

Seminar

On

**Biannual Economic State in FY2026: Fiscal & Monetary
Perspective and Private Sector Expectations**

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OUTCOME REPORT



Dhaka Chamber of Commerce & Industry (DCCI)

As part of its ongoing policy advocacy and regular economic analysis, Dhaka Chamber of Commerce & Industry (DCCI) organizes its traditional bi-annual seminar at a crucial stage in 2026. This period follows six months of consolidated state reforms and governance enhancements aimed at stabilizing the economy after recent political transitions. Despite renewed investor optimism, significant domestic challenges persist, including an acute energy crisis and fuel price volatility. These issues are further compounded by global geopolitical tensions, specifically the conflict involving the United States and Iran, which has disrupted regional supply chains and intensified inflationary pressures. The seminar serves as a critical platform to highlight these challenges to policymakers, facilitating the alignment of evidence-based strategies with the operational realities of the private sector to ensure sustainable development amidst prevailing macroeconomic uncertainties.

Mr. Taskeen Ahmed, President, DCCI, delivered the keynote presentation and moderated the event. **Dr. Zaidi Sattar**, Chairman, Policy Research Institute of Bangladesh (PRI); **Mr. Mahbubur Rahman**, President, International Chamber of Commerce (ICC) Bangladesh; and **Dr. Hossain Zillur Rahman**, Executive Chairman, Power and Participation Research Centre (PPRC) and Chairman, BRAC, were present as the Special Guests, providing multifaceted insights into monetary stability and inclusive growth. **Mr. Amir Khosru Mahmud Chowdhury, MP**, Honorable Minister, Ministry of Finance, Government of the People's Republic of Bangladesh, graced the occasion as the Chief Guest, reaffirming the state's commitment to fostering a transparent and competitive economic environment through seamless public-private coordination.

The Panel Discussion session featured contributions from a diverse group of leading industry representatives and eminent economists who analyzed the fiscal and monetary perspectives of the current fiscal year. The distinguished panel included **Mr. Syed Mahbubur Rahman**, Managing Director & CEO, Mutual Trust Bank PLC; **Ms. Simeen Rahman**, Group CEO, Transcom Limited; **Dr. A K Enamul Haque**, Director General, Bangladesh Institute of Development Studies (BIDS); and **Professor Dr. Mustafizur Rahman**, Distinguished Fellow, Centre for Policy Dialogue (CPD). Members of the DCCI Board of Directors were also present at the event.

Welcome Address & Keynote

Mr. Taskeen Ahmed, President, DCCI

- The Bangladeshi economy is projected to reach a GDP of USD 501 billion in FY2026 with a growth rate of 4.14%, though Moody's has recently downgraded the nation's long-term sovereign credit rating to B2 from B1.
- The industrial sector contributes 36.98% to the GDP with a growth rate of 2.86%, while the service sector remains the largest contributor at 52.09% with a 4.59% growth rate.
- The private investment to GDP ratio stands at 21.2% for FY2026, while net Foreign Direct Investment (FDI) has seen a sharp decline of 44.4%, dropping to USD 1 billion compared to USD 1.8 billion in the previous year.
- Foreign exchange reserve is recorded at USD 31.53 billion, supported by remittance inflows of USD 35.56 billion, yet total exports have faced a slight decline of 0.58% and import payments up 18.77% to nearly USD 75.25 billion.
- Inflation remains a persistent challenge, recorded at 9.16% in June 2026 and 8.32% in July 2026, which is currently the highest in South Asia.
- National unemployment rate stood at 3.66% according to the 2024 Labor Force Survey, while point-to-point inflation dropped from 9.16% in June 2026 to 8.32% in July 2026.

