

Star BUSINESS



BGMEA offers to help US define cotton use rules

REFAYET ULLAH MIRDHA

Bangladesh's top garment exporters association has offered to help the United States define the rules governing a zero-tariff benefit tied to the use of US cotton and man-made fibre (MMF).

The offer was made as US officials are yet to clarify how the facilities – stated in the bilateral trade deal signed in February amid reciprocal tariff pressure – will work in practice.

Members of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) made the proposal at a meeting in Dhaka yesterday with a delegation from the United States Trade Representative's (USTR) office, led by Assistant USTR for South and Central Asia Brendan Lynch.

The delegation arrived on May 5 and is holding meetings through May 7.

Under Article 5.3 of the Agreement on Reciprocal Trade (ART), the US committed to a mechanism allowing certain Bangladeshi textile and apparel goods to enter the American market at a zero reciprocal tariff rate, provided they are made from imported US cotton or MMF.

"We sought clarity on the whole issue of using American cotton and its benefits from the USTR officials at the meeting," said Faisal Samad, a BGMEA director who attended the meeting.

According to industry insiders, two interpretations are currently circulating among exporters.

One holds that the zero tariff would apply only to the portion of a garment's value attributable to US-sourced inputs. Since fabric and fibre typically account for 70 to 80 percent of a finished garment's cost, that would mean the remaining tariff – either the 10 percent universal rate or the 19 percent reciprocal rate set for Bangladesh – would apply only to the rest.

The other reading is that duty-free access would cover the entire garment if US cotton or MMF were used in production.

Exporters also raised questions about traceability – how authorities would verify that a garment was made using US inputs – and about whether tariff treatment would differ depending on whether raw cotton or processed fibre and fabric were sourced from the US.

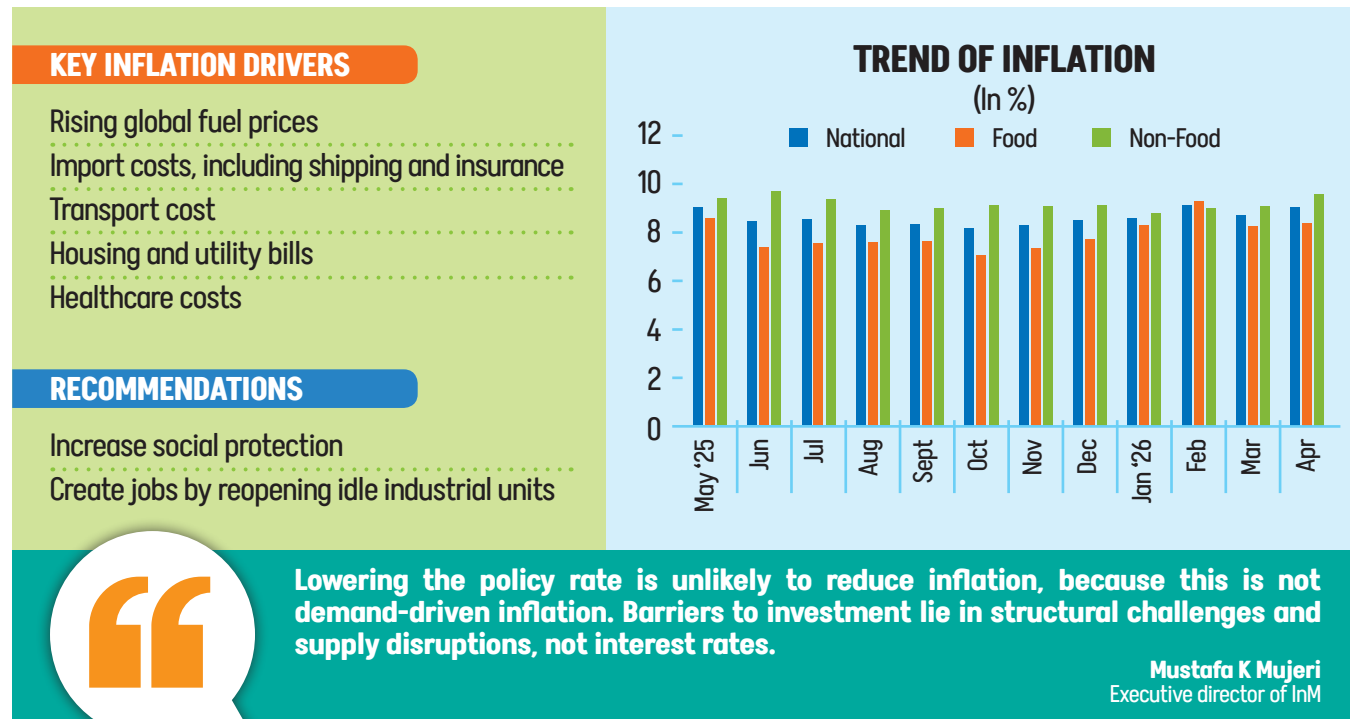
The USTR delegation said they are working on the modalities and will share updates, Samad said. BGMEA offered to cooperate in developing those rules.

