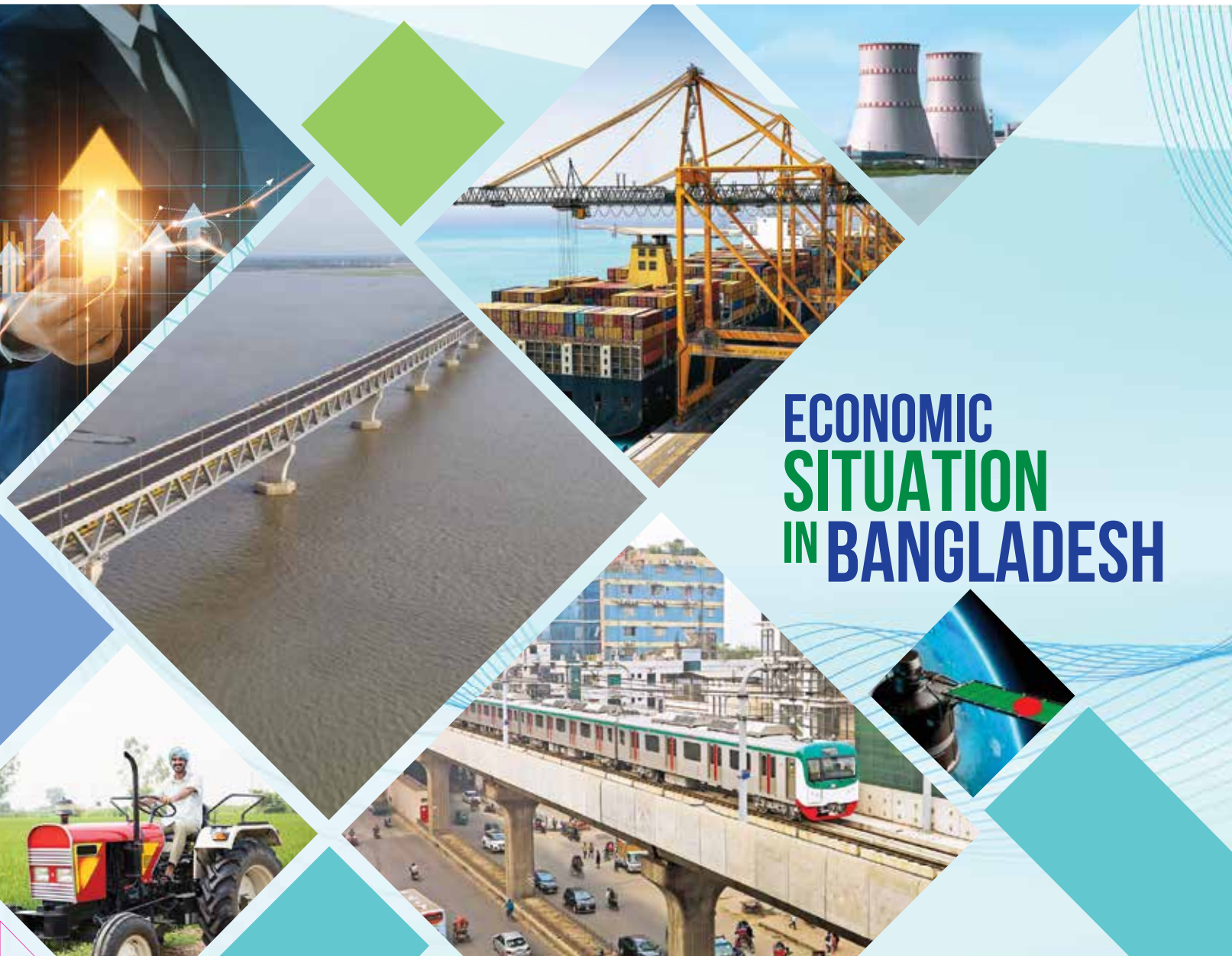


Quarterly Review

January - March 2023 (Q3 of FY23)



ECONOMIC SITUATION IN BANGLADESH



METROPOLITAN CHAMBER OF COMMERCE & INDUSTRY, DHAKA



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

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QUARTERLY REVIEW

January - March 2023 (Q3 of FY23)

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EXECUTIVE SUMMARY

General

1. Bangladesh's economy, among the fastest-growing in the Asia-Pacific region, faces some challenges. Robust economic recovery from the pandemic has been interrupted by the war in Russia-Ukraine, recent price rise of essential commodities, weak remittance inflow, shortfall in revenue collection and slow public expenditure, widening of current account deficit, depreciation of the Taka and a decline in foreign exchange reserves are the main challenges. The unemployment situation and low investment are other challenges. A significant increase in public and private investment is necessary to maintain competitiveness and generate further growth.
2. Nevertheless, the economy has been showing some signs of improvement in the quarter under review (Q3 of FY23). Exports and imports are two important drivers of the economy, and amid the COVID-19 pandemic and the war in Russia-Ukraine, both the areas have done comparatively well. The foreign currency reserve is still somewhat in a satisfactory position but into a weaker trajectory. The exchange rate has long been remained stable but depreciated notably in recent months.
3. To overcome the pressure, the government took some quick and decisive measures addressing the economic fallout. The government also needs to take more actions to stabilize the foreign exchange reserve, manage inflation, enhance revenue earnings, ensure proper electricity and gas supply for economic activities, and extend social safety net programs.

Agriculture

4. Full data on agricultural production for the third quarter of the current fiscal year 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 year. Latest available data indicate that the sector employed about 39 per cent of Bangladesh's labor force and accounted for about 11.20 per cent of GDP in FY23. 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 2.61 per cent in FY23 than in FY22 when the sector grew at 3.05 per cent.

Industry

5. Data on the country's industry sector are yet to be available for the quarter under review (Q3 of FY23). However, due to COVID-19 pandemic and the war in Russia-Ukraine, the sector registered a lower growth of 8.18 per cent in FY23,

compared to 9.86 per cent in FY22. Besides, the share of the industry sector in GDP increased by 0.64 percentage points to 37.56 per cent in FY23 from 36.92 per cent in FY22.

In the broad industry sector, the manufacturing sub-sector registered a growth of 9.23 per cent in FY23, compared to 11.41 per cent of the previous fiscal year. Within manufacturing, the large industry sub-sector grew at 8.46 per cent in FY23, compared to 15.68 per cent in FY22. The small, medium and micro industry performed comparatively better than it did in the previous fiscal, growing at 9.73 per cent in FY23 against 4.84 per cent in FY22. The cottage industry grew by 10.69 per cent in FY23 compared to 11.12 per cent in FY22.

The share of the manufacturing sub-sector in GDP increased to 24.95 per cent in FY23 from 24.29 per cent in the previous fiscal year. Within manufacturing, the share of the large industry sub-sector in GDP rose to 13.01 per cent in FY23 from 12.75 per cent in FY22. On the other hand, the share of small, medium and micro industry in GDP increased to 7.57 per cent from 7.33 per cent while that of cottage industry also increased to 4.38 per cent in FY23 from 4.21 per cent in FY22.

Power

6. According to the BPDB website, the power plants generated (evening, actual) 10,798 MW of electricity against maximum demand for 10,794 MW at sub-station end (evening peak) on 31 March 2023. During the quarter under review, the maximum generation was 12,921 MW recorded on 13 March 2023.

Besides, once again the government raised power price with effect from 1 March 2023, by around 5.0 per cent for retail consumers, apparently to cope with high generation cost incurred by power plants. With this latest one the government raised electricity tariffs thrice over the past three months -- January, February and March -- seemingly in execution of a prior announcement about 'readjusting' power tariffs every month. The government also raised bulk electricity tariffs by up to 7.36 per cent across the board with effect from 1 February 2023.

Services

7. Due to COVID-19 pandemic and the war in Russia-Ukraine, the services sector registered a lower growth of 5.84 per cent in FY23, which was 6.26 per cent in FY22. Besides, the share of the sector in GDP also decreased by 0.24 percentage points to 51.24 per cent in FY23 from 51.48 per cent in FY22.

Money and Capital Market

8. Broad money (M2) recorded a lower growth of 9.13 per cent at the end of March 2023 compared to 9.85 per cent growth achieved at the end of March 2022. This March's growth was also below the central bank's revised target of 11.50 per cent set in the Monetary Policy Statement, January – June 2023 (MPS, H2FY23, p.26).

Domestic credit, on the other hand, grew by 16.21 per cent at the end of March 2023, while a lower growth rate of 14.01 per cent was recorded at the end of March 2022. Among components of domestic credit, private sector credit registered a higher growth of 12.03 per cent during the period between March 2022 and March 2023, compared with a lower growth of 11.29 per cent during the period between March 2021 and March 2022. Private sector credit growth was also below the central bank's revised target of 14.10 per cent in June 2023 (MPS, H2FY23, p.26). Public sector credit, on the other hand, recorded a growth of 36.08 per cent at the end of March 2023, compared with a lower growth of 28.96 per cent at the end of March 2022. This March's growth was lower compared with the BB's revised target of 37.70 per cent in June 2023 (MPS, H2FY23, p.26).

