

# Exchange Rate & Foreign Exchange Market Dynamics

JULY 2025

## MONTHLY UPDATE



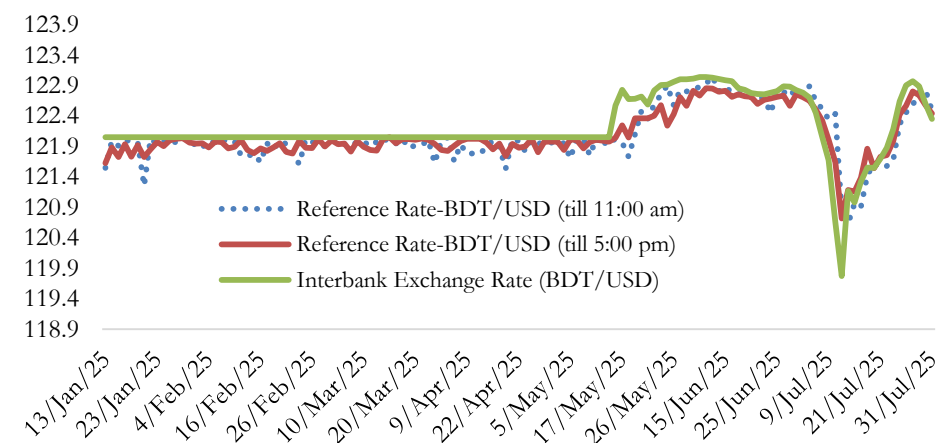
**Bangladesh Bank**  
(The Central Bank of Bangladesh)

**Monetary Policy Department**  
Exchange Rate Analysis Wing

### Developments in Exchange Rates

- A favorable development in the balance of payment (BoP) in tandem with ongoing balanced policy-mix of tight monetary and fiscal policies helped restore stability in the foreign exchange market. Following the same line, exchange rates remained broadly stable with some fluctuation in July 2025.
- After a persistent depreciation pressure since late 2022, the interbank exchange rate of BDT vis-à-vis USD witnessed some appreciation in the first-half of July 2025, resulted mainly from improved liquidity situation in the foreign exchange market. The exchange rate moved notably from 122.77 BDT/USD at the end of June 2025 to 119.73 BDT/USD on 13<sup>th</sup> July 2025. However, afterwards, exchange rate started depreciating and returned to 122.30 BDT/USD at the end of July 2025, mainly because of intervention in the foreign exchange market with purchase by Bangladesh Bank (BB).

**Chart 1: Trends in Exchange Rates**



Source: Bangladesh Bank

**Editor:** Dr. Md. Ezazul Islam, Executive Director, Bangladesh Bank.

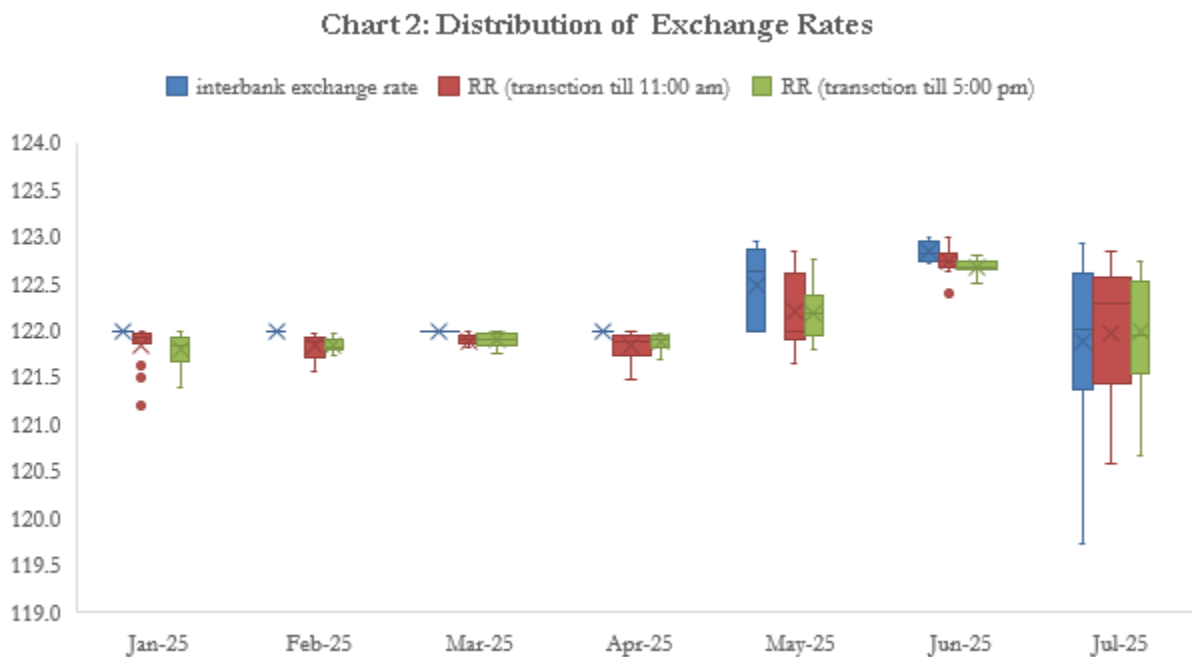
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- The Foreign Exchange Market Spot Reference Exchange Rate (RR), defined as a weighted average of freely quoted spot exchange rates in market transactions with customers and other dealers, also followed a similar trend as the interbank exchange rate. The RR is published twice in a business day: in the morning using transactions before 11:00 am and in the afternoon using transactions until 5:00 pm. The RR, operation till 11.00 AM and 5.00 PM, also showed some appreciation on mid July and then gradually returned to their pre appreciation level at the end of July 2025.

