

BB forms \$500m forex intervention fund

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The Bangladesh Bank (BB) has formed a \$500 million fund to contain erratic movements in the foreign exchange market, as the country moves towards a more flexible exchange rate regime in line with International Monetary Fund (IMF) conditions.

The formation of the fund was disclosed in the Monetary Policy Review 2024-25, released yesterday.

During discussions over the fourth and fifth tranches of the IMF loan programme in April and May, BB assured the multilateral lender that it would form the fund as part of the conditions for transitioning to a flexible exchange rate regime.

Preferring anonymity, a central bank official said the fund will be used according to IMF guidelines.

"In buying dollars by the BB, this fund will have no relation," said the official. "But, in the case of selling dollars, there will be some specific conditions."

While the central bank faces no restriction in buying dollars from the market, sales will be capped at the size of the fund. The official added that the IMF has outlined specific criteria under which BB can sell dollars.

According to the policy review, Bangladesh is transitioning towards a flexible exchange rate system, where the market will play a greater role in determining the value of the taka.

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The transition is expected to improve export competitiveness by aligning exchange rates with market realities, while also making the country more attractive to foreign investors and supporting broader industrial growth.

Referring to the stabilisation fund, BB says the success of this policy, however, will depend on effective communication, swift implementation, and regular monitoring of both domestic and international economic developments.

The review said that by promoting transparency and adopting a more market-driven approach, Bangladesh hopes to integrate more seamlessly with the global economy and support long-term growth.

To counter the recent appreciation of the local currency against the dollar, a trend that could dissuade remitters and exporters, the central bank has recently bought around \$484 million from banks.

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Export data gap balloons to \$4b despite 2024 reset

EXPORT DATA BY EPB AND BB (In million \$)

	FY23	FY24	FY25*
EPB	46,430	44,469	44,946
BB	43,364	40,807	40,868
Gap	3,067	3,663	4,078

*FY25 data was up to May

REASONS BEHIND DATA MISMATCH

- EPB counts shipments; BB uses realised proceeds
- Shipment-realisation time lag also causes mismatch
- BB does not count exports from EPZs to local market
- Lack of NBR code for samples overstates EPB data

WHAT TO DO TO AVOID MISMATCH

Adjust for shipment-realisation time lag | Introduce customs code for samples | Improve coordination among EPB, BB, and NBR

SOHEL PARVEZ

The gap in export data maintained by the Export Promotion Bureau (EPB) and the Bangladesh Bank (BB) has persisted even though both agencies teamed up last year and began reconciling merchandise shipment figures.

In the fiscal year (FY) 2023-24, the gap in export data between EPB and BB was \$3.66 billion. At the beginning of FY25, the central bank adjusted the calculation, while the export promotion agency briefly suspended its monthly data release.

Despite the reset, the discrepancy in export data rose to \$4 billion in the first eleven months of FY25, according to figures from BB and EPB.

The mismatch has prompted fresh calls among economists for investigations.

Amid criticism following the revelation of a large mismatch in export earnings data by BB and EPB in mid-2024, EPB suspended the release of export data for three months to identify the causes of the gap.

At that time, it emerged that the difference between export figures calculated by EPB and BB had persisted for at least 12 years, with the gap crossing \$12 billion in FY 2022-23.

The central bank corrected its figure in the Balance of Payments (BoP) in July last year,

taking economists and business leaders by surprise.

Later, BB identified multiple entries, equivalent to 20 percent of the total dataset. In previous months, the ratio of multiple entries to total exports was 14 percent.

EPB usually compiles export data based on numbers it receives from the National Board of Revenue (NBR) and the central bank.

While resuming export data releases in October 2024, the EPB mentioned the role of the revenue board in the data mismatch. It assured that there would be no data gap between the revenue board and EPB in future.

Prof Mustafizur Rahman, distinguished fellow at local think tank Centre for Policy Dialogue (CPD), said double-counting of export data could be stopped. But the main factor behind the mismatch is shipment value and proceeds realisation -- the process by which an exporter receives payment for goods or services that have been exported.

