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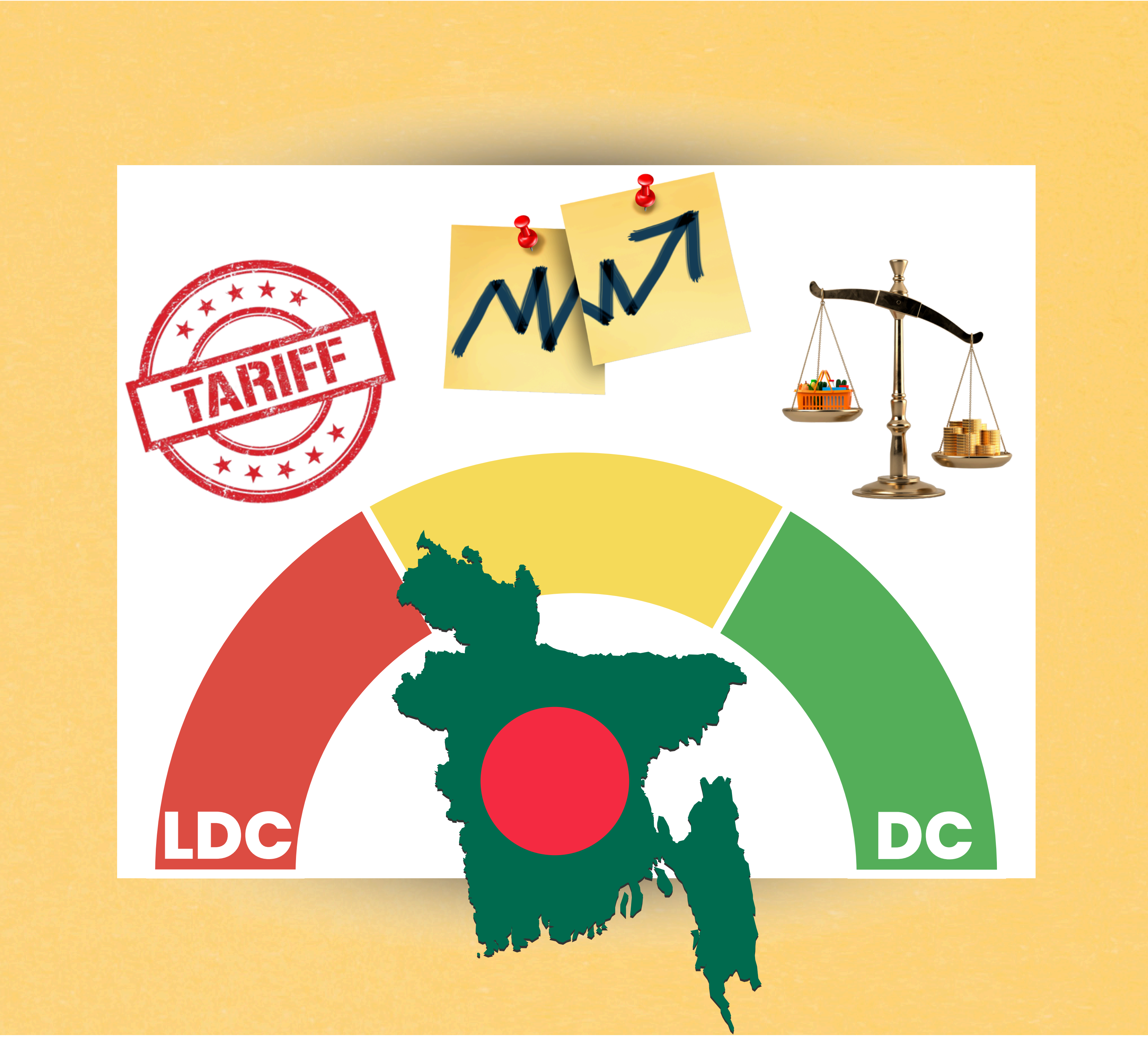

Cover Story:
Bangladesh 2025: On the Road to LDC Graduation
ECRL Thought:
Attracting FDI in a Changing Economy: Bangladesh's Next Move

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Against a backdrop of economic fragility and political reform, this April, ECRL Monthly Economic & Business Review delves into the opportunities and challenges of a nation preparing to graduate from its Least Developed Country (LDC) status in 2026. With macroeconomic volatility and an evolving global trade landscape, Bangladesh stands at a critical crossroads where decisive reform, strategic investment, and international cooperation are more vital than ever.

Our cover story, "Bangladesh 2025: On the Road to LDC Graduation," offers a comprehensive review of the country's shifting economic trajectory. After a decade of impressive growth, Bangladesh now faces headwinds: GDP growth is projected to fall below 4%, inflation remains stubborn, and foreign exchange reserves continue to face pressure. The removal of preferential trade privileges following LDC graduation could cost the economy as much as USD 7 billion annually in export revenue. The potential contraction in ready-made garment (RMG) exports, pharmaceutical vulnerability due to TRIPS waiver expiration, and disruptions in logistics underscore the urgency of economic diversification and policy reform.

To navigate these turbulent waters, the government is introducing ambitious initiatives—including a new Foreign Direct Investment (FDI) Heatmap launched by BIDA, targeting 19 priority sectors. Meanwhile, the Bangladesh Investment Summit 2025 signaled renewed interest in sectors beyond RMG, including pharmaceuticals, IT-enabled services, and agro-processing. This issue's ECRL Thought, "Attracting FDI in a Changing Economy," explores these developments and argues for enhanced trade diplomacy, streamlined regulation, and greater investor confidence.

This edition also features exclusive interviews with three key experts: Dr. Jamaluddin Ahmed, Chairman at Emerging Credit Rating Ltd. (ECRL), Dr. Khondaker Golam Moazzem, Research Director at the Centre for Policy Dialogue (CPD), and Dr. Md. Rezaul Bashar Siddique, Component Manager for the Support to Sustainable Graduation Project under the Ministry of Finance. Their insights highlight the importance of institutional reform, export diversification, and resilience in navigating global headwinds and internal fiscal challenges.

Bangladesh's story in 2025 is not just about weathering storms—it is about steering toward a more sustainable and inclusive future. From stabilizing inflation and enhancing productivity to fostering new investment and trade channels, the choices made today will shape the nation's path beyond LDC status. We hope this issue informs, provokes thought, and inspires action.

Cover Story

BANGLADESH 2025: ON THE ROAD TO LDC GRADUATION

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Bangladesh 2025: On the Road to LDC Graduation (Snapshot)

Macroeconomic Overview

3.3% – 3.9%
GDP growth forecast for FY 2024–25 (World Bank, IMF, ADB)

13.8% → 9.17%
Inflation dropped from Nov 2024 to April 2025

10%
Policy rate maintained to control inflation

BDT 790,000 Crore
Revised FY2025 national budget focused on stability

Economic Challenges

- Private sector credit growth: 7.3% YoY in Dec 2024 — lowest in 30 years
- High inflation & FX volatility despite tighter monetary policy
- Export decline amid U.S. tariffs & weak global demand
- Subsidy rollbacks pose risk to rural livelihoods

Investment & Sector Diversification

BDT 3,100 Crore
Investment commitments from Bangladesh Investment Summit 2025

19 priority sectors
FDI Heatmap Launched including: Pharmaceuticals, IT-enabled services, Agro-processing

Trade and External Pressures

37%
Tariff imposed by the U.S. on select goods such as RMG, leather, and pharmaceutical exports

USD 800 Million
Goods stranded due to sudden U.S. trade action

18–25%
Increase in freight costs after India ends transshipment privileges

Over 82%
RMG share in total exports — highly exposed post-LDC

LDC Graduation 2026: Key Risks & Opportunities

Opportunities

- Better credit rating → Access to global capital
- Growth in FDI across diversified sectors
- Stronger regional market access (ASEAN, South Asia)

Challenges

- USD 7 BILLION potential export revenue loss
- 1.53% projected GDP decline post-GSP removal
- TRIPS waiver loss threatens pharma exports
- GSP exit → 11.8% RMG export contraction

Lessons from Vietnam's Economic Transition

Doi Moi Reforms (1986):

- Opened markets, attracted FDI, improved infrastructure
- Pursued FTAs and regional integration
- Export diversification & investment in human capital (But also faced inequality, environmental strain)

Introduction

As Bangladesh steps into 2025, the country finds itself navigating a period of significant economic adjustment amid evolving domestic and global conditions. The dramatic student-led uprising of 2024, which resulted in the ousting of the previous regime, has ushered in a new phase of governance marked by both public expectation and institutional pressure. While the new administration works to stabilize the country, economic uncertainty remains a central concern. After more than a decade of robust growth averaging around 7% annually, recent indicators suggest a visible deceleration in economic momentum. Key macroeconomic pressures—ranging from persistent inflation and foreign exchange constraints to slowing export demand and weakening private sector credit—are testing the resilience of the country's economic fundamentals.

The global economic environment remains challenging. Rising geopolitical tensions, tightened global financial conditions, and subdued demand in major export markets have weighed heavily on Bangladesh's trade performance. In particular, the imposition of 37% tariffs by the United States on all Bangladeshi exports has significantly eroded competitiveness in a key destination market. Despite some recovery in remittance inflows, the balance of payments remains under strain, pressuring the central bank to manage a delicate foreign exchange situation while maintaining adequate reserve levels. At the same time, inflation—though gradually declining—continues to affect real incomes and household purchasing power, underscoring structural inefficiencies in supply chains and fiscal management.

Domestically, a number of long-standing vulnerabilities are now becoming more pronounced. These include sluggish private investment, underperforming state-owned enterprises, and delays in fiscal reforms. Credit growth has slowed significantly, particularly in the private sector, while public sector borrowing has increased to support subsidy-driven spending and social safety nets. The government's growth forecast of 5.25% remains more optimistic than those of international institutions, which project significantly lower figures. The World Bank expects GDP growth at 3.3% for FY2024–25, the IMF projects 3.8%, and the Asian Development Bank (ADB) estimates 3.9%—highlighting a growing gap in expectations and raising questions about the realism of official projections.

Crucially, Bangladesh is also preparing for its graduation from LDC status by 2026. While this marks a developmental milestone, it also introduces risks associated with the loss of preferential trade terms and concessional financing. Against this backdrop, this cover story examines the country's key macroeconomic indicators, evaluates ongoing fiscal and monetary challenges, and explores the outlook for 2025 as Bangladesh approaches a new phase of its economic journey.

Economic Reality Check: Growth Slows, Prices Rise

As Bangladesh nears its transition to developing country status in November 2026, its economy faces a stark reality check. Once a fast-growing South Asian success story, the country is now grappling with a slowdown. Investor sentiment has weakened amid the suspension of the previous government's eighth five-year plan and policy uncertainty under the interim administration. While the Bangladesh Investment Summit 2025 attracted BDT 3,100 crore in private pledges, stagnant private investment and rising graduate unemployment remain major concerns. The World Bank projects GDP growth at just 3.3% for FY2024–25, with the IMF and ADB estimating 3.8% and 3.9%, respectively. This is well below South Asia's average of 5.7%, led by India and Nepal (IMF, 2025).

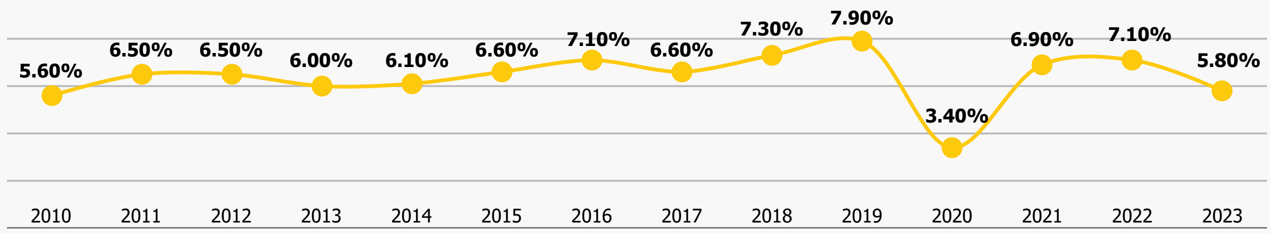
USD 256 MILLION (Approximately)

WERE DECLARED FROM PRIVATE INVESTORS
FROM THE INVESTMENT SUMMIT 2025, HOSTED BY BIDA.

Global demand has weakened, particularly in the US and EU—key markets for Bangladesh's ready-made garments (RMG) industry. Falling export orders have hurt industrial output and job creation, just as the country prepares to lose duty-free access in many key markets following its economic transition. This shift will expose Bangladesh to stricter trade rules and greater competition, undermining its cost advantage.

3.3% WORLD BANK FORECASTS GROWTH RATE FOR BANGLADESH

GDP Growth Rate:



Source: BBS;2025

ASIAN DEVELOPMENT BANK FORECASTS GROWTH RATE FOR BANGLADESH 3.9%

Domestically, investment sentiment is weak. Credit growth in the private sector fell to just 7.3% year-on-year in December 2024—the lowest in three decades (Monetary Policy Statement, 2025). High interest rates, policy unpredictability, bureaucratic hurdles, and underdeveloped infrastructure have eroded business confidence. As a result, capital formation has slowed, dragging down potential growth and employment opportunities.

Despite these signals, the government's revised growth target for FY2024–25 stands at 5.25%, trimmed from 6.75% in late 2024. Yet many experts call this "ambitious," as it does not align with international estimates or ground realities. Institutions like the World Bank and IMF have adjusted their forecasts to reflect tight global financial conditions, rising fiscal pressures, and weakening domestic demand.

Inflation remains the most immediate challenge for households. Though point-to-point inflation dropped from 13.8% in November 2024 to 9.17% in April 2025, the decline stems largely from easing food prices (BBS, 2025). The core drivers of inflation—currency depreciation, global commodity volatility, and domestic supply chain inefficiencies—persist. Non-food inflation is gradually rising, highlighting deeper structural issues that have yet to be resolved.

