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Bangladesh's GDP crosses half-a-trillion-dollar mark

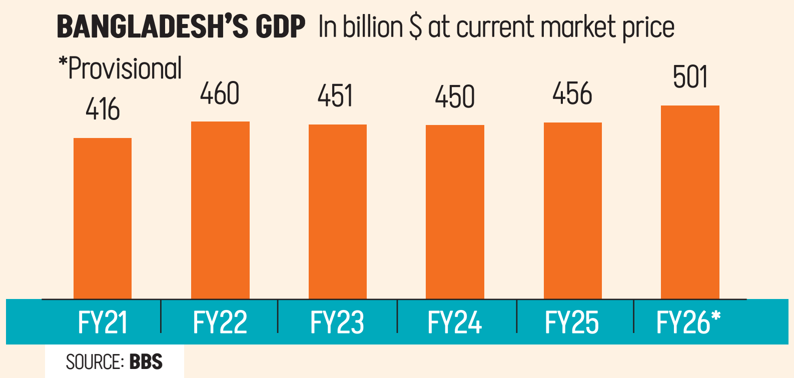
STAR BUSINESS REPORT

Bangladesh's economy has crossed the half-a-trillion-dollar mark for the first time in fiscal year 2025-26, provisional data from the Bangladesh Bureau of Statistics showed, as better performance in agriculture and services helped regain pace after a sluggish previous year.

The economy grew 4.14 percent in FY26, up from 3.49 percent a year earlier, the BBS said while releasing the estimate for the year ending June 30.

The agency made the estimate based on data from the first three quarters till March and will be revised again once the year ends, one official familiar with the process told The Daily Star on condition of anonymity.

As per the current estimate, the gross domestic product -- a measure of the final value of goods and services produced in an economy over a given period -- stood at $501 billion this year, up from $456 billion a year ago. Per capita income rose to $3,020 from $2,769 the previous year.



Economists say the growth is a positive sign but stress that the government should prioritise macroeconomic stability before chasing higher growth through investment and productivity gains. They also warned that persistent price pressures could further squeeze fixed- and low-income earners.

"Bangladesh's economy has been showing a trend of recovery, with the growth rate increasing. However, the extent of recovery has been quite moderate in comparison with the country's historical record," said Md Deen Islam, a professor of economics at Dhaka University.

"The most alarming factor in this regard is the relatively poor performance of its industrial sector," he said.

According to the bureau, the agricultural sector expanded 2.78 percent in FY26, up from 2.42 percent a year ago, while services grew by 4.59 percent, up from 4.35 percent. Manufacturing, however, slowed to 2.86 percent from 3.71 percent as exports fell and domestic demand weakened amid persistent inflation.

In view of the above factors, the government's goal of achieving 6.5 percent growth in the next fiscal year may be considered quite ambitious, said Professor Islam.

Though the provisional data show growth above 4 percent, the International Monetary Fund and other multilateral agencies had earlier forecast growth below that threshold for the year.

The Asian Development Bank attributed the slowdown in FY25 to political instability that weakened demand, compounded by labour disputes, recurring floods and restrictive macroeconomic policies, while elevated inflation persisted due to supply constraints.

Growth should gradually recover in FY26 and FY27 as consumption and investment pick up and political uncertainty fades with the general election out of the way, the ADB said. This, though, assumes that the Middle East conflict does not persist and global supplies normalise. The bank cautioned that rising interest payments and growing public debt levels warrant prudent debt management going forward.

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BB appoints new observer to Islami Bank amid unrest

STAR BUSINESS REPORT

The Bangladesh Bank yesterday appointed a new observer at Islami Bank Bangladesh PLC amid deepening unrest at the country's largest private bank.

The observer, Md Ashraful Alam, is also a BB executive director. He was appointed under powers vested in it by the Bank Companies Act, 1991, the central bank said.

Mohammad Shahriar Siddiqui, director and assistant spokesperson of BB, confirmed the development, saying the appointment had been made to closely monitor the bank's overall operations, safeguard the interests of the institution, protect depositors and ensure the greater public interest.

As an observer, Alam will participate in board meetings and other relevant activities, and report his observations on the bank's operations back to the central bank, added Siddiqui.