Around 40 percent of Bangladeshi garment exporters currently use US upland cotton, primarily for high value-added products.

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Inflation climbs above 9% in April

Food and non-food prices rise, with transport and energy adding upward pressure as Middle East crisis raises import-related costs further



MD ASADUZ ZAMAN

Inflation climbed back above 9 percent in April, reversing the easing seen in March and signalling renewed pressure from fuel price hikes and higher import costs amid the Middle East war.

Point-to-point inflation stood at 9.04 percent last month, up from 8.71 percent in March, according to data released by the Bangladesh Bureau of Statistics (BBS) yesterday.

The increase was driven by both food and non-food items. But non-food inflation rose more sharply to 9.57 percent in April from 9.09 percent a month earlier, indicating sustained increases in the costs of fuel, transport, and other services.

Last month, food inflation edged up to 8.39 percent from 8.24 percent in March. Economists say higher fuel prices, along with rising import costs, are behind the renewed price pressure.

"The rise in inflation is largely driven by higher international prices; it is essentially supply-driven, import-cost-driven inflation," said Zahid Hussain, former lead economist of the World Bank's Dhaka office.

"It is not just fuel prices; others like shipping costs and insurance premiums have also risen. So, the cost of imports has increased, which feeds into services

and other sectors," he added.

Within the non-food category, transport and energy recorded notable increases. The transport index rose 1.83 percent month on month.

"The transport figure is particularly striking, showing a month-on-month increase of 1.83 percent, nearly 200 basis points," said the economist.

He said the rise reflected market prices that had not yet been fully captured in official fuel data.

Hussain said that before petroleum prices were formally adjusted in mid-April, diesel was already selling at Tk 130 to Tk 135 in the open market, compared with the official rate of Tk 100, with long queues and widespread hoarding.

"Since transport operators have been buying diesel at Tk 130 to Tk 135 while the official rate was Tk 100, the increase has been reflected there. But in the fuel category itself, the full effect has not yet been reflected," he said.

A similar gap exists for liquefied petroleum gas (LPG), which trades Tk 100 to Tk 200 above official rates in the open market. Because consumer price index calculations depend on official prices, Hussain said this difference has created a statistical blind spot.

"The 9 percent inflation we are seeing actually contains a kind of 'suppressed' or 'unreflected' component," he said.

"Inflation was already there, but it did not show up in official statistics because the price adjustment had not yet been formally made."

He said inflation could rise further in May as the full impact of April fuel price adjustments feeds through to wholesale and retail markets.

"When diesel prices increase, transport costs go up, wholesale prices increase, and then retail prices go up. This transmission process is not instantaneous," he said.

Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development, also cited the US-Israel war on Iran as a factor.

"Geopolitical tensions have pushed up transport costs, insurance premiums, and overall import expenses. This is affecting both food and non-food items," he said.

He said non-food inflation was more exposed because of its heavier reliance on imports, with higher shipping costs and supply chain disruptions pushing up production costs.

Mujeri said there is little sign of near-term relief. "If the current situation continues, the chances of inflation coming down are very slim. We are operating in a highly uncertain global environment, and that is fuelling inflation rather than easing it," he said.

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Trade deficit widens 24% on rising imports

STAR BUSINESS REPORT

The country's trade deficit widened by 24 percent in the July-March period of the current fiscal year, due mainly to stronger import growth and weaker export earnings.

The gap between imports and exports stood at \$19.17 billion in the first nine months of FY 2025-26, up from \$15.44 billion in the same period a year earlier.

