



Bangladesh Bank Quarterly

October-December, 2021

Volume XIX, No. 2



Bangladesh Bank Quarterly

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মুজিববর্ষের অঙ্গীকার
দেশী পণ্যের ব্যবহার

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Economic and Financial Developments

Executive Summary

Despite a moderation of global economic growth outlook, Bangladesh economy maintained a broad-based growth momentum in H1FY22, aided by timely policy support, better management of the pandemic situation, and upbeat business confidence. This growth momentum was concentrated mainly in the industry sector dominated by the medium and large-scale manufacturing output, recording a 17.45 percent growth (y-o-y) in Q2FY22. In contrast, activities in the agriculture and service sectors appeared to have maintained their usual trends. From the expenditure side, both the external and domestic demand remained robust, reflected through rising private credit demand and high import growth.

Amid a recent rise in global commodity prices, headline CPI inflation (p-t-p) in Bangladesh edged up to 6.05 percent in December 2021 from 5.59 percent in September 2021, driven by food and non-food components. The increase of current inflation reflects mainly the pass-through of elevated global commodity prices, the knock-on effect of an upward adjustment of fuel (diesel) price in domestic market, and strengthening domestic demand emerging from the recovery of economic activities. Similarly, twelve-month average CPI inflation crept up to 5.55 percent in December 2021, remaining slightly higher than the target of 5.30 percent for FY22.

The current account deficit (CAD) expanded to USD 5.6 billion in Q2FY22 from a deficit of USD 2.5 billion in Q1FY21 on account of a decline in remittance inflows by 22.84 percent (y-o-y) along with a widening of the trade deficit in the face of a faster rise in import payments (by 60.5 percent) than export receipts (by 47.4 percent). Notwithstanding a growing surplus in the financial account, the overall balance posted a deficit of USD 981 million, which put a depreciating pressure on the exchange rate during this period. BB's official foreign exchange reserve stood at USD 46.2 billion at the end of December 2021, which is equivalent to prospective import payments of 5.4 months.

Broad money (M2) growth declined to 9.60 percent in December 2021 from 11.19 percent in September 2021, mainly because of a sharp decline in the growth of net foreign asset (NFA). The growth of net domestic assets (NDA) continued to increase on the back of a rebound in the growth of credit to the private sector and a rise in credit to the public sector. A slowdown of deposit growth in tandem with an increase in domestic credit growth and BB's liquidity rationalizing measures led to a decline in liquidity in the banking system. Consequently, interest rates in the inter-bank money market increased during this period.

Among the available indicators related to the performance of banking sector, a decline in non-performing loans reflected an improvement in asset quality. In contrast, a reduction in capital to risk-weighted asset ratio (CRAR) indicated a short-fall in capital, particularly in the state-owned banks.

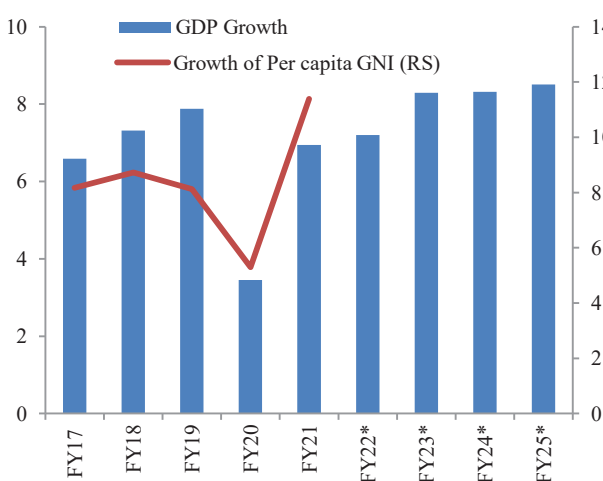
After a rally in last several months, the capital market witnessed some moderation in Q2FY22, reflected in a downturn in price indices, market capitalization, price-earnings ratio, and turnover.

The growth momentum is expected to be stronger in the rest of the current fiscal year, hinging upon growth supportive fiscal and monetary measures, growing external and internal demand, improving COVID-19 situation, and rising business confidence. However, headwinds to this growth outlook could emerge from many factors, such as the unfavorable outcomes of the Russia-Ukraine war and elevated global commodity prices. Given Bangladesh's relatively smaller trade linkage with Russia and Ukraine, the direct adverse impact of the war on Bangladesh is expected to be modest. However, if the conflict lingers and propagates in other countries, the damaging effects of the war on Bangladesh might be non-trivial. Moreover, the sharpening of global energy and non-energy commodity price spikes caused by the Russia-Ukraine war may translate into domestic prices and create an unfavorable position in the balance of payment in the coming months. Coordinated fiscal-monetary policy action is needed to anchor inflation expectation and continue the growth momentum in the near and medium-term.

I. Real Economy

I.1 Following a rebound of real GDP growth to 6.94 percent in FY21 according to the final estimates of the Bangladesh Bureau of Statistics (BBS), a broad-based strong growth momentum across the economy appeared to have continued during the first two quarters of FY22 (Chart I.1). This growth exuberance has stemmed mainly from the healthy growth of the industry sector, whereas agriculture and service-related sectors maintained a stable growth momentum, aided by supportive monetary and fiscal policies and improved business confidence. From the expenditure side, a robust domestic demand as pointed by a strong growth of imports and a healthy external demand also depicted a growth momentum during the H1 of FY22.

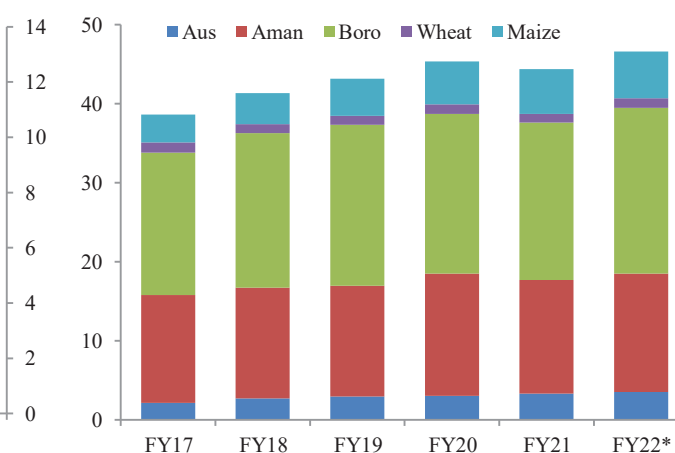
Chart I.1: Growth of Real GDP and Per Capita GNI (In percent)



* Target.

Source: Bangladesh Bureau of Statistics (BBS).

Chart I.2: Production of Major Crops (In million MT)



*Target.

Source: Department of Agricultural Extension (DAE).

I.2 Following the solid performance in FY20 and FY21 amid COVID-induced economic slowdown, the growth momentum in the agriculture sector sustained, aided by timely availability of low-cost credit and other inputs. Owing to easy credit and different refinancing facilities of the government, credit to agriculture sector grew by 13.16 percent (y-o-y) in Q2FY22. Although the production of aus rice moderated somewhat in the current fiscal year mainly because of late monsoon, the production targets of aman seem to be achievable as cultivation of higher than the targeted acreages has been achieved. But, acreage of boro declined to 3.5 million hectare in FY22, which concerns to achieve the production target. Among other major crops, jute production in FY22 was 8.3 MMT, registering 7.14 percent growth hinging upon favorable weather and supportive policy measures along with higher export demand. Among other non-rice crops, vegetables were cultivated in higher than targeted acreage aided by favorable market prices and other conducive factors such as availability of quality seeds and consumers' growing interest in dietary diversity affecting production. On the contrary, despite a growing demand for wheat in the country¹, annual production of wheat remained broadly stagnant at around 1.2 MMT. Nevertheless, to stabilize the prices in the local market and ensure food security on the back of increased local

¹ <https://www.fas.usda.gov/data/bangladesh-grain-and-feed-update-22>, retrieved on March 13, 2022

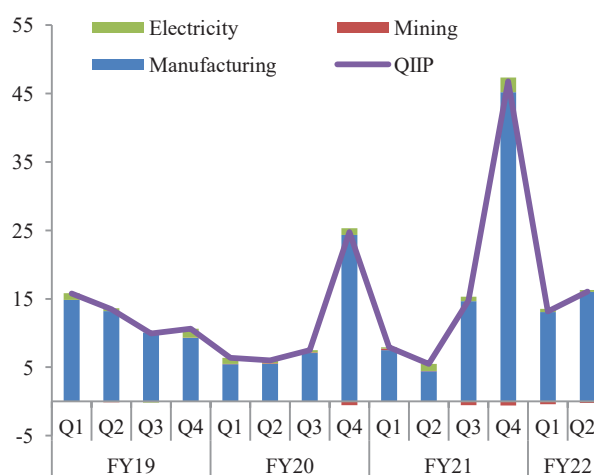
demand, the government took several initiatives to increase food grain import which resulted in 0.9 MMT of rice and 1.8 MMT of wheat import till December 2021. Import of rice and wheat grew by 140.86 percent and 53.17 percent, respectively, in November 2021 as compared to October 2021². However, the ongoing Russia-Ukraine war might lead to instability of wheat price in the global market, as they are among the main producers of wheat and exporters in world. On the other hand, by increased area under cultivation, availability of inputs, proper policy supports, prospect of profit for farmers, a healthy growth momentum in other non-crop sub-sectors will expectedly ensure further traction of this sector in the coming periods.

I.3 The industry sector grew by 10.29 percent in FY21 after a slower growth of 3.61 percent in FY20. The growth of manufacturing activities, the main driver of the industry sector, rebounded to 11.59 percent in FY21 compared to 1.68 percent growth in FY20. The growth momentum of the industry sector appeared to have improved further in Q2FY22 as reflected in latest available data on the medium and large scale industrial production until November 2021.

The index of medium and large scale industrial output increased by 16.08 percent during Q2 FY22, driven mostly by 17.45 percent growth of manufacturing output. The growth of manufacturing production was mostly concentrated in the production of textile (25.64 percent), wearing apparel (50.00 percent), pharmaceuticals (21.47 percent), and basic metal (12.27 percent) (Chart I.4). Facilitated by higher external demand along with sector specific supportive policy measures, stimulus packages, and various refinance schemes of the government, manufacturing production expanded significantly and became the main driver of current economic recovery.

Furthermore, despite having a smaller share in total manufacturing output, the production of motor vehicles and trailers registered 514.06 percent growth in Q2FY22, aided by government’s continuous initiatives towards supporting local motor vehicle assembling industry. Industrial production is expected to maintain this upward trend in the rest of the period of current fiscal year on the back of improving COVID situation and prevailing buoyant domestic and external demand.

Chart I.3: Growth Decomposition of Quantum Index of Industrial Production
(In percent)



*Based on data available for October-November, 2021
Source: BB Staff’s calculation based on BBS data.

² Bangladesh Food Situation Report, July-September 2021, Volume 126, Food Planning and Monitoring Unit (FPMU); Fortnightly Food grain Outlook, Issue No. 348; and FPMU Database.

Chart I.4: Heat Map for Large and Medium Scale Manufacturing Output Growth (In percent)

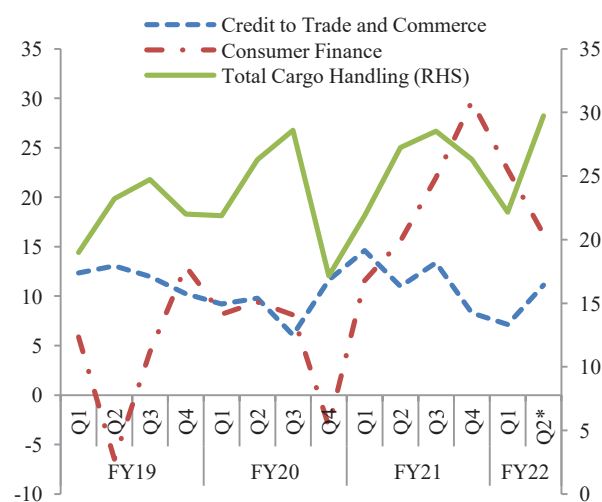
	Weight	FY20			FY21				FY22	
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2*
General Index of Manufacturing	100	6.9	7.7	-16	8.3	7.3	15.8	50.3	14.4	17.4
Food products	10.8	11	17	5	-4	6	12	25	11	-11
Beverage	0.3	45	18	-50	11	13	71	160	52	92
Tobacco product	2.9	2	1	10	-11	-7	-4	-17	-9	-16
Textile	14.1	22	17	2	17	6	23	49	26	26
Wearing apparel	34.8	-9	-8	-50	3	-4	3	106	17	50
Leather and related product	4.4	-5	2	-1	63	35	97	163	47	-23
Wood and product of wood and cork	0.3	8	5	5	5	41	42	12	16	-9
Paper and paper products	0.3	8	5	10	14	-7	-9	-2	14	30
Printing and recorded media	1.8	15	14	14	11	16	15	8	-3	-12
Coke and refined petroleum product	1.3	-41	-51	-60	-6	83	104	166	14	-27
Chemical and chemical product	3.7	-4	-4	-3	43	8	15	20	-24	-17
Pharmaceuticals products	8.2	52	36	32	14	14	17	12	12	21
Rubber and plastic products	1.6	6	2	-14	-8	-8	-7	8	-7	-7
Non-metallic mineral product	7.1	19	27	-6	5	9	15	29	14	6
Basic metal	3.2	4	4	-38	-15	2	-5	63	24	12
Fabricated metal product	2.3	6	6	-13	47	51	55	52	-22	-27
Computer and electronic products	0.2	70	10	-65	-11	-19	-1	143	-14	5
Electrical equipments	0.7	-26	-8	-21	121	249	369	183	-39	-52
Machinery and equipments	0.2	20	24	7	3	2	0	4	-1	2
Motor vehicles and trailers	0.1	-67	-51	-57	-61	-64	-13	124	105	514
Transport equipment	0.7	22	4	-15	13	4	17	37	-1	-7
Furniture	0.9	-3	≤ -1	-16	-16	-5	28	31	-13	12



*Based on data available for October-November, 2021
Source: BB staff's calculation based on BBS data.

I.4 The growth momentum in service sector-related activities was broadly stable in Q2FY22 as reflected in different proxy indicators. Among those proxy indicators, total cargo handling through Chattogram port, credit to trade and commerce, and consumer finance grew by 9.17 percent, 11.11 percent and 16.26 percent (y-o-y) respectively, in Q2FY22 (Chart I.5). Moreover, credit to construction sector increased by 8.92 percent in Q2FY22. However, credit to transportation declined further by 14.07 percent during the same period. Overall, government's policy supports and an improvement in the activities in related sectors such as the industry sector are expected to have a trickle-down effect on activities in the service sector.

Chart I.5: Growth of Credit to Trade and Commerce and Consumer Finance (In percent) and Total Cargo Handled by Chattogram Port (In MMT)



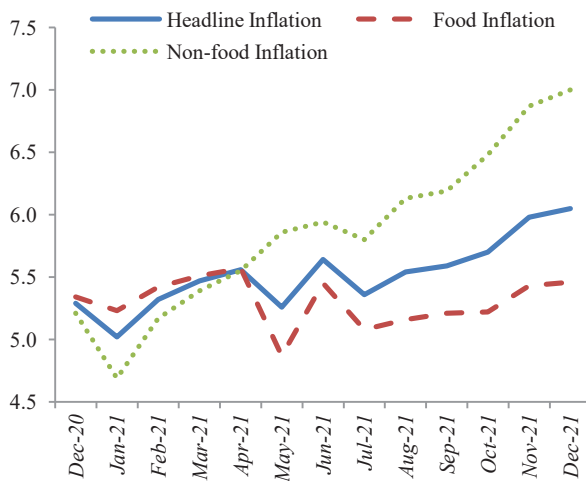
* Credit to Trade and Commerce and Consumer Finance data are provisional.
Source: Bangladesh Bank and Chattogram Port Authority.

I.5 Looking forward, the growth momentum is expected to be stronger in the rest of the period of current fiscal year hinging upon ongoing growth supportive fiscal and monetary policies, growing strong domestic and external demand, improving COVID situation, and rising business confidence. It is likely that 7.2 percent GDP growth is achievable in FY22. But, headwinds to this growth outlook could emerge from a number of factors, such as the unfavorable outcomes of the Russia-Ukraine war, elevated global commodity prices, and duration and severity of the ongoing pandemic. Given a soft trade linkage of Bangladesh with Russia and Ukraine, the direct adverse impact of the war on Bangladesh is expected to be modest. However, if the war lingers and propagates in neighboring other European countries, which are major destinations of Bangladesh’s export and source of remittance inflow, the damaging effects of the war on Bangladesh might be non-trivial.

II. Price

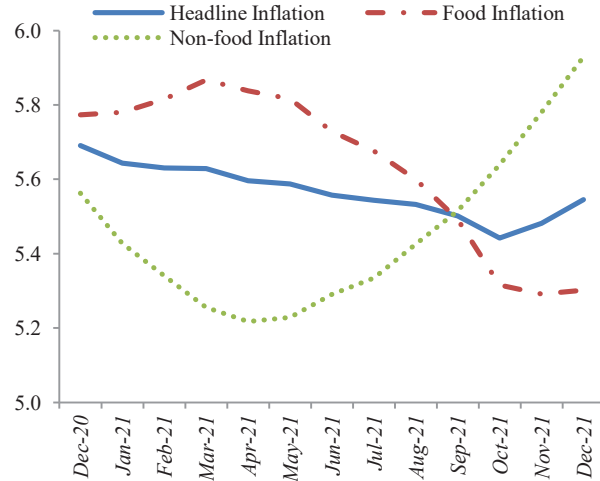
2.1 The Headline CPI inflation (point to point) maintained an upward trend in Q2FY22, attributed to a significant rise in both food and non-food inflation and increased to 6.05 percent in December 2021 (in the nearest past, it crossed 6.0 percent in October 2020) compared to 5.29 percent in the same period last year and 5.59 percent in September 2021 (Chart II.1). The increase in CPI inflation reflects strengthened domestic demand emerging from recovery of economic activities, recent upward adjustment of fuel prices, and unprecedented picked up global commodity prices. Moreover, the 12-month average CPI inflation also went up from 5.50 percent in September 2021 to 5.55 percent in December 2021 (Chart II.2).

Chart II.1: Point-to-Point CPI Inflation
(In percent)



Source: Bangladesh Bureau of statistics.

Chart II.2: 12-Month Average CPI Inflation
(In percent)



Source: Bangladesh Bureau of statistics.

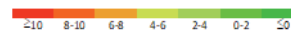
2.2 Point-to-point food inflation gradually increased from 5.21 percent in September 2021 to 5.46 percent in December 2021. The price momentum in food groups in Q2FY22 was mainly attributed to the inflation in edible oils and fat prices. Surge in edible oils and fat prices continued in

this quarter and reached 24.40 percent in December 2021 mainly because of price hike of the global palm oil and soybean oil coupled with supply cut by major exporting countries. In addition, the inflation in fish (fresh) and dry fish, eggs and meat contributed substantially to the food inflation momentum with 7.93 percent and 6.53 percent inflation (on average) respectively in Q2FY22. Rice price maintained above 10 percent inflation during the first two months of Q2FY22, and then eased to 8.57 percent in December 2021. The recent hike in food inflation is partly attributed to production shortage, boosted domestic demand and higher global commodity prices coupled with the rise in transportation cost due to recent diesel price hike. On the other hand, prices of vegetables, fruits, spices and pulses were softened; the price turned to negative territory (-13.9 percent on average) since August 2021 mainly because of available supply of winter varieties. In addition, milk and milk products inflation slashed down significantly to 3.04 percent in December 2021 from 7.79 percent in September (Chart II.3). Although food inflation shows some upward pressure during this quarter, the government's continued support by expanding open market sales (OMS) services, imposing price ceiling on edible oils, and reducing duty on rice and onion import might help soften the price pressure in coming months.

Chart II.3: Point-to-point Inflation Heat Map (In percent)

	WEIGHTS	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Headline	100.00	5.29	5.02	5.32	5.46	5.56	5.15	5.64	5.36	5.54	5.59	5.70	5.98	6.05
Food, Beverage and Tobacco	56.18	5.34	5.23	5.42	5.51	5.57	4.87	5.45	5.08	5.16	5.21	5.22	5.43	5.46
1. Food	52.17	6.12	5.69	5.41	5.86	5.97	5.36	5.89	5.27	5.21	4.32	3.41	3.62	3.63
(a) Cereals	21.62	17.99	22.31	22.39	18.49	11.85	12.10	14.69	15.26	15.15	14.41	11.08	10.68	8.58
(i) Rice	20.31	19.39	23.73	23.77	19.61	12.45	12.78	15.18	15.82	15.62	14.80	11.10	10.81	8.57
(ii) Other Cereals	1.30	-4.24	-0.35	0.06	-0.28	1.29	1.06	6.44	5.85	6.80	7.21	10.70	8.33	8.76
(b) Pulses:	1.51	3.4	1.2	1.2	-4.1	-13.9	-10.9	-2.8	-0.7	4.8	8.2	5.2	-0.3	2.0
(c) Fish (fresh) & dry fish	6.98	-8.3	-6.7	-7.2	-7.8	-3.8	-7.3	-6.5	-5.8	-2.7	-2.8	8.7	8.2	6.9
(d) Eggs and Meat	4.94	4.2	4.3	5.6	5.3	4.5	0.7	2.9	3.5	6.2	5.9	7.5	5.7	6.4
(e) Vegetable	4.78	15.2	-2.8	-10.1	2.4	24.8	25.3	12.5	8.5	-3.7	-11.5	-21.6	-19.3	-13.5
(f) Fruits	1.85	-0.7	-0.8	4.6	-0.5	0.6	-2.3	-10.7	-12.4	-6.7	-4.3	-2.0	-4.7	-6.2
(g) Spices	4.29	-9.7	-14.3	-15.4	-8.9	-8.2	-2.3	0.8	-5.4	-5.6	-6.7	-5.1	-4.8	-6.8
(h) Edible oils & fats	1.93	6.7	17.9	18.4	16.8	11.1	11.6	17.5	19.8	21.1	22.7	23.1	23.1	24.4
(i) Milk and milk products	2.05	-0.4	1.5	2.8	1.5	7.8	3.4	2.9	2.1	2.3	7.8	7.5	4.2	3.0
(j) Miscellaneous food items	2.24	-4.1	-1.4	0.2	0.0	-1.5	-1.6	-1.6	-1.1	-0.7	1.3	5.4	14.6	14.1
2. Beverage	1.34	0.0	3.3	9.7	6.9	16.1	17.5	32.1	33.9	36.1	61.3	62.7	64.6	67.7
3. Tobacco & Products	2.67	-1.7	0.9	4.7	1.8	-0.2	-0.1	-3.3	-1.7	-0.7	4.7	15.2	14.7	14.1
Non-food	43.82	5.2	4.7	5.2	5.4	5.6	5.3	5.9	5.8	6.1	6.2	6.5	6.9	7.0
I. Clothing and Footwear	6.84	1.2	3.5	3.8	4.2	4.4	4.6	4.8	5.1	6.2	7.3	7.5	8.2	9.3
II. Rent, Fuel & Lighting	14.88	5.8	2.2	1.9	1.6	1.5	1.3	-0.2	-0.2	0.2	1.2	1.6	1.7	1.7
III. Household Furniture, operations and repairing	4.73	4.3	4.2	5.2	6.0	6.7	7.0	7.7	7.4	7.0	8.0	8.0	7.7	7.8
IV. Medical Care & Health Expenses	3.47	8.7	7.0	7.7	7.6	7.6	5.1	4.9	4.9	4.9	2.6	2.6	2.6	2.4
V. Transport and Communication	5.80	7.0	8.1	9.2	9.7	10.2	9.6	17.4	16.9	17.3	15.6	16.5	18.7	18.4
VI. Recreation & Educational Expenses	4.28	1.2	1.8	2.3	2.6	2.6	2.6	2.9	3.2	3.4	4.0	4.1	4.3	4.6
VII. Miscellaneous Goods & Services	3.82	10.1	11.3	12.9	13.6	13.8	13.8	13.0	11.6	11.5	9.0	9.1	8.8	8.2

Source: BB staff's calculation based on BBS data

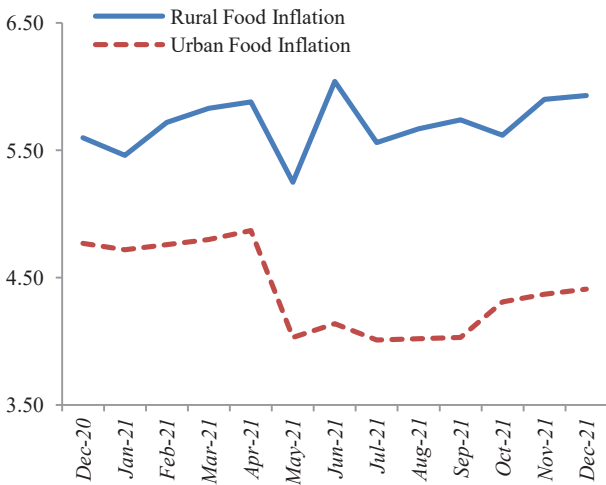


2.3 Non-food inflation remained above 6.0 percent since August 2021 and reached 7.0 percent at the end of Q2FY22 which was 5.21 percent in same quarter of the previous year. Most of the non-food items of the CPI basket contributed to this uptrend, of which clothing and footwear prices substantially contributed (on average 8.30 percent) to the inflation build up of non-food items in this quarter. Transport and communication cost gained further momentum in Q2FY22 and reached 18.4 percent at the end of quarter mainly because of recent diesel price increase.

On the contrary, rent, fuel and lighting price inflation continued to remain low (1.7 percent in December 2021) which had receded the non-food inflation. In addition, medical care and health expenses further decreased to 2.4 percent in December 2021 from 2.6 percent in September 2021 (Chart II.3).

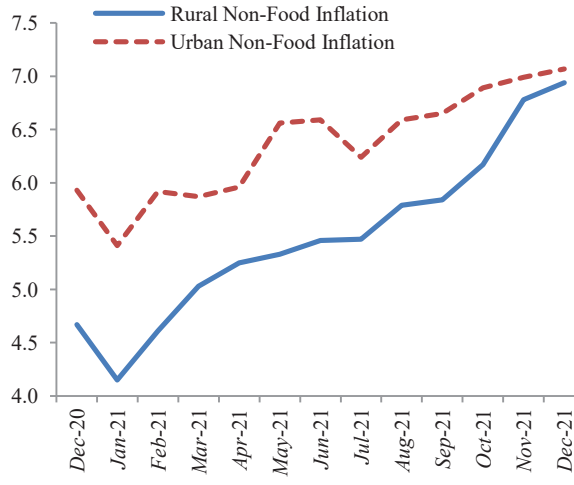
2.4 Food inflation in both urban and rural areas picked up during Q2FY22. Rural food inflation increased to 5.93 percent in December 2021 from 5.74 percent in September 2021 while that of urban stepped up to 4.41 percent in December 2021 from 4.03 percent in September 2021 (Chart II.4). The food inflation in rural areas have been experiencing higher inflation than that of the urban areas in recent periods, particularly since July 2020, while in most of the earlier periods in 2020s, urban food inflation was higher than the rural one. The recent phenomena of higher food inflation in rural areas may be explained by increased demand in the rural areas originated from cash allowances as part of stimulus package; some people have migrated from urban to rural and huge remittance inflows received mostly by rural peoples during COVID-19 periods. Moreover, rural peoples are getting cash as wages instead of ‘food for work’ for working in government’s development projects which also have impacted to increase demand for food items in the rural areas. On the other hand, non-food inflation in both the areas had risen substantially but rural non-food inflation increased at a higher rate than urban non-food inflation during Q2FY22, which lowered the gap between the urban and rural non-food inflations. Rural and urban non-food inflation rose to 6.94 percent and 7.07 percent in December 2021 from 5.84 percent and 6.65 percent in September 2021, respectively (Chart II.5).

Chart II.4: Point-to-point CPI Food Inflation
(In percent)



Source: Bangladesh Bureau of statistics.

Chart II.5: Point-to-point CPI Non-food Inflation
(In percent)

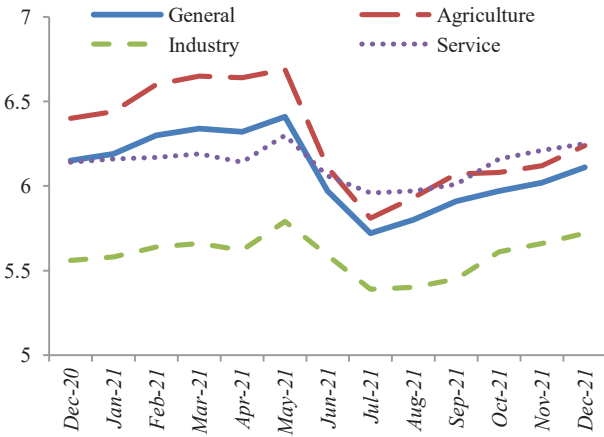


Source: Bangladesh Bureau of statistics.

