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# THE WAYS TO MITIGATE THE THREATS OF COVID-19 ON THE ECONOMY OF BANGLADESH

## ❖ Economy of Bangladesh

The economy of BANGLADESH is a developing market economy. It's the 35<sup>th</sup> largest in the world in nominal terms, and 20<sup>th</sup> largest by purchasing power parity; it is classified among the "Next Eleven emerging market middle income" economics and a frontier market. In the first quarter of 2010, Bangladesh's was the world's 7<sup>th</sup> fastest growing economy

Statistics	
Population	▲ 162,650,853 (2020 est.) <sup>[3]</sup>
GDP	▲ \$318 billion (nominal; 2020 est.) <sup>[4]</sup> ▼ \$865 billion (PPP; 2020 est.) <sup>[4]</sup>
GDP rank	35th (nominal, 2020) 29th (PPP, 2020)
GDP growth	7.9% (17/18) 8.2% (18/19e) 5.2% (19/20f) 6.8% (20/21f) <sup>[5]</sup>
GDP per capita	▲ \$2,064 (nominal, 2020) <sup>[6][7]</sup> ▲ \$5,139 (PPP, 2020 est.) <sup>[4]</sup>
GDP per capita rank	141th (nominal, 2020) 135th (PPP, 2020)
GDP by sector	agriculture: 14.23% industry: 33.66% services: 52.11% (FY18) <sup>[8][9]</sup>
Inflation (CPI)	5.5% (2020 est.) <sup>[4]</sup>
Population below poverty line	▼ 20.5% in poverty (2019) <sup>[10][11]</sup> ▲ 28.3% on less than \$3.20/day (2020f) <sup>[12]</sup> ▼ 6% living in extreme poverty (2020) <sup>[13][14]</sup>
Gini coefficient	32.4 medium (2016, World Bank) <sup>[15]</sup>
Human Development Index	▲ 0.614 medium (2018) <sup>[16]</sup> (135th) ▲ 0.465 low IHDI (2018) <sup>[17]</sup>
Labor force	▲ 69,706,733 (2019) <sup>[18]</sup> ▼ 55.8% employment rate (2017) <sup>[19]</sup>

with rate of 7.3% real GDP annual growth. Dhaka & Chittagong are the principle financial canter of the country, being home to the "Dhaka Stock Exchange & Chittagong Stock Exchange". The financial sector of Bangladesh is the 2<sup>nd</sup> largest in the INDIAN SUBCONTINENT. Bangladesh is one of the world's fastest growing economies.

In the decade since 2004, Bangladesh averaged CDP growth of 6.5%, that has been largely driven by its export of "Readymade Garment, Remittances and the domestic agriculture sector". The country has pursued export-oriented industrialisation, with its key export sectors include textile, shipbuilding, fish and seafood, jute and leather goods. It has also developed self-sufficient

industries in pharmaceuticals, steel and food processing. Bangladesh also has substantial reserves of “Natural Gas” and is Asia’s 7<sup>th</sup> largest gas producer. It also has large deposit of limestone. The Government promotes the Digital Bangladesh scheme as part of its efforts to develop the country’s growing information technology sector.

**As of 2020**, Bangladesh’s GDP per capita income is estimated as per IMF data at US\$5,139 and US\$2,064(nominal). Bangladesh is a member of the D-8 organization for Economic Cooperation, the South Asian Association for Regional Cooperation, the International Monetary Fund, the World Bank, the World Trade Organization and the Asian Infrastructure Investment Bank. The economy faces challenges of infrastructure bottlenecks, bureaucratic corruption, and youth unemployment.

- **GDP Growth:**

This is a chart of trend of gross domestic product of Bangladesh at market prices estimated by the International Monetary Fund with figures in millions of Bangladeshi Taka. However, this reflects only the formal sector of the economy.

Year	Gross Domestic Product (Million Taka)	US Dollar Exchange	Inflation Index (2000=100)	Per Capita Income (as % of USA)
1980	250,300	16.10 Taka	20	1.79
1985	597,318	31.00 Taka	36	1.19
1990	1,054,234	35.79 Taka	58	1.16
1995	1,594,210	40.27 Taka	78	1.12
2000	2,453,160	52.14 Taka	100	0.97
2005	3,913,334	63.92 Taka	126	0.95
2008	5,003,438	68.65 Taka	147	
2015	17,295,665	78.15 Taka.	196	2.48
2019	26,604,164	84.55 Taka.		2.91

