

Inflation accelerated due to non-food prices

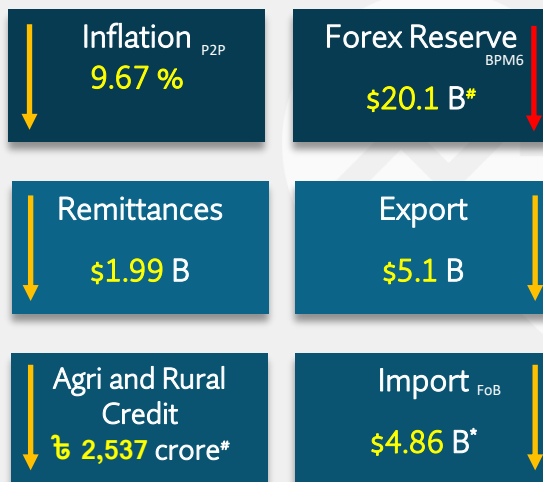
The latest inflation data paints a concerning picture. Point-to-point inflation for February 2024 fell slightly to 9.67%, but that's still higher than the 8.78% recorded in February 2023. Even more concerning is the twelve-month average inflation rate, which has jumped to 9.66%. This suggests that current monetary policies might not be effectively controlling inflation. Food prices are a major contributor to the problem, with inflation hovering around 9.44% for food items compared to non-food inflation. To make matters worse, inflationary pressure seems to be concentrated in urban areas, posing a greater challenge for urban residents.

Monthly export remains above \$5 billion

Bangladesh's exports show positive signs, with March hitting a record of \$5.1 billion and exceeding the \$5 billion mark for three consecutive months. This growth is primarily driven by strong apparel shipments. The March figure fell short of the monthly target by 0.88%. Additionally, the first nine months of the fiscal year (July-March) saw a more modest 4.39% year-on-year increase, reaching \$43.55 billion. This is significantly lower compared to the over 8% growth observed in the same period last year (Jul-Mar 2023).

Global economic situation:

- ⊖ **US market:** March's CPI grew faster than expected, rising inflation and lowering hopes that the Federal Reserve may decrease interest rates soon.
- ⊖ As inflation and labour shortages rise due to the Ukraine crisis, **Russia's Central Bank** maintained interest rates unchanged in March.
- ⊖ **Europe's economy** grew 0.3% in the January-March quarter compared to 2023's fourth quarter.
- ⊖ **India's GDP** is on track to grow by 8% or more in the quarter ending in March



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

Remittances increased by 22% in last eight

Bangladeshi migrant workers are sending money home at a record pace due to Eid Festival. In March 2024, remittances slightly dropped by 1.3% year-over-year to reach \$1.99 billion. In the last nine month, remittance saw 6.5% increase compared to the previous same fiscal period. Currently, year-on-year basis, the monthly average manpower export increased by 16% while remittance earning increased by 22% in the last eight months.

Forex reserves hovering around \$20b

According to central bank figures, Bangladesh's foreign currency reserves remained \$20 billion. The reserve was \$19.45 billion on 27 March while it was above \$21 billion mark in beginning of March. ACU payment and sales of dollar to commercial banks eroded the reserve by \$1.35 billion. Typically, in order to achieve the requirement and grow the reserve, the central bank must purchase US dollars. The inter-bank currency swap agreement and remittance inflow due to Eid festival could not recover from falling forex reserve.

MARCH AT A GLANCE

Trade snippets

March 04, 2024: BRAC Bank PLC and J.P. Morgan Payments have launched 'Xpedite Select Receipt' facility to facilitate inward remittance .

- March 06, 2024: RMG export to the European Union has reached US\$ 13.92 billion in July-January of the Fiscal Year (FY) 2023-24.
- March 14, 2024: Japan urged to invest in tourism sector.
- March 19, 2024: Ireland urged to set up special economic zone in BD
- March 23, 2024: Work on the construction of a 136-kilometre six-lane Chattogram-Cox's Bazar Expressway is likely to start soon.

▷ The National Board of Revenue reported the second-lowest tax collection growth in March during the first nine months of the current fiscal year due to lower imports and limited economic momentum. Import, VAT, and income tax revenue rose roughly 13% over the same month last fiscal year.

▷ According to the most recent data from the Economic Relations Department, between July and February of FY24, the government paid an astounding \$2.03 billion in interest and principal to international lenders. This represents a 43% increase from the \$1.42 billion paid out during the same period in the prior fiscal year.

▷ The country's stock market has experienced a staggering loss of Tk99,518 crore in value over the past 43 sessions since the removal of floor price restrictions on 18 January. Many experts and analysts have shared their view that the decline as a usual correction following the removal of floor price limits, which began in January. However, the 435-point collapse in less than seven weeks has already a worrying alert.

▷ March saw a significant increase in the opening and settlement of import Letters of Credit (LCs) in comparison to February. This increase was attributed by bankers to a resolution in the dollar liquidity predicament within the banking industry. March saw banks open import LCs totaling \$6.13 billion, an increase of 17% from February's figure of \$5.28 billion, according to data from the central bank.

▷ A special economic zone (SEZ) for Bhutan will be established in Bangladesh under one of three cooperation deals ready for signing during Bhutanese King Jigme Khesar Namgyel Wangchuck's tour. The deal was signed in March 29.

▷ The government lowered oil prices under the newly introduced Automatic Fuel Oil Pricing Guidelines, apparently in conformity with an IMF lending package that proposes comprehensive economic reforms. The downward adjustments of fuel-oil prices commenced for the first time under the automated pricing formula.

▷ As part of its initial measures, customs duties on six items have been reduced by NBR, signalling Bangladesh's commitment to aligning its trade practices with international standards. The initiative, detailed in an official document, sets forth a plan to gradually adjust these rates to fall within the WTO-agreed bound tariffs by 2026.

* The figures on point to point inflation, export, remittances are of March while import are of February. Further, FOREX reserve is latest— 08 April 2024. # Agri and rural loans disbursement are of February 2024. All data have been collected from Statistics Department, Bangladesh Bank . For global update, CNBC and Reuter's reports were reviewed.