Star BUSINESS

Spinners, apparel exporters at odds over yarn imports

STAR BUSINESS REPORT

Textile millers and garment exporters are at odds over the government's move to withdraw the duty-free import facility for certain types of yarn, a step meant for protecting local spinning mills.

The disagreement surfaced publicly after a joint press conference in Dhaka on Monday by leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

Later the same day, Bangladesh Textile Mills Association (BTMA) President Showkat Aziz Russell sent a statement to the media rejecting different claims by apparel exporters.

Russell said that, following a request from BTMA, the Bangladesh Trade and Tariff Commission (BTTC) sent a letter to the commerce ministry recommending suspension of the duty-free yarn import facility after consultations with BTMA, BGMEA and BKMEA leaders.

BGMEA, however, said while the BTTC held meetings with leaders from both the textile and garment sectors, apparel exporters' views were not given due weight in the duty withdrawal recommendation by the commerce ministry.

To protect local textile millers, the commerce ministry has requested the revenue board to suspend the duty-free benefit for imports of certain counts of yarn

The association also pointed out that the BTTC meeting minutes were published on January 13, while the recommendation letter to the commerce ministry was sent a day earlier, on January 12.

Russell said the commerce ministry wrote to the National Board of Revenue (NBR) requesting withdrawal of the duty-free import facility for 10 to 30 count yarn, but did not propose imposing any new tariff on the import of these widely used yarns.

He added that the ministry also did not ask for any safeguard duty on yarn imports.

Acting BGMEA President Salim Rahman said in a separate statement that the average tariff on yarn imports in Bangladesh stands at 39 percent. Export-oriented garment manufacturers are currently allowed to import yarn at zero duty under the bonded warehouse facility.

If the bond facility is withdrawn, exporters would have to pay the full duty, which could weaken the competitiveness of Bangladeshi garment shipments in the global supply chain, BGMEA said.

Russell said the subsidy provided by yarn exporting countries amounts to 50 cents per kilogram, while the commerce ministry letter cited a figure of 30 cents. BGMEA echoed this discrepancy in its statement.

On value addition, Russell said Bangladesh will need to achieve at least 40 percent value addition to retain preferential market access after graduation from the least developed countries group. He argued this would

READ MORE ON B3

Stubborn and sticky: Why inflation defies monetary tightening

ANALYSIS

MD MEHEDI HASAN

The Bangladesh Bank (BB) is grappling with an obstinate economic reality: inflation.

Despite an aggressive tightening cycle that has pushed the policy rate from 6 percent to 10 percent over the past three years, inflation refuses to be tamed.

Headline inflation, which peaked at 11.66 percent in July 2024, has defied the gravitational pull of higher borrowing costs. Although it dipped briefly to 8.48 percent in June last year, falling below 9 percent for the first time in two years, the relief was short-lived.

By December, inflation had edged back up to 8.49 percent from 8.29 percent the previous month.

The 12-month average now stands at 8.77 percent, well above the central bank's target. This also challenges the optimism expressed by Governor Ahsan H Mansur, who had forecast inflation falling below 5 percent by fiscal year 2025-26.

The failure of tight money to cool prices reflects a basic policy contradiction.

BB has raised the repo rate, the cost at which commercial banks borrow from the central bank, making credit more expensive in theory. In practice, however, liquidity has continued to flow into the system.

To prevent the collapse of a dozen fragile lenders, the central bank has injected more than Tk 50,000 crore into the banking sector, extending a policy of regulatory forbearance that began under the previous regime. Another Tk 40,000 crore has entered the economy through the central bank's purchases of US dollars from commercial banks.

"This simultaneous tightening and easing undermines policy credibility and limits its ability to curb inflation effectively," said Birupaksha Paul, a professor at the State University of New York at Cortland and a former chief economist at the BB.

"This has created a counterproductive cycle," he said.

Weak fiscal discipline has further blunted the impact of monetary policy. While private sector credit growth slowed to 7.2 percent in December, government borrowing surged by 26.28 percent year-on-year in November, smashing the central bank's ceiling of 20.4 percent.

The contrast points to the state crowding out private enterprises, pushing up money supply even as businesses rein in borrowing.

Apart from the money supply mechanism, structural problems are also keeping prices elevated.

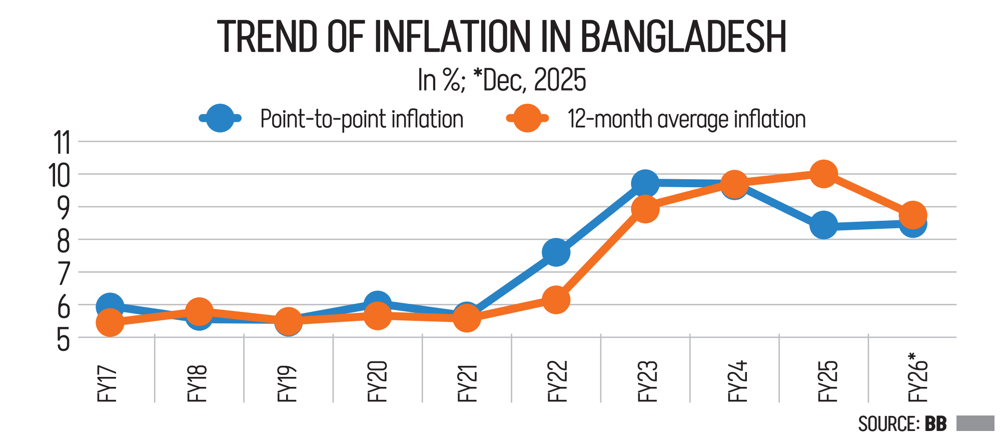
Inflation initially surged after external shocks in 2022, including the war in Ukraine, a dollar shortage, and a sharp depreciation of the local currency, Taka. Those pressures have since eased, but domestic governance failures continue to feed inflation.

Supply chains are distorted by "market syndicates" and extortion, which raise costs regardless of interest rates. These factors lie outside the scope of monetary policy but shape inflation expectations, Paul said. Households and businesses, fearing future shortages, have begun hoarding essential goods, turning fears of price hikes into a self-fulfilling prophecy.

