

Bashir urges Germany to import more from Bangladesh

STAR BUSINESS REPORT

Commerce Adviser Sk Bashir Uddin yesterday urged German importers to source more garments, home textiles, medicines, plastic goods, shoes, bicycles, and leather products from Bangladesh, noting that the country is strong in the production of these items.

The adviser made the call during a meeting with the newly appointed German ambassador to Bangladesh, Rüdiger Lotz, at the commerce ministry's office in Dhaka.

Germany is Bangladesh's second-largest single-country export destination after the USA, accounting for 10.96 percent of the country's total merchandise exports in a year, according to data from the commerce ministry.

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Bilateral trade between Bangladesh and Germany is heavily tilted in favour of the South Asian country, as Bangladesh serves as a major sourcing destination for Germany's clothing retailers and brands.

In the 2023-24 fiscal year, Bangladesh exported goods worth \$4.85 billion to Germany, while imports from Germany amounted to \$940.60 million, the commerce ministry data showed.

Lotz said Germany would continue working with Bangladesh to strengthen bilateral economic relations.

Germany will also collaborate with Bangladesh to advance the ongoing process of trade diversification between the two countries, the statement added.



A potter arranges clay utensils and decorative items at his roadside shop in Godagari upazila of Rajshahi. Once a vital part of rural households, earthenware has lost demand due to the rise of plastic and metal alternatives. Yet, many artisans continue the craft, keeping the age-old pottery tradition alive despite dwindling profits.

PHOTO: AZAHAR UDDIN

Tariff cuts on intermediate goods can benefit jobs, firms

Says World Bank economist

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Bangladesh collects about 28 percent of its revenue from trade taxes, which is the highest in South Asia, with a senior World Bank economist saying cutting tariffs, especially on intermediate goods, could strengthen competitiveness and create more jobs.

Franziska Ohnsorge, chief economist for the World Bank's (WB) South Asia region, said the average tariff rate in South Asia stands at 16 percent, much higher than in other emerging markets.

She made the remarks yesterday while launching the WB's latest "South Asia Development Update" at an event organised by the Policy Research Institute (PRI) of Bangladesh and the WB at the PRI office in Dhaka.

Ohnsorge said industries are among the most affected by tariffs on intermediate goods. "If you reduce tariffs on intermediate inputs, it would benefit younger and more skilled workers," she said.

Lower tariffs on intermediate inputs, she added, can enhance competitiveness and generate more manufacturing jobs.

The economist said South Asia's participation in global trade agreements is much lower compared to other emerging markets. Trade reforms, she said, would help

countries in the region expand their markets.

"The largest income gains will come when trade reforms are combined with other structural reforms," said the economist while presenting her keynote on the report, which focuses on jobs, artificial intelligence (AI) and trade.

The report said that South Asia's workforce is only moderately exposed to the disruptions caused by the adoption of AI, largely because the region still relies heavily on low-skill, agricultural and manual work. Such jobs are among the least likely to be replaced by automation.

The average tariff rate in South Asia stands at 16 percent, much higher than in other emerging markets.

But demand for AI-related skills has grown rapidly, with jobs requiring these skills earning about 30 percent more than other white-collar roles, the report said.

"AI technology is a shock that is sweeping across the world," Ohnsorge said, adding that AI adoption benefits workers in complementary roles.

Fahmida Khatun, executive director of local think tank Centre for Policy Dialogue

(CPD), said job creation is one of South Asia's biggest challenges.

"The root causes of this are inequality and deprivation. This has been exacerbated by a lack of opportunity, especially given the region's large young population," she said.

Khatun pointed out that around 2 million people enter the country's labour market each year, with youth unemployment a growing concern. Over 85 percent of employment is in the informal sector, where jobs are typically low-paid and insecure.

"So, there is a huge need for investment in human capital, a factor that remains neglected. The core reason for this neglect is a lack of fiscal space," she said.

