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Weaker taka, high interest rates hit private sector

Businesses say

STAR BUSINESS REPORT

Foreign exchange losses, high interest rates, political instability, reduced credit flow due to tight monetary policy, and gas supply shortages are significantly hampering private sector operations in Bangladesh, business leaders said yesterday.

Only because of inefficiency, Bangladesh is paying a high price while importing energy from the international market, they said.

Gas shortages have cut industrial output by up to 50 percent, despite the potential to double production if energy supplies were ensured, they added.

The business leaders made the comments at a seminar titled "Current challenges in the banking sector: borrowers' perspective", organised by the Dhaka Chamber of Commerce and Industry (DCCI), in the capital.

Ashraf Ahmed, former president and current director of DCCI, presented the keynote paper at the event.

He pointed out that the economy is facing multiple challenges, including the devaluation of the taka, supply deficits, import restrictions, high inflation, rising interest rates, and insufficient credit flow to the private sector.

Ahmed said the interest rate on loans has increased from 9 percent to around 14 percent in 2025, pushing the private sector's additional interest burden to Tk 1.4 lakh crore.

He warned that a rise in defaulted loans will further reduce credit flow to industries, lower investment, and weaken the private sector.

He highlighted that 14 banks hold around 40 percent of the country's default loans, while 47 others have a default rate of only 5-7 percent, suggesting the problem is not widespread but concentrated.

By mid-2025, non-performing

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Businesses fret about NBR deadlock, seek quick end

> The officials of the NBR are not the members of trade union and they cannot continue work abstention for such a long time. It is not acceptable.
>
> **Mahbubur Rahman**
> ICCB president

> Govt high-ups should take immediate steps involving finance, commerce and industries ministries to resolve the problems
>
> **Anwar-Ul-Alam Chowdhury**
> BCI president

> We have always wanted a time-befitting, honest, and transparent NBR that aligns with the ease of doing business. NBR reform is essential, and we fully support it
>
> **Syed Nasim Manzur**
> LFMEAB president

> If garments cannot be exported timely and raw materials cannot be released from ports, factory owners will not be able to pay workers timely
>
> **Mahmud Hasan Khan Babu**
> BGMEA president

> We are the victims of their (NBR officials) trouble. They always disturbed us. And now they are disturbing the government. We want that they stop the movement.
>
> **Showkat Aziz Russell**
> BTMA president

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Leaders of the country's top business chambers and trade bodies yesterday expressed deep concern over the ongoing work stoppage by the National Board of Revenue (NBR) officials, which has brought export and import activities to a standstill due to suspended customs operations at ports.

They called for an immediate resolution to the standoff, urging intervention from the Chief Adviser's Office to restore normal business operations.

Speaking at a joint press conference in Dhaka yesterday, industry leaders from apparel, pharmaceuticals, leather goods, textiles, and accessories raised alarm over the mounting financial losses and operational gridlock caused by the shutdown.

They warned that prolonged disruption would have serious economic consequences.

For instance, the garment sector alone is facing trade disruptions worth more than $230 million per day, as the movement of goods and raw materials through Chattogram port, land ports, and airports remains blocked due to the nationwide shutdown by revenue officials.

Exporters and raw material importers fear further setbacks, especially in the apparel sector, where international buyers demand swift delivery and uninterrupted production.

Apparel exporters said their export-oriented goods are lying at the ports, exposed to the elements. With no customs clearance, quality is deteriorating.

To meet deadlines, they said they might be forced to use costly air shipments, while delays in clearing raw materials would reduce factory output.

At the press conference, Mahmud Hasan Khan Babu, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said that the annual value of garment exports and imports crosses $65 billion.

"This huge business is now suffering heavy losses," Babu said. "If we fail to export garments on time or release raw materials from the ports, factories will not be able to pay workers. That could lead to a serious law and order issue."

"It is a matter of our existence. We want an immediate solution to this impasse," added the BGMEA president.

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Reserves cross $25b after 2.5 years

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Bangladesh's foreign exchange reserves crossed $25 billion after two and a half years, thanks to an increased inflow of remittance and the release of funds by the International Monetary Fund (IMF), the World Bank (WB), and other lending agencies.

On Thursday, forex reserves stood at $25.51 billion as per the IMF's calculation method, up from $21.38 billion a week earlier, according to the central bank's data.

This means, forex reserves rose by $4.13 billion in just a week.

This is the highest amount in the reserves since the end of December 2022, when there was $26.02 billion.

Since then, it has been on a downturn, which caused massive depreciation of the taka, increased import costs, and contributed to inflation.

As per the central bank's calculations, gross forex reserves rose to $30.51 billion on Thursday, up from $26.55 billion a week ago.

A senior BB official said the forex reserves were bolstered because of the release of the third and fourth loan instalments of $1.34 billion by the IMF.

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Jute sector stares at fresh uncertainty

India bans access of select jute products through land ports

JAGARAN CHAKMA

Bangladesh's jute sector is gazing at fresh uncertainty as India has banned the import of certain jute products through land ports, dealing a blow to an industry already grappling with volatile markets, according to insiders.

Although India is still accessible via Maharashtra's Nhava Sheva seaport, businesses say the alternative route is commercially unviable, threatening hundreds of tonnes of monthly shipments and millions of dollars of export earnings.

