

PAINT INDUSTRY seeks relief as supplementary duty adds to mounting pressures



Mohsin Habib Chowdhury

President of the Bangladesh Paint Manufacturers' Association (BPMA) and COO and Director of Berger Paints Bangladesh Ltd

While global and domestic economic headwinds have weakened demand, the supplementary duty has emerged as a persistent and policy-driven burden, compounding the sector's difficulties, said Mohsin Habib Chowdhury, president of the Bangladesh Paint Manufacturers' Association

STAR BUSINESS

Bangladesh's paint industry is navigating one of its most challenging periods in recent years, squeezed by slowing economic growth, rising input costs, and what an industry leader described as an ill-timed and unjustified tax burden.

In an interview, Mohsin Habib Chowdhury — president of the Bangladesh Paint Manufacturers' Association (BPMA) and also chief operating officer and director of Berger Paints Bangladesh Ltd — outlined how a combination of operational and external pressures is putting the industry under strain.

At the centre of their concern is the 10 percent supplementary duty (SD) on

the imposition of a 10 percent supplementary duty on paint products has become a central point of contention.

Chowdhury said a supplementary duty of 10 percent was imposed from June 10, 2010, to June 2011. It was later reduced to 5 percent at the manufacturing stage, remaining in place from FY2011-12 through FY2018-19.

From FY2019-20 until January 8, 2025, the SD stood at 5 percent at the supply stage. Effective January 9, 2025, the rate has been revised upward to 10 percent at the supply stage, where it remains to date.

"At a time when the industry was already struggling with slowing demand and rising costs, increasing

the supplementary duty has only added to the pressure," he said, arguing that such a move contradicts the need to support local manufacturing.

Supplementary duty is traditionally applied to luxury or non-essential goods. However, Chowdhury strongly rejects the classification of paint as a luxury item, arguing that it performs a critical functional role in protecting infrastructure and assets.

"Paint is not merely decorative — it is essential for preserving the durability and longevity of assets," he said.

The protective function of paint — preventing corrosion, weather damage, and structural deterioration — is particularly important in a country like Bangladesh, where environmental conditions can accelerate wear and tear.

From this perspective, discouraging paint usage through higher taxation could have unintended consequences. Reduced maintenance can shorten the lifespan of buildings, bridges, and industrial assets, ultimately increasing long-term costs for both the public and private sectors.

Industry estimates suggest that inadequate asset maintenance due to underuse of paint could result in economic losses equivalent to 1-1.5 percent of GDP, a significant figure in a developing economy.

Chowdhury pointed out that globally, paints are treated as functional goods, and supplementary duty is not imposed on local paint manufacturing in other countries, including regional competitors.

"This makes the current policy not only burdensome but also inconsistent with international practice," he added.

A STRUCTURAL BURDEN IN A TIME OF CRISIS

percent, with some solvent-based materials experiencing spikes of up to 30 percent.

These pressures are compounded by domestic factors, including higher fuel prices and exchange rate volatility, which further increase the cost of imports.

For an industry that is almost entirely dependent on imported raw materials, such fluctuations can have an immediate and severe impact.

PRICE ADJUSTMENTS AND DEMAND RISKS

Faced with rising costs, paint manufacturers have little choice but to increase prices. Industry-wide price adjustments are already underway, with companies implementing hikes to partially offset cost increases.

Higher prices risk dampening demand even further in an already weak market. Consumers may delay or reduce painting activities, which not only affects industry revenues but also undermines asset maintenance.

"This creates a multiplier effect," Chowdhury explained. "Lower consumption leads to lower production, reduced revenue, and ultimately less contribution to the economy."

In this context, the supplementary duty adds another layer of pressure, pushing prices higher than they would otherwise be.

LOW CONSUMPTION HIGHLIGHTS POLICY MISALIGNMENT

The industry also challenges the rationale for imposing supplementary duty by pointing to Bangladesh's relatively low paint consumption.

Per capita paint usage in the country stands at approximately 1.5-1.6

profitability would limit companies' ability to invest in expansion, innovation, and capacity building.

"This is not just an industry issue — it has wider economic and social consequences," he said.

REVENUE PARADOX: SHORT-TERM GAINS, LONG-TERM LOSSES

While supplementary duty contributes to government revenue in the short term, industry leaders argue that it could be counterproductive in the long run, he said.

Higher costs and lower demand reduce overall sales volumes, which in turn affect VAT collection, corporate taxes, and other revenue streams.

"If the industry grows, the government earns more through volume," Chowdhury said. "But if growth is constrained, total revenue may actually decline."

This creates a paradox where a policy intended to boost revenue could end up undermining it.

A CALL FOR PRAGMATIC REFORM

The industry is not calling for immediate and complete withdrawal of supplementary duty, recognising the government's fiscal constraints.

Instead, it is proposing a phased and pragmatic approach.

"If full withdrawal is not possible, a gradual reduction plan would provide much-needed relief," Chowdhury suggested.

Such a move, he argued, would help stabilise prices, support demand, and enable manufacturers to maintain operations without compromising profitability.

In the longer term, this could lead to higher production, increased employment, and stronger contributions to government revenue.

