Oil falls to lowest since start of war

REUTERS

Oil prices fell 2 percent on Thursday to their lowest since the first trading day of the Iran war, as a US-Iran interim deal to end the war, reopen the Strait of Hormuz and ease sanctions on Tehran boosted the global supply outlook. Brent crude futures were down $1.59, or 2 percent, at $77.96 a barrel as of 0811 GMT, while US West Texas Intermediate fell $1.83, or 2.38 percent, to $74.96 a barrel.

Brent sank to its lowest since March 2, which was the first day of trading after the initial US-Israeli strikes on Iran, while WTI was at its lowest since March 4.

"The sell-off extended as energy markets continued to aggressively price in a faster-than-expected return of Iranian barrels following the recent US-Iran memorandum of understanding," IG market analyst Tony Sycamore said in a note.

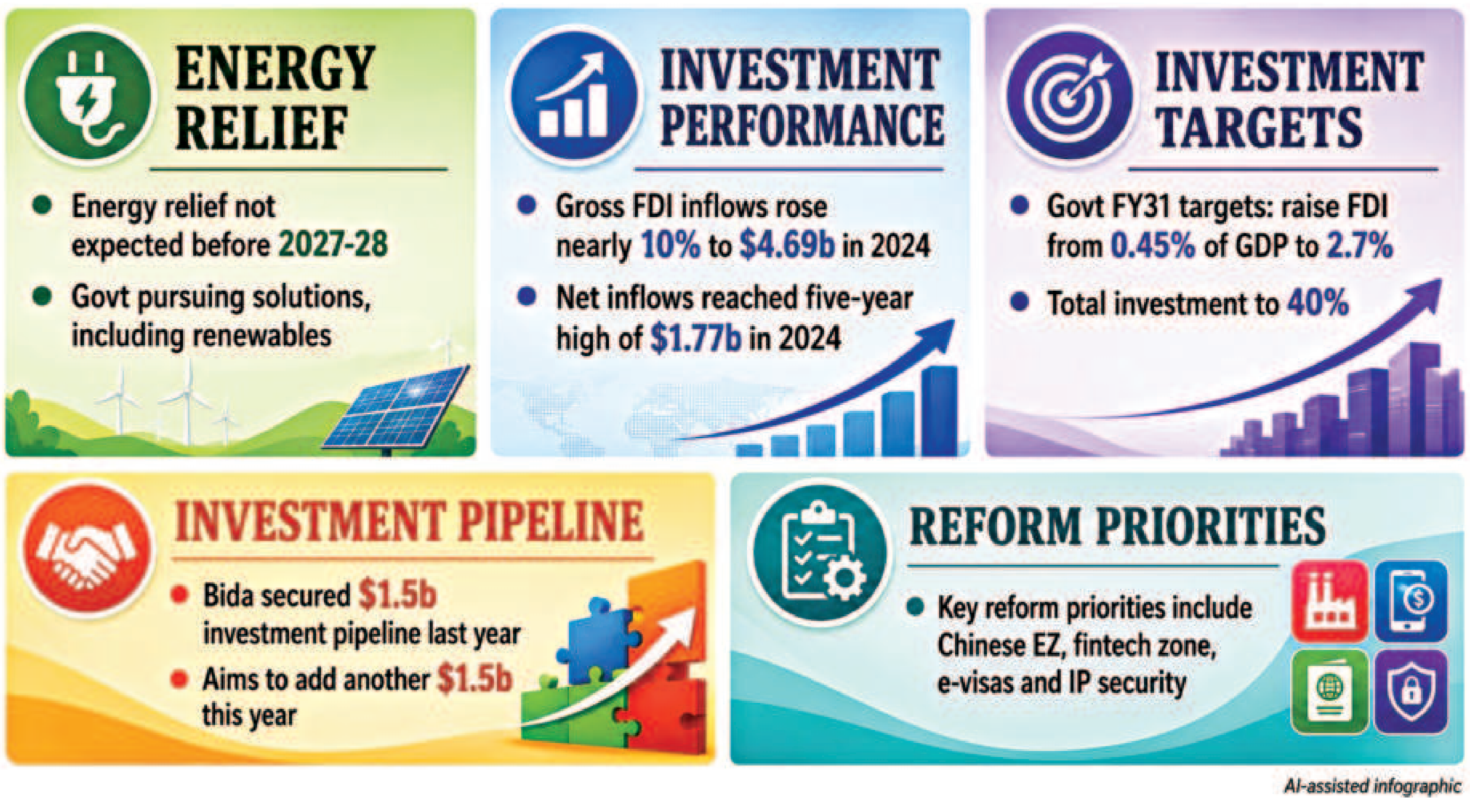
Analysts expect a gradual recovery in flows through the Strait of Hormuz

