

CareEdge Global reaffirms Rating of 'CareEdge CCC+' (Unsolicited) to the People's Republic of Bangladesh

Reaffirms Long-Term Foreign Currency Rating of 'CareEdge CCC+' (Unsolicited)

Issuer rating

CareEdge CCC+ (Unsolicited)

Rating Action

CareEdge Global has reaffirmed its Long-Term Foreign Currency Rating of 'CareEdge CCC+' (Unsolicited) for the People's Republic of Bangladesh.

Rationale

The reaffirmation reflects elevated credit risks stemming from sustained external pressures, weak debt affordability, fragile financial sector health and continuing political uncertainty.

Bangladesh's credit profile is constrained by persistent weaknesses across its external, institutional, and monetary profiles. The country's external position remains fragile, primarily due to a weak trade balance, low investment attractiveness, and insufficient foreign exchange reserves. Although external reserves have stabilised in recent months around USD 30 billion, external liquidity remains inadequate to provide a comfortable buffer against external shocks. The country's monetary framework remains under strain, as evidenced by persistently elevated inflation levels and limited capacity to manage currency pressures effectively. Although inflation has shown signs of tapering (8.3% in August 2025), downside risks persist given Bangladesh's heavy import dependence on essential commodities, particularly fuel and raw materials, which exposes the economy to volatility in global prices.

Moreover, Bangladesh's banking sector continues to grapple with structural inefficiencies, reflected in rising non-performing loan (NPL) ratios, which undermine financial stability and credit growth. On the institutional front, ongoing political uncertainty hampers effective policy formulation and implementation, further constraining the country's creditworthiness.

Notwithstanding these pressures, the country remains engaged with the IMF through the Extended Credit Facility (ECF), Extended Fund Facility (EFF), and Resilience and Sustainability Facility (RSF) arrangements. These programmes have been instrumental in maintaining policy discipline, facilitating fiscal consolidation, monetary tightening, and structural reforms. The embedded conditionalities have promoted prudent macroeconomic management, improved transparency, and strengthened governance, thereby aiding external stability and reserve rebuilding. However, the durability of credit buffers will depend on the timely implementation of structural reforms aimed at strengthening reserve adequacy, restoring macroeconomic stability, and improving fiscal resilience.

Bangladesh's credit profile also benefits from its preeminent role in global ready-made garment (RMG) exports and sustained access to concessional external financing. However, its heavy reliance on a narrow product base and markets (primarily the European Union) exposes the economy to significant vulnerabilities. These risks could intensify with Bangladesh's impending graduation from Least Developed Country (LDC) status in November 2026, which could entail the loss of preferential trade benefits that have underpinned its export competitiveness thus far.

Downside Scenario

The rating may face downward pressure if political instability persists without the formation of a stable elected government, compounded by high gross financing needs that could lead to a liquidity crunch or missed payments, and a prolonged deterioration in the external position.

Upside Scenario

The rating may be upgraded if a stable, democratically elected government is formed, accompanied by broad-based economic growth and employment gains, which leads to improved investor confidence. Additionally, a significant increase in foreign exchange reserves and improved FDI attractiveness can be a positive development for the country's credit profile. Further, meaningful progress in banking sector reforms that enhance overall financial stability would also support the rating upgrade.

Key Rating Drivers

Economic Structure & Resilience

Bangladesh's economy, with a size of USD 451 billion (2024), has historically demonstrated resilience, reflected by its average real GDP growth of 6.3% in the past 10 years, supported by robust growth in the RMG sector and strong remittance inflows. However, macroeconomic stability has deteriorated markedly in recent years, with real GDP growth expected to slow down to 3.8% in FY25 and further downside risks on the horizon. The near-term growth outlook remains clouded due to muted private sector investment along with capital and labour productivity constraints; that remain challenged amid ongoing political uncertainty.

The impending graduation from Least Developed Country (LDC) status in 2026 poses structural challenges. The country's heavy dependence on preferential trade access, especially in the EU, makes it vulnerable to an erosion of competitiveness unless new bilateral or regional trade agreements are secured.

