

Politics: Will The Ice Melt Now?

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# Business Outlook

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## **Finance Adviser**

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## **Is He Guided By Bureaucrats?**

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# Business Outlook

From the Editor

## *Ill-Considered Measures Only To Worsen People's Suffering*

Are the high expectations of the people from the interim government diminishing? Many have questioned this since the government recently increased the value-added tax (VAT) and supplementary duties on more than 100 products and services. The interim government has also doubled the corporate tax to 20 percent for companies manufacturing motorcycles, freezers, refrigerators and air conditioners, starting in the sixth month of its tenure. While the VAT increase has been described as a necessary step towards implementing a single VAT rate, the hike in income tax is aimed at reducing the exemptions provided over the years, particularly in the past decade. The National Board of Revenue has been offering tax rebates to these manufacturing companies since 2009 to help them grow, with only a 5 percent tax in the early years and later increasing to 10 percent in 2021. The decision to raise taxes is part of the government's shift in fiscal policy inherited from the Awami League regime, which was ousted on August 5 following a month-long mass uprising. Many economists believe that the government raised taxes without properly assessing the ground reality and the potential impact on the livelihoods of the people. The public is already burdened with high inflation and a deteriorating law-and-order situation as well as traffic congestion in the capital and other parts of the country. In this context, the new 20 percent corporate tax will come into effect from FY26, beginning on July 1, 2025. However, the impact of the new tax rate will be felt immediately, similar to the increases in VAT and supplementary duties on products and services such as clothing, restaurant bills, liquefied petroleum gas, air tickets, detergents and cigarettes. Economists warn that these hikes will drive up the prices of consumer goods and negatively affect many people. However, Finance Adviser Salehuddin Ahmed disagreed with them, stating that there will be no significant impact on overall inflation. Official inflation data for January, to be released by the Bangladesh Bureau of Statistics in February, will clarify the situation.

Regardless of the outcome, it is crucial that the government's main focus remains on reducing inflation, improving law and order, addressing the traffic situation and creating more job opportunities for the youth entering the workforce after completing their education. Restoring democracy should also be a priority. Without addressing these issues, any ill-considered measures will only exacerbate the suffering of the people, which is something that cannot be expected. ■



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## POLITICS

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## NBR Doubles Tax To 20% For Refrigerator, AC And Motorcycle Makers

The National Board of Revenue (NBR) has doubled the corporate income tax rate to 20 percent for manufacturers of freezers, refrigerators, motorcycles, air conditioners, and compressors starting from the fiscal year 2025–26. In a notification issued today, the tax authority said that producers of these electronic appliances and motorcycles must pay the revised tax rate until June 30, 2032. The decision comes as the government seeks to bolster revenue collection, enhance fiscal capacity, and reduce reliance on borrowing from both domestic and foreign sources to finance expenditures. This aligns with conditions set by the International Monetary Fund (IMF) as part of the \$4.7 billion loan approved for Bangladesh in January 2023. The IMF has recommended reforms to Bangladesh's tax system, including rationalising exemptions, improving compliance, and separating



tax policy from administration. It has also advised implementing a comprehensive strategy to reduce subsidies and address arrears in the electricity and fertiliser sectors. Bangladesh has one of the lowest tax-to-GDP ratios globally, with widespread tax benefits contributing to the shortfall. The government provided Tk 1.63 lakh crore in tax benefits, also known as tax expenditures in FY25. ■

## Mobile Phone Talktime, Internet To Be Costlier

Mobile phone talktime and internet will become costlier as the National Board of Revenue (NBR) is planning to increase supplementary duty (SD) on cellphone use to 23 percent from the existing 20 percent. After the hike, mobile phone users will face over 42.45 percent in SD, value-added tax and surcharge, up from 39 percent at present. "We have taken the initiative to increase supplementary duty on mobile phone usage in order to increase revenue collection," said an official of the NBR seeking anonymity. The initiative is part of the NBR's bid to raise VAT and SDs on 43 goods and services, including restaurants, air travels, sweets, hotels and clothing. A 15 percent VAT is expected to be slapped on the items, which are currently paying between 5 to 7.5 percent. The tax administrator is expected to issue a notification regarding the hikes in VAT and SD this week, according to the official. ■



## BFIU Seeks Financial Information Of Hasina, Family



The Bangladesh Financial Intelligence Unit (BFIU) has issued directives to all the country's banks and financial institutions to send the information and transaction details of ousted prime minister Sheikh Hasina and her family members. The BFIU has sought financial information of Sheikh Hasina, her sister Sheikh Rehana, son Sajeeb Wazed Joy and daughter Saima Wazed Putul, a BFIU senior official told BSS seeking anonymity. The intelligence agency also asked for financial information of Rehana's daughters – Tulip Siddiq and Azmina Siddiq, and her son Radwan Mujib Siddiq Bobby and their business enterprises. ■

## Credit Demand Fall Changes Money Market Dynamics

Dynamics of Bangladesh money market changes amid plummeting demand for formal credits due to persisting economic sluggishness, making banks look for alternatives like treasuries and retail lending, sources said. Bankers and money-market analysts have said as the investment opportunities keep squeezing following the changeover through the July-August mass uprising, commercial banks used to invest in the high-yield government securities or interbank spot market targeting liquidity crisis-hit banks to gain more. But the gradual fall in the yield of treasury bills and bonds because of government's cautious bank-borrowing approach and the central bank's frequent cash-feeding to the struggling banks in recent times lowers switch. demand for funds in the call-money market. Such a development has prompted the banks with surplus funds to look for alternative earning options. ■



## BIMSTEC Urged To Boost Trade



Commerce adviser Sk Bashir Uddin has urged the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation to prepare a roadmap to double regional trade. 'Increasing trade among partner countries, especially mutual understanding among businessmen in the region, can play a vital role in making the organisation more effective,' he said on January 6 when he had a meeting with BIMSTEC secretary general Indra Mani Pandey at Bangladesh secretariat in the city. During the meeting, they discussed in detail what can be done to make BIMSTEC more effective, said a press release. In his speech, Bashir said that the organisation, formed to work on trade, investment and economic cooperation, was working to protect the interests of partner countries. Indra Mani said that the ministerial meetings would help make BIMSTEC more effective. He sought Bangladesh's cooperation to make the ministerial meetings fruitful for increasing exports, imports and investments in the region. Secretary (routine responsibilities) of the Ministry of Commerce Md Abdur Rahim Khan was present at the meeting. ■

## Bangladesh's RMG Exports To US Fall In Jan-Nov

Bangladesh's garment exports to the US fell by 0.46 percent in value between January and November 2024, while import volumes increased by 3.95 percent, according to the US Office of Textiles and Apparel (OTeXA). The decline in unit price, down by 4.24 percent, indicates that despite maintaining export volumes, Bangladesh's revenue was impacted. This drop is attributed to competitive market pressures, changes in the product mix, or fluctuations in raw material prices. US apparel imports have shown robust growth since September 2024, with a remarkable year-on-year increase of 41.6 percent recorded in November. However, the sharp rise in November was partly due to the unusually low import levels in the same month of 2023. Despite the growth in US apparel imports, Bangladesh trails behind other top sourcing countries in growth rates. For example, China posted a



0.4 percent increase, Vietnam 4.54 percent, Indonesia 0.19 percent, and India 4.5 percent during the same period. From January to November 2024, the US's global apparel imports rose by 0.74 percent in dollar terms compared to the same period in 2023. A steady recovery over the last three months (September-November) contributed to this positive trend. ■



Chief adviser Dr Muhammad Yunus poses with leaders of political parties at the Foreign Service Academy in Dhaka

# Will The Ice Melt Now?

*SMS Hasan*

**A**fter several extensions, four out of the six reform commissions formed in the first phase submitted their reports on January 15 outlining recommendations for a sweeping change in as many fields. The remaining two are expected to submit theirs soon. Prof Muhammad Yunus, the chief adviser of the interim government, received the reports and the government announced that it would consult political parties to finalise the reform agenda based on consensus. This move signals the interim government's intention to bridge its gap with political parties and hold elections within or before the stipulated timeframe.

Both major political parties – Bangladesh Nationalist Party (BNP) and Bangladesh Jamaat-e-Islami – have been urging the interim government to hold the general election as soon as possible by

implementing key elements of the reform agenda. However, leaders of the Anti-Discrimination Student Movement (ADSM) and its political wing, the Jatiya Nagorik Committee, continue to argue that an election held before the trial of those responsible for the deaths of students and the general public during the student-people mass uprising, associated with the Awami League regime, would be unacceptable. They are also demanding that the interim government issue a formal proclamation regarding the July-August mass uprising, which led to the fall of Sheikh Hasina's government. Initially, the ADSM had planned to announce the proclamation themselves but later suspended the move, stating they wanted the government to issue it.

The interim government has indicated that it will make the proclamation after consulting

political parties to ensure broader consensus. Meanwhile, the ADSM has sought to pressure the government to hold local body elections before the general election, although it appears the BNP and Jamaat will not agree to this.

The interim government is facing significant pressure from both political parties and the ADSM, especially over its inability to control the rising prices of essential goods, traffic management and crimes. The recent decision to raise VAT on certain essential products has further fuelled public discontent. Amid these challenges, it seems the interim government is reluctant to extend its tenure. The mounting political and economic pressure has created additional complications that the government may struggle to manage. Some government advisers have already expressed a desire not to extend

their terms in office. In another key political development, BNP Chairperson Khaleda Zia left for medical treatment in London. Before her departure, Army Chief General Waker-Uz-Zaman and his wife visited Khaleda Zia at her Gulshan residence and spent about an hour with her. Jamaat Dr Shafiqur Rahman and other political leaders also expressed goodwill and wished her a speedy recovery. During her departure, Khaleda Zia was given significant protocol at the airport, and thousands of BNP leaders and activists gathered to see her off, escorting her motorcade

formed in the first phase, submitted their respective reports to Chief Adviser Prof Muhammad Yunus on January 15 at the Chief Adviser's Office. Advisers of the interim government were present. The Electoral System Reform Commission headed by Dr Badiul Alam Majumdar, the Police Administration Reform Commission headed by Saraf RAj Hossain, the Anti-Corruption Reform Commission headed by TIB's Dr Iftekharuzzaman, and the Constitution Reform Commission headed by Distinguished Professor at Illinois State University Dr Ali

Abu Nayeem Mominur Rahman and Public Administration Reform Commission headed by Abdul Mueyed Chowdhury. Reform reports will create framework for new Bangladesh, pave way for creating charter. The reports submitted by the four reform commissions will provide the framework for a new Bangladesh, Chief Adviser Prof Muhammad Yunus said. Speaking after receiving the reports, he said the framework was based on fulfilling the dreams of a new Bangladesh and bringing those to fruition.

"This is not the end, it is the beginning of a chapter... Through this [framework], we will start a discussion with everyone," he said, adding consensus would be taken on whether everyone agrees with the framework. "The vision of a new Bangladesh that we aspired to build rested on your shoulders [members of the commission]. You have drafted the framework for those dreams, marking the beginning of a new chapter," the chief adviser said. He said the framework would pave the way for creating the charter of a new Bangladesh, based on consensus. Terming the reports as a big success for the nation, the CA said the reform commissions have been able to keep people's dreams alive.

"We will start discussions based on these reports. The reform commissions will lead these discussions. We want to create a charter of the mass uprising, a green charter for a new Bangladesh. This charter will be devised based on agreements," the CA said. "The upcoming elections will also be held on the basis of this charter. We hope all parties sign up to this," he said. Stating that elections will be held based on the charter, the CA added the charter is a commitment to the nation, not to any political party. "Every party will have to sign this charter. We will try to implement this charter fast. We



*Chief Adviser Muhammad Yunus on 15 January receiving report from the Constitution Reform Commission*

from her residence to the airport. This marked her first trip abroad since her conditional release from jail. A special aircraft, provided by the Qatari Emir, with full medical facilities, was arranged to take the former prime minister to London. During Sheikh Hasina's regime, Khaleda Zia's family had made several attempts to take her abroad for medical treatment but was denied permission. Political analysts see these developments as indicative of potential shifts in Bangladesh's political landscape.

### **CA Yunus Receives Reports Of 4 Reform Commissions**

Four reform commissions, out of six

Riaz handed over their reports. They (commissions) shared the whole thing with an elaborate description of their findings and recommendations during a meeting after the submission of their reports.

CA's Press Secretary Shafiqul Alam said they will share at least the executive summaries of the reports in addition to sharing the key features.

