

## **Executive Summary**

### **World Economy**

After the strong growth during 2017 and the first half of 2018, global economy decelerated in the second half of 2018. According to World Economic Outlook (WEO), April 2019 published by the International Monetary Fund (IMF) the escalation of trade tension between the United States and China, loss of momentum in Europe and uncertainty about Brexit raise the risks of global growth.

Global growth reduced at 0.2 percentage point in 2018 compare to 2017 and it is estimated that in 2019 it may decline more 0.3 percentage points and reach at 3.3 percent. However, IMF forecasts that global growth may be raised at 3.6 percent in 2020.

Growth in advanced economies is projected to slow from 2.2 percent in 2018 to 1.8 percent in 2019. This trend of economic growth is disappointing for many countries. Specially, gradual softening of growth in the USA as fiscal stimulus fades and downward revisions for the euro areas are too much unsatisfactory. Growth in euro areas marked down because of weak industrial production following the introduction of revised auto emission standards, uncertainty surrounding Brexit in the UK and European Union and the trade conflict between the USA and China. Elsewhere activity weakened in Japan largely due to natural disasters is also responsible for reduction of growth in euro areas.

Consumer price inflation reduced across advanced economies due to drop in commodity prices. In advanced economies,

inflation is expected to decline to 1.6 percent in 2019 by reducing 0.4 percentage point from 2018. In the USA economy, inflation is projected to decline to 2.0 percent in 2019 from 2.4 percent in 2018. Core inflation rate (excluding food and energy) of Japan is projected to rise by the end of 2020. Inflation for the emerging market and developing economy group is projected to resume its steady decline after a temporary modest rise this year.

According to the IMF, the global growth may face further downward revisions. Rising inequality, weak investment, rising protectionism in trade, climate change and risk from cyber security are the main causes of these risks. However, the growth will be stabilised at the end of this year if the downside risks do not materialise and the policy support put in place become effective.

### **Macroeconomic Situation in Bangladesh**

In spite of various national and international adverse situations, Bangladesh has been able to continue her economic development and high growth trend. According to the provisional estimate of Bangladesh Bureau of Statistics (BBS), GDP growth for FY2018-19 reached 8.13 percent. On the other hand, according to final estimate in FY2017-18, the country's growth rate was 7.86 percent. In FY2018-19 per capita GDP increases to US\$152 compare with the previous fiscal year and raises at US\$1,827. Likewise, per capita national income increased to US\$1,909 in FY2018-19 from US\$1,751 in FY2017-18.

Both public and private investment increased in FY2018-19 from previous fiscal year. The total investment rose to 31.56 percent in FY2018-19, which was 31.23 percent in FY2017-18. In FY2018-19, public sector investment is 8.17 percent and private sector investment is 23.40 percent of GDP.

As a result of moderate food inflation, the average inflation rate stood at 5.44 percent during July 2018 to March 2019. During this period, food inflation declined to 0.46 percentage point (from 6.18 percent in July 2018 to 5.72 percent in March 2019). At the same time, non-food inflation increased to 0.8 percentage point.

In FY2018-19, growth of revenue collection is at satisfactory level. In this fiscal year revised target for revenue receipt was set at Tk.3,16,599.00 crore (12.48% of GDP). Out of this amount tax revenue from NBR sources was marked at Tk.2,80,000.00 crore (11.04% of GDP), tax revenue from non-NBR sources at Tk.9,600.00 crore (0.38% of GDP) and non-tax revenue at Tk.27,000.00 crore (1.06% of GDP). Against these targets as per the provisional estimates of Integrated Budget and Accounting System (*iBAS++*), in the first eight months of the current fiscal (July-February 2019) total revenue receipt stood at Tk.1,56,136.00 crore. It is 49.32 percent of the revised target of total revenue receipt and 10.06 percent more than the same period in preceding fiscal year. In this amount tax revenues received to Tk.1,38,275.00 crore, up by 8.88 percent from the previous year. The amount of non-tax revenue raised to Tk.17,861.00 crore, which is 20.15 percent more than the same period of last fiscal year.

