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# A Study on Economic Scenario of Bangladesh

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**ABSTRACT**

The economy of Bangladesh is a major developing market economy. As the second-largest economy in South Asia, Bangladesh's economy is the 37th largest in the world in nominal terms, and 25th largest by purchasing power parity. However the present study has conducted to identify the scenario of the economic condition of Bangladesh and to provide policy recommendations for the improvement of the economy of Bangladesh. The study was documentary analysis type. Information and data were collected from secondary sources. Information and data were collected from books, research reports, journals, different annual reports, different government and non government websites and different websites of different banks. From the result it was found that the Bangladesh is seen by various financial institutions as one of the Next Eleven. It has been transitioning from being a frontier market into an emerging market. Bangladesh is a member of the South Asian Free Trade Area and the World Trade Organization. In fiscal year 2021–2022, Bangladesh registered a GDP growth rate of 7.2% after the global pandemic. Bangladesh is one of the fastest growing economies in the world. Bangladesh experienced robust growth after the pandemic with macroeconomic stability, improvements in infrastructure, a growing digital economy, and growing trade flows. Tax collection remains very low, with tax revenues accounting for only 7.7% of GDP. Bangladesh's banking sector has a large amount of non-performing loans or loan defaults, which have caused a lot of concern. The private sector makes up 80% of GDP. The Dhaka Stock Exchange and Chittagong Stock Exchange are the two stock markets of the country. Most Bangladeshi businesses are privately owned small and medium-sized enterprises (SME) which make up 90% of all businesses. The amounts of nonperforming loans in different banks are huge. The amount of export is average but the amount of import is more than the export. For this reason the deficits in international trade balance. The amount of flow of foreign remittance is average. But it is a matter of sorrow that huge amount foreign exchange is going other developed countries of the world by illegal ways. The amount of foreign direct investment is also very few. Good governance in bank and financial institutions should be ensured. Accountabilities of the board of directors should be increased. Illegal and unethical interferences in banks and financial institutions should be stopped immediately. Exports should be increased. For this reason the number of goods and services of export items should be increased. Imports should be reduced. For this reason the people of the country should be motivated so that they can use the products of Bangladesh. Strong monitoring and supervisions systems should be developed so that foreign exchange cannot go other developed countries of the world by illegal ways. Foreign direct investment should be increased for this reason the foreign investors should be attracted by providing different facilities, tax exemptions, bureaucratic helps and many other facilities. Electricity and gas crisis is one of the most important obstacles of the economy of Bangladesh. For this reason government of Bangladesh should take immediate initiatives for adequate amount of electricity and gas.

**Key words:** *Economy, Bangladesh, Export, Import, Foreign direct invest, Remittance, Revenue, Tax, Sustainability, Development.*

# INTRODUCTION

Global Growth, Price Situation and Outlook 1.01 The world output growth severely tumbled in 2020 due mainly to recurrent shocks of COVID-19 and consequent supply chain disruptions during lockdown period in many countries across the world. Governments and central banks around the globe responded instantly to fight against the COVID-19 by adopting unprecedented relaxations in monetary policy and providing massive fiscal stimulus packages. Gradually governments worldwide endeavored to recover economic activities by maintaining safeguards instead of imposing back-to-back lockdowns. The governments in many countries also eased restrictions on cross border mobility for their advancement in coverage of vaccination programmes. Moreover, organizations like the World Bank, IMF, WTO and WHO have endorsed significant amount of funds to mitigate the repercussions of the pandemic. All of these efforts alongside worldwide vaccination drives appeared to be enormously helpful in pushing up the global economic growth into positive zone in 2021. The IMF in their latest World Economic Outlook (October 2021) has projected a sharp recovery of the world output growth at 5.9 percent in 2021. However, the future output growth momentum is not yet fully certain due to possibility of additional waves emanating from quick mutative natures of the Coronavirus together with global commodity price spirals. The IMF projections suggest that economic activities in the advanced economies especially in the USA have resumed fully in 2021 because of rapid vaccination against the COVID-19. The growth projections for the emerging markets and developing economies appear to have somewhat diversely improved in 2021 and full resumption of economic activities is anticipated to rely on improving the COVID-19 situation. Recovery of output in the US economy is estimated to be faster than that of the other major advanced economies. In the Euro Area including Germany, France, Italy and Spain, and also in Japan, UK and Canada, the growth performances are projected to be decent in 2021, though all of those countries excepting Canada experienced larger output losses in 2020 than that of their anticipated growth recoveries in 2021.

The output growth in the emerging markets and developing economies is projected to be 6.4 percent in 2021 mainly supported by high growth in China (8.0 percent) and India (9.5 percent), though Indian economy suffered a contraction of GDP by 7.3 percent in 2020 while China maintained a positive growth of 2.3 percent, as per the aforementioned IMF updates. The estimated growth performance of the advanced economies, particularly with regard to the Euro Area and the USA has significant impact on Bangladesh economy since these two regions are the top most export destinations of Bangladesh's commodities. At the same time, anticipated strong performances of emerging markets and developing economies particularly related to India and China are also very crucial because of their geographical proximity and as leading sources of Bangladesh's imports for achieving reasonably high growth in Bangladesh economy. The growth of World trade volume reduced drastically from a positive growth of 0.9 percent in 2019 to -8.2 percent in 2020 which is projected to rebound by 9.7 percent in 2021 concentrated mostly in pandemic related purchases, consumer durables and medical equipments and rehabilitation efforts. The growth of world trade volume may slightly decelerate to 6.7 percent in 2022. The growth rate of imports for advanced economies declined sharply from 2.0 percent in 2019 to -9.0 percent in 2020. The import growth may recover by 9.0 percent in 2021 and further by 7.3 percent in 2022. In emerging markets and developing economies, imports contracted by -0.9 percent in 2019 and by -8.0 percent in 2020, which is projected to increase significantly by 12.1 percent in 2021 and by 7.1 percent in 2022. Exports of the advanced economies plunged to -9.4 percent in 2020 from 1.2 percent in 2019 which is projected to increase by 8.0 percent in 2021 and by 6.6 percent in 2022. Exports of the emerging markets and developing economies declined sharply by -5.2 percent in 2020 from 0.4 percent in 2019 which is anticipated to increase by 11.6 percent in 2021 and by 5.8 percent in 2022.

**Table 1: World economic outlook projections for 2021 and 2022**

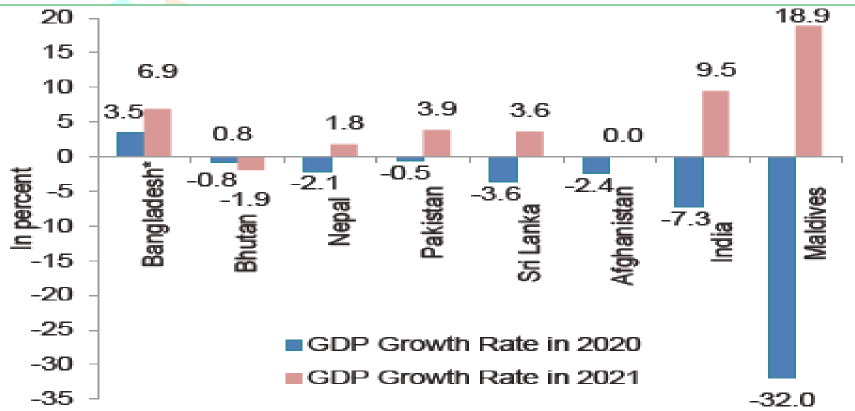
(Annual percentage change)

| | Actual | | Projections | |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| **World Output** | **2.8** | **-3.1** | **5.9** | **4.9** |
| **Advanced Economies** | **1.7** | **-4.5** | **5.2** | **4.5** |
| United States | 2.3 | -3.4 | 6.0 | 5.2 |
| Euro area | 1.5 | -6.3 | 5.0 | 4.3 |
| Germany | 1.1 | -4.6 | 3.1 | 4.6 |
| France | 1.8 | -8.0 | 6.3 | 3.9 |
| Italy | 0.3 | -8.9 | 5.8 | 4.2 |
| Spain | 2.1 | -10.8 | 5.7 | 6.4 |
| Japan | 0.0 | -4.6 | 2.4 | 3.2 |
| United Kingdom | 1.4 | -9.8 | 6.8 | 5.0 |
| Canada | 1.9 | -5.3 | 5.7 | 4.9 |
| Other Advanced Economies[1] | 1.9 | -1.9 | 4.6 | 3.7 |
| **Emerging Market and Developing Economies** | **3.7** | **-2.1** | **6.4** | **5.1** |
| Emerging and Developing Asia | 5.4 | -0.8 | 7.2 | 6.3 |
| China | 6.0 | 2.3 | 8.0 | 5.6 |
| ASEAN-5[2] | 4.9 | -3.4 | 2.9 | 5.8 |
| South Asia | | | | |
| Bangladesh | 8.2 | 3.5 | 4.6 | 6.5 |
| India[3] | 4.0 | -7.3 | 9.5 | 8.5 |
| Pakistan | 2.1 | -0.5 | 3.9 | 4.0 |
| Sri Lanka | 2.3 | -3.6 | 3.6 | 3.3 |
| **World Trade Volume (goods and services)** | **0.9** | **-8.2** | **9.7** | **6.7** |
| **Imports** | | | | |
| Advanced Economies | 2.0 | -9.0 | 9.0 | 7.3 |
| Emerging Market and Developing Economies | -0.9 | -8.0 | 12.1 | 7.1 |
| **Exports** | | | | |
| Advanced Economies | 1.2 | -9.4 | 8.0 | 6.6 |
| Emerging Market and Developing Economies | 0.4 | -5.2 | 11.6 | 5.8 |
| **Commodity Prices (U.S. dollars)** | | | | |
| Oil | -10.2 | -32.7 | 59.1 | -1.8 |
| Nonfuel (Average based on world commodity import weights) | 0.8 | 6.7 | 26.7 | -0.9 |
| **Consumer Prices** | | | | |
| Advanced Economies | 1.4 | 0.7 | 2.8 | 2.3 |
| Emerging Market and Developing Economies[4] | 5.1 | 5.1 | 5.5 | 4.9 |
| South Asia | | | | |
| Bangladesh | 5.5 | 5.6 | 5.6 | 5.7 |
| India | 4.8 | 6.2 | 5.6 | 4.9 |
| Pakistan | 6.7 | 10.7 | 8.9 | 8.5 |
| Sri Lanka | 4.3 | 4.6 | 5.1 | 6.2 |

[1] Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.
[2] Indonesia, Malaysia, Philippines, Thailand, Vietnam.
[3] Data and forecasts are presented on a fiscal year basis, and GDP from 2011 onward is based on GDP at market prices with FY12 as a base year.
[4] Excludes Venezuela.
Source: World Economic Outlook, October 2021, International Monetary Fund.

