Quarterly Review

January-March 2019 (Q3 of FY19)

Economic Situation in Bangladesh

Monetary Policy

Power

Inflation

Export & Import

Industry

Agriculture

Finance

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Contents

EXECUTIVE SUMMARY

General

1. Bangladesh's economy is progressing well, but below its true potential. Inadequate infrastructure, lack of investor confidence in the economy that discourages making fresh investment, and shortage of power and energy are now major impediments to the country's accelerated economic development.

2. Despite the impediments to growth, however, the economy has done exceptionally well over the past two decades. Internationally accepted indicators of both economic and social progress have placed Bangladesh at the forefront of the developing world. Poverty has fallen and peoples living standard improved significantly.

Agriculture

3. The agriculture sector performed well in the quarter under review (Q3 of FY19). The sector grew at a robust rate of 4.19 per cent in FY18 compared to a moderate growth of 2.97 per cent in FY17.

Industry

4. Detailed data on the broad industry sector or its sub-sectors are not available for the quarter under review. In FY18, however, the broad industry sector managed to grow by 12.06 per cent, exceeding the growth rate in the previous fiscal by 1.84 percentage points, despite the shortage of energy, both gas and power.

5. The manufacturing sub-sector recorded 13.40 per cent growth in FY18, which was 2.43 percentage points higher than the previous fiscal year's 10.97 per cent. Within manufacturing, the large and medium scale industries sub-sector performed better than in the previous fiscal, growing at 14.26 per cent in FY18, compared to 11.20 per cent in FY17. The small scale manufacturing industries, however, grew at a lower rate of 9.25 per cent in FY18 compared to 9.82 per cent in FY17. The construction sector grew by 9.92 per cent in FY18, compared to 8.77 per cent in FY17.

Power

6. The power supply situation improved in the quarter under review but the demand for power, too, shot up. According to BPDB, the demand for electricity was 4,013 mw on 31 March 2019 and there was no load shedding. Total installed capacity rose to 18,242 mw in April 2019 from 17,965 mw in January 2019, but production remained low because of gas shortage and also because of the shutdown of some power stations for maintenance.

Services

7. The broad services sector has nine sub-sectors, data on which are yet insufficient to understand how they have fared in the quarter under review (Q3 of FY19). Of the different sub-sectors, electricity, gas & water; hotel & restaurant; wholesale & retail trade; repair of motor vehicles; real estate, renting & business activities; and community, social & personal services performed better in FY18 compared to the previous fiscal.

Money and Capital Market

8. The growth of broad money (M_2) rose to 10.37 per cent at the end of February 2019 from 9.78 per cent recorded at the end of February 2018. Domestic credit, on the other hand, grew by 13.74 per cent at the end of February 2019, while a higher rate of growth of 14.22 per cent was recorded at the end of February 2018. The credit growth in February 2019 was also lower than the credit growth target of 15.90 per cent set in the monetary policy for the second half of the present fiscal year (MPS, H2 of FY19).

9. Among components of domestic credit, private sector credit registered a much lower growth of 12.54 per cent during the period between February 2018 and February 2019, compared to 18.49 per cent during the corresponding period a year ago (February 2017 - February 2018). Private sector credit growth was also below the central bank's target of 16.5 per cent set for the second half of the MPS for FY19. Public sector credit, on the other hand, recorded a growth of 24.76 per cent at the end of February 2019, compared to a negative growth of 14.24 per cent at the end of February 2018.

10. Total liquid assets of scheduled banks stood at Tk.247,149 crore at the end of February 2019, which was 34.89 per cent higher than the minimum liquidity requirement of the scheduled banks.

11. The interest rate spread in the banking sector remained unchanged at 4.15 per cent throughout the three months of the quarter under review (Q3 of FY19). However, the weighted average interest rate on deposits rose slightly to 5.35 per cent in March 2019 from 5.34 per cent in the previous month, while the interest rate on lending also increased to 9.50 per cent in March 2019 from 9.49 per cent in February 2019.

12. Data on industrial term loans and SME loans are not available beyond December of FY19. The disbursement of industrial term loans during October-December of FY19 stood at Tk.24,256 crore, which was 26.9 per cent higher than the amount of Tk.19,112 crore disbursed during the immediate previous quarter (July-September) of FY19. The recovery of industrial term loans also increased by 9.2 per cent to Tk.17,892 crore during the October-December quarter of FY19, compared to Tk.16,378 crore recovered in the previous quarter (July-September of FY19).

13. Total SME loans decreased by 7 per cent and stood at Tk.188,244 crore at the end of December 2018. The disbursement of SME loans stood at 19.15 per cent of total loans disbursed by all banks and NBFIs at the end of December 2018.

14. During July-March of FY19, the disbursement of agricultural credit and non-farm rural credit by all scheduled banks increased by as little as 0.31 per cent over the corresponding period of the previous fiscal. In the quarter under review (Q3 of FY19), loan disbursement by banks increased by 10.52 per cent compared to the corresponding quarter of the previous fiscal, while the recovery of loans increased by 6.81 per cent.

15. The capital market witnessed a declining trend most of the time in the quarter under review, and also panic sales by jittery investors amid a lack of confidence.

Public Finance

16. During July-February of FY19, NBR's tax revenue collection stood at Tk.133,528 crore, which is 7.07 per cent higher than the amount of Tk.124,708 crore collected during the corresponding period of FY18. NBR will now need to collect a further amount of Tk.162,673 crore in the remaining four months to achieve the collection target of Tk.296,201 crore for the entire fiscal year. Of the three main sources of NBR tax, the collection of income tax grew 12.52 per cent year-on-year, while the collection of customs duty decreased by 1.56 per cent. The collection of VAT, the biggest source of revenue, however, increased by 11.62 per cent year-on-year until February of the current fiscal year.

17. The rate of implementation of the Annual Development Programme (ADP) in the first nine months of the current fiscal year was 47.22 per cent, which is slightly higher than the implementation rate in the corresponding period of the previous fiscal year (45.65%).

Export and Import

18. The country's merchandise export earnings in the first nine months of the current fiscal year (July-March of FY19) rose by 12.57 per cent to US$30.903 billion from US$27.452 billion in the corresponding period of the previous fiscal year. Export earnings in these 9 months exceeded the strategic target (US$28.828 billion) by 7.20 per cent. The readymade garments (RMG) played a major role in the overall increase in exports, accounting for 83.98 per cent of total exports in July-March of FY19. However, export earnings in the quarter under review (Q3 of FY19) grew by a lower rate of 9.09 per cent. Besides, in March 2019 alone, year-on-year, exports rose by 9.33 per cent, but, month-on-month, exports shrank by 1.27 per cent.

19. Import payments (C&F) during July-February of FY19 stood at US$40.896 billion, which is 5.63 per cent higher than import payments during the corresponding months of FY18. Import payments increased mainly due to higher imports of intermediate goods and fuel oils.

Remittances

20. Bangladesh received US$11.869 billion in remittance in the 9-month period between July and March of FY19, increasing by 10.28 per cent from US$10.763 billion during the same period of FY18. However, remittances in the quarter under review also increased by 14.23 per cent to US$4.374 billion from US$3.829 billion.

Foreign Aid

21. Development partners disbursed US$4.080 billion of concessional loans and grants in July-February of FY19, which was 19.16 per cent higher than the amount disbursed (US$3.424 billion) in the corresponding period of FY18. The amount of aid inflow is slightly above one-half (54.4%) of the total target of US$7.5 billion for the entire fiscal year.

Foreign Direct Investment (FDI)

22. During July-February of FY19, the net FDI increased by 24.79 per cent to US$1.183 billion from US$948 million in the corresponding eight months of the previous fiscal year. In comparison, the net inflow of FDI in Bangladesh in the 2018 calendar year increased by 67.91 per cent to US$3.61 billion from US$2.15 billion in the previous calendar year. The amount is still very low in terms of the country's development needs. It is also low compared to the FDI inflow to many countries at similar level of development.

Balance of Payments (BoP)

23. Overall trade deficit narrowed by 8.43 per cent in July-February of FY19, thanks to a steady growth of exports and a slowdown in imports. The deficit in trade in services, too, shrank year-on-year by 0.94 per cent in the same period. Lower trade and services deficit led to a significant improvement

in the current account balance during July-February of FY19. The current-account deficit narrowed to US$4.27 billion during the period under review from US$5.899 billion in the corresponding period of the previous fiscal. The financial account surplus has, however, shrunken by 30.75 per cent from US$5.376 billion to US$3.723 billion during this period, despite an increasing trend in net FDI. Due to a significant improvement in the current account balance, the deficit in the overall balance improved to US$499 million in July-February of FY19 from a deficit of US$978 million during the corresponding months of FY18.

Exchange Rate and Foreign Exchange Reserve

24. Between end-June of 2018 and end-March of 2019, the Taka depreciated by 0.65 per cent in terms of US dollar. Gross foreign exchange reserves stood at US$31.753 billion (with ACU liability of US$0.59 billion) as of end March 2019, compared to US$32.236 billion (with ACU liability of US$1.14 billion) at the end of the previous month. The current foreign exchange reserve (less ACU liability) is equivalent to 6.13 months' import payments.

Inflation

25. The general point to point inflation continued to go up for the third consecutive month of the quarter under review, rising to 5.55 per cent in March because of rising prices of food items. The rate of inflation was 5.47 per cent in February and 5.42 per cent in January. However, year-on-year, the inflation rate in March of FY19 decreased by 0.13 percentage point from 5.68 per cent.

26. The food inflation (general) increased by 0.28 percentage point to 5.72 per cent in March 2019 from 5.44 per cent in the immediate past month of February. On the other hand, non-food inflation (general) decreased by 0.22 percentage point to 5.29 per cent in March 2019 from 5.51 per cent in the previous month.

27. A comparison of point to point inflation data for rural and urban areas in March of FY19 shows that the general and non-food inflation rate was higher in urban areas than in rural areas. Food inflation, however, was lower in urban areas than in rural areas.

THE REPORT

1.0 AGRICULTURE

Detailed data on agriculture sector production are not yet available for the quarter under review (Q3 of FY19). The share of the sector in GDP is estimated at 14.23 per cent in FY18 compared to 14.74 per cent in FY17, according to BBS. It includes three sub-sectors namely: i) Crops and horticulture, ii) Animal farming, and iii) Forest and related services. Due to favorable natural factors and strong government support in terms of timely availability of inputs, the sector achieved a considerably high growth of 4.19 per cent in FY18 compared to a modest 2.97 per cent growth in FY17.

