



BANGLADESH STATE OF THE ECONOMY 2025

(July 2024-June 2025)

General Economics Division (GED)
Bangladesh Planning Commission
Government of the People's Republic of Bangladesh



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BANGLADESH STATE OF THE ECONOMY 2025

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Abbreviations

ADB	Asian Development Bank
ADP	Annual Development Plan
ADR	Advance to Deposit Ratio
BBS	Bangladesh Bureau of Statistics
BSCIC	Bangladesh Small and Cottage Industries Corporation
BMET	Bureau of Manpower Employment and Training
BIDA	Bangladesh Investment Development Authority
BDT	Bangladesh Taka
BoP	Balance of Payment
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
CPI	Consumer Price Index
CCTF	Climate Change Trust Fund
DSE	Dhaka Stock Exchange
ECA	Ecologically Critical Areas
EU	European Union
EV	Electronic Vehicle
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FSP	Feasibility Study Project
FY	Financial Year
GCC	Gulf Cooperation Countries
GoB	Government of Bangladesh
GDP	Gross Domestic Product
HH	Household
HIES	Household Income and Expenditure Survey
HLPF	High Level Political Forum
IBAS	Integrated Budget and Accounting System
ICT	Information and Communication Technology
ILO	International Labor Organization
IMF	International Monetary Fund
IMED	Implementation Monitoring and Evaluation Division
LC	Line of Credit
LCR	Liquidity Coverage Ratio
LDC	Least Developed Countries
LFS	Labor Force Survey
MFS	Mobile Financial Service

M&E	Monitoring and Evaluation
MLTRS	Medium- and Long-Term Revenue Strategy
MPAs	Marine Protected Areas
MWH	Mega Watt Hour
NBR	National Board of Revenue
NPLs	Non-performing Loans
NEET	Not in Education, Employment or Training
NSDA	National Skills Development Authority
NGO	Non-Government Organization
NSFR	Net Stable Funding Ratio
NSC	National Savings Certificate
NDCs	Nationally Determined Contributions
OMS	Open Market Sales
OSS	One Stop Service
PM	Particulate Matter
PPP	Public Private Partnership
RTI	Right to Information
RMG	Ready Made Garments
REER	Real Effective Exchange Rate
SREDA	Sustainable and Renewable Energy Development Authority
SCP	Sustainable Consumption and Production
SVRS	Sample Vital Registration System
SMEs	Small and Medium Enterprises
SDGs	Sustainable Development Goals
TAP	Technical Assistance Project
USDA	United States Department of Agriculture
USD	US Dollar
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
VAT	Value Added Tax
VAW	Violence Against Women
VNR	Voluntary National Review

Editor's Note

Since April 2025, GED has been publishing a Monthly Economic Update and Outlook, aiming to analyze macroeconomic trends and highlight key activities. This initiative is well-received by top policymakers, who see it as a valuable contribution. The update emphasizes critical economic issues, including the ongoing rise in rice prices, which affects food and headline inflation. Based on these insights, GED plans to examine the reasons behind the rice price increase despite good harvests and imports, and its immediate effects on food security and macroeconomic stability. Building on the success of the monthly reports, GED has launched a biannual publication called the State of the Economy, which analyzes long-term patterns of economic indicators and enables comparisons across periods. With the Interim Government's first year concluding in August, we now review the economy's performance over the past year. This assessment focuses on the progress of economic reforms and recovery.

When the interim government took over, it inherited a fragile economy that had been affected by multiple shocks, including soaring inflation, currency devaluation, declining foreign exchange reserves, deficits in both financial and current accounts, high non-performing loans, and the lingering effects of macroeconomic mismanagement. Investor confidence had declined, and the rising cost of living had diminished public trust in institutions. The government has been actively working to restore macroeconomic stability by implementing banking sector discipline, stabilizing exchange rates, and controlling inflation. So far, it has succeeded in stabilizing the economy, rebuilding some confidence in the banking sector, and proposing long-term reform plans. This edition of the "State of the Economy" provides an overview of the policies implemented so far and the economic responses observed. I hope that GED's initiative will help policymakers adopt short-term economic measures and corrective actions to achieve a more stable and resilient economy.

I sincerely thank Professor Wahiduddin Mahmud, Honourable Advisor to the Ministry of Planning, for his encouragement and guidance in publishing both the Monthly Economic Update and the State of the Economy. I also appreciate my colleagues at GED who worked diligently on the State of the Economy.

(Dr. Monzur Hossain)

Member, GED

Chapter 1: Introduction

Bangladesh represents a typical case study of how, under an increasingly authoritarian and repressive regime, economic growth ultimately becomes unsustainable, resulting in severe political and economic disruptions (Sen 1999; Mahmud 2022, p. 76). After decades of sustainable and accelerating economic growth since the early 1990s, the economy started to show deep fault lines in macro-economic, financial and external sectors. The ill-effects of economic mismanagement were manifested in an increasing income inequality, huge illegal capital transfers abroad, a lack of investor confidence, and the near-bankruptcy of the financial institutions. The resulting popular discontent ultimately led to the student-led mass uprising of July 2024. A new chapter was opened in the country's history in re-strategizing its economy and reforming the political system towards transition to an effective democratic order.

When the interim government took power following the youth uprising in August 2024, it found the economy in a dwindling state. High inflation, volatile exchange rates, depleting foreign exchange reserves, large deficits in the balance of payments, and a fragile banking system with significant amounts of laundered money characterized the situation. The interim government aimed to restore macroeconomic stability, bring discipline to the fragile banking and financial sector, and rebuild institutions and trust. To achieve stability, the government implemented tight monetary policy, urgent fiscal disciplinary measures, including reducing subsidies, rationalizing public expenditures, and improving tax collection. A temporary freeze on non-essential government spending created fiscal space to redirect resources to critical sectors such as health, agriculture, and social protection.

As an immediate step, a tighter monetary policy, pegged exchange rate system, market-based interest rates, and prohibitions on importing luxury items are some of the urgent measures that the Ministry of Finance and Bangladesh Bank have undertaken. These measures started to show results by mid-year, with inflation easing and the exchange rate mostly stabilizing. Although macroeconomic stability has been largely restored, ongoing revenue shortfalls have led to significant government borrowing from commercial banks, which somewhat crowds out private sector investments. The limited fiscal space constrains public investments in social sectors. As part of efforts to strengthen revenue mobilization, the government has taken a bold step to dismantle the NBR and create two separate divisions—revenue management and revenue policy—aimed at improving revenue collection. Some initiatives are underway to automate the entire revenue mobilization process.

The government has taken steps to restore discipline in the banking and financial sector. Years of unchecked non-performing loans (NPLs), weak regulation, and political interference had created vulnerabilities in the financial system. The government has given the Bangladesh Bank greater autonomy and launched reforms to strengthen oversight, improve risk management, and enforce the recovery of loans and stolen assets. A few weak banks are in the process of merging to protect depositors' interests and establish discipline in the banking sector.

Looking beyond recovery and reform, the interim government recognized the need for a long-term strategic vision to transform Bangladesh's economy into one that is resilient, diversified,

and inclusive. A Task Force on re-strategizing the economy in that direction has prepared its report, which will serve as a background document for a future long-term strategic plan of the government. The General Economics Division hosted the Taskforce report and aims to prepare a strategy for the government to restructure the economy, making it more resilient, diversified, sustainable, and inclusive.

Bangladesh has long relied on its ready-made garments (RMG) sector and overseas remittances. While these remain important, the government attempts to encourage new growth engines through industrial diversification, export promotion, and human capital development as part of implementing smooth transition strategies from LDC graduation. The government successfully negotiated with the US government to reduce the reciprocal tariff to 20% from 35%, which is nearly in line with our global competitors. An investment summit was organized in April this year to attract FDI and inform foreign investors of the facilities and potential.

As the country navigates the final five years of achieving the Sustainable Development Goals (SDGs), this report provides a brief overview of progress toward these goals. Despite facing significant global and domestic challenges—including the lingering impacts of the COVID-19 pandemic, climate change, and economic volatility—Bangladesh has shown resilience and innovation in advancing its development priorities. Bangladesh has made notable progress toward achieving the SDGs in areas such as poverty reduction, hunger, education, clean energy, and access to water. However, there are also gaps that require urgent attention, particularly in strengthening health systems, enhancing climate resilience, and creating decent work opportunities. Higher inequality, persistent poverty, and weak progress on decent jobs are attributed to weak institutions and a long-term compromise with peace and justice, which is reflected in the declining state of SDG 16.

Moving forward, it is crucial that economic policies align with other institutional transformations, such as the upcoming graduation from LDC status, evolving global norms regarding financing and partnerships, the increasing urgency of climate action, and shifts in governance. These factors necessitate an adaptive and informed planning process in the years to come to achieve the Sustainable Development Goals.

The State of the Economy is a first of its kind published by the General Economics Division of the Planning Commission. Not only does it provide an overview of the economy, but it also lays the groundwork for strategic policy-making direction for the government. The report consists of eight chapters. After the Introduction, Chapter 2 examines the state of the real sector, and Chapter 3 highlights the condition of the fiscal sector. Chapter 4 discusses the state of the monetary sector, and Chapter 5 presents the situation of the external sector. Chapter 6 signals signs of economic rebound, using proxy indicators to analyze how the economy is performing and recovering. Chapter 7 summarizes progress toward key SDGs. Finally, Chapter 8 concludes the report.

Chapter 2: Recent Economic Trends

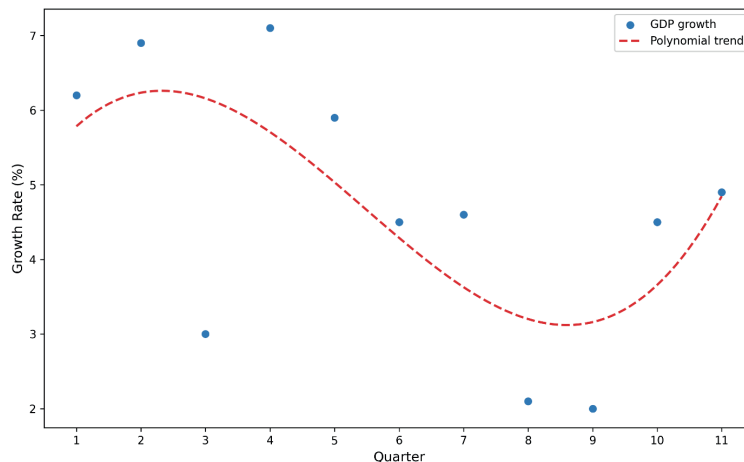
2.1 Introduction

Bangladesh's real sector has navigated a complex landscape of recovery and challenges over the 2024-2025 period. GDP growth patterns reveal a story of resilience, with the economy bouncing back through gradual improvement. Sectoral dynamics show mixed outcomes - while industry and agriculture faced headwinds, the services sector demonstrated relative stability. Inflationary pressures remained a central concern despite overall moderation. This chapter also highlights the employment situation, growth patterns, industrial production scenario, and finally, some policy recommendations to move forward.

2.2 Economy Shows the Signs of Gradual Recovery

Quarterly growth of GDP from the first three quarters of FY25 suggests that the Bangladesh economy is on track to recover from its mid-year weak performance, largely due to a slowdown in economic activity arising from political instability. Agricultural production was also hampered in the first quarter of FY25, with a growth rate of just 0.76 percent. Similarly, the case is the same for industry (2.44) and services (2.41) in the same quarter. In the second quarter, the growth has been driven by a surge in the industry, reaching 7.1 percent. Other sub-sectors, except agriculture, also did considerably well during that quarter. In terms of sub-sectors, manufacturing leads with 8.49 percent in the second quarter of FY25, followed by mining and quarrying (8.01 percent), and wholesale and retail trade, repair of motor vehicles and motorcycles (6.63 percent). This trend continued in the third quarter, with industry sector growth of 6.91 percent and services sector growth of 5.88 percent. Figure 2.3 shows GDP growth dropped to 2.1 percent in the fourth quarter of FY24 and 2.0 percent in the first quarter of FY25, but started rebounding in the second and third quarters of FY25 with 4.5 percent and 4.9 percent, respectively.

Figure 2.1: Quarterly GDP growth during FY23Q1 – FY25Q3



Source: Bangladesh Bureau of Statistics

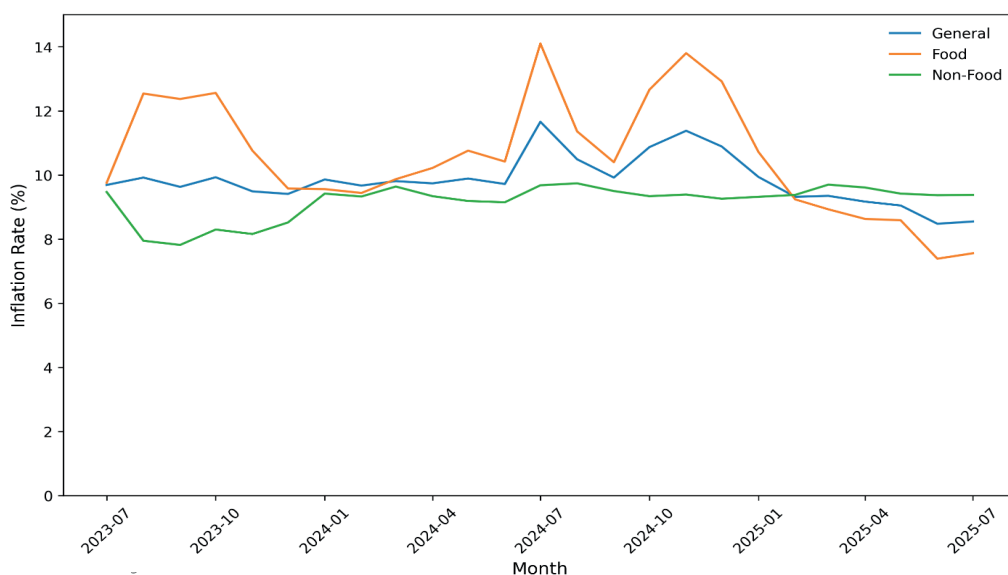
2.3: Inflationary Trends

In recent years, inflation has become a significant economic concern for Bangladesh, driven by both external and domestic factors. Since the onset of the Russia-Ukraine war, Bangladesh has witnessed a rapid rise in inflation, particularly after the government's hike in fuel prices in August 2022, which resulted in an increase in diesel prices by 42.5 percent, octane and petrol by over 50 percent. Particularly, food inflation has been the cause of concern as it remained over double-digit since the mid-2023 until January 2025. The government has taken inflation seriously and resorted to both supply-side and demand-side interventions, which are favored by a stable foreign exchange market.

The last fiscal year (FY24) witnessed a surge in food inflation reaching double-digit at 10.65. Since November 2024, the situation of food inflation has started improving, with 8.93 percent in March 2025 from 13.80 percent. It is a matter of relief that food inflation came below double-digit, as it had been above 10 percent, reaching a peak at 14.10 percent in July 2024. In the month of June 2025, point-to-point headline inflation fell to 8.48 percent, the lowest in the last two years, making it close to fulfilling the expectation of bringing it down to 7-8 percent by the end of June 2025 as stated in the Monetary Policy Statement of January'25 – June'25.

In August 2024, when the interim government began its journey, with over double-digit inflation, it was challenging to remain optimistic enough to end the fiscal year with inflation of around 8.50 percent. There were many macroeconomic challenges that had loomed in the first half of the fiscal year, which have now been addressed in a balanced manner. Figure 2.4 shows the trend of inflation since FY24.

Figure 2.2: Inflation trend during July 2023 – July 2025



Source: Bangladesh Bureau of Statistics

Non-food inflation remained stable throughout the last fiscal year, although it was in a slight declining trend since April 2025. Overall, food remained the major contributor to total inflation, followed by housing, clothing, and footwear. In terms of the broad category of food, rice remained the biggest contributor, followed by fish, fruits, and oils. At the disaggregated level, individual item-wise contributions show that medium rice again reached the top spot. Coarse rice, hilsa, brinjal, soybean oil, mango, pangas, fine rice, water gourd, and pumpkin all impacted food inflation to a large or moderate extent. On the other hand, the reduction of potato and onion prices contributed positively to lowering the food inflation.

This outcome of a comparatively lower rate of inflation is a result of both supply-side and demand-side management by the government, stable global commodity prices, prudent demand-side management, and a stable exchange rate market. In June 2025, the FAO Cereal Price Index averaged 107.4 points, the lowest since September 2020 during the COVID-19 pandemic. On the demand side, the central bank adopted a tight monetary policy in the second half of FY25, aiming to contain inflation and stabilize the foreign exchange market. Bangladesh has maintained a policy repo rate of 10 percent over the last six months. The tight monetary stance and other factors contributed to lower private sector credit growth, well around 7 percent in the last couple of months, reaching 7.15 percent to 7.17 percent in May 2025.

Apart from this, fiscal policy measures such as reducing tariffs on essential food items, including rice and edible oils, also contributed to this moderation of inflation. The supply side effect has been facilitated by the availability of seasonal vegetables and crops due to the non-occurrence of floods and other climatic events. Such efforts are essential for achieving the target of inflation within 7 percent by the end of December 2025, as expected by Bangladesh Bank. The next step will be to continuously monitor the domestic market situation and management, and provide necessary agricultural input at the proper time.

The fact that the government in the FY26 budget and the Medium-Term Macroeconomic Policy Statement has set the target for inflation to 6.5 percent. The average inflation is estimated to drop to 6% and 5.5% in FY27 and FY28, respectively. This underscores the government's commitment to controlling inflation in the coming years. The trend in recent months suggests that the target is within the scope if measures are continued and the external sector is not hampered by recent instability in the Middle East and elsewhere.

Rice prices remain a major concern

In terms of the broad category of food, rice's contribution rapidly increased from 34 percent in March to 51.55 percent in July, raising major concerns despite food inflation easing off. Medium rice alone contributed 24 percent to overall food inflation in July. Coarse rice also accounted for 12-18 percent of the total contribution over the last couple of months. Both categories of rice have hit double-digit inflation since December 2024, whereas fine rice's inflation has remained double-digit in the last twelve months. Looking at the trend of change in the consumer price index of rice, all three varieties – medium, fine, and coarse hit 15 percent in June. Inflation in rice varieties has been steadily upward trending over the last twelve months, with no signs of slowing. Figures 2.5 and 2.6 depict the trend of prices of rice varieties.

Figure 2.3: Change of contribution of items to food inflation between March and July 2025.

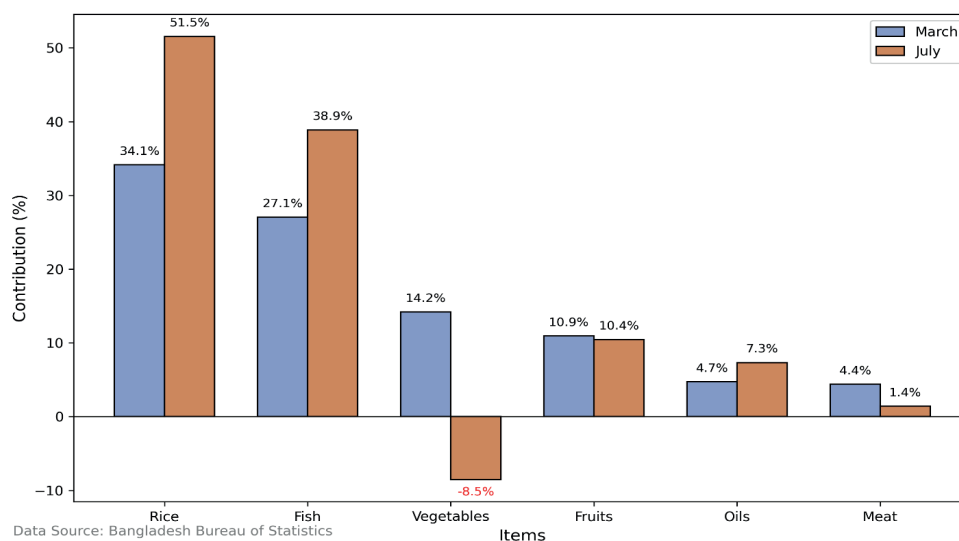
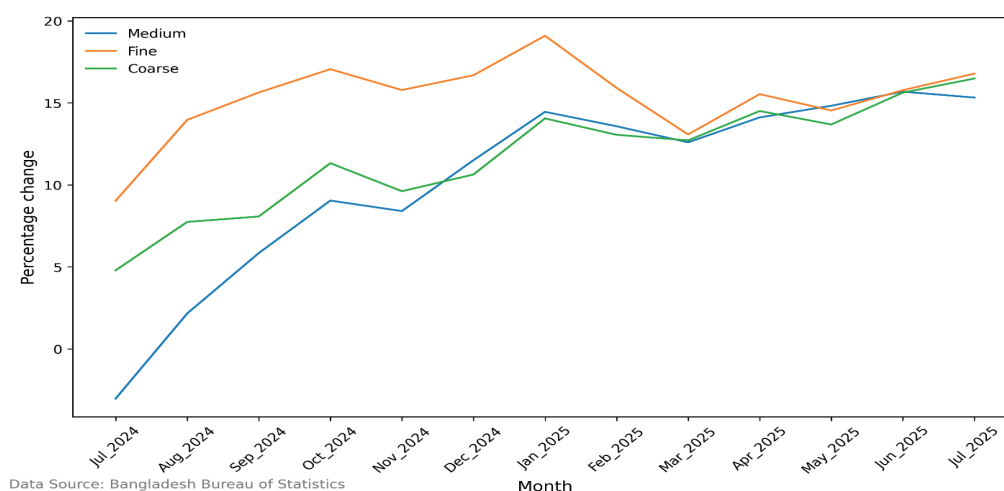


Figure 2.4: Change in CPI in the variety of rice during July 2024 – July 2025



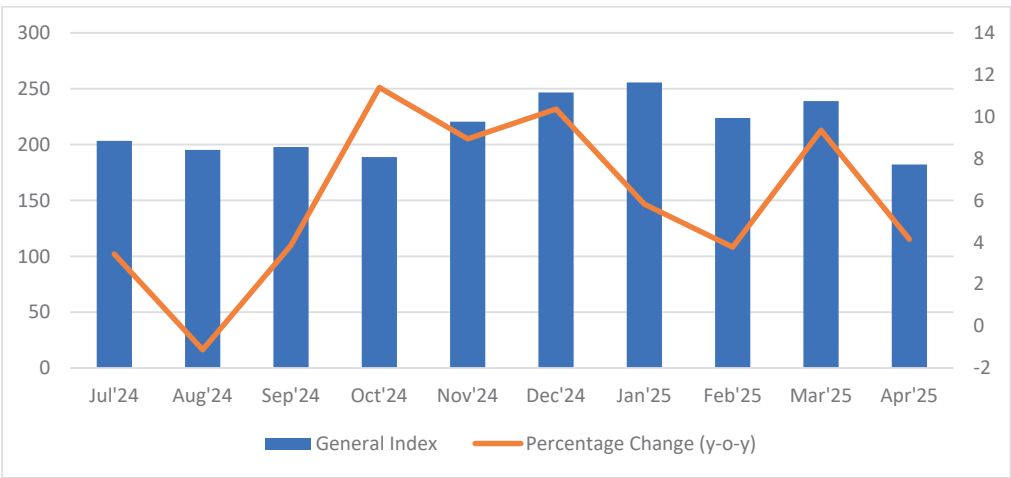
It was expected that the yield of Boro paddy would suppress the price of rice from June onward, but it did not impact the overall rice prices at all. According to the report “Grain and Feed Update” in December 2024 by the US Department of Agriculture (USDA), the average price of coarse rice reached its highest in November 2024 in the last decade. Factors such as the rise in input prices (fertilizer, seeds, labor, and irrigation), post-harvest losses of rice (26 percent), an increase in transportation costs, uncertainty and volatility in rice prices in recent times, and the tendency to hoard due to high price expectations might lead to this situation. This demands further investigation into whether there is an actual shortage of supply or the disruptions in the supply chain in the market.

According to the estimate of the Bangladesh Bureau of Statistics (BBS), the production of both Aus and Aman paddy dropped 0.85 percent and 6.04 percent, respectively, for the FY25, resulting from frequent floods and unfavorable weather conditions. On the other hand, for Aus, the land for production fell by 7.32 percent from the previous year. The government started procuring Boro rice and distributing it in various ways. These efforts may take a few more months to have an impact on the market prices of rice. Furthermore, there is also a possibility of an erratic weather pattern in the next couple of months. Given this backdrop, the government may consider accelerating the import of food grains and the procurement process, as well as scaling up food grain distribution through OMS in the short term. In the medium term, the supply of agricultural inputs at the proper time must be ensured, and large-scale mechanization and precision practices must be in place.

2.4 Industrial Production

Industrial production maintains a positive trajectory, with an index ranging from 182 to 256 points, showing year-over-year growth in nine out of ten months. Notable improvements were seen in October (11.39% growth) and December (10.36% growth). Despite August's -1.13% decline, the sector demonstrates resilience with typical seasonal manufacturing patterns: winter peaks (December-January: 247-256 points) and spring lows (April: 182 points).

