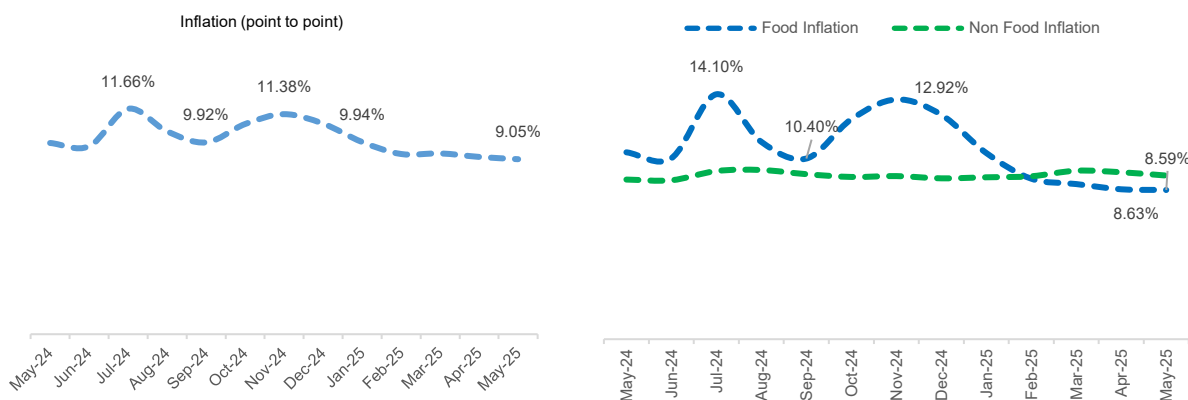


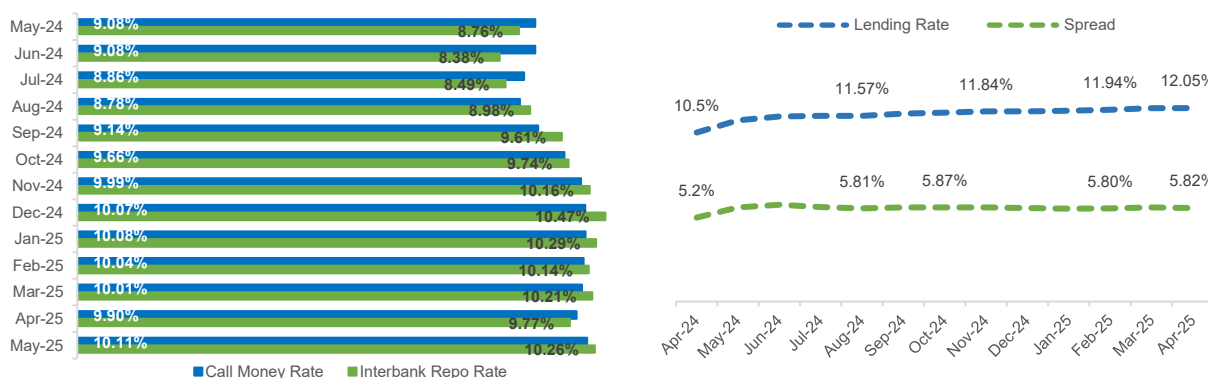
Chapter 01: Inflation eased, driven by lower non-food inflation

- ◆ Inflation in Bangladesh eased slightly to 9.05% in May from 9.17% in April, driven by the continued effects of tight monetary policy and improved supply conditions. Both food inflation (8.59%) and non-food inflation (9.42%) saw modest declines. Bangladesh Bank’s tight monetary policy helped reduce consumer demand, while the government’s fiscal measures, such as cutting tariffs on key food imports like rice and edible oil, lowered costs. At the same time, favourable weather and the smooth arrival of seasonal crops, including Boro rice, ensured a steady supply.

