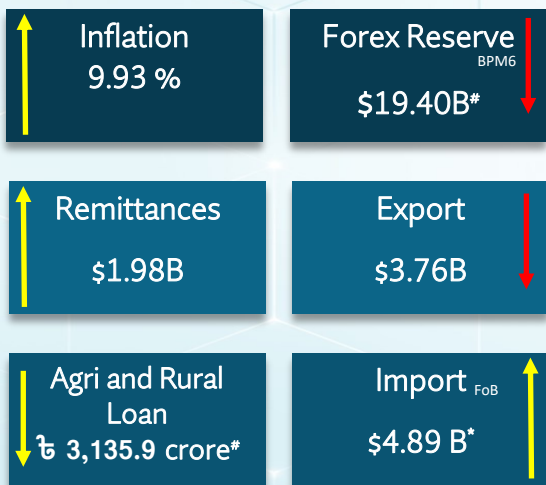


Bangladesh Still Struggles with High Inflation Rates

Bangladesh grapples with the second-highest South Asian inflation rate at 9.93% in October, trailing only Pakistan. Achieving the government's 8% December inflation target faces challenges amid ongoing political unrest. Sri Lanka's efficient inflation control, with a mere 1% rate in October, contrasts with Bangladesh's struggle attributed to a less stringent IMF program. Mitigation measures involve increased policy rates and reduced money supply, targeting 8% by this December and 6% by June 2024 respectively. However, non-economic factors like political unrest continue to impede inflation control efforts in Bangladesh.

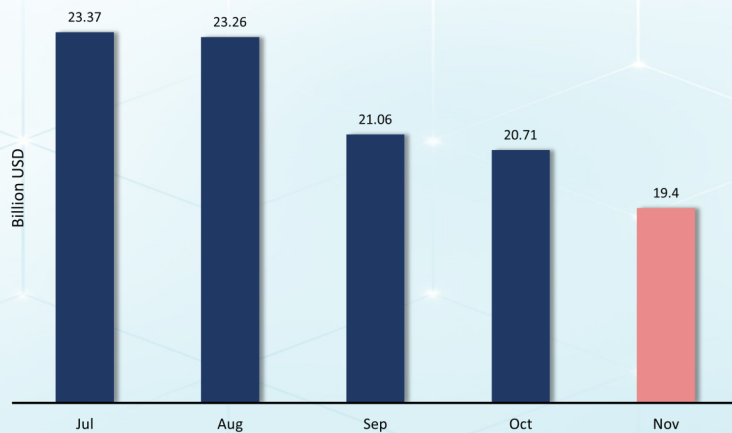
Migrant Remittances Soar to \$1.98 Billion

Migrant workers sent home \$1.98 billion in October, a four-month high, as banks, buoyed by a relaxed central bank rule on incentives, intensified efforts to boost remittance. The amount is nearly 30 percent higher than last year, offering relief to the foreign exchange crisis. The elevated inflow might be due to a central bank instruction allowing unlimited incentives. However, the overall remittance for the fiscal year's first four months decreased by 4.3 percent. Analysts find the positive trend encouraging but emphasize the need for sustained momentum amid global economic uncertainties.



Arrow sign indicates the changes in the situation compared to previous month

Foreign Exchange Reserves in FY'24 (BPM6)



Source: Bangladesh Bank

Bangladesh's Net Reserves Dip Below \$16B

Bangladesh's net foreign reserves, currently below \$16 billion, face ongoing challenges due to the Russia-Ukraine war, impacting the dollar supply. Bangladesh Bank data indicates a decline from \$48 billion in August 2021 to \$25.16 billion, with net reserves, factoring in IMF payments, falling below \$16 billion. Although not a crisis, worries emerge as the net reserves may cover just three months of imports. Experts advise letting the market operate, foreseeing a return to normalcy, and stress the importance of sustained improvement to tackle the complex economic challenges.

