



BUSINESS

Financial sector crisis, labour unrest flagged as key risks

STAR BUSINESS REPORT

Weakness in the financial sector and labour unrest might be the major sources of risk for the interim government in the short term, said a finance ministry report yesterday on Bangladesh's recent economic challenges and the way forward.

In view of this, the government should give the highest priority to bringing back discipline in the financial sector and mitigating labour unrest before it flares up, said the paper, presented by Finance Secretary Md Khaizaman Mozumder to Chief Adviser (CA) Muhammad Yunus.

Finance Adviser Salehuddin Ahmed, Bangladesh Bank Governor Ahsan H Mansur, and other senior finance ministry officials were present, according to the press wing of the CA.

The paper said factories near the Beximco Group's industrial enclaves are prone to the risk of labour unrest

The paper said factories near the Beximco Group's industrial enclaves are prone to the risk of labour unrest because of the layoff of 40,000 workers across the textile and garment units of Beximco.

Incidents of labour unrest have been taking place in factories whose owners are absconding on allegations of either corruption or money laundering.

The paper said a section of vested groups instigates the workers and students. This often deteriorates law and order and creates public suffering in industrial zones, it added.

The financial sector is also at risk because of the massive buildup of default loans.

Some 10 banks are at high risk due to mismanagement by the previous government, said the finance ministry paper, adding that authorities have appointed

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Supply chain disruptions thwart inflation fight

Says govt report, recommends special mobile courts to fix bottlenecks



INFLATIONARY TRENDS

| | | | |
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| Average inflation remains above 9% since FY23 | Inflation crossed 11% in July, eased to 9.94 in January | Inflation below 4% in Bangladesh's top sourcing countries | Therefore, import factors are less likely responsible |
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MEASURES TO COOL OFF PRICES

Key lending rates raised to 10% in Dec
Central bank shuns printing new notes
Govt continues belt-tightening, trims dev spending
Revenue board cuts tax on essential imports
Subsidised food distribution covers 1 crore families
District-level task forces formed for market monitoring



NOW GOVT LOOKS TO

- Streamline supply chain of essential items
- Bring essential stocks under close monitoring
- Strengthen Competition Commission to curb price gouging
- Ensure adequate seeds, fertilisers to boost agri output



STAR BUSINESS REPORT

Bangladesh has adopted measures to curb inflation, including tighter spending controls and higher interest rates, but deep-rooted supply chain bottlenecks continue to drive up prices for essential goods, according to a report from the Finance Division.

The report shared by the chief adviser's press wing to the media yesterday recommended that these structural issues will require long-term solutions, even as inflation shows signs of easing.

Inflation, which surpassed 11 percent in July 2024, declined to 9.94 percent in January 2025. Food prices -- a major driver of inflation -- followed a similar trend, dropping from 12.92 percent in December 2024 to 10.72 percent in January this year.

Despite this progress, the report identifies supply chain inefficiencies as a key factor behind elevated costs, particularly for staples

like rice, onions and potatoes.

To stabilise prices, the government should focus on improving storage and distribution networks for key commodities, the report suggested.

The report also recommends plans to conduct special mobile court drives at the district level to monitor and prevent price manipulation. It also calls for enhanced cold storage facilities and stricter oversight of food stockpiles.

Besides, the Bangladesh Competition Commission must be strengthened to prevent unfair market practices, with potential expansions to district-level operations under consideration.

"Although political shifts in 2024 brought some degree of economic uncertainty, the adoption of carefully planned monetary and fiscal policies by the interim government has resulted in positive developments in the economy," the Finance Division said in the report.

SHORT-TERM RELIEF EFFORTS

The government has rolled out several immediate measures to ease the price pressure on consumers. According to the report, subsidised sales of essential goods, including rice and cooking oil, are being conducted through Open Market Sales (OMS) in major urban areas.

As many as 1 crore families now benefit from subsidised

food distributed through "family cards".

