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Buyer market power, transport mode, and exchange rate shocks

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BUYER MARKET POWER, TRANSPORT MODE, AND EXCHANGE RATE SHOCKS

Davide Del Prete, Aminur Rahman, and Edoardo Tolva

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Davide Del Prete, Aminur Rahman,
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ABSTRACT

This paper studies how international buyers' market power and transport mode shape the pass-through of exchange rate shocks to export prices. Using transaction level customs data from the Bangladeshi garment sector, we first document substantial buyer market power and the concentration of export activity in key trade hubs that shape transport decisions. We then show that large buyers leverage both their market power and their reliance on air freight to mitigate the impact of exchange rate fluctuations. Taken together, our findings highlight how buyer characteristics shape exporters' adjustment to external shocks, with broader implications for regional economic resilience.

Keywords: Bangladesh, exchange rate, global value chain, market power, transport mode

JEL codes: D22, D43, E31, F10, L14, L22

1 INTRODUCTION

Large firms play a pivotal role in many industries, exerting significant influence on the global economy (Autor et al., 2020; De Loecker et al., 2020). In global value chains (GVCs), this is particularly evident as most exporters depend on a few large multinational buyers (Bernard et al., 2018). These firms not only wield significant market power but also shape production and trade patterns through their investment, sourcing, and, importantly, transport choices (Meixell and Norbis, 2008).

At the same time, GVC integration exhibits significant subnational spatial heterogeneity (MacKinnon, 2012; Crescenzi and Harman, 2023). Export activity is thus often disproportionately concentrated in a few regions, typically those serving as key international trade hubs, more so than overall economic activity (Bakker et al., 2024). As a result, regions may experience shocks unevenly, particularly when they rely heavily on a single mode of transport (Thissen et al., 2018; Hummels and Schaur, 2010).

This concentration of both market power and export activity raises important questions about the consequences of supply chain shocks. Do large firms use their market power to protect their profits? And if so, what are the implications for their suppliers? How do these dynamics vary across regions and mode of transport?

This paper examines how buyer market power and transport mode shape the pass-through of exchange rate shocks. We document three main findings. First, in line with Juarez (2024), we find that large firms use their market power not only to secure lower prices but also to cushion exchange rate fluctuations. Since larger buyers have more variable markdowns, they are able to adjust these more flexibly. Second, beyond market power, buyers that rely more heavily on air freight tend to have greater price stability in the seller's currency after the shock. Firms using this faster mode of transport are thus better positioned to hedge against price volatility. Finally, we examine how buyers switch transport modes across product types and destination markets after the exchange rate shock. We find a significant increase in the use of air relative to sea transport, but only for higher quality products and destinations. This pattern suggests that faster transport not only reduces delivery delays but also serves as an additional hedge against exchange rate volatility, especially for higher value goods and markets where price stability is more critical.

Our analysis focuses on the garment sector in Bangladesh, which provides an ideal setting to examine these issues for three key reasons beyond data availability.

First, the textile and apparel industry is one of the oldest and most globalized export sectors, organized around international production networks since the mid-20th century. Key developments, such as the expiration of the World Trade Organization Agreement on Textiles and Clothing in 2005, led apparel brands to adopt global sourcing strategies, shifting production to lower-cost countries such as Bangladesh, Viet Nam, Pakistan, and the People's Republic of

China (PRC).¹ The industry is embedded in a highly integrated, buyer-driven GVC, where lead buyer firms from high-income countries wield considerable influence over standards and the terms of trade of suppliers in developing countries (Gereffi, 1999; Gereffi et al., 2001; Cajal-Grossi et al., 2023b; Boudreau et al., 2023).

Second, the geography of the textile and apparel sector is highly concentrated within countries (Comotti et al., 2020). In Bangladesh, garment firms are clustered in a few districts—where the sector accounts for about 50% of total manufacturing employment (Cajal-Grossi and Kreindler, 2025)—and export almost exclusively through two districts.

Lastly, the sector faces substantial challenges, particularly as key suppliers like Bangladesh prepare to graduate from least developed country status, a shift that will bring the loss of preferential market access and the elimination of trade incentives such as export subsidies. Crucially, since May 2022, the Bangladeshi taka has been depreciating against the US dollar, primarily due to a balance of payments deficit that has significantly eroded foreign reserves (IMF, 2023). Given the sector's time-sensitive nature, as apparel goods are perishable in terms of fashion cycles and driven by seasonal demand, the garment industry well exemplifies the complexities and vulnerabilities inherent in GVCs, making it an ideal context for analyzing supply chain shocks (Cajal-Grossi et al., 2023a).

This paper further highlights the value of customs records as a key nontraditional administrative data source for analyzing the economic geography of GVCs. Most GVC research relies on aggregate trade statistics and intercountry input–output tables to track the movement of goods across countries and industries (Timmer et al., 2019; Antràs, 2020). While such macro level approaches are useful for estimating trade flows and value added, they lack crucial firm level information such as firm size, buyer–seller relationships, and geographic location that is essential for understanding the structure and dynamics of GVCs at the subnational level (Ottaviano, 2011). In response to these limitations, a growing body of work has begun to leverage firm level business registries and transaction level customs data to provide a more granular view of GVCs (Fort, 2023; Boehm et al., 2023). Our aim is to document how customs data can be used not only to study the subnational dimensions of GVCs, but also to generate diagnostic insights that go beyond what conventional data sources typically allow.

This paper contributes to three strands of literature. First, a growing body of work has explored how shocks propagate through supply chain networks, whether triggered by natural disasters (Barrot and Sauvagnat, 2016; Boehm et al., 2019; Carvalho et al., 2021), the coronavirus disease (COVID-19) pandemic (Heise, 2020; Fujii et al., 2022; Khanna et al., 2022; Chacha et al., 2022; Lafrogne-Joussier et al., 2023; Gereffi et al., 2022; Cajal-Grossi et al., 2023a), or exchange rate fluctuations (Amiti et al., 2014; Auer and Schoenle, 2016; Burstein and Gopinath, 2014; Gopinath et al., 2020; Bolatto et al., 2022). In particular, Juarez (2024) shows how buyer market power affects the pass-through of exchange rate changes to export prices in Colombia across different

¹ Bangladesh is the world's second largest garment exporter, following the PRC, which holds roughly 30% of the global market. Garments make up over 80% of Bangladesh's total export earnings.

products. We complement this by documenting the role of buyer market power in Bangladesh's garment sector and examining how it shapes firms' responses to exchange rate shocks.

Second, our paper contributes to the literature on GVC engagement at the subnational level (Crescenzi and Harman, 2023; Comotti et al., 2020). Prior work has emphasized that regions play distinct roles within GVCs (Crescenzi et al., 2014; Smith et al., 2014). We add to this literature by showing that firms' responses to exchange rate shocks vary across regions, leading to heterogeneous pass-through effects.

Finally, while substantial research has highlighted the economic returns to transport infrastructure and improved connectivity to global markets (Gibbons and Wu, 2020; Coşar et al., 2022; Fan et al., 2023; Bonadio, 2024; Rattsø and Sheard, 2025), as well as the use of faster transport modes to mitigate the costs of price volatility (Aizenman, 2004; Hummels and Schaur, 2010), relatively little is known about how different transport modes affect the transmission of shocks to the local economy. Our third contribution is to show that the choice of transport mode significantly influences the pass-through of exchange rate shocks.

The rest of the paper is organized as follows. Section 2 describes the data together with some key stylized facts. Section 3 presents the empirical strategy while Section 4 discusses the results. Finally, Section 5 concludes.

