Economic stability returning, but full recovery will take time: PRI

STAR BUSINESS REPORT

Bangladesh has made modest progress toward economic stabilisation, but it may take time for all indicators to stabilise, as many challenges remain, according to the private think-tank Policy Research Institute (PRI).

The progress is reflected in a stable exchange rate, a build-up of foreign reserves, and moderate improvements in inflation. However, PRI said fiscal and banking sector reforms have been limited. The adjustment has come with slow economic growth, stagnant investment, rising unemployment, and declining real wages.

"Economic policymaking in 2026 cannot assume that stability will return soon," said Ashikur Rahman, principal economist at PRI, during a keynote presentation at PRI's monthly macroeconomic insights event yesterday, jointly organised with the Australian Department of Foreign Affairs and Trade at the PRI office.

He added that policy must embrace uncertainty and build strategies around it. "Policy frameworks must be flexible. Institutions must be capable of mobilising real-time responses. Decisions must be timely, credible, and anchored in preparedness," Rahman said.

Looking ahead to 2026, he said, "Perpetual instability -- both external and domestic -- is no longer an exception; it has become the new normal. Global geopolitical shocks, wars, trade disruptions, climate volatility, and shifting international economic dynamics will continue to test our resilience.

Despite moderate improvements in inflation, commodity prices have remained elevated, posing a challenge for the economy. PHOTO: STAR/FILE

"At the same time, internal political uncertainty, institutional stress, and governance challenges will keep shaping macroeconomic management."

Rahman also likened the economy to a forest, saying, "In many ways, we must behave like a deer in a forest -- always alert, aware of our environment, attuned to early warning signals, and ready with a crisis-time economic playbook.

"What seems stable today can become chaotic tomorrow. Survival and progress in this new world will depend on vigilance, adaptability, discipline, and readiness to act decisively."

According to PRI, Bangladesh's GDP growth slowed to 3.4 percent in Q4 of FY25, mainly due to weaker performance in industry and services. Private consumption and government spending eased, while investment growth remained low at 1.8 percent due to high borrowing costs and political uncertainty.

Strong remittances and higher foreign reserves support macroeconomic stability and could boost consumption and investment as inflation eases. However, political instability and policy uncertainty ahead of elections remain major downside risks, PRI said.

Sustained recovery will depend on political stability, credible elections, and structural reforms to restore investor confidence and boost productivity, the think-tank added.

The external sector continues to improve. Between July and October FY26, Bangladesh's Balance of Payments showed a $1.1 billion surplus, mainly from a stronger financial account. Remittance inflows rose 20 percent during July-November of FY26.

"There has been some stability in foreign exchange reserves and the exchange rate. However, the country's economic growth and investment have slowed," said Kamran T Rahman, president of the Metropolitan Chamber of Commerce and Industry.

He added, "High inflation, uncontrolled non-performing loans in the banking sector, and a very low tax-to-GDP ratio remain key challenges for the economy."

Rahman also highlighted the importance of political stability, energy security, and policy certainty in restoring business confidence.

At the seminar, speeches were also delivered by PRI Executive Director Khurshid Alam and Research Director Bazlul Haque Khondker, among others.

Competition in govt purchase rises after new rules

STAR BUSINESS REPORT

Competition in public procurement has intensified after amending the government procurement rules, with the number of bids per tender rising to 8.5 by the end of last year from just 2.7 three months earlier, according to government data.

The increase follows the changes to the Public Procurement Rules in September 2025, which replaced the previous purchasing guidelines.

To enhance transparency and improve efficiency in procurement, the new framework made electronic Government Procurement (eGP) mandatory for all public purchases. It also scrapped the 10 percent price ceiling for bids and opened the door for participation by non-government organisations.

The developments on increased competition were shared at a meeting in Dhaka yesterday by SM Moin Uddin Ahmed, chief executive officer of the Bangladesh Public Procurement Authority. The meeting was chaired by Planning Adviser Wahiduddin Mahmud.

Ahmed said registration on the eGP platform had doubled within three months, pointing to growing interest among bidders and wider engagement with the system.

The planning adviser welcomed the progress and instructed the authority to communicate the developments to all relevant stakeholders to build confidence and awareness. He said the current interim government had undertaken a series of far-reaching reforms aimed at delivering tangible benefits for public institutions and citizens.

He described the Public Procurement Amendment Ordinance 2025 and the Public Procurement Rules 2025 as "landmark developments" in improving transparency and strengthening the public procurement framework.

At the meeting, the planning adviser also inaugurated a redesigned public procurement mobile application titled "Public Procurement Mirror (Sorkari Kroy Dorpon)".

The app is now available on both Android and iOS platforms. It has been redesigned and rebranded in line with the amended Public Procurement Act and the newly enacted Public Procurement Rules.

China to apply lower import tariff rates to unleash market potential

ANN/CHINA DAILY

China will apply provisional import tariff rates lower than the most-favored-nation rates on 935 items starting on Jan 1, a move market observers and company executives said will further unleash domestic purchasing potential and create wider opportunities for global businesses.

In a statement released on Monday, the Customs Tariff Commission of the State Council, China's Cabinet, said the provisional import tariffs will be applied as part of an annual tariff adjustment plan, which will "increase the import volume of quality products" and "support China's pursuit of high-level opening-up".