Figure 2.5: Industrial production (Index and Growth)

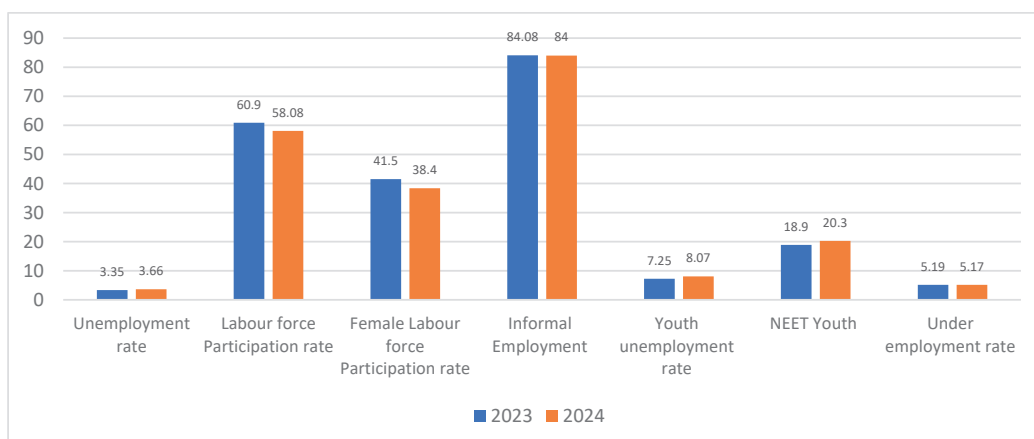


Source: Bangladesh Bureau of Statistics (BBS)

2.5 Employment

The overall employment situation in 2024 has slightly deteriorated compared to 2023. The unemployment rate rose from 3.35% in 2023 to 3.66% in 2024 alongside a decline in labor force participation from 60.9% to 58.08%. Youth unemployment, a critical indicator of future economic resilience, rose from 7.25% to 8.07% over the same period. The NEET (Not in Education, Employment, or Training) youth increased from 18.9% to 20.3% which is also a concerning issue. Informal employment remained overwhelmingly dominant, with 84.08% of the workforce engaged in informal jobs in 2023 and a nearly identical 84% in 2024. The underemployment rate remained relatively stable, dipping slightly from 5.19% to 5.17% (LFS 2023, 2024, BBS).

Figure 2.6: Key employment indicators in 2023 and 2024 (%)

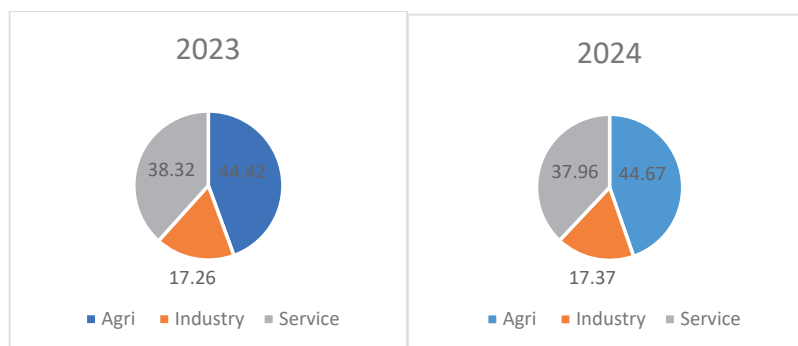


Source: LFS 2023, 2024, BBS

Another particular concern is the rise of unemployment among the educated labour force. The unemployment rate for individuals with a tertiary education increased from 13.11% in 2023 to 13.54% in 2024, while those with no formal education experienced a rise from 0.95% to 1.25%. The share of professional, scientific, and technical employment is only around 0.5 percent. The dominance of informal employment and high unemployment of the educated labour force indicates a lack of job security and a mismatch between the required skills and the education provided in the country.

Despite the decline in agriculture's contribution to GDP, it continues to absorb a disproportionately large share of the labor force. In FY24, the agriculture sector contributed only 11.15 percent of GDP, but it employed 37% of workers. The service sector had the highest share of GDP, which is 51.44%, and the employment share in services was 46%. While the industry holds 37.37% of GDP, it only absorbed 17 percent of employment. This situation depicts that the industry could not attract sufficient labour from the agricultural sector, highlighting the need for proper industrial development initiatives to accommodate more employment.

Figure 2.7: Share of employment by economic sector

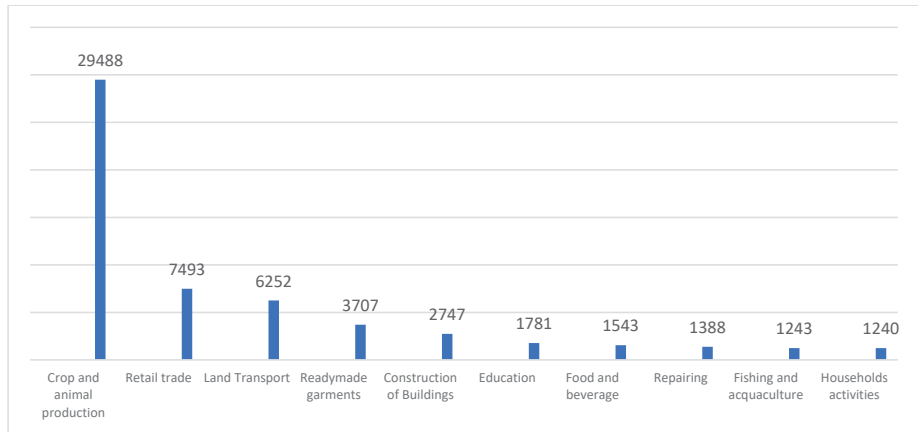


Source: LFS 2023, 2024, BBS

Economic Census 2024 revealed that manufacturing now accounts for only 8.77% of Bangladesh's economic units, a decline from 11.54% in 2013. Employment in manufacturing remained almost stable over the years. The share of women in industry has dropped from 40% in 2013 to just 17%, reflecting a need for in-depth analysis of the situation.

Small and Medium Enterprises (SMEs) contribute around 25% to GDP (ADB, 2015) and account for about 85% of industrial employment. However, SMEs face persistent challenges, including limited access to finance, inadequate infrastructure, fragmented governance, and skill mismatches. These constraints hinder their ability to generate high-quality employment and scale operations sustainably.

Figure 2.8: Top ten industries (BSCIC 2-digit level) as per employed persons (in thousands) in 2024



Source: LFS 2024, BBS

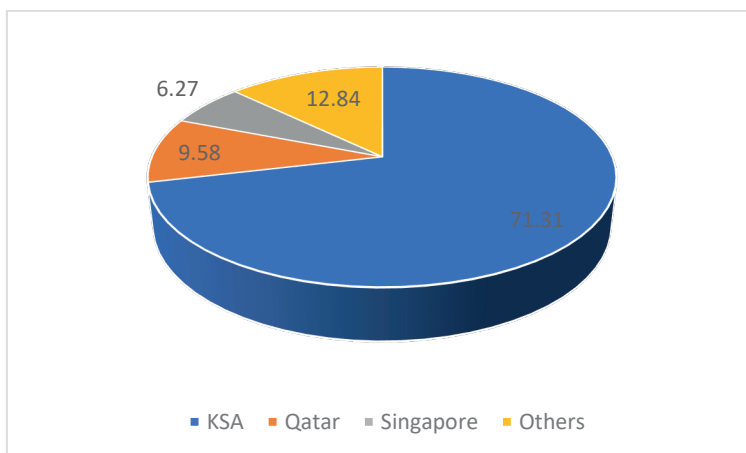
The country is transitioning to a service-led economy without robust industrialization. The service sector, while expanding rapidly, remains dominated by low-productivity sectors such as wholesale and retail trade. A lack of proper skills may lead to low employment in potential service sectors, such as the financial and ICT sectors.

Overseas employment

Overseas employment remains a vital pillar of the labor market in Bangladesh. Approximately 16.5 million Bangladeshis are working abroad, significantly contributing to remittance inflows. Despite high migration volumes, Bangladesh lags behind countries like the Philippines and Pakistan in remittance earnings due to low wage levels. In 2024, over 60 percent (approximately 1.1 million) of Bangladeshi migrants were employed in low-skilled roles, such as laborers, cleaners, and hotel staff.

Bangladesh's overseas employment market is heavily concentrated, with 90% of workers migrating to just three countries: Saudi Arabia, Qatar, and Singapore. Nearly 75% of Bangladeshi migrant workers are based in the Middle East, making the sector highly susceptible to geopolitical tensions and changes in labor policies.

Figure 2.9: Share of overseas employment by country



Source: BMET

According to BMET data from 2025, overseas employment has shown signs of decline. In April 2025, recruitment from Bangladesh to Saudi Arabia dropped by 64% due to stricter embassy attestation requirements for single-entry visas. Additionally, countries such as Malaysia, the UAE, Oman, and Bahrain imposed recruitment restrictions citing corruption and mismanagement within Bangladesh's labor export system.

However, a partial recovery was observed in May 2025, with the number of overseas workers increasing to 105,400 from 49,983 in April. While countries like Japan and South Korea are gradually opening their labor markets to Bangladeshi workers, migration volumes remain limited due to language barriers and certification requirements.

The high cost of migration also poses a significant obstacle. Workers often pay over \$3,000 to intermediaries and may take up to 17 months to recover these expenses. Urgent reforms in recruitment transparency, skill development, and diplomatic engagement are essential to fostering a more dynamic and high-quality overseas employment sector.

Key Challenges

There are some long-standing structural challenges in the employment sector in Bangladesh. The structural transition from agriculture to industry and a service-based economy has not been reflected by a corresponding shift in employment structure. This imbalance highlights a failure to shift labor into higher-productivity sectors. The disconnection between the structural shift of the economy and employment also indicates a structural weakness in the investment climate and labour market in Bangladesh.

Private investment, which is the key driver of job creation, has stagnated at between 22 percent and 24 percent of GDP over the last decade. Additionally, private sector credit growth started to decline from the last two years of the previous political regime. In June 2024, private sector credit growth declined to 9.84 percent in response to tight monetary policy, which may be attributed to the crowding-out effect of higher government borrowing from the banking sector.

Mismanagement in the banking and financial sector during the previous regime deteriorated the investment climate and limited job creation. Non-performing loans accounted for approximately 25 percent of the total outstanding loans in July 2024. Money laundering drained capital from the domestic economy, reducing the funds available for industrial base expansion and employment-generating activities, and highlighting the need for effective corporate governance in the financial sector.

A lack of proper skills is a significant concern for creating a quality labour force and increasing productivity. As of 2025, per-hour labour productivity in Bangladesh is estimated at around \$ 8.7 (ILO modeled estimates), which is one of the lowest in South Asia. It makes it hard for the country to compete with regional peers, such as Vietnam (\$12.4), China (\$19.8), Sri Lanka (\$18.0), and India (\$10.7).

Initiatives taken by the interim Government

At the time the interim government took power, the economy was suffering from macroeconomic instability, characterized by high inflation, increasing fiscal and current account deficits, a large depreciation of the currency, depletion of foreign exchange reserves, and weak performance in the banking and financial sectors. The interim government of Bangladesh has launched some strategic initiatives aimed at bringing macroeconomic stabilization, stimulating investment and employment, particularly for marginalized and vulnerable groups.

A key component of the interim government's strategy is the adoption of a data-driven approach to the labour market. This led to a significant reallocation of the budget toward entrepreneurship and self-employment. In the FY25–26 budget, BDT 4,171 crore was earmarked for 19 labour market programs, increasing labour market funding from 10.76% in FY2023–24 to 36.83% in FY25–26.

To stimulate job creation, the government expanded targeted training programs designed to build skill pipelines for both domestic and overseas employment markets. Bangladesh Bank complemented these efforts by scaling up pre-finance and refinance schemes for agriculture, cottage industries, and small and medium enterprises (SMEs)—sectors vital for grassroots employment generation.

In April 2025, the government established the Labour Reform Commission to modernize labour regulations and enhance workforce adaptability, signifying a commitment to long-term structural reform.

Recognizing the need to mobilize both foreign and domestic investment, the interim government initiated a restructuring of the Bangladesh Investment Development Authority (BIDA). Key reforms included the enhancement and simplification of BIDA's One-Stop Service (OSS) facility to improve ease of doing business.

To further attract global investors and showcase Bangladesh's economic potential, an Investment Summit was organized in April 2025. These efforts aim to restore investor confidence and position Bangladesh as a competitive destination for foreign direct investment (FDI).

2.6 Summary & Policy Recommendations

Bangladesh's GDP growth showed signs of recovery after initial weakness, with quarterly growth improving from 2.0% in Q1 FY25 to 4.9% in Q3 FY25. Industrial production remained subdued at 4.3% in FY25, while agriculture recorded just 1.79% growth due to weather-related challenges. Inflation steadily declined from double-digit levels to 8.48% by June 2025, although rice prices remained a major concern, with all varieties experiencing inflation of over 15%. The labor market faced structural challenges with 84.07% informal employment, rising youth unemployment

to 8.07%, and low labor productivity at \$8.7 per hour. The interim government implemented strategic initiatives, including expanded training programs and labor market reforms, to address these challenges.

Some progress has been made in improving key indicators of macroeconomic stability. Foreign exchange reserves rebounded to \$30.08 billion in August 2025 -marking a recovery from the sharp declines seen in 2023. The inflation rate (point-to-point), which was 11.66 percent in July 2024, decreased to 8.55 percent in July 2025. The current account balance turned positive, with \$33 million surplus in the first half of FY25, reversing a \$3.47 billion deficit from the same period in FY24. In the banking sector, confidence has gradually recovered, and liquidity ratios have stabilized at 13% as of April 2025, despite a deposit decline of BDT 100 billion in August 2024. Macroeconomic stability and improvement in the banking sector are likely to bring confidence to the investors and generate new employment.

Policy Recommendations

In recent times, inflation has been a key concern for macroeconomic management. Inflation began to decrease gradually in April 2025, primarily due to improvements in the food supply situation, a tight monetary and fiscal policy stance, and sluggish aggregate demand within the economy. However, decrease in food prices. Similar to March, food prices, particularly rice and fish prices, remained the largest contributor to inflation. To mitigate the impact of food supply shocks amid escalating food costs, it is prudent to sustain a sufficient strategic buffer stock of food/rice. Considering the financial strain of subsidies on the government's fiscal capacity, targeted safety net programs, school feeding initiatives, food-for-work schemes, open market sales, and guaranteed employment programs for the poorer households may be strengthened in the coming days.

Aligning education and skill development with market needs is critical to address educated youth unemployment. Sector-specific quality training and certification programmes for high-potential sectors like electronics, ICT, healthcare, agro-processing, and finance can be introduced. A national guideline for graduate apprenticeship schemes in collaboration with private firms and universities for creating a high-skilled labour force is essential. A mechanism can be developed for providing incentives for hiring fresh graduates in professional, scientific, and technical roles. Simplifying registration, compliance, and access to finance for micro-enterprises through digital platforms will be effective for expanding formal employment. Necessary initiatives need to be taken for the proper utilization of the economic and export processing Zones. Bilateral labour agreements can be signed with emerging markets like Japan, South Korea, and EU countries. A harmonized and effective coordination among skill development programs may be streamlined. The National Skills Development Authority (NSDA) should undertake a long-term strategic policy to strategize skills development in the country.

The economic outlook for Bangladesh in FY26 is marked by cautious optimism, with a gradual restoration of macroeconomic stability through various reform measures. Economic recovery is expected to be bolstered by a favorable external sector, with positive growth in exports and remittances, a stable exchange rate, declining inflationary pressures, and a positive consumer demand. It is expected that with a smooth democratic transition, the investment scenario will change towards a positive direction. While global growth is expected to remain steady, domestic challenges, including political uncertainty and inflation, are expected to weigh on the economy in the short term. Prudent measures to mitigate the adverse impact of inflation on households and build confidence among investors would be key to a strong recovery in the coming fiscal year.

Chapter 3: State of the Fiscal Sector

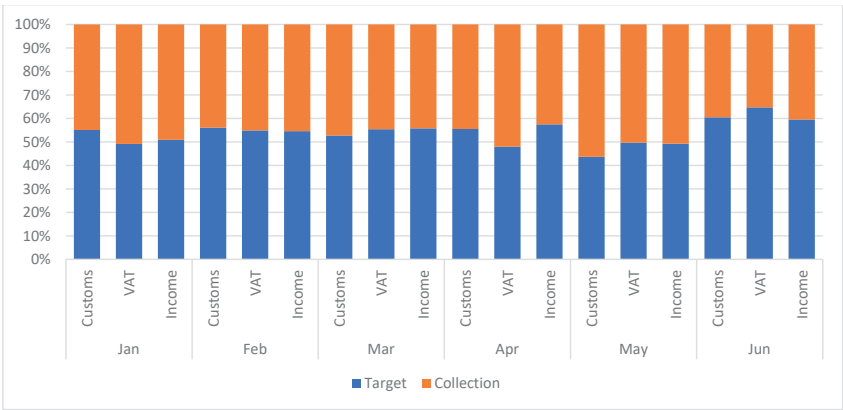
3.1 Introduction

Bangladesh’s fiscal landscape during FY 2024-25 shows a mix of achievements and ongoing challenges. Domestic resource mobilization efforts have expanded the taxpayer base and included modernization initiatives, but the tax-to-GDP ratio remains relatively low compared to regional peers. The implementation of the Annual Development Program (ADP) highlights significant gaps in execution, with considerable underutilization across various ministries. Revenue collection patterns are volatile across different tax streams, while the government has launched some reform strategies aimed at ensuring long-term fiscal sustainability and improving the efficiency of development spending.

3.2 Domestic Resource Mobilization

The National Board of Revenue (NBR) collects revenue primarily from income tax, customs duty, and value-added tax (VAT). In fiscal year 2023-24, NBR generated the majority of government revenue, accounting for about 97% of total tax revenue and 85% of overall revenue. However, Figure 3.1 shows a significant gap between actual revenue collection and the target, which is around 50% across months. Despite notable growth in the tax base and the number of tax return filers, this gap remains, partly due to sluggish economic growth and political uncertainties. In FY 2014-15, the taxpayer base was only 1.65 million, increasing to 10.4 million in FY 2023-24. The number of filed returns rose from 1.09 million to approximately 4.30 million during the same period.

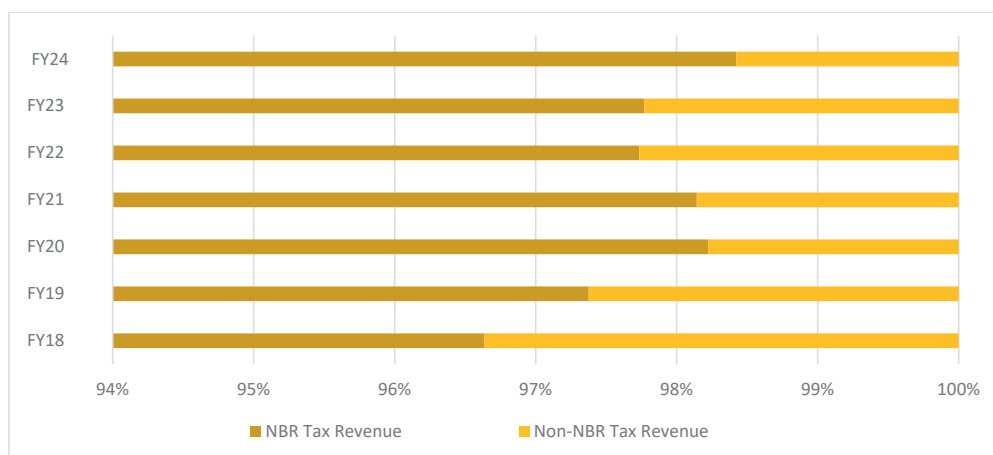
Figure 3.1: Monthly revenue target vs. collection (2025)



Source: National Board of Revenue (NBR)

Tax revenue collections show a steady increase, with NBR tax revenue consistently making up 94-99% of total collections (Figure 3.2). Contributions from non-NBR tax revenue stay minimal throughout the period, highlighting the heavy reliance on traditional tax collection methods through the National Board of Revenue.

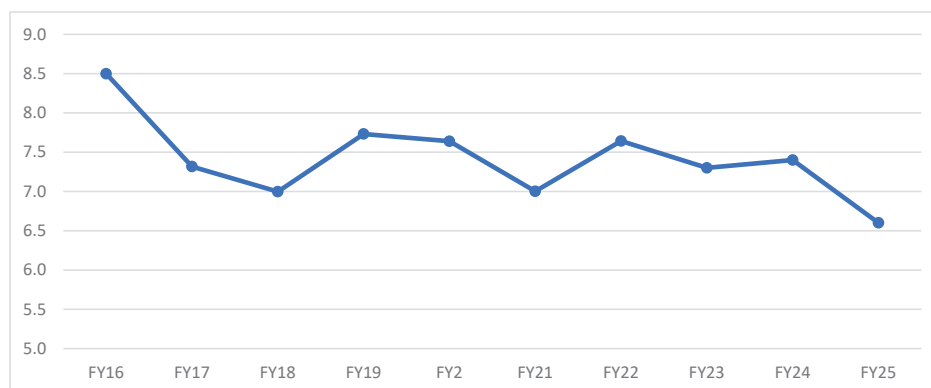
Figure 3.2: Government tax revenue collections (FY18 to FY25)



Source: National Board of Revenue (NBR)

As shown in Figure 3.3, Bangladesh's tax-to-GDP ratio has fluctuated between approximately 8.5% and about 7.0% from FY16 to FY25, indicating a slowdown in tax collection efficiency relative to economic output. The ratio peaked near 8.5% in around FY19-FY20 and has been declining since FY2022, reaching approximately 7% in recent years, reflecting challenges in expanding the tax base proportional to GDP growth.

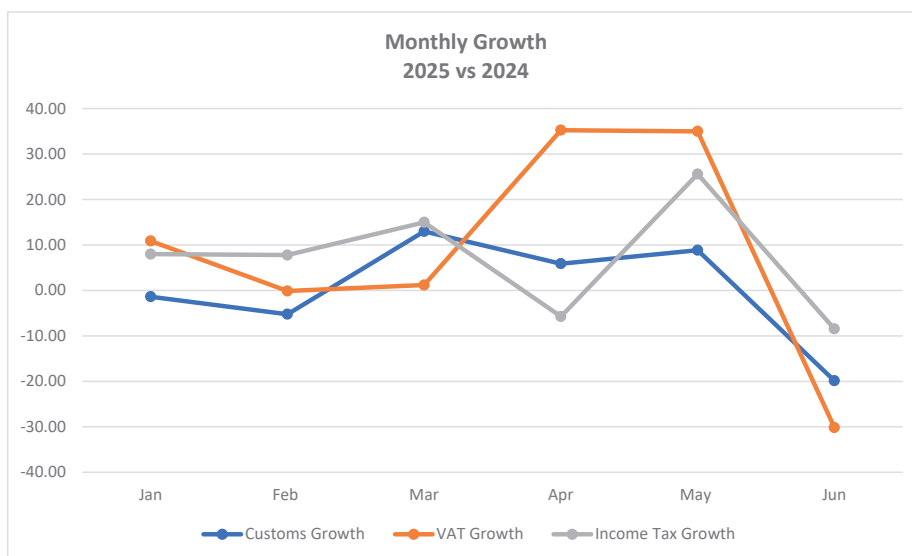
Figure 3.3: Bangladesh tax- GDP ratio (FY 16 to FY 25)



Source: World Bank

Figure 3.4 shows contrasting trends across three revenue streams from January to June 2025. VAT growth exhibits extreme volatility, rising to 35% in April and May before sharply dropping to -30% in June. Customs duty growth fluctuates irregularly, peaking at 14% in March and then decreasing to -20% by June. Income tax growth remains relatively stable early on, around 10%, peaks at 25% in May, and then declines to -9%. All three revenue sources sharply fall by June 2025, possibly due to the shutdown activities of NBR officials protesting the government's proposed reforms to split NBR into two separate divisions, such as revenue management and revenue policy.

Figure 3.4: Revenue collection statement of the FY 2024-25 (January to June)



Source: National Board of Revenue (NBR)

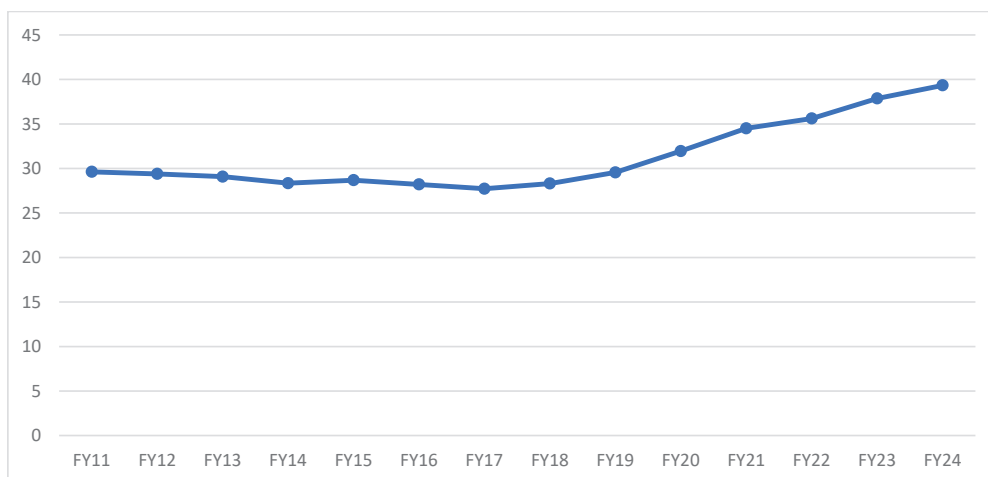
Table 3.1: Growth of revenue between the FY 2024-2025 and FY 2023-2024

Months	Customs Growth	VAT Growth	Income Tax Growth
Jan	-1.39	10.86	7.98
Feb	-5.23	-0.13	7.78
Mar	12.97	1.18	14.97
Apr	5.88	35.24	-5.74
May	8.84	34.98	25.58
Jun	-19.86	-30.16	-8.47

Source: National Board of Revenue (NBR)

Public debt has shown a concerning upward trend from FY11 to FY24, increasing from about 25% of GDP to roughly 40% of GDP. The sharpest rise happened between FY19 and FY21, likely due to increased government borrowing during the COVID-19 pandemic, with debt levels continuing to climb through FY24 (Figure 3.5).

