



Govt sees early signs of economic recovery

Report to UN claims stabilisation and improving indicators, but economists highlight inflation, unemployment, weak investment and mounting debt concerns

REFAYET ULLAH MIRDHA

The government has painted a relatively stable picture of the economy in a report to the United Nations, saying early signs of recovery appeared in the middle of this year.

Some economists, however, remain critical of key macro indicators and say that the outlook is far from assured.

"The complacent views shown in the report are not consistent with the facts," said Zahid Hussain, former lead economist of the World Bank Dhaka office.

He said that of the three major macroeconomic factors, foreign exchange, inflation and financial distress, only foreign exchange shows improvement. Inflation and financial distress continue to pose serious concerns.

Submitted early this month to the United Nations Committee for Development Policy (UN-CDP), the annual report itself acknowledged several challenges highlighted by economists.

Even so, it argued that the macroeconomic performance of Bangladesh is "unique" compared to countries where regime change occurred through violent overthrow or mass uprising.

Drawing comparisons with Sri Lanka and Indonesia, the finance ministry report

GDP GROWTH Fell from 7.1% (FY22) to 3.97% (FY25)	FY25 rebound still below past averages	INFLATION Stuck at 8%-9% in 2025	Food & non-food prices remain high
EMPLOYMENT	Unemployment rose to 3.66% (2024) from 3.35% (2023)		
From 2023 to 2024	Youth unemployment increased to 8.07% from 7.25%	NEET youth rose to 20.3% from 18.9%	Educated jobless number went up to 13.5% from 13.1%
BANKING SECTOR	Fragile, heavy NPL burden		
	5 banks merging; 9 NBFIs may be liquidated	Deposits slowed to 7.7% in May this year from 8.6% in Apr 2024	Credit growth fell to 8.03% in Apr 2025 from 11.09% in Apr 2024

claimed that several economic indicators in those countries failed to recover after government changeovers, unlike the development trajectory of Bangladesh.

It said those economies saw sharp declines in output and foreign direct investment, along with rising inflation, while Bangladesh maintained positive output and FDI growth and reported declining inflation.

"As a result, Bangladesh could avoid any significant development setbacks," said the report, continuing the narrative of the past four years ahead of the country's scheduled graduation from the least developed country club next year.

Indonesia saw its poverty rate jump from around 15 percent to 33 percent within a year after the changeover, while around 26 percent of the population in Sri Lanka lived in poverty in 2023, a year after the violent fall of the regime, according to the report.

In support of the claim of "early signs of recovery" by mid-2025, the report cited higher GDP growth, easing inflation, a stabilised exchange rate and

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Economic activities subdued amid political uncertainty

MCCI says tight monetary stance dampens demand

STAR BUSINESS REPORT

Bangladesh's overall economic activities have remained subdued in the aftermath of political uncertainties, leading to weaker demand and reduced investment, even though several sectors recorded improvements owing to easing inflation and greater stability in the forex market.

"Bangladesh Bank's tight monetary and fiscal stance, in place since August last year, has further dampened domestic demand," said the Metropolitan Chamber of Commerce and Industry (MCCI) in its review of the economic situation during the July-September quarter of the fiscal year (FY) 2025-26.

The flagship report of the leading chamber, released yesterday, said private-sector credit growth declined to a historic low of 6.29 percent in September 2025, underscoring weak investment appetite and fading business confidence.

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The central bank has maintained a tight monetary policy for three years in its battle to tame inflation, which remained above 9 percent from March 2023 to May 2025.

BB has kept the policy rate — at which it lends to commercial banks — at 10 percent since October 2024 and is likely to keep it unchanged for now, although inflation has moderated in recent months.

In October, inflation was 8.17 percent, down from 8.36 percent a month earlier, according to official data.

The MCCI said the downturn in inflation is likely to continue in November and December of FY26. Inflation may drop to 8.12 percent this month and 8.05 percent in December, according to projections.

The report pointed to higher consumer prices in rural areas.

"Living in villages has become costlier in recent times, as the inflation rate in rural Bangladesh in September 2025 was higher than in urban areas."

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Fully digital payment system by July 2027

Governor says

STAR BUSINESS REPORT

Bangladesh Bank (BB) plans to eliminate cash-outs within July 2027 by integrating all financial institutions, including banks, mobile financial service (MFS) providers, insurance companies, and other relevant entities, into a single interoperable transaction system.

"Under the system, cash-outs will no longer be required," BB Governor Ahsan H Mansur said yesterday at an event at The Westin Dhaka, organised by the central bank.

At the programme, BB signed an agreement with the Gates Foundation's Mojaloop, an open-source software platform for financial firms and regulators, to establish the interoperable transaction platform called the Inclusive Instant Payment System (IIPS).

Mansur said digitisation is essential for ensuring transparency in financial transactions and that an interoperable system is key to achieving this. "There is no alternative to moving towards this system in the future. It will enhance transparency, reduce corruption, and increase revenue collection."

The central bank governor said Bangladesh must go cashless.

"The system we signed an agreement for today (Monday) is used in many countries around the world. Through this, a complete interoperable transaction system will be launched among all types of financial institutions."

He said it is possible to implement the system by July 2027.

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BB yet to release Q2 bad loan data

Analysts raise concerns over transparency

MD MEHEDI HASAN

Bangladesh Bank has not published the banking sector's classified loan data for the April-June quarter even five months after it ended, leaving analysts without a clear picture of the sector's condition.

The central bank usually releases non-performing loan (NPL) figures within a month of each quarter's end. This year, however, publication has been consistently delayed. The January-March data came out only in June, and no date has been set for the second-quarter release even though banks have

multiple reports are produced, helping stakeholders understand the banking industry," one official said.

DELAY COMES AMID RISING NPLs
The delay comes at a time when non-performing loans have been hitting record highs. In March, NPLs reached a record Tk 4,20,335 crore — 24.13 percent of total outstanding loans of Tk 17.42 lakh crore — according to BB data. At the end of 2024, bad loans stood at Tk 3,45,765 crore, meaning Tk 74,570 crore was added in just three months.

Years of loan irregularities, scams and mismanagement during the previous Awami League government



already begun publishing their third quarter figures.

The lack of updated information has added to uncertainty among stakeholders assessing the scale of loan stress in the sector. BB has not offered a clear explanation for the delay.

When asked, Arefin Hossain Khan, executive director and spokesperson of the central bank, told The Daily Star last week that the figures were pending because Governor Ahsan H Mansur had been abroad. "But he has now returned, and it is expected that the data will be published soon," he said.

According to central bank officials, the regulator collects quarterly data from commercial banks and typically needs about a month to compile the dataset. After preparation, it is forwarded to various departments following the governor's approval.

"Based on the classified loan data,

pushed NPLs to these levels, according to officials. After the political changeover in 2024, the hidden loans started to come to light.

Unofficial estimates suggest bad loans may have exceeded Tk 6 lakh crore by June, with several banks now reporting that more than half their loan books are in default.

BB has asked banks to intensify recovery and rescheduling efforts to contain the surge.

Governor Mansur has publicly stated on multiple occasions that actual bad loans exceed 30 percent of the banking sector's loan stock.

Multiple banks have reported steep rises in defaults. AB Bank's NPLs, for instance, have climbed to nearly 84 percent of its total loans. As of September, the bank had Tk 35,982 crore in outstanding loans, of which

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