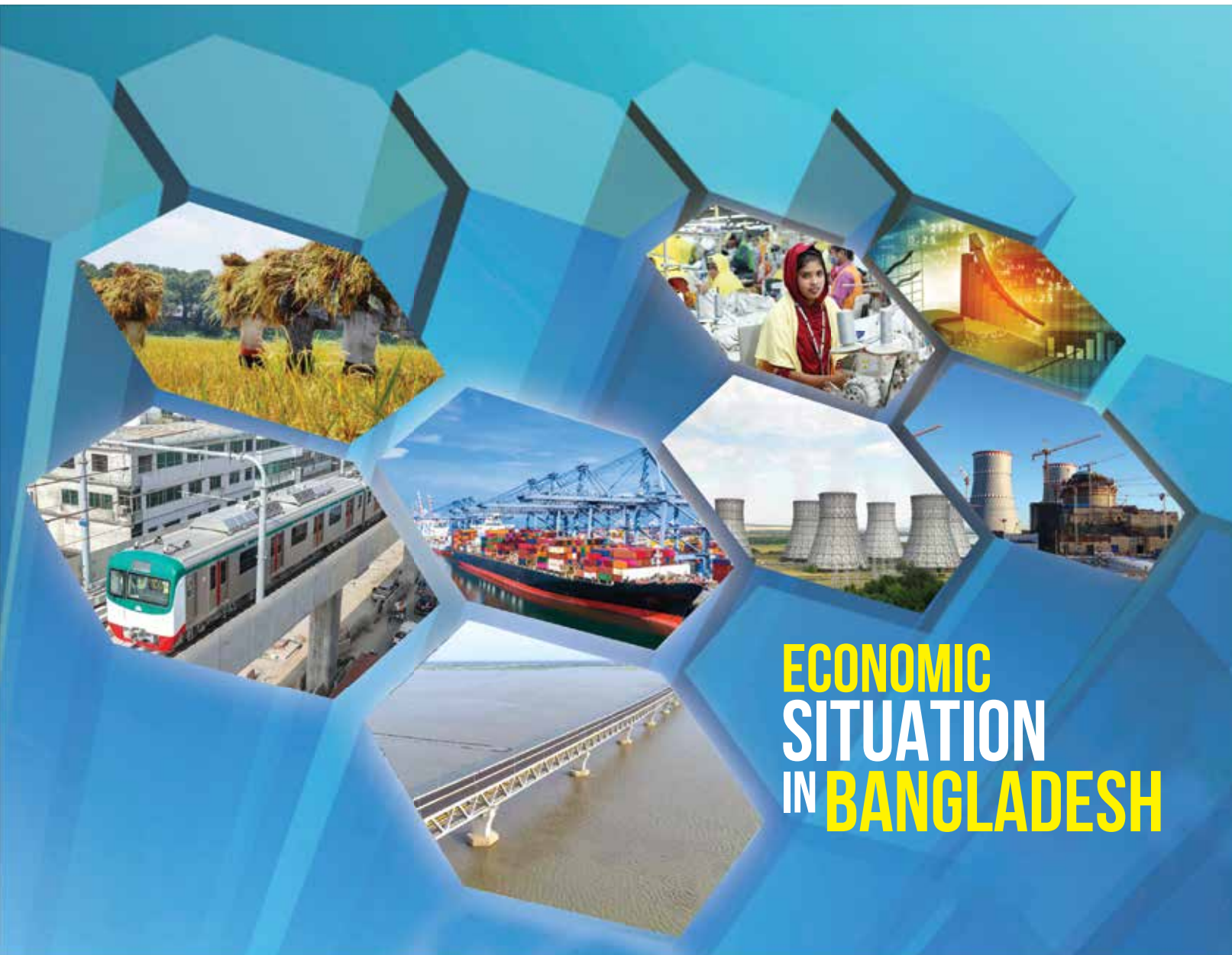


Quarterly Review

October - December 2022 (Q2 of FY23)



**ECONOMIC
SITUATION
IN BANGLADESH**



METROPOLITAN CHAMBER OF COMMERCE & INDUSTRY, DHAKA



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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

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Adaptable

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QUARTERLY REVIEW

October - December 2022 (Q2 of FY23)

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EXECUTIVE SUMMARY

General

1. Bangladesh's robust economic recovery from the COVID-19 pandemic has been interrupted by the war in Russia-Ukraine, resultant supply-chain disruptions, global oil-and food-price spikes, slowdown in external demand, weak remittance inflow, rise in inflation, negative current account balance, depreciation of the Taka and a decline in foreign exchange reserves.
2. To overcome the pressure, the government took quick and decisive measures to address the economic fallout. The government also needs to take more actions to stable foreign exchange reserve, manage inflation, enhance revenue earnings, ensure proper electricity and gas supply for economic activities, and extend social safety net programs.

Agriculture

3. Full data on agricultural production for the second quarter of the current fiscal year (Q2 of FY23) are not available yet, as the harvesting of the three major crops – *aman*, *aus* and *boro* - will be spread over the coming months of the fiscal. Latest available data indicate that the sector employed about 39 per cent of Bangladesh's labor force and accounted for about 11.61 per cent of GDP in FY22. The favorable natural factors and strong government support in terms of timely availability of inputs and finance notwithstanding, the sector achieved a lower growth rate of 3.05 per cent in FY22 than in FY21 when the sector grew at 3.17 per cent.

Industry

4. Data on the country's industry sector are yet to be available for the quarter under review (Q2 of FY23). However, due to COVID-19 pandemic and the war in Russia-Ukraine, the sector registered a lower growth of 9.86 per cent in FY22, which was 10.29 per cent in FY21. Besides, the share of the industry sector in GDP increased by 0.91 percentage points to 36.92 per cent in FY22 from 36.01 per cent in FY21.

In the broad industry sector, the manufacturing sub-sector registered a growth of 11.41 per cent in FY22, compared to 11.59 per cent of the previous fiscal year. Within manufacturing, the large industry sub-sector performed comparatively better than it did in the previous fiscal, growing at 15.68 per cent in FY22, compared to 10.61 per cent in FY21. The small, medium and micro industry grew at 4.84 per cent in FY22 against 13.89 per cent in FY21. The cottage industry grew by 11.12 per cent in FY22 compared to 10.27 per cent in FY21.

The share of the manufacturing sub-sector in GDP increased to 24.29 per cent in FY22 from 23.36 per cent in the previous fiscal year. Within manufacturing, the share of the large industry sub-sector in GDP rose to 12.75 per cent in FY22 from 11.81 per cent in FY21. On the other hand, the share of small, medium and micro industry in GDP decreased to 7.33 per cent from 7.49 per cent while that of cottage industry increased to 4.21 per cent in FY22 from 4.06 per cent in FY21.

Power

5. On 31 December 2022, Bangladesh Power Development Board (BPDB) had power plants with installed capacity to generate 22,608 mega watt (MW) and derated/present capacity of 21,826 MW. But the primary fuel (natural gas, oil and coal) shortages compel BPDB to restrict power generation.

According to the BPDB website, the power plants generate (evening, actual) 9,581 MW of electricity against a demand for 9,135 MW at sub-station end (evening peak) on 31 December 2022. During the quarter under review, the maximum generation was 12,773 MW recorded on 01 October 2022.

Services

6. The services sector grew by 6.26 per cent in FY22, compared to 5.73 per cent in the previous fiscal year. However, the share of the sector in GDP decreased to 51.47 per cent in FY22 from 51.92 per cent in FY21.

Money and Capital Market

7. Broad money (M2) recorded a lower growth of 8.47 per cent at the end of December 2022 compared to 9.60 per cent growth achieved at the end of December 2021. The December's growth was also below the central bank's target of 10.00 per cent, set in the Monetary Policy Statement, Fiscal Year 2022-23 (MPS, FY23, p.21). Domestic credit, on the other hand, grew by 14.98 per cent at the end of December 2022, while a lower growth rate of 12.37 per cent was recorded at the end of December 2021. Among components of domestic credit, private sector credit registered a higher growth of 12.89 per cent during the period between December 2021 and December 2022, compared with a lower growth of 10.68 per cent during the period between December 2020 and December 2021. Private sector credit growth was also below the central bank's target of 13.60 per cent in December 2022 (MPS, FY23, p.21). Public sector credit, on the other hand, recorded a growth of 24.80 per cent at the end of December 2022, compared with a lower growth of 21.00 per cent at the

end of December 2021. The December's growth was much lower compared with the BB's target of 32.30 per cent in December 2022 (MPS, FY23, p.21).

8. Total liquid assets of scheduled banks stood lower at Tk.393,801 crore at the end of December 2022, compared with Tk.441,681 crore at the end of June 2022. The minimum liquidity requirement of the scheduled banks was Tk.248,199 crore at the end of December 2022. The scheduled banks thus held an excess liquidity of Tk.145,602 crore as of end December 2022.
9. The interest rate spread between the weighted average interest rate on lending and deposits of all banks inched up to 2.99 per cent in December 2022 from 2.96 per cent in the previous month (November 2022) as banks' lending rate increased to 7.22 per cent in December from 7.18 per cent in November 2022 and deposit rate also increased to 4.23 per cent in December 2022 from 4.22 per cent in the previous month.
10. Data on industrial term loans are available up to the first quarter (July-September) of the current fiscal year (FY23). According to BB data, the disbursement of industrial term loans during July-September of FY23 stood at Tk.18,562 crore, which was 13.31 per cent lower than Tk.21,413 crore disbursed during the immediate previous quarter (April-June) of FY22. On the other hand, the recovery of industrial term loans increased by 22.44 per cent to Tk.20,610 crore during July-September of FY23 compared to Tk.16,833 crore recovered in the previous quarter (April-June of FY22).
11. Data on cottage, micro, small and medium enterprise (CMSME) loans are not available beyond July-September of FY23. According to BB data, disbursement of CMSME loans by all banks and non-bank financial institutions (NBFIs) increased by 22.82 per cent to Tk.51,676.81 crore during July-September of FY23 from Tk.42,075.49 crore in July-September of FY22. On the other hand, recovery of CMSME loans during July-September of FY23 also increased, year-on-year, by 5.79 per cent to Tk.45,532.59 crore from Tk.43,042.39 crore.
12. The disbursement of agricultural credit and non-farm rural credit by all scheduled banks in July-December of FY23 stood at Tk.16,670 crore, an increase of 14.99 per cent from Tk.14,497 crore in July-December of FY22. On the other hand, the recovery of agricultural credit and non-farm rural credit also increased by 20.86 per cent to Tk.16,430 crore in July-December of FY23, compared to Tk.13,594 crore in the corresponding period of the previous fiscal year.
13. Dhaka stocks gained on 29 December 2022, the last trading session in 2022, as a section of investors went for buying shares while many others remained cautious on the trading

floor. DSEX, the key index of the Dhaka Stock Exchange (DSE), gained 0.18 per cent to close at 6,206.81 points on the day after gaining 15.54 points in the previous session. The Chittagong Stock Exchange (CSE) also inched up with the CSE All Share Price Index (CASPI) gaining 1.0 points to settle at 18,328.

