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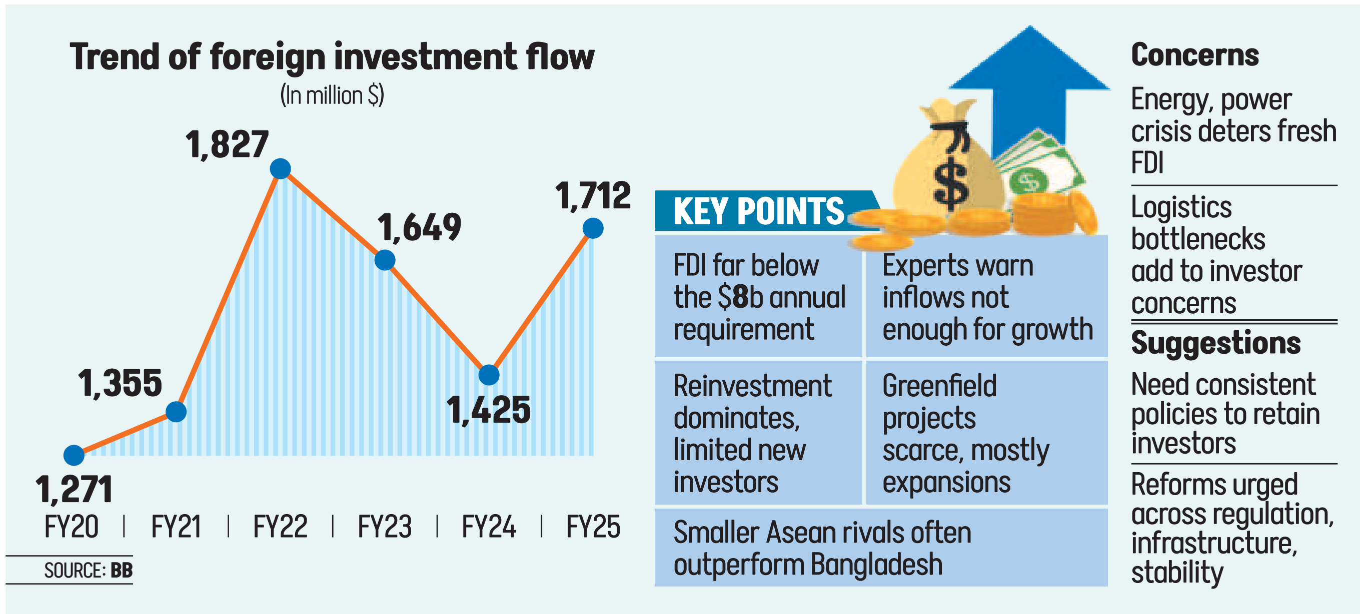
FDI rose 20% in FY25

Economists say growth positive but still falls short of long-term needs

JAGARAN CHAKMA



Bangladesh saw a rebound in foreign direct investment (FDI) in the fiscal year (FY) 2024-25, with net inflows reaching $1.71 billion.

The figure marks an increase of nearly 20 percent compared with the previous year, following a three-year low in FY24 amid a heated political climate centred on the national elections and subdued investor confidence, according to central bank data.

Economists and business leaders welcomed the recovery as a sign of renewed investor confidence. Still, they warned that the overall volume remains far below what is needed to support the country's long-term development ambitions.

They said sustained reforms, political stability, reliable infrastructure, and investor-friendly policies are essential to attract new greenfield investments and diversify the FDI base.

"It is good to see this uptick, but it is important to understand how much came from new investors versus reinvestments by those already operating in Bangladesh," said Syed Akhtar Mahmood, former lead private sector specialist in the Trade & Competitiveness Global Practice of the World Bank Group (WBG).

"Reinvestment could reflect growing confidence, but it may also be a response to rising local borrowing costs," he added.

Mahmood said attracting new foreign investors is critical for long-term growth and diversification. "While existing investors are important, Bangladesh must actively seek fresh investment, especially in export-oriented sectors and emerging industries."