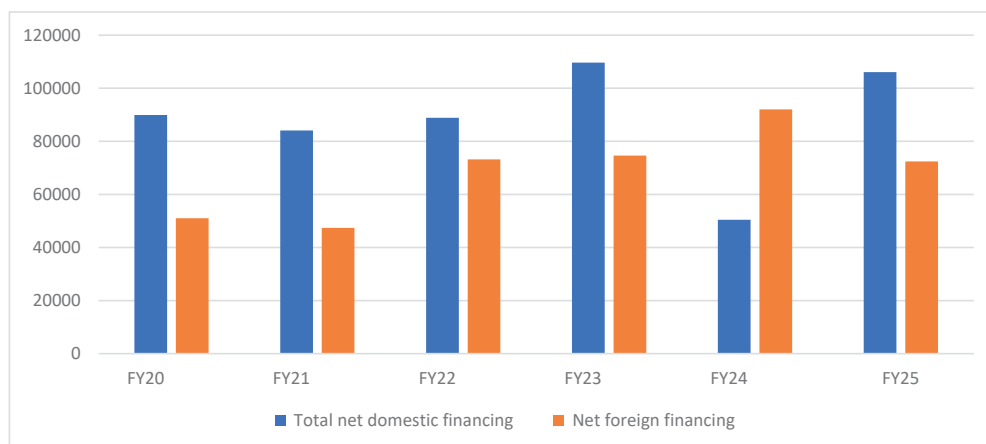
Figure 3.5: Gross public debt (% of GDP)



Source: International Monetary Fund, 2025

Figure 3.6 illustrates that the government's deficit financing has increased significantly from FY20 to FY25, rising from minimal levels to nearly 100,000 crores. Total net domestic financing makes up the larger portion of deficit financing compared to net foreign financing, reflecting the government's preference for domestic borrowing to cover fiscal shortfalls.

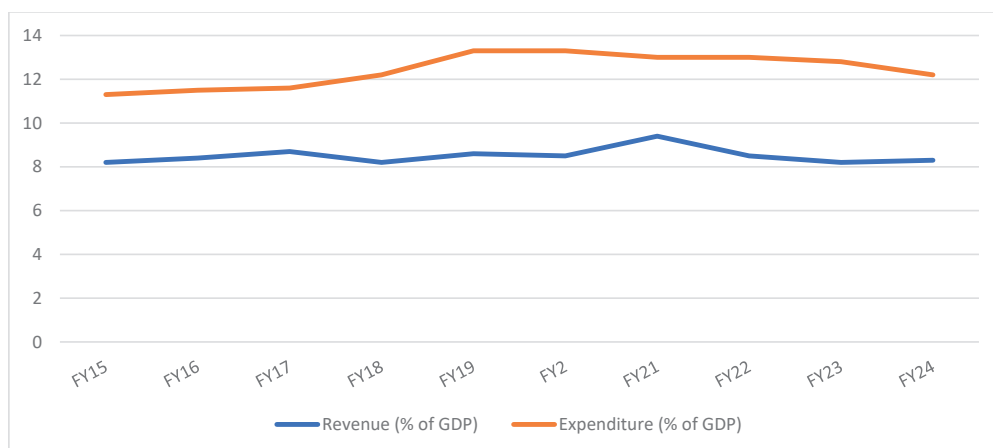
Figure 3.6: Government deficit financing



Source: Ministry of Finance

The fiscal indicators show persistent budget deficits with government expenditure consistently exceeding revenue as a percentage of GDP (Figure 3.7). Government expenditure appears to hover around 12-14% of GDP, while the fiscal balance remains negative, reflecting ongoing fiscal challenges in achieving budgetary equilibrium.

Figure 3.7: Fiscal balance (as % GDP)



Source: World Bank

3.3 Key Challenges and Way Forward

Domestic resource mobilization remains a persistent challenge for the government of Bangladesh, which faces very low tax-to-GDP ratios compared to countries with similar GDP per capita. Bangladesh's tax-to-GDP ratio is the lowest among South Asian countries. Over the past several years, the tax-to-GDP ratio in Bangladesh has stayed between 7 to 8 percent. To prepare for LDC graduation in 2026 and to meet SDG goals by 2030, the Government of Bangladesh has emphasized reforming the tax system, including improving tax policy and administration, strengthening revenue mobilization, and promoting equitable taxation. Overall, the goal of tax administration reforms in Bangladesh is to improve efficiency, transparency, and accountability within the tax system. In this context, the challenges to increasing revenue mobilization can be grouped into four areas.

- 1) **Institutional capacity:** A major challenge is the lack of automation in tax collection, which leads to delays, errors, and poor coordination among NBR wings and other agencies. Limited data, weak analytical skills, and shortages of skilled personnel further impair NBR's ability to manage compliance risks. The tax base remains narrow, as large projects and the garment sector receive generous exemptions, while many informal sectors—such as small businesses, services, agriculture, and construction—are hard to include under the VAT system. Revenue is also impacted by global market fluctuations, financial crises, and decreased export demand. Additionally, outdated infrastructure, limited facilities, and a lack of modern equipment slow down tax processes and decrease efficiency.
- 2) **Regulatory capacity:** The current policy and legal environment presents many challenges for both taxpayers and tax officials. Complex tax laws and regulations often make it difficult for individuals and businesses to understand and fulfill their obligations. Within NBR, the three wings operate independently at both national and regional levels, resulting in weak coordination and cooperation. As a result, several key functions suffer, including the accuracy of the taxpayer registration database, management of tax arrears, the effectiveness of verification activities, the timely resolution of disputes, the efficiency of

revenue accounting, and the handling of litigation. Additionally, customs clearance is slowed by poor coordination among various regulatory bodies. A major concern is document fraud, which is common because compliance certificates from various agencies are still submitted manually. Verifying these certificates is slow and inefficient, as confirmed by NBR's recent Time Release Study.

- 3) **Human Capacity:** NBR faces several challenges that limit its effectiveness. The organization lacks enough staff to ensure proper tax compliance and provide quality taxpayer services, and there is no clear plan to build overall capacity or allow officers to specialize in specific areas. Investment in training and professional development is very limited, and frequent staff transfers cause a loss of valuable institutional knowledge and experience. Additionally, NBR has a limited ability to recruit specialists, which reduces its capacity to develop a skilled and diverse workforce. The absence of a performance-based incentive system further discourages staff from improving productivity, while ongoing issues of corruption and unethical practices continue to weaken both efficiency and public trust.
- 4) **Voluntary compliance support capacity:** Frequent changes in the tax regime create complexity, unpredictability, and uncertainty for the private sector. Although Bangladesh has shifted structurally from an agriculture-based to a manufacturing and services-based economy, most informal sectors still remain outside the tax system. The Labor Force Surveys conducted by BBS show that employment in the informal economy increased to 86% in FY 2017-18, highlighting the challenge of integrating these groups into the tax net. To enhance voluntary compliance, taxpayer segmentation is necessary so that targeted guidance and support can be provided to those with special needs and circumstances. At the same time, NBR offers very limited incentives—such as recognition, rewards, or benefits—for compliant taxpayers, which discourages fostering a culture of voluntary compliance.
- 5) **Modernization of the tax system:** Efforts are underway to enhance coordination within the NBR by harmonizing and sharing taxpayer data across its various divisions. Simultaneously, an internal audit manual is being created to boost oversight and accountability. Building staff capacity remains a top priority, as it provides NBR officials with the skills needed for effective tax management. On the service side, taxpayers will experience simpler processes through online VAT registration and return filing, along with an improved payment system for VAT, income tax, and customs that connects directly with iBAS++. Moreover, new legal, institutional, and procedural measures are being introduced to improve the efficiency and reliability of VAT and income tax withholding.

As part of the medium and long-term revenue strategy (MLTRS), Bangladesh restructured its tax system in May 2025 by dissolving the National Board of Revenue (NBR) and creating two separate entities: the Revenue Policy Division and the Revenue Management Division. This reform separates policy formulation from administration, compliance, and enforcement, aiming to improve governance, transparency, and efficiency in line with international best practices. Moving forward, priorities include increasing taxpayer registration through automation, strengthening legal actions and enforcement, and enhancing taxpayer services to build greater trust and compliance. Additionally, widespread tax awareness campaigns, training, and capacity-

building for officials, along with measures to address tax leakages, will be essential. Modernizing the tax infrastructure and enhancing coordination among agencies will further support a more transparent, accountable, and effective revenue system in the years to come. The government has launched a project, supported by the World Bank, to fully automate the NBR, making its operations more efficient and effective. Moreover, an interoperability mechanism between the NBR and stakeholders is crucial for enhancing tax collection and reducing tax evasion.

3.4 Public Expenditures

3.4.1 Annual Development Programme 2024-25

For FY 2024-25, approximately 1468 projects have been included in the Annual Development Programme. Table 3.2 shows a declining trend in the total number of development projects undertaken over the past four fiscal years, decreasing from 1,836 projects in 2021–2022 to 1,468 in 2024–2025. Investment projects consistently constitute the majority, although their share has steadily declined over the years. The number of Technical Assistance Projects (TAP) and Feasibility Study Projects (FSP) fluctuates. Special Development Assistance projects remain steady at 9 per year, indicating either a fixed policy allocation or a lack of expansion in this area. Own financing projects exhibit a downward trend after peaking in 2021–2022, possibly reflecting a reduction in fiscal space or a shift in priorities toward external funding. This overall decline in projects, especially investment projects, could signal budget constraints, a policy shift toward prioritizing quality over quantity, or difficulties in the project initiation and approval processes.

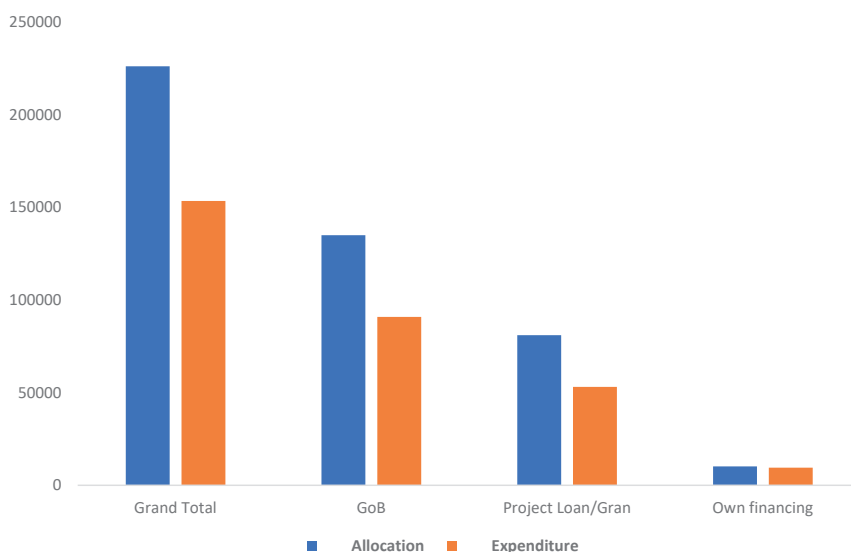
Table 3.2: Year-wise projects undertaken under annual development programme (ADP)

FY	Total	Investment project	Technical Assistance Project	Feasibility Study Project	Special Development Assistance	Own-financed project
FY 2025	1468	1230	112	32	9	85
FY 2024	1659	1400	116	42	9	92
FY 2023	1686	1459	116	-	9	102
FY 2022	1836	1576	143	-	9	108

Source: Implementation Monitoring & Evaluation Division (IMED)

Figure 3.8 illustrates the performance of the Annual Development Program (ADP/RADP) for FY 2024–2025 in terms of allocation versus expenditure across funding sources. Overall, a significant gap exists between the allocation (BDT 226,165 crore) and expenditure (BDT 153,451 crore), indicating a 32% underutilization of available funds. This gap is most notable in Project Loans/Grants, where only BDT 53,078 crore out of BDT 81,000 crore was spent, suggesting possible delays in implementing foreign-funded projects or bottlenecks in fund disbursement. GoB funds also show underperformance, with only 67% of the allocated funds used. Interestingly, Own Financing has the smallest gap, with expenditure nearing the allocation, which may indicate better control and faster execution of domestically funded projects. Overall, underutilization across categories reflects inefficiencies in project execution capacity, procedural delays, and possibly overambitious budgeting.

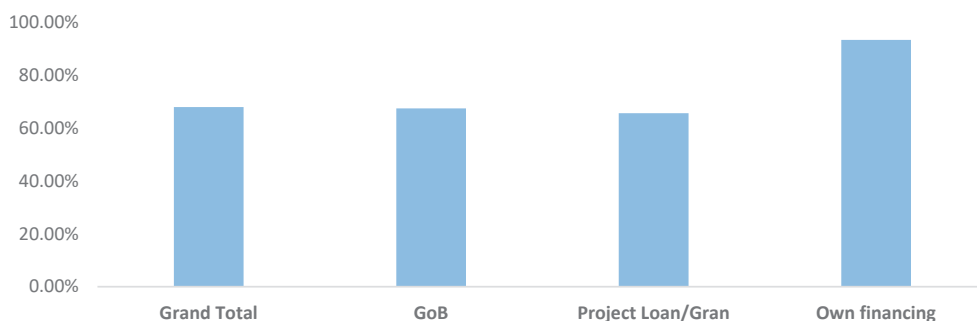
Figure 3.8: Performance of annual development program (ADP/RADP) FY 2024-25 (in crore taka)



Source: Implementation Monitoring & Evaluation Division (IMED)

The ADP/RADP utilization trend for 2024–25 (Figure 3.9) shows a moderate performance, with total utilization at 67.85% of the allocated amount. GoB-funded projects are close to this average at 67.33%, while projects financed by loans or grants have a slightly lower utilization rate at 65.53%. Notably, “Own financing” projects display a higher utilization rate of 93.21%, indicating that projects backed by self-financing have greater control, fewer bureaucratic delays, and a stronger drive to stay within budget.

Figure 3.9: ADP/RADP 2024-25 utilization (as a % of allocation) (in crore taka)

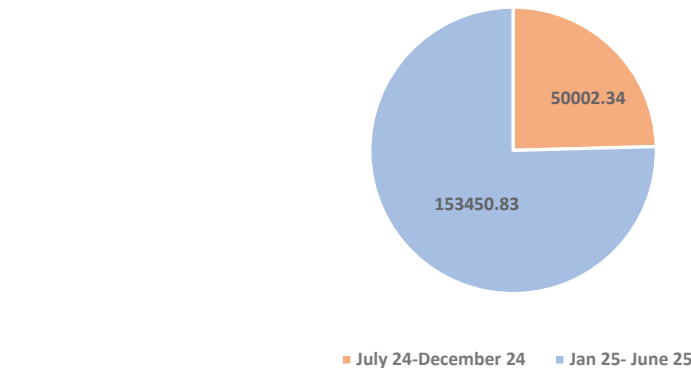


Source: Implementation Monitoring & Evaluation Division (IMED)

Figure 3.10 compares ADP utilization between the first and second halves of FY 2024–2025, showing a clear imbalance in spending patterns. Only BDT. 50,002.34 crore was spent in the first half (July–December 2024), while a much larger amount (153,450.83 crore) was used in the second half (January–June 2025). This indicates that over 75% of the total annual spending occurred in the latter half of the fiscal year, a pattern often seen as rushed disbursements to

meet year-end targets rather than a steady, planned implementation process. Such late-stage spending can damage project quality, as tight timelines may lead to rushed procurement, less oversight, and inefficient use of resources. This spending trend highlights common systemic issues in public financial management, including delayed project approvals, slow fund releases early in the year, and bureaucratic bottlenecks, which then cause ministries and agencies to engage in a “spending sprint” toward the end of the year.

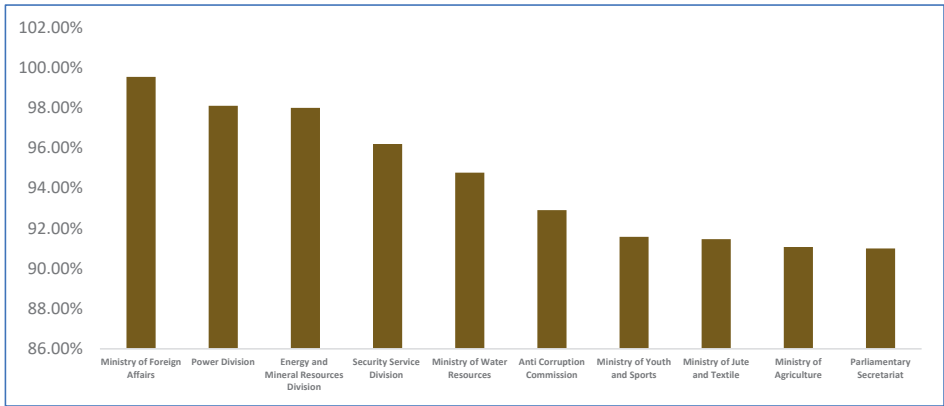
Figure 3.10: Comparative scenario of ADP utilization between 1st and 2nd half of the FY 2024-2025 (in crore taka)



Source: Implementation Monitoring & Evaluation Division (IMED)

Figure 3.11 shows that the Ministry of Foreign Affairs leads with a remarkable 99.54% utilization, indicating nearly complete use of allocated funds, closely followed by the Power Division (98.10%) and the Energy and Mineral Resource Division (98.00%). Overall, the high percentages indicate a strong budget absorption capacity, but the variation suggests differing levels of efficiency and planning effectiveness among ministries.

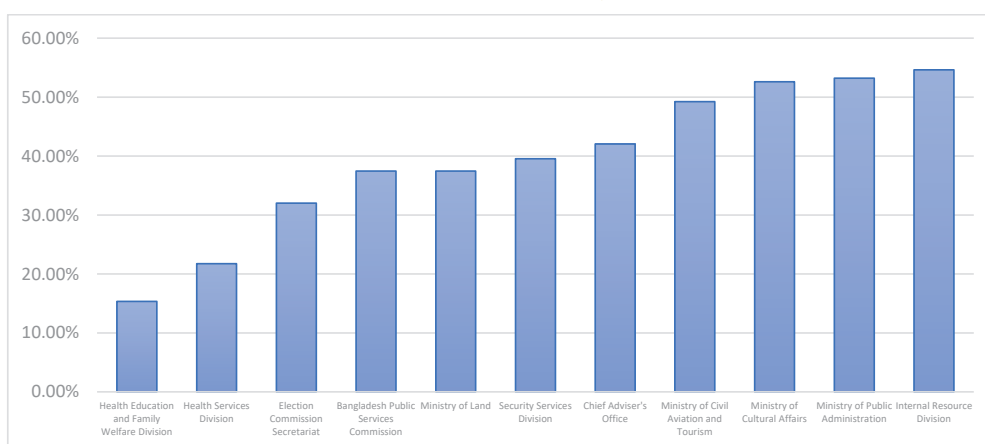
Figure 3.11: Performance of top 10 performed ministries/divisions (Expenditure in terms of % of total allocation)



Source: Implementation Monitoring & Evaluation Division (IMED)

The performance of the 10 ministries and divisions in terms of lowest spending performance (Figure 3.12) highlights a sharp contrast with the high-performing entities shown earlier. The Health Education and Family Welfare Division and the Health Services Division are especially concerning, with utilization rates of 15.36% and 21.74%, respectively. This indicates serious delays, potential policy bottlenecks, or implementation issues in key public health projects. Mid-range performers, such as the Election Commission Secretariat, the Bangladesh Public Services Commission, and the Ministry of Land, have utilization rates of around 32–38%, which are still well below efficient levels. At the higher end, the Internal Resource Division spent 54.63%, but even the top performer in this group is far from full utilization, indicating systemic underuse across all ten. The Ministry of Land and the Bangladesh Public Service Commission have identical ADP utilization rates of 37.46%.

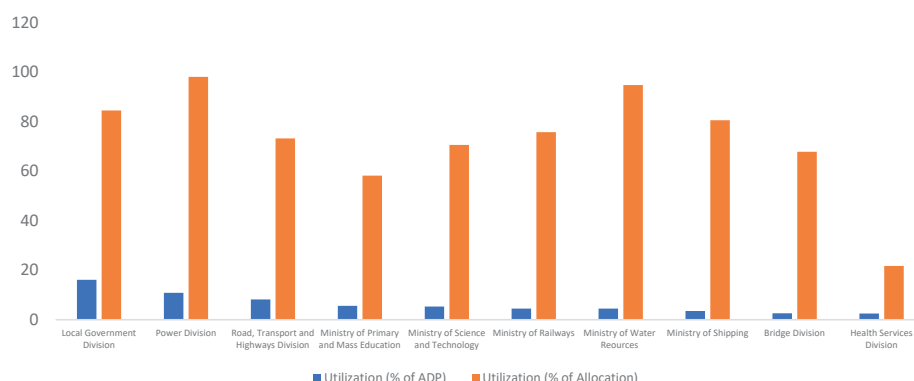
Figure 3.12: Performance of below performed 10 ministries/divisions (Expenditure in terms of % of total allocation)



Source: Implementation Monitoring & Evaluation Division (IMED)

Figure 3.13 compares the performance of the 10 ministries/divisions based on their highest allocations in ADP/RADP 2024–25, showing both utilization as a percentage of ADP and as a percentage of the total allocation. While the Power Division and Ministry of Water Resources display high allocation utilization (close to or above 95%), their actual utilization relative to ADP remains modest, generally in the range of 5–15%. This indicates that although these ministries are efficient at spending their allocated funds, their ADP share is relatively small compared to total resources, suggesting a heavy reliance on non-ADP funding or a broader allocation base. Conversely, some sectors, such as the Health Services Division, have very low utilization in both ADP and total allocation, signaling potential issues with project implementation or fund absorption. The gap between ADP utilization and total allocation utilization across all sectors highlights the need for better alignment of ADP priorities with actual spending capacity.

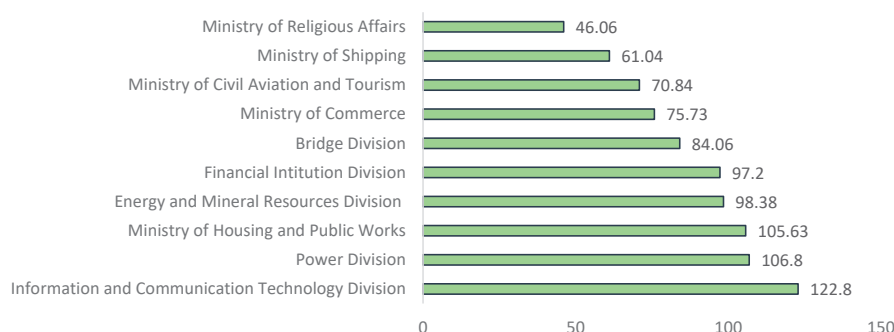
Figure 3.13: Performance of the top 10 ministries/divisions with the highest allocation in ADP/RADP 2024-25 (in %)



Source: Implementation Monitoring & Evaluation Division (IMED)

Figure 3.14 displays the spending ratio of self-financed projects as a percentage of allocated self-financing across various ministries and divisions. The Information and Communication Technology Division stands out with a utilization rate over 130%, indicating it spent more than its allocated self-financing. Several ministries, including the Power Division, the Ministry of Housing and Public Works, and the Energy and Mineral Resources Division, have utilization rates close to 100%, demonstrating a strong ability to mobilize and utilize self-generated funds. In contrast, ministries such as Religious Affairs (around 45%) and Shipping (around 55%) show significantly lower utilization. The variation in performance highlights differences in self-financing capacity and efficiency, with some sectors exceeding expectations while others fall behind.