2.5 In synchronization with inflation, the nominal wage rate started to move upward gradually from 5.72 percent in July 2020 to 6.11 percent in December 2021, signaling the tightening of the labor market and economic recovery. Consequently, the wage rate in the agricultural, industrial and service sectors showed an uptrend from 6.07 percent, 5.45 percent and 6.01 percent in September 2021 to 6.24 percent, 5.72 percent and 6.25 percent in December 2021 respectively (Chart II.6).

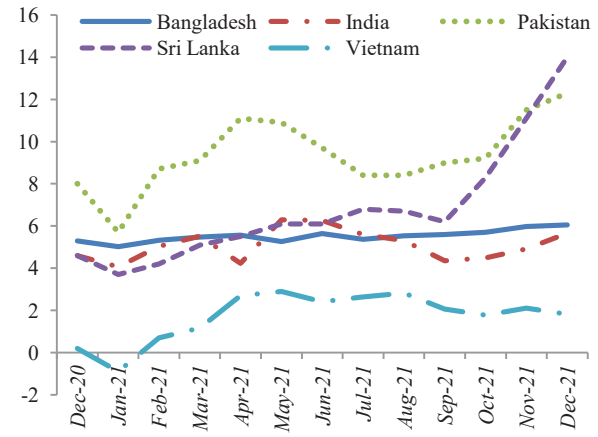
2.6 Headline consumer price inflation in most of the peer countries followed an upward trend during October- December 2021. CPI inflation of Pakistan and Sri Lanka showed a substantial rise in December 2021 compared to that of September 2021. CPI inflation of India was also crawling up gradually while that of Vietnam witnessed moderation (Chart II.7).

Chart II.6: Wage Rate (Percentage Change, Point-to-point)



Source: Bangladesh Bureau of statistics.

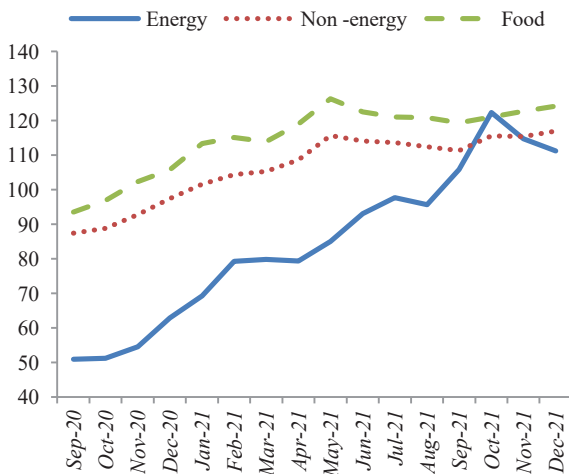
Chart II.7: Inflation in Peer Countries (In percent)



Sources: Central Banks and Statistics Department of respective Countries.

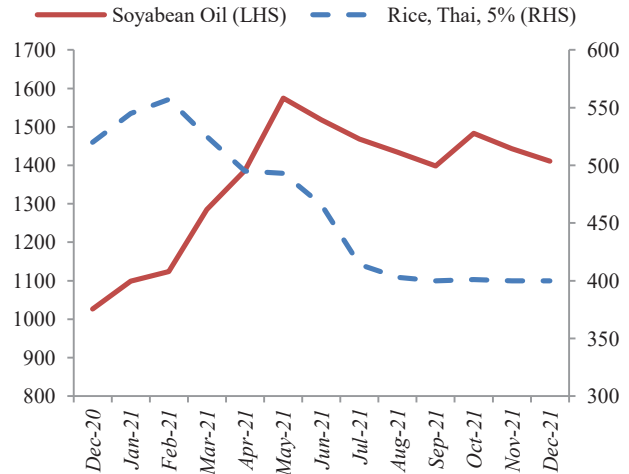
2.7 Global energy prices showed some upward pressure at the end of Q1FY22, further increased in October 2021 and then exhibited a downturn in November-December 2021. The recent downtrend in global prices reflected in the reduction of crude oil prices. Although there were expectation of price up of crude oil due to cautious supply decision of OPEC+, crude oil price went down to USD 72.76 a barrel in December 2021 from USD 81.22 a barrel in October 2020. On the other hand, non-energy price index increased in December 2021 compared to September 2021. Among food prices, rice price remained unchanged at USD 400 per metric ton and soybean oil prices further increased to USD 1411.21 a metric ton in December 2021 from USD 1398.75 a metric ton in September 2021 resulting from a tight market condition and weather-induced contraction in oilseeds output.

Chart II.8: Global Commodity Price Indices (2010=100)



Source: World Bank.

Chart II.09: World Commodity Price (USD/M.T.)



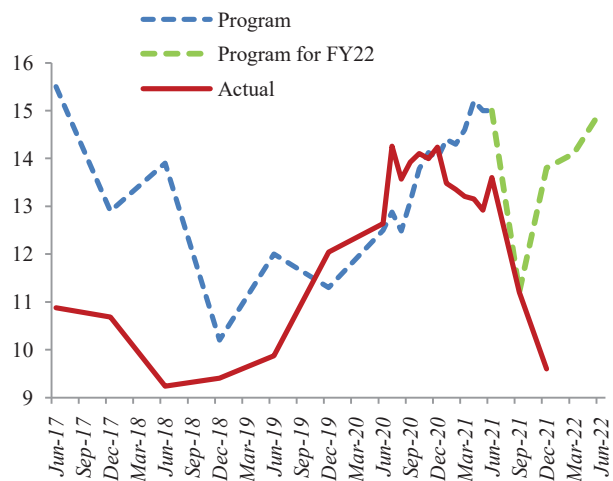
Source: World Bank.

2.8 Looking ahead, a rising domestic demand due to economic rebounds along with increasing global energy and commodity prices amid the Ukraine-Russia war may put some upward pressure on inflation in the coming months. BB’s recently published Monetary Policy Review³ forecasts the inflation to be stayed in the range of 5.9-6.3 percent in June 2022, indicating an uncertainty to contain the inflation within the target for FY22. The government is cautious to control the inflation at a tolerable level by taking stern actions against some non-economic factors which include illegal stocking and hoarding of food products, and syndicated businesses for maleficent intention to make more profits, among others. The government is also continuing its open market sales (OMS) to provide low cost daily necessary, especially for the low-income group all over the country. On the other hand, the BB is monitoring closely the depreciation tendency of domestic currency in addition to ensuring prudent monetary management so that it can contain inflation within a tolerable range but BB allow a gradual depreciation to maintain export competitiveness and remittance inflows.

III. Money and Credit Market

3.1 The growth of broad money (M2) continued to decline in Q2FY22 mainly because of a deceleration in the growth of net foreign asset (NFA), though the growth of net domestic asset (NDA) continued rising. A rise in the growth of domestic credit in tandem with a slowdown of deposit growth and BB's liquidity rationalizing measures led to a decline in liquidity in the banking system during this period. Consequently, interest rates in the inter-bank money market and both short- and long-term yields on government securities moved up. However, interest rates on lending and deposit, so far, maintained a downward trend in the current fiscal year.

Chart III.1: Broad Money (M2) Growth (In percent): Program vs. Actual



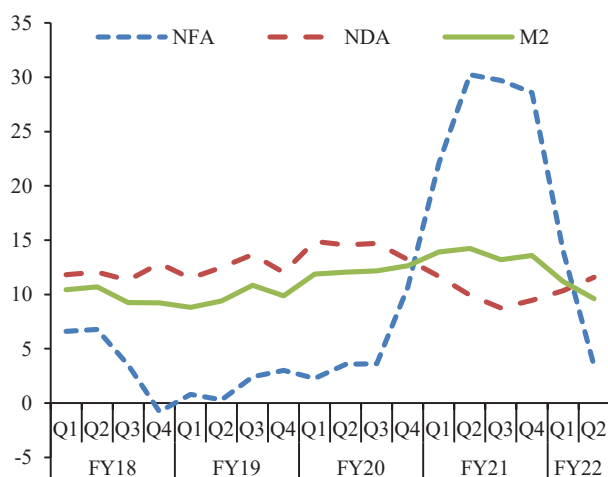
Source: Bangladesh Bank.

3.2 M2 growth started falling from 13.62 percent (y-o-y) at the end of Q4FY21 (June 2021) and come down gradually to 11.20 percent in September 2021 and 9.60 percent in December 2021. This growth was significantly lower than the targets of 13.80 percent and 15.00 percent set for December 2021 and June 2022, respectively (Chart III.1).

The NFA growth declined significantly from 14.05 percent in September 2021 to 3.41 percent in December 2021 against the target of 13.01 percent for H1FY22 (Chart III.2). This slowdown of NFA growth was due to a deficit in the balance of payment in the face of a sharp decline in remittance inflows (22.84 percent) coupled with a faster rise in import payments (60.49 percent) than export receipts (47.44 percent) in Q2FY22.

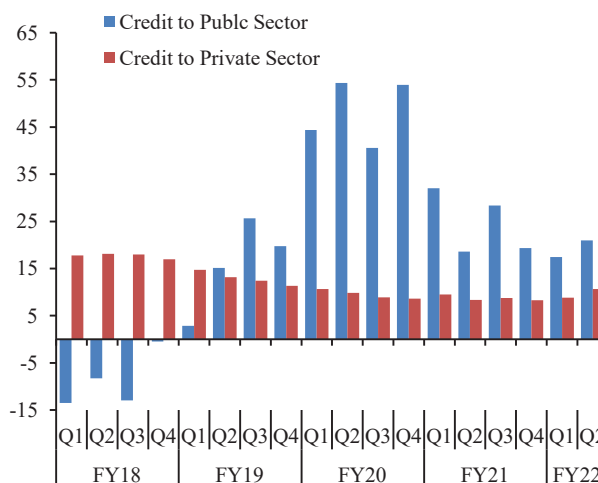
³ Monetary Policy Review, December 2021, Bangladesh Bank.

Chart III.2: Growth of M2, NDA, and NFA
(In percent)



Source: Bangladesh Bank.

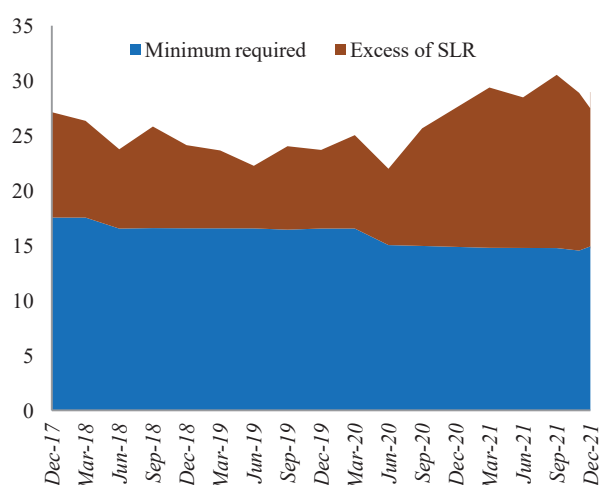
Chart III.3: Growth of Credit to Public and Private Sector
(In percent)



Source: Bangladesh Bank.

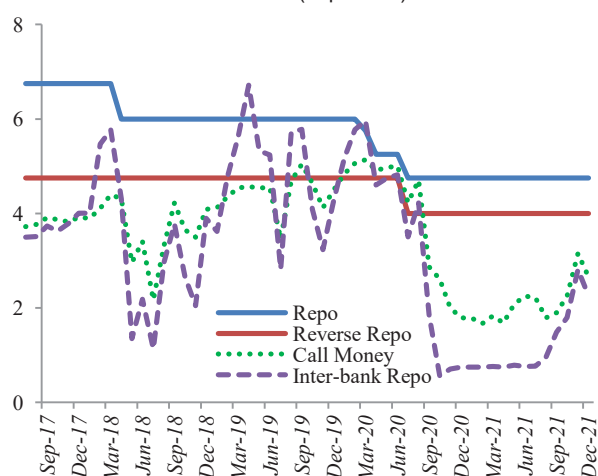
3.3 The growth of NDA increased from 10.34 percent in September 2021 to 11.57 percent in December 2021, contributed by a rise in the growth of both credit to the public and private sectors. Credit to the public sector grew by 21.00 percent in December 2021 compared to 17.42 percent growth in September 2021 on the back of a notable decline in net sale of national saving certificates (-53.19 percent during July-December 2021) following reduced interest rates on saving certificates since September 2021. Meanwhile, with the support of a strong economic recovery and prevailing low interest rates, the growth of credit to private sector continued gaining momentum and increased to 10.68 percent in December 2021 from 8.77 percent in September 2021 against the target of 11.00 percent for December 2021. The sector-wise distribution of credit shows that the growth of bank credit (y-o-y) to industry, trade and commerce, construction, consumer finance, and agriculture sectors increased by 8.23 percent, 11.11 percent, 8.92 percent, 16.26 percent, and 13.16 percent respectively, at the end of December 2021 (Table I.9). The upward trend of economic recovery suggests that the growth of credit to private sector is expected to strengthen further in the remaining quarters of FY22.

Chart III.4: Liquidity as percent of TDTL



Source: Bangladesh Bank.

Chart III.5: Movements in Policy and Money Market Rates
(In percent)

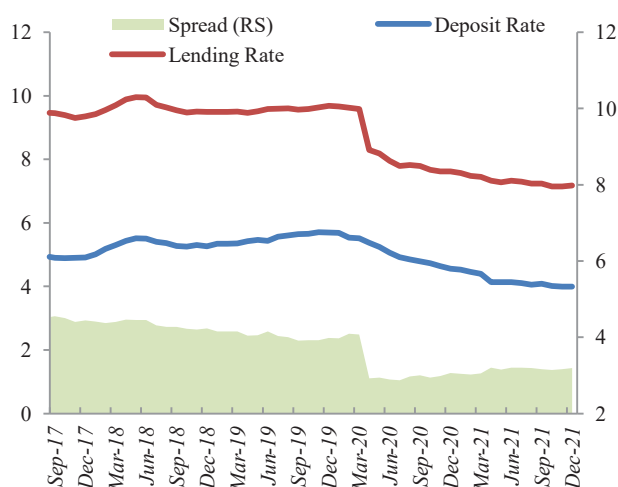


Source: Bangladesh Bank.

3.4 Although the key rates related to the money market remained unchanged, the Bangladesh Bank mopped up some liquidity from the banking system during Q2FY22 to tackle potential inflationary risks in the domestic market as well as to preclude undesirable use of bank credit. At the same time, the rising domestic credit growth to 12.37 percent and the slowdown of deposit growth to 9.19 percent at the end of Q2FY22 together led to a decline in liquidity in the banking system. Consequently, the ratio of total liquid assets and liquid asset excess of SLR to total demand and time liabilities (TDTL) reduced to 28.58 percent and 13.83 percent at the end of December 2021 from 29.12 percent and 14.35 percent at the end of September 2021, respectively which were quite adequate to support economic activities (Chart III.4).

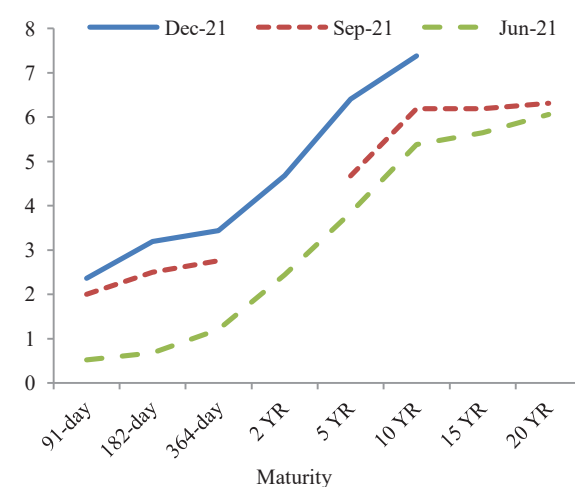
As a result, interest rate in the inter-bank repo market rose to 2.26 percent in December 2021 from 1.49 percent in September 2021, and interest rate in the call money market increased to 2.66 in December 2021 from 1.9 percent in September 2021 (Chart III.5). However, weighted average interest rates in the retail market maintained a downward trend till December 2021 in the face of ample low-cost refinance schemes for the priority sectors. Weighted average lending and deposit rates decreased from 7.24 percent and 4.08 percent in September 2021 to 7.18 percent and 3.99 percent in December 2021, respectively (Chart III.6).

Chart III.6: Interest Rate Spread
(In percent)



Source: Bangladesh Bank.

Chart III.7: Interest Rate of Government Securities
(In percent)



Source: Bangladesh Bank.

3.5 Weighted average yields on government securities for all maturities continued maintaining an upward trend during Q2FY22, reflecting the strength of future growth prospect. The yields on 91-day, 182-day, and 364-day treasury bills nudged up to 2.36, 3.19, and 3.44 percent in December 2021 from 2.00, 2.50, and 2.76 percent in September 2021, respectively. Likewise, yields on 5-year and 10-year treasury bonds picked up to 6.41 and 7.38 percent from 4.67 and 6.19 percent, respectively, at the same time. Although 15-year and 20-year treasury bonds were not traded in December 2021, their weighted average yields picked up in November 2021 compared to June 2021 (Chart III.7).

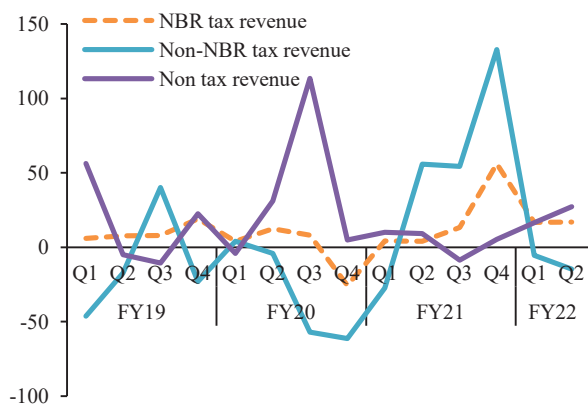
3.6 Going forward, despite shortfall from the targets for domestic credit growth and NFA and subsequent declining trend of broad money, the BB is expected to gain traction over the indicators

relying upon the favorable economic activities. BB is prioritizing on ensuring availability and efficient utilization of funds in the productive sectors, including agriculture, CMSMEs, export-oriented industries and the informal sector, which have been hit hard by the pandemic. Providing utmost efforts of supply of credit to productive and manufacturing sectors would help faster recovery of economic activities in achieving the growth target for FY22, while containing inflationary pressure in the near future originated from the price hike in global commodity markets and currently ongoing war between Russia and Ukraine.

IV. Fiscal Sector

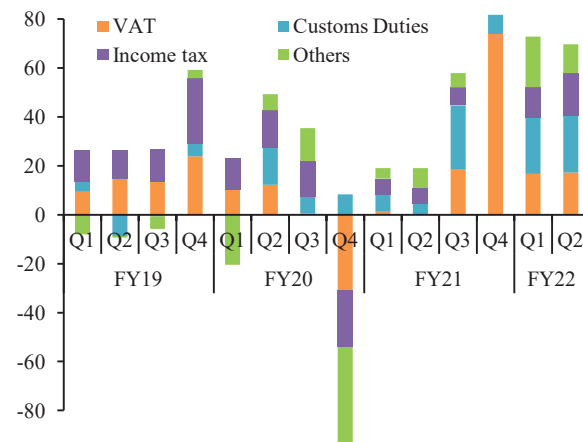
4.1 Fiscal sector was favorable considering the pace of both revenue collection and government expenditure in Q2FY22 compared to that in Q2FY21. The revenue collection gained momentum in Q2FY22, supported by the growth in customs duties, income tax, and Value added Tax (VAT) during the quarter under review. Current expenditure growth was higher than the same quarter of the previous year as expenditure on social safety net programs went up. ADP expenditure too increased leading to higher expenditure growth in Q2FY22. The overall expenditure, as usual, outstripped revenue collection which resulted in a higher budget deficit in Q2FY22. However, the budget deficit was financed mainly from the foreign sources which contributed 60.4 percent of overall deficit financing while domestic sources contributed 39.6 percent during the same quarter. Of the domestic sources, bank financing covered nearly 71.1 percent whereas non-bank financing covered 28.9 percent during the quarter under review. In H1FY22, the total revenue, expenditure and deficit financing, as percent of GDP, stood at 4.4, 5.9 and 1.6 respectively.

Chart IV.1: Trends in Total Revenue
(year on year growth, in percent)



Sources: Ministry of Finance, National Board of Revenue.

Chart IV.2: Trends in NBR Tax Revenue
(year on year growth, in percent)



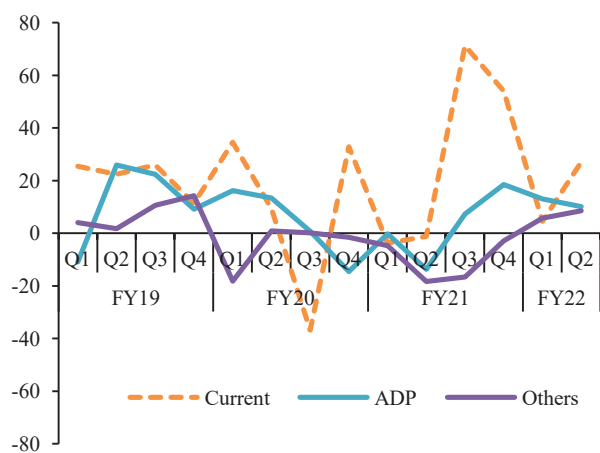
Source: National Board of Revenue.

4.2 The overall revenue collection witnessed substantial improvement in Q2FY22 compared to that of the corresponding period of the last fiscal year due to higher revenue earnings by National Board of Revenue (NBR). Total revenue collection grew by 16.8 percent to BDT 790.8 billion in Q2FY22 from BDT 677 billion during the same quarter of the preceding year (Chart IV.1). The higher

NBR tax collection during the quarter was led up by 17.2 percent growth in VAT, 23.4 percent in customs duties and 17.3 percent in income tax collection (Chart IV.2). Among the sources of NBR tax revenue, custom duties experienced the highest growth which reflected a surge in imports owing to increasing local demand facilitated by low prevalence of corona-virus infections, and restored supply chains. On the other hand, Non-NBR tax revenue collection contracted by 14.6 percent in Q2FY22.

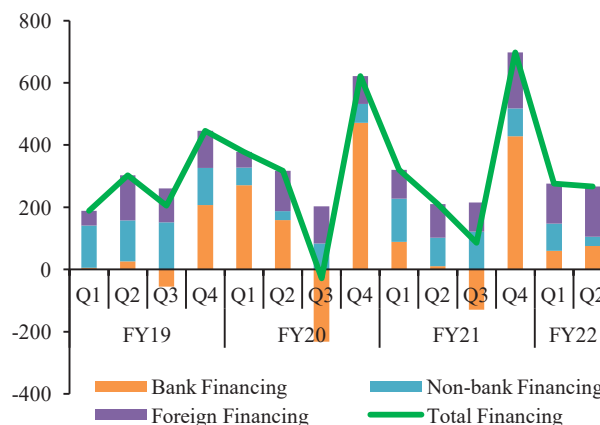
4.3 The government budget spending significantly increased in Q2FY22 compared to that of the same quarter of the previous year. Consolidated fiscal spending increased by 19.3 percent from BDT 886.62 billion in Q2FY21 to BDT 1057.6 billion in Q2FY22, led by higher ADP expenditure and current expenditure. The current expenditure and ADP expenditure witnessed a substantial growth of 27 percent and 10.1 percent in Q2FY22 compared to the same quarter of FY21 and stood at BDT 618.1 billion and BDT 374 billion respectively (Chart IV.3). Of the total expenditure, current expenditure was 58.4 percent while ADP expenditure was around 35 percent. ADP expenditure increased significantly in Q2FY22, highlighting the momentum in the economic recovery from the pandemic-induced slowdown.

Chart IV.3: Trends in Government Expenditure
(year on year growth, in percent)



Sources: Ministry of Finance; Ministry of Planning.

Chart IV.4: Sources of Financing of Budget Deficit
(In billion Taka)



Sources: Bangladesh Bank; Ministry of Finance.

4.4 The fiscal deficit widened during the quarter as expenditure grew faster than revenue collection. Hence fiscal deficit reached BDT 266.8 billion in Q2FY22, 27.3 percent higher than BDT 209.6 billion in Q2FY21 but slightly lower than the first quarter of FY22. The overall deficit financing was covered mainly by foreign sources (60.4 percent) with domestic sources covering the rest (39.6 percent). The foreign financing stood at BDT 161.2 billion, increased by 49.5 percent over the same quarter of the preceding year. Besides, domestic financing amounted to BDT 105.6 billion, mostly from banking sources (71.1 percent) (Chart IV.4). Therefore, government borrowing from the banking system went up substantially and stood at BDT 75.1 billion in Q2FY22 which was only BDT 11.12 billion in Q2FY21. On the other hand, non-bank financing contracted by around 66 percent in Q2FY22 amounting to BDT 30.5 billion because of higher financing from banking and foreign sources.

4.5 Overall fiscal position in H1FY22 also improved with sharp growth in revenue collection and expenditure. Total revenue collection increased by 16.6 percent in H1FY22 compared to that of H1FY21. An increase of 17 percent in VAT, 23.1 percent in custom duties and 15.1 percent in

income tax led to increase in overall tax collection of NBR in H1FY22. Overall government expenditure increased by 12.5 percent supported by substantial increase in current expenditure and ADP expenditure in H1FY22 compared with H1FY21. In the first six months of FY22, around 25 percent of the targeted expenditure for the development budget was achieved. Therefore, deficit financing amounted to BDT 542.5 billion (1.6 percent of GDP) in H1FY22, mostly by utilizing foreign sources (53.4 percent) while the rest came from domestic sources (46.6 percent). Banking sector accounted for 24.9 percent whereas non-banking sources contributed 21.7 percent of the total deficit financing in H1FY22.

V. External Sector

5.1 The deficit in balance of payments (BoP) continued and rose to USD 0.98 billion in Q2FY22 from the deficit of USD 0.81 billion in Q1FY22, led mainly by widening current account deficit (CAD). The CAD stood at USD 5.6 billion in Q2FY22 which was more than double from Q1FY22 caused largely by 32 percent higher trade balance deficit as well as 67 percent increase in service account deficit along with a decline in remittance inflows during this quarter under review. Other hand, financial account grew up by percent to USD 4.7 billion in Q2FY22 compared to USD 2.0 billion in Q1FY22, supported by increasing medium and long-term (MLT) loans and growing net aid inflows. However, financial inflows met only 83 percent of the current account deficit. Among the inflows, foreign (MLT) loans increased by 16 percent to USD 2.2 billion in Q2FY22 from USD 1.9 billion in Q1FY22. FDI (net) started to rise since Q1FY22 indicating the recovery in investor confidence as economy was on recovery path. In the first half (H1) of FY22, overall BoP deficit stood at USD 1.79 billion compared to USD 6.16 billion surplus in H1FY21 due to widening current account deficit led by higher trade deficit.

Chart V.1: Trends in Current Account and Overall Balance (Percent of GDP)

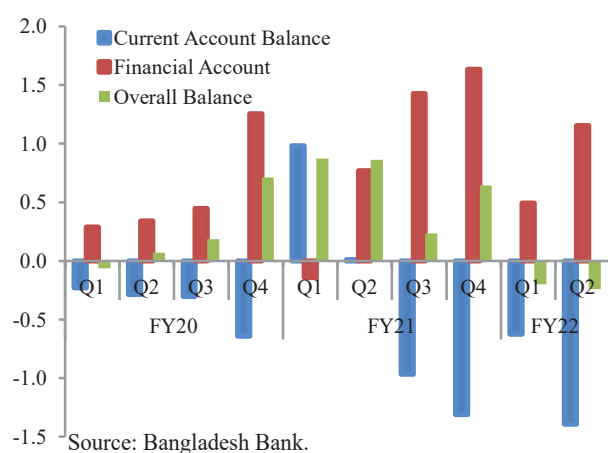
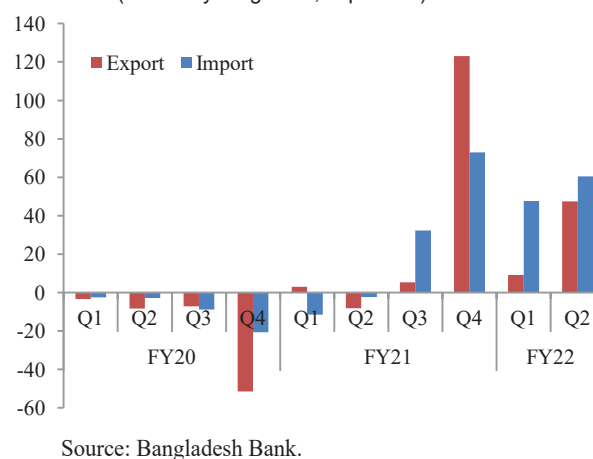


Chart V.2: Trends in Export and Import Growth (Year on year growth, in percent)



5.2 Export earnings continued its upward trend during Q2FY22 and picked up to USD 12.8 billion in Q2FY22 from USD 10.6 billion in Q1FY22 aided by robust growth in RMG exports (20.0 percent). However, exports grew by 47.44 percent in Q2FY22 against negative growth of 8.2 percent

in Q2FY21 with the support of 46.1 percent RMG growth. Woven garments and knitwear products grew significantly by 44.30 and 47.63 percent respectively compared to a year ago. The substantial increase of woven garments and knitwear products export attributed to strong demand in the European countries (by 36.8 percent and 44.4 percent respectively) followed by the USA. In H1FY22, the export earnings grew by 28.41 percent to USD 24.7 billion from USD 19.2 billion in the same period of previous FY21 which was exceed the target of 16 percent for H1FY22. Among the export categories, export of engineering products grew by 67.9 percent, chemical products by 56.8 percent, plastic products by 34.2 percent, leather and leather products by 26.4 percent, home textiles by 30.8 percent, agricultural product by 24.6 percent, frozen and live fish by 21.2 percent during the period of H1FY22.

