# Macroeconomic Performance and Prospects

## Global Economic Outlook

1.1 The recovery in global growth continue to strengthening as expected, with global output projected to grow by 3.6 percent in 2017 and 3.7 percent in 2018 from the lowest 3.2 percent growth in 2016 since the global financial crisis. Advanced economies are expected to grow by 2.2 percent in 2017, 0.5 percentage points higher than in 2016, and moderate to 2.0 percent growth in 2018. Emerging markets and developing economies are projected to grow by 4.6 percent in 2017, 0.3 percentage points higher than in 2016, and rising to 4.9 percent in 2018. The growth forecasts are 0.1 percentage point higher in both 2017 and 2018 than the forecasts of World Economic Outlook (WEO), April 2017. The revisions reflect primarily the upward revisions in the euro area, Japan, emerging Asia, emerging Europe and Russia which more than offset downward revisions in the United States, the United Kingdom and India (World Economic Outlook, October 2017).

1.2 United States growth forecast is revised downward by 0.1 and 0.2 percentage point for 2017 and 2018 respectively. This downward revision mainly uses baseline assumption of no policy change, given the significant policy uncertainty, while in April forecast it assumed a fiscal stimulus from anticipated tax cuts. United Kingdom growth forecast is also revised downward by 0.3 percentage point in 2017 compared to April forecast mainly because of slower than expected growth performance during the first two quarters of 2017. The slower growth is driven by the weaker growth in the private consumption as the Pound's depreciation reduced household real income. The growth forecast in euro area is 0.4 and 0.3 percentage point higher for 2017 and 2018, respectively, compare to April. This upward revision mainly reflects acceleration in exports and continued domestic demand growth. Growth of Japan is also revised upward driven by the strengthening of global demand and policy actions to sustain a supportive fiscal stance.

**Table 1.1 World Economic Outlook projections for 2017-18**

(annual percentage change)

| | Actual | | Projections | |
|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 |
| **World output** | **3.4** | **3.2** | **3.6** | **3.7** |
| Advanced economies | 2.2 | 1.7 | 2.2 | 2.0 |
| United States | 2.9 | 1.5 | 2.2 | 2.3 |
| Euro area | 2.0 | 1.8 | 2.1 | 1.9 |
| Germany | 1.5 | 1.9 | 2.0 | 1.8 |
| France | 1.1 | 1.2 | 1.6 | 1.8 |
| Italy | 0.8 | 0.9 | 1.5 | 1.1 |
| Spain | 3.2 | 3.2 | 3.1 | 2.5 |
| United Kingdom | 2.2 | 1.8 | 1.7 | 1.5 |
| Japan | 1.1 | 1.0 | 1.5 | 0.7 |
| Canada | 0.9 | 1.5 | 3.0 | 2.1 |
| Other advanced economies | 2.1 | 2.2 | 2.6 | 2.5 |
| Emerging market and developing economies | 4.3 | 4.3 | 4.6 | 4.9 |
| Emerging and developing Asia | 6.8 | 6.4 | 6.5 | 6.5 |
| China | 6.9 | 6.7 | 6.8 | 6.5 |
| ASEAN-5 | 4.9 | 4.9 | 5.2 | 5.2 |
| **South Asia** | | | | |
| Bangladesh | 6.8 | 7.2 | 7.1 | 7.0 |
| India | 8.0 | 7.1 | 6.7 | 7.4 |
| Pakistan | 4.1 | 4.5 | 5.3 | 5.6 |
| Sri Lanka | 4.8 | 4.4 | 4.7 | 4.8 |
| **World trade volume (goods and services)** | **2.8** | **2.4** | **4.2** | **4.0** |
| **Imports** | | | | |
| Advanced economies | 4.6 | 2.7 | 4.0 | 3.8 |
| Emerging and developing economies | -0.9 | 2.0 | 4.4 | 4.9 |
| Exports | | | | |
| Advanced economies | 3.8 | 2.2 | 3.8 | 3.6 |
| Emerging and developing economies | 1.8 | 2.5 | 4.8 | 4.5 |
| **Commodity prices (U.S. dollars)** | | | | |
| Oil | -47.2 | -15.7 | 17.4 | -0.2 |
| Nonfuel | -17.5 | -1.8 | 7.1 | 0.5 |
| **Consumer prices** | | | | |
| Advanced economies | 0.3 | 0.8 | 1.7 | 1.7 |
| Emerging market and developing economies | 4.7 | 4.3 | 4.2 | 4.4 |
| South Asia | | | | |
| Bangladesh | 6.2 | 5.7 | 5.7 | 5.8 |
| India | 4.9 | 4.5 | 3.8 | 4.9 |
| Pakistan | 4.5 | 2.9 | 4.1 | 4.8 |
| Sri Lanka | 2.2 | 4.0 | 6.0 | 5.0 |

