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Star BUSINESS

Excessive bank borrowing to harm economy

Says Fahmida Khatun

STAR BUSINESS REPORT

Although the introduction of family and farmers' cards may bring some relief, excessive reliance on bank borrowing to finance the budget deficit is harmful to the economy, said Fahmida Khatun, executive director of the Centre for Policy Dialogue (CPD).

She made the remarks yesterday at a shadow parliament debate programme organised by Debate for Democracy at the Bangladesh Film Development Corporation (FDC) in Dhaka.

Fahmida said government social safety net initiatives, such as the family and farmers' card, are promising, but their success depends on transparency and accountability in selecting and managing beneficiaries.

She added that past social protection schemes have often suffered from irregularities and corruption.

Fahmida also said subsidies must be properly targeted, with priority given to agriculture, irrigation, and public transport.

She stressed that the next budget should set clear policy directions-- given limited resource mobilisation, and ensure cost-efficiency.

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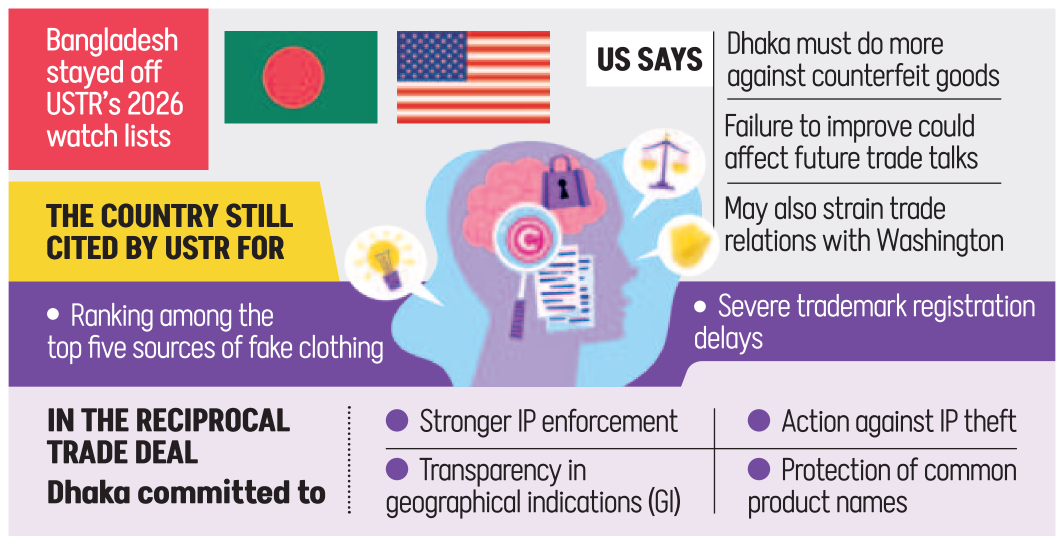
Bangladesh off US IP watch lists

Washington still urges Dhaka to strengthen intellectual property enforcement in Bangladesh as Vietnam, India and Pakistan appear in USTR report



REFAYET ULLAH MIRDHA

Bangladesh has stayed off the latest United States intellectual property (IP) rights watch lists, but Washington has still urged Dhaka to strengthen enforcement to prevent unfair trade practices.

In its annual Special 301 Report released on Thursday, the Office of the United States Trade Representative (USTR) identified 26 trading partners for intellectual property protection and enforcement concerns.

It grouped them into three categories -- Priority Foreign Country, Priority Watch List and Watch List.

In this year's report, Vietnam has been designated a Priority Foreign Country, a rare and severe classification that can trigger a trade investigation. The USTR said Vietnam has failed to address long-standing concerns over intellectual property protection and enforcement.

The designation is reserved for countries with the most serious IP-related practices that have a significant impact on US industries and are not making meaningful progress in negotiations or reforms.

The report said Vietnam had shown a persistent failure to resolve long-standing concerns. The United States first raised the issue in 2020 through a proposed IP Work Plan, followed by a revised proposal in 2023.

The USTR report added that Vietnam has made little progress in later bilateral engagement, including talks linked to an Agreement on Reciprocal, Fair, and Balanced Trade. Vietnam's actions or inactions are causing significant damage to industries reliant on intellectual property in the US and other markets.

This year, the USTR placed six countries on its Priority Watch List. Those are Chile, China, India, Indonesia, Russia and Venezuela.

