

## Seminar on “Bi-annual Economic State & Future Outlook of Bangladesh Economy; Private Sector Perspective (June-December, FY2024-25)”

Dhaka Chamber of Commerce & Industry (DCCI) organized a seminar titled “Biannual Economic State & Future Outlook of Bangladesh Economy: Private Sector Perspective” on Saturday, 22nd February, 2025, at the DCCI Auditorium. The event was attended by distinguished academics, expert researchers, high-ranking government officials, business leaders, civil society members, media representatives, and Board of Directors members of DCCI.

Taskeen Ahmed, President of DCCI, delivered Welcome Address and Keynote presentation. After the presentation, he also moderated the seminar. The esteemed panelists included Dr. Sayera Yunus, Executive Director (Research) at Bangladesh Bank; Dr. Mohammad Yunus, Research Director at the Bangladesh Institute of Development Studies (BIDS); Dr. M. Abu Eusuf, Executive Director at RAPID and Professor and Former Chairman of the Department of Development Studies at the University of Dhaka; and Dr. M. Masrur Reaz, CEO of Policy Exchange Bangladesh. Md. Abdur Rahim Khan, Additional Secretary (Export) (with Routine Charge of Secretary, Ministry of Commerce, GoB) graced the seminar as the Chief Guest.

The formulation of the Biannual Economic State of Bangladesh is a cornerstone of DCCI's activities. This comprehensive analysis, produced every six months, provides an inclusive analysis of the country's economic performance, focusing on private sector development. It outlines key economic priorities, identifies challenges, and offers actionable insights that guide both government and industry stakeholders.

### Keynote Presentation by Taskeen Ahmed, President, DCCI

- The global economy is projected to grow at 3.3% in 2025 and 2026, slightly below the 3.7% historical average (IMF). However, inflation remains the biggest risk for Bangladesh in 2025 (WEF).
- Bangladesh's imports surged to \$27.69 billion, marking an increase of \$2.38 billion compared to H2FY24.
- Inflation witnessed a sharp rise, climbing from 9.72% in June 2024 to 10.89% in December 2024, indicating heightened cost pressures in the economy.
- Private sector credit growth experienced a significant decline, dropping from 9.8% in H2FY24 to 7.3% in H1FY25 representing a 25.51% decrease highlighting a slowdown in investment and business expansion.
- Bangladesh Bank maintained a cautiously tight stance, keeping the policy rate at 10%, the SDF rate at 8.5%, and the SLF rate at 11.5%.
- Public sector credit growth surged to 18.1% in December 2024, surpassing the 14.2% target and affecting liquidity.
- Outstanding liquidity reached BDT 1,17,533 crore at the end of H1 FY25, up from BDT 91,806 crore in H2 FY24.
- NBR revenue collection declined by 0.98% in July–December FY25, totaling BDT 156,442 crore falling BDT 58,000 crore short of the revised target.
- The budget deficit of BDT 2,56,000 crore (5.46% of GDP) will be financed through BDT 95,100 crore from foreign sources and BDT 1,60,900 crore from domestic sources.
- The tax-to-GDP ratio declined to 8% in FY24 from 9.6% in FY23, remaining one of the lowest globally (compared to India (16.98%), Indonesia (11.59%), Vietnam (14.03%), and Thailand (15.57%)).
- Recent VAT and duty hikes, along with increased tax rates on motorcycles and select electronics (from 10% to 20%), negatively impacted businesses.
- Private investment stagnated at around 24% in recent years, hindered by rising exchange rates, weakening consumer demand, high interest rates, political uncertainty, and the energy crisis.
- Forex Reserve shortages and import restrictions since 2022 further depressed the investment climate, with net FDI hitting a six-year low, plummeting 245.58% year-on-year in early FY25.
- Bangladesh's trade volume grew over six months, with export rising 7.91% and import increasing 9.40%, while 88% of total exports remained concentrated in North America and Europe, making them vulnerable to external shocks.
- The country contributes 14% of the global freelance workforce, earning nearly USD 1 billion in a USD 6.26 trillion market.



- Challenges persist, including unequal incentive structures, inefficient logistics, limited global value chain integration, inadequate international payment gateway access (e.g., PayPal), slow progress in FTA/PTA/EPA negotiations, and regulatory barriers for companies establishing liaison offices abroad.

### Chief Guest's Speech;

#### **Md. Abdur Rahim Khan, Additional Secretary (Head of Export Wing), Ministry of Commerce, GoB**

- \$40 billion in revenue collection for a \$450 billion economy is completely unacceptable.
- Highlighted difficulties in accessing SME loans, as many entrepreneurs struggle to secure financing.
- Noted that full implementation of the logistics policy could significantly reduce export costs.
- Identified the light engineering industry as a potential economic game-changer, with a planned Technology Centre in Gazipur to support entrepreneurs.
- Stressed the need to boost revenue generation and attract export-oriented FDI to bridge the investment gap.
- Emphasized improving export competitiveness to tackle challenges arising from LDC graduation.

