

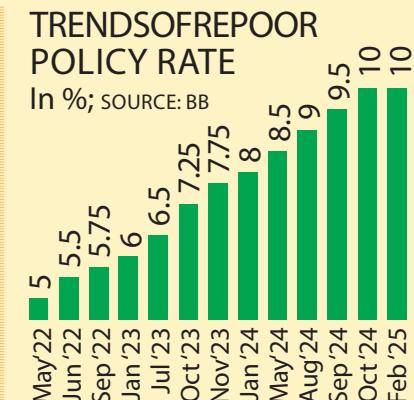
Inflation declined in December and further in January this year. We expect it would drop consistently in upcoming months.

Ahsan H Mansur
Governor of Bangladesh Bank



Monetary policy for Jan-Jun 2025 KEY NUMBERS

Policy rate 10%	Standing lending facility 11.5 %	Standing deposit facility 8.5%	Inflation to fall to a 7-8% range by June 2025
Private credit projected to grow 9.8% by June '25	Exchange rates to remain stable	Economy may grow in 4-5% range in FY25	Economic growth to bounce back to 6% or above in FY26



Default loans may exceed 30% by June

STAR BUSINESS REPORT

The banking sector continues to face challenges, including rising non-performing loans (NPLs), which are likely to exceed 30 percent of total outstanding loans by June this year, raising serious concerns, said Bangladesh Bank (BB).

The central bank has forecast a surge in NPLs, which stood at 16.93 percent at the end of September 2024, up from 9.93 percent a year ago.

"Contributing factors include systemic weaknesses, regulatory gaps, and exploitative practices such as money laundering and illicit capital flight," BB said in the monetary policy for the January-June period of 2025, unveiled yesterday.

The BB highlighted the growing concerns over NPLs, sluggish economic activity, and a slowdown in deposit and credit growth, all of which present formidable challenges for the banking sector.

The central bank noted that several banks are currently facing a significant liquidity crisis due to the rising NPLs, slow deposit growth, and weak loan recovery.

Deposit growth, which was 14.3 percent in March 2021, stood at 7.4 percent in December 2024, further constraining credit expansion.

READ MORE ON B3

Edible oil crisis to be resolved SOON

Bashir says

STAR BUSINESS REPORT

The temporary crisis in the edible oil market will be resolved within a few days, Commerce Adviser Sk Bashir Uddin said yesterday.

The syndicate, which is manipulating the essential commodity prices, is not stronger than the government, he said.

"The government is monitoring the stock and supply of various products in the country, and the temporary edible oil crisis will be resolved soon."

The adviser made the comments while briefing journalists after inspecting the production activities of Daulatpur Jute Mills in Khulna, which is now being operated under private management.

Meanwhile, retailers and wholesalers in major cities, including Dhaka, Chattogram, and Barishal, reported to The Daily Star on Sunday that oil supply had declined after the government rejected refiners' requests to raise prices in January.

On the other hand, the Bangladesh Trade and Tariff Commission (BTTC) met with the refiners on Sunday and concluded that the country does not currently have a shortage of edible oil.

READ MORE ON B3

Unclaimed import boxes clog 18% of Ctg port capacity

MOHAMMAD SUMAN

Around 200,000 tonnes of imported goods, stuffed in 9,644 containers, have been abandoned at Chattogram port for years — occupying 18 percent of its capacity, as customs officials point the finger at lengthy auction processes for the backlog.

The unclaimed goods are not only occupying a huge amount of space but also depriving customs authorities of revenue.

Shipping agents are also losing money as they cannot collect container rents from importers, sources said.

These containers arrived between 2013 and 2024. Customs officials and traders said importers tend to abandon consignments for various reasons.

These include falling local market prices, failure to submit required documents supporting the shipment, and refusal to pay fines for irregularities.

According to port and customs officials, delays in auctions have led to the deterioration of goods and wasted foreign currency.

