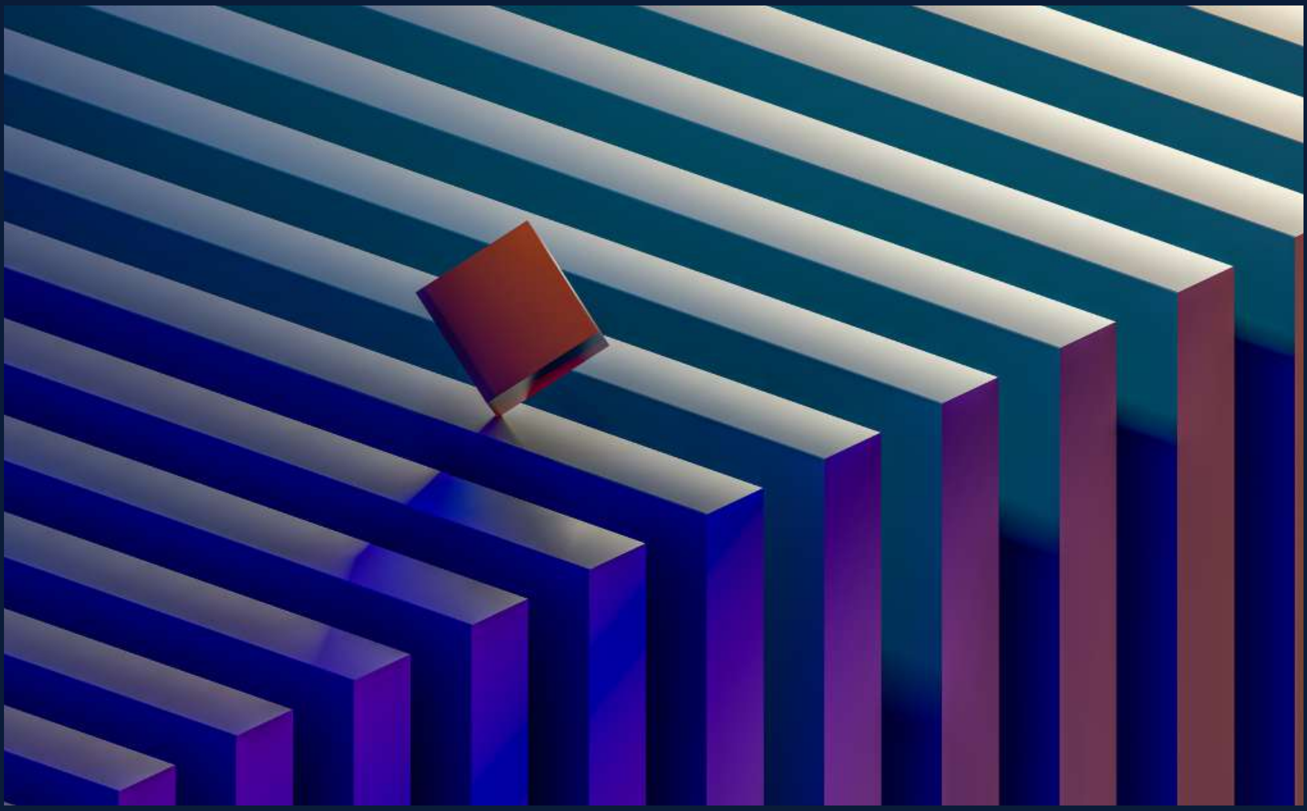
LightCastle Business Confidence Index 2024-2025

Winds of Change: Navigating Through Turbulence Towards Tomorrow

LightCastle PARTNERS



About LightCastle

LightCastle Partners — an international management consulting firm — creates systemic and data-driven growth and impact opportunities in emerging markets. By collaborating with development partners and leveraging the power of the private sector, we strive to strengthen economies, inspire businesses, and transform lives at scale.

We aim to accelerate and deliver sustainable and inclusive growth. For more than a decade, we have been collaborating with public, private, and development organizations and institutions to conduct research, formulate intervention strategies, mobilize capital, and implement programs that generate enduring social and economic impact.

Acknowledgement

We would like to thank the **140 private sector leaders across 25 sectors** in Bangladesh for partaking in our study by giving their valuable time and responding to our data requests. This study could not have been possible without them graciously sharing their views with us. For that and more, we are deeply humbled and grateful.

We would also like to express our gratitude to Omar Farhan Khan, Ismat Ara Shimi, Nazmul Kabir Al-Mehmud, Md. Mubassir Rahman, Sadia Karim, Sakina Binte Belayet for their relentless support with helping us with conducting the interviews and the data collection process.

Acronyms

Acronym	Definition
ADB	Asian Development Bank
AMC	Asset Management Company
API	Active Pharmaceutical Ingredient
ASC	Aquaculture Stewardship Council
BB	Bangladesh Bank
BCI	Business Confidence Index
BDT	Bangladeshi Taka
BIDA	Bangladesh Investment Development Authority
BN	Billion
CETP	Central Effluent Treatment Plant
CMSME	Cottage, Micro, Small and Medium Enterprises
CNG	Compressed Natural Gas
COGS	Cost of Goods Sold
CPMR	Crawling Peg Mid Rate
CPPA	Corporate Power Purchase Agreement
DFI	Development Financial Institution
DSE	Dhaka Stock Exchange
ERQ	Exporters' Retention Quota
EU	European Union
FDI	Foreign Direct Investment
FMCG	Fast-Moving Consumer Goods
FY	Fiscal Year
GSMA	Groupe Speciale Mobile Association
ICT	Information and Communication Technology
IMF	International Monetary Fund
IP	Intellectual Property
IT/ITES	Information Technology / Information Technology enabled Services
LC	Letters of Credit
LDC	Least Developed Country
LNG	Liquefied Natural Gas
LWG	Leather Working Group
MMT	Million Metric Tons
MNCs	Multinational Corporations
NPLs	Non-Performing Loans
PL	Post-Larvae
R&D	Research and Development
RMG	Ready-Made Garments
SME	Small and Medium Enterprise
TVET	Technical and Vocational Education and Training
USITA	United States Information Technology Association
USD	United States Dollar
VAT	Value-Added Tax
WTO	World Trade Organization

Message from Directors

Dear All,

Persistent structural challenges, including protectionist trade policies, energy shortages, and vulnerabilities in the financial sector—have, alongside political transition concerns, contributed to a slowdown in economic growth and a cautious stance among investors.

However, recent developments offer a foundation for greater stability. The government's exchange rate adjustments have significantly realigned the BDT. Efforts to maintain fiscal discipline have contributed to macroeconomic stability. Despite global uncertainties, export performance has remained steady, and a historic rise in remittance inflows has provided crucial support to the country's foreign exchange reserves.

Our latest report captures this evolving landscape. Overall business sentiment stands at +6.44. Small and medium enterprises as well as startups show the highest confidence levels, scoring +9.8 and +15.3 respectively. In contrast, local conglomerates and multinational corporations are more cautious, reflecting their greater exposure to external risks such as geopolitical tensions and supply chain disruptions.

During the period from July to December 2024, industry leaders acknowledged ongoing challenges such as inflation, cautious financial conditions, and slow-paced policy reforms, which impacted investment momentum. These factors weighed on both the agriculture and industrial sectors during this period. However, there is a strong sense of optimism for the upcoming months of 2025, with expectations of improved performance and renewed momentum across key sectors.

Leaders anticipate that tighter monetary and fiscal measures will help rein in inflation and stimulate consumption. With Bangladesh's rapidly growing population and labor force, domestic demand is expected to increase, opening up new opportunities in manufacturing, consumer goods, and service sectors. Additionally, the government's outreach to foreign regulatory bodies and ongoing policy reforms are sending positive signals to investors.

We are grateful to the 140 industry leaders whose insights have shaped this report. We invite you to explore the findings in full.

Together, we must continue to expand the country's industrial base, climb up the value chain, and drive digital transformation toward a more inclusive, resilient, and integrity-driven economy.

Managing Director
Zahedul Amin

CEO
Bijon Islam

Director
Ivdad Ahmed Khan Mojlish

Snapshot of Bangladesh

GDP:
$460 Bn
FY 2023-24

GDP/capita:
$2,676
FY 2023-24

Source: Bangladesh Economic Review 2024

Total Exports:
$50 Bn

Source: Export Promotion Bureau (2024)

Total Deficit:
$7.9 Bn

(JUL-DEC, FY24-25)

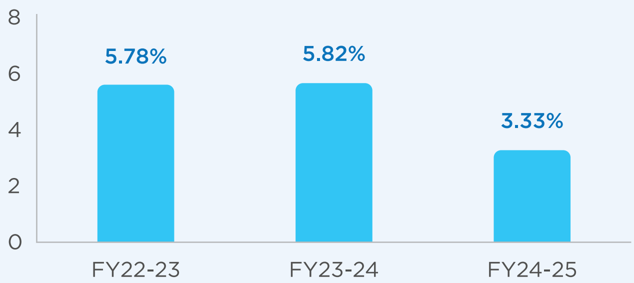
Total Imports:
$32 Bn

(JUL-DEC, FY24-25)

Remittance Inflow:
$26.9 Bn

(JUL-DEC, FY24-25)

GDP Growth Rate:

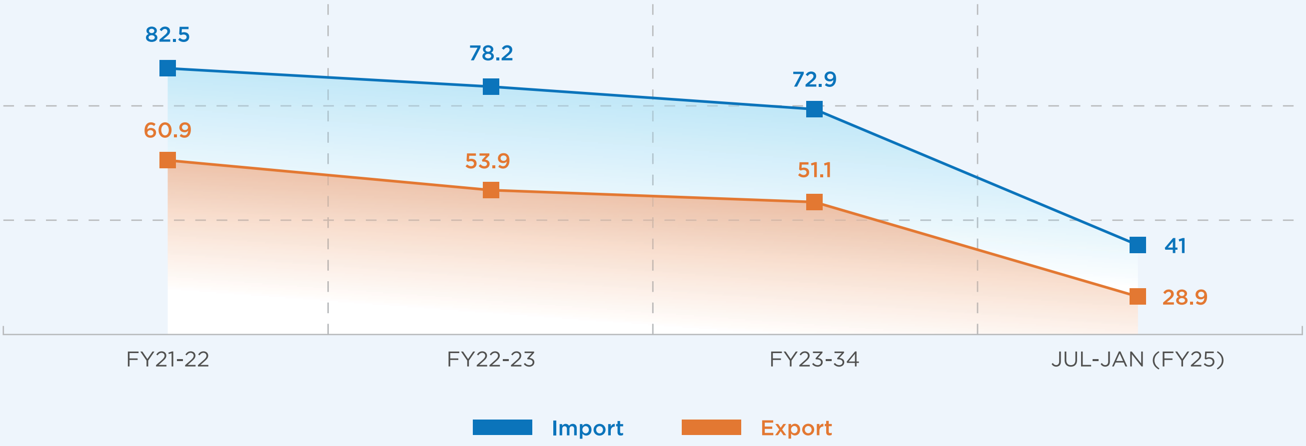


Source: Bangladesh Economic Review 2024

Top 5 Exports:

Product	JUL-DEC (FY23-24)	JUL-DEC (FY24-25)
Readymade Garments	$17.5 Bn	$19.8 Bn ↑
Leather & Leather Products	$0.52 Bn	$0.57 Bn ↑
Home Textiles	$0.38 Bn	$0.41 Bn ↑
Jute & Jute Goods	$0.45 Bn	$0.41 Bn ↓
Agricultural Products	$0.54 Bn	$0.59 Bn ↑

Import-Export Trend (in Bn USD):



Forex Reserve:

$20.3 Bn
(MAR'25)

Source:
BB (BPM6)

FDI Inflow:

$104 Mn
(JUL-SEP | FY25)

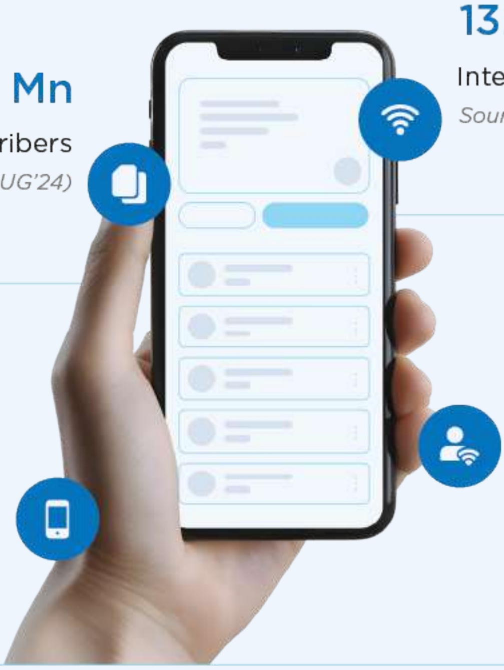
Source:
Bangladesh Bank

Sovereign Credit Rating:

	Long Term	Short Term
S&P	B+	B
Moody's	B2	-
Fitch	B+	-

192 Mn
Mobile Subscribers
Source: BTRC (AUG'24)

132.8 Mn
Internet Subscribers
Source: BTRC (FEB'25)



74.2%
Mobile Users
(% of population)
Source: Bangladesh Sample Vital Statistics (2023)

45.7%
Internet Users
(% of population)
Source: Bangladesh Sample Vital Statistics (2023)

Labor Force Demographics

Indicator	Labor Force Survey (2022)	Labor Force Survey (2016-17)
Total Labor Force (15 Years Old & Above)	**73.4 Mn**	63.5 Mn
Total Employed Population	**71 Mn**	61 Mn
Total Female Employed	**25 Mn**	18.6 Mn
Total Male Employed	**46 Mn**	42.4 Mn
Urban Employed Population	**17.7 Mn**	16.9 Mn
Rural Employed Population	**53.1 Mn**	43.9 Mn
% of Workforce in Agriculture	**45.33%**	40.6%
% of Workforce in Manufacturing	**17.02%**	20.4%
% of Workforce in Service	**37.65%**	39%
Total Unemployment Rate	**3.6%**	4.2%

Table of Contents

Table of Contents

1

Synopsis of Key Insights

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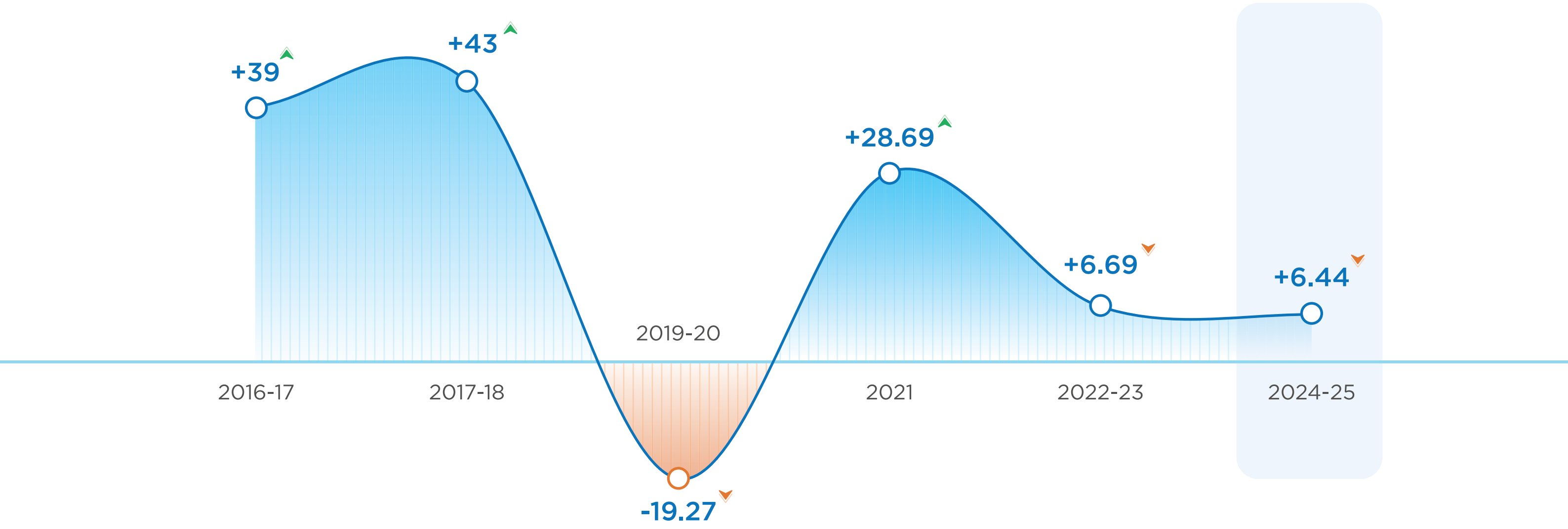
Historic BCI Scores:



The Business Confidence Index (BCI) captures shifts in sentiment across major economic events. Scores in 2016-17 (+39) and 2017-18 (+43) align with a period of steady domestic expansion, underpinned by ongoing infrastructure projects. The index turns sharply negative in 2019-20 (-19.3) during the onset of the pandemic, when health restrictions and supply disruptions weighed on activity. A rebound appears in 2021 (+28.7) as recovery measures and the gradual reopening of markets lift expectations. By 2022-23, the index settled at +6.69, reflecting the impact of the Russia-Ukraine war, higher global input costs, and continual supply-chain frictions among positive economic growth.

