DHAKA SUNDAY JANUARY 11, 2026, POUSH 27, 1432 BS starbusiness@thedailystar.net

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Low investment, high inflation major hurdles for next govt: CPD

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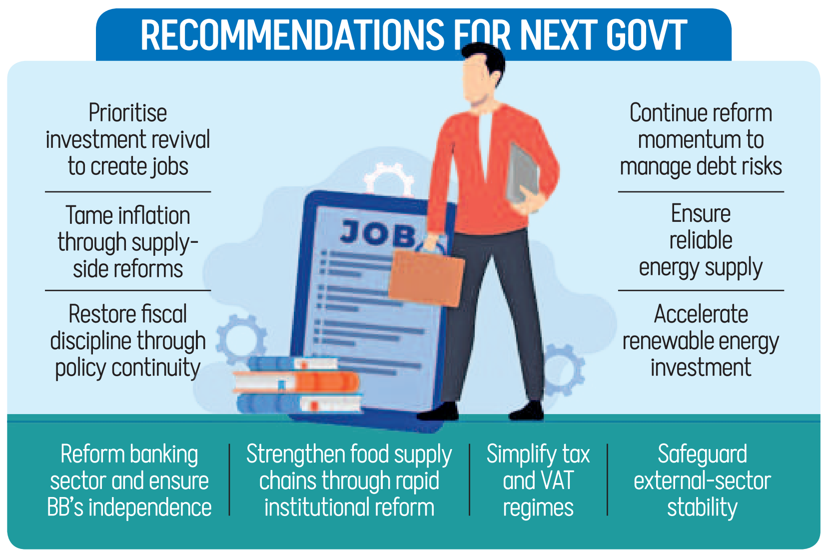

Raising investment and taming inflation will be the main economic challenges for the next elected government, private think tank Centre for Policy Dialogue (CPD) said yesterday.

"If investment does not rise, job opportunities will not increase, people's incomes will stagnate, and inequality will deepen. That is why investment must be the top priority," Fahmida Khatun, executive director of CPD, said at an event regarding the state of the Bangladesh economy for the first half of the fiscal year 2025-26 (FY26) in Dhaka.

She said that with inflation remaining stubbornly high for the past couple of years, real wages have declined, making both inflation control and investment revival critical challenges for the next government.

Fahmida said that under the current circumstances, marked by political transition and uncertainty, the scope for strong investment inflows remains limited.

Long-standing constraints such as inadequate infrastructure, policy uncertainty, bureaucratic red tape, burdensome tax policies, high financing costs and weak contract enforcement have continued to discourage new investment, she added.

Energy shortages, particularly disruptions in gas supply, remained a major constraint on industrial activity, raising production costs and undermining business confidence, she also said.

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Garment exports to US grew 15% in Jan-Oct

Show US Department of Commerce data

REFAYET ULLAH MIRDHA

Bangladesh's readymade garment exports to the United States, the country's largest single-market destination, grew more than 15 percent year-on-year to $7.08 billion in the January-October period, according to US government data.

Local apparel makers say the surge was largely driven by front-loaded shipments ahead of the Trump administration's reciprocal tariff enforcement.

A temporary 10 percent baseline tariff was applied by the US from part of April to the entire July before higher country-specific rates took effect on August 7 last year. It added with the existing 16 percent, taking the total rate to around 26 percent.

During the low baseline tariff period, local apparel makers say American buyers brought in larger-than-usual consignments. Apparel exporters said this rush pushed overall shipments in the January-October window above normal levels, somewhat masking the basic trend for the rest of the year.

For Bangladesh, a punishing 35 percent reciprocal rate was initially announced in April last year. It was later revised to 20 percent after bilateral negotiations.

The growth came amid a largely flat US apparel market. Total imports from the world by the United States declined 0.61 percent year-on-year to $66.63 billion during the January-October period last year, according to the Office of Textiles and Apparel (OTEXA), an agency under the US Department of Commerce.

