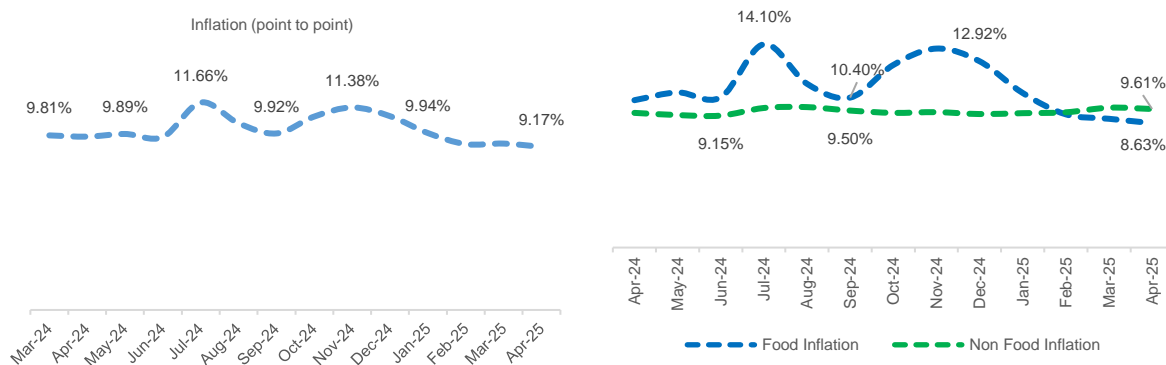


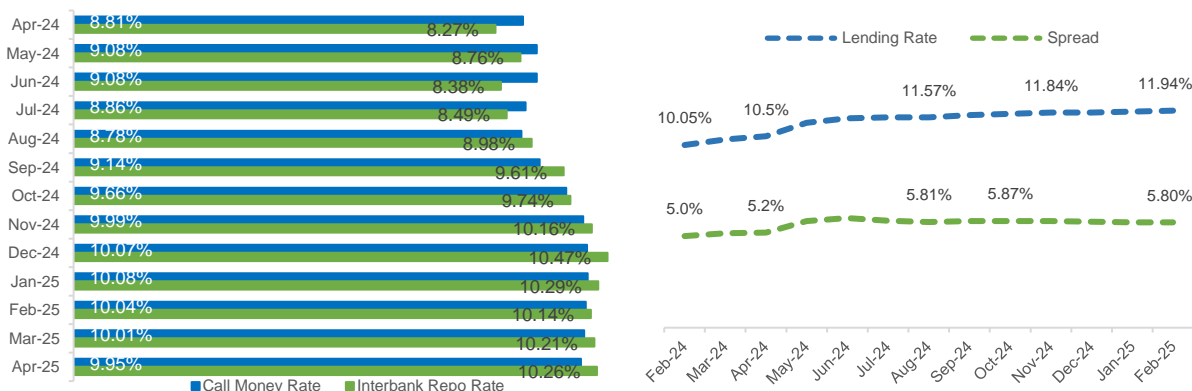
Chapter 01: Inflation Eased from Demand Slowdown

- ◆ Inflation in Bangladesh eased to 9.17% in April from 9.35% in March, mainly due to a slowdown in demand growth and the effects of tighter monetary policies. Post-Eid demand decreased as most purchases were made in March, contributing to lower inflation in both food (8.63%) and non-food (9.61%) sectors. Additionally, the impact of the central bank's monetary tightening likely started to take effect. These factors, along with reduced purchasing pressure, helped ease inflation, although it remained above 9% for 26 consecutive months.

