How robust is the balance of payments?

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writes for Star Business

There is considerable hype on social media about a big turnaround in the balance of payments (BoP) under the interim government. As evidence, numbers with varying degrees of accuracy are cited on the build-up of foreign reserves and the associated reduction in the current account deficit. The objective of this essay is to explain recent developments in the BoP, assess the robustness of the adjustment process, and suggest policy options for moving forward.

The underlying causes of the BoP crisis are long-standing and deep-rooted. The immediate triggers were a series of external shocks relating to Covid-19, the global inflation of 2021-2022, and the Russia-Ukraine war that began on February 24, 2022. These shocks lowered global GDP growth and trade, while raising global commodity prices, inflation and interest rates. Their adverse effects on the BoP of Bangladesh were magnified by poor macroeconomic management, reflected in a fixed exchange rate, artificially low interest rates, large fiscal deficits driven by the Covid-19 response, and excessive use of bank credit to finance these deficits.

As a result, export earnings fell, the cost of imports surged, the volume of trade financing declined, and its cost increased. The net outcome for the BoP was a huge surge in the current account deficit, which reached a record $18.2 billion in FY2022. This sharp increase put pressure on reserves.

The government was initially slow to respond and chose to absorb the shock through reserves. The rapid rundown of reserves soon made clear that this was not sustainable. Bangladesh, therefore, entered a three-year IMF adjustment programme in January 2023. Although policy adjustments began then, most progress occurred between May 2024 and June 2025. Interest rates were deregulated, the exchange rate was unified and made market-based, fiscal deficits were reduced mainly through cuts in public development spending, and bank financing of fiscal deficits was curtailed.

Export earnings recovered in FY2025, remittance income surged, and imports fell sharply. The current account deficit narrowed to a small level in FY2025. The exchange rate stabilised at a realistic level consistent with market behaviour. With strong public capital inflows, Bangladesh reversed the reserve drawdown and recorded a notable balance of payments surplus in FY2025.

How robust is this stability? Can it be sustained as GDP growth and investment recover under a newly elected democratic government?

First, export earnings in FY2025 were still about $7 billion lower than in FY2022. Moreover, in the first eight months of FY2026, exports fell by 3 percent, raising concerns about the outlook for the BoP. On the positive side, the sharp acceleration in remittance earnings, which were $9 billion higher in FY2025 than in FY2022, has been a lifeline.

Second, and most significantly, the value of imports fell by $19.5 billion between FY2022 and FY2025. This decline largely explains the improvement in the current account deficit of $18.1 billion over the same period.

Third, reserves rose modestly by $5 billion in FY2025 and by a further $5 billion in January 2026. However, they are projected to decline during the second half of FY2026 because of weaker exports and a pickup in imports. Overall, barring any major policy setback or a prolonged Iran war, reserves are expected to stabilise at around $30 billion.

What is often missing in media commentary is recognition that, alongside the reserve build-up, total external borrowing has surged from $103.8 billion in FY2024 to $113.2 billion in FY2025 and is projected to reach $122.8 billion by the end of FY2026. The increase in external debt of $19 billion between FY2024 and FY2026 would far exceed the modest rise in reserves of $7.2 billion.

The fall in imports was initially driven by quantitative restrictions. Although these have been relaxed in recent months, a combination of higher interest rates, depreciation of the real effective exchange rate, improved terms of trade due to lower global commodity prices, and a sharp slowdown in GDP growth has reduced the nominal value of imports in US dollars.

GDP growth slowed to 3.5 percent in FY2025. Negative export growth in the first eight months of FY2026, rising external debt and debt servicing, and the onset of the Iran war raise doubts about the durability of the present BoP situation. Much of the growth slowdown reflects a weaker investment climate, including deterioration in law and order, political uncertainty during the transition to an elected government, energy constraints, cuts in ADP spending, high trade logistics costs, anti-export bias in trade policy, and skills shortages.

With the smooth conduct of a national election and transfer of power to an elected government, the growth outlook has improved. But much will depend on how quickly the new government implements a comprehensive set of reforms on multiple fronts. Importantly, a recovery in economic growth will bring a sharp increase in imports, while higher global energy prices linked to the Iran war will also raise import costs.

Research by Policy Research Institute (PRI) shows that, over the medium to long term, the income elasticity of imports in Bangladesh is around one. This is broadly consistent with findings for India, Sri Lanka, Pakistan, Indonesia and Vietnam.

