

USD hits Tk 123 in interbank trade

STAR BUSINESS REPORT

The US dollar hit Tk 123 yesterday in the interbank market, reflecting further weakening of the local currency two weeks after the central bank moved to a market-driven exchange rate for the purchase and sale of foreign currencies.

Banks traded each dollar at Tk 122.90-Tk 123 for interbank transactions, whereas just a couple of days ago it was Tk 122, according to the Bangladesh Bank (BB).

A majority of banks are now selling US dollars to importers at Tk 122.90 to Tk 123 while buying them from exporters and exchange houses at rates between Tk 122.50 and Tk 122.80, bankers said.

Central bank officials said the banking regulator is monitoring the foreign exchange market, which is now stable due to the growing inflow of US dollars from high remittance and export earnings.

A treasury head of a private bank, speaking on condition of anonymity, said the central bank and other authorities have instructed all parties to act sensibly under the current circumstances. Since Eid-ul-Azha is approaching, the flow of US dollars is expected to increase, the official added.

Economy shows signs of recovery: MCCI

STAR BUSINESS REPORT

Bangladesh's economy exhibited gradual signs of recovery in the current fiscal year's third quarter, buoyed by increased export earnings and remittance inflows, according to the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI).

Macroeconomic indicators are showing signs of resilience, yet swift and effective financial sector reforms are crucial for a robust and sustainable recovery, it added in a "Quarterly Economic Situation in Bangladesh" report.

Based on the January-March period of 2025, the report noted that these inflows were helping to stabilise the foreign exchange reserves and revive the rural economy, key contributors to macroeconomic stability.

However, persistent regulatory lapses and widespread banking sector loan scams have slowed down

the pace of recovery, said the MCCI. Ongoing reforms and measures to restore public confidence are essential to stimulate gross domestic product (GDP) growth, it added.

Export earnings in the July-March period rose 10.52 percent year-on-year to \$37.19 billion. However, it was 0.61 percent below the strategic target of \$37.42 billion.

In March alone, export earnings grew 11.36 percent year-on-year to \$4.25 billion and rose 6.89 percent from February 2025.

Import payments in the July-March period increased by 6.38 percent year-on-year to \$52.36 billion.

In March, it amounted to \$5.90 billion, marking a 15.42 percent rise from a year earlier, though down 0.75 percent from the previous month.

Remittance inflows reached a record high in March, surpassing the \$3 billion mark for the first

time. Over the July-March period, total remittances grew 27.58 percent year-on-year to \$21.78 billion.

According to Bangladesh Bank data, broad money (M2) grew by 9.18 percent year-on-year in March. It was 8.92 percent in the same month of 2024.

Broad money (M2) is the total money supply including currency, demand deposits and time and savings deposits and securities.

Domestic credit growth slowed to 9.19 percent in March. It was 12.14 percent in the same month of 2024.

Private sector credit rose by 7.57 percent, below the target of 9.80 percent.

Public sector credit increased by 15.12 percent, also below the 19.80 percent target.

Credit to the government grew by 16.32 percent, and to other public sectors by 5.26 percent.

GLOBAL TARIFFS Bangladeshi firms expect milder cost pressures: HSBC

STAR BUSINESS REPORT

Bangladeshi businesses have, thus far, experienced lower than average cost increases from tariffs and anticipate milder cost escalations in both the short and long terms, according to HSBC's 2025 Global Trade Pulse Survey.

The survey gathered insights from over 5,700 international firms across 13 markets, including 250 companies in Bangladesh.

It found that the impact of tariff-related cost increases on Bangladeshi businesses was comparatively low and this trend was expected to continue in the foreseeable future.

However, the average expected revenue impact due to supply chain disruptions in Bangladesh is five percentage points higher than the global average, according to an HSBC press release.

In response to escalating trade challenges, local firms have implemented proactive measures such as enhancing data analytics capabilities, developing risk management frameworks, diversifying supply chains, and conducting scenario-based simulations.

Many are also reorienting their trade strategies toward Europe, the US, and South Asia.

Private investment

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Imports of capital machinery, measured by the opening of letters of credit, fell by 26 percent year-on-year to \$1.8 billion in the first nine months of the current fiscal year, central bank data shows.

"The BBS data shows a sharp decline in private investment. This is a worrying sign for both employment and overall economic growth," said Mustafizur Rahman, distinguished fellow at local think tank Centre for Policy Dialogue (CPD).

The economist linked the downturn to falling imports of capital machinery, suggesting fewer new industrial ventures and limited contributions from the private sector to GDP growth and job creation.

Private sector credit growth, Rahman added, continues to fall short of the government's 9 percent target, hovering below 7 percent.

Export-oriented and import-substituting industries, which are usually the engines of private investment, are largely sticking to their existing capacity rather than expanding, said Rahman.

This stagnation, he said, is holding back economic momentum.

He cited several causes, such as political uncertainty, rising borrowing costs, and sluggish structural reforms, especially in logistics and trade facilitation.

"Private sector investment growth has essentially stalled," he said, urging swift political stabilisation, greater access to finance, and a stronger push for policy reforms to

revive investor confidence. M Masrur Reaz, chairman and CEO of the Policy Exchange of Bangladesh, described the fall in investment as a plain warning. "This isn't just a statistical decline; it reflects growing uncertainty about the country's political and economic direction."

