

Exchange Rate & Foreign Exchange Market Dynamics



Bangladesh Bank
(The Central Bank of Bangladesh)

Monetary Policy Department
Exchange Rate Analysis Wing

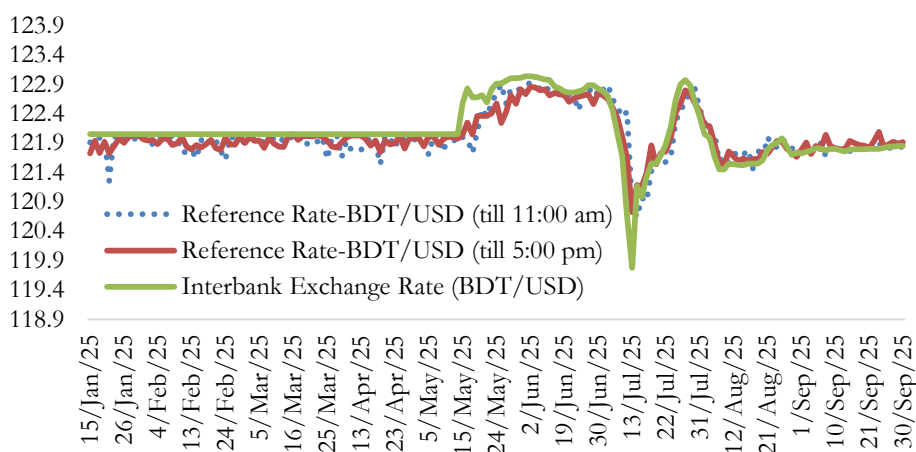
SEPTEMBER 2025

MONTHLY UPDATE

Developments in Exchange Rates

- The exchange rate of Taka (BDT) remained stable and its fluctuation diminished to a low level in September 2025. Although an improvement in the foreign exchange market liquidity ensued from favorable developments in the balance of payment (BoP) exerted some appreciation pressure, Bangladesh Bank (BB)'s interventions with net purchase effectively stabilized the exchange rate and increased foreign exchange reserve.
- A steady inflow of foreign currencies against sluggish import demand triggered BB to purchase foreign currency through auction according to its intervention strategy. BB purchased a total of USD 929 million from the foreign exchange market in September 2025, which offset the appreciation pressure on exchange rate in the period under review. Furthermore, the purchase led to a mild depreciation in the latter part of September 2025, which pulled interbank exchange rate to 121.80 BDT/USD at the end of September from 121.69 BDT/USD at the end of August 2025.

Chart 1: Trends in Exchange Rates



Source: Bangladesh Bank

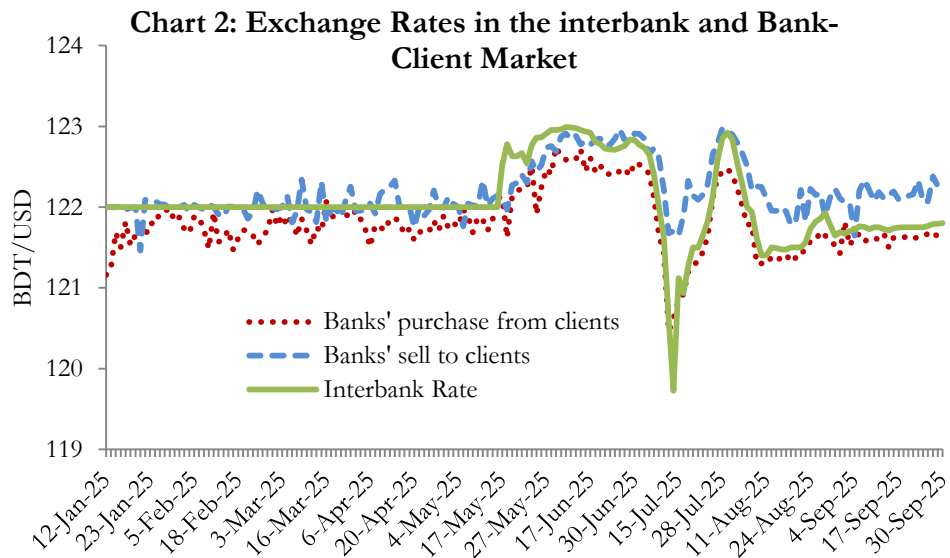
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- The Foreign Exchange Market Spot Reference Exchange Rate (RR)¹ also remained stable in September 2025 and followed a trajectory similar to the interbank exchange rate with some fluctuations (Chart 1).
- The fluctuation in the reference exchange rate originated mainly from the exchange rate for selling foreign currencies by banks to their clients (Chart 2), while exchange rate in the interbank and for banks' purchase from clients witnessed low variability in September 2025.



