Star BUSINESS

BB's exchange rate framework incomplete: IMF

REJAUL KARIM BYRON *and* AHSAN HABIB

Although the authorities say the foreign exchange rate is now fully market-determined, the International Monetary Fund (IMF) has described the system as "incomplete".

"Foreign exchange intervention practices remained flawed," the IMF said in its Article IV consultation report released yesterday.

According to the report, the Bangladesh Bank (BB) either did not announce intervention volumes or failed to adhere to those announced. Instead, the central bank decided actual purchases to keep the dollar-taka rate near a nearly flat, preferred level.

"As a result, the market exchange rate flexibility was constrained, with rates consistently below the band's lower bound guided by the intervention rates," the IMF said.

When the new system launched, market participants could freely quote the exchange rate. The official reference rate was set using actual market transactions, establishing a new mid-point for the exchange rate band.

The rate was allowed to move within this band, which initially improved interbank liquidity and helped prices reflect supply and demand from mid-May to June 2025.

The multilateral lender said favourable conditions caused the taka to appreciate below the band's lower limit in July. In response, the BB intervened, buying over $2 billion in foreign currency in the July-November period last year.

However, the government told the IMF that since the launch of the new arrangement in May last year, the exchange rate has been fully market-determined, which has helped BB to add about $2 billion to FX reserves through interventions so far in FY26.

The IMF said the new exchange rate regime should be implemented fully, with greater flexibility within the band. Purchases during foreign exchange auctions should follow pre-announced volumes and not target the cut-off rate.

The Fund said free quoting of the exchange rate should continue, as it is essential for allowing the market to adjust naturally. Past reliance on moral suasion or regulatory measures to maintain a "preferred" rate disrupted market functioning and price discovery.

The Fund said that interventions should follow best practices agreed under the IMF-supported programme.

Otherwise, market participants could underestimate exchange rate risks, especially in calm market conditions, and take excessive short positions in foreign currency.

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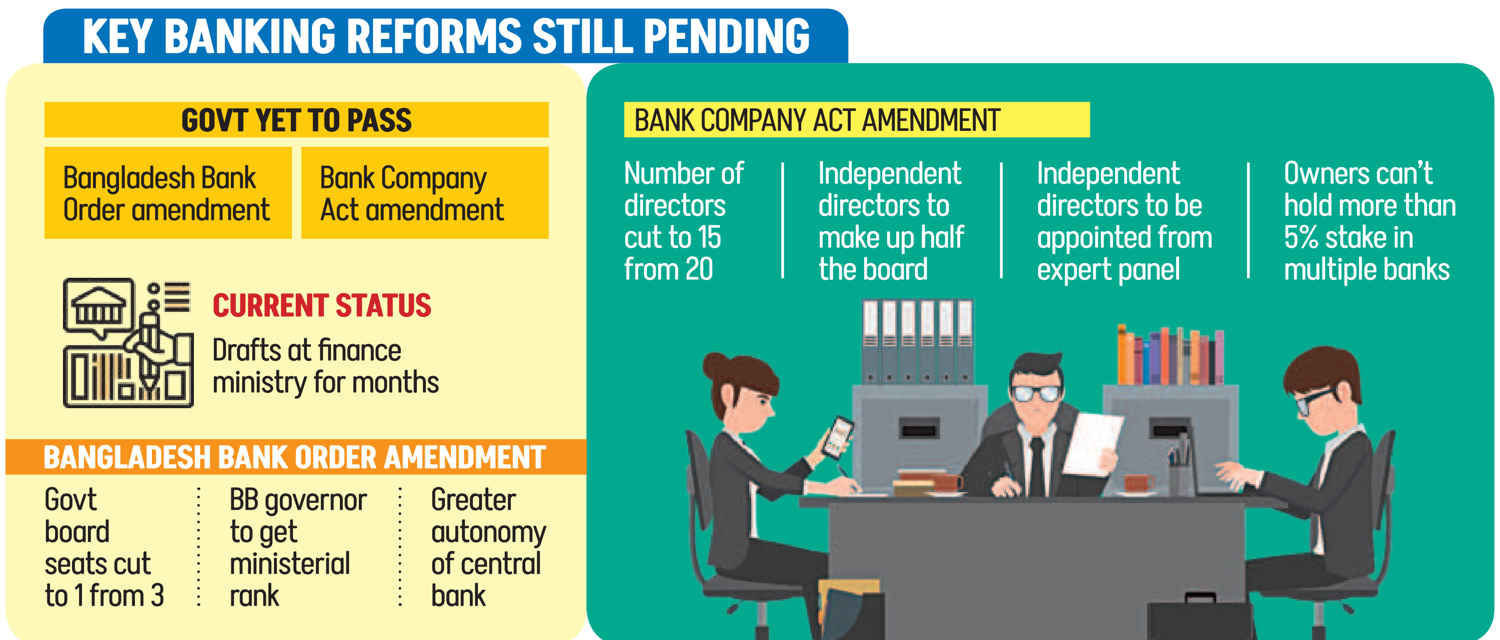
BB autonomy deadlocked as interim govt nears end

Authorities tell IMF new govt will take key decisions as an economist says issue is about control, not policy substance



MD MEHEDI HASAN

With around two weeks left in office, the interim government has yet to pass two important banking reform laws that the central bank says are crucial for strengthening its oversight of the financial sector.

The laws are related to the autonomy of the Bangladesh Bank (BB) and the ownership and governance of banks.

Those laws topped the reform agenda that the interim government had pledged following the July uprising in 2024. Besides, the International Monetary Fund (IMF) has long advocated greater autonomy for the BB. Under its $5.5 billion loan programme, the Fund provided technical support in drafting the amendments.

Now both of the drafts are pending with the finance ministry, though the BB submitted them months ago and repeatedly urged their passage before the national election on February 12.

So far, the interim government has enacted only two banking-related laws. Those are the Bank Resolution Ordinance and the Deposit Insurance Ordinance.

Central bank officials say the remaining drafts, including amendments to the Bangladesh Bank Order 1972 and the Bank Company Act, have not progressed.

In a press release yesterday following its Article IV consultations, the IMF said the government reiterated its commitment to legal, institutional and operational reforms but noted that key policy decisions would be taken by the next government.

The IMF said that delays in banking and fiscal reforms would weaken growth, raise inflation, and increase macro-financial risks.

At a public programme last week, BB Governor Ahsan H Mansur expressed concern over the delays, saying passing the laws after the election would be difficult.

Finance Adviser Salehuddin Ahmed attended the event. Mansur reminded the government that the central bank considers the reforms unfinished business.

"We will try," said Ahmed in response. "However, the time is short, so we are not sure how much can be accomplished," he said.

