

Monthly ECONOMIC UPDATE & OUTLOOK

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(GED)
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ECONOMIC UPDATE

Highlights

- *Inflation remained stable in February and March; however, food prices, particularly rice and fish prices, pushed up inflation in March. Rice price is expected to be lower in the coming months with the expected good production of Boro rice*
- *The external sector strengthened with a significant increase in exports and remittances*
- *Relatively lower deposit and private sector credit growth in March and previous months indicate sluggishness in investments and economic activities*
- *A significant surge of public sector borrowing from commercial banks in recent months, mainly due to sluggish revenue collection and a halt in direct central bank lending, might have crowded out private sector credit to some extent.*
- *Quarterly GDP growth reveals slower growth, but an expansion of the manufacturing sector, indicating a positive outlook for economic growth*
- *National child poverty was observed at about 16.49%, with a significantly higher poverty rate in rural areas (20.15%) compared to urban areas, 8.22%.*

Inflation eases, but concern still remains

In recent years, inflation has become a major economic concern for Bangladesh. The last fiscal year, 2023-24, witnessed a surge in food inflation reaching double-digit levels at 10.65. Since November 2024, the situation of food inflation has started improving with the availability of winter vegetables. Food inflation, for the first time in 12 months, came down to single digits in February 2025 and continued in March 2025 at 8.93 percent. Inflation in March 2025 has slightly increased but remained almost stable.

In March 2025, food remained the major contributor of overall inflation (42.71 percent), followed by housing (13.09 percent) and clothing and footwear (9.37 percent). The major contribution to general inflation by broad category includes rice (14.62 percent), fish (11.58 percent), and vegetables (6.08 percent), whereas their share reached 34.14 percent, 27.05 percent, and 14.20 percent when food inflation is considered. Lower prices of seasonal vegetables drive down food

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inflation. However, in terms of disaggregation of food category by item, the top four contributors include brinjal (17.12 percent), rice medium (16.73 percent), coarse rice (12 percent), and hilsa (11.37 percent). Rice prices were mainly driven up due to the production loss of Aman caused by the flash flood in September-October in some districts, as well as higher prices in the international markets. Higher production of potatoes and onions helped lower the rate of inflation during this time. The increase in prices of brinjal and hilsa is justifiable due to Ramadan and the Bengali New Year; nonetheless, the escalation of rice prices needs prompt attention to mitigate food inflation.

Overall, inflation is relatively higher in rural areas, and so is the contribution of the above factors, highlighting the fact that more attention is required for efficient management of the food supply chain in rural areas.

External sector strengthens amid increased remittances

In March 2025, Bangladesh experienced a significant increase in remittances and exports, achieving record levels. Bangladesh experienced a record influx of \$3.29 billion in remittances, reflecting a 65% increase compared to the previous year. This rise can be primarily attributed to various factors, including the Eid Festival in March and a potential shift towards official remittance channels, largely due to enhanced regulatory measures by the Bangladesh Bank that have curtailed money laundering activities through unofficial channels. Total remittances from July 2024 to March 2025 amounted to \$21.77 billion, an increase from \$16.69 billion in the corresponding period of the previous year. The increase in remittances resulted in an elevation of the country's gross foreign exchange reserves, which are now at around \$25.62 billion. Exports increased by

11.44% year-on-year, reaching \$4.25 billion, largely due to the readymade garment sector.

Bangladesh's immediate positive response to Trump's reciprocal tariff has worked well and brought a sigh of relief for exporters

Against the backdrop of imposing a reciprocal tariff on Bangladeshi exports at a rate of 37%, Chief Adviser Professor Muhammad Yunus has addressed a letter to US President Donald J. Trump, requesting him to postpone the application of measures on Bangladesh for three months, which was later approved. Bangladesh is in consultation with the US President Trump's administration to negotiate the issue. In response to reciprocal higher tariffs, Bangladesh offered to increase imports of US farm products, including cotton, wheat, corn, and soybeans, which will contribute to the income and livelihood of US farmers.