1.1 Food Situation

Domestic Production

The Department of Agricultural Extension (DAE) has set the target of domestic food grains (rice and wheat) production at 37.746 million metric tons (mmt) in FY19, which is 2.47 per cent higher than the FY18 target of 36.835 mmt. This target is also 0.84 per cent higher than the actual production in FY18 (37.433 mmt). The crop-specific production targets in FY19 for aman, aus, boro and wheat are 14.134 mmt, 2.702 mmt, 19.623 mmt, and 1.287 mmt, respectively.

According to the latest monitoring report of DAE, areas under aman and aus have already exceeded their respective targets of 56.43 lakh hectares (ha) and 11.25 lakh he, respectively. As on 9 April 2019, boro cultivation area reached 49.39 lakh he, which is 2.0 per cent higher than the actual target (48.42 lakh he). Although aman, aus and wheat harvesting is now complete, BBS has not yet finalized their production estimates.

Food grains Import

As of 11 April 2019, about 70.40 thousand metric tons (tmt) of rice was imported by the public sector. The private sector imported about 124.80 tmt of rice in that period. In the corresponding period of last year, about 808.40 tmt of rice was imported by the public sector, while the private sector imported about 2,652.30 tmt. Regarding other food grains, about 4,213.50 tmt of wheat was imported by the private sector in this period, while about 263.10 tmt of wheat was imported by the public sector. Over the same period of the previous year, a total of 4,667.10 tmt of wheat was imported by the private sector, while about 464.30 tmt of wheat was imported by the public sector.

Domestic Procurement

In order to stabilize farm price as well as provide price incentive to farmers, the government set a provisional target to procure 50 tmt of wheat from the domestic market at the rate of Tk.28 per kg. The drive began on 1 April 2019 and will continue till 30 June 2019. As of 11 April 2019, however, wheat procurement was nil, according to the Directorate General of Food.

Public Distribution

The government has enhanced its efforts to ease the hardship of poor households by distributing subsidized grains through the public food distribution system (PFDS) - mainly open market sale (OMS), vulnerable group development (VGD), essential priorities (EP), vulnerable group feeding (VGF), and fair price card (FPC) channels. For FY19, the distribution target through PFDS is about 2.87 mmt, while in FY18, some 2.12 mmt of food grains was actually distributed. As of 11 April 2019, a total of 1,950.60 tmt was distributed through PFDS, which is about 67.97 per cent of the yearly target. The OMS drive has been continuing up to Upazila level all over the country.

Public Stock

According to the Directorate General of Food, the public food grains stock as of 11 April 2019 stood at 1,335.80 tmt – 1,078.50 tmt in rice and 257.30 tmt in wheat.

Domestic Market Price

In the fortnight ending 11 April 2019, the wholesale price of rice (Swarna) in Dhaka city markets decreased by 1.8 per cent to Tk.27 per Kg, while the retail price remained unchanged at Tk.33 per Kg. The wholesale and retail prices now are, respectively, 30.1 per cent and 23.5 per cent lower than what they were a year ago. Over the same period, the wholesale and retail prices of coarse flour (atta) in Dhaka city markets decreased by 4.7 per cent and 3.5 per cent respectively to Tk.22.5 per Kg and Tk.27.5 per Kg. However, the wholesale and retail prices are, respectively, 5.2 per cent and 5.5 per cent higher now than the prices that prevailed last year.

International Market Price

In the fortnight ending 12 April 2019, the prices of Thai 5% parboiled, Vietnam 15% white and Pakistan 5% parboiled rice rose by 1.3 per cent, 0.3 per cent, and 0.3 per cent, respectively, to US$395 per mt, US$342 per mt, and US$399 per mt. But the price of India 5% parboiled rice fell by 1.3 per cent to US$380 per mt. During the same period, the price of West Bengal coarse rice and Dhaka city wholesale price of rice fell by 4.1 per cent and 1.9 per cent at US$332 per mt and US$320 per mt, respectively. In the fortnight ending 12 April 2019, the prices per mt of US Soft Red Winter (SRW), US (HRW) and Ukraine wheat decreased by 2.5 per cent, 2.2 per cent, and 0.4 per cent, respectively, to US$200, US$218 and US$225. But the price of Russian wheat remained unchanged at US$228 per mt. On the same date, Dhaka city wholesale price of wheat increased by 0.1 per cent to US$316 per mt.

1.2 Fish and Animal Farming (Livestock and Poultry)

According to BBS data, fish and animal farming (livestock and poultry) sub-sectors accounted for about 5.09 per cent of the country's GDP in FY18. Their GDP share was 5.21 per cent in FY17. Estimated separately, fish and animal farming sub-sectors accounted for 3.56 per cent and 1.53 per cent, respectively, of the country's GDP in FY18, compared to 3.61 per cent and 1.60 per cent in FY17. Besides, fish and animal farming sub-sectors grew by 6.37 per cent and 3.40 per cent in FY18, against 6.23 per cent and 3.31 per cent growth in FY17, respectively. Nearly 20 million people are currently engaged in the fish sector, while the animal farming sector has created job opportunities for around 6.5 million people.

According to a recent report, prepared by the United States Department of Agriculture (USDA), Bangladesh's poultry sector has a bright prospect. The sector is gearing up to export eggs and

poultry meat by 2024, especially to the Middle Eastern countries, a big market for halal meat. It has nearly closed the gap between the domestic demand with a growing supply of both eggs and meat. The country's poultry farms are reportedly growing at a faster rate of 15 per cent a year. The sector currently invests Tk.350 billion, which is expected to double in the next decade. According to the same report, one million entrepreneurs and eight million people are involved in the poultry sector, producing 10.22 billion eggs and 1.46 million tons of poultry meat annually. The country will require 17 billion eggs, 2 million tons of poultry meat, 85.8 million day-old chicks, and 7.9 million metric tons of feed to meet the demand by 2021. However, the Department of Livestock under the Ministry of Livestock and Fisheries claims that the country is already producing 15.52 billion eggs against the current annual demand of 17.13 billion. Moreover, the poultry sector supplies 36 per cent of total protein intake through meat and egg consumption. Riding on a burgeoning poultry sector, Bangladesh's feed sector also marked a huge growth. Over 400 mills are supplying 3.61 million tons of feed, meeting up to 96 per cent of annual poultry feed demand while the remaining 4 per cent demand is met by imported feed and homemade feed-mix. Raw materials used for poultry feed production include maize (55-65%), soybean meal (20-25%), mustard oil cake (10-25%), rice bran (10-20%), and meat and bone meal (10-20%). Growth and expansion of the feed industry, as well as the poultry and livestock sectors, is a result of increasing consumption of meat, eggs, and fish, according to the USDA report. However, the industry will flourish further if adequate foreign investment and technical assistance are provided timely.

The dairy industry, too, has a lot of potential in the country. Through investment and assistance, local dairy farmers will be able to increase production, which will ultimately help reduce the price of milk and increase overall protein consumption.

Fish production in the country increased by 58.85 per cent in the last ten years as a result of various programs taken by the government.

Both public and private sectors have contributed to increasing the fish production in the country, which eventually is boosting economic progress and fulfilling domestic demand. According to the National Accounts Statistics of BBS, the production of fish, including inland and marine, rose to 4,289 thousand metric tons (tmt) in FY18 from 2,700 tmt in FY09, following the introduction of modern technology in local fish farming. The production of inland and marine fish increased to 3,574 tmt and 714 tmt in FY18 from 2,218 tmt and 482 tmt in FY09, respectively.

2.0 INDUSTRY

Data on the country's broad industry sector are not available for the quarter under review (Q3 of FY19). Some idea on the performance of the sub-sectors may, however, be obtained from the experience in the past fiscal. Despite the shortage of energy, both gas and power, the industry sector managed to grow by 12.06 per cent in FY18, exceeding the growth rate in the previous fiscal by 1.84 percentage points. As a result of its relatively higher growth, the share of the industry sector in GDP increased by 1.24 percentage points to 33.66 per cent in FY18 from 32.42 per cent in FY17.

2.1 Manufacturing Industries

Within the broad industry sector, the manufacturing sub-sector recorded 13.40 per cent growth in FY18, which was 2.43 percentage points higher than the previous fiscal year's 10.97 per cent. Within manufacturing, the large and medium scale industries sub-sector performed better than in the previous fiscal, growing at 14.26 per cent in FY18, compared to 11.20 per cent in FY17. The small scale manufacturing industries, however, grew at a lower rate of 9.25 per cent in FY18 than in FY17 when the sub-sector achieved 9.82 per cent growth.

To assess the latest status of the country's manufacturing industry, the government is set to conduct a survey titled 'The Survey on Manufacturing Industry 2018'. The survey will focus on the ownership status, employment, intermediate consumption, value of fixed assets, gross output and other information about the sector. The manufacturing industries are categorised as large, medium, small and micro-industries based on the number of workers they employ. Industries with 10 or more labourers are 'micro', industries with 25 to 99 workers are 'small', industries with 100 to 250 workers are 'medium' and those with more than 250 workers are defined as 'large' factories in the 'Industrial Policy 2016'. All large industries of the country will be surveyed this time. Bangladesh Bureau of Statistics (BBS) will carry out the survey from April to May this year. The last survey was conducted by BBS seven years ago.

2.2 Construction

Data on the country's construction sector are not available for the quarter under review. According to the National Accounts Statistics of BBS, the major components of construction activities are pucca, semi-pucca, and kutcha construction of house and other structures. The value of output of pucca and semi-pucca dwelling and non-dwelling construction is estimated by using the commodity flow approach. Public sector construction is likely to be higher due to increased ADP for FY19. Overall the construction sector is likely to achieve higher growth rate due to the increase in construction activity. In the past fiscal (FY18), the construction sector grew by 9.92 per cent compared to 8.77 per cent in FY17.

With the socioeconomic condition of the country gradually improving since the beginning of this year, the real estate sector seems to have been turning around. Most of the companies in the sector have changed their strategies and are now focusing on the growing middle-income segment of the population. At the same time, the confidence of buyers is apparently on the rise due to political stability and economic growth of the country. Over the past few months, the business of the real estate sector has increased by 20 to 30 per cent. It is expected that the increasing demand for housing, expansion of the middle-class segment and soaring per capita income will continue to boost sales in the sector.

