Quarterly Review

July–September 2020 (Q1 of FY21)

ECONOMIC SITUATION IN BANGLADESH

MCCI
Since 1904

METROPOLITAN CHAMBER OF COMMERCE & INDUSTRY, DHAKA

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VISION

Be the leading voice serving responsible business

MISSION

Become the leading Chamber for providing research and analysis related to business in Bangladesh

Attract quality membership, representative of a cross section of business

Effectively respond to changing business environment

Collaborate with local and international institutions

Engage and communicate regularly with our stakeholders

Promote best practices that benefit business and society

VALUES

Fairness
Integrity
Respect
Equal Opportunity

CORE COMPETENCIES - ORGANIZATION

Research based Policy Advocacy
Networking
Business Intelligence

CORE COMPETENCIES – PEOPLE

Professional
Innovative
Adaptable
Team Player
Proactive
Communication & Interpersonal Skills

DISCLAIMER

QUARTERLY REVIEW

July–September 2020 (Q1 of FY21)

Contents

EXECUTIVE SUMMARY

General

1. Bangladesh economy continues to struggle with the spread of the COVID-19 pandemic. The economic activities have gathered pace after lifting of the restrictions in late May 2020 but far short of the normal level. The pace of picking up business activities in some areas of the economy is faster than many others, depending on the demand for goods and services.

2. The country is now confronting some major challenges in steering its economy to a higher growth trajectory. Such challenges are slow implementation of development projects, low investment and sluggish growth of revenue. A significant increase in public and private investment is necessary to maintain competitiveness and generate further growth.

Agriculture

3. Production data on agriculture sector for the quarter under review (Q1 of FY21) are yet to be available because the harvesting of the three major crops – aman, aus and boro - will be spread over the coming months of the fiscal year. However, the sector accounted for about 13.35 per cent of GDP in FY20 and employed about 39 per cent of Bangladesh's labour force. The favorable natural factors and strong government support in terms of timely availability of inputs and finance notwithstanding, the sector achieved a lower rate of growth of 3.11 per cent in FY20 than in FY19 when the sector grew at 3.92 per cent.

   To tackle the economic losses caused by the outbreak of the deadly coronavirus, the government has created a refinance scheme of Tk.50.0 billion for the agriculture sector. Accordingly, the central bank on 14 April 2020 launched a Tk.50.0 billion stimulus fund. The tenure for the loans was set at 18 months, including a grace period of six months. According to the latest data from the BB, as many as 43 banks signed participation agreements with the BB to disburse the fund. However, only a small number of banks have so far disbursed the loans. As of September 2020, only Tk.18.92 billion or 37.84 per cent of loan disbursed among 78,526 farms or farmers from the special refinancing scheme.

Industry

4. For the quarter under review (Q1 of FY21), data on the country's industry sector are yet to be available. However, due to slower economic activities caused mainly by COVID-19 in the previous months, the sector recorded a lower growth of 6.48 per cent in FY20, compared to 12.67 per cent in FY19. Besides, the share of the industry sector in GDP increased by 0.36 percentage points to 35.36 per cent in FY20 from 35.0 per cent in FY19.

   In the broad industry sector, the manufacturing sub-sector recorded a lower growth of 5.84 per cent growth in FY20 mainly due to COVID-19, compared to the previous fiscal year's 14.20 per cent. Within manufacturing, the large and medium scale industries sub-sector performed poorer than in the previous fiscal, growing at 5.47 per cent in FY20, than the 14.84 per cent in FY19. The small scale manufacturing industries also grew lower rate at 7.78 per cent in FY20 against 10.95 per cent in FY19. The share of the manufacturing sub-sector in GDP increased to 24.18 per cent in FY20 from 24.08 per cent in the previous fiscal year. Within manufacturing, the share of the large and medium scale industries sub-sector in GDP rose to 20.22 per cent in FY20 from 20.21 per cent in FY19, and the share of small scale industries sub-sector in GDP also increased to 3.96 per cent from 3.87 per cent.

   However, to overcome the possible impact of COVID-19 pandemic on the sector, the government has taken a bail-out package of Tk.300.0 billion to provide the affected industries and service sector organizations as working capital through banks with low interest rate in April 2020. Accordingly, on 12 April 2020, the BB launched the stimulus package of Tk.300.0 billion. Till 17 September 2020, some 2,062 large companies received the low-cost loans of Tk.254.61 billion, which is 84.87 per cent of Tk.300.0 billion.

   The BB later formed a Tk.50.0 billion pre-shipment credit refinance scheme for local products and the export sector. Under the scheme, the export-oriented industries have also not made any (almost) progress. The BB issued the scheme on 13 April 2020, but only Tk.166 million or 0.33 per cent was disbursed as on 30 September 2020. On 24 August 2020, the BB relaxed rules for availing pre-shipment credit refinance aiming at helping local exporters continue shipping products and now the timeline has been extended to two years from previously four-month timeframe.

Power

5. The countrywide electricity generation on 30 September 2020 during the day peak was 10,655 MW and evening peak was 12,428 MW. However, the installed and the derated (actual) capacity were almost double of 20,773 MW and 20,282 MW, respectively. The regular electricity consumption also fell recently due to the demand fall. Overall electricity demand on 30 September 2020 was 11,913 MW and load shedding was 1,532 MW.

Services

6. Full data on which are not yet available to enable an understanding of how the broad service sector have fared in the quarter under review (Q1 of FY21). However, many of these have already started their activities during COVID-19 pandemic and have contributed to boost Bangladesh economy except education.

Money and Capital Market

7. Broad money (M2) recorded a higher growth of 13.92 per cent at the end of September 2020 compared to 11.89 per cent growth achieved at the end of September 2019.

   Domestic credit, on the other hand, grew by 12.65 per cent at the end of September 2020, while a slightly higher rate of growth of 14.42 per cent was recorded at the end of September 2019. Among components of domestic credit, private sector credit registered 9.48 per cent growth during the period between September 2019 and September 2020, compared with a higher growth of 10.66 per cent during the period between September 2018 and September 2019. Public sector credit, on the other hand, recorded a growth of 32.04 per cent at the end of September 2020, compared with a higher growth of 44.40 per cent at the end of September 2019.

8. Total liquid assets of scheduled banks stood higher at Tk.359,397 crore at the end of August 2020, compared with Tk.335,798 crore at the end of June 2020. The minimum liquidity requirement of the scheduled banks was Tk.198,418 crore at the end of August 2020. The scheduled banks thus held an excess liquidity of Tk.160,979 crore as of end August 2020.

9. The interest rate spread between the weighted average interest rate on lending and deposits of all banks increased further to 3.00 per cent in September 2020 from 2.97 in the previous month (August) as banks slashed rates on deposits more than those of lending. The weighted average interest rate on deposits came down to 4.79 per cent in September from 4.85 per cent in August 2020, and the interest rate on lending also fell to 7.79 per cent from 7.82 per cent.

10. The disbursement of industrial term loans during April-June of FY20 stood at Tk.12,132 crore, which was 23.9 per cent lower than the amount of Tk.15,948 crore disbursed during the immediate previous quarter (January-March) of FY20. On the other hand, the recovery of industrial term loans also decreased by 38.6 per cent to Tk.10,187 crore during April-June of FY20, compared to Tk.16,602 crore recovered in the previous quarter (January-March of FY20).

11. Total outstanding position of CMSME loans by all banks and non-bank financial institutions (NBFIs) increased by 10.75 per cent to Tk.218,973 crore at the end of March 2020 from Tk.197,718 crore at the end of March 2019. However, the outstanding position of CMSME loans by all banks and NBFIs was 20.14 per cent of total loans at the end of March 2020.

    To cope with the possible economic impact on the country due to the COVID-19, the government has taken 21 bail-out packages. Under one of these stimulus packages, CMSMEs get loan of Tk.200.0 billion as working capital. Until 30 September 2020, only Tk.48.23 billion or 24.12 per cent was disbursed. This package mainly helps the agro-processing industries, fisheries, poultry, and dairy farms.

12. The disbursement of agricultural credit and non-farm rural credit by all scheduled banks in July-September of FY21 stood at Tk.4,684 crore, representing an increase of 31.78 per cent from Tk.3,555 crore in the corresponding quarter of FY20. The disbursement was improved significantly following implementing stimulus packages along with providing interest subsidy. On the other hand, the recovery also increased by 43.53 per cent to Tk.6,278 crore in July-September of FY21, compared to Tk.4,374 crore in the corresponding period of the previous fiscal year.

13. The capital market passed yet another gloomy period under the quarter under review. Stocks extended the losing streak for the second consecutive session on 30 September 2020, the last working day of the quarter, as risk-averse investors continued their profit booking sell-offs on quick-gaining shares.

Public Finance

14. Tax revenue collection by the NBR started gaining momentum gradually after the COCID-19 pandemic fallout, posting 4.11 per cent growth in the first quarter of the current fiscal year compared to the corresponding period of the previous fiscal year. According to the provisional data of NBR, it collected an aggregate amount of revenue worth Tk.499.90 billion in Q1 of FY21 compared to Tk.480.17 billion in Q1 of FY20. However, this revenue collection fell short by Tk.137.24 billion or 21.54 per cent of the target (Tk.637.14 billion).

15. The implementation rate of the ADP in the quarter under review was almost same than that in the previous fiscal year. According to the IMED, 58 ministries and divisions could spend Tk.173.01 billion or 8.06 per cent of the total allocation of Tk.2,146.11 billion in July-September of FY21. In the corresponding period of the in the last fiscal, Tk.173.44 billion was spent, which was 8.06 per cent of the total ADP outlays of Tk.2,151.14 billion.

Export and Import

16. Export earnings (merchandise) in July-September of FY21 increased by 2.58 per cent to US$9.90 billion from US$9.65 billion in the corresponding quarter of the previous fiscal year. These earnings also surpassed the strategic target (US$9.66 billion) by 2.48 per cent. The overall export growth in July-September of FY21 was largely driven by the readymade garments sector, which alone fetched US$8.13 billion or 82.12 per cent of total exports.

