



বাংলাদেশের উন্নয়নের স্বাধীন পর্যালোচনা

Changing Global Scenario and Bangladesh Economy: What Should Be the Policy Stance?

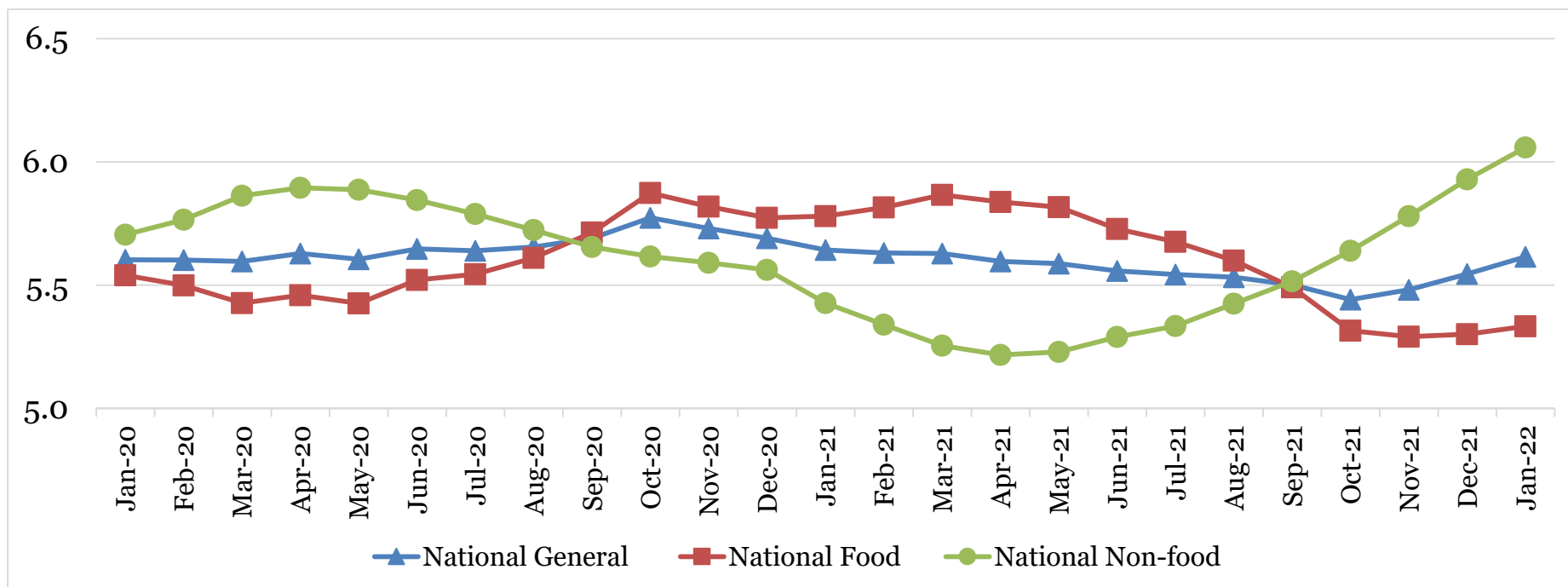
Dhaka: 20 March 2022



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- ❑ Bangladesh, along with the rest of the world, has been battling with the COVID-19 pandemic since 2020
- ❑ The economic fallouts of the pandemic have been as critical as the health risks
- ❑ As the world was navigating through the COVID-19 crisis, new challenges at the global level emerged in 2022
- ❑ In this context, we focus on five critical areas of the current economic policy discourse in Bangladesh:
 - Prices of essential commodities
 - External sector
 - Banking sector
 - Budget management
 - Energy and power sector

