

ECONOMY IN FY25

A balancing act in turbulent times



ZAHID HUSSAIN

BBS's provisional GDP growth estimates for FY25 unveiled a second consecutive year of growth recession. Given the trials Bangladesh has endured since the outset of the year, the numbers carry the story of the economy's adaptation to adversities. A 3.97 percent real GDP growth is at par with the IMF's 3.9 percent projected for Asia in 2025. It is not too bad considering the adverse natural and political weather that stressed a state struggling to function with hollowed institutions.

How did the economy manage to grow under disorderly conditions? What prevented worse outcomes, often seen elsewhere under similar headwinds? Tunisia and Egypt, following the Arab Spring of 2011, for instance. What stood in the way of doing better?

GROWTH UPHELD BY EXPORTS

Exports were the most distinguished drivers of growth. After a steep 17.1 percent decline in FY24, real exports are nowcasted to rise 12.9 percent in FY25, a 30 percentage point turnaround. This rebound is only partly attributable to downward corrections in FY24 export data.

Merchandise exports grew 8.6 percent in the first 10 months. All major product categories maintained positive growth except dry food, jute and jute goods. Knitwear, denim, and high-value items like outerwear and lingerie are among the fastest-growing segments. Non-RMG export growth was better but not strong enough to make a difference to the pre-existing composition of exports.

Export growth correlates strongly with manufacturing growth, which reportedly increased from 3.16 percent in FY24 to 5.68 percent in FY25. Large industries

Street protests have occurred regularly, often multiple times per week, since August 2024, making FY25 one of the most sustained periods of political unrest in Bangladesh's recent history.

dominated the share of recovery. Shortages of gas notwithstanding, electricity provision supported output expansion in large manufacturing amidst labour unrest, factory closures, and mobility disruptions.

Export growth came mainly from the traditional markets. Exports to the EU, US, and Canada grew 10.46 percent, 15.97 percent, and 14.14 percent (July-April, FY25). The EU accounted for 49.91 percent of total RMG exports, followed by the United States (19.23 percent). Growth in nontraditional markets like India (17.35 percent), Turkey (31.75 percent), and Japan (10.32 percent) geared up from a low base but declined in the UK. Bangladesh's apparel exports to the US market outpaced its competitors in the first four months of 2025, growing 29.33 percent year-on-year. Bangladesh may have benefited from the pull-forward strategy of buyers as they hedged against uncertainty unleashed by Trump's

Liberation Day tariffs.

PROPPED BY REMITTANCES

Production and trade in Bangladesh used to be bound by a foreign exchange shortage in recent years. This changed in FY25 as the recession in the hundi market diverted remittances from the informal to formal channels. Remittances from Bangladeshi expatriates boomed 28.6 percent in July-May compared to the same period the year before.

As illicit outflows diminish, formal remittance inflows rise. This is conclusively evident from the post-August 2024 behaviour of formal remittances. The numbers employed, their incomes and the propensity to remit could not have changed so much all of a sudden. Displacement of money traffickers due to regime change is therefore the most plausible as the trigger, taking remittances towards a new historic high of \$30 billion in FY25. However, the corresponding positive effects of a decline in illicit financial outflows on domestic revenue mobilisation and capital

grounds, and resilient infrastructure that steered floods to expand fish habitats, migration and breeding, and replenish nutrients in wetlands.

Political unrest in different shapes and sizes persisted throughout the year. There isn't a precise count, but street protests have occurred regularly, often multiple times per week, since August 2024, making FY25 one of the most sustained periods of political unrest in Bangladesh's recent history.

The unrest didn't just shake the streets; it chilled economic growth and investor confidence. Work orders from global brands like H&M, Zara, and VF Corp declined by nearly 10 percent for the 2025 autumn-winter season due to safety concerns and cancelled buyer visits. The tech and startup ecosystem faced delays in foreign investment.

Growth in the services sector slowed considerably, reflecting decelerations in domestic trade and transport. These sectors depend heavily on social order and continued public services in the daily

during FY26-28 in their Medium-Term Macroeconomic Policy Statement FY26-28. Inflation will decelerate from 9.05 percent in May to 6.5 percent in FY26, followed by a 50 basis point drop each year during FY27-28.

Rising growth and disinflation can coexist when global commodity prices are soft, the US dollar is weak, interest rates are low, and foreign exchange liquidity and energy supplies do not bind. For growth to rebound, it durably requires, in addition to industrial peace, secure movement of people and property and a credible macro-structural policy regime. None of these can be taken for granted in today's world. Just when you think it's getting a little clearer, something else comes along, damaging the path of recovery.

WALKING THE WALK

Escalation of trade barriers, persistent policy uncertainty, and rising geopolitical tensions are huge downsides that need shielding. Threats to some bring opportunities for others.



PHOTO: STAR/FILE

Knitwear, denim, and high-value items like outerwear and lingerie are among the fastest-growing segment in exports.

accumulation are yet to transpire, perhaps because they are never immediate and, more importantly, in the current context, other enablers are still missing.

