CHAPTER ONE

MACROECONOMIC SITUATION

Before the COVID-19 pandemic, Bangladesh exhibited a steady and high GDP growth, averaging 7.4 percent per year during FY 2015-16 to FY 2018-19, and reached a record 8.15 percent growth rate in FY 2018-19. The global economy has come to a standstill due to the COVID-19 pandemic which has also had a huge negative impact on the economy of Bangladesh. According to the final estimations of BBS, the GDP growth in FY 2019-20 has slowed to 3.51 percent. Bangladesh's economy is turning around in the context of tackling the coronavirus of the world economy. According to the provisional estimates of BBS, the GDP growth in FY 2020-21 stood at 5.47 percent. Despite the stagnation in the economy caused by the coronavirus, food production and supply chains remained unaffected, leading to inflation at 5.56 percent in FY 2020-21, slightly higher than the target (5.4%). Both export and import in Bangladesh have showed a sign of recovery after a sharp decline in FY 2019-20. In FY 2020-21, Bangladeshi expatriates remittance stood at US$ 24,777.72 million which was significantly higher (36.10%) than the previous fiscal year. In FY 2020-21, current account balance deficit stood at US$ 3,808 million on the back of robust remittance inflows compared to a US$ 4,724 million deficit in the previous year. Financial account and capital account showed surplus during this time. Therefore, the overall balance recorded the surplus of US$ 9,274 million in FY 2020-21 compared to US$ 3,169 million surplus in the previous year. As a result, the foreign exchange reserves increased to a record US$ 46.39 billion at 30 June 2021. During this period, a marginal (0.05%) depreciation in exchange rate of Taka with the US dollar is being observed. As per the directives of Honorable Prime Minister, activities are carried out under 21 stimulus packages of Tk. 1,20,153 crore in FY 2019-20 for additional expenditure in healthcare sector, emergency humanitarian assistance and economic recovery to address the COVID-19 pandemic. The number of the stimulus packages has further been increased to 23 in FY 2020-21 and the amount of fiscal and stimulus packages till April 2021 is Tk. 1,28,441 crore, which is 4.2 percent of GDP. As a result of these actions taken by the government, the economy is expected to turn around.

Global Economy

The global economy is recovering strongly from the COVID-19 outbreak, but the recovery process is very unequal among countries. The recently published World Bank's Global Economic Prospect, June 2021, the economic growth is projected at 5.6 percent in 2021, while growth was contracted to 3.5 percent in 2020. This recovery is uneven and largely reflects sharp rebounds in some major economies owing to substantial fiscal support and highly unequal vaccine access. Global growth is set to reach 4.3 percent and 3.1 percent respectively in 2022, and 2023.

Economic recoveries are diverging across countries and sectors, reflecting variation in pandemic-induced disruptions and extent of policy support. While advanced economies are re-bounding, many of world's poorest countries are being left behind. The report predicts that the growth of developed economies will reach 5.4 percent in 2021, with 6.8 percent potential economic growth in the United States. More contagious strains of coronavirus which have recently spread to countries with emerging markets and developing economies, along with vaccine availability are expected to hamper the country's recovery process. Growth in emerging markets and developing economies is projected at

6.0 percent in 2021, with China growing at 8.5 percent and India at 8.3 percent.

In the World Economic Outlook (WEO) April 2021, International Monetary Fund (IMF) projected that the global economy to grow at 6 percent in 2021 and moderating to 4.4 percent in 2022. The projections for 2021 and 2022 are 0.8 percentage point and 0.2 percentage point stronger than in the October 2020 WEO.

In advanced economies, growth is expected to grow to 5.1 percent in 2021. Amid continued vaccination, economic activity is firming across major advanced economies. The economic growth of almost all countries of advanced economies will be positive, most notably: The United States (6.4%), Germany (3.6%), France (5.8%), Italy (4.2%), and Spain (6.4%), Japan (3.3%) and the United Kingdom (5.3%). Projections for 2021 have been revised down in Europe and up in Japan and the United States than in the projection made by October 2020 WEO.