Earlier, the interim government expected five out of six reform commissions to submit their reports by January 15 in line with the extended timeframe. The two other commissions are Judiciary Reform Commission headed by Justice Shah



have to ensure the charter does not get swayed. We want its continuity and implementation," the CA added. "The election has to be inclusive, otherwise the charter will not have any value. We will move towards a new government based on the discussions with political parties following the charter. The new government will maintain the charter and move forward," the CA further said.

### **BNP Seeks General Election By Aug**

The BNP has demanded that the interim government arrange the next general election by August this year in the greater interest of the country. "We have repeatedly said that there is no alternative to an elected government. This is the most important issue for democracy. We think elections are possible in the middle of this year and that means between July and August," BNP Secretary General Mirza Fakhrul Islam Alamgir said on January 14.

The BNP leader came up with the statement while addressing a press conference at the party chairperson's Gulshan office in the capital. BNP arranged the press conference to inform the media of the resolution on the party's standing committee meeting, which was held with acting Chairman Tarique Rahman in the chair. Fakhrul said the Standing Committee meeting held on January 13 also called on the interim government, the Election Commission and all political parties of the country to reach an agreement on holding the parliamentary elections in the middle of this year.

He said there is some justification for further delaying the elections as the government-formed Electoral Reform Commission is also set to place its report today. "The meeting discussed in detail the statement of the chief adviser (Prof Muhammad

Yunus) regarding the elections. The meeting felt that if the parliamentary elections are postponed, the political and economic crisis will escalate," he added.

The BNP secretary general further said, "We believe that since the EC has been formed and relative stability has been restored to governance, we do not think there is any reason to further delay the holding of the national elections."

Talking about local government elections, Mirza Fakhrul said, "Our clear decision regarding the local

expressed concern over the continued rise in prices of essential commodities.

"The meeting believes that on the one hand, the increase in prices of essential commodities and rising inflation, and on the other hand, the increase in VAT and other tax rates will have a negative impact on the economy," he said.

Fakhrul said the meeting also decided to hold a press conference with detailed information on the issue of price hikes of essential commodities, increases in VAT, taxes, and inflation. "During the



*BNP secretary general Mirza Fakhrul Islam Alamgir speaks at a press conference at Gulshan in Dhaka on 14 January 2024*

government elections is that there will be no local government elections before the national elections. Because now the focus of the entire country and the entire nation is on these national elections."

He said the Election Commission has said they are ready to hold parliamentary elections. They have clearly stated that two elections cannot be held at the same time. Therefore, it is in the interest of the nation that these elections (parliamentary elections) are necessary.

The BNP leader said the party's policymakers at the meeting also

meeting, a committee was formed with BNP standing committee member Amir Khasru Mahmud Chowdhury as chairman and adviser to the party chairman Ismail Zabiullah. This committee will immediately prepare a detailed report on the above issue," he added.

On disagreements between parties over elections, Mirza Fakhrul said that there may be disagreements, as every political party has its specificities and thoughts.

"There is no difference of opinion among us on this issue. All like-minded parties, both left and right, have already talked about the

prompt elections," he said. Regarding the declaration of the July revolution, the BNP secretary general said they received a draft declaration from the interim government adviser Mahfuj Alam, who sought opinion from the party.

"The issue is so sensitive and important that it cannot be done in one day. We have discussed this; we are discussing more... We need to discuss it with other parties as well," he said.

Replying to a question, Mirza Fakhrul said that if the party comes to power, it will hold the deposed autocrat accountable for misdeeds. "BNP has been the biggest victim

requested an additional month, so formal discussions are expected to begin in mid-February," she said during a press conference organised by the CA's Press Wing at the Foreign Service Academy to brief the media on the reform proposals.

The environment, forest, and climate adviser said the commissions will now convene to determine the next steps and prioritise sectors for reform. They will also coordinate the proposals from all reform commissions.

"To facilitate this process, the commissions' terms will be extended by an additional month. During this period, they will

various sectors to address the aspirations of the July mass uprising and the needs of the people. They noted, however, that the implementation of these reforms requires the support of political parties. The timing of the next parliamentary election will depend on the extent of reforms agreed upon by these parties.

If minimal reforms are pursued, the general election could be held by December. However, if the government proceeds with the desired level of reforms, the polls may be delayed until June next year, the advisers explained.

Asif Nazrul outlined four stages of the reform process. In the first stage, the reform commissions prepare reports and recommendations. The second stage involves discussions to establish consensus among political parties based on these recommendations. To facilitate this, a national consensus commission, led by the chief adviser, has been formed, with the heads of the six reform commissions as its members. "In the third stage, we will draft laws and policies based on the achieved consensus. Implementation will follow in the fourth stage," Asif Nazrul explained.

He expressed optimism about completing the reform process but emphasised that progress depends largely on consensus among political parties. "If minimal reforms are prioritised, elections can be held this year. However, achieving the expected level of reforms may extend the timeline until June 2026," he said.

The adviser said discussions with political parties will be conducted based on the reform commissions' recommendations, and the government will implement the proposals agreed upon through these dialogues. Youth and Sports Adviser Asif Mahmud emphasised that the primary demand of the mass uprising was the abolition of



*Environment Adviser Syeda Rizwana Hasan at a press conference in the capital on 15 January*

of fascism. Who else has had to deal with the repression, oppression and enforced disappearances that we have faced? We and Jamaat-e-Islami are the most affected," he said.

### **Discussions With Political Parties On Reform Proposals Set For Mid-Feb**

The interim government will hold discussions with political parties in February on implementing the proposals made by various reform commissions, Adviser Syeda Rizwana Hasan said on 15 January. "The reform commissions have

collectively develop a roadmap outlining the prioritised sectors and corresponding reforms," she added.

Law, Justice, and Parliamentary Affairs Adviser Asif Nazrul, at the same event, added that if the reform commissions complete their work earlier, formal discussions could begin as early as the first week of February.

Three advisers, including Asif Mahmud Shojib Bhuyain, attended the briefing and emphasised the government's commitment to implementing the reform commission's proposals across

the fascist system, with reforms being a crucial step toward achieving this goal.

He noted that some reform commissions have gathered input from over one lakh people, reflecting the aspirations of the July mass uprising and the broader desires of the country's citizens.

Asif Mahmud, who also served as a key coordinator of the student movement that later escalated into the uprising, underscored that reforms will be implemented through discussions and consensus with all political parties and called for everyone's cooperation in this effort.

When asked about the progress of the July genocide trial, Law Adviser Asif Nazrul assured, "The trial will take place, and the process is

implementing the aspirations of the mass uprising within the constraints of the current constitution would be challenging.

She emphasised that the government is operating in the spirit of the mass uprising and assured that no reforms would be implemented without the input of political parties, civil society, experts, and the general public.

"If there is unanimous agreement, the question of whether the interim government has the constitutional authority to enact reforms becomes irrelevant," she added.

In response to whether the opinion of the Awami League, which has not been banned, will be considered in discussions on the reform proposals, Asif Nazrul said, "It is not the government's intention to ban

such decisions," he added. Shafiqul Alam, press secretary to the chief adviser, was also present at the briefing.

### ***'Will Break The Pen That Writes For Fallen Fascists'***

Media and intellectuals who speak in favour of the fallen fascists will face the same fate, said Hasnat Abdullah, the convener of the Anti-Discrimination Student Movement, on January 14.

"Those talk show hosts and intellectuals, who are now vocal about human rights of Awami League men, supported fascism before," he said at the Shaheed Minar in Chashara of Narayanganj city before distributing leaflets supporting the "Proclamation of the July Uprising". "We will break the pens that write in favour of fascism," said Hasnat, vowing a strong stand against any media, teacher or intellectual who speaks in favour of fascism.

"If you fail to understand the young generation's spirit, then your fate will be like that of the fallen Awami League," he warned. Hasnat also said it is too early to consider rehabilitating the Awami League in politics. "Whether the Awami League will be rehabilitated in politics is not a relevant question for now. First, every leader and worker must face justice.

"Those who speak of rehabilitation before the trial, those who say the elections will not be participatory without Awami League, we think, are also complicit in the oppressive politics that the Awami League had established," he said.

He also alleged that the state apparatus made various attempts to rehabilitate the AL. However, it won't be tolerated, he added. In a strong message to the interim government, Hasnat gave an ultimatum until January 15 to announce the declaration of the July revolution based on political



*Convener of ADSM Hasnat Abdullah addressing at Chashara Shaheed Minar in Narayanganj before distributing leaflets supporting "Proclamation of July Uprising"*

progressing smoothly. The International Crimes Tribunal is advancing the proceedings, and hearings are set to begin next March. It will be possible to complete proceedings in the trial court."

When asked whether the interim government has the mandate to reform the constitution, given that it is a political process, Rizwana Hasan responded that

political parties. There is a law that provides for banning political parties if they commit genocide or engage in other unlawful activities."

"The constitution addresses war crimes. The trial process for many incidents is ongoing, and the government is monitoring these proceedings. The fact that no political party has been banned does not mean it will not happen in the future. There will be ample time for

consensus. "We gave an ultimatum, and the interim government has committed to declaring it based on the consensus of all political parties. However, it is unfortunate that we have not seen any visible action yet.

ambulance from the royal fleet after learning about the illness of former prime minister Begum Khaleda Zia. Four doctors and paramedics from Qatar and six members of Khaleda Zia's medical board from Dhaka are

Enamul Haque Chowdhury, member of BNP executive committee Tabith Awal and Khaleda Zia's private secretary ABM Abdus Sattar, accompanied her along with a few personal staff. Meanwhile, BNP leaders and activists started gathering in front of Feroza since afternoon. They kept chanting slogans in the names of Khaleda Zia and Tarique Rahman. At 6:15 pm, the party's secretary general Mirza Fakhru Islam Alamgir entered Khaleda Zia's residence Feroza. Fakhru left Feroza at 6:30 pm. The 79-year-old three-time former prime minister Khaleda Zia has been suffering from various ailments for long. Seven and half years back on 15 July, 2017, Khaleda Zia visited London for follow-up treatment of her eyes and feet. Khaleda Zia was convicted in the Zia Orphanage Trust corruption case during the Awami League government and went to prison on 8 February, 2018. However, the BNP claimed that she was unfairly convicted in a politically motivated false case. The party further claimed that Khaleda Zia incurred the wrath of the then



*Before her departure, Army Chief General Waker-Uz-Zaman and his wife visited Khaleda Zia at her Gulshan residence*

We have made you our advisers, you represent us. ... If you fail, step down from your advisory role," he said. Samanta Shermeen, spokesperson for the Jatiya Nagorik Committee, also addressed the event. Later, as part of the event, leaders of the Jatiya Nagorik Committee and the Anti-Discrimination Student Movement distributed leaflets in Chashara, Shimrail, and Kanchpur areas in Narayanganj.

### ***Khaleda Zia Departs For London***

Former Prime Minister and BNP Chairperson Begum Khaleda Zia left Dhaka for London on a special air ambulance on January 7. The air ambulance provided by the Qatar emir carrying Begum Khaleda Zia left Hazrat Shahjalal International Airport at 11:45pm, BNP's media cell confirmed. Senior BNP leaders, including Secretary General Mirza Fakhru Islam Alamgir and standing committee members, saw off Khaleda Zia at the airport. Emir of Qatar Sheikh Tamim Bin Hamad Al Thani provided the special air

in the air ambulance. Medical board members accompanying Khaleda Zia are Shahabuddin Talukder, FM Siddique, Nuruddin Ahmed, Zafar Iqbal, AZM Zahid Hossain and Mohammad Al Mamun. Syeda



*Senior BNP leaders, including Secretary General Mirza Fakhru Islam Alamgir and standing committee members see off Khaleda Zia at the airport*

Sharmila Rahman, wife of Begum Khaleda Zia's youngest son late Arafat Rahman, member of the chairperson's advisory council

Awami League government for continuing the 'struggle to restore democracy' after the 'voterless' elections on 5 January, 2014. ■

# Tk 9,391cr In Farm Loans Disbursed In 4 Months



## Business Outlook Report

**B**anks disbursed Tk 9,391 crore in agricultural loans in July-October of the 2024-25 financial year, which accounts for 24.71 per cent of the total disbursement target for FY25, according to Bangladesh Bank data.

The recovery amount of agricultural loans reached Tk 28,949 crore in the 4 months of FY24, which was 14.9 per cent higher than that of the same period of the preceding year. The disbursement target for agricultural credit in FY25 was Tk 38,000 crore, an increase of 8.75 per cent from the previous financial year's target of Tk 35,000 crore.