Sluggish investments and economic recovery are reflected in the lower growth of bank deposits and credit

The aggregate deposit growth in the banking system for February 2025 was 7.88%, down from 8.29% in the previous month. The central bank expects an increase in March due to the Eid-ul-Fitr festival. Bangladesh Bank also published a new master circular on March 17, 2025, to enhance financial support for CMSMEs.

In March 2025, Bangladesh's private sector credit growth was at 7.15%, one of the lowest growth. This decline is attributed to factors like heightened lending rates and uncertainties in political and economic reforms. Additionally, some garment companies have shut down, and around 10 banks have seen their lending capacity erode due to irregularities, further impacting private sector credit growth. A significant

surge of public sector borrowing from commercial banks in recent months, mainly due to sluggish revenue collection and a halt in direct central bank lending, might have crowded out private credit growth to some extent. Government reliance on commercial banks for deficit financing increased substantially, with borrowing from these institutions rising to Tk 985.79 billion by mid-April 2025, a 60% jump compared to the previous year.

Exchange rates remained relatively stable compared to previous periods

In March 2025, the exchange rate of Taka showed slight depreciation against the US Dollar, fluctuating between Tk. 121.5755 and Tk. 121.9542 per US dollar during the month. This suggests a degree of volatility in the market, though the movements weren't exceptionally large. Increased demand for LCs (Letters of Credit) and the central bank's allowance for banks to open LCs could have contributed to the increase in the dollar rate. Remittances also played a role, with March 2025 seeing record remittances, which typically influence the exchange rate. Despite the volatility, the exchange rate remained relatively stable compared to previous periods. Due to positive external sector performance, the foreign exchange reserves have increased, and the exchange rate of Bangladeshi Taka against major currencies stabilized, giving a positive outlook for stabilization of the external sector.

Economy bounces back but needs acceleration

Bangladesh's economy is on track to recover from the first quarter's weak performance, with the GDP growth in the first quarter at 1.96%, largely due to a slowdown in industry arising from political and macroeconomic instability. The agricultural production was

also hampered in the first quarter of FY2025 due to floods. In the second quarter (October-December) of FY25, the growth rebounded to 4.48%. As per the provisional estimates, the growth has been driven by a surge in industry growth, reaching 7.1 percent from 2.4% in the Q1 of FY25. Other sub-sectors, except agriculture, also did considerably well during that quarter. In terms of sub-sectors, manufacturing leads with 8.49 percent in the second quarter of FY2025, followed by mining and quarrying (8.01 percent), wholesale and retail trade, repair of motor vehicles and motorcycles (6.63 percent).

ECONOMIC OUTLOOK

Economic recovery is expected to be bolstered by a favorable external sector with positive exports and remittances growth, a stable exchange rate, and declining inflationary pressures. Moreover, an accommodative but relatively tighter monetary policy stance, improved investors' confidence, followed by the successful Bangladesh Investor Summit 2025 held on 7-8 April 2025 and the global market recovery, will provide additional support to foster industrial growth. Commercial lending interest rates need to be reduced to boost investments by improving the non-performing loan situation and operational efficiencies of the banks. The government's commitment to fiscal consolidation will contribute to improved fiscal accounts. Improvement of efficiencies in selecting development projects targeting sustainability and efficiency will enhance the possibility of quality growth. For agriculture, the outlook for Boro production is promising, considering that better weather will prevail. Inflation is expected to remain stable within the range of 8.0% to 9.0% in April and May 2025.