The 2024-25 BCI report captures the perspectives of 140 prominent industry leaders across more than 25 sectors in Bangladesh, encompassing multinational corporations, local conglomerates, startups, and SMEs. The interviews were conducted between November 2024 to February 2025. The findings indicate a cautiously optimistic sentiment within the private sector—stakeholders express confidence in the potential for long-term structural reforms, yet remain uncertain about short-term economic recovery due to prevailing macroeconomic challenges and ongoing political transition.

Bangladesh's private sector has exhibited a positive outlook with a cumulative business sentiment score of +6.44. Notably, local SMEs and startups have performed better than local conglomerates and MNCs. This disparity in scores is largely attributed to external factors, as larger organizations have been more affected by geopolitical instability, supply chain disruptions, global commodity price changes, and international trade policies.

Overall BCI Score:

+6.44

-2.52	Organizational BCI Score
+9.8	SME BCI Score
+15.3	Startup BCI Score

Although this year's BCI remains positive, it is slightly lower than the previous year (+6.69), reflecting a mild slowdown in overall business sentiment. Factors such as rising costs due to inflation, contractionary monetary policies, and concerns about policy continuity have contributed to a lower, yet still positive, score this fiscal year.

The Macroeconomy

Regarding the past six months, a majority of respondents (approximately 53%) have expressed concern regarding the national economy, pointing to persistent challenges such as elevated inflation, structural weaknesses in the financial sector, subdued private and public investment, and not to mention, political unrest. Furthermore, key reforms recommended by various commissions and committees have yet to be implemented, while the law-and-order situation remained somewhat unstable.

Despite these challenges, around 75% of respondents remain optimistic that the economy will not deteriorate further in the near term. This cautious optimism is supported by notable improvements in remittance inflows, a recovery in foreign exchange reserves, and strengthened export performance, all contributing positively to the current account balance. Although inflation remains high, recent trends indicate a gradual decline. Moreover, interest and exchange rates have become more market-driven compared to previous years. While vulnerabilities within the banking sector persist, targeted interventions by the Central Bank—such as liquidity support—have helped stabilize weaker institutions. However, political uncertainty persists despite the formal announcement of national elections scheduled to take place between December 2025 and June 2026.

The Industry

Industries are broadly categorized into three segments: primary, secondary, and tertiary. Only 17% of respondents indicated that industrial performance was favorable over the past six months. In the first quarter of FY25, both the agriculture and industrial sectors experienced weakened growth, contributing to a broader slowdown in economic activity. Widespread challenges—including currency depreciation, import restrictions, higher energy prices, and persistent inflation—have adversely impacted nearly all industries to varying degrees. Looking ahead, 76% of respondents anticipate a recovery in industrial performance, driven by a gradual increase in consumer demand and sales alongside easing inflationary pressures.

Within the primary sector, poultry and livestock recorded the highest BCI score (+14.2), followed by aquaculture, reflecting strong confidence among stakeholders. In contrast, the agriculture sector continued to face negative sentiment due to climate-related disruptions, limited investment in resilient infrastructure, and rising input costs—exacerbated by global grain shortages and fuel price increases. Meanwhile, optimism prevails in the poultry and livestock sector, as stakeholders anticipate improvements in the supply-demand balance, supported by upcoming government data-driven forecasts and proposed reductions in taxes on feed raw materials and machinery.

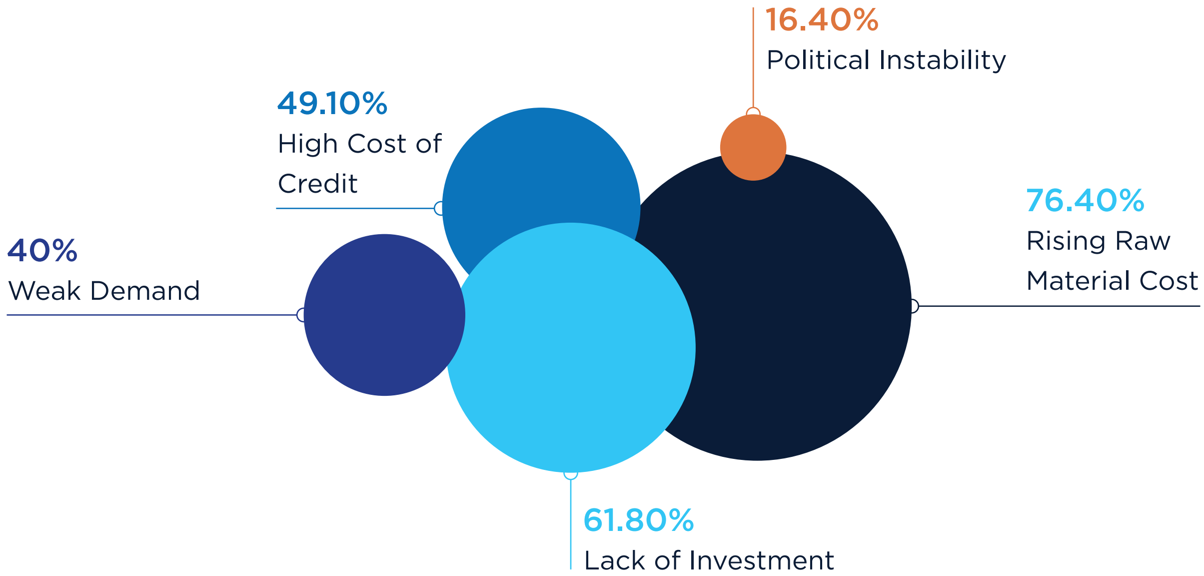
Within the secondary sector, the pharmaceuticals industry exhibited the highest level of confidence with a score of +21.1, whereas the construction and real estate sectors recorded the lowest confidence at -31.1. Although export growth offered some support to the industrial sector—particularly through the performance of the Textiles & Apparel sector—overall manufacturing activity outside the sector remained subdued.

In the tertiary sector, the IT/ITES industry demonstrated the highest level of confidence (+26.7), primarily driven by an expanding pool of freelancers and increased digital adoption. In contrast, the financial sector recorded the lowest confidence, attributed to governance challenges, regulatory capture, elevated levels of non-performing loans (NPLs), and various operational inefficiencies.

Major Problem Areas of Doing Business

According to this year's BCI survey, businesses have ranked the top 5 problem areas to be:

- Rising Raw Materials Cost
- High Cost of Credit
- Political Uncertainty
- Lack of Investments
- Weak Demand

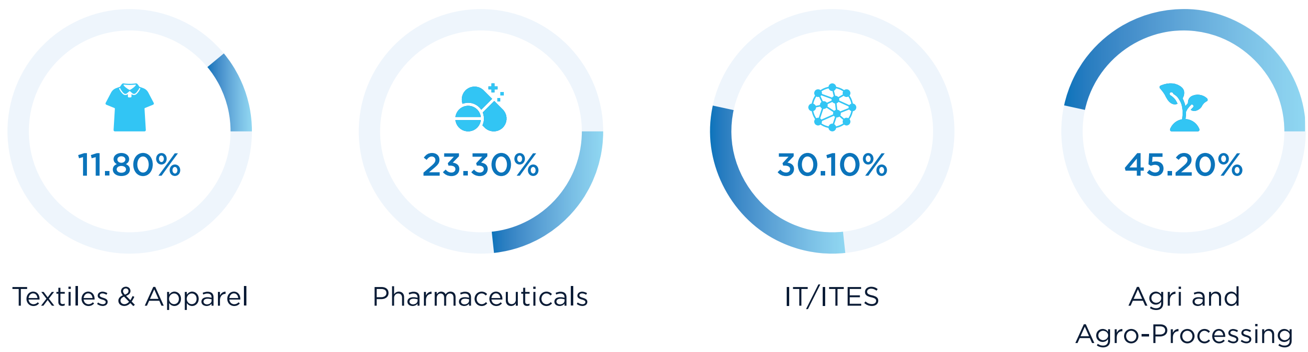


Way Forward in the Next 6 Months

The outlook suggests cautious optimism in Bangladesh's industrial sector, with strong expectations for market demand and selling price growth, suggesting a potential revenue uplift. While 37.5% anticipate higher investments, the majority expect profitability and employment levels to remain stable, suggesting a focus on consolidation over expansion. Investment and export prospects, while moderate, signal growing confidence under improved policy and reform momentum.

High Prospect Sector

Agri & Agro-processing, IT/ITES, Pharmaceuticals & Apparel have been identified as promising industries for the upcoming 5 years. The IT sector, in particular, has consistently been mentioned in all the past five editions of the BCI due to the country's growing adaptation of digitalization.



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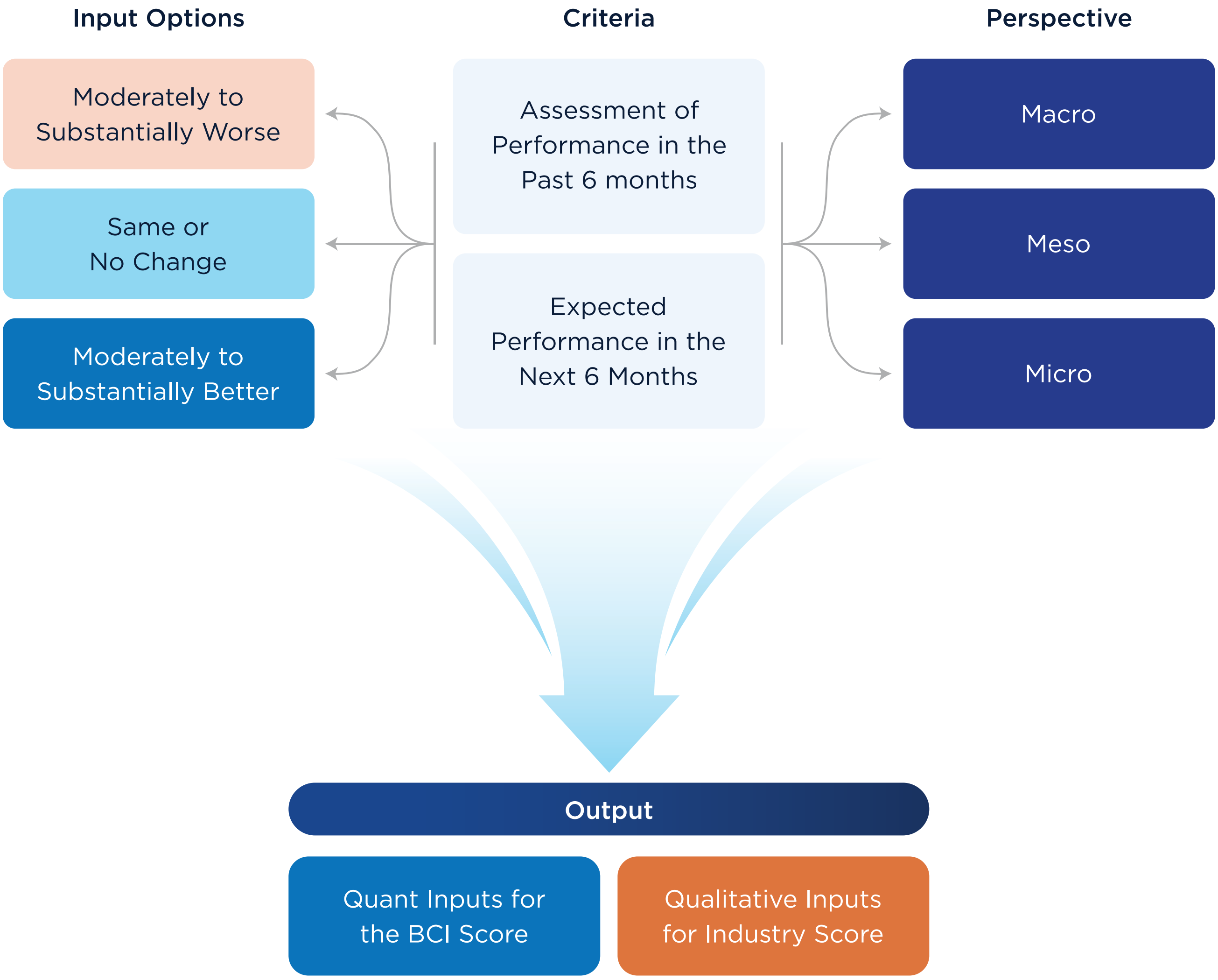
Sampling & Methodology

Methodology

LightCastle's BCI utilizes the Harmonized Expectation Indicator to take the geometric average between expectation and situation to provide a quantitative output of the sentiment on a scale of –100 to +100, where a positive number indicates better expectations than current outcomes.

- Generates insights on the macro, micro and meso levels of each industry
- Evaluates business performance reviews of the past 6 months in combination with the present and future expectations for the upcoming 6 months
- Considers percentages of favorable and unfavorable responses concerning business, industry and economy
- Uses a standardized geometric average between existing situation and expectations
- Provides output on a scale of -100 to +100



Sampling

Remote Interview

NOV'24 - FEB'25

↓

Purposive

↓

Sector with Highest Contribution to GDP

Primary | Secondary | Tertiary

↓

140 C-Suite Executive and Others (CEOs, CFOs, COOs, MDs, Department Heads, and Business Managers)

↓

25 SECTORS

SMEs ← 25 SECTORS → Large Corporations

↓

Startups

Share of Different Sectors as % of the Interviewees

Selected Sectors

Primary Sectors

- Agriculture
- Poultry & Livestock
- Aquaculture

Secondary Sectors

- Textiles & Apparel
- Pharmaceuticals
- Consumer Electronics
- Fast-Moving Consumer Goods (FMCG)
- Leather & Footwear
- Construction & Real Estate
- Power & Energy

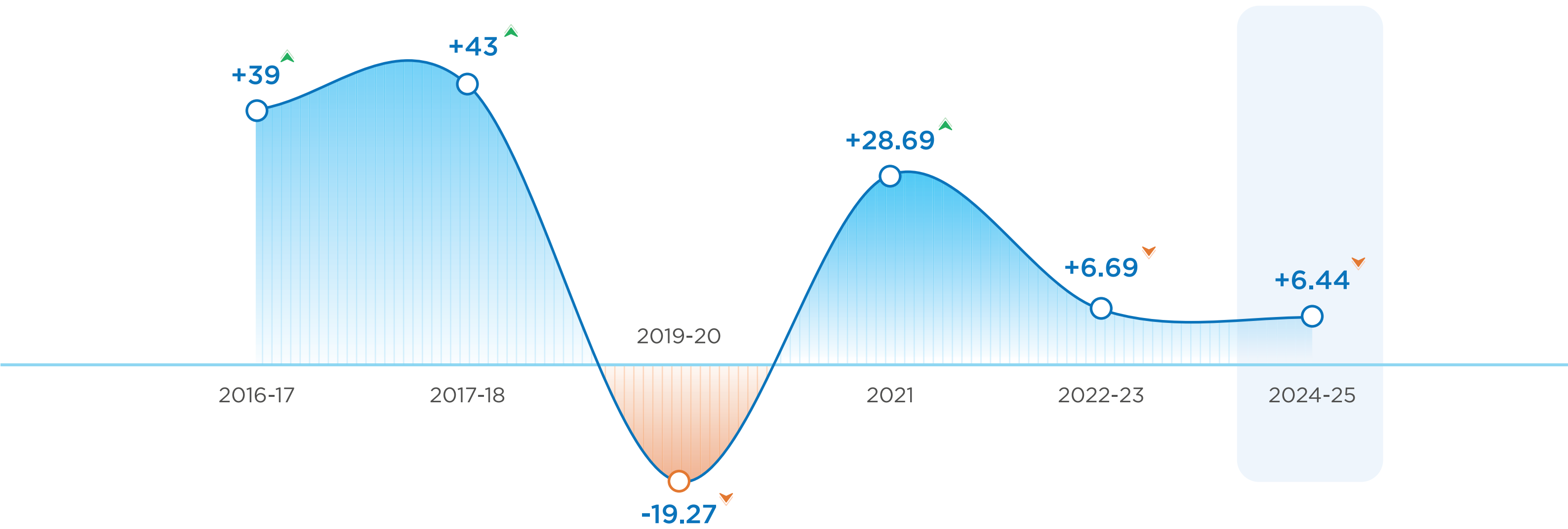
Tertiary Sectors

- Financial Services
- Asset Management Companies
- Insurance
- Education
- Tourism & Hospitality
- Freight & Logistics
- Business Services
- IT/ITES
- Healthcare & Social Assistance
- Startups

3 The Macroeconomy

The Macroeconomy

Historic BCI Scores:



Private Sector Sentiment on the Macroeconomy: A Landscape of Cautious Optimism

The private sector's outlook on Bangladesh's macroeconomic landscape reflects a sentiment of cautious optimism. While respondents express a hopeful stance towards structural reforms and anticipate economic improvement in the long term, significant doubts linger regarding the prospects of a large-scale revival in the immediate future. This tempered optimism is shaped by several critical factors impacting both business operations and the broader economic environment.

Key Factors Influencing Private Sector Sentiment:

1. Tightened Credit Conditions Due to Higher Interest Rates:

The rise in interest rates has made credit less accessible, creating hurdles for businesses seeking to expand operations and for consumers looking to finance purchases. This contraction in credit availability slows down investment activities, dampening business growth and reducing consumer spending power across sectors.

2. Rising Inflation and Eroding Purchasing Power:

Persistent price increases continue to erode consumers' purchasing power, leading to subdued demand for goods and services. This decline in consumer spending has a cascading effect on local businesses, squeezing profit margins and limiting their capacity to reinvest in growth and innovation.