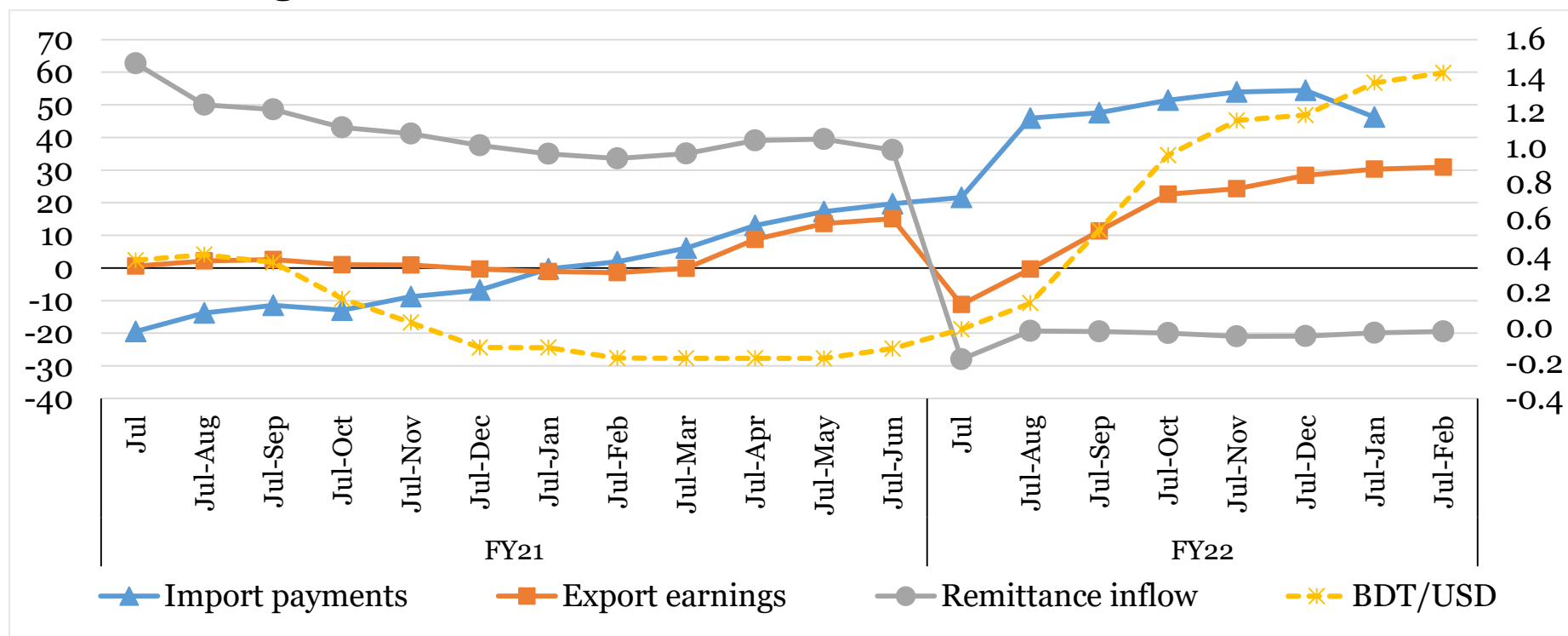
Figure: National inflation rate (in %, 12-month average)



Source: BBS

- ❑ Food inflation appears to be hovering around the 5.3% mark during the Oct 21 – Jan 22 period – not reflective of the ground realities
- ❑ The sufferings of common people are undermined by the official inflation statistics

Figure: Growth of selected external sector indicators (in %)