2.3 Power

The power supply situation improved in the quarter under review but the demand for power, too, shot up as expected. According to the Bangladesh Power Development Board website (www.bpdp.gov.bd), the demand for electricity was 4,013 mw on 31 March 2019 and load shedding was zero. According to the BPDB website, total installed capacity in April 2019 (18,242 mw) comprised of coal 524 mw (2.87%), gas 9,796 mw (53.70%), HFO 4,227 mw (23.17%), HSD 2,305 mw (12.64%), Hydro 230 mw (1.26%), and imported 1,160 mw (6.36%).

According to the Ministry of Power, Energy and Mineral Resources (MoPEMR), at present 92 per cent of the country's population has access to electricity. Government has now set the goal of providing electricity to all citizens by 2021 and to that end has initiated steps to generate 24,000 mw of energy by that year. It is also expected that energy generation will reach 40,000 mw by 2030 and 60,000 mw by 2041. A significant development in recent time has occurred in the introduction and usage of Solar Home Systems (SHS). Though the first SHS came through in 1996 in Sylhet, it has now become the biggest renewable energy program and has resulted in the installation of 5.2 million units in different parts of the country. About 17 million people are now using this facility. The financial institution IDCOL has greatly helped in this regard. This has changed the rural socio-economic profile.

In February 2019, solar power generation under the Net Metering System (NMS) reached nearly 4.25 mw. Some 179 producers were generating the electricity in their building rooftops and supplying to the national electricity grid. Under the NMS, one can store the energy in the grid when the solar panels produce excess power than that of the requirement and later can take electricity from the grid when the solar system produces lower than the required electricity. This system is an option for industry owners to generate electricity in their building rooftops and get power at low cost.

The government formulated guidelines for net energy metering in July 2018 and asked the power distribution companies to encourage factory owners to invest in solar power production in their building rooftops. The initiative has produced good result. Until February last, some 50 such solar electricity producers have enlisted themselves under the NMS in Dhaka Power Distribution Company (DPDC) area. They are producing 450.66 kilowatt of electricity. Some 35 power producers in Bangladesh Rural Electrification Board (BREB) area are producing 3.064 mw of electricity and supplying it to the grid. Besides, some nine customers of West Zone Power Distribution Company (WZPDC) are producing 120 kilowatt of electricity, 57 customers of Dhaka Electric Supply Company (DESCO) are producing 128.16 kilowatt, 27 customers of Bangladesh Power Development Board (BPDB) are generating 127 kilowatt, and one customer of Northern Electricity Supply Company (NESCO) is producing 364 kilowatt of electricity.

Bangladesh was recently ranked 90th on the global Energy Transition Index (ETI) by the Geneva-based World Economic Forum (WEF), which has benchmarked 115 countries on how well they are able to balance energy security and access with environmental sustainability and affordability. Last year, Bangladesh held the same rank out of the 114 countries included in the index. According to the ETI, Sri Lanka was ranked ahead of all South Asian countries, securing the 60th place while India was ranked

76th, Pakistan 97th, and Nepal 93rd. According to the ETI, Bangladesh made fast progress towards universal electrification due to strong political commitment, a stable policy regime, use of grid expansion and decentralised generation sources, and a supportive environment for investment in infrastructure. While Bangladesh has scored low in terms of 'transition readiness', it ranks considerably higher when it comes to system performance. The transition readiness component of the index takes into account six individual indicators: capital and investment, regulation and political commitment, institutions and governance, institutions and innovative business environment, human capital and consumer participation, and energy system structure. According to the index, Sweden remains on the top on this annual list followed by Switzerland and Norway.

3.0 SERVICES SECTOR

The broad services sector has nine sub-sectors, data on which are yet insufficient to understand how they have fared in the quarter under review (Q3 of FY19). Of the different sub-sectors, electricity, gas & water; hotel & restaurant; wholesale & retail trade, repair of motor vehicles; real estate, renting & business activities; and community, social & personal services performed better in FY18 compared to the previous fiscal. According to BBS, however, the share of the services sector in GDP decreased by 0.73 percentage point to 52.11 per cent in FY18 from 52.84 per cent in the previous fiscal year. The growth rate of the broad services sector is estimated at 6.39 per cent in FY18 compared to 6.69 per cent in FY17.

4.0 MONETARY AND CREDIT DEVELOPMENTS

According to BB data, broad money (M_2) recorded a higher growth of 10.37 per cent at the end of February 2019 compared to the 9.78 per cent growth achieved at the end of February 2018 (Table 1). Domestic credit, on the other hand, grew by 13.74 per cent at the end of February 2019, while a higher rate of growth of 14.22 per cent was recorded at the end of February 2018. The credit growth in February 2019 was also lower than the credit growth target of 15.90 per cent set in the monetary policy for the second half of the present fiscal year (MPS, H2 of FY19).

Among components of domestic credit, private sector credit registered 12.54 per cent growth during the period between February 2018 and February 2019, compared with a much higher growth rate of 18.49 per cent during the period between February 2017 and February 2018. Private sector credit growth was also below the central bank's target of 16.5 per cent set for the MPS in the second half of FY19. Public sector credit, on the other hand, recorded a growth of 24.76 per cent at the end of February 2019, compared with a negative growth of 14.24 per cent at the end of February 2018 (Table 1).

Table 1: Monetary and Credit Indicators

(Taka in crore)

Particulars	Outstanding Stock			% Changes in Outstanding Stock	
	February 2019P	February 2018R	February 2017R	February 2019 over February 2018	February 2018 over February 2017
Total Domestic Credit	1087163	955853	836880	13.74	14.22
Credit to Public Sector	116814	93628	109179	24.76	(-) 14.24
Net Credit to Government Sector	92946	75069	93526	23.81	(-) 19.73
Credit to Other Public Sector	23868	18559	15653	28.61	18.57
Credit to Private Sector	970349	862225	727701	12.54	18.49
Reserve Money (RM)	226743	210549	191253	7.69	10.09
Broad Money (M_2)	**1160573**	**1051547**	**957886**	**10.37**	**9.78**

Note: P=Provisional; R=Revised

Source: Bangladesh Bank

Total liquid assets of scheduled banks stood lower at Tk.247,149 crore at the end of February 2019, compared with Tk.264,267 crore at the end of June 2018. The minimum liquidity requirement of the scheduled banks was Tk.183,226 crore at the end of February 2019 (Table 2).

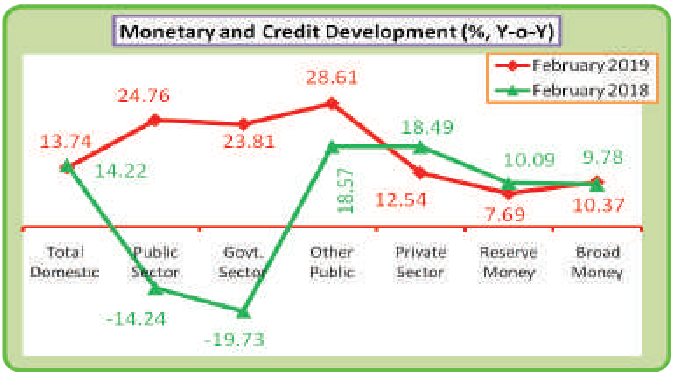
Table 2: Liquidity Position of Scheduled Banks

(Taka in crore)

Bank Group	As of end June, 2018[R]	As of end February 2019[P]		
	Total Liquid Assets	*Total Liquid Assets*	*Minimum Required Liquid Assets*	*Excess Liquidity*
1	2	3	4	5 (3-4)
State owned banks	101322	83831	52440	31391
Private banks (other than Islamic)	111090	110718	95779	14939
Private banks (Islamic)	28150	27742	23804	3938
Foreign banks	22201	23275	9634	13641
Specialized banks*	1504	1583	1569	14
Total	**264267**	**247149**	**183226**	**63923**

Notes: P=Provisional; R=Revised; *= SLR does not apply to Specialized banks (except BASIC Bank) as exempted by the government
Source: Bangladesh Bank

Bangladesh Bank data show that, of the total liquid assets of scheduled banks as of end February 2019, some 5.77 per cent was held in the form of Cash in tills and Balances with Sonali Bank, 24.60 per cent in the form of CRR, 2.59 per cent in the form of Excess Reserves, 4.02 per cent in the form of Balances with Bangladesh Bank in Foreign Currency and the remaining 63.02 per cent in the form of Unencumbered approved securities.



4.1 Interest Rate Developments

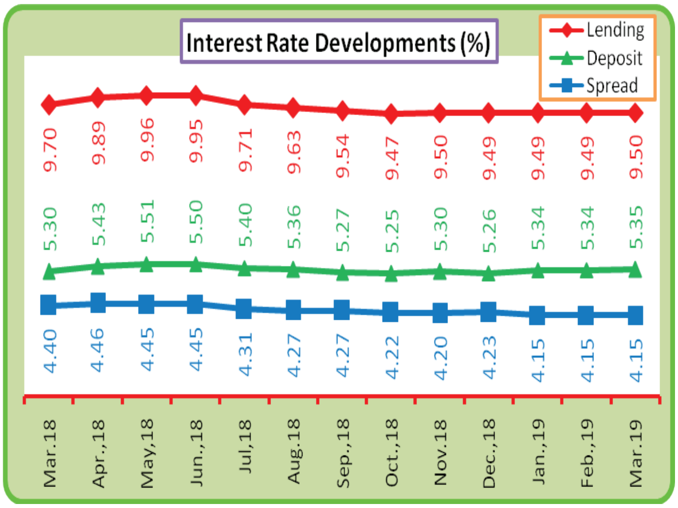
Among the central bank's prime rates, the repo rate was lowered down from 6.75 per cent to 6.0 per cent with effect from 15 April 2018 while the reverse repo rate was left unchanged at 4.75 per cent (Table 3).