He also called for examining the sectoral distribution of FDI, especially in areas that support exports such as energy, logistics, and new product development.

He noted that much of the FDI recorded in a given year often reflects decisions made earlier. "So, while the current figures are encouraging, the full impact of recent reforms may not yet be visible."

Rupali Chowdhury, former president of the Foreign Investors' Chamber of Commerce and Industry (FICCI), said the current level of FDI is insufficient to meet Bangladesh's long-term growth goals.

"To increase our GDP growth by 1 percent per year and become a high-income country, we need at least $8 billion in FDI annually. But inflows have remained between $1.5 billion and $3 billion," she said.

She pointed to persistent uncertainty as a major deterrent for foreign investors. "Concerns over the overall business environment are holding back investment," said Chowdhury, urging the government to prioritise resolving the gas and power shortage and improving logistics.

She compared Bangladesh with regional peers. "Vietnam attracted around $36 billion in FDI commitments in 2024, while India secured more than $28 billion. Even smaller Southeast Asian economies like Cambodia have often outpaced Bangladesh in winning large greenfield projects."

She added that consistent, investor-friendly policies are essential to attract and retain quality investment. Chowdhury cited the Japanese economic zone as a promising model for drawing FDI.

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Ashraf Ahmed, former president of the Dhaka Chamber of Commerce and Industry (DCCI), described the recent rise in FDI as encouraging, crediting efforts from both the public and private sectors.

"This is certainly a positive sign and the result of a lot of hard work," he said. Ahmed, however, added that the overall volume remains far below what is needed to achieve Bangladesh's growth ambitions.

"The aggregate FDI still stands at a very low base," he said, noting that much more needs to be done to attract both domestic and foreign private investors.

The business leader stressed that progress must be made in political stability, macroeconomic management, infrastructure, regulation, and the broader business environment.

"Only a consistent and comprehensive reform strategy will enable Bangladesh to unlock its full investment potential and remain globally competitive," he added.

M Masrur Reaz, chairman and CEO of Policy Exchange of Bangladesh, also welcomed the FDI increase, describing the year-on-year rise as encouraging.

However, he cautioned that inflows remain far below what is required to sustain long-term growth.

"While the numbers look good on the surface, they are still quite low compared with our needs," he said, adding that much of the investment is concentrated in export-processing activities.

Reaz added that much of the recent FDI has come from reinvestments by existing foreign investors rather than new greenfield projects or entry into new sectors. "If this pattern continues, we should not be overly satisfied with the headline figures," he said.

The economist called for time-bound reforms to attract new investors, diversify sectors, and improve transparency. "Without a sector-wise breakdown of FDI, it is difficult to assess the quality and sustainability of these inflows," Reaz said.

Investors suffer as RSRM, Aramit, Nurani factories stay shut

STAR BUSINESS REPORT

Prolonged closure of factories of three listed companies – Ratanpur Steel Re-Rolling Mills (RSRM), Nurani Dyeing & Sweater Limited, and Aramit Cement – has left investors frustrated and incurring losses.

The closures were disclosed through separate statements by the Dhaka Stock Exchange (DSE) authorities on its website yesterday.

The statements said DSE teams found that the factories of these companies were out of operation. The DSE teams visited RSRM on 21 August, Aramit on July 22, and Nurani on July21.

For investors who depend on dividends and share price gains, the extended shutdowns are increasingly painful. Investors of the two firms – Aramit and Nurani – haven't received any dividends for years. All the while, shares of the firms keep falling.

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Asif Arman, a stock investor who put money in Nurani stocks, said, "I invest in companies mainly to get dividends. When the company falls into such trouble that its factory is closed for years, it surely gives a loss to its investors."

Nurani Dyeing's share price dropped to Tk 2.80 yesterday. It last issued a cash dividend of 2 percent in 2018. In fiscal year 2018-19, it paid a 10 percent stock dividend, and in the following fiscal year, it recommended a 10 percent stock dividend.