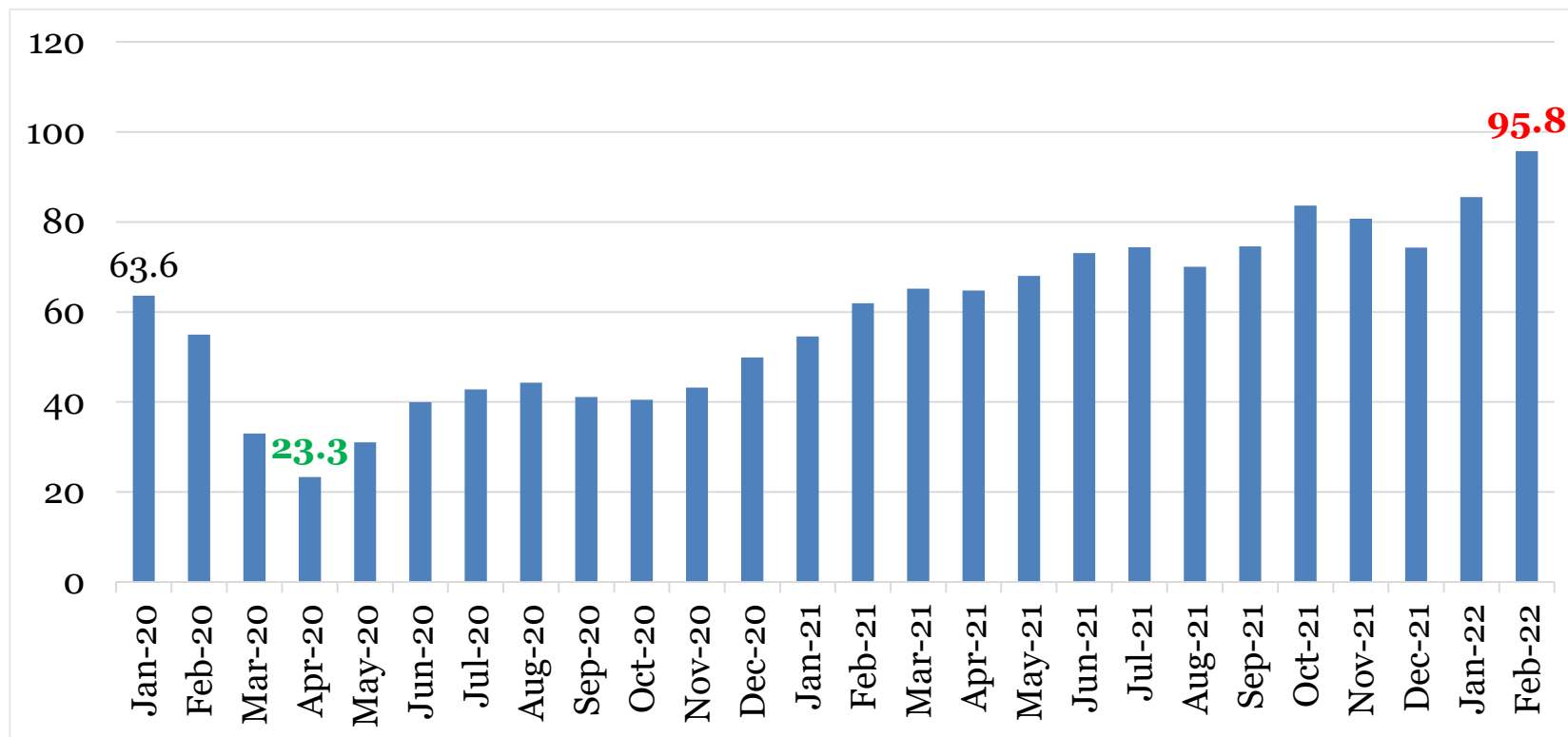


Source: Calculated from Bangladesh Bank and EPB data

Note: BDT/USD is shown in the secondary vertical axis

❑ Despite the robust export growth, current account deficit reached USD 10 billion at the end of Jan FY22 owing to higher import growth and negative growth of remittances