READ MORE ON B3

KEY POINTS

- BB has maintained a contractionary stance since July 2023
- The policy rate was raised 11 times to 10 percent in Oct 2024
- Monetary tightening has fallen short of expectations
- Policy contradictions have weakened effectiveness
- Government borrowing has diluted tightening efforts
- Governance failures are fuelling inflation



WHAT'S LIKELY IN THE JAN-JUN 2026 MONETARY POLICY?

- A tight stance likely for 3-6 months
- Policy rate may remain unchanged
- BB prioritising exchange rate stability

BB to unveil monetary policy on Jan 29

STAR BUSINESS REPORT

The Bangladesh Bank (BB) is going to unveil its monetary policy statement for January to June of the current fiscal year on January 29, at a time when inflation remains elevated despite a high policy rate.

The central bank monetary policy committee is scheduled to meet this week to finalise the policy stance for the six-month period. The proposal will then be placed before the board of directors of the banking regulator for approval on January 25.

BB Governor Ahsan H Mansur will announce the policy at a press conference at the central bank headquarters.

READ MORE ON B3

Serious power shortfall awaits Bangladesh in 5yrs: Sanem

STAR BUSINESS REPORT

Bangladesh could face a serious electricity supply shortfall after 2031 unless fresh investments, policy reforms and efficiency measures are undertaken, according to a study by the South Asian Network on Economic Modelling (Sanem).

While Bangladesh's installed power generation capacity may peak at around 35,000 megawatts (MW) by 2029, effective capacity is likely to decline to nearly 30,000MW by the mid-2030s due to plant retirements, declining domestic gas availability and limited new project additions, it says.

"Installed capacity figures often create a false sense of comfort," states the study jointly presented by Sanem's Director Israt Hossain, and Honorary Deputy Director Md Tuhin Ahmed, at an online workshop on Bangladesh's energy transition organised by the platform yesterday.

Meanwhile, it estimates that electricity demand will grow by 5-6 percent annually, driven by industrialisation, mechanisation and rising living standards.

Under a 5 percent growth scenario, demand is expected to overtake supply by 2035, while a 6 percent scenario could see the crossover as early as 2033, potentially creating a supply gap of more than 14,000MW by 2040 if no corrective measures are taken.

"This is why the idea of overcapacity in the power sector is misleading," it notes. "The real challenge is ensuring dependable, fuel-secure and efficiently generated electricity over the long term."

READ MORE ON B3

Special loan rescheduling for shipbuilder defaulters

A down payment of 3% of the outstanding loan balance will qualify for the facility

STAR BUSINESS REPORT

Bangladesh Bank (BB) has allowed a special loan rescheduling and restructuring facility for distressed export-oriented and domestic shipbuilding companies in a bid to keep the sector operational and improve loan recovery by banks.

As per a BB circular issued yesterday, borrowers will have to make a 3 percent down payment on their outstanding loan balance to qualify for the facility. They must pay 1.5 percent at the time of application and the rest within the next six months.

Defaulters will be able to reschedule or restructure their loans for up to 10 years, including a maximum two-year grace period, depending on the borrower's repayment capacity and business prospects.

During the grace period, interest must be paid on a monthly or quarterly basis. Blocked interest will have to be repaid in instalments after the grace period ends without additional interest.

Borrowers must submit applications to their banks by June 30, 2026, along with the required down payment. On the other hand, banks have been instructed to decide on applications within 60 days of receipt.

BB has also instructed all scheduled banks to consider case-by-case applications from genuinely affected shipbuilders for special rescheduling of their classified loans as of December 31, 2025.

For loans which were rescheduled under an earlier 2023 circular, banks may grant an additional two-year extension, subject to a further 2 percent down payment.

The central bank said the move became necessary due to disruptions in global supply chains, geopolitical instability in Europe, and a global economic slowdown that hurt the cash flows of shipbuilders beyond their control.

Firms found guilty of

READ MORE ON B3

NBR SPLIT

Rules of business approved

STAR BUSINESS REPORT

The interim government yesterday approved the rules of business for two new divisions formed by splitting the National Board of Revenue (NBR) -- Revenue Policy and Revenue Management -- as part of efforts to reform the country's tax system.

A meeting of the National Implementation Committee for Administrative Reorganisation (NICAR) formally approved the rules. Chaired by Chief Adviser (CA) Muhammad Yunus, the meeting was held at his official residence, Jamuna.

"The two divisions are expected to begin operations in February separately," CA's Press Secretary Shafiqul Alam said at a briefing after the meeting, quoting NBR Chairman Md Abdur Rahman Khan.

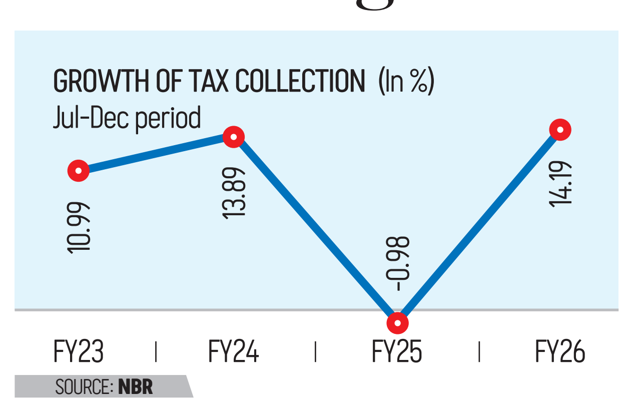
"The decision for this separation was made quite some time ago, and a lot of work has already progressed accordingly. However, since approval by NICAR is required under government rules, it was formally approved on Tuesday," he added.

The divisions will be under the finance ministry.

The rules of business are the formal guidelines

READ MORE ON B3

NBR misses target by Tk 46,000cr despite 14% collection growth



MD ASADUZ ZAMAN

The National Board of Revenue (NBR) posted a 14 percent growth in revenue collection in the first half of the current fiscal year (FY), yet missed the target for the period by a staggering Tk 46,000 crore or nearly 10 percent.

The development raises questions whether the board would be able to meet its hiked target for the year as experts and officials point out the latest growth is not remarkable, rather a recovery from last year's turbulence amid a more stable political and business climate.

The revenue board has failed to meet its annual target for at least a decade as of last year.

In the July-December period of FY2025-26, NBR logged Tk 185,229 crore, according to the board's provisional data.

