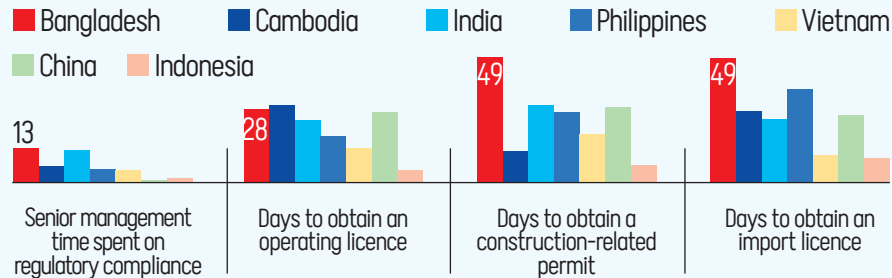




Regulatory 'time tax' holding back investment, says World Bank

FIRMS' REGULATORY EXPERIENCES (IN %)



SOURCE: WORLD BANK STAFF USING THE ICA 2.0 TOOLKIT BASED ON THE WORLD BANK ENTERPRISE SURVEYS

WHY FIRMS DON'T SCALE

- Complex and time-consuming regulatory burdens
- Weak market contestability
- Distortive state aid and trade protection
- Constrained access to capital
- Fragmented institutional framework for investment mobilisation
- Infrastructure deficits, electricity reliability gap

REJAU KARIM BYRON and AHSAN HABIB

The World Bank (WB) has described regulatory burdens in Bangladesh as a tax on time and investment, saying they are holding back investment compared with peer economies.

"Complex, fragmented, and discretionary regulatory processes impose a substantial time tax on firms in Bangladesh, with clear consequences for investment and growth," said the WB in its latest Bangladesh Development Update.

According to the WB report, senior managers spend an average of 13 percent

of their time dealing with government requirements, more than in any comparable country in the region.

The headline figure, however, conceals far heavier pressures in parts of the country.

In Chattogram, managers devote about 40 percent of their time to regulatory compliance. In Barishal, the share rises to 60 percent, leaving little room for productive management and strategic decision-making.

The burden also falls unevenly. Frontier firms, defined as the most productive companies in the formal sector, spend around five percentage points less time dealing with regulators and face fewer tax inspections than non-frontier firms.

Regulatory delays compound these challenges. Securing an operating licence takes 28 days on average. Construction permits and import licences take about 49 days each, nearly twice as long as in China or India, according to the report.

Starting a formal business in Bangladesh is also costly. At roughly \$10,000, the price of entry exceeds 10 percent of annual revenue for more than

half of firms younger than six years.

The consequences are tangible. Firms facing heavier regulatory demands are 19 percent less likely to invest.

That weakens competition, slows the shift of resources to more productive companies and entrenches productivity gaps across the private sector, according to the WB.

"Improving the business environment is central to sustaining growth and absorbing a rapidly expanding workforce," said Dhruv Sharma, senior economist and lead author of the report.

"Reducing regulatory uncertainty, offering targeted deregulation, strengthening competition, and easing constraints to firm growth will help unlock private investment and jobs," he added.

Revenue per worker in manufacturing and services stands at roughly one-third of the South Asian average. In services, the largest employer, labour productivity has stagnated since 2016.

POLICY BIAS TOWARDS FRONTIER FIRMS

The report said that policy support has tended to favour a small group of high-performing frontier firms.

Preferential tax treatment, subsidised finance and trade privileges have flowed

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USTR hearing on Bangladesh set for Apr 29

REFAYET ULLAH MIRDHA

The hearing on the United States Trade Representative's (USTR) twin investigations into alleged overcapacity in various sectors and forced labour in Bangladesh is scheduled for April 29, as the country prepares for it. "The hearing with the USTR will be held virtually," Commerce Secretary Mahbubur Rahman told The Daily Star.

Last month, the USTR launched investigations under Section 301 of the Trade Act of 1974 into Bangladesh and several other economies. The probe is examining whether trade policies and production practices contribute to global overcapacity that could harm US manufacturing, as part of Washington's efforts to reshore supply chains and boost American jobs.

Separately, the USTR has also opened a forced labour investigation covering around 60 countries, including Bangladesh, to review enforcement actions against imports linked to forced labour.

Bangladesh was asked to set the date for a hearing where issues such as production capacity, labour practices, subsidies and non-tariff barriers are expected to be reviewed.

CONCERNS OVER OVERCAPACITY AND BANGLADESH'S RESPONSE

Regarding preparations for the hearing, Rahman said the USTR has raised concerns about excess

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Third round of CEPA talks with S Korea begins today

REFAYET ULLAH MIRDHA

Bangladesh is hopeful of signing a Comprehensive Economic Partnership Agreement (CEPA) with South Korea within the year as the two sides are set to hold the third round of negotiations in Seoul today.

A delegation of the commerce ministry has left the country to join the negotiation with the South Korean side. Both Bangladesh and South Korea have been engaging in negotiations in 13 areas for signing the CEPA.

The agreement will cover not only tariff issues but also commodity market access, services, rules of origin, economic cooperation and investment.

The economic relationship between the two countries has grown considerably in recent years. Bilateral trade now exceeds \$3 billion annually, with Bangladesh's exports to South Korea topping \$2 billion, dominated by readymade garments alongside home textiles, leather goods, frozen food, ceramics, pharmaceuticals, jute products, and more.

Besides, South Korean investment in Bangladesh stands at over \$2 billion, concentrated largely in the textile and clothing sector. South Korea also holds the distinction of establishing Bangladesh's first exclusive foreign Export Processing Zone. The East Asian nation is also one of the top sources of Foreign Direct Investment (FDI), especially in the textile and clothing sector.

The major import items of Bangladesh from South Korea include iron and steel, plastics, and articles thereof, machinery, mechanical appliances, boilers, paper

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Fertiliser, irrigation woes may cut Boro output

USDA says on Bangladesh

STAR BUSINESS REPORT

Bangladesh may harvest a lower quantity of rice from the current Boro season as farmers have faced difficulties in ensuring adequate irrigation and fertiliser application, due to shortages of key production inputs, according to a projection by the US Department of Agriculture (USDA).

Growers may bag 2.02 crore tonnes of Boro rice this season in the marketing year (MY) 2026-27, down 1.4 percent year-on-year, even though overall acreage has not declined.

"This reduction in Boro rice yield is caused by disruptions in irrigation and fertiliser application resulting from fuel and fertiliser shortages," said the US agency in its latest report on Bangladesh's grain and feed, published at the end of last week.

Boro acreage stood at the same level at 49 lakh hectares this season, USDA said. The forecast is issued at a time when farmers have begun to harvest Boro paddy in various parts of the country, particularly the northeastern region.

Boro rice is transplanted in the December-January period and harvested in the April-May period every year. The

crop depends heavily on irrigation and chemical fertiliser application, and it accounts for around 55 percent of the country's total yearly rice output.

The USDA said farmers in some areas purchased urea, potash, and phosphate fertilisers at prices above the government-set rates and applied them excessively to potatoes. This has led to a shortage of fertilisers for Boro rice cultivation.

