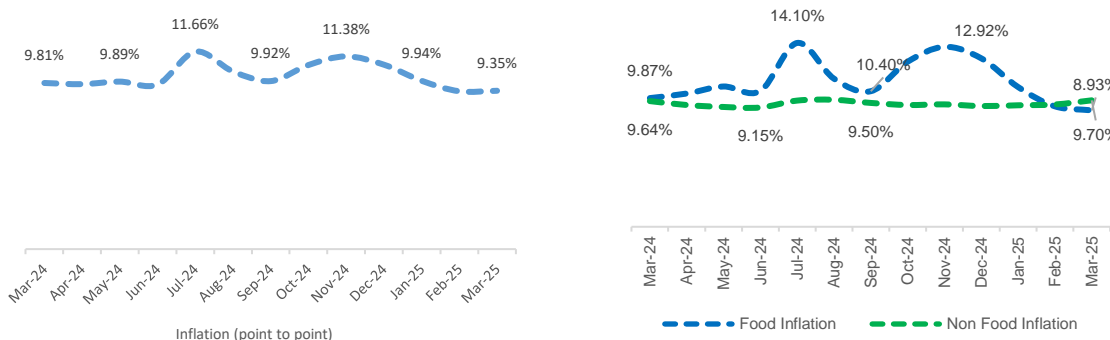


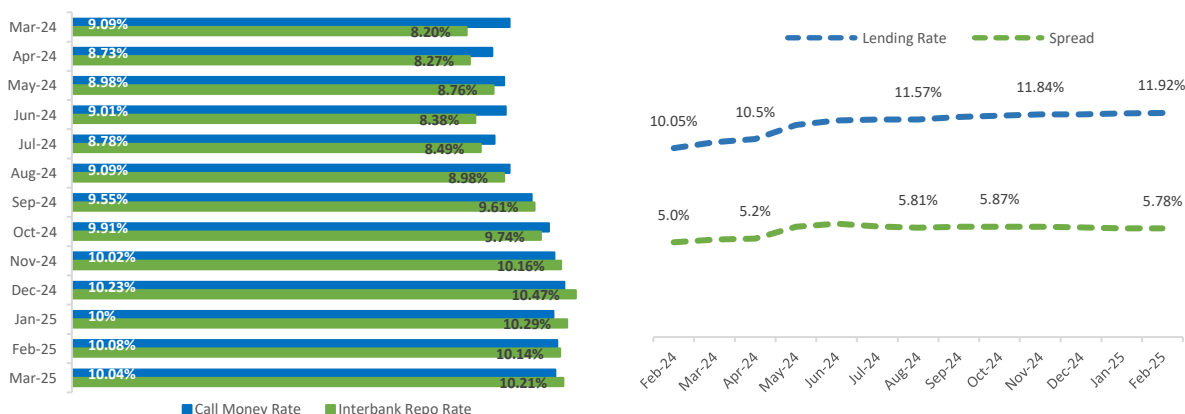
Chapter 01: Inflation edged up slightly

- ◆ Bangladesh's inflation in March rose slightly to 9.35%, up from 9.32% in February. It is driven by a rise in non-food prices, which surged to 9.70% in March from 9.38% in February. Food inflation decreased to 8.93%, mainly due to seasonal factors like increased vegetable supply. However, it is optimistic that the 12-month moving average dropped to 10.26% from 10.30% in the last month. The increase in non-food inflation is partly attributed to higher Eid consumption and record remittance inflows, increasing purchasing power of people. The end of winter and rising seasonal demand from customers has created temporary uptick in inflation.