Table 3: Interest Rate (weighted average) movements in FY18 and July-March of FY19

(in per cent)

Month/Quarter	Repo	Reverse Repo	Lending Rate	Deposit Rate	Interest Rate Spread
FY18[R]					
July	6.75	4.75	9.51	4.89	4.62
August	6.75	4.75	9.46	4.93	4.53
September	6.75	4.75	9.45	4.90	4.55
October	6.75	4.75	9.39	4.89	4.50
November	6.75	4.75	9.30	4.90	4.40
December	6.75	4.75	9.35	4.91	4.44
January	6.75	4.75	9.42	5.01	4.41
February	6.75	4.75	9.55	5.18	4.37
March	6.75	4.75	9.70	5.30	4.40
April	6.00	4.75	9.89	5.43	4.46
May	6.00	4.75	9.96	5.51	4.45
June	6.00	4.75	9.95	5.50	4.45
FY19[P]					
July	6.00	4.75	9.71	5.40	4.31
August	6.00	4.75	9.63	5.36	4.27
September	6.00	4.75	9.54	5.27	4.27
October	6.00	4.75	9.47	5.25	4.22
November	6.00	4.75	9.50	5.30	4.20
December	6.00	4.75	9.49	5.26	4.23
January	6.00	4.75	9.49	5.34	4.15
February	6.00	4.75	9.49	5.34	4.15
March	6.00	4.75	9.50	5.35	4.15

Notes: P=Provisional, R=Revised, Source: Bangladesh Bank



The interest rate spread in the banking sector remained unchanged at 4.15 per cent in all the three months of the quarter under review (Q3 of FY19). However, the weighted average interest rate on deposits rose to 5.35 per cent in March 2019 from 5.34 per cent in February 2019. The interest rate on lending also increased to 9.50 per cent in March 2019 from 9.49 per cent in the immediate previous month.

4.2 Industrial Term Loans

Data on industrial term loans are available only up to the second quarter (October-December) of FY19. According to BB data, the disbursement of industrial term loans during October-December of FY19 stood at Tk.24,256 crore, which was 26.9 per cent higher than the amount of Tk.19,112 crore disbursed during the immediate previous quarter (July-September) of FY19 (Table 4). The recovery of industrial term loans also increased by 9.2 per cent to Tk.17,892 crore during the October-December quarter of FY19, compared to Tk.16,378 crore recovered in the previous quarter (July-September of FY19).

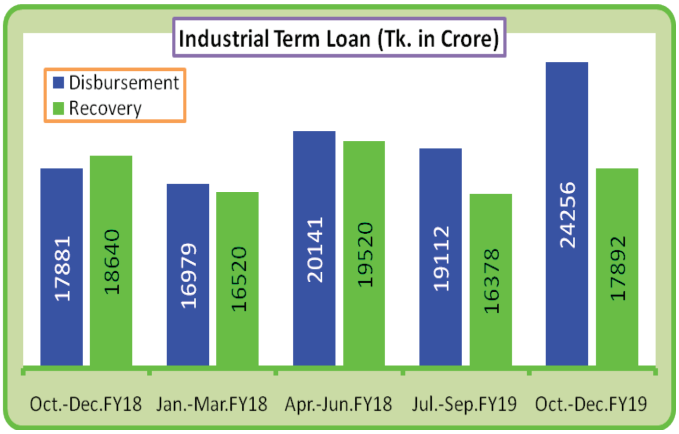


Table 4: Disbursement and Recovery of Industrial Term Loans

Quarter	Disbursement (Tk. in crore)				Recovery (Tk. in crore)			
	LSI	MSI	SSCI	Total	LSI	MSI	SSCI	Total
October-December of FY18R	11932	3352	2597	17881 (+13.4)	13817	2712	2111	18640 (+20.1)
January-March of FY18R	12966	1871	2142	16979 (- 5.0)	12356	2131	2033	16520 (- 11.4)
April-June of FY18R	16033	2425	1683	20141 (+18.6)	15440	2168	1912	19520 (+18.2)
July-September of FY19P	15529	2049	1534	19112 (-5.1)	12553	2085	1740	16378 (-16.1)
October-December of FY19P	19272	2704	2280	24256 (26.9)	13636	2112	2144	17892 (9.2)

Notes: LSI=Large Scale Industries, MSI=Medium Scale Industries and SSCI=Small Scale & Cottage Industries
P=Provisional; R=Revised; Figures in parentheses indicate the percentage change over the previous quarter
Source: BB

4.3 SME Loans

Data on SME loans are not available beyond Q2 (October-December 2018) of FY19. According to BB data, total SME loans by all banks and non-bank financial institutions (NBFIs) decreased by 7 per cent to Tk.188,244 crore at the end of December 2018 from Tk.202,410 crore at the end of December 2017. The disbursement of SME loans was 19.15 per cent of total loans disbursed by all banks and NBFIs at the end of December 2018 (Table 5)..

Table 5: Outstanding Position of SME Loans

(Tk. in crore)

Quarter	Type of Loans	SOBs	PBs	FBs	SBs	NBFIs	Total
October-December of FY18^{R}	Total Loans	152753	813283	31039	23200	48476	1068751
	SME Loans	33685	155778	2400	962	9585	202410
	Percentage	(+22.1)	(+19.2)	(+7.7)	(+4.2)	(+19.8)	(+18.9)
January-March of FY18^{R}	Total Loans	158538	642067	31646	22942	48715	903908
	SME Loans	31642	149048	2540	1052	9365	193647
	Percentage	(+19.96)	(+23.21)	(+8.03)	(+4.59)	(+19.22)	(+21.42)
April-June of FY18^{R}	Total Loans	164164	767114	33941	24177	49855	1039251
	SME Loans	33415	147476	1996	1160	9467	193515
	Percentage	(+20.35)	(+19.22)	(+5.88)	(+4.80)	(+18.99)	(+18.62)
July-September of FY19^{P}	Total Loans	153842	673430	33582	23886	56213	940953
	SME Loans	27028	142441	1959	1257	9397	182083
	Percentage	(+17.57)	(+21.15)	(+5.83)	(+5.26)	(+16.72)	(+19.35)
October-December of FY19^{P}	Total Loans	162521	706048	35370	24602	54532	983073
	SME Loans	28395	146760	2064	1257	9768	188244
	Percentage	(+17.47)	(+20.79)	(+5.84	(+5.11)	(+17.91)	(+19.15)
% change of SME loans at the end of December 2018 over end of December 2017		(-) 15.70	(-) 5.79	(-) 13.98	+ 30.65	+ 1.91	(-) 7.00

Notes: P=Provisional, R=Revised; SOBs= State Owned Banks, PBs= Private Banks, FBs= Foreign Banks, SBs= Specialized Banks, NBFIs= Non-bank Financial Institutions; Figures in parentheses indicate SME loans as percentage of total loans

Source: BB

4.4 Agricultural Credit and Non-farm Rural Credit

During July-March of FY19, the first nine months of FY19, the disbursement of agricultural credit and non-farm rural credit by all scheduled banks increased by as little as 0.31 per cent to Tk.16,264 crore from Tk.16,214 crore in the corresponding period of the previous fiscal (Table 6 and Fig. 1). In these nine months, banks disbursed 74.61 per cent of their annual disbursement target of Tk.21,800 crore. In comparison, the disbursement in the corresponding nine months of the previous fiscal year was 79.48 per cent of the annual target of Tk.20,400 crore for that year. Cash crunch in banks, defaulted loans and the poor rate of loan recovery were the main reasons behind the slow disbursement of farm loans. However, loan disbursement by banks in the quarter under review (Q3 of FY19) increased by 10.52 per cent compared to the corresponding quarter of the previous fiscal. On the other hand, the recovery of loans increased in July-March of FY19 by 10.52 per cent and in January-March by 6.81 per cent.

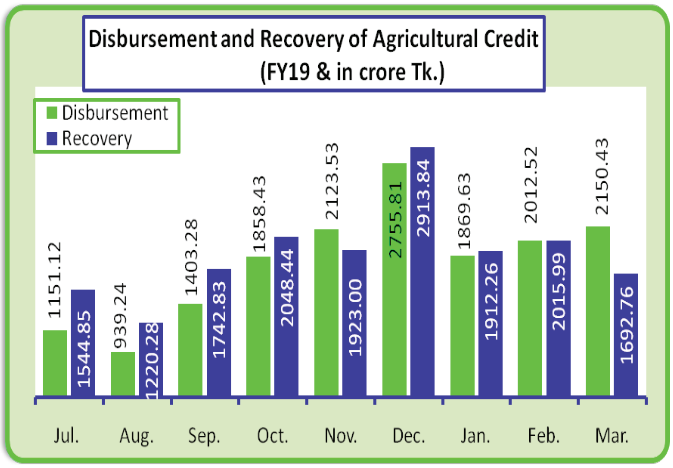
Table 6: Disbursement and Recovery of Agricultural Credit and Non-farm Rural Credit

(in crore Taka)

Month	FY19[P]		FY18[R]	
	Disbursement	Recovery	Disbursement	Recovery
July	1151.12	1544.85	1574.07	1613.61
August	939.24	1220.28	1219.98	1252.17
September	1403.28	1742.83	1441.69	1698.03
Total of Q1	***3493.64 (- 17.52)***	***4507.96 (-1.22)***	***4235.74 (+22.99)***	***4563.81 (+28.83)***
October	1858.43	2048.44	1969.02	1614.34
November	2123.53	1923.00	2026.12	1965.00
December	2755.81	2913.84	2524.86	1988.67
Total of Q2	***6737.77 (+3.34)***	***6885.28 (+23.66)***	***6520.00 (+53.93)***	***5568.01 (+22.00)***
January	1869.63	1912.26	1946.43	1744.41
February	2012.52	2015.99	1818.25	1720.76
March	2150.43	1692.76	1693.75	1797.65
Total of Q3	***6032.58 (+10.52)***	***5621.01 (+6.81)***	***5458.43 (-7.13)***	***5262.82 (+5.81)***
Total of Q1+Q2+Q3 (July-March)	16263.99 (+0.31)	17014.25 (+10.52)	16214.17 (+2.55)	15394.64 (+10.24)

Notes: P=Provisional, R=Revised; Figures in parentheses indicate the percentage change over the same period of the previous fiscal year

Source: Bangladesh Bank



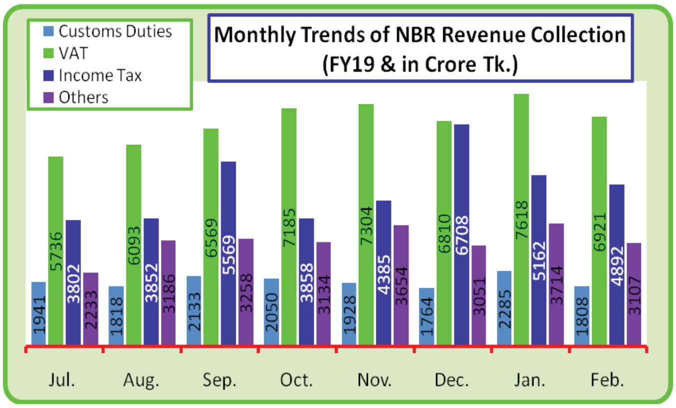
5.0 CAPITAL MARKET

The capital market witnessed a declining trend in the quarter under review, and also panic sales by jittery investors amid a lack of confidence. Stocks tumbled on 31 March 2019, the last trading day of the quarter, the prime index of the Dhaka Stock Exchange (DSE) fell below 5,500-mark after three months as worried investors continued their selling spree amid concern over the prevailing liquidity crunch in the financial sector. Also, the index of Chittagong Stock Exchange (CSE) ended lower with its Selective Categories Index (CSCX) losing 48 points to settle at 10,178.