The government has also reduced import duties and taxes on key items like onions, potatoes, and edible oil to soften the impact of global price fluctuations.

Besides, public spending on non-essential projects has been trimmed to prioritise relief measures and ensure the availability of essential items.

Alongside supply-side efforts, the government has adopted contractionary monetary policies to temper inflation.

The central bank raised the repurchase agreement rate incrementally from 8 percent in July 2024 to 10 percent in December last year in an effort to curb excessive demand.

However, inflation remains elevated, signalling ongoing challenges, according to the report.

PATH AHEAD

While the recent decline in inflation offers some relief, the Finance Division report underscores that sustained progress will require addressing supply chain inefficiencies. Inflation is expected to drop to about 8 percent by June.

"Additionally, the external sector is showing signs of stability, which is a promising development," the report said. "If supply chain inefficiencies are effectively addressed, inflation control measures could restore economic momentum."

STRAIN ON FOOD STOCK

Bangladesh is facing significant challenges in maintaining food security due to the devastating impact of floods during the current fiscal year (FY) 2024-25.

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Korean EPZ finally gets mutation documents

It may open doors for more FDI

STAR BUSINESS REPORT

The Korean Export Processing Zone (KEPZ), the single largest private export processing zone in Bangladesh, has finally obtained the much-needed mutation documents from the government on February 6, a move that may facilitate more foreign investment in the country.

Many proposals for foreign direct investment (FDI), such as Samsung, were withdrawn due to the lack of mutation documents for the KEPZ, said Shafiqul Alam, press secretary to Chief Adviser Prof Muhammad Yunus, at a press briefing in Dhaka yesterday.

Korean entrepreneur Kihak Sung, the highest merchandise exporter in the country from his company Youngone, also shifted some investment from Bangladesh to Vietnam for not having the mutation documents in a timely manner, the press secretary also said.

The government, which had earlier promised Sung to hand over the mutation document on February 6, fulfilled its commitment on time, raising expectations that FDI will return to Bangladesh.

Sung bought the land in Chattogram in 1999 and began setting up the EPZ on 2,500 acres of land.

However, he faced difficulties in obtaining the mutation documents due to government procedures and cumbersome processes.

Edible oil crisis is artificial: tariff commission

SUKANTA HALDER

The Bangladesh Trade and Tariff Commission (BTTC) met with refiners yesterday and concluded that the country does not have any shortage of edible oil at present.

Instead, local markets have a surplus of the cooking ingredient and the commission stated that the ongoing edible oil crisis is artificial.

Yesterday, the BTTC discussed the overall edible oil supply situation with the country's leading refiners as local kitchen markets face a shortage of both branded bottled and non-branded loose soybean oil, prompting a price spike.

At the meeting, top refiners said there is no supply crisis in the market; rather, they have increased soybean oil supply by 25 percent year-on-year in January this year.

Moreover, customs data shows that edible oil imports surged by nearly 35 percent between December 2024 and January 2025, with letters of credit increasing at a similar rate.

Additionally, multiple sources confirmed that global edible oil prices have remained steady and that imports are ensuring stable supply and pricing in the local market, according to the BTTC document released yesterday.

In yesterday's meeting, Amitab Chakraborty, adviser to City Group—one of the country's top food grain importers, which markets Teer-branded oil—said the company supplied around 50,700 tonnes of oil in January 2025, of which 22,242 tonnes were bottled.

In contrast, the group supplied 14,262 tonnes in bottled form during the same month in 2024.



The Meghna Group of Industries supplied 15,000 tonnes of bottled oil in January this year, compared to 12,000 tonnes in the same month last year, said Taslim Shahriar, senior assistant general manager of the group.

Meghna Group, a leading commodity importer and processor that markets Fresh-branded oil, supplied around 47,668 tonnes of edible oil last month, compared to only 25,000 tonnes in the same month last year, he said.

TK Group, another leading importer and commodity processor that markets Pusti-

branded oil, also reported a 24 percent year-on-year increase in bottled soybean oil supply in January 2025, said Md Shaiful Ather Taslim, director for finance and operations at the group.