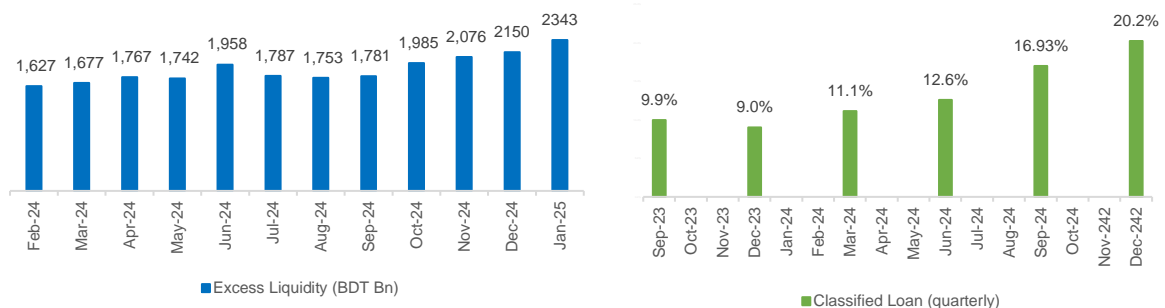
Chapter 02: Contractionary Monetary Policy is driving interest rates up

- ◆ The data shows a consistent rise in both deposit and lending rates from February 2024 to February 2025 whereas lending rates increasing from 10.05% to 11.92% and deposit rates rising from 5.01% to 6.14%. The higher lending rates reflect rising funding costs and the shift toward a market-driven interest rate regime. Deposit rates are up due to intense competition among banks for deposits in a tightening liquidity environment. The spread between lending and deposit rates remains significant as the lending rate is still high. It is due to rising NPL and cautious lending approach undertaken by the banks.
- ◆ The call money rate and interbank repo rate have risen steadily while the call money rate reached 10.04% and the interbank repo rate at 10.21% in March 2025. This upward trend continues due to the decision of the central bank's policy rate holding at 10%. As central bank shortened the window for repo, banks relying heavily on interbank lending to meet funding needs amid liquidity pressures. Additionally, banks' preference for safer investments like treasury bills and bonds is contributing to the rising rates in inter-banking channels.

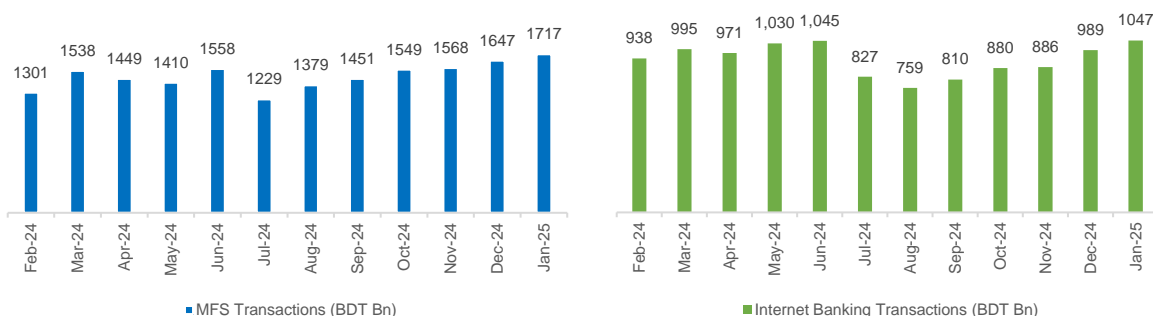


Monthly Macro Note

- ◆ As of January 2025, excess liquidity in the banking sector has increased to BDT 2,343 billion with a 9% month-on-month and 52% year-on-year growth. The attractive interest rates offered by government treasury securities have prompted banks to raise deposit rates, further exacerbating the excess liquidity situation. The central bank's recent policy rate hike has contributed to a slowdown in private sector credit demand along with cautious lending approach by bank are amplifying the accumulation of excess liquidity within the banking system.
- ◆ The classified loans in the banking sector have reached 20.20% due to numerous instances of loan scams, irregularities, politically influenced loan decisions, weak corporate governance, and inadequate risk management. Previously, defaulters benefited from relaxed classification policies and loan rescheduling during various periods, including the COVID-19 era. Additionally, economic uncertainty, inflationary pressure, Middle East unrest, supply chain crises, the regime change on August 5 and tightened default criteria, have also significantly contributed to the skyrocketing NPLs of BDT 3.45 trillion within the banking sector. However, the central bank has taken initiative to combat the level of NPL by following IMF and World Bank prescribed suggestions, actions and decision to stabilise the asset quality of the crucial segment of the economy.