The outstanding balance, including interest, stood at Tk 55,084 crore in July-October, marking a 0.4-per cent increase from the previous financial year. Overdue of agricultural credit stood at Tk 11,931 crore at the end of October 2024, which is 40 per cent higher than the overdue of Tk 8521 crore at the end of October 2023.

With the increased demand for farm loans, the BB set the target for state-owned commercial and specialised banks at Tk 12,615 crore and for private and foreign banks at Tk 25,385 crore, the officials said. Additionally, 60 per cent of the total target must be allocated to

crops and grains, 13 per cent to fisheries and 15 per cent to livestock. The central bank set the farm loan release target to increase agricultural production to control inflationary pressures and achieve gross domestic product growth target. More than 40 per cent of the country's workforce is directly employed in the agriculture sector.

Farm loans enable farmers to invest in inputs like seeds, fertilisers and machinery, leading to increased productivity and economic growth. Farm loans also contribute to rural development by providing income opportunities and improving infrastructure in rural

areas. On May 22, 2022, the central bank instructed the country's banks to disburse agricultural credit at a concessional interest rate of 4 per cent for cultivating import substitute crops, including pulses, oilseeds, spices and maize.

In FY23, farmers received Tk 32,829 crore in loans and repaid Tk 33,010 crore.

Most of these loans were channelled through NGOs, which charge interest rates ranging from 24 to 30 per cent.

To address the challenge of reaching remote areas, banks allocated loan amounts to NGOs.

To encourage direct lending to farmers, the Bangladesh Bank has instructed banks to disburse a minimum of 50 per cent of their total disbursements through their own channels.

Banks disbursed Tk 37,154 crore in agricultural and rural loans in the past financial year, surpassing the target of Tk 35,000 crore by 106.15 per cent compared with Tk 32,830 crore disbursed in the previous financial year. ■

# Import Disruptions Cripple Banglabandha Land Port Operations



## Business Outlook Report

**B**anglabandha land port, the only cross-border trading hub in Panchagarh's Tetulia, connecting India, Bhutan and Nepal, has got severely disrupted due to protests by Indian truck operators over online slot-booking issues. No imports have been recorded through the port for the past three days, port officials said.

Approximately 95 percent of the port's imports consist of hard rock, primarily sourced from India and Bhutan. On November 18 last year, hard rock imports from India got halted due to protests by the Fulbari Border Truck Owners' Association over slot-booking procedures. Indian trucks exporting goods to Bangladesh must pay fees of Rs 3,000 for six-wheelers and Rs 5,000 for 10 to 12-wheelers. Bhutanese

trucks, however, are exempt under existing agreements. This disparity has led Indian truckers to protest at the Fulbari land port in India. The situation worsened on January 4 when Bhutan also stopped exporting hard rock due to similar fee-related disputes. The protests have left Banglabandha's usually busy yard nearly empty, causing port activities to grind to a halt.

In December 2024, some 5,802 trucks transported 162,847 tonnes of goods through the port. Most of this was hard rock, making the current halt particularly damaging. During the same period, Bangladesh exported goods to India via 228 trucks and traded goods with Nepal using 226 trucks. The port exceeded its revenue target of Tk 68.13 crore for FY 2024-25, collecting Tk 77.23 crore within December. However,

the ongoing disruptions are expected to impact future earnings. Local businesses and over a thousand workers dependent on port activities are already facing difficulties. Jahangir Alam, general secretary of the C&F Agents Association, said the halt began when Bhutan refused to comply with new slot-booking fees imposed by Indian authorities. If Bhutan agrees to the fees, importers will face increased costs, pushing up stone prices, he warned.

Rezaul Karim Shahin, convener of the Banglabandha Import-Export Group, demanded swift resolution of the issue. Brij Kishore Prosaad, general secretary of the Northbengal Exporters Association at Fulbari, also called on the Indian government to resolve the dispute. However, exports through the port remain unaffected. ■

# Tobacco consumption in Bangladesh



Smoking rate among citizens aged 15 and over is 18%



Approximately 161,000 people die every year because of tobacco use



In FY18, economic loss from tobacco use was Tk30,560 crore



## How higher tobacco tax will help

Govt revenue from tobacco taxes will go up 28% year-on-year to Tk47,000 crore

About 1.5 million adults would be encouraged to quit smoking

10 million young people would be discouraged from starting it

Nearly 1.1 million premature deaths related to tobacco use would be prevented

# Call For Increasing Tobacco Taxes To Improve Public Health, Revenue

## Business Outlook Report

Speakers at a national-level dialogue have urged the government to increase tobacco taxes to discourage its use among people, prevent premature deaths, and generate a hefty sum in revenue.

The dialogue organised by the Shastho Shurokkha Foundation was held at the Sheraton Hotel in Dhaka on January 7, read a press release. This event brought together concerned citizens, university students, academics, researchers, civil society members, and high-ranking officials

from government and non-governmental organisations to advocate for effective tobacco taxation to safeguard public health and boost government revenue.

The keynote presentation revealed that Bangladesh has the highest tobacco use rate in South Asia, at 35.3%. Annually, approximately 161,000 adults die prematurely due to tobacco-related diseases. Moreover, the government spends 34% more on treating tobacco-induced illnesses than the revenue it generates from the tobacco industry. To reduce tobacco consump-

tion and mitigate the damage caused by tobacco, the meeting proposed several recommendations for the upcoming 2025-26 fiscal year's budget, including a significant increase in tobacco taxes.

Key proposals include consolidating cigarette tiers – reducing the current four tiers of cigarettes to three by combining the lower and middle tiers into a single tier. The minimum price for a pack of 10 cigarettes in this tier should be set at Tk80; increasing excise duty – imposing a 67% excise duty on all tiers of cigarettes; raising prices

for higher tiers – setting a minimum price of Tk130 for a pack of 10 high-tier cigarettes and Tk180 for a pack of 10 premium-tier cigarettes.

It was highlighted that implementing these proposed tobacco tax increases would prevent approximately 1.6 million premature deaths, deter about 1.6 million youth from starting to smoke, encourage around 2.3 million adult smokers to quit, and generate approximately Tk60 billion in revenue in FY26. The guests at the event included Md Shahidul Islam, former

member of the NBR; Roksana Khan, joint secretary, Internal Resources Division, Ministry of Finance; Md Shibbir Ahmed Osmani, joint secretary (Public Health Wing), Ministry of Health and Family Welfare; Md Mahsin, joint secretary (director general, Autism Cell), Ministry of Health and Family Welfare; Nizam Uddin Ahmed, executive director, Shastho Shurokha Foundation, and chair of the Global Alliance for Vaccines and Immunization (GAVI) and CSO Steering Committee; Prof Golam Mahiuddin Faruk, president, Bangladesh Cancer Society; SM Zulfiqar Ali, research director, BID; and Sushant Sinha, special correspondent, Ekattor TV.

In his speech, Shibbir Ahmed emphasised the need to increase specific taxes in line with inflation and income growth to reduce the availability of tobacco products, to narrow the gap in excise duty and price between cigarette tiers to discourage consumers from switching to lower-tier cigarettes, and to gradually introduce a single-tier pricing system.

Shahidul Islam highlighted that increasing tobacco taxes is an internationally recognised method to discourage tobacco use. “However, tobacco products are very cheap and easily accessible in Bangladesh, and the tobacco tax structure is flawed. This has made it

difficult to discourage young and poor people from using tobacco. The increasing deaths and illnesses caused by tobacco use are also increasing government healthcare costs,” he said. Roksana Khan suggested increasing the prices of all types of cigarettes in line with inflation and income growth, increasing the excise duty on lower-tier cigarettes to at least 70% of the retail price, and replacing the multi-tier ad

aged 13-15 (according to the Global Youth Tobacco Survey-2013), 6.9% use some form of tobacco, with 9.2% of boys and 2.8% of girls reporting tobacco use. Our goal should be to reduce this percentage to zero. By increasing taxes on tobacco products, we can achieve this goal soon.” He urged the government to play a significant role in protecting public health by increasing taxes on tobacco products in the

affected by this. High prices will discourage adolescents from using tobacco. Research shows that a 10% increase in price will reduce tobacco use in Bangladesh by 7.1%.” He further added that when the price of a single cigarette includes a fractional amount, sellers increase the fractional part and sell it for a full taka. As a result, although tobacco users pay more, the government does not receive any additional



valorem tax system on cigarettes with a uniform specific or mixed (specific and ad valorem) tax system could increase revenue and improve public health. Nizam Uddin stated that a smoke-free society is essential for a healthy and prosperous nation. According to the World Health Organization, tobacco use causes 8 million deaths annually. Of these, 7.1 million deaths are directly attributable to tobacco use and nearly 900,000 are due to secondhand smoke, he said. “Among adolescents

upcoming 2025-26 fiscal year. Prof Golam Mahiuddin said tobacco use increases the risk of heart disease, stroke, COPD, or lung cancer by 57% and other types of cancer by 109%. There is no alternative to increasing taxes on tobacco products to reduce tobacco use. Sushant Sinha said that increasing the price and tax rate of tobacco products and making them unaffordable for people is the most effective and affordable way to control tobacco use. “The poor and adolescents are most

revenue from the increased price, but the profits of the traders increase. Among others present were Prof Rafiqul Islam from the sociology department of Jagannath University, Iftexhar Muhsin, project coordinator at the Shastho Shurokha Foundation, along with high-ranking officials from various government and NGOs, representatives from domestic and foreign development partner organisations, and media personnel. ■





# Immediate Financial Risks Resolved But Full Stability Pending

## *Business Outlook Report*

**B**angladesh Bank (BB) has assured that immediate risks to the financial sector have been addressed, though achieving full economic stability remains a work in progress. Husne Ara Shikha, Executive Director and spokesperson for the central bank, shared the update during a briefing with journalists at her office on January 7. “The good news is that financial losses have already been reduced, and the critical risks in the financial sector have been addressed,” Shikha said. However, she acknowledged that the central bank is not entirely satisfied with the progress so far. She, however, noted that the bank is not entirely satisfied with the progress so far.

### *Key Initiatives Taken*

Over the last five months, from July to November 2024, Bangladesh Bank has implemented several measures to stabilise the economy. These include restructuring of commercial banks, formation of a specialised banking task force, efforts to stabilise the foreign

exchange market and inflation control strategies. “Some of these initiatives have already yielded results, but other outcomes will require more time to manifest,” Shikha explained.

### *Money Laundering and Account Seizures*

Discussing the issue of money laundering, Shikha revealed that approximately 400 accounts were seized by the Bangladesh Financial Intelligence Unit (BFIU) as of November 2024, following the recent political changeover. “By the end of 2025, we expect to have a clear understanding of how much money has been laundered, through which banks, and to which countries,” she said, adding that recovering the laundered funds would be a lengthy process. She noted that agencies tasked with recovering the funds are working diligently but do not disclose details to the central bank for security reasons.

### *Inflation Control*

On inflation, Shikha highlighted that BB had increased the policy interest

rate multiple times in an attempt to curb rising prices. “We are hopeful that inflation will ease this January. However, if it remains unchecked, further hikes in the policy interest rate may be necessary,” she warned.

### *Challenges in Private Credit Growth*

When asked about the sluggish growth in private credit, Shikha clarified that credit expansion is not solely dependent on interest rates. “Infrastructure development, energy supply and port facilities all play a critical role in enabling private sector growth,” she said. While significant strides have been made in addressing financial vulnerabilities, Shikha cautioned that achieving full economic stability will take time. “We are committed to building a resilient and stable financial system, but patience is essential as the process unfolds,” she added. ■

# Risk And Resilience Are The Watchwords For 2025



## *Business Outlook Report*

**A**s the world rings in 2025, try to imagine what it would have looked like in 2019 if a visitor from the future appeared with a warning about what was going to happen next.

According to Reuters report, first, the world would be struck by a deadly pandemic that shut down most developed economies. Governments would splash out to support people and businesses, adding to their already hefty debt loads. Global supply chains would strain and splinter. Then, just as the planet was

staggering back to its feet, Russian President Vladimir Putin would invade Ukraine, upending global supplies of energy and food. To control rampant inflation, the US Federal Reserve would hike official interest rates from close to zero to over 5 percent in little more than a year.

A new war in the Middle East would kill thousands and threaten to disrupt global shipping. And at the end of 2024, Donald Trump would win the US presidential election following a campaign promising blanket tariffs and mass deportation.

Presented with such a prognosis in 2019, most observers would probably have expected a recession, and a dire performance by global stock markets. They would have been wrong. Western economies roared back from their brief Covid-induced slump and have so far avoided the often predicted "hard landing".