To speed up the clearance process, Chattogram customs and Chittagong Port Authority have taken a number of steps, including amending auction laws recently.

Rear Admiral SM Moniruzzaman, chairman of the Chittagong Port Authority, said, "Unclaimed goods stuffed in containers occupy 18 percent of the port yard. This leaves insufficient space for emergency loading and unloading operations from ships and other regular activities."

The port can house 53,518 TEUs (twenty-foot equivalent units) of containers, of which over 10,000 are unclaimed.

"Unclaimed containers at Chattogram port have racked up outstanding rent of around Tk 150 crore, with little hope of recovery," the port authority chairman told The Daily Star.

He said these abandoned containers are hampering regular operations in vital areas of the port. Clearing this backlog will remain a challenge without streamlining and



The unclaimed goods are not only occupying a huge space at the Chattogram port but also depriving customs authorities of revenue.

PHOTO: RAJIB RAIHAN

expediting the auction process.

Port data shows that among the 9,644 unclaimed containers, 383 hold perishable goods like apples, oranges, and ginger, while 357 carry hazardous goods, including chemicals.

The remaining boxes contain non-perishable items such as commodities, cosmetics, plastics, automobiles, electronics, leather goods, construction materials, tiles, and ceramics.

Besides, some 453 imported vehicles brought in by 208 companies and individuals remain stuck at the port since 1995, officials said.

Despite goods worth nearly Tk 8,000 crore being stranded, customs has sold only Tk 380.83 crore worth of items through 148 auctions in the past five years, according to

auction data.

Md Sakib Hossain, assistant commissioner of Custom House, Chattogram said, "We are working to amend auction rules to speed up the bidding process by taking guidelines from the NBR [National Board of Revenue], finance, and shipping ministries."

He added that 50 customs officials have been assigned to expedite auctions, including inventorying goods and issuing tender notices.

"We will take immediate measures to arrange auctions regularly to avoid such large consignments remaining stuck," he said.

Under customs law, importers must take delivery of goods within 15 days of arrival. Otherwise, customs authorities can begin auction procedures.

READ MORE ON B3

ACI MD to buy its Tk 38cr shares

STAR BUSINESS REPORT

The managing director of ACI Ltd has again announced plans to buy more of its shares, reflecting confidence in the listed conglomerate's potential, even though the stock price is yet to respond in kind.

In a disclosure on the Dhaka Stock Exchange website yesterday, Managing Director Arif Dowla said he would buy 25 lakh shares at the prevailing market price within the next 30 working days.

The transaction will cost approximately Tk 38 crore, considering that each share stood at Tk 151.60 at the end of trade on Sunday.

The managing director had bought 6 lakh shares last month. Chairman M Anis Uddowla and Director Shusmita Anis had also followed suit.

M Anis Uddowla purchased 16 lakh shares, raising his total shareholding to 1.69 crore shares.

This is 19.33 percent of ACI's total 8.76 crore outstanding shares.

Meanwhile, Shusmita Anis bought 15.15 lakh shares, increasing her holdings to 29.90 lakh shares, or 3.41 percent of the company's total shares.

READ MORE ON B3

Africawala to purchase Tk 7cr shares of BSRM

STAR BUSINESS REPORT

Ali Asghar Badruddin Africawala, a placement shareholder of BSRM Limited, yesterday informed that he intends to buy more of the company's shares.

In a disclosure to the Dhaka Stock Exchange (DSE), the steel producer announced that Africawala—who holds 10.45 percent of its shares—aims to buy 9 lakh shares at the prevailing market price.

But despite this announcement, its share price dropped by 2.3 percent to close the day at Tk 79.90 per unit. Considering the current price, Africawala will have to spend Tk 7.19 crore on the purchase.

According to several of the company's disclosures on the DSE website, he bought 18.5 lakh shares just last year.

The sponsors and owners of many listed companies are buying shares in the hope that it will boost investor confidence by reflecting their faith in the potential of their own businesses.



