

Star BUSINESS



Subsidy load swells despite weak revenue

Economists call for roadmap to cut incentives, subsidies

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The government's target to provide subsidies and incentives amounting to Tk 125,741 crore in fiscal year 2025-26 is creating high pressure on fund mobilisation amid a challenging macroeconomic situation.

Although the allocation for subsidies and incentives is 9 percent higher than the original budget for FY25, it is around 11 percent lower than the revised budget for FY25, which was Tk 141,034 crore.

The original subsidy allocation for FY25 was Tk 115,000 crore, but it rose significantly as the interim government cleared most overdue payments across several sectors.

As revenue mobilisation remains below the targeted level, the scope for expanding subsidies and incentives remains constrained, the government said in the medium-term macroeconomic policy statement (MPS) for FY26.

Most of the upcoming subsidy allocation will go to the power, fertiliser and food sectors.

Subsidy expenditure has steadily increased in recent years,

driven by costly power generation, rising global fuel prices, inflation-induced food support for the poor, and the devaluation of the taka against the US dollar.

In 2017-18, subsidies amounted to just Tk 12,120 crore. By 2021-22, they had jumped to Tk 31,000 crore.

It is not possible to continue

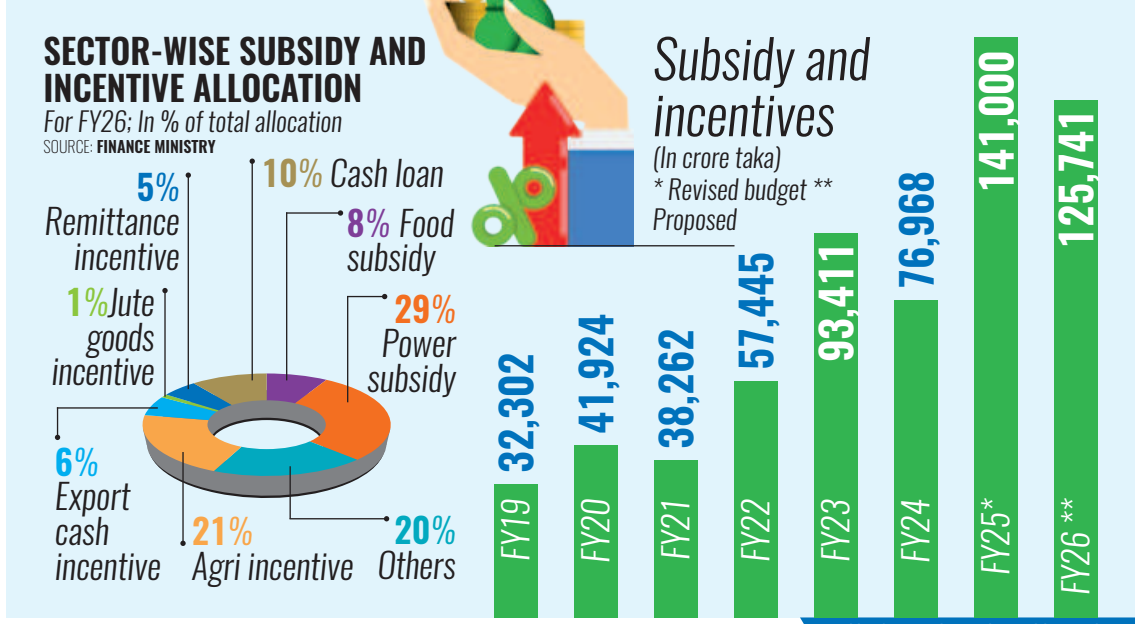
raising subsidies and incentives, said Mohammad Lutfor Rahman, a professor of economics at Jahangirnagar University.

Moreover, they should be cut step by step, and there should be a roadmap for industries, he said.

"Giving incentives to export-oriented

energy supply stability while managing financial obligations.