In the July-March period, import payments rose 4.6 percent year-on-year to \$51.55 billion, according to Bangladesh Bank (BB) data.

Within this, petroleum imports increased sharply by 54 percent to \$6.29 billion. Crude petroleum alone jumped 81 percent to \$933 million, according to the central bank.

Economists linked the rise to volatile global fuel prices in March amid the US-Israel war on Iran and wider conflict across the Middle East.

During mid-March, crude oil prices climbed to about \$102-\$109 per barrel, compared with below \$100 in the previous month, pushing up the import bill.

Export earnings fell 4.4 percent to \$32.38 billion over the same period.

Despite the wider trade gap, the country's current account deficit narrowed. This indicator tracks net flows of goods, services and income between a country and the rest of the world.

The deficit stood at \$397 million in July-March of FY26, compared with \$878 million a year earlier.

Industry insiders said higher remittance inflows helped ease pressure on the current account. Expatriates sent more than \$3 billion a month for five consecutive months up to April, according to BB data.

The financial account also strengthened during the period. It rose to a surplus of \$3.81 billion from \$570 million a year earlier, reflecting increased inflows from loans, credit and other cross-border financial transactions.

Analysts said the surplus was largely driven by borrowing and trade credit rather than stable investment. Foreign direct investment remained moderate, while portfolio investment stayed negative, reflecting weak investor confidence.

During the period, net foreign direct investment stood at \$1 billion, down from \$1.31 billion in the same months of the previous fiscal year.

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Oil to average \$96 this year

ADB forecasts

SOHEL PARVEZ, from Samarkand

The Asian Development Bank (ADB) has projected that oil prices will average \$96 per barrel in 2026 – well above the pre-war average of \$69 – as key infrastructure has been damaged and, despite the ceasefire in the Middle East, transit through the Strait of Hormuz has not resumed.

Prices may moderate to \$80 on average in 2027, according to an updated ADB analysis on the impact of the Middle East conflict on Asia and the Pacific, released yesterday.

Fertiliser prices – especially those of urea, a key crop nutrient – have also shot up, fuelling inflationary expectations and increasing fiscal pressure on nations, particularly energy- and fertiliser-importing ones like Bangladesh.

The multilateral lender has lowered its 2026 growth projections for developing Asia and the Pacific, saying the conflict has proved far more disruptive than its early stabilisation scenarios suggested.

Regional GDP growth is now forecast at 4.7 percent, a 0.4 percentage-point drop, while the inflation estimate has been raised by 1.6 percentage points to 5.2 percent.

"Transit through the Strait of Hormuz remains severely impaired despite the April ceasefire. Physical damage to energy facilities across the Gulf will prolong supply disruptions beyond the end of the conflict – with some repairs expected to take three to five years," said ADB Chief Economist Albert Park.

"A new reference scenario incorporating persistent supply constraints points to materially slower growth and higher inflation; a severe downside scenario implies substantially larger impacts," he said at a media briefing on the sidelines of the ADB Annual Meeting in Samarkand, Uzbekistan.

The four-day event concluded yesterday with ADB President Masato Kanda terming the conference a success at the closing ceremony.

Park said impacts depend on imported energy dependency, fertiliser import exposure, and other economy-specific factors. Across subregions, the largest 2026 growth downgrades have occurred in South Asia, the Pacific, and developing Southeast Asia.

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Bangladesh should move up the global value chain: ADB

SOHEL PARVEZ, from Samarkand and REFAYET ULLAH MIRDHA in Dhaka

Bangladesh needs to move up the global value chain (GVC), with fresh policy measures aiming to support this by promoting diversification and higher value-added activities, according to a new Asian Development Bank (ADB) study.

The study on GVCs, growth, and inequality was released yesterday.

From a trade and GVC perspective, Bangladesh has become heavily dependent on ready-made garment (RMG) exports, with apparel making up over 80 percent of total exports, while the share of textiles has declined.