3. Reduced Public Expenditure Impacting Economic Momentum:

A noticeable decline in public spending, particularly in infrastructure development and social programs, has curbed economic activity. This reduction not only slows down job creation and income generation but also weakens the multiplier effect that such investments typically have on the broader economy.

4. Inflated National Statistics Undermining Policy and Investor Confidence:

Concerns over the accuracy of national economic data have raised questions about the reliability of policy decisions and economic forecasts. This data discrepancy hampers effective policymaking and diminishes investor confidence, both domestically and internationally, as stakeholders struggle to gauge the true state of the economy.

5. Policy Uncertainty Amid Potential Political Transitions:

The looming uncertainty around policy continuity, especially in the context of potential political transitions, discourages long-term investments. Investors are wary of abrupt regulatory shifts, which heighten risks, stall capital inflows, and impede sustained economic growth.

6. Gradual Easing of Import Restrictions and Growing Remittance Inflows:

On a more positive note, the gradual relaxation of import restrictions has provided some relief to businesses dependent on foreign goods and raw materials. This shift is bolstered by a steady increase in remittance inflows through formal channels, contributing to greater stability in foreign reserves and offering a degree of economic resilience.

Monthly Exports (Bn USD | SEP'24-APR'25):

Bangladesh's Export Performance

(July–April FY25)

Key Highlights:

Export Growth:

+9.8%
USD 40.20 billion

In spite of a slight dip following the regime change

RMG Dominance:

81.10%
of total exports

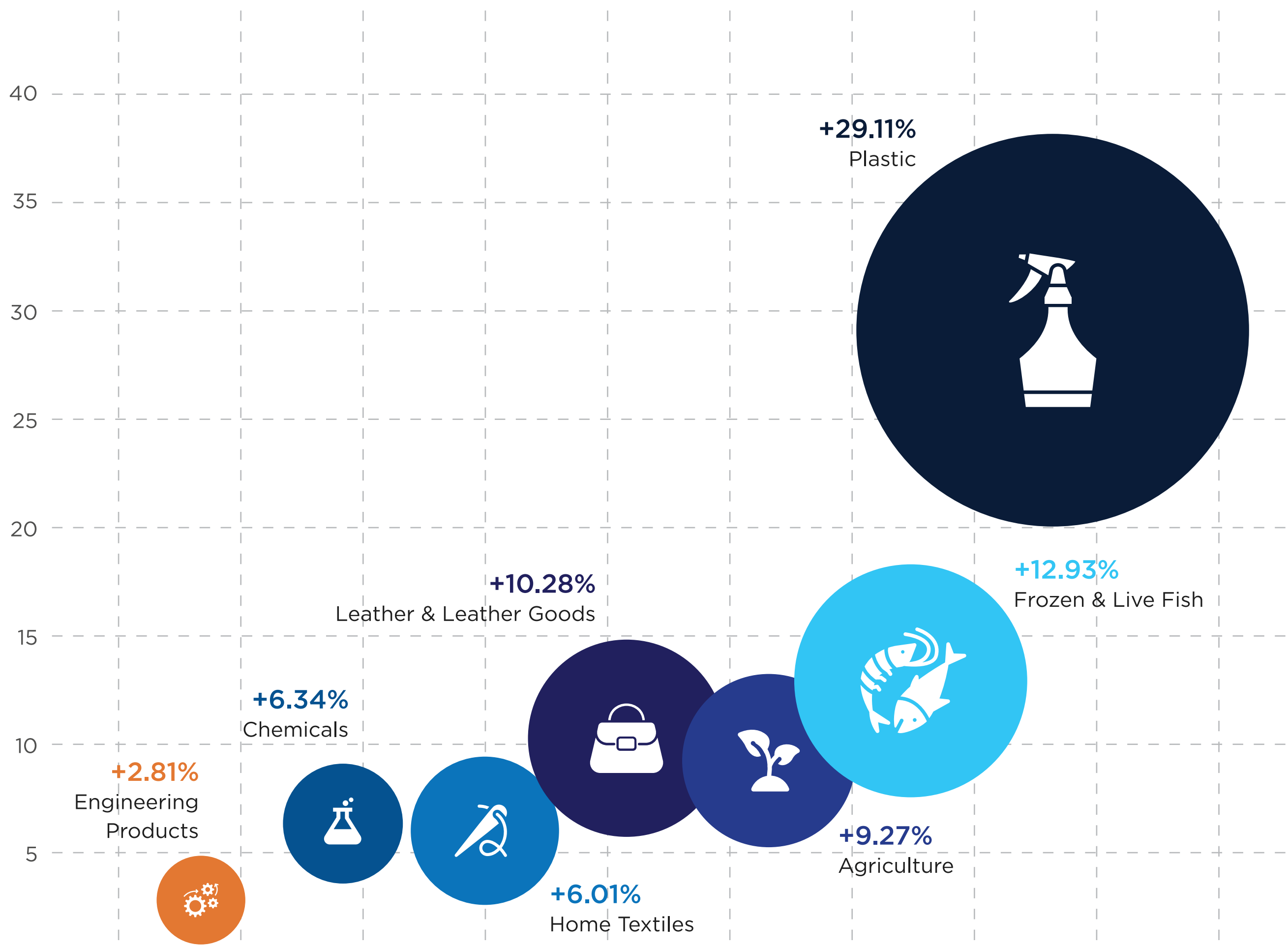
Readymade garments (knitwear & woven) led the charge

Decline:

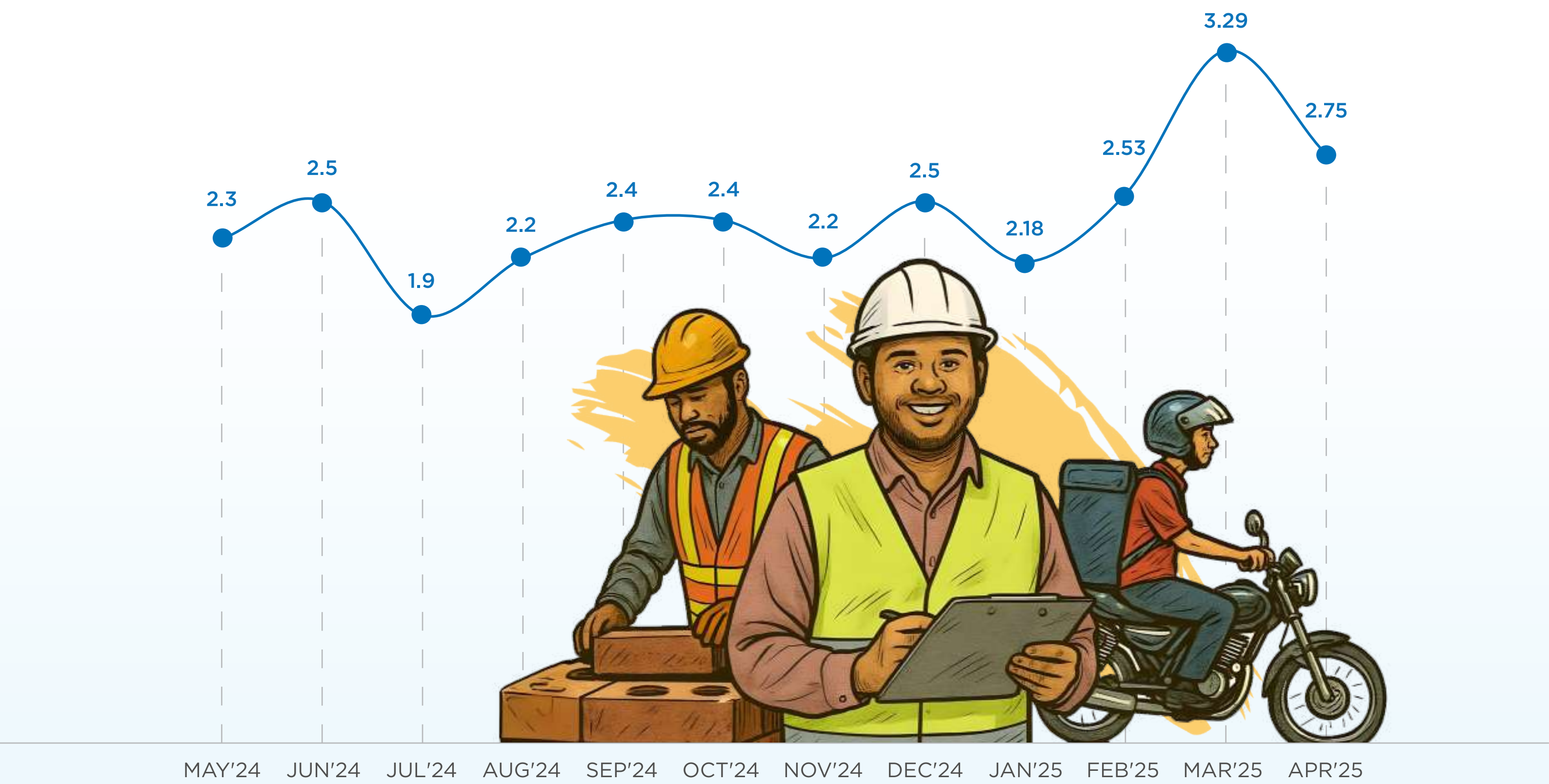
-6.89%
Jute & Jute Goods

Wood & Glassware were the other 2 categories to post a drop

Sectoral Growth (JUL'24-DEC'24):



Remittance Inflows (in Billion USD | MAY'24-APR'25):



Monthly FX Reserve (JUL'24-MAR'25 | in Bn USD):

Narrative Regarding Export Import Performance

FY 2025 (July–November)

Remittance Boost:
Jul'25–Dec'24

$13.78 Billion

Growth:
Compared to Same Period Last Year

↑ **+27.5%** ($10.8 Bn)

Yearly Recap:
Total Remittance in FY 2024

$23.91 Billion

Growth:
Annual Rate

↑ **+11%**

Top Contributing Countries:

USA | UAE | Saudi Arabia | UK | Malaysia

Reserves remained relatively more stable in the past six months, with signs of improvement. The interim government's ability to service foreign debt payments without dipping into national reserves has been commended by private sector representatives.

USD Exchange Rate (APR'24-MAR'25):

Bangladesh's Currency Policy Update – 2024

Policy Shift for a Resilient BDT

Crawling Peg Exchange Rate

- Launched by Bangladesh Bank
- In May, 2024
- Mid Rate (CPMR): BDT 117/USD
- Banks can trade freely around the mid rate

Reduced Policy Rates

- Federal Reserve reduced policy rate by 1%
- In Late 2024
- Could strengthen the Bangladeshi Taka vs USD

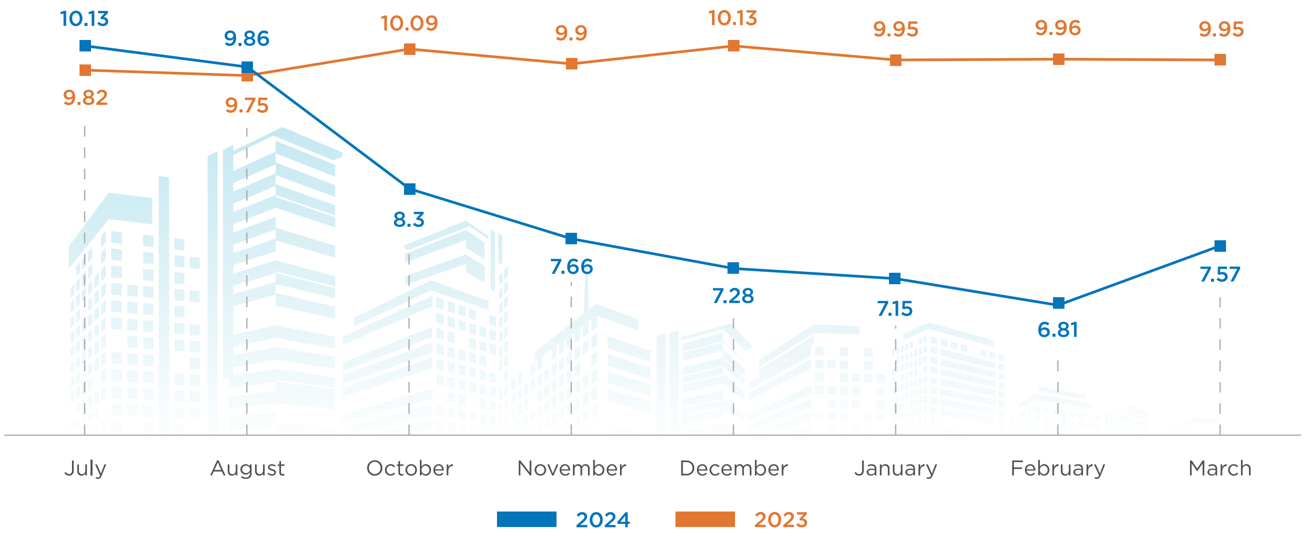
Key Factors for Stability

- Consistent Remittance Inflows
- Strict Anti-Money Laundering Measures
- Steady Export Growth

Inflationary pressure would largely depend on the exchange rates and valuation of taka. Import cost of essential items and prices of fuel and energy would act as the main variables

- Despite a **34% global commodity price index decline** since March 2022, Bangladesh grapples with ongoing inflation.
- **Inflation in Bangladesh rose to 11.38% in November 2024, the highest in FY 25**, as food prices remained stubbornly high due to flood around the country.
- **Food inflation soared to 13.80%** in November, up from 12.66% in October, **while non-food inflation edged slightly higher to 9.39% from 9.34%.**
- **Point-to-point inflation decreased to 10.89%** in Dec 2024, while point-to-point wage rate grew by 8.14% in December 2024, as opposed to 8.10% in November 2024.

Private Sector Credit Growth (YoY):



Private Sector Credit Growth

↓ 6.8% | February 2025

Lowest since COVID-19 peak

Due to,

- Political uncertainty
- High inflation
- Rising borrowing costs

CMSME Lending Decrease

-13.10% | APR-JUN FY24

+11.09% | APR-JUN FY23

Industrial Production Decline

-0.71% | JUL-SEP FY25

Compared to,

- 11.87% growth in the same period of FY24

Rural Enterprises Impacted

-11.74% | JUL-SEP FY25 vs FY24

Agricultural Credit Disbursement

-30.08% | JUL-SEP FY25 vs FY24

Non-Farm Rural Credit

Source: Bangladesh Bank

Key Reforms Undertaken by the Interim Government:

» Establishment of Reform Commissions: Launched 10 commissions to address critical areas including the judiciary, electoral process, state administration, police reforms, anti-corruption measures, constitutional changes, healthcare, media, labor rights, and women's empowerment.

» Economic Transparency: Initiated an economic audit through a white paper to assess fiscal management and review contracts from the previous regime for greater accountability.

» Banking Reforms: Restructured boards of struggling banks, strengthened deposit insurance to boost public trust, and appointed an ex-IMF official to lead Bangladesh Bank for improved financial governance.

» Economic Stabilization: Prioritized reducing inflation, rebuilding foreign currency reserves, and securing financial aid from the IMF, World Bank, and ADB to stabilize the economy.

» Monetary Policy Reforms: Removed interest rate caps, increased policy rates despite opposition from business lobbies to rein in inflation.

» Business Environment Enhancement: Brought in experts, commissioned studies, to simplify business operations, attract foreign investments (FDI), and collaborate with development financial institutions (DFIs) under the "Bangladesh 2.0" framework.

4

Primary Sectors

SECTORS

PRIMARY

Agriculture	+0.9
Aquaculture	+8.29
Poultry & Livestock	+14.9

Agriculture

+0.9
BCI Score

The agricultural sector has made progress through advancements in crop research and diversification. Additionally, developing supply chains and logistics for agricultural exports could position Bangladesh as a significant player in global agriculture market.

1. Climate change-induced calamities increase investment risk

Unpredictable weather events like floods and droughts disrupt agriculture, damaging yields and infrastructure. This unpredictability deters investments and increases recovery costs, especially for smallholder farmers, perpetuating vulnerability.

2. Lack of investments in Climate-Smart Agriculture & Cold Chains

Insufficient funding for sustainable farming practices and cold chain infrastructure results in post-harvest losses, reduced productivity, and limited market access, hindering agricultural resilience and growth.

3. FinTechs offering farmers cheaper credit & higher-end market prices

FinTechs enable farmers to access affordable credit and directly connect to buyers, reducing reliance on intermediaries, increasing profitability, and promoting financial inclusion in rural areas. However, their operations need to be scaled sustainably.

4. Faulty and uncoordinated data hinders production planning

Fragmented and outdated agricultural data limits effective decision-making, leading to inefficiencies in production, supply chains, and resource allocation, ultimately affecting productivity and profitability.

Wheat Imports on the Rise

+7%

2.78 MMT

July–December
FY 2024-25

Compared to the same period of last year

Staple Food Price Hike

Rice

+2.84%

Wheat Flour

+1.45%

Diesel Price Spike

Per Litre

↑ BDT 105

A critical input for mechanized farming

Major Developments in Key Value Chains

1. Food Grain Imports and Stocks:

During the first half of FY 2024-25 (July–December 2024), **total wheat imports by public and private sectors reached 2.78 MMT, a 7% increase from the same period last year**. Public food grain stocks rose to 1.2 MMT by December 2024. Rice stocks showed a decline, prompting the government to allocate 1.05 MMT for food grain imports, including 0.35 MMT of rice and 0.70 MMT of wheat, to stabilize domestic supply.

