

# NEWSLETTER

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**Bangladesh Economic &  
Business Outlook:  
Rebound Amid Structural Challenges**

**National Logistics Policy 2025:  
Bangladesh's Emergence as a  
Regional Trade Hub**

## Bangladesh Economic & Business Outlook: Signs of Rebound Amid Structural Challenges

Bangladesh's economic outlook has begun to show signs of improvement, with recent assessments from the World Bank pointing to a rebound in the latter half of FY2025. This recovery has been driven primarily by stronger export performance, record remittance inflows, and gradual stabilisation of the country's foreign-exchange reserves.

The World Bank now forecasts GDP growth rising to 4.8% in FY2026, with further momentum expected to bring growth to 6.3% by FY2027, assuming the continuation of structural reforms and a supportive global environment. For the corporate sector, this shift suggests a modest but notable improvement in macroeconomic predictability, enabling better planning around investments, financing, and trade operations.

Despite the improving external picture, several underlying challenges continue to weigh on domestic economic activity. The first quarter of FY2026 (July–September 2025) saw subdued consumer demand as households remained pressured by lingering inflation and elevated living costs. Businesses, meanwhile, maintained a cautious stance, delaying major investment decisions due to uncertainty in both the political and economic landscape.

The central bank has kept its monetary policy tight, maintaining the repo rate at 10 percent to rein in inflation. While this reflects a continuation of the Bank's commitment to price stability, the high interest-rate environment is also limiting credit growth and access to affordable financing, especially for smaller firms and capital-intensive sectors. As a result, business expansion and new investments are likely to remain measured in the short term.

In parallel, the government has initiated a renewed push to strengthen the small and medium enterprise (SME) sector, recognizing its critical role in broad-based economic recovery.



The Investment Coordination Committee (ICC) has embarked on a series of reforms aimed at reducing procedural bottlenecks and easing operational challenges for SMEs. Notable improvements include simplified HS-code approvals for exporters, relaxed advance-payment rules that now permit higher thresholds without bank guarantees, and the introduction of foreign-currency cards for entrepreneurs, which will help SMEs access digital services and manage cross-border transactions more efficiently.

These measures collectively aim to enhance export readiness, streamline business operations, and improve financial inclusion for smaller enterprises. For corporates, the evolving SME ecosystem presents opportunities to diversify local supply chains, deepen partnerships with emerging vendors, and benefit from a more dynamic domestic business environment. Looking ahead, Bangladesh's economic trajectory signals cautious optimism. The medium-term prospects appear constructive, supported by improved external conditions and ongoing policy efforts to stabilize the financial system and boost competitiveness.

However, near-term business planning should continue to account for muted demand, high borrowing costs, and potential volatility stemming from the political context. Export-oriented industries and logistics are likely to feel the benefits of recovery first, followed by sectors linked to SMEs as reform measures take hold. For investors and business leaders, the landscape suggests that while prudence remains essential, strategic openings are beginning to re-emerge across sectors positioned to benefit from stabilization and reform-driven growth..



## New National Logistics Policy 2025: Laying the Ground for Bangladesh's Emergence as a Regional Trade Hub

Bangladesh has taken a significant step toward modernizing its trade and transport ecosystem with the introduction of the National Logistics Policy 2025. The policy aims to overhaul the country's fragmented logistics landscape and position Bangladesh as a competitive regional trade hub by 2050.

For corporates, investors and supply-chain operators, this marks one of the most important structural reforms undertaken in recent years. The logistics sector, spanning ports, transport, warehousing, customs, freight forwarding, and distribution, has long been constrained by inefficiencies, high costs, and multi-layered regulatory processes. These challenges have limited the country's export competitiveness and increased the cost of doing business. The new policy attempts to address these gaps head-on by providing a unified framework for infrastructure development, regulatory streamlining and digital transformation across the logistics value chain.

A key focus of the policy is improving multi-modal connectivity. This includes strengthening the integration of road, rail, inland waterways, and seaports to reduce transportation bottlenecks and shorten delivery times. The government is prioritizing investments in container depots, port expansion, cross-border transport corridors and modern logistics parks, initiatives expected to significantly enhance capacity and reduce congestion in both domestic and international trade routes.

Over time, these interventions aim to reduce logistics costs as a percentage of GDP, which currently remain higher than regional peers. Equally important is the policy's push for operational efficiency and regulatory simplification. Customs and border processes are set to undergo further digitization, with greater adoption of single-window systems, automated documentation and risk-based inspections.

These improvements are expected to reduce clearance times, minimize administrative delays and strengthen Bangladesh's standing in global trade facilitation indices. For exporters and manufacturers—especially in RMG, pharmaceuticals, agro-processing and light engineering—these changes could materially improve turnaround times and cost competitiveness.

The policy also emphasizes private-sector engagement, recognizing that sustainable progress in logistics requires collaboration with industry stakeholders. Through public-private partnerships (PPPs), the government aims to attract investment into warehousing, cold-chain management, last-mile delivery systems and high-tech logistics solutions. Enhanced regulatory clarity is expected to pave the way for international operators, logistics technology providers and large corporates to play a deeper role in upgrading Bangladesh's supply-chain infrastructure.

Crucially, the National Logistics Policy aligns with Bangladesh's strategic priorities as it prepares for post-LDC graduation. With the gradual phasing out of preferential trade benefits, the country's ability to maintain export competitiveness will depend heavily on supply-chain efficiency, reduced lead times and improved compliance standards. The policy therefore serves not just as an operational reform, but as a long-term economic strategy to safeguard and strengthen Bangladesh's global trade position.

