

MONTHLY ECONOMIC DIGEST



AMERICAN CHAMBER OF COMMERCE IN BANGLADESH

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An aerial photograph of a sprawling urban area, likely in Asia, showing a dense collection of buildings and a major multi-lane highway filled with traffic. The sky is hazy, suggesting a smoggy or overcast day. The text is overlaid on the center of the image.

MACROECONOMIC STRESS, GROWTH SIGNALS & FISCAL PRESSURES

**BALANCING RECOVERY MOMENTUM WITH DEEPENING
STRUCTURAL VULNERABILITIES**



Bangladesh's Economy at a Fragile Turning Point

January 06

Bangladesh's economy is showing early signs of stabilisation, but the recovery remains fragile and uneven. Improvements in external indicators contrast with weak growth momentum and subdued confidence in the domestic economy.

1. Stabilisation in key macro indicators

- Foreign exchange reserves have rebounded significantly, supported by stronger remittance inflows and tighter import controls.
- Inflation has eased from its peak, and steps have begun to address banking sector stress, including non-performing loans.

2. Growth remains subdued

- Economic growth slowed sharply in FY2025, reflecting weak investment and cautious consumption.
- Businesses remain hesitant to expand amid high borrowing costs and lingering uncertainty.

3. Political clarity matters for recovery

- Prolonged political uncertainty weighed heavily on investor sentiment throughout 2025.
- Greater clarity around the political transition could help restore confidence and support a gradual pickup in growth.

4. Capital market remains a weak link

- The stock market continues to underperform, with low investor participation and limited foreign interest.
- Structural issues—such as regulatory weaknesses, lack of quality listings, and overreliance on bank financing—persist.

Overall, while macroeconomic stability is improving, Bangladesh's economic turning point is still tentative. Sustained reforms, restored confidence, and stronger private investment will be critical to turning stabilisation into durable growth.

Sources

Economy is now at a turning point — The Daily Star

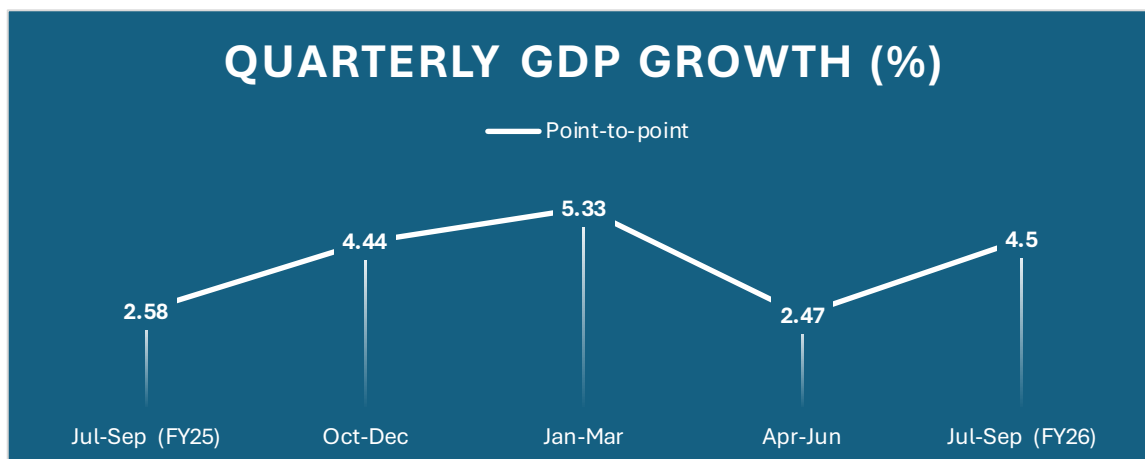
Bangladesh's Economy Gains Momentum — Q1 GDP Growth at 4.50%

January 13

Bangladesh's economy showed signs of recovery in the first quarter (July–September) of fiscal year 2025–26, with **real GDP growth rising to 4.50%** at constant prices — a notable improvement from **2.58% in the same period of FY25**. This uptick reflects strengthening activity across the major economic sectors, suggesting tentative macroeconomic stabilization after a subdued performance in the previous year.