Public Finance

14. NBR's tax revenue collection grew by 10.99 per cent to Tk.1,454.31 billion in July-December of FY23 compared to Tk.1,310.35 billion in the corresponding period of FY22 despite posting a shortfall of Tk.126.55 billion or 8.01 per cent against the target (Tk.1,580.86 billion). During July-December of FY23, all three wings of the NBR year-on-year achieved moderate growth.

In the month of December 2022 alone, the NBR managed to collect Tk.296.14 billion revenue, showing a growth of 2.93 per cent from US\$287.71 billion in December 2021; while month-on-month it also grew by 19.68 per cent from Tk.247.45 billion in the previous month.

15. The implementation rate of the Annual Development Programme (ADP) in July-December of FY23 stood at 23.53 per cent, the lowest in the last six years. Six years back, the execution rate was lowest at 23.24 per cent in July-December of FY17. However, the rate was 24.06 per cent in the same period of the previous fiscal year (July-December of FY22).

Export and Import

16. Export earnings in December 2022 grew by 9.33 per cent to US\$5.37 billion year-on-year from US\$4.91 billion. Earnings in December 2022, however, were lower by 1.03 per cent from the strategic target of US\$5.42 billion. Overall export earnings in July-December of FY23 increased by 10.58 per cent to US\$27.31 billion from US\$24.70 billion in the corresponding six months of the previous fiscal year. Earnings in July-December of FY23 also surpassed marginally by 0.44 per cent against the strategic target (US\$27.19 billion).
17. Total value of custom based import during July-December of FY23 decreased by 2.20 per cent to US\$41.20 billion from US\$42.12 billion during July-December of FY22. Besides, custom based import in December of FY23 alone decreased year-on-year by 28.37 per cent and month-on-month by 20.40 per cent to US\$6.04 billion.

Remittances

18. The inflow of remittances increased year-on-year by 9.99 per cent to US\$1.79 billion in December 2022 from US\$1.63 billion and month-on-month increased by 12.48 per cent from US\$1.60 billion. On the other hand, the inflow of

remittances in July-December of FY23 increased by 3.40 per cent to US\$10.59 billion from US\$10.24 billion in the correspondent period in FY22.

Foreign Aid

19. The disbursement of foreign aid fell by US\$0.40 billion or 9.57 per cent to US\$3.78 billion in July-December of FY23 from to US\$4.18 billion in July-December of FY22. On the other hand, development partners' commitments of foreign aid also decreased to US\$1.76 billion in July-December of FY23 from US\$4.40 billion in July-December of FY22.

Foreign Direct Investment (FDI)

20. The net FDI in July-December of FY23 increased slightly by 2.95 per cent to US\$1,151 million from US\$1,118 million in the corresponding period of the previous fiscal year (July-December of FY22), according to the BB's balance of payments data. FDI inflow in Bangladesh is low compared to that in many countries at similar level of development.

Balance of Payments (BoP)

21. The country's trade deficit with the rest of the world narrowed by 21.69 per cent to US\$12.30 billion in July-December of FY23 from US\$15.71 billion in July-December of FY22 due mainly to slower growth in import than that of export. Import restrictions come to the rescue as current account deficit decreased by 36.48 per cent to US\$5.27 billion from US\$8.30 billion.

The BB data showed that the country's gross FDI increased year-on-year by 12.84 per cent and net FDI also increased by 2.95 per cent. Despite higher inflow of FDI, financial account stood year-on-year at US\$1.10 billion deficit in July-December of FY23 compared to US\$6.89 billion surplus. On the other hand, the capital account remained marginally in positive territory at US\$171 million. The balance of payments (BoP) however worsened to negative US\$7.17 billion in July-December of FY23 against negative US\$1.79 billion during the same period a year earlier.

Exchange Rate & Foreign Exchange Reserve

22. Exchange rate of Bangladesh Taka depreciated since the end of June 2022. Between end-June of FY22 and end-

December of FY23, the value of Taka depreciated by 6.68 per cent in terms of US dollar. On the inter-bank market, the US dollar was quoted at Tk.93.4500 at the end of June 2022 and Tk.100.1395 at the end of December 2022.

23. Foreign exchange reserve came down to US\$33.77 billion at the end of December 2022 from US\$46.15 billion at the end of December 2021. The ACU liability as of end December 2022 was US\$1.12 billion. The foreign exchange reserve in December 2022 was sufficient to pay import bills of goods for 5.5 months.

Overseas Employment Situation

24. The sector is a vital source of Bangladesh's foreign exchange reserves. A steady outflow of migrant workers in October-December of FY23 raises hope for a healthy growth in overseas employment as the sector is now recovering from the COVID-19 pandemic shock. According to the BMET, a total of 261,134 workers went to different job-destination countries during October-December of FY23 against 259,221 during the previous quarter.

Inflation

25. Monthly inflation dropped further in December 2022 to 8.71 per cent after reaching its peak at 9.52 per cent in August 2022 and 8.85 per cent in November 2022, under sobering impact of slowly improving global supply system and prices of food items, especially that of vegetables, eased marginally. A year ago, in December 2021, the inflation rate was lower at 6.05 per cent.

Food inflation, however, decreased further by 0.23 percentage points to 7.91 per cent in December 2022 from 8.14 per cent in the previous month (November 2022). Year-on-year, food inflation was lower at 5.46 per cent in December 2021. On the other hand, non-food price inflation also decreased slightly by 0.02 percentage points to 9.96 per cent in December 2022 from 9.98 per cent in the previous month. Year-on-year, non-food price inflation was lower at 7.00 per cent in December 2021.

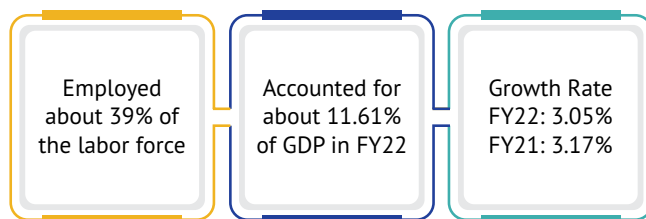
The rates of general, food and non-food point-to-point inflation in rural area in December 2022 were higher than the rates of urban area.

THE REPORT

1.0 AGRICULTURE

Full data on agricultural production for the second quarter of the current fiscal year (Q2 of FY23) are not available yet, as the harvesting of the three major crops – *aman*, *aus* and *boro* - will be spread over the coming months of the fiscal. Latest available data indicate that the sector employed about 39 per cent of Bangladesh's labor force and accounted for about 11.61 per cent of GDP in FY22.

Agriculture Sector:



The favorable natural factors and strong government support in terms of timely availability of inputs and finance notwithstanding, the sector achieved a lower growth rate of 3.05 per cent in FY22 than in FY21 when the sector grew at 3.17 per cent.

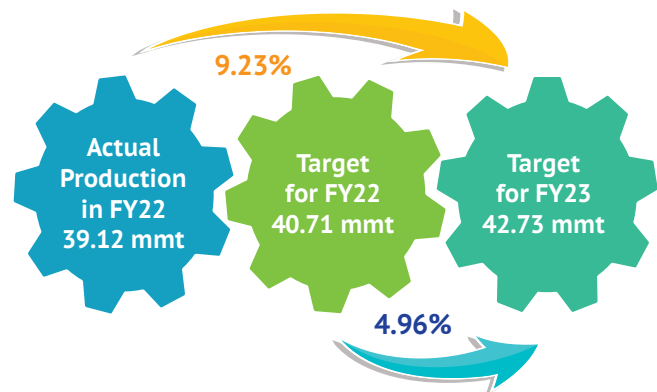


1.1 Food Situation

1.1.1 Domestic Production

The target of domestic food grains (rice and wheat) production for the current fiscal year (FY23) was set by the Ministry of Agriculture (MoA) at 42.73 million metric tons (mmt), which is 4.96 per cent higher than the FY22 target of 40.71 mmt. This target (FY23) was 9.23 per cent higher than the actual production in FY22 (39.12 mmt). The crop-specific production targets in FY23 for *aus*, *aman*, *boro* and wheat are 3.69 mmt, 16.35 mmt, 21.53 mmt, and 1.16 mmt, respectively.

Domestic Food Grains Production



The estimates of food grains production for FY23 are yet to be available from the Bangladesh Bureau of Statistics (BBS). However, the BBS finalized total food grains (rice and wheat) production for FY22 at 39.12 mmt; of which *aus*, *aman*, *boro* and wheat were 3.00 mmt, 14.96 mmt, 20.08 mmt, and 1.08 mmt, respectively.



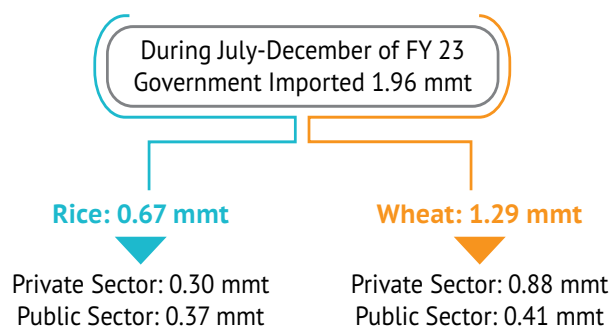
1.1.2 Food grains Import

During July-December of FY23, the government imported 1.96 mmt of food grains (public and private), which is 30.99 per cent lower than that of the same period of the previous fiscal year (2.84 mmt). Of 1.96 mmt of food grains, rice was 0.67 mmt and wheat was 1.29 mmt. Of those, private sector imported 0.30 mmt of rice and 0.88 mmt of wheat and public sector imported 0.37 mmt of rice and 0.41 mmt of wheat. The government has reduced rice import duties considering rice price stabilization and increasing national availability.



In FY22, total import of food grains (public & private) was 5.00 mmt, of which rice was 0.99 mmt and wheat was 4.01 mmt. Of those, private sector imported 0.30 mmt of rice and 3.47 mmt of wheat and public sector imported 0.69 mmt of rice and 0.54 mmt of wheat.

Food Grains Import



1.1.3 Domestic Procurement

During the first six months of the current fiscal year (July-December of FY23), 0.83 mmt of rice (boro and aman) was procured, 9.78 per cent lower than 0.92 mmt of the same period of the previous fiscal year. According to the revised food budget of FY23, the target of public food grains procurement has been set at 1.70 mmt. Public procurement for aman 2022-23 season started from 17 November 2022 and will continue up to 28 February 2023 with a target of 0.30 mmt aman paddy and 0.50 mmt aman parboiled rice which in total equivalent to 0.70 mmt in terms of rice. Up to 31 December 2022, about 0.14 mmt aman rice was procured from current aman 2022-23 season. During July-December 2022, 0.83 mmt rice was procured from the last boro and present ongoing aman season.



