Star BUSINESS

Machinery imports rise on hopes of political stability

STAR BUSINESS REPORT

Imports of capital machinery are picking up, showing signs of renewed business interest on expectations of greater stability in both politics and the economy.

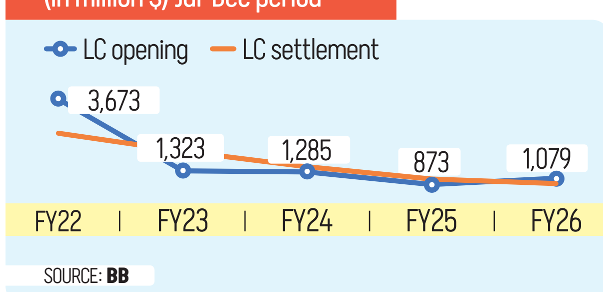
In the first half of the fiscal year 2025-26, the opening of letters of credit (LCs) to import capital machinery increased by 24 percent year-on-year, reaching $1,079 million, according to Bangladesh Bank (BB) data.

This is the highest level in two years.

The rebound comes after three years of decline and sluggish private-sector credit growth, which stood at 6.10 percent in December, among the lowest in recent years.

"Businesses took such decisions hoping that the situation will improve after a political government comes to power following the election. This has triggered investment decisions as it takes months to bring machinery," said Mir Nasir Hossain, former president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

CAPITAL MACHINERY IMPORTS
(In million $) Jul-Dec period



SOURCE: BB

He added that a major portion of the machinery may have been imported for BMRE (Balancing, Modernisation, Rehabilitation and Expansion), as new factories are not being set up amid the ongoing gas crisis.

BB data show that LC openings for machinery imports in the leather, pharmaceutical, packaging, and other sectors rose during the July-November period of FY26.

By contrast, imports of capital goods for the textiles and garment sector, the country's main export earner, continued to decline.

Md Fazlul Hoque, former president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), expressed hope that the trend would reverse as

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Interim govt stopped macro bleeding but couldn't reignite growth

Inflation remains high and private investment subdued, even as foreign reserves recover and financial sector panic eases

AHSAN HABIB

When the interim government assumed office around 18 months ago, it inherited an economy under severe strain.

All major economic indicators were flashing red. Foreign exchange reserves were depleting fast, the balance of payments (BoP) was in deficit, inflation was painfully high, debt was rising, GDP growth was slowing, and the financial sector was fragile.

Besides, the true state of the banking sector remained unclear. Several banks and non-bank financial institutions were bouncing cheques, while some repaid depositors using borrowed funds.

Insurance companies were also struggling to meet client demands. And, an ailing stock market added to investor anxiety.

Over the past one and a half years, the economic situation has improved, especially in the external sector. Remittance and export earnings have grown, while imports remained subdued during the early months.

With better dollar liquidity, the Bangladesh Bank (BB) began purchasing foreign exchange from commercial banks, acquiring $4.15 billion so far. This marked a reversal from previous years, when the central bank had to sell more than $25 billion from its dollar reserves to manage crises.

As a result, foreign exchange reserves, which had fallen to $25.90 billion in August 2024 from $48 billion in 2021, rebounded to $34.3 billion by February 2026. The exchange rate, which had depreciated nearly 40 percent over three years, stabilised at Tk 123.

COMPARISON OF MAJOR ECONOMIC INDICATORS

IN AUGUST 2024		IN FEBRUARY 2026
$25.9b	Gross forex reserves	$34.3b
-$4.3b	BoP (overall balance)	$0.76b
Tk 118	Exchange rate	Tk 122
9.73%	Inflation	8.66% (Avg Jan)
5,229	DSEX (stock)	5,570
Tk 18.9 lakh crore	Govt's debt stock	Tk 21.49 lakh crore
3.91% (Q4 FY24)	GDP growth rate	4.50% (Q1 FY26)
$1.91b (Jul)	Remittance	$3.5b (Jan)
$3.81b (Jul)	Export	$4.4b (Jan)

The balance of payments returned to positive territory at $0.76 billion in February, compared with a deficit of $4.3 billion when the previous government fell in August 2024.

Following the political changeover, new BB Governor Ahsan H Mansur reported that a pending $2.5 billion payment from the former government had been settled.

"Any abrupt political changeover often disrupts the economy," said Zaidi Sattar, chairman of the Policy Research Institute of Bangladesh (PRI).

He described the financial condition as "catastrophic" when the interim government took office. Although GDP had grown under the previous government, he said, underlying vulnerabilities remained.

"On balance, the interim government has stabilised key macroeconomic indicators, though inflation remains high and the financial sector, while restructured, is still fragile," added the economist.

Fahmida Khatun, executive director of local think tank Centre for Policy Dialogue (CPD), expressed similar views.