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EBL offers Tk 30 lakh to support underprivileged girls thru ActionAid

STAR BUSINESS DESK

Eastern Bank PLC (EBL) signed a partnership agreement with ActionAid International Bangladesh Society (AAIBS), under which the bank is providing Tk 30 lakh to support the well-being, protection, and empowerment of 100 underprivileged girls from Narayanganj, Cox's Bazar, and Lalmonirhat, under the AAIBS's "Support A Child" initiative.

Ziaul Karim, head of communications and external affairs of EBL, and Farah Kabir, executive director of AAIBS, signed the deal at the bank's head office in Dhaka on Sunday, according to a press release.

Through this initiative, EBL aims to provide holistic support, ensuring these girls have access to a nurturing environment and essential resources to help them grow with dignity, confidence, and security.

Speaking at the ceremony, Ahmed Shahid, additional managing director of EBL, said, "By partnering with ActionAid Bangladesh, we hope to provide these girls with the opportunities and resources they need to build their future."

"Our collaboration is a testament to our dedication to creating a positive and lasting impact on society," he added.

Kabir, executive director of AAIBS, said, "This partnership with EBL reinforces our commitment to working for respecting and uplifting underprivileged girls,



PHOTO: EASTERN BANK

Farah Kabir, executive director of ActionAid International Bangladesh Society, receives a cheque worth Tk 30 lakh from Ziaul Karim, head of communications and external affairs of Eastern Bank PLC, at the bank's head office in Dhaka on Sunday.

ensuring they grow up in an environment where their rights are respected, their voices heard, and their potential is nurtured."

"We appreciate this support from EBL in creating a future where every child can thrive free from discrimination and injustice," she added.

ActionAid's "Support A Child"

initiative is dedicated to transforming the lives of at-risk children by providing them with a safe and nurturing environment, life skills, and essential protections.

Maruf Mohammad Shehab, head of innovation and resource mobilisation; Abdullah Al Mamun, manager of child sponsorship and child rights programmes; and Kh Shams AL-

Muzaddid, manager of philanthropy and private sector partnerships, were present.

Md Abdullah Al Mamun, company secretary of the bank; Saiful Islam, head of RMD; Md Maskur Reza, head of business information systems; and Md Shahjahan Ali, head of compliance, among others, were also present.

BRAC Bank, Grameen Healthcare to provide free eye care for underprivileged people

STAR BUSINESS DESK

BRAC Bank signed a partnership agreement with Grameen Healthcare Services Limited, a social business enterprise, to provide free eye screenings and care to over 42,000 underprivileged people in Bogura and Thakurgaon districts.

This effort is part of the bank's flagship corporate social responsibility programme, titled "BRAC Bank Aporajyo Ami".

Through this partnership, economically disadvantaged people will receive free cataract surgeries, including special lenses and intra-ocular lens (IOL) implants to help improve their vision.

Selim RF Hussain, managing director and CEO of the bank, and Shamsul Haque Ahmed, managing director of the social business enterprise, signed the deal at the latter's head office in Dhaka yesterday, according to a press release.

Md Ashraful Hasan, chairman of Grameen Group, said, "By working together, we will not only help restore

vision but uplift entire communities by providing access to healthcare services many cannot afford."

"We are delighted to make a difference together and change lives nationwide," he added.

Emphasising the significant impact of the initiative, Hussain said, "This programme is more than just providing healthcare; it's about giving people the chance to build a better future and ensuring that everyone, regardless of their financial situation, can live a meaningful life."

The partnership will ensure that patients can access diagnostic services, surgeries, and post-operative care, amplifying the impact on healthcare accessibility and disability inclusion.

The goal of this initiative is to help restore people's sight, enhance their quality of life, and empower them to participate more actively in their communities and workplaces.

Ultimately, this effort seeks to create positive changes in people's lives and contribute to the economy.