READ MORE ON B3

BB waives provisioning for funds in merging banks

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has waived the requirement to maintain provisions against funds of banks and non-bank financial institutions stuck in five merging shariah-based lenders.

The decision was taken at a recent internal meeting of the central bank, officials familiar with the matter said, at a time when more than Tk 15,000 crore remain tied up in the troubled institutions.

As these funds have not been recovered for a prolonged period, the regulator has lifted the requirement to maintain provisions against them, they added.

The five merging banks are First Security Islami Bank, Global Islami Bank, Union Bank, Social Islami Bank, and Exim Bank. They were brought under the merger process by the interim government through the Bank Regulation Ordinance, 2025.

Around Tk 10,000 crore of the stuck funds belong to Islami Bank Bangladesh alone.

Banks are required to set aside 0.5-5 percent of operating profit against general category loans, rising to 20 percent for substandard loans, 50 percent for doubtful loans, and 100 percent for bad or loss category loans.

Initially, the BB's bank supervision departments and the financial institutions and markets department had instructed banks to maintain provisions against funds stuck in the troubled banks.

READ MORE ON B3

Prime Bank partners with Service Hub for flexible payment services

STAR BUSINESS DESK

Prime Bank PLC has signed an agreement with Service Hub Limited, a payment system operator (PSO) licensed by Bangladesh Bank, to enhance customer convenience through flexible payment solutions.

Joarder Tanvir Faisal, executive vice-president and head of consumer assets and cards at the bank, and Mohammed Faruk Hossain, managing director of Service Hub Limited, signed the agreement at Prime Aspire on Gulshan Avenue in Dhaka recently, according to a press release.

Under the partnership, Prime Bank customers will be able to avail EMI (equated monthly installment) facilities through Service Hub's PayStation, making payments easier and more manageable.

Account holders will also be able to pay via internet banking at more than 1,000 PayStation merchants nationwide.

Service Hub operates PayStation, a secure online payment gateway offering digital solutions to businesses.

This collaboration underscores Prime Bank's commitment to delivering innovative financial services and enhancing customer experience through strategic digital partnerships.

AZM Fouz Ullah Chowdhury, senior vice-president and head of digital channels at Prime Bank PLC, was also present at the ceremony, along with other senior officials from both organisations.

Mohammed Faruk Hossain, managing director of Service Hub Limited, and Joarder Tanvir Faisal, executive vice-president and head of consumer assets & cards at Prime Bank PLC, pose for a photograph after signing the agreement at Prime Aspire on Gulshan Avenue in Dhaka recently. PHOTO: PRIME BANK

Berger Paints appoints Mohsin as CEO

STAR BUSINESS DESK

Mohsin Habib Chowdhury

Mohsin Habib Chowdhury has been appointed as chief executive officer (CEO) and managing director (MD) of Berger Paints Bangladesh Limited for a five-year term, effective August 1 this year.

Rupali Haque Chowdhury has been named executive director of subsidiaries, coordination director for joint ventures, and non-executive director for a two-year term starting August 1, 2026.

The decisions were taken at a recent board meeting, according to a press release.

Mohsin, who joined the company in 1995, previously served as chief operating officer and director. Rupali, with Berger since 2002, has been managing director since 2008 and led the company through key growth phases.

Visa, Asia Foundation to boost digital inclusion in South Asia

Kazi Faisal Bin Seraj, country representative of The Asia Foundation, and Sabbir Ahmed, country manager for Bangladesh, Nepal and Bhutan at Visa, pose for a photograph after signing the memorandum of understanding in Dhaka recently. PHOTO: VISA

STAR BUSINESS DESK

Visa, a global digital payments leader, has signed a memorandum of understanding (MoU) with The Asia Foundation to explore collaboration on advancing digital financial inclusion, economic empowerment and digital innovation across Bangladesh, Nepal and Bhutan.

Under the agreement, the two organisations will identify areas of cooperation to strengthen digital capabilities among underserved communities, small businesses and young people, while promoting inclusive and sustainable economic growth in the region.

The proposed areas include digital financial literacy, women's economic empowerment, MSME digitisation, youth skills development, and research and policy advocacy to support inclusive digital economies.

The partnership will also explore safe and responsible digital use, including cybersecurity and AI awareness, alongside innovation in fintech solutions and green finance.

Sabbir Ahmed, country manager for Bangladesh, Nepal and Bhutan at Visa, and Kazi Faisal Bin Seraj, country representative of the foundation, signed the MoU in Dhaka recently, according to a press release.