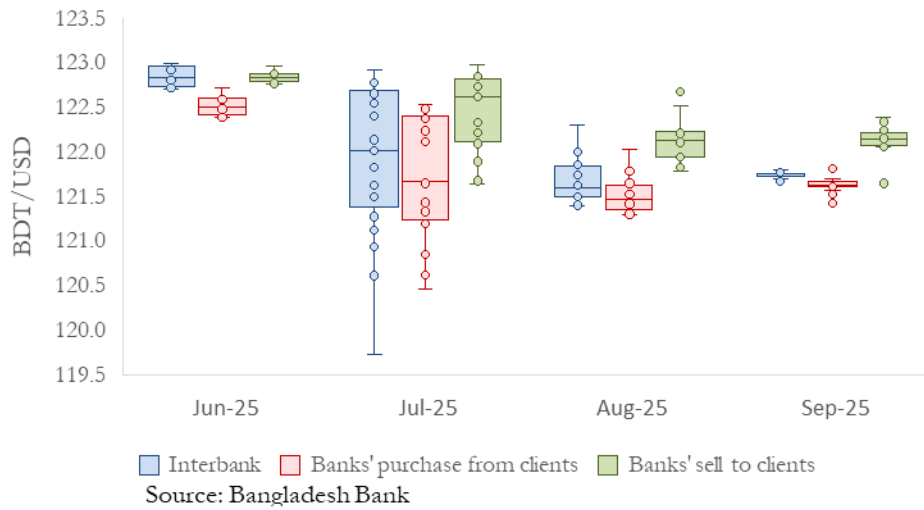
Source: Bangladesh Bank

- The box plot² presented in Chart 3 reveals that variability in the exchange rates continued declining since July 2025 and had been remarkably low in September 2025. Notably, interbank exchange rate moved within a narrow range in this period.

¹The Foreign Exchange Market Spot Reference Exchange Rate (RR) is defined as a weighted average of freely quoted spot exchange rates in the interbank market and buy-sell of foreign currencies between bank clients and authorized dealer (AD) banks. Bangladesh Bank publishes RR twice in a business day: in the morning using transactions before 11:00 am and in the afternoon using transactions until 5:00 pm.

² A box and whisker plot is a graphical summary of data showing its minimum, first quartile, median, third quartile, and maximum helping to visualize the distribution and spread of values.

Chart 3: Distribution of Exchange Rates in Various Markets



Spread of Exchange Rates

- An improvement in foreign currency liquidity led to narrow exchange rate spreads, defined as daily maximum minus minimum rate, both in the interbank market and transactions between banks and clients on average in September 2025 compared to the previous month. However, daily average exchange rate spread in the interbank market, which is systematically always low, contracted sharply to a low of 0.05 BDT/USD in September 2025, while the spread was notable higher at 1.61 BDT/USD on average for selling of foreign currencies by Banks' sell to clients (Chart 4).

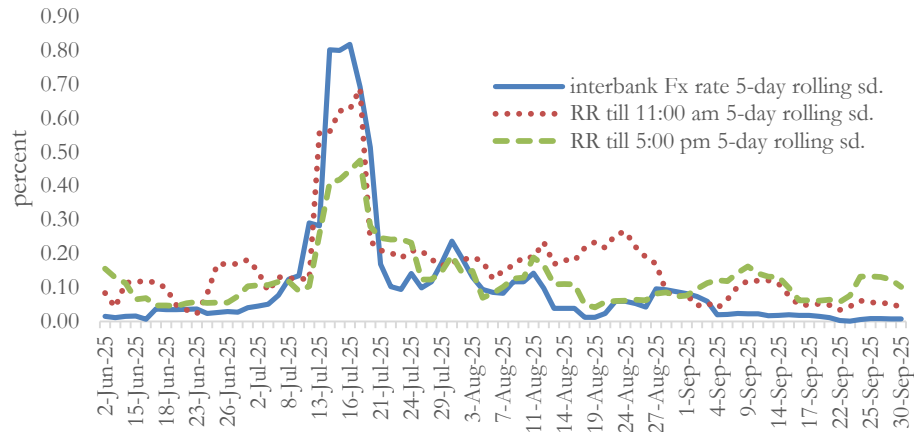
Chart 4: Daily Average Spread of Exchange Rates
(Spread= day max. - day min.)



