
MACROECONOMIC MANAGEMENT IN A POST-COVID UNCERTAIN GLOBAL ENVIRONMENT

SADIQ AHMED

POLICY RESEARCH INSTITUTE OF BANGLADESH



TABLE 1: DEVELOPMENT PERFORMANCE 1972-2019

Indicators	1972	2000	2019
GNI per capita (\$)	88	581	2209
Poverty (UPL) (%)	82*	52.3	21.8
Life expectancy (years)	44.9	63.6	72.3
Infant mortality (%)	140	58.0	22.0
Adult Literacy (%)	20.2	52.8	73.9
Population growth rate (%)	2.4	1.4	1.2

Source: Bangladesh Bureau of Statistics and World Bank World Tables 1993.

*Refers to 1973 based on daily intake of 2122 calories per person.

TABLE 2: POST-COVID ECONOMIC RECOVERY

Economic Indicators (\$ billion)	FY2019	FY2020	FY2021	FY2022
GDP growth (%)	7.9	3.5	6.9	7.3
Per capita GNI (\$)	2209	2326	2591	2824
Private investment rate (% of GDP)	25.3	24.1	23.7	24.1
Inflation rate (CPI month-on-month)	5.5	6.0	5.6	7.6
RMG exports	34.1	28.0	31.5	42.6
Total exports (GNFS)	46.7	39.5	44.3	59.3
Foreign Remittance earnings	16.4	18.2	24.8	21.0
Total export earnings (G+NFS+FS)	63.6	58.7	69.9	81.4
Imports (GNFS)	65.9	59.4	70.5	96.3
Total import payments (G+NFS+FS)	69.0	62.6	73.9	99.9
Current account deficit	(-) 5.3	(-) 4.7	(-) 4.6	(-) 18.7
Net Foreign Direct Investment (FDI)	2.5	1.3	1.4	2.2
Net Medium- & Long-Term Loans (MLT)	5.5	6.2	7.0	9.7
Reserves	32.7	35.8	46.4	41.8
Short-term debt	11.2	10.0	14.0	20.7
Reserves (month of total import payments)	6.0	6.9	7.5	5.0
Short-term debt to reserves	0.3	0.3	0.3	0.5

Source: Bangladesh Bureau of Statistics and Bangladesh Bank

TABLE 3: INDICATORS OF GLOBAL INFLATIONARY PRESSURES

Inflation indicator (Price Deflators in SDR)	2020	2021	2022
Exports			
Advanced Economies	-2.2	10.1	11.5
Emerging Markets and Developing Economies	-5.8	15.9	19.2
Fuel Exporters	-22.0	38.8	37.4
Non-fuel Exporters	-2.9	12.8	16.4
Imports			
Advanced Economies	-3.3	9.5	13.3
Emerging Markets and Developing Economies	-2.9	13.9	17.4
Fuel Exporters	-0.8	11.1	16.0
Non-fuel Exporters	-3.2	14.3	17.6