Source: World Economic Outlook Update, October 2017, IMF.

1.3 Growth forecast increased strongly in emerging and developing economies. These forecasts reflect an upward revisions by 0.1 percentage point for both 2017 and 2018, relative to April, primarily supported by a stronger growth projection in China. China's growth forecast reflects stronger-than-expected growth outturn in the first half of 2017 underpinned by previous policy easing and supply-side reforms. In the rest of emerging market and developing Asia, growth is expected to be vigorous and slightly higher than the April forecast. In India, data revisions and strong fiscal expansion by the government led to an upward revision of growth to 7.1 percent in 2016 from 6.8 percent growth in April. However, the growth forecast revised downward to 6.7 percent in 2017, reflecting still continued disruptions associated with the currency exchange initiative introduced, along with the transition costs related to the introduction of the national Goods and Service Tax in July 2017. Growth forecast is also revised upward for emerging Europe for 2017, indicating stronger growth in Turkey and other countries in the region. Growth in Russia is also revised upward for 2017 and 2018 relative to April, supported by stabilizing oil prices, easing financial conditions, and improved confidence after two years of recession.

1.4 Consumer prices in advanced economies are expected to increase by 1.7 percent in 2017 and 2018 from 0.8 percent increase in 2016. Similarly, consumer prices in emerging markets and developing economies are expected to grow by 4.2 percent in 2017 from 4.3 percent growth in 2016. It is projected to further rise by 4.4 percent in 2018.

1.5 World trade volume growth is projected to increase from 2.4 percent in 2016 to 4.2 percent in 2017 and then marginally decrease to 4.0 percent in 2018 (WEO, October 2017). The growth rate of imports for advanced economies is expected to increase from 2.7 percent in 2016 to 4.0 percent in 2017 and 3.8 percent in 2018. In emerging markets and developing economies, growth rate of imports is projected to increase from 2.0 percent in 2016 to 4.4 percent in 2017, and then to 4.9 percent in 2018. Exports of advanced economies are expected to grow by 3.8 percent and 3.6 percent in 2017 and 2018 respectively from 2.2 percent growth in 2016. Similarly, exports of emerging markets and developing economies are expected to grow by 4.8 percent and 4.5 percent during 2017 and 2018 respectively from 2.5 percent growth in 2016.

1.6 According to Global Financial Stability Report (GFSR) of October 2017, the global financial stability continues to strengthen supported by the extraordinary policy measures, regulatory developments and cyclical upturn in growth. In many advanced economies, banking sector indicators are improving as a result of progress made in resolving some fragile banks, whereas a number of institutions are restoring profitability by upgrading their business models. The momentum in global economic growth have boosted up market confidence as well as reduced short term risks to financial stability. Apart from these latest development, the continued accommodative monetary policy is also leading to risks in the form of rising asset valuation and higher leverage. Thus, financial stability risks are shifting from the banking sector to the nonbank sector. These developments along with the associated risks demand for the ultimate monetary policy normalization as well as avoidance of buildup of additional financial risks outside the banking system.

