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Reforms may cause short-term economic slowdown: BB

STAR BUSINESS REPORT

Economic activities may slow down in the near term as the government has opted to initiate massive economic reform measures, the Bangladesh Bank (BB) said yesterday.

The reforms will eventually benefit the economy in the medium and long run, it said in its July-September issue of Bangladesh Bank Quarterly, a publication of the central bank.

This comes two days after the World Bank projected that Bangladesh's economy may grow by 4.1 percent in the fiscal year 2024-25 due to subdued investment and industrial activity amid heightened political uncertainty.

In its quarterly publication, the central bank said that Bangladesh's economy is going through a transitional phase with the formation of the interim government, while a gradual return to economic normalcy has already started.

The reforms will eventually benefit the economy in the medium and long run, the central bank said

The BB said the economy experienced significant disruptions across all three major sectors—agriculture, industry, and services—following the uprising in July and August last year.

Moreover, when the interim government started its journey with greater commitments towards economic reforms, economic activities were affected by repeated floods in many districts during August and September 2024.

Nonetheless, rebounding external demand, reflected in robust export growth and hefty remittance inflows during the July-September period of fiscal year 2024-25, depicted a promising momentum towards growth performance in the coming quarters.

The BB said inflation rose to 9.92 percent in the first quarter of FY25, up from 9.72 percent in the last quarter of FY24.

Inflation surged to a record high of 11.66 percent in July 2024 before softening in the subsequent two months.

"The July spike, the highest in 13 years, was primarily attributed to supply chain disruptions from the nationwide student uprising," said the central bank.

The BB said rising food inflation was the main driver of headline inflation in the first quarter of FY25.

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IMF defers loan proposal by five days

STAR BUSINESS REPORT

The proposal to release \$645 million, the fourth tranche of a \$4.7 billion loan programme for Bangladesh, was due to go before the International Monetary Fund (IMF) Executive Board on February 5.

But this has now been pushed back by five days to February 10, a senior finance ministry official confirmed to The Daily Star yesterday. However, the date was deferred due to internal procedures, said the official.

Earlier, Chris Papageorgiou, who led an IMF delegation to Bangladesh between December 3-18 last year, had said that the proposal would be submitted on February 5.

"The IMF's Executive Board will consider the completion of the review based on the implementation by the authorities of prior actions," the IMF said in a statement after the visit.

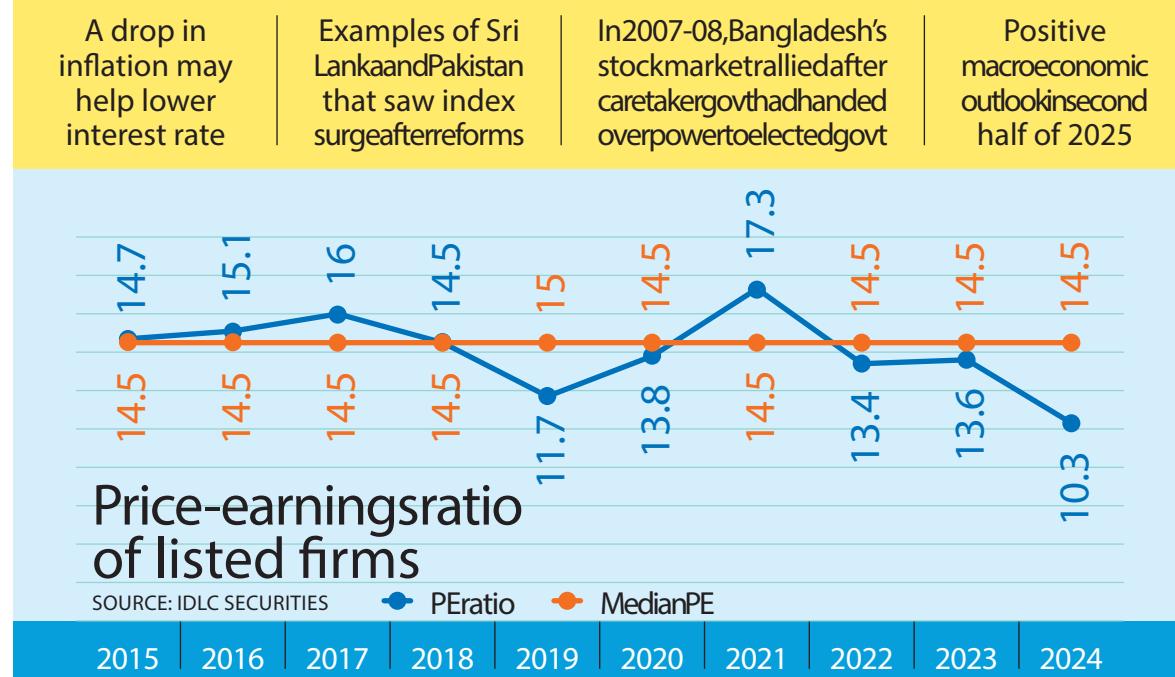
One of the major conditions for the release of the fourth tranche was revenue mobilisation to increase the country's tax-to-GDP ratio -- one of the lowest globally.