9. Total liquid assets of scheduled banks stood lower at Tk.386,162 crore at the end of January 2023, compared with Tk.441,681 crore at the end of June 2022. The minimum liquidity requirement of the scheduled banks was Tk.249,320 crore at the end of January 2023. The scheduled banks thus held an excess liquidity of Tk.136,842 crore as of end January 2023.
10. The interest rate spread between the weighted average interest rate on lending and deposits of all banks remained the same at 2.96 per cent in March and February 2023 as banks' lending rate and deposit rate increased by 0.04 percentage points to 7.31 per cent and 4.35 per cent, respectively in March 2023 from February 2023.
11. Data on industrial term loans are available up to the second quarter (October-December) of the current fiscal year (FY23). According to BB data, the disbursement of industrial term loans during October-December of FY23 stood at Tk.29,575 crore, which was 59.33 per cent higher than Tk.18,562 crore disbursed during the immediate previous quarter (July-September) of FY23. On the other hand, the recovery of industrial term loans increased by 145.48 per cent to Tk.50,593 crore during October-December of FY23 compared to Tk.20,610 crore recovered in the previous quarter (July-September of FY23).
12. Data on cottage, micro, small and medium enterprise (CMSME) loans are not available beyond October-December of FY23. According to BB data, disbursement of CMSME

loans by all banks and non-bank financial institutions (NBFIs) increased by 6.12 per cent to Tk.60,611.61 crore during October-December of FY23 from Tk.57,118.60 crore in October-December of FY22. On the other hand, recovery of CMSME loans during October-December of FY23 also increased, year-on-year, by 2.79 per cent to Tk.54,586.27 crore from Tk.53,103.63 crore.

13. The disbursement of agricultural credit and non-farm rural credit by all scheduled banks in July-March of FY23 stood at Tk.24,123 crore, an increase of 12.18 per cent from Tk.21,504 crore in July-March of FY22. On the other hand, the recovery of agricultural credit and non-farm rural credit also increased by 21.24 per cent to Tk.24,220 crore in July-March of FY23, compared to Tk.19,976 crore in the corresponding period of the previous fiscal year.
14. The daily turnover on the Dhaka Stock Exchange (DSE) soared to a three-week high on 30 March 2023, the last trading session in the quarter under review, as a section of investors bought shares with anticipation of quick gains while others remained on the sideline. DSEX, the benchmark index of the DSE, went up by 10.05 points or 0.16 per cent to settle at 6,206.80 against 6,196.75 points in the previous trading session. Besides, the Chittagong Stock Exchange (CSE) also edged higher, with the CSE All Share Price Index (CASPI) rising 10 points to settle at 18,288.

Public Finance

15. NBR's tax revenue collection grew by 10.54 per cent to Tk.2,255.13 billion in July-March of FY23 compared to Tk.2,040.08 billion in the corresponding period of FY22 despite posting a shortfall of Tk.290.05 billion or 11.40 per cent against the target (Tk.2,545.18 billion). During July-March of FY23, all three wings of the NBR year-on-year achieved moderate growth. However, compared to their respective targets for July-March of FY23, all three wings of the NBR are lagged behind their respective targets.

In March 2023 alone, the NBR managed to collect Tk.294.73 billion revenue, showing a growth of 4.31 per cent from US\$282.54 billion in March 2022; while month-on-month NBR's collection grew by 24.20 per cent from Tk.237.30 billion in the previous month (February 2023).

16. The implementation rate of the Annual Development Programme (ADP) in July-March of FY23 stood at 41.65 per cent, 3.40 percentage points lower than the previous years' 45.05 per cent. Recent data shows that 58 ministries and divisions year-on-year could spend Tk.985.21 billion of the allocation of Tk.2,365.61 billion in the first nine months of FY23 compared to Tk.989.35 billion in the outlays of Tk.2,196.02 billion.

The IMED monthly progress report showed that the implementation rate of the ADP in March of FY23 alone was slightly higher at 6.91 per cent compared to 6.45 per cent in March of FY22.

Export and Import

17. Export earnings (merchandise) in March 2023 declined by 2.49 per cent to US\$4.64 billion compared with US\$4.76 billion in the same month of 2022. Export earnings in March 2023 were also lower by 7.57 per cent from the strategic target of US\$5.02 billion. On the other hand, export earnings in July-March of FY23 increased by 8.07 per cent to US\$41.72 billion from US\$38.61 billion in the corresponding nine months of the previous fiscal year. Overall export earnings in July-March of FY23, however, were lower marginally by 1.28 per cent against the strategic target (US\$42.26 billion).
18. Total value of custom based import during July-March of FY23 decreased by 11.58 per cent to US\$58.80 billion from US\$66.50 billion during July-March of FY22. Besides, custom based import in March of FY23 alone decreased year-on-year by 21.23 per cent but increased month-on-month by 18.22 per cent from US\$5.15 billion (February 2023).

Remittances

19. The inflow of remittances increased year-on-year by 8.49 per cent to US\$2.02 billion in March 2023 from US\$1.86 billion and month-on-month increased by 29.28 per cent from US\$1.56 billion. On the other hand, the inflow of remittances in the first nine months of the current fiscal year increased by 4.78 per cent to US\$16.03 billion from US\$15.29 billion in the correspondent period in FY22.

Foreign Aid

20. The disbursement of foreign aid fell by US\$1.47 billion or 21.52 per cent to US\$5.36 billion in July-March of FY23 from US\$6.83 billion in July-March of FY22. On the other hand, development partners' commitments of foreign aid decreased by US\$2.35 billion or 43.28 per cent to US\$3.08 billion in July-March of FY23 from US\$5.43 billion in July-March of FY22.

Foreign Direct Investment (FDI)

21. The net FDI in July-March of FY23 decreased by 17.98 per cent to US\$1,341 million from US\$1,635 million in July-March of FY22. FDI inflow in Bangladesh is low compared to that in many other countries at a similar level of development.

Balance of Payments (BoP)

22. The country's current account balance recorded a lower deficit of US\$3.64 billion during July-March of FY23 compared to US\$14.35 billion deficit during the corresponding period of the previous fiscal year, mostly due to the narrowing of trade deficit. Trade deficit with the rest of the world narrowed by 41.62 per cent. Overall balance however incurred a larger deficit of US\$8.17 billion during July-March of FY23 compared to US\$3.10 billion deficit of July-March of FY22; resulting from the deficit of US\$2.22 billion in financial account during the period under review against a substantial surplus of US\$11.93 billion in the corresponding period of the previous fiscal year.

Exchange Rate & Foreign Exchange Reserve

23. Exchange rate of Taka depreciated since the end of June 2022. Between end-June of FY22 and end-March of FY23, the value of Taka depreciated by 12.50 per cent in terms of US dollar.
24. Foreign exchange reserve came down to US\$31.17 billion at the end of March 2023 after the payment of import bills worth US\$1.05 billion was made to the ACU for the month of January and February 2023. A year ago, the reserve was US\$44.15 billion at the end of March 2022.

Overseas Employment Situation

25. A total of 323,010 workers went to different job-destination countries during January-March of FY23 against 261,134 during the previous quarter (October-December of FY23). Bangladeshi female workers started going abroad for jobs in 1991. Some 24,922 female workers entered the international markets with jobs during January-March of FY23 against 19,672 moved out during October-December of FY23.

Inflation

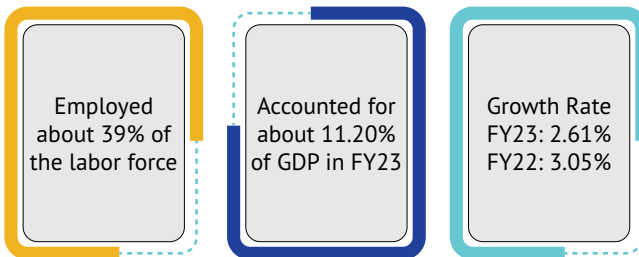
26. Monthly inflation increased further in March 2023 to 9.33 per cent from 8.78 per cent in February 2023 and 8.57 per cent in January 2023, driven by soaring the prices of food items. A year ago, in March 2022, the inflation rate was lower at 6.22 per cent. Food inflation also increased further to 9.09 per cent in March 2023 from 8.13 per cent in the previous month (February 2023). Year-on-year, food inflation was lower at 6.34 per cent in March 2022. On the other hand, non-food price inflation decreased slightly to 9.72 per cent in March 2023 from 9.82 per cent in the previous month. Year-on-year, non-food price inflation was lower at 6.04 per cent in March 2022.

THE REPORT

1.0 AGRICULTURE

Full data on agricultural production for the third quarter of the current fiscal year (Q3 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 year. Latest available data indicate that the sector employed about 39 per cent of Bangladesh's labor force and accounted for about 11.20 per cent of GDP in FY23.

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 2.61 per cent in FY23 than in FY22 when the sector grew at 3.05 per cent.