- Overall GDP trend:** The **4.50% expansion** in Q1 FY26 marks a significant rebound relative to the earlier period, indicating renewed growth momentum early in the fiscal year.
- Agriculture sector:** Agriculture recovered to **2.30% growth**, reversing a contraction seen in the same quarter of the previous fiscal year, signaling better performance in crop production.
- Industry sector:** Industrial output accelerated sharply, posting **6.97% growth**, nearly double the **3.59%** recorded in Q1 of FY25, driven by stronger production activity.

4. **Services sector:** The services sector — which contributes more than half of the economy — expanded by **3.67%**, up from **2.96%** a year earlier, supported by gradual improvements in trade and business services.
5. **Context:** These quarterly figures contrast with the **3.72% full-year GDP growth for FY25**, highlighting the potential for recovery early in FY26.



The rebound, led by industrial strength and agricultural recovery, indicates a strengthening economic trajectory, although sustainability will depend on broad-based investment, trade performance, and continued macroeconomic stability.

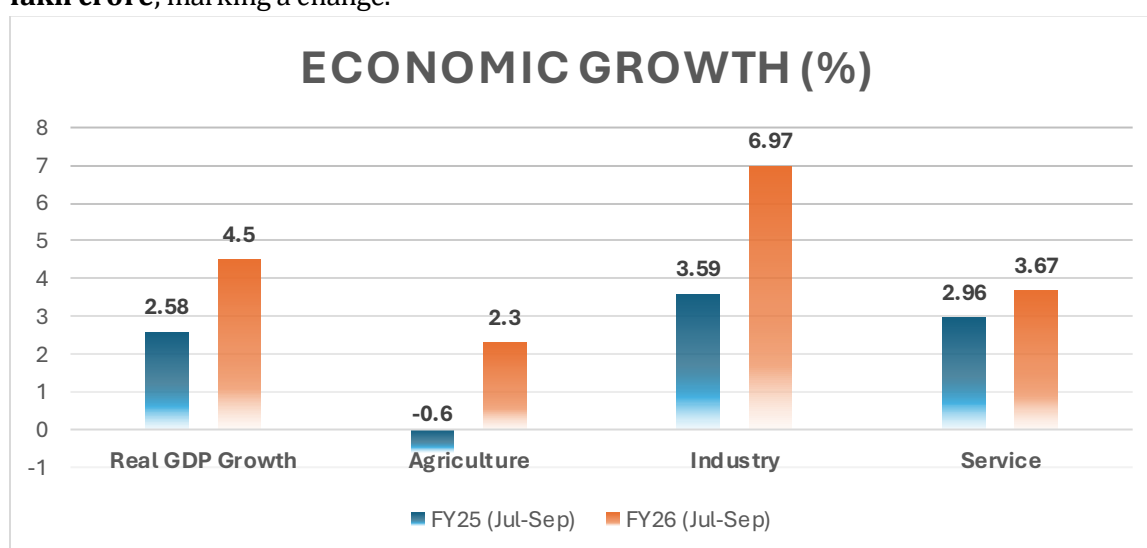
Sources

GDP growth rises to 4.50% in the first quarter of FY26

Snapshot of Bangladesh's economic growth Q1 FY26

January 19

Bangladesh's economy picked up pace in Q1 (Jul–Sep) of the current fiscal year, FY26, with GDP growth at constant prices rising to **4.50%**, up from **2.58%** in the same period of the previous fiscal year. The agriculture sector also recovered, expanding **2.30%** after a **0.60%** contraction a year ago. The GDP Size at current prices also increased from **Tk. 12.40 lakh crore** to **Tk. 13.85 lakh crore**, marking a change.



Sources

Snapshot of Bangladesh's economic growth Q1 FY26

Rising Public Debt Signals Growing Fiscal Pressures

January 30

Updated figures show Bangladesh's total public debt — combining domestic and foreign borrowings — has reached **about ₳23.94 lakh crore**, marking an all-time high in the country's fiscal history. This rising liability underscores mounting pressure on government finances amid weak revenue growth and continued financing for development programs.