The company was listed on the stock market in 2018, two years prior to its factory being closed after it fell into a financial crisis with allegations. Later, it was revealed that the company had become a loan defaulter at multiple banks.

Although it is a regulatory obligation to give the company secretary's mobile phone number on the DSE website, Nurani Dyeing did not provide the number, so it was not possible to communicate with the company.

Once a handsome dividend-paying company, RSRM's production has remained closed for a couple of years.

The company fell into trouble several years ago when it became a loan defaulter. Since 2020, its production has remained closed amid power supply cut-offs, as its electricity bill remains unpaid.

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Govt fails to break nexus of businessmen, bureaucrats

Analysts say

STAR BUSINESS REPORT

The government has failed to dismantle entrenched networks of businessmen and bureaucrats despite assuming office through a mass uprising, economists and bankers said on Wednesday.

They warned that unless the power structure is reformed and jobs are created, another upheaval could occur.

The observations came at a seminar titled "Prioritising Economic Reforms: Building Institutions and Rebalancing the Power Structure", organised by Voice for Reform, Nagorik Coalition, and Bangladesh Research Analysis and Information Network (BRAIN) at the Bangladesh Development Bank in Dhaka.

Mushtaq Khan, professor at SOAS University of London, said reforms would not deliver results without changes in who holds power.

"If the same oligarchs keep shaping policy, nothing will change. We have already seen organised crime in the power sector. Unless even a fraction of this is stopped, risks will rise further," he said.

He added that collusion in the power sector had led to overpricing and excess subsidies, pushing up costs by about 25 percent. If subsidies are withdrawn, energy prices will rise further and accelerate deindustrialisation.

Banking leaders also expressed concerns. Islami Bank Chairman Prof M Zubaidur Rahman alleged that S Alam Group had acquired 82 percent of the bank's shares and siphoned off large sums.

"Clearly, they did not consume it alone; they shared it with others," he said, adding that legally the bank could not buy back its shares. Instead, S Alam's stake would be sold to strategic investors.

Selim RF Hussain, former managing director of BRAC Bank, said it was risky for a banker to serve as an MD of a bank in Bangladesh as businessmen often became chairmen of banks with as little as 2 percent shareholding.

"Our banking sector should gradually be consolidated into 10–12 banks," he said.

Monzur Hossain, member of the General Economics Division at the Planning Commission, said institutional weakness was undermining reforms. "If party loyalists are appointed, institutions cannot perform. Governance is key," he added.

Others, including Fahim Mashroor, Rashed Al Mahmud Titumir, Syed Akhtar Mahmood, Zia Hassan, and Kawsar Chowdhury, stressed the need for stronger institutions, accountability, productivity benchmarking, and diversified SME support.

Govt keen to finalise free trade zone decision by Dec

An economist questions need before fully utilising existing EPZs, SEZ

JAGARAN CHAKMA

The government is showing interest in setting up the country's first free trade zone (FTZ) in the southern coastal region, aiming to attract more foreign investment and create jobs.

A national committee is now working on the feasibility of the project, and Bangladesh Investment Development Authority (Bida) Executive Chairman Ashik Chowdhury said they want to finalise the decision by December this year.

Meanwhile, some economists have questioned the rationale for a new FTZ, pointing out that export processing zones (EPZs) and a special economic zone (SEZ) already offer many of the same benefits, including duty-free imports of raw materials.

"...we are going to build another without completing the existing ones," said Zahid Hussain, former lead economist at the World Bank's Dhaka office.

He added that it would be fair to comment fully on the FTZ once complete details are available. The national committee is expected to submit its proposal by the end of this month.

Normally, imported goods attract government taxes. Within an FTZ, however, companies can import, store, and manufacture products without paying duties immediately. This reduces costs, speeds up production, and allows goods to be exported with less bureaucracy.

Businesses save money by running in FTZs, which encourages them to establish factories and offices, creating jobs in the process. American multinational Apple uses similar zones in China to manufacture iPhones before shipping them worldwide.