As of the third week of March 2026, limited rainfall has provided some support to Boro crop growth. However, farmers expressed concern about diesel supply shortages for operating shallow and low-lift irrigation pumps, the report said.

As a result of the fall in Boro yield, overall rice production may drop to 3.74 crore tonnes in the marketing year 2026-27, which begins in May each year.

The projected amount is expected to decline by 0.7 percent from 3.76 crore tonnes in the outgoing marketing year 2024-25.

Rice consumption, including use in feed for poultry, cattle and aquaculture, is projected to be 3.91 crore tonnes in MY27, which is 1.3 percent higher than the USDA's estimate of 3.86 crore tonnes in the outgoing marketing year.

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PHOTO: HABIBUR RAHMAN

A farmer tries to lift flattened paddy in a field in Khulna after strong winds and heavy rain lashed the area, raising fears of significant crop losses from lodging. The photo was taken in Dumuria upazila on April 8, 2026.

Fuel crisis drives e-bike demand in Bangladesh

CRISIS TRIGGER	MARKET SURGE	COST & BENEFITS	CHALLENGES
War fuel shock pushed commuters to alternatives	Sales jumped to 2,200 units (100%+ growth) in March	Demand may reach 3,000 units/month	Power costs just Tk 14-15 per full charge
		Low maintenance due to simple design	Only 2-3% market share despite growth
			Infrastructure gaps, high import costs of parts slow adoption

JAGARAN CHAKMA

In Dhaka's congested streets, a single trip means battling traffic and parking struggles. In March, a fuel crisis emerged due to the US-Israel war on Iran, adding to the plight of vehicle owners and raising the need for alternatives.

Mohammad Emrul Kayes, a Supreme Court lawyer, said he recently bought an electric motorcycle (e-bike) from Runner Motors Limited. The aim of this purchase was not to replace his car or a petrol-run motorbike.

"For me, it was about solving everyday hassles I face while buying fuel," he stressed.

Frustration born from waiting in long queues without knowing when or if he will get the chance to refuel his car's tank drove him to make the purchase, which promises convenience.

"The e-bike changed that. It's quick, simple, and stress-free," Kayes said. His decision reflects a quiet shift in urban mobility amidst the fuel crisis.

Industry data shows a sharp increase in monthly sales of e-bikes just as the fuel crisis started. Sales surged from an average of 800 to 1,000 units to around 2,200

units in March, marking over 100 percent growth.

Sales are expected to reach 3,000 units if the current trend continues, market insiders said.

Several local and international brands have entered the burgeoning EV market in Bangladesh. Among them are Runner, Walton, and Pran-RFL.

Nazrul Islam, managing director of Runner Group, stressed the urgency of shifting away from fossil fuels and leaning towards renewable energy.

Runner currently offers 12 models of Yadea-branded e-bikes, priced between Tk 90,000 and Tk 315,000 depending on features.

"E-bikes offer a clear advantage," Islam said.

He added that households using solar power could charge and run EVs for years at minimal cost, unlike fuel-powered alternatives dependent on imports.

E-bikes are structurally simpler than internal combustion engine vehicles, requiring only a motor and battery, he explained, resulting in significantly lower maintenance costs.

"In many cases, maintenance is almost negligible," he said.

Highlighting two-wheelers as central to Bangladesh's EV

transition, Islam cited their affordability, convenience, and suitability across both urban and rural areas.

Despite these benefits, adoption remains slow, with annual sales ranging between 12,000 and 16,000 units across the industry. In the country's motorbike market, e-bikes occupy just a 2 to 3 percent share.

Concerns over charging infrastructure, battery life, and range persist.

However, Islam downplayed these issues, comparing the charging of EVs to mobile phone use. A full charge costs around Tk 14 to Tk 15 and can be done overnight.

He added that evolving battery technology, particularly solid-state batteries, could further accelerate adoption.

Walton, the electronics giant, sells seven models of TAKYON E-Bike.

"In March, when fuel shortages intensified at refilling stations, demand jumped by as much as 85 percent," said Md Touhidur Rahman Rad, chief business officer at Walton Digi-Tech Industries Limited.

Although the market remains

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EBL, Mongla Port Authority sign MoU to digitise port transactions

STAR BUSINESS DESK

Eastern Bank PLC (EBL) has signed a memorandum of understanding (MoU) with the Mongla Port Authority (MPA) to introduce advanced digital banking services at Mongla port.

Md Jabelul Alam, head of transaction banking at the bank's corporate banking division, and AKM Anisur Rahman, member (engineering and development) of MPA, signed the MoU recently at Mongla port in Bagerhat, according to a press release.

The partnership aims to improve the efficiency of financial transactions at the port by implementing secure, modern and seamless digital payment and

collection solutions.

Under the initiative, EBL and MPA will jointly develop a comprehensive digital ecosystem, enabling port users to carry out transactions smoothly through the bank's digital banking platform.

Among others, Captain Mohammad Shafiqul Islam, harbour master of the MPA; Md Kamal Hossain, deputy secretary (director, traffic); Md Mahfuzur Rahman, deputy chief finance and accounting officer; Md Fazle Alam, chief audit officer; Lt Col Md Arif Billah, chief engineer (mechanical and electrical); and Mohammad Arif Chowdhury, head of cash management at EBL's transaction banking division, were also present at the event.



AKM Anisur Rahman, member (engineering and development) of Mongla Port Authority, and Md Jabelul Alam, head of transaction banking and corporate banking division at Eastern Bank PLC, pose for a photograph after signing the memorandum of understanding at Mongla port in Bagerhat recently. PHOTO: EASTERN BANK



Muhammad Kamrul Islam, chairman of Filon Poultry & Fish Feeds PLC, and Md Abdullah Al Mamun, deputy managing director of Al-Arafah Islami Bank PLC, exchange signed documents of the memorandum of understanding at the bank's head office in Dhaka recently. PHOTO: AL-ARAFAH ISLAMI BANK

Al-Arafah Islami Bank, Filon Poultry sign MoU for digital sales proceeds

STAR BUSINESS DESK

Al-Arafah Islami Bank PLC has signed a memorandum of understanding (MoU) with Filon Poultry & Fish Feeds PLC, an agro-based manufacturing company in Bangladesh, to facilitate the collection of sales proceeds through digital channels.

Md Abdullah Al Mamun, deputy managing director of the bank, and Muhammad Kamrul Islam, chairman of the feed manufacturing company, signed the MoU at a ceremony held at the bank's head office in Dhaka, according to a press release.

Under the agreement, Filon Poultry & Fish Feeds will collect payments from its distributors through the bank's

branches, sub-branches, and other delivery channels by integrating with the bank's Application Programming Interface (API).

The arrangement is expected to ensure more efficient and secure collection management for corporate clients through the use of advanced banking technology, the release added.

Md Amdatul Haque and Bassu Sheikh, senior assistant vice-presidents of the bank; Aysa Parvin, assistant vice-president; Nazmul Hossain, senior principal officer; and SM Fakhru Alam, adviser to the company, were also present at the signing ceremony, along with senior officials from both organisations.