1.7 According to WEO of October 2017, in the near term, there exist two sided risks to the global growth forecast. On the positive side, momentum for economic recovery could last longer than expectation supported by strong consumer and business confidence and favourable financial conditions. On the downside, policy uncertainty remains a major source of concern emanating from the highly uncertain US regulatory and fiscal policies, the possible implementation of trade restrictions, and United Kingdom's negotiation with the EU on Brexit process. In the medium term, still there remains downside risks to the global growth. Potential sources of risks includes tightening of global financial conditions, persistently low inflation in advanced economies, financial disruption in emerging market economies, a policy shift toward protectionism. In addition, a number of noneconomic factors such as geopolitical risks, domestic political instability, lack of good governance, natural disaster resulting from the extreme weather, and terrorists activities and security issues, may hamper economic activities.

## Developments in the Bangladesh Economy

1.8 Bangladesh economy grew by 7.28 percent in FY17, up from 7.1 percent in FY16. This growth was mainly supported by industry and services sectors. Based on the sectoral developments and econometric estimates, BB staff projects FY18 real GDP growth in the range of 7.1-7.4 percent. Annual average CPI inflation continued to decline and stood at 5.4 percent in June 2017, well below the 5.8 percent target ceiling for FY17. The declining trend in average CPI inflation is mainly driven by non-food inflation, while food inflation witnessed a sharp increase due to flash flood-related crop losses in the Northeastern haor regions in H2FY17. Based on the BB's analytical models and the recent economic developments, average inflation is projected to be within 5.3-5.6 percent in June 2017. Bangladesh Bank's projection also shows average inflation for H1FY18 to be around 5.5-5.9 percent. Looking ahead, given the domestic inflation dynamics, food price developments and tapering base effects, some price pressures may emerge during FY18 and will need to be monitored and contained carefully.

1.9 In FY17, Bangladesh Bank implemented its monetary policy stance to achieve price stability, alongside supporting inclusive output and employment growth. The monetary program for FY17 takes into account the recent economic and financial sector developments and will target a monetary growth path aiming at keeping average inflation below 5.8 percent. The monetary program framework is based on the ceilings for broad money and reserve money growth of 15.5 and 14.0 percent, respectively. This is consistent with domestic credit growth within 16.4 percent and private sector credit growth within 16.5 percent by June 2017. These are indicative ceilings deemed sufficient to accommodate projected GDP growth target, even allowing for some unforeseen extra growth spurt. The monetary program framework for FY18 is based on the ceiling for broad money and reserve money growth of 13.9 and 12.0 percent, respectively.

1.10 In FY17, growth of export fell sharply from 8.9 percent to 1.7 percent, while import witnessed a significant growth of 9.0 percent from 5.9 percent in FY16 leading to wider trade deficit. Remittance also declined sharply by 14.5 percent during FY17. Thus current account balance became negative of USD 1.5 billion although overall balance witnessed a surplus of USD 3.2 billion, mainly supported by the surplus of capital and financial account.

1.11 Foreign exchange reserves stood at USD 33.4 billion in June 2017, around 8 months of prospective import. Bangladesh Bank continued efforts to smooth out any large fluctuations in the exchange rate. As a result nominal BDT-USD exchange rate remained broadly stable.

## Growth Performance

1.12 According to the provisional estimates released by the Bangladesh Bureau of Statistics (BBS), the economy grew by 7.28 percent during FY17, compared to 7.1 percent in FY16. The sectoral GDP growth is shown in Table 1.2.

1.13 Agriculture accounts for 14.7 percent of GDP and grew by 3.0 percent in FY17, up from 2.8 percent in FY16, mainly supported by the strong growth of all sub-sectors.

1.14 Industry accounts for 32.4 percent of GDP, and grew by 10.2 percent in FY17, down from 11.1 percent in FY16. This growth was supported by strong growth of construction sub-sector and manufacturing sector especially small scale industry.

1.15 The services sector accounts for the largest share (52.9 percent) of GDP and grew by 6.7 percent in FY17, compared to 6.3 percent in FY16. The growth of two major components of services sector - wholesale and retail trade repair of motor vehicles, motorcycles, and personal and household goods and transport, storage and communication largely contributed (1.95 and 1.5 percentage points respectively) to the overall service sector growth. Moreover, hotel and restaurants and transport, storage and communication sub-sector grew markedly by 7.1 and 6.8 percent, respectively. In addition, real estate, renting and other business activities and community, social and personal services subsectors grew faster in FY17.