The 14-point memorandum begins a 60-day negotiation period during which Iran will allow toll-free passage through the Strait of Hormuz, a key oil and gas shipping lane. The deal calls for traffic through the strait to be restored to its full capacity within 30 days.

The preliminary accord defers many of the more difficult issues, such as Iran's nuclear program, and also requires the US and its partners to come up with a $300 billion plan to finance Iran's recovery.

Analysts expect a gradual recovery in flows through the Strait of Hormuz, while industry experts have cautioned that prices may not plummet as demand recovers and inventories are refilled.

Investment bank Goldman Sachs expects Gulf exports to normalize to pre-war levels by end-July, with crude production recovering by October.



Gas crisis biggest hurdle to investment: Bida chief

STAR BUSINESS REPORT

Energy shortages, particularly the scarcity of natural gas, remain the single biggest challenge facing both local and foreign investors in Bangladesh, Ashik Chowdhury, executive chairman of Bangladesh Investment Development Authority (Bida), said yesterday.

"The problems faced by foreign investors are very similar to those faced by domestic investors. The biggest issue is energy, especially gas," he said in response to questions from reporters at a workshop on the state of Bangladesh's investment at Bida's office.

Chowdhury said gas shortages have hit factories the hardest, while investors also continue to face challenges related to electricity supply and regulatory complexities at the National Board of Revenue (NBR).

Bida has been spending a significant portion of its time on energy-related initiatives because energy constraints have become a major bottleneck to investment and economic growth, he added.

"No matter how many investment summits we organise, investors will not come if they find they cannot run their factories," he said.

The government is actively pursuing solutions, including renewable energy projects and measures to strengthen gas supply infrastructure, the Bida chief said, but acknowledged that the energy crisis cannot be resolved quickly.

Installing a new floating storage and regasification unit (FSRU) alone would take at least 18 months from the date work begins, he said, adding that projects initiated now are expected to ease the energy crunch by 2027-28.

He also flagged structural limits in existing gas infrastructure. Even if private investors set up gas-fired power plants in economic zones, fuel supply would still depend on the government's capacity to import and distribute gas.

"The challenge is not who brings the gas. The challenge is that we do not yet have the infrastructure to handle additional supplies," he said.

The energy challenge sits at the core of a broader investment push the government has outlined in the proposed budget for FY2026-27. It has set a target of raising foreign direct investment from the current 0.45 percent of GDP to 2.7 percent by FY31 as part of its medium-term strategy. It also plans to substantially raise total investment to 40 percent within the next five years.

The energy challenge sits at the core of a broader investment push the government has outlined in the proposed budget for FY2026-27

Meanwhile, also speaking at the event, Nahian Rahman Rochi, executive member of Bida, said the agency has structured its work around the full investment lifecycle, covering promotion, policy support, approvals, service delivery and aftercare.

He informed that Bida has adopted a one-year work plan built around 25 initiatives under three pillars -- infrastructure development, investment facilitation and investment development.