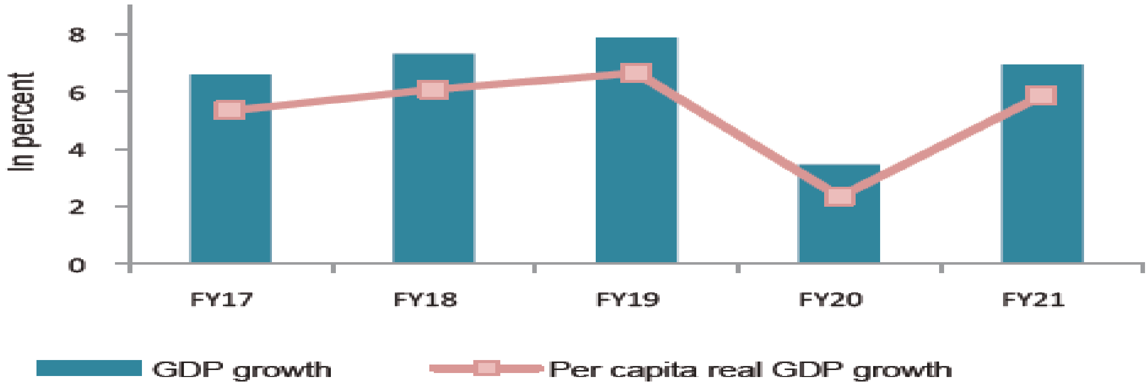
Global commodity prices, especially oil price, plummeted severely due to shutdown of economic activities because of widely spreading Coronavirus in 2020. The oil price has increased sharply in recent months in 2021. Non-fuel commodity prices are also projected to significantly increase in 2021. As a result, the global headline inflation in the advanced, emerging markets and developing economies are also anticipated to continue to increase in 2021 reflecting mainly the demand push factors and for commodity specific supply disruptions. Moreover, with a recent upturn of long-term interest rates in the advanced economies, the domestic currencies of the emerging markets and developing economies may face some depreciation pressures which may add burdens on overall inflation. The overall macroeconomic performances and prospects of the world economy immensely depend on the improvement of the existing pandemic and its successful prevention through implementation of public health related safety measures including rapid vaccination for the common people especially in the emerging markets and developing economies. However, some big sources of uncertainties till existed in the world economy. The first source of uncertainty is the emergence of more transmissible and deadlier SARS-CoV-2 and Omicron variants which can create a prolonged pandemic situation and may further pullback the economic activities. The second source of uncertainty lies in the persistence of supply-demand mismatches which may lead to rise in inflationary expectations due to price pressure. The third source of uncertainty rests on a set of factors comprising financial market volatility. A faster pace of vaccination can overcome the uncertainties and strengthen the economic recovery by boosting confidence of consumers and firms along with rising spending and investments. Besides, implementation of structural investment plan can lead to more robust near-term growth. According to IMF's Global Financial Stability Report of October 2021, extraordinary policy measures have eased financial conditions and supported the economy. Twelve months forward earning per share ratio have elevated with profitability exceeding the amount at pre-pandemic time in several economies. Expectation of low default rate has secured the credit quality in bond market. Households have received benefit from lower interest rate which has improved their financial position. The risk of defaulting mortgage and other consumer loans have decreased because of reduction of debt service ratios. Moreover, the ongoing economic recovery and robust global risk sentiment have boosted the flows of portfolio in emerging economies. And, banks have become resilient and continued to play an important role in enhancing credit flow to the economy. But actions taken during the pandemic may have unintended consequences such as stretched valuations and rising financial vulnerabilities. Besides, persistence of excess liquidity and low interest rate may prompt the volatility in financial market. In many economies the restriction in loan writing-off may constrain the growth of loan and a slowdown in international lending may pose a threat to emerging economies. Coordinated efforts of all the policy stakeholders will be the key to sustain the ongoing economic recovery. In this regard, the monetary authority should take prudential measure against unexpected price pressure in future while fiscal policy should be planned to assist vulnerable firms and households. In FY21, per capita real GDP and GNI are estimated at BDT 167579.94 and BDT 176400.54 respectively. However, per capita real GDP growth in FY21 was 5.86 percent which was almost double compared to the growth of FY20. During the same period, per capita nominal GDP and GNI were estimated at BDT 208751 (USD 2462) and BDT 219738 (USD 2591) respectively.

**Figure 1: Movements of Growth in South Asian Countries in 2020 and 2021**




Source: Bangladesh Bureau of Statistics and World Economic outlook, 2021, IMF

**Figure 2: Trends in Bangladesh's Real GDP Growth**




Source: Bangladesh Bureau of Statistics

## OBJECTIVES OF THE STUDY

**The Objectives of the Study are as follows:**

1. To identify the scenario of the economic condition of Bangladesh.
2. To provide policy recommendations for the improvement of the economy of Bangladesh.

## METHODOLOGY OF THE STUDY

The study was documentary analysis type. Information and data were collected from secondary sources. Information and data were collected from books, research reports, journals, different annual reports, different government and non government websites and different websites of different banks.

## RESULTS AND DISCUSSION

**Developments in the Bangladesh Economy:** Despite repeated waves of the COVID-19, Bangladesh economy has managed to return to the recovery phase aided by appropriate policies and 28 stimulus packages.

**Growth Performance of Bangladesh economy:** After recent rebasing from FY06 to FY16, BBS has calculated real GDP growth rate at 6.94 percent for FY21, which was 3.45 percent in FY20. The sectoral growth compositions are shown in Table 4.1 Agriculture sector contributed 12.07 percent to GDP in FY21 and growth of this sector declined from 3.42 percent in FY20 to 3.17 percent in FY21. During this period growth of all sub-sectors of agriculture decelerated. Forest and related services growth slowed by the highest extent among all agricultural sub-sectors, to 4.98 percent in FY21 from 5.34 percent in FY20. Industrial sector contributed 36.01 percent to GDP, and grew by 10.29 percent in FY21, higher than 3.61 percent in FY20. This growth was mainly supported by growth of manufacturing; mining and quarrying; electricity, gas, steam and air conditioning supply; and water supply, sewerage and waste management. On the other hand, the construction sub-sector recorded a lower growth of 8.08 percent compared to that of the previous year. Services sector accounted for the largest share of GDP. In FY21, 51.92 percent of GDP came from this sector, which was 52.54 percent in FY20. Service sector grew by 5.73 percent in FY21, much higher than 3.93 percent growth in FY20. Almost all components of services sector- such as, public administration and defense; wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; transportation and storage; and accommodation and food service activities experienced higher growth in FY21 than those of the previous year. On the demand side, private consumption grew by 8.02 percent underpinned by a record high inflow of remittances at USD 24.78 billion in FY21. Moreover, public consumption grew by 6.88 percent during the same period. As a result, total consumption spending grew by 7.92 percent, which contributed 5.70 percentage point to the total growth of GDP. Total investment grew by 8.09 percent and contributed to 2.59 percentage points to the GDP growth. The rest of GDP growth came mainly from the net exports (the value of exports minus the value of imports).

**Savings and Investment of Bangladesh:** Although the data report an expansion of investment in FY21 from the last year, total investment as percentage of GDP decreased to 31.02 percent in FY21 from 31.31 percent in FY20. Over the same period, the ratios of public investment to GDP stood at 7.32 percent registering a 3 basis points increase and private investment to GDP decreased to 23.70 percent from 24.02 percent. The data reports that gross national savings as percentage of GDP decreased to 30.79 percent in FY21 from 31.42 percent in FY20. However, domestic savings as percentage of GDP decreased by 174 basis points to 25.34 percent during the same period. Gross domestic savings and investment at current market price grew by 4.21 percent and 10.32 percent respectively resulting in an increase of domestic savings- investment gap as percentage of GDP to -5.68 percent in FY21 from -4.23 percent in FY20 (Fig. 4.1).

**Price Developments:** During the first four months of FY21, twelve-month average CPI inflation experienced an upward trend and reached to 5.77 percent in October 2020. Afterwards it started to decrease gradually and came down to 5.56 percent in June 2021, which was lower than 5.65 percent in June 2020. Although inflation decreased by 0.09 percentage points, it exceeded the targeted ceiling of 5.40 percent in FY21 (Figure 4.2). This lower general CPI inflation was the result of lowering non-food inflation. Food inflation increased while non-food inflation decreased in FY21 compared to the same period of the previous year.

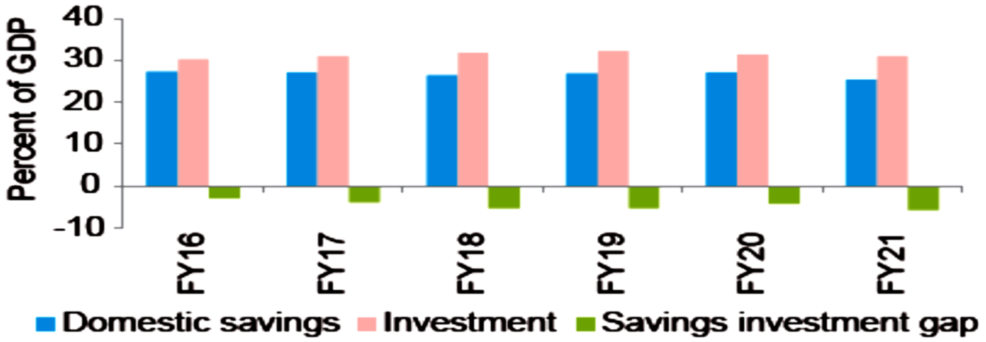
Table 2: Sectoral GDP growth in Bangladesh

(At FY16 constant prices)

| | FY17-FY21 (Average) | FY20 | FY21 |
|---|---|---|---|
| **1. Agriculture** | **3.16** | **3.42** | **3.17** |
| a) Crops and horticulture | 2.02 | 2.50 | 2.29 |
| b) Animal farming | 2.96 | 3.19 | 2.94 |
| c) Forest and related services | 5.11 | 5.34 | 4.98 |
| d) Fishing | 4.64 | 4.40 | 4.11 |
| **2. Industry** | **7.94** | **3.61** | **10.29** |
| a) Mining and quarrying | 8.75 | 3.16 | 6.49 |
| b) Manufacturing | 7.39 | 1.68 | 11.59 |
| i) Large industry | 7.06 | 0.41 | 10.61 |
| ii) Small, medium and micro industry | 8.10 | 2.69 | 13.89 |
| iii) Cottage industry | 6.14 | 3.67 | 10.27 |
| c) Electricity, gas, steam and air conditioning supply | 5.69 | 0.67 | 9.54 |
| d) Water supply, sewerage and waste management | 4.12 | 2.18 | 6.65 |
| e) Construction | 9.54 | 9.13 | 8.08 |
| **3. Services** | **5.92** | **3.93** | **5.73** |
| a) Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods | 7.12 | 3.21 | 7.64 |
| b) Transport and storage | 5.57 | 1.73 | 4.04 |
| c) Accommodation and food service activities | 4.83 | 1.69 | 4.53 |
| d) Information and Communication | 7.19 | 6.57 | 7.11 |
| e) Financial and Insurance Activities | 6.25 | 4.72 | 5.82 |
| f) Real estate activities | 3.55 | 3.68 | 3.42 |
| g) Professional, scientific and technical activities | 4.15 | 3.38 | 5.09 |
| h) Administrative and support service activities | 6.93 | 6.33 | 6.02 |
| i) Public administration and defence | 7.60 | 5.49 | 6.05 |
| j) Education | 6.09 | 5.33 | 5.81 |
| k) Human health and social work activities | 10.62 | 10.70 | 10.60 |
| l) Arts, entertainment and recreation | 5.38 | 5.43 | 5.76 |
| m) Other service activities | 3.15 | 3.06 | 3.08 |
| **GDP (at constant market price)** | **6.13** | **3.45** | **6.94** |

Source: Bangladesh Bureau of Statistics

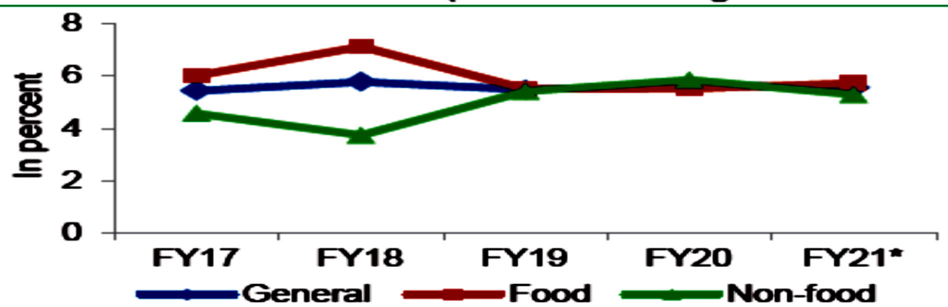
**Figure 3: Trends in domestic savings and investment**




Source: Bangladesh Bureau of Statistics and Bangladesh Bank

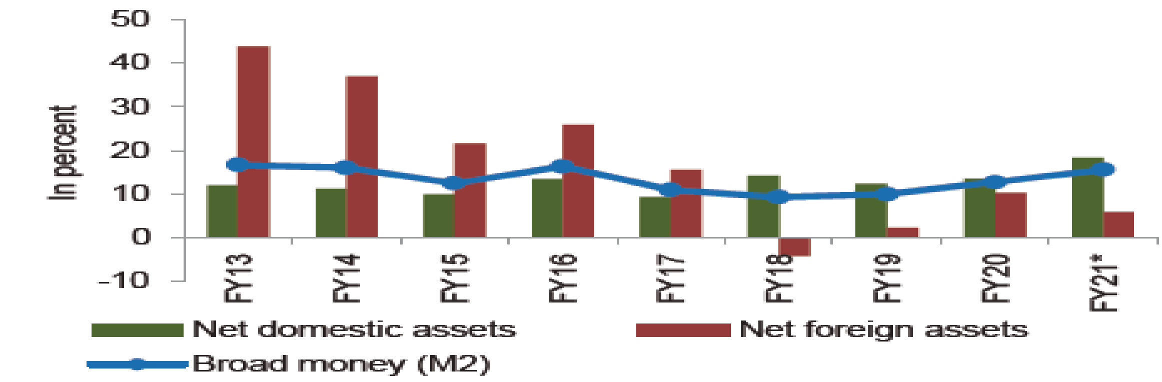
**Figure 4: Trends in national CPI inflation**