During FY22, actual rice procurement from internal sources by public sector was 2.02 mmt. Public procurement from boro 2022 season started from 28 April 2022 and continued up to 31 August 2022 and the government procured 1.16 mmt of boro rice (parboiled and atap) and 0.27 mmt of boro paddy, equivalent to 1.35 mmt boro rice (in total).

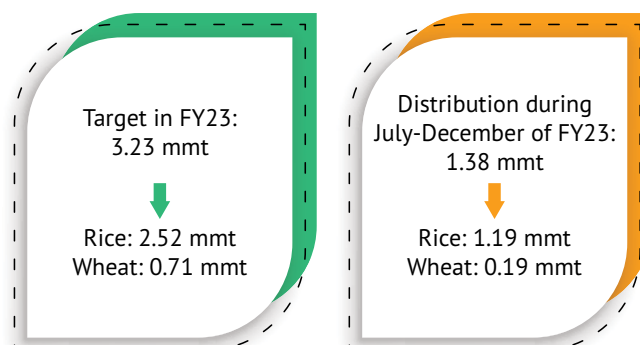
1.1.4 Public Distribution

During July-December of FY23, total public food distribution was 1.38 mmt, of which rice was 1.19 mmt and wheat was 0.19 mmt. The government has expanded the Open Market Sale (OMS) program considering to price stability. According to the revised food budget of FY23, target of public food grain distribution under the Public Food Distribution System (PFDS) has been set at 3.23 mmt, of which 2.52 mmt is rice and 0.71 mmt is wheat.



In FY22, total food grains distribution through the PFDS was 3.08 mmt, which was a record in PFDS in Bangladesh against the revised target of 3.27 mmt set in the food budget. Also this distribution was 34.40 per cent higher compared to the previous fiscal year's actual distribution which was a post COVID-19 response to ensure access to food. During FY22, public food distribution through the Open Market Sale (OMS) was highest (0.89 mmt), followed by the Food Friendly Program (FFP), the Essential Priorities (EP), Vulnerable Group Development (VGD), Vulnerable Group Feeding (VGF), Gratuitous Relief (GR), Hill Tracts (HT) and Food For Work (FFW) channels of PFDS.

Public Food Grains Distribution



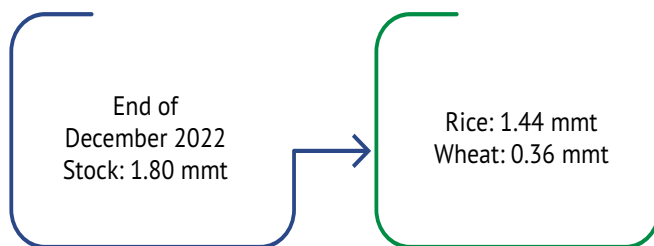
1.1.5 Public Stock

Public food stock is a vital factor for food price stabilization as well as public food distribution system. To maintain a healthy stock as well as food price stabilization, the government is procuring food grains from both internal and external sources.



At the end of December 2022, the public food grains stock was estimated at 1.80 mmt, of which 1.44 mmt was rice and 0.36 mmt was wheat.

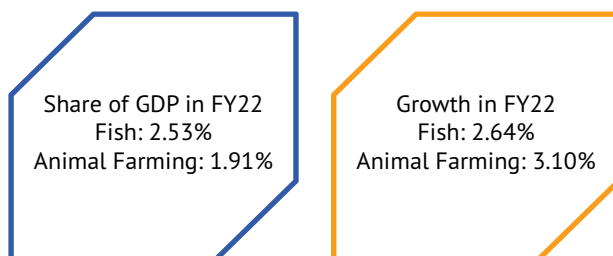
Public Food Grains Stock



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 4.44 per cent of the country's GDP in FY22. Separately, fish and animal farming sub-sectors accounted for 2.53 per cent and 1.91 per cent, respectively, of the country's GDP in FY22. Besides, fish and animal farming sub-sectors grew by 2.64 per cent and 3.10 per cent, respectively in FY22. 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 and Animal Farming Sub-sector



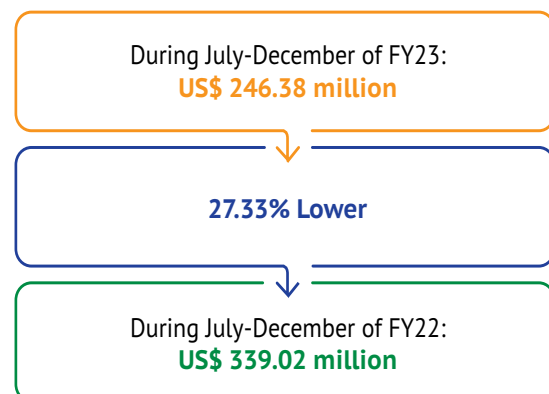
1.2.1 Fish

Bangladesh has achieved self-sufficiency in fish production through the adoption and implementation of timely plans for the production and management of inland open water bodies, inland closed water bodies and marine water bodies. According to the Food and Agriculture Organization (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. The country was the fifth biggest aquaculture producer and eleventh biggest marine and coastal sources producer in the world. Bangladesh also ranked 1st among 11 Hilsa producing countries in the world. Currently the country ranks 4th in Tilapia production in the world and 3rd in Asia.



During July-December of FY23, the country exported frozen and live fish worth US\$246.38 million, 27.33 per cent lower than US\$339.02 million of the corresponding period of the previous fiscal year. Also, it was below the strategic target (US\$297.23 million) by 17.11 per cent, according to the Export Promotion Bureau (EPB) data.

Export of Frozen and Live Fish



1.2.2 Animal Farming (Livestock and Poultry)

The Animal Farming (Livestock and Poultry) sector makes an undeniable contribution to Bangladesh's economic growth, food and nutrition security, self-employment creation, and, most

importantly, poverty alleviation. With the continuous efforts of the government, Bangladesh has achieved self-sufficiency in meat and egg production and made promising progress in milk production.



According to the latest data of Department of Livestock Services (www.dls.gov.bd), total livestock population stood at 56.33 million in FY21 compared to 53.60 million in FY14. Among these, cattle increased to 24.55 million from 23.49 million, buffalo increased to 1.50 million from 1.46 million, sheep increased to 3.68 million from 3.21 million and goat increased to 26.60 million from 25.44 million. Besides, total poultry (chicken and duck) population was 365.86 million in FY21 against 304.17 million in FY14. Among the poultry population, chicken and duck population increased to 304.11 million and 61.75 million in FY21 from 255.31 million and 48.86 million, respectively, in FY14.

Livestock and Poultry Population (in million)

	FY21	FY14
Cattle	24.55	23.49
Buffalo	1.50	1.46
Sheep	3.68	3.21
Goat	26.60	25.44
Chicken	304.11	255.31
Duck	61.75	48.86

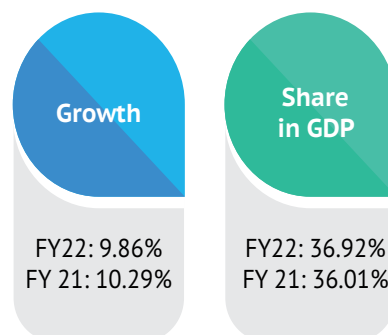
On the other hand, production of milk increased to 11.99 million metric ton (mmt) in FY21 from 3.46 mmt in FY12, meat increased to 8.44 mmt from 2.33 mmt and number of egg increased to 20.58 billion in FY21 from 7.30 billion in FY12.

2.0 Industry

Data on the country's industry sector are yet to be available for the quarter under review (Q2 of FY23). However, due to COVID-19

pandemic and the war in Russia-Ukraine, the sector registered a lower growth of 9.86 per cent in FY22, which was 10.29 per cent in FY21. Besides, the share of the industry sector in GDP increased by 0.91 percentage points to 36.92 per cent in FY22 from 36.01 per cent in FY21.

Industry Sector



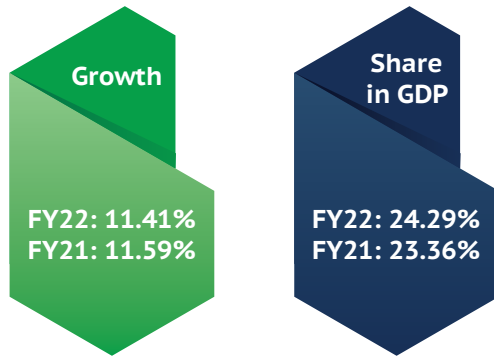
2.1 Manufacturing Industries

In the broad industry sector, the manufacturing sub-sector registered a growth of 11.41 per cent in FY22, compared to 11.59 per cent of the previous fiscal year. Within manufacturing, the large industry sub-sector performed comparatively better than it did in the previous fiscal, growing at 15.68 per cent in FY22, compared to 10.61 per cent in FY21. The small, medium and micro industry grew at 4.84 per cent in FY22 against 13.89 per cent in FY21. The cottage industry grew by 11.12 per cent in FY22 compared to 10.27 per cent in FY21.



The share of the manufacturing sub-sector in GDP increased to 24.29 per cent in FY22 from 23.36 per cent in the previous fiscal year. Within manufacturing, the share of the large industry sub-sector in GDP rose to 12.75 per cent in FY22 from 11.81 per cent in FY21. On the other hand, the share of small, medium and micro industry in GDP decreased to 7.33 per cent from 7.49 per cent while that of cottage industry increased to 4.21 per cent in FY22 from 4.06 per cent in FY21.

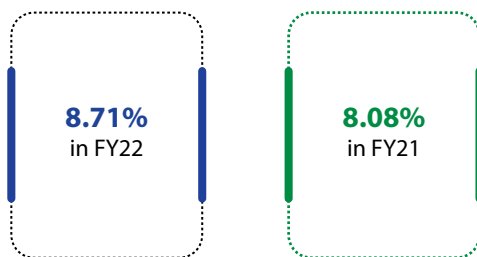
Manufacturing Industries



2.2 Construction

Data on the country's construction sector are not available for the quarter under review (Q2 of FY23). However, according to the BBS latest data, the sector grew by 8.71 per cent in FY22 which was 8.08 per cent in FY21. The real estate activities, which are considered a separate category of the services sector but have close links with the construction sector, also recorded 3.70 per cent growth in FY22 against 3.42 per cent in FY21.

