Taskeen Ahmed

It will take political govt at least 3 years to stabilise economy

Says DCCI President Taskeen Ahmed

JAGARAN CHAKMA

As things stand currently, it will take the next political government at least three years to stabilise the country's economy, Taskeen Ahmed, president of the Dhaka Chamber of Commerce and Industry (DCCI), has said.

Speaking to The Daily Star in an exclusive interview, he explained that Bangladesh's economy is under growing pressure from high inflation, slowing investment, and deepening political uncertainty. The law-and-order situation has yet to inspire full confidence.

He also spoke about the challenges facing businesses, the erosion of purchasing power, and why bold, long-term reforms -- rather than short-term fixes -- are needed to put the economy back on track.

"Whoever comes to power, the first two and a half to three years will be extremely difficult," he warned.

"The signs are already there. We have been operating on short-term measures such as quick export pushes and policy tweaks, but you cannot run an economy like that forever. Medium- to long-term planning has been absent. It will take at least three years just to stabilise," he added.

According to Ahmed, key weaknesses including low investment confidence, high inflation, and a credit crunch are holding the economy back despite official narratives of recovery.

He noted that people often cite the closure of 200-300 garment factories, which draw attention because they belong to the formal corporate sector. But there are no reliable data on how many of the nearly 80 lakh small and medium-sized enterprises (SMEs), employing 20, 50, or 100 workers, have shut down.

"These are the silent casualties of rising interest rates, political instability, and limited finance. The long-term effects will be felt in the years ahead," he said.

SHRINKING PURCHASING POWER, LIQUIDITY

Ahmed's foremost concern is the steep decline in purchasing power across the population.

"When people's incomes shrink, they don't buy new clothes -- they pay their electricity bills, their water bills. They buy essentials. Businesses feel it immediately," he pointed out.

"Our currency has lost value, but wages haven't increased to keep up. Inflation has outpaced income. That's the ground reality," he added.

He also highlighted a troubling slowdown in money circulation, which has directly hit both consumption and investment.

"The banking system is under strain. Interest rates are up. Credit isn't flowing. When money doesn't circulate, business activity slows. That's not just theory -- that's what we are seeing every day," noted the DCCI president.

GOOD RESERVES, BUT...

Ahmed acknowledged the recent rise in foreign exchange reserves but cautioned against taking the numbers at face value.

"Yes, reserves are improving. But where's the capital machinery? That's what really tells you if businesses are investing. If capital goods aren't being imported, it just means businesses are not expanding," he said.

He added that while the shift from hundi to formal remittance channels is a positive sign, it does not reflect higher earnings, only better tracking.

"It is good that people are using proper channels now. But we should not misread it as economic improvement."

The DCCI president lauded the government for finally allowing the exchange rate to float more freely.

"At one point, banks were not allowed to offer more than Tk 109 per dollar, while the open market was at Tk 118. That gap pushed remittances into the hundi market.

"Now it's more aligned, with the rate being around Tk 124 in open markets, and Tk 121-122 at banks. But we need to maintain this balance," he stated.

INVESTORS NEED CONFIDENCE, NOT EVENTS

On foreign investment, Ahmed said if local investors are not confident, foreign investors will not come either.

"Foreign direct investment has always been low. Our own businesses are not reinvesting, and that says a lot. Some government initiatives, like investment summits, create buzz but often lack follow-up," he said.

He added, "Some of our colleagues did not even know when the last summit was happening. Others asked: what came out of it?"

The DCCI president also cautioned against believing that a political government will be able to solve everything.

"Let's face it, when we talk about business, politics always creeps in. You can't separate them. Political uncertainty slows down everything -- from circulation and investment to even optimism," he noted.

