

S&P affirms sovereign ratings for Bangladesh; outlook firm

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Standard and Poor's (S&P) has affirmed its 'BB-' long-term and 'B' short-term sovereign credit ratings for Bangladesh, as the country makes sound economic growth in face of heightened external pressure.

The outlook remains stable. Bangladesh has an elevated current account deficit and declining foreign exchange reserves, said the rating agency. "Nevertheless, Bangladesh's economic growth trajectory remains sound, and we expect external conditions to gradually stabilise over the next 12 months," it said.

The ratings reflect Bangladesh's modest per capita income and limited fiscal flexibility owing to a combination of diminished revenue-generation capacity and elevated interest burden. Evolving administrative and institutional settings represent additional rating constraints.

S&P said it weighs these factors against consistent economic growth and an external position supported by substantive engagement with bilateral and multilateral development partners, large remittances from overseas workers, and a globally competitive garment sector. These factors should help to stabilise Bangladesh's broader external conditions over time, assuming a normalisation in domestic demand and global inflation dynamics.

Bangladesh's economy accelerated in fiscal 2022 (year ended June 30), and underlying momentum remains sound. The normalisation of the global economy continues to drive a strong pick-up in Bangladesh's garment sector, contributing to a 12.3 per cent expansion in manufacturing activity in fiscal 2022.

The sector's recovery has also underpinned a durable recovery in the condition of Bangladesh's labor market, supporting robust domestic demand conditions.