(12-month average : base FY06=100)



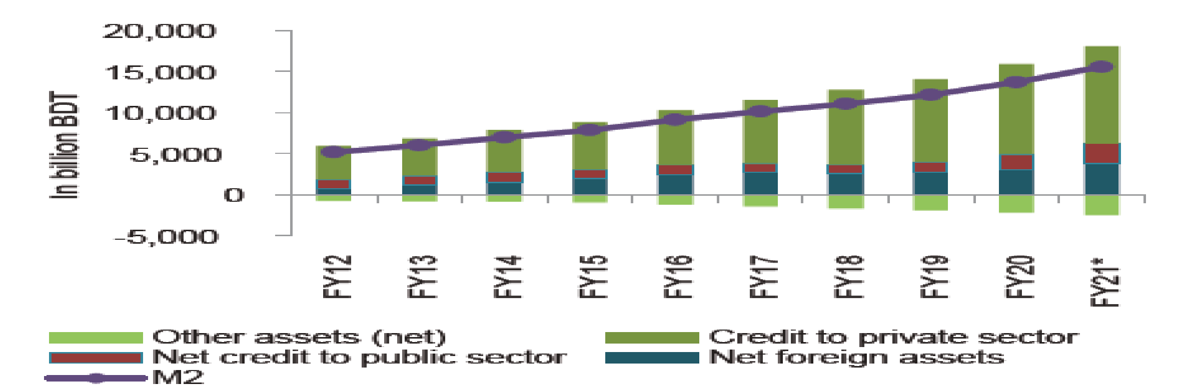

Source: Bangladesh Bureau of Statistics and Bangladesh Bank

**Figure 5: Trends in growth of monetary aggregates**




Source: Monetary Policy Department, Bangladesh Bank

**Figure 6: Trends in source of broad money**



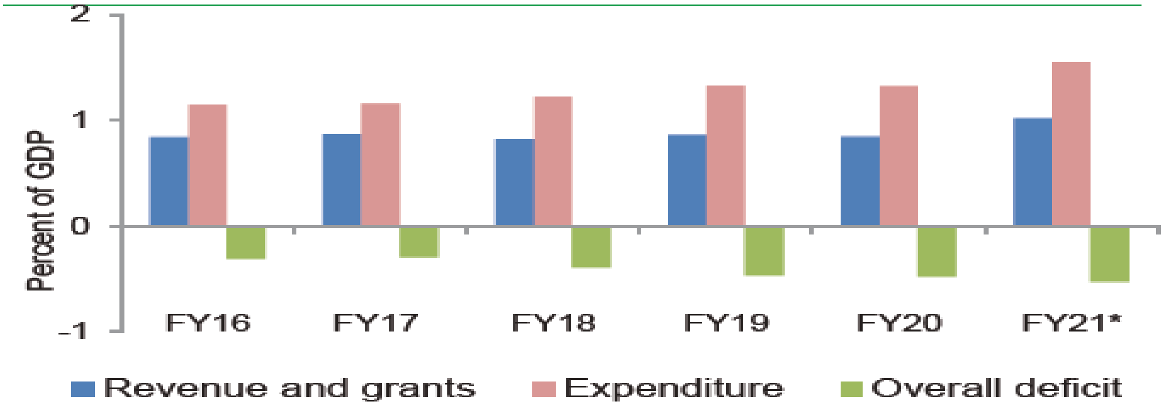

Source: Bangladesh Bureau of Statistics and Bangladesh Bank

With some fluctuations, food inflation increased to 5.73 percent in June 2021 from 5.52 percent in June 2020 while non-food inflation decreased significantly to 5.29 percent from 5.85 percent during the same period. The sharp pace of decline in non-food inflation (0.56 percentage points) and the slow pace of increase in food inflation (0.21 percentage points) indicated that inflationary pressure decreased in FY21, though this opposite direction of food and non-food inflation may completely be reversed in FY22 especially owing to recent upsurge of global oil price.

**Money and Credit Developments of Bangladesh**

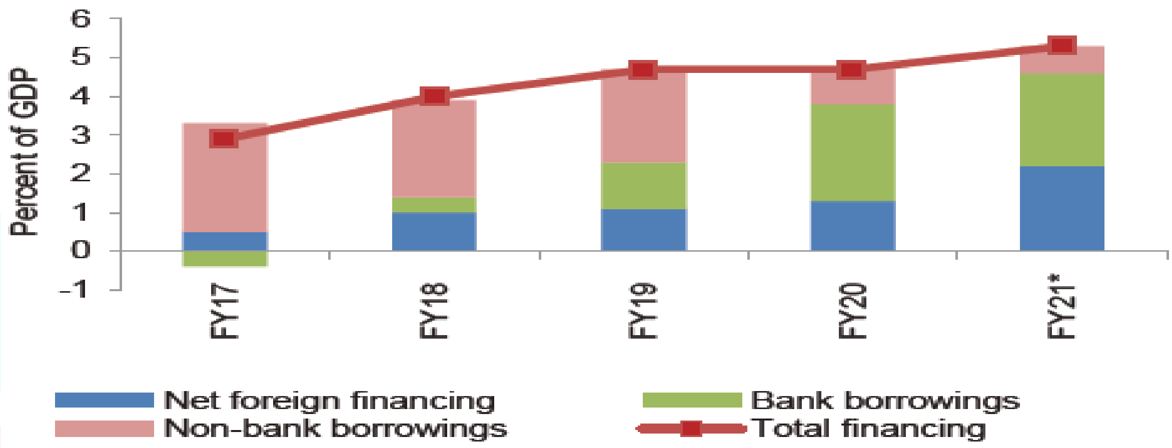
In FY21, Bangladesh Bank's monetary and financial policies continued to prioritize economic recovery from the COVID-19 pandemic, while ensuring stable production growth and maintaining price stability. During this period, monetary policy aimed at ensuring adequate measures for complementing recovery process of the economy and inflation targets. As a result of policy initiatives taken by the government of Bangladesh and Bangladesh Bank, economy witnessed a strong recovery track during the first three quarters of FY21. However, due to increased rate of Coronavirus infection and associated containment measures, the recovery process became weaker in the last quarter. While the country was dealing with the first wave of the pandemic, Bangladesh Bank reduced repo rate by 50 basis points to 4.75 percent in July 2020 from 5.25 percent. Meanwhile, CRR on bi-weekly average and daily basis were kept unchanged at 4.0 percent and 3.5 percent respectively in FY21. Due to BB’s expansionary and accommodative monetary policy stance, broad money (M2) growth accelerated in FY21 to 13.61 percent from 12.66 percent in FY20 but remained slightly short of the FY21 monetary policy programmed ceiling of 15.0 percent. The growth in broad money was driven by growth in net domestic assets (NDA) and net foreign assets (NFA) during FY21. Net domestic asset (NDA) grew by 9.74 percent in FY21 against the target growth of 13.58 percent and 13.38 percent actual growth in FY20 (Figure 4.3). Net foreign assets increased by 27.45 percent in FY21 against the programmed growth of 20.10 percent mainly due to record level of foreign exchange reserve of USD 46.4 billion. On May 2023 foreign exchange reserve of Bangladesh stood USD 29.85 billion.

**Figure 7: Trends in revenue, expenditure and overall budget deficit**



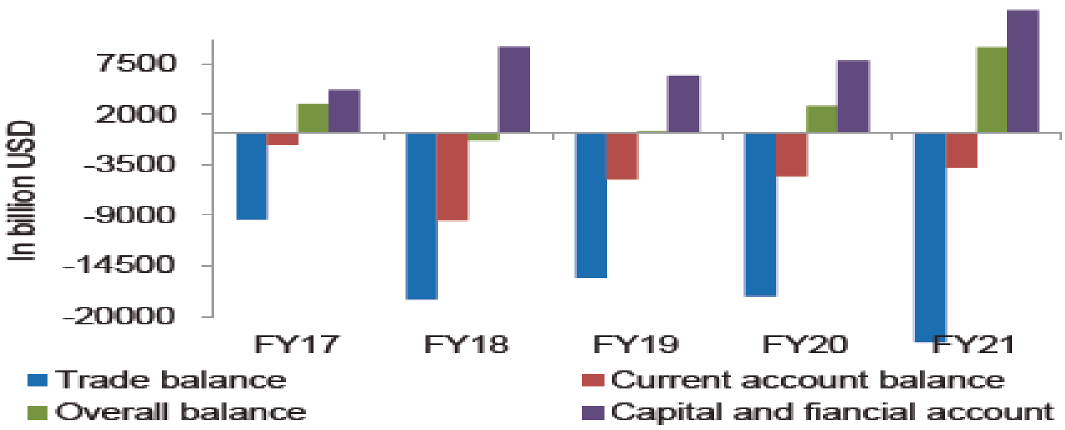

Source: Ministry of Finance, * = revised budget

**Figure 8: Trends in deficit financing**




Source: Ministry of Finance, * = revised budget

**Figure 9: Trends in balance of payment**




Source: Statistics Department, Bangladesh Bank

Domestic credit grew by 10.32 percent, lower than the targeted growth of 17.38 percent for FY21 and even lower than the actual growth of 13.66 percent in FY20, mainly caused by the substantial decrease of credit flow to both the public and private sectors from the banking system because of the pandemic situation of COVID-19. Private sector credit grew by 8.37 percent in FY21, much lower than the targeted growth of 14.80 percent for FY21 and actual growth of 8.61 percent in FY20. However, the lower growth in credit to private sector might be attributed from the uncertainties created by COVID-19 along with banks' adherence towards quality credit. Sources of broad money are shown in figure 4.9. Reserve Money (RM) grew by 22.41 percent, higher than the programmed growth of 13.50 percent for FY21, and much higher than the actual growth of 15.67 percent recorded in FY20. Reserve money growth exceeded the programmed level mainly because of higher growth of net foreign assets (NFA) than targeted growth. At the end of FY21, the weighted average interest rate on bank advances decreased to 7.33 percent from 7.95 percent in FY20. The weighted average interest rate on deposits decreased to 4.13 percent at the end of FY21 from 5.06 percent at the end of FY20. As the decrease in interest rate on deposit was higher than the decrease in interest rate on advance, the interest rate spread went up to 3.20 percent from 2.89 percent during the same period.

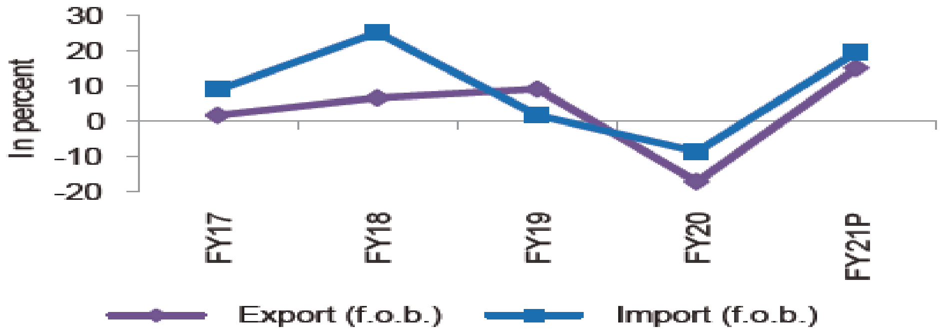
**Public Finance**

Overcoming all the challenges and impacts of COVID-19 and bringing the economy to its growth trajectory had been the spotlight of government's fiscal policy in FY21. The 8th Five Year Plan (July 2020-June 2025) was adopted by the government in this financial year so that it can act as recovery strategies against the pandemic. The budget aims to optimally mobilize public resources to attain sustainable and inclusive growth. To this end in the national budget for FY21, government calculated an overall deficit (including grants) of 5.2 percent of GDP, which was 4.8 percent of GDP in FY20. The deficit was largely financed by domestic sources, contribution of which decreased slightly to 3.2 percent of GDP in FY21 from 3.4 percent of GDP in FY20. The government's financing from banking system decreased from 2.5 percent of GDP in FY20 to 2.2 percent of GDP in FY21, while financing from non-bank sources increased from 0.9 percent to 1.0 percent of GDP over the same period (Figure 4.9). The revised target of revenue collection for FY21 was 7.0 percent lower than the initial target, but 32.2 percent higher than the actual revenue receipts in FY20. Total revenue-GDP ratio decreased to 10.7 percent in FY21 which was 10.9 percent in the original budget for FY21, but remained remarkably higher than 8.4 percent in FY20. Public expenditure as percentage of GDP increased from 13.3 percent in FY20 to 16.1 percent in FY21. The volume of public expenditure grew by 28.3 percent in FY21 revised budget from FY20. Recurrent expenditure in FY21 revised budget stood at 8.8 percent of GDP which was 7.5 percent in FY20.