City Bank logged record Tk 1,324cr profit in 2025

STAR BUSINESS DESK

City Bank PLC reported its highest-ever profit of Tk 1,324 crore in 2025, posting a 31 percent year-on-year growth despite a challenging economic environment. The bank had earned Tk 1,014 crore in the previous year.

On a standalone basis, profit stood at Tk 1,306 crore, while its four subsidiaries contributed an additional Tk 18 crore.

The strong performance was driven by robust income growth, disciplined cost management and prudent risk practices.

Interest income from loans rose 24 percent to Tk 5,452 crore from Tk 4,403 crore a year earlier.

Asset quality also improved, with the non-performing loan (NPL) ratio declining to 2.5 percent at the end of 2025 from 3.7 percent a year earlier, reflecting strengthened credit risk management.

Despite persistent inflationary pressure, the bank maintained its cost of deposits at 5.5 percent. Although borrowing costs rose during the year, the impact was offset by strategic investments in high-yield government securities.

As a result, the contribution of such investments to the bank's total operating income of Tk 4,888 crore increased to 26 percent. Net investment income, after fund costs, stood at Tk 1,274 crore.

Mashrur Arefin, managing director and CEO of the bank, said higher provisioning for bad loans prevented profit from reaching Tk 1,500 crore, which had been his personal target.

"Encouragingly, strong income is being generated across all core banking segments. Retail banking and cards have already overtaken corporate banking income, posting a 33 percent growth," he said.

He added that small business, nano, retail and credit card portfolios performed well, while the bank maintained leadership in LC business and kept its cost of deposits stable.

However, he noted concerns over corporate and medium enterprise lending portfolios amid domestic and global economic challenges.

Maintaining a cost-to-income ratio below 45 percent for a bank with around 8,000 employees remains a major achievement, he added.

The bank also recorded the highest trade business volume among local banks at \$8.01 billion, boosting commission and fee income. Earnings from trade services reached Tk 526 crore, while retail banking and cards generated Tk 471 crore.

Total fee and commission income rose to Tk 997 crore, accounting for 21 percent of the bank's total operating income.

Cost efficiency remained a key strength. Despite inflation and the full-year impact of salary revisions implemented in December 2024, the bank kept its cost-to-income ratio at 44 percent. Against total income of Tk 4,888 crore, costs stood at Tk 2,160 crore.

To bolster financial resilience, the bank raised provision expenses to Tk 815 crore from Tk 628 crore a year earlier, lifting the provision coverage ratio to 128 percent by the end of 2025.



ICAB holds 22nd convocation

STAR BUSINESS DESK

The Institute of Chartered Accountants of Bangladesh (ICAB) held its 22nd convocation at the InterContinental Dhaka yesterday, celebrating the achievements of newly qualified chartered accountants.

Zahir Uddin Swapon, minister for information and broadcasting, attended the programme as the chief guest and highlighted the vital role chartered accountants play in ensuring financial transparency, strengthening governance and supporting sustainable economic growth, according to a press release.

Referring to the evolving global landscape, he said the profession is

undergoing rapid transformation due to technological advancements such as artificial intelligence and data analytics.

The minister urged the new graduates to embrace innovation, adapt to change and position themselves as strategic leaders and trusted advisers in both public and private sectors. He also underscored the importance of integrity, noting that trust remains the cornerstone of the accountancy profession.

Salimullah Khan, professor at North South University, delivered the convocation address, describing chartered accountants as key contributors to economic and social systems and emphasising their role beyond technical functions.



Zahir Uddin Swapon, minister for information and broadcasting, and NKA Mobin, president of the Institute of Chartered Accountants of Bangladesh, pose for a group photograph with participating chartered accountants at the 22nd convocation at InterContinental Dhaka yesterday. PHOTO: ICAB

Southeast Bank holds Dhaka regional business review meeting

STAR BUSINESS DESK

Southeast Bank PLC yesterday held its quarterly business review meeting for the Dhaka region at its training institute in the capital.

A total of 37 branch managers from the region took part in the meeting.

Md Khalid Mahmood Khan, managing director and chief executive officer of the bank, inaugurated the programme as the chief guest, according to a press release.

During the meeting, he emphasised business growth, overall development, loan performance, recovery strategies and improved customer service standards.

Discussions were also held on the implementation of strategic business policies and plans for 2026.

Participants identified potential areas for growth and expressed their commitment to further strengthening the bank's overall performance. The meeting concluded on an optimistic note, with a firm commitment to achieving future goals.

Additional managing directors, deputy managing directors, senior executives from the head office, departmental heads and branch managers from the Dhaka region, along with members of the bank's senior management team, were also present.



Md Khalid Mahmood Khan, managing director and CEO of Southeast Bank PLC, poses for a group photograph with participants in its quarterly business review meeting for the Dhaka region at the bank's training institute in the capital yesterday. PHOTO: SOUTHEAST BANK

US inflation surges to 3.3%

FROM PAGE B4

Economic advisor Kevin Hassett claimed some wins for the White House, citing drops in the price of eggs, beef and concert tickets on Fox News.

US Vice President JD Vance said he hoped for a "positive" outcome as he departed Washington

for US Iran peace talks in Pakistan this weekend.

But experts predicted more economic pain ahead due to the war in Iran, especially for middle and lower-income households already squeezed by rising energy and airfare prices.

Heather Long, chief

economist at Navy Federal Credit Union, said that inflation soared in March to the highest level in almost two years.

"This is only the beginning. Food prices, travel and shipping costs are all going up in April and will exacerbate the pain," she said.

Zila Parishad, Pabna
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Memo No: 46.00.7600.000.002.14.0003.25.214 Date: 09-04-2026

e-Tender Notice 02/PZP/2025-2026
(Limited Tendering Method)

e-Tender is invited in the national e-GP System Portal (http://www.eprocure.gov.bd) for the procurement ZP Pabna as mentioned below.

SI No	Tender ID	Name of Package	Last Selling Date & Time	Closing/Opening Date & Time
1	1253267	Package No.01/PZP-ADP/2025-26/W-01	26.04.2026/12.30	26.04.2026/13.00
2	1251298	Package No.01/PZP-ADP/2025-26/W-02	26.04.2026/12.30	26.04.2026/13.00
3	1251312	Package No.01/PZP-ADP/2025-26/W-03	26.04.2026/12.30	26.04.2026/13.00

This is an online tender, where only e-Tender will be accepted in the National e-GP portal and no offline/hard copies will be accepted. To Submit e-Tender, registration in the National e-GP System portal (http://www.eprocure.gov.bd) is required. The fees for downloading the e-Tender documents from the National e-GP System portal have to be deposited any online through registered banks branches up to 12.45 PM on 26.04.2026. If tenderers having quoted the tender price more than 5(five) per cent less or below the official cost estimate. The tender will be rejected (PW2b) further information and guidelines are available in the national e-GP System Portal and from e-GP helpdesk (helpdesk@eprocure.gov.bd).