    The single-month export earnings in September 2020 (US$3.02 billion) increased month-on-month by 1.68 per cent from US$2.97 billion (August); also grew year-on-year by 3.53 per cent from US$2.92 billion. It surpassed the strategic target (US$2.85 billion) by 5.96 per cent.

    Soon after the pandemic unfolded, the government on 25 March 2020 announced Tk.50.0 billion in stimulus loans for exporters. Accordingly, the BB was set to release the funds as salaries for workers and employees of export-oriented factories through equal installments in the three months from April to June. However, nearly the entire fund—

Tk.48.21 billion—was disbursed in just two months (April and May). As many as 1,992 export oriented firms borrowed the funds in April and May through 47 banks. After that, the central bank requested the government for additional funds to clear wages for June. However, the central bank disbursed the June wages from the Tk.300.0 billion stimulus loan package for industries and the services sector.

In line with the government's efforts to tackle the economic fallout from the coronavirus crisis, the BB has raised the export development fund (EDF) to US$5.0 billion from US$3.5 billion. Exporters can borrow more money from the EDF at a lower interest rate of 2.0 per cent. As of 30 September 2020, about UD$2.99 billion or 59.80 per cent was distributed among 2,202 applicants.

The pre-shipment credit refinance scheme amounting to Tk.50.0 billion for export-oriented industries has also not made any (almost) progress. The BB issued the scheme on 13 April 2020, but only Tk.166 million or 0.33 per cent was disbursed as of 30 September 2020.

17. Import payments (C&F) during the first three months in the current fiscal year stood at US$12.69 billion, which is 11.43 per cent lower than import payments during the corresponding months of FY20 mainly due to global economic slowdown and coronavirus outbreak in different countries of the world.

Remittances

18. The inflow of remittances in the quarter under review grew by 48.54 per cent to US$6.71 billion from US$4.52 billion in Q1 of FY20 despite the ongoing COVID-19 pandemic. The government incentive and the latest policy support provided by the BB have contributed to achieve the new record of inward remittances. While, in the last month of the quarter (September 2020), year-on-year, remittances registered a growth of 45.63 per cent. Also, the inflow of remittances in September increased by 9.14 per cent from the previous month (August 2020).

Foreign Aid

19. The disbursement of foreign aid increased by US$473.16 million or 50.29 per cent to US$1,413.96 million in Q1 of FY21 compared to US$940.80 million in the corresponding period in the previous fiscal year. On the other hand, development partner's commitments of foreign aid decreased to US$797.47 million in Q1 of FY21 from US$2.01 billion in Q1 of FY20.

Foreign Direct Investment (FDI)

20. In the first three months of the current fiscal year, the net FDI decreased by 60.0 per cent to US$68 million from US$170 million in the corresponding three months of FY20, according to the BB's balance of payments data. On the other hand, the gross inflow of FDI during the period under review also decreased by 24.69 per cent to US$540 million from US$717 million in the corresponding three months of FY20. FDI inflow in Bangladesh is low compared to that in many countries at similar level of development.

Balance of Payments (BoP)

21. Overall trade deficit narrowed by 46.90 per cent to US$2.04 billion in July-September of FY21 from US$3.84 billion in the corresponding period of the previous fiscal year. In these three months, exports increased slightly by 2.97 per cent while imports recorded a negative growth of 11.47 per cent.

Current account balance recorded significant surplus of US$3.53 billion in July-September of FY21 as compared to the deficit of US$715 million in July-September of FY20. Surplus in current account balance emerged from larger inflows of remittances and significantly lower deficit both in trade and services account.

Despite having deficit in financial account balance and net foreign direct investment (FDI), the overall balance of payments (BoP) registered a surplus of US$3.10 billion in the quarter under review, as against a deficit of US$204 million in the same period of the last fiscal year.

Exchange Rate and Foreign Exchange Reserve

22. Between end-June of 2020 and end-September of 2020, the value of Taka appreciated by 0.11 per cent in terms of US dollar.

23. Amidst the ongoing COVID-19 crisis, the foreign exchange reserve rose to US$39.31 billion (with ACU liability of US$0.67 billion) as of end September 2020, which was US$39.04 billion (with ACU liability of US$1.08 billion) as of end August 2020. The current foreign exchange reserve (less ACU liability) is sufficient to pay import bills for 8.67 months.

Inflation

24. The general point to point inflation rate increased by 0.29 percentage points to 5.97 per cent in September 2020 from 5.68 per cent in the immediate past month (August 2020) mainly due to the coronavirus outbreak-induced price hike of essential food items. A year ago, in September 2019, the inflation rate was lower at 5.54 per cent.

Food price inflation increased by 0.42 percentage points to 6.50 per cent in September 2020 from 6.08 per cent in August due to the prices of some food items soared in the month. Year-on-year, food inflation also rose significantly by 1.20 percentage points from 5.30 per cent.

On the other hand, non-food price inflation increased slightly by 0.07 percentage points to 5.12 per cent in September 2020 from 5.05 per cent in the previous month. Year-on-year, non-food price inflation, however, decreased by 0.80 percentage points from 5.92 per cent.

A comparison of point to point inflation data for rural and urban areas in September of FY21 shows that the general and non-food price inflation rate was lower in rural areas than in urban areas while food inflation rate was lower in urban area than in rural area.

THE REPORT

1.0 AGRICULTURE

Production data on agriculture sector for the quarter under review (Q1 of FY21) are yet to be available because the harvesting of the three major crops – aman, aus and boro - will be spread over the coming months of the fiscal year. However, according to Bangladesh Bureau of Statistics (BBS), the sector accounted for about 13.35 per cent of GDP in FY20 and employed about 39 per cent of Bangladesh's labour force. The agriculture sector includes three sub-sectors namely: i) Crops and horticulture, ii) Animal farming, and iii) Forest and related services.

The favorable natural factors and strong government support in terms of timely availability of inputs and finance notwithstanding, the sector achieved a lower rate of growth of 3.11 per cent in FY20 than in FY19 when the sector grew at 3.92 per cent.

To tackle the economic losses caused by the outbreak of the deadly coronavirus, the government has created a refinance scheme of Tk.50.0 billion for the agriculture sector. Accordingly, the central bank on 14 April 2020 launched a Tk.50.0 billion stimulus fund for agricultural farmers (small and medium) in rural areas, including that of poultry and dairy sector. The tenure for the loans was set at 18 months, including a grace period of six months. Banks borrow the funds at 1.0 per cent interest rate and lend at 4.0 per cent to farmers in line with the guidelines of Bangladesh Bank (BB).

According to the latest data from the BB, as many as 43 banks signed participation agreements with the BB to disburse the low-cost stimulus fund. However, only a small number of banks have so far disbursed the loans. As of September 2020, only Tk.18.92 billion or 37.84 per cent of loan disbursed among 78,526 farms or farmers from the special refinancing scheme.

1.1 Food Situation

Domestic Production

The target of domestic food grains (rice and wheat) production for FY21 was set by the Department of Agricultural Extension (DAE) at 40.87 million metric tons (mmt), which is 2.25 per cent higher than the FY20 target of 39.97 mmt. This target was also 2.33 per cent higher than the actual production in FY20 (39.94 mmt). The crop-specific production targets in FY21 for aman, aus, boro and wheat are 15.59 mmt, 3.45 mmt, 20.53 mmt, and 1.30 mmt, respectively.

The final estimates of food grains production for FY20 are yet to be available from the BBS. However, DAE's provisional estimate shows that total food grains production would be 39.94 mmt, comprising 38.69 mmt of rice and 1.25 mmt of wheat. This amount is 5.99 per cent higher than the previous year's production (37.68 mmt). The provisional estimate for FY20 of aus, aman, boro and wheat production has been finalized by DAE at 3.01 mmt, 15.50 mmt, 20.18 mmt, and 1.25 mmt, respectively. According to the latest monitoring report of DAE, production of aus is estimated provisionally at 3.72 mmt. Area achieved for aman is 58.97 lakh hector in the present crop year, which marginally exceeded the target area for the crop. Targets for boro and wheat area are 47.85 lakh hector and 3.55 lakh hector, respectively.

Food grains Import

As of 24 September 2020, government and private sector did not import any rice. In the corresponding period of last year, about 4.0 thousand metric tons (tmt) of rice was imported by the private sector. Regarding other food grains, up to 24 September 2020, about 189.30 tmt of wheat was imported by the public sector, while the private sector imported about 975.80 tmt of wheat. Over the same period of last year, 177.40 tmt of wheat was imported by the public sector but the private sector imported 944.90 tmt of wheat.

Domestic Procurement

In order to stabilize farm price as well as provide price incentive to farmers, the government has been procured 64.41 tmt of wheat out of the target of 75.0 tmt from the domestic market. The drive for wheat began on 15 April 2020 and continued till 30 June 2020. On the other hand, public procurement from boro 2020 season has been started from 26 April 2020 and continued up to 15 September 2020 with a target of 1,670 tmt boro rice including Tk.36.0 per Kg for parboiled rice, Tk.35.0 per Kg for atap rice and Tk.26 per Kg for boro paddy from the domestic market. As of 24 September 2020, however, 219.87 tmt of boro paddy and 767.01 tmt of boro rice (parboiled and atap rice), which in total equivalent to 909.93 tmt boro rice has been procured, 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 food for work (FFW), fair price card (FPC), open market sale (OMS), gratuitous relief (GR), vulnerable group development (VGD), essential priorities (EP), and vulnerable group feeding (VGF) channels.

To distribute food grains through PFDS in FY21, the government has set a target of 3,140 tmt. As on 24 September 2020, about 525.20 tmt of food grains were distributed which is about 16.73 per cent of the yearly target. A special OMS drive has been continuing up to Upazila level all over the country with sold at Tk.30 per Kg for rice and Tk.18 per Kg atta. Each beneficiary is being able to purchase up to 5 Kg of food grains. During FY20, the government's original target for distribution of food grains through PFDS was 3,060 tmt which was revised later at 3,100 tmt. As on 30 June 2020, about 2,777 tmt of food grains were distributed. This distribution was about 89.57 per cent of the yearly revised target.