According to Reaz, a combination of weak investor sentiment, political unrest, and slow reform is threatening critical development goals, including technological upgrades, greater industrial competitiveness, and economic diversification.

"Private investment drives employment and output. Without it, sustainable growth will remain out of reach," he said.

Reaz also pointed to widespread disruption — protests, administrative delays, and operational bottlenecks — that have stalled both decision-making and supply chains.

"The uncertainty around the transition to an elected government is fueling investor anxiety," he said. "Clarity on political direction is essential. Long-term investors are waiting. Without that, investment will not rebound."

Selim Raihan, executive director of the South Asian Network on Economic Modeling (Sanem), said the declining investment trend reflects deep-rooted macroeconomic and political weaknesses.

He cited soaring inflation, high interest rates, foreign exchange instability, and political turmoil as key factors eroding investor confidence.

Raihan added that the absence of consensus on

reforms, coupled with uncertainty over the election timeline, has heightened perceptions of risk. With an interim government in place, many investors are reluctant to commit, unsure whether policies will remain consistent.

"This unpredictability makes long-term investment decisions difficult," he said.

Raihan said that the slump in private investment could deal a heavy blow to the country's industrialisation drive, youth employment prospects, and efforts to diversify its economy ahead of its graduation from least developed country (LDC) status.

He also said foreign direct investment (FDI) may dry up, as global investors often take local sentiment into account before committing funds.

"Without clear signals of stability and reform, FDI inflows may stagnate, further constraining the country's development ambitions," he said.

Asif Ibrahim, former president of the Dhaka Chamber of Commerce & Industry (DCCI), has expressed concern over the declining investment-to-GDP ratio and the slowdown in private sector credit growth, warning that these trends could have serious implications for employment.

"With around 20 lakh young people entering the job market every year, the private sector plays a crucial role in absorbing this growing workforce," said Ibrahim.

A continued decline in investment, he said, may result in rising unemployment.

He gave another example of how the stock market was now truly in a moribund state and, in a sense, had been sent to the intensive care unit.

If the Bangladesh Securities and Exchange Commission (BSEC) wants to bring about reforms in the stock market without consulting stakeholders, it will not be successful, Bhattacharya said.

"When you do not fully follow the reform committee's suggestion and proceed to implement it (the new law) without any discussion, you inevitably face a regrettable consequence," said Bhattacharya, referring to NBR Chairman Abdur Rahman Khan.

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On the national budget

for the upcoming fiscal year, he said he found no difference in the formulation of the fiscal measures.

The interim government has revised it, but there has been no structural change, said Bhattacharya, also a convenor of the Citizen's Platform for SDGs.

"Where are you giving incentives? Where are you granting exemptions? People do not know. The lack of transparency that existed during the tenure of the previous dictator government is being witnessed now," he said.

He added that mega-projects which were undertaken by the last government were overvalued. "Where have you reduced it?" he questioned.

However, Bhattacharya

said, the interim government deserves some thanks for a growth trend in foreign exchange reserves, stability in the foreign exchange market, and a gradual easing of inflation.

Nonetheless, a clear roadmap for the economy is absent, he said, adding, "There is no visible discussion on employment generation."

"What is the government's stance on disparity? This government must prove how it is different from the previous one and what it has done differently," he said.

"Will investors go for plans based on just your six-month plan? This government is legal, but it is not elected. What guarantee is there that the future government will continue its policies?" asked

Bhattacharya.

Referring to World Bank data, he said, "Some 27 lakh people have become poorer during the interim government's period. Out of this, 18 lakh are women."

Responding to this, Anisuzzaman Chowdhury, special assistant to the chief adviser, said, "Do not go after it. This World Bank praised the previous government and legitimised that government."

"I can give you examples one after another," he said, adding that bringing about reforms during an economic crisis, which Bangladesh is currently facing, was very tough.

On the other hand, those opposing the reforms are well organised, he said, pointing at the NBR officials who staged the protest.

A clear roadmap for economy

FROM PAGE B1

The commission recently instructed the sponsors and directors of 44 companies to raise their collective stake to at least 30 percent.

As they failed to do so, the BSEC is invoking the Corporate Governance Code of 2018, which empowers the commission to appoint independent directors in such cases.

A market analyst said that when sponsors increase their shareholding, it sends a strong, reassuring signal to investors.

He said that many of the 44 companies are currently underperforming, which could explain the reluctance of the sponsors to buy additional shares.

A total of 114,875 trades were executed during the session. Of the issues traded, 295 declined, 63 advanced, and 40 remained unchanged.

Turnover, a key indicator of market activity, declined 3 percent to Tk 264.98 crore from the previous session.

In this situation, if the regulator can improve performance of the companies by appointing efficient independent directors, it would be good news for investors," the analyst added.

Stocks drop to five-year low

Indices of the Dhaka Stock Exchange (DSE) plunged further yesterday, marking

the sixth consecutive day of losses as investor sentiment remained subdued.

It sent the benchmark index of the Dhaka Stock Exchange, DSEX, to 4,615 points — the lowest in five years. In August of 2020, the index was 4,533.

Yesterday, the DSEX fell 62.72 points, or 1.34 percent. The Shariah-compliant DSES index shed 1.59 percent to end at 1,008.14, while the DS30, which tracks blue-chip stocks, dropped 0.91 percent to 1,708.36.

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