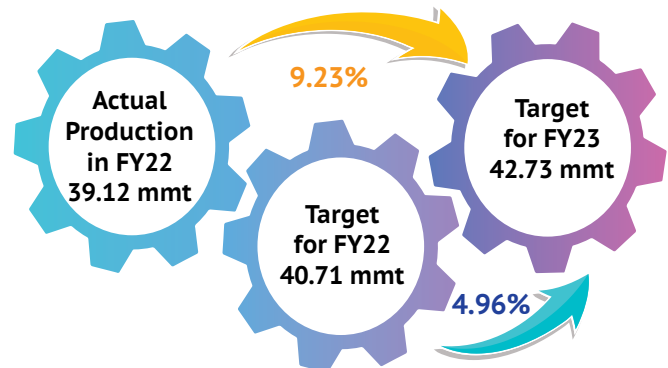


1.1 Food Situation

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 already finalized *aus* production at 2.90 mmt in FY23 which was about 0.79 mmt less than targeted amount by the MoA. On the other hand, total food grains (rice and wheat) production for FY22 was 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.

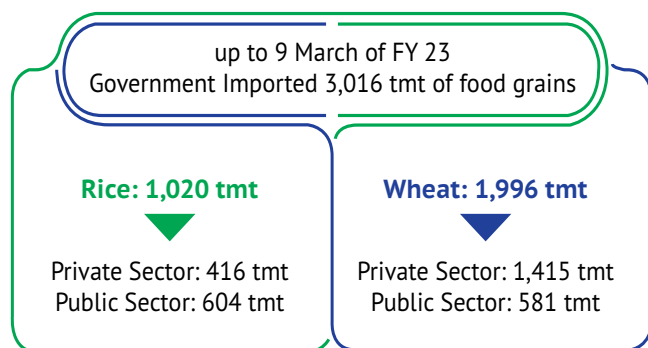


1.1.2 Food grains Import

Up to 9 March 2023, the government imported 604.0 thousand metric tons (tmt) of rice and the private sector imported 416.0 tmt of rice. Over the same period of last year, the government imported 653.0 tmt and the private sector imported 306.0 tmt of rice. Up to 30 June of FY22, the government imported about 683.0 tmt of rice and about 304.4 tmt of rice was imported by the private sector. On the other hand, up to 9 March of FY23, public sector imported 581.0 tmt of wheat and the private sector imported 1415.0 tmt of wheat.

Over the same period of last year, public sector imported 420.0 tmt of wheat whereas private sector imported 2558.0 tmt of wheat. Up to 30 June of FY22, the government imported about 546.1 tmt of wheat and about 3466.0 tmt of wheat was imported by the private sector.

Food Grains Import



1.1.3 Domestic Procurement

During the boro season (2022), the government decided to procure 650 tmt of paddy at Tk.27.0/Kg and 1300 tmt of parboiled rice at Tk.40.0/Kg, and 50 tmt of atap rice at Tk.39.0/Kg, a total of about 1772 tmt of rice (in terms of rice). Boro procurement started from 28 April 2022 and continued up to 31 August 2022. As on 31 August 2022, 1351.48 mt of *boro* rice had been procured. On the other hand, *aman* rice procurement target has been fixed at 0.3 mmt of paddy at Tk.28.0/Kg and 0.5 mmt of parboiled rice at Tk.42.0/Kg from domestic market. *Aman* procurement started from 17 November 2022. As on 9 March 2023, 433.0 tmt of rice was procured.



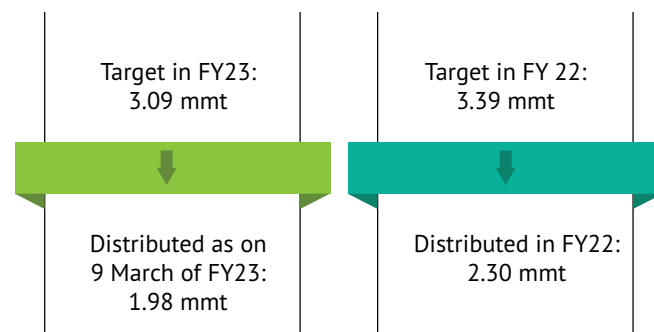
1.1.4 Public Distribution

Actual distribution was about 2.3 mmt against the budgeted amount of 3.39 mmt for FY22. For FY23, the distribution plan under the Public Food Distribution System (PFDS) is about 3.09 mmt. During this fortnight, about 149.4 tmt food grains were distributed through the PFDS.



The PFDS distribution was mainly dominated by the Open Market Sale (OMS). The OMS (54.7 tmt), the Vulnerable Group Development (VGD) (35.4 tmt) and the Food Friendly Program (FFP) (33.6 tmt). As on 9 March of FY23, about 1977.0 tmt food grains were distributed which is about 63.90 per cent of the yearly target. The OMS drive is continuing up to the Upazila level all over the country and sold at Tk.30/Kg for rice and Tk.24/Kg for atta. Each beneficiary are able to purchase up to 5 Kg of foodgrains.

Public Food Grains Distribution



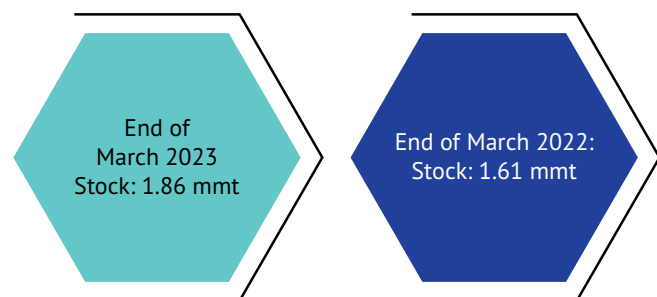
1.1.5 Public Stock

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 March 2023, the public food grains stock was estimated at 1.86 mmt, which was 1.61 mmt in the corresponding period of the previous fiscal year.

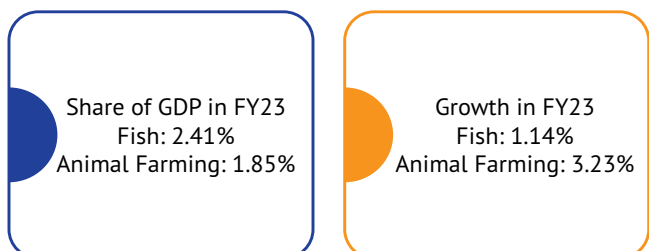
Public Food Grains Stock



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 4.26 per cent of the country's GDP in FY23. Separately, fish and animal farming sub-sectors accounted for 2.41 per cent and 1.85 per cent, respectively, of the country's GDP in FY23. Besides, fish and animal farming sub-sectors grew by 1.14 per cent and 3.23 per cent, respectively in FY23. 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



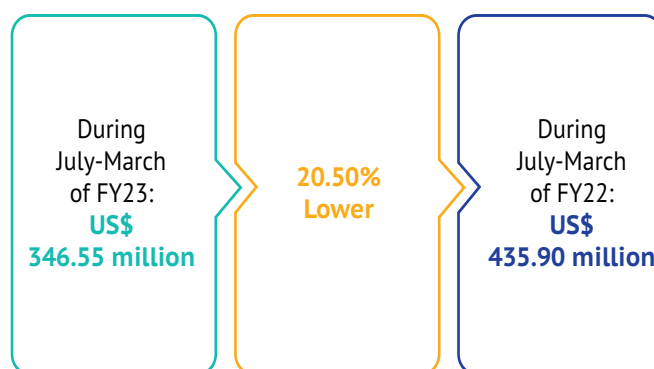
1.2.1 Fish

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-March of FY23, the country exported frozen and live fish worth US\$346.55 million, 20.50 per cent lower than US\$435.90 million in the corresponding period of the previous fiscal year. Also, it was below the strategic target (US\$461.99 million) by 24.99 per cent, according to the Export Promotion Bureau (EPB) data.

Export of Frozen and Live Fish



1.2.2 Livestock

The livestock 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.

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 the number of eggs increased to 20.58 billion in FY21 from 7.30 billion in FY12.

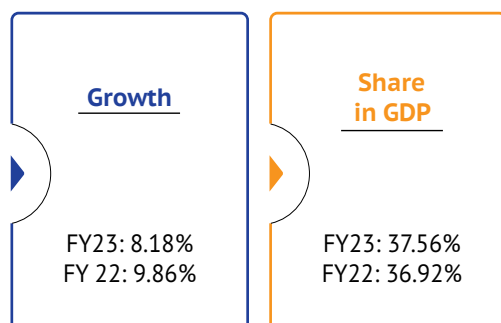
Livestock and Poultry Population (in million)

	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

2.0 Industry

Data on the country's industry sector are yet to be available for the quarter under review (Q3 of FY23). However, due to COVID-19 pandemic and the war in Russia-Ukraine, the sector registered a lower growth of 8.18 per cent in FY23, compared to 9.86 per cent in FY22. Besides, the share of the industry sector in GDP increased by 0.64 percentage points to 37.56 per cent in FY23 from 36.92 per cent in FY22.