Although demographic trends remain favourable, unlocking the full potential of the workforce will require substantial improvements in education and labour productivity. Furthermore, Bangladesh remains acutely exposed to climate-related risks, including floods, cyclones and rising sea levels. These events continue to inflict recurrent economic and humanitarian losses, straining already limited fiscal resources.

Fiscal Strength

Bangladesh's fiscal space is significantly constrained by its chronically low revenue-to-GDP ratio (8.3% in 2024), one of the weakest among its regional peers. Debt affordability has deteriorated over the years, with interest payments consuming nearly a third of government revenue (27.7% in 2024 vs 25% in 2023), driven in part by the cost of high-yielding National Savings Certificates (NSCs).

Gross government debt remains moderate at 41% of GDP in 2024. Additionally, while a significant portion of Bangladesh's government debt is external, it is largely owed to multilateral creditors, such as the World Bank and the Asian Development Bank (ADB), and bilateral creditors, who offer concessional terms that ease the debt burden. However, underlying vulnerabilities persist due to contingent liabilities from state-owned financial institutions.

The IMF's Extended Credit Facility/Extended Fund Facility (ECF/EFF) arrangements, alongside the Resilience and Sustainability Facility (RSF), commits Bangladesh to implementing incremental tax policy and administrative reforms. The FY2025-26 budget announced in June 2025 reflects the authorities' intent for fiscal prudence and aversion towards monetary financing of deficits. Moreover, the government has concentrated on tax reforms including streamlining various tax rates and exemptions, enhancing compliance, separating tax policy from administration, and adoption of a policy framework to progressively reduce tax expenditures. However, progress has been sluggish amid political distractions and institutional capacity limitations. Furthermore, the continuity and implementation of these reforms remain monitorable owing to the interim nature of the current government.

External Position & Linkages

Bangladesh's external position remains a critical weakness in the credit profile. Gross international reserves remained low at USD 26.2 billion in 2024, covering nearly four months of imports.

In June 2025, the IMF authorised the disbursement of USD 1.3 billion to Bangladesh under its ECF, EFF, and RSF arrangements. Simultaneously, the Bangladesh authorities remain engaged with other multilateral and bilateral partners to mobilise additional external support.

External debt remains moderate (23% of GDP in 2024), and is largely concessional, held by multilateral and bilateral partners. This composition provides some insulation from global refinancing risks. However, Bangladesh's deteriorating net international investment position (NIIP: -19.8% of GDP in 2024) and low FDI net inflows underscore the fragile nature of external buffers.

Monetary & Financial Stability

Inflation, although on a downward trajectory, remains higher than the Bangladesh Bank's target. The central bank has maintained its policy rate at 10% since October 2024, under IMF guidance and is expected to remain at that level in H1FY26.

The health of the banking sector continues to weaken. Non-performing loans exceeded 20% of total loans as of March 2025, with high levels of forbearance and weak risk management—particularly in state-owned banks. Low capital buffers, poor governance and political interference in lending decisions undermine financial stability and fiscal credibility.

Ongoing IMF-mandated reforms seek to enhance regulatory oversight and reduce loan classification arbitrage. While various reforms in the banking sector are underway, implementation will remain uneven in the absence of stronger institutional independence.

Institutions & Quality of Governance

Institutional quality remains weak. Bangladesh ranks poorly across the Worldwide Governance Indicators, reflecting endemic issues of corruption, weak rule of law and poor administration and governance. These constraints hinder reform execution and limit investor confidence.

The political landscape remains unstable. Following widespread protests in early 2024, Prime Minister Sheikh Hasina resigned in August 2024, paving the way for an interim government led by economist Muhammad Yunus. While the interim administration has brought short-term calm, the outlook will be shaped by the aftermath of National Assembly Elections announced for February 2026.

Uncertainty over political succession, governance direction and civil-military relations may weigh heavily on reform momentum and macroeconomic recovery.

