Star BUSINESS

Export rebound sputters out with 7% fall in May

Shipments contracted to $4.40 billion last month, clouding prospects for a recovery in FY26

JAGARAN CHAKMA

After a brief recovery in April, exports returned to a year-on-year decline last month, according to official data, as weak demand for apparel in key markets and lower order volumes from Western buyers weighed on earnings.

With merchandise exports dropping in May, overall shipments in the first 11 months of the current fiscal year also fell compared with the same period a year earlier.

Amid mounting external pressures largely caused by the war in the Gulf, exporters say a prolonged slowdown could put pressure on the country's foreign exchange inflows and overall economic growth.

Meanwhile, with only one month remaining in the fiscal year, economists are questioning whether exports will end FY2025-26 in negative territory, reversing the recovery recorded in FY2024-25 after two consecutive years of decline.

In May, the country's merchandise exports fell 7 percent year-on-year to $4.40 billion. As a result, exports in the July-May period of FY2025-26 declined 2.60 percent year-on-year to $43.80 billion, according to data released by the Export Promotion Bureau (EPB) yesterday.

The figure was down 2.6 percent from $44.95 billion in the corresponding period of the previous fiscal year, EPB data showed.

"Negative growth in May was expected," said Mohammed Hatem, president of the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

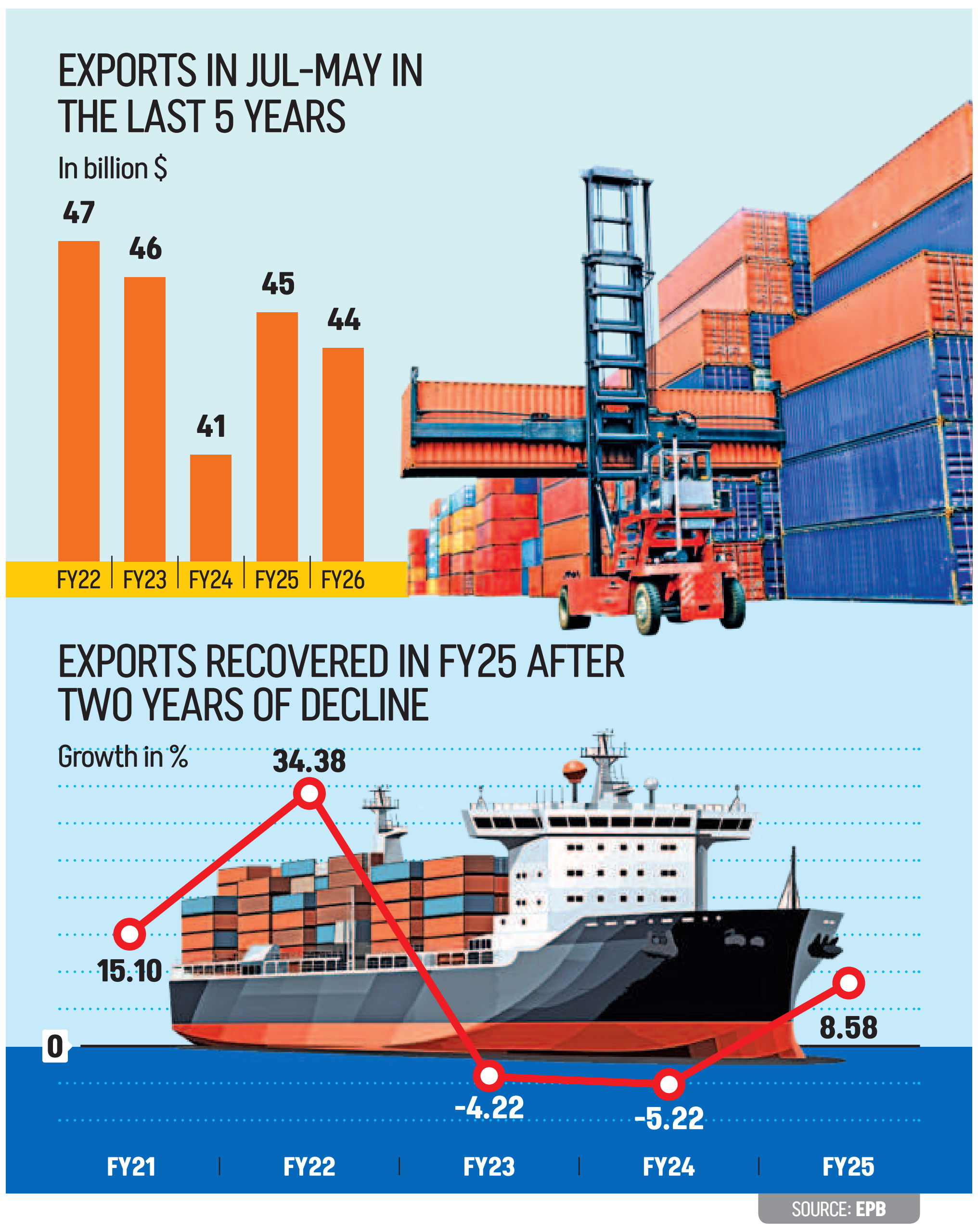
The readymade garment sector generates more than 80 percent of Bangladesh's export earnings.