"The economy was weak and vulnerable when the interim government assumed office. Almost all macroeconomic indicators were in decline," she said.

"That downward trend has now stopped, but the economy is not yet comfortable. Inflation has begun to ease, but investment remains weak, unemployment has risen, and the tax-to-GDP ratio has fallen," said Fahmida.

Some relief has come in the external sector, and banking reforms have clarified the real health of financial institutions. Yet Fahmida said that several reforms remain incomplete and will require attention from the new government.

Although the policy rate was high and monetary policy contractionary during the period of the interim government, inflation did not ease to the desired level.

The country experienced above 9 percent inflation for most of 2023, with consumer prices staying above that threshold from March onwards. During the interim government's tenure, inflation fell slightly below 9 percent but remained above 8 percent. Lowering tariffs on essential imports provided only limited relief.

Debt stock continued to rise amid a low tax-to-GDP ratio. By February 2026, total government debt reached Tk 21.49 lakh crore, up from Tk 18.9 lakh crore in August 2024.

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NBR revises LPG tax structure

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has restructured the VAT on liquefied petroleum gas (LPG) to reduce the tax burden on consumers and stabilise the domestic fuel market.

The NBR has withdrawn the 7.5 percent VAT at the production and trading stages of LPG, as well as the 2 percent advance tax on imports.

Instead, it has imposed 7.5 percent VAT at the import stage of LPG, according to two separate notifications issued on Monday.

As a result of the restructuring, VAT on LPG will be applicable only at the import stage.

The NBR said the VAT burden on consumers will decline by one-fifth due to the restructuring.

"Due to this decision, the overall VAT burden will decline, as VAT will now be effectively collected at the import stage," said Bodruzzaman Munshi, second secretary (VAT Policy) at the NBR.

Explaining the mechanism, he said that at the import stage, VAT of 7.5 percent (Tk 7.5) would be paid on a base value of Tk 100. At the production or trading stage, VAT would be imposed on the value addition.

"For instance, if Tk 20 is added to the original value, bringing the total to Tk 120, VAT would be calculated on the full amount, and the net payable VAT would stand at around Tk 9," he said.

He added that the measure would also help curb VAT evasion by streamlining collection at the initial stage of the supply chain.

The revenue authority said it has decided in the public interest to stabilise the market and keep LPG --

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IT exports up 14% in Jul-Nov on AI-driven demand

MAHMUDUL HASAN

Bangladesh's information technology (IT) exports grew 13.54 percent in the first five months of fiscal year 2025-26, buoyed by accelerating global artificial intelligence (AI) adoption and the widening digitalisation of services, according to government data.

Between July and November, the sector's exports reached $269.84 million, up from $237.67 million in the same period a year earlier, shows Export Promotion Bureau (EPB) data. IT service exports stood at nearly $629 million in fiscal year 2024-25.

The gains were broad-based across the sector, which encompasses software development, IT-enabled services, computer consultancy, and hardware support, though the composition of growth reveals a market in transition.

SOFTWARE GETS BOOST, CONSULTANCY STUMBLES

Installation and hardware support posted the sharpest growth, nearly tripling to $3.09 million, a 136 percent year-on-year jump, reflecting rising demand for physical infrastructure alongside digital transformation.

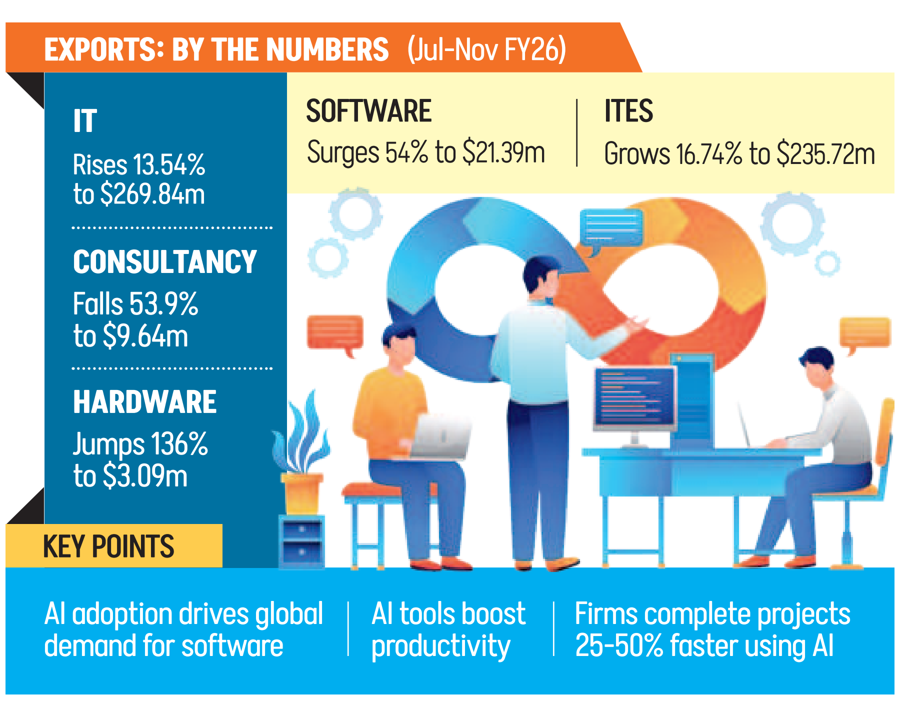
Software exports also surged strongly, climbing 54 percent to $21.39 million, as global clients ramped up demand for custom solutions, automation tools and AI-integrated applications.

