

Major Economic Indicators	→	GDP	Inflation	Investment as % of GDP
Target for H1'21	→	8.20%	5.04%-5.93%	33.50%

Monthly Commentary on Selected Economic Indicators

The World Bank took a conservative approach in their global outlook on this month and predicted that Bangladesh's GDP will grow partly by 1.6% in FY2021. Meanwhile, the International Monetary Fund (IMF) observed in its World Economic Outlook 2020 that Bangladesh's economy will see a 4.4% growth this fiscal year owing to the prolonged impact of the havoc caused by the Covid-19 pandemic. Besides, the IMF also forecasted that, with an increase of 4%, Bangladesh is set to overtake India in terms of per capita GDP in FY2020-21. However, The Finance Minister of Bangladesh stated that the projection of the World Bank is very conservative and claimed the country will achieve 8.2% growth in its Gross Domestic Product (GDP) this fiscal year to demonstrate the magnitude of the economic turnaround. It is evident that Bangladesh was well off as most of the key drivers of the economy, especially exports and remittance, have recently performed better than many of its peers amid Covid-19 outrage.

- The point-to-point inflation rise to 5.97% on Sep'20, from 5.68% in the previous month primarily due to an increase of food prices in both rural and urban areas. The increase of staples price on September'20 led to a substantial hike in General inflation. Besides, The food inflation increased by 0.42% to reach at 6.50% on Sep'20, from 6.08% on Aug'20 due to supply-side disruption caused by seasonal floods. Additionally, the non-food inflation with a mere increase stood at 5.12% on Sep'20 from that of 5.05% a month ago driven by a full-scale resumption of transport, service, and household activity. However, further inflationary pressure due to prolonged floods in the northern & central parts of the country and the increased flow of fund into the money market might impose a challenge to contain targeted inflation at the level of 5.04%-5.93% on Oct'20.
- On August'20, the revenue collection deficit further expanded for two back-to-back months of the FY2021. The target for revenue collection on Jul-Aug'20 was set at USD 4,828mn while the collective tax receipts of the NBR had a shortfall of 30.1% and stood at USD 3,376.71mn due to tax exemption on several goods and a slowdown of business activities in the country. The General Economics Division of the planning ministry set the target to achieve the tax-GDP ratio at 14.5% during FY2021. Until the uncertainty of the ongoing pandemic withstands the revenue, NBR collection is expected to be lower than the target. Additionally, the net sale of NSC is observing upward movement owing to lower return on bank deposit schemes for interest rate ceiling.
- Bangladesh Bank revised up the monetary target for public sector credit growth at 35.60% for the H1'21 amid rising government borrowing from the banking system due to dismal revenue collection. Moreover, public sector credit stood at USD 26.5bn at the end of Aug'20 while the government's effort to meet deficit financing may lead to an increase in borrowing to the public sector credit. Besides, the target for the private sector credit growth stayed at 11.50% for H1'21 although the actual private credit is still hovering as low as 9.36% on Aug'20. Implementation of government declared stimulus packages to boost up businesses have edged up the private sector credit growth in Aug'20 by 0.16% from that of a month ago.
- The country's export earnings on Sep'20 increased by 3.5% to USD 3.02bn from USD 2.97bn on the same month of last fiscal year. Export earnings maintained its position on a green trajectory as global demand rebounds for knitwear garment, jute goods, agricultural products, frozen fish, home textile, and non-leather footwear. Moreover, the government has set the export earnings target at USD 41bn, with a growth rate of 21.76% for the FY2021 despite weak export demand from the top destination countries during a sluggish trend of the global economy. On the other hand, Imports on Aug'20 has declined by 7.76% (YoY) to USD 2.9bn as the domestic economic activities are yet to return to normalcy from the impact of the coronavirus pandemic. However, a second wave of infections in the western countries may lead to setbacks in the recovery of Bangladeshi offshore shipments.
- BDT remained stable against USD since four consecutive months and stood at BDT 84.84 on September'20 on the back of the central bank's intervention to keep the exchange rate stable. Besides, on September'20, the country received a satisfying amount of USD 2.15bn remittances, while having 9.53% (MoM) growth stimulated by the government's policy to continue a 2% cash incentive. Recently, Fitch Ratings Inc., a US-based credit rating agency, said remittances may drop-in days ahead as the situation in the overseas labor market remains volatile due to COVID crunched global economic crisis. Moreover, the surge in remittance inflows, lower import payments, and foreign aid from developing partners took the country's foreign exchange reserves to reach a new height of USD 39.31bn on September'20, which is equivalent to more than 10-months of import payment coverage for the country.
- The key index of the Dhaka Stock Exchange, DSEX surged by 84 points or 1.72% to settle at 4,963 points at the end of September'20. The stock market has continued its upward trend since the second week of August'20 riding on general investors' participation due to low return on bank deposit and supportive policies by BSEC to safeguard investors' interest in the market. The capital bourse added USD 3.51bn in market capitalization on September '20 from that of a month ago. Besides, the total turnover at DSE stood at USD 2.62bn on September '20 as per the DSE data while net foreign investment in FY'20 has recorded a negative balance of BDT 4.88 bn, with foreign investors buying shares worth BDT 36.78 bn while selling shares worth BDT 41.66 bn.