Bangladesh – Select Indicators									
	Unit	2019	2020	2021	2022	2023	2024	2025 F	2026 F
Economic Indicators									
Nominal GDP	USD Billion	351	374	416	460	452	451	467	513
GDP Per Capita (Constant-PPP)	USD	6,917	7,084	7,486	7,929	8,300	8,563	8,797	9,281
Real GDP Growth	%	7.9	3.4	6.9	7.1	5.8	4.2	3.8	5.4
GFCF/GDP	%	32.2	31.3	31.0	32.0	31.0	30.7	-	-
Gross Domestic Savings/GDP	%	26.9	27.1	25.3	25.2	25.8	24.0	-	-
Exports (G&S)/GDP	%	12.8	10.3	11.8	13.1	13.0	12.0	-	-
Working-Age (15-64) Population (% Share in Total)	%	64.9	64.9	65.0	65.1	65.3	65.5	-	-
Old-Age (65+) Population (% Share in Total)	%	5.7	5.8	6.0	6.1	6.3	6.5	-	-
Fiscal Indicators – General Government									
Fiscal Balance/GDP	%	-5.4	-4.8	-3.6	-4.1	-4.5	-3.8	-4.1	-4.3
Revenue/GDP	%	8.1	8.5	9.4	8.9	8.2	8.3	8.8	9.8
Expenditure/GDP	%	13.6	13.3	12.9	13.0	12.7	12.1	13.0	14.0
GG Gross Debt/GDP	%	32.0	34.5	35.6	37.9	39.7	41.0	40.7	41.8
GG External Debt (by Creditor)/GG Gross Debt	%	37.3	37.8	37.6	34.9	37.9	39.3	-	-
Interest/Revenue	%	19.5	21.7	21.3	19.8	25.0	27.7	-	-
External Indicators									
Current Account Balance/GDP	%	-1.3	-1.5	-1.1	-4.0	-2.6	-1.4	-1.0	-0.7
FDI, Net Inflows/GDP	%	0.7	0.3	0.3	0.4	0.4	0.4	-	-
Outstanding FII Liabilities/GDP	%	1.0	1.0	0.9	0.6	0.5	0.4	-	-
NIIP/GDP	%	-13.8	-11.8	-14.5	-16.9	-18.9	-19.8	-	-
Foreign Exchange Reserves	USD Billions	32.7	43.2	46.2	33.7	27.1	26.2	-	-
Import Cover	Months	6.1	9.1	6.5	4.3	4.4	4.2	-	-
External Debt/GDP	%	17.9	19.4	21.8	20.9	22.2	23.0	-	-
Monetary and Financial Indicators									
CPI Inflation	%	5.5	5.6	5.6	6.2	9.0	9.7	9.9	6.2
Exchange Rate (Average)	LC per USD	84.5	84.9	85.1	91.7	106.3	115.6	-	-
Non-Performing Loans/Total Gross Loans	%	9.3	7.7	7.9	8.2	9.0	20.2	-	-
Private debt, loans and debt securities/GDP	%	38.4	38.4	38.3	38.2	36.9	-	-	-

Sources: International Monetary Fund, World Bank, Bank for International Settlements, National Sources, CareEdge Global

Note: F – Forecast; PPP – Purchasing Power Parity; GFCF – Gross Fixed Capital Formation; Exports (G&S) – Exports of Goods and Services; GG – General Government; FDI – Foreign Direct Investment; FII – Foreign Institutional Investment; NIIP – Net International Investment Position; Data refers to fiscal/calendar year and actual/estimate as reported by the source; Where general government data is unavailable, central government data is used; Latest available data for 2024

Solicitation Status

The rating is unsolicited

Rating History

Instrument	Type	Rating	Date
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge CCC+	September 25, 2025
Issuer Rating	Long-Term Foreign Currency (Unsolicited)	CareEdge CCC+	October 03, 2024

Criteria Applied

[CareEdge Sovereign Rating Methodology](#)

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