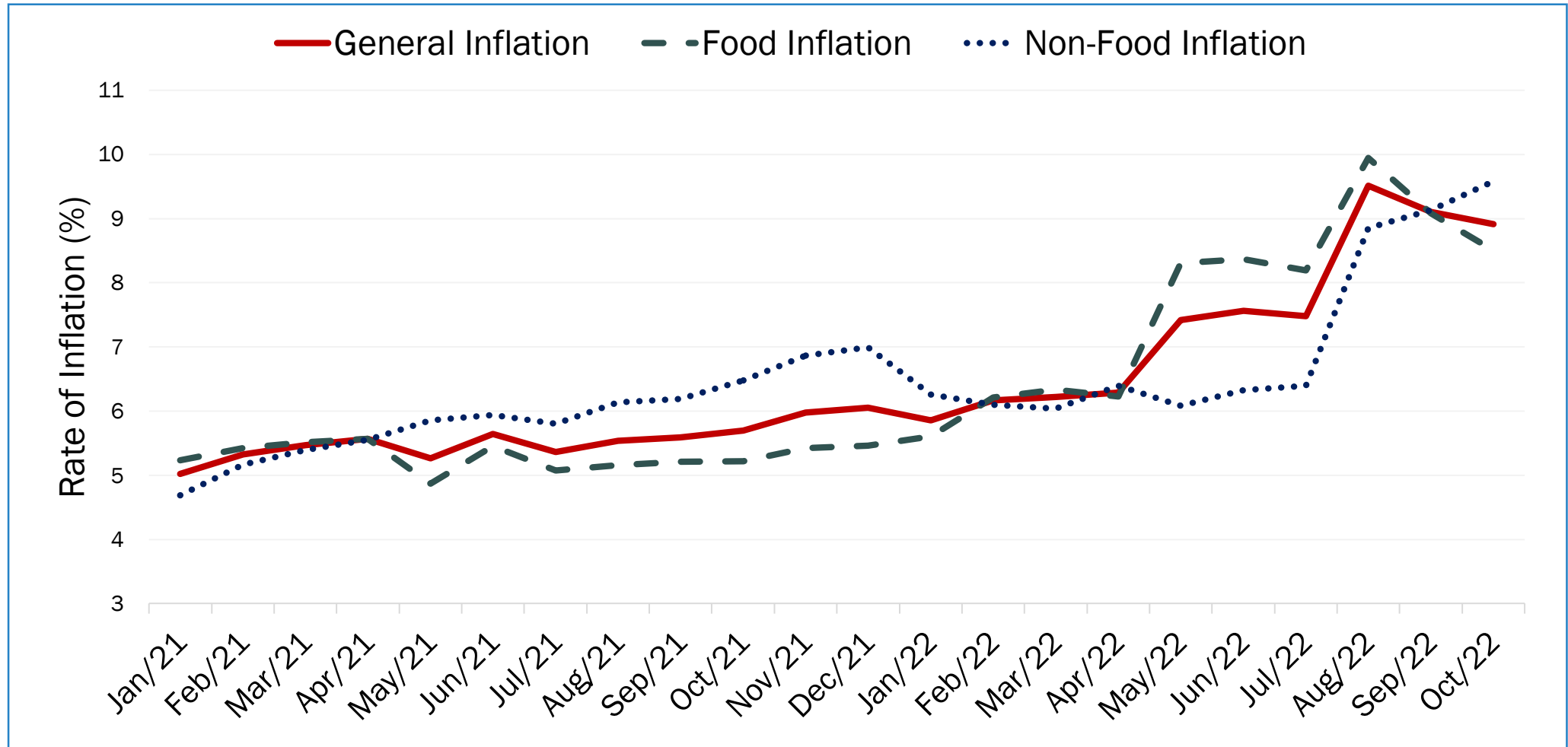
Source: IMF World Economic Outlook, October 2022

TABLE 4: WORLD DEMAND OUTLOOK (IMF PROJECTIONS)

Indicator (percent change)	2021	2022	2023
World Output	6.0	3.2	2.7
Advanced Economies	5.2	2.4	1.1
USA	5.7	1.6	1.0
EU	5.2	3.1	0.5
World Trade Volume (G&S)	10.1	4.3	2.5
Imports: Advanced Economies	9.5	6.0	2.0
Emerging Market and Developing Economies	11.8	2.4	3.0
Exports: Advanced Economies	8.7	4.2	2.5
Emerging Market and Developing Economies	11.8	3.3	2.9