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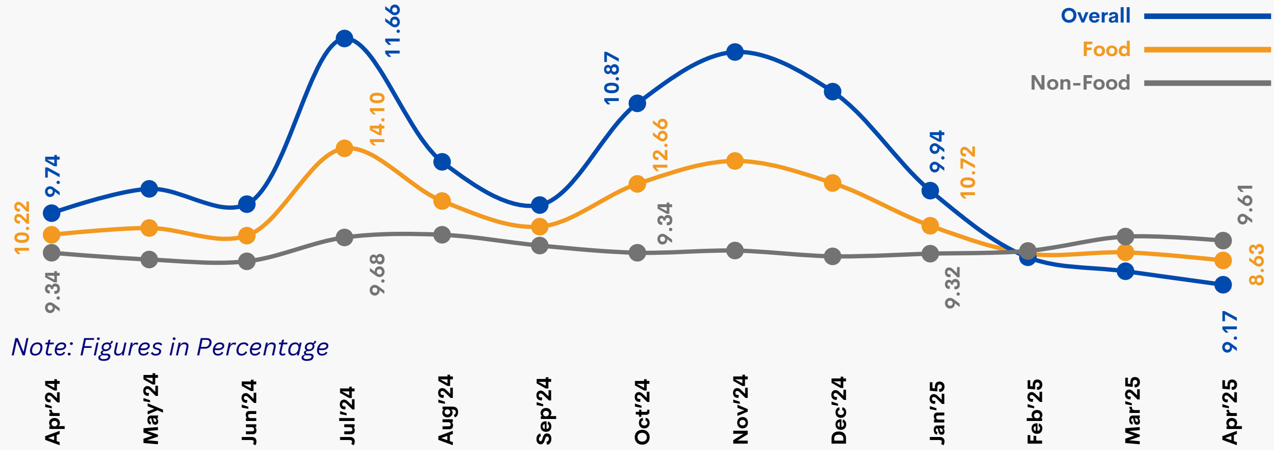
To contain inflation, Bangladesh Bank has maintained a contractionary stance. The policy rate remains at 10%, with lending and deposit rates at 11.5% and 8.5%, respectively. While this has helped cool price momentum, the full impact is expected to materialize over 12 to 18 months. In the meantime, high borrowing costs are suppressing business investment and consumer spending.

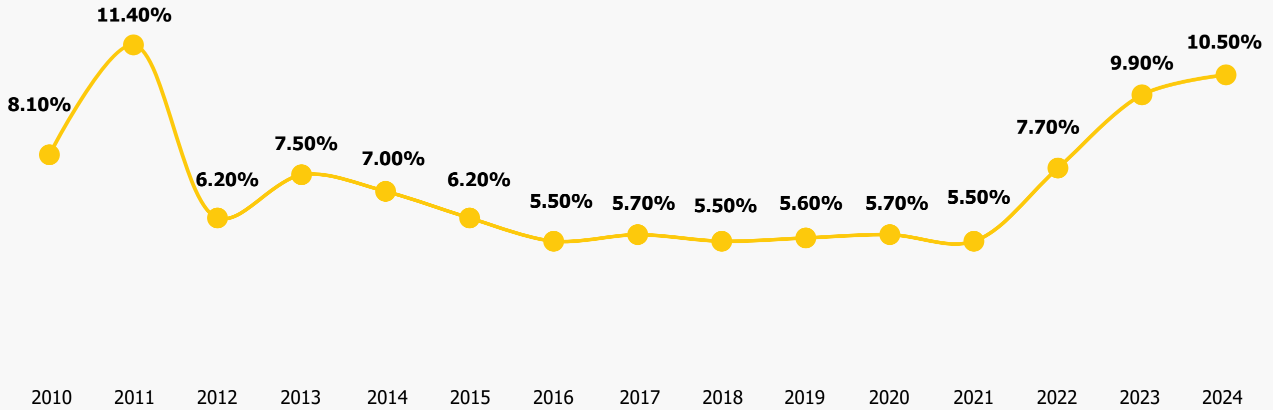
THE POLICY RATE HAVE BEEN STEADY AT 10% SINCE OCTOBER'24

Inflation Trend



Source: BBS;2025

Annual Inflation Rate:



Source: BBS;2025

On the fiscal front, the government is shifting to a more disciplined approach. The proposed FY2025 budget has been reduced to BDT 790,000 crore from the initial BDT 797,000 crore, aiming to strike a balance between inflation control and development priorities (Ministry of Finance, 2025). Spending cuts are targeting non-essential areas, while protecting foreign-aided infrastructure and social projects. However, the gradual rollback of subsidies, particularly in energy and agriculture, poses risks to rural livelihoods and food security.

The policy pivot reflects a growing understanding that macroeconomic stabilization must take precedence over aggressive growth stimulus. Attempting to reignite demand through unchecked spending could worsen inflation and undermine external stability. Instead, the focus has turned to safeguarding fundamentals in the lead-up to the graduation, which will reshape Bangladesh's global trade and financing environment.

BANGLADESH BANK GOVERNOR AIMS TO BRING INFLATION DOWN 7-8% BY JUNE'25

On May 8, 2024, the Bangladesh Bank introduced a "crawling peg" exchange rate system to stabilize the economy. The Crawling Peg Mid Rate (CPMR) was initially set at Tk 117 and later raised to Tk 119, allowing the Taka to fluctuate within a predefined band. This system aims to gradually realign the exchange rate with market conditions, curb imported inflation, and avoid abrupt devaluations.

The mechanism is a transitional step toward a more flexible exchange rate. It offers predictability for businesses and exporters, while promoting formal remittance channels. To support the peg, the central bank now publishes a daily reference rate and has launched a foreign exchange auction system to manage liquidity and enhance transparency in the market.

Although some economists remain skeptical, the IMF has endorsed the policy as a move toward greater resilience. Between May and early August 2024, reserves rose to $21.34 billion—crossing the $20 billion mark for the first time in months, thanks to stronger remittance inflows and reduced market volatility. If sustained, the crawling peg could boost policy credibility, stabilize reserves, and pave the way for a fully market-based exchange regime.

In essence, the economic slowdown is not merely a cyclical downturn—it reflects deeper structural vulnerabilities and shifting global conditions. With export demand softening, inflation staying stubborn, and investment stagnating, Bangladesh is entering a period that demands both economic discipline and long-term reform. The next 18 months will test the resilience of its economic institutions and the credibility of its policy response.

PROPOSED BUDGET OF BDT 790,000 CRORE FOR FY 2025

Trade Troubles: Global Headwinds Hit Local Factories

U.S. Tariffs: Pressure on the RMG Sector

In April 2025, the United States imposed a 37% tariff on Bangladeshi ready-made garments (RMG), leather goods, pharmaceuticals, and other select exports, citing trade imbalances and a lack of reciprocity in market access. This decision, enacted through an executive order under Section 301 of the U.S. Trade Act, introduced significant uncertainty across Bangladesh's export-dependent industries.

RMG SECTOR CONTRIBUTES OVER 80% OF BANGLADESH'S TOTAL EXPORTS

Since losing its Generalized System of Preferences (GSP) eligibility in 2013, Bangladesh has not enjoyed duty-free access to the U.S., and its exports already face considerable duties. Experts argue that these tariffs are more political than economic in nature, raising concerns over fairness and proportionality. They warn that this precedent could create an uneven playing field in global trade and increase volatility for developing countries.

Immediate Impacts

The tariffs have already disrupted trade flows. Approximately $800 million worth of goods were stranded at ports or onboard ships due to the abrupt policy shift. Exporters face higher costs, canceled orders, and strained price negotiations with U.S. buyers. The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has appealed for a three-month suspension to provide breathing space for the sector.

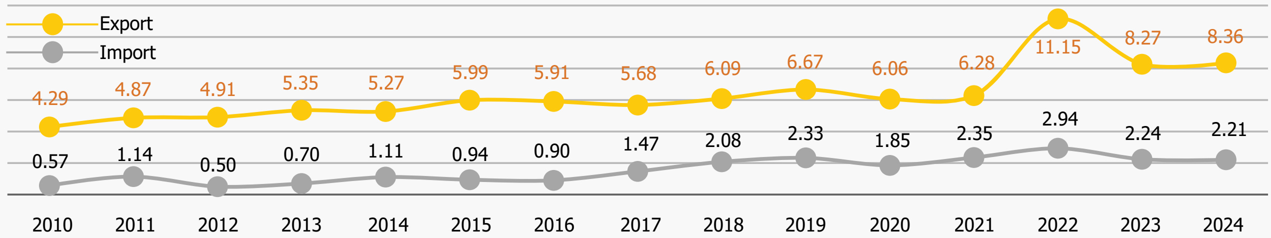
Long-Term Consequences

While the RMG sector, contributing over 80% of Bangladesh's exports, is the most exposed, the tariffs have also hit other key sectors like leather and pharmaceuticals. Industry insiders warn that U.S. buyers may pivot to alternative suppliers like Vietnam or India. Such a shift could trigger factory closures, job losses, and a decline in export earnings—posing a risk to broader economic stability.

Strategic Responses

In response, Bangladesh has dispatched senior trade envoys to Washington, appealing directly to the U.S. Trade Representative for a review of the policy and proposing constructive dialogue. At home, the government is working to diversify export destinations and reduce dependence on the U.S. market.

Trade with USA Annually (in USD Billions)



Economists and experts emphasize the importance of implementing robust trade policy reforms to cushion the impact of the U.S. tariffs. Key recommendations include reducing non-tariff barriers, streamlining customs processes, and improving the competitiveness of local industries through skills training, technology adoption, and strengthened quality assurance systems. They also note that the 90-day window following BGMEA's appeal should be used wisely to show that Bangladesh can respond quickly and effectively to global trade challenges. By capitalizing on this period, the country has a chance to turn a trade setback into a long-term opportunity for growth through strategic innovation, product diversification, and productivity gains.

As Bangladesh prepares for its graduation in 2026, insulating its economy from such shocks becomes even more crucial. Sustained engagement with international partners and strategic reforms will be essential to protect and grow Bangladesh's export economy.

India's Transshipment Withdrawal: Higher Costs and Delays

Bangladesh's export sector—already strained by falling global demand and inflation—is facing fresh disruption: India's decision to scale back land transshipment privileges. Previously, Bangladeshi exporters could use Indian ports like Kolkata and Petrapole to move goods to third countries. This reduced logistics costs and delivery times, particularly for exporters in northwestern regions far from Chattogram and Mongla ports.

However, citing customs and security concerns, India began phasing out these facilities in early 2025. The fallout has been immediate. The Bangladesh Freight Forwarders Association (BAFFA) reports freight costs have surged by 18–25%, depending on the product and region. Exporters now rely more heavily on maritime shipping, which is not only more expensive but also slower and less predictable. For time-sensitive sectors like garments, leather, and agro-processed goods, the impact includes missed deadlines, higher costs, and reputational risks.

The withdrawal has also highlighted weaknesses in Bangladesh's transport and port infrastructure. Chattogram Port, now under increased pressure, suffers from limited container-handling capacity, outdated equipment, and slow customs processes. The result is longer delays and higher logistics costs across the board.

Many smaller firms will struggle to adapt, adjusting production schedules, cutting volumes, or searching for costlier alternatives. Industry insiders warn that sustained inefficiencies could push global buyers toward more reliable suppliers in countries like Vietnam or India. There are also broader strategic concerns. India's move, while officially administrative, has sparked debate about regional trade dependence and vulnerability. For Bangladesh, this highlights the urgent need to diversify trade corridors and invest in domestic logistics resilience—including better rail, river, and port systems. Faster customs processing and expanded container capacity at key ports are no longer optional.

What was once a logistical advantage has become a bottleneck. As Bangladesh prepares for a major shift in its economic status by 2026, ensuring export reliability is critical. That means building stronger internal infrastructure and reducing reliance on a single transit partner. Without such efforts, Bangladesh risks falling behind in a highly competitive global trade environment.

LDC Graduation: Opportunities and Challenges

Bangladesh's impending graduation in 2026 presents both significant opportunities and serious challenges, particularly for its export-driven economy. On one hand, improved international credit ratings, better access to global finance, and increased foreign direct investment can boost industrial growth and diversification. The transition encourages investment in education, infrastructure, and higher-value sectors like electronics and pharmaceuticals, while also opening new trade opportunities in underutilized regional markets such as South and Southeast Asia. On the other hand, the loss of preferential trade benefits like the GSP could lead to higher tariffs, reduced export competitiveness, and sectoral vulnerabilities, especially in garments and pharmaceuticals.

Opportunities

After graduation, Bangladesh's international credit rating will improve, making it easier to raise funds on favorable terms from global financial markets. This improved economic standing can attract increased foreign direct investment (FDI), particularly in sectors like manufacturing and infrastructure. The graduation also presents an impetus for Bangladesh to invest in education, infrastructure, and the diversification of its export portfolio, thereby strengthening its global trade position and enhancing competitiveness. Moreover, graduation will open opportunities for market diversification and allow Bangladesh to explore and establish trade relationships with underutilized markets, particularly in the South Asia and ASEAN regions, which can reduce dependency on Western economies and open new avenues for growth. It encourages Bangladesh to move beyond its traditional export sectors, such as ready-made garments, by investing in higher-value industries like electronics, pharmaceuticals, and agro-processing. This shift can enhance economic resilience and create new employment opportunities. Following the upcoming economic transition, policy development will be crucial; formulating and implementing targeted trade policies with emerging markets can facilitate smoother adjustments and help capitalize on new opportunities.

Challenges

Graduation will end Bangladesh's eligibility for the Generalized System of Preferences (GSP), leading to the imposition of import duties on exports to key markets like the EU and the US, which could diminish the competitiveness of Bangladeshi products abroad. The ready-made garments (RMG) sector, which accounts for approximately 81% of Bangladesh's exports, is particularly vulnerable, as the loss of GSP benefits may result in an estimated 11.8% decline in RMG exports (Ahmed). Other sectors, such as leather, textiles, and food products, which also benefit from GSP, are likely to face similar challenges. The anticipated reduction in exports could lead to job losses and a projected 1.53% decrease in GDP, affecting overall economic stability (Ahmed). Additionally, Bangladesh's export market is heavily concentrated in Western economies, with the US, Germany, Spain, the UK, and Poland being the top destinations. This lack of diversification increases the country's vulnerability to market-specific shocks. Exports are highly concentrated in a few products and markets, and regional markets make up only 12% of Bangladesh's exports (Sarwar 2023). Diversifying into new products and regions, particularly in South and Southeast Asia, is critical but remains a significant challenge due to weak regional integration. Meanwhile, countries like Vietnam are actively pursuing Free Trade Agreements (FTAs) and Comprehensive Economic Partnership Agreements (CEPAs), gaining favorable market access; without securing comparable agreements, Bangladesh may lag in global competitiveness after graduation. Furthermore, graduation will restrict access to concessional loans, increasing reliance on costly commercial borrowing at a time when Bangladesh needs substantial infrastructure investments for sustained development. The end of LDC-specific Trade-Related Aspects of Intellectual Property Rights (TRIPS) waivers also poses a threat to local pharmaceutical producers, who currently meet 98% of domestic demand and export to more than 100 countries. Losing these waivers will increase the price of pharmaceuticals (Rahman 2023). To navigate these challenges, Bangladesh must implement essential policy and structural reforms while strengthening key economic sectors to boost skills and productivity, ensuring global competitiveness in the absence of preferential market access.