- Global growth is decelerating to 3.1% due to trade barriers and the Middle East conflict, with the risk in the Strait of Hormuz causing a doubling of freight cost and severe supply chain disruptions.
- Domestic poverty rate have climbed from 18.7% in 2022 to 21.4% in 2025, with projections suggesting the Middle East war may push an additional 12 lakh people into poverty by the end of 2026.
- The national budget for FY2026-27 has set a total outlay of BDT 9.38 trillion with a 3.6% deficit, but rising interest payments on domestic and foreign debt are significantly squeezing fiscal space.
- Monetary policy remains contractionary with a policy rate of 9.5%, leading to private sector credit growth falling to a two-decade low of 4.47% in June 2026.
- The financial sector is burdened by Non-Performing Loans (NPLs) amounting to BDT 5.57 trillion, which accounts for approximately 30.6% of all outstanding loans.
- The agriculture sector, which employs 45% of the workforce, is facing a growth deceleration to 2.78% and an annual climate-related crop loss of USD 3 billion.
- In the RMG sector, export growth has turned negative with a 1.64% decline in FY2026, and approximately 400 factories have closed over the past three years.
- The leather sector is suffering from a 30% wastage rate due to poor preservation and a lack of LWG certification which restricts access to premium global markets.
- The pharmaceutical sector meets 98% of local demand but remains 85% dependent on imported Active Pharmaceutical Ingredients (APIs) and faces gas supply constraints at the Munshiganj API park.
- The ICT sector currently contributes 2% to the GDP with exports exceeding USD 1.5 billion, but it faces a talent shortage in AI and semiconductor design and a significant "Venture Gap" in funding.
- CMSMEs are struggling with a "Credit Disconnect" where collateral bias keeps credit access at 16.8%, far short of the 25% target, and NPLs in this sector have risen to 24.1%.
- Energy and power infrastructure faces a "Fossil Fuel Subsidy Bias" where 87% of projects support fossil fuels, while renewable energy accounts for only 3.6–5.4% of total generation.
- Logistics cost in Bangladesh is exceptionally high at 15–20% of GDP, with the country ranking 88th in the Logistics Performance Index and relying on road transport for 75% of domestic freight.
- LDC graduation scheduled for November 2029 poses a potential export loss of USD 17.5 billion as the country will lose duty-free and quota-free market access.

Remarks by Distinguished Panel Discussants

Mr. Syed Mahbubur Rahman, MD & CEO, Mutual Trust Bank PLC.

- While bankers face intense public criticism for high interest rate, the banking sector alone is not responsible for the current macroeconomic downturn.
- The official NPLs have exploded from BDT 22,000 crore in 2008 to nearly BDT 600,000 crore today, severely compromising bank capital adequacy.
- Lowering the policy rate is insufficient to drive investment if primary barrier, such as energy shortages, weak logistics, port congestion, and administrative red tape remain unaddressed.
- Bangladesh's tax-to-GDP ratio has fallen below 7%, making it one of the lowest in the world and rendering public infrastructure and social spending completely unsustainable.
- The national debt servicing is becoming unbearable, with annual debt repayments projected to require between USD 3.3 billion and USD 3.5 billion, placing extreme stress on the treasury.

Ms. Simin Rahman, Group CEO, Transcom Limited.

- Private sector expansion has slowed dramatically due to high borrowing cost and persistent inflation.
- The daily operational and production cost are escalating due to unstable industrial energy supplies and rising utility tariffs, directly eroding corporate profit margins.
- The heavy government borrowing from commercial banks to cover the fiscal deficit is severely crowding out private sector liquidity.
- Protect the corporate working capital by eliminating AIT blockage at the import stage and drastically improving customs clearance efficiency at Chittagong Port.

Dr. A.K. Enamul Haque, Director General, BIDS.

- The remittance-dependent economies like Bangladesh, baseline consumer inflation is structurally higher and cannot be easily eliminated through monetary tightening alone.
- The global geopolitical conflicts will keep global commodity prices high and maintain severe pressure on the taka-dollar exchange rate, noting that the Indian Rupee has already depreciated to nearly 100 per USD.
- the state's only viable strategy is drastically cutting the non-financial cost of doing business, as interest rate cannot be dropped below the inflation rate without destroying bank deposit growth.
- There is a severe regulatory overreach where a small startup entrepreneur was forced to acquire 20 to 33 separate licenses, including three separate permits from the exact same government office, just to operate legally.
- Immediately decentralizing product testing and quality certification by utilizing existing university laboratories across all districts rather than forcing every business through BSTI.