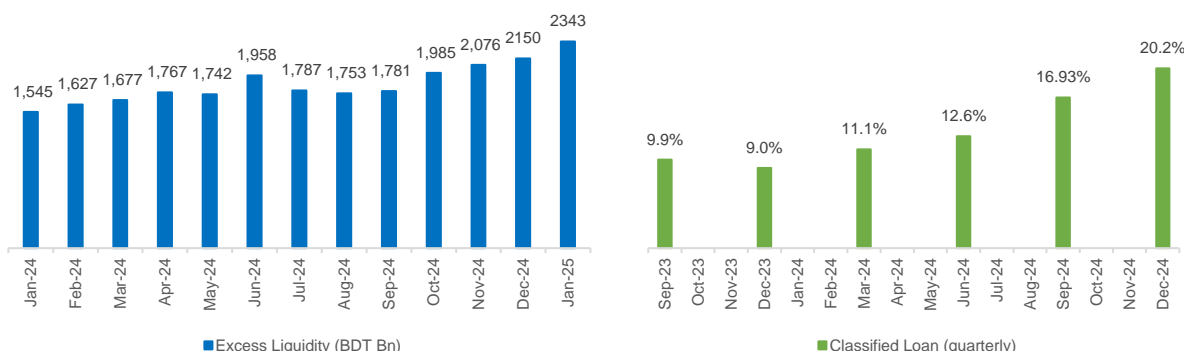


Chapter 02: Central Bank's Policy Drives Up Lending and Deposit Rates

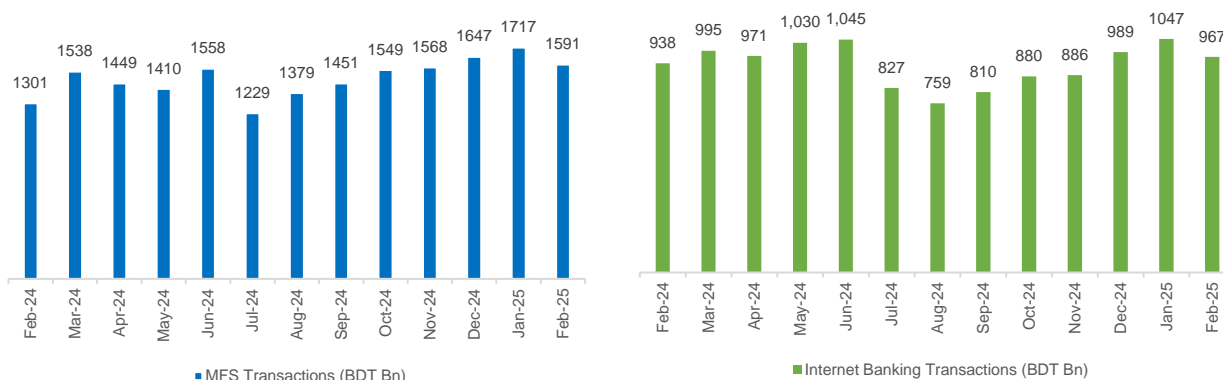
- ◆ From February 2024 to February 2025, both lending and deposit rates have shown a steady increase. Lending rates rose from 10.05% to 11.94%, while deposit rates climbed from 5.01% to 6.14%. The rise in lending rates is primarily due to increased borrowing costs, a reflection of the central bank's contractionary monetary policy aimed at controlling inflation and reducing excessive liquidity. The higher deposit rates are a result of banks competing for limited deposits as liquidity tightens. Despite the increase, the spread between lending and deposit rates remains wide due to rising non-performing loans (NPLs) and a cautious approach to lending.
- ◆ In April 2025, the call money rate decreased slightly to 9.95% from 10.01% in March, while the interbank repo rate rose to 10.26% from 10.21%. The drop in the call money rate suggests a marginal easing in short-term liquidity conditions. However, the increase in the interbank repo rate indicates that banks are still facing funding pressures and continuing to rely on interbank lending for liquidity. The central bank's policy rate remains steady at 10%, contributing to the upward movement in the repo rate as banks struggle with tighter liquidity.



- ◆ By January 2025, excess liquidity in Bangladesh’s banking sector reached BDT 2,343 billion, reflecting a 9% month-on-month and 52% year-on-year increase. This surge is largely driven by attractive interest rates on government treasury securities, prompting banks to raise deposit rates. Additionally, the central bank’s recent policy rate hike has slowed private sector credit demand, contributing to the buildup of excess liquidity. Banks have also adopted a more cautious lending approach, further amplifying the accumulation of surplus funds. The tightening of credit has been influenced by global economic factors, including international market uncertainties, which have further slowed demand for loans and investments.
- ◆ As of December 2024, Bangladesh's banking sector faced a critical situation. Classified loans reached BDT 3.45 trillion, making up 20.20% of total loans. This was a significant increase from 16.90% in September. Several factors contributed to this rise, including loan scams, politically influenced lending, weak corporate governance, and lax risk management. State-owned banks were particularly affected, with non-performing loan (NPL) ratios exceeding 40% in some cases. In response, the interim government, formed in August 2024, launched reforms to stabilize the sector. These reforms included improving corporate governance, restructuring state-owned banks, and implementing a Prompt Corrective Action framework. International bodies like the IMF and World Bank supported these efforts. The IMF approved a \$4.7 billion loan to Bangladesh, contingent on implementing banking reforms.