## Distribution of Exchange Rates



Source: Bangladesh Bank

- Distributions<sup>1</sup> of daily reference exchange rates (RR) and weighted average interbank exchange rate for July 2025, presented in Chart 2, had been skewed to the left, reflecting appreciation pressure on BDT on an average in this month. In addition, a larger width of the box and whisker plot reflects a wider variability of exchange rates in July 2025. In July 2025, the dispersion of exchange rate was relatively higher in the interbank market, while the reference exchange rate based on transaction till 5:00 pm moved within a smaller range than the interbank exchange rate.

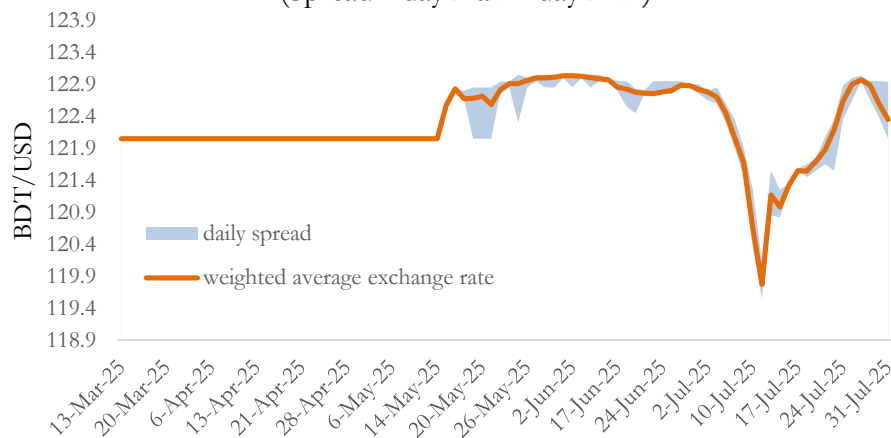
<sup>1</sup> A box and whisker plot is a graphical summary of data showing its minimum, first quartile, median, third quartile, and maximum helping to visualize the distribution and spread of values

- The fluctuation of reference exchange rate based on transactions till 11:00 am was relatively high compared to reference rate based on transaction till 5:00 pm, as it is calculated from a smaller number of transactions.

### Spread of Exchange Rate

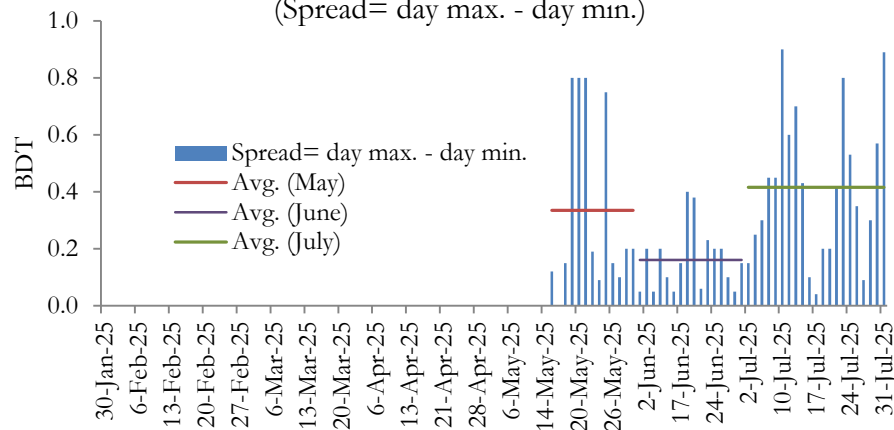
- Despite an overall improvement in liquidity in the foreign exchange market, the spread of interbank exchange rate, defined as daily highest minus lowest rate, widened in July 2025 on average compared to previous months, suggesting foreign exchange liquidity mismatch in some distressed banks. However, the spread showed considerable volatility within the month (Chart 3a and 3b). The daily spread in the interbank foreign exchange market edged up to BDT 0.9 per USD on 10 July 2025. Subsequently, the spread narrowed considerably and was hovering much below its month average of BDT 0.42 per USD in the mid-July 2025 and then turned up above the month average.

