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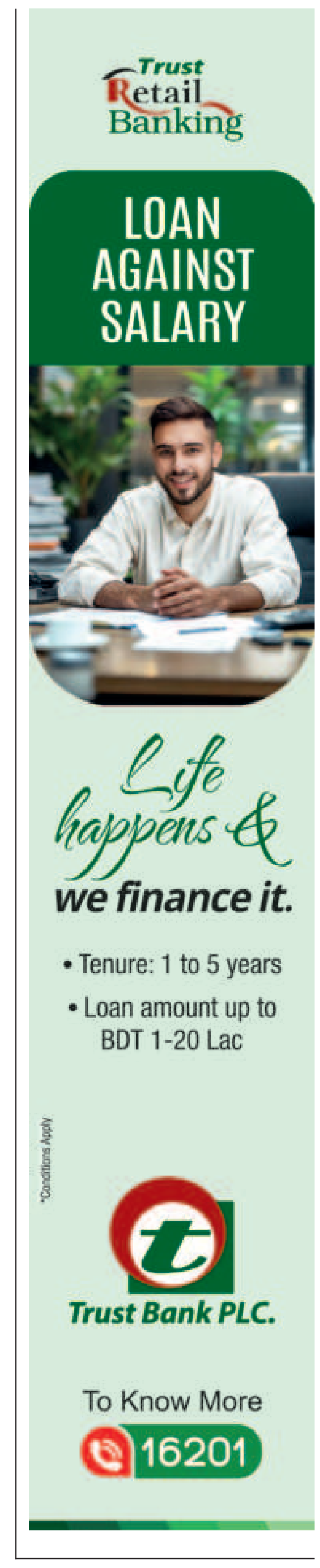
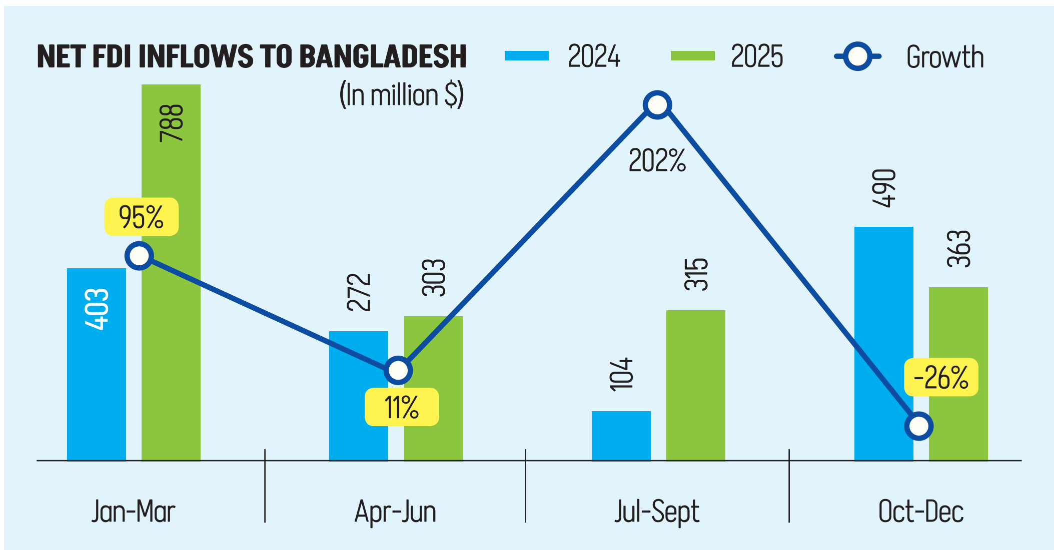


FDI growth masks slowdown in fresh capital inflow

JAGARAN CHAKMA



SOURCE: BANGLADESH BANK

Bangladesh's net foreign direct investment witnessed a sharp 39 percent increase in 2025, reaching $1.77 billion, according to central bank data.

The growth, however, was driven almost entirely by existing foreign firms, not new investors entering the market.

Bangladesh Bank (BB) data shows that net FDI stood at $1.27 billion in 2024.