For example, China will reduce tariffs on critical components and advanced materials, such as computer-controlled hydraulic cushions for presses and heteromorphic composite contact strips, easing costs for the high-end manufacturing sector and accelerating the development of a modern industrial system.

The new tariff adjustment plan will also support the country's green transition by reducing duties on resource-related inputs, such as recycled black mass for lithium-ion batteries and unroasted iron pyrites. To improve public health, it will lower tariffs on items including artificial blood vessels and diagnostic kits for certain infectious diseases.

Noting that these opening-up measures will help chart a clear path toward high-quality development, Anna An, president of the China unit of German industrial and consumer goods group Henkel, said that China's evolving policy environment is providing greater clarity and confidence for long-term investment and trade.

An said that Henkel continues to see the Chinese market demonstrating strong resilience and solid long-term growth potential, especially in areas such as expanding domestic demand and boosting consumption, innovation-driven growth and progress for achieving the country's dual-carbon goals.

To underscore its continued commitment to the market, the German company will step up the introduction of its high-tech products in China and continue to scale up local manufacturing operations in the years ahead, she added.

Zhou Mi, a senior researcher at the Chinese Academy of International Trade and Economic Cooperation, said that China dynamically adjusts its tariff rates annually in response to evolving external conditions, and these adjustments have sent clear policy signals and enhanced the stability of market expectations.

"By announcing next year's tariff schedule in advance, the policy will enable domestic importers and foreign exporters interested in the Chinese market to accurately anticipate future tariff levels, effectively assess costs, reduce uncertainty, and proactively plan and scale their supply capabilities," he added.

Xiao Jinfeng, foreign trade manager at Asia Vital Components (Dongguan) Co, a manufacturer of computer cases, servers and cooling fans based in Dongguan, Guangdong province, said the government's new tariff adjustment plan will lower the company's cost of importing storage-battery components and industrial valves, among other things.

"As we will add new production lines to drive upgrading and move into emerging areas such as advanced liquid-cooling solutions for cloud-based artificial intelligence data centers next year, high-end foreign products and technical services are certainly needed," she said.

Opec+ keeps oil output steady

REUTERS, *Dubai/London*

Opec+ kept oil output unchanged on Sunday after a quick meeting that avoided discussion of the political crises affecting several of the producer group's members.

The meeting of eight members of Opec+, which pumps about half the world's oil, came after oil prices fell more than 18 percent in 2025.

"Right now, oil markets are being driven less by supply-demand fundamentals and more by political uncertainty," said Jorge Leon, head of geopolitical analysis at Rystad Energy.

Exports fell nearly 5% in 2025

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In its monthly report, the EPB said weakening global demand, US tariffs, intensifying competition, rising production costs and ongoing geopolitical uncertainty had created heavy external pressure on export performance.

Domestic challenges also played a role. Industry leaders cited volatile political conditions and limited access to bank financing as key constraints on exporters.

Amid the gloom, there were some brighter notes. Md Abul Hossain, chairman of the Bangladesh Jute Mills Association, said exports of jute and jute goods had risen over the past six months, driven by stronger shipments of value-added products.

Md Shehab Udduza Chowdhury, vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said demand from the United States weakened as prices rose following the tariffs.

Exports to the European Union, he added, were hurt by lower-priced shipments from competitors such as China, India and Vietnam.

MFIs concerned

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problems in the broader financial sector, including defaulted loans, corruption and weak governance, could spill over into microcredit if the ordinance is enacted, potentially damaging the sector's credibility built over several decades.

They further said no consultation had been held with licensed MFIs prior to drafting the ordinance, despite the fact that many institutions could be directly affected by the proposed changes.

The leaders of the MFIs said they have already presented reform proposals for the microfinance sector aimed at enhancing efficiency, governance, and sustainability without compromising its social mission.

"Overall, we think the proposed Microcredit Bank Ordinance 2025 is not microcredit-friendly. It will not address existing challenges. Instead, it could create new and deeper crises," the statement said.

They urged the government to reconsider the drafting process and engage in meaningful dialogue with all relevant stakeholders before moving forward.

Among others, Zakir Hossain, executive director of Bureau Bangladesh; Hosne-Ara Begum, executive director of TMSS; Santosh Paul, acting executive director of the Society for Social Services (SSS); Md Alauddin Khan, executive director of the National Development Programme (NDP); Zahida Fizza Kabir, executive director of Sajida Foundation; Md Emdadul Haque Chowdhury, principal adviser of Inter Society for Development; Md Saleh Bin Sums, executive director of Padakkhep Manabik Unnayan Kendra; AKM Shirajul Islam, executive director of BASA Foundation; Aftabur Rahman Jafree, chief executive officer of Ghasful; Rezaul Karim Chowdhury, executive director of COAST Foundation; Khaleda Shams, executive director of Palli Bikash Kendra (PBK); Mifta Naim Huda, executive director at Centre for Development Innovation & Practice; Imrul Kayes Muniruzzaman, executive director of RDRS Bangladesh; Khursid Alam, executive director of CODEC; and Md Abu Zaher Alam, executive director of FDS, Faridpur, signed the statement.