**Chart 3a: Daily Spread of Interbank Exchange Rate**  
(Spread= day max. - day min.)



Source: Bangladesh Bank

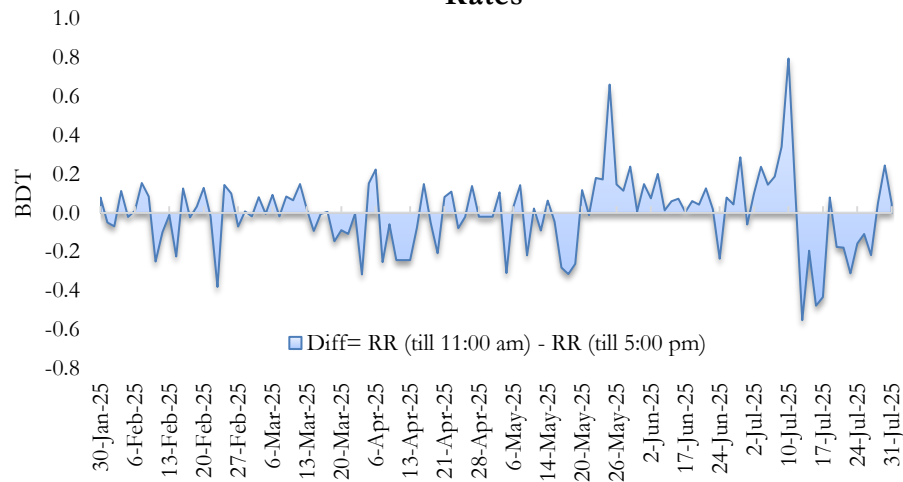
**Chart 3b: Daily Spread of Interbank Exchange Rate**  
(Spread= day max. - day min.)



Source: Bangladesh Bank

- The reference exchange rate, which takes interbank and bank-client level foreign exchange transaction into account, represents an overall picture of nominal exchange rates of an economy. Despite moving in the same direction, a narrow gap between reference exchange rates in the morning (based on transaction till 11:00 am) and in the afternoon (based on transactions till 5:00 pm) existed in the period under review. Although the gap showed no specific pattern, the reference exchange rate in the morning had been higher than that in the afternoon in most of the early days in July 2025, while an opposite scenario is observed in the latter part of the month (Chart 4).

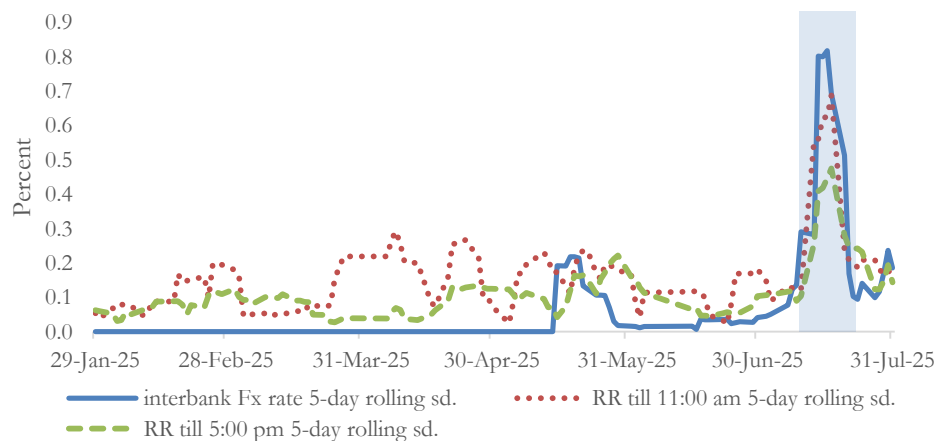
**Chart 4: Divergence between Reference Exchange Rates**



Source: Bangladesh Bank

## Variability of Exchange Rates

**Chart 5: Variability in Reference Exchange Rates**



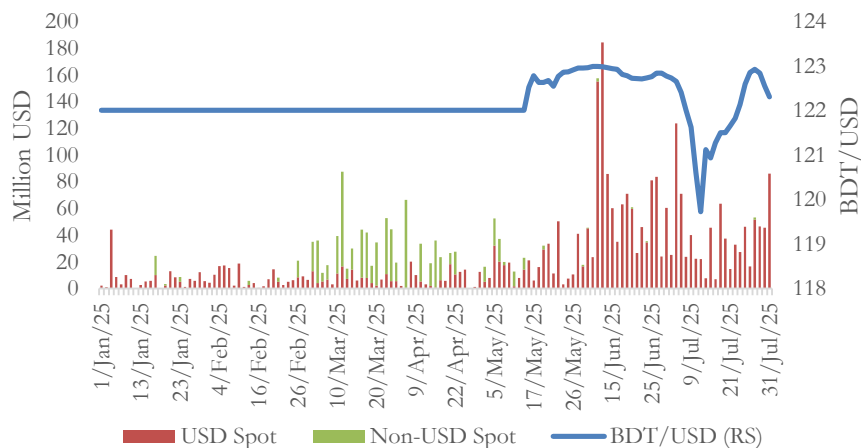
Source: Bangladesh Bank

- The variability of exchange rates, defined as 5-day rolling standard deviation of daily exchange rate returns, was relatively higher in July 2025 with a spike to 0.8 percent in the middle of the month. The surge in exchange rate volatility was due mainly to a significant appreciation of exchange rates and reactive interventions in the foreign exchange market with purchase.
- The variability of exchange rates was more pronounced in the interbank market, while the variability in the reference exchange rate based on transaction till 5:00 pm was relatively low.