1. **Total debt size:** Public debt has approached roughly **₳23.94 lakh crore** (about ₹24 lakh crore), reflecting both domestic and external obligations.
2. **Foreign debt portion:** External obligations account for around **₳13.67 lakh crore**, driven by external borrowing that has increased significantly over recent years.
3. **Domestic debt portion:** Domestic debt stands near **₳10.26 lakh crore**, up from previous fiscal year levels.
4. **Broad trend:** Over the past five years, foreign borrowing has risen sharply — increasing around **46 %** — and continues to climb as Bangladesh seeks funds for development and budget support.
5. **External debt in USD:** According to economic reports, Bangladesh's outstanding public external debt reached about **\$74.34 billion** at the end of the 2024-25 fiscal year, up around **8 %** year-on-year.



Expanding Debt Stock

₳23.94 lakh crore
total public debt

- Mix of domestic + external liabilities
- Rapid expansion in recent years



External Borrowing Spike

₳13.67 lakh crore
external debt

- \$74.34 billion outstanding
- 8% year-year increase (FY25)



Domestic Debt Pressure

₳10.26 lakh crore
domestic debt

- Increased reliance on local borrowing
- Higher rollover and interest risks

Foreign Debt Dependence

- Foreign borrowing up ~46%
- Driven by development & budget support
- Sustained upward trajectory

Fiscal Risk Build-Up

- Total debt: **₳21.44 trillion** (June)
- Foreign debt: **₳9.49 trillion**
- **44.27% of total debt**

Interest Cost Escalation

- Interest payments **quadrupled in a decade**
- Growing share of national budget
- Higher fiscal stress going forward

6. **Current context:** According to the recently published Finance Department loan bulletin, this amount is **21.44 trillion** at the end of June Reaches Rs, which is about 14 percent more than Rs **18.89 trillion** a year ago. The amount of foreign debt is **₳ 9.49 trillion**, which is **44.27 %** of the total debt.
7. **Rising interest costs:** Broader analyses show that interest payments — already consuming a growing share of the budget — have more than quadrupled over the past decade, indicating higher servicing costs alongside rising debt stocks.

Economists warn that without stronger revenue mobilization, tighter project selection, and effective debt management, continued growth in both domestic and foreign liabilities could heighten fiscal vulnerabilities, especially as preferential financing terms erode after LDC graduation.

Sources

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Inflation Hits Peak at 8.58% — Election Spending a Key Driver

January 31

Bangladesh's inflation continued its upward trend in January 2026, reaching **8.58 %**, the highest level in eight months. This marked the **third consecutive monthly increase**, as price pressures persisted across major consumer categories amid rising cash flows linked to election-period spending and stronger demand.

1. **Overall inflation trend:** The **8.58 %** inflation rate in January was up from **8.49 % in December 2025**, **8.29 % in November**, and **8.17 % in September 2025**, making it the highest figure since **May 2025**.
2. **Food price pressures:** Food inflation climbed to **8.29 %**, up from **7.71 % in December**, driven by rising costs of essential items, which continue to weigh heavily on household budgets.



3. **Non-food inflation:** Non-food inflation slightly eased but remained elevated at **8.81 %**, down from **9.13 % in December**. This suggests some moderation in prices of services and non-food goods, though overall cost pressures persist.
4. **Drivers of the rise:** Economists point to increased cash flows associated with election-related activities as a significant factor stimulating consumption and pushing up prices. Food price dynamics and supply-side constraints also contributed to inflationary pressures.
5. **Impact on households:** Despite inflation being lower than January 2025 levels (when it was near 9.94 %), the continued rise in prices — particularly food — heightens cost-of-living challenges for consumers, especially lower- and middle-income households.

The January data underscores that inflation remains a key macroeconomic issue, with policy implications for monetary management and cost-of-living support measures as price pressures persist into 2026.

