CHAPTER ONE

MACROECONOMIC SITUATION

Bangladesh has been able to maintain the continuity and stability of the economic growth by tackling the adverse effect of the global and domestic front. According to the provisional estimate of Bangladesh Bureau of Statistics (BBS), GDP growth for FY2018-19 reached 8.13 percent, significantly higher than the growth of 7.86 percent in the preceding fiscal year. The per capita national income reached US$1,909 in FY2018-19 from US$1,751 a year earlier. With the moderate food inflation, the average inflation rate stood at 5.44 percent during the first nine months of the current fiscal year. The revenue collection remained at satisfactory level with a growth rate of 8.88 percent in tax revenue collection during the first eight months of current fiscal year. Export sector also gained momentum and achieved 12.57 percent growth in the first nine months of the current fiscal year. On the contrary, import increased by 5.63 percent in the first eight months of the current fiscal year. Remittance increased by 10.30 percent in the first nine months of the current fiscal year. The trade deficit has reduced due to the high growth in export earnings and the reduction in the import expense rate. At the same time, due to the high growth of the remittance flow, deficit in the current account balance reduced. However, despite a surplus of capital and financial accounts, till February 2019, there is a deficit in the overall balance. During this period, a moderate depreciation in exchange rate of Taka with the US dollar is being observed. However, the foreign exchange reserve remained steady. Foreign exchange reserve stood at US$32.12 billion on 30 April 2019. Private sector credit grew at 12.54 percent at the end of February 2019. The GDP under the Medium-Term Macroeconomic Framework (MTMF) has been projected to grow at the rate of 8.2 percent in FY2019-20, which is expected to be achieved through the implementation of prudent fiscal management, efficient and effective monetary policy and ongoing reform programs taken by the government.

World Economy

After the strong growth during 2017 and the first half of 2018, global economy slightly slowdown in the second half of 2018. International Monetary Fund (IMF) in its World Economic Outlook (WEO) April 2019, cut down its global growth forecast with downside risks, blaming the escalation of trade tension between the United States and China, loss of momentum in Europe and uncertainty surrounding Brexit.

Global growth picked at 3.8 percent in 2017, softened to 3.6 percent in 2018 and projected to decline further to 3.3 percent in 2019 before returning to 3.6 percent in 2020. Growth for 2018 was revised down by 0.1 percentage point from 3.7 percent forecast of October 2018 outlook. The forecasts for 2019 and 2020 are marked down by 0.4 and 0.1 percentage point respectively.

Growth in advanced economies is projected to slow from 2.2 percent in 2018 to 1.8 percent in 2019. Growth disappointed for many economies, notably gradual softening of growth in the United States as fiscal stimulus fades and downward revisions for the euro areas. Growth in euro areas marked down as combinations of factors weighted on activity across countries, including weak industrial production following the introduction of revised auto emission standards, uncertainty surrounding Brexit in the United Kingdom and European Union (EU) and the trade conflict between the United States and China. Elsewhere activity weakened in Japan largely due to natural disasters.

For the emerging market and developing economy group, growth is expected to down tick to 4.4 percent in 2019 from 4.5 percent in 2018 and projected to rise to 4.8 percent in 2020. Despite rising headwinds, growth in Emerging Asia is expected to slowed slightly to 6.3 percent in 2019 and 2020 from 6.4 percent in 2018. Growth in China is projected to slow due to impact of lingering trade tensions with the United States. The Indian economy is projected to rebound to 7.3 percent in 2019 and 7.5 percent in 2020 supported by the continued recovery of investment and robust consumption.

Global energy prices have decreased since the release of the October 2018 World Economic Outlook (WEO), mostly driven by lower oil prices. Price of base metals have increased due to supply disruption. Prices of agricultural goods have increased somewhat.

Consumer price inflation have decreased across advanced economies, given the drop in commodity prices. In advanced economies, inflation is expected to decline to 1.6 percent in 2019 from 2.0 percent in 2018.

