Budget spending

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As a result, these projects are not generating sufficient returns for the repayment of the loans, which ultimately becomes a burden on the budget.

Some of the loans taken in recent years have short repayment periods, further exacerbating the financial strain.

Interest payments against external loans would continue to soar in the coming years thanks to Bangladesh's graduation from the least developed country bracket and elevated benchmark interest rates in advanced economies, according to the finance division's Medium-Term Macroeconomic Policy Statement.

Usually, interest payments commence once the loan is utilised. But after the pandemic, the government has been taking large amounts of budgetary support every year, which is disbursed immediately, and the repayments kick in.

Many mega projects have been completed and some are nearing completion. The principal amount of the loans for those projects is yet to be repaid, but the interest payments have been paid.

As the per capita income has increased in recent years, the multilateral and bilateral lenders have increased the interest rate. Many of them have been lending at a market-based interest rate, which is high enough.

During the first nine months of FY25, the country's total revenue rose 7.71 percent year-on-year to Tk 309,053 crore.

In the same period, total tax revenue grew 2 percent to Tk 260,910 crore.

Of the Tk 260,910 crore, Tk 255,076 crore was collected by the National Board of Revenue (NBR), which is also 2 percent higher than that of the same period of the previous fiscal year.

From July 2024 to March 2025, non-tax revenue surged 52 percent to Tk 48,143 crore, the data showed.

FY25: A year of fewer jobs

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"Despite various incentives, such as tax holidays in special economic zones, concessional rates for targeted sectors and infrastructure spending, investment growth remained tepid," said Raihan, also the executive director of the South Asian Network on Economic Modeling (Sanem).

He termed the contradictions in the country's tax structure as a key constraint.

"The tax-to-GDP ratio remains among the lowest globally, limiting public investment capacity. At the same time, businesses complain of a high and uneven tax burden, erratic enforcement, and high compliance costs. All of these issues discourage investment," he said.

While the government continued to support large infrastructure projects, offered subsidies to export-oriented industries, and pushed public-private partnerships, these initiatives struggled due to implementation delays and weak institutional coordination.

"The broader industrial policy is still too reliant on the readymade garments sector," said Raihan. "There has been little progress in diversifying into higher value-added industries."

Although tax exemptions and reduced import duties for certain sectors provided some relief, policy inconsistency dented investor confidence.

Added inflationary pressures and currency volatility also made firms more cautious, further slowing capital investment, according to the economist.

"On employment, fiscal policy fell short in FY25. Public projects in rural development generated some short-term jobs, but formal private sector hiring remained subdued," he commented.

Mustafizur Rahman, a distinguished fellow at the local think tank Centre for Policy Dialogue (CPD), said that creating jobs requires more than just fiscal policy.

"It needs support from monetary policy, institutional reforms, and incentive frameworks," said Rahman.

The economist pointed out that despite attempts to rein in inflation, fiscal policy alone was not enough. Monetary tightening will take time to filter through the economy.

Given these constraints, fiscal measures mostly aimed at offering targeted incentives, such as tax cuts for certain sectors, reduced duties on imported raw materials, and high tariffs to shield domestic industries.

"However, those measures did not yield the intended results," he said.

"They failed to significantly stimulate investment, industrialisation, or job creation," Rahman added. "One major reason was the sharp rise in interest rates, driven by contractionary monetary policy to contain inflation."

He also said that non-economic factors played a role. "Political instability and a deteriorating law-and-order situation made investors wary, something policy incentives alone could not overcome."

Even initiatives such as the investment summit organised by the Bangladesh Investment Development Authority and steps to strengthen economic zones were insufficient to offset the broader negative environment, he commented.

"The impact is clear," Rahman said. "Imports of capital machinery fell sharply, as did letters of credit."

"And the kind of job creation that industrialisation was supposed to deliver simply did not happen."

Referring to new employment figures, Rahman said, "According to the latest Labour Force Survey using the ICLS-19 definition, total employment actually declined by 21 lakh in the first two quarters."

"So, despite fiscal efforts, the broader economic climate, including inflation management and institutional capacity, was not conducive to drawing in investment or generating new jobs," he concluded.

RAPID Chairman Razzaque also said that without improved revenue collection, maintaining fiscal discipline will be difficult. "And without that, essential public investment in sectors like health and education will suffer."

"The government is relying more on borrowing, which in turn is pushing up interest payments and further narrowing fiscal space," said Razzaque.

Economist Sadiq Ahmed said that protectionist trade policies also continued to hamper export growth in FY25. "Export subsidies offered limited support, but their impact was overshadowed by an anti-export bias." Thankfully, the shift to a more flexible, market-based exchange rate provided a much-needed boost to exports and remittances, he added.

"That has been the most significant policy reform of FY25," said Ahmed.

"Other tax incentives to spur private investment and foreign direct investment have not delivered much in recent years, and FY25 was no different," he said.