Central bank officials said the revised draft amendment to the Bangladesh Bank Order has been with the finance ministry for around four months. The amendment is prepared to increase the autonomy of the banking regulator.

The original draft proposed removing bureaucrats from the BB board, where three government officials currently sit. Following objections from the finance ministry, the proposal was revised to allow one bureaucrat instead of three.

It also seeks to grant the BB governor the rank of a minister and require the governor to take the oath before the chief justice. Despite these revisions, the amendment has not been approved.

The second pending reform is the proposed amendment to the Bank Company Act. The BB board approved the draft

READ MORE ON B3

Local sales surpass export orders as DITF ends

STAR BUSINESS REPORT

Companies participating in the 30th Dhaka International Trade Fair (DITF) bagged export orders worth $17.98 million, or Tk 224.26 crore, as the month-long international showcase came to an end yesterday.

However, sales of goods and services, including restaurants, rose 3.42 percent year-on-year to Tk 393 crore in this year's exhibition, according to a statement from the commerce ministry.

This year, 329 domestic and foreign companies took part in the fair at the Bangladesh-China Exhibition Center at Purbachal in Nayaranganj.

The sectors that succeeded in securing export orders include diversified jute products, electrical and electronics, home appliances, cosmetics, hygiene products, processed food, handloom, handicrafts, home textiles, Nakshi Kantha, fabrics, and more.

Export orders were received from Afghanistan, Singapore, Hong Kong, Indonesia, India, Pakistan, Malaysia, and Turkey.

At the closing ceremony of the fair, recognition was given through awards to the best pavilions, stalls, and institutions across various categories.

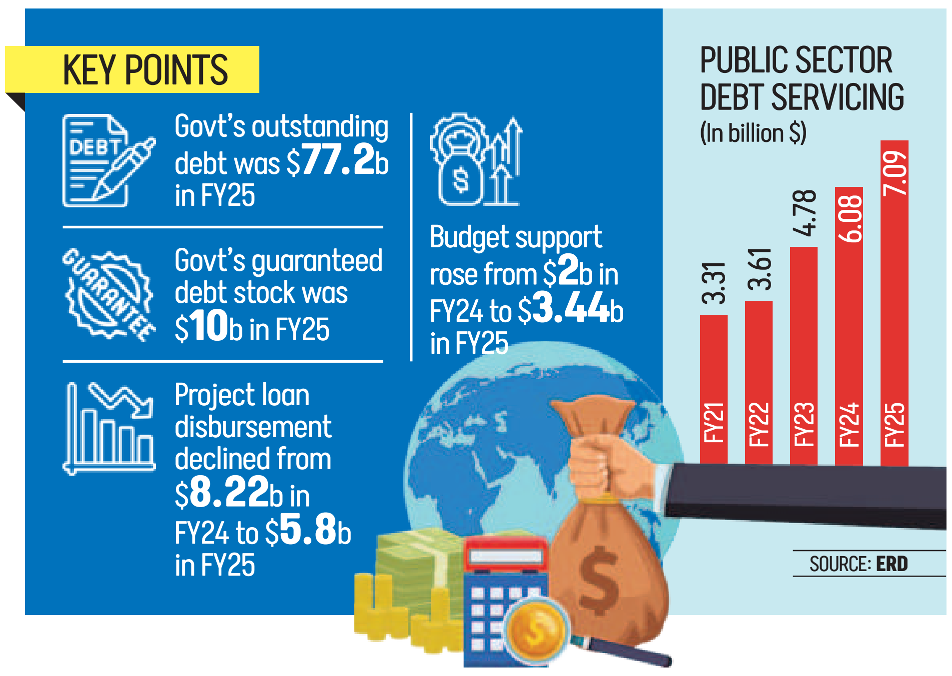
Forty institutions were selected as the best in different categories of the fair jointly organised by the commerce ministry and the Export Promotion Bureau (EPB).

They were judged on criteria such as construction structure, architectural beauty and decoration, interior design, product display, quality of customer and visitor services, customer satisfaction, compliance with allocation terms and

READ MORE ON B3

Foreign debt servicing rises to $7.09b

REJAUL KARIM BYRON *and* AHSAN HABIB



Foreign debt servicing by the government and its guaranteed loans rose 17 percent to $7.09 billion at the end of June in the last fiscal year.

The amount ate up around 76 percent of the total grants and loans of $9.3 billion that Bangladesh received in the fiscal year (FY) 2024-25.

Of the total repayment, $5 billion was principal, including $2.6 billion in state-guaranteed loans taken by public agencies. For example, Bangladesh paid $1.41 billion to settle crude oil import bills. The remaining $2.08 billion went to interest payments, according to data from the Economic Relations Division (ERD).

This marks another year of rising debt servicing costs for Bangladesh, which have more than doubled over the last five years. The government repaid $6.08 billion in principal and service charges to foreign lenders in FY24, double the $3.3 billion paid in FY21. Debt servicing crossed the $1 billion mark for the first time in FY13.

At the end of FY25, Bangladesh's foreign debt stock stood at $87.3 billion. Of this, $77.28 billion was government debt, while the rest was government-guaranteed debt taken by public sector agencies.

The debt stock rose around 12 percent from the previous year. External debt accounted for 18.99 percent of the country's Gross Domestic Product, well below the 40 percent threshold.

Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development (InM), said the rise in debt repayment reflects the end of the grace period for some foreign loans, many of which are in their final stages.

He added that many loans are not soft loans but hard loans with high interest rates and short grace periods, which will increase repayment pressure in the near future.

Mujeri, a former director general of the Bangladesh Institute of Development Studies, said the previous government borrowed heavily to fund large projects, and borrowing continued under the current government. With many projects now at their final stages, principal repayments have begun, pushing up debt servicing costs.

He added that significant budgetary support in recent years, provided to help the country recover from the coronavirus pandemic, has also increased loan repayments.

Global interest rate increases are another factor, although the ERD said interest rate risk is limited because most external loans are obtained at concessionary fixed rates.

Citing the World Bank's classification, the ERD said that all indicators remain below threshold levels, categorising Bangladesh as a "less indebted" country.

However, Mujeri stressed that the government needs to strengthen its loan repayment capacity.

Plan to reduce SIM limits deferred until after polls

MAHMUDUL HASAN

The Bangladesh Telecommunication Regulatory Commission (BTRC) has halted its plan to reduce the number of mobile SIM cards registered under a single national identity (NID) card from 10 to five ahead of the upcoming national election.

Under the existing rule, a citizen is allowed to register up to 10 personal SIM cards using one NID.

Citing concerns over public inconvenience ahead of the polls, the commission took the decision to stall their plan at a meeting recently, according to official documents reviewed by The Daily Star.