Ahmed said the collaboration aims to help women entrepreneurs, micro, small and medium enterprises (MSMEs), rural communities and youth build financial and digital skills, adopt secure digital payment solutions, and participate more effectively in the digital economy.

Seraj said the partnership reflects a shared commitment to expanding economic opportunity in practical ways.

He added that the focus will be on strengthening skills, supporting women entrepreneurs and MSMEs, and enabling greater participation of underserved communities in the digital economy.

The initiative combines Visa's expertise in digital payments and financial innovation with The Asia Foundation's regional development experience to support long-term social and economic progress in South Asia.

Zafar made DMD of ONE Bank

STAR BUSINESS DESK

Iftekhar Ahmed Zafar

ONE Bank PLC has appointed Iftekhar Ahmed Zafar to the post of deputy managing director (DMD).

Zafar will also lead the bank's transaction banking and investment banking divisions while also serving as chief strategy officer, according to a press release.

Prior to this appointment, he held several senior leadership positions at Standard Chartered Bank in Bangladesh and the UAE for over two decades.

Iftekhar brings more than 23 years of banking experience across corporate and institutional banking, financial markets, transaction banking, and finance. Zafar obtained both BBA and MBA degrees from the Institute of Business Administration (IBA) at the University of Dhaka.

He has also completed various executive education programmes at leading global institutions, including the Indian Institute of Management (IIM), INSEAD, and the Asian Institute of Technology (AIT).

EBL, Akij Takaful roll out Islamic insurance via bancassurance

STAR BUSINESS DESK

Eastern Bank PLC (EBL), in partnership with Akij Takaful Life Insurance PLC, has launched shariah-compliant Takaful insurance solutions through its banking channel.

Asifur Rahman, vice-chairman and independent director of Akij Takaful Life Insurance, and M Khorshed Anowar, deputy managing director and head of retail and SME banking at EBL, inaugurate the solution at the launch ceremony held at the bank's head office in Dhaka recently, according to a press release.

Anowar said the partnership reflects EBL's commitment to delivering inclusive and value-driven financial solutions.

"By incorporating Shariah-compliant Takaful products into our banking ecosystem, we are expanding customer choice while advancing ethical finance and financial inclusion in Bangladesh," he added.

Under the bancassurance arrangement, EBL customers will be able to access Islamic Takaful insurance products directly from the bank's branches, ensuring seamless integration of banking and insurance services on a single platform.

The initiative is expected to enhance customer convenience, promote financial inclusion, and meet the growing demand for ethical and Shariah-compliant financial protection solutions in the country.

AKM Mizanur Rahman, deputy chief of EBL Islamic Banking at the bank; Sarmin Atik, head of liability and wealth management, attended the event.

Mir Mahfuzur Rahman, director of the life insurer; Muhammad Fuad Hussain, director; Mohammad Shazzadul Karim, managing director and CEO; Mohammad Masuduzzaman Khan, additional managing director and chief corporate business officer; and Md Kamruzzaman, vice-president and head of sales, bancassurance, along with senior officials from the bank and the insurer, were also present.

M Khorshed Anowar, deputy managing director and head of retail and SME banking at Eastern Bank PLC, and Asifur Rahman, vice-chairman and independent director of Akij Takaful Life Insurance PLC, attend the launching ceremony of the shariah-compliant Takaful insurance at the bank's head office in Dhaka recently. PHOTO: EASTERN BANK

FR Khan steps down as bti MD

STAR BUSINESS DESK

FR Khan has stepped down from his executive responsibilities as managing director of Building Technology & Ideas Limited (bti), a real estate company, effective July 1 this year, according to a press release.

With his departure from the role, Khan brings to a close an illustrious career spanning four decades since the company's inception.

In recognition of his exceptional contributions, he will continue to be associated with bti as adviser emeritus, providing strategic guidance, mentorship, and support on key matters.

The board expressed its sincere gratitude to Khan for his enduring contributions and said it looks forward to his continued association in this new capacity.

PHOTO: BRAC BANK

Anwarul Iqbal, chief executive officer of Ascent Health Limited, and Md Mahiul Islam, deputy managing director and head of retail banking at BRAC Bank PLC, pose for a photograph after signing the agreement at the bank's head office in Dhaka recently.