The foreign exchange market and the banking system benefited from the increased forex transfers across Bangladesh's financial borders. They enabled clearing arrears accumulated due to forex shortage without drawing down BB's reserves or net open positions of banks. This averted supply disruptions (especially fertiliser, coal, LNG) and improved confidence in the ecosystem of trade and investment financing.

BB transitioned from a crawling peg to a flexible market-based exchange rate regime with no official rate ceilings and no phone suasion. Exchange controls such as US dollar rationing often distort the level playing field by prioritising connected firms on the backfoot if not in the rear-view mirror.

THROTTLED BY ADVERSITIES

Devastating floods swept through several northeastern and southeastern regions between August 21 and early September 2024, affecting approximately 5.8 million inhabitants. The resulting fall in crop production accounts largely for the decline in agricultural growth to 1.79 percent in FY25 from 3.3 percent in FY24. Production growth in fishing increased from 0.79 percent in FY24 to 3.24 percent in FY25, credit to floodplain management, protecting breeding

course of their business. Urban trade and transport are especially vulnerable to the cascading effects of sudden stops caused by holding streets hostage.

DENIED BY CAPITAL ACCUMULATION

The investment intensity of the economy has been declining since FY22. This worsened in FY25. Gross capital formation decelerated to 1.76 percent in FY25 from an already low 2.2 percent in FY24. The provisionally estimated total investment rate dropped 132 basis points in FY25 alone, out of a cumulative 267 basis points decline since FY22, when the rate stood at around 32 percent of GDP.

The estimated positive growth in capital formation in FY25 contrasts with LC settlement and opening data for capital goods imports. LC settlement was down by 25.6 percent and LC opening by 27.5 percent in July-April FY25 in nominal dollar terms. BBS's estimate of the growth in capital formation may thus be erring on the high side.

A down-trending private investment rate, coupled with a near-constant share of manufacturing in total output, suggests the economy only moved sideways on structural change in FY25.

EXPECTATIONS BUOYANT NONETHELESS

Performance in FY25 was better on stability than growth compared to the previous year. The government has projected 5 percent growth in FY25, rising subsequently by 50 basis points each year

For instance, the Trump administration's preference for country-specific tariffs is equivalent to levying a general tariff on all imports while providing a production subsidy to competing producers from all the countries not covered by the same extent of reciprocal tariffs. Countries able to attract orders and production capacity diverted from China and the US are on the receiving side of this subsidy.

US tariffs on China may remain an order of magnitude higher for most goods than the 10 percent baseline for the rest of the world, at least until the US administration manages to get all the 150-plus bilateral deals done. The inherently protracted nature of this process has opened opportunities for countries like Bangladesh to find their niche in the supply chain restructurings already happening or queuing to happen.

As a more predictable global trading regime emerges, pent-up foreign direct investment will follow countries ahead in the trade policy game currently being played out. LDC graduation in 2026 will change the game for Bangladesh further. Bangladesh will have to find a dominant new set of trade policy serving best the national interest in a world where sudden disruption appears to have joined death and taxes in the list of lifetime certainties!

The writer is a former lead economist at the World Bank's Dhaka office.

Why every company should be audited

JASIM UDDIN RASEL

As of July 2022, there were 272,598 companies registered with the Registrar of Joint Stock Companies and Firms (RJSC) in Bangladesh, according to media reports. By 2025, this number is estimated to reach 300,000. Yet only about 40,000 of these companies file tax returns annually, according to the tax authority.

In 2024, the Institute of Chartered Accountants of Bangladesh (ICAB) reported that 57,993 audit reports were issued. These covered companies, societies, partnership firms and other entities.

In Bangladesh, all companies, regardless of size, are legally required to undergo a statutory audit. The important question is, why are around 260,000 companies not filing tax returns after completing a statutory audit?

There could be two main reasons. Many companies may no longer be operational, and some may simply be ignoring compliance with the Companies Act or tax laws. Why is an external audit required?

The primary purpose of an external audit is to provide reliable financial information to stakeholders who are not involved in a company's daily operations. Beyond this, audits are also required for regulatory compliance, such as for tax returns and RJSC filings.

In the early stages, a company is often formed by family members or close friends using their own capital, without institutional loans. In such cases, the need for a statutory audit is minimal, serving mainly for tax filing purposes. Imposing mandatory audits on these companies simply because they are registered under the Companies Act may not be justified.

Under section 73 of the Income Tax Act 2023, partnership firms, trusts, societies and cooperatives with gross receipts below Tk 50 million are not required to file audited financial statements. A similar threshold could be introduced in the Companies Act to ease the audit burden on small businesses.

In Australia, the Corporations Act 2001 (Chapter 2M) requires a company to be audited only if it meets at least two of the following three criteria: revenue of AUD 50 million or more; assets of AUD 25 million or more; or 100 or more employees. Only Registered Company Auditors (RCAs) approved by the Australian Securities and Investments Commission (ASIC), and qualified through CPA Australia, Chartered Accountants Australia and New Zealand (CAANZ), or the Institute of Public Accountants (IPA), are authorised to conduct statutory audits.