Sources

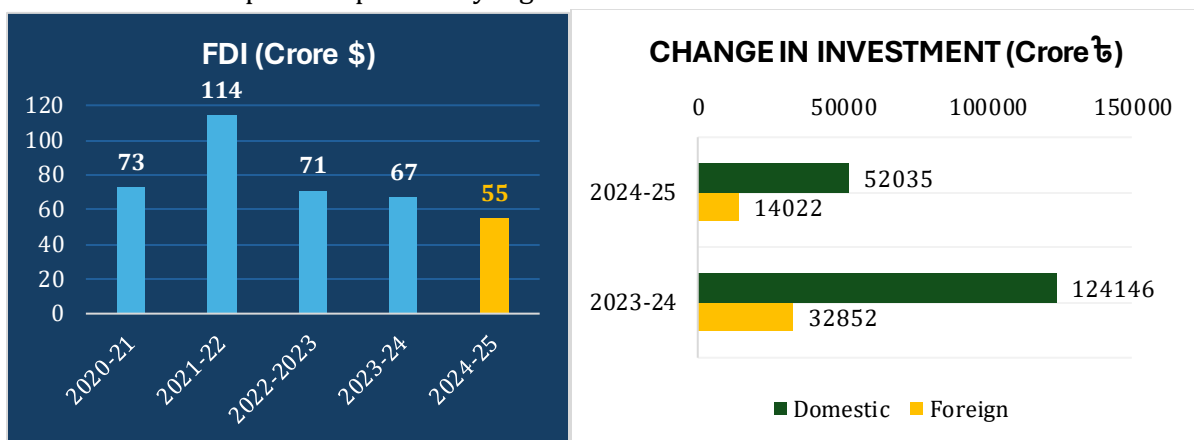
January inflation hits 8-month high – polls spending seen as a key driver

Foreign and Domestic Investment Declines

January 31

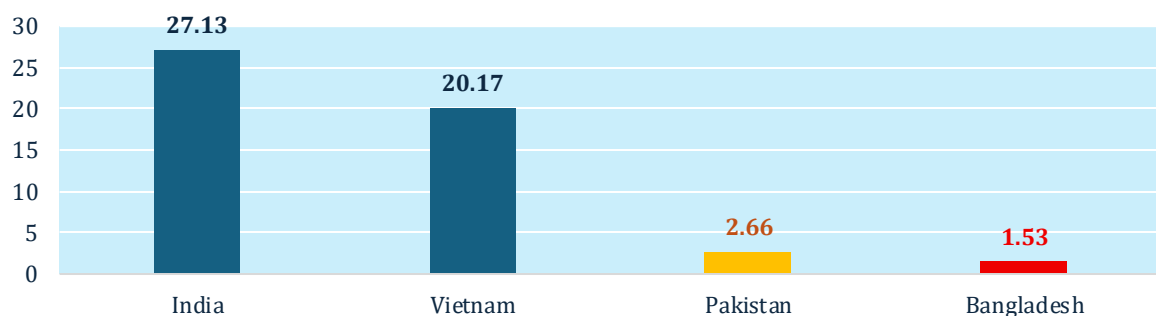
A significant slowdown in investment activity in Bangladesh, despite leadership changes aimed at boosting investor confidence. While some macroeconomic stability has returned, the overall investment climate remains subdued with both foreign and domestic investment contracting and business conditions deteriorating.

1. **Private investment share falls:** In FY 2023-24, private sector investment was about **23.51 % of GDP**, but it declined to **22.48 % in FY 2024-25**, indicating weakening capital formation.
2. **Capital machinery imports dropped:** Imports of capital goods fell by **19 %**, with just **\$2.81 billion** worth brought in during FY 2024-25 compared to the previous year, signaling reduced investment in productive capacity.
3. **Credit growth weak:** Private sector credit growth has stayed below **7 %** for six months, a slowdown compared to previously higher levels.