In the US economy, inflation is projected to decline to 2.0 percent in 2019 from 2.4 percent in 2018. Japan's core inflation rate (excluding fresh food and energy) is projected to rise by the end of 2020. Inflation for the emerging market and developing economy group excluding Venezuela, is projected to resume its steady decline after a temporary modest rise this year. In other cases, inflation pressure has eased toward the lower bound of the central bank's target range with the drop in commodity prices (Indonesia) and slowdown in food inflation (India).

According to the IMF, the global growth may face further downward revisions. Key sources of downside risk to the outlook include: rising inequality, weak investment, rising protectionism in trade, climate change and risk from cyber security. However, the growth will be stabilised later this year if the downside risks do not materialize and the policy support put in place become effective. Table 1.1 highlights the global output growth and Table 1.2 highlights global inflation as follows:

Table 1.1: Overview of the World Output Growth Projections

(Percent Change)

	Actual		**Projection**	
Economic Area	**2017**	**2018**	**2019**	**2020**
World Output	3.8	3.6	3.3	3.6
Advanced economies	2.4	2.2	1.8	1.7
USA	2.2	2.9	2.3	1.9
Euro Area	2.4	1.8	1.3	1.5
Japan	1.9	0.8	1.0	0.5
Emerging Market and Developing Economics	4.8	4.5	4.4	4.8
Emerging and Developing Asia	6.6	6.4	6.3	6.3
China	6.8	6.6	6.3	6.1
India	7.2	7.1	7.3	7.5

Source: World Economic Outlook, April 2019, IMF.

Table 1.2: Overview of World Inflation Projections

(Percent Change)

Economic Area	Actual		Projection	
	2017	2018	2019	2020
Advanced Economies	1.7	2.0	1.6	2.1
USA	2.1	2.4	2.0	2.7
Euro Area	1.5	1.8	1.3	1.6
Japan	0.5	1.0	1.1	1.5
Emerging Market and Developing Economics	4.3	4.8	4.9	4.7
Emerging and Developing Asia	2.4	2.6	2.8	3.1
Emerging and Developing Europe	6.2	8.7	9.0	7.5
Latin America and the Caribbean	6.0	6.2	6.5	5.1

Source: World Economic Outlook, April 2019, IMF.

Macroeconomic Scenario: Bangladesh Context

Economic Growth

According to the provisional estimate of Bangladesh Bureau of Statistics (BBS), GDP growth for FY2018-19 reached 8.13 percent, significantly higher than the growth of 7.86 percent in the preceding fiscal year. High growth in the manufacturing sector of the large industrial sector has played an important role in achieving this high growth.

Among the broad 3 sectors of GDP, the growth of agriculture sector has increased to 3.51 percent in the FY2018-19, which was 4.19 percent in FY2017-2018. Among three sub-sectors of agriculture and forestry sector, Animal farmings and forest and related services sub-sectors grew slightly to 3.47 percent and 5.58 percent respectively; whereas crop and horticulture sub-sector declined significantly to 1.75 percent in the current fiscal year which was 3.06 percent in the previous fiscal year. Besides, the growth of fishing sector has decreased slightly. As overall productivity of agriculture sector is less than the industrial sector, the contribution of large agricultural sector to the GDP decreased to 13.6 percent in FY2018-19, which was 14.23 percent in the previous fiscal year.

In FY2018-19, broad industry sector grew by 13.02 percent, which was 12.06 percent in the previous year. Despite slight decrease in the growth of construction sector of the 4 sectors of the broad industrial sector, the growth in ‘mining and quarrying’ sector, ‘electricity, gas and water supply’ sector and manufacturing sector has increased significantly. In FY2018-19, the contribution of broad industrial sector to GDP stood at 35.14 percent which was 33.66 percent in the previous fiscal year.

The broad service sector grew by 6.50 percent in FY2018-19 compared to 6.39 percent in the previous fiscal year. Among the broad service sector, wholesale and retail trade; hotels and restaurants; transport, storage and communication; financial intermediations; real estate and renting and business activities; health and social works etc. performed better than the year before. On the other hand, education sector decreased slightly compared to the previous fiscal year. Though growth of the broad service sector increased in comparison to the previous fiscal year, the contribution of large service sector to the GDP stood at 51.26 percent, which was 52.11 percent in the previous fiscal year.

