Endeavour Education Excellence

FINANCIAL MARKET REVIEW

August 2025

Contents

Page

Editor

Faysal Ahmad Khan
Assistant Professor and Chief Coordinator, Academic Program, BICM

Associate Editor

Md. Adnan Ahmed
Lecturer, BICM

Team Members

Imran Mahmud
Lecturer, BICM

Faima Akter
Lecturer, BICM

Gourav Roy
Lecturer, BICM

Md. Adnan Ahmed
Lecturer, BICM

The BICM Financial Market Review provides analytical insights about the performance of the financial market in Bangladesh on a monthly basis.

Economy of Bangladesh

" Treasury yields fall across all maturities in July 2025, reflecting easing inflation expectations and improved market confidence"

—— Imran Mahmud, Lecturer, BICM & Md. Adnan Ahmed, Lecturer, BICM

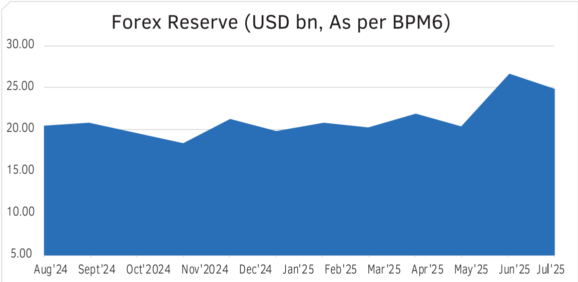

Figure-01 Forex Reserve

Bangladesh's foreign exchange reserves reached$24.99 billion for the month of July 2025, falling slightly from $26.99 billion in. [Fig-01].

Though Bangladesh's foreign remittance inflow dropped by 11.74% compared to June, 2025, the country's remittance inflow witnessed a remarkable year-on-year growth of 11.71 percent, reaching US$2.48 billion in June 2025. [Fig-02].

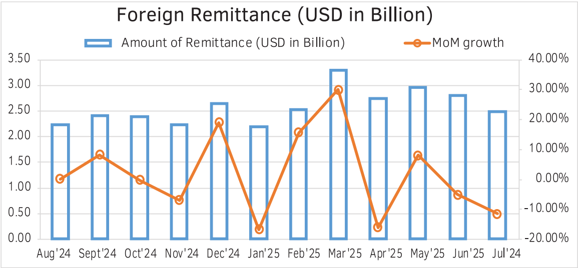

Figure-02 Foreign Remittance

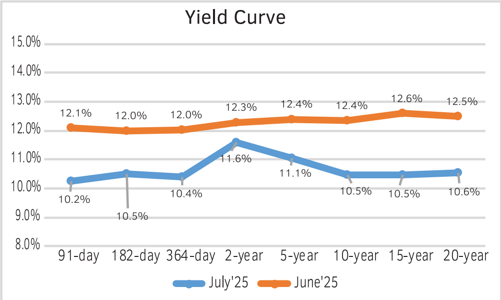

Figure-03 Yield Curve

As of July, 2025, yields of government securities stood at 10.2%, 10.50%, 10.40%, 11.6%, 11.1%, 10.5%, 10.5%, and 10.6% for the tenures of 91-day, 182-day, 364-day, 2-year, 5-year, 10-year, 15-year, and 20-year, respectively. [Fig-03].

Between June and July 2025, the call money rate increased slightly from 10.05% to 10.00%. In contrast, the interbank repo rate dipped from 10.22% to 10.0%. Meanwhile, the 10-year T-bond yield rose significantly from 12.35% to 10.48%, [Fig-04].

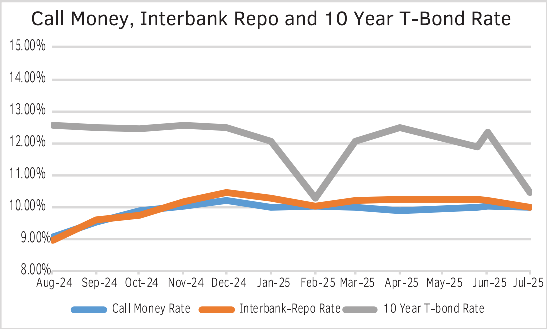

Figure-04 Call Money, Repo and T-Bond Rate

A Visual Tour of the Key Statistics

As per the most recent report from Bangladesh Bank, private sector credit growth reached 6.40% in June, 2025 significantly trailing the central bank's target of 9.8%. [Fig-05].

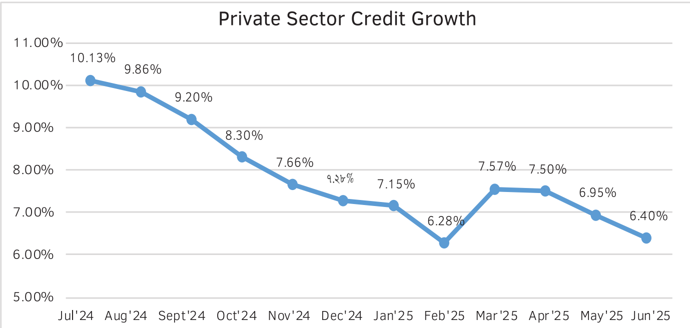

Figure-05 Private Credit Growth Rate

In July 2025, Inflation rate increased to 8.55%, a slight raise from 8.48% in June after declining in the preceding three months. This hike was attributed to higher food inflation (7.56%) and non-food inflation (9.38%), with a similar pattern observed in both rural and urban areas. [Fig-06].

