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SIX MONTHS OF THE NEW GOVERNMENT: WHY ECONOMIC COMFORT REMAINS ELUSIVE

by Selim Raihan

Six months have passed since the new government took office in February. Some indicators have improved, but there is little basis for comfort. Remittances remain strong, inflation has eased from its peak, and the government has introduced new social protection and agricultural programmes. Yet private investment is weak, the energy crisis deepens, banking stress is deep, revenue collection falls short, and public borrowing costs are rising. The question is not only whether the economy is stabilising. It is whether the government is diagnosing the problems correctly and responding with realistic, credible policies.

Inflation remains the most visible concern. Although the rate declined in July, it is still above 8 percent. That cannot be treated as normal. Prolonged inflation has reduced real incomes, eroded savings, and raised the cost of food, education, health care, and housing. Lower inflation does not mean lower prices; prices are simply rising more slowly. There is little room for complacency.

Tight monetary policy may remain necessary, but excessive reliance on high interest rates would weaken investment and employment. Bangladesh's inflation is not purely monetary. Food supply disruptions, import costs, exchange-rate movements, energy prices, and market management matter. The response must therefore extend beyond the central bank.

The external sector is receiving support from remittances. That is welcome, but dependence on remittances creates vulnerability when exports are weak and import costs rise. Strong remittances provide breathing space; they are not a substitute for productivity, export diversification, or investment. Foreign-exchange stability will require broader goods and services exports.

Private investment is more troubling. Bangladesh does not lack investment summits, economic zones, incentives, or agencies. Investors decide on experience. They ask whether energy is reliable, credit affordable, foreign exchange available, tax rules predictable, and approvals timely. When domestic investors remain cautious, foreign investment promotion has limited effect. The investment problem is ultimately one of confidence, built through policy consistency and institutional behaviour.

Energy insecurity has reinforced this weakness. LNG disruptions, gas shortages, and prolonged electricity loadshedding have exposed the energy system's limited resilience. An international price or supply shock can quickly affect production, inflation, and investment. Emergency imports, borrowing, and subsidies may buy time, but not resolve the underlying problem. Progress is needed in domestic gas exploration, diversified imports, energy efficiency, renewables, and grid upgrading.

Energy pricing also needs a clearer framework. Keeping prices artificially low is fiscally unsustainable. But repeated tariff increases without better supply are equally difficult to justify. Price adjustment should be gradual, pre-announced, and linked to a credible medium-term strategy. Industry can absorb relatively high energy prices if supply is dependable. Uncertain prices combined with uncertain supply make investment calculations harder.

Fiscal policy suffers from a similar credibility problem. Revenue targets are repeatedly set at ambitious levels and repeatedly missed. The new budget again assumes sharp improvement. Yet tax administration digitalisation, widening the tax base, and reducing exemptions take time. Unrealistic revenue assumptions lead either to more borrowing or cuts in development expenditure. The tax base must expand, but not mainly by pressuring small businesses and middle-class households. Large-scale evasion, undeclared assets, high-income professionals, and politically connected groups should face equal scrutiny.

> **BANGLADESH'S LIST OF PROBLEMS IS LONG. THAT IS WHY THE LIST OF PRIORITIES SHOULD BE PRECISE: LOWER INFLATION SUSTAINABLY, SECURE RELIABLE ENERGY, RESTORE FISCAL REALISM, ENFORCE ACCOUNTABILITY IN BANKING, REVIVE PRODUCTIVE INVESTMENT, IMPROVE TARGETED SOCIAL PROTECTION, AND CREATE JOBS.**

The banking sector requires a firmer response. Weak supervision, preferential treatment of influential borrowers, and repeated rescheduling have deepened the crisis. Some banks may require restructuring or recapitalisation. Before public money is used, there should be credible asset-quality reviews, accountability for directors and managers, recovery plans, and visible action against wilful defaulters. Otherwise, reform will simply transfer old losses to taxpayers.

The Family Card and Farmer Card initiatives have potential, but expectations should remain realistic. A Family Card could improve social protection coordination, while direct transfers to women may strengthen household welfare. Expansion should follow evidence from the pilot. Systems are needed to identify the poor, track exclusions, prevent duplicate benefits, integrate existing schemes, and resolve grievances. Rapid expansion without safeguards could increase leakage and political influence.

