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Star BUSINESS

What does high default loan mean for the economy?

AHSAN HABIB

At the end of 2024, one-fifth of the total loans in the banking sector turned sour, mainly as the true extent of embezzlement by willful defaulters is now coming to light.

In actual terms, defaulted loans stood at Tk 345,765 crore -- the highest on record. Even more alarming is the fact that distressed assets -- including written-off loans, rescheduled loans, and loans tied up in the Money Loan Court -- are almost double the amount of bad loans.

ANALYSIS

It is now evident who is responsible for draining funds from banks and pushing the sector into distress as Bangladesh Bank Governor Ahsan H Mansur has repeatedly said that some politically influential individuals took out funds and laundered them abroad.

In some cases, loans turned bad due to business struggles amid global economic pressure from the Russia-Ukraine war.

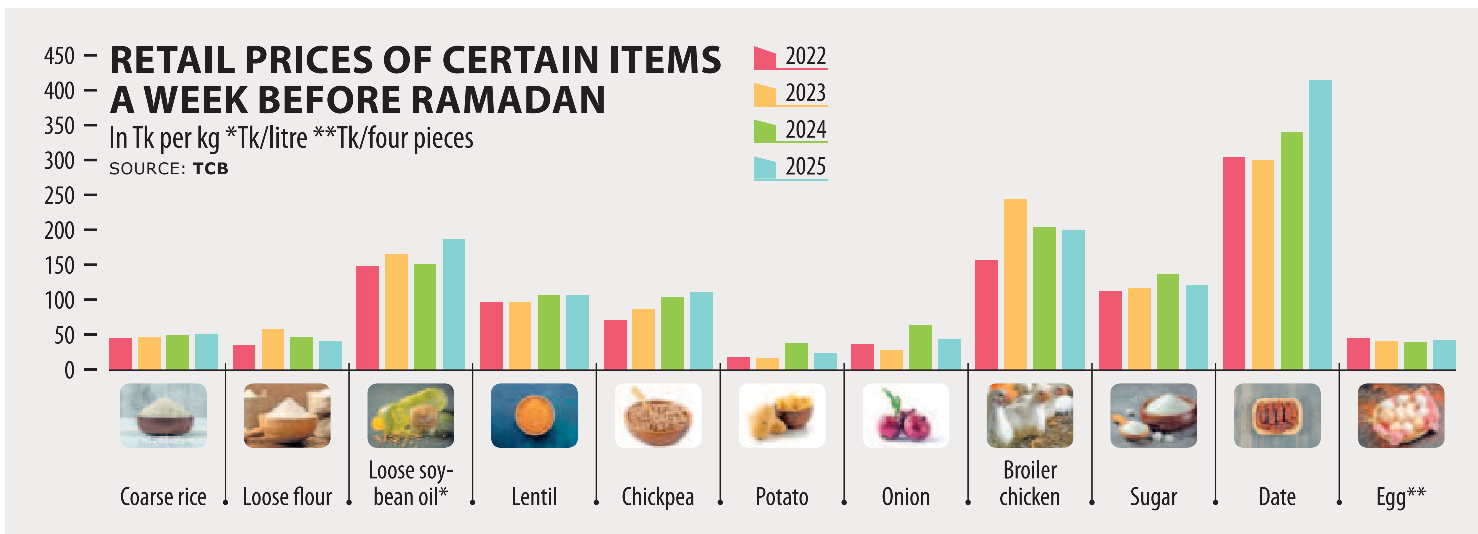
Banks could have absorbed such shocks through their own financial strength if it occurred naturally. However, it is difficult to withstand such a surge in bad loans caused by willful defaulters, especially when they operate under political protection.

WHO PAYS THE PRICE?

Ultimately, innocent depositors, honest borrowers, and minority shareholders bear the brunt of bad loans.

READ MORE ON B3

Ramadan price hike: A seasonal trend or market manipulation?



SUKANTA HALDER

It's a typical price pattern -- every year, as Ramadan approaches, the cost of essential commodities climbs, sometimes sharply. And 2025 is no exception.

From coarse rice to soybean oil, potato to chickpea and dates to egg, prices edged up.

And the spikes began to take place nearly a week before the start of the fasting month as consumers started to go to kitchen markets and neighbourhood shops to buy Ramadan-related stuff.

On February 22, just a week ago of this year's Ramadan, people in Dhaka city had to pay higher prices to get coarse rice, edible oil, chickpea, dates and eggs than a year ago, which put a financial strain on low- and fixed-income families.

Respite for them was that they did not have to pay higher for sugar, potato, onion, chicken meat and non-brand flour.

Back in 2022, a week before the fasting month, most commodity prices shot up, according to data from the state-run Trading Corporation of Bangladesh (TCB).

In 2023, the situation was mixed -- some items got more expensive, while others saw price drops. In 2024, the prices of most products went slightly down.

But in 2025?

Prices of five items, demand for which rises during the Ramadan, were higher year-on-year a week before the fasting month even though imports of soybean oil, chickpeas and dates, increased significantly.

But here's the question: Is this just a case of increased demand, or is there something more at play?

Experts say it's a bit of both. While market forces naturally push prices up during this time, a mix of supply chain manipulation, corporate dominance and weak government oversight makes the situation worse

So, what's really behind this yearly price surge? It's a mix of factors -- some unavoidable, some questionable.

For one, Bangladesh's economy has been dealing with high inflation, and the local currency has lost more than 30 percent of its value against the dollar since 2022. That means imported goods like edible oil cost more.

Add rising prices of palm and soybean oil to the problems, and you already have the perfect recipe for price hikes. But that's not the full story.

Experts say there's also a lot of behind-the-scenes manipulation.