Setting up an FTZ in the country was first raised at the Bangladesh Investment Summit in April, where policymakers and business leaders highlighted the need to modernise trade infrastructure and establish investor-friendly zones near ports and economic corridors.

DETAILS OF EPZs UNDER BEPZA
(As of July, 2025)

EPZs	Number of factories	Investment ($m)	Export ($m)	Employment
CEPZ	144	2,197.66	45,252.82	178,023
DEPZ	83	1,868.01	38,016.76	83,997
AEPZ	49	810.61	9,956.37	74,851
CUMEPZ	48	617.35	7,248.06	50,213
KEPZ	39	764.42	12,875.57	75,562
IEPZ	25	276.14	2,042.11	19,203
MEPZ	35	248.62	1,428.39	12,742
UEPZ	26	273.14	2,949.55	32,978
BEPZA EZ	4	58.38	14.20	3,737
Total	453	7,114.33	119,783.54	531,306

Following the summit, the government formed a national committee to look into the issues of establishing a free trade zone.

Ashik Chowdhury said the committee is expected to submit its proposal by the end of this month, with decisions finalised before the year ends.

"The national committee preparing the proposal will ultimately decide the site of the zone. But we are committed to completing the decisions by this year," he told The Daily Star.

The panel includes representatives from the Bangladesh Economic Zones Authority (Beza), the commerce and industries ministries, the Economic Relations Division, the National Board of Revenue, Chattogram Port Authority, and Bida.

It is tasked with reviewing existing laws, including the Bangladesh Economic Zones Act and the Customs Act, and recommending amendments or new regulations to establish an FTZ.

Chowdhury said the committee is focusing on aligning policies and choosing a suitable location. "The FTZ will require regulatory alignment and a strategic location. We are confident in making significant progress soon."

WHAT MAKES THE FTZ DIFFERENT

Former World Bank economist Zahid Hussain said, "We already have export processing zones and these are sort of free trade areas."

Besides, Bangladesh provides special bonded warehouse facilities for exporters to import raw materials and intermediate goods duty-free.

"We are also establishing special economic zones where there are facilities for investors," he said. "The problem is that we are now building a new one without completing the existing ones."

However, Ashik Chowdhury said the FTZ is about more than infrastructure. "The FTZ and associated projects are not just about construction. They are about enabling long-term competitiveness and export diversification. For investors, predictability and inter-agency coordination are critical."

Fahmida Khatun, executive director at local think tank Centre for Policy

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Bangladesh, Pakistan to form commission on trade, investment

STAR BUSINESS REPORT

Bangladesh and Pakistan have agreed to establish a new joint trade and investment commission to boost bilateral trade, Commerce Adviser Sk Bashir Uddin said yesterday.

The two sides will also revitalise the existing Joint Economic Commission (JEC), which has remained inactive for the past decade and a half, to enhance cooperation in trade, investment, and economic exchanges, he told reporters after a meeting with visiting Pakistani Commerce Minister Jam Kamal Khan at the commerce ministry in Dhaka.

During the talks, Bashir urged Pakistan to withdraw the anti-dumping duty it has imposed on Bangladesh's hydrogen peroxide exports.

He also sought duty-free access for one crore kilogrammes of Bangladeshi tea, a facility that had previously existed. In addition, he called for Pakistani cooperation in Bangladesh's leather and sugar industries.

The adviser noted that Bangladesh imports around $80 billion worth of goods annually, of which $15 billion goes to food items. Pakistan, he said, could be a reliable source to meet part of this demand.

Replying to a query from journalists regarding the import of goods from Pakistan, the adviser said that Bangladesh considers "almost all countries," including the USA and India, as potential suppliers.

Trade between the two countries is heavily tilted towards Pakistan, as Bangladesh imports industrial raw materials, rice, and intermediary goods for industrial use.

Bangladesh has scope to import stones and mineral resources from Pakistan.

Commerce Secretary Mahbubur Rahman added that both countries are now "engaging to ease trade and commerce" after years of limited progress.

Both Bangladesh and Pakistan

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