BIZDATA INSIGHTS

BANGLADESH BUSINESS & ECONOMY REVIEW (BBER)

March 2023

Email: insight@bizdatainsights.com

About Bangladesh Business & Economy Review (BBER) Report

Bangladesh Business and Economy Review (BBER) is a monthly insight report of **BIZDATAINSIGHTS** where we provide summarized updates on key business & economic insights, trends & events that shaped the business and economic environment in the country over the month.

This report is derived from industry specific information, news, events which are curated from different published and inside intelligence source – newspaper, magazines, articles, papers, events, company's website, regulatory body's website, social media etc. Overall, this report provides valuable insights into the economic and business landscape of Bangladesh, helping readers to stay informed and make informed decisions.

In this current version of the BBER report, we covered the key business & economic insights, trends & events in the month of February, 2023.

We will welcome any feedback or suggestion on further developing the report!

Hence, pls. feel free to provide your feedback or suggestion at: insight@bizdatainsights.com

ABOUT BIZDATAINSIGHTS

Bizdata Insights is a Market Intelligence, Data & Business Advisory platform in Bangladesh driving the Trade, Business & Investment opportunities in Bangladesh.

We provide Bangladesh Economic & Market Intelligence, Economic, Market & Financial Data of 40+ business sectors of Bangladesh, and offer Business Advisory services for Investors & Business professionals so that they can make intelligent decisions on Investment & Business with confidence.

We offer industry-specific news, insight, and data of 70+ business sectors of Bangladesh through curating, filtering, validating, and analyzing the market, business & economic news, information, and data from 500+ different national and international sources – news agencies, newspapers, and online news sites, social media, company web sites, govt. websites, partner agencies, etc.

Hence, we enable data & insight-driven intelligent business decisions to Investors, Business professionals, and Corporations offering the most comprehensive perspective on Bangladesh's business and economy.

LEGAL NOTICE

INDEX

1. **Economy Insights……………………………………………………………………………………….7-12**
    - GDP growth drops to 7.1% from provisional estimate of 7.25%
    - Bangladesh's Reserves Plummet to $31 Billion
    - NBR Revenue declined due to reduced imports
    - Tax revenue from DSE rises by 6.91%
    - Foreign loan pledges, disbursement fall
    - Trade deficit drops to $13.31 billion during Jul-Jan period
    - Export brings $4.63b in Feb’23
    - Bangladesh receives $476 million of IMF loan as 1st installment
    - Planning commission slashes ADP budget by TK 18,500 Crore
    - ADP performance has fallen to a 7-year low
    - Remitters doesn't need declaration for up to $20,000 remittance
    - Microcredit booms
    - Exporters of services will get ERQ facility
    - Govt enhances the bond facility for exporters
    - CIID detects 96 cases worth Tk 3,204 Crore
    - CCMS platform launched to check cheating in e-commerce
2. **Finance & Banking Insights……...………………………………………………………………...12-19**
    - Spike in funding costs hurting banks’ profitability
    - Insurance premium collections increased by 17%
    - MFS transaction rises over 18% in December
    - Number of mobile financial service accounts surpasses 19 Crore-mark
    - Card-based forex transactions hit all-time high in December
    - MetLife Bangladesh will provide Tk2,548 crore to their customers
    - Tk 200 crore plundered from BAT’s CSR fund
    - Amount of cash outside banks hits record high
    - Banks’ deposit growth slows
    - Banks' excess liquidity falls by Tk8,128 Crore
    - DSE experiences TK135 Crore foreign investment outflow
    - Foreign investors sell-off Skyrockets by 34%
    - Dollar supply to banks is increasing

- Bangladesh Bank sold 9.8 billion dollars in 8 months
- Banks' provision shortfall drops by Tk2,520 Crore in December quarter
- Depositors withdraw Tk 11,426 Crore from Islamic banks in 3 months
- 8 banks dominate stock market by investing Billions
- Bangladesh Bank relaxes rule of storing audited financial report for CMSMEs
- Bangladesh Bank eases rules for contactless pay
- Central Bank eases bank borrowing for stockbrokers, merchant banks
- Central bank raises interest rate for loans from EDF
- IFC provides $50m to Prime Bank
- Banking diploma must for bank officers' promotion