(Md. Altaf Hossain)
Assistant Engineer
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ISO/IEC 27001:2022 CERTIFICATE HANDOVER CEREMONY

A new feather in the crown of Secura Bangladesh Limited's success: ISO/IEC 27001:2022 Information Security Management System (ISMS) certification. With great pleasure, we announce that Secura Bangladesh Limited has been certified in ISO/IEC 27001:2022—Information Security Management System—in accordance with international standards. This global recognition further reinforces our commitment to strengthening cybersecurity and protecting data privacy for financial institutions. Ensuring customer information security is our primary goal in the information technology era. We express our sincere gratitude to our valued customers, well-wishers, and dedicated employees for being with us in this remarkable achievement. The Managing Director of Secura Bangladesh Limited, along with the Certificate Manager and Marketing Manager of Bureau Veritas, were present at the certificate handover ceremony. Senior executives of Secura Bangladesh Limited were also in attendance at the event.

Dollar set for biggest weekly drop

FROM PAGE B4

"People were buying the US dollar when the war was at its most intense moment and now they're selling as the tail risk of a really bad outcome has faded quite a bit," said Jason Wong, senior strategist at BNZ in Wellington.

"Even though it still looks a bit shaky, the ceasefire removing that tail risk is important from a sentiment point of view," he said, adding that the mood could turn very quickly if the anticipated weekend peace talks fail to deliver progress.

Tax system made complicated to enable corruption

Prof Selim Jahan says simple taxation will boost compliance

STAR BUSINESS REPORT

The country's tax system has been deliberately made "complex" to create opportunities for corruption, said economist Prof Selim Jahan yesterday, urging simplification of the tax regime.

"Due to the complex tax procedure, taxpayers are more reluctant to pay taxes than they are afraid of taxation," he said while speaking as the chief guest at a pre-budget shadow parliament held in Dhaka. "This is mostly seen among the affluent."

"Every budget must have a clear development philosophy and reflect the expectations of ordinary people," he said, adding that while infrastructure expanded during the Awami League-led government, the absence of qualitative improvements

has destabilised the economy.

Jahan noted that the upcoming national budget is being prepared amid mounting economic challenges. In addition to global uncertainties, including tensions in the Middle East, Bangladesh is currently grappling with a rising external debt burden.

About 25 percent of government expenditure now goes towards servicing foreign debt, both interest and principal, he said.

He also pointed to increasing subsidy pressures in the energy, export, and social protection sectors, which are pushing up public spending without a corresponding rise in revenue, resulting in persistent budget deficits.

Jahan also criticised the government's approach to taxation. "The government often hesitates

to impose taxes on the wealthy, as they are strongly represented within the state structure," said the economist.

Presiding over the programme, Hasan Ahmed Chowdhury Kiron, chairman of Debate for Democracy, said the current government has inherited a fragile and "disrupted" economy, alleging that many projects undertaken during the previous regime were heavily inflated.

"Nearly 40 percent of project expenditures were fictitious," he claimed, urging the government to curb such leakages to ensure financial stability.

Kiron called for a people-friendly, business-friendly, and cautious budget that does not exacerbate inflation or increase the burden on low- and middle-income groups.

War's impact on fertilisers stirs food producer fears

AFP, Paris

Even as Gulf tanker traffic slowly resumes, the road back to normal food production will be long and arduous, given the war's impact on fertiliser supplies, the UN has warned. With factories shuttered and soaring gas prices driving up production costs around the world, fertiliser prices have risen across the board and are unlikely to fall back easily.

"If the Strait of Hormuz reopened immediately, i.e. not only a ceasefire but vessels moving, the impact would be significantly positive -- but incomplete and uneven," the Food and Agriculture Organization's chief economist Maximo Torero told AFP. "The FAO is clear that damage has already been done."

According to Argus Media, the price of urea from the Middle East has, for example, risen by 70 percent in a

matter of weeks. Gulf countries are major exporters of nitrogen fertilisers like urea -- which provides plants with nitrogen to aid green leafy growth -- as well as ammonia and phosphate.

Italy notably called last week for a "humanitarian corridor" in the Strait of Hormuz for fertiliser as Torero warned that if high prices continue, farmers would face a stark choice: "Farm the same with fewer inputs, plant less, or switch to less intensive fertiliser crops," which would reduce food supply well into 2027.

LASTING BLOW TO SUPPLIES
Torero warned the bottleneck in marine traffic since the conflict began on February 28 meant even if Hormuz were to reopen immediately "infrastructure damage is not fully reversible in the short term."

According to Kpler data, around 1.9 million tonnes of fertiliser are trapped on 41 vessels, equal to 12 percent of all produce shipped out of the strait in 2024.

On March 2, the ammonia plant at the Ras Laffan refinery in Qatar was attacked. Plants have also suspended or reduced production in the UAE, Saudi Arabia, Iran, Jordan and Qatar, whose Qafba complex accounted for 14 percent of global trade in urea.



Girls sprinkle fertiliser in a corn farm in Nashik, India. With factories shuttered and soaring gas prices driving up production costs around the world, fertiliser prices have risen across the board. PHOTO: REUTERS/FILE

Regulatory 'time tax'

FROM PAGE B1

disproportionately to them, while most small and medium-sized enterprises and high-potential informal firms operate in a far less supportive environment.

Tax policy offers a clear example. The standard corporate income tax rate is 27.5 percent, but readymade garment and textile manufacturers enjoy preferential rates of 12 percent to 15 percent, largely granted through discretionary Statutory Regulatory Orders (SROs), according to the report.

Such exemptions led to foregone corporate tax revenue equivalent to 2.4 percent of GDP in 2021 alone, a sizeable cost in a country where the tax-to-GDP ratio hovers around 8 percent.

Access to finance deepens the divide. State-backed credit schemes have offered exporters loans at rates as low as 2 percent, while other producers pay up to 13 percent.

The Export Development Fund (EDF), a central bank initiative providing low-cost foreign currency financing to exporters for raw material procurement, reached \$9.29 billion in the 2020 to 2021 fiscal year.

As a result, 42 percent of frontier firms report having a bank loan or line of credit, compared with 29 percent of non-frontier firms. The disparity widens their ability to invest and expand.

The WB report said trade policy adds another layer.

The bonded warehouse scheme, which allows duty-free imports of inputs, remains more than 90 percent concentrated in the readymade garment sector and related industries, despite repeated pledges to extend it to others.

Meanwhile, firms serving the domestic market face average import duties of about 10.9 percent on final goods, roughly double the South Asian average. The result is a structural anti-export bias that makes protected domestic production more lucrative than competing abroad.

Finance constraints continue to curb upgrading. Around 22 percent of firms are partially credit-constrained and 8 percent fully constrained. Companies with bank loans record labour productivity about 4.5 percent higher than those without, underlining the role of finance in adopting technology, expanding capacity and investing in skills, according to the report.

It said strict collateral rules, limited credit scoring for young firms and weak insolvency frameworks further restrict the flow of capital to its most productive uses.

DUALITY IN REGULATORY POLICIES

The country's private sector has developed a stark dual structure shaped by trade, industrial and regulatory policies.

According to the WB, high tariffs

and para-tariffs, discretionary rules and selective incentives have favoured larger, established and export-oriented companies.

A small group of highly productive frontier firms now operates alongside a much larger pool of non-frontier firms, including small and medium-sized enterprises and informal businesses with growth potential.

Frontier firms, defined as the top decile of formal companies by productivity, are on average 11 times more productive than non-frontier firms and have continued to pull further ahead.