Highlights of a GED study on child poverty

Recently, GED conducted a study titled “The Urban-Rural Dichotomy: A comparative analysis of child poverty in Bangladesh, examining access to basic services, and social infrastructure” with the support of UNICEF. According to this study, national child poverty was observed at about 16.49%, with a significantly higher poverty rate in rural areas (20.15%) compared to urban areas, 8.22%. The data shows that younger children (0-5 years) experience the highest rates of poverty at 18.2%. This rate decreases to 16.7% for those aged 6-14 years, and further to 13.2% for those aged 15-17 years. In all the age groups of children, poverty is highly prevalent in rural areas compared to urban areas, which are 21.44%, 20.63%, and 16.56% for 0 to 5 years, 6 to 14 years, and 15 to 17 years, respectively. This figure highlights the persistent economic challenges that affect children's access to basic needs and services, necessitating targeted poverty alleviation programs. Furthermore, significant regional disparities exist in child poverty rates. The highest rates are found in Rangpur (29.99%) and Mymensingh (24.26%), while the lowest rates are in Dhaka (9.45%) and Chattogram (11.92%). In summary, this analysis highlights the significant impact of various sociodemographic factors on child poverty rates in Bangladesh, underscoring the need for targeted policies and interventions to address these disparities.

Project of the Month: Highlights of a project approved by the ECNEC

The Executive Committee of the National Economic Council (ECNEC) approved the "Bay Terminal Marine Infrastructure Development Project" amounting to Tk 13,525.57 crore on April 20, 2025. This initiative aims to facilitate a mega project executed on a PPP basis to augment the Chattogram port's capacity sixfold, therefore substantially enhancing the nation's trading capabilities and accommodating the demands of the expanding economy. The project is situated in the Bay of Bengal, adjacent to the coast of Patenga, within the Halishahar Ananda Bazar region of Chattogram. The proposal entails significant foreign investment, with international terminal operators (ITOs) such as PSA, DP World, and AD Ports indicating interest in investing. The approved initiative is a supportive project of the Bay Terminal. This project entails the construction of a breakwater in the sea to shield the terminal from waves, and the enhancement of hinterland connectivity for the port. The original Bay Terminal will consist of four terminals, including two container terminals and one multipurpose terminal.

Acknowledgments: The data used in this report were provided by the Bangladesh Bureau of Statistics and the Bangladesh Bank.

