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মন্ত্রী
অর্থ মন্ত্রণালয়
গণপ্রজাতন্ত্রী বাংলাদেশ সরকার

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Preface

'Bangladesh Economic Review' is an annual publication of the government. The Review has been published during the budget session along with other budget documents. However, as a result of changed situation due to the outbreak of COVID-19 pandemic, there has been some delay in publishing the Review. The Review focuses on trends of the macroeconomy, various policies and strategies adopted by the government and sector-based development and progress of the economy. In addition, time series data on the key macroeconomic and social indicators have been incorporated in the Review.

2. After achieving above 7 percent growth since FY 2015-16 to three consecutive years, GDP growth in Bangladesh has reached 8.15 percent in FY 2018-19. This feat of achieving continued growth in Bangladesh's GDP has been praised worldwide. However, the Coronavirus pandemic that poses a major risk to the global economy has also had negative effects on the Bangladesh economy. According to the estimates of Bangladesh Bureau of Statistics (BBS), GDP growth has been decelerated to 3.51 percent in FY 2019-20, which has been estimated to 5.47 percent in FY 2020-21. During FY 2020-21, the per capita national income stood at US\$ 2,227, from US\$ 2,024 compared to the previous fiscal year.

3. The Hon'ble Prime Minister announced incentive packages of about Tk 1,28,411 crore to address the global crisis and keep the country's economy moving and bring it back on track. These incentive programmes, which is 4.4 percent of GDP and are being implemented through 23 packages. Some of the notable activities of this package are to provide special funds for export oriented industries, provide working capital to affected industries and services sector enterprises and micro (including cottage industries), small and medium enterprises, increase the benefits of Export Development Fund, increase the coverage of social safety net, direct cash transfer to targeted people and creation of various funds for the agricultural sector. In addition to financial incentives, various measures have been taken to reduce import duty on COVID-19 related health and medical products and provide policy assistance to increase liquidity in the banking sector. Through implementation of this attractive and timely stimulus package, the government has been able to play a highly effective role in employment creation and safeguarding employment, stimulating domestic demand and keeping economic activities moving. As a result, the trend in the Bangladesh economy has started a turnaround towards the high growth trajectory.

4. Moreover, to address the impact of COVID-19, funds have been allocated in the budget to meet the targets of each ministry and division. The revised budget outlay for FY 2019-20 was Tk. 5,01,577 crore, which increased by 7.46 percent to Tk. 5,38,983 crore in FY 2020-21. The government is cautious of limiting the budget deficit to 5 percent by increasing efficiency in revenue management. However, due to the increase in government expenditure against COVID-19 pandemic, the actual budget deficit for FY 2019-20 stood at 5.4 percent. The budget deficit has been estimated around 6.1 percent of GDP in FY 2020-21. Initiatives have been taken to further automate and digitize income tax, value added tax and customs departments to bring transparency in tax management. Online IT based value added tax system has already been introduced. It is expected that the implementation of the ongoing reform programmes, help keeping the budget deficit within the limit of 5 percent in the coming years.

5. There has been a negative growth in import and export in FY 2019-20. However, both export and import showed a positive move during FY 2020-21. Notable progress has been made in the area of remittances due to the provision of incentives at the rate of 2 percent on remittances sent by non-resident Bangladeshis through the banking channel and the easing of the process for sending remittances. The inflow of remittances for FY 2020-21 stood at US\$ 24.78 billion, up by 36.10 percent



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compared to the previous fiscal year. It is expected that this high growth trend of remittance inflows will continue in the coming days. In addition, various initiatives and diplomatic activities by the government have been continued, including those for the expansion of the foreign labor market, skills development and safe migration. As a result of the increase in remittances, the deficit in the current account balance has improved during FY 2020-21, compared to the previous fiscal year. At the same time, due to the US\$ 9.3 billion surplus in the overall balance of payment, foreign exchange reserve increased significantly to reach at US\$ 46.39 billion on 30 June 2021.

6. The monetary policy for FY 2020-21 has been framed with the dual objectives of supporting domestic demand to stimulate economic growth in coordination with the government's sustainable development goals, and maintaining price level and achieving macroeconomic and financial stability. To ensure adequate liquidity in the financial system to tackle the financial crisis stemming from the COVID-19 pandemic, the policy interest rate and the Cash Reserve Requirement (CRR) have been reduced more than once. At present, both the repo rate and CRR are at 4 percent. Furthermore, the interest rate on bank loans has been brought down to a single digit or 9 percent with the aim of creating an industrial and business-friendly environment for the industries, businesses and service sector organisations and enabling them to achieve financial viability in local and international markets.

7. Apart from economic development, Bangladesh has also made significant strides in the social sector. Bangladesh has been able to achieve the targets ahead of schedule related to hunger, poverty and health in the Millennium Development Goals (MDGs) of the United Nations. The government has adopted 'Vision 2041' after the implementation of 'Vision 2021' and formulated the Second Perspective Plan (2021-2041) as the strategic policy document for the vision. Implementation of the Seventh Five Year Plan (2015-2020) has been successfully completed. The implementation of the Eighth Five Year Plan (2021-2025) has started. The government has set its sights to become a higher middle income by 2031 and a happy and prosperous developed country by 2041. The government is working tirelessly to tackle the Coronavirus pandemic, implement pledges made under the Election Manifesto of 2018, implement the Second Perspective Plan (2021-2041) and achieve the Sustainable Development Goals (SDGs). It is hoped that through the implementation of the initiatives taken by the government, the expected growth targets will be achieved and the country will move towards the continued development.

8. I extend my sincere gratitude to all official of the Economic Adviser Wing of the Finance Division for publishing the Review despite various limitations during the COVID-19 pandemic. At the same time, I extend my sincere thanks to all the concerned ministries/divisions/agencies for providing all the necessary information and data for the preparation of the Review. I hope that the Review will meet the expectations of researchers, planners, students and readers who are curious about the nature and progress of the economy.

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