Sadiq Ahmed, vice-president of PRI, said fiscal constraints are particularly tight in Bangladesh, and the likelihood of substantial relief in the next 12 to 18 months is modest.

He said the government should prioritise reducing trade protection even if fiscal resources for boosting spending on social protection, education, training, energy and transport are not immediately available.

PRI Chairman Zaidi Sattar said tariff reduction should be balanced across both inputs and outputs.

"Otherwise, protection will rise if only input tariffs are reduced. That will not lead to trade openness," he said.

Remitting from Saudi

FROM PAGE B1

Mansur also pointed out that while the Public Investment Fund, the sovereign wealth fund of Saudi Arabia, has made significant investments in India, its presence in Bangladesh remains negligible.

"This is an opportune time for Saudi sovereign and private investors to engage with Bangladesh's dynamic economy," he said.

Referring to the broader Islamic economic landscape, the governor said over 20 percent of the global population resides in Islamic nations, yet intra-Organisation of Islamic Cooperation investment remains underwhelming.

"Turkey and Indonesia have reached trillion-dollar economies. Bangladesh, currently at the half-trillion mark, is firmly on that trajectory," said Mansur.

He added, "Despite global shocks — pandemics, recessions, or political instability — Bangladesh has maintained steady growth. In the past 30 years, the GDP growth of Bangladesh has never fallen below 3.5 percent. This resilience underscores the country's economic potential."

Urging Saudi investors to pursue greenfield foreign direct investment

(FDI) rather than short-term portfolio flows, Mansur said Bangladesh welcomes long-term commitments.

"The investment focus should shift beyond traditional sectors to emerging opportunities in manufacturing, services, and digital infrastructure," he said. He also called for deeper engagement in areas such as trade facilitation, labour market reforms, and capacity building.

"Our political, cultural, and religious ties are strong. Now we must match that with equally robust economic relations," he said.

Speaking as a special guest, Amir Khasru Mahmud Chowdhury, a BNP standing committee member, highlighted the historic roots of Bangladesh's labour diplomacy with the Middle East. He credited BNP founder and former president Ziaur Rahman for initiating formal agreements to send workers abroad.

He lauded the current remittance inflow from Saudi Arabia but stressed the need for skill development to multiply earnings.

"Only 22 percent of our 2.1 million workers in Saudi Arabia are skilled. Enhancing this ratio could exponentially boost remittance volumes," said Chowdhury.

Economy expanded

FROM PAGE B1

The construction sector reversed four straight months of employment decline, supported by renewed hiring and rising construction activity. This rebound is linked to the rollout of fiscal year 2025-26 budget allocations and increased public sector investment.

The services sector marked its 12th straight month of expansion, though at a slightly slower rate than in previous months. New business, employment, and activity indicators all remained positive, but inflation, still the highest in South Asia, likely dampened consumer demand and raised operational costs.

OUTLOOK POSITIVE ACROSS MOST SECTORS

Forward-looking indicators suggest continued optimism.

"The latest PMI readings indicate that the overall Bangladesh economy continued to expand at a slightly faster rate in September," said M Masrur Reaz, chairman and CEO of PEB.

"Agriculture and construction sectors reverted to expansion after improvements in weather conditions and the gradual rollout of the new fiscal year budget. Meanwhile, the service sector posted a slower expansion reading, possibly due to persistent inflation, which is still the highest in South Asia."

According to a statement from the organisations, as Bangladesh's PMI rises above the 59-mark, the broad-based sectoral improvements and forward-looking optimism signal a more confident trajectory for the national economy moving into the final quarter of 2025.

Bangladesh's low

FROM PAGE B1

Education systems have also failed to keep pace with the demands of digital transformation. "Only 75 percent of South Asians are literate, compared with 85 percent in other emerging markets," the report noted — a gap particularly visible in Bangladesh.

It further pointed out that a large number of highly educated South Asian AI researchers have emigrated abroad," echoing concerns about Bangladesh's own technology talent drain.