This divide creates a sharp imbalance between output, exports and employment. Frontier firms generate three-quarters of total sales but account for just 15 percent of formal jobs.

By contrast, most employment growth has come from non-frontier firms, particularly in domestically oriented services and younger, smaller manufacturers.

Yet these businesses face weaker incentives and tighter constraints when they seek to invest, formalise or scale up, said the report.

The gap between revenues and jobs is even starker in the RMG sector. Frontier firms in the sector generate almost half of national revenue but provide only one in 12 formal private sector jobs.

Broadening opportunities beyond this narrow group is therefore critical to creating more and better-paid work, according to WB.

It said that Bangladesh's investment promotion is also fragmented.

Over the past two decades, responsibilities for investor outreach, registration, incentives, land development, licensing and aftercare have been split among multiple bodies, including Bangladesh Investment Development Authority, Bangladesh Economic Zones Authority and Bangladesh Hi-Tech Park Authority, as well as line ministries and some subnational authorities.

Overlapping mandates, weak coordination and the absence of a single body accountable for results have become structural obstacles to diversification, according to the report.

ELECTRICITY RELIABILITY GAP

Unreliable electricity supply is the most frequently cited obstacle to doing business in Bangladesh. Power disruptions have repeatedly interrupted production and eroded output for firms.

Compared with peers in South Asia, firms in Bangladesh wait longer for electricity connections and endure more frequent outages, averaging 26 a month.

For the median firm, outages wipe out nearly 9 percent of annual sales. About a quarter of companies resort

to generators at times, driving up costs.

Weak grid reliability, particularly outside major economic hubs, widens regional disparities and undermines competitiveness.

With demand for electricity expected to grow by about 7 percent a year to 2030, the WB said reforms will be needed to improve efficiency and ensure the financial sustainability of power generation and distribution.

FIRMS CHOOSE TO STAY INFORMAL, BUT WHY

Informality remains widespread in Bangladesh because many businesses see little incentive to register.

Many stay outside the formal system not for lack of information, but because they judge that engagement with tax and regulatory authorities does not deliver benefits commensurate with the risks and costs of greater visibility.

Around 40 percent of informal enterprises already operate at productivity levels similar to small formal firms, despite limited access to formal markets, bank credit, supplier development schemes or government support.

Informality, the report said, reflects institutional and policy constraints rather than weak productivity.

SETTING PRIORITIES FOR REFORM

The WB called for a phased reform plan to tackle distortions across the economy while supporting firm upgrading and diversification.

The first step is broad reform to reduce uncertainty, lower business costs, strengthen competition, address informality and mobilise private capital.

Next come trade reforms to reduce barriers. Finally, market and sector measures should target priority segments such as small and medium-sized enterprises with strong job creation potential.

The WB said that a cross-cutting principle underpinning the reform matrix is the move toward a smart deregulation approach.

That means easing compliance for low-risk activities while tightening enforcement where risks are higher, simplifying cumbersome rules, introducing risk-based licensing and inspections, and expanding digital procedures.

Fuel crisis drives e-bike demand

FROM PAGE B1

small compared to fossil fuel motorcycles, e-bike demand has been growing steadily at 10 to 15 percent annually over the past three years.

He said the fuel crisis has clearly accelerated adoption, as e-bikes offer a practical alternative.

"On a single charge, riders can travel between 80 and 130 kilometres, depending on the model," he said.

Kamruzzaman Kamal, marketing director at Pran-RFL Group, said sales of its RYDO e-bikes increased by about 60 percent after fuel shortages emerged. He stressed the need for a balanced policy framework, as high import duties on parts raise costs for local producers, while cheaper imports of finished goods create pricing pressure.

Kamal also highlighted the lack of charging infrastructure, urging government support to accelerate adoption.

USTR hearing on Bangladesh

FROM PAGE B1

production capacity in several sectors, particularly the garment industry.

He said Bangladesh does not have overproduction in the apparel sector. He explained that exporters ship garments to the US only against confirmed work orders from American retailers and brands, and do not export surplus products.

Rahman also said Bangladesh's export subsidies comply with World Trade Organization rules, which allow member countries to provide incentives to boost exports and improve global competitiveness.

He added that Bangladesh has reduced net export subsidy payments as it prepares to graduate from the Least Developed Country (LDC) group to developing country status in November this year, although it has

formally requested a three-year delay of its graduation until November 2029.

The USTR has also said Bangladesh's cement industry is facing severe overcapacity amid a major downturn. National cement consumption fell to 38 million tonnes in 2024 -- less than 40 percent of total capacity -- and is expected to decline further in 2025.

In 2025, total US goods trade with Bangladesh was estimated at \$11.8 billion. US imports from Bangladesh stood at \$2.3 billion, up 1.4 percent or \$32.6 million from 2024. US exports to Bangladesh reached \$9.5 billion, up 13.3 percent or \$1.1 billion.

As a result, the US trade deficit with Bangladesh widened to \$7.1 billion in 2025, an increase of 17.9 percent (\$1.1 billion) from 2024, according to USTR data. Garments remained Bangladesh's main export

to the US, accounting for 86 percent of total shipments.

LABOUR LAW AMENDMENTS AND UPCOMING CONSULTATIONS

The USTR has also raised questions about Bangladesh's labour law amendments. Rahman said the interim government amended the labour law through an ordinance last year, making it easier to form trade unions at the factory level.

He added that the newly elected BNP-led government also approved the amended labour law in Parliament last week.

Rahman further said Bangladesh does not have child labour in any formal sector.

Ahead of the hearing, the commerce ministry will hold consultation meetings with stakeholders on April 20 or 21 to gather their views, he added.

Third round of CEPA

FROM PAGE B1

and paperboard, articles of paper, tanning or dyeing extracts, tannins and their derivatives, and more.

As an Economic Partnership Agreement (EPA) with Japan has already been signed, Bangladesh has a good example of signing a deal with a major trading partner, Commerce Secretary Mahabubur Rahman said.

Therefore, it would not be difficult to sign the CEPA with South Korea

as the country has already expressed eagerness in the matter, he added.

Once Bangladesh is graduated to a developing nation from the group of least developed countries (LDCs), the country will have to face duty because of losing the preferential market access. Therefore, it is in Bangladesh's best interest to sign trade deals with major trading partners as a measure to retain the duty-free market access in the post-LDC era, he said.

The UN Conference on Trade and Development (UNCTAD) in a recent report said Bangladesh could lose more than \$17.5 billion in exports following its LDC graduation.

As an LDC, Bangladesh has been enjoying duty-free quota-free (DFQF) access to the South Korean market of about 95 percent (4000+) products under the Asia Pacific Trade Agreement (APTA) and WTO arrangements since 2008.

Fertiliser, irrigation

FROM PAGE B1

As such, the USDA said rice imports are likely to grow to 15 lakh tonnes in the coming MY27, posting a 7.1 percent increase year-on-year.

The report said rice prices, despite a drop in recent months, are very high in the domestic market. These high prices are anticipated to continue throughout most of MY27 as the cost of rice production is expected to increase.

