

Current Economic Policy of Bangladesh

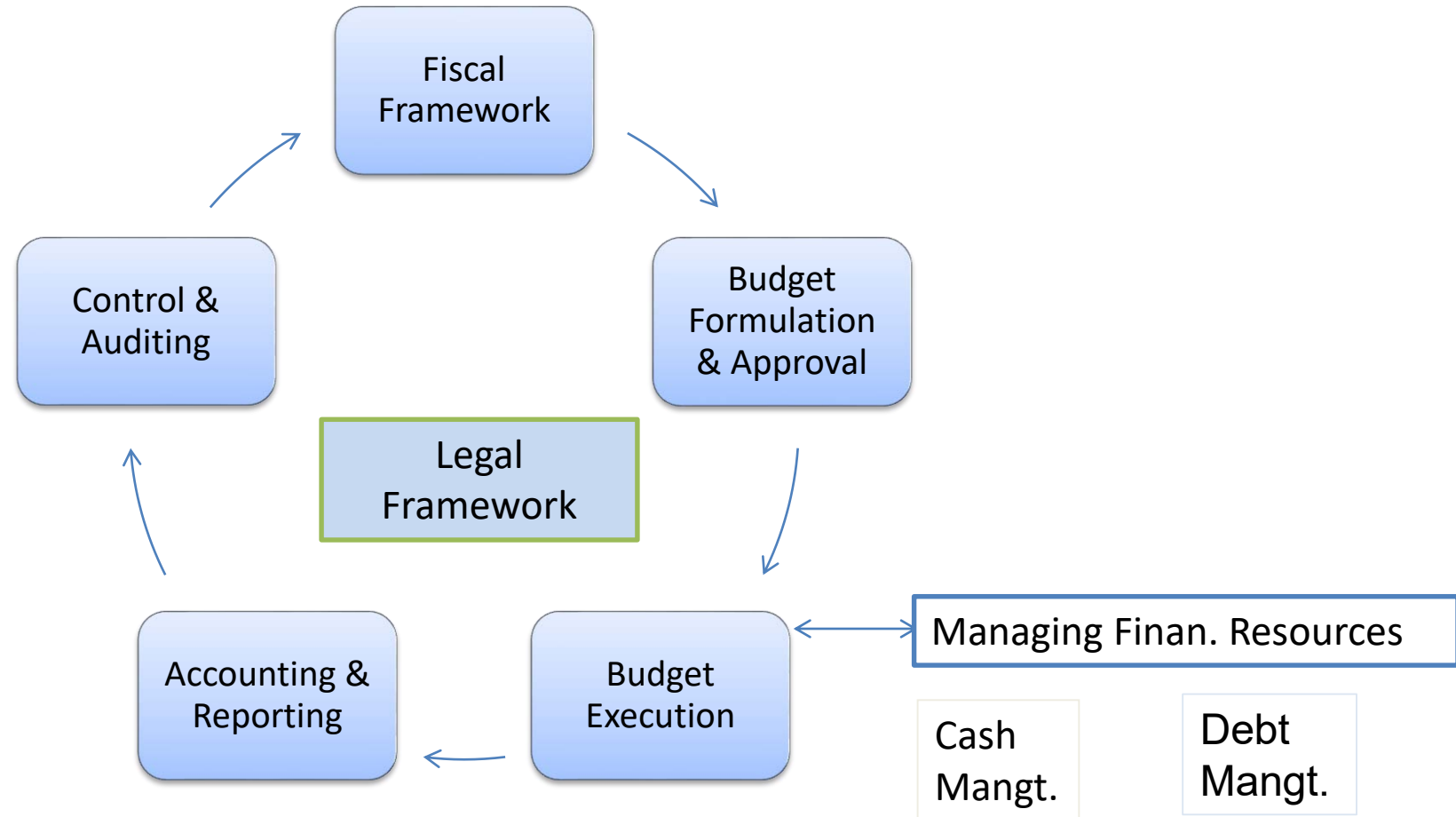
Ministry of Finance
Bangladesh

27 May 2022

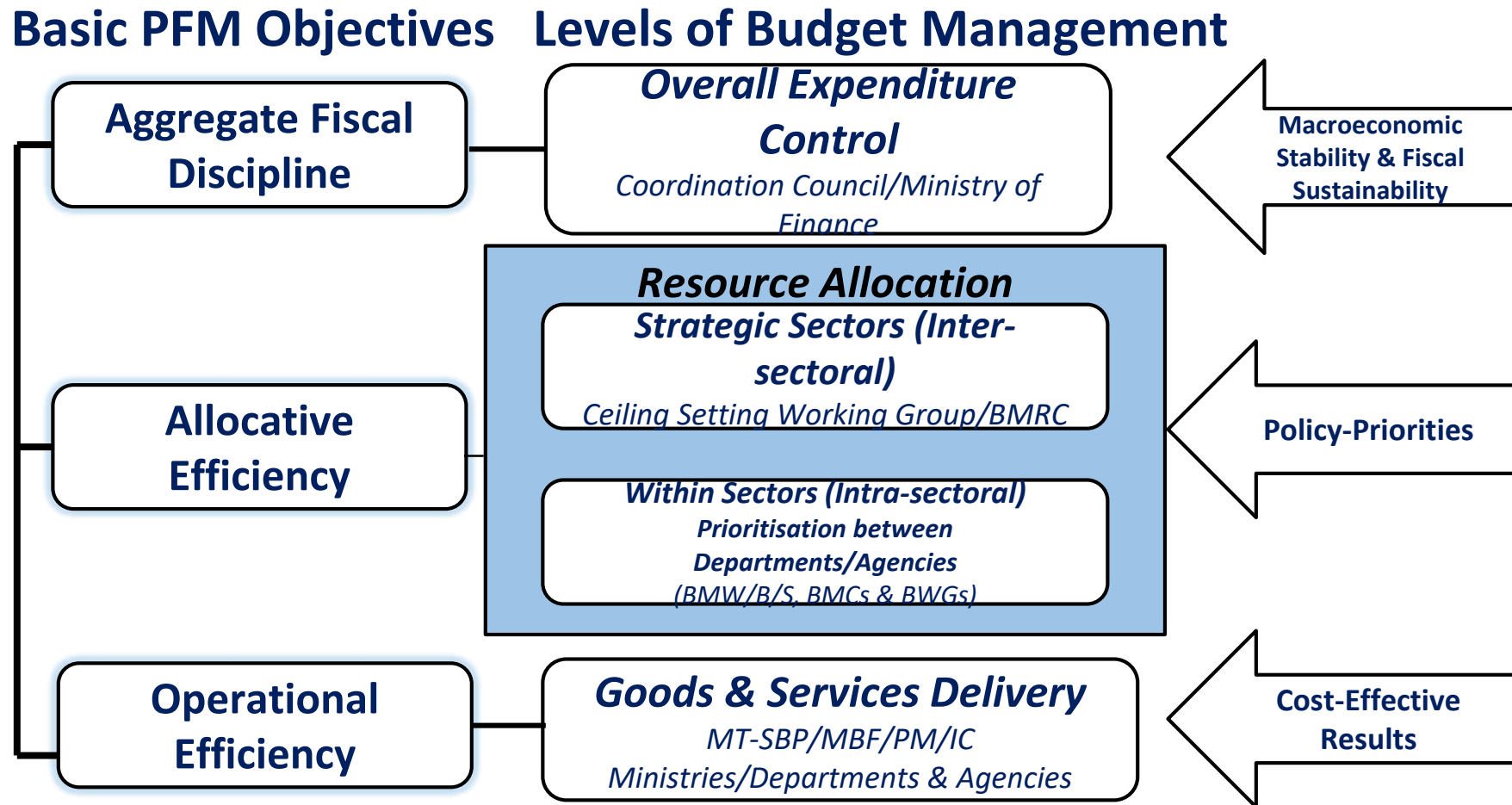
Budget Management in Bangladesh

PFM (Public Financial Management) cycle