GSP LOSS MAY DECLINE
11.8%
OF RMG EXPORTS

1.53% **PROJECTED DECREASE IN GDP DUE TO EXPORT REDUCTION**

Bangladesh's exports cover	Pharmaceutical industry meets
12%	98%
of regional markets	of domestic demand

EXPORT PHARMACEUTICAL ITEMS TO MORE THAN 100 COUNTRIES

Possible Impact on Bangladesh's Export

Bangladesh's anticipated transition to developing country status in 2026 is expected to significantly impact its export sector—particularly the ready-made garment (RMG) industry, which contributes approximately 81% of the country's total exports and holds a 7.9% share of the global clothing market (Ahmed).Graduation will lead to the loss of preferential trade benefits, including duty-free and quota-free (DFQF) access from 38 countries, which will weaken Bangladesh's global competitiveness. However, key markets such as the EU, UK, and Turkey will continue to offer DFQF access until 2029, providing a temporary advantage during the transition. Estimates suggest that the withdrawal of these trade privileges could result in a 17% rise in production costs for the RMG sector and an overall annual export revenue decline of up to $7 billion, negatively impacting key sectors such as garments, leather, and agro-products (Ahmed). All these trade benefits are vital for sustaining export growth, as their absence will increase competition in the global market, particularly from countries with stronger trade agreements, making it challenging to maintain competitive pricing and achieve export targets. According to experts, Bangladesh's export sector is highly reliant on Western markets, with the EU alone accounting for 45% of total ready-made garment (RMG) exports. This concentration in both product type and destination heightens the country's vulnerability to external shocks. Compounding the issue, global apparel demand is increasingly shifting from cotton-based to man-made fiber (MMF), while over 70% of Bangladesh's garment exports remain cotton-based. This growing disparity underscores the need to diversify both export products and target markets, especially within Asia and other emerging regions, to enhance resilience and sustain growth.

Additionally, the pharmaceutical sector faces heightened vulnerability during the transition, as the enforcement of patent laws may lead to increased prices for essential medicines that are currently exempt.

Without timely reforms, the upcoming transition could reduce Bangladesh's market share, export earnings, and job opportunities. To stay competitive, the country must boost productivity, quality, and compliance while diversifying into high-value sectors like ICT, leather, and agro-processing. Institutional reforms, improved trade facilitation, infrastructure, and skill development are also essential to support industries in a more competitive global environment.

GSP withdrawal will lead

17%

rise in production cost

RMG sector covers

81%

of Bangladesh's total exports

Trade privilege loss cuts export revenue by

USD 7 BILLION

Case Study: Vietnam

Vietnam's transition from one of the world's poorest nations to a developing country is a notable example of how strategic reforms can transform an economy. The shift began in 1986 with "Đổi Mới" (Renewal), a set of economic and political reforms modeled after China's approach. Đổi Mới moved Vietnam towards a socialist-oriented market economy, encouraging private enterprise, foreign investment, and international trade. Economic liberalization was central to Vietnam's success. The government allowed private businesses, leading to rapid growth in industry and agriculture. Simultaneously, Vietnam pursued global integration, joining the World Trade Organization (WTO) in 2007, which expanded market access and strengthened its role in global value chains. Foreign direct investment (FDI) surged due to investor-friendly policies, political stability, and a competitive workforce. Infrastructure improvements, especially in roads, ports, and power, supported large-scale industrialization and export growth. Vietnam also prioritized human capital development, investing heavily in education and healthcare to build a skilled and healthy workforce. Active participation in regional platforms like ASEAN further boosted trade, investment, and diplomatic ties. These reforms led to rapid economic growth, lifting Vietnam from a low-income to a lower-middle-income country. Living standards improved significantly, and poverty rates dropped across rural and urban areas. Better infrastructure accelerated trade and industrial activities, earning Vietnam global recognition as an emerging Asian economy.

Note: Doi Moi, the economic and political reform to modernize and liberalize economic policies after the mid-1980s in Vietnam.

Rethinking Industry: Beyond Ready-Made Garments

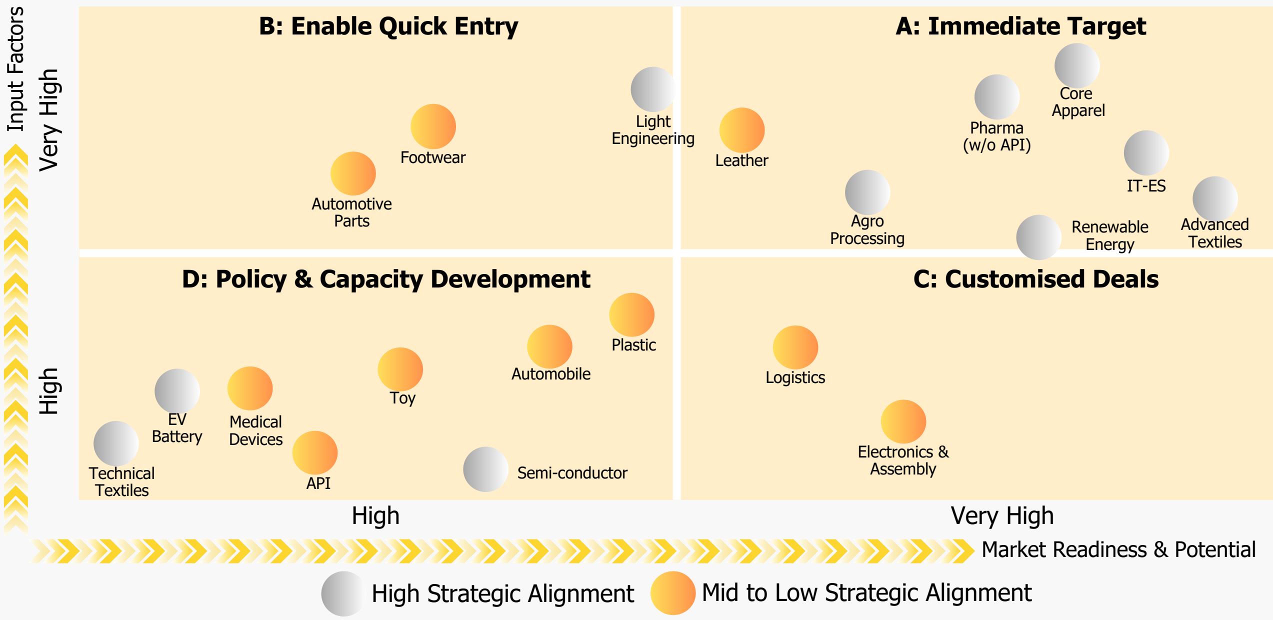
Bangladesh's economic landscape has been predominantly shaped by the ready-made garment (RMG) sector, which contributes over 80% of the country's export earnings. However, recent global trade shifts, including heightened tariffs and the country's upcoming economic transition in 2026, have exposed vulnerabilities in this heavy reliance on a single industry. Recognizing the need for diversification, the Bangladesh Investment Development Authority (BIDA) has introduced a strategic initiative to broaden the nation's industrial base.

In January 2025, BIDA unveiled the Foreign Direct Investment (FDI) Heatmap, a data-driven framework designed to attract investment across 19 priority sectors. These sectors were selected based on market readiness, resource availability, and alignment with national development goals, including Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) priorities.

The Heatmap categorizes the sectors into four groups:

- **Category A** – Immediate Targets: Sectors with high market readiness and rapid growth potential, such as core apparel, pharmaceuticals (excluding Active Pharmaceutical Ingredients), agro-processing, IT-enabled services, advanced textiles, and renewable energy.
- **Category B** – Enable Quick Entry: Sectors with moderate market readiness but strong competitive advantages, including automotive parts, footwear, light engineering, and leather.
- **Category C** – Customized Deals: Sectors requiring tailored investment approaches to address input challenges and improve competitiveness, such as logistics and electronics & assembly.
- **Category D** – Policy & Capacity Development: High-potential sectors needing long-term policy support and ecosystem development, including EV batteries, medical devices, technical textiles, toys, Active Pharmaceutical Ingredients (API), semiconductors, and plastics.

Sector Prioritization and Strategies



Input Factors (Very High → High) / Market Readiness & Potential (High → Very High)

B: Enable Quick Entry (Input Factors: Very High; Market Readiness & Potential: High)

- Timeline: 12 months to 18 months
- Focus on creating a simplified, time-bound framework for entry (e.g., licensing, work permits)
- Appoint sector champions within govt. agencies to coordinate efforts and act as SPOC for investors.
- Form inter-agency hit-squads tasked with resolving specific issues.
- Enhance outreach and sector-specific communication highlighting incentives and competitive advantages.

A: Immediate Target (Input Factors: Very High; Market Readiness & Potential: Very High)

- Timeline: 12 months
- Target high-probability target market and craft FDI pitch highlighting success stories and USPs.
- Activate and engage existing investors to work as "ambassadors" for targeting new investments.
- Collaborate with private sector partners to leverage their clientele database.
- Showcase priority sectors ad their opportunities in investment events and forums.

D: Policy & Capacity Development (Input Factors: High; Market Readiness & Potential: High)

- Timeline: 18 months
- Formulate top-level taskforce in association with private sector to review policy and capability gaps
- Encourage pilot projects with modest financial support to build capacity.
- Build relationships with academia and incorporate sectors in national skills development programs.

C: Customised Deals (Input Factors: High; Market Readiness & Potential: Very High)

- Timeline: 12 months to 18 Months
- Offer bespoke investment deals that address specific sector challenges.
- Develop production-linked incentives (PLI) to reward investors upon achieving measurable outcomes, such as job creation, export growth, or technology transfer.

This strategic approach aims to reduce Bangladesh's overdependence on the RMG sector by fostering growth in other industries. For instance, the leather sector has shown promising growth, with exports reaching USD 852 million during the July–March period of FY2024–25, marking a 9.89% increase year-on-year. Similarly, light engineering products have emerged as significant contributors to export diversification, with earnings amounting to USD 402 million in the same period, reflecting a 10.88% growth (BIDA, 2025).

To operationalize the Heatmap, BIDA plans to engage in targeted activities, including identifying key investor markets, showcasing sectoral opportunities at international forums, and establishing a public-private advisory council to address policy gaps and strengthen sector ecosystems.

By broadening its export base and attracting diversified investments, Bangladesh aims to build a more resilient economy capable of withstanding global trade fluctuations and achieving sustainable growth.

Conclusion

As Bangladesh moves closer to graduating from LDC status in 2026, the challenges it faces in 2025 such as sluggish growth, persistent inflation, and weak institutions go beyond short-term setbacks. These are signs that deeper reforms are needed. While some policy corrections have been made, many are still half-measures. The country now needs a focused and urgent strategy to guide its economic transition.

A strong and balanced macroeconomic plan is essential. Economists emphasize that fiscal and monetary policies must work in harmony and be legally backed to reassure investors. Without clear laws and coordinated action, recent reforms may fail to hold, especially under a temporary government.

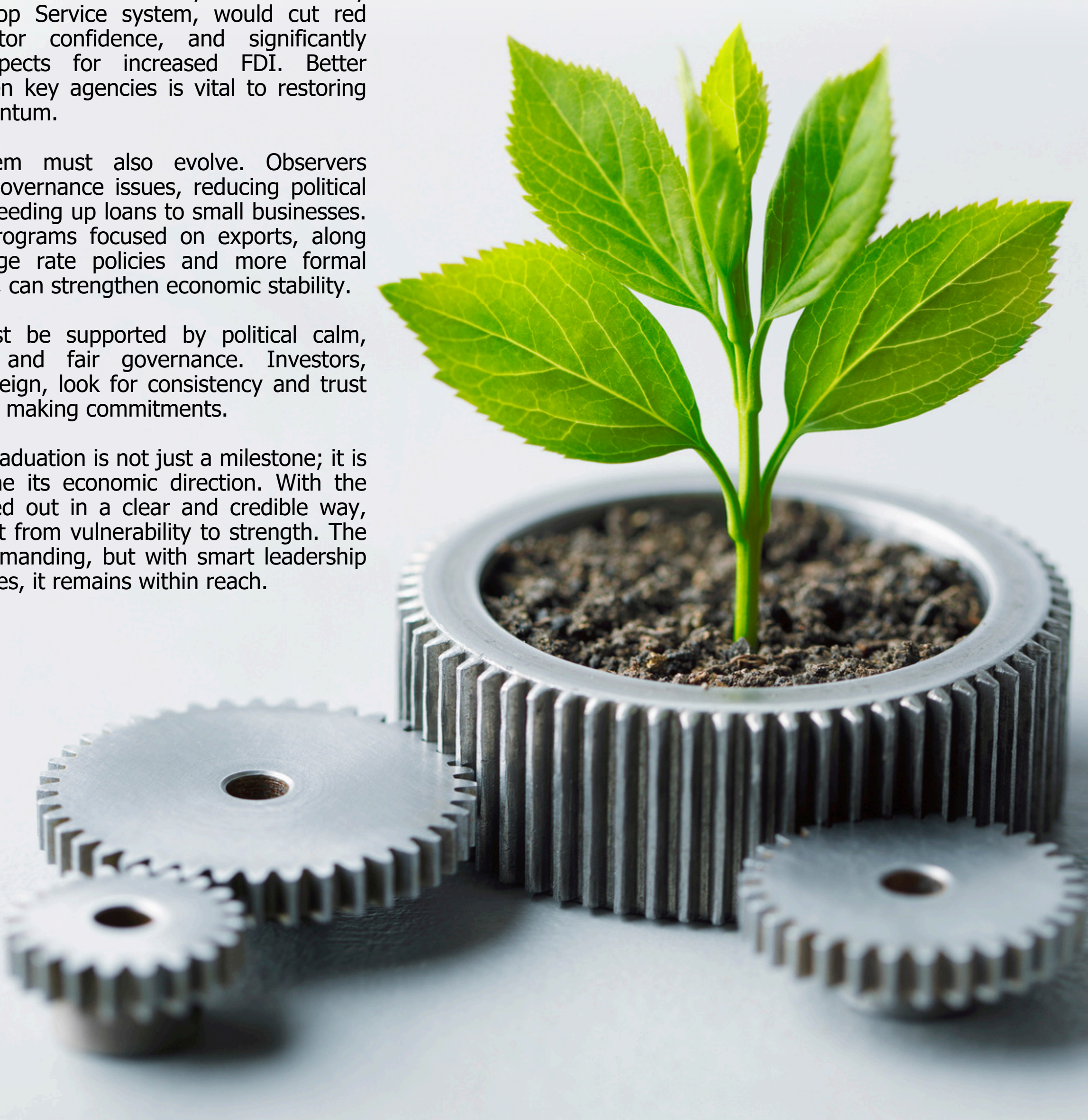
Trade policy also needs urgent attention. Policy experts caution against quick fixes in response to foreign tariffs. Instead, Bangladesh should stick to global trade rules and pursue long-term bilateral deals. New policies like the National Tariff Policy 2023 and trade facilitation reforms can help improve competitiveness in sectors like ICT, agro-processing, and pharmaceuticals. Broadening exports beyond garments is no longer optional; it is critical.