3. **Consumer & Retail Insights…...19-19**
   - Lower-income people excluding broiler chicken from shopping lists
4. **Telecom Insights…..19-21**
   - Banglalink and Grameenphone hold the top position for mobile internet speed
   - GP subscribers faced severe network disruption
   - Grameenphone announces bKash as a preferred payment partner
   - Tk 13,000 Crore due in VAT, taxes from 5 telecom operators
5. **Power & Energy Insights…...21-23**
   - Adani steps forward to resolve coal pricing issues with Bangladesh
   - LNG import from spot market begins after over six months
   - BPDP urges a subsidy of TK 22,547 crores
6. **Agricultural Insights…..23-24**
   - Dollar crisis hurts pesticide imports, may hit crop output
   - Sugar imports are affordable now
   - Raw Jute Export Restrictions Eased
   - Rules eased for US cotton import
   - Boro Production increased by 1.51% in FY'22
   - Government Plans to boost potato production and export
   - Government to import 1.5 lakh tonnes of TSP fertilizer from Tunisia
7. **RMG & Textile Insights…... 24-25**
   - RMG saw an increase in value addition during the Oct-Dec of FY'23
   - RMG exports to EU shows 14.29% growth in July-Feb
   - Dhaka International Textile and Garment Machinery Exhibition showcases Bangladesh's booming $4b market

8. **Healthcare Insights…..………………………………………………………………………………25-26**
- Govt hospitals will provide private chamber facilities for doctors
- Azithromycin Prophylaxis may lower death risk during Normal Childbirth

9. **Automotive Insights…..……………………………………………………………………………...26-26**
- Runner's 'Made in Bangladesh' three-wheeler hits the market

10. **Start-up Insights…..…………………………………………………………………………………….26-27**
- StartUp Bangladesh signs MoU with Visa
- Foodpanda reveals new brand theme "Live Like a Panda"
- Omega Seiki and Brandwin plan to jointly produce electric trucks in Bangladesh

11. **ICT Insights…..………………………………………………………………………………………27-27**
- Bangladesh's IT exports are soaring despite the global economic crisis
- Country's smartphone shipment shrinks by 23% in 2022
- APICTA has suspended BASIS IT Association for 2 years
- Social media user numbers fall in Bangladesh

12. **Global Report…..……………………………………………………………………………………….27-28**
- Bangladesh is second in South Asia in terms of impunity index

13. **HR Insights…..………………………………………………………………………………………….28-29**
- Asif Ibrahim re-elected as Chairman of CSE
- HSBC appoints Gerard as country head of Wholesale Banking in Bangladesh
- Habibur joins Standard Bank as MD, CEO

KEY TAKE AWAY POINTS:

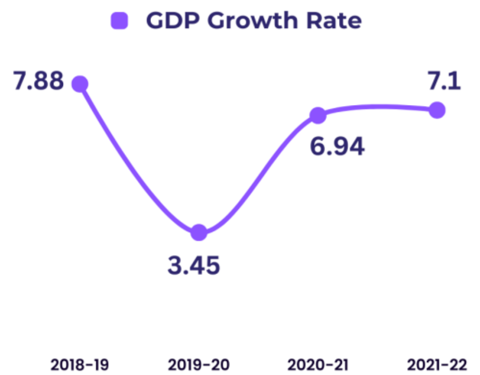
Key picks of the Bangladesh Business & Economic environment in Feb’23:

- The country's gross domestic product (GDP) growth rate declined to 7.1% in fiscal 2021-22, from the provisional estimate of 7.25%, according to the Bangladesh Bureau of Statistics' (BBS) final report.
- The export earnings in February totaled $4.63 billion, the lowest figure in four months. However, the overall export receipts for the current financial year of 2022-23 rose 7.81% year-on-year, driven by apparel, leather, and leather goods shipments.
- Meanwhile, the trade deficit has decreased by 28.8% year on year to $13.38 billion in the July-January period, according to central bank data
- The country's foreign exchange reserves declined by $1.16 billion to $31.14 billion on March 9th, after over $1 billion in import bills pending with trading partner countries.
- Meanwhile, Bangladesh has received the first installment of $476 million from the International Monetary Fund (IMF) out of the $4.7 billion loan package.
- On this backdrop, the Planning Commission of Bangladesh has reduced the allocation of the Annual Development Programme (ADP) for the current FY by Tk18,500 crore, or 7.51% of the original outlay.
- Foreign aid commitments to Bangladesh have also decreased by 62% in the first seven months of FY 2022-23, and foreign aid inflow has also decreased by 9% in July-January year-on-year, according to provisional data from the Economic Relations Division (ERD).