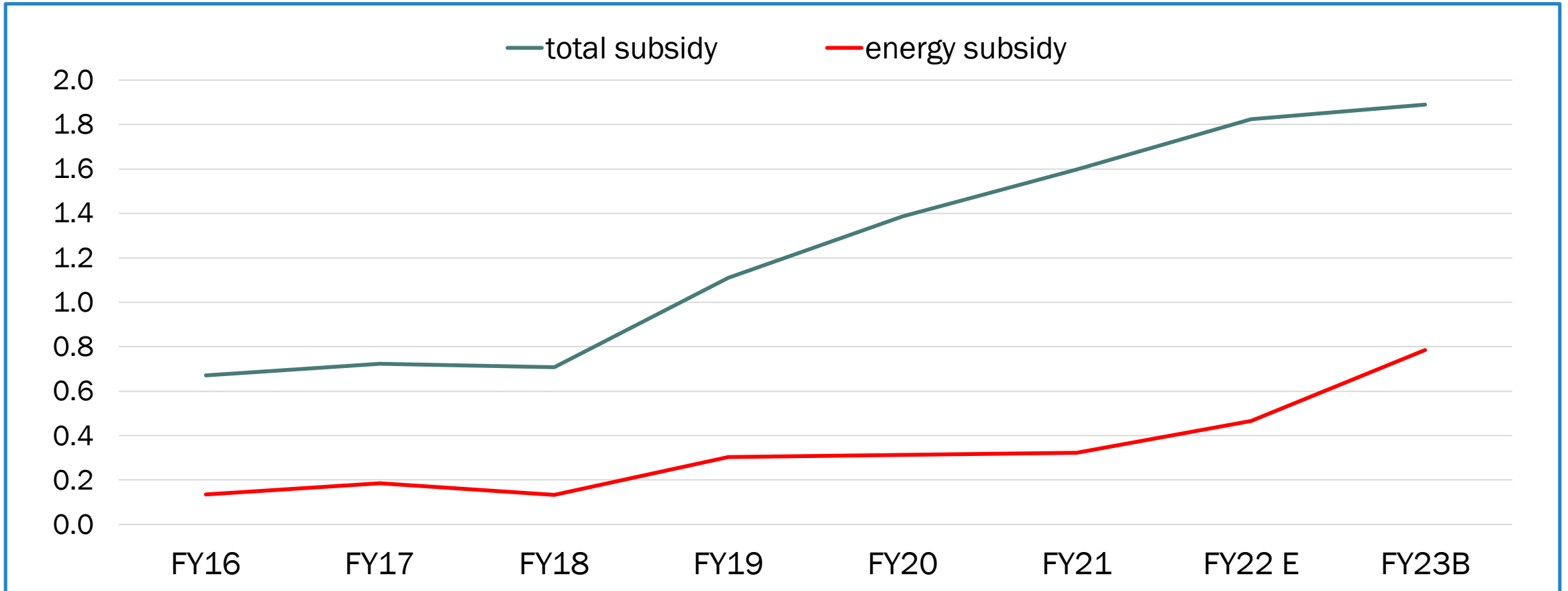
Source: IMF World Economic Outlook, October 2022

Figure 1: Recent Inflation in Bangladesh, January 2021- October 2022



Source: Bangladesh Bureau of Statistics

FIGURE 2: THE SOARING SUBSIDY BILL (% OF GDP)



Source: Ministry of Finance Monthly Fiscal Reports

TABLE 5: FISCAL SUMMARY (IN TAKA BILLION)

Fiscal Year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 (B)	2021-22 (E)	2022-23 (B)	2022-23 (P)
Total Revenue	2008	2166	2520	2631	3286	3890	3509	4330	3898
Tax Revenue	1778	1943	2260	2208	2698	3460	3079	3880	3448
Non-Tax Revenue	230	223	260	423	588	430	430	450	450
Total Expenditure	2615	3044	3893	4154	4600	5868	5935	6710	6381
Revenue expenditure	1804	2020	2381	2548	2906	3615	3716	4114	4060
Development expenditure	811	1024	1512	1606	1694	2253	1872	2596	2321
overall balance	-607	-878	-1373	-1523	-1314	-1978	-2079	-2380	-2483
overall balance(including grant)	-598	-869	-1356	-1503	-1284	-1943	-2111	-2347	-2516
Financing									
External	79	73	330	471	487	1044	826	988	988
Grants	9	9	17	20	30	35	32	33	33
Loan	142	139	448	571	577	1122	918	1125	1125
Amortization	-72	-75	-135	-120	-120	-113	-124	-170	-170
Domestic	528	810	1043	1051	777	1135	1253	1463	1495
Bank	-85	117	295	817	327	765	1022	1063	1063
Non- bank	613	693	748	234	499	370	231	400	432
GDP	23243	26392	29514	31705	35302	39765	39765	45141	45141
Total Revenue/GDP	8.6	8.2	8.5	8.3	9.3	9.8	8.8	9.6	8.6
Tax/GDP	7.6	7.4	7.7	7.0	7.6	8.7	7.7	8.6	7.6
Revenue Expenditure/GDP	7.8	7.7	8.1	8.0	8.2	9.1	9.3	9.1	9.0
Development Expenditure/GDP	3.5	3.9	5.1	5.1	4.8	5.7	4.7	5.8	5.1
Total Expenditure/ GDP	11.3	11.5	13.2	13.1	13.0	14.8	14.1	14.9	14.1
Fiscal Deficit /GDP	-2.6	-3.3	-4.7	-4.8	-3.7	-5.0	-5.2	-5.3	-5.5

