

Economy at a glance

BB bids farewell to easy money policy to tame inflation

The Bangladesh Bank has tightened money flow by raising its policy rate as taming inflation has been given a top priority in the new monetary policy for the fiscal 2022-23, making a departure from its ultra-loose monetary policy taken in the last two years. The central bank raised the policy rate, which is also known as the repo rate, by 50 basis points to 5.50% from 5% – a record hike in recent history – in the new monetary policy announced on 30 June 2022. The surge in the rate will make money expensive for banks as they borrow money from the Bangladesh Bank on the repo (repurchase agreement).



As part of tightening money flow, the private sector credit growth ceiling was cut to 14.1% for FY23 from 14.8% of just the outgoing fiscal year. The actual private sector credit growth in June was 13.1%, according to the monetary policy statement. The monetary policy projects 12% import growth in the new fiscal year when export growth will be 13% and remittance will grow at 15%. The forex reserve will reach \$42.5 billion in FY23.

Bangladesh exceeds labour exports target in FY22

Bangladesh has surpassed its manpower export target for the 2021-22 fiscal year as countries across the globe lifted pandemic restrictions and reopened businesses. Around 9.88 lakh workers secured overseas employment in the immediate past fiscal, which is a whopping 253% growth compared to the previous fiscal year, according to data provided by the Ministry of Expatriates' Welfare and Overseas Employment. The remittance inflow, however, declined 15% in FY22 compared to FY21.



According to experts, quality labour migration is yet to be ensured as the majority of the outgoing workers are deemed unskilled or low-skilled. Skilled workers will be able to bring in more remittances. Sector insiders have linked the rebound of overseas employment to brighter Gulf economies buoyed by rising fuel oil prices, normalization of the pandemic situation, and easing of restrictions. Besides, increasing the quota for Bangladeshi migrants' in all Saudi firms to 40% from 25% has contributed to this record growth as the kingdom employed 66% of the total exported workers in the last fiscal.

Trade deficit hits historic high

Bangladesh's trade deficit hit a historic high of \$30.81 billion in the first 11 months of the 2021-22 fiscal year, intensifying the pressure on the macroeconomic zone. The country has been facing the higher trade deficit in recent months due to the escalation of imports against lower exports. Trade deficit in the first 11 months of FY21 stood at \$20.70 billion, according to data from the Bangladesh Bank. This has already created a tremendous pressure on the foreign exchange reserves, prompting a foreign exchange crisis in the banking sector. Between July and May last fiscal year, imports increased to \$75.40 billion, up 39 per cent year-on-year when exports grew 33 per cent to \$44.58 billion. The higher trade deficit also registered a record current account deficit of \$17.23 billion in the first 11 months of FY22 in contrast to a deficit of \$2.78 billion a year ago.

Remittances fall 15pc in FY22

Remittances slipped back into negative growth in fiscal year 2021-22 for the first time in the last six fiscal years as many remitters opted for the informal channels to send their money. The inflow stood at \$21.03 billion in FY22, a decrease of 15 per cent year-on-year, according to data from Bangladesh Bank. But the positive part is that last fiscal year's inflow was higher than that of FY20 when the pandemic was largely absent. Migrant workers had remitted \$18.2 billion during the period. Expatriate Bangladeshis sent a record \$24.77 billion in FY21 when the hundi system, an illegal cross-boundary financial system to launder money, remained inoperative due to the pandemic. But the hundi system came into operations in a full-fledged manner since the first half of last fiscal year, putting an adverse impact on remittances.

Home textiles, agri and leather emerge with major export potentials

Home textiles, agricultural products and leather and leather goods are gradually emerging to be export potential sectors, say industry leaders. While these sectors performed well according to the export outlook of concluded FY22, experts deem their growth curves still below the achievable potential partly due to freight cost hike which hindered export. For leather and leather goods export compliance turns out to be a major barrier for growth. Jute and jute goods saw about 3% negative growth due to price hike of raw materials in the previous fiscal year.



According to the provisional data of Export Promotion Bureau (EPB), in July-June, the country's diversified export basket contributed about 19% to the total export earnings of \$52.08 billion, while apparel shipment alone accounts for more than 81%, which once went up to 84%. EPB data shows, the home textile sector saw a 43.28% growth to \$1.62 billion year-on-year while leather and leather goods earned \$1.24 billion with 32.23% growth in the last fiscal. Agricultural products recorded \$1.16 billion with 13.04% growth, while the earnings were \$1.02 billion in FY21.