ECONOMY INSIGHTS

GDP growth drops to 7.1% from provisional est. of 7.25%, per capita income decreases by 1.10 %

The country's gross domestic product (GDP) growth rate declined to 7.1% in fiscal 2021-22, from the provisional estimate of 7.25%, according to the Bangladesh Bureau of Statistics' (BBS) final report.



The per capita income also decreased to $2,793, a 1.10% drop from the provisional figure of $2,824, due to the increase in total population and depreciation of the local currency against the US dollar. Bangladesh's GDP grew at 6.94% in FY'2021 and 3.45% in FY'20 and 7.88% in FY'19.

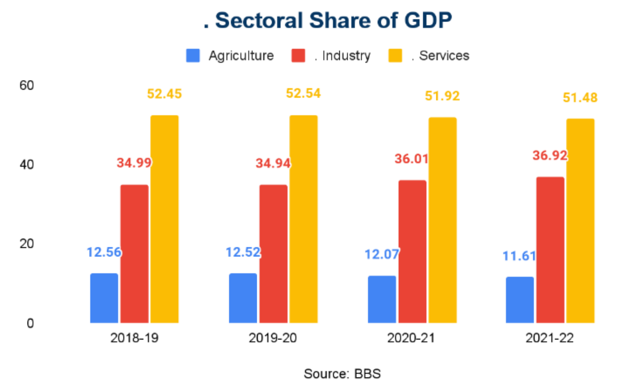
In terms of sectoral growth, agriculture, and large industries performed better in the final figures than in the provisional data, while small and medium

sector decrease in consumption due to high inflationary pressure.

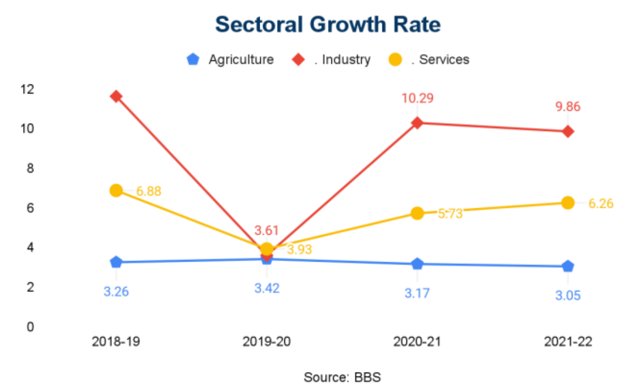
Bangladesh receives $476 million of IMF loan as 1st installment in Feb'23

Bangladesh has received the first installment of $476 million from the International Monetary Fund (IMF) out of the $4.7 billion loan package.

The remaining amount will be in six equal installments of $704 million each. Bangladesh will get about $3.3 billion under the Extended Credit Facility and the Extended Fund Facility and about



enterprises experienced a significant decrease to 4.84% from the provisional estimate of 11.71%.



The agriculture sector contributed 11.66% to the GDP, while the contributions of the industrial, and service sectors were 35.27% and 53.01%, respectively.

$1.4 billion under the Resilience and Sustainability Facility, according to an IMF.

With the approval of a $1.4 billion loan under the Resilience and Sustainability Facility, Bangladesh became the first country in Asia to receive a loan from the fund created for low and middle-income countries that are at risk due to climate change.

Export fetches $4.63b in Feb'23

Bangladesh's export earnings in February totaled $4.63 billion, marking the lowest figure in four months. However, the overall export receipts for the current financial year of 2022-23 rose 7.81% year-on-year, driven by apparel, leather, and leather goods shipments.

The Export Promotion Bureau (EPB) reported that receipts for the eight months ending in February grew by 9.56%. Nonetheless, the impact of weak global demand is already evident in other major sectors such as jute and jute goods, frozen fish, and shrimp. While the volume of garment exports declined, earnings from apparel exports, which accounted for approximately 85% of national shipments in July-February, rose by 14.06% year-on-year to $31.36 billion.

Knitwear exports generated $17.06 billion, up 13.21% compared to the previous year, while woven shipments generated $14.30 billion, a spike of 15.08%. Leather and leather products exports rose by 6% to $832 million in July-February.