2 DATA AND FACTS

We make use of transaction level export customs records from Bangladesh over the period between January 2018 and December 2024. Data are disaggregated by transaction. A transaction (i) is specific to a buyer (b) in a given destination (d), a seller (s) in Bangladesh, a product (j) and a date (t).² The data record for each transaction the weight (and in some cases units), value, transport mode, port of exit, and the type of product (Harmonized System (HS) codes at six digits), all within headings 61 and 62, corresponding to knit and woven garments. The data contain information on the international buyer and the seller in the transaction. Buyers are identified by name and address, and sellers are identified either by country-specific tax codes or by name and address. The resulting dataset exceeds 30 million transactions.

We perform a series of data cleaning steps. First, we remove transactions with missing or negative values for weight, value, or quantity. In addition, we reduce the number of extreme values by winsorizing prices at the first and 99th percentiles. Since the names of both buyers and sellers are not always unique, we also standardize names across years and remove duplicates. Finally, we create an unbalanced panel dataset by aggregating transactions at the buyer–seller–destination–product–year level. To reduce noise in the panel, we restrict the sample to the top 50 destinations, which account for 99.5% of the total export value in the

² Actually, transactions are more granular, as there may be multiple shipments of the same good traded by two parties on a given day, as the supplier may be shipping two orders of the same product and same buyer, under two customs declarations.

garment sector.³ Finally, we exclude from our analysis markets in which a buyer has a market share of one in a given year. We define a market as a unique combination of the HS six-digit code, destination country, and year.

We also collect exchange rate data between Bangladesh and its trading partners from the International Financial Statistics of the International Monetary Fund (IMF).⁴ For countries other than the United States (US), we use the exchange rate between the US dollar and the destination country and then convert it to taka using the exchange rate between the taka and the US dollar.

2.1 Key Facts

In this section, we first present some summary statistics on the Bangladeshi garment industry and then we document four key facts on the role of large buyers and the geographic concentration in the garment sector. Specifically, we document (i) significant buyer market power, (ii) the presence of geographical garment export clusters, which (iii) influences the mode of transport used, and (iv) large dispersion in export prices across buyers.

Our dataset has a total of 8,250 unique sellers in our sample exporting to 18,846 unique buyers across 50 countries. Since we focus on the garment sector, we consider goods classified under HS codes 61 and 62, totaling 225 products. Ninety-eight percent of transactions are invoiced in US dollars, while the remaining transactions are conducted in either taka or euros.

Each year, many buyers and sellers trade various goods within the garment sector. Buyers tend to purchase only a few goods from local sellers, with a median of three products per importer per destination. However, the presence of large multinationals in the garment industry pushes up the averages. Notably, while the median firm imports only 16 products, large buyers purchase up to 153 products from Bangladeshi sellers (Table A.1).

First, we document that large buyers have market power. The export market for garment products is dominated by a small number of large buyers that make up most of the market share. Table 1 illustrates this by reporting the top 20 international buyers. The table presents buyers in descending order based on their in-sample market shares. Hennes & Mauritz (H&M) leads the board with a market share of 8% and the top 20 buyers altogether account for more than 30% of the Bangladeshi market share.⁵

Even among this small set of large buyers, sourcing strategies vary considerably. For example, 40% of Inditex's purchases are sourced from Dhaka and shipped by air, compared to just 5% and 2% for C&A and H&M, respectively. We will describe these patterns in the following paragraphs.

³ See Figure B.1 in the Appendix for a list of the main destination countries and their shares of total exports.

⁴ Figure B.2 shows the significant depreciation event against the dollar after 2022.

⁵ This high degree of industry concentration persists even when we examine more granular market segments—defined as destination–HS6–year triplets. Figure B.3 shows the distribution of market shares across exporters and importers, revealing that buyers generally hold larger market shares than sellers.

Table 1: Top International Buyers in the Bangladeshi Garment Industry

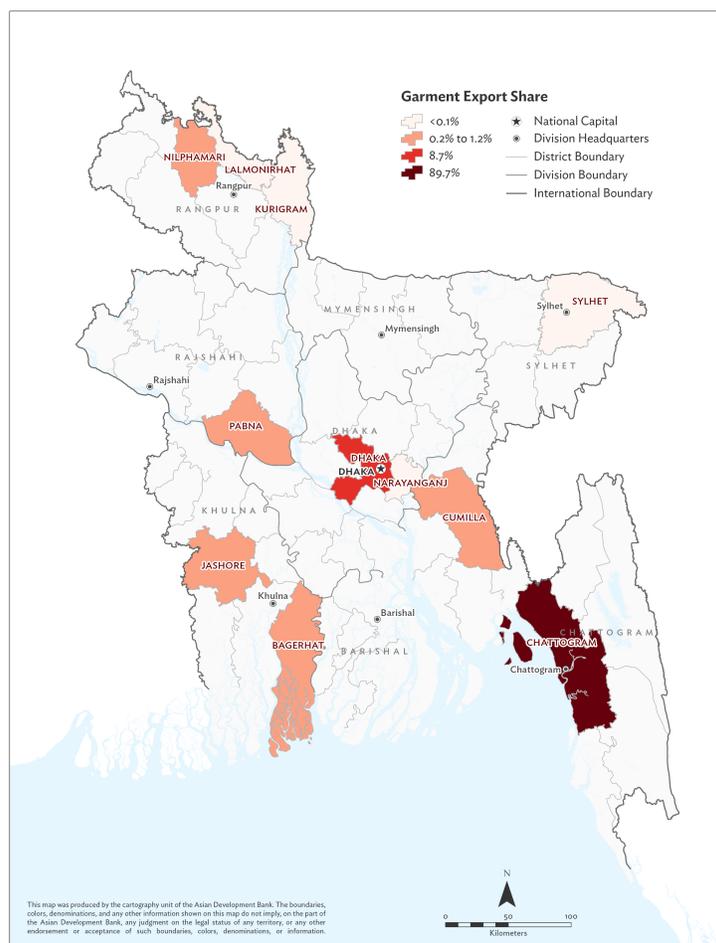
Buyer	Market Share	Unit Value (\$/kg)	Dhaka Share	Air Share
Hennes & Mauritz	7.838	18.003	5.740	2.396
Primark	2.743	11.528	4.147	2.746
C & A	2.484	16.546	6.515	5.127
Marks & Spencer	2.077	19.036	17.697	8.103
Bestseller	1.916	15.622	5.550	5.487
Inditex	1.681	13.341	40.738	40.183
Lpp	1.567	13.211	2.774	2.541
Walmart	1.349	11.694	16.145	2.151
Uniqlo	1.239	17.726	15.693	12.886
Next	1.181	16.254	6.002	3.614
Vf Corporation	1.177	23.978	16.709	9.943
Target	1.109	13.916	9.779	0.845
Asda Stores	1.042	14.233	11.772	2.632
Pepco Poland	1.016	10.658	0.723	0.699
Phillips-Vh	1.000	18.446	19.723	6.044
Levi Strauss	0.907	17.233	10.190	9.110
Old Navy	0.924	15.800	15.876	6.991
Decathlon	0.797	17.644	4.977	1.606
The Gap	0.733	18.938	10.721	10.461
Owim	0.896	10.746	4.049	3.601
Top 20	32.797	15.728	11.276	6.858
Top 100	57.537	15.817	12.128	9.168

Notes: Key statistics for the top 20 international buyers in the Bangladeshi garment industry. The statistics are calculated using the years 2018–2024. The market share is calculated as the total share across markets. For the top 20 and 100 buyers, the cumulative is reported. The unit value is the average unit price in USD per kg, Dhaka share is the average share of value exported via Dhaka airport, and air share is the average share of value exported via air transport.

Source: Bangladesh customs data.