The role of institutions is central. Thought leaders point out the need to digitize licenses, tax filings, and investment approvals. A clear regulatory overhaul, including a dedicated reform body and a fully operational One Stop Service system, would cut red tape, boost investor confidence, and significantly enhance the prospects for increased FDI. Better coordination between key agencies is vital to restoring private sector momentum.

The banking system must also evolve. Observers recommend fixing governance issues, reducing political interference, and speeding up loans to small businesses. Targeted lending programs focused on exports, along with smart exchange rate policies and more formal remittance channels, can strengthen economic stability.

These reforms must be supported by political calm, transparent rules, and fair governance. Investors, whether local or foreign, look for consistency and trust in the system before making commitments.

Bangladesh's LDC graduation is not just a milestone; it is a chance to redefine its economic direction. With the right reforms, carried out in a clear and credible way, the country can shift from vulnerability to strength. The journey ahead is demanding, but with smart leadership and consistent policies, it remains within reach.



ECRL Thought

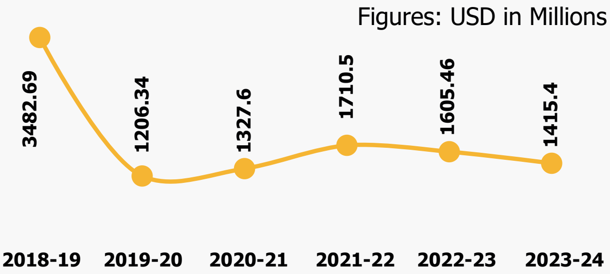
ATTRACTING FDI IN A CHANGING ECONOMY: BANGLADESH'S NEXT MOVE

**Nabihatul Afrooz*

**The author is Senior Research Associate, ECRL*

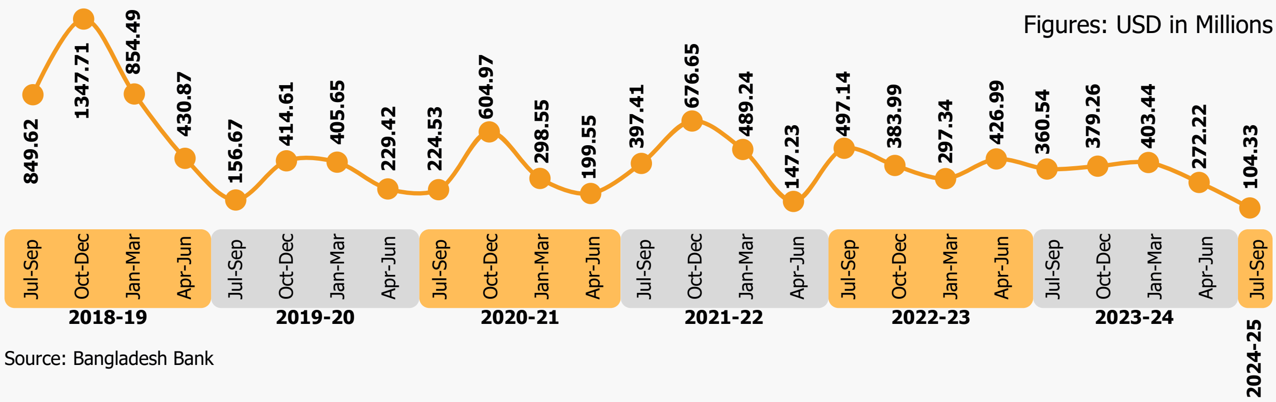
As Bangladesh navigates one of its most significant political and economic transitions in recent history, the challenge of reviving Foreign Direct Investment (FDI) looms large. The shift in political leadership in August 2024, though bringing hopes of reform, has also triggered considerable uncertainty among international investors, many of whom were already cautious due to a downward trend in FDI since 2018. The latest data from Bangladesh Bank paints a sobering picture, which shows the annual FDI flow in FY2024 declined by 11.84% from the previous year. The July–September quarter of FY 2024–25 FDI inflow fell by 61.67% from the previous quarter, and the equity capital flow category received the lowest FDI. This decline underscores a larger concern—the erosion of investor confidence in a market long seen as a rising frontier economy.

FDI Inflow Yearly



Source: Bangladesh Bank

FDI Inflow Quarterly

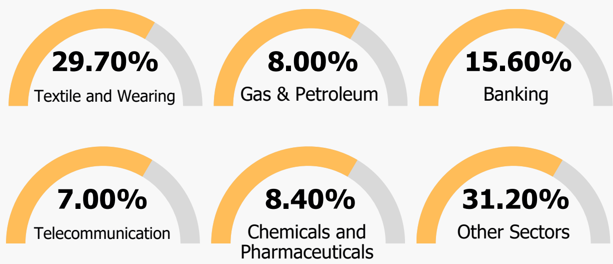


Source: Bangladesh Bank

While historically dominant investors have scaled back or redirected their capital, new patterns are emerging. In this post-shift period, the United Kingdom, South Korea, and China have stepped in as the top contributors to FDI, reflecting both evolving geopolitical alignments and sectoral opportunities. Still, the need for strategic intervention has never been more urgent. Recognizing this, the interim government and the Bangladesh Investment Development Authority (BIDA) have taken steps to reverse the trend. The recent investment summit and the unveiling of a comprehensive FDI heat map targeting 19 priority sectors are examples of proactive engagement. These efforts aim not only to retain current investors but also to court new ones through diplomatic outreach and partnerships with multinational chambers of commerce. However, without a fully empowered elected government, the scope for deep policy reform remains limited.

Current economic changes in Bangladesh have conspired to make the investment landscape even more complex. Moreover, external developments—particularly the imposition of new U.S. tariffs—are reshaping global trade flows. With over 82% of Bangladesh's exports tied to the ready-made garments (RMG) sector and the U.S. as one of the key market, such tariffs threaten to erode competitiveness. Yet, this evolving trade dynamic also opens a window of opportunity. As China, Vietnam, and Cambodia face reduced competitiveness under these tariffs, Bangladesh could position itself as a more viable alternative, especially with its lower production costs, large skilled workforce, and already installed manufacturing capacity.

FDI Inflows (Net) by Major sectors during FY 2024



As per industry insiders, there are encouraging signs that U.S. buyers are taking notice, with many reaching out to Bangladeshi factories, often via Chinese intermediaries. If harnessed effectively, Chinese firms may increasingly use Bangladesh as a manufacturing base to serve U.S. and global markets, thus mitigating tariff-related risks. However, to truly capitalize on this shift, Bangladesh must improve its business climate. Persistent bottlenecks—ranging from outdated infrastructure, regulatory delays, to inefficient public services, for instance, a commercial dispute takes around 1,442 days to resolve through a local court, compared to 590 days in OECD high-income countries, transferring property titles takes an average of 271 days which is nearly six times the global average of 47 days—all these must be addressed urgently.

As Bangladesh enters a pivotal stage in its economic journey, revitalizing FDI should no longer be seen as optional—it is essential. The current slowdown is a wake-up call, one that demands swift, coordinated action. With the right mix of policy clarity, institutional reform, and international cooperation, Bangladesh can reclaim its place as a compelling destination for foreign capital and unlock its next phase of growth.

Asking the Expert

INTERVIEW WITH
DR. JAMALUDDIN AHMED, FCA,
DR. MD. REZAUL BASHAR SIDDIQUE, &
DR. KHONDAKER GOLAM MOAZZEM

Dr. Jamaluddin Ahmed, FCA, Chairman

(Emerging Credit Rating Ltd. (ECRL))

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an independent house of risk assessment

Interviewed by Nabihatul Afrooz, Sr. Research Associate, ECRL

Meet the Expert

Dr. Jamaluddin Ahmed is a distinguished figure in Bangladesh's economic and financial landscape, demonstrating extensive expertise in finance, a strong commitment to public service, and a dedication to academic excellence. Currently, Dr. Ahmed is serving as the Chairman at Emerging Credit Rating Limited. Also, the General Secretary of the Bangladesh Economic Association, Board Member at bKash and Essential Drugs Company Limited, continuing to shape Bangladesh's financial and economic frameworks. Dr. Ahmed has held numerous influential leadership positions across banking and financial institutions, including Chairman of Janata Bank Limited and Board Member of the Central Bank of Bangladesh. His profound understanding of corporate governance and economic development is evident through his roles as President of the Institute of Chartered Accountants of Bangladesh (ICAB). Dr. Ahmed has also provided strategic guidance to prominent organizations such as GrameenPhone Ltd., Dhaka Stock Exchange Limited, and BUET as a syndicate member. He also served as the board member of Dhaka WASA, Coal Power Generation of Bangladesh Ltd., and Power Grid Company of Bangladesh Limited. A prolific researcher, his publications have significantly contributed to financial systems, accounting standards, and economic policy in developing nations. Holding a PhD in Economics from the University of Wales, UK, with a focus on the impact of currency devaluation on "The Foreign Currency Loan User Enterprises of Bangladesh".

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How would you describe the current economic scenario of Bangladesh, especially in the context of the recent interim government? What are your projections going forward—particularly in terms of FDI, private sector credit growth, GDP, and inflation?

Dr. Jamal:

The current economic scenario of Bangladesh is marked by uncertainty and a lack of investor confidence due to the interim nature of the government. While some reforms—such as steps toward improving corporate governance and initiating fiscal, monetary, and industrial policy changes—are positive, their implementation remains weak. A structured and time-bound framework is essential, categorizing reforms as immediate (within 3 months), short-term (3–6 months), medium-term, and long-term—with clearly assigned priorities.

One of the most concerning developments is the dramatic decline in Foreign Direct Investment (FDI). Once reaching 8–9%, FDI has now plummeted to around 1%, the lowest in history. This is largely because international investors prefer to wait for a stable, elected government before committing capital, as current executive decisions lack legislative backing and are subject to reversal. For any investment climate to improve, reforms must be legalized through parliamentary procedures—standing committee approvals, vetting by the Law Ministry, and passage through Parliament. Without this legal validation, current initiatives risk becoming null and void. Private sector credit growth also remains suppressed due to high interest rates, low confidence in regulatory institutions, and a lack of cohesive action among bodies like the Bangladesh Bank, BIDA, Securities and Exchange Commission, and others. The law and order situation, while stable, needs to be complemented by reliable regulatory support to encourage private investment. In summary, without legal certainty, clear reform sequencing, and stronger institutional coordination, the economy may continue to underperform in key areas like FDI, credit growth, and GDP stabilization.

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Given the persistent inflationary pressures, what policy adjustments are necessary to strike a balance between containing inflation and supporting private sector credit growth?

Dr. Jamal:

To effectively manage inflation while supporting credit growth, Bangladesh must ensure policy congruency—that is, alignment between fiscal and monetary strategies. Isolated or conflicting actions undermine macroeconomic stability. For instance, increasing interest rates to control inflation while simultaneously injecting liquidity into the system creates contradictory outcomes. If such liquidity is not directed towards productive use, it risks being siphoned off, including through capital flight, thereby worsening inflation instead of alleviating it.

A more effective approach would be structured quantitative easing—akin to the Japanese model from the late 1990s. Japan targeted credit expansion toward export-oriented MSMEs, generating foreign exchange and increasing reserves. This targeted policy helped stabilize inflation while stimulating economic growth. Bangladesh can adopt a similar framework, but it must ensure strict oversight and enforcement. The central bank should mandate that commercial banks lend to sectors with productive capacity, particularly SMEs. This controlled credit expansion can act as a viable alternative to FDI, which often comes with heavy conditions and political influence. Ultimately, policy success hinges on ensuring that printed money fuels the real economy—via exports and manufacturing—and not speculative or unproductive channels. If done properly, this approach can curb inflation, create jobs, boost reserves, and reduce dependency on external financing.

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What policy actions or regulatory reforms could reignite private sector lending and investment appetite?

Dr. Jamal:

To reignite private sector lending and investment, Bangladesh must prioritize regulatory quality assurance and build a responsive and adaptive policy environment. A major reform should include quarterly and annual reviews of all existing regulatory frameworks related to FDI, private sector financing, and financial institutions (FIs). These reviews must systematically identify barriers, assess sector-specific challenges, and recommend actionable solutions. Bangladesh also needs to institutionalize a three-month policy revision cycle for FDI and investment regulations. This ensures alignment with dynamic global and regional economic changes—

such as U.S. trade policies or shifting capital flows—that could impact domestic investment decisions.

Another essential area is the capital adequacy ratio framework. The ratio should be recalibrated periodically in the context of Bangladesh's specific risk environment, global financial trends, and macroeconomic indicators. A more adaptive and sector-sensitive capital requirement policy will give banks greater flexibility to extend loans without compromising stability. Additionally, establishing a problem-identification and solution-mechanism system is vital. This would analyze procedural inefficiencies in loan disbursement and foreign investment approvals and provide targeted reforms to reduce red tape, speed up approvals, and enhance investor confidence. In summary, regulatory reforms must be data-driven, timely, and context-specific—ensuring that capital flows into productive sectors without excessive bureaucratic or financial friction. Creating a predictable, transparent, and agile regulatory regime will be key to unlocking Bangladesh's private sector potential.

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How can Bangladesh's banking sector be strengthened?