This is slightly down from the Tk 40,000 crore allocated to the power sector in the original budget for FY25. However, the revised budget raised this year's power subsidy to Tk 62,000 crore, reflecting payments of arrears accrued over several fiscal years.



industries year after year is not a viable way of protecting local industries. There should be competition and productivity enhancement. Here, the government can contribute by lowering the cost of doing business," he said.

In FY26, the power sector, a significant recipient of subsidies, is likely to be allocated approximately Tk 37,000 crore, reflecting the government's commitment to maintaining

Power subsidies stood at around Tk 9,000 crore in FY21 but climbed after the previous government approved large power plants without phasing out older ones. This led to underutilisation and hefty capacity payments.

The spike in fuel and LNG prices after the Russia-Ukraine war further pushed up power generation costs, while the weakening taka compounded the subsidy burden.

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Yunus lauds IMF for its positive role in Bangladesh

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Chief Adviser Prof Muhammad Yunus has credited the International Monetary Fund (IMF) for its "positive role" in helping Bangladesh overcome its concerns about allowing market forces to determine the exchange rate.

He made the remark in response to a question during a talk at Chatham House, an independent think-tank based in London, yesterday.

His remark came nearly a month after the Bangladesh Bank (BB) adopted a market-based exchange rate to secure the release of the fourth and fifth tranches of its \$4.7 billion loan approved by the IMF in January 2023.

BB had been reluctant to fully open the market due to concerns that it could create instability, increase import costs, and further stoke inflation, which has remained over 9 percent for more than two years.

However, Bangladesh's foreign exchange market has remained relatively stable since the shift, with the taka depreciating only marginally.

The weighted average exchange rate of the US dollar was Tk 122.97 on June 4, the last working day before the 10-day Eid holiday.

A month earlier, banks were exchanging the dollar at Tk 122, according to BB data.

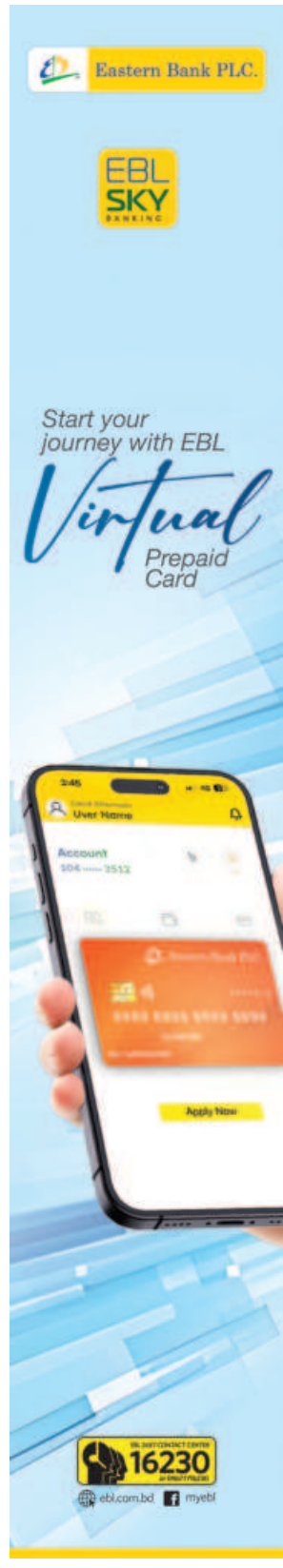
Yunus said the IMF had been controlling the release of the loan instalments and agreed to disburse funds after Bangladesh decided to let the market determine its exchange rate. He said they were worried about it.

"Because so far, we were controlling it so that we didn't expose ourselves to a drain of foreign exchange due to the system.

"So, opening this to the market is really a big decision for us," he added, noting that they had tried to convince the IMF by explaining the potential risks.

"They said, 'No, we understand, but we studied it. We think you can handle it.'"

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FAO predicts favourable Boro harvests



Boro accounts for about 55 percent of the annual paddy output of Bangladesh.

PHOTO: AZAHAR UDDIN

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Production prospects for Boro paddy, the principal rice crop in Bangladesh, remain favourable as harvests are expected to conclude this month.

