

EXECUTIVE SUMMARY

Global Economy

Economic activity was surprisingly resilient through the global disinflation of 2022–23. As global inflation descended from its mid-2022 peak, economic activity grew steadily, defying warnings of stagflation and global recession. Growth in employment and incomes has held steady as favourable demand and supply developments have supported major economies, despite rising central bank interest rates aimed at restoring price stability. However, lower government spending, the long-term impacts of the COVID-19 pandemic, the Russia-Ukraine war, ongoing conflicts in the Middle East, and increasing geopolitical divisions are expected to slow down the pace of economic growth.

In the World Economic Outlook Update, July 2024, International Monetary Fund (IMF), growth is expected to remain stable at 3.2 percent in 2024 and 3.3 percent in 2025. The forecast for global economic growth is broadly unchanged from that in the April 2024 Outlook. Growth in advanced economies is expected to remain stable at 1.7 percent in 2024 and 1.8 percent in 2025. Growth of the United States is projected to rise at 2.6 percent in 2024 but slow down to 1.9 percent in 2025, partly due to moderate consumption. In emerging market and developing economies, however, growth is expected to remain stable at 4.3 percent during 2024 and 2025.

Global Inflation

After the high global inflation, by the end of 2023, the inflation rates in most economies have returned to pre-pandemic levels. Global inflation is expected to decrease from 6.7 percent in 2023 to 5.9 percent in 2024 and further to 4.4 percent in 2025. However, the gradual cooling of labour markets, together with an expected decline in energy prices, should bring headline inflation back

to target by the end of 2025. Inflation is expected to remain higher in emerging market and developing economies than in advanced economies.

Macroeconomic Situation: Bangladesh Perspective

According to the provisional estimates of Bangladesh Bureau of Statistics (BBS), GDP growth rate for FY 2023-24 stood at 5.82 percent as against 5.78 percent in the final estimates for FY 2022-23. As per the provisional estimate for FY 2023-24, the size of GDP in current market prices is Tk.50,48,027 crore or USD 459 billion, which was Tk.44,90,842 crore or USD 452 billion in the previous fiscal year.

Agriculture, industry and services are the broad three sectors of GDP. Broad sector-wise data shows that the provisional growth for FY 2023-24 in the agriculture sector stood at 3.21 percent, which was 3.37 percent in the final estimate of FY 2022-23. Growth rate of the agriculture sector decreased by 0.16 percentage point in FY 2023-24 compared to FY 2022-23. Growth of the industry sector for FY 2023-24 is estimated at 6.66 percent which was 8.37 percent in the final estimate for FY 2022-23. Growth rate of the industry sector has decreased by 1.71 percentage points in FY 2023-24 as compared to FY 2022-23. On the other hand, growth of the service sector has been provisionally estimated at 5.80 percent for FY 2023-24, which was 5.37 percent as in the final estimate for FY 2022-23. The growth rate of service sector increased by 0.43 percentage point in FY 2023-24 over FY 2022-23.

According to the provisional estimate of FY 2023-24, the ratio of investment, domestic savings and national savings to GDP stood at 30.98 percent, 27.61 percent and 31.86 percent respectively, which was 30.95 percent, 25.76 percent and 29.95

percent respectively in the final estimate of FY 2022-23.

The per capita income stood at Tk.3,06,144 (USD 2,784) as of provisional estimates of FY 2023-24. In the previous fiscal year, the per capita income was Tk.2,73,360 (USD 2,749).

As per the Consumer Price Index (CPI), the rate of inflation during FY 2022-23 was 9.02 percent. Of this food inflation stood at 8.71 percent while non-food inflation stood at 9.39 percent. Inflation surged to 9.73 percent in FY 2023-24, with food inflation rising by 10.65 percent and non-food inflation by 8.86 percent. To contain inflation within a tolerable limit, various necessary adjustments are being made in monetary and fiscal policies. The scope of Open Market Sales (OMS) has been expanded and family card have been provided to low-income families to purchase essential goods at lower prices.

In FY 2022-23, the total revenue mobilisation stood at Tk.3,66,658 crore (8.26% of GDP), of which tax revenue mobilised by the NBR was Tk.3,19,731 crore (7.20% of GDP), non-NBR tax revenue was Tk.7,994 crore (0.18% of GDP) and non-tax revenue was Tk.38,933 crore (0.88% of GDP). The revised revenue mobilisation target was set at Tk. 4,78,000 crore in FY 2023-24, which is 9.47 percent of GDP. Of them, revenue receipt from NBR sources was marked at Tk. 4,10,000 crore (8.12% of GDP), tax revenue from non-NBR sources at Tk. 19,000 crore (0.38% of GDP) and non-tax revenue at Tk. 49,000 crore (0.97 % of GDP).