Figure 3.14: Utilization of self-financing (% in terms of allocated self-finance)



Source: Implementation Monitoring & Evaluation Division (IMED)

3.5 Advancing Fiscal Sustainability through Effective Debt Management

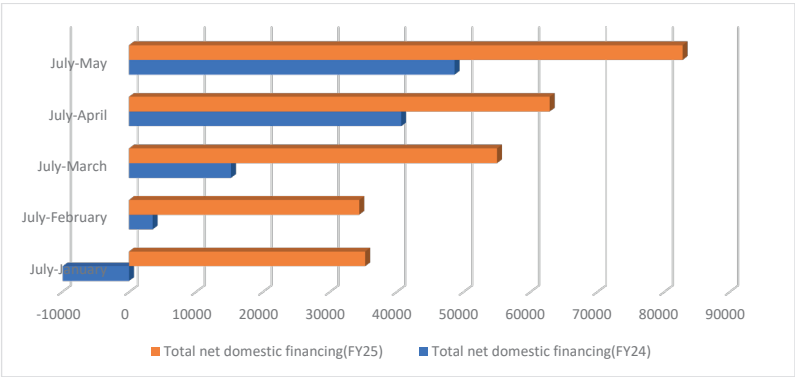
The fiscal outcomes from July to February/March FY25 show significant improvements in sustainability and debt management compared to the same period in FY24. Total net domestic financing increased notably, reaching BDT 82,813.11 crore in July–May FY25, up from BDT 48,665.94 crore in FY24, indicating successful domestic resource mobilization and effective use of both banking and non-banking sectors. Meanwhile, net foreign financing was BDT 38,063.73

crore, lower than BDT 58,048.31 crore in the same period of FY24. Overall, the total net financing rose to BDT 120,876.84 crore in July–May FY25, surpassing FY24’s BDT 106,714.25 crore. Importantly, this growth has not resulted in unsustainable debt levels, as the total net financing as a percentage of GDP increased only slightly from 2.13% in FY24 to 2.18% in FY25. This demonstrates the government’s ability to mobilize resources for development while maintaining prudent debt sustainability.

Equally encouraging is the trend of outstanding domestic debt as a percentage of GDP, which remained mostly stable at 16.82% in FY25 compared to 16.98% in FY24. This stability shows that even with increased borrowing, debt sustainability has been maintained, supported by GDP growth and careful fiscal planning.

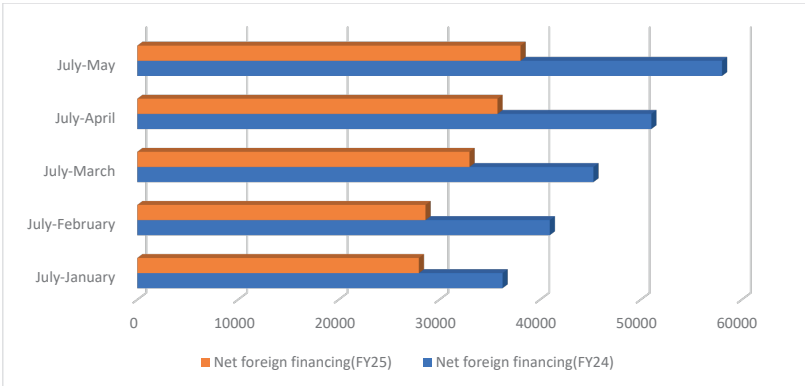
Overall, the FY25 data demonstrates a positive, sustainable, and forward-looking debt management strategy, where increased financing supports economic growth while debt sustainability indicators remain within safe limits. This balance strengthens Bangladesh’s fiscal foundation and enhances investor confidence for the future.

Figure 3.15: Total net domestic financing-FY25 vs. FY24 (BDT in crore)



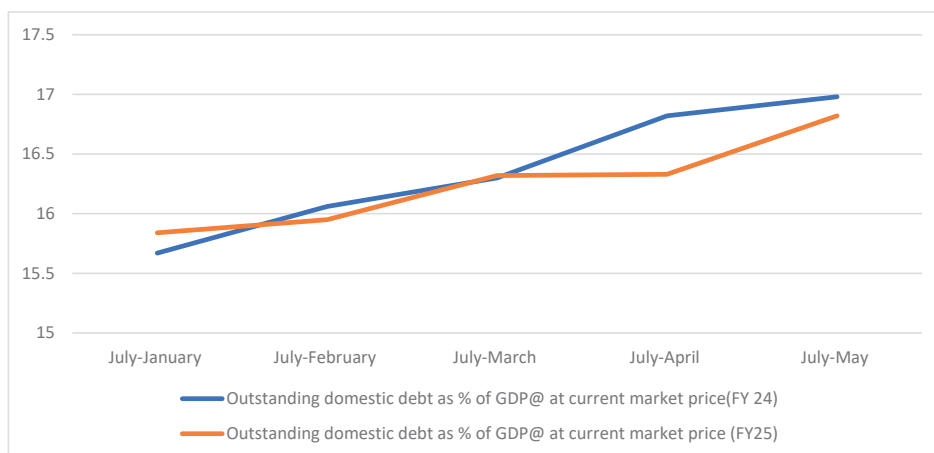
Source: Bangladesh Bank

Figure 3.16: Net foreign financing (FY25 vs. FY24)



Source: Bangladesh Bank

Figure 3.17: Outstanding domestic debt as % of GDP (FY25 vs. FY24)



Source: Bangladesh Bank

3.6 Challenges of Public Expenditure Management

Public expenditure influences the quality and accessibility of essential services, such as healthcare, education, infrastructure, and social safety nets. Thus, it stands as a crucial component in socioeconomic development, requiring a combination of revenue mobilization and careful prioritization of spending. In developing countries like Bangladesh, inefficiencies in fund utilization, misallocation of resources, and underfunding are a result of ineffective management of public funds.

Key Challenges

- Allocative inefficiency remains a major challenge. Thin allocations should be avoided, and priority should be given to projects to be completed in a timely manner.
- A feasibility study should be done rigorously by a reputable third-party organization
- Allocative priorities should focus on redirecting and reallocating funds in underfunded sectors like health, education, and social safety nets would yield higher social and economic returns.
- Critical sectors remain underfunded, impacting service quality and access:
 - Healthcare: Rising expenditures do not translate into improved access, especially in remote areas.
 - Education: Despite increased allocations, outcomes remain poor due to weak infrastructure, limited teacher training, and low rural access.
 - Social Safety Nets: Inadequate funding leaves vulnerable populations exposed without sufficient support mechanisms.
- Institutional capacity gaps hinder effective project execution. Ministries and agencies face technical, managerial, and coordination challenges that lead to project delays and underutilization of allocated funds.
- Monitoring and evaluation (M&E) systems face various challenges. The Implementation Monitoring and Evaluation Division (IMED) under the Ministry of Planning conducts sample-

based project evaluations annually. However, the lack of a new national evaluation policy hinders transparency, accountability, and the effectiveness of development.

- There is a lack of a digitized mechanism to monitor the real-time progress of the projects by respective ministries/agencies
- Project Directors (PDs) should be selected based on relevant experience and competencies. A mechanism may be developed to offer higher remuneration, making the job more attractive.

3.7 Summary & Policy Recommendation

Revenue collection showed mixed results, with notable monthly fluctuations across various tax categories. The NBR expanded the taxpayer base from 1.65 million in FY15 to 10.4 million in FY24, although the tax-to-GDP ratio remains low at 7-8%. The government adopted a Medium- and Long-Term Revenue Strategy aiming for a 10.5% tax-to-GDP ratio by FY35. The ADP performance indicated significant under-utilization at 67.85% of the total allocation, with most spending occurring in the latter half of the fiscal year (75%). Performance varied widely among ministries, from 99.54% utilization (Foreign Affairs) to only 15.36% (Health, Education, and Family Welfare Division), highlighting systemic implementation issues.

Net domestic financing rose significantly to BDT 82,813.11 crore from BDT 48,665.94 crore in the same period of FY24. Meanwhile, the outstanding domestic debt as a percentage of GDP stayed steady at 16.82%, showing effective debt management. It is crucial for Bangladesh Bank to take steps to lower lending interest rates and spreads to promote private credit, especially private investment.

Policy Recommendations

This section proposes strategies to enhance efficiency in public expenditure and revenue mobilization. A review of public expenditure reveals actionable policies for long-term improvements. Opportunities now exist to improve allocative efficiency, align spending with national priorities, strengthen ministry implementation capacity, and develop a framework for monitoring and evaluating public spending to ensure effectiveness. The goal is to use public funds effectively to support sustainable development in Bangladesh.

Reallocate Subsidies to High-Priority Sectors

Energy Subsidy Reform: Reduce energy subsidies and redirect the savings to high-priority sectors that require urgent support. Focus on offering targeted subsidies for low-income households to ensure equitable resource distribution.

Allocative efficiency: Allocate resources more effectively, focusing on high-priority, underfunded sectors, which would lead to overall improved outcomes.

Audit Subsidy Programs: Assign a skilled team (of employees or volunteer organizations) to regularly review subsidy initiatives to assess their effectiveness and impact, and implement reforms that focus on targeted support for the most vulnerable communities.

Strengthen Resource Mobilization & Revenue Collection

Expanding the Tax Base: Broaden the tax base by formalizing the informal sector and improving tax compliance. Current efforts include establishing a digital tax collection system to make the process easier and reduce tax evasion.

Enhance Taxpayer Services: Introduce taxpayer education programs to promote compliance and improve service through online platforms. This can reduce administrative costs and increase total revenue.

Improve tax policy: Enact measures to make the tax system more progressive and ensure that the wealthiest pay a fairer share of public costs.

Digitalize the tax system: Automate the entire process in a user-friendly way and integrate it with the country's transaction system to identify non-compliant taxpayers.

Enhance Fiscal Discipline and Debt Management

Develop a responsible strategy: Ensure borrowed funds are directed toward high-impact projects that promote economic growth and job creation.

Fiscal Consolidation: It is recommended to implement fiscal consolidation measures to maintain fiscal discipline and ensure that public spending remains sustainable in the long term.

Increase funding for education and healthcare: Gradually increase budget allocations to these sectors and ensure fair access to quality services. Focus on primary education, vocational training, and digital literacy to prepare for the needs of the modern workforce.

Strengthen the Social Protection System: Broaden social safety net programs by collaborating with local NGOs and volunteer groups to support vulnerable populations. Implement targeted cash transfers to enhance social protection for low-income communities. A phased move toward a universal social protection system is crucial for promoting inclusive and sustainable development.

Develop and implement a comprehensive M&E system:

Measures necessary to monitor the progress of public projects and evaluate their impact on key development outcomes. This will improve project oversight and strengthen accountability in public spending.

PPP for Infrastructure Development:

Expand the use of PPP models to finance critical infrastructure projects, especially in transportation, energy, and healthcare. This will lessen the burden on public finances while enhancing the quality and delivery of infrastructure. New and alternative best practices in public financing need to be explored.

Chapter 4: State of the Monetary Sector

4.1 Introduction

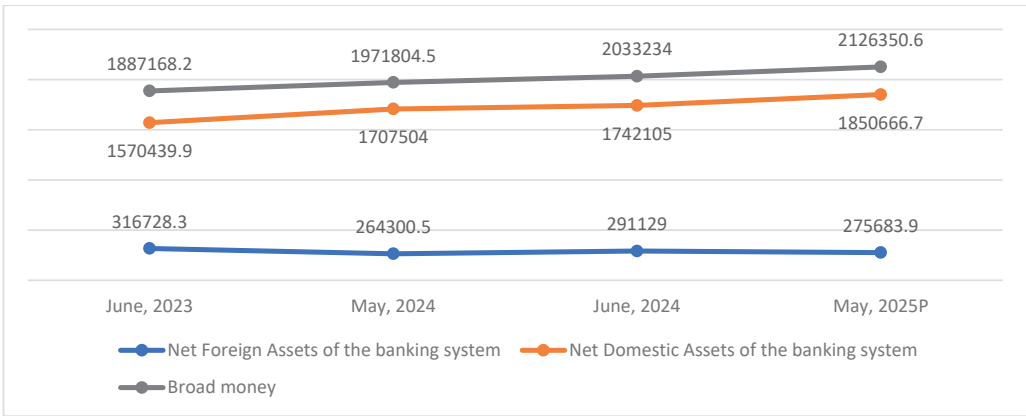
The Bangladesh Bank has been pursuing a tight monetary policy stance since the beginning of FY25. This policy, aimed at curbing persistent inflation and stabilizing the exchange rate, has had a discernible impact on both deposit mobilization and credit disbursement. While deposit growth has shown a mixed trend, generally experiencing a slowdown compared to the previous fiscal year, credit growth has also decelerated, especially in the private sector. The last six months of the period under review, from January to June 2025, have shown signs of stabilization but with new challenges, including a rise in non-performing loans (NPLs) and a persistent need for liquidity management.

The period from FY24 to FY25 was marked by significant macroeconomic challenges. Inflation remained a primary concern, prompting Bangladesh Bank to increase its policy rates multiple times. This hawkish monetary stance was a key factor influencing the performance of the banking sector. The introduction of a crawling pegged system in May 2024 was another crucial policy measure aimed at stabilizing the exchange rate, which had been under significant pressure. At later part of 2025, Bangladesh Bank started pursuing a market-based exchange rate policy.

4.2 Banking Sector Dynamics

The net foreign assets of the banking system decreased from 316,728 crore Taka in June 2023 to 275,684 crore Taka in May 2025, showing ongoing external pressures despite a slight recovery in mid-2024. Meanwhile, net domestic assets consistently increased from 1,570,440 crore Taka to 1,850,667 crore Taka during the same period, fueling broad money growth from 1,887,168 crore Taka to 2,126,351 crore Taka. This suggests that while the domestic economy stayed credit-driven, the external sector weakened (Figure 4.1).

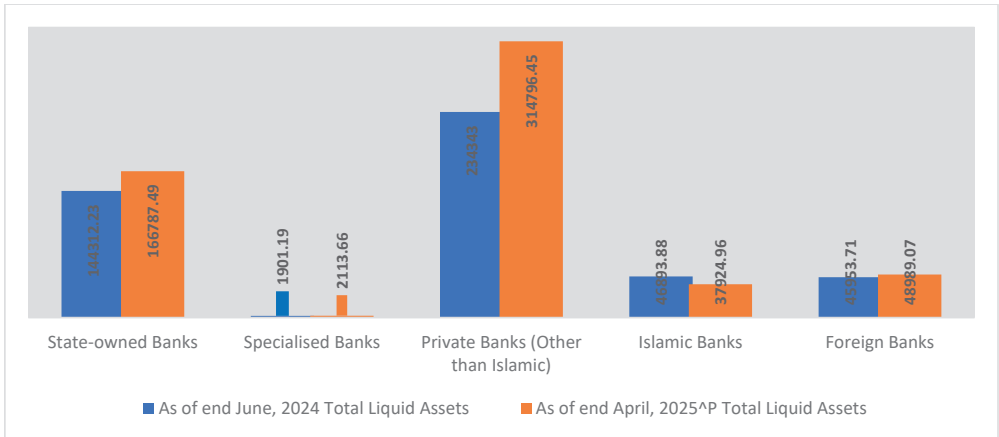
Figure 4.1: Money and credit developments



Source: Bangladesh Bank

The liquidity position of scheduled banks in FY25 shows mixed trends. Figure 4.2 indicates that both state-owned and private banks strengthened their liquidity, with private banks (excluding Islamic) increasing sharply from BDT 234,343 crore in June 2024 to BDT 314,796.45 crore in April 2025, and state-owned banks rising from BDT 144,312.23 crore to BDT 166,787.49 crore. Specialized and foreign banks experienced modest gains, while Islamic banks declined from BDT 46,893.88 crore to BDT 37,324.96 crore, reflecting liquidity pressures in this segment.

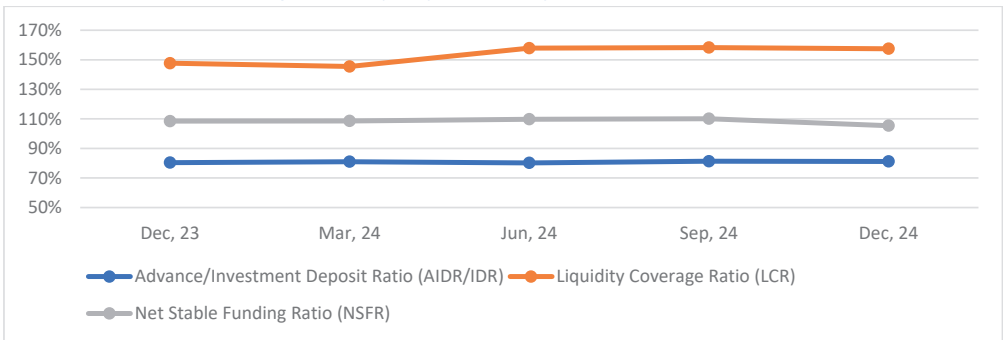
Figure 4.2: Liquidity situation of the scheduled banks (FY25)



Source: Bangladesh Bank

Figure 4.3 shows that key liquidity ratios remained stable and consistently above the minimum requirements, although they exhibited some quarterly variation. The advance-to-deposit ratio (ADR) hovered around 80–81 percent throughout 2024, indicating consistent lending activity. Meanwhile, the liquidity coverage ratio (LCR) peaked at 158 percent in September 2024 before easing slightly, and the net stable funding ratio (NSFR) remained above 105 percent, reflecting banks’ overall resilience despite fluctuations.

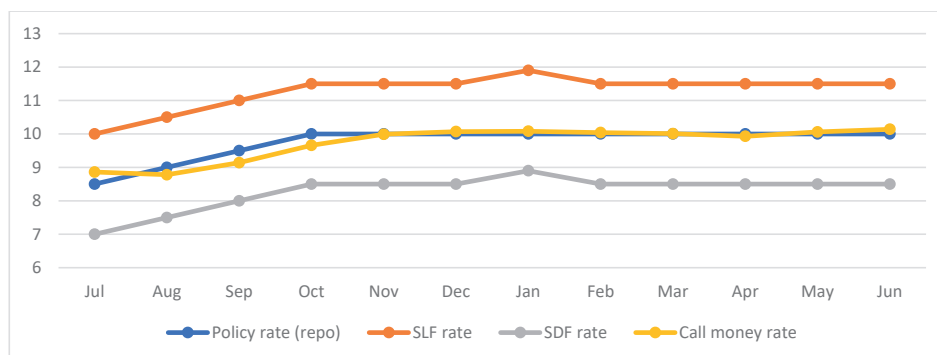
Figure 4.3: Liquidity indicators of scheduled banks (FY25)



Source: Bangladesh Bank

Monetary policy tightened in early FY25 as the repo rate was raised from 8.5 percent in July to 10 percent by October, where it remained through June. Lending and deposit facility rates were adjusted upward in line with this stance. The call money rate closely followed policy movements, edging up from 8.9 percent to just over 10 percent, highlighting a generally stable but tighter short-term money market.

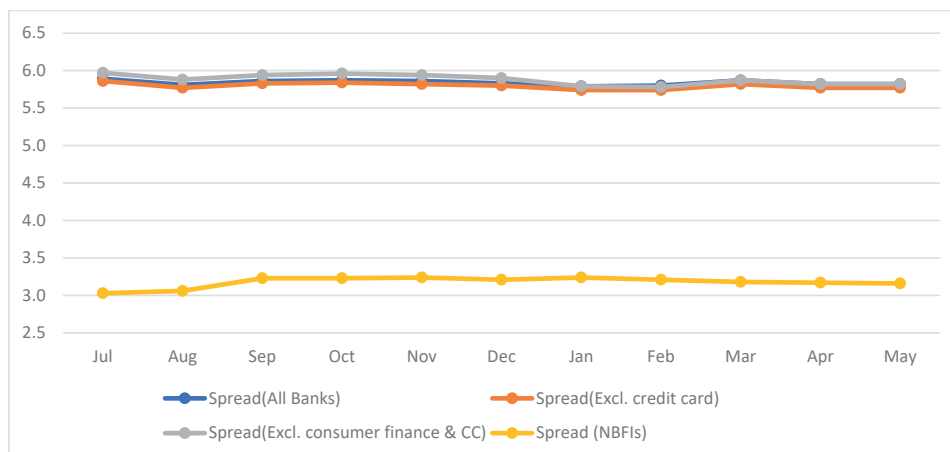
Figure 4.4: Monthly BB policy rates and call money rates (FY25)



Source: Bangladesh Bank

The interest rate spread for banks remained steady, staying between 5.79 and 5.89 percent throughout FY25. Excluding credit cards and consumer finance, spreads followed a similar trend, while non-bank financial institutions kept lower spreads around 3.0 to 3.2 percent. The small month-to-month changes reflect relatively stable pricing of loans and deposits across the financial sector (Figure 4.5).

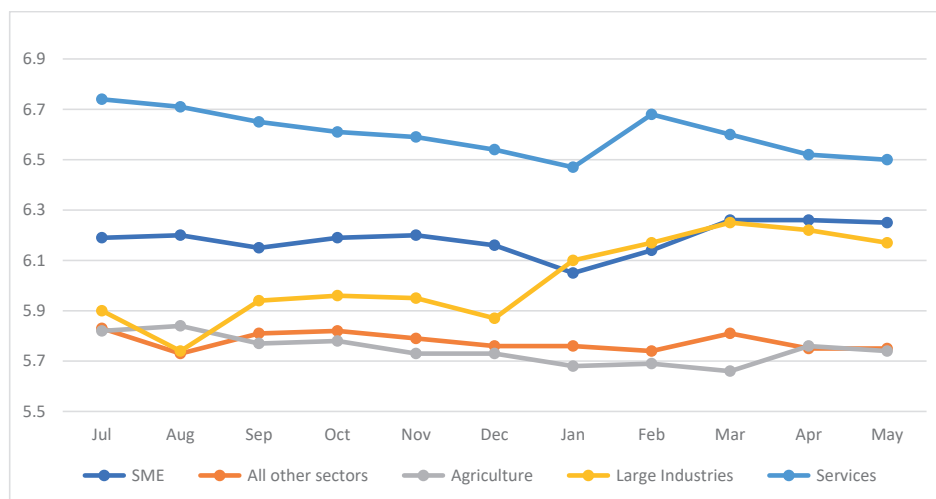
Figure 4.5: Interest rate spread of banks and non-bank financial institutions (FY25)



Source: Bangladesh Bank

Sectoral spreads exhibited slight differences, with SMEs and services consistently showing higher margins than other sectors. SME spreads averaged about 6.2 percent, and the services sector stayed above 6.5 percent, while agriculture and large industries remained closer to 5.7–5.9 percent (Figure 4.6). This suggests relatively more expensive credit for SMEs and service firms, reflecting sectoral risk perceptions and pricing strategies.

Figure 4.6: Sector-wise breakdown of interest rate spread of all scheduled banks (FY25)



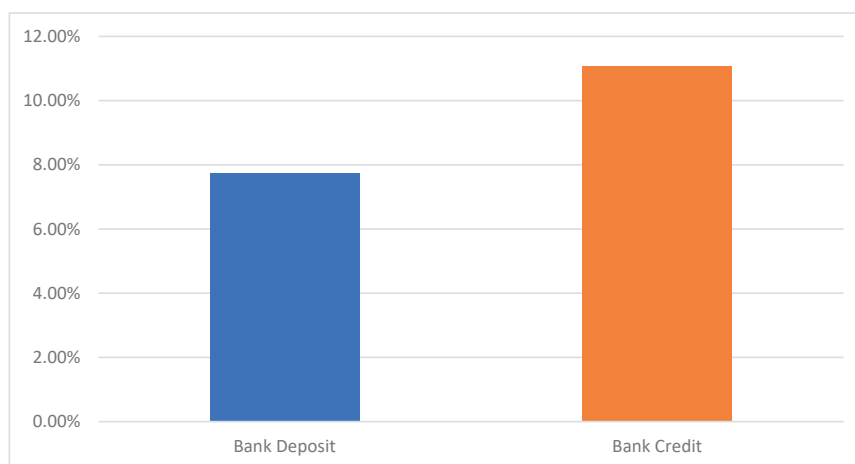
Source: Bangladesh Bank

4.3 Deposit Growth

Deposit growth, a key indicator of the banking sector's health and public confidence, has slowed down in FY25 compared to FY24. Year-on-year (y-o-y) deposit growth in the banking system has been lower in FY25 than in the previous fiscal year. For example, in April 2025, the y-o-y growth was 8.21%, which was less than the 8.63% recorded in April 2024. This trend indicates that the high-interest rate environment, while meant to attract savings, may have been offset by other factors such as high inflation reducing real income and consumer spending habits.

The first half of 2025 has seen a modest but steady increase in total deposits. Data from the Bangladesh Bank indicates that total deposits in May 2025 reached a significant figure, showing a y-o-y growth of approximately 7.73% compared to May 2024. A closer look at the components reveals that while time deposits experienced a solid y-o-y growth of 8.13%, demand deposits also contributed, albeit with a lower growth rate.