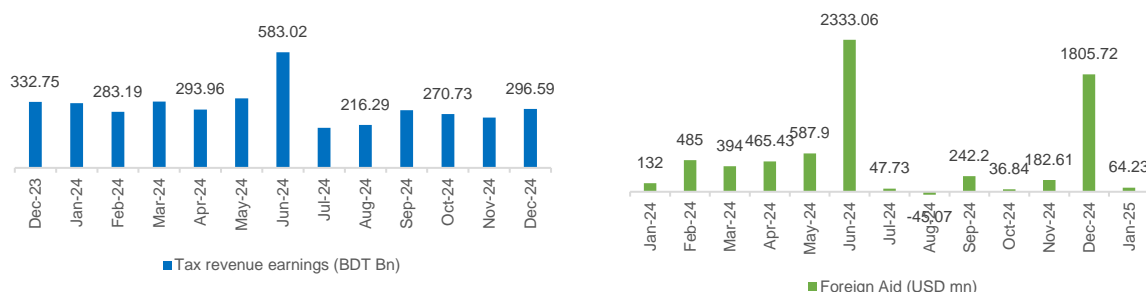


- ◆ MFS transactions in Bangladesh reached BDT 1,717 billion in January 2025, with a year-on-year growth of approximately 33% and month-on-month growth of 4.2%. This growth highlights the increasing adoption of mobile financial services as it offers extensive services like utility payments, micro-loans, and bank integration and more going on. MFS is becoming a crucial platform for financial inclusion, particularly with rising digital adoption and a growing user base. The ease of use and low barriers are also increasing people's interest on MFS saving.
- ◆ Internet banking transactions in January 2025 reached BDT 1,047 billion, with a 9% year-on-year growth and a 6% month-on-month increase. This growth shows the rising adoption of digital banking services, driven by economic stability and increased consumer trust in digital banking. The trend indicates a shift toward online platforms for secure and convenient financial transactions.



Chapter 03: Fiscal Challenges Persist Amid Struggling Revenue Collection, Slowed Foreign Aid, and Rising Repayment Burden

- ◆ The foreign aid plummeted to USD 64.23 million in January 2025, showing a significant fall from just USD 1805.72 million in the previous month. It is notable that net foreign aid fell by 29.24% during July-January 2025 compared to the previous fiscal year. The temporary stagnation of foreign aid in the last seven months emerged from political and economic uncertainty after the regime change, a prolonged review period by bilateral and multilateral lenders, and the slow implementation of projects and developments. Additionally, the recent downgrade of Bangladesh’s credit rating also contributed to the decline in foreign aid disbursements. Up to November 2024, the foreign loan servicing pressure was greater compared to disbursement by the multilateral lenders which lowered the value of net foreign aid. Among the new disbursement, 6.98% came as grant and remaining portion was composed of foreign loan. However, USD 1098 million support from ADB and USD 867 million support from World Bank bolstered the net foreign aid figure. Besides, Japan, Russia and China were the most notable donor during the current fiscal period of July-January.
- ◆ In February 2025, the NBR recorded tax revenue earnings of BDT 269.9 billion, marking a 0.9% year-on-year growth but a 24% drop from January 2025. This significant fall reflects ongoing challenges including political unrest, subdued business activity amid inflation, and reduced consumption. While revenue had surged in prior months, it still missed the ambitious targets of the fiscal year. To address these issues, the NBR is expanding its tax net and reinforcing intelligence measures to curb tax evasion, aligning with IMF recommendations to enhance overall revenue mobilization.