Source: Bangladesh Bank

Variability of Exchange Rates

Chart 5: Variability in Reference Exchange Rates



Source: Bangladesh Bank

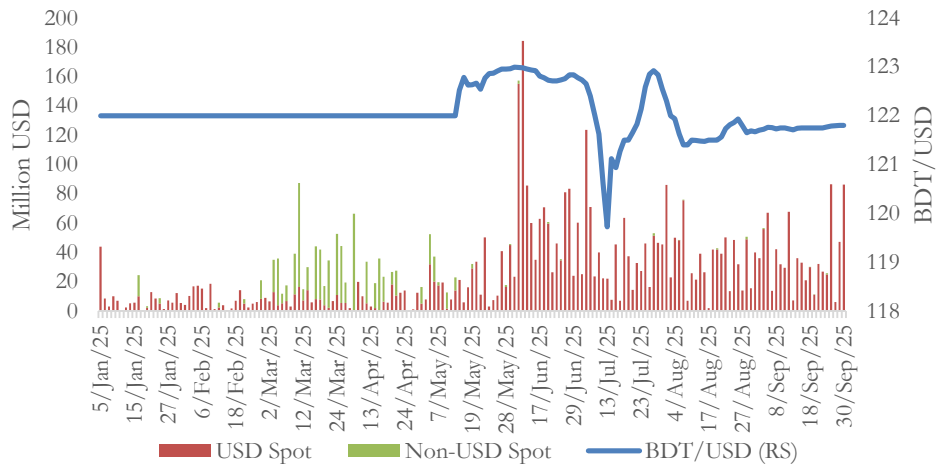
- The variability³ of interbank exchange rate maintained a downward trend and came down to as low as 0.01 percent at the end of September 2025 (Chart 5). However, the variability of the reference exchange rate based on transactions till 5:00 pm edged slightly up with some fluctuation, mainly because of variation in the exchange rates for Bank-client foreign exchange transactions.

Transaction Volume in the Interbank Foreign Exchange Market

- Interbank foreign exchange transactions in Bangladesh are comprised mainly of spot and swap transactions between authorized dealer (AD) banks, while forward transactions are generally infrequent and tiny in size.
- The daily average interbank spot and swap transaction edged up in September 2025 with some fluctuations, particularly in the latter part of the month. Average daily spot transactions increased to USD 37.86 million in September 2025, which was USD 33.23 million in August 2025. Following the same trend, the share of spot transactions in the interbank market rose to 31.10 percent in September 2025 which was 30.22 percent in August 2025.
- Spot transactions were highly concentrated in USD (Chart 6).

³ Variability of exchange rate is defined as 5-day rolling standard deviation of daily return.