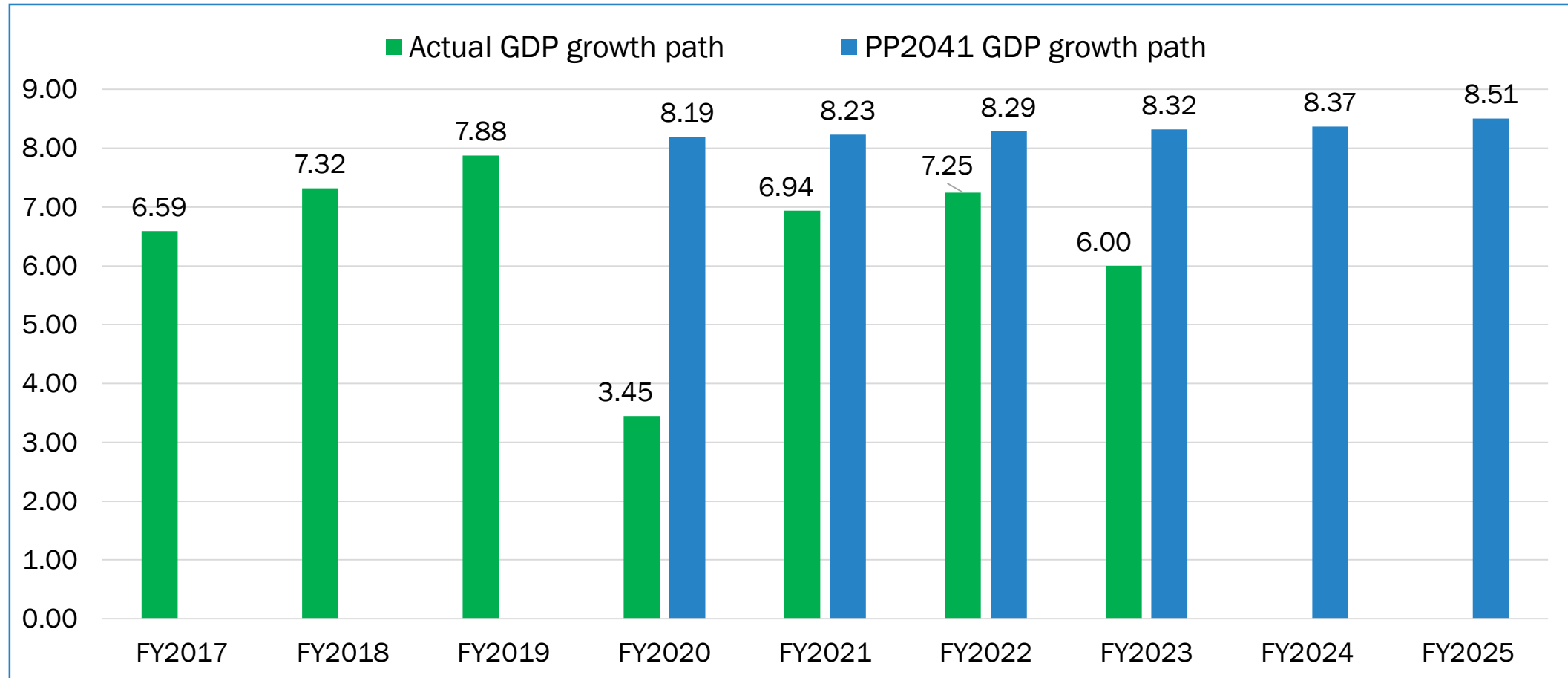
Source: Ministry of Finance, Monthly Fiscal Reports, and the Budget FY2023; B=Budget, E=estimated, P=Projected

TABLE 6: GROWING FISCAL VULNERABILITY OF PUBLIC DEBT

Fiscal Year (taka billion)	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 (E)	2022-23 (P)
Total revenue	2008	2166	2520	2631	3286	3509	3898
Total public debt (MLT)	6123	7186	8536	10062	11443	13510	15984
Foreign	2242	2751	3198	3748	2242	5006	5993
Domestic	3881	4435	5338	6314	3881	8504	9991
Fiscal deficit (% of GDP)	-2.6	-3.3	-4.7	-4.8	-3.7	-5.2	-5.5
Primary deficit (% of GDP)	-1.1	-1.7	-3.0	-3.0	-1.7	-3.4	-3.7
Interest cost (% of total revenue)	17.6	19.3	19.6	22.2	21.5	20.0	21.0
Public debt (% of total revenue)	305	332	339	382	348	385	410
Debt service (% of total revenue)*	58	50	56	62	81	56	61