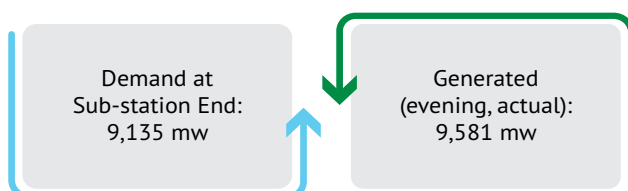
Growth of Construction Sector



2.3 Power

On 31 December 2022, Bangladesh Power Development Board (BPDB) had power plants with installed capacity to generate 22,608 mega watt (MW) and derated/present capacity of 21,826 MW. But the primary fuel (natural gas, oil and coal) shortages compel BPDB to restrict power generation.

Electricity Demand & Generated on 31 December 2022



According to the BPDB website, the power plants generated (evening, actual) 9,581 MW of electricity against a demand for 9,135 MW at sub-station end (evening peak) on 31 December

2022. During the quarter under review, the maximum generation was 12,773 MW recorded on 01 October 2022.



Besides, the coal-fired Rampal Power Plant in Bagerhat finally started electricity generation from its first unit on experimental basis adding 660 MW of electricity to the national grid. Rampal power plant, formally known as Maitree Super Thermal Power Project, started its experimental power generation from 17 December 2022 night, according to the BPDB. It may take a week to a month to start commercial operation of unit-1. Of 660 MW of electricity, 400 MW is being added to the National Grid in Dhaka via Aminbazar-Gopalganj transmission line and 260 MW is being supplied to Khulna-Bagerhat. Further 660 MW of electricity from the coal-fired power plant's unit-2 will be added to the national grid in June 2023. Already 79.35 per cent of the work of unit-2 was completed. The 1320 (2x660) MW coal-fired power plant was set up at a cost of approximately US\$2.0 billion under the Indian government's concessional financing scheme.

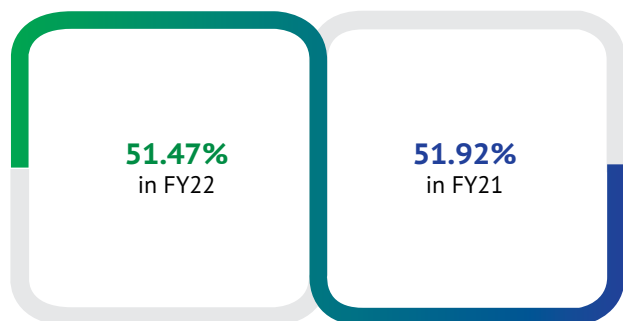
3.0 Services Sector

The broad service sector includes the collective output of the sectors, such as: 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 are not yet available to enable an understanding of how they have done in the quarter under review (Q2 of FY23).

According to the BBS latest data, the services sector grew by 6.26 per cent in FY22 which was 5.73 per cent in FY21. However, the share of the sector in GDP decreased to 51.47 per cent in FY22 from 51.92 per cent in the previous fiscal year.

Export earnings of the services sector decreased by 5.29 per cent to US\$3.85 billion in July-December of FY23, compared to US\$4.07 billion in the corresponding period of the previous fiscal year. Services sector's earnings in July-December of FY23 also decreased by 8.56 per cent against the strategic target (US\$4.22 billion).

Share of the Services Sector in GDP



4.0 Monetary and Credit Developments

According to BB data, broad money (M_2) recorded a lower growth of 8.47 per cent at the end of December 2022 compared to 9.60 per cent growth achieved at the end of December 2021 (Table 1). The December's growth was also below the central bank's target of 10.00 per cent set in the Monetary Policy Statement, Fiscal Year 2022-23 (MPS, FY23, p.21). Domestic credit, on the other hand, grew by 14.98 per cent at the end of December 2022, while a lower growth rate of 12.37 per cent was recorded at the end of December 2021. Among components of domestic credit, private sector credit registered a higher growth of 12.89 per

cent during the period between December 2021 and December 2022, compared with a lower growth of 10.68 per cent during the period between December 2020 and December 2021. Private sector credit growth was also below the central bank's target of 13.60 per cent in December 2022 (MPS, FY23, p.21). Public sector credit, on the other hand, recorded a growth of 24.80 per cent at the end of December 2022, compared with a lower growth of 21.00 per cent at the end of December 2021. The December's growth was much lower compared with the BB's target of 32.30 per cent in December 2022 (MPS, FY23, p.21). Within public sector credit, credit to government (net) recorded a growth of 25.19 per cent, and credit to other public sector recorded a growth of 22.13 per cent, during the period under review (Table 1).

Growth of Domestic Credit

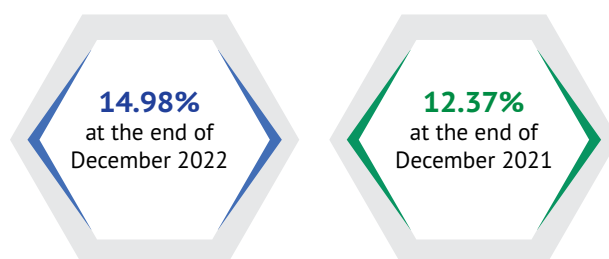


Table 1: Monetary and Credit Development

(Taka in crore)

Particulars	Outstanding Stock			% Changes in Outstanding Stock	
	December 2022 ^P	December 2021 ^P	December 2020 ^R	December 2022 over December 2021	December 2021 over December 2020
Total Domestic Credit	1761762	1532188	1363576	14.98	12.37
Credit to Public Sector	335628	268940	222273	24.80	21.00
Net Credit to Government Sector	293619	234544	191283	25.19	22.62
Credit to Other Public Sector	42009	34396	30990	22.13	10.99
Credit to Private Sector	1426134	1263248	1141303	12.89	10.68
Reserve Money (RM)	380012	323666	304054	5.18	15.14
Broad Money (M_2)	1757969	1620635	1478684	8.47	9.60

Note: P=Provisional; R=Revised

Source: Bangladesh Bank

Total liquid assets of scheduled banks stood lower at Tk.393,801 crore at the end of December 2022, compared with Tk.441,681 crore at the end of June 2022. The minimum liquidity requirement of the scheduled banks was Tk.248,199 crore at the end of December 2022 (Table 2). The scheduled banks thus held an excess liquidity of Tk.145,602 crore as of end December 2022.



Table 2: Liquidity Position of Scheduled Banks

(Taka in crore)

Bank Group	As of end June, 2022 ^R	As of end December 2022 ^P		
	Total Liquid Assets	Total Liquid Assets	Minimum Required Liquid Assets	Excess Liquidity
1	2	3	4	5 (3-4)
State owned banks	147005	117423	67740	49683
Private banks (other than Islamic)	195718	182702	126819	55883
Private banks (Islamic)	56760	45099	36706	8393
Foreign banks	40414	46763	15178	31585
Specialized banks*	1784	1814	1756	58
Total	441681	393801	248199	145602

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

Source: Bangladesh Bank

4.1 Policy Interest Rate Developments

Bangladesh Bank (BB) increased the repurchase agreement (repo) rate to 5.75 per cent with effect from October 2022 while the reverse repo rate remained unchanged at 4.00 per cent since July 2020. The repo rate was re-fixed at 5.50 per cent and 5.00 per cent with effect from June 2022 and May 2022, respectively while the reverse repo rate remained unchanged at 4.00 per cent. Earlier, the repo rate was re-fixed at 4.75 per cent from 5.25 per cent with effect from July 2020, while the reverse repo rate was re-fixed again at 4.00 per cent from 4.75 per cent with effect from the same time (Table 3). All these relaxations help keeping the domestic demand stable amid the pandemic.

**Table 3: Interest Rate (weighted average) movements in FY22 and FY23**

(in per cent)

Month/Quarter	Repo	Reverse Repo	Lending Rate	Deposit Rate	Interest Rate Spread
FY22					
December*	4.75	4.00	7.16	3.99	3.17
January*	4.75	4.00	7.12	4.01	3.11
February	4.75	4.00	7.10	4.02	3.08
March	4.75	4.00	7.11	4.01	3.10
April	4.75	4.00	7.09	4.02	3.07
May	5.00	4.00	7.08	4.02	3.06
June	5.50	4.00	7.09	3.97	3.12
FY23					
July	5.50	4.00	7.09	4.04	3.05
August	5.50	4.00	7.11	4.07	3.04
September	5.50	4.00	7.12	4.09	3.03
October	5.75	4.00	7.15	4.13	3.02
November	5.75	4.00	7.18	4.22	2.96
December	5.75	4.00	7.22	4.23	2.99

Note: * = Revised

Source: Bangladesh Bank

The interest rate spread between the weighted average interest rate on lending and deposits of all banks inched up to 2.99 per cent in December 2022 from 2.96 per cent in the previous month (November 2022) as banks' lending rate increased to 7.22 per cent in December from 7.18 per cent in November 2022 and deposit rate also increased to 4.23 per cent in December 2022 from 4.22 per cent in the previous month (Table 3).

4.2 Industrial Term Loans

Data on industrial term loans are available up to the first quarter (July-September) of the current fiscal year (FY23). According to BB data, the disbursement of industrial term loans during July-September of FY23 stood at Tk.18,562 crore, which was 13.31 per cent lower than Tk.21,413 crore disbursed during the immediate previous quarter (April-June) of FY22 (Table 4).

On the other hand, the recovery of industrial term loans increased by 22.44 per cent to Tk.20,610 crore during July-September of FY23 compared to Tk.16,833 crore recovered in the previous quarter (April-June of FY22).

Disbursement and Recovery of Industrial Term Loans

Disbursement

July-September of FY23: Tk. 18,562 crore
April-June of FY22: Tk 21,413 crore **13.31% lower**

Recovery

July-September of FY23: Tk. 20,610 crore
April-June of FY22: Tk 16,833 crore **22.44% higher**

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
July-September of FY22 ^P	11856	1318	1660	14834 (-23.66)	10252	1312	1415	12979 (-11.92)
October-December of FY22 ^P	14995	1575	2203	18773 (26.55)	14061	2305	2111	18477 (42.36)
January-March of FY22 ^P	12742	1977	2621	17340 (-7.63)	12630	1945	1998	16573 (-10.30)
April-June of FY22 ^P	16440	1895	3078	21413 (+23.49)	13044	2048	1741	16833 (+1.57)
July-September of FY23 ^P	14120	1449	2993	18562 (-13.31)	15482	2066	3062	20610 (+22.44)

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: Bangladesh Bank

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

Data on cottage, micro, small and medium enterprise (CMSME) loans are not available beyond July-September of FY23. According to BB data, disbursement of CMSME loans by all banks and non-bank financial institutions (NBFIs) increased by 22.82 per cent to Tk.51,676.81 crore during July-September of FY23 from Tk.42,075.49 crore in July-September of FY22. On the other hand, recovery of CMSME loans during July-September of FY23 also increased, year-on-year, by 5.79 per cent to Tk.45,532.59 crore from Tk.43,042.39 crore (Table 5).