**Table 1.2 Sectoral GDP growth rates**

(at FY06 constant prices)

| | FY08-FY17 (average) | FY16$^R$ | FY17$^R$ |
|---|---|---|---|
| **1. Agriculture** | **3.8** | **2.8** | **3.0** |
| a) Agriculture and forestry | 3.2 | 1.8 | 2.0 |
| i) Crops and horticulture | 2.9 | 0.9 | 1.0 |
| ii) Animal farming | 2.7 | 3.2 | 3.3 |
| iii) Forest and related services | 5.4 | 5.1 | 5.6 |
| b) Fishing | 6.0 | 6.1 | 6.2 |
| **2. Industry** | **8.8** | **11.1** | **10.2** |
| a) Mining and quarrying | 8.1 | 12.8 | 8.9 |
| b) Manufacturing | 9.3 | 11.7 | 11.0 |
| i) Large and medium scale | 9.6 | 12.3 | 11.2 |
| ii) Small scale | 7.7 | 9.1 | 9.8 |
| c) Electricity, gas and water supply | 9.5 | 13.3 | 8.5 |
| d) Construction | 7.8 | 8.6 | 8.8 |
| **3. Services** | **5.9** | **6.3** | **6.7** |
| a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods | 6.5 | 6.5 | 7.4 |
| b) Hotel and restaurants | 6.4 | 7.0 | 7.1 |
| c) Transport, storage and communication | 7.2 | 6.1 | 6.8 |
| d) Financial intermediations | 7.5 | 7.7 | 9.1 |
| e) Real estate, renting and other business activities | 4.1 | 4.5 | 4.8 |
| f) Public administration and defence | 8.3 | 11.4 | 9.2 |
| g) Education | 7.6 | 11.7 | 11.4 |
| h) Health and social works | 5.6 | 7.5 | 7.6 |
| i) Community, social and personal services | 3.3 | 3.3 | 3.6 |
| **GDP (at FY06 constant market prices)** | **6.3** | **7.1** | **7.28** |

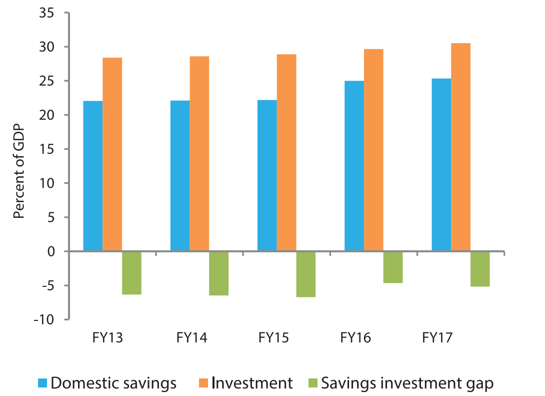
$^R$ Revised.
$^P$ provisional.
Source: Bangladesh Bureau of Statistics.

## Savings and Investment

1.16 Investment relative to GDP increased marginally over the last few years. It increased to 30.51 percent in FY17 from 29.65 percent in FY16. Private investment increased shightly to 23.10 percent in FY17, from 22.99 percent in FY16, but public investment to GDP increased to 7.41 from 6.66 percent over the same period (Chart 1.1).

1.17 Gross national savings as percentage of GDP declined marginally to 29.64 percent in FY17 from 30.77 percent in FY16. In contrast, domestic savings as percentage of GDP improved from 24.98 percent to 25.33 percent over the same period. Gross domestic investments at current market prices grew faster than gross domestic savings (Chart 1.1). As a result, domestic saving-investment gap as percent of GDP widened up from 4.67 in FY16 to 5.18 FY17.