In June 2025, the government formally capped personal SIM ownership at 10 per individual from 15 as part of broader efforts to strengthen transparency in telecom services, curb criminal misuse of mobile connections and enhance national security oversight.

Subscribers were allowed to voluntarily deregister or transfer ownership of SIMs exceeding the limit until October 30, 2025, at first. Later, the de-registration date was extended to December 29, 2025.

Amid growing security concerns and proposals from law enforcement agencies and intelligence bodies, BTRC later initiated a further reduction, cutting the maximum number of SIMs per individual to five. The commission subsequently sought approval from the telecom ministry to enforce the new limit starting January 1, 2026.

READ MORE ON B3

Customers shop at a Carrefour hypermarket in Drancy, Paris' suburb. The eurozone ended the year 2025 with decent economic growth despite significant uncertainty and economic tension.

PHOTO: AFP/FILE

Eurozone growth beats 2025 forecasts despite Trump woes

AFP, *Brussels*

Eurozone growth beat expectations to reach 1.5 percent last year, official data showed Friday, picking up pace for a second year running in spite of a bruising trade standoff with the United States.

Europe is working to close the gap with economic rivals China and the United States, and spiking tensions with President Donald Trump's administration over trade have created added impetus to bolster its competitivity.

Last year's uptick in the single-currency area's economy builds on the modest 0.9 percent expansion recorded in 2024, after an anaemic 0.4 percent a year earlier.

Analysts at Bloomberg had forecast growth to be 1.4 percent, while the European Commission itself predicted 1.3 percent.

Quarter-on-quarter growth for the eurozone reached 0.3 percent in the last three months of 2025, according to statistics agency Eurostat.

"Accelerating growth in Germany, Spain and Italy, to a lesser extent, made up for slow growth in France," said ING chief economist Bert Colijn.

The eurozone ended the year with "decent economic growth despite significant uncertainty and economic tension," he wrote.

Data released Friday in Germany showed its economy grew faster than expected at the end of 2025, expanding 0.2 percent over the year, suggesting a recovery is gathering pace in Europe's struggling industrial powerhouse.

But annual growth in the eurozone's second-biggest economy France slowed to 0.9 percent, national data showed, impacted by a disappointing fourth quarter as the government wrestled with passing a new budget.

Spain's economy meanwhile grew at more than twice the eurozone average last year, expanding 2.8 percent, fuelled by strong consumer demand, rising exports and robust tourism.

The eurozone's fourth-largest economy has outshone its peers since 2021, supported by low energy costs, domestic consumption and a tourism boom since the end of the Covid pandemic.

Analysts at Capital Economics said they expected Spain to "continue to outperform for some time as high immigration boosts employment and domestic demand."

Spain's left-wing government credits immigration for much of the country's dynamic economic growth of recent years, and has recently moved to regularise around 500,000 undocumented migrants.

ING's Colijn said the eurozone-wide outlook for 2026 was "becoming more upbeat", with industrial production expected to benefit from defence investments and German infrastructure spending in particular.

He predicted "accelerated growth over the coming quarters," noting that even a "modest" pickup would be something to celebrate given the "significant turmoil" in international relations.

But he warned other factors were set to keep dragging on growth, from the uncertain global environment to a loss of competitiveness across the eurozone.

"These broader structural concerns are not being addressed quickly enough at the moment, which curbs longer-term prospects," he said.

Across the broader 27-country European Union, the economy expanded by 1.6 percent last year, the data showed.

EU leaders will hold talks on competitiveness next month in Belgium as the bloc seeks to revive its economy and foster innovation.

The bloc's competitiveness push has produced mixed outcomes so far, according to an annual assessment published Friday by the European Commission, which is pushing for stepped-up action.

Of a broad set of indicators examined in the report, six showed declines, six improved and 15 remained broadly unchanged.

Areas showing improvement ranged from the use of artificial intelligence by businesses to renewable energy production and the mutual recognition of diplomas and professional qualifications across member states.

By contrast, the share of intra-EU trade in the bloc's economy showed a decline, as did private investment levels and European students' results in the PISA international education survey.

Siddiqur Rahman takes charge as acting MD of Standard Bank

STAR BUSINESS DESK

Md Siddiqur Rahman, deputy managing director and chief operating officer of Standard Bank PLC, has taken charge as the bank's managing director (acting).

Rahman joined the shariah-based bank as deputy managing director in August 2023, according to a press release.

Prior to joining Standard Bank, he served as deputy managing director, chief risk officer (CRO) and chief anti-money laundering compliance officer (CAMLCO) at Islami Bank Bangladesh PLC.

During his 31-year career at Islami Bank Bangladesh, Rahman made contributions to the institution's business growth and overall development.

He is accredited by the Paris-based International Chamber of Commerce (ICC) and the UK-based Institute of Financial Services (IFS) as a Certified Documentary Credit Specialist (CDCS) in international trade finance.

With more than three decades of experience in Islamic banking, Rahman also obtained a certified shariah advisor and auditor (CSAA) fellowship from the Bahrain-based Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Rahman earned his bachelor's and master's degrees in public administration from the University of Dhaka and later completed an MBA.

To further enhance his professional skills, he completed the Diploma in Associate of the Institute of Bankers, Bangladesh (DAIBB) and obtained a Diploma in Islamic Banking (DIB) from the Islamic Banking Training and Research Academy (IBTRA).

Oil hovers near 6-month high

REUTERS, *Houston*

Oil prices dipped a few cents per barrel on Friday, consolidating recent gains and holding near six-month highs on Friday, supported by nagging tensions between the US and Iran.

Brent crude futures settled at $70.69 a barrel, down 2 cents or 0.03 percent. The March contract expires later on Friday. US West Texas Intermediate crude finished at $65.21 a barrel, down 21 cents or 0.32 percent.

"It's really all about Iran right now," said John Kilduff, partner with Again Capital. "The market had priced in a lot of geopolitical risk on Iran, but it's difficult to quantify the market at this point. The question is if there is action against Iran, what will the Iranians do?"

On Thursday, oil prices hit their highest since early August. Multiple sources said US President Donald Trump was weighing actions against Iran that included targeted strikes, raising concerns about supply disruptions.

WTO faults US in dispute brought by China over clean energy subsidies

AFP, *Geneva*

The World Trade Organization has faulted the United States in a dispute brought by China over US green energy subsidies, in a ruling slammed by Washington on Friday as "absurd".

The global trade body's dispute panel said that large tax credits granted under former president Joe Biden's landmark climate law, the Inflation Reduction Act (IRA), were "inconsistent" with several WTO agreements and should be withdrawn.

That law, which was signed by Biden in 2022, was the largest climate investment in US history, but it has been dramatically eroded since President Donald Trump came to power last year.