Prof. Mustafizur Rahman, Distinguished Fellow, CPD

- Implementing a BDT 300,000 crore ADP following a year with a record-low execution of BDT 141,000 crore requires major structural shifts to be feasible.
- Reaching the BDT 695,000 crore revenue target necessitates a 45% growth rate in collection.
- A contradiction exists between fiscal incentives designed to stimulate investment and a tight, contractionary monetary policy that suppresses it.
- Economic transformation requires moving away from "one-size-fits-all" international model (such as those suggested by the IMF) toward a reformed monetary policy tailored to domestic need.
- The integration of AI, digitalization, and QR codes in tax administration is essential to ensure that revenue paid by the public actually reaches the national exchequer.
- Failure to prioritize domestic resource mobilization has led to a dangerous and mandatory reliance on debt.
- External debt servicing has escalated from USD2.5 billion a few years ago to USD4.5 billion today and is projected to reach USD7.6 billion within three years. Greater budget transparency is required regarding the separation of principal and interest payments to manage this "debt trap."
- While the tax-to-GDP ratio is officially 7.7%, there is a significant gap between what the public pays in taxes and what the government actually receives. Bridging this gap, specifically by moving beyond the current 24,000 VAT collection points to the potential 400,000 points, represents "low-hanging fruit" for revenue mobilization.
- A fundamental contradiction exists between fiscal and monetary policy; the government is attempting to stimulate investment through fiscal incentives while simultaneously suppressing it through a tight, contractionary monetary policy.

- The revenue target of 10.2% of GDP is "ambitious" and unlikely to be met given the current low tax-to-GDP ratio.

Open Floor Discussion

- The government should officially declare real estate as a recognized industry, as it has massive backward linkages to hundreds of sub-sectors ranging from steel wire to home electronics.
- 80% of Dhaka residents are forced to rent because homeownership has become completely unaffordable for the middle class.
- Commercial banks cannot provide 20 to 30-year mortgages because they borrow short-term one-year deposits from the market, making long-term property lending structurally impossible.
- Proposed creating Real Estate Investment Trusts (REITs), issuing real estate mortgage bonds, and reinstating central bank low-cost refinancing schemes (such as the former Grihayan fund) for apartments priced under BDT 1 crore.
- Bangladesh possesses 75 years' worth of domestic coal reserve that remain unextracted under the pretext of climate concerns, despite Bangladesh having among the lowest per-capita emissions in the world.
- Utilize domestic coal for power generation to save billions in foreign exchange currently spent on imported gas, which could sustainably support a 9% GDP growth rate.
- Establish a dedicated National Logistics Authority to centralize and execute the National Logistics Policy, noting that Bangladesh's logistics cost currently swallow 15% to 20% of GDP.
- Issuing universal "Tax Cards" to all active taxpayers rather than restricting recognition to the top 141 highest payers, to incentivize tax net expansion.
- Widespread industrial load-shedding persists despite an installed power capacity of 32,000 MW against a peak demand of approximately 16,000 MW, indicating severe failures in transmission and distribution infrastructure.
- Approximately 96% of total National Board of Revenue (NBR) revenue is generated in Dhaka and Chittagong, while the rest of the country contributes 4%.
- Expanding the tax base requires the deployment of Artificial Intelligence and full digital integration rather than increasing the tax burden on existing compliant corporate taxpayers.
- Cottage, Micro, and Small Enterprises (CMSEs) generate 85% of industrial employment. Developing dedicated, localized economic zones for existing SME clusters, such as Dholaikhal, offers an alternative to the implementation of 100 scattered mega-zones.
- To alleviate the severe fiscal burden on the national budget, the government should renegotiate contracts with Independent Power Plants (IPPs) and privatize inefficient state-owned power facilities, a strategy that has successfully allowed neighboring countries to save approximately 1.8% of their GDP, following restructuring model similar to those used in Sri Lanka.

Special Guest

Dr. Zaidi Sattar, Chairman, PRI

- Bangladesh cannot "sleepwalk" toward 2029; the next two to three years are a critical window to stabilize the economy and reform trade policies ahead of LDC graduation.
- Bangladesh suffers from an intense anti-export bias because domestic markets are protected by extremely high tariffs, making selling locally far more lucrative than exporting.
- Outside of RMG, which was granted a special, duty-free 100% bonded warehouse channel, no other sector has been able to scale beyond USD 1 billion in exports due to this protective tariff distortion.