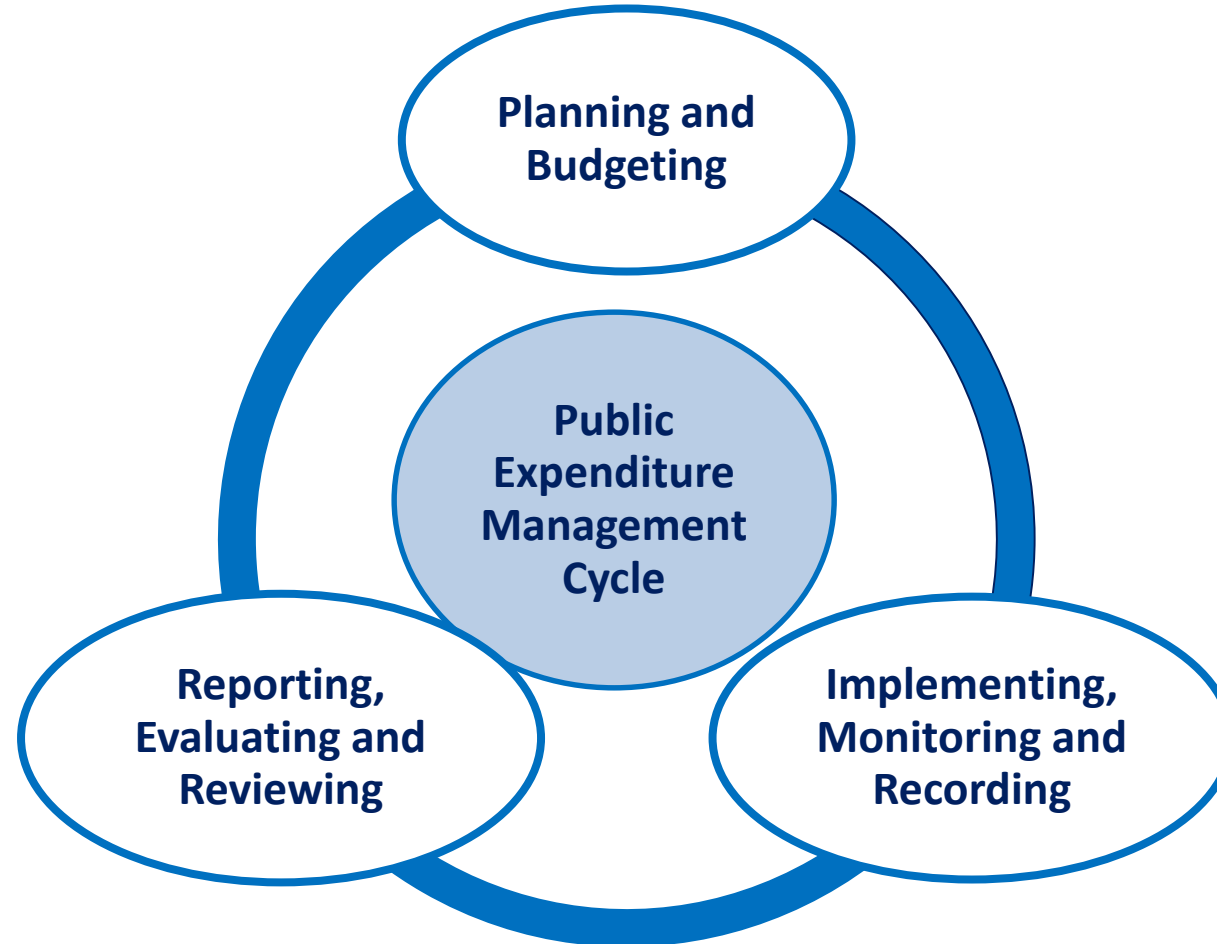
- Phases/Key Elements:



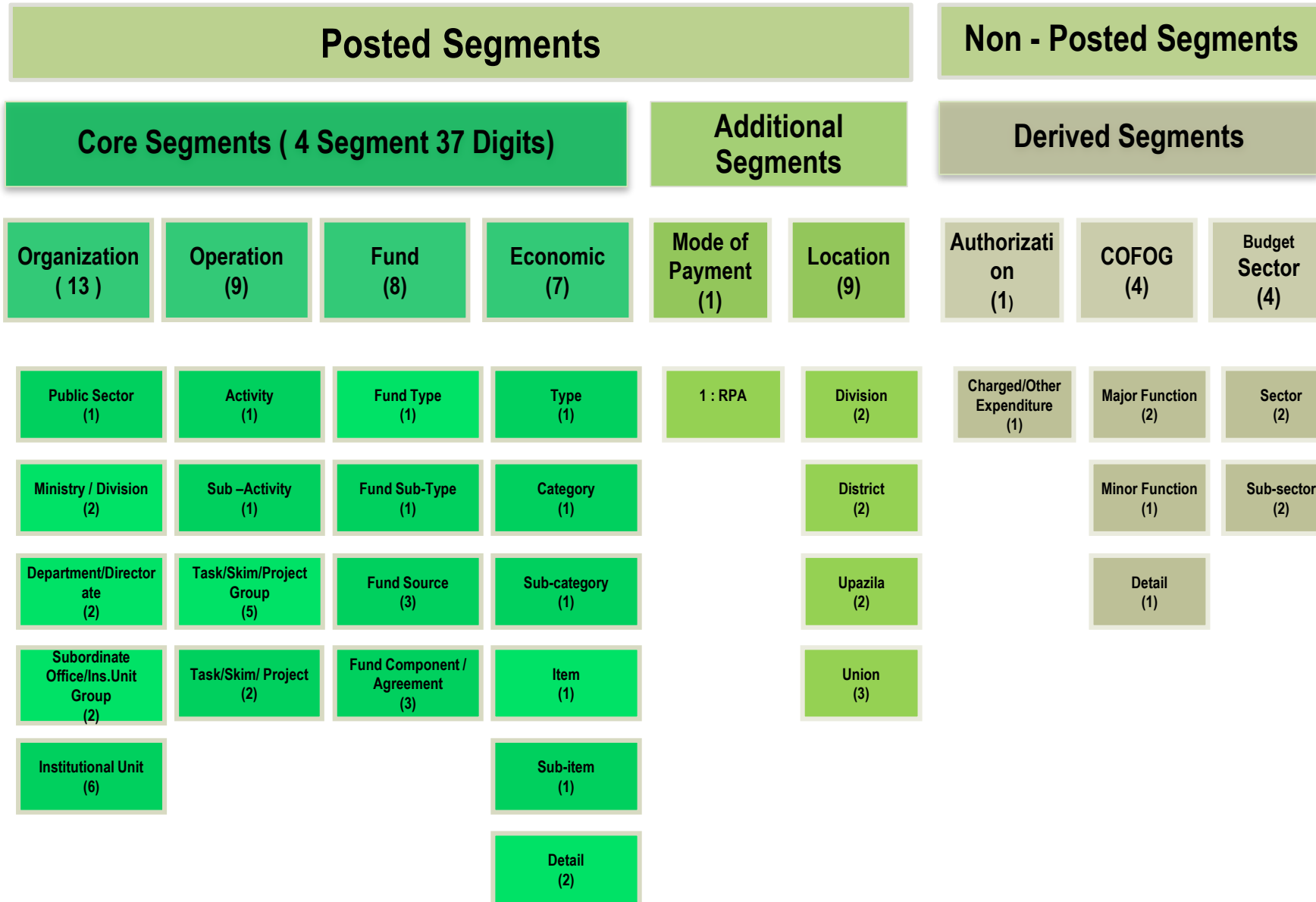
Basic PFM Objectives and MTBF



Public Expenditure Management Cycle

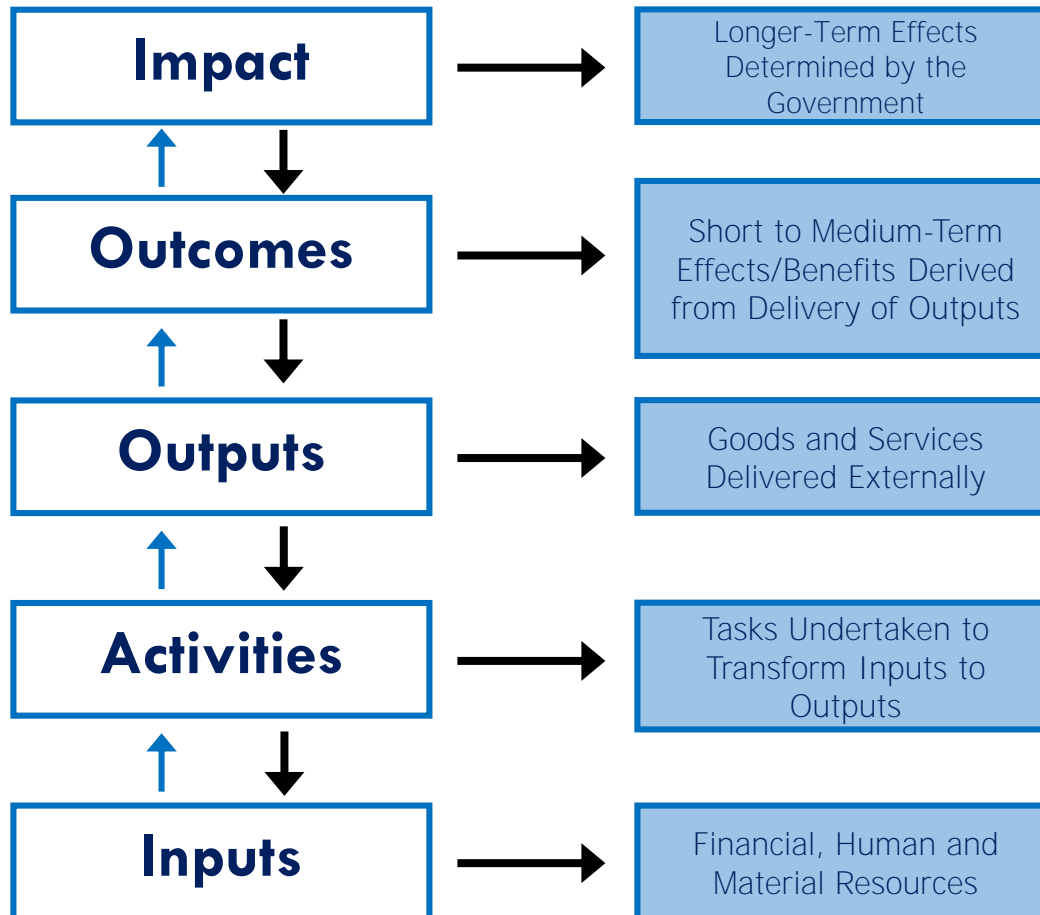


BACS (New Classification System)