Inflation (P-P)													
	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
General (%)	5.54	5.47	6.05	5.75	5.57	5.46	5.48	5.96	5.35	6.02	5.53	5.68	5.97
Food (%)	5.30	5.49	6.41	5.88	5.12	4.97	4.87	5.91	5.09	6.54	5.70	6.08	6.50
Non-food (%)	5.92	5.45	5.47	5.55	6.30	6.23	6.45	6.04	5.75	5.22	5.28	5.05	5.12
Domestic Fiscal													
	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Tax Revenue (NBR) Earnings (USD mn)	1,691	2,119	2,099	2,193	2,572	2,395	2,238	2,417	1,052	1,584	3,523	1,454	1,922
Net Foreign Aid (USD mn)	306	19	400	111	982	250	326	841	206	344	1,934	54	-
Net Sale of NSC (USD mn)	261	117	97	38	(48)	264	235	181	(73)	51	403	437	442
Money & Banking													
	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Call Money Rate (%)	5.02	3.61	3.93	5.07	5.04	5.06	5.17	4.96	5.03	5.02	4.85	4.70	2.66
Inter Bank Repo Rate (%)	5.59	2.54	3.04	4.80	5.87	5.99	5.78	4.41	4.76	4.57	4.31	4.04	1.36
Lending Rate (%)	9.56	9.58	9.63	9.68	9.66	9.62	9.58	8.29	8.18	7.95	7.79	7.82	-
Deposit Rate (%)	5.65	5.66	5.71	5.70	5.69	5.53	5.51	5.37	5.24	5.06	5.02	4.95	-
Spread	3.91	3.92	3.92	3.98	3.97	4.09	4.07	2.92	2.94	2.89	2.77	2.87	-
Monthly Deposit (USD mn)	1,433	1,536	1,560	2,163	92	711	(866)	1,309	1,111	2,798	1,447	3,186	-
Monthly Credit (USD mn)	1,432	1,687	2,387	2,768	873	1,334	(1,809)	3,588	1,508	2,050	1,640	2,203	-
Excess Liquidity (USD mn)	-	-	-	12,444	12,174	25,218	10,584	-	13,174	16,448	16,595	-	-
Private Credit (USD mn)	120,319	121,057	122,148	124,046	123,966	124,650	125,541	126,558	128,259	129,319	129,151	129,906	-
Public credit (USD mn)	19,708	20,473	21,272	22,079	22,732	22,634	19,306	23,190	22,645	24,203	26,622	26,499	-
Domestic credit (USD mn)	140,027	141,530	143,420	146,125	146,699	147,284	144,848	149,748	150,904	153,522	155,773	156,405	-
Classified Loan (%) - Quarterly	12			9			9			9			-
External Sector													
	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Export fob (USD mn)	2,916	3,073	3,056	3,525	3,617	3,322	2,736	520	1,465	2,715	3,911	2,967	3,019
Import fob (USD mn)	4,628	4,885	4,063	4,866	4,936	4,371	4,170	2,644	3,534	4,447	3,912	3,520	-
Current Account Balance-YTD (USD mn)	(765)	(1,304)	(1,359)	(1,347)	(2,152)	(1,837)	(2,410)	(3,420)	(4,401)	(4,849)	1,965	3,296	-
BOP-YTD (Overall Balance) (USD mn)	(204)	(229)	(307)	27	132	30	345	799	1,397	3,655	1,127	2,470	-
Remittance (USD mn)	1,468	1,640	1,555	1,687	1,639	1,452	1,276	1,086	1,503	1,832	2,600	1,964	2,151
Remittance Growth % (MoM)	-0.97%	11.66%	-5.15%	8.48%	-2.88%	-11.37%	-12.12%	-14.88%	38.38%	21.86%	41.90%	-24.45%	9.53%
Exchange Rate (BDT/USD)	84.50	84.75	84.80	84.90	84.90	84.95	84.95	84.95	84.95	84.85	84.80	84.81	84.84
Foreign Ex. Reserve (USD mn)	31,833	32,435	31,729	32,688	32,401	32,986	32,567	33,110	33,409	36,017	37,288	39,040	39,314
Capital Market													
	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Index (DSEX)	4,948	4,683	4,731	4,453	4,963	4,480	4,008	-	4,060	3,989	4,214	4,879	4,963
Total Turnover (USD mn)	1,005	828	874	789	951	1,463	782	-	17	563	708	2,195	2,624