Midland Bank signs MoU with Sonic for cash management services

STAR BUSINESS DESK

Midland Bank PLC has signed a memorandum of understanding (MoU) with Sonic (Bangladesh) Limited, an export-oriented manufacturing company, to provide advanced cash management solutions for more efficient financial operations.

Imtiaz U Ahmed, managing director and CEO of the bank, and Su Yongbao, director of the manufacturing company, signed the MoU at a programme held in Dhaka recently, according to a press release.

Under the agreement, Sonic (Bangladesh) will utilise Midland Bank's modern and secure digital platform, "Midland Cash Management (MCM)", to enhance its day-to-day banking transactions, fund management, and overall financial operations.

Sonic (Bangladesh) Ltd is a 100 percent export-oriented manufacturer of toy models and is engaged in diverse business activities, including manufacturing, trading, and related services, contributing significantly to Bangladesh's industrial sector.

Mohd Javed Tarek Khan, senior executive vice-president and head of institutional banking division at the bank; Muhammad Majidul Haq Patwary, vice-president and unit head; and Khondker Khaled Shams, senior assistant vice-president and unit head, attended the signing ceremony.

Officials expressed optimism that the partnership will enhance operational efficiency and strengthen long-term business collaboration, the release added.

Dominic TK Ho, chief marketing officer of the manufacturing company; Huang Rong, account manager; Nelson Liu, general manager; Deng Chao Wen, admin manager; Md Showayeb Ahamed, assistant manager (finance); and Md Shahanur Alam, senior accounts officer, along with other senior officials from both organisations, were also present.

Su Yongbao, director of Sonic (Bangladesh) Limited, and Imtiaz U Ahmed, managing director and CEO of Midland Bank PLC, pose for a photograph after signing the memorandum of understanding in Dhaka recently. PHOTO: MIDLAND BANK

BRAC Bank clients to get healthcare benefits from Ascent Health

STAR BUSINESS DESK

BRAC Bank PLC has entered into a partnership agreement with Ascent Health Limited, a Dhaka-based diagnostic centre, to offer discounted healthcare services to its employees and debit and credit cardholders across the country.

Md Mahiul Islam, deputy managing director and head of retail banking at the bank, and Anwarul Iqbal, chief executive officer of the diagnostic centre, signed the agreement at the bank's head office in Dhaka recently, according to a press release.

Commenting on the partnership, Islam said, "This collaboration with Ascent Health Limited brings quality healthcare within easier reach for our employees and their families, as well as for the millions of customers who bank with us every day."

Under the agreement, BRAC Bank employees and their legal dependents, including spouses, children, parents, and in-laws, will receive a 30 percent discount on pathological tests for home-collected samples and consultation chamber visits.

BRAC Bank debit and credit cardholders, along with their legal dependents, will enjoy a 25 percent discount on the same services.

Both groups will also have access to specialist consultations in areas such as internal medicine, respiratory medicine, rheumatology, dermatology, nephrology, physical medicine, neurology, gynaecology, and paediatrics, among others.

The initiative reflects the bank's commitment to the well-being of its employees and customers by making quality healthcare more accessible, the release added.

Khairuddin Ahmed Bappy, head of merchant acquiring at the bank; Md Ashraful Alam, head of alliances, retail banking; Amer Ahmed, director of business development at Ascent Group; and Mohammad Kamruzzaman, deputy general manager of sales-corporate and B2C, along with other senior officials, were also present at the event.

Informal sector workers remain marginal: experts

STAR BUSINESS REPORT

The vast majority of Bangladesh's workforce remains in marginal conditions, outside the reach of formal labour protections, experts warned yesterday, calling for a shift in policy focus beyond the garment sector.

Around 85 percent of workers are engaged in the informal sector with little regulation or protection, Syed Sultan Uddin Ahmmed, former chairman of the Labour Reform Commission, said at a May Day discussion in Dhaka.

The programme, held at the Economic Reporters Forum office, was organised by the Network for People's Action (NPA), a newly formed political party.

At the event, Ahmmed also noted that the dominance of ready-made garments (RMG) in national and international labour discourse obscures a far wider problem.

"As an export-oriented industry, the RMG sector remains at the centre of national and international discussion. While this sector is important, it should not overshadow the broader reality," he said.

A stronger industrial base and labour movement in large sectors could eventually benefit workers in other areas, he said, calling for a more inclusive labour perspective.

"Sanitation workers, day labourers and informal workers continue to live in precarious conditions," said the labour policy expert.

He added, "We celebrate long holidays, but for day labourers, even a few days without work can mean going without food... Yet there is no universal social security system to protect them."