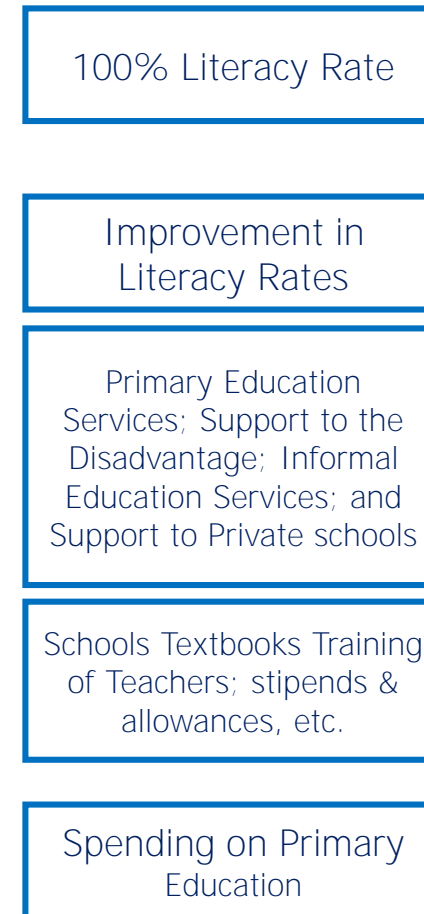


Basic Results-Based Framework Under MTBF

The Results Chain

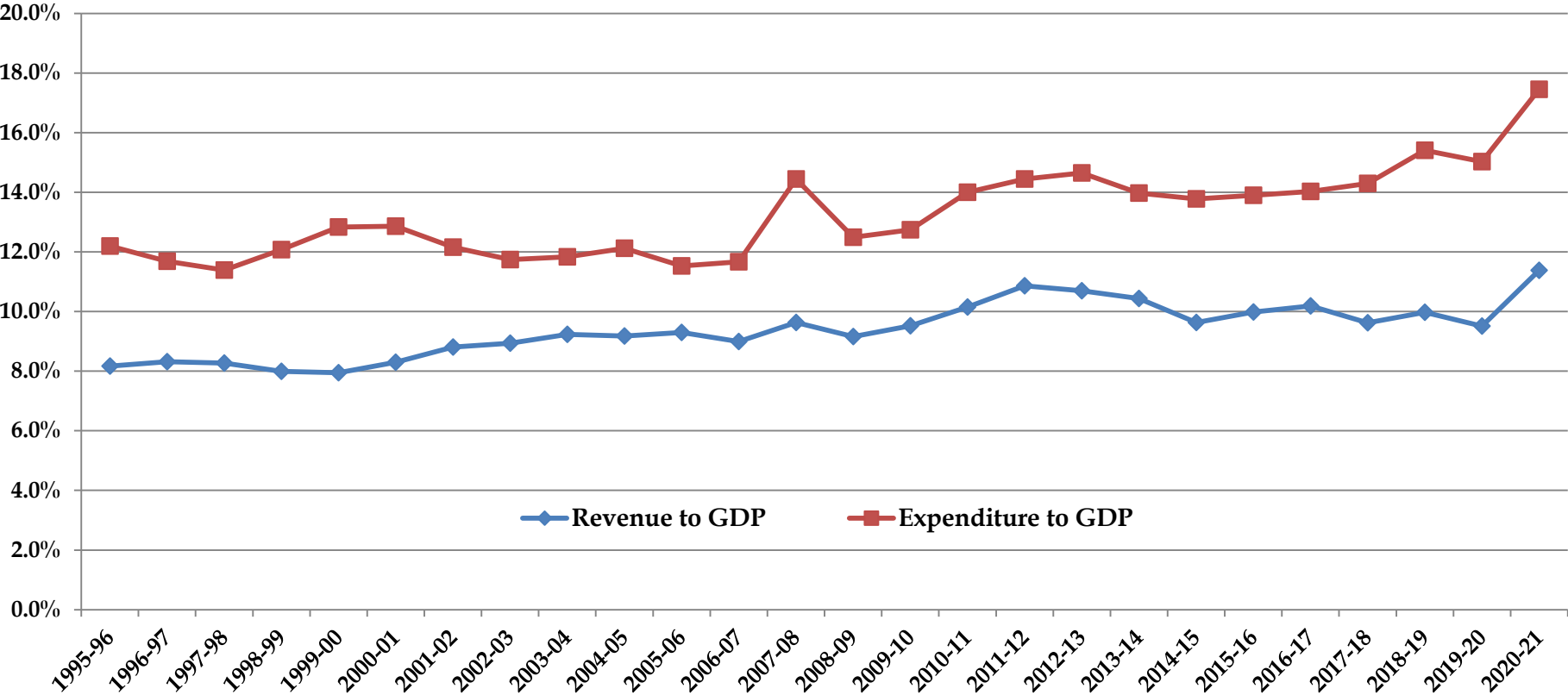


Indicative Example:

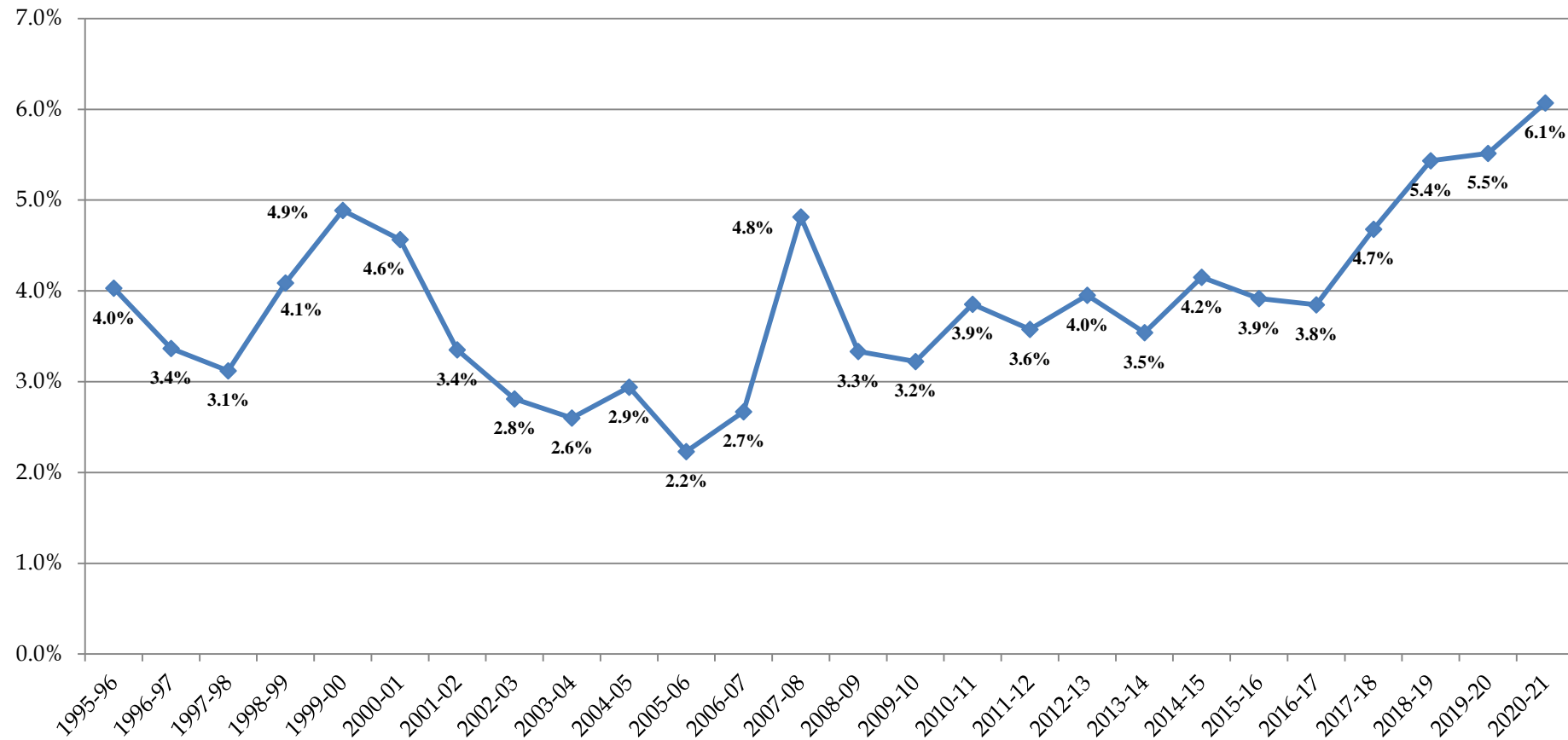


FISCAL POLICY IN BANGLADESH

Revenue & Expenditure Trend as % of GDP



Deficit Financing Trend as % of GDP



Budget at a Glance

(In Crore Taka)

Particulars	Budget 2021-22 (As % of GDP)	Revised Budget 2020-21 (As % of GDP)	Budget 2020-21 (As % of GDP)
(1) Total Revenue Income	3,89,000 (11.3)	3,51,532 (11.4)	3,78,000 (11.9)
(2) Total Expenditure	6,03,681 (17.5)	5,38,,983 (17.5)	5,68,000 (17.9)
(a) Operating and Other Expenditure	3,78,357	3,41,340	3,62,855
(b) Annual Development Program (ADP)	2,25,324 (6.5)	1,97,643 (6.4)	2,05,145 (6.5)
(3) Budget Deficit and Financing	2,14,681 (6.2)	1,87,451 (6.1)	1,90,000 (6.0)

Estimated Revenue Collection

(In Crore Taka)

Particulars	Proposed Budget 2021-22	Revised Budget 2020-21	Budget 2020-21
Total Revenue	3,89,000	3,51,532	3,78,000
NBR-Revenue	3,30,000	3,01,000	3,30,000
Non-NBR Revenue	16,000	15,000	15,000
NTR	43,000	35,532	33,000