Industry Sector



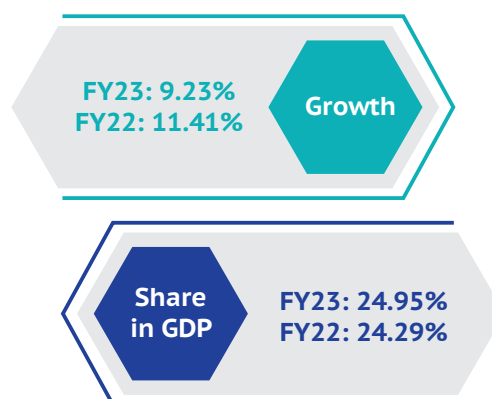
2.1 Manufacturing Industries

In the broad industry sector, the manufacturing sub-sector registered a growth of 9.23 per cent in FY23, compared to 11.41 per cent of the previous fiscal year. Within manufacturing, the large industry sub-sector grew at 8.46 per cent in FY23, compared to 15.68 per cent in FY22. The small, medium and micro industry performed comparatively better than it did in the previous fiscal, growing at 9.73 per cent in FY23 against 4.84 per cent in FY22. The cottage industry grew by 10.69 per cent in FY23 compared to 11.12 per cent in FY22.



The share of the manufacturing sub-sector in GDP increased to 24.95 per cent in FY23 from 24.29 per cent in the previous fiscal year. Within manufacturing, the share of the large industry sub-sector in GDP rose to 13.01 per cent in FY23 from 12.75 per cent in FY22. On the other hand, the share of small, medium and micro industry in GDP increased to 7.57 per cent from 7.33 per cent while that of cottage industry also increased to 4.38 per cent in FY23 from 4.21 per cent in FY22.

Manufacturing Industries



2.2 Construction

Data on the country's construction sector are not available for the quarter under review (Q3 of FY23). However, according to the BBS latest data, the sector grew by 6.41 per cent in FY23 compared to 8.71 per cent in FY22.



Real estate activities, which are considered a separate category of the services sector but have close links with the construction sector, also recorded 3.87 per cent growth in FY23 against 3.70 per cent in FY22.

Growth of Construction Sector

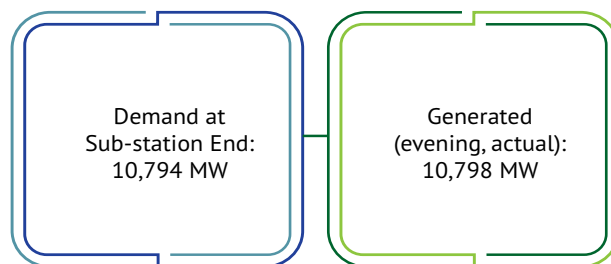
6.41%
in FY23

8.71%
in FY22

2.3 Power

According to the BPDB website, the power plants generated (evening, actual) 10,798 MW of electricity against maximum demand for 10,794 MW at sub-station end (evening peak) on 31 March 2023. During the quarter under review, the maximum generation was 12,921 MW recorded on 13 March 2023.

Electricity Demand & Generation as of 31 March 2023



Besides, once again the government raised power price with effect from 1 March 2023, by around 5.0 per cent for retail consumers, apparently to cope with high generation cost incurred by power plants. With this latest one the government raised electricity tariffs thrice over the past three months -- January, February and March -- seemingly in execution of a prior announcement about 'readjusting' power tariffs every month. The government also raised bulk electricity tariffs by up to 7.36 per cent across the board with effect from 1 February 2023.



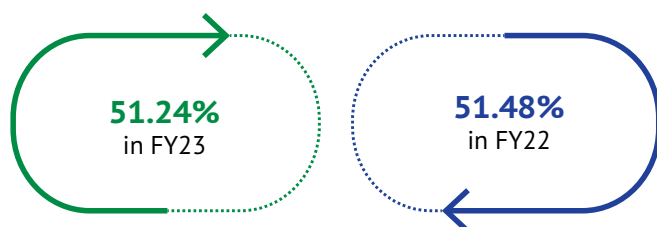
3.0 Services Sector

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 (Q3 of FY23).



However, due to COVID-19 pandemic and the war in Russia-Ukraine, the services sector registered a lower growth of 5.84 per cent in FY23, compared to 6.26 per cent in FY22. Besides, the share of the sector in GDP also decreased by 0.24 percentage points to 51.24 per cent in FY23 from 51.48 per cent in FY22.

Share of the Services Sector in GDP



According to the EPB latest data, export earnings of the services sector decreased by 3.24 per cent to US\$3.54 billion in July-February of FY23, compared to US\$3.66 billion in the corresponding period of the previous fiscal year. The Services sector's earnings in July-February of FY23 also decreased by 13.17 per cent against the strategic target (US\$4.07 billion).

4.0 Monetary and Credit Developments

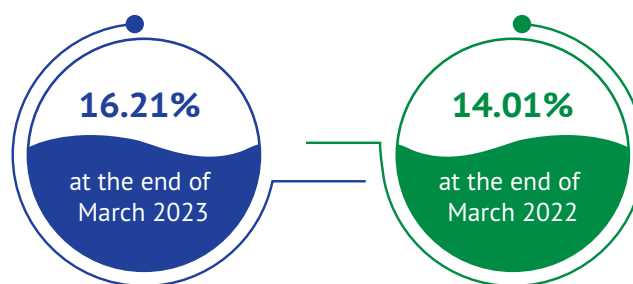
According to BB data, broad money (M_2) recorded a lower growth of 9.13 per cent at the end of March 2023 compared to 9.85 per cent growth achieved at the end of March 2022 (Table 1). This March's growth was also below the central bank's revised target of 11.50 per cent set in the Monetary Policy Statement, January

– June 2023 (MPS, H2FY23, p.26). Domestic credit, on the other hand, grew by 16.21 per cent at the end of March 2023, while a lower growth rate of 14.01 per cent was recorded at the end of March 2022.



Among components of domestic credit, private sector credit registered a higher growth of 12.03 per cent during the period between March 2022 and March 2023, compared with a lower growth of 11.29 per cent during the period between March 2021 and March 2022. Private sector credit growth was also below the central bank's revised target of 14.10 per cent in June 2023 (MPS, H2FY23, p.26). Public sector credit, on the other hand, recorded a growth of 36.08 per cent at the end of March 2023, compared with a lower growth of 28.96 per cent at the end of March 2022.

Growth of Domestic Credit



This March's growth was lower compared with the BB's revised target of 37.70 per cent in June 2023 (MPS, H2FY23, p.26). Within public sector credit, to government (net) recorded a growth of 37.82 per cent, and credit to other public sector recorded a growth of 24.62 per cent, during the period under review (Table 1).

Table 1: Monetary and Credit Development

(Taka in crore)

Particulars	Outstanding Stock			% Changes in Outstanding Stock	
	March 2023 ^P	March 2022 ^R	March 2021 ^R	March 2023 over March 2022	March 2022 over March 2021
Total Domestic Credit	1815957	1562711	1370734	16.21	14.01
Credit to Public Sector	369149	271272	210350	36.08	28.96
Net Credit to Government Sector	324562	235493	178912	37.82	31.63
Credit to Other Public Sector	44587	35779	31438	24.62	13.81
Credit to Private Sector	1446808	1291439	1160384	12.03	11.29
Reserve Money (RM)	345602	321156	303661	7.61	5.76
Broad Money (M ₂)	1778660	1629906	1483794	9.13	9.85

Note: P=Provisional; R=Revised

Source: Bangladesh Bank

Total liquid assets of scheduled banks stood lower at Tk.386,162 crore at the end of January 2023, compared with Tk.441,681 crore at the end of June 2022. The minimum liquidity requirement of the scheduled banks was Tk.249,320 crore at the end of January 2023 (Table 2). The scheduled banks thus held an excess liquidity of Tk.136,842 crore as of the end of January 2023.

Table 2: Liquidity Position of Scheduled Banks

(Taka in crore)

Bank Group	As of end June, 2022 ^R	As of end January 2023 ^P		
	Total Liquid Assets	Total Liquid Assets	Minimum Required Liquid Assets	Excess Liquidity
1	2	3	4	5 (3-4)
State owned banks	147005	119702	68315	51387
Private banks (other than Islamic)	195718	182375	126821	55554
Private banks (Islamic)	56760	34674	36892	-2318
Foreign banks	40414	47591	15541	32050
Specialized banks*	1784	1820	1751	69
Total	441681	386162	249320	136842

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 and reverse repo rate by 25 basis points in January 2023 as a measure to curb the ongoing inflationary pressure. Previously the repo rate increased 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 are helping to keep 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					
June	5.00	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
January	6.00	4.25	7.24	4.29	2.95
February	6.00	4.25	7.27	4.31	2.96
March	6.00	4.25	7.31	4.35	2.96

Source: Bangladesh Bank

The interest rate spread between the weighted average interest rate on lending and deposits of all banks remained the same at 2.96 per cent in March and February 2023 as banks' lending rate and deposit rate increased by 0.04 percentage points to 7.31 per cent and 4.35 per cent, respectively in March 2023 from February 2023 (Table 3).

4.2 Industrial Term Loans

Data on industrial term loans are available up to the second quarter (October-December) of the current fiscal year (FY23). According to BB data, the disbursement of industrial term loans during October-December of FY23 stood at Tk.29,575 crore, which was 59.33 per cent higher than Tk.18,562 crore disbursed during the immediate previous quarter (July-September) of FY23 (Table 4).