Meanwhile, net equity inflows, the most direct measure of new investment, stood at $554.63 million last year, barely changing from $544.63 million a year earlier.

The increase in overall FDI instead came from reinvested earnings, which rose to $781.67 million from $621.96 million, and from intra-company loans, which surged more than fourfold to $434.11 million. Both reflect existing companies financing their local operations rather than fresh capital coming in.

Economists say despite the growth in 2025, the net FDI inflow remains insignificant relative to the size of the economy, particularly in terms of fresh investment. Data indicates that the country is struggling to attract new investors or major expansion projects. In a healthy FDI environment, rising net inflows are typically accompanied by strong equity growth, signalling new projects, job creation, and technology transfer.

Mohammad Abdur Razzaque, chairman of the Research and Policy Integration for Development, said equity inflows have been persistently low for some time.

"Equity investment is very low, which suggests that new investors are not coming. What we are seeing is largely expansion by existing investors," he said, attributing the weak equity inflows to broader macroeconomic vulnerabilities and an unfavourable investment climate.

The economist also questioned the gap between official claims and actual outcomes, saying that while the Bangladesh Investment Development Authority (Bida) continues to highlight investment prospects, the ground reality does not reflect strong or meaningful inflows.

Rupali Chowdhury, president of the Foreign Investors' Chamber of Commerce & Industry, pointed to several factors behind the weak inflows.

According to her, the shift to an interim administration, from mid-2024 till February this year, has created uncertainty around long-term investment decisions. In addition, delays in government-backed projects have raised concerns about policy continuity and contract enforcement.

Furthermore, she said episodes of social unrest and "mob culture" have damaged Bangladesh's

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Dollar nears Tk 123 as war keeps markets on edge

STAR BUSINESS REPORT

The taka edged lower against the dollar yesterday, with the weighted average interbank rate marginally rising to Tk 122.85 from Tk 122.75, at which the dollar had held steady since late March, Bangladesh Bank data showed.

The dollar rate stood at Tk 122.55 on March 9.

Trading in the interbank foreign exchange market was also thin at the start of the week, suggesting importers are not rushing to buy dollars in large quantities. Just three transactions were recorded on Sunday, totalling $4.03 million, down from $62.50 million on April 2.

The devaluation of the taka comes against a volatile global backdrop. The US-Israeli war on Iran has kept oil prices elevated above $110 a barrel, stoking inflation concerns across import-dependent economies, according to a Reuters report.

The dollar softened slightly yesterday, down 0.2 percent on the DXY index, as investors watched for any signs of progress toward a ceasefire.

Even so, the dollar remains broadly strong, underpinned by expectations that the US Federal Reserve will hold rates high through the year, according to the CME FedWatch tool cited by Reuters.

Bankers say the main concern is behaviour driven by panic.

Mirza Elias Uddin Ahmed, managing director of Jamuna Bank, said the immediate risk is panic-driven demand amid the uncertainty caused by the US-Israel war on Iran rather than any structural deterioration in Bangladesh's external position.

"Fuel prices and food prices are increasing," he noted, pointing to the potential for cost-push inflation to ripple through the economy.

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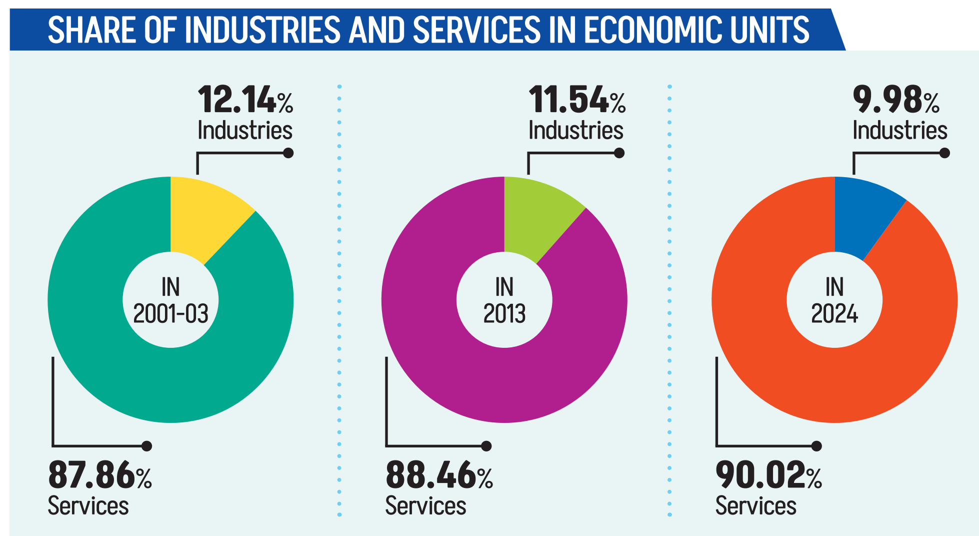
Industry loses share as services race ahead in economy