China hailed the panel ruling as "objective and impartial".

But US Trade Representative Jamieson Greer was harshly critical, saying in a statement that the ruling showed that "existing WTO rules are inadequate to address massive and harmful excess capacity in numerous sectors, including in energy technology".

It "underscores the serious doubts that the United States has long expressed regarding the capacity of the WTO to regulate trade in a world marked by severe and sustained trade imbalances", he said.

China launched the WTO dispute in March 2024, accusing Washington of unfair competition over its support to companies in the energy transition sector and to electric cars manufactured on US soil.

The WTO agreed in September that year to set up a panel of experts to examine the case, which focused on US investment tax credits (ITCs) and production tax credits (PTCs) for renewable energy projects, as well as electric vehicle subsidies.

The United States insisted at the time that the act was a tool to address the climate crisis and "invest in US economic competitiveness".

It was also meant to counter Beijing's subsidies for electric vehicles and the wider green industry within China, which has poured vast state funds into domestic firms as well as research and development.

China has denied that its industrial policies are unfair and has repeatedly threatened retaliation to safeguard its companies, and charged that the IRA "distorts fair competition, seriously disrupts global new energy vehicle industrial and supply chains, and violates WTO rules".

The panel ruling Friday upheld all of China's claims on the ITCs and PTCs, finding the measures inconsistent with the 1994 General Agreement on Tariffs and Trade (GATT), the Agreement on Trade-Related Investment Measures, and the Agreement on Subsidies and Countervailing Measures.

"The panel recommends that the United States withdraw the ITC/PTC Domestic Bonus Credits by October 1, 2026 at the latest," it said.

The panel meanwhile did not rule on the issue of the clean vehicle tax credits, as those credits were terminated through Trump's so-called One Big Beautiful Bill last July.

"Incredibly, the WTO report finds that the United States has broken WTO rules by defending industries that China unfairly targeted for global dominance, but does not say a word about the harms caused by China's industrial policies and massive excess capacity," Greer said.

"It is also absurd that the WTO panel questioned whether the United States has deep and abiding concerns with ensuring that the conditions of competition within the US market are fair," he added.

A Chinese foreign ministry spokesman meanwhile insisted "the United States should face up to its errors, acknowledge the WTO-inconsistency of its measures, and promptly rectify the violations".

Idra awards insurance excellence

STAR BUSINESS DESK

The Insurance Development and Regulatory Authority (Idra) organised the IDRA Insurance Excellence Award 2025 ceremony at the Pan Pacific Sonargaon Dhaka last week to recognise excellence in ethics, transparency and good governance in Bangladesh's insurance sector, with the aim of strengthening public confidence in the industry.

Anisuzzaman Chowdhury, special assistant to the Chief Adviser, attended the programme as the chief guest, according to a press release.

In his address, Chowdhury said the insurance sector in Bangladesh is undergoing rapid transformation, with digitalisation, technology-driven services, online policy issuance and faster claim settlement gradually bringing the industry closer to global standards.

Nazma Mobarek, secretary of the Financial Institutions Division, was present as the special guest at the event.

Speaking at the event, Idra Chairman M Aslam Alam said the timely implementation of insurance-related laws is essential to steer the sector towards recovery and sustainable development. He added that digitalisation is now a necessity, as it enhances transparency, accountability and customer trust.

Anisuzzaman Chowdhury, special assistant to the chief adviser, poses for a group photograph with the awardees at the "Idra Insurance Excellence Award 2025" ceremony at the Pan Pacific Sonargaon Dhaka last week. Nazma Mobarek, secretary of the Financial Institutions Division, and Idra Chairman M Aslam Alam were also present.

PHOTO: IDRA

The insurance regulator awarded selected insurance companies in recognition of their outstanding contributions to ethics, transparency and good governance in the sector.

Among non-life insurers, Pragati Insurance PLC secured first place, followed by Sadharan Bima Corporation in second place, Reliance Insurance PLC in third place and Green Delta Insurance PLC in fourth place. Eastland Insurance PLC, Sena Insurance PLC and United Insurance Company Limited jointly secured fifth place.

Among life insurers, MetLife secured first place, followed by Pragati Life Insurance PLC in second place, Delta Life Insurance Company Limited in third place and Jiban Bima Corporation in fourth place. National Life Insurance PLC and Guardian Life Insurance Limited jointly secured fifth place.

Southeast Bank completes automation, centralisation of credit functions

MA Kashem, chairman of Southeast Bank PLC, inaugurates the celebration programme at the bank's head office in Dhaka recently.

PHOTO: SOUTHEAST BANK

STAR BUSINESS DESK

Southeast Bank PLC recently hosted an event at its head office in Dhaka to mark the successful completion of the full centralisation and automation of its documentation and limit-loading functions.

The initiative is expected to significantly enhance operational efficiency while reinforcing the bank's commitment to regulatory compliance and sustainable, environmentally responsible banking practices.

MA Kashem, chairman of Southeast Bank PLC, inaugurated the programme as the chief guest, according to a press release.

In his remarks, Kashem outlined his vision of elevating the bank's service and compliance standards, positioning Southeast Bank as a pioneering financial institution that integrates environmental consciousness into its core operations.

3rd shipment of US wheat reaches Ctg port

STAR BUSINESS REPORT

The third consignment of US wheat purchased by the food ministry under a government-to-government (G2G) deal reached Chattogram port yesterday.

The shipment, carried by MV WF Artemis, contains 58,339 tonnes of wheat and is part of the second G2G contract for importing a total of 220,000 tonnes, according to a press release from the food ministry.

Sampling and testing of the wheat stored on board the vessel have already begun. Once quality checks are complete, port and food department officials will take steps to expedite the unloading and distribution of the grain, the ministry said.

With the latest shipment, the total arrival of US wheat purchased by the government now stands at more than 1.72 lakh tonnes.

The shipment falls under a memorandum of understanding (MoU) signed between the Directorate General of Food and the US Department of Agriculture, under which Bangladesh will import 220,000 tonnes of wheat from the United States.

Earlier, the food ministry signed another G2G contract with a US agency and imported an additional 220,000 tonnes of wheat, aimed at ensuring food security as well as supporting Bangladesh's trade relations with the US and narrowing the bilateral trade imbalance, which currently favours Bangladesh.

In the 2024-25 fiscal year, the food ministry imported 466,000 tonnes of wheat, primarily for use in various social safety net and food assistance programmes.

PRAN bags $5.5m spot orders at Gulf Food Fair

STAR BUSINESS REPORT

Bangladesh's leading food processing company PRAN secured export orders worth about $5.5 million during the five-day Gulf Food Fair 2026, one of the world's largest food and beverage exhibitions.