A recovery in GDP growth will therefore require sufficient BoP space for imports to expand along the long-term trend.

Illustrative projections for FY2025-FY2030 show that if GDP growth rises to 7 percent by FY2030, with inflation falling to 5 percent and the real effective exchange rate remaining stable, imports would need to grow by an average of 10.8 percent per year between FY2025-FY2030. Assuming a sustainable current account deficit of around 1 percent of GDP, combined earnings from exports and remittances would need to grow by about 10.1 percent annually to maintain BoP stability.

What are the policy implications? Alongside policies to reduce inflation to 5 percent, the most fundamental challenge is export diversification. The recent surge in remittances largely reflects a shift of transactions from hundi to formal channels. Over time, remittance growth is likely to stabilise at around 5-6 percent per year. Exports will therefore need to grow in double digits to finance imports linked to stronger GDP growth.

RMG will remain dominant, but double-digit export growth will not be possible without diversification. PRI research shows that this requires reforms in several critical areas. One key requirement is flexible exchange rate management that avoids appreciation of the real effective exchange rate. A fixed nominal rate and sharply appreciating REER between FY2011 and FY2023 proved highly damaging for exports and the BoP. This must be avoided.

A second priority is the removal of the anti-export bias in trade policy. PRI research provides empirical evidence of how this bias has constrained the expansion of non-RMG exports. The recent correction in exchange rate management is welcome and is already benefiting exports and remittances. However, it must be complemented by lower trade protection that currently harms non-RMG exports.

Other priorities include improving the investment climate by addressing constraints in energy, trade logistics, infrastructure and skills. Participation in global value chains, export-oriented foreign direct investment, free trade agreements and greater investment in research and development will also help expand the non-RMG export base.

Policies are also needed to improve the quality of the capital account. The surplus in FY2025 was driven largely by public external borrowing, including exceptional BoP financing from the IMF and other multilateral partners. This was necessary but is clearly a short-term measure. Sustained reserve accumulation will depend on careful management of the current account and a stronger, more diversified export base.

Finally, a sustainable external capital mobilisation strategy is essential. Multilateral medium and long-term financing will remain important. However, debt servicing, particularly amortisation, is rising as access to concessional financing declines and commercial borrowing becomes more prominent. Sustained inflows of foreign direct investment and continued access to trade credit at reasonable cost will therefore be crucial. Strengthening the investment climate and creditworthiness of Bangladesh will help attract these flows.

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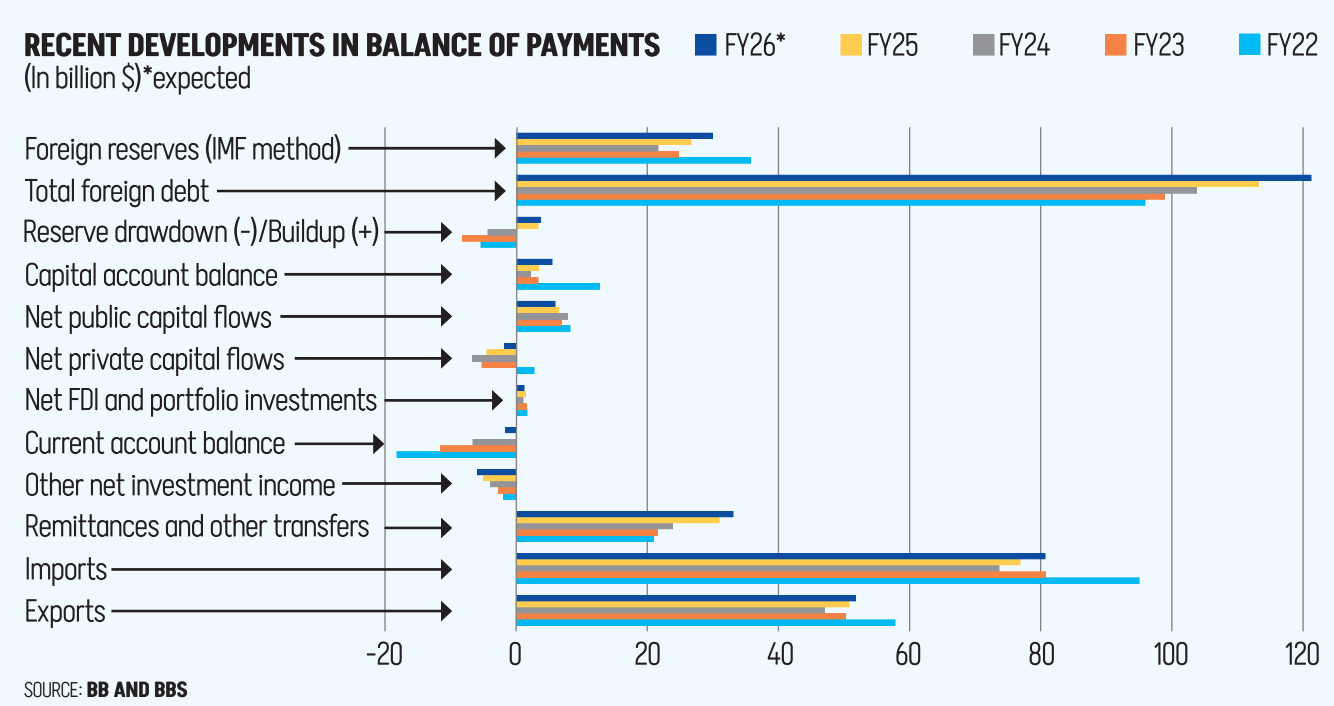

