Macroeconomic Performance and Prospect

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, organisations 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.

1.02 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.

Table 1.01 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.

1.03 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.

1.04 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.

1.05 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.

1.06 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.

1.07 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.

1.08 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.

1.09 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.

Developments in the Bangladesh Economy

1.10 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

1.11 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 1.02.

1.12 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.

1.13 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.

1.14 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.

1.15 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

Table 1.02 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**

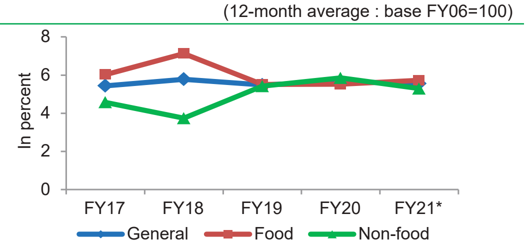
Source: Bangladesh Bureau of Statistics.

Chart 1.01 Trends in Domestic Savings and Investment

Source: Bangladesh Bureau of Statistics.

Chart 1.02 Trends in National CPI Inflation

(12-month average : base FY06=100)



Source: Bangladesh Bureau of Statistics and Bangladesh Bank.

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

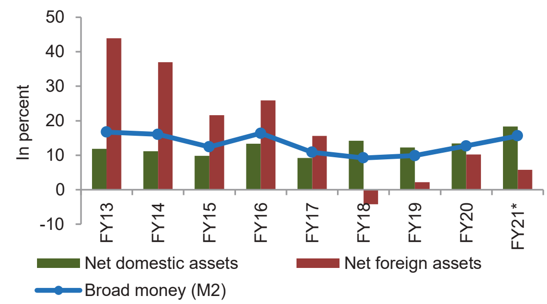
1.16 Although the data report an expansion of investment in FY21 from the last year, total investment as percentage of GDP decreased to 31.02 percent in FY21 from 31.31 percent in FY20. Over the same period, the ratios of public investment to GDP stood at 7.32 percent registering a 3 basis points increase and private investment to GDP decreased to 23.70 percent from 24.02 percent.

1.17 The data report 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 (Chart 1.01).

Price Developments

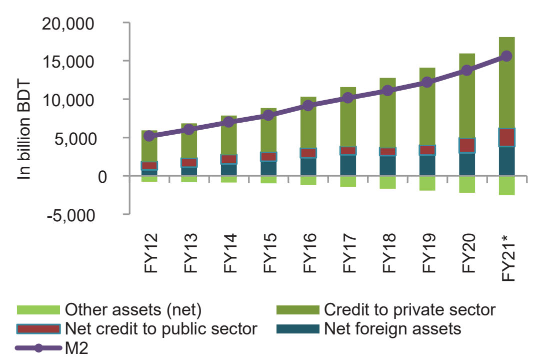
1.18 During the first four months of FY21, twelve-month average CPI inflation experienced an upward trend and reached to 5.77 percent in October 2020. Afterwards it started to decrease gradually and came down to 5.56 percent in June 2021, which was lower than 5.65 percent in June 2020. Although inflation decreased by 0.09 percentage points, it exceeded the targeted ceiling of 5.40 percent in FY21 (Chart 1.02). This lower general CPI inflation was the result of lowering non-food

Chart 1.03 Trends in Growth of Monetary Aggregates



P Provisional.
Source: Monetary Policy Department, Bangladesh Bank.

Chart 1.04 Trends in Sources of Broad Money



* Provisional.
Source: Monetary Policy Department, Bangladesh Bank.

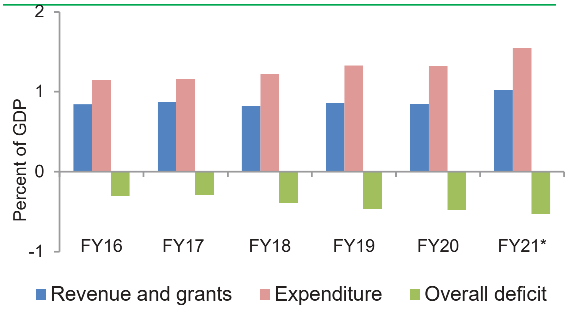
inflation. Food inflation increased while non-food inflation decreased in FY21 compared to the same period of the previous year. With some fluctuations, food inflation increased to 5.73 percent in June 2021 from 5.52 percent in June 2020 while non-food inflation decreased significantly to 5.29 percent 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

1.19 In FY21, Bangladesh Bank's monetary and financial policies continued to prioritise 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.