The orders came from several countries, including the US, China, Saudi Arabia, Iraq, Syria, Ethiopia, Kenya and Somalia, as well as other international markets, according to a press release issued on Friday.

During the fair, PRAN received strong purchase orders for its biscuits, noodles, beverages and confectionery products from buyers across different countries, it said.

The five-day Gulf Food Fair 2026 was held at the Dubai World Trade Centre in the United Arab Emirates and concluded on January 30. This year, more than 8,000 exhibitors from 195 countries showcased their products at the fair. PRAN Group displayed around 500 varieties of food products at its pavilion.

Mizanur Rahman, executive director for export of PRAN Group, said, "We are working to further strengthen our presence in Africa, the Middle East, South Asia, Central and South America, and Europe."

Kamruzzaman Kamal, marketing director of PRAN-RFL Group, said, "Our goal is to deliver PRAN products to every corner of the world and establish PRAN as one of the top 10 global food brands."

The Gulf Food Fair plays a vital role in connecting business communities from different countries, he said.

A customer checks gold bangles at a jewellery shop in Rajshahi city. The price of gold hit an all-time high of Tk 2.86 lakh per bhori on January 29. The photo was taken recently.

PHOTO: AZAHAR UDDIN

Gold prices rise by Tk 32,892 in January

Local market volatile due to swings in global prices, says Bajus leader

STAR BUSINESS REPORT

The domestic market price of one bhori of gold, equivalent to 11.664 grammes, rose by Tk 32,892 over the course of a month, reflecting a notable increase compared with previous months.

According to the Bangladesh Jewellers Association (Bajus) data, the price of gold per bhori was Tk 2.22 lakh on January 1, 2026, which increased to Tk 2.55 lakh on January 31.

An analysis of Bajus data shows that throughout the month, gold prices in the domestic market changed 18 times, whereas prices rose on 15 occasions.

Businesspeople said the local market in Bangladesh has remained unstable over the past few months, driven by fluctuating global prices, steadily rising costs of pure gold, and broader economic uncertainty.

Dewan Aminul Islam Shahin, chairman of Bajus' Standing Committee on Pricing and Price Monitoring, recently said the retail gold market has been highly volatile lately, largely due to swings in global prices and rising costs of pure gold.

"International issues such as geopolitical tensions and conflicts have a direct impact on our local market," he mentioned

An analysis of Bajus data shows that throughout the month, gold prices in the domestic market changed 18 times, whereas prices rose on 15 occasions

GOLD FALLS AGAIN

Gold prices in the local market fell sharply within 24 hours, dropping by Tk 15,746 per bhori to Tk 2.55 lakh. The Bangladesh Jewellers Association announced the price cut yesterday, citing a decline in the prices of pure gold in the local market.

On January 29, gold prices hit an all-time high of Tk 2.86 lakh per bhori in the country. Since then, prices have fallen by roughly Tk 31,000.

In the international market, spot gold lost 4.7 percent to $5,143.40 an ounce on January 30, as jittery investors moved to lock in profits, with hopes for aggressive US interest rate cuts fading and the dollar steadying, according to Reuters.

In Bangladesh, domestic prices remain closely aligned with global trends. Under the Gold Policy 2018, annual domestic demand is estimated at between 20 and 40 tonnes.

Gold first crossed Tk 50,000 per bhori in January 2018. Five years later, in July 2023, it reached Tk 100,000. Prices climbed further to Tk 150,000 in February 2025, before surging past Tk 200,000 per bhori later in the year.

Trump picks former Fed official as next central bank chief

AFP, *Washington*

President Donald Trump said Friday he would nominate former Federal Reserve governor Kevin Warsh to be the next US central bank chief, a move that has sparked cautious optimism among observers.

The decision caps a highly publicized search for a successor to Fed Chair Jerome Powell, whom the president has repeatedly lambasted for not cutting interest rates more swiftly.

Trump told reporters Friday that Warsh "certainly wants to cut rates," but added that he did not wish to question Warsh on commitments to do so.

"I have known Kevin for a long period of time, and have no doubt that he will go down as one of the GREAT Fed Chairmen, maybe the best," Trump wrote on Truth Social, announcing his choice.

"On top of everything else, he is 'central casting,' and he will never let you down," Trump added.

Warsh, 55, was the youngest person to serve as a Fed governor, a role he held from 2006 to 2011.

Kevin Warsh

Trump considered Warsh for the top Fed job too during his first presidency, but eventually chose Powell -- a decision he quickly soured on.

Prices of precious metals -- seen as safe haven investments -- sank Friday in a sign that investors were reassured by Trump's choice. The dollar pushed higher.

"I think markets are broadly happy at the moment," Atlantic Council international economics chair Josh Lipsky told AFP.

"It is a pick that another Republican president may have made," Lipsky said. "He cares about the history of the Fed, the process of the Fed, central bank independence, he's talked about this before."

Powell's chairmanship ends in May, and it remains unclear if he will also step down from the Fed's board of governors, which would free up another vacancy Trump could fill.

Warsh will need to be confirmed by the US Senate, where he will face tough questions from lawmakers amid growing concerns about threats to Fed independence.

BB's exchange rate

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"If market conditions deteriorate and foreign exchange liquidity tightens, BB's commitment to flexibility may be tested, risking substantial foreign reserve losses if stability remains prioritised over adjustment," it said.

The IMF also noted that implementing the new system has been challenging.

In May 2024, Bangladesh Bank devalued the official rate from Tk 110 to Tk 117 per US dollar to align with the market, temporarily restoring a transparent interbank FX market.

However, the market soon became shallow again as BB continued to use moral suasion, restricting free quoting and rate flexibility within the band.

Although foreign reserves have risen recently, the IMF said reserve coverage remains inadequate. The Fund considers a safe threshold to be 4.9 months of import cover, with a range of 4 to 6.2 months depending on reserve costs.

The depletion of reserves and deterioration of import coverage since FY21 had raised concerns. The recent build-up in reserves, combined with more flexible rates and reduced interventions, provides "a temporary reprieve."

"Allowing a market-determined and more flexible exchange rate remains critical to rebuild foreign exchange reserves and should remain a near-term priority," the IMF said.

Recent interventions have not always followed the crawling peg introduced in May 2025, the report added.

By end-FY25, gross foreign exchange reserves covered about 3.6 months of imports, projected to exceed four months by FY27 under the programme, supported by greater exchange rate flexibility and aligned FX interventions.

IMF said that over the medium term, policies to maintain flexibility, diversify exports, and attract FDI should help sustain adequate reserve coverage.

It said that the BB should ensure the proper implementation of the new exchange rate arrangement and continue reducing quasi-fiscal lending in foreign currency to maintain reserve sustainability.