*Source: Ministry of Finance *Total debt service data obtained from IMF Article 4 Debt Sustainability Analysis*

FIGURE 3: PP2041 GROWTH PATH AND ACTUAL GROWTH PATH (% PER YEAR)



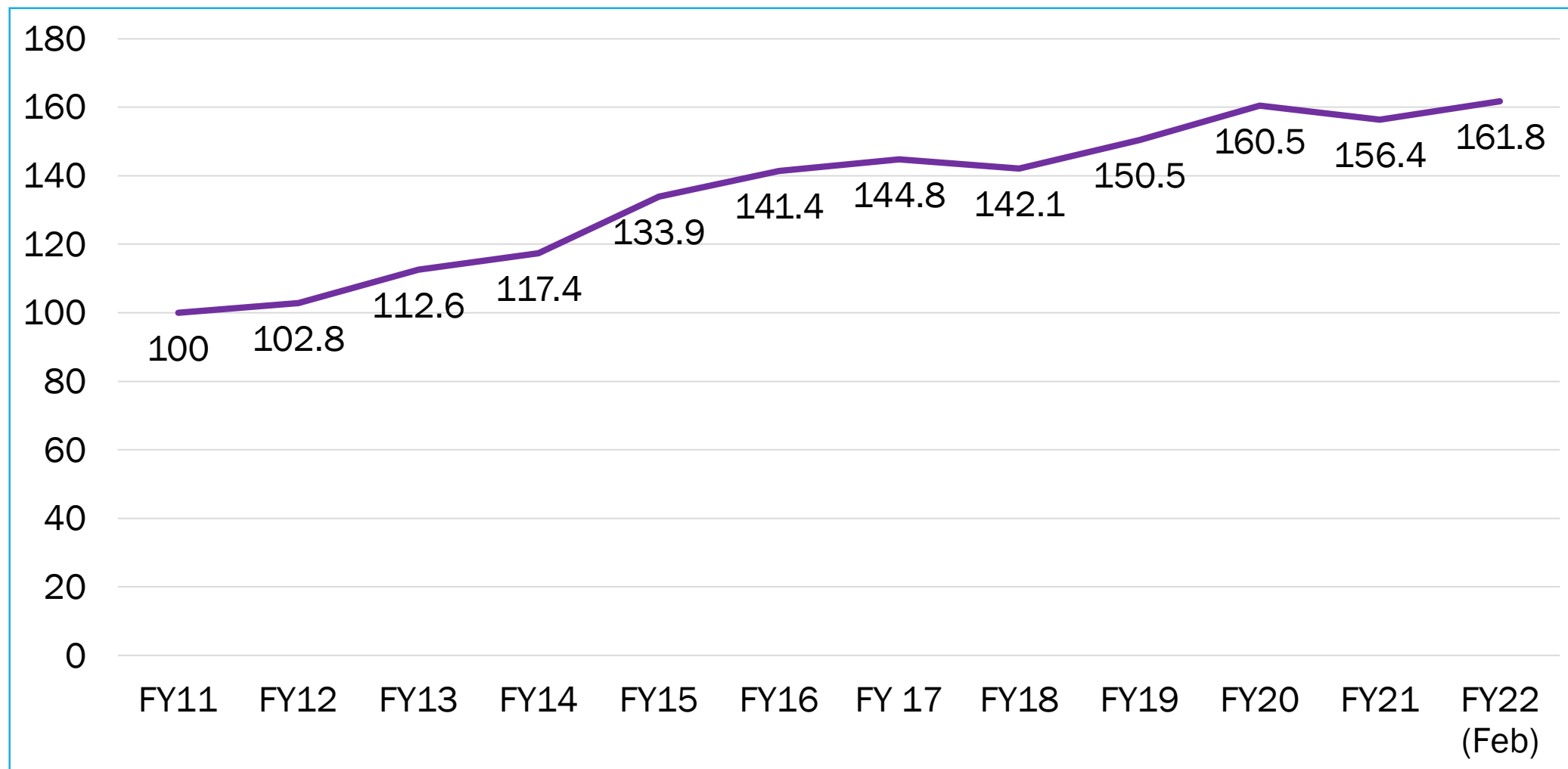
Source: BBS and Government of Bangladesh Perspective Plan 2041