Annex: Tables and Figures

Figure 1. Inflation in the last 12 Months

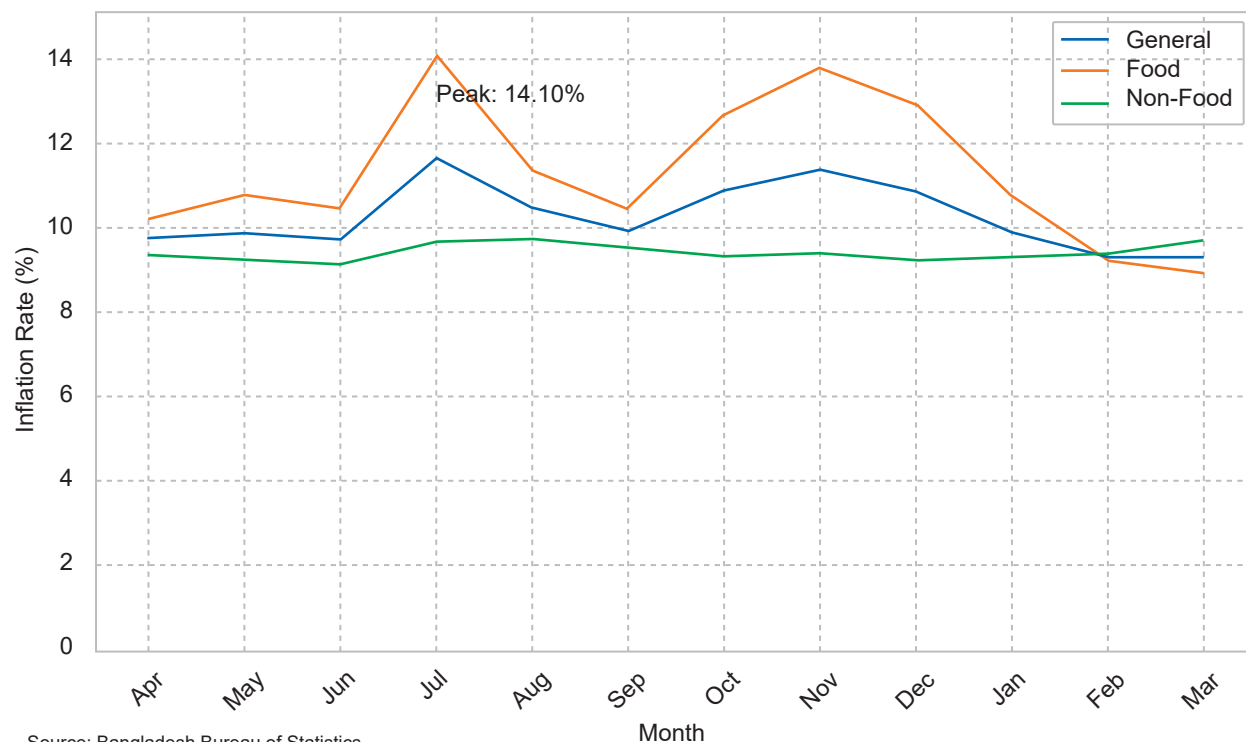


Figure 2. Contribution to point to point Inflation by Item in March 2025