2. Global Wheat Production Decline:

Global wheat production is projected to decline in FY 2024-25 due to smaller harvests in key exporting regions like Australia, Canada, Argentina, and the EU. This global supply constraint is expected to exert upward pressure on wheat import costs for Bangladesh, making food security a growing concern.

3. Rising Retail Prices of Food Grains:

Retail prices of rice and wheat flour exhibited a modest upward trend during the second quarter of FY 2024-25 (October–December 2024), with **rice prices increasing by 2.84% and wheat flour prices rising by 1.45%**. These price hikes reflect both domestic supply challenges and the impact of rising global grain prices.

4. Fuel Price Hikes as a Cost Driver:

The cost of diesel, a critical input for mechanized farming, increased to Tk 105 per litre under the automated pricing formula, aligning with global market trends. Rising diesel prices directly raise production costs for mechanized farming, while higher fuel prices also increase transportation costs for fertilizers and food grains, further driving up input prices and production costs across the agricultural value chain.

Source: Bangladesh Bank, Ministry of Food (2024)

Aquaculture

The aquaculture sector is rebounding with growing domestic demand and value-added potential, but remains constrained by high costs, fragmented farms, and financial and climate vulnerabilities.

1. Sector Rebound but Still Fragile:

The aquaculture sector has shown significant recovery from last year's near collapse, driven by improved domestic demand and adaptive strategies. However, systemic vulnerabilities, including supply chain disruptions and climate risks, persist, requiring long-term investments for sustainability.

2. High Production Costs Hurt Global Competitiveness:

Rising input costs—especially for feed, fuel, and energy—continue to erode Bangladesh's global competitiveness. Inefficient supply chains and dependence on imported feed further strain profit margins, making cost reduction and innovation essential to maintaining export market presence.

3. Untapped Domestic Market for Value-Added Products:

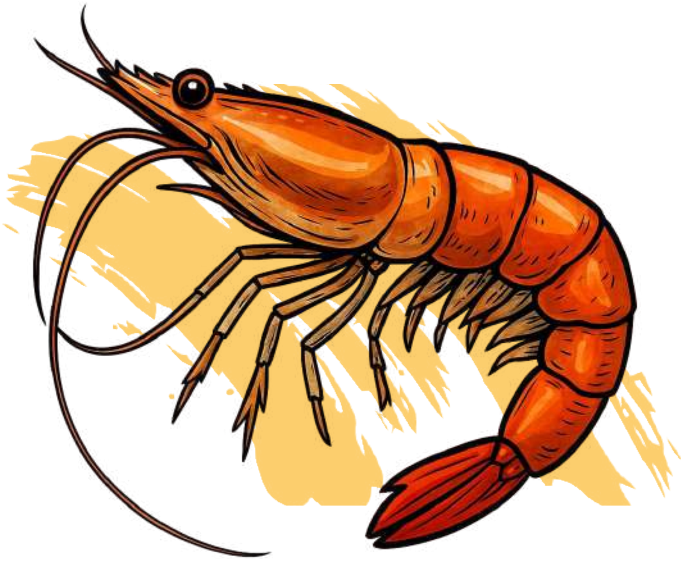
With urbanization and shifting consumer preferences, there's growing potential for value-added products like frozen seafood , ready-to-cook fillets, and processed fish snacks. Expanding this segment could boost revenue and reduce reliance on volatile export markets.

4. Land Fragmentation & Energy Costs Limit Mechanization:

Small, fragmented farms and limited access to electricity hinder mechanization, keeping productivity low. Additionally, electricity is charged at industrial rates—adjusting to agricultural rates could ease costs for farmers and improve efficiency.

5. Aquaculture Insurance to Unlock Finance:

The lack of insurance in aquaculture increases financial risk, making it harder for farmers to access bank loans. Implementing insurance schemes could de-risk investments, improve credit access, and drive sectoral growth.



Shrimp

Post-Larvae Production Challenge:

The production of post-larvae (PL) remains a bottleneck for expanding Macrobrachium rosenbergii (Galda Chingri) farming, despite its ease of cultivation compared to Penaeus monodon (Bagda Chingri).

Bagda's Market Competitiveness:

The Penaeus monodon (Bagda) shrimp sector enjoys a more competitive and structured market, making it the dominant choice among shrimp farmers.

Declining Global Competitiveness:

Bangladesh is losing ground in the global shrimp market to major suppliers like India, Vietnam, and Ecuador, which offer more cost-efficient production, streamlined supply chains, and higher adoption of internationally recognized certifications (e.g., ASC, BAP). These factors allow them to access premium markets and secure better pricing, making it harder for Bangladeshi shrimp to compete on both quality and cost.

Vannamei Farming Not Yet Viable:

The commercial viability of Litopenaeus vannamei (Vannamei shrimp) farming in Bangladesh is still uncertain due to regulatory and environmental concerns, keeping it from becoming a major industry player.

Finfish

Rising Focus on Tilapia:

With growing popularity among middle-class consumers and children, Oreochromis niloticus (Tilapia) is becoming a key focus for expansion in Bangladesh's aquaculture sector.

Untapped Export Potential:

Bangladeshi finfish, particularly carp and pangasius, have organic demand in Middle Eastern markets. However, weak branding and marketing strategies limit their potential to scale and secure premium pricing.

Well-Developed Carp Value Chain:

The value chain for major carp species like Labeo rohita (Rui), Catla catla (Katol), and Cirrhinus cirrhosus (Mrigel) is mature, with strong domestic demand and established farming, processing, and distribution networks.

Poultry & Livestock

The agriculture and livestock sectors are experiencing increased demand and steady credit support while facing moderate challenges from climate-induced disruptions impacting supply and stability.

1. Rising Meat Consumption

From 2016 to 2022, the average daily per capita consumption of poultry rose significantly, increasing from 17.3 grams to 26.2 grams (HIES, 2022). As disposable incomes rise and urbanization accelerates, demand for particularly hygienic and ready-to-cook meat options—is expected to increase.

2. Steady Disbursement of Credit

Approximately 24% of total agricultural credit disbursed during July–February of FY25 was directed towards livestock and poultry enterprises, maintaining a strong and consistent focus on these vital sub-sectors, following a 25% share during the same period in FY24.

3. Government's Efforts to Boost Meat Processing

The government's initiatives to attract FDI aim to unlock the potential of the agro-processing sector and support its growth. Notably, discussions with the UAE are in progress regarding the establishment of an industrial zone, which will feature a halal meat processing facility serving the global Muslim market.

4. Climate Change-Induced Disruptions Threaten Sector Stability

The agricultural, fisheries, poultry, and livestock sectors suffered losses exceeding BDT 2,000 crore due to the floods in August-September'24. This has led to the exit of several farms from the market, resulting in a reduced supply and subsequent price fluctuations.

Price Per Dozen of Egg:

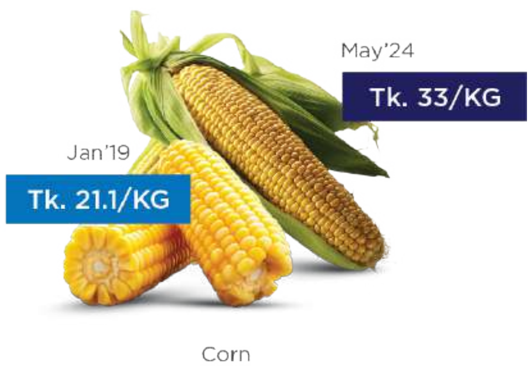
5. Cold Chain Deficiencies Lead to Post-Harvest Losses

The lack of cold storage and efficient logistics for poultry and dairy products contributes to spoilage, price volatility, and limited market access. Strengthening cold chain infrastructure is critical to reducing losses and ensuring a stable supply of perishable livestock products.

6. Dependence on Imported Feed Raw Materials

The feed sector has also experienced setbacks, arising in part from the flooding, but more notably due to the appreciation of the dollar. During the beginning of FY 24-25, the cost of cattle feed, including wheat and bran, rose by BDT 7-10/kg. Before the outbreak of the Russia-Ukraine war in 2022, Bangladesh sourced around 15% of its annual soybean demand for poultry feed from the United States. However, since the onset of the conflict, this reliance has increased to 40%.

Corn & Soybean Meal Price:



5 Secondary Sectors

SECTORS

SECONDARY

Pharmaceuticals	+21.1
Leather & Footwear	+9.16
Fast-Moving Consumer Goods (FMCG)	+7.49
Textiles & Apparel	-3.73
Consumer Electronics	-6.08
Construction & Real Estate	-31.1
Power & Energy	-14.4

Pharmaceuticals

Bangladesh's Pharmaceuticals sector stands at a critical juncture, with strong growth drivers like rising healthcare demand tempered by macroeconomic pressures and upcoming LDC graduation challenges.

1. Shifting Demographic and Disease Profile

By 2050, individuals aged 60 years and above are expected to constitute 22% of Bangladesh's total population. This trend of population ageing is also observed globally, thereby increasing the demand for pharmaceuticals that address chronic health conditions. Furthermore, domestic sales of cancer medications are experiencing robust growth, with demand increasing at an average annual rate of 15%.

2. Rising Healthcare Expenditure

Although per capita healthcare spending in Bangladesh remains relatively low at $50 compared to peer countries such as India and Vietnam, it has been growing at a CAGR of 9% since 2013. With rising income, there is significant potential for accelerated expansion in healthcare spending.

3. API Industrial Park and Infrastructure Development

With the full operationalization of the API Industrial Park, local API production is expected to improve - reducing import dependence. Enhanced infrastructure stable energy supply and faster regulatory approval will further support the sector's expansion.

4. Macroeconomic Challenges Shrink Profit Margins

The depreciation of the taka, coupled with rising raw material, energy, and financing costs, has squeezed profit margins for Pharmaceuticals manufacturers. These financial pressures threaten business sustainability, particularly for smaller firms with limited access to capital.

5. LDC Graduation Poses Export Competitiveness Challenges

Bangladesh's transition from Least Developed Country (LDC) status will result in the loss of WTO-permitted preferential treatments, potentially making its pharmaceutical exports less competitive. Without strategic policy interventions, this shift could hinder the sector's global market expansion. However, domestic medicine prices are expected to remain stable, as only 15%-20% of currently manufactured drugs are patented.

Leather & Footwear

+9.16

BCI Score

Bangladesh's leather industry holds a distinct position globally, underpinned by strong backward linkages and access to high-quality raw materials. Nonetheless, the sector's true growth potential lies in capitalizing on high-value product segments, like leather footwear, bags and accessories.

1. Abundant and Cost-effective Labor Force

Global investors are increasingly moving away from China and Turkey due to rising labor costs. In addition to the labor shortage, the Chinese government is now focusing on the high-tech industry. Meanwhile, Bangladesh is well-positioned to capitalize on this labor-intensive sector, currently providing employment to around 850,000 people.

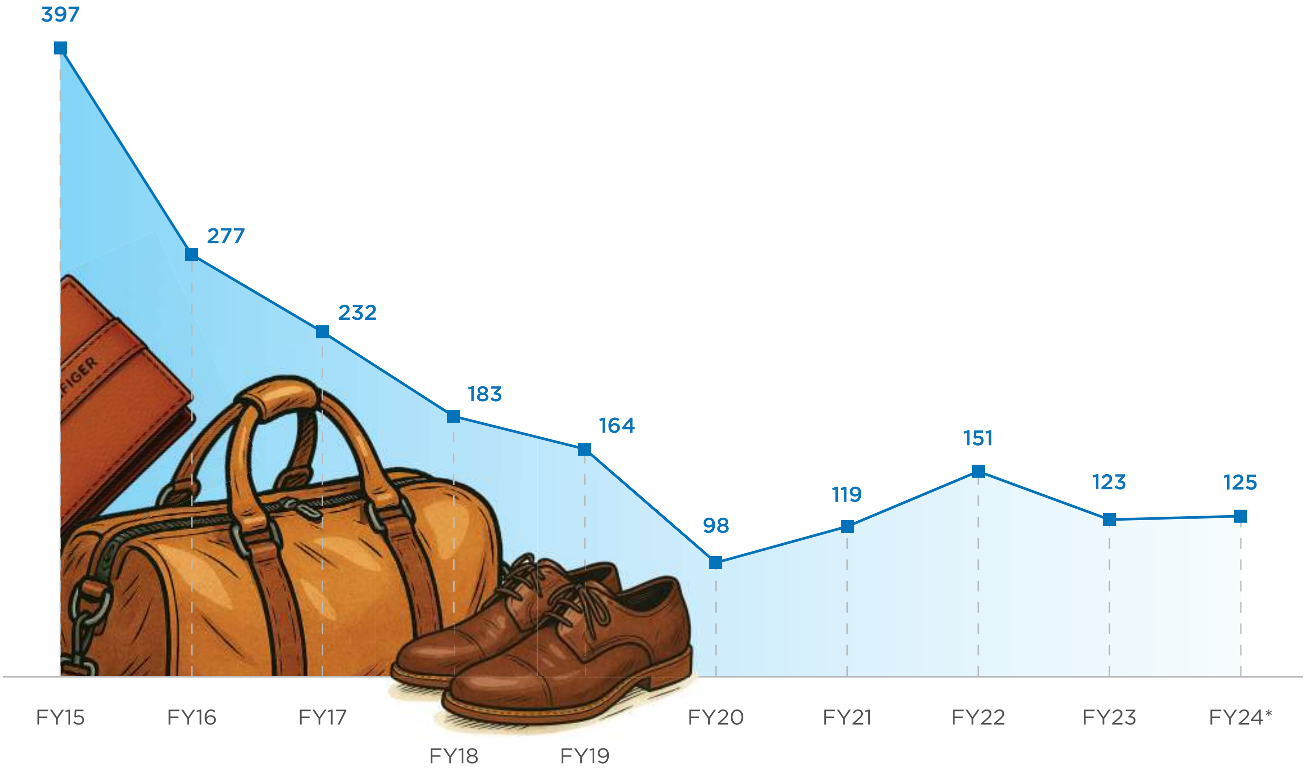
2. Preferential Market Access

The industry gets preferential market access to the European Union, Japan, South Korea, China, Australia and India. In contrast, leather products from China, a significant competitor, face additional duties when entering these markets, highlighting the industry's potential for export competitiveness.

3. Effort to Enhance Forward Linkage

Bangladesh is actively working to enhance value addition within the leather sector. Efforts are underway to increase the production of premium finished goods, ensuring that more of the exported leather is transformed domestically. Additionally, the industry is focusing on strengthening its global competitiveness by addressing compliance requirements, improving production standards, and building a strong international brand presence.

Leather Exports (In Million Dollar | July-May):



Source: Export Promotion Bureau

4. Policy Incentives

Leather sector is identified as a top priority sector in the Export Policy and National Industrial Policy 2016 because of the potential for high value addition and significant growth. The sector offers reduced income tax rate for a duration of 5-10 years, import duty exemption on capital machineries and varying rate of export incentives on crust leather, leather goods etc.

5. Non-Compliance with International Standards Restricts Export Growth

Many tanneries in Bangladesh are failing to meet Leather Working Group (LWG) standards, particularly the establishment of a Central Effluent Treatment Plant (CETP). This non-compliance limits the sector's ability to expand exports and access international markets, hindering growth potential.

6. Access to Finance Challenges Constrain SMEs' Growth

Small and medium-sized enterprises (SMEs) within the leather and footwear sector face significant barriers in accessing financing. Despite government stimulus packages, restrictive bank procedures and high policy rates create major challenges, especially for businesses in the backward linkage segment or those relying on subcontracting arrangements

Fast-Moving Consumer Goods (FMCG)

+7.49

BCI Score

Industry stakeholders remain optimistic that the current economic slowdown may prevail till the end of 2025. As inflation stabilizes gradually, FMCG companies are expected to enhance investments in market expansion and operational scaling.

1. Rising Middle Class

Bangladesh is rapidly reaching a tipping point, where the country's middle-class will expand dramatically over the next several years (33% by 2030) - leading to an increased demand for FMCG products, particularly for processed food, cosmetics and so on.

2. Latent Potential for Export Growth

At present, Bangladesh's exports in the FMCG sector are concentrated in a limited range of products, including processed foods, tea and toiletries. However, with strategic policies and targeted investments in R&D, the sector holds the potential to diversify its product portfolio and penetrate new international markets.

3. Inflation Shifting Consumer Spending Habits

During Q1 of FY25, FMCG sales declined by 5-10% on average as inflation prompted consumers to shift spending from non-essential goods to essential items, with a noticeable impact on sectors like beauty and personal care. In addition, consumers have shown increased preference for smaller, budget-friendly packages, forcing companies to adjust their pricing strategies and product offerings.

4. Rising Operational Costs Reducing Profit Margins

The rising costs of essential utilities like gas and electricity, along with higher operating expenses, have compressed profit margins for FMCG companies. These financial pressures, compounded by high bank interest rates, are adversely affecting the long-term viability of businesses, especially those dependent on imported raw materials.

Textiles & Apparel

-3.73

BCI Score

Energy crises, labor unrest, and inflation have strained Bangladesh's Textiles & Apparel sector, but improving stability and favorable global trends offer promising prospects for export expansion.

1. Unstable Law and Order Situation

The law and order crisis during the quota reform movement led to disruptions in production, delayed shipments, and increased buyer concerns. Factory operations faced frequent shutdowns due to worker protests and security concerns, leading to financial losses. Post-movement, stricter regulations and labor negotiations have stabilized the sector, but lingering uncertainty impacts investor confidence.

