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Star BUSINESS

Budget spending rises 17.5% in July-March

Fuelled by interest payments and subsidies

REJAUL KARIM BYRON and AHSAN HABIB

Budgetary spending increased by 17.5 percent year-on-year in the first nine-month period of the current fiscal year of 2024-25, mainly due to a rise in spending on interest payments and subsidies.

The total expenditure stood at Tk 386,973 crore in the July-March period of FY25, up from Tk 329,284 crore in the same period of the previous year, according to a report of the finance ministry.

The total actual operating spending was 62.1 percent of the operating budget estimates. During the period, 57.1 percent of the total revenue target has been achieved.

In the total expenditure, subsidies have almost doubled to Tk 63,355 crore.

The revised budget raised this year's power subsidies to Tk 62,000 crore, which resulted from the payments of arrears accrued over several fiscal years.

Power subsidies stood at around Tk 9,000 crore in FY2020-21 but climbed as the previous government approved large power plants without phasing out older ones. This led to underutilisation and hefty capacity payments.

The Russia-Ukraine war led to a spike in fuel and liquefied natural gas (LNG) prices, further pushing up power generation costs, while the weakening taka compounded the subsidy burden.

The previous government's failure to make timely payments left power companies with mounting arrears, which are now being cleared.

Officials said that although a large portion has been paid, some may get carried over into FY26.

"If arrears spill into the next fiscal year, the allocation may rise beyond Tk 37,000 crore," a finance ministry official told The Daily Star.

Not only the higher subsidies but also higher interest payments caused higher budgetary spending in the period.

In the span of the nine-month period of the current fiscal year, interest payments of the government grew 25 percent year-on-year to Tk 96,206 crore.

The country's interest payments soared as the government borrowed heavily, particularly for mega projects, often without proper research.

In the first nine months of fiscal year 2024-25, the interest payments soared 92 percent year-on-year to Tk 85,298 crore.

Bangladesh Bank's recent policy rate increases have contributed to rising interest payments on domestic loans.

The interest rate for the government's domestic borrowing from banks and non-bank sources through treasury bonds and bills also increased to between 10 percent and 12 percent, which was 8 percent until 2023.

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FY25: A year of fewer jobs, falling investment

BY THE NUMBERS

SOURCE: BB, NBR, EPB

Remittance ↑
FY24 Jul-Apr: $**19.11**b
FY25 Jul-Apr: $**24.53**b

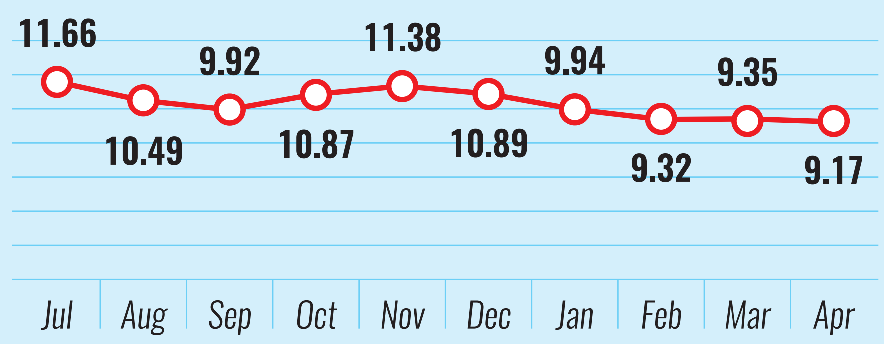
Reserves ↑
May '24: $**18.69**b [BPM6]
May '25: $**20.47**b [BPM6]

Imports ↑
FY24 Jul-Mar: $**46.7**b
FY25 Jul-Mar: $**49.3**b

Exports ↑
FY24 Jul-Apr: $**36.6**b
FY25 Jul-Apr: $**40.8**b

NBR revenue collection ↑
FY24 Jul-Apr: Tk **2.78** lakh crore
FY25 Jul-Apr: Tk **2.89** lakh crore

Inflation rate in FY25
Value in %, SOURCE: BBS



Private sector credit growth: **7.57%** (March '25)

Capital machinery import falls **26.02%** (March '25)

LABOUR FORCE SURVEY

Unemployment rate: **4.63%** [Oct-Dec '24]

Unemployment rate: **3.95%** [Oct-Dec '2023] (According to 19th ICLS definition)

Jobless people: **27.30** lakh in 2024

Jobless people: **24** lakh in 2023

MD ASADUZ ZAMAN

When Finance Adviser Salehuddin Ahmed presents the national budget for the fiscal year (FY) 2025-26 tomorrow, he will have some encouraging numbers to share.