Overall, the group of emerging market and developing economies, growth is forecast at 6.7 percent in 2021, 0.7 percentage points stronger than in the projection made by October 2020 WEO. Prospects for China are much stronger than for most other countries in this group, with the economy projected to grow by about 8.4 percent in 2021. The recovery in all emerging markets and developing economies regions is expected to be insufficient to reverse the damage from the pandemic. The recovery in small, tourism-dependent economies is expected to be particularly weak as some travel restrictions will remain in place until the pandemic is brought under control. The pace of vaccine rollout varies across countries, with low-income countries lagging considerably. The recovery is expected to be stronger in East Asia and the Pacific, primarily due to strength in China. In South Asia, India's recovery is being hampered by the largest outbreak of any country since the beginning of the pandemic. In addition, consistent with the projected global recovery, oil prices are projected to grow in 2021 from their low base in 2020, in part reflecting the OPEC+ (Organisation of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters). Average petroleum spot prices per barrel are projected at US$ 58.52 in 2021 and US$ 54.83 in 2022. Metal prices are projected to accelerate strongly in 2021, largely reflecting the rebound in China. Food prices are also expected to pick up in 2021.

The global outlook remains subject to high uncertainty. Future developments will depend on the path of the pandemic, policy actions, the evolution of financial conditions and commodity prices, and the capacity of the economy to adjust to health-related impediments to activity. The ebb and flow of these drivers and their interaction with country-specific characteristics will determine the pace of the recovery and the extent of scarring. Table 1.1 highlights the growth scenario of the world.

Table 1.1: Overview of World Output Growth Projections

(Percent Changes)

Economic Area	Actual	Projection Outlook, April, 2021		Difference from Outlook, October, 2020	
	2020	2021	2022	2021	2022
World Output	-3.3	6.0	4.4	0.8	0.2
Advanced Economies	-4.7	5.1	3.6	1.2	0.7
USA	-3.5	6.4	3.5	3.3	0.6
Euro Area	-6.6	4.4	3.8	-0.8	0.7
Germany	-4.9	3.6	3.4	-0.6	0.3
France	-8.2	5.8	4.2	-0.2	1.3
Japan	-4.8	3.3	2.5	1.0	0.8
Emerging Market and Developing Economics	-2.2	6.7	5.0	0.7	-0.1
Emerging and Developing Asia	-1.0	8.6	6.0	0.6	-0.3
China	2.3	8.4	5.6	0.2	-0.2
India	-8.0	12.5	6.9	3.7	-1.1
ASEAN-5	-3.4	4.9	6.1	-1.3	0.4

Source: World Economic Outlook, April 2021.IMF.

Note: ASEAN-5: Indonesia, Malaysia, Philippines, Thailand and Vietnams.

Macroeconomic Situation: Bangladesh, FY 2020-21

Economic Growth

Following the trend of achieving economic growth, the growth exceeded 7 percent in FY 2015-16 and 8 percent in FY 2018-19. In FY 2018-19, the growth stood at 8.15 percent. The global economy has come to a standstill due to the COVID-19 pandemic which has also had a huge negative impact on the economy of Bangladesh. According to the final calculations of BBS, the GDP growth in FY 2019-20 has slowed to 3.51 percent. Bangladesh's economy is turning around in the context of tackling the coronavirus of the world economy. According to the provisional estimates of BBS, the GDP growth in FY 2020-21 stood at 5.47 percent.

Per capita GDP and GNI

According to the provisional estimate, the volume of GDP at current market prices reached Tk. 30,11,065 crore in FY 2020-21, which was Tk. 27,39,332 crore in FY 2019-20. In nominal term GDP growth is 9.92 percent. As per the final estimate, per capita GDP in FY 2019-20 was US$ 1,930 up by US$ 102 from the previous fiscal year. Likewise, per capita national income increased to US$ 2,024 in FY 2019-20, up by US$ 115 from FY 2018-19. The per capita GDP stands US$ 2,097 in FY 2020-21, up by US$ 167 from the previous fiscal year, while the per capita national income stood at US$ 2,227 up by US$ 203 in the previous fiscal year.