**Chart 1.1 Trends of domestic savings Investment and savings-Investment gap**

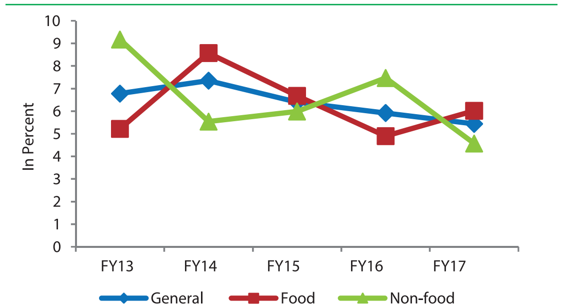



Source : Bangladesh Bureau of Statistics.

## Price Developments

1.18 The declining trend of annual average CPI inflation, which started from a peak of 7.4 percent at the end of FY14 and reached 5.9 percent at the end of FY16, further fell to 5.4 percent at the end of FY17 (Chart 1.2). The declining trend in average CPI inflation in FY17 was mainly driven by non-food inflation, while food inflation witnessed a sharp increase due to flash flood-related crop losses in the Northeastern haor regions in FY17. In contrast, non-food price component of CPI declined due to subdued global inflation and favorable regional inflation rate. Moreover, core inflation, which excludes food and fuel components from the CPI basket, fell from 8.0 percent in June 2016 to 4.9 percent in June 2017.

**Chart 1.2 Trends of National CPI inflation (12 month average : base FY06 = 100)**




Source : Bangladesh Bureau of Statistics and Bangladesh Bank.

## Money and Credit Developments

1.19 In FY17, Bangladesh Bank pursued a monetary policy stance to ensure price stability, along with inclusive output and employment growth. The stance targeted a monetary growth path aiming at achieving above 7.0 percent real GDP growth and 5.8 percent annual average CPI inflation. In FY17, Bangladesh Bank's policy rate remained unchanged with repo rate at 6.75 percent and reverse repo rate at 4.75 percent.

1.20 Broad money (M2) grew by 10.9 percent in FY17, below the target growth of 15.5 percent and the 16.3 percent actual growth in FY16. The lower growth in broad money is driven by both net foreign asset (NFA) and net domestic asset (NDA). Growth of NFA declined sharply from 22.8 percent in FY16 to 11.5 percent. On the other hand, growth of net domestic asset also (NDA) decreased from 14.3 percent in FY16 to 10.7 percent in FY17 (Chart 1.3).

1.21 Domestic credit from the banking system grew by 11.2 percent, below the targeted growth of 16.4 percent for FY17 and actual growth of 14.4 percent in FY16. The lower than targeted growth in domestic credit mainly resulted from the negative growth of credit to the public sector, reflecting public financing mostly through NSD saving instruments and repayment of previous loans from the banking system by the government.

1.22 Private sector credit grew by 15.7 percent in FY17, slightly below the targeted growth of 16.5 percent for FY17 and the FY16 actual growth of 16.8 percent. The lower than targeted growth of private sector credit along with negative growth of public sector credit resulted to a lower growth of net domestic assets (NDA) of the banking system and stood at 10.7 percent in FY17 against the target of 17.3 percent and actual growth of 14.3 percent in FY16. Sources of broad money are shown in Chart 1.4.

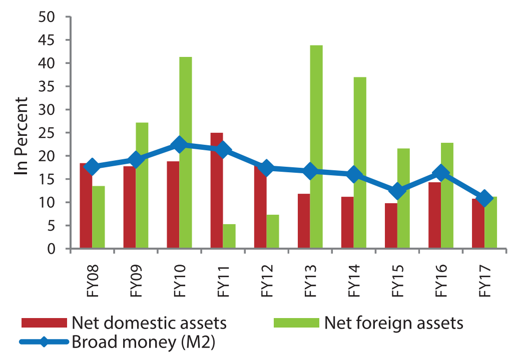
1.23 Reserve Money (RM) grew by 16.3 percent in FY17 which was higher than the projected growth of 14.0 percent and lower than the actual growth of 30.1 percent in FY16.

1.24 The weighted average interest rates on bank advances and deposits declined to 9.56 percent and 4.84 percent at the end of FY17 from 10.39 percent and 5.54 percent,respectively, at the end of FY16. The spread also narrowed slightly to 4.72 percent in FY17 from 4.85 percent over the same period of the preceding year.