Similar to Bangladesh, most other major exporting countries also saw positive growth in the American market during the period.

Vietnam's exports to the US rose 11.5 percent to $14.16 billion, India's 8.6 percent to $4.39 billion, Pakistan's 12.3 percent to $2.02 billion, Indonesia's 10.1 percent to $3.98 billion, and Cambodia's 25.5 percent to $4.04 billion.

China was the exception, with exports to the US falling 32.4 percent to $9.49 billion.

During the period, unit prices of Bangladeshi garments declined slightly, reflecting intense competition and cautious buying by US retailers, according to OTEXA data.

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Political unrest, global trade risks to weigh on economy: BMI

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Prolonged political unrest poses a major drag on Bangladesh's economic growth amid global trade uncertainty, said BMI, a provider of insights, data, and analytics owned by Fitch Solutions.

"The external environment is bleak. Apart from US trade antagonism, Europe-based businesses and diplomats have urged Bangladesh to increase imports from the EU in order to help narrow the bloc's large trade deficit with the country," BMI said in its report on Bangladesh's economy released last week.

BMI forecast that Bangladesh's economic growth will rise to 5 percent in the fiscal year 2025-26, up from 3.7 percent last year, but warned of downside risks. Earlier, it had projected 5.5 percent growth for the country.

Last month, the Asian Development Bank cut its growth forecast for Bangladesh to 4.7 percent for the current fiscal year from 5 percent in September, citing sluggish investment ahead of elections and slower growth in export earnings.

BMI said its estimate is below the government's 5.5 percent growth target but still faster than last year. "Private consumption will likely be more resilient in the next few months," the report said.

The research firm noted that while inflation appears to be sticky to the downside, real wages contracted more slowly, averaging a 0.7 percent year-on-year drop from January to November 2025, compared with a 2.4 percent contraction in 2024.

Autogas stations shut nationwide amid shortage

Says association

STAR BUSINESS REPORT

An acute shortage of liquefied petroleum gas (LPG) has forced nearly all autogas stations across the country to shut down operations, said Serajul Mawla, president of the Bangladesh CNG Filling Station and Conversion Workshop Owners Association, yesterday.

Mawla said the shortage has directly affected thousands of LPG-powered vehicles, leaving owners and drivers in severe distress as they struggle to obtain fuel.

In many cases, vehicle owners roam from one station to another for hours but fail to collect gas, disrupting both vehicle operations and passenger services, he added.

He made the remarks at a press conference held at the Dhaka Reporters Unity in the capital.

According to the association, Bangladesh consumes an average of about 140,000 tonnes of LPG per month.

"We strongly urge the Bangladesh

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Monetary policy alone can't cool inflation

Says finance adviser, seeks broader cooperation to rein in prices

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After the interim government kept bank lending rates high for about one and a half years to reduce inflation, Finance Adviser Salehuddin Ahmed acknowledged that tight monetary policy alone cannot cool soaring prices.

At a programme in Dhaka yesterday, he said inflation control also requires effective supply-side management, stronger market supervision and cooperation from both businesses and consumers.

Even so, the adviser leaned towards maintaining the current policy stance, saying that an abrupt cut in interest rates could hurt the wider economy.

Local business leaders have long pressed for lower lending rates, but Salehuddin said that the issue could not be settled through a single decision.

"Interest rates are often discussed as if simple solutions exist, but lowering rates in one area can create pressure elsewhere in the economy," he told the publication ceremony of the Banking Almanac at the CIRDAP auditorium in the capital.

Referring to the recent fall in treasury bill yields, he said the impact would gradually feed through to the market. However, higher returns on treasury bills or savings instruments could pull deposits away from banks, posing risks to the financial system.

The former Bangladesh Bank governor said the core role of the banking sector is to bridge savings and lending. "Banks and non-bank financial institutions play this intermediary role, and any weakness in this structure negatively affects the entire economic system."

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