

Inflation Falling, But Not Fast Enough

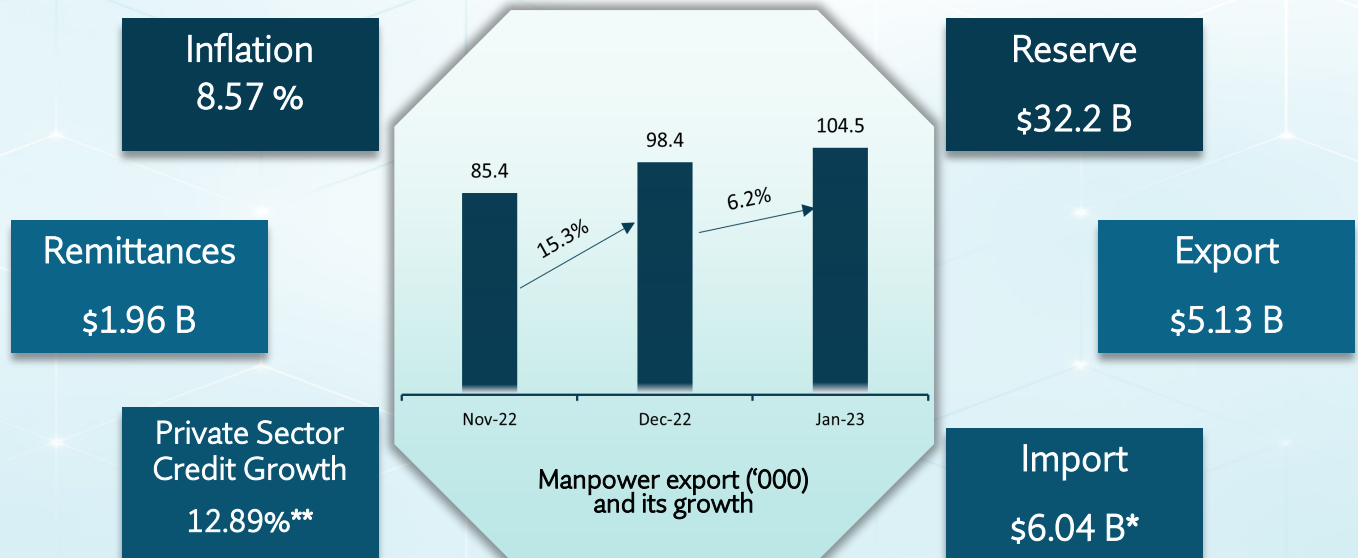
A high rate of inflation has been a phenomenon throughout the fiscal year. In January, the point-to-point inflation stood at 8.57%, lower than the December rate of 8.71%, but still high. In this month, food inflation has been 7.91% and non-food inflation 9.84%, both reduced from the previous month.

Rising prices in the international market, global supply disruption, high inflation in the trading partner countries, and depreciation pressure of the local currency have been major factors behind this high inflation. Another cause of inflation might be an increased amount of currency outside the banking system, which rose by 31732.20 crore taka from June 2022 to December 2022.

Negative Trade Balance Narrowing

The total amount of export in January stood at 5.136 Billion USD, increasing 5.89% on a year-to-year basis from 4.850 Billion USD in January 2022. Although the amount of export fell from the previous month, on which export amounted to 5.365 Billion USD.

Bangladesh has been trying to curtail its imports to preserve foreign currency reserves. This effort has been seen in the amount of LC settlement, which has been decreasing gradually. In December, Import LC settlement amounted to 5.653 Billion USD, which fell to 5.405 Billion USD in January.



Foreign Exchange Reserve Still Shrinking

Remittances earned from citizens living abroad increased in January to 1.704 Billion USD from 1.630 Billion USD in December. However, it was not enough to stop the contentious decline of foreign exchange reserves experienced in the past few months. Amounting to 33.767 Billion USD in December, foreign exchange reserve was 32.222 Billion USD at the end of January.

Private Sector Credit Growth Persists

To keep inflation under control a contractionary monetary policy is needed. Bangladesh Bank has been trying to contain the private sector credit growth by increasing Repo and Reverse Repo rates. The call money rate has also increased, which was 6.66% at the end of January. But still, private sector credit growth saw a significant increase of 12.89% on a year-to-year basis till December.

 FEBRUARY AT A GLANCE

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| <p>⇒ In the July-December period of the current fiscal year, NBR gathered BDT 145,431 crores in taxes, which is 39 percent of the total revenue collection target in the fiscal year. This is an 11 percent increase on a year-to-year basis. However, during the same period in the previous year, the year-to-year growth was 17 percent. The cause of the slow growth can be attributed to the falling customs tariff and direct taxes amid reduced profit for firms and declining imports.</p> | <p>⇒ International Finance Corporation (IFC) has decided to invest USD 5 Billion in Bangladesh in the next five years. IFC is a member of the World Bank Group and the investment will be made under the 'Bangladesh Investment Climate Fund' programme.</p> | <p>⇒ The country's per capita foreign debt has doubled in just seven years. In 2021-22, the figure stood at USD 558, increasing from USD 482 a year earlier. In the fiscal year 2015-16, the foreign debt was USD 257. Both public and private sector debt has expanded in this time.</p> | |
| <p>⇒ BBS has decided to calculate inflation using 2021-22 as the new base year. Currently, 2005-06 is being used as the base year. About 300 new products and services will be also used in the calculation.</p> | <p>⇒ The amount of foreign aid received and committed both have fallen in the first half of the current fiscal year. Up to the first half of the fiscal year, USD 3.78 billion has been received as foreign aid, the amount was USD 4.18 billion in the same period last fiscal year.</p> | <p>⇒ Default loans in the banking sector rose by 16.8 percent on a year-to-year basis in the last year, which now stands at BDT 120,656 crore. This accounts for 8.16 percent of the total loan disbursed by the banks.</p> | <p>⇒ A body has been found to administer the universal pension scheme. Founded under the universal pension management act 2023, the body will be known as the 'National Pension Authority' and will have a total of five members.</p> |
| <p>⇒ The revised Annual Development Program (ADP) for FY2022-23 has been set to BDT 2.28 trillion. The national economic council approved the revised allocation cutting BDT 185 billion from the proposed ADP. Out of this allocation, BDT 1.53 trillion (above 67%) will come from local sources while the other BDT 745 billion will come from foreign sources.</p> | | | |

*Data of December 2022; **The growth has been shown on year to year basis.
All data have been collected from Statistics Department, Bangladesh Bank

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