Chapter 04: Reflection of trade dynamics, reserve and Remittance inflow

Particulars	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Export growth YoY	2.9%	5.6%	15.4%	20.6%	15.6%	17.7%	5.7%	2.8%	11.4%
Import growth YoY	-2.5%	0.5%	7.1%	3.1%	-8.7%	1.3%	8.6%		
Remittance growth YoY	-3.0%	39.1%	80.2%	21.5%	14.0%	32.5%	3.6%	16.8%	64.7%
Forex Reserve (USD mn)	25,824	25,566	24,863	25,487	24,350	26,215	25,306	26,176	
Forex Reserve - BPM6 (USD mn)	20,394	20,475	19,861	19,830	18,611	21,423	19,962	20,946	

- ◆ In March 2025, Bangladesh’s exports grew by 11.4% YoY, a notable acceleration from the 2.8% growth in February. The ready-made garment (RMG) sector remained the primary contributor, with 12.40% YoY growth and increase in exports value to USD 3.45 billion.

This growth was driven by sustained demand from key markets, including the United States, Germany, Spain, France, and the Netherlands. Notably, exports to Germany amounted to USD 3.38 billion, while Spain and France recorded exports of USD 2.35 billion and USD 1.43 billion, respectively. Additionally, sectors like leather and leather goods, light engineering products and specialised textiles experienced significant growth.

- ◆ In January 2025, Bangladesh's imports surged by 8.6% year-on-year, marking a strong rebound from the contraction observed in November and reinforcing the gradual recovery trend that began in December. The growth in January imports reflects the sustained influence of regulatory easing, notably the central bank's decision to lift LC margin obligations on all but luxury and domestically produced goods. Besides, a key driver behind the surge was the strategic ramp-up in essential commodity imports ahead of Ramadan, as businesses sought to ensure stable supplies and prevent price volatility.
- ◆ In March 2025, Bangladesh achieved a record-high remittance inflow of USD 3.29 billion, marking a 64.7% YoY increase from USD 1.99 billion in March 2024. This is the record remittance earned by Bangladesh in a single month. This surge is attributed to expatriates sending more funds home in preparation for Ramadan and Eid festivities. The cumulative remittance for the first nine months of the fiscal year reached USD 21.78 billion which is significantly higher than the USD 17.08 billion recorded during the corresponding period in the previous fiscal year. It is the 8th consecutive month on which remittance crossed 2 billion landmarks in the current fiscal year.
- ◆ In February 2025, Bangladesh's gross foreign exchange reserves stood at USD 26.17 billion, reflecting stability amid external economic pressures. When calculated under the IMF's BPM6 methodology, reserves were USD 20.95 billion, aligning with the country's recent efforts to maintain external balance. The rise in remittances and export earnings played a significant role in sustaining reserve levels, with record-breaking remittance inflows in December and strong RMG export performance. Additionally, the Bangladesh Bank's decision to halt dollar sales following the government regime change helped preserve reserves. Though the remittance inflow is quite satisfactory, the reserve hovers over 19 to 21 billion due to pressing import payment and foreign loan servicing.

Chapter 05: Public Borrowing Drives Private Sector Credit Growth to 21-Year Low

- ◆ In February 2025, private sector credit growth reflected a 6.82% YoY increase, declining further from January's 7.15%. It also remains significantly below the 9.8% target for H2 FY25 set by the central bank. The decline in private sector credit growth is due to a stagnant business climate, tighter regulatory oversight, and rising lending rates. Political uncertainty and increased government borrowing from commercial banks have further constrained credit availability for businesses. Meanwhile, slower deposit growth along with a rise in high-value accounts denotes investor hesitation and wealth concentration in the uncertain time. With businesses cautious and new investments on hold, the slowdown poses serious risks, particularly given the private sector's role in employment generation.
- ◆ In January 2025, public sector credit growth registered at 16.62% year-on-year, remaining below the 18.1% target for H2 FY25 set by Bangladesh Bank. The rise in government borrowing arose from persistent revenue underperformance and delays in foreign aid disbursements, which forced the administration to depend more on domestic sources to meet its financing needs. Despite this, the government continued to uphold its austerity

stance. Currently, the government is prioritizing only essential and high-impact projects while restraining non-development expenditure to contain interest costs and support monetary tightening. The ADP implementation rate fell to 24.27% during July–January, reflecting a 22.17% year-on-year decline in development spending. Meanwhile, the crowding-out effect became more visible, as public sector borrowing absorbed a larger share of available liquidity, limiting the flow of credit to the private sector.