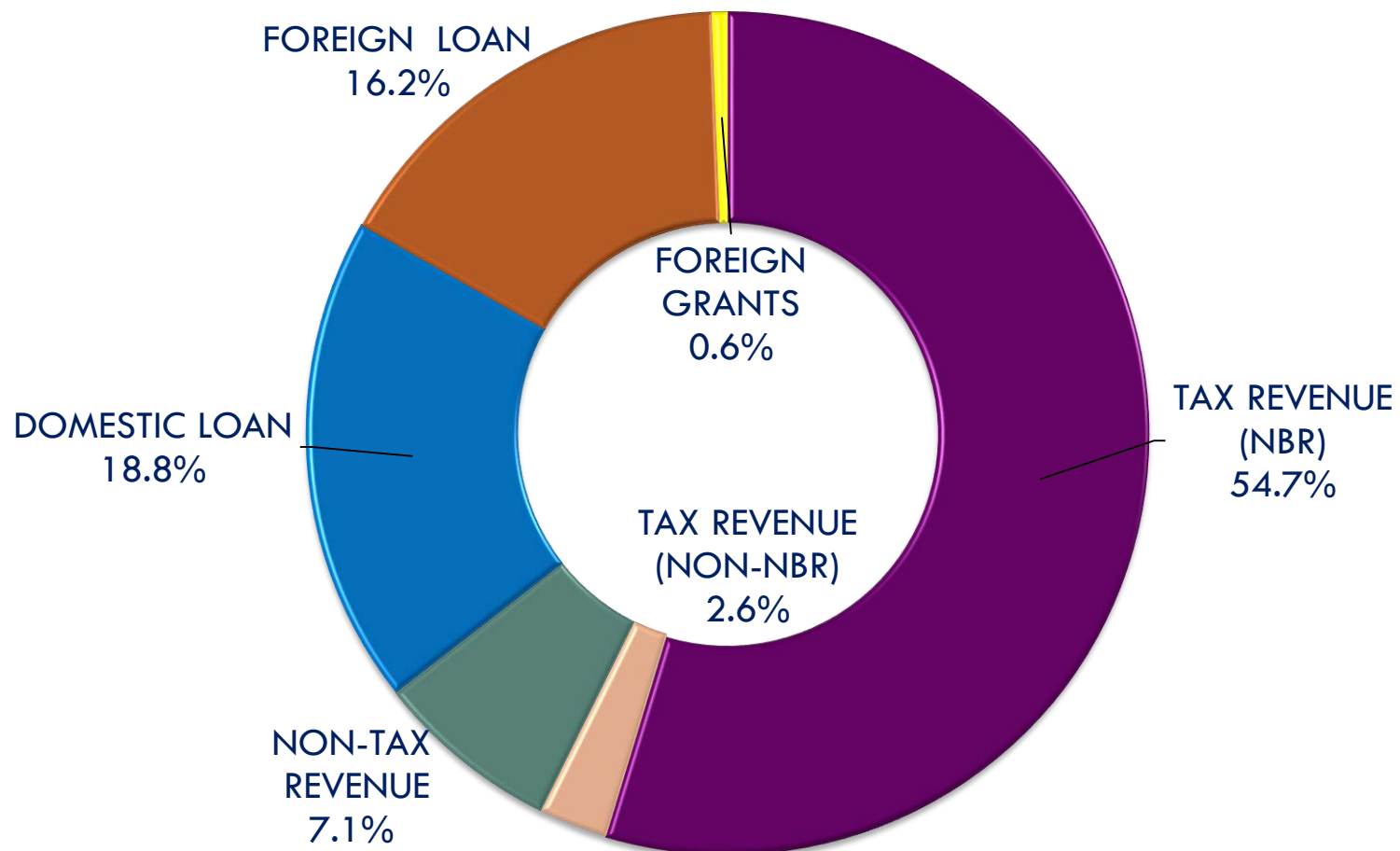
Estimated Government Spending

(In Crore Taka)

Particulars	Proposed Budget 2021-22 (% of GDP)	Revised Budget 2020-21 (% of GDP)	Budget 2020-21 (% of GDP)
Total Government Spending	6,03,681 (17.5)	5,38,983 (17.5)	5,68,000 (17.9)
Operating and Other Expenditure	3,78,357	3,41,340	3,62,855
Pay and Allowances	69,755	65,617	65,860
Grants in Aid	69,935	58,616	63,195
Interest Payment	68,589	63,823	63,799
Subsidy and Incentives	79,842	77,904	79,556
Annual Development Program - ADP	2,25,324 (6.5)	1,97,643 (6.4)	2,05,145 (6.5)

Source of Financing FY2021-22

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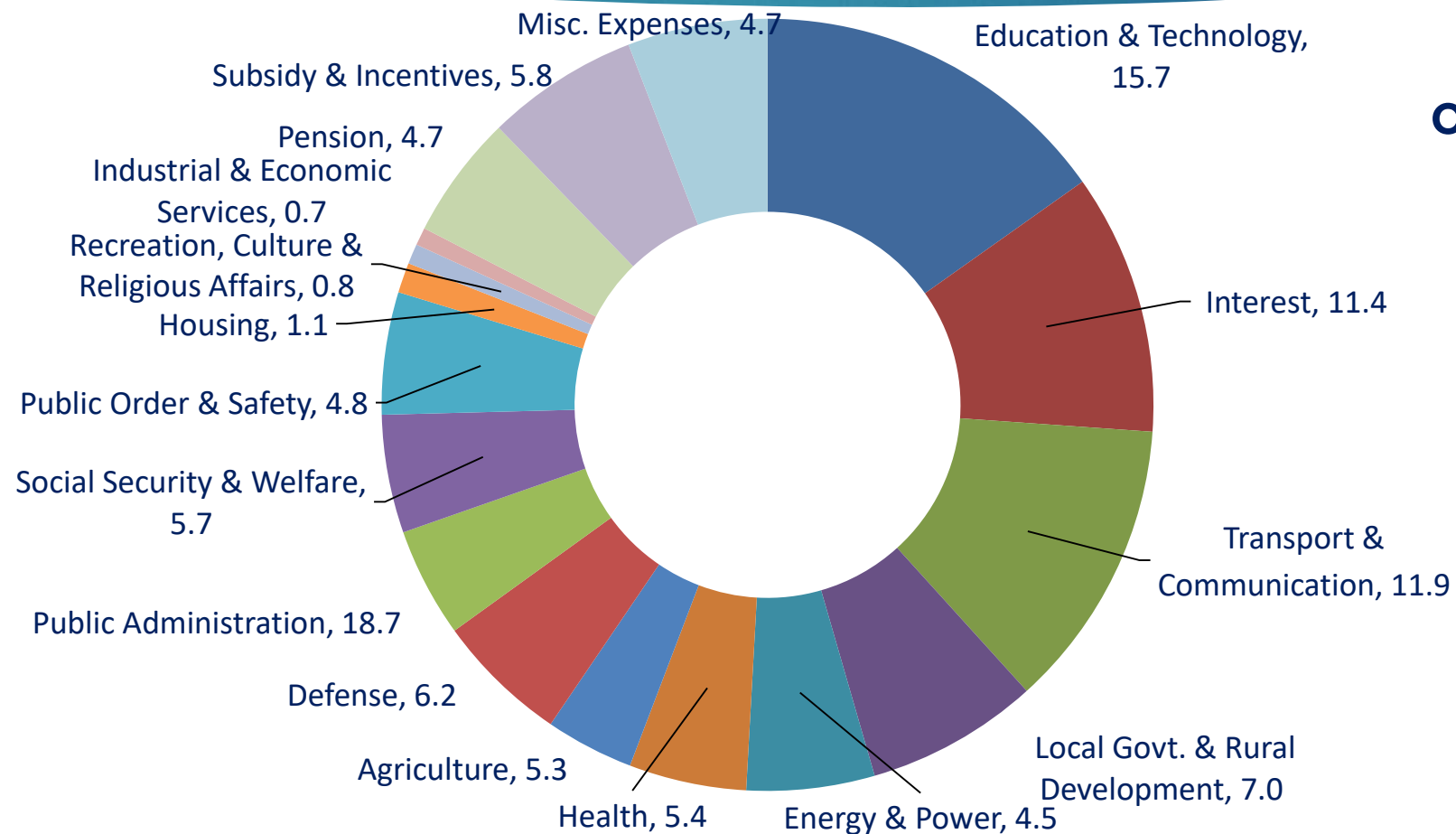


Source of Financing
BDT 6,03,681 Crore

NBR Taxes: Tk. 3,30,000 Crore (54.7%)

VAT	38.7%
Import duty	11.5%
Income tax:	31.8%
Supplementary Duty:	16.5%
Other:	1.5%