Sectoral Growth

According to the provisional estimate of BBS, the growth of agriculture sector has slowed to 3.45 percent in the FY 2020-21, from 4.59 percent in FY 2019-20. During the same period, industry sector grew by 6.12 percent, which was 3.25 percent in the previous fiscal year. The service sector grew by 5.61 percent in FY 2020-21 compared to 4.16 percent in the previous fiscal year.

Within the broad agriculture sector, the growth rate of agriculture and forestry sector decelerated from 4.10 percent to 2.65 percent in FY 2021-21. In addition, growth in fishing sector slowed slightly to 5.74 percent from 6.02 percent of previous fiscal year. The contribution of the broad agricultural sector to the GDP stood at 13.47 percent in FY 2020-21 against 13.74 percent in the previous fiscal year.

Of the 4 sectors of the broad industrial sector, growth in the manufacturing (large and medium scale and small scale) has increased significantly. According to provisional estimate, the growth of large and medium enterprises and small scale industries in GDP stood at 6.56 and 1.73 percent respectively in FY 2020-21, compared to 1.39 percent and 3.96 percent in the previous fiscal year. The growth of the construction sector stood at 8.68 percent as compared to 8.66 percent over the previous fiscal year. Overall, the contribution of the broad industry sector stood at 34.99 percent in FY 2020-21, as compared to 34.74 percent in the previous fiscal year.

Among the broad service sector, health and social works have decelerated slightly compared to FY 2019-20. Wholesale and retail trade; hotels and restaurants; transport, storage and communication; financial intermediations; real estate and renting and business activities etc. have increased significantly compared to FY 2019-20. The contribution of broad service sector to the GDP stood at 51.53 percent in FY 2020-21, which was 51.48 percent in the previous fiscal year.

Consumption Expenditure

Over more than a decade, consumption as domestic demand has been around 74-81 percent of GDP. In FY 2007-08, consumption expenditure was 80.8 percent of GDP, of which government expenditure was 5.2 percent and private sector expenditure was 75.6 percent. This rate has been declining since the following year and in FY 2019-20, consumption stood at 76.23 percent of GDP. Consumption for FY 2020-21 has been estimated to 75.83 percent of GDP.

Savings and Investment

During FY 2020-21, domestic savings increased to 24.17 percent of GDP, which was 23.77 percent in the previous year. Likewise, national savings as percent of GDP increased to 30.39 percent in FY 2020-21 percent from 28.67 percent of the previous fiscal year.

The investment has increased to 7.95 percent in FY 2020-21 as compared to 3.98 percent in the previous fiscal year due to COVID-19 pandemic. However, public investment as a percentage of GDP has slightly accelerated and private investment as a percentage of GDP has slightly decelerated compared to the previous fiscal year. Gross investment stood at 29.92 percent in FY 2020-21, which was 30.47 percent of the previous fiscal year. Of this, public investment and private investment accounted for 8.67 percent and 21.25 percent of GDP, respectively, which was 8.41 percent of GDP and 22.06 percent of GDP in the previous fiscal year, respectively.

Inflation

In FY 2019-20, the inflation rate stood at 5.65 percent, which is slightly higher than the target (5.50%). In this case, food inflation increased to 5.56 percent and non-food inflation stood at 5.85 percent. Despite the stagnation in the economy due to the coronavirus, inflation in FY2020-21 is slightly high (5.56%) than the target (5.4%) as a result of uninterrupted food production and supply chains.

Revenue Mobilisation

The revised revenue mobilisation target was set at Tk.3,51,532 in FY2020-21, which is 11.39 percent of the estimated GDP. Of them, revenue receipt from NBR sources was marked at Tk.3,01,000 crore (9.75% of GDP), tax revenue from non-NBR sources at Tk. 15,000 crore (0.49% of GDP) and non-tax revenue at Tk. 35,532 crore (1.15% of GDP).

