Local handset production drops as grey market expands

MAHMUDUL HASAN

Handset production in Bangladesh declined significantly in the first quarter of 2025 as the grey market continued to dominate the domestic market.

According to the Bangladesh Telecommunication Regulatory Commission (BTRC), handset production declined by about 10 percent year-on-year in the first quarter to 54.76 lakh units.

But during the January-March period, 4G smartphone production dropped by 9.30 percent to 19.11 lakh units. Feature phone manufacturing also fell by 9.58 percent to 35.31 lakh units during the same period.

Apart from the impact of the grey market, worsening economic conditions and the rising US dollar against the taka also contributed to the decline.

"The grey market now holds almost 40 percent of the smartphone market and has become the main hurdle for the growth of the local industry," said Rizwanul Haque, vice-president of the Mobile Phone Industry Owners' Association of Bangladesh (MPIOAB).

He noted that the influx of grey market devices—often unofficial and counterfeit—continues to undermine local manufacturers.

According to the association, the government has recently increased taxes on locally manufactured mobile phones. While Pakistan imposes around 20 percent duty on mobile production, Bangladesh has the highest tax rate in the region, at approximately 35 percent.

The local mobile phone industry also faces several structural challenges: high dependency on imported components like chips, displays, and batteries, which increases production costs.

Besides, there is a heavy tax and tariff burden on raw materials, which inflates per-unit pricing, and an unstable foreign exchange market, where US dollar volatility disrupts financial planning and import payments.

PHOTO: STAR/FILE

Handset sales have declined, while the growing grey market continues to threaten the viability of local manufacturing.

Over the past three years, the industry has struggled to survive due to a shortage of letters of credit amid the US dollar crisis and rising exchange rates. Sales have also declined, while the growing grey market continues to threaten the viability of local manufacturing.

Notably, handset production fell in 2023—marking the first decline since domestic manufacturing began in 2017.

Industry insiders say the lack of full implementation or omission of key features in the National Equipment Identity Register (NEIR) system has weakened efforts to curb the grey market. NEIR was launched by the BTRC to prevent the illegal import and use of mobile handsets, combat phone theft, and block unauthorised and unregistered devices.

On November 25, 2020, the BTRC signed a Tk 29 crore agreement with the Synesis-Radisson-Computer World consortium for the installation and operation of NEIR. A trial run began in July 2021.

During the trial, authorities found that millions of mobile phones in use were unauthorised, raising concerns that strict enforcement could lead to widespread public dissatisfaction. A technical issue also emerged when hundreds of feature phones were found sharing a single IMEI number.

The unchecked growth of the grey market is depriving the government of taxes and VAT while undermining investments by companies that have established local manufacturing plants.

Though a key feature—the blocking of unauthorised handsets—was initially launched in October 2021, it triggered frustration among manufacturers. Now, the BTRC has floated a new tender to revive the NEIR system with the full feature set, including the ability to block illegal phones.

Fiscal fragility weakens economic recovery

ASHIKUR RAHMAN

Bangladesh's economy is showing early signs of recovery after two years of sustained macroeconomic stress. Headline inflation, which surged to a decade high in mid-2024, has started to ease, thanks to a tighter monetary stance and better food supply management. Foreign reserves, though still under pressure, are stabilising after months of depletion, aided by exchange rate adjustments and import compression. Furthermore, the financial sector has seen renewed reform efforts, including tighter regulatory oversight and gradual progress on recapitalisation measures. Yet, beneath these visible signs of stabilisation lies a persistent vulnerability — Bangladesh's fragile fiscal framework.

Between July 2024 and March 2025, revenue mobilisation has remained lukewarm. Despite commitments to broadening the tax base and enhancing compliance, actual collections have significantly underperformed projections. The National Board of Revenue (NBR) has struggled to sustain momentum in direct tax growth, while VAT collections have suffered due to declining domestic demand and a still-recovering private sector. This weakness in revenue generation is now exerting significant pressure on public finances — forcing the government to rely more heavily on costly domestic borrowing, while curtailing development expenditures to maintain macroeconomic balance.

As things stand currently, even under an optimistic 15 percent revenue growth over last year's actual collection, the NBR's FY25 revenue collection would still fall short of the target by Tk 23,420 crore. Under more realistic growth rates of 7-10 percent, the shortfall could be even higher, ranging between Tk 42,500 crore and Tk 54,000 crore. To achieve the revised revenue target for FY25, the NBR needs to collect more than Tk 69,000 crore in April, May, and June 2025, which appears very unlikely.