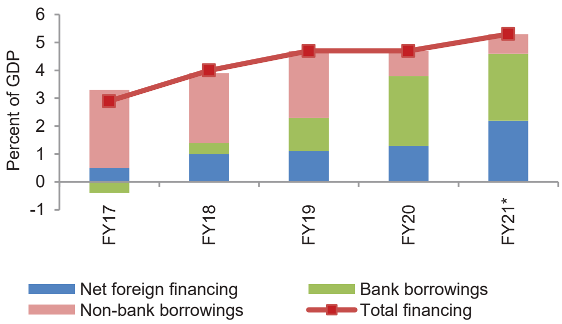
1.20 Due to BB's expansionary and accommodative monetary policy stance, broad money (M2) growth accelerated in FY21 to 13.61 percent from 12.66 percent in FY20 but remained slightly short of the FY21 monetary policy programmed ceiling of 15.0 percent. The growth in broad money was driven by growth in 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 (Chart 1.03). 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.

Chart 1.05 Trends in Revenue, Expenditure and Overall Budget Deficit



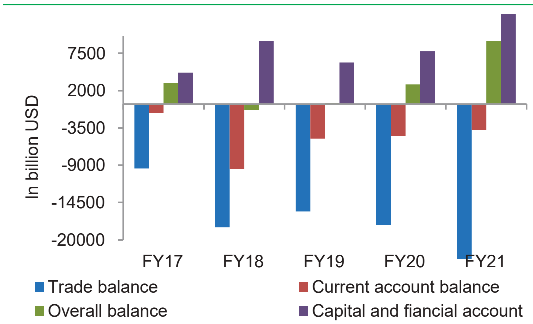
* Revised Budget.
Source: Ministry of Finance.

Chart 1.06 Trends in Deficit Financing



* Revised Budget.
Source: Ministry of Finance.

Chart 1.07 Trends in Balance of Payment



Source: Statistics Department, Bangladesh Bank.

1.21 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 casused 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.

1.22 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 Chart 1.04.

1.23 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.

1.24 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

1.25 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 mobilise 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 (Chart 1.05 and 1.06).

1.26 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.

1.27 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 (Chart 1.05)

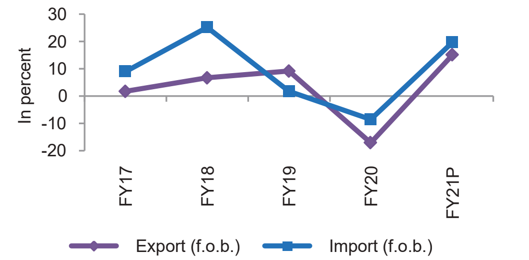
External Sector

1.28 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 (Chart 1.07, Appendix-3: Table-XVI).

1.29 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.

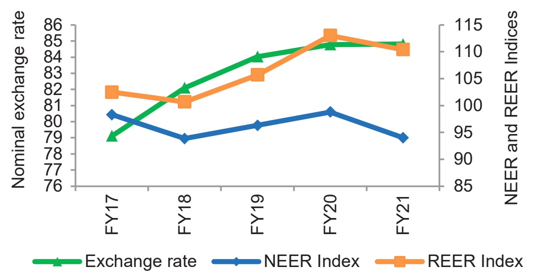
1.30 Import (f.o.b) increased by 19.7 percent in FY21 against 8.6 percent decline in FY20 (Chart 1.08). Import as percentage of GDP stood at 14.6 percent in FY21, while it was 13.6

Chart 1.08 Trends in Export and Import Growth



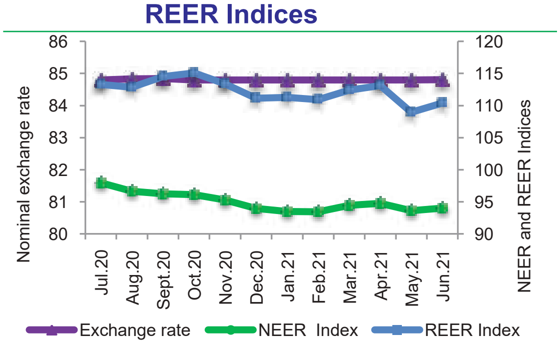
P Provisional.
Source: Statistics Department, Bangladesh Bank.

Chart 1.09 Trends in NEER and REER Indices



Note: For NEER and REER base is FY16=100, based on 15 currency basket.
Source: Monetary Policy Department, Bangladesh Bank.

Chart 1.10 Recent Movements in NEER and REER Indices



Note: For NEER and REER base is FY16=100, based on 15 currency basket.
Source: Monetary Policy Department, Bangladesh Bank.

percent in FY20. Import of food grains, mainly rice, and crude petroleum rose sharply in FY21. 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.

1.31 Gross international foreign exchange reserves stood at USD 46,391 million at the end of June 2021 covering 7 months of prospective import payments. Workers' remittance inflows which grew by 36.1 percent was the main contributor to foreign exchange reserves.

1.32 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 (Chart 1.09 and 1.10), indicating some-what appreciation pressure on BDT against the trade partners' currencies.

1.33 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.

1.35 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.

1.36 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 co-ordinated 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.

1.37 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 normalise 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.

1.38 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.