After two months of positive run, the net foreign investment at DSE turned negative again in March 2019 as overseas investors went for selling shares amid volatility in the country's banking sector and capital market. In March, the foreign investors sold shares worth Tk.4.98 billion and bought shares worth Tk.3.75 billion. In contrast, in February 2019, they bought shares worth Tk.5.87 billion against their sales worth Tk.2.64 billion. In Bangladesh, foreign investment accounts for less than 2.0 per cent of the premier bourse's total market capitalization, which is the lowest among South Asian countries.

6.0 PUBLIC FINANCE

Data on the collection of tax revenue (NBR and non-NBR) are available only for NBR-taxes, and that also for the period up to February of the current fiscal (FY19). No data is available for non-NBR taxes as well as for non-tax revenues. According to NBR's provisional data, its (NBR) revenue collection during July-February of FY19 stood at Tk.133,528 crore, which is 7.07 per cent higher than the amount of Tk.124,708 crore collected during the corresponding period of FY18 (Table 7 and Fig. 2). Now, NBR will need to collect a further amount of Tk.162,673 crore in the remaining four months to achieve the collection target of



Tk.296,201 crore for the entire fiscal year. Of the three main sources of NBR tax, collection of income tax grew 12.52 per cent year-on-year to Tk.38,228 crore in July-February of the current fiscal year. The collection of customs duty decreased by 1.56 per cent, while the collection of VAT, the biggest source of revenue from domestic businesses, increased by 11.62 per cent year-on-year until February of the current fiscal year.

Table 7: Government Tax Revenue Collection

Month	Tax Revenue Collections (in crore Taka)						
	NBR					Non-NBR	Grand Total
	Customs Duties	VAT	Income Tax	Others*	Total		
FY19P							
July	1941	5736	3802	2233	13712	NA	NA
August	1818	6093	3852	3186	14949	NA	NA
September	2133	6569	5569	3258	17529	NA	NA
October	2050	7185	3858	3134	16227	NA	NA
November	1928	7304	4385	3654	17271	NA	NA
December	1764	6810	6708	3051	18333	NA	NA
January	2285	7618	5162	3714	18779	NA	NA
February	1808	6921	4892	3107	16728	NA	NA
Total of July-Feb.	**15727 (-1.56)**	**54236 (11.62)**	**38228 (12.52)**	**25337 (-3.18)**	**133528 (7.07)**	**NA**	**NA**
FY18R							
July	1909	5807	2992	2518	13226	1305	14531
August	2071	5975	3517	3087	14650	530	15180
September	1649	5460	5067	3576	15752	388	16140
October	1960	6054	3760	3173	14947	564	15511
November	2241	6397	4044	3157	15839	529	16368
December	2076	6117	5993	3563	17749	468	18217
January	2202	6543	4569	3616	16930	591	17521
February	1868	6237	4032	3478	15615	493	16108
Total of July-Feb.	**15976 (18.50)**	**48590 (16.11)**	**33974 (13.06)**	**26168 (17.31)**	**124708 (14.13)**	**4868 (31.84)**	**129576 (18.76)**

Notes: P=Provisional; R=Revised; NA=Not Available; *=include supplementary duties and travel tax;
Figures in brackets indicate percentage changes over the corresponding period of the preceding year.

Sources: BB, NBR and Office of the Controller General of Accounts

6.1 Public Expenditure

The implementation rate of the Annual Development Programme (ADP) was slightly higher in the first nine months of the current fiscal year than in the corresponding period of the previous fiscal year, in terms of both percentage and absolute volume. According to the Implementation Monitoring and Evaluation Division (IMED) data, 57 ministries and divisions managed to spend Tk.834.07 billion or 47.22 per cent of the total revised allocation of Tk.1,766.20 billion. In the corresponding period of the last fiscal, Tk.719.40 billion was spent, which was 45.65 per cent of the total revised outlays (Tk.1,575.94 billion). The government will have to spend more than 52 per cent or Tk.932.13 billion of the ADP fund in the remaining three months of the fiscal, which may push the development officials to go for an expenditure spree, as in the previous years. However, the use of foreign aid (project aid) in July-March of FY19 was higher both in terms of percentage and absolute amount. In this period, foreign aid spending was Tk.292.85 billion or 57.42 per cent against Tk.291.15 billion or 55.94 per cent in the corresponding period of the previous fiscal. On the other hand, spending of local funds (including GoB funds) in July-March of FY19 was Tk.541.22 billion, compared to Tk.428.25 billion during the corresponding period of the past year.

Fifteen large Ministries and Divisions, which together received 82.17 per cent of the total development budget, on an average, spent only Tk.724.07 billion or 49.89 per cent in the first nine months (July-March) of the current fiscal. These ministries and divisions were implementing some mega projects, including the Padma Bridge, metro rail, and some large power plants. Among these large ministries and divisions, project implementation by the Ministry of Science and Technology was the highest (66.10%), followed by the Power Division (62.19%), the Ministry of Primary and Mass Education (59.05%), the Prime Minister's Office (58.72%), the Ministry of Shipping (55.49%), the Local Government Division (54.74%), the Ministry of Housing and Public Works (45.52%), the Energy and Mineral Resources Division (44.48%), the Bridges Division (44.06%), the Health Service Division (43.64%). Implementation agencies that spent less than 40 per cent of their respective ADP budgets were: the Road Transport and Highways Division (39.97%), the Ministry of Water Resources (39.90%), the Secondary and Higher Education Division (35.48%), the Ministry of Railways (24.61%), and the Security Services Division (22.19%).

7.0 EXPORTS

The country's merchandise export earnings in the first nine months of the current fiscal year (July-March of FY19) rose by 12.57 per cent to US$30.903 billion from US$27.452 billion in the corresponding period of the previous fiscal year (Table 8 and Fig.3). The export earnings in July-March of FY19 exceeded the strategic target (US$28.828 billion) by 7.20 per cent. The readymade garments (RMG) played a major role in the overall increase in exports, contributing 83.98 per cent of total exports in July-March of FY19. In the corresponding nine months of the previous fiscal year, RMG exports accounted for 83.18 per cent of total exports. Besides, non-RMG sectors such as agriculture, frozen foods and pharmaceuticals were doing better, while the continued weakening of the Taka against the U.S. dollar, political stability, government's policy support, improvements in safety measures in the apparel sector, and the US-China tariff war that forced global brands to change their sourcing destination to Bangladesh are some of the other factors that boosted exports. However, export earnings in the quarter under review (Q3 of FY19) grew by a lower rate of 9.09 per cent, compared to 12.57 per cent growth during the entire 9-month period. In March 2019 alone, year-on-year, exports rose by 9.33 per cent to US$3.340 billion, which also surpassed the strategic target (US$3.263 billion) by 2.36 per cent, but, month-on-month, exports shrank by 1.27 per cent.

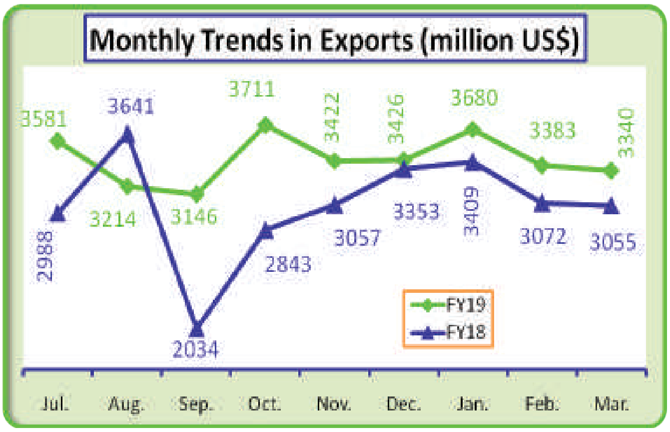
Table 8: Monthly Trends in Exports (Goods)

Month	Exports (million US$)		Change (%)
	FY19P	FY18R	
July	3581	2988	19.85
August	3214	3641	(-) 11.73
September	3146	2034	54.67
Total of Q1	9941	8663	14.75
October	3711	2843	30.53
November	3422	3057	11.94
December	3426	3353	2.18
Total of Q2	10559	9253	14.11
January	3680	3409	7.95
February	3383	3072	10.12
March	3340	3055	9.33
Total of Q3	10403	9536	9.09
Total of July - March	30903	27452	12.57

Notes: P=Provisional; R=Revised

Sources: EPB

According to EPB data, the overall export growth was largely driven by the RMG sector, which alone fetched US$25.951 billion, or 83.98 per cent of total exports in July-March of FY19, registering a 13.65 per cent growth over US$22.835 billion in July-March of FY18. The country's major export products were knitwear, woven garments, agricultural products, cotton & cotton products, specialized textiles, frozen & live fish, headgear/cap, other manufactured products, engineering products, chemical products, other footwear, man-made filaments & staple fibres, petroleum bi-products, and plastic products, all of which showed positive growth, while home textile, leather & leather products, and jute & jute goods, showed negative growth during July-March of FY19.