In summary, the National Logistics Policy 2025 signals a forward-looking, reform-driven agenda aimed at unleashing the potential of Bangladesh's logistics industry. While implementation will require sustained commitment, coordinated institutional effort and substantial investment, the direction is clear: Bangladesh is preparing the groundwork to transform itself into a dynamic, efficient and globally connected trade hub. For businesses and investors, this shift presents new opportunities across transport, infrastructure, warehousing, technology and supply-chain partnerships—ushering in a more competitive operating environment for the next decade and beyond.

# Recent Legislative Developments in Bangladesh

## A new chapter for labour rights:

### Bangladesh Labour (Amendment) Ordinance, 2025: Key Highlights & Implications

The Government of Bangladesh has recently enacted the Bangladesh Labour (Amendment) Ordinance, 2025, introducing one of the most significant reforms to the country's labour framework in recent years. The amendment aims to modernize labour standards, expand worker protections, and improve compliance with international requirements.

#### Major Changes Introduced:

##### 1. Easier Formation of Trade Unions –

- Workers can now form trade unions with **as few as 20 workers** in establishments employing up to 300 people.
- Larger establishments follow a tier-based minimum number of applicants, replacing the earlier 20% support requirement.
- The change is intended to strengthen collective bargaining and give workers more organizational freedom.

##### 2. Expanded Definition of “Worker” -

The law now includes:

- Domestic workers
- Staff of non-profit organizations
- Seafarers and other previously excluded categories.

This expansion brings thousands of previously unprotected workers under formal labour safeguards.

##### 3. Stronger Workplace Protections-

The ordinance introduces:

- Prohibition of blacklisting of workers
- Mandatory provident fund or participation in a pension scheme
- Enhanced protections against sexual harassment
- Assurance of equal wages for men and women for the same role
- Additional welfare measures for injured workers, including medical and rehabilitation support

##### 4. Enhanced Dispute-Resolution Mechanisms-

Alternative dispute resolution (ADR) processes have been strengthened to encourage faster, less adversarial settlement of labour disputes.

#### Why This Reform Matters:

##### Aligning With International Standards-

The reform reflects recommendations from the International Labour Organization (ILO) and responds to long-standing calls from global buyers and partners to strengthen labour rights in Bangladesh.

##### Extending Legal Protection-

By formally recognizing domestic and non-profit workers, the amendment closes gaps in the existing law and broadens the scope of legal protection across sectors.

##### Improving Workplace Governance-

Stronger compliance mechanisms and clearer standards are expected to increase transparency and reduce labour-related conflicts in industries that rely heavily on manual labour.

#### What it means for investors, businesses, and the global supply chain

For foreign and domestic investors — including those coming from abroad — the new law presents both opportunities and challenges:

**Better compliance credentials:** With stronger labour protections and alignment with ILO standards, Bangladesh becomes more attractive to global buyers prioritizing ethical supply chains and fair labour practices.

**Higher long-term stability:** By providing security for workers through union rights, welfare measures, accident-injury funds, and anti-harassment policies, the law could reduce labour unrest and turnover, potentially improving productivity.

*Continued on Next Page:*

# Recent Legislative Developments in Bangladesh

**Short-term costs/adjustments:** Businesses may face higher compliance costs, need to revise HR policies, account for provident funds/pensions, and adapt to unionisation dynamics. For some low-margin sectors, this could present a challenge.

For socially conscious and compliance-sensitive investors — such as foreign enterprises, export-oriented manufacturers, or firms tied to global supply chains — the new ordinance could provide a more stable, sustainable environment. But success will depend heavily on how strictly and consistently it is implemented.

## Reactions: Optimism and Concern.

As reported by multiple national news agencies, the 2025 Amendment Ordinance has triggered diverse reactions from different sectors of society.

**Labour rights advocates and international partners:** Many welcome the reform as overdue and necessary, pointing to improved unionization rights, inclusion of previously unprotected workers, and stronger workplace protections.

International stakeholders have applauded the move, while one Embassy in Dhaka called the reform a “crucial step toward a level playing field for workers and businesses in Bangladesh.

## Industry players and employers:

Some industry bodies, particularly in the garment and manufacturing sectors, argue the lowered union threshold and stricter regulatory environment could lead to “confusion and unrest” in factories. They warn that the changes may disrupt operations, increase compliance burdens, and affect competitiveness if implemented hastily.

## Analysts and commentators:

While many applaud the intention behind the reforms, some caution that legal changes alone won't guarantee impact, enforcement will be key. As one op-ed noted, “the greatest obstacle, is not a lack of legislation; rather a chronic deficiency in their enforcement.

## Regional Influence and Geopolitical Positioning:

Active participation in ASEAN 2025 initiatives can also enhance Bangladesh's role in regional policymaking, trade agreements, and multilateral cooperation. Strengthened ties with ASEAN nations will improve connectivity, supply chain integration, and strategic partnerships, cementing Bangladesh's position in the evolving Southeast Asian economic landscape.

**To Conclude,** the Bangladesh Labour (Amendment) Ordinance, 2025 represents a landmark, possibly historic, step in modernizing Bangladesh's labour law. By simplifying union formation, expanding labour definition, strengthening protections, and aligning with international standards, it seeks to offer dignity, safety, and rights to millions of workers, including those previously left out.

For investors and businesses, it brings the promise of a more stable and compliance-friendly environment, but also the need to adapt. Ultimately, whether this grand redesign delivers depends on implementation, enforcement, and commitment from all stakeholders, workers, employers, regulators, and global partners.



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