Star BUSINESS

LDC graduation will expose economy to serious risks

Business leaders and bankers say Bangladesh is not yet ready for post-LDC challenges

Bangladesh Bank Governor Ahsan H Mansur is seen with business leaders, bankers, senior executives and members of the board of directors of the ICCB at a roundtable on LDC graduation challenges for banking industry at Sheraton Dhaka in Banani yesterday. PHOTO: ICCB

STAR BUSINESS REPORT

Bangladesh is not fully prepared to face the economic and institutional challenges that will follow its graduation from the least developed country (LDC) category later this year, business leaders and bankers said yesterday, warning that it could expose the economy to serious risks.

Speaking at a roundtable on the implications of LDC graduation for the banking sector, they cautioned that Bangladesh will gradually lose preferential market access, concessional financing and policy flexibilities, while facing intensified global competition, pressure on exports and rising living costs.

These changes will place new pressures on the economy, particularly on the financial system, ICCB President Mahbubur Rahman said at the event organised by International Chamber of Commerce-Bangladesh (ICCB).

Noting that the graduation should be seen as a structural shift rather than a symbolic milestone, he added, "In the post-LDC era, a strong, credible, and autonomous central bank will be the anchor of financial stability and confidence."

AK Azad, vice-president of ICCB, said there were real post-graduation impacts on exports and other sectors. "We clearly presented these to the interim government, but they did not agree."

He urged the next government to take up the issue with urgency, as understanding and addressing the realities of LDC graduation would take time.

Simeen Rahman, chief executive officer of Transcom Group, said graduation would reshape Bangladesh's policy space and competitiveness, particularly in sectors directly affecting people's lives.

Emphasising the pharmaceutical industry, she said coordinated policy, regulatory efficiency, financial support and adequate transition time were crucial to preserving domestic strength and export potential. Local production of active pharmaceutical ingredients (APIs), she added, was a key preparatory step.

"If we place people's health, industrial strength and financial stability at the centre of this transition, Bangladesh will graduate not only with pride but with confidence," she said.

Former BKMEA president Fazlul Hoque said while graduation was welcome, the private sector remained deeply uneasy about preparedness. "The reality is that we are not well prepared. That is why we have been advocating for an extension," he said.

However, he warned that even a two- or three-year extension would be meaningless without concrete action.

"We already had eight years to prepare... There were many meetings and seminars, but little real progress. If we waste the next few months, even with an extension, we will simply repeat the same discussions," he said.

Muhammad A (Rumee) Ali, chairman of the ICCB Banking Commission, said despite extensive discussion of graduation's sectoral impacts, the banking industry had lacked urgency and proactive policy dialogue.

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Pay hikes for govt staff may fuel inflation: governor

STAR BUSINESS REPORT

The interim government's proposed new pay scale for public servants could intensify inflationary pressures and strain the banking system, Bangladesh Bank (BB) Governor Ahsan H Mansur said yesterday.

"The salary hike will require borrowing more from the banking system. Is that going to help reduce inflation? No," the governor said at an event on the implications of the LDC graduation for the banking system, organised by the International Chamber of Commerce-Bangladesh (ICCB) in Dhaka.

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Six NBFIs finally set for liquidation, three get time to recover

BB to seek Tk 3,000cr from finance ministry for depositors

MD MEHEDI HASAN

Six non-bank financial institutions (NBFIs) out of 35 are set to be liquidated finally due to poor financial health, after the Bangladesh Bank (BB) board approved the move yesterday.

The six NBFIs are FAS Finance, Premier Leasing, Fareast Finance, Aviva Finance, People's Leasing, and International Leasing.

Initially, the regulator had planned to liquidate nine NBFIs. However, after two days of hearings, three companies -- Prime Finance, GSP Finance, and Bangladesh Industrial Finance Company (BIFC) -- were given three to six months to improve their finances.

Arief Hossain Khan, executive director and spokesperson of Bangladesh Bank, confirmed the development to The Daily Star.

The decision was made at a BB board meeting chaired by Governor Ahsan H Mansur.

A senior central bank official, speaking on condition of anonymity, told The Daily Star that the central bank has already declared six NBFIs non-viable, while the remaining three have been given three to six months to improve their financial condition.

Last November, the BB board approved the liquidation of troubled NBFIs under the Bank Resolution Ordinance 2025

"If the three institutions fail to recover or show meaningful progress, they will be added to the liquidation list," the official added.