"In response, the new government is expected to take a cautious approach in order to

maintain national food security. It is likely to continue facilitating rice imports through both public procurement via international tenders and government-to-government purchases, as well as private sector participation, to ensure adequate market supply and price stability," said the USDA.

Between July 1, 2025, and April 8 this year, the public and private sectors have imported 11.19 lakh tonnes of rice, according to data from the food ministry.

MAGURA POURASHAVA, MAGURA

Memo No. 46.44.5557.063.08.017.25-1706 Date: 09.04.2026

e-Tender Notice (LTM): 06/2025-2026

E-Tender is invited in the National e-GP system portal (<http://www.eprocure.gov.bd>) for the procurement of Works as mentioned in the following table:


Tender ID no.	Package No.	Description of the Works	Last Selling Date & Time	Last Security Submission Date & Time	Closing & Opening Date & Time
1255031	MP/ADP-GOB/2025-26/P-01	(1) Upgrading of Stadium Para road (From Stadium South para Mosque to H/O. Mizan, Ch.0-122, Total Length=122.00m) at ward No.02, (2) Upgrading of Stadium Para road (From Stadium South para Mosque to H/O. Sriji Neer, Ch.0-132, Total Length=132.00m) at ward No.02, (3) Upgrading of Stadium Para Baitus Shafia Mosque road (From H/O. Bakul to H/O. Ruhul Amin, Ch.0-190, Total Length=190.00m) at ward No.02 and (4) Upgrading of Vaina TTDC Para road (From Part-A=East side of Upazila road to H/O. Mizan (Ch.0-155) & Part-B= H/O. Shajhan to H/O. Kabir Nazir, Ch.0-080, Total Length=235.00m) at ward No.02	26-April-2026 15:00	27-April-2026 13:00	27-April-2026 14:00
1255079	MP/ADP-GOB/2025-26/P-02	(1) Construction of RCC Covered drain at north side of Habibur Rahman road (From Kashob-More to Judge Court side Existing drain, Ch.0-050), Total Length=50.00m) at ward No.09, (2) Construction of PVC Pipe drain at East side of MF/College road (From College Mosque to Infront of SP Office side Existing drain, Ch.400-750, Total Length=350.00m) at ward No.09, (3) Interconnection of 150mm dia. uPVC water supply pipe line (From Hazi road Bashtalla to Doarpur Minner Mosque, Ch.0-050, Total Length=50.00m) at ward No.02 and (4) Upgrading of Magura-Sreepur road by-lane (From Rangamati Furniture to H/O. Mehedi, Ch.0-092, Total Length=92.00m) at ward No.02	26-April-2026 15:00	27-April-2026 13:00	27-April-2026 14:05
1255093	MP/ADP-GOB/2025-26/P-03	Upgrading of Central Bus Terminal yard at ward No.06	26-April-2026 15:00	27-April-2026 13:00	27-April-2026 14:10
1255104	MP/ADP-GOB-Special/2025-26/P-04	(1) Construction of RCC Top slab at West side of Magura-Sreepur road side Existing RCC Drain (From Magura-Jhenaidah road near RS Bhaban to Hazi Shahab road side Existing RCC Drain, Ch.0-300, Total Length=90.00) at ward No.02, (2) Construction of RCC Top slab at Rashad-Salim road side Existing RCC Drain (From Kalkoliapara Mosque to River, Ch.0-180, Total Length=180.00m) at ward No.08, (3) Upgrading of police Line West Para road (From H/O. Kalam Police to H/O. Sattar, Ch.0-100, Total Length=100.00m) at ward No.02, (4) Improvement of autistic/Disability School at Stadium Para ward No.02, (5) Construction of Secondary disposal center for Solid waste management at important place in Magura Pourashava area and (6) Upgrading of Habibur Rahman road by lane (From East side of Law-Chamber to H/O. Mr. Masbha, Part-A=Ch.0-060 & Part-B=Ch.0-020, Total Length=80.00m) at ward No.09	26-April-2026 15:00	27-April-2026 13:00	27-April-2026 14:15
1255168	MP/ADP-GOB/2025-26/P-05	1. Re-Excavation of existing earthen drain at East side of karighorpara main road side (From Existing RCC drain near Siddique more to Shulakahr more (Ch.1800-2240, Total length=440.00 meter) at ward No.08 & 2.Re-Excavation of existing earthen drain at East side of Magura-Jashore road side (From Vaina more to Upazila Model Mosque, Ch.0-600, Total length=600.00 m) at ward No.03	26-April-2026 15:00	27-April-2026 13:00	27-April-2026 14:20

This is an online Tender where only e-Tender will be accepted in the national e-GP portal and no offline/ hard copies will be accepted to submit e-Tender registration in the National e-GP system portal (<http://www.eprocure.gov.bd>) is required.

The fees for down loading the e-Tender documents from the national e-GP System portal have to be deposited online through any registered bank branch up to 26/04/2026 till 15.00 PM. Further information and guidelines are available in the national e-GP system portal and e-GP help desk (helpdesk@eprocure.gov.bd)

Eligibility of Tenderer: Only Enlisted Contractors (Construction) of Magura Pourashava, District: Magura, Possessing Current Renewal Certificate (For the year 2025-2026) according to their Financial Limits are eligible to participate in the Tendering Process. Copy of the Magura Pourashava Enlistment Book must be enclosed/uploaded with the Tender.

Note: Bill will be payment after fund received.


Md. Ahsan Bari
 Executive Engineer
 Magura Pourashava, Magura
 e-Mail: xen.ps.magura@gjl.gov.bd
 Phone: 02477710104

GD- 805



Reazul Islam

AB Bank pivots to SMEs amid recovery push

Concentration in corporates bred risks, says acting CEO Reazul Islam

AHSAN HABIB and MD MEHEDI HASAN

AB Bank has made a decisive strategic shift toward micro, small and medium enterprises (MSMEs), moving away from its earlier concentration in large corporate lending, said Reazul Islam, acting managing director and CEO.

The move by the oldest private commercial bank of the country is a recalibration amid a weak economic environment marked by subdued private sector demand and geopolitical uncertainties, he told The Daily Star in a recent interview.

"Excessive concentration in large corporate exposures historically created vulnerabilities," Islam said.

By distributing loans across a broader base of smaller borrowers, the bank aims to reduce systemic risk — ensuring that isolated defaults do not significantly undermine overall stability.

"While corporate lending will continue, it will be more selective, with greater emphasis on supporting strong existing clients rather than pursuing aggressive expansion."

Digital transformation sits at the heart of the bank's new direction, according to Islam, a veteran banker with 29 years of experience in regulatory management, banking and professional services, who joined the bank in August 2024 as additional managing director.

He informed that AB Bank is developing fully branchless, digital loan processing systems and plans to introduce nano loans pending regulatory approval.

It is also deploying AI-based credit assessment tools and automated decision-making to minimise human intervention and move toward instant, paperless loan approvals via mobile platforms.

By leveraging alternative data sources, such as transaction behaviour and digital footprints, the bank aims to enhance credit scoring accuracy, reduce operational costs, and mitigate risk.

Over time, this digital lending framework is expected to expand

beyond personal loans into SME financing, Islam said.