Public Stock

According to the Directorate General of Food, the public food grains stock as on 24 September 2020 stood at 1,429.94 tmt, of which 1,003.25 tmt in rice and 426.69 tmt in wheat.

Domestic Market Price

Domestic market price in the fortnight ending 25 September 2020, the wholesale and retail prices of rice (Swarna) in Dhaka city markets decreased and increased, respectively, by 0.80 per cent and 2.30 per cent to Tk.40.92 per Kg and Tk.45.0 per Kg. Over the same period last month, the retail price of rice (Swarna) in Dhaka city markets increased by 18.70 per cent but the wholesale price decreased by 4.80 per cent.

International Market Price

In the fortnight ending 25 September 2020, the prices of West Bengal parboiled, Thai 5% parboiled, Vietnam 15% white, Pakistan 5% parboiled and India 5% parboiled rice fell by 0.5 per cent, 2.7 per cent, 3.7 per cent, 2.1 per cent and 1.6 per cent, respectively, to US$352 per mt, US$477 per mt, US$455 per mt, US$419 per mt and US$374 per mt. However, the wholesale price of rice in Dhaka city was increased by 0.4 per cent to US$486 per mt over the same period.

In the fortnight ending 25 September 2020, the prices per mt of US Soft Red Winter (SRW), US (HRW), Russian and Ukraine wheat increased by 1.5 per cent, 4.6 per cent, 5.8 per cent and 5.6 per cent, respectively, to US$221, US$252, US$238 and US$237. On the same date, Dhaka city wholesale price of wheat decreased by 0.9 per cent to US$263 per mt.

1.2 Fish and Animal Farming (Livestock and Poultry)

According to the latest available data of BBS, fish and animal farming (livestock and poultry) sub-sectors accounted for about 4.95 per cent of the country's GDP in FY20. Separately, fish and animal farming sub-sectors accounted for 3.52 per cent and 1.43 per cent, respectively, of the country's GDP in FY20. Besides, fish and animal farming sub-sectors grew by 6.10 per cent and 3.04 per cent, respectively in FY20. Nearly 20 million people are involved in the fish sector, while the animal farming sector has created job opportunities for around 6.5 million people.

Fish

According to the Food and Agriculture Organisation (FAO), Bangladesh is one of the leading fish producing countries in the world. The country was ranked third in producing fish from inland water-bodies in the world, behind China and India. Bangladesh was the fifth biggest aquaculture producer and eleventh biggest marine and coastal sources producer in the world. The sector registered an annual average growth of 5.26 per cent over the last 10 years. The aquaculture contributes 56.24 per cent of the total fish production in the country. Per capita fish consumption has increased to 62.58 grams per day, exceeding the daily requirement of 60 grams, according to the Ministry of Fisheries and Livestock (MoF&L).

In the quarter under review (July-September of FY21), the country has exported US$131.60 million frozen and lives fish against the target of US$135.24 million, according to the Export Promotion Bureau (EPB) data.

Live stock

According to the latest data of Department of Livestock Services (www.dls.gov.bd), total livestock population stood at 412.24 million in FY20 from 330.49 million in FY11. Among these, total ruminant (cattle, buffalo, sheep and goat) population was increased to 55.93 million from 51.68 million and total poultry (chicken and duck) population was 356.31 million in FY20 from 278.81 million in FY11. Among the ruminant population, cattle, buffalo, sheep and goat population increased to 24.39 million, 1.49 million, 3.61 million and 26.44 million, respectively, in FY20 from 23.12 million, 1.39 million, 3.02 million and 24.15 million in FY11. On the other hand, among the poultry population, chicken and duck population increased to 296.60 million and 59.71 million, respectively, in FY20 from 234.69 million and 44.12 million in FY11.

According to the Ministry of Fisheries and Livestock (www.mofl.gov.bd), Bangladesh is now achieved self-sufficiency in meat and egg production and on the way to achieve self-sufficiency in milk production. The production of meat increased to 7.67 million metric ton in FY20 from 1.26 million metric ton in FY10 against the demand in FY20 was 7.30 million metric ton. While the production of egg increased to 17.36 billion (number) in FY20 from 5.74 billion in FY10 against the demand in FY20 was 17.33 billion. On the other hand, the production of milk increased to 10.68 million metric ton in FY20 from 2.37 million metric ton in FY10 against the demand in FY20 was 15.20 million metric ton.

2.0 Industry

Data on the country's industry sector are yet to be available for the quarter under review (Q1 of FY21). However, due to slower economic activities caused mainly by COVID-19 in the previous months, the sector recorded a lower growth of 6.48 per cent, compared to 12.67 per cent in FY19. Besides, the share of the industry sector in GDP increased slightly by 0.36 percentage points to 35.36 per cent in FY20 from 35.0 per cent in FY19.

To boost up industrial productivity and accelerate the economic growth, the government has recently taken an initiative to set up three state-of-the-art technology centres (TCs) and one specialised design and technology centre (DTC) under a ongoing

Slower Economic activities caused mainly by COVID-19

Industry sector growth in FY20
6.48%

Industry sector growth in FY19
12.67%

flagship project of the Ministry of Commerce (MoC) titled 'Export Competitiveness for Jobs (EC4J)'. The initiative also facilitates diversification of exportable goods, ensure sustainable development and create better job opportunities. To push the plan forward, the MoC has signed a lease agreement with the Bangladesh Economic Zones Authority (BEZA) and Bangladesh Hi-Tech Park Authority (BHTPA) to get lands for the technology centres.

However, to overcome the possible impact of COVID-19 pandemic on the sector, the government has taken a bail-out package of Tk.300.0 billion to provide the affected industries and service sector organizations as working capital through banks with low interest rate in April 2020. Accordingly, on 12 April 2020, the BB launched the stimulus package of Tk.300.0 billion with an interest rate of 9 per cent, half of it to be borne by the borrower and half by the government as a subsidy. So far, the central bank has received a huge number of loan proposals from different banks. Till 17 September 2020, significant progress was made in dispensing the funds to affected large industries and services. Some 2,062 large companies received the low-cost loans of Tk.254.61 billion, which is 84.87 per cent, according to BB data. The quick fund disbursement by the lenders has already had a positive impact on the ongoing recovery process of the business sector.

The BB later formed a Tk.50.0 billion pre-shipment credit refinance scheme for local products and the export sector, under which the BB charges interest of 3 per cent from banks and banks charges 6 per cent from customers. Under the scheme, the export-oriented industries have also not made any (almost) progress. The BB issued the scheme on 13 April 2020, but only Tk.166 million or 0.33 per cent was disbursed as on 30 September 2020. On 24 August 2020, the BB relaxed rules for availing pre-shipment credit refinance aiming at helping local exporters continue shipping products and now the timeline has been extended to two years from previously four-month timeframe.

2.1 Manufacturing Industries

In the broad industry sector, the manufacturing sub-sector recorded a lower growth of 5.84 per cent growth in FY20 mainly due to COVID-19, compared to the previous fiscal year's 14.20 per cent. Within manufacturing, the large and medium scale industries sub-sector performed poorer than in the previous fiscal, growing at 5.47 per cent in FY20, than the 14.84 per cent in FY19. The small scale manufacturing industries also grew lower rate at 7.78 per cent in FY20 against 10.95 per cent in FY19.

Large Scale Manufacturing Industries Growth

5.47% in FY20 ← **14.84%** in FY19

Small Scale Manufacturing Industries Growth

7.78% in FY20 ← **10.95%** in FY19

However, the share of the manufacturing sub-sector in GDP increased to 24.18 per cent in FY20 from 24.08 per cent in the previous fiscal year. Within manufacturing, the share of the large and medium scale industries sub-sector in GDP rose to 20.22 per cent in FY20 from 20.21 per cent in FY19, and the share of small scale industries sub-sector in GDP also increased to 3.96 per cent from 3.87 per cent.

2.2 Construction

Data on the country's construction sector are not available for the quarter under review (Q1 of FY21). However, according to the latest BBS data, the sector grew by 9.06 per cent, a lower rate due to COVID-19, in FY20, compared to 10.25 per cent in FY19. The real estate, renting and business activities, which are considered a separate category of the services sector but have close links with the construction sector, also recorded lower rate of 4.85 per cent in FY20 against 5.23 per cent in FY19.

Construction Sector Recorded lower Rate of Growth

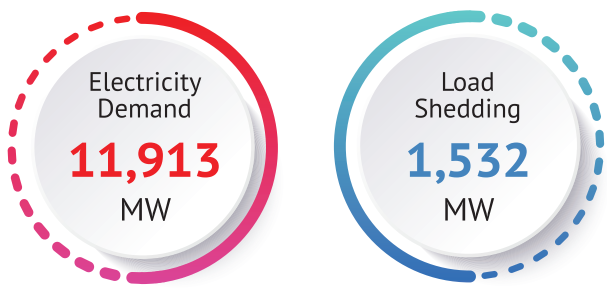
In spite of the tremendous potential of the construction and the real estate sector, factors like land value distortion, and absence of secondary property market, asset securitization and sale of mortgages, and backward linkage industries such as cement, ceramic, brick manufacturing industries, etc. adversely affected its development.

Besides, real estate sector will hopefully be able to cope with the ongoing COVID-19 pandemic as installment collection on previous sales started to pick up after the economy reopened in June 2020, according to various realtors and financiers. Moreover, the government has allowed the use of untaxed income to purchase land or apartments while the reduction in registration fees makes this the perfect time to invest in real estate at reasonable costs. However, the country's realtors also said that apartment prices could eventually increase due to the rising cost of raw materials and delays in project implementation.