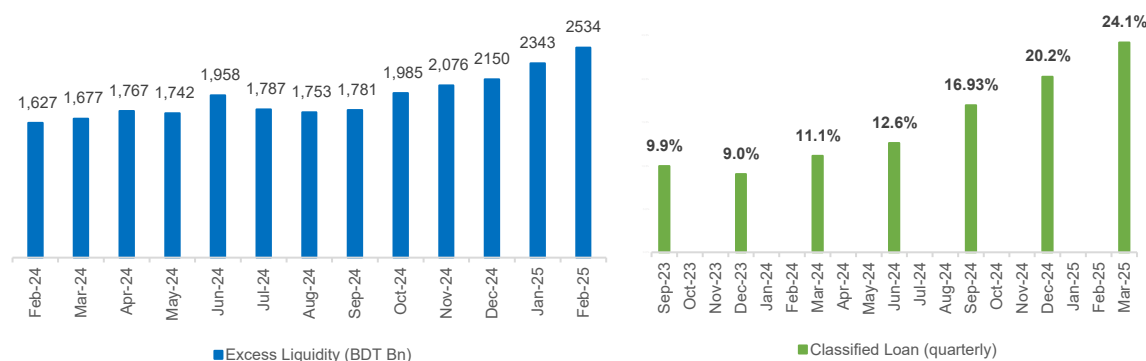


Chapter 02: Interest rates inch up amid contractionary policy

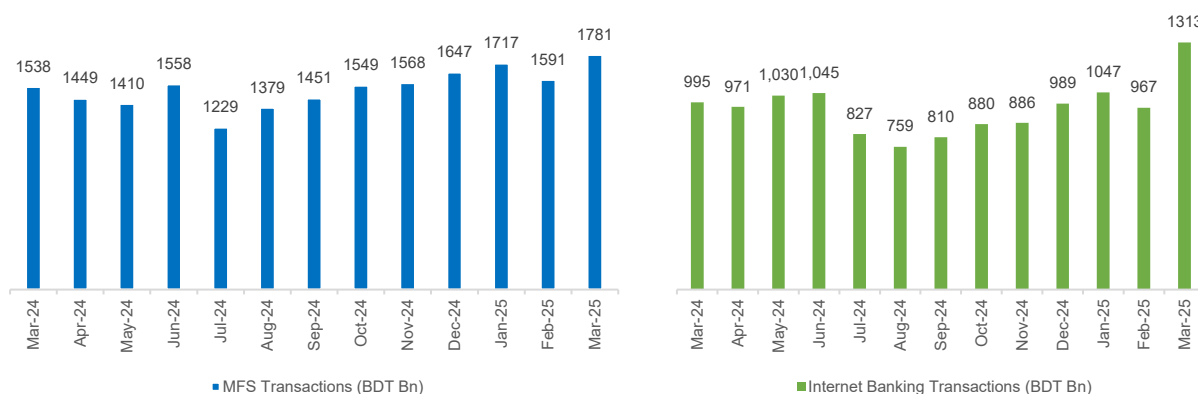
- ◆ In April 2025, Bangladesh’s lending rate edged up slightly to 12.05% from 12.04% in March, while the deposit rate increased to 6.23% from 6.17%, reflecting continued pressure from tight liquidity conditions and contractionary monetary policy. Although the increase in rates was marginal, it signals persistent efforts by the central bank to control inflation and stabilise the exchange rate. The interest rate spread narrowed modestly to 5.82% from 5.87%, indicating a slight easing of stress on banks’ profitability. The narrowing spread may be attributed to improved deposit mobilisation as banks offered slightly better rates to attract funds.
- ◆ In May 2025, the call money rate jumped to 10.11%, up from 9.90% in April, while the interbank repo rate climbed to 10.26% from 9.77%, indicating tighter short-term liquidity across the banking system. These increases reflect a rise in overnight borrowing costs, as banks struggled with limited cash despite higher deposit rates and persistent liquidity stress. The upward movement in both call and repo rates stems from the central bank’s sustained contractionary monetary policy alongside reduced liquidity support, such as the phase-out of longer-tenure repo facilities.