The total expenditure outlay was estimated to Tk.5,73,857 crore in FY 2022-23, which is 12.93 percent of GDP. Of them, ADP was Tk.1,91,927 crore (excluding autonomous bodies/corporations own funding), which is 4.32 percent of GDP. The total expenditure target for FY 2023-24 has been set at Tk. 7,14,418 crore (14.15% of GDP), of which, the allocation for the revised ADP is Tk. 2,45,000 crore. In FY 2023-24, the revised budget deficit is set at 4.68 percent of GDP, where the

budget deficit recorded at 4.67 percent of GDP in FY 2022-23.

To tame inflation, Bangladesh Bank has initiated some policy measures under a contractionary policy stance. Included among those are: implementation of the interest rate corridor (IRC), establishment of a reference-based interest rate for lending, removal of the lending rate cap, elimination of the interest rate floor on deposits, unification of the exchange rate, and a cumulative 250 basis points increase in the policy rate during FY 2023-24. Besides, Bangladesh Bank also implemented several initiatives for curbing inflation and stabilising the exchange rate regime, of which significant steps included: narrowing IRC from ± 200 basis points to ± 150 basis points, discontinued practice of devolvement of T-bills and T-bonds on BB, introduction of currency swap and Resident Foreign Currency Deposit (RFCD) account, the SMART (Six Months Moving Average Rate of Treasury Bill) based system was scrapped, low cost credit to priority sectors (agriculture, CMSMEs, import substitution, and export-oriented industries) and introduction of the crawling peg system, etc.

The trends of monetary aggregates show that at the end of June of FY 2023-24, the year-on-year growth of reserve money (RM), broad money (M2) and narrow money (M1) stood at 7.84 percent, 7.74 percent and 1.84 percent respectively. The growth rate (year-on-year) of domestic credit stood at 9.80 percent in FY2023-24. It was much higher recorded at 15.25 percent in FY 2022-23. Of the components of domestic credit, private sector credit growth stood a little lower at 9.84 percent at the end of June 2024 against 10.58 percent of June 2023. The net credit to the government increased by 9.69 percent at the end of June 2024, which was excessively increased by 36.72 percent at the end of June 2024. During the period, the share of credit to government (net) (excluding other public sector) and the private sector to the total domestic credit

stood at 20.08 percent and 77.58 percent respectively.

In FY 2023-24, both stock markets, Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE), noticed some volatility. The market capitalisation of all securities decreased in both the markets. Compared to June 30, 2023, the market capitalisation of DSE and CSE decreased by 14.24 percent and 8.83 percent respectively at the end of June 30, 2024. During the same period, the DSE Broad Index (DSEX) and CSE Overall Price Index decreased significantly by 16.01 percent and 19.44 percent respectively.

The country's export earnings achieved USD 44,475 million during FY 2023-24, which is 4.34 percent lower than the export earnings of the previous fiscal year. During the period, imports (c&f) decreased by 11.1 percent to USD 66,725 million. Remittance inflow stood at USD 23,915 million, which is 10.65 percent higher than the previous fiscal year.

The external position recovered with the improvement of the deficit situation in balance of payments (BoP) in FY 2023-24. During the period, current account deficit was narrowed down from USD 11,633 million in FY 2022-23 to USD 6,512 million in FY 2023-24, caused by declining trade deficit along with the increasing remittance inflows and sharp descend in import payments.

On the other hand, with the shrinking of current account deficit, lower surplus financial inflows dominated by external loans under the period resulted in lesser the deficit in BoP. The net outcome of all these made the overall balance a deficit of USD 4,300 million in FY 2023-24 compared to the deficit of USD 8,222 million in the previous fiscal year.

As deficit in balance of payment created pressure on the exchange rate reflected in 11.65 percent depreciation of Taka against US dollar in FY 2023-24 compared to the FY 2022-23. To meet the

excess demand of foreign currency, Bangladesh bank intervened into the foreign exchange though net selling USD 9.42 billion in FY 2023-24. The weighted average inter-bank rate stood at Taka 111.00 per USD on 30 June 2024, which was Taka 99.42 per USD in 30 June 2023. The gross foreign exchange reserves of Bangladesh Bank decreased to USD 26.82 billion at the end of June 2024, as compared to USD 31.20 billion at the end of June 2023.

Sector-wise Economic Situation

In FY 2023-24, the total production of food grain is 501.174 lakh metric tonnes, compared to 467.04 lakh metric tonnes in FY 2022-23. In FY 2023-24, the amount of food grain distribution target was 34.05 lakh metric tonnes, where the actual food grain distribution was 32.61 lakh metric tonnes.

In continuation of the past years, the amount of agricultural and rural loans disbursed in the country has been gradually increasing. By June 2024, a total of Tk.37,153.90 crore in agriculture and rural credit had been distributed against the target of Tk.35,000.00 crore, which is 106.15 percent of the target. Taking into consideration the increase in domestic agricultural production, the revised budget for FY 2023-24 has allocated Tk.25,000 crore for subsidies on fertilisers and other agricultural activities and Tk.160 crore for seed production activities.