The S&P 500 Index of leading US stocks has almost doubled in the past five years, fuelled by robust corporate profits and excitement about the potential of artificial intelligence. The US stock

market trades at a higher multiple of cyclically adjusted earnings than at any time outside the dotcom craze of the late 1990s.

That record reflects the surprising resilience of the global economy and financial system in the face of even severe shocks. It's also a sobering reminder of how hard it is to make predictions about the future. This is the humbling backdrop against which Breakingviews columnists have once again embarked on their annual attempt to help readers think about what lies ahead

in 2025. As in previous years, the objective is not to make forecasts which cling to the established consensus, but to identify some of the shocks and surprises that may confront business leaders, money managers and policymakers in the next 12 months. The only thing that is certain is that the range of conceivable outcomes is wider than ever. Trump exemplifies that uncertainty. The returning president's

armaments? Will he undermine the rule of law, or will the US Constitution restrain him? Trying to anticipate the actions of such an unpredictable figure is a fool's errand. However, the ambiguity about Trump's direction will have tangible consequences. Start with the financing of US government debt, which the International Monetary Fund puts at 121 percent of GDP. The bond market

Russia may induce European countries to once again embrace joint borrowing, this time to fund defence spending. China looks set to respond to US technology restrictions by wielding export controls of its own. And the prospect of American tariffs may prompt the world's second-largest economy to take decisive action to halt its real estate slump. Corporate chieftains will have to spend 2025 navigating around govern-

credit boom. In the next 12 months, tech companies will find out whether the tens of billions of dollars they have poured into AI are beginning to pay off. If the technology's applications expand then OpenAI, the inventor of the ChatGPT chatbot, could be the meme-stock initial public offering of the year. If not, Microsoft boss Satya Nadella may have to pen an apologetic letter to the software giant's sharehold-



agenda for his second term in office is a jumble of slogans and often contradictory ideas. Watching his administration convert these into policies will be a source of deep anxiety around the world. Will the man who inspired "Trump: The Art of the Deal" impose blanket tariffs on US imports, or use the threat of them as a negotiating tool? Will he actively abandon military alliances, or push US allies to buy more American

will constrain the president's scope for running large budget deficits – especially if he seeks to undermine the Federal Reserve's inflation-fighting credentials. Most other governments in the developed world already face debt constraints. An exception could be Germany, where a new chancellor could release the "debt brake" which has hobbled Europe's largest economy. The military threat from

ments and regulators as well as more fundamental business shifts. Elon Musk's role at the heart of Trump's administration – at least for the time being – should propel his SpaceX unit to new heights. The Tesla CEO may also help to speed up the arrival of self-driving cars in the United States. Looser antitrust restrictions could clear the way for a wave of big mergers. Insurance companies, meanwhile, will pile into the private

ers. Technology trends will also pull in different directions, as Silicon Valley pursues smart glasses while smartphone-wary parents spark a revival of the brick phone. As ever, the coming year will throw up surprises that did not feature in even the most elaborate scenarios. The hope must be that, when they arrive, the global economy and financial system display the same surprising resilience they have shown in the past five years. ■



# Hasina's House Of Cards: Global Repercussions

*Apu Ahmed*

**T**he fall of the fascist Sheikh Hasina-led Awami League government in Bangladesh in the face of a bloody mass uprising continues to reverberate around the world, with significant repercussions now emerging in the United Kingdom.

## *Escape To India*

Hasina had to flee to India on August 5, which has complicated Dhaka's relationship with Delhi, as the latter has given shelter to the world's longest-serving female leader facing charges of genocide. Hasina has been accused by the interim government, which assumed power on August 8, of killings and crimes against humanity, including deaths of at least 800 protesters during the July-August mass uprising. She is also accused of corruption and embezzlement of millions of dollars. After the Indian Foreign Secretary Vikram Misri visited Dhaka on December 9 and discussed bilateral issues with his Bangladesh counterpart, some signs of improvement in the cool relations

between the two next-door neighbours in South Asia have emerged.

## *Dhaka Urges Delhi To Limit Hasina's Political Discourse*

Expressing strong dissatisfaction over ousted Prime Minister Sheikh Hasina's frequent political statements from India, Dhaka urged Delhi to keep her quiet during the secretary-level parley. Dhaka should consider Delhi's efforts positively as its request has prevailed. But both countries are still facing odds on many outstanding issues, including border killings. However, the tension in relations between Dhaka and Delhi is, somehow, getting less attention since the British media has remained busy with the ruling party's anti-corruption minister Tulip Siddiq.

## *Tulip Siddiq Scams*

Happened to be the niece of deposed PM Hasina and daughter of her sister Sheikh Rehana, Tulip Siddiq is under pressure over her links to the ousted AL regime. She has been facing multiple charges of corruption,

including helping her family embezzle £4 billion from a nuclear power project in Bangladesh funded by Russia. Bangladesh's High Court has heard claims that Tulip Siddiq, 42, may have helped 'broker' the nuclear plant deal, worth £10 billion. It was signed in the Kremlin in 2013 by Hasina and Vladimir Putin in the presence of Tulip Siddiq - then a Labour councillor.

## *Free Flats*

It all started with the disclosure that Tulip Siddiq used a flat in Hampstead, north London after it was gifted to her teenage sister by an ally of the ousted Awami League party. Moin Ghani, a Bangladeshi lawyer who has represented Hasina's government, was the generous donor of the flat on Finchley Road to Tulip Siddiq's sister Azmina, then 18, in 2009, according to the British media. The Hampstead revelation, which came just days after it emerged that Tulip Siddiq was given a flat in King's Cross by another associate of senior Awami League members, has sparked furious calls for

an inquiry. Since 2022, Tulip Siddiq has been renting a £2.1 million property in Finchley, north London, which belongs to a company owned by Abdul Karim Nazim, a member of the AL's UK executive.

### ***Axe Looming***

Chief Adviser Prof Muhammad Yunus has called on Tulip Siddiq to apologise for using properties given to her and her family by the Awami League regime. He told a British news outlet on January 12 that the London properties used by Tulip Siddiq should be investigated and returned if she is found to have benefited from 'plain robbery'. On the same day, the UK's Leader of the Opposition Kemi Badenoch called upon Prime Minister Sir Keir Starmer to dismiss treasury minister Tulip Siddiq who is very close to him.

### ***Starmer-Hasina Ties Revealed***

A report by the Daily Mail revealed that the newly elected MP in 2016 Keir Starmer chose Bangladesh instead of visiting the United States, Germany or France. During his

to be the start of a mutually beneficial relationship between Starmer and the Bangladeshi leader. A few months later, members of the UK branch of Hasina's party, the AL attended a fundraising dinner in his Holborn and St Pancras constituency. Then, at the 2019 election, Hasina's British foot soldiers turned out in big numbers to help him canvass local voters. Starmer cemented his friendship with the then Bangladeshi premier in September 2022, when she visited the UK to attend the Queen's funeral, with a face-to-face encounter at the luxury hotel Claridge's in London's Mayfair.

### ***More Free Flats***

Tulip Siddiq's family has also been beneficiaries of generous donations from allies of the AL party. Her mother lives in a property in Golders Green, north London, owned through an offshore trust by Shayan Rahman, who is the son of a billionaire politician and adviser to Hasina. Tulip Siddiq's sister and mother previously resided in a Hampstead home owned by Kazi Zafarullah, a member of the Awami League's

billion through fake companies and Malaysian bank accounts.

### ***ACC Breaks Hibernation***

The ACC, which was oblivious to probing the ruling party policymakers in the past, has decided to launch an investigation against Hasina and her son Sajeeb Wazed Joy on allegations of laundering \$300 million to the US. According to the ACC officials, the Federal Bureau of Investigation conducted a preliminary investigation into Hasina and Joy, whose name first came up in the US vs. Rizvi Ahmed case in 2014. The FBI's investigation uncovered a 'serious financial scandal' involving Joy. Money was being laundered from various bank accounts in his name in Hong Kong and the Cayman Islands to various bank accounts in Washington DC, New York and London through a local money exchange.

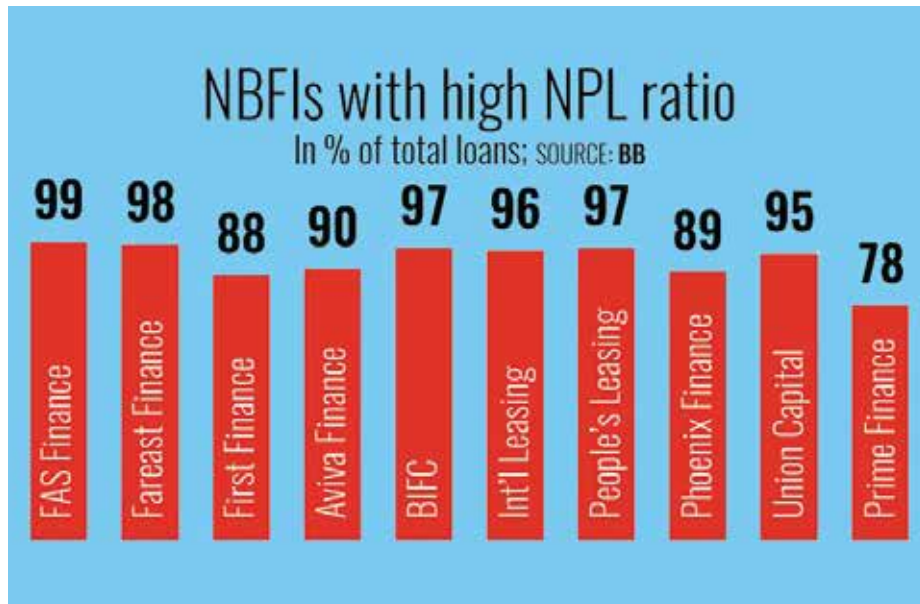
### ***Bound To Happen***

Disclosures of a series of scams and scandals on Hasina and others of the Sheikh dynasty are bound to happen. Nothing can hide the truth of unchecked corruption, abuse of public resources and misuse of discretionary power for a decade and a half by the AL regime. Today or tomorrow has been the issue. Hasina resorted to misgovernance based on a pervasive lack of democratic accountability originating from the fraudulent national elections of 2014, 2018 and 2024. Such elections, along with disempowering local government elections, gave shape to a very centralised authoritarian government. For its sustainability, the regime promoted collusion between the ruling politicians, a section of the bureaucrats and certain business elites to give a false narrative of development at home and abroad. A number of international partners were enthusiastic subscribers of this false narrative as they have benefitted from it. But most countries refused to accept the house of cards. ■



week-long stay, Starmer visited Dhaka and Sylhet. The trip culminated in a visit to ousted Hasina. A photo showed that Starmer presented his smiling host with a signed picture of the Houses of Parliament. Some might call that an underwhelming gift. But this meeting would turn out

executive committee, who bought it in 2007 and sold it for £499,000 in 2012. The Anti-Corruption Commission, the anti-graft body in Bangladesh, is also investigating Tulip Siddiq's mother, 69, her ex-PM aunt, and two other relatives over allegations that they siphoned off £3.9



# NBFIs' Bad Loans Surge To Record Tk 26,163cr

*Business Outlook Report*

**D**efaulted loans at the country's non-bank financial institutions (NBFIs) reached a record 36 percent of all loans disbursed by them as of September 2024, a level that sector people described as a reflection of "massive irregularities and scams" seven to eight years ago.

As of September 2024, the 35 NBFIs held Tk 26,163.19 crore in bad loans, which amounted to 35.52 percent of their total disbursed loans of Tk 73,662.77 crore, according to Bangladesh Bank (BB) data. These bad loans in the sector are the "legacy of the massive irregularities and scams

that took place seven to eight years ago", said industry insiders. Referring to a BB probe report, they said former managing director of NRB Global Bank (later renamed Global Islami Bank) PK Halder swindled at least Tk 3,500 crore from four NBFIs.

Those non-bank commercial lenders are: People's Leasing, International Leasing, FAS Finance and Bangladesh Industrial Finance Company Limited (BIFC). Consequently, these four NBFIs became ailing institutions with more than 90 percent of their loans turning bad. Industry insiders said that the central bank bears responsibility for the current

state of the NBFI sector due to inadequate supervision. Non-performing loans (NPLs) at the NBFI sector stood at Tk 21,658 crore, or 29.75 percent of their disbursed loans, at the end of September 2023. It rose by 21 percent, or Tk 4,505.04 crore, to Tk 26,163.19 crore by September 2024, BB data shows.