- ◆ By February 2025, excess liquidity in Bangladesh’s banking sector rose to BDT 2,534 billion, reflecting an 8.1% month-on-month and a 55.7% year-on-year increase. This continued surge reflects the compounding effects of high interest rates on government securities and subdued private sector credit demand. With the central bank maintaining a tight monetary stance, banks remained cautious in their lending, leading to further accumulation of idle funds. Additionally, global economic uncertainty and weak investor confidence restrained new business expansions, reducing credit appetite.
- ◆ As of March 2025, Bangladesh’s classified loans rose to a record BDT 4.20 trillion, or 24.13% of total loans, up from 20.2% in December. The spike followed stricter internationally aligned loan classification guidelines and the forced recognition of previously hidden defaults following regime change. Over 81% of these loans are deemed bad, requiring full provisioning, which is straining bank liquidity and profitability. State-owned banks were most affected, with NPL ratios nearing 46%. Experts attribute the crisis to years of political influence, poor governance, and weak risk management, urging crucial reforms, judicial efficiency, and the creation of a debt recovery agency to stabilise the sector.

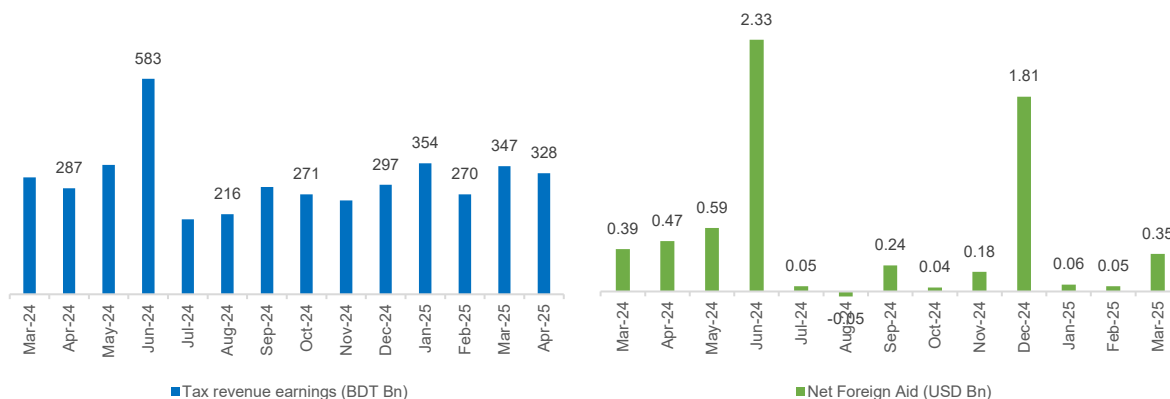


- ◆ In March 2025, MFS transactions in Bangladesh reached BDT 1,781 billion, marking a robust 15.8% year-on-year growth. The sustained increase in transaction volume reflects rising adoption of digital financial services. The trend signals deepening financial inclusion and a shift toward cashless payments, though growth normalization suggests a growing MFS market. MFS continues to grow, driven by rising mobile usage, user confidence, and added features like Bangla QR, DPS, insurance services, and seamless bank-to-MFS interoperability.
- ◆ Internet banking transactions in Bangladesh reached BDT 1,313 billion in March 2025, marking a robust 32% year-on-year growth with a record high transaction. After rapid expansion in 2023 and early 2024, growth rates had slowed to single digits, but the March surge signals renewed momentum driven by increased digital adoption, improved internet infrastructure, and rising consumer confidence in the banking industry. This rebound reflects ongoing efforts to promote cashless payments and enhanced service offerings, positioning internet banking as a critical pillar in Bangladesh’s evolving digital finance ecosystem.