On the other hand, the recovery of industrial term loans increased by 145.48 per cent to Tk.50,593 crore during October-December of FY23 compared to Tk.20,610 crore recovered in the previous quarter (July-September of FY23).

Disbursement and Recovery of Industrial Term Loans

Disbursement

October-December of FY 23: Tk. 29,575 crore
July-September of FY 23: Tk 18,562 crore

59.33%
Higher

Recovery

October-December of FY 23: Tk. 50,593 crore
July-September of FY 23: Tk 20,610 crore

145.48%
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
October-December of FY22 ^R	14995	1575	2203	18773 (+26.55)	14061	2305	2111	18477 (+42.36)
January-March of FY22 ^R	12742	1977	2621	17340 (-7.63)	12630	1945	1998	16573 (-10.30)
April-June of FY22 ^R	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)
October-December of FY23 ^P	19809	2266	7499	29575 (+59.33)	21882	3007	25704	50593 (+145.48)

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 October-December of FY23. According to BB data, disbursement of CMSME loans by all banks and non-bank financial institutions (NBFIs) increased by 6.12 per cent to Tk.60,611.61 crore during October-December of FY23 from Tk.57,118.60 crore in October-December of FY22. On the other hand, recovery of CMSME loans during October-December of FY23 also increased, year-on-year, by 2.79 per cent to Tk.54,586.27 crore from Tk.53,103.63 crore (Table 5).

The outstanding position of CMSME loans by all banks and NBFIs was higher by 12.22 per cent at the end of December of FY23 compared to the end of December of FY22 (Table 5). Outstanding CMSME loans as percentage of total outstanding loans stood at 19.54 per cent during October-December of FY23 compared to that in October-December of FY22.



Year on Year, Percentage Change of Disbursement of CMSME Loans during October-December of FY 23

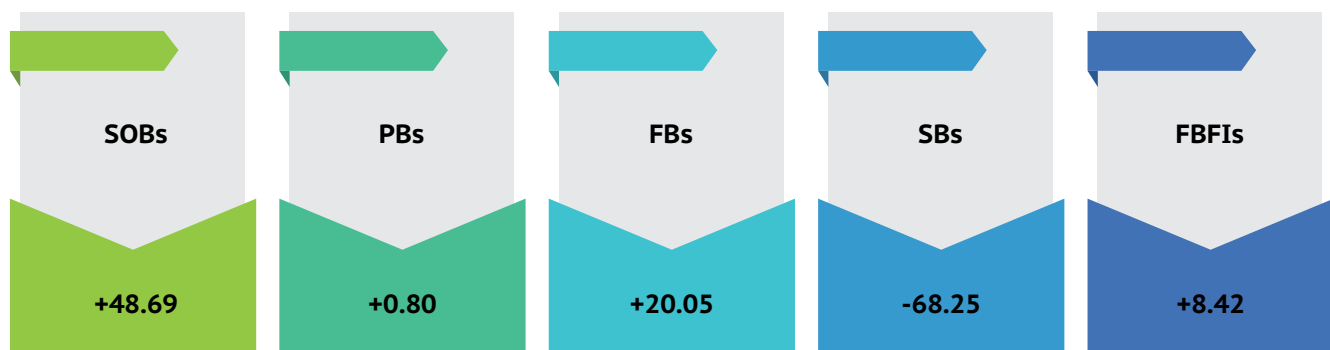


Table 5: Disbursement, Recovery and Outstanding Situation of CMSME Loans

(Tk. in crore)

Quarter	CMSME Loans	SOBs	PBs	FBs	SBs	NBFIs	Total
October-December of FY22 ^R	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 ^R	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 ^R	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 ^R	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 ^R	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 ^R	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 ^R	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 ^R	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
October-December of FY23 ^P	Disbursement Recovery	6580.00 3627.39	49301.96 46996.83	1337.63 810.98	1400.28 1287.33	1991.75 1863.74	60611.61 54586.27
End December of FY22 ^P	Outstanding of CMSME Loans Outstanding of Total Loans	47730.90 276764.00	215017.88 1037139.03	3121.71 42998.24	4338.99 35415.63	12687.05 55107.72	282896.54 1447424.62
% Change of Disbursement of CMSME Loans during October-December of FY23 over October-December of FY22		+48.69	+0.80	+20.05	-68.25	+8.42	+6.12
% Change of Recovery of CMSME Loans during October-December of FY23 over October-December of FY22		-0.61	+4.22	-40.65	+9.97	+2.33	+2.79
Outstanding CMSME Loans as % of Total Outstanding Loans during October-December of FY23		+17.25	+20.73	+7.26	+12.25	+23.02	+19.54
% Change of Outstanding of CMSME Loans at the End of December of FY23 over December of FY22		+7.83	+12.36	+32.12	+54.70	+12.50	+12.22

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-March of FY23 stood at Tk.24,123 crore, an increase of 12.18 per cent from Tk.21,504 crore in July-March 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 21.24 per cent to Tk.24,220 crore in July-March of FY23, compared to Tk.19,976 crore in the corresponding period of the previous fiscal year.



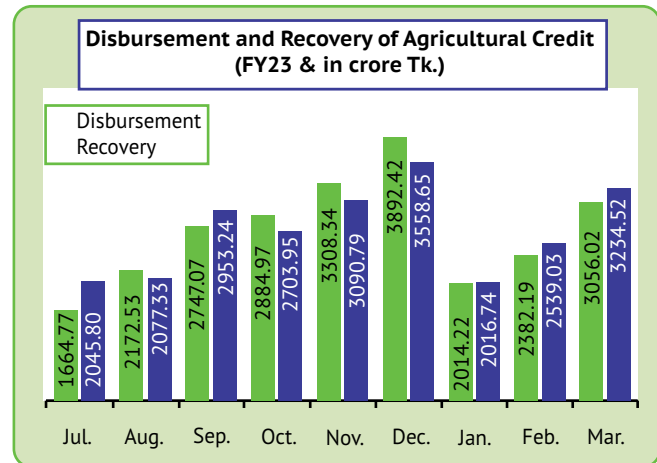
Table 6: Disbursement and Recovery of Agricultural Credit and Non-farm Rural Credit

(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
January	2014.22	2016.74	2558.56	1870.83
February	2382.19	2539.03	2474.65	2133.05
March	3056.02	3234.52	1973.95	2378.56
Total of July–March	24122.53 (+12.18)	24220.05 (+21.24)	21504.20 (+20.03)	19976.24 (-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

The daily turnover on the Dhaka Stock Exchange (DSE) soared to a three-week high on 30 March 2023, the last trading session in the quarter under review, as a section of investors bought shares with anticipation of quick gains while others remained on the sideline.

DSEX, the benchmark index of the DSE, went up by 10.05 points or 0.16 per cent to settle at 6,206.80 against 6,196.75 points in the previous trading session. Out of the 319 issues traded, 79 advanced, 45 were declined and 195 remained unchanged. Two other indices of the DSE also edged higher. The DS30 Index, comprising blue-chip companies, increased by 2.45 points to close at 2,209.44 and the DSES, the Shariah Index, also advanced by 1.64 points to finish at 1,349.33. Turnover, a crucial indicator

of the market, stood at Tk.6.67 billion on the country's premier bourse, soaring 74 per cent over the previous day's mark of Tk.3.83 billion.

The Chittagong Stock Exchange (CSE) also edged higher, with the CSE All Share Price Index (CASPI) rising 10 points to settle at 18,288 and its Selective Categories Index (CSCX) gaining 6 points to close at 10,962. The port-city bourse traded 16.13 million shares and mutual fund units with a turnover value of Tk.961 million.

Though the review period is January-March of FY23, some additional time is required due to availability of data and preparing the report. In the meantime, the DSEX gained by 19.83 points or 0.31 per cent and settle at 6,325.73 and the CASPI rising 41.47 points to settle at 18,637.96 on 25 May 2023.



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

Dhaka Stock Exchange
(DSE)
DSEX closed at
6,206.80 points

Chittagong Stock Exchange
(CSE)
CASPI settled at
18,288 points

6.0 Public Finance

According to provisional data of the National Board of Revenue (NBR), the tax revenue collection grew by 10.54 per cent to Tk.2,255.13 billion in the first nine months of the current fiscal year (July-March of FY23) compared to Tk.2,040.08 billion in the corresponding period of FY22 despite posting a shortfall of Tk.290.05 billion or 11.40 per cent against the target (Tk.2,545.18 billion). Government's austerity measures and restriction on import of products squeezed the overall expenditures resulting in the revenue collection shortfall.



During July-March of FY23, all three wings of the NBR year-on-year achieved moderate growth. In the period under review, the customs wings posted the highest growth of 15.38 per cent and stood at Tk.677.63 billion compared to Tk.587.31 billion. During the periods, income tax stood at Tk.712.27 billion, growing by 11.89 per cent from Tk.636.58 billion and the value added tax (VAT) grew by 6.01 per cent to Tk.865.23 billion from Tk.816.19 billion.

