

Star BUSINESS



Grey handset market booms as taxes, currency shock push prices up

High import duties and a weak taka drive consumers to cheaper grey phones, eroding official sales and hurting local manufacturers

MAHMUDUL HASAN

When the official market is constrained, the grey market thrives, and that is precisely what has happened in the mobile phone sector of Bangladesh.

High taxes on official handsets, severe dollar shortages disrupting imports, and the taka's tumble to record lows have made legal devices far more expensive. As a result, the grey market has become the norm, aided by the fact that enforcement agencies seldom visit malls to check whether shops sell genuine products.

But how widespread is the sale of unauthorised handsets?

A few months ago, a secretary of a ministry visited Bashundhara City Shopping Complex to buy a flagship phone. The official seller, a relative of the bureaucrat, advised him not to purchase it from the shop.

Instead, he was directed to another retailer, where he bought the device for Tk 112,000 – half the Tk 220,000 price it would have cost in the official store, the secretary told The Daily Star, requesting anonymity.

KEY POINTS

Some premium smartphones cost over **50%** cheaper in grey market

Official smartphone prices in Bangladesh higher than those in US, UAE, China

Samsung data shows grey phones **30%** to **40%** cheaper

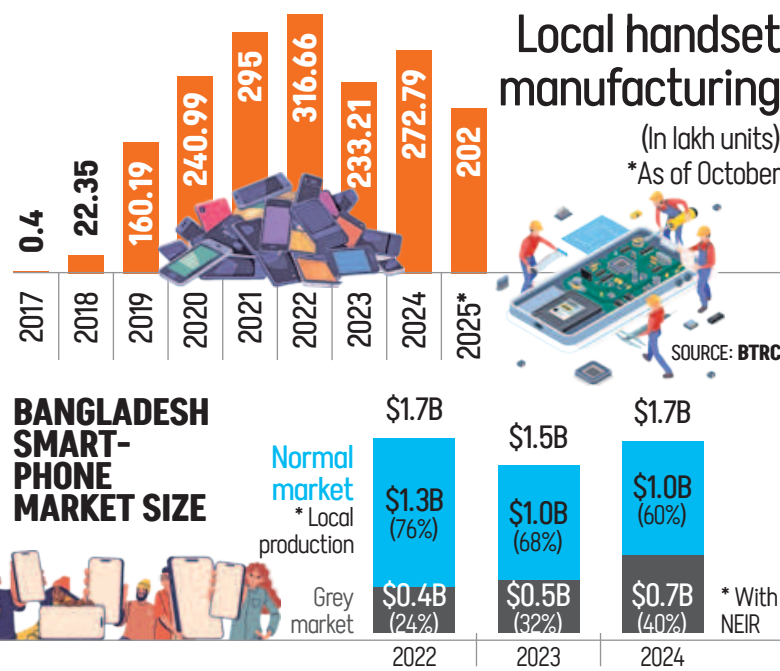
Illegal imports evade **59%** taxes, leading to price drops

Grey smartphones now hold **40%** to **50%** market share

Grey import accounts for **93%** of Samsung's premium handsets

About **1.9cr** handsets entered Bangladesh in 2024

Unofficial handset market estimated at around **\$0.8b** in 2025



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He is far from alone.

Estimates show that 93 percent of premium phones of one brand in use in Bangladesh last year came from the grey market. For mid-range models, the figure was around 69 percent.

Traders say they source these devices through luggage carried by returning travellers.

Now, as the government is set to introduce a centralised system to block new unofficial sets, protests by such traders erupt.

They say documentation and processes required to sell official handsets are not feasible for small retailers. Besides, many consumers would not be able to afford them as they cost up to 35 percent more

in taxes. **HIGHEST TAX ON IMPORT**

Bangladesh now imposes some of the world's highest taxes on officially imported smartphones, with cumulative duties between 57 and 59 percent. This pushes consumers to the grey market, where handsets can be purchased far cheaper.

High taxes inflate official retail prices 30 percent to 50 percent above international benchmarks in the US, UAE, Malaysia, Indonesia, Vietnam and China. Grey-market devices, which avoid all duties, undercut legal distributors and undermine the viability of official channels.

In November last year, Jungmin Jung, managing director of Samsung Electronics Bangladesh, pointed to the issue at a Foreign Investors' Chamber of Commerce & Industry session.

He showed how the grey market has captured a growing share of sales, driven almost entirely by large price gaps. Samsung data showed that grey-market phones were 30-48 percent cheaper than official models.

For example, a Model A handset priced at Tk 244,000 officially could be bought for roughly Tk 124,000 through unofficial channels. Premium models were the hardest hit, with 93 percent of units circulating in Bangladesh estimated as grey-market imports, while mid-range devices accounted for around 69 percent.

CURRENCY VOLATILITY HURTS LOCAL PRODUCTION

Taxes on locally manufactured phones have also increased. Pakistan imposes around 20 percent duty on mobile production, while Bangladesh's rate has reached 35 percent.