During the first 11 months of FY26, garment exports fell 3.4 percent year-on-year to $35.31 billion. Knitwear exports dropped 4.3 percent to $18.78 billion, while woven garment shipments declined 2.4 percent to $16.53 billion.

The BKMEA president said export orders have remained sluggish for much of FY26 as buyers in major markets continue to place orders cautiously amid global economic uncertainty.

"The global market is still weak, and export orders are lower than expected. That is why the sector is posting negative growth," Hatem told The Daily Star.

He also pointed to the Eid-ul-Azha holidays, which began in late May and reduced factory working days, affecting production and shipments during the month.



According to Hatem, the strong growth recorded in April was partly due to a favourable comparison with the same month a year earlier, when overall production hours were reduced by Eid holidays.

"This year's April had more working days, so some growth was natural. But the market situation has not improved significantly," he said.

Hatem said the apparel sector has been under pressure throughout the fiscal year and there are few signs of a sharp recovery in the coming months. "We do not see any strong indication that orders will rebound significantly in the near future."

He added that a prolonged weakness in exports could put pressure on the country's foreign exchange inflows and overall economic growth.

READ MORE ON B3

IMF accepts Bangladesh's request for new loan programme

A mission to visit soon

STAR BUSINESS REPORT

The International Monetary Fund (IMF) has agreed to Bangladesh's request for a new loan programme to replace the existing $5.5 billion arrangement, with a staff mission expected to visit Dhaka soon to begin discussions.

In a statement issued yesterday, the international lender said a final decision on the new programme would require approval from its executive board.

"Any new arrangement would need to be based on Bangladesh's balance-of-payments needs and strong policy commitments anchored by a credible reform agenda, and would be subject to the IMF's policies and Executive Board approval," Ivo Krznar, IMF mission chief for Bangladesh, said in the statement.

IMF staff are engaging with the Bangladeshi authorities on their reform agenda and policy priorities as part of the fund's consideration of possible next steps, he said.

Krznar said the upcoming staff visit would allow the IMF to assess recent economic developments, engage with authorities on policy priorities, and evaluate the outlook and reform challenges.

"Discussions about the parameters of a potential new IMF-supported programme -- including its size and related reform commitments -- would take place in the context of a subsequent program negotiation mission," he added.

The latest development came after a virtual meeting on May 21 between Finance and Planning Minister Amir Khosru Mahmud Chowdhury and IMF Deputy Managing Director Nigel Clarke.

The two sides discussed Bangladesh's macroeconomic situation, progress under the ongoing programme, and prospects for future cooperation.

On May 25, the finance minister said the government and the IMF had agreed to a new three-year programme to replace the existing package.

The IMF approved $4.5 billion for Bangladesh in January 2023 under three facilities -- the Extended Credit Facility (ECF), Extended Fund Facility (EFF), and Resilience and Sustainability Facility (RSF).

The package was expanded by $800 million in May last year under the interim government, bringing the total to $5.5 billion. Bangladesh has so far received $3.8 billion across five tranches.

STATUS OF EXISTING IMF PROGRAMME

IMF initially approved $4.5b in January 2023	Package was expanded by $800m in May 2025	Bangladesh already got $3.8b in five tranches	Sixth tranche remained pending	Now, Bangladesh and IMF agreed on new programme

The sixth tranche has been pending since November last year, when the IMF suspended discussions and decided to resume talks with the new government after the February election.

Under the previous schedule, the fifth and sixth tranches -- together worth $1.3 billion -- were due by June, with a final tranche expected in December.

Discussions on a replacement programme began during the IMF-World Bank Spring Meetings in April. The lender signalled at the time that no further tranches would be released without visible progress on economic reforms. Virtual talks have since continued weekly over the proposed loan amount and accompanying reform conditions.

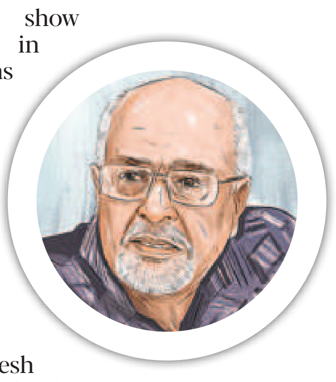
While noting that the current arrangements have provided an important policy anchor during a very difficult period, Krznar acknowledged that the

READ MORE ON B2

SMOOTH LDC GRADUATION

Clear reform progress essential, says Debapriya

REFAYET ULLAH MIRDHA



Bangladesh should show clear progress in the reforms it has committed to the UN CDP to secure a short deferral of its LDC graduation, said Debapriya Bhattacharya, a distinguished fellow of the Centre for Policy Dialogue (CPD), yesterday.