### Summary of Recommendations

- There is a need to strengthen the Competition Commission and effectively utilize existing market monitoring tools to ensure market stability and enhance oversight.
- There is a need for evidence-based analysis in decision-making, and without it, no incentives should be provided.
- The investment segment within social protection initiatives should be reduced to focus more on direct support and targeted assistance programs.
- There is a need to prioritize concessional foreign loans, expand the tax base, cut operational expenditures, and enhance tax collection through automation.
- Full automation and seamless digital filing for corporate tax should be implemented in collaboration with the private sector to reduce errors and detect evasion.
- Tax Return Preparer (TRP) recruitment needs to be expedited to register unreported businesses and increase compliance.
- The tax revenue disparity between Dhaka and Chattogram should be addressed by expanding the tax base nationwide.
- Credit growth must reach double digits to restore private sector confidence and facilitate smooth business operations.
- Sector-specific funds like those for agriculture, freelancing, and tech startups should be introduced to boost credit flow.
- Public expenditure should be curbed through austerity measures to help manage fiscal challenges.
- Bond and equity markets need to be developed to reduce reliance on bank loans and to build strategic reserves that can subsidize critical imports.
- Strong governance and faster legal resolutions are necessary within the banking sector to foster private sector growth and economic resilience.
- Inflation should be managed by strengthening market monitoring and deploying law enforcement to break syndicates.
- VAT rationalization should be undertaken to reduce the burden on essential goods while increasing revenue from luxury non-essential items.
- Stabilizing the currency is essential to prevent imported inflation and reduce the cost of essential imports.
- Supply-side interventions, in combination with stricter monetary policies, should be adopted to stabilize prices and control inflation.
- Infrastructure improvements should be made to reduce bottlenecks, and targeted subsidies for key inputs like fertilizer, seed, and energy should be implemented to stabilize prices.
- The business environment should be improved by aligning investment policies, introducing a clear FDI policy, and ensuring smooth industrial operation.
- Exports to potential markets like Africa, Latin America, and the Middle East should be prioritized, and FTAs and PTAs should be negotiated and implemented quickly.
- Credit ratings and policy consistency must be maintained to attract foreign investment and ensure sustained economic growth.
- Industrial diversification should be encouraged, with particular emphasis on agro-processing, halal products, shipbuilding, light engineering, and other sectors.
- Supply chain linkages with international manufacturers and investors must be strengthened through improved compliance with global standards and certifications.



## CURRENT SNAPSHOT OF BANGLADESH ECONOMY



### GDP in FY24

USD 450 Billion in FY24 (BBS)  
Growth 4.22% FY24 (BBS)



### Agriculture Contribution to GDP

11.19% (Constant Price, BBS)  
Growth: 3.30% (Constant price, BBS)  
(FY24)



### Industry Contribution to GDP

37.37% (Constant Price, BBS)  
Growth: 3.51% (Constant Price, BBS)  
(FY24)



### Service Contribution to GDP

51.44% (Constant Price, BBS)  
Growth: 5.09% (Constant Price, BBS)  
(FY24)



### Private Investment

Private investment to GDP ratio is 23.96%  
(FY24, MoF)



### Foreign Exchange Reserve

USD 21.42 Billion (December, FY25, BB)



Remittance  
USD 13.77 Billion (December 25, BB)



### Goods Export

USD 24.53 billion  
(July-December, FY25, EPB)  
Growth (Goods) +12.84%



### Goods Import

USD 15.09 Billion  
(July-December, FY25, BB)  
Growth: (Goods) -5 %



### Net FDI

USD 1.41 Billion, FY24, BB)  
Growth -12.42%



### Employment Status

Employment: 70.06 Million  
Unemployment Rate: 3.64%  
(3<sup>rd</sup> Quarter, 2024) (BBS)



### Outlook of Poverty

Upper poverty reduced to 18.7%;  
Extreme poverty reduced to 5.6%  
in 2022 (BBS)



### Current Inflation

9.94%  
(January, FY25, BBS)

- Trade agreements like FTAs, PTAs, and EPAs should be expedited by setting clear objectives. Alignment with regional trade blocs such as RCEP and ASEAN is essential to gaining preferential access and reducing non-tariff barriers.
- Affiliation with international payment gateways like PayPal and Payoneer should be pursued to facilitate seamless money transfers.
- Energy supply to industries must be uninterrupted to maintain productive capacity for smooth operations and to ensure effective supply chain management.
- Loan facilities for small tanners should be eased before Eid ul-Adha to curb raw-hide smuggling, and implementation of the Leather Goods Development Policy should be monitored.
- The off-patent status for existing medicines needs to be secured before LDC graduation, along with negotiations for a WTO waiver extension until 2030.
- API parks should be fully functional to reduce import dependence, positioning Bangladesh as a hub for generic medicines. Multiple API parks should be developed under a PPP model with incentives.
- IP protection should be strengthened, global partnerships for technology sharing should be fostered, and the role of DGDA in price regulation and monitoring should be enhanced.
- Investment in infrastructure like Prototype Labs and Original Brand Manufacturer (OBM) branding should be made to foster innovation.
- Energy prices should follow a phased approach with predictable pricing to minimize impacts on industries and consumers.
- Energy networks should be upgraded, smart grids invested in, and underground gas storage developed for a reliable supply during peak demand.
- The Bay terminal project needs to be expedited, with enhanced road infrastructure and multimodal transport to improve logistics and reduce costs.
- CMSMEs should be integrated with digital financial solutions to expand their market reach both domestically and internationally.
- Long-term regional energy trade should be strengthened by sourcing fuel from GCC countries and accelerating offshore exploration in allocated energy blocs.
- The banking sector must be strengthened by promoting risk-based lending, improving corporate governance, and adhering to global standards like Basel III for capital adequacy and accountability.
- Transition mechanisms should be created for good borrowers in troubled banks, similar to deposit insurance for depositors.
- Skill development and training programs for the labor force should be targeted to enhance competitiveness, enabling better local employment opportunities and migration options.
- A diversified skill development program for freelancers and migrant workers, along with a targeted TVET program, should be implemented to address the needs of the labor market.
- Tax incentives should be provided to establish local industries and reduce import dependence, with a focus on manufacturing sectors like electronics and semiconductors.