Celebrating women at work

MAMUN RASHID

There is a particular kind of courage that does not announce itself. It does not arrive with fanfare or a formal declaration. It shows up quietly, in the decision to take the difficult posting when the comfortable one was available, to walk into a room as the only woman and speak first anyway, and to stay in an industry that has spent decades signalling, in many small ways, that you were not quite the intended audience.

Across Bangladesh today, in banks and insurance firms, in factories and startups, this courage is multiplying. The women at the centre of it are not waiting for permission.

Humaira Azam spent three decades in the banking sector, moving through roles that required both technical mastery and the subtler art of building institutional trust. When she became the first female Managing Director of Trust Bank Limited, she was breaking a 50-year pattern. Her career is a case study in what happens when talent meets persistence and refuses to be managed down.

A 2024 report by the International Finance Corporation (IFC) found that women in Bangladesh's banking sector have the highest career aspirations among their peers in emerging South Asian economies, with 89 percent aiming for senior roles. That is not a country short on hunger or drive. What it is short on is the structural infrastructure to honour that ambition, the sponsorship, the flexible pathways, and the absence of unspoken penalties for having a family.

The women who have made it to the top have done so despite those gaps, not because they were fixed. That distinction matters.

Farzanah Chowdhury understood something important about what leadership at the top actually allows you to do. As CEO of Green Delta Insurance, she led the only non-life insurer in Bangladesh to hold equity investment from the IFC. She used her position not merely to excel within the existing frame, but to redraw the frame entirely.

Tamara Hasan Abed at BRAC Enterprises oversees ten social enterprises -- including Aarong -- driven by the philosophy that commercial viability and social impact are not in tension but in service of each other.

This same commitment to evidence-based leadership is seen in Sylvana Quader Sinha, who built Praava Health into a brand the country trusts. For most of her tenure, approximately half of Praava's management team were women. She has said plainly that female leaders attract and develop other female leaders.

There are also younger names like Tasfia Tasbin, who rose through AI startups to build solutions for small businesses from scratch. She framed the higher standard-- turning structural resistance into fuel rather than weight. It is something you see again and again in the women who are reshaping our corporate landscape.

None of this is to suggest the picture is complete, or the work finished. Women currently make up around 17 percent of Bangladesh's banking sector workforce, well below the global average.

The barriers that remain are not invisible or mysterious. They are documented: limited flexibility, cultural expectations around relocation, and a promotion system that too often rewards potential in men while requiring proof in women. Acknowledging these gaps is the minimum required honesty.

Every woman who reaches a senior position in Bangladesh's corporate world does something beyond building her own legacy. She makes the ceiling visible as a ceiling rather than as the natural top of the room. She recalibrates what a young woman entering the workforce in Dhaka believes is possible for herself. This is not a small thing. It compounds in ways that quarterly results cannot capture.

The writer is a banker and economic analyst

Bessent hints at lifting more Russian oil sanctions

AFP, *Washington*

US Treasury Secretary Scott Bessent said Friday his government was considering lifting sanctions on more Russian oil, a day after it temporarily authorized India to buy from Moscow as global oil prices surged.