Figure 4.7: Deposit growth (May 2025 over May 2024)



Source: Bangladesh Bank

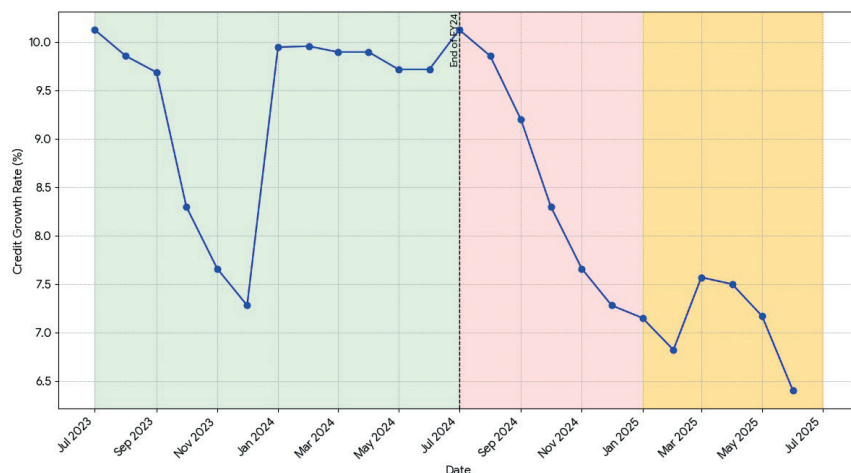
Credit growth has slowed significantly, especially in the private sector, due to the tight monetary policy. Domestic credit growth dipped in FY25. Data from April 2025 shows year-over-year domestic credit growth at 8.03%, down from 11.09% in April 2024. This slowdown is mainly caused by a sharp decline in private sector credit growth.

The growth of private sector credit has been a key area of concern. In April 2025, the y-o-y growth was 7.50%, a decrease from 9.90% in April 2024. This slowdown can be attributed to several factors. The central bank's policy of increasing interest rates to combat inflation has made borrowing more expensive for businesses, discouraging new investment. A more challenging economic environment and political uncertainty have led businesses to be more cautious about expansion and capital expenditure. Increased scrutiny on loan disbursement and a rise in non-performing loans (NPLs) have made banks more risk-averse in their lending practices.

While private sector credit slowed, public sector credit growth also decelerated, but it remained a significant component of domestic credit. In April 2025, public sector credit growth was 9.83%, down from 15.91% in April 2024. This trend suggests that government borrowing, a major driver of credit expansion in the previous year, has somewhat crowded out private sector credit.

The second quarter of 2025 (April-June) continued to reflect the subdued credit environment. While there were some month-on-month increases, the overall y-o-y growth rates remained sluggish. This suggests that the monetary policy's effects on credit are persistent, and a significant rebound in private sector lending is not yet evident. The rise in NPLs during this period has further complicated the lending landscape, as banks are required to maintain higher provisions, limiting their ability to lend.

Figure 4.8: Year-on-year private sector credit growth rates for FY2023-24 and FY2024-25



Source: Bangladesh Bank

The comparative analysis of deposit and credit growth between FY24 and FY25 shows a banking sector under significant stress. The tight monetary policy, while necessary to correct macroeconomic imbalances, has noticeably slowed both deposit and credit growth.

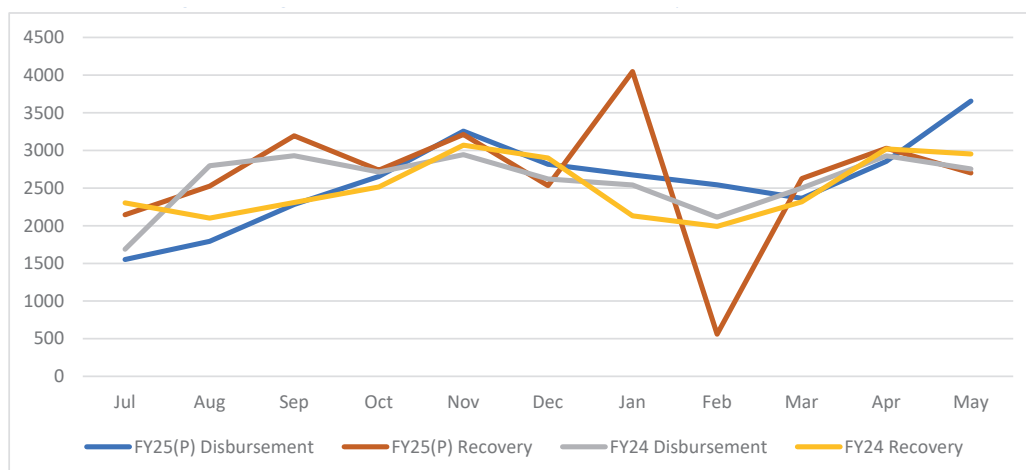
The deceleration in private sector credit growth, particularly evident in the first half of 2025, is a major concern. It suggests that businesses are either unable or unwilling to borrow, which could have long-term implications for economic growth and job creation. While deposit growth has been more resilient, its slower pace compared to the previous year, coupled with the erosion of purchasing power due to inflation, raises questions about the overall health of household savings.

The performance over the last six months (January-June 2025) indicates a period of consolidation. The banking sector has been navigating a high-interest-rate environment and dealing with increasing NPLs. The challenge for policymakers will be to balance this carefully maintaining a tight monetary stance to fight inflation while also ensuring that the banking system can adequately support productive economic activities. Future policy decisions, especially concerning interest rates and liquidity management, will be crucial in determining whether the banking sector can promote a stronger and more sustainable growth path in the coming fiscal year.

4.4 Agricultural Credit

Agricultural credit disbursement in FY25 shows mixed results compared to FY24. The early months (Jul-Sep) experienced declines from the previous year, with July dropping from 1688 to 1552 crore BDT. However, the sector gained momentum from October onward, with November reaching 3255 crore BDT compared to 2943 crore BDT in FY24. May recorded the highest disbursement at 3655 crore BDT versus 2754 crore BDT in FY24. Recovery patterns remain inconsistent, with some months like January showing significant improvement (4047 vs 2131 crore BDT) while others like February declined sharply.

Figure 4.9: Agricultural credit: disbursement and recovery-FY 24 vs FY25



Source: Bangladesh Bank

4.5 Summary & Policy Recommendations

The monetary sector operated under sustained tight policy with the repo rate held at 10% from October 2024. The banking sector's liquidity remained stable, with private banks strengthening their positions, while Islamic banks faced pressures. Deposit growth slowed to 7.73% year-on-year in May 2025, and private sector credit growth decreased significantly to 7.50% in April 2025 from 9.90% the previous year.

Policy Recommendations

Here are some possible policy and institutional reforms that could enhance how effectively monetary policy operates in Bangladesh:

(i) Strengthen monetary policy credibility

To strengthen monetary policy credibility, clear communication of policy goals (especially inflation targets), and consistency in policy are crucial. It is also important to avoid frequent policy reversals and mixed signals. In the future, the Bangladesh Bank may consider adopting more rule-based or framework-based policies (e.g., inflation targeting or fixed targets for monetary aggregates).

(ii) Ensure full pass-through of policy rates into market lending/borrowing rates

It is crucial to remove or minimize rate caps and other regulatory limits that hinder market determination of rates, enhance competition among banks, reduce intermediation costs, and improve market-based financial intermediation activities.

(iii) Strengthen banking sector health

It is necessary to reduce non-performing loans, improve risk management, strengthen supervision, and ensure adequate liquidity facilities, so that policy tightening or easing is effectively transmitted through the banking system.

(iv) Enhance financial inclusion & informal sector reach

It is necessary to broaden the reach of formal finance so that small firms and households are better connected to financial markets. Moreover, regulating and integrating informal credit or microcredit better so that policy changes are felt more broadly.

(v) Exchange rate flexibility and external sector dynamics

Allowing more flexibility in the exchange rate can help absorb external shocks and make the exchange rate channel more effective. Furthermore, ensure foreign reserve stability so that exchange rate expectations are anchored.

(vi) Better data, monitoring, and modeling

It is crucial to improve the timeliness and dissemination of data on credit flows, bank behavior, informal credit, and other relevant financial indicators for the better health of the financial sector. Additionally, utilize more forward-looking models, including expectations, to evaluate the impacts of monetary policy.

(vii) Coordination with fiscal policy

Complementarity between fiscal and monetary policies is crucial to achieve better results. For this purpose, a better coordination between the fiscal and monetary authorities is necessary. Ensure fiscal discipline that will help in anchoring inflation expectations so that monetary policy doesn't have to bear all the burden.

Chapter 5: State of the External Sector

5.1 Introduction

Bangladesh's external sector in FY25 displayed remarkable resilience, reflecting the interplay of sustained remittance inflows, robust export performance, strategic import management, and prudent macroeconomic policies. Amid persistent global headwinds—including commodity price volatility, slowing demand in advanced economies, and tighter international financial conditions—the country successfully maintained external stability. Remittances emerged as a critical pillar, supporting both household consumption and foreign exchange liquidity, while exports—particularly the Ready-Made Garments (RMG) sector—demonstrated adaptability through diversification, compliance with international standards, and expansion into non-traditional markets. Concurrently, import stabilization, particularly in intermediate and capital goods, signaled renewed private sector confidence and careful external demand management. These developments were complemented by a calibrated depreciation of the taka, Real Effective Exchange Rate (REER) adjustments, and the stabilization of foreign exchange reserves, collectively ensuring a balanced external position.

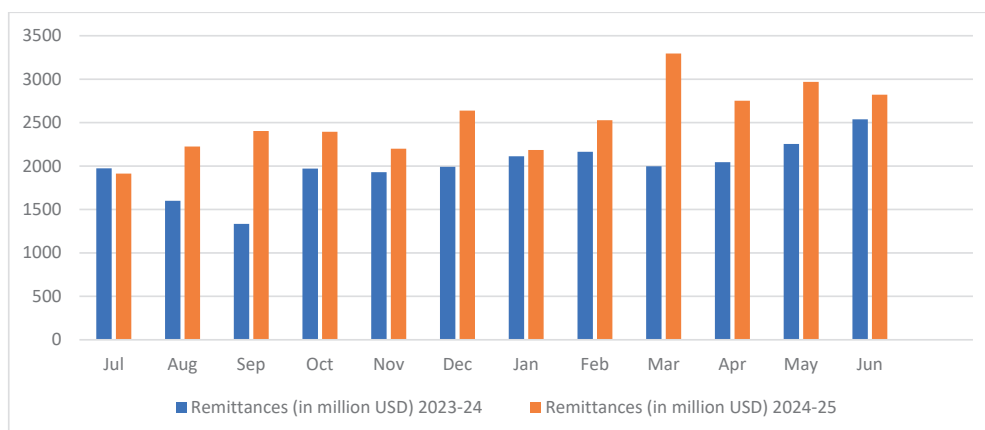
Policy interventions by Bangladesh Bank and the government played a decisive role in this outcome. The expansion of digital remittance channels, tighter monitoring of informal inflows, export credit incentives, and rationalized import controls all contributed to strengthening the balance of payments. Simultaneously, improvements in port infrastructure, customs digitization, and financial market reforms enhanced trade efficiency, while multilateral and bilateral support—including IMF disbursements—added additional policy space. FY25, therefore, represents a year in which Bangladesh not only navigated external pressures but also laid the groundwork for sustainable growth in the post-LDC graduation era, reflecting both macroeconomic resilience and structural adaptability.

5.2 Sustained Expansion in Remittance Inflows as a Pillar of Macroeconomic Stability

Remittances have continued to demonstrate resilience and serve as a vital support to Bangladesh's external sector. Over FY25, total remittance inflows registered a notable increase compared to FY24. This upward trend highlights the continued confidence of migrant workers in formal financial channels and underscores the impact of government and Bangladesh Bank's policy support initiatives.

A closer look at the monthly data shows that remittances reached USD 30,332.53 million in FY25, up from USD 23,912.22 million in FY24—representing a strong year-over-year increase of 26.8%. June 2025 alone accounted for USD 2,821.25 million, compared to USD 2,538.60 million in June 2024. The largest increases were seen in September 2024 (up 80.2% year-over-year), March 2025 (up 65.0%), and May 2025 (up 31.7%), highlighting the strength of inflows across different months. This trend indicates a solid external financing buffer, especially as the country faces external challenges like global commodity price changes and tightening financial conditions in developed economies.

Figure 5.1: Remittance received during FY24 and FY25 (in million USD)



Source: Bangladesh Bank

Multiple factors contributed to this growth in remittances. The expansion of digital remittance platforms, increased awareness campaigns by the central bank, and improved monitoring of hundi (informal) channels all played a role. Additionally, favorable exchange rate adjustments and rising overseas employment opportunities—especially in GCC countries and Southeast Asia—have encouraged workers to remit more through official banking channels.

Remittance flows serve a dual purpose. They not only strengthen the balance of payments but also provide a direct boost to household consumption and savings, thereby supporting inclusive growth at the community level. With ongoing policy efforts focused on digitization and diversifying the labor market abroad, remittances are expected to remain a strong and stable part of the external sector.

Capital flight and the use of hundi channels have been reduced due to better management and monitoring of remittance flows. With ongoing cooperation among stakeholders and proactive regulatory actions, the outlook for remittance inflows remains very positive moving forward. This trend will help sustain foreign exchange liquidity and support overall macroeconomic stability.

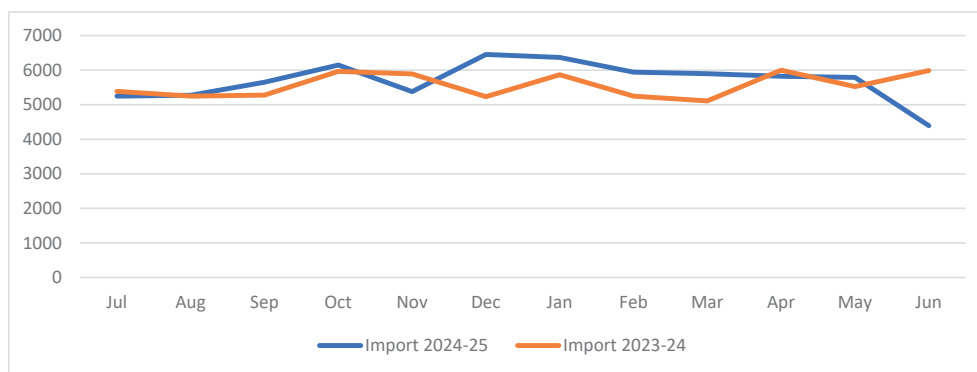
5.3 Emerging Import Stabilization Signals Equilibrium in External Demand

FY25 indicates a cautiously optimistic trend in Bangladesh's import activity. After a period of import rationalization to handle external pressures, recent data show promising signs of stabilization—pointing to a return to healthy economic momentum while maintaining external discipline.

Total import payments for FY25 reached USD 68,354.3 million, nearly matching USD 67,726.0 million in FY24—showing a small but positive year-on-year increase of 0.9%. This indicates a slowly recovering domestic demand, as businesses restocked inventories in anticipation of improving consumption and investment activity. The steady monthly import flows—especially from September to March—also suggest smoother foreign exchange liquidity and improved trade financing planning.

Of particular importance is the behavior of capital goods imports, which provide an early signal of future productive capacity. Although still below peak levels, capital machinery imports have shown resilience, indicating that private sector investment is slowly rebuilding its confidence. This is a positive sign for industrial recovery, job creation, and long-term export competitiveness.

Figure 5.2: Import trends- FY24 vs. FY25 (in million USD)



Source: Bangladesh Bank

Import performance is also being positively influenced by prudent policies. Bangladesh Bank's supportive foreign exchange management, combined with government oversight on luxury and non-essential imports, has helped prevent foreign reserves from being unnecessarily strained. Meanwhile, the gradual improvement in the taka's exchange rate and declining global freight costs have supported more efficient import operations.

Looking ahead, the stabilization of imports—especially in intermediate and capital goods—signifies a positive outlook for a widespread recovery. As global economic conditions normalize and domestic infrastructure investments pick up, imports are projected to follow a sustainable growth path aligned with macroeconomic stability.

In summary, the import landscape reflects an economy that is carefully regaining momentum, with a focus on long-term resilience and strategic investment. Policymakers should prioritize facilitating capital goods and intermediate imports that enhance productive capacity, while maintaining strict oversight on non-essential items to safeguard external stability.

5.4 Growth in Capital Machinery Imports as an Indicator of Productive Capacity Restoration

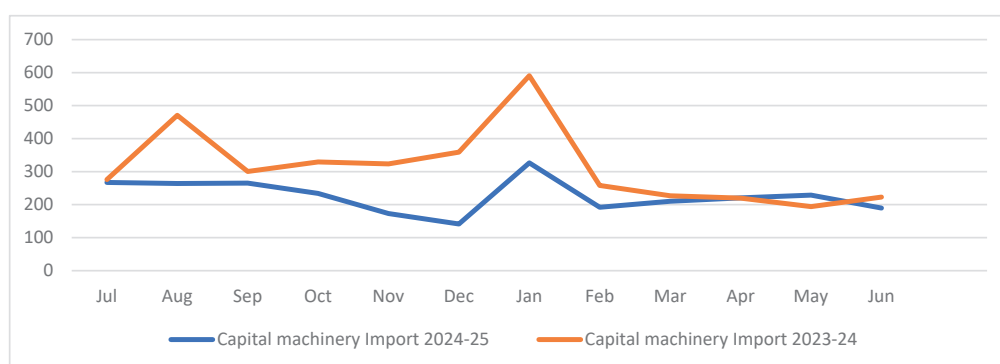
The trajectory of capital machinery imports signals a shift toward medium-term investment prospects. Following a period of subdued economic activity due to external uncertainties and tighter financial conditions, the data indicate a gradual increase in the importation of machinery and industrial inputs, suggesting a gradual improvement in investor confidence.

Total capital machinery imports reached USD 2,712.97 million in FY25, compared with USD 3,770.04 million in FY24—reflecting a year-on-year decline of 28.0%. While the aggregate figure indicates contraction, the second half of FY25 showed signs of stabilization, with imports in April and May slightly exceeding those of the corresponding period in the previous year. Within the year, the sharpest fluctuations occurred in November–December 2024, followed by a strong rebound in January 2025, underscoring both the volatility and the resilience of investment demand. This suggests that firms in key sectors such as textiles, garments, electronics, and construction materials are selectively re-engaging with expansion plans. The movement of capital equipment through formal trade channels not only supports output growth but also lays the foundation for enhanced productivity and export competitiveness.

This evolving trend is shaped by multiple enablers, including easing global supply chain constraints, strategic tariff policy adjustments, and increased credit availability through banking channels. Importers are gradually responding to improvements in business sentiment and macroeconomic stability, supported by stable inflation and exchange rates. Importantly, the composition of capital goods imports has shifted toward more technology-intensive and energy-efficient equipment, reflecting a long-term orientation in investment strategies.

In essence, capital machinery imports are not just a current expenditure but a forward-looking investment. Their recovery, albeit uneven, supports the broader narrative of Bangladesh's transition toward a more industrialized, high value-added economy. Continued facilitation of this trend through logistics reforms and customs efficiency will be crucial to maintaining the momentum.

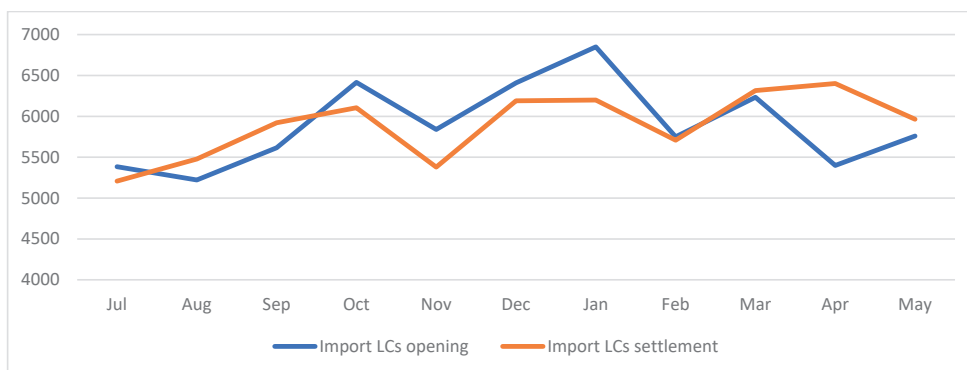
Figure 5.3: Imports of capital machinery FY24 vs. FY25 (in million USD)



Source: Bangladesh Bank

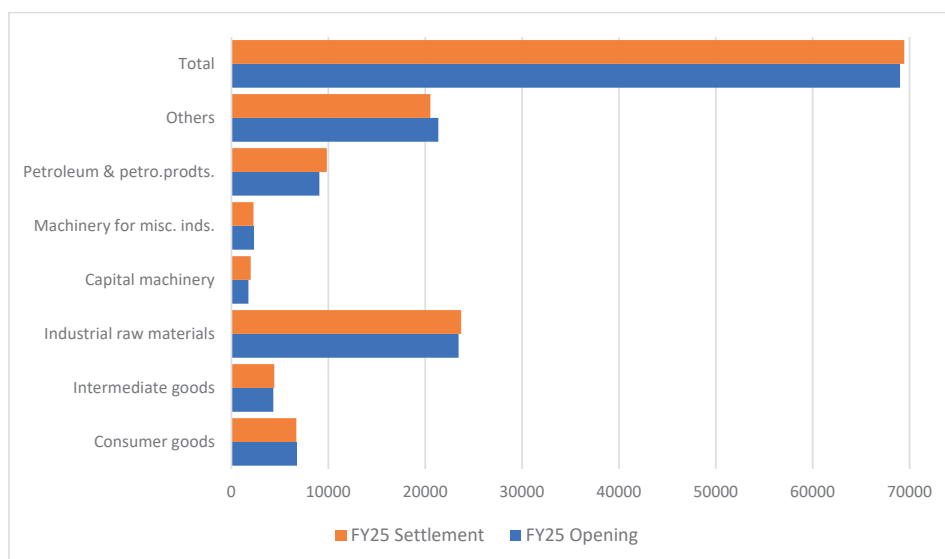
The import financing landscape highlights the evolving nature of local investment and consumer demand. Import LC openings reached a peak of USD 6,849 million in January, while settlements totaled USD 6,402 million in April—indicating an effective trade financing system that supports industrial demand. In this context, industrial raw materials led with USD 23,450 million in LC openings, petroleum products accounted for USD 9,067 million, and consumer goods stood at USD 6,759 million. Notably, capital machinery, although the smallest category at USD 1,745 million in openings, experienced higher settlements of USD 1,985 million—demonstrating strong utilization and ongoing demand for productive equipment. Policy should aim to incentivize the import of technology-intensive and energy-efficient capital machinery to promote industrial upgrading and long-term productivity growth.

Figure 5.4: Import LCs settlement and LCs opening (USD in million)



Source: Bangladesh Bank

Figure 5.5: Item-wise fresh opening and settlement of import LCs, FY25 (USD in million)



Source: Bangladesh Bank

5.5 Export Resilience and Strategic Competitiveness in FY25

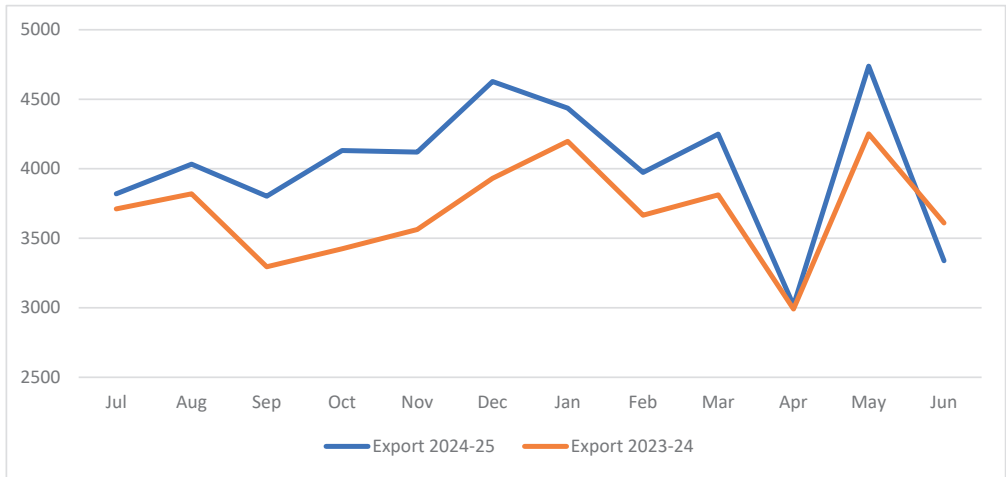
Bangladesh's export performance in FY25 has shown encouraging resilience and dynamism, reinforcing its role as a key driver of economic growth. Despite global headwinds—including slowing demand in advanced economies and volatility in commodity prices—the country's export sector demonstrated adaptability and maintained a solid growth trajectory.

Preliminary data indicate that total exports reached USD 48,383.98 million in FY25, compared with USD 43,299.74 million in FY24—marking a year-on-year growth of 11.8%. The continued dominance of the Ready-Made Garment (RMG) sector remains crucial, but equally noteworthy is the emerging contribution of non-RMG sectors such as pharmaceuticals, leather goods, jute-based products, and IT services. This diversification of the export basket enhances Bangladesh's resilience to sector-specific shocks and widens the scope for long-term sustainability.

Exporters showed impressive flexibility in adapting to changing global preferences. Upgrading production technologies, following international labor and environmental standards, and entering non-traditional markets—especially in East Asia, the Middle East, and Africa—have started to bring rewards. Trade agreements and export incentives further helped Bangladesh stay competitive.

Moreover, the depreciation of the taka enhanced competitiveness in the global market, supporting volume growth even amid external uncertainties. At the same time, infrastructure improvements, especially in ports and customs digitalization, contributed to smoother logistics and reduced lead times.