## Public Finance

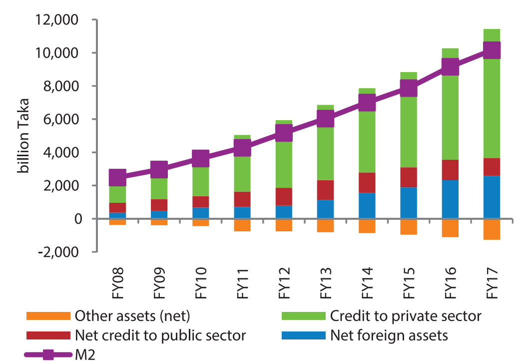
1.25 The Government has undertaken various reform initiatives such as automation, reduction of the rate of tax rebate, expansion of tax administration and expansion of tax net and

**Chart 1.3 Trends of monetary aggregates**
**(Growth in percent)**




Source : Monetary Policy Department, Bangladesh Bank.

**Chart 1.4 Trends of sources of broad money**




Source : Monetary Policy Department, Bangladesh Bank.

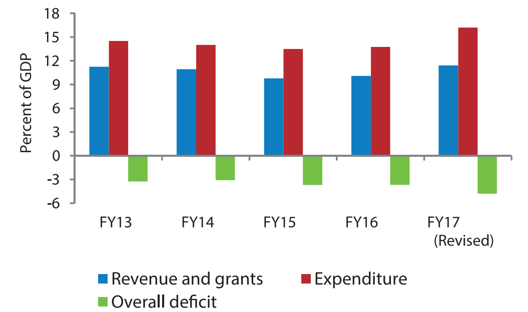
tax base under the National Board of Revenue (NBR) to streamline revenue collection. As a result, during FY17, the progress of NBR revenue collection was better than in the last few years.

1.26 According to the revised National Budget for FY17, the overall budget deficit (excluding grants) as percentage of GDP increased from 3.8 percent in FY16 to 5.0 percent in FY17. The overall budget deficit (including grants) increased to 4.8 percent of GDP in FY17 from 3.7 percent in FY16. The Government's financing from the banking system increased from 0.6 percent of GDP in FY16 to 1.2 percent of GDP in FY17, while financing from non- bank sources marginally increased from 2.3 to 2.4 percent of GDP over the same period (Chart 1.5 and 1.6).

1.27 The growth of total revenue collection was revised downward to 26.3 percent from the budget of 40.4 percent in FY17 and the actual revenue growth of 18.5 percent in FY16. The downward revision was mainly prompted by the weaker-than-expected tax revenue earnings by the NBR in the original budget of FY17. Total revenue-GDP ratio decreased from 14.0 percent in the original budget in FY17 to 12.6 percent in the revised budget but remained higher than the actual ratio of 10.0 percent of FY16.

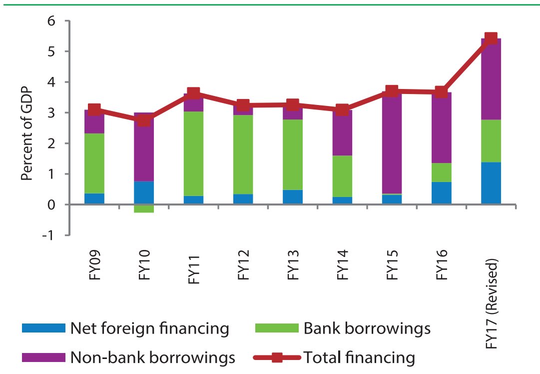
1.28 Public expenditure as percentage of estimated GDP increased from 13.8 percent in FY16 to 16.2 percent in FY17 revised budget. It grew by 33.0 percent in FY17 revised budget compared to 16.7 percent in FY16 actual budget. Current expenditure in FY17 revised budget stood at 10.3 percent of GDP which was 8.3 percent in FY16 actual budget (Chart 1.5).

**Chart 1.5 Trends of revenue, expenditure and overall budget deficit**
**(as percent of GDP)**




Source : Ministry of Finance.