Manufacturing share slips under 10% while services account for over 90%

MD ASADUZ ZAMAN

SHARE OF INDUSTRIES AND SERVICES IN ECONOMIC UNITS



SOURCE: BBS

Small businesses and service providers, from retail shops to transport and personal services, are expanding more rapidly than formal manufacturing units, prompting economists to question the sustainability of the country's long-term growth.

Industrial enterprises now account for just under 10 percent of all businesses, down from more than 12 percent two decades ago, according to the 2024 economic census conducted by the Bangladesh Bureau of Statistics (BBS).

In contrast, service businesses dominate the economy, making up more than 90 percent of economic units.

In absolute terms, industrial units grew by 159 percent between 2001 and 2024, reaching around 11.7 lakh. Service businesses, however, surged by more than 223 percent over the same period, bringing the total number of economic units to 1.17 crore.

Employment followed a similar trend. Jobs in industry rose to nearly 94 lakh in 2024, while the service sector absorbed far more workers, with employment reaching over 2.12 crore.

Economists say if this pattern continues, it could dent productivity growth.

"This is what economists call premature deindustrialisation, a pattern seen in many developing countries," said Kazi Iqbal, research director at the Bangladesh Institute of Development Studies (BIDS).

"Manufacturing usually drives productivity gains and absorbs labour from agriculture. When services expand faster than industry, the economy grows, but not as efficiently or sustainably," he said.

The economist explained why the distinction between industry and services matters.

According to him, moving workers from agriculture to manufacturing increases productivity and incomes more than a direct shift to services.

"Services create jobs, yes, but the overall growth impact is smaller," said Iqbal.

Anwar-ul Alam Chowdhury, president of the Bangladesh Chamber of Industries, said that some local sectors have reached saturation. To sustain both economic growth and employment, the country must become a diversified manufacturing hub with a stronger focus on labour-intensive industries.

The business leader said that while Bangladesh's development has heavily relied on the industrial and RMG sectors, employment growth continues to come mainly from labour-intensive industries such as RMG and light engineering.

He said high-investment sectors, including steel, cement, machinery, and chemicals, generate fewer jobs because of automation, which is increasingly present in garment production as well.

The RMG sector alone contributes about 25 percent to manufacturing output, rising to 40 percent if textiles are included. Other industries account for the remaining 60 percent, but automation limits their potential for employment creation.

Chowdhury said that even a $50 million investment in textiles may generate only 500 to 1,000 jobs, whereas the same investment in RMG could employ between 5,000 and 8,000 workers.

"Labour-intensive sectors like leather and light engineering are crucial for job creation. Without expanding into these industries, employment growth will remain constrained," he said.

The 2024 census also shows a slowdown in business expansion.

Between 2013 and 2024, the total number of economic units rose by 50 percent, lower than the 111 percent growth recorded in the previous decade. Micro and cottage enterprises continue to dominate, comprising 96 percent of all units, and nearly two-thirds of these are located in rural areas.

The data point to a deeper structural shift in the economy. Growth in small and informal service businesses is outpacing manufacturing, which limits the country's

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Oil prices rally as Hormuz stays shut

REUTERS, *Singapore*

Oil prices extended gains on Tuesday as a US-imposed deadline loomed for Iran to open the Strait of Hormuz or be "taken out", with US President Donald Trump threatening to order attacks on Iranian bridges and power plants.

