Macroeconomic Performance and Prospects

Global Economic Outlook

1.1 The global economy continued to grow steadily in 2017, reaching 3.7 percent. However, the pace of growth was less than expected earlier. Growth in 2018 and 2019 is projected to remain at the level of 2017. Downside risks to the global growth stem from higher policy uncertainties including the rising global trade conflicts and the reversal of capital flows to emerging market economies. Meanwhile, the probability of upside surprises has receded. Advanced economies grew by 2.3 percent in 2017 and are expected to grow by 2.4 percent in 2018, and 2.1 percent in 2019. Emerging markets and developing economies grew by 4.7 percent in 2017 and are expected to maintain their growth in 2018 and 2019 at the level of 2017 (World Economic Outlook, October 2018).

1.2 U.S. growth is projected to increase from 2.2 percent in 2017 to 2.9 percent in 2018 due to continued fiscal stimulus. But the growth forecast for 2019 has been revised down to 2.5 percent due to the recently announced trade measures, including the tariffs imposed on USD 200 billion of US imports from China. U.K. growth is projected to moderate from 1.7 percent in 2017 to 1.4 percent in 2018 and 1.5 percent in 2019. Growth in the Euro area is forecast to 2.0 percent and 1.9 percent in 2018 and 2019, respectively, from 2.4 percent in 2017. Japan is projected to grow by 1.1 percent in 2018 and 0.9 percent in 2019 from 1.7 percent in 2017.

1.3 Among the emerging market and developing economies, the growth outlook of many oil exporters increased by higher oil prices while, growth outlook for Argentina, Brazil, Iran, and Turkey decreased reflecting country-specific factors, geopolitical tensions and increased oil import payments. China's growth is projected to decline to 6.6 percent in 2018 and 6.2 percent in 2019, from 6.9 percent in 2017, reflecting the potential impact of recently announced trade measures by the

Table 1.1 World Economic Outlook Projections for 2018-19

(annual percentage change)

	Actual		Projections	
	2016	2017	2018	2019
World output	**3.3**	**3.7**	**3.7**	**3.7**
Advanced economies	1.7	2.3	2.4	2.1
United States	1.6	2.2	2.9	2.5
Euro area	1.9	2.4	2.0	1.9
Germany	2.2	2.5	1.9	1.9
France	1.1	2.3	1.6	1.6
Italy	0.9	1.5	1.2	1.0
Spain	3.2	3.0	2.7	2.2
United Kingdom	1.8	1.7	1.4	1.5
Japan	1.0	1.7	1.1	0.9
Canada	1.4	3.0	2.1	2.0
Other advanced economies[1]	2.3	2.8	2.8	2.5
Emerging market and developing economies	4.4	4.7	4.7	4.7
Emerging and developing Asia	6.5	6.5	6.5	6.3
China	6.7	6.9	6.6	6.2
ASEAN-5[2]	4.9	5.3	5.3	5.2
South Asia				
Bangladesh	7.2	7.4	7.3	7.1
India	7.1	6.7	7.3	7.4
Pakistan	4.6	5.4	5.8	4.0
Sri Lanka	4.5	3.3	3.7	4.3
World trade volume (goods and services)	**2.2**	**5.2**	**4.2**	**4.0**
Imports				
Advanced economies	2.4	4.2	3.7	4.0
Emerging and developing economies	1.8	7.0	6.0	4.8
Exports				
Advanced economies	1.8	4.4	3.4	3.1
Emerging and developing economies	3.0	6.9	4.7	4.8
Commodity prices (U.S. dollars)				
Oil	-15.7	23.3	31.4	-0.9
Nonfuel	-1.5	6.8	2.7	-0.7
Consumer prices				
Advanced economies	0.8	1.7	2.0	1.9
Emerging market and developing economies	4.2	4.3	5.0	5.2
South Asia				
Bangladesh	5.7	5.6	6.0	6.1
India	4.5	3.6	4.7	4.9
Pakistan	2.9	4.1	3.9	7.5
Sri Lanka	4.0	6.5	4.8	4.8

Source: World Economic Outlook Update, October 2018, IMF.

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.

U.S. India's economic growth in 2018 and 2019 is expected to continue at 7.3 percent and 7.4 percent, respectively, from 6.7 percent growth in 2017. ASEAN-5 countries are projected to grow by 5.3 percent in 2018, unchanged from 2017 and then marginally decline to 5.2 percent in 2019.

1.4 Consumer prices are expected to increase across advanced and emerging market and developing economies in 2018, to a large extent reflecting the current rise in commodity prices. In advanced economies, inflation is expected to increase by 2.0 percent in 2018 from 1.7 percent in 2017. Similarly, inflation in emerging market and developing economies is expected to increase to 5.0 percent in 2018, up from 4.3 percent in 2017.