Dr. Jamal:
To strengthen the banking sector, we need to focus on three key things: governance, independence, and efficiency. First, corporate governance must be restored. Political influence has crept into the banking system—especially in the appointment of key figures, including at Bangladesh Bank. A politically appointed central bank governor often lacks the independence to make bold, objective decisions. That trickles down to commercial banks, where crony loans and poor screening result in non-performing loans and capital flight. Secondly, access to finance remains a major bottleneck for entrepreneurs and SMEs. There's over BDT 5,000 crore lying idle in banks—money that could be channeled into productive sectors. But the loan approval process is painfully slow, often taking six to twelve months. That's far too long for a business to wait. We need to simplify documentation, cut red tape, and make bankers accountable for follow-up and supervision. Lastly, banks must start treating borrowers as clients, not as liabilities. It's a relationship built on trust. If I take a deposit at 6% and lend at 12%, I make a profit—but only if I help that business succeed. That mindset shift, along with proper risk assessment and post-loan monitoring, will strengthen the whole financial ecosystem.

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What regulatory measures can the Bangladesh Bank implement to help commercial banks manage the risks associated with foreign currency lending, particularly in the face of potential currency devaluation?

Dr. Jamal:
To effectively manage risks associated with foreign currency lending, Bangladesh Bank must adopt a dynamic, data-driven regulatory approach, with a focus on exchange rate monitoring and forward-looking risk assessments. The exchange rate policy should be reviewed on a fortnightly, monthly, or at least quarterly basis, enabling timely interventions in response to global and regional shocks. Given Bangladesh's growing reliance on foreign loans and remittances, it is critical to guard against what may be termed a "foreign loan syndrome"—overdependence on external financing without adequate safeguards. Continuous evaluation of the country's external balance position—including export earnings, remittance inflows, and import liabilities—is essential to prevent pressure on the exchange rate and ensure sustainable foreign currency exposure.

Additionally, the central bank should enhance foreign exchange risk management frameworks within commercial banks, including stress testing for currency devaluation scenarios, mandatory hedging for large foreign currency exposures, and tighter prudential limits on foreign loans. On the remittance front, digital financial services (DFS) like bKash and Nagad should be allowed to operate in major labor-sending countries through legal and official channels. Opening overseas offices or booths would help reduce illegal money transfers (hundi), ensuring that a higher share of remittance flows into the formal banking system. Currently, it's estimated that up to 40% of remittances bypass formal channels.

Bangladeshi embassies and commercial missions abroad should also play an active role in remittance mobilization and FDI promotion by organizing regular outreach events and highlighting investment opportunities, backed by credible economic data and regulatory transparency. These multi-pronged regulatory reforms would enhance the resilience of Bangladesh's financial sector against foreign exchange shocks while fostering confidence among investors and expatriates.

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What challenges might arise from U.S. tariffs and Bangladesh's graduation from LDC status in 2026?

Dr. Jamal:
Post-2026, Bangladesh will face a new reality. Graduating from the Least Developed Country (LDC) category means losing preferential market access—especially to the U.S. and European Union. For instance, Bangladeshi garments currently enjoy low to zero tariffs in many markets. But once we graduate, the U.S. could impose higher tariffs, significantly raising the price of our exports. That directly affects our competitiveness, especially since Bangladesh's key strength has always been affordable pricing. But that's not all. The impact goes beyond exports. Imports like LNG, oil, and raw materials may also face higher duties or increased prices due to broader tariff dynamics. That would raise production costs domestically, pushing up the cost of electricity, transport, and manufacturing. This results in inflation—at home and abroad. Sectors like garments, which employ millions, could see reduced orders and job cuts. Even U.S. buyers will feel the pressure as higher prices hit their markets, but we will be worse off. Bangladesh needs to act now—negotiate trade deals, strengthen local supply chains, and improve port and logistics efficiency. We can't afford to be passive. This transition is coming fast, and we need a strategic plan to stay competitive in a post-LDC world.

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Do you see opportunities in diversifying export markets? What's holding back manufacturing beyond RMG?

Dr. Jamal:
Definitely. There are huge opportunities beyond the readymade garment (RMG) sector. For starters, we have a growing market in the Middle East. Islamic garments, especially high-value modest wear for women, are in demand. Yet we haven't tapped that segment fully. Bangladesh has the skills—we just need product innovation and better marketing. Another bright spot is pharmaceuticals. We're exporting medicines to over 100 countries. If supported with better infrastructure, compliance, and research, this industry could become a $10 billion export sector in a decade. Shipbuilding and food processing also have enormous potential, especially with the Matarbari deep-sea port coming online.

But there are barriers. First, policy support is overwhelmingly focused on garments. Other sectors don't get the same tax breaks or incentives. Second, our manufacturing suffers from poor automation, low technological capacity, and limited access to skilled labor. Without investment in training and machine upgrades, we can't scale up.

Logistics is another obstruction—port delays, transport inefficiencies, and poor cold storage facilities hurt our competitiveness. And financing is tough—most banks still prefer large RMG exporters, ignoring startups and SMEs in other sectors. To move forward, we need a national strategy for diversification—one that supports new sectors with infrastructure, finance, trade facilitation, and market exploration.

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Can a digital and transparent tax system improve ease of doing business and attract FDI?

Dr. Jamal:

Absolutely. A digitized, transparent tax system is not just a convenience—it's a game-changer for business and investment. Right now, Bangladesh has one of the lowest tax-to-GDP ratios in South Asia—around 7.5%—while countries like India and Vietnam are over 15%. A major reason is poor compliance and a narrow tax base. But we can change that. With digital IDs, biometric verification, and online tax filing, it becomes much easier to bring more people and businesses into the tax net. We can map the working population—about 4.5 crore—and identify who earns enough to pay taxes. Once data flows digitally between NID, banks, and the tax authority, there's no hiding income. Digital invoicing also brings accountability. If I sell something, the buyer receives a digital receipt and pays online. That transaction is traceable—no under-the-table dealings. This builds trust, which is critical for foreign investors. They want to know the rules are fair and consistently enforced. Municipalities can also benefit. If allowed to retain their tax revenue locally, they can invest in their own infrastructure, lightening the burden on the central government. Digitization makes all this possible, while reducing corruption and boosting efficiency. It's one of the smartest investments we can make.

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The revised budget for FY 2025–26 has been cut to BDT 790,000 crore. What are your thoughts?

Dr. Jamal:

A smaller budget can be more effective if funds are allocated wisely. At BDT 790,000 crore, we still have room for significant investments—but only if we focus on priority sectors like infrastructure, agriculture, exports, and digital transformation. The key issue isn't size—it's collection and utilization. We need to broaden the tax base. Right now, only about 3.99 million taxpayers (including just over 13,000 companies) filed returns out of 11.4 million TIN holders in a country with a population exceeding 172 million. To put this in perspective, the employed population reached 71.16 million in Q1 2024, comprising 46.71 million men and 24.45 million women actively engaged in the labor force. If even a fraction of these workers were included in a digital tax net, government revenue could increase significantly. With this size of the working population—and 34.28 million households—the potential for expanding the tax base through digital ID-linked income tracking is immense. Additionally, empowering local governments to retain and utilize revenues from holding taxes, trade licenses, and municipal fees would decentralize public spending and improve service delivery.

Yes, BDT 790,000 crore may seem modest—but it is manageable and potentially transformative if we prioritize reform, efficiency, and technology-driven transparency.

What we should do? We need to build up capacity to make the revenue system digitalized, maintain proper records electronically, maintain books of accounts electronically, set modern system in the tax and legal framework, ICT implementation and sustainability in towns and cities, reaching remote areas to support e-service, etc. An environment supporting the revenue bodies must be created which will be:

- Transactional-cloud payment system by data, big data, e-invoicing, mobile points of sale
- Informational-Internet of Things (IOT), Social media, web chat, mobile application, VOIP
- Compliance-Cognitive systems, real-time analytics, Block chain, Expert System, Advanced analytics, Big data,
- Identifiers-single digit identifiers, block chain, geo location, biometrics
- Software developer and suppliers- Big data, open data, API shares, cyber security, IAAS, SAAS, PAAS
- Authentication and Authorization- Biometrics, retina scans, voice recognition, smart contact
- Tax payers-service design, increase in service expectation and digital natives
- Service support- Web chat, smart robots, Co-browse, Censors, virtual personal assistance

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Despite these challenges, where do you see the biggest opportunities for Bangladesh's economy?

Dr. Jamal:

Bangladesh stands at a crossroads. We can either become the next Malaysia or slip into instability like Somalia. The choice is ours. But I see enormous opportunity, especially in our geographical position. We sit on the Bay of Bengal—perfectly placed to become a regional logistics hub. With Matarbari deep-sea port coming online, we can rival Singapore in shipping and trade. Beyond that, our export diversification potential is huge. Pharmaceuticals, packaging, Islamic attire for women, and food processing are all rising sectors. Even mobile financial services like bKash and Nagad can expand abroad—especially in the Middle East, where millions of our workers live. Setting up remittance services there could boost our reserves.

Another untapped area is women's participation. Half our population is female, yet their contributions—especially unpaid domestic work—are ignored in GDP calculations. If we bring more women into the formal economy, train them, and recognize their efforts, our per capita income and productivity will rise. We also need to modernize agriculture, build rural industries, and encourage import substitution. Bangladesh has the people, the resources, and the will. We just need smart, transparent governance—and the courage to make long-term decisions, not just political ones.

Interview with Dr. Md. Rezaul Bashar Siddique

Component Manager (full-time consultant), Support to Sustainable Graduation Project under the Economic Relations Division

(Ministry of Finance)

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Ministry of FINANCE

অপ্রতিরোধ্য অগ্রযাত্রায় বাংলাদেশ

Interviewed by Nabihatul Afrooz, Sr. Research Associate, ECRL

Meet the Expert

Dr. Md. Rezaul Bashar Siddique is currently serving as the Component Manager (full-time consultant) for the Support to Sustainable Graduation Project under the Economic Relations Division, Ministry of Finance, where he oversees the planning and implementation of activities to support Bangladesh's transition from Least Developed Country (LDC) status. He was involved in the process of preparing the Smooth Transition Strategy (STS) and in designing and conducting advocacy and capacity development programs to ensure a smooth and sustainable graduation. With over 29 years of experience in public administration and development cooperation, he has served in field administration, various ministries, and as First Secretary (Commercial) at the Bangladesh High Commission in Kuala Lumpur. As Additional Secretary and Wing Chief at the Economic Relations Division (ERD), he managed partnerships with bilateral and multilateral development partners, including the Islamic Development Bank (IsDB) and the OPEC Fund for International Development (OFID), and contributed to donor coordination and SDG implementation. He also played a key role in articulating Bangladesh's position during the United Nations Committee for Development Policy (UN-CDP) reviews in 2018 and 2021. Dr. Siddique holds a PhD from the Indian Agricultural Research Institute (IARI), New Delhi, under the Indian Council for Cultural Relations (ICCR) scholarship. In this interview, Dr. Siddique reflects on Bangladesh's development journey and the challenges and opportunities of life beyond LDC graduation.

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Do you think Bangladesh is adequately prepared for Least Developed Country (LDC) graduation?

Dr. Siddique:

Bangladesh is certainly on a solid path toward LDC graduation, scheduled for 2026. We've already met all the necessary UN criteria back in 2018 and again in 2021. Considering the global disruptions caused by the COVID-19 pandemic, the UN provided an extended five-year preparatory period to ensure a smoother transition. The UN Committee for Development Policy (CDP) Report 2025 reaffirms that Bangladesh remains well on track towards sustainable graduation, having successfully mitigated some of the adverse impacts of multiple global crises. Fortunately, duty-free and quota-free (DFQF) market access to key markets like the EU, UK, Canada and Turkey will continue until 2029. Australia is also expected to provide transitional support, which is encouraging.

The Government has adopted a proactive approach in preparing for the transition. With support from the United Nations Department of Economic and Social Affairs (UN DESA) and UN Conference on Trade and Development (UNCTAD), an Impact Assessment and a Vulnerability Profile have been prepared. A National Committee, along with several thematic subcommittees, has led the process. A number of reform initiatives have been launched, including the implementation of key trade facilitation measures—such as the National Single Window—to simplify and expedite trade processes. More recently, an Expert Committee has been formed to suggest appropriate measures for a smooth and sustainable graduation. Several studies on LDC-specific issues have been carried out, and stakeholders' awareness building initiatives have been undertaken with support from the "Support to Sustainable Graduation Project," implemented by the ERD.

The Government has prepared the Smooth Transition Strategy (STS) with help from the UN DESA, which is at the heart of our preparations. It's supported by the expert committee and involves 37 lead Ministries or agencies. At the same time, our National Tariff Policy (2023) is expected to aligning us with WTO rules and preparing us for future free trade agreements. There are also notable reforms underway in intellectual property, including a revised Patent Act. Additionally, a capacity development support package related to graduation is set to be implemented by WIPO. While there are still institutional and competitiveness challenges, the government's approach is broad-based and forward-looking.

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So with graduation comes both opportunity and risk. What are the biggest challenges and opportunities you foresee?

Dr. Siddique:

Graduation is, of course, a milestone. It enhances Bangladesh's global image and can significantly boost investor confidence. This will likely attract more foreign direct investment (FDI), drive job creation, and support infrastructure development. It also pushes us to diversify exports and enhance productivity.

But the challenges are real. We'll begin to lose DFQF access in many markets—something that currently covers about 71% of our exports to 38 countries. The pharmaceutical sector, for instance, will face stricter IP regulations, and companies may need to pay royalties to produce certain medicines. We'll also no longer be allowed to offer certain export subsidies and cash incentives after graduation. These shifts will test our competitiveness, so we must focus on reforming policies and building resilience.

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Specifically regarding the export sector, how do you see these changes playing out in the short and long term? On that note, how important is export diversification post-graduation, and which sectors look most promising?

Dr. Siddique:

In the short term, the withdrawal of DFQF access will affect sectors like RMG. While some benefits will remain in the EU, UK, and Turkey until 2029, others will phase out faster. Cash subsidies, in particular, will be difficult to maintain. For pharmaceuticals, the tightening of Trade-Related Aspects of Intellectual Property Rights (TRIPS) provisions means forcing companies to pay licensing fees and higher production costs.

Long term, however, graduation can be a catalyst. We need to increase competitiveness through innovation, improved productivity, and full global compliance. There's already strong momentum for export diversification into ICT, leather goods, jute, agro-processing, and more. With the right trade arrangements and policy reforms—especially around logistics and infrastructure—we can turn this into a success story.

Regarding export diversification, it is critical. At the moment, RMG accounts for approximately 84% of our exports, with 45% going to the EU. That's an alarming concentration, especially given the global shift toward man-made fibre apparel, while over 70% of our production remains cotton-based.