Per capita GDP and per capita national income is continuing the upward trend. In the

FY2017-2018 per capita GDP of Bangladesh was US$1,675 which grew to US$1,827 in FY2018-19. Likewise, per capita national income increased to US$1,909 in FY2018-19 from US$1,751 in FY2017-18.

Savings and Investment

During FY2017-19, domestic savings increased to 23.93 percent of GDP, which was 22.83 percent in the previous year. Likewise, national savings as percent of GDP increased to 28.41 percent from 27.42 percent. Both public and private investment increased as percent of GDP in FY2018-19 from previous fiscal year. The total investment rose to 31.56 percent in FY2018-19, which was 31.23 percent of GDP in FY2017-18. Public sector and private sector investment increased to 8.17 percent and 23.40 percent of GDP respectively in FY2018-19; which were 7.97 percent and 23.26 percent of GDP respectively in preceding fiscal year.

Inflation

In the first half of the current fiscal year, strong export growth, the modest position of import growth, domestic demand and growth of private sector credit continued. At the same time, there has been some progress in resolving the barriers to expansion of investment activities in favor of favorable financial conditions and financial policy.

As a result of moderate food inflation, the average inflation rate stood at 5.44 percent during July 2018 to March 2019. Meanwhile, food inflation declined from 6.18 percent in July 2018 to 5.72 percent in March 2019. But at the same time, non-food inflation rose to 5.29 percent in March 2019, which was 4.49 percent in July 2018.

Fiscal Sector

Revenue Mobilisation

In FY2018-19, revised target for revenue receipt was set at Tk.3,16,599.00 crore (12.48% of GDP), of which 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++)*, tax revenues received during the concerned year amounted to Tk.1,38,275.00 crore, up by 8.88 percent from the previous year. At the same time, 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. In the first eight months of the current fiscal (July-February 2019) total revenue receipt stood at Tk.1,56,136.00 crore, which is 49.32 percent of the revised target of total revenue receipt and 10.06 percent more than the same period in the in preceding fiscal year.

During July-February in FY2018-19, tax revenue receipts from NBR sources amounted to Tk1,33,371.00 crore which was 9.36 percent higher than the same period in previous year. Among the NBR sources of revenue, taxes on income and profit stood at 12.43 percent, Value Added Tax (VAT) at 15.29 percent, supplementary duties at 0.67 percent and import duties at (-)1.88 percent. During this period the tax revenues from

Non-NBR sources decelerated to 3.3 percent amounting Tk.4,871 crore.

Government Expenditure

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, of which, operating expenditure was Tk.1,27,659.00 crore and Annual development program 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.

Budget Balance and Financing

In the revised budget of FY2018-19, budget deficit has been estimated at Tk.1,25,942 crore which is 5.00 percent of GDP. Of this deficit, Tk.43,397 crore will be financed from external sources (including foreign grant) and Tk.78,758 crore will be backed by domestic sources. To finance the deficit in the domestic sector, there is a plan to get Tk.30,908 crore from the bank system and remaining Tk.47,850 crore from the non-bank sector.

Monetary and Financial Sector

Monetary Policy and Monetary Management

The monetary policy stances for FY2018-19 aimed at attaining price and macro-financial stability along with supporting domestic demand to promote economic growth, in tune with government’s sustainable development agenda. The monetary policy stances for FY2018-19 was formulated with the target of keeping inflation below 5.6 percent as well as attaining GDP growth rate at 7.8 percent. Like previous years, Bangladesh Bank (BB) has put emphasis on inclusive, employment supportive and environment-friendly green initiatives for attaining sustainable economic growth.

As a whole, monetary and credit policies and programs pursued in FY2018-19 and the ongoing implementation of macro-prudential policies are aimed at providing adequate supply of quality credit to support the government's growth and inflation targets, while promoting domestic and external financial stability amid the shifting global and domestic risk considerations.