TABLE 8: RECENT TREND IN CREDIT GROWTH

	June 2020- June 2021	June 2021- June 2022	Sept 2021-Sept 2022	March 2022- Sept 2022 (annualized)
Private Credit	8.2	13.5	13.9	14.0
Government Credit	22.2	27.3	28.5	48.6
Public Enterprise Credit	2.7	24.0	24.6	14.0
Total domestic credit	11.1	16.1	16.4	19.2

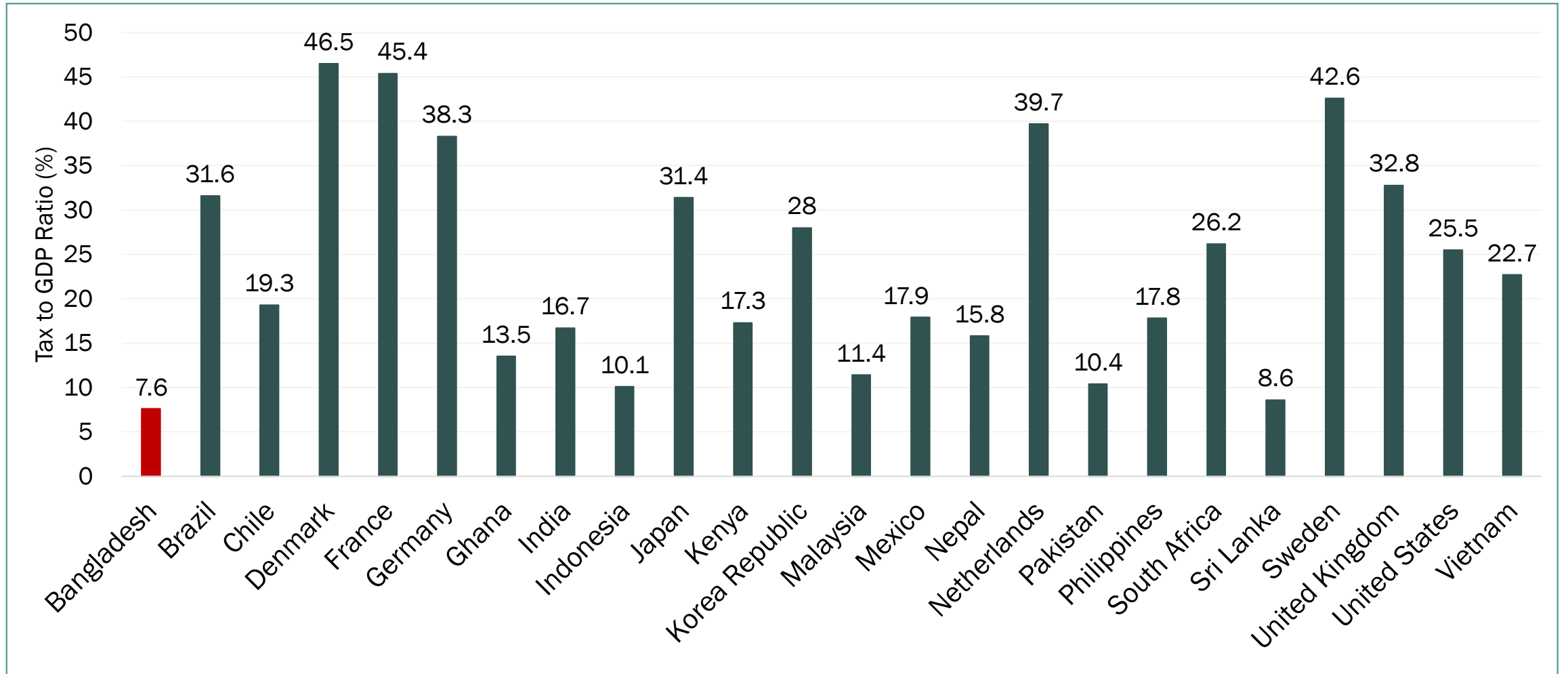
Source: Bangladesh Bank

Figure 4: Trend in Real Effective Exchange Rate (FY2011=100)