Last week, BB held hearings with the nine NBFIs -- FAS Finance, Bangladesh Industrial Finance Company, Premier Leasing, Fareast Finance, GSP Finance, Prime Finance, Aviva Finance, People's Leasing, and International Leasing -- to determine if they had grounds to oppose liquidation.

Last November, the BB board approved the liquidation of troubled NBFIs under the Bank Resolution Ordinance 2025, the country's first comprehensive framework for resolving failing banks and NBFIs.

The ordinance outlines procedures for merging, restructuring, or closing distressed institutions and sets the hierarchy for repaying creditors once assets are sold.

Together, the nine NBFIs account for 52 percent -- Tk 25,089 crore -- of the sector's total defaulted loans as of the end of 2024, reflecting years of unchecked lending irregularities and capital erosion.

BB Governor Ahsan H Mansur recently said that individual depositors of the nine troubled NBFIs may recover their principal amounts before Ramadan in February.

A senior BB official added that the central bank will

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Spinners stick to Feb 1 shutdown over yarn imports

STAR BUSINESS REPORT

Spinning mills will remain closed from February 1 if the government does not withdraw the duty-free import of yarn, a move aimed at protecting the local spinning sector.

Leaders of the Bangladesh Textile Mills Association (BTMA), which represents the country's primary textile industry, reiterated this stance at a meeting at its office yesterday, according to a BTMA statement.

At the meeting, BTMA President Showkat Aziz Russell expressed concern over the growing crisis caused by duty-free imports of highly subsidised Indian yarn.

"Because of heavy subsidies from the Indian government, local spinning mills are facing unfair competition, as Indian spinners can supply yarn in Bangladesh at prices 30 to 35 cents lower than local suppliers," he said.

Russell warned that if the government does not take policy action to remove this unfair competition, the local spinning sector will face a deeper crisis, according to the statement.

He added that yarn imports from India rose 137 percent over the past year, with nearly 50 mills already shut down and another 50 on the verge of closure, putting many workers' jobs at risk.

Russell urged the government to act quickly. "The government must withdraw the duty-free import facility for 10 to 30 count yarn to save local spinning mills," he said.

Earlier, at a press conference on January 22, BTMA leaders threatened to shut down spinning mills indefinitely if the demand is not met by February 1. They said Bangladesh has sufficient capacity to supply this category of yarn to garment exporters.

US may cut tariffs on Bangladesh next week

Lutfey Siddiqi says

UNB

The United States may announce a reduction in the reciprocal tariffs imposed on Bangladesh by the end of this week or early next week, Lutfey Siddiqi, special envoy on international affairs to the chief adviser, said yesterday.

Speaking at a press conference at the Foreign Service Academy, where he briefed the media on Bangladesh's engagements and outcomes at the World Economic Forum (WEF) in Davos, Siddiqi said Washington is sincere about lowering tariffs on Bangladesh, and an announcement is expected soon.

He, however, said it is still unclear to what extent the current 20 percent tariff will be reduced.

The special envoy said he discussed the issue with US Treasury Secretary and member of President Donald Trump's cabinet, Scott Bessent, on the sidelines of the Davos conference.

"Many elements of the US non-tariff policies align with the reform agenda of Bangladesh's interim government. Besides, the trade deficit of around $6 billion with the US has come down significantly. Considering these factors, the United States is showing sincerity in reducing trade barriers on Bangladesh. A better decision will come soon," he said.

On Bangladesh-EU trade relations, Siddiqi said discussions were held with EU Commissioners Roxana Minzatu and Jozef Sikela on a possible free trade agreement (FTA). "We have clearly conveyed that Bangladesh wants an FTA with the EU, and they have shown interest. But their process is slow."