Despite food inflation being moderated, balancing both inflation and output risks, Bangladesh Bank has decided to keep repo and reverse repo rate unchanged at 6.00 and 4.75 percent respectively due to elevated inflation expectation, exchange rate pressure, and rising global interest rates. The interest rate spread decreased to 4.06 percent at the end of February 2019 from 4.37 percent of February 2018.

Money and Credit Situation

At the end of February 2019, the year-on-year reserve money and narrow money (M_1) have decreased, however broad money (M_2) have increased compared to the same month of the previous fiscal year. Due to robust growth in government and private sector credit, the broad money (M_2) growth increased notably. On the other hand, Due to significant decrease in the growth of currency notes and coins with the public as well as demand deposit, the year-on-year growth of narrow money (M_1) declined in FY2017-18 compared to FY2016-17.

Domestic Credit

The growth of domestic credit stood at 14.70 percent in FY2017-18 compared to 11.16 percent in FY2016-17. Up to February 2019, domestic credit increased by 13.74 percent, which is lower than 14.22 percent growth in the same month of the previous fiscal year. Of which private sector credit growth stood at 12.54 percent in February 2019 against 18.49 percent in the same month of the previous fiscal year. The net credit to the government increased by 23.21 percent at the end of February 2019 compared to 19.73 percent decrease in same month of the previous year. At the end of February 2019, the share of government (excluding others public sector) and private sector credit to total domestic credit stood at 8.55 percent and 89.26 percent respectively.

Interest Rate

The weighted average lending rate of commercial banks was 9.77 percent at the end of February 2017, decreased to 9.55 percent at end of February 2018 and further decreased to 9.40 percent at the end of February 2019. On the other hand, the deposit rate was 5.08 percent at the end of February 2017 which increased to 5.18 percent at the end of February 2018 and further increased to 5.34 percent at the end of February 2019. The interest rate spread decreased to 4.06 percent at the end of February 2019 from 4.37 percent of February 2018 as well.

Capital Market

The number of listed securities (including mutual funds and debenture) of Dhaka Stock Exchange (DSE) has increased from 572 in June 2018 to 580 in February 2019. At the end of February 2019 total issued capital of all listed securities stood at Tk.1,24,634.53 crore, up by 2.19 percent from Tk.1,21,966.50 crore at the end of previous fiscal year. Total market capitalisation of all listed securities was Tk.3,84,734.77 crore in June 2018, which increased to Tk.4,15,073.77 crore in February 2019, representing an increase of 7.89 percent. The DSE Broad Index (DSEx) increased by 5.67 percent from 5,405.46 points at the end of FY2017-18 to 5,711.83 points at the end of February 2019.

The number of listed securities (including mutual funds and bonds) of Chattogram Stock Exchange (CSE) increased from 312 in June 2018 to 323 in February 2019.The issued capital increased by 4.29 percent from Tk.65,405.91 crore in June 2018 to Tk.68, 214.13 crore in February 2019. Market capitalisation of CSE at the end of February 2019 stood at Tk.3,43,200.99 crore, up by 9.88 percent compared to the market capitalisation of Tk.3,12,352.17 crore at the end of FY2017-18. CSE All Share Price Index reached 17,473.48 points at the end of February 2019 which was 16,558.50 in June 2018.

External Sector

Export

Country's export earnings stood at US$30,903 million during July-March of FY2018-19, which is 12.57 percent higher than the export earnings in the same period of FY2017-18. Significant contribution of ready-made garments and knitwear made for the country's total export earnings continued during FY2018-19. Export earnings from petroleum products, agricultural product and chemical products, handicraft products, ready-made garments and knitwear have increased over the same period of last fiscal year. On the other hand, export earnings from jute goods , raw jute , and leather have decreased during the same period.