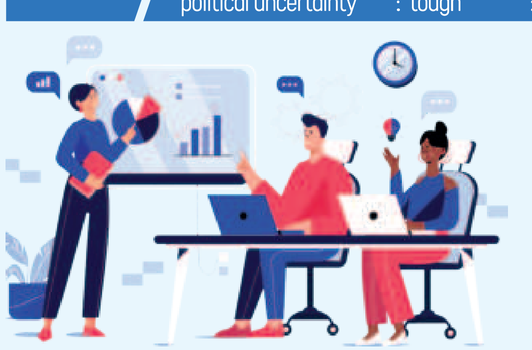
"However, no matter which party forms the next government, the road ahead will be tough. This is not about slogans, it is about deep structural reforms. We need to fix banking, ensure stable power supply, and maintain policy consistency. Otherwise, we'll keep going in circles," he added.

He stressed that quick fixes will not work anymore. The country needs long-term thinking and political will.

"Real reforms, painful as they may be, are the only way forward. The economy won't turn around in six months, it will take years. But if we don't start now, we'll fall even further behind," Ahmed concluded.

TAKEAWAYS FROM INTERVIEW

CHALLENGES			
Bangladesh's economy faces high inflation, low investment, and political uncertainty	Next three years will be extremely tough	Purchasing power shrinking as wages fail to keep up with inflation	Credit flow is restricted, business activity slows



Investment

Foreign reserves look better but machinery imports falling, showing weak investment

Without local investor confidence, foreign investment won't come

Policy and progress

Freer exchange rate is a progress, but stability must be maintained

How bank mergers can work

MAMUN RASHID

Across the world, bank mergers or acquisitions are supposed to create added synergy. In our part of the world, however, they are often undertaken out of necessity.

I was a member of the global acquisition team with Andy Prebble when Standard Chartered Bank acquired ANZ Grindlays Bank, and later worked with Peter Sullivan on post-merger integration, especially asset and liability amalgamation. For us at Standard Chartered, the acquisition was of significant strategic importance. After the merger, we focused on systems, processes and platform integration, along with raising profitability through stronger client ring-fencing and improved risk management.

The most recent merger proposal in Bangladesh reflects a pressing need for action due to the Bangladesh Bank's determination to instil discipline and oversight in a financial sector plagued by irregularities. Reports suggest the central bank has plans to merge ten banks, beginning with five Islamic banks.

Mergers are often seen as tools to strengthen the banking sector. By consolidating resources, expertise and market presence, merged entities can achieve economies of scale, enhance efficiency and diversify product offerings. This is particularly relevant in Bangladesh, where 61 scheduled banks operate, yet 10 to 20 are considered weak due to poor governance and loan irregularities.

The challenges are significant, especially for stronger banks. Integrating different cultures, systems, and processes can be complex and may divert management's attention. Technology integration is also tricky. On top of this, assuming the liabilities of weaker banks, including their non-performing loans (NPLs), could strain the balance sheets of relatively stronger entities.

Valuation lies at the heart of any merger, with clear consequences for shareholders. Shareholders of stronger banks may have to absorb weaker banks' lower valuations, take on their NPLs and accept lower dividends due to weaker performance.

One of the most discussed cases in Bangladesh was the proposed merger between Padma Bank and EXIM Bank, for which a memorandum of understanding was signed under the previous government. Although the government pushed for it, many analysts, including the World Bank, said it could be premature and questioned whether it would succeed.

After that, discussions arose about absorbing the ICB Islamic Bank into a stronger institution. Frozen deposits, capital shortages, high default loans and liquidity crises had all contributed to its fragile position. History shows that mergers alone do not guarantee success. The formation of the Bangladesh Development Bank Ltd (BDBL) after merging the Bangladesh Shilpa Bank and the Bangladesh Shilpa Rin Sangstha is a reminder. Despite consolidation, BDBL still struggles with default loans.

Neighbouring India offers more examples. In 2021, ten public sector banks were consolidated into four, with the objective of strengthening the economy, improving profitability, cutting non-performing assets (NPAs), improving efficiency and widening the branch network. In Sri Lanka, plans were made to merge small and mid-sized banks in pursuit of similar synergies.

To navigate the complexities of mergers, regulatory oversight, and stakeholder engagement is essential. Regulators must enforce strict guidelines, safeguard depositors and investors, and ensure healthy competition. Transparency and effective communication are also vital to managing expectations.