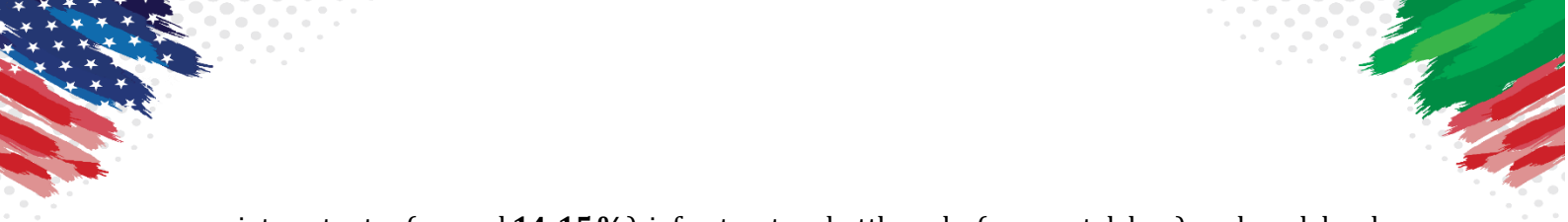


4. **Foreign direct investment (FDI) mixed:** Net FDI increased from **\$142 million to \$169 million**, but this was largely reinvestment from existing investors rather than new capital. New FDI inflows in FY 2024-25 were about **\$550 million**, the lowest in five years and **17 % lower than the prior year**.

BANGLADESH IN REGIONAL COMPETITION (billion \$)



5. **Decline in investment proposals:** Registration of new foreign investment proposals dropped about **56 %**, while domestic investment proposals also fell sharply from **Tk 124,000 crore to Tk 52,000 crore** year-on-year.
6. **Business environment challenges persist:** Key constraints cited by business leaders include unfavorable tax and revenue policies, high gas and electricity costs, elevated bank



interest rates (around **14-15 %**), infrastructure bottlenecks (e.g., port delays), and weak legal and regulatory clarity — all discouraging new investment.

7. **Comparative FDI performance:** Bangladesh lagged regional peers in attracting external investment, with its FDI inflows of **\$1.53 billion** in 2024 much lower than figures for countries like India and Vietnam, and even Pakistan outpacing Bangladesh's FDI in recent years.

The report suggests that despite some short-term macro-stabilization, structural issues and policy uncertainty are inhibiting new capital flows into Bangladesh, leaving factories closed and workers displaced. Addressing these constraints is essential for revitalizing investment and sustaining economic growth.

Sources

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Targeting Eight Key Sectors to Repair Macroeconomic Fault Lines

January 31

A recent economic review by UCB Asset Management underscores the urgency of strategic sectoral diversification and long-term institution building as Bangladesh moves toward a post-LDC economy, warning that headline growth without strong economic foundations heightens structural vulnerabilities. The review identifies eight priority sectors—**agriculture, RMG, automotive, electronics, light engineering, IT-based freelancing, semiconductors, and human capital**—where targeted policy support could help repair macroeconomic fault lines and broaden the country's productive base.

1. **Agriculture's role and challenges:** Despite employing about **44 % of the workforce**, agriculture remains dominated by low-value-added activities, with around **75 % of produce unprocessed**, underscoring the need for modernization and value chain development.
2. **RMG sector evolution:** While RMG continues to be a cornerstone of exports and employment, the report stresses moving beyond traditional garment manufacturing into **man-made fibers and higher-value segments** to enhance competitiveness.
3. **Emerging industrial opportunities:**
 - a. **Automotive:** Expanding backward linkages and supply chains, including incentives for **electric vehicle production**, can leverage domestic demand and regional integration.
 - b. **Electronics:** Developing an electronics assembly base with **predictable tax incentives**, skills training, and quality standards, drawing lessons from regional peers like Vietnam, can attract investment and create jobs.
 - c. **Light engineering:** With proper **vocational training and improved linkages**, this sector may bridge between basic manufacturing and more complex industrial production.
4. **Knowledge and digital economy sectors:**
 - a. **IT-based freelancing and semiconductor industry development** are highlighted as critical to breaking the "low-value labor trap" and integrating Bangladesh into global tech supply chains.
 - b. **Human capital investment**, including education, healthcare, and technical skills, forms the institutional foundation for long-term productivity and innovation.

Sources

Target eight sectors to repair macroeconomic fault lines



GLOBAL SHIFTS & EXTERNAL POLICY SIGNALS

**REORDERING GLOBAL POWER, TRADE ALIGNMENTS, AND
DIPLOMATIC SIGNALS**

Global GDP Rankings in 2026: U.S. Still Tops

January 08

In 2026, the **global economy is projected to reach about \$123.6 trillion** in nominal GDP, with economic output concentrated in a handful of large economies. The ranking reflects IMF projections from the *World Economic Outlook* (October 2025), and highlights shifting economic power amid slower advanced-economy growth and rapid emerging-market expansion. Together, the top five economies generate more than **55 % of global GDP**.