While the central bank uses actual proceeds, EPB counts exports based on shipment, Rahman added.

Sometimes exporters have to give discounts, and some orders get cancelled too, he said. "But the \$4 billion gap in export data is quite large. It should be examined."

Selim Raifhan, executive director of the South Asian Network on Economic Modeling

(Sanem), said a proper explanation regarding the gap should be given by the agencies to clear up ambiguity.

"Besides, steps should be taken so that the gap can be narrowed down as much as possible," he said.

POTENTIAL AREAS OF DISCREPANCY

Arief Hossain Khan, a spokesperson of BB, said EPB counts exports based on shipment, whereas they use export data based on realisation. This creates a discrepancy.

On the issue, Abu Mukhles Alamgir Hossain, director (Policy and Planning) current charge at EPB, said the export figure used by BB in the Balance of Payments (BoP) excludes exports from Export Processing Zones (EPZs) to Bangladesh and cutting, making, and trimming (CMT) charges.

CMT is a manufacturing process where a factory cuts fabric according to provided patterns by the buyer, sews the pieces together to create the garment, and then trims any excess threads to finish the product for shipping.

Hossain said the shipment value of goods used by the central bank in other places matches the EPB figures.

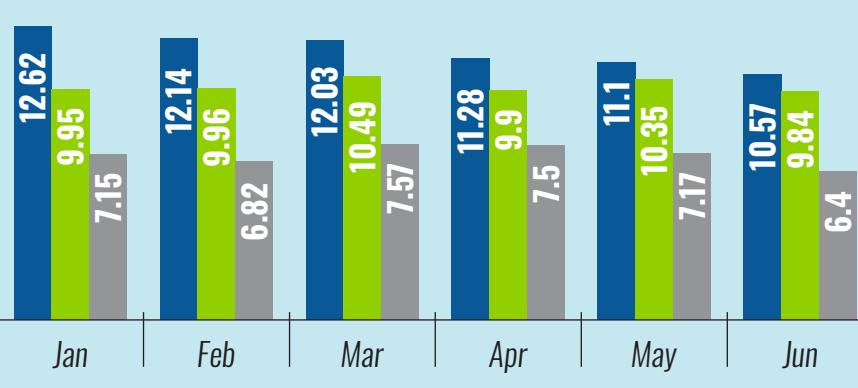
Apart from CMT and local sales by EPZs, he identified two more areas where the counting could mismatch.

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PRIVATE CREDIT GROWTH (IN %)

■ 2023 ■ 2024 ■ 2025



Overregulation stifles growth of capital market

Amir Khasru says

STAFF CORRESPONDENT, Ctg

Excessive regulatory control is negatively affecting the capital market, said BNP Standing Committee Member Amir Khasru Mahmud Chowdhury yesterday, calling for a more streamlined and investor-friendly approach to ensure stability and growth.

He made the remarks while addressing a workshop titled "Operational Framework of Commodity Derivatives Market and Its Business Prospect", organised by the Chittagong Stock Exchange (CSE).

"The capital market cannot flourish under excessive regulatory pressure. Overregulation is deterring growth and confidence," he said, urging automation and transparency across all government procedures involving investment and trading.

Referring to future governance plans, the former commerce minister stressed the need to eliminate physical contact between citizens and government institutions in service delivery.

"As long as physical contact exists, corruption will persist. We envision a system where everything is accessible from home. Citizens will receive all services without needing to physically visit any office," he said.

Khasru further stated that the BNP, if in power, would fully digitalise the investment process, allowing investors to track their files in real time from anywhere in the world.

Citing examples, he said,

Exporters to seek duty-free access for apparel made of US cotton



Local apparel exporters have long been urging the US government to allow duty-free access for Bangladeshi garments made from American cotton.

PHOTO: STAR/FILE

one of the Bangladesh delegation members now in Washington. He, however, will not directly take part in the negotiations, since those are meant to be undertaken by government officials.