Of the initiatives, 13 focus on infrastructure, seven on investment facilitation and five on pipeline development. Key priorities include industrial park development, progress on the Chinese Economic Zone, intellectual property reforms, overseas BIDA offices and industry mapping.

Mentioning that Bida secured a $1.5 billion investment pipeline last year, Rochi said the agency aims to add another $1.5 billion this year, bringing the two-year total to around $3 billion.

Stating the recent milestones on attracting investment, he mentioned that the cabinet has approved the Chinese Economic Zone and a fintech zone, while work is continuing on e-visas, intellectual property reforms and Bida's planned office in Guangzhou, China.

Nurjahan Akter, additional director of the Bangladesh Bank, said Bangladesh reports FDI on a net basis, which often understates actual inflows.

She noted that FDI consists of equity capital, reinvested earnings and inter-company loans, with the latter helping foreign-owned firms manage liquidity pressures through support from parent companies.

In 2024, gross FDI inflows rose nearly 10 percent year-on-year to $4.69 billion, while net inflows reached a five-year high of $1.77 billion, stated the BB official.

Md Humayun Kabir, secretary at Bida, said the government is implementing reforms to improve the investment climate, including simplifying visa, work permit and business registration services through the Bangladesh One Stop Service platform.

A new investment incentive policy and ongoing reforms are expected to encourage greater investment, including from non-resident Bangladeshis, he added.

Budget sends positive signal for investment, jobs: IBFB

STAR BUSINESS REPORT

The budget's focus on investment, industrialisation, SME development, digital economy expansion, renewable energy, and a higher tax-free income threshold sends a positive signal for business and employment, said Lutfunnisa Saudia Khan, president of the International Business Forum of Bangladesh (IBFB).

She added that successful implementation would help attract domestic and foreign investment, create new employment opportunities, and accelerate economic growth.

However, she cautioned that challenges remain, including ambitious revenue targets, inflationary pressures, banking sector weaknesses, and implementation capacity constraints.

She was speaking at a press conference titled "Proposed Budget 2026-27: Expectations and Outcomes" held yesterday in Dhaka.

The IBFB described the proposed national budget for FY2026-27 as a positive and pragmatic roadmap for economic recovery, investment expansion, employment generation, and long-term structural reforms.

IBFB also reiterated its calls for the full digitalisation of tax administration, reform of the National Board of Revenue (NBR), ease of doing business, expansion of SME financing, and capital market development.

Muhammad Abdul Mazid, former NBR chairman, said policy continuity and predictability are essential for maintaining an investment-friendly environment and ensuring long-term economic stability.

Gold climbs

REUTERS

Gold climbed 1 percent on Thursday, recouping some losses from the previous session after Federal Reserve's hawkish signals, as a drop in oil prices following a US-Iran interim agreement dampened inflation expectations and provided support.

Spot gold was up 1 percent at $4,297.94 per ounce, as of 0745 GMT. Bullion declined 1.7 percent on Wednesday after the US Fed pointed to a potential rate hike later this year.

US gold futures for August delivery fell 1.5 percent to $4,317.30.

"It's a bit of short position unwinding (in gold) given yesterday's steep fall and the reason for the short unwinding is also due to the positive news coming out from the Middle East, which has caused oil prices to fall," said Kelvin Wong, a senior market analyst at OANDA.

Oil prices fell after the United States and Iran released the text of their interim agreement on Wednesday. The 14-point agreement extends the ceasefire announced in April by another 60 days to allow the two sides to negotiate a final truce. Elevated oil prices stoke inflation concerns and raise expectations of higher interest rates. Gold tends to lose appeal when rates are high, as it does not yield interest.

India seeks to continue

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It sought responses from 54 millers in Bangladesh and 36 in Nepal. Some 38 jute mills responded from Bangladesh and five from Nepal.

The DGTR sampled responses from 10 Bangladeshi producers for detailed examination and concluded that three local exporters dumped jute goods in India by selling the products at prices lower than those in their domestic market.