Sources

Ranked: *The World's 50 Largest Economies by GDP in 2026*

Navigating Geopolitical “Red Lines” in South Asia

January 08

An editorial discusses the concept of **geopolitical “red lines”** — clear, non-negotiable boundaries that, if crossed, can trigger severe diplomatic, economic, or military responses. The article emphasizes that understanding and communicating these limits is central to foreign policy and global crisis management.

Using historical examples such as the **Cuban Missile Crisis**, the **Syrian chemical weapons stance**, and the **Russia-Ukraine conflict**, the piece illustrates how red lines have shaped major international confrontations.

The article then applies the concept to **Bangladesh-India relations**, noting that mutual suspicion and perceived red lines have emerged following recent political upheaval in Bangladesh. It warns that **aggressive rhetoric, hostile media narratives, and diplomatic tensions** could create de facto red lines even without formal declarations.

It suggests that Bangladesh should **clearly define its own red lines and communicate them effectively** while carefully navigating any perceived red lines from India. The piece also touches on Bangladesh’s expanding engagements with countries like **Pakistan and Turkey** and potential Indian concerns about strategic influence and security implications.

Finally, the editorial concludes that renewed **pragmatic engagement and institutional dialogue** between Dhaka and New Delhi, post-transition, could help reduce tensions and avoid crossing dangerous geopolitical thresholds.

Sources

Crossing red line in geopolitics

U.S. Embassy Announces New 3-Month Single-Entry Visa

January 26

The **U.S. Embassy in Dhaka** has announced a positive update on visa policy for Bangladeshi applicants following earlier visa suspensions. According to the announcement, the Embassy will now issue **single-entry U.S. visas valid for up to three months** to eligible applicants.

This move comes after temporary restrictions on certain visa categories and reflects an effort to **restore mobility and travel opportunities** between Bangladesh and the United States for students, businesspeople, and other short-term visitors.

The Embassy’s new policy aims to facilitate legitimate travel while balancing immigration controls and represents a shift toward resuming more normal visa operations after recent consular adjustments.

Sources

ভিসা নিয়ে সুখবর দিলো যুক্তরাষ্ট্র



How the Visa Bond Pilot Program Works

- AFTER the visa interview, a consular officer will give you payment instructions with a direct link to pay.gov, if eligible.
- Pay the bond within 30 days.
- Receive a single-entry visa valid for up to 3 months.
- Enter the United States at pre-selected ports of entry.
- Upon return home, bond will be automatically canceled and the money refunded if all visa requirements are met (including not working in the United States and departing on time).



SECTORAL ADJUSTMENTS, TRADE POLICY & REGULATORY REFORM

**RECALIBRATING INDUSTRY COMPETITIVENESS THROUGH TARGETED
POLICY ACTIONS**



Ending Bonded Duty-Free Benefit on 10–30 Count Yarn Imports

January 18

The **Ministry of Commerce** has formally requested the **National Board of Revenue (NBR)** to suspend the bonded warehouse *duty-free import benefit* for yarn in the **10–30 count range** — a category widely used as raw material in Bangladesh’s knitwear and garment production. This policy push aims to protect **domestic spinning mills** from being undercut by cheaper imported yarn, especially from neighboring exporters.

1. **Proposal details:** In a letter dated *12 January 2026*, the commerce ministry recommended *cancelling the duty-free bond facility* for *10–30 count cotton yarn* under **HS codes 5205, 5206, and 5207** to strengthen backward linkages and support local manufacturers.
2. **Justification:** The government and industry bodies argue that over recent years, duty-free imports under bonded facilities have surged, leading to *oversupply of imported yarn* at lower prices, declining sales of domestically produced yarn, and underutilization of local mills (operating at about 60% capacity). Around *50 textile mills have already shut down* due to competitive pressures.