Secondly, customs data also include information on the point of exit and the mode of transport used.⁶ As shown in Figure 1, in Bangladesh, more than 98% of total exports are processed through either Chattogram, the country’s main seaport, or Dhaka, which hosts the primary international airport. Therefore, the subnational spatial distribution of garment exports is highly concentrated.

Figure 1: Exports by Point of Exit



Notes: This figure shows the share of total exported value in the garment sector by reported point of exit.
 Source: Bangladesh customs data.

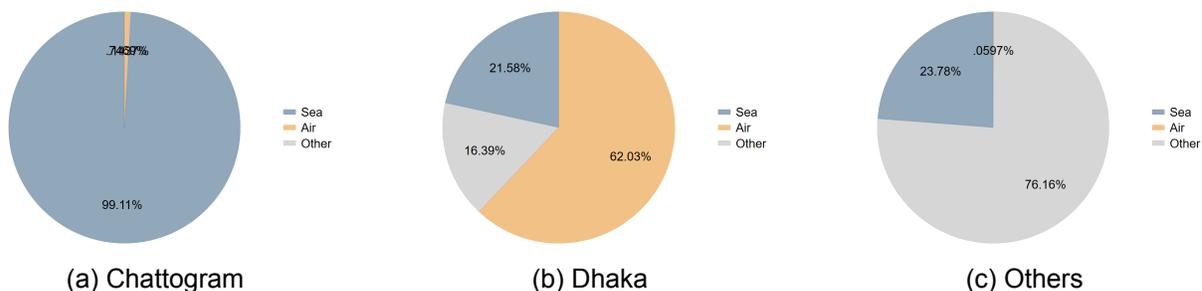
The geography of the exit points is closely linked to the choice of transport mode. Although nearly 90% of Bangladesh’s export value is shipped by sea and only about 9% by air⁷, Figure 2 shows a strong correlation between the point of exit and the mode of transport. Specifically, shipments from Chattogram leave the country almost entirely by sea, those processed in Dhaka about two-thirds by air, and those from other exit points mainly by road or rail.

⁶ The point of exit refers to the location where the customs authority processes the shipment, not where the goods are actually produced.

⁷ The remaining exports are transported via road or rail, primarily to neighboring India. Table A.2 reports average shares by point of exit and transport mode across markets.

It is worth noting that, as shown in Figure B.4, in this GVC, the international buyer determines the mode of transport.⁸ This pattern further motivates our focus on how buyer characteristics, particularly their reliance on different transport modes, shape exporters’ responses to supply chain shocks.

Figure 2: Exports by Point of Exit and Transport Mode



Notes: This figure shows the distribution of export value by mode of transport and point of exit for the years 2018–2024. “Other” transport modes include road and rail, while “Others” for the points of exit refer to various customs offices located along the country’s land borders.

Source: Bangladesh customs data.

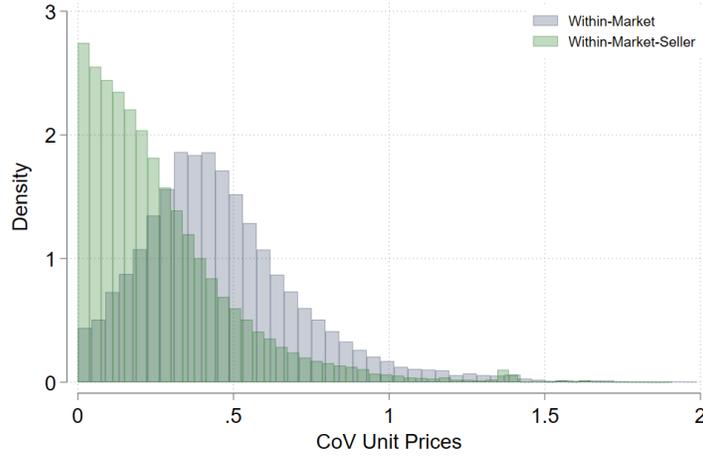
Finally, the different degrees of market power and transport strategies might allow buyers to negotiate distinct prices. As shown in Figure 3, unit import prices thus display substantial dispersion. To measure this, we calculate the coefficient of variation (CoV) of unit import prices, computed by dividing the total import value by the quantity imported for each market, defined as a unique HS6–destination–year combination. The average CoV across markets is around 0.42, with a median of 0.37, pointing to notable price dispersion (DellaVigna and Gentzkow, 2019). Importantly, a significant portion of this dispersion persists even after controlling for the exporter, suggesting that importers within the same market are able to negotiate different prices from the same exporter.

3 METHODOLOGY

Motivated by these facts, this section examines how exchange rate shocks are transmitted to prices expressed in the local currency. Specifically, we investigate: (i) whether and to what extent buyers’ market power affects the pass-through of exchange rate shocks to export prices, and (ii) how the choice of transport mode shapes the degree of pass-through.

⁸ The customs data include information on the shipping arrangement, also known as International Commercial Terms—henceforth incoterm—for about 65% of transactions. These are almost entirely dictated by the importer, typically under free on board (FOB) or free carrier (FCA) terms. See International Chamber of Commerce (2021) for more details on incoterm definitions.

Figure 3: Import Price Dispersion



CoV = coefficient of variation.

Notes: This figure plots the distribution of the coefficient of variation of unit import prices within a market and within a market–seller combination. A market is defined as HS6–year–destination. The statistics are calculated using the years 2018–2024.

Source: Bangladesh customs data.

Exchange rate pass-through and buyer market power. To assess the role of buyer market power in the exchange rate pass-through, we follow Juarez (2024) and estimate a firm level pass-through regression. This allows us to evaluate how exchange rate shocks impact international prices, conditional on the degree of buyer market power. Specifically, we regress the annual change in the log of export prices on the change in the log exchange rate, interacting it with the buyer’s market share. The empirical specification is as follows:

$$\Delta p_{s,b,j,d,t} = (\alpha + \beta M_{b,j,d,t-1}) \times \Delta e_{d,t} + \mu_{d,j,t} + \epsilon_{s,b,j,d,t} \quad (1)$$

where the dependent variable, $\Delta p_{s,b,j,d,t}$, represents the log change in the export price of product j sold by seller s to buyer b in destination country d in year t . The key explanatory variable is the interaction between the change in the bilateral exchange rate, $\Delta e_{d,t}$, and the buyer’s lagged market share, $M_{b,j,d,t-1}$.⁹ The exchange rate is defined such that an increase in e_d reflects a depreciation of the domestic currency (taka) relative to the currency of destination d , aligning with the policy experiment we analyze, namely, a depreciation of the taka by the Bangladeshi central bank relative to the US dollar.

We expect the coefficient $\hat{\beta}$ to be negative, indicating that larger buyers face a smaller price adjustment in response to exchange rate shocks. Our baseline specification includes market fixed effects, $\mu_{d,j,t}$, defined at the destination–HS6–year level, to account for unobserved heterogeneity

⁹ We use the lagged market share to mitigate concerns about endogeneity.

in how exchange rate shocks affect prices across different markets and product pairs.¹⁰ This fixed effect is meant to isolate the differences between markets and compare across buyers with different market shares. Standard errors are clustered at the country–year level to address potential serial correlation in the error term.¹¹

Pass-through, buyer market power, and mode of transport. Second, we examine how the mode of transport shapes the pass-through of exchange rate shocks to exporter prices, controlling for buyer market power. The underlying idea is that firms’ ability to adjust prices may further depend on the speed and flexibility of the transport mode selected.

