

January PMI signals slowdown in economic momentum

STAR BUSINESS REPORT

Bangladesh's economy may have expanded at its slowest pace in January 2026 compared to the last seven months, as the latest Bangladesh Purchasing Managers' Index (PMI) showed a marginal easing in momentum amid softer manufacturing exports.

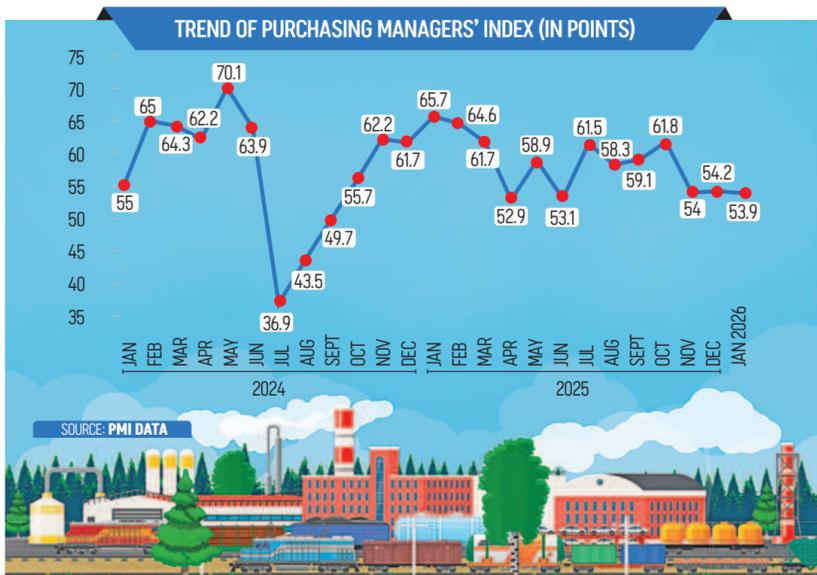
The PMI is a forward-looking indicator used globally to gauge economic direction. A reading above 50 indicates expansion, while a reading below 50 indicates contraction.

In January, the PMI slipped by 0.3 points from the previous month to 53.9, signalling a moderation in the pace of expansion, according to the latest report by the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI), and Policy Exchange Bangladesh (PEB).

For comparison, the PMI stood at 53.1 in June 2025.

Overall economic activity remained in expansion territory, supported by continued growth in agriculture, manufacturing and services.

The agriculture sector recorded its fifth consecutive month of expansion, although growth slowed. Expansion continued in new business and business activity, while



employment and input costs contracted. Order backlogs also remained in contraction, albeit at a slower pace, indicating subdued demand pressures.

Manufacturing stayed in expansion for the 17th straight month, though growth eased compared to December. New

orders, factory output, imports, input prices and supplier deliveries all expanded.

However, new exports, input purchases, finished goods inventories and employment contracted, pointing to cautious order placement and weakness in global supply chains. Order

backlogs returned to expansion during the month.

"Overall, the latest PMI readings indicate that the economy experienced a slower expansion, with weak recovery in global supply chains and cautious order placement weighing heavily on

manufacturing exports," said M Masrur Reaz, chairman and chief executive officer of PEB.

He added that the agriculture sector also showed signs of a slowdown after the late autumn paddy harvests.

Construction contracted in December, but expanded again in January. The rebound came with gains in new business, construction activity and input costs. Employment and order backlogs, however, continued to contract.

The services sector marked its 16th consecutive month of expansion, with growth accelerating. All key indicators – new business, business activity, employment, input costs and order backlogs – remained in expansion territory.

Looking ahead, the future business index indicated faster expansion across agriculture, manufacturing, construction and services, reflecting improved business sentiment.

Reaz said sustained optimism remains, as reflected in improved future business expectations across sectors.

The MCCI and PEB began publishing the PMI in January last year. Initiated by the UK government, it covers over 500 private sector firms across agriculture, manufacturing, construction and services.