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Stocks at record lows, rebound expected later this year

FACTORS THAT MAY BOOST INDEX



A drop in inflation may help lower interest rates.

Examples of Sri Lanka and Pakistan that saw index surge after reforms.

In 2007-08, Bangladesh's stock market rallied after caretaker govt had handed over power to elected govt.

Positive macroeconomic outlook in second half of 2025.

AHSAN HABIB

The Dhaka Stock Exchange (DSE) has reached a point where its shares are record cheap due to the recent macroeconomic turbulence and higher interest rates, which have diverted investments away from securities, according to leading stockbroker IDLC Securities.

The stock market index may rise once the inflation rate declines and interest rates in the banking sector drop—a path both Sri Lanka and Pakistan Stock Exchanges took.

In its 2025 outlook titled "Are Ripples of Reform Priced In?", IDLC Securities forecast that the rebound could occur in the second half of this year.

The brokerage firm showed that the price-to-earnings (P/E) ratio of stocks on the DSE stood at 10.3 at the end of the recently concluded 2024—the lowest in at least the past 10 years.

"This is extremely low," said Tanay Kumar Roy, head of Equity Research at IDLC Securities.

The figure of 10.3 is also below the median P/E ratio of 14.5.

The price-to-earnings ratio is the proportion of a company's share price to its earnings per share.

A high ratio may indicate that a company's stock is overvalued. Conversely, a low P/E ratio suggests that stock prices are undervalued compared to their earnings.

Even though stocks in the DSE are undervalued, Roy said that high interest rates in the banking sector are prompting institutional investors to rush to the money market.

He said the current business climate is making investors hesitant to invest in the stock market. "People do not want to invest during a period of reform, so they are adopting a wait-and-see approach."

Regarding the business performance of listed companies, he said that corporate earnings dropped by around 20 percent in the July-September period of last year due to political unrest and supply chain disruptions.

Even if corporate earnings continue to decline at this rate over the next three quarters, the stocks would not be overvalued, as the P/E ratio would still be around 12, he added.

From an investor's perspective, a lower P/E may sound like a suitable investment option.

However, Saiful Islam, president of the DSE Brokers Association, said a lower P/E ratio alone would not attract investors.

"Building investor confidence, alongside improved macroeconomic conditions, is important for the market," he added.

To improve investor confidence, Islam said visible progress in governance, surveillance, monitoring, and enforcement is

important to bring it up to at least regional standard.

He suggested that doubling the number of investable stocks is necessary for meaningful growth in the stock market.

On a positive note, Islam mentioned that financial discipline has begun to return, and the erosion of asset quality has stopped.

IDLC Securities projected that macroeconomic indicators will start to improve in the coming months.

It said that Bangladesh's exports have recently recorded double-digit growth, despite labour unrest in the RMG sector, political changeover, and economic hurdles in major markets such as the US, China, the UK, and the EU.

"Exports are expected to benefit from tailwinds as inflation and interest rates ease in export destinations. The European Central Bank (ECB) has cut rates from 4 percent to 3 percent, while the US has reduced short-term rates to a range of 4.25 percent to 4.50 percent from the previous 5.25 percent to 5.5 percent."

Besides, double-digit growth in remittances has continued, said the brokerage firm.

IDLC Securities believes the political changeover has likely curbed the creation of black money and wealth transfer, leading to

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Only 45% of foreign investments qualify as actual FDI: Bida

STAR BUSINESS REPORT

Just 45 percent of all foreign investments in Bangladesh qualify as actual foreign direct investments (FDI), while the rest is either intercompany loans or reinvestments, according to a report by the Bangladesh Investment Development Authority (Bida).

The FDI inflow has remained stagnant in recent years, contributing a mere 0.5 percent of the country's gross domestic product (GDP), said the report released yesterday.

Styled as "The FDI Heatmap", it also highlighted the significant lack of structured investment promotion campaigns for domestic industries.

Furthermore, it said industry experts in various sectors emphasised the need for better strategic alignment between public and private initiatives.

Additionally, they urged the prioritisation of industrial development and targeted interventions by the government to unlock the country's true potential in receiving FDI, it added.

"The FDI Heatmap is more than a plan; it is the blueprint for all our future touchpoints with investors," said Bida Executive Chairman Ashik Chowdhury.

"Every roadshow we plan, bilateral investment treaty we negotiate, or policy support we provide will follow this data-driven analysis from experts," he added in a press release on the report.