All three main revenue streams contributed to the rise. Local level value-added tax (VAT) collection reached Tk 70,493 crore, up from Tk 58,759 crore a year earlier, marking around a 20 percent increase.

Income and travel taxes rose to Tk 61,875 crore, a 14.67 percent rise on the same period last year. Customs duties from international trade increased by 6.81 percent to Tk 52,860 crore, due to higher imports following the easing of restrictions.

However, speaking on condition of anonymity, an NBR official said the half-yearly growth was "usual", largely reflecting a low base caused by

READ MORE ON B3

Bank Asia agent banking marks 12th anniversary with 75 lakh customers milestone

STAR BUSINESS DESK

Bank Asia agent banking marked its 12th founding anniversary by celebrating a major milestone, bringing 75 lakh customers into the formal financial system and transforming access to banking services across Bangladesh.

To mark the milestone, Bank Asia PLC organised a series of programmes, including an agent meet, the launch of new services and campaigns.

Romo Rouf Chowdhury, chairman of Bank Asia PLC, and Zakia Rouf Chowdhury, vice-chairman, inaugurated the celebration programme, according to a press release.

They also unveiled the "Cash by Code" service and the "Remittance Surokkha" financial literacy campaign at the ceremony held recently at Rangs Tower in Purana Paltan, Dhaka.

Romana Rouf Chowdhury, director of the bank; Md Ataur Rahman, independent director; and Sohail RK Hussain, managing director, attended the event.

The bank recognised agents and employees for their contributions to expanding banking services across the country.

Bank Asia launched its agent banking operations on January 17, 2014, with its first outlet in Bhabanipur of Sirajdikhan upazila in Munshiganj district.

Over the past 12 years, agent banking has onboarded 75 lakh customers, of whom 92 percent are from rural areas and 64 percent are women, reflecting the bank's strong commitment to inclusive growth and sustainable financial empowerment nationwide.

Md Sabbir Hossain, additional managing director; Ziaul Hasan, deputy managing director and agent banking and chief credit officer; Arequl Arefeen and Syed Zulkar Nayen, deputy managing directors; along with other senior officials and agents from different districts across the country, also joined the celebration.

Romo Rouf Chowdhury, chairman of Bank Asia PLC, and Zakia Rouf Chowdhury, vice-chairman, inaugurate the programme marking the 12th founding anniversary of the bank's agent banking operations and the milestone of 75 lakh customers at Rangs Tower in Purana Paltan, Dhaka recently. PHOTO: BANK ASIA

Abul Hashem made DMD of Al-Arafah Islami Bank

STAR BUSINESS DESK

Sayed Abul Hashem

Sayed Abul Hashem has been appointed as deputy managing director (DMD) and chief financial officer (CFO) of Al-Arafah Islami Bank PLC.

Prior to taking up this new role, Hashem was serving as deputy managing director and CFO of Premier Bank PLC, according to a press release.

He began his professional banking career at Islami Bank Bangladesh PLC as a principal officer in 2000.

Over a professional journey spanning more than 26 years, he has held key leadership positions at several top-tier financial institutions.

He previously worked at Shahjalal Islami Bank PLC and Mutual Trust Bank PLC.

Hashem obtained both his bachelor's and master's degrees in accounting from the University of Dhaka.

He is a fellow chartered accountant and a fellow cost and management accountant.

Chowdhury Mohammed Hanif Shoeb, chairman of Citizens Bank PLC, poses for a group photograph with participants of the bank's "Annual Business Conference 2026" at a resort in Munshiganj recently. PHOTO: CITIZENS BANK

Citizens Bank organises annual business conference

STAR BUSINESS DESK

Citizens Bank PLC recently held its "Annual Business Conference 2026" at a resort in Munshiganj.

Chowdhury Mohammed Hanif Shoeb, chairman of Citizens Bank PLC, inaugurated the conference as the chief guest and delivered strategic guidance aligned with the bank's mission and vision, according to a press release.

SM Shofiqul Hoq, director, and AKM Shahidul Haque, independent director, attended the conference and delivered their valuable speeches and guidance.

Alamgir Hossain, managing director of the bank, presented a comprehensive overview of the bank's business performance in 2025.

He highlighted strong deposit growth, improved asset quality, controlled non-performing loans, a robust compliance culture, sound capital adequacy, strong corporate governance and a solid financial foundation.

Citizens Bank achieved strong financial performance in 2025, with operating profit growing by 21 percent. Deposits rose by 30 percent, advances increased by 34 percent, while the non-performing loan (NPL) ratio stood at just 0.20 percent.

Oil steadies

REUTERS, *London*

Oil prices were steady on Tuesday as investors monitored US President Donald Trump's threats of higher tariffs on European states over his drive to acquire Greenland, while firmer global economic growth expectations and better-than-expected economic data from China gave a floor to prices.

Brent futures for March shed 11 cents, or 0.17 percent, at $63.83 a barrel at 0918 GMT, while the US West Texas Intermediate crude contract for February was down 49 cents, or 0.8 percent, at $58.95.

Trump's tariff threats over Greenland will not have an immediate impact on the oil balance, said PVM analyst Tamas Varga, adding that prices gained support from an upward revision of this year's global economic growth estimate by the International Monetary Fund and stronger diesel prices.

Fears of a renewed trade war escalated over the weekend after Trump said he would impose additional 10 percent levies from February 1 on goods imported from Denmark, Norway, Sweden, France, Germany, the Netherlands, Finland and Britain, rising to 25 percent on June 1 if no deal on Greenland was reached.

CHINA DATA SUPPORTS OIL

The oil market is also finding some support from better-than-expected fourth-quarter Chinese gross domestic product data released on Monday, said IG market analyst Tony Sycamore.

"This resilience in the world's top oil importer provided a lift to demand sentiment," he said.

China's economy grew 5.0 percent last year, the data showed, while China's in 2025 also climbed, edging up 4.1 percent year-on-year, while crude oil output grew 1.5 percent, data from the world's top oil importer showed on Monday.

Dhaka Bank, Robi launch co-branded Visa credit cards

STAR BUSINESS DESK

Dhaka Bank PLC on Monday launched co-branded Visa credit cards -- Elite Co-Branded Signature Credit Card, Elite Co-Branded Platinum Credit Card and Tayyebah Islamic Platinum Credit Card -- in partnership with Robi Axiata PLC for the mobile operator's customers.