Revenue received during July-April of FY 2020-21 was provisionally estimated to Tk.1,97,583.43 crore or 12.87 percent higher than previous fiscal year achieving 65.64 percent of revised target. Of this, import duty increased by 21.18 percent, VAT by 12.47 percent and supplementary duty by 17.92 percent. In addition, the growth in the income and profit tax has been 9.37 percent.

Up to May 2021 of FY 2020-21, revenue collected from Non-NBR source stood at Tk. 5,333 crore achieving 35.55 percent of the target. Non-tax revenue earnings during the first 11 months of FY 2020-21 (July-May, 2021) stood at Tk. 45,856 crore, which is 40.24 percent higher than the same period of previous fiscal year achieving 129.05 percent of the target.

In order to augment revenue mobilisation as well as to create a comfortable trade environment along with transparency and accountability, NBR has been implementing a wide range of reform initiatives. Included among are:

- The VAT Act and its rules have been simplified for automated and transparent environment
- Online VAT registration, online return submission and online e-payment systems have already been implemented.
- Use of Electronic Fiscal Device (EFD)/Sales Data Controller (SDC) for some business entities has been made mandatory. Installation of EFD/SDC has already been started.
- NBR approved software use has been made mandatory for companies with annual turnover of more than Tk. 5 crore.

Government Expenditure

According to the revised budget, the total expenditure target for FY 2020-21 has been set at Tk. 5,38,983 crore, which is 17.46 percent of GDP. Of this, operating expenditure is Tk. 3,23,688 crore (10.48% of GDP), food account is Tk. 2,553 crore, loans and advances are Tk. 4,717 crore and development expenditure is Tk. 2,08,025 crore (6.74% of GDP). Annual Development Plan (ADP) allocation is Tk. 1,97,643 crore (6.40% of GDP) of the development budget.

As per the provisional estimates of *iBAS++*, the total expenditure up to May 2021 in FY 2020-21 was Tk. 3,12,289 crore, of which operating expenditure was Tk. 2,20,783 crore and development expenditure was Tk. 82,392 crore. The operating and development expenditures are 68.21 percent and 39.61 percent of the target respectively. As per the IMED sources, ADP expenditure in FY 2020-21 was Tk. 1,72,050.01 crore, achieving 82.21 percent of revised ADP target.

A new Budget and Accounting Classification System (BACS) has been introduced from FY 2018-19 with a view to upgrading government financial management to an international standard. In addition to civil administration, defense and railway budget and accounting process have been brought under the iBAS ++ software developed by local experts. In order to make this system more dynamic, activities will be undertaken for consolidation and integration among them. To simplify the development project fund release process, project directors have been given the full authority in FY 2019-20 to utilise project fund without seeking approval from any authority.

Budget Balance and Financing

Government is conscious to keep the budget deficit within 5 percent of GDP. But in revised budget of FY 2020-21, due to 'COVID-19' pandemic budget deficit crossed 5 percent of GDP. In the revised budget of FY 2020-21, budget deficit has been estimated at Tk. 1,83,466 crore (Including Grant) which is 5.9 percent of GDP. Of this deficit, Tk. 68,414 crore (2.22% of GDP) will be financed from external sources (including foreign grant) and Tk. 1,15,052 crore (3.73% of GDP) will be backed by domestic sources. To finance the deficit in the domestic sector, there is a plan to get Tk. 79,749 crore from the bank system and the remaining Tk.35,303crorefrom the non-bank sector. As per iBAS++ provisional estimate the budget deficit excluding grants stand at Tk. 1,87,451 crore, which is 6.1 percent of GDP.

Prioritise the Allocation of Revised ADP, FY 2020-21.