"The majority of the defaulted loans are legacy loans, which were disbursed without adequate security," said Kanti Kumar Saha, chief executive officer of Alliance Finance. He said that while bad loans have not risen sharply in recent years, some new loans have defaulted due to the current macroeconomic

challenges facing businesses. "To discuss a way out, we had met with the central bank top officials in October last year. The banking regulator assured us they will sit with the sector people soon after the groundwork," Saha added.

*'To the edge of collapse'*

Central bank data showed that 12 finance companies out of the total 35 hold nearly 73.5 percent of the sector's bad loans. At seven companies, bad loans crossed 90 percent of total disbursed loans. For example, FAS Finance's bad loans stood at 99 percent of its outstanding loans, Fareast Finance at 98 percent, Aviva Finance at 90 percent, BIFC at 97 percent, International Leasing at 96 percent, People's Leasing at 97 percent and Union Capital at 95 percent, according to BB data.

Anis A Khan, former chairman of the Association of Bankers, Bangladesh (ABB), recently said that some banks and NBFIs have fallen victim to an "unholy nexus", which he described as a "serious threat" to the integrity of the overall financial system.

"Besides, several other NBFIs have been infiltrated by unscrupulous investors who have exploited their positions as chairpersons and directors for personal gain," Khan said, comparing these actions to "outright theft" that has pushed several NBFIs "to the edge of collapse". ■



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# Finance Adviser: Is He Guided By Bureaucrats?

*Apu Ahmed*

**T**he interim government has increased the value-added tax (VAT) and supplementary duties on over 100 products and services in a move to change the fiscal policy it has inherited from the Awami League regime ousted on August 5 in the face of a mass uprising.

## *Massive Changes*

Led by Prof Muhammad Yunus, the interim government has also announced doubling corporate tax to 20 per cent from existing 10 per cent on companies manufacturing motorcycles, freezers, refrigerators and air conditioners at the beginning of the sixth month in power. While the increase in VAT has been described as a much-needed step to move towards a single rate of VAT, the income tax rate hike is aimed at reducing the income tax exemption given over the years, especially in the past one decade. The National Board of Revenue (NBR) has been providing tax rebates to the companies that produce motorcycles, refrigerators

and air conditioners since 2009 in a bid to help them flourish. Only a 5 per cent tax was imposed on them in the initial years before doubling it to 10 per cent in 2021.

## *Big Impacts on Market*

The new rate of 20 per cent tax will be effective from FY26 beginning on July 1, 2025. However, the impacts of the new corporate tax rate will affect the market immediately like that of increased VAT and supplementary duties on products and services such as clothes, restaurant bills, liquefied petroleum gas, air tickets, detergents and cigarettes. Economists say the increases will cause price hikes of consumer goods and hurt many. But Finance Adviser Salehuddin Ahmed sees no major impacts on the overall inflation. The official data on inflation for the month of January to be released by the Bangladesh Bureau of Statistics in February will clarify what is correct. But it is almost certain that there will be no major changes in the current trend of the decade-high inflation prevailing over

the past two financial years since the high presence of printed money in the economy due to the record borrowing from Bangladesh Bank by the ousted the AL.

## *More Changes on the Cards*

This kind of borrowing known as the worst form of credit shot up to more than 1.5 lakh crore by June 2024. The interim government has paid back the loan but still, the net outstanding borrowing from the central bank was five times higher at Tk 1,15,769.88 crore on November 14 compared to Tk 21,48 2.27 crore on November 29, 2021. The amount is more than double the outstanding amount for the past 50 years, according to Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development. The interim government has also injected over Tk 22,000 crore printed money into problem-hit banks. Now, it has changed the fiscal policies midway through the financial year while more are likely to come shortly. The finance adviser has already instructed



NBR to reduce the tax exemption given over the years to different industries and sectors.

### **Tax Exemption**

In a report released in December 2024, the NBR calculated that Tk 1,15,056 crore was exempted from direct taxes during FY2021-22, almost 2.9 per cent of the Gross Domestic Product in that financial year. Of which, Tk 71,394 crore or more than 60 per cent is linked to the exemption of corporate income tax. The overall amount of revenue losses due to exemption reached over Tk 1,50,000 crore in the past FY24. The current government, like the ousted AL one, is committed to the International Monetary Fund to reduce the tax exemption that has been identified as the major reason for the country's low tax-GDP ratio which fell below 8 per cent in the past year from

by the AL-centric oligarchs and wastage of public funds through politically motivated projects contributed to the shrinking of fiscal space in the past several years forcing the AL to take the IMF's \$ 4.7 billion loan programme in 2023. The interim government has made substantial progress in checking fund leakages from the banking sector and curbing wastage from the annual development programme. However, it failed to mobilise more revenue as the finance adviser categorically said borrowing from foreign sources will not be enough to meet the budget deficit.

### **Wrong Timing**

Although the finance adviser did not explain his statements, economists made it clear that the interim government had to generate extra Tk 12,000 crore in revenue by the next June to

side to meet the budget deficit, while expressing doubt about through calculation of the present steps.

### **Bureaucracy Remains Same**

It is not exaggerated to say that the finance adviser has been influenced heavily by bureaucrats, a section of whom was part of the 'Kleptocratic Legacy' introduced by the ousted AL regime. The Kleptocratic Legacy as described in the White Paper on the state of the Bangladesh Economy is that the regime promoted collusion between the ruling politicians, a section of the bureaucrats and certain business elites to renew its power by holding fraudulent national elections of 2014, 2018 and 2024 causing a pervasive lack of democratic accountability. The previous steps before the latest tax moves provide evidence that the finance adviser is going by opinions from the same bureaucrats who went on implementing the faulty universal pension scheme and caused damage to the highly sensitive policy. Although the bureaucrats have no contribution to the regime change, steps have been taken to reward them with the proposed dearness allowance. The finance adviser has appointed a committee in this regard after the AL regime almost doubled the salary of public officers and employees as a reward for helping it stage the farcical election in 2014.

### **Finance Adviser Is A CSP**

The salary hikes of bureaucrats have been taken when salaries and wages in the private sector have remained static over the past one decade. Moreover, the devaluation of local currency by a whopping 40 per cent because of a blunder by submissive bureaucrats since 2022 added further woes to the private sector. However, it seemed that the finance adviser was giving the first preference to bureaucracy. After all, he joined the civil service of the government as erstwhile Civil Service of Pakistan cadre. ■



*Bangladesh Secretariat*

9 per cent in 2014. The low revenue has been a cause of concern for the interim regime.

### **Low Revenue Narrows Fiscal Space**

It was also the cause of concern for the immediate past AL regime as the low revenue base shrank the fiscal space while it was necessary to increase expenditures on education, health and social sectors to absorb exogenous shocks of COVID-19 and the Russian war in Ukraine. Plundering money from the banking sector

get the next tranche of IMF loan due in February and another one in the six months later. Former World Bank Dhaka office chief economist Dr Zahid Hussain said the recent steps had been aimed at the much-needed revenue generation, but the timing was wrong. He said the steps would press the majority of people further hard. He suggested that the interim government can easily negotiate with the IMF regarding the budget deficit by the expenditure control mechanism instead of the earning

# Bangladesh's Current Situation Stable For Investment

*Business Outlook Report*

**V**isiting European Investment Bank (EIB) Vice-President Nicola Beer on January 7 said that her bank is backing the Bangladesh interim government and the country's current state is suitable for European investment.

"The current situation (in Bangladesh) . . . I see it's stable for investment, so we go on with what we already decided together (with Dhaka). So, this was the reason why I was speaking about further signatures during this year's time," she told reporters after holding a meeting with foreign

adviser Md Touhid Hossain at the foreign ministry here this afternoon. Responding to a question regarding the upcoming election, Beer said that it is up to the Bangladeshi "citizens and bodies to decide on the moment of elections".

The EIB vice-president began her three-day Bangladesh visit today to review the existing partnerships, discuss various issues and explore expanded investment cooperation with the interim government. Beer said that the EIB is closely aligned with the Bangladesh interim government's programme of reforms and plans for leading the

country to elections soon. "I think we are quite near when it comes up for the programme of the interim government to reform and lead it to elections, quite soon," she said. The EIB vice president said that her bank supports this interim government's efforts and is working with various ministries to identify priority investments, particularly in sectors like water and sanitation.

"We now can also speed up what are the priorities of investments here," she added. Beer highlighted the EIB's ongoing collaboration with Bangladeshi authorities to finalize significant projects within the year and expressed

optimism about furthering investment opportunities. "I only can assure you that the European Union as a whole is standing behind this interim government together with the Bangladeshi people, to serve the Bangladeshi citizens for the future to come," she added.

The EIB vice-president also underlined the importance of energy, water, and sanitation as pivotal sectors for development. "Energy is a crucial part of our agenda. We have a framework loan, we want to bring it really down now also in the project and this is something we will look further and try to speed up," she added. Beer





also expressed her eagerness to engage with local ministries, economic leaders, and citizen groups to understand their challenges and aspirations. Responding to a query on specific investment proposals, Beer said that those are still under discussion.

"We reaffirm the support of the European Union and also of its bank as European Investment Bank. And now we'll see the different projects and maybe also new proposals with the other ministries and sectors. So maybe you ask me in two days' time," she said. Regarding international relations, Beer emphasized the EIB

and European Union's shared goal of strengthening Bangladesh's regional standing. Reaffirming the European Union's unwavering support for the Bangladeshi people, she said that the EU wants to position Bangladesh as a strong nation on equal footing in the region.

EU Ambassador to Bangladesh Michael Miller, among others, accompanied her during the meeting with Adviser Hossain. Beer, during her stay in Dhaka, is also scheduled to hold meetings with Finance and Planning Adviser Dr Salehuddin Ahmed, Power, Energy and Mineral Resources;

Railways Adviser Muhammad Fouzul Kabir Khan, Environment, Forest and Climate Change, Water resources Adviser Syeda Rizwana Hasan, Local Government, Rural Development and Co-operatives Adviser Asif Mahmud Shojib Bhuyain and Bangladesh Bank Governor Ahsan H Mansur.

She will also have a breakfast meeting with the representatives of the KfW, AfD, ADB, IMF, WB, IFC and JICA. The vice president will have interactions over dinner with the European Union Chamber of Commerce in Bangladesh (EuroCham). She is likely to visit

Gandharbpur Water Treatment Plant on Thursday before wrapping up her visit. The EIB, owned by the 27 EU member states, is the world's largest multilateral financial institution and serves as the European Union's investment bank.

The EIB finances and invests both through equity and debt solutions companies and projects that achieve the policy aims of the European Union through loans, equity and guarantees. Since its establishment in 1958, the EIB has invested over a trillion euros in projects in Europe and countries worldwide. ■



BEPZA's Member for Investment Promotion Md Ashrafur Kabir and Managing Director of EPL Accessories Kazi Monowar Hossain signed a lease agreement at the BEPZA office in Dhaka in presence of BEPZA Executive Chairman Major General Abul Kalam Mohammad Ziaur Rahman. ■



Mutual Trust Bank (MTB) Foundation, as part of the bank's corporate social responsibility, recently handed over blankets to Cadet College Club for distributing among the underprivileged affected by winter in different regions of the country. Rais Uddin Ahmad, deputy managing director and chief anti-money laundering compliance officer of the bank, handed over the blankets to Tariq Abul Ala, president, Cadet College Club, at a ceremony held at the club's premises in Purbachal, Dhaka. ■



Chairman of Bangladesh Agriculture Development Corporation (BADC) Md. Ruhul Amin Khan has been inspecting the activities of the corporation in various regions of the country to bring dynamism to BADC's operations. As part of this initiative, the Chairman recently visited Chapainawabganj to inspect the jute seed production activities. ■



A delegation led by Grameenphone Head of Large Corporate M. Shaon Azad paid a courtesy visit to Southeast Bank Managing Director (MD) Nuruddin Md. Sadeque Hossain at the bank's head office in the capital. Senior officials from Southeast Bank were also present in the meeting. The discussion focused on potential collaboration on innovative digital financial services, integration of mobile banking solutions, and leveraging technology to offer seamless services to mutual customers. ■



Sonali Bank PLC signed an agreement with the Ministry of Housing and Public Works to collect charges and fees through the Sonali Payment Gateway. The signing ceremony was held at the secretariat. Deputy Managing Director of Sonali Bank Subhash Chandra Das and Additional Secretary of the Ministry of Housing and Public Works Abdur Rahman Tarafder signed and exchanged the agreement on behalf of the respective organisations. ■



UCB Investment Limited successfully closed Pubali Bank 4th Subordinated Bond worth Tk 4,000 million issued by Pubali Bank PLC. The closing ceremony was held at Pubali Bank's head office in Dhaka. UCB Investment acted as the sole arranger for the bond. ■