Mean wages were \$0.58 per man-hour in 2009

**The following table shows the main economic indicators in 1980-2019. Inflation below 5% is in green.**

Year	GDP (in bn. US\$ PPP)	GDP per capita (in US\$ PPP)	GDP growth (real)	Inflation rate (in Percent)	Unemployment Rate (in Percent)	Government debt (in % of GDP)	Total Investment (in % of GDP)
1980	41.2	500	▲3.1 %	▲15.4 %	n/a	n/a	▲14.44 %
1981	▲47.4	▲560	▲5.6 %	▲14.5 %	n/a	n/a	▲17.16 %
1982	▲52.0	▲597	▲3.2 %	▲12.9 %	n/a	n/a	▲17.36%
1983	▲56.5	▲633	▲4.6 %	▲9.5 %	n/a	n/a	▼16.56 %
1984	▲61.0	▲664	▲4.2 %	▲10.4 %	n/a	n/a	▼16.48 %
1985	▲65.3	▲693	▲3.7 %	▲10.5 %	n/a	n/a	▼15.83 %
1986	▲69.3	▲715	▲4.0 %	▲10.2 %	n/a	n/a	▲16.18 %
1987	▲73.1	▲735	▲2.9 %	▲10.8 %	n/a	n/a	▼15.47 %
1988	▲77.5	▲759	▲2.4 %	▲9.7 %	n/a	n/a	▲15.74 %
1989	▲84.0	▲801	▲4.3 %	▲8.7 %	n/a	n/a	▲16.12 %
1990	▲91.1	▲848	▲4.6 %	▲10.5 %	n/a	n/a	▲16.46 %
1991	▲98.1	▲892	▲4.2 %	▲8.3 %	2.20 %	n/a	▲16.90 %
1992	▲105.1	▲935	▲4.8 %	▲3.6 %	▲2.25 %	n/a	▲17.31 %
1993	▲112.3	▲977	▲4.3 %	▲3.0 %	▲2.37 %	n/a	▲17.95 %
1994	▲119.9	▲1,021	▲4.5 %	▲6.2 %	▲2.44 %	n/a	▲18.40 %
1995	▲128.2	▲1,069	▲4.8 %	▲10.1 %	▲2.48 %	n/a	▲19.12 %
1996	▲137.1	▲1,120	▲5.0 %	▲2.5 %	▲2.51 %	n/a	▲20.73 %
1997	▲146.8	▲1,175	▲5.3 %	▲5.0 %	▲2.69 %	n/a	▲21.82 %
1998	▲155.9	▲1,223	▲5.0 %	▲8.6 %	▲2.83 %	n/a	▲22.12 %
1999	▲166.9	▲1,284	▲5.4 %	▲6.2 %	▲3.10 %	n/a	▲22.72 %
2000	▲180.2	▲1,361	▲5.6 %	▲2.5 %	▲3.27 %	n/a	▲23.81 %
2001	▲193.2	▲1,434	▲4.8 %	▲1.9 %	▲3.55 %	n/a	▲24.17 %
2002	▲205.7	▲1,501	▲4.8 %	▲3.7 %	▲3.96 %	n/a	▲24.34 %
2003	▲221.9	▲1,594	▲5.8 %	▲5.4 %	▲4.32 %	44.3 %	▲24.68 %
2004	▲241.9	▲1,713	▲6.1 %	▲6.1 %	▼4.30 %	▼43.5 %	▲24.99 %
2005	▲265.5	▲1,855	▲6.3 %	▲7.0 %	▼4.25 %	▼42.3 %	▲25.83 %
2006	▲292.4	▲2,018	▲6.9 %	▲6.8 %	▼3.59 %	—42.3 %	▲26.14 %
2007	▲319.7	▲2,183	▲6.5 %	▲9.1 %	▲3.77 %	▼41.9 %	▲26.18 %
2008	▲344.0	▲2,325	▲5.5 %	▲8.9 %	▲4.07 %	▼40.6 %	▲26.20 %
2009	▲365.0	▲2,441	▲5.3 %	▲4.9 %	▲5.00 %	▼39.5 %	▲26.21 %
2010	▲391.7	▲2,592	▲6.0 %	▲9.4 %	▼3.37 %	▼35.5 %	▲26.25 %
2011	▲425.8	▲2,785	▲6.5 %	▲11.5 %	▲3.71 %	▲36.6 %	▲27.42 %
2012	▲460.8	▲2,979	▲6.3 %	▲6.2 %	▲4.04 %	▼36.2 %	▲28.26 %
2013	▲496.5	▲3,171	▲6.0 %	▲7.5 %	▲4.43 %	▼35.8 %	▲28.39 %
2014	▲537.3	▲3,396	▲6.3 %	▲7.0 %	▼4.41 %	▼35.3 %	▲28.58 %
2015	▲581.6	▲3,638	▲6.8 %	▲6.2 %	▲4.42 %	▼33.6 %	▲28.89 %
2016	▲629.9	▲3,900	▲7.2 %	▲5.7 %	▼4.35 %	▼33.3 %	▲29.65 %
2017	▲710.5	▲4,331	▲7.6 %	▲5.6 %	▲4.37 %	▼32.6 %	▲30.51 %
2018	▲785.9	▲4,730	▲7.9 %	▲5.6 %	▼4.30 %	▲34.0 %	▲31.23 %
2019	▲869.4	▲5,228	▲8.1%	▼5.5%	▼4.29 %	▼33.5%	▲31.60 %

- **Economic Sectors :**

<b>Sectoral Shares of Gross Domestic Product (GDP) of Bangladesh</b>	<b>2015-16<sup>[69]</sup></b>	<b>2016-17<sup>[citation needed]</sup></b>	<b>2017-18<sup>[citation needed]</sup></b>	<b>2018-19<sup>[citation needed]</sup></b>
<b>A) Agriculture</b>	<b>14.77</b>	<b>14.17</b>	<b>13.82</b>	<b>13.32</b>
Agriculture and forestry	11.55	10.98	10.68	10.25
Crops & horticulture	8.15	7.69	7.48	7.12
Animal Farmings	2.01	1.93	1.86	1.79
Forest and related services	1.39	1.37	1.34	1.35
Fishing	3.22	3.19	3.14	3.07
<b>B) Industry</b>	<b>28.77</b>	<b>29.32</b>	<b>30.17</b>	<b>31.15</b>
Mining and quarrying	1.73	1.83	1.83	1.82
Natural gas and crude petroleum	0.65	0.64	0.62	0.58
Other mining & coal	1.08	1.18	1.2	1.24
Manufacturing	17.91	18.28	18.99	19.89
Large & medium scale	14.58	14.93	15.63	16.37
Small scale	3.34	3.35	3.36	3.52
Electricity, gas and water supply	1.45	1.4	1.38	1.33
Electricity	1.12	1.09	1.07	1.04
Gas	0.26	0.24	0.24	0.22
Water	0.07	0.07	0.07	0.07
Construction	7.67	7.81	7.98	8.12