The Farmer Card raises similar concerns. A single identity linking inputs, credit, insurance, machinery, weather information, and market prices could reduce transaction costs. Yet the card itself is not the solution. If fertiliser arrives late, agricultural credit misses actual cultivators, or farmers receive unfair market prices, a digital identity changes little. Reliance on landownership records could exclude tenant farmers and landless cultivators. Service quality matters more than technology.

The risks ahead remain substantial. Middle East instability could raise energy import costs and inflation. Weak exports could renew foreign-exchange pressure. Bank restructuring may create fiscal liabilities. Tight monetary policy may suppress investment. LDC graduation, uncertain global trade conditions, and climate-related food and agricultural risks will add pressure.

In the short term, inflation must be reduced without unnecessarily weakening production. The government should publish food, fuel, and fertiliser stock information, shift from broad subsidies towards targeted cash transfers for verified poor and lower-middle-income households, and clarify electricity and gas priorities for hospitals, irrigation, fertiliser, food storage, and export industries.

Over the medium term, domestic gas exploration, LNG diversification, industrial energy efficiency, renewables, and grid modernisation should advance together. Tax expenditures should be disclosed and ineffective exemptions removed. Banking reform should be treated as part of the investment recovery strategy. Social programmes should be linked to a reliable national social registry.

Finally, employment must return to the centre of economic policy. Startups, freelancing, and ICT have potential, but they cannot absorb a large labour force. Bangladesh needs labour-intensive manufacturing, agro-processing, logistics, SMEs, and skills programmes linked to real firms and jobs. Economic performance should be judged not only by growth, but by real incomes and productive employment.

The government is launching new initiatives, but the number of programmes is not the measure of success. Outcomes are. Bangladesh’s list of problems is long. That is why the list of priorities should be precise: lower inflation sustainably, secure reliable energy, restore fiscal realism, enforce accountability in banking, revive productive investment, improve targeted social protection, and create jobs. What the economy needs is not another layer of promises, but difficult policy choices followed by consistent implementation.

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BANGLADESH'S GAS SQUEEZE: A STRUCTURAL PROBLEM, NOT JUST A BAD SEASON

by Md. Tuhin Ahmed

Bangladesh's economy runs on gas. Power plants need it. Factories depend on it. Millions of households use it for cooking. When gas supply falls short, the effects ripple through the entire economy. That is exactly what is happening now. This is not a new problem, but the current crisis, unfolding in July-August 2026, is among the most severe in recent years.

The numbers tell the story. Daily gas demand is around 3,800 mmcfd. Normal supply before the recent LNG disruption was around 2,650 mmcfd. However, total gas supply has been hovering between 2,100 and 2,400 mmcfd in recent weeks. This is not a marginal shortfall. It is a persistent, structural gap between what the economy needs and what the system can deliver.

This problem did not start this year. Domestic gas production has failed to keep up with demand for a long time. Power plants, industries, and households all need more gas each year. The country significantly expanded its power generation capacity. However, fuel supply became the weak link. Old gas fields are running dry. No major new gas fields have been found. As a result, Bangladesh turned to imported fuel.

THE RIGHT RESPONSE NOW IS STRUCTURAL REFORM, NOT JUST ANOTHER ROUND OF EMERGENCY FIXES, FOLLOWED BY A RETURN TO BUSINESS AS USUAL ONCE THE PRESSURE EASES.

Bangladesh now depends heavily on the outside world for energy. Imports account for 62.5% of the country's primary energy. Then came the shock from outside. The war in the Middle East disrupted shipping routes. This hit Bangladesh hard. Bangladesh was supposed to receive 40 cargoes from QatarEnergy of the country’s planned 115 LNG cargoes in 2026. Since the war began, not a single cargo from Qatar's Ras Laffan terminal has reached Bangladesh. However, from other suppliers, the country received only 35 spot cargoes since March this year. As a result, Bangladesh had to look for gas elsewhere. It turned to Southeast Asia. It is now trying to buy LNG from Malaysia and Singapore as a quick fix.

Local problems made things worse, too. A fire hit the Excelerate Energy floating LNG terminal near Moheshkhali on July 21, 2026, sparked by a fault in a control panel during a ship-to-ship transfer. It knocked out about 450 mmcfd of gas, roughly 17 per cent of the national supply. It then got worse when Summit's floating terminal, the country's only other LNG import facility, also experienced an unexpected shutdown in mid-August. With both terminals under strain at once, the system had no backup left. Power shortfalls at times topped 3,000 megawatts, and industries and CNG stations experienced severe gas pressure drops.