He argued that these incentives, which come at the cost of lost revenue, should be thoroughly reviewed. "Global experience shows that improving the overall investment climate is far more effective than offering tax breaks," Ahmed said.

Agriculture growth

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and vegetables has been severely affected, along with the livestock and poultry sectors. So, a decline in growth was expected, he said.

In the fiscal year 2009–10, agricultural growth in the country was 7 percent -- an all-time high, he added.

After that, growth remained around 4 to 5 percent, but it had never dropped as low as in the current fiscal year, added Khan, also a former president of the Bangladesh Agricultural Economists Association.

Because of this, imports have had to be increased. Until April of the current fiscal year, around 600,000 tonnes of rice had to be imported. Wheat imports have crossed 40 lakh tonnes, he said.

Khan also said prices of many essential food items in the market have gone up, reflecting a decline in domestic production.

From June 19 to June 23 last year, floods affected seven districts in the Sylhet and Rangpur divisions that damaged 14 percent of crops, including Aus and Aman seedlings and vegetables, according to the Department of Agricultural Extension (DAE).

Just seven days later, another flood hit 14 districts in the north, northeast, and southeastern parts of the country, damaging 13 percent of all crops.

In August, another bout of floods and heavy rains affected 23 districts in the northeast, south, southwest, and southeast regions and damaged 15 percent of all crops.

Then, heavy rains on September 12–19 affected 16 districts and damaged around one percent of all crops.

The two floods in the Chattogram, Sylhet, and Mymensingh divisions damaged an estimated yield of about 10 lakh tonnes of Aman season paddy plants just before flowering, according to the DAE.

According to an assessment by the Centre for Policy Dialogue, the damage caused by the eastern flood amounted to at least Tk 14,421.46 crore.

The agriculture and forestry sectors suffered the highest damage, amounting to Tk 5,169.71 crore.

Mohammad Jahangir Alam, a professor of the Department of Agribusiness and Marketing at Bangladesh Agricultural University (BAU), echoed Khan.

Investment in the poultry and livestock sectors in the current fiscal year has been much lower than expected, which is one of the reasons behind the slowdown in growth, he said.

He said Bangladesh has been going through political turmoil since June last year, which had an impact on all sectors as it led to low investments.

The share of credit disbursement to the livestock and poultry subsectors of the agriculture industry slipped slightly in the first eight months of the current fiscal year (FY), according to a report by Bangladesh Bank.

The report also said scheduled banks in the country disbursed a total of Tk 22,125 crore for agriculture in the July–February period of FY25, reflecting a decrease of 6.60 percent year-on-year.

BGMEA holds

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Sammilito Parishad panel, and the panel's leader, SM Mannan Kochi, was elected president.

However, following the fall of the Hasina-led government in August last year, Mannan resigned from the post.

Khandoker Rafiqul Islam, managing director of Designtex Knitwear Ltd and then senior vice-president of the trade body, was made president after Kochi's resignation.

Later, the government appointed Md Anwar Hossain, vice-chairman of the Export Promotion Bureau, as the administrator of the BGMEA.

Stock brokers, merchant bankers

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incomes of over Tk 5 lakh and if all their spending is conducted through banking channels.

Stock market intermediaries, especially brokers, have been urging for a long time to reduce the brokerage tax rate.

However, the National Board of Revenue (NBR) increased it to 0.025 percent in 2009 from the previous rate of 0.015 percent. It increased further to 0.05 percent in 2010 and then to 0.1 percent in 2011. Amid huge demand from brokers, it was reduced to 0.05 percent in October 2011.

Later, stockbrokers continuously urged the authorities to reduce the rate so that it was similar to that in other countries. However, the demand was not entertained.

This year, the DSE Brokers Association of Bangladesh (DBA) urged the NBR to reduce it to 0.025 percent.

If the government reduces it, it will help many stock brokerage firms to survive, as they are incurring losses, said Md Saiful Islam, president of the DBA.

Almost all the stockbrokers are incurring losses in their operations, but they have to pay the tax as it is charged on trading at source, he said.

The tax cut will mostly help non-institutional brokerage firms, he added.

Mazeda Khatun, president of the Bangladesh Merchant Bankers Association (BMBA), said activities of merchant banks were totally different from conventional banks, but they were taxed in the same manner as banks.

Citing this, the BMBA urged the government to reduce the corporate tax imposed on them to 25 percent.

If the corporate tax is reduced for merchant banks, they can spend more on research and advocacy, and it will help bring a large number of good companies to the market, she said.

Inclusion of a higher number of good companies will ensure higher revenue earnings for the government, she added.

A stock market analyst said the steps from the government showed that it was trying to support the stock market.

In the case of bringing in good companies, the widening of the tax gap between listed and non-listed firms will work only when other types of policy support are available, he said.

For instance, the central bank can set a condition that any firm seeking to borrow over Tk 500 crore from banks must go public, he said. There can be other conditions for listing, and a summation of all such steps can work towards bringing in good companies, he added.