The outstanding position of CMSME loans by all banks and NBFIs was higher by 11.65 per cent at the end of September of FY23 compared to that of end September of FY22 (Table 5). Outstanding CMSME loans as percentage of total outstanding loans stood at 19.48 per cent during July-September of FY23 compared to that in July-September of FY22.



Year on Year, Percentage Change of Disbursement of CMSME Loans during July-September of FY 23

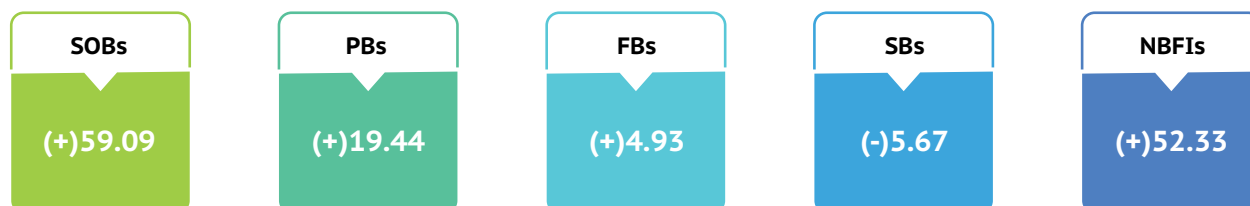


Table 5: Disbursement, Recovery and Outstanding Situation of CMSME Loans

(Tk. in crore)

Quarter	CMSME Loans	SOBs	PBs	FBs	SBs	NBFIs	Total
July-September of FY22 ^P	Disbursement Recovery	3260.92 2367.50	35565.68 38097.50	958.03 655.94	838.75 618.86	1452.11 1302.59	42075.49 43042.39
End September of FY22 ^P	Outstanding of CMSME Loans Outstanding of Total Loans	44477.05 217791.87	184417.42 877973.66	2381.64 37103.39	3246.45 31752.30	10803.11 52170.64	245325.67 1216791.86
October-December of FY22 ^P	Disbursement Recovery	4425.42 3649.66	48909.64 45095.70	1114.23 1366.41	832.24 1170.62	1837.06 1821.24	57118.60 53103.63
End December of FY22 ^P	Outstanding of CMSME Loans Outstanding of Total Loans	44265.17 231831.69	191371.84 916168.35	2362.70 39453.68	2804.76 32384.66	11277.62 53117.76	252082.09 1272956.15
January-March of FY22 ^P	Disbursement Recovery	4230.91 2484.95	43000.37 43940.43	824.75 454.45	1216.80 757.74	2443.86 1576.47	51716.69 49214.04
End March of FY22 ^P	Outstanding of CMSME Loans Outstanding of Total Loans	42642.71 242309.70	198654.96 934264.91	2708.56 39223.89	3789.46 32384.67	11908.52 53443.57	259704.21 1301626.74
April-June of FY22 ^P	Disbursement Recovery	5588.08 2421.68	46910.02 35279.43	821.73 1163.94	849.76 389.65	2314.68 1631.56	56484.26 40886.26
End June of FY22 ^P	Outstanding of CMSME Loans Outstanding of Total Loans	45337.99 251218.68	207593.02 981001.46	2311.04 40161.34	3839.95 34543.82	12366.58 55179.46	271448.58 1362104.76
July-September of FY23 ^P	Disbursement Recovery	5187.86 2782.16	42480.42 40015.53	1005.26 565.93	791.22 494.21	2212.05 1674.76	51676.81 45532.59
End September of FY23 ^P	Outstanding of CMSME Loans Outstanding of Total Loans	46613.30 260605.30	207790.38 1009297.80	2604.25 37672.44	4292.68 34543.82	12606.00 64019.91	273906.60 1406139.27
% Change of Disbursement of CMSME Loans during July-September of FY23 over July-September of FY22		+59.09	+19.44	+4.93	-5.67	+52.33	+22.82
% Change of Recovery of CMSME Loans during July-September of FY23 over July-September of FY22		+17.51	+5.03	-13.72	-20.14	+28.57	+5.79
Outstanding CMSME Loans as % of Total Outstanding Loans during July-September of FY23		+17.89	+20.59	+6.91	+12.43	+19.69	+19.48
% Change of Outstanding of CMSME Loans at the End of September of FY23 over September of FY22		+4.80	+12.67	+9.35	+32.23	+16.69	+11.65

Notes: SOBs=State Owned Banks, PBs=Private Banks, FBs=Foreign Banks, SBs=Specialized Banks, and NBFIs=Non Bank Financial Institutions;

P=Provisional; R=Revised;

Source: Bangladesh Bank

4.4 Agricultural Credit and Non-farm Rural Credit

The disbursement of agricultural credit and non-farm rural credit by all scheduled banks in July-December of FY23 stood at Tk.16,670 crore, an increase of 14.99 per cent from Tk.14,497 crore in July-December of FY22 (Table 6 and Figure). The disbursement was improved as demand for such loan was picking up gradually due to seasonal effects, also providing subsidy, according to experts.

On the other hand, the recovery of agricultural credit and non-farm rural credit also increased by 20.86 per cent to Tk.16,430 crore in July-December of FY23, compared to Tk.13,594 crore in the corresponding period of the previous fiscal year.



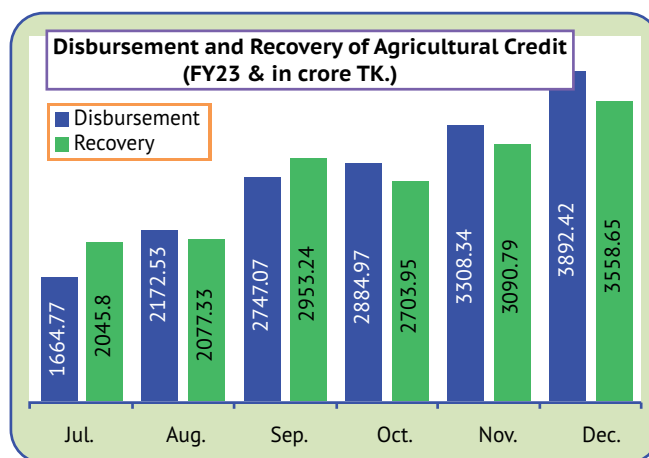
Table 6: Disbursement and Recovery of Agricultural Credit and Non-farm Rural Credit

(in crore Taka)

Month	FY23 ^P		FY22 ^R	
	Disbursement	Recovery	Disbursement	Recovery
July	1664.77	2045.80	942.11	1687.71
August	2172.53	2077.33	1732.67	1681.71
September	2747.07	2953.24	2535.72	2216.69
October	2884.97	2703.95	2694.62	2011.22
November	3308.34	3090.79	2868.43	2741.69
December	3892.42	3558.65	3723.49	3254.78
Total of July – December	16670.10 (+14.99)	16429.76 (+20.86)	14497.04 (+20.03)	13593.80 (-3.53)

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

Dhaka stocks gained on 29 December 2022, the last trading session in 2022, as a section of investors went on buying shares while many others remained cautious on the trading floor.

DSEX, the key index of the Dhaka Stock Exchange (DSE), gained 0.18 per cent to close at 6,206.81 points on the day after gaining 15.54 points in the previous session. The turnover on the DSE increased by 33.9 per cent to Tk.345.71 crore on the day from Tk.258.22 crore in the previous session. Out of the 354 issues traded, 60 advanced, 107 declined, and 187 remained unchanged.

Two other indices of the DSE also edged higher. The DS30 Index, comprising blue-chip companies, gained 0.79 points to close at 2,195 and the DSES Index advanced 1.19 points to finish at 1,359.

The Chittagong Stock Exchange (CSE) also inched up with the CSE All Share Price Index (CASPI) gaining 1.0 points to settle at 18,328 and its Selective Categories Index (CSCX) advancing 1.0 points to close the week at 10,982. Of the issues traded, 58

declined, 41 advanced and 151 issues remained unchanged on the CSE trading floor. The port-city bourse traded 20.51 million shares and mutual fund units with turnover value of Tk.878 million during the week.

DSE and CSE settled at the last day of the quarter under review

Dhaka Stock Exchange (DSE)
DSEX closed at 6,206.81 points

Chittagong Stock Exchange (CSE)
CASPI settled at 18,328 points

6.0 Public Finance

According to provisional data of the National Board of Revenue (NBR), the tax revenue collection grew by 10.99 per cent to Tk.1,454.31 billion in the first six months of the current fiscal year (July-December of FY23) compared to Tk.1,310.35 billion in the corresponding period of FY22 despite posting a shortfall of

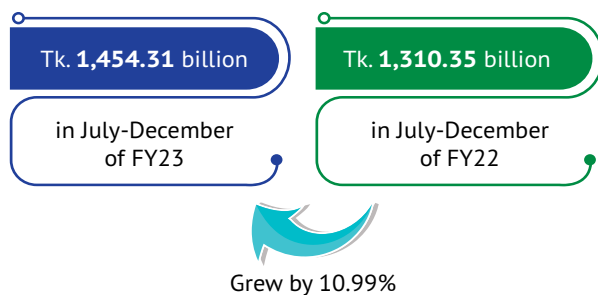


Tk.126.55 billion or 8.01 per cent against the target (Tk.1,580.86 billion). Government's austerity measures and restriction on import of products squeezed the overall expenditures resulting the revenue collection shortfall.



During July-December of FY23, all three wings of the NBR year-on-year achieved moderate growth. In the period under review, the customs wing posted the highest growth of 20.95 per cent and stood at Tk.451.36 billion compared to Tk.373.19 billion. During the periods, income tax stood at Tk.446.42 billion, growing by 7.29 per cent from Tk.416.09 billion and value added tax (VAT) grew by 6.81 per cent to Tk.556.53 billion from Tk.521.07 billion.

Tax Revenue Collection



However, compared to their respective targets for July-December of FY23, all three wings of the NBR are lagged behind their respective targets. The customs wing suffered a collection shortfall of Tk.94.09 billion or 17.25 per cent against the target of Tk.545.45 billion, followed by income tax wing that lagged behind by Tk.27.70 billion or 5.84 per cent against the target of Tk.474.12 billion and VAT wing had a shortfall of Tk.4.76 billion or 0.85 per cent against the target of Tk.561.29 billion.

In December 2022 alone, the NBR managed to collect Tk.296.14 billion revenue, showing a growth of 2.93 per cent from US\$287.71 billion in December 2021; while month-on-month NBR's collection grew by 19.68 per cent from Tk.247.45 billion in the previous month (November 2022).

In FY23, the government sets a Tk.3,700 billion target for NBR, expecting 12.12 per cent growth over the previous fiscal year target (Tk.3,300 billion). Of them, Tk.1,110 billion target is set for customs wing while a Tk.1,369 billion target is for VAT collection and Tk.1,221 billion target set for income tax collection.