Use of Resources FY2021-22

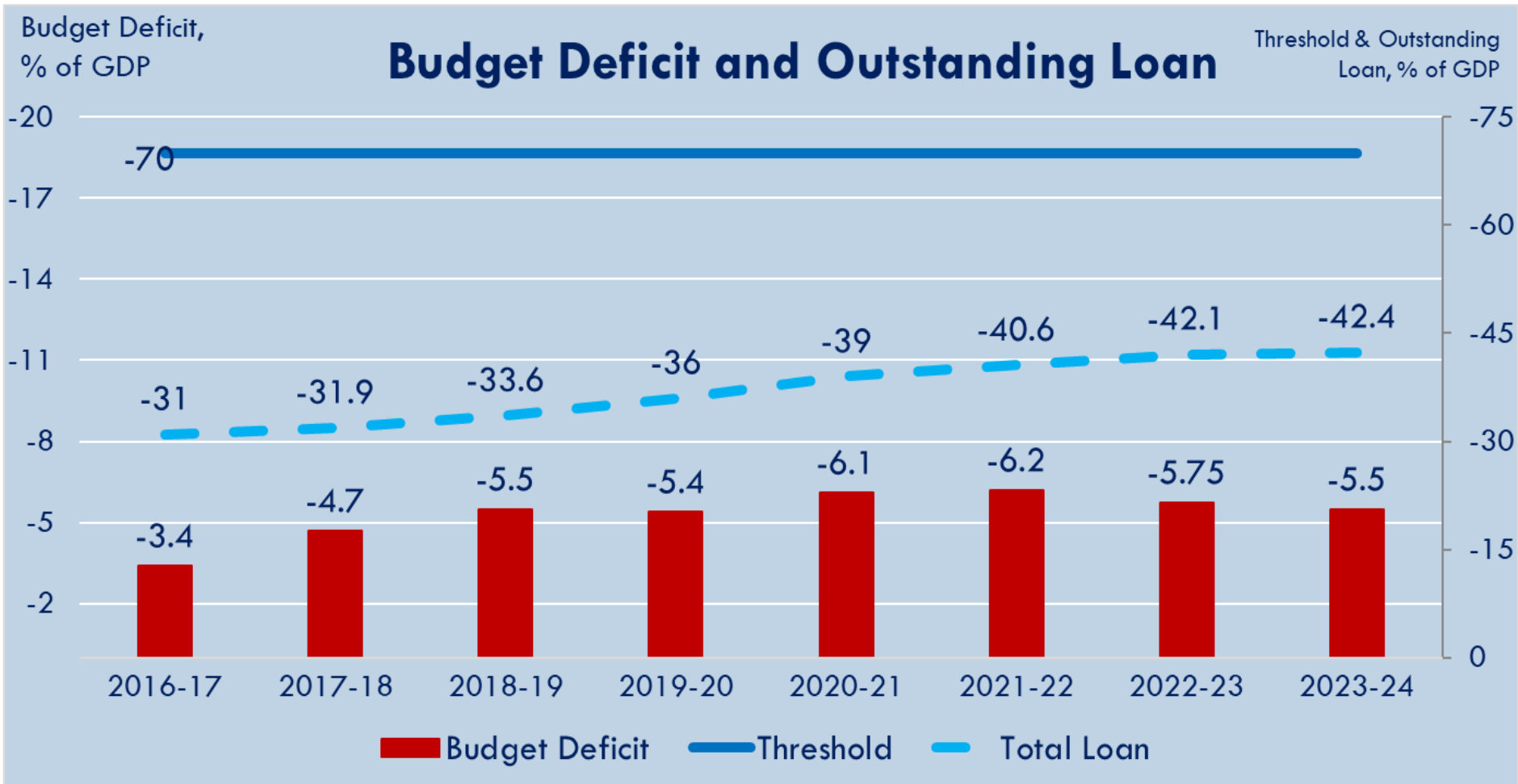


Use of Resources
Operating & Development
Budget, 2021-22
Tk. 6,03,681 Crore

Budget Deficit and Financing

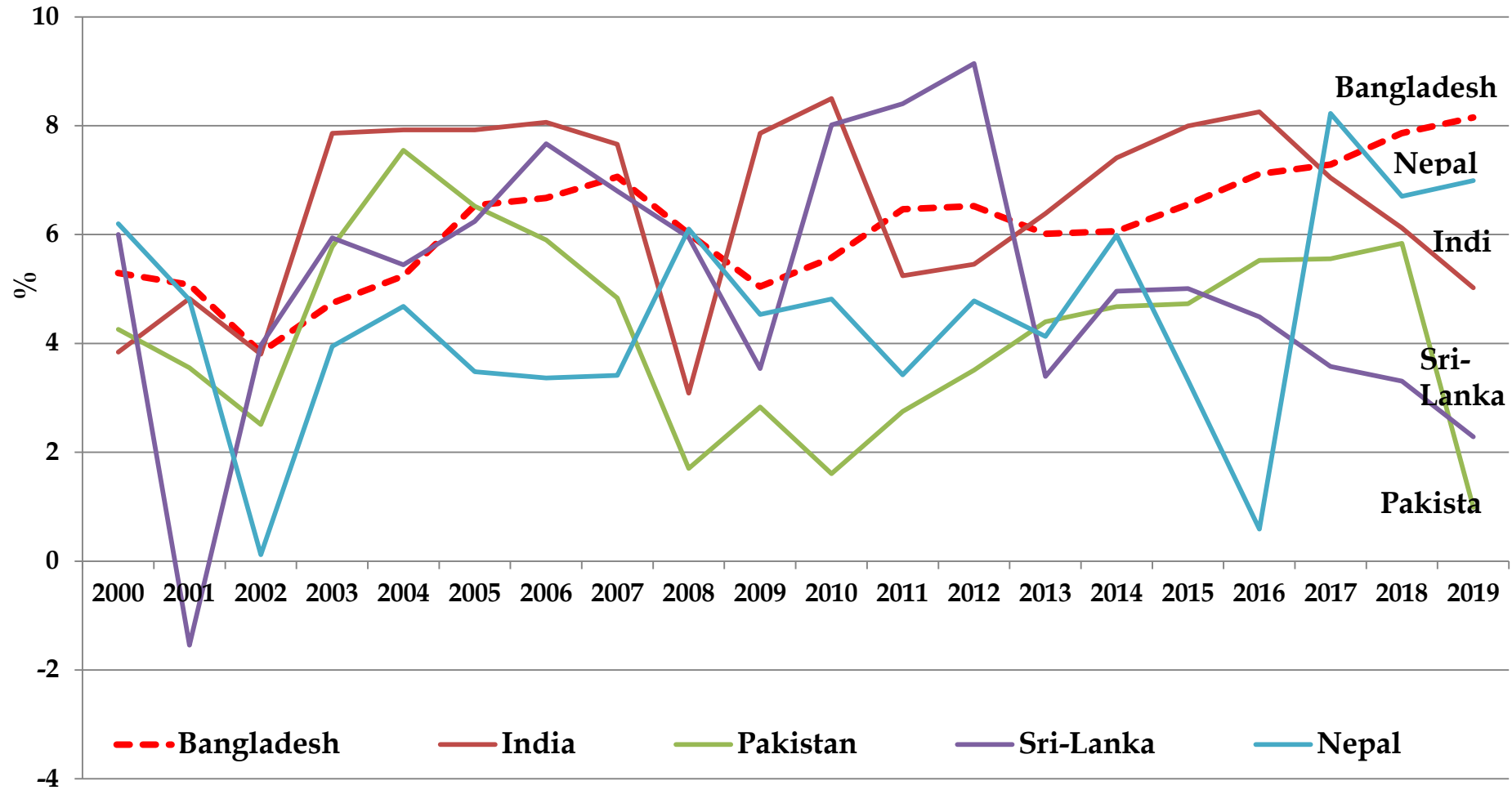
(In Crore Taka)

Particulars	Proposed Budget 2021-22 (% of GDP)	Revised Budget 2020-21 (% of GDP)	Budget 2020-21 (% of GDP)
Budget Deficit	2,14,681 (6.2)	1,87,451 (6.1)	1,90,000 (6.0)
Financing			
Foreign Source	1,01,228 (2.9)	72,399 (2.4)	80,017 (2.5)
Foreign Borrowing	1,12,189	80,954	88,824
Foreign Grant	3,490	3,985	4,013
Foreign Debt Repayment	14,450	12,540	12,820
Domestic Source	1,13,453 (3.3)	1,15,052 (3.7)	1,09,983 (3.5)
Borrowing from Banking System	76,452	79,779	84,980
Non-Bank Borrowing	37,000	35,303	25,003