Chart V.3: Decomposition of Export Growth

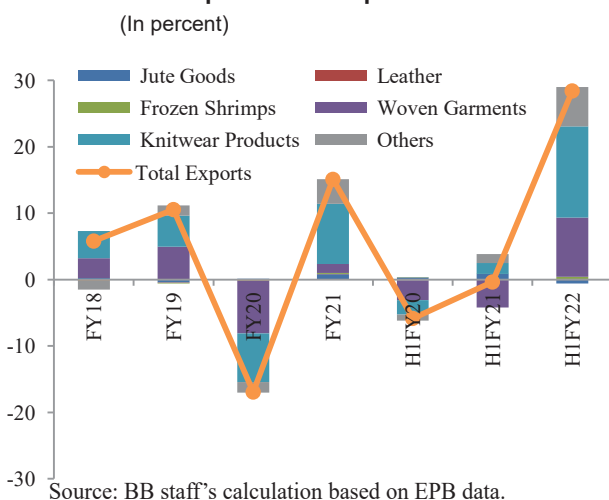
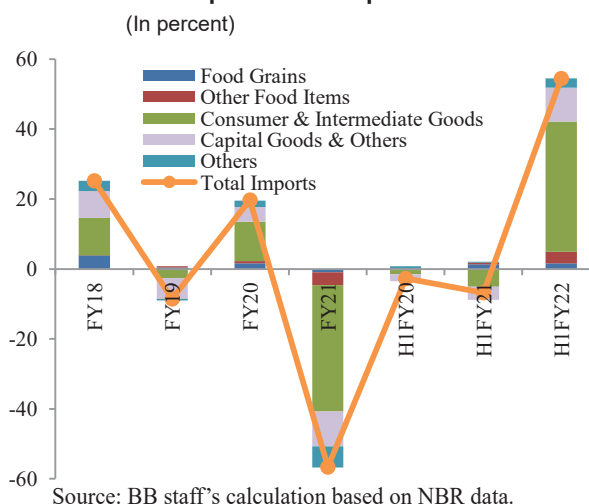


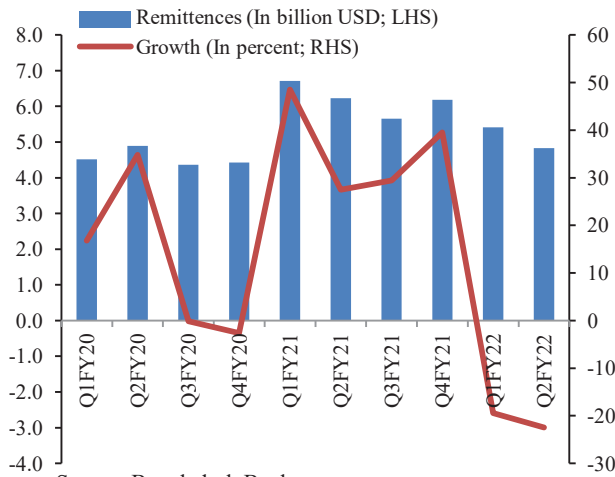
Chart V.4: Decomposition of Import Growth



5.3 Since Q2FY21 import payments started to pick up reflecting in strong growth of import demand and reached USD 21.7 billion in Q2FY22. Import payments rose by 60.5 percent (y-o-y) in Q2FY22 as compared to (-) 2.3 percent in Q2FY21 originated mainly from the positive growth in intermediate goods and capital goods. Consumer and international goods contributes around three-fifths (59.8 percent) of the total import payments followed by the capital goods (11.4 percent) and food grains (4.5 percent). In commodity wise import payments, some items showed positive growth such as fertilizer (184.47 percent), edible oil (94.87 percent), POL (83.47 percent), Textile (61.64 percent), iron, steel and other base metals (60.43 percent), plastic and rubber (59.92 percent). However, import of rice posted negative growth of 30.79 percent. In H1FY22, the import payments rose significantly by about 54.5 percent to USD 39.0 billion from USD 25.2 billion in the same period of FY21.

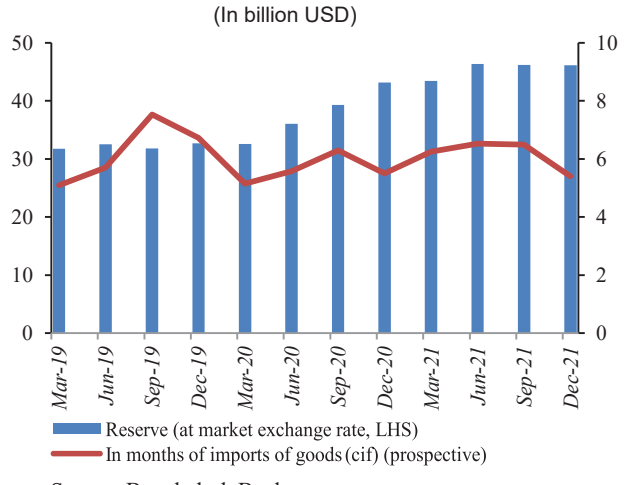
5.4 Remittance inflows registered a declining trend during the last two consecutive quarters. Remittance inflows edged down by around 22 percent and stood at USD 4.8 billion in Q2FY22 compared to USD 6.2 billion in Q2FY21 (Chart V.5). In this quarter, having a share of 52.7 percent, remittances inflows from Gulf region, in particular, Saudi Arabia followed a down trend since Q1FY22. Remittance from Euro region and Asia Pacific region also showed the same trend. During H1FY21, Bangladesh received 20.9 percent lower remittance inflows (USD 10.2 billion) compared to USD 12.9 billion in the same period of previous fiscal year.

Chart V.5: Remittance Inflows



Source: Bangladesh Bank.

Chart V.6: International Reserve

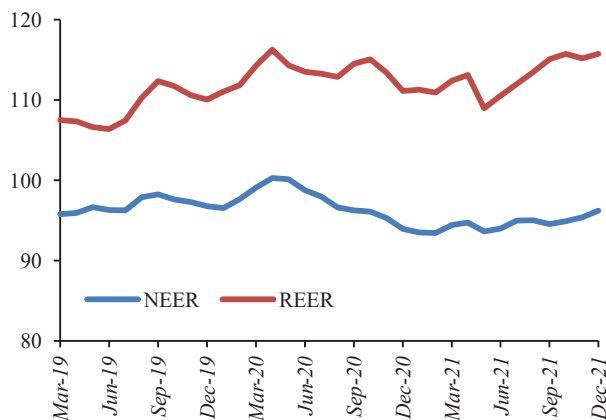


Source: Bangladesh Bank.

5.5 The exchange rate of Bangladeshi Taka against US dollar depreciated by 1.18 percent (y-o-y) at the end of Q2FY22 because of higher import payments together with a falling remittance inflow. However, Bangladesh Bank (BB) continued its intervention in the foreign exchange market with a net sale of USD 1.53 billion during the current quarter to reduce depreciation pressure on Bangladeshi Taka against US dollar. The foreign exchange reserve reached to USD 46.2 billion at the end of December 2021 which was sufficient to maintain the prospective import payments of 5.4 months (Chart V.6). However, reserve level in Q2FY22 covered less import months compared to Q1FY22 indicating higher import demand to recover the economy. The exchange rate of BDT against major currencies in trading partners countries, the nominal effective exchange rate (NEER) index and real effective exchange rate (REER) index appreciated by 2.44 and 4.17 percent (y-o-y) respectively at the end of Q2FY22 compared to that of Q2FY21 (Chart V.7). The nominal exchange rate of peer countries such as India, Pakistan, Indonesia, and Philippines depreciated at the end of December 2021 (Chart V.8).

Chart V.7: Effective Exchange Rate Indices

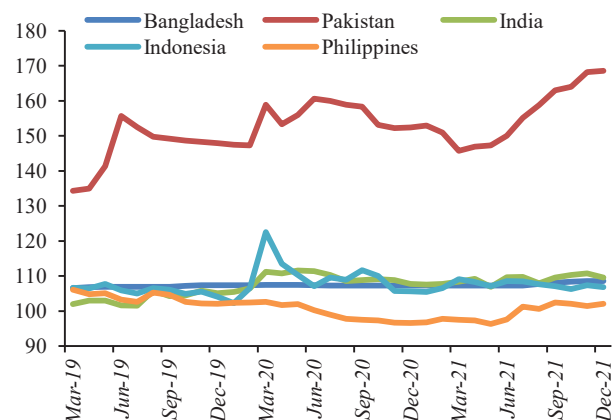
(Base : 2015-2016=100)



Source: Bangladesh Bank.

Chart V.8: Cross-Country Nominal Exchange Rate Indices

(Base: Jan 2017=100)



Source: International Financial Statistics, IMF.

5.6 Looking ahead, it is expected that the strength of COVID-19 pandemic will be attenuated in near future owing to the low fatality rate by omicron variant and received about 63.0 percent of the world population at least one dose of a vaccine⁴. So, these are the causes which were expected to expedite the business activities worldwide and abate supply chain problems by later in this year. As global economies started to rebound from the pandemic, oil prices have already showed an upward trend since demand for the fuel outpaced production. In these circumstances, Russia which is one of the largest oil exporters in the world, engaged in direct battle with Ukraine, has worsened the threat of supply disruptions. Oil price has already crossed USD110 per barrel. This upsurge in Oil and commodity prices might create some upward pressure on balance of payments of Bangladesh by raising import cost. Other hand, Bangladesh's bilateral trade with Russia was USD 1.15 billion in FY21 which was trivial compare to total world trade worth USD 104.35 billion. However, Bangladesh exported to Russia was USD 665.30 million of which around 90 percent was RMG exports. Although, amount of export to Russia was insignificant, the war may hurt Bangladesh's export by losing RMG export to Russia. Besides, the export cost of shipping is likely to surge due to the war which in turn may fall in Russia's export demand. Moreover, the United States (US) along with European Union (EU) has imposed sanctions on Russian banks; it will be more challenging for Russia to continue the export receipts.

However, there may not be any major impact on remittance inflows assuming migrant in the war-affected part of Europe will not face any difficulties in remitting money. In addition, increasing of 2.0 to 2.5 percent of government's cash incentive may help remittance inflows to gain momentum. Hence, the outcome may reduce the deficit of current account balance somewhat. However, depreciation of exchange rate of BDT against USD and high import demand might be posed downside risk on current account outlook.

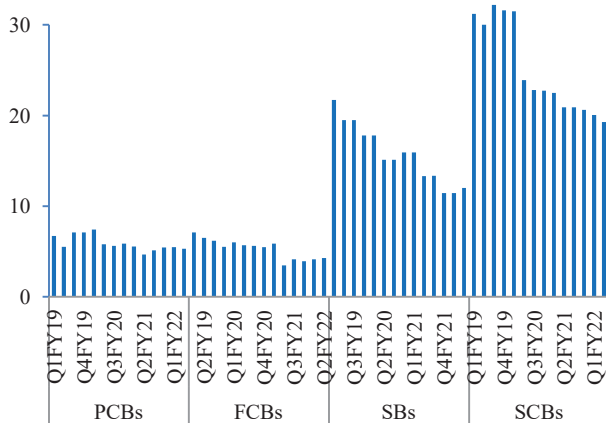
Besides, restoring macroeconomic resilience might attract FDI inflows, which, in turn, will boost financial inflows. Higher financial inflows which increased continuously in last several quarters may increase further in the coming periods and will help somewhat to reduce the deficit of overall balance of payment (BoP) in near future.

VI. Banking Sector

6.1 The overall banking sector showed a mixed performances in Q2FY22 as reflected by a fall in the ratio of non-performing loans (NPLs) to total loans, a moderation in capital to risk-weighted asset ratio (CRAR), an increasing trend in the growth of bank's advances, a widening in provision shortfall, an advancement in profitability, and a continuity in liquidity in the banking industry. The ratio of gross NPLs to total loans moderated in Q2FY22 from Q1FY22, mostly driven by both the State-owned Commercial Banks (SCBs) and Private Commercial Banks (PCBs). But year on year comparison the ratio of gross NPLs to total loans inched up in 2021 compared with 2020.

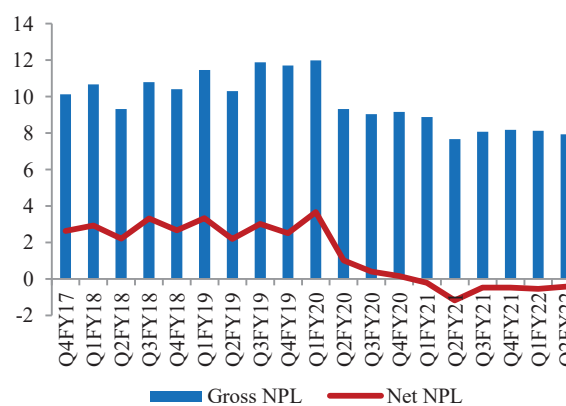
⁴ Coronavirus (COVID-19) Vaccinations - Our World in Data; Dated on February 28, 2022.

Chart VI.1: Ratio of Gross NPLs to Total Loans
(In percent)



Source: Bangladesh Bank.

Chart VI.2: Ratio of Gross NPLs and Net NPLs to Total Loans
(In percent)

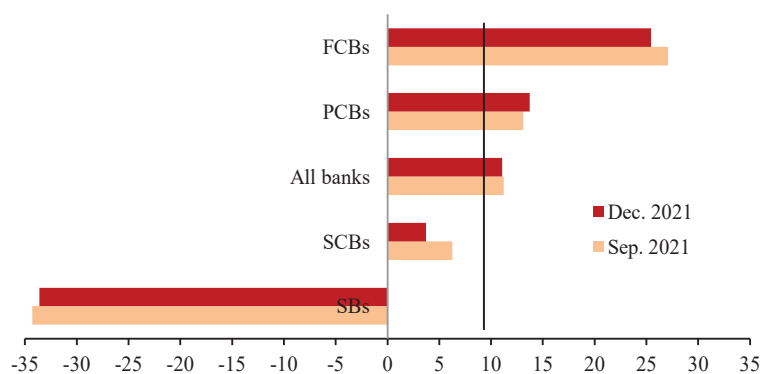


Source: Bangladesh Bank.

6.2 The ratio of gross NPLs to total loans fell to 7.9 percent at the end of Q2FY22 from 8.1 percent at the end of Q1FY22 but increased from 7.7 percent in Q2FY21, reflecting the recent policy relaxation of loan classification. The gross NPLs ratio for both SCBs and PCBs dropped to 19.28 percent and 5.31 percent at the end of Q2FY22 from 20.07 percent and 5.47 percent respectively at the end of Q1FY22. However, the ratio of gross NPLs of foreign commercial banks (FCBs) increased to 4.29 percent at end of Q2FY22 from 4.12 percent at end of Q1FY22 (Table VI.2 and Chart VI.1- Chart VI.2). The net NPLs to total loans ratio of the banking industry went up modestly to -0.43 percent at the end of Q2FY22 from -0.55 percent at the end of Q1FY22 (Table VI.2 and Chart VI.2). Moreover, provisioning maintained against classified loans surged further as reflected by widening provision shortfall at the end of Q2FY22 (Table VI.1).

6.3 The overall capitalization of the banking system remained broadly stable in Q2FY22 as per Basel norm although the capital to risk-weighted assets ratio (CRAR) edged down to 11.08 percent at the end of Q2FY22 from that of 11.22 percent at the end of Q1FY22 and 11.64 percent at the end of Q2FY21, mostly driven by the weaker asset quality of the SCBs. The CRAR of SCBs notably declined to

Chart VI.3: Capital to Risk Weighted Assets Ratio (CRAR) (In percent)



Source: Bangladesh Bank.

3.71 percent at the end of Q2FY22, from 6.25 percent at the end of Q1FY22 and 4.34 percent in Q2FY21, indicating a capital short-fall. Moreover, CRAR of FCBs moderated to 25.45 percent at end of Q2FY22 from that of 27.10 percent at the end of Q1FY22 and 28.24 percent at the end of Q2FY21, however remained with adequate capital base. On the other hand, CRAR of PCBs witnessed a modest improvement to 13.72 percent at end- of Q2FY22 from that of 13.09 percent a quarter earlier but declined from 13.96 percent at end of Q2FY21 (Table VI.3 and Chart VI.3).

Table 6.1: Comparative Position of Classified Loan and Provision Maintained

(In billion BDT)

Quarter	Items	SCBs	SBs	PCBs	FCBs	All Banks
Q2FY21	Total classified loan	422.7	40.6	403.6	20.4	887.3
	Required provision	290.8	25.3	315.2	16.6	648.0
	Provision maintained	241.6	23.7	361.2	20.3	646.8
	Excess(+)/shortfall(-)	-49.2	-1.7	46.0	3.7	-1.2
Q3FY21	Total classified loan	434.5	40.9	450.9	24.6	950.9
	Required provision	298.9	25.4	338.3	18.1	680.6
	Provision maintained	193.3	23.7	388.1	23.0	628.1
	Excess(+)/shortfall(-)	-105.6	-1.6	49.8	4.9	-52.6
Q4FY21	Total classified loan	438.4	36.9	491.9	24.9	992.1
	Required provision	302.9	23.3	364.7	18.6	709.5
	Provision maintained	195.6	23.1	411.1	23.9	653.7
	Excess(+)/shortfall(-)	-107.3	-0.2	46.4	5.3	-55.8
Q1FY22	Total classified loan	440.2	37.0	507.4	26.9	1011.5
	Required provision	303.1	23.3	377.3	19.7	723.5
	Provision maintained	199.4	23.1	413.2	25.8	661.4
	Excess(+)/shortfall(-)	-103.8	-0.2	35.9	6.1	-62.0
Q2FY22	Total classified loan	449.8	39.9	515.2	27.9	1032.74
	Required provision	370.3	23.3	390.8	22.2	806.54
	Provision maintained	199.7	23.6	414.4	28.8	666.47
	Excess(+)/shortfall(-)	-170.6	0.3	23.5	6.6	-140.07

6.4 Profitability of the banking sector improved in 2021 compared to 2020 as reflected by a rise in net profit and return on equity (RoE). Net Profit in the banking industry increased from BDT 52.79 billion in 2020 to BDT 57.78 billion in 2021. Return on equity modestly increased to 4.44 percent in 2021 from 4.28 percent in 2020, although return on asset (RoA) remained unchanged at 0.25 percent. Moreover, RoA and RoE of SCBs increased to -0.68 percent and -21.61 percent in 2021 from -1.07 percent and -29.57 percent in 2020 respectively. However, PCBs experienced a deterioration as both RoA and RoE moderated to 0.62 percent and 9.34 percent in 2021 from 0.70 percent and 10.22 percent in 2020 respectively (Table VI.4).

Table 6.2: Deposit and Advance Position of Scheduled Banks (In percent)

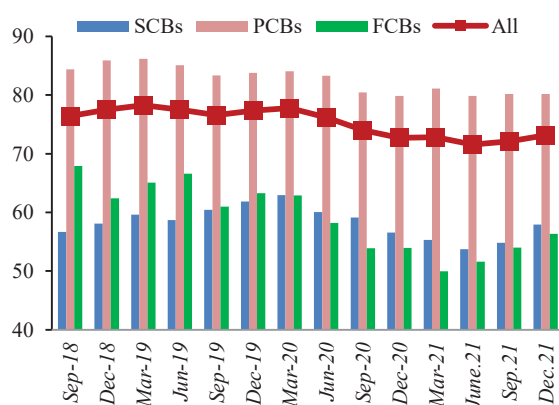
Bank groups	Year-on- year growth of deposit, % (excluding interbank)*		Year-on- year growth of advances, % (excluding interbank)		Advance Deposit Ratio (ADR)	
	Dec. 21	Sep. 21	Dec. 21	Sep. 21	Dec. 21	Sep. 21
	SCBs	11.2	21.6	14.5	14.7	57.9	54.8
PCBs	9.0	9.1	10.5	9.9	80.2	80.2
FCBs	6.4	4.3	10.2	7.4	56.4	54.0
SBs	18.1	22.0	7.7	10.2	70.2	70.5
All	9.7	12.3	11.1	10.7	73.2	72.1

Source: Bangladesh Bank. *Adjusted deposits growth for ADR

6.5 The growth momentum of bank's advances further accelerated to 11.1 percent (y-o-y) at the end of Q2FY22 from 10.7 percent (y-o-y) at the end of Q1FY22, reflecting the growing demand for credit owing to the reopening of the economic activities. On the other hand, the growth of bank's deposit further decelerated to 9.7 percent at the end of Q2FY22, down by 2.6 percentage point from the previous quarter, partly driven by a fall in remittance inflows. Consequently, the overall

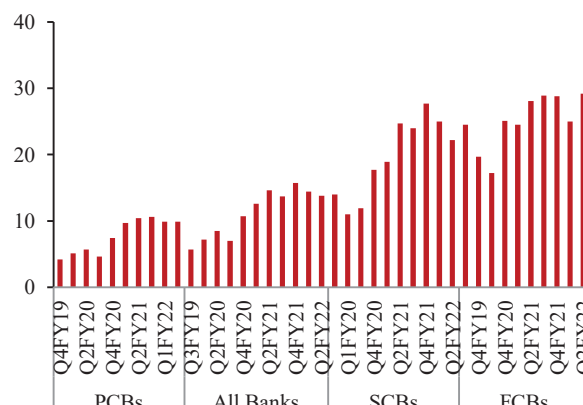
advance-deposit ratio (ADR) went up to 73.2 percent at the end of Q2FY22 from that of 72.1 percent at the end of Q1FY22 and remained broadly stable (Table 6.2, Chart VI.4).

Chart VI.4: Advance Deposit Ratio (In percent)



Source: Bangladesh Bank.

Chart VI.5: Excess of SLR as % of TDTL



Source: Bangladesh Bank, staff's calculation.

Table 6.3: Liquidity Position of the Scheduled Banks

(In billion BDT)

Bank groups	CRR			SLR		
	Required Reserves	Balance with BB in local currency	Excess(+)/shortfall (-) in reserve	Required Liquidity	SLR eligible liquid assets of banks**	Excess(+)/shortfall (-) of SLR
1	2	3	4	5	6	7
As of end- December, 2021						
SCBs	161.9	168.6	6.7	521.8	1421.4	899.5
SBs*	16.1	16.1	0.0	0.0	0.0	0.0
PCBs (other than Islamic)	259.9	314.8	54.9	854.9	1532.6	677.6
Private Banks (Islamic)	149.2	382.9	233.7	206.1	548.4	342.3
FCBs	29.7	52.9	23.2	108.5	356.3	247.8
All	616.9	935.4	318.5	1691.3	3858.6	2167.3
As of end- September, 2021						
SCBs	158.0	181.5	23.5	509.0	1496.2	987.2
SBs*	15.2	15.4	0.2	0.0	0.0	0.0
PCBs (other than Islamic)	255.8	287.3	31.5	839.8	1486.2	646.4
Private Banks (Islamic)	144.3	410.2	265.9	199.2	550.9	351.7
FCBs	29.3	56.0	26.7	108.2	319.0	210.8
All	602.5	950.4	347.9	1656.3	3852.2	2195.9

Source: Bangladesh Bank

* SLR does not apply to specialized banks as exempted by the Government.

**includes cash in tills, balance with BB in foreign currency, balance with Sonali Bank as an agent of BB, unencumbered approved securities and excess reserve (column 4)

Note: According to the circular No-MPD-02, 2013 with effect from February 01, 2014 SLR has been calculated separately (excluded CRR) as 13% for conventional banks and 5.5% for Islamic banks of the total demand and time liabilities.

According to circular No. MPD-03, April 09, 2020, CRR revised to 4.0 percent from 5.0 percent effective from April 15, 2020

6.6 The surplus liquidity in the banking sector modestly moderated to BDT 2167 billion at the end of Q2FY22 from that of BDT 2196 billion at the end of Q1FY22, reflecting rising demand for loans as the economy returns to normalcy. The excess liquidity- the excess of CRR and SLR as a

percent of total demand and time liabilities (TDTL) - declined to 13.8 percent at the end of Q2FY22 from that of 14.4 percent at the end of Q1FY22, however remained adequate (Table 6.3, Chart VI.5).

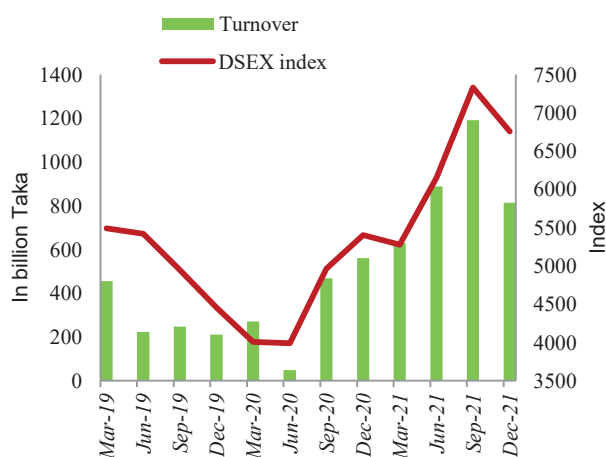
6.7 Since the COVID-19 pandemic, the banking sector played a crucial role to channelize stimulus packages to priority sectors spontaneously to keep the vibrancy of the economic activities. Amid the reopening of economic activities, the banking sector may face extended demand for credit although prevailing adequate liquidity in the system. But, the challenges remain to allocate credit to productive sector and to select good borrowers specially CSMEs. Moreover, to improve r asset quality, particularly in the state-owned commercial bank requires special attention to ensure adequate capital buffers for stability.

VII. Capital Market

7.1 The capital market underwent some corrections during Q2FY22 compared to that of Q1FY22 after rallying consecutively for the last five quarters, as reflected in price indices, market capitalization, price earnings ratio and turnover. These corrections came from sell pressure by institutional and foreign investors' due to booked profit. The corrections reflected in both domestic and global market (Chart VII.2).

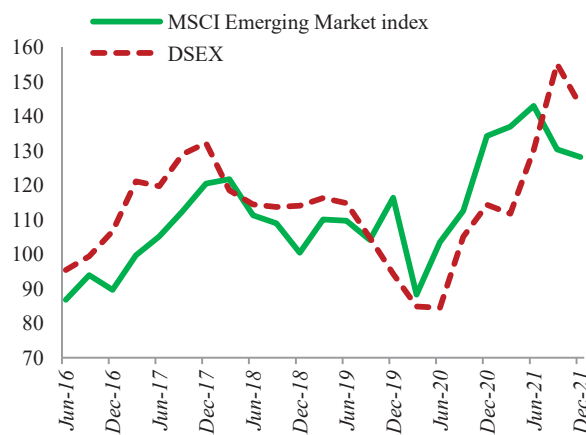
7.2 The key indicators of the capital market, the DSE broad index (DSEX) and DSE-30 index inched down in Q2FY22 compared to previous quarter. The DSEX index was 7.81 percent lower from September 2021 but 25.08 percent higher from in December 2020 (Chart VII.1 and Table VII.1). In Q2FY22, the DSE-30 index was 6.57 percent lower from Q1FY22 but gained by 28.95 percent from Q2FY21 (Table VII.1).

Chart VII.1: Trends in DSEX and Turnover



Source: DSE Monthly Review, Various Issues.