As per the revised budget, the expenditure for FY2018-19 has been targeted at Tk.4,42,541.00 crore (17.45% of GDP). Of which operating expenditure Tk.2,66,926.00 crore (10.52% of GDP), food account Tk.282.00 crore, loans and advances Tk.1,884.00 crore and development expenditure Tk.1,73,449.00 crore (6.84% of GDP). Annual Development Program (ADP) expenditure has been fixed at Tk.1,67,000.00 crore (6.58% of GDP) in development expenditure. As per the *iBAS++* provisional data, the total expenditure up to February 2019, stood at Tk.1,74,114.00 crore. Out of this amount operating expenditure was Tk.1,27,659.00 crore and ADP expenditure was Tk.41,424.00 crore. Operating expenditure and ADP expenditure increased to 22.21 percent and 22.39 percent respectively in compare with the same period of the previous fiscal year.

The monetary policy stances for FY2018-19 aimed at attaining price and macro-financial stability along with sustainable growth. The monetary policy of FY2018-19 was formulated in order to keep inflation below 5.6 percent as well as attaining GDP growth rate at 7.8 percent. The monetary policy puts emphasis on inclusive, employment supportive and environment-friendly initiative for attaining sustainable economic growth.

Lending interest has been decreasing since 2017. On the other hand, deposit interest has been increasing gradually. The weighted average lending rate decreased to 0.15 percentage point within one year (9.55 percent at February 2018 and 9.40 percent at

February 2019). Conversely, the weighted average deposit rate increased to 0.16 percentage point during the same period. The interest rate spread decreased to 4.06 percent at February 2019 from 4.37 percent of February 2018.

The export earnings of Bangladesh stood at US\$30,903.00 million during July-March of FY2018-19, which is 12.57 percent higher than the export earnings during same period of FY2017-18. Ready-made garments and knitwear product have significant contributions to the country's total export earnings. On the contrary, total import payments of Bangladesh in FY2018-19 (July-February) stood at US\$40,895 million, which is US\$2,180.00 million higher than previous year.

Like previous trade deficit of the country continues in FY2018-19, though there is a slight improvement in this sector in the current fiscal year compare with previous fiscal year. Up to February 2019, total trade deficit of the country was US\$10,695.00 million which was 11,679.00 million at the same time in FY2017-18. The overall balance recorded the deficit of US\$499 million in February 2019 due to deficit in US\$4270 million of current account balance.

Bangladesh Bank maintained stability in retaining foreign exchange reserves. At the end of 30 April 2019, the gross foreign exchange reserves stood at US\$32.12 billion. The weighted average inter-bank rate stood at Tk.83.85 per US dollar on 28 February 2019, which was Tk.82.10 per US dollar in FY2017-18 resulting in a depreciation of 2.83 percent.

## Sector-wise Economic Progress

### Agriculture

In order to make Bangladesh self-sufficiency in food, agriculture has been given the highest priority. The government is trying sincerely for developing agriculture sector in consideration with 7<sup>th</sup> five-year plan, National Agriculture Policy and SDG. According to preliminary estimate of BBS, It has been projected to produce food grain around 415.74 lakh metric tonnes (MT.) in FY2018-19 which was 413.25 lakh MT in FY2017-18. In FY2018-19, total internal procurement target of food grains is 21.81 lakh MT. Up to February 2019 of FY2018-19, in total 2.11 lakh MT food grain was imported under government management. However, 35.66 lakh MT food grain (rice 0.85 lakh MT and wheat 34.81 lakh MT) have been import through private sector during this period.

In current fiscal year, the government has fixed to distribute Tk.21,800.00 crore as agricultural loan has been disbursed and up to February 2019, a total of Tk.12,101.04 crore has been distributed which is 55.51 percent of the target. An amount of Tk.9000.00 crore has been allocated in the revised budget of FY2018-19 to provide subsidy on fertilizer and other agricultural inputs. It has been estimated to produce 43.81 lakh MT fish from internal water resource and from sea in FY2018-19. In FY2018-19, (up to February 2019) 99.31 lakh doses of livestock vaccines and 14.87 crore doses of poultry vaccines have been produced.