Beyond regulation, success depends on careful planning, robust risk management and effective post-merger integration. While the central bank, the ministry of law and even higher courts may play important roles, day-to-day operations must be entrusted to experienced commercial bankers who can bring everything together.

The writer is a banker and an economic analyst

India allows exports of de-oiled rice bran

REUTERS, *New Delhi*

India on Friday lifted its ban on exports of de-oiled rice bran with immediate effect, ending restrictions that had been in place for more than two years, the government said.

Before the ban was imposed in July 2023, India exported 500,000 metric tons of de-oiled rice bran per year, worth about 10 billion rupees, mainly to Vietnam, Thailand, and other Asian countries.

The resumption in exports will lead to higher production of both de-oiled rice bran, which is used in the cattle feed industry, and rice bran oil, industry officials said.

Prices of de-oiled rice bran have fallen by half since July 2023 to about 10,000 Indian rupees ($113) per ton, according to the Solvent Extractors' Association of India (SEA).

BV Mehta, executive director of the SEA, said exports would benefit the rice milling and solvent extraction industry, particularly in eastern India, while helping farmers and processors gain better value from rice bran by-products.

India is the world's largest importer of vegetable oils, including palm oil, soyoil and sunflower oil, sourcing them from countries such as Malaysia, Indonesia, Argentina, Russia and Ukraine.

Mehta said the resumption of de-oiled rice bran exports should make extraction profitable and boost supplies of rice bran oil, which India needs to reduce imports.

Gold set for seventh straight weekly rise

REUTERS

Gold prices rose on Friday, hovering near record highs and heading for a seventh consecutive weekly gain, supported by growing concerns over the economic impact of a prolonged US government shutdown and expectations of interest rate cuts.

Spot gold rose 0.7 percent to $3,884.19 per ounce by 01:40 p.m. ET (1749 GMT), after hitting a record high of $3,896.49 on Thursday. Prices have gained more than 3 percent this week.

US gold futures for December delivery settled over 1 percent higher at $3,908.9 per ounce.

"I think the longer the government stays shut down, that's going to be a steady bullish element for the gold market. If they happen to have a surprise weekend agreement to open the government back up, that would probably be a bearish element," said Jim Wyckoff, senior analyst at Kitco Metals.

The US Senate will vote again on dueling Democratic and Republican plans to end a government shutdown now entering its third day, though there is no sign that either plan will win passage. The key US non-farm payrolls report, originally slated for release on Friday, has been postponed, leaving investors to lean on alternative indicators that point to a cooling labor market and sustain expectations of an imminent rate cut.

Investors are pricing in a 97 percent probability of a 25-basis-point rate reduction in October and a 85 percent likelihood of another similar cut in December, according to CME Group's FedWatch tool.

Trump's tech visa fee challenged in court

AFP, *San Francisco*

A coalition of workers in a variety of fields filed a lawsuit Friday to halt the new $100,000 H-1B visa fee introduced by the Trump administration.

The group, representing health care workers, university professors and religious groups, among others, argued in federal court in San Francisco that the new fee is illegal and will thwart a key conduit for innovation and economic growth in the United States.

"Without relief, hospitals will lose medical staff, churches will lose pastors, classrooms will lose teachers, and industries across the country risk losing key innovators," the coalition said in a statement.

"The suit asks the court to immediately block the order and restore predictability for employers and workers," it added.

The $100,000 fee announced last month gave companies just 36 hours notice before it went into effect, triggering chaos and confusion over how it would work and who would be hit.

The H-1B fee is part of a larger crackdown by President Donald Trump, who has unleashed a massive push against immigration since returning to the White House -- though until now it had not targeted the visa on which Silicon Valley relies heavily.

Trump argued that the H-1B visa system was being abused to replace American workers with people willing to work for less money.