The Indian authority said that while demand in India declined by 20 percent during the investigation period, imports from Bangladesh and Nepal fell by only 13 percent, indicating that foreign producers were gaining market share at the expense of Indian mills.

The DGTR report said Indian producers had reportedly been forced to reduce their prices to compete with low-priced imports, leading to negligible returns on capital.

It found varying dumping margins -- the difference between the normal value of a product and its export price -- among Bangladeshi millers, ranging from 5 percent to 55 percent.

For Nepalese producers, it found dumping margins ranging from 20 percent to 30 percent and suggested that interested parties submit their comments on the findings by June 24, 2026.

According to the DGTR report, Bangladesh's jute goods exports to India fell by 18 percent year on year to 1.17 lakh tonnes in 2024-25, down from 1.43 lakh tonnes in the previous year.

Mostafa Abid Khan, a former member of the Bangladesh Trade and Tariff Commission, said the mid-term review suggested that the Indian authorities were likely to recommend higher anti-dumping duties on jute goods from Bangladesh despite a decline in Bangladeshi exports during the 2024-25 investigation period.

The matter warranted careful consideration by the Indian government, he added.

WHAT DOES THE LOCAL INDUSTRY SAY?

Tapash Pramanik, chairman of the Bangladesh Jute Spinners Association (BJSA), denied allegations of dumping by local jute millers in the Indian market.

"We have informed them (Indian authorities) on many occasions. They do not pay heed," he said.

Referring to the Indian industry's argument regarding high export subsidies, he said the export incentives received by local millers were modest. Jute yarn exporters get 3 percent, while hessian exporters get 5 percent.

"Overall, our cost of production is higher than that of our counterparts in India," added the chief of the BJSA, which represents the largest export earners in the jute industry.

According to the DGTR report, Bangladesh's jute goods exports to India fell by 18 percent year on year to 1.17 lakh tonnes in 2024-25, down from 1.43 lakh tonnes in the previous year

Pramanik said India enjoys a huge trade surplus with Bangladesh and could have overlooked the issue to reduce the bilateral trade imbalance.

"Our exports of jute products to India have dropped significantly since the imposition of anti-dumping duty in 2017. We can export jute products only through one port, and it is Mumbai," he said.

Last year, India restricted imports of a range of jute products and woven fabrics from Bangladesh via land ports, allowing them only through the Nhava Sheva Port in Mumbai.

"This will be a disaster. Any new measure will hit exports further," Pramanik said, terming the move 'one-sided, coercive and discriminatory'.

Ambitious targets could push budget deficit

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Titumir added that visible changes have already emerged in revenue collection.

CONCERNS OVER DEBT BURDEN

RAPID said Bangladesh's accumulated debt has risen by more than 60 percent in three years.

Total debt stood at Tk 13.44 lakh crore in June 2022 and rose to Tk 22.06 lakh crore by December 2025. Foreign debt nearly doubled to Tk 9.59 lakh crore, with a significant share of budget spending now going towards interest payments.

Titumir said the government is focusing on debt management, adding that "This government has inherited these burdens."

He said foreign debt has risen sharply under the previous Awami League government. During the Awami League government, foreign debt alone increased by 322 percent.

The adviser expressed optimism about managing the situation successfully.

RAPID also highlighted the potential impact of its Family Card programme. It said if the Family Card scheme covers 41 lakh poor households, the moderate poverty rate could fall by nearly 5 percentage points to 13.8 per cent. Full coverage could reduce poverty to 11.3 percent.

For this to work, RAPID said beneficiary selection must be free from political or administrative influence and reach genuine families.

According to a 2022 estimate, the moderate poverty rate in Bangladesh was 18.7 percent. Studies by various research institutions suggest that poverty has since increased due to inflation and other factors.

DIVERSIFICATION ON PAPER, NOT IN PRACTICE

At the seminar, business leaders called for tax reform and fairer incentives to promote export diversification.