The Diagnostic Trade Integration Study (DTIS) identified 12 promising sectors for export diversification. In goods, these include pharmaceuticals and APIs, leather and footwear, light engineering, shipbuilding, plastics, agro-processing, and fisheries. In services, tourism, IT/software, and nursing stand out. But to realize the potential in these areas, we need solid infrastructure, targeted reforms, and active implementation of policy measures outlined in the DTIS.

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How will Bangladesh manage the expected rise in competition due to tariff rationalization?

Dr. Siddique:

Bangladesh's National Tariff Policy 2023 is a landmark step toward rationalizing the country's tariff regime, reducing reliance on import duties, and preparing for a more competitive post-LDC trade environment. Currently, high tariff walls protect many domestic industries, but this is not sustainable in the long run. The new policy aims to gradually bring down tariffs to enhance competitiveness and align with WTO obligations and future FTA requirements.

However, reducing tariffs will inevitably expose domestic industries to greater international competition. To address this, the government has outlined a multi-pronged strategy. First, there is a strong focus on improving productivity through technological upgradation and innovation. Domestic firms are being encouraged to adopt efficient manufacturing practices and digital technologies to cut costs and improve product quality.

Second, logistics and infrastructure are being prioritized. The government is actively working on implementing the National Logistics Policy, which aligns with the WTO Trade Facilitation Agreement. Investment in transport networks, port efficiency, and customs automation is underway to reduce costs by up to 15%, which could offset the erosion of competitiveness after graduation.

Third, fiscal and non-fiscal incentives are being extended to new sectors such as agro-processing, pharmaceuticals, and light engineering to reduce over-dependence on RMG. Additionally, BIDA's one-stop service is being strengthened to reduce bureaucratic delays, and reforms are underway to simplify tax and investment repatriation procedures. By taking these steps, Bangladesh is positioning itself not just to survive, but to thrive in a liberalized global trade environment.

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How should Bangladesh recalibrate its trade strategy to maintain competitiveness and expand access, especially in South Asia and ASEAN?

Dr. Siddique:

Moving forward, we must shift from a preference-based trade model to one based on quality, sustainability, and regulatory compliance. First, we need to secure extensions of existing WTO flexibilities—like the TRIPS waiver until 2033 or 2034—and seek inclusion under specific trade arrangements like the Subsidies and Countervailing Measures (SCM) Agreement's Annex VII(b) and Net Food-Importing Developing Coiuntries (NFIDC).

We're also negotiating bilateral and regional trade agreements, such as the Economic Partnership Agreement (EPA) with Japan. Discussions have been initiated for Comprehensive Economic Partnership Agreements (CEPA) with Singapore, Republic of Korea, UAE, etc. These agreements should include goods, services, investment, and intellectual property. Additionally, our trade policy needs to reduce overreliance on import tariffs, and we must improve trade facilitation and our negotiating capacity.

At a regional level, greater integration with South Asia and ASEAN—through connectivity, regulatory harmonization, and simplified customs processes—will help us thrive post-graduation.

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How optimistic are you about securing FTAs or CEPAs with major economies like the EU, China, and India?

Dr. Siddique:

We are cautiously optimistic. With the EU, we'll need to move toward GSP+ or an FTA once EBA access ends in 2029. That will be difficult due to their stringent labor and governance requirements, but not impossible.

In the meantime, Bangladesh should request continued LDC-specific market access benefit from India as outlined in Article 12 of SAFTA. We should also deepen engagement with South Korea and the UK—especially regarding relaxed Rules of Origin under the DCTS. But all of this hinges on domestic reforms that prepare our industries for competition and negotiation-based access.

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Beyond traditional exports, how can Bangladesh build long-term resilience by advancing into high-value sectors?

Dr. Siddique:
This is a key area for the future. To move beyond low-cost manufacturing, Bangladesh must strengthen its compliance capacity—especially in regulated sectors like pharmaceuticals and agro-processing. We need strong infrastructure: better energy systems, ICT networks, and modern testing facilities.

At the same time, skills development, innovation, and R&D will be vital for sectors like electronics and precision engineering. Policy-wise, we should focus on MSME integration, encourage private sector growth, and attract targeted FDI. We also need to prepare for emerging global standards, such as ESG criteria and the EU's Carbon Border Adjustment Mechanism.

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What steps is the government taking to make the investment climate more attractive and bring in greater FDI?

Dr. Siddique:
Considerable progress is being made in this area. All investment promoting agencies like BIDA, BEPZA and BEZA have introduced a One-Stop Service (OSS) platform aimed at consolidating and simplifying services for investors, although it is not yet fully operational. Efforts to promote investment are being strengthened, and both fiscal and non-fiscal incentives are being recalibrated to better align with investor needs. Additionally, significant emphasis is being placed on improving governance and administrative procedures to restore investor confidence.

We've adopted a national logistics policy to complement these initiatives and support seamless trade. However, procedural hurdles remain a concern. We need to simplify these processes further and increase institutional capacity, especially at BIDA, to truly enhance the investment climate.

Interview with Dr. Khondaker Golam Moazzem, Research Director

Centre for Policy Dialogue (CPD)

Interviewed by Nabihatul Afrooz, Sr. Research Associate, ECRL

Meet the Expert

Dr. Khondaker Golam Moazzem is a highly experienced and prominent industrial economist in Bangladesh, currently serving as the Research Director at the Centre for Policy Dialogue (CPD), a leading think tank based in Dhaka. An expert with over 30 years of experience, his extensive expertise encompasses income tax, business competitiveness, power and energy (especially clean energy), Bangladesh's RMG sector, environmental sustainability, LDCs, trade and private sector development. He is actively participating in policy discussions for improved labour practices and renewable energy. He has also published more than 80 papers, reports, and book chapters. He has also served as a member of the Advisory Board of the Accord, Bangladesh, a member of the Eminent Group established by the External Resource Division (ERD), a member of the Committee on Trade Facilitation established by the Ministry of Commerce (MoC), and a panel advisor for the Federation of Bangladesh Chambers of Commerce & Industries (FBCCI), and an advisor to the Bangladesh Technical Education Board, playing a key role in formulating Bangladesh's Industrial Policy (2010 and 2016). Dr. Moazzem holds a PhD in Economics from Kyoto University, Japan. With decades of experience in trade, industrial policy, and public finance, Dr. Khondaker Golam Moazzem provides valuable insight into Reforms, Resilience, and Bangladesh's Path Forward.

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How would you describe the key conditions or qualities of how politics and economic policy are interacting in Bangladesh right now?

Dr. Moazzem:

There hasn't been any major repair or shift in economic policy perspective despite the political shift. What we are seeing instead are selective efforts to restore credibility in areas that had strayed or had sluggishness before in the policies. Take the power sector as example where the controversial 'Quick Enhancement of Electricity and Energy Supply (Special Provisions) Act, 2010' provision was repealed, and the Public Procurement Act has been reintroduced where it was previously suspended. Similarly, in banking, the process for appointing independent directors and reshuffling them has been tightened, which was not done properly before during the previous government. So, while there's no sweeping reform yet, there are signals of realignment in some sectors—an attempt to bring back governance, transparency, efficiency, and accountability in the economic policies in terms of the market-based approach. The reforms or points of changes are still under discussion, including a bicameral parliament system, more authority to the local government, the prime minister's authority and functionality for a limited period, an attempt to take action against corruption, an attempt at decentralization, etc. Politically, although there's to talk about decentralization and new institutional structures, we're still in a wait-and-see mode. The changes that will come are still uncertain. Until the political framework becomes clearer, it's difficult to assess how deeply it will impact the economic path. New policies and reforms to the previous which had problems are yet to come.

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Given Bangladesh's current slower GDP growth rate (3.3% to less than 4% forecast) and inflationary pressures, what are the most urgent structural reforms the interim government should prioritize to stabilize the economy ahead of LDC graduation?

Dr. Moazzem:

Firstly, we need to work on the economic recovery from the downturn. Stabilization is the key. That means tackling inefficiencies, reducing wastage, reducing corruption, reducing the influence of some groups and money laundering head-on. Some steps have been taken —moving close to market-reflective interest rates, tighter monetary policies— but much remains to be done, and we cannot think about the acceleration of the economy without thinking about the recovery. Investment is the engine we need to restart, but currently it should not be the priority in the current event. Austerity measures are a major part of economic recovery. Recovery must be paired with fiscal discipline: cutting unnecessary public or government expenditure, boosting domestic resource mobilization, and reducing dependence on external borrowing. These are the foundations for sustainable growth ahead of LDC graduation.

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With new tariff measures imposed by the US on Bangladeshi exports, particularly in textiles, how should Bangladesh's export sector adapt? Please share some immediate steps by policymakers.

Dr. Moazzem:

Currently, a three-month pause is prevalent before the enhancement of tariff by 37%. It is now at 10%. This tariff on our exports has made our goods costlier for Bangladesh's importers. The importers want to share this cost with the exporters, and the entrepreneurs are also trying to negotiate terms on that. This means the Bangladeshi exporters will be squeezing already-thin margins. So our ultimate response would depend on several factors. This would depend on how we would reduce the trade difference of bilateral trade with the US and Bangladesh. We can observe other countries' trade relationship with the USA, for instance, what strategies or policies India, China, Vietnam, etc. are adopting to reduce the trade gap with the USA. Reducing the trade deficit is not solely dependent on tariffs. Even if we reduce our tariff, it does not imply that the trade deficit with the USA will reduce. The products that we import from the USA are also imported from other countries at a cheaper rate and in a shorter time.

The tariff imposed on imported goods is not as much as the goods are mostly essential products or raw materials. Reducing the tariff does not mean that we can attract more imports from the USA. The tariff on imports has to be reduced for the product and not based on the country. Thus, if we reduce the tariff on LNG then it includes all countries from where we import LNG.

But let's not panic—this situation is nuanced. Tariff increases on Chinese exports are much higher, which, ironically, makes us comparatively attractive. Due to the China-US trade war, China's exports have been affected, whereas it was observed that other countries like Vietnam, Cambodia, India, etc. have experienced increased exports. Although Bangladesh may get a short-term benefit but in the long term it might affect the consumers' purchasing ability due to high tariffs. Thus, it will cause inflation in the USA, a global slowdown, and a reduction in the USA consumers' purchasing capacity will hamper our exports. There are many pros and cons involved in it.

That said, Bangladesh must approach trade negotiations carefully. Offering unilateral tariff concessions or proposing increased LNG imports to appease the U.S. is premature and potentially damaging. This might give a negative idea to other countries, as they might think that they would lose trade preference if we have a Unilateral tariff concession agreement with other large countries. As an LDC, we should be receiving duty-free benefits, not offering them. We should be adherent to global policies and domestic policies. What we can do is make a separate customized procurement Act on bilateral terms. Our trade strategy should align with global norms and be part of a long-term bilateral trade and investment framework, not short-term appeasement.

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India's suspension of land transit and Bangladesh's response on Indian yarn imports have raised concerns. How should Bangladesh handle such geopolitical risk?

Dr. Moazzem:

India's sudden withdrawal of transshipment facilities was surprising. Better communication could have allowed us to prepare, or India could have suggested an alternative route. This suggests the trade relation with India is currently going through friction. At the same time, Bangladesh's halt on Indian yarn imports through all land ports has economic implications. The halt is based on under-invoicing concerns and has its own complications. The textile industry was already struggling with gas shortages, higher energy costs, and import hurdles. While under-invoicing must be addressed, halting imports entirely is not a viable long-term solution, especially when our domestic industry cannot supply non-cotton yarns at scale. We need to combat customs corruption and improve infrastructure, but regional trade decisions must avoid being reactive or politically charged. We have to analyze whether artificially shifting trade flows to favor certain countries is logical or not, as it might not be competitive in the long run. We must base our strategy on competitiveness, not politics.

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From an investor's perspective, what institutional reforms are most urgent to improve the business environment?

Dr. Moazzem:

Digitalization is the ultimate solution. All business processes—licenses, renewals, registrations—should be moved online, on a real-time, transparent platform. That alone could cut corruption dramatically, reduce time and costs, and improve investor confidence. We should focus on reducing paper-based transactions. We also need an integrated financial transaction tracking system that links TINs and business identities to economic activities, so that any economic activity or transaction can be traced or tracked much like India's Aadhaar-based model. Alongside that, a Regulatory Reform Commission should be established. There are too many overlapping, outdated rules that hinder business growth. Simplifying procedures, reducing licensing redundancies, and eliminating gray zones will allow both domestic and foreign investors to operate with confidence. This government is also interested in making investment-friendly procedures, which is a positive sign, and the interim government should act on making flexible laws & rules, with a reduced bureaucratic process. Here, digitalized platforms will help to track any process and reduce corruption. Initially, the target should be to take steps for digitalizing and formalizing the supply chain of essential products, where the inflation and market manipulation rate is high, should be targeted for the next three to five years. Business should be formalized, and no informal businesses should be allowed.

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Despite challenges, where do you see Bangladesh's strongest opportunities for growth and innovation?

Dr. Moazzem:

For Bangladesh, innovation is highly ambitious, and we are not ready for high-end innovation just yet. Rather, we can adopt and adapt global technologies and knowledge. We can improvise these technologies and utilize this technical know-how. For Bangladesh, future opportunities hinge on the immediate priority of securing political stability. Investors are unlikely to enter a market marked by uncertainty, civil unrest, or weak governance. Second, we must secure essential services: reliable gas, electricity, skilled labor, and smooth port operations. Without these foundations in place, roadshows are unlikely to deliver meaningful outcomes. Once the fundamentals are in place, sectors like food processing, leather goods, plastics, ceramics, light engineering, semiconductors, and solar energy can flourish. Investors are observant, they will come if the ecosystem is right, even if we do not try to convince them.

Stock Analysis

SQUARE TEXTILE PLC

Stock Analysis Disclaimer

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Company Business Overview

Aspect	Information
Name	Square Textile PLC
Establishment	1994
Key Business Activity	The core business of Square Textiles PLC is the development, manufacturing, and marketing of various types of yarn, including cotton, polyester, synthetic, woolen, and blended yarns. With an installed capacity of 59,472 spindles and 3,960 rotor heads, the company supports the textile and garment industries both locally and internationally.
Sector	Textile
About the company	Square Textile PLC is a textile manufacturing company in Bangladesh, primarily engaged in the production and export of yarn. It was established in 1994 by Samson H. Chowdhury and is headquartered in Dhaka. The company operates as part of the broader Square Group and supplies yarn to various segments of the textile and garments industry, both domestically and abroad.