The amount reached around 11,810 tonnes in the same month last year.

The refiners commented that stockpiling by some individuals at the grassroots level might be responsible for the perceived crisis in the market.

Many might have resorted to cutting open



Policy rate may remain unchanged

BB to unveil its monetary stance for Jan-Jun today

STAR BUSINESS REPORT

The Bangladesh Bank is expected to keep the policy rate unchanged at 10 percent in its monetary policy stance for the second half (January to June) of the current fiscal year as inflation eased slightly in December.

The central bank is set to unveil its monetary policy stance today through a press conference scheduled for 3:00 pm at the Bangladesh Bank headquarters. The final decision on the monetary policy stance is expected to be made at the board of directors' meeting of the central bank this morning.

Bangladesh Bank Governor Ahsan H. Mansur will announce the monetary policy stance for the second half of fiscal year 2024-25. This will be the first monetary policy announced by Mansur since he became governor of the Bangladesh Bank following the political changeover on August 5.

Members of the monetary policy committee told The Daily Star that the central bank had initially planned to unveil the monetary policy stance within January but postponed it until Monday (February 10) to review the inflation rate for December.

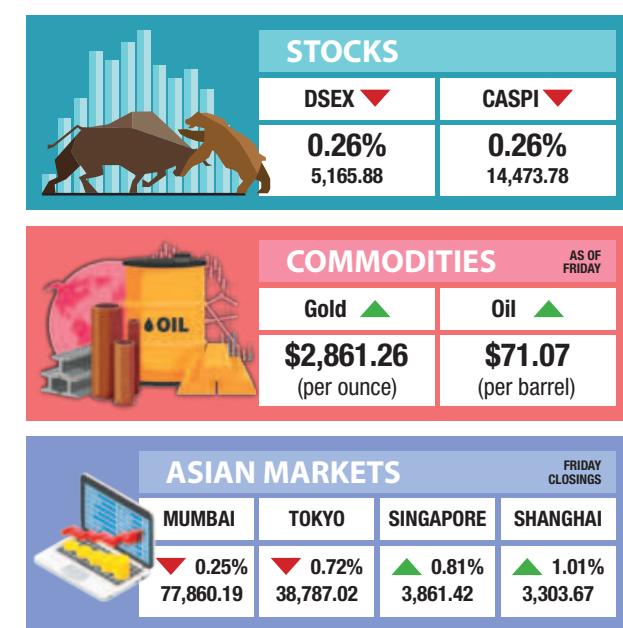
The governor had hinted that if inflation eased in December, the policy rate would remain unchanged since it had already been raised at an aggressive pace, they added.

Since inflation in December eased slightly, the policy rate is expected to remain unchanged.

In December 2024, inflation declined marginally to 10.89 percent from 11.38 percent in the previous month but remained above the 10 percent threshold for the second consecutive month, according to the Bangladesh Bureau of Statistics. This left the annual average inflation rate for 2024 at 10.32 percent.

Inflation in Bangladesh has remained above 9 percent since March 2023, with the central bank's existing contractionary monetary policy yet to significantly reduce consumer prices. Bangladesh Bank has hiked the policy rate several times, bringing it to 10 percent.

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World Bank VP calls for separating tax policy from NBR

STAR BUSINESS REPORT

Martin Raiser, vice president of the World Bank for South Asia, yesterday stressed the need to separate tax policy from the National Board of Revenue (NBR) in order to improve Bangladesh's tax-to-GDP ratio.

"We have discussed this issue, and the finance adviser has informed me that a cabinet decision has already been made," Raiser said while talking with reporters after a meeting with Finance Adviser Salehuddin Ahmed in Dhaka.

"Now, the question is how the government will implement it," he added.

Raiser emphasised the importance of swift action and said he expects to see progress within the next few weeks or months after completing required procedures.

"Any new tax benefits or measures must be approved

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