Chapter 03: Fiscal challenges remain due to revenue shortfall, increased loan repayment Burden, and declining disbursement

- ◆ In March 2025, Bangladesh’s net foreign aid rose to USD 0.35 billion, recovering from USD 0.05 billion in February, a sevenfold increase. This rebound marks a temporary reversal of the prolonged decline since mid-2024, when repayments consistently outpaced disbursements. Despite the month-on-month gain, year-on-year growth remained negative at –11.9%, reflecting that the overall trend remains fragile. The persistent year-on-year decline is driven by multiple structural factors such as sluggish project implementation, cautious government spending on development projects, and a strategic shift toward domestic borrowing amid rising costs of external loans. Development partners remain committed, but aid disbursements have slowed due to delays and prioritization of internal resource mobilization.
- ◆ In April 2025, the National Board of Revenue (NBR) collected BDT 328 billion, registering a 14.4% year-on-year growth. However, this figure fell short of the revised monthly target of BDT 365.81 billion, reflecting a shortfall of 10.34%. Over the first 10 months of FY2024-25, total revenue collection stood at BDT 2,892.68 billion, missing the period’s revised target by 19.36%. Despite steady 3.96% YoY growth in the current fiscal year, the NBR continues to struggle due to weak enforcement, slow economic activity, cautious development spending, and recent structural disruptions. Besides, the ongoing protest over NBR’s dissolution has heightened fiscal stress, increasing reliance on costly domestic borrowing and risking the revenue collection of the government with record record-high revenue shortfall.



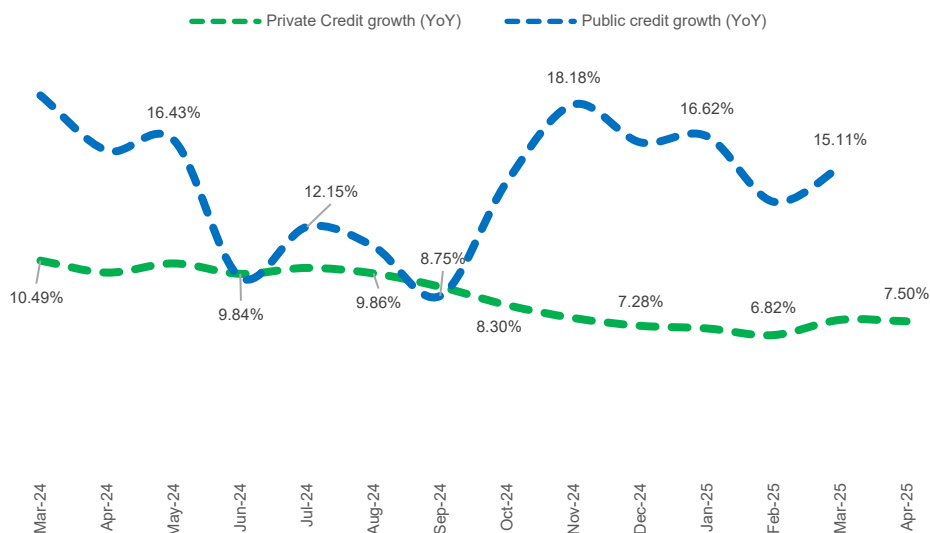
Chapter 04: Strong export growth and remittance inflows boost the economy

- ◆ In May 2025, Bangladesh’s exports surged to USD 4.74 billion, registering an 11.45% year-on-year growth, up from USD 4.25 billion in May 2024. The ready-made garment (RMG) sector led the performance with USD 3.91 billion in exports, an 11.85% YoY increase, marking the highest shipment volume in nearly three years. This was driven by strong demand from key markets ahead of Eid-ul-Adha and a rebound from April’s slump due to Eid-ul-Fitr-related closures. Leather and leather goods exports rose by 35%, jute products by 17%, and engineering goods by 12%, while agriculture declined by 8%. May’s export figures were further elevated by delayed shipments from April and early deliveries originally scheduled for June.
- ◆ In April 2025, Bangladesh’s imports stood at USD 5.49 billion, marking a 3.17% year-on-year decline and a 1.35% drop compared to March. This contraction signals a cautious business environment, influenced by persistently high inflation, tight monetary policy, and limited foreign exchange availability. Although import controls had recently been eased, overall demand remained subdued due to elevated costs and uncertain global conditions. The decline was particularly notable in non-essential and capital goods, while essential imports remained stable. The continued moderation in import growth reflects efforts to protect foreign exchange reserves and maintain macroeconomic stability amid ongoing external pressures.
- ◆ In May 2025, Bangladesh received USD 2.97 billion in remittances, marking a 31.7% year-on-year increase from USD 2.25 billion in May 2024. This represents the second-highest monthly inflow in the country’s history, following the March 2025 peak. The surge was largely driven by seasonal factors, particularly ahead of Eid-ul-Azha, as expatriates sent increased funds to support families back home. Policy shifts also played a vital role, the central bank’s move to a market-based exchange rate, enhanced digital remittance services, and continued incentives such as the 2.5% bonus for formal transfers collectively encouraged remitters to abandon informal channels.
- ◆ In May 2025, Bangladesh’s foreign exchange reserves fell to USD 25.80 billion, marking a 5.87% decline from USD 27.41 billion in April. Under the IMF’s BPM6 calculation, reserves stood at USD 20.57 billion, down from USD 22.02 billion the previous month. This decline came despite a strong remittance inflow of USD 2.97 billion, the second-highest on record. The continued pressure on reserves is largely attributed to sizable import payments, external debt servicing, and the Bangladesh Bank’s limited intervention capacity under the new market-based exchange rate regime.

