

## EXECUTIVE SUMMARY

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### Global Economy

While global economy was recovering strongly from the COVID-19 pandemic, the war in Ukraine posed a setback to the ongoing recovery. A rise in the global commodity prices and sluggish economic activities by war induced supply chain disruption is being observed.

International organisations revised their forecasts for economic growth prospects and inflations. As per the United Nations (UN) publication ‘World Economic Situation and Prospect 2022’, the global economy grew by 5.5 percent in 2021, the highest growth rate since 1976, after contracting 3.4 percent in 2020. Global economy is expected to grow by 4.0 percent in 2022 and 3.5 percent in 2023. In the World Bank’s Global Economic Prospect, January 2022, the global economic growth is projected 4.1 and 3.2 percent in 2022 and 2023 respectively, while growth was estimated 5.5 percent in 2021.

Sluggish growth rates between advanced economies and emerging and developing economies will be divergent. Growth in advanced economies is expected to decline from 5 percent in 2021 to 3.8 percent in 2022 and 2.3 percent in 2023. This growth rate will be sufficient to restore output and investment to their pre-pandemic trend in these economies. In emerging and developing economies, however, growth is expected to drop from 6.3 percent in 2021 to 4.6 percent in 2022 and 4.4 percent in 2023. The report stressed that by 2023, all advanced economies will have achieved a full output recovery; yet output in emerging and developing economies will remain 4 percent below its pre-pandemic trend. For many vulnerable economies, the setback is even larger: output of fragile and conflict-affected economies will be 7.5 percent

below its pre-pandemic trend, and output of small island states will be 8.5 percent below.

In the World Economic Outlook (WEO) April 2022, International Monetary Fund (IMF) projected that the global economy will grow by 3.6 percent both in 2022 and 2023. The projections for 2022 and 2023 are 0.8 and 0.2 percentage points lower than in the January 2022 WEO update. Global growth is forecast to decline to about 3.3 percent over the medium term beyond 2023.

### Macroeconomic Situation: Bangladesh Context

Bangladesh economy was growing consistently high over a decade crossing 7.0 percent milestone in FY 2015-16 and 8.0 percent milestone in FY 2018-19. However, the COVID-19 pandemic reduced the growth rate to 3.45 percent in FY 2019-20. The economy grew by 6.94 percent in FY 2020-21. According to the provisional estimates of BBS, the GDP growth stood at 7.25 percent in FY 2021-22, 0.05 percentage point higher than the target rate and 0.31 percentage point higher than the previous fiscal year.

According to provisional estimate of BBS, per capita GDP and per capita national income stood respectively at US\$ 2,723 and US\$ 2,824 in FY 2021-22 compared to US\$ 2,462 and US\$ 2,591 respectively in FY 2020-21. The consumption increased to 78.44 percent of GDP in FY 2021-22 from 74.66 percent in FY 2020-21. The gross investment stood at 31.68 percent of GDP in FY 2021-22, where public investment and private investment accounted for 7.62 percent and 24.06 percent of GDP respectively. Medium-term forecasts for GDP growth rates are 7.5 percent in FY 2022-23, 7.8 percent in FY 2023-24 and 8.0 percent in FY 2024-25.

Inflation in FY 2020-21 stood at 5.56 percent, which is 0.09 percentage point lower than FY 2019-20. Of which food and non-food inflation accounted for 5.73 percent and 5.29 percent respectively. Like all other countries of the world, an upward trend of price level is being observed in Bangladesh as the economic damages created by COVID-19 pandemic which is triggered by war in Ukraine. The point-to-point inflation in March 2022, stood at 6.22 percent, compared to the inflation rate 5.47 percent in March 2021.

The revised revenue mobilisation target was set at Tk. 3,89,000 crore in FY 2021-22, which is 9.78 percent of the GDP. Of them, revenue receipt from NBR sources was marked at Tk. 3,30,000 crore (8.30% of GDP), tax revenue from non-NBR sources at Tk. 16,000 crore (0.40% of GDP) and non-tax revenue at Tk. 43,000 crore (1.10% of GDP). As per provisional data from iBAS++, total revenue mobilisation up to February 2022 stood at Tk. 2,25,116 crore, up by 16.39 percent of the same period of previous fiscal year, achieving 57.87 percent of the target.