Khondaker Golam Moazzem, research director at the Centre for Policy Dialogue (CPD), calls it a "game"

READ MORE ON B3

Prime Bank provides banking services to Prime College of Nursing, Dhaka

STAR BUSINESS DESK

Prime Bank PLC recently signed an agreement with Prime College of Nursing, Dhaka, to provide seamless banking services under its specialised segment, named "primeacademia".

M Nazeem A Choudhury, deputy managing director of the bank, and Maj Gen (retd) Md Nayeem Ashfaque Chowdhury, chief executive officer of Prime Bank Foundation, signed the agreement at the bank's corporate office in the capital, according to a press release.

Through this partnership, students, teachers, guardians, and staff of Prime College of Nursing, Dhaka, will gain access to a comprehensive suite of financial services tailored to meet their academic and institutional needs.

Under Primeacademia, Prime Bank will offer a range of benefits, including fee collection, student-friendly loan facilities, payroll banking, advance salary drawing, attractive teachers' accounts, student file opening, guardians' accounts, pre-approved credit cards, and digital banking services, among others.

This initiative aims to streamline financial services and enhance the banking experience for institutions, teachers, students, and guardians.

Sujoy Kumar Biswas, chief finance officer and secretary of Prime Bank Foundation, and project director of Prime Bank Hospital PLC; Rina Rani, principal (acting) of Prime College of Nursing, Dhaka; Shaila Abedin, head of liabilities at the bank; and MM Mahbub Hasan, head of financial inclusion and school banking, along with other senior officials, were also present.

Maj Gen (retd) Md Nayeem Ashfaque Chowdhury, chief executive officer of Prime Bank Foundation, and M Nazeem A Choudhury, deputy managing director of Prime Bank, pose for photographs after signing the agreement at the bank's corporate office in the capital recently. PHOTO: PRIME BANK

Canada's economy posts surprise Q4 growth of 2.6%

REUTERS, *Ottawa*

Canada's gross domestic product in the fourth quarter expanded by 2.6 percent on an annualised basis, surpassing widespread expectations, as a jump in consumer spending, business investments and exports lifted growth, data showed on Friday.

Analysts polled by Reuters had expected the GDP to grow by 1.8 percent in annualised terms in the quarter ending December, similar to Bank of Canada's predictions from last month.

The third quarter growth rate was revised to 2.2 percent from 1 percent earlier, Statistics Canada said. It added that, on a month-on-month basis, the economy in December expanded by 0.2 percent, reversing the contraction seen in November.

This was mainly due to healthy growth in retail sales and a sales tax break that started from mid-December, it said.

The monthly GDP figures are calculated by industrial output while quarterly figures are calculated by spending and expenditure.

An advance estimate shows that monthly growth would likely be 0.3 percent in January.

The Canadian dollar extended gains after the data and firmed 0.15 percent to 1.4417 against the US dollar, or 69.36 US cents. Yields on the two-year government bond rose 1.6 basis points to 2.639 percent after the data was released.

Household spending, which accounts for more than half of total GDP, rose 1.4 percent in the fourth quarter, registering its biggest jump since the second quarter of 2022, Statscan said.

Residential construction rose by 3.9 percent, its largest quarterly rise since the first quarter of 2021, while business investments, which have mostly been a laggard for the last 11 quarters, posted a growth of 0.7 percent in Q4, led by a 4.2 percent increase in investment in machinery and equipment.

On a per capita basis, real GDP rose 0.2 percent in the fourth quarter, the second increase in the last seven quarters.

Canada's economy, which had been sluggish for the better part of last year, has shown signs of improvement lately as interest rates fell from over two-decade high levels from the middle of last year.

A memorandum of understanding was signed by Southeast Bank PLC and Nexus Group at the former's head office in Dhaka recently. PHOTO: SOUTHEAST BANK

Southeast Bank signs MoU with Nexus Group

STAR BUSINESS DESK

Southeast Bank PLC recently signed a memorandum of understanding (MoU) with Nexus Group to provide payroll, ATM and other banking services.

Nuruddin Md Sadeque Hossain, managing director of the bank, and Rashid Ahmed Hossaini, managing director of Nexus Sweater Industries Pvt Limited, signed the agreement in Dhaka, according to a press release.

Hossain said, "This partnership highlights our commitment to providing seamless banking solutions that enhance financial efficiency and employee satisfaction."

Under this agreement, employees of Nexus Sweater Industries Pvt Ltd, a subsidiary of Nexus Group, will receive their salaries and wages directly through Southeast Bank's payroll banking (baton card) service.

This will ensure secure, timely, and hassle-free salary transactions while offering access to a wide range of banking facilities, including ATM cash withdrawals, point-of-sale (POS) transactions, e-commerce payments, and fund transfers.

Abidur Rahman Chowdhury and Masum Uddin Khan, deputy managing directors of the bank, along with other senior officials of both organisations, were also present.

NCC Bank holds business review meeting in Ctg

PHOTO: NCC BANK

M Shamsul Arefin, managing director of NCC Bank PLC, poses for photographs with the participants of a "Business Review Meeting" organised for officials of the bank's Chattogram region in the port city recently.

STAR BUSINESS DESK

NCC Bank PLC recently organised a "Business Review Meeting" for officials of the Chattogram region.

The heads of branches and relationship managers of 25 branches and a sub-branch of the bank participated in the event. M Shamsul Arefin, managing director of the bank, presided over the meeting, the bank said in a press release. Arefin emphasised the significance of long-term and sustainable business development.

He also engaged with the branch heads and relationship managers in discussions on strategic growth initiatives, exploring diverse potential and evolving sectors, even amid the challenges of the current year.

Md Zakir Anam and Mohammad Mizanur Rahman, deputy managing directors of the bank; Saif Uddin Ahmed, executive vice-president and head of CAD; Ali Tarek Parvez, executive vice-president and head for Chattogram region; and Sharif Mohammad Mohsin, senior vice-president and head of SME business, among others, were also present.