Osman Ershad Faiz, managing director of Dhaka Bank PLC, and Ziad Shatara, chief executive officer and managing director of Robi Axiata PLC, jointly inaugurated the cards at a function held in the capital, according to a press release.

Speaking at the event, Faiz said Dhaka Bank has consistently focused on offering technology-driven services and, as part of that commitment, has partnered with Robi and Visa to introduce the co-branded credit cards with a range of attractive features.

"We want to be a part of Digital Bangladesh and contribute to bringing a larger customer base under the digital banking platform," he said, adding that the bank remains committed to providing modern banking services to support the country's overall development.

Ziad Shatara, managing director and chief executive officer of Robi Axiata PLC, and Osman Ershad Faiz, managing director of Dhaka Bank PLC, attend the launch of co-branded Visa credit cards, launched by the bank in partnership with Robi Axiata PLC, in Dhaka on Monday. PHOTO: DHAKA BANK

BRAC Bank, Nippon Paint sign deal on digital transaction banking solutions

Rajesh Sircar, general manager of Nippon Paint Bangladesh, and Md Shaheen Iqbal, deputy managing director and head of wholesale banking at BRAC Bank PLC, pose for a photograph after signing the agreement at the bank's head office in Dhaka recently. PHOTO: BRAC BANK

STAR BUSINESS DESK

BRAC Bank PLC has entered into a partnership agreement with Nippon Paint Bangladesh Private Limited to offer advanced transaction banking solutions, aimed at strengthening receivable management while enhancing efficiency and transparency across dealer and distributor collections.

Md Shaheen Iqbal, deputy managing director and head of wholesale banking at BRAC Bank PLC, and Rajesh Sircar, general manager of Nippon Paint Bangladesh Private Limited, signed the agreement at the bank's head office in Dhaka recently, according to a press release.

Under the collaboration, Nippon Paint will gain access to BRAC Bank's digital transaction banking platform, CORPnet, through API integration, enabling near real-time reflection of collections from nearly 200 distributors directly into the company's enterprise resource planning (ERP) system.

The integration is expected to improve cash flow visibility, streamline reconciliation and strengthen financial control across the network.

Kazi Food Industries arranges annual business conference

STAR BUSINESS DESK

Kazi Food Industries Limited, one of the leading food manufacturing companies in Bangladesh, recently organised a two-day "Annual Business Conference 2026" at Seagull Hotel in Cox's Bazar.

This year, the theme of the conference was "Innovate. Elevate. Dominate," according to a press release.

Kazi Zahedul Hasan, managing director of Kazi Farms Group, inaugurated the conference as the chief guest.

The programme featured a review of the previous year's performance, strategic plans for 2026, the unveiling of new product packaging, and an award-giving ceremony.

Kazi Zahin Hasan, managing director of Kazi Food Industries Limited, and Tanvir Haider Chaudhury, chief executive officer of Kazi Food Industries Limited, along with other officials and members of the sales team from across the country, were also present.

PHOTO: KAZI FOOD INDUSTRIES

Kazi Zahedul Hasan, managing director of Kazi Farms Group, poses for a group photograph with participants of the Kazi Food Industries Limited's "Annual Business Conference 2026" at Seagull Hotel in Cox's Bazar recently.

Elite Hitech Industries holds AGM

STAR BUSINESS DESK

Elite Hitech Industries Limited, the distributor of the world-renowned brand Midea air conditioners and the manufacturer of Elite air conditioners in Bangladesh, recently held its "Annual General Meeting 2026" in Dhaka.

Mohammad Shafiqul Islam, founder and managing director of Elite Hitech Industries Limited, inaugurated the meeting as the chief guest, according to a press release. Md Noor Alam, deputy managing director of the company, and Nayma Alam and Navila Alam, directors, attended the programme.

The company awarded the top-performing sellers for their outstanding performance throughout the year.

Representatives from the Department of Environment and faculty members of the Bangladesh University of Engineering and Technology, along with more than a hundred dealers from different regions of the country, were also present at the programme.

Mohammad Shafiqul Islam, founder and managing director of Elite Hitech Industries Limited, poses for a group photograph with participants of the company's "Annual General Meeting 2026" in Dhaka recently. PHOTO: ELITE HITECH INDUSTRIES

Pay attention to bringing investible companies

Stakeholders say at BRAC conference

STAR BUSINESS REPORT

Foreign investors and stakeholders yesterday urged authorities to take initiatives to bring healthy companies to the market to make the stock market vibrant and sustainable.

"From an equity market perspective, we believe Bangladesh is about two to three years behind Pakistan and more than three years behind Sri Lanka," said Mattias Martinsson, chief investment officer at Tundra Fonder, a Swedish asset manager.

"I think the major hurdle right now is, of course, the elections," he also said at a conference on the economy, politics, and capital market ahead of the parliamentary election scheduled for February 12. BRAC EPL Stock Brokerage Ltd organised the event at Sheraton Dhaka.

He said there are a few quality banks and pharmaceutical companies that attract some interest.

Another disincentive is the high capital gains tax. "And the depth of Bangladesh's market is thin," said Martinsson, suggesting mandatory annual briefings by all listed companies to improve transparency and enhance investor interest.

BNP Standing Committee Member Amir Khasru Mahmud Chowdhury, also a former commerce minister, said not only state-owned firms, companies with strong financials should be listed to improve the depth of the capital market.

To make it easy, all stakeholders such as brokers, investors, and merchant bankers will have to act responsibly, and all vital institutions will have to play their due roles professionally, he added.

"There are many government projects for which funds can be raised from the capital market. Many foreign investors are eager to invest here, but they are waiting for the election," he said.

On the country's economic situation, he said, "Bangladesh is at a low level of equilibrium. Lifting the economy from there will be the main challenge for the next government."

For this, his party will focus on further liberalisation, transparency, accountability, and deregulation, he said.

Mohammad Abdur Razzaque, chairman of Research and Policy Integration for Development (RAPID), said three critical transitions are reshaping Bangladesh's macro-political horizon: political transition, macroeconomic transition, and graduation from least developed country status.

"How these are managed will define the opportunity for Bangladesh in the coming days," he said.