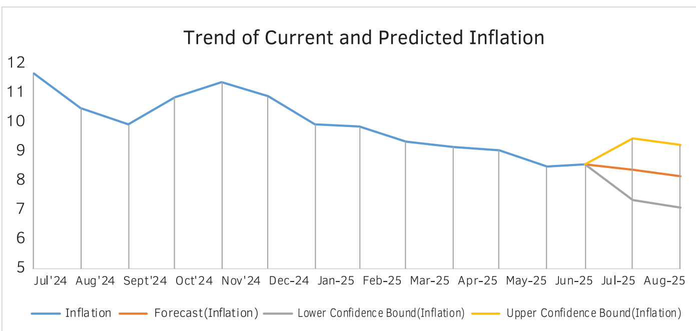

Figure-06 Inflation trend and prediction

Between FY21 and FY25, Bangladesh's trade deficit showed notable improvement, narrowing from USD -24 billion to USD -20.5 billion. The current account balance shifted dramatically over the same period, moving from a deficit of USD -5 billion in FY21 to a surplus of USD 1 billion in FY25. However, the financial account surplus contracted significantly, falling from USD 14 billion in FY21 to USD 3.2 billion in FY25. Overall, the balance of payments position strengthened markedly, reversing from a deficit of USD -4.3 billion in FY24 to a surplus of USD 3.3 billion in FY25. [Figure-07]

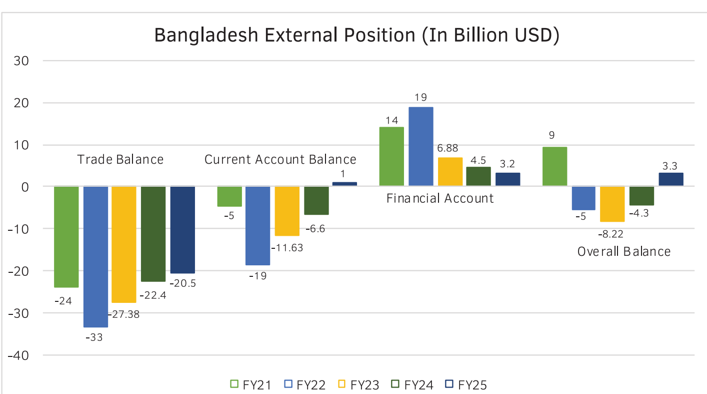

Figure-07 Overall BOP of Bangladesh

In May 2025, total deposits in scheduled banks rose by 7.73% year-on-year and total bank credit grew by 11.09%, driven mainly by a 27.32% surge in investments, despite modest growth in advances and a sharp decline in import bills and inland bills. [Table -01].

Items	May, 2025	Apr, 2025	May, 2024	Percentage Changes: May, 2025 over Apr, 2025	Percentage Changes: May, 2025 over May, 2024
Deposits held in DMBs (TK in mllions)					
Demand Deposits*	1,952,395	1,937,510	1,868,475	0.77	4.49
Time Deposits*	16,368,257	16,263,469	15,137,609	0.64	8.13
Total	18,320,652	18,200,979	17,006,084	0.66	7.73
Bank Credit (TK in mllions)					
Advances	17,301,193	17,120,124	16,056,230	1.06	7.75
Bills (Import & Inlands Bills)	287,975	291,658	379,817	-1.26	-24.18
Investments	5,260,463	5,170,005	4,131,758	1.75	27.32
Total	22,849,631	22,581,787	20,567,805	1.19	11.09

Table-01 Trend of Amount of Deposits and Credit in Banking Industry of Bangladesh

Insights from Numbers

► Forex reserves have rebounded sharply, rising from under USD 20 billion in July 2024 to over USD 30 billion in July 2025 (USD 24.99 billion net under IMF BPM6). The surge is driven by record remittances of USD 30.33 billion in FY25 (26.8% YoY), export earnings of USD 48 billion, and a stable exchange rate. Policy reforms, anti-hundi measures, and improved banking sector governance have restored confidence, narrowed current and financial account deficits, and eased the dollar crisis.

► July FY26 remittances were 30% higher than the same period last year, signaling sustained formal inflows. Experts project reserves could reach USD 35 billion by mid-FY26 if this momentum continues, strengthening import cover. However, global market volatility and external shocks remain key risks, making sustained policy discipline crucial.

► After three months of decline, inflation edged up in July to 8.55% (June: 8.48%), mainly driven by a rebound in food inflation to 7.56% (June: 7.39%). Non-food inflation remained elevated at 9.38%, largely unchanged from June. Economists warn that without addressing supply-side bottlenecks—such as slow imports, market inefficiencies, and seasonal risks like flooding—monetary policy alone will not be sufficient to bring inflation down sustainably.

► Yields on Bangladesh's treasury securities declined across all maturities between June and July 2025, signaling easing borrowing costs and improved liquidity conditions. Short-term yields fell sharply, with the 91-day rate dropping from 12.1% to 10.2% and the 182-day from 12.0% to 10.5%, reflecting stronger demand for government securities and possibly lower immediate inflation expectations. Medium- to long-term yields also softened, with the 5-year down from 12.4% to 11.1% and the 10-year from 12.4% to 10.5%, suggesting improved investor confidence in fiscal and macroeconomic stability. This broad-based yield decline reduces the government's debt servicing burden and could encourage private sector lending if banks adjust lending rates accordingly. If inflation continues to moderate and reserves strengthen, yields may stabilize at lower levels, supporting economic recovery. However, sustained fiscal discipline and external stability will be key to maintaining this trend amid potential global interest rate volatility.