Dhaka Bank on Monday launched holding tax and trade licence fee collection services for the Dhaka South City Corporation (DSCC) at Nagar Bhaban in the capital. Deputy Managing Director Sheikh Abdul Bakir of the bank, and DSCC Chief Executive Officer Bashirul Haque Bhuyan were present at the launching ceremony, among others. DSCC residents can now pay fees and taxes through any branches of the bank. Customers can use the services through Dhaka Bank's mobile app and internet banking services by the end of January. ■



ONE Bank PLC has officially signed an agreement with the Bangladesh Bridge Authority (BBA) regarding toll collection for Jamuna Bridge through the collection booth located at the bridge. Md Monzur Mofiz, Managing Director of ONE Bank, and Rashidul Hassan, Executive Director of BBA, signed the agreement recently on behalf of their respective organisations. ■



Finance Adviser Dr. Salehuddin Ahmed sits with market stakeholders at the Dhaka Stock Exchange to discuss ways to develop the secondary market. ■



United Commercial Bank (UCB) recently hosted a day-long skill development training programme for nearly 175 agricultural entrepreneurs across seven upazilas in Bhola. This initiative falls under UCB's 'Bhoroshar Notun Janala' (New Window of Trust) project, a key programme aimed at supporting the agricultural sector. The inaugural event was held at a restaurant at Char Fesson. ■



Meghna Group of Industries (MGI) celebrated its 50th anniversary at its head office in the capital's Gulshan. The programme was live-streamed via video conference at MGI's different factories and offices. MGI offices, factories, and depots nationwide were decorated with special setups, arches, and photo booths. MGI Chairman and Managing Director Mostafa Kamal spoke at the event as the chief guest. MGI vice chairman, board of directors, and other senior officials attended the event. ■



RFL Group, a leading business conglomerate, organised a 'Beach Cleaning' programme in Cox's Bazar on Tuesday, aiming to promote environmental sustainability and raise public awareness. Over 500 RFL Group officials took part in the event, cleaning garbage along the stretch of Cox's Bazar beach from Laboni to Kolatoli point. At the programme, RFL Group also handed over waste bins to the district administration to help them with waste management. ■

# Gazette Issued On Annual Wage Increment Hike For RMG Sector



## *Business Outlook Report*

**T**he government on January 7 issued a gazette notification regarding the annual hike in the increment of wages for the country's ready-made garment (RMG) sector.

According to this notification issued by the Ministry of Labour and Employment on January 5, in light of the recommendations of the "Minimum Wage Revaluation and Annual Increment" Committee formed on September 29 last year, the government recommended an increase of 9% in the annual increment of the garment industry sector by adding another 4% to the existing 5%.

However, the annual increment of 5% determined by the Minimum

Wage Board, will continue in its current state, said the notification. Moreover, the 4% additional hike in the annual increment recommended by the committee has been effective since December 1, 2024, which will be paid with the wages payable in January 2025.

According to the gazette, other benefits related to the Bangladesh Labour Act, 2006 (as last amended) will also be relevant along with the wage hike. Moreover, this increment hike will continue until the government revalues it or the Minimum Wage Board announces the next minimum wage, the notification added.

Earlier, on December 9, Labour and Employment Adviser M Sakhawat

Hussain announced Bangladesh's ready-made garment (RMG) workers will get a 9% increase in their wages.

The adviser said the increment will remain effective until the government or the Minimum Wage Board announces a new minimum wage, adding that the previously set 5% annual pay increment, fixed by the Minimum Wage Board, will remain in place. He clarified that any worker who is supposed to get a yearly increment in December will enjoy the additional increase.

Those ineligible to get an increment in December will still get a 4% rise in their wages. Earlier, at their fifth meeting, the capacity and implementation committee on minimum wage revision and annual increment

recommended an annual 9% increment for the RMG sector. At the meeting, the labour representatives proposed a 10% annual increment hike, emphasizing the rising cost of living. In response, the employer representatives proposed an 8% yearly increment due to financial constraints and an aggressively competitive global market.

Mohammad Khorshed Alam of Shromik Dol, Babul Akhtar of Bangladesh Garment and Industrial Workers Federation, and Kabir Ahmed of Bangladesh Sramik

Kalyan Federation signed as labour representatives. ANM Saifuddin, member of the BGMEA's assistance committee, and Fazlee Shamim Ehsan, executive president of the BKMEA, signed as employers' representatives.

SM Enamul Haque, director of DoL; Md Hasibuzzaman, joint IG of DIFE; Raisa Afroz, secretary of the Minimum Wage Board; and Mohammad Masukur Shikdar, joint secretary of MoLE, signed as government representatives. However, the manufacturers of the RMG

sector of the country said that it would be difficult for them to pay the increment because the industry's capacity is not that high. Production costs have increased, but income has not increased in the same way.

They also said that, however, since this is a tripartite decision, there is no other way but to accept it, and they urged the government to provide the necessary policy support to overcome the pressure the manufacturers will face in implementing this decision. ■

## FBCCI Urges Bangladeshis In UK To Invest In Key Sectors



FEDERATION OF BANGLADESH CHAMBERS OF COMMERCE & INDUSTRY

The Federation of Bangladesh Chambers of Commerce and Industry has called on British-Bangladeshi entrepreneurs to invest in Bangladesh's key sectors, including energy, technology, education, human resource development, the blue economy, and tourism.

The appeal was made during a meeting with the UK-Bangladesh Catalysts of Commerce and Industry

at a hotel in Dhaka on January 6. The meeting was chaired by FBCCI administrator Md Hafizur Rahman.

A UKBCCI delegation, led by its chairman Iqbal Ahmed, is visiting Bangladesh to explore investment opportunities and strengthen trade relations. This visit marks the first UK business delegation to Bangladesh since the interim government

assumed power. Md Hafizur Rahman emphasised the need to expand Bangladesh-UK bilateral trade. 'Bangladesh has continued to provide necessary assistance to create a conducive environment for trade and investment in the country. Strengthening bilateral relations will benefit both sides,' he said.

Rahman urged British-Bangladeshi entre-

preneurs to seize market opportunities in Bangladesh's promising sectors. He also highlighted the importance of finalising free trade agreements and preferential trade agreements to enhance regional and global supply chain benefits.

UKBCCI chairman Iqbal Ahmed expressed interest in investing in Bangladesh, while stressing the need for better financial sector discipline to attract foreign investment.

Rupa Huq, a UK Member of Parliament of Bangladeshi origin, showed her interest in working closely with businesses from both countries to boost trade.

Members of the UKBCCI delegation, former FBCCI director Md Abdul Haque, Women Entrepreneur Association of Bangladesh president Nasreen Fatema Awal, FBCCI secretary general Md Alamgir, among others, were present in the event. ■

# RMG Exports Grew Moderately In 2024 Despite Headwinds

*Business Outlook Report*



**I**n spite of turbulent times prevailing both at home and abroad, garment exports from Bangladesh grew in 2024 by 7.23 percent year-on-year to \$38.48 billion, according to the Export Promotion Bureau (EPB). This is due to an increasing demand for clothing with the fall of inflation in major export destinations.

Last year, the local garment sector witnessed demonstrations, national election-related movements, factory closures and production halts amid massive labour unrest after the fall of the Sheikh Hasina-led administration on August 5. Goods shipment was severely

affected in July, August, September and October due to a student-led mass movement culminating in Awami League's ouster and widespread labour unrest demanding wage hikes and an end to workplace discrimination. On the international front, high inflation has persisted over the past few years because of far-reaching implications of the Russia-Ukraine war that began just after the pandemic, affecting consumer demand.

But Western economies have been rebounding gradually with rising demand, for which retail sales have also been growing with the clearance of inventories of previous years in Europe and the

US. Exports from the sector grew although many had thought that shipments would be negatively affected by domestic and external challenges. For instance, garment exports in fact declined by 6.62 percent year-over-year to \$2.38 billion in April, which came as a surprise given that the export trend was enjoying positive momentum.

Similarly, garment shipments declined last June by 10.48 percent year-on-year to \$2.97 billion after increasing by 1.45 percent in January and 4 percent in March. In July, apparel exports grew by only 2.89 percent year-on-year to \$3.17 billion, as per the EPB data.

However, the exports rebounded strongly from September, growing by 14.61 percent to \$3.01 billion that month and by 22.80 percent to \$3.29 billion in October. The trend did not stop there as the garment shipments grew by 16.25 percent to \$3.30 billion in November before expanding again by 17.45 percent to \$3.77 billion in December.

Exports started rebounding from September as normalcy gradually returned to the industrial zones after the labour unrest ended with factory owners accepting the 18-point demands of garment workers. Moderate retail sales growth continued in November even as two of the holiday season's busiest





shopping days bumped over into December and were not included in the month's totals, according to National Retail Federation (NRF), the largest US retail association. "November sales increased on top of a strong October and would have been even higher if Thanksgiving Sunday and Cyber Monday hadn't fallen in December," NRF President and CEO Matthew Shay said in a statement.

"Year-over-year gains were solid even as retail prices in many categories are lower this year, showing that consumers are buying more merchandise as the economy continues to grow. We remain confident in our holiday

forecast," Shay said. Total retail sales, excluding automobiles and gasoline, were up 0.15 percent seasonally adjusted month-over-month and up 2.35 percent unadjusted year-over-year in November, according to the Retail Monitor. That compared with increases of 0.74 percent month-over-month and 4.13 percent year-over-year in October.

In 2023, the garment export sector aimed for \$50 billion in 2024 but adjusted expectations to \$38.48 billion, marking a 7.23 percent increase from 2023. The industry confronted challenges like wage protests leading to a 56 percent wage hike, said Mohiuddin Rubel, a

former director of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and additional managing director of Denim Expert. Even after uncertainties from the national election, there was a 1.45 percent year-on-year growth in garment exports in January, he said. A 60 percent cut in export incentives, compounded by global economic instability and volatile oil prices, affected consumer behaviour, he said.

Rising energy and transportation costs, along with high bank interest rates, hurt small and medium enterprises, causing closures, he added. Despite a slight increase in exports in July and August

compared to the same months of 2023, the figures for 2024 lagged behind those of 2022. Rubel also said the outlook for 2025 depends on improved industrial relations and political reforms. Former BGMEA president Faruque Hassan said garment exports would have been much higher had the challenges not been there. However, he expects 2025 will be a better year as normalcy is returning to the sector.

Exports grew not only in volume, but also value as international retailers' and brands' confidence in Bangladesh has been boosted, and the local currency was devalued, he added. ■

# Govt Wants To Strengthen Stock Market: Finance Adviser



## *Business Outlook Report*

**F**inance Adviser Salehuddin Ahmed has said that the government wants to strengthen the country's stock market to attract both domestic and international investors. "Reforms of the stock market are underway and we must endure some challenges during this process. The goal of the interim government is to strengthen the stock market," he said while addressing a programme held at the Dhaka Stock Exchange (DSE) office in Nikunja area of the capital on January 7.

The depth of the country's stock market is very limited, which discourages reputed companies from investing in it, he said during his speech at the programme organised by the DSE to discuss the current situation of the stock market. "Owners of reputed companies often believe that their sons and wives will hold positions as directors and chair-

persons, allowing them to enjoy benefits and privileges. However, entering the stock market requires ensuring proper management and good corporate governance practices, which many are hesitant to embrace," he said. Such types of companies will have to be encouraged to come to the stock market as it is time to ensure the depth of the market, he said.

The current administration has already taken steps to bring some government companies into the stock market and will extend its support, including VAT incentives, to encourage companies to enter the country's capital market, he said. A significant lack of coordination exists among regulatory agencies while there is an absence of initiatives to work collaboratively as a team for the welfare of the country, he said. Claiming that the coordination between the Bangladesh Bank and

the capital market regulator BSEC has decreased more than before, he said that the authorities concerned and the stakeholders must come forward with a collective effort for the sake of the capital market. Claiming that coordination between the Bangladesh Bank and the capital market regulator, BSEC, has weakened compared to before, he emphasized that the relevant authorities and stakeholders must come together with a collective effort for the betterment of the capital market.

He also called upon the DSEC and all people linked to the stock market to encourage the investment of Bangladesh expatriates in the stock market. "There is significant investment by expatriates in the Indian stock market. Our expatriates are also capable of investing in the capital market. We need to encourage them and make our market more attractive to investors," he said. ■



*Currently, industrial consumers pay Tk30 per cubic metre for gas and Tk30.75 per cubic metre for captive power*

# Gas Price Hike: New Factories Face Double Costs In Industrial Sector

## *Business Outlook Report*

**T**he Energy Division has given in-principle approval for a new gas pricing structure in the industrial sector. As a result, entrepreneurs will have to pay more than double the current price to purchase gas for new factories.