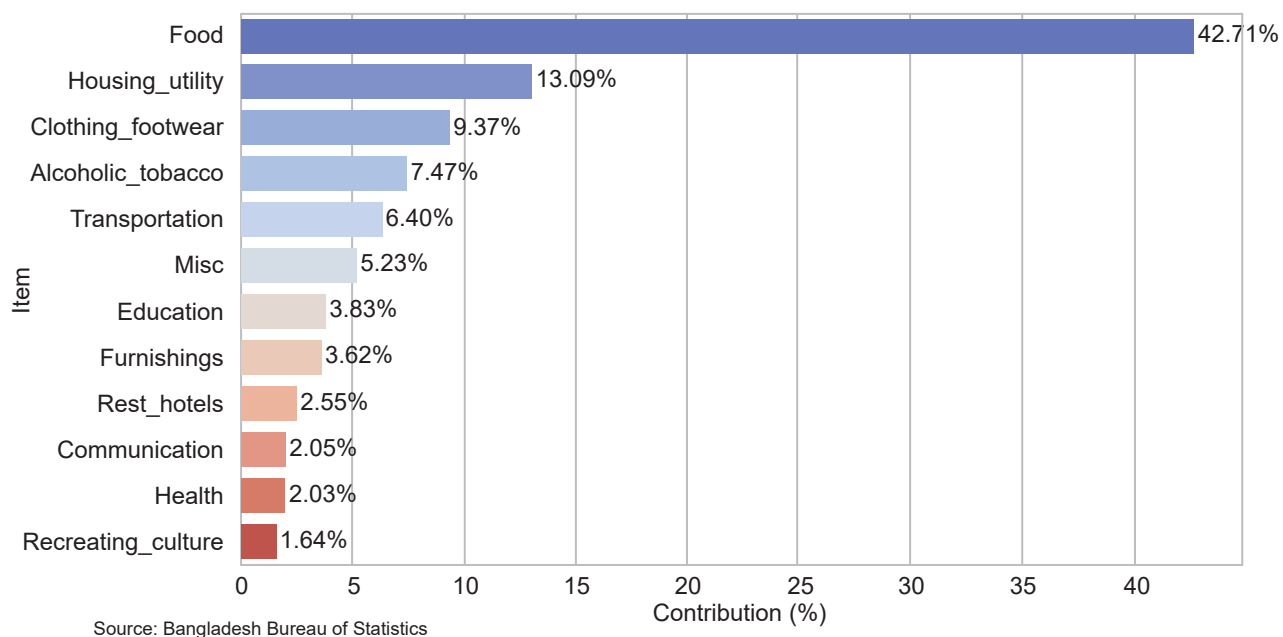


Figure 3. Contribution of food items to total inflation in March 2025

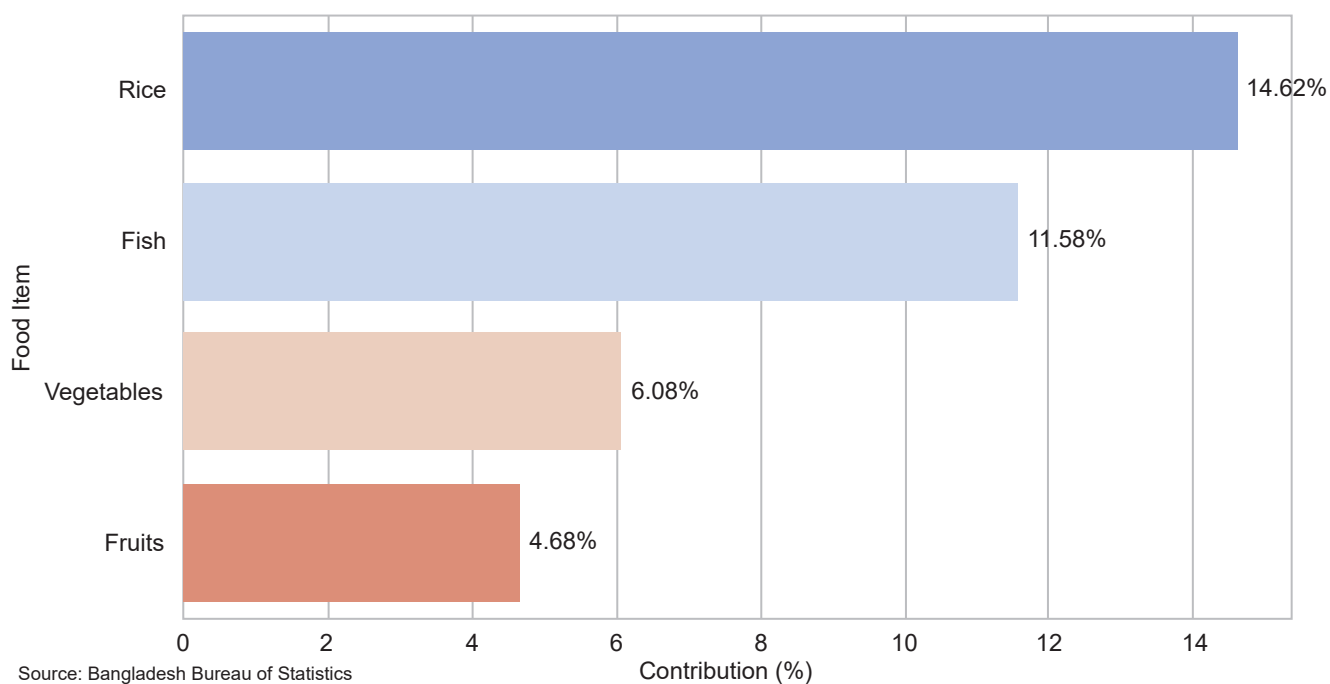