To test this, we calculate the share of transactions conducted by air versus sea between a buyer–seller pair, and analyze how this affects the degree of pass-through. We focus on the trade-off between air and sea transport, as these are the two dominant modes used for Bangladeshi garment exports, particularly to key markets in Europe and North America. As shown in Section 2, there is a strong spatial correlation between the mode of transport and the point of exit, implying that any effect on transport mode is also likely to have location-specific impacts on exporting firms.¹² Our empirical specification is as follows:

$$\begin{aligned} \Delta p_{s,b,j,d,t} = & (\alpha + \beta M_{b,j,d,t-1}) \times \Delta e_{d,t} + \\ & + \beta T_{s,b,j,d,t-1} \times \Delta e_{d,t} + \mu_{d,j,t} + \mu_{s,b} + \epsilon_{s,b,j,d,t} \end{aligned} \quad (2)$$

where the only difference with respect to equation (1) is that we further include the interaction term between the change in exchange rate $\Delta e_{d,t}$ and the value share of the transaction between a specific seller and buyer that is transported by air, $T_{s,b,j,d,t-1}$.¹³

To disentangle these effects, we include interaction terms for both buyer market power and transport mode. This allows us to assess whether the two channels operate simultaneously. For instance, it may be that firms with greater market power can demand faster delivery via air transport, or that they are simply more likely to rely on air shipments.

Robustness checks. We perform a series of robustness checks to ensure that our results are robust to different specifications and sample compositions.

First, following Juarez (2024), we estimate equation 1 while restricting the sample to: (i) transactions where the US is the sole destination, as well as (ii) transactions invoiced in US dollars and (iii) using the US dollar–taka exchange rate regardless of destination. These checks help control for potential confounding factors arising from exchange rate movements when prices

¹⁰We also estimate alternative specifications with fixed effects similar to those in Juarez (2024) to confirm the robustness of her findings in our context. We further introduce a series of more granular fixed effects to control for potential unobserved heterogeneity coming from seller specific characteristics.

¹¹We further show that our results are robust to clustering the errors at the country level.

¹²The correlation between the use of air transport and the point of exit is $\approx .8$.

¹³Similar to $M_{b,j,d,t-1}$, we use the predetermined share to avoid contemporaneity issues.

are sticky in a particular currency. Specifically, they (i) ensure that the bilateral exchange rate coincides with the dollar rate, ruling out the possibility that the observed dollar dominance is driven by exceptional conditions such as global recessions or shifts in asset market safety; (ii) test whether invoicing practices could bias our results; and (iii) assess the consistency of our findings with Gopinath et al. (2020), who show that firms set export prices in dollars and adjust them infrequently.

Secondly, we focus on the definition of the market and the buyer's shares. Specifically, we estimate equations 1 and 2 defining a market as a buyer–product–year triplet, and as a buyer–seller–product–year quadruplet. In the first case, the buyer market share reflects the share of exports within a product–year combination purchased by a given buyer. In the second, we capture the relevance of a specific buyer in a seller's exports within a market, independent of the buyer's overall size. Regarding buyers' shares, we also compute them using shipment weight (kilograms) instead of value. We further verify that our results are robust to including lagged sellers' shares as a control, accounting for potential confounding factors such as the possibility that larger sellers may exert greater market power and influence prices more than smaller ones.

Finally, we present the results, clustering standard errors at the country level.

4 RESULTS

In this section, we report the results of our analysis on the effect of exchange rate shocks on export prices in Bangladesh, with a specific focus on the role of buyer market power and mode of transport. We show that the buyer's market power significantly influences the pass-through of exchange rate shocks to export prices. Moreover, we show that the pass-through to export prices is lower in buyer–seller pairs that use air transport more intensively. Our results indicate that while larger buyers can negotiate lower prices in response to exchange rate fluctuations, smaller firms that use air transport can hedge against price fluctuations and avoid incurring the increase in prices that sellers may try to impose as a result of a devaluation effect.

Exchange rate pass-through and buyer market power. Table 2 reports the results of our baseline regression (1), where we estimate the effect of the buyer's market share on exchange rate pass-through. In column (1), we start by showing that prices in the domestic currency of Bangladeshi importers increase in response to a depreciation of the taka. The average exchange rate pass-through elasticity into seller prices in the sample is around 0.038. In column (2), we include an interaction between exchange rates and buyer market share. As in Juarez (2024), we show that the simple average coefficient reported in column (1) masks a considerable amount of heterogeneity, as buyers (for the same seller) with different market shares have very different pass-through rates. In column (3), we include more stringent fixed effects to control for potential unobserved heterogeneity. We find that the coefficient on the interaction term remains negative and becomes statistically significant. Taking the average market share of 0.14, from Table A.1

Table 2: Effect of Buyer's Market Share on Exchange Rate Pass-through

	$\Delta \text{Log}(\text{Price})$		
	(1)	(2)	(3)
$\ln(\Delta ER)$	0.038*	0.049**	
	(0.021)	(0.024)	
M_{t-1}		0.005	-0.015***
		(0.006)	(0.005)
$\ln(\Delta ER) \times M_{t-1}$		-0.050	-0.150**
		(0.040)	(0.059)
Observations	252,743	252,743	252,743
R-squared	0.322	0.322	0.117
Time-seller FE	✓	✓	
Destination-product-seller FE	✓	✓	
Destination-time-product FE			✓

FE = fixed effects.

Notes: This table reports the estimates for equation (1). The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate and M_{t-1} is the buyer market share in value. Products are defined at the HS6 level and a period is defined as a year. Standard errors in parentheses are clustered at the country-year level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

across markets, this implies that a 1% depreciation of the taka generates a 0.042 increase in the sellers' price.¹⁴

Therefore, while large buyers pay marked down prices, these markdowns are flexible enough to play a significant role in adjusting prices to exchange rate shocks.¹⁵

As the market share increases, the pass-through declines. Figure 4 plots exchange rate pass-through across market share deciles. The results show that firms in the upper deciles capture the largest gains, with big players in particular able to leverage their market power to negotiate more favorable prices.

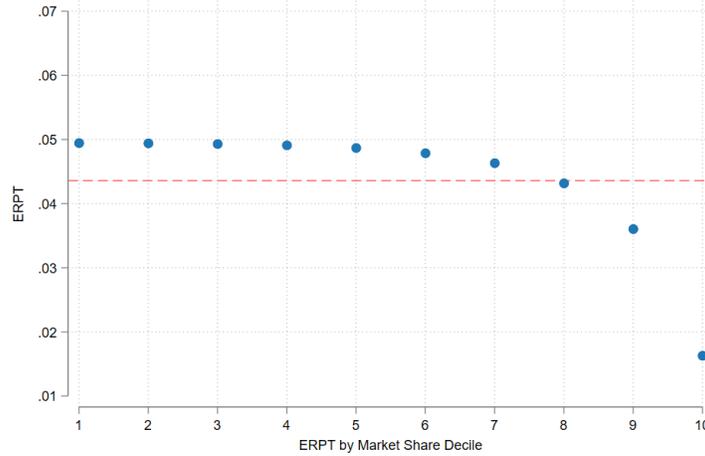
Pass-through, buyer market power, and transport mode. In this section, we examine how the use of air transport affects the pass-through of exchange rate shocks to export prices beyond the influence of buyer market power. We find that buyer-seller pairs relying more heavily on air transport exhibit lower pass-through. Importantly, both buyer market power and transport mode independently contribute to this reduced pass-through.

Table 3 presents the results from estimating equation (2), progressively introducing more stringent fixed effects across columns. The findings confirm that both market power and transport mode influence the pass-through of exchange rate shocks. Specifically, firms with larger market

¹⁴This is calculated as $0.049 - 0.050 \times 0.14 = 0.042$. The median pass-through instead is 0.048 since the median market share is around 0.02

¹⁵Table A.12 estimates the baseline regression in levels, and show that large buyers pay lower prices.