IT-enabled services, including business process outsourcing, expanded more steadily, rising 16.74 percent to $235.72 million.

Computer consultancy, however, contracted sharply, falling 53.9 percent to $9.64 million, suggesting clients increasingly prefer bundled service packages over standalone advisory engagements.

According to industry executives, AI is simultaneously expanding the market and compressing the workforce needed to serve it.

Ferdous Mahmud Shaon, managing director (MD) of Cefalo, a Dhaka-based software firm with around 300 employees, said his company has seen a substantial rise in orders as businesses worldwide race to embed AI into their operations.



"AI is not replacing software, it is actually increasing the need for new types of software," Shaon said. "Many processes still require customised solutions, integration and ongoing development."

At the same time, productivity gains are reshaping how companies hire. The Cefalo MD noted that AI tools are enabling companies to produce software faster and at lower cost.

"Previously a task might require ten engineers; now five can deliver the same output using AI tools," Shaon said.

Cefalo has invested heavily in AI-assisted development tools, enabling teams to complete projects 25-50 percent faster.

While this improves competitiveness and delivery speed, it also creates pressure on employment, leading to downsizing in some cases, a trend visible across global tech companies as well.

"Companies must adopt these technologies or risk being pushed out of the market," Shaon said, noting that AI is reducing routine work. "In the future, we will need to focus on more complex and sophisticated tasks that machines cannot easily handle."

He also cautioned that the growth trajectory may remain moderate in the short term due to broader global uncertainties.

Despite the solid headline figure, Shaon flagged three structural risks to sustained growth: the global economic slowdown dampening client budgets, domestic instability undermining Bangladesh's appeal as an outsourcing destination, and AI-driven workforce disruption requiring rapid reskilling.

Sponsors, directors of Asiatic Lab barred from selling shares

STAR BUSINESS REPORT

The stock market regulator has barred the sponsors, directors, and placement shareholders of Asiatic Laboratories Limited from selling their shares after irregularities were found in the use of funds from the initial public offering (IPO) and inconsistencies in the company's expansion plans.

At a meeting of the Bangladesh Securities and Exchange Commission (BSEC) held at its office in the capital yesterday, the commission decided to extend the lock-in period on these shares.

According to a press release issued by the regulator, Asiatic Laboratories had earlier received approval to raise Tk 95 crore through an IPO in 2022.

As per its IPO prospectus, the company planned to use the funds for business expansion, including procurement and installation of machinery, construction of a factory building, repayment of bank loans, and meeting IPO expenses.

However, the company has not yet completed the utilisation of the IPO proceeds.

Despite failing to implement the declared IPO projects, Asiatic Laboratories disclosed price-sensitive information (PSI) on September 28, 2025, announcing an ambitious plan to construct a 32-storey building.

According to the BSEC, the company made the announcement without conducting proper project evaluation, feasibility studies, or obtaining necessary approvals from regulatory authorities, including Rajdhani

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Magistrates' courts to hear cheque bounce cases under Tk 5 lakh

STAR BUSINESS REPORT

First-class magistrates or metropolitan magistrates' courts will now resolve cheque dishonour cases involving amounts below Tk 5 lakh, offering quicker access to justice for small creditors.

In this regard, the government issued an ordinance titled "Negotiable Instrument (Amendments) Ordinance, 2026" on Monday. It will come into effect immediately, it said.

However, if the cheque amount exceeds Tk 5 lakh, the case must be tried by a court not inferior to that of a Metropolitan Joint Sessions Judge or a Joint Sessions Judge, as applicable.

The jurisdictional distinction is designed to streamline the trial process and ensure that higher-value financial disputes are handled at a more senior judicial level, while smaller claims remain within the magistracy.

For small creditors -- including traders, suppliers and individual lenders -- the provision means their cases can be heard at magistrates' courts without escalation to higher sessions courts, potentially reducing procedural delays.