Ahmmed also criticised existing social protection measures as charity-driven rather than rights-based. "The fact that a single rainy day can leave a labourer's family without food rarely enters policy thinking."


PHOTO: STAR/FILE

Echoing the same, Prof Selim Raihan, executive director of the South Asian Network on Economic Modeling (Sanem), said the garment sector's export growth had not translated into proportional gains for workers.

"Productivity has increased over the decades, yet real wages have lagged. That disconnect tells us something fundamental about the structure of our growth," he said.

Raihan also pointed to a persistent narrative that stronger labour rights would hurt competitiveness. "This (narrative) has often been used to discourage workers from organising or demanding more."

He added that labour discussions in Bangladesh too often stop at minimum standards.

"We rarely move beyond ensuring the bare minimum to discussing living wages or broader social protections," he said.

Excessive bank borrowing

FROM PAGE B1

Fahmida further said that the government depends heavily on borrowing from the banking sector, including the central bank, to cover budget deficits, which she described as harmful.

She argued that greater emphasis should instead be placed on external financing sources.

She also suggested temporarily waiving VAT on imported goods amid global volatility to reduce pressure on consumers. Such a step during Ramadan in the past helped lower prices in local markets, she said, although weak market management could limit its full impact.

Hassan Ahamed Chowdhury Kiron, chairman of Debate for Democracy, said the country's economy is going through a difficult period due to multiple global and domestic challenges.

He said the current government has taken office at a time when the country is suffering from years of crisis -- the Covid-19 pandemic, the Russia-Ukraine war, economic damage from previous administrations, conflicts in the Middle East, energy shortages, rising inflation, low investment, limited job opportunities, high levels of loan defaults, and pressure from foreign debt.

He added that the US-Israel war on Iran has further worsened the global economic situation.

Rising global commodity prices and higher fuel costs due to Middle East tensions have increased the cost of living in the country, Kiron said in a statement after the programme.

He stressed that in a global recessionary situation, political unity is needed to maintain a tolerable standard of living without putting extra pressure on the government.

He also said both the government and the opposition must act responsibly, learn from past experiences, and avoid undermining each other, while a strong mandate holder should ensure public support by maintaining people's comfort.

Kiron suggested temporarily reducing VAT and taxes on essential goods and expanding the affordable food supply through open market sales and the Trading Corporation of Bangladesh.

He also called for stronger social safety nets and more programmes like the family and farmers' card to protect low- and middle-income groups.

Finally, he said the budget should be people-friendly, business-friendly, cautious, sustainable, balanced, and implementable, without putting pressure on lower-middle-income groups, while also helping stabilise prices and support investment and job creation.

In the shadow parliament debate titled "Rising cost of living is driven not by fuel price hikes but by global conditions," debaters from Kabi Nazrul Government College defeated Dhaka College to win the competition.

Bangladesh off US IP watch lists

FROM PAGE B1

It said it would seek to engage intensively with these partners over the coming year.

A further 19 trading partners have been placed on the Watch List. Those are Algeria, Argentina, Barbados, Belarus, Bolivia, Brazil, Canada, Colombia, Ecuador, Egypt, the European Union, Guatemala, Mexico, Pakistan, Paraguay, Peru, Thailand, Trinidad and Tobago and Türkiye.

Argentina and Mexico have been moved from the Priority Watch List to the Watch List, reflecting improvements in intellectual property policy. Bulgaria has been removed from the list, while the European Union has been added.

Regarding Bangladesh, the USTR pointed to commitments made under a recently signed Agreement on Reciprocal Trade. This includes broad commitments on market access, economic and national security, and trade standards, including intellectual property.

Apart from Bangladesh, the United States has so far completed such agreements with Argentina, Cambodia, Ecuador, El Salvador, Guatemala, Indonesia, Malaysia and Taiwan.

These agreements, the USTR said, contain commitments aimed at strengthening intellectual property protection and enforcement against piracy and counterfeiting.

Citing a study by the Organisation for Economic Co-operation and Development (OECD) and the European Union Intellectual Property Office (EUIPO), released in May 2025, the USTR report said global trade in counterfeit and pirated goods reached $467 billion in 2021, equal to 2.3 percent of global imports.

The USTR said Bangladesh was among the top five source economies for counterfeit clothing globally.