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (MAR 1, 2025)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 72-Tk 85	1.29 ↑	14.60 ↑
Coarse rice (kg)	Tk 50-Tk 55	-4.55 ↓	7.14 ↑
Loose flour (kg)	Tk 40-Tk 45	0	-10.53 ↓
Lentil (kg)	Tk 105-Tk 110	0	0
Soybean (litre)	Tk 185-Tk 190	7.45 ↑	22.15 ↑
Potato (kg)	Tk 20-Tk 30	0	-16.67 ↓
Onion (kg)	Tk 40-Tk 50	-10.00 ↓	-60.87 ↓
Egg (4 pcs)	Tk 40-Tk 45	-7.61 ↓	-5.56 ↓

SOURCE: TCB

Shimanto Bank leads school banking conference in Lalmonirhat

Md Rafiqul Islam, executive director of the Bangladesh Bank, Rangpur office, attends a rally of the "School Banking Conference 2025" organised by Shimanto Bank as the lead bank in collaboration with all scheduled banks operating in Lalmonirhat recently. PHOTO: SHIMANTO BANK

STAR BUSINESS DESK

Shimanto Bank PLC recently organised a "School Banking Conference 2025" in Lalmonirhat as the lead bank, in collaboration with all scheduled commercial banks operating in the district, aiming to educate students about banking services, instil saving habits, and enhance financial awareness from an early age.

The conference, supervised by Bangladesh Bank, was held at the district council auditorium with the participation of 22 banks, along with students and teachers from 12 educational institutions in Lalmonirhat.

Md Rafiqul Islam, executive director of the Bangladesh Bank, Rangpur office, attended the event as the chief guest, the bank said in a press release.

Md Masum Haider, joint director of the central bank, attended as the special guest.

Such initiatives are part of Bangladesh Bank's financial inclusion and financial literacy programmes, ensuring that students across the country gain a strong foundation in financial management.

The Financial Inclusion Department of Bangladesh Bank continues to arrange these conferences in all districts to promote awareness and accessibility of banking services among young learners.

US Treasury chief urges Canada, Mexico to match tariffs on China

REUTERS, *Washington*

US Treasury Secretary Scott Bessent encouraged Canada on Friday to follow Mexico in matching US tariffs on Chinese goods as the two US neighbors sought to avoid punishing 25 percent US tariffs due on Tuesday over fentanyl trafficking.

Canadian and Mexican officials have fanned out across Washington seeking to show President Donald Trump's administration that they were making progress in securing their US borders to curb the flow of the dangerous opioid.

Bessent, speaking in a Bloomberg Television interview, said Mexico had proposed matching the US tariffs aimed at China, but he did not specify which level. Trump on February 4 imposed a 10 percent duty on all Chinese imports, then said on Thursday he would double that, opens new tab to 20 percent from Tuesday.

"I think it would be a nice gesture if the Canadians did it also - so in a way, we could have fortress North America from the flood of Chinese imports that's coming out of the most unbalanced economy in the history of modern times," Bessent said.

China's embassy in Washington said Trump's unilateral tariff hikes would severely violate World Trade Organization rules and hurt both Chinese and US interests.

"Pressuring, coercion and threat is not the right way to deal with China. Instead, mutual respect is the basic prerequisite," embassy spokesperson Liu Pengyu said in a statement to Reuters.

The Mexican and Canadian governments did not immediately respond to requests for comment on Bessent's remarks.

MORE MEETINGS

Canadian Public Safety Minister David McGuinty said at the end of a four-day visit to Washington that he continued to communicate with Trump administration that Canada was acting swiftly to secure its borders.

'Our government and indeed all of Team Canada - premiers, business leaders, community leaders - are focused on one thing.

"We've made some very serious adjustments, investments, improvements on the border, and we spent the entire week for four days of meetings, communicating those results, communicating those improvements to our counterparts here in Washington," McGuinty told reporters after meeting with Homeland Security Secretary Kristi Noem and border czar Tom Homan.

Mexican Economy Minister Marcelo Ebrard said he had a "cordial working meeting" with US Commerce Secretary Howard Lutnick and US Trade Representative Jamieson Greer. In a post on X Ebrard said the US and Mexico "have a great future working together" but offered no details on discussions over the US tariff deadline.

Trump cited insufficient progress in reducing fentanyl overdose deaths in the US for the planned duties on more than $900 billion worth of annual imports from Canada and Mexico.

DRUG SUSPECTS EXTRADITED

Mexico on Thursday staged its largest mass extradition of suspected drug cartel members in 10 years, including a 1980s kingpin who spent decades in prison for the murder of a US drug enforcement agent and 28 other suspects.

Rafael Caro Quintero, 72, pleaded not guilty on Friday in federal court in New York on US drug trafficking charges that could result in his execution. The other extradited suspects included younger leaders accused of moving fentanyl into the US.

ONE Bank opens sub-branch at Kafco Centre in Ctg

STAR BUSINESS DESK

ONE Bank PLC recently opened a new sub-branch at Kafco Centre under the Anowara branch in Chattogram.

Md Zahidul Islam, executive vice-president and in-charge of the operations division of the bank, inaugurated the sub-branch, according to a press release.

"We have all the ability to fulfil the needs of our valued clients, which they expect from a modern, technology-driven, and progressive bank," Islam said.

"We are more than capable of meeting customers' banking needs and satisfying them through our progressive banking services," he added.

Mohammad Shahid Ul Haque, executive vice-president and head of the retail banking division of the bank; Abdus Salam, senior vice-president and head of the SME business; and Kazi Md Forkan, vice-president and in-charge of the establishment and central support division, were present.

Among others, senior executives of the bank, along with local businessmen and clients of the bank, were also present.