Figure 4: Exchange Rate Pass-through by Market Share Deciles



Notes: The figure shows the implied exchange rate pass-through (ERPT) by market share deciles. The ERPT is calculated as the sum of the coefficient of $\ln(\Delta ER)$ and the interaction term $\ln(\Delta ER) \times SH_{t-1}$ multiplied by the average market share in each decile.

Source: Bangladesh customs data.

shares and greater reliance on air transport exhibit lower pass-through. For example, a firm with a market share of 0.14 and an air transport share of 0.07 would experience a pass-through of just 0.040 in response to a 1% exchange rate shock.¹⁶ Therefore, buyers that rely on air transport can adjust more rapidly to exchange rate fluctuations, enabling them to smooth price increases that sellers might try to impose after a depreciation. This result is consistent with Aizenman (2004) and Hummels and Schaur (2010), who document that firms relying on air transport are better positioned to hedge against price volatility.¹⁷

Do buyers adjust their transport mode? To further investigate this mechanism, we examine firms' switching behavior from sea to air transport following Bangladesh's decision in 2022 to abandon the dollar peg. As shown in Figure B.2, this policy change led to a sharp increase in exchange rate fluctuations.

To assess whether firms adjusted their transport mode in response, we compare the relative use of air versus sea transport before and after the peg was lifted.

$$\ln V_{s,b,j,d,t,m} = \sum_{2020Q1}^{2023Q4} \times \text{Air} + \mu_{b,s,t} + \mu_m + \mu_{d,t} + \mu_{j,t} + \epsilon_{s,b,j,d,t,m} \quad (3)$$

where $\ln V_{s,b,j,d,t,m}$ is the log of the value of exports from seller s to buyer b of product j in destination d at time t and mode of transport m (air or sea). Air is a dummy variable that takes the value of 1 if the mode of transport is air and 0 if it is sea. We include buyer–seller–time fixed effects $\mu_{b,s,t}$

¹⁶Calculated as $0.056 - 0.057 \times 0.14 - 0.118 \times 0.07 = 0.040$.

¹⁷Table A.11 reports the results by region. The estimates remain qualitatively similar, though somewhat less precise.

Table 3: Pass-through, Buyer's Market Power, and Transport Mode

	$\Delta \text{Log}(\text{Price})$	
	(1)	(2)
$\ln(\Delta ER)$	0.056** (0.024)	
M_{t-1}	0.006 (0.006)	-0.014*** (0.005)
$\ln(\Delta ER) \times M_{t-1}$	-0.057 (0.041)	-0.155*** (0.058)
T_{t-1}	0.011* (0.006)	0.010** (0.005)
$\ln(\Delta ER) \times T_{t-1}$	-0.118** (0.060)	-0.089* (0.052)
Observations	252,743	252,743
R-squared	0.322	0.117
Time-seller FE	✓	
Destination-product-seller FE	✓	
Destination-time-product FE		✓

FE = fixed effects.

Notes: This table reports the estimates for equation (2). The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate, M_{t-1} is the buyer market share in value, and T_{t-1} is the share of air value between a buyer and a seller in the market at time $t - 1$. Products are defined at the HS6 level and a period is defined as a year. Standard errors in parentheses are clustered at the country-year level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

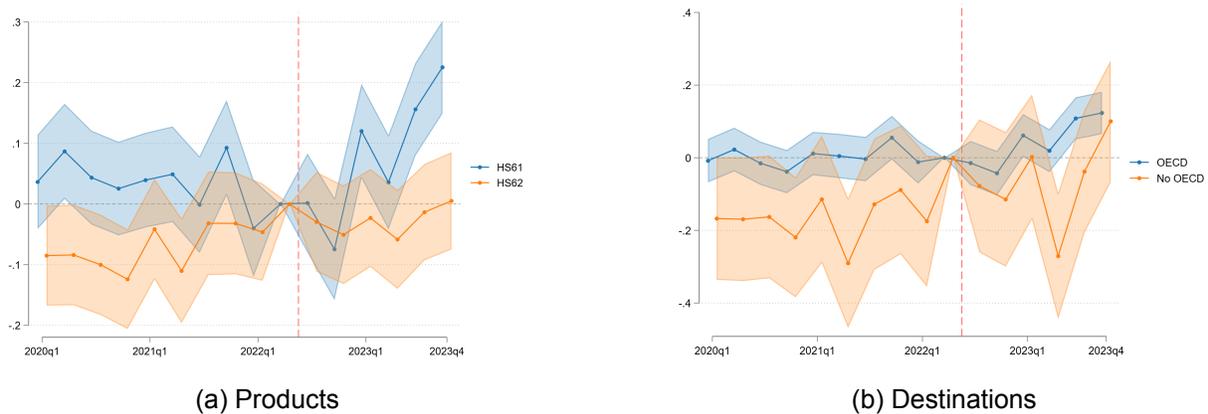
to control for any time-varying unobserved heterogeneity at the buyer-seller level, transport fixed effects μ_m , and destination, and product-time fixed effects $\mu_{d,t} - \mu_{j,t}$ to control for any time-varying unobserved heterogeneity at the destination and product level.

Figure 5 reports the regression results. Following the abandonment of the peg, we observe a significant increase in the use of air relative to sea transport, but only for higher quality products and destinations. In particular, the effect is evident for HS2 61 (knitted garments) but not for HS2 62 (woven garments), consistent with the idea that switching to air transport is less advantageous for lower priced goods given the higher costs involved. The reason is that HS62 products are typically less processed and easier to produce at scale. We also find that the effect is stronger for exports to Organisation for Economic Co-operation and Development (OECD) countries, which are more developed and have higher income levels.

4.1 Robustness

We begin our robustness analysis in Table A.3 by replicating our baseline regression using different samples such as: (i) keeping the observations where the destination is the US, (ii) restricting the sample to transactions invoiced in US dollars, and (iii) using the US dollar-taka exchange rate for all the transactions. We find that the results are robust to these different specifications.

Figure 5: Buyers' Transport Switching



OECD = Organisation for Economic Co-operation and Development.

Notes: Estimated coefficients from equation (3). The dependent variable is the log value transported by mode (air vs non-air). The left panel shows the results by HS2 products' categories HS61 (knitted garments) vs HS62 (woven garments). The right panel shows the results by destination countries (OECD members vs nonmembers). Source: Authors' calculations.

Secondly, we conduct a series of robustness checks to test whether our findings depend on the definition of the market or the unit at which market shares are computed. In Table A.4, columns (1) and (2) report market shares computed at the buyer–seller–product–year level and buyer–product–year level, respectively. The signs of the estimated effects remain unchanged, while the magnitude varies: it is smaller when using only the within-seller size measure and larger when considering buyers across all destinations. This pattern is expected, as average buyer shares decline when a large portion of exports is excluded from the denominator. In column (3), we calculate market shares based on shipment weight instead of value. Finally, column (4) includes sellers' market shares. Overall, our main findings are robust across these alternative specifications. Table A.5 column (1) defines market shares at the buyer–seller–product–year level; column (2) at the buyer–product–year level; column (3) calculates shares based on quantity (kilograms) rather than value; and column (4) includes the seller's market share as a control to account for potential price setting power on the supply side. Across all specifications, our main results remain consistent.

Next, we address the definition of air transport shares, which are measured at the buyer–seller level. To account for potential bias from unobserved buyer or buyer–seller specific characteristics, we estimate additional specifications that include corresponding fixed effects. The results, reported in Table A.6, confirm that both the market power and transport mode channels remain robust to these additional controls.

Tables A.7 and A.8 further demonstrate that our findings are robust to clustering standard errors at the country level rather than the country–year level.