Particulars	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Export growth YoY	15.43%	20.65%	15.63%	17.72%	5.70%	2.77%	9.89%	0.86%	11.45%
Import growth YoY	4.85%	1.51%	-9.54%	30.09%	2.20%	12.83%	15.30%	-3.17%	
Remittance (USD Bn)	2.40	2.40	2.20	2.64	2.19	2.53	3.30	2.75	2.97
Forex Reserve (USD Bn)	24.86	25.49	24.35	26.21	25.31	26.18	25.51	27.41	25.80
Forex Reserve - BPM6 (USD Bn)	19.86	19.83	18.61	21.42	19.96	20.95	20.39	22.02	20.57

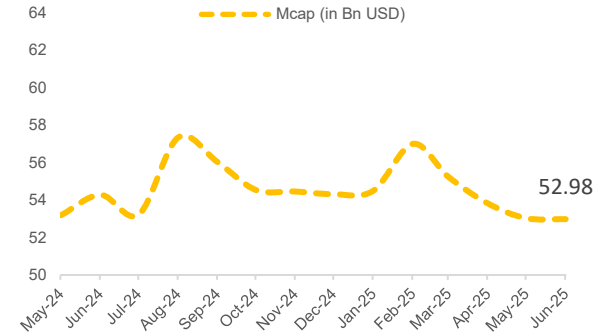
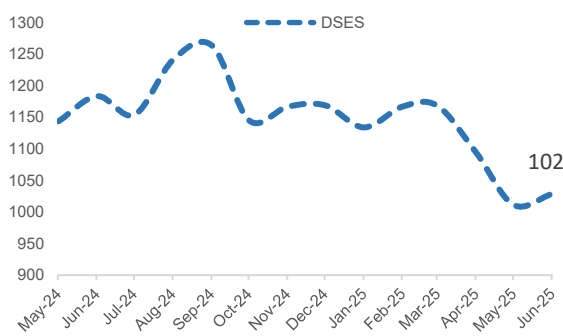
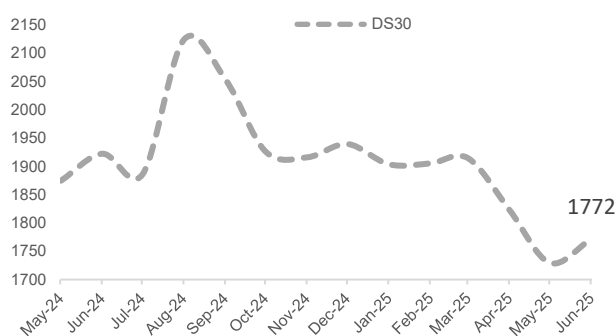
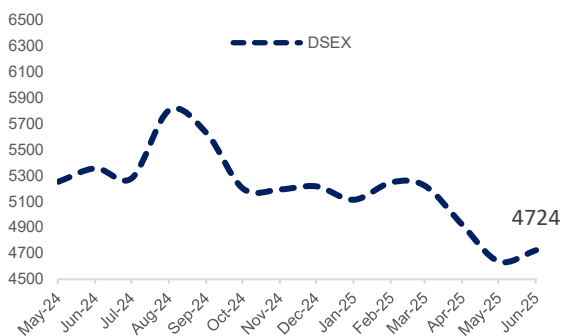
Chapter 05: Government borrowing crowds out private sector credit growth

