

Star BUSINESS



Iran war could shake Bangladesh economy like an earthquake

Energy shock and trade disruptions already hitting country; economists say fallout depends on conflict intensity and duration

MD ASADUZ ZAMAN

When tensions escalate among global and regional powers, the shockwaves ripple through oil markets, shipping lanes, labour migration routes, and financial systems, reaching economies thousands of kilometres away.

The US-Israel war on Iran is rapidly emerging as one of the most significant geopolitical crises for the global economy in recent years, sending tremors through markets and supply chains.

Although the fighting is roughly 4,000 kilometres from Bangladesh, economists say the impact could be substantial for a nation heavily reliant on imported fuel and remittances from workers in the Middle East.

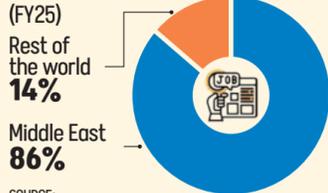
According to economists, the crisis due to the war risks setting off a chain reaction: rising energy prices, disrupted trade flows, weakened export competitiveness, turmoil in the migrant labour market and remittance inflows, higher inflation, and renewed pressure on foreign exchange reserves amid a constrained fiscal space.

Zahid Hussain, former lead economist of the World Bank's Dhaka office, said Bangladesh's economic exposure could unfold through three channels: energy, the dollar, and trade and finance.

He compared the potential shock of the war to an earthquake rather than a passing storm.

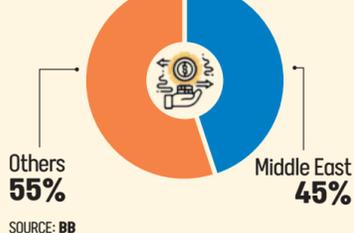
A storm passes temporarily, Hussain said. "Water rises and then recedes. Some damage happens, but the situation stabilises.

SHARE OF JOBS FOR BANGLADESHI MIGRANTS BY REGION (FY25)



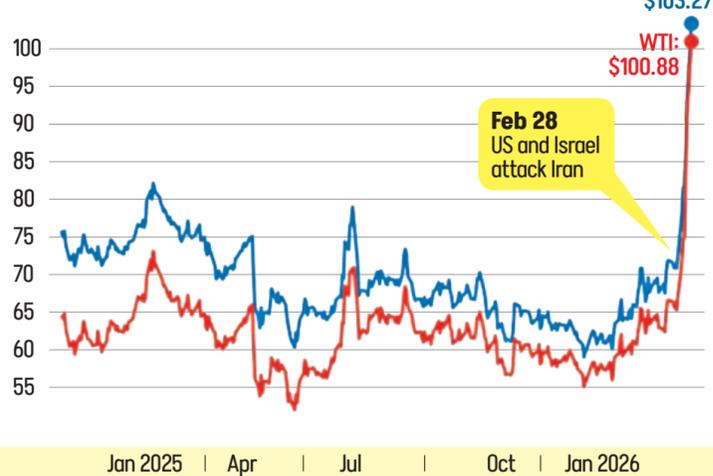
SOURCE: BANGLADESH ECONOMIC REVIEW 2025

SHARE OF REMITTANCE INFLOWS BY REGION



SOURCE: BB

Oil prices surge after Iran attack USD per barrel since Trump's election



Source: LSEG

WAR TO HIT THESE SECTORS

- Energy
- Forex reserves
- Trade, finance
- Remittance, migrant labour market
- Fiscal space
- Inflation
- Export, import
- Domestic production



The country imports almost all its fuel – from crude oil to refined petroleum and liquefied natural gas (LNG). A spike in oil prices would immediately inflate the country's energy import bill.

Long queues have already appeared at fuel stations across the country as panic buying spreads, while the government has closed universities and introduced fuel rationing to cushion the fallout.

Higher fuel prices would also increase costs for electricity generation, transportation, and

industrial production.

In that case, the government, already struggling to manage energy subsidies, would face difficult choices: absorb the cost through larger subsidies or pass it on to consumers through higher fuel and power prices.