Chart VII.2: Synchronization of DSEX with Global Market (Base: January 2015=100)

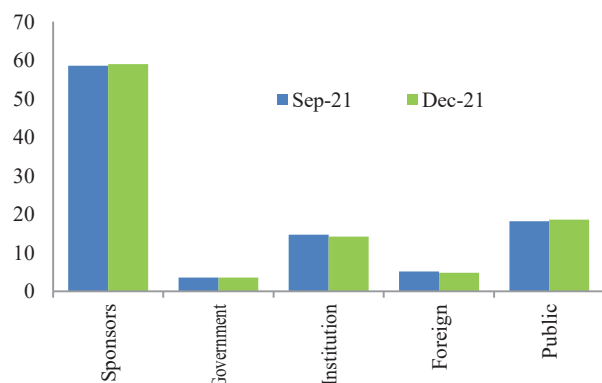


Sources: Dhaka Stock Exchange and www.msci.com.

7.3 The market capitalization of DSE reduced to BDT 4832.5 billion at the end of Q2FY22 from BDT 5266.8 billion in Q1FY22, of which 58.94 percent hold by sponsor's director, 14.21 percent owned by institutions, 4.77 percent owned by foreign investors, 3.52 percent hold by government

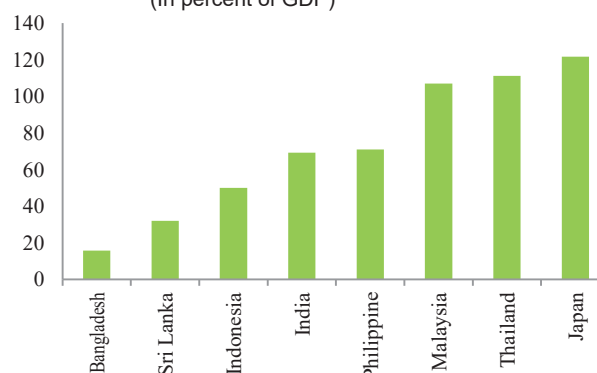
and 18.56 percent hold by individual investors (Chart VII.3). The market capitalization of DSE declined by 8.25 percent in Q2FY22 from Q1FY22 (Table VII.5). Thus market capitalization as a percent of GDP decreased from 16.8 percent in Q1FY22 to 15.79 percent in Q2FY22 (Chart VII.4).

Chart VII.3: Composition of Market Capitalization of the DSE (In percent)



Source: DSE Monthly Review, December 2021.

Chart VII.4: Selected Countries; Stock Market Capitalization, December 2021 (In percent of GDP)



Source: DSE Monthly Review, January 2022.

7.4 The overall price-earnings (P/E) ratio of the DSE edged down in Q2FY22 from the level of Q1FY22. The average price earnings ratios fell to 16.29 in Q2FY22 from 20.12 in Q1FY22. Sector-wise P/E data show that banking sector's P/E score was the lowest position while that of the tannery sector the highest position in Q2FY22 (Chart VII.5).

Chart VII.5: Heat Map for Sectoral Price Earnings Ratio of DSE

Sector	Share of Total M.cap December-21	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-22
Bank	15.0	7.8	6.6	6.7	7.9	8.1	7.9	9.2	9.7	9.8
Financial Institutions	4.7	17.3	14.8	15.9	22.6	24.7	20.1	23.4	31.1	23.8
Engineering	11.7	11.3	10.2	10.1	14.5	35.3	36.2	42.5	26.9	17.6
Food & Allied	9.2	17.5	16.4	17.4	21.2	23.5	25.5	27.1	32.3	31.4
Fuel & Power	9.7	10.6	9.5	9.5	11.6	11.9	12.8	13.6	16.1	11.7
Textile	3.4	12.8	12.2	11.7	14.3	17.9	16.8	23.9	30.2	22.5
Pharmaceuticals	14.8	15.3	14.6	15.2	17.8	19.6	19.7	21.1	24.9	19.8
Service & Realstate	0.5	13.0	12.6	12.6	15.6	21.4	19.4	23.8	35.2	25.9
Cement	2.6	21.0	22.5	20.8	23.0	29.8	27.4	27.0	39.9	21.4
IT	0.8	22.6	19.2	19.2	23.6	25.1	21.6	28.4	37.5	34.6
Tannery	0.7	14.0	12.7	12.7	20.2	24.9	23.2	28.5	87.4	89.9
Insurance	4.4	15.2	12.1	12.2	21.5	26.0	19.2	31.6	28.0	28.1
Telecommunication	14.2	11.2	9.4	9.6	13.3	18.3	19.7	18.4	19.3	16.9
Miscellaneous	5.1	19.9	18.9	18.9	20.6	34.4	41.5	46.0	57.6	23.2

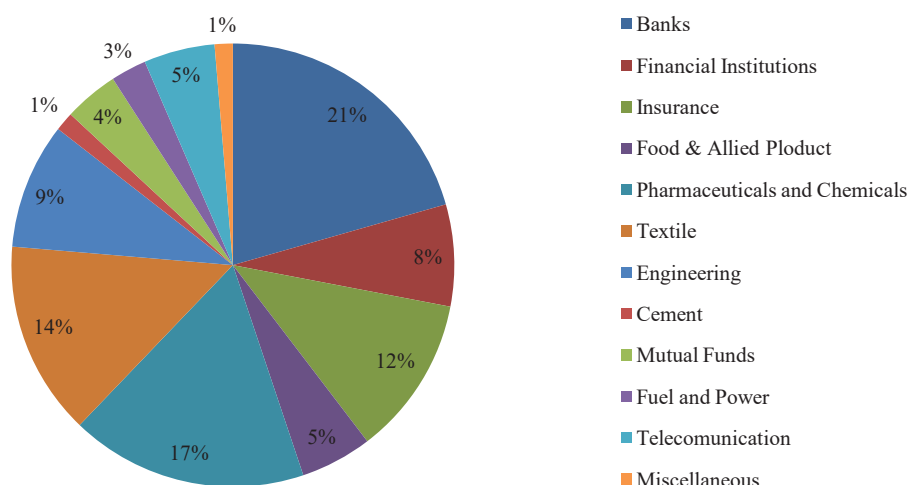
Sources: DSE Monthly Review, Various Issue



7.5 The issued capital in the DSE continued to expand but liquidity condition moderated in Q2FY22. The value of issued equity and debt increased by 0.89 percent in Q2FY22 from Q1FY22 and five new companies were listed in the capital market during the quarter under review. Thus the number of listed securities rose to 395 at the end of Q2FY22. Total turnover value declined by 31.65 percent in Q2FY22 from Q1FY22 (Chart VII.1). Sector wise turnover data showed that the Banking sector scored the highest (21 percent) turnover in Q2FY22 (Chart VII.6). Market liquidity as measured by the Turnover Velocity Ratio (TVR) shrank to 67.4 percent in Q2FY22 from 90.5 percent in Q1FY22.

7.6 Cross-country data on price earnings (PE) ratios as of December 2022 show that Bangladesh has a moderate PE ratio among the South and East Asian selected countries but the highest dividend yield among these countries (Table 7.1).

Chart VII.6: Turnover of Major Sectors in Q2FY22



Source: DSE Monthly Review, December 2021

Table 7.1: Selected Countries: Price Earnings Ratio, Dividend Yield and Market Capitalization as of December 2021

	Price Earnings Ratio	Dividend Yield, %	M. Cap to GDP Ratio
Bangladesh	16.77	4.03	15.79
India	27.87	-	69.19
Sri Lanka	13.63	-	32.01
Thailand	20.78	2.10	111.17
Hong Kong	15.06	-	1474.14
China	18.02	-	49.00

Source: DSE Monthly Review, December 2021

7.7 Bangladesh Securities and Exchange Commission (BSEC) has revised margin loan rules for category changing stocks in the following way (i) the company which improve their category from 'Z' to 'A' or 'B' will remain non-marginable only for their first seven days of trading (ii) the 'Z' category stocks will remain non-marginable. Recently BSEC has reduced lower limit of circuit breaker from 10 percent to two percent and has started to use one billion capital market stabilization funds for market stabilization. In addition, Bangladesh Bank pursued easy monetary policy along with a hefty stimulus packages to recover the economic growth from the COVID-19 pandemic. These measures is likely to help amplify liquidity in the market, support investor confidence and to stabilize the capital market in near future.

Policy Notes

Export Performance of Bangladesh during the Pandemic: the Impact of Export Concentration⁵

Abstract

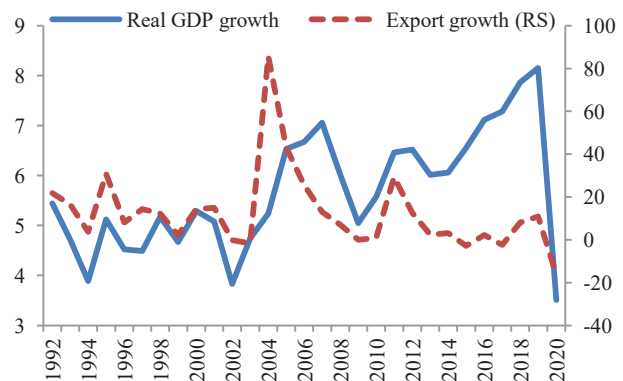
Growing by 10.25 percent annually on average over the past two decades, export earnings of Bangladesh reached USD 46.36 billion in 2019, which was 15.32 percent of GDP. However, the outbreak of COVID-19 pandemic slashed the country's export by 16.23 percent in 2020, while total global export shrank by 8.98 percent. The sharper fall in Bangladesh's export implies that there might have been some country specific factors, in addition to the pandemic-driven global economic slowdown that played a role to intensify the fall in exports. Given this backdrop, this note examines main features of Bangladesh's exports and identifies the key sources of export vulnerability. The note finds that highly concentrated export basket and export destinations contributed to heighten the negative impacts of the pandemic on Bangladesh's exports. This result has an implication for formulating appropriate policy for sustainable export growth of Bangladesh.

I. Introduction

A sustained, strong economic growth since the beginning of last decade helped Bangladesh to qualify lower-middle income status in 2015 and to remain on the course to graduate from the UN's Least Developed Countries (LDCs) group in 2026. The impetus to this economic growth emerged mainly from liberalization of trade and financial sector, favorable demographic factors, financial inclusion, and macroeconomic stability. Alongside, a stride in labor-intensive manufacturing exports, led by readymade garment (RMG) also contributed to achieving country's remarkable economic growth, creating employment, and reducing poverty. Over the last two decades, registering 10.25 percent average annual growth rate, Bangladesh's export earnings stood at USD 46.36 billion in 2019 which was 15.32 percent of GDP⁶.

However, COVID-19 driven economic slowdown inflicted damage on global export demand. According to World Bank data, world export decline by 8.98 percent in 2020. The pandemic, which also hit hard Bangladesh economy, slashed real GDP growth to 3.51 percent in FY20 from 8.15 percent in FY19 and reduced export sharply by 16.23 percent to 12.18 percent of GDP. This faster fall in export in Bangladesh than global average suggests a presence of some country specific factors, in

Chart 1: Export and GDP growth of Bangladesh



Source: World Development Indicators (WDI)

⁵ This note is prepared by Syeda Ishrat Jahan, Deputy General Manager, Chief Economist's Unit.

Views Expressed in this note are author's own and do not necessarily reflect official views of Bangladesh Bank

⁶ Based on data from World Development Indicators.

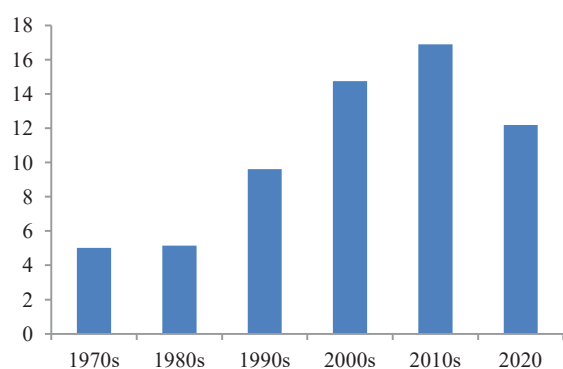
addition to the pandemic driven global economic slowdown that played a crucial role in determining export performance during this period.

The 8th five year plan envisages Bangladesh to be an upper-middle income country by 2031 and underscores the importance of sustained strong export growth for achieving this target. However, graduation from LDC group poses some challenges to Bangladesh economy, particularly to the export sector. LDC graduation would relinquish a number of trade preferences and privileges that Bangladesh currently enjoying in its major export destinations, creating a risk of losing a significant amount of export in the post-graduation period. Therefore, Bangladesh would require devising appropriate policy to overcome these challenges in the post-graduation period. Given this backdrop, this note describes key features of current exports and identifies the potential source of export vulnerability to help appropriate policy formulation for sustainable export growth.

II. Progress of the Export Sector: A Brief History

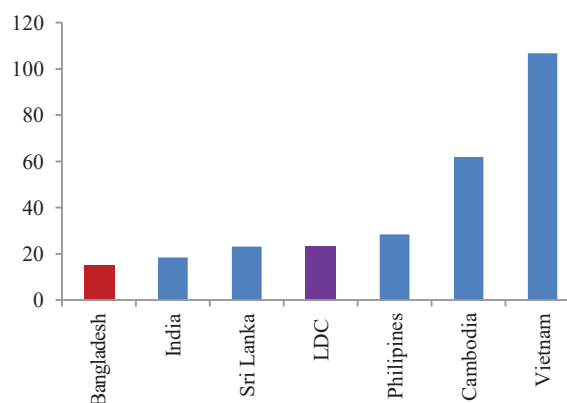
In the early period of its independence in 1971, Bangladesh followed a highly-restricted trade regime and an inward-looking import substitution industrialization strategy characterized by high tariff and non-tariff barriers and an overvalued exchange rate regime to protect the domestic manufacturing industries from foreign competition. These policies were biased against exports, and export earnings therefore remained relatively low in this period (Sattar and Ahmed, 2012). In 1970s, total export earning was at around 5 percent of GDP on average (Chart 2), and the export basket was highly dominated by agricultural goods. Raw jute and jute goods composed around 87 percent of merchandize exports during this period (Khan and Hossain, 1989). Although exports in the 1980s remained broadly stagnant at around 5.15 percent of GDP on average, the share of jute and jute goods in total merchandize exports declined to 51 percent by FY86 on account of falling demand for and price of jute in the global market with the emergence of alternatives to jute.

Chart 2 : Bangladesh's Export-GDP Ratio



Source: Author's calculation based on data from World Development Indicators

Chart 3:Export-GDP Ratio (%) in 2019



Source: World Development Indicators

Since the early 1990s, the industrialization policy of Bangladesh started shifting toward export-led industrialization strategy, favored mainly by foreign trade and financial sector liberalization, exchange rates rationalization, and private investment promotion policies. With these policy supports, Bangladesh's

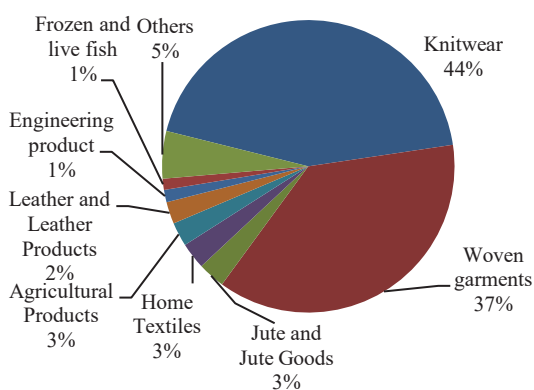
exports continued shifting toward a labor-intensive manufacturing goods and export earnings started rising at a faster pace. The export-GDP ratio picked up to 20.16 percent in 2012, led by a stride in labor-intensive readymade garment (RMG) export⁷. However, the export-GDP ratio started declining and came down to 12.18 percent in 2020 during the COVID pandemic.

Although export-GDP ratio has been growing over time, it is still lower than its peer countries. Remaining at 15.32 percent of GDP in 2019, the size of Bangladesh's export was far lower than the LDCs average of 23.38percent (Chart 3). In 2019, among the SARRC countries, the export-GD ratios of India (18.43 percent) and Sri-Lanka (23.13 percent) in 2019 were higher than Bangladesh's one. Among the closest rival for RMG exports, Vietnam and Cambodia's export-GDP ratio were 106.80 percent and 61.09 percent, respectively in 2019, remarkably higher than that of Bangladesh.

III. Pattern and Structure of Export of Bangladesh

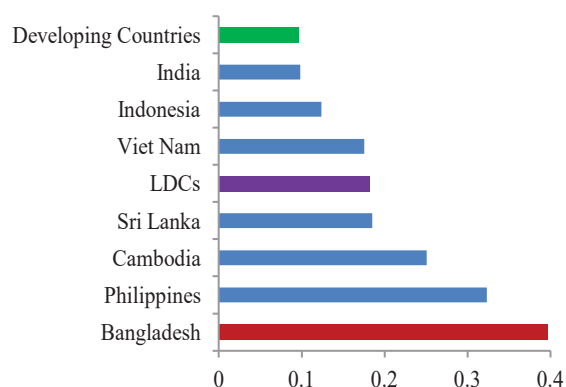
Historically, Bangladesh has been heavily dependent on a narrow range of products for most of its export earnings. In the early 1980s, jute and jute goods accounted for around 70 percent of its total merchandise exports. With the gradual transformation of the economy into a labor-intensive manufacturing base from an agrarian base, the share of RMG products in total export started rising since the mid-1980s. RMG products have constituted more than four-fifth of total export earnings since 2015. In FY21, RMG constituted 81 percent of total export of Bangladesh of which 44 percent of total export came from knitwear and 37 percent came from woven garments (Chart 4). Although Bangladesh exports many other goods (total 98 categories of product at the two digit level of the HS code), their share in total export earnings remained relatively small. The third largest export item was jute and jute goods (3.0 percent) followed by home textiles (2.9 percent), agricultural product (2.7 percent), and leather and leather product (2.4 percent).

Chart 4: Composition of Exports of Bangladesh in FY21



Source: Export Promotion Bureau

Chart 5: Export Concentration Ratio in 2020



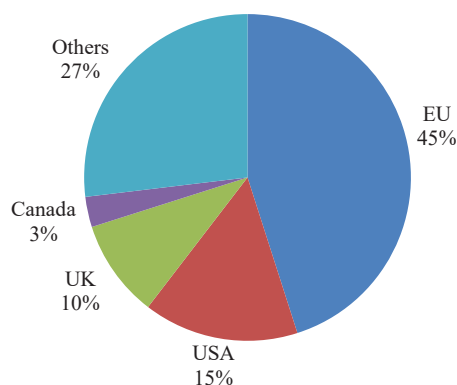
Source: United Nation's Commodity Trade Statistics(UNCTAD)

⁷ Liberalization of trade, reforms in the financial sector, availability of cheap labor, and a shift in global trade regime, among others, contributed to RMG exports of Bangladesh quickly (Razzaque 2017). The Multi-Fiber Agreement, relaxation of rules of origin and duty-free and quota-free access under the Generalized System of Preference facility in the EU markets helped boost Bangladesh's RMG export.

An extra-ordinary large share of RMG in total export has made Bangladesh's export basket highly concentrated compared to that of other developing and low-income countries, implying lack of comparative advantage in most of its products. According to the export concentration index⁸ data published by United Nation's Commodity Trade Statistics (UNCTAD), the concentration ratio of Bangladesh's export was 0.40 in 2020, which was more than double compared to 0.18 of LDCs and more than four times concentrated than developing country average (0.09). The export baskets of Bangladesh's peer countries and main competitors in RMG export markets, such as India, Vietnam, Cambodia, and Indonesia, were much less concentrated than Bangladesh (see Chart 5).

Although Bangladesh sells goods to nearly 200 countries, its exports are highly concentrated in few destinations. In FY21, around 70 percent of the country's total export earnings came from three markers, such as the European Union (EU), the United States (US), and UK (Chart 6). Facilitated by the duty-free and quota-free access, the EU became the largest destination of Bangladeshi exports, mainly RMG, accounting for around 45 percent (excluding UK) of total export in the past few years. However, the US is the single largest export destination that accounted for around 15 percent of Bangladesh's exports.

Chart 6 : Destination of Bangladesh's Exports in FY21



Source: Export Promotion Bureau

IV. Disadvantages of Export Concentration

As export of an economy largely depends on external demand, the vulnerability in exports and thereby economic growth of a country may emerge from economic shock originated in its export destinations. The impact of this external shock largely depends on the degree of concentration of the country's export portfolio. Concentrated export basket and export market amplifies the vulnerability of an economy to external shocks. Therefore, to strengthen resilience to external shocks and to achieve a higher sustainable rate of economic growth, an open economy should pursue policies to diversify their economies and to reduce their dependence on a narrow range of exports (IMF, 2014). Diversification helps countries to hedge against adverse terms of trade shocks by stabilizing export earnings and domestic output (McIntyre et al 2018; Haddad et al 2012).

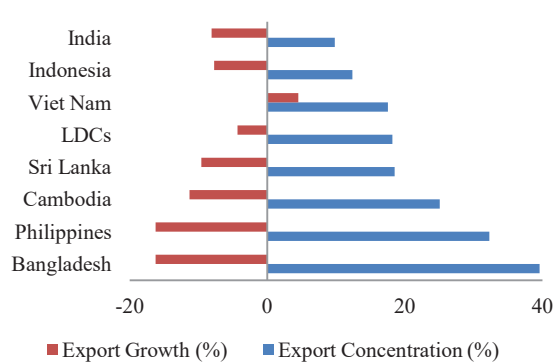
The concern about vulnerability to external shock with concentrated export structure comes true for Bangladesh during the COVID-19 pandemic. The outbreak of pandemic caused a notable global economic downturn, and global export declined considerably due to weak external demand. During the

⁸ The export concentration index shows to which degree exports of a country is concentrated on a few products rather than being distributed in a more homogeneous manner among several products. Data on concentration are retrieved from UNCTAD database (<https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=120>) on November 18, 2021.

pandemic, world export shrunk by 8.98 percent in 2020, while Bangladesh’s export earnings witnessed a sharper decline of 16.23 percent. Bangladesh's export loss was much higher than the average export loss of LDCs (4.32 percent) and some other comparable countries (Chart 7) during the pandemic.

Chart 7 shows a gross positive association between export concentration and export loss for the comparable countries, except Vietnam, during COVID-19 pandemic. Export concentration for India was lower than other comparable countries followed by Indonesia, Vietnam, Sri Lanka, Cambodia, Philippine, and then Bangladesh. Bangladesh and Philippine experienced a larger decline in export with higher concentrated export basket. With a relatively less concentrated export basket, India registered a smaller decline in export, while Vietnam registered a positive export growth. In addition to low concentration, a well-diversified export basket along with efficient control of the transmission of coronavirus might have a role to increase Vietnam's exports during the pandemic.

Chart 7 : Export Concentration and Export Growth during Covid-19



Source: UNCTAD; WDI

V. Conclusion

Bangladesh has emerged as a high growth country in 2010s which helped the country to qualify lower-middle income status in 2015 and to fulfill the prerequisites for LDC graduation involving income per capita, human assets, and economic and environmental vulnerability. The country will gain status of a developing country in 2026. The export sector, led by RMG, has played a crucial role in achieving this remarkable progress by creating employment and reducing poverty. Over the last two decades, registering 10.25 percent average annual growth rate, export earnings of the country stood at USD 46.36 billion in 2019 which was 15.32 percent of GDP. However, the outbreak of COVID pandemic caused a decline in export of Bangladesh by 16.23 percent to 12.18 percent of GDP in 2020, while world export shrunk by 8.98 percent. The sharper fall of Bangladesh's export implies a role of country specific factors, in addition to the pandemic driven global economic slowdown. Given this backdrop, this note describes key features of current exports and identifies the potential source of export vulnerability to help appropriate policy formulation for sustainable export growth. This note finds that highly concentrated export basket and export market exaggerated the negative impact of the pandemic on Bangladesh's export. This result has an implication for formulating appropriate policy measures to prepare for post-LDC graduation export challenges and to attain a sustained strong export growth for achieving the target of being an upper-middle income country by 2031.

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Policy Note: PN 2202

Analysis of Equilibrium Exchange Rate and Exchange Rate Misalignment in Bangladesh⁹

Abstract

The purpose of this paper is to estimate Equilibrium Real Effective Exchange Rate (EREER) and to derive exchange rate misalignment for Bangladesh covering the period of 1992-2021 using Dynamic Ordinary Least Square (DOLS). The study finds that REER misalignment showed a volatile trend over the period considered (1992-2021) and the REER was overvalued most of the time except from 1992 to 1994 and from 2003 to 2005. The REER overvaluation reached highest in 2019. However, in the last couple of years, currency misalignment became narrowed indicating that actual REER is closer to equilibrium REER (EREER) which is calculated based on economic fundamentals. In 2020, REER overvaluation was around 5% and in 2021 it was 7%. Although actual REER is continuously appreciating, indicating overvaluation of REER, considering the economic fundamentals the magnitude of overvaluation is not significant.

I. Introduction

Exchange rate misalignment influences the economic performance of a country especially when it comes to developing countries like Bangladesh¹⁰. Exchange rate misalignment is defined as the deviation of the real exchange rate from its equilibrium level. Significant and persistent misalignment disturbs the balance of the economy and is regarded as one of the early warning indicators of economic vulnerability. Persistent overvaluation of the real exchange rate reflects unstable macroeconomic conditions making the countries vulnerable to speculative attack and leads to currency crisis (Williamson, 1995; Stein et. al., 1997; Edwards & Savastano, 1999; Jongwanich, 2009). On the other hand, an undervalued exchange rate makes overheating economy which creates inflationary pressure and misallocates the resources between tradable and non-tradable sectors. The Washington Consensus views that real exchange rate misalignment implies macroeconomic imbalances that can be disastrous for growth (Berg & Miao, 2010). Maintaining of real exchange rate close to equilibrium level is good for an economy from both its internal and external positions, though equilibrium real exchange rate is an unobservable variable. It mostly depends on a number of macroeconomic fundamentals, many of which are endogenously determined within the economy.

International Monetary Fund (IMF) often encourages developing and emerging economies to keep the actual Real Effective Exchange rate (REER) close to the equilibrium real exchange rate. REER is a

⁹ The authors are Md. Nur-E-Alom Siddique, Joint Director, and Md. Abir Hossain, Assistant Director, of Chief Economist's Unit (CEU). Views expressed in this policy note are authors' own and do not necessarily reflect those of the Bangladesh Bank. The authors are thankful to Dr. Md. Habibur Rahman, Chief Economist, Dr. Md. Ezazul Islam, General Manager, and Dr. Md Salim Al Mamun, Deputy General Manager of CEU for their valuable comments.

¹⁰ The impact of exchange rate misalignment on growth is more relevant in developing countries than in developed countries (Rodrik, 2008; Dubas, 2012). According to Rodrik periods of rapid growth are associated with currency undervaluation for most countries. He argues that an increase in undervaluation boosts economic growth as powerfully as a decrease in overvaluation, and that this holds only for the developing countries and the effect disappears in the case of developed countries.

weighted average of a country's currency in relation to an index or basket of other major currencies which plays a significant role in the broad allocation of resources and pattern of spending behavior in the economy. REER is mostly used to determine the currency value of one country relative to other major trade countries' currencies. It is as a measure of competitiveness which also determines and influences the performance of the export sector (Caballero and Corbo (1989). It reflects the currency's position in terms of purchasing power with respect to other currencies and indicates whether a currency has appreciated or depreciated relative to the trade partners. Exchange rate misalignment can arise in any regime of exchange rate such as fixed exchange rate, floating exchange rate or managed floating exchange rate regimes.

Bangladesh adopted a floating exchange rate regime on May 30, 2003. While the advantages of a freely floating regime are well known, it is still debated whether this regime is suitable for the developing countries. Bangladesh regularly intervenes in the foreign exchange market to stabilize exchange rate. However, intervention in the managed floating regime causes the misalignment of exchange rate: either overvalued or undervalued. Therefore, in the context of Bangladesh, it is important to conduct study for the examination of real exchange rate behavior and possible exchange rate misalignment using updated data covering flexible exchange rate regime. This paper estimates real exchange rate misalignment for Bangladesh using time series techniques including Dynamic OLS (DOLS). In this paper, the equilibrium exchange rate is derived based on the BEER approach introduced by Clark and MacDonald (1998). The approach gives an equilibrium exchange rate estimating from the relationship between real exchange rate and a set of fundamental determinants where only permanent changes of these fundamentals drive the equilibrium exchange rate. Therefore, firstly, this paper calculates equilibrium REER for Bangladesh using updated annual data: REER from Bruegel¹¹ and other data from World Development Indicators (WDI)¹². Secondly, it presents both the direction (Overvalued/Undervalued) and the magnitude of currency misalignment, if any, for Bangladesh.