Shamsul Haque Ahmed, managing director of Grameen Healthcare Services, and Selim RF Hussain, managing director and CEO of BRAC Bank, pose for photographs while signing an agreement at the former's head office in Dhaka yesterday.

PHOTO: BRAC BANK

Idcol offers Tk 500cr financing for BSRM's new eco-friendly steel plant



Alamgir Morshed, executive director and CEO of Infrastructure Development Company Limited, receives a trophy at the inauguration ceremony of the new steel manufacturing plant of BSRM Steels Limited in Mirsharai, Chattogram recently.

PHOTO: IDCOL

STAR BUSINESS DESK

The Infrastructure Development Company Limited (Idcol) has provided Tk 500 crore to finance the newest steel manufacturing plant of BSRM Steels Limited in Mirsharai, Chittagong.

The new BSRM plant, launched on February 1 this year, is set to be a game changer for Bangladesh's steel industry. It will produce 500,000 tonnes of rebars, 100,000 tonnes of wire rods, and 250,000 tonnes of billets annually.

The plant will create hundreds of new jobs and provide greater support for local businesses in the supply chain, according to a press release.

Idcol had provided Tk 300 crore in a syndicated loan to BSRM Steels Limited's earlier facility.

With this, Idcol is the largest term-loan financier for the annual 1.6 tonnes rolling and 1.8 tonnes melting project.

This latest financing reinforces Idcol's strategy of fostering industrial innovation without compromising environmental integrity.

The facility features energy-efficient equipment, an advanced air pollution control system for cleaner emissions, and a cutting-edge water recycling system. Additionally, by repurposing steel slag for construction materials, it aligns with global circular economy practices.

At the launching ceremony of the new plant of BSRM Steels Limited, Alamgir Morshed, executive director and CEO of Idcol, said, "Idcol believes that industrial progress and environmental sustainability must go hand in hand."

Most Asian markets drop as traders weigh Trump's latest tariff salvo

AFP, Hong Kong

Equities were mostly down in Asia on Monday after Donald Trump ramped up his trade war by announcing huge tariffs on steel and aluminium imports and warned every country would face "reciprocal" levies.

Another week got off to an uncertain start following losses on Wall Street that came in reaction to data showing US consumers increasingly worried about inflation and news that far fewer jobs than expected were created last month.

The US president has resumed his hardball tactics on trade since returning to the White House by last week hitting China with a fresh batch of tariffs, having reached a deal to delay measures against Canada and Mexico.

The moves have fanned concerns about the global economy and jolted a recent rally in markets.

Trump said Sunday 25 percent duties would be imposed on "any steel coming into the United States", adding this will also affect aluminium.

He also said he would announce "reciprocal tariffs" to match his government's levies to the rates charged by other countries on US products.

"Every country will be reciprocal," he warned, adding that he would provide details on Tuesday or Wednesday.

Guo Jiajun, spokesman of China's Ministry of Foreign Affairs, reiterated Beijing's line Monday that "there is no winner in a trade war", while French foreign minister Jean-Noel Barrot said the European Union will counter in kind to "replicate" any tariffs imposed on it by Washington.

The news weighed on commodity-linked currencies, with the Canadian

dollar, Mexican peso and South Korean won all weaker.

Canada is the largest source of steel and aluminium imports to the United States, according to US trade data. Brazil, Mexico and South Korea are also major steel providers to the country.

At a meeting with Prime Minister Shinzo Abe in Washington on Friday, Trump threatened to target Japanese goods if the US trade deficit with the country is not equalised.

Equities struggled, with Sydney, Seoul, Manila, Bangkok, Mumbai, Jakarta, Wellington and Taipei all lower.

"Trump's latest move isn't merely another trade skirmish; it's an escalation of his 'America First' trade doctrine where 'no country is off-limits,'" said Stephen Innes at SPI Asset Management.

