Business

DHAKA THURSDAY OCTOBER 15, 2026, ASHWIN 30, 1433 BS
starbusiness@thedailystar.net


B4 SOUTH ASIA'S YOUTH BOOM: OPPORTUNITY OR PRESSURE?

More goods could push UK exports to $10b

Say stakeholders

STAR BUSINESS REPORT

Bangladesh could more than double its export earnings from the UK to $10 billion a year if businesses look beyond readymade garments to products such as pharmaceuticals, food, shrimp, agricultural goods, bicycles, light engineering goods and plastics, stakeholders said.

The country shipped goods worth $4.67 billion to the UK in fiscal year 2025-26, mostly apparel, according to the Export Promotion Bureau (EPB).

But a more diverse export basket could lift that figure to $10 billion, said Mohammad Hasan Arif, vice-chairman and chief executive officer of the bureau.

Speaking at a workshop titled "Export Growth in the UK Market: Opportunities Beyond RMG" in Dhaka yesterday, he said Bangladesh accounts for only 0.49 percent of total UK imports of $948 billion, which points to significant room for growth.

"Increasing the share to 1 percent could take Bangladesh's exports to the UK to around $10 billion," Hasan said in his keynote presentation.

Bangladesh shipped goods worth $4.67 billion to the UK in FY2025-26, mostly apparel, but a more diverse export basket could lift that figure to $10 billion, said Mohammad Hasan Arif, vice-chairman and chief executive officer of EPB.

Besides reducing reliance on garments, he called for stronger value-chain management, internationally recognised testing and standards facilities, and better understanding among exporters of UK regulations and market opportunities.

The Dhaka Chamber of Commerce and Industry (DCCI), the EPB and the British High Commission in Dhaka jointly organised the event. Participants of the programme focused on helping exporters make the most of the UK Developing Countries Trading Scheme (DCTS), particularly as Bangladesh nears graduation from the least developed country (LDC) category.

The DCTS is a UK trade preference programme that cuts tariffs and simplifies trading rules. It replaces the Generalised Scheme of Preferences (GSP).

In his welcome address, DCCI President Taskeen Ahmed said the scheme could help Bangladeshi businesses expand their presence in Britain, but exporters would need to prepare to benefit from it.

He said exports to the UK remain heavily dependent on garments, leaving considerable scope to ship other products.

READ MORE ON B3

Take growth forecast downgrades seriously

Economists worry about low growth and high inflation forecast by IMF, World Bank and ADB, calling for urgent policy response



In the current situation, growth in FY27 will be low. Recovery will depend on how quickly energy supply improves, investment returns and inflation eases. The government should restore confidence with predictable policies and faster business approvals.

Fahmida Khatun
Distinguished fellow at CPD



The weakness in growth is not the result of one temporary shock. Private investment has remained stagnant, private-sector credit growth is exceptionally weak, and high interest rates have raised the cost of doing business.

Selim Raihan
Executive director of SANEM



We are confronting more than a temporary slowdown: Banking distress, energy shortages and weak fiscal capacity are constraining investment, while high inflation continues to erode household purchasing power. The WB assessment reinforces this diagnosis.

Ashikur Rahman
Principal economist of PRI



High interest rates and low investment, both public and private, are likely to bring economic growth down. But it is hard to tell the extent. Inflation is weighing more on the poor. The only way to push the growth rate is to boost public investment in the short run.

Kazi Iqbal
Research director of BIDS

STAR BUSINESS REPORT

The International Monetary Fund (IMF) this week cut its growth forecast for Bangladesh to 3.2 percent for the current fiscal year, close to its 3.4 percent projection for global growth in 2027. If realised, it would be the lowest GDP growth Bangladesh has recorded in 37 years.

The World Bank had earlier cut its forecast for fiscal year 2026-27 to 3.4 percent, and the Asian Development Bank (ADB) in September projected 4 percent growth. Both are well below the government target of 6.5 percent for FY27.

All three agencies expect inflation to stay high after four years of elevated prices. The IMF projects average inflation of 10.9 percent for the current fiscal year.

Economists said the downgrades should be taken seriously. They pointed to weak investment, persistent inflation, energy shortages and weaknesses in the banking sector.

They said high interest rates and rising production costs are holding back growth, while high non-performing loans hurt businesses and low revenue limits how much the government can spend on public investment.

Fahmida Khatun, distinguished fellow at the Centre for Policy Dialogue (CPD), a local think tank, said the estimates "point to a prolonged slowdown and a fragile recovery".

Ashikur Rahman, principal economist at the Policy Research Institute of Bangladesh (PRI), said the revisions did not surprise him.