USA is the main destination of our export. In FY2018-19, USA secured the top position in respect of importing commodities from Bangladesh. Export earnings from USA stood at US$4,593.72 million in FY2017-18 (July-February), which is 16.67 percent of country's total export earnings. The major commodities exported to USA are woven garments, knitwear, home textile, cap, frozen food etc. The other major destinations of our exports are Germany, UK and France.

Import

Country's total import payments (c&f) stood at US$40,895 million in FY2018-19 (July-February), which is 5.63 percent higher than the import payments of the same period of the preceding year.

China secured the first position for our import up to February 2019. During this period 29.43 percent of the total imported commodities came from China. India (13.49%) was the second largest source of import while Singapore (3.62%) held the third position.

Overseas Employment and Remittance

About 5.08 lakh Bangladeshi employees went abroad in quest of jobs in the first nine months of FY2018-19. Bangladesh achieved remittances of US$11,868.97 million during July-March in FY2018-19 which was 10.30 percent higher than US$10,761.00 million in the same period of FY2017-18.

A large amount of remittance comes from the Middle-East countries. Of which the highest amount of remittance has been received from Saudi Arabia (18.8%), UAE (15.7%) and USA (11.3%) during July to February in FY2018-19. Recently, the flow of remittance has increased from Malaysia, Singapore, the United Kingdom and several other countries.

Balance of Payments (BoP)

Trade deficit has decreased significantly to US$10,695 million during July-February in FY2018-19 compared to US$11,679 million during the same period of FY2017-18. The overall balance recorded the deficit of US$499 million in February 2019 due to deficit in US$4,270 million of current account balance. The overall balance recorded the deficit of US$978 million in the same period of the previous fiscal year.

Foreign Exchange Reserve

Bangladesh Bank maintained stability in retaining foreign exchange reserves. The amount of foreign exchange reserves was US$32.92 billion on 30 June 2018. At the end of 30 April 2019, the gross foreign exchange reserves stood at US$32.12 billion.

Exchange Rate

Exchange rate is being determined on the basis of demand and supply of the respective currencies. However, in order to avoid undue volatility in the foreign exchange market, Bangladesh Bank remains vigilant in its role in the foreign exchange market by close monitoring the exchange rate movement and the buying and selling of foreign exchanges for stabilizing market. 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.

Reform Initiatives in Macroeconomic Management

A number of reform activities were undertaken during FY2018-19 in order to ensure a stable macroeconomic situation. Some of these are mentioned below:

Tax Revenue Mobilisation

- In the FY2018-19, reform in direct tax is based on some policy philosophies: Fiscal adequacy, Equity and fairness, Facilitating business and growth, Social responsibility, Increasing tax compliance and combating tax evasion, Adopting international best practices, and Simplification of tax system and increasing the effective use of tax laws.
- Establishment of modern and technical-oriented Tax Information Unit which would automatically get the tax information through inter-connectivity with other systems and work to identify tax evasion and tax evaders.
- Establishment of a suitable administrative structure for International Tax Management to resist international tax evasion and money laundering and to recover applicable tax to laundered money.
- ‘Value Added Tax Act, 1991’, ‘Value Added Tax Regulations, 1991’ and Circulars and Orders issued under those act and regulation have been amended and replaced.
- ‘Value Added Tax Act’ and regulations under the act have been simplified.
- Online VAT Registration has been made compulsory and software has been developed for online VAT submission.

Budget Management

- The assessment of the key performance of the ministries/divisions/agencies is going on. To enhance the institutional capacity of the ministries/divisions/agencies training and monitoring activities are also continuing.
- To strengthen the budget planning and budget management process the Integrated Budgeting and Accounting System has been upgraded to *iBAS++*.
- The revised Budget Account Classification Structure (BACS) in line with international norms has been finalised. This coding system will play a stronger role in

managing the public expenditure system more efficiently.