### Industry

Apart from creating jobs in the country, the government has considered industrialization as a more important sector to accelerate sustainable economic development. According to initial estimation of BBS, in FY2018-19 the contribution of industry sector to GDP is 35.14 percent. In order to accelerate the pace of industrialization of the country the government announced the 'National Industrial Policy-2016'. This policy will create women's productive employment opportunities and bring women to the mainstream of the industrialisation process. It also plays a vital role in poverty alleviation. It has been expressed in the industrial policy that special steps will be taken for the development of women entrepreneurs and the promotion of cottage industries, small and medium industries. The EPZs play a special role in the development of the industrial sector by attracting domestic and foreign investment. Investment and exports of the EPZs are gradually increasing.

### State-Owned Enterprises

State-Owned Enterprises (SOEs) play an important role in national production, value addition, employment generation and revenue earning. The contribution of SOEs is very important specially in power and energy, transport, communication and service sector. During FY2017-18, the total operating revenue of all existing non-finance SOEs was Tk.1,74,361.14 crore. However, factoring into the production cost, the amount of value addition reduced to Tk.19,375.24 crore during FY2017-18 which was Tk.23,255.69 crore in FY2016-

17. In FY2018-19 (up to 30 April 2019), the SOEs made a net loss of Tk.4,324.75 crore. On the other hand, the SOEs that earned profit contributed Tk.1,111.82 crore to the national exchequer during the same period.

According to the estimation of Finance Division, the total Debt Service Liabilities (DSL) stood at Tk.2,14,561.44 crore up to December 2018 in FY2018-19. Up to January 2019, outstanding state owned commercial bank loan against 30 SOEs stood at Tk.39,834.58 crore. Out of this, the classified loan stood at Tk.111.66 crore. The net profit on operating revenue was 2.97 percent in FY2017-18. The rate of dividend on equity decreased to 1.41 percent in FY2017-18. Considering the turnover of assets, the efficiency of resource utilisation during FY2017-18 remained unchanged compared to the level of efficiency in the previous fiscal year.

### Power and Energy

At present 93 percent people of the country are under electricity coverage. During FY2018-19 the total installed electricity generation capacity stood at 18,079 MW, which is 21,169 MW including captive and renewable energy. Up to February 2019, the highest generation was 11,623 MW. In FY2017-18, the net electricity production was 62,678 million kWh. In the first seven months of FY2018-19 (up to January 2019) the production stood at 41,125 million kWh. The total system loss in transmission and distribution of electricity reduced substantially to 10.90 percent in FY2018-19 (up to December 2018) from 15.73 percent in FY2009-10.

71 percent of the country's total commercial consumption of energy is met by natural gas. Until June 2018, about 15.94 trillion cubic feet of gas has been produced from 27 discovered gas fields. At present, recoverable net stock is 11.92 trillion cubic feet. In addition, the country has a reserve of about 13.27 MT fuel. In order to secure long term energy supply of the country the highest emphasis is given on the diversification of energy sources, particularly on the efficient and best use of energy.

### **Transport and Communication**

The government implements different projects on transport and communication sector as priority basis. The construction and reconstruction / rehabilitation of road/bridge /culvert is being adopted and implemented. Until February 2019, the total length of road in the country is 21,569 km. Furthermore, Padma Bridge, Dhaka Elevated Express way and some other mega-projects are being implemented by Bridges Division.

In order to operate Railway as an environment-friendly, safe, affordable and dependable means of transport various development programs have been undertaken and implemented. At present, total length of railway is 2,955.53 km.

The government has been implementing various programs and projects for development and maintenance of navigability of different river routes. In addition, the government works for ensuring safe movement of water crafts, development of inland river ports, creating infrastructure facilities to carry container goods in inland waterways and so on.

About 92 percent international trade is happening through Chattogram seaport. Biman Bangladesh Airlines Limited is conducting 7 national and 15 international flights in different routes. In FY2017-18, Biman has carried 25.88 lakh passengers and 30,972 tonnes of cargo.

Various measures have been undertaken by the government with a view to modernising, developing and expanding telecommunication system of the country. The total number of mobile phone subscriber is 15.75 crore in January 2019. Keeping consistency with the targets of SDGs and 7<sup>th</sup> Five Year Plan, the government has undertaken various initiatives to expand information technology.