Figure 4. Contribution of food items (broad) to food inflation in March 2025

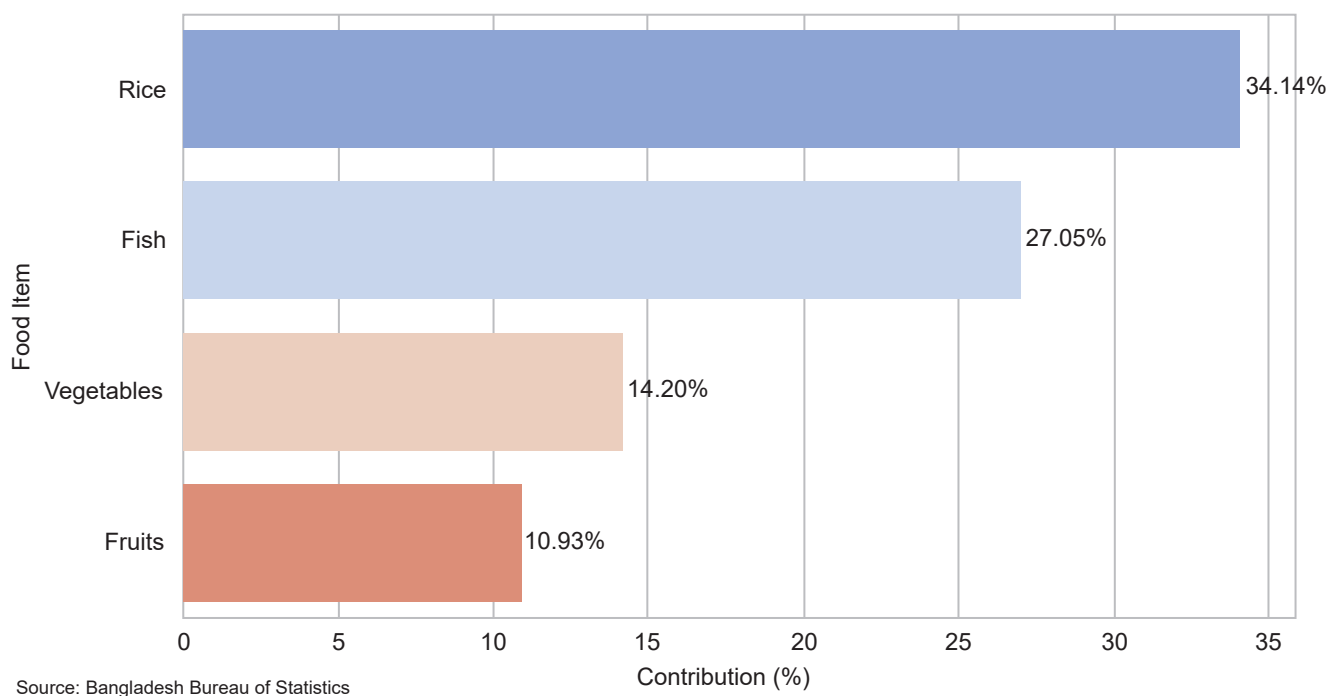


Figure 5. Contribution of food items (disaggregated) to food inflation in March 2025