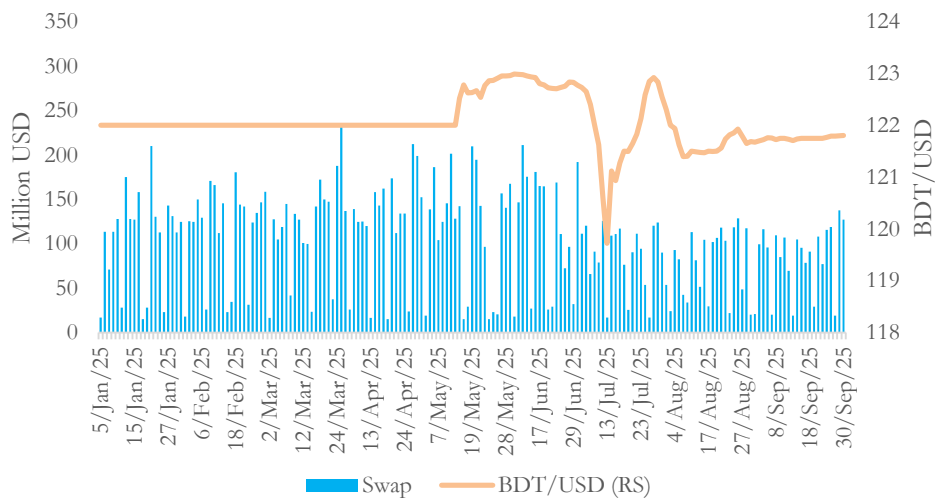
Chart 6: Interbank Spot Transaction



Source: Bangladesh Bank

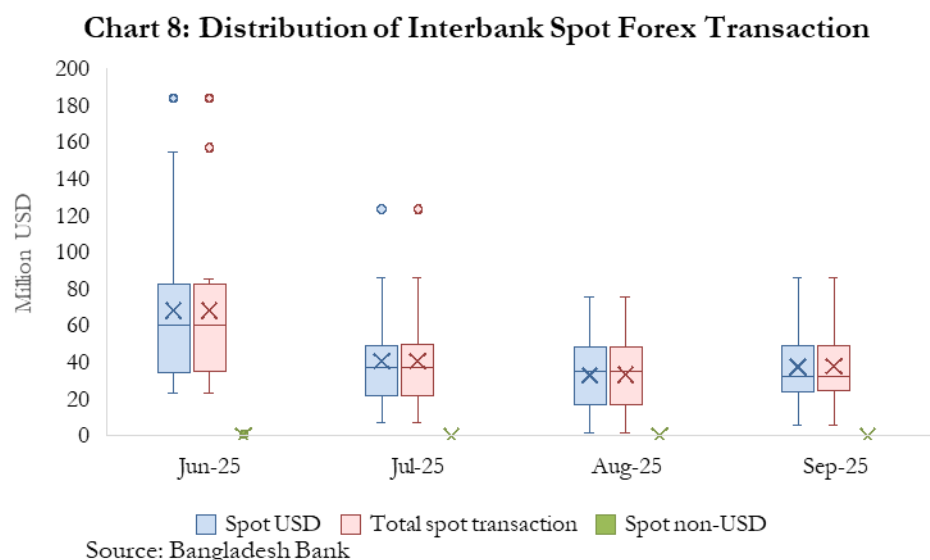
- Swap transaction dominates total interbank foreign exchange transactions. The average daily swap transaction boosted to 83.86 million USD in September compared to 77.04 million in August 2025. However, the share of swap transactions decreased to 68.90 percent in September 2025 in comparison with 69.78 percent in August 2025.

Chart 7: Interbank Foreign Exchange Swap Transaction



Source: Bangladesh Bank

Distribution of Spot Foreign Exchange Transactions

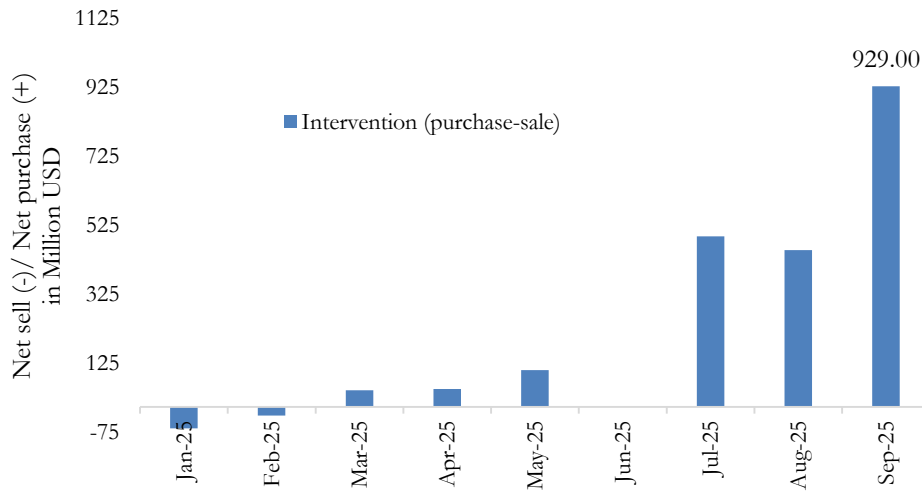


- Despite diminishing variability in exchange rates, a rise in liquidity in the foreign exchange market led to a rise in interbank spot foreign exchange transaction volume on average in September 2025 with some fluctuation in daily transactions.
- The volume of daily spot USD transactions in September 2025 ranged from USD 6.1 million to USD 86.60 million and transactions were highly concentrated in USD.
- The distribution of daily spot USD transactions for September 2025, presented in Chart 8, had been skewed to the right.
- Following its previous trend, the volume of non-USD spot transactions remained insignificant in this month. Non-USD spot transaction, mainly in Euro-BDT, took place only in four business days in the month which amounted to 1.5 million equivalents USD.

Buy and Sell in the Foreign Exchange Market

- Improved balance of payments conditions, underpinned by strong foreign exchange inflows and weak import demand, have led to an appreciation tendency in the exchange rate since June 2025. Observed increases in foreign exchange liquidity and appreciation pressure on the exchange rate triggered BB to intervene with purchase through auction process to make the exchange rate stable. BB purchased a total of USD 929 million from the foreign exchange market in September 2025..