Exports and remittances are climbing, foreign exchange reserves have steadied, and the exchange rate has shown signs of stability. Imports, too, are beginning to recover.

Red-hot inflation, which has been hovering above 9 percent for more than two years, has finally started to ease. All these signs have prompted economists and businesses to cautiously suggest that the economy may be on the path to recovery.

Yet, the outgoing FY25 brought little progress in creating new jobs or setting up new production units, with the country recording its lowest GDP growth since the Covid pandemic.

The year began in upheaval, with student-led protests culminating in the fall of the Awami League government in August. Subsequently, the interim government, led by Nobel laureate Muhammad Yunus, assumed office.

It inherited a fragile economy. Inflation was high, reserves were dwindling, and a tight monetary policy was in place.

On top of this, worsening law and order and continued political uncertainty eroded investor confidence, further slowing both domestic and foreign investment.

As a result, economic growth in FY25 slumped to 3.97 percent, according to provisional data from the Bangladesh Bureau of Statistics. Youth unemployment rose sharply, and industrial activity remained sluggish throughout the year.

The unemployment rate increased to 4.63 percent, with 27 lakh people out of work, up from 24 lakh the previous year.

Labour force participation also decreased, falling to 48.41 percent from 50.27 percent, as job creation failed to keep pace with demand.

This is the backdrop against which the government will unveil its new budget, seeking to address deep-rooted economic wounds while advancing a wider reform agenda.

The upcoming budget will be slightly smaller in size and shaped in part by the country's graduation from the UN's least developed country category in December 2026. It will also reflect concerns over high US tariffs introduced under Donald Trump and the conditionalities tied to the ongoing $4.7 billion loan programme from the International Monetary Fund (IMF).

Economists and analysts have called the current moment "unprecedented" and are urging bold immediate and long-term reforms to steer the country back towards stronger growth.

"This year's budget should be more than just a statement of spending and revenue. It must offer clear policy direction on how to stabilise the economy and ensure effective coordination between monetary and fiscal policies," said Muhammad Abdur Razzaque, chairman of the local think tank Research and Policy Integration for Development (RAPID).

From industrial growth to employment and investment, Razzaque said, everything was affected in the post-uprising period. "It was really a challenging time for Bangladesh."

"After the uprising, our top priority was to tame inflation and stabilise the balance of payments. But the contractionary monetary policies and import control measures were not supportive of investment or job creation, as well as economic expansion," he added.

Sadiq Ahmed, vice chairman of the Policy Research Institute of Bangladesh, said fiscal policy in FY25 was hamstrung by poor domestic resource mobilisation.

"As a result, it was not geared towards supporting growth, investment or employment," he noted.

"Much of the fiscal focus was on stabilisation, cutting the deficit by scaling back development spending. Efforts rightly prioritised reducing the Annual Development Programme by deferring large infrastructure projects."

Selim Raihan, professor of economics at Dhaka University, echoed the view that encouraging private investment proved difficult in FY25 amid persistent structural challenges and political and economic uncertainty.

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BGMEA holds election

STAR BUSINESS REPORT

The biennial election of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) was held yesterday to elect office bearers for the 2025-27 tenure.

The poll began at 8:00am and continued until 5:00pm without a break.

According to BGMEA officials, voting took place simultaneously at polling centres in Dhaka and Chattogram.

In Dhaka, the election was held at the Radisson Hotel, where 1,561 voters cast their ballots, while 303 voters cast theirs at the Chattogram centre.

The two contesting panels are: Forum and Sammilito Parishad.

Mahmud Hasan Khan Babu is leading the Forum panel, while Md Abul Kalam is heading the Sammilito Parishad panel.

BGMEA Administrator Md Anwar Hossain said voting ended peacefully at both centres, with 88.21 percent of votes cast at the Dhaka booth and 83.83 percent in Chattogram.

"The counting is going on, and we may need some more time to announce the final result," the administrator told The Daily Star around 5:20pm.