<b>C) Service</b>	<b>56.46</b>	<b>56.5</b>	<b>56</b>	<b>55.53</b>
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	13.01	13.05	13.15	13.34
Hotel and restaurants	1.04	1.03	1.04	1.04
Transport, storage & communication	10.27	10	9.61	9.34
Land transport	7.76	7.64	7.38	7.22
Water transport	0.62	0.59	0.55	0.51
Air transport	0.08	0.07	0.07	0.07
Support transport services, storage	0.49	0.47	0.46	0.44
Post and Tele communications	1.32	1.24	1.16	1.1
Financial intermediations	3.86	3.91	3.93	3.89
Monetary intermediation (banks)	3.27	3.34	3.37	3.35
Insurance	0.38	0.36	0.34	0.34
Other financial auxiliaries	0.21	0.21	0.22	0.21
Real estate, renting and business activities	7.51	7.73	7.82	7.87
Public administration and defence	4.05	4.19	4.24	4.09
Education	2.82	3.04	3.03	3.02
Health and social works	2.11	2.08	2.07	2.15
Community, social and personal services	11.79	11.46	11.11	10.78
Percentage of sectoral shares of GDP of Bangladesh				

- **Market leading companies in Bangladesh:** The list includes 10 largest Bangladeshi companies by trading value (millions in BDT) in 2018

Rank ↕	Company ↕	Trading name at Dhaka Stock Exchange ↕	Headquarters ↕	Industry ↕	Trading Value ↕
1	Square Pharmaceuticals Limited	SQURPHARMA	Dhaka	Pharmaceuticals	449.8880
2	Dragon Sweater and Spinning Limited	DSSL	Dhaka	Apparel	129.4030
3	Ifad Autos Limited	IFADAUTOS	Dhaka	Automotive	117.5370
4	Grameenphone Private Limited	GP	Dhaka	Telecommunications	106.8660
5	Bangladesh Thai Aluminium Ltd	BDTHAI	Dhaka	Manufacturing	99.7690
6	City Bank Limited	CITYBANK	Dhaka	Banking	78.6010
7	Golden Harvest	GHAIL	Dhaka	Agriculture	76.6710
8	IPDC Finance Limited	IPDC	Dhaka	Financial Services	67.0430
9	Olympic industries limited	OLYMPIC	Dhaka	Manufacturing	60.5570
10	Shahjalal Islami Bank Limited	SHAHJABANK	Dhaka	Banking	53.1710

- **International Trade:**

Recently, the COVID-19 pandemic has taken a heavy toll on almost all sectors of the economy, inter alia, most notably, it has caused a reduction of exports by 16.93%, and imports by 17% in the FY2019-20.

In 2015, the top exports of Bangladesh are Non-Knit Men's Suits (\$5.6B), Knit T-shirts (\$5.28B), Knit Sweaters (\$4.12B), Non-Knit Women's Suits (\$3.66B) and Non-Knit Men's Shirts (\$2.52B). In 2015, the top imports of Bangladesh are Heavy Pure Woven Cotton (\$1.33B), Refined Petroleum (\$1.25B), Light Pure Woven Cotton (\$1.12B), Raw Cotton (\$1.01B) and Wheat (\$900M).

In 2015, the top export destinations of Bangladesh are the United States (\$6.19B), Germany (\$5.17B), the United Kingdom (\$3.53B), France (\$2.37B) and Spain (\$2.29B). In 2015, the top import origins are China (\$13.9B), India (\$5.51B), Singapore (\$2.22B), Hong Kong (\$1.47B) and Japan (\$1.36B).



- **Gross Export & Import:**

Fiscal Year	Total Export (in bn. US\$)	Total Import (in bn. US\$)	Foreign Remittance Earnings (in bn. US\$)
2007–2008	▲\$14.11	▲\$25.21	▲\$8.9b
2008–2009	▲\$15.56	▼\$22.51	▲\$9.68b
2009–2010	▲\$16.7	▲\$23.83	▲\$10.87
2010–2011	▲\$22.93	▲\$32b	▲\$11.65
2011–2012	▲\$24.30	▲\$35.92	▲\$12.85
2012–2013	▲\$27.09	▼\$34.09	▲\$14.4
2013–2014	▲\$30.10	▼\$34.08	▼\$14.2
2014–2015	▲\$31.014	▲\$47.260	▲\$14.23
2015–2016	▲\$33.661	▲\$49.436	▼\$13.60
2016–2017	▲\$37.966	▲\$59.561	▼\$12.76
2017–2018	▲\$37.612	▲\$67.133	▲\$15.31
2018–2019	▲\$41.53	▲\$68.103	▼\$14.98

### ❖ ECONOMY OF BANGLADESH-2020(COVID-19)

**Coronavirus disease** (COVID-19) is an infectious disease caused by a newly discovered coronavirus. Most people who fall sick with COVID-19 will experience mild to moderate symptoms and recover without special treatment.