India's trade deals with EU and US demand action

MAMUN RASHID

Following the recent conclusion of a trade agreement between India and the European Union, and the prospect of tariff reductions under a US-India bilateral trade deal, fresh concerns have emerged among Bangladeshi exporters. Tariffs on Indian products in the US market are being reduced to 18 percent, while Bangladeshi products continue to face an effective tariff of 20 percent. This has created a clear price gap between two major South Asian exporters. Experts warn that if this disparity persists, Bangladesh's ready-made garment exports to the US market, despite their historic edge, could be seriously affected.

Bangladeshi exporters are already struggling to compete on price with US buyers. As a result, orders for basic T-shirts, knitwear and casual apparel are increasingly at risk. Sector insiders say export growth declined during the July-December period of 2025, with only marginal improvement in January, while competing countries moved ahead by leveraging global trade advantages. This has created a new crisis for the export sector.

Analysts also caution that if the EU market no longer offers GSP facilities after 2026, Bangladesh could face a major shock in its largest export destination. Against this backdrop, resolving internal challenges, strengthening diplomatic engagement and reinforcing trade strategies have become critically important. Without stronger policy support to ensure exporter stability, the export sector will face further pressure, with direct consequences for the national economy.

The impact is most visible in the ready-made garment sector. Exporters note that even a 1 to 2 percent tariff difference can determine where orders are placed. With lower tariffs, Indian exporters can offer more competitive prices. They also benefit from easier access to raw materials and faster delivery, supported by more efficient ports and supply chains. As a result, Bangladesh's T-shirt, knitwear and casual apparel orders face serious threat.

Garment sector leaders say tariff differentiation has left Bangladeshi factories with few options. To survive, many may be forced to cut prices to retain buyers. But lower prices will squeeze already thin margins, worsening conditions for factories burdened by high production costs, gas and electricity shortages, and high-interest bank loans.

Between 2021 and 2026, India concluded nine major trade agreements, significantly strengthening its global export position. Bangladesh, by contrast, has only one effective trade agreement with Bhutan, while another with Japan was signed this week.

India's success is not sudden. It reflects a long-term strategy and a comprehensive textile and apparel ecosystem, with strong backward and forward linkages, infrastructure investment, skills development and higher value addition. Sector stakeholders say that Bangladesh should not remain stuck in despair, but focus on two priorities: identifying where it has fallen behind, and determining how it can stay competitive through long-term planning. This calls for targeted FTA and CEPA strategies, greater value addition, improved logistics and port efficiency, policy stability and investment in skilled human resources. With these steps, the export sector can still be revitalised.

With India's countervailing tariff set at 18 percent, Bangladesh faces renewed competitive pressure. The current structure is clear: Indian exports face a 15 percent customs duty plus an 18 percent countervailing tariff, while Bangladeshi exports face a 15 percent customs duty plus a 20 percent countervailing tariff. In total, Bangladeshi exporters pay 35 percent in tariffs. This erodes competitiveness as buyers push for lower prices. At the same time, private sector wage pressures are rising amid expectations of public sector salary increases.

In this situation, the government must urgently intensify diplomatic efforts and strengthen policy support to keep the export sector competitive. With a national election approaching, major political parties should also be prepared to debate and negotiate what best serves the country's economic interests.

The writer is an economic analyst and chairman of Financial Excellence Ltd

S Alam fined Tk 42.8cr over oil price rigging

STAR BUSINESS REPORT

The Bangladesh Competition Commission (BCC) has fined S Alam Super Edible Oil Ltd Tk 42.84 crore for artificially inflating cooking oil prices by restricting supply and colluding with dealers and rivals to manipulate the market in 2022.

Following demands from businesspeople, the government raised edible oil prices by Tk 38 per litre on May 5, 2022. Yet supply remained tight, leaving consumers struggling.

The BCC later launched an investigation into the import, production and pricing of cooking oil during that period, and filed charges against the company later that month.

In its final order, issued last Tuesday, the commission found that S Alam Super Edible Oil Company had violated the Competition Act of 2012 by restricting output and conspiring with distributors and other firms to control the market, reads a press statement.