- There is a significant gap between policy formulation and actual implementation in the trade sector.
- Rather than the government attempting to "pick winners" by selecting specific priority sectors, a broad and neutral policy framework is required to encourage growth across all potential export industries.
- LDC graduation preparations require a more tactical and appropriate strategy to avoid an economic shock.

Mr. Mahbubur Rahman, President, ICC Bangladesh

- Practical and coordinated measures, alongside a predictable business environment, are necessary to support the sustainability of industries and businesses.
- Industry associations and chambers, such as the DCCI, conduct research and policy analysis to provide evidence-based recommendations. Enhanced government–private sector consultation facilitates the development of practical and business-friendly policy measures.
- Energy security, banking sector stability, and private-sector financing are critical factors currently impacting business operations and investment.
- Economic recovery and the strengthening of productive sectors depend on improved energy security, adequate financing, and restored confidence in the banking sector.
- A coordinated, private-sector-oriented macroeconomic strategy is required to address immediate economic challenges and establish a foundation for sustainable industrial growth, employment generation, and long-term stability.

Dr. Hossain Zillur Rahman, Executive Chairman, PPRC & Chairman, BRAC

- Maintaining macroeconomic stability, sustainable employment, and inclusive growth amid persistent inflation is essential to protecting livelihoods and CMSMEs.
- The national economic focus is shifting from incremental progress toward accelerated transformation to maintain competitiveness with peer economies such as Vietnam.
- Regulatory, administrative, and structural barriers currently limit the productivity, investment, and expansion of the entrepreneurial sector.
- Delays in approval, certification, and licensing create "**harassment tax**", systemic cost that do not generate government revenue. Deregulation, digitalization, and administrative accountability are the primary methods for reducing this cost.
- Bangladesh is facing two major pressures including entrepreneurs are unable to expand as desired, while ordinary people are experiencing declining purchasing power as wage growth fails to keep pace with inflation, resulting in real wage stagnation.
- The policy framework is moving from a focus on "resilience" toward the "speed" of reforms, investment, and productivity growth.
- Productive and sustainable employment is a byproduct of overall economic transformation rather than isolated government project.
- While resolving NPLs is important, access to finance remains a major challenge for CMSMEs. Bangladesh should explore capital-market financing, credit guarantees, specialised financing, and other innovative mechanisms alongside traditional bank lending.
- Effective deregulation and reform require a mechanism with strong executive authority to ensure the implementation of policy recommendation.
- Future policy reviews should focus not only on broad progress indicators but also on specific reforms, implementation timeline, institutional bottleneck, and measurable outcome.

- Bangladesh needs to move from a mindset of managing challenges and maintaining resilience toward accelerating economic transformation, supported by faster reforms, stronger institutions, productive employment, improved access to finance, and effective implementation.
- The focus on "resilience" often serves to normalize systemic suffering among the public and the entrepreneurial class.
- A distinction exists between willful financial looting and structural NPLs resulting from government infrastructure delays, such as the seven-year delay in utility hookups for the Hazaribagh-Savar CETP.
- The establishment of an empowered "Reform Acceleration Unit" reporting directly to the Prime Minister and Finance Minister would provide the executive authority necessary to bypass bureaucratic bottleneck.

Chief Guest

Mr. Amir Khosru Mahmud Chowdhury, MP, Honorable Minister, Ministry of Finance, GoB