Brent crude futures rose $1.44, or 1.3 percent, to $111.21 a barrel by 0700 GMT, while US West Texas Intermediate crude futures were up $2.32, or 2.1 percent, at $114.73.

Trump has threatened to rain "hell" on Tehran if it fails to comply with his deadline of 8 p.m. EDT on Tuesday (0000 GMT Wednesday) to reopen the strait, through which about a fifth of global oil supply is normally shipped, if a deal is not reached.

Responding to a US proposal through mediator Pakistan, Tehran rejected a ceasefire and said a permanent end to the war was necessary, and pushed back against pressure to reopen the strait.

Iran's rejection of the US ceasefire proposal has kept tensions elevated and left diplomacy hanging by a thread, said Priyanka Sachdeva, senior market analyst at Phillip Nova.

"Oil is holding its gains because the battlefield risk is no longer theoretical. Attacks on energy and shipping assets continue, and traders fear that even if the war ends, damage to infrastructure could sideline barrels for months, not days," she said.

Exports from several Gulf producers have already collapsed due to restricted flows through the Strait of Hormuz.

Iranian forces effectively shut the strait after US and Israeli attacks began on February 28.

"Clock-watching is now playing almost as big a role in oil markets as the fundamentals themselves

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City Bank gets nod for Tk 1,200cr bond

STAR BUSINESS REPORT

The Bangladesh Securities and Exchange Commission (BSEC) has approved City Bank's subordinated bond worth Tk 1,200 crore.

In a press release yesterday, the regulator said the unsecured, non-convertible, fully paid-up, fully redeemable, and coupon-bearing bond had received the green light.

Subordinated debt is an unsecured loan or bond that ranks below senior loans or securities for claims on assets or earnings, according to Investopedia.

The bond's coupon rate will be the reference rate plus a 3 percent margin. The reference rate is the average of the upper limit of six-month fixed deposits at private conventional banks, excluding shariah banks, foreign banks, and banks licensed after 2012.

City Bank will raise funds by issuing bonds to mutual funds, individual investors, corporates, banks, and other institutional investors through private placement. Each bond has a face value of Tk 10 lakh. The proceeds will be used to provide SME, corporate, and retail loans.

EBL Investments will act as the bond's trustee, while City Bank Capital Resources and IDLC Investments will serve as arrangers.

The BSEC said the bond will be listed on the alternative trading board of the stock exchange.

Bangladesh, UK sign MoU to boost aviation investment

DIPLOMATIC CORRESPONDENT

Bangladesh and the UK have signed a memorandum of understanding (MoU) to enhance cooperation in public-private partnerships (PPP), reinforcing their shared commitment to boosting investment and sustainable infrastructure development in the aviation sector.

Ashik Chowdhury, chief executive officer of the PPP Authority of Bangladesh, and Sarah Cooke, British high commissioner to Bangladesh, signed the MoU in the presence of the UK trade envoy Baroness Rosie Winterton of Doncaster, according to a statement from the UK High Commission issued yesterday.

Baroness Winterton is visiting Dhaka this week to reinforce and expand the longstanding and mutually beneficial UK-Bangladesh trade and economic partnership.

The agreement marks a significant step in strengthening bilateral collaboration, with a focus on investment facilitation, knowledge exchange, capacity building, and increased private sector participation in the aviation sector.

Terming the MoU an important step forward, Ashik Chowdhury said the UK is one of Bangladesh's largest investors, but no major new UK investors have entered the market in recent years.

"This [MoU] sends a clear signal that Bangladesh is open for business and ready for a new generation of investments. It also creates opportunities for our young workforce and supports its growing global mobility. We are excited about the potential ahead," he said.

Speaking at the event, Baroness Winterton said this MoU demonstrates the shared ambition to develop an aviation sector that underpins trade, tourism, and economic growth.

"The MoU provides a platform for investment and job creation that will benefit both our countries. I look forward to seeing today's agreement translate into real progress on the ground."

Humayun Kobir, adviser to the Ministry of Civil Aviation and Tourism, said Bangladesh is open for business to the world and is committed to further strengthening its relationship with the UK.