2. Currency Volatility and Inflationary Pressures on Production Costs

Currency fluctuations, combined with high bank interest rates (14-15%), have strained factory owners financially. Rising transportation costs, driven by geopolitical tensions in the Red Sea, along with wage hikes, have escalated production costs. Despite these challenges, buyers' reluctance to accept price hikes has further strained the sector. As a result, many smaller factories are at risk of being excluded from the order pipeline, affecting their long-term viability.

3. Impact of Geopolitical Shifts on Sourcing Patterns

Geopolitical changes, particularly the impact of Trump's anti-China policies, have created opportunities for Bangladesh to attract orders shifting from China. With 67% of EU-based businesses already diversifying their sourcing, Bangladesh is well-positioned to capitalize on this trend, though challenges remain in terms of capacity and competitiveness.

4. Energy Crisis and Supply Chain Disruptions in the Textiles & Apparel Sector

The textiles & apparel sector has been grappling with a prolonged energy crisis, with factories having to resort to CNG and LPG for operations. Additionally, the internet blackout and disruptions in the supply chain during July-August uprising have resulted in factories operating below their optimal capacity.

Emerging Challenges for Textiles & Apparel in 3 Years:

55%
Energy Crisis

40%
Low Pricing from Global Fashion Brands

40%
Custom Hassles

35%
Foreign Currency Crisis

35%
Lack of Skilled Workers

30%
Access to Finance

30%
High Utility Cost

Source: Economic Intelligence Bangladesh (August, 2024)

5. Potential for Growth in Apparel Exports Post-LDC Graduation

The potential for significant growth in apparel exports hinges on successful negotiations for duty benefits on non-cotton based apparel following Bangladesh's graduation from Least Developed Country (LDC) status. Industry stakeholders emphasize the need for continued bilateral negotiations, especially with the USA, to secure favorable trade terms for the sector's future growth.

> As local law and order stabilize and the global economic recovery picks up, particularly in the USA and UK, apparel exporters in Bangladesh anticipate a resurgence in order volumes.

Consumer Electronics

-6.08

BCI Score

The demand for consumer electronics in the mid to high-end categories declined drastically amid rising import cost and inflation.

1. Currency Fluctuation Intensifying Financial Strain

The depreciation of the local currency led to an average 15% increase in import duties on components used to locally assemble televisions, refrigerators, and other foreign-branded products. As a result, consumers have increasingly shifted toward more affordable local brands, causing a significant decline in revenues for most companies since July 2024.

2. Limited Market Demand for Smartphones Due to Economic Pressures

Between Jan’24-Sept’24, smartphone production witnessed a significant increase of approximately 28% compared to 2023. However, market demand has remained subdued, primarily due to inflationary pressures. The number of new smartphone users has been limited, and there has been a noticeable decline in the frequency of phone upgrades.

3. Challenges in Expanding Export Market for Home Appliances

Despite potential growth in specific segments like washing machines and air conditioners, the export market for home appliances such as refrigerators remains largely untapped. Competitive pricing from Chinese brands continues to dominate, limiting the ability of Bangladeshi manufacturers to penetrate international markets.

4. Heavy Reliance on Imported Components

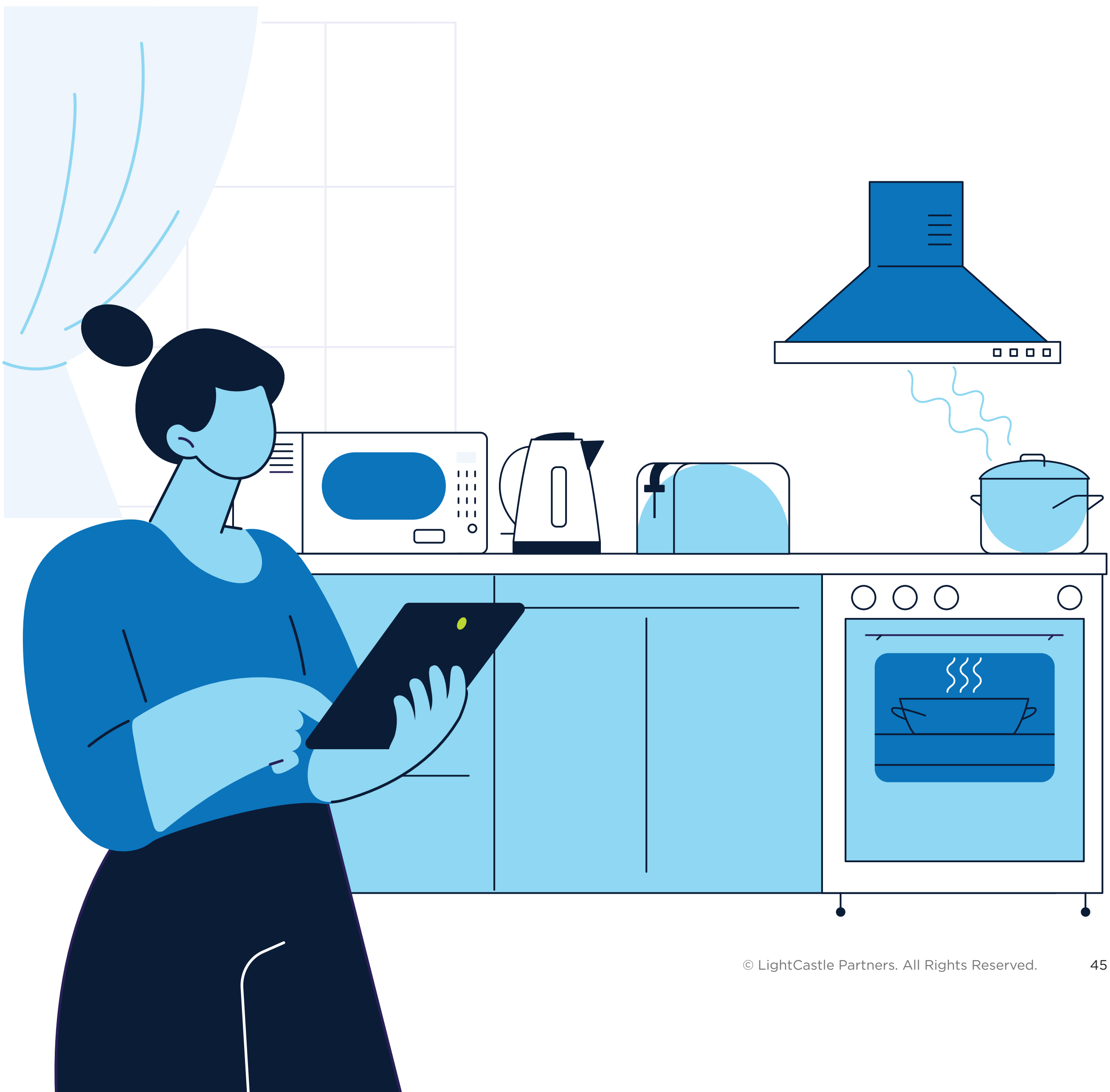
The electronics sector’s heavy dependence on imported components restricts the potential for achieving significant local value addition (20%-30%). A realignment of export incentives and a strategic shift towards increasing local production capacity are necessary to improve the sector’s competitiveness in global markets.

5. Political Instability and Policy Continuity Concerns

Industry stakeholders have expressed reservations about pursuing expansion and investment plans amid uncertainties surrounding political transitions and policy consistency. Such concerns undermine investor confidence, hinder long-term commitments, and constrain the sector's overall growth prospects.

6. Opportunities from Geopolitical Shifts Could Boost Local Electronics

With manufacturing businesses relocating from China due to geopolitical shifts, Bangladesh has the opportunity to capitalize on this trend. However, for this potential to be realized, improvements in infrastructure, skills development, and effective policies are essential to attract foreign investment and support local manufacturing growth



Construction & Real Estate

High inflation, elevated interest rates, and declining purchasing power significantly reduced demand for plots and apartments.

1. Delayed Mega Projects Reduce Demand for Construction Materials

The suspension of national and local development projects has sharply decreased the demand for key construction materials such as steel and cement. With MS rod consumption down by 50-60% and cement sales falling by 30-40%, local millers are struggling to maintain production, leading to job cuts in the sector.

2. Liquidity Crisis and Payment Defaults Disrupt Operations

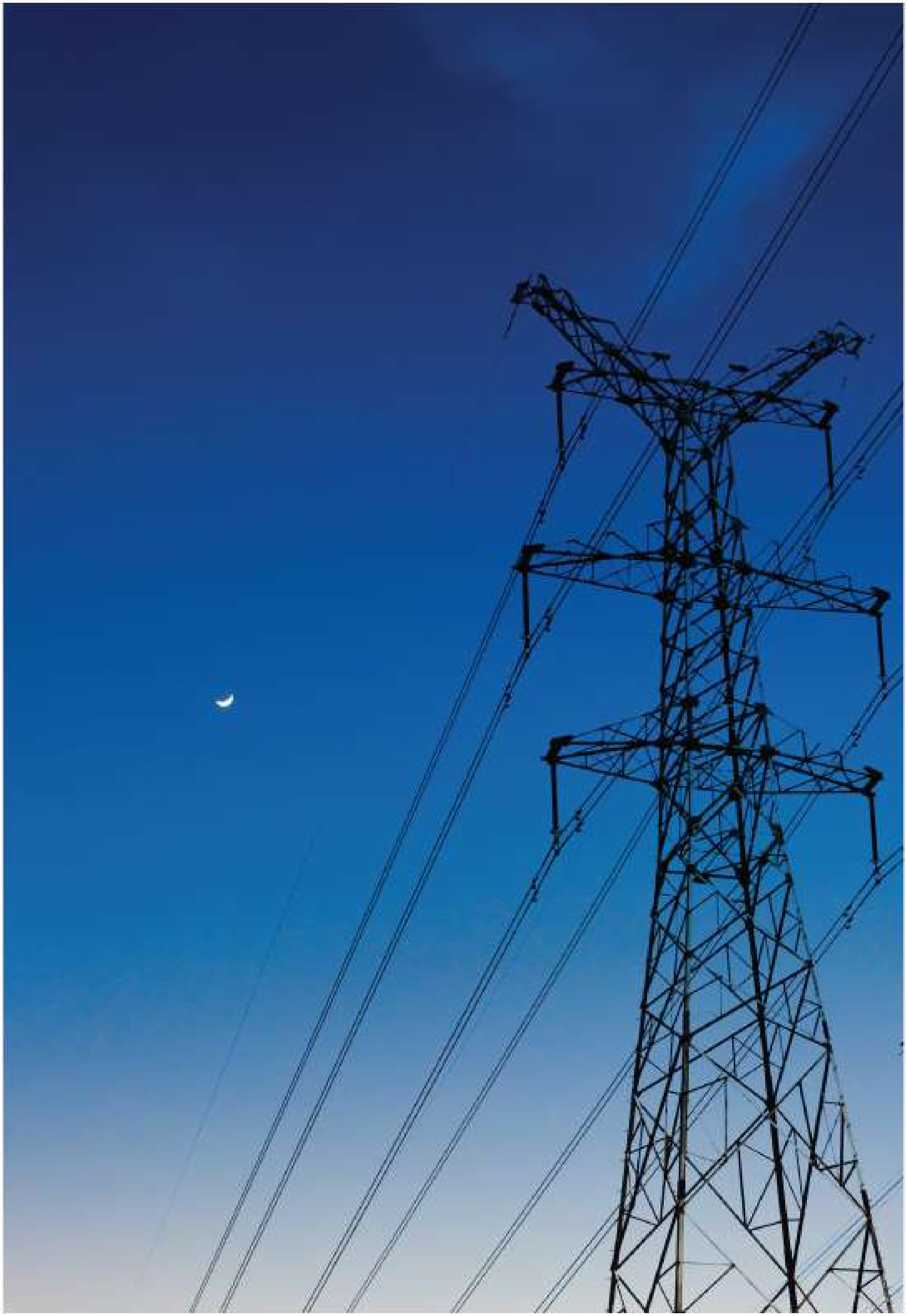
Irregular installment payments and difficulties in cheque encashment have worsened the liquidity crisis for real estate developers. This financial instability forces firms to slow down projects, delay new launches, and implement cost-cutting measures, including layoffs.

3. Reduced Public Sector Investment Weakens Construction Outlook

The ongoing slowdown in government-funded infrastructure projects has significantly impacted the construction industry. With fewer tenders and delayed disbursements, both large contractors and small suppliers face revenue losses, limiting sectoral growth.

4. Individual Housing Projects Provide Limited Relief

Despite the downturn, individual home construction continues at a reduced scale, particularly during the dry season. However, this marginal activity is insufficient to offset the broader decline in commercial and public sector projects, keeping overall industry sentiment weak.



Power & Energy

The energy sector is reportedly experiencing significant crisis driven by outstanding payments, supply shortages, escalating costs, and insufficient power generation—challenges that show little sign of resolution in the near future.

1. Rising Energy Costs & Inflationary Pressure

Gas Price Surge:

Petrobangla's proposed gas price hike (over 150% increase) reflects the rising cost of imported LNG and aims to reduce the fiscal burden (~Tk 160 billion in FY 2025). However, this will significantly increase operating costs for industries and captive power generation.

Higher Cost of Power Generation:

With dwindling domestic gas reserves, reliance on imported LNG has led to a 3x increase in power generation costs (from \$0.03–\$0.05 per kWh for natural gas to \$0.08–\$0.12 per kWh for LNG-based generation).

Inflationary Impact:

As energy costs rise, producers will pass on these expenses to consumers, potentially leading to higher inflation in the next six months, especially given IMF conditions to reduce subsidies.

2. Liquidity Crisis & Financial Constraints

Delayed Payments to Energy Producers:

Many power producers are being paid with government bonds with 10+ year maturity, limiting their cash flow and increasing financial stress.

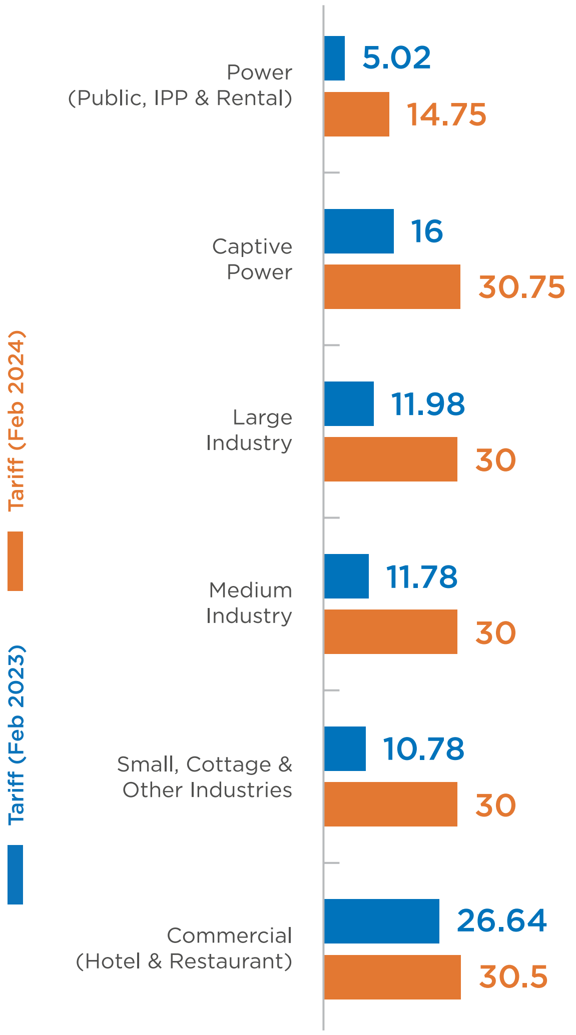
Shipping Cost Burden:

Higher lead times and shipping costs add to the liquidity crisis, making energy imports even more expensive.

Unregulated LPG Market:

While the LPG sector has significant potential, the market remains overcrowded with unregulated players, adding systemic inefficiencies.

Trend of Gas Price Hike (Tk/cubic metre):



3. Policy & Structural Challenges

Too Many Licenses for Imports:

The bureaucratic hurdles in importing energy-related equipment add to project delays and cost escalations.

Dependence on Imported LNG:

Despite the recent record LNG import (676 mmcfd in 2023-24), reliance on foreign fuel sources exposes Bangladesh to currency volatility and global price fluctuations.

Revisiting Power Purchase Agreements (PPAs):

The government's move to renegotiate old contracts and introduce corporate power purchase agreements (CPPAs) could improve financial sustainability.

4. Solar Energy as a Sustainable Alternative

Government's Mixed Signals:

Solar energy remains central to Bangladesh's long-term vision, yet the interim government's March 2025 cancellation of 31 renewable-project EoIs (≈2.6 GW) stalled billions in pledged FDI and hampered investor confidence.

Local Potential:

With the right policies and financial support, domestic players can drive solar power development without foreign partners, reducing dependency on costly LNG imports.