Stock Statistics

Stock Price (18-May-2025)	40.90
Authorized Capital -BDT(mn)	3,000.00
Paid Up Capital -BDT(mn)	1,972.52
Total Shares	197,252,000
Market Capitalization -BDT(mn)	9,507.55
P/E (Interim) as on 18-May-2025	7.06
P/E (Audited) as on 18-May-2025	8.15
Market Category	A
Market Lot	1
Last Dividend Declaration Date	23-Oct-24
AGM Date	18-Dec-24
Credit Rating	LT:"AA+" & ST: "ST-1"
Number of shares outstanding	46,377,880
52 Weeks' Moving Range	39.90 - 59.50
CAGR of EPS in 2024 % (2020-2024)	19.98%
CAGR of NAV in 2024 % (2020-2024)	10.23%
Dividend Yield	6.93%
Free Float Share (%)	38.17%

Key Takeaways

Founded in 1994, Square Textile PLC is a leading yarn manufacturer in Bangladesh and a key entity under the Square Group. With a production capacity of 59,472 spindles and 3,960 rotor heads, the company supplies a broad range of cotton, polyester, synthetic, and blended yarns to the local and global garments industry. As of May 2025, it possesses a market capitalization of approximately BDT 9.51 Billion, maintaining a strong market presence in the "A" category on the Dhaka Stock Exchange.

Recent financial trends show a company reinvesting for long-term growth. Though ROA declined to 5.24% and ROE to 11.68% in FY24, this was driven by a surge in capital expenditure aimed at modernizing operations and expanding capacity. Square reported consistent operating cash flow and posted a 2024 audited P/E ratio of 8.15—attractive for a stock with a 19.98% CAGR in EPS and a 6.93% dividend yield. Its current ratio of 1.215, long-term credit rating of "AA+", and strong operational cash generation reflect underlying financial stability despite short-term margin pressures.

The company's ownership structure also highlights institutional confidence. As of April 2025, sponsors and directors held a steady 61.83% stake, while institutional shareholding rose to 26.64%, up from 24.74% in 2020. The public, with a free float of 38.17%, holds the remaining 11.53%. Backed by a stable governance model and a forward-looking strategy focused on sustainability and product diversification, Square Textile PLC stands out as a reliable long-term investment in Bangladesh's export-driven textile industry.

Shareholding Position

As of April 30, 2025, the shareholding structure of Square Textiles PLC remains anchored by its Sponsor/Director group, which continues to hold a commanding 61.83% stake in the company—unchanged since 2020. This unwavering ownership indicates a steady strategic direction and sustained commitment from the founding leadership, which continues to inspire investor confidence.

What stands out in the updated shareholding profile is the further uptick in institutional ownership, which has risen from 24.74% in 2020 to 26.64% in 2025. Such a shift, while modest in percentage terms, is significant in signaling increased trust from sophisticated investors such as banks, mutual funds, and insurance companies. These entities typically engage in rigorous due diligence and long-term value assessment, making their growing involvement a positive signal for governance quality and operational outlook.

Conversely, public shareholding has declined to 11.53%, down from 13.43% five years ago. This consolidation of ownership could reflect a transition of equity into more stable, informed hands, reducing the influence of speculative retail sentiment in daily trading. In the context of the Bangladesh capital market—where volatility can often be triggered by rumors or short-term disruptions—this evolving ownership pattern strengthens the perception of Square Textiles as a professionally managed, fundamentally sound company with enduring appeal to institutional investors.

Figure 1. Share Holding Position as of Apr 30, 2025

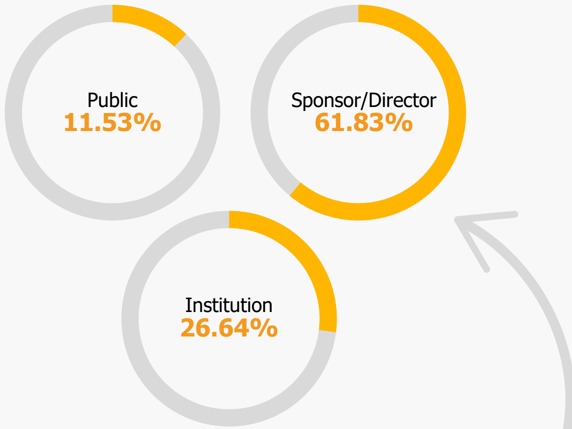
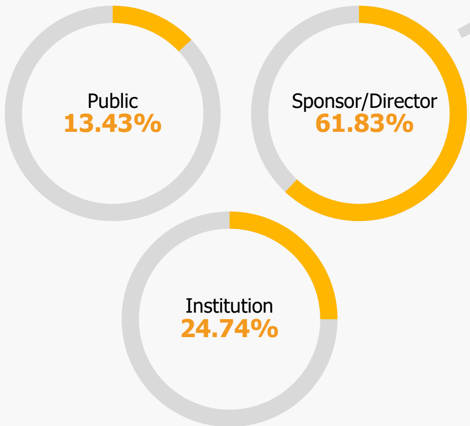


Figure 2. Share Holding Position as of Jun 30, 2020



Historical Financial Performance

Square Textile PLC has demonstrated notable resilience and adaptability over the past three years, navigating sector-wide volatility with strategic investments and prudent financial management. However, a closer look reveals a nuanced story of margin pressure, operational bottlenecks, and a forward-looking pivot toward sustainable growth.

From 2022 to 2024, the company's Return on Assets (ROA) saw a consistent decline from 12.04% to 5.24%, while Return on Equity (ROE) halved from 23.24% to 11.68%. This erosion in return metrics is not simply a reflection of weaker profitability, but rather the result of deliberate capacity expansion and increased capital investment. As noted in the Directors' Report, Square Textile invested over BDT 1.98 billion in fixed assets during FY 2023–24—funded through internal accruals and bank borrowings—to bolster its spinning capabilities and shift toward higher-value yarn products. The increase in net fixed asset turnover from 9.75 (2022) to 11.54 (2024) affirms that these assets are already contributing to operational output, albeit with lagging effects on bottom-line margins.

Profitability metrics have, however, come under strain. Gross profit margin compressed from 16.76% in 2022 to 11.99% in 2024, while net profit margin nearly halved over the same period—from 11.24% to 5.56%. The culprits are both macro and operational: the steep rise in gas and fuel prices, dollar exchange rate fluctuations, and wage hikes under revised labour law all contributed to cost pressures.

Management noted that production efficiency fell marginally due to gas shortages, forcing mills to operate at partial capacity and raising per-unit production costs. Additionally, the international price of yarn declined in USD terms, even as the BDT depreciated, blunting the effect of higher export revenues.

Liquidity remains stable, with the current ratio improving to 1.215 in 2024, up from 1.010 in 2023, suggesting more breathing room in working capital management. Yet the sharp rise in financial leverage from 1.77 (2022) to 2.45 (2024) signals a growing reliance on debt—particularly long-term financing—which the Managing Director frames as a strategic move aligned with confidence in the export-oriented RMG sector.

Despite the turbulence, Square Textile is positioning itself for a pivot. The management has signaled a focus on value-added and eco-friendly yarn products (e.g., recycled cotton/polyester, Tencel), and is banking on product diversification and export market development to drive future growth. While historical margins have narrowed, the long-term trajectory reflects a company reinvesting for scalability and competitive edge, not stagnation

Ratio	2024	2023	2022
Profitability & Investment Return			
Gross Profit Margin	11.99%	12.21%	16.76%
Operating Profit Margin	10.39%	10.22%	15.02%
Net Profit Margin	5.56%	6.94%	11.24%
Return on Equity (ROE)	11.68%	12.13%	23.24%
Return on Assets (ROA)	5.24%	6.45%	12.04%
Liquidity & Leverage			
Current Ratio	1.215	1.010	1.266
Quick Ratio	0.646	0.535	0.882
Cash Ratio	0.042	0.060	0.099
Financial Leverage	2.452	1.987	1.767
Efficiency & Productivity & Capital Strength			
Receivable Turnover	4.119	3.930	3.708
Inventory Turnover	3.18	3.765	7.053
Inventory Processing Period (Days)	114.779	96.933	51.748
Cash Flow & Capital Adequacy			
Operating Cash Flow to Sales	0.892	1.062	1.016
Asset Management & Asset Quality			
Total Asset Turnover	0.944	0.930	1.071
Net Fixed Asset Turnover	11.537	34.908	9.747
Equity Turnover	2.101	1.749	2.068

Particulars	2024	CAGR
Balance Sheet		
Total Assets	25,096,237,521.00	12.99%
Total equity	10,236,500,776.00	6.38%
Total current liabilities	11,557,402,813.00	14.65%
Total non-current liabilities	3,302,333,932.00	63.89%
Income Statement		
Turnover	20,905,825,094.00	14.63%
Gross profit	2,506,775,840.00	17.14%
Profit after tax	1,161,852,741.00	21.97%
Cash Flow Statement		
Net Cash from Operating Activities	18,650,229,427.00	13.63%

Financial Highlights

Figure 3. Earning Per Share

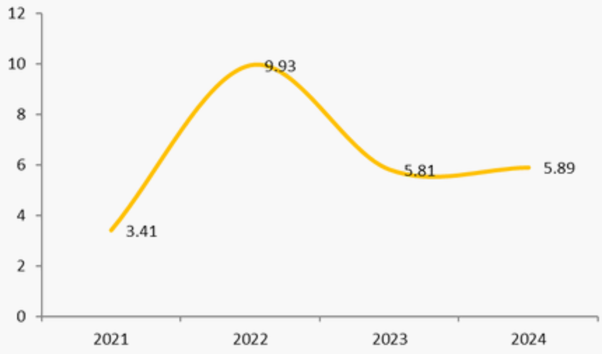


Figure 4. Dividend %

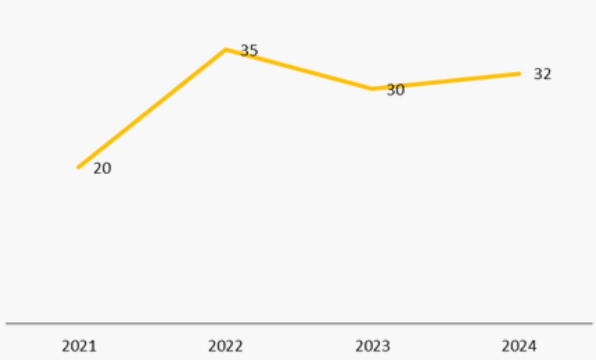


Figure 5. Net Asset Value

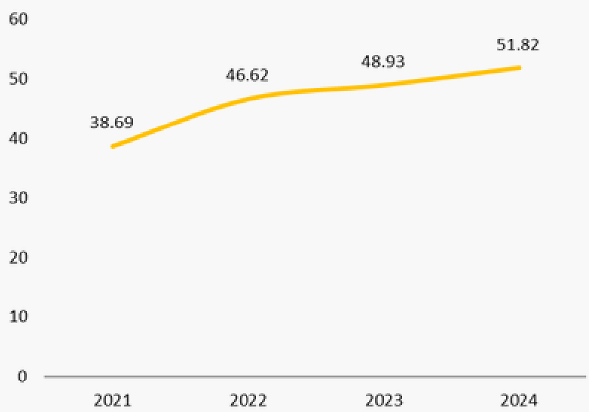
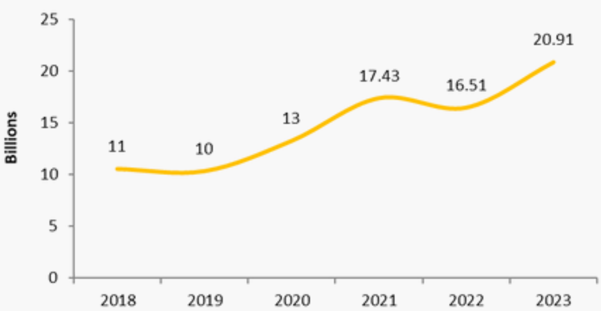


Figure 6. Revenue



Peer Analysis:

In the competitive landscape of Bangladesh's textile industry, Square Textile PLC and Tamijuddin Textile Mills PLC stand out as prominent players specializing in yarn production. While Square Textile boasts a larger market capitalization of BDT 9,448.37 million compared to Tamijuddin's BDT 2,919.29 million, both companies exhibit distinct financial and operational characteristics that merit a comparative analysis.

Square Textile's audited Price-to-Earnings (P/E) ratio stands at 8.25, indicating a more attractive valuation compared to Tamijuddin's 14.42. This suggests that investors may perceive Square as offering better earnings relative to its share price. However, Tamijuddin surpasses Square in profitability margins, with a Gross Profit Margin of 19.96% and an Operating Profit Margin of 18.50%, compared to Square's 11.99% and 10.39%, respectively. This higher profitability could be attributed to Tamijuddin's product mix and operational efficiencies. Both companies maintain similar liquidity positions, with current ratios of 1.215 for Square and 1.223 for Tamijuddin, indicating adequate short-term financial stability. However, Tamijuddin exhibits higher financial leverage at 3.18 compared to Square's 2.45, suggesting a greater reliance on debt financing. This is further underscored by Tamijuddin's negative operating cash flow of BDT -329.36 million in 2024, highlighting potential concerns regarding its cash generation capabilities.

Square Textile demonstrates superior operational efficiency, with a Net Fixed Asset Turnover of 11.54 and a Total Asset Turnover of 0.94, significantly outperforming Tamijuddin's 1.00 and 0.47, respectively. This indicates that Square is more effective in utilizing its assets to generate revenue. Additionally, Square's Return on Assets (ROA) and Return on Equity (ROE) are notably higher at 5.24% and 11.68%, respectively, compared to Tamijuddin's 2.40% and 7.14%.

In terms of shareholder returns, Square offers a higher dividend yield of 6.64%, reflecting its commitment to returning value to shareholders. Conversely, Tamijuddin declared a 21% cash dividend for general shareholders in 2024, translating to a yield of approximately 2.16%, which, while lower, indicates a consistent dividend policy.

Tamijuddin has undertaken significant investments in balancing, modernization, rehabilitation, and expansion (BMRE), with a Tk 500 million initiative aimed at enhancing production capacity and efficiency. This strategic move is expected to bolster its market position and profitability in the long term. Square, on the other hand, continues to focus on operational excellence and asset utilization to maintain its competitive edge.