The sectoral allocations of the RADP of FY 2020-21 reveal that among the 17 sectors such as transport, power, physical planning, water supply and housing, education and religious affairs, rural development and institution, science and technology, health, population and family welfare, agriculture and water resources have been given priority. In FY 2020-21, the highest allocation was given in transport sector, which is 24.90 percent of the revised ADP, followed by physical planning, water supply and housing sector (13.4%), education and religious affairs (12.43%), power (11.10%) and rural development and institution sector (9.25%). The allocation of health, population and family welfare reached 7.55 percent, up from 6.47 percent in FY 2019-20.

Stimulus Packages

To address the crisis resulting from the outbreak of COVID-19 and overcome its potential adverse effects on the economy, Hon'ble Prime Minister Sheikh Hasina has guided the formulation of an overall programme with short, medium, and long-term targets. This programme has four main strategic aspects.

1. The first strategy is to increase government spending. In this respect, priority will be given to creating jobs and discouraging luxury spending.
2. The second strategy is to provide low-interest credit facilities through the banking system to industries and business enterprises to revive economic activities and increase the competitiveness of entrepreneurs at home and abroad.
3. The third strategy is to increase the scope of the government's social security programmes to protect the ultra-poor and the low-income groups that have suddenly become unemployed as well as the people engaged in informal sectors.
4. The fourth and last strategy is to increase money supply in the market. However, this strategy is being implemented with utmost caution so that the negative effects of inflation can be controlled.

The government has already announced fiscal and stimulus packages of Tk. 1,28,441crore (Up to April, 2021), which is 4.2 percent of GDP, to facilitate additional expenditure in the healthcare sector, emergency humanitarian assistance, and the overall economic recovery programme.

Monetary Policy and Monetary Management

Monetary policy stance and the monetary and credit programmes have been announced for FY 2020-21 with prime objectives of recovering the economy from the adversity of the COVID-19 pandemic and rehabilitation of the production capacity of the economy including restoration of the normal livelihoods of the people along with maintaining dual goals of price stability and quality growth. Based on these considerations, Bangladesh Bank’s monetary policy stance and monetary programmes for FY 2020-21 are essentially expansionary and accommodative for all growth support

The FY 2020-21 monetary programme primarily set to support 8.2 percent real GDP growth and containment of CPI based average inflation at 5.4 percent. Bangladesh Bank has reviewed the FY 2020-21 monetary programmes in January 2021 and decided to revise the targets of some monetary aggregates including M2 and net foreign asset (NFA) growth. In the revised programme, the broad money growth target has been reduced to 15.0 percent which was 15.6 percent previously, mainly to cope up with the recent slash down of GDP growth target (from 8.2% to 7.4%).

To ensure the availability of less costly funds for banks and rationalising the policy rates’ corridor (the gap between the repo and reverse repo rates), the repo and reverse repo interest rates have slashed down by 50 basis points and 75 basis points to 4.75 percent and 4.00 percent respectively with effect from 30 July 2020. However, 360-day repo facility with effect from 13 May 2020 is also introduced. The Bank Rate which remained unchanged for the last 17 years (since 2003) has also been slashed down by 100 basis points to 4.00 percent to rationalise it with the current interest rate regime. CRR has been reduced from 5.5 percent to 4.0 percent for domestic banking operations, from 5.5 percent to 2.0 percent for offshore banking operations, and from 2.5 percent to 1.5 percent for financial institutions (FIs).

Money and Credit

At the end of February of FY 2020-21, the year-on-year growth of reserve money, broad money (M2) and narrow money (M1) are 19.72 percent, 13.35 percent and 19.19 percent respectively. During the time period, 30.36 percent growth of net foreign assets has contributed in the year-on-year growth of M2.

