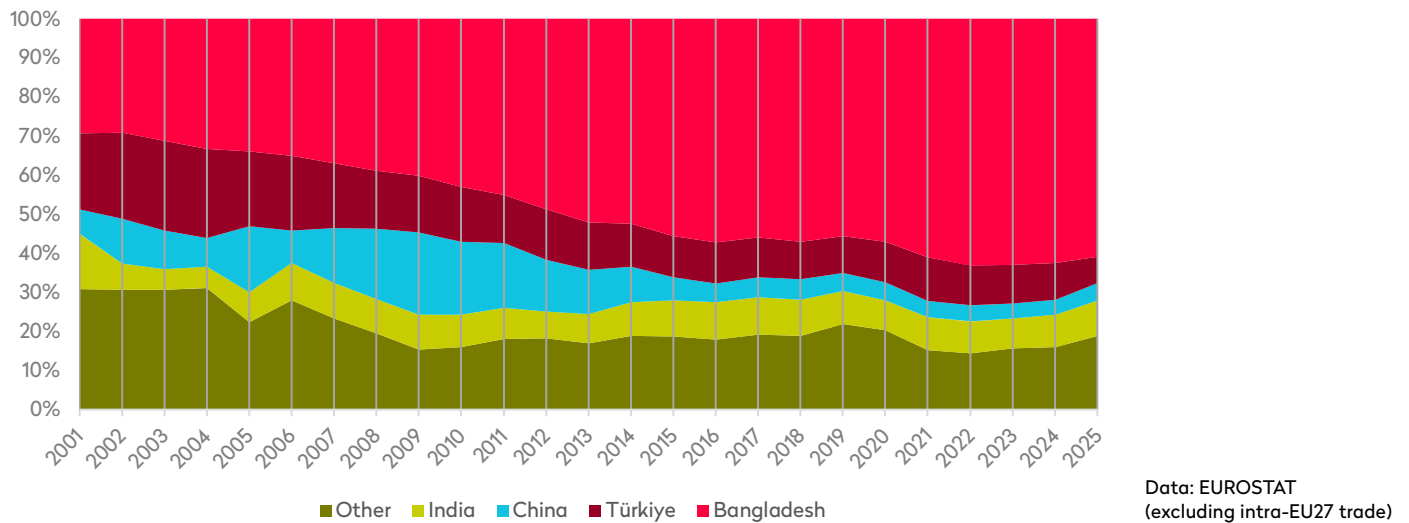


Figure 6 – SHARE OF ORIGIN COUNTRIES (BASED ON WEIGHT) OF EU COTTON T-SHIRT IMPORTS



ACCOUNTING FOR INFLATION: REAL SOURCING VALUE IS CONTRACTING

So far, we have examined nominal price developments. However, during the period under review, both costs and general prices increased significantly across the global economy. Between 2001 and 2024, the world economy grew on average by around 3% per year, and global inflation led the average household living costs to more than double.

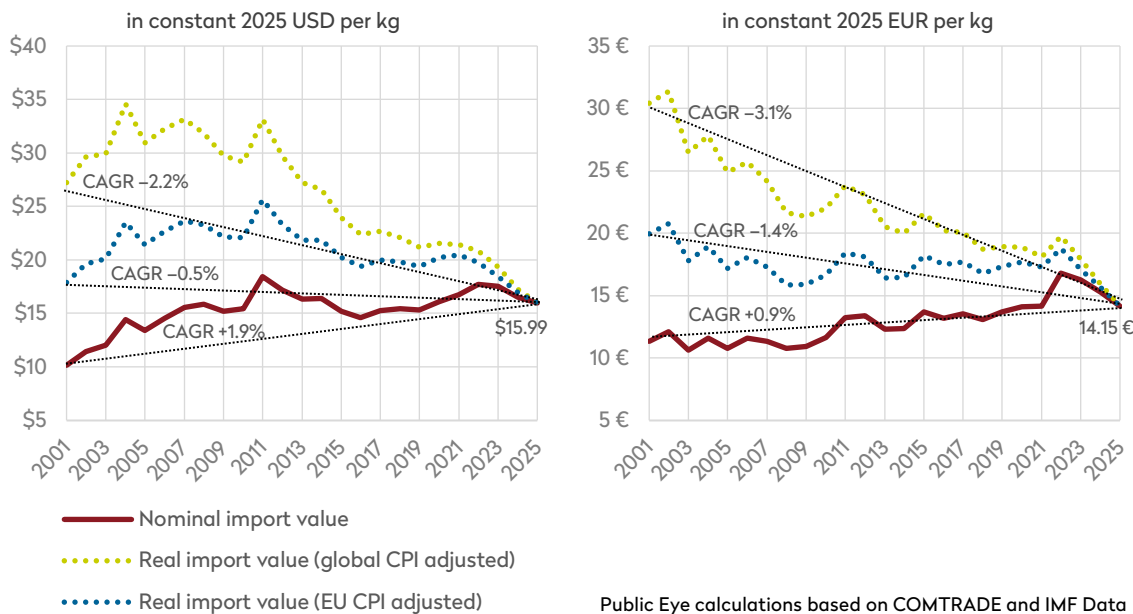
While producer price indices for manufacturing industries in many economies have risen substantially over the past two decades,² reflecting broad-based cost and price increases, apparel sourcing prices have remained largely unchanged. This divergence indicates that clothing manufacturers have been largely

unable to pass on rising costs – a pattern pointing to structural buyer dominance in global garment supply chains.

Figure 7 compares the nominal and real (inflation-adjusted) price developments of cotton T-shirts imported into the EU. The left side of the figure shows prices in US dollars, the main trading currency in the global garment, raw material and energy sectors, and therefore the most relevant for identifying fundamental trends. However, since exchange rates were highly volatile during the period – especially in the early years, when sharp movements were partly driven by dollar depreciation – the right side of the figure presents the same developments in euros, the main currency in the EU import market.

When adjusted for EU inflation, the positive nominal price development translates into a real price erosion (–1.4% per

Figure 7 – EU AVERAGE IMPORT PRICES FOR COTTON T-SHIRTS, INFLATION ADJUSTED



year). Nominally, EU buyers today pay roughly a quarter more for cotton T-shirts sourced abroad than they did 25 years ago. But in real terms, they are paying 30% less.

When adjusted for global inflation, the decline in real sourcing prices deepens to -3.1% per year, meaning that average sourcing prices have fallen by roughly half in real terms. While the cost of living for households worldwide has risen sharply, fashion buyers have benefited from a substantial decline in real purchasing prices.

The dominance of low-price competition is not confined to sourcing; it is evident in retail price developments as well. Despite overall inflation in the EU exceeding 70% since 2001, consumer prices for garments have remained basically flat throughout the first quarter of the century. Only the post-pan-

dem inflation spike led to a smaller $+12\%$ price increase for clothing, still well below the general price inflation (Figure 8). This reflects the strategic priority of leading brands and retailers to sustain ultra-low price levels as a foundational component of their business models – in part as a reaction to disruptive market entrants such as Shein and Temu, which are establishing aggressively low-price benchmarks that further intensify pressures in the lowest-price segment.

Retail price stagnation reinforces the low-price trap across the value chain. By signalling to consumers that fashion remains cheap, companies perpetuate a system where any attempt to raise production prices triggers sourcing shifts to cheaper locations and suppliers. The pressure to keep retail prices low is economically not sustainable for many companies, and it cas-

Box 2 – DO PRODUCTIVITY GAINS EXPLAIN CONTRACTING GARMENT PRICES?

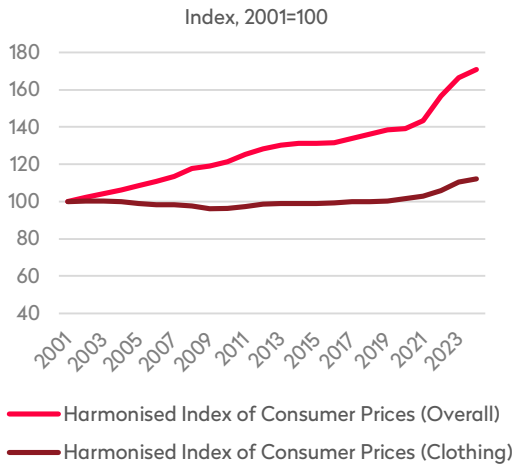
A widely held claim by brands is that declining real prices reflect gains in productivity. Productivity developments undoubtedly play a role in apparel manufacturing, and Bangladesh's specialisation in basic knit items may go some small way to explaining cost savings.

But in an industry dominated by repetitive manual labour, there are limited possible reasons for significant productivity gains, where technical advancements in T-shirt production are few and there is a relative ceiling on skills required for assembly of such basic goods. Instead, an abundance of evidence points to intensified work pressure, higher production targets, neglect of sustaina-

bility aspects, or outsourcing to cheaper and even more precarious work settings.

From a normative economic-justice perspective, this matters. In a context of chronically thin margins and wages that remain far below living-wage levels, even productivity gains arising from genuine technical improvements should not lead to the fixation of ultra-low prices. Instead, they should translate into healthier margins, economic resilience, and better social conditions, particularly in those parts of the global apparel value chain that are chronically and structurally weak.

Figure 8 – CONSUMER PRICE INFLATION IN THE EU



Data: EUROSTAT (ICP)

cedes down the chain, amplifying structural imbalances and undermining efforts for economic upgrading and fairer value distribution.

SELECTIVE PRICE ELASTICITY

Figure 9 illustrates the volatility of Bangladesh’s export prices for cotton T-shirts between 2020 and 2025, alongside the price development of the key factors of production materials (raw cot-

ton and energy) and labour (minimum wages in the Bangladesh RMG industry).