He put growth for FY27 at around 3-4 percent and average inflation at roughly 9-11 percent, calling them "judgement-based estimates".

Ashikur saw little basis for expecting the 6.5 percent target to be met without a substantial improvement in investment and productive capacity.

Selim Raihan, executive director at the South Asian Network on Economic Modeling (SANEM), said the government's growth target "now looks increasingly detached from economic realities".

He expects growth of 3.5-4 percent and average inflation of about 9-10 percent, with upside risks from energy prices, exchange rates and domestic costs.

Kazi Iqbal, research director at the Bangladesh Institute of Development Studies (BIDS), said the economy is under stress and inflation is weighing more heavily on the poor.

He said spending more under the Annual Development Programme (ADP) is the only short-term way to lift growth.

'RESTORE CONFIDENCE'

CPD Distinguished Fellow Fahmida said recovery in FY27 will depend on how quickly energy supply improves, investment returns and inflation comes under control.

She said, "The government should restore confidence with predictable policies and faster, simpler business approvals."

The economist added that the government should strengthen banks through transparent loan classification and recovery or resolution of insolvent lenders, while preserving sound borrowers' access to credit.

"Reliable energy requires better planning, domestic exploration, efficiency and transmission investment. Public funds should support well-prepared projects with clear returns," said Fahmida.

According to her, revenue reforms can fund productive investment and targeted aid for low-income households.

"These measures will not produce an immediate rebound. But without progress, lower investment, weak job creation, and high inflation may continue to reinforce one another," she commented.

'FREE UP CREDIT FOR BUSINESS'

Selim said the broad message of the forecasts is that Bangladesh is experiencing unusually weak growth, made worse by persistently high inflation. If realised, the IMF projection of 10.9 percent inflation would mean another year of serious erosion in household purchasing power.

"Bangladesh is therefore facing an uncomfortable combination: businesses are struggling with weak demand, high financing and energy costs, while households continue to face rising living costs," he said.

"The weakness in growth is not the result of one temporary shock. Private investment has remained stagnant, private-sector credit growth is exceptionally weak, and high interest rates have raised the cost of doing business," he said.

"The energy shortage has become a binding constraint for many industries, while uncertainty over gas and electricity supply makes firms reluctant to undertake new investment."

Selim, also an economics professor at Dhaka University, said weak banks have further damaged lending, while low revenue is forcing the government to borrow heavily from banks, potentially squeezing private-sector credit.

"Political uncertainty, concerns over law and order, and policy unpredictability are also affecting business confidence."

"These problems reinforce each other. Weak investment reduces growth and employment; weaker growth constrains revenue; low revenue

READ MORE ON B3



Govt wants to shift from Chinese loans to investment

Khosru says

MD MEHEDI HASAN

Bangladesh is pushing to move its financing partnership with China from loans to investment, Finance Minister Amir Khosru Mahmud Chowdhury said yesterday on the sidelines of the IMF-World Bank annual meetings in Bangkok.

"We are gradually moving away from the state-to-state model towards investment and partnership," he said after meetings with the Chinese Exim Bank and the US Treasury.

"Future Chinese financing should shift from loans to investment, and we hope for a joint change in this regard," he added.

Emphasising joint and direct investment, he said: "Our main economic policy focus is on investment. We are moving away from loans."

He added that he had held long discussions with the Exim Bank.

He also met the US Treasury, where talks covered American assistance, debt management and Bangladesh-US relations. They also discussed grants from a US agency.

"We have not received much in the past," he said.

Bangladesh had told the US side that the relationship had reached a stage where it was buying aircraft, oil, soybeans and other commodities from the United States, he said. The imports were also helping reduce the trade imbalance.

"The time has come for US support to flow. If not now, when?" he said. "They have agreed to support. Let's see."

Separately, Rashed Al Mahmud Titumir, the prime minister's adviser on finance and planning, said development partners had expressed confidence in the government's strategy to revive the economy.

READ MORE ON B3

ANALYSIS

Fertiliser subsidy reform: Who will bear the cost?

TASNEEM TAYEB

Bangladesh is under pressure to reform its costly fertiliser subsidy system, but how the government would protect small and marginal farmers from higher input costs remains unclear.

The World Bank has recommended gradually replacing administered fertiliser prices with market-based pricing, backed by electronic vouchers for vulnerable farmers. Its latest assessment found that the largest 20 percent of landholders receive about half of all fertiliser subsidy benefits, while the smallest 40 percent receive just 13 percent.



The findings have renewed scrutiny of a subsidy bill that has nearly quadrupled in five years to around Tk 28,000 crore.