Figure 5.6: Export trends - FY24 vs. FY25(in million USD)



Source: Export Promotion Bureau

Monthly exports fluctuated significantly during the fiscal year, ranging from a low of USD 3,016.83 million in April to a peak of USD 4,737.85 million in May. Other notable highs were recorded in December (USD 4,627.49 million) and January (USD 4,436.02 million), while April marked the weakest performance, possibly reflecting seasonal variations in demand. The average monthly export was approximately USD 4,032 million, highlighting steady progress throughout the year. Notably, growth was stronger in the first half (July–January), while the second half (February–June) experienced greater volatility, indicating uneven external demand conditions.

Looking ahead, export performance is expected to improve further, supported by global recovery, increased entry into new markets, and policy support for non-traditional sectors. As Bangladesh transitions toward LDC graduation, maintaining this momentum will be essential, and the current path provides a strong foundation to build upon. Policymakers should focus on enhancing trade logistics efficiency and negotiating better trade deals to strengthen Bangladesh’s export competitiveness in the post-LDC era.

5.6 RMG Sector’s Sustained Global Competitiveness through Innovation and Regulatory Compliance

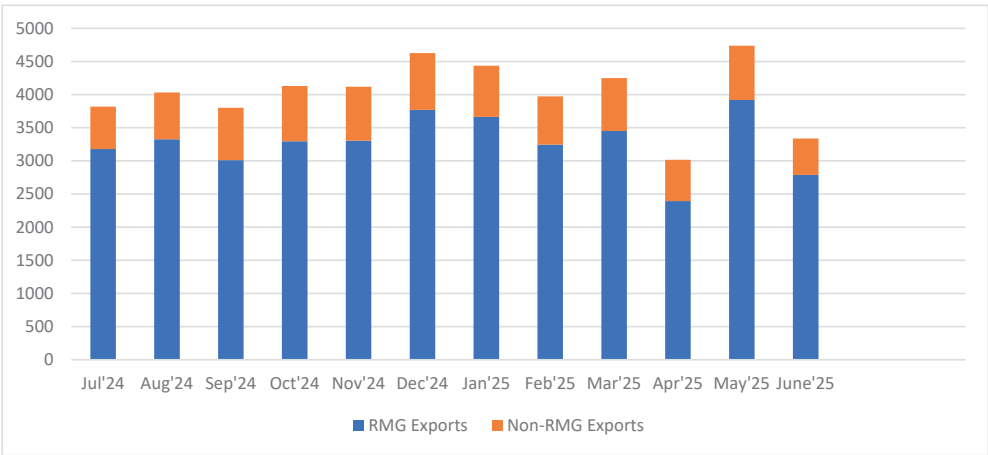
The Ready-Made Garments (RMG) sector remains the cornerstone of Bangladesh’s export economy, and its performance throughout FY25 reaffirms its enduring strength and adaptability.

Amidst global demand volatility, Bangladesh’s RMG industry not only preserved its market share but also advanced in quality, compliance, and market diversification.

RMG exports experienced steady growth compared to FY24, increasing from USD 43.28 billion to USD 48.38 billion. This demonstrates resilience despite global inflationary pressures and reduced import demand in key markets like the US and EU. Growth was especially strong in the first half (July–January), with consecutive months above USD 4 billion, reaching a peak of USD 4.63 billion in December and USD 4.44 billion in January. The second half (February–June) was more variable – with exports dropping to USD 3.02 billion in April before rebounding sharply to USD 4.74 billion in May – but overall, it reinforced the sector’s strength. Notably, RMG exports grew at a faster pace than non-RMG exports, strengthening their dominant share in total exports.

The sector’s competitiveness depends on offering competitive prices while continuously improving standards in environmental sustainability, worker safety, and ethical sourcing—areas where Bangladesh has become a global benchmark. This consistent performance is also due to the industry’s strategic shift towards high-value apparel segments, including outerwear, sportswear, and specialized textiles. Investment in automation and green technologies has boosted productivity, while eco-friendly factories—Bangladesh now hosts the highest number worldwide—have gained the trust of international brands.

Figure 5.7: Contribution of RMG to total export (in million USD)



Source: Export Promotion Bureau

Furthermore, exploring new export markets like Japan, South Korea, Russia, and the Middle East, along with increasing penetration into emerging markets, reflects a proactive diversification strategy. Supported by policy measures such as export credit incentives, customs simplification, and energy subsidies, the sector remains well-positioned to handle short-term external risks.

The commitment to upskilling the workforce, upgrading machinery, and deepening backward linkages also supports the long-term competitiveness of the industry. With global fashion brands continuing to prioritize responsible sourcing, Bangladesh’s reputation as a compliant and reliable sourcing hub stands as a distinct advantage.

In summary, the RMG sector continues to be a strong driver of growth, employment, and foreign exchange earnings. Its current performance indicates a shift—moving from volume-based

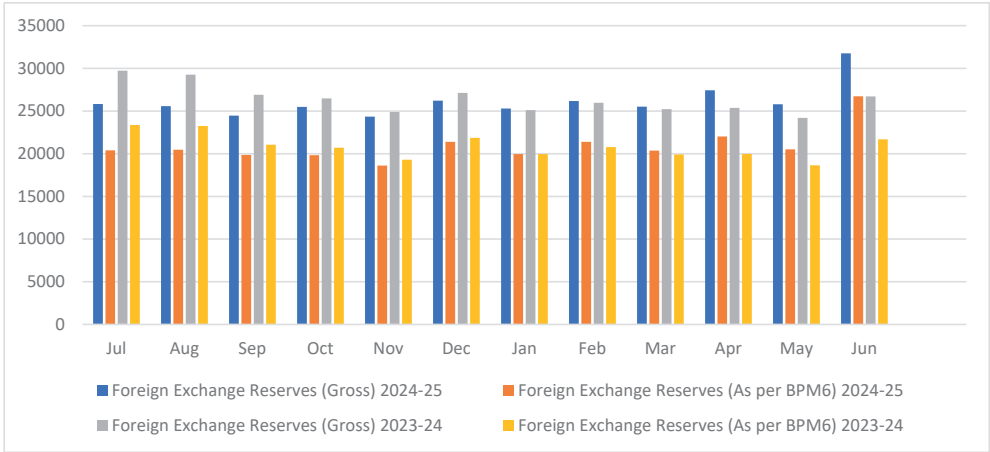
to value-added exports—that will be crucial in maintaining momentum after LDC graduation. Policies should prioritize encouraging innovation in value-added products and strengthening backward linkages to ensure the sector’s long-term global competitiveness.

5.7 Stabilization of Foreign Exchange Reserves Strengthens Confidence and Policy Flexibility

Bangladesh’s foreign exchange reserves showed signs of stabilization in FY25, marking a key turning point after periods of strain caused by external shocks and high import bills. The reserve growth, although still below historical peaks, reflects cautious policy responses and a more balanced external sector.

Stabilization has been achieved through a combination of strategic demand management, tighter import monitoring, and strong inflows from remittances and exports. These efforts have narrowed the current account deficit and supported a more sustainable reserve trajectory. A clearer, market-aligned exchange rate mechanism has also helped contain pressures on the balance of payments and improve transparency in the foreign exchange market.

Figure 5.8: Monthly foreign exchange reserves (in million USD)



Source: Bangladesh Bank

During FY25, gross reserves ranged from USD 25,824 million in July to USD 24,350 million in November, then rebounded sharply to USD 31,772 million by June. BPM6-based reserves showed a similar trend, ending at USD 26,740 million in June. The largest monthly drops occurred between September and November, while the strongest recoveries took place in December and again in June, highlighting the resilience of the external sector and the effectiveness of policy measures.

By the end of the fiscal year, reserves easily cover more than three months of import payments—an important global benchmark for external sector stability. This coverage has increased investor confidence and allowed the central bank to make focused interventions to reduce volatility without draining reserves too much.

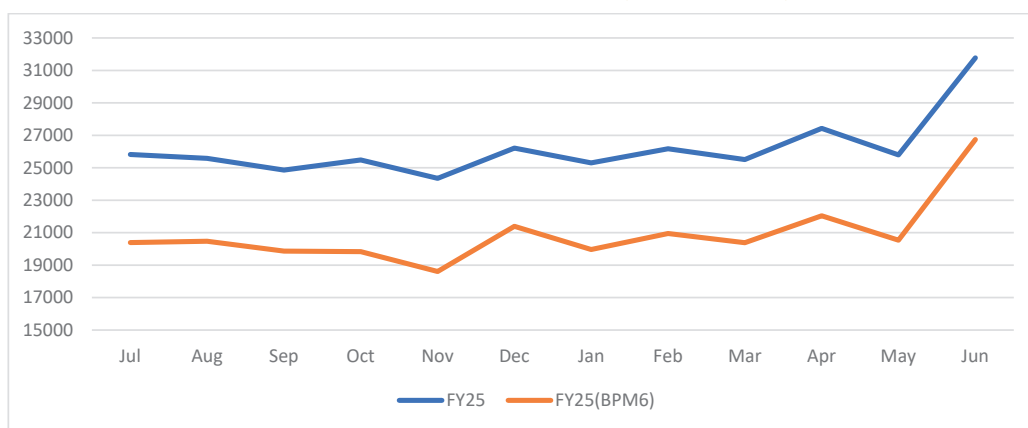
Furthermore, Bangladesh Bank’s adoption of a unified exchange rate system, along with measures to improve interbank liquidity and transparency, is opening the way for a more flexible and efficient foreign exchange market. Complementary reforms—such as repatriation incentives

for exporters and digital channels for remittances—also enhance the quality and reliability of inflows.

Importantly, multilateral and bilateral support, including disbursements from the IMF's Extended Credit Facility and other budget support programs, has further strengthened the reserve position. These funds provide additional policy space to meet external obligations while continuing to fund priority social and development spending.

Looking ahead, maintaining a comfortable reserve buffer will be essential as Bangladesh prepares for LDC graduation and deeper integration into global capital markets. The current trend indicates a gradually improving external outlook supported by credible policy reforms, diversified inflows, and increasing investor confidence.

Figure 5.9: Foreign exchange reserves of Bangladesh Bank and commercial banks-outstanding reserve at the end of the month (USD in million)

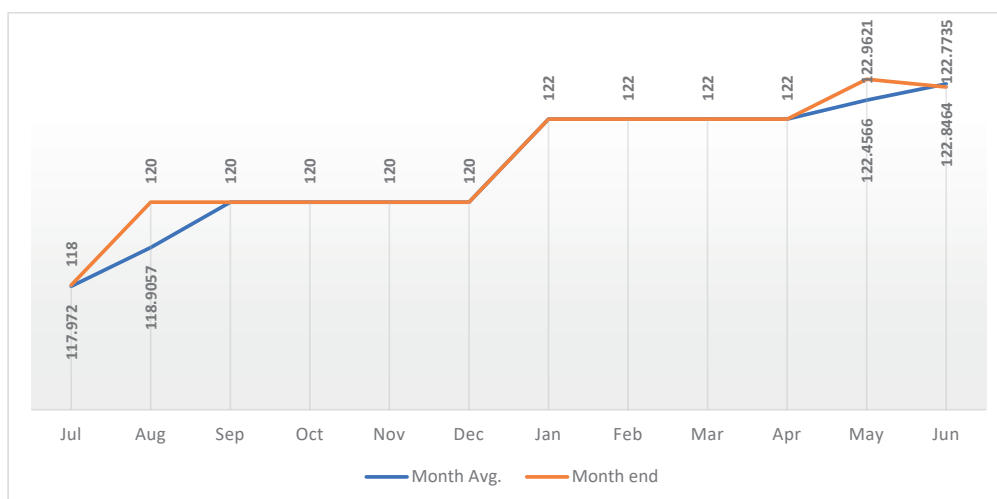


Source: Bangladesh Bank

5.8 Real Effective Exchange Rate Adjustments Improve Export Competitiveness and External Equilibrium

The exchange rate movements reflect Bangladesh's measured approach to gaining stability. The controlled depreciation from BDT 118/USD in July to BDT 121.13/USD in June demonstrates the central bank's skillful navigation. The currency remained relatively stable at BDT 120/USD from September to December, then gradually weakened to around BDT 122/USD from January onwards, reflecting balance of payments pressures and calibrated monetary policy adjustments. Notably, the steepest depreciation occurred between October and January, followed by moderate stabilization and slight appreciation in May–June, illustrating a carefully managed intra-year adjustment. Going forward, interventions in the foreign exchange market should remain minimal and well-targeted, while reserve management capacity needs to be further enhanced. The mismanagement of foreign exchange reserves during the COVID-19 phase placed significant pressure on macroeconomic stability, and its lingering effects are still visible in the economy.

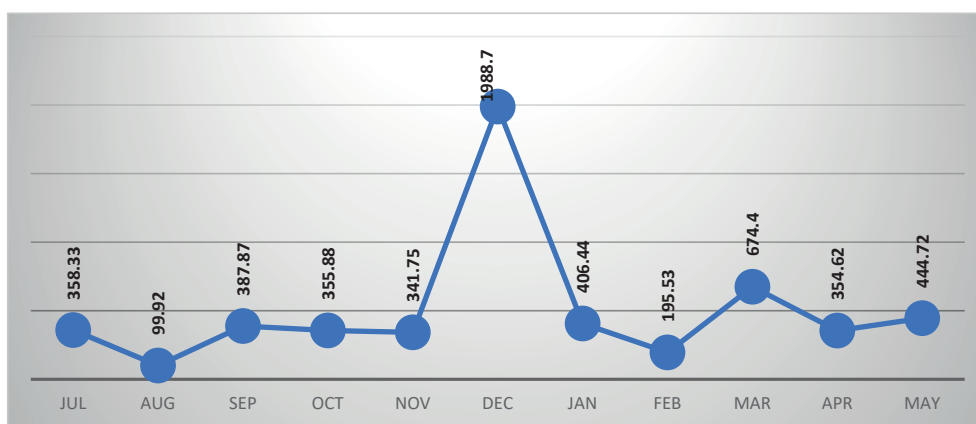
Figure 5.10: Exchange rate movements (BDT/USD), FY25



Source: Bangladesh Bank

Foreign aid inflows showcased strategic development partnerships, with December's exceptional USD 1,989 million highlighting the successful mobilization of projects. The consistent monthly averages of around USD 400–500 million, punctuated by peaks in September and March, reflect well-coordinated development initiatives and Bangladesh's growing attractiveness as a development partner destination.

Figure 5.11: Total foreign aid (USD in million), FY25

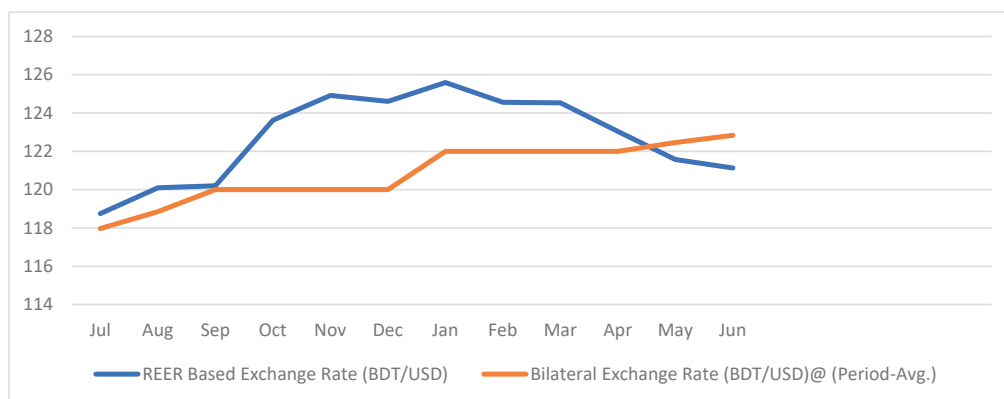


Source: Bangladesh Bank

The dynamics of the Real Effective Exchange Rate (REER) over FY25 indicate a cautious effort to restore external competitiveness and realign the exchange rate equilibrium with underlying economic fundamentals. The REER index, which measures the value of the taka against a basket of trading partner currencies adjusted for inflation differentials, showed a gradual decline—indicating a more competitive environment for Bangladeshi exports.

This soft correction in the REER is the result of prudent exchange rate management by the Bangladesh Bank, aimed at enhancing export performance, discouraging excessive imports, and promoting inflows through formal channels. By allowing the taka to adjust in line with market conditions, the central bank has helped restore external sector discipline while avoiding disruptive depreciation.

Figure 5.12: REER based and bilateral exchange rate (USD/BDT)



Source: Bangladesh Bank

Importantly, REER management has been carried out alongside broader reforms in the foreign exchange market. The move toward a more flexible, crawling peg-like system, along with increased interbank transparency and a unified exchange rate regime, has helped reduce volatility while maintaining macroeconomic stability.

Additionally, moderation in domestic inflation—compared to many trading partners—has further supported the downward adjustment of the REER, boosting Bangladesh’s external competitiveness. Exporters, especially in value-added sectors, are already benefiting from improved pricing power and increased international demand. Maintaining a competitive REER will be essential as Bangladesh aims for export diversification, increased FDI, and broader trade integration. The current gradual realignment supports long-term external sustainability, builds investor confidence, and prepares the economy for a post-LDC trade regime. Going forward, exchange rate policy should focus on short-term stability while maintaining long-term flexibility to adapt to changing economic conditions.

5.9 Strengthening of Bangladesh’s Balance of Payments and External Sector Resilience

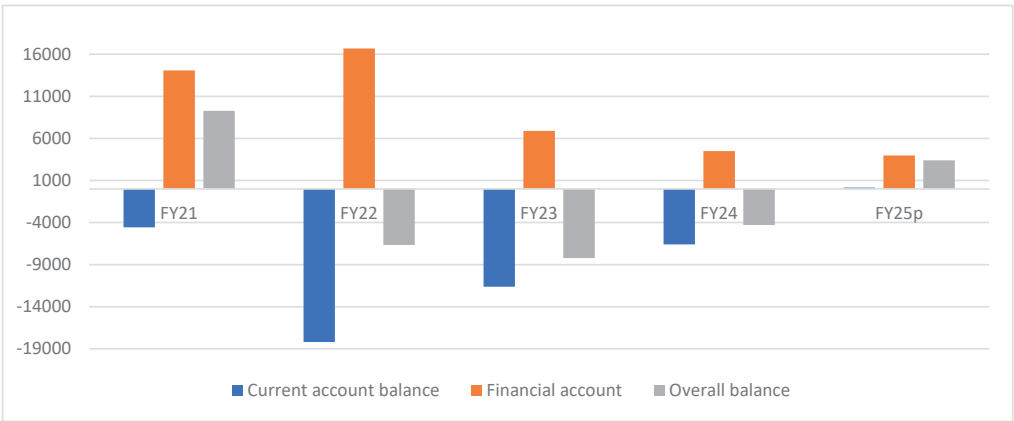
Bangladesh’s Balance of Payments (BoP) showed a significant improvement in FY25, indicating stronger external stability and careful policy management. The current account nearly balanced at USD 149 million, a major turnaround from the USD -6,602 million deficit in FY24, reflecting better alignment of exports, imports, remittances, and services inflows. This progress marks a notable recovery in the current account compared to the previous year.

The financial account continued to serve as a strong buffer, recording inflows of USD 3,980 million in FY25. Although slightly lower than FY24’s USD 4,487 million, these inflows remained adequate to support the external sector, reflecting ongoing investor confidence and stable

capital movements. The comparison indicates a slight slowdown in financial account inflows, suggesting reduced dependence on capital flows to meet external needs.

As a result, the overall balance turned positive at USD 3,394 million, reversing the USD -4,300 million deficit recorded in FY24. This improvement underscores Bangladesh’s strengthened external position, providing policy space to maintain foreign exchange reserves, support strategic imports, and continue development financing without destabilizing the macroeconomy.

Figure 5.13: Balance of payments FY21-FY25 (in million USD)



Source: Bangladesh Bank

Compared to FY24, FY25 marks a clear shift toward external equilibrium and enhanced macroeconomic resilience. Policy should emphasize sustaining the current account balance through diversified export growth and remittance facilitation, while cautiously managing capital inflows to avoid future vulnerabilities.

5.10 Summary & Policy Recommendations

Remittances continued to be a key pillar of external stability, reaching USD 30,332.53 million in FY25—an increase of 26.8% from FY24—serving as a vital buffer for foreign exchange liquidity and household income. Exports rose by 11.8% year-on-year to USD 48,383.98 million, with the RMG sector leading growth. Meanwhile, non-RMG segments such as pharmaceuticals, leather, jute-based products, and IT services helped diversify and strengthen resilience. Import payments amounted to USD 68,354.3 million, a modest 0.9% increase over FY24, indicating cautious recovery in domestic demand, with capital machinery imports showing signs of selective re-engagement despite an overall annual decline.

The external position improved notably, with foreign exchange reserves rising to USD 31,772 million by June and REER-based exchange rates adjusted to boost competitiveness. The current account nearly balanced at USD 149 million, while financial account inflows of USD 3,980 million and an overall surplus of USD 3,394 million reversed FY24 deficits. These results demonstrate increased investor confidence, a disciplined external sector, and greater macroeconomic policy flexibility, positioning Bangladesh for sustained external stability, trade diversification, and growth in the upcoming post-LDC graduation period.

Policy Recommendations

Prudent exchange rate management: The Bangladesh Bank should continue a freely floating exchange rate management policy with the objective of maintaining short-term stability and long-term flexibility. In this context, continuous monitoring of the REER is important. A revision of the REER basket may be necessary to make the REER an essential tool for monitoring the exchange rate. As the experience of the last few years suggests, the capacity building of Bangladesh Bank's exchange rate management needs to be enhanced to effectively manage exchange rates in crisis situations.

Export Diversification: Continuous efforts are needed to diversify the export basket, including market diversification. Efficiency in supply chain management needs to be increased. Moreover, some institutional reforms would play a catalytic role in enhancing sustainable export growth.

Enhance Financial Governance for Remittance Inflows: To attract substantial remittances, it is crucial to curb capital flight and strengthen corporate governance. Skills development programs, as well as non-monetary benefits towards remitters, might increase remittance inflows in the near to longer term.

Chapter 6: Signs of Rebound of the Economy

6.1 Introduction

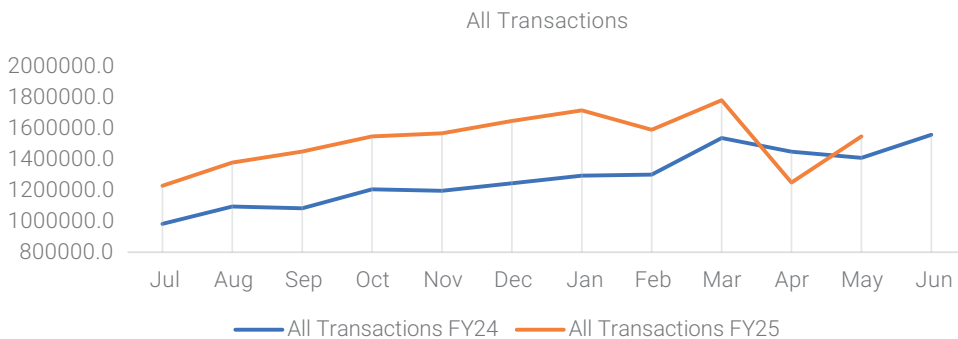
Over the past year, the country has undergone a significant restructuring process in the aftermath of a political regime shift. Various reforms and changes occurred in economic institutions and processes. Therefore, traditional indicators may not be enough to capture the economic recovery in a short period of time. Therefore, we need proxy indicators to assess the economic rebound because economic recovery is a complex, multidimensional process that cannot be captured by a single measure, such as GDP alone. Proxy indicators act as indirect signals that help policymakers, researchers, and businesses understand the pace and quality of recovery when direct data is unavailable, delayed, or incomplete.