In the BGMEA election, voters elect 35 directors, who later nominate the president, vice-presidents, and other office bearers.

The BGMEA election was held on March 9 last year, but it drew controversy over alleged tampering of the voter list and accusations that the Sheikh Hasina-led government influenced its outcome.

That year, all 35 director posts were won by the

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Agriculture growth hits decade-low

Sparks food security concerns

SUKANTA HALDER

Bangladesh's agriculture sector recorded its weakest growth in over a decade this fiscal year, prompting fresh concerns about food security, rural incomes and overall economic recovery.

The growth rate stood at 1.79 percent in fiscal year (FY) 2024-25, matching the lowest level recorded in the last 11 years, according to the Bangladesh Bureau of Statistics (BBS).

The same rate was last seen in FY 2015-16. In previous FY 2014-15, the sector grew by 2.45 percent.

For the latest dip in the farming sector growth, agri economists and industry insiders point to a mix of unfavourable conditions, such as prolonged flooding, unseasonal rain and political unrest.

Agriculture's share of the country's gross domestic product (GDP) has also continued to shrink.

While it accounted for over 38 percent in the early 1970s, its contribution dropped to 11.3 percent in fiscal year 2022-23 and further dropped to 10.94 percent in FY25, according to BBS.

This growth rate is the lowest in recent years, and one of the main reasons behind it is flooding, followed by drought and heavy rains, which have significantly disrupted cultivation, said Prof Jahangir Alam Khan, an agriculture economist.

As a result, the production of Aus and Aman season paddy

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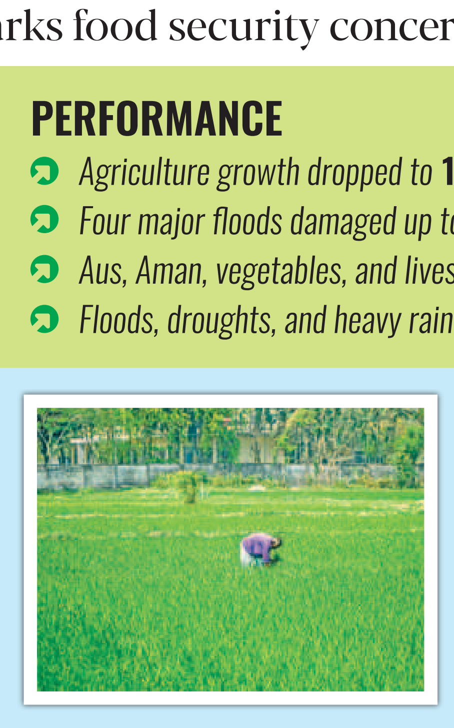
PERFORMANCE

- Agriculture growth dropped to **1.79**% in FY25 — lowest in 11 years
- Four major floods damaged up to **15**% of crops across **23** districts
- Aus, Aman, vegetables, and livestock were heavily affected
- Floods, droughts, and heavy rain disrupted cultivation



Contribution to GDP

Agriculture's share in GDP was over **38**% in the early 1970s

It dropped to **11.3**% in FY23

In FY25, the share fell further to **10.94**%

Stock brokers, merchant bankers may get tax cuts

AHSAN HABIB

The interim government may widen the gap in the corporate tax paid by listed and non-listed firms from 5 percentage points to 7.50 percentage points in order to attract companies with good performance records into going public.

The announcement may come in the proposed budget for fiscal year 2025-26, which is going to be placed tomorrow, confirmed sources from the Ministry of Finance.

BUDGET FOR FY26

Not only that, but the proposed budget might also bring some good news for stockbrokers and merchant banks.

In order to encourage trading and investment in the stock market, source advance tax on turnover is going to be dropped to 0.03 percent from the existing 0.05 percent.

On the other hand, there could be a proposal for the reduction of the corporate tax rate on merchant banks to 27.5 percent from the existing 37.5 percent.

The sources confirmed that the proposed budget is going to retain the 22.5 percent corporate tax rate on listed firms. If they can get all their income through banking channels, the rate would be 20 percent.

The corporate tax for non-listed firms would be 27.5 percent, and there would be no option for conditional reductions for fiscal years 2026-27 and 2027-28, according to the finance ministry sources.

In the current fiscal year, the rate is 27.5 percent, but it can be 25 percent on two conditions—if the firms handle

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