Tk 678,064cr national budget for FY 2022-23 passed in parliament

Parliament on June 30, 2022 passed the Tk 6,78,064 crore national budget for the fiscal year 2022-23, with the theme "Return to the Path of Development Leaving the Covid-19 Behind" to overcome the impact of coronavirus pandemic and Russia-Ukraine war on the economy. Finance Minister AHM Mustafa Kamal placed the Appropriations Bill, 2022 seeking a budgetary allocation of Tk 8,83,751 crore which was passed by voice vote. The budget kept the GDP growth target of 7.5 percent and the GDP size estimated at Tk44.50 lakh crore. The revenue target is set at Tk4.33 lakh crore, while the budget deficit is Tk2.42 lakh crore or 5.4 percent of GDP. The average inflation in the budget was kept at 5.6 percent.

Central bank spent \$7.62b reserve in FY22 to defend sliding Taka

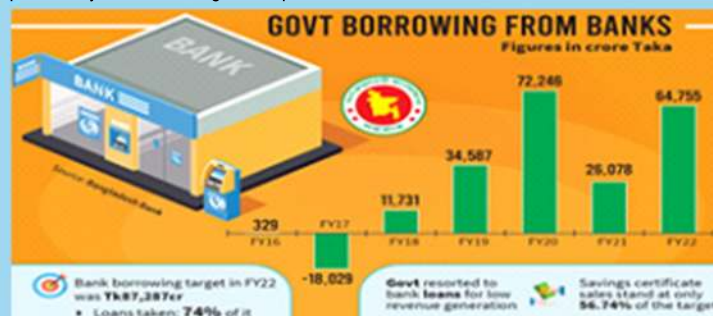
Asian central banks are spending billions from reserves to defend their currencies against rising US dollar and the Bangladesh Bank was no different. The country's central bank has spent \$7.62 billion from the foreign exchange reserves in the just concluded fiscal 2021-22 to slow down the weakening Taka against the dollar while it bought \$7.7 billion the previous fiscal year, according to the latest monetary policy statement. The Federal Reserve Bank's tightening move to boost the dollar forced the Bangladesh Bank to reverse buying the greenback



Bangladesh experienced 9.2% currency depreciation against the dollar during the last fiscal year when Malaysian currency lost value by 5.6%, India's by 4.8%, China's 3.5%, and Indonesia's by 2%, according to the Bangladesh Bank data. On the other hand, currencies of Cambodia and Vietnam enjoyed appreciation against the dollar during the same period. The Bangladesh Bank in its monetary policy considered exchange rate stability as the major challenge in the new fiscal year.

Govt borrowing from banks jumps as revenue collection falls

The government more than doubled its borrowing from the banking sources to meet the budget deficit in FY22 as revenue collection and sale of savings certificates dropped. In FY21, the government borrowing from the banking sector was Tk26,078 crore, which was Tk64,755 crore in FY22 – Tk38,677 crore more than the previous year, according to the provisional data of the central bank



The target of government domestic borrowing for FY22 was reset at Tk1.24 lakh crore in the revised national budget while the target of borrowing from the banking system was reset at Tk87,287 crore. The government borrowed 74.18% of the targeted amount. The rate of government borrowing at the beginning of FY22 was slow, but it sped up in June, because the revenue collection and sale of savings certificates decreased.

REAL ESTATE NEWS

First-ever housing bond launched

Thousands of low and middle-income urban and rural families in Bangladesh, often underserved by commercial banks, are expected to be able to take out affordable housing loans through the International Finance Corporation's investment in the country's first housing bond to be issued by Brac Bank.

The IFC will make a subscription of up to \$50 million-equivalent Bangladeshi taka denominated, five-year senior bond by Brac Bank, in order to fund and expand the Bangladeshi lender's affordable housing finance programme, said the private sector lending arm of the World Bank Group in a recent press release. The move is expected to create thousands of new jobs in construction and related industries.

NATIONAL HOUSING NEWS

23rd Annual General Meeting (AGM) of NHFIL

The 23rd Annual General Meeting (AGM) of National Housing Finance and Investments Limited was held on Thursday, 2nd June, 2022 at 12.00 noon through virtual platform. The shareholders approved 15.00% Cash Dividend for the year 2021. It may be noted that National Housing also declared 15% cash dividend in the year 2020. The Meeting was presided over by Mr. Mahbur Rahman, Chairman of the Company. In the AGM Syed M. Altaf Hussain, Vice-Chairman, Mr. Abdul-Muyeed Chowdhury, Chairman Audit Committee, all other Directors, Promoters, and a large number of Shareholders along with Mr. Mohammad Shamsul Islam, Managing Director and Mr. Md. Sarwar Kamal FCS, Company Secretary were present. The shareholders appreciated and thanked to the Board of Directors and management for the continuous success of the Company.