2. Behavior of Nominal Exchange Rate, REER and NEER in Bangladesh¹³

The figure-2 shows the movement of both the REER and the NEER in Bangladesh for the period of FY93 to FY21. Bangladeshi taka against USD (period average) stood at 84.81 in FY21 from 38.15 in FY92. The trend in the nominal bilateral exchange was somewhat volatile but it was upward indicating depreciation of the exchange rate for the period of FY92-FY21 except some periodic appreciation. Depreciation rate was highest in FY12 at 11 percent. Thereafter, depreciation level decreased and hovered within 4 percent except FY14 and FY15, when BDT appreciated somewhat against Dollar in FY14 and FY15.

¹¹ Bruegel calculates REER which is consumer price index-based real effective exchange rate considering a large number of trading partners as weights.

¹² Data for the year 2021 is estimated (not actual).

¹³ Data Source: NEER and REER from Bruegel (2021) and Nominal exchange rate (taka per dollar) from Bangladesh Bank.

Figure-1: BDT/USD exchange rate and Depreciation (In percent)

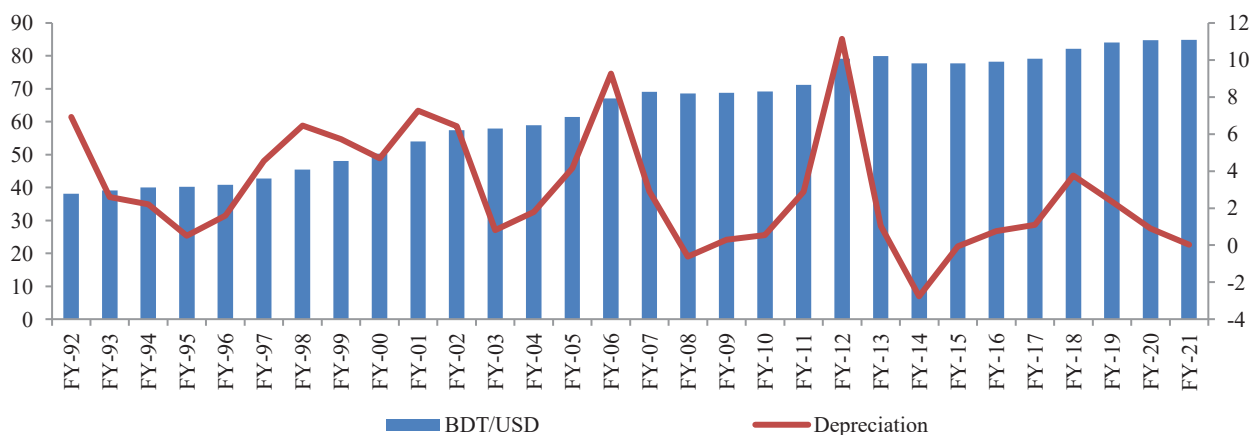
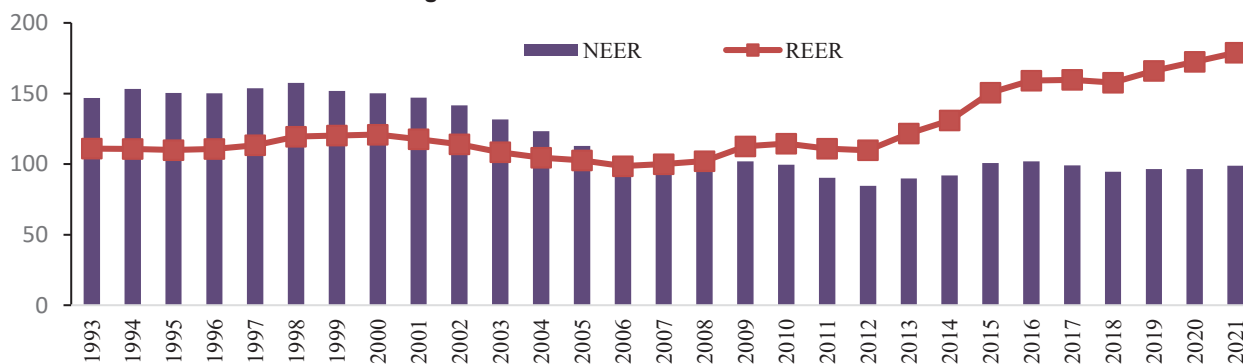


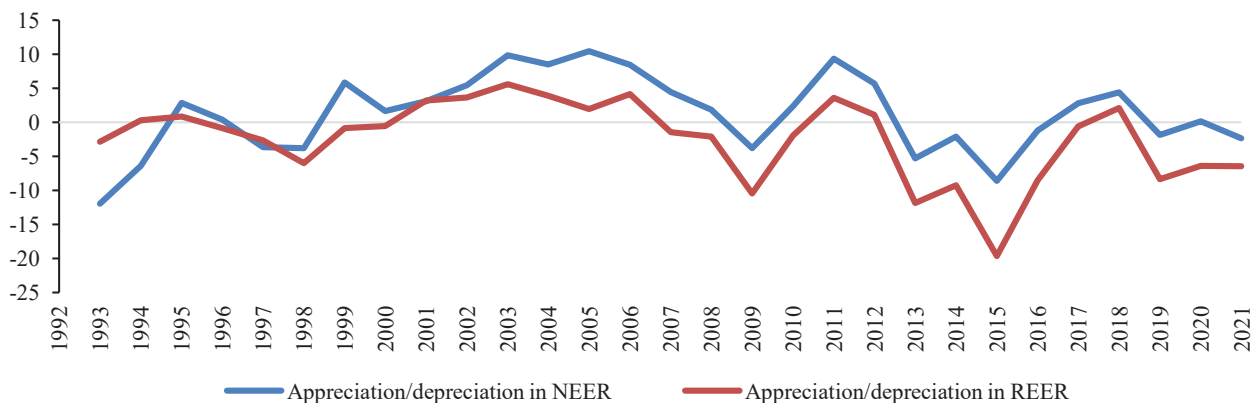
Figure 2- Movements of REER and NEER



Authors' own plot, Data Source: Bruegel,

Over the time, NEER is declining steadily from 146.90 in 1993 to 98.40 in 2021 which showed a decline of around 33 percent, on average. On the other hand, REER observed an upward trend from 1993 to 2000 (Figure-2). After that REER observed a declining trend till 2006 and after that it observed an appreciation from 100 in 2006 to 179 in 2021, reflected the domestic price level pressure in Bangladesh compared to its trading partner countries (figure-3).

Figure 3- Appreciation or depreciation of NEER and REER (In percent)



Authors' own plot, Data Source: Bruegel (2021)

3. Equilibrium REER and REER Misalignment

Behavioural Equilibrium Exchange Rate (BEER) approach is applied to estimate equilibrium REER. In the BEER approach, the equilibrium exchange rate is determined by establishing a behavioural link between the real exchange rate and relevant economic variables using econometric methods (Clark & MacDonald, 1998).

First, Balassa-Samuelson effect is taken into account. From Balassa-Samuelson, it is well known that non-traded goods are cheaper than traded goods in poorer countries, which requires an adjustment to take this into account. Therefore, to capture Balassa-Samuelson effect, the relationship between REER and productivity differential is as follows:

$$LREER_t = \beta_0 + \beta_1 LPROD_t + u_t \dots \dots \dots (1)$$

REER stands for the Real Effective Exchange Rate, *PROD* for productivity proxied by the real GDP per capita as compared to the world's real GDP per capita in PPP terms, β_0 is the intercept, u for the error term, and t time period. All variables are in natural logarithm form. An increase in REER means appreciation in the value of the domestic currency. Therefore, to hold Balassa-Samuelson effect, valid β_1 is expected to be positive.

Then, the first equation is augmented by incorporating a set of fundamental determinants from the literature. To be more specific, the relationship between REER and the fundamentals can be written as follows:

$$LREER_t = \beta_0 + \beta_1 LPROD_t + \beta_2 LGEXP_t + \beta_3 NFA_t + \beta_4 LTOT_t + \beta_5 LOPEN_t + \beta_5 LM2_t + \beta_6 LREM_t + u_t \dots \dots \dots (2)$$

Equation-2 is the augmented version of equation (1). Where, GEXP is the government consumption, NFA is the net foreign assets, TOT is the terms of trade, OPEN is the trade openness, M2 is broad money growth, REM is remittance inflows. This is a log linear model, only NFA is expressed as percentage of GDP and other variables are in natural logarithm form.

We assess equilibrium REER, defined as EREER, as the predicted value of equation 2 with the coefficients estimated by the DOLS.

$$EREER_t = \hat{\alpha}_t + \hat{\beta}_1 PROD_t + \hat{\beta}_2 GEXP_t + \hat{\beta}_3 NFA_t + \hat{\beta}_4 TOT_t + \hat{\beta}_5 OPEN_t + \hat{\beta}_5 M2_t + \hat{\beta}_6 REM_t \dots \dots \dots (3)$$

Then, the corresponding misalignment is the difference between actual REER and EREER.

$$Mis_t = REER_t - EREER_t$$

Where, *Mis* denotes for exchange rate misalignment. A positive value of Mis_t is equivalent to overvaluation implies that the real exchange rate must depreciate to converge towards its equilibrium

and negative value is the undervaluation of the real effective exchange rate implies that the real exchange rate must appreciate to converge toward its equilibrium.

4. Empirical Results

First, stationary has been checked by applying the augmented Dicky-Fuller (ADF) test. The results presented in the table and all the variables are integrated of order one, I(1) ensuring the criteria for estimating any long run relationship (Annexure).

While estimating the cointegrating vector, the OLS cannot be used. Though the coefficients of cointegrating regression is consistent, the non-normal distribution of error terms implies that the tests performed may provide an invalid statistical inference (Agbola and Damoense 2005, 152; Inoue, 2014). To overcome this problem, an alternative method namely the Dynamic Ordinary Least Squares (DOLS) is used.

We estimated four different equations by using Dynamic Ordinary Least Squares (DOLS). The results of the long-run parameter estimate of the regression equations are presented in the following table (2). Column 1, column 2, column 3 and column 4 show estimated regression result for Model I, Model II, Model III and Model III. The results are quite encouraging as coefficients and signs in all regressions coincide with theoretical and practical studies. We believe that Model III is the best model that gives the expected result.

Table:1. Estimation results of DOLS

	Model I	Model II	Model III	Model IV
Constant	6.90 (0.75)	4.33 (0.31)	3.52 (0.39)	16.16 (1.37)
LPROD	1.24 (0.41)	0.76 (0.10)	0.50 (0.11)	3.17 (0.29)
LGEXP		-0.23 (0.04)	-0.28 (0.04)	
NFA			0.03 (0.01)	-0.07 (0.01)
LTOT				5.17 (0.69)
LOPEN			-0.36 (0.09)	0.93 (0.18)
LM2				0.10 (0.06)
LREM		-0.37 (0.03)	-0.25 (0.05)	1.57 (0.22)
R-sq	0.74	0.99	0.99	0.99
Adjusted R-sq	0.70	0.98	0.99	0.99
S.E. of regression	0.09	0.02	0.02	0.01

NB: Standard errors in parentheses. In the DOLS estimation, the number of both leads and lags are fixed as 1. The results do not change if the number of leads and lags is fixed at 2 or 3.

In the all cases, productivity differential (LPROD) positively affects REER which is strongly significant and robust, indicates that more advanced economies likely to have stronger currencies¹⁴. This result provides evidence for the famous Balassa-Samuelson effect: higher productivity in the tradable sector increases wages in the tradable sector and subsequently in the non-tradable sector which in turn puts upward pressure on the prices of non-tradable goods leading to stronger currencies (appreciation). In particular Rodrik (2008), Vieira and MacDonald (2012), and Gonçalves and Rodrigues (2017) find similar result. The former two measure equilibrium based on PPP deviation controlling for GDP per capita (Balassa-Samuelson effect) and the later based on BEER approach using multiple determinants.

However, LGEXP, LREM and LOPEN are negatively linked with LREER. On the other hand, NFA as percentage of GDP positively affect LREER. Model III shows that LM2 and LTOT are statistically insignificant. These findings are consistent with the existing literature. From the estimation of model-III it shows that on average, one unit increase in the productivity differential of Bangladesh relative to world (LPROD) tends to appreciate REER by around 0.5 percent. Similarly, an increase in NFA of one percentage point of GDP is associated with an appreciation of REER by 3 percent. On the other hand, if government expenditure (LGEXP) increases by 1 percentage point of GDP then REER depreciates by 0.28 percent. Similarly, a 1 percent increase in LOPEN, the proxy for trade openness, leads to REER depreciation by around 0.36 percent. These results are significant and robust.

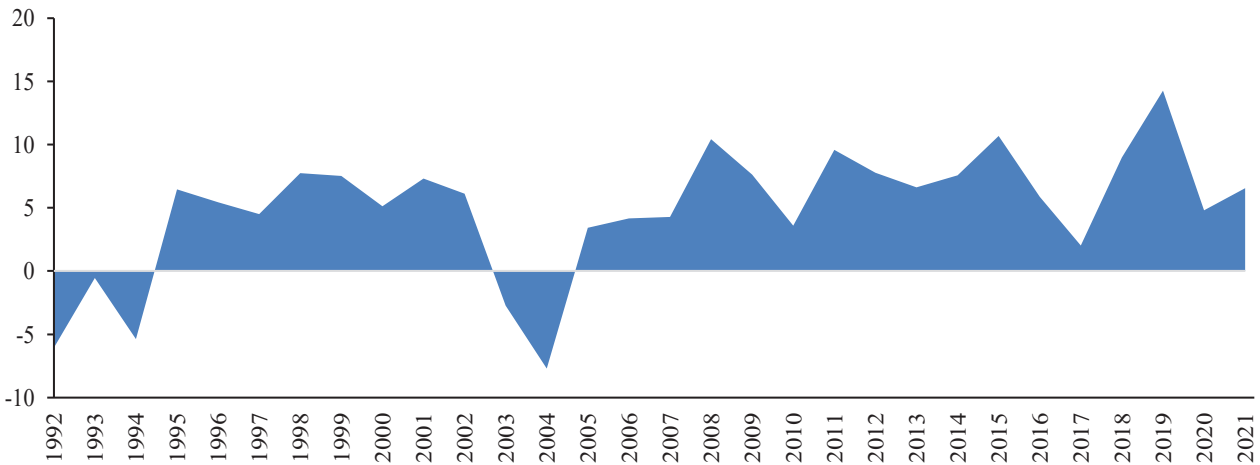
5. Exchange Rate (REER) Misalignment

The figure-4 depicts the misalignment of REER during 1992 to 2021. The positive value of misalignment implies the overvaluation of REER where the negative value of REER implies the undervaluation of REER. The REER was overvalued most of the time except from 1992 to 1994 and from 2003 to 2005. Since 2002 REER started to become undervalued due to the continued lower inflation and occasional devaluations. Then Bangladesh adopted floating Exchange rate regime in mid of 2003. However, during the initial stage of the floating regime (2004-2006), the taka remained competitive due to high depreciation of taka and US high domestic inflation. The REER misalignment followed zigzag trend and continued overvaluation after 2003 and reached highest in 2019. However, in the last couple of years, currency misalignment became narrowed indicates that actual REER is closer to equilibrium REER (EREER) which is calculated based on economic fundamentals¹⁵. The study finds that in 2020, REER overvaluation was around 5% and in 2021 it was 7 percent. Although actual REER is continuously appreciating and stood at 115.76 in December 2021, the study finds that considering economic fundamentals Bangladeshi taka is slightly overvalued. Overvaluation in REER was somewhat compensated by the improvement in economic fundamentals such as productivity differential of Bangladesh during the pandemic. For instance, Bangladesh experience positive economic growth during the COVID19 pandemic while most of countries in the world experienced negative growth, leads to higher the relative productivity slightly.

¹⁴ An increase in REER indicates currency appreciation.

¹⁵ Whereas REER reflects the currency's value in terms of purchasing power with respect to other currencies and indicates whether a currency has appreciated or depreciated relative to the trade partners. It does not consider the economic fundamentals of the countries.

Figure 4: REER Misalignment (in percent)



Source: Author's own calculation

6. Conclusion and Policy Recommendations

The concept of real exchange rate misalignment is ambiguous because there is no universal consensus on equilibrium exchange rates. Therefore, different assumptions, methodology and datasets provide different results in the investigation of equilibrium exchange rate and calculating misalignment. This policy note measures equilibrium real effective exchange rate and exchange rate misalignment for Bangladesh. The equilibrium exchange rate is derived based on the BEER approach, which gives an exchange rate at a level that is consistent with the medium- and long-term economic fundamentals. Then, exchange rate misalignment is measured as the deviation of the actual real exchange rate from equilibrium level.

The note finds REER misalignment followed an unstable fashion over the period considered (1992-2021) and the REER was overvalued most of the time except from 1992 to 1994 and from 2003 to 2005. Since 2002 REER started to become undervalued due to the continued lower inflation and occasional devaluations. However, during the initial stage of the floating regime (2004-2006), the taka remained competitive due to high depreciation of taka and US high domestic inflation. The REER overvaluation reached highest in 2019. However, in the last couple of years, currency misalignment became narrowed indicates that actual REER is closer to equilibrium REER (EREER) which is calculated based on economic fundamentals. In 2020, REER overvaluation was around 5% and in 2021 it was 7%. Although actual REER is continuously appreciating and stood at 115.76 in December 2021, the study finds that considering economic fundamentals Bangladeshi taka is slightly overvalued. Overvaluation in REER was somewhat compensated by the improvement in economic fundamentals such as productivity differential of Bangladesh during the pandemic.

This policy note may provide some insights to the policy makers. Since misalignment in case of both overvaluation and undervaluation is considered as harmful for economic performances, appropriate exchange rate policy should be maintained which can reduce the REER misalignment. To reduce the magnitude of REER over valuation, Bangladesh either may allow some depreciation in nominal

exchange rate or may take necessary measure to reduce domestic inflation. Maintenance of Purchasing Power Parity (PPP) is quite useful for maintaining trade competitiveness. This policy can help to prevent overvaluation of the currency too. Regular calculation of exchange rate misalignment may help to know the actual level of misalignment and take appropriate policy to maintain REER close to equilibrium level. A study on the impact of exchange rate misalignment on economic performance, for instance, export, economic growth should also be initiated to know the extent to which policy makers should response to currency misalignment.

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Annexure

Table-1. Unit Root Test					
	Level		First Difference		Level of Integration
	Constant & No Trend	Constant & Trend	Constant & No Trend	Constant & Trend	
LREER	-0.19 (0.93)	-1.34 (0.85)	-2.89 (0.05)	-3.23 (0.10)	I(1)
LPROD	7.29 (1.00)	1.92 (1.00)	-0.85 (0.79)	-3.79 (0.03)	I(1)
LGEXP	-2.14 (0.23)	-0.44 (0.98)	-3.33 (0.02)	-4.31 (0.01)	I(1)
NFA	-1.12 (0.69)	-1.96 (0.60)	-5.06 (0.0003)	-5.02 (0.002)	I(1)
LTOT	-1.59 (0.48)	-0.39 (0.98)	-4.70 (0.00)	-5.14 (0.002)	I(1)
LOPEN	-2.10 (0.25)	-0.42 (0.98)	-4.52 (0.00)	-5.12 (0.002)	I(1)
LM2	-1.32 (0.61)	-0.94 (0.94)	-3.65 (0.01)	-11.34 (0.00)	I(1)
LREM	-1.52 (0.51)	-0.58 (0.97)	-3.52 (0.01)	-3.68 (0.04)	I(1)

Tables

Table I.1: Macroeconomic Framework: Key Economic Indicators
(Growth in percent, unless otherwise indicated)

Indicators	FY17	FY18	FY19	FY20 ^R	FY21 ^P
Real GDP (Base 2015 -16)	6.59	7.32	7.88	3.45	6.94
GDP deflator	5.05	5.81	3.65	3.85	4.12
CPI Inflation (average)	5.94	5.78	5.47	5.65	5.56
CPI Inflation (point to point)	5.44	5.54	5.71	6.02	5.64
In percent of GDP					
Gross Domestic Savings	27.07	26.45	26.88	27.08	25.34
Gross domestic investment	30.95	31.82	32.21	31.31	31.02
Total revenue	9.40	9.83	10.73	10.98	9.96
Tax	8.27	8.80	9.81	9.87	8.95
Nontax	1.13	1.03	0.92	1.10	1.01
Total expenditure	13.65	14.08	14.99	15.82	15.27
Current expenditure	8.30	7.98	9.04	9.31	9.17
Annual Development Program	4.99	5.82	5.66	6.08	5.60
Other expenditure (residual)	0.36	0.27	0.30	0.42	0.50
Overall balance (including grants)	-4.04	-4.08	-4.14	-4.73	-5.20
Financing (net) (a+b)	4.25	4.25	4.27	4.73	5.20
a. Domestic financing	3.01	2.50	2.67	3.07	3.26
Banking System	1.03	0.75	1.05	2.60	2.26
Non-bank	1.98	1.75	1.62	0.47	1.00
b. Foreign Financing	1.04	1.57	1.60	1.66	1.94
Current account balance	-0.45	-2.98	-1.45	-1.26	-0.91
Overall balance	1.08	-0.27	0.05	0.85	2.23
Broad Money (M2)	43.72	42.06	41.32	43.33	44.20
Broad Money (M3)	53.07	52.05	51.98	53.74	53.66
Deposit (DD+TD)	37.77	36.69	36.07	37.25	38.25
Private Sector Credit	33.39	34.39	34.23	34.61	33.68
Growth in Percent					
Money and credit					
Private sector credit	15.66	16.94	11.32	8.61	8.35
Broad money (M2)	10.88	9.24	9.88	12.64	13.60
External Sector					
Exports, f.o.b.	1.70	6.66	9.10	-18.89	14.89
Imports, f.o.b.	9.00	25.23	1.80	-8.57	19.71
In billion USD					
Exports, f.o.b.	34.02	36.29	39.60	32.83	37.88
Imports, f.o.b.	43.49	54.46	55.44	50.69	60.68
Gross official reserves	33.41	32.94	32.72	36.04	46.39
In terms of month of imports	6.60	6.00	6.00	6.10	6.90
Memorandum items:					
Nominal GDP (In billion Taka)	23,243	26,392	29,514	31,705	35,302
Nominal GDP (In billion USD)	294	321	351	374	416

Sources: Bangladesh Bank; Ministry of Finance and Bangladesh Bureau of Statistics; P = Provisional, R=Revised.

Table I.2: Real GDP Growth by Sectors
(In percent)

Sectors	FY17	FY18	FY19	FY20	FY21 ^R
Agriculture	3.20 (13.62)	3.54 (13.14)	3.26 (12.56)	3.42 (12.52)	3.17 (12.07)
Agriculture, forestry and fishing	3.20	3.54	3.26	3.42	3.17
i) Crops and horticulture	2.22	2.75	2.07	2.50	2.29
ii) Animal farmings	2.77	2.90	3.01	3.19	2.94
iii) Forest and related services	5.00	5.08	5.13	5.34	4.98
iv) Fishing	4.73	4.93	4.99	4.40	4.11
Industry	8.27 (32.98)	10.2 (33.85)	11.63 (34.99)	3.61 (34.94)	10.29 (36.01)
a) Mining and quarrying	17.29	9.55	11.31	3.16	6.49
b) Manufacturing	7.09	10.45	12.33	1.68	11.59
i) Large Industry	4.63	11.08	12.79	0.41	10.61
ii) Small, Medium, and Micro Industry	10.06	11.10	10.61	2.69	13.89
iii) Cottage Industry	9.29	7.45	14.17	3.67	10.27
c) Electricity, gas, steam and air conditioning supply	7.07	8.27	8.24	0.67	9.54
d) Water supply, sewerage, and waste management	3.63	2.96	6.31	2.18	6.65
e) Construction	9.76	10.06	10.47	9.13	8.08
Service	6.37 (53.40)	6.55 (53.01)	6.88 (52.45)	3.93 (52.54)	5.73 (51.92)
a) Wholesale and retail trade	8.22	8.74	8.85	3.21	7.64
b) Transportation and storage	6.13	6.74	7.01	1.73	4.04
c) Accommodation and food service activities	5.39	5.52	5.64	1.69	4.53
d) Information and communication	8.35	6.77	7.36	6.57	7.11
e) Financial and insurance activities	5.30	6.94	8.25	4.72	5.82
f) Real estates activities	3.33	3.48	3.61	3.68	3.42
g) Professional, scientific and technical activities	3.97	4.08	4.17	3.38	5.09
h) Administrative and support service activities	6.40	7.74	8.17	6.33	6.02
i) Public administrative and defence	11.23	8.67	6.49	5.49	6.05
j) Education	5.95	5.89	7.06	5.33	5.81
k) Human health and social work activities	10.33	9.20	12.20	10.70	10.6
l) Arts, entertainment and recreation	4.98	5.24	5.48	5.43	5.76
m) Others service activities	3.14	3.22	3.27	3.06	3.08
GDP (at constant market price)	6.59	7.32	7.88	3.45	6.94

Source: Bangladesh Bureau of Statistics; P = Provisional.

The parentheses indicate the percentage share of total producer price GDP at constant price.

Table I.3: Nominal GDP by Sectors

(In billion Taka)

Sectors	FY16	FY17	FY18	FY19	FY20	FY21 ^R
Agriculture	2,795	3,012	3,294	3,534	3,804	4,107
Agriculture, forestry, and fishing	2,795	3,012	3,294	3,534	3,804	4,107
i) Crops and horticulture	1,383	1,487	1,623	1,734	1,861	1,996
ii) Animal farmings	467	495	532	563	597	633
iii) Forest and related services	372	399	436	466	504	559
iv) Fishing	574	631	703	771	842	918
Industry	6,449	7,263	8,441	9,696	10,435	11,761
a) Mining and quarrying	331	400	443	526	552	591
b) Manufacturing	4,224	4,666	5,490	6,259	6,531	7,497
i) Large Industry	2,212	2,378	2,757	3,119	3,180	3,574
ii) Small, Medium, and Micro Industry	1,291	1,467	1,739	1,981	2,087	2,490
iii) Cottage Industry	721	821	995	1,160	1,263	1,433
c) Electricity, gas, steam and air conditioning supply	246	292	326	381	445	449
d) Water supply; sewerage, waste management	21	23	25	27	28	30
e) Construction	1,628	1,882	2,157	2,503	2,879	3,195
Service	10,630	11,943	13,431	15,008	16,332	18,110
a) Wholesale and retail trade	2,885	3,246	3,737	4,184	4,458	4,977
b) Transportation and storage	1,580	1,787	1,978	2,197	2,323	2,562
c) Accommodation and food service activities	239	267	301	335	360	399
d) Information and communication	248	273	295	322	351	384
e) Financial and insurance activities	651	722	817	933	1,032	1,153
f) Real estates activities	1,925	2,142	2,360	2,607	2,880	3,130
g) Professional, scientific and technical activities	39	43	47	52	57	63
h) Administrative and support service activities	142	157	173	200	230	271
i) Public administrative and defence	667	785	902	990	1,070	1,170
j) Education	545	609	682	770	856	956
k) Human health and social work activities	546	635	734	868	1,015	1,185
l) Arts, entertainment and recreation	30	34	38	42	48	53
m) Others service activities	1,132	1,244	1,368	1,507	1,652	1,807
Total GVA at current basic price	19,874	22,218	25,166	28,238	30,570	33,978
Tax less subsidy	884	1,025	1,226	1,276	1,134	1,324
GDP at current market price	20,758	23,243	26,392	29,514	31,705	35,302

Source: Bangladesh Bureau of Statistics; R=Revised.

Table I.4: Crop-wise Agricultural Production

Crops	Actual for FY21		Target for FY22		Actual for FY22	
	Area	Production	Area	Production	Area	Production
	(Lac Hectare)	(Lac M. Ton)	(Lac Hectare)	(Lac M. Ton)	(Lac Hectare)	(Lac M. Ton)
Aus	13.05	32.85	13.30	34.84	11.63	32.45
Aman	56.26	144.38	58.30	150.47	59.06	-
Boro	47.87	198.85	48.73	209.51	34.91	-
Total Rice	117.18	376.08	120.33	394.81	105.60	32.45
Wheat	3.29	10.85	3.37	12.26	3.20	-
Maize	5.64	56.63	5.76	58.75	5.34	-
Total Cereal	126.11	443.56	129.45	465.83	114.14	32.45
Jute	6.82	77.25	7.50	86.11	7.45	82.77
Potato	4.69	98.87	4.87	106.52	4.77	-
Vegetables	9.36	197.19	9.48	200.19	10.30	-
Moong	2.63	2.52	2.66	3.37	1.13	-
Mosur	1.83	2.58	1.83	2.60	1.53	-
Gram	0.04	0.06	0.04	0.06	0.03	-
Mustard	5.90	7.87	5.95	8.22	6.10	-
Onion	2.53	33.62	2.60	35.04	2.49	-

Source: Bangladesh Bureau of Statistics and Department of Agriculture Extension, Ministry of Agriculture.