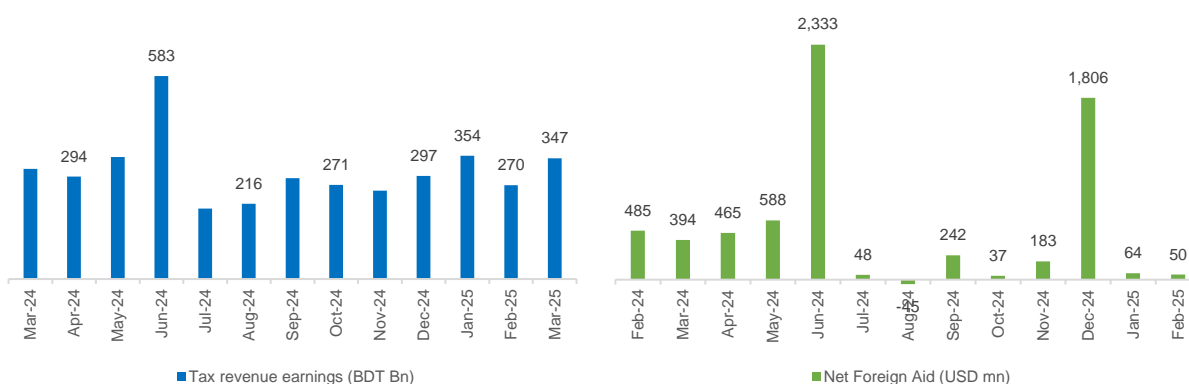


- ◆ In February 2025, MFS transactions stood at BDT 1,591 billion, showing a strong 22% growth compared to the same month last year. However, transactions dropped by 7.33% from January 2025, when activity was unusually high due to salary payments, school fees, and utility bills. The monthly decline is likely seasonal and not a sign of weakening demand. Currently, MFS continues to grow as more people use digital platforms for daily financial activities. Improved access, mobile usage, and user confidence are key drivers. To support long-term growth, stronger security and wider service availability will remain important.
- ◆ In February 2025, internet banking transactions reached BDT 967 billion, up 3% year-on-year but down 8% from January’s peak. The volumes have grown significantly since early 2023, when monthly transactions averaged below BDT 5 billion and now the pace has become stable. This reflects a maturing user base and improved adoption of internet banking. The transaction may go higher before Eid-ul-Adha while in the long run the growth may pick up with rising digital adoption, improved fintech integration, and greater consumer trust.



Chapter 03: Fiscal Challenges Persist Amid Missed Revenue Targets, Increased Loan Repayment Burden, and declining disbursement and commitments

- ◆ Net foreign aid fell even more steeply by 36.98% to 49.95 million USD in July-February 2025 compared to the same period of the previous year. It is because of rising principal repayments outstripped fresh inflows, meaning debt servicing absorbed a larger share of available funds. As the grace period of large loans and budget supports are ending under the previous government, the high market-based interest rate is creating heavy burden. Both commitment and disbursement by the development partners are facing negative growth as instability in the political environment still exists to some extent that affected the implementation of the development projects. Most of the fresh commitments have been received from Japan, World Bank and ADB followed by Russia, China, and India.
- ◆ In March 2025, the NBR reported tax revenue earnings of BDT 347 billion, showing a modest 10% year-on-year growth. It also showed a notable 28% month-on-month increase from February 2025. However, despite the improvement, collections still fell short of the target by 17.5%, highlighting persistent structural issues such as tax evasion, a narrow tax base, and uneven sectoral contributions. While ongoing reforms are helping, broader efforts including automation, widening the tax net, and institutional capacity building are crucial to sustainably meet revenue goals and align with macroeconomic stabilization strategies under IMF guidance.