According to the revised budget, the total expenditure target for FY 2021-22 has been set at Tk. 5,93,500 crore (14.93% of GDP), which is 10.11 percent higher compared to FY 2020-21. The revised Annual Development programme (ADP) size for FY 2021-22 stood at Tk. 2,07,550 crore (excluding autonomous/agencies/corporations' own funded projects), which is 5.01 percent higher than the previous fiscal year.

The government is highly concerned of maintaining the budget deficit within 5 percent of GDP by increasing efficiency in revenue management. However, due to the increase in government expenditure for COVID-19 pandemic, target set at 5.1 percent of current fiscal year. The actual budget deficit for FY 2019-20 and FY 2020-21 stood at 4.7 percent and 4.3 percent of GDP respectively. The inflow of foreign grants and loans in the first eight months

of FY 2021-22 (up to February 2022) amounted to US\$ 5,899 million, up by 6.63 percent from the same period of the previous fiscal year. The country's external debt outstanding at the end of February 2022 was US\$ 55,826 million or 12.23 percent of GDP.

The purpose of this policy stance is to outline monetary and credit programme for FY 2021-22 based on the evolving internal and external macroeconomic and financial developments. The programmed growth of broad money (M2) was set at 15.0 percent and domestic credit growth 17.8 percent, which was consistent with the targeted GDP growth and CPI based average inflation. The broad money and domestic credit actually grew by 9.45 percent and 13.32 percent respectively in February 2022 compared to 13.35 percent and 9.06 percent respectively in the same month of the previous year. However, the public and private sector credit experienced 28.1 percent and 10.9 percent growth respectively in February 2022 against the actual growth of 8.3 percent and 8.9 percent respectively in February 2021.

The recent trends in weighted average lending and deposit rates show downward movement. The weighted average lending rate decreased to 7.10 percent at the end of February 2022 from 7.48 percent of end February 2021. Similarly, the deposit rate continuously decreased to 4.02 percent in February 2022 from 4.44 percent in February 2021. The reduction in market-based interest rates has been due to the increase in excess liquidity available to banks and the reduction in interest rates, bank rate and refinancing scheme policies adopted by Bangladesh Bank.

In FY 2021-22, both stock markets (Dhaka Stock Exchange and Chattogram Stock Exchange) noticed some volatility, however, both the price index and market capitalisation increased moderately. The market capitalisation and the broad index of DSE increased by 4.41 percent and 6.59 percent respectively at the end of April

2022 compared to end June 2021. Similarly, the market capitalisation and CSE All Share Price Index increased by 6.03 percent and 11.67 percent respectively, at the end of April, 2022, compared to end June 2021.

Although global trade has turned around in 2021 after the effects of COVID-19 pandemic, the Russia-Ukraine conflict has been showing significant negative impact on world trade. As a result, food supply chains have been disrupted and Western sanctions on Russia have led to global trade instability. At the same time, the prices of petroleum along with commodity prices are rising, which is also creating inflationary pressures on the economies. However, Bangladesh's export growth is on a positive trend. During July-April of FY 2021-22, total export earnings increased by 35.14 percent to US\$ 43,344.34 million compared to the same period of previous fiscal year. The total import payments (c&f) stood at US\$ 66,898.70 million in FY 2021-22 (July-March), which is 43.84 percent higher than the import payments of the same period of the preceding fiscal year. The deficit of trade balance widened and stood at US\$ 22,306 million in FY 2021-22 (July-February) which was US\$ 12,359 million in FY 2020-21 (July-February). This deficit mainly occurred by the high growth in import payments relative to the growth in export earnings.