Earlier, in December 2022, BB had first appointed an observer at the country's largest shariah-based bank.

Siddiqui said the banking regulator remains committed to ensuring stability, good governance, transparency, and accountability in the banking sector.

Alam's appointment is expected to further strengthen confidence and discipline in Islami Bank's operations, he added.

The development comes as unrest, triggered by the appointment of Md Khurshid Alam as Islami Bank chairman, has gripped the bank. Since the protest started, customers withdrew over Tk 4,240 crore in deposits from the bank within seven days.

Due to the ongoing turmoil, the bank, which had staged a turnaround during the interim government's tenure, is facing mounting pressure from deposit withdrawals.

On Monday, the bank sought a special liquidity support facility of Tk 10,000 crore from Bangladesh Bank as the country's largest Shariah-based lender reeled from a surge in deposit withdrawals.

Earlier in the day, the Association of Bankers, Bangladesh (ABB), a forum of bank executives, met with BB Governor Md Mostaqur Rahman over the issue.

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Budget FY27: Who stands to win and lose from tax changes

MD ASADUZ ZAMAN *and* MOHAMMAD SUMAN

The BNP government is set to unveil a series of tax measures in the new budget for fiscal year 2026-27 today, offering incentives for green industries, digital entrepreneurs and technology manufacturers, while imposing higher taxes on tobacco products, conventional fuel-powered vehicles and selected imports.

The budget is also expected to reduce duties and taxes on essential commodities and healthcare-related products, while raising the tax-free income threshold for individuals, according to finance ministry officials familiar with the matter.

Finance Minister Amir Khosru Mahmud Chowdhury will place the Finance Bill 2026 in parliament in his first budget, setting a revenue target of Tk 604,000 crore for FY27, up from Tk 554,000 crore in the current fiscal year.

The budget is expected to outline broader tax reforms for businesses and introduce stricter compliance requirements, including measures to widen the tax net through greater use of Business Identification Numbers (BINs) and Taxpayer Identification Numbers (TINs).

As part of efforts to expand the tax base, the government may propose a 0.20 percent advance tax on the supply of goods to retailers. The amount collected would be small, at Tk 2 for every Tk 1,000 of goods supplied.

The government also plans to continue tariff rationalisation ahead of Bangladesh's graduation from least developed country (LDC) status.

Import duty may be reduced on 69 product categories, regulatory duty withdrawn on 113 items and supplementary duty reduced or removed on nine products.