Both carry economic consequences, such as rising subsidies straining public finances, while higher domestic energy prices push up living costs and production expenses.

INFLATION COULD GO WILD, AGAIN

Energy shocks rarely stay confined to the power sector; instead, they ripple through the entire economy.

Bangladesh has been struggling with

stubbornly high inflation for around three years. Inflation was above the 9 percent mark from March 2023, easing slightly in 2025, and showing a resurgence recently.

The drivers for renewed price pressure include high food prices, currency depreciation, and rising import costs.

A further rise in global oil prices would amplify these pressures by raising transport and logistics costs across supply chains.

Higher fuel costs affect everything from agricultural irrigation to the distribution of essential commodities, potentially pushing food inflation higher and squeezing household purchasing power.

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But an earthquake damages the underlying infrastructure, affecting both life and property."

The economist said the scale of the impact will depend on both the intensity and duration of the war.

"The key question is not only the magnitude of the shock, but also how long it lasts. The longer it continues, the greater the damage," he said.

ENERGY SHOCK LOOMS

The most immediate and potentially severe impact of the Iran war is on global oil markets, with the price surging to \$119 as of yesterday compared to around \$72 per barrel a year ago.

The Gulf region sits at the heart of the world's energy supply chain.

Following last week's US and Israel's attack on Iran, Tehran blocked the Strait of Hormuz, a crucial maritime route, seriously disrupting cargo transport between the Middle East and Bangladesh.

Major shipping lines have suspended cargo bookings between the Indian subcontinent, including Bangladesh, and the Gulf.

For Bangladesh, the consequences could be painful.

What does the war mean for remittances?

MD ABBAS

The ongoing military escalation involving the United States, Israel, and Iran is disrupting global transport routes, airspace access, and economic activity in the Gulf region. For Bangladesh, where labour migration to and remittance inflows from the Middle East are crucial, the conflict poses serious economic risks.

Labour migration has long been a key income source for millions of families, with remittances serving as the country's second-largest growth driver after exports. Since 2000, remittances have risen sharply, peaking at around 10 percent of GDP and contributing 1-1.5 percent to annual growth, while supporting household spending, foreign exchange reserves, and the balance

of payments.

The conflict has already led to the cancellation of 335 flights and suspension of key routes connecting Bangladesh to Gulf countries. Thousands of Bangladeshi workers on leave are unsure when they can return to their jobs, while many outgoing migrants remain stranded despite spending large sums to secure employment abroad.

"This is especially difficult for outgoing workers. Many spend between Tk 3 lakh and Tk 4 lakh on recruitment, visas, and travel," said Shariful Hasan, associate director of BRAC's Migration and Youth Programme. "If departures are delayed and visas expire, employers may hire workers from other countries. This leaves migrants with debt and no job abroad."

Bangladesh's labour migration system

relies on continuous mobility. Migrants usually take short leave and return quickly to maintain their contracts, but prolonged travel restrictions put many at risk of losing their jobs.

In 2025, the country received a record \$32.8 billion in remittances, with nearly 47 percent coming from Middle Eastern countries.

Since fiscal year 2025, 8.6 million migrants found jobs abroad, with Saudi Arabia employing 48 percent of them. Overall, Middle Eastern nations—including Saudi Arabia, Oman, Qatar, the UAE, and Kuwait—accounted for 75 percent of all overseas employment, according to the Bangladesh Economic Review 2025.

Migration expert Asif Munier said, "The

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Taka weakening against dollar amid war tensions

STAR BUSINESS REPORT

After months of stability, Bangladesh's currency has started to lose value against the US dollar as Bangladesh Bank stopped intervening in the market due to the possible impact of the US-Israel war against Iran.

Yesterday, the greenback was traded at a maximum of Tk 122.55 each, up from Tk 122.37 on the previous day.

The weighted average interbank exchange rate stood at Tk 122.49 per US dollar, up from Tk 122.43 a day earlier, according to the latest data from Bangladesh Bank.