Chart 9: BB's Buy and Sell in the FX Spot Market

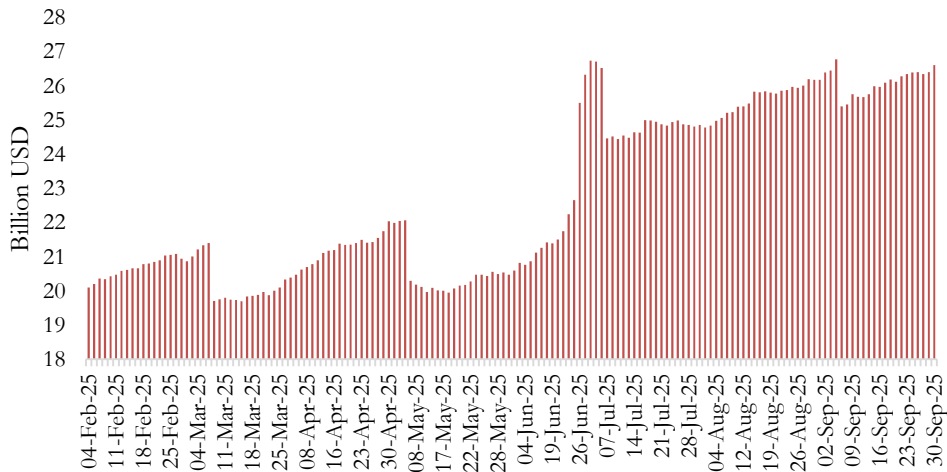


Source: Bangladesh Bank

Foreign Exchange Reserve

- Gross international reserve (BPM 6) reached to a recent high of 26.55 billion USD at the end of September 2025 from 26.17 billion USD at the end of August 2025. This increase was due mainly to BB's intervention in the foreign exchange market with purchase and commercial bank's deposit to BB for payments of Asian Clearing Union (ACU) liabilities.

Chart 10: Gross Forex Reserve (BPM 6)

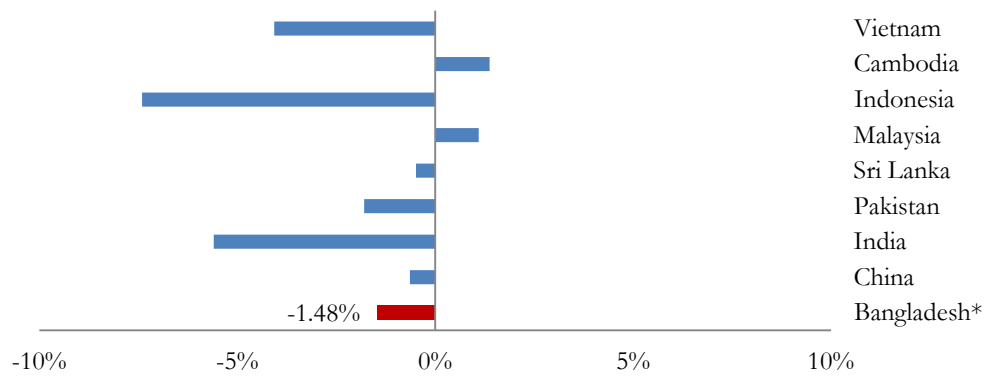


Source: Bangladesh Bank

Depreciation of Exchange Rate

- To offset the underlying appreciation pressure on exchange rate emerged from steady inflow of foreign exchange against weak import demand, BB purchased a total of USD 929 million from the foreign exchange market in September 2025. This purchase led to a mild depreciation in the latter part of September 2025, which pulled interbank exchange rate to 121.80 BDT/USD at the end of September from 121.69 BDT/USD at the end of August 2025. However, BDT witnessed 1.48 percent appreciation vis-à-vis USD in September 2025 on year-on-year basis (Chart 11).

Chart 11: Appreciation (+)/Depreciation(-) of Currencies vis-à-vis USD September 2025 September 2024 (in %)