The growth of domestic credit stood at 14.02 percent in FY 2019-20 compared to 12.26 percent in FY 2018-19. Domestic credit increased (year-on-year) by 9.06 percent up to February 2021 of FY 2020-21, which is lower than 15.09 percent growth in the same period of the previous fiscal year. Of which private sector credit growth stood at 8.93 percent at the end of February 2021 against 9.13 percent in the same period of the previous fiscal year. The net credit to the government increased by 10.64 percent at the end of February 2021 which was increased by 74.55 percent in same period of the previous year. At the end of February 2021, the share of government (excluding others public sector) to total domestic credit stood at 13.16 percent. Private sector credit to total domestic credit stood at 84.54 percent which was 83.91 percent at the end June 2020.

Interest Rate

In order to rationalise the rate of interest in other sectors including productive sector, banks are advised to limit the difference between lending and deposit rates or spread within lower single digit except high-risk consumer credit (including credit card). Besides, the maximum rate of interest/profit on unclassified loans/investment is set at single digit except credit card.

The recent trends in weighted average lending and deposit rates show downward movement. The weighted average lending rate of commercial banks decreased continuously and stood at 7.48 percent at the end of February 2021 from 9.62 percent of end February 2020. Similarly, the deposit rate continuously decreased to 4.46 percent in February 2021 from 5.53 percent in the same period of previous year. The interest rate spread was 4.09 percent in February 2020. After that, the spread declined a little and then increased time to time and stood at 3.02 percent at the end of February 2021.

Capital Market

In DSE total number of listed securities has increased from 589 in June 2020 to 600 in February 28, 2021. Total Market Capitalisation of all listed securities was Tk. 3,11,966.98 crore in June 2020, which stands at Tk. 4,65,736.60 crore in February 2021, representing 49.29 percent increased. DSE Broad Index has increased from 3,989.09 points in June 2020 to 5,404.80 points in February 2021, representing 35.49 percent increase.

At the end of February 2021, the total number of listed securities in Chattogram Stock Exchange is 341. Towards the end of 28th February 2021, Market Capitalisation of CSE was Tk. 3,91,944.48 crore which was increased 60 percent from the last fiscal year. CSE All Share Price Index was 15,603.80 point at the end of 28th February 2021 which was 11,332.58 point in the end of June 2020.

Export

Foreign tread of Bangladesh has started to return to a positive trend after confronting the adverse effect of COVID-19 pandemic. In FY 2019-20 total export earnings decreased by 16.93 percent to US$ 33,647.09 million compared to the previous fiscal year. Export earnings stood at US$ 38,758.31 million in FY 2020-21, which is 15.10 percent higher than the export earnings in the previous fiscal year. During this period, commodity-wise growth of export earning shows that, export earnings from almost all the products have increased compare to the last fiscal year. The government has taken several steps as an incentive in the export sector. In order to encourage exports and export of commodities cash incentive is being provided to the exporters. This facility is being extended to new products as well.

Import

The total import payments (c&f) for FY 2019-20 stood at US$ 54,784.7 million, which was 8.56 percent lower than the previous fiscal year. Country's total import payments (c&f) stood at US$ 65,594.7 million in FY 2020-21, which was 19.73 percent higher than the import payments of the preceding fiscal year. Up to February of FY 2020-21, 25.91 percent of the total imported commodities came from China. India was the second largest source of import while Japan held the third position.

Overseas Employment and Remittance

Due to COVID-19 pandemic, the global labour market has drastically affected because of low-skilled workers who do not have the option to work from home. During the first eight months of FY 2020-21 (July-February), labour export stood at 1.22 lakhs amid COVID-19 pandemic.

In FY 2019-20, remittance inflows increased by 10.87 percent over the previous fiscal year to US$ 18,205.01 million. In FY 2020-21, Bangladeshi expatriates' remittance stood at US$ 24,777.72 million which was significantly higher (36.10%) than the previous fiscal year.

The major portion of remittance has been received from Middle East countries. In FY 2020-21 (July-February) the highest share of remittance remitted from KSA which was 23.56 percent of total remittances followed by UAE (10.24%), Kuwait (7.50%) and Oman (6.38%). The USA (13.13%) obtained the top position among the Western and European countries. Recently, remittance inflow has increased from UK, Malaysia, Singapore and some other countries.

