

Deregulated imports boosting economy, pressuring reserves

FOREX-IMPORT EQUILIBRIUM

IMPORT TREND
(In billion US dollar)



Source: BB

Forex reserves not growing apace with rise in import of all goods: Central banker

Economic activities slowly rebounding. To make it sustainable, import relaxation has to continue, but with caution
- Dr M Masrur Reaz, Chairman of Policy Exchange Bangladesh

Recent export downturn from peaks slows reserves growth, statistics show

JUBAIR HASAN

Bangladesh sees a significant rise in import orders, with a leap in September, in what is seen as an early indication of the country's economic rebound after months of recession. However, officials and money-market experts sound alert as the deregulated export resurgence has a domino effect on the country's replenishing foreign-exchange reserves, especially as export receipt--one of the two pivots to forex stock--shows signs of some contraction of late. The increase in the number of LCs (letter of credits) being opened indicates that the pressure on the foreign-exchange reserves will be rising in the months ahead if the current momentum in the forex usage continues, they say. According to the statistics available with the Bangladesh Bank (BB), the opening of fresh

LCs, generally known as import orders, increased by over 13 per cent to US\$6.22 billion in September from the August count of \$5.38 billion. The value of import orders was \$6.03 billion in July and \$4.14 billion in June of this year, the central bank data showed. Seeking anonymity, a BB official has said the inflow of foreign currencies continues rising in recent months because of significant growth in both remittance and export earnings. This upturn bolsters the country's foreign-exchange reserves. Because of the steady rise in forex reserves, the central banker says, the banking regulator keeps allowing the commercial banks to open LCs for the import of all goods on demand. "It clearly indicates that the economic activities rebound slowly." The BB official notes that the inflow of foreign currencies through remittance and export is not increasing apace with the import growth in recent days. He sees the mismatch as a matter of concern. He reckons that the country had got monthly benefits of around \$1.0-billion surplus in favour

LCS OR IMPORT ORDERS

Aug '25 \$5.38b
Sep '25 \$6.22b 13% ↑

FOREX INFLOW IN SEP 2025



Exports fetch \$3.63b
Remittances \$2.69b

GROSS RESERVES ON OCT 9

\$31.94b by BB count
\$27.12b in IMF calculations



of forex inflows after deducting the monthly overseas liabilities in the form of imports. But the margin of surplus narrowed below \$100 million in September.

"If the trend continuous in coming days, it will put the country's forex reserves under pressure," the central banker alerts. In September, the receipts of foreign currencies were equivalent to \$6.31 billion on account of exports worth \$3.63 billion and remittance earnings of \$2.69 billion, against imports costing \$6.22 billion.

Explaining the apparent economic paradox, Dr M Masrur Reaz, Chairman of Policy Exchange Bangladesh, says the central bank, as part of its economic rebounding move, allowed all kinds of imports for the last several months

after lifting the import compression by riding a record inflow of forex.

As a matter of fact, he notes, the economic activities have slowly been rebounding. To make it sustainable, the country needs to continue the relaxation in imports in the coming days, too.

"But the worry part is the falling trend in exports. We need to analyse factors seriously why the earnings from exports took a dip in the last two months and act accordingly," the international trade expert told The Financial Express.

In fact, the country requires a close watch to ensure that the import growth is well manageable with the growth in remittance and export, according to the economist.

jubairfe1980@gmail.com

Customs suspects at least 12 garment exporters misused bond facility

- ▶ 12 exporters failed to account for bonded fabric
- ▶ Officials suspect bonded fabric sold in local market
- ▶ Estimated revenue loss of at least Tk28cr

▶ BTMA source says bond misuse rose 65% in last eight months



Illegal sales estimated at \$4.5b, causing strain on local mills

TAX - BANGLADESH

REYAD HOSSAIN

Officials say audits ongoing, more irregularities likely to surface

Amid rising concerns over bond facility misuse, customs officials suspect 12 garment exporters of selling bonded fabrics in the local market after failing to account for duty-free imports under the scheme.

The Customs Intelligence and Investigation Directorate (CIID) has identified nine such garment exporters, while Customs Bond Commissionerate, Dhaka North, has flagged three others.

Officials from both agencies under the National Board of Revenue (NBR) said audits of other exporters are ongoing and more irregularities are expected to surface.

To promote exports, the government allows duty-free import of raw materials such as yarn and fabrics under the bond facility. These materials must be stored in designated warehouses and used only for producing export goods. Selling bonded fabrics locally requires taxes ranging from 45% to 89%.

Most export-oriented

being sold locally, making competition difficult for domestic mills.