According to the proposal, gas prices for new factories will align with the import cost of Liquefied Natural Gas (LNG).

The proposal was sent to the Bangladesh Energy Regulatory Commission (BERC) via Petrobangla on Monday afternoon for finalisation, with discussions expected at BERC today.

Currently, industrial consumers pay Tk30 per cubic metre for gas and Tk30.75 per cubic metre for captive power (self-generated electricity). The average import cost of LNG is between Tk60–65 per cubic metre.

Business leaders have expressed concerns, pointing out that while gas prices have been nearly doubled with promises of uninterrupted supply, many factories remain shut due to gas shortages. If prices increase further amidst this crisis, investments in the industrial sector could completely halt.

Hatem Ali, President of the Bangladesh Knitwear Manufacturers and Exporters Association

(BKMEA), said: “If the new proposal is passed, it will create an uneven playing field. Some will pay Tk30 for gas, while others will pay double. New entrepreneurs will not survive, and investments will come to a standstill.”

Professor Shamsul Alam, Senior Vice President of the Consumer Association of Bangladesh (CAB), criticised the move, saying: “Consumers are not receiving gas, yet they

are still being billed. Over the past two years, gas prices have been increased in phases. Higher gas prices in industries lead to increased product costs, driving inflation.”

He also noted that the Energy Division’s pre-approval of the proposal before sending it to BERC was inappropriate and criticised the decision amidst the country’s current fragile economic situation. Petrobangla currently supplies an average of 2,850 million

cubic feet of gas daily, with 850 million cubic feet sourced from LNG imports. In the fiscal year 2023–24, the average cost of gas per cubic metre was Tk24.38, while Petrobangla sold it at an average price of Tk22.87.

Petrobangla procures gas domestically at the following rates: Tk1 per cubic metre from the Sylhet Gas Field, Tk1.25 from the Bangladesh Gas Field, Tk4 from BAPEX, Tk6 from Chevron and Tullow. In comparison,

LNG imported from the spot market in the 2023–24 fiscal year cost Tk65 per cubic metre, with the average spot price in August recorded at Tk71.

In February 2023, a government executive order increased gas prices by an average of 82%, raising the industrial gas price from Tk11.98 to Tk30, and the captive power price from Tk16 to Tk30.75. These price hikes drew widespread criticism. Later, the

interim government repealed the legal provision that allowed the setting of gas and electricity prices by executive order.

Amidst current economic challenges, stakeholders warn that further gas price increases will weaken industrial competitiveness, discourage new investments, and exacerbate inflationary pressures in the market. ■

## Grameen Bank Ownership, Board To See Major Changes



### GRAMEEN BANK

Grameen Bank, the Nobel-winning microfinance institution, is set for a major shake-up in its ownership structure and board as the government plans to reduce its stake to 5 percent from the current 25 percent.

The plan has been outlined in the draft of a new ordinance published on the Financial Institutions Division website. The ordinance seeks to

amend the Grameen Bank Act of 2013. The proposed amendment also seeks to reduce the number of government-appointed directors to one from three and remove the government's role in appointing the bank's chairman.

Once the proposed changes are enacted through the ordinance, the chairman will be elected by the 12-member

board, rather than by the government. This will reinforce the autonomy of the institution. The issue came under significant scrutiny during the 15-year rule of the Sheikh Hasina government, which was ousted in a mass uprising in August last year.

The new arrangement will significantly increase control for the bank's microcredit borrowers

and reduce state involvement in the affairs of the institution, which was founded by Professor Muhammad Yunus, now the leader of Bangladesh's interim government.

Yunus was forced to resign from Grameen Bank as managing director in 2011 after the government stated that his age exceeded the retirement age for public servants. ■



# Beza To Focus On 5 Economic Zones, Attract \$5.5b In 2 Years

## Business Outlook Report

**B**angladesh Economic Zones Authority (Beza) is focusing on making five economic zones fully functional within the next two years in order to attract \$5.5 billion in investments and create over 2 lakh job opportunities. The economic zones are National Special Economic Zone, Sylhet Economic Zone, Jamalpur Economic Zone, Maheshkhali Economic Zone, and Japanese Economic Zone.

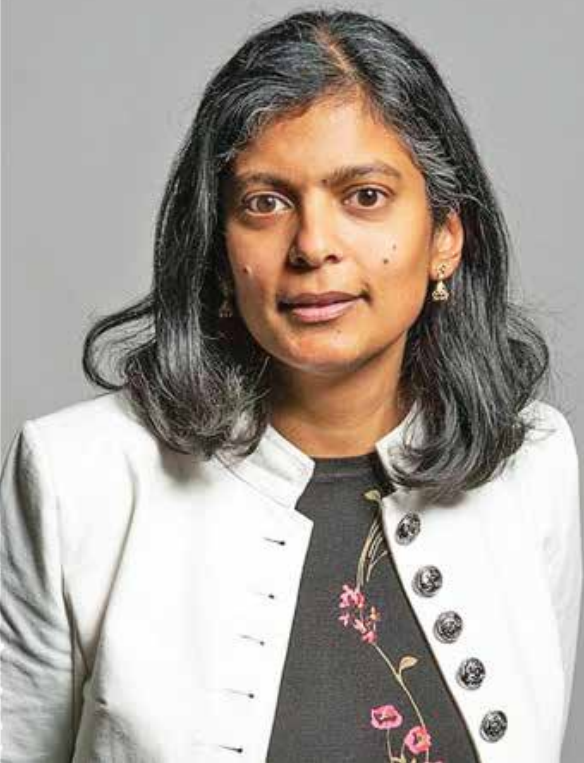
Chowdhury Ashik Mahmud Bin Harun, executive chairman of Beza, shared the targets at a press briefing at the Bangladesh Investment Development Authority on January 7. The country does not need 100 economic zones right now and actually, this is not viable financially and technically to set up all of them, he said. "If we can fully start running 10 economic zones in the next 10 years, it is enough to fulfil the main goal of creating economic zones," he said. "Especially, if we can start national special economic, Japanese and Jamalpur

economic zone, it will make it easier to create more economic zones in the future," said Ashik. After long consultations with stakeholders, Beza took the decision to provide necessary infrastructure and utility services at the five economic zones which have drawn the highest demand, he said. Another five economic zones are also being assessed for development in the next phase, he said.

These five are the Chinese Industrial Economic Zone, Sabrang Tourism Park, Chandpur Economic Zone, Kurigram Economic Zone and Kushitia Economic Zone, he added. The rest of the economic zones will be utilised in other ways, for instance, for solar power generation, said Ashik. Beza is also taking steps to open jute mills and sugar mills that have been shut down in the remaining economic zones. As utility services are available there, it will be easier to attract investors, he said. "To make Beza truly investment-friendly, it is our commitment to implement the time-bound plans," he said. Investors who have

acquired land but have not been able to start operations are being encouraged to launch industries, said Ashik. "If these investors are unable to start development work, they are requested to return the land to Beza," he said. "I think if Beza can implement its plan to make five economic zones fully functional, this experience will be helpful to take good steps in future while coordinated steps is necessary from all the department of the government," he added.

Ashik also said Korean Export Processing Zone (KEPZ) would be brought under the jurisdiction of Beza. Afterwards, carrying out its activities will be made easier, he said, adding that some official formalities remain to be completed. Regarding private economic zones, he said Beza would soon press the government to ensure utility services there. Ensuring utility connections was a promise the government made when it allowed the private sector to set up the economic zones, he said. ■



# FTA With UK Can Boost Trade, Investment

## Business Outlook Report

**S**igning of a free trade agreement (FTA) between Bangladesh and the UK can help boost bilateral trade and investment, said Rupa Huq, a member of parliament (MP) in the UK with Bangladeshi origin, yesterday. Now is the perfect time to sign the FTA as both countries have good business and investment potential, she said.

Exports to the UK must be expanded beyond garments as it is the dominant product in the list of shipments, she told a press conference in Hotel Sarina in Dhaka. Huq came on a visit to Bangladesh with a trade delegation of the UK Bangladesh Catalysts of Commerce and Industry (UKBCCI), which

represents British and Bangladeshi entrepreneurs in the UK and Bangladesh. Amir Khasru Mahmud Chowdhury, a BNP standing committee member, also supported signing of the FTA, saying it was a good way to generate more business through the liberalisation of the economy.

The FTA does not mean the entry of goods would be free for all, rather it will help ease bilateral trade and investment, said Chowdhury, also a former commerce minister. The first assignment of a bureaucrat should be to facilitate trade of the country and protectionism does not help trade anymore, he added. Iqbal Ahmed, a British businessperson of Bangladeshi origin and chairman of the UKBCCI, suggest-

ed easing business processes in Bangladesh as many investors want to invest in the country. He said the visiting delegation wants to invest at least \$500 million in different sectors of in Bangladesh such as in textile and garment, ICT, pharmaceuticals, and farming. But the amount should have been at least \$5 billion as the UK investors are investing outside of their own country, he added.

However, the ease of doing business in Bangladesh is still complex, he said, adding that at least 12 signatures were still required at present to start a business in the country. He also said he had started exporting vannamei shrimp from Bangladesh to the UK but on a very limited scale. India exports

vannamei worth \$10 billion to the UK in a year while Vietnam \$16 billion and the sky is the limit for exporting to the UK, he said. Bangladesh's annual exports to the UK amounts to \$4.5 billion, whereas India sends that worth \$30 billion and China \$60 billion, he said. Showkat Aziz Russell, regional president of the UKBCCI, highlighted the mission's emphasis on Bangladesh's robust ready-made garment (RMG) sector.

"Bangladesh is globally recognised for its strong manufacturing capabilities and is a key hub for apparel sourcing," he said. "This mission seeks to capitalise on the country's edge in global export competitiveness while fostering innovation in design and manufacturing," he said.

The textile sector, which contributes over 13 percent to Bangladesh's GDP, is also a key focus of the delegation, he said.

With investments exceeding \$22 billion, the textile industry accounts for more than 84 percent of Bangladesh's export

earnings and retains over 30 percent of foreign currency, he said.

The mission aims to leverage these strengths and encourage further investment in this critical industry, he said. Md Hafizur Rahman, administrator to the Federation of Bangla-

desh Chambers of Commerce and Industry, said the UK has already committed to continuing to provide Bangladesh duty-free trade benefits like the European Union (EU).

This will come about for three more years after

Bangladesh makes the country status graduation from a least developed country to a developing nation in 2026, he said.

Afterwards, the UK, like the EU, will also provide facilities under the GSP Plus arrangement, the administrator said. ■

## BB Appoints EY, KPMG To Audit 6 Troubled Banks



The Bangladesh Bank has enlisted global auditing firms Ernst & Young (EY) and KPMG to evaluate the asset quality of six banks currently mired in financial irregularities and corruption. The audit, funded by the Asian Development Bank, is part of efforts to restore transparency and accountability in the banking sector.

The six banks targeted for the audits are First Security Islami Bank, Exim Bank, Global Islami Bank, Social Islami Bank, ICB Islamic Bank and Union Bank. EY will focus on

Global Islami Bank, Social Islami Bank and ICB Islamic Bank, while KPMG will handle First Security Islami Bank, Exim Bank and Union Bank, according to central bank sources.

Bangladesh Bank spokesperson Hosne Ara Shikha said that the audit's findings would determine whether the managing directors of these banks can resume their positions. If the audit proves the MDs were not involved in financial irregularities, they may return to their roles. Otherwise, they will be permanently barred,

Shikha explained. Notably, four of the six banks are associated with the S Alam Group, a business conglomerate linked to former prime minister Sheikh Hasina. Following the political transition in August, the central bank restructured the boards of directors for these banks.

The ADB, which is actively supporting the reform efforts, recently sent representatives to Bangladesh. They recommended a comprehensive review of the banks' asset quality, prompting this high-level audit. The Bangladesh Bank has

already requested detailed information from the six banks. Their chairmen have been instructed to provide full cooperation to the auditing teams. Meetings involving central bank governor Ahsan H Mansur, top officials and ADB representatives have emphasized the importance of transparency during the process.