Other major sectors, including home textiles, jute and jute goods, frozen and live fish, and agricultural products, suffered a decline of over 20% in earnings. Frozen fish and shrimp exports recorded a nearly 22% slump to $318 million.

Exports of jute and jute goods, one of the few sectors for which raw materials are locally available, plunged by 24% to $610 million in the eight months ending in February. The sector suffered drops in shipment due to the shrinking demand for jute yarn among carpet makers, the main user of jute yarn. The use of alternative yarn following a spiral in prices of jute in Bangladesh has also affected the export performance.

Trade deficit drops to $13.31 billion during Jul-Jan period

Bangladesh's trade deficit has decreased by 28.8% year on year to $13.38 billion in the July-January period, according to central bank data. This reduction can be attributed to import restrictions implemented by the central bank and austerity measures taken by the government to save dollars. However, the trade deficit increased by 8.82% from $12.3 billion in the first six months of the financial year.

The current account deficit also decreased by nearly 51% to $5.03 billion. At the start of the 2022-23 FY, Bangladesh faced a record trade deficit of $33.24 billion and a current account deficit of $18.69 billion due to the ongoing Russia-Ukraine conflict. With strict import controls in place, it is anticipated that the current account deficit will improve to 3.2% of GDP in FY23.

Planning commission slashes ADP budget by TK 18,500 Crore

The Planning Commission of Bangladesh has reduced the allocation of the Annual Development Programme (ADP) for the current FY by Tk18,500 crore, or 7.51% of the original outlay. However, officials have stated that the allocation of government funds has not been cut, but only foreign aid allocations have been slashed. The revised ADP has been reduced to Tk2,27,566 crore from Tk2,46,066 crore.

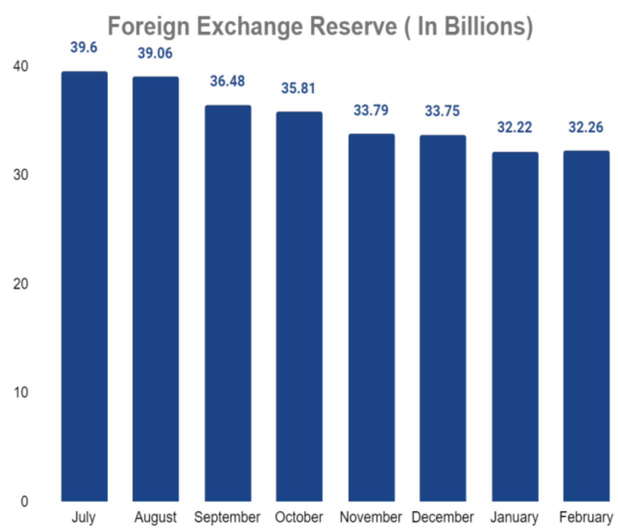
The country's Annual Development Programme (ADP) implementation rate for the first seven months of the FY 2022–23 was only 28.16 %, the lowest level in the previous seven years. According to data available from the Implementation Monitoring and Evaluation Division (IMED), the implementation rate was 30.21% during the same period of the previous FY, while it was 32.41% in FY 2016-17.

The data also showed that the ADP implementation rate for the July–January period of FY 2021 was 28.45%, compared to 32.07% for FY 2020, 34.43% for FY 2019, and 33.35% for FY 2018. The execution rate for FY'22 was 92.89 %, In FY'21 and FY'20, respectively, the overall implementation rate was 82.11 % and 80.39 %. The ministries and departments have submitted demands that are about Tk4,000 crore less than the ADP allocation, indicating a decrease in demand for government funds for the first time.

The allocation of government funds in the original ADP for the current financial year was Tk1,53,066 crore, and the demand for distribution has decreased mainly due to the government's cost-cutting policy.

Bangladesh's Foreign Reserve Plummet to $31 billion in Mar'23

The country's foreign exchange reserves declined by $1.16 billion to $31.14 billion on March 9th, after over $1 billion in import bills pending with trading partner countries. The projection from the International Monetary Fund (IMF) indicates that Bangladesh's foreign currency reserves are anticipated to decline to $30 billion by the conclusion of the 2022-23 FY. This estimated amount is deemed sufficient to finance the country's import expenditure for approximately three and a half months.