However, compared to their respective targets for July-March of FY23, all three wings of the NBR are lagged behind their respective targets. The customs wing suffered the biggest-collection short-fall by Tk.154.24 billion or 18.54 per cent against the target of Tk.831.87 billion, followed by the VAT wing suffered a collection shortfall of Tk.86.22 billion or 9.06 per cent against the target of Tk.951.45 billion, and income tax wing that lagged behind by Tk.49.58 billion or 6.51 per cent against the target of Tk.761.85 billion.

In July-March of FY23, the revenue board managed to collect 60.95 per cent of the total target (Tk.3,700 billion) set for FY23. The NBR will collect 39.05 per cent or Tk.1,444.92 billion in the remaining three months of FY23 to meet its target.

In March 2023 alone, the NBR managed to collect Tk.294.73 billion revenue, showing a growth of 4.31 per cent from US\$282.54 billion in March 2022; while month-on-month NBR's collection grew by 24.20 per cent from Tk.237.30 billion in the previous month (February 2023).

6.1 Public Expenditure

The implementation rate of the Annual Development Programme (ADP) in July-March of FY23 stood at 41.65 per cent, 3.40 percentage points lower than the previous years' 45.05 per cent. According to the Implementation Monitoring and Evaluation Division (IMED), the government ministries and agencies had failed to improve their capacity even after repeated reminders to them for expediting the development works and even after recovery from the COVID-19 impact when the project works were affected severely.

Recent data shows that 58 ministries and divisions could spend Tk.985.21 billion of the allocation of Tk.2,365.61 billion in the first nine months of FY23 compared to Tk.989.35 billion in the outlays of Tk.2,196.02 billion in the corresponding nine months of FY22. Out of the spending in July-March of FY23, the foreign aid (project aid) spending was Tk.387.24 billion, which was 51.98 per cent of the total foreign aid (Tk.745.00 billion). On the other hand, spending of local funds (including GoB funds) in the period under review was Tk.597.97 billion, which was 36.90 per cent of the total local funds of Tk.1,620.61 billion.

The IMED monthly progress report showed that the implementation rate of the ADP in March of FY23 alone was slightly higher at 6.91 per cent compared to 6.45 per cent in March of FY22.

Largest budget holder of the fifteen ministries and divisions, which together received 81.21 per cent of the total ADP, managed to post 42.46 per cent average ADP performance by spending a total of Tk.815.60 billion in July-March of FY23. Among these ministries and divisions, project implementation by the Bridges Division (63.46%) was the highest, followed by the Energy and Mineral Resources Division (56.27%), the Power Division (55.79%), the Ministry of Science and Technology (49.70%), the Road Transport and Highways Division (46.23%), the Ministry of Civil Aviation and Tourism (44.25%), the Ministry of Railways (43.41%), the Local Government Division (43.31%), the Ministry of Agriculture (42.08%), and the Ministry of Housing and Public Works (37.14%).

Implementation agencies that spent less than 35.0 per cent of their respective ADP budgets were: the Ministry of Primary and

Mass Education (32.59%), the Secondary and Higher Education Division (31.51%), the Health Services Division (27.70%), the Ministry of Water Resources (27.36%), and the Ministry of Shipping (27.26%).

7.0 Exports

Export earnings (merchandise) in March 2023 declined by 2.49 per cent to US\$4.64 billion from US\$4.76 billion in the same month of 2022 as the shipment of apparel products declined in the month due to a decreased demand in the western countries (Table 7). Exporters said that overall demand for apparel products decreased on the global market due to high inflation caused by the Russia-Ukraine war. Export earnings in March 2023 were also lower by 7.57 per cent from the strategic target of US\$5.02 billion.

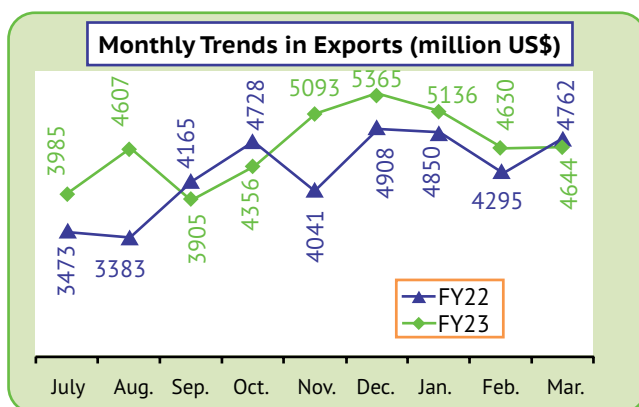
On the other hand, export earnings in the first nine months of the current fiscal year (July-March of FY23) increased by 8.07 per cent to US\$41.72 billion from US\$38.61 billion in the corresponding nine months of the previous fiscal year. Overall export earnings in July-March of FY23, however, were lower marginally by 1.28 per cent against the strategic target (US\$42.26 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	4356	4728	-7.87
November	5093	4041	+26.03
December	5365	4908	+9.33
January	5136	4850	+5.89
February	4630	4295	+7.81
March	4644	4762	-2.49
Total of July – March	41721	38605	+8.07

Notes: P=Provisional; R=Revised

Sources: Export Promotion Bureau



Of the total US\$41.72 billion, the readymade garments (RMG) fetched US\$35.25 billion, posting a growth of 12.17 per cent year-on-year in July-March of FY23. A breakdown of the clothing sector performance shows that the knitwear sub-sector of RMG earned US\$19.14 billion from exports, registering an 11.78 per cent year-on-year growth. Earnings from woven garment exports amounted to US\$16.11 billion, up by 12.63 per cent. RMG including knit and woven items contributed the lion's share of 84.49 per cent during July-March of FY23 and the rest, 15.51 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-March of FY23 that showed positive growth, year-on-year, included woven garments (+12.63%), knitwear (+11.78%), cotton & cotton products (+65.72%), headgear/cap (+33.73%), ceramic products (+1.80%), other footwear (+5.73%), leather & leather products (+2.56%), plastic products (+34.07%), man-made filaments & staple fibers (+28.64%), paper & paper products (+127.14%), and other manufactured products (+12.12%). However, negative growth was found in agricultural products (-28.31%), frozen & live fish (-20.50%), jute & jute goods (-21.23%), home textile (-25.73%), specialized textiles (-19.29%), handicrafts (-36.59%), carpet (-32.78%), rubber (-28.90%), chemical products (-19.60%), petroleum bi-products (-39.33%), and engineering products (-33.65%).

Region-wise export, in the eight SAARC member countries, exports grew year-on-year by 6.25 per cent to US\$1.87 billion in July-March of FY23 from US\$1.76 billion. Among the main exporting countries, earnings from India in July-March of FY23 registered the highest worth US\$1.70 billion from US\$1.53 billion, followed by Pakistan worth US\$61.20 million from US\$79.55 million; Sri Lanka worth US\$48.10 million from US\$45.54 million; Nepal worth US\$36.21 million from US\$89.49 million; and Bhutan worth US\$18.34 million from US\$6.85 million. On the other hand, exports to the BIMSTEC member countries grew by 8.67 per cent to US\$1.88 billion during July-March of FY23 from US\$1.73 billion during July-March of FY22. In the D-8 bloc, the exports grew by 3.85 per cent to US\$0.81 billion in the first nine months of the current fiscal year from US\$0.78 billion in the corresponding period of the previous fiscal year. Similarly, the shipment of Bangladeshi products to the ASEAN countries also increased. The export to the 10 ASEAN countries grew by 19.67 per cent to US\$0.73 billion from US\$0.61 billion. However, the US imported US\$7.17 billion worth of Bangladeshi products and the EU countries US\$18.92 billion in July-March of FY23.

Though the review period is January-March of FY23, some additional time is required due to availability of data and preparing the report. In the meantime, export earnings in April 2023 declined by 16.52 per cent to US\$3.96 billion from US\$4.74 billion in the same month of 2022 and this earning was also lower by 21.67 per cent from the strategic target of US\$5.05

billion. On the other hand, export earnings in the first ten months of the current fiscal year (July-April of FY23) increased by 5.38 per cent to US\$45.68 billion from US\$43.34 billion in the corresponding ten months of the previous fiscal year. Overall export earnings in July-April of FY23, however, were lower by 3.46 per cent against the strategic target (US\$47.31 billion).