Barriers to Expansion:

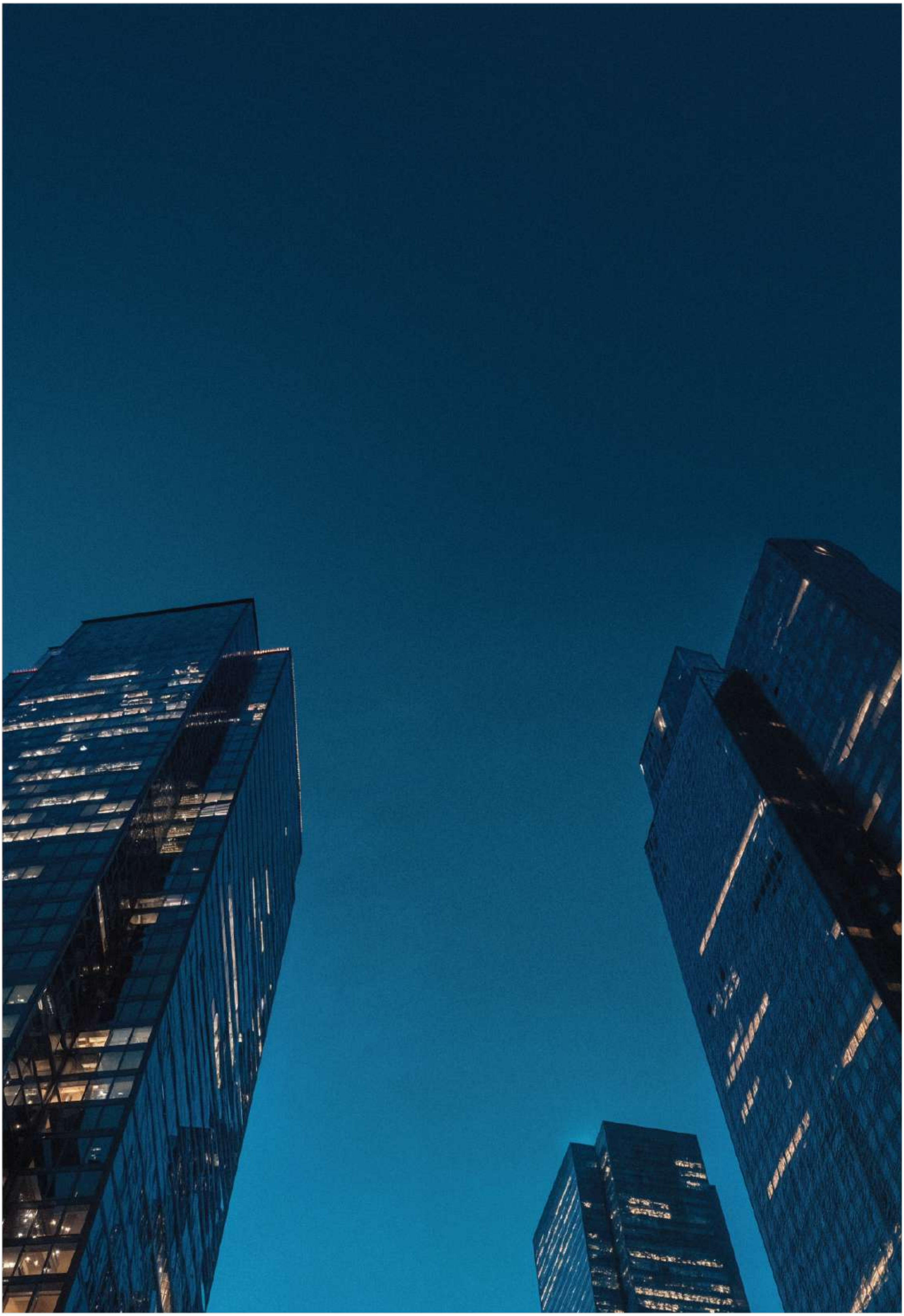
A lack of streamlined land acquisition processes and complex regulatory approvals continue to hinder large-scale solar deployment.

6 Tertiary Sectors

SECTORS

TERTIARY

Financial Services	-33.42
Asset Management Companies	+14.08
Insurance	+3.1
Education	+7.87
Tourism & Hospitality	+0.46
Freight & Logistics	-9.6
Business Services	+11.13
IT/ITES	+26.7
Healthcare & Social Assistance	+18.6
Startups	+15.3



Financial Services

-33.42

BCI Score

The banking sector faced a crisis of confidence marked by rising NPL, liquidity challenges, and limited financial support for SMEs, compounded by cautious consumer spending. However, ongoing reforms are expected to foster stability in the medium to long term.

1. Erosion of Trust in the Banking Sector

Decades of corruption, arbitrary licensing, and poor governance have led to a severe crisis of confidence in banks, triggering a surge in non-performing loans (NPLs) and depositor withdrawals.

2. Liquidity Challenges and Debt Accumulation

To address liquidity shortages, the central bank has injected funds through bonds and inter-bank money markets. However, these measures increase debt burdens on weaker banks without restoring depositor confidence.

3. Reduced Consumer Spending Impacts Loan Demand

Following the quota reform movement, consumers adopted a more cautious approach to spending, leading to a decline in discretionary purchases. Consequently, the demand for home loans and auto loans decreased, affecting banks' retail lending portfolios.

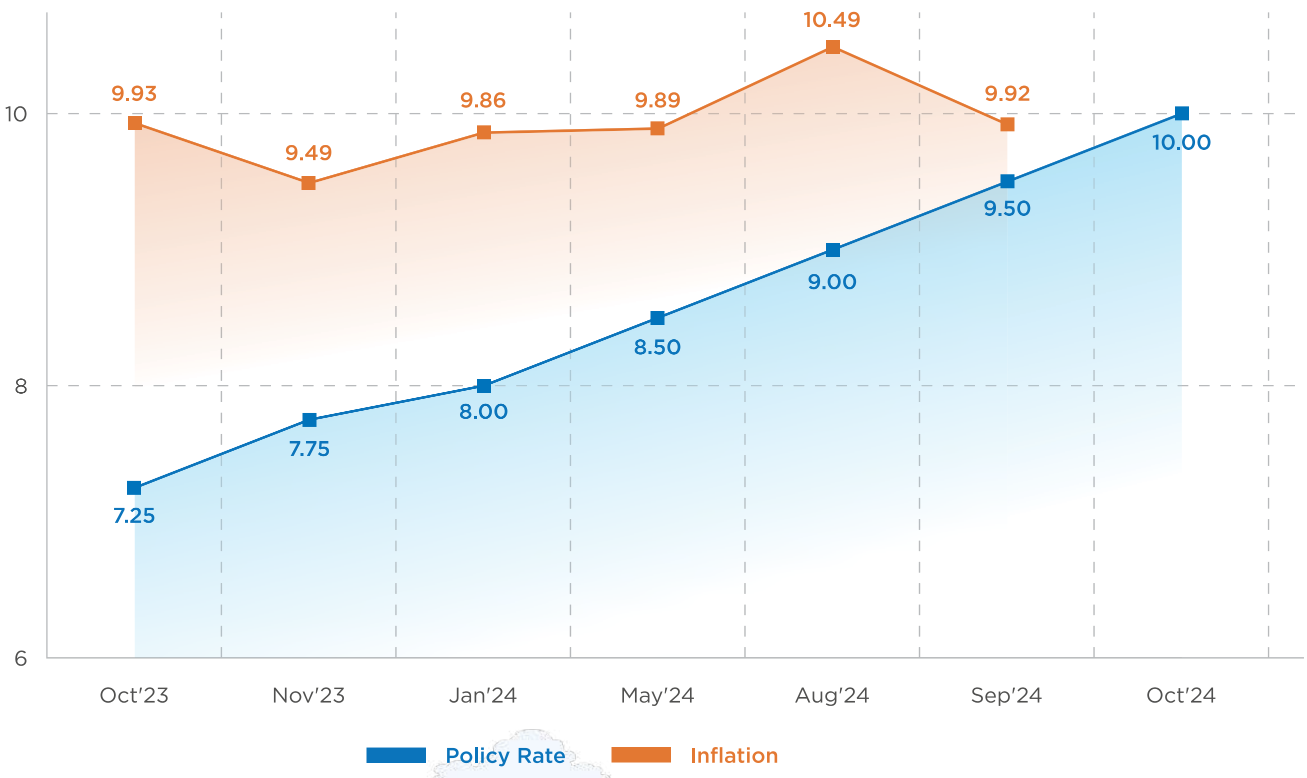
4. Inadequate Specialized Banks Limits Financial Diversification

The absence of sufficient specialized banks restricts tailored financial solutions, underscoring the need for sector-specific banking institutions.

5. Slowed Economic Activity amid Rate Hike

To combat high inflation, the policy rate has been raised multiple times. However, this has had an unintended consequence, as banks increasingly prioritize government bonds over lending to the private sector. Additionally, the decline in foreign exchange reserves has led to a crisis in the opening of LCs.

Policy Rate & Inflation Rate (%):



Source: Bangladesh Bureau of Statistics (BBS) & Bangladesh Bank (BB).


Business activity of company and
22
21
20
19
18
17
A
B
C
plan
Relative activity of subdivitions of main company
product A
product B
product C

Asset Management Companies

+14.08

BCI Score

Industry leaders expressed bullish sentiment for the short- to medium-term, buoyed by higher policy rates and growing investor uptake. The DSEX surged nearly 500 points in August 2024 after the regime change but slumped in January 2025 amid a sell-off and liquidity squeeze , and by early March was back at new lows, leaving two of the first three months of 2025 in the red. Inadequate transparency in financial reporting and disclosures, and weak enforcement of existing laws and regulations remain persistent.

1. Weak Market Fundamentals Stifling Equity Market Growth

Governance failures, rising interest rate and a lack of transparency have hindered the expansion of the equity market. Additionally, three politically affiliated banks, holding a significant 13% of DSE investments, defaulted on depositor repayments, worsening investor confidence post quota movement.

2. Price Dictation has Deterred Market Development

Since 2022, the imposition of a floor price in Bangladesh's stock market has significantly restricted investment opportunities. This policy has discouraged foreign investors and negatively impacted domestic fund managers, who faced unrealized losses as many well-performing stocks experienced price erosion, especially after the floor price was removed.

3. Mutual Funds Grappling with Policy Challenges and Fragile Market Sentiment

The lack of investor education and awareness has made it harder for mutual funds to gain traction in the market. On top of that, the tax system favors direct stock investments, making mutual funds less appealing. AMCs also face pressure due to the requirement for compulsory dividend distribution. As of 2024, several closed-end mutual funds have seen their prices drop by over 40%, and 90% of listed mutual funds couldn't even declare dividends.

4. Underrepresentation of Corporate Bonds in the Debt Market

Bangladesh's bond market remains underdeveloped, with 80% of debt financing sourced from banks. This often results in a mismatch between asset and liability maturities, exacerbating liquidity issues for banks. By making bank bonds available to the public and promoting corporate bond issuance, a new asset class could be introduced, attracting institutional and high-net-worth investors.

Insurance

Despite challenges such as building customer trust, improving accessibility, and boosting transparency, Bangladesh's insurance sector holds significant growth potential and opportunities for development.

1. Market Saturation Presents Opportunities for Improvement

While the insurance market in Bangladesh faces challenges such as skepticism due to claim settlement delays and high policy lapse rates, these issues highlight important areas for growth and development. Increasing client education and adopting more transparent sales practices can help rebuild trust.

Claim Settlement Rates in Bangladesh (2024):

2. Growing Middle Class and Urbanization

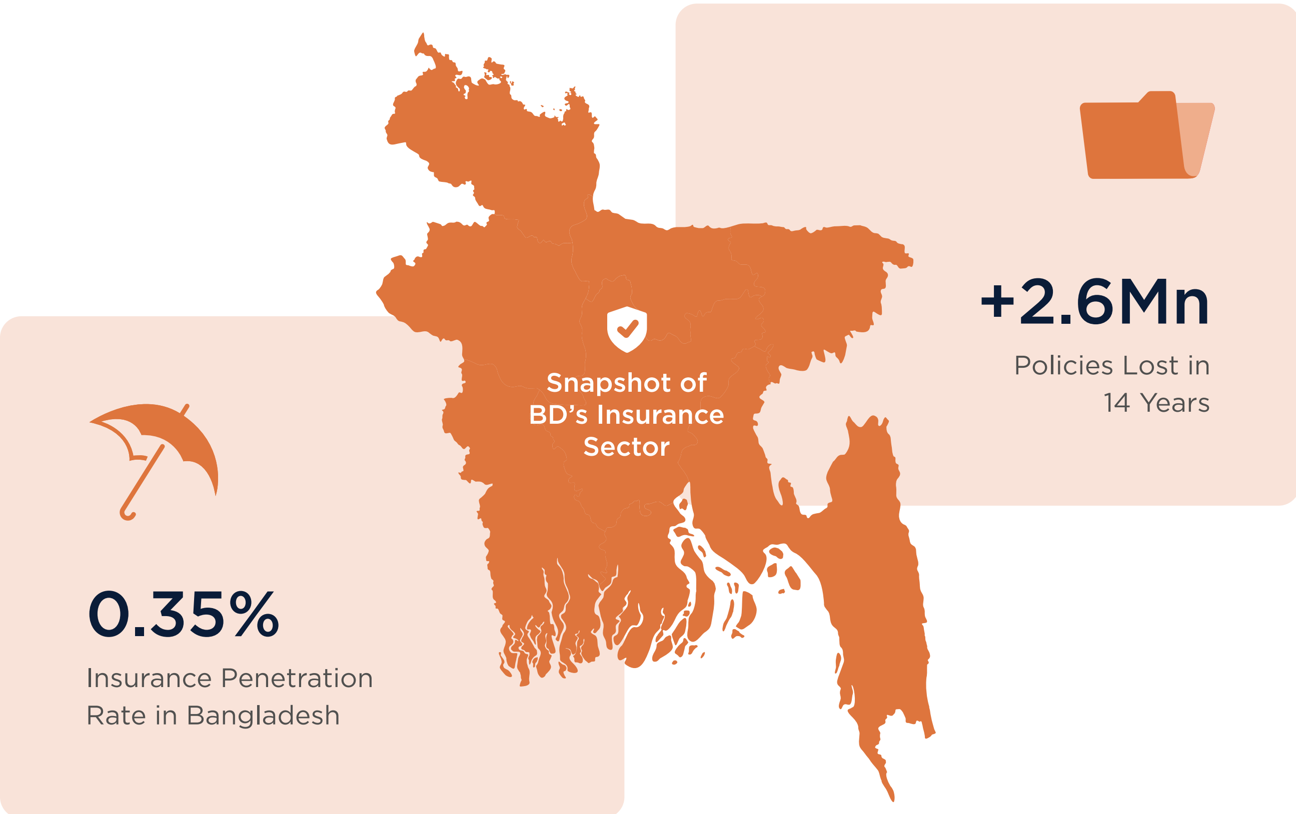
With Bangladesh's expanding middle class, improved life expectancy and nuclear families, demand for insurance products is increasing, especially in health, life, and property insurance sectors. In 2024, the insurance sector has grown 5.31% against 4.55% for the banking sector (Bangladesh Economic Review, 2024).

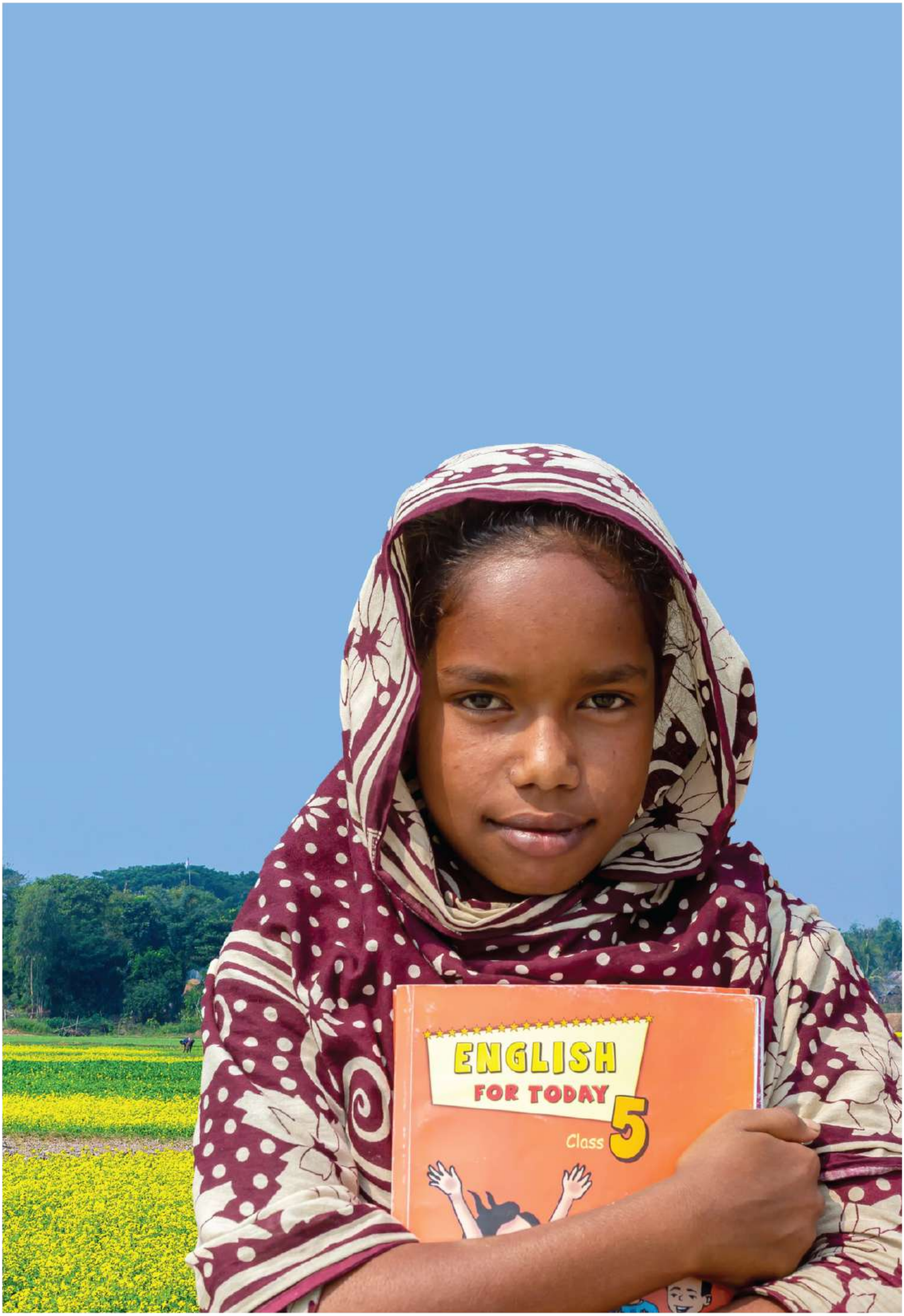
3. Growing Popularity of Bancassurance

While still at an early stage, bancassurance is gradually making progress as banks and insurers address initial challenges. Industry leaders are optimistic that building trust, advancing digital integration, and implementing regulatory reforms will drive significant growth in the future.