Despite these weaknesses, the report highlights a window of opportunity. If Bangladesh can invest in digital skills and infrastructure, AI could substantially boost productivity and income growth.

"AI could boost productivity significantly in South Asia if the preconditions are in place," the bank said. For Bangladesh, that means improving broadband access, ensuring reliable electricity, and expanding programmes to teach both digital literacy and AI-related skills.

The country's young demographic could also be an advantage. "It may be easier for South Asia to adopt AI given its relatively young and growing labour force," the report argued, "provided workers have access to opportunities for building AI-related skills."

AI's potential applications are wide-ranging: improving logistics efficiency, expanding financial inclusion through digital credit scoring, and boosting agricultural productivity via predictive analytics. Early experiments in AI-assisted education and healthcare diagnostics could, the report said, help "expand access to quality learning and healthcare."

Yet the WB cautions that without strong institutions and coordinated reforms, these opportunities could remain out of reach. "Artificial intelligence offers Bangladesh the chance to leapfrog into higher

productivity — but without strong institutions and coordinated reforms, the technology will remain underused."

SOUTH ASIA'S AI DIVIDE

Across South Asia, AI adoption is highly uneven. "Levels of AI penetration and engagement are relatively low in emerging markets and developing economies," the report said, "but engagement is rising sharply."

India leads the region's AI transformation, with jobs requiring AI skills commanding a wage premium of nearly 30 percent, the WB found. Smaller economies, including Bangladesh, Nepal, and Bhutan, have yet to experience significant AI-driven employment growth.

While South Asia's average occupational exposure to AI remains below the global developing-country average, the region does have one advantage: around 70 percent of AI-exposed jobs are complementary, meaning humans and machines can work together. That is the highest share among all developing regions.

"AI does not have to mean job losses," the report emphasised. "Where human-AI complementarity is high, such as in teaching, law, and medical professions, productivity gains can offset displacement."

The message for Bangladesh and its neighbours is clear: harness AI or risk being left behind. The World Bank urged governments to build an enabling environment that combines reliable infrastructure, human-capital investment, and robust data-governance frameworks.

"Government policies can promote AI adoption with reliable and affordable access to energy and the internet," the report said.

It also recommended that public institutions themselves use AI to streamline processes, predict service demand, and automate routine tasks, ranging from chatbots to data analytics, to improve transparency and service delivery.

Govt to import wheat from US, rice from India

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Bangladesh has approved the purchase of wheat from the United States and non-basmati parboiled rice from India at a combined cost of Tk 1,044 crore.

In an earlier memorandum of understanding, Dhaka agreed to buy 700,000 tonnes of wheat annually from the US, valued at about \$200 million, to secure tariff concessions from Washington.

The Cabinet Committee on Government Purchase cleared the proposals at its meeting at the Secretariat in Dhaka yesterday.

Under the first deal, 220,000 tonnes of wheat will be imported from the US through a government-to-government arrangement.

The Directorate General of Food will implement the purchase at a cost of Tk 825.31 crore, with Agrocorp International Pte Ltd, authorised by US Wheat Associates, supplying the grain at \$308 per tonne.

The second proposal involves the purchase of 50,000 tonnes of non-basmati parboiled rice from India through an international tender. The contract, worth Tk 219.09 crore, was awarded to Bagadiya Brothers Private Ltd at a rate of \$359.77 per tonne.

India, meanwhile, has tightened controls on rice exports, requiring registration with its Agricultural and Processed Food Products Export Development Authority. Bangladesh remains one of the largest buyers of Indian non-basmati rice.

Stocks fall for second day

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Dhaka stocks extended losses yesterday, with the main index closing lower as non-bank financial institution (NBF) and food & allied shares dragged the market down for a second straight session.

The DSEX, the benchmark index of the bourse, dropped 46.63 points, or 0.85 percent, to close at 5,377, according to DSE data.

Other indices also had negative performances, as the Shariah-based DSES and the blue chip DS30 declined.