6.2 Highlights of Some Proxy Indicators

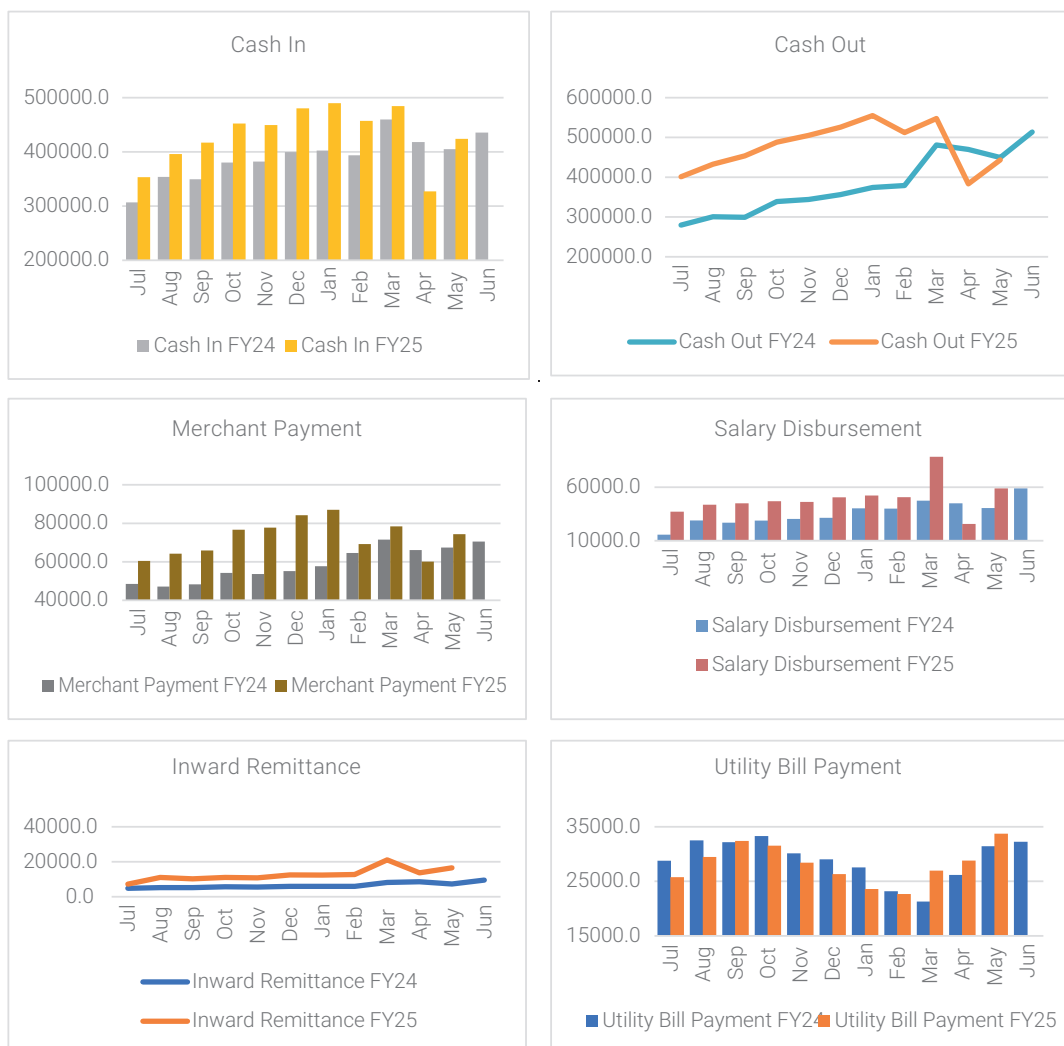
Mobile financial services exhibit remarkable growth momentum, with total monthly transactions increasing from Tk. 983-1558 million to Tk. 1229-1781 million, reflecting 25-35% year-over-year growth. The digital payment ecosystem is experiencing strong expansion across all categories, particularly in merchant payments, which have grown from Tk. 48-71 million to Tk. 60-87 million transactions, while salary disbursements rise from Tk. 16-58 million to Tk. 26-89 million transactions. March consistently stands out as the peak month with Tk. 1538-1781 million transactions, driven by festival spending, while the ongoing growth trend indicates strong consumer spending.

6.2.1 Mobile Financial Service Transactions

Figure 6.1: Boosting transaction through MFS



Source: Bangladesh Bank

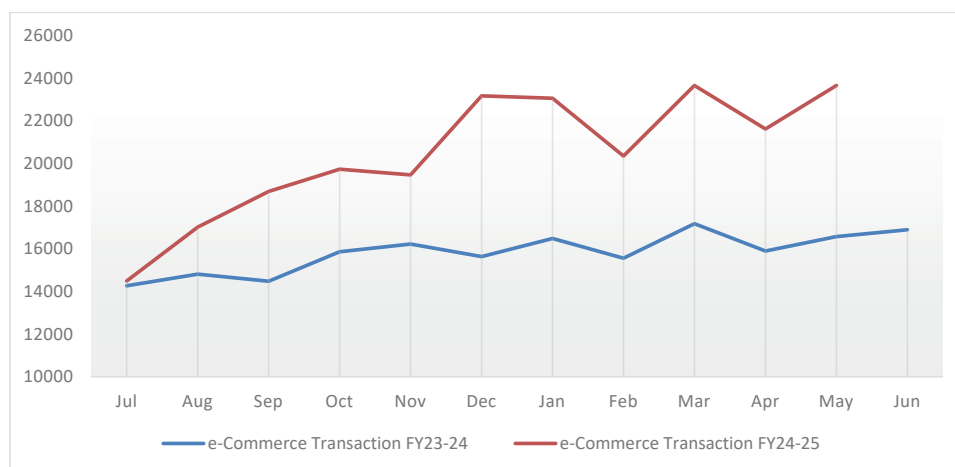


Source: Bangladesh Bank

6.2.2 E-commerce Activities

Bangladesh's e-commerce sector exhibits explosive growth, with transaction values jumping from Tk. 14.3-17.2 thousand crore to a range of Tk. 14.5-23.7 thousand crore. The dramatic December surge to Tk. 23.2 thousand crore showcases sector maturation, representing up to 48% year-on-year increases in peak months. This upward trajectory from an average of Tk. 15.5 thousand crore to Tk. 20.7 thousand crore positions e-commerce as a key driver of the digital economy.

Figure 6.2: E-commerce transaction

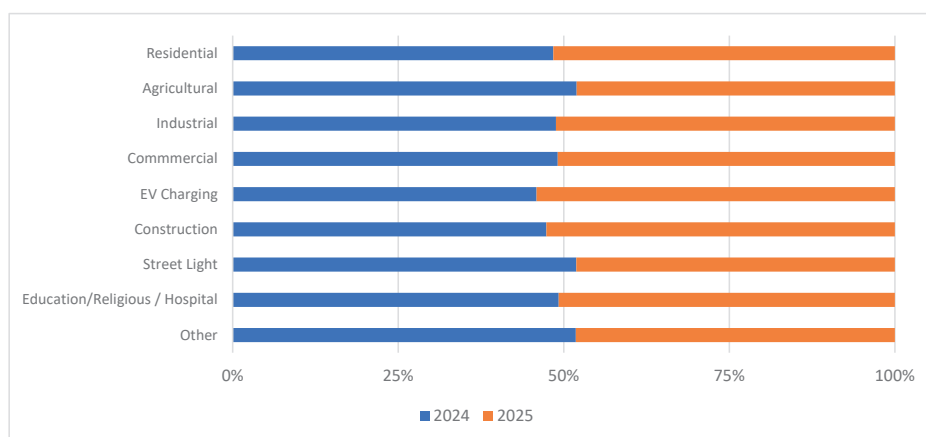


Source: Bangladesh Bank

6.2.3 Electricity Consumption

Electricity consumption across sectors shows a steady rebound from FY24 to FY25, reflecting the expansion of economic activity. Residential demand increased from 48,762 M kWh in FY24 to 51,957 M kWh in FY25, indicating growing household consumption. Industrial use, the second-largest category, rose from 23,240 M kWh to 24,364 M kWh, consistent with a gradual recovery in manufacturing. Commercial consumption also grew slightly from 9,493 M kWh to 9,847 M kWh, while EV charging experienced strong relative growth, rising from 788 M kWh to 929 M kWh, highlighting the early impact of electric mobility. In contrast, agricultural demand declined slightly from 2,178 M kWh to 2,015 M kWh, and street lighting use decreased from 226 M kWh to 210 M kWh, suggesting efficiency gains or reduced demand in these sectors. Overall, the broad-based increases—especially in residential, industrial, construction, and EV sectors—illustrate a strengthening economy supported by higher energy use.

Figure 6.3: Electricity consumption across sectors – FY24 vs FY25 (in M kWh)



Source: Bangladesh Power Development Board

6.2.4 National Savings Certificate

National Savings Certificate (NSC) sales showed strong resilience throughout FY25, adapting to changing market conditions. Starting at Taka 4,912 crore in July, sales dipped slightly in August but then surged to a peak of Taka 7,560 crore in February. This solid recovery, with consistent performance between Taka 5,000-6,000 crore, indicates increasing public confidence in government savings options and strategic seasonal investment habits.

Figure 6.4: Sales and repayments of national savings certificates (NSC), FY25 (BDT in crore)

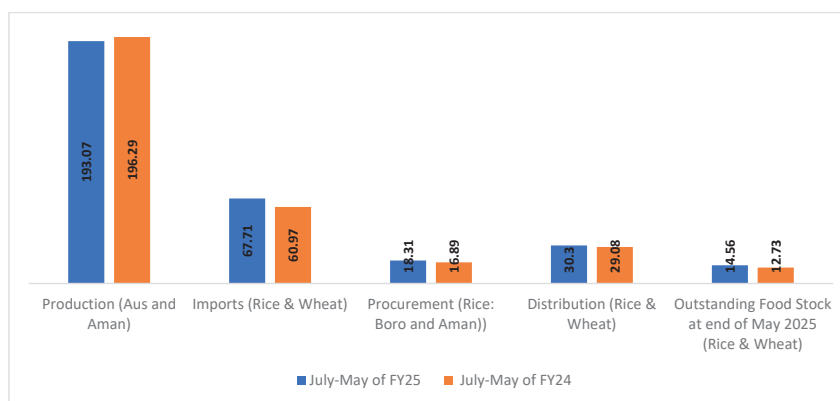


Source: Department of National Savings (DNS)

6.2.5 Food Grain Security

Food grain security indicators for FY25 showed mixed results compared to FY24. Rice and wheat production declined slightly to 193.07 lakh metric tons from 196.29, while imports increased to 67.71 from 60.97 lakh metric tons. Enhanced public procurement efforts rose marginally to 18.31 lakh metric tons, coupled with improved food stock reserves reaching 14.56 lakh metric tons, demonstrating the government's commitment to ensuring national food security.

Figure 6.5: Production, public domestic procurement, imports and stock of food gains (in lac metric ton), FY24 vs FY25

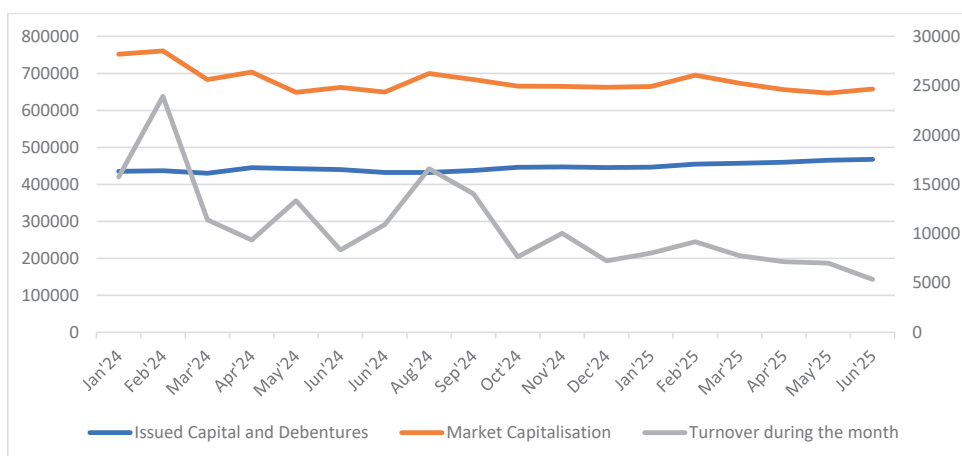


Source: Food Planning and Monitoring Unit (FPMU), Ministry of Food

6.2.6 Capital Market Behavior

Market capitalization exhibits significant volatility, starting at 75.2 thousand crore BDT in January 2024, dropping to lows around 64.6-64.9 thousand crore BDT in May-June 2024, then recovering to 65.7-69.5 thousand crore BDT by early 2025. Turnover collapsed dramatically from a peak of 2.39 thousand crore BDT in Feb '24 to just 536 crore BDT by Jun '25. While issued capital remained stable (43.5-46.8 thousand crore BDT), the 77% decline in trading activity indicates serious liquidity concerns over the 18-month period.

Figure 6.6: Monthly capital market developments in Dhaka Stock Exchange (DSE)



Source: Dhaka Stock Exchange, Dhaka

6.3 Summary

Economic rebound signals emerged across multiple dimensions of Bangladesh's economy, as evidenced by diverse proxy indicators spanning traditional and digital sectors. Mobile financial services experienced explosive growth, reflecting the deepening of financial inclusion and the adoption of digital patterns. E-commerce transactions surged dramatically, indicating robust consumer confidence and evolving spending behaviors. Electricity usage signals industrial growth and household economic activities. While capital markets faced volatility and liquidity challenges, other sectors showed encouraging momentum. Agricultural credit flows exhibited seasonal patterns, with a gradual improvement, while industrial production maintained a positive trajectory despite some monthly fluctuations. Trade dynamics reflected both challenges and opportunities in Bangladesh's evolving economic landscape.

The economy shows signs of partial recovery momentum, mainly fueled by domestic consumption and remittance-supported demand, while external and private sector investment confidence stays fragile.

Chapter 7: Progress Towards SDGs

7.1 Introduction

Bangladesh presented its Voluntary National Reviews (VNR) 2025 on SDG progress at the UN High-Level Political Forum (HLPF) in July 2025, and the SDG Progress Report 2025 has been published. These reports highlight innovative practices, challenges, and potential solutions as they review all the Sustainable Development Goals. Over the past five years, the world has faced numerous complex problems, including the impacts of COVID-19, global inflation, economic recession, geopolitical tensions—especially in the Middle East—and the Russia-Ukraine war. Additionally, there were internal issues like economic mismanagement and the repressive autonomy of the previous regime, which led to unrest among youth in July-August 2024. These events significantly impacted the smooth progress of SDG implementation, slowing progress across multiple goals, targets, and indicators. Nonetheless, our Honorable Chief Adviser, Professor Muhammad Yunus, himself an 'Advocate Emeritus of SDGs' appointed by the UN Secretary-General, remains committed to raising awareness, fostering, and catalyzing political will and actions to achieve SDGs.

This year, the VNR Presentation event bears special momentum as it marks its 10th anniversary, during which Bangladesh, along with two other South Asian countries (Bhutan and India), presented its VNR. The event serves as a platform that facilitates the sharing of experiences, successes, challenges, and lessons learned to make strong strides in achieving the rewards of SDG implementation, mobilizing multi-stakeholder support, strengthening policies, and creating stronger partnerships to keep countries on track to achieve the 2030 Agenda.

Bangladesh's performance in many of the goals, like SDG-1 (NO Poverty), SDG-2 (Zero Hunger), SDG-3 (Good Health and Well-being), SDG-4 (Quality Education), SDG-6 (Clean Water & Sanitation), SDG-7 (Clean Energy), SDG-9 (Industry, Innovation, and Infrastructure), is praiseworthy. However, it is almost off track in achieving Goals like SDG-5 (Gender Equality), SDG-10 (Reduced Inequalities), SDG-11 (Sustainable Cities and Communities), SDG-14 (Life below Water), SDG-15 (Life on Land), SDG-17 (Partnership), and needs to expedite the implementation progress. More importantly, Bangladesh needs a steadfast will and a serious level of intervention to achieve SDG-16 (Peace, Justice, and Institutions). The Government is now seriously focusing on reclaiming institutional integrity through various reform initiatives.

Progress Towards SDGs: A Critical Review

Professor Wahiduddin Mahmud

Despite considerable progress, Bangladesh has experienced significant slippages from its roadmap towards achieving the Sustainable Development Goals. There are several reasons for such slippages. With an extremely high density of population, and comprising almost entirely of the Ganges delta region with shifting rivers and vast stretches of floodplains, Bangladesh has one of the most ecologically and environmentally vulnerable landscapes in the world. Increasing urbanization and industrialization in such a landscape necessarily impinge on scarce environmental resources and make sustainable economic progress a challenging task.

During about two decades since the beginning of the 1990s, which coincided with a transition to democracy, Bangladesh has had achieved rapid and remarkable progress in many social development indicators, such as reducing poverty along with rapid decline in the fertility rate and child mortality, and increasing school enrolment, specially of female children. These achievements were all the more remarkable because the progress was made despite very low public social spending and poor governance of the public service delivery systems.

These seemingly surprising achievements were possible because of the widespread adoption of low-cost solutions by the poor, like the oral saline treatment for diarrhea that greatly contributed to reducing child mortality, and because of successful social campaigns such as for child immunization or for getting the girls to school. A vigorous presence of the non-government organizations played a crucial role in reaching these campaigns from door to door. But, as the gains from the low-cost solutions were mostly reaped, further progress was difficult, such as requiring more costly medical interventions for reducing maternal and child mortality, or better-quality education to prevent school dropouts. Predictably, most of the social development indicators either stagnated or even worsened during the last one and a half decades or so.

The most important underlying impediment in making further social and economic progress and achieving the SDG goals, however, was the nature of the ruling regime that became increasingly authoritarian and repressive. Under such a regime, the grassroots organizations and local government bodies became severely weakened in an environment of malfunctioning of the overall governance system. It is noteworthy that the earlier gains in the social development indicators were made possible by targeting the interventions at the individual family level, especially by using the agency of the female members of the households. Achieving the SDGs, in contrast, requires leveraging community-based organizations that can sustainably manage local commons like forests or water bodies, create awareness about protecting the environment, and sanction or demand access to public services.

It is in this context that there are reasons to be optimistic about SDGs in the aftermath of the mass upsurge in July 2024 that overthrew the previous authoritarian regime. The current Interim Government is mandated to undertake deep reforms transition to a well-governed democratic system. Reforming state institutions along with strengthening local governance are part of this reform agenda. There is thus a commitment to regain the lost ground and make rapid progress towards achieving the SDGs.

[Extracted from the Voluntary National Review (2025) Report, GED, Bangladesh Planning Commission]

7.2 Progress on the 17 SDGs*

SDG 1: No Poverty

The national poverty rate of Bangladesh decreased from 24.3% in 2016 to 18.7% in 2022. Similarly, the rate of extreme poverty decreased from 12.9% to 5.6% during the same period. Likewise, according to the international poverty line of \$2.15 per day, the poverty rate in the country decreased by around 8.5 percentage points between 2016 and 2022, from 13.5% to 5.01%. Despite improvements, the poverty rate in rural areas is still higher at 20.5%, while in urban areas it is 14.7%.

Table 7.1: Proportion of population living below the upper poverty line by national, rural and urban regions (%)

Time Period	2016 (Base Year)	2022	2025 (Target)	2030 (Target)
Urban	18.9	14.7	9.46	5.46
Rural	26.4	20.5	13.22	7.63
Total	24.3	18.7	12.17	7.02

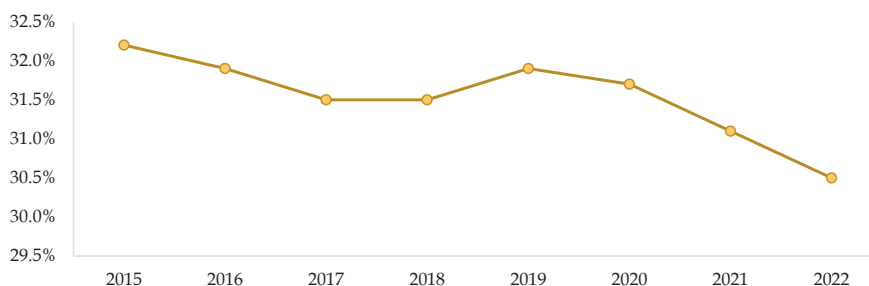
Source: HIES, Bangladesh Bureau of Statistics (BBS).

Regional gaps still exist despite progress in poverty alleviation, especially in places that are vulnerable to disasters, like the northern and coastal districts. Targeted regional development strategies, with a focus on lagging regions, are necessary to sustain progress.

SDG 2: Zero Hunger

Food security in Bangladesh has shown slight improvement, as indicated by a decrease in the prevalence of undernourishment from 16.4% in 2015 to 14.7% in 2018. Similarly, the percentage of moderate or severe food insecurity declined overall from 32.2% in 2015 to 30.5% in 2022, reflecting gradual progress. However, the trend was interrupted by a slight increase in 2019 (31.9%). Subsequent declines in the rates resumed post-2019, and in 2022, the prevalence dropped to the lowest point of 30.5% (Figure 7.1).

Figure 7.1: The prevalence of moderate or severe food insecurity in Bangladesh (%)



Source: FAOSTAT.

* Progress on the 17 SDGs have been taken from SDG Progress Report (2025) published by General Economics Division (GED), Bangladesh Planning Commission.

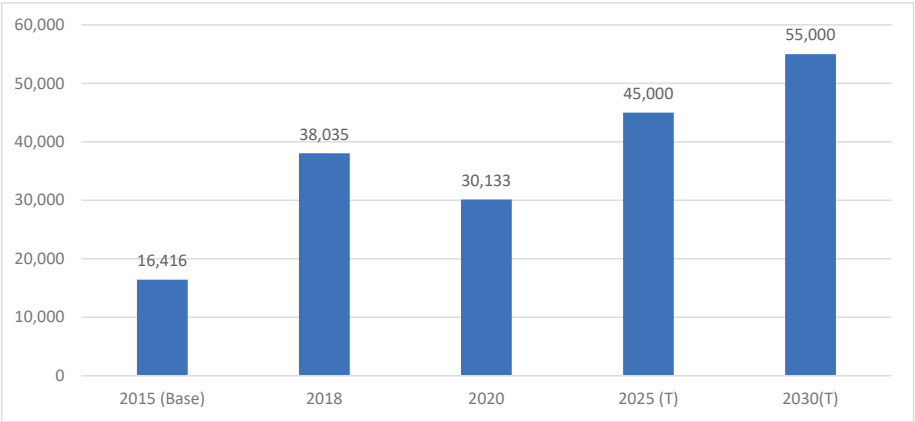
While these trends are declining, significant challenges remain in achieving the 2030 targets. Rising food prices, as well as climate-related shocks such as flooding and storms, affect the availability of food for vulnerable populations. Severe salinity problems in coastal zones limit arable land and affect agricultural output. Extreme weather events and resource depletion have also had a negative impact on livestock and fisheries, which are important sources of protein.

SDG 3: Good Health and Well-Being

There is evidence of progress in some health outcomes, particularly in maternal and child health. Maternal mortality has dropped from 181 per 100,000 live births in 2015 to 136 per 100,000 by 2023. Additionally, skilled health staff attended to 69.7% of total national births in 2023, compared to 42.1% in 2014.

In 2015, 16,416 individuals were covered by treatment interventions for substance use disorders, including pharmacological treatment, psychological support, rehabilitation, and aftercare services. This number increased to 30,133 in 2020, reflecting the expansion of service coverage. However, coverage has fallen short of both the 2025 and 2030 SDG targets.

Figure 7.2: Coverage of treatment interventions (pharmacological, psychological, rehabilitation, and aftercare services) for substance use disorder



Source: Department of Narcotics Control, Security Services Department.

SDG 4: Quality Education

Between 2015 and 2023, some progress was achieved. The worldwide primary school completion rate rose from 85% to 88%, lower secondary completion increased from 74% to 78%, and upper secondary completion went up from 53% to 59%. Bangladesh, though still below the global average for upper secondary completion in 2023, showed some progress with an average annual increase of 3.03 percentage points, reaching 47.4%.

The youth literacy rate in Bangladesh has steadily improved over the past decade, increasing from 87.4% in 2015 to 96% in 2023. Gender gaps have significantly narrowed, with female literacy consistently exceeding male literacy since 2015. Rural youth have also caught up, narrowing the urban-rural gap to 95.9% compared to 96.3% in urban areas in 2023. The national goal is to achieve 100% youth literacy by 2030, with an intermediate target of 75% for 2025, which has already been exceeded (Table 7.2).

Table 7.2: Youth literacy rate

Years	Male	Female	Rural	Urban	Total
2015 (Base)	85.8	89	85.6	90.2	87.4
2020	93.7	96.5	94.9	95.3	95.1
2023	95	97	95.9	96.3	96
2025 (T)	-	-	-	-	75
2030 (T)	-	-	-	-	100

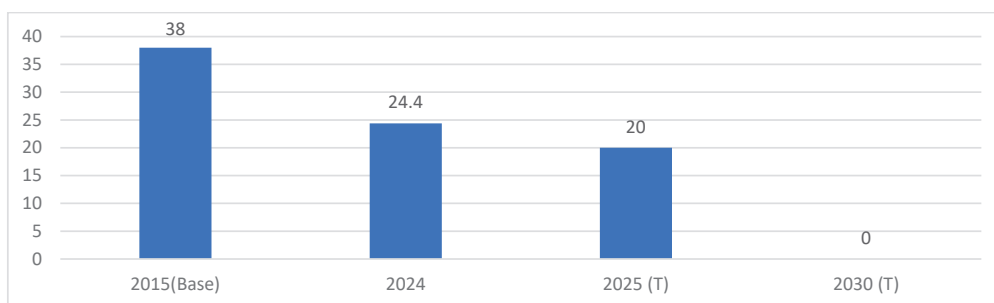
Source: SVRS, BBS

Efforts in curriculum reform, teacher training, and digital learning infrastructure are essential to enhance education quality. Providing students with market-relevant skills and expanding technical education and vocational training would boost youth employability.

SDG 5: Gender Equality

According to the 2023 Labor Force Survey (LFS), the female labor force participation rate was 41.4%. Gender-responsive budgeting has begun, with 34.37% of the national budget allocated for women's development in FY 2023-24. Nonetheless, there are gender disparities in the workforce, with women mainly involved in low-wage and informal sectors. In 2023, the percentage of women in managerial roles was only 0.27%. Regarding intimate partner violence, it has decreased from 38% in 2015 to 24.4% in 2024. However, the decline is not enough to reach the target of 20% in 2025 and ultimately 0% by 2030.