4. Niche insurance segments offer promising growth opportunities

Despite the industry's struggles, certain segments like crop insurance and micro health insurance are expanding, with health insurance in urban areas expected to grow further. These specialized areas provide opportunities for stability and future growth amid broader market challenges.




ENGLISH
FOR TODAY
Class 5

Education

Bangladesh's education sector is gradually evolving through enhanced industry collaboration, growing international presence, rising EdTech adoption, and a critical focus on aligning academic curricula with industry needs to better prepare students for the future.

1. Gradual Strengthening of TVET Through Industry Collaboration and Practical Skills Enhancement

Recently, TVET institutions have begun incorporating modern technologies into their curricula, albeit at a gradual pace. Strengthening collaborations with the private sector can support public TVET centers by providing up-to-date, industry-relevant skills and access to advanced technologies.

2. Growing International Presence in the Sector

Several foreign universities and international school networks are establishing local branches in Bangladesh, investing in academic infrastructure and student services to improve the overall learning experience. While some offer scholarships, these opportunities currently remain accessible to a relatively small segment of the population.

3. Promising EdTech Market

The demand for high-quality, accessible education solutions continues to rise, driven by increasing internet penetration and government support for digital education. As families spend a substantial portion of income on education, it has made affordable digital alternatives crucial.

4. Emphasizing Alignment Between Academic Curricula and Industry Needs

The education system remains largely theoretical, failing to align with evolving job market demands. Incorporating project-based, research-based, and experiential learning approaches is crucial for preparing students for real-world careers.

Unemployment Rate by Education Level:

Education Level	Unemployment Rate(%)
Tertiary Education	12.00
Higher Secondary Education	8.87
Secondary Education	2.82

Source: Labour Force Survey, 2022.

Tourism & Hospitality

+0.46

BCI Score

The local tourism industry, initially impacted by concerns over potential business downturns triggered by the political unrest in July-August, has been demonstrating encouraging signs of recovery since Q2 of FY25.

1. Increasing Popularity of Domestic Tourism

In addition to well-known destinations in Bangladesh, there is an increasing interest in exploring lesser-known locations. This trend is driven by enhanced visibility through social media and improved transportation infrastructure, including the introduction of new railway connections to these areas. Furthermore, the restricted issuance of visas by India has positively influenced the flow of tourists within the country.

2. Gradual Recovery of Outbound Tourism

Despite a decline of nearly 20% in outbound tourism during July-August 2024, industry experts anticipate that a stable exchange rate and decreasing airfare will encourage more holidaymakers to consider international travel.

3. Emerging destinations for medical tourism

China is actively targeting Bangladeshi travelers by promoting its medical tourism sector, which offers a wide range of services from advanced medical treatments to traditional Chinese medicine therapies.

4. Need for Skilled Workforce in Hospitality Services

A lack of highly skilled professionals in the hospitality industry affects service quality and customer satisfaction. Limited vocational training opportunities exacerbate this gap, restricting the sector's ability to compete internationally.

5. Regulatory Burdens Impact Small and Medium Enterprises (SMEs)

The imposition of VAT on tour operators and hospitality services increases operational costs, disproportionately affecting startups and SMEs. Policy adjustments and tax incentives could help foster entrepreneurship in the sector.

6. National Branding Efforts Needed for Global Competitiveness

Bangladesh's tourism sector's international branding remains quite limited. Strategic marketing initiatives and destination promotion can enhance visibility and drive sectoral growth.

Freight & Logistics

-9.6

BCI Score

The logistics sector in Bangladesh faces significant challenges from political instability, reduced activities, infrastructure delays, financial constraints, and rising costs, hindering trade efficiency and slowing recovery prospects.

Metric	2023 Rank	2024 Rank
Domestic Logistics	17	16
International Logistics	33	36

Source: Agility Emerging Markets Logistics Index

1. Political Instability and Natural Disasters Disrupt Trade

Political instability stemming from the quota movement disrupted trade operations, causing delays and escalating operational costs. Additionally, flooded roads, waterlogged railway tracks, and hindered cargo handling at outer anchorage due to rough weather further exacerbated the challenges.

2. Liquidity Crisis and LC Restrictions Slow Down Trade

Combined with difficulties in opening Letters of Credit (LCs) due to foreign currency shortages and a slowdown in imports and exports, an overall sales decline of approximately 15%-20% in the 2023-2024 period has been observed.

3. Lagging Infrastructure Development Limits Growth Potential

Delayed progress in critical infrastructure projects like Matarbari port restricts trade efficiency and increases congestion at existing ports, impeding Bangladesh's aspirations to become a regional logistics hub.

4. Rising Port and Customs Costs Increase Business Expenses

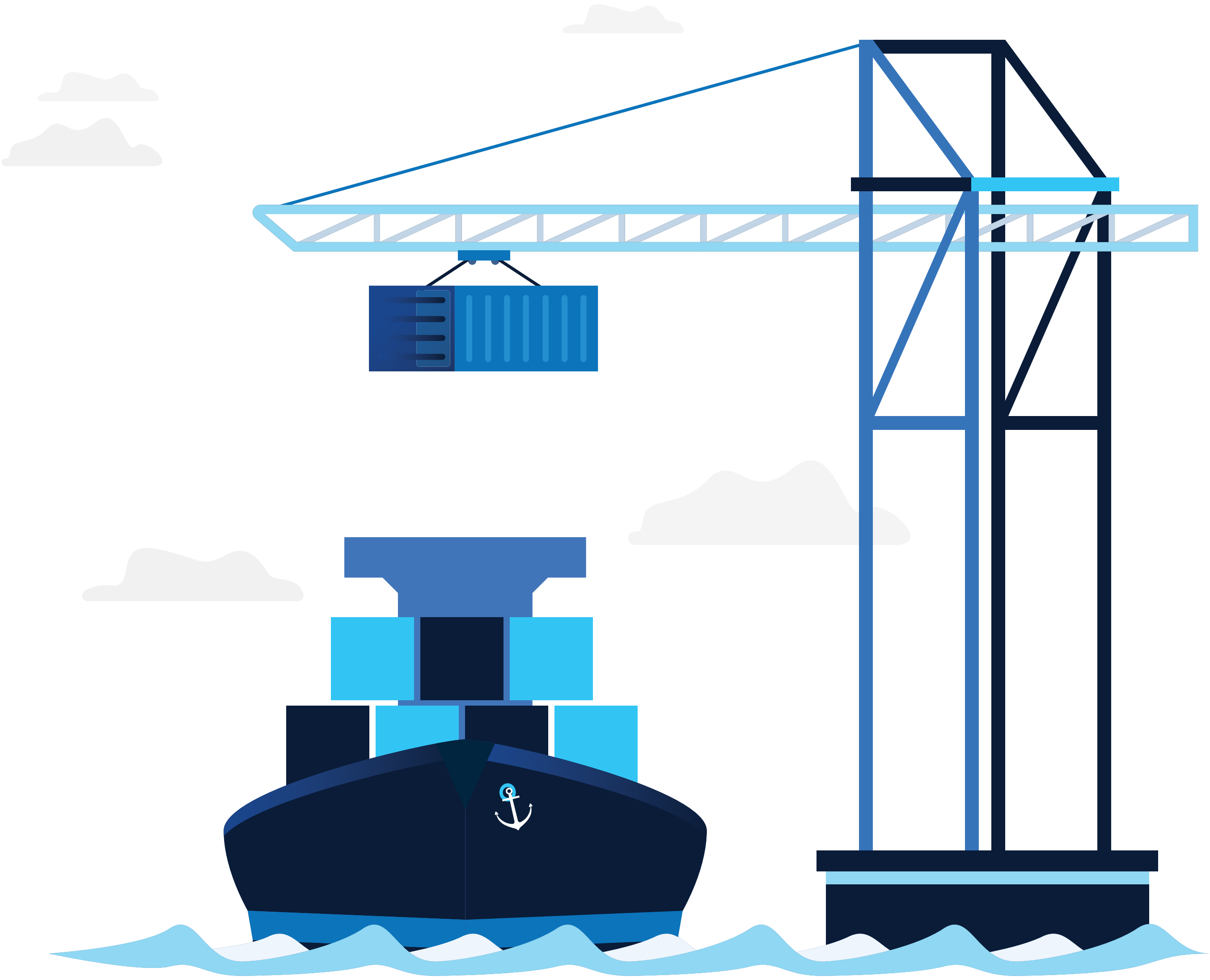
Higher port service charges, slow customs processing, and bureaucratic inefficiencies elevate the cost of doing business, making trade operations less competitive compared to regional counterparts.

5. Limited Financial Access Hampers Logistics Startups

Startups in the freight and logistics sector struggle to secure debt financing due to financial institutions' reluctance to provide credit, limiting innovation and expansion opportunities within the industry.

6. Uncertain Trade Recovery and Investment Sentiment

The outlook for the next six months remains uncertain, with expectations of gradual rather than substantial improvements. Development projects that had been discontinued are now resuming at a slow pace. Overall, availability of desired lighter vessels, prompt customs and port clearances will be vital for better trade connectivity with global markets.



Business Services

+11.13

BCI Score

Despite optimism for improvement, businesses remain wary, with no substantial increase expected in work volume. Many firms are operating with reduced capacity, prioritizing risk management over expansion until economic conditions stabilize.

1. Gradual Budget Recovery Fuels Optimism

Following a period of uncertainty, several retail and FMCG companies have begun to cautiously increase their marketing and advertising budgets. This renewed confidence is fostering a gradual uptick in demand for creative branding, digital marketing, and integrated campaign services.

2. Innovation and Adaptation Drive Growth

Marketing agencies have accelerated their adoption of new technologies and data-driven strategies to deliver more personalized and impactful campaigns. This shift towards innovation has helped agencies win new clients and deepen relationships with existing ones. Although clients have leaned towards short-term contractual arrangements due to business slowdown, this trend has motivated agencies to design more adaptable, performance-oriented marketing solutions.

3. Economic Slowdown Shrinks Business Services Revenue

The combined effects of global and local economic slowdowns have led to a sharp decline in revenue for the business services sector, with companies experiencing a 20-30% drop. Reduced cash flow has forced businesses to cut back on marketing, expansion, and hiring, leading to a stagnation in industry growth. Rising Demand for Short-Term, Agile Campaigns.

4. Banking Sector Improvements Enhance Financial Transactions

While there have been challenges in the banking sector affecting foreign transactions and wire transfers, ongoing efforts to stabilize the system are gradually reducing delays and improving payment processes for businesses with international clients.

IT/ITES

+26.7
BCI Score

Accommodating more than 0.75 million IT professionals currently, the ICT sector holds great growth potential in both the local and the global markets, and with 28% young and 66% working age population, the country is positioned to reap benefits from its demographic dividend.

132.8 Mn
Internet Subscriber

3 (out of 10)
STEM Graduates

600K+
IT Freelancers

99%
(of total population)
Under Mobile Broadband Coverage

1 Million+
Platform Workers

25,000+
SMEs in Digital Commerce

2500+
E-Commerce Platforms

64.2
(out of 100)
Mobile Connectivity Infrastructure

50,000+
F-Commerce Businesses

Source: BTRC, GSMA, Huawei, Fairwork, ICT Division, e-Cab, USITA

1. Business-friendly Policies Easing Business Operations

Progressive policies such as corporate income tax exemption for IT or ITes exporters till 2027, empower IT businesses to focus on innovation during their early stage. Similarly, for the IT exporters, Bangladesh Bank has set a higher Exporters' Retention Quota (ERQ) at more than 30%, and enabled transfer of ERQ funds and payment of import liabilities to other bank accounts. This liberates the businesses to maintain a portion of the foreign currencies earned, for at most 30 days, and overcome the foreign currency exchange barriers for different international payments connected to their business operations. With the evolving global value chain of this sector, it is important to continue such supportive practices, especially addressing the barriers of cross-border transactions for both businesses and freelancers.

2. Technological Developments Driving Need for Upskilling

With the paradigm shift towards automation and artificial intelligence, the global IT sector has stepped into a new era of digital service delivery, leveling up the global practices and cutting down on time and effort. This shift also entails a growing need for quality labor, as low-value tasks such as data entry, and transcription are being handed over to machines. To adapt to these changing tides and remain competitive, the IT workforce needs upskilling, to match global and local demand.

3. Global Economic Shift Slowing Exports

In tandem with the technological advancements, the global economic downturn has resulted in a slower pace of export and business growth for the Bangladeshi IT sector. With the local workforce lacking the essential skills to meet the shifting demands, the need for quality labor is continuously echoed throughout the sector. It is high time for the country to steer investments to have dedicated upskilling programs and to modernize the tertiary-level curriculum by addressing the industry demands and transforming the youths to valuable resources.

4. Room for IT-friendly Financing Design

Like any other businesses, IT and ITes businesses require financing to advance their growth. However, the nature of this business entails ownership of valuable intangible assets as well, for which there has yet to be a valuation mechanism among many of the local traditional banks. This limits the financing prospects of the businesses. While this signifies the importance of reassessing the asset valuation and devising a customized financing design for the IT sector, businesses also noted the important role the associations can play by acting as their guarantors.

5. Lack of IP Protection Risking Innovations

With the intensive requirement of product and process innovation in the sector, IT and ITes businesses need a strong intellectual property protection mechanism to safeguard the unique solutions they create. Such innovations also favors the brand building of the country. Valuing the importance of this, it is crucial for the Department of Patents, Designs and Trademarks to simplify the IP creation process and to strengthen the IP protection mechanisms.

Healthcare

+18.6

BCI Score

While the need for public efforts and facilities will always remain, it is high time to think of a public-private collaboration approach to improve the healthcare sector of Bangladesh.

66%
Working Age Population

5,577
Registered Private Hospitals

$5 Bn
Annually Spent on Medical Tourism

68%
Population Residing in Rural Areas

9,529
Registered Private Diagnostic Centers

800K
Annual Medical Tourists

Source: Task Force Committee, Ahsan H. Mansur, The Financial Express

1. Shifting Dynamics of Medical Tourism Catalyzing Local Development

Recent political changes have limited access to medical tourism in countries like India and Thailand, which previously served 77% of Bangladeshi outbound patients. This presents an for the local healthcare sector to meet domestic demand and reduce capital outflow. Channeling private investment into strengthening local services can unlock significant sectoral growth.

2. Emerging partnerships with other countries

Bangladesh is increasingly turning its attention to China's medical tourism offerings, diminishing India's previously dominant role in this sector. With its state-of-the-art medical facilities, expert healthcare professionals, and diverse specialized treatments, China has emerged as a preferred destination for patients globally.

3. Limited Investment Constraining Growth

With limited private investment made in the healthcare sector, private medical institutions rely heavily on the banking sector for financing needs. This exerts imbalanced control of the banks over the operational plans of healthcare institutions, which consequently limits the expansion plans of these institutions.

4. Lack of Long-term Decentralization Initiatives Limiting Growth Potential

Despite most of the population living in rural areas, healthcare services remain concentrated in divisional cities, especially Dhaka, due to insufficient local facilities and skilled professionals. Over 50 percent of specialized hospitals and 30 percent of private hospitals are in Dhaka, reinforcing centralization and driving up out-of-pocket healthcare costs—the highest among Southeast Asian lower-middle-income countries. A sustainable decentralization strategy is essential to meet rising demand and support patients, professionals, and healthcare businesses alike.