Md Zahidul Islam, executive vice-president and in-charge of the operations division of ONE Bank, inaugurates a sub-branch at Kafco Centre under the Anowara branch in Chattogram recently. PHOTO: ONE BANK

Farmers weed land being used for the cultivation of watermelon in Khulna's Batiaghata upazila. Regular weeding after the sowing of seeds helps plants grow faster and improves yield. According to the Department of Agricultural Extension, watermelon is being cultivated on 16,736 hectares of land in the district this year. Farmers are hopeful of a good harvest. The photo was taken from Debitala village at the end of last month. PHOTO: HABIBUR RAHMAN

Arakan Army taking 'tariff' from border trade

Home adviser Md Jahangir Alam Chowdhury confirms

MOKAMMEL SHUVO

Speculation over the Arakan Army's demand for "tariff" from the border trade between Bangladesh and Myanmar was confirmed by Home Adviser Lt Gen (retd) Md Jahangir Alam Chowdhury yesterday.

At a briefing at the Cox's Bazar Deputy Commissioner's office following discussions with home and agriculture ministry officials, he elaborated on the scenario.

Replying to a question, he said, "First there is the Myanmar government which collects taxes for goods coming in from Sittwe. But, since the border is controlled by the Arakan Army, they too collect taxes. This is a difficult situation. A senior representative has been appointed to address the issue," he said.

He said Khalilur Rahman, special assistant to the chief adviser (equivalent to state minister), has been appointed as the liaison in this regard.

Chowdhury added that the government is maintaining communications with both the Myanmar government and the Arakan Army.

This is the first time a high-ranking government representative has publicly acknowledged the Arakan Army's intentions in a briefing with journalists.

On December 8 last year, the Arakan Army announced that it had seized control of the 271-kilometre border shared by Bangladesh and Myanmar after seizing a Border Guard Police's (BGP) base in Rakhine State.

In a statement, it imposed an indefinite ban on vessel movement in the Arakan waters of the Naf River. Since then, no cargo ships have arrived in Teknaf.

Businessmen based in Teknaf land port, on condition of anonymity, alleged that the Arakan Army was detaining cargo ships and demanding payments.

On January 16, the Arakan Army intercepted three cargo vessels, en route from Yangon to Teknaf, in the Naikhongdia area of the Naf River estuary. Four days later, two vessels were released, while the third was freed on February 1.

Most recently, on February 10, the Arakan Army chased down a timber-laden trawler near Golar Chor in Shah Porir Island using speedboats and seized it. The vessel has not yet been released.

Jasim Uddin, general manager of United Land Port in Teknaf, which is commonly known as Teknaf land port, said the last boat arrived at the port on February 1 after being released by the Arakan Army.

"It has been one month since there has been trade between Myanmar and Bangladesh through Teknaf Land Port," he said.

He also mentioned that the boat which arrived on February 1 is still at the port as they are unwilling to return to Yangon due to security concerns.

A businessman from Teknaf, who frequently imports goods from Myanmar, said on condition of anonymity that the Arakan Army released the three seized boats after it received the same amount of money that was paid as tax to the Myanmar government.

A businessman from Teknaf said that the Arakan Army released the three seized boats after it received the same amount of money that was paid as tax to the Myanmar government

The exporters in Myanmar paid them off and charged it to Bangladeshi businessmen, he said.

He further said that after learning about the issue, the Myanmar government stopped trade with Bangladesh through Teknaf as they did not want the Arakan Army to benefit financially.

Shawkat Ali, a businessman at the port, said Teknaf is a more viable option for trading with Myanmar since using Chattogram significantly increases costs and time.

"Lead times to import goods from Myanmar through Teknaf is five to seven days while using Chattogram requires at least a month," he explained.

Import-export falling year after year

Due to the cross border conflict, trade through Teknaf land port has experienced a significant downturn over the past two fiscal years, according to data from Teknaf Customs.

In FY23, 188,999 tonnes of goods, valued at approximately Tk 1,545 crore, were imported from Myanmar through the Teknaf land port, while Bangladesh exported 2,941 tonnes of goods worth Tk 6.72 crore.

However, in FY24, imports dropped sharply to 71,741 tonnes, valued at approximately Tk 808 crore. Exports also saw a significant decline, with only 704 tonnes of goods, valued at Tk 2.45 crore, shipped to Myanmar.

In the first six months of the current fiscal year, Bangladesh imported 11,129 tonnes of goods worth around Tk 113 crore. During the same period, 636 tonnes of goods valued at approximately Tk 64 lakh were exported to Myanmar.

The imported items primarily include dry fish, chilled fish, betel nuts, onions, ginger, coconuts, wood, and other goods. Bangladesh's main exports to Myanmar are cement and potatoes.

Boards formed for BGMEA polls

STAR BUSINESS REPORT

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has constituted an election board and an appeal board to hold the biennial election of the trade body for the 2025-27 tenure, according to a circular from the BGMEA last Thursday.

A government-appointed administrator of the BGMEA, in the announcement, said that although no particular date has been set, the election is likely to be held before June 1 this year.

The voters of the trade body will elect 35 directors, and the elected directors will nominate their office bearers, such as the president, vice-presidents, and others, as per the platform's existing rules.

Mohammad Iqbal, former chairman of Bangladesh Chemical Industries Corporation (BCIC), has been appointed chairman of the election board.

Syed Nasim Manzur, president of the Leathergoods and Footwear Manufacturers & Exporters Association of Bangladesh and managing director of Apex Footwear Limited, has been appointed chairman of the appeal board.

The two other members of the election board are Syed Afzal Hasan Uddin, a lawyer of the Supreme Court, and Ashraf Ahmed, former president of the Dhaka Chamber of Commerce and Industry.

Mahmudul Hasan, director of the Export Promotion Bureau (EPB), will act as secretary to the election board.

The two other members of the appeal board are Rupali Haque Chowdhury, president of the Bangladesh Association of Publicly Listed Companies and managing director of Berger Paints Bangladesh Limited, and ANM Kudrat-E-Khuda, a retired additional secretary to the government.