The UK follows a similar approach, with audit thresholds in place. Only members of the Association of Chartered Certified Accountants (ACCA), the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants of Scotland (ICAS), the Institute of Chartered Accountants of Ireland (ICAI), or the Association of Authorised Public Accountants (AAPA) are eligible to perform statutory audits. A profession is not a business driven by a monopoly; it is open to all who pursue the necessary qualifications to serve beyond personal financial interests.

Implementing audit thresholds, as practised in the UK and Australia, would benefit both entrepreneurs and auditors. Small businesses could reduce compliance costs and focus on growth, while auditors could concentrate on defined entities. This would reduce misinformation about the number of companies and practising auditors, and enhance audit quality. Regulatory authorities would also find it easier to oversee compliance requirements.

Improving the quality of audit work is essential, but auditors alone cannot prevent fraud, corruption or money laundering within an organisation or country. These illegal activities are often carried out by groups of individuals in highly sophisticated ways, making them difficult to detect. However, auditors are expected to follow established auditing standards and apply professional scepticism to help identify and reduce the risk of such irregularities.

In a society where irregularities are common, placing blame solely on auditors or any single group does not absolve others of responsibility. Accountability should rest with each individual involved, rather than shifting the burden entirely onto one party.

The writer is a fellow member of ICAB.

LNG freight rates hit 8-month top

Tight tanker availability, Mideast conflict to blame

REUTERS, Singapore/London

Shipping costs for liquefied natural gas cargoes have rallied to their highest in about eight months with vessel availability tightened by a shift in more ships heading to Asia at the same time as conflict has escalated in the Middle East.

The Atlantic freight rate for vessels with two-stroke engines capable of carrying 174,000 cubic meters of LNG, the most common type in the market, was assessed at \$51,750 per day on Monday, its highest level since October 3, according to pricing agency Spark Commodities.

The Pacific freight rate for the same class of ship also surged, with Spark assessing it at \$36,750/day on Monday, the highest level since October 25.

"This rise in global LNG freight rates has been largely due to tight vessel availability, which in turn has been caused by a shift in pricing signals for US cargoes," said Spark Commodities analyst Qasim Afghan.

"This has been further exacerbated by market sentiment around the developing situation in the Middle East," he said.

A recent tender by Egypt to buy up to 160 LNG cargoes through 2026 also drove up demand for vessels.

In February, LNG shipping rates fell to five-year lows as the global fleet expanded and higher delivered prices in Europe incentivised US cargoes to remain in the Atlantic versus travelling to Asia. The shorter average journey times increased tanker availability.

READ MORE ON B2

Global growth at risk amid rising geopolitical turmoil: WEF

AFP, Tianjin

The world is facing the "most complex" geopolitical situation seen in decades, the head of the World Economic Forum (WEF) told AFP Tuesday, warning that turmoil was "impacting global growth".

"It is the most complex geopolitical and geo-economic backdrop we've seen in decades," WEF President and CEO Borge Brende said ahead of a meeting of the multilateral forum in the northern Chinese city of Tianjin.

"If we are not able to revive growth again, we can unfortunately see a decade of lower growth," he warned.

Officials including Singaporean Prime Minister Lawrence Wong will attend this week's WEF meeting in the port city of Tianjin -- known colloquially as the "Summer Davos".

The meeting comes hard on the heels of the United States' involvement in the Iran-Israel conflict and follows months in which the global economy has been battered by a tariff war launched by US President Donald Trump.

This month, the World Bank cut its forecast for global growth this year from 2.7 percent to 2.3 percent, following a similar reduction by the International

Monetary Fund.

Brende told AFP it was still too soon to predict the impact of Trump's swingeing tariffs.

It is "too early to say what these tariffs will end with because the negotiations are still ongoing", he said.

"I think the jury is still out, but the traditional globalisation we saw is now changed into a different system," he said. "That is a new chapter... especially since trade was the engine of growth."

Brende also warned mounting conflict could have a "very negative impact" on

global growth.

The WEF gathering in Tianjin comes at an uncertain juncture for the Chinese economy, which has struggled under a years-long property sector crisis and sluggish domestic spending.

"China really does matter," Brende said, adding he expects the country to account for almost 30 percent of global growth this year.

"China is pivoting its economy more towards digital trade, towards services and also now opening up for increasing domestic consumption -- something that is important," Brende said.

Officials in Beijing have since late last year unveiled a string of aggressive measures including key rate cuts and cancellations of home purchasing restrictions.

But many economists remain sceptical that the Chinese economy can achieve the government's official growth target for this year of around five percent.

With the tumultuous trade war threatening shipments from the manufacturing powerhouse, Beijing is looking to emerging technologies such as artificial intelligence as potential sources of future growth.

READ MORE ON B2



Britain's former prime minister Tony Blair (L) and World Economic Forum President and CEO Borge Brende speak during a session at the World Economic Forum Annual Meeting of the New Champions 2025 in Tianjin, China on June 24.

PHOTO: AFP