In FY 2023-24, a total of 50.80 lakh metric tonnes of fish was produced from inland water bodies and marine sources. To prevent various disease and reduce financial risks caused by disease, 32.99 crore doses of vaccines for 17 diseases of livestock and poultry were produced and administered at the government level.

According to the BBS, the Quantum Index of Industrial Production increased by 8.84 percent in FY 2023-24, compared to the previous fiscal year.

A total of 456 business institutions are ongoing with production in the existing 8 EPZs of the country. An additional 103 industries are in the

process of implementation. As of June 2024, the amount of cumulative investment in the EPZs is USD 6,787.79 million. During the same period, 4,86,304 Bangladeshis have been employed in the industrial establishments of EPZs under BEPZA. It is mentionable that 66 percent of Bangladeshi citizens working in EPZ are women, which is playing an important role in women's empowerment.

The installed capacity of power generation of the country reached to 31,452 megawatts, including captive and renewable energy (up to June 2024). The maximum generation so far was 16,477 MW on 30 April, 2024. Per capita generation including captive and renewable energy has reached 640 kWh in FY 2023-24. On the other hand, total number of transmission lines has been increased to 15,624 circuit kilometers till June 2024. The power distribution line has now been stood at 6,43,000 km and the number of subscribers has been increased to 47.1 million up to June 2024.

Natural gas met almost 54 percent of the country's total commercial use of energy. Up to June 2024, 29 gas fields have been discovered in the country. According to the latest estimate, total Gas Initial in Place (GIIP) is 38.21 trillion cubic feet (TCF), out of which 29.74 TCF is recoverable (proven and probable). From 1960 to June 2024, a total of 21.08 TCF gas was produced, leaving 8.66 TCF recoverable. At present, the fuel oil storage capacity of the country is about 13.69 lakh metric tonnes.

The total length of highways in the country is 22,476 km as of June 2024. Parallel to the roads, development projects like bus rapid transit (BRT), Dhaka Elevated Express way and some other mega-projects are being implemented. At present, about 3,254 km long network of railway lines connects almost all of the important places including 48 districts of the country. Several measures have been undertaken for the development and maintenance of navigability of different river routes, ensuring safe movement of

watercraft, 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 23 international flights in different routes. Besides, the total number of mobile phone subscribers and internet users exceeded 19.61 crore and 15.76 crore in June 2024 respectively.

According to the Human Development Report, 2023/2024 by UNDP, Bangladesh ranked 129th out of 191 countries. At present (2023), the net enrollment rate in primary schools is 97.76 percent. Various programmes have been implemented with the goal of developing skilled and qualified human resources by providing access to education at all levels and enhancing the quality of education. Besides, significant progress has been made in reducing child and maternal mortality and increasing average life expectancy.

According to the Household Income and Expenditure Survey (HIES) 2022, the poverty rate declined to 18.7 percent in 2022, which was 24.3 percent in 2016. However, the Gini coefficient rose to 0.4999 in 2022, compared to 0.482 in 2016, indicates an increase in income disparity over the period.

Several poverty alleviation programmes in Bangladesh meant to address poverty alleviation directly or indirectly have been launched by the government. Apart from these, different government along with non-government institutions, carried out various activities involving introducing microcredit in order to expedite the government's efforts of poverty reduction.

Bangladesh Investment Development Authority (BIDA) online One Stop Services (OSS) aims to bring together relevant government agencies in a coordinated and streamlined manner, providing efficient and transparent services to investors. Currently, the portal offers a total of 132 services from 43 agencies. During FY 2023-24, the amount

of net FDI was USD 1,468.17 million. A total of 1,064 projects were registered with BIDA in FY 2023-24 under joint venture investment (local and foreign) and the amount involved with the proposal was Tk. 15,69,982 million.

A total of 97 economic zones have been approved of which 13 zones have already been started commercial production and 29 are currently under development phase. Under the public-private partnership modality, 79 projects are being implemented by 26 organisations from 17 ministries.

To accelerate climate risk mitigation and adaptation programmes, the government has approved the National Adaptation Plan (NAP) for 2023-2050 and submitted it to the United Nations Framework Convention on Climate Change (UNFCCC). Additionally, the Nationally Determined Contributions (NDC) were updated and submitted to the UNFCCC.

A significant portion of projects under the Bangladesh Climate Change Trust Fund (BCCTF) has been undertaken to tackle climate change adaptation. Projects focused on various areas such as skill development, institutional capacity strengthening, air pollution reduction, health protection impact assessment, riverbank conservation, innovation of climate-tolerant crops, safe water supply, installation of solar streetlights, and the creation of natural reservoirs have been financed by the BCCTF.