► In July 2025, Bangladesh's short-term money market rates eased slightly, with the call money rate edging down from 10.05% to 10.00% and the interbank repo rate declining from 10.22% to 10.00%. The sharper adjustment came in long-term yields, as the 10-year T-bond rate fell from 12.35% in June to 10.48%, marking a significant drop of 187 basis points. This steep decline signals improved market liquidity, reduced inflationary pressure expectations, and stronger investor demand for long-term government securities. Lower funding costs in both short-term and long-term markets may stimulate private sector credit growth and reduce the government's borrowing costs. If inflation remains contained and external reserves continue strengthening, interest rates could stabilize at these lower levels, further supporting economic recovery. However, global rate movements and fiscal pressures remain potential headwinds to sustaining this trend.

► In May 2025, deposits in Deposit Money Banks (DMBs) reached BDT 18.32 trillion, up 0.66% from April and 7.73% year-on-year. Both demand deposits (0.77% MoM; 4.49% YoY) and time deposits (0.64% MoM; 8.13% YoY) recorded steady gains, indicating improved savings mobilization. On the credit side, total bank credit stood at BDT 22.85 trillion, up 1.19% from April and 11.09% from May 2024. Advances rose 7.75% YoY, while investments surged 27.32%, suggesting banks are channeling more funds into securities. However, bills—linked to import and inland trade—fell sharply by 24.18% YoY, reflecting subdued trade activity.

► Private sector credit growth, however, shows a persistent slowdown, easing from 10.13% in July 2024 to 6.40% in June 2025. This indicates that while deposits and bank investments are growing, credit demand from businesses remains weak—likely due to cautious investment sentiment and high borrowing costs earlier in the year. Sustained deposit growth alongside lagging private sector credit may signal excess liquidity that could be redirected into productive lending if economic confidence improves.

► There is a clear trend of external sector improvement from FY21 to FY25. Although the trade balance remains negative throughout, its steady narrowing suggests better export performance or reduced import dependency. The sharp current account deterioration in FY22, followed by a gradual recovery to surplus by FY25, highlights effective measures or favorable external factors boosting foreign earnings or remittances. Meanwhile, the declining financial account indicates reduced reliance on external capital inflows, possibly reflecting more stable domestic financing. The overall balance's return to surplus in FY25 after consecutive deficits signals strengthened external resilience and improved macroeconomic stability, driven largely by the current account turnaround and managed financial flows.

Data Source: Bangladesh Bank

"Indices Climb Sharply as Turnover and Trades Spike"

Capital Market

In July 2025, the DSEX gained 11.88%, the DSES rose 9.83%, the DS30 surged 16.32%, the CDSET advanced 13.03%, while the DSMEX (DSE SME Index) declined by 5.14%, highlighting robust performance across broad-based, Shariah-compliant, and blue-chip indices, contrasted by a downturn in SME stocks.

Faima Akter [Lecturer, BICM] &
Gourav Roy [Lecturer, BICM]

In July 2025, the Bangladesh capital market experienced a robust rally across major indices, reflecting strong investor sentiment, policy support, and positive macroeconomic expectations. The benchmark DSEX index posted a notable gain of 578.09 points, rising from 4,865.33 on July 2 to 5,443.42 on July 31, marking an 11.88% monthly return (Table-02). This significant upward movement was fueled by increased participation from retail and institutional investors, optimism regarding economic stability, and improving earnings disclosures by listed firms. The DS30 index, representing the blue-chip companies, outperformed all other indices with a remarkable 16.32% increase, climbing from 1,817.70 to 2,114.35, suggesting strong performance among fundamentally sound and large-cap stocks. The DSES index, which tracks Shariah-compliant companies, also posted a healthy gain of 9.83%, increasing from 1,065.79 to 1,170.61, supported by positive movement in ethical and compliant investment instruments. Furthermore, the CDSET index, representing a cross-sectoral group of stocks, rose by 13.03%, indicating broad-based market participation and sectoral strength. In contrast, the DSMEX index, which tracks the SME board, experienced a decline of 5.14%, dropping from 1,029.26 to 976.39, possibly due to profit-booking and lower investor focus on small-cap and illiquid stocks. The market witnessed sharp daily movements, especially in the latter half of the month, driven by rising turnover, technical breakouts above key psychological resistance levels, and anticipation of favorable policy actions. Overall, July 2025 marked one of the most bullish months for the DSE in recent times, reflecting a strong rebound in market confidence amid stabilizing macro-financial indicators.

Index Name	2-Jul-25	31-Jul-25	Change	% Change
DSEX	4,865.33	5,443.42	578.09	11.88%
DSES	1,065.79	1,170.61	104.82	9.83%
DS30	1,817.70	2,114.35	296.65	16.32%
CDSET	994.27	1,123.84	129.57	13.03%
DSMEX	1,029.26	976.39	-52.87	-5.14%

Table-02: Performance of Capital Market Indices in July, 2025

The Figure-08 titled "Changes in DSEX and DSES in July, 2025" illustrates the daily percentage movements of the DSEX and DSES indices throughout the month. Both indices exhibited a broadly similar pattern, reflecting synchronized market sentiment between the broad-based index (DSEX) and the Shariah-compliant index (DSES). Notably, sharp upward movements occurred on July 7, July 16, July 23, and July 31, indicating bursts of bullish activity, possibly linked to strong earnings releases or favorable market developments. Periods of moderate correction or profit-taking are observed between July 13–15 and July 27–29, where both indices showed consecutive negative returns. Despite some volatility, the overall trend was upward, with both indices ending the month on a strong positive note. The close correlation between DSEX and DSES suggests that market-wide factors were influencing all types of listed stocks during the period.