Previously, the government of Bangladesh had declared a goal of $37.7 billion in reserves by the end of the ongoing FY. According to IMF approximations, this would be the lowest level of forex reserves in Bangladesh over the previous three years, following figures of $36 billion in FY'20, $46.4 billion in FY'21, and $33.4 billion in FY'22. Nonetheless, the IMF foresees that Bangladesh's reserves will recuperate to an estimated $34.2 billion in FY'24. Due to various restrictions and sluggish business environment amid the Covid pandemic, import payments had declined sharply while exports and remittance earnings witnessed growth in 2021. But, after the recovery of global business environment from the pandemic, foreign and local currency demand rose greatly, depleting reserves of the both currencies in the country as the existing supply could not match with the sudden demand. As imports have exceeded remittance and export earnings, it has also brought down the import payment capacity.

NBR Revenue declined due to reduced imports

Reduced imports have caused a decline in revenue collection. The decline in imports is due to import curbs caused by the dollar crisis, which has reflected in the government's revenue collection as import duty dropped year-on-year this January.

Additionally, a slight decrease in the price of goods in the world market is another reason behind the drop in revenue collection. According to the National Board of Revenue (NBR), year-on-year import duty collection growth declined to negative 0.53% in January, which was 23% in the previous FY. The growth in import duty collection from July to January, first seven months of the current FY 2022-23 – is less than 8%, despite the rise in prices of imported goods. The figure was over 22% in the same period of the last FY.

The main reason behind the decrease in import duty collection is the decrease in imports due to the dollar crisis. Furthermore, income tax collection in January also lacked the expected pace, less than 3%.

Overall, the year-on-year growth in revenue collection stood below 5% in January, with total revenue collection at Tk26,877 crore against the target of Tk31,500 crore. This is a stark contrast to the growth in January of the last FY, which was 18%. In the first seven months of the current FY, revenue collection fell short of the target by Tk17,266 crore, the target was around Tk1,90,000 crore.

Tax revenue from DSE rises by 6.91%

The government's tax revenue earnings from the Dhaka Stock Exchange (DSE) increased by 6.91 % (Tk 1.19 crore) in January, compared with that of December of the current financial year, as turnover rose significantly following the partial withdrawal of floor price.

In January of the current FY, tax revenue from the DSE was Tk 17.22 crore against Tk 16.03 crore in December, according to DSE data. The government earned Tk 11.78 crore in tax revenue from members of the stock exchange or trading right entitlement certificate holders' commission in January against Tk 7.17 crore in December.

While tax revenue from share sales by sponsor-directors and placement holders declined to Tk 5.26 crore in January from Tk 8.86 crore in December. The National Board of Revenue received taxes worth Tk 183.20 crore in July-January of FY'23 against Tk 278.65 crore in the same period of FY'22, according to DSE data.

Of the total revenue earnings in July-January of FY'23, Tk 131.20 crore came from a tax on trading right entitlement certificate holders' commission, also known as brokerage commission, while Tk 51.80 crore came from a tax on share sales by sponsor-directors and placement holders.

Private Sector Credit Growth hits 9-Month Low in Dec

The growth of private sector credit in December 2022 has been the slowest in nine months, primarily due to a liquidity crisis in banks and a shortage of dollars. Bankers also attribute the decline in credit growth to a slowdown in development projects. According to Bangladesh Bank data, private sector credit growth decreased to 12.4% in December from 13.97% in the previous month, and it stood at 12.48% in April.

In August, private sector credit had grown to 14.07%, almost meeting the monetary target of 14.1% set for the current fiscal year. However, due to the dollar crisis in banks, the opening of letters of credit has decreased, and development project activities have reduced, resulting in a slowdown of bank credit growth. The Bangladesh Bank's recent study report revealed that the observed private sector credit growth was significantly higher than the real private growth due to the high depreciation that consumed private credit.

The study report disclosed that private sector credit growth was 13.7% in June last year, 14% in September, and 13.9% in October, while the exchange rate-adjusted growth was 11.9%, 10.9%, and 10.8%, respectively.

Foreign loan pledges, disbursement fall

Foreign aid commitments to Bangladesh have decreased by 62% in the first seven months of FY 2022-23, and foreign aid inflow has also decreased by 9% in July-January year-on-year, according to provisional data from the Economic Relations Division (ERD). This is due to slow implementation rates of development projects and pending agreements for loans.