"This high-stakes gamble could disrupt global supply chains. Markets have witnessed this scenario before — last-minute exemptions and backroom deals (see: Mexico and Canada tariffs) — but if Trump maintains his hardline stance this time, Asian economies will be the first to feel the impact."

Still, Hong Kong and Shanghai extended last week's gains, with Chinese tech firms boosted by the emergence of startup DeepSeek, which has shaken up the AI sector with a chatbot that it said rivalled those of US giants but at a fraction of the cost.

There were also gains in Singapore, while Tokyo was marginally higher.

London, Frankfurt and Paris rose at the open.

All three main indexes in New York fell as the University of Michigan's consumer survey showed a drop in consumer sentiment in February to 67.8, down from 71.1 in January.



Ali Reza Iftekhar, managing director and CEO of Eastern Bank PLC, and Md Nurul Karim, chairman of Chatogram Development Authority, pose for photographs after signing an agreement at Hotel Agrabad in Chatogram yesterday.

PHOTO: EASTERN BANK

STAR BUSINESS DESK

Chatogram Development Authority (CDA) signed a partnership agreement with Eastern Bank PLC (EBL) to enhance toll collection efficiency and financial transparency.

Under the agreement, EBL will manage toll collection and deposit services for the newly inaugurated Shaheed Wasim Akram Flyover, also known as the Chatogram Elevated Expressway, in the port city.

Md Nurul Karim, chairman of CDA, and Ali Reza Iftekhar, managing director and CEO of EBL, signed the agreement at Hotel Agrabad in Chatogram yesterday, the bank said in a press release.

Speaking at the event, Karim said, "This collaboration with EBL will significantly enhance our toll management system, ensuring transparency and efficiency while contributing to Chatogram's overall urban development."

"It is a great opportunity to support CDA in streamlining toll collection through our banking expertise and digital solutions," Iftekhar said.

Gold hovers near all-time highs

REUTERS

Gold rose on Monday and hovered near record-high levels touched in the previous session, as investors sought refuge in the safe-haven asset after US President Donald Trump's fresh tariff plans sparked fears of a global trade war.

Spot gold was up 0.8 percent at \$2,882.50 per ounce, as of 0610 GMT, after hitting a record high of \$2,886.62 on Friday.

US gold futures rose 0.7 percent to \$2,908.

Trump on Sunday said he will announce new 25 percent tariffs on Monday on all steel and aluminium imports into the US, which would come on top of existing metal duties in another major escalation of his trade policy overhaul.

Trump also said he will announce reciprocal tariffs on Tuesday or Wednesday, to take effect almost immediately, applying them to all countries and matching the tariff rates levied by each country.

Global trade tension is still pretty much at play and could drive gold prices to \$2,900 to \$2,910 level in the near term, said an expert

"Global trade tension is still pretty much at play and could drive gold prices to \$2,900 to \$2,910 level in the near term," said Kelvin Wong, OANDA's senior market analyst for Asia Pacific.

"I don't see any high probability of a correction yet at this juncture, unless we start to see a kind of a very strong US dollar push up."

Gold is considered a safe investment during economic and financial turmoil, but higher interest rates reduce the non-yielding asset's appeal.

"The potential of gold also getting caught up in the tit for tat tariffs is causing a dislocation in the physical market," said Daniel Hynes, senior commodity strategist, ANZ bank.

Federal Reserve officials said on Friday the US job market is solid and noted the lack of clarity over how Trump's policies will affect economic growth and still elevated inflation, underscoring their no-rush approach to rate cuts.