Current Economic Situation of Bangladesh

GDP Growth Rate: A comparison with SAARC Countries



Debt to GDP ratio: Compare with SAARC Countries

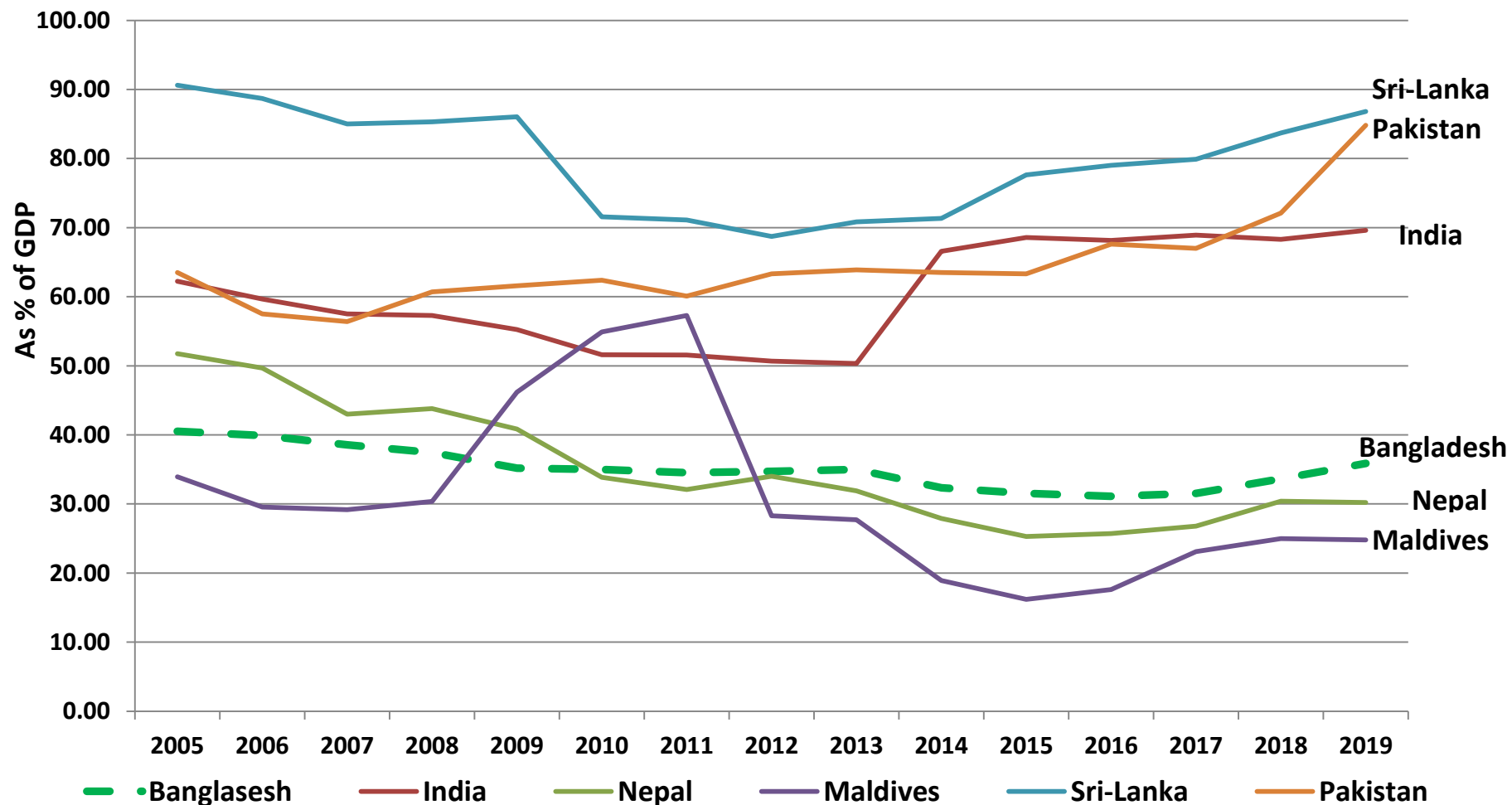


Table 1. Gross Domestic Product of Bangladesh at Current Prices

(Base: 2015-16)		(Million Tk.)			
Industrial origin sector		2018-19	2019-20	2020-21	2021-22(p)
A. Agriculture		3,534,431	3,804,464	4,106,614	4,398,344
1	Agriculture, forestry and fishing	3,534,431	3,804,464	4,106,614	4,398,344
a)	Crops & horticulture	1,733,782	1,861,159	1,996,305	2,118,859
b)	Animal Farmings	562,897	597,153	632,931	671,894
c)	Forest and related services	466,390	503,992	559,163	625,772
d)	Fishing	771,362	842,160	918,215	981,819
B. Industry		9,696,197	10,434,511	11,761,197	13,541,135
2	Mining and quarrying	526,098	552,239	591,021	581,862
a)	Natural gas and crude petroleum	120,543	116,211	117,429	113,101
b)	Other mining & coal	405,555	436,028	473,592	468,761
3	Manufacturing	6,259,374	6,530,638	7,496,585	8,766,622
a)	Large Industry	3,118,577	3,180,334	3,573,569	4,113,211
b)	Small, Medium and Micro Industry	1,980,659	2,086,958	2,489,993	2,942,670
c)	Cottage Industry	1,160,137	1,263,346	1,433,023	1,710,742
4	Electricity, gas, steam and air conditio	381,438	445,225	449,016	485,981
a)	Electricity	302,389	369,260	370,961	402,526
b)	Gas	79,049	75,965	78,055	83,455
5	Water supply; sewerage, waste man	26,736	27,607	29,676	34,104
6	Construction	2,502,550	2,878,801	3,194,899	3,672,565

C. Services	15,007,804	16,331,503	18,110,380	20,235,490
7 Wholesale and retail trade; repair of motor vehicles and motorcycles	4,183,954	4,457,574	4,976,516	5,724,728
8 Transportation and storage	2,197,115	2,322,517	2,562,154	2,849,857
a) Land Transport	1,927,057	2,038,982	2,268,813	2,532,005
b) Water transport	158,645	165,707	174,748	184,549
c) Air transport	22,496	23,037	22,791	23,727
d) Warehousing and support activities	76,673	81,564	81,412	94,019
e) Postal and courier activities	12,244	13,227	14,390	15,558
9 Accommodation and food service activities	335,495	360,151	398,567	442,911
10 Information and communication	322,040	351,075	384,480	418,071
11 Financial and insurance activities	932,966	1,032,169	1,152,706	1,305,399
a) Monetary intermediation (Banks)	794,168	880,439	984,571	1,118,786
b) Insurance	82,016	88,514	96,426	105,493
c) Other financial auxiliaries	56,781	63,216	71,709	81,120
12 Real estate activities	2,607,154	2,880,011	3,130,287	3,351,471
13 Professional, scientific and technical activities	51,788	56,562	62,732	69,353
14 Administrative and support service activities	200,172	230,048	271,376	308,297
15 Public administration and defence; compulsory social security	990,056	1,069,648	1,169,964	1,276,652
16 Education	769,606	856,425	956,422	1,075,859
17 Human health and social work activities	868,110	1,015,218	1,185,003	1,369,103
18 Arts, entertainment and recreation	42,440	47,610	53,407	60,271
19 Other service activities	1,506,909	1,652,496	1,806,765	1,983,517
Total GVA at current basic price	28,238,432	30,570,477	33,978,191	38,174,970
Growth rate	12.21	8.26	11.15	12.35
Tax less subsidy	1,275,855	1,134,217	1,323,656	1,589,652
GDP at current market price	29,514,288	31,704,694	35,301,848	39,764,622
Growth rate	11.83	7.42	11.35	12.64

Source: Bangladesh Bureau of Statistics (BBS)

Table 2. Sectoral Share of GDP at Current Prices
(Base: 2015-16)

Industrial origin sector	2018-19	2019-20	2020-21	2021-22(p)
A. Agriculture	12.52	12.44	12.09	11.52
1 Agriculture, forestry and fishing	12.52	12.44	12.09	11.52
a) Crops & horticulture	6.14	6.09	5.88	5.55
b) Animal Farmings	1.99	1.95	1.86	1.76
c) Forest and related services	1.65	1.65	1.65	1.64
d) Fishing	2.73	2.75	2.70	2.57
B. Industry	34.34	34.13	34.61	35.47
2 Mining and quarrying	1.86	1.81	1.74	1.52
a) Natural gas and crude petroleum	0.43	0.38	0.35	0.30
b) Other mining & coal	1.44	1.43	1.39	1.23
3 Manufacturing	22.17	21.36	22.06	22.96
a) Large Industry	11.04	10.40	10.52	10.77
b) Small, Medium and Micro Industr	7.01	6.83	7.33	7.71
c) Cottage Industry	4.11	4.13	4.22	4.48
4 Electricity, gas, steam and air conditio	1.35	1.46	1.32	1.27
a) Electricity	1.07	1.21	1.09	1.05
b) Gas	0.28	0.25	0.23	0.22
5 Water supply; sewerage, waste mana	0.09	0.09	0.09	0.09
6 Construction	8.86	9.42	9.40	9.62

C. Services	53.15	53.42	53.30	53.01
7 Wholesale and retail trade; repair of i	14.82	14.58	14.65	15.00
8 Transportation and storage	7.78	7.60	7.54	7.47
a) Land Transport	6.82	6.67	6.68	6.63
b) Water transport	0.56	0.54	0.51	0.48
c) Air transport	0.08	0.08	0.07	0.06
d) Warehousing and support activities	0.27	0.27	0.24	0.25
e) Postal and courier activities	0.04	0.04	0.04	0.04
9 Accommodation and food service acti	1.19	1.18	1.17	1.16
10 Information and communication	1.14	1.15	1.13	1.10
11 Financial and insurance activities	3.30	3.38	3.39	3.42
a) Monetary intermediation (Banks)	2.81	2.88	2.90	2.93
b) Insurance	0.29	0.29	0.28	0.28
c) Other financial auxiliaries	0.20	0.21	0.21	0.21
12 Real estate activities	9.23	9.42	9.21	8.78
13 Professional, scientific and technical a	0.18	0.19	0.18	0.18
14 Administrative and support service ac	0.71	0.75	0.80	0.81
15 Public administration and defence; co	3.51	3.50	3.44	3.34
16 Education	2.73	2.80	2.81	2.82
17 Human health and social work activiti	3.07	3.32	3.49	3.59
18 Arts, entertainment and recreation	0.15	0.16	0.16	0.16
19 Other service activities	5.34	5.41	5.32	5.20
Total GVA at current basic price	100.00	100.00	100.00	100.00

Table 3. Sectoral Growth Rate of GDP at Current Prices**(Base: 2015-16)**

Industrial origin sector	2018-19	2019-20	2020-21	2021-22(p)
A. Agriculture	7.31	7.64	7.94	7.10
1 Agriculture, forestry and fishing	7.31	7.64	7.94	7.10
a) Crops & horticulture	6.80	7.35	7.26	6.14
b) Animal Farmings	5.84	6.09	5.99	6.16
c) Forest and related services	7.06	8.06	10.95	11.91
d) Fishing	9.73	9.18	9.03	6.93
B. Industry	14.87	7.61	12.71	15.13
2 Mining and quarrying	18.82	4.97	7.02	-1.55
a) Natural gas and crude petroleum	0.71	-3.59	1.05	-3.69
b) Other mining & coal	25.53	7.51	8.61	-1.02
3 Manufacturing	14.01	4.33	14.79	16.94
a) Large Industry	13.12	1.98	12.36	15.10
b) Small, Medium and Micro Industr	13.92	5.37	19.31	18.18
c) Cottage Industry	16.61	8.90	13.43	19.38
4 Electricity, gas, steam and air conditio	16.92	16.72	0.85	8.23
a) Electricity	22.90	22.11	0.46	8.51
b) Gas	-1.45	-3.90	2.75	6.92
5 Water supply; sewerage, waste man	7.48	3.26	7.50	14.92
6 Construction	16.02	15.03	10.98	14.95