Industry insiders cautioned that unless alternative solutions are found, Bangladesh's golden fibre may lose more ground in one of its key markets.

On June 27, India imposed a ban on the import of certain jute products and woven fabrics from Bangladesh through land ports. This means Bangladeshi exporters can no longer ship these goods into India via land routes.

However, according to a notification from India's Directorate General of Foreign Trade, these products will still be permitted for import, but only through the Nhava Sheva seaport in Maharashtra.

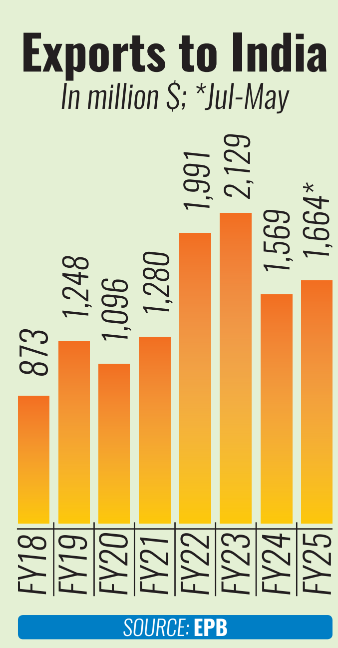
On May 17, India banned the import of certain goods from Bangladesh through land ports, including ready-made garments, fruits, processed foods, soft drinks, yarn, plastic and PVC products, and wooden furniture.

Previously, on April 15, Bangladesh banned the import of cotton, specifically yarn, from India through land ports to protect the domestic textile and spinning industry from what it perceived as unfair competition from cheaper Indian yarn.

Bangladesh's export earnings from jute and jute goods fell by 16.16 percent year on year to $855.23 million in fiscal year 2023-24, down from $912 million in FY 2022-23, according to data from the Export Promotion Bureau (EPB).

This marks the third consecutive year of decline for the sector, which has been grappling with falling global demand and shifting market dynamics.

TOP 10 EXPORT ITEMS TO INDIA (JUL-MAY FY25)	EXPORTS (IN MN $)
Men's or boys' suits, jackets, trousers	218
Vegetable fats and oils	89
Footwear with rubber, plastic and leather soles	84
Used or new rags, scrap twine	78
Jute	75
Women's or girls' suits, jackets, skirts	72
Trunks, suitcases, handbags	67
Men's or boys' shirts	61
Fish (fresh or chilled)	59
Jerseys, pullovers, cardigans	59
Jute yarn	58



Between July and May of the current fiscal year, Bangladesh fetched $133 million from the export of raw jute and jute yarn, the EPB figures show.

"Bangladeshi exporters will now be unable to export jute and jute products due to a recent notification from India's Directorate General of Foreign Trade," said Mirza Koushik Ahmed, executive director of Reliance Jute Mills Ltd, Keraniganj, Dhaka.

"Our jute exporters have become victims of politics, as bilateral relations between Bangladesh and India are currently strained," he said. According to the notification, shipments of jute and jute goods must now be routed exclusively through the Nhava Sheva seaport in Mumbai.

However, Ahmed said this route was not commercially viable for exporting jute products, given the additional logistics costs and transit times involved.

He said this restriction would severely impact Bangladesh's jute sector and the export of associated products—around 300 tonnes—to India per month.

Farhad Ahmed Akanda, chairman of Bangladesh Jute Association, said the export restrictions through land ports between Bangladesh and India would severely impact jute and jute goods exports.

"The cost for our buyers will increase because they will have to take delivery from the Mumbai port. Besides, our cost of shipment through Chattogram and Mongla ports will rise," he said.

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Tariff talks with US going on

CA office says

STAR BUSINESS REPORT

Bangladesh is preparing to enter formal negotiations with the United States over tariff rates, as the 90-day pause announced by the Trump administration is due to expire on July 8.

Consultations are ongoing between the two sides to finalise a proposed Agreement on Reciprocal Tariff, according to a statement issued by the Chief Adviser's Office yesterday.

The latest round of discussions took place on Thursday. Bangladesh's delegation was led by National Security Adviser Khalilur Rahman, while Brendan Lynch, US Assistant Trade Representative, represented Washington.

"We made very good progress during our consultations with the US team. Both sides are making serious efforts to finalise the agreement expeditiously," said Rahman, a former trade policy chief at the UN Conference on Trade and Development (UNCTAD), according to the statement.

"The negotiation on the tariff issue is ongoing with the US," said Commerce Secretary Mahbubur Rahman.

Officials familiar with the talks said Bangladesh seeks to maintain the existing 16 percent tariff, along with the additional 10 percent baseline duty introduced by the Trump administration in April this year, bringing the total to 26 percent.

This is being positioned as a counter to the proposed 37 percent reciprocal tariff on Bangladeshi exports.

Dhaka is also expected to request an additional three-month extension to the current pause on the new tariff's implementation, the sources added.

Separately, leaders of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) proposed a 10 percent tariff and a three-month extension during a meeting with Tracey Ann Jacobson, the chargé d'affaires at the US Embassy in Dhaka, on June 24.

A businessman present at the meeting said the 10 percent baseline tariff could remain in effect during the extended pause.

He added that if the US insists on introducing a reciprocal tariff, Bangladesh would prefer it to be capped at 10 percent rather than the announced 37 percent, as the country is already subject to a 16 percent duty on its exports to the American market.