- ◆ In April 2025, Bangladesh’s private sector credit growth stood at 7.50%, slightly down from 7.57% in March. The slowdown followed the Ramadan-driven rebound and coincided with cooling demand in the post-Eid period. Banks cited high lending rates between 14-16%, coupled with persistently high inflation and political uncertainty, as key factors discouraging new borrowing. Additionally, reduced demand for capital machinery imports and tightened monetary conditions contributed to weak investment sentiment. As a result, credit remains well below the central bank’s 9.8% target, underscoring ongoing challenges in reviving private sector lending
- ◆ In March 2025, public sector credit growth in Bangladesh stood at 15.11%, which was 13.39% in the previous month, reflecting a continued high reliance on domestic borrowing. With concessional foreign loans becoming scarce, rising repayment and interest burden, and floating-rate external debt increasingly expensive, along with lower revenue collection by NBR, the government has strategically shifted toward local borrowing sources, including treasury bills, bonds, sukuk, and national savings certificates. T-bill rates have surged to 12%, raising concerns over a potential crowding-out effect on private credit.

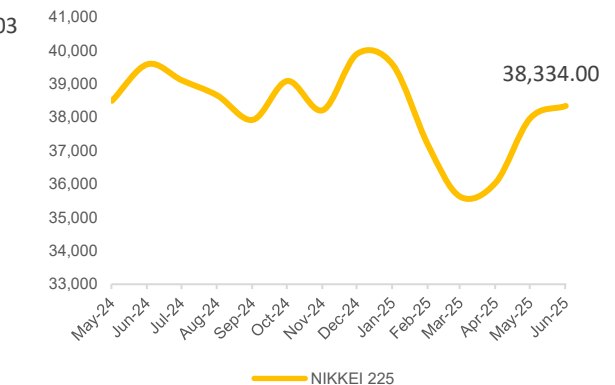
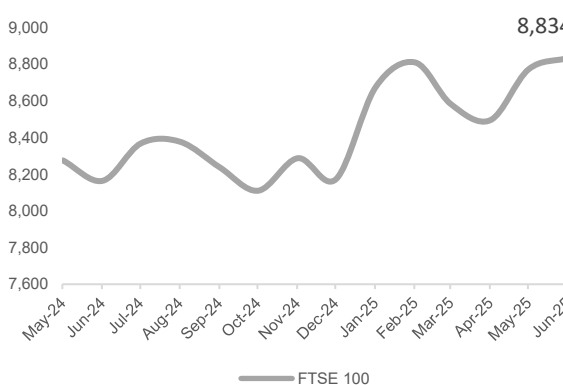


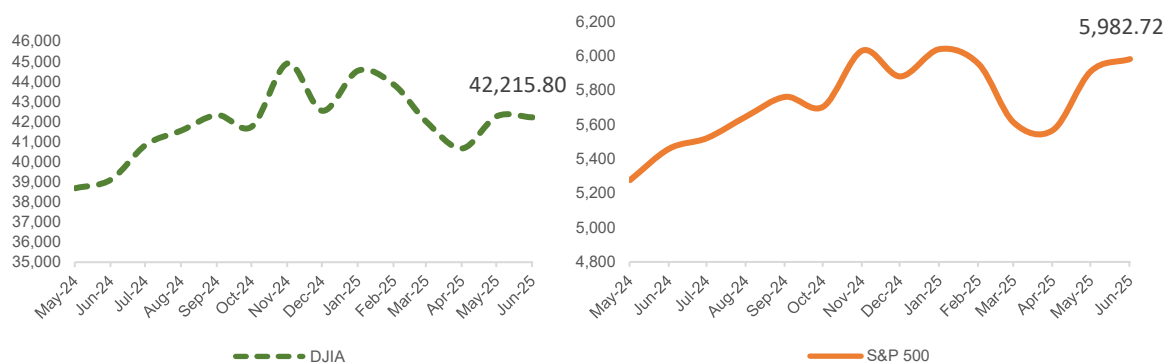
Chapter 06: Markets rebounded on optimistic budget and eased political climate