**External Sector**

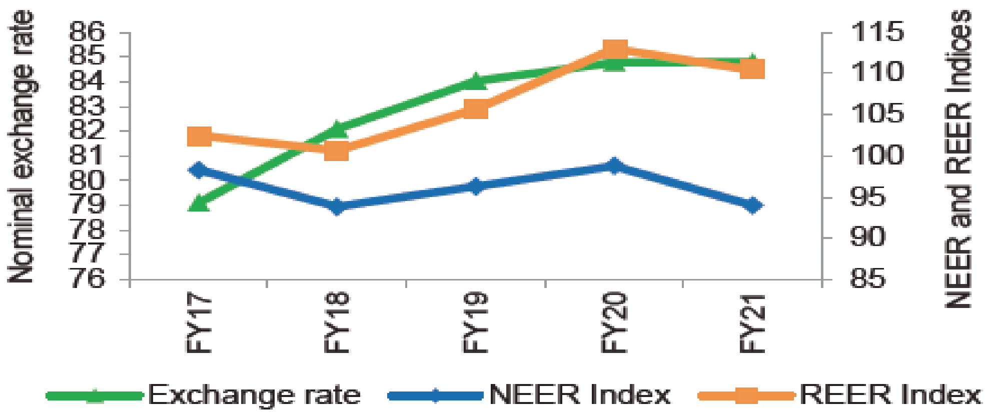
In FY21, imports grew by a larger margin than exports. Exports (f.o.b) grew by 15.4 percent while imports (f.o.b) growth was 19.7 percent. The total exports (f.o.b) in FY21 stood at USD 37,882 million, which was USD 32,832 million in FY20. On the other hand, the total imports (f.o.b) were USD 60,681 million in FY21 against the USD 50,690 million in FY20. As a result, the trade deficit widened and was recorded USD 22,799 million in FY21, which was USD 17,858 million in FY20. However, supported by a record highest inflow of workers' remittances current account balance narrowed down and stood at USD (-)3,808 million in FY21 which was USD (-) 4,724 million in FY20. Workers' remittances inflow grew significantly by 36.1 percent and stood at USD 24,778 million in FY21, which was USD 18,205 million in FY20. In FY21, there was a huge improvement in overall balance of payments which stood surplus at USD 9,274 million much higher than FY20's surplus of USD 3,169 million. This surplus was mainly attributable to the higher inflow of trade credit as well as other long term and short-term loans (net) along with a relatively small current account deficit supported by a very higher inward remittances growth as mentioned earlier. According to Export Promotion Bureau (EPB) data, FY21 export earnings increased by 15.1 percent, while in the preceding year export earnings shrank by 16.9 percent. Export as percentage of GDP marginally decreased to 9.4 percent in FY21 compared with 10.4 percent in FY20. In FY21, almost all exports items experienced remarkable growth except shrimp, other frozen and live fish, vegetables, petroleum bi-products, and ships, boats and floating structures, while these items experienced negative growth during the period under review. Import (f.o.b) increased by 19.7 percent in FY21 against 8.6 percent decline in FY20 (Figure 4.10). Import as percentage of GDP stood at 14.6 percent in FY21, while it was 13.6 percent in FY20. Import of food grains, mainly rice, and crude petroleum rose sharply in FY21.

**Figure 10: Trends in export and import growth**



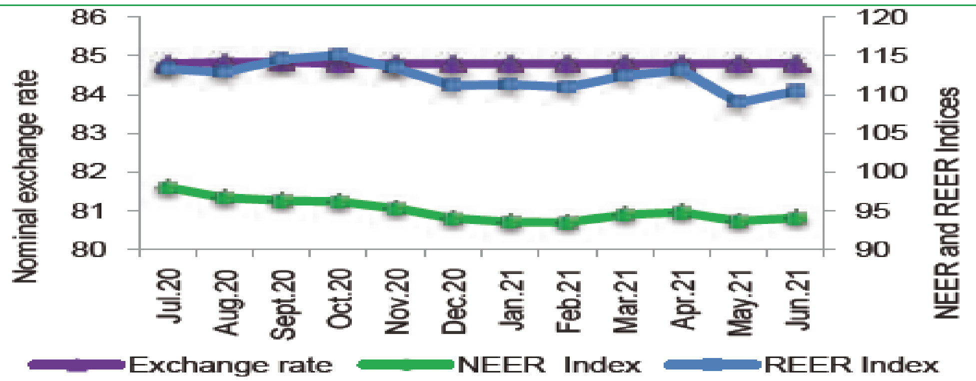

Source: Statistics Department, Bangladesh Bank, p= Provisional

**Figure 11: Trends in NEER and REER indices**




Source: Monetary Policy Department, Bangladesh Bank. Note: for NEER and REER base is FY 16=100, based on 15 currency basket.

**Figure 12: Recent movements in NEER and REER indices**




Source: Monetary Policy Department, Bangladesh Bank, for NEER and REER base is FY 16=100, based on 15 currency basket.

Other major import items which increased significantly during this period includes POL, fertilizer, yarn, pharmaceutical products, other capital goods, and plastics and rubber articles thereof. On the other hand, import of staple fiber, and iron, steel and other base metals suffered drastic fall during the period under review. Gross international foreign exchange reserves stood at USD 46,391 million at the end of June 2021 covering 7 months of prospective import payments. On May 2023 foreign exchange reserve of Bangladesh stood USD 29.85 billion. Workers' remittance inflows which grew by 36.1 percent were the main contributor to foreign exchange reserves. In FY21, foreign exchange market remained relatively stable due to BB's active intervention through the sale and purchase of USD from foreign exchange market. For this purpose, BB sold USD 235 million, while purchased USD 7937 million during FY21. Consequently, annual average exchange rate stood at BDT 84.81 per USD in June 2021, slightly higher than BDT 84.78 per USD in June 2020 indicating stability in nominal exchange rate. The nominal effective exchange rate (NEER) index calculated using trade weighted 15-currency basket (base: FY16=100) decreased by 4.8 percent in FY21. Similarly, the real effective exchange rate (REER) index decreased by 2.7 percent in the same financial year (Figure 4.11 and 4.12), indicating some-what appreciation pressure on BDT against the trade partners' currencies. The outstanding external debt stock of government increased from USD 44,095.1 million at the end of FY20 to USD 49,457.7 million at the end of FY21. The government outstanding external debt to GDP ratio increased from 13.6 percent in FY20 to 13.9 percent in FY21.

**Near and Medium-Term Outlook for Bangladesh Economy**

1.34 After being severely affected by COVID-19 pandemic in FY20, the economy of Bangladesh showed nascent signs of recovery backed by reopening of factories, rebound in exports, strong remittance inflows and robustness in service sector over the first three quarters of FY21. The livelihood of people was restored gradually along with improvement of food security in poor and slum areas. Considering the gradual recovery of the ongoing pandemic situation, the government has set a target of real GDP growth at 7.2 percent for FY22. This growth outlook is underpinned by how fast mass vaccination as well as strong recovery process can be achieved. However, during the last quarter of FY21, the economy of Bangladesh further revolved around the unpleasant outcome of COVID-19, when economic activities were badly disrupted as consequence of back-to-back restrictions announced by the government. Nevertheless, the COVID-19 management programme at the national level emerged as a key driving force underpinning recovery of Bangladesh economy in near term. Despite slowdown of growth due to severe impact of COVID-19, the economy of Bangladesh steadily recovered over FY21. The government took some prudential measures to put the economy on the growth track. The growth of export-oriented industries and service sector was higher compared with that of the same period of the preceding financial year. The government's stimulus and social safety packages contributed to the early recovery and was considered as the dominant factor to keep the economy alive in the upcoming periods. The scenario of industrial sector, especially apparel production, has also improved because of the re-installation of earlier suspended international orders and new orders to come in the first half of FY21 and in the first quarter of FY22. Relying on the ongoing global COVID-19 containment and economic recovery measures, many international organizations including the World Bank, IMF and ADB have already upgraded their growth forecasts for the World economies including Bangladesh in their latest economic updates. The recent sectoral trends suggest that the government's real GDP target for FY22 can be achieved subject to improving the COVID-19 situation with no major external or internal shocks. The average inflation rate came down to 5.56 percent in FY21 from 5.65 percent in FY20 because of restrained pressure from demand side, moderate agricultural production along with coordinated fiscal and monetary policies. However, the targeted ceiling of average inflation rate was 5.4 percent for FY21 which was not met because of upward inflationary pressure of food components. In this backdrop, the government has adopted several necessary steps to increase food stock from domestic and international sources. Accordingly, the government has set the target of average inflation rate for FY22 at 5.3 percent. However, excess liquidity stemming from the stimulus packages may engender inflationary bubbles in the upcoming months where strong vigilance will be required.

BB has announced its monetary policy stance (MPS) for FY22. The stance is essentially expansionary and accommodative for all growth supportive needs while ensuring inflation target as well. The prime objectives of the MPS FY22 are to support investment and employment generating activities and create enabling conditions for the businesses to normalize production and supply chains. The MPS undertakes a strategy to provide adequate financial support to the priority sectors and to ensure required funds in the system through various policy options. To mitigate the impact of the COVID-19 pandemic and to ensure safety of the mass people, Bangladesh began to administer COVID-19 vaccination since January 2021. As per latest available information of the Directorate General of Health Services of Bangladesh, more than 42 million people got at least two doses of vaccines up to 10 December 2021. The government kept working on the ongoing mass vaccination program to bring the whole population in vaccinated zone by June 2022. There have been signs of visible improvement in terms of management of the pandemic and economic recovery. However, the rapid mutation of the Coronavirus is still posing serious risk to a complete recovery.

**Sectoral Growth Rate of GDP:** The growth matrix delineates that, the process of gradual acceleration of economic growth drive was led by industry sector, which was followed by services sector and agriculture sector in FY21.

**1. Agriculture Sector:** 2.04 The growth of agriculture sector decreased to 3.17 percent in FY21 from 3.42 percent in FY20. The growth of forest and related services subsector declined sharply and the growths of all other subsectors of agriculture decreased moderately during the period under review. Among the subsectors, although the growth of forest and related services subsector declined to 4.98 percent in FY21 from 5.34 percent in FY20, still it was the highest growth compared to the growth of other subsectors of agriculture. Moreover, growth in animal farming, and fishing subsectors also fell from 3.19 and 4.40 percent in FY20 to 2.94 and 4.11 percent respectively in FY21.

**2. Industry Sector:** Even though the economy faced tremendous challenges because of pandemic situation of Coronavirus, the industry sector, constituting more than one-third of gross value-added (GVA) in the economy, grew by 10.29 percent in FY21, almost triple from 3.61 percent in FY20. Growth in the industry sector was highly underpinned by the external demand which was mostly reflected in export proceeds that increased by 13.7 percent in FY21. Among the subsectors, mining and quarrying; water supply, sewerage and waste management; manufacturing; and electricity, gas, steam and air conditioning supply subsectors experienced growth of 6.49, 6.65, 11.59 and 9.54 percent respectively in FY21, which were 3.16, 2.18, 1.68 and 0.67 percent respectively in FY20. All of the three manufacturing subsectors, large industry; small, medium and micro industry; and cottage industry registered higher growth of 10.61, 13.89 and 10.27 percent in FY21 from 0.41, 2.69 and 3.67 percent respectively in FY20. Growth of construction subsector dropped to 8.08 percent in FY21 from 9.13 percent in FY20.