- Continuous engagement with the business community is essential to ensure that policymakers remain connected to the ground realities and expectations of businesses. The Government cannot address these challenges alone and therefore needs to work through a partnership-based approach with the private sector.
- Investment is the central driver of economic recovery and growth. Bangladesh's past economic progress was largely driven by private-sector investment, making it essential to create a predictable, business-friendly environment that encourages both domestic and foreign investment.
- Deregulation and reducing the cost of doing business are key priorities. Many barriers are deeply rooted and cannot be removed overnight. A dedicated mechanism and online platform are being developed to identify regulatory obstacles and allow businesses to report implementation-related problem.
- Policy decisions must be accompanied by effective implementation and accountability. Customs and other agencies need to work within clearly defined timelines, particularly for import clearance and other business-related services, so that unnecessary delays and harassment are reduced.
- The energy and gas crisis cannot be resolved immediately because of the inherited structural constraints. However, the Government is pursuing short-term measures, including negotiations for additional FSRUs and gas supplies, while working toward strengthening energy security and maintaining adequate reserve.
- The banking-sector NPL problem requires differentiated treatment. While willful default must be addressed, viable businesses affected by temporary or structural difficulties should have opportunities for restructuring, repayment over time, grace period, or orderly exit mechanism.
- Special financing support is being considered for CMSMEs, with financing to be provided based on clear eligibility criteria rather than political influence. Ensuring transparency and preventing misuse of financial support are essential.
- Economic participation should be broadened by bringing artisans, cottage industries, creative industries, sport, entertainment, theatre, film, and music into the formal economic mainstream.
- Support for smaller and underserved businesses should include not only finance but also skills development, product design, branding, marketing, and digital-market access, enabling them to reach domestic and international customer.
- Greater private-sector and NGO participation is important for delivering support to communities that have limited access to government service. This approach can contribute to the democratisation of the economy, improve livelihood, generate employment, and expand participation in economic growth.

- Improving the tax-to-GDP ratio is critical to creating fiscal space for welfare, infrastructure, business support, and development spending. Given the current fiscal constraints and higher energy and debt-servicing cost, strengthening domestic revenue mobilisation is essential.
- Bangladesh needs to diversify its sources of financing beyond traditional bank lending and external development assistance. Alternative financing, capital-market development, bonds, and equity financing can reduce pressure on banks and provide businesses with additional sources of long-term capital.
- Restoring investor confidence in the capital market is essential. Transparent and merit-based appointments and stronger institutional credibility can help rebuild confidence and attract domestic and international investor.
- Greater use of automation and digitalisation in taxation and government services can reduce physical interaction, improve transparency, minimise corruption, increase revenue collection, and make public services more efficient.
- Bangladesh should strengthen the digital economy, including AI, digital government service, and robust internet infrastructure. A reliable digital ecosystem can create significant employment opportunities and support new business model.
- Reliable and transparent economic data are essential for effective policymaking. Strengthening the BBS and providing research access to private-sector researchers can improve the quality and credibility of economic analysis.
- Energy diversification should remain a priority. Alongside gas, Bangladesh should explore solar, coal, and nuclear power, while reducing excessive dependence on imported energy and developing domestic energy resources where feasible.
- Renewable energy development, particularly solar power, should be accelerated through appropriate incentives and investment support, while allowing domestic industries to gradually develop their capacity to compete in the renewable-energy supply chain.
- Economic reforms must be supported by clear timeline, implementation monitoring, and accountability. Every ministry, agency, and responsible institution should be held accountable for delivering agreed reform and service within the specified timeframe.

Summary Recommendations

- Cap domestic bank borrowing by the government to favor concessional external and non-bank financing, thereby freeing up credit for the private sector.
- Shift away from expensive domestic bank borrowing toward low-interest foreign loans and non-bank financing, fully digitizing NBR, expanding the tax net to achieve a 15% tax-to-GDP ratio by 2035.
- Enforce Service Level Agreement (SLA) timelines and "deemed-approval" rules within government agencies to reduce the cost of doing business and build investor confidence.
- Ring-fence the BDT 60,000 crore stimulus package with strict end-use monitoring to ensure subsidized interest rate are channeled specifically to production and MSMEs.
- Coordinate fiscal and monetary initiatives simultaneously, as interest rate adjustments alone cannot fix cost-push inflation driven by supply chain disruptions.
- Strengthen bank health by continuing Asset Quality Reviews (AQR), prioritizing NPL resolution, and implementing deep governance reforms within the financial sector.
- Build "plug-and-play" Free Trade Zones (FTZs) and industrial parks with ready-to-use infrastructure to cut export lead times and lower setup cost for investors.
- Scale the use of climate-resilient seed varieties and subsidize affordable farm machinery for smallholders to counter decelerating agricultural growth and labor shortages.