He noted that the transition is occurring amid a rapidly changing global environment, marked by trade fragmentation, geopolitical competition, aid retrenchment, and reconfigured supply chains.

"If navigated well, this convergence can expand Bangladesh's opportunity space, strengthen resilience, and open new pathways for investors and exporters," he added.

Mashrur Arefin, chairman of the Association of Bankers Bangladesh, expressed hope that the banking sector will revive in the coming years.

He said some banks are still in good shape, with non-performing loan ratios below 4 percent, and their returns on assets are high.

Answering a question about whether Jamaat-e-Islami will follow a Shariah-based economic model, Atiqur Rahman, secretary general of Bangladesh Shramik Kalyan Federation, said they will not change the discourse overnight.

"Their policy is to make the economy helpful for the poor and reduce inequality," he added.

Special loan

FROM PAGE B1

fraud, willful default, or loan manipulation will not be eligible for the facility, BB clarified. Before approving any rescheduling, banks must conduct a special inspection to verify whether the borrower was genuinely affected by circumstances beyond their control. Islamic banks have been asked to apply the same policy in line with Shariah principles.

Bankers say the move could provide breathing space to the struggling shipbuilding sector, which has significant export potential but has faced financial stress in recent years due to global market volatility.

At the end of 2024, total outstanding loans in the shipbuilding and ship-breaking industry stood at Tk 20,506 crore, of which Tk 8,031 crore had become defaulted, according to BB data.

Spinners, apparel

FROM PAGE B1

be possible through double transformation, such as producing garments from locally spun yarn.

BGMEA countered that value addition of up to 60 percent can be achieved even when garments are made from fabrics produced using imported yarn. The association said double transformation is possible with imported inputs as well.

BTMA President Russell said that before the commerce ministry issued its letter to the NBR, several meetings involving senior government officials and leaders of BTMA, BGMEA and BKMEA reached a consensus that the government should withdraw the bonded facility for yarn imports where local mills are fully capable of meeting demand.

NBR misses target

FROM PAGE B1

imports following the easing of restrictions.

However, speaking on condition of anonymity, an NBR official said the half-yearly growth was "usual", largely reflecting a low base caused by last year's political turbulence.

He also blamed the subdued government development spending and weak private investment for missing the target.

"Slow public-sector projects have weighed on VAT and customs revenue, while cautious investment has constrained corporate tax growth," the official said, adding that revenue gains are likely to remain modest until economic activity strengthens further.

Experts also caution that the growth is not enough to celebrate.

"A 14 percent growth sounds encouraging, but in reality, it is not a major achievement. It largely reflects a shift from negative to positive territory," said Fahmida Khatun, executive director of the Centre for Policy Dialogue (CPD).

She said the recovery is welcome, but warned against overstating it, pointing out that last year's revenue collection had been depressed for a prolonged period due to political unrest and broader instability.

Khatun added that the growth rate is not particularly high when compared with earlier periods of sustained positive expansion. "It shows that collections can improve with effort, but it is not something to celebrate excessively."

Going against the usual practice and history, the interim government raised the revenue collection target for the fiscal year by 5 percent, taking the goal to Tk 588,000 crore from the original Tk 564,000 crore.

The upward adjustment followed stronger-than-expected performance in the July-September period, when revenue rose by 17.6 percent, far higher than the 4.94 percent recorded in the same period a year ago.

On the higher target, Khatun said setting ambitious goals without matching capacity has become a recurring pattern.

"This has turned into a tradition – setting ambitious targets and then failing to meet them. Repeating this only exposes institutional weaknesses," she said.

"If the capacity to collect does not align with the target, it points to gaps in manpower, institutional strength and systems," she added.

While revenue mobilisation must increase and the tax-to-GDP ratio improve, Khatun said achieving that would require deeper reforms, including stronger institutions, improved human resources and technological upgrades. "Without these reforms, revenue shortfalls will persist."

A recent study by the Office of the United Nations High Commissioner for Human Rights said Bangladesh could collect taxes equal to 14 percent of its GDP, almost double the present rate of 6.6 percent.

Instead, the tax-to-GDP ratio has fallen, reflecting the country's heavy dependence on indirect taxes and limiting funds for essential services such as education and healthcare.

Stubborn and sticky

FROM PAGE B1

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said there is little room for policy easing. A rate cut at this stage would risk fuelling inflation rather than containing it, leaving the central bank likely to hold rates at 10 percent in the near term.

"Inflation is not being driven only by excess demand; supply-side bottlenecks and global supply chain disruptions are also playing a major role in keeping prices elevated," Hussain added.

The economist said that while dollar purchases have boosted liquidity, weak private credit demand has so far prevented a sharper inflationary surge. But with supply constraints unresolved and the government's thirst for credit still rising, monetary policy alone is failing to contain persistent price pressures.

Rules of business

FROM PAGE B1

that define the functions, responsibilities, operations, and decision-making procedures of the government ministries and divisions.

NBR's split follows the promulgation of the Revenue Policy and Revenue Management Ordinance, 2025, which was issued in mid-May with the stated objective of modernising tax administration, enhancing revenue collection, and strengthening transparency and accountability.

Bangladesh currently has one of the lowest tax-to-GDP ratios, and reforms have long been urged by economists and multilateral lenders such as the International Monetary Fund (IMF) and the World Bank.

Under the new framework, the Revenue Policy Division will be tasked with framing tax legislation, setting tax rates, overseeing international tax treaties, and formulating strategies to prevent tax evasion and avoidance.

The division will also monitor revenue trends and assess emerging patterns of tax avoidance and evasion.

On the other hand, the Revenue Management Division will be responsible for the operational aspects of revenue administration, including the collection and enforcement of income tax, value-added tax (VAT) and customs duties. Its mandate will also cover audit functions and overall revenue management.

The move to reform the tax system is an initiative taken to comply with a condition set by the IMF, tied to a $5.5 billion loan to Bangladesh.

The interim government, initially after issuance of the ordinance, faced prolonged protests by NBR officials last year, which disrupted customs operations and tax collection for nearly two months, significantly affecting revenue inflows. The agitation stemmed from concerns over administrative restructuring, career progression, and institutional autonomy.

Following the unrest, the government introduced amendments and enacted the Revenue Policy and Revenue Management Ordinance, 2025, on September 1 of last year.