The interbank exchange rate was Tk 122.36 last Thursday and Tk 122.33 on Wednesday, the data showed.

Central bank data shows that the weighted average interbank exchange rate against the greenback has continued to weaken since March 2 this year.

Officials of the central bank said the regulator has now stopped intervening in the market due to the possible impact, which is why the value of the taka has started to weaken against the US dollar.

They also noted that fuel prices in the international market have increased sharply, which is likely to raise import costs and lead to volatility in the forex market in the coming days.

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MCCI sets out 7 economic priorities for new govt

STAR BUSINESS REPORT

The government must address seven major economic challenges, including persistent inflation and energy constraints, through coordinated reforms to restore growth and strengthen economic resilience, speakers said yesterday.

Bangladesh's economy faces multiple structural obstacles, as highlighted at the launch of a publication by the Metropolitan Chamber of Commerce and Industry (MCCI) titled "Reviving Private Sector-Led Economic Growth: Critical Issues and Priorities Facing the New Government in Bangladesh", organised jointly with Policy Exchange Bangladesh in Dhaka yesterday.

The report identifies seven priority reform areas: macroeconomic stabilisation, fiscal management, financial sector reform, export competitiveness and diversification, revitalising private investment, energy security and skills development for employment.

Presenting the report, M Masrur Reaz said Bangladesh's economic management requires an integrated approach as multiple structural constraints are slowing investment, exports and job creation.

He said the country entered a macroeconomic crisis in mid-2022 when inflation rose to around 13-14 percent, foreign exchange reserves dropped from nearly \$48 billion to about \$19 billion, and the taka depreciated sharply.

Although reserves have recovered to around \$28-29 billion, major vulnerabilities remain.

Economic growth has slowed to about 3.49 percent, while the tax-GDP ratio has fallen to around 7 percent and debt servicing now accounts for roughly 21 percent of the national budget.

Private investment has declined from 24.9 percent to 22.5 percent of GDP, while foreign direct investment remains below 1 percent of GDP. Export concentration is another concern, with the readymade garment sector accounting for about 81 percent of exports.

BB eases repatriation rules for foreign investors

STAR BUSINESS REPORT

The Bangladesh Bank (BB) has relaxed rules allowing foreign investors to repatriate proceeds up to Tk 100 crore from sales and share transfers without prior approval.

The central bank issued a circular on Sunday, saying banks can now independently process such repatriations if the fair value of the transaction is determined by an independent valuer using approved valuation methods.

Previously, banks could approve transactions of only up to Tk 10 crore, with most cases requiring central bank permission.

The relaxed rules apply to both state-owned and private companies that are not listed on stock exchanges.

The central bank said the move aims to simplify procedures and make the country a more attractive destination for foreign direct investment.

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BB appoints observers to four banks

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Bangladesh Bank (BB) has appointed observers at National Bank, Al-Arafah Islami Bank, Premier Bank, and IFIC Bank to closely monitor their activities.

The central bank made the decision this week.

"The decision to appoint observers at these banks is part of a continuous process," said Arief Hossain Khan, executive director and spokesperson of Bangladesh Bank.

Munir Ahmed Chowdhury, director of the Bank Supervision Department-12 of BB, has been appointed as an observer to the National Bank.

Mohammad Anisur Rahman, director of the Islamic Banking Regulations and Policy Department, has been assigned to observe Al-Arafah Islami Bank.

ANM Moinul Kabir, director of the Payment Systems Department-1, has been appointed to Premier Bank.

AKM Kamruzzaman, director of the Forex Reserve and Treasury Management Department-1, has been appointed to IFIC Bank.

The central bank usually appoints observers to banks whose financial health is deteriorating.

Observers take part in board meetings and monitor the banks' operations. They are withdrawn once the financial health of the bank improves.

After the fall of the Awami League-led government on August 5, 2024, the central bank restructured the boards of 14 banks, including these four lenders.