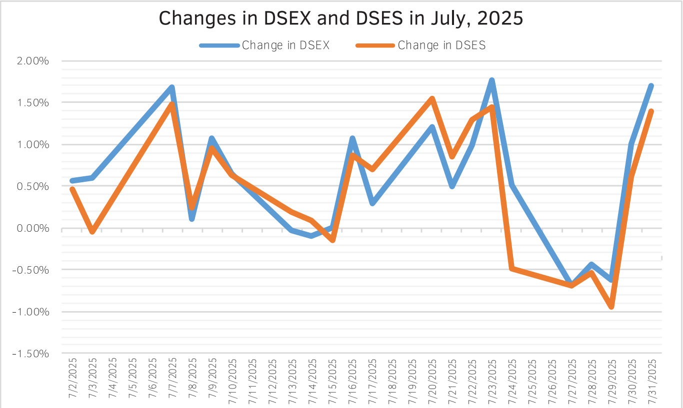

Figure-08: Percentage Changes in DSEX and DSES in July, 2025

In July 2025, all major indices of the Chittagong Stock Exchange (CSE) also showed notable gains, reflecting growing investor confidence. The CASPI rose by 12.37%, followed closely by the CSE30 with a 12.35% gain. The CSE50 and CSI also advanced by 10.29% and 7.60% respectively, signaling broad-based market momentum and improved sentiment across sectors. (Table-03 and Figure-09)

Column1	3-Jul-25	31-Jul-25	Change	% Change
CASPI	13528.7947	15202.3874	(1673.59)	12.37%
CSE30	11597.7666	13030.2676	(1432.50)	12.35%
CSE50	1043.6881	1151.1142	(107.43)	10.29%
CSI	872.0705	938.3118	(66.24)	7.60%

Table 03: Performance of CSE Indices in July, 2025

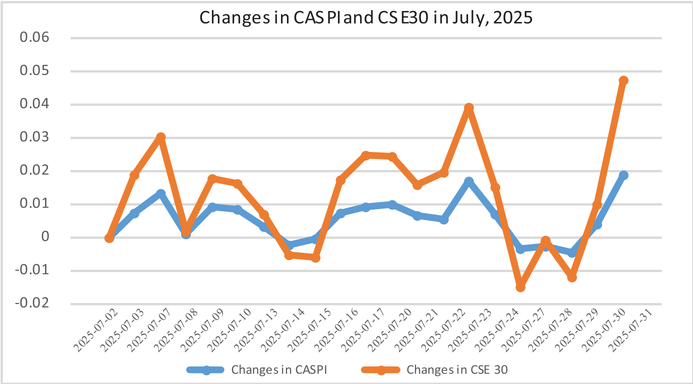

Figure-09 Changes in CASPI and CSE30 in July,2025

The Advance-Decline (A/D) ratio for the DSEX in July 2025 in Figure-10 reflected a highly volatile market breadth, alternating between bullish surges and bearish pullbacks. The month began with an exceptionally strong breadth on July 2, with an A/D ratio of 4.01, indicating that advancing stocks significantly outnumbered decliners (277 advances vs. 69 declines), a bullish signal. However, this momentum sharply reversed the next day (July 3), as the ratio plummeted to 0.85, reflecting profit-taking and weakening participation. Subsequent trading days continued to show erratic patterns — July 7 and July 9 again witnessed high A/D ratios of 3.81 and 3.50, respectively, signaling strong buying interest and market-wide optimism. Mid-month, from July 13 to July 17, the market breadth remained mixed, hovering around parity (A/D near 1), indicating a balance between gainers and losers. However, July 21 marked the lowest breadth of the month with an A/D ratio of 0.52, suggesting significant pressure on the broader market as only 117 stocks advanced against 224 decliners. The trend remained weak in the final week of the month, with the A/D ratio staying below 1 on most days. Notably, July 29 and July 30 recorded the lowest ratios of 0.33, showing that the rally in the benchmark index was concentrated in a few large-cap stocks, while the majority of equities were declining.