Table I.5: Quantum Index of Medium and Large-scale Manufacturing Industries, Mining and Electricity
(Base: 2005-06)

			FY21				FY22	
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂ *
Manufacturing	393.8	467.8	435.9	450.2	488.4	496.7	498.8	516.1
Mining	186.5	167.0	206.3	181.0	136.6	143.9	170.2	164.3
Electricity	305.9	345.9	381.0	308.1	303.3	391.0	405.0	347.7
Growth in percent (y-o-y)								
Manufacturing	1.89	18.78	8.33	7.00	15.82	50.28	14.43	17.45
Mining	2.17	-10.49	9.18	-1.14	-26.90	-23.11	-17.49	-11.51
Electricity	5.57	13.06	2.89	9.63	12.71	28.99	6.32	4.85

Source: Bangladesh Bureau of Statistics; * = October –November 2021.

Tables I.6: Quantum Index of Medium and Large-scale Manufacturing Industries by Major Industries
(Base: 2005-06)

	Weight	FY21				FY22	
		Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂ *
General Index	100.0	435.9	450.2	488.4	496.7	498.8	516.1
Food products	10.8	555.6	663.9	688.2	725.7	617.0	575.5
Beverages	0.3	371.1	258.0	433.3	528.0	562.4	512.6
Tobacco products	2.9	126.3	132.6	135.6	128.7	114.9	109.2
Textile	14.1	247.7	261.0	288.5	324.9	311.0	320.0
Wearing apparel	34.8	434.1	399.7	435.4	441.3	506.7	578.5
Leather and related products	4.4	545.5	518.4	683.1	850.8	799.2	388.9
Wood and products of wood and cork	0.3	391.9	538.5	532.0	427.8	452.8	459.1
Paper and paper products	0.3	215.6	187.2	180.2	203.5	245.4	253.6
Printing and reproduction of recorded media	1.8	211.4	234.9	238.0	229.3	206.1	207.4
Coke and refined petroleum products	1.3	108.2	119.2	109.4	116.5	122.9	85.7
Chemicals and chemical products	3.7	159.4	141.2	143.4	134.0	120.6	122.4
Pharmaceuticals and medicinal chemical	8.2	957.2	1002.0	1031.8	1037.8	1075.9	1212.1
Rubber and plastic products	1.6	424.1	428.3	422.2	415.9	395.7	397.1
Other non-metallic mineral products	7.1	481.9	544.5	632.9	554.0	551.0	562.1
Basic metal	3.2	161.2	197.9	185.5	189.6	200.3	227.8
Fabricated metal products	2.3	439.8	473.2	491.9	401.6	340.9	344.7
Computer, electronic and optical product	0.2	334.0	264.9	291.2	278.0	285.8	289.1
Electrical equipment	0.7	534.9	988.2	1246.1	950.7	327.9	426.4
Machinery and equipment	0.2	767.2	769.8	797.4	775.9	761.8	775.3
Motor vehicles and trailers	0.1	169.8	104.1	234.6	320.2	347.4	573.7
Other transport equipment	0.7	702.1	745.0	747.7	721.4	696.0	696.2
Furniture	0.9	163.3	182.9	241.8	210.1	142.5	172.8

Source: Bangladesh Bureau of Statistics; * = October –November 2021.

Table I.7: Cargo Handled by Chattogram Port
(In thousands Metric Tons)

Quantity	FY20	FY21	FY21				FY22	
			Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Export	6,645	7,368	1,719	1,835	1,946	1,869	1,933	2,084
Import	87,275	96,588	20,160	25,399	26,590	24,439	20,223	27,648
Total	93,921	103,956	21,879	27,234	28,536	26,308	22,156	29,732
Growth in percent (y-o-y)								
Export	-2.97	10.88	-5.54	1.77	6.56	56.16	12.47	13.58
Import	5.12	10.67	0.54	3.76	-0.71	53.09	0.31	8.85
Total	5.57	10.68	0.03	3.62	-0.25	53.31	1.27	9.17

Source: Chattogram Port Authority.

Table I.8: Trends in Private Sector Credit

(In billion Taka)

Institutions	FY21						FY22	
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Outstanding								
Banks ¹	10,973	11,889	11,131	11,413	11,604	11,889	12,107	12,633
Non-banks ²	673	572	667	675	571	572	567	576
Microfinance institutions ³	614	606	600	642	659	606	628	667
Total	12,260	13,067	12,398	12,731	12,834	13,067	13,302	13,876
Growth in percent (y-o-y)								
Banks	8.64	8.34	9.48	8.37	8.79	8.34	8.77	10.68
Non-banks	0.43	-15.01	-0.14	-0.30	-15.48	-15.01	-15.04	-14.70
Microfinance institutions	-3.45	-1.22	-6.21	-5.44	57.00	-1.216	4.77	3.88
Total	7.49	6.58	8.05	7.08	9.12	6.58	7.30	9.00

Sources: ¹Monetary Policy Department; ²Department of Financial Institutions and Markets, Bangladesh Bank;³Grameen Bank, BRAC, ASA, Proshika.

Table I.9: Bank Advances (Private Sector) by Economic Purposes
(In billion Taka)

Sectors	FY21			FY22				
	FY20	FY21 ^R	Q ₁	Q ₂	Q ₃	Q ₄ ^R	Q ₁ ^R	Q ₂ ^P
Outstanding								
a. Agriculture	460	511	459	477	488	511	509	540
Crops	423	462	418	432	441	462	462	491
Others	37	49	41	45	47	49	47	49
b. Industry	4,347	4,715	4,383	4,527	4,594	4,715	4,793	4,900
Term Loan	2,154	2,365	2,145	2,232	2,295	2,365	2,423	2,473
Working capital financing	2,193	2,351	2,238	2,295	2,299	2,351	2,370	2,427
c. Construction	920	943	920	928	932	943	988	1,011
d. Transport	87	76	85	82	78	76	75	70
e. Trade and Commerce	3,484	3,774	3,560	3,603	3,682	3,774	3,813	4,003
f. Other Institutional loan	293	254	268	278	272	254	244	281
g. Consumer finance	665	862	723	820	832	862	888	953
h. Miscellaneous	36	39	37	42	38	39	40	52
Grand Total	10,291	11,174	10,434	10,756	10,917	11,174	11,350	11,811
Growth in percent (y-o-y)								
a. Agriculture	7.19	11.19	10.49	13.14	13.31	11.19	11.06	13.16
Crops	7.69	9.26	9.98	12.23	12.38	9.26	10.65	13.78
Others	1.88	33.37	16.01	22.60	22.70	33.37	15.25	7.25
b. Industry	12.87	8.48	9.88	9.08	6.48	8.48	9.34	8.23
Term Loan	12.83	9.78	10.77	10.93	8.23	9.78	12.93	10.80
Working capital financing	12.90	7.20	9.04	7.35	4.78	7.20	5.89	5.74
c. Construction	2.04	2.52	0.99	4.26	0.90	2.52	7.37	8.92
d. Transport	21.80	-13.31	-1.54	-4.54	-1.85	-13.31	-12.19	-14.07
e. Trade & Commerce	11.63	8.31	14.60	10.97	13.37	8.31	7.12	11.11
f. Other Institutional loan	12.68	-13.36	0.15	-4.23	-4.18	-13.36	-8.98	1.24
g. Consumer finance	-3.15	29.68	11.58	15.57	21.99	29.68	22.89	16.26
h. Miscellaneous	-31.88	9.07	10.91	26.31	-4.52	9.07	9.29	25.23
Grand Total	9.79	8.57	10.34	9.46	9.14	8.57	8.78	9.80
Share in percent								
a. Agriculture	4.47	4.57	4.40	4.44	4.47	4.57	4.49	4.57
Crops	4.11	4.13	4.00	4.02	4.04	4.13	4.07	4.16
Others	0.36	0.44	0.39	0.42	0.43	0.44	0.42	0.41
b. Industry	42.24	42.20	42.01	42.09	42.09	42.20	42.22	41.49
Term Loan	20.93	21.16	20.56	20.75	21.03	21.16	21.34	20.94
Working capital financing	21.31	21.04	21.45	21.34	21.06	21.04	20.88	20.55
c. Construction	8.94	8.44	8.82	8.63	8.54	8.44	8.70	8.56
d. Transport	0.85	0.68	0.81	0.76	0.71	0.68	0.66	0.60
e. Trade & Commerce	33.86	33.77	34.11	33.50	33.73	33.77	33.60	33.89
f. Other Institutional loan	2.85	2.27	2.57	2.58	2.49	2.27	2.15	2.38
g. Consumer finance	6.46	7.71	6.93	7.62	7.62	7.71	7.83	8.07
h. Miscellaneous	0.35	0.35	0.35	0.39	0.35	0.35	0.35	0.44
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Statistics Department, Bangladesh Bank. R= Revised. P = Provisional.

Table I.9 (1): Performance Indicators of NBFIs

(In billion Taka, unless otherwise indicated)

Sectors	FY21				FY22			
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂ ^P
NBFIs Advances (Outstanding)								
a. Agriculture	5.4	5.0	4.6	5.1	5.3	5.0	5.0	4.6
Crops	3.9	3.8	3.3	3.9	4.1	3.8	3.8	3.4
Others	1.4	1.2	1.3	1.2	1.2	1.2	1.2	1.2
b. Industry	249.7	267.5	252.6	264.4	262.2	267.5	264.8	270.3
Term Loan	200.8	213.2	205.0	209.0	208.6	213.2	206.4	208.9
Working capital financing	45.0	50.1	43.7	50.9	49.5	50.1	55.0	57.3
Factoring	3.9	4.2	3.9	4.5	4.1	4.2	3.4	4.2
c. Construction	92.2	91.0	91.7	91.8	91.9	91.0	91.2	93.1
d. Transport	13.1	12.1	13.4	15.4	15.1	12.1	13.9	14.8
e. Trade and Commerce	160.6	156.4	153.5	151.0	156.6	156.4	151.4	143.2
f. Other Institutional loan	39.9	38.5	38.6	41.2	40.2	38.5	39.6	37.2
g. Consumer finance	95.8	96.2	93.9	92.1	94.7	96.2	94.3	104.7
h. Miscellaneous	1.5	0.4	2.8	0.6	0.5	0.4	0.4	0.4
Total Advances	658.0	667.0	651.0	661.6	666.5	667.0	660.5	668.3
NBFIs Deposits by its type								
Fixed Deposits	413.5	419.5	426.3	427.9	423.0	419.5	421.4	411.5
Recurring Deposits	3.5	3.7	3.4	3.6	3.1	3.7	3.7	3.4
Special Purpose Deposits	2.7	2.7	2.6	2.6	2.8	2.7	2.6	3.9
Restricted (Blocked) Deposits	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Total Deposits	419.8	426.0	432.4	434.2	429.0	426.0	427.9	419.0
Non-performing Loans (SS, DF, BL)	67.2	87.8	79.1	77.5	88.9	87.8	94.1	106.4
Interest Rates of NBFIs (in percent)								
Deposit Rate	9.72	7.82	9.22	8.69	8.28	7.82	7.51	7.62
Advances Rate	12.92	11.25	12.62	12.06	11.66	11.25	10.89	10.46
Spread	3.20	3.43	3.40	3.37	3.38	3.43	3.38	2.84
Growth in percent (y-o-y)								
NBFIs Advances								
a. Agriculture	-	-6.83	-10.92	-3.30	-3.26	-6.83	9.51	-9.51
b. Industry	-	7.11	3.12	4.42	4.04	7.11	4.83	2.25
c. Construction	-	-1.28	6.55	4.31	-1.90	-1.28	-0.50	1.39
d. Transport	-	-7.45	-4.74	7.07	6.17	-7.45	3.10	-3.97
e. Trade & Commerce	-	-2.59	-7.70	-3.65	1.46	-2.59	-1.31	-5.15
f. Other Institutional loan	-	-3.48	11.19	2.08	4.55	-3.48	2.49	-9.68
g. Consumer finance	-	0.47	-6.43	-6.92	-5.99	0.47	0.40	13.64
h. Miscellaneous	-	-75.04	159.90	-55.88	-71.25	-75.04	-87.01	-37.00
Total Advances	-	1.37	-0.25	0.51	0.89	1.37	1.45	1.02
NBFIs Deposits by its type								
Fixed Deposits	-	1.45	1.61	3.72	1.62	1.45	-1.16	-3.83
Recurring Deposits	-	4.92	-11.15	-12.96	-15.45	4.92	9.52	-6.59
Special Purpose Deposits	-	0.34	-6.26	-3.15	1.80	0.34	3.16	50.50
Restricted (Blocked) Deposits	-	61.39	-0.47	-1.72	-7.50	61.39	63.92	62.18
Total Deposits	-	1.48	1.44	3.51	1.47	1.48	-1.04	-3.51

Source: Statistics Department, Bangladesh Bank. P = Provisional.

Table I.10: Trends in Agricultural Credit
(In billion Taka)

			FY21				FY22		
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂	
Program/Target (July -June)	241.3	262.9	262.9	262.9	262.9	262.9	283.9	283.9	
Total disbursement	227.5	255.1	46.8	73.9	64.4	70.0	52.1	92.9	
Crop	114.0	128.9	24.8	41.8	31.6	30.7	23.0	44.5	
Irrigation	1.3	2.5	0.5	0.8	0.6	0.7	0.4	0.5	
Agricultural equipment	1.4	1.9	0.3	0.5	0.5	0.6	0.3	0.6	
Live-stock	31.7	35.3	7.5	9.6	10.0	8.3	9.3	16.0	
Fisheries	26.1	29.5	5.0	7.8	7.9	8.8	7.2	11.2	
Grain storage & marketing	1.3	1.8	0.3	0.4	0.4	0.6	0.3	0.5	
Poverty alleviation	20.9	20.4	3.7	4.5	4.5	7.7	3.5	8.1	
Others	30.9	34.9	4.6	8.6	8.9	12.7	8.1	11.6	
Total recovery	212.5	271.2	62.8	78.1	56.8	73.5	55.9	80.1	
Total overdue	60.6	58.7	69.5	65.7	62.9	58.7	71.7	69.3	
Outstanding	455.9	459.4	440.4	440.89	453.5	459.4	456.9	476.6	
Overdue as percent of outstanding	13.29	12.77	15.79	14.91	13.86	12.77	15.69	14.6	
			Growth in percent ¹						
Total disbursement	-3.67	12.14	31.80	2.03	5.13	20.09	11.24	25.60	
Total recovery	-10.49	27.67	43.53	9.64	4.43	70.82	-11.02	2.49	

Source: Agricultural Credit Department, Bangladesh Bank.

¹ Quarterly growth rate refers to growth over the same quarter of the previous year.

Table I.11: Microcredit Operations of Grameen Bank and Large NGOs
(In billion Taka)

Institutions			FY21				FY22	
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
1. Total disbursement	815.2	948.5	218.3	296.3	281.3	152.5	176.5	337.1
i) Grameen Bank	205.0	196.8	52.5	58.3	61.0	25.0	30.0	54.8
ii) BRAC	330.1	419.1	92.5	144.9	116.2	65.4	82.9	155.7
iii) ASA	275.2	324.8	71.9	91.6	101.6	59.8	61.4	123.2
iv) Proshika	4.9	7.8	1.5	1.5	2.5	2.4	2.2	3.4
2. Total recovery	824.8	1011.1	236.9	280.9	283.3	210.1	207.0	303.2
i) Grameen Bank	204.9	206.7	60.0	61.1	58.6	27.0	34.3	58.1
ii) BRAC	343.7	492.7	105.3	135.6	134.6	117.2	109.7	144.1
iii) ASA	270.8	304.0	69.9	82.6	87.7	63.7	60.8	97.8
iv) Proshika	5.4	7.7	1.7	1.6	2.3	2.2	2.3	3.1
3. Loans outstanding	613.7	2506.9	599.9	642.3	658.5	606.2	628.5	667.2
4. Loans overdue	13.1	110.7	12.6	24.5	32.2	41.4	33.1	42.3
5. Overdue as percent of outstanding	2.10	4.42	2.10	3.81	4.90	6.80	5.27	6.34

Source : Grameen Bank, BRAC, ASA and Proshika.

Table I.12: Microcredit Operations of MFIs
(In billion Taka)

Indicators	FY20		FY21		FY22		
	FY20	FY21	July- Dec/19	Jan- Jun/20	July- Dec/20	Jan- Jun/21	July- Dec/21
Total disbursement	1364.18	1512.09	774.94	589.24	718.84	793.25	891.21
Total recovery	1331.48	1397.12	794.92	536.56	766.38	729.75	724.53
Loans outstanding	892.23	949.85	856.48	892.23	925.19	949.85	1073.81
Loans overdue	29.51	78.95	-	-	33.66	78.95	75.83
Overdue as percent of outstanding	3.31	8.31	-	-	3.64	8.31	7.06

Source: Microcredit Regulatory Authority.

Table I.13: Industrial Term Lending by Banks and NBFIs

(In billion Taka)

Institutions	FY21				FY22			
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Disbursement								
SOBs	75.2	57.2	10.9	12.9	9.9	23.5	7.7	12.0
PCBs	579.6	545.5	127.6	134.5	133.7	149.7	122.8	150.6
Foreign banks	41.9	32.0	6.6	3.2	14.8	7.3	4.5	9.8
Specialized banks	2.6	8.1	1.7	2.1	1.7	2.5	2.1	0.01
Non-bank financial institutions	43.3	44.9	7.7	12.2	13.7	11.3	11.2	15.4
All Banks and NBFIs	742.6	687.7	154.6	165.0	173.8	194.3	148.3	187.7
Recovery								
SOBs	57.0	27.4	5.6	5.3	11.1	5.3	2.8	6.9
PCBs	554.7	450.7	80.4	124.2	131.9	114.2	101.2	147.9
Foreign banks	21.3	33.7	10.5	8.5	6.5	8.1	7.9	9.5
Specialized banks	2.2	9.9	0.5	0.7	4.5	4.3	4.1	2.0
Non-bank financial institutions	62.0	63.2	16.2	16.6	14.9	15.4	13.7	18.6
All Banks and NBFIs	697.2	584.9	113.2	155.4	168.9	147.3	129.8	184.8
Outstanding								
SOBs	559.4	752.5	497.9	471.1	705.6	752.5	601.2	590.5
PCBs	1,812.3	2,050.0	1,874.8	1,942.1	1,931.5	2,050.0	2,065.5	2099.0
Foreign banks	84.2	78.8	76.9	72.3	79.3	78.8	75.2	73.7
Specialized banks	18.1	17.5	18.7	21.1	18.8	17.5	18.9	31.9
Non-bank financial institutions	299.5	254.1	274.5	246.4	255.3	254.1	272.4	294.0
All Banks and NBFIs	2,773.5	3,152.9	2,742.8	2,753.1	2,990.5	3,152.9	3,033.3	3089.2
Growth in percent ¹								
Disbursement								
SOBs	177.83	-23.92	-62.63	-43.81	-2.53	82.10	-29.55	-7.38
PCBs	-5.81	-5.89	-24.43	-31.21	13.45	53.68	-3.71	11.92
Foreign banks	51.56	-23.68	-11.54	-67.23	-13.83	-2.09	-31.96	207.80
Specialized banks	-72.93	208.66	349.64	961.36	532.69	42.34	21.46	-99.57
Non-bank financial institutions	-66.40	3.83	-44.23	-10.24	-2.31	538.68	44.77	26.06
All Banks and NBFIs	-8.15	-7.40	-29.65	-31.84	8.97	60.16	-4.02	13.78
Recovery								
SOBs	0.72	-51.97	-67.60	-75.51	-3.59	-17.02	-49.78	28.27
PCBs	-8.59	-18.74	-50.89	-29.58	-2.03	42.91	25.86	19.02
Foreign banks	44.25	57.76	40.22	95.74	27.76	85.11	-24.87	12.55
Specialized banks	-69.59	357.60	50.80	-2.77	437.58	1,269.45	804.36	181.00
Non-bank financial institutions	-22.76	1.88	-14.76	-8.71	6.97	42.37	-15.33	11.56
All Banks and NBFIs	-8.94	-16.11	-45.53	-29.84	1.75	44.63	14.64	18.91
Outstanding								
SOBs	18.23	34.52	8.33	-5.03	33.64	34.52	20.76	25.34
PCBs	14.42	13.12	15.60	13.02	10.97	13.12	10.17	8.08
Foreign banks	25.94	-6.38	9.19	0.84	-1.78	-6.38	-2.18	1.99
Specialized banks	11.31	-2.90	15.87	24.93	12.04	-2.90	0.87	50.97
Non-bank financial institutions	0.47	-15.18	-10.09	-15.03	-15.19	-15.18	-0.76	19.31
All Banks and NBFIs	13.75	13.68	10.89	6.17	12.12	13.68	10.59	12.21

Source: SME & Special Programmes Department, Bangladesh Bank.

¹ Quarterly growth rate refers to growth over the same quarter of the previous year.

Table II.1: Trend in Inflation

(Base: 2005-06=100)

Period	Point-to-Point			12 Month Average		
	General	Food	Non-food	General	Food	Non-food
2019						
January	5.42	5.33	5.57	5.51	6.02	4.71
February	5.47	5.44	5.51	5.49	5.87	4.89
March	5.55	5.72	5.29	5.48	5.76	5.03
April	5.58	5.54	5.64	5.47	5.64	5.21
May	5.63	5.49	5.84	5.48	5.55	5.35
June	5.52	5.40	5.71	5.47	5.51	5.42
July	5.62	5.42	5.94	5.48	5.45	5.54
August	5.49	5.27	5.82	5.48	5.39	5.63
September	5.54	5.30	5.92	5.49	5.38	5.67
October	5.47	5.49	5.45	5.50	5.42	5.64
November	6.05	6.41	5.47	5.56	5.51	5.63
December	5.75	5.88	5.55	5.59	5.56	5.64
2020						
January	5.57	5.12	6.30	5.60	5.54	5.70
February	5.46	4.97	6.23	5.60	5.50	5.77
March	5.48	4.87	6.45	5.60	5.43	5.86
April	5.96	5.91	6.04	5.63	5.46	5.90
May	5.35	5.09	5.75	5.61	5.43	5.89
June	6.02	6.54	5.22	5.65	5.52	5.85
July	5.53	5.70	5.28	5.64	5.54	5.79
August	5.68	6.08	5.05	5.65	5.61	5.72
September	5.97	6.50	5.12	5.69	5.71	5.66
October	6.44	7.34	5.00	5.77	5.87	5.62
November	5.52	5.73	5.19	5.73	5.82	5.59
December	5.29	5.34	5.21	5.69	5.77	5.56
2021						
January	5.02	5.23	4.69	5.64	5.78	5.43
February	5.32	5.42	5.17	5.63	5.82	5.34
March	5.47	5.51	5.39	5.63	5.87	5.26
April	5.56	5.57	5.55	5.60	5.84	5.22
May	5.26	4.87	5.86	5.59	5.82	5.23
June	5.64	5.45	5.94	5.56	5.73	5.29
July	5.36	5.08	5.80	5.54	5.68	5.33
August	5.54	5.16	6.13	5.53	5.60	5.43
September	5.59	5.21	6.19	5.50	5.49	5.52
October	5.70	5.22	6.48	5.44	5.32	5.64
November	5.98	5.43	6.87	5.48	5.29	5.78
December	6.05	5.46	7.00	5.54	5.30	5.93

Source: Bangladesh Bureau of Statistics (BBS).

Note: Food includes food, beverage & tobacco.

Table II.2: Commodity Prices in the International Markets

	FY21				FY22	
	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Rice (US\$/M.T)	497.33	493.33	542.33	484.67	405.67	400.33
Wheat (US\$/M.T)	213.79	248.11	275.22	271.95	264.82	331.16
Soybean oil (US\$/M.T)	864.64	971.55	1,168.99	1,493.06	1433.68	1445.90
Sugar (US\$/kg)	0.28	0.31	0.35	0.37	0.42	0.42
Crude Petroleum (Dubai) (US\$/Barrel)	42.48	43.86	59.49	66.44	71.36	77.93

Source: World Bank.

Table II.3: Inflation in Peer Countries
(Point-to-point)

Country	FY21						FY22	
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Bangladesh	6.02	5.64	5.97	5.29	5.47	5.64	5.59	6.05
India(CPI NS)	6.10	6.26	6.69	4.59	5.52	6.26	4.35	5.66
Pakistan	8.60	9.70	9.00	8.00	9.10	9.70	9.00	12.30
Sri Lanka (NCPI)	6.30	6.10	6.40	4.60	5.10	6.10	6.20	14.00

Source: Central banks and Statistics Departments of respective countries.

Note: Quarterly data indicate end quarter.

Table III.1: Movements in Reserve Money
(In billion Taka)

	FY21						FY22	
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Outstanding								
1. Net foreign assets of BB	2860.4	3,669.2	3,136.1	3,411.8	3,468.4	3,669.2	3,617.3	3,546.1
2. Net domestic assets of BB	-15.6	-188.5	-327.9	-371.3	-1,626.2	-188.5	-384.0	-309.4
a) Claims on public sector	446.7	205.0	147.7	41.5	-91.9	205.0	105.8	86.1
i) Claims on govt. (net)	421.2	172.9	121.9	13.1	-98.0	172.9	72.7	54.6
ii) Claims on other public sector	25.5	32.2	25.8	28.3	6.1	32.2	33.0	31.5
b) Claim on private sector	53.4	58.4	50.4	53.3	54.6	58.4	58.3	57.0
c) Claims on banks	137.6	189.5	101.4	161.3	0.1	189.5	183.8	166.0
d) Other items (net)	-653.3	-641.4	-627.4	-627.4	-1,589.1	-641.4	-731.8	-618.5
3. Currency issued	2080.9	2,268.9	2,055.8	2,030.7	1,665.5	2,268.9	2,276.7	2,294.9
i) Currency outside banks	1921.1	2,095.2	1,892.0	1,874.6	1,842.2	2,095.2	2,096.2	2,107.2
ii) Cash in tills	159.8	173.7	163.8	156.1	-176.6	173.7	180.5	187.7
4. Deposits of banks with BB	763.9	1,211.8	752.5	1,009.8	176.6	1,211.8	956.6	941.8
5. Reserve money (RM)	2844.8	3,480.7	2,808.2	3,040.5	1,842.2	3,480.7	3,233.3	3,236.7
6. Money multiplier (M2/RM)	4.83	4.48	5.08	4.86	8.05	4.48	4.90	5.01
Growth in percent (y-o-y)								
1. Net foreign assets of BB	11.2	28.3	23.2	31.7	31.8	28.3	15.3	3.9
2. Net domestic assets of BB	85.9	-1110.0	-342.0	-352.7	-1758.9	-1110.0	-17.1	16.7
a) Claims on public sector	33.1	-54.1	-52.9	-88.8	-137.1	-54.1	-28.4	107.7
i) Claims on govt. (net)	35.0	-59.0	-57.8	-96.2	-144.1	-58.9	-40.3	315.7
ii) Claims on other public sector	7.2	26.1	4.2	9.3	-76.3	26.2	27.7	11.2
b) Claim on private sector	11.5	9.3	4.6	9.5	11.7	9.3	15.7	7.0
c) Claims on Banks	155.5	37.7	61.0	175.8	-100.0	37.7	81.3	2.9
3. Currency issued	22.1	9.0	18.2	18.1	-13.2	9.0	10.7	13.0
4. Deposits of banks with BB	0.8	58.6	2.7	27.9	-78.2	58.6	27.1	-6.7
5. Reserve money (RM)	15.6	22.4	13.6	21.2	-32.5	22.4	15.1	6.5

Source: Statistics Department, Bangladesh Bank.