Authorities emphasize that continued reliance on cheap imported yarn could weaken Bangladesh’s textile supply chain, reduce local value addition, increase lead times, and ultimately affect competitiveness in key export markets — especially as LDC graduation may erode preferential access. As of now, NBR has yet to issue a formal order implementing the suspension; consultations with industry stakeholders and revenue officials are ongoing.

Sources

Commerce ministry seeks bond facility suspension for 10-30 count yarn imports

Bangladesh’s RMG Sector Must Move Up the Value Chain

January 26

Bangladesh’s ready-made garments (RMG) sector, the country’s largest export earner and employer, stands at a strategic crossroads as it moves toward LDC graduation and a more competitive global trade environment. While the industry has built scale, efficiency, and compliance credibility over decades, its continued reliance on low-value cut-make-trim operations leaves it exposed to shrinking margins, loss of trade preferences, and intensified competition from other apparel-producing countries. Sustaining growth will require a deliberate shift away from volume-led competitiveness toward higher value creation.

What Really Matters

1. **Current strengths and vulnerabilities:** RMG accounts for around 83% of Bangladesh’s export earnings and employs about four million workers. Gains in safety, productivity and compliance have sustained their global role, but most firms remain concentrated in low-value operations with limited bargaining power.
2. **The low-value trap:** Reliance on basic manufacturing under buyer-driven contracts emphasizes cost, speed and compliance over innovation. This restricts learning opportunities and limits firms’ ability to build design, branding and strategic sourcing capabilities.
3. **Upgrading pathways:** The research identifies four types of upgrading:
 - a. *Process upgrading* — improve efficiency and quality.
 - b. *Product upgrading* — produce higher-complexity garments.
 - c. *Functional upgrading* — add roles like design, sampling and logistics.

- d. *Chain upgrading* — expand into new markets and serve premium buyers.
4. **Firms' strategic actions:** To compete post-LDC, RMG manufacturers must invest in human capital beyond production, use buyer relationships for learning, diversify markets and collaborate to build capabilities rather than competing solely on price.
 5. **Policy imperatives:** National trade and industrial policies should shift focus from volume and compliance to capability development, incentivizing higher-value functions, design capability and direct market engagement. Public-private support for design studios, shared technology facilities and training can help firms upgrade comprehensively.



Ultimately, the long-term resilience of Bangladesh's RMG industry depends on its ability to evolve from a compliance- and cost-driven manufacturing base into a learning-oriented, value-added production hub that captures a greater share of global apparel value.

Sources

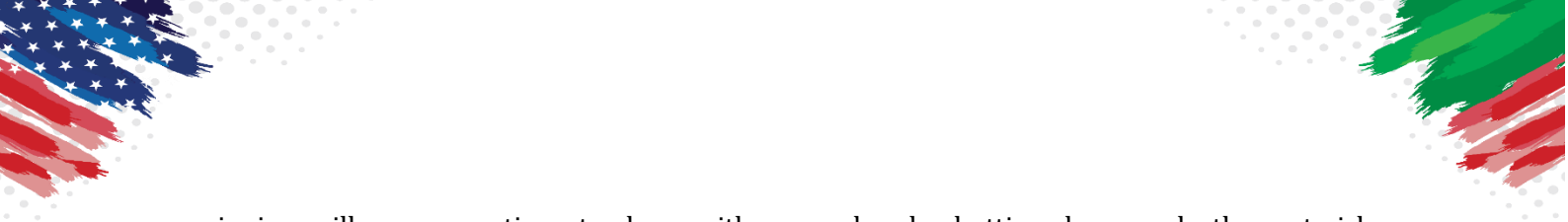
Bangladesh's RMG sector must move up the value chain

BTMA Warns of Textile Sector Crisis Over Unfair Yarn Imports

January 27

The **Bangladesh Textile Mills Association (BTMA)** has issued an urgent appeal to the government to curb what it calls *unfair advantages* enjoyed by imported yarn that are severely undermining domestic spinning mills. The association's leadership says that unchecked duty-free yarn imports — especially under bonded warehouse facilities — have created unequal competition that is threatening the survival of local producers.