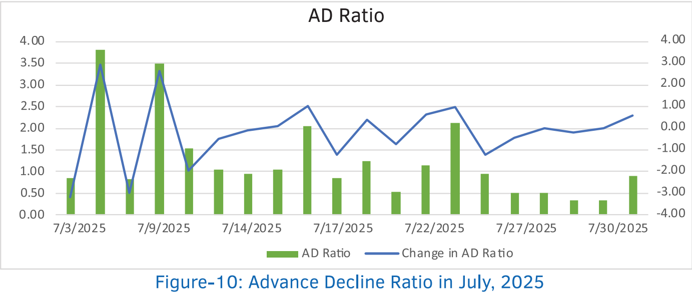

Figure-10: Advance Decline Ratio in July, 2025

The trading and market activity indicators of the Dhaka Stock Exchange (DSE) exhibited substantial growth in July 2025 compared to June 2025, reflecting heightened investor participation and renewed confidence. The average market capitalization increased by 5.55%, rising from Tk 6,528,949.8 million at the end of June to Tk 6,891,389.5 million by the end of July, indicating an overall increase in stock valuations. The average daily traded value more than doubled, soaring by 119.23% to reach Tk 7,347.7 million, up from Tk 3,351.6 million in the previous month. Similarly, the average number of trades surged by 79.73%, climbing from 115,011.3 trades to 206,708.0 trades, suggesting greater market activity and investor engagement. Moreover, the average trade volume witnessed a sharp increase of 109.89%, jumping from 135.61 million shares to 284.64 million shares. These significant improvements across all key trading indicators underscore the strength of the market rally in July, fueled by increased liquidity, bullish sentiment, and broad-based investor participation (Table-04).

Partculars	30 June 2025	31 July 2025	Change	% Change
Average Market Capital (TK Million)	6528949.8	6,891,389.5	362,439.6	5.55%
Average Traded Value (TK Million)	3351.6	7,347.7	3,996.1	119.23%
Average Number of Trades	115011.3	206,708.0	91,696.8	79.73%
Average Trade Volume	135612506.9	284,641,648.9	149,029,142.0	109.89%

Table-04: Market Aggregates in July, 2025

In July 2025, Bangladesh's capital market posted a strong rebound, with the DSEX surging by 578 points or 11.88%, the highest monthly gain in recent years. This rally came despite persistent macroeconomic challenges such as high inflation and a 10% policy rate. Investor sentiment improved significantly due to optimistic corporate earnings expectations, increased market liquidity, and regulatory measures aimed at stabilizing the market. Although foreign reserves remained low and external debt climbed to $74.34 billion, strong domestic investor participation and policy continuity helped boost market confidence.

In July 2025, the Bangladesh Securities and Exchange Commission (BSEC) continued its efforts to bolster market integrity and governance. A monthly coordination meeting with stakeholders including representatives from the DSE, CSE, and other capital market participants was convened to strengthen dialogue and chart a path for reform. BSEC also issued a directive extending the deadline until December 31, 2025 for appointing female independent directors on boards, reinforcing its commitment to gender-inclusive governance. Furthermore, the commission upheld its mandate requiring Z-category firms and those where sponsors and directors hold less than 30% of shares to appoint independent directors in line with the Corporate Governance Code 2018, a move aimed at enhancing transparency and restoring investor trust. These measures underscore BSEC's sustained focus on compliance, board accountability, and investor protection amid ongoing market fluctuations.

Currently, there are 14 Initial Public Offerings (IPOs) in the pipeline awaiting approval from BSEC. Out of these, 6 IPOs are applying for the SME board, while the remaining 8 companies are applying for the main board.

CITYBANK and RAHIMAFOOD emerged as the top companies with the highest turnover and return respectively, over the month. On the other hand, MIDLANDBANK was the top loser [Table-05]. On average, the market PE ratio of the Dhaka Stock Exchange Limited this month was 11.98 [Figure-11]. It suggests a relatively undervalued market, pointing to investor caution and moderate performance, but with potential for future upside if fundamentals improve. DSE showed resilience this month with positive returns across most sectors, led by strong performances in Bank and Cement. Maximum sectors showed positive returns except for travel and leisure sector [Figure-12]. In terms of sectoral turnover, bank, pharmaceuticals, textile, and food sectors have higher contributions [Figure-13].

Turnover				Gainer			Loser		
Sl	Stock	Turn Over	Total (%)	Sl	Stock	Return (%)	Sl	Stock	Return (%)
1	CITYBANK	2210.74	8.88%	1	RAHIMAFOOD	21.24%	1	MIDLANKBNK	-20.56%
2	BRACBANK	1487.8	2.76%	2	SOUTHEASTB	20.48%	2	SINGERBD	-11.47%
3	BSC	1279.05	11.04%	3	KARNAPHULI	16.73%	3	NRBBANK	-10.81%
4	BATBC	1056.06	-8.06%	4	TILIL	14.68%	4	PRIMEFIN	-10.42%
5	JAMUNABANK	910.49	8.72%	5	MAKSONSPIN	13.11%	5	BAYLEASING	-9.80%