6.1 Public Expenditure

The implementation rate of the Annual Development Programme (ADP) in July-December of FY23 stood at 23.53 per cent, the lowest in the last six years. Six years back, the execution rate was lowest at 23.24 per cent in July-December of FY17. However, the rate was 24.06 per cent in the same period of the previous fiscal year (July-December of FY22).

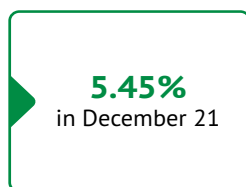
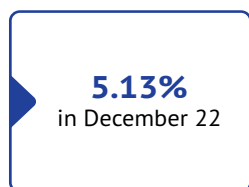
According to the Implementation Monitoring and Evaluation Division (IMED), the ministries and divisions could not expedite the development work even during the recovery process from the COVID-19 pandemic though the projects suffered serious setbacks during the pandemic. Recent data shows that 58 ministries and divisions could spend Tk.602.49 billion or 23.53 per cent of the allocation of Tk.2,560.03 billion in the first half (H1) of FY23 compared to 24.06 per cent or Tk.569.62 billion in the outlays of Tk.2,367.93 billion in H1 of FY22.



Out of the spending in H1 of FY23, the foreign aid (project aid) spending was Tk.244.23 billion, which was 26.54 per cent of the total foreign aid (Tk.920.20 billion). On the other hand, spending of local funds (including GoB funds) in the period under review was Tk.358.26 billion, which was 22.54 per cent of the total local funds of Tk.1,589.53 billion.

The IMED monthly progress report showed that the implementation rate of the ADP in December of FY23 alone was slightly lower at 5.13 per cent compared to 5.45 per cent in December of FY22.

Monthly Implementation Rate



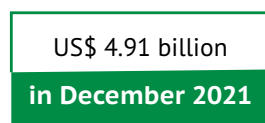
Largest budget holder of the fifteen ministries and divisions, which together received 82.67 per cent of the total ADP, managed to post 23.86 per cent average ADP performance by spending a total of Tk.505.05 billion in H1 of FY23. Among these ministries and divisions, project implementation by the Bridges Division (44.43%) was the highest, followed by the Power Division (38.57%), the Ministry of Housing and Public Works (32.61%), the Prime Minister's Office (27.81%), the Road Transport and Highways Division (27.02%), the Local Government Division (26.00%), the Ministry of Railways (25.27%), the Ministry of Agriculture (23.99%), the Ministry of Water Resources (22.81%), the Ministry of Civil Aviation and Tourism (21.64%), and the Ministry of Science and Technology (18.05%).

Implementation agencies that spent less than 15.0 per cent of their respective ADP budgets were: the Ministry of Shipping (12.86%), the Secondary and Higher Education Division (12.21%), the Ministry of Primary and Mass Education (11.98%), and the Health Services Division (9.51%).

7.0 Exports

Bangladesh's export earnings (merchandise) in December 2022 were US\$5.37 billion, the highest ever single-month earnings, due to a robust performance of readymade garment (RMG) products despite a global economic slowdown. Earlier, the monthly highest export earnings were recorded in November 2022 with the figure of US\$5.09 billion.

Export Earnings (Merchandise)



grew by 9.33%

The country's export earnings in December 2022 grew by 9.33 per cent to US\$5.37 billion year-on-year from US\$4.91 billion, according to the Export Promotion Bureau data (Table 7). Export earnings in December 2022, however, were lower by 1.03 per cent from the strategic target of US\$5.42 billion.



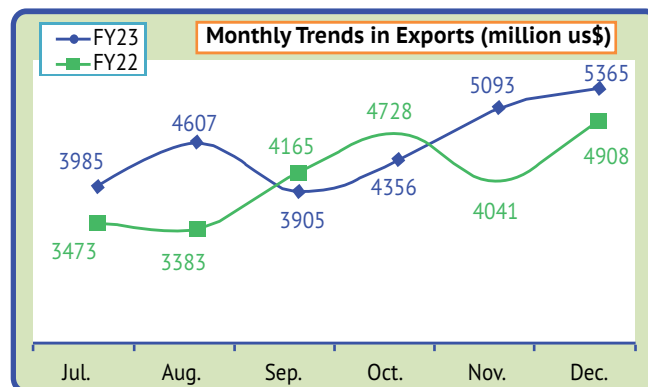
However, export earnings in the first six months of the current fiscal year (July-December of FY23) increased by 10.58 per cent to US\$27.31 billion from US\$24.70 billion in the corresponding six months of the previous fiscal year. Overall export earnings in July-December of FY23 also surpassed marginally by 0.44 per cent against the strategic target (US\$27.19 billion).

Table 7: Monthly Trends in Exports (Goods)

Month	Exports (million US\$)		Change (%)
	FY23 ^P	FY22 ^R	
July	3985	3473	+14.74
August	4607	3383	+36.18
September	3905	4165	-6.24
October	4357	4728	-7.87
November	5093	4041	26.03
December	5365	4908	9.33
Total of July – December	27312	24699	+10.58

Notes: P=Provisional; R=Revised

Sources: Export Promotion Bureau



Of the total US\$27.31 billion, the readymade garments (RMG) fetched US\$23.00 billion, posting a growth of 15.56 per cent year-on-year in July-December of FY23. A breakdown of the clothing sector performance shows that the knitwear sub-sector of RMG earned US\$12.66 billion from exports, registering a 13.42 per cent year-on-year growth. Earnings from woven garment exports amounted to US\$10.34 billion, up by 18.29 per cent. RMG including knit and woven items contributed the lion's share of 84.22 per cent during July-December of FY23 and the rest, 15.78 per cent, came from other 31 non-RMG sectors, including home textiles, jute, agro-products, leather and engineering goods.

The country's major export products during July-December of FY23 that showed positive growth, year-on-year, included knitwear (+13.42%), woven garments (+18.29%), cotton & cotton products (+49.67%), headgear/cap (+46.59%), ceramic products (+6.31%), other footwear (+17.84%), leather & leather products (+13.00%), plastic products (+40.97%), and paper & paper products (+123.35%). However, negative growth was found in agricultural products (-23.26%), frozen & live fish (-27.33%), jute & jute goods (-17.65%), home textile (-16.02%), specialized textiles (-37.54%), man-made filaments & staple fibers (-13.34%), handicrafts (-30.14%), carpet (-30.59%), rubber (-40.48%), chemical products (-22.44%), petroleum bi-products (-27.47%), engineering products (-41.24%) and other manufactured products (-11.80%).

8.0 Imports

According to Bangladesh Bank data, total value of custom based import during July-December of FY23 decreased by 2.20 per cent to US\$41.20 billion from US\$42.12 billion during July-December of FY22 (Table 8). Besides, custom based import in December of FY23 alone decreased year-on-year by 28.37 per cent and month-on-month by 20.40 per cent to US\$6.04 billion.



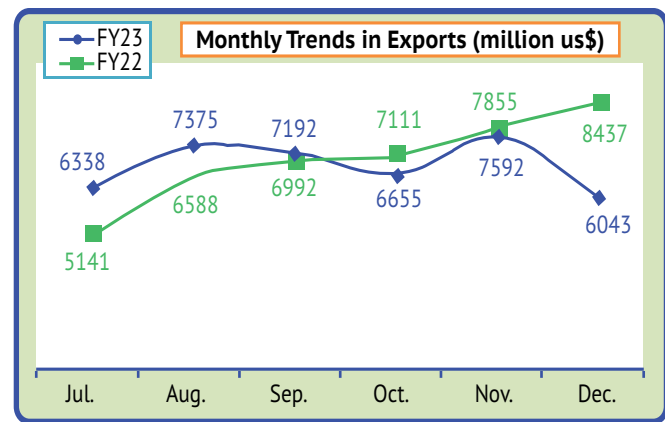
The fell was due to the outcome of a number of initiatives taken by the central bank as well as the government since April 2022, in order to restrain foreign currency expenditure. Also, the drastic fall of food grains import during July-December of FY23 helped reduce custom based imports.

Table 8: Monthly Trends in Imports (C&F)

Month	Imports (million US\$)		Change (%)
	FY23 ^P	FY22 ^R	
July	6338	5141	+23.28
August	7375	6588	+12.02
September	7192	6992	+2.86
October	6655	7111	- 6.41
November	7592	7855	- 3.35
December	6043	8437	- 28.37
Total of July – December	41195	42124	- 2.20

Notes: P=Provisional; R=Revised

Source: Bangladesh Bank



The settlement of import Letters of Credit (LCs) during July-December of FY23 increased year-on-year by 7.71 per cent and stood at US\$41.37 billion. This increase was driven mainly by petroleum (+46.09%), and industrial raw material (+12.58%).

On the other hand, fresh opening of import LCs during July-December of FY23 decreased year-on-year by 22.52 per cent and stood at US\$34.10 billion. This decrease was mainly due to decrease in opening of import LCs of capital machinery (-65.32%), intermediate goods (-33.18%), and industrial raw material (-27.27%).

9.0 Remittances

According to the Bangladesh Bank (BB) data, the inflow of remittances increased year-on-year by 9.99 per cent to US\$1.79 billion in December 2022 from US\$1.63 billion and month-on-month increased by 12.48 per cent from US\$1.60 billion through the banking channel amid various initiatives taken by the government and the Bangladesh Bank (Table 9).



On the other hand, the inflow of remittances in the first six months of the current fiscal year (July-December of FY23) increased by 3.40 per cent to US\$10.59 billion from US\$10.24 billion in the correspondent period in FY22 (Table 9).

The Inflow of Remittances

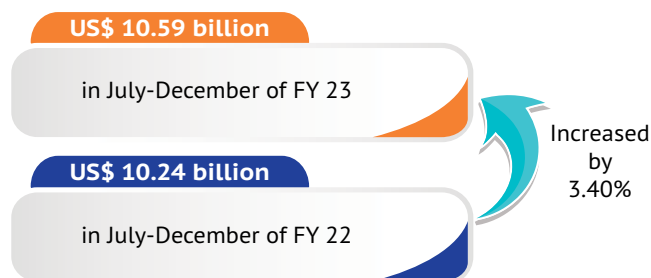
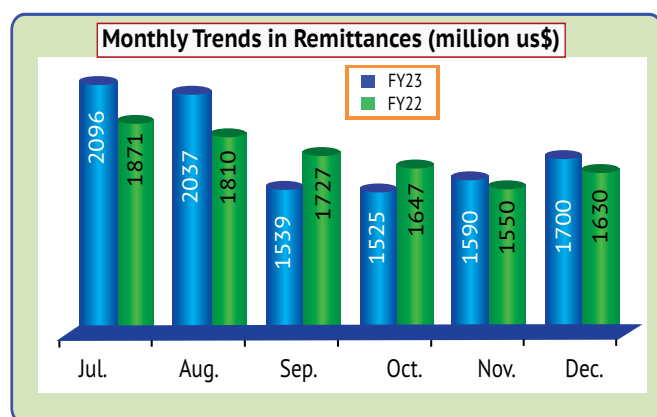


Table 9: Monthly Trends in Remittances

Month	Remittances (million US\$)		Change (%)
	FY23 ^P	FY22 ^R	
July	2096	1871	+12.03
August	2037	1810	+12.54
September	1540	1727	- 10.83
October	1526	1647	- 7.35
November	1595	1554	+2.64
December	1794	1631	+9.99
Total of July – December	10588	10240	+3.40

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



The government and the BB have taken various measures to prevent inflow of remittances through informal channels, but the efforts are yet to be successful on a large scale. The inflow of remittances increased slightly as the government increased cash incentive for remittance. On 01 January 2022, the government increased cash incentive on remittance to 2.5 per cent from 2.0 per cent to encourage migrants to send more money through the formal channel.