According to the NBR officials, the newly staffed structure proposal called for a major expansion of the Revenue Policy Division, where the number of staff would rise from 117 to 287 -- a 145 percent increase -- to strengthen research, policy development, and economic analysis.

Meanwhile, the Revenue Management Division would grow by 28 percent, from 615 to 790 officials, to strengthen compliance, expand the tax base, and reduce evasion.

BB to unveil monetary policy

FROM PAGE B1

The monetary authority, tasked with managing currency, money supply, and interest rates to maintain price stability, will unveil the policy amid renewed price pressures.

In December, Inflation rose to 8.49 percent from 8.29 percent a month earlier, according to the Bangladesh Bureau of Statistics (BBS).

Industry insiders said inflation is showing signs of heating up again despite the central bank's tight monetary stance, pointing to supply-side constraints rather than excess demand as the primary driver of rising prices.

The central bank has kept the policy rate unchanged at 10 percent since October 2024, resisting calls from business groups for a rate cut.

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said the central bank has little room to ease policy while inflation is high.

Cutting the policy rate at this stage could add to inflationary pressures rather than stabilise prices, he said, adding that the central bank is likely to keep the rate at 10 percent in the near term.

"Inflation is not being driven only by excess demand; supply-side bottlenecks and global supply chain disruptions are also playing a major role in keeping prices elevated," said the economist.

On exchange rate management, Hussain said Bangladesh Bank is prioritising stability rather than allowing the taka to strengthen against the US dollar.

"Despite steady remittance inflows and improved dollar availability, the central bank is avoiding taka appreciation. While a stronger taka could have reduced import costs, it could also hurt exporters' earnings and discourage remittance inflows, prompting the central bank to keep the exchange rate stable," he added.

Private sector credit growth remains subdued, while short-term foreign borrowing has declined, he said. Although lower interest rates could support investment, persistently high inflation limits the scope for such moves.

"Meanwhile, Bangladesh Bank's dollar purchases have injected liquidity into the banking system, but sluggish credit demand has contained inflationary risks for now," he noted.

Md Ezazul Islam, director general of the Bangladesh Institute of Bank Management (BIBM), said the central bank should maintain its tight monetary stance for at least the next six months, or at least three months, to rein in inflation.

With an election schedule approaching, demand for credit is likely to rise, he said, commenting that any rate cut at this stage could add to inflationary pressure.

Serious power

FROM PAGE B1

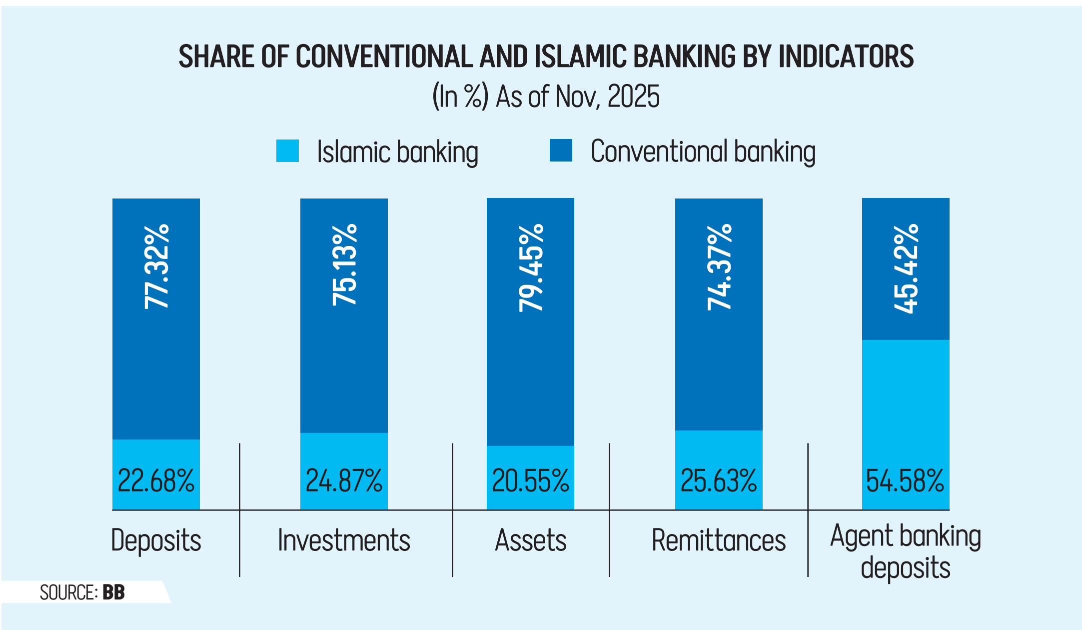
Comparative data presented at the workshop shows Bangladesh uses less energy per unit of GDP than some regional peers, indicating relatively higher efficiency.

Besides, the study states that private power producers currently account for nearly half of installed generation capacity, operating more than 70 plants with combined capacity exceeding 11,000MW.

"This heavy dependence on imported energy has made its economy highly vulnerable to global price shocks," said Selim Raihan, executive director of Sanem.

He urged a renewable energy transition and stronger, comprehensive efficiency policies, also noting that high tax incidence on renewable energy components remains a key barrier to adoption.

Conventional banks lead remittances as Islamic lenders recover ground



FEDA AL HOSSAIN

Conventional banks continued to dominate remittance inflows between November 2023 and November 2025, even as Islamic banks recorded a noticeable recovery in market share over the past year, according to a recent Bangladesh Bank (BB) report.

During the two-year period, total remittances sent through the banking system increased, peaking at $3.30 billion in March last year. Conventional banks handled the bulk of these inflows throughout the period, with their dominance strengthening after the initial months.

Islamic banks performed strongly early on but failed to sustain their market share over the longer term, allowing conventional banks to expand their share of remittance inflows.

However, Islamic banks improved their performance in recent months. Their share of workers' remittances rose from 21.46 percent in November 2024 to 25.63 percent in November 2025, suggesting a partial recovery after a period of weakness.

In value terms, remittances through Islamic banks increased from $472 million in November 2024 to $740 million in November 2025. Over the same period, conventional banks' remittance inflows rose from $1.73 billion to $2.15 billion.