Regarding foreign direct investment (FDI), the IMF said flows remain critically low compared with other developing countries. Recent unrest may limit any near-term increase until after the elections. Targeted measures, including through Export Processing Zones (EPZs), have seen limited success because of macroeconomic uncertainty and a weak investment climate.

BB should ensure the proper implementation of the new exchange rate arrangement and continue reducing quasi-fiscal lending in foreign currency to maintain reserve sustainability

The IMF also assessed the broader external sector. The country's external position in FY25 was moderately weaker than medium-term fundamentals would suggest.

Running moderate current account deficits is consistent with the country's per capita income, growth prospects, and development needs. The current account was broadly balanced in FY25, aided by a recovery in exports, record-high remittances, and still subdued imports.

Meanwhile, the financial account remained relatively stable, with slightly higher trade credit outflows and amortisations offset by lower banking sector outflows.

Stronger exports and remittances, together with lower capital outflows, helped accumulate foreign reserves in FY25, the IMF said.

BB autonomy deadlocked

FROM PAGE B1

in October last year and submitted it to the finance ministry.

It has 45 proposed changes, including reducing the maximum number of directors on bank boards from 20 to 15 and increasing the number of independent directors to at least half of the board, up from the current three.

The draft also recommends that independent directors be appointed from a vetted pool of candidates shortlisted by an expert panel.

Another proposal would limit ownership concentration by preventing any individual, family or institution from holding more than 5 percent stakes in multiple banks.

BB says the amendments aim to improve governance standards and strengthen oversight of both private and state-owned banks.

However, private bank owners have expressed opposition to the proposals. The Bangladesh Association of Banks (BAB) formally communicated its objections to the finance ministry, especially regarding the proposed ownership limits.

Zahid Hussain, former lead economist at the World Bank's Dhaka office, said the delay is difficult to explain given how the drafts were prepared.

"This is not a new file," he said.

According to Hussain, the drafts were developed after extensive discussions, including coordination committee meetings involving the finance ministry, BB and other stakeholders. The reforms were outlined in IMF mission reports and incorporated into the government's Letter of Economic and Financial Policies, signed by both the finance minister and the BB governor.

"After that process, the role of the finance ministry is straightforward," he said. "It should review the draft, clear it, or clearly explain why it cannot be cleared."

Leaving the file idle for months, he said, raises questions.

Hussain said the delay shows resistance linked to authority rather than technical disagreements. "One key element of the reform is reducing the representation of the finance ministry on the Bangladesh Bank board. From that perspective, the issue is control," he said.

He added that the central bank's independence should not be defined narrowly. "It is not only about fiscal dominance. It also involves bureaucratic dominance and influence from business lobbies."

According to the economist, passing the reform laws now would clarify where institutions and political actors stand, rather than deferring responsibility to the next government.

For comments, The Daily Star approached Finance Adviser Salehuddin Ahmed, BB Governor Ahsan H Mansur and Financial Institutions Division Secretary Nazma Mobarek. Despite phone calls and text messages, they did not respond.

China factory activity loses steam in January

AFP, *Beijing*

China's factory activity slowed in January, official data showed Saturday, missing forecasts after a brief rise into positive territory at the end of last year.

A key measure of industrial health, the manufacturing purchasing managers' index slipped to 49.3 this month, the National Bureau of Statistics (NBS) said.

The reading fell below the 50-point mark that divides expansions and contractions, also significantly behind the 50.1 forecast by a Bloomberg survey of economists.

NBS statistician Huo Lihui said in a statement that the data reflected "insufficient effective market demand", as well as a "traditional off-season" for certain manufacturing sectors.

Plan to reduce SIM limits deferred

FROM PAGE B1

In a letter, the Posts and Telecommunications Division (PTD) formally approved BTRC's proposal, instructing the regulator to take necessary measures to implement the five-SIM ceiling from the beginning of 2026.

Despite receiving the approval, the commission has opted to postpone enforcement.

According to the meeting minutes, BTRC officials noted that the schedule for the 13th national parliamentary election had already been announced, leaving insufficient time to implement such a major regulatory change from January 1, 2026.

"Given the current election timeline and the limited time available prior to the polls, immediate implementation may create unnecessary suffering for citizens," the commission decided, noting that mobile connectivity is particularly critical for communication, political coordination and emergency services.

BTRC resolved to take necessary steps to implement the five SIM limit only after the election concludes.

The SIM ownership cap has long been a sensitive issue in the country's telecom sector. While security agencies argue that limiting the number of SIM cards per individual is essential to prevent financial fraud, cybercrime, illegal call termination and anonymous political violence, mobile operators and consumer rights groups have warned of operational challenges and consumer hardship.

Bangladesh currently has more than 187 million mobile connections, many of which are used for business operations, ride-sharing services, mobile financial services, e-commerce platforms and IoT-based devices.

Industry insiders said the frequent changes in SIM registration policy have often caused confusion among subscribers.

Shahed Alam, chief corporate and regulatory officer of Robi Axiata PLC, said the limit of 15 SIM cards was set for valid reasons. However, BTRC has recently reduced the number further. He added that social realities must be taken into consideration, including women's limited access to SIM registration centres.

"Such decisions should involve consultation so that a consumer-friendly policy can be adopted," he said.

Local sales surpass

FROM PAGE B1

conditions, cleanliness and hygiene standards, digital content, contributions as exporters, product manufacturing, and innovation.

With the objective of diversifying export products and markets and enhancing exporters' capacity, a series of eight seminars were organised as side events of the fair under the initiative of the EPB.

Online systems were introduced this year for stall and pavilion allocation and for purchasing entry tickets.

For visitors' convenience, in addition to dedicated BRTC bus services, Pathao services were provided at concessionary rates.

At this year's trade fair, Bangladesh Square was constructed to display still photographs commemorating the Language Movement of 1952, Bangladesh's Liberation War, and the injured and martyrs of the July 2024 movement.

Commerce Adviser Sk Bashir Uddin announced the closure of the show at an event at the exhibition centre yesterday.

Shamim Ahmed

Tech, recycling drive plastic sector growth

Says Shamim Ahmed, president of plastic goods manufacturers' association

JAGARAN CHAKMA

The country's plastic industry, long overshadowed by garments, is steadily expanding as manufacturers adopt new technologies, increase recycling, and diversify exports beyond traditional markets.

Speaking to The Daily Star recently, Shamim Ahmed, president of the Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA), said access to technology and skills development has driven the sector's progress over the past two decades.

"As policymakers push for broader industrial growth and export diversification, the International Plastics Fair (IPF) has become a vital platform connecting local producers, especially small and medium enterprises (SMEs), with global machinery, materials, and production processes," he added.