This fiscal fragility is culminating into the downsizing of Annual Development Programme — whose implementation rate till March 2025 has already been lowest in last 15 years. This slashing of public investment is occurring at a moment when the economy needs a well-calibrated public spending push to stimulate demand, rebuild infrastructure, and crowd in private investment. Instead, Bangladesh is witnessing a procyclical retrenchment of development spending that could weaken the ongoing recovery. Besides, growing dependence on expensive local debt — particularly from the banking sector — is beginning to create fiscal distortions. Interest payments are now consuming an increasing share of government expenditures, leaving fewer resources for productive investments in health, education, and social protection. This debt pattern, if left unchecked, could pose significant macro-fiscal risks in the medium term.

The root of this problem lies in the lack of a coherent, credible fiscal reform strategy. While monetary and exchange rate reforms have received considerable attention from both policymakers and international partners, the fiscal side of the macroeconomic equation remains under-addressed. There is still no substantive breakthrough in modernising tax administration, rationalising tax exemptions, or enhancing digital enforcement mechanisms. Likewise, expenditure reforms — especially around subsidy targeting, SOE rationalisation, and project efficiency — remain slow and fragmented. Without a stronger fiscal anchor, Bangladesh's economic recovery risks becoming uneven and short-lived. It is important to recognise that macroeconomic stability cannot rest solely on the shoulders of monetary tightening or foreign reserve management. Fiscal health — anchored in robust revenue generation, efficient spending, and credible budgeting — is indispensable.

Bangladesh's economic story has long been one of resilience. But resilience alone is not enough. It must now be complemented by a deliberate effort to build fiscal resilience — through bold, politically difficult, yet ultimately necessary reforms. A robust and modern fiscal framework is not just a technocratic ideal at this point; it is a prerequisite for Bangladesh's transition from recovery to sustained, inclusive growth.

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MTB recommends stock dividend as profit rises 10%

STAR BUSINESS REPORT

Mutual Trust Bank (MTB) saw its profit rise in 2024, driven by steady growth across its operations. The bank has recommended a 10 percent stock dividend to strengthen its capital base and sustain business expansion.

The private commercial lender reported a consolidated profit of Tk 569.84 crore for the year ending 31 December 2024, reflecting a 10 percent increase compared to the previous year.

Its consolidated earnings per share (EPS) stood at Tk 3.22, up from Tk 2.91 in 2023, according to a disclosure published on the Dhaka Stock Exchange (DSE) website yesterday.

Despite the rise in earnings, the bank's shares closed 2.54 percent lower at Tk 11.50 on the DSE.

The bank's net operating cash flow per share surged to Tk 50.22, marking a jump from Tk 15.59 a year earlier.

The bank's board has recommended a 10 percent stock dividend for 2024.

In its filing, MTB said the recommended bonus shares were intended to "strengthen the bank's capital base, support business growth, and enhance key capital adequacy ratios".

As of 31 March 2025, sponsor-directors owned 46.17 percent of the bank's shares, while institutional investors held 14.24 percent.

Foreign investors accounted for 31.97 percent, and general shareholders held the remaining 7.62 percent.

Founded in 1999, MTB now runs 120 branches, 46 sub-branches, 182 agent banking centres, 336 ATMs, including 27 cash recycling machines (CRMs), eight airport lounges, and more than 3,100 point-of-sale machines across the country, according to its website.

HSBC sounds Trump tariff alarm

REUTERS, *Hong Kong/London*

HSBC warned that loan demand and credit quality could suffer from the broader fallout of US President Donald Trump's global trade war, signalling tougher times for trade-focused banks even as the lender's first quarter profit beat forecasts.

Europe's largest bank reaffirmed targets and unveiled a fresh $3 billion share buyback as it reported first quarter profit before tax of $9.5 billion compared with $12.7 billion a year earlier, mainly due to one-time charges related to business disposals in Canada and Argentina.

Analysts had expected pre-tax profit of $7.8 billion for Europe's biggest lender by assets. HSBC's Hong Kong shares were up 3.2 percent, against a flat Hang Seng benchmark, while London-listed stock was trading 2.1 percent higher at 0756 GMT.

The earnings update from HSBC, which is also one of the world's largest trade financing banks, provided the clearest warning yet from a major bank on how the global ripple effects of Trump's tariff actions could hurt lenders by dampening loan demand and business sentiment.

"We've looked at all our revenue streams as well as our credit portfolio to assess the various implications of such a downside scenario," CEO Georges Elhedery told reporters on a conference call.

"The outcome of this analysis is that in an adverse but plausible downside scenario, we have a low single digit impact on our revenues and about half a billion dollars worth of additional expected credit losses," he said.

The bank reported $900 million in expected credit losses for the quarter, including $150 million to reflect heightened economic uncertainty. US-China business customers have been particularly impacted, Elhedery said.