In its report titled Islamic Banking and Finance Statistics (IBFS), the central bank said the recent rebound in Islamic banks' performance was partly due to improvements in governance and management at several shariah-based banks.

These steps, BB says, helped restore confidence among expatriate workers, although conventional banks remained the main channel for remittances.

Overall, remittances through conventional banks rose sharply from $1.17 billion in November 2023 to $2.15 billion in November 2025, an increase of about 84.31 percent. In contrast, remittances handled by Islamic banks declined slightly over the same period, falling from $764 million to $740 million, or about 3.09 percent.

The central bank added that the recent recovery in Islamic banks' market share highlights the need for further policy support and operational improvements. As workers' remittances are crucial for foreign currency reserves and foreign exchange transactions, additional reforms may be needed to strengthen depositor confidence.

The report also showed mixed trends in other areas. Islamic banks' share of total deposits fell slightly from 23.09 percent in November 2024 to 22.68 percent in November 2025, while conventional banks held the remaining 77.32 percent.

In investments, Islamic banks marginally increased their share from 24.50 percent to 24.87 percent, but conventional banks continued to dominate with a 75.13 percent share.

Liquidity picking up, but inflation remains high

Says BB governor

STAR BUSINESS REPORT

The liquidity position is improving and the external balance is showing signs of recovery after years of strain, but inflation still remains a major concern for the central bank, said Bangladesh Bank (BB) Governor Ahsan H Mansur.

He said inflation has been stuck above 8 percent in recent months and their goal is to bring it down to below 5 percent.

At a seminar titled "Understanding Pulse of the Economy Through Purchasing Managers Index (PMI)" on Monday, the governor said deposit growth, foreign exchange reserves, and money market conditions have all improved in recent months, but price pressures were proving difficult to tame.

At the event, jointly organised by the Metropolitan Chamber of Commerce (MCCI)and Industry and Policy Exchange Bangladesh at the MCCI office in Dhaka, Mansur said Bangladesh is on track to meet or exceed its foreign exchange reserve target of $35 billion this fiscal year, even without support from the International Monetary Fund (IMF).

"If anything comes from the IMF, it will be icing on the cake," he said.

He added that recent liquidity growth has been driven by balance of payments surpluses rather than deficit financing, with central bank purchases of foreign currency boosting reserves. Deposit growth rose from 6.4 percent in December 2022 to 11 percent in 2023 and is expected to reach 14 percent this year, creating room for banks to cut prime lending rates by around 2 percentage points.

However, Mansur cautioned against cutting interest rates too quickly, saying that premature easing could destabilise the exchange rate.

He said easing global commodity prices, a stable currency, and better domestic supply conditions should gradually help reduce inflation.

At the programme, James Goldman, deputy high commissioner and development director at the British High Commission in Dhaka, reiterated the United Kingdom's commitment to supporting Bangladesh as it prepares to graduate from least developed country status this year.

He stressed the importance of reliable data, strong institutions, and transparent regulations in sustaining long-term growth. "Good data builds trust and supports sound policymaking," he said, praising the Purchasing Managers' Index (PMI) initiative for improving transparency.

Zaidi Sattar, chairman of the Policy Research Institute, said the PMI had emerged as a useful leading indicator that offered early signals on the direction of the economy.

M Masrur Reaz, chairman and chief executive of Policy Exchange Bangladesh, said the PMI helped fill a critical gap by providing timely insights into business activity.

He said traditional government data, while comprehensive, often arrived late or was not regular.

The PMI, developed with the MCCI and supported by the UK Foreign, Commonwealth and Development Office, tracks monthly activity across agriculture, manufacturing, services, and construction.

Kamran T Rahman, president of MCCI, said the PMI could act as an early warning system if properly used by policymakers, investors, and businesses. "PMI offers real-time insights into business sentiment across key sectors. It helps detect economic shifts before they appear in traditional statistics," he said.

The Singapore story

PARVEZ MURSHED

During the Brexit campaign of 2016, pro-Brexit politicians in the United Kingdom promoted the vision of a "Singapore on the Thames" by freeing the UK from the European Union. Amaravati, the proposed new capital of Andhra Pradesh in India, was also envisioned as a Singapore-style city. Across the world, politicians cite Singapore as a role model, and people aspire to replicate it. Having lived and worked in Singapore for over a decade, I see three key areas where the city state excels and sets itself apart.

Singapore is widely recognised for its honest and efficient governance. A few weeks after I arrived, I received a call from the Ministry of Manpower. The officer informed me that my application to employ a domestic worker to care for my elderly mother had been received and assured me that it was being processed quickly.

I was told not to worry. This level of service and efficiency is a small but telling example of how government ministries and agencies operate in Singapore. Many of the most meritorious students join the public service, and any incident of bribery is dealt with strictly, which has created a clean image of the state.

The second area where Singapore excels is logistics and infrastructure. It has one of the world's best airports and one of the most efficient seaports. I never felt the need to buy a car due to the excellent and reliable public transport system. I could check bus timings on an app, walk to the stop, and the bus would arrive on time. The same applies to the metro system, which covers most of the island and runs at fixed intervals during both peak and off-peak hours. The high cost of obtaining a Certificate of Entitlement to buy a car has limited the number of vehicles on the road, averting congestion of the kind seen in Dhaka.

The third factor is Singapore's world-class healthcare system. During Covid, the country recorded one of the lowest mortality rates globally. The response was well managed through careful planning, including advance vaccine procurement from global pharmaceutical companies, which helped reduce deaths in an ageing society.

More broadly, there is strong emphasis on health and wellbeing. Singaporeans are encouraged to lead active lives through running, cycling and walking in well-maintained public parks. The Health Promotion Board promotes healthy habits such as walking 10,000 steps a day. Singapore was also the first country to mandate reductions in sugar content in soft drinks. It declared a war on diabetes and has taken firm action against vaping and k-pods, alongside a zero-tolerance policy on drugs.

Singapore moved from a third-world country to a developed nation within a few decades. While much of Asia turned towards nationalisation and socialism, Singapore's founding prime minister Lee Kuan Yew chose to open the economy to multinational companies, laying the foundation for its emergence as a regional financial hub. He was supported by a capable team that addressed housing and water shortages through the Housing Development Board, which now provides homes for nearly 80 percent of the population.