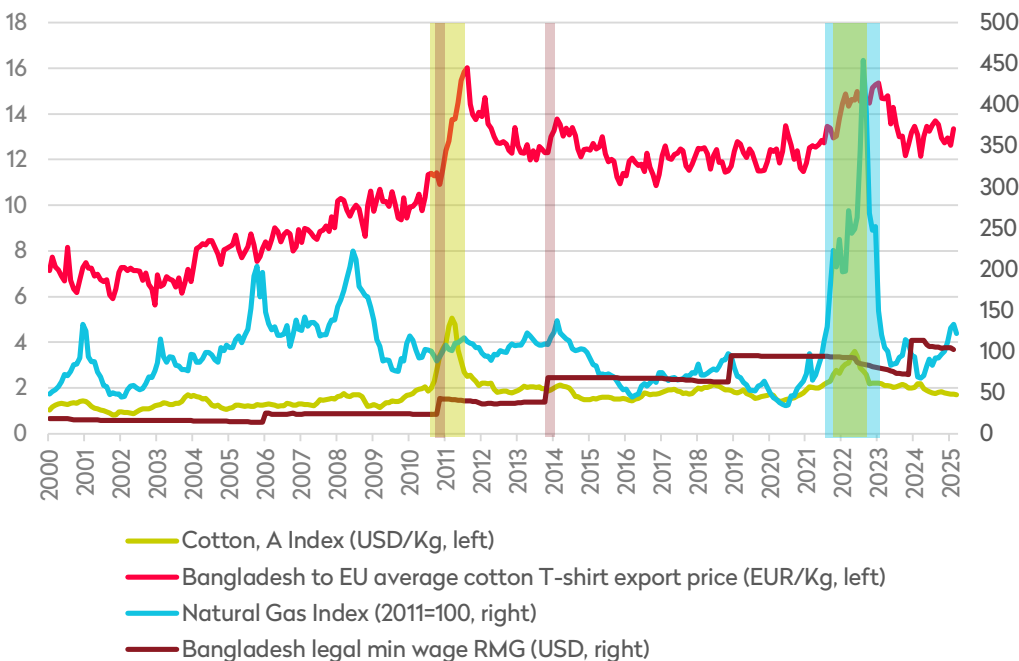
Cotton price peaks, most notably in 2011 and 2022, exerted the strongest influence on sourcing costs. The effect typically appeared with a short lag of a few months, consistent with standard lead times for garment orders. Given the high proportion of material costs in overall garment pricing, this correlation is not surprising.

Energy price volatility, represented here by the Natural Gas Index as a proxy, had a far more limited impact. The only notable exception occurred during the period of exceptionally high energy prices following Russia’s escalating war in Ukraine in 2022, which coincided with a cotton price surge. As is typical for such commodity-driven spikes, once market fundamentals returned to normal, T-shirt export prices quickly adjusted downward.

By contrast, wage increases have shown minimal, if any, effect on export prices. The 2011 wage hike overlapped with the cotton price peak, making it difficult to isolate its independent impact. The 2014 increase, in the aftermath of the Rana Plaza disaster, was followed by a modest price rise, which was fully absorbed within less than a year. All other minimum wage hikes (2006, 2019 and 2024), even with nominal increases of around 50 %, did not produce any noticeable effect on export prices.

This pattern indicates a selective elasticity in sourcing prices: suppliers can pass on higher raw material costs, and buyers are willing to absorb them. Labour costs, however, do not have comparable weight. Moreover, suppliers cannot sustain elevated price levels beyond the duration of the underlying commodity surge.

Figure 9 – THE INFLUENCE OF ENERGY, COTTON AND LABOUR COST ON T-SHIRT PRICES



Public Eye. Data: COMTRADE and World Bank Commodity Price Data

3

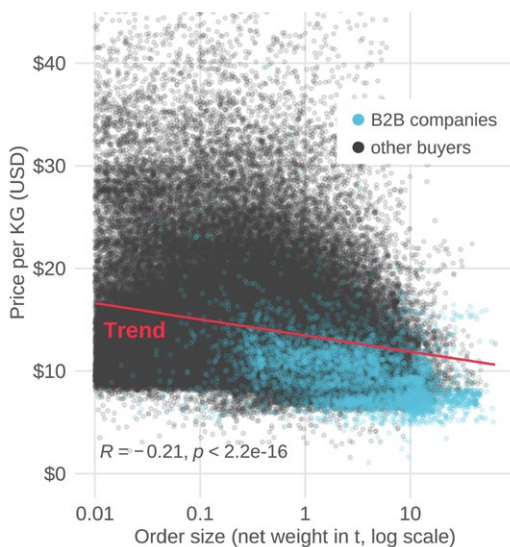
Pricing practices of leading buyers

HOW MUCH ARE FASHION BRANDS ACTUALLY PAYING FOR T-SHIRTS MADE IN BANGLADESH?

The analysis so far has examined average sourcing prices based on overall trade data, which is useful for identifying long-term market trends. However, averages cannot show how prices are distributed across orders or how sourcing prices differ between buyers.

Despite their high relevance for corporate accountability and human rights due diligence, hardly any companies disclose

Figure 10 – BANGLADESH T-SHIRT SOURCING PRICE VS. ORDER SIZE (2025)



Every dot represents a registered cotton T-shirt export from Bangladesh linked to one of the top 50 international buyers. Blue dots show exports of B2B companies. Public Eye, based on trade data

information on sourcing price levels or their development over time.³ To assess dispersion and variation behind the averages, this chapter examines the actual purchasing prices of major clothing brands for cotton T-shirts from Bangladesh over the past five years.

The analysis is based on detailed trade data accessed through a commercial trade data provider. Individual trade records were aggregated by corporate group – many of them composed of several brands and subsidiaries. The data was further refined by excluding items clearly identifiable as non-T-shirts (such as tank tops) or as children's and babywear.⁴ The resulting sample of cotton T-shirts is therefore more homogeneous than the broader HS category 6109.10 used in the previous analysis.

As differences in product mix, quality and sourcing geography affect price levels, direct comparisons between buyers in this sample should not be overinterpreted.

Figure 10 displays the sourcing pattern for cotton T-shirts in 2025, across the identified top 50 corporate groups. It reveals a concentration of orders in the range between USD 8 and USD 18, with a downward tendency for larger orders, indicating a slight but relevant scale effect. The figure also shows a concentrated cluster of orders at around 10 tons and USD 7 to 8/kg. This size corresponds to a typical full-container load, which is particularly common in the business-to-business market (B2B).

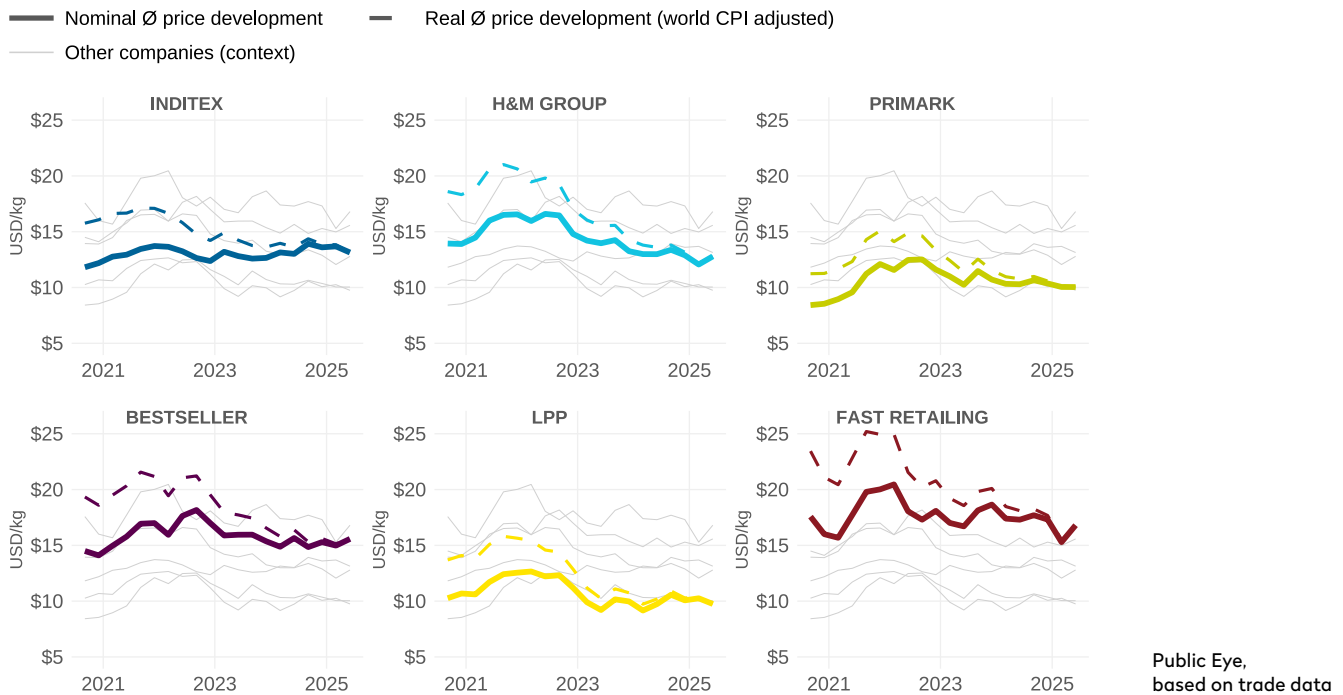
Figure 11 shows the development of the average purchasing prices for cotton T-shirts among a sub-sample of six major consumer-facing (B2C) buyers. In 2025, each of these companies sourced cotton T-Shirts (HS code 6109.10) with a total trade value of at least USD 100 million from Bangladesh. Combined they represent around one fifth of the sourcing volume in this product category.

Positive deviations from the market average remain limited, with even the highest-paying major brands not exceeding USD 20 per kilogram or about 30 % above the average. Negative deviations, on the other hand, show average prices in some periods falling below USD 10 per kilogram.

When adjusting for global inflation, price trends translate into real price decreases. Even for companies with a relatively positive average price development over the period, such as Inditex (+9%) or Primark (+15%), the increase falls short of global inflation during this period (+28%).

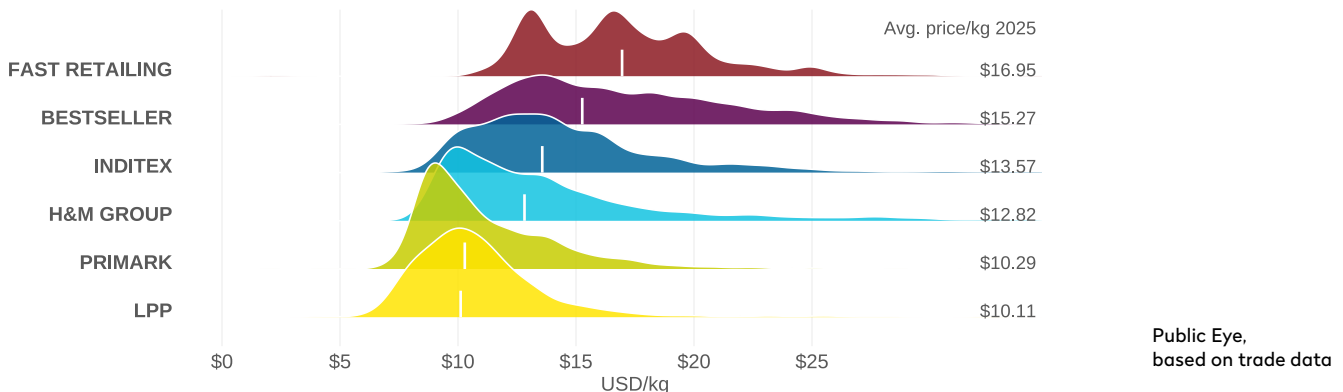
Within the sample, Fast Retailing (Uniqlo) shows the highest average price level, at just under USD 17/kg in 2025. The price distribution, with three distinct peaks, suggests that the company sources T-shirts in clearly segmented quality and price tiers in Bangladesh, likely reflecting clearly distinct product and pricing strategies of its brands GU and Uniqlo.