Abu Mukhles Alamgir Hossain, another director of the EPB, will act as the secretary to the appeal board.

The BGMEA election was held on March 9 last year, but it drew controversy over alleged tampering of the voter list and accusations that the Sheikh Hasina-led government influenced its outcome.

In the BGMEA election, two panels usually compete—the Forum and Sammilito Parishad.

Last year, all 35 director posts were won by the Sammilito Parishad panel, and the leader of the panel, SM Mannan Kochi, was elected president.

STOCKS (WEEK-ON WEEK)

DSEX ▲	CASPI ▲
0.90%	0.93%
5,200.37	14,633.01

COMMODITIES (AS OF FRIDAY)

Gold ▼	Oil ▼
$2,857.93 (per ounce)	$70.10 (per barrel)

ASIAN MARKETS (FRIDAY CLOSINGS)

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 1.90%	▲ 2.88%	▼ 0.65%	▲ 1.98%
73,198.10	37,155.50	3,895.70	3,320.90

What does high default loan

FROM PAGE B1

If the central bank prints money to keep struggling banks afloat or if the government provides budgetary support to state-run banks, taxpayers and the general public suffer.

Before assessing how the burden is distributed, it is crucial to compare Bangladesh's bad loan scenario with that of other countries.

In India, the proportion of bad loans to total loans dropped to 2.5 percent at the end of September 2024, according to the Reserve Bank of India.

The non-performing loan (NPL) ratio was below 5 percent in Vietnam, 8.4 percent in Pakistan, and 3.7 percent in Nepal. Even in crisis-ridden Sri Lanka, the NPL ratio was 12.8 percent.

War-torn Ukraine recorded a 30 percent NPL ratio, while Ghana's stood above 24 percent -- higher than Bangladesh's.

HOW DO RISING BAD LOANS IMPACT THE ECONOMY?

When NPLs increase, banks must keep higher provisions, which directly hit their profitability. Lower profits limit a bank's ability to pay dividends to shareholders.

High NPLs also reduce banks' interest income. To compensate for the loss and continue paying depositors, banks either raise lending rates or lower deposit rates -- both of which negatively impact businesses and savers.

While all stakeholders suffer, willful defaulters continue to benefit by siphoning off money without consequences.

The crisis does not end there.

Recently, the central bank provided around Tk 22,000 crore in liquidity support to troubled banks to ensure they could meet withdrawal demands.

Such measures come at a significant economic cost, particularly by fueling inflation, which has been hovering above 9 percent since March of 2023.

Economists strongly criticise these bailouts as they have a cascading effect on inflation, but the central bank may opine that it had been left with little choice but to prevent panic in the banking sector.

To keep state-run banks afloat, the government has injected hundreds of crores of taka through the national budget, effectively using taxpayers' money to cover default loans. These funds could have been directed toward education, healthcare, or other essential sectors.

A SHRINKING CREDIT MARKET

High NPLs also make banks more cautious in lending, limiting access to credit for businesses and individuals. Small and medium enterprises (SMEs), which depend heavily on bank loans, are the worst affected, slowing overall economic growth.

Already, banks are shifting their focus to treasury bonds, as these provide guaranteed returns without the risk of default.

Foreign investors and credit rating agencies see high NPL ratios as a sign of systemic risk, discouraging foreign investment and increasing borrowing costs for the country.

"When defaulted loans rise, banks must keep higher provisions, reducing their capacity to issue new loans," said Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development.

For instance, take a bank that has Tk 100 in assets. It provides a loan of Tk 20, which turns sour. So, it now has Tk 20 worth of defaulted loans, for which it must set aside Tk 20 as provisions. As a result, the bank's capacity for fresh lending comes down to only Tk 60.

Moreover, high NPLs incentivise good borrowers to delay repayments, further weakening the financial sector.

"With rising bad loans, banks are becoming financially weaker, which ultimately shrinks their contribution to the economy," Mujeri added.

A fragile financial sector with limited credit availability hinders a country's economic development. To address this crisis, the government must take strong measures to control bad loans.

"There should be a concerted effort to prevent new default loans and recover existing ones," Mujeri said.

To improve the situation, banks must adopt better governance, enforce legal actions against defaulters, enhance risk management, and strengthen regulatory oversight.

Most importantly, eliminating political influence in the banking sector is crucial for restoring discipline and stability.

Oil price falls on White House spat, tariffs

REUTERS, *Houston*

Oil prices fell on Friday and were headed for their first monthly drop since November, as markets watched an Oval Office argument between the US and Ukrainian presidents while also bracing for Washington's new tariffs and Iraq's decision to resume oil exports from the Kurdistan region.

Brent crude futures, which expired on Friday, settled at $73.18 a barrel, down 86 cents, or 1.16 percent. US West Texas Intermediate crude futures finished at $69.76 a barrel, losing 59 cents, or 0.84 percent.

Both benchmarks are on track to post their first monthly decline in three months.

WTI was strengthening late in the session until an on-camera argument in the Oval Office broke out between US President Donald Trump and Ukrainian President Volodymyr Zelenskiy over a possible cease-fire agreement in the Russia-Ukraine war.

"This translates to a favorable posture for Russia and the potential for them to get more oil on the market," said John Kilduff, partner with Again Capital LLC.

Ramadan price hike

FROM PAGE B1

played by traders. As demand spikes, many in the supply chain take advantage of the situation to maximise profits. And because government oversight is weak, there's not much stopping them.

There's also the issue of corporate control.

According to Abul Hashem, a wholesaler in Dhaka's Moulvibazar, just four or five big companies control key markets like sugar and edible oil.

If they decide to cut back on imports due to various reasons, a supply shortage is created, and prices automatically go up, he mentioned.