## 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.
- Despite a considerable fluctuation, the daily average volume of spot and swap transactions in the interbank foreign market declined in July 2025. In July 2025, daily average spot transaction decreased to USD 40.75 million, which was USD 68.31 million in June 2025. In addition, the share of spot transactions also declined to 32.14 percent in July 2025 from 37.7 percent June 2025.
  - Spot transactions were highly concentrated in USD (Chart 6).

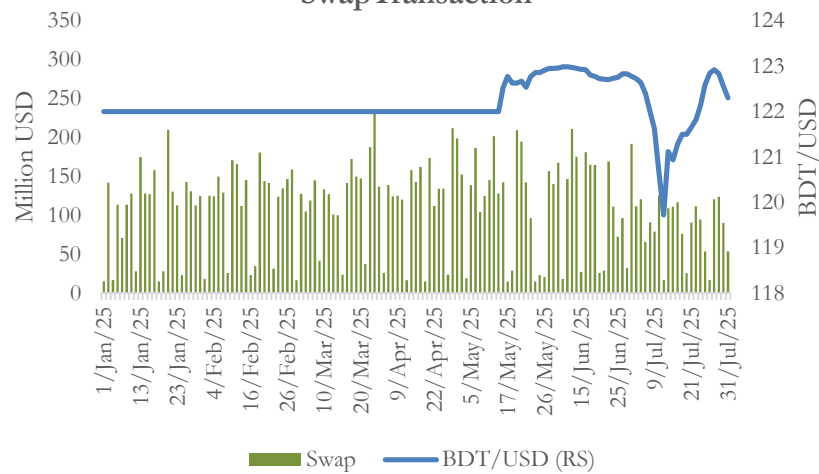
Chart 6: Interbank Spot Transaction



Source: Bangladesh Bank

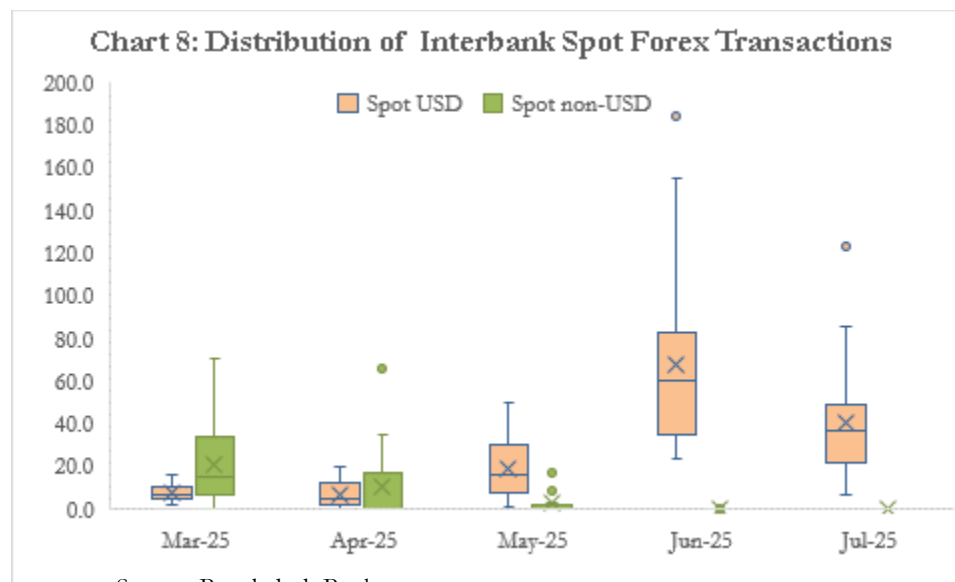
- Swap transaction dominates the volume of total transactions in the interbank market. The average daily swap transaction declined to 86.94 million in July 2025 compared to USD 113.5 million in June 2025. However, the share of swap transactions increased to 67.79 percent in July 2025 from 62.3 percent in June 2025.