**Figure 13: Trends in Sectoral Growth**


Source: Bangladesh Bureau of Statistics

**Table 3: Sectoral Growth Rate of GDP**

(Base Year: FY16)

| | FY19 | FY20 | FY21 |
|---|---|---|---|
| **1. Agriculture** | **3.26** | **3.42** | **3.17** |
| a) Crops and horticulture | 2.07 | 2.50 | 2.29 |
| b) Animal farming | 3.01 | 3.19 | 2.94 |
| c) Forest and related services | 5.13 | 5.34 | 4.98 |
| d) Fishing | 4.99 | 4.40 | 4.11 |
| **2. Industry** | **11.63** | **3.61** | **10.29** |
| a) Mining and quarrying | 11.31 | 3.16 | 6.49 |
| b) Manufacturing | 12.33 | 1.68 | 11.59 |
| i) Large industry | 12.79 | 0.41 | 10.61 |
| ii) Small, medium and micro industry | 10.61 | 2.69 | 13.89 |
| iii) Cottage industry | 14.17 | 3.67 | 10.27 |
| c) Electricity, gas, steam and air conditioning supply | 8.24 | 0.67 | 9.54 |
| d) Water supply, sewerage, and waste management | 6.31 | 2.18 | 6.65 |
| e) Construction | 10.47 | 9.13 | 8.08 |
| **3. Service** | **6.88** | **3.93** | **5.73** |
| a) Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods | 8.85 | 3.21 | 7.64 |
| b) Transport and storage | 7.01 | 1.73 | 4.04 |
| c) Accommodation and food service activities | 5.64 | 1.69 | 4.53 |
| d) Information and Communication | 7.36 | 6.57 | 7.11 |
| e) Financial and Insurance Activities | 8.25 | 4.72 | 5.82 |
| f) Real estate activities | 3.61 | 3.68 | 3.42 |
| g) Professional, scientific and technical activities | 4.17 | 3.38 | 5.09 |
| h) Administrative and support service activities | 8.17 | 6.33 | 6.02 |
| i) Public administration and defence | 6.49 | 5.49 | 6.05 |
| k) Education | 7.06 | 5.33 | 5.81 |
| l) Human health and social work activities | 12.20 | 10.70 | 10.60 |
| m) Arts, entertainment and recreation | 5.48 | 5.43 | 5.76 |
| n) Other service activities | 3.27 | 3.06 | 3.08 |
| **Total GVA at constant basic price** | **8.01** | **3.76** | **7.00** |
| **GDP (at constant market price)** | **7.88** | **3.45** | **6.94** |

Source: Bangladesh Bureau of Statistics Provisional data on quantum index (base: FY06 = 100) of industrial production (QIIP) of FY21 showed a growth of 17.75 percent which was higher than the growth of the same period of preceding year. Manufacture of electrical equipment, leather and related products, beverage products, fabricated metal products except machinery, printing and reproduction of recorded media, coke and refined petroleum products, wood and products of wood and cork, manufacture of furniture, wearing apparel, pharmaceuticals and medicinal chemical, food products; and manufacture of textile grew by 225.62, 88.91, 74.52, 55.68, 31.82, 27.91, 24.46, 23.69, 15.99, 14.13, 12.22 and 9.85 percent respectively in FY21. One the other hand, manufacture of motor vehicle, trailers and semi-trailers; other transport equipment, paper and paper products, rubber and plastic products; and tobacco products declined by 29.86, 22.01, 9.77, 6.26 and 2.84 percent respectively in FY21 compared to the same period of previous year.

**3. Services Sector:** 2.08 In the presence of continuous threat from the COVID-19 pandemic, the service sector, comprising more than half of gross value added (GVA), bounced back to recovery phase in FY21 with a growth of 5.73 percent against 3.93 percent in FY20. Within the sector, a large growth impulse in FY21 primarily came from human health and social work activities; and information and communication. Among various sub-sectors of services, human health and social work activities; wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods; information and communication; public administration and defence; administrative and support service activities; financial and insurance activities; education; arts, entertainment and recreation; professional, scientific and technical activities; accommodation and food service activities; transport and storage; and real estate activities registered the growth of 10.60, 7.64, 7.11, 6.05, 6.02, 5.82, 5.81, 5.76, 5.09, 4.53, 4.04 and 3.42 percent in FY21 which were 10.70, 3.21, 6.57, 5.49, 6.33, 4.72 ,5.33, 5.43, 3.38, 1.69, 1.73 and 3.68 percent respectively in FY20 (Table 4.4).

**Sectoral Share of GDP:** The sectoral decomposition of the share of GDP exhibits that following previous years trend, services sector remained the largest contributor to GDP followed by industry and agriculture sector. The services sector' share in GDP stood at 51.92 percent in FY21 which was 52.54 percent in the preceding year. Among the subsectors of service, the shares of transport and storage; public administration and defense; financial and insurance activities; education; real estate activities; accommodation and food service activities; administrative and support service activities; arts, entertainment and recreation; and other service activities marginally went down from 7.65, 3.56, 3.26, 2.71, 8.68; 1.12, 0.74; 0.15 and 5.03 percent respectively in FY20 to 7.44, 3.52, 3.22, 2.68, 8.39; 1.09, 0.73; 0.14 and 4.85 percent respectively in FY21.

Table 4: Sectoral Share of G DP

(Base Year: FY16)

| | FY19 | FY20 | FY21 |
|---|---|---|---|
| **1. Agriculture** | **12.56** | **12.52** | **12.07** |
| a) Crops and horticulture | 6.04 | 5.96 | 5.70 |
| b) Animal farming | 2.07 | 2.06 | 1.98 |
| c) Forest and related services | 1.76 | 1.78 | 1.75 |
| d) Fishing | 2.70 | 2.71 | 2.64 |
| **2. Industry** | **34.99** | **34.94** | **36.01** |
| a) Mining and quarrying | 1.93 | 1.91 | 1.91 |
| b) Manufacturing | 22.86 | 22.40 | 23.36 |
| i) Large industry | 11.81 | 11.43 | 11.81 |
| ii) Small, medium and micro industry | 7.11 | 7.04 | 7.49 |
| iii) Cottage industry | 3.94 | 3.94 | 4.06 |
| c) Electricity, gas, steam and air conditioning supply | 1.26 | 1.22 | 1.25 |
| d) Water supply, sewerage and waste management | 0.10 | 0.10 | 0.10 |
| e) Construction | 8.85 | 9.31 | 9.40 |
| **3. Service** | **52.45** | **52.54** | **51.92** |
| a) Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods | 15.05 | 14.97 | 15.06 |
| b) Transport and storage | 7.80 | 7.65 | 7.44 |
| c) Accommodation and food service activities | 1.14 | 1.12 | 1.09 |
| d) Information and Communication | 1.26 | 1.29 | 1.29 |
| e) Financial and Insurance Activities | 3.23 | 3.26 | 3.22 |
| f) Real estate activities | 8.69 | 8.68 | 8.39 |
| g) Professional, scientific and technical activities | 0.18 | 0.18 | 0.18 |
| h) Administrative and support service activities | 0.72 | 0.74 | 0.73 |
| i) Public administration and defence | 3.50 | 3.56 | 3.52 |
| k) Education | 2.67 | 2.71 | 2.68 |
| l) Human health and social work activities | 3.01 | 3.21 | 3.32 |
| m) Arts, entertainment and recreation | 0.14 | 0.15 | 0.14 |
| n) Other service activities | 5.07 | 5.03 | 4.85 |
| **Total GVA at constant basic price** | **100.00** | **100.00** | **100.00** |

Source: Bangladesh Bureau of Statistics

On the other hand, the share of wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; and human health and social work activities slightly increased from 14.97 and 3.21 percent respectively in FY20 to 15.06 and 3.32 percent respectively in FY21. However, the share of information and communication; and professional, scientific and technical activities remained unchanged at 1.29 and 0.18 percent respectively during the same period (Table). The contribution of the industry sector to GDP increased from 34.94 percent in FY20 to 36.01 percent in FY21. Among the subsectors of industry, the shares of manufacturing; electricity, gas, steam and air conditioning supply; and construction increased slightly from 22.40, 1.22 and 9.31 percent in FY20 to 23.36, 1.25 and 9.40 percent in FY21. However, the share of mining and quarrying; and water supply, sewerage, and waste management subsector remain the same during the period under consideration (Table). Contribution of agriculture sector to GDP has gradually been declining and shifting towards services and industry sectors as per development paradigm especially since after 1980s. The share of agriculture slightly went down from 12.52 percent in FY20 to 12.07 percent in FY21. Out of this sector, the share of all subsectors of agriculture, forestry and fishing, crops and horticulture; fishing; animal farming; and forest and related services to GDP slowed-down from 5.96, 2.71, 2.06 and 1.78 percent respectively in FY20 to 5.70, 2.64, 1.98 and 1.75 percent respectively in FY21 (Table 4.4).

**GDP Based on Expenditure:** Looking at the expenditure-based GDP at current market price, gross domestic product (GDP) surpassed gross domestic expenditure (GDE) by BDT 254.71 billion in FY21. This statistical discrepancy arises mainly because of the differences in data compilation technique of BBS. In FY20, the amount of statistical discrepancy was BDT 366.36 billion (Table 4.5). Gross domestic expenditure (GDE) reflects the aggregate demand originating from domestic economic activities, measured as the sum of domestic consumption and investment, along with resource balance (exports minus imports). Domestic demand was estimated at BDT 37305.91 billion at current market prices in FY21 which was 12.89 percent higher than that of FY20. Resource balance (net exports) was estimated at BDT (-) 2258.77 billion in FY21. Total consumption expenditure and resource balances accounted for 75.20 percent and 6.44 percent of GDE respectively in FY21. In nominal terms, investment increased by 10.32 percent while consumption increased by 14.00 percent during the same period.

**Savings and Investment:** Gross domestic savings (GDSs) at current market price, stood at 25.34 percent of GDP in FY21, lower than 27.08 percent of GDP in the previous financial year. Gross national savings (GNSs) decreased to 30.79 percent of GDP in FY21 from 31.42 percent in FY20. Investment as a percent of GDP decelerated slightly to 31.02 in FY21 from 31.31 in FY20. Private investment to GDP ratio also decreased slightly to 23.70 percent in FY21 from 24.02 percent in FY20 mainly because of the COVID-19 related pandemic. Whereas, public investment to GDP ratio increased to 7.32 percent in FY21 from 7.29 percent in FY20. Gross domestic savings (GDSs) and Gross National Savings (GNSs) at current market prices increased by 4.21 and 9.13 percent respectively in FY21 compared to FY20. Domestic savings-investment gap as percent of GDP increased to (−) 5.68 percent in FY21 from (−) 4.23 percent in FY20 (Figure 4.14).

**Sectoral Growth Outlook:** In order for achieving broad-based and inclusive growth Bangladesh Bank has undertaken enormous policy measures for ensuring uninterrupted banking and mobile financial services even in the lockdown situation, creating sufficient loanable funds for the banks, reducing the cost of loanable funds, establishing the funds for promoting new entrepreneurs and enhancing the productivity of export sectors, and extension of refinance facilities for the priority sectors including agriculture, CMSMEs, large industries, export oriented industries and service sector alongside implementation of hefty stimulus packages.