Figure 11 – SOURCING PRICES OF MAJOR FASHION BRANDS FOR T-SHIRTS MADE IN BANGLADESH



Each tile displays the development of the average sourcing price for cotton T-shirts between 2021 and 2025, aggregated by quarters. In 2025, each sourced cotton T-Shirts (HS code 6109.10) with a total trade value of at least USD 100 million from Bangladesh. As differences in product mix, quality and sourcing geography affect price levels, direct comparisons between buyers in this sample should be interpreted with caution.

Figure 12 – BANGLADESH T-SHIRT SOURCING PRICE DISTRIBUTION, MAJOR FASHION BRANDS (2025)



The ridge plot shows the distribution of orders across price levels for each company. Pronounced peaks indicate a strong concentration around a specific price point, while flatter shapes reflect a broader spread of prices. Ridges with multiple peaks point to distinct clusters of orders at different price levels.

Although most companies follow the overall trend, some developments are noteworthy. In particular, the average purchasing prices of the two fast-fashion giants Inditex and H&M have moved in opposite directions. In 2021, H&M sourced T-shirts at an average price 16% higher than Inditex; by 2025, Inditex was paying around 6% more.

The drivers of this shift are likely multifaceted. H&M's sourcing volume of Bangladeshi cotton T-shirts dropped substantially, and the price distribution (Figure 13) shows a shift towards the lowest-priced segment. This indicates that H&M has relocated the production of more complex T-shirt styles to other countries.

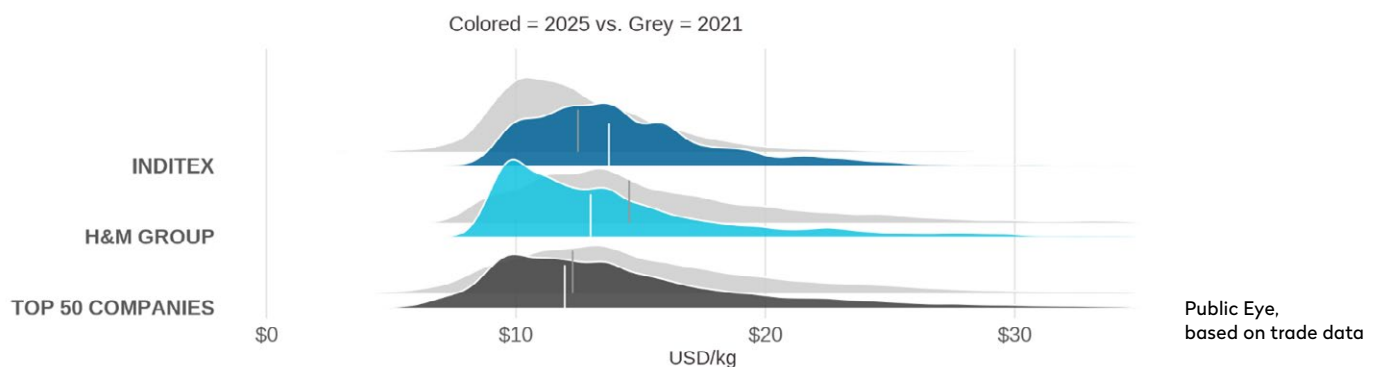
Inditex, by contrast, increased its sourcing volume and shows a broader price distribution in 2025, which could suggest

a shift to more expensive materials as well as a growing share of more complex T-shirt production in Bangladesh.

While such company-level shifts matter, the overall sourcing price distribution remained broadly stable between 2021 and 2025. There was, however, a slight recentring of orders around the USD 10/kg band.

For individual T-shirts, the average price levels in 2025 ranged from USD 1.57 (LPP) to USD 3.58 (Fast Retailing). However, since the average weight of cotton T-shirts varies significantly between companies (LPP: 155 g; Fast Retailing: 211 g), the variance in price per piece appears amplified and is therefore less suitable for direct comparison than weight-based figures.

Figure 13 – SOURCING PRICE DISTRIBUTION SHIFT



REACTIONS FROM MAJOR BUYERS

Company-specific price data were shared with the six major Company specific price data were shared with six major buyers ahead of publication, providing an opportunity to review and comment. All companies submitted responses, summarised below.⁵

In response, some companies questioned aspects of the analysis. None put forward their own sourcing price data as a counterbalance. Inditex stated that the information and analysis were incomplete and did not reflect the reality of its sourcing. H&M indicated that the figures presented do not match its internal data and stated that its purchasing price trend accounts for inflation in Bangladesh.

H&M confirmed a shift towards proximity sourcing, resulting in a higher share of basic T-shirts styles sourced from Bangladesh. This represents an exception to the otherwise dominant geographical sourcing pattern described in the previous chapter. At the same time, it underlines Bangladesh's structural vulnerability as a primary production hub for the most basic – and cheapest – garment products.

Primark linked its price level to its scale, but noted that low prices should not come at the expense of workers' rights. Fast Retailing suggested that fair purchasing practices should be considered holistically, including purchasing terms and overall engagement with suppliers.

Several companies raised methodological concerns. Bestseller, Inditex and LPP similarly stressed that average price indicators do not adequately capture changes in product mix, quality, order specifications, operational efficiencies, as well as developments in raw material prices and exchange rates. LPP attributed observed price decreases to product optimisation, supplier consolidation and strategic volume allocation.

Some of these remarks rightly point to technical limitations of the data. Product mix, order characteristics and sourcing geography influence price levels, and direct comparisons between individual buyers should therefore be interpreted with caution. However, the similarity of price developments over time and their alignment with overall market trends and raw-material dynamics indicate that the main patterns identified are robust. Given their scale and market weight, the largest buyers, as a group, not only move with the market but play a key role in shaping it.

Greater transparency would help clarify these dynamics. Companies are therefore encouraged to disclose their own data and analyses, particularly on price developments over time, to contribute to a more informed debate on purchasing practices.

Companies also reiterated general commitments to responsible purchasing and fair wages. For example, LPP highlighted support for sustainable working conditions through long-term supplier partnerships. Primark said it worked with suppliers to adjust prices following the last minimum wage increase in Bangladesh. H&M stated that it ring-fences labour costs in price

negotiations. Bestseller noted that advocacy for higher wages and improvements in social and labour standards and wage management systems are among its priorities.

SOURCING PRICES IN THE B2B MARKET SEGMENT

Figure 14 displays sourcing price developments of six major B2B companies, all sourcing at least 4,000 tons of T-shirts (HS code 6109.10) from Bangladesh in 2025. These companies mostly export large batches of plain garments (mostly T-shirts) for resale to other businesses, such as printing firms and promotional merchandise providers.

This segment is highly competitive and dominated by basic styles. This is reflected in pricing patterns. Orders cluster well below USD 10 per kg, and at times approach around USD 6 per kg. While the B2B sample shows a nominal increase in average prices over the period covered, the trend turns negative once adjusted for inflation.

Prices in this segment are also more stable over time, showing lower volatility and less pronounced peaks than those observed among consumer-facing brands. As expected, average purchasing prices in this sample broadly track the overall market trend. Between 2021 and 2025, nominal prices increased by around 3%. Adjusted for global inflation, however, this translates into a real decline of roughly -19%.

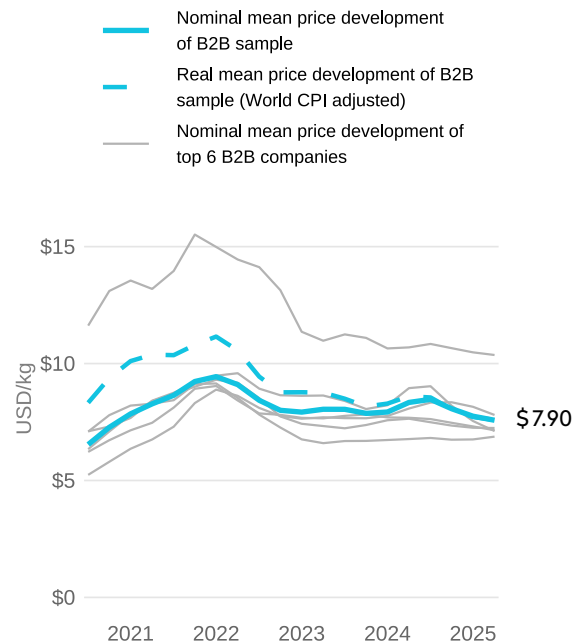
Overall dispersion is narrower. However, one buyer sits above the segment average, likely reflecting a stronger focus on higher-quality or certified inputs. This positive deviation appears to narrow over time, suggesting increasing competitive pressure even within higher-specification niches.

THE LOW-PRICE IMPERATIVE OVERRIDES COMMITMENTS TO SUSTAINABLE COSTING

Taken together, the trade data show that sourcing prices for cotton T-shirts from Bangladesh remain tightly clustered at low levels across both consumer-facing brands and B2B buyers, with limited upward deviation and a real decline once adjusted for inflation – raising the question of how this pricing reality aligns with brands' commitments to responsible purchasing and sustainable costing.

The problem of unsustainable price levels is widely recognised. H&M notes that “it is difficult for suppliers to be good employers if the companies that buy from them are not committed to good purchasing practices”.⁶ For Inditex, “Aspects such as strategic planning, product development, price negotiation, payment terms and delivery lead times must be taken into account from the standpoint of responsible purchasing practices, with the aim of obtaining living wages and improved labour conditions [...]”.⁷ Bestseller cautions that too-low order prices can exacerbate the risk that workers are not receiving their entitled wages.⁸ As also shown above, major buyers see pricing as central, but do not question whether their own price levels might be too low.

Figure 14 – SOURCING PRICE DEVELOPMENT (B2B)



Public Eye, based on trade data

The Ethical Trading Initiative (ETI), a voluntary multi-stakeholder initiative whose members include major fashion brands, warns that aggressive price negotiation can lead directly to poor working conditions and low pay.⁹ Industry guidance such as the Common Framework for Responsible Purchasing Practices also sets out clear principles: „prices [must] cover all costs of compliant production and allow for a reasonable and maintained supplier profit margin.”¹⁰ Several major brands who signed the ACT agreement with the global Trade Union confederation IndustriALL have committed to support higher minimum wage outcomes through commitments to continued sourcing, and to ensure their purchasing practices facilitate the payment of living wages.¹¹

However, empirical research points to a persistent gap between these high-level commitments and the realities reported by suppliers. A University of Aberdeen study found that more than half of suppliers experienced unfair purchasing practices, with many struggling to pay even the legal minimum wage, since buyers were reportedly paying prices below production costs.¹² Likewise, the Better Buying Institute's 2025 Index indicates that suppliers in key sourcing regions continue to face pressure through aggressive cost negotiations and price reductions, alongside persistent problems in planning and forecasting. Suppliers describe recurring tactics such as “take it or leave it” pricing and pitting lower-cost competitors against each other across countries.¹³

Under such conditions, factories are compelled to accept orders that do not fully reflect the costs of responsible production – costs that include safe workplaces, legal working hours, and wages that meet basic needs.