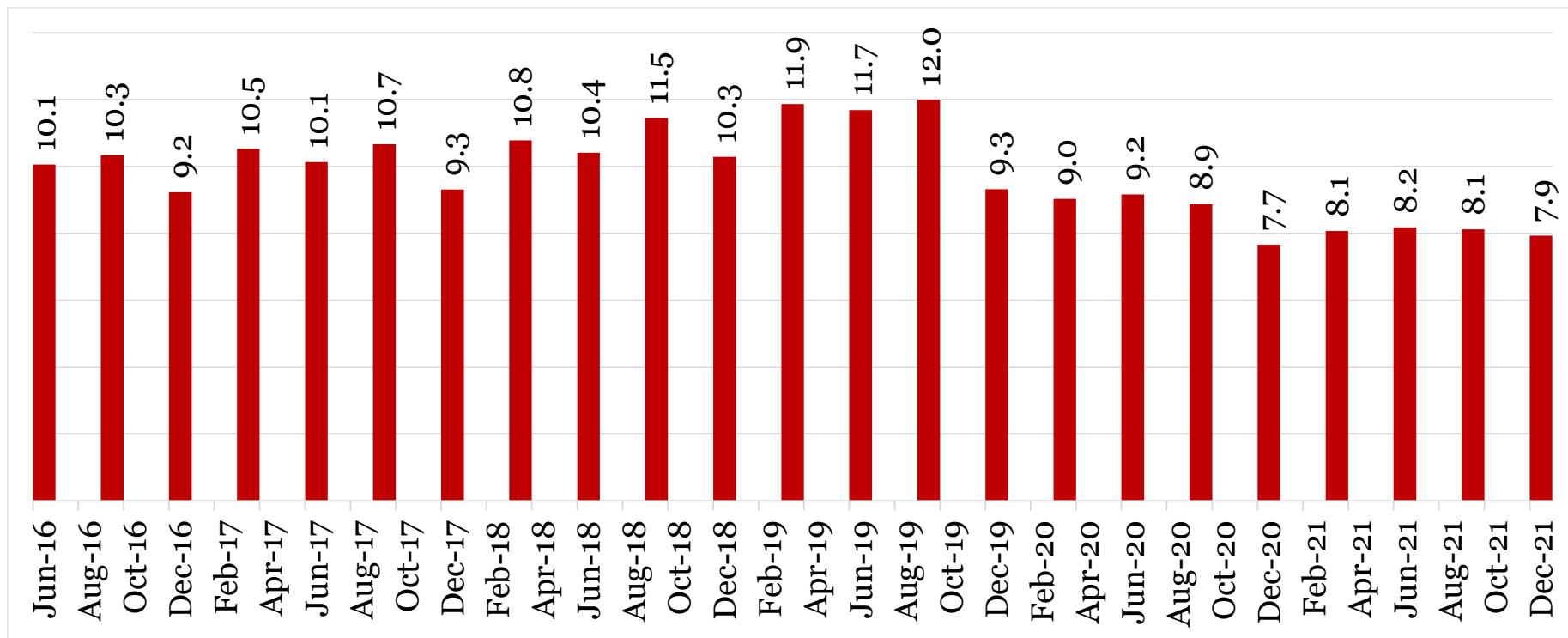
Figure: Price of Brent crude (USD/barrel)



Source: World Bank Pink Sheet

- ❑ Petroleum prices were creeping up even before the conflict in Ukraine
 - Crossed the 100 USD/barrel mark during the first week of March 2022