When people aspire for their country to become like Singapore, they are asking for a government that delivers on governance, infrastructure, housing and healthcare. These are not unreasonable expectations. Singapore has demonstrated what is possible over the past 60 years, and it offers a useful reference as Bangladesh transitions beyond least developed country status.

The writer worked as a senior executive at global banks in Bangladesh and Singapore

Pay commission to submit recommendations today

STAR BUSINESS REPORT

The pay commission is all set to submit its recommendations for the new salary structure of government officers and employees today.

The commission's chairman, Zakir Ahmed Khan, along with other members, will present the report to the chief adviser at the state guest house Jamuna at 5pm, according to finance ministry officials.

Finance Adviser Salehuddin Ahmed will also be present on the occasion.

The ministry officials have indicated that the recommendations of the National Pay Commission 2026 may be partially implemented from January 1 this year and will be fully enforced from the first day of the 2026-27 fiscal year, that is, from July 1.

However, the finance adviser yesterday told journalists that the report will be submitted today, but the government will inform them later when it will be implemented.

Asked whether the additional spending for the implementation of the new pay structure would fuel inflation in the country, the adviser said he could not say how it will affect the market.

He added that there should not be any impact from the new pay structure, as the government has taken steps for the development of all sectors.

In response to another question about whether the pay rise will create pressure on the next government, the adviser said the pay commission will submit its recommendations by taking into account the government's capability.

He also noted that steps have been taken for widespread reforms in the National Board of Revenue, which will boost revenue collection in the future.

The current minimum salary of Tk 8,250 will be more than doubled, while the current maximum salary of Tk 78,000 will be raised to more than Tk 120,000.

The commission has recommended setting the ratio between the highest and lowest salaries at 1:8.

Meanwhile, in the revised budget for the 2025-26 fiscal year, operating expenses have been increased by Tk 20,000 crore.

The government has taken this step as part of the partial implementation of the new salary structure.

It plans to revise down development spending by Tk 30,000 crore this fiscal year and raise non-development expenditure by Tk 28,000 crore, The Daily Star has learnt from people involved with the proceedings.

The increase in non-development expenditure is to accommodate the National Pay Commission 2025.

The new pay structure would provide a higher increase to those in the lower grades, the official added.

Meanwhile, the government has finalised the revised budget, which will come into effect on February 1.

The overall budget size has been reduced by Tk 2,000 crore to Tk 788,000 crore.

At present, the number of government officials and employees stands at about 15 lakh.

In addition, the new pay structure will also apply to employees of various autonomous bodies and state-owned banks, although their salaries are not paid directly from the government budget.

The commission may recommend a separate pay scale for Bangladesh Bank and state-owned banks, distinct from the government pay structure.

Gold blazes trail beyond $4,700/oz to record high

REUTERS

Gold surged past the $4,700 an ounce mark for the first time on Tuesday, and silver hovered just below a fresh record high, as global tensions sparked yet another rush to safety.

Spot gold gained 1.3 percent to $4,727.99 per ounce by 0910 GMT, having hit an all-time high of $4,731.34, while silver rose 0.7 percent to $95.34 an ounce, after hitting a record high of $95.488 earlier in the session.

US gold futures for February delivery climbed 3 percent to $4,734.10 per ounce.

US President Donald Trump threatened to impose increasing tariffs from February 1 on eight European countries until the US is allowed to buy Greenland, fuelling fears of a renewed trade war.

"Growth concerns driven by threats of additional tariffs and the desire of Trump to have lower US interest rates are the drivers pushing gold to a new record high," said UBS analyst Giovanni Staunovo.

Gold has climbed 9.5 percent in just 20 days of this year and over 70 percent since Trump's second term began a year ago. Geopolitical tensions have been at the forefront of the recent record rally, with expectations of monetary policy easing also playing a significant role. Strong central bank buying and ETF inflows have also contributed to the unprecedented rise.

Instability in policy and politics drives investors to store value in traditional safe havens like gold, while lower interest rates limit the downside of holding non-yielding assets.

As US orders fade, Chinese salespeople face tough grind in new markets

ANALYSIS

REUTERS

China sold more goods to the world than ever in 2025, but export saleswoman Aimee Chen says it was the hardest of her roughly two-decade career.

After US President Donald Trump's tariff hikes led to US orders plunging by a third, Chen's pet products company moved to diversify geographies, chasing new and often lower-income markets like South America. The response mirrored China's official trade policy, which led to a record $1.2 trillion surplus for 2025 despite new trade barriers.

Reuters interviews with 14 salespeople working on the frontlines of China's export diversification push, however, reveal the costs and caveats behind the rosy headline trade figures.

Four of the salespeople said that orders from the new markets were often smaller in volume and less lucrative than US sales, resulting in lower commissions and pay. Government data show profits at China's industrial firms fell 13.1 percent year-on-year in November, the fastest pace in over a year.

Many of the employees also described longer working hours as well as greater intensity and uncertainty amid the export boom.

"I'm very anxious," said Chen, adding that she had recently experienced stress symptoms like hair loss and insomnia.

Mingwei Liu, director at the Center for Global Work and Employment at Rutgers University, said that China's export strategy in alternative markets depended on firms chasing high volumes of cheap orders. Companies that succeed often give clients longer payment cycles and bear higher default risks, he said.

A worker operates machinery at a textile factory in Qingdao, in eastern China's Shandong province. Chinese shipments to the US fell 20 percent in 2025, though it remains a top export destination.
PHOTO: AFP/FILE

"This market reorientation increases the labour intensity, the emotional burden and income uncertainty faced by workers in export sales," Liu said.

China's commerce ministry and human resources ministry, as well as the office which manages the cabinet's media queries, did not respond to requests for comment.

NEW MARKETS, NEW PROBLEMS

China and the US have grown increasingly interconnected since Beijing's 2001 accession to the World Trade Organization. Their relationship has also become more imbalanced, with their respective economic policies favouring production in the former country and consumption in the latter.

Some American retailers and Chinese producers have said they developed relationships that were so close that they could anticipate each other's needs and red lines, making deals feel almost automatic.

Chen, for instance, described her past interactions with US retailers in largely glowing terms. Clients in the world's largest economy were often "easy-going" and signed deals quickly, she said.

By contrast, customers in new markets like to haggle on price, she said.