In fiscal 2025, China and Hong Kong together accounted for more than 87 percent of the value of counterfeit and pirated goods seized by US Customs and Border Protection, measured by manufacturers' suggested retail price.

The report also highlighted ongoing US concerns over the EU's aggressive geographical indication policies.

It said that the EU's rules on geographical indications unfairly block American exporters from selling goods under familiar names or trademarks. To counter this, the US is pressing its case in trade talks and global forums such as the Asia-Pacific Economic Cooperation, World Intellectual Property Organization and the World Trade Organization.

It is also negotiating directly with individual countries, including Bangladesh, Brazil, Canada, China, Mexico and others, to ensure American producers can keep access to foreign markets.

The USTR said the Agreement on Reciprocal Trade includes provisions aimed at protecting US market access for cheese and meat producers using common names. It said these agreements also include commitments on transparency and fairness in geographical indication protections.

Delays in trademark registration, the report added, remain a major obstacle to protecting intellectual property rights.

Stakeholders identified Bangladesh, Iraq and South Africa as countries with severe delays in processing applications.

BB waives provisioning

FROM PAGE B1

The Bank Resolution Department (BRD) later clarified that such provisioning would not be required, as the funds fall under a specific resolution framework.

"The funds are not considered a total loss. Banks may receive shares after a certain period or recover the money with profit after five years," a central bank official said, adding that the BRD has provided assurances in this regard.

Affected institutions are expected to either recover the money directly or receive equivalent value through long-term fixed deposits or shares, said the official.

The five banks were previously controlled by politically connected figures. During the Awami League-led government, Exim Bank was under Nazrul Islam Mazumder, former chairman of the Bangladesh Association of Banks. The other four were controlled by family members of Mohammed Saiful Alam, chairman of S Alam Group.

Allegations of widespread irregularities and fund embezzlement during that period led to severe liquidity crises, leaving the banks unable to repay depositors and institutional lenders.

As of September 2024, the total investment or loans of those five banks stood at Tk 1,92,787 crore, while total deposits stood at Tk 1,58,918 crore, BB data show.

Reconditioned vehicle importers seek duty cuts for hybrid cars

STAR BUSINESS REPORT

The Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida) has called on the government to rationalise import duties in the upcoming national budget, with a focus on fuel-efficient vehicles and foreign-currency savings.

The association demanded duty cuts for hybrid and plug-in hybrid vehicles, saying that broader adoption would benefit both consumers and the government, especially amid the ongoing fuel shortage.

At a press conference at the association's office at Bijoy Nagar area in Dhaka yesterday, Barvida also sought the withdrawal of supplementary duty (SD) on microbuses used in public transport, industry, and educational institutions.

Barvida President Abdul Haque said imports and sales of reconditioned vehicles have fallen sharply in recent years due to global economic pressures, currency depreciation and rising prices, even as demand remained steady.

According to the association, around 3 lakh people directly or indirectly employed in the sector now face uncertainty over their livelihoods.

Haque said the automobile market has slowed in real terms despite the country's overall economic progress, and that declining vehicle sales point

to weakening purchasing power and reduced government revenue.

He said the sector is seeking policy support in the upcoming budget to address these pressures.

Even though the duty on imported microbuses was reduced in the FY2021-22 national budget by recognising those as public transport, Barvida claimed prices of such vehicles are still very high due to the high supplementary duty.

According to them, microbuses are very important in small, medium and large industries for employee transport, student transport, tourism, personal use, airport transportation and as ambulances.

The association said that 90 percent to 95 percent of the microbuses used in the country are converted to compressed natural gas (CNG) and run in an environmentally friendly manner.

Claiming that potential buyers are being discouraged due to high prices, Barvida said that microbus sales are declining, and the government is also losing revenue. Therefore, they have demanded the withdrawal of supplementary duty on microbus imports.

The Barvida president also proposed raising the permissible age limit for imported reconditioned vehicles from five years to eight years.

According to the current import policy, cars, jeeps, and commercial vehicles can be imported up to 5 years old. Barvida has been demanding that this limit be increased to 8 years.

Haque cited a fall in Japanese production since the Covid period and rising global prices, saying the change would lower domestic prices and increase revenue from duties and value-added tax (VAT).

Haque described the reconditioned vehicle trade as operating in a competitive market without monopolistic control, contrasting it with the new-vehicle import market, where he said a small number of dealers dominate.

"Barvida has been importing reconditioned vehicles from Japan for over four decades," he said.