He said the EU is currently pursuing

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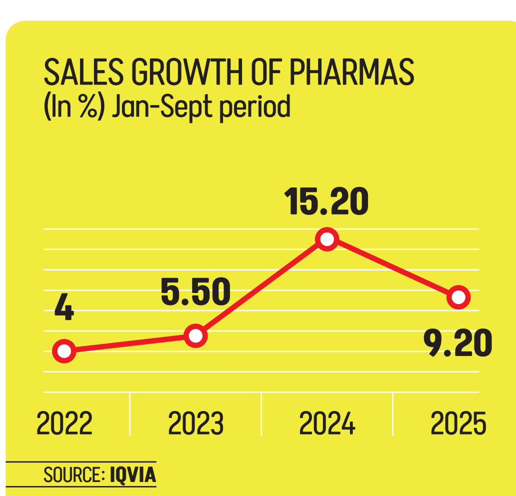
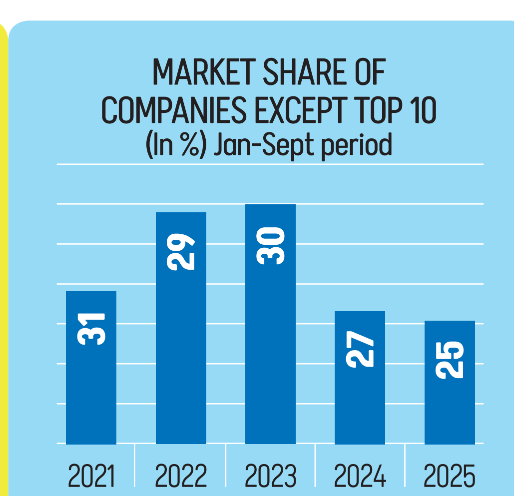
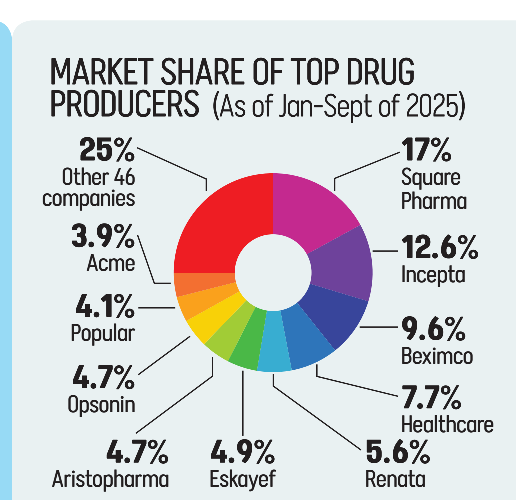
Drug sales growth slip to single digits amid high costs, inflation







AHSAN HABIB

Sales growth of prescribed medicines has slowed to single digits, ending the double-digit expansion the pharmaceutical market enjoyed for years before the pandemic, as rising production costs and currency depreciation collide with prolonged inflation.

Low-income households are cutting back on medicines they consider non-essential, while an increasing number of pharmaceutical companies have stopped producing several drugs after higher input costs eroded profit margins.

Drugmakers say they have been unable to raise prices to offset those costs because any adjustment requires strict regulatory approval, and is also a subject of political sensitivity.

Although the authorities allowed limited price increases in 2023, most applications submitted last year were rejected. The sharp depreciation of the taka has compounded the pressure, pushing up the cost of imported raw materials.

PATIENTS, FIRMS BOTH CUT BACK

According to IQVIA, which tracks prescription data from pharmacies, covering 93 percent of outpatient activity, sales of prescribed medicines rose 9 percent to Tk 37,500 crore in the first nine months of 2025.

In the same period a year earlier, sales grew by 15 percent, roughly in line with the average annual growth rate before the pandemic.

For patients, the slowdown has meant selective consumption rather than abandoning treatment altogether.

Medicines for chronic conditions such as diabetes, hypertension and high cholesterol continue to be prioritised. Spending on supportive or adjunct drugs has declined, however, as inflation has hovered above 8 percent for more than three years, squeezing household budgets.

Hosne Ara Begum, an elderly patient in Chattogram, said she now limits her purchases to what she considers essential. "I take my cholesterol medicine regularly, but other medicines like boosters and gastric drugs I often skip."

She said, "The cost of medicines is a burden for my son, who supports six family members. With prices rising everywhere, we had no option but to cut back."

Manufacturers say the demand slowdown has coincided with a sharp rise in operating costs. The weaker taka has driven up spending on imported active pharmaceutical ingredients and other raw materials, while higher interest rates, energy prices and wages have further narrowed margins.

"The dollar rate has gone up, interest rates have increased, energy prices are higher, wages have risen, and many other costs have grown," said Zakir Hossain, secretary general of the Bangladesh Association of Pharmaceutical Industries (Bapi) and managing director of Delta Pharma Ltd.

He said the impact was falling most heavily on "small companies, and many of them are being squeezed day by day".

Large pharmaceutical firms have generally continued producing some loss-making

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