Turnover, a key indicator of investor activity, stood at Tk 787.48 crore, up from Tk 736.81 crore in the previous session, reflecting higher investor participation despite the market downturn.

The market closed in the red as all large-cap sectors posted negative performances, said BRAC EPL Stock Brokerage Ltd in its daily market update. Block trades — high-volume transactions involving large numbers of securities — contributed 2 percent of the overall market turnover.

Market breadth was mostly negative, with 85 issues advancing against 282 declining, while 34 remained unchanged.

Among the major sectors, NBFs led the fall, sliding 1.43 percent, followed by food & allied (1.31 percent), telecommunication (1.20 percent), banks (1 percent), fuel & power (0.95 percent), pharmaceuticals (0.74 percent), and engineering (0.73 percent).

Garment exports find

FROM PAGE B1

Kabir Ahmed, immediate past president of the Bangladesh Freight Forwarders Association (BAFFA), said screening facilities had improved at both Dhaka and Sylhet airports following the transhipment suspension.

"At HSIA, three of the four EDS machines are usually in operation, and explosive detection dogs are also deployed. Exporters have no complaints about screening delays at Dhaka or Sylhet airport," he said.

After the reduction of ground-handling charges, airlines now charge about \$2.80 per kilogramme from Sylhet to European destinations. In peak months such as November and December, rates rise to between \$3.80 and \$4.00 per kilogramme from Dhaka, according to Ahmed.

By comparison, Indian routes cost between \$2.10 and \$2.20 per kilogramme, plus an additional 15 to 20 cents per kilogramme for transport through Benapole, he said.

On average, 450 tonnes of dry cargo are shipped daily from Dhaka and Sylhet airports in the off-season, increasing to about 1,200 tonnes during peak periods.

A European buyer who sources billions of dollars worth of garments from Bangladesh said air shipment facilities had "improved a lot because of alternative routes such as Sylhet and Chattogram airports".

He credited the government's quick installation of new screening systems for the progress.

Air Commodore Abu Sayeed Mehboob Khan, member (Operations and Planning) of the Civil Aviation Authority of Bangladesh (CAAB), said the authority had proposed cutting screening charges for Europe-bound cargo from eight cents to six cents, a reduction of around 25 percent.

Group Captain S M Ragib Samad, executive director of HSIA, said cargo flights are kept out of any restrictions to facilitate the country's export.

"In November and December, we will take extra measures to ensure smooth operations during the peak season," he said.

At Sylhet's Osmani International Airport, three dry cargo consignments were handled in August, said its director Mohammad Hafiz Ahmed. He said the airport now has a storage capacity of 100 tonnes and is ready to expand operations if demand increases.

Although top CAAB officials had earlier said the third terminal at Dhaka airport would open by December, that now seems unlikely.

Civil Aviation Adviser Sk Bashir Uddin said the government was ready to approach other international operators if the Japanese consortium declined to take over management of the new terminal.

Govt amends VAT law

FROM PAGE B1

Snehasish Barua, managing director of SMAC Advisory Services, said the overall tax on companies from income on financial assets had not increased despite the higher advance tax on securities.

Until now, firms paid these taxes while filing income tax returns. "It appears that the government needs quicker revenue to finance the budget. So, it is collecting tax on income from these types of financial assets upfront," he said.

Barua added that under Article 4 of the Tax Expenditure Policy, effective from July this year, only parliament will have the authority to approve tax exemptions except in specific cases.

However, under the second amendment to the Finance Ordinance 2025, the government may issue VAT exemptions through special orders in line with Section 126 of the VAT and Supplementary Duty Act 2012, in line with the policy, he said.

According to the proviso of Article 4 of the policy, the government may need to exempt certain goods and services from taxation. Processing such amendments through the official gazette can take longer than issuing a special order.

Therefore, Barua said extreme caution must be exercised when granting such exemptions, as tax expenditure is a factor behind the country's low tax-to-GDP ratio.