On domestic manufacturing, the association said the market currently stands at 25,000-30,000 units a year. With growth in the middle-income population, it said, the market could reach 100,000 units, making local assembly viable.

Barvida said it supports vehicle assembly but cautioned against promoting inefficient practices under the banner of Complete Knock Down (CKD) imports.

Citing Bangladesh Road Transport Authority (BRTA) data, the association said vehicle registrations have fallen steadily. From 21,952 in 2015, the figure dropped to 10,784 in 2023, 10,499 in 2024 and 9,387 in 2025.

At the press conference, Barvida Secretary General Riaz Rahman, vice presidents Md Saiful Islam (Emarat), Habibur Rahman Khan and Farid Ahmed, Joint Secretary General Syed Ziaul Hossain, Treasurer Md Saiful Alam, Joint Treasurer Hafiz Al Asad, Organising Secretary Zobayer Rahman, Publication and Publicity Secretary Md Abdul Awal, and Planning and Development Secretary SM Mansurul Karim (Lincoln) were also present.

Car importers demanded duty cuts for hybrid and plug-in hybrid vehicles, saying that broader adoption would benefit both consumers and the government, especially amid the ongoing fuel shortage. PHOTO: STAR/FILE

Triple economic stress tests for Bangladesh

MAMUN RASHID

Bangladesh's economy is confronting three interconnected structural vulnerabilities: a surge in non-performing loans (NPLs), weakness in revenue mobilisation and a rise in debt-dependent fiscal management. These are no longer isolated technical concerns. Together, they amount to a systemic stress test of economic governance.

The International Monetary Fund's (IMF) growing pressure on Bangladesh should not be seen merely as loan conditionality. It is a reminder that macroeconomic fragility can no longer be masked by temporary adjustments, regulatory forbearance or accounting manoeuvres.

The banking sector reflects this reality most clearly. When Bangladesh entered the IMF programme, one target was to reduce NPLs to below 10 percent by 2026. Instead, the opposite has happened. Years of politically influenced lending, weak governance, repeated rescheduling and evergreening delayed recognition of the problem. As hidden distress surfaced, the default loan ratio crossed 30 percent, an extraordinary level for an aspiring middle-income economy. By most assessments, it could rise further.

A banking system in which one-third of loans are impaired cannot intermediate capital efficiently or support sustainable private sector growth. More troubling is the condition of some merged weak banks, where nearly 84 percent of loans have reportedly turned non-performing. This is not simply a banking issue. It is a fiscal and confidence risk.

The IMF is justified in demanding not only broad commitments but a credible, time-bound recovery plan. Asset seizure of wilful defaulters, stronger legal enforcement, operationalising the Bank Resolution Act, effective bankruptcy processes and institutional independence for Bangladesh Bank are unavoidable. Cosmetic reform will not suffice.

Banking distress, however, is only part of the challenge. The revenue system is equally fragile. A shortfall nearing Tk 1 lakh crore in nine months is not just a budgetary inconvenience. It signals a state struggling to mobilise resources in line with its development ambitions.

For decades, Bangladesh has maintained one of the world's lowest tax-to-GDP ratios. This weakness has created a simple paradox: rising expenditure without matching domestic mobilisation. The result is predictable -- greater dependence on borrowing.

Here lies the third danger.

Government borrowing from the banking sector has exceeded annual targets within nine months. Heavy reliance on local banks creates a crowding-out effect, as the state absorbs liquidity that would otherwise finance businesses. When central bank financing expands, inflationary pressure follows. When commercial bank borrowing rises, private investment slows. In either case, economic momentum weakens.

Debt management, therefore, cannot be viewed as narrow fiscal arithmetic. It shapes inflation, employment, business expansion and public trust.

Bangladesh stands at a policy crossroads. The economy cannot borrow its way out of structural inefficiency. Nor can it tolerate a financial architecture where poor banking governance and weak tax administration are repeatedly postponed. What is needed is a coherent reform compact.

First, the banking sector must be depoliticised, professionally supervised and empowered to recover distressed assets. Second, revenue reform must go beyond raising rates. It must expand compliance, digitise administration and widen the tax net. Third, fiscal discipline must be restored through expenditure rationalisation and prioritisation of productive investment.

Most importantly, reform must be pursued not because the IMF insists but because Bangladesh's own economic future demands it.