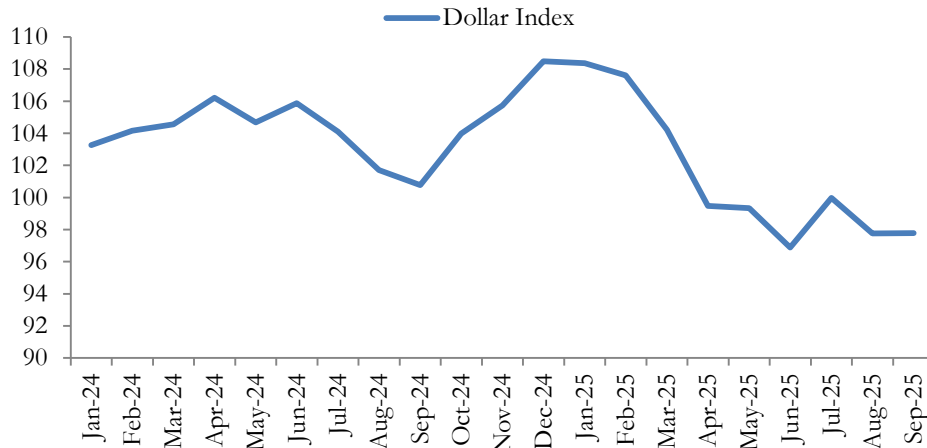


*30 September 2025 over 30 September 2024

Source: Bangladesh Bank and IFS, IMF, Central Bank of Respective

- After showing some appreciation in July 2025, USD continued depreciating against major currencies. Consequently, dollar index decreased to 97.78 at the end of September 2025 from 99.97 in July 2025 (Chart 12).

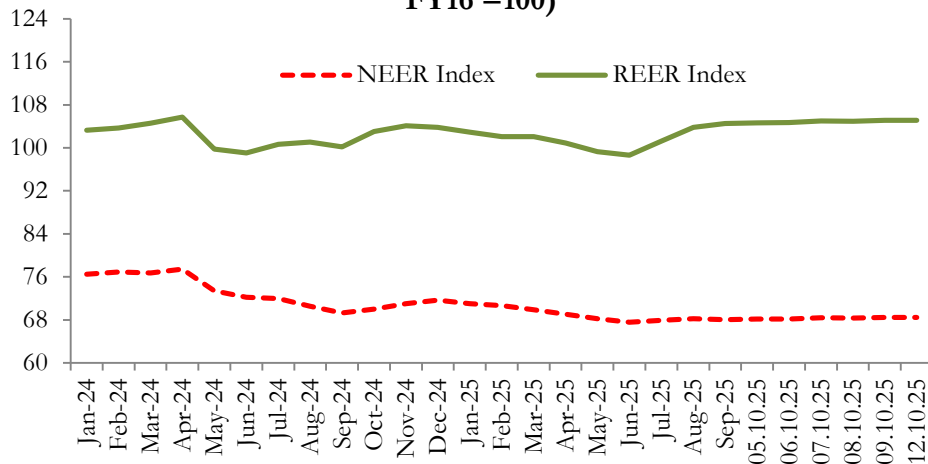
Chart 12: Dollar Index



Source: <https://www.marketwatch.com>

- The value of the nominal effective exchange rate (NEER) index moved to 68.05 at the end of September 2025 with a mild depreciation from 68.08 at the end of August 2025, while it registered 1.41 percent depreciation at the end of September 2025 on year-on-year basis. Despite the appreciation of BDT vis-à-vis USD, appreciation of Bangladesh’s major trade partners’ currencies against USD contributed to the NEER depreciation.

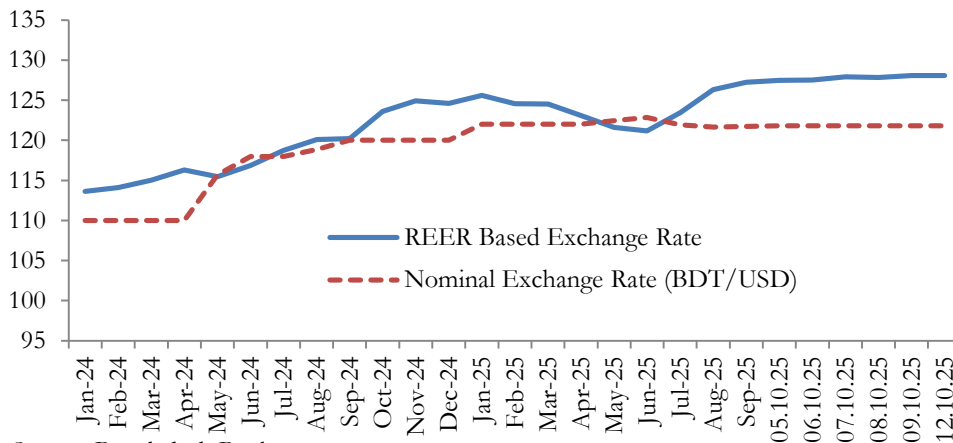
Chart 13: Movement of NEER & REER Index (Base: FY16 =100)



Source: Bangladesh Bank

- Notwithstanding a mild depreciation of NEER, the real effective exchange rate (REER) witnessed a substantial appreciation⁴ due to a considerable rise in consumer price index of Bangladesh. The value of REER index ascended to 104.53 at the end of September 2025 from 99.76 at the end of September 2024.