The delegation also includes two other businesspeople, one a major soybean importer and the other a liquefied petroleum gas (LPG) trader.

Bangladesh annually imports \$4 billion worth of cotton, and only five percent comes from the US, said Russell.

Some \$2 billion worth of cotton can easily be imported from the US in a year, as the quality is also higher than that from other countries, he said.

The import of a high volume of cotton from the US can reduce the bilateral trade deficit immediately, he also said.

Even a few years ago, the US used to meet 18 percent of Bangladesh's annual demand for cotton, said Russell.

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Is there room to cut policy rate from 10%?

BB to unveil Jul-Dec monetary policy tomorrow

MD MEHEDI HASAN

The central bank is set to unveil its latest monetary policy for the first half of the fiscal year (FY) 2025-26 tomorrow, as inflation slows but private sector credit growth hovers at multi-year lows, underscoring the fragility of the country's economic recovery.

Inflation declined to 8.48 percent in June, down from 9.05 percent in May, marking the lowest level since February 2023. The drop follows more than two

years of aggressive monetary tightening, during which the central bank raised the policy rate, or repo rate, to 10 percent, its highest in a decade.

"There is no reason to reduce the interest rate," Mansur said in a recent interview with The Daily Star.

Still, the central bank is under pressure from sections of the business community, who argue that high borrowing costs are stifling investment.

This will be the second monetary policy announced by Mansur since he became governor of the Bangladesh Bank following the political changeover on August 5 last year.

The Monetary Policy Statement (MPS) has been drafted following a meeting of the central bank's Monetary Policy Committee, which held consultations with both internal and external stakeholders over the past month, according to officials familiar with the matter.

The policy will be finalised after presentation at the central bank's board meeting today.

BUSINESSES WANT LOWER RATES, ECONOMIST SAYS NO

Despite the fall in inflation, private sector borrowing remains sluggish amid political uncertainty and the high borrowing rate.

Borrowing by the private sector dropped to 6.4 percent in June, according to the central bank, well below the target of 9.8 percent and the lowest recorded in recent years.

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ANALYSIS

years of aggressive monetary tightening, during which the central bank raised the policy rate, or repo rate, to 10 percent, its highest in a decade.

The foreign exchange market has also stabilised in recent months, supported by rising remittance inflows and a shift to a market-driven exchange rate. These improvements have prompted debate over whether there is now scope to ease the policy rate.

Governor Ahsan H Mansur, who will announce the new monetary policy at a press conference at the BB headquarters at 3pm on Thursday, has signalled

that the policy rate will likely remain unchanged.

Entrepreneurs in the Bangladesh delegation currently in Washington will once again push for duty-free access to the American market for garments made from US cotton during the final round of tariff negotiations with the Trump administration today.

However, if that does not work, the Bangladesh government would try to negotiate a lower tariff rate from the proposed 35 percent.

Local apparel exporters have for many years been demanding that the US government allow duty-free market access for Bangladeshi apparel made from imported American cotton.

If the US government does not agree to zero duty, then retention of the existing 15 percent duty on all types of garments will also be acceptable, said Showkat Aziz Russell, president of the Bangladesh Textile Mills Association.

The import of a high volume of cotton from the US can reduce the bilateral trade deficit immediately, he also said.

Even a few years ago, the US used to meet 18 percent of Bangladesh's annual demand for cotton, said Russell.

But recently the US share decreased as local cotton importers, users, traders, and millers diversified their sourcing, especially from African countries, he added.

The price of US cotton is two to three cents higher than that of other countries because of its high quality, he said.

It takes more than 90 days to bring cotton from the US to Bangladesh, he said.

An LPG trader in Bangladesh, who is also on the way to Washington DC, said he would hold several meetings with American LPG exporters on the sidelines of the negotiations.

"I hope Bangladesh can import a lot of LPG from the USA to reduce the trade gap between the two countries," the importer said, asking not to be named.

He said local LPG traders have already become engaged in negotiations with US exporters to find ways to import LPG.

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