2.3 Power

Bangladesh has become a power-surplus nation from a power-starved one as over a hundred new power plants came online to ensure better electricity supply to the consumers. Private sector played the pivotal role to build and own a significant number of power plants, while public sector also contributed to the augmentation of the country's overall electricity generation capacity by more than fourfold from 4,982 megawatt (MW) in 2009 to 20,383 MW in 2020. Number of operational power plants across the country also increased by more than fourfold from a total of 27 in 2009 to a total of 138 in 2020, most of which are of oil-fired ones. But due to less than expected electricity demand, the state-run Bangladesh Power Development Board (BPDB) has to keep a significant number of power plants shut apart from those that suspends operation due to maintenance work.

On 30 September 2020



According to the BPDB website, the countrywide electricity generation on 30 September 2020 during the day peak was 10,655 MW and evening peak was 12,428 MW. However, the installed and the derated (actual) capacity were almost double of 20,773 MW and 20,282 MW, respectively. The regular electricity consumption also fell recently due to fall of demand caused by COVID-19 pandemic. Overall electricity demand on 30 September 2020 was 11,913 MW and load shedding was 1,532 MW, according to the BPDB.

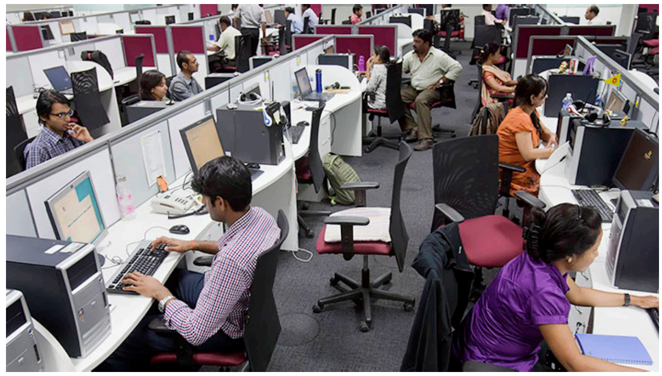
3.0 Services Sector

The broad service sector includes the collective outputs of the, i) wholesale and retail trade, repair of motor vehicles, motor cycles and personal and household goods, ii) hotels and restaurants, iii) transport, storage and communication, iv) financial intermediations, v) real estate, renting and business activities, vi) public administration and defense, vii) education, viii) health and social work, and ix) community, social and personal services. Full data on which are not yet available to enable an understanding of how they have fared in the quarter under review (Q1 of FY21). However, many of these have already started their activities during COVID-19 pandemic and have contributed to boost Bangladesh economy except education.

The sector, however, recorded a lower growth of 5.32% in FY20, compared to 6.78% in the previous fiscal year. Also the share of the services sector in GDP decreased to 51.29% in FY20 from 51.35% in FY19.

Share of the Services Sector GDP

FY20	FY19
51.29%	51.35%



4.0 Monetary and Credit Developments

According to BB data, broad money (M2) recorded a higher growth of 13.92 per cent at the end of September 2020 compared to 11.89 per cent growth achieved at the end of September 2019 (Table 1). Domestic credit, on the other hand, grew by 12.65 per cent at the end of September 2020, while a slightly higher rate of growth of 14.42 per cent was recorded at the end of September 2019.

Among components of domestic credit, private sector credit registered 9.48 per cent growth during the period between September 2019 and September 2020, compared with a higher growth of 10.66 per cent during the period between September 2018 and September 2019. Private sector credit growth is also much below the central bank's target of 11.50 per cent in December 2020 and 14.80 per cent in June 2021 set in the monetary policy for the fiscal year 2020-21 (MPS, FY21, p.15). Public sector credit, on the other hand, recorded a growth of 32.04 per cent at the end of September 2020, compared with a higher growth of 44.40 per cent at the end of September 2019. This September's growth was lower compared with the BB's target of 37.70 per cent in December 2020 and 44.40 per cent in June 2021 (MPS, FY21, p.15). Within public sector credit, credit to government (net) recorded a growth of 35.31 per cent, and credit to other public sector recorded a growth of 14.10 per cent, during the period under review (Table 1).

Table 1: Monetary and Credit Indicators

(Taka in crore)

Particulars	Outstanding Stock			% Changes in Outstanding Stock	
	September 2020[P]	September 2019[P]	September 2018[R]	September 2020 over September 2019	September 2019 over September 2018
Total Domestic Credit	1332959	1183226	1034073	12.65	14.42
Credit to Public Sector	219877	166529	115327	32.04	44.40
Net Credit to Government Sector	190499	140782	95695	35.31	47.12
Credit to Other Public Sector	29378	25747	19632	14.10	31.15
Credit to Private Sector	1113082	1016697	918746	9.48	10.66
Reserve Money (RM)	280822	247188	228487	13.61	8.18
Broad Money (M2)	1426205	1251881	1118895	13.92	11.89

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

Total liquid assets of scheduled banks stood higher at Tk.359,397 crore at the end of August 2020, compared with Tk.335,798 crore at the end of June 2020. The minimum liquidity requirement of the scheduled banks was Tk.198,418 crore at the end of August 2020 (Table 2). The scheduled banks thus held an excess liquidity of Tk.160,979 crore as of end August 2020.

Table 2: Liquidity Position of Scheduled Banks

(Taka in crore)

Bank Group	As of end June, 2020[R]	As of end August 2020[P]		
	Total Liquid Assets	Total Liquid Assets	Minimum Required Liquid Assets	Excess Liquidity
1	2	3	4	5 (3-4)
State owned banks	106951	107009	53361	53648
Private banks (other than Islamic)	160070	175630	105172	70458
Private banks (Islamic)	34308	40780	25242	15538
Foreign banks	33170	34663	13387	21276
Specialized banks*	1299	1315	1256	59
Total	**335798**	**359397**	**198418**	**160979**

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

Bangladesh Bank data show that, of the total liquid assets of scheduled banks as of end August 2020, some 5.28 per cent was held in the form of cash in tills and balances with Sonali Bank Ltd., 14.53 per cent in the form of CRR, 4.92 per cent in the form of excess reserves, 4.54 per cent in the form of balances with Bangladesh Bank in foreign currency and the remaining 70.73 per cent in the form of unencumbered approved securities.

4.1 Policy Interest Rate Developments

The repurchase agreement (repo) rate is re-fixed at 4.75 per cent from 5.25 per cent with effect from July 2020, while the reverse repo rate was also re-fixed at 4.00 per cent from 4.75 per cent (Table 3). Earlier, the repo rate was lowered from 5.75 per cent to 5.25 per cent with effect from 12 April 2020 while the reverse repo rate was left unchanged at 4.75 per cent. Such relaxations will help keep the domestic demand stable amid the coronavirus outbreak.

Table 3: Interest Rate (weighted average) movements in FY20 and July-September of FY21

(in per cent)

Month/Quarter	Repo	Reverse Repo	Lending Rate	Deposit Rate	Interest Rate Spread
FY20[R]					
July	6.00	4.75	9.59	5.56	4.03
August	6.00	4.75	9.60	5.60	4.00
September	6.00	4.75	9.56	5.65	3.91
October	6.00	4.75	9.58	5.66	3.92
November	6.00	4.75	9.63	5.71	3.92
December	6.00	4.75	9.68	5.70	3.98
January	6.00	4.75	9.66	5.69	3.97
February	6.00	4.75	9.62	5.53	4.09
March	5.75	4.75	9.58	5.51	4.07
April	5.25	4.75	8.29	5.37	2.92
May	5.25	4.75	8.18	5.24	2.94
June	5.25	4.75	7.95	5.06	2.89
FY21[P]					
July	4.75	4.00	7.79	4.92*	2.87*
August	4.75	4.00	7.82	4.85*	2.97*
September	4.75	4.00	7.79	4.79	3.00

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

The interest rate spread between the weighted average interest rate on lending and deposits of all banks increased further to 3.00 per cent in September 2020 from 2.97 in the previous month (August) as banks slashed rates on deposits more than those of lending (Table 3). The weighted average interest rate on deposits came down to 4.79 per cent in September from 4.85 per cent in August 2020, and the interest rate on lending also fell to 7.79 per cent from 7.82 per cent.

4.2 Industrial Term Loans

Data on industrial term loans are available up to the fourth quarter (April-June) of the past fiscal year (FY20). According to BB data, the disbursement of industrial term loans during April-June of FY20 stood at Tk.12,132 crore, which was 23.9 per cent lower than the amount of Tk.15,948 crore disbursed during the immediate previous quarter (January-March) of FY20 (Table 4).

On the other hand, the recovery of industrial term loans also decreased by 38.6 per cent to Tk.10,187 crore during April-June of FY20, compared to Tk.16,602 crore recovered in the previous quarter (January-March of FY20).

Industrial Term Loans

Disbursement
Tk. 12,132 crore
During April-June of FY20
From
Tk. 15,948 crore
During January-March of FY20

Recovery
Tk. .10,187 crore
During April-June of FY20
From
Tk. 16,602 crore
During January-March of FY20

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
April-June of FY19[R]	17890	2158	2186	22234 (+45.8)	19667	1932	2030	23629 (+26.6)
July-September of FY20[R]	17866	2233	1871	21970 (-1.2)	16426	2153	2207	20786 (-12.0)
October-December of FY20[R]	18687	3141	2379	24207 (+10.2)	17027	2666	2456	22149 (+6.6)
January-March of FY20[P]	12942	1423	1583	15948 (-34.1)	12752	1916	1934	16602 (-25.0)
April-June of FY20[P]	10161	1342	629	12132 (-23.9)	7913	1141	1133	10187 (-38.6)

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 Cottage, Micro, Small and Medium Enterprise (CMSME) Loans

Data on cottage, micro, small and medium enterprise (CMSME) loans are not available beyond Q3 (January-March 2020) of FY20. According to BB data, total outstanding position of CMSME loans by all banks and non-bank financial institutions (NBFIs) increased by 10.75 per cent to Tk.218,973 crore at the end of March 2020 from Tk.197,718 crore at the end of March 2019. Year-on-year, CMSME loan of state owned banks, private banks, foreign banks, specialized banks and non-bank financial institutions increased by 6.75 per cent, 12.11 per cent, 16.59 per cent, 25.93 per cent and 0.72 per cent, respectively.