"The demand data we're using is outdated," Hashem told The Daily Star. "We still rely on numbers from a decade ago, even though our population has increased. If we don't know the real demand, how can we regulate supply properly?"

Retailers also play a role. When demand is high, many small and medium-sized traders raise prices, sometimes beyond justifiable limits.

Sumon Howlader, president of the Bangladesh Poultry Association, a platform for small poultry farmers and suppliers, claims that "big" corporate groups control the supply, which "artificially" drives up costs.

He points to an interesting case from Ramadan 2023.

After the government conducted raids on traders, the price of broiler chicken dropped significantly overnight. That, he says, proves prices were being inflated.

SM Nazer Hossain, vice president of the Consumers Association of Bangladesh (CAB), said that they have repeatedly urged the government to monitor the market and supply chain closely.

However, what is currently happening in the name of monitoring is nothing but a media trial, he said.

"Enforcement raids are being carried out only in some selected wholesale and retail markets, which is not an effective approach to market regulation. Another crucial issue is the lack of follow-up after these raids. In Bangladesh, follow-ups are almost non-existent," he added.

Meanwhile, Taslim Shahriar, deputy general manager at Meghna Group of Industries, a leading commodity importer and processor, adds another piece to the puzzle: the exchange rate.

The rising dollar value has pushed up import costs, and when millions of people rush to buy the same imported goods at the same time, the supply chain struggles to keep up. Retailers take advantage of this gap, raising prices even further, he said.

CAN THE GOVT FIX THIS?

The government has tried various measures in the past -- raids, temporary price caps, even importing essential goods directly -- but nothing seems to provide a lasting solution.

The problem, according to experts, is that these are all short-term fixes.

Instead of addressing the root causes -- corporate dominance and lack of accurate demand tracking -- the government often resorts to quick interventions that don't change the overall system, they said.

Moazzem suggests a more long-term approach: a digital market tracking system that would allow real-time monitoring of supply and demand. That way, the government could intervene before prices spiral out of control.

But will that happen anytime soon? Many are sceptical.

There's a "deep-rooted" connection between large corporate groups and government, which makes bold regulatory action difficult.

"These groups have become so powerful that the government hesitates to take action against them," Moazzem said.

Is the Ramadan price hike an unavoidable reality in a nation of 18 crore people? Most people think so.

But as the economy shifts and inflation continues to bite, these price surges are hitting harder than ever -- especially for lower-income households.

What happens after Ramadan starts is even more intriguing.

TCB data over the past four years shows that a week into the fasting month, prices of essential goods have historically stabilised or even declined.

If things follow the usual pattern, prices may drop after the first week of Ramadan. But if corporate control and weak oversight remain unaddressed, the cycle will just repeat itself next year.

For now, consumers are left with little choice but to adjust their budgets.

Corruption still unbridled

FROM PAGE B4

Production costs rose by 11-12 percent between 2023 and 2024. However, intense competition prevents companies from increasing prices, further squeezing their profits.

Despite these challenges, Kabir believes the industry still has substantial growth potential.

Per capita cement consumption in Bangladesh has increased from 52 kg in the 1990s to 225 kg now. However, the country still lags behind India (310 kg) and China (1,700 kg).

Government megaprojects have historically driven growth in the construction sector, encouraging investment, he said.

However, as the interim government slows down large public construction projects, only those funded by foreign agencies, such as Japan and China, remain active.

This provides some opportunities for the industry, while the private sector has begun playing a larger role in driving demand, according to Kabir.

Dwindling trade

FROM PAGE B4

The hardest hit are the 500-plus port workers, truckers, and labourers now unemployed.

"Our workers are sitting idle, and livelihoods are at stake. This issue needs urgent resolution through trilateral talks," said Akhtarul Islam, president of the Banglabandha Workers' Union.

Without Bhutanese stone, the port's survival is at risk, said Nazir Hossain, leader of the clearing and forwarding agents.

Stakeholders stress the need to diversify trade.

"Current trade volumes are unsustainable. Immediate policy intervention is crucial," said Abul Kalam Azad, in charge of Banglabandha Land Port Limited.

Corruption still unbridled for businesses

Says MI Cement vice-chairman in an interview with The Daily Star

JAGARAN CHAKMA *and* SOHEL PARVEZ

Although the interim government is focusing on reforms and new measures, corruption remains a major concern for businesses. Instead of waning, demands for undue payments by public officials have increased in some cases, said a top industrialist.

"We don't see any restraint," said Md Alamgir Kabir, vice-chairman of MI Cement Factory, one of the leading cement manufacturers in the local market, in an interview with The Daily Star.

Recalling the period after an army-led caretaker government took power in January 2007, he said that at the time, many public officials were hesitant to seek bribes for providing services.

After the ousting of Sheikh Hasina's government in a mass uprising in early August, the interim government, led by Nobel laureate Muhammad Yunus, took charge, raising expectations of change on many fronts, including reducing corruption, which had become pervasive during Hasina's 15-year rule.

Kabir, also the president of the Bangladesh Cement Manufacturers Association (BCMA), said that while the government's investment promotion agencies boast of One-Stop Service (OSS), the initiative has yet to reduce costs and delays for businesses.

Firms still have to visit public offices for clearances and permits, often paying more than the officially determined fees to speed up services, said the businessman.

"We have to term these payments as miscellaneous costs in our balance sheets. And in many cases, these costs have not declined," he said.

"While law enforcement appears stricter on paper, many issues are not coming out."

Acquiring land for industrial purposes remains a bureaucratic nightmare, despite the promise of hassle-free services, Kabir said.

In the interview, the industrialist—whose company markets the construction raw material under the brand Crown Cement—also talked about the overall economic and business climate, the impact of high-interest rates on bank loans, and the current state of the cement industry.