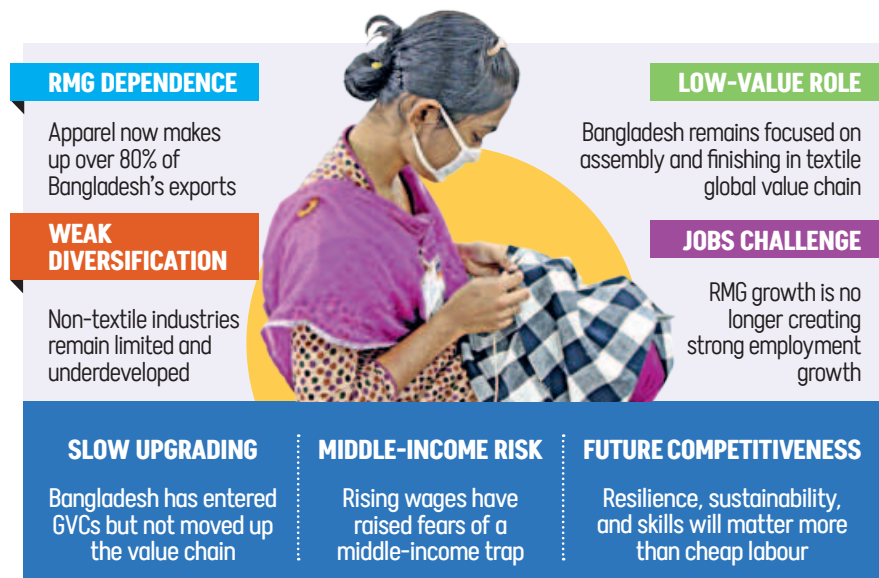
The country's participation in the textiles and textile products GVC is also concentrated in low-value downstream work, mainly assembling and finishing imported materials.

According to ADB data, compared with other major textile exporters in developing Asia and the Pacific, Bangladesh has a relatively low ratio of forward to backward GVC linkages.

This shows a strong dependence on imported fabrics, yarns, dyes and other inputs, with limited involvement in higher-value stages of production.

Strong specialisation in textiles and textile products has helped Bangladesh absorb labour and boost exports, but it has also limited structural upgrading. As a result, the country has joined GVCs but has not moved up within them.

This is reflected in weak forward linkages and limited knowledge transfer from global lead firms, which restrict



improvements in processes, products and functions.

GVC participation rates are also below the global average, showing less integration across different stages of production compared with peer exporters.

In addition, the industrial base outside textiles and textile products remains narrow, limiting value-added diversification and the development of local suppliers.

The report also said Bangladesh faces challenges in its GVC participation. Although exports and production in the RMG sector continue to grow, this expansion is not translating into stronger

employment growth.

Wages have also started to rise since Bangladesh was reclassified as a lower-middle-income country in 2015. This has raised concerns about a possible "middle-income trap," where economies struggle to move from middle- to high-income status.

Preferential market access, such as the European Union's Everything but Arms (EBA) scheme, has supported the growth and integration of the RMG sector. However, recent changes in rules of origin are limiting opportunities to upgrade in certain product areas, including knitwear.

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NBFI depositors seek urgent BB steps to get back funds

STAR BUSINESS REPORT

An alliance representing more than 12,000 depositors of six distressed non-bank financial institutions (NBFIs) has urged the Bangladesh Bank (BB) to take immediate steps to facilitate the return of their long-frozen funds.

The six NBFIs – FAS Finance, Premier Leasing, Fareast Finance, Aviva Finance, People's Leasing, and International Leasing – are now under liquidation.

Over the years, several NBFIs collapsed amid widespread mismanagement, weak governance, and heavy exposure to non-performing loans. Poor regulatory oversight and delayed action by the central bank deepened the crisis and ultimately led to liquidation.

Yesterday, in a memorandum submitted to the BB governor in Dhaka, the platform titled "Alliance of Depositors of 6 NBFIs for Recovery" said depositors have been facing acute financial hardship, mental distress, and a humanitarian crisis, as their savings have remained locked up for nearly seven years.

"Many depositors are unable to access treatment for critical illnesses such as cancer, kidney disease, and heart conditions due to a lack of funds," the memorandum said, adding that several depositors have already died without receiving necessary medical care.

As the regulator of banks and NBFIs, the central bank bears the highest responsibility to safeguard public deposits, the alliance said, calling for urgent intervention to resolve the crisis.

The alliance outlined three key demands, including an immediate announcement of a clear, realistic, and

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