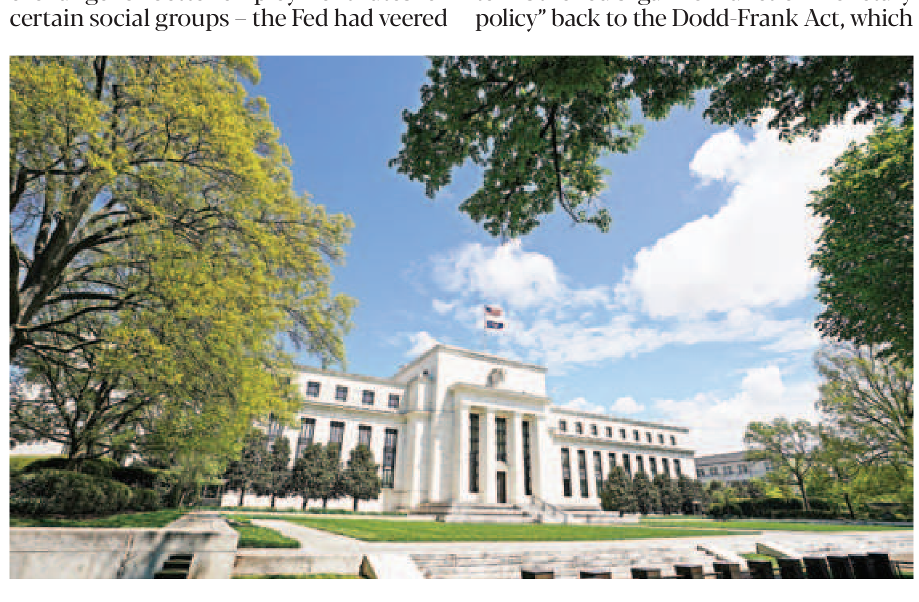
Federal Reserve revamp is not revolutionary enough

REUTERS

Donald Trump's second administration has upended long-standing conventions in diplomacy, defence, fiscal policy, trade, public health, and more. Now the president's "America First" policy is coming for the Federal Reserve. Critics from Treasury Secretary Scott Bessent on down are laying siege to the central bank's governance and the models it uses to set rates. Yet monetary policy is perhaps the one area in need of more revolutionary fervour than the White House appears to have in mind.

Kevin Warsh, a former Fed governor who is one of the candidates to replace Chair Jerome Powell next year, laid out the criticism of the central bank's governance in April. Speaking to the Group of Thirty body of global financial policymakers, he accused, the Fed of having stretched its statutory mandate of price stability and maximum employment into unwarranted political territory. Its purchases of US government debt under successive quantitative easing programmes had encroached on fiscal policy, Warsh claimed. By joining the Network of Central Banks and Supervisors for Greening the Financial System, it had gate-crashed energy and environmental policy. And by interpreting, its full employment remit as "broad-based and inclusive" in August 2020 -- suggesting that it might tolerate higher inflation in exchange for better employment rates for certain social groups -- the Fed had veered into social policy too.

Bessent more recently added regulatory overreach, to the charge sheet, tracing that aspect of what the US Treasury secretary terms the Fed's "gain-of-function monetary policy" back to the Dodd-Frank Act, which overhauled bank regulation after the 2008 financial crisis. He was also explicit about the administration's response. The Fed's "overuse of nonstandard policies, mission creep, and institutional bloat", Bessent wrote, will justify political intervention unless the institution reverts to its statutory mandate. The Fed, he warned, "has placed its own independence in jeopardy".



The Federal Reserve building is set against a blue sky in Washington DC. The Fed's "overuse of nonstandard policies, mission creep, and institutional bloat" will justify political intervention unless the institution reverts to its statutory mandate, says Treasury Secretary Scott Bessent. PHOTO: REUTERS/FILE

These broadsides are certainly unusual. Against the backdrop of Trump's public attacks on Powell and his attempts to unseat Governor Lisa Cook they also look ill-timed. One thing they are not, however, is revolutionary.

The distinction between policy -- who sets the central bank's mandate -- and operational independence -- who decides what measures they take to meet it -- is entirely orthodox. Even an inflation target is a political choice, since changes in the price level redistribute wealth between savers and borrowers. Layer on social, environmental, and regulatory objectives and the need for political legitimacy is even stronger. Most modern central bankers recognise there is a trade-off between independence and breadth of mandate. The alternative would be a disconnect between bureaucratic power and democratic accountability.

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