Initial inspections revealed alarming patterns of anonymous cash withdrawals involving substantial amounts, said a Bangladesh Bank official on condition of anonymity. ■





12.	Total Domestic Credit (BDT in crore) a) Net Credit to the Govt. Sector b) Credit to the Other Public Sector c) Credit to the Private Sector	July-November FY24				July-November FY25 <sup>P</sup>				Percentage change over July-November FY24			
		Opening		Settlement		Opening		Settlement		Opening		Settlement	
		1957595.90 363992.40 47662.30 1545941.20	2115524.90 424877.10 49419.10 1641228.70	2150832.90 438647.50 47861.20 1664324.20	9.87 20.51 0.42 7.66	1.67 3.24 -3.15 1.41	1.60 -6.03 5.53 3.46	9.80 9.69 9.42 9.84					
13.	L/C Opening and Settlement (in million US\$) a) Consumer Goods b) Capital Machinery c) Intermediate Goods d) Petroleum e) Industrial Raw Materials f) Others Total Back to Back L/C	2653.20 968.93 1924.04 4214.08 9368.54 8978.37 28107.16 3941.68	2778.84 1107.31 2207.81 4220.24 8900.47 8959.49 28174.16 3482.27	2569.53 712.63 1702.37 3662.33 9891.05 9584.03 28121.94 4545.34	2406.51 864.77 1868.21 4051.45 9534.86 9213.76 27939.56 4179.10	-3.15 -26.45 -11.52 -13.09 5.58 6.75 0.05 15.31	-13.40 -21.90 -15.38 -4.00 7.13 2.84 -0.83 20.01	-13.56 -23.86 -12.00 -5.02 -15.90 5.80 -8.29 -7.19					
14.	Rate of Inflation on the basis of Consumer Price Index for National (Base:2021-22=100) a) Twelve Month Average Basis b) Point to Point Basis Corresponding Period a) Twelve Month Average Basis b) Point to Point Basis Classified Loan a) % of Classified Loan to Total Outstanding b) % of Net Classified Loan to Net Outstanding Agricultural and Non-farm Rural Credit (BDT in crore) a) Disbursement** b) Recovery c) Outstanding SME Loan (BDT in crore) a) Disbursement b) Outstanding Industrial Term Loan (BDT in crore) a) Disbursement b) Recovery c) Outstanding GDP Growth Rate (Base: 2015-16)	9.73 9.74 April, 2023* 8.64 9.24 September, 2022 9.36 0.90 November, '23 3319.61 3470.00 54590.56 49068.40 283236.32 Jan-Mar, FY23 20907.66 17899.35 383075.76 FY16 7.27	9.73 9.89 May, 2023 8.84 9.94 December, 2022 8.16 -0.08 December, '23 3046.05 3361.09 55395.32 62747.05 295842.02 Apr-Jun, FY23P 26127.36 17290.02 395317.82 FY17 6.59	9.95 10.49 August, 2023 9.24 9.92 September, 2023 9.93 1.22 December, 24 <sup>F</sup> 3177.96 3047.76 56018.85 53107.48 30397.010 Jan-Mar, FY24 <sup>P</sup> 22015.37 23468.00 428079.27 FY20 3.45	9.97 9.92 September, 2023 9.29 9.63 December, 2023 9.00 0.59 July-Dec, FY25 <sup>P</sup> 16259.11 19117.26 56018.85 54526.41 306119.87 April, June, FY24 <sup>P</sup> 225130.78 299958.54 306119.87 July-September, FY25 <sup>P</sup> 44202.85 299958.54 306119.87 224103.87 295842.02	10.05 10.87 October, 2023 9.37 9.93 March, 2024 11.11 2.44 FY24 <sup>P</sup> 37153.90 35571.62 58119.59 44202.85 299958.54 306119.87 23116.58 20575.35 414533.33 FY22 7.10	10.34 10.89 December, 2023 9.48 9.41 September, 2024 16.93 5.89 FY22 28834.21 27463.41 49802.28 224103.87 295842.02 106944.42 96588.96 442485.79 FY23 5.82						





# December PMI In Bangladesh Sees Slower Expansion Rate

## *Business Outlook Report*

**T**he December reading of the Bangladesh Purchasing Managers' Index (PMI) decreased by 0.5-point from the previous month to record a slower expansion rate at 61.7. Metropolitan Chamber of Commerce and Industry (MCCI), Dhaka and Policy Exchange Bangladesh (PEB) released the Bangladesh Purchasing Managers' Index (PMI) December report on January 6.

This latest PMI reading was attributed to a slower rate of expansion posted by the sectors of agriculture and services, whereas the manufacturing sector posted a faster expansion rate and the construction sector reverted to an expansion. The agriculture sector posted a third month of expansion but at

a slower rate. The sector posted a contraction for the new business index and a slower expansion rate for the business activity index. The employment index reverted to an expansion and the input costs index posted a faster expansion, whereas the order backlogs index posted a slower contraction. The manufacturing sector posted a fourth month of expansion and at a faster rate.

The sector posted faster expansion readings for the indexes of new orders, new exports, factory output, input purchases, imports, input prices, and supplier deliveries. The finished goods index posted a slower expansion, whereas the employment index reverted to a contraction. The order backlogs index posted a faster contraction rate.

The construction sector reverted to an expansion albeit the sector continued to face volatility. The sector posted faster expansion readings for the indexes of new business and construction activity, but slower expansion for the employment index. The input costs index reverted to an expansion, whereas the order backlogs index posted a slower contraction rate. The services sector posted a third month of expansion but at a slower rate.

The sector posted a slower expansion rate for the indexes of new business, business activity, and employment. The input costs index posted a first-time contraction, whereas the order backlogs index posted a faster expansion rate. In terms of the future business index, the key

sectors of manufacturing, construction, and services posted faster expansion rates, whereas the agriculture sector posted a slower expansion rate. The latest PMI readings indicate a somewhat positive outlook for the Bangladesh economy going into the new year. All key sectors of the economy posted expansion readings even though the headline PMI recorded a slower expansion rate.

The PMI is an initiative that aims to offer timely and accurate insights into the country's economic health to help businesses, investors and policy makers take informed decision. It was developed by MCCI and Policy Exchange, with support from UK Government and technical support from Singapore Institute of Purchasing & Materials Management (SIPMM). ■



# Overproduction Of Early Variety Onion Leads To Price Fall

## *Business Outlook Report*

**P**rice of the newly harvested onion has declined significantly after the farmers and traders had secured higher prices of the essential spice item in the country throughout the year in 2024. Some farmers have though blamed imports of onion and syndicates for the price fall, ground reality shows that onion cultivation increased by around 30% this year, thanks to the price incentive last year.

The farmers in onion growing districts have been harvesting and selling early variety onion called “Murikata Peyaj”, grown not directly from seeds but from small size onion called “Guti” produced the previous year. Because of higher price of “Guti”, production cost of the early

variety onion surged but price of the produce also fell due to the supply glut, according to the farmers and local traders. The growers usually use smaller portions of their land for producing early variety onion expecting a better price in times of supply shortfall between December and February, before major portions of their onion produced from seeds and saplings are harvested in the later months.

A high price of agricultural produces in one year is followed by a low price the next year and vice versa is defined by the economists as cobweb cycle. Such trend is being noticed in the onion cultivation and price last year and this year. In Rajbari, farmers were selling each maund (40 kilograms) of

newly harvested onion for Tk1,600 on average in the first week of January 2025, compared to Tk3,500 price for the same quantity last year. “We’re making losses by producing early variety onion this year not only because of price fall but also because of the fact that we had to spend more than double, Tk9,000 or so, for buying each maund of small-size onion as seed this season,” Rubel Bepari, a 35-year-old farmer of Kantonagar, Rajbari Sadar, said.

He blamed a syndicate for the price fall but could not detail how and what kind of cartel works in the onion market. He admitted that he cultivated onion on more than two acres of land this year as against 1.5 acres last year and that he got slightly better

price a month ago. According to Kamrul Islam, 49, a farmer and trader of farm produce in Mohendrapur village, onion cultivation in Rajbarri increased around 30% this year following higher price last year.

“Many farmers invested in onion by selling domestic animals and taking loans as they expected similar price this year, but most of them are losing money and many would not be interested in onion cultivation next year,” he said. Shuvrodeb Saha, 33, a dealer of agri inputs in Khanganj,

trader and onion farmer of Langolbad in the same upazila, Abdul Majid, 48, mentioned that farmers’ profitability last year led to higher cultivation of onion this year.

“We guess, imports of onion also contributed to the price fall. Onion farming could have been sustainable if the price for this year is in a range of Tk2,200-2,500 a maund,” he said. As predicted last year that farmers might bring more of their cultivable land under onion farming this year, cultivation has increased in almost all

preserve onions and sell them in phases over the months for getting higher price, contributed to increase in production cost of Guti onion this year,” he said.

Ruling out the allegations of syndicate for the price fall, Rushad Faridi, an assistant professor of Economics at Dhaka University, observed that it is not any tenable argument that syndicates which are often blamed for raising price once, would now reduce the price. “Why didn’t the syndicate reduce the onion price last year and



Rajbari Sadar, pointed out that the price of Guti onion depends on price of onion that is consumed round the year. “Alongside higher costs of production, there is price fall due to higher production this year. That’s why the farmers are facing challenge this year.”

Kazi Al Amin, 29, an award-winning farmer of Char Joka village in Sreepur upazila, Magura, said he harvested the Murikata onion quite early and managed to avoid loss by selling the produce for Tk2,200 a maund. A

onion growing districts such as Pabna, Rajbari, Faridpur, Natore, Rajshahi, Magura, and Jhenaidah. Krishibid Abu Taher, who works for a private company which sells farm inputs, explained that the farmers have been incentivized by higher higher prices last year to increase cultivation of more this year.

“We know higher cultivation and higher production of agri produces cause price fall and that is what has happened to the onion farmers. Also, since their enhanced capacity to

deprive the farmers of good price, had they been able to do so? A key reason for price rise last year was India’s ban on export of onion and limited supply in Bangladesh market. This year, there is no such issue and production also increased,” he said.

He pointed out that price fall is a problem for the growers and there is no such price stabilisation mechanism through better storage facilities. “The cobweb cycle is being observed in the case of onion cultivation and price situation this year,” he added. ■



# Defaulted Loans May Exceed Tk6 Lakh Crore

## *Business Outlook Report*

**B**angladesh Bank spokesperson Husne Ara Shikha has said "Previously, data on defaulted loans was concealed. Now, we are making an effort to disclose all information publicly. Currently, it is estimated that defaulted loans amount to over Tk4 lakh crore. However, once the full data is revealed, this figure could exceed Tk6 lakh crore."

Husne Ara added, "At this moment, we have no intention of underreporting defaulted loans. Once investigations in the banks are completed, we will be able to determine the necessary steps to reduce

the amount of defaulted loans." Speaking at a press conference on January 7, she said, "We are trying to follow international rules regarding defaulted loans. This is one reason for the increase. Regardless of the data, we are now disclosing everything."

Regarding inflation, Husne Ara said, "We have already raised policy interest rates multiple times to control inflation. We hope inflation will decrease by January. If not, we may consider raising the policy rates again. However, this approach has not been well-received by businesses, as they have to bear higher interest costs

on bank loans, which also slows down investments. Therefore, it is crucial for other agencies, in addition to the central bank, to perform their duties effectively.

"Investment is not solely affected by interest rates. Infrastructure development, energy supply, and transportation systems are also closely tied to increased investment. Hence, inflation control cannot be achieved solely through the central bank's efforts." In response to journalists' questions, the spokesperson said, "By the end of 2025, we will have a clearer picture of how much money has been laundered, through which

banks, and to which countries. Recovering laundered funds is a time-consuming process. The designated agencies are working on this, but for security reasons, they do not share these details with us."

According to data published by Bangladesh Bank, the private sector loan growth in November 2024 stood at 7.66%, the lowest since May 2021, when it was 7.55%. This growth was below the central bank's target for the period. Bangladesh Bank had set a loan growth target of 9.8% for the first half (July–December) of the 2024–25 fiscal year. ■

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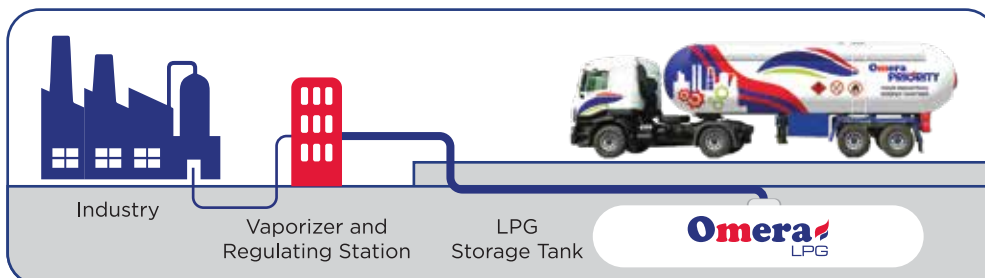


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