



Inflation Soared to a Seven-month high

Headline inflation escalated in March. The point-to-point inflation stood at 9.33 percent, up from 8.78 percent in the previous month, but it was 6.22 percent in last year March. The rise in inflation can be attributed to higher food prices, with food inflation increasing from 8.13 to 9.09 percent. People of urban areas faced higher inflation pressure compared to rural areas.

Furthermore, lower import payment was found in February 2023 compared to February of previous year. Falling imports caused by the dollar shortage may have put pressure on the local supply. Hence, the food price inflation rises.

Multilateral Loan Disbursement on the Rise

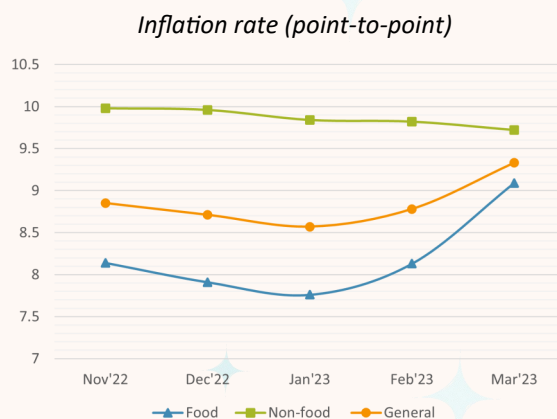
World Bank has approved a significant amount of funding for Bangladesh, with a focus on regional connectivity projects as well as budgetary support. The loan amount for the fiscal year 2022-23 is expected to exceed USD 3.0 billion, which is a considerable amount.

Five specific projects will be implemented under the multilateral loans, including regional connectivity, green development, resilient infrastructure, environmental sustainability, and poverty reduction. These projects appear to align with the World Bank's goals of promoting sustainable development, reducing poverty, and supporting economic growth in developing countries.

↑ Inflation
9.33%

↑ Remittances
\$2.02 B

↓ Private Sector
Credit Growth
12.14%**



↓ Reserve
\$31.16 B

↑ Export
\$4.64 B

↓ Import
\$5.14 B*

Govt. Borrowing from Banking System Rises

The government borrowing from the banking system has been leaped in this fiscal year. As the non-bank borrowing of the government has been falling down due to the economic woe of the general population, the government has been relying more and more on the banking system to finance its deficits.

In the July-February period of the fiscal year, government borrowing from the banking system stood at BDT 253.9 billion, a 152 percent rise on year to year basis.

Classified Loans Rising at an Alarming Rate

Although private sector credit is having a healthy amount of growth, the overall situation of classified loans is grim. Despite the central bank's effort to curtail the number of classified loans, the amount is increasing rapidly.

At the end of the first quarter of the current fiscal year, the total amount of classified loans in the banking sector stood at BDT 1343.9 billion. The amount rose by more than thirty percent from one year earlier when it was BDT 1011.5 billion.



 APRIL AT A GLANCE

⇒ According to HIES 2022, the country's poverty has dropped to 18.7 percent, compared to 24.3 percent in 2016. Among them, 5.6 percent face extreme poverty. However, despite the decline in poverty, inequality has risen as shown by the Gini coefficient of 0.499, indicating high-income inequality.

⇒ Actions taken to diversify the market for the country's RMG sector is bearing fruits as the amount exported to non-traditional markets is growing rapidly. According to the BGMEA, this fiscal year saw USD 6.44 B in exports to non-traditional markets, marks a growth of 34.74 percent.

⇒ In the July-March period of the current fiscal year, only **41.65 percent** of the ADB has been spent. This figure is the lowest in last ten years.

⇒ Import of capital machinery has seen a huge drop in current year. With the banks trying to remain cautious in foreign exchange crisis period and the business community is reluctant to expand, kudos to the slowdown of both global and local markets. This results in a fall in opening of LCs to import capital machinery by 56 percent on yearly basis in the first nine months of the financial year and stood at USD 2.29 B.

⇒ The government has set the inflation target at **6.0 percent point** for the next fiscal year. This target has been set at a meeting of the fiscal coordination council and resource committee. This target amount is significantly lower than the persisting inflation rate which has been over 8 percent for the past six months.

⇒ According to the HIES 2022, average calory intake has increased in both rural and urban areas compared to 2016. Currently, the **average calory intake is 2393 kilocalories**. Also, per capita consumption of meat, fish and fruits have seen a significant increase in these six years.

⇒ The government has decided that the national budget for the fiscal year 2023-24 will be BDT **759,955 crore**. This will be a 12 percent increase from the previous budget.

⇒ With inflation going high throughout the fiscal year, purchasing power has declined considerably. In this situation, think tanks and social and professional organizations have been urging the government to increase the income tax ceiling. Taking note of these urges, the government might decide to make the ceiling to BDT 330,000 or BDT 350,000, which is currently BDT 300,000.

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

Note: Up arrow means increase in the indicators and down arrow shows decrease in indicators compared to previous month.

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.

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