GDP GROWTH IN ASIA 2020	Bangladesh	3.8	India	-10.3	Kuwait	-8.1
	Myanmar	2	Thailand	-7.1	Saudi Arabia	-5.4
	China	1.9	Singapore	-6	Japan	-5.3
	Vietnam	1.6	Sri Lanka	-4.6	Pakistan	-0.4

SOURCE: IMF  
IN %

**The year 2020 began** with a cloud of uncertainty hanging over the horizon. The novel coronavirus was spreading in Europe, the destination of over 60% exports from Bangladesh, after wreaking havoc in China, it's largest trading partner. Bangladesh felt the heat of a looming

global crisis though the virus had not yet made its way into the country. The bad news came a couple of months later. On March 8, the authorities confirmed the maiden case of Covid infection in the country. A week later, the first death from the virus was reported.

**Soon, the country's economy**, one of the shining stars in Asia, came almost to a halt as the government imposed countrywide lockdown to contain the spread of the virus.

**The main index of the stock** market dropped by 15% in less than 10 days in the second half of March. During the nationwide lockdown, millions lost jobs, poverty rate doubled and many businesses folded up. Income of the vast majority of the population shrank. Exports hit rock bottom as the importing countries themselves were finding it difficult to keep their economies afloat. The country was staring at an unprecedented three-pronged crisis: health, economic and food.

**To protect the people and the economy**, the government rolled out a massive Tk 120,000-crore stimulus package, one of the largest in the world. It capped bank interest rates below single digit to help firms and businesses borrow at a record low rate. Multilateral banks and bilateral partners poured billions of dollars to cushion Bangladesh. But the biggest support came from farmers who continue to feed the country and the migrant workers who proved the grim forecasts wrong, sending home a record amount of remittance. The robust flow of remittance lifted the country's foreign exchange reserves to record highs and put the country on a firm footing.

**The reopening of the economy** in June was a very bold move and proved to be a judicious one, as the virus did not go out of control.

**The food production**, remittance, the stimulus package, the reopening, and the uptick in domestic demand and exports put the country on the path of recovery. "Despite the Covid-19 pandemic, Bangladesh was able to escape a contraction in 2020," UK-based Centre for Economics and Business Research said early this week.

**Bangladesh's GDP growth** is forecast to drop to 3.8% in 2020, compared to 8.2% in the previous year. The government debt as a percentage of the GDP rose to 39.6% in 2020, considered low as per the



international standards. The government had a fiscal deficit of 6.8% in 2020, which allowed it to spend a huge amount of money to cushion the economy.

**Despite the pandemic**, Bangladesh is set to post the third-highest growth in the world and the highest in Asia in 2020, according to the International Monetary Fund. In terms of growth, only Guyana and South Sudan are ahead of Bangladesh. India's GDP would contract by 10.3% and Pakistan's by 0.4%. "The economy has weathered the impacts of the pandemic and is now on track for a recovery." In Bangladesh, poverty rose to 30% and unemployment to 40%.

**The economy is recovering**, but it is not yet back on track to a faster and sustainable growth with investments still depressed and external demand wavering, he pointed out. "We hope 2021 will get us back to a sustainable growth track as the world economy and domestic demand turn around."

## ❖ THE THREATS OF COVID-19 ON THE ECONOMY OF BANGLADESH

**By last week**, these vendors were seen sitting idle on Dhaka streets as city-



dwellers increasingly opted to stay home and practice social distancing. The streets are now totally empty of these informal sector workers as a result of the ten-day lockdown. Photo: Prabir Das. Published in **"The Daily Star"**

**Overall, it seems** inevitable that the GDP gains that were expected to be realised in the current fiscal year are likely to be wiped out. The threat of a recession—two subsequent quarters of negative growth—

looms large, especially if the current situation is not resolved before the end of the fiscal year on June 30, 2020. Prime Minister Sheikh Hasina, addressing the nation on March 25, clearly recognised this when she said that the coronavirus has created a crisis throughout the world and that no country has been spared. The national poverty rate rose to 29.5% as of June, 2020 due to Covid-18, which cost tens of millions of people lose their jobs and brought them down below the poverty line. Though the pandemic was reported in Bangladesh later than other countries into the region, it severely impacted the economy activities during the April-June period.