Table-05 Top Five Turnover, Gainer, and Loser

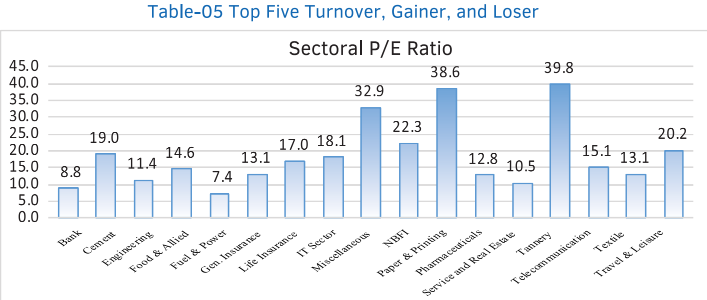

Figure-11 Sectoral P/E Ratio

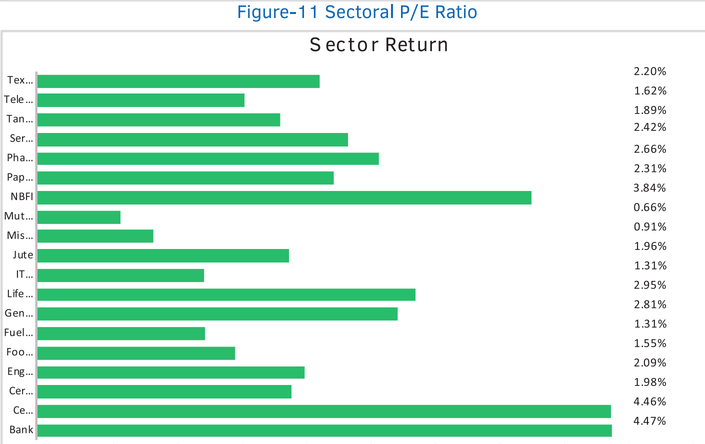

Figure-12 Sector-wise Market Return

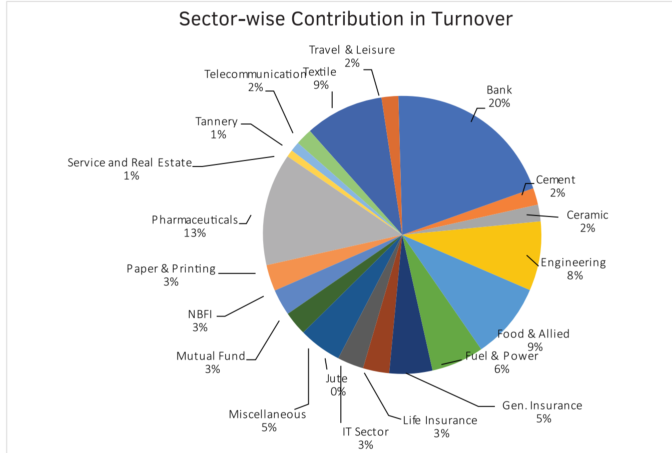

Figure-13 Sector-wise Contribution in Turnover

In July 2025, Bangladesh's capital market, represented by the DSEX index, outperformed other major Asian markets with an impressive return of 11.88%, reflecting strong investor confidence and robust domestic momentum. Among the peers, Pakistan's Karachi 100 index also delivered a solid performance, gaining 8.73%, likely driven by economic policy optimism and external support. In contrast, India's BSESENSEX declined by 2.20%, indicating subdued investor sentiment and possible macroeconomic or political concerns. Japan's Nikkei 225 posted a modest gain of 2.71%, while China's A50 index rose by 1.58%, reflecting cautious optimism amid ongoing global uncertainties (Table-06). Overall, Bangladesh led the region in equity market performance for the month, signaling a strong rebound relative to its regional counterparts.

Performance Comparison of the World's Major Index		
Country	Index Name	Return
India	BSESENSEX	-2.20%
China	China A50	1.58%
Japan	Nikkei 225	2.71%
Pakistan	Karachi 100	8.73%
Bangladesh	DSEX	11.88%

Table-06 Performance Comparison of the World's Major Index

In July 2025, the global commodity futures market showed a predominantly bearish trend, with most commodities recording negative returns. Natural gas experienced the sharpest decline of 13.64%, settling at $2.98 per MMBtu, driven by weak seasonal demand and ample supply. Soybean futures dropped by 5.98% to $971.60 per bushel, reflecting easing global demand and favorable production outlooks. Crude oil also saw a decline of 3.19%, ending the month at $66.09 per barrel, amid concerns over slowing global economic activity. Similarly, cotton and sugar futures posted marginal losses of 0.95% and 0.94%, trading at $66.60 and $16.03 per pound, respectively. In contrast, gold was the only major commodity to record a positive return, gaining 1.06% to reach $3,364.00 per troy ounce, as investors sought safe-haven assets in the face of market volatility (Table-07). Overall, the commodity market reflected subdued sentiment, with energy and agricultural products under pressure while gold remained resilient.

Performance Comparison of Commodity Futures			
Commodity name	Return	Price (USD)	Parameter
SUGAR	-0.94%	16.03	Lbs
NATURAL GAS	-13.64%	2.98	MMBtu
COTTON	-0.95%	66.60	Lbs
SOYBEAN	-5.98%	971.60	Bu
GOLD	1.06%	3364.00	t.oz
CRUDEOIL	-3.19%	66.09	Barrel

Table-07 Performance Comparison of Commodity Futures

In summary, July 2025 reflected a steady and optimistic phase for Bangladesh's capital market, with improved trading activity and encouraging regulatory progress. Investor sentiment showed signs of cautious optimism, supported by BSEC's continued efforts to enhance transparency and strengthen investor protection. These proactive measures demonstrate a strong commitment to long-term market stability. With ongoing reform implementation and focus on macroeconomic improvement, the market is well-positioned for sustained growth and resilience in the coming months.

Data Source: Dhaka Stock Exchange, LangkaBangla Financial Portal


Md. Mehdi Hasan Khan
CIA-Part 1 (Continuing)
Institute of Internal Auditors Bangladesh
Non-Certified Member

Md. Kamrul Hasan
CIA-Part 1 (Continuing)
Institute of Internal Auditors Bangladesh
Non-Certified Member

Reducing Budget Deficit Is Imperative For Sound Budget Management

Insights

Practically, in the budget preparation of government accounts, three methods are commonly used:

a) Balanced Budget, b) Deficit Budget and c) Surplus Budget. In details, when projected government spending for a given fiscal year equals anticipated government revenue, the budget is considered balanced. They held the opinion that government spending shouldn't come out of its earnings. This method is typically followed by economically sound countries such as Germany, South Korea, and Switzerland. The balanced budget is also referred to as a Zero-Based Budget. Zero-based budgeting (ZBB) is a method of budgeting in which all expenses must be justified for each new period. The process begins from a "zero base" and every function within an organization is analyzed for its needs and costs. In the United States, the Treasury Department employs this approach in certain areas.