Table III.2: Movements in Broad Money
(In billion Taka)

	FY20	FY21	FY21				FY22	
			Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Outstanding								
1. Net foreign assets	2973.4	3,823.4	3,311.6	3,569.8	3,622.0	3,823.4	3,775.9	3,691.6
2. Net domestic assets	10764.0	11,785.6	10,950.5	11,217.1	11,216.0	11,785.6	12,082.3	12,514.8
a) Domestic credit	13076.3	14,399.0	13,329.6	13,635.8	13,707.3	14,399.0	14,689.0	15,321.9
Credit to public sector	2103.7	2,510.4	2,198.8	2,222.7	2,103.5	2,510.4	2,581.8	2,689.4
Credit to govt. (net)	1811.5	2,210.3	1,905.0	1,912.8	1,789.1	2,210.3	2,275.4	2,345.4
Credit to other public sector	292.2	300.2	293.8	309.9	314.4	300.2	306.4	344.0
Credit to private sector	10972.7	11,888.6	11,130.8	11,413.0	11,603.8	11,888.6	12,107.2	12,632.5
b) Other items (net)	-2312.3	-2,611.8	-2,379.1	-2,418.7	-2,491.4	-2,613.4	-2,606.8	-2,807.1
3. Narrow Money	3282.6	3,758.3	3,255.5	3,363.8	3,297.8	3,758.3	3,665.7	3,793.1
a) Currency outside banks	1921.1	2,095.2	1,892.0	1,874.6	1,842.2	2,095.2	2,096.2	2,107.2
b) Demand deposits	1361.5	1,663.1	1,363.5	1,489.2	1,455.6	1,663.1	1,569.5	1,685.9
4. Time deposits	10454.7	11,850.7	11,006.6	11,423.0	11,540.2	11,850.7	12,192.5	12,413.2
5. Broad money	13737.4	15,609.0	14,262.0	14,786.8	14,837.9	15,609.0	15,858.2	16,206.4
Growth in percent (y-o-y)								
1. Net foreign assets	9.15	28.59	22.07	30.22	29.71	28.59	14.02	3.41
2. Net domestic assets	13.64	9.49	11.67	9.94	8.74	9.49	10.34	11.57
a) Domestic credit	14.02	10.11	12.65	9.91	11.40	10.11	10.20	12.37
Credit to public sector	53.97	19.33	32.04	18.58	28.34	19.33	17.42	21.00
Credit to govt. (net)	59.92	22.01	35.31	21.94	33.75	22.01	19.44	22.61
Credit to other public sector	25.09	2.75	14.10	1.32	4.31	2.75	4.30	11.00
Credit to private sector	8.61	8.35	9.48	8.37	8.79	8.35	8.77	10.68
3. Narrow money	20.11	14.49	20.21	21.91	13.34	14.49	12.60	12.76
4. Time deposits	10.48	13.35	12.19	12.16	13.17	13.35	10.77	8.67
5. Broad money	12.64	13.62	13.92	14.23	13.20	13.62	11.19	9.60

Source: Statistics Department, Bangladesh Bank.

Table III.3: Interest Rates Developments

Instruments	Mar.20	Jun.20	Sep.20	Dec.20	Mar.21	Jun.21	Sep.21 ^R	Dec.21 ^P
T - Bills								
14- day	...	...	...	...	...	...	...	...
91- day	7.09	6.83	2.93	0.53	0.75	0.52	2.00	2.36
182- day	7.47	6.91	3.71	1.12	0.99	0.68	2.50	3.19
364- day	7.51	7.35	3.86	1.91	1.86	1.21	2.76	3.44
BGTB								
2- year	7.79	7.75	4.61	3.28	3.13	2.44	...	4.68
5- year	8.05	8.05	5.57	4.48	4.24	3.84	4.67	6.41
10- year	8.47	8.62	6.48	5.68	...	5.38	6.19	7.38
15- year	8.69	8.69	6.70	6.58	...	5.65	6.19	7.77
20- year	8.99	8.90	6.98	7.01	...	6.06	6.31	7.87
Repo								
1-3 day	5.75	5.25	4.75	4.75	4.75	4.75	4.75	4.75
Reverse Repo								
1-3 day	4.75	4.75	4.00	4.00	4.00	4.00	4.00	4.00
Bangladesh Banks Bills								
07-Day	...	...	...	...	...	...	1.28	...
14-Day	...	...	...	...	...	...	1.51	...
30-Day	...	...	...	...	...	...	1.89	...
Call Money Rate	5.14	5.01	2.87	1.79	1.82	2.25	1.90	2.66
Lending Rate								
All Banks	9.5	8.03	8.04	7.69	7.57	7.43	7.38	7.38
State Owned Banks	6.73	6.45	6.49	6.18	6.21	6.20	6.28	6.33
Private Banks	10.24	8.41	8.43	8.06	7.91	7.74	7.65	7.65
(a) Domestic	10.28	8.43	8.45	8.10	7.96	7.81	7.72	7.71
(b) Foreign	9.52	8.03	7.87	7.26	6.70	6.17	5.87	6.12
Specialized Banks	7.85	7.79	7.68	7.59	7.59	7.24	7.19	7.13
Islamic Banks	10.13	8.97	9.18	8.49	8.14	8.02	8.01	8.03
Deposits Rate								
All Banks	5.44	5.02	4.89	4.56	4.39	4.14	4.09	4.07
State Owned Banks	4.5	4.27	4.48	4.43	5.43	4.32	4.24	4.13
Private Banks	5.75	5.26	5.00	4.57	4.32	4.02	3.98	3.98
(a) Domestic	5.99	5.49	5.22	4.78	4.53	4.22	4.18	4.19
(b) Foreign	2.15	1.87	1.72	1.37	1.16	0.92	0.87	0.87
Specialized Banks	5.66	5.64	5.71	5.43	4.48	5.62	5.46	5.67
Islamic Banks	6.07	5.86	5.62	5.14	4.87	4.56	4.49	4.38
National Savings Certificate								
5- year Bangladesh Sanchayapatra ¹	11.28	11.28	11.28	11.28	11.28	11.28	9.30-11.28	9.30-11.28
3- year Sanchayapatra (Tin Mas Antar Munafa Vittik) ²	11.04	11.04	11.04	11.04	11.04	11.04	9.00-11.04	9.00-11.04
5- year Pensioner Sanchayapatra ³	11.76	11.76	11.76	11.76	11.76	11.76	9.75-11.76	9.75-11.76
5- year Paribar Sanchayapatra ⁴	11.52	11.52	11.52	11.52	11.52	11.52	9.50-11.52	9.50-11.52

Sources: Monetary Policy Department and Statistics Department, Bangladesh Bank; Department of National Savings; ... = No auction; P = Provisional. Note: Revised interest rates for NSC were effective from 21 September 2021.

¹ The interest rates are 11.28%, 10.30% & 9.30% for upto Tk 15 lac, 15+ lac to 30 lac, & above 30 lac respectively.

² The interest rates are 11.04%, 10.0% & 9.0% for upto Tk 15 lac, 15+ lac to 30 lac, & above 30 lac respectively.

³ The interest rates are 11.76%, 10.75% & 9.75% for upto Tk 15 lac, 15+ lac to 30 lac & above 30 lac respectively.

⁴ The interest rates are 11.52%, 10.50% & 9.50% for upto Tk 15 lac, 15+ lac to 30 lac & above 30 lac respectively.

Table III.4: Outstanding Stocks of Bangladesh Bank Bills, Treasury Bills, Bonds and NSD Certificates
(In billion Taka)

Instruments	Mar.20	Jun.20	Sep.20	Dec.20	Mar.21	Jun.21	Sep.21	Dec.21
Bangladesh Banks Bills								
07-Day	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14-Day	0.0	0.0	0.0	0.0	0.0	0.0	7.0	0.0
30-Day	0.0	0.0	0.0	0.0	0.0	0.0	95.0	0.0
Sub Total	0.0	0.0	0.0	0.0	0.0	0.0	102.0	0.0
T - Bills								
14 - day	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
91 - day	122.0	122.0	165.0	156.0	127.0	112.5	142.9	196.0
182 - day	177.0	185.0	185.0	156.0	105.0	121.0	162.3	138.7
364 - day	362.0	355.0	332.0	279.0	248.5	287.5	272.5	286.8
Sub Total	661.0	662.0	682.0	591.0	480.5	521.0	577.6	621.5
BGTB								
2 - year	254.0	302.0	357.0	382.0	397.0	440.0	430.0	431.2
5 - year	387.0	461.5	510.0	558.5	573.5	566.5	597.0	637.6
10 - year	651.8	723.2	772.7	805.7	825.7	865.7	911.7	941.7
15-year	327.2	350.2	359.7	384.2	388.2	416.2	429.7	451.2
20-year	294.4	326.4	335.9	359.9	363.9	385.9	397.3	416.8
Sub Total	1914.3	2163.2	2335.2	2490.2	2548.2	2674.2	2765.6	2878.4
National Savings Certificate	2989.1	3021.3	3138.0	3226.2	3353.4	3440.9	3526.5	3536.8
Total	5564.4	5846.5	6155.2	6307.4	6382.1	6636.1	6869.7	7036.7

Sources: Monetary Policy Department, Bangladesh Bank; National Savings Directorate.

Table IV.1: Government Fiscal Operations

(In billion Taka)

	Revised Budget	FY21 ^P					FY22 ^P		
		FY21 ^P	Q1 ^P	Q2 ^P	Q3 ^P	Q4 ^P	Budget	Q1 ^P	Q2 ^P
Revenue	3515	2997	621	677	791	908	3890	723	791
a) NBR Tax revenue	3010	2599	500	605	678	816	3300	584	707
i) VAT	1152	1021	206	239	259	316	1277	241	281
ii) Customs duties	372	305	63	69	83	90	380	77	85
iii) Income tax	960	849	159	183	214	293	1050	179	215
iv) Others	526	425	72	113	123	117	593	87	127
b) Non- NBR tax revenue	150	63	17	19	15	11	160	9	16
c) Non- tax revenue*	355	335	104	53	98	80	430	131	67
Expenditure	5390	4310	941	887	877	1605	6037	999	1058
a) Current*	3025	2354	716	487	454	698	3288	747	618
b) ADP	1976	1721	173	340	365	843	2253	196	374
c) Others*	388	236	53	60	58	64	495	56	65
Budget Deficit	-1874	-1313	-320	-210	-86	-698	-2147	-276	-267
Financing	1874	1313	320	210	86	698	2147	276	267
a) Domestic financing	1150	839	227	102	-8	518	1135	147	106
i) Bank financing	797	398	89	11	-130	428	765	60	75
ii) Non-bank financing	353	441	139	91	122	90	370	87	31
b) Foreign financing**	724	474	93	108	93	180	1012	129	161
In percentage of GDP									
Revenue	9.96	8.49	1.76	1.92	2.24	2.57	11.26	2.09	2.29
a) NBR Tax revenue	8.53	7.36	1.42	1.71	1.92	2.31	9.55	1.69	2.05
i) VAT	3.26	2.89	0.58	0.68	0.73	0.90	3.70	0.70	0.81
ii) Customs duties	1.05	0.86	0.18	0.20	0.23	0.25	1.10	0.22	0.25
iii) Income tax	2.72	2.40	0.45	0.52	0.60	0.83	3.04	0.52	0.62
iv) Others	1.49	1.20	0.20	0.32	0.35	0.33	1.72	0.25	0.37
b) Non-NBR tax revenue	0.42	0.18	0.05	0.05	0.04	0.03	0.46	0.02	0.05
c) Non tax revenue	1.01	0.95	0.29	0.15	0.28	0.23	1.24	0.38	0.19
Expenditure	15.27	12.21	2.67	2.51	2.48	4.55	17.47	2.89	3.06
a) Current	8.57	6.67	2.03	1.38	1.29	1.98	9.51	2.16	1.79
b) ADP	5.60	4.87	0.49	0.96	1.03	2.39	6.52	0.57	1.08
c) Others	1.10	0.67	0.15	0.17	0.16	0.18	1.43	0.16	0.19
Budget Deficit	-5.31	-3.72	-0.91	-0.59	-0.24	-1.98	-6.21	-0.80	-0.77
Financing	5.31	3.72	0.91	0.59	0.24	1.98	6.21	0.80	0.77
a) Domestic financing	3.26	2.38	0.64	0.29	-0.02	1.47	3.28	0.43	0.31
i) Bank financing	2.26	1.13	0.25	0.03	-0.37	1.21	2.21	0.17	0.22
ii) Non-bank financing	1.00	1.25	0.39	0.26	0.34	0.25	1.07	0.25	0.09
b) Foreign financing	2.05	1.34	0.26	0.31	0.26	0.51	2.93	0.37	0.47
Memorandum item									
GDP at current market price	35302	35302	35302	35302	35302	35302	34560	34560	34560

Source: Budget Summary, Ministry of Finance; NBR; Bangladesh Bank; BBS.

* = Estimated, ** = Grants included; P = Provisional.

Table V.1: Balance of Payments
(In million USD)

	FY20 ^R	FY21 ^{RP}	FY21 ^{RP}				FY22 ^P	
			Q1	Q2 ^R	Q3 ^{RP}	Q4 ^{RP}	Q1 ^{RP}	Q2 ^P
Current Account Balance	-5435	-4575	3481	34	-3436	-4654	-2539	-5644
Trade balance	-18569	-23778	-2040	-4833	-7624	-9281	-6730	-8886
Export f.o.b.	32121	36903	9696	8657	9917	8633	10591	12764
Import f.o.b.	50690	60681	11736	13490	17541	17914	17321	21650
Services	-2578	-3002	-532	-550	-875	-1045	-650	-1087
Credit	6716	7439	1610	1977	1850	2002	2079	2517
Debit	9294	10441	2142	2527	2725	3047	2729	3604
Primary Income	-3070	-3172	-777	-1001	-729	-665	-726	-685
Credit	174	217	33	32	69	83	95	172
Debit	3244	3389	810	1033	798	748	821	857
Secondary Income	18782	25377	6830	6418	5792	6337	5567	5014
Official Transfers	19	33	10	1	11	11	7	5
Private Transfers	18763	25344	6820	6417	5781	6326	5560	5009
Of which : workers' remittances	18205	24778	6713	6232	5653	6180	5408	4831
Capital & Financial Account	8910	13314	-460	2738	5134	5902	2064	4750
Capital account	256	221	50	9	66	96	68	70
Capital transfers	256	221	50	9	66	96	68	70
Financial account	8654	13093	-510	2729	5068	5806	1996	4680
Foreign direct investment(Gross Inflows)	3233	3387	777	1056	847	707	847	1053
Of which: FDI net inflow	1271	1355	227	605	484	39	339	531
Portfolio investment	44	-269	-154	-3	-72	-40	-61	-29
Of which : Investment by NRBs	191	209	70	64	40	35	32	28
Other investment	7339	12007	-583	2127	4656	5807	1718	4178
Net aid flows	5739	5309	1008	310	1842	2149	1439	1808
Medium and long-term (MLT) loans	6996	6726	1384	614	2229	2499	1863	2162
MLT amortization payments	1257	1417	376	304	387	350	424	354
Other long term loans	499	1684	123	400	329	832	215	768
Other short term loans	1142	2064	-18	550	471	1061	194	1213
Trade credit	236	3498	-576	855	1871	1348	-350	-100
DMBs and NBDCs	-277	-548	-1120	12	143	417	220	489
Assets	-234	391	417	-260	21	213	550	14
Liabilities	-511	-157	-703	-248	164	630	770	503
Net Errors & Omissions	-306	535	77	285	-863	1036	-335	-87
Overall Balance	3169	9274	3098	3057	835	2284	-810	-981
Reserve Assets	-3169	-9274	-3098	-3057	-835	-2284	810	981
Bangladesh Bank	-3169	-9274	-3098	-3057	-835	-2284	810	981
Assets	3250	9924	3014	3606	435	2869	-29	-18
Liabilities	81	650	-84	549	-400	585	781	963
Memorandum Items								
Gross official reserves	36037	46391	39314	43167	43441	46391	46200	46154
In months of imports of goods & services	6.1	6.9	5.9	5.1	5.9	6.1	5.9	5.0
In months of prospective imports	6.6	7.5	6.3	5.5	6.2	6.5	6.5	5.4
Export growth (in percent)	-18.89	14.89	2.96	-8.17	5.41	123.13	9.23	47.44
Import growth (in percent)	-8.57	19.71	-11.47	-2.32	32.26	72.92	47.59	60.49
Remittances growth (in percent)	12.03	35.83	48.07	27.48	28.45	39.85	-19.80	-22.84

Source: Statistics Department, Bangladesh Bank.

Notes : R=Revised, P=Provisional, RP=Revised but still provisional.

Table V.2: Trends in the Commodity Composition of Exports
(In million USD)

Items	FY21				FY22			
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
1. Raw jute	129.9	138.2	41.2	43.8	30.1	23.1	39.5	80.3
2. Jute goods	752.5	1,023.3	266.4	316.8	255.3	184.8	172.8	297.5
3. Tea	3.1	3.6	1.2	1.1	0.9	0.4	0.4	0.7
4. Leather	98.3	119.1	23.8	30.9	28.6	35.9	32.0	37.9
5. Frozen shrimps and fish	407.9	444.4	123.7	137.2	80.0	103.5	145.0	177.0
6. Woven garments	14,041.2	14,496.7	3,662.7	3,356.7	3,814.4	3,663.0	3,895.3	4,843.8
7. Knitwear products	13,908.0	16,960.0	4,463.7	4,062.5	4,128.0	4,305.9	5,164.2	5,997.5
8. Fertilizer	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Terry towels	36.7	34.8	8.9	10.1	9.7	6.1	12.0	12.4
10. Others	4,297.0	5,538.2	1,305.3	1,377.6	1,357.9	1,497.4	1,560.9	2,229.6
Total exports	33,674	38,758	9,897	9,337	9,705	9,820	11,022	13,677
Of which: exports from EPZ	4,944	5,306	1,283	1,271	1,278	1,474	1,531	1,676
Total exports (adjusted)	32,121	36,903	9,696	8,657	9,917	8,633	10,591	12,764

Source: Export Promotion Bureau, Bangladesh.

Table V.3: Major Destination-wise RMG Related Exports
(In million USD)

			FY21				FY22	
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Exports of RMG	27,949	31457	8,126	7,419	7942	7969	9059	10841
European Countries	17,890	20297	5,219	4,871	5149	5058	5604	6891
USA	5,147	5946	1,580	1,320	1407	1639	1912	2319
Other Countries	4,912	5214	1,328	1,228	1387	1272	1543	1631
Woven Garments	14,041	14497	3,663	3,357	3814	3663	3895	4844
European Countries	7,733	8116	1,967	1,883	2253	2014	2011	2575
USA	3,773	3888	1,049	868	928	1044	1171	1511
Other Countries	2,535	2493	647	607	634	605	713	758
Knitwear Products	13,908	16960	4,464	4,063	4128	4306	5164	5997
European Countries	10,157	12181	3,252	2,989	2896	3044	3593	4316
USA	1,374	2059	532	452	480	595	741	808
Other Countries	2,378	2720	680	622	752	666	830	873
Growth in percent (y-o-y)								
Exports of RMG	-18.12	12.55	0.85	-6.87	-1.70	107.22	11.48	46.12
European Countries	-18.71	13.45	2.39	-4.52	-1.88	106.96	7.39	41.46
USA	-16.10	15.54	5.99	-11.31	0.72	112.78	21.03	75.71
Other Countries	-18.01	6.13	-9.66	-10.79	-3.40	101.50	16.20	32.83
Woven Garments	-18.58	3.24	-5.78	-14.61	-11.93	93.60	6.35	44.30
European Countries	-19.15	4.94	-4.54	-9.96	-11.05	91.88	2.26	36.77
USA	-18.32	3.04	-3.38	-21.41	-12.45	99.15	11.69	74.16
Other Countries	-17.16	-1.64	-12.71	-17.62	-14.18	90.16	10.13	24.98
Knitwear Products	-17.65	21.94	7.04	0.67	10.12	120.42	15.69	47.63
European Countries	-18.37	19.93	7.09	-0.74	6.69	118.31	10.50	44.42
USA	-9.31	49.88	31.05	17.70	42.06	141.81	39.45	78.68
Other Countries	-18.89	14.41	-6.54	-2.93	8.00	112.99	21.98	40.49

Source: Compiled by Statistics Department of Bangladesh Bank using the data of EPB.

Table V.4: Export Performance for July-December, 2021^P

(In million USD)

	Proposed Export Target for 2021-22	Strategic Target for July-Dec. 2021-22	Export Performance for July-Dec. 2021-22	Export Performance for July-Dec. 2020-21	% Change of export performance over Export Target	% Change of export performance July-Dec. 2021- 22 Over July Dec. 2020-21
All Products (A+B)	43500.0	21384.0	24698.6	19233.5	15.5	28.4
A. Primary Commodities:	1617.2	795.0	993.1	804.5	24.9	23.4
Frozen & Live Fish	508.0	249.7	339.0	279.7	35.8	21.2
Agricultural Products	1109.2	545.3	654.0	5248	20.0	24.6
B. Manufactured Commodities:	41882.8	20589.0	23705.5	18428.9	15.1	28.6
Cement salt stone etc.	8.0	3.9	3.9	3.8	-0.5	3.2
Ores, Slag and Ash	35.9	17.6	20.4	10.6	15.7	91.6
Petroleum bi Products	25.7	12.6	12.3	10.4	-2.9	18.3
Chemical products	302.9	148.9	200.7	128.0	34.8	56.8
Plastic, Melamine Products	127.0	62.4	71.1	53.0	13.8	34.2
Rubber	40.5	19.9	24.5	15.9	23.2	54.1
Leather & Leather products (including leather footwear)	1031.0	506.8	564.0	446.1	11.3	26.4
Wood and Wood Products	5.4	2.7	1.3	1.2	-51.5	9.3
Handicrafts	39.0	19.2	21.4	16.6	11.5	28.9
Pulp	0.04	0.02	0.0	0.0	0.0	0.0
Paper and Paper Products	73.0	35.9	42.6	33.9	18.6	25.5
Printed Materials	1.1	0.6	0.6	0.5	8.9	13.0
Silk	1.0	0.5	0.5	0.04	8.2	1225.0
Wool and woolen Products	0.4	0.2	0.1	0.0	-17.7	0.0
Cotton and Cotton Products	175.0	86.0	102.5	73.5	19.1	39.4
Jute and Jute Goods	1420.0	698.1	590.1	668.1	-15.5	-11.7
Man Made Filaments and Staple Fibers	130.0	63.9	126.2	61.9	97.4	103.8
Carpet	45.0	22.1	18.9	18.4	-14.4	3.0
Specialized Textiles	150.0	73.7	193.3	62.8	162.2	208.0
Knitwear	19515.0	9593.3	11161.6	8526.2	16.4	30.9
Woven Garments	15629.0	7683.0	8739.1	7019.4	13.8	24.5
Home Textile	1370.0	673.5	716.0	547.5	6.3	30.8
Other Footwear (excluding leather footwear)	400.0	196.6	212.8	171.5	8.2	24.1
Headgear/Cap	250.0	122.9	163.8	100.8	33.3	62.5
Umbrella Waking Sticks	0.0	0.0	0.1	0.0	0.0	0.0
Wigs and Human Hair	64.0	31.5	46.0	22.5	46.3	105.0
Building Materials	1.0	0.5	0.2	0.5	-53.1	-51.1
Ceramic Products	35.0	17.2	20.1	15.1	16.9	33.3
Glass and Glass ware	10.0	4.9	9.8	4.6	99.4	111.4
Engineering Products	644.8	317.0	444.3	264.6	40.2	67.9
Ships, boats & floating structures	0.2	0.1	0.1	0.1	30.0	85.7
Other Manufactured Products	353.0	173.5	197.2	151.5	13.6	30.2

Source: Export Promotion Bureau, Bangladesh.

P = Provisional.

Table V.5: Trends in the Commodity Composition of Imports
(In million USD)

	FY20	FY21	FY21				FY22	
			Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
A. Food Grains	1,673	2,681	450	689	762	780	541	1047
1. Rice	22	851	3	239	289	320	232	165
2. Wheat	1,651	1,830	447	451	473	460	309	882
B. Other Food Items	3,704	4,155	824	852	1,192	1,288	1,160	1414
3. Milk & cream	341	344	73	63	112	97	112	62
4. Spices	351	404	138	85	90	92	87	73
5. Edible oil	1,617	1,926	325	414	505	682	576	806
6. Pulses (all sorts)	663	681	113	105	272	192	182	155
7. Sugar	734	800	175	186	213	226	203	319
C. Consumer & Intermediate Goods	31,913	38,307	7,423	7,909	11,557	11,418	11,481	14003
8. Clinker	879	1,048	198	242	295	314	242	321
9. Crude petroleum	731	2,616	124	220	2,142	131	254	237
10. POL	4,627	6,369	1,386	1,023	1,724	2,237	1,361	1877
11. Oil seeds	1,183	1,406	260	229	372	545	293	504
12. Chemicals	2,533	2,974	728	678	740	829	853	915
13. Pharmaceutical products	294	363	70	83	105	106	259	381
14. Fertilizer	1,035	1,360	207	444	433	276	762	1263
15. Dyeing and tanning materials	697	855	188	201	226	240	236	269
16. Plastics and rubber articles thereof	2,610	3,168	621	658	895	994	950	1052
17. Raw cotton	2,961	3,186	609	612	920	1,045	1,040	988
18. Yarn	1,901	2,436	521	443	559	914	1,254	1224
19. Textile and articles thereof	6,380	6,553	1,361	1,655	1,486	2,051	2,000	2676
20. Staple fibre	1,086	1,040	195	255	283	306	310	421
21. Iron, steel & other base metals	4,997	4,933	956	1,168	1,378	1,431	1,669	1874
D. Capital Goods & Others	11,109	13,012	2,632	2,926	3,492	3,962	3,690	4517
22. Capital machinery	3,581	3,825	811	715	1,104	1,194	1,167	1597
23. Others Capital goods	7,528	9,187	1,821	2,211	2,388	2,767	2,524	2920
E. Others	6,385	7,440	1,357	2,206	1,960	1,917	1,848	2421
Grand Total c.i.f.(A+B+C+D+E)	54,785	65,595	12,687	14,583	18,961	19,365	18,720	23402
Of which Import by EPZ	3,488	3,489	695	859	868	1,067	1,105	1312
Grand Total f.o.b.(adjusted)	50,690	60,681	11,736	13,490	17,541	17,914	17,321	21650

Source: Compiled by Statistics Department of Bangladesh Bank using the data of National Board of Revenue (NBR).

Table V.6: Sector wise comparative statement of the Opening and Settlement of Import LCs
(In million USD)

Items	FY21						FY22			
	FY21		Q ₃		Q ₄		Q ₁		Q ₂	
	Opening	Settlement	Opening	Settlement	Opening	Settlement	Opening	Settlement	Opening	Settlement
Consumegoods	7,813	6,807	2,747	1,808	1,864	1,970	2,565	1,999	2267	2532
Intermediate goods	6,144	5,315	1,818	1,454	1,848	1,758	1,758	1,518	2148	1872
Industrial raw materials	24,419	20,226	6,493	5,425	7,510	5,831	7,384	6,473	8827	7019
Capital machinery	5,703	3,742	1,057	1,018	2,407	1,041	1,395	935	1886	1752
Machinery for misc. industri	3,720	3,302	969	868	976	943	1,414	932	1277	1089
Petroleum and petroleum products	4,408	4,290	1,250	1,173	1,406	1,372	1,736	1,405	1778	2264
Others	14,832	13,575	3,866	3,647	4,133	3,919	4,167	3,788	5472	4810
Total	67,037	57,256	18,201	15,392	20,145	16,834	20,419	17,050	23656	21340
of which back to back	8,999	7,506	2,400	1,859	2,728	2,107	3,168	2,567	3448	2844
	Growth in percent (y-o-y)									
Consumer goods	25.19	18.73	56.79	8.20	34.80	45.01	57.27	35.75	44.37	62.66
Intermediate goods	20.59	3.91	21.18	12.35	81.27	34.00	68.95	74.20	49.49	51.97
Industrial raw materials	21.13	11.01	18.64	12.20	65.65	41.83	59.24	49.84	52.73	50.94
Capital machinery	15.50	-12.39	-25.04	5.06	191.16	60.70	16.75	13.66	80.80	104.00
Machinery for misc. industri	22.43	11.25	12.32	11.98	71.83	55.21	57.32	41.29	45.75	30.87
Petroleum and petroleum products	-7.99	-5.14	-26.51	-22.48	60.24	36.66	144.69	78.27	70.72	136.68
Others	25.28	9.26	35.57	20.45	73.66	54.84	30.69	47.58	50.20	39.74
Total	19.50	7.52	17.04	9.28	73.83	45.47	53.52	48.24	53.70	57.73
of which back to back	13.99	0.43	20.09	-5.18	83.69	38.75	66.16	45.76	75.48	59.87

Source: Foreign Exchange Operation Department, Bangladesh Bank.

Table V.7: Country-wise Workers' Remittances
(In million USD)

Countries	FY21						FY22	
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Gulf Region	10,558	13,611	3,824	3,403	3,044	3,341	2,976	2,547
1. Saudi Arabia	4,015	5,721	1,614	1,453	1,290	1,364	1,304	1,131
2. UAE	2,473	2,440	752	622	506	561	446	369
3. Qatar	1,020	1,450	347	328	342	434	356	328
4. Oman	1,241	1,536	486	384	301	365	292	189
5. Kuwait	1,372	1,887	466	473	472	475	442	398
6. Bahrain	437	578	160	144	132	142	136	131
Euro Region	1,418	2,091	531	521	513	525	471	445
7. UK	1,365	2,024	516	504	496	508	452	428
8. Germany	53	67	15	17	17	18	19	17
Asia Pacific Region	1,738	2,707	818	718	569	602	421	336
9. Singapore	457	625	189	156	137	143	112	89
10. Japan	49	80	21	23	18	18	18	16
11. Malaysia	1,231	2,002	607	540	414	441	291	231
Rest of the World	4,492	6,369	1,540	1,591	1,527	1,712	1,541	1,503
12. USA	2,403	3,462	815	831	843	973	858	834
13. Others	2,089	2,907	725	759	684	739	683	669
Total	18,205	24,778	6,713	6,232	5,654	6,179	5,408	4,831

Source: Statistics Department, Bangladesh Bank.