During the time, current account balance showed a deficit of US\$ 12,834 million due to expansion of trade deficit and a fall of workers' remittances. At the same time, the surplus of capital account balance and financial account balance both increased due to substantial amount of term loans received from the global development partner agencies. The net outcome of all these made the overall balance a deficit of US\$ 2,222 million in FY 2021-22 (July-February) compared to US\$ 6,879 million surplus in the same period of previous fiscal year. Due to the deficit of the overall balance, the foreign exchange reserve

decrease slightly. The foreign exchange reserve stood at US\$ 46 billion at the end of February 2022. At the latest on 18 May 2022, the foreign exchange reserve stood at US\$ 42.33 billion. During July-April, 2022, the exchange rate of Taka depreciated by 1.9 percent against US dollar.

### **Sector-wise Economic Progress**

In response to the effects of the global COVID-19, extreme floods, and natural disasters, GOB has adopted short, medium, and long-term action plans to maintain food security for the people of the country by continuing the expansion in agricultural productivity. The target of food production is 465.83 lakh metric tonne (MT) in FY 2021-22, which was 466.35 lakh MT in FY 2020-21. Revised budget target for food collection from internal market is 19.50 lakh MT. By February 2022, 10.59 lakh MT food grain was imported through government channel and 27.69 lakh MT (3.04 lakh MT rice and 24.65 lakh MT wheat) through private channel. With a view to increase in agricultural production, Tk. 9,500 crore has been allocated for subsidising fertilisers and other agricultural activities and Tk. 150 crore has been allocated for seed production activities to support the farmers in the budget of FY 2021-22. A total of 46.21 lakh MT of fish was produced from inland water bodies and marine sources in FY 2020-21, which is targeted 46.64 lakh MT in FY 2021-22. In FY 2020-21, 31.16 crore dose vaccines for 17 diseases have been produced and applied for cattle and poultry.

To overcome the shock of COVID-19 as well as to revitalise, GOB has provided different supports under incentives packages to its industry sector. Special fund for export oriented industries, working capital for the affected industries and service sector institutions, working capital to SMEs, credit guarantee skims for SMEs are mentionable programmes of the GOB. As a result, industry sector has rebounded. According to the 'Quantum Index of Medium

and Large Scale Manufacturing Industry' (Base Year: 2005-06), the average general index of industrial production (large and medium scale manufacturing) increased by 18.52 percent to 507.65 points during July-December of FY 2021-22 over that of FY 2020-21.

The capacity of power generation reached at 22,066 megawatts in January 2022. The volume is 25,284 megawatts including renewable energy and captive. The maximum generation level 13,792 MW were achieved in 27 April 2021. Total net electricity production was 80,423 million kilowatt-hours (kWh) in FY 2020-21 and in the first six months of FY 2021-22 (up to December 2021) total net electricity production stood at 42,395 million kWh. Out of total net generation, 40.02 percent power was generated by the public sector, 4.10 percent by joint venture, 47.39 percent power from the private sector and 8.50 percent from power import from India. At present, the total distribution line is 6.19 lakh kilometer and total consumer is 4.19 crore. The construction of Ruppur Atomic Power Plant unit is ongoing.

Natural gas met almost 62 percent of the country's total commercial use of energy. A total of 28 gas fields have been discovered from which about 19.11 trillion cubic feet gas has been produced cumulatively (up to December 2021). 9.30 trillion cubic feet of recoverable gas by January 2022. Besides, the country has about 13.60 lakh metric tonne of reserve fuel oil. In order to meet the growing demands for natural gas and fuel oil and to secure energy supply of the country in the long term, the highest emphasis is given on the diversification of energy sources, particularly on the efficient and optimum use of energy, construction of power plant based on coal, LNG, dual fuel, atomic and renewable energy.

The development efforts to build a developed and integrated communication and transport infrastructure is going on. At present, the total

length of highways in the country is 22,433 km as of February 2022. Parallel to the roads, development projects like Padma Bridge, Metro-rail, BRT, Dhaka Elevated Express way, *Karnaphuli* tunnel and some other mega-projects are being implemented which are contributing to GDP growth of the country. At present, the total length of railway is 3,093 km. Several measures have already been undertaken for the development and maintenance of navigability of different river routes, ensuring safe movement of water crafts, development of inland river ports, creating infrastructure facilities to carry container goods in inland waterways etc. As the national flagship carrier *Biman* Bangladesh Airlines Limited is operating 7 national and 19 international flights in different routes. The total number of mobile phone subscribers and internet users exceed 18.15 crore and 12.28 crore in February 2022 respectively. At present Bangladesh Submarine Cable Company Ltd. (BSCCL) alone satisfying about 60 percent demand in the case of country's overall internet bandwidth, whose amount is 2,060 (Gigabyte per second) up to 28 February 2022.