**Chart 7: Interbank Foreign Exchange Swap Transaction**



Source: Bangladesh Bank

## Distribution of Spot Foreign Exchange Transaction



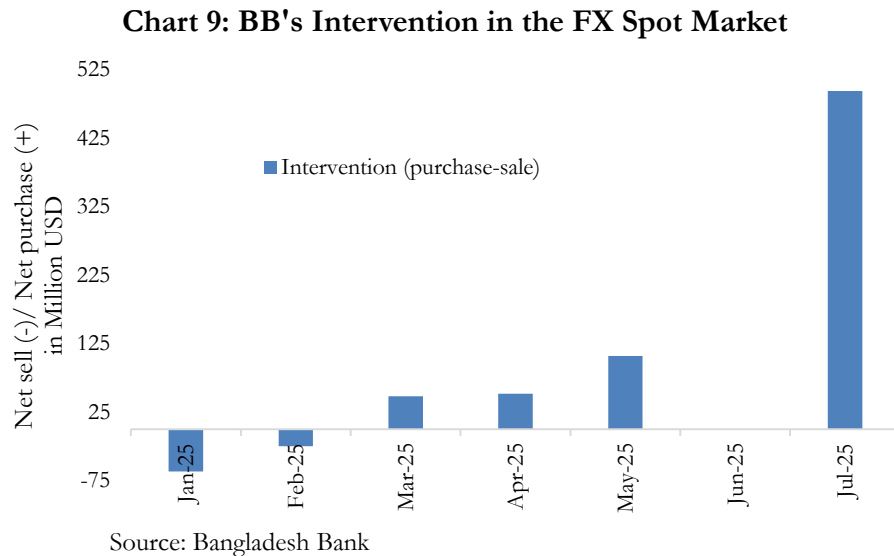
Source: Bangladesh Bank

- The volume of interbank spot USD transaction maintained an upward trend during March – to June 2025 but it showed a downward trend in July 2025.
- The volume of daily spot USD transactions in July 2025 ranged from USD 7.0 million to USD 123.6 million and transactions were highly concentrated in USD.
- Distribution of daily spot USD transaction for July 2025, presented in Chart 8, had been skewed to the right with an outlier, reflecting presence of some large transactions.
- The volume of non-USD spot transaction decreased significantly in recent period. In July 2025, ADs engaged in non-USD spot transaction in only one business day only for Euro 1.5 million. It is noteworthy that the volume of non-USD spot transactions, dominated by Euro,

rose significantly in March -April 2025 partly because of inflexibility in BDT-USD exchange rate.

### Intervention in the Foreign Exchange Market

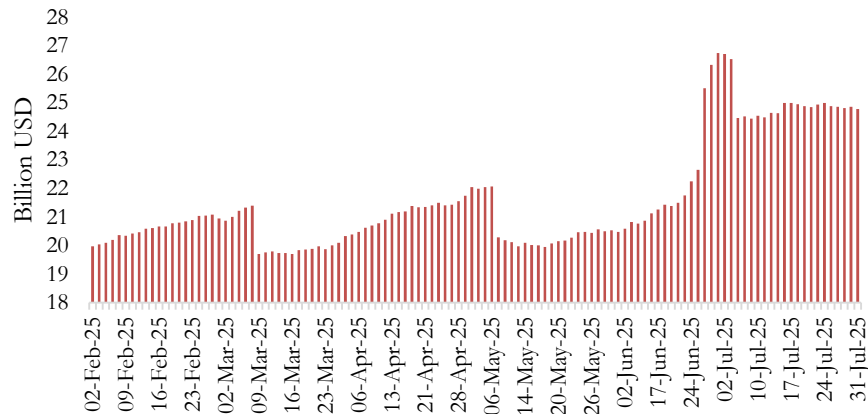
- The exchange rate of BDT witnessed a notable appreciation pressure in July 2025, emerged from a large inflow of foreign exchange and slowdown of import demand. This appreciation of BDT prompted BB to purchase USD from the interbank to stabilize the foreign exchange market and support export competitiveness. BB purchased a total of USD 494 million in July 2025, where BB introduced an auction process following its intervention strategy. According to the intervention strategy, BB will intervene in the foreign exchange market if the reference exchange rate exceeds the upper or lower bound of the crawling peg monitoring bands.



### Foreign Exchange Reserve

- Although gross international reserve (BPM 6) increased sharply to 26.74 billion on 30<sup>th</sup> June with support of disbursement of foreign loans, mainly from the IMF, World Bank, and ADB, it receded to USD 24.78 billion at the end of July 2025 on account of routine payment for Asian Clearing Union (ACU) dues.