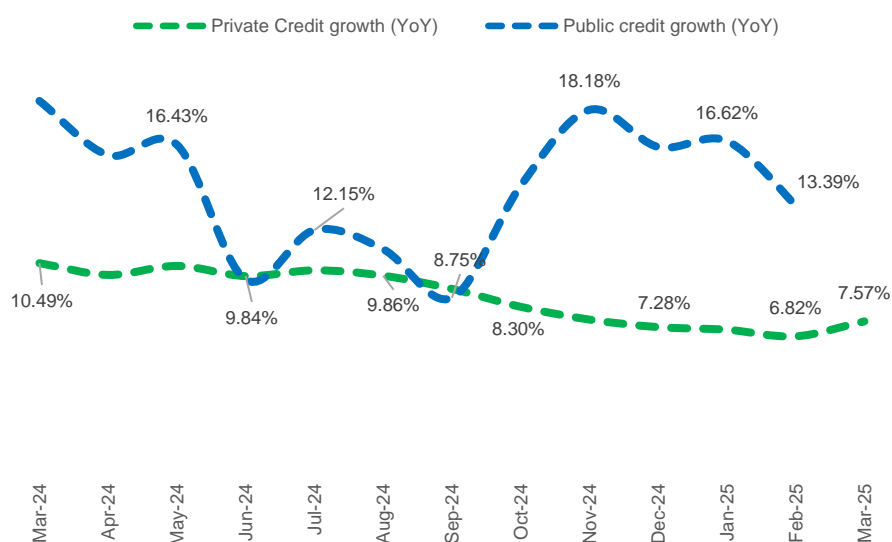
Chapter 04: Reflection of trade dynamics, reserve and Remittance inflow

- ◆ In March 2025, Bangladesh's exports reached USD 4.25 billion, marking an 11.44% YoY growth compared to March 2024. The ready-made garment (RMG) sector remained the dominant contributor, with exports totalling USD 3.45 billion, reflecting a 12.40% YoY increase. This growth was driven by sustained demand from key markets, including the United States, Germany, Spain, and France. Exports to Germany amounted to USD 3.38 billion, while Spain and France saw exports of USD 2.35 billion and USD 1.43 billion, respectively. Additionally, sectors such as leather goods, light engineering, and specialized textiles experienced significant growth.
- ◆ In February 2025, Bangladesh's imports surged by 12.83% YoY, reaching USD 5.62 billion, signalling a strong recovery. A key factor behind this growth was the Bangladesh Bank's relaxation of LC margin requirements for essential commodities, easing the financial burden on importers. Additionally, businesses increased imports of essential goods ahead of Ramadan to ensure stable supplies and prevent price volatility. The growth also reflected higher demand for raw materials, especially in sectors like ready-made garments (RMG), contributing significantly to the import rise. This increase points to a positive trend in Bangladesh's trade and economic resilience.
- ◆ In March 2025, Bangladesh saw a record remittance inflow of USD 3.296 billion, reflecting a remarkable 65.02% YoY increase from USD 1.99 billion in March 2024. This marks the highest remittance received by Bangladesh in a single month. The surge is largely attributed to expatriates sending higher amounts home in anticipation of Ramadan and Eid festivities. As of March, the cumulative remittance for the fiscal year reached USD 21.78 billion, surpassing the USD 17.08 billion recorded during the corresponding period last year. It demonstrates the continued resilience of remittance flows despite global economic challenges and highlights the growing significance of expatriate contributions to Bangladesh's economy.
- ◆ In March 2025, Bangladesh's foreign exchange reserves stood at USD 25.51 billion, reflecting a 2.63% decrease from the previous month. Under the IMF's BPM6 methodology, the reserves amounted to USD 20.39 billion, consistent with efforts to maintain external stability. The rise in remittances and exports, especially in the ready-made garment (RMG) sector, continued to support reserve levels. Additionally, the ongoing increase in remittance inflows, reaching USD 3.29 billion in March, played a key role in sustaining the reserves. Despite this positive trend, the reserves remain constrained by high import payments and foreign loan servicing, which continue to exert pressure on the overall reserve position.