Ahmed highlighted that many SME entrepreneurs cannot afford to attend international fairs. "IPF allows them to see these technologies in Bangladesh," he said.

The ongoing 18th fair features about 700 foreign booths and nearly 170 local exhibitors, with participants from 16 countries, including China, Vietnam, Italy, the US, South Korea, and India. "India's participation is lower this year, but China and South Korea have a strong presence," Ahmed said.

Unlike consumer-focused trade fairs, IPF centres on machinery, equipment, raw materials, and production technology rather than finished goods. "Foreign exhibitors cannot sell finished consumer products. The focus is on technology and production knowledge," he said.

Exposure to diverse technologies and production systems helps local manufacturers improve efficiency and product quality. "Walking through the fair, you see different machines, materials, and processes. It shows where the global industry is heading," Ahmed said.

Fairs like IPF also promote business connections, with many machines sold and deals signed during the event, he added.

The plastic sector is now a vital part of the industrial economy. "The domestic plastic market is worth about Tk 50,000 crore a year," said Ahmed, estimating total investment at Tk 50,000 to Tk 60,000 crore.

Employment figures vary, but the industry remains a major source of jobs. "A World Bank study put employment at around 1.2 million, but the actual number is likely higher," he added.

"When I joined the industry four decades ago, there were only 400 to 500 factories. Now there are over 6,000, both small and large, across Bangladesh," Ahmed said.

RECYCLING EXPANDS

Recycling has grown rapidly in Bangladesh and "may one day become as large as the main plastic manufacturing industry," Ahmed said.

He added that plastic can be reused multiple times without losing its properties, and recycling has spread beyond major cities into rural areas, often through small-scale operations processing PET bottles, polythene films, and packaging waste.

Ahmed estimated that around 50 percent of plastic waste in Bangladesh is now recycled, reducing pressure on the environment. However, he stressed weaknesses in handling plastic at the end of its life.

"Waste is often collected and dumped in different places without proper processing," he said, stressing the need for a structured system that focuses on recovering resources through recycling rather than repeated dumping.

Ahmed said that affordability is a major barrier to alternatives like bio-based and biodegradable packaging. "Consumers in high-income countries can afford it, but the same model does not work in Bangladesh," he added.

Pointing out that a sandwich packet in the UK can cost more than a sandwich in Bangladesh, he added that middle-income Asian countries still rely heavily on plastic packaging.

Plastic packaging also reduces food loss and extends shelf life. "Globally, about 40 percent of plastic production is for packaging," he said, citing puffed rice as an example. While packaging in agriculture, fisheries, and fresh produce is limited, its use is expected to grow with industrialisation and rising incomes.

EXPORTS ON THE RISE

Direct and deemed plastic exports stand at around $2.2 billion. "Exports grow about 20 percent a year, while domestic consumption grows 10-12 percent," Ahmed said.

He added that plastics contribute more to exports than official figures suggest, as many items are recorded under other sectors. "Plastic accessories used in garments earn foreign currency but are counted under garment exports," he said, identifying toys, packaging products, garment accessories, household items, and bags and sacks as areas with strong export potential.

TAKEAWAYS FROM INTERVIEW

MARKET SIZE & INVESTMENT

Domestic plastic market is worth about Tk **50,000**cr

Total investment around Tk **50,000**cr-Tk **60,000**cr

BENEFITS & CHALLENGES

Plastic packaging helps reduce food waste

About 50% of plastic waste is recycled

High costs make biodegradable alternatives hard to afford

EMPLOYMENT & FACTORIES

Employs more than **1.2**m people

Number of factories grew from 500 to over **6,000** in four decades

EXPORTS & GROWTH

- Direct and deemed exports total around $**2.2**b
- Export growth rising **20**% annually
- Toys, garment accessories are key future export areas

Weak bond market adds to banking sector strain

MAMUN RASHID

While I was auditing Indonesia during the Asian financial meltdown, a senior colleague asked me if I had seen any branches of Goldman Sachs or Bankers Trust. I was curious about how they generate funds for financing if they do not have branches. His answer was that they raise money through issuing bonds.

Many would agree that one of the biggest weaknesses of the Bangladesh economy and the banking sector is rising non-performing loans (NPLs). It crossed 35 percent of the total outstanding loans in September last year. Irregularities and corruption in loan approval and disbursement have aggravated the situation. This crisis largely stems from an overly bank-dependent financing system.

Against this backdrop, it is urgent to move away from bank-centric financing. Alternative sources of financing must be ensured. Globally, bond markets and capital markets are the most common and popular sources of long-term financing. Here, the bond market can be that alternative.

For example, in the United States, Japan, and countries in the European Union, government and corporate bond markets are key indicators of economic stability. Even developing countries such as India, Malaysia, and Indonesia have built strong local bond markets over the past two decades, which have become major sources of financing for infrastructure and industrialisation for them. If we had an effective bond market, both the government and corporate entities could raise funds. This would reduce pressure on banks and lower the risk of NPLs.

However, the bond market here is constrained by multiple factors. At the end of September 2025, Bangladesh's bond market stood at around $30 billion, which is smaller than that of most of its neighbouring and peer countries.

Several factors explain why our bond market has not expanded. First, the bond issuance process is complex and costly. Approvals, credit ratings, trustees, and listings together take a significant amount of time and impose costs for issuers.

Second, there is a lack of investor confidence. Past allegations of irregularities in interest or principal repayments on some corporate bonds have sent negative signals to the market. The absence of strict punitive measures for violations has further deepened this mistrust.

Third, there is a shortage of long-term institutional investors. In developed bond markets, pension funds, insurance companies, and mutual funds are the main investors. In Bangladesh, these sectors remain quite weak. High interest rates on government savings certificates pose a major obstacle to bond market development. As higher returns are available from investment in other instruments, this naturally makes investors less inclined to invest in bonds.

Now, with rising default loans, Bangladesh must move away from its long-standing policy of placing banks at the centre of the financial system. A diversified financing framework is essential, and achieving this goal without a strong bond market is difficult.

For this, the issuance process should be simplified and made cost-effective. Strict enforcement of regulations must be ensured so that investors' rights are protected. Reforms in the pension and insurance sectors are necessary to build long-term institutional investors. Fourth, interest rates on savings certificates should be made market-based.

Despite these challenges, the bond market holds significant potential. New concepts such as sukuk, green bonds, and social bonds have gained popularity. If Bangladesh can develop a green or climate bond market by aligning with global agendas on climate finance and sustainable development, it could attract both domestic and foreign investment.

So, one could hope that the next elected government, along with the central bank, will take the necessary steps to develop an effective bond market for sustainable and long-term financing. If successfully implemented, it would reduce pressure on the banking sector and open up new horizons for investment.