Table V.8 Exchange Rate Movements
(Taka per Currencies)

Period	US Dollar		U.K. Pound Sterling		EURO		Japanese Yen	
	Period	End	Period	End	Period	End	Period	End
	Average	Period	Average	Period	Average	Period	Average	Period
2019-20								
July	84.50	84.50	105.49	102.68	94.82	94.26	0.78	0.78
August	84.50	84.50	102.76	103.18	94.03	93.60	0.79	0.80
September	84.50	84.50	104.30	103.84	93.03	92.43	0.79	0.78
October	84.67	84.75	106.96	109.35	93.54	94.50	0.78	0.78
November	84.78	84.90	109.20	109.63	93.73	93.47	0.78	0.78
December	84.90	84.90	111.05	111.34	94.25	95.08	0.78	0.78
January	84.90	84.90	111.08	111.18	94.30	93.66	0.78	0.78
February	84.95	84.95	110.33	109.46	92.71	93.44	0.77	0.78
March	84.95	84.95	104.48	99.89	93.60	91.65	0.79	0.76
April	84.95	84.95	104.93	103.90	91.99	91.89	0.79	0.79
May	84.95	84.95	104.48	108.88	92.34	94.29	0.79	0.79
June	84.92	84.90	104.38	104.41	95.54	95.44	0.79	0.79
2020-21								
July	84.81	84.80	107.26	110.21	97.05	100.00	0.79	0.81
August	84.84	84.83	111.29	113.26	100.29	100.98	0.80	0.81
September	84.80	84.84	110.07	109.13	100.01	99.64	0.80	0.80
October	84.80	84.80	110.13	110.09	99.87	99.60	0.81	0.81
November	84.80	84.80	111.89	112.92	100.27	101.45	0.81	0.81
December	84.80	84.80	113.86	115.54	103.09	104.28	0.82	0.82
January	84.80	84.80	115.64	116.21	103.27	102.92	0.82	0.81
February	84.80	84.80	117.48	118.16	102.55	102.41	0.81	0.80
March	84.80	84.80	117.59	116.53	101.08	99.35	0.78	0.77
April	84.80	84.80	117.32	118.16	101.35	102.82	0.78	0.78
May	84.80	84.80	119.28	120.32	102.93	103.38	0.78	0.77
June	84.81	84.81	119.03	117.36	102.27	100.90	0.77	0.77
2021-22								
July	84.80	84.81	117.20	117.88	100.25	100.44	0.77	0.77
August	84.95	85.20	117.32	117.24	100.03	100.51	0.77	0.78
September	85.26	85.50	117.16	114.80	100.40	99.15	0.77	0.76
October	85.61	85.68	117.06	117.31	99.29	99.07	0.76	0.75
November	85.78	85.80	115.55	114.24	97.94	96.89	0.75	0.76
December	85.80	85.80	114.09	115.73	96.99	97.38	0.75	0.75

Source: Statistics Department, Bangladesh Bank.

Table V.9: Trends in Foreign Aid
(In million USD)

	FY20	FY21 ^P	FY21 ^P				FY22 ^P	
			Q ₁	Q ₂ ^R	Q ₃ ^{RP}	Q ₄ ^P	Q ₁ ^P	Q ₂ ^P
a. Grants (i+ii)	276	254	60	9	78	106	75	76
i) Food Aid	0	16	6	0	7	3	2	0
ii) Project Aid	276	237	54	9	71	103	73	76
b. Loans (MLT)	6,996	6,726	1,384	614	2,229	2,499	1,863	2,162
A. Total (a+b)	7,272	6,980	1,445	623	2,307	2,605	1,938	2,238
B. Amortization(1+2)	1,727	1,900	508	238	700	453	594	446
1) Principal	1,270	1,413	352	189	501	372	420	361
2) Interest	457	487	157	49	200	82	174	85
C. Net Foreign Financing (A -1)	6,002	5,566	1,093	434	1,806	2,233	1,518	1,877

Source: ERD; MOF; Statistics Department, Bangladesh Bank.
R=Revised, P= Provisional, RP= Revised but still provisional.

Table VI.1: Gross NPL Ratios by Type of Banks
(In percent)

Type of Banks	2020				2021			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
State Owned Commercial Banks	22.82	22.73	22.46	20.90	20.91	20.62	20.07	19.28
Specialized Banks	15.10	15.92	15.92	13.32	13.36	11.44	11.44	12.02
Private Commercial Banks	5.63	5.86	5.56	4.66	5.13	5.44	5.47	5.31
Foreign Commercial Banks	5.59	5.49	5.86	3.46	4.13	3.91	4.12	4.29
All Banks	9.03	9.16	8.88	7.66	8.07	8.18	8.12	7.93

Source: Banking Regulation and Policy Department, Bangladesh Bank.
Note: Data prior to December 2020 contains information without OBU.

Table VI.2: Net NPL Ratios by Type of Banks
(In percent)

Type of Banks	2020				2021			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
State Owned Commercial Banks	4.57	3.21	2.93	0.00	2.67	2.48	2.45	2.53
Specialized Banks	2.98	2.70	2.70	1.32	1.22	-0.61	-0.65	0.40
Private Commercial Banks	-0.55	-0.52	-0.94	-1.54	-1.29	-1.17	-1.18	-1.07
Foreign Commercial Banks	-0.02	-0.41	-0.38	-0.56	-0.29	-0.38	-0.38	-0.73
All Banks	0.39	0.15	-0.22	-1.18	-0.48	-0.47	-0.55	-0.43

Source : Banking Regulation and Policy Department, Bangladesh Bank.
Note: Data prior to December 2020 contains information without OBU.

Table VI.3: Capital to Risk Weighted Asset Ratios by Types of Banks
(In percent)

Type of Banks	2020				2021			
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
State Owned Commercial Banks	4.59	6.93	8.25	4.34	6.49	6.82	6.25	3.71
Specialized banks	-33.50	-36.54	-33.73	-32.92	-31.86	-32.16	-34.31	-33.62
Private Commercial Banks	13.49	13.31	13.29	13.96	13.44	13.26	13.09	13.72
Foreign Commercial Banks	24.66	24.35	25.59	28.24	28.04	28.46	27.10	25.45
All Banks	11.35	11.63	11.94	11.64	11.67	11.57	11.22	11.08

Source: Department of Off- site supervision, Bangladesh Bank.

Table VI.4: Profitability Ratios by Type of Banks
(In percent)

Type of Banks	Return on Asset (ROA)*				Return on Equity (ROE)*			
	2021				2021			
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
State Owned Commercial Banks	-0.03	0.13	-0.01	-0.68	-0.62	2.94	-0.14	-21.61
Specialized Banks	-2.89	-3.20	-3.47	-3.03	-13.17	-14.41	-15.41	-13.21
Private Commercial Banks	0.61	0.68	0.66	0.62	8.87	10.12	10.01	9.34
Foreign Commercial Banks	1.46	1.48	1.31	1.17	9.08	9.26	8.40	7.59
All Banks	0.42	0.50	0.44	0.25	6.70	8.26	7.42	4.44

Source: Department of Off- site supervision, Bangladesh Bank;

*=All are annualized except the quarter of December.

Table VII.1: Indicators of Capital Market Developments

	FY21						FY22	
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Number of listed securities ¹	368	388	371	376	382	388	390	395
Issued equity and debt (billion Taka)	751.2	848.8	763.4	826.7	836.0	848.8	862.5	870.1
Market capitalization (billion Taka)	2576.3	4588.4	3467.7	3933.7	4031.0	4588.4	5266.8	4832.5
Turnover (billion Taka)	780.4	2547.0	468.8	560.4	628.8	889.0	1191.3	814.3
DSE broad index	3989.1	6150.5	4963.3	5402.1	5278.2	6150.5	7329.0	6756.7
DSE -30 index	1341.0	2208.4	1696.0	1964.0	1994.4	2208.4	2710.5	2532.6
	Growth in percent (y-o-y)							
Number of listed securities	1.38	5.43	1.64	2.70	3.80	5.43	5.12	5.05
Issued equity and debt	4.34	12.99	4.49	10.80	11.65	12.99	12.98	5.25
Market capitalization	-25.04	78.10	9.22	38.20	56.57	78.10	51.88	22.85
Turnover	-46.53	226.38	88.72	165.20	131.65	1,706.8	154.13	45.32
DSE broad index	-26.42	54.18	0.32	21.30	31.68	54.18	47.66	25.08
DSE -30 index	-30.49	64.68	-3.63	29.90	49.86	64.68	59.82	28.95

Source: Dhaka Stock Exchange.

¹Include debenture but exclude govt. bond.

Table VII.2: Group-wise Market Capitalization of Dhaka Stock Exchange

(In billion Taka)

Name of Groups	FY21						FY22	
	FY20	FY21	Q ₁	Q ₂	Q ₃	Q ₄	Q ₁	Q ₂
Banks	449.1	679.6	552.4	572.9	562.8	679.6	725.3	727.0
Financial Institutions	125.4	212.0	181.1	190.3	168.0	212.0	285.4	228.4
Mutual Funds	29.5	46.2	40.2	41.9	36.3	46.2	45.3	40.5
Engineering	131.9	603.9	385.3	501.7	523.4	603.9	642.7	565.5
Food & Allied Product	208.4	385.7	254.9	305.5	375.0	385.7	460.9	445.6
Fuel and Power	365.3	465.9	446.9	430.9	442.6	465.9	561.0	469.4
Jute Industry	1.8	2.0	2.3	2.9	2.1	2.0	2.3	2.1
Textile Industry	95.9	147.4	117.8	111.8	103.7	147.4	185.4	165.9
Pharmaceuticals and Chemicals	467.5	638.3	564.5	608.6	591.2	638.3	764.4	716.2
Paper and Printing	9.6	15.1	15.3	15.6	14.7	15.1	23.4	34.4
Services and Real Estate	13.0	20.9	16.1	18.8	17.0	20.9	30.9	25.6
Cement Industry	71.9	119.4	79.6	88.9	90.8	119.4	166.8	127.0
Insurance	91.5	222.7	139.7	160.0	137.4	222.7	225.4	214.0
Telecommunication	336.7	730.6	467.1	652.2	702.6	730.6	765.2	687.8
Miscellaneous	178.2	298.3	200.1	241.0	261.8	298.3	380.6	377.1
Corporate Bond	3.9	4.1	3.9	4.1	4.0	4.1	4.1	6.2
Total Market Capitalization	2,580	4,588	3,463	3,947	4,033	4,588	5,269	4,832

Source: Dhaka Stock Exchange.

Annexure

Major Policy Announcements: October - December, 2021

<p>BRPD Circular Letter No. 53 December 30, 2021 Loan Classification and Transfer of interest/profit to income account against loans/investments.</p>	<p>For the loans/investments disbursed in CMSME sector as per BRPD Circular Letter No. 51, if minimum 15% of the payable amounts from January/21 to December/21 of all other categories of loans/investments is realized by the last working day of December 2021, the corresponding loan/investment is may be shown as unclassified. And the interest levied on these loans/investments for 2021 is allowed to be transferred to income account considering the future recovery risk. Banks are, however, required to maintain 2% general provision against these loans/investments.</p>
<p>BRPD Circular No. 23 December 28, 2021 Policy regarding the operation of Dormant Account</p>	<p>All Current, Special Notice Deposit and Savings Account, whatever may be the name, of scheduled banks including Islamic banks shall be regarded as Inoperative accounts, if no transaction is made in 6 (six) months from the date of last transaction or last acknowledgment of account statement or last date of request for account statement.</p> <p>An inoperative Current Account and SND account shall be regarded as Dormant account after elapsing minimum 6 (six) months, and for that of Savings Account after minimum 18 (eighteen) months.</p> <p>All dormant accounts are entitled to be credited applicable interest whenever due. At the same time, applicable charge/excise duty/vat is also allowed to be deducted from these accounts.</p> <p>An account holder shall have to apply to the manager to re-operate a dormant account. If the dormant account remains untransacted for 5 (five) years, fresh KYC shall have to be accomplished.</p> <p>Bank shall communicate and inform the account holder of a dormant account through SMS, E-mail, letter, relationship manager or any other mode of communication 1 (one) month prior to identifying the account as dormant.</p>
<p>BRPD Circular Letter No. 49 December 09, 2021 Formation of a special refinance scheme by Bangladesh Bank to provide long-term loan/ investment at low-interest rate for renovation, modernization and construction of new cinema hall with a view to reviving the past tradition of cinema industry</p>	<p>A maximum loan facility of BDT 10 (ten) crore shall be available under the refinance scheme for repairing/renovation, modernization and construction of new cinema hall.</p> <p>A company/individual owned (unitarily/jointly) Cineplex in a building shall be regarded as a "single unit". A maximum BDT 10 (ten) crore may be allowed for setting up such a new unit and a maximum of BDT 5 (five) crore for repairing an existing unit. The number of seats for a cinema hall/Cineplex must be a minimum of 100 (one hundred) to avail loan under the refinance scheme. In case of existing/to be established cinema hall/Cineplex in rented/leased establishment, the tenure of rent/lease agreement must be for a minimum of 5 (five) years more than the expiry/tenure of loan repayment.</p>
<p>DMD Circular Letter No. 09 December 30, 2021 Appointment of Rupali Bank Limited as Primary Dealer</p>	<p>Rupali Bank Limited has been appointed as a Primary Dealer of Government Securities for 1 (one) year, which may further be extended on compliance of BB directives and consideration of next one year performance in primary and secondary market, with a view to issuing government treasury bills and bonds and revitalizing the post-issue secondary market of buying and selling.</p>
<p>DMD Circular Letter No. 07 December 23, 2021</p>	<p>Primary Dealers shall be facilitated with liquidity support for 3 (three) months at a stretch from the date of issuing treasury bills and</p>

Providing Liquidity Support to Primary Dealers	treasury bonds against the collateral of devolved and purchased treasury bills/bonds from primary auctions.									
<p>DOS Circular Letter No. 42 October 07, 2021 Mark-to-Market based Revaluation of Treasury Bills and Bonds held by the Banks</p>	<p>For a limited time period, the maximum held-to-maturity(HTM) limit is set as under: For all Non-primary dealer banks: 120% of SLR and for all Primary dealer banks: 135% of SLR The enhanced HTM limit shall be restored to its present state in a phased manner. A bank needs to progressively reduce the holding approved Securities in HTM so that the HTM limit shall not exceed:</p> <table border="1" data-bbox="665 534 1451 674"> <thead> <tr> <th></th> <th>Non-primary dealer banks</th> <th>Primary dealer banks</th> </tr> </thead> <tbody> <tr> <td>As on 31 December 2023</td> <td>115% of SLR</td> <td>130% of SLR</td> </tr> <tr> <td>As on 31 December 2024</td> <td>110% of SLR</td> <td>125% of SLR</td> </tr> </tbody> </table> <p>2 Transfer of approved securities from the Held-for-Trading (HFT) to the HTM category is generally not permitted. However, Primary Dealers (PDs) of government treasury securities are allowed to remeasure treasury bonds that match certain criteria. In this regard, following decisions have been made:</p> <ol style="list-style-type: none"> i. Treasury bonds categorized as HFT and remained unsold for at least two years from the date of purchase may be remeasured. All PDs are eligible to carry out such remeasurement. ii. Treasury bonds categorized as HFT and remained unsold for at least one year from the date of purchase may also be remeasured by a PD that holds approved securities in the HFT category not less than 50% of its required SLR of that period. In this instance, a PD may remeasure bonds to the extent where the holding of approved securities in the HFT portfolio does not fall below 50% of required SLR at the time of remeasurement. iii. Treasury bonds that have already been selected as Benchmark Securities or will be selected as Benchmark Securities in future are not allowed to remeasure in any situation. <p>2a. Other instructions:</p> <ol style="list-style-type: none"> i. Although the remeasured securities are categorized as HTM, for the time being, they will be excluded from the maximum limit of holding approved securities in the HTM category. ii. The remeasured securities will be eligible for SLR. Repo, and ALS operation. iii. All other existing regulations regarding HTM securities will be applicable for the remeasured securities. <p>2b. Accounting Procedure:</p> <ol style="list-style-type: none"> i. A bond should be remeasured at the purchase price (clean) or fair value, whichever is lower ii. In cases where the market value of the bond at the time of remeasurement is higher than the purchase price, the bond should be remeasured at the purchase price and the appreciation (market value-purchase price) should be adjusted with revaluation reserve for the bond under consideration. If 		Non-primary dealer banks	Primary dealer banks	As on 31 December 2023	115% of SLR	130% of SLR	As on 31 December 2024	110% of SLR	125% of SLR
	Non-primary dealer banks	Primary dealer banks								
As on 31 December 2023	115% of SLR	130% of SLR								
As on 31 December 2024	110% of SLR	125% of SLR								

	<p>there is any excess in revaluation reserve for the bond under consideration after such adjustment, it may be taken into the P/L account</p> <p>iii. On the other hand, in cases where the market value of the bond is less than the purchase price, it should be remeasured at the market value. In this case, the existing revaluation reserve for the bond under consideration may be taken into the PL account</p> <p>iv. Any difference between new book value and maturity amount should be amortized over the remaining life of the bond as usual.</p>
<p>FID Circular No. 02 October 28, 2021 Refinance Scheme for the low-income professionals, farmers, marginal/micro businessmen adversely affected by COVID-19</p>	<p>Bangladesh Bank re-introduced a refinance scheme titled "Refinance Scheme for the low-income professionals, farmers, marginal/micro businessmen adversely affected by COVID-19". This is the 2nd phase implementation of the earlier scheme facilitated to the beneficiaries as the COVID-19 pandemic prolonged. The refinance scheme worth BDT 30 billion, increasable by BB if necessary, shall be financed from the own source of Bangladesh Bank. The tenure of the scheme is 30 June 2023.</p> <p>All scheduled banks operating in Bangladesh, after disbursing loan to the targeted member through MFIs and through direct disbursement by the banks under their policy, are allowed to avail refinancing facility from Bangladesh Bank under the scheme. Scheduled banks interested in direct financing and through MFIs at entrepreneurship level shall have to perform a participation agreement with Financial Inclusion Department to serve the purpose. Scheduled banks shall finance to the selected MFIs based on their application. After receiving financing from the scheduled banks, MFIs shall ensure disbursement of loans at customer level. The beneficiaries include low-earning entrepreneurs and professionals involved in local farming and income-generating activities. Extremely poor, poor and underprivileged group of people, helpless/oppressed women, the COVID affected and expatriates shall be prioritized in disbursing loan. However, minimum 25% of the total loan/investment shall have to be loaned to women.</p> <p>The single borrower exposure limit of microcredit through MFI shall be BDT 75 (seventy five) thousand and for group based financing in income- generating activities, each group comprising of minimum 5 (five) persons, maximum BDT 3 (three) lac. For that of small entrepreneurs, the single borrower exposure limit through both MFI and scheduled banks shall be BDT 15 (fifteen) lac and to group based financing in joint project/venture maximum BDT 60 (sixty) lac.</p> <p>The maximum limit of financing to a single MFI shall be fixed at 40% of loan/investment outstanding of that MFI of last fiscal year or 5% of the fund (BDT 3,000 crore) of this refinance scheme, whichever is lower. However, Bangladesh Bank may change the limit of financing based on demands and necessities.</p> <p>An MFI must loan/invest 70% of the fund received from the scheduled banks in microcredit and the rest 30% to small entrepreneurs. However, undisbursed portion of the loan allocated</p>

	<p>to small entrepreneurs is allowed to be disbursed as microcredit. The tenure of loan/investment in microcredit (both individual and group based) shall be maximum 1 (one) year without grace period (3 months) and in small entrepreneurship level 2 (two) year without grace period (6 months) but maximum 3 (three) years. Bangladesh Bank shall charge 0.5% interest annually against the refinance to the scheduled banks and scheduled banks are allowed to charge maximum 3% interest against their financing to MFIs. The rate of interest to be charged by MFIs at customer level shall maximum 9% at Reducing Balance Method. In the meantime, the interest rate on loans directly disbursed by the scheduled banks to the small entrepreneurs shall be maximum 7% at Reducing Balance Method.</p>
<p>SPA Circular No. 01 November 15, 2021 Purchase of fuel/oil in foreign exchange by airlines/shipping-lines or their agents in Bangladesh</p>	<p>Authorized Dealers (ADs) designated for effecting outward remittances are allowed to issue drafts in foreign exchange favoring state owned fuel/oil selling companies. In this context, equivalent Taka is required to be shown in the disbursement statement supported by documentary evidences. The payments by way of drafts in foreign exchange need to be reported in online TM Form monitoring system and necessary relevant schedules should be reported to Statistics Department of Bangladesh Bank. ADs receiving drafts in foreign exchange may, besides encashment, retain the amounts in margin accounts or in approved foreign currency accounts, in the name of state owned fuel/oil selling companies, opened with permission from Bangladesh Bank. The amounts so retained shall only be used for settlement of import payments in addition to encashment in Taka. The receipts by way of drafts in foreign exchange need to be reported in respective online reporting module and necessary relevant schedules should be reported to Statistics Department of Bangladesh Bank.</p>
<p>FEPD Circular Letter No. 33 December 27, 2021 Liberalization of family remittance facility for foreign nationals working in Bangladesh</p>	<p>To bring further liberalization regarding family remittance, it has now been decided that:</p> <p>(a) Authorized Dealers (ADs) are allowed to remit up to 80% of earned net income after tax at any time all over the year subject to availability of fund in the bank accounts concerned of foreign nationals working in Bangladesh as per amended "Form of Application for Private Remittance by Foreign National to Countries Abroad" prescribed in Appendix 5/81 of GFET (Annexure-I).</p> <p>(b) The remaining 20% of foreign nationals' net income will be remittable at the end of the financial year upon completion of income tax assessment, supported by certificate issued by tax authority concerned.</p> <p>(c) ADs are also allowed to remit foreign nationals' net income from the employers' Foreign Currency Account opened and maintained for this purpose to abroad where the family members of the foreign employees reside.</p> <p>Before executing the remittances ADs will ensure that the remittable amount does not exceed the balance held in related bank account.</p>

<p>FEPD Circular No. 34 November 10, 2021 Export incentive against export from Specialized Zone (BEZA, BEPZA and Hi-tech Park)</p>	<p>Type-C industries (under 100% local ownership) producing footwear and bags, and agro-processing products located in Bangladesh Economic Zones, Type-C industries manufacturing software, ITES and hardware located in Bangladesh Hi-Tech Park, introduction of new products and exploration of new market oriented Type-C industries in garments sector located in Bangladesh Export Processing Zones and Type-C industries in garments sector oriented for exporting in the EEU, the USA and the Canada located in Bangladesh Export Processing Zones and Bangladesh Economic Zones shall keep enjoying special assistance. For that of Type-A (under 100% local ownership) and Type-B (local-foreign joint ownership) industries located in specialized zones producing agro-processing products for exports, 4% export subsidy shall be applicable. All other industries, except those mentioned, manufacturing other listed products operating in specialized zones shall receive 1% cash incentives against their exports. Against the export of own-factory products located in specialized zones, 1% producer-exporter export incentive shall be applicable on the net FOB value of shipping goods in fiscal year 2021-2022.</p>
<p>FEPD Circular No. 35 November 10, 2021 Export incentive against export of locally produced Tea</p>	<p>In fiscal year 2021-2022, 4% producer-exporter export incentive shall be accessible on the net FOB value of shipping tea produced in own-garden provided minimum 30% local value addition to the product. Export incentive and duty drawback/duty bond facility shall not be simultaneously applicable under the incentive package of the said products.</p>
<p>FEPD Circular No.36 November 10, 2021 Export incentive against export of Bicycle and its parts.</p>	<p>For export of own-factory produced bicycle and its parts in fiscal year 2021-2022, 4% producer-exporter export incentive shall be accessible on the net FOB value provided minimum 30% local value addition to the products. Export incentive and duty drawback/duty bond facility shall not be simultaneously applicable under the incentive package of the said products.</p>
<p>FEPD Circular No. 37 November 10, 2021 Export incentive against export of locally produced MS Steel Products.</p>	<p>For export of own-factory produced MS Steel Products, 4% producer-exporter export incentive shall be accessible on the net FOB value in fiscal year 2021-2022 provided minimum 30% local value addition to the products. Export incentive and duty drawback/duty bond facility shall not be simultaneously applicable under the incentive package of the said products.</p>
<p>FEPD Circular No. 38 November 10, 2021 Export incentive against export of locally produced Cement Sheet.</p>	<p>For export of own-factory produced Cement Sheet in fiscal year 2021-2022, 4% producer-exporter export incentive shall be accessible on the net FOB value provided minimum 30% local value addition to the products. Export incentive and duty drawback/duty bond facility shall not be simultaneously applicable under the incentive package of the said products.</p>
<p>FEPD Circular Letter No. 27 October 27, 2021 Release of foreign exchange for online study abroad</p>	<p>Observing the situation that Bangladeshi students are still studying under online teaching arrangements from Bangladesh due to travel restrictions imposed by some foreign governments for ongoing COVID-19 pandemic, ADs are allowed to continue to effect outward remittances on account of study abroad under online teaching arrangements for another two semesters/sessions subject to</p>

	observance of usual regulatory instructions.
PSD Circular No. 10 October 18, 2021 Determination of Fees/Charges for domestic transactions routed through NPSB and Card schemes	<p>The ATM card issuing bank/institution shall provide maximum BDT 20 (twenty) including VAT for each cash withdrawal by their customer using ATM of a different bank, maximum BDT 5 (five) including VAT for each case of balance searching and small statement, maximum BDT 10 (ten) including VAT for fund transfer and maximum BDT 20 (twenty) including VAT for cash deposit service charge, realizable by the card issuing bank from their customer, to the acquiring bank/institution under NPSB. In case of cash withdrawal, card issuing bank/institution is allowed to charge maximum BDT 15 (fifteen) including VAT from their customer.</p> <p>Acquiring bank/institution shall realize minimum 1.6% of the total transaction as Merchant Discount Rate (MDR) from the merchant for merchant payment for using POS of a different bank/institution. Of the percentage, 1.1% shall have to deliver to the card issuing bank/institution as Interchange Reimbursement Fee (IRF). Additional 0.2% fee is permitted to charge if IPS network is used in transaction. For local cash withdrawal through POS, service charge is set at maximum BDT 20 (twenty) including VAT for each transaction chargeable from the customer and payable to the acquiring bank/institution by the card issuing bank.</p> <p>Customer of a bank is allowed to transfer fund to a different bank using internet banking (IBFT) by providing maximum BDT 10 (ten) including VAT service charge to be realized by the originating bank.</p> <p>In case of local Not "On-us" Bangla QR transaction, acquiring bank/institution shall realize minimum 0.7% of the total transaction as Merchant Discount Rate (MDR) from the merchant for merchant payment in individual retail account. Of the percentage, 0.4% shall have to deliver to the card issuing bank as Interchange Reimbursement Fee (IRF).</p> <p>For payment of government service, MCC-9399 chalan shall have to be used against payment of all government service except Merchant Category Code (MCC)-9211 (court cost including alimony and child support), MCC-9222 and MCC-9311 (Tax payments). No chargeback is applicable for MCC-9399. If card is used in MCC-9399 payment in Bangladesh, acquiring banks is allowed to charge maximum BDT 20 (twenty) including VAT from the customer for each payment up to BDT 25 (twenty five) thousand, of which BDT 5 (five) including VAT to be delivered to the card issuing bank. For payment above BDT 25 (twenty five) thousand, related banks shall charge their prevailing fees/charges.</p>
SMESPD Circular Letter No. 11 December 30, 2021 Re-fixing of Loan Limit Under Credit Guarantee Scheme for Cottage, Micro and Small Enterprises (CMSE)	<p>The borrower limit to the Cottage, Micro and Small Enterprises (CMSE) under Credit Guarantee Scheme has been re-fixed at minimum BDT 25 (twenty five) thousand and maximum BDT 1 (one) crore instead of previous minimum BDT 2 (two) lac and maximum BDT 50 (fifty) lac respectively.</p>

Bangladesh Bank welcomes suggestions and comments for improvement of the contents and form of this publication. Comments and suggestions may be sent to:
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Published by G.M. Abul Kalam Azad, General Manager, Department of Communications and Publications, Bangladesh Bank, Head Office, Dhaka, Bangladesh. website : www.bb.org.bd, Printed by Al-Kawser Printers, 167 Motijheel C/A, Dhaka-1000.

DCP-05-2022-300

Price :Tk. 50.00; US\$: 5.00