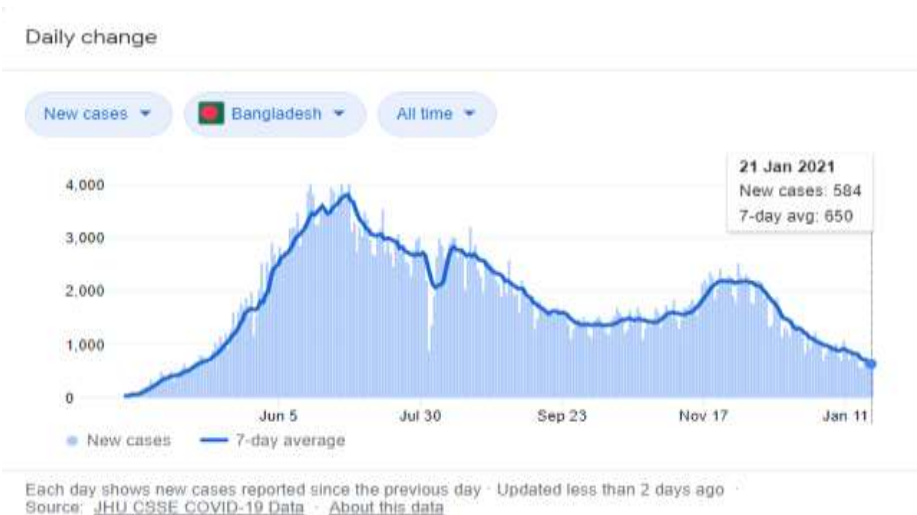


**Covid-19** is bound to severely impact the global economy. Businesses across the globe are temporarily halting production and many may even face bankruptcy. Global supply chains are critically dependent on imported intermediary inputs from China and other countries currently under lockdown. Large transnational companies do not simply rely on East and South Asia for their inputs but also as a lucrative market for retail sales—Samsung and Apple, BMW or Volkswagen are coveted brands for the emerging markets' middle-class consumers.

**The Asian Development Bank**, for its March 5 briefing on the impact of Covid-19 in the Asia-Pacific region, opted to follow the sectorial approach, reconciling the country estimates across the region. It identified several scenarios, depending on the duration that the virus would thwart economic activity as well as the resulting output losses. Its assessment of the impact of Covid-19 on Bangladesh in a hypothetical "worse case" scenario was a reduction of 1.1% of GDP, or USD 3 billion, using 2018 prices. Output loss in the business and trade sector would be the largest, in excess of USD 1.1 billion. Agriculture would stand to lose in

excess of USD 600 million. Some 900,000 workers, in formal and informal employment, are at risk of losing their jobs.

**With the impact of Covid-19** unfolding as it does, these estimates may need to



be thought of as a "best case" scenario. Just over the last few days, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

reported that 385 factories had work orders cancelled worth USD 1.05 billion. Three domestic airlines, Regent, US-Bangla and Novoair, each said that their losses for March alone would range between Tk 25 and 40 crore (USD 3 million to 5 million). Major city hotels, which had reported a healthy occupancy ratio of 70%, saw this plunge to near-zero. All public and private functions are cancelled. The Civil Aviation Board, operating airports that have ground to a halt, is said to be losing Tk 1 crore in revenues per day. International airlines serving Bangladesh have cancelled their flights: Qatar through to end of April and Emirates till end of June. The Dhaka Stock Exchange had its lowest turnover in more than five years, with earnings of companies plummeting and price-earnings ratios too high for buyers to venture into the market.





Bangladesh

Total cases

530K

+584

Recovered

475K

+602

Deaths

7,966

+16



Worldwide

Total cases

96.2M

Recovered

53.1M

Deaths

2.06M

**\* A recent study conducted by a group of local NGOs** concluded that every three out of five people in the country are at high risk of facing economic and health vulnerabilities. "Those people who are losing their jobs are from the bottom of the pyramid," said KAM Morshed, an expert working for the local NGO BRAC.

**\* According to the study**, among the 100.22 million people at high risk of economic and health vulnerabilities, 53.64 million are extremely poor. These people earn less than 160 Taka (€1.7, \$1.9) a day. "In a more recent study conducted until May 26, more than half of these extreme poor people told that they have run out of money," Morshed told DW.

**\* According to the South Asian Network on Economic Modelling (SANEM)**, Bangladesh's poverty rate may double to 40.9% from that prior to the onset of the pandemic. **Morshed** said, "The poor and vulnerable people are becoming more vulnerable. So we expect the inequality in society to increase." Between March and May, the average family income subsided by as much as 74%.

**\* "If these people come out of their homes out of hunger, there is no scope for physical distancing and hygiene maintenance,"** former lead economist of the World Bank's Bangladesh office **Zahid Hussain** told DW.

**\* Another study on national food security** by BRAC revealed that during the 45-day lockdown period between March and May, the country's farmers faced a loss worth 565.36 billion taka (€5.9 billion, \$6.66 billion).

**\* "The World Food Program has said that even if the world produces surplus food this year, due to the disruption in trade and distribution, many countries are at risk of famine," Hussein said.**

**\* Bangladesh's manufacturing sector** has also suffered a huge blow, especially the ready-made garments sector, which accounts for around 80% of the country's total export earnings. At least 4 million workers depend on the textile industry for their livelihood. After the pandemic hit Europe and the US, the industry experienced a reduction in





exports of as much as 84% in April 2020 compared with that of the previous year. More than 1,000 factories have been closed and 2.19 million workers lost their jobs, according to the NGO study.

**\* According to the Export**

**Promotion Bureau of Bangladesh (EPB)**, in March this year the export earnings were just 44.14 billion taka (€460.5 million, \$520 million), down from 256.66 billion taka (€2.68 billion, \$3.03 billion) in the same month of last year.

**\* The president of the Bangladesh garment exporters' association (BGMEA)**, Rubana Huq told the press that reopened garment factories are running at only 55% capacity because of cancelled orders from the buyers. She said that this might result in more job losses in the sector. "The buyers are not interested in taking responsibility. Even we rarely get them to hold meetings online," she told local media.

**\* The pandemic** has also hit the other main source of Bangladesh's external earnings: remittances. In March, they dropped by 12% and in April by 25%. Estimates suggest that over 1.4 million migrant workers have either returned or are on their way back home due to job losses.