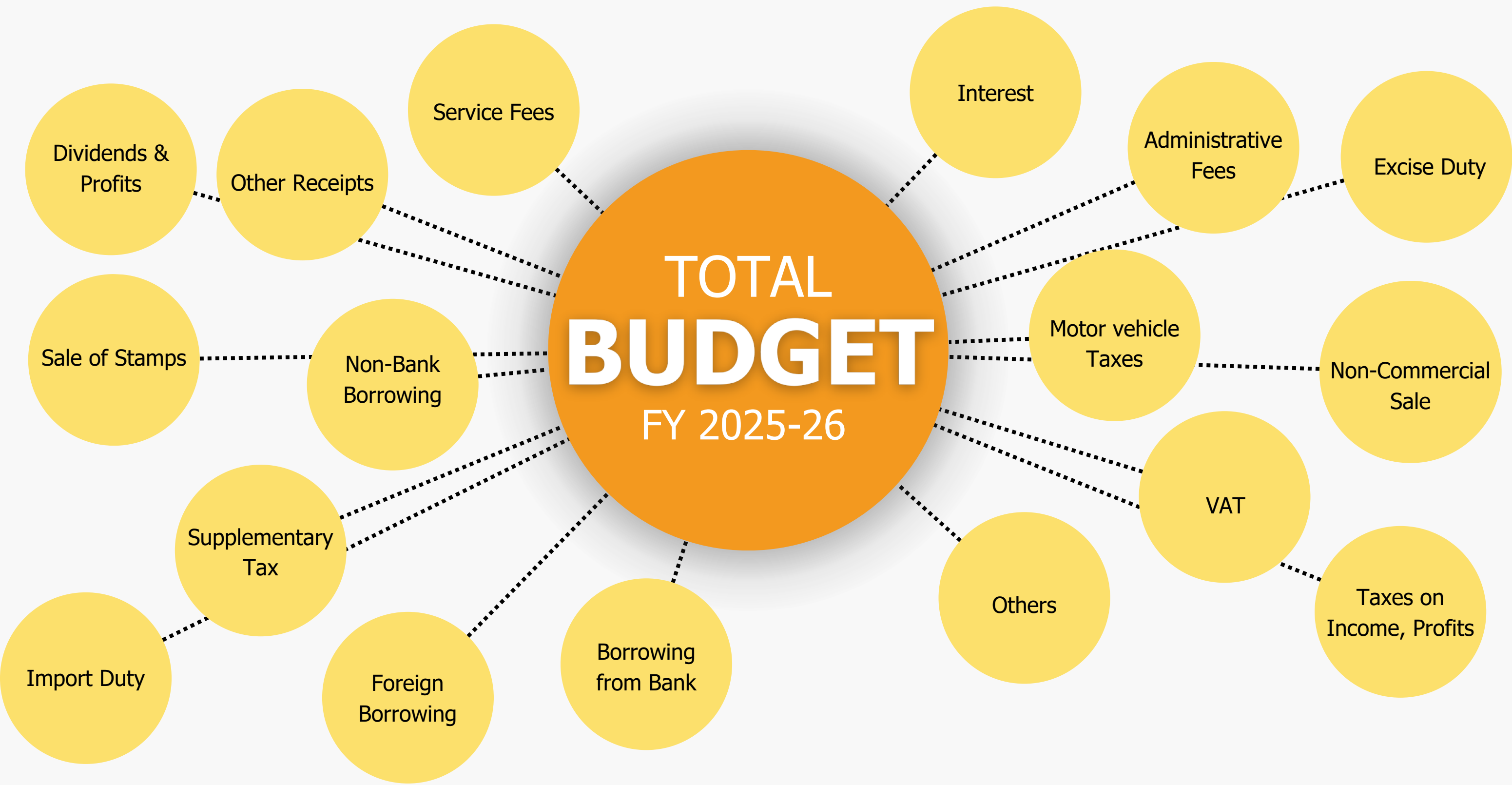
While Square Textile PLC exhibits stronger operational efficiency and higher returns, Tamijuddin Textile Mills PLC's superior profit margins and strategic investments position it as a formidable competitor in the yarn manufacturing sector. Investors and stakeholders should consider these factors when evaluating the performance and prospects of these two industry players.

Symbol	SQUARETEXT	TAMIJTEX
Market Captital(mn)	9448.37	2919.29
PE Interim	7.15	16.17
PE Audited	8.25	14.42
NAV	53.72	100.49
Turnover	20905.83	3937.99
Dividend Yield(%)	6.64	2.16
Current Ratio	1.215	1.223
Quick Ratio	0.65	0.44
Financial Leverage	2.45	3.18
Operating Cash Flow to Sales	0.89	-
Gross Profit Margin	11.99%	19.96%
Operating Profit Margin	10.39%	18.50%
EBITDA Margin	15.72%	21.47%
Net Profit Margin	5.56%	5.11%
Return on Equity (ROE)	11.68%	7.14%
Return on Assets (ROA)	5.24%	2.40%
Total Asset Turnover	0.94	0.47
Net Fixed Asset Turnover	11.54	1.00
Equity Turnover	2.10	1.40
Receivable Turnover	4.12	3.16
Inventory Turnover	3.18	2.94
Payables Turnover	-	7.71
Cash Ratio	0.04	0.07

Up-Coming

Cover Story for the Next Edition of the Magazine

Bangladesh Alternative National Budget FY 2025-26



ECRL KEY PERSON

Dr. Jamaluddin Ahmed, FCA

Chairman

Dr. Jamaluddin Ahmed is one of the sponsor directors of Emerging Credit Rating Ltd. (ECRL). He is also the Chairman of the company. Professionally a Chartered Accountant and a fellow member of the Institute of Chartered Accountants of Bangladesh (ICAB) since 1990; he has been awarded PhD in Accounting from Cardiff Business School, University of Wales, under Commonwealth Scholarship in 1996, and secured First Class in Masters Degree and Bachelors with Honours from Accounting Department of Dhaka University.

He has many years of experience in the financial sector of Bangladesh and has used his expertise and experience to carry out numerous research work and publications. He is the Audit Engagement Partner of 10 banks and leasing companies, 4 energy companies, 10 listed non-bank companies, and a tax advisor for many local and multinational companies. He also performs the following responsibilities:

- The Board of Directors of Janata Bank Limited (2008-2013), Essential Drugs Limited, Power Grid Company of Bangladesh Limited.
- The Chairman of the Board Audit Committee of Janata Bank Limited (2008-2013) and Power Grid Company of Bangladesh Limited.
- The Member of the Board of Directors and Chairman of the Audit Committee of Grameen Phone Limited, Advisor to the Board and Audit Committee of Bangladesh Bank.
- Previously He had been the representative of ICAB to the Board of Dhaka WASA, Dhaka Stock Exchange Ltd., Consultative Committee at the Security and Exchange Commission, Bangladesh Telecommunication Company Limited.
- From 1999 to 2013 he was a partner at Hoda Vasi Chowdhury & Co., An Independent Firm of Deloitte Touche & Tohmatsu. He has taken several training courses in the power and energy sector and has completed assignments at numerous banks.

Mr. N K A Mobin, FCS, FCA

Executive President

Mr. N K A Mobin is a veteran businessman and skilled in a broad range of trade ventures. He is one of the 4 sponsor Directors of the Emerging Credit Rating Ltd, the eminent credit rating agency in Bangladesh. Mr. Mobin has completed his Bachelor of Business Administration & Master of Business Administration from the University of Dhaka majoring in Finance with first class results. He has been a Fellow Member of the Institute of Chartered Accountants of Bangladesh (ICAB) & Institute of Chartered Secretaries and Managers of Bangladesh (ICSMB) since 1992 & 1998, respectively. He is also a Member of the Institute of Financial Consultants (IFC) of the USA since 2002.

Mr. Mobin has working experience of more than 34 years in different corporate arenas financial management systems including the budgeting and reporting system, Tax management and optimization in tax expenses, involved in different projects cost optimization/efficiency and revenue maximization areas, etc. He has been Director of Projects and administration Director Finance and Company Secretary in Grameenphone Ltd. (GP). He has also been the Director of Finance and Company Secretary at Novartis (Bangladesh) Limited. He also performs the following responsibilities:

- People's Leasing and Financial Services Limited – Court appointed as the Director of People's Leasing and Financial Services Limited.
- Dhaka Chamber of Commerce and Industry (DCCI) – Appointed as one of the Board members for 2020-2022 and Senior Vice President for 2021.
- Institute of Chartered Accountants of Bangladesh (ICAB) – Elected Council member for 2019-21 and Ex-Vice President (Education and Examination) for 2019.
- Unique Hotel And Resort - Appointed as the Independent Director of Unique Hotel And Resort

Mr. Arifur Rahman, FCCA, FCA, CSAA

Chief Executive Officer (CEO)

Mr. Arifur Rahman is a dynamic professional representing the Emerging Credit Rating Limited as the Chief Executive Officer (CEO), the distinguished credit rating agency in Bangladesh. He has completed his B.Sc. (Hons) in Civil Engineering with first class result from Bangladesh University of Engineering & Technology (BUET) and also completed BSc (Hons) achieving higher second class honors (2:1) in Applied Accounting from Oxford Brookes University.

Mr. Rahman has 21 years of expertise in the various sectors like Civil Engineering, Auditing, Financial Consultancy, Feasibility Studies, and Tax Advisory and Planning etc. He is also a Certified Sharia Adviser & Auditor (CSAA). He is actively involved in taking charge of the technical and organizational interests and advising the company in articulating current business strategies as well as future growth potentials. He is responsible to administer different departments and plays an important role in taking the managerial and operational decisions of the organization. Mr. Rahman is also the Fellow Member of the Association of Chartered Certified Accountant. Mr. Rahman is qualified as a chartered accountant from the institute of the Institute of Chartered Accountants of Bangladesh (ICAB).

Md. Shaiful Hasan

Senior Business Consultant

Mr. Shaiful Hasan holds the position of Senior Business Consultant at ECRL, where he oversees the department's comprehensive operations. His responsibilities extend to enhancing and refining ECRL's digital footprint and brand identity through meticulously curating financial infographics, YouTube video productions, and other captivating content for various social media platforms. Furthermore, he conducts insightful interviews with subject matter experts and serves as an anchor for financial literacy videos, bolstering the organization's educational outreach efforts. Mr. Shaiful has over eight years of financial analysis and project management expertise. Throughout his professional journey, he has successfully executed over 2,000 projects, offering his clients extensive services. These services encompass diverse areas, including feasibility studies, intricate financial modeling, comprehensive asset and company valuation, strategic M&A consultancy, in-depth industry analysis, meticulous company profiling, data visualization and report enhancement, publication in magazines, credit rating evaluations, distribution assessments, rigorous background verifications, thorough assessments of customer credit lines, the development of business plans and startup strategies, precise financial projections, creation of investor pitch decks, execution of digital marketing campaigns, and formulation of strategic marketing plans. Mr. Shaiful completed his academic journey at East West University and earned a Master of Social Science degree in Economics and a Bachelor of Business Administration in Finance and Economics. Notably, he received the prestigious Dean's Scholarship in recognition of his exceptional academic achievements.

Nabihatul Afrooz

Senior Research Associate

Ms. Nabihatul Afrooz is a Senior Research Associate at ECRL, where she conducts financial and economic research on various industries and projects. She has more than six years of experience in data analysis, report writing, credit rating assessments, and survey design. She also handles special assignments from the management and collaborates with other team members to achieve common goals. Ms. Afrooz holds two Master of Social Science degrees in Economics, one from City University London, UK, and another from East West University. She also completed her Bachelor of Business Administration in Finance and Economics from East West University. She has a strong academic background and a keen interest in financial markets and economic development.

Md. Asaduzzaman

Business Analyst

Mr. Md. Asaduzzaman has been working as a research associate at Emerging Credit Rating Limited since 2022. He has more than three and half years of experience in various projects, financial research, and credit rating assessments. He is responsible for industry research, financial infographics and video making, data visualization, and macroeconomic analysis for ECRL monthly magazine. Other than that, he is involved in ECRL's special projects. He completed his BBA and MBA in Finance and Banking from Manarat International University, Bangladesh.

Ms. Shahela Nasrin

Business Analyst

Ms. Shahela Nasrin has served as a Business Analyst at Emerging Credit Rating Limited since 2023. In this role, she fulfills crucial responsibilities, including data collection, visualization, and analysis, as well as industry analysis and preparation of working papers and monthly magazines. Additionally, she actively contributes to ECRL's special projects, which encompass feasibility studies, project profiles, company valuations, distributor assessments, supplier verification, and financial loan assessments for suppliers. Ms. Shahela holds a Bachelor of Social Science in Economics from East West University and a Master of Science in Economics from North South University. Her academic background and professional interests are centered around development economics and business research, with a specific emphasis on market and financial analysis.

Md. Saad Siddique

Business Analyst

Mr. Md. Saad Siddique is a recent graduate from North South University, where he earned his BBA with a major in Finance and Economics. He is currently a Business Analyst at Emerging Credit Rating Limited, where he is involved in data collection, visualization, industry analysis, and financial assessments. Before this, he interned at SEAF Ventures Management Ltd., assisting the Investment team with developing business and financial models, conducting market research, and competitive analysis.

About ECRL

Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinions in various industry segments around Bangladesh. ECRL obtained a credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institution (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhad.

Emerging Credit Rating Limited's team is oriented towards the continuous improvement of processes, striving for an important role in the leadership of the business world. Every individual in ECRL is committed to providing topmost ingenious Credit Rating Services and Comprehensive Research Services in Bangladesh. ECRL's rating services and solutions reflect independence, professionalism, transparency, and impartial opinions, which assist businesses in enhancing the quality of their decisions and helping issuers access a broader investor base and even smaller known companies approach the money and capital markets. The Credit Rating process is an informed, well-researched and intended opinion of rating agencies on the creditworthiness of issuers or issues in terms of their/ its ability and willingness to discharge its financial obligations in a timely manner. Issuers, lenders, fixed-income investors use these risk assessments for the purpose of lending to or investment in a corporation (such as a financial institution, an insurance company, a non-banking corporation or a corporate entity) as well as evaluating the risk of default of an organization's financial obligations in terms of loan or debt.

Editorial Overview

ECRL Research provides insights, opinions, and analysis on Bangladesh and International Economies. ECRL Research conducts surveys and produces working papers and reports on Bangladesh's different socio-economic issues, industries, and capital market. It also provides training programs to professionals from financial and economic sectors on a wide array of technical issues.

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