Finally, we examine potential heterogeneous effects of buyer market power and transport mode on the pass-through of exchange rate shocks to export prices (Table A.9). Following Figure 5, we begin by exploring heterogeneity across product types, splitting the sample by two major garment categories: HS61 (knitted garments) and HS62 (woven garments). Columns (1) and (2) show that

while the impact of buyer market shares remains similar across both categories, the role of air transport is more pronounced for HS61 products. Next, we assess heterogeneity by destination market. We first focus on the top 10 destination countries, which together account for more than 80% of the Bangladeshi garment export value. We then consider OECD countries, which tend to have higher income levels and more mature markets. Again, we find little variation in the effect of buyer market power, but the influence of air transport share appears to differ across destinations, as the results for top 10 destinations and OECD countries are statistically significant. Taken together, these results suggest that while the impact of buyer market power on pass-through is overall relatively stable, the role of transport mode is more context-specific, particularly for more complex products and advanced destination markets. Our main results are robust to the inclusion of buyer–seller fixed effects as reported in Table A.10.

5 CONCLUSIONS

In this paper, we examine how buyer market power and transport mode shape the pass-through of exchange rate fluctuations to export prices in developing countries, focusing on the Bangladeshi garment sector between 2018 and 2024. We leverage detailed custom records that allow us to observe not only the two parties making the transaction but also the point of exit and the transport mode.

Bangladesh provides an ideal setting for this analysis: its export-led growth is driven largely by garments, a sector composed of relatively small exporting firms supplying major international buyers. These exporters are geographically concentrated in a few districts, which also serve as key international exit points, allowing us to study how location and transport infrastructure affect firms' pricing responses to exchange rate shocks. Additionally, the country's shift away from a dollar peg in 2022 led to a sharp currency depreciation, offering a natural experiment to assess the effects on export prices.

Our results show that the pass-through of exchange rate shocks to export prices is lower for larger buyers, consistent with the findings of Juarez (2024). Large buyers have more variable markdowns, which they can use strategically to buffer against exchange rate fluctuations and keep prices more stable.

However, buyer market power alone does not fully account for the observed variation in pass-through. We find that the mode of transport also plays a significant role. Buyers that rely more heavily on air transport experience lower pass-through compared to those using sea transport. Therefore, even firms that supply to the same buyer can be affected differently based on which mode they use to export. This aligns with the findings of Hummels and Schaur (2010), who show that firms use faster transport modes to hedge against price volatility.

Our findings highlight how buyer market power and transport mode influence the pass-through of exchange rate shocks to export prices across regions. This analysis contributes to a broader understanding of the subnational impacts of GVC participation, emphasizing the role of large buyers and their transport strategies. These insights are relevant for designing policies

that maximize local gains from GVC integration while reducing exposure to external shocks in developing economies.

APPENDIX

A TABLES

Table A.1: Descriptive Statistics of the Bangladeshi Garment Industry

	Median	Mean	Standard Deviation	Minimum	Maximum
Products	217	219	4.22	214	225
Sellers	3119	3230	412	2719	3993
Buyers	7809	6214	2063	3534	8148
Buyers by product × destination	3	10.45	30.01	1	4009
Product by buyers	16	25.23	25.93	1	153
Buyers' market share	2	14	25	0	100
$\ln(\Delta ER)$	-0.02	-0.03	0.09	-0.29	0.55
Air share	0.1	7	18	0	100

Notes: Annual statistics for the Bangladeshi garment industry (HS codes 61 and 62) from 2018 to 2024. The table shows the median, mean, standard deviation, minimum values, and maximum values for the number of products, exporters, importers, importers by product and destination, products by importers, buyer's market shares, air shares, and average change in exchange rate. Air shares are calculated using values at the buyer–seller level in a market. A market is defined as destination–product–year. The exchange rate is defined as how much of the foreign currency is needed to buy one taka.

Source: Bangladesh customs data and IMF statistics.

Table A.2: Descriptive Statistics: Mode of Transport and Point of Exit

Point of Exit	Mean	Median	Standard Deviation	Minimum	Maximum	Total
Chattogram	88.13	94.00	17.19	2.95	99.92	89.66
Dhaka	9.46	5.37	12.13	0.04	77.26	8.73
Other	5.29	0.16	18.28	0	99.83	1.61
Mode of Transport						
Air	6.64	3.25	11.80	0.17	84.27	9.08
Sea	87.72	94.81	19.93	0.85	99.95	88.60
Other	7.58	0.73	19.14	0	99.83	2.22

Notes: Statistics on the mode of transport and port of exit for the Bangladeshi garment industry. The table shows the mean, median, standard deviation, minimum values, maximum values, and the total share of shipments for each category, in percentage, for the years 2018–2024 across different countries of destination.

Source: Bangladesh customs data.

Table A.3: Pass-through and Market Shares—Robustness

	$\Delta \text{Log}(\text{Price})$		
	(1)	(2)	(3)
M_{t-1}	-0.014*** (0.005)	-0.003 (0.006)	-0.033*** (0.007)
$\ln(\Delta ER) \times M_{t-1}$	-0.151** (0.060)	-0.125** (0.054)	
$\ln(\Delta ER(\text{USD} - \text{BDT})) \times M_{t-1}$			-0.391*** (0.089)
Observations	229,762	238,924	252,743
R-squared	0.122	0.239	0.117
Destination–time–product FE	✓	✓	✓

FE = fixed effects.

Notes: This table reports the estimates for equation (1) for different robustness checks. The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate and M_{t-1} is the buyer market share in value. In column (1) we only include the US in the sample. In column (2) we look at transactions in USD only, in column (3) we use the dollar–taka exchange rate for all the transactions. Standard errors in parentheses are clustered at the country–year level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

Table A.4: Pass-through and Market Shares—Alternative Shares and Markets

	$\Delta\text{Log}(\text{Price})$			
	(1)	(2)	(3)	(4)
M_{t-1}	0.001 (0.002)	-0.082*** (0.016)	0.011** (0.005)	-0.022*** (0.006)
$\ln(\Delta ER) \times M_{t-1}$	-0.062*** (0.022)	-0.293 (0.206)	-0.119** (0.057)	-0.151** (0.059)
Ms_{t-1}				0.038*** (0.008)
Observations	252,743	252,743	252,743	252,743
R-squared	0.117	0.117	0.117	0.117
Destination–time–product FE	✓	✓	✓	✓

FE = fixed effects.

Notes: This table reports the estimates for equation (1) for different definitions of the market and different ways of calculating the buyers' shares. The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate and M_{t-1} is the buyer market share in value. In column (1) we define a market as a buyer–seller–product–year quadruplet, in column (2) we define a market as a buyer–product–year triplet, in column (3) we calculate the buyers' shares using the weight in kilograms, and in column (4) we include the seller's shares as a control. Products are defined at the HS6 level and a period is defined as a year. Standard errors in parentheses are clustered at the country–year level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

Table A.5: Pass-through, Market Shares, and Air Shares—Alternative Shares and Markets

	Log(Price)			
	(1)	(2)	(3)	(4)
M_{t-1}	0.001 (0.002)	-0.081*** (0.016)	0.012** (0.005)	-0.021*** (0.006)
$\ln(\Delta ER) \times M_{t-1}$	-0.069*** (0.022)	-0.331 (0.204)	-0.125** (0.056)	-0.156*** (0.058)
T_{t-1}	0.008 (0.007)	0.004 (0.005)	0.010** (0.005)	0.010* (0.005)
$\ln(\Delta ER) \times T_{t-1}$	-0.181** (0.079)	-0.112** (0.050)	-0.086* (0.051)	-0.088* (0.052)
Ms_{t-1}				0.038*** (0.008)
Observations	252,743	252,743	252,743	252,743
R-squared	0.117	0.117	0.117	0.117
Destination–time–product FE	✓	✓	✓	✓

FE = fixed effects.