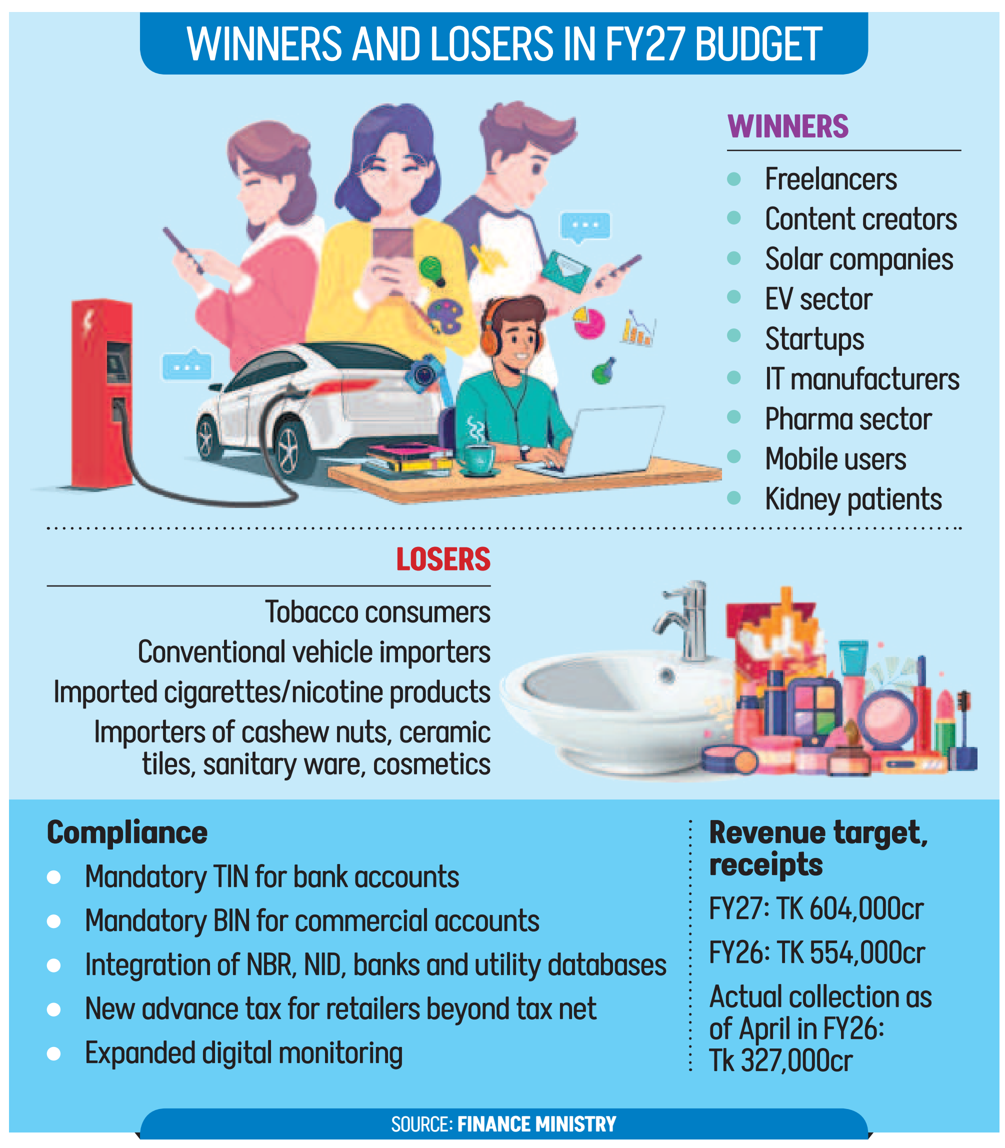
Value-added tax (VAT) has also been proposed on 20 previously exempt imported products, while customs valuation and protective measures could increase on a range of consumer and industrial goods.

RENEWABLE ENERGY, EVS AMONG BIGGEST BENEFICIARIES

Renewable energy equipment appears set to be one of the biggest beneficiaries in the new budget.

Import duty and other taxes could be waived or reduced on solar inverters, lithium-ion batteries, battery pack housing, solar photovoltaic modules, and steel and aluminium mounting structures.

The proposals would complement plans to keep solar power generation tax-free until 2035 and offer a 5 percent tax rebate to solar electricity users.



The electric vehicle (EV) ecosystem could receive similar support.

Tax concessions have been proposed for EV manufacturing, battery production, charging infrastructure, and electric buses and trucks. Advance income tax on EV registration may also be reduced significantly.

The total tax on imported electric cars valued at up to $25,000 would fall from 93 percent to 64 percent, while import duties on EV chargers and charging stations would drop from 39.75 percent to zero.

To encourage consumers to switch to cleaner vehicles, the budget may increase the tax on petrol and diesel cars with engine capacities between 1,200cc and 1,600cc to 155.88 percent from 132.36 percent.

Nearly all major duty exemptions proposed for green and manufacturing sectors, including semiconductors, batteries, computers, consumer electronics, EV components and electric buses, would remain in place until 2030 or 2031.

The aim is to give investors a longer planning horizon.

FREELANCERS, CONTENT CREATORS AND STARTUPS

Among the most notable proposals is an expansion of tax benefits for freelancers. Until now, incentives have largely been limited to IT-enabled services.

The government may propose extending those benefits to all categories of freelancing income.

Content creators would also enjoy a full income tax exemption, reflecting the growing importance of Bangladesh's digital creator economy.

Startup ventures and technology-based businesses could receive a zero percent turnover tax and full VAT exemption on local transactions, service imports and space rental until 2035.

Small and medium-sized enterprises (SMEs) may benefit from higher tax-free income thresholds, with turnover limits rising to Tk 50 lakh for general entrepreneurs and Tk 70 lakh for women and disabled entrepreneurs.