Country wise, export earnings from the United States (US), the single largest export destination for Bangladesh, grew by 16.96 per cent to US$5.164 billion in the first nine months of FY19 from US$4.415 billion in the corresponding period of the previous fiscal. RMG exports to the US market grew by 17.05 per cent to

US$4.60 billion from US$3.93 billion. Exports to Germany, the second largest export destination, registered an 8.95 per cent growth to US$4.847 billion, of which export earnings from RMG stood at US$4.59 billion, depicting a 9.20 per cent growth over the corresponding period of FY18. Exports to the United Kingdom (UK), the third largest destination, increased a paltry 3.64 per cent to US$3.158 billion in the first nine months of FY19 from US$3.047 billion in the same period of FY18 while RMG exports in the market stood at US$2.91 billion with a 2.32 per cent growth in the period. The low growth of exports to UK was due to dwindling demand following Brexit. Export earnings from Spain increased by 3.68 per cent, from France 13.97 per cent, and from Italy 7.23 per cent.

On the other hand, export earnings from neighboring India posted a 59.72 per cent growth to US$985.33 million in July-March of FY19 from US$616.90 million in July-March of FY18. It was mainly the RMG exports that drove the export earnings growth from India. RMG exports to that country witnessed a staggering 96.50 per cent growth to US$401.14 million from US$204.14 million in the past year. Growth in export earnings from three promising markets – Poland, Japan and China - also turned around in the period after experiencing ordinary performance in the last few months. The overall export to Poland, Japan and China grew by 27.88 per cent, 27.18 per cent and 28.41 per cent, respectively.

8.0 IMPORTS

Import payments (C&F) during July-February of FY19, for which data are now available for this fiscal, stood at US$40.896 billion, which is 5.63 per cent higher than import payments during the corresponding months of FY18 (Table 9 and Fig. 4). Import payments increased mainly due to higher imports of intermediate goods and fuel oils. Imports may rise slightly in the coming month ahead of the holy month of Ramadan. Usually, large quantities of essential commodities are imported to meet the additional demand of consumers during the month of Ramadan.

According to Bangladesh Bank (BB) data, the settlement of import Letters of Credit (LCs) increased by 9.04 per cent to US$36.902 billion during July-February of FY19 compared to US$33.842 billion in the corresponding period of the previous fiscal. The import of intermediate goods such as coal, hard coke, clinker and scrap vessels etc, increased significantly by 38.83 per cent to US$3.679 billion during July-February of FY19 from US$2.65 billion in the corresponding period of FY18. Various construction materials imported as intermediate goods pushed up the overall import payments in the first eight months of this fiscal. Different mega infrastructure projects, including Padma Bridge, metro-rail and Dhaka Elevated Expressway have consumed the lion share of these intermediate goods, according to BB. Higher import of petroleum and petroleum products also pushed up the overall import expenses during the period under review. Import of petroleum products, including liquefied natural gas (LNG), soared by 35.08 per cent to US$2.607 billion in the first eight months of FY19 from US$1.930 billion in the corresponding period of the previous fiscal. The opening of fresh import LCs, however, decreased by 21.77 per cent to US$39.273 billion in the first eight months of FY19 from US$50.204 billion in the corresponding period of the previous fiscal.

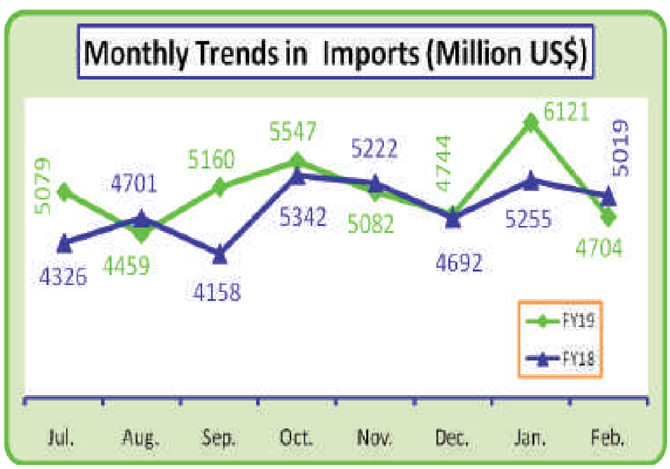


Table 9: Monthly Trends in Custom based Imports

Month	Imports (million US$)		Change (%)
	FY19P	FY18R	
July	5079	4326	17.41
August	4459	4701	(-) 5.15
September	5160	4158	24.10
October	5547	5342	3.84
November	5082	5222	(-) 2.68
December	4744	4692	1.11
January	6121	5255	16.48
February	4704	5019	(-) 6.28
Total of July-February	40896	38715	5.63

Notes: P=Provisional; R=Revised
Source: Bangladesh Bank

9.0 REMITTANCES

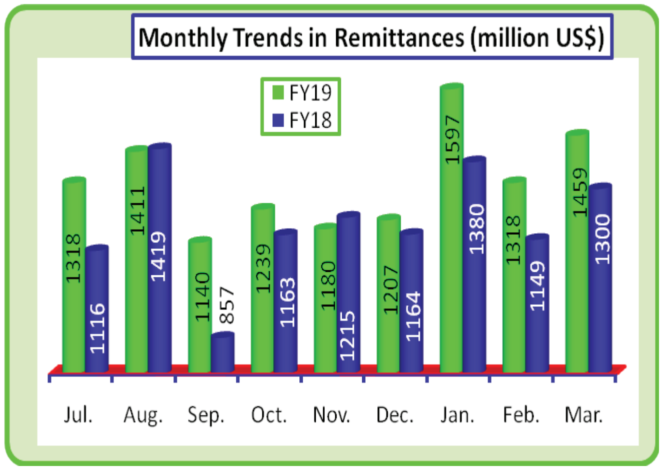
The flow of inward remittance bounced back in March 2019 after a falling trend in the previous month, thanks to the steady depreciation of the taka against the US dollar. The remittance inflow was estimated at US$1.459 billion in March 2019, a 10.70 per cent increase, month-on-month, and 12.23 per cent increase, year-on-year (Table 10 and Fig.5). The remittance inflow may rise further in the coming month ahead of the holy Ramadan.

Table 10: Monthly Trends in Remittances

Month	Remittances (million US$)		Change (%)
	FY19P	FY18R	
July	1318	1116	18.10
August	1411	1419	(-) 0.56
September	1140	857	31.51
Total of Q1	3869	3392	14.06
October	1239	1163	6.53
November	1180	1215	(-) 2.88
December	1207	1164	3.35
Total of Q2	3626	3542	2.37
January	1597	1380	15.72
February	1318	1149	14.71
March	1459	1300	12.23
Total of Q3	4374	3829	14.23
Total of July - March	**11869**	**10763**	**10.28**

Notes: P=Provisional; R=Revised
Source: Bangladesh Bank

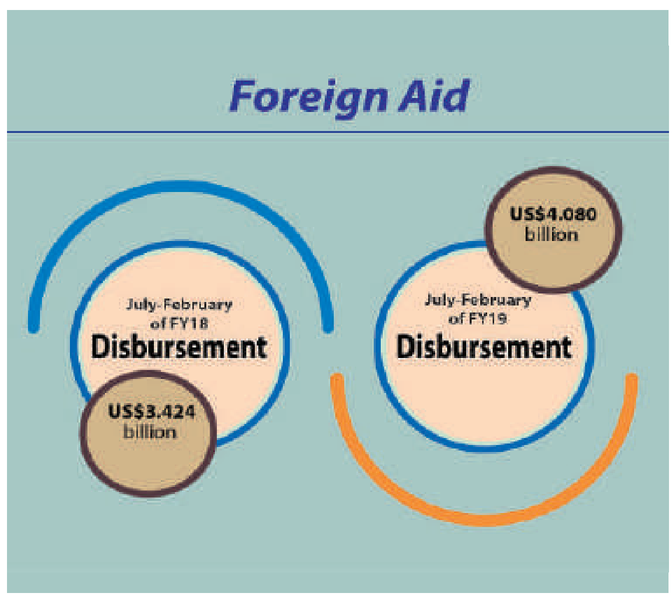
Most private commercial banks along with state-owned banks of the country are involved in sending inward remittances from different countries. Currently, 29 exchange houses operate across the globe with 1,223 drawing arrangements set up abroad - mainly in the Middle East, the United Kingdom, Japan, Canada, Australia, Malaysia, Singapore, Italy and the United States.



10.0 FOREIGN AID

According to the Economic Relations Division (ERD) of the Ministry of Finance, development partners disbursed US$4.080 billion of concessional loans and grants in July-February of FY19, which was 19.16 per cent higher than the amount disbursed (US$3.424 billion) in the corresponding period of FY18. The amount is slightly above the half (54.4%) of the total target of US$7.5 billion for the entire fiscal year. However, after principal repayment of US$0.765 billion, the net receipts of foreign aid stood at US$3.315 billion during July-February of FY19 compared to US$2.736 billion of July-February of FY18.

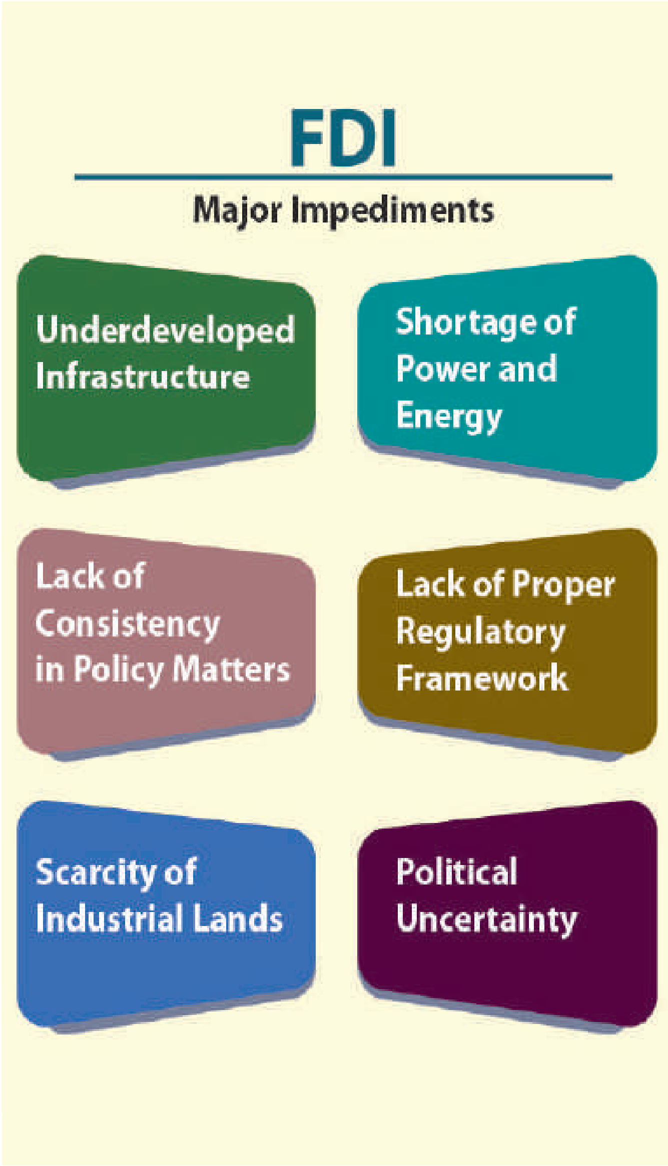
Bangladesh takes Official Development Assistance (ODA) mainly from multilateral organizations or countries that provide soft loans or grants. The country's largest development partner is the World Bank (WB). Other development partners include the Asian Development Bank (ADB), Japan, the Islamic Development Bank (IDB), China, the United Nations (UN), the UK's DFID, Russia, Germany, and India.