It violated Section 15's sub-section 1 and sub-section 2's clauses (a) and (b) of the law, which prohibit agreements that harm competition or create monopolies and oligopolies, particularly those that fix abnormal prices or limit production and supply.

Afroza Bilkis, a member of the BCC, told The Daily Star that S Alam Super Edible Oil Ltd must pay the fine within 30 days of receiving the full judgment.

If the company disagrees with the ruling, it can file a review with the commission or appeal to the Secretary of the ministry concerned within the same timeframe.

Bilkis added that failure to pay, review, or appeal would be considered a violation of the order, allowing the commission to initiate legal action, including criminal proceedings, against the company.

The company is owned by Mohammed Saiful Alam, who is accused of laundering thousands of crores of taka in loans from banks under his control during the 15 years of the Awami League-led regime.

The Daily Star attempted to contact S Alam Group's Kazi Salahuddin Ahmed, senior general manager, and Subrata Kumar Bhowmick, executive director for finance, for comments on the matter. However, they did not respond by the time of filing this report, as of 6:30 pm.

Interim govt stabilised economy but fell short on reform

Say speakers at policy dialogue

STAR BUSINESS REPORT

The interim government succeeded in preventing a deeper economic and geopolitical slide during a highly volatile period, but failed to translate that stability into meaningful institutional reform, transparency, and inclusive governance, said speakers at a policy dialogue on Saturday.

Economic analyst Mamun Rashid argued that although the interim government inherited an economy on the brink, particularly after the July 2024 uprising, its most visible achievement was halting further deterioration rather than delivering a decisive turnaround.

"The fall was stopped, not reversed," said former banker Mamun Rashid at a virtual discussion titled "Interim Balance Sheet", organised by the Power and Participation Research Centre (PPRC).

The economy in early 2024 was "going nowhere", with macroeconomic indicators under severe stress. The period following the political transition marked a shift from decline to stabilisation, particularly in foreign exchange reserves, remittance inflows, and banking discipline.

Reforms in the banking sector, such as reconstituting bank boards and initiating forensic audits, particularly in troubled Islamic banks, were the most visible actions of the interim government.

Still, these measures largely reflected "business-as-usual" governance rather than a deeper transformation.

"We did not see the kind of modernisation in economic management that many expected after the movement," he said, adding that conflicts of interest, bureaucratic

dominance, and informal influence networks remained largely intact.

Private sector credit growth had slowed to 6.1 percent, while implementation of the annual development programme stood at just 17.28 percent in six months, said Anwar-Ul-Alam Chowdhury (Parvez), president of the Bangladesh Chamber of Industries.

He alleged that advisers relied excessively on bureaucrats, often without understanding the real-world impact of policy decisions.

Anwar-Ul-Alam Chowdhury (Parvez), president of the Bangladesh Chamber of Industries, alleged that advisers relied excessively on bureaucrats, often without understanding the real-world impact of policy decisions

"They thought they knew everything," he said, adding that access to decision-makers was limited and engagement with businesses remained weak.

Public expectations after August 2024 were that social polarisation would decline and that a culture of open debate would emerge, said Rounaq Jahan, a political scientist.

"That did not happen," she said.

While people are now speaking more openly, they are increasingly being labelled or targeted, creating a climate of fear.

She cited attacks on cultural and media institutions such as Prothom Alo, The Daily Star, Udichi, and Chhayanaut as examples of shrinking civic space.

Jahan criticised the interim government

for attempting too many ambitious reforms without sufficient consensus, particularly constitutional changes, while neglecting electoral preparation.

"Given the history of controversial elections, ensuring a credible next election should have been the priority," she said.

The interim period coincided with rising regional and global instability, including uncertainties over water sharing with India and trade disruptions under the Trump administration in the US, said M Humayun Kabir, president of the Bangladesh Enterprise Institute.

While political parties mentioned geopolitics in their manifestos, concrete strategies were lacking.