On the other hand, a Surplus Budget occurs when government revenue exceeds expenditure. In reality, this is a rare occurrence. However, surplus budgets are occasionally observed in resource-rich countries such as Kuwait, Qatar, Oman, Denmark, Brunei and the UAE.

Practically, a budget deficit occurs when government expenses exceed revenue. Budget deficits affect the national debt, the sum of annual budget deficits, and the cumulative total a country owes to creditors. When a budget deficit is identified, current expenses exceed the income received through standard operations. A budget deficit can lead to higher levels of borrowing, higher interest payments, and low reinvestment, which will result in lower revenue during the following year.

Economist John Maynard Keynes strongly favored a deficit budget during the Great Depression of the 1930s in the USA. He argued that during he began advocating for government intervention to curb unemployment and correct economic recession. In addition to government jobs programs, he argued that increased government spending was necessary to decrease unemployment—even if it meant a budget deficit. Economist Sir John Hicks illustrated deficit budget in story telling manner "If there is one thing about kings…if there is one general thing about them which we seem to learn from the history books, it is that more often than not they were hard up. Of course, it is only since they began to use money that they have been their general condition. Through their lack of money they have been put to the most desperate straits, savage confiscations of the wealth of Jews and Templars, civil wars in England and revolutions in France; while at the other end of the world there is evidence that Chinese dynastic cycles have been due, in part at least, to the same cause.

Budget deficit and it's financing in Bangladesh, like in many other developing countries, are very important parameters for analyzing monetary effect as well as fiscal effect in the country's overall economic development. Many industrialized countries face similar long-term budgetary challenges like Bangladesh and have run persistently large budget deficits in recent decades. These large and persistent budget deficits have generated considerable concern. There is widespread perception that they reduce growth, and could lead to a crisis if they continue for long or become too large. Thus, it is important to examine the sources and effects of budget deficits.

Taking last thirty years total budget and deficit figures for Bangladesh from 1995 to 2024, it has been found a steady increase in both over time. The budget has grown from BDT 209.48 billion in 1995 to BDT 7,617.85 billion in 2024, reflecting economic expansion, inflation, and increased government spending. The deficit has also expanded significantly, from BDT 7.84 billion in 1995 to BDT 2,617.85 billion in 2024, indicating higher expenditure compared to revenue generation. This growing deficit suggests reliance on borrowing, and increased taxation to balance fiscal policies. It is also noticeable that, every five to eight years, the budget size more than doubled. In 1995, the figure was BDT 209.48 billion, which surged to BDT 423.06 billion in 2006. Similarly, in 2008, it rose to BDT 871.37 billion, doubling within six years. Again, in 2013, the figure accelerated to BDT 1,917.37 billion from BDT 871.37 billion in 2008. Finally, in 2024, it ascended to BDT 7,617.85 billion from BDT 1,917.37 billion in 2013, tripling in just 11 years.

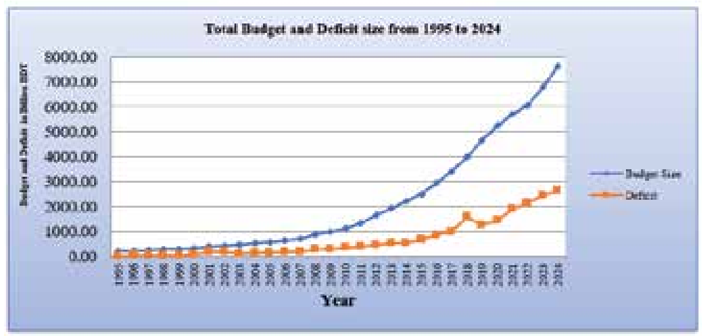

Figure-14 Total Budget and Deficit Size from 1995 to 2024

Source: 1) Ministry of Finance, 2) National Board of Revenue GoB

As a Least Developed Country (LDC), Bangladesh's budget has experienced a substantial deficit since the very beginning. The observed data (1995–2024) also reflects this pattern on a year-to-year basis. Between 1995 and 2000, the largest deficit occurred in 1998, amounting to BDT 59.77 billion. This trend continued, and in 2001, the deficit rose to BDT 186.61 billion, the highest amount between 2001 and 2005. Again, in 2018, the deficit soared to BDT 1,590.13 billion, surpassing all previous figures. Finally, in 2024, the deficit reached BDT 2,617.85 billion, marking a new peak.

Considering another way deficit percentage of total budget from 1995 to 2024 highlights significant fluctuations, reflecting varying fiscal challenges. The early years (1995–2000) show relatively lower deficits, except for 2001, which peaked at 48.44%, likely indicating a major financial imbalance. The period from 2002 to 2010 exhibits moderate but volatile deficits, averaging around 30%, suggesting ongoing budgetary constraints. The gradual decline observed from 2011 to 2019, with deficits stabilizing below 30%. On the other hand, post-2020, the deficit accelerated again, peaking at 36.14% in 2023 before slightly decreasing in 2024.