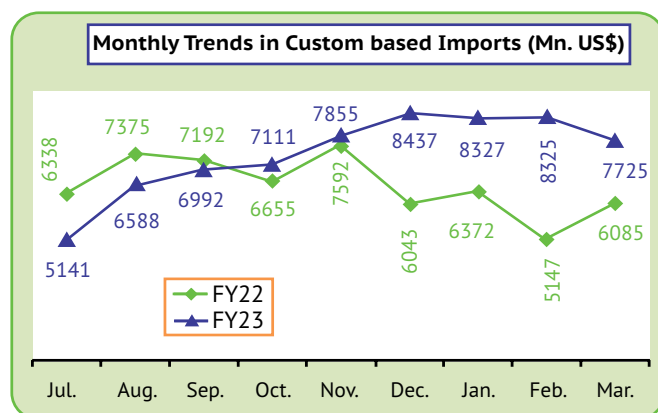
8.0 Imports

According to Bangladesh Bank data, total value of custom based import during July-March of FY23 decreased by 11.58 per cent to US\$58.80 billion from US\$66.50 billion during July-March of FY22 (Table 8). Besides, custom based import in March of FY23 alone decreased year-on-year by 21.23 per cent but increased month-on-month by 18.22 per cent from US\$5.15 billion (February 2023). The fall was due to the outcome of a number of initiatives taken by the central bank as well as the government since April 2022 (i.e., close monitoring of LC opening with price rationalization along with depreciation of local currency), in order to restrain foreign currency expenditure. Also, fall of import of capital goods, intermediate goods, food grains, and consumer goods during July-March 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	7380	6588	+12.02
September	7192	6992	+2.86
October	6655	7111	- 6.41
November	7592	7855	- 3.35
December	6043	8437	- 28.37
January	6372	8327	- 23.48
February	5147	8325	- 38.17
March	6085	7725	- 21.23
Total of July – March	58799	66501	- 11.58

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



The settlement of import Letters of Credit (LCs) during July-March of FY23 decreased year-on-year by 5.87 per cent and stood at US\$57.05 billion from US\$60.61 billion. This decrease was driven mainly by machinery for miscellaneous industries (- 31.92%), intermediate goods (- 24.22%), consumer goods (- 15.11%), and capital machinery (- 14.93%).

On the other hand, fresh opening of import LCs during July-March of FY23 decreased year-on-year by 25.38 per cent and stood at US\$51.37 billion from US\$68.84 billion. This decrease was mainly due to the decrease in opening of import LCs of capital machinery (- 55.88%), machinery for miscellaneous industries (- 44.99%), industrial raw material (- 31.16%), and intermediate goods (- 30.91%).

9.0 Remittances

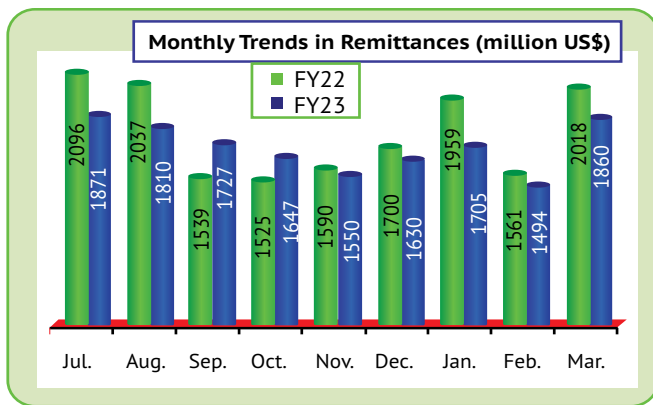
According to the Bangladesh Bank (BB) data, the inflow of remittances increased year-on-year by 8.49 per cent to US\$2.02 billion in March 2023 from US\$1.86 billion and month-on-month increased by 29.28 per cent from US\$1.56 billion through the banking channel amid various initiatives taken by the government and the Bangladesh Bank such as 2.5 per cent cash incentive, easing the rules on the furnishing of documents and depreciation of exchange rate, etc. (Table 9). Recently, the BB allowed mobile financial service (MFS) to bring more flexibility in repatriating remittances, which might have a positive impact on wage earners' remittance inflows in the near future.

On the other hand, the inflow of remittances in the first nine months of the current fiscal year (July-March of FY23) increased by 4.78 per cent to US\$16.03 billion from US\$15.29 billion in the correspondent period in FY22 (Table 9).

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	1539	1727	- 10.89
October	1525	1647	- 7.41
November	1590	1550	+2.58
December	1700	1630	+4.23
January	1959	1705	+14.92
February	1561	1494	+4.47
March	2018	1860	+8.49
Total of July – March	16025	15294	+4.78

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



Though the review period is January-March of FY23, some additional time is required due to availability of data and preparing the report. In the meantime, the inflow of remittances decreased year-on-year by 16.42 per cent to US\$1.68 billion in April 2023 from US\$2.01 billion and month-on-month decreased by 16.83 per cent from US\$2.02 billion (March 2023). On the other hand, the inflow of remittances in the first ten months of the current fiscal year (July-April of FY23) increased by 2.37 per cent to US\$17.72 billion from US\$17.31 billion in the correspondent period in FY22.

10.0 Foreign Aid

According to the Economic Relations Division (ERD) provisional data, the disbursement of foreign aid fell by US\$1.47 billion or 21.52 per cent to US\$5.36 billion in July-March of FY23 from US\$6.83 billion in July-March of FY22 when the country faced a foreign exchange crunch. Out of the US\$5.36 billion, US\$5.02 billion came as concessional loans while US\$0.34 billion came in the form of grants.

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\$1.30 billion, the highest amount of assistance. Besides, the WB disbursed US\$854.30 million, the ADB disbursed US\$801.93 million, Russia disbursed US\$747.20 million, China US\$637.97 million, the Asian Infrastructure Investment Bank (AIIB) US\$336.39 million, and India disbursed US\$208.66 million.

On the other hand, development partners' commitments of foreign aid decreased by US\$2.35 billion or 43.28 per cent to US\$3.08 billion in July-March of FY23 from US\$5.43 billion in July-March 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.

Out of US\$3.08 billion aid commitment, the development partners confirmed US\$2.80 billion worth of loans and US\$0.28 billion as grants. Meanwhile, the government repaid US\$1.73 billion as principal and interest of its total outstanding loans during July-March of FY23 compared to US\$1.60 billion during July-March of FY22.

11.0 Foreign Direct Investment (FDI)

The net foreign direct investment (FDI) in the first nine months of the current fiscal year (July-March of FY23) decreased by 17.98 per cent to US\$1,341 million from US\$1,635 million in the corresponding period of the previous fiscal year (July-March of FY22), according to the BB's balance of payments data. On the other hand, the gross inflow of FDI during July-March of FY23 also increased year-on-year by 7.08 per cent to US\$3,781 million from US\$3,531 million. FDI inflow in Bangladesh is low compared to that in many other countries at a 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 current account balance recorded a lower deficit of US\$3.64 billion during July-March of FY23 compared to US\$14.35 billion



deficit during the corresponding period of the previous fiscal year, mostly due to the narrowing of trade deficit. Trade deficit with the rest of the world narrowed by 41.62 per cent to US\$14.61 billion in the first nine months of the current fiscal year (July-March of FY23) from US\$25.03 billion in the corresponding period of the previous fiscal year (July-March of FY22) due mainly to negative growth in import (-12.33%) against positive growth of export (7.76%) (Table 10).

In July-March of FY23, the remittance inflow was US\$16.03 billion, which was 4.78 per cent higher than US\$15.30 billion in July-March of FY22. The BB data also showed that the country's

gross foreign direct investment (FDI) increased year-on-year by 7.08 per cent to US\$3.78 billion in July-March of FY23 from US\$3.53 billion. Net FDI, however, decreased by 17.98 per cent to US\$1.34 billion from US\$1.64 billion.

Overall balance however incurred a larger deficit of US\$8.17 billion during July-March of FY23 compared to US\$3.10 billion deficit of July-March of FY22, resulting from the deficit of US\$2.22 billion in financial account during the period under review against a substantial surplus of US\$11.93 billion in the corresponding period of the previous fiscal year.

Table 10: Balance of Payments

(in million US\$)

Items	July-March of FY23 ^P	July-March of FY22 ^R	% Changes
Trade Balance	(-) 14613	(-) 25031	(-) 41.62
Exports f.o.b (including EPZ)*	39325	36493	7.76
of which: Readymade Garments	35252	31428	12.17
Imports f.o.b (including EPZ)*	53938	61524	(-) 12.33
Services	(-) 2896	(-) 2794	3.65
Credit	6505	7214	
of which: Government Services	1596	1841	
Debit	9401	10008	
Primary Income	(-) 2662	(-) 2310	15.24
Credit	325	257	
Debit	2987	2567	
of which: Official Interest Payment	1024	694	
Secondary Income	16530	15787	4.71
Official Transfers	60	15	
Private Transfers (net)	16470	15772	
of which: Workers' Remittances Inflows	16030	15298	4.78
Current Account Balance	(-) 3641	(-) 14348	(-) 74.62
Capital Account	287	166	
Capital Transfers	287	166	
Financial Account	(-) 2216	11925	(-) 118.58
Foreign Direct Investment (gross inflows)	3781	3531	7.08
of which; Foreign Direct Investment (net)**	1341	1635	(-) 17.98
Portfolio Investment (net)	(-) 41	(-) 110	
of which: Investment by NRBs	93	86	
Other Investment (net)	(-) 3516	10400	
Net Aid Flows	3761	5446	
Medium and Long Term (MLT) Loans	5017	6616	(-) 24.17
MLT Amortization Payments	1256	1170	7.35
Errors and Omissions	(-) 2596	(-) 840	209.05
Overall Balance	(-) 8166	(-) 3097	(-) 314.77

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-March of FY23, the value of Taka depreciated by 12.50 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.106.8025 at the end of March 2023 (Table 11).