When local assembly began in 2017, raw materials faced only 12 percent import

duty, and there was no value-added tax (VAT) on manufacturing or sales.

By 2019, multiple layers of VAT were introduced, and a further 5 percent sales-stage VAT came in 2022, bringing total taxes to 35 percent.

That same year, taka was heavily devalued, opening letters of credit became difficult, and grey handsets grew more attractive, said an official of the Mobile Phone Industry Owners' Association of Bangladesh.

Handset production in 2023 fell for the first time since assembly began, dropping 26 percent year-on-year. This came after a rapid rise from 40,000 units assembled by Walton in 2017 to 3.16 crore in 2022.

In 2024, production rebounded 17 percent, but weak sales and large grey imports continued to challenge manufacturers.

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BSEC to create a pool of independent directors for appointments

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) will create a pool of independent directors to help companies select those best suited to their business, BSEC Commissioner Farzana Lalarukh said yesterday.

She made the announcement at an event on independent directors, jointly organised by the Institute of Chartered Accountants of Bangladesh (ICAB) and the International Finance Corporation (IFC) at ICAB's Dhaka office.

"Independent directors should have expertise in industries related to the company," Lalarukh said, highlighting that some firms appoint directors with no relevant experience.

She cited examples such as a textile company hiring a female director who teaches Bangla literature and a doctor appointed to a business unrelated to her field.

"To meet the corporate code's requirement for a female director, such appointments are not justified," she added. "If necessary, a company can request an exemption, but independent directors must have expertise in the company's business."

Under the corporate governance code, every listed company must have at least one female independent director.

Although the deadline for appointing women directors has been extended to December 31, 2025, only 138 out of 360 listed companies have complied so far.

To make appointments easier, the BSEC plans to compile a pool of both male and female independent directors based on expertise. "We are already working on it with IFC," Lalarukh told the Daily Star.

Representatives from ICAB said that 21 female chartered accountants currently serve on boards, while 134 more are fully board-ready. ICAB plans to start structured training for independent directors in collaboration with IFC in 2026.

Lalarukh also stressed the importance of corporate culture, saying, "If we don't fix the internal setup and enforce good governance, independent directors will not be able to improve the situation."

Kamran T Rahman, president of the Metropolitan Chamber of Commerce and Industry; Syed Nasim Manzur, managing director of Apex Footwear; and Syed Mahbubur Rahman, managing director and CEO of Mutual Trust Bank, also spoke at the event.

Construction sector sees falling costs amid weak demand

MD ASADUZ ZAMAN

Construction costs in Bangladesh fell for the seventh consecutive month in November, as official data from the Bangladesh Bureau of Statistics (BBS) showed a continued slide in building-material prices amid weakening market demand, according to industry insiders.

The Building Materials Price Index (BMPI) declined to 3.53 percent in November, down 9 basis points from 3.62 percent in the previous month, according to BBS data.

In February, the BMPI peaked at 5.99, the highest level this year, but has since dropped by almost half. The BBS compiles the BMPI by tracking the costs of three key components: building materials, transport, and labour charges.

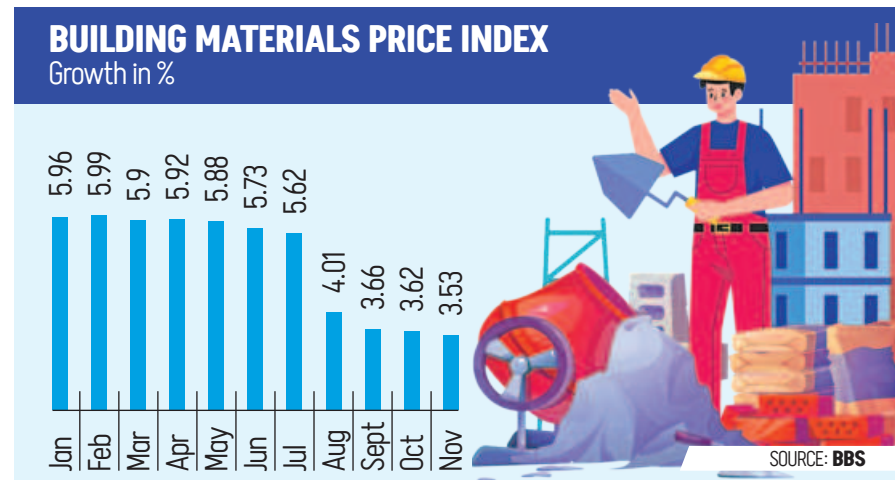
The Building Materials Price Index declined to 3.53 percent in November, down 9 basis points from 3.62 percent in the previous month, according to the BBS

Of these, building material prices fell to 3.53 percent in November, a month-on-month decrease of 0.08 percentage points.

Labour costs grew more slowly at 4.33 percent, down 0.10 percentage points from October, while transport charges dropped to 3.17 percent from 3.27 percent.