He said Bangladesh should also begin closely monitoring the implementation of its reform commitments and inform the United Nations Committee for Development Policy (UN CDP) about progress as soon as possible.

Referring to the UN CDP's crisis assessment on Bangladesh, he said the committee had given a positive signal on Tuesday in favour of a shorter deferral, in line with Bangladesh's request.

Based on the recommendation of the UN CDP, the United Nations Economic and Social Council will now place a proposal before the United Nations General Assembly (UNGA) for final approval of the deferment.

The UNGA is scheduled to meet at UN Headquarters in September, said Debapriya, chief of the Enhanced Monitoring Mechanism, a body of the UN CDP, while speaking to journalists at the CPD office in Dhaka.

He said Bangladesh applied on February 18 for a three-year deferment of its least developed country (LDC) graduation, which would push the transition to November 2029. However, he added that the UN CDP favours a shorter extension, although he did not specify how long it may ultimately be.

READ MORE ON B3

High-level committee to oversee reforms

REFAYET ULLAH MIRDHA *and* REJAUL KARIM BYRON

The government is planning to form a high-level committee to implement and monitor the action plans it has committed to the United Nations Committee for Development Policy (UN CDP), as part of efforts to ensure a smooth graduation from the least developed country (LDC) group.

Finance Minister Amir Khosru Mahmud Chowdhury is likely to lead the committee.

In this regard, the finance ministry held a consultation meeting at the ministry yesterday. It was attended by the finance minister, commerce minister, economists, representatives from the business community and senior officials from other ministries and agencies.

After the meeting, the finance ministry sent the draft reforms and action plan to different ministries, seeking their swift feedback on various reform areas.

The inputs will be compiled before submission to the UN CDP, as Bangladesh seeks

READ MORE ON B3

Govt may drop planned wealth tax, bike and rickshaw AIT

MD ASADUZ ZAMAN

The government is set to backtrack from its plans to reintroduce a wealth tax and impose a first-ever advance income tax (AIT) on motorcycles and battery-run auto-rickshaws in the upcoming budget for fiscal year 2026-27, according to officials familiar with the matter.

The development follows Prime Minister Tarique Rahman's directives to scrap the proposed levies, they said.

The planned AIT sparked public backlash and street demonstrations by motorcycle owners and ride-share drivers. Such pressure might have contributed to the reversal, finance ministry officials said. On the wealth tax, officials did not disclose specific reasons for the decision but hinted that political considerations may have played a role.

"We worked extensively on the wealth tax and developed what we believe was one of the most comprehensive proposals aligned with global standards. However, the government did not accept it," said a senior official of the ministry, requesting anonymity.

The proposed wealth tax had been designed to be calculated on net wealth declared in tax returns, given the difficulties in assessing market values of assets. The National Board of Revenue had also planned to gradually build a system for valuing assets at market prices.

Under the proposal, net wealth up to Tk 4 crore would have been exempt, in line with the existing wealth surcharge threshold. Wealth between Tk 4 crore and Tk 6 crore would have been taxed at 0.25 percent, followed by 0.50 percent on the next Tk 5 crore, 0.75 percent on the subsequent Tk 5 crore, and 1 percent on wealth exceeding Tk 16 crore.

Mustafizur Rahman, distinguished fellow at the Centre for Policy Dialogue (CPD), said Bangladesh already has a wealth surcharge in place, but a separate wealth tax could still be justified if its slab structure is carefully designed.

"The government may be taking additional time to study the proposal, particularly its impact on the overall tax burden," he said.

READ MORE ON B2

Islami Bank protests enter third day

STAR BUSINESS REPORT

Protests at Islami Bank PLC entered a third day yesterday as a group of demonstrators, operating under the banner of the Islami Bank Conscious Customers' Forum, demanded the removal of newly appointed Chairman Md Khurshid Alam.

The protest resumed yesterday morning outside the bank's headquarters in Motijheel, Dhaka. Demonstrators later held a rally near the National Press Club.

Protesters accused the government and Bangladesh Bank of attempting to return the bank to "looters", warning that such a move could pose a serious threat to the economy and the banking sector.

On Tuesday, the protesters announced a seven-point charter of demands and said they would continue their demonstrations until these demands were met.

The demands include the resignation of Md Khurshid Alam as chairman; the reinstatement of former Managing Director Omar Faruk Khan; the exclusion from the board of individuals allegedly involved in irregularities; the repeal of Section 18(a) of the Bank Resolution Act; the recovery of funds allegedly siphoned off by S Alam Group through the sale of its assets in Bangladesh; measures

READ MORE ON B2