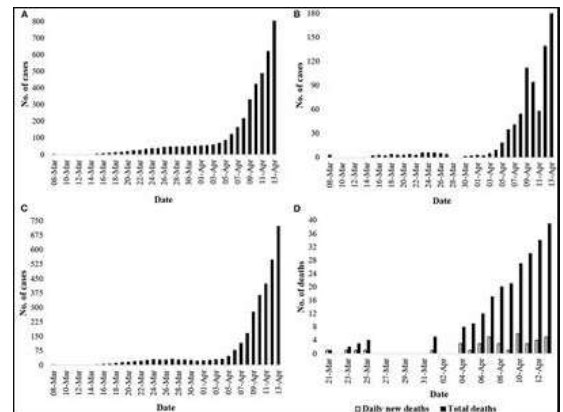
The World Bank estimates that, overall, inward remittances might fall by around 22% in 2020 due to the pandemic.

**➤ More Effects:**

**\*Impact on Consumer Demand:** Food and agriculture Organization states that COVID-19 is effecting agriculture in two signification aspects: the supply and demand for food. These two aspects are directly related to food security, so food security is also at risk.

**\*Effect on Small Business:** The continuation of pandemic beyond 4 months will force majority of the small businesses to close down. This sector employs over 50 million people.

**\*Losing Tourist :** The impacts of COVID-19 on tourism and hospitality in Bangladesh and presented some recovery plans for minimizing those negative impacts COVID-19 has created an anxiety around the global. Bangladesh has already started to face its horrible look. The economy of Bangladesh is just sunk and like other industries tourism industry is facing most awful situation ever before.



**\*Huge Lose in Import & Export :** The Covid-19 induced economy crisis has affected the export and import of Bangladesh by large margins. The economic crisis has been exacerbated by the closure or limited operation of businesses during the lockdown at home and abroad. In the financial year 2019-20, there was very high negative growth in exports 17%, which was unprecedented in the recent history of Bangladesh.



**\*Decrease of Transportation System:** compared to the pandemic, only 25% of buses are operating on long routes and 50% in Dhaka, according to the bus owner's association. The authorities approved a 60% hike in fares, but passengers claim many buses have raised fares by 80-90%

**\* Under the worst-case** scenario of covid-19 pandemic impact, Bangladesh's remittances could fall by 27.8% in 2020, as job losses mounted and employers trimmed payrolls, says Asian Development Bank(ADB). Per Bangladesh Bank data, remittance inflow hit a new record o \$18.20 billion in the FY20, although Covid-19 battered most of the global economies. Remittance reached a new height of \$1.83 billion in June.



## ❖ **STEPS ALREADY TAKEN TO REBUILD THE ECONOMY**

\* **Bangladesh** is not new to disasters or major humanitarian crises. Sitting astride a river delta at the bottom of the Himalayan range, the country is fighting a longstanding battle against the impact of climate change and currently hosts the world's largest refugee camp along its southern border. In its 49-year existence, Bangladesh and its people have shown tremendous resilience in fending off not only natural disasters such as floods and cyclones but also manmade ones, like the 1997 Asian financial crisis and 2008 global financial crisis.

\* **The COVID-19 pandemic**, however, is a crisis of a completely different magnitude and one that will require a response of unprecedented scale. Bangladesh's leaders in the public and private sector must come together to respond to the immediate threats to health systems and the long-term effects to the country's economy.

\* **Bangladesh detected** its first confirmed coronavirus case on 8 March. As of this writing, the number of confirmed cases in Bangladesh is more than 550K, and the virus has claimed more than 8,175 lives.

\* **In early February**, the government evacuated close to 300 Bangladeshi citizens from China. The government also installed screening devices across its international airports and land-ports, which have so far screened more than 650,000 passengers, of which 37,000 were immediately quarantined.

\* **The government** also moved swiftly to transform two religious centres into temporary quarantine facilities. In addition, after the first case was detected, the government closed education institutions and encouraged all non-essential businesses to move their activities online. It initially declared a nationwide public holiday until April 1<sup>st</sup> February which has been subsequently extended to 1<sup>st</sup> March 2020.

\* **Despite** the presence of a large Bangladeshi diaspora in Europe, the government also took the bold step of suspending all flights from Europe. Learning from its East Asian neighbours including South Korea and Singapore, the government launched an aggressive awareness campaign through national mobile phone operators. This has been complemented by private-sector cooperation, with the government launching more than 500



telephone hotlines and cross-promoting private service providers on its platform.



**\* In order to** ensure that frontline healthcare workers have the necessary personal protective equipment (PPE), the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) are currently coordinating with five of its member companies to convert their production lines to produce 500,000 PPEs.

**\* The response** so far is admirable, yet this pandemic also poses an economic and humanitarian crisis. While many countries have made good starts in stimulus packages, Bangladesh has been slower to react. The Prime Minister initially announced an emergency stimulus package of \$600 million (equivalent to 0.2% of GDP) on 25 March, which on 4 April was enhanced significantly to \$8.5 billion (equivalent to 2.5% of GDP).

**\*According to the forecast** released by the Economist Intelligence Unit on 26 March, the global economy is expected to contract by -2.2% in 2020. These effects are expected to be more pronounced in major G20 economies, such as Germany, Italy, the United Kingdom and the US – all countries that are major markets for Bangladesh's most vital tradable good: readymade garments.



**\* With lockdowns** currently imposed across Europe and North America until mid-April, even in the best-case scenario it will take at least until mid-June for market confidence to be restored in these economies. The implication is that nearly six million workers in Bangladesh's formal sector – which is largely manufacturing – will be without steady work for an extended period.