**Chart 10: Gross Foreign Exchange Reserve  
(BPM 6)**

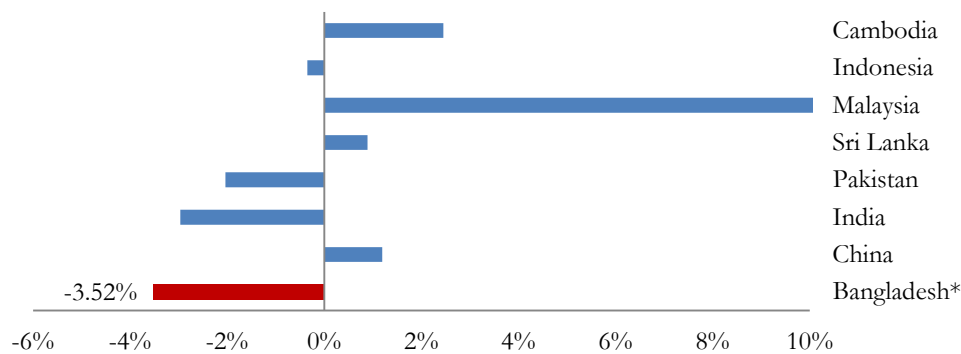


Source: Bangladesh Bank

## Depreciation of Exchange Rate

- The improvement in the BoP helped to reduce the pressure on exchange rate. The nominal exchange rate of BDT vis-a-vis USD moved with a marginal appreciation to 122.30 at the end of July 2025 from 122.77 at the end of June 2025. However, BDT witnessed 3.52 percent depreciation vis-à-vis USD in 31<sup>st</sup> July 2025 over 31<sup>st</sup> July 2024(Chart 11).

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

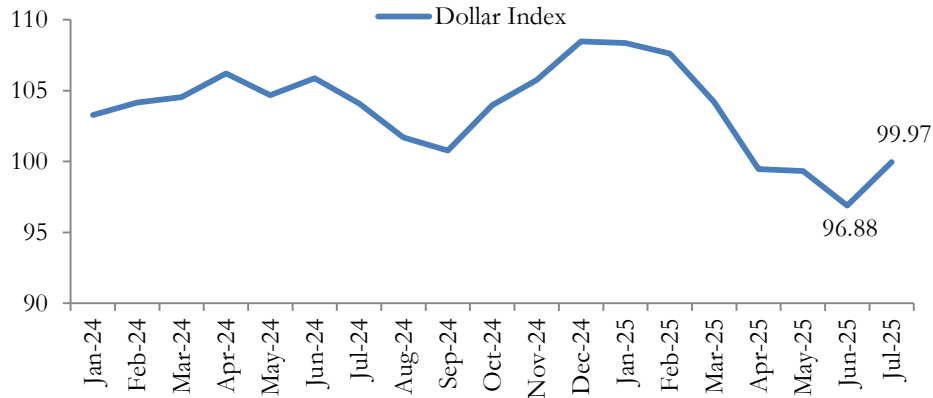


\*31 July 2025 over 31 July 2024

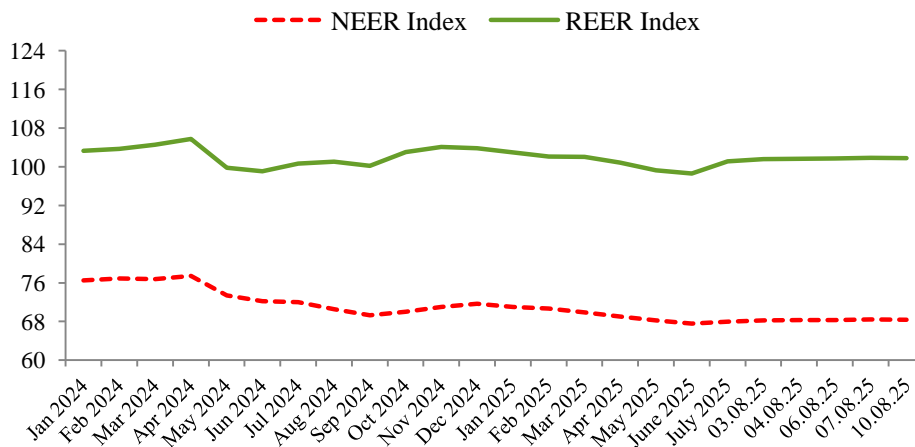
Source: Bangladesh Bank and IFS, IMF, Central Bank of Respective Countries

- After facing a depreciation pressure since the beginning of 2025, USD appreciated against major currencies in July 2025. Consequently, dollar index increased to 99.97 at the end of July 2025 from 96.88 in June 2025(Chart 12).



**Chart 12: Dollar Index**

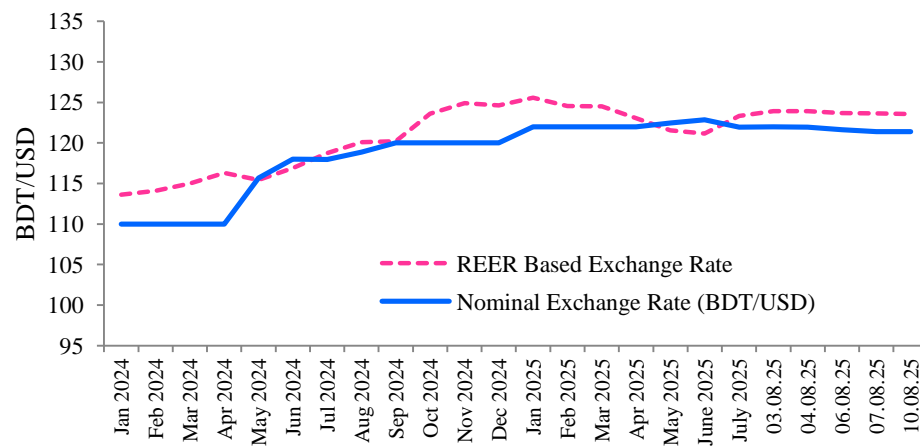
- The value of the nominal effective exchange rate (NEER) index rose to 68.15 at the end of July 2025 from 67.02 at the end of June 2025. Both the appreciation of BDT vis-à-vis USD and appreciation of USD against Bangladesh's major trade partners' currencies contributed to the NEER appreciation.