11.0 FOREIGN DIRECT INVESTMENT (FDI)

During July-February of FY19, the net foreign direct investment (FDI) increased by 24.79 per cent to US$1.183 billion from US$948 million in the corresponding eight months of the previous fiscal year (Table 11). In the calendar year 2018, the net inflow of FDI in Bangladesh increased by 67.91 per cent to US$3.61 billion from US$2.15 billion in the previous calendar year. The FDI amount is very low in terms of the country's development needs. According to a government estimate, the country needs to attract average annual FDI inflows of US$6.7 billion to graduate to an upper middle income country by 2021.

FDI inflow in Bangladesh is low compared to many countries at similar level of development. Bangladesh's low labor costs are generally believed to be attractive to foreign investors, but yet they hesitate to make fresh investments in the country because of the country's underdeveloped infrastructure, and such other impediments as the shortage of power and energy, lack of consistency in policy and regulatory framework, scarcity of industrial lands, and political uncertainty. The government needs to address these impediments to attract more FDI in the country.



Bangladesh has not only failed to improve its position in the World Bank's 'Ease of Doing Business' index, but also slipped by 111 notches in the past 13 years. In the latest (2019) ranking, the country is positioned in the 'below average' class, at 176th position among 190 economies. In 2006, the country's rank was 65. The WB has attributed the decline in the country's ranking to poor performance in five core areas: getting credit, protecting minority investors, paying taxes, trading across borders, and enforcing contracts. According to the WB report, there is sufficient room for Bangladesh to improve its position in the ease of doing business index. The most pressing are concerns about inconsistencies in laws and regulations, and undue use of discretion by officials. Taking note of these concerns, the government has set a target to bring the country's position in the doing business index below 100 by 2021 from the existing ranking of 176.

12.0 BALANCE OF PAYMENTS

According to BB data, the overall trade deficit narrowed by 8.43 per cent in July-February of FY19, thanks to the steady growth of exports and a slowdown in imports. In the first eight months of the current fiscal year, the deficit stood at US$10.695 billion, down from US$11.679 billion in the corresponding period of the previous fiscal year (Table 11). Year-on-year, merchandise exports grew by 12.44 per cent while merchandise imports grew by 5.64 per cent in these eight months. The deficit in trade in services, too, shrank year-on-year by 0.94 per cent in the same period of FY19. Lower trade and services deficit led to a significant improvement in the current account balance during July-February of FY19. In this period, the current-account deficit narrowed to US$4.27 billion from US$5.899 billion in the corresponding period of the previous fiscal.

Table 11: Balance of Payments

(in million US$)

Items	July-February of FY19P	July-February of FY18R	% Changes (2 over 3)
1	2	3	4
Trade Balance	**(-) 10695**	**(-) 11679**	**(-) 8.43**
Exports f.o.b (including EPZ)*	27144	24141	12.44
Of which: Readymade Garments	23126	20256	
Imports f.o.b (including EPZ)*	37839	35820	5.64
Services	**(-) 2370**	**(-) 2348**	**0.94**
Credit	4481	2820	
Debit	6851	5168	
Primary Income	**(-) 1922**	**(-) 1563**	**22.97**
Credit	102	70	
Debit	2024	1633	
Of which: Official Interest Payment	504	352	
Secondary Income	**10717**	**9691**	**10.59**
Official Transfers	17	39	
Private Transfers	10700	9652	
Of which: Workers' Remittances inflows	10410	9461	10.03
Remittances exel. investments	10264	9250	
Current Account Balance	**(-) 4270**	**(-) 5899**	**(-) 27.61**
Capital Account	**156**	**165**	
Capital Transfers	156	165	
Financial Account	**3723**	**5376**	**(-) 30.75**
Foreign Direct Investment (gross inflows)	2664	1849	
Of which; Foreign Direct Investment net inflows**	1183	948	24.79
Portfolio Investment (net)	127	312	
Of which: Investment by NRBs	146	211	
Other Investment (net)	2413	4116	
Errors and Omissions	**(-) 108**	**(-) 620**	**(-) 82.58**
Overall Balance	**(-) 499**	**(-) 978**	**(-) 48.98**

Notes: P=Provisional; R=Revised; * = Both exports and imports are compiled on the basis of shipment data

** Disinvestment, repayments of loans & loss have been deducted as per BPM6 and it includes in financial account calculation instead of gross FDI

Source: Bangladesh Bank

The financial account surplus has, however, shrunk by 30.75 per cent from US$5.376 billion to US$3.723 billion during this period, despite an increasing trend in net FDI. Due to a significant improvement in the current account balance, the deficit in the overall balance improved to US$499 million in July-February of FY19 from a deficit of US$978 million during the corresponding months of FY18.

13.0 EXCHANGE RATE

Between end-June of 2018 and end-March of 2019, the Taka depreciated by 0.65 per cent in terms of US dollar. On the inter-bank market, the US dollar was quoted at Tk.83.7000 at the end of June 2018 and Tk.84.2500 at the end of March 2019 (Table 12).

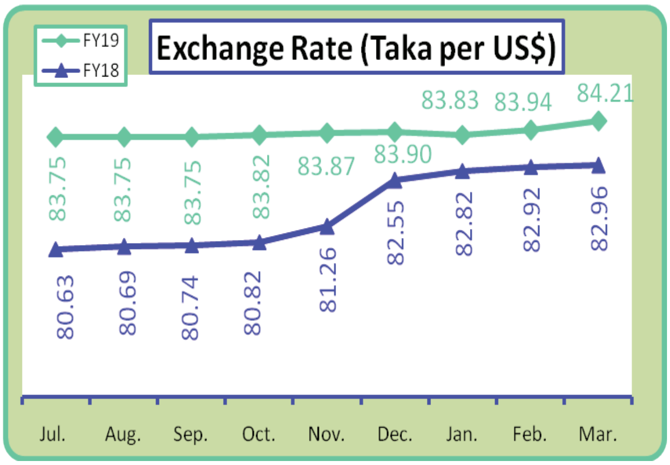
Table 12: Monthly Exchange Rate

Month	FY19^{P} (Taka per US$)		FY18^{R} (Taka per US$)	
	Month Average	End Month	Month Average	End Month
June	-	-	83.7010	83.7000
July	83.7472	83.7500	80.6262	80.6598
August	83.7500	83.7500	80.6937	80.7000
September	83.7500	83.7500	80.7354	80.8000
October	83.8167	83.8500	80.8202	80.8810
November	83.8735	83.9000	81.2550	82.3000
December	83.9000	83.9000	82.5520	82.7000
January	83.8253	83.9500	82.8150	82.9000
February	83.9417	84.1500	82.9196	82.9600
March	84.2081	84.2500	82.9600	82.9600

Note: i) P=Provisional; R=Revised

ii) Exchange rate represents the mid-value of buying and selling rates

Source: Bangladesh Bank



14.0 FOREIGN EXCHANGE RESERVES

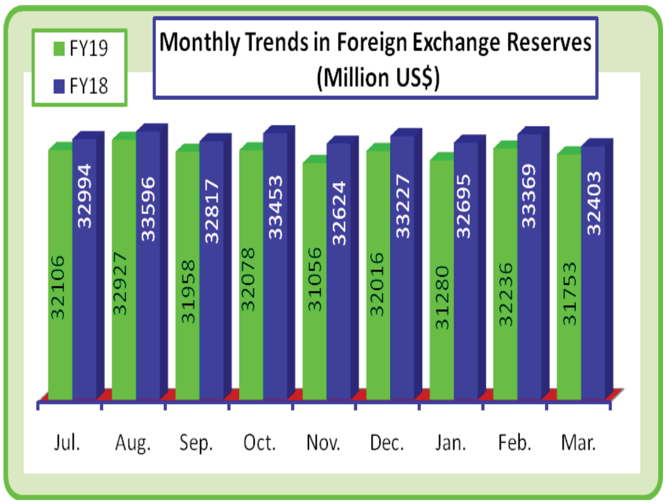
Bangladesh Bank's gross foreign exchange reserves stood at US$31.753 billion (with ACU liability of US$0.59 billion) as of end March 2019, compared to US$32.236 billion (with ACU liability of US$1.14 billion) at the end of the previous month. The current foreign exchange reserve (less ACU liability) is equivalent to 6.13 months' import payments (Table 13 and Fig. 6).

Table 13: Monthly Trends in Foreign Exchange Reserves

Month	Foreign Exchange Reserve (million US$)	
	FY19^{P}	FY18^{R}
July	32106	32994
August	32927	33596
September	31958	32817
October	32078	33453
November	31056	32624
December	32016	33227
January	31280	32695
February	32236	33369
March	31753	32403

Notes: P=Provisional; R=Revised

Source: Bangladesh Bank



15.0 OVERSEAS EMPLOYMENT SITUATION

Bangladesh is keen to boost manpower export but the number of outbound Bangladeshi workers continued to fall over the period. According to the Bureau of Manpower Employment and Training (BMET) data, the country's outbound jobs decreased by 7.53 per cent to 165,328 in January-March of FY19 from 178,788 during the previous quarter (October-December of FY19). Year-on-year, too, the number declined by 19.04 per cent from 204,201 during January-March of FY18. Sector insiders attributed such drop in overseas jobs mainly to a downward trend in manpower recruitment by the Middle Eastern (ME) job destination countries, and also to the growing number of expatriates returning home from abroad. Kingdom of Saudi Arabia (KSA), the largest job market for Bangladeshi workers, has recently banned different

categories of jobs for foreign workers. Bangladeshi workers are also struggling to manage jobs in other ME countries like Kuwait, Qatar and Oman. Malaysia, another traditional market, stopped hiring workers from Bangladesh in September 2018 due to an allegation of syndication and human trafficking in the recruitment process. Sector insiders suggest the need for formulating a long-term policy with restructuring the education and training systems that would facilitate improving the workers' skills to a standard suitable for the job destinations. They also recommend taking necessary measures to diversify job markets. Vocational education should be made mandatory to create skilled workers for the overseas markets; otherwise it would be very difficult to keep the market stable. The government should take immediate measures in this regard.