\* **The depressed oil** prices will also lead to a strong reversal of growth in the Middle East and North Africa region, which is also home to a large Bangladeshi diaspora, who send back close to \$20 billion every year. In the coming months, there can be no doubt that there will be a decrease in remittances and that these second-degree impacts will also be felt in the country, painfully in rural Bangladesh, where families rely heavily on remittances for their subsistence.



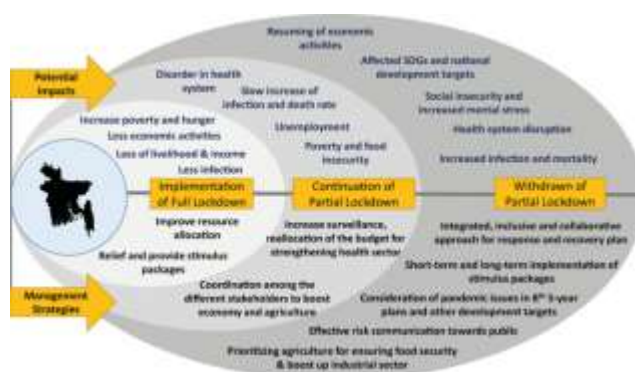
**The** enhanced stimulus package announced by the prime minister is commendable and step in the right direction. The package which has nearly \$2.5 billion allocation for bridge financing of the working capital of small and medium sized industries is a bold step to protect the livelihood of people employed in that sector. Such is the scale of this crisis, even a stimulus package of this magnitude should be viewed as a stopgap measure.

\***More worryingly still**, data from the Bangladesh Bureau of Statistics indicates that Bangladesh has more than 50 million workers in the informal sector. While there will be a significant impact on the livelihood of workers in the formal economy, there can be no doubt that the informal sector will be hit even harder. The prime minister was right to identify this as a challenge and her decision to distribute food aid through Bangladesh's existing social safety programs such as the Vulnerable Group Feeding and Vulnerable Group Development for six months must also be welcomed.

\***The government** should also consider an unconditional cash transfer program for an initial period of three months at a rate of \$95 per month, which corresponds to the minimum wage for the formal sector in Bangladesh. This would cost the government roughly \$14 billion, or 4% of GDP. While this sort of cash transfer program always suffers from targeting issues, Bangladesh enjoys a highly sophisticated mobile financial services network, which could improve the cover of the program. A concerted effort involving the non-governmental organizations working in the informal

sector, mobile financial service providers, and the government could be developed to deliver this urgently needed social assistance.

\* **Taking such an aggressive step** would mean that Bangladesh would have to forego its usually prudent and disciplined fiscal policy of maintain its budget deficit within 5% of GDP. With a low debt-to-GDP ratio, Bangladesh has enough fiscal headroom to adapt an expansionary approach in the short run to fight off the economic and humanitarian aspect of this crisis. To finance this expansion, Bangladesh should also look to tap into the concessionary financing available at its disposal through the multilateral development banks.



\* **The steps** on the fiscal side – the stimulus package – must also be complemented by steps on the monetary policy side. Bangladesh Bank has already put a freeze on loan repayments for six months until June 2020 and relaxed foreign exchange regulations for trade transactions

until September 2020. It has also increased the transaction limit on mobile financial services as well as cut the monetary policy rate by 25 basis points. These are steps in the right direction, but they are unlikely to prove aggressive enough to fight the economic impact of a global pandemic.

\* **With inflation** expected to cool across the world, the central bank should follow the steps taken by its counterparts across the world to inject further liquidity by reducing the Statutory Liquidity Ratio and further reducing its policy rate. This will not only help maintain liquidity within the banking sector but also provide small- and medium-sized enterprises in the country with access to cheaper working capital to keep their businesses afloat.

\* **By taking** early steps on the health security side, Bangladesh has been able to buy itself some time to respond to this pandemic. But the country cannot afford to be blind-sided by the secondary economic risks associated with this crisis.

\* **The fight** against COVID-19 cannot be carried out by the government alone. It will require an unprecedented level of coordination between the public and private at the local and international level. The World Economic Forum, with a mandate from the World Health

Organization, has launched the COVID Action Platform in response to the pandemic. Bangladesh should look to tap into this platform to galvanize support for its private sector and share some of its own experience in fighting COVID-19 and increasing its economic resilience.

**\*For** Bangladesh, the outgoing year 2020 was equally challenging. In fiscal year 2020, prior to the outbreak of the pandemic, the Bangladesh economy was somewhat under stress due to the weak performance of a few economic indicators such as exports, imports, private investment, foreign direct investment, and revenue mobilisation. Besides, the banking sector was suffering from high non-performing loans (NPL).

**\*Bangladesh** has undertaken several measures to overcome the negative effect of the pandemic. These include instructions on social distancing, wearing masks and general holiday for 66 days during March-May 2020. Parallel, the government introduced several stimulus packages to help the affected sectors and people due to the pandemic. Till November 2020, the amount of the stimulus packages was equivalent to 4.3% of its GDP.

**\*Due** to government efforts combined with the hard work of the people, the Bangladesh economy has been less affected compared to other countries during the pandemic. Several international organisations including International Monetary Fund, World Bank, and Asian Development Bank have assessed the economic performance of countries during the pandemic. Bangladesh's performance stands out amongst its peers. Despite the pandemic, agricultural production has been exceptionally good—that helped ensure food security. Remittances have soared in recent months, foreign exchange reserve has reached the highest level ever, exports picked up towards the end of the year and inflation remained low.