"The price of building materials has reduced significantly as overall market demand has slowed," said Bimal Chandra Roy, former president of the Bangladesh Association of Construction Industry (BACI).

Because materials are not being



utilised, producers are struggling to sell at normal rates.

"Those who are producing are likely being forced to sell at lower prices to survive and clear their stock," Roy added.

He attributed much of the pressure to the sharp fall in government-funded construction. Suppliers who had earlier stockpiled raw materials are now compelled to liquidate.

"The situation has been going on for quite some time. It's more prevalent with cement and rods," he said.

The downturn has affected the labour market as well.

"Construction labourers have returned to their villages and taken up farm work because there's no activity at the sites," Roy said.

Transport demand has also weakened, reflecting the slowdown across the sector. Roy stressed that the impact is visible throughout the supply chain.

"If construction activities and development projects can be restarted, things will pick up again," he added.

On whether the return of a political government and improved ADP implementation could revive demand, he noted that outcomes would depend on policy performance rather than politics.

Liakat Ali Bhuiyan, senior vice-president of the Real Estate and Housing Association of Bangladesh (REHAB), echoed these views.

"Demand has fallen, which has pushed prices down. For the past year, we haven't taken on any new projects because of the Detailed Area Plan (DAP)," he said.

ADAP is a comprehensive urban strategy, such as Dhaka's ongoing 2016-2035 plan, intended to guide land use, infrastructure, and sustainable development across a large designated area.

However, it has drawn criticism from various stakeholders over its restrictive provisions and implementation challenges.

Bhuiyan, also chairman of Brick Works Development Ltd, added that if the government revises the plan, many entrepreneurs could fast-track their projects.

BANK RESOLUTION ORDINANCE

A promise on paper without depositor protection: PRI

STAR BUSINESS REPORT

The Bank Resolution Ordinance will remain merely a promise on paper unless the authorities can conduct orderly resolutions, manage failing banks effectively, and protect depositors while minimising systemic risks, according to the Policy Research Institute of Bangladesh (PRI).

"Implementing and executing banking resolution regimes – though conceptually strong – involves major institutional, political, and technical challenges, especially in emerging markets," read a PRI paper presented at a roundtable titled "Bank Failures and Resolution Regime: Understanding the Challenges for Bangladesh."

The discussion, organised by PRI with support from the Foreign, Commonwealth & Development Office (FCDO), took place yesterday at Hotel Amari in Dhaka. Ashikur Rahman, principal economist at PRI, presented the paper, stressing that passing the ordinance is only half the work.

"What must come next is major investment in the processes, systems, and institutional capacity that will enable Bangladesh Bank and the financial sector to actually implement the resolution regime," Rahman said.

"The real task now is building operational strength – supervisory tools, valuation skills, recovery mechanisms, and clear decision-making protocols that can rebuild confidence and revive Bangladesh's financial system. Only then will the ordinance achieve its goal of protecting stability and creating the foundation for a stronger, more resilient banking sector," he added.

CALLS FOR URGENT REFORM

Lutfey Siddiqi, special envoy to the chief adviser for international affairs and chief guest at the event, highlighted the urgency of reform.

"If the banking sector continues with business as usual, nothing will change. Ensuring good governance – no matter which political party is in power – is essential," Siddiqi said.

He also suggested forming a truth and reconciliation commission for the banking sector.

"We need a truth and reconciliation commission for economic crime and NPLs, and to understand how these NPLs were created.

We have to develop a taxonomy because that is the only way to avoid repeating past mistakes," Siddiqi said.

"We need to get to the core of" READ MORE ON B3



Deadlock over Ctg chamber polls eases

STAFF CORRESPONDENT, Ctg

The deadlock over the biennial elections of the Chittagong Chamber of Commerce and Industry (CCCI) appears to have ended after the High Court said yesterday that there is no bar to two categories taking part in the polls.

The High Court (HC) bench of Justice Fahmida Quader and Justice Md Ashif Hasan delivered the verdict after hearing a writ petition.

In CCCI elections, two dozen directors are elected from four categories. These are the General Group, Associate Group, Town Association and Trade Group. The president and two vice presidents are then elected by these directors.

This year, six candidates, three each from the Town Association and the Trade Group, had been on course to secure directorships. A section of stakeholders, calling the two categories "pocket votes", demanded their exclusion from the polls altogether.

Inquiry reports by the chamber and the commerce ministry in July and August also recommended barring these categories from the election.

However, the commerce ministry in September issued an order allowing both the Trade Group and the Town Association to participate.

Mohammed Belal, a businessman, challenged the ministry order and filed a writ petition with the HC.

Responding to the writ in October, the court asked the authorities to explain why the ministry's decision to permit the two "inactive and un-operational" categories should not be declared illegal.

The HC also said the overall election process would continue by excluding both the groups.

Challenging the HC order, the commerce ministry filed an appeal with the Appellate Division on the same day.

On October 30, the Appellate Division deferred the CCCI polls for two weeks and

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