4

The power game of price negotiations

In the previous sections, we examined global trade data and brands' purchasing prices to understand the dynamics and the gap between claims and reality regarding fair purchasing.

But why do suppliers accept such low prices? At first glance, this is driven by intense international competition and the dominant position of buyers within the value chain. This imbalance becomes evident in price negotiations, where manufacturer-side negotiators often face significant obstacles to achieving even minor price increases.

EXPERT INTERVIEWS WITH MERCHANDISERS AND MANAGERS

To explore these questions, this chapter draws on nine qualitative, semi-structured interviews with Bangladeshi pricing specialists – three working as merchandisers or managers in buying houses, and six in medium- to large-scale factories specialising in cotton T-shirts, with workforces ranging from several to around 25 employees. Their companies supply major Western brands. While the sample is necessarily limited, it provides a meaningful window into supplier experiences and helps interpret the quantitative findings.

The interviews were conducted by Imtiaz Ahmed Sajal, Assistant Professor of Law at Dhaka International University (Bangladesh) and Labour Rights Researcher in the summer and autumn of 2025. They shed light on the underdocumented dynamics behind stagnating prices and the challenges suppliers face in negotiations with buyers. Most production facilities represented in the interviews are located in or around Dhaka and its surrounding industrial belt (e.g. Gazipur), the core hub of Bangladesh's garment industry.

The interviews focussed particularly on price and cost negotiations – one of the few direct touchpoints between brands and suppliers. Since most brands do not own their factories, price discussions are where power dynamics unfold most visibly and

where brands' priorities translate into economic outcomes for factories and workers. Negotiations encompass a wide range of considerations, from product specifications and volumes to lead times, yet the focal point remains the price – usually expressed as freight on board (FOB) or free carrier (FCA). These commercial terms represent the actual price paid by the buyer, covering raw materials, energy, overheads, labour costs, taxes, and profit margins. The only distinction is whether transport to the port of departure is included (FOB) or not (FCA).

FINDINGS FROM THE EXPERT INTERVIEWS

A. BUYERS' PRESSURE IS THE KEY FACTOR FOR LOW PRICES

Most merchandisers and managers mention the intense pressure from buyers to maintain low prices as the most important for stagnating T-Shirt prices. They report that buyers often enter negotiations with a fixed target price and are aware of the competitive situation in the Bangladeshi garment industry.

Suppliers experience a clear power imbalance, especially where large buyers place huge orders of e.g. 300,000 to 400,000 items for which they set strict timelines and price expectations and are reluctant to negotiate. In doing so, they take advantage of the enormously competitive local market situation in Bangladesh. If one factory refuses an order at a certain price, buyers (or the buying house commissioned) can always be sure to find another factory that will accept their conditions. According to one interviewee, buyers are “systematically creating a market crisis”, by taking advantage of suppliers competing for limited orders and grabbing whatever is available. Some buyers are reported to even try to lower prices after the order is ready to ship.

Margins for basic items are razor thin or even non-existent. Producers frequently still take such orders simply to keep the production running and ensure they can pay workers' salaries.

This is particularly common during the off-peak months (around May to July and November to January):

In Bangladesh, to ensure our factories keep running, we often offer buyers discounts. Running the operations is essential because it allows us to pay workers' salaries. We always prioritize keeping production active, even if it means lowering prices. (...)

Basically, these knit buyers prefer quantity over quality. They place massive orders with strict timelines and detailed guidelines, and we accept them, regardless of how little profit we make. The main reason is that we cannot afford to remain without orders. If production stops for even 15–30 days, the factory still has to cover huge maintenance costs.

Lower prices result in lower profit margins, as one other merchandiser explains:

Factory owners here are desperate to survive, so they accept any price. I think we'll suffer in the long run. In the past six months alone, at least 182 factories have shut down. To keep our factory running, we accept whatever price the buyer offers. Earlier, our profit margin was around 10 Taka per piece ($\approx 0,08$ USD); now, even if it's 3 Taka ($\approx 0,03$ USD), we're satisfied.

The consequence is a heightened productivity pressure. While advanced machinery with higher production capacity is identified as an important factor to increase productivity, pressure on workers is rising inevitably.

Previously, people budgeted based on profit, but now the focus is on reducing costs and increasing production.

B. LOCAL COMPETITION, EXACERBATED BY BUYING HOUSES, FUEL THE RACE TO THE BOTTOM

Buyers' pressure is directly linked to the second key factor for ever-lower prices: Massive local competition. According to some respondents, most factories in Bangladesh focus on producing simple, interchangeable items, which can be sourced from anywhere. This gives buyers a vast number of possible suppliers to choose from. In the words of one interviewee:

The biggest challenge in negotiating higher prices is that this product has become completely commoditized.

Given this situation, there has been a normalisation of low prices in the market, meaning that buyers expect it. Out of fear of losing the order, suppliers are reluctant to seriously bargain.

Besides the manufacturers, of which there are more than 4000 in Bangladesh, *buying houses*¹⁴ play a key role in the garment value chain. They serve as an intermediary between brands and factories in production hubs and manage everything from technical product development, sampling and vendor sourcing to production oversight, quality assurance, compliance audits, and logistics. Typically, they take a commission of 5–10% of the FOB price. In short, buying houses are a one-stop shop for brands to make production smooth, efficient, professional – and cheap.¹⁵ However, this system also further intensifies local competition and pits factories against each other. One merchandiser working for a buying house explains how the system works:

The buyer always says that their target price is lower than our asking price. Actually, no one wants to lose an order, especially when it comes with good quantity. Buyers request quotations from four to five suppliers at a time.

According to the interviewee, buying houses prioritize keeping brands satisfied by meeting their price expectations. In turn, buying houses negotiate heavily with suppliers, collecting quotations from several factories to get the lowest possible price – and not lose the order.

Inevitably, this practice has a squeezing effect on factories' profits. A product manager from a manufacturer explains how – in his opinion – buying houses are some of the key profit takers in this system:

For example, a sourcing house gets an order from a brand like [...] at USD 10. Then it gives it to a buying house at USD 8. The buying house then negotiates with local factories at USD 5 or USD 6, sometimes even lower. The buying house and sourcing house make profits, but the factories struggle, take loans, or even fail to pay salaries.

C. POLITICAL-INDUSTRIAL TIES DISTORT COMPETITION AND DRIVE UP CREDIT COSTS

Several respondents also mentioned so-called “hidden costs” as an important factor in pricing. Although not explicitly defined by all interviewees, their answers suggest that the term refers to practices that obscure parts of the costing from buyers, in order to secure a minimal profit margin, as well as to instances of corruption occurring at various stages of the production process. In the words of one merchandiser:

There are many hidden costs in our whole production cycle. We have corruption everywhere.

It is notable that in Bangladesh, there is a close nexus between entrepreneurs and political elites, especially in the garment industry. Approximately 10% of the members of the Bangladesh parliament directly own garment factories.¹⁶

Multiple interviewees described an intense disruption of the local market in recent years, as politically influential industrialists established ‘bogus’ factories for money laundering and taking out bank loans. One manager provided a drastic example:

Among the closed factories, some of those were political leaders’ factories. They built large sheds to take loans from banks, hiring 30–40 people but showing records of 400–500 workers.

While many of these factories have since closed, their practices fuelled the race to the bottom and set precedents for global buyers, shaping the wider pricing ecosystem. One interviewee stated that due to a high default rate of loans in the RMG sector,¹⁷ banks have become more cautious, leaving some factories desperate for liquidity. Bangladeshi manufacturers are heavily dependent on bank financing: production costs are typically covered through letters of credit (LCs), and banks recover these costs once the goods are exported. According to several respondents, corrupt practices among some factories have contributed to higher credit risks, prompting banks to raise interest rates across the board – costs that suppliers are unable to recover from buyers.

Currently, this fund shortage is creating unrest in factories. On top of that, the bank interest rate has increased from 9% to over 12%, and gas prices are now 42 Taka per unit. We haven’t received better prices from buyers.

D. TEMPORARY PRICE INCREASES ARE CAUSED BY EXTERNAL SHOCKS AND DON’T LAST

Interviewees consistently identified the notable price hike in late 2022 as the result of external shocks – most importantly the lingering effects of the COVID-19 pandemic and Russia’s invasion of Ukraine, which drove up raw material prices (especially yarn and cotton, but also dyes and other chemicals) as well as energy costs, particularly for gas.

Bangladesh is highly dependent on cotton imports and, although it has a sizeable spinning sector, only part of the yarn used in T-shirts is produced locally, meaning that changes in cotton and yarn prices on international markets quickly feed into sourcing prices.¹⁸

Unlike in countries such as China or India, the Bangladeshi government did not impose strict shutdowns on the RMG sector during the pandemic. This led to a sharp increase in orders from international buyers who – faced with production bottlenecks due to shutdowns in other major sourcing hubs – had few viable alternatives and therefore accepted higher prices. In the words of a buying house merchandiser:

Factories in Bangladesh received huge orders, so they expanded capacity, hired more workers, bought new machines, and made big profits – but only for about two

seasons. When India became stable again, buyers went back there.

Just think about it – the factory owners who now come to my office begging for orders were too busy to even meet during the pandemic because they were flooded with orders. They even refused smaller orders back then. During that time, they increased prices, and everyone accepted it.

Once the global pandemic came under control and raw-material, freight and energy prices began to normalise in early 2023, prices quickly returned to previous levels, and brands made full use of their regained negotiation power.

E. LABOUR COSTS: NEGLIGIBLE IMPACT ON PRICE AND FURTHER SQUEEZED

As part of the interviews, respondents were asked to comment on a sample cost break down of a basic cotton T-Shirt made in Bangladesh (Table 4), which was compiled based on prior research.¹⁹ In general, the experts considered the composition of the costing sheet to be accurate, however most did not comment on the suggested amounts for specific positions – with one exception: labour costs. Most merchandisers mentioned that they do not calculate labour costs separately but indicate a total price for all CM expenses – in contrast to our detailed costing sheet. This usually includes labour, energy, as well as overhead and operating expenses.

Various interviewees also stated that the occurrence of ‘hidden costs’ (as described in section C) is an important reason for not giving every detail in cost breakdowns – two explicitly ascribed these costs to corruption.