- Diversify the RMG sector into high-end products and Man-made Fibers (MMF) by removing import duty barriers on Polyester Staple Fiber and resins.
- Establish industry-wide platforms to negotiate a "Minimum Sustainable Price" with international buyers and retailers to offset rising compliance cost.
- Upgrade Central Effluent Treatment Plants (CETP) through Public-Private Partnership (PPP) model to unlock the export potential of the leather sector.
- Secure the post-LDC transition for the pharmaceutical sector by obtaining off-patent status for existing medicines and negotiating with the WTO for TRIPS waiver extensions.
- Launch a dedicated Equity Entrepreneurship Fund (EEF) and industry-embedded Centers of Excellence within universities to bridge the financing and skills gap in the ICT sector.
- Shift CMSME lending from collateral-based model to digital credit scoring and cash-flow-based lending to close the current credit gap.
- Rationalize capacity payments in the power sector and diversify energy import sources to absorb global price shocks and create predictable end-user tariffs.
- Digitalize the freight management system to reduce logistics cost to below 13% of GDP by 2030 and expand multimodal connectivity beyond road transport.
- Expedite the negotiation and implementation of FTAs and PTAs to protect export competitiveness ahead of the 2029 LDC graduation.
- Develop a robust and meaningful Smooth Transition Strategy (STS) through direct consultation with the private sector to ensure a confident graduation process.
- Shifting the fiscal year to an April–March cycle improves the execution of the Annual Development Program (ADP) and ensures value for money.
- Expanding the "Tax Card" system to all taxpayers encourages formalization, moving beyond the current top 141 recipients.
- Eliminating Advanced Income Tax (AIT) at the import stage prevents the unnecessary blocking of business working capital.
- Limiting government borrowing from the banking sector preserve liquidity for private sector investment.
- Enhancing budget transparency through the separation of principal and interest payments facilitates the management of escalating debt servicing risks.
- Diversifying beyond traditional bank lending involves deepening the capital market and promoting corporate bonds, municipal bonds, and equity financing.
- Implementing credit scoring and cash-flow-based lending instead of traditional collateral requirements improves financial access for smaller entrepreneurs.
- Clarifying and decentralizing the disbursement of the BDT 500-crore startup capital fund allows it to reach entrepreneurs in remote areas.
- Differentiating between willful defaulters and businesses suffering from structural or infrastructure delays allows for appropriate restructuring opportunities for viable enterprises.
- Addressing energy sector inefficiencies involves renegotiating Independent Power Producer (IPP) contracts and privatizing inefficient state-owned power plants.
- Prioritizing the upgrade of transmission and distribution infrastructure addresses the root causes of industrial load-shedding.
- Utilizing domestic coal reserve for electricity production reduces the cost of imported energy and supports industrial sustainability.
- Establishing a centralized "National Logistics Authority" facilitates the execution of the National Logistics Policy and reduces logistics cost.
- Increasing infrastructure investment to 6–10% of GDP through public-private partnerships and foreign direct investment is necessary for sustained growth.

- Establishing an "Economic Reform Acceleration Unit" with executive authority under the Prime Minister or Finance Minister helps bypass bureaucratic roadblock.
- Reducing the number of required business licenses and simplifying the regulatory structure eliminates the "harassment tax."
- Transforming the "One-Stop Service" into a functional tool requires guaranteed and enforceable timelines for all approvals and certifications.
- Utilizing university and private laboratories for product certification decentralizes authority and increases the speed of business processes.
- Ensuring long-term predictability in fiscal and monetary policies maintains investor confidence and long-term capital commitment.
- Building dedicated, localized economic zones for existing SME clusters, such as Dholaiakhal, offers an alternative to the implementation of 100 scattered mega-zones.
- Removing the "anti-export bias" through the reduction of high domestic protection tariffs enables non-garment sectors to compete in global markets.
- Classifying real estate as an industry and introducing Real Estate Investment Trusts (REITs) and mortgage bonds allows for the implementation of 20–30-year financing model.
- Creating a dedicated refinancing scheme of BDT 10,000–20,000 crore specifically for low-cost housing outside Dhaka improves urban decentralization.