However, the distribution figures need context. Larger farms buy more fertiliser and therefore receive greater subsidies in absolute terms. For poorer households, even a smaller subsidy can represent a larger share of income.

The World Bank estimates that direct and indirect fertiliser subsidies account for 1.04 percent of income for the poorest fifth of households, compared with 0.10 percent for the richest fifth.

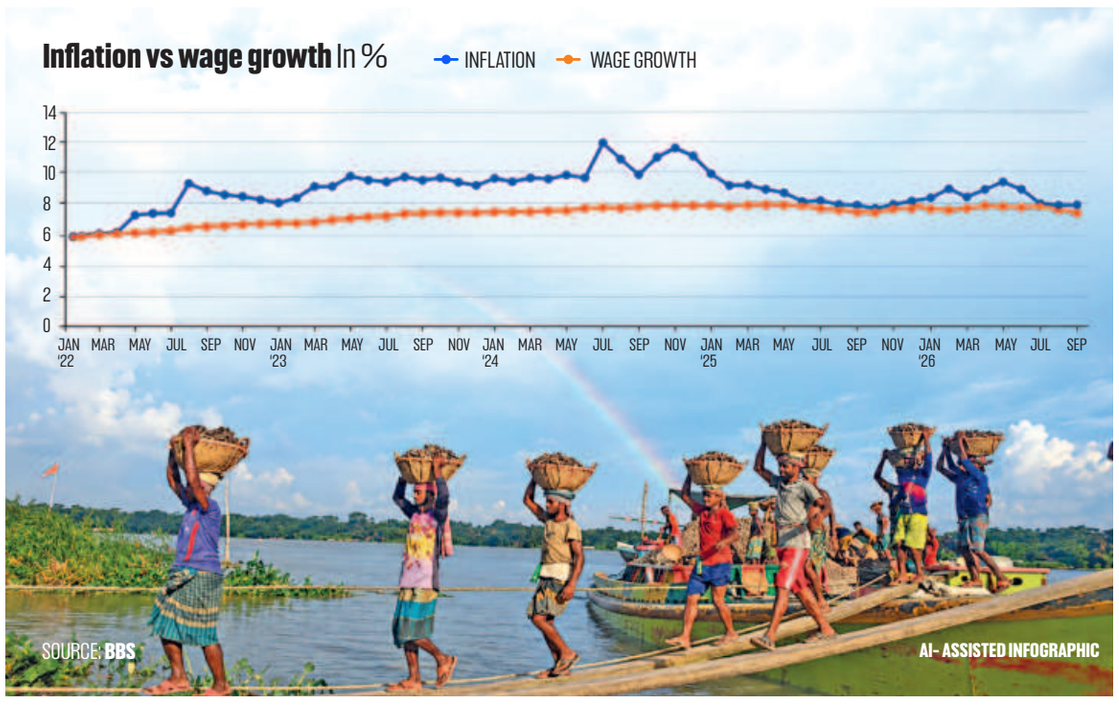
Bangladesh imports more than 85 percent of its fertiliser needs, leaving subsidy costs exposed to global prices, exchange-rate fluctuations and supply disruptions. The Middle East conflict has heightened these risks, threatening to increase import costs and the fiscal burden.

International lenders have long called for reform. In 2025, the IMF cited government plans to reduce subsidy costs through better storage, lower import expenses and higher selling prices.

The World Bank recommends phased price increases supported by digital farmer registries and electronic vouchers.

Yet the government had no plan to raise fertiliser prices while preparing the FY2026-27 budget, despite rising costs and subsidy spending, The Daily Star reported in June. A review of subsequent public announcements found no confirmed decision to introduce market-based pricing.

READ MORE ON B3



Inflation outpaces wage growth for 56 months: Why are workers losing out?

MD ASADUZ ZAMAN

Wages in Bangladesh are growing more slowly than prices, squeezing workers' purchasing power as a recent energy price hike threatens to add to living costs.

Inflation has outpaced wage growth for 56 consecutive months, government data show, leaving wage earners with less to spend on food, healthcare, education and other essentials.

In September, wage growth fell to 7.9 percent from 8.05 percent in August, according to the Wage Rate Index (WRI) of the Bangladesh Bureau of Statistics (BBS). The index tracks monthly wages of low-paid skilled and unskilled workers across 63 occupations in agriculture, industry and services.

Wage-earning households continued to face pressure on their real purchasing power in August, the General Economic Division (GED) said in its monthly update.

Whether that pressure eases will depend on the movement of wages and inflation, the GED said, particularly whether the recent moderation in food prices holds while non-food inflation stays elevated.

READ MORE ON B3