Delayed Export Earnings Worsen Dollar Crisis

Amid an ongoing dollar crisis, Bangladesh faces a rise in exports but a drop in export earnings in Q1 of the fiscal year 2023-24. Exports increased by 9.5 percent, reaching \$13.68 billion, yet delayed revenue arrival and the dollar crisis persist. The Bangladesh Bank's efforts to encourage regular export earnings repatriation, as well as the influence of associations like BAFEDA and ABB on exchange rates, contribute to the complex situation. The delayed arrival of USD 1 billion in export earnings further complicates the crisis, requiring a comprehensive solution for sustained economic stability.

NOVEMBER AT A GLANCE

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|--|--|---|---|
| <p>▷ More than a third of Bangladesh's 169.828 million population, as per the latest census, lacks education, employment, and job training. The Bangladesh Bureau of Statistics (BBS) revealed in its 'Population and Household Census Report 2022' that, for the first time, women outnumber men in the official count. The report indicates a growing rural-to-urban migration trend, and 34.02 percent of the population aged 10 and above are without education, employment, and training. Female representation in this category is 52.76 percent, emphasizing the need for focused support. The dependency ratio has decreased, and urban population growth is notable, with increased literacy rates and improved access to technology.</p> | <p>▷ Bangladesh Bank's repo rate increased by 50 basis points to 7.75 percent, the third hike in five months, as part of a contractionary monetary policy to tackle inflation. The move aims for 8 percent inflation by December and 6 percent by June 2024. This adjustment is anticipated to elevate borrowing costs for banks and clients while leveraging global price trends and winter vegetable availability for inflation control.</p> | <p>▷ 466,666 Bangladeshi expatriates returned home permanently in the last two years, per a Bangladesh Bureau of Statistics report. Chattogram and Dhaka had the highest percentages of returnees. The census also notes 27,842 foreigners in Bangladesh, with Dhaka hosting 40.41 percent of them. Experts recommend examining the pandemic's impact on return trends.</p> | |
| <p>▷ Amid a liquidity crunch, Bangladesh's banks lifted deposit rates to 4.52 percent in September, up from 4.38 percent in June. Fueled by policy rate hikes to 7.75 percent, some banks offer rates as high as 9.50 percent, fostering a 9.5 percent growth in deposits. This move aims to attract funds, enhance liquidity, and benefit savers in the current economic landscape.</p> | <p>▷ Despite a recent Tk 0.5 reduction, many banks in Bangladesh still charge higher rates for the US dollar, ranging from Tk 122 to 123. Two banking forums aimed to establish a buying rate of Tk 110 and selling rate of Tk 110.5, but numerous banks disregarded this, causing discrepancies. Bangladesh Bank supported the rate adjustment to strengthen the taka but acknowledged challenges in enforcement.</p> | <p>▷ In Bangladesh, latex and rubber sheet prices continue to decline, adversely affecting growers. Despite manufacturers offering higher rates, latex prices dropped by Tk 7 to Tk 43 per kg, and rubber sheets fell by Tk 10 to Tk 130 in the last six months. Growers allege middlemen are profiting significantly.</p> | <p>▷ In FY 2022-23, Bangladesh's airports witnessed a significant 32 percent surge in air passenger movement, totaling 1.53 crore travelers. This increase, the highest in three years, is credited to heightened domestic travel and a rise in migrant worker outflow, reflecting revived economic activities.</p> |
| <p>▷ The hospitality sector in Bangladesh faces a significant downturn, with a 7.92 percent and 6.0 percent drop in Q3 and Q4 of the last fiscal year, respectively. Sustained food inflation and economic challenges have led to reduced turnover, upscale restaurant losses, job cuts, decreased domestic tourism, and a notable economic decline. Intervention is crucial to address rising prices and economic challenges.</p> | | | |

* The figures on point to point inflation, export, remittances are of October while import are of September. Further, reserve is the latest amount of 30th November 2023. # Agri and rural loans disbursement are of October 2023. All data have been collected from Statistics Department, Bangladesh Bank.

Since its inception in 1994, Unnayan Shamannay today stands as a pro-people research and advocacy organization acclaimed nationally as well as internationally. This organization has pioneered research and research-based-advocacy in the fields of pro-poor public expenditure, environment and climate change, sustainable development, financial inclusion, and social innovation.

Unnayan Shamannay
25-27, Happy Rahman Plaza,
Banglamotor, Dhaka-1000;
Email: info@unsy.org
Web: www.unsy.org