The government is committed to ensure the basic needs of the people as well as human resource development through economic reform focusing on life and livelihoods to combat the long-term effects of the COVID-19 pandemic. In FY 2021-22, the government has spent about 24.93 percent of the sectors related to human resource development such as education and technology, health and family welfare, women and children, social welfare, youth and sports development, culture, labour and employment etc. In order to build a skilled manpower to meet the challenges of the Fourth Industrial Revolution, maximum emphasis has been laid on technical education. Through The National Deployment and Vaccination Plan work is underway to vaccinate 70 percent of the population against COVID-19 to protect lives and prevent deaths from the COVID-19. Various reform initiatives, including

as financial sector reform, anti-corruption and preventative actions are being adopted and executed in order to promote balanced development and establish good governance.

Bangladesh undoubtedly has accomplished an extraordinary and substantial advancement in poverty mitigation amid last decade, consequence of the devoted endeavors of the government and the appropriate and successful execution of numerous public and private development activities. It is worth mentioning that according to Household Income and Expenditure Survey (HIES) 2016, poverty rate declined to 24.3 percent in 2016, which was 40.0 percent in 2005. Several poverty alleviation programmes in Bangladesh meant to address poverty alleviation directly or indirectly have been launched by the incumbent government. Apart from these, different government along with non-government institutions, autonomous bodies carried out various activities involving introducing microcredit in order to expedite the government's efforts of poverty reduction. The ubiquitous COVID-19 pandemic had detrimental consequences on economic activities in Bangladesh to some extent while the country was in a position to achieve commendable progress on various economic and social indicators. Nevertheless, with regard to adaption of pragmatic and prudent economic policies anything could hardly hinder the celerity of overall economic development in Bangladesh. Therefore, the poverty situation in Bangladesh did no longer worsen to a scale of catastrophe during the pandemic.

During January-September in 2021, the amount of FDI was US\$ 1,803.4 million. A total 763 projects were registered in FY 2021-22 (July-February period) under joint venture investment (local and foreign) and the amount involved with the proposal was Tk. 1,08,022 crore. Total 454 business institutions are ongoing with production in the existing 8 EPZs of the country. Additional

77 industries are in to the process of operation. Up until now, the total investment amount in the EPZs is US\$ 5,858.02 million. Total number of employment generation is 4,80,140 up to February 2022 in the EPZs where 66 percent workers are female. By this time, the location and the land for 97 economic zones have been approved, 68 will be public and 29 will be private. Under public-private partnership modality, 78 projects are approved in principle covering 10 sectors.

Like other developing countries, bio-diversity rich Bangladesh is combating against environmental degradation, a crucial challenge for Bangladesh. Efforts are continuing to integrate issues pertaining to environment with mainstream development policies to ensure economic growth and environmental sustainability. A number of policies and development plans have been adopted and are being implemented to encounter environmental hazards and to ensure a pollution-free eco-friendly environment. Furthermore, a detailed work plan has been formulated with a view to achieving environmental targets of Sustainable Development Goals (SDG's). 'Bangladesh Climate Change Strategy and Action Plan, 2009 (BCCSAP 2009)' is being implemented to address the impact of climate change where both adaptation and mitigation activities have been considered. National Environmental Policy, 2018, Bangladesh Biodiversity Act 2018, Environmental Crisis Management Rules, 2017 have been promulgated to take into account the challenges of environment, biodiversity conservation and management. The government is also implementing various programmes/projects in order to tackle eventualities emanating from natural disasters. A masterplan for coming 20 years with the objectives of maintaining environmental sustainability and achieving self-sufficiency in forest resource is under preparation.