PRICES OF KEY ESSENTIALS IN DHAKA CITY		
	PRICE (FEB 10, 2025)	% CHANGES FROM A MONTH AGO
	PRICE (FEB 10, 2025)	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 70-Tk 85	0.65 ↑ 13.14 ↑
Coarse rice (kg)	Tk 50-Tk 55	-6.25 ↓ 5.00 ↑
Loose flour (kg)	Tk 40-Tk 45	0 -13.27 ↓
Lentil (kg)	Tk 105-Tk 110	0 0
Soybean (litre)	Tk 180-Tk 185	11.28 ↑ 13.00 ↑
Potato (kg)	Tk 20-Tk 25	-50.00 ↓ -35.71 ↓
Onion (kg)	Tk 40-Tk 50	-25.00 ↓ -59.09 ↓
Egg (4 pcs)	Tk 44-Tk 46	-5.26 ↓ -3.23 ↓

SOURCE: TCB

City Bank
to issue Tk
800cr bond

STAR BUSINESS REPORT

City Bank yesterday announced its plan to raise Tk 800 crore by issuing a bond to strengthen its capital base.

The private lender will issue the subordinated bond—a type of bond that is repaid after other bonds if the issuer has financial difficulties—to meet capital requirements under the Basel-III accord, which aims to strengthen the regulation, supervision, and risk management of banks.

The bond is also planned to support the business growth of the bank, according to a disclosure by City Bank on the Dhaka Stock Exchange (DSE).

Southeast
Bank plans
Tk 1,000cr
bond

STAR BUSINESS REPORT

Southeast Bank has announced its plan to raise Tk 1,000 crore by issuing a bond to strengthen its capital base.

The board of the private bank approved the issuance of the subordinated bond, a bond that is repaid after other bonds in case of financial difficulty for the issuer. The bond, which will be fully redeemable, non-convertible, and unsecured, is planned to strengthen the Tier-II capital of Southeast Bank, according to a disclosure on the Dhaka Stock Exchange on Sunday.

Tier-II is designated as the second or supplementary layer of a bank's capital and is composed of items such as revaluation reserves, hybrid instruments, and subordinated term debt.

Tropical Homes built on honesty, quality

Says managing director in an interview with The Daily Star

JAGARAN CHAKMA

The intersection of profession, passion and academic background can be complicated.

However, it is sometimes comforting to realign one's profession with passion, as this approach in some cases is neither less creative nor less successful than pursuing a professional role directly tied to one's academic background.

Take, for example, the case of Md Rezaul Karim and Sheikh Rabiu Haque – two friends with backgrounds in medical science and physics, respectively.

Both shared a common interest in architecture and painting, which inspired them to establish a real estate firm in the 1990s.

The friends pooled their savings of Tk 25 lakh, hired fewer than half a dozen staff members and began constructing a 12-storey apartment on a piece of land in Dhaka's Bijoynagar.

"I remember those days when our capital was almost zero," recalls Haque, who was then a small businessman. "But we were determined. My friend and I had a vision – not just to build homes, but to change lives."

Over the past three decades, that vision has paid off.

What began as a tiny architectural venture has grown into today's Tropical Homes Limited – one of the country's leading real estate firms.

On the eve of the company's 30th anniversary on Tuesday, Haque said the Bijoynagar project was not hugely profitable but gave them the confidence to continue.

Since its inception in 1996, Tropical Homes has delivered more than 2,400 apartments, 1,365 office spaces and 1,280 units of shops and showrooms.

After completing several initial projects, the firm began constructing high-quality housing not only for the affluent



Sheikh Rabiu Haque

but also for the middle class, said Haque – now the company's managing director – in an interview with The Daily Star.

He said they did not own land initially, but that did not stop them. They sought land at discounted prices in the capital, where they faced more than just financial struggles.

They had to contend with land encroachment, legal hurdles and resistance from powerful groups.

"From the beginning, we made a promise to ourselves: we wouldn't compromise on ethics. We wouldn't take shortcuts or engage in anything illegal," Haque said.

"That honesty became the foundation of the company's success," he added.

Moreover, he said their projects reflect quality, which sets Tropical Homes apart from other real estate firms.

"While designing the first draft of any new project, we consider the maximum use of sunlight. Besides, our apartments are spacious, with larger verandas so that residents can enjoy greater

close proximity to nature," he said.

Haque also emphasised that they do not compromise on space when designing parking areas, elevator shafts and fire safety measures.