Chart 14: Nominal vs. REER based Exchange Rate



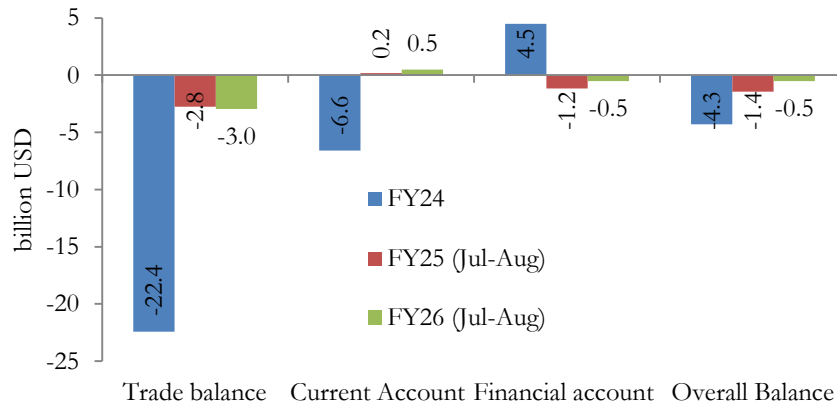
Source: Bangladesh Bank

⁴ An upward movement of the indices reflects appreciation and downward movement reflects depreciation.

- As the value of the REER index was larger than 100, the REER-based exchange rate, which provides a sense of equilibrium exchange rate, moved above the nominal exchange rate – reflecting a room for nominal depreciation of BDT (Chart 14).

Economic Fundamentals

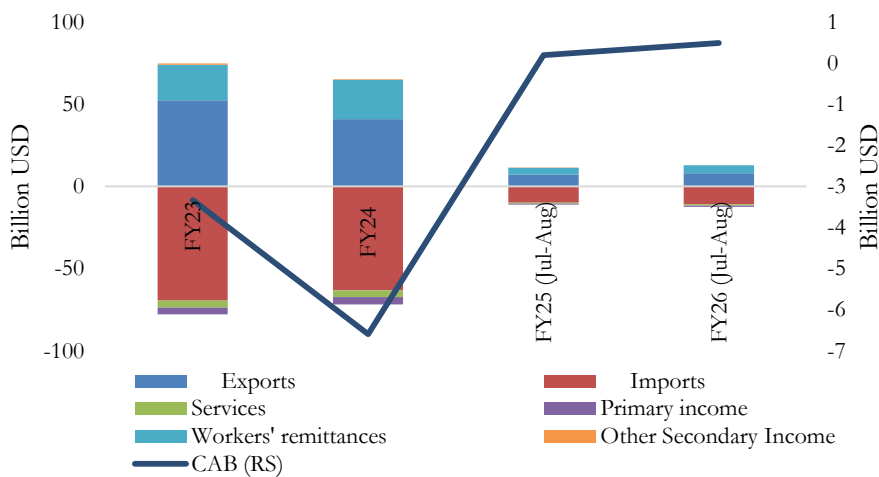
Chart 15: Balance of Payment



Source: Bangladesh Bank

- The pressure in the foreign exchange market eased substantially in FY25 on the back of surplus in the BoP, driven by robust remittance inflows, solid export performance, and subdued import growth. Driven by a surplus in the current account and diminishing deficit in the financial account, the BoP witnessed a tiny overall deficit of USD 53 million in July-August of FY26 – an improvement over USD 1.43 billion deficit in the same period of FY25.