- ◆ In May 2025, the DSE Broad Index plunged to a five-year low amid heightened domestic economic and political uncertainties. However, June witnessed a strong rebound as easing political tensions at home, budgetary support for listed companies, and improved inflation dynamics restored investor confidence. Despite lingering concerns over rising T-bill rates and the Middle East war of Iran-Israel, the overall market showed resilience, with all major indices, including the DSE 30 and Shariah Index, posting positive returns, signalling renewed optimism in Bangladesh’s capital market.



◆ In June 2025, all major equity indices except the DJIA advanced. The Dow Jones Industrial Average has eased from its May highs amid heightened geopolitical risks, notably the Israel-Iran conflict. The decline has been fuelled by a surge in oil prices and renewed inflation fears. Weaker U.S. economic indicators, such as disappointing retail sales and industrial production, also increased investors’ uncertainty. The other indices gained on strong tech services earnings, the semiconductor industry flourishing, AI-led optimism, and Fed signals of a potential rate cut in late 2025. Japan’s Nikkei 225 started to rise from April amid yen weakness and strong export data, while the UK’s FTSE 100 rose as easing inflation boosted consumer sentiment. FTSE 100 is rising as investors anticipate continued Bank of England rate cuts amid weakening unemployment data, while strong energy and higher oil prices boost key sectors.





- ◆ Brent crude oil rose from \$63.90 in May 2025 to \$74.23 per barrel in June 2025, reflecting a \$10+ surge amid the Israel-Iran conflict. Although prices spiked to \$78 following the strikes, they have since eased. The volatility underscores geopolitical risks, particularly concerns over disruption in the Strait of Hormuz. Despite the rise, prices remain well below 2022’s \$130 peak. Without actual supply disruptions, sustained high prices appear unlikely, but inflationary pressures may persist in the short term.
- ◆ Gold futures prices rose significantly from \$3,289 in May 2025 to \$3,433 per troy ounce in June 2025, reaching a five-week high of \$3,446. This sharp increase was mainly driven by escalating geopolitical tensions following Israel’s attack on Iran, prompting investors to move toward safe-haven assets like gold. Additionally, softer U.S. inflation data (lower CPI and PPI) increased expectations of interest rate cuts by the Federal Reserve, further boosting gold’s appeal. Investment banks like Goldman Sachs and Bank of America project gold could reach \$3,700 by the end of 2025 and potentially \$4,000 by mid-2026.
- ◆ Wheat futures rose from 536 US cents in May to 544 US cents in June due to slow U.S. winter wheat harvesting, the U.S. Environmental Protection Agency’s (EPA) higher biofuel blending targets, and strong demand from China. Cotton futures rose in June as heavy rainfall led to reduced U.S. production estimates, which ultimately led to a tightening of the supply outlook. Additionally, amid global trade tensions, some countries may shift or extend demand toward U.S. cotton to avoid reciprocal tariffs, offering further support to prices despite a slightly weaker global consumption forecast. Rough rice futures rose slightly in June to USD 13.77 compared to USD 13.50 per hundredweight, supported by a weaker dollar, local quality concerns, and rising buyer demand at low price levels. Flood risks in South Asia also added uncertainty. However, record U.S. production and ample global supply from India, Bangladesh, China, and Indonesia are expected to meet the demand with stability. Soybean futures hit a 4-week high at 1069.75 US cents per bushel, driven by new U.S. biofuel blending targets and expected soyoil demand. This expected strong demand is supporting prices to rise. Corn dropped to 444.5 US cents per bushel as strong crop ratings and favorable, non-threatening U.S. weather kept prices under pressure. However, rising crude oil prices may boost ethanol demand, potentially supporting corn prices since it is a key input in ethanol production.

Monthly Macro Note