Figure 7.3: Prevalence of intimate partner violence experienced at least once among ever-married women aged 15 and above in the last 12 months (%)



Source: Violence Against Women (VAW) Survey 2024, BBS

It has been revealed that physical violence has decreased by half over the period, while little progress has been made in reducing sexual and psychological violence.

Women continue to spend 24.6% of their time on unpaid care and household chores, which limits their access to economic opportunities, according to the Time Use Survey, 2022. This issue is worsened by the lack of easily accessible and affordable childcare facilities; there are only 63 state-funded day-care centers in the country. Additionally, in 2022, 58.8% of women (ages 18 and older) had mobile phones for their personal use, compared to 86.7% of men, highlighting a digital divide along gender lines.

SDG 6: Clean Water and Sanitation

With access to safely managed drinking water services increasing from 47.90% in 2019 to 71.22% in 2023, Bangladesh has expanded access to clean water and sanitation. In 2023, 45% of people had access to sanitary facilities, and 65.2% had access to a handwashing facility with soap and water.

Figure 7. 4(a): Proportion of population using safely managed sanitation services

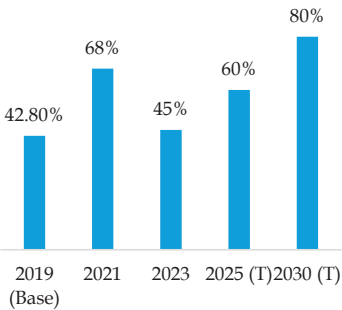
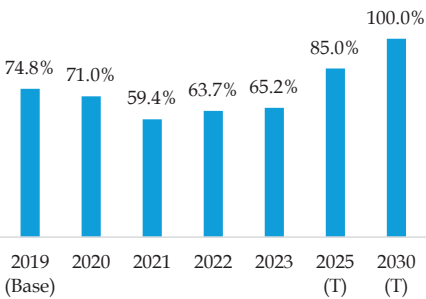


Figure 7. 4(b): Proportion of population using a hand-washing facility with soap and water



Source: SVRS, BBS

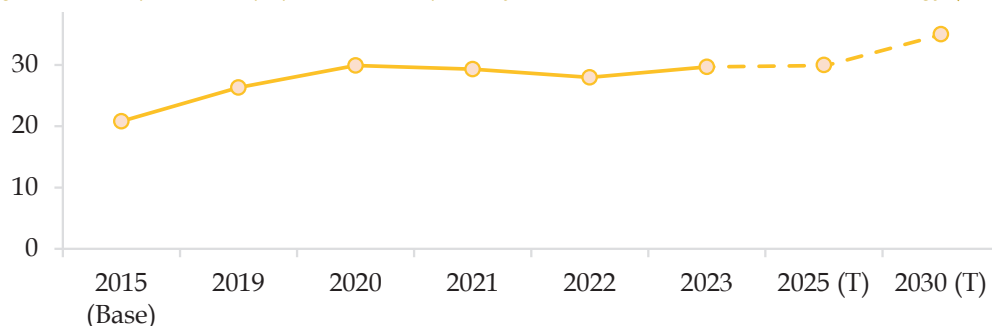
Given the current situation, reaching the targets by 2025 appears challenging. It is recommended to improve sanitation services, invest in water treatment infrastructure, and promote rainwater collection in salinity-affected areas to help address these issues. Additionally, initiatives such as tightening environmental laws and improving water use efficiency through advanced technologies are also essential. Negotiating new transboundary water-sharing agreements and increasing community involvement in water management can support sustainable water and sanitation practices.

SDG 7: Affordable and Clean Energy

With 99.5% of households having access to electricity in 2023, up from 77.9% in 2015, Bangladesh is close to achieving universal electrification. This significant milestone shows the country's dedication to ensuring everyone has electricity. However, large energy gaps still exist. Electricity supply in rural areas is often less reliable and of lower quality compared to urban areas.

The proportion of the population that mainly depends on clean fuels and technologies has steadily risen, showing progress in access to clean energy. Starting from 20.8% in 2015, this share increased to 29.7% by 2023 (see Figure 7.5). As a result, Bangladesh is close to reaching the 2025 goal of 30%, but more progress is needed to meet the 2030 target of 35%.

Figure 7.5: Proportion of population with primary reliance on clean fuels and technology (share in %)



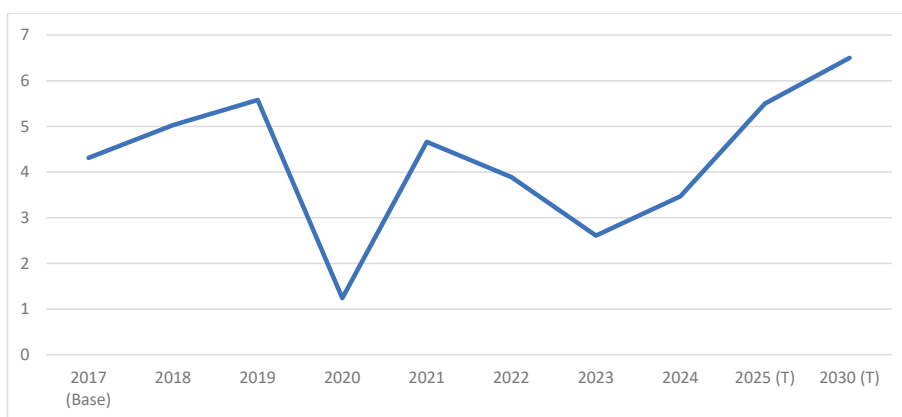
Source: SVRS, BBS

Strengthening regulatory measures is essential to accelerate project implementation, and enhancing policy frameworks will support both large- and small-scale renewable energy initiatives. To promote wider adoption of sustainable energy technology, increased investment is needed through tax incentives, subsidies, and low-interest loans. Additionally, expanding the development of wind, solar, and biomass projects can help diversify energy sources and contribute to achieving SDG 7 targets.

SDG 8: Decent Work and Economic Growth

With a GDP growth of 4.22% in 2023–2024, Bangladesh falls short of creating enough decent jobs. In 2023, the unemployment rate was 3.35%, showing only modest progress toward lowering unemployment below 3%. The growth rate of real GDP per employed person, which indicates labor productivity, fluctuated over time. After relatively strong growth in 2018 and 2019, the sharp contraction in 2020 (1.24%) clearly shows the negative impact of the COVID-19 pandemic on economic output per worker.

Figure 7.6: Growth rate of real GDP per employed person of Bangladesh (%)



Source: BBS

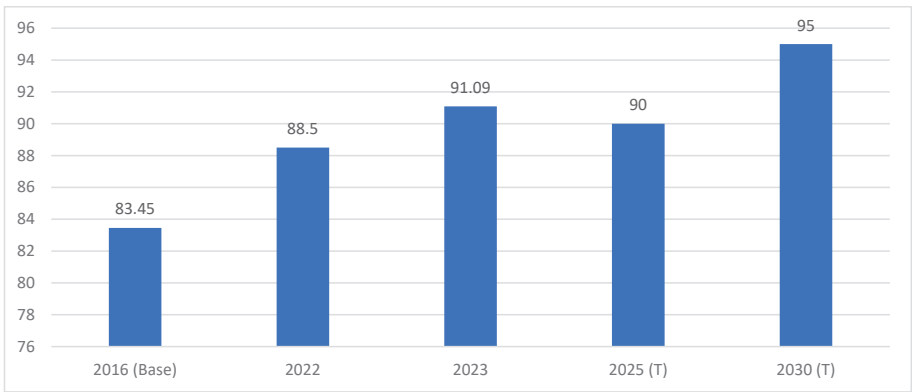
In 2023, informal employment made up 84.1% of the workforce, with higher rates among women (95.7%) than men (77.9%). Child labor remains a concern, with 4.4% of children aged 5-17 involved in work, including 2.7% in hazardous activities. The gender wage gap continues, with women earning significantly less than men across sectors.

To promote sustainable and inclusive economic growth, targeted efforts are essential to prevent child labor and address the gender wage gap through stronger enforcement of labor laws and the implementation of awareness campaigns.

SDG 9: Industry, Innovation, and Infrastructure

Bangladesh is focusing on boosting innovation, promoting inclusive industrialization, and building resilient infrastructure. In 2023, 91.1% of rural residents lived within 2 km of an all-season road, surpassing the 2025 target of 90%.

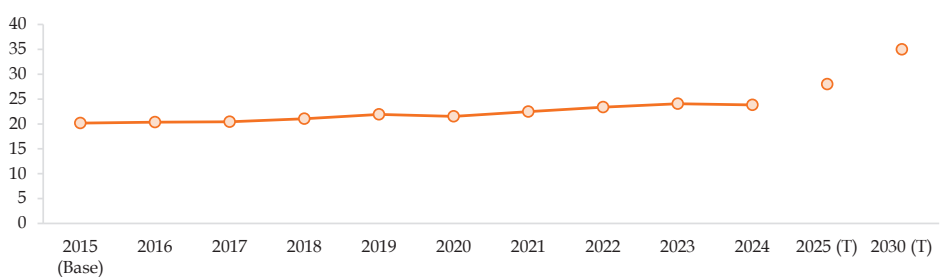
Figure 7.7: Proportion of the rural Population who live within 2 Km of an all-season road (%)



Source: SVRS, BBS.

In 2024, manufacturing made up 23.8% of GDP, showing progress toward the 35% goal by 2030. The manufacturing value added as a percentage of GDP increased from 20.16% in 2015 to 23.82% in 2023, demonstrating slow but steady growth. The target of reaching 35% by 2030 is ambitious, and accomplishing this will require much faster growth than what has been seen so far.

Figure 7.8: Manufacturing share of GDP at constant prices (%)



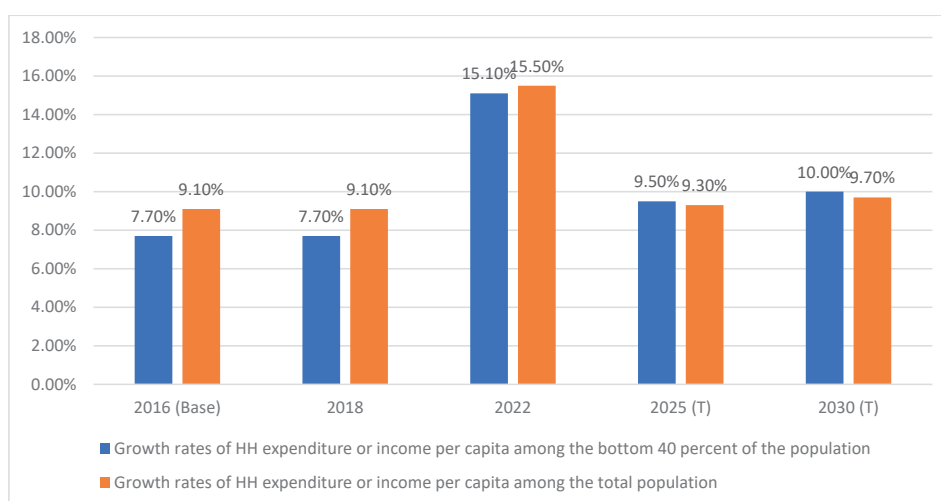
Source: BBS

Industrial growth and competitiveness can be boosted by adopting advanced manufacturing technology and encouraging digital transformation. Inclusive and sustainable industrial growth can also be advanced through strengthening public-private partnerships and establishing a supportive business environment.

SDG 10: Reduced Inequalities

With the Gini index rising from 0.48 in 2016 to about 0.50 in 2024, indicating increasing income inequality, Bangladesh faces difficulties in reducing disparity. Household spending for the poorest 40% of the population increased by 15.1% in 2022 compared to 7.7% in 2018. However, the richest 10% of households hold 41% of the country's income, while the poorest 40% own only 12.9%.

Figure 7.9: Growth rates of household expenditure or income per capita among the bottom 40% of the population and the total population



Source: HIES, BBS

Regional and gender disparities in access to work, healthcare, and education still persist. In 2018, 35.6% of the population reported experiencing harassment or discrimination, with a goal to reduce this to 20% by 2030.

Achieving fair resource distribution and inclusive growth remains a challenge. The financial sector is unstable, and public trust is eroding due to corruption and mismanagement. For example, non-performing loans (NPL) accounted for 9.57% of all gross loans in 2023, highlighting the ongoing issues facing financial institutions.

SDG 11: Sustainable Cities and Communities

Bangladesh has experienced rapid urban growth, with over 31.5% of the population now living in cities, and more than half of them residing in urban slums. Although progress has been slow, the proportion of urban residents in slums decreased from 54% in 2014 to 51.5% in 2022, still far from the 20% target set for 2030. Additionally, with only 2.43% of municipal solid waste being properly treated in controlled facilities as of 2021—a slight increase from 2.25% in 2018—waste

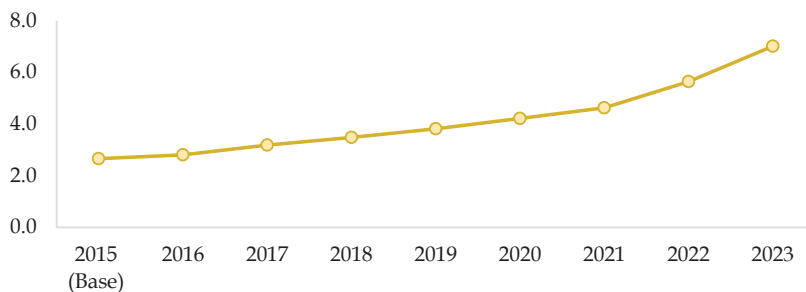
management remains a major problem. Air quality in cities continues to be challenging, with PM2.5 levels reaching 79.9 $\mu\text{g}/\text{m}^3$ in 2023, significantly above the WHO guideline of 5 $\mu\text{g}/\text{m}^3$.

The increasing air pollution and the inefficiency of municipal waste management highlight the need for better environmental management approaches. To support sustainable urban growth, it will be crucial to strengthen disaster resilience efforts and improve urban planning with an emphasis on climate adaptability. Additionally, the development of effective policies and progress tracking are hampered by the lack of comprehensive data for key SDG 11 indicators.

SDG 12: Responsible Consumption and Production

Bangladesh has developed a ten-year Sustainable Consumption and Production (SCP) framework aimed at reducing the environmental footprint of production and consumption within the country. In 2021, the national recycling rate increased to 15.6% from 15% in 2020. By 2022, 49 companies had released sustainability reports, which helped increase accountability and transparency. In 2022, the country's per capita material footprint was 4.6 tonnes, while its per capita domestic material consumption was 3.62 tonnes. Bangladesh's installed renewable energy capacity has steadily grown, increasing from 2.66 watts per capita in 2015 to 7.01 watts per capita in 2023 (Figure 7.10).

Figure 7.10: Total installed renewable energy-generating capacity in Bangladesh (in watts per capita)



Source: SREDA

Challenges persist in achieving fully responsible consumption and production patterns. The shift to renewable energy is hindered by the high reliance on fossil fuel subsidies, which increased from zero in 2015 to 7.1% of GDP in 2022.

SDG 13: Climate Action

To achieve SDG 13 and address these complex and evolving challenges, Bangladesh has implemented key initiatives such as the Bangladesh Climate Change Strategy and Action Plan (BCCSAP), the Climate Change Trust Fund (CCTF), and the integration of climate resilience into the Five-Year Plans, which require urgent policy and institutional reforms.

The number of people impacted by climate-related disasters per 100,000 population decreased from 12,881 in 2015 to 3,578 in 2021.

Table 7.3: Number of directly affected persons attributed to disasters per 100,000 population

2014 (Base)	2021	2025 (T)	2030 (T)
12,881	3,766	2,000	1,500

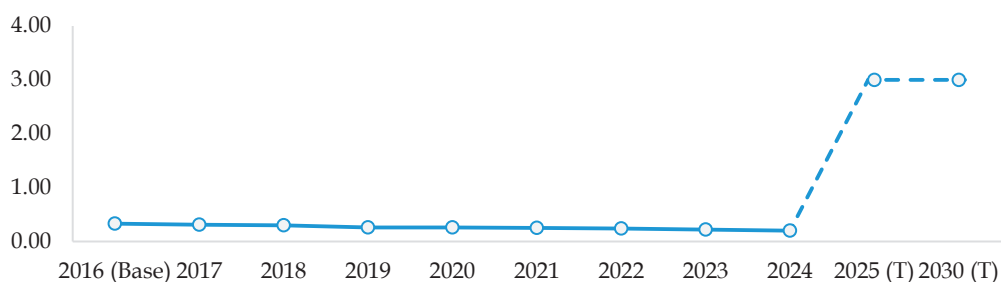
Source: BDRHS, BBS

In its Nationally Determined Contributions (NDCs), Bangladesh has set ambitious targets, aiming to reduce greenhouse gas emissions by 15.12% with international assistance and 6.73% unconditionally by 2030. The government has adopted the National Disaster Management Plan along with provisions to involve civil society organizations and local government authorities in collaboration during any natural disasters.

SDG 14: Life Below Water

In line with international frameworks such as the United Nations Convention on the Law of the Sea (UNCLOS), 8.8% of Bangladesh's exclusive economic zone has been designated as Marine Protected Areas (MPAs). The share of sustainable fisheries in GDP was 0.20%, showing a gradual decline from 0.33% in 2016, the baseline year. This decline could be linked to the impacts of the COVID-19 pandemic, supply chain disruptions, and other economic factors affecting the fisheries sector. The targets for 2025 and 2030 are set at 3.00%.

Figure 7.11: Sustainable fisheries as a proportion of GDP for Bangladesh



Source: BBS

Investing in blue economy projects, such as eco-tourism and sustainable aquaculture, can boost economic growth while protecting biodiversity. Greater international collaboration and community-led conservation are also essential for achieving SDG 14 goals and maintaining the long-term health of marine ecosystems.

SDG 15: Life on Land

Based on data from 2018, Bangladesh's forest coverage slightly rose to 14.5% from 14.1% in 2015, covering 25,752 square kilometers of the country's total land. However, the country aims to increase this to 20% by 2030, although challenges remain. To protect various habitats, including wetlands, rivers, lakes, and coastal zones, Bangladesh has established 13 Ecologically Critical Areas (ECAs) covering a total of 71,544 hectares. The country also preserves biodiversity through protected areas; terrestrial protected zones comprise 3.2% of the land, while marine protected areas account for 2.36%. Initiatives like coastal afforestation and community-based forest management have shown positive results, with 23,818 hectares planted to improve wildlife

habitats and fight land degradation. To achieve SDG 15 goals, Bangladesh should promote sustainable forest management practices and strengthen enforcement against illegal logging and land conversion.

SDG 16: Peace, Justice, and Strong Institutions

Important initiatives like the Independent Information Commission and the enactment of the Right to Information (RTI) Act, 2009, are in place; however, challenges in implementation still exist. Human trafficking decreased from 1.78 per 100,000 in 2015 to 0.72 in 2022, but the numbers for female trafficking remain largely unchanged. Intentional homicide rates fell from 1.94 per 100,000 in 2015 to 1.33 in 2020, then slightly increased to 1.41 in 2022. Notably, according to the World Bank Enterprise Survey 2022, 25% of businesses in Bangladesh had at least one interaction with a public official involving a bribe request or payment, down from 41% in 2013.

Table 7.4: Number of victims of intentional homicide per 100,000 population

	2015 (Base)	2020	2022	2025 (T)	2030 (T)
Total	1.94	1.33	1.41	1.5	1
Male	3.1	0.997	2.08	1.2	0.9
Female	0.76	0.335	0.76	0.3	0.2

Source: Bangladesh Police

Bangladesh's progress in achieving SDG 16 reflects a complex and changing landscape. Although the country showed early signs of progress in some areas, issues such as gender-based and child violence, human trafficking and sexual violence against women and girls, and lack of legal access to ensure timely justice continue to hinder sustained progress.

SDG 17: Partnerships for the Goals

Bangladesh is currently working on establishing international collaborations to promote sustainable development, especially as it prepares to exit the Least Developed Country (LDC) category. The need for increased domestic resource mobilization was highlighted by the country's revenue-to-GDP ratio of 9.47% in FY 2023-24, which is significantly below the 18% target for 2030. In 2023, Bangladesh's share of global merchandise exports slightly rose to 0.28% in 2022 from 0.19% in 2015. The percentage of global services exports remained steady at 0.12% from 2020 to 2022. The country has partnered with major international development organizations and used public-private partnerships (PPPs) to develop infrastructure, especially in transportation and energy sectors. However, challenges remain in areas like debt servicing, where careful management strategies, including debt restructuring and extending maturities, are needed to ease fiscal pressure.

7.3 Summary

Bangladesh made mixed progress across the 17 goals despite facing several challenges, including COVID-19, global inflation, geopolitical tensions, and domestic political upheaval in July and August 2024. The country demonstrated strong progress in poverty reduction (with the national poverty rate dropping from 24.3% to 18.7% between 2016-2022), health outcomes (maternal mortality decreasing from 181 to 136 per 100,000 births), education (youth literacy reaching 96%), water access (71.22% accessing safely managed drinking water), and energy

(99.5% household electrification). However, significant challenges remain in achieving gender equality (with only 0.27% of women in managerial roles), decent work (84.1% of employment being informal), income inequality (as shown by a rising Gini index to 0.50), sustainable cities (where 51.5% of urban residents live in slums), and institutional reforms. Major obstacles include data gaps, large financing gaps (with a tax-to-GDP ratio of 7% compared to an 18% target), climate vulnerability, and the need for innovative approaches involving private sector participation. The structural inequalities and persistent poverty are attributed to weak institutions. Therefore, Bangladesh needs to focus on building strong institutions and upholding peace and justice. Bangladesh emphasized the “Leave No One Behind” philosophy, calling for accelerated action in institutional reforms, reducing inequality, and developing sustainable approaches to meet the 2030 targets through a comprehensive ‘Whole of Society’ approach.

Chapter 8: Concluding Remarks

The last six months of FY25 indicates promises for rebounding economic activity, despite ongoing challenges. Various projections suggested a period of slower growth, with ongoing economic and political challenges. Key factors influencing this outlook include political uncertainty, subdued investment and industrial activity, high inflation, and external global headwinds in the context of reciprocal tariff imposition by the U.S. Projections for FY 2025 are generally lower than previous years, with the World Bank forecasting 3.3% to 4.1%. The Asian Development Bank (ADB) projects 3.9%. A rebound to around 5.1% to 5.3% is anticipated in FY 2026.

Foreign direct investment remains critically low and is expected to remain at this level in the coming months. Subdued investment and industrial activity are cited as major contributors to slower growth. We identify remittance flows, export performance, and growth in the manufacturing sector as key drivers of Bangladesh's GDP growth in FY2025, and these factors are expected to contribute in FY2026.

The external sector demonstrated notable stability with remittance inflows. Import stabilization signaled a recovery in domestic demand, while capital machinery imports showed promising rebounds, indicating renewed investment confidence. Export performance remained solid, led by the RMG sector, which maintained global competitiveness through compliance upgrades and market diversification. Foreign exchange reserves stabilized at a level above three months of import coverage. These developments reflected prudent macroeconomic management and structural strengthening of the economy's external front.

Bangladesh's economy faces challenges, including limited reserves, strained investor confidence, shifting buyer preferences, and potential impacts from global trade tensions and geopolitical instability. Limited fiscal space due to a low level of revenue mobilization hinders expected public investments. A provisional estimate from the NBR suggests a shortfall of the revenue target by a wider margin. In June, revenue collection was severely hampered by the shutdown activities of NBR officials against a decision to separate NBR into two separate divisions. However, good sense prevailed, and all sorts of subversive activities were withdrawn, and revenue collection resumed.

Inflation remains stubbornly high, around 8-9% in FY25. It is driven by food price shocks, import cost pressures (especially from a weakening taka), energy costs, and supply chain disruptions. This reduces real incomes, mainly affecting low-income and rural households. If Bangladesh can keep inflation under control, rebuild investor confidence, and stabilize the financial sector, there is potential for stronger growth in FY2025-26. Many forecasts do expect such a rebound. However, how much growth leads to job creation, poverty reduction, and better living standards will largely depend on policy choices, including targeting inflation with accommodative monetary policy, reforming financial intermediation, implementing a more effective regulatory framework, improving governance, and promoting greater inclusiveness.

Despite regaining macroeconomic stability, Bangladesh's economy remains at a critical juncture.

Addressing a large and growing labor force, strengthening manufacturing sectors (especially garments and SMEs), boosting remittance inflows, and investing in human capital are key priorities. If the country does not tackle looming vulnerabilities—particularly inflation, financial instability, a weak investment climate, governance challenges, and external risks—the outcome could be slower growth, declining living standards, rising poverty, and increasing inequality.

On the other hand, with proactive and coherent policy actions, Bangladesh has a real chance to re-accelerate, build more resilient institutions, and make growth more inclusive. The key will be speed and seriousness of reform, clear communication, policy credibility, and ensuring that those reforms benefit ordinary people, not just aggregate macro statistics. The coming year or two will likely be decisive in determining whether Bangladesh consolidates its gains. A well-thought-out national strategy for achieving sustainable development could serve as the guiding principle for future development and economic planning. Structural reforms and economic policy reorientation, focusing on innovation and stimulating investment, including FDI, are considered crucial for strengthening the economy and enhancing resilience to future shocks.

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