He acknowledged that the bank has lagged behind peers in agent banking and sub-branch reach, with 264 and 60 outlets respectively. "This was largely due to earlier strategic decisions and delayed entry into these segments."

Both channels are now prioritised for deposit mobilisation and customer outreach, with new expansion targets set, though regulatory approvals remain a constraint.

Approaching 44 years since its founding in April 1982, it has faced repeated cycles of stress from the 1980s through the 2000s but demonstrated

Islam notes that the deposit situation was particularly strained in 2024, when panic withdrawals amid broader sectoral uncertainty pushed liquidity under pressure. Total deposits fell roughly 9 percent that year to Tk 32,292 crore. The bank responded by ensuring uninterrupted cash availability and reinforcing employee confidence.

The effort paid off. Deposits recovered to Tk 34,465 crore by September 2025, with liquidity pressures easing and customer confidence gradually returning. Support from the central bank was instrumental during the peak of the crisis.

Islam, however, notes that structural

has already achieved around 15 percent savings in recent quarters.

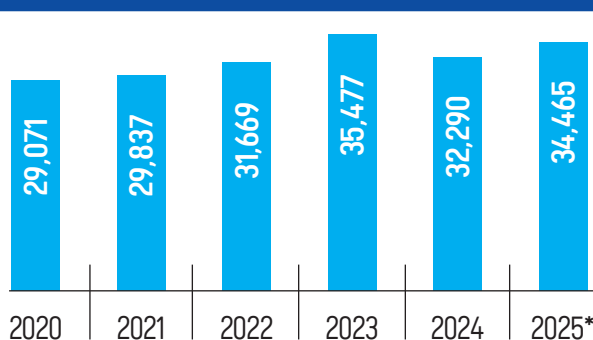
The private bank's overall recovery plan spans three to five years — from 2025 through 2027 and beyond — and a longer-term vision extending up to a decade.

The timeline remains contingent on external economic conditions and policy support, but the direction is clearly focused on rebuilding stability and strengthening fundamentals.

Islam says the strategy is built around digital transformation, SME-focused lending, cost efficiency, deposit growth, and improved governance.

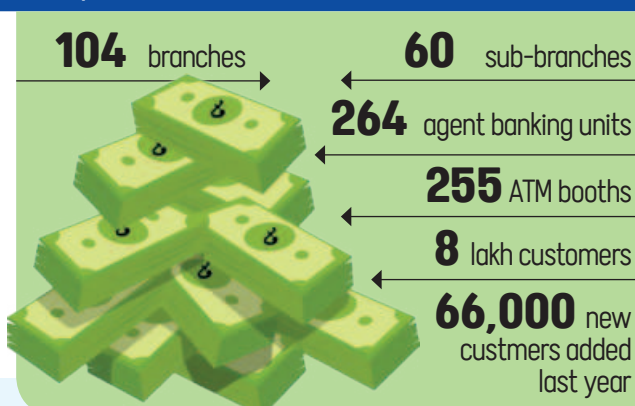
In terms of shareholder returns, he notes that the bank is not in a position

DEPOSITS OF AB BANK (In crore taka) *Until Sept



SOURCE: ANNUAL REPORT

THE BANK HAS



resilience by recovering from setbacks.

"This resilience has largely been driven by strong customer confidence, brand loyalty, institutional trust, and the commitment of its workforce," says Islam.

The bank is currently navigating another difficult phase of high non-performing loans and mounting losses. Yet customers have continued to access their funds without disruption — a factor Islam credits as critical to preserving confidence.

He says, "Liquidity management at the branch level remains relatively stable, and conditions have gradually improved."

challenges persist. Many loans have been rescheduled or placed under moratoriums, with repayment delays stretching up to two years — meaning meaningful cash inflow improvements are unlikely before 2027-2028.

The bank has set targets to reduce NPLs by 20-25 percent in the near term and 30-40 percent over time, and has engaged international asset recovery firms to trace and reclaim overseas assets linked to defaulted loans.

"While this is a time-intensive process, early indications suggest some progress," says the bank's CEO.

On costs, the bank is targeting a 25 percent year-on-year reduction and

to pay dividends in the near term due to its current financial condition.

Management remains focused on restoring profitability and operational stability before resuming dividend payments, he adds.

The managing director described the current board of the bank as professional and supportive, with decision-making processes aligned with management priorities.

While acknowledging that governance issues may have contributed to past challenges, he emphasised that ongoing reforms are focused on strengthening transparency, accountability, and professionalism.

Good budget in bad times

MAMUN RASHID

A national budget is not merely a financial plan. It reflects political commitment and sets the direction of travel. The FY2026-27 budget arrives at a critical moment, shaped by a global slowdown, geopolitical tensions, trade imbalances, earnings shortfalls and deep domestic structural weaknesses. These realities demand closer scrutiny than usual. A careful reading suggests the budget may fall short of offering a credible roadmap for nurturing national capital. Revenue measures are prominently highlighted, yet several appear arbitrary, akin to "killing the goose that lays the golden eggs". Such an approach is unlikely to ensure a steady economic path.

The proposed outlay of Tk 8.73 trillion is ambitious in current circumstances. The immediate concern is the revenue target of about Tk 6.36 trillion, heavily dependent on the National Board of Revenue (NBR). Over the past four fiscal years, the NBR has repeatedly missed its goals because of administrative inefficiencies, opaque policies and weak taxpayer trust. There is little sign of a firm push to use technology in tax collection or to strengthen transparency. At the same time, greater pressure on the middle class risks eroding purchasing power further. On the expenditure side, more than Tk 2.53 trillion is earmarked for the Annual Development Programme (ADP). Infrastructure matters, but chronic weaknesses in implementation dilute its impact. Execution rates have hovered between 65 percent and 70 percent, and cost transparency remains doubtful. In some instances, the price of a pedestrian bridge rivals that of a four-storey building in upscale Dhaka.

Inflation remains the most acute social strain. Overall inflation has exceeded 9 percent, while food inflation has crossed 12 percent. For lower-middle-income urban households and rural families, living costs continue to tighten. Yet the budget offers no bold response. There is no clear plan for urban rationing, subsidised transport or housing support. Social safety net allocations may rise slightly, but per capita support remains inadequate. Investment and employment receive optimistic rhetoric but limited substance. Tax incentives and a single-window system are being talked about, but core obstacles remain unresolved: land complications, bureaucratic delays, political uncertainty and tight financial sector liquidity. Increased government borrowing from banks could crowd out private entrepreneurs, especially SMEs. Export-oriented sectors gain some tax relief, but dollar shortages and letter of credit constraints continue to deter investors.

The absence of meaningful banking reform is striking. Non-performing loans approach Tk 6 trillion, bank mergers face scrutiny, and governance concerns persist. Yet the budget outlines no concrete remedies. A sound banking system is essential to sustain liquidity and maintain balanced interest rates. External vulnerabilities also endure. Export earnings remain subdued, and foreign exchange reserves hover below \$30 billion. Remittances have improved but still fall short of potential because of structural gaps and informal channels. The Middle East crisis could further disrupt overseas employment for blue-collar workers. This prompts a central question: how will such a large budget be executed? A budget succeeds only when it reflects ground realities. The economy is already weighed down by rising domestic borrowing, weak private credit growth, persistent inflation and a fragile safety net.