The question now is who bears this cost. Ordinary people are suffering the most. For instance, in Gaibandha, households received 25 to 30 per cent less electricity than needed, resulting in six to seven hours of cuts a day. In Khulna, homes and shrimp farms faced three to five hours of outages daily. Businesses are hurting too. In Narsingdi, a major industrial hub, around 80 per cent of textile, dyeing, and printing mills halted operations, with the zone losing an estimated Tk 400–500 crore a day. This crisis now touches nearly every corner of national life.

Beyond the blackouts, there is another cost. It is the price Bangladesh is now paying to avoid them. Because domestic supply cannot meet demand, the government has turned to the open LNG market to fill the gap. This market is far more expensive and far less stable than long-term supply contracts.

The numbers show how steep this has become. Bangladesh recently agreed to pay over $24 per unit for LNG cargoes due in September 2026. Before the current disruptions, spot LNG cost only $10-$12 per unit. That means Bangladesh is now paying roughly double, sometimes more, for the same gas. In taka terms, a single cargo that once cost Tk 410-490 crore now costs close to Tk 1,000 crore. Multiply that across the 35 or more emergency cargoes bought since March, and the added cost runs into thousands of crores of taka, money that could otherwise fund schools, hospitals, or renewable energy projects.

This spending pattern is not sustainable. Bangladesh needs roughly 10 LNG cargoes per month to maintain a steady supply. Nonetheless, the government has struggled to secure enough cargoes, even after repeated tenders. Relying on the spot market as a routine source of gas, rather than as a rare emergency option, locks the country into paying the highest prices exactly when global markets are under the most strain. This fiscal burden does not disappear. It shows up later, in subsidies, in the budget deficit, and ultimately in what taxpayers and consumers pay.

The trigger for this crisis lies abroad. Attacks on a major Qatari export facility and disruption to shipping through the Strait of Hormuz have squeezed supplies from Bangladesh's main long-term LNG supplier. However, this external shock only exposes a weakness that Bangladesh has allowed to grow for years. Roughly 30 per cent of the country's gas demand is met through imports. Domestic gas fields have not kept pace with rising consumption demand.

There is no quick fix here. Policymakers should not pretend otherwise. Three priorities deserve real attention. First, Bangladesh must invest in finding and producing more of its own gas. It also needs to fix the leaks and losses in its gas and power networks. This is cheaper in the long run than relying solely on imports.

Second, the government needs procurement discipline. It needs a clearer strategy for managing exposure to the spot market. This means diversifying suppliers and building larger strategic reserves, so emergency purchases do not become the normal way of doing business.

Third, and most important, Bangladesh needs a real and faster shift toward renewable energy. Solar power has room to grow. Regional energy trade, including hydropower from neighbouring countries, should also be explored seriously.

Bangladesh has faced fuel shortages before. It will get through this one, too. But each crisis should be treated as a lesson, not just noise. The right response now is structural reform, not just another round of emergency fixes, followed by a return to business as usual once the pressure eases.

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FROM ONE QR CODE TO DIGITAL FINANCIAL INCLUSION: WHERE BANGLA QR STANDS

by Takrem Ferdous Surid

In Bangladesh the barrier to digital payment has rarely been the technology. It has been the price of accepting it, and that price has decided who can trade, borrow and be counted in the formal economy. A point-of-sale (POS) terminal requires a large outlay and a formal merchant relationship, so acceptance rarely reached beyond the larger urban centres. QR codes were little better: a shop counter often displayed three or four separate codes, and a customer whose app did not match the sticker paid in cash. In this context, Bangladesh Bank required banks, mobile financial service (MFS) providers and payment service providers to replace their proprietary codes with Bangla QR at every merchant point by June 30, 2026. A single code now accepts payment from any participating bank or MFS application, settled through the National Payment Switch Bangladesh (NPSB).

However, every QR payment carries a Merchant Discount Rate (MDR), a percentage the processing institution deducts from the merchant (currently minimum of 1%). For traders on narrow margins, it reads as a penalty for accepting money digitally. Some recover it by raising prices, which the guidelines prohibit, since the fee may not be passed on. Many simply prefer cash.

