

Stocks rally for fourth day

STAR BUSINESS REPORT

Stock market's indices in Bangladesh rose for the fourth consecutive trading day yesterday, with turnover also increasing compared to the previous day's session.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), gained 32.94 points, or 0.62 percent, to close at 5,267.

Among the traded securities, 196 advanced, 156 declined, and 44 remained unchanged.

The day's turnover increased by 11 percent to Tk 607.2 crore compared to the previous trading session.

The DSES index for Shariah-based stocks gained 0.59 percent to 1,176 points, while the DS30 index for blue-chip stocks went up by 0.20 percent to 1,930.

Bashundhara Paper Mills topped the gainers' list, rising by 9 percent, while Khulna Printing & Packaging saw the biggest decline, falling by 8 percent. At the Chittagong Stock Exchange, the CSE All Share Price Index (CASPI), the prime index of the port city bourse, saw a similar upward trend as the index grew by 135.39 percent, or 0.93 percent, to settle the day at 14,705.

Dollar recoups losses

REUTERS, Singapore

The dollar edged up slightly on Tuesday after falling to its lowest in more than two months at the start of the week, buoyed by safe-haven flows after US President Donald Trump said tariffs on Mexico and Canada would proceed as planned.

The firmer dollar in turn left the euro off a one-month high at \$1.0476, with future gains in the single currency likely to hinge on how soon a coalition government can be formed in Germany following the election victory of the country's conservatives.

Trump on Monday said that tariffs on Canadian and Mexican imports are "on time and on schedule" despite efforts by the countries to beef up border security and halt the flow of fentanyl into the US ahead of a March 4 deadline.

Many had hoped the top two US trading partners could persuade Trump's administration to further delay tariffs that would apply to over \$918 billion worth of US imports from the two countries, from autos to energy.



MARKET OVERVIEW

Size: Tk6,250cr
Localbrands: 33

Top market players: Berger Paints, Asian Paints, Nippon

PAINT INDUSTRY UNDER PRESSURE

TAXES

TOTALTAX: 89%

RECENT HIKES:

Raw materials SD: From 20% to 30%

Product supply SD: From 5% to 10%

CHALLENGES

- Real estate slowdown
- LC restrictions for raw materials
- Inflation above 9% since March 2023

OUTLOOK

- Recovery depends on economic stability
- Manufacturers seek lower taxes, industry reclassification

STRUGGLING PAINT industry looks to innovation for revival

JAGARAN CHAKMA

The local paint industry is facing challenges from high taxes, rising costs, and low demand due to the ongoing economic slowdown, but innovation and eco-friendly products offer hope for a sustainable future, according to industry insiders.

The industry, which currently has a market size of around Tk 6,250 crore, has been growing alongside the country's development, which has led to an increasing number of high-rise buildings.

However, import rules and economic headwinds appear to have turned the tide. "The paint industry is important for buildings and their longevity. But because of new taxes and rules, companies are facing big problems," said Md Quamrul Hassan, chief business officer of ACI Consumer Brands, which markets products under the brand Dulux Paints Bangladesh.

"The total tax on paint is 89 percent, which is excessive. The government should see paint as a necessity for buildings, not a luxury," Hassan said.

This classification means paint-makers cannot easily import raw materials since there are restrictions on opening letters of credit (LCs) for luxury imports.

"Also, the real estate sector, which is the paint industry's biggest buyer, is not doing well. Last year, paint sales went down, and high prices made it worse," he said.

He believes the future of local paint-making lies in new ideas and eco-friendly products. "People want paint that is safe for the environment and companies that make such products will succeed."

Md Mohsin Habib Chowdhury, president of the Bangladesh Paint Manufacturers' Association (BPMA), said

the sector has been ailing since 2023 and witnessed negative growth in 2024 due to macroeconomic vulnerability and persistent inflation, which is above 9 percent since March of 2023.

"Local paint market completely depends on the growth of other sectors," Chowdhury said.

According to him, the National Board of Revenue (NBR) raised the supplementary duty on the import of paint and varnish-related raw materials to 30 percent from 20 percent last month. Moreover, the supplementary duty (SD) on product supply was increased to 10 percent from the previous 5 percent.

The future of the local paint industry depends on new ideas and eco-friendly products. With more people seeking environmentally safe paint, companies that focus on sustainability and innovation are likely to succeed in the long run

"The impact of these decisions was felt in the market immediately," he said.

However, he said the industry may rebound if the country's economy improves this year.