The outstanding position of CMSME loans by all banks and NBFIs was 20.14 per cent of total loans at the end of March 2020 (Table 5).

CMSME Load Increased at the End of March 2020 over End of March 2019

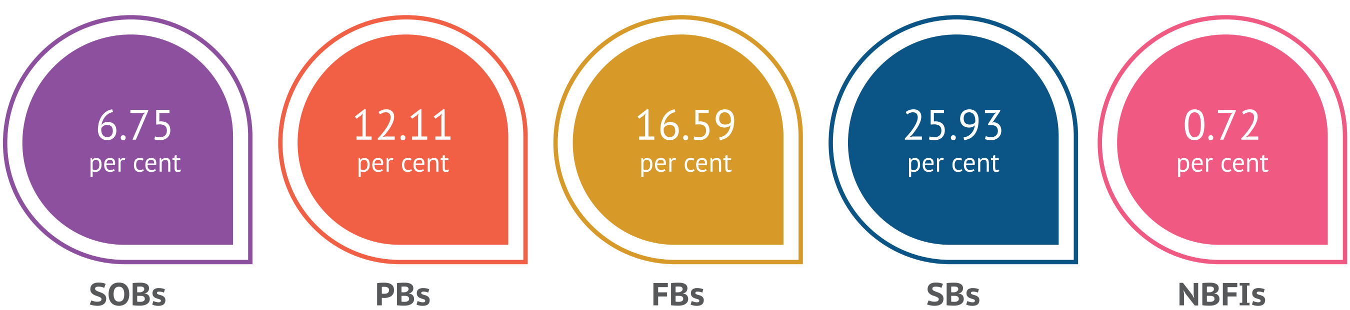


Table 5: Outstanding Position of CMSME Loans

(Tk. in crore)

Quarter	Type of Loans	SOBs	PBs	FBs	SBs	NBFIs	Total
January-March of FY19R	Total Loans SME Loans Percentage	167084 34993 (+ 20.94)	723034 148969 (+ 20.60)	36391 1969 (+ 5.41)	24726 1714 (+ 6.93)	55904 10073 (+ 18.02)	1007139 197718 (+19.63)
April-June of FY19R	Total Loans SME Loans Percentage	170177 37471 (+22.02)	745471 156545 (+21.00)	37579 2263 (+6.02)	26187 1566 (+5.98)	54209 10305 (+19.01)	1033623 208150 (+20.14)
July-September of FY20R	Total Loans SME Loans Percentage	174176 36044 (+20.69)	752081 155166 (+20.63)	34797 2094 (+6.02)	26073 1916 (+7.35)	53699 10271 (+19.13)	1040826 205491 (+19.74)
October-December of FY20P	Total Loans SME Loans Percentage	184393 37253 (20.20)	781250 168113 (21.52)	36334 2103 (5.79)	26611 1710 (6.43)	53859 10114 (18.78)	1082447 219294 (20.26)
January-March of FY20P	Total Loans SME Loans Percentage	188140 37356 (19.86)	782089 167016 (21.36)	37135 2296 (6.18)	26792 2159 (8.06)	53192 10146 (19.07)	1087347 218973 (20.14)
% change of CMSME loans at the end of March 2020 over end of March 2019		+ 6.75	+ 12.11	+ 16.59	+ 25.93	+ 0.72	+ 10.75

Notes: SOBs=State Owned Banks, PBs=Private Banks, FBs=Foreign Banks, SBs=Specialised Banks, and NBFIs=Non Bank Financial Institutions; P=Provisional; R=Revised; Figures in parentheses indicate CMSME loans as percentage of total loans.
Source: BB

To cope with the possible economic impact on the country due to the COVID-19, the government has taken 21 bail-out packages. Under one of these stimulus packages, CMSMEs get loan of Tk.200.0 billion as working capital. These loans are at an interest rate of 9 per cent, 4 per cent borne by the borrower and 5 per cent by the government as a subsidy. Until 30 September 2020, only Tk.48.23 billion or 24.12 per cent was disbursed among the CMSMEs from the Tk.200.0 billion package. This package mainly helps the agro-processing industries, fisheries, poultry, and dairy farms.

4.4 Agricultural Credit and Non-farm Rural Credit

The disbursement of agricultural credit and non-farm rural credit by all scheduled banks in the first quarter (July-September) of FY21 stood at Tk.4,684 crore, representing an increase of 31.78 per cent from Tk.3,555 crore in the corresponding quarter of FY20 (Table 6 and Figure). The disbursement was improved significantly following implementing stimulus packages along with providing interest subsidy, according to experts. However, all scheduled banks have achieved nearly 17.82 per cent of their annual agricultural loan disbursement target (Tk.26,292 crore).

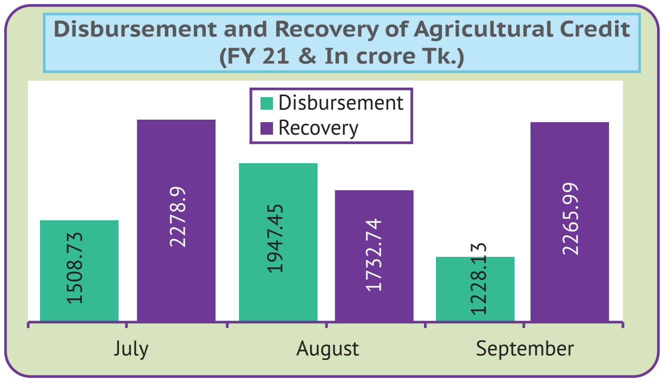
For the same reasons, the recovery of agricultural credit and non-farm rural credit also increased by 43.53 per cent to Tk.6,278 crore in July-September of FY21, compared to Tk.4,374 crore in the corresponding period of the previous fiscal year.

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

(in crore Taka)

Month	FY21P		FY20R	
	Disbursement	Recovery	Disbursement	Recovery
July	1508.73	2278.90	977.15	1353.18
August	1947.45	1732.74	993.01	1331.76
September	1228.13	2265.99	1584.51	1688.76
Total of July-September	4684.31 **(31.78)**	6277.63 **(43.53)**	3554.67 **(1.75)**	4373.70 **(-2.98)**

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 passed yet another gloomy period under the quarter under review. Stocks extended the losing streak for the second consecutive session on 30 September 2020, the last working day of the quarter, as risk-averse investors continued their profit booking sell-offs on quick-gaining shares. DSEX, the prime index of the Dhaka Stock Exchange (DSE), went down by 19.08 points or 0.38 per cent to settle at 4,963. Two other indices also ended lower. The DS30 index, comprising blue chips, lost 9.14 points to finish at 1,695 and the DSE Shariah Index shed 5.14 points to close at 1,120. Turnover stood at Tk.9.14 billion, which was 7.25 per cent higher than the previous session's turnover of Tk.8.53 billion.

On the other hand, the Chittagong Stock Exchange also ended lower with its All Shares Price Index (CASPI)-losing 94 points to close at 14,167 while the Selective Categories Index - CSCX shedding 52 points to close at 8,507. Of the issues traded, 174 declined, 79 advanced and 28 remained unchanged on the CSE. The port city bourse traded 17.17 million shares and mutual fund units with turnover value of Tk.600 million.

On 30 September 2020

Dhaka Stock Exchange (DSE)

DSEX settle at **4,963**
Turnover steed at
Tk. **.9.14** billion

Chittagong Stock Exchange (CSE)

CSCX Close at **8,507**
Turnover steed at
Tk. **.600** million

6.0 Public Finance

Tax revenue collection by the National Board of Revenue (NBR) started gaining momentum gradually after the COCID-19 pandemic fallout, posting 4.11 per cent growth in the first quarter of the current fiscal year (Q1 of FY21) compared to the corresponding period of the previous fiscal year. According to the provisional data of NBR, it collected an aggregate amount of revenue worth Tk.499.90 billion in Q1 of FY21 compared to Tk.480.17 billion in Q1 of FY20. However, this revenue collection fell short by Tk.137.24 billion or 21.54 per cent of the target (Tk.637.14 billion) for the first three months of the current fiscal year.

In July-September of FY21, all three wings of the NBR faced some shortfall in meeting their respective collection targets. The customs wing faced the highest shortfall of Tk.58.48 billion, followed by VAT at Tk.50.86 billion and income tax at Tk.27.90 billion. During the period, the collection of customs duty stood at Tk.159.59 billion, VAT at Tk.181.11 billion and income tax at Tk.159.20 billion, where the respective targets were Tk.218.07 billion, Tk.231.97 billion and Tk.187.10 billion. During the period, year-on-year, VAT collections alone grew marginally by 1.18 per cent while income tax collection grew by 4.92 per cent and customs duty grew by 6.78 per cent.

In the month of September 2020 alone, the NBR managed to collect revenue at Tk.198.30 billion, grew by 10.76 per cent from Tk.179.04 billion in September 2019; while month-on-month it also grew by 28.72 per cent from Tk.154.06 billion in the previous month (August 2020).

The NBR's revenue collection target for the current fiscal year (FY21) is Tk.3,300.00 billion, which is 1.35 per cent higher than the original target of the previous fiscal year (Tk.3,256.00 billion), about 9.82 per cent higher than the revised target of FY20 (Tk.3,005.00 billion), and also about 51.09 per cent higher than the collected amount in FY20 (Tk.2,184.06 billion).

6.1 Public Expenditure

The implementation rate of the Annual Development Programme (ADP) in the quarter under review was almost same than that in the previous fiscal year. According to the Implementation Monitoring and Evaluation Division (IMED), 58 ministries and divisions could spend Tk.173.01 billion or 8.06 per cent of the total allocation of Tk.2,146.11 billion in July-September of FY21. In the corresponding period of the in the last fiscal, Tk.173.44 billion was spent, which was 8.06 per cent of the total ADP outlays of Tk.2,151.14 billion.