**\*Thus**, in fiscal year 2020, the growth of gross domestic product (GDP) was 5.2 % as opposed to 8.2 %, which the government projected originally. Several studies have indicated that low growth and slower economic activities had a knock-on effect on poverty, unemployment, education, inequality and many social aspects.



## ❖ STEPS TO BE TAKEN IN FUTURE TO REBUILD THE ECONOMY



Against all the odds 2021 ushers in with a lot of expectations. The Covid-19 pandemic which engulfed our economic and social lives in every possible manner in 2020 is expected to be brought under control as hopes are high with the approval of vaccinations developed by a number of companies. However, one does not quite know yet when we will be able to lead a normal life again. When will everyone get vaccines and how will vaccination react to human bodies? Whether people will be willing to take vaccine has also become an issue that has to be dealt with by governments across the world.

**\*Amidst** so much unknowns and uncertainty, we set our eyes to a new year. Leaving the sufferings behind, we would like to think of 2021 as a new beginning, to do things in a better way. Countries are mapping their way forward. They have expressed their will to build the future better by taking specific actions in economic, social and environmental areas. This, of course, will not be easy as the pandemic has divested the world in an unprecedented way.

**\*The** Government should consider an unconditional cash transfer program for an initial period of three months at a rate of \$95 per month, which corresponds to the minimum wage for the formal sector in Bangladesh. This would cost the government roughly \$14billion, 4%of GDP.

**\*Taking** such an aggressive step would mean that Bangladesh would have to forego its usually prudent and disciplined fiscal policy of maintain its budget deficit within 5% of GDP. With a low debt-to-GDP ratio, Bangladesh has enough fiscal headroom to adapt an aspect of this crisis. To

financing available at its disposal through the multilateral development banks.

\*With inflation expected to cool across the world, the central bank should follow the steps taken by its counterparts across the world to inject further liquidity by reducing the Statutory Liquidity Ratio and further reducing its policy rate. This will not only help maintain liquidity within the banking sector but also provide small-and medium-sized enterprises in the country with access to cheaper working capital to keep their businesses.

\*The country also needs to make doing business easier, complete its mega-project on a fast track, improve financial sector governance and ensure a reliable supply of electricity. Further, sustaining its export and remittance growth will be important. It also needs to focus on improving infrastructure, urban management, and environment conservation.

\*The pandemic also gives Bangladesh an opportunity to address its target of minimizing the longstanding inequalities in access to health and basic services, as well as financial products and digital services for the poor

\*What is required now to rebuild the economy is to revise and balance monetary and fiscal policies to boost investment and create jobs evenly, to introduce new social assistance programs, to expand existing transfer programs and to establish public work programs.

We can follow those steps to increase economy growth :

1. Getting the **economic** policy mix right.
2. Reforming the tax system.
3. Improving infrastructure.
4. Revitalizing trade.
5. Supporting low- and middle-income households.
6. Adopting a skills-based immigration reform.
7. Protecting the financial sector.
8. Simplifying federal regulations.
9. Strengthening healthcare coverage.
10. Minimizing the unintended consequences of technology and import penetration.

## ❖ CONCLUSION :

To help Bangladesh during this crisis, the IMF has approved emergency loans totaling around \$732 million. IMF COUNTRY FOCUS spoke with the IMF's resident representative for Bangladesh **Ragnar Gudmundsson** about some of the specific challenges facing the country.

Bangladesh has been severely impacted. Up until the crisis, the economy had been growing close to 7 percent a year on average over the past decade. We now project 2 percent for 2020—a drop of 6 percentage points from 2019.

The economic impact has been felt in three main avenues: first, a drop in domestic economic activity, after the shutdown announced on March 26 (now gradually being lifted); the second is a decline in exports of ready-made garments, which represent more than 80 percent of Bangladesh's exports and have been strongly impacted (overall exports fell by 83 percent year-on-year in April). Finally, there has been a fall in remittances from Bangladeshis living mostly in Middle Eastern countries, affected not just by the pandemic but also by the decline in oil prices.

We are still expecting a pick-up in activity toward the end of 2020 and in 2021, with growth climbing back to around 6 percent.

Of course, that depends on the domestic economy starting to recover. But there is so much uncertainty and it is very difficult to ascertain with precision the recovery's speed or extent. We still expect that the country would quickly come back to previous growth rates, if global economic conditions are supportive.

Bangladesh recognizes the importance of transparency, accountability, and good governance. The government is committed to using the crisis resources transparently and effectively, and to carry out an audit of COVID-19 related expenditures within 12 months of the end of the crisis. The country has also committed to amending existing rules so as to provide information on the beneficial ownership of companies that are awarded procurement contracts.



Since March, several stimulus measures were deployed to sustain economic activity and protect the most vulnerable. There is a package of about \$600 million to support the wages of workers in the ready-made garment sector, provided in the form of subsidized loans to companies so that they can pay wages for three months. This is very important because the ready-made garment sector is responsible for much of the recent progress in incorporating women into formal economic activity.

Additionally, takas totaling about \$150 million will be provided as cash assistance to about five million families displaced by the pandemic. There are also measures to protect the homeless and for food distribution. Cash allowances for the elderly, widows, and disabled individuals are also being expanded.

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