"We've seen a significant drop in volumes along the US- China corridor in the sectors that have not been given a waiver or the reduction of tariffs," the CEO told reporters.

Executives at big US banks during recent earnings warned of economic turbulence after Trump unleashed sweeping tariffs on April 2. Consumers and businesses have become more cautious as Trump's global trade war roils financial markets and raises fears of a sharp worldwide economic downturn.

They probably have been going out and buying iPhones as well.

Elhedery said the lender's Mexico business would likely see some disruption but remained a "critical node" in its global trading network.

A Reuters poll showed Mexico's economy, which stood on the brink of a technical recession last quarter, will barely grow at all this year.

Analysts at Jefferies described the earnings as strong, noting higher activity in Asia and specifically Hong Kong wealth, which posted 29 percent growth in new customers quarter-on-quarter.

Richard Hunter, head of markets at interactive investor, said, the increasing focus on "the growth in affluent wealth, especially in Asia, is key to the new offering."

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BSRM posts 53% profit growth in Q3

STAR BUSINESS REPORT

Bangladesh Steel Re-Rolling Mills (BSRM) reported a significant increase in profit in the third quarter of fiscal year 2024-25.

BSRM's profit rose 53 percent year-on-year to Tk 226.02 crore in the January-March quarter.

Its consolidated earnings per share (EPS) went up to Tk 7.57 in the three-month period, up from Tk 4.92 a year earlier, according to a disclosure on the Dhaka Stock Exchange (DSE) website yesterday.

BSRM shares gained 6.10 percent on the DSE to close at Tk 73 following the announcement.

In the nine months through March 2025, its consolidated EPS stood at Tk 14.31, up from Tk 11.17 in the same period of the previous year.

BSRM's consolidated net operating cash flow per share (NOCFPS) rose to Tk 29.55 from Tk 16.90.

The company attributed the increase in NOCFPS to a higher inflow of cash receipts, higher profits, and efficient collections from customers.

As of March 31, 2025, sponsors and directors held 47.12 percent of the company's shares, institutional investors 15.53 percent, foreign investors 17.13 percent, and the public 20.22 percent, according to DSE data.

Trump's low pain threshold limits economic damage

REUTERS, *Tinos*

Donald Trump has shown he has a low pain threshold. The US president seems happy to bully those he considers weak. He does not seem so relaxed when there is a strong counter-reaction, especially from financial markets.

This is mildly good news for investors worried that Trump may create havoc both at home and abroad. Although he may still cause much damage to the economy and the rule of law in the United States and further afield, there are some checks to his power.

The US president has twice seemed to cave in the face of tumbling markets. The first was when he put his so-called reciprocal tariffs on ice for 90 days. Trump said he switched course because bond markets were "yippy".

The second was when he said last week he had no plans to fire Jerome Powell. Only days earlier the president had flirted with the idea on social media, and said that the chair of the independent Federal Reserve would be gone "real fast" if he wanted him out. Trump has been calling on Powell to cut interest rates, which the central bank is in no rush to do because inflation is above target and likely to rise as a result of tariffs.

The fall in the dollar, US equities and bonds seemingly provoked Trump's change of heart. Investors, who hate governments interfering in central banks' conduct of monetary policy, started to "sell America".

There are many reasons why falling markets are bad for Trump. For a start, he has long boasted about how he is good for equities. Many citizens, who put their retirement savings into the US stock market, were also losing money.

Meanwhile, if investors sell US government bonds, Trump could struggle to fund the Treasury's deficit, which is set to reach 6.5 percent of economic output this year, according to the International Monetary Fund. He may also find it harder to cut taxes, one of his main goals, as that would require Washington to issue trillions of dollars of extra debt.

Chinese made cars, including Volvo and other brands, are seen at the port in Nanjing, in China's eastern Jiangsu province, on April 16. The US president said last week he expects the tariffs on Chinese goods, currently up to 145 percent, to come down "substantially".

PHOTO: AFP

Trump also seems to be having second thoughts about the trade war he launched on China. Instead of backing down, Beijing hit back hard. That led to several rounds of tit-for-tat tariffs.

The US president said last week he expects the tariffs on Chinese goods, currently up to 145 percent, to come down "substantially". Trump's softer language came the day after meeting the bosses of big retailers, including Walmart, which could pass through the impact of higher tariffs to consumers. While many US voters do not own shares, inflation hits everybody.

Beijing's counter-tariffs could also provoke a US recession, leading American workers to lose their jobs. Some Chinese buyers are already declining to take delivery of Boeing jets.

Trump prides himself on being good a pro-growth president. But only 37 percent of Americans now approve of his running of the economy, according to a Reuters/Ipsos poll.

Some Republicans in Congress are also questioning his tariff policies.

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