The use of foreign aid (project aid) in Q1 of FY21 was higher than that in the previous fiscal year, both in absolute and percentage terms. In Q1 of FY21, foreign aid spending was Tk.54.58 billion or 7.74 per cent compared to Tk.42.26 billion or 5.89 per cent in the corresponding period of the previous fiscal year. On the other hand, spending of GoB funds (including local funds) in the quarter under review was lower at Tk.118.44 billion, compared to Tk.131.17 billion during the same period a year earlier.

Fifteen ministries and divisions, which together received 81.63 per cent of the total development budget in Q1 of FY21, were implementing some mega projects, including the Padma Bridge and metro rail projects, as well as some large power plants. Among these ministries and divisions, project implementation by the Ministry of Primary and Mass Education (15.90%) was the highest, followed by the Secondary and Higher Education Division (14.35%), the Power Division (12.81%), the Ministry of Industries (9.67%), the Road Transport and Highways Division (8.74%), the Bridges Division (7.12%), the Ministry of Railways (7.02%), the Local Government Division (6.74%), the Ministry of Water Resources (6.27%), and the Prime Minister's Office (5.42%).

Implementation agencies that spent less than 5 per cent of their respective ADP budgets were: the Ministry of Housing and Public Works (4.75%), the Ministry of Science and Technology (4.69%), the Health Service Division (4.31%), the Ministry of Civil Aviation and Tourism (3.73%), and the Ministry of Shipping (1.02%).

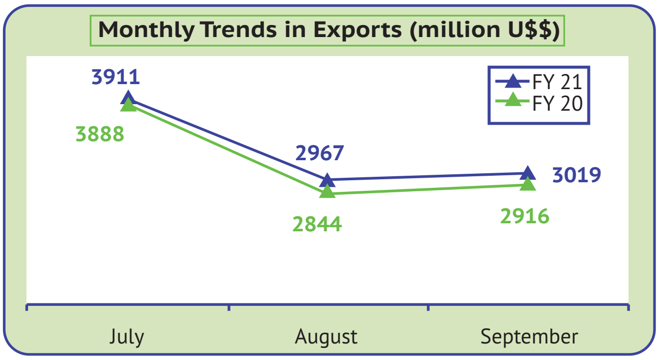
7.0 Exports

Export earnings (merchandise) in the first quarter of the current financial year (July-September of FY21) increased by 2.58 per cent to US$9.90 billion from US$9.65 billion in the corresponding quarter of the previous fiscal year (Table 7 and Figure). Experts and exporters opined that gradual reopening of western markets and placing of new orders coupled with revival of majority of the previously suspended or cancelled ready-made garment (RMG) work-orders contributed to the turnaround. According to provisional data of the Export Promotion Bureau (EPB), these earnings also surpassed the strategic target (US$9.66 billion) by 2.48 per cent.

Table 7: Monthly Trends in Exports (Goods)

Month	Exports (million US$)		Change (%)
	FY21[P]	FY20[R]	
July	3911	3888	0.59
August	2967	2844	4.32
September	3019	2916	3.53
Total of July – Sept.	**9897**	**9648**	**2.58**

Notes: P=Provisional; R=Revised
Sources: EPB



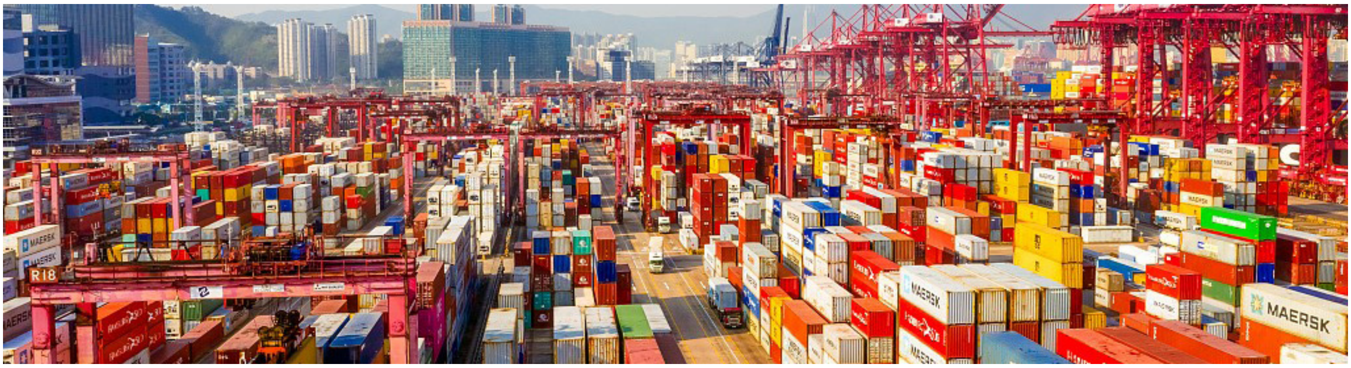
The single-month export earnings in September 2020 (US$3.02 billion) increased month-on-month by 1.68 per cent from US$2.97 billion (August); and grew year-on-year by 3.53 per cent from US$2.92 billion, also surpassed the strategic target (US$2.85 billion) by 5.96 per cent.

According to EPB data, the overall export growth in July-September of FY21 was largely driven by the readymade garments (RMG) sector, which alone fetched US$8.13 billion or 82.12 per cent of total exports, although these registered year-on-year a nominal growth of 0.85 per cent. The sector's earnings also exceeded the strategic target (US$7.96 billion) by 2.14 per cent.

The country's major export products during July-September of FY21 showed positive growth, year-on-year, include agricultural products (+3.40%), frozen & live fish (+5.11%), jute & jute goods (+39.26%), knitwear (+7.04%), home textile (+40.74%), handicrafts (+51.23%), carpet (+51.30%), other footwear (+23.73%), man-made filaments & staple fibres (+18.63%), chemical products (+15.18%), engineering products (+19.43%), and other manufactured products (+9.80%). Besides, negative growth showed in a number of products, such as, cotton & cotton products (-6.70%), rubber (-9.47%), headgear/cap (-14.24%), paper & paper products (-36.43%), woven garments (-5.78%), leather & leather products (-11.49%), specialized textiles (-11.13%), ceramic products (-15.03%), plastic products (-16.95%), and petroleum bi-products (-33.69%).

However, the government has initiated the process of widening the country's export market with appointment of business development consultants to a good number of developed countries including USA, Great Britain, Japan and middle-eastern countries. The Ministry of Commerce (MoC) is now working to appoint business development/sales consultants to these countries. The ministry has asked the Business Promotion Council (BPC) to submit a detailed report in this regard shortly.

To increase the volume of existing export earnings from the countries, the MoC has already taken multiple measures such as signing agreements including FTA/PTA with a number of countries. The government is sincerely working to explore new business opportunities in the wake of the COVID-19 pandemic across the globe. It has already assigned commercial counsellors and first secretaries (commercial) of Bangladesh missions abroad to identify new export opportunities amid the coronavirus pandemic and post-pandemic and take actions accordingly. At present, Bangladesh has 57 missions and 18 commercial wings abroad.



Currently, Bangladesh earns US$9.90 billion by exporting different goods to the countries concerned during the period under review. Among the countries, the highest export earnings came from the United States (US). Export earnings from US rose by 8.43 per cent to US$1.80 billion in July-September of FY21 from US$1.66 billion in the corresponding period of the previous fiscal year (Table 8). Exports to Germany, the second largest export destination, grew by 3.54 per cent, year-on-year, to US$1.53 billion from US$1.48 billion. While export earnings from the Great Britain, the third largest destination for Bangladesh, registered a negative growth of 4.43 per cent year-on-year to US$1.02 billion in July-September of FY21 from US$1.07 billion.

Table 8: Country-wise (Top Twelve) Comparative Export during July-September of FY21 & FY20

(Value in million US$)

Sl. #	Country	Export Earning during		Growth (%)
		July-September of FY21	July-September of FY20	
01	United States	1801.75	1661.69	8.43
02	Germany	1534.58	1482.06	3.54
03	Great Britain	1024.03	1071.54	-4.43
04	Spain	636.26	658.80	-3.42
05	France	480.22	441.83	8.69
06	Italy	359.28	341.67	5.15
07	Poland	345.72	296.25	16.70
08	Netherlands	332.97	328.49	1.36
09	Japan	304.81	336.10	-9.31
10	Canada	303.18	283.80	6.83
11	India	296.07	350.76	-15.59
12	Australia	223.71	204.64	9.32
Other Country		2254.26	2190.36	2.92
Total Export		**9896.84**	**9647.99**	**2.58**

Sources: EPB

During July-September of FY21, among the other top twelve countries, export to Spain year-on-year registered a negative growth of 3.42 per cent; while France grew by 8.69 per cent, Italy rose by 5.15 per cent, Poland also grew by 16.70 per cent and the Netherlands increased by 1.36 per cent. Besides, Japan registered a negative growth of 9.31 per cent, Canada grew by 6.83 per cent, India registered a negative growth of 15.59, and Australia grew by 9.32 per cent.

Soon after the pandemic unfolded, the government on 25 March 2020 announced Tk.50.0 billion in stimulus loans for exporters. Accordingly, the BB was set to release the funds as salaries for workers and employees of export-oriented factories through equal installments in the three months from April to June. However, nearly the entire fund—Tk.48.21 billion—was disbursed in just two months (April and May). As many as 1,992 export oriented firms borrowed the funds in April and May through 47 banks. After that, the central bank requested the government for additional funds to clear wages for June. However, the central bank disbursed the June wages from the Tk.300.0 billion stimulus loan package for industries and the services sector.