Chowdhury also urged the government to lower taxes and stop treating paint as a luxury good.

Kamruzzaman Kamal, marketing director at PRAN-RFL Group, which manufactures Rainbow Paints, said the paint industry tends to perform well when the construction sector performs well.

However, as the construction sector

is currently underperforming, the paint industry has been suffering significantly, he added.

Furthermore, he explained that when people are in a positive headspace, they are more willing to spend money to paint their homes, leading to increased sales. However, the current situation is not favourable at all.

He said that it is uncertain whether the industry will perform better than last year.

Kamal said the recent increase in SD on paints raised prices, reduced demand and could even possibly lead to slowing economic growth. There is now a 10 percent tax on raw materials and a 5 percent tax on paint.

This makes the paint more expensive, and companies cannot easily increase prices because customers cannot afford it, Kamal said.

According to the manufacturers' association, the local paint industry can meet domestic demand.

As many as 33 local brands manufacture paint items for the domestic market. The market is led by Berger Paints, with a 54 percent share. Asian Paints has 16 percent, and Nippon Paints 8 percent.

The industry contributes to government revenue by generating over Tk 1,100 crore annually in value-added tax (VAT) and taxes.

Mainly there are two types of paint: decorative paint, with a market size of Tk 5,450 crore, and industrial paint, worth Tk 80 crore.

However, people in Bangladesh use very little paint, only 1.4 kg per person. In India, per capita paint consumption is 3 kg, and in ASEAN countries, it is 710 kg. This means there is a chance the industry can grow if the economy gets better.

Bangladesh's strategic edge amid US tariff war

MD MOHIUDDIN RUBEL

The US-China trade war, along with tariffs on Mexican exports, has created a unique opportunity for Bangladesh's ready-made garment (RMG) industry. There is no doubt that the USA will pull out of China and Mexico after the imposition of tariffs, redirecting its sourcing mainly to Bangladesh and Vietnam, and to some extent, to countries such as Pakistan, India, and Indonesia. The key question remains: How much will Bangladesh truly gain? The extent of Bangladesh's benefit depends on how well it prepares to seize this opportunity.

The US has imposed an additional 10% tariff on China and 25% on Mexico, prompting apparel buyers to explore alternative sourcing destinations. Instead of hastily increasing capacity, as it did in the past, Bangladesh should learn from its past to map its current production capabilities and expand in a controlled manner. A data-driven approach will ensure factories align with high-value product categories, rather than overproducing cheap garments that yield lower margins.

Expanding without a clear strategy can lead to inefficiencies. The capacity-mapping focus should be on upgrading facilities, improving worker productivity through training, and adopting new technology. Businesses must avoid increasing capacity without securing sufficient demand or diversifying their product range to meet evolving buyer preferences.

Vietnam has become a leader in synthetic fibre-based garments. Bangladesh has already proved its mettle with cotton-based products; if it wishes to maximise the benefit from the opportunity at hand, it must diversify beyond cotton apparel to capture the growing demand for high-end, man-made fibre (MMF) clothing. Investing in advanced manufacturing capabilities will reduce dependence on volatile cotton prices and ensure higher profitability.

Currently, Bangladesh imports most synthetic fibres, increasing costs. Establishing domestic MMF production will enhance competitiveness while reducing reliance on foreign raw materials. Collaborations with research institutions can help drive innovation and quality improvements in MMF textiles. Existing factories must be encouraged to change their product categories to non-cotton, high-value apparel.

Bangladesh must strengthen its supply chain by investing in ports, energy, and transport networks. Reducing bureaucratic inefficiencies and streamlining regulations will enhance efficiency. Partnerships with logistics providers will minimise lead times, making Bangladesh a viable alternative to China and Mexico.

Ensuring a stable fuel and energy supply is also essential.

A business-friendly environment is key to attracting global investment. Bangladesh should encourage Chinese manufacturers to relocate operations and form joint ventures to bring in advanced technology, in addition to placing orders with the home industry. The current dollar scarcity the country is facing may indeed prove advantageous in this instance.

Mexico benefits from proximity to the US, while other countries dominate non-cotton apparel, often capitalising on LDP (landed duty paid) and DDP (delivery duty paid) terms—the two most preferred terms for US customers—over Bangladesh. Bangladesh can, however, compete through cost-efficient, high-quality production and strong ethical sourcing.