Since 1991, when Bangladeshi female workers started going abroad for jobs, the number of oversees jobs for female workers has gradually increased. Some 32,577 female workers entered the international markets with jobs during the quarter under review against 28,632 workers that moved out during the previous quarter (October-December FY19). Female workers, mostly housemaids and garment workers, are employed mainly in KSA, UAE, Jordan, Oman, Lebanon and Qatar.

16.0 PRICE SITUATION

The general point to point inflation continued to go up for the third consecutive month of the quarter under review, increasing to 5.55 per cent in March because of rising prices of food items like fish, meat, edible oils, vegetables and fruits. The rising cost of non-food items like textile items, health services and transport also contributed to the rise in inflation rate in the last month. The rate of inflation was 5.47 per cent in February and 5.42 per cent in January (Table 14). The government has targeted to keep the average inflation rate up to 5.6 per cent, which is also mentioned in the Bangladesh Bank's latest monetary policy statement for January-June 2019 (H2 of FY19). However, year-on-year, the inflation rate in March of FY19 decreased by 0.13 percentage point from 5.68 per cent. While food inflation increased by 0.28 percentage point to 5.72 per cent in March 2019 from 5.44 per cent in the immediate past month of February. On the other hand, non-food inflation decreased by 0.22 percentage point to 5.29 per cent in March 2019 from 5.51 per cent in the previous month.

Table 14: Monthly Trends in Inflation (Base: 2005-06=100)

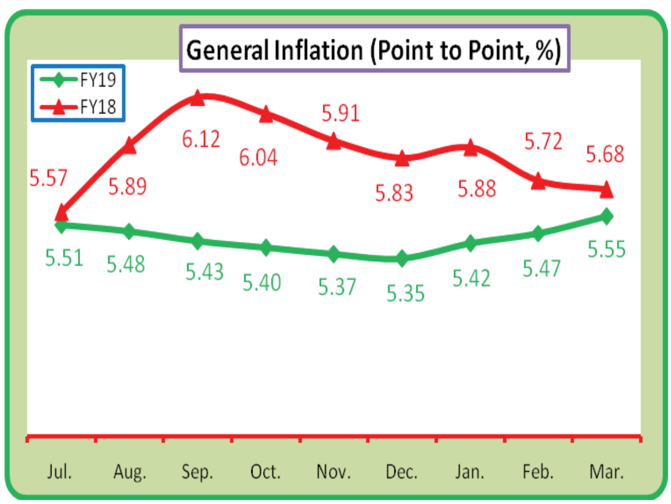
(Per cent)

Period	Point to Point-All (National)			Point to Point-Rural			Point to Point-Urban		
	General	Food	Non-food	General	Food	Non-food	General	Food	Non-food
FY19[P]									
July	5.51	6.18	4.49	5.04	5.34	4.49	6.37	8.08	4.50
August	5.48	5.97	4.73	5.05	5.34	4.51	6.28	7.39	5.04
September	5.43	5.42	5.45	4.99	4.86	5.22	6.23	6.65	5.74
October	5.40	5.08	5.90	4.87	4.52	5.53	6.38	6.35	6.41
November	5.37	5.29	5.49	4.91	4.84	5.06	6.21	6.32	6.09
December	5.35	5.28	5.45	4.91	4.84	5.05	6.14	6.27	5.99
January	5.42	5.33	5.57	5.14	5.28	4.89	5.93	5.43	6.50
February	5.47	5.44	5.51	5.26	5.48	4.86	5.85	5.38	6.39
March	5.55	5.72	5.29	5.38	5.80	4.58	5.86	5.52	6.24
FY18[R]									
July	5.57	6.95	3.53	5.41	6.86	2.84	5.86	7.15	4.48
August	5.89	7.32	3.75	5.88	7.39	3.19	5.91	7.18	4.51
September	6.12	7.87	3.44	6.21	7.97	2.98	5.95	7.63	4.08
October	6.04	7.62	3.61	6.14	7.71	3.24	5.86	7.40	4.12
November	5.91	7.09	4.10	5.93	7.07	3.83	5.89	7.15	4.47
December	5.83	7.13	3.85	5.84	7.08	3.54	5.82	7.22	4.25
January	5.88	7.62	3.23	5.90	7.40	3.13	5.86	8.13	3.37
February	5.72	7.27	3.36	5.64	6.94	3.25	5.87	8.02	3.50
March	5.68	7.09	3.52	5.63	6.77	3.52	5.76	7.80	3.51

Notes: i) P=Provisional, R=Revised; ii) Food includes food, beverages and tobacco

Source: BBS

A comparison of point to point inflation data for rural and urban areas in March of FY19 shows that the general and non-food inflation rate was higher in urban areas than in rural areas. Food inflation, however, was lower in urban areas than in rural areas (Table 14).



17.0 CHAMBER'S PROJECTION ON SOME SELECTED ECONOMIC INDICATORS

On the basis of observations in the preceding nine months, the Chamber has made its own projections on some selected economic indicators for the fourth quarter of the present fiscal (Q4 of FY19). These projections are presented in Table 15.

Table 15: Projection on Some Selected Indicators in Q4 of FY19

Indicators	FY19											
	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	**April**	**May**	**June**
Export (million US$)	3581	3214	3146	3711	3422	3426	3680	3383	3340	**3385**	**3395**	**3450**
Import (million US$)	5079	4459	5160	5547	5082	4744	6121	4704	**4850**	**4960**	**5160**	**5195**
Remittance (million US$)	1318	1411	1140	1239	1180	1207	1597	1318	1459	**1850**	**1910**	**1860**
Forex Reserve (million US$)	32106	32927	31958	32078	31056	32016	31280	32236	31787	**32450**	**32820**	**32250**
Inflation, Point to Point (per cent)	5.51	5.48	5.43	5.40	5.37	5.35	5.42	5.47	5.55	**5.60**	**5.65**	**5.50**

Notes: July – March of FY19: actual figures except March value of Import; April – June of FY19: projections (figures in bold)

Sources: BB, BBS and the Chamber's own calculation

It is assumed that the peaceful political situation that currently prevails will continue in the coming days. In that situation, export, import, and foreign exchange reserve (Forex) can be expected to increase. Remittance inflow may fall in June – the aftermath of the Ramadan. The rate of inflation may rise in April and May because of the Ramadan, as some essential commodities, including fuels, are likely to go up.

18.0 CONCLUDING OBSERVATIONS

Bangladesh economy has achieved a lot of successes in recent times. As per the estimate of BBS, the country's GDP growth in the present fiscal (FY19) is likely to be 8.13 per cent, up from 7.86 per cent in the past fiscal (FY18). The multilateral lenders that previously downgraded the country's growth projection to below 7 per cent have raised their projection to between 7.3 per cent and 8.0 per cent. Although their projections are well below the BBS estimate of 8.13 per cent, the forecasted growth rate, if successfully realized, would be no mean achievement when compared with the GDP growth of many other developing countries.

Improvements in the country's GDP growth so far are the outcome of steady progress in the agriculture sector and food security, moderately good growth in industry despite the shortage in the power sector, the decline in the inflation rate to single digit, macroeconomic stability, the build-up of a comfortable foreign exchange reserve, achieving most of the MDG targets, and good progress in achieving the SDGs, which the country is diligently striving to meet ahead of the 2030 timeline.

While these achievements boost people's confidence in the country's ability to attain accelerated economic growth and emerge as a middle income country by 2021 and a developed country by 2041, there are significant downside risks that pose as big threats to its economic growth which need to be carefully addressed. Power and gas shortage, insufficiency of investment and weak infrastructure are the major obstacles to growth, as they disrupt industrial production and also discourage new investment. There are other downside risks such as poor implementation of public investment programmes (only 47.22% of the ADP has reportedly been implemented in the first nine months of the present fiscal), the growing requirement of subsidy payments by the state to different sectors, uncertain availability of foreign aid, and growing income inequalities. The corruption-ridden banking sector is perhaps the biggest downside risk now, which will call for strict vigilance by the central bank to bring discipline to the sector.

A Brief Profile of MCCI, Dhaka

Founded in 1904, the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) is the oldest and the pre-eminent trade organization of Bangladesh. Its membership roll encompasses leading commercial and large industrial organizations of the country, including public sector corporations and local as well as multinational companies. Presently, almost all major enterprises of the manufacturing and service sector are among its members. The Chamber provides a wide range of professional services to its members.

The Chamber's services, developed over a long period, are comprehensive and cover specialized areas such as taxation, import-export, tariff and non-tariff measures, investment, WTO matters and other national and international economic and commercial concerns. The Chamber maintains a secretariat manned by professional staff. It offers secretarial services to the Bangladesh Employers' Federation (BEF), the lone national level organization of employers in the country dealing with industrial relations, occupational safety and health, workplace cooperation, skills development, labor law and other labor-related issues.

The Chamber's policy recommendations and inputs related to ongoing reforms have gained wide acceptance amongst government and policy makers. MCCI has earned recognition at home and abroad by offering services such as issuing certificates of origin, and, through conducting economic research and sector surveys, offering trade and investment facilitation services, legal services, information management and dissemination, and publications related to trade and commerce.

The Chamber is represented in many Advisory Councils as well as Committees formed by various ministries of the government of Bangladesh. MCCI also maintains effective working relations with development partners, e.g., the World Bank Group, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Asian Development Bank (ADB), Japan External Trade Organization (JETRO), Japan International Cooperation Agency (JICA), the Asia Foundation, etc. MCCI has a long history of joint collaboration. It interacts regularly with major international trade bodies and many private sector organizations located all over the world.