The author is a banker and economic analyst

Venezuela opens up oil sector: what now?

AFP, *Caracas*

In one fell swoop, decades of oil sector nationalization ended in Venezuela this week, as the global leader in known reserves opened up to private firms while seeking Washington's benediction.

Parliament on Thursday approved a reform of Venezuela's Hydrocarbons Law, tightened under socialist ex-leader Hugo Chavez in 2006 to entrench state control over a resource Venezuela has more of than any other country on Earth.

The move was immediately reciprocated by the US Treasury loosening an embargo in place since 2019 on Venezuelan crude.

How things stand:

LOWER TAXES, ROYALTIES

Interim leader Delcy Rodriguez, trying to stay in US President Donald Trump's good graces after he ousted her predecessor Nicolas Maduro, has agreed to grant access to Venezuelan oil.

A Maduro ally who served as his vice president, she has retained the hydrocarbons portfolio she has held for years.

Venezuela's oil sector grew by 16 percent under Rodriguez's direction in 2025, and private sector projections point to growth of 30 percent this year.

The reform approved Thursday offers greater guarantees to private players, relinquishes state control of exploration, and lowers taxes.

It authorizes private firms to exploit, distribute, and market oil without state participation, and to transfer assets to other private entities.

The state can reduce royalties for bigger projects, and cut taxes at its discretion.

"This obviously completely dismantles Hugo Chavez's oil model," said Francisco Monaldi, an energy policy expert at Rice University in Texas, while pointing out the state will retain some discretion over the issuing of contracts to private players.

The reform also seeks to boost investor confidence by allowing for international arbitration in disputes.

CONDITIONS

The United States on Thursday issued General License 46, easing sanctions and authorizing American companies to export, sell, store, market, transport, and refine Venezuelan crude.

It stipulates that contracts with the Venezuelan government, state oil company PDVSA or subsidiaries must be governed by US law. It sets a number of conditions: payments via debt swaps, in gold, or in digital assets such as crypto currencies issued by Venezuela are not permitted.

Transactions with persons or entities linked to Russia, Iran, North Korea, Cuba, and China are also banned.

WAIT AND SEE

US firms ExxonMobil and Chevron said Friday that they were awaiting signs of greater fiscal and legal stability in Venezuela before making any big decisions.

ExxonMobil has not operated in Venezuela since its assets were expropriated in 2007, while Chevron has remained in the country under a special license.

If all conditions are met, Chevron CEO Mike Wirth said Friday Venezuela "has the opportunity to become a more sizable part of our portfolio in the future."

Chevron estimates its production will rise from 50,000 to 250,000 barrels per day in two years.

ExxonMobil CEO Darren Woods, for his part, said institutional and economic stability were "significant challenges that must be addressed" and the company would watch for a transition "to a representative government."

Oil expert Oswaldo Felizzola said it was "unclear" whether other oil companies such as Spain's Repsol or Italy's ENI could operate under General License 46.

CHEVRON MODEL

Analysts expect the US to loosen sanctions even further, allowing companies to operate under the so-called Chevron model -- acting as a minority shareholder in ventures with PDVSA.

"It's the only way to obtain significant investment for the country", Venezuela's former oil deputy minister Dolores Dobarro said.

"This license is good...because it has no expiration term, and that gives companies a great deal of security."

CASH FLOW BOOST

Analysts take it for granted that there will be a rise in oil exports and revenues for Venezuela, which under sanctions was obliged to sell its crude on the black market below market value, transported under the radar on so-called "ghost" ships.

The government expects an 18 percent increase this year in oil production -- which closed 2025 at 1.1 million barrels per day (bpd).

Felizzola forecast a rise of 34 percent to 1.5 million bpd, while Monaldi projected 1.4 million bpd over a longer period, given the large investment required in infrastructure.

A view of the refinery El Palito in Puerto Cabello, Venezuela on January 22. Interim leader Delcy Rodriguez, trying to stay in US President Donald Trump's good graces, has agreed to grant access to Venezuelan oil. PHOTO: AFP/FILE

Venezuela agrees to energy cooperation with India

AFP, *Caracas*

Interim president Delcy Rodriguez of oil-rich Venezuela said Friday she had agreed on energy cooperation with India, a day after Caracas opened its hydrocarbons sector to private companies.

Since the January 3 ouster of leader Nicolas Maduro in a US military operation, Venezuela has been working to reset ties as it seeks to revive its battered economy.

In a telephone call with Indian Prime Minister Narendra Modi, "we addressed strategic cooperation in energy," said Rodriguez, who assumed power with US President Donald Trump's consent after Maduro's toppling.

She wrote on Telegram they also discussed partnerships in the fields of agriculture, science and technology, mining and tourism as well as the pharmaceutical and automotive industries.

Modi said on X that he and Rodriguez "agreed to further deepen and expand our bilateral partnership in all areas, with a shared vision of taking India-Venezuela relations to new heights in the years ahead."

Venezuela sits on the world's biggest proven oil reserves and reformed laws this week to open the sector up to private investment.

Venezuela was one of India's main crude suppliers until 2025, when Trump increased US sanctions on Caracas.

Dollar gains

REUTERS, *New York*

The US dollar gained on Friday after former Federal Reserve Governor Kevin Warsh was selected to be the next Fed chair, and as the US currency recovered from a sharp selloff earlier in the week that analysts say was overdone in the short-term.

President Donald Trump on Friday chose Warsh to head the US central bank when Jerome Powell's leadership term ends in May. Warsh is seen as likely to support lower interest rates but would stop well short of the more aggressive easing associated with some of the other potential nominees.

Marc Chandler, chief market strategist at Bannockburn Global Forex, said that Friday's move higher in the dollar is likely driven at least in part by positioning heading into the announcement.

"The dollar was terribly oversold on the short-term momentum," Chandler said. Meanwhile Warsh is "only one person...there's no consensus to have lower rates anytime soon, even if we get a late cut or two at the end of the year, like the December dot plot suggested."

Policymaker projections issued after the US central bank's December meeting showed a median expectation for a single quarter-percentage-point cut this year.

The Fed on Wednesday held interest rates steady, as was widely expected, amid what Chair Jerome Powell described as a solid economy and diminished risks to both inflation and employment, an outlook that could signal a lengthy wait before any further reductions in borrowing costs.

Fed funds futures traders are pricing in 52 basis points of rate cuts this year, with the first 25-basis-point reduction likely in June.

"The reaction in the markets to Donald Trump's nomination of Kevin Warsh to be the next Fed Chair is broadly consistent with our view that the president has made a relatively safe choice," John Higgins, chief markets economist at Capital Economics said in a report.