

Inflation accelerated due to non-food prices

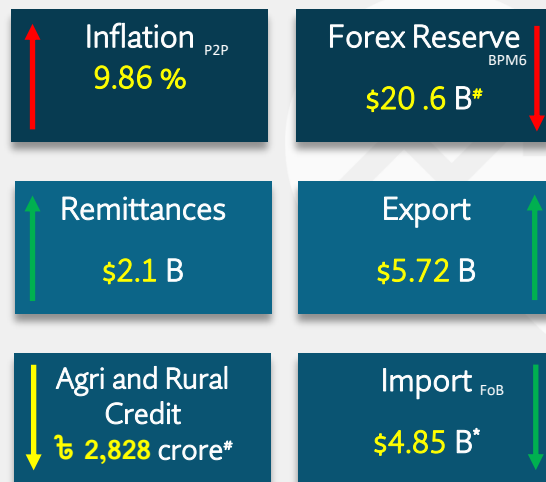
Bangladesh's inflation rose in January 2024, reaching 9.86%, the highest since October 2023. This jump is due to spiking non-food item prices, while food remained stable. Urban areas saw a 9.99% inflation rate in January. Notably, the rate had been decreasing in November (9.49%) and December (9.41%). This trend may strain budgets as non-food essentials rise, prompting the government to consider measures like raising interest rates or increasing supply of certain goods to curb inflation. The impact could be felt most by lower-income households, who allocate a larger share of their income to non-food necessities.

February exports increase by 12%

Bangladesh's exports hit a record \$5.18 billion in February, a 12% jump year-over-year. This marks three straight months exceeding \$5 billion, fueled by a rebounding global economy. The RMG sector, Bangladesh's export powerhouse (80% share), grew 5% annually to \$31.36 billion. This export surge indicates a strong Bangladeshi economy capitalizing on global improvement. The RMG sector's continued resilience is a testament to its competitiveness, further solidifying its position as a key driver of Bangladesh's economic success.

Global economic situation:

- ⊖ **US market:** Fed's goal is to bring inflation down to its 2% target. Given the persistent service inflation, the Fed is likely to maintain a tight monetary policy .
- ⊖ Despite sanctions, **Russia's economy** grew 3.6% in 2023, rebounding from a 1.2% decline in 2022.
- ⊖ Core inflation is declining but remains above the target in **Eurozone**. Unlike other countries, **China** is experiencing lower inflation due to government controls and weak consumer demand.
- ⊖ Despite strong public investment, **Indian consumers and businesses** remain cautious.



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

Remittances peak after eight months

Bangladeshi migrant workers are sending money home at a record pace. In February 2024, remittances surged by 39% year-over-year to reach \$2.16 billion. A significant increase in outward migration saw 13.05 lakh Bangladeshis seeking employment overseas in 2023, compared to 11.35 lakh the prior year. This expanding workforce is sending valuable resources back home, supporting the Bangladeshi economy.

Forex reserves surpass \$20 billion.

According to central bank figures, Bangladesh's foreign currency reserves have surpassed \$20 billion. A week after Bangladesh Bank began using currency swaps with banks to achieve the net reserve requirements imposed by the International Monetary Fund (IMF) with its \$4.7 billion loan program, the reserves saw a small increase. Typically, in order to achieve the requirement and grow the reserve, the central bank must purchase US dollars. It can now receive foreign currency for a set amount of time in exchange for merely interest from banks.

FEBRUARY AT A GLANCE

Trade snippets

February 14, 2024: FBCCI and CWEIC will work to improve trade between Bangladesh and Commonwealth countries.

- February 12, 2024: The Rajshahi-Murshidabad river trade route between Rajshahi in Bangladesh and Murshidabad in India opens.
- February 28, 2024: Sumitomo Corporation Group begins construction on an expanding industrial park project.
- February 29, 2024: The ILO and GIZ partner to strengthen the effectiveness and inclusivity of trade unions in Bangladesh.
- February 2024: Bangladesh exports \$4.49 billion worth of garments.

▷ In comparison to the same period in FY23, bank disbursements of Agri credit increased by around 20% in the first five months of the current fiscal year. According to Bangladesh Bank sources, scheduled banks released Tk 152.80 billion in loans to farmers between July and November, compared with the government's objective of Tk 350 billion in loans to farmers in FY24.

▷ Bangladesh increased the price of domestic gas on February 27. For independent power plants, the increase was Taka 0.75/cubic meter, or 2.5%, and for captive power plants operated by industries for internal consumption, it was Taka 30.75 (\$0.28)/cubic meter. Bangladesh last increased gas rates in all categories in 2023, but this time it only did so for the power industry.

▷ According to the most recent figures, the NBR only managed to collect an average of Tk24,615 crore per month during FY24's July-January period—a long cry from the aim. For the remainder of the fiscal year, average monthly collection must surpass Tk42,432 crore in order to reach the annual objective.

▷ Persistently high inflation, exceeding 9 percent since March 2023, has significantly impacted corporate sales in Bangladesh. Industries ranging from consumer goods to technology face declines, attributing the slump to reduced purchasing power. Businesses express concerns over a swift recovery, citing challenging economic conditions and susceptibility to global economic and geopolitical developments.

▷ Over 18% less imports from Bangladesh in the first half of FY2023-24. The settlement of letters of credit (LCs), often referred to as actual imports, was \$33,683.51 million from July to December of last year, down from \$41,175.28 million over the same period the previous year, according to the Bangladesh Bank (BB).

▷ The government would give farmers roughly Tk 74.9 million (7.49 crore) as incentives to increase jute growing across the country. A total of 3,36,600 small, marginal, and medium farmers will receive free seeds, according to a press statement. Each farmer will receive one kilogram of BJRI Tosha Pat-8 (Robi-1) seeds for one hectare of jute farming, it added.

▷ The Bangladesh Bank has announced a counter-trade policy, which encourages cashless exchanges of products and services in order to relieve pressure on the country's decreasing foreign currency reserves. Counter-trade is the exchange of commodities and services, whole or in part, for other goods and services rather than hard currency. Bartering is the oldest type of counter-trade arrangement, and there are now various variations on counter-trade.

* The figures on point to point inflation, export, remittances are of January while import are of December. Further, FOREX reserve is latest— 29 February 2024. # Agri and rural loans disbursement are of December 2023. All data have been collected from Statistics Department, Bangladesh Bank . For global update, International Energy Agency's data and Deloitte Global Economics Resource Center's reports were reviewed.