From 12 September 2022 onwards, daily rates have been collected from Bangladesh Foreign Exchange Dealers Association (BAFEDA) and monthly average has been calculated from those rates.

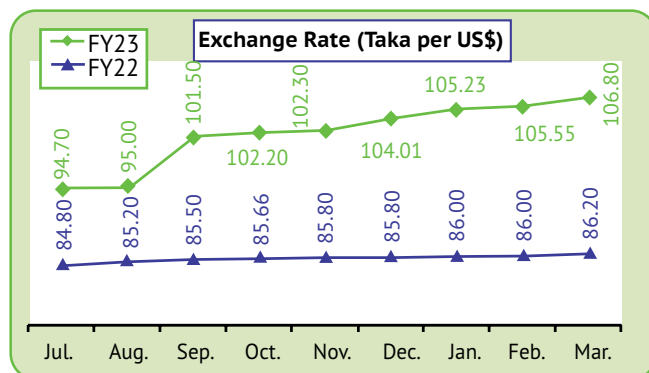
Table 11: Monthly Exchange Rate

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	102.0510	102.1988	85.6121	85.6582
November	102.7132	102.3021	85.7750	85.8000
December	103.4476	104.0089	85.8000	85.8000
January	104.5274	105.2293	85.9538	86.0000
February	106.2195	105.5545	86.0000	86.0000
March	106.3305	106.8025	86.0593	86.2000

Note: i) P=Provisional; R=Revised

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

Source: Bangladesh Bank



14.0 Foreign Exchange Reserves

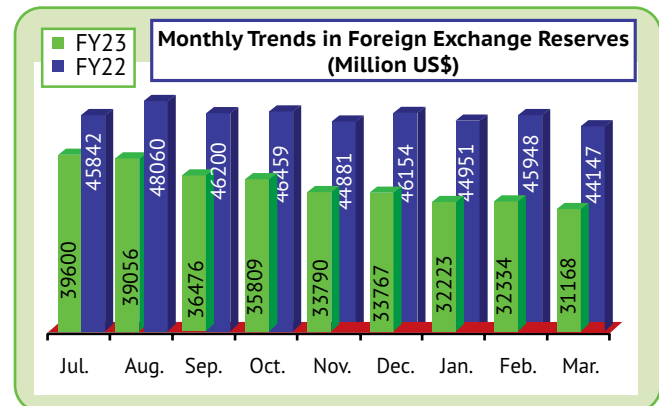
Bangladesh Bank's gross foreign exchange reserves fell below US\$40 billion, the lowest level in two years, largely for imports far outstripping exports and falling currency exchange rate against the US dollar. Experts say an ACU (Asian Clearing Union) payment against import bills pushed the reserves 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\$31.17 billion at the end of March 2023 after the payment of import bills worth US\$1.05 billion was made to the Asian Clearing Union (ACU) for the month of January and February 2023 (Table 12). A year ago, the reserve was US\$44.15 billion at the end of March 2022.

Table 12: Monthly Trends in Foreign Exchange Reserves

Month	Foreign Exchange Reserve (million US\$)	
	FY23 ^P	FY22 ^R
July	39600	45842
August	39055	48060
September	36476	46200
October	35809	46459
November	33790	44881
December	33767	46154
January	32223	44951
February	32334	45948
March	31168	44147

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



Though the review period is January-March of FY23, some additional time is required due to availability of data and preparing the report. In the meantime, gross foreign exchange reserves declined to US\$30.97 billion at the end of April 2023 from US\$44.02 billion at the end of April 2022. The reserve is US\$29.97 billion on 24 May 2023.

15.0 Overseas Employment Situation

The sector is a vital source of Bangladesh's foreign exchange reserves. A steady outflow of migrant workers in January-March 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 323,010 workers went to different job-destination countries during January-March of FY23 against 261,134 during the previous quarter (October-December of FY23). Bangladesh sent 104,513 workers in January, 109,059 in February, and 109,438 in March 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 (January-March of FY23). Of them, Kingdom of Saudi Arabia (KSA) received the highest 37.95 per cent or 122,572 workers. The other main job-destination countries are: Malaysia 82,893 (25.66%), Oman 46,367 (14.35%), the United Arab Emirates (UAE) 25,295 (7.83%), Singapore 12,304 (3.81%), Kuwait 7,753 (2.40%), and Qatar 6,510 (2.02%).

Bangladeshi female workers started going abroad for jobs in 1991. Some 24,922 female workers entered the international markets with jobs during January-March of FY23 against 19,672 moved out during October-December of FY23. Female workers, mostly housemaids and garment workers, are employed mainly in KSA, Oman, Jordan, UAE, UK, Kuwait, and Qatar.

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.

16.0 Price Situation

In the quarter under review, monthly inflation increased further in March 2023 to 9.33 per cent from 8.78 per cent in February 2023 and 8.57 per cent in January 2023, driven by soaring prices

of food items, especially protein items like chickens, eggs, and beef. March saw the highest inflation in the previous seven months, worsening consumer woes. Earlier, the point-to-point inflation was 9.52 per cent in August 2022 (Table 13). A year ago, in March 2022, the inflation rate was lower at 6.22 per cent.



Food inflation also increased further by 0.96 percentage points to 9.09 per cent in March 2023 from 8.13 per cent in the previous month (February 2023). Year-on-year, food inflation was lower at 6.34 per cent in March 2022. On the other hand, non-food price inflation decreased slightly by 0.10 percentage points to 9.72 per cent in March 2023 from 9.82 per cent in the previous month. Year-on-year, non-food price inflation was lower at 6.04 per cent in March 2022.

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
January	8.57	7.76	9.84	8.67	7.92	10.12	8.39	7.41	9.48
February	8.78	8.13	9.82	8.80	8.19	9.98	8.75	7.98	9.61
March	9.33	9.09	9.72	9.32	9.06	9.82	9.36	9.14	9.59
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
January	5.86	5.60	6.26	6.07	5.94	6.32	5.47	4.85	6.17
February	6.17	6.22	6.10	6.49	6.62	6.25	5.59	5.30	5.91
March	6.22	6.34	6.04	6.52	6.71	6.15	5.69	5.49	5.90

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 and food point-to-point inflation in urban areas in March 2023 were higher than the rates of rural areas. On the other hand, the rate of non-food inflation in rural areas was higher than the rate of urban area (Table 13).

Though the review period is January-March of FY23, some additional time is required due to availability of data and preparing the report. In the meantime, the average point to point inflation (base year FY2021-22=100) year-on-year was 9.24 per cent in April 2023. This point-to-point inflation was driven by food inflation of 8.84 per cent and non-food inflation of 9.72 per cent.

17.0 Chamber's Projection on Some Selected Economic Indicators

On the basis of observations in the preceding nine months, the Chamber has made its own projections on some selected economic indicators for the fourth quarter (April-June) of the current fiscal year (Q4 of FY23). These projections are presented in Table 14.

Table 14: Projection on Some Selected Indicators for Q4 of FY23

Indicators	FY23											
	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
Export (million US\$)	3985	4607	3905	4356	5093	5365	5136	4630	4644	3960	4490	4760
Import (million US\$)	6338	7380	7192	6655	7592	6043	6372	5147	6085	6110	6130	6145
Remittances (million US\$)	2096	2037	1539	1525	1590	1700	1959	1561	2018	1683	2080	2125
Forex Reserve (million US\$)	39600	39056	36476	35809	33790	33767	32223	32334	31168	30965	32965	33125
Inflation, Point to Point (per cent)	7.48	9.52	9.10	8.91	8.85	8.71	8.57	8.78	9.33	9.24	9.05	8.90

Notes: July – March of FY 2023: Actual figures; April – June 2023: Projected value (figures in bold)

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

The Bangladesh economy is gradually overcoming 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 April 2023 due to lower growth of apparel export; however, it may increase in the next two months. Import may increase slowly during Q4 of FY23. Remittances may decrease in April 2023, then increase in the next two months. The foreign exchange reserve is likely to fall in April of FY23 due to the payment to the Asian Clearing Union (ACU) against imports. Inflation, however, can be expected to go down slightly in Q4 of FY23.

18.0 Concluding Observations

Bangladesh's economy, among the fastest-growing in the Asia-Pacific region, faces some challenges. Robust economic recovery from the pandemic has been interrupted by the war in Russia-Ukraine, recent price rise of essential commodities, weak remittance inflow, shortfall in revenue collection and slow public expenditure, widening of current account deficit, depreciation of the Taka and a decline in foreign exchange reserves are the main challenges. The unemployment situation and low investment are other challenges. A significant increase in public and private investment is necessary to maintain competitiveness and generate further growth.

Nevertheless, the economy has been showing some signs of improvement in the quarter under review (Q3 of FY23). Exports and imports are two important drivers of the economy, and amid the COVID-19 pandemic and the war in Russia-Ukraine, both the areas have done comparatively well. The foreign currency reserve is still somewhat in a satisfactory position but heading into a weaker trajectory. The exchange rate long remained stable but depreciated notably in recent months.

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

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.