Syed Nasim Manzur, Managing Director at Apex Footwear, said export diversification is widely discussed but policy remains inconsistent.

He criticised a rule allowing eight sectors to import duty-free through bank guarantees while requiring 30 percent value addition.

"This is unrealistic," said the top footwear manufacturer.

He said that 30 percent value addition may be suitable for textiles due to its supply chain but should be closer to 15 percent in other sectors.

Nasim Manzur also proposed reforms including privatising loss-making state-owned enterprises, reducing corporate tax rates, restructuring value-added tax (VAT) into two or three tiers, revising turnover tax rules for exporters, and creating a separate trade negotiation office.

Rubana Haque, a former president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said credible implementation and sequencing of priorities are critical.

She said skills development remains weak despite infrastructure growth, adding that education systems lack investment in teachers. She cited Sri Lanka, where primary school teachers are highly paid, contrasting it with Bangladesh.

She also said the deferral of graduation from the least developed country (LDC) category should be used as preparation time rather than delay. To boost exports, she suggested developing a large B2C platform similar to Amazon and adopting elements of the Vietnamese model.

Rasheda K Choudhury, a former adviser to the caretaker government, and M Abu Eusuf, executive director of the RAPID, also spoke at the event.

Bangladesh remains key

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and this may be a major reason for lower order volumes from major retailers and brands like H&M this year," Hatem said.

He also said that during the meeting, H&M officials referred to India's free trade agreement with the European Union and Bangladesh's expected loss of preferential market access to the EU and other major markets after it graduates from least developed country (LDC) status to a developing nation in November this year.

Hatem added that India is offering several incentives to its textile and garment sector, including support for land, factory setup, bank loans, and worker benefits, to make it more competitive in the global apparel trade.

The BGMEA also held an emergency board meeting on Monday and identified several reasons behind the fall in garment exports over the past year, including global economic volatility, US reciprocal tariffs, the energy crisis, high bank interest rates, poor port operations and issues linked to LDC graduation.

Over the past year, weak global demand has slowed garment orders worldwide, as Western retailers and brands continue to hold unsold inventory, affecting sourcing decisions, said Mahmud Hasan Khan.

Apart from falling demand, US reciprocal tariffs have also hurt exports, as buyers remained uncertain about the final tariff rate after repeated changes in US President Trump's tariff policy, he added.

The US-Israel war on Iran also disrupted shipments from Bangladesh, leading to rerouting of goods, higher airfreight costs, longer lead times and fewer buyer visits due to the disruption.

Different studies suggest Bangladesh could lose up to $17.5 billion in exports, particularly garments, annually due to LDC graduation, as around 73 percent of the country's exports are LDC-related.

FICCI warns on revenue

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She added that while the country's large and trainable workforce remains a major strength, challenges in energy supply, utility services and overall ease of doing business continue to affect competitiveness.

She noted that many industries have already invested but are unable to begin operations due to gas shortages, called for expanded LNG infrastructure, and improved energy supply.

She also questioned the rationale for utility surcharges in economic zones, arguing that production costs in special economic zones should be lower than outside them.

On foreign investment, Chowdhury welcomed the proposed 1.5 percent incentive for FDI, calling it a strong signal that Bangladesh is prioritising foreign investors.

"FDI brings technology transfer, creates employment, and supports the development of backward-linkage industries," she said, citing China's experience.

She also highlighted recent reforms in customs and tax administration, including the Authorised Economic Operator programme, online tax return filing and wider digitisation efforts, saying these could significantly improve investor confidence once fully implemented.

"The direction is positive," Chowdhury said. "The real test will be whether existing investors expand their investments. That will be the strongest signal for new investors considering Bangladesh."

At the event, FICCI tax consultant Snehasish Barua presented the chamber's detailed observations. Vice-President Mohammad Iqbal Chowdhury, Director Habibur Rahman Bhuiyan and Executive Director TIM Nurul Kabir were also present at the press meet.