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

Source: Bangladesh Bank

- Favored by the nominal appreciation and deterioration in the relative price level, the real effective exchange rate (REER) also appreciated<sup>2</sup> in this period. The value of REER index ascended to 101.14 at the end of July 2025 from 98.62 in June 2025.

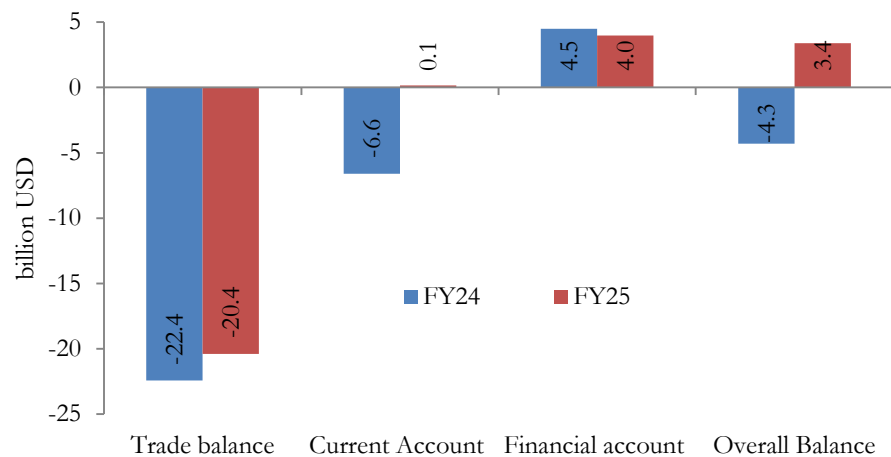
<sup>2</sup> An upward movement of the indices reflects appreciation and downward movement reflects depreciation.

**Chart 14: Nominal vs. REER based Exchange Rate**

Source: Bangladesh Bank

- As the value of the REER index was larger than 100, the REER-based exchange rate<sup>3</sup>, which provides a sense of equilibrium exchange rate, moved above the nominal exchange rate (Chart 14).

## Economic Fundamentals

**Chart 15: Balance of Payment**

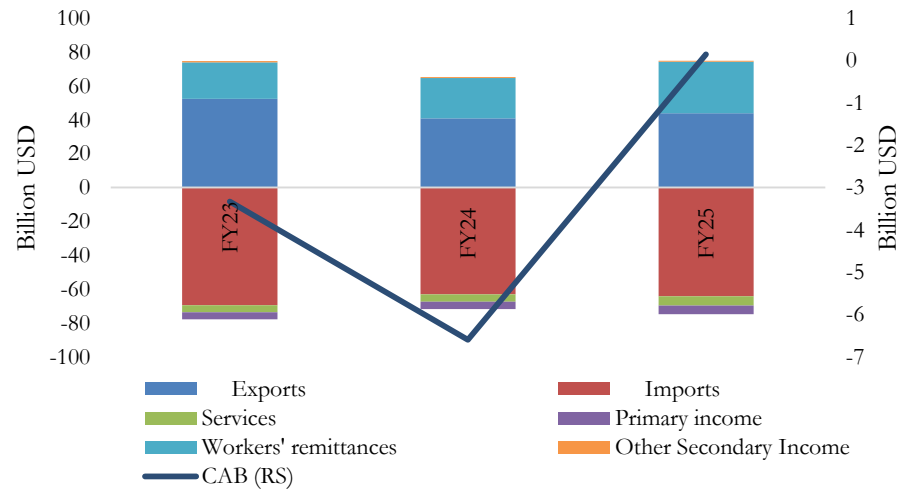
Source: Bangladesh Bank

- The pressure in the foreign exchange market continued easing on the back of favorable developments in the balance of payment (BoP).

<sup>3</sup> Nominal exchange rate and REER-based exchange rate are defined as BDT/USD. Hence, a rise in the exchange rate indicates depreciation and a fall indicates appreciation.