C. Services	11.74	8.82	10.89	11.73
7 Wholesale and retail trade; repair of motor vehicles and motorcycles	11.96	6.54	11.64	15.03
8 Transportation and storage	11.07	5.71	10.32	11.23
a) Land Transport	11.63	5.81	11.27	11.60
b) Water transport	5.15	4.45	5.46	5.61
c) Air transport	7.36	2.41	-1.07	4.11
d) Warehousing and support activities	11.50	6.38	-0.19	15.48
e) Postal and courier activities	10.14	8.03	8.79	8.12
9 Accommodation and food service activities	11.44	7.35	10.67	11.13
10 Information and communication	9.31	9.02	9.52	8.74
11 Financial and insurance activities	14.16	10.63	11.68	13.25
a) Monetary intermediation (Banks)	14.56	10.86	11.83	13.63
b) Insurance	10.25	7.92	8.94	9.40
c) Other financial auxiliaries	14.52	11.33	13.44	13.12
12 Real estate activities	10.48	10.47	8.69	7.07
13 Professional, scientific and technical activities	9.86	9.22	10.91	10.55
14 Administrative and support service activities	15.91	14.93	17.97	13.61
15 Public administration and defence; compulsory social security	9.70	8.04	9.38	9.12
16 Education	12.90	11.28	11.68	12.49
17 Human health and social work activities	18.33	16.95	16.72	15.54
18 Arts, entertainment and recreation	12.53	12.18	12.18	12.85
19 Other service activities	10.17	9.66	9.34	9.78
Total GVA at current basic price	12.21	8.26	11.15	12.35
Tax less subsidy	4.03	-11.10	16.70	20.10
GDP at current market price	11.83	7.42	11.35	12.64

Medium Term Macroeconomic Framework: Key Indicators

Indicators	2017-18	2018-19	2019-20	2020-21	2021-22	2021-22	2022-23	2023-24	2024-25
	Actual				Budget	Revised Budget	Projection		
Real Sector									
Real GDP growth (%)	7.32	7.88	3.45	6.94	7.20	7.25	7.50	7.80	8.0
CPI Inflation (%)	5.78	5.48	5.65	5.56	5.30	5.80	5.60	5.50	5.50
Investment (% GDP)	31.8	32.2	31.3	31.0	31.7	31.68	31.5	32.8	33.6
Private	24.94	25.25	24.02	23.70	23.31	24.06	24.88	25.91	26.65
Public	6.9	7.0	7.3	7.3	8.4	7.62	6.6	6.9	7.0
Fiscal Sector (% of GDP)									
Total Revenue	8.2	8.5	8.4	9.3	11.3	9.8	9.8	10.4	10.6
Tax Revenue	7.4	7.7	7.0	7.6	10.0	8.7	8.8	9.3	9.5
Of which NBR Tax Revenue	7.1	7.4	6.8	7.5	9.5	8.3	8.4	8.8	9.0
Non-Tax Revenue	0.8	0.9	1.4	1.7	1.2	1.1	1.0	1.1	1.1
Public Expenditure	12.2	13.3	13.0	13.3	17.5	14.9	15.4	15.5	15.6
Of which ADP	4.5	5.0	4.8	4.9	6.5	5.2	5.6	6.3	6.4
Overall Balance	-4.0	-4.7	-4.7	-4.0	-6.2	-5.1	-5.5	-5.1	-5.0
Financing	4.0	4.7	4.7	4.0	6.2	5.1	5.5	5.1	5.0
Domestic Financing	3.0	3.4	3.3	2.3	3.3	3.1	3.2	2.9	2.8
External Financing(net)	1.0	1.1	1.4	1.4	2.9	2.0	2.3	2.2	2.3
Money and Credit (Year-on-year % change)									
Domestic Credit	14.7	12.3	14.0	10.1	14.0	17.8	16.0	16.0	17.0
Credit to the Private sector	16.9	11.3	8.6	8.3	11.0	14.8	15.0	15.0	16.0
Broad Money	9.2	9.9	12.6	13.6	13.8	15.0	15.6	16.0	16.5
External Sector (% Change)									
Export, f.o.b	6.7	9.1	-17.1	15.4	12.0	34.1	20.0	18.0	18.0
Import, f.o.b	25.2	1.8	-8.6	19.7	11.0	30.0	12.0	14.0	14.5
Remittance	15.1	10.2	12.4	36.1	35.0	1.0	16.0	10.0	10.0
CurrentAccount Balance(% GDP)	-2.98	-1.45	-1.26	-0.91	-0.06	-2.19	-1.19	-0.86	-0.81
Gross Foreign Exchange Reserves (Billion USD)	32.86	32.72	36.04	46.39	48.37	42.05	47.07	54.89	64.11
Forex. Reserve in the month of Import	6.2	6.0	7.2	7.8	7.4	5.5	5.5	5.6	5.6
Memorandum Item									
GDP at current market prices (Billion Tk.)	26392	29514	31705	35302	34560	39765	44500	49913	56063
	Source: Finance Division, Ministry of Finance and BBS								

Economic Growth

- Bangladesh economy was growing consistently high over a decade crossing 7.0 percent milestone in FY 2015-16 and 7.88 percent milestone in FY 2018-19. However, the Covid-19 pandemic reduced the growth rate to 3.45 percent in FY 2019-20.
- Incentive packages of about Tk 1,28,411crore (4.4 percent of GDP) are announced by the Hon'ble Prime Minister to address the global crisis and keep the country's economy moving and bring it back on track. 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.
- The economy grew by 6.94 percent in FY 2020-21. According to the provisional estimates of BBS, the GDP growth stood 7.25 percent in FY 2021-22, 0.05 percent higher than the target rate and 0.31 percent higher than the previous fiscal year.
- Medium-term forecasts for GDP growth rates are 7.5 percent in FY 2022-23, 7.8 percent in FY 2023-24 and 8.0 percent in FY 2024-25.

GDP, Per capita GDP

- GDP at current market prices is provisionally estimated Tk. 39, 76, 462 crore in FY 2021-22, Tk. 4, 46,278 crore higher than previous fiscal year.
- Per capita GDP is estimated to be USD 2,723 in FY 2021-22.
- Medium-term GDP forecasts are Tk. 44, 12, 849 crore in FY 2022-23, Tk. 49, 49, 712 crore in FY 2023-24, and Tk. 55, 59, 517 crore in FY 2024-25.
- As per the final estimate, per capita GDP in FY 2020-21 was USD 2,462, USD 228 up from the previous fiscal year.
- Per capita gross national income increased to USD 2,591 in FY 2020-21, USD 265 up from FY 2019-20.
- The per capita gross national income is provisionally estimated to USD 2,824 in FY 2021-22, USD 233 higher than previous fiscal year.

Exports

- In FY 2020-21 total export earnings increased by 12.77 percent to USD 40.11 billion over the previous fiscal year.
- During July to March of FY 2021-22 export earnings stood USD 43.7 billion, which is 32.43 percent higher than the export earnings of the same period in the previous fiscal year. Exports receipt is estimated to cross USD 50 billion in fiscal year 2021-22.
- During this period, commodity-wise growth of export earning shows that, export earnings from almost all the products have increased compared to the last fiscal year except jute and building materials. The government initiatives to facilitate exports are enhanced during Covid-19. Export incentives are extended to new products.

Import

- The total import payments in FY 2020-21 stood at USD 61.7 billion, 10.74 percent higher than the previous fiscal year.
- Up to March of FY 2021-22, total import payments stood USD 71.41 billion, 42.24 percent higher than the same period of the previous fiscal year. Imports payments is estimated to be around USD 80 billion in fiscal year 2021-22.
- 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.