This reflects just how little workers and decent work matter – and what little share of the FOB price goes into wages. As a merchandiser from one of the largest T-Shirt manufacturers in Bangladesh stated:

Yes, there has been a slight increase in salaries, but we usually adjust that extra cost from other areas – like accessories, cotton, or other parts of the cost structure. We try to keep the workers’ wage portion as low as possible.

Correspondingly, various respondents clearly identified Bangladesh’s wage level, which is below other major regional sourcing hubs, as one of the most important factors keeping sourcing prices consistently low:

Labour cost in Bangladesh is much lower compared to other countries like Cambodia, India, Vietnam, or China – there’s at least a 10,000 Taka difference. That’s one of the main reasons our product prices are lower here.

Table 4 – T-SHIRT MANUFACTURING COST BREAK DOWN



	Cost (USD)	% of FOB
Material	1.30	65%
Main fabric (includes cost of knitting and dying)	1.20	60%
Rib + trims + packaging	0.10	5%
CM and operating expenses	0.54	27%
Direct Labour (wages) (estimate ~10 SMV)	0.24	12%
Energy (fuels, electricity)	0.06	3%
Other CM overhead and operating expenses	0.24	12%
Financials and Profit	0.16	8%
Cost of credits, other finance and commissions	0.08	4%
Taxes	0.02	1%
Net Profit	0.06	3%
FOB	2.00	100%

The positions and amounts in this manufacturing cost-breakdown example were compiled to represent a typical costing calculation for a production contract for a “Basic Cotton T-shirt, 150–160 GSM single jersey, one standard colour, standard sizes, no print, no embroidery, order quantity 15,000.”²⁰

Interviewees were asked to comment on the accuracy of the example in the table and to indicate how this breakdown would change if it were to reflect the full costs of truly sustainable production.

Ultimately, the cost of this competition is borne by workers, who are not only denied a wage that secures a decent standard of living, but are also subjected to growing pressure to raise their productivity beyond reasonable limits, as this merchandiser illustrates:

Earlier, our production target was 200 pieces of T-shirts per hour, but now we push the same workers to produce 250 pieces per hour just to stay profitable.

F. FOR SUSTAINABLE PRODUCTION, PRICES NEED TO RISE SIGNIFICANTLY – BUT BUYERS ARE NOT READY TO PAY

It seems obvious that current price levels do not allow for production that can be considered ‘sustainable’ by any means – neither on an environmental, nor an economic and surely not on a social level. As one manager states:

Prices of cotton T-shirts haven't increased in the past 15 years (...). They've actually gone down (...) When I was studying, I knew that the minimum price of a T-shirt from Bangladesh was about six dollars. At that

price, factories still made a decent profit. But now, the price has dropped to around three dollars on average.

We asked managers what price increase would be required to enable truly ‘sustainable’ production. We recognise that the term is broad. For the interviews, we loosely defined it to include living wages, reduced work pressure, more sustainable materials, renewable energy, technical upgrades and climate adaptation, as well as economically viable margins. However, not all elements were discussed in detail with every respondent, which limits the comparability of answers.

Managers' estimates of the price increase required for such ‘sustainable’ production varied considerably, though most placed it somewhere between 15 and 50%, rarely elaborating on details of alternative costing. The answer of one supplier illustrates how the current sourcing model is fundamentally flawed:

In practical terms, a T-shirt that sells FOB at USD 2 today might need to be USD 3 or more under a fully sustainable model. The share for labour and overheads would rise, fabric costs would be higher due to certified sustainable inputs, and margins would need to be closer to 10–12% instead of 5%.

The difference isn't just a few cents – it's a complete rethinking of what buyers are willing to pay if they truly want sustainability.

Though brands increasingly *talk* about sustainability, they lack the willingness to actually *pay* for it. Our interviews clearly reflect how brands expect sustainability at no cost. Asked whether brands are willing to cover the cost for sustainable production, one merchandiser replied:

No, they're not. In fact, they often ask for price reductions, saying sales aren't good. Sometimes they even try to lower the price after the order is ready to ship. They market sustainability to boost their brand image and profit, but we don't see the financial outcome of that on our end.

5

Poverty wages: the flipside of low-price competition

The price analysis and merchandiser interviews above show a consistent mechanism: buyers set aggressive target prices and suppliers meet them by compressing the main adjustable cost, which is labour. This chapter examines the human consequence of this – that wages remaining far below a living wage.

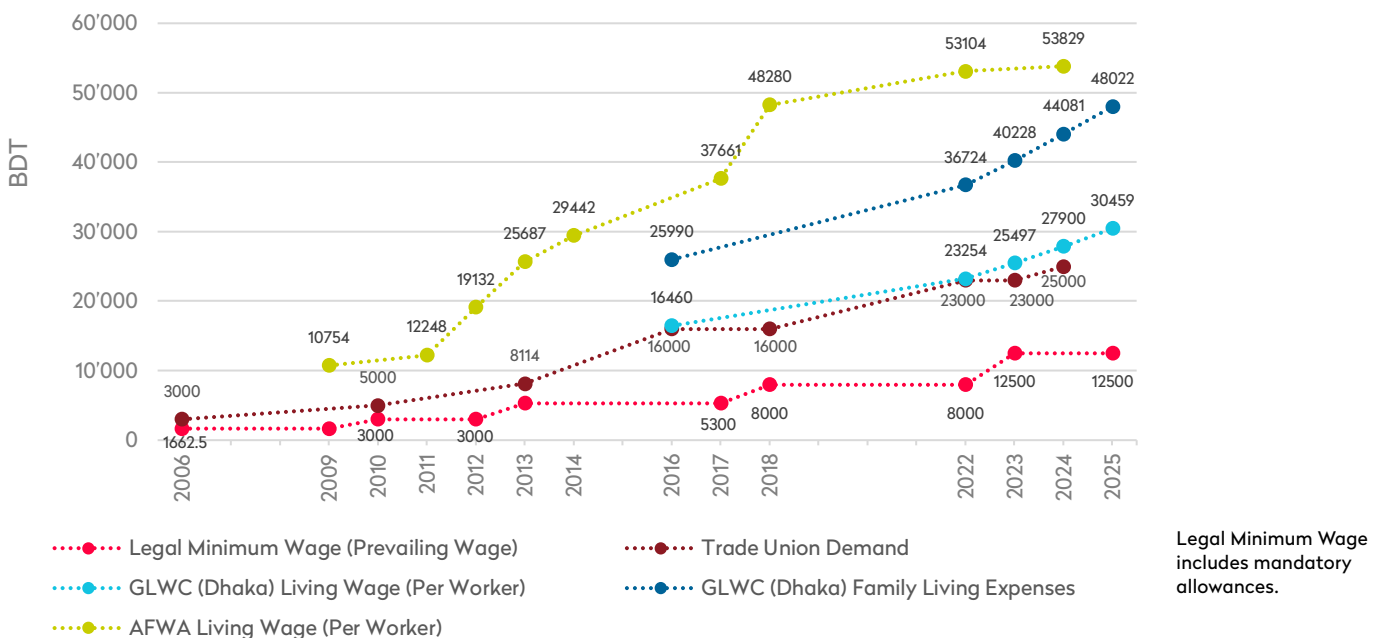
Among major garment manufacturing countries, Bangladesh has the lowest minimum wage, and therefore low manufacturing costs, which is the key reason brands source there.

The current monthly minimum wage of BDT 12,500 (~USD 105) is a poverty wage. The Anker Research Institute

puts the 2025 cost of living for a Dhaka family at BDT 48,022 – almost four times higher.²¹

Recent living-wage benchmarks range from BDT 30,459 (Global Living Wage Coalition, GLWC, for Dhaka 2025) to BDT 53,829 (Asia Floor Wage Alliance, AFWA, for 2024). The difference is mostly due to different assumptions about household earners in the calculation methodology. The reality however is the same, that workers earn only a small fraction of what is needed for a decent standard of living for them and their families, and they are being deprived of their human right to a living wage.

Figure 15 – BANGLADESH WAGE BENCHMARKS 2006–2025



The situation has barely improved over time. As Figure 15 shows, the living wage gap has not substantially narrowed despite many bold corporate promises to ensure living wages to the workers in their supply chain. Even the roughly 50% nominal increase in 2023 was largely eroded by rising living costs, currency depreciation²² and intensified production pressure. Consequently, Bangladesh wages still rank at the bottom of major apparel export countries in terms of purchasing power.²³ A recent study published by Nottingham University found that 78% of garment workers in Bangladesh cannot provide sufficient food for their families, and 32% receive less than the legal minimum wage.²⁴

In the past, the legal minimum wage was adjusted only every five years, despite high inflation. This cycle has now been shortened to three years, but it remains to be seen whether this revised schedule will be implemented. The last revision was in 2023 and came at the unbearable cost of at least four deaths, as garment workers' protests for a minimum wage increase to BDT 23,000 were beaten down by police brutality.²⁵ The low wages are also the result of a highly biased, opaque wage-setting process, shaped by a close state-business nexus with blurred lines between garment owners and state power.²⁶

The 2023 process again revealed major fashion brands' PR-claims of support for better wages as lip service, when the vast

majority of them failed to voice support for the trade union demand.²⁷

To support their families, workers rely on extra shifts beyond the standard 48-hour week. A 2023 study found an average of 11 hours of additional overtime, yet 81% of workers still run out of money before month-end and two-thirds face significant debt (around BDT 70,000 on average).²⁸

Our interviews show that factory managers are aware of the reality of life for their staff:

Think about a woman worker. She wakes up at 6 a.m., prepares food for her family, gets her children ready for school, and then comes to the factory. She gets a short lunch break around 1 p.m., rushes home to eat, and then runs back to the factory again. Sometimes she works until 10 p.m. – is that a life for a human being?

Since women garment workers in Bangladesh are typically both primary earners and primary caregivers, they face a double day of factory work plus unpaid care and domestic work at home – an enormous burden – on a poverty wage.²⁹

6

What would it take?

Despite decades of industry and multi-stakeholder initiatives, standards, guidelines and claims of brands, the downward spiral and economic power play of global brands prevails. Many, but not all, owners and shareholders are losing out.