Table 5: GD P by Expenditure Groups (At current market price)

(Billion BDT)

| Particulars | FY19 | FY20 | FY21 |
|---|---|---|---|
| Domestic demand (1+2) | 31087.20 | 33045.91 | 37305.91 |
| Consumption (1) | 21579.55 | 23119.82 | 26355.72 |
| Private | 19738.40 | 21226.67 | 24278.99 |
| General Government | 1841.16 | 1893.15 | 2076.72 |
| Investment (2) | 9507.65 | 9926.09 | 10950.19 |
| Private | 7452.28 | 7614.07 | 8366.82 |
| Public | 2055.38 | 2312.02 | 2583.37 |
| Resource balance (3-4) | -1590.39 | -1707.58 | -2258.77 |
| Exports (3) | 3864.82 | 3310.85 | 3764.16 |
| Imports (4) | 5455.21 | 5018.43 | 6022.93 |
| Gross domestic expenditure | 29496.82 | 31338.34 | 35047.14 |
| Gross domestic product | 29514.29 | 31704.69 | 35301.85 |
| Statistical discrepancy | 17.47 | 366.36 | 254.71 |

Source: Bangladesh Bureau of Statistics

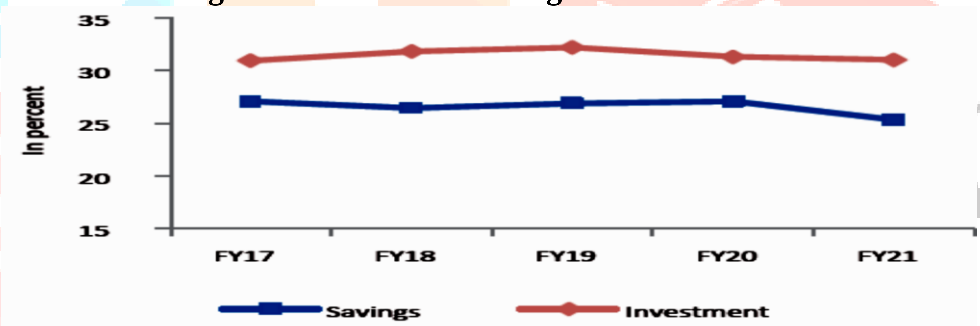
**Table 6: Savings and Investment**

(As percent of GDP)

| Particulars | FY19 | FY20 | FY21 |
|---|---|---|---|
| **Investment** | **32.21** | **31.31** | **31.02** |
| Private | 25.25 | 24.02 | 23.70 |
| Public | 6.96 | 7.29 | 7.32 |
| **Domestic Savings** | **26.88** | **27.08** | **25.34** |
| **National Savings** | **31.14** | **31.42** | **30.79** |

Source: Bangladesh Bureau of Statistics

**Figure 14: Trends in Savings and Investment**




Source: Bangladesh Bureau of Statistics

Moreover, rapid expansion of the mobile financial services, agent banking, and technology driven sub-branch opening by banks in the underprivileged remote areas are now playing crucial role in stimulating domestic demand especially by timely distributing remittances among the recipients and in opening new job opportunities for the job-seekers' including freelancers. Most importantly, various financial inclusion drives including agent and or sub-branch opening in the remote areas have created new prospects for the female in accessing into financial services. Financial service proving through digital platforms like e-commerce, e-payment are now playing vital role in achieving desired growth for the financial sector. The industrial and agricultural sector activities remained buoyant and service sector activities are gradually being picked up in recent months. All those are of good indication of currently having favourable environment for achieving desired economic growth in all the sectors of the Bangladesh economy for the current financial year, FY22 though Coronavirus related issues still provoking some uncertainties.

**Export Earning of Bangladesh:** Export Earning of Bangladesh from Goods & Service sector during 2021-22 amounted to US$ 60971.26 million as against US$ 45367.19 million during 2020-21 showing an increase of US$ 15604.07 million which is 34.40% higher than the previous scal year. Export earning of Bangladesh from products and Service sector during 2021-22 were US$ 52082.66 and 8888.60 million against the target of US$ 43500 and 7500.00 million respectively.

A comparative statement of export earnings for the last 10 years is furnished below:

**Table 7: A comparative statement of export earnings for the last 10 years**

(Value in million US$)

| FY | Export Earning | | Total | Growth (%) |
|---|---|---|---|---|
| | Goods | Service | | |
| 2012-13 | 27027.36 | 2936.30 | 29963.66 | |
| 2013-14 | 30186.62 | 3243.88 | 33430.50 | 11.57 |
| 2014-15 | 31208.94 | 3210.85 | 34419.79 | 2.96 |
| 2015-16 | 34257.18 | 3494.90 | 37752.08 | 9.68 |
| 2016-17 | 34846.84 | 3653.71 | 38500.55 | 1.98 |
| 2017-18 | 36668.17 | 4586.31 | 41254.48 | 7.15 |
| 2018-19 | 40535.04 | 6492.68 | 47027.72 | 13.99 |
| 2019-20 | 33674.09 | 6081.18 | 39755.27 | -15.46 |
| 2020-21 | 38758.31 | 6608.88 | 45367.19 | 14.12 |
| 2021-22 | 52082.66 | 8888.60 | 60971.26 | 34.40 |

Source: Annual Report 2021-2022 of Export Promotion Bureau, Bangladesh

**Review Of Export Performance of goods in FY 2021-2022**

Export earning of goods was earned US$ 52082.66 million during FY 2021-22 as against export earning of US$ 38758.31 million in FY 2020-21 showing a increase of US$ 13324.35 million i.e. 34.38%. A comparative statement of export earnings of goods over last 21 years is given below:

Table 8: A comparative statement of export earnings of goods over last 21 years

(Value in million US$)

| FY | Export Earnings | (+) Increase (-) Decrease | Increase Decrease in % |
|---|---|---|---|
| 2001-2002 | 5986.09 | - 481.21 | -7.44% |
| 2002-2003 | 6548.44 | +562.35 | +9.39% |
| 2003-2004 | 7602.99 | +1054.55 | +16.10% |
| 2004-2005 | 8654.52 | +1051.53 | +13.83% |
| 2005-2006 | 10526.16 | +1871.64 | +21.63% |
| 2006-2007 | 12177.86 | +1651.70 | +15.69% |
| 2007-2008 | 14110.80 | +1932.94 | +15.87% |
| 2008-2009 | 15565.19 | +1454.39 | +10.31 |
| 2009-2010 | 16204.65 | +639.46 | +4.11% |
| 2010-2011 | 22928.22 | +6719.57 | +41.47% |
| 2011-2012 | 24301.90 | +1373.68 | +5.99% |
| 2012-2013 | 27027.36 | +2725.46 | +11.22% |
| 2013-2014 | 30186.62 | +3159.26 | +11.69% |
| 2014-2015 | 31208.94 | +1022.32 | +3.39% |
| 2015-2016 | 34257.18 | +3048.24 | +9.77% |
| 2016-2017 | 34846.84 | +589.66 | +1.72% |
| 2017-2018 | 36668.17 | +1821.33 | +5.22% |
| 2018-2019 | 40535.04 | +3866.87 | +10.55% |
| 2019-2020 | 33674.09 | -6860.95 | -16.93% |
| 2020-2021 | 38758.31 | +5084.22 | +15.10% |
| 2021-2022 | 52082.66 | +13324.35 | +34.38% |

Source: Annual Report 2021-2022 of Export Promotion Bureau, Bangladesh

In FY 2021-22 the principal commodities that registered an increase in export compared to the preceding year:

Table 9: Principal commodities that registered an increase in export In FY 2021-22

(Value in million US$)

| Sl. No. | Commodities | Export Earning | Increase in % |
|---|---|---|---|
| 1 | Knitwear | 23214.32 | 36.88 |
| 2 | Woven | 19398.84 | 33.82 |
| 3 | Home Textile | 1621.93 | 43.28 |
| 4 | Terry Towel | 46.00 | 32.30 |
| 5 | Chemical Products | 364.07 | 29.76 |
| 6 | Pharmaceuticals | 188.78 | 11.69 |
| 7 | Bicycle | 59.62 | 26.34 |
| 8 | Copper Ware | 67.98 | 23.06 |
| 9 | Special Textile | 314.82 | 140.50 |
| 10 | Plastic Products | 166.25 | 44.21 |
| 11 | Knit Fabrics | 18.34 | 107.70 |
| 12 | Leather Products | 337.62 | 33.63 |
| 13 | Leather | 151.37 | 27.05 |
| 14 | Cap | 364.63 | 61.07 |
| 15 | Ceramic Products | 41.36 | 32.95 |
| 16 | Golf Shaft | 18.00 | 25.87 |
| 17 | Fruits | 5.29 | 812.07 |
| 18 | Leather Footwear | 756.18 | 32.69 |
| 19 | Shrimps | 407.25 | 23.84 |
| 20 | Handicrafts | 42.83 | 26.08 |
| 21 | Rubber | 46.82 | 36.74 |
| 22 | Tobacco | 107.22 | 24.39 |
| 23 | Furniture | 110.36 | 38.87 |
| 24 | Paper & Paper Products | 105.10 | 47.12 |
| 25 | Petroleum by Products | 33.53 | 43.72 |
| 26 | Raw Jute | 216.18 | 56.48 |
| 27 | Engineering Equipment | 241.56 | 150.82 |
| 28 | Electric Products | 100.10 | 48.34 |
| 29 | Carpet | 36.81 | 9.75 |
| 30 | Footwear (Exc. Leather) | 449.15 | 30.39 |

Source: Annual Report 2021-2022 of Export Promotion Bureau, Bangladesh

Export earnings of major commodities (in US$) during FY 2017-2018 to FY 2021-22 has given below:

**Table 10: Export earnings of major commodities (in US$) during FY 2017-2018 to FY 2021-22:**

(Value in million US$)

| Commodities | 2017 -18 | 2018 -19 | 2019 -20 | 2020 -21 | 2021 -22 |
|---|---|---|---|---|---|
| Frozen & Live Fish | 508.43 | 500.40 | 456.15 | 477.37 | 532.94 |
| Agricultural product | 673.70 | 908.96 | 862.06 | 1028.14 | 1162.25 |
| Special Textiles | 110.04 | 143.93 | 116.04 | 130.90 | 314.82 |
| Petroleum bi -products | 33.70 | 203.74 | 23.48 | 23.33 | 33.53 |
| Chemical products | 150.72 | 205.18 | 198.86 | 280.58 | 364.07 |
| Leather & Leather Products | 1085.51 | 1019.78 | 797.60 | 941.67 | 1245.18 |
| Raw jute | 155.68 | 112.4 8 | 129.89 | 138.15 | 216.18 |
| Jute goods | 869.87 | 703.79 | 752.46 | 1023.33 | 911.45 |
| Handicrafts | 16.69 | 19.95 | 20.52 | 33.97 | 42.83 |
| Knitwear | 15188.51 | 16888.54 | 13908.00 | 16960.03 | 23214.32 |
| Woven garments | 15426.25 | 17244.73 | 14041.19 | 14496.70 | 19398.84 |
| Engg. Products | 355.96 | 341 .30 | 292.92 | 529.00 | 795.63 |
| Home Textile | 878.68 | 851.72 | 758.91 | 1132.03 | 1621.93 |
| Footwear (Non Leather) | 244.09 | 271.53 | 277.13 | 344.46 | 449.15 |
| Bicycle | 85.73 | 84.24 | 82.84 | 130.89 | 167.95 |
| Cotton & Cotton (fabrics, Yarn, Waste Etc) | 124.85 | 152.16 | 133.56 | 154.29 | 244.92 |
| Ceramic Products | 51.94 | 68.97 | 27.97 | 31.11 | 41.36 |
| Other mfd. goods | 211.62 | 254.61 | 274.63 | 324.18 | 365.61 |
| Other | 496.20 | 334.01 | 519.88 | 578.18 | 959.70 |
| **Total :** | **36668.17** | **40535.04** | **33674.09** | **38758.31** | **52082.66** |

Source: Annual Report 2021-2022 of Export Promotion Bureau, Bangladesh

**Country-wise export**

Destination-wise export statement during FY 2021-2022 shows that the USA with an intake of goods worth US$ 10417.72 million was the biggest buyer of Bangladeshi products. Germany and the UK occupied the second and the third position respectively. e other major importing countries of Bangladeshi products were Spain, France, Poland, India, e Netherland, Italy, Canada, Belgium, Japan. 6.2 Export earning of Bangladesh during FY 2017-2018 to FY 2021-2022 from 20 major importing countries is furnished in the following table:

Table 11: Country wise export earning of Bangladesh during FY 2017-2018 to FY 2021-2022

(Value in million US$)

| Countries | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|
| U.S.A. | 5983.31 | 6876.29 | 5832.39 | 6974.01 | 10417.72 |
| Germany | 5890.72 | 6173.16 | 5099.19 | 5953.51 | 7590.97 |
| UK | 3989.12 | 4169.31 | 3453.88 | 3751.27 | 4828.08 |
| Spain | 2457.98 | 2554.82 | 2189.03 | 2343.99 | 3166.37 |
| France | 2004.97 | 2217.56 | 1703.58 | 1962.14 | 2711.06 |
| Poland | 965.22 | 1273.09 | 1164.25 | 1503.64 | 2139.24 |
| India | 873.27 | 1248.05 | 1096.38 | 1279.67 | 1991.39 |
| The Netherlands | 1205.37 | 1278.69 | 1098.68 | 1277.44 | 1775.01 |
| Italy | 1559.92 | 1643.12 | 1282.81 | 1308.62 | 1702.29 |
| Canada | 1118.72 | 1339.80 | 1000.49 | 1164.01 | 1522.96 |
| Japan | 1131.90 | 1365.74 | 1200.78 | 1183.64 | 1353.85 |
| Denmark | 693.29 | 731.43 | 649.75 | 861.78 | 1188.86 |
| Australia | 712.92 | 804.63 | 678.19 | 834.05 | 916.24 |
| Belgium | 877.90 | 946.93 | 723.43 | 704.98 | 900.03 |
| UAE | 329.55 | 340.83 | 294.91 | 495.85 | 864.24 |
| Sweden | 579.33 | 696.04 | 584.39 | 656.12 | 841.42 |
| China | 694.97 | 831.20 | 600.11 | 680.66 | 683.43 |
| Russia | 485.23 | 548.26 | 487.29 | 665.32 | 638.31 |
| Korea Republic | 254.84 | 370.65 | 352.82 | 398.67 | 530.25 |
| Turkey | 528.27 | 404.45 | 453.46 | 499.79 | 458.15 |
| Others | 4331.37 | 4721.35 | 3728.28 | 4259.15 | 5862.79 |
| Total : | 36668.17 | 40535.40 | 33674.09 | 38758.31 | 52082.66 |

Source: Annual Report 2021-2022 of Export Promotion Bureau, Bangladesh

**Region Wise Export**

Region wise comparative statement of export earnings during the FY 2017-2018 to FY 2021-2022 has been shown in the table below. It appears from the table that during the year 2021-2022, EU Region stood first with 44.61% of the total export earnings. American Region was in the second place with 24.67% of total export earnings.