The IMF programme matters not only for financing but also for signalling discipline to markets. Losing that anchor could raise borrowing costs, weaken investor confidence and complicate access to capital. Bangladesh has overcome economic tests before. This moment is different because the risks are structural and reinforcing. The question is no longer whether reform is necessary. It is whether there is the political will to act before these vulnerabilities become a full-scale crisis.

The writer is an economic analyst and chairman at Financial Excellence Limited

Why the oil price surge threatens a US recession

REUTERS, *London*

US President Donald Trump's war with Iran was always unpopular at home. What made it tenable is that the American economy, buoyed by oil exports and an artificial-intelligence boom, seemed almost recession-proof. With the Strait of Hormuz still disrupted, however, even the world's largest economy needs to reckon with the possibility of a downturn.

Until recently, economic forecasts were relatively benign, especially for the United States. When the International Monetary Fund (IMF) updated its global projections earlier this month, its so-called baseline scenario still had world output expanding 3.1 percent this year. Only under its "severe scenario," which assumed crude prices averaging $110 per barrel in 2026 and $125 in 2027, did the IMF foresee global growth falling below 2 percent, a pace consistent with outright contractions in many countries.

That hypothetical future no longer feels far-fetched. The key Brent crude oil price has traded persistently above $110 per barrel over the past week, even briefly surpassing $120 on Thursday.

On Thursday, official data showed a rebound in US GDP in the first quarter: output expanded at an annual 2 percent. This is far above growth rates in the euro zone and the United Kingdom. American unemployment, at 4.3 percent, remains low.

Consider the 1990 Gulf War, though. The US economy enjoyed solid growth and near-full employment at the time. But labour demand was softening and households were starting to get worried amid the savings and loan crisis. When oil prices surged 150 percent, consumer confidence collapsed and real-terms spending stalled. The Federal Reserve, constrained by rising inflation, was slow to ease policy.

Many of those conditions are echoed today, including a divided Fed likely to resist pressure from its new chair to cut rates. Surveys already show depressed consumer sentiment and higher inflation expectations.

ANALYSIS

Comparing oil shocks across decades is complicated by the fact that richer households now spend a smaller share of income on energy. In recent years, energy goods and services have accounted for less than 4 percent of US disposable income, compared with about 5 percent before the Gulf War and 6 percent ahead of the 1970s crises.

One way to bridge that gap is to examine how much households are forced to raise that share when energy prices jump. One rule of thumb is that a 1 percent increase in American WTI oil prices typically lifts energy spending by roughly 0.22 percent. After July 1990, the energy share of household incomes rose by about 0.3 percentage points, enough to tip the economy into recession, since higher energy bills forced consumers to cut spending elsewhere.

A shock of a similar size would emerge today if crude prices stayed where they are. And if oil hits $150 per barrel, the increase in the energy share would be 0.7 percentage points of disposable income. With oil at $200 per barrel, it would rise by a full percentage point. That would still be milder than the 1970s, but enough to hurt badly. Though far from certain, every new day makes a US recession look less outlandish.

US President Donald Trump will receive a briefing on April 30 regarding plans for new military operations in Iran, according to a report by Axios. It triggered renewed fears among traders of a monthslong standoff in the Middle East, sending oil prices up.

As of 1145 GMT on April 30, Brent crude and US WTI futures were trading at $114 per barrel and $104 per barrel respectively.

Gas prices are displayed at Chevron and Shell stations in Monterey Park, California on April 30. Trump's Iran war was domestically unpopular but sustained by a strong US economy. Now, Hormuz disruptions and rising oil prices threaten stability, raising recession risks even for the world's largest economy. PHOTO: AFP

India raises cooking gas, jet fuel prices

AFP, *New Delhi*

India raised on Friday the prices of commercial liquified petroleum gas and jet fuel for international airlines, according to a state-run energy firm, as supply pressures from the Iran war mount.

The South Asian nation is heavily dependent on imported energy, including for roughly 60 percent of its liquefied petroleum gas (LPG), the fuel used for cooking by a vast section of its population, the largest in the world.

As imports have been disrupted since the Middle East war began in late February, New Delhi has moved to ensure households and essential sectors remain adequately supplied, leaving many restaurants, manufacturers and power plants in the lurch.

The government has maintained India faces no overall fuel shortage.

"Prices of bulk and commercial LPG cylinders have been revised," the state-run Indian Oil Corporation Limited (IOCL), the country's leading energy marketing company, said.

IOCL's price chart shows an increase of 993 rupees ($10.50) in the price of a 19-kilogramme LPG cylinder meant for commercial use.