Md Alamgir Kabir

KEY INSIGHTS FROM THE INTERVIEW

Corruption remains a major concern for businesses even after Aug changeover	High bank interest rates and political instability hinder business growth
Undue payment demands by public officials have increased in some cases	Stock market failures force industries to rely on costly bank loans
One Stop Service (OSS) has failed to reduce business costs and time	Cement industry faces shrinking profit margins despite rebounding demand
Industrial land acquisition remains a bureaucratic nightmare	Slowdown in megaprojects affects construction sector growth

He described the current business environment as "far from favourable," citing high borrowing costs and political uncertainty as key concerns.

"High bank interest rates and political instability make it nearly impossible for businesses to thrive."

In the past, Kabir said, businesses used to raise capital from the stock market to avoid bank borrowing at high-interest rates.

"But that option has shrunk," he said, adding that the capital market has failed to become a viable funding source due to poor management and governance.

"The capital market is now at its worst state, with a significant decline in public participation. As a result, industries are forced to rely on banks, which are profiting while industries struggle."

He pointed out that one bank made over Tk 2,200 crore in profit last year, whereas even after investing thousands of crores of taka, industries rarely get such high returns.

The president of the cement manufacturers' association said this situation might not have arisen if businesses had access to a vibrant alternative funding source.

Apart from high borrowing costs, he said that political instability is another major hurdle for businesses.

"Businesses need a stable environment, but somehow this has not been the case."

"An elected, stable government is needed to remove uncertainty and bring stability," said the businessman.

Kabir also talked about tax policies, particularly in the cement sector. He said that manufacturers must pay a portion of their revenue in taxes even if they incur losses.

Besides, taxes paid on imported raw materials are not refunded, even when firms suffer losses.

"It shouldn't be," he said.

The entrepreneur, who has been in business for nearly four decades, said that tax policy formulation should be separate from tax administration.

Currently, the National Board of Revenue (NBR) frames tax policies based on revenue targets set by the government.

Kabir suggested that a separate department should formulate tax policies to ensure fairness. Instead of focusing on businesses that comply with tax regulations, he said, the government should address tax evasion more effectively.

He also criticised policy inconsistencies, pointing out that some industries, such as readymade garments, receive more support than others, like local manufacturers producing import substitutes such as cement.

Local industries save foreign currency, he said, yet they do not receive enough support to grow.

The leader of local cement makers said the country's cement production capacity is 92 lakh tonnes, while monthly consumption is only 37 lakh tonnes.

The utilisation rate is about 44-45 percent, and the industry has declined in recent years, he said.

However, there was a turnaround in January this year, when the sector recorded a historic high of 38 lakh tonnes in sales, driven mainly by private-sector demand.

Rural construction has increased, likely due to higher remittance inflows and changing housing trends, according to Kabir.

Despite this growth, cement factories are still grappling with reduced profit margins, he said, citing rising bank interest rates, electricity and gas costs, transportation expenses, and labour costs as major issues.

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Bangladesh's bad loan saga

MAMUN RASHID

Non-performing loans (NPLs) in Bangladesh soared by Tk 1.34 lakh crore in the second half of 2024, reaching Tk 3.45 lakh crore by December.

Governor Ahsan Mansur mentioned that after the fall of the Awami League government in August, previously concealed defaulted loans began to come to light.

The current volume of defaulted loans accounts for 20.2% of the banking sector's total loans. There is every hunch that the exact figure may be much higher if we apply qualitative judgement here.

NPLs stood at Tk 2.11 lakh crore at the end of June 2024, accounting for 12.56% of total loans, when the Awami League was in power. According to Bangladesh Bank (BB) data, in December 2023, NPLs stood at Tk 1.45 lakh crore, accounting for 9% of the total bank loans at that time.

The surge in bad loans follows the end of Sheikh Hasina's 15-year-plus rule that allowed banks to conceal the real picture of bad loans through various "window dressing" efforts.

The central bank governor also said the rise in NPLs is largely due to the end of a long-standing lack of transparency in reporting bad loans and recent changes in loan classification policies.

So what is changing now? Previously, loans were classified as overdue after 270 days, but the timeframe has now been reduced to 180 days. Furthermore, starting from April 2025, loans will be classified as non-performing within just 90 days.

As of December 2024, at least 42% of total loans in state-owned banks were classified as non-performing, while 15% of total loans in private banks were non-performing, said the governor, warning that with this new strict policy, NPLs are expected to rise even further in the coming months.

Early February, the BB announced its monetary policy for the January-June period of the ongoing fiscal year. According to its monetary policy statement, NPLs in the banking sector are expected to exceed 30% by June this year, if not more.

Factors contributing to the rise in NPLs include systemic weaknesses, regulatory gaps, and exploitative practices such as money laundering and illicit capital flight, the statement stated.

In the last six months, both new loan disbursement and loan renewals have decreased in banks, while the amount of defaulted loans has increased. Additionally, many loans have defaulted due to the reduction in the overdue period for term loans.

Analysts also attribute the NPL increase to the reinstatement of international standards for defining NPLs. These stringent measures, which were suspended during the pandemic in 2020, have provided a more accurate, though sobering, assessment of banking health.

The increase in default loans is due to several factors. One key reason is that banks previously classified loans as regular for many influential customers whose loans were actually in default. Now, those loans are being classified as defaulted again.

Some loans have become defaulted because the central bank has aligned its loan classification process with international standards.

It is also true that many borrowers couldn't repay their loans due to student protests and internet outages in July and August last year. The SME sector has been severely affected, leading many customers to default. Additionally, many plants have struggled to operate properly due to insufficient gas and electricity supply. Prolonged unrest in RMG belts could be another reason. Besides, massive depreciation of taka against the greenback also impacted the importing clients very badly.

However, there is no denying that the true extent of defaulted loans must be revealed to gain proper visibility. Only then can appropriate reform measures be taken.