Branding Bangladesh as a sustainable and ethical sourcing destination will be crucial. Buyers prioritise environmental and social responsibility when selecting suppliers. Investments in waste reduction, water conservation, and labour rights will enhance Bangladesh's reputation and appeal to global brands.

It is also crucial for Bangladeshi suppliers to choose their buyers prudently. Similarly, it may be advantageous to convince buyers to send high-end products to Bangladesh by demonstrating profits from saved tariffs. This would create a win-win situation, provided that Bangladeshi suppliers can pitch themselves compellingly.

The author is a former director of the Bangladesh Garment Manufacturers and Exporters Association.



Vietnam's highly vulnerable to US tariffs

REUTERS, Hanoi

Vietnam's goods exports to the United States accounted for 30 percent of its gross domestic product last year, the highest share among US top trade partners, a Reuters review of public data shows, making the country highly vulnerable to reciprocal tariffs.

The Southeast Asian nation experienced a surge in foreign investment after the first Trump administration started a trade war with Beijing in 2018, as foreign multinationals moved factories from China to its southern neighbour to avoid US tariffs.

It hosts major operations of South Korea's Samsung Electronics and Taiwan's contract manufacturer Foxconn. Apple, chipmaker Intel and footwear and apparel giant Nike are among US corporations which bet on Vietnam as a production hub for goods often exported to the United States.

The massive inflow of manufacturing investment has turned the Communist-run nation into a major node in global supply chains and significantly boosted its economic ties with the United States. Vietnam now directs 29 percent of its exports to its former foe, according to Vietnamese customs data.

Last year, with goods exports worth \$142.4 billion, Vietnam became the sixth largest exporter to the United States after Mexico, China, Canada, Germany and Japan, United Nations commodity trade statistics show.

Shipments to the US last year represented about 30 percent of Vietnam's GDP of \$468 billion, based on IMF's estimates, the largest share for all US trading partners.

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New US Asia pivot is better timed than the last

REUTERS, London

In 2011, US President Barack Obama announced America's "pivot to Asia"—only for conflicts from Afghanistan to Ukraine to bog him down. In Brussels last week, however, newly installed Defense Secretary Pete Hegseth renewed the United States' pledge to refocus on China. It might seem that Uncle Sam has left it a bit late, given the Middle Kingdom's rise in the intervening years. Yet emerging fault lines in China's economic strategy suggest that now might be an opportune moment for the pivot after all.

US Vice President JD Vance's speech at last week's Munich Security Conference hogged the headlines. Yet Hegseth's earlier remarks at NATO's Brussels headquarters contained the more practical pointer to the future of geopolitics. His message was unambiguous: "stark strategic realities prevent the United States of America from being primarily focused on the security of Europe." Chief amongst those realities is China, which Hegseth called a "peer competitor" with the "capability and intent to threaten our homeland and core national interests in the Indo-Pacific".

It is not hard to see why Hegseth has reached this conclusion. Since the turn of the millennium, not only has China's

military strengthened prodigiously, but its domestic economy has also experienced an ascent unseen in world history. Its GDP has grown more than 10-fold to become the only global US rival. Its manufacturing sector, which is especially critical for military clout, now accounts

for nearly a third of all global capacity. With the so-called "Sputnik moment" of DeepSeek's AI artificial intelligence model, the United States has reason to fret about its technological lead as well.

The international aspect of China's economic rise has been fundamental to its

emergence as a superpower too. In 2000, more than three-quarters of countries shared more trade with the United States than with the People's Republic. By 2020, the position reversed. That had a critical financial corollary.

Two and a half decades of generating foreign currency earnings as the world's exporter-in-chief allowed China to amass the largest stockpile of foreign wealth the world has ever seen, totalling some \$4.5 trillion at the end of 2023 if Hong Kong is included, according to the Brookings Institution.

In the first decade of the new millennium, China mostly directed these foreign savings into the US Treasury market. After 2008, however, the country switched to a more proactive strategy. Under the Belt and Road Initiative, it diverted external surpluses into a vast network of infrastructure investment projects across the developing world. Thus as of mid-2024, China's holdings of US Treasuries had nearly halved from their peak of \$1.3 trillion in late 2013. Meanwhile, its portfolio of loans to emerging market sovereigns grew to between \$1.1 trillion and \$1.3 trillion, according to estimates from researchers at AidData.



This photo taken on February 20, 2025 shows employees working in a clothing sewing workshop in Guangzhou, China's southern Guangdong province.

PHOTO: AFP

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