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%	12.83%	
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	25,512
Forex Reserve - BPM6 (USD mn)	20,394	20,475	19,861	19,830	18,611	21,423	19,962	20,946	20,386

Chapter 05: Government Borrowing Stifles Private Sector Credit Expansion

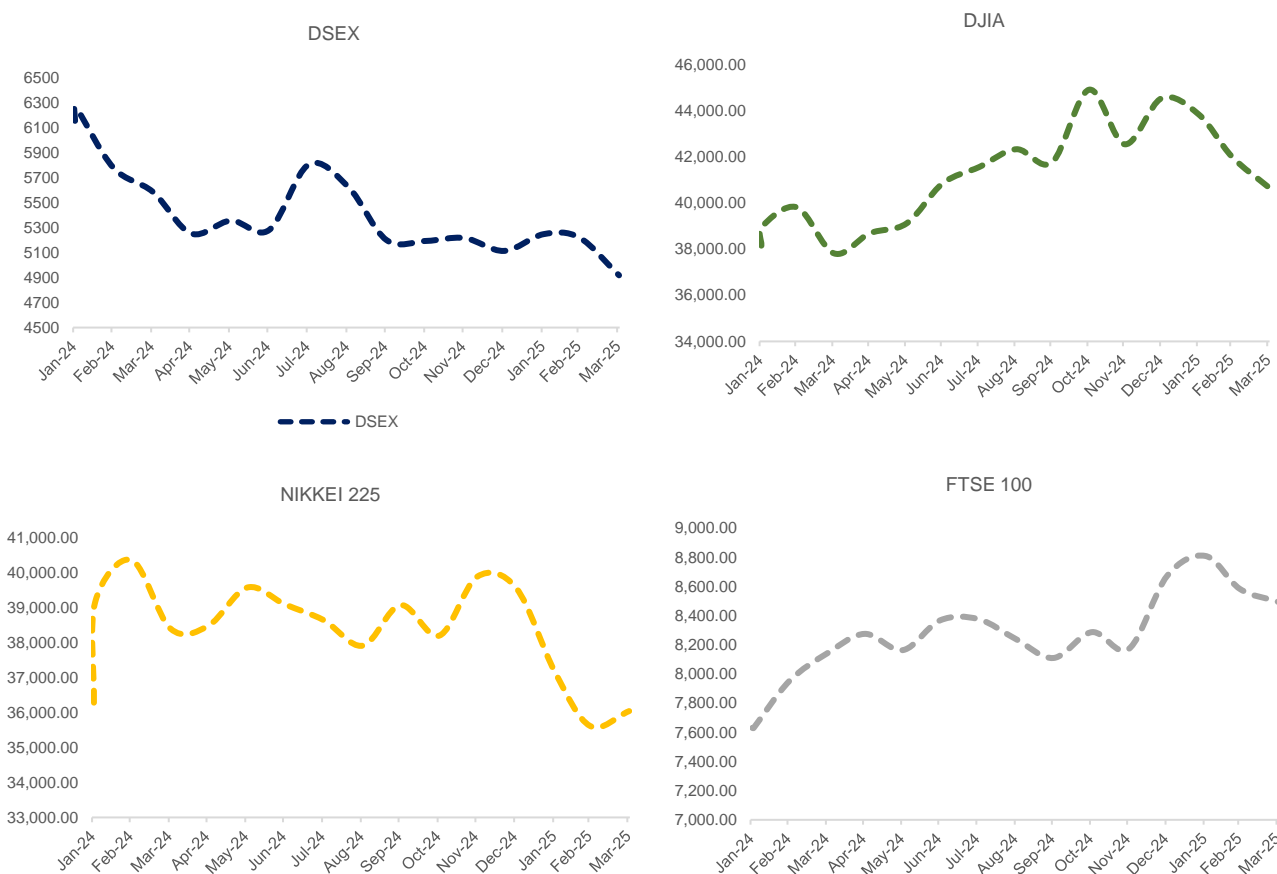
- ◆ In March 2025, Bangladesh's private sector credit growth increased to 7.57% year-on-year, up from 6.82% in February. This uptick ended a seven-month decline but remains below the central bank's target of 9.8% for the second half of the fiscal year. The growth was driven by Ramadan-related economic activities and the conversion of overdue foreign currency payments into forced loans. However, challenges persist, including high lending rates near 15%, low investor confidence, and political instability, which continue to suppress credit demand and investment.
- ◆ In February 2025, Bangladesh's public sector credit growth was 13.39% year-on-year, down from 16.62% in January. This decrease reflects the government's efforts to manage fiscal challenges. The reduction in growth is due to prioritizing high-impact projects and cutting non-development spending. These measures aimed to reduce interest costs and support monetary tightening. However, the crowding-out effect remains. Public sector borrowing continues to absorb a large share of available liquidity, which limits credit for the private sector.