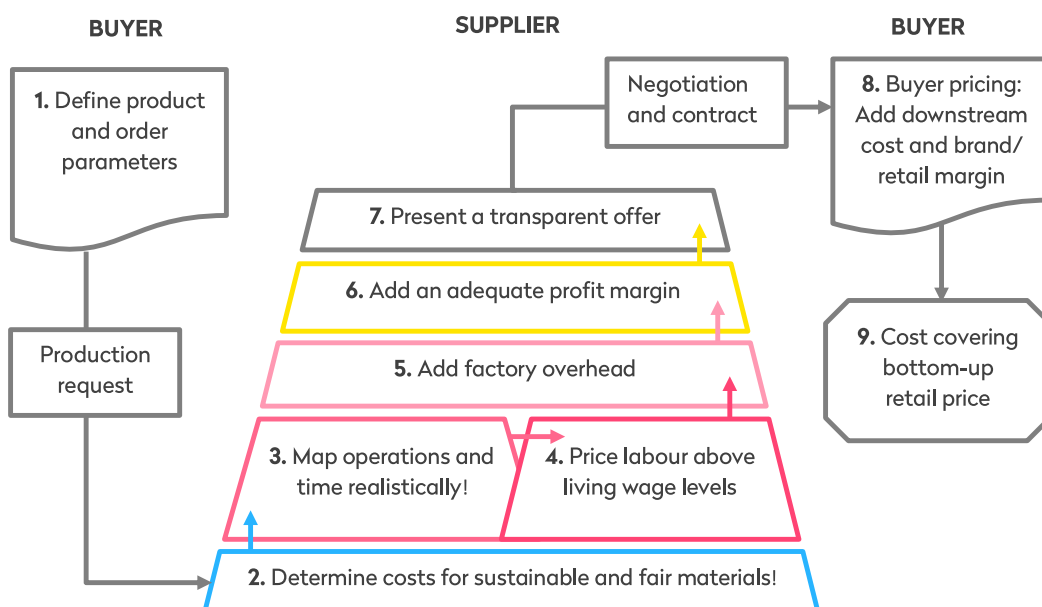
We need to face the economics: A transition to a just fashion system requires more value added per product, and a fairer distribution of it along the value chain;

- **Workers** need living wages, decent working hours, social protection, freedom to organize and bargain collectively, and a safe workplace free from abuse and sexual harassment. For this, a substantially increased labour cost is an indis-

pensable enabling condition in almost all current production settings.

- **Manufacturers** need production predictability, reliable business partners and prices that allow them to invest in skills and technology, the provision of a safe, healthy and climate resilient workplace, and compliance with labour laws and international standards.
- **Countries** putting hope in the garment industry as a vehicle for economic prosperity need businesses generating enough value added to provide for safe and sustainable production, decent wages and taxable incomes.

Figure 16 – **BOTTOM-UP PRICING**



Sourcing prices are the bottleneck for better wages and pivotal for a value shift in the garment industry. Higher prices would ensure that a larger share of value added remains in the main production hubs, securing resources for living wages, decent working conditions and economic development. They would also increase the overall value added in the fashion system, providing a better foundation for quality, longevity and sustainability-oriented business models. A transition towards a just and sustainable fashion system based on two-dollar shirts and other dirt-cheap clothing is not possible, full stop.

In short, the pricing system needs a fundamental revision, from a top-down, profit-focussed and cost-cutting imperative to a bottom-up, needs-based and cost-covering calculation. But what could an alternative pricing model look like in a highly competitive, globalized industry?

FROM TOP-DOWN TO BOTTOM-UP PRICING

In the prevailing top-down pricing model, brands and retailers approach suppliers with fixed product specifications and strict price limits derived from a target consumer price and their own cost and profit-margin expectations. For suppliers, the resulting price expectation is effectively a take-it-or-leave-it offer, leaving very little real negotiation space in a highly competitive setting.

If the supplier accepts, key cost elements with only minimal room for negotiation – such as materials and other inputs, external financing (e.g., interest on letters of credit), and buying-house commissions – need to be covered first. What remains, is the narrow residue for cut and make (CM) and the supplier's profit margin, which compete directly with one another.

Owners seeking to secure profit margins and avoid losses are tempted to compress CM, but certain fixed requirements (buildings, equipment, safety) cannot be pared back indefinitely. As a result, the pressure points typically fall on labour: keeping wages as low as possible, extending working hours (often without full compensation), and raising production targets – i.e. intensifying work. This is precisely where workers' rights are most at risk.

Bottom-up pricing reverses this logic. It starts from what is needed for safe, decent and environmentally responsible production and builds the price accordingly. A precondition for such an approach is the shift from a hierarchical to a cooperative relationship between buyers and suppliers.

In practice, a bottom-up costing for a specific order may proceed as follows (see Figure 16).

1. At the outset of a production request, the buyer specifies the product and key order parameters (e.g., fabric composition, quantity), including feasible variants where relevant.
2. The supplier develops an offer, starting by determining the cost of sustainable and fair materials: They calculate fabric, trims, dye/chemical usage and finishing, offering variants (e.g., organic or recycled inputs, lower-impact dyeing) with clear cost implications.
3. The supplier maps operations and time realistically: Specifying manufacturing steps and realistic operation

times and efficiency which reflect standard working hours and safe work organisation.

4. The supplier sets labour costs at or above a living-wage benchmark: Pricing labour at living-wage levels (including social protection) or at a higher level negotiated with trade unions; respecting legal overtime premiums; and avoiding reliance on uncompensated excess hours or work-intensity increases.
5. The supplier adds factory overheads: Covering overhead staff costs; energy and utilities; maintenance; depreciation; compliance and management systems; wastewater treatment; chemical management; health and safety; worker representation and training; and decarbonisation and climate-adaptation measures.
6. The supplier applies an adequate profit margin: Factoring in working-capital needs, banking fees and realistic interest rates; allowing for order volatility/under-utilisation; and adding a profit margin that supports prudent reserves and reinvestment in skills, technology and cleaner production.
7. The supplier presents a transparent FOB/FCA offer: Providing a clear base price and, if feasible, scenario variants.

This approach shifts the negotiation focus away from arbitrary target prices and towards operational levers that genuinely improve efficiency – order stability, batch size, quality variants, and lead times – rather than ratcheting up work pressure. It also gives manufacturers planning security to invest in skills, process upgrading, and safer, cleaner production. Crucially, it ring-fences labour costs: living wages and working conditions are treated as non-negotiable inputs, not residuals to be squeezed.

8. Once negotiations result in a contract, the buyer takes the bottom-up price for the agreed variant as the baseline. It then adds its own branding, logistics, retail and marketing costs, plus a viable margin, and builds a commercial strategy around a cost-covered, rights-respecting product.

Moving from top-down to bottom-up pricing in a hard-fought market is not trivial. Some product variants will prove unviable with regards to consumer price expectations; assortments, business models and marketing strategies may need to be adapted, which is easier said than done. The commercial pressure is further intensified by ultra-low-cost brands and platforms that compete primarily on price. Their scale and relentless promotional cycles compress general price expectations and make it even harder for brands and suppliers to uphold cost-covering, rights-respecting production.

The responsible response is not to push prices further down the chain, but to acknowledge these constraints and adjust product portfolios, commercial strategies and margins, including by considering lower profit expectations. It also requires carefully reorienting consumer expectations, particularly by ending or recalibrating low-price and discount-driven marketing.

Because unilateral action by individual companies can be commercially risky in a market shaped by aggressive low-cost

Box 3 – SHIFTING FROM SQUEEZED TO SUSTAINABLE BOTTOM-UP FOB PRICING (EXAMPLE)

This table presents two illustrative scenarios for revising the pricing structure following a bottom-up approach. As a baseline, it uses a typical FOB cost breakdown for a 165-gram cotton T-shirt – the same reference used in the expert interviews with Bangladeshi merchandisers (see Table 4, p. 22).

The two scenarios differ in ambition. The first represents a middle-ground approach with priority adjustments only (for example, living-wages, but maintaining current work intensity, and a modest 20% increase in material costs to shift to improved – though not fully sustainable – options).

The second scenario models a comprehensive transformation. It assumes genuinely sustainable materials grown and processed under fair conditions, decent and non-stressful work organisation, a safe and exemplary production set-up, and margins that support a stable and resilient business. The model reflects substantially higher labour costs at living-wage level (+200%), alongside a

reduction in weekly working hours (–40%). Standard labour minutes per item increase by 50%, allowing for lower work intensity and higher manufacturing quality. Material costs are doubled to reflect the shift towards agroecological cotton production and the payment of living wages and incomes in upstream value-chain stages. Factory running costs rise by 50% to account for investments in safe, ergonomic and more sustainable workplaces that support workers' wellbeing.³¹

Actual FOB price changes in real sourcing decisions will vary by product details, supplier context and starting point and will therefore not mirror these examples.

Brand and retail margins are out of scope. Because the model applies a multidimensional, transformative approach, focused on the manufacturing stage, it differs from assessments suggesting that marginal price adjustments alone are sufficient to deliver selected sustainability or fairness outcomes.

Typical USD 2.00 cotton T-shirt FOB cost break down example (baseline)			Alternative bottom-up FOB pricing scenarios			
			priority adjustments		comprehensive sustainable approach	
	USD	% of FOB	USD	% of FOB	USD	% of FOB
Material	1.30	65%	1.56	52%	2.60	52%
└ Main fabric (incl. knitting and dyeing)	1.20	60%	1.44	48%	2.40	48%
└ Rib + trims + packaging	0.10	5%	0.12	4%	0.20	4%
CM and operating expenses	0.54	27%	1.17	39%	2.04	41%
└ Direct labour (wages)	0.24	12%	0.72	24%	1.20	24%
└ Energy (fuels, electricity)	0.06	3%	0.09	3%	0.12	2%
└ Other CM overhead and operating expenses	0.24	12%	0.36	12%	0.72	14%
Financials and profit	0.16	8%	0.28	9%	0.36	7%
└ Cost of credit/finance/commissions	0.08	4%	0.12	4%	0.12	2%
└ Taxes	0.02	1%	0.04	1%	0.06	1%
└ Net profit	0.06	3%	0.12	4%	0.18	4%
FOB	2.00	100%	3.01	100%	5.00	100%

competition, a supportive policy environment is essential. Regulatory measures on purchasing practices, digital platforms, mandatory human rights and environmental due diligence, and rules to prevent unfair trading and below-cost competition should be established. This would level the playing field and en-

sure that price competition does not come at the expense of fundamental labour rights and sustainability. Multi-stakeholder initiatives can also play a supportive role. For example, the MSI Fair Wear provides practical tools to support bottom-up pricing approaches and the ring-fencing of labour costs.³⁰

INTRODUCING MINIMUM PRICE TARGETS

Another measure for moving towards fairer purchasing prices is the introduction of minimum price targets. At its core, a minimum price target is a normative orientation benchmark that signals the expected price level below which purchasing should not fall.

Where market failures undermine the public interest, or where monopolistic or oligopolistic market power disadvantages other businesses, price supervision and intervention – whether through hard or soft law, or on a voluntary basis – can be both feasible and appropriate. In market-based economies, interventions in price-setting are uncommon; however, they are by no means impossible – for example, through state-mandated export price floors (such as Ecuador’s banana minimum

support price), legal bans on below-cost purchasing (as in Spain’s food-supply-chain law), or voluntary minimum-price benchmarks (such as Fairtrade minimum prices for some commodities).