1.5 World trade volume growth is projected to decline from 5.2 percent in 2017 to 4.2 percent in 2018 and 4.0 percent in 2019. The growth rate of imports for advanced economies is expected to decline from 4.2 percent in 2017 to 3.7 percent in 2018 and 4.0 percent in 2018. In emerging markets and developing economies, growth rate of imports is projected to decrease from 7.0 percent in 2017 to 6.0 percent in 2018, and then further decline to 4.8 percent in 2019. Exports of advanced economies are expected to grow by 3.4 percent and 3.1 percent in 2018 and 2019 respectively, while those of emerging markets and developing economies are expected to grow by 4.7 percent and 4.8 percent respectively during the same period.

1.6 According to the October 2018 WEO, in the short-term, the balance of risks shifted to the downside. Meanwhile, given the tightening of financial conditions in some countries of the world, increased trade costs, the slower pace of implementation of reforms and the weakening of growth activities, the potential for the upside surprises has receded. At the same time, several downside risks such as rising trade barriers and reversal of capital flows to emerging market economies with weaker fundamentals and higher political uncertainties, have become more pronounced or have partially materialized. In the medium term, risks to the growth outlook remains on the downside. The risks arise from a continued buildup of financial vulnerabilities, adoption of unsustainable macroeconomic policies in the face of restrained growth outlook, rising inequality, and the declining confidence in coordinated and durable policies.

1.7 According to the Global Financial Stability Report (GFSR) of October 2018, although financial conditions remain broadly accommodative and growth supportive in the near term, risks to the global financial stability have increased somewhat. A sharper tightening of financial conditions in advanced economies would increase short-term risks. An increase of concerns regarding policy credibility in emerging markets may lead to further capital outflows. An increase in the trade tension may weaken investors confidence. Political and policy uncertainty could also hamper market sentiment. Finally, advanced economy central banks may intensify the pace of monetary policy normalization in the face of rising inflation, which could lead to a sharper tightening of global financial conditions. In the medium-term, risks to global financial stability and growth remains higher. Over the years a number of risk factors that have built up could be exposed by a sudden tightening of financial conditions.

Developments in the Bangladesh Economy

1.8 Bangladesh economy continued to grow rapidly and achieved a record growth of 7.86 percent in FY18, over-performing the Government's FY18 growth target of 7.4 percent. The growth momentum was supported by strong domestic and external demand. A surge in remittance inflows at 17.3 percent, along with strong private sector credit growth boosted consumption demand. At the same time, higher growth in investment–related imports reflected robust investment demand. Export growth also maintained its momentum during this period. On the supply side, the growth impulse largely came from the industry and agricultural sectors. Bangladesh Bank projects GDP growth to range from 7.5-7.7 percent for FY19, assuming a continuation of domestic political calm and no further escalation of global trade-related conflicts. Annual average CPI inflation increased to 5.8 percent in June 2018, marginally higher than the 5.5 percent target ceiling for FY18. This increase in average CPI inflation was broadly tracking the food inflation dynamics driven by flood-related domestic shocks and higher global commodity prices, while non-food inflation witnessed a decreasing trend. Bangladesh Bank's projection shows average inflation for H1FY19 to be around 5.4-5.8 percent assuming no large domestic and external shocks. Looking ahead, inflation risks in FY19 from higher global commodity prices and exchange rate movements are on the upside. Bangladesh Bank's inflation expectation survey also confirms the upside risks, as around 70 percent of the respondent expected one-year-ahead average inflation to be above 6 percent, indicating the need for continued oversight management of monetary aggregates.

1.9 In FY18, Bangladesh Bank's monetary and financial policies embraced, alongside price and macro-financial stability objectives, inclusivity and environmental sustainability dimensions in pursuit of employment creation-focused inclusive growth support, in line with the government's SDG-focused sustainable development agenda. As liquidity condition tightened, BB reduced Cash Reserve Requirement (CRR) by 100 basis points to 5.5 percent and repo rates by 75 basis points to 6.0 percent with effect from April 2018. Moreover, to ease the liquidity conditions, BB increased available repo tenors to 7, 14 and 28 days. Inflationary risk concerns remained largely under control since broad money (M2) growth for FY18, the key determinant of inflation, moderated to 9.2 percent, well below the target of 13.3 percent. The FY19 monetary program targets domestic credit and M2 growth ceiling at 15.9 and 12.0 percent, respectively, sufficient to accommodate GDP growth of up to 7.8 percent and average annual CPI inflation of up to 5.8 percent. Private sector credit growth remained strong at 17.0 percent in June 2018, slightly above the target of 16.8 percent in FY18 but domestic credit growth reached 14.6 percent, well below the target of 15.8 percent.

1.10 External sector developments in FY18 have been dominated by import dynamics. Import growth in FY18, reached a high of 25.0 percent. Current account deficit widened to around 3 percent of GDP, despite a strong and broad-based rebound in remittances growth (17.3 percent) and a pick-up in overall