Notes: This table reports the estimates for equation (2) for different definitions of the market and different ways of calculating the buyers' shares. The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate, M_{t-1} is the buyer market share in value, and T_{t-1} is the share of air value between a buyer and a seller in the market at time $t - 1$. In column (1) we define a market as a buyer–seller–product–year quadruplet, in column (2) we define a market as a buyer–product–year triplet, in column (3) we calculate the air shares using the weight in kilograms, and in column (4) we include the seller's shares as a control. Products are defined at the HS6 level and a period is defined as a year. Standard errors in parentheses are clustered at the country–year level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

Table A.6: Pass-through, Market Power, and Air Share—Alternative Fixed Effects

	$\Delta \text{Log}(\text{Price})$			
	(1)	(2)	(3)	(4)
M_{t-1}	-0.014*** (0.005)	-0.003 (0.005)	-0.002 (0.006)	
$\ln(\Delta ER) \times M_{t-1}$	-0.155*** (0.058)	-0.139** (0.055)	-0.142*** (0.055)	
T_{t-1}	0.010** (0.005)	0.005 (0.005)	0.011* (0.006)	0.022*** (0.008)
$\ln(\Delta ER) \times T_{t-1}$	-0.089* (0.052)	-0.118** (0.055)	-0.154*** (0.057)	-0.128* (0.070)
Observations	252,743	251,159	240,118	172,079
R-squared	0.117	0.148	0.238	0.411
Destination–time–product FE	✓	✓	✓	
Buyer FE		✓		
Buyer–seller FE			✓	✓
Buyer–destination–time–product FE				✓

FE = fixed effects.

Notes: This table reports the estimates for equation (2). The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate, M_{t-1} is the buyer market share in value, and T_{t-1} is the share of air value between a buyer and a seller in the market at time $t - 1$. Products are defined at the HS6 level and a period is defined as a year. Standard errors in parentheses are clustered at the country–year level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

Table A.7: Buyer's Market Share on Exchange Rate Pass-through—Country Cluster

	$\Delta \text{Log}(\text{Price})$		
	(1)	(2)	(3)
$\ln(\Delta ER)$	0.038 (0.025)	0.049* (0.027)	
M_{t-1}		0.005 (0.005)	-0.015*** (0.004)
$\ln(\Delta ER) \times M_{t-1}$		-0.050 (0.046)	-0.150*** (0.047)
Observations	252,743	252,743	252,743
R-squared	0.322	0.322	0.117
Time–seller FE	✓	✓	
Destination–product–seller FE	✓	✓	
Destination–time–product FE			✓

FE = fixed effects.

Notes: This table reports the estimates for equation (1). The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate and M_{t-1} is the buyer market share in value. Products are defined at the HS6 level and a period is defined as a year. Standard errors in parentheses are clustered at the country level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

Table A.8: Pass-through, Market Power, and Transport Mode—Country Cluster

	$\Delta \text{Log}(\text{Price})$	
	(1)	(2)
$\ln(\Delta ER)$	0.056** (0.027)	
M_{t-1}	0.006 (0.005)	-0.014*** (0.004)
$\ln(\Delta ER) \times M_{t-1}$	-0.057 (0.047)	-0.155*** (0.045)
T_{t-1}	0.011 (0.007)	0.010* (0.005)
$\ln(\Delta ER) \times T_{t-1}$	-0.118** (0.051)	-0.089** (0.037)
Observations	252,743	252,743
R-squared	0.322	0.117
Time-seller FE	✓	
Destination-product-seller FE	✓	
Destination-time-product FE		✓

FE = fixed effects.

Notes: This table reports the estimates for equation (2). The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate, M_{t-1} is the buyer market share in value, and T_{t-1} is the share of air value between a buyer and a seller in the market at time $t - 1$. Products are defined at the HS6 level and a period is defined as a year. Standard errors in parentheses are clustered at the country level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

Table A.9: Heterogeneity—Products and Destinations

	$\Delta \text{Log}(\text{Price})$					
	(1) HS61	(2) HS62	(3) Top 10 Dest	(4) Others	(5) OECD	(6) No OECD
M_{t-1}	-0.016** (0.006)	-0.012 (0.008)	-0.011 (0.009)	-0.015** (0.006)	-0.012** (0.006)	-0.020* (0.011)
$\ln(\Delta ER) \times M_{t-1}$	-0.133** (0.066)	-0.186* (0.097)	-0.224** (0.101)	-0.126* (0.065)	-0.129** (0.061)	-0.298** (0.140)
T_{t-1}	-0.005 (0.006)	0.032*** (0.007)	0.003 (0.006)	0.024*** (0.009)	0.007 (0.005)	0.027* (0.014)
$\ln(\Delta ER) \times T_{t-1}$	-0.184*** (0.066)	0.057 (0.075)	-0.152** (0.063)	0.006 (0.101)	-0.094* (0.054)	-0.032 (0.177)
Observations	147,337	105,406	146,919	105,824	200,102	52,641
R-squared	0.109	0.128	0.091	0.159	0.107	0.158
Destination-time-product FE	✓	✓	✓	✓	✓	✓

FE = fixed effects, OECD = Organisation for Economic Co-operation and Development.

Notes: This table reports the estimates for equation (2) splitting the sample along different characteristics. The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate, M_{t-1} is the buyer market share in value, and T_{t-1} is the share of air value between a buyer and a seller in the market at time $t - 1$. In columns (1)–(2) we split the sample based on their HS2 codes. Columns (3)–(4) report the estimates of the effect in the top 10 destination countries vs the others. Finally, in columns (5)–(6) we compare the effect in OECD members vs nonmembers. Products are defined at the HS6 level. Standard errors in parentheses are clustered at the country-year level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

Table A.10: Heterogeneity—Additional Fixed Effects

	$\Delta \text{Log(Price)}$					
	(1)	(2)	(3)	(4)	(5)	(6)
	HS61	HS62	Top 10 Dest	Others	OECD	No OECD
M_{t-1}	0.003 (0.008)	-0.009 (0.010)	-0.010 (0.011)	0.002 (0.008)	-0.005 (0.007)	0.003 (0.013)
$\ln(\Delta ER) \times M_{t-1}$	-0.126* (0.069)	-0.175* (0.104)	-0.253** (0.115)	-0.100* (0.057)	-0.112* (0.058)	-0.295** (0.127)
T_{t-1}	-0.004 (0.008)	0.031*** (0.010)	0.002 (0.008)	0.031*** (0.011)	0.006 (0.007)	0.045*** (0.016)
$\ln(\Delta ER) \times T_{t-1}$	-0.226*** (0.069)	-0.064 (0.089)	-0.199*** (0.068)	-0.092 (0.105)	-0.153** (0.062)	-0.261 (0.199)
Observations	139,197	100,265	137,275	102,030	188,826	50,708
R-squared	0.237	0.249	0.231	0.261	0.236	0.267
Destination-time-product FE	✓	✓	✓	✓	✓	✓
Buyer-seller FE	✓	✓	✓	✓	✓	✓

FE = fixed effects, OECD = Organisation for Economic Co-operation and Development.