DEMAND-SIDE PRESSURE

Industry under pressure from economic slowdown

High prices of construction materials lower demand for paint

Growth stagnates; a few years saw negative growth

COST ESCALATION AND SUPPLY-SIDE CHALLENGES

Costs rising despite low revenue growth

Costs of paint raw materials up 30%

Industry depends heavily on Middle East for raw materials

Price goes up due to SD

POLICY CONCERNS

10% SD increases industry burden

SD seen as ill-timed policy pressure

Paint wrongly taxed as luxury under SD

ECONOMIC SIGNIFICANCE OF PAINT

Paint essential for infrastructure protection

Low usage may cause GDP loss

Bangladesh paint consumption remains very low

OUTLOOK

SD may reduce demand and jobs

locally manufactured paints — a policy that industry leaders argue is both conceptually flawed and economically damaging, he said.

While global and domestic economic headwinds have weakened demand, Chowdhury emphasised that the supplementary duty has emerged as a persistent and policy-driven burden, compounding the sector's difficulties at a time when it can least afford additional costs.

GROWTH STALLS AS ECONOMIC MOMENTUM WEAKENS

The challenges facing the paint industry are closely tied to the broader economic environment. Bangladesh's growth trajectory has slowed in recent years, with revised projections falling below earlier expectations. This has had a direct impact on construction, infrastructure development, and housing — key drivers of paint consumption.

"The paint industry is closely linked with the overall development sector," Chowdhury said, noting that reduced activity in construction translates almost immediately into weaker demand for paints.

The result has been a prolonged period of stagnation. Industry growth has remained flat — and in some recent years, even negative. For manufacturers, this creates a difficult situation: while revenue growth stalls, fixed costs and operational expenses continue to rise.

This imbalance has eroded profitability across the sector, particularly for smaller players who lack the scale to absorb shocks.

SUPPLEMENTARY DUTY: A MISPLACED POLICY TOOL

Against this fragile backdrop,

One of the industry's key concerns is that supplementary duty represents a permanent structural cost, unlike temporary external shocks.

Manufacturers are currently grappling with multiple cost pressures, including rising raw material prices and logistical disruptions. While such challenges are difficult, they are often cyclical and expected to ease over time.

Supplementary duty, however, remains in place regardless of market conditions.

"This is what makes it particularly challenging," Chowdhury said. "We can attempt to manage external shocks, but a policy-driven cost that persists over time becomes much harder to absorb."

The burden is further amplified by weak demand, which limits the ability of manufacturers to pass on higher costs to consumers. As a result, companies are forced to absorb a significant portion of the duty, squeezing margins and reducing profitability.

RISING COSTS FROM GLOBAL DISRUPTIONS

At the same time, the industry is dealing with sharp increases in input costs, largely driven by geopolitical tensions in the Middle East.

Paint production relies heavily on petrochemical derivatives, many of which are sourced from the Middle East. According to Chowdhury, the region accounts for 50-55 percent of the industry's raw material supply.

Recent disruptions have affected both availability and pricing. Supply constraints, combined with increased freight costs due to altered shipping routes, have significantly pushed up input prices.

Manufacturers are now facing average cost increases of around 15

kilogrammes, significantly below regional and global averages.

In global comparison, Bangladesh's paint consumption remains significantly lower. Per capita usage in India and Sri Lanka exceeds 3 kilogrammes, while ASEAN countries average around 7-8 kilogrammes.

The gap widens further with China at approximately 14-15 kilogrammes, and developed economies such as Singapore and the United States recording consumption levels above 20 kilogrammes per person — highlighting the extent of underuse in Bangladesh.

This disparity suggests that Bangladesh is not over-consuming paint — in fact, it is under-consuming relative to its level of development.

From a policy perspective, this would typically warrant measures to encourage usage, not discourage it.

Low consumption also indicates gaps in awareness and maintenance practices, which could have long-term implications for infrastructure quality and durability.

INDUSTRY CONSOLIDATION AND EMPLOYMENT RISKS

The cumulative impact of these pressures is already visible within the industry.

Of the 34 companies listed under the Bangladesh Paint Manufacturers' Association, only 28 remain active, reflecting the strain on smaller players.

Chowdhury warned that continued pressure could lead to further consolidation, with weaker firms forced to shut down.

This has broader economic implications. Factory closures would lead to job losses, disrupt supply chains, and reduce overall industrial activity.

At the same time, declining

THE BROADER DEVELOPMENT ARGUMENT

Beyond immediate industry concerns, Chowdhury framed the issue within a broader development context.

Paint usage is closely tied to infrastructure quality, urban aesthetics, and even public well-being. Well-maintained buildings and environments contribute to both economic productivity and quality of life.

In some countries, regulatory frameworks actively encourage periodic repainting to ensure structural protection and visual standards. Such approaches, he suggested, could be adapted to Bangladesh to promote better maintenance practices.

"Encouraging paint usage is not just about business — it is about protecting national assets," he said.

The challenges facing Bangladesh's paint industry reflect a complex interplay of global disruptions and domestic policy choices.

While external pressures such as geopolitical tensions and supply chain disruptions may ease over time, the impact of supplementary duty will persist unless addressed through policy reform.

For an industry that plays a critical role in protecting infrastructure and supporting development, the stakes are high.

As Chowdhury emphasised, the priority should be to support industries that enable long-term value creation, rather than burdening them during periods of economic stress.

A recalibration of supplementary duty — whether through reduction or phased withdrawal — could provide the relief needed to stabilise the sector, restore growth momentum, and unlock its full contribution to the economy.