At this point, the budget could have marked a turning point by signalling administrative reform, disciplined execution and renewed public trust. Instead, it risks becoming another catalogue of figures and pledges without a clear framework for structural change. Bangladesh now needs a coordinated and inclusive strategy grounded in data and realism. Priority must go to private sector growth, transparent tax administration, efficient project delivery and stronger banking discipline. Reducing poverty ultimately depends on expanding investment and employment. That, in turn, requires broadening the tax base while lowering rates, a task that calls for courage, innovation and firm political leadership.

The writer is an economic analyst and chairman of Financial Excellence Ltd

The writer is an economic analyst and chairman of Financial Excellence Ltd

Dollar set for biggest weekly drop since Jan

REUTERS, New York

The dollar slipped on Friday, putting it on track for its largest weekly drop since January, as investors sold safe-haven assets on the assumption that oil shipping will resume if a ceasefire holds in the Gulf.

The dollar had tumbled in March as one of the few bastions of safety as the Iran war sent oil prices surging and hit stocks and gold, while inflation worries pressured bonds.

But since a fragile ceasefire was reached on Tuesday, those positions are being unwound.

The euro has rallied 1.8 percent this week to trade at \$1.173, while sterling has gained 2 percent since Monday to \$1.347.

The risk-sensitive Australian and New Zealand dollars are set for weekly rises of nearly 3 percent on the dollar, with the Aussie trading just above 70 cents.

MARKETS ARE OPTIMISTIC EVEN THOUGH CEASEFIRE IS FRAGILE

"The market still seems generally optimistic, despite some of the ceasefire fraying," said Marc Chandler, chief market strategist at Bannockburn Global Forex.

Data on Friday showed that US consumer prices rose by the most in nearly four years in March as the Iran war boosted oil prices and the pass-through from tariffs persisted.

The increase was largely in line with expectations and the markets' direction is more likely to hinge on the outcome of weekend peace talks between the US and Iran in Islamabad, analysts said.

READ MORE ON B2

US inflation surges to 3.3% as war impact bites

AFP, Washington

Inflation in the United States rose sharply in March, government data showed Friday, as higher energy prices due to the war in the Middle East hit Americans hard.

The nationwide sticker shock put pressure on President Donald Trump, who has ordered peace talks with Iran and faces mid-term elections in November.

The rate of inflation rose to 3.3 percent year-on-year in March, the US Bureau of Labor Statistics (BLS). By comparison, this same consumer price index (CPI) was 2.4 percent year-on-year a month earlier.

Gasoline prices surged by 21.2 percent between February and March — the largest monthly increase since the government began publishing a related index in 1967, the US Bureau of Labor Statistics (BLS) said.

Markets had anticipated the surge, according to the consensus published by MarketWatch.

The United States and Israel began bombing Iran on February 28 and Tehran retaliated by blocking traffic in the Strait of Hormuz, a waterway used to carry a fifth of the world's oil and gas deliveries.

Despite being the world's top producer of crude oil, the United States also felt the pain, as prices at the gas pump shot up.

A gallon (3.78 liters) of regular gasoline currently costs an average of \$4.15 in the United States, compared to approximately \$3 just before the war.

The Trump administration — elected in part on a promise to quash inflation — maintains that the war's economic disruptions will be temporary.

'MORE PAIN AHEAD'
Reacting to the data, White House spokesperson Kush Desai said the US economy "remains on a solid trajectory."

READ MORE ON B2

Asia boosts US LPG imports to replace Middle East supply

REUTERS, New Delhi/New York

Asia's biggest liquefied petroleum gas (LPG) importers, including India and China, are racing to replace disrupted Middle East supplies with cargoes from the Americas, driving spot premiums to record highs, analysts and traders said.

LPG exports from the Middle East, Asia's top supplier of the fuel used for cooking and feedstock for petrochemical plants, have plunged since the US-Israeli war with Iran started in late February.

The supply shock is squeezing Asian petrochemical producers' margins, forcing them to cut output, and raising costs for millions of Asian households, analysts and traders said. India and China are the biggest importers of LPG from the Middle East.

Middle Eastern LPG exports tumbled 73 percent to 419,000 barrels per day (bpd) in March from the previous month, data from analytics firm Kpler showed.

The supply shock drove spot premiums for propane and butane loading in April from the Gulf to record highs of \$250 per metric ton to March Saudi contract price swaps on March 30, according to pricing agency Argus.

Saudi Aramco sharply raised its April official selling prices amid the supply crunch. The April propane price rose by \$205 per ton to \$750, while butane increased by \$260 per ton to \$800.

"Key importers such as India are actively diversifying their sourcing strategies, increasing procurement from the United States, Norway, Canada, and other regions alongside remaining Gulf supplies," said Vasudev Balagopal, global head of petrochemical trading at financial services platform Marex.

ALTERNATIVE SUPPLY

To meet Asia's shortfall, US LPG exports are expected to surge to a record 2.7 million bpd in April, with about 1.8 million bpd headed to Asia, 14 percent higher than March, preliminary Kpler data showed. That drove US Gulf spot terminal fees for propane and butane to a record \$273.525 and \$240.09 per ton, respectively, on March 19, Argus data showed.

"We saw some additional propane still being offered to Asia for May arrivals," said Marex's Vasudev.

However, Greg Bower, a broker at New Stone, said the US cannot replace the Middle East fully, adding that export terminals were already operating close to capacity before the conflict.

According to US Energy Information Administration data, the country had 48.4 million barrels of ready-for-sale propane as of March 27.

Moreover, transit times from the US Gulf Coast to Asia take more than 30 days, significantly longer than a two-week voyage from the Middle East, traders said, adding to supply strains amid uncertainty over when Iran will allow the strategic Strait of Hormuz to reopen as part of a fragile ceasefire deal.

Last year, the Middle East accounted for about 48 percent of total Asian LPG imports at 1.54 million bpd, while the US sent about 39 percent or 1.26 million bpd, Kpler data showed.

LOSS IN DEMAND

Insufficient LPG supply led to demand

destruction in March, analysts said.

Consultancy Rystad Energy estimated LPG demand loss from regional steam crackers at about 135,000 barrels per day in March from February levels, with a further 35,000 bpd decline expected in April and 11,000 bpd in May.

In China, propane dehydrogenation (PDH) plants, already operating at around 60 percent to 65 percent before the conflict because of poor margins, are expected to trim runs by a further five percentage points in April due to feedstock shortages, according to Rystad. Such plants produce propylene, a key building block for plastics and other chemicals.

For cooking gas, India's demand dropped around 205,000 bpd in March.

"The supply situation in India is gradually improving but shortages persist even as long-haul cargoes arrive in India from as far as Argentina and the US," Rystad analyst Manish Sejal said.

Rystad expects Indian LPG demand to recover from April, with losses narrowing by about 70,000 bpd.



PHOTO: REUTERS/FILE

People surround a vehicle loaded with LPG cylinders outside a gas agency amid supply disruptions following the US-Israeli war with Iran, in Ahmedabad, India.