He added that although the domestic apparel market is worth about \$12 billion, local mills sell only \$7.5 billion worth of yarn and fabrics annually. "The remaining \$4.5 billion worth of materials are sold illegally, which is one of the main rea-

of failing to show raw materials worth Tk1.07 crore in its warehouse, also denied the charge. "Garments made from that fabric were shipped long ago, and we have already submitted all paperwork to the customs authority," he said.

Weak action against bond misuse
Textile mill owners argue that despite

What the accused say
Among the accused, West Apparels has been charged with misusing bond facilities worth Tk8.32 crore. The company allegedly sold 23,738kg of raw materials from an imported total of 27,480kg locally, causing the government to lose over Tk8.32 crore.

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factories operate under bond licences, granting them duty-free import privileges.

However, local textile mill owners have long accused some bond-holding factories of diverting imported fabrics to the domestic market, undermining fair competition. A director of the Bangladesh Textile Mills Association (BTMA), speaking on condition of anonymity, told TBS that fabric imports through bond misuse have risen by 65% in the past eight months.

Factories under scrutiny

Discrepancies in the nine factories flagged by CIID were uncovered through factory raids and cutting inspections conducted between mid-2024 and mid-2025. Legal action has already begun, officials said.

The list of the nine exporters has been sent to the NBR, a copy of which was obtained by TBS.

The nine factories under CIID investigation are Narayanganj-based B Brothers Garments, West Apparels, Pacific Sweaters, Abanti Colour Tex, RT Fashions, Piangka Fashion, Anam Garments in Ashulia, Knit Bazar in Tongi, and Anannaya Socks and Inners Industries in Tejgaon. RT Fashions and Abanti Colour Tex were found to have committed irregularities twice before.

An NBR official, requesting anonymity, confirmed the findings. "The concerned bond commissionerate offices have been instructed to take legal measures against the accused firms," the official said.

He added, "During field inspections and cutting supervision, we found discrepancies between the ex-

pected quantity of raw materials in warehouses and the actual stock or export records. In some cases, export evidence was completely missing."

The official further said they suspect duty-free fabrics were sold on the open market, causing estimated revenue losses of around Tk28 crore.

Cutting inspection means that Customs Bond officials visit the factory to physically inspect the fabrics and related materials before the factory starts cutting them for production.

Meanwhile, regarding the three factories identified by the Dhaka North commissionerate, Mia Md Abu Obaida, commissioner of the Customs Bond Commissionerate, told TBS, "Recently, during our raids, we discovered misuse of bonded facilities in three garment factories. Our operations to prevent such violations are ongoing."

What the accused say

Among the accused, West Apparels has been charged with misusing bond facilities worth Tk8.32 crore. The company allegedly sold 23,738kg of raw materials from an imported total of 27,480kg locally, causing the government to lose over Tk8.32 crore.

Moshiur Rahman Biplob, CEO of West Apparels, denied the allegation.

He said, "During the 2024 uprising, our production was inspected by the Customs Intelligence Office. The revenue officer could not visit the factory due to the situation. Despite that, we completed production and shipped the goods to the buyer by air, submitting all necessary documents as proof. The matter is now under hearing, and we hope to be cleared of the allegations."

Jashim Uddin, managing director of Anam Garments Limited, accused

of failing to show raw materials worth Tk1.07 crore in its warehouse, also denied the charge. "Garments made from that fabric were shipped long ago, and we have already submitted all paperwork to the customs authority," he said.

Weak action against bond misuse

Textile mill owners argue that despite repeated appeals to the NBR, little has been done to curb misuse of bonded imports. They said they had informed the NBR chairman and other senior officials multiple times, but effective measures remained absent, leaving them frustrated.

Khorshed Alam, chairman of Little Star Spinning Mills, said that indifference from customs authorities and a 32% wastage allowance for knitwear exporters had led to large volumes of illegally imported yarn and fabrics

being sold locally, making it difficult for domestic

He added that although domestic apparel market is worth about \$12 billion, local production is only about \$7.5 billion annually. "The remaining 4.5 billion worth of materials are imported, which is one of the reasons local mills struggle to compete," he said.

NBR officials, however, say that operations to curb bond misuse are ongoing. A senior official from Dhaka South Bond Commissionerate said, "We are conducting regular audits and have not halted our act-

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NBR officials, however, maintained that operations to curb violations are ongoing. A senior official from the Dhaka South Bond Commissionerate said, "We are conducting audits and have not halted our activities."

Earlier on 28 August, NBR Chairman Abdur Rahman Khan warned that any company found selling bonded goods in the open market will have its bond licence immediately revoked.