**Chart 1.6 Trends of deficit financing**




Source : Ministry of Finance.

## External Sector

1.29 Exports growth fell down to 1.7 Percent in FY17, while import growth increased to 9.0 percent. Exports stood at USD 34019 million in FY17 from USD 33441 million in FY16. During the same period the total import payments increased to USD 43491 million from USD 39901 million in FY16. As import grew faster than export, trade deficit widened to USD 9472 million over the same period from USD 6460 million in FY16 (Chart 1.7). The services and income account along with primary and secondary income registered a surplus of USD 7992 million. Current account balance turned negative USD 1480 million in FY17 from a surplus of USD 4262 million in FY16. The capital and financial account surplus widened to USD 4493 million in FY17 from USD 1408 million in FY16. The overall balance of payments surplus shrank to USD 3169 million in FY17, which was USD 5036 million in FY16 (Appendix-3 Table-XVI). Gross international foreign exchange reserves stood at USD 33.4 billion at the end of FY17 representing around 8 months of prospective import coverage.

1.30 The growth of export (f.o.b) earnings showed a sharp decline to 1.7 percent in FY17 from 8.9 percent in FY16 (chart 1.8).

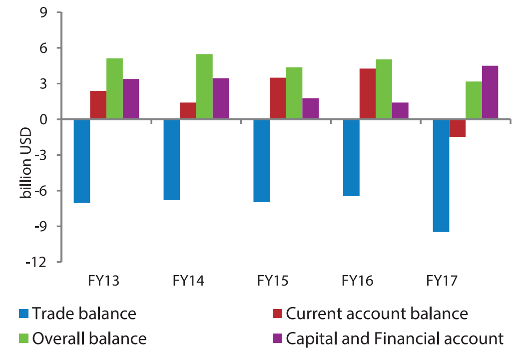
Consequently, export as percentage of GDP decreased to 14.0 in FY17 from 15.5 in FY16. Among the major export items, chemical products, plastic products, leather and leather products, cotton and cotton products, jute goods, home textile, footwear, and engineering products, experienced a higher growth in FY17, while frozen food, agricultural products, woven garments, petroleum bi-products, raw jute, and specialized textiles slowed down the pace of export performance as these items experienced a negative growth.

1.31 Imports (c.i.f) grew by 9.0 percent in FY17, up from 5.9 percent growth in FY16 (chart 1.8). Import payments as a percentage of GDP continued to decline in recent years and edged down to 17.4 in FY17 from 18.0 in FY16. Total import payments for food grains, milk and cream, spices, pulses, sugar, clinker, POL, plastic and rubber articles thereof, raw cotton, and iron, steel & other base metals rose in FY17 compared to FY16 while those for oil seeds, fertilizer, textile & textile articles thereof, and staple fiber declined during the same period.

1.32 Remittance inflows declined by 14.5 percent at the end of FY17 compared with the negative growth of 2.5 percent in FY16.

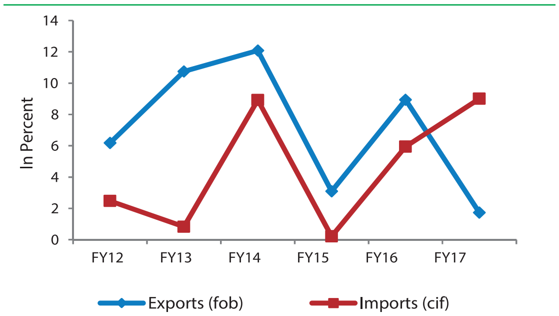
1.33 Bangladesh Bank closely monitors and take effective measures for the foreign exchange market to ensure that prices reflect market forces, while avoiding large fluctuations. As of end June FY17, BDT recorded depreciation of 2.81 percent in nominal terms against USD. It stood at BDT 80.59 as of end June 2017 compared to BDT 78.40 as of end June 2016. The nominal effective exchange rate (NEER) and real effective exchange rate (REER) of BDT calculated against a trade weighted 15 currency basket (base: FY16=100). NEER index depreciated by 1.69 percent while REER index of BDT appreciated by 1.81 percent in FY17 (Chart 1.9 and 1.10).