### **Human Resource Development**

Along with the economic growth, the government has included HRD as one of the main goals of its development agenda. To achieve this goal the government has allocated 22.09 percent of budget to the HRD related sectors, such as-Education and Technology, Health and Family Welfare, Women and Children, Social Welfare, Youth Sports development, Culture, Labor and Employment and so on. Various programs including the adoption of the 'National Education Policy, 2010' have been undertaken to create skilled and competent Human Resources for the country by ensuring admission to all tiers of education. Due to the government's policy for recruiting 60 percent female teachers in the government primary schools, at present 64.18 percent primary teachers are female.

Bangladesh has achieved Millennium Development Goal (MDG) related to health sector, prior to the stipulated time due to undertaking many priority based programs in health, nutrition and population sector. In this regard, Bangladesh has won 'UN South-South Award' twice. Both fertility and mortality rates have come down. Remarkable progress has been made in reducing child and maternal mortality and in increasing average life expectancy. Malnutrition has also been reduced significantly. Currently, Bangladesh is working hard for achieving health sector related goal and targets of Sustainable Development Goals (SDGs). Bangladesh is gradually improving in the Human Development Index (HDI). According to the 'Human Development Report, 2018' the position of Bangladesh was 136<sup>th</sup> among 189 countries.

### **Poverty Alleviation**

Bangladesh has achieved an outstanding development in poverty alleviation during last decade because of successive nonstop endeavours of the government. The rate, incidence as well as depth of poverty have been dropping gradually. Poverty rate declined 18.2 percentage points within an era. It was 40 percent in 2005 and has reduced to 21.8 percent in 2018 as a result of efficient implementation of different government and non-government development programs. According to the 7<sup>th</sup> Five Year Plan, it has been targeted to reduce poverty rate at 18.6 percent by 2020.

In order to attain the desired target of poverty alleviation, the government provides special priority in social safety-net

programs. For this reason, the scope and allocation of social safety-net programs are being extended every year. Bangladesh follows the life cycle approach of social safety-net program with a view to bringing efficient and effective implementation of this allocation. For this purpose, Bangladesh has already formulated 'National Social Security Strategy (NSSS)'. A total of Tk.64,176.48 crore has been allocated against social safety-net program in FY2018-19 national budget. Currently, the government is working for acquiring poverty and hunger related targets to the SDGs. The government has fixed up the target to deduce poverty rate at 9.7 percent and malnutrition rate less than 10 percent by 2030. Different government and non-government institutions, autonomous bodies are carrying out various activities including providing microcredit to accomplish the government's efforts of poverty reduction.

### **Private Sector Development**

The government is working for the overall development of investment environment in order to increase domestic and foreign investment which relates to development activities. Now, the government is implementing different development projects under Public-Private Partnership (PPP) model along with individual projects under government and private finance. In FY2017-18, the investment proposal for 1,643 private projects were of Tk.2,07,292 crore. On the other hand, up to February of the current FY2018-19, the proposal stood at Tk.90,854 crore for 1,022 private projects. In 2018 (January-September), total gross amount of US\$2,937.12 million flowed as Foreign Direct Investment (FDI) in the

country which was US\$2,151.56 million in 2017.

Bangladesh has achieved stable credit rating by Moody's (Ba3) and S&P (BB-) for the ninth consecutive time. The government undertakes the schemes for the development of information and communication technology and provides proper support both to the public and private sector in this regard.

### **Environment, Climate Change and Development**

Despite various environmental problems, the government of Bangladesh is working relentlessly to create a pollution free and eco-friendly country. The government is implementing 'Vision 2021' incorporating the environmental development as one of the most important goals. Furthermore, a detailed work plan has been formulated with a view to achieving environmental targets of 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. For this reason, 'Bangladesh Climate Change Trust Fund (BCCTF)' has been formed with national resources. Moreover, the government has enacted 'Climate Change Trust Fund Act, 2010' and 'Climate Change Trust Fund Guidelines' for better management of BCCTF. Apart from this 'Bangladesh Climate Change Resilience Fund (BCCRF)' has also been formed with the assistance of Development Partners. The Ministry of Environment, Forest and Climate Change has also undertaken different consciousness programs and restructuring activities for environment conservation along with Ozone Layer Protection and Pollution Control. The Ministry of Disaster Management and Relief is also implementing various programs in order to tackle eventualities emanating from natural disasters.