Minimum price targets serve several functions. At the most practical level, they offer clear guidance for price negotiations by establishing thresholds that ideally should not be undercut, neither by buyers placing orders, nor by suppliers submitting quotations. At a more strategic level, they guide company functions – particularly buying and merchandising teams, as well as due diligence, compliance and business development – by setting a pricing corridor and requiring justification or corrective action for deviations over the medium term.

Minimum price targets are no silver bullet. They are primarily aimed at easing pricing pressure in the lowest-price market

Box 4 – MINIMUM PRICE TARGETS AS A HUMAN RIGHTS DUE DILIGENCE INSTRUMENT

Price target	Price Band	Risk assessment and HRDD implications
	\$12/kg	Extreme risk zone. Under-pricing very likely. → Immediate and intensive due diligence risk assessments are indispensable. → Strategy for upgrading towards minimum target wage should be in place.
	\$12-18/kg	Heightened risk zone. Heightened risk of under-pricing → Special scrutiny in due diligence risk assessments required. → Strategy for upgrading towards minimum target wage should be in place.
\$18/kg (~\$3/165g T-shirt)		Interim minimum price target (immediate)
	\$18-30/kg	Normal risk of under-pricing. → Standard due diligence risk assessment remains important. → Strategy for upgrading towards minimum target wage should be in place.
\$30/kg (~5\$/165g T-shirt)		Minimum price target (mid-term)
	> \$30/kg	Reduced risk of under-pricing. → Standard due diligence risk assessment remains important.

Note: Minimum price targets for non-basic styles, special materials, advanced finishing, or for production in other countries must be adjusted accordingly to reflect product-specific and country-specific cost structures.

Companies can use minimum price targets as a practical tool within their human rights due diligence (HRDD) systems to identify, prevent and remediate risks linked to harmful pricing practices. The indicative thresholds below

illustrate, for the case of cotton T-shirt sourcing, how price benchmarks could serve as a risk-assessment aid to help determine the level of scrutiny, mitigation and remediation required in sourcing decisions.

segments and sourcing hubs by lifting orders that currently sit at the bottom of the price corridor to a higher level. Their most direct impact would therefore be in countries where a large share of sourcing currently falls below such benchmarks. At the same time, minimum price targets would also affect medium-price production hubs. By anchoring a normative price floor, they would help limit negative price outliers in these contexts and reduce downward pressure driven by global price competition between countries. Nevertheless, achieving a more just and sustainable distribution of value added across the global fashion industry requires a broader set of interventions.

COULD USD 30/KG SERVE AS A MINIMUM PRICE TARGET FOR T-SHIRT SOURCING?

Determining and calibrating appropriate price targets is, by its nature, a complex undertaking. The diversity of materials and production processes, as well as the costs required to ensure sustainable production and equitable trading margins, must be identified and assessed through robust expert analysis or, where necessary, through well-founded estimations.

The minimum price targets outlined below are deliberately presented in broad terms. They exclude the finer product and material adjustments that would necessarily shape their application in practice. Rather, they serve to convey a plausible range and to demonstrate the operational logic behind such targets.

Our starting point is straightforward: where do current prices stand, and at what minimum price level does sustainable production become realistically achievable – while also having the potential to interrupt the global downward price spiral? At present, the global average price for cotton T-shirts is approximately USD 16/kg, a figure strongly shaped by Bangladesh's dominant role in global sourcing, where average prices remain as low as USD 13/kg (see Figure 4, p.11). In India – the major sourcing country with the second-lowest price levels – average export prices already exceed USD 18/kg.

Against this backdrop, we put forward for consideration an interim minimum price target of USD 18/kg, to be applied globally. This corresponds to roughly USD 3 per T-shirt (165 g). A more detailed breakdown of this scenario by cost category is provided in the middle columns of the table in Box 3 above. Such an interim target should be applied immediately, as it would primarily lift prices that currently sit far below the global average and bring them up to at least market-average levels, thus slowing down the negative relocation dynamics.

As actual global minimum price target – one that would meaningfully shift added value to production countries and provide sufficient scope for genuinely sustainable production in ecological, social and economic terms – we propose USD 30/kg for discussion. This level should be understood as a medium-term objective and would support a structural transition towards globally fair, sustainable and resilient supply chains, including living wages and decent, non-stressful work, best-practice materials and production, and resilient margins allowing for stability, reserves and investments (see Box 3 for the assumptions behind this target).

It is important to recognise that there is no single pathway for implementing minimum price targets in practice. Instead, a range of measures can be employed, each offering a different degree of binding force. The examples outlined below illustrate options across this spectrum; they are indicative rather than exhaustive.

MINIMUM PRICE TARGETS AS A DUE DILIGENCE INSTRUMENT

Minimum price targets can be applied directly within corporate compliance and human rights due diligence (HRDD) systems.

The OECD Due Diligence Guidance for the Garment and Footwear Sector highlights that an “enterprise’s price negotiations may contribute to cost-cutting and therefore labour, human rights or environmental impacts.”³² Pricing models that account for the cost of wages and decent work are consequently suggested as preventive measures.

Product-specific minimum price targets can serve as a yellow or red flag tool in companies’ internal risk-management system to assess whether their purchasing prices risk exerting harmful downward pressure on suppliers (see example in Box 4).

Embedding such benchmarks into due diligence assessments helps to identify sourcing practices that may contribute to wage suppression, excessive overtime, or environmental non-compliance. This can prompt corrective action where prices fall below levels compatible with sustainable production.

Legislators can reinforce this approach by making responsible pricing strategies an explicit mandatory component of due diligence and reporting obligations, requiring companies to demonstrate how their purchasing practices align with the prevention of human rights risks in their supply chains.

INDUSTRY NORMATIVE GUIDANCE ON MINIMUM PRICE TARGETS

Business and manufacturer associations or MSIs can define minimum price targets as sector-wide guiding benchmarks, offering a recognised orientation and external reference point in commercial negotiations. Alternatively – and especially where competition laws hinder producers from discussing prices – state authorities or officially appointed expert bodies could perform this function. A technical variant to product specific targets would be minimum prices per minute. For all approaches, establishing the necessary wage component in consultation with trade unions should form the starting point.

Ideally, such guidance would be developed through international coordination, reducing the risk of competitive disadvantages and ensuring consistency across major exporting hubs.

REGULATION OF TRADING PRACTICES

Regulating trading practices offers a direct way to prevent destructive pricing behaviour in buyer–supplier relationships. One option for legislators is to prohibit purchasing below the due cost of compliant production, backed by monitoring and whistle-blower channels that detect systematic under-pricing and trigger corrective action. Such rules may include buyer liability where a company purchases at a price it knows – or should reasonably know – cannot cover the supplier’s costs. This

would create a clear legal disincentive for pushing prices to unsustainable levels.

In parallel, governments can use targeted trade instruments to discourage destructive price competition, for example, by coordinating minimum export price benchmarks for specific product categories. International institutions such as the WTO, UNCTAD or UNIDO offer platforms to negotiate modernised commodity-related frameworks aimed at preventing destructive pricing and excessive competition. This would not imply a return to traditional International Commodity Agreements, but rather the development of updated, flexible mechanisms suited to today's global value chains and designed to discourage dumping practices and support a fairer distribution of value.

PRICE MONITORING

Minimum price targets can serve as benchmarks within price-monitoring systems that track sourcing price developments over time and identify emerging patterns. Such systems can trigger alerts when prices enter defined risk zones and provide the evidence required to inform public debate, guide industry decision-making and support policy processes. Monitoring may be undertaken by state bodies – such as trade or economic ministries, market-surveillance authorities or statistical offices – or by independent, non-state institutions, including academia.

MINIMUM PRICE TARGETS IN VOLUNTARY STANDARDS AND INDUSTRY INITIATIVES

Frameworks such as the Fair Labor Association (FLA), Fair Wear, Action, Collaboration, Transformation (ACT), the Ethical Trading Initiative (ETI), and the Partnership for Sustainable Textiles (PST) already expect affiliated companies to adopt responsible purchasing practices and report on their implementation. However, they often lack specific requirements and enforcement mechanisms to ensure consistent changes in pricing behaviour. Strengthening such schemes by requiring participating companies to establish a structured system for fair and cost-covering pricing, to progressively raise sourcing prices

towards benchmarks, and to publicly disclose sourcing-price developments over time would significantly enhance their impact.

PRICE TARGETS IN CAMPAIGNING AND ADVOCACY

In advocacy and campaigning, minimum price targets can serve as a reference point for evaluating whether companies are contributing to, or undermining, fairer sourcing practices. Expectations regarding pricing could be used to highlight frontrunners that already apply cost-covering price floors in their supply chains, while at the same time increasing pressure on companies that continue to rely on aggressive price cutting, short-term sourcing cycles or relocation strategies to drive down costs. Linking public assessments more explicitly to purchasing-price behaviour would also help shift the focus toward the economic decisions that most directly shape wages, working conditions and environmental outcomes.

LIMITATIONS

Higher sourcing prices do not automatically translate into higher wages, better working conditions or sustainability investments. Partial adoption of minimum price targets might increase manufacturers' profits without benefitting the workforce. And it could create free-rider dynamics, with committed buyers helping to stabilise factories while others continue to benefit from artificially low prices. To counter these risks, the involvement of workers and trade unions in the development and implementation of minimum price targets is crucial. Price targets should be directly linked to expected impacts on wage payments, sustainability investments, transparent costing and credible monitoring mechanisms, while also increasing pressure on non-committed buyers to adjust their pricing strategies.

Furthermore, minimum price targets would not, on their own, resolve the structural imbalances in global garment sourcing. If adopted only by a limited number of companies or in spe-

Box 5 – CALLING ON EXPERTS AND STAKEHOLDERS: DISCUSS AND DEVELOP MINIMUM PRICE TARGETS

The concept of minimum price targets presented in this chapter is a tentative sketch rather than a finished model. The preceding limitations underline the technical, economic and governance complexities involved. These challenges cannot be resolved through desk analysis alone, nor by any single organisation.

To advance the idea in a meaningful way, we invite economists, costing specialists, producer associations,

trade unions, brands, buying houses, legal experts and public authorities to critically examine the concept, engage in political and technical assessment, and in practical testing. Insights from this should inform the development of more refined targets, adjustment factors, and practical options for implementation and monitoring.

cific geographies, they risk accelerating sourcing shifts towards locations where ultra-low pricing remains the norm. Addressing this limitation requires sector-wide agreements and regulatory measures to reduce incentives for opportunistic sourcing shifts and to establish responsible costing as an industry norm.

