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If the bond facility is withdrawn, exporters would have to pay the full duty, which could weaken the competitiveness of Bangladeshi garment shipments in the global supply chain, BGMEA said.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

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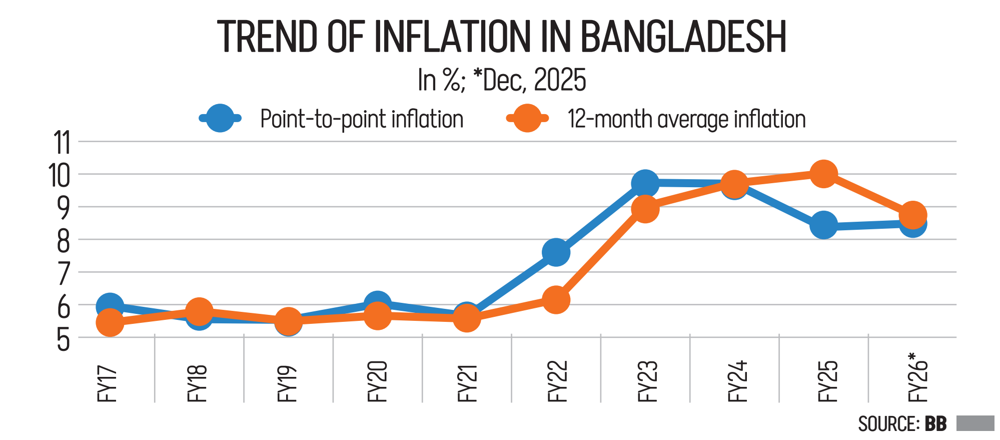
Stubborn and sticky: Why inflation defies monetary tightening

ANALYSIS

MD MEHEDI HASAN

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

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.

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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.

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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."

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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

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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

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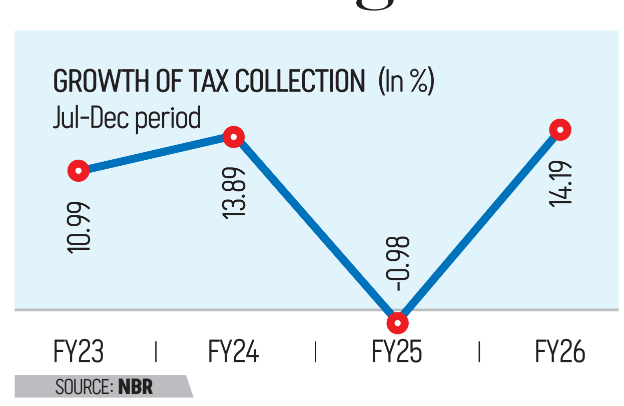
NBR misses target by Tk 46,000cr despite 14% collection growth



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

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