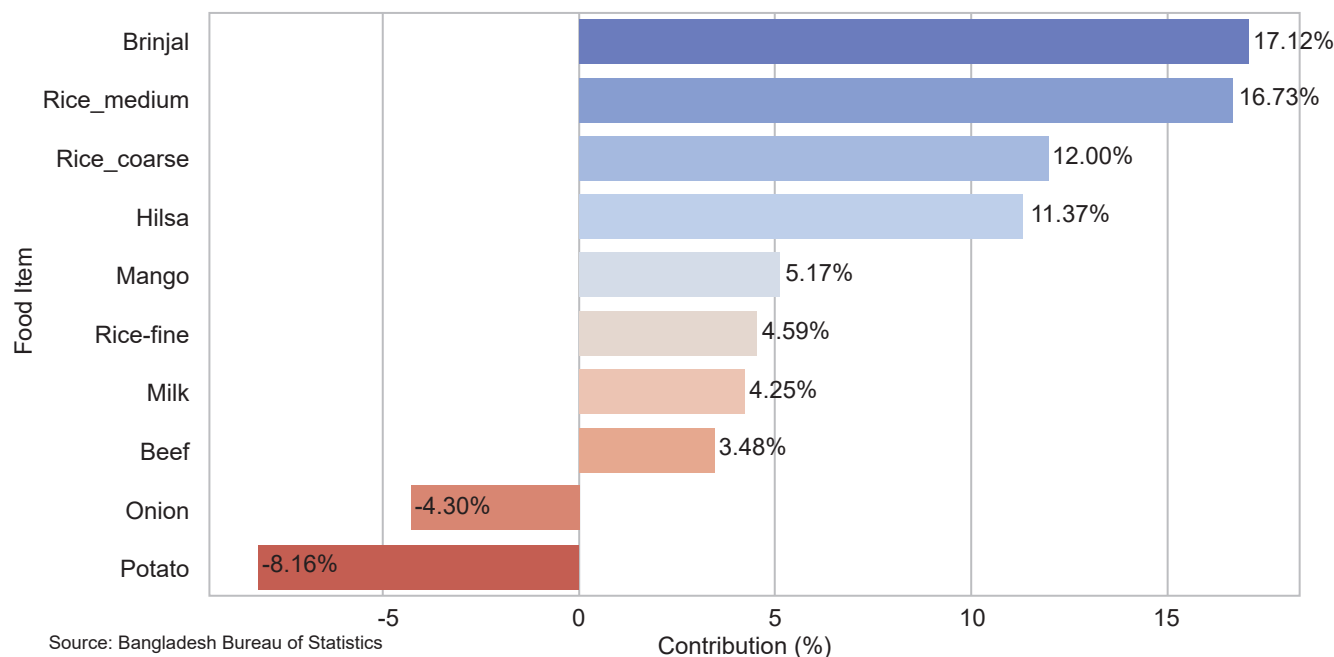


Figure 6. Quarterly Growth Rate by sector in 2025

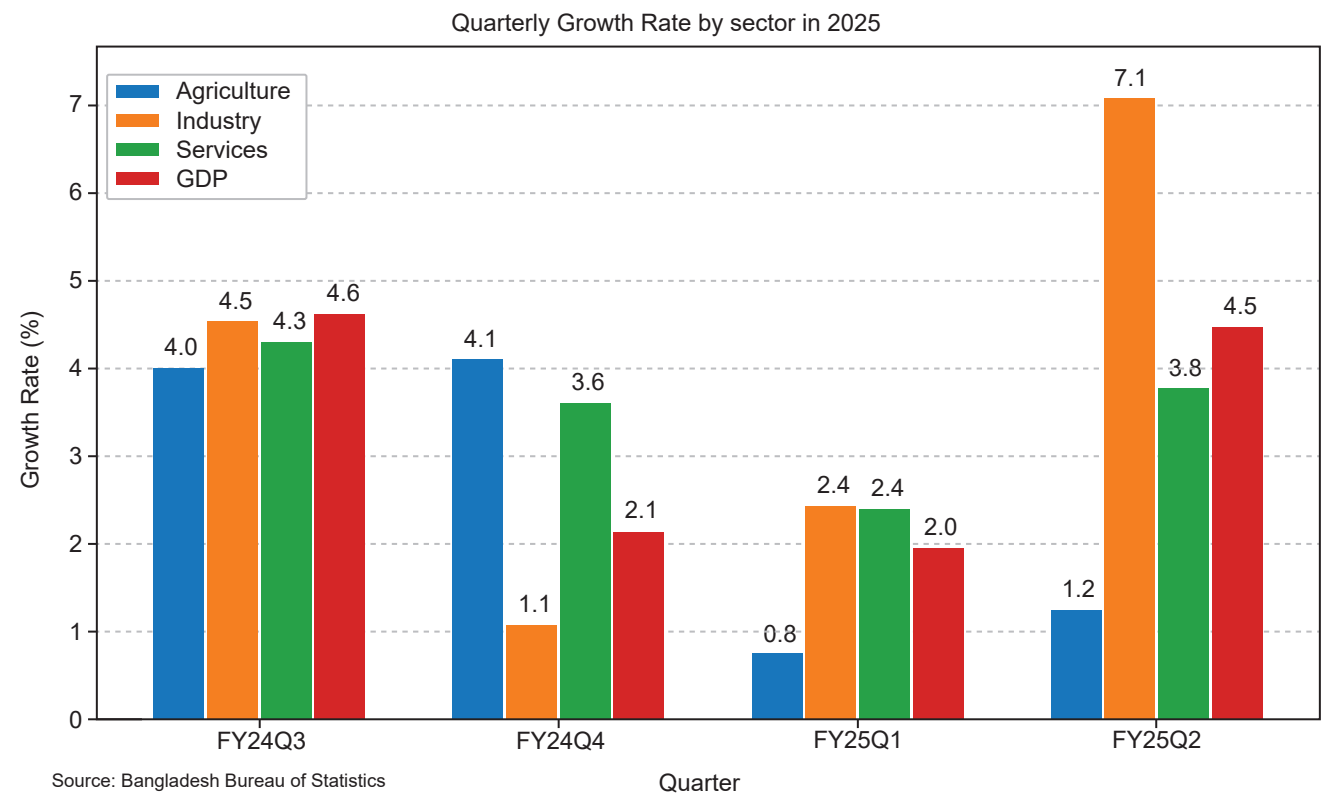