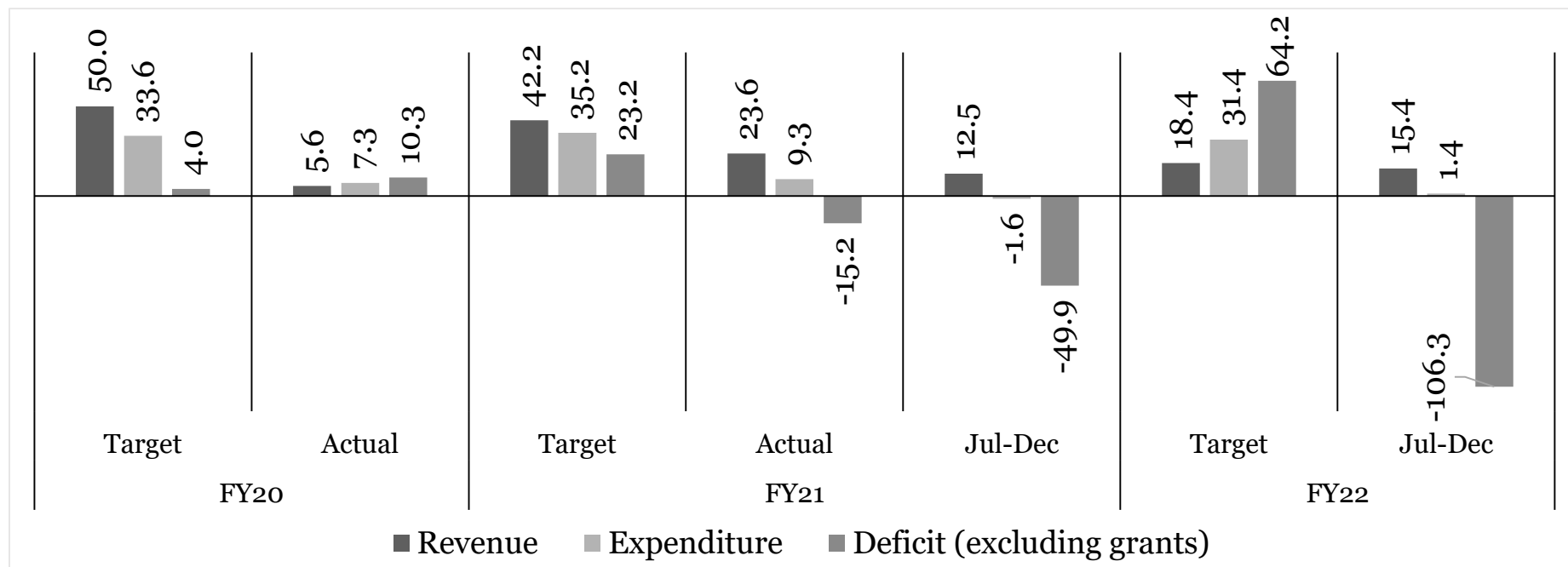
Figure: Share of classified loans to total outstanding (in %)



Source: Bangladesh Bank

❑ Despite several provisions in view of the pandemic, the banking sector is plagued by classified loans and capital shortfalls

Figure: Growth of selected fiscal indicators (in %)



Source: Calculated from MoF data

- ❑ The government has a budget surplus during the first six months of FY22 (excluding grants)
 - Despite this, a relative conservative have been pursued in the cases of extending budgetary allocations for cash transfer and subsidies to combat the pandemic and rising prices of essentials

- ❑ **Curbing inflation should be the centre of policy attentions of the government at present**
 - Considering its more adverse impact on the vulnerable and marginalised groups, all available policy tools should be utilised to control food inflation, including exempting duties and taxes on essential commodities both at domestic and import levels, extending social safety net programmes and raising income tax exemption level

- ❑ **Stability of exchange rate must be ensured**
 - The value of BDT against major currencies should be stabilised in view of its inflationary implications

- ❑ **An independent banking commission should be formed on an immediate basis to mitigate the disarrays within the sector**
 - Loan recovery should receive the highest attention
 - Stimulus packages for SMEs should be continued

- ❑ **Subsidy on fuel, power and agriculture should be continued for the next few months**
 - Any hike in the administered prices will have multiplier effect on inflation – for the time being no adjustment of administered prices should be made

- ❑ **Priority for public expenditure should be set clearly**
 - More fiscal space should be allocated for rising demands for subsidies and social safety net programmes
 - The earlier measures to cut down ‘unnecessary and luxury’ public expenditure (e.g., government vehicle purchase) should be reinstated
 - Focus should be on public infrastructure projects that are closer to completion
 - Tax evasion should be curbed by all means to generate resources for priority expenditures

Thank You



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