A technical challenge lies in the heterogeneity and complexity of garment products. Even within a single product category, variations in fabric weight, fibre composition, finishing processes and labour time can be substantial. Continuous technical calibration and practical adjustment parameters for target prices are therefore essential. Because minimum price targets should both prevent undercutting and avoid unfair competition in regions with structurally higher costs, adjustment factors at

country- or regional-level would also be required to ensure that legitimate cost differences do not trigger further downward pressure.

Finally, upward adjustments in sourcing prices may affect retail prices. While modest increases can be absorbed through margin rebalancing, a part may still be passed on to consumers. For low-income households, even small increases matter. Higher prices, when linked to better quality, may reduce impulsive purchases and encourage longer wear cycles, increasing the use-value of garments. This dilemma cannot be resolved within the fashion system alone; ensuring affordability and fairness ultimately depends on a broader reduction of economic inequalities at the global level.

7

Outlook and recommendations

The global T-shirt trade – emblematic of the garment industry as a whole – operates in a pricing environment that is economically unsound and deeply unjust. Over the past two decades, the value retained in producing countries has been systematically squeezed, as powerful buyers continue to dictate terms, shift risks onto suppliers, and relocate orders whenever costs rise. This dynamic entrenches a low-value equilibrium in which workers, communities, and the environment bear the consequences of chronically depressed prices.

If the sector is serious about human rights, ensuring a just transition, fairer employment relations, and stable industrial development, the sourcing-price curve must finally turn upward. Higher prices are not a matter of generosity but a structural prerequisite for decent work, safe workplaces, and environmentally responsible production. Equally essential is the fair sharing of added value along the chain – and between capital, labour, and the state. Without a rebalancing of margins and bargaining power, no due diligence framework, voluntary initiative, or operational “efficiency gain” will alter the underlying economics.

Transforming this model requires concerted action across the industry: respect for Freedom of Association and Collective Bargaining rights, stronger standards for responsible purchasing and meaningful cost coverage that anchor fairness into sourcing rather than leaving it vulnerable to market

pressure. What is ultimately at stake is whether the industry continues extracting value from the weakest links, or whether it begins to invest in them. It is time to end the secrecy around pricing, and to secure – in line with the ILO Declaration of Philadelphia – a just share of the fruits of progress for all.

RECOMMENDATIONS

BRANDS AND RETAILERS

- Move to a bottom-up pricing approach, ensuring that purchasing prices always cover the full cost of sustainable production, explicitly including gross living-wage labour costs. Evaluate, together with suppliers and trade unions, how price increases translate into improvements for workers.
- Stop shifting sourcing to cheaper locations and instead maintain existing sourcing relationships even when price levels rise, using higher purchasing prices to support improved sustainability, living wages and decent working conditions.
- Integrate responsible purchasing and fair pricing as central element of human rights due diligence. Use minimum price targets as a purchasing benchmark and risk-assessment tool.
- Publicly report pricing strategies, current pricing patterns and developments over time.
- Revise internal performance metrics and reward systems to eliminate harmful incentives for cost-cutting. End unilateral penalties, chargebacks, retroactive price reductions, and other forms of unfair trading practices.
- Negotiate directly with suppliers. Where agents or buying houses are used, cover their services fully and require alignment with responsible purchasing, pricing and transparency principles.

SUPPLIERS AND PRODUCER ASSOCIATIONS

- Discuss sector-wide minimum price targets as collective guidance and establish joint commitments to reject sub-cost tenders.
- Calculate prices bottom-up, based on the full cost of sustainable production, including living-wage labour costs. Refuse lowest-range orders and resist accepting contracts below the cost of compliant production.
- Involve workers and trade unions in the establishment and implementation of bottom-up pricing. Respect Freedom of Association, engage in Collective Bargaining, pay living wages, and ensure decent working conditions.
- Engage jointly with workers' organisations in advocating for higher national minimum wages.

BUYING HOUSES AND AGENTS

- Support manufacturers' bottom-up price calculations for sustainable production – including living wage labour costs – and adopt minimum margin safeguards to prevent destructive underbidding.
- Refuse cooperation with buyers who expect prices to be squeezed or who pressure suppliers into accepting unsustainable offers through aggressive competitive bidding. Exclusively charge buyers for services and disclose all commission structures.

GOVERNMENTS AND LEGISLATORS

- Monitor and publicly report pricing developments and value distribution along the supply chain.
- Enforce human rights due diligence and reporting legislation with responsible pricing strategies as an explicit, mandatory component.
- Establish rules against unfair trading practices, prohibit purchasing below the cost of compliant production, and include buyer liability and pricing overrides when contracts do not cover supplier costs.
- Ensure that minimum wage-setting processes comply with ILO Convention No. 131 and align legal minimum wages with living wage benchmarks through time-bound adjustment plans where necessary.

TRADE UNIONS AND CIVIL SOCIETY

- Advocate and negotiate for the inclusion of responsible pricing and minimum price targets in existing and new enforceable agreements between buyers, suppliers and trade unions.
- Demand transparency from buyers and suppliers on costing, buying prices and price developments, and use this information to inform collective bargaining, advocacy and campaigning.
- Advocate for legislation against unfair trading practices and for mandatory human rights due diligence, with responsible pricing strategies as an explicit requirement.

Glossary

ACT	Action, Collaboration, Transformation – a multi-stakeholder initiative	GLWC	Global Living Wage Coalition – a network developing living-wage benchmarks
AFWA	Asia Floor Wage Alliance – a coalition advocating for living wages in garment supply chains	HRDD	Human rights due diligence – the process to identify and mitigate human rights risks
B2B	Business-to-business – commercial transactions between companies	HS CODE	Harmonized System code – international product classification for customs
B2C	Business-to-consumer – commercial transactions between companies and end-users	ILO	International Labour Organization
BDT	Bangladeshi taka – the national currency of Bangladesh	LC	Letter of credit – bank guarantee securing payment in international trade
BGBA	Bangladesh Garment Buying House Association	MSI	Multi-stakeholder initiative
BGMEA	Bangladesh Garment Manufacturers and Exporters Association	OECD	Organisation for Economic Co-operation and Development
CAGR	Compound annual growth rate – a measure of average annual growth over time	CPI	Consumer Price Inflation
CM	Cut and make – a labour-only manufacturing process	PST	Partnership for Sustainable Textiles – a German multi-stakeholder initiative
CMT	Cut, make and trim – the full garment assembly process	RMG	Ready-made garments
ETI	Ethical Trading Initiative – a multi-stakeholder initiative	SMV	Standard minute value – the measure of time needed to sew a garment
FCA	Free carrier – an international commercial term meaning goods are delivered to a carrier at a named location	UNCTAD	United Nations Conference on Trade and Development
FLA	Fair Labor Association – a multi-stakeholder initiative	UNIDO	United Nations Industrial Development Organization
FOB	Free on board – an international commercial term meaning goods are delivered on board a specific vessel	USD	United States dollar – the currency of the United States
		WTO	World Trade Organization

Index of Boxes, Figures and Tables

Box 1	What is a cotton T-shirt?	7
Box 2	Do productivity gains explain contracting garment prices?	13
Box 3	Shifting from squeezed to sustainable bottom-up FOB pricing (example)	28
Box 4	Minimum price targets as a human rights due diligence instrument	29
Box 5	Calling on experts and stakeholders: discuss and develop minimum price targets	31
Figure 1	The growth of global T-shirt exports 2001–2024	8
Figure 2	Main origin countries of eu cotton T-shirt imports	10
Figure 3	Export destinations for bangladesh's cotton T-shirts 2024	10
Figure 4	EU import prices for cotton T-shirts (by weight)	11
Figure 5	Import prices into the EU: main origins vs. average	12
Figure 6	Share of origin countries (based on weight) of EU cotton T-shirt imports	12
Figure 7	EU average import prices for cotton T-shirts, inflation adjusted	13
Figure 8	Consumer price inflation in the EU	14
Figure 9	The influence of energy, cotton and labour cost on T-shirt prices	14
Figure 10	Bangladesh T-shirt sourcing price vs. order size (2025)	15
Figure 11	Sourcing prices of major fashion brands for T-shirts made in Bangladesh	16
Figure 12	Bangladesh T-shirt sourcing price distribution, major fashion brands (2025)	16
Figure 13	Sourcing price distribution shift	17
Figure 14	Sourcing price development (B2B)	18
Figure 15	Bangladesh wage benchmarks 2006–2025	24
Figure 16	Bottom-up pricing	26
Table 1	Main exporters of cotton T-shirts	8
Table 2	Main exporters of non-cotton T-shirts	9
Table 3	Main importers of T-shirts	9
Table 4	T-shirt manufacturing cost break down	22

Endnotes

- 1 The slightly lower values may reflect a small decline in the average T-shirt weight, but statistical inaccuracies could also play a role. Units are usually reported only as supplementary quantities in trade statistics, and values are sometimes incomplete or extrapolated from weight. Therefore, price per kilogram should be considered the more reliable indicator.
- 2 For an overview of producer price index (PPI) developments across countries, see the IMF's global PPI dataset, which tracks the average change over time in the selling prices received by domestic producers.
- 3 The rare exemption are price breakdowns published by few companies mostly in the sustainability niche market.
- 4 Doublettes, outliers (<10 kg, <USD 10 or <1USD/kg) and multipacks were also excluded from detailed price calculation.
- 5 Company reactions and statements are available on the [Public Eye website](#).
- 6 H&M Group, '[Purchasing Practices](#)', website, accessed 20 April 2026.
- 7 Inditex, '[Supply Chain](#): management to transform the sector', 2026, p. 15.
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- 11 ACT, [Memorandum of Understanding between ACT corporate signatories and IndustriALL Global Union on establishing within global supply chains freedom of association, collective bargaining and living wages](#), 2015.
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Squeezed Dry examines the economics behind cheap fashion. Focusing on one of the industry's most basic products – the cotton T-shirt – the report shows how intense price pressure from global brands and retailers drains value from supply chains, with consequences for wages, working conditions and the credibility of sustainability claims.

Drawing on long-term trade data, company-specific sourcing information and interviews with merchandisers and factory managers in Bangladesh, the report unveils a clear pattern: while inflation and living costs have risen sharply, sourcing prices have barely increased – and in real terms, declined. It also shows how sourcing geography has shifted accordingly. As buyers have chased ever lower prices, production of basic items has become increasingly concentrated in low-cost hubs, with Bangladesh emerging as the dominant supplier.

The findings point to a business model built on persistently low prices, strong supplier dependency and structural downward pressure on labour costs. But the report goes beyond documenting the problem. From bottom-up pricing to minimum price targets, it outlines practical approaches for fairer purchasing in the fashion industry.

For readers seeking to understand the real cost of a cheap T-shirt – and the economic choices behind it – **Squeezed Dry** offers a timely and evidence-based account.



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