Balance of Payments (BoP)

Trade deficit widened at US$ 22,799 million in FY 2020-21 compared to US$ 17,858 million in FY 2019-20. Trade deficit rose by 27.67 percent in FY 2020-21, due to the higher import payment growth than export earnings. During the time, current account balance deficit stood at US$ 3,808 million on the back of robust remittance inflows compared to a US$ 4,724 million deficit in the previous year. Due to increase of foreign direct investment along with healthy inflows of medium and long-term loans and other short-term loans (net) except the portfolio investment, financial account showed surplus. Therefore, the overall balance recorded a surplus of US$ 9,274 million in FY 2020-21 compared to US$ 3,169 million surplus in the previous fiscal year.

Foreign Exchange Reserve

The surplus in the overall balance helped to maintain the foreign exchange reserve up. On 30 June 2020, the foreign exchange reserves reached US$ 36.04 billion. On 30 June 2019, the foreign exchange reserve was US$ 32.72 billion. The foreign exchange reserves increased to a record US$ 46.39 billion at 30 June 2021.

Exchange Rate

Bangladesh observed overall 0.05 percent depreciation of Taka against US dollar in July-April FY 2020-21 compare to that of the FY 2019-20. The weighted average inter-bank rate stood at Taka 84.81 per US$ on 30 June 2021, which was Taka 84.85 per US$ on 30 June, 2020.

Short and Medium Term Prospect of Bangladesh Economy

The Medium Term Macroeconomic Framework (MTMF), 2021-22 to 2023-24, has been formulated taking into account the recent dynamics of the global economy and the impacts on the domestic sector. The global economy is at great risk due to COVID-19, the impact of which is expected to be even greater than the 2008-09 recession. Countries are implementing incentive packages to address the unintended effects of the coronavirus on global growth and commodity markets. The Government of Bangladesh has also announced various policy assistance including incentives to combat the impact of the COVID-19 pandemic and its long term impacts. Keeping in mind that the poorer section of people is the worst victim of COVID-19 pandemic, the government, under the directives and guidelines of Honorable Prime Minister, declared 21 stimulus packages in FY 2019-20 to facilitate economic recovery from COVID-19 fallout, bolstered social safety net programmes and enhanced relief activities through the country to protect the vulnerable people from crises. The number of the stimulus packages has further been increased to 23 in FY2020-21 considering prolonged sufferings of the poor. In the medium term, the government will put emphasis on economic recovery from the fallout of COVID-19 and on implementing 8th Five Year Plan, SDGs, Second perspective plan, 'Delta Plan 2100', and 'Blue Economy' strategies.

Before the COVID-19 pandemic, Bangladesh exhibited a steady and high GDP growth, averaging 7.4 percent per year during FY2015-16 to FY 2018-19, and reached a record 8.15 percent growth rate in FY 2018-19. However, the provisional estimate shows that the GDP growth decelerated significantly in FY 2019-20, down to 5.2 percent as a result of the outbreak of the pandemic. The GDP growth target for FY 2020-21 was set at 8.2 percent which was revised at 6.1 percent in the MTMF due to the prolonged COVID-19 pandemic. GDP growth has been projected to gradually rise to 7.2, 7.6, and 8.0 percent respectively in FY 2021-22, FY 2022-23 and FY 2023-24. Inflation is projected at 5.4 percent in FY 2020-21, which is expected to gradually decrease in the next three fiscal years and stood at 5.1 percent in FY 2023-24. Investment is expected to be between 33-36 percent of GDP in the next three fiscal years. Of this, investment in the public sector will be between 8-9 percent of GDP and investment in the private sector will be between 25-27 percent.

In the MTMF, the projected revenue mobilisation for FY 2021-22 could reach 11.3 percent of GDP to 11.5 percent of GDP in FY 2023-24. Public expenditure was only 14.9 percent of GDP in FY 2019-20, while it stands at 17.5 percent in the revised budget for FY 2020-21, which is targeted to be around 17.0 percent of GDP over the medium term.