Chapter 06: Markets in Flux: Inflation, IMF Uncertainty, and Tariffs Weigh on Investor Sentiment

- ◆ The Bangladesh capital market experienced a downturn with a significant year-on-year contraction of 11.94% to 4,918 points as of April 2025 due to a confluence of macroeconomic headwinds. Persistent high inflation, despite a slight easing to 9.17%, continued to erode investor confidence. Concerns surrounding the disbursement of the next IMF loan tranche, stemming from disagreements over conditions like exchange rate flexibility and banking sector issues (rising NPLs), further dampened sentiment. Additionally, the imposition of reciprocal tariffs by the US posed a threat to export-oriented industries, while rising domestic gas and energy prices along with shortages squeezed corporate margins, contributing to investor caution. The downturn is also reflected in the market capitalization declining value to 53.82 billion USD.

- ◆ Global equity markets presented a mixed picture in April 2025. Renewed US tariff threats early in the month triggered widespread volatility and initial declines across the DJIA, S&P 500, and FTSE 100, reflecting concerns about international trade and economic growth. Subsequently, a partial easing of tariff fears and some positive corporate earnings spurred a recovery in the US and UK indices towards the latter part of the month, although both ultimately closed slightly lower. Economic data, including the contraction of the US GDP in Q1 2025, also played a role in market sentiment. The DJIA saw a slight dip of 3.2% towards the end of the month compared to the previous month, closing at 40,669.36. The S&P 500 also experienced a similar pattern, ending at 5,569.06. The Nikkei 225 demonstrated more resilience, ending April with a marginal gain of 1.2% compared to the previous month.

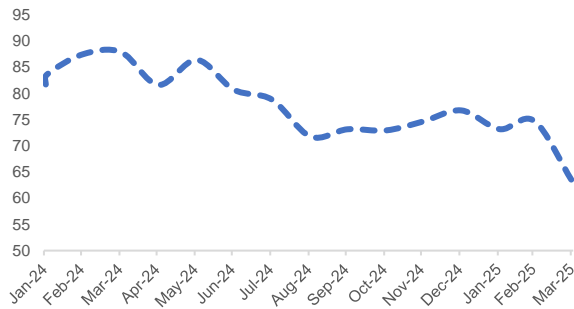


- ◆ April 2025 witnessed significant volatility across commodity markets, largely influenced by renewed US tariff impositions by the US. Brent Crude prices declined from early-April highs near \$68/bbl to around \$63/bbl by month-end. This downturn was driven by escalating concerns over global economic growth and potential demand reduction stemming from the tariffs, overshadowing the anticipated gradual increase in OPEC+ output. Conversely, Gold prices experienced a substantial surge, climbing from approximately \$3160/troy ounce to over \$3300/troy ounce within just one month. This rally was fuelled by heightened safe-haven demand as investors sought refuge in precious metals amid the economic and geopolitical uncertainty triggered by the US trade actions. Agricultural commodities displayed mixed reactions. Wheat and rough rice saw a marginal decrease due to

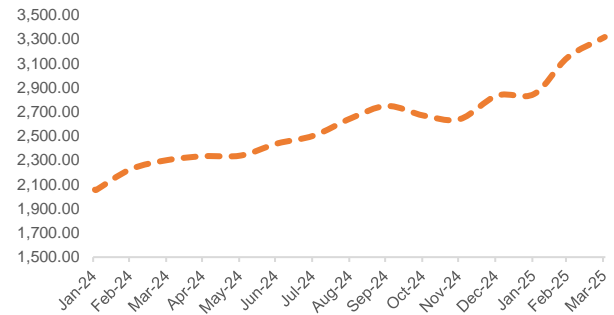
Monthly Macro Note

increased availability and production having fair weather, while Cotton experienced a notable drop due to weakened demand from tariff-affected regions like China and other countries. Soybeans and Corn showed some resilience, supported by underlying export demand factors and improved production that partially offset negative tariff sentiment.