Annual Development Program (ADP) Implementation

- To ease procedural complications in project approval process a project titled 'Implementation of Digital ECNEC Project' is going on.
- Electronic Government Procurement or e-GP system has been initiated to institutionalize government procurement process on-line. Mobility and transparency in government procurement process is expected to be ensured through the institutionalisation of this new system.
- 1,291 organisations out of 1,333 purchasing agencies under the control of all ministries / divisions are registered in the e-GP system Up to 31 January 2019.
- The proposal for reconstruction of Central Procurement Technical Unit (CPTU) to Bangladesh Public Procurement Authority (BPPA) has been approved in principle to bring the government procurement activities under greater dynamism, transparency and legal framework. In view of this, Bangladesh Public Procurement Authority Act, 2019 and 'Public Procurement (Amendment) Act, 2019' is in process for approval.

Money and Financial Market Reforms

- With view to strengthening and updating the risk management activities of the banks on line with the changing environment, 'Risk Management Guidelines for Banks' introduced in 2012 has been revised and issued.
- In order to ensure sound risk management practices in the banks, instructions regarding specifying roles and responsibilities of the Board of Directors, Board Risk Management Committee, Executive Risk Management Committee and Chief Risk Officer (CRO) along with restructuring the risk management framework of banks have been included in the said guideline.
- Besides, initiatives have been taken to establish a well organised Risk Appetite Framework for balancing between the risks taken and business targets to be achieved by the banks.

Capital Market

- Formulation of Corporate Governance Code, 2018 to ensure corporate governance for the listed companies of stock exchanges .
- Formulation of the Bangladesh Securities and Exchange Commission (Substantial Share Acquisition, Takeover and Control) Rules, 2018.
- Bangladesh Securities and Exchange Commission (Qualified Investor Offer by Small Capital Company) Rules, 2018.

Short and Medium Term Prospect of Bangladesh Economy

The Medium-Term Macroeconomic Framework (MTMF), 2019-20 to 2021-22 has been formulated, taking into consideration the pace and nature of the recent global economy and the programs taken in the domestic economic context. GDP, under MTMF, has been projected to grow to 8.1 percent in FY2018-19 and predicted to attain a growth of 8.6 percent in FY2021-22. Investment as percent of GDP is expected to increase to 33.6 percent in FY2020-21 from 31.6 percent in FY2018-19. If this trend continues investment is likely to be 34.4 percent of GDP in FY2021-22, of which the investment of private and public sectors is expected to be 25.4 percent and 9.0 percent of GDP respectively.

In the MTMF the revenue target for FY2019-20 has been set at 13.1 percent of GDP which is 0.6 percentage point higher than the revised target for current fiscal year. Revenue is projected to scale up to 13.4 percent and 13.8 percent of GDP in the following two years.

With the estimation of the government expenditure at 17.45 percent of GDP in the revised budget for FY2018-19, MTMF has projected to18.1 percent as a percent of GDP in FY2019-20 and gradually increase to 18.8 percent in FY2021-22. Of this, expenditure on Revised Annual Development Program is estimated to reach 6.6 percent of GDP in FY2018-19, 7.0 percent in FY2019-20. Channeling necessary funds for the implementation of the mega projects of the Government is likely to increase the outlay of ADP. ADP allocation is estimated to 7.1 percent in FY2020-21 and 7.2 percent in FY2021-22. As per the revised budget of FY2018-19 the overall budget deficit has been anticipated to remain within 5.0 percent of GDP. In the succeeding years budget deficit is expected to stay around 5.0 percent of GDP.

The inflation in FY2018-19 is projected to be 5.5 percent. While setting MTMF targets, it has been anticipated that inflation will slide down to 5.5 percent and will stay around there over the subsequent three fiscal years. In FY2018-19, the target for private sector credit flow is set at 16.5 percent, which is expected to increase gradually to 16.8 percent of the GDP in FY2021-22.

In FY2018-19, the remittance growth is projected to be 12.0 percent of GDP, which will be continued in next three financial years. In setting MTMF target has been predicted that exports will regain their firm position. Besides, there is domestic demand in Bangladesh's economy. As a result, it is expected that the pace of the economy will not be interrupted. Import expenditure is also increasing in the current fiscal year. The growth in import expenses is projected to be within 10.0 percent till FY2021-22.