Considering the dollar shortage on the market, the BB has recently issued a circular saying that the expatriates do not require to show documents for sending any amount of money to

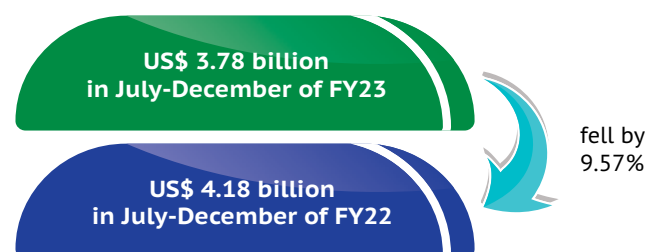
the country and depreciation of exchange rate (Taka/US\$) might have influenced this growth in overseas remittances. Apart from this, the BB recently asked banks to provide Tk.107 instead of Tk.99.50 against per US dollar for inward remittance. Thus, a remitter now gets Tk.107 per dollar, even if they send remittance directly through banks. Currently, the banks do not charge any fee for remittance collection. At the same time, in the current reality of foreign exchange reserves, banks have to open LCs with dollar resources from their own sources.

Besides, the central bank asked to increase the number of exchange houses outside the country to encourage remittance collection directly through banks by reducing the dependence on foreign exchange houses. In this case, the central bank will provide necessary assistance. Banks have committed to implementing these decisions.

10.0 Foreign Aid

According to the Economic Relations Division (ERD) provisional data, the disbursement of foreign aid fell by US\$0.40 billion or 9.57 per cent to US\$3.78 billion in July-December of FY23 from US\$4.18 billion in July-December of FY22 when the country faced a foreign exchange crunch. Out of US\$3.78 billion, US\$3.57 billion came as concessional loans while US\$0.21 billion came as grants.

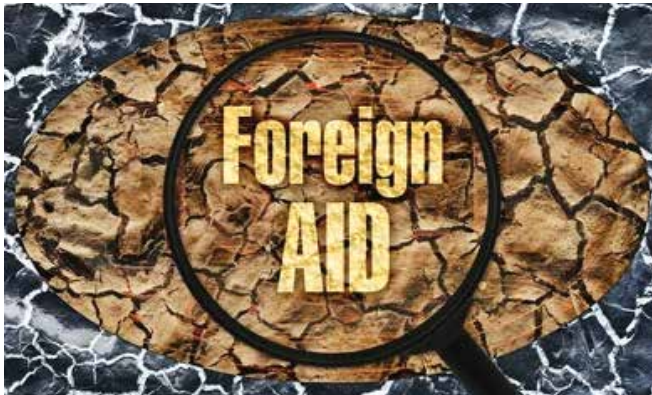
Disbursement of Foreign Aid



The development partners, including the Asian Development Bank (ADB), the World Bank (WB), the Japan International Cooperation Agency (JICA), China, Russia, and the Islamic Development Bank (IDB) disbursed concessional loan every year for the development of Bangladesh. During the period under review, JICA alone provided US\$921.61 million, the highest amount of assistance. Besides, the ADB disbursed US\$567.34 million, the WB disbursed US\$540.37 million, China US\$535.06 million, and Russia disbursed US\$449.81 million.

On the other hand, development partners' commitments of foreign aid decreased to US\$1.76 billion in July-December of FY23 from US\$4.40 billion in July-December of FY22. The country's major bilateral development partners, including China, India and Russia, are conspicuous by not making any commitment of foreign aid during the period under review. Analysts think that the global economic crisis and government's austerity in

public spending in the development sector have led to foreign aid ebbing down, as the public agencies are being discouraged from taking up fresh projects. In addition, execution of many of the ongoing foreign-aided projects also slows under a blowback impact of the austerity.



Meanwhile, the government made payments worth US\$1.05 billion funds during July-December of FY23 against the total outstanding medium-to-long-term (MLT) loans. Out of the US\$1.05 billion debt servicing, the government repaid interest worth US\$0.27 billion and principal worth US\$0.78 billion.

11.0 Foreign Direct Investment (FDI)

The net foreign direct investment (FDI) in the first six months of the current fiscal year (July-December of FY23) increased slightly by 2.95 per cent to US\$1,151 million from US\$1,118 million in the corresponding period of the previous fiscal year (July-December of FY22), according to the BB's balance of payments data. On the other hand, the gross inflow of FDI during July-December of FY23 also increased year-on-year by 12.84 per cent to US\$2,628 million from US\$2,329 million. FDI inflow in Bangladesh is low compared to that in many other countries at similar level of development.



Bangladesh's low labor 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 coronavirus pandemic.

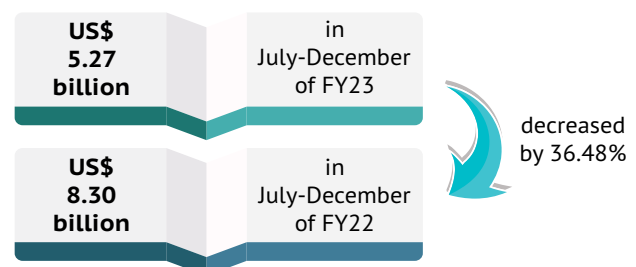
12.0 Balance of Payments

According to the Bangladesh Bank's (BB) latest data, the country's trade deficit with the rest of the world narrowed by 21.69 per cent to US\$12.30 billion in the first six months of the current fiscal year (July-December of FY23) from US\$15.71 billion in the corresponding period of the previous fiscal year (July-December of FY22) due mainly to slower growth in import than that of export (Table 10). During the periods, overall imports fell by 2.15 per cent to US\$38.13 billion from US\$38.97 billion, while export grew by 11.04 per cent to US\$25.83 billion from US\$23.26 billion with garment shipments accounting for 15.56 per cent rise.



Import restrictions come to the rescue as current account deficit decreased by 36.48 per cent to US\$5.27 billion in July-December of FY23 from US\$8.30 billion in July-December of FY22. The deficit in services however increased by 16.16 per cent to US\$1.96 billion in July-December of FY23 from US\$1.68 billion in July-December of FY22.

Current Account Deficit



In July-December of FY23, the remittance inflow was US\$10.49 billion, which was US\$0.25 billion or 2.44 per cent higher than US\$10.24 billion in July-December of FY22. The BB data also showed that the country's gross foreign direct investment (FDI) increased year-on-year by 12.84 per cent to US\$2.63 billion

in July-December of FY23 from US\$2.33 billion. Net FDI also increased by 2.95 per cent to US\$1.15 billion from US\$1.12 billion. Despite higher inflow of FDI, financial account stood year-on-year at US\$1.10 billion deficit in July-December of FY23 compared to US\$6.89 billion surplus. On the other hand, the capital account remained marginally in positive territory

at US\$171 million during July-December of FY23 compared to positive US\$138 million during July-December of FY22.

According to the BB data, the balance of payments (BoP) however worsened to negative US\$7.17 billion in July-December of FY23 against negative US\$1.79 billion during the same period a year earlier.

Table 10: Balance of Payments

(in million US\$)

Items	July-December of FY23P	July-December of FY22R	% Changes
Trade Balance	(-) 12300	(-) 15707	(-) 21.69
Exports f.o.b (including EPZ)*	25832	23264	11.04
of which: Readymade Garments	22997	19901	15.56
Imports f.o.b (including EPZ)*	38132	38971	(-) 2.15
Services	(-) 1955	(-) 1683	16.16
Credit	4552	4756	
of which: Government Services	1108	1216	
Debit	6507	6439	
Primary Income	(-) 1861	(-) 1490	24.90
Credit	215	157	
Debit	2076	1647	
of which: Official Interest Payment	634	465	
Secondary Income	10846	10583	2.49
Official Transfers	38	12	
Private Transfers (net)	10808	10571	
of which: Workers' Remittances Inflows	10493	10240	2.47
Current Account Balance	(-) 5270	(-) 8297	(-) 36.48
Capital Account	171	138	
Capital Transfers	171	138	
Financial Account	(-) 1098	6894	(-) 115.93
Foreign Direct Investment (gross inflows)	2628	2329	12.84
of which; Foreign Direct Investment (net)**	1151	1118	2.95
Portfolio Investment (net)	(-) 30	(-) 89	
of which: Investment by NRBs	56	60	
Other Investment (net)	(-) 2219	5865	
Net Aid Flows	2710	3247	
Medium and Long Term (MLT) Loans	3502	4025	(-) 12.99
MLT Amortization Payments	792	778	1.80
Errors and Omissions	(-) 972	(-) 526	84.79
Overall Balance	(-) 7169	(-) 1791	300.28

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

13.0 Exchange Rate

Exchange rate of Bangladesh Taka depreciated since the end of June 2022. Between end-June of FY22 and end-December of FY23, the value of Taka depreciated by 6.68 per cent in terms of US dollar. On the inter-bank market, the US dollar was quoted at Tk.93.4500 at the end of June 2022 and Tk.100.1395 at the end of December 2022 (Table 11).