**Table 12: Region Wise Export from the FY 2017-2018 to FY 2021-2022**

(Value in million US$)

| Sl No | Countries | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|---|
| 1 | African | 326.97 | 320.63 | 276.8 | 396.94 | 447.76 |
| 2 | American | 7682.55 | 8922.82 | 7414.49 | 8655.15 | 12848.8 |
| 3 | ASEAN | 583.01 | 698.9 | 585.76 | 714.83 | 841.95 |
| 4 | Asian | 4113.02 | 4957.02 | 4212.24 | 4720.33 | 5938.13 |
| 5 | BIMSTEC | 1014.06 | 1415.83 | 1248.91 | 1472.95 | 2247.51 |
| 6 | CIS | 552.52 | 605.68 | 545.02 | 733.31 | 699.5 |
| 7 | D-8 | 972.35 | 853.61 | 843.11 | 1035.68 | 1086.53 |
| 8 | East and Other European | 1058.26 | 1004.03 | 987.74 | 1218.31 | 1158.78 |
| 9 | EU | 21334.51 | 22855.34 | 18698.25 | 17464.35 | 23231.71 |
| 10 | Eurasian | 496.51 | 558.89 | 498.66 | 677.05 | 645.93 |
| 11 | EUROZONE | 14550.35 | 15416.63 | 12590.82 | 14075.83 | 18569.89 |
| 12 | IORA | 2606.86 | 3180.85 | 2702.05 | 3411.8 | 4679.49 |
| 13 | LDC | 189.09 | 175.87 | 168.86 | 252.28 | 276.99 |
| 14 | Middle East | 750.72 | 813.21 | 750.94 | 987.76 | 1386.71 |
| 15 | North America | 7299.85 | 8474.57 | 7048.61 | 8352.94 | 12332.83 |
| 16 | Ocenia | 802.83 | 903.15 | 766.5 | 949.89 | 1047.67 |
| 17 | OIC | 1803.14 | 1725.36 | 1645.19 | 2128.76 | 2563.98 |
| 18 | SAARC | 1040.8 | 1408.27 | 1246.59 | 1499.92 | 2281.33 |
| 19 | South America | 382.38 | 448.09 | 365.97 | 302.07 | 515.5 |

Source: Annual Report 2021-2022 of Export Promotion Bureau, Bangladesh

**Export as a Percentage to Imports**

Export earnings during FY 2021-2022 was US$ 52082.66 million and import payment for the same year was US$ 78080.20 million which shows that export earnings covered 66.70% of our import bills. During FY 2019-2020 and FY 2020-2021 export earnings covered 69.15% and 71.32% of import bills respectively. A statement of export as a percentage of import for the period FY 2001-02 to FY 2021-22 is given below:

**Table 13: Export as a percentage of import for the period FY 2001-02 to FY 2021-22**

(Value in million US$)

| FY | Export | Import | Balance | Export as a Percentage to Import |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 2001 -02 | 5,986 | 8,540 | -2,554 | 70.09% |
| 2002 -03 | 6,548 | 9,658 | -3,110 | 67.80% |
| 2003 -04 | 7,603 | 10,903 | -3,300 | 69.73% |
| 2004 -05 | 8,655 | 13,147 | -4,492 | 65.83% |
| 2005 -06 | 10,526 | 14,746 | -4,220 | 71.38% |
| 2006 -07 | 12,178 | 17,157 | -4,979 | 70.98% |
| 2007 -08 | 14,110 | 21,629 | -7,519 | 65.24% |
| 2008 -09 | 15,565 | 22,507 | -6,942 | 69.16% |
| 2009 - 10 | 16,204.65 | 23,738.00 | -7,533.35 | 68.26% |
| 2010 - 11 | 22,928.22 | 33,657.40 | -10,729.2 | 68.12% |
| 2011 - 12 | 24,301.90 | 35,516.30 | -11,214.4 | 68.42% |
| 2012 - 13 | 27,027.36 | 33,969.00 | -6,941.64 | 79.56% |
| 2013 - 14 | 30,186.62 | 40,692.90 | -10,506.3 | 74.18% |
| 2014 - 15 | 31,208.94 | 40,638.50 | -9,429.56 | 76.80% |
| 2015 - 16 | 34,257.18 | 40,097.40 | -5,840.22 | 85.43% |
| 2016 - 17 | 34,846.84 | 43,663.00 | -8,819.06 | 79.80% |
| 2017 - 18 | 36,668.17 | 52,939.60 | -16,271.43 | 69.26% |
| 2018 - 19 | 40,535.04 | 55,956.50 | -15,421.46 | 72.44% |
| 2019 -20 | 33,674.09 | 48,699.80 | -15,025.71 | 69.15% |
| 2020 -21 | 38758.31 | 54402.60 | -15644.29 | 71.24% |
| 2021 -22 | 52082.66 | 78080.20 (p) | -25997.54 | 66.70% |

Source: Annual Report 2021-2022 of Export Promotion Bureau, Bangladesh

**Import Payments of Goods:**

The total merchandise Import Payments of Bangladesh (including imports of EPZ) during the years 2021-2022 and 2020 2021 amounted to Taka 682394.4 crore (orUS$78949.7 million) and Taka 461360.2crore (or US$ 54402.6 million) respectively, reflecting a 45.12% increase in dollar terms.

**Import Payments of Services:**

The total Import Payments of Services during the years 2021-2022 and2020-2021 amounted to taka 89941.0 crore (or US$ 10387.2 Million) and taka 63941.8crore (or US$7539.8 Million) respectively, reflecting a 37.76 % increase in dollar terms. The overall position of Import Payments of Goods and Services in Taka and US dollar for the years 2021-2022 and 2020-2021 are shown in the following Table-:

**Table 14: Import of Goods and Services in US dollar for the years 2021-2022 and 2020-2021**

(In Million USD)

| Import by mode of financing | 2021-2022 | | 2020-2021 | | Changes |
|---|---|---|---|---|---|
| | Amount | % of Total C | Amount | % of Total C | (1) - (3) |
| | 1 | 2 | 3 | 4 | 5 |
| **A. Import Payments of Goods** | **75770.1** | **96.0** | **51063.4** | **93.9** | **24706.67 (48.38%)** |
| Cash | 50885.4 | 64.5 | 33836.1 | 62.2 | 17049.35 (50.39%) |
| Buyer's Credits | 23312.5 | 29.5 | 16329.0 | 30.0 | 6983.49 (42.77%) |
| Loans & Grants | 488.6 | 0.6 | 87.3 | 0.2 | 401.27 (459.64%) |
| IDB/ITFC Loan (short term) | 917.9 | 1.2 | 735.2 | 1.4 | 182.67 (24.85%) |
| Other Unclassified Imports | 165.7 | 0.2 | 75.8 | 0.1 | 89.9 (118.6%) |
| **B. Imports of EPZ** | **3179.6** | **4.0** | **3339.2** | **6.1** | **-159.62 (-4.78%)** |
| **C.Total Import Payments of Goods (A+B)** | **78949.7** | **100.0** | **54402.6** | **100.0** | **24547.06 (45.12%)** |
| **D. Import Payments of Services** | **10387.2** | - | **7539.8** | - | **2847.4 (37.76%)** |
| **Total Import Payments of Goods and Services ( C+D)** | **89336.9** | | **61942.4** | | |

Source: Statistics Department, Bangladesh Bank.

Note:
1. Figures in parentheses indicate percentage of change.
2. Buyer's credits on import payments data have been separated from 01-07-2013.
3. Other Unclassified Imports by FDI (Source: CCI&E and BEPZA).
4. From FY 2021-2022 Imports of EPZ is Banking Channel Payment for EPZ.
5. Central Account Transactions are included from FY 2020-21 & 2021-22 in Import Payments of Services.

Import payments during the financial year2021-2022 amounted to Taka 653469.6 croreas against Taka 432404.2 crore during the previous year. The major commodities imported under (Cash + Buyer's Credit + IDB/ITFC Loan+ Loans & Grants) basis were: Mineral fuels, mineral oil sand products of their distillation bituminous substances; mineral waxes Taka 110668.0crore, Cotton (alltypes), cotton yarn /thread and cotton fabrics Taka 86885.3 crore.

Nuclear reactors, boilers, machinery and mechanical appliances; parts there of Taka 60717.2 crore, Iron and Steel Taka 36930.8 crore, Plastics and articles there of Taka 28347.6 crore, Cereals Taka 27423.3 crore, Electrical machinery and equipment and parts thereof; sound recorders and re producers, television image and sound recorders and reproducers and parts and accessories of such articles 24987.3 crore, Fertilizers Taka 24972.6 crore, Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes Taka 22107.7crore, Oil seeds and oleaginous fruits; miscellaneous grains; seeds and fruit; Industrial or medicinal plants; straw and fodder Taka 14591.2crore. Ships, boats and floating structures Taka 14370.9 crore, Man-made staple fibres Taka14305.2 crore, Man-made filaments Taka 14302.6 crore, Vehicles other than railway or tramway rolling stock, and parts and accessories there of Taka 13763.6 crore, Knitted or crocheted fabrics Taka 13651.1 crore, Salt; sulphur; earths and stone; plastering materials, lime and cement Taka11683.8crore, Organic chemicals Taka 10787.3 crore. Sugars and sugar confectionery Taka 10509.1 crore, Edible vegetable and certain roots and tubers Taka 8491.0 crore, Tanning or dyeing extracts; tannins and their derivatives; Dyes, pigments and other colouring matter; Paints and varnishes; Putty and other mastics; Inks Taka 8022.9 crore, Miscellaneous chemical products Taka 7690.9 crore, Paper and paperboard, articles of paper pulp, of paper or of paper board Taka 6500.2 crore. Residues and waste from the food industries; Prepared animal fodder Taka 6127.0 crore, Pharmaceutical products Taka 5881.4 crore, Articles of Iron and Steel Taka 4978.7 crore, Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof Taka 4859.4 crore, Inorganic chemicals; organic or inorganic compounds of precious metals, of rare earth metals, of radioactive elements or of isotopes Taka 4633.7 crore. Edible fruit and nuts, peel of citrus fruit or melons Taka 4061.4 crore, Aluminium and Articles Thereof Taka 3774.5 crore, Rubber and articles there of

Taka 3666.1 crore, Dairy produce, birds' eggs natural honey, edible products of animal origin, not elsewhere specified or included Taka 3475.1 crore, Coffee, tea, mate and spices Taka 2936.6 crore, Miscellaneous manufactured articles Taka 2643.2 crore and others Taka 34722.6 crore.