Though capital and financial account recorded the surplus, the overall balance recorded the deficit in February 2019 due to deficit in current account balance. The deficit in current account balance is observed due to the increase in import expense and reduction in income in the primary sector. Deficit the current account balance is projected to reduce to 1.8 percent of GDP in FY2018-19. However, following the downward trend, the deficit in the current account balance would reach 0.7 percent of GDP in FY2021-22. The capital and financial account would be in surplus as a result of increased direct foreign investment, medium and long-term debt flows. As a result, the foreign exchange rate and the foreign currency reserve are expected to remain satisfactory.

The GDP under the Medium-Term Macroeconomic Framework (MTMF) has been projected to grow is expected to be achieved through the implementation of prudent fiscal management, efficient and effective monetary policy and ongoing reform programs taken by the government. Table 1.3 highlights the projection of key macroeconomic indicators during FY2018-19 to FY2020-21.

Table 1.3: **Medium Term Macroeconomic Framework, FY2018-19 to FY2020-21: Key Indicators**

Indicators	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
	Actual			**Budget**	**Revised Budget**	**Projection**		
Real Sector								
Real GDP growth (%)	7.1	7.3	7.9	7.8	8.1	8.2	8.4	8.6
CPI Inflation (%)	5.9	6.3	5.8	5.6	5.5	5.5	5.5	5.5
Investment (% GDP)	29.7	30.5	31.2	33.5	31.6	32.8	33.6	34.4
Private	23.0	23.1	23.3	25.2	23.4	24.1	24.7	25.4
Public	6.7	7.4	8.0	8.4	8.2	8.7	8.9	9.0
Fiscal Sector (% of GDP)								
Total Revenue	10.0	10.2	9.6	13.4	12.5	13.1	13.4	13.8
ax Revenue	8.8	9.0	8.6	12.1	11.4	11.8	12.1	12.5
Of which NBR Tax Revenue	8.4	8.7	8.3	11.7	11.0	11.3	11.6	12.0
on-Tax Revenue	1.2	1.2	1.0	1.3	1.1	1.3	1.3	1.3
Public Expenditure	13.9	13.6	14.3	18.3	17.45	18.1	18.4	18.8
Of which ADP	4.7	4.3	5.3	6.8	6.6	7.0	7.1	7.2
Overall Balance	-3.9	-3.4	-4.7	-4.9	-5.0	-5.0	-5.0	-5.0
Financing	3.9	3.4	4.7	4.9	5.0	5.0	5.0	5.0
Domestic Financing	3.0	2.8	3.5	2.8	3.1	2.9	3.0	3.2
External Financing (net)	0.9	0.7	1.2	2.1	1.9	2.1	2.0	1.8
Money and Credit (Year-on-year % change)								
Domestic Credit	14.2	11.2	14.7	15.6	15.9	15.1	15.6	16.4
Credit to the Private sector	16.8	15.7	16.9	16.5	16.5	16.6	16.7	16.8
Broad Money	16.3	10.9	9.2	14.6	12.0	12.5	12.8	13.0
External Sector (% Change)								
Export, f.o.b	7.2	1.7	6.4	10.0	15.0	12.0	12.0	12.0
Import, f.o.b	-2.0	9.0	25.2	12.0	6.0	10.0	10.0	10.0
Remittance	-2.5	-14.5	17.3	15.0	12.0	13.0	12.0	11.0
Current Account Balance (% GDP)	1.9	-0.5	-3.6	-2.2	-1.8	-1.3	-1.0	-0.7
Gross Foreign Exchange Reserves (Billion US$)	30.2	33.4	32.9	34.7	33.7	37.5	42.5	48.2
Forex. Reserve in the month of Import	7.8	8.0	6.2	6.2	6.0	6.0	6.2	6.4
Memorandum Item								
GDP at current market prices (Billion Tk.)	17329	19758	22505	25378	25362	28859	32927	37487

Source: Finance Division, Ministry of Finance.