Bangladesh's budget has largely relied on a deficit due to rising operating expenditures, import dependency, infrastructure development, and corruption-induced administrative inefficiencies. Consequently, the deficit-to-total-budget ratio remains high, approaching above 30% annually. However, despite this significant budgetary gap, the deficit-to-GDP ratio remains within the standard threshold of 5%. The persistent deficit stems from increased government spending on development projects and subsidies, while revenue generation struggles to keep pace. Additionally, inefficiencies in public fund mismanagement further exacerbate the budgetary deficit pressure.

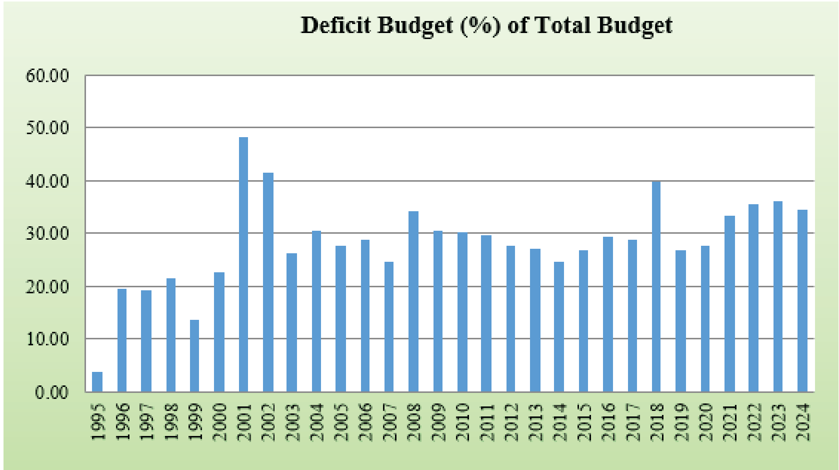

Figure-15 Deficit Budget (%) of Total Budget

Source: Ministry of Finance, Budget Documents

Roughly one-third of the total budget has been observed a deficit. To offset this shortfall, the government borrows from both domestic and foreign sources. As a result, Bangladesh's vicious cycle of national debt has been accelerating year after year. Ironically, it is claimed that our debt-to-GDP ratio remains within the standard level of five percent; however, there are concerns about the credibility of this figure due to possible exaggeration in GDP calculations (White Paper on Bangladesh Economy Report – 2024). In reality, the actual debt-to-GDP ratio is likely much higher than the reported level.

The uncontrolled deficit budget appears to reflect an open-ended system of budgetary management, which repeatedly leads to debt-laden budget implementation. Moreover, persistent deficits consistently pressure the National Board of Revenue (NBR) to set unrealistic revenue targets, often ignoring the prevailing realities of local and international trade volumes. Additionally, the recurring nature of deficit budgets fosters a corruption-prone public administration, adversely affecting public service delivery. In recent years, a substantial portion of the budget has been allocated solely for interest payments on debt, clearly indicating a growing reliance on both domestic and foreign borrowing.

Bangladesh should prudently shift towards a more balanced approach to budgetary management, incorporating zero-based budgeting to ensure maximum value from public funds. Furthermore, project selection, financing, and implementation must be administered with strong due diligence. Aside from operating expenses, capital expenditures under project financing should align with global cost competitiveness and incorporate appropriate technical expertise.

Finally, According to Roman Emperor Cicero (BC 106-43) rightly said- “The budget should be balance, the treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, assistance to foreign lands should be curtailed lest Roman become bankrupt, the mobs should be forced to work and not depend on government for subsistence”. In 1925, US President Calvin Coolidge said, “I favor the policy of economy, not because I wish to save money, but because I wish to save people. The men and women of this country who toil are the ones who bear the cost of the Government. Every dollar that we carelessly waste means that their life will be so much the more meager. Every dollar we prudently save means that their life will be so much the more abundant. Economy is idealism in its more practical form”. We believe our policy makers will act accordingly.

Disclaimer: The views expressed in the article of this document are those of the respective writers and do not necessarily reflect the views of any organization(s) they are

affiliated with.

Journal of Financial Markets and Governance

Call for Paper

About the Journal

Journal of Financial Markets and Governance focuses on facilitating the exchange of scholarly knowledge between academics, industry stakeholders and the regulators across the world in the fields of finance, accounting and governance studies.

The journal welcomes original research articles, reviews, and industry insights related to finance and investment, governance, financial institutions, money and capital markets, and the interlinks between financial markets and the economy at the country, regional, and world level.
JFMG is officially published and supported by the Bangladesh Institute of Capital Market – Bangladesh's only state-run specialized institute for offering academic degree programs, training and research in areas related to financial markets.

JFMG is an "Open Access" Journal published both online and printed versions.

No Application Charge

Submission Procedure

You can submit your article at https://jfmg.bicm.ac.bd/index.php/home/about/submissions
Or you can mail us at ea@jfmg.bicm.ac.bd

Write to us

Submit your write-up on financial market of Bangladesh. Selected write-ups will be reviewed for publication in the next or appropriate issue of FMR.

Send your short paper to us at **fmr@bicm.ac.bd**

Contact

Coordinator, Financial Market Review
Bangladesh Institute of Capital Market
34, Topkhana Road, Dhaka-1000
Phone : +88-02-9588506, 9588507, Ext: 212
Mail: fmr@bicm.ac.bd