Nahian Rahman Rochi, head of business development at Bida, said FDI contributions to Bangladesh's GDP are far below the global average of 3-4 percent despite the country's strong economic fundamentals.

The FDI Heatmap aims to reverse this trend by leveraging a structured approach to prioritise industrial sectors, identify high-potential investor markets, and align investment strategies with national goals," he added.

In essence, Bida underscored the urgent need for a robust framework to attract quality investments that align with national priorities.

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JAGARAN CHAKMA

Bangladesh's pharmaceutical industry is undergoing a significant transformation, driven by young talent and innovation, according to pharmaceutical professionals.

The industry is shifting from chemical-based medicines to biomedicines, offering fresh graduates unique opportunities to shape the country's future as a global contributor to the pharmaceutical sector, they said.

By fostering research, innovation, and cross-disciplinary roles, the pharmaceutical industry is creating meaningful employment for a generation eager to devote their talent, they stated.

The pharmacists also said the sector now embraces a diverse pool of talent from fields such as biotechnology, genetic engineering, biochemistry, and chemical engineering, challenging the long-held perception that pharmacy graduates dominate these roles.

For example, biochemists are finding opportunities in business development for regulated markets, while pharmacists are being trained to manage intellectual property for pharmaceutical innovations.

The shift toward advanced manufacturing and complex product formulation has further diversified career paths.

Roles such as quality assurance executives, regulatory affairs specialists, and analytical scientists have emerged to meet the demands of stringent global standards.

DRIVERS OF TRANSFORMATION

- Innovation
- Young talents

PHARMA SECTOR ANNUALLY WELCOMES

700 biotech, genetic engineering graduates



LOCAL PHARMACEUTICALS

Market size: Tk 40,000 crore

Total companies: 160

Annual growth: 12%

Exports to US, UK and EU nations

BIOMEDICINES

It requires cross-disciplinary roles

The disciplines are: biotechnology, genetic engineering, biochemistry and chemical engineering



Several leading companies, including Square Pharmaceuticals PLC, Incepta Pharmaceuticals, Aristopharma, ACI HealthCare Ltd, Globe Biotech, Beacon Pharmaceuticals PLC, and Zisca Pharmaceuticals, are investing heavily in biologics, signalling significant growth in this area.

Biomedicine, which focuses on treatments

derived from biological sources, has become a central focus for these companies.

"There are vast opportunities for young graduates in pharmacy, biotechnology, biochemistry, and related disciplines," said M Mohibuz Zaman, managing director and chief executive director of ACI HealthCare Ltd.

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Beximco workers want jobs back
Govt to take a decision on 16 factories today

REFAYET ULLAH MIRDHA

The 40,000 laid-off workers and officials of the 16 textile and garment units of Beximco Group want the factories to remain operational so that they can be reinstated.

The government is preparing to sell these units, as the group is bogged down by a huge amount of default loans. On top of this, uncertainty remains over whether the workers will receive their service benefits.

The group's management body went ahead with the layoffs, citing low inflow of work orders from international clothing retailers and brands, after the ouster of the Sheikh Hasina-led government on August 5 last year.

The conglomerate subsequently landed in hot water. Its vice-chairman, Salman F Rahman, who is now behind bars, was an influential adviser to the deposed prime minister Sheikh Hasina.

Rahman is accused of weaponising his political influence for personal business gain. After the fall of the Awami League, a series of financial irregularities involving Rahman and his business empire came to light.

Recent Bangladesh Bank data showed that Beximco Group owed nearly Tk 50,000 crore in bank loans as of November 2024, with more than half of the amount becoming non-performing.

However, the management is eager to keep the factories operational.

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Power producers call for clearing dues citing forex losses

STAR BUSINESS REPORT

Private power producers have urged the Bangladesh Bank for a solution to recover losses stemming from delayed payments by the Bangladesh Power Development Board (PDB).

Members of the Bangladesh Independent Power Producers Association (BIPPA) made this request at a meeting with Ahsan H Mansur, governor of the central bank, at his office in Dhaka yesterday.

The BIPPA members, comprising mostly owners of liquid fuel-based power plants, told Mansur that they incurred combined losses of Tk 8,500 crore due to delayed payments by the PDB following the start of currency fluctuations.

The exchange rate between the taka and the US dollar has been repeatedly revised since August 2021, with the local currency depreciating by more than 30 percent.

"The governor told us they will closely monitor the exchange rate with commercial banks in the future," BIPPA President David Hasan told The Daily Star.

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Drugmakers hiring cross-discipline grads amid biomedicine expansion

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- Innovation
- Young talents

PHARMA SECTOR ANNUALLY WELCOMES

700 biotech, genetic engineering graduates



LOCAL PHARMACEUTICALS