Out-of-Pocket Health Expenses (as % of Total Expenses):

	2018	2019	2020	2021	2022
Bangladesh	70.68	72.05	74	72.97	72.53
Bhutan	13.16	17.79	15.42	21.43	34.57
India	53.23	52	49.51	45.11	45.98
Myanmar	76.45	76.56	72.57	54.1	65.14
Nepal	57.73	57.91	54.17	51.26	55.79
Sri-Lanka	46.82	45.51	43.76	42.99	40.22

0-19 20-39 40-59 60-79

Source: World Bank

Startups

+15.3

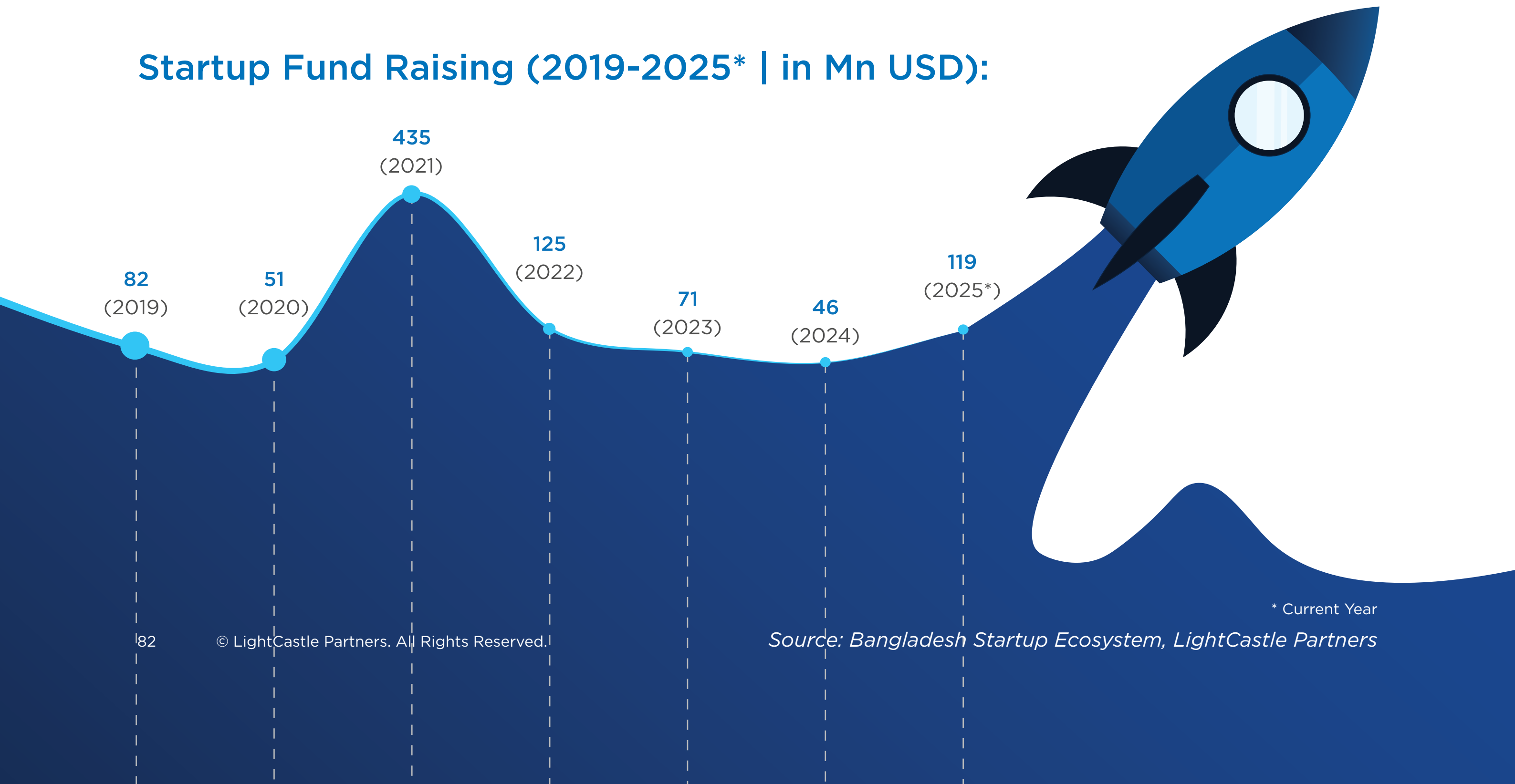
BCI Score

While the startup ecosystem seemingly has an optimistic vision on business performance, the role of the government in creating a business and investment-friendly environment is imperative to materialize this vision.

1. Political Instability Affecting Foreign Investor Confidence

Coupled with the global economic downturn, the political instability has created an uncertainty fog over the investment landscape of startups. While the Bangladesh Investment Development Authority (BIDA) has been making significant strides in bringing transparency and efficiency to the investment process, the volatility of the current political environment and the dearth of local institutional investments is an important factor feeding skepticism and shakiness to foreign investors' confidence.

Startup Fund Raising (2019-2025* | in Mn USD):



* Current Year

Source: Bangladesh Startup Ecosystem, LightCastle Partners

2. Lack of Strong Exit Channels Curbing Institutional Investment

Realizing the potential of the startup ecosystem of Bangladesh, the government has launched several dedicated programs for the entrepreneurs and enabled special tax holidays and exemptions, double taxation prevention measures and repatriation of profit and dividends for fostering private investments. While these positive policies have propelled the investment flow, the absence of strong exit channels for foreign investments, in comparison to neighboring peers like India, has resulted in attracting mostly angel investors to the ecosystem or businesses being stuck at pre-seed or seed stage of investments. Incentivizing and ensuring a variety of robust exit pathways is critical for the country to unlock the next level of startup investment.

3. High Inflation Slashing Consumption

While the macroeconomic outlook is shifting to a better picture, the high level of inflation is persistently sticking. In January 2025, the inflation rate reduced to the single-digit range of 9.94%, but is still higher than January 2024's rate. This stickiness has significantly reduced the purchasing power of citizens further affecting the consumption pattern. With a demand reduction, many startups have shifted gears to a conservative business management approach, temporarily retracting their expansion plans.

Country	Scores on Regulatory Framework	Scores on Public Services	Scores on Operational Efficiency
Vietnam	66.81	53.41	72.78
Indonesia	63.98	63.44	61.31
Nepal	59.34	49.29	72.21
Pakistan	59.10	44.97	65.90
Bangladesh	56.99	41.46	70.49

Source: Presented based on Data of Business Ready 2024 Report of the World Bank

4. Persistent Need for Simplification of Policies and Ease of Doing Business

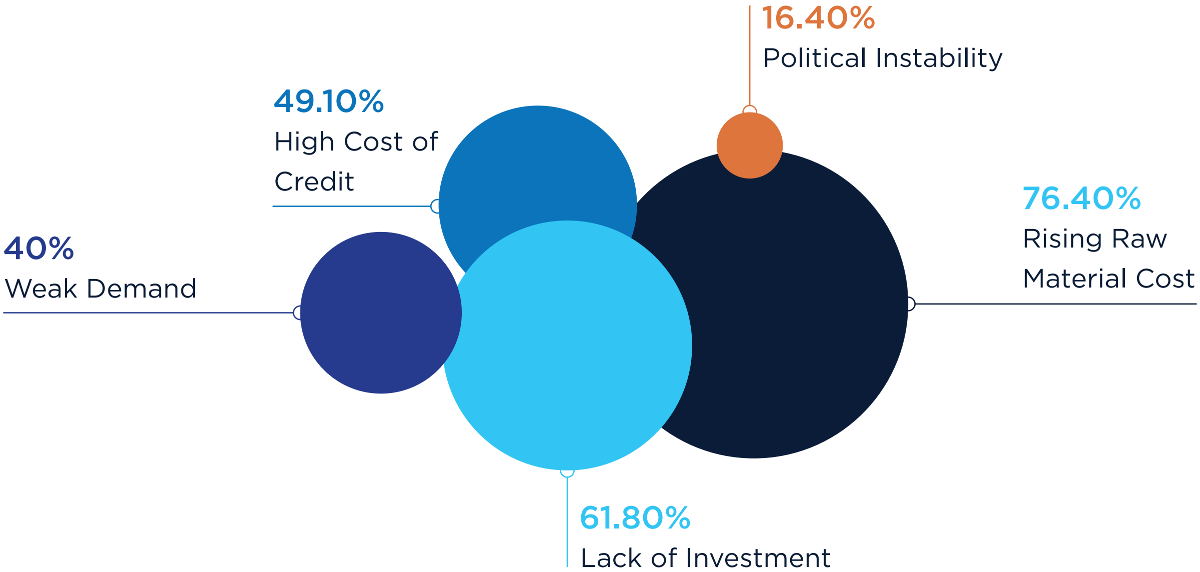
Out of the 50 countries assessed in the Business Ready Report 2024, Bangladesh ranks 29th, indicating the need for significant process improvement by the government. Addressing this need, BIDA has set up a one-stop service portal, providing transparency on the performance of over 133 public services offered through the platform. Such a progressive practice needs to be replicated to serve the interests of the local businesses and startups, through streamlining the business, operational, and financial compliance processes. This, in conjunction with business-friendly and technology-supportive policies, can substantially reduce the barriers for startups, enabling them to focus more on innovation and scaling their operations, and placing Bangladesh higher in the global ecosystem.

7

Major Problem Areas of Doing Business

Major Problem Areas of Doing Business

Businesses have been found navigating a tough environment driven by input cost pressures, limited investment, expensive financing, sluggish demand, and political instability.



Rising raw material costs

- Depreciation of Taka by nearly 17% during Jan'24-Dec'24 elevated the cost of imported raw materials, including essential commodities like edible oils and sugar, which saw a 5% year-on-year price increase

- Stricter import regulations due to dwindling forex reserve led to a 6% decline in imports in Nov'24 compared to the previous year, resulting in supply shortages

- Elevated global energy prices, fueled by geopolitical tensions & transportation disruptions during curfew resulted in the underutilization of factory capacities

Political uncertainty leading to lack of investment

- Although political instability may appear to be lesser of a problem, this can be attributed to the timing of the study, which was conducted in November when tensions had eased and reforms were beginning to be implemented

- Capital crunch in the economy, exacerbated by political changeover, concerns over policy inertia, and lack of safety measures in industrial belts translated to lower investor confidence

- LC settlements for machinery imports declined 41% while LC openings for the same dropped 21% during the first four months of FY25

Elevated cost of credit

- High volume of NPLs and slow deposit growth led to a liquidity crisis in the financial sector

- While trying to curb inflation, increase in lending rate brought down private sector credit growth to a 3.5-year low in Nov'24

- Amid a decline in the opening LC for machinery imports and a slowdown in private investment, elevated borrowing costs added to the financial strain

- Small and medium-sized entrepreneurs severely impacted

Weak consumer demand

- Inflation reached an alarming average of 11.38% in Nov'24, marking the highest level in over a decade. In Jan'25, inflation reduced to 9.9%, but is still higher than Jan 2024's rate. This stickiness has significantly reduced the purchasing power of citizens further affecting the consumption pattern

- Fluctuations in global commodity markets, particularly for energy and food products

- Depreciation of Taka by nearly 17% in 2024, making imports more expensive and driving up prices in the domestic market

- Delays in shipping and logistical bottlenecks during local political turmoil

- Monetary policy tightening made borrowing more expensive, potentially dampening business investment

High Prospect Sectors

Identified by % of Respondents

45.20%

Agri and Agro-Processing

Agri & Agro-processing

- A large labor force (45% of population) employed within the sector
- 70 Mn tons of agricultural production with agro-processed exports growing at 16.6% annually
- Rising incomes, urbanization, and changing lifestyles boosting demand for higher quality frozen and ready-to-cook foods
- Domestic market of over 170 million people and access to neighboring export markets
- Expansion of the HORECA industry leading to increased domestic demand
- Prospects for growth in Seeds; Protected Horticulture; Poultry and Fisheries

30.10%

IT/IT Enabled Services

IT/IT-enabled services

- Booming industry with 3.5+ lakh professionals, generating $1.5 billion annually in export earnings
- Bangladeshi freelancers are making their mark in graphic design, web development, digital marketing, and more

Source: Bangladesh Economic Review, BASIS

- Opportunity to explore design, assembly, packaging and testing (APT) sub-segments, as well as integrated device manufacturing (IDM)

23.30%

Pharmaceuticals

Pharmaceuticals

- 151+ export destinations, including those in the EU, Africa and the US, after catering to 98% of the domestic demand

- Only 5-10% of currently produced drugs are patented, and LDC graduation is unlikely to have significant impact on price

- Producers are exempted from AIT and TDS until 2032 and will receive 20% tax incentives for API exports

- Domestic market for non-biological small molecule APIs is currently worth around Tk 6,500 crore

- Leading pharmaceutical exporters working to secure approval from drug enforcement agencies of foreign economies to expand their global footprints

11.80%

Textiles & Apparel

Textiles & Apparel

- With core strength in low to mid-range garments, Bangladesh could become an attractive alternative, especially as Chinese and Vietnamese apparel face higher tariffs

- Redirecting sourcing of cotton from Brazil, India, and West Africa to the US could bolster diplomatic goodwill

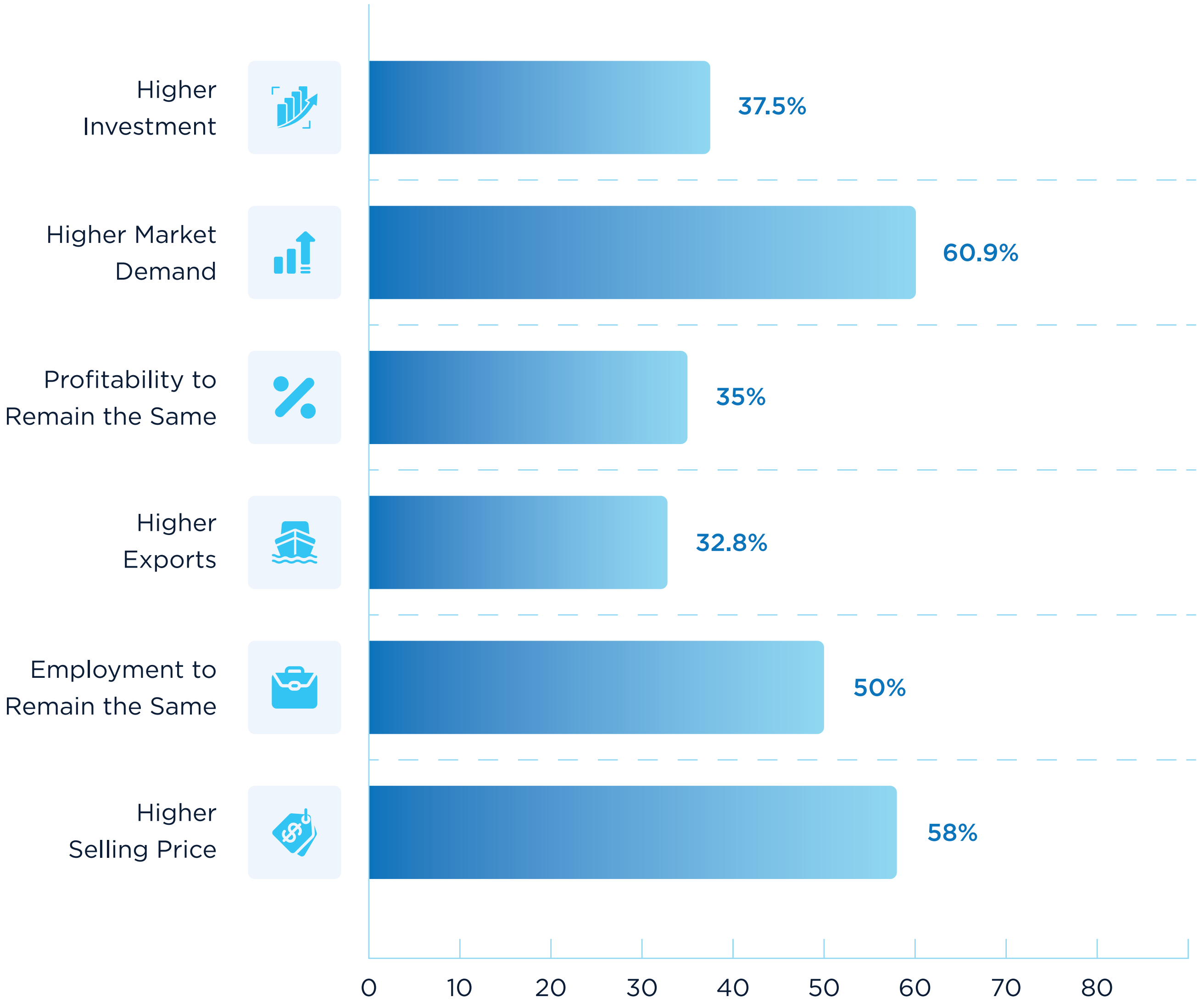
- Over the long-run, investments should be poured in MMF-based apparel (Man-made Fiber), sustainable production systems, and a recycled fabric ecosystem

- Several initiatives underway by brands and international non-profits in the textiles & apparel sector, focusing on sustainability, skill development, and compliance

8

Way Forward & Prospects

Way Forward & Prospects



Since the political transition, key industries such as Textiles & Apparel, Construction, and Power have experienced challenges following a shift in government priorities. While these sectors previously benefited from targeted government assistance, the recent change in administration has prompted a strategic realignment towards broader reforms, resulting in a temporary deprioritization of sector-specific focus.

This transition reflects the interim government's commitment to implementing comprehensive reforms aimed at fostering long-term sustainable growth across the economy. Moving forward, a balanced approach that integrates sectoral development within the reform agenda is expected to restore momentum and drive renewed investment in these critical industries.

Over the next 6 months, industry leaders indicate that business prospects in Bangladesh appear favorable. The implementation of a tight monetary policy and fiscal consolidation measures, especially in terms of expenditure control, are anticipated to gradually reduce inflation. As such, consumption growth is expected to recover, though at a gradual pace. In terms of attracting investments, the government's proactive involvement with the global business community, implementation of policy reforms, and emphasis on digitization have been sending further encouraging signals.

As confidence among industry leaders continues to strengthen, Bangladesh stands well-positioned to capitalize on emerging opportunities, paving the way for sustained economic resilience.

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