In line with the government's efforts to tackle the economic fallout from the coronavirus crisis, the BB has raised the export development fund (EDF) to US$5.0 billion from US$3.5 billion. Exporters can borrow more money from the EDF at a lower interest rate. Previously, the lending rate was set in accordance with the LIBOR (London Interbank Offered Rate) plus 1.5 percentage points, which equals around 4.0 per cent. Now the LIBOR won't have any bearing on loans from the EDF. The interest rate thus fixed at 2.0 per cent only. Borrowers pay 1.0 per cent to the BB and 1.0 per cent to the banks distributing the loans. This instruction has effected already from 1 April 2020. As of 30 September 2020, about UD$2.99 billion or 59.80 per cent was distributed among 2,202 applicants.

The pre-shipment credit refinance scheme amounting to Tk.50.0 billion for export-oriented industries has also not made any (almost) progress. The BB issued the scheme on 13 April 2020, but only Tk.166 million or 0.33 per cent was disbursed as of 30 September 2020. Later on 24 August 2020, the BB relaxed rules for availing pre-shipment credit refinance aiming at helping local exporters continue shipping products and now the timeline has been extended to two years from previously four-month timeframe.

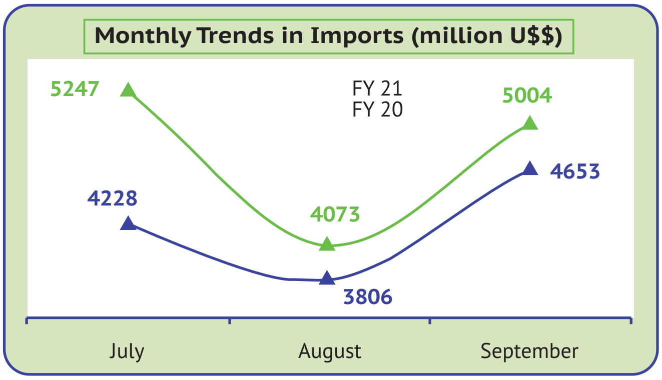
8.0 Imports

Import payments (C&F) during the first three months in the current fiscal year (July-September of FY21) stood at US$12.69 billion, which is 11.43 per cent lower than import payments during the corresponding months of FY20 mainly due to global economic slowdown and coronavirus outbreak in different countries of the world (Table 9 and Figure). In the last three months i.e., July, August and September 2020, imports decreased year-on-year by 19.42 per cent, 6.56 per cent and 7.01 per cent, respectively.

Table 9: Monthly Trends in Custom based Imports

Month	Imports (million US$)		Change (%)
	FY21ᴾ	FY20ᴿ	
July	4228	5247	(-) 19.42
August	3806	4073	(-) 6.56
September	4653	5004	(-) 7.01
Total of July - September	**12687**	**14324**	**(-) 11.43**

Notes: P=Provisional; R=Revised
Sources: BB



According to the BB data, the settlement of import Letters of Credit (LCs) decreased by 13.79 per cent to US$11.50 billion during July-September of FY21 compared to US$13.34 billion in the corresponding three months of the previous fiscal year. The opening of fresh import LCs also dropped by 8.90 per cent to US$13.30 billion in the first three months of the current fiscal year from US$14.60 billion in the corresponding period of the previous fiscal year.

9.0 Remittances

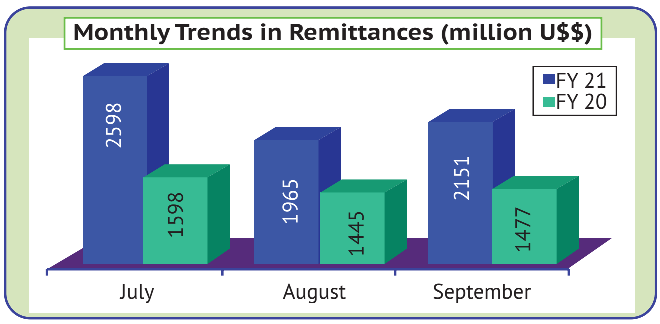
The inflow of remittances in the quarter under review (Q1 of FY21) grew by 48.54 per cent to US$6.71 billion from US$4.52 billion in Q1 of FY20 despite the ongoing COVID-19 pandemic. The government incentive and the latest policy support provided by the Bangladesh Bank (BB) have contributed to achieve the new record of inward remittances (Table 10 and Figure).

While, in the last month of the quarter (September 2020), year-on-year, remittances registered a growth of 45.63 per cent to US$2.15 billion from US$1.48 billion. Also, the inflow of remittances in September increased by 9.14 per cent from the previous month of US$1.97 billion (August 2020). According to experts, remittances increased due to BB's latest policy support that helped boost the inflow in the recent months. Under the latest policy support, the expatriate Bangladeshis will get 2.0 per cent incentives without showing any document against remittance receipts up to US$5,000 or Tk.500,000. Earlier, the ceiling was Tk.150,000. Besides, those sending more than Tk.500,000 will have two months to submit the documents instead of 15 days earlier. The expatriate Bangladeshis who have already sent money home will also get the facilities. These will be effective until 31 December 2020.

Table 10: Monthly Trends in Remittances

Month	Remittances (million US$)		Change (%)
	FY21ᴾ	FY20ᴿ	
July	2598	1598	62.58
August	1965	1445	35.99
September	2151	1477	45.63
Total of July - September	**6714**	**4520**	**48.54**

Notes: P=Provisional; R=Revised
Sources: EPB



Along with deposit mobilisation and loan disbursement, banks' agent banking outlets are increasingly becoming the key point in distributing remittance in the remotest part of the country. Remitters now opt for the platform largely because the beneficiaries can withdraw funds without visiting any bank branches, which are usually located far away from their homes. According to experts, there are two reasons for the surge in remittance in recent times flowing through the agent banking. First, the agent booths are usually located adjacent to the houses of the recipients. Second, the 2 per cent cash incentive provided by the government has attracted people. In the past, a good number of expatriate Bangladeshis preferred *hundi*, an illegal cross-boundary financial transaction system, to send their hard-earned money to allow their near and dear ones to receive it smoothly sidestepping the complex fund withdrawal process in the banking system. But the recipients can now withdraw the fund easily from the agent outlets, which are expanding across the country, pushing the *hundi* channel aside. The government has been providing the 2 per cent cash incentive against remittance from July last year to encourage the Bangladeshi diasporas to send fund through the formal channel. In some cases, banks are offering one per cent additional cash incentive along with the two per cent if the remitters send the money through the agent banking outlets. As of September 2020, the total number of agent outlets stood at 14,016 in contrast to 9,391 one year earlier.

10.0 Foreign Aid

According to the Economic Relations Division (ERD) provisional data, the disbursement of foreign aid increased by US$473.16 million or 50.29 per cent to US$1413.96 million in the first quarter of the current fiscal year (Q1 of FY21) compared to US$940.80 million in the corresponding period in the previous fiscal year. Out of US$1413.96 million, US$1385.38 million came as concessional loans while US$28.58 million came as grants.

On the other hand, development partners' commitments of foreign aid decreased to US$797.47 million in Q1 of FY21 from US$2.01 billion in Q1 of FY20. Out of US$797.47 million, the development partners confirmed US$636.87 million as loan and US$160.60 million as grant.

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)

In the first three months of the current fiscal year (July-September of FY21), the net foreign direct investment (FDI) decreased by 60.0 per cent to US$68 million from US$170 million in the corresponding three months of FY20, according to the BB's balance of payments data (Table 11). On the other hand, the gross inflow of FDI during the period under review also decreased by 24.69 per cent to US$540 million from US$717 million in the corresponding three months of FY20. FDI inflow in Bangladesh is low compared to that in many countries at similar level of development.

Bangladesh's low labour costs are generally believed to be attractive to foreign investors, 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 energy and weak transmission infrastructure, lack of consistency in policy and regulatory frameworks, scarcity of industrial land, corruption, and non-transparent and uneven application of rules and regulations. The government needs to address these impediments to attract more FDI to the country in order to ensure the country's economic recovery from the ongoing coronavirus pandemic.

12.0 Balance of Payments

The country's trade deficit narrowed by 46.90 per cent to US$2.04 billion in the first three months of the current fiscal year (July-September of FY21) from US$3.84 billion in the corresponding period of the previous fiscal year. In these three months, exports increased slightly by 2.97 per cent while imports recorded a negative growth of 11.47 per cent (Table 11).

Export growth grew by 2.97 per cent to US$9.70 billion in July-September of FY21 from US$9.42 billion in the same period of the previous fiscal year. Import growth, however, dropped by 11.47 per cent to US$11.74 billion from US$13.26 billion.

Current account balance recorded significant surplus of US$3.53 billion in July-September of FY21 as compared to the deficit of US$715 million in July-September of FY20. Surplus in current account balance emerged from larger inflows of remittances and significantly lower deficit both in trade and services account.

Despite having deficit in financial account balance and net foreign direct investment (FDI), the overall balance of payments (BoP) registered a surplus of US$3.10 billion in the quarter under review, as against a deficit of US$204 million in the same period of the last fiscal.