According to him, high-grade concrete, professional architects and premium materials such as quality wood and glass have become hallmarks of their developments.

Every structure is designed to meet the needs of the community, carefully crafted to serve those who will live and work in them, he commented.

"The company's ethical approach, transparency and commitment to quality became its core values, which resonated with customers and investors alike," the Tropical Homes MD said.

Even as the company grew, it never relied on bank loans, which is a rare achievement in the construction industry. Instead, Haque and his team maintained a Tk 25 crore asset fund, which provides financial stability during challenging times.

"Banks were ready to finance us, but we preferred to stand on our own feet," Haque mentioned. "Our success wasn't just about profits; it was about doing things the right way."

He added that, from the beginning, Tropical Homes has maintained competitive pricing for its assets to ensure customer satisfaction.

"Now we construct around 350 to 400 apartments every year in different parts of Dhaka city," the managing director said.

According to him, the company has not received a single complaint regarding construction delays or disputes.

Looking ahead, Haque envisions even greater accomplishments.

"We want to build high-rise buildings that set architectural benchmarks in Bangladesh – buildings that rival the standards of cities like Singapore and Shanghai," he said.

He added that despite political instability, economic downturns and the Covid-19 pandemic, which tested the limits of many businesses, Tropical Homes has not only survived but thrived.

"We believe business is a form of service," Haque said. "If we remain honest and work for the welfare of the people, our journey will continue, and greater achievements lie ahead."

He said the future is filled with both challenges and opportunities, but if history has shown anything, it is that Tropical Homes will continue to build not just for today but for a better tomorrow.

Just 30 years ago, Haque started with only five staff members. Today, he looks after a team of more than 350, including engineers and architects.

"Now I am about ready to hand over the business to the next generation and expect them to continue with the values and honesty needed to sustain the business," he concluded.

Trump to impose new 25% tariff on US steel, aluminum imports

AFP, Washington

US President Donald Trump plans to impose 25 percent tariffs on steel and aluminum imports from Monday, prompting the threat of retaliation from Europe and a warning from China that there were no winners in a trade war.

Trump told reporters aboard Air Force One Sunday that the tariffs – which he will announce later Monday – will apply to "any steel coming into the United States," adding this will also affect aluminum.

Trump imposed similar tariffs during his 2017-2021 presidency to protect US industries, which he believed faced unfair competition from Asian and European countries.

While the European Commission said Monday it had not received any official notification of the tariffs, French foreign minister Jean-Noel Barrot said the European Union will counter in kind and "replicate" any imposed.



Employees work at a factory producing stainless steel materials in Qingzhou, in eastern China's Shandong province.

PHOTO: AFP/FILE

"There is no hesitation when it comes to defending our interests," he said during an interview with broadcaster TFI.

"We will react to protect the interests of European businesses, workers and consumers from unjustified measures," the European Commission said in a statement.

Canada – which Trump has already threatened with tariffs – is the largest source of steel and aluminum imports to the United States, according to US trade data. Brazil, Mexico and South Korea are also major steel providers.

But around 25 percent of European steel exports go to the US, according to consultants Roland Berger, who warned in a recent note that "any tax from the United States would hurt the European sector".

On Sunday, Trump also said he would announce "reciprocal tariffs" to match his government's levies to the rates charged by other countries on US products.

MONETARY POLICY FOR JANUARY-JUNE Meandering tricky lanes



ZAHID HUSSAIN

monetary policy is indeed justified, despite preferences from the business community for a more lenient approach. The BB cannot afford such a risk with inflation rates remaining unacceptably high. Nonfood prices have risen every month for the past three months, mirroring the trend from the previous year, indicating that inflation has become endemic.

The MPS rightly pointed out "monetary policy has remained excessively accommodative since 2020, as demonstrated by the consistently negative real policy rate. Furthermore, the implementation of a lending rate cap at 9% since April 2020, which remained in effect until May 2024, has undermined effective monetary policy operation in Bangladesh".

