MONTHLY MACROECONOMIC OVERVIEW

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Inflation Again on the Rise

Headline inflation, which had been falling for five consecutive months, has increased again. In February, the point-to-point inflation was at 8.78 percent, up from 8.57 percent in the previous month and 8.71 percent in December 2022. The rise in inflation can be attributed to higher food prices, with food inflation increasing from 7.76 percent to 8.13 percent. Furthermore, the US Federal Reserve Bank has decided to keep increasing the domestic interest rate, implying USD can appreciate even further against other currencies. This can result in imports becoming even costlier for Bangladesh and fueling inflation further.

Transactions Through MFS Increasing

The transactions made with mobile financial services (MFS) are increasing rapidly. The monthly transaction crossed BDT 1 trillion for the second time in January this year, the first time was in April last year during the seasons of Eid and Bangla Nababarsha. This amount is the sum of transactions done through 13 MFSs excluding Nagad. If the transactions through Nagad are taken into account, which is not included in the Bangladesh Bank’s financial report, the average transaction volume would cross BDT 42 billion. Among the transactions, 60 percent was money deposit and withdrawal while the other 40 percent was digital payment.

Inflation 8.78 %

Remittances $1.56 B

Private Sector Credit Growth 12.62%

Average MFS transaction (BDT) per active account

Reserve $32.3 B

Export $4.63 B

Import $6.37 B

Agricultural Exports Falling

Agro-export has a large potential to diversify Bangladesh's export basket. However, the export of agricultural products declined in the first 8 months of the fiscal year by a large margin. Previous fiscal year, agricultural products accounted for USD 853.2 million of the exports. But in this fiscal year, it has come down to USD 623.2 million, seeing a fall of 26.96%. This occurs at a time when Bangladesh is facing a crisis with foreign reserves and the country is intending to increase its exports. Industry experts have cited the increased cost of production and higher freight charge globally for this sharp decline.

Discussion on National Budget Commences

The National Board of Revenue (NBR) has commenced the discussions on the national budget 2023-24 by calling for budget proposals from various stakeholders including business organizations, civil society organizations, and think tanks. In response, these organizations have brought forward various proposals including reform in the tax code, and gradually reducing tariffs to prepare for the LDC graduation.

Apart from this, the finance minister has also participated in budget discussions. This year, the national budget is likely to be around 7.5 lakh crore.
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March at a Glance

- During the first eight months of the current fiscal year, RMG export saw a huge growth in the non-traditional markets. During this period export to the non-traditional market which excludes the EU, USA, and Canada amounted to USD 5.69 billion, which was USD 4.21 billion in the same period of the last fiscal year. This growth is mostly the result of an increase in export to India by 61 percent and to Japan by 48 percent.

- Export earnings have fallen in February for the third consecutive month. Bangladesh's export earnings stood at USD 4.63 billion in February, which was the lowest in four months.

- Bangladesh has signed an MoU with Bhutan on transit. This MoU will work as the initial step for the final deal which will allow Bhutan to use land, water, and aviation routes in Bangladesh to run its trades with a third country for a fee.

- Due to the falling foreign exchange reserves, Bangladesh Bank is actively taking measures to reduce trade deficit. This attempt has bore fruit as trade deficit shrunk by 28.8 percent on year on year basis on the first seven months of the fiscal year. In this period, the trade deficit amounted USD 13.4 billion.

- Manpower export has been increasing for the past few months. In February 110 thousands workers left the country to seek employment abroad. Among the total of 214 thousand workers leaving the country this year, 7.4 percent are female.

- Bangladesh Bank has decided to let the market determine the lending rate of the banks. This decision has been made following the IMFs directive. Previously, the lending rate was capped at 9 percent. Though the central bank has decided to let the market determine the rate it has decided to move with caution so that the rate does not see a sudden hike.

* The figures on point to point inflation, foreign exchange reserve, export, private sector credit growth, remittances are of February while import is of January. All data have been collected from Statistics Department, Bangladesh Bank.

About us: Unnayan Shamannay, which was founded in 1994, is now an acclaimed pro-people research and advocacy organization for making significant impact in social and environmental issues. The institution is dedicated to shaping public policies that benefit the poor and marginalized, and that it focuses on areas such as the environment and climate change, sustainable development, financial inclusion, and social innovation.