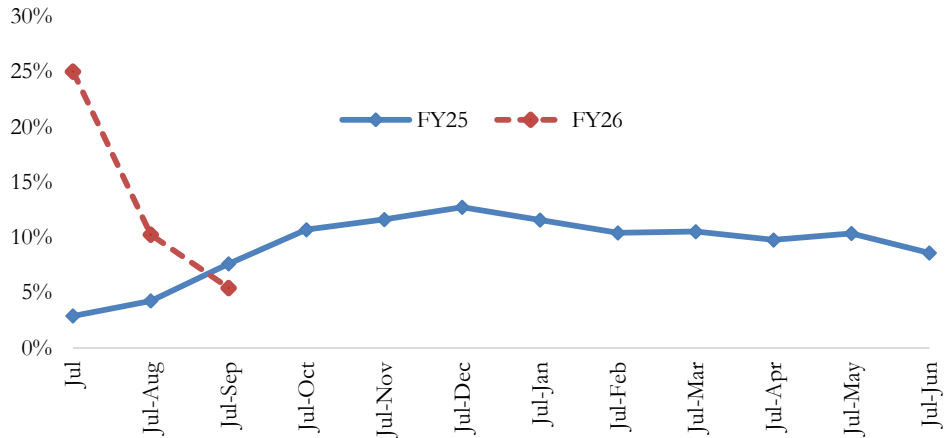
Chart 16: Current Account Balance



Source: Bangladesh Bank

- The surplus in the current account improved to USD 483 million in July-August of FY26 from USD 191 million in the same period of the previous fiscal year, driven mainly by influx of remittances and strong export growth (Chart 15).

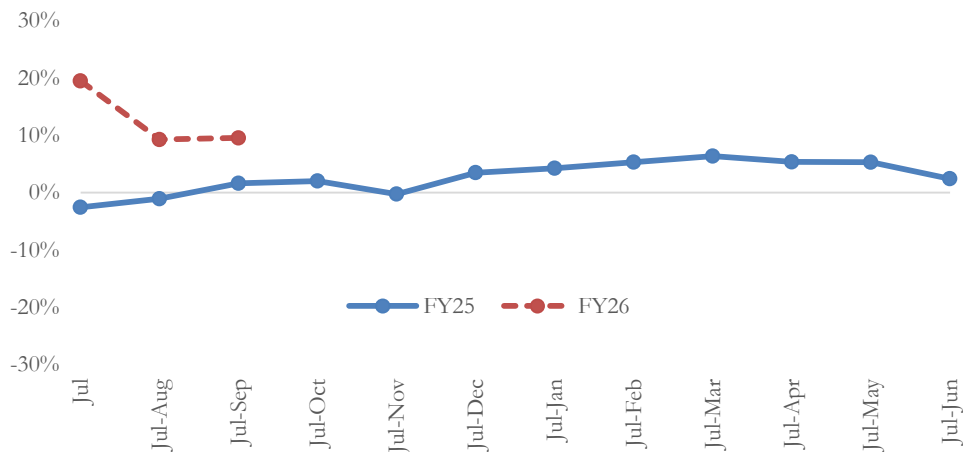
Chart 17: Cumulative Export Growth



Source: Bangladesh Bank

- Export grew by 5.4 percent (y-o-y) to USD 12.29 billion in the first-three months of FY26 (July – September 2025), supported partly by stable exchange rate.
- Notably, export was mostly concentrated in ready-made garments (RMG).

Chart 18: Cumulative Import Growth

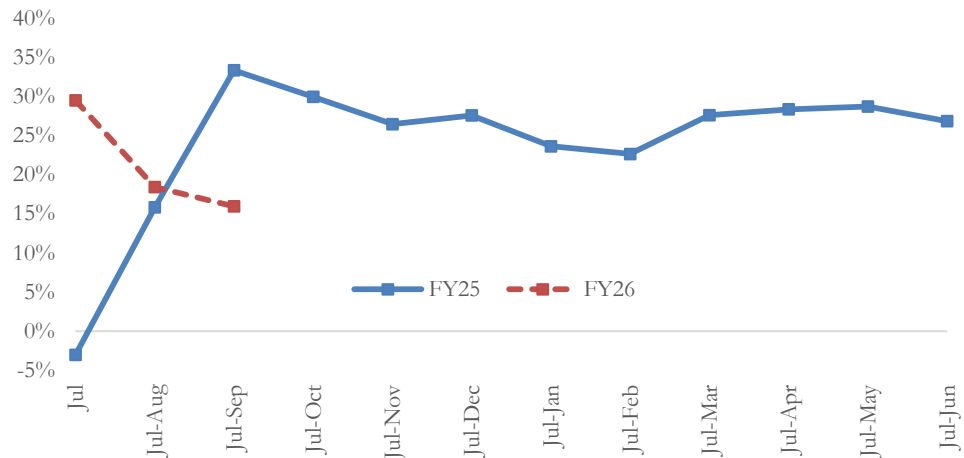


Source: Bangladesh Bank

- Import increased by 9.5 percent in July – September of FY26.

- The growth of import was driven mainly by import of RMG related raw materials and consumer goods.

Chart 19: Cumulative Remittance Growth



Source: Bangladesh Bank

- A steady surge led remittance inflow through official channel to USD 7.59 billion with 16.0 percent growth in July-September of FY26, supported by competitive exchange rate, government's cash incentive, accessible agent banking and mobile financial services (MFS), and steps to restrain money laundering.