In FY 2020-21, the revised budget deficit stood at 6.1 percent of GDP. The budget deficit could reach 6.2 percent of GDP in FY 2021-22 due to increased government spending aimed at restoring the economy overcoming the effects of COVID-19, which will fall within the range of 5 percent of GDP in the following years. The target is to keep the private sector credit flow at 14.8 percent in FY 2020-21, which is expected to increase to 15.0 percent in the next three fiscal years.

Growth in remittances is projected at 35.0 percent in FY 2020-21, which is projected to be 15 percent on average in the next three fiscal years. The possibility of a return to a strong position in the export sector has been considered in the medium term macroeconomic framework. Besides, there is a domestic demand in the economy of Bangladesh. So, it is expected that the development pace of the economy will be continued. Table 1.2 highlights the projection of key macroeconomic indicators during FY 2017-18 to FY 2023-24.

Table 1.2: Medium Term Macroeconomic Framework: Key Indicators

Indicators	2017-18	2018-19	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24
	Actual			Budget	Revised Budget	Projection		
Real Sector								
Real GDP growth (%)	7.9	8.2	5.2	8.2	6.1	7.2	7.6	8.0
CPI Inflation (%)	5.8	5.5	5.7	5.4	5.4	5.3	5.2	5.1
Investment (% GDP)	31.2	31.6	31.8	33.5	32.3	33.1	34.2	36.0
Private	23.3	23.5	23.6	25.3	24.2	25.0	25.9	26.8
Public	8.0	8.0	8.1	8.1	8.2	8.1	8.3	9.2
Fiscal Sector (% of GDP)								
Total Revenue	9.6	9.9	9.5	11.9	11.4	11.3	11.3	11.5
Tax Revenue	8.6	8.9	7.9	10.9	10.2	10.0	10.1	10.3
Of which NBR Tax Revenue	8.3	8.6	7.7	10.4	9.7	9.5	9.6	9.7
Non-Tax Revenue	1.0	1.0	1.6	1.0	1.2	1.2	1.2	1.2
Public Expenditure	14.3	15.4	14.9	17.9	17.5	17.5	17.0	17.0
Of which ADP	5.3	5.8	5.4	6.5	6.4	6.5	6.5	6.5
Overall Balance	-4.7	-5.5	-5.4	-6.0	-6.1	-6.2	-5.75	-5.5
Financing	4.7	5.5	5.4	6.0	6.1	6.2	5.8	5.5
Domestic Financing	3.5	3.9	3.7	3.5	3.7	3.3	3.5	3.5
External Financing(net)	1.2	1.3	1.6	2.5	2.3	2.9	2.3	2.1
Money and Credit (Year-on-year % change)								
Domestic Credit	14.7	12.3	13.7	17.6	17.4	16.0	16.0	16.0
Credit to the Private sector	16.9	11.3	8.6	16.7	14.8	15.0	15.0	15.0
Broad Money	9.2	9.9	12.7	12.5	15.0	15.1	15.2	15.3
External Sector (% Change)								
Export, f.o.b	4.7	9.1	-17.1	15.0	12.0	15.0	13.0	12.0
Import, f.o.b	25.2	1.8	-8.6	10.0	11.0	14.0	13.0	11.0
Remittance	15.1	10.2	11.2	15.0	35.0	20.0	15.0	10.0
CurrentAccount Balance(% GDP)	-3.49	-1.69	-1.47	0.09	-0.05	0.01	0.05	0.07
Gross Foreign Exchange Reserves (Billion US$)	32.86	32.72	36.04	40.20	44.00	51.02	53.66	55.40
Forex. Reserve in the month of Import	6.2	6.0	7.2	8.7	7.8	7.8	7.2	6.6
Memorandum Item								
GDP at current market prices (Billion Tk.)	22505	25425	27964	31718	30873	34560	38777	43642
Source: Finance Division, Ministry of Finance.								