The writer is the chairman of Financial Excellence Limited

Rupee falls for fifth month in February

REUTERS, *Mumbai*

The Indian rupee logged its fifth straight monthly fall in February, weighed down by foreign portfolio outflows and increased hedging in the onshore and the non-deliverable forward market.

The rupee ended at 87.4950 against the US dollar compared with 87.20 in the previous session. The domestic unit fell 1 percent in February, and slipped to an all-time low of 87.95 during the month.

However, periodic intervention by the Reserve Bank of India (RBI) largely curbed one-way moves on the domestic unit and prevented speculators from betting against the rupee.

The RBI conducted a three-year dollar-rupee buy-sell swap auction on Friday, drawing bids 1.6 times the $10 billion notified amount, following a $5 billion six-month swap in January.

India's sluggish economic growth, uncertainty over US President Donald Trump's tariffs and rising possibility of a global trade war have hit foreign investors' demand for Indian financial assets.

Foreign investors have net sold nearly $3.5 billion of local stocks so far in February, taking the total outflows to about $12.5 billion in 2025.

The benchmark BSE Sensex and the broader NSE Nifty 50 fell 5.6 percent and 5.9 percent, respectively, during the month.

"The outlook continues to favour dollar bulls, supported by sustained demand from importers and continued foreign portfolio investor outflows," said Dilip Parmar, a foreign exchange research analyst at HDFC Securities.

Dwindling trade threatens future of Banglabandha land port

KONGKON KARMAKER

Once a thriving regional trade hub, Banglabandha land port—Bangladesh's only quadripartite port linking India, Nepal, Bhutan, and Bangladesh—is facing a severe downturn due to its heavy reliance on stone imports.

Trade has plunged following a halt in Bhutanese stone shipments and reduced imports from India, leaving the port struggling to sustain operations.

The crisis has slashed government revenue and left hundreds of workers jobless, threatening thousands of livelihoods.

Once a centre for diverse trade, the port gradually became dependent on Bhutanese stone over the years.

However, a recent dispute over slot booking charges imposed by Indian authorities has disrupted imports, exposing the port's vulnerability.

PHOTO: STAR/FILE

Banglabandha is the only land port that links India, Nepal, Bhutan and Bangladesh.

Bhutanese stone, favoured for its quality and duty exemptions, stopped arriving in January after West Bengal authorities imposed a slot booking charge of Tk 3,000-5,000 per truck.

Protests from exporters and importers failed to prevent supply chain disruptions, forcing businesses to turn to costlier, lower-quality Indian stone.

Port officials report a drastic drop in daily stone-laden trucks—from 300-400 to just 60-70—causing revenue to plummet to Tk 91 crore in January.

The construction sector is also feeling the pinch, as Indian stone costs $3-4 more per tonne, inflating infrastructure expenses.

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Investors unnerved by heated Trump-Zelensky Oval Office showdown

REUTERS

Investors were stunned on Friday after Ukrainian President Volodymyr Zelenskiy's meeting with US President Donald Trump ended in disaster, adding uncertainty to financial markets already jittery due to weakening economic data and volatility around US trade policies.

The two leaders traded verbal blows before the world's media at the White House, pushing markets to react with a risk-off bid for safe-haven Treasuries as the public spat added uncertainty over the prospect of a peace deal with Russia.

"It's disturbing," said Jack McIntyre, portfolio manager at Brandywine Global. "It looked like we were moving towards progress on a peace deal or a ceasefire between Russia and Ukraine and maybe now that gets to come on hold, so you have to price in a little bit more uncertainty," he said.

Zelenskiy's US visit was aimed to keep the US from aligning with Russian President Vladimir Putin, who launched the Ukraine invasion three years ago. Instead, he clashed with Trump and Vice President JD Vance over the war, highlighting Kyiv's struggle to retain US backing. Trump later accused Zelenskiy of disrespecting the United States.

Benchmark 10-year Treasury yields, which move inversely to prices, declined after the public confrontation and were last seen at 4.23 percent from about 4.27 percent earlier on Friday.

European stock futures fell while Wall Street climbed in choppy trading. The Dax and CAC40 futures fell 0.6 percent and the Eurostoxx 50 futures dropped as much as 1.4 percent and were last down 0.6 percent. The S&P 500 index was last up 0.58 percent. The euro fell by as much as 0.37 percent to a two-week low of $1.036, before paring some of that decline to trade at $1.0366.

The heated confrontation came amid expectations Trump will soon impose punitive tariffs on key US trade partners, which has raised investor fears of a spike in inflation and a hit to economic growth.

He said on Thursday his proposed 25 percent tariffs on Mexican and Canadian goods will take effect on March 4, along with an extra 10 percent duty on Chinese imports.

US President Donald Trump meets with Ukrainian President Volodymyr Zelenskiy at the White House in Washington, DC on February 28.

PHOTO: REUTERS

"The unconventional nature of (the exchange) raised the issue for investors of how unpredictable and uncertain the Trump administration can be," said Rick Meckler, a partner at Cherry Lane Investments.

"There are so many things happening in this government at once - all of which are to some extent groundbreaking - and this just added one more feature to it. So that's where the market (took a) leg down a little bit, thinking this is just a sign of a lack of predictability and more traditional approaches to diplomacy," he said.

Investors were already nervous on Friday after a report closely tracked by the Federal Reserve showed consumer spending slowed last month. This came after recent signs of weak consumer confidence, sluggish manufacturing, and disappointing retail and home sales, which have fueled a bond rally in recent weeks.

Some investors remained hopeful cooler heads will prevail, however.

"Apart from the theatrics, not much changed today from a market standpoint. The good news is that Trump didn't walk away from the deal completely," said Jamie Cox, managing partner at Harris Financial Group, referring to an agreement on rare earth minerals between the US and Ukraine that was supposed to be signed on Friday as part of a peace deal with Russia.

"Markets will rocket higher if a deal gets struck because anything constructive would be welcomed after that exchange."