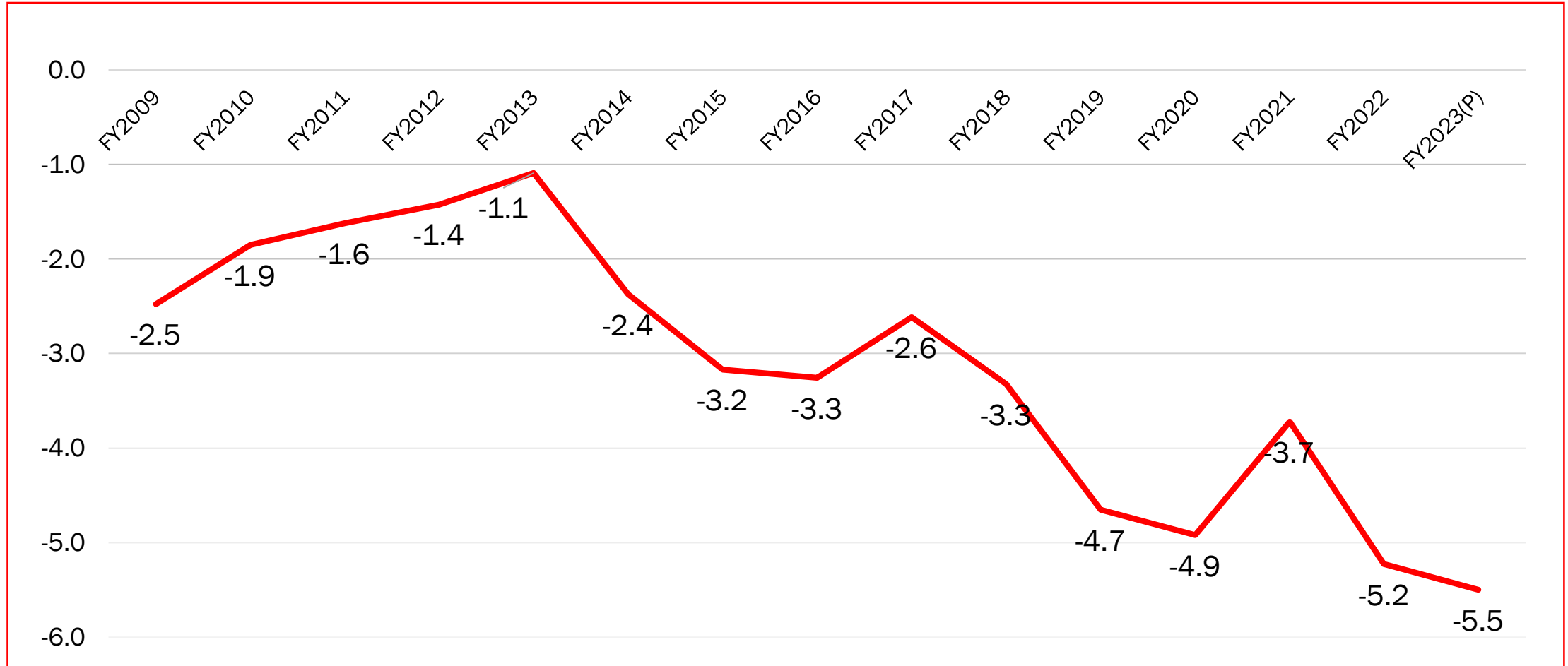
Source: Calculated from Bangladesh Bank data

Figure 5: Bangladesh Tax Performance in a Global Perspective (2021)



Source: *OECD Revenue Statistics 2021*

FIGURE 6: TREND IN FISCAL DEFICITS (% OF GDP)



Source: Ministry of Finance Monthly Fiscal Reports

TABLE 8: IMPACT OF FISCAL ADJUSTMENT ON SOCIAL SECTOR SPENDING

	FY2019	FY2020		FY2021		FY2022		FY2023	
(As % of GDP)	Actual	Budget	Actual	Budget	Actual	Budget	Estimated	Budget	Projected
Health	0.62	0.81	0.54	0.83	0.61	0.82	0.53	0.82	0.6
Education	1.67	1.93	1.65	1.88	1.71	1.81	1.45	1.83	1.64
Social protection Excluding civil service Pensions	1.01	0.98	0.92	0.94	0.81	0.90	0.78	0.86	0.74
Subsidy (including incentives & cash loans)	1.1	1.1	1.4	1.1	1.6	0.9	1.8	1.9	1.9

Source: Ministry of Finance, Monthly Fiscal Reports and Medium-Term Macro Policy Statements (MTMPS)