The Daily Star | Prime Bank

MONTHLY BUSINESS REVIEW

Remittances Surge, Exports Dip

Remittance
- Feb inflow: **$3.02b** (+19.4% YoY)
- Highest Feb remittance in at least seven years
- Boost driven by Eid-ul-Fitr festival transfers
- Total (July-Feb): **$22.45b** (+21.4% YoY)

Reserves
- Gross reserves (Feb 26): **$35.11b** (up from $26.26b)
- IMF BPM6 reserves: **$30.36b** (up from $21.08b)

Exports
- Feb exports: **$3.49b** (–12% YoY, due to garment slowdown)
- July-Feb exports: **$31.90b** (–3.15%)
- Readymade garments: **$25.79b** (–3.73%)

CENTRAL BANK LEADERSHIP SHAKE-UP

- Govt abruptly removed Ahsan H Mansur as Bangladesh Bank governor on Feb 25, ending his tenure due until 2028
- Within hours, Md Mostaqur Rahman, a corporate accountant and garment exporter, was appointed as the new governor
- Finance minister said the move aligns institutions with the new govt's vision and priorities

REQUEST TO DEFER LDC GRADUATION BY THREE YEARS

TIMELINE

ORIGINALLY SET: NOV 2024

EXTENDED ONCE TO NOV 2026 (COVID-19 IMPACT)

CURRENT REQUEST: DEFERMENT TO NOV 2029

UNDER REVIEW BY UN CDP → ECOSOC → UN GENERAL ASSEMBLY

DECISION EXPECTED SOON

Why deferment
- **Global shocks:** pandemic aftermath, war, supply disruptions, geopolitical instability
- **Domestic pressures:** political transition, financial stress, Rohingya burden
- **Economic challenges:** slower growth, high inflation, weak investment, forex pressure, limited job creation

Why it matters
- **Potential export risk:** about **14%** ($8b annually)
- Nearly **$1b** in yearly incentives at risk
- Risk of losing preferential access, especially for EU garment exports
- Extension would support macroeconomic stability, smooth transition planning

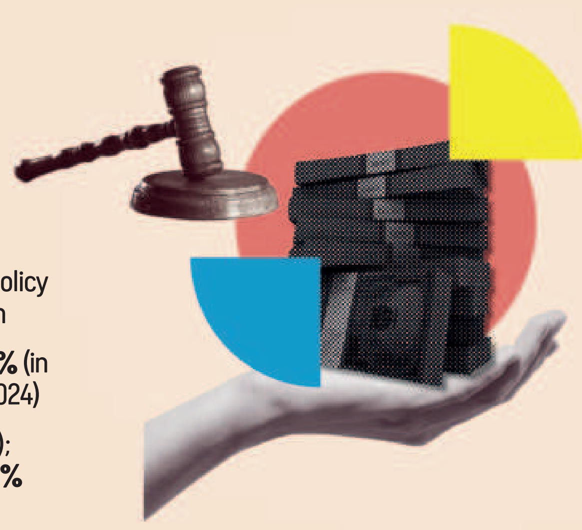
Bangladesh to Review US Reciprocal Deal

Why review
- US Supreme Court struck down many Trump-era tariffs on Feb 20
- Deal raises concerns over Bangladesh's policy flexibility, economic freedom
- US president proposed an additional **10%** tariff on all countries

Deal background
- Signed Feb **9** under the American Reciprocal Trade framework
- Includes an exit clause unique for Bangladesh
- Original tariff reduced from **37% → 20% → 19%**
- Govt to review before finalising

Tariff situation
- Reciprocal tariff reduced from **20% → 19%**
- Effective tariff: **19%** + **16.5%** = **35.5%**
- With proposed adjustment, total could fall to **26.5%**

Tight Monetary Policy Continues



- **Policy stance:** Tight policy to remain during Jan–Jun
- **Policy rate:** Held at **10%** (in double digits since Oct 2024)
- **Inflation: 8.58%** (Jan); 12-month average **8.66%** -- above **7%** target

Liquidity & credit trends
- **SDF rate:** Cut by 50bps to **7.5%** to support private lending
- **Private credit: 6.1%** (Dec 2025); projected **8.5%** by Jun 2026
- **Public credit: 28.9%** (Dec); projected **21.6%** in H2 FY26
- **Govt borrowing target:** Tk **1,18,000cr** -- adding pressure on rates

FIRST-EVER EPA WITH JAPAN

- First full trade deal with a developed country, signed Feb 6
- Japan's first EPA with an LDC

MARKET ACCESS & TARIFFS
- **100%** duty-free access for about **7,379** Bangladeshi products
- Immediate duty-free access to **97%** of Bangladesh's export basket
- Bangladesh grants duty-free access to **1,039** Japanese products
- Full reciprocity not required -- giving Bangladesh policy space
- Japanese automobiles excluded to encourage local investment