**Chart 1.7 Trends of balance of payment**




Source : Statistics Department, Bangladesh Bank.

**Chart 1.8 Trends of export and import growth**




Source : Statistics Department, Bangladesh Bank, EPB.

1.34 Outstanding external debt stock of Bangladesh increased to USD 28566.3 million in FY17, up from USD 26305.7 million in FY16. However, the outstanding debt GDP ratio declined to 11.4 percent from 11.9 percent over the same period.

## Near and Medium-Term Outlook for Bangladesh Economy

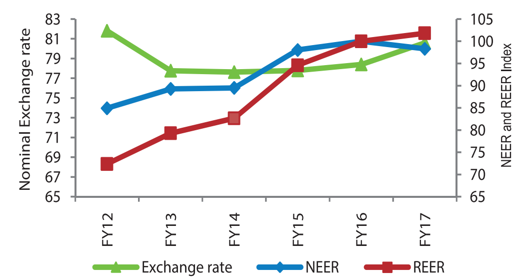
1.35 The near- and medium-term outlook for Bangladesh economy remains broadly positive, driven by favorable domestic and external factors. Overall Balance of Payments remain in surplus despite weaker export performances and remittance inflows. To reach the next phase of growth, Bangladesh needs to increase the level of private investment to create jobs and support growth. Public investment can crowd in private investments by easing infrastructure bottlenecks.

1.36 Looking ahead, global growth is expected to accelerate in 2017 and 2018. The improved outlook reflects faster growth both in advanced economies, and emerging and developing economies. Growth is projected to be stronger in developing Asia also.

1.37 Based on the prospects and the potential risks in the context of global and domestic economic perspectives, in the Proposed Budget Framework for FY18, GDP growth rate set at 7.4 percent and inflation to 5.5 percent. Bangladesh Bank has been pursuing a monetary policy stance to maintain macroeconomic stability and to keep inflation at the programmed level. The CPI inflation stood at 5.4 percent in FY17, while Bangladesh Bank's projection shows average annual inflation for H1 FY18 to be around 5.5-5.9. The risks to the growth outlook from the modest global growth and weaker remittance flows and the inflation risks from any rise in food price and its spillover into non-food inflation need to be closely monitored. In this regard, Bangladesh Bank will update its forecasts on a regular basis.

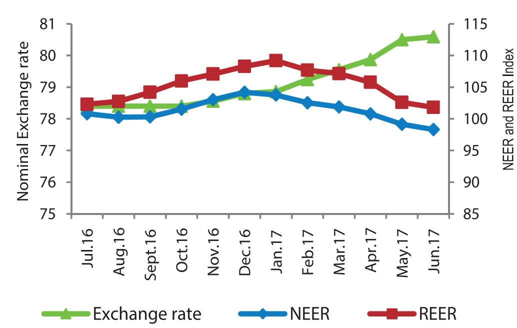
1.38 However, pragmatic policy support, along with the low and stable inflation accompanied by a favourable macroeconomic environment helped Bangladesh become a role model of sustainable finance. Regarding this, Bangladesh Bank's motivational efforts and supervisory surveillance will continue to focus on inclusive, productive use of credit; with particular attention to adequate credit flows to agriculture, SMEs, and environmentally

**Chart 1.9 Trends of NEER, REER (base: FY16=100.15 currency basket) and BDT-Dollar Exchange rate**




Source : Monetary policy Department, Bangladesh Bank.

**Chart 1.10 Monthly movements of NEER, REER (base: FY16=100.15 currency basket) and BDT-Dollar Exchange rate**




Source : Monetary policy Department, Bangladesh Bank.

caring 'green' output initiatives. These schemes would make finance and growth more sustainable.

1.39 From a macro perspective, domestic demand growth is expected to remain robust over the near and medium-term reflecting demographics, investments and improving infrastructure and cost of doing business. As Bangladesh continues its middle income transitions, continued focus on easing infrastructure bottlenecks, improving cost of doing business and skills, increasing investment will help create more and better jobs in the years ahead.