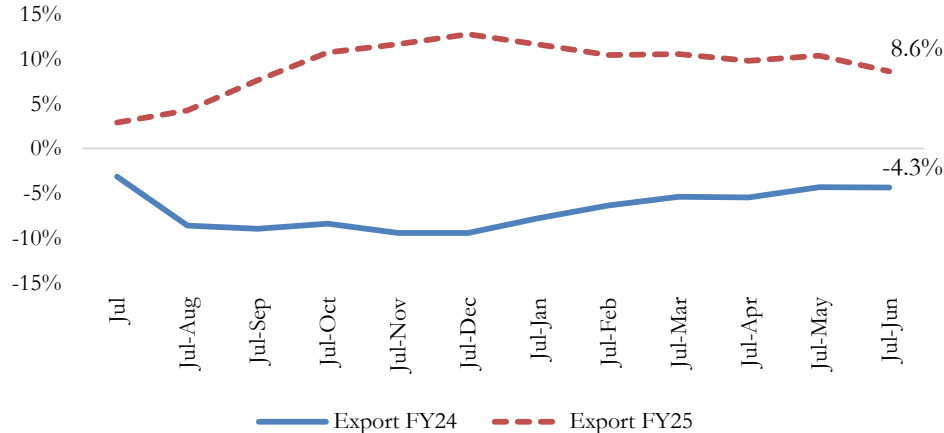
- Surplus in the overall BoP registered to USD 3.4 billion during FY25 with significant improvement in the current account balance driven by surge in remittance inflows, strong export growth, and weak import demand (Chart 15).

**Chart 16: Current Account Balance**



Source: Bangladesh Bank

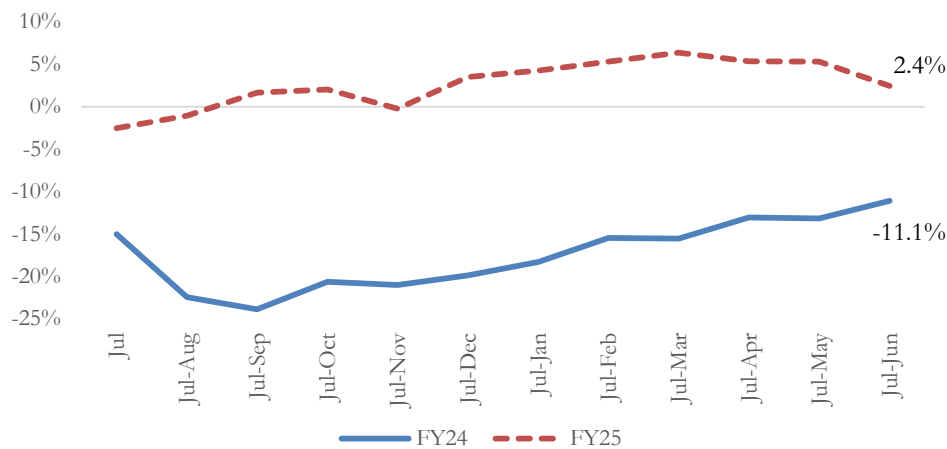
**Chart 17: Cumulative Export Growth**



Source: National Board of Revenue and Bangladesh Bank

- Export grew substantially by 8.6 percent (y-o-y) to USD 48.3 billion in FY25 supported partly by depreciation of exchange rate.
- Notably, export was mostly concentrated in ready-made garments (RMG).

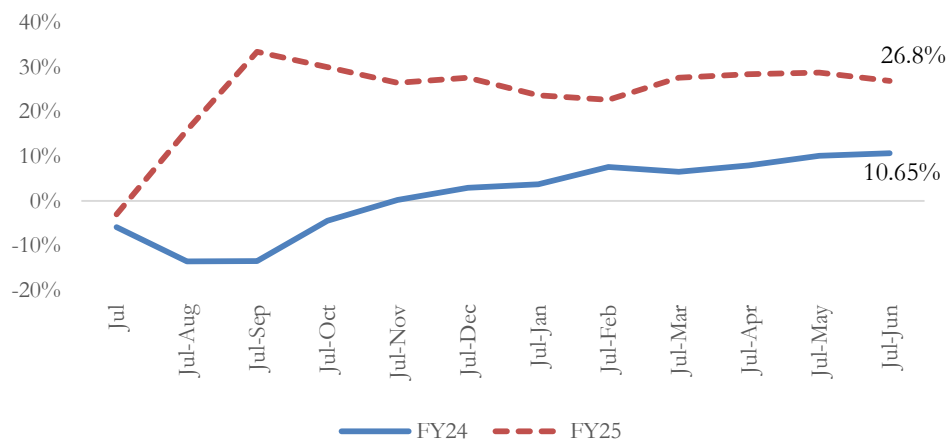
Chart 18: Cumulative Import Growth



National Board of Revenue and Bangladesh Bank

- Import growth in Bangladesh declined in FY25 to 2.4 percent due to continued tight monetary policy, post-strike port disruptions, constrained banking liquidity reducing import financing, dwindling business confidence, and a notable drop in import LC openings as firms scaled back procurement.
- 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 30.3 billion with 26.8 percent growth in FY25, supported by competitive exchange rate, government's cash incentive, accessible agent banking and mobile financial services (MFS), and steps to restrain money laundering.