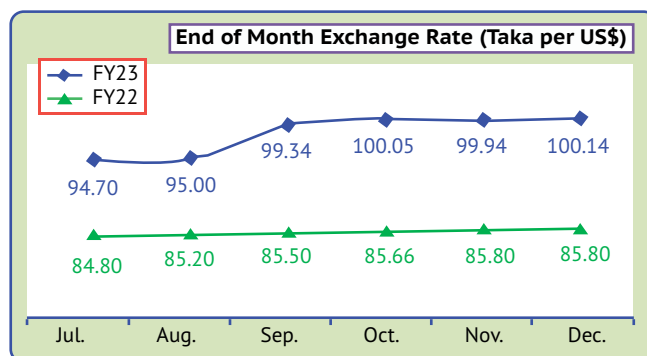
Table 11: Monthly Exchange Rate

Month	FY23 ^P (Taka per US\$)		FY22 ^R (Taka per US\$)	
	Month Average	End Month	Month Average	End Month
June	-	-	92.0347	93.4500
July	93.8873	94.7000	84.8037	84.8024
August	94.9056	95.0000	84.9523	85.2000
September	95.6154	99.3434	85.2587	85.5000
October	96.6154	100.0476	85.6121	85.6582
November	97.6154	99.9435	85.7750	85.8000
December	98.8462	100.1395	85.8000	85.8000

Note: i) P=Provisional; R=Revised

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

Source: Bangladesh Bank



The central bank decided, recently, to introduce foreign currency (FC) clearing and settlement through the Real Time Gross Settlement (RTGS) system for the first time - from 4 September 2022 - to facilitate business activities. Under the new payment system, five currencies - including US dollar, Great Britain Pound, Euro, Canadian dollar and Japanese Yen - would be used to settle payments within the country through inter-bank transactions. The clearing and settlement of Chinese Yuan would be incorporated in the RTGS system soon, according to the Bangladesh Bank (BB).

The banks may clear as well as settle their FC transactions using the payment system from their own offices without coming to the BB. It will also help easing doing business in Bangladesh.

14.0 Foreign Exchange Reserves

Bangladesh Bank's gross foreign exchange reserves fell below US\$40 billion, the lowest level in two years, largely for imports far outstripping exports and falling currency exchange rate

against the US dollar. Experts say an ACU (Asian Clearing Union) payment against import bills pushed the reserves down. The decline in foreign exchange reserves is adding to the financial strains the country already faces for a record current account deficit amid deep depreciation of the local currency, Taka, against the international trading currency, the US dollar.

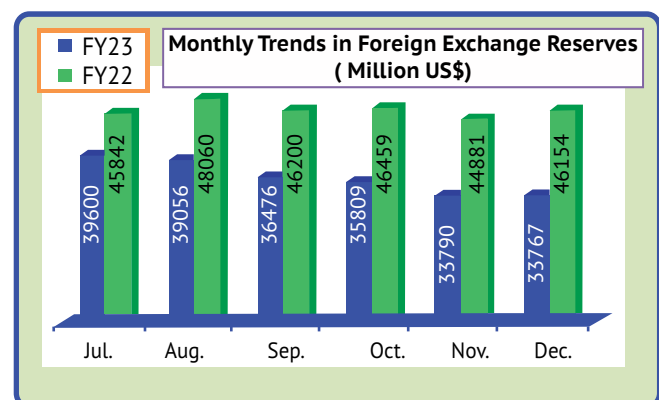
Bangladesh Bank's gross foreign exchange reserve came down to US\$33.77 billion at the end of December 2022 from US\$46.15 billion at the end of December 2021 (Table 12). The ACU liability as of end December 2022 was US\$1.12 billion. The foreign exchange reserve in December 2022 was sufficient to pay import bills of goods for 5.5 months.

Table 12: Monthly Trends in Foreign Exchange Reserves

Month	Foreign Exchange Reserve (million US\$)	
	FY23 ^P	FY22 ^R
July	39600	45842
August	39056	48060
September	36476	46200
October	35809	46459
November	33790	44881
December	33767	46154

Notes: P=Provisional; R=Revised

Source: Bangladesh Bank



15.0 Overseas Employment Situation

The sector is a vital source of Bangladesh's foreign exchange reserves. A steady outflow of migrant workers in October-December of FY23 raises hope for a healthy growth in overseas employment as the sector is now recovering from the COVID-19 pandemic shock. According to the Bureau of Manpower Employment and Training (BMET), a total of 261,134 workers went to different job-destination countries during October-December of FY23 against 259,221 during the previous quarter (July-September of FY23). Bangladesh sent 77,371 workers in October, 85,352 in November, and 98,411 in December in FY23. Such a steady growth is expected to continue in coming months and the sector could see a record number of employments in the future, sector insiders expect.

The workers went mainly to 20 countries in the last three months (October-December of FY23). Of them, Kingdom of Saudi Arabia (KSA) received the highest 37.82 per cent or 98,765 workers. Other main job-destination countries are: Malaysia 44,729 (17.13%), Oman 44,131 (16.90%), the United Arab Emirates (UAE) 18,101 (6.93%), Singapore 16,158 (6.19%), Qatar 7,243 (2.77%) and Kuwait 6,823 (2.61%).

Bangladeshi female workers started going abroad for jobs in 1991. Some 19,672 female workers entered the international markets with jobs during October-December of FY23 against 24,942 moved out during July-September of FY23. Female workers, mostly housemaids and garment workers, are employed mainly in KSA, Oman, Jordan, Qatar, UAE, Kuwait and Lebanon.

According to the BMET, more than 14 million Bangladeshi workers have found jobs abroad since 1976. Most of them went to the Middle Eastern countries.

Recently Bangladesh started sending workers to Malaysia at zero migration cost in the plantation sector. Malaysia will hire 10,000 Bangladeshi workers for its plantation sector through the Bangladesh Overseas Employment and Services Limited (BOESL), the only state-backed recruitment agency, with a view to ensure safe and orderly migration. The migration cost for each worker is Tk.45,920, but the cost will be borne by employers. The monthly basic wage is MYR1,500 (approximately Tk.34,000) for each worker. On 29 November 2022, the first batch of 30 workers went to the South-East Asian country with jobs through BOESL.

Malaysia, a vital manpower market, signed a fresh deal with Bangladesh on 19 December 2021 for hiring workers for different sectors. An estimated 500,000 workers will be hired by Malaysia in the next five years. Under the deal, Malaysia has allowed the recruitment of Bangladeshi workers in the sectors like plantation, agriculture, manufacturing, mining, construction and household services.

Malaysia stopped workers recruitment from Bangladeshi in 2018 following alleged high migration cost.

16.0 Price Situation

Monthly inflation dropped further in December 2022 to 8.71 per cent after reaching its peak at 9.52 per cent in August 2022 and 8.85 per cent in November 2022, under sobering impact of slowly improving global supply system and prices of food items, especially that of vegetables, easing marginally (Table 13). Earlier, the point-to-point inflation was the highest at 11.40 per cent in 2011. A year ago, in December 2021, the inflation rate was lower at 6.05 per cent.

Food inflation, however, decreased further by 0.23 percentage points to 7.91 per cent in December 2022 from 8.14 per cent in the previous month (November 2022). Year-on-year, food inflation was lower at 5.46 per cent in December 2021. On the other hand, non-food price inflation also decreased slightly by 0.02 percentage points to 9.96 per cent in December 2022 from 9.98 per cent in the previous month. Year-on-year, non-food price inflation was lower at 7.00 per cent in December 2021.

Table 13: 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
FY23^P									
July	7.48	8.19	6.39	8.02	8.79	6.58	6.51	6.84	6.15
August	9.52	9.94	8.85	9.70	9.98	9.18	9.18	9.87	8.42
September	9.10	9.08	9.13	9.13	8.95	9.48	9.03	9.36	8.66
October	8.91	8.50	9.58	8.92	8.38	9.98	8.90	8.75	9.07
November	8.85	8.14	9.98	8.94	8.23	10.31	8.70	7.95	9.54
December	8.71	7.91	9.96	8.86	8.11	10.29	8.43	7.45	9.51
FY22^R									
July	5.36	5.08	5.80	5.53	5.56	5.47	5.06	4.01	6.24
August	5.54	5.16	6.13	5.71	5.67	5.79	5.22	4.02	6.59
September	5.59	5.21	6.19	5.77	5.74	5.84	5.25	4.03	6.65
October	5.70	5.22	6.48	5.81	5.62	6.17	5.50	4.31	6.89
November	5.98	5.43	6.87	6.20	5.90	6.78	5.59	4.37	6.99
December	6.05	5.46	7.00	6.27	5.93	6.94	5.66	4.41	7.07

Notes: i) P=Provisional, R=Revised; ii) Food includes food, beverages and tobacco
Source: Bangladesh Bureau of Statistics

According to the BBS data, the rates of general, food and non-food point-to-point inflation in rural areas in December 2022 were higher than the rates of urban areas (Table 13).

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 third quarter (January-March) of the current fiscal year (Q3 of FY23). These projections are presented in Table 14.

Table 14: Projection on Some Selected Indicators for Q3 of FY23

Indicators	FY22			FY23								
	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Export (million US\$)	4739	3830	4908	3985	4607	3905	4357	5093	5365	5136	5231	5286
Import (million US\$)	7722	7276	7666	6338	7375	7192	6655	7592	6043	6120	6189	6257
Remittances (million US\$)	2011	1885	1837	2096	2037	1540	1526	1595	1700	1959	1989	2075
Forex Reserve (million US\$)	44018	42202	41827	39600	39056	36476	35809	33790	33767	32223	33968	33125
Inflation, Point to Point (per cent)	6.29	7.42	7.56	7.48	9.52	9.10	8.91	8.85	8.71	8.57	8.55	8.50

Notes: April– December 2022: Actual figures; January – March 2023: Projected value (figures in bold)

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

The Bangladesh economy is overcoming gradually from the difficulty caused by the COVID-19 pandemic and the war in Russia-Ukraine. Therefore, the performances of the selected economic indicators are mixed. Exports may decrease in January 2023 due to lower growth of apparel export; however, it may increase in the next two months. Import and remittances may increase slowly during Q3 of FY23. The foreign exchange reserve is likely to fall in January and March of FY23 due to the payment to the Asian Clearing Union (ACU) against imports. Inflation, however, can be expected to go down slightly in Q3 of FY23.

18.0 Concluding Observations

Bangladesh's robust economic recovery from the COVID-19 pandemic has been interrupted by the war in Russia-Ukraine, resultant supply-chain disruptions, global oil-and food-price spikes, slowdown in external demand, weak remittance inflow, rise in inflation, negative current account balance, depreciation of the Taka and a decline in foreign exchange reserves.

To overcome the pressure, the government took quick and decisive measures to address the economic fallout. The government also needs to take more actions to stable foreign exchange reserve, manage inflation, enhance revenue earnings, ensure proper electricity and gas supply for economic activities, and extend social safety net programs.

However, in the quarter under review (Q2 of FY23), the economy has been showing some signs of improvement. Export earnings have facilitated economic recovery. The export-oriented garment, leather, plastic, jute and domestic market-oriented steel, food-processing and transport sectors are running in full scale. The import payments and inward remittances, however, decreased, which has multiplier effects on other economic sectors. Foreign currency reserve is still somewhat in a satisfactory position but into a weaker trajectory. The overall inflation in August rose to 9.52 per cent, then gradually decreasing, reached 8.71 per cent in December 2022. The exchange rate has long been remained stable but depreciated notably in December 2022 in terms of US dollar.

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.