**Workers' Remittances**

Inward remittance flows from the Bangladeshi nationals working abroad decreased by 15.12 percent from USD 24777.71 million in FY21 to USD 21031.68 million in FY22. Lower inward remittance and thus a high current account deficit weakened the overall balance of payments, which witnessed a substantial deficit in FY22.

**Figure 15: Country-wise shares (%) of total wage earners' remittances in FY 22**


Source: Statistics department, Bangladesh Bank

The wage earners' remittances in FY22 was relatively lower than that of the previous fiscal year as the world economy become more volatile mainly due to ongoing Russia-Ukraine conflicts and for the post-COVID scenario. However, government and Bangladesh Bank's various supportive policy measures like preventing the informal channels by increasing cash incentives from 2.0 percent to 2.5 percent to the beneficiaries of the overseas wage earners along with time and cost-effective money transfer process are encouraging the expatriates to remit their hard-earned money more through the formal channels. Besides, Bangladesh Bank reduced the security deposit requirement for the exchange houses abroad to establish drawing arrangements with local banks. During FY22, as usually the highest share of total remittances was sent from Saudi Arabia (21.60 percent), which is followed by the United States of America (16.35 percent), United Arab Emirates (UAE) (9.85 percent), United Kingdom (9.70 percent), Kuwait (8.03 percent), Malaysia (4.86 percent) and Oman (4.27 percent). The rest of all other countries contributed to 25.35 percent of total remittances in FY22. Country-wise percentage shares of total wage earners' remittances in FY22 are shown in Chart 12.05.

**Foreign Aid**

Total official foreign aid receipts increased by 25.77 percent to USD 10008.38 million in FY22 from USD 7957.56 million in FY21 (Table 12.04). Total foreign aid commitment was USD 8187.14 million during FY22. The disbursement of food aid stood at USD 2.53 million in FY22 which was USD 16.50 million in FY21. The disbursement of project aid stood at USD 10005.85 million in FY22 which was USD 7941.06 million in FY21.

Table 15: Foreign aid receipts and debt repayments

(In million USD)

| Particulars | FY20 | FY21R | FY22P |
|---|---|---|---|
| **1. Receipts** | **7381.71** | **7957.56** | **10008.38** |
| i) Food aid | 10.71 | 16.50 | 2.53 |
| ii) Project aid | 7371.00 | 7941.06 | 10005.85 |
| **2. Repayments (MLT)*** | **1733.98** | **1914.81** | **2117.58** |
| i) Principal | 1256.54 | 1418.63 | 1606.35 |
| ii) Interest | 477.44 | 496.18 | 511.23 |
| **3. Outstanding external debt (MLT) as of end June** | **44095.12** | **50879.95** | **57625.05** |
| **4. Outstanding debt as percentage of GDP** | **11.79** | **12.22** | **12.51** |
| **5. External debt services payment (MLT) as percentage of exports** | **5.40** | **5.19** | **4.30** |

P Provisional, R Revised, MLT Medium to Long Term
*Excluding Transactions with the IMF
Source: Economic Relations Division, Ministry of Finance and Statistics Department, Bangladesh Bank.

**Foreign Exchange Reserves**

12.19 Foreign exchange reserves gives high mobility to central bank in reaching targets of macroeconomics policy, in conducting monetary policy and in sustaining exchange rate regime. BB's gross foreign reserves comprises major currencies (G-7), gold and Special Drawing Rights (SDR). Foreign exchange reserves stood at USD 46.39 billion at the end of june 2021 which reduced to USD 41.83 billion at the end of the June 2022. On May 2023 foreign exchange reserve of Bangladesh stood USD 29.85 billion. The total outstanding principal liability to the IMF of ECF stood at SDR 228.55 million whereas SDR holding was 2084.35 million at the end of FY22.

**Table 16: Trends of gross foreign exchange reserves of Bangladesh Bank**

(End month, in million USD)

| Months | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|
| July | 33182.30 | 32105.45 | 32093.25 | 37288.43 | 45842.20 |
| August | 33786.28 | 32926.51 | 32775.77 | 39040.14 | 48059.99 |
| September | 33005.62 | 31957.74 | 31831.92 | 39313.98 | 46199.80 |
| October | 33640.95 | 32077.96 | 32437.74 | 41005.79 | 46459.27 |
| November | 32813.79 | 31056.04 | 31728.99 | 41269.22 | 44881.14 |
| December | 33416.97 | 32016.25 | 32689.18 | 43166.52 | 46153.93 |
| January | 32889.81 | 31279.69 | 32381.20 | 42862.96 | 44951.22 |
| February | 33563.38 | 32235.68 | 32986.51 | 44016.54 | 45947.76 |
| March | 32598.58 | 31753.29 | 32570.16 | 43440.79 | 44146.78 |
| April | 33094.27 | 32122.87 | 33111.06 | 44950.42 | 44017.55 |
| May | 32348.10 | 31344.79 | 33409.89 | 44960.52 | 42202.00 |
| June | 32943.46 | 32716.51 | 36037.03 | 46391.44 | 41826.73 |

Source: Accounts and budgeting department, Bangladesh bank.

BB put its best efforts to ensure optimum return on foreign exchange reserve investments through diversifying the foreign asset portfolio into bonds (issued by sovereign, supranational and highly rated foreign commercial banks), US Government Treasury Bills and Notes, and short-term deposits with globally reputed foreign commercial banks. BB is also active in the New York Fed's Repo process which yields fair returns at a very low-risk. Moreover, BB offers foreign exchange refinance schemes to local exporters through the Export Development Fund (EDF) and the Green Transformation Fund (GTF). In addition, with the assistance of the International Development Association (IDA), BB provides long-term support to Bangladesh's manufacturing sector through a separate window called the Long Term Financing Facility (LTFF).

**Impacts of Tax in Bangladesh economy**

Despite positive economic growth in recent years, Bangladesh has one of the lowest tax-to-GDP ratios (9.3 percent) in the South Asian region. It is 23.1 percent in Nepal, 16.8 percent in India and 11.0 percent in Pakistan. Income tax is one of the major components of tax revenue. Besides income tax, there are two other major sources of revenue—value added tax (VAT) and customs duty. The projection of total revenue collection from income tax, VAT and customs duty for the year 2020-21 is estimated to be Tk 378,000 crore, where the National Board of Revenue (NBR) will contribute Tk 330,000 crore. Of that, Tk 103,945 crore will come from income, profit and capital tax, while Tk 125,162 crore will be collected through VAT. Past record shows collection from VAT has always been higher than that of income tax—which puts a burden on marginalized people through double taxation and as a result, inequality has worsened over the years. At the same time, because of globalization, both custom and import-stage supplementary duties are likely to decline in relative terms. Under the circumstances, the government is set to enhance its revenue mobilization through income tax. Unfortunately, in Bangladesh, a large number of individuals and firms are unregistered and the vast majority of registered individuals and firms with taxable income are not interested in paying taxes. According to a NBR study, about four crore people in the country have the capacity to pay taxes, but the majority of them do not pay tax on their income. At present, NBR has about 40 lakh registered taxpayers but only 22 lakh submitted their tax returns in FY 2018-19. The study also found that there are 213,505 companies registered with the Registrar of Joint Stock Companies (RJSC), of which about 45,000 companies submitted tax returns. Moreover, there are some businessmen, politicians and government officials, who instead of paying taxes on their undisclosed income (legal or illegal), are taking their money and investing in commercial ventures and properties abroad. According to the GFI report released in January 2019, in 2015, USD 5.9 billion (about Tk 50,000 crore) was siphoned out of Bangladesh and a total of USD 81.74 billion went out between the years 2006-2016. The annual report of the Swiss National Bank titled "Banks in Switzerland 2019" showed that money held by Bangladeshi nationals and entities stood at 603 million Swiss francs or Tk 5,427 crore in 2019. The amount was Tk 5,553 crore in 2018 and Tk 4,329 crore in 2017, according to the report.

All these are affecting the economy with disproportionate effects on the poor and marginalized sections of the population. Only working on serious changes in the tax system can give long-term results. Unfortunately, the NBR has neither enough manpower nor the expertise to address tax evasion of such magnitude. It is difficult for taxmen to identify the loopholes without having advance training on transfer pricing, money laundering, etc. Therefore, the government should train tax officials to hone their skills and come up with pro-people policy measures and create awareness on developing a culture of paying taxes. The Eighth Five-Year Plan for fiscal year 2020-21 to fiscal year 2024-25 has set the target of raising the tax-GDP ratio to 14.2 percent by 2025. Raising tax-GDP ratio from the current dismal level of 9-10 percent to 14.2 percent of GDP will no doubt be challenging. But it is possible if the government overhauls the entire taxation system. The main thrust of tax policy reform is to boost up revenue mobilization by expanding the tax base. In this connection, there are ample opportunities to increase tax revenue collection. Many economists argue that considering our socio-economic culture, the present tax structure is not suitable to attract enough people to pay taxes and as such the tax rate needs to be brought down to a level where everybody with taxable income feels comfortable to pay income tax; the tax net would then be wider. In economics, the Laffer Curve represents a relationship between government revenue raised by taxation and all possible rates of taxation. The Laffer Curve postulates that when tax rate on producer surplus approaches 100 percent, tax revenues may approach zero, since economic agents would not be left with any incentive to produce. The higher the tax rate, the higher the disincentive against tax compliance and greater the propensity to generate black money. Thus, reducing tax rates, particularly the maximum marginal rates of progressive taxes, can increase tax revenue in two ways. First, by increasing tax base and second, by increasing compliance with the tax rules.

**CONCLUSION AND RECOMMENDATIONS**

The amounts of nonperforming loans in different banks are huge. The amount of export is average but the amount of import is more than the export. For this reason the deficits in international trade balance. The amount of flow of foreign remittance is average. But it is a matter of sorrow that huge amount foreign exchange is going other developed countries of the world by illegal ways. The amount of foreign direct investment is also very few. Good governance in bank and financial institutions should be ensured. Accountabilities of the board of directors should be increased. Illegal and unethical interferences in banks and financial institutions should be stopped immediately. Exports should be increased. For this reason the number of goods and services of export items should be increased. Imports should be reduced. For this reason the people of the country should be motivated so that they can use the products of Bangladesh. Strong monitoring and supervisions systems should be developed so that foreign exchange cannot go other developed countries of the world by illegal ways. Foreign direct investment should be increased for this reason the foreign investors should be attracted by providing different facilities, tax exemptions, bureaucratic helps and many other facilities. Electricity and gas crisis is one of the most important obstacles of the economy of Bangladesh. For this reason government of Bangladesh should take immediate initiatives for adequate amount of electricity and gas. Because these two things are the drivers of the economy of Bangladesh. Slow bureaucratic system or bureaucratic complexities is one of the most significant problems of the economy of Bangladesh. For this reason some foreign investors become bothering and not want to invest in Bangladesh. The bureaucratic system of Bangladesh should be improved significantly. There are many people in Bangladesh, they are able to pay tax but they are not giving tax to government. Governments' revenue collections should be increased by including those people.

At present sustainability is a very important concept. Sustainability is very much essential for the economy of Bangladesh. Bangladesh has come a long way in overcoming development challenges and making significant strides in poverty reduction, human development, and economic growth. Bangladesh faces the critical task of effectively and efficiently mobilizing diverse resources, both public and private. Innovative financing solutions that align with national priorities and ensure transparency and accountability are critical to achieve these important milestones for Bangladesh and for this reason a strong Integrated National Financing Framework (INFF) is very much essential. The INFF is a tool for governments to design policies and strategies to mobilize and manage resources for sustainable development and a strategic method of financing national development priorities in line with the 2030 Agenda. Bangladesh needs to address the fiscal constraints, revenue mobilization gaps, debt sustainability risks, institutional capacities, governance issues, data availability, and coordination mechanisms that hamper the effective implementation of an INFF. Moreover, the country needs to enhance its engagement with the private sector, development partners, and other stakeholders to create an enabling environment for SDG financing.

Although the framework documents have been updated, challenges remain in strengthening budgeting and monitoring systems with the SDGs, enhancing domestic resource mobilization, leveraging private sector financing, promoting public-private partnerships, fostering innovation and entrepreneurship, and enhancing access to finance for micro, small, and medium enterprises (MSMEs). Innovative financing mechanisms such as blended finance, green bonds, social impact bonds, and diaspora bonds can complement traditional sources of finance and address specific development challenges.

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