The hope is based on good weather and an increase in planting by farmers in response to high domestic prices, according to a report released by the Food and Agriculture Organization (FAO) yesterday.

The UN agency said the area planted for the 2025 Boro paddy crop, which is mostly irrigated and accounts for about 55 percent of the annual output, was estimated to be above the five-year average.

Citing satellite imagery, it said crop conditions prior to the onset of harvests last April were above average across most parts of the country, supported by favourable weather conditions.

"Increased adoption of high-yielding seed varieties contributed to boosting yields," the FAO said in its Global Information and Early Warning System (GIEWS), focusing on Bangladesh's food and agriculture.

The forecast comes at a time when the retail price of coarse rice,

the benchmark variety used to track prices, has remained at over Tk 52 per kilogramme for six consecutive months since November.

The UN agency said domestic prices of rice in Dhaka, the capital city, increased steadily between October 2023 and January 2025 due to inflationary pressure and increases in the costs of production, milling, and transportation.

Since February 2025, prices have remained stable and, as of April 2025, were 8 percent higher than their levels a year earlier, even though paddy production was estimated at an above-average 6.02 crore tonnes in 2024.

This was due to large plantings and bumper yields despite crop losses caused by heavy rains and floods between May and August 2024 and the passing of Cyclone Remal in late July 2024.

Bangladesh's average paddy production was estimated at 5.71 crore tonnes over the five years to 2023, according to the FAO.

The agency said the Aus paddy crop, which accounts for about 10 percent of the annual output, is currently at the flowering and grain-filling stages, and its conditions are generally favourable in key

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Cattle sales this Eid lowest in four years

SUKANTA HALDER

Sales of cattle, as reflected in the number of animals sacrificed during this Eid-ul-Azha, declined this year amid an economic slowdown and political uncertainty in the country, said dairy producers and stakeholders yesterday.

During this Eid-ul-Azha, over 91 lakh animals were sacrificed, down 12.5 percent year-on-year, according to the Department of Livestock Services (DLS).

The number of animals sacrificed this year was the lowest in the last four years.

Mohammad Shah Emran, general secretary of the Bangladesh Dairy Farmers Association, said data on the number of animals sacrificed gives a picture of cattle sales during the festival season, which accounts

for roughly 40 percent of animals slaughtered annually.

"This year, sales were low because of the overall slowdown in the economy and political situation. Demand for big bulls was lower this year than the previous year," he said.

Md Abu Sufian, director general of the DLS, said there was a sufficient number of animals. But the number of goats and sheep sacrificed was around 10 lakh less than that of last year, he said.

A decline in people's purchasing power due to persistent inflation is a reason behind the drop in the number of sacrifices this year, added Sufian.

Data is still being collected from across the country, and once all of it is available, it will provide a better understanding of the other factors behind the drop in animal sacrifices, he said.

Inflation in Bangladesh eased slightly to 9.05 percent in May from 9.17 percent in the previous month, according to the Bangladesh Bureau of Statistics.

Food inflation dropped to 8.59 percent from 8.63 percent in April, while non-food inflation went down to 9.42 percent from 9.62 percent.

Despite the decline, inflation has remained above 9 percent for 27 consecutive months, continuing to strain household budgets.

High inflation has eroded people's financial capacity, which has led to reduced purchasing power and, consequently, fewer animal sacrifices, said Jahangir Alam Khan, a renowned agricultural economist.

Moreover, those who could afford to sacrifice more than one animal opted to do otherwise in

order to save up to tackle future uncertainties, he said.

Since last August, the country has been lacking political stability. Quite a few politicians and politically affiliated persons who usually sacrifice a lot of animals are either abroad or in hiding following the political changeover, he said.

This has also contributed to the decline in animal sacrifices.

33.10 LAKH ANIMALS REMAIN UNSOLD

Approximately 33.10 lakh animals remained unsold this year due to the supply being higher than demand, according to data from the Ministry of Fisheries and Livestock.

These animals are expected to be sold centring various religious rituals and ceremonies throughout the rest of the year, the ministry said in a press release.

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