Adhering to a 10 percent policy rate for an extended period cannot be the sole strategy to mitigate inflation. Effective inflation management necessitates coordination with other economic policies, such as fiscal policy and market management.

The revised Tk 99,000 crore government borrowing from the banking system, down from the original Tk 137,500 crore, will help the implementation of monetary policy.

It will create space for expansion of private credit without exceeding the domestic credit growth target.

The MPS quotes a BB study in January 2025 which revealed that "proactive measures such as robust monitoring and oversight of commodity stocks, timely imports before shortages occur, accurate and timely prediction of supply demand gaps, and rationalization of import duties – could be pivotal in stabilizing prices for staple items like rice, wheat, edible oil, potato, and onion".

These fall outside BB's jurisdiction. However, ensuring exchange rate stability without suffering a foreign exchange shortage is central to BB's responsibilities.

Enigmatic exchange rate policy

BB's exchange rate policy is enveloped in ambiguity. The Monetary Policy Statement (MPS) says "BB has been implementing a crawling peg exchange rate mechanism to enhance both flexibility and stability of the rate in the foreign exchange market".

On December 31, the BB issued a circular stating that "Authorized Dealers (ADs) are allowed to purchase and sell foreign currency from/to their customers and other dealers at freely negotiated rates". Interestingly, the MPS added "within the band" which the circular did not have.

The ambiguity is also evident from the exchange rate data posted on BB's website.

Given this context, maintaining a tight

Notably, the exchange rate page begins with the following statement: "Exchange rates of Taka for inter-bank and customer transactions are determined by the dealer banks, based on demand-supply interaction. Bangladesh Bank (BB) undertakes USD purchase or sale transactions with dealer banks at prevailing inter-bank exchange rates when needed to maintain orderly market conditions".

This may be their aspiration, but it is certainly not reflective of current market practices.

There is a strict ceiling of Tk 122 per USD, which, according to market insiders, is enforced through moral suasion by phone and inspection.



The central bank has adopted a pragmatic approach to lowering inflation by approximately 200 to 300 basis points by the fiscal year's end.

Even if we assume they are, two critical questions arise. Firstly, why have they targeted Bangladesh specifically, and not Nepal or Sri Lanka, for example? Secondly, how does the opaque implementation of rate caps resolve this issue?

Could it not potentially lead to a solution that's more detrimental than the problem itself?

Instead, market participants are more concerned about the disruptive measures taken by BB to control the forex market, which ultimately dries up supplies.

Foreign exchange trades, much like water, will always find a way to flow through various channels, each with its own set of consequences.

It appears we are not heeding the lessons of history. Globally, some studies indicate that interventions can mitigate exchange rate volatility and help stabilize currencies, while others suggest minimal or no effect.

There is also evidence that central bank interventions can exacerbate exchange rate issues. When market participants view interventions as indicators of underlying economic troubles, they tend to speculate, hence fueling volatility wherever it can manifest, much like water finding its way.

A risk we can avert

The severe unintended consequences of rate cap induced volatilities often go unnoticed, except in remittances and pressure on banks' net open positions.

They encourage cat-and-mouse games between market participants and the BB.

Balancing surveillance with market freedom is tricky. Past well-meaning interventions led to negative outcomes, where foreign exchange shortages replaced depreciation as a persistent inflation driver.

A divergence between de jure (official) and de facto (actual) monetary policy is detrimental.

The inconsistency between stated and practiced policies undermines the central bank's credibility, causing market uncertainty and a loss of investor confidence.

Markets react to this divergence with heightened volatility, as investors and traders anticipate future policy moves.

If participants believe BB will not follow its stated policy, it invites speculative attacks on the currency, misaligned exchange rates, and distorted economic signals. Consistency and transparency in policies are crucial to avoid these issues.

The writer is former lead economist of the World Bank's Dhaka office.