Kabir welcomed Bangladesh's economic partnership agreement with Japan, calling it a "bold step", but criticised the interim government for failing to build strong institutional coordination across the foreign affairs and commerce ministries.

The interim government managed two critical challenges: halting macroeconomic decline and navigating a sensitive geopolitical environment, said Hossain Zillur Rahman, executive chairman of PPRC, who moderated the dialogue.

However, he warned that stability without transparency and social accountability could not deliver lasting change.

"The bureaucracy has further strengthened its grip on society, reflecting a continuation of colonial mindsets," he said.

Rahman stressed that elections alone would not resolve systemic problems but could serve as a catalyst for rebuilding political dialogue and trust between parties and citizens.

What's at stake for Indian agriculture in Trump's trade deal?

AFP, Mumbai

Indian farmers have expressed concern that New Delhi has made too many concessions to Washington after the two countries brokered a new trade deal that would lower tariffs.

Under the terms of the deal that was laid out in a joint statement from both countries released on Saturday, India will "eliminate or reduce tariffs on all US industrial goods" and other food and agricultural products.

Meanwhile, the US will apply a reciprocal tariff rate of 18 percent on goods from India, including textiles and apparel, leather and footwear, plastic and rubber, organic chemicals, and certain machinery, the joint statement added.

The terms were released after US President Donald Trump announced a trade deal with India, stating that Prime Minister Narendra Modi had promised to halt Russian oil purchases.

Modi lauded the new trade deal in a post on the social media platform X later on Saturday, saying it would open up opportunities and generate jobs.

But Indian farmer unions weren't convinced, calling the deal a "total

surrender" to American agricultural giants.

"Indian industry, agriculture... are now under grave threat of cheap imports that will be dumped into Indian markets," the Samyukt Kisan Morcha (SKM), a coalition of multiple farmers' unions, said in a statement following the announcement.

The group also called on farmers to join a nationwide protest on February 12.

WHAT'S ON THE TABLE?
The joint statement states that India will "eliminate or reduce" tariffs on a "wide range of US food and agricultural products".

This includes tree nuts, some fresh fruit, soybean oil, wine, spirits and other "additional products" that were not specified.

Siraj Hussain, a former agriculture ministry top official, said Indian consumers were purchasing more nuts, "so it's import may not have much impact on local production", and will help satisfy high demand.

Domestic growers do worry, however, about cheap imports on items such as apples, which they believe could have dire impacts on local producers.

"Import of fresh fruits such as apples... will ruin the farmers," SKM said. Officials hope safeguards included into the agreement – such as import quotas or minimum import prices for commodities including apples – will reduce the impact of foreign competition.

New Delhi's promise of lower duties on dried distillers' grains and red sorghum for animal feed could also reduce the need for local soybean meal.

Opposition lawmaker Jairam Ramesh said the move to ease imports of dried distillers' grains and soybean

oil would hurt "millions of soybean farmers" in key Indian states such as Maharashtra and Madhya Pradesh.

WHAT'S OFF THE TABLE?
To stem concerns, India's Trade Minister Piyush Goyal reassured farmers that their interests would be safeguarded, adding that the key red lines that had been drawn by New Delhi had not been crossed.

He said "no concessions" had been extended in "sensitive areas" such as grains, spices, dairy, poultry, meat and several vegetables and fruits – including potatoes, oranges and strawberries.

The trade minister also said genetically modified crops were not part of the agreement.

This includes GM soybean, which the US has searched hard to find new markets for.

While the farm sector contributes just 16 percent to India's GDP, it provides livelihood to over 45 percent of the population.

This makes the industry a key voting bloc often wooed by political parties. Farmer groups have also shown, on multiple occasions, that they are a street force to be reckoned with.



Labourers dry maize kernels at a wholesale grain market in Jalandhar. Between January-November 2025, when New Delhi was negotiating with Washington, Indian imports of American agricultural goods rose 34 percent year-on-year.

PHOTO: AFP/FILE