BTMA leaders noted a **sharp rise in imported yarn volumes**, particularly from neighboring countries where exporters benefit from subsidies and other incentives, which allows foreign yarn to be sold in Bangladesh at lower prices than locally produced equivalents. As a result, many local



spinning mills are operating at a loss, with some already shutting down and others at risk, according to the association.

In response, BTMA has urged the government to **withdraw bonded warehouse benefits for imported yarn**, especially for counts widely used by knit and woven manufacturers, and to take swift policy measures to level the playing field. Without intervention, the association warns that continued import advantages will deepen the crisis, resulting in further mill closures and significant job losses in the domestic textile sector.

Sources

BTMA calls for urgent govt action to curb unfair yarn import advantages

Real-Time Automated Monitoring of Financial Transactions

January 28

The **Bangladesh Financial Intelligence Unit (BFIU)** is launching a new technology-driven surveillance system to bring all significant financial transactions under *instant automated monitoring*. The initiative aims to detect and deter financial crimes such as illicit loans, loan misuse, money laundering, and fraudulent debt instruments more effectively and in real time — closing gaps in the current reporting-based system.

Under the existing framework, banks must submit cash transaction reports (CTR) to BFIU when deposits or withdrawals exceed **৳10 lakh**, and suspicious transaction reports (STR) when unusual activity is detected. However, these reports are filed periodically (often monthly) and depend on banks' discretion, which limits the agency's ability to act promptly against financial irregularities.

The new system, called **Pro-Active Transaction Monitoring System (PTMS)**, will progressively integrate all banks' data flows and ultimately incorporate mobile financial services (MFS), enabling BFIU to spot suspicious or non-compliant transactions as they occur. Initially, 13 banks will participate during the pilot phase, with nationwide coverage planned later.

In addition to real-time alerts, PTMS will assess the purpose of loans, borrower profiles, business activities of importers/exporters, and the movement of funds. Automated risk signals will be generated whenever inconsistencies or high-risk patterns arise, prompting banks and regulators to respond quickly. BFIU officials cite international precedents — including systems in the UAE, Singapore, Turkey, the UK, US, Australia, Italy, Canada, and the Netherlands — where similar monitoring has reduced financial crime and illegal fund flows

Sources

আর্থিক লেনদেনে তৎক্ষণিক স্বয়ংক্রিয় নজরদারি আসছে

Incentives & Import Rules to Boost Local Yarn Use

January 30

The Bangladesh government is actively considering policy measures to support domestic spinning mills and increase the use of *locally produced yarn* in the textile and garment value chain. These options come amid pressure from the local industry over the impact of duty-free imported yarn on domestic producers. A high-level meeting chaired by the Commerce Adviser and attended by RMG and textile sector representatives discussed key proposals, with final decisions expected after consultations with the Finance Division.

The main policy options under review include:

- 
- 
1. **Cash incentives for local yarn use:** Authorities are considering providing financial incentives to encourage garment manufacturers to source more locally spun yarn. Under discussion are several structures — including potentially increasing cash incentives on garments made with local yarn to **about 5 %** (up from the current 1.5 %) or offering **10 % incentives to local spinning mills** and **3 % to RMG exporters** using domestic yarn, to strengthen the sector's competitiveness.
 2. **Temporary suspension of bonded import facilities:** The government may suspend the duty-free *bonded warehouse* benefit for imported yarn — particularly medium counts — which has been criticized for undermining local spinners. Removing this facility could make imported yarn more expensive and improve the price competitiveness of domestic yarn.
 3. **Technical committee formed:** A committee featuring officials from the Ministries of Finance and Commerce and industry stakeholders has been tasked with evaluating the financial and operational impacts of these options on the textile and apparel value chain, with recommendations due soon.

The proposed incentives aim to address the imbalance caused by low-cost imported yarn — which has pressured local spinning mills — while avoiding excessive cost increases for garment exporters that could affect competitiveness. Industry reactions have been mixed, with textile mills welcoming protective measures and exporters urging caution to avoid supply disruptions and cost hikes.

Sources

Cash incentives or bond suspension – govt weighs options to boost local yarn use