Overseas Employment and Remittance

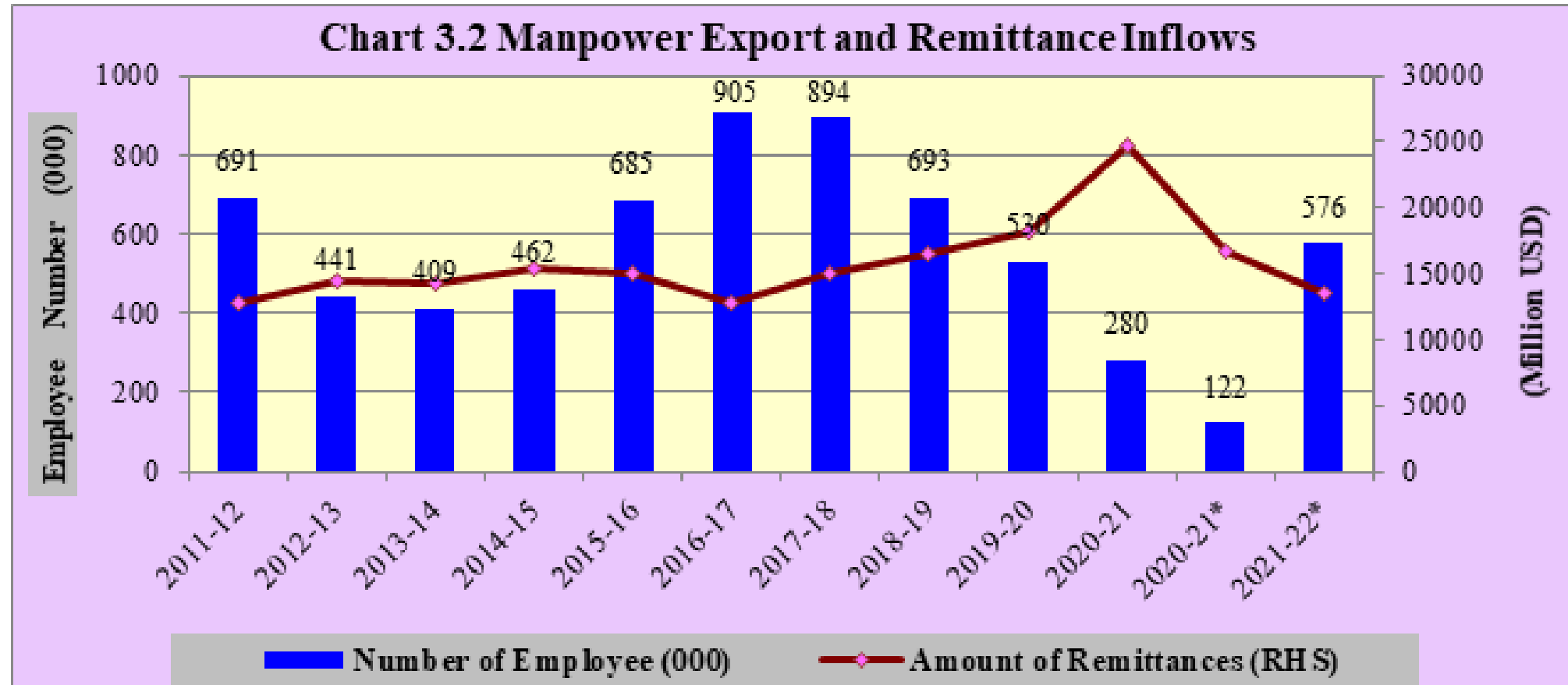
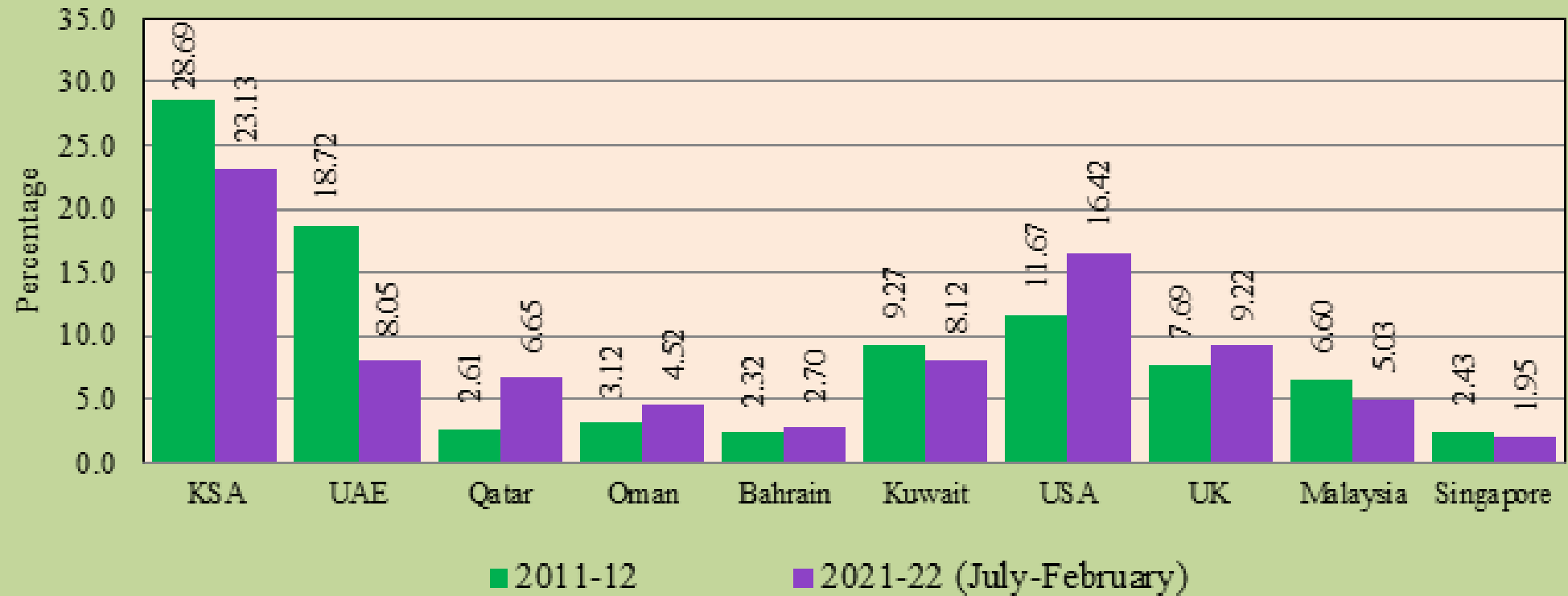
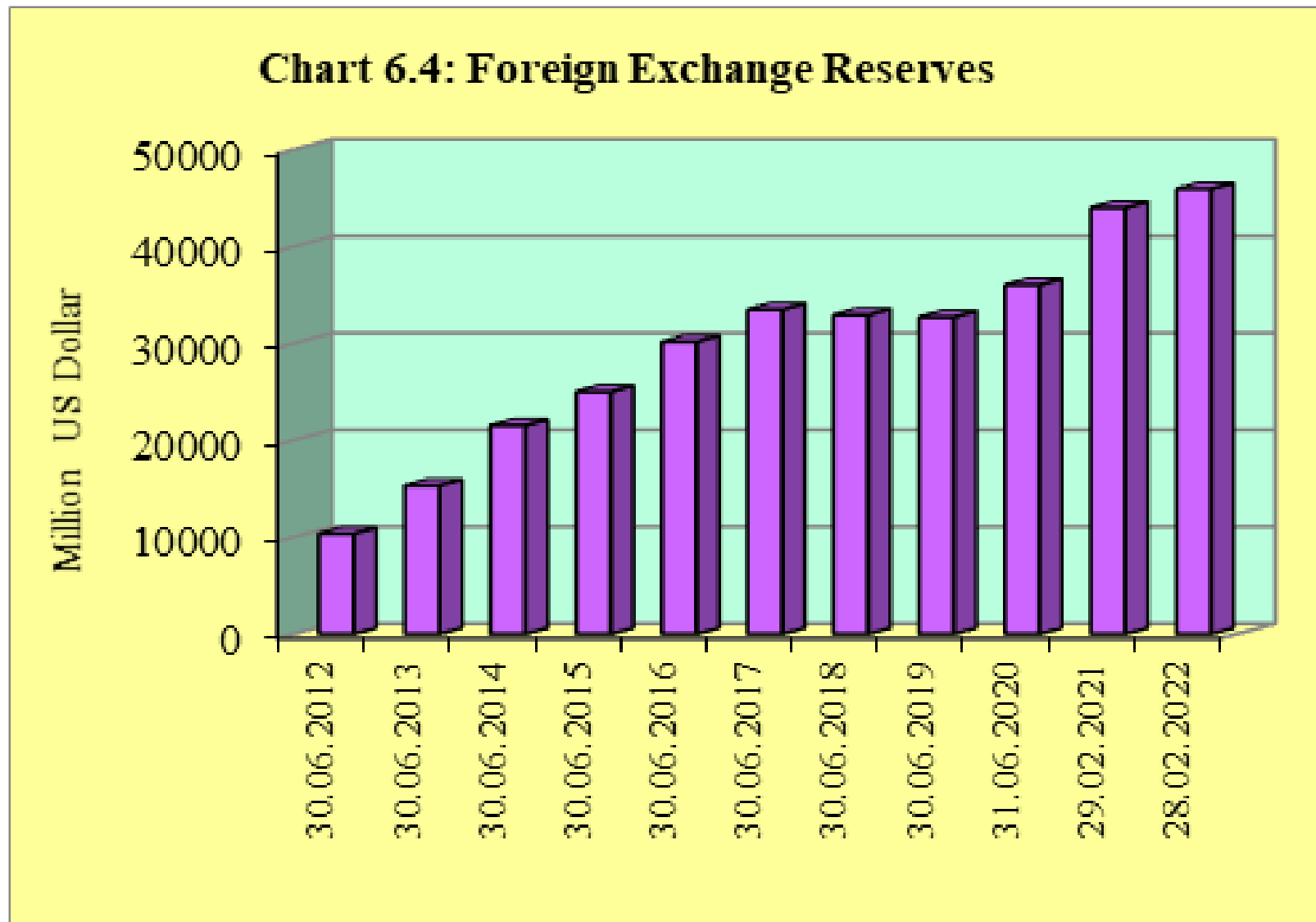


Chart 3.5: Comparison for percentage of Country-wise Remittance inflows in FY12 and FY22 (July-February)



Foreign Exchange Reserve



Conclusion

The Medium-term Macroeconomic Framework (MTMF), 2021-22 to 2024-25, has been formulated taking into account the recent dynamics of the global economy and the impacts on the domestic sector.

While the global economy was recovering from Covid-19 impairment, the war in Ukraine is triggering the loss of lives and livelihood in the war zone and supply bottlenecks in the rest of the world. Countries are administering mass vaccinations and implementing incentive packages to address the unintended effects of the coronavirus on public health, global growth and commodity markets. Government of Bangladesh has been implementing 28 incentives worth of Tk. 1,87,679 crores. Because of the timely policy decision under the able leadership of Honorable Prime Minister Sheikh Hasina Bangladesh successfully managed repeated waves of Covid-19 with minimum loss of lives. As of 4 May 2022, 70.18 percent population have been fully vaccinated.

In the medium term, the government will put emphasis on full economic recovery from the fallout of COVID-19, address the issues arisen from war in Ukraine, implementing 8th Five Year Plan, the 2030 agenda-SDGs, second perspective plan (2021-2041), ‘Delta Plan 2100’, and ‘Blue Economy’ strategies.

Government is keen to restore the pre-pandemic economic high growth trajectory. GDP growth is estimated 7.25 percent in 2021-22 and has been projected to gradually rise to 7.5, 7.8 and 8.0 percent respectively in FY 2022-23, FY 2023-24 and FY 2024-25.

Considering strong domestic demand, fiscal expansion, rebound of export, improved Covid situation, restoration of lives and livelihood, full resumption of economic activities, implementation of Covid-19 incentive packages, completion of few mega projects including Padma bridge, it is expected the economy of Bangladesh will continue to grow at pace of pre-pandemic growth path.

Thank You