TECHNOLOGY AND SEMICONDUCTOR PUSH

Technology manufacturers also stand to gain. Existing incentives for mobile phone, computer, consumer electronics and digital device manufacturing could be extended until 2030.

The government may propose new benefits for semiconductor design, testing and packaging, signalling an ambition to position Bangladesh in higher-value segments of the global technology supply chain.

The SIM card tax of Tk 300 per connection is likely to be scrapped entirely.

Finance ministry officials estimate the move would reduce revenue by Tk 1,200 crore in the coming fiscal year, but expect the loss to be offset by wider digital inclusion and increased mobile usage.

RELIEF FOR HOUSEHOLDS, HEALTHCARE

The budget's most immediate impact may be felt by households.

Source tax on rice, wheat, potatoes, onions, garlic, ginger, edible oil, fish and dozens of other staples would be cut to 0.5 percent from rates of up to 5 percent.

It is the government's most direct intervention yet to ease inflationary pressures that have strained household budgets in recent years.

In healthcare, the proposals are targeted.

The withdrawal of VAT and advance tax on imported heart stents is expected to reduce the price of each unit by up to Tk 20,000.

Kidney dialysis costs could fall by Tk 800 per session following the removal of duties on dialysis filters, while intraocular lenses used in eye surgery could become cheaper by up to Tk 5,000 each.

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Bangladesh can be world's No. 1 RMG sourcing hub

Says Inditex regional chief

STAR BUSINESS REPORT

Bangladesh can become the world's most attractive apparel sourcing destination if it can deliver faster lead times, produce more value-added products and ensure seamless collaboration across the supply chain, according to a senior executive at Inditex, one of the world's largest fashion retail groups.

"I think it is the right time and in the right place that we should not be afraid of what the other countries are doing. We deal with India, Pakistan, Cambodia and Vietnam," said Javier Carlos Santonja Olcina, regional head for Bangladesh and Pakistan at Inditex.

"Bangladesh has enough capabilities to overtake all of them. This is my personal opinion. My company is trying to communicate to our supply chain in Bangladesh," he added.

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$404m WB loan, grant for health, nutrition services

STAR BUSINESS REPORT

The government has signed a loan and grant agreement with the World Bank to improve the country's health, nutrition and population services.

Under the agreement, the World Bank will provide $379 million in loan assistance, along with $25 million in grant support from the Global Financing Facility (GFF).

The financing will support two major projects under the Ministry of Health and Family Welfare, to be implemented between July 1, 2025 and June 30, 2029.

The first project, the Health and Nutrition Services Improvement and System Strengthening Project, will be implemented by the Directorate General of Health Services.

The project aims to improve the

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Development goals require strong partnerships: ADB

STAR BUSINESS REPORT

Bangladesh needs strong cooperation among the government, development partners and the private sector -- alongside adequate financing -- to achieve its development goals, Akira Matsunaga, deputy country director of Asian Development Bank's (ADB) Bangladesh Resident Mission, said yesterday.

"Bangladesh's development ambitions will require not only financing, but also strong partnerships and effective implementation," he said at the "Business Opportunities Seminar 2026" in Dhaka, organised by the ADB to highlight opportunities arising from projects funded by it and the World Bank.

"Forums such as today's seminar help strengthen collaboration among government, development partners and the private sector to deliver sustainable development outcomes," he added.

The ADB official also reiterated the multilateral lender's commitment to supporting private-sector participation and strengthening partnerships to advance Bangladesh's sustainable, inclusive and resilient development.

Jean Pesme, division director for Bangladesh and Bhutan at the World Bank, also underscored the importance of cooperation among development partners, government institutions and the private sector to support Bangladesh's next phase of development.

SM Jakaria Huq, additional secretary and ADB wing chief at the Economic Relations Division (ERD), reaffirmed the government's commitment to transparency, fair competition and effective implementation of development-financed projects.

The seminar brought together more than 800 representatives from government agencies, development partners, the private sector, contractors, consultants, suppliers and financial institutions to promote collaboration and enhance participation in development projects.

Among others, SM Moin Uddin Ahmed, chief executive officer of the Bangladesh Public Procurement Authority, and Sangita Ahmed, senior vice-president of the Bangladesh Women Chamber of Commerce and Industry, also attended the programme.