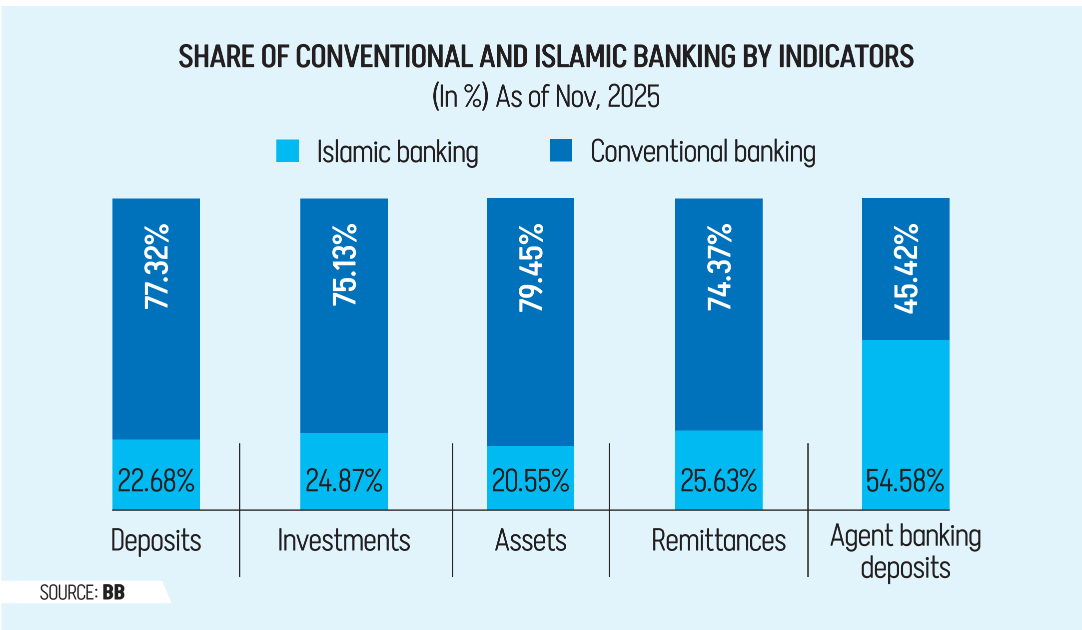
Conventional banks lead remittances as Islamic lenders recover ground



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.