Table 11: Balance of Payments

(in million US$)

Items	July-September of FY21P	July-September of FY20R	% Changes over two years
Trade Balance	(-) 2039	(-) 3840	(-) 46.90
Exports f.o.b (including EPZ)*	9697	9417	2.97
of which: Readymade Garments	8126	8058	0.84
Imports f.o.b (including EPZ)*	11736	13257	(-) 11.47
Services	(-) 585	(-) 876	(-) 33.22
Credit	1508	1664	
Debit	2093	2540	
Primary Income	(-) 667	(-) 620	7.58
Credit	48	80	
Debit	715	700	
of which: Official Interest Payment	270	283	
Secondary Income	6825	4621	47.70
Official Transfers	9	2	
Private Transfers	6816	4619	
of which: Workers' Remittances Inflows	6713	4519	48.55
Remittances excluding Investments	6643	4457	
Current Account Balance	3534	(-) 715	(-) 594.27
Capital Account	43	28	
Capital Transfers	43	28	
Financial Account	(-) 799	931	(-) 185.82
Foreign Direct Investment (gross inflows)	540	717	(-) 24.69
of which; Foreign Direct Investment (net)**	68	170	(-) 60.00
Portfolio Investment (net)	(-) 154	36	
of which: Investment by NRBs	70	62	
Other Investment (net)	(-) 713	725	
Errors and Omissions	320	(-) 448	(-) 171.43
Overall Balance	3098	(-) 204	(-) 1618.63

*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: BB

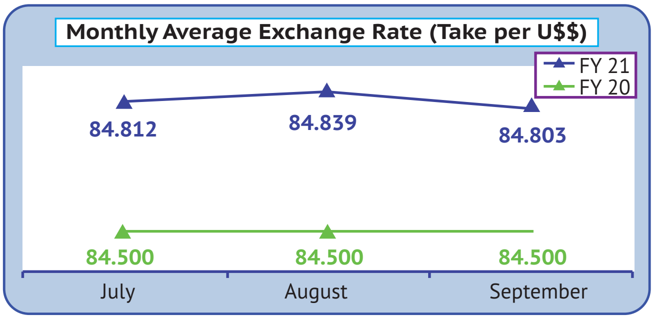
13.0 Exchange Rate

Between end-June of 2020 and end-September of 2020, the value of Taka appreciated by 0.11 per cent in terms of US dollar. On the inter-bank market, the US dollar was quoted at Tk.84.9000 at the end of June 2020 and Tk.84.8087 at the end of September 2020 (Table 12 and Figure).

Table 12: Monthly Exchange Rate

Month	FY21P (Taka per US$)		FY20R (Taka per US$)	
	Month Average	End Month	Month Average	End Month
June	-	-	84.9183	84.9000
July	84.8120	84.8000	84.4996	84.5000
August	84.8390	84.8053	84.5000	84.5000
September	84.8025	84.8087	84.5000	84.5000

Note: i) P=Provisional; R=Revised; NA=Not Available
ii) Exchange rate represents the mid-value of buying and selling rates
Source: BB



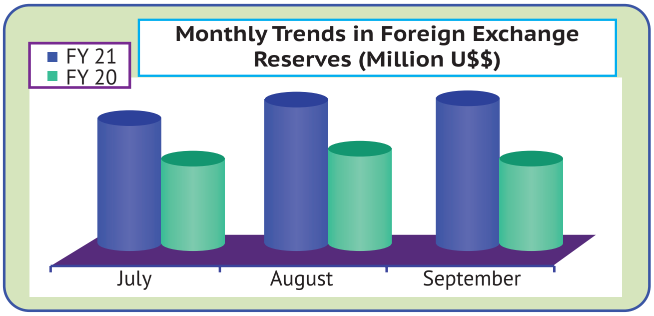
14.0 Foreign Exchange Reserves

Bangladesh's foreign exchange reserve has already crossed US$39 billion-mark, for the first time in its history, following lower import payment obligations and higher growth of inward remittance. Amidst the ongoing COVID-19 crisis, the reserve rose to US$39.31 billion (with ACU liability of US$0.67 billion) as of end September 2020, which was US$39.04 billion (with ACU liability of US$1.08 billion) as of end August 2020 (Table 13 and Figure).

Table 13: Monthly Trends in Foreign Exchange Reserves

Month	Foreign Exchange Reserve (million US$)	
	FY21P	FY20R
July	37288	32093
August	39040	32776
September	39314	31832

Notes: P=Provisional; R=Revised
Source: BB



Considering the average of the previous 12 months' import bills, BB has estimated that the current foreign exchange reserve (less ACU liability) is sufficient to pay import bills for 8.67 months. According to the Experts, the reserve would support the foreign investors to gain confidence while considering Bangladesh as an investment destination.

15.0 Overseas Employment Situation

The country's overseas employment sector is now facing a blow due to the COVID-19 pandemic. According to the Ministry of Expatriates Welfare and Overseas Employment, more than 1.66 Lakh Bangladeshis returned home from 29 countries between 1 April 2020 and 30 September 2020 due to various reasons. The hapless workers came back home following factors like job cuts, expiration of job contracts, and their irregular status etc. These workers are not sure whether they will be able to return to the countries where they were working, or even if they do, whether their prolonged absence will be excused by their employers. On the other hand, the vast majority of them have not pursued any jobs during the period back in Bangladesh.

According to a recent survey, conducted by BBS, shows that the average household income declined by 20 per cent during March-August 2020. This suggests that the effect of the pandemic may last longer, slowing down the recovery of the urban economy. Recovery in the employment situation depends primarily on economic recovery although there is usually a lag in the process. There may be several reasons for such lag, one being the uncertainty in the environment and reluctance on the part of entrepreneurs to start hiring in full swing immediately after the start of recovery. They usually wait and try to feel the pulse of the economy and to understand how durable the recovery is going to be. This may particularly be the case in the current context, because normalcy has not returned either in the domestic or in the external environment. Furthermore, crises normally create opportunities for entrepreneurs to raise efficiency by adopting improved management practices and technology. Those who utilize such opportunities may not hire at the same rate as before the crisis.

On the other hand, about 86 per cent of women migrant workers who have returned to the country are facing uncertainty over their livelihood because of the coronavirus pandemic. Worried about their children's education and their future, they are also facing food shortage. They even cannot afford treatment for COVID-19. These were revealed from a study conducted by the Bangladesh *Nari Sramik Kendra* (BNSK) titled 'COVID-19 Pandemics and Women Migrant Workers: Service Delivery Mechanism and the Way Forward' on 241 women workers recently.

Against this backdrop, the country will have to explore new markets and undertake medium and long-term plans to export skilled people. According to the experts, the government should give emphasis on East Asian countries as they are less affected COVID-19 compared to other host nations of the Bangladeshi expatriates.

16.0 Price Situation

The general point to point inflation rate increased by 0.29 percentage points to 5.97 per cent in September 2020 from 5.68 per cent in the immediate past month of August 2020 mainly due to the coronavirus outbreak-induced price hike of essential food items. Higher rice prices and supply chain disruption due to flood and rainfall were the major reasons behind rise in inflation in September. A year ago, in September 2019, the inflation rate was lower at 5.54 per cent (Table 14).

Food price inflation increased by 0.42 percentage points to 6.50 per cent in September 2020 from 6.08 per cent in August due to the prices of some food items, including rice, eggs, chicken, vegetables, pulses and spices soared in the month. Year-on-year, food inflation also rose significantly by 1.20 percentage points from 5.30 per cent.

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
FY21[P]									
July	5.53	5.70	5.28	5.43	5.67	4.98	5.72	5.76	5.68
August	5.68	6.08	5.05	5.60	6.09	4.70	5.81	6.06	5.51
September	5.97	6.50	5.12	5.96	6.61	4.71	5.98	6.26	5.65
FY20[R]									
July	5.62	5.42	5.94	5.49	5.60	5.27	5.88	5.03	6.84
August	5.49	5.27	5.82	5.34	5.38	5.25	5.75	5.02	6.60
September	5.54	5.30	5.92	5.41	5.40	5.42	5.80	5.10	6.61

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

On the other hand, non-food price inflation increased slightly by 0.07 percentage points to 5.12 per cent in September 2020 from 5.05 per cent in the previous month. Year-on-year, non-food price inflation, however, decreased by 0.80 percentage points from 5.92 per cent.

A comparison of point to point inflation data for rural and urban areas in September of FY21 shows that the general and non-food price inflation rate was lower in rural areas than in urban areas while food inflation rate was lower in urban area than in rural area (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 second quarter (October-December) of the current fiscal year (Q2 of FY21). These projections are presented in Table 15.

Table 15: Projection on Some Selected Indicators in Q2 of FY21

Indicators	FY20						FY21					
	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
Export (million US$)	3617	3322	2732	520	1465	2715	3911	2967	3019	2948	2920	2890
Import (million US$)	5334	4724	4277	2858	3534	4808	4228	3806	4653	4630	4610	4590
Remittances (million US$)	1638	1452	1276	1093	1505	1833	2598	1965	2151	2112	2100	2090
Forex Reserve (million US$)	32381	32987	32570	33111	33409	36037	37288	39040	39314	41006	38500	38780
Inflation, Point to Point (per cent)	5.57	5.46	5.48	5.96	5.35	6.02	5.53	5.68	5.97	6.44	6.15	6.00

Notes: January–September of 2020: actual figures; October–December of FY21: Projected value (figures in bold)
Sources: BB, BBS and the Chamber's own calculation

The global economy now falls into a recession again due to the ongoing second wave of the COVID-19 pandemic. Consequently, Bangladesh economy is expected to face some difficulty in the second quarter of the current fiscal year and after that. Therefore, export, import, and remittances may decrease slowly. The foreign exchange reserve is likely to fall in November due to the payment to the Asian Clearing Union (ACU) against imports. The rate of inflation can be expected to go up in October 2020 because of the probable rise in some essential commodities and ease in the rest two months.

18.0 Concluding Observations

Bangladesh economy continues to struggle with the spread of the COVID-19 pandemic. The economic activities have gathered pace after lifting of the restrictions in late May 2020 but far short of the normal level. The pace of picking up business activities in some areas of the economy is faster than many others, depending on the demand for goods and services.

During the quarter under review (Q1 of FY21), the gradual rise of usages of electricity, petroleum and gas indicate that the economy is returning to normal. A large segment of informal industries, services and other activities have resumed operations but they seem to be running at a much lower level of their capacities. The export-oriented garment, leather and domestic market-oriented steel, food-processing and transport sectors are not running in full scale yet. However, these positive changes need to be interpreted carefully. Private investors are trying to cope with the situation instead of making further investments. Good thing is economic activities are increasing gradually.

Bangladesh is now confronting some major challenges in steering its economy to a higher growth trajectory. Such challenges are slow implementation of development projects, low investment and sluggish growth of revenue. The implementation of the annual development programme was always slow. The allocation increases every year but the ministries and divisions are unable to spend the budget. The fallout of deadly COVID-19 pandemic is also responsible for slow implementation. A significant increase in public and private investment is necessary to maintain competitiveness and generate further growth.

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.