Notes: This table reports the estimates for equation (2) splitting the sample along different characteristics. The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate, M_{t-1} is the buyer market share in value, and T_{t-1} is the share of air value between a buyer and a seller in the market at time $t - 1$. In columns (1)–(2) we split the sample based on their HS2 codes. Columns (3)–(4) report the estimates of the effect in the top 10 destination countries versus the others. Finally, in columns (5)–(6) we compare the effect in OECD members vs nonmembers. Products are defined at the HS6 level. Standard errors in parentheses are clustered at the country-year level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

Table A.11: Pass-through, Buyer Market Power, and Transport Mode—Dhaka

	$\Delta \text{Log(Price)}$	
	(1)	(2)
$\ln(\Delta ER)$	0.055** (0.025)	
M_{t-1}	0.007 (0.006)	-0.014*** (0.005)
$\ln(\Delta ER) \times M_{t-1}$	-0.052 (0.041)	-0.150** (0.060)
D_{t-1}	0.016*** (0.006)	0.021*** (0.005)
$\ln(\Delta ER) \times D_{t-1}$	-0.107* (0.057)	-0.017 (0.054)
Observations	252,013	252,013
R-squared	0.322	0.117
Time-seller FE	✓	
Destination-product-seller FE	✓	
Destination-time-product FE		✓

FE = fixed effects.

Notes: This table reports the estimates for equation (2). The dependent variable corresponds to the log change of prices. $\ln(\Delta ER)$ is the bilateral exchange rate, M_{t-1} is the buyer market share in value, and D_{t-1} is the share of value coming out of Dhaka between a buyer and a seller in the market at time $t - 1$. Products are defined at the HS6 level and a period is defined as a year. Standard errors in parentheses are clustered at the country-year level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

Table A.12: Pass-through, Market Shares, and Air Shares—Levels

	Log(Price)	
	(1)	(2)
M_{t-1}	-0.104*** (0.015)	-0.099*** (0.015)
$\ln(\text{ER}) \times M_{t-1}$	-0.009** (0.004)	-0.012*** (0.004)
T_{t-1}		0.039** (0.016)
$\ln(\text{ER}) \times T_{t-1}$		-0.030*** (0.005)
Observations	252,783	252,783
R-squared	0.361	0.366
Destination-time-product FE	✓	✓

FE = fixed effects.

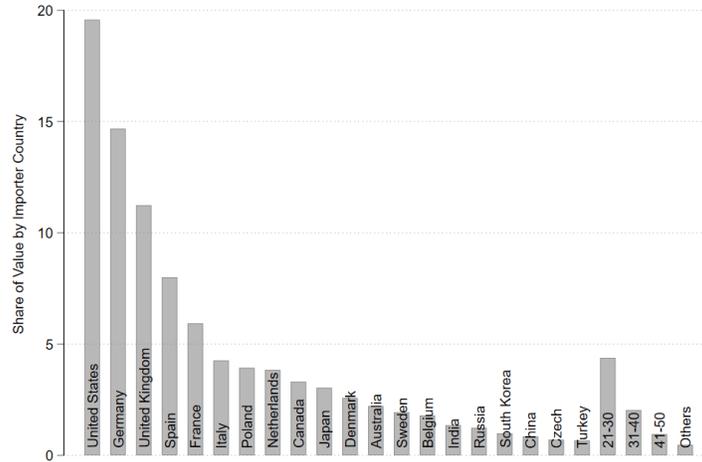
Notes: This table reports the estimates for equations (1)–(2) in levels. The dependent variable corresponds to the log prices. $\ln(\text{ER})$ is the bilateral exchange rate and M_{t-1} is the buyer market share in value, and T_{t-1} is the share of air value between a buyer and a seller in the market at time $t - 1$. Products are defined at the HS6 level and a period is defined as a year. Standard errors in parentheses are clustered at the country-year level.

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Source: Authors' calculations.

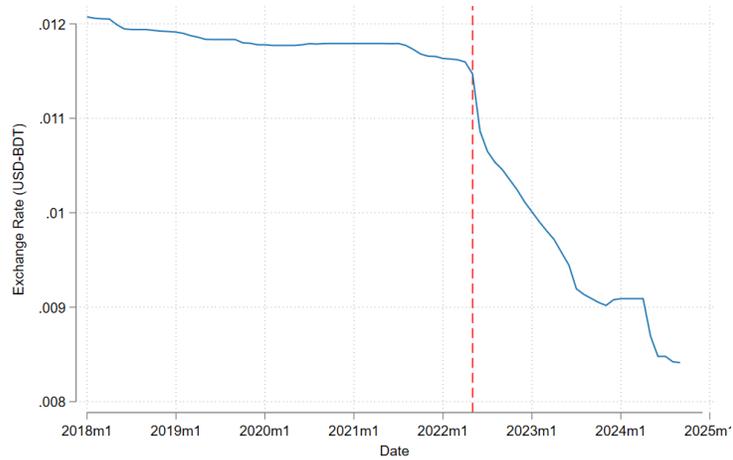
B FIGURES

Figure B.1: Importing Countries



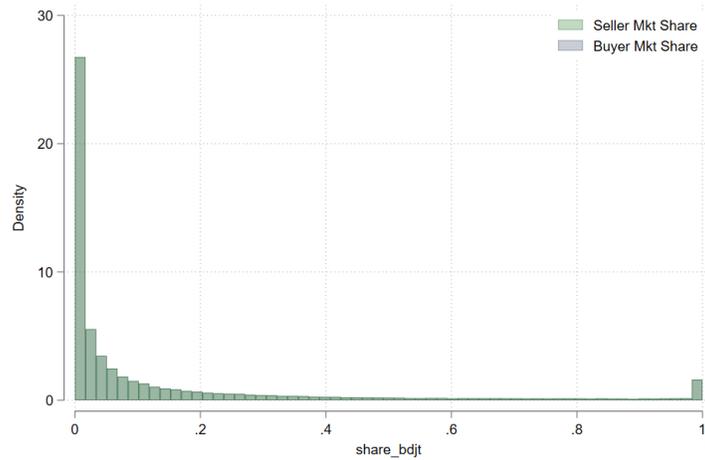
Notes: The figure shows the share of value imported by top destinations.
Source: Bangladesh customs data.

Figure B.2: Exchange Rate Between the Taka and the US Dollar



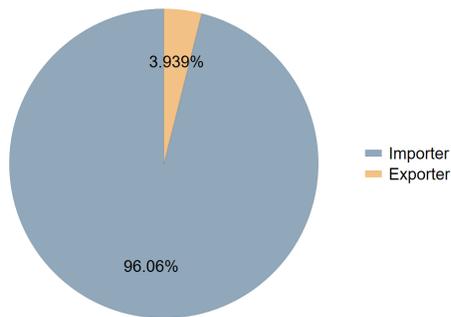
Notes: Evolution of the exchange rate between BDT and USD from January 2018 to December 2024. The figure shows the nominal exchange rate expressed as US dollars per Bangladeshi taka.
Source: IMF International Financial Statistics.

Figure B.3: Buyers' and Sellers' Market Shares



Notes: Figure shows the market share distribution for sellers and buyers in the Bangladeshi garment industry. Source: Bangladesh customs data.

Figure B.4: Share of Value by Delivery Duties



Notes: The figure shows the share of trade value in USD by delivery terms. According to the incoterm definitions (International Chamber of Commerce, 2021), delivery terms specify which party is responsible for the costs and risks associated with the shipment. Transactions with missing delivery terms are classified as "unknown." Source: Bangladesh customs data.

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Buyer Market Power, Transport Mode, and Exchange Rate Shocks

This paper examines how international buyers' market power and transport mode affect exchange rate pass-through to export prices. Using customs data of Bangladeshi garment sector, the study finds that exports are concentrated among buyers and key trade hubs influencing transport choices. Large buyers use their market power and air freight reliance to buffer exchange rate shocks. Overall, buyer characteristics significantly shape exporters' responses to external shocks, with implications for trade dynamics and regional economic resilience.

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