The US-Israel war on Iran and Tehran's retaliatory attacks across the Gulf region have upended the world's energy and transport sectors, virtually halting activity in the Strait of Hormuz.

Crude soared 8.5 percent on Friday and was up nearly 30 percent for the week after President Donald Trump said only the "unconditional surrender" of Iran would end the Middle East war.

"We may unsanction other Russian oil," Bessent told Fox Business on Friday.

"There are hundreds of millions of barrels of sanctioned crude on the water. And in essence, by unsanctioning them, Treasury can create a supply."

Washington has insisted that the new measures are not aimed at easing restrictions on Moscow, imposed over its conduct in negotiations to end the war in Ukraine, but instead only affect supplies already in transit.

US says it will escort ships in Strait of Hormuz 'soon'

AFP, *Washington*

The US energy secretary said Friday the US Navy was preparing to escort ships through the Strait of Hormuz "as soon as it's reasonable to do it," as traffic through the key trade route remains strangled due to the US-Israel war on Iran.

"As soon as it's reasonable to do it, we'll escort ships through the straits and get the energy moving again," Chris Wright told US broadcaster Fox News's "Fox and Friends" show.

US President Donald Trump had said on Tuesday that the US Navy would "begin escorting tankers through the Strait of Hormuz, as soon as possible" in a bid to avoid disruption of global oil supplies.

A fifth of the world's crude oil and liquefied natural gas travels through the strait.

The US-Israel war on Iran launched a week ago and Tehran's retaliatory attacks across the Gulf region have sent crude prices soaring to their highest in nearly two years -- fanning fears of a fresh spike in inflation that could hit the global economy.

India pushing ahead with Russian oil imports

AFP, *New Delhi*

India said Saturday it was pushing ahead with imports of Russian oil, after a temporary US waiver to import crude from Moscow due war in the Mideast -- but adding it did not need Washington's permission.

The US-Israel campaign against Iran and Tehran's retaliatory attacks across the Gulf region have upended the world's energy and transport sectors, causing a surge in global oil prices.

Washington temporarily eased economic sanctions against Russia on Thursday to allow Russian oil stranded at sea to be sold to India.

But the Indian government's Press Information Bureau said in a statement that New Delhi was not dependent on "a short-term waiver" for such purchases.

"India has never depended on permission from any country to buy Russian oil," the statement said.

"India is still importing Russian oil even in February 2026, and Russia is still India's largest crude oil supplier."

War sends US crude futures up 12% a barrel

REUTERS, *Houston*

US crude futures climbed 12 percent on Friday due to disruptions to global oil supplies because of the expanding US-Israeli war with Iran.

Brent crude futures settled at $92.69 a barrel, up $7.28, or 8.52 percent. West Texas Intermediate crude (WTI) finished at $90.90 a barrel, up $9.89, or 12.21 percent.

In one week, WTI rose 35.63 percent and Brent climbed 27 percent, the biggest weekly gains since the COVID-19 pandemic in Spring 2020.

For the second consecutive day, US crude futures rose more than Brent futures as refiners worldwide scrambled to buy alternative crude to plug the gap left by disruption to Middle East supplies.

"Refiners and trading houses are searching for alternative barrels, and the US is the largest producer," said Giovanni Staunovo, an analyst with UBS.

Several factors contributed to the divergence in gains between WTI and Brent on Friday, said Janiv Shah, vice president of oil analytics at Rystad Energy.

'Plenty of oil' in market despite turmoil: IEA chief

AFP, *Brussels*

International Energy Agency (IEA) chief Fatih Birol sought Friday to tamp down fears of a global oil crisis as conflict rages in the Middle East, saying there was "plenty of oil in the market."

The US-Israel war on Iran and Tehran's retaliatory attacks across the Gulf region have sent crude prices soaring -- fanning fears of a fresh spike in inflation that could hit the global economy.

Addressing reporters in Brussels, Birol said "logistical disruption" from the war was "creating challenges for many countries" but stressed there was more than enough oil in the global market.

Asked whether the IEA was mulling the release of emergency stocks, Birol said "all options are on the table" but that "at this stage" there were no plans for "collective action".

"There is plenty of oil, we have no oil shortage," he said, after a meeting with European Union chief Ursula von der Leyen and EU commissioners. "There is a huge surplus in the market."

"We are facing a temporary disruption, a logistical disruption," he said.