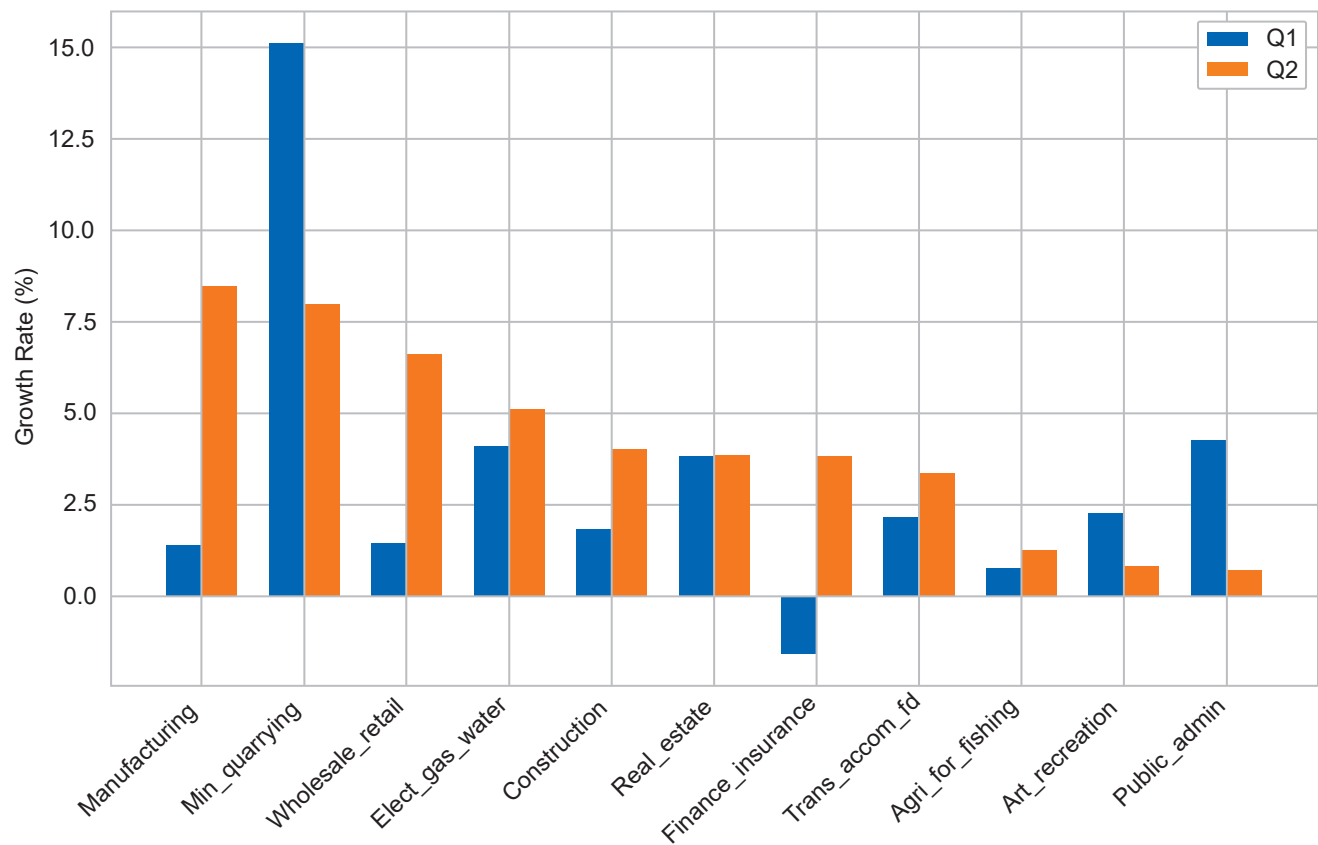


Figure 7. GDP Growth Comparison by Sub-sector: Q1, Q2 in FY25



Source: Bangladesh Bureau of Statistics