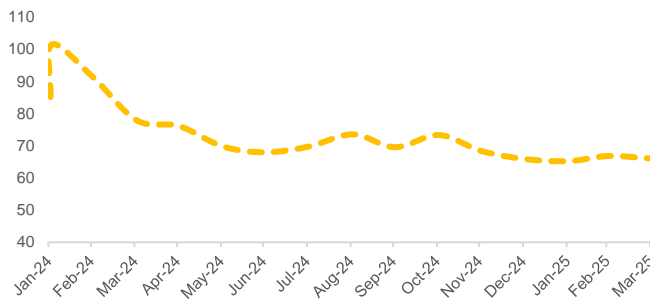
Brent Crude Futures (USD/bbl)



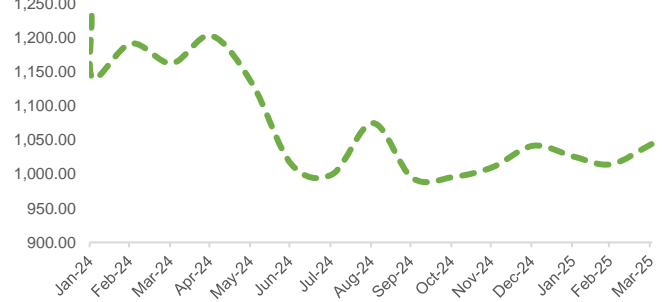
Gold futures (USD/apoz)



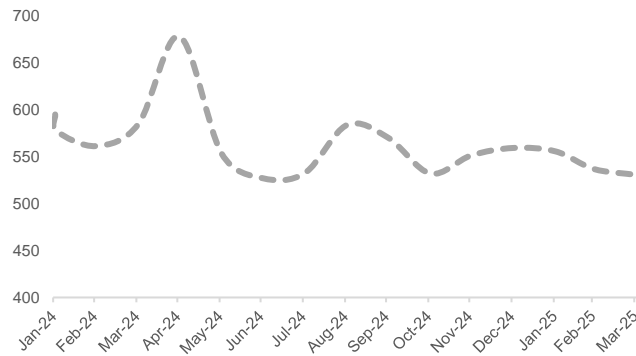
Cotton Futures (USX/lb)



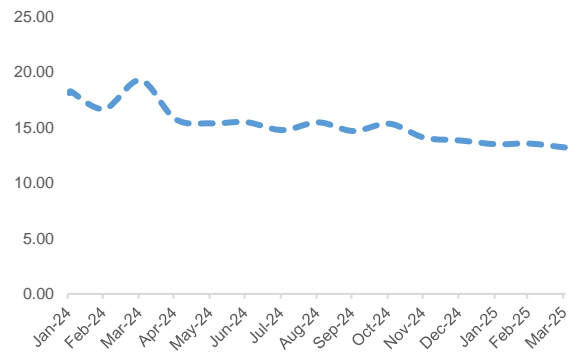
Wheat Futures (USX/bua)



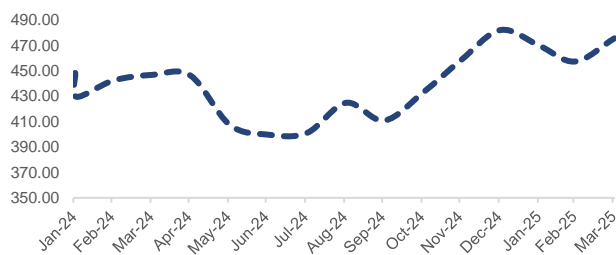
Wheat Futures (USX/bua)



Rough Rice Futures (USD/cwt)



Corn Futures (USX/bua)



--- Corn Futures (USX/bua)