On August 10, 2026, two circulars issued by Bangladesh Bank, both effective from October 1, 2026, revise these economics. The first sets the Interchange Reimbursement Fee (IRF) at zero for all Bangla QR transactions (currently 0.35-0.70%). The two are related but distinct: the MDR is what the merchant pays, while the IRF is the charge inside it, passed by the institution that installed the code to the customer's bank or wallet provider. The second circular establishes a Tk 100 crore incentive fund for the 2026-27 financial year, paying 0.10% to the acquiring institution and 0.20% to the issuing institution on eligible transactions up to Tk 2,000, limited to small sellers and service providers. A separate directive extends the system beyond retail from November 1, 2026, when every bank and MFS account will carry a Personal Bangla QR. One individual will then pay another by scanning a code rather than entering account, routing or mobile numbers.

The reform should widen digital financial inclusion, and the cheapest gains come first. Merchants who already have a smartphone and an internet connection, but who refused digital payment because of the higher fee, no longer have that reason to refuse; inclusion achieved without a single additional device. For households the everyday gains are tangible: no need to carry cash, no dispute over small change, no exposure to torn or counterfeit notes, and an automatic record of what has been spent.

This digital financial inclusion will also be instrumental in helping the government ensure transparency. Each digital payment creates a traceable and taxable record in a largely informal economy, and reduces dependence on cash, along with the cost of printing and handling it. Moreover, this inclusion may have a more lasting effect on users. A trader who accepts digital payment over time accumulates a verifiable record of turnover. These regular digital transactions can build a credit profile for a small entrepreneur and open access to formal lending. Many micro-enterprises are excluded from credit not because they are poor risks but because they are undocumented; Bangla QR offers a route to documentation.

“THE IRF IS ONLY ONE PART OF WHAT A MERCHANT PAYS, SO REMOVING IT LOWERS THE INSTITUTION'S OWN COST WHILE LEAVING THE FEE CHARGED TO THE MERCHANTS ENTIRELY AT THAT INSTITUTION'S DISCRETION.”

However, a zero IRF does not automatically produce a zero MDR. The circular removes what one institution must pay another; it does not prohibit an institution from charging the merchant. The IRF is only one part of what a merchant pays, so removing it lowers the institution's own cost while leaving the fee charged to the merchants entirely at that institution's discretion. Bangladesh Bank has left that to competition, expecting institutions relieved of that cost, and paid an incentive besides, to undercut one another for merchants. India chose the opposite route, legislating a zero merchant fee for UPI and compensating banks separately, and is now debating whether to introduce charges after all, since it is challenging for a national payment network to operate without cost. Which approach serves the small trader better will become clear only with time. Duration is the more immediate question, as the incentive fund covers the 2026-27 financial year so far. If the higher fee returns once the fund lapses, merchants recruited during the concessionary period will be the first to leave, which makes a credible plan for the years afterwards as important as the launch itself.

A further constraint is the ownership of digital devices. Bangladesh Bureau of Statistics data (ICT Access and Use Survey 2025-26) show that although 98.9% of households own a mobile telephone, only 73.4% own a smartphone, and individual internet use stands at 58.6%. As the QR system requires a smartphone, ensuring affordable access to smartphones is essential to inclusion. However, the central bank is also reported to be examining offline Bangla QR transactions, which would address the connectivity gap if not the device one.

Moreover, a phased plan envisages trade licence fees, educational institution fees, hospital bills, transport tolls and other public and private service payments moving to Bangla QR. Separately, the Ministry of Local Government directed city corporations and municipalities in August 2025 to require Bangla QR for the issue and renewal of retail trade licences, and discussions continue on healthcare and National Board of Revenue collections. A steering committee now oversees the effort, but requiring every shop to display a code while government offices are merely encouraged to accept one is an inconsistency worth correcting; state adoption would do more for public confidence than any promotional campaign.

Finally, some measures would strengthen the initiative. First, an exit strategy for the incentive fund should be published before it lapses, so that merchants know the terms they are entering. Second, fee reform should extend to person-to-person transfers. Third, work on offline functionality should be accelerated, since more than 40% of the population cannot use an internet-dependent system. Fourth, progress should be measured by transactions per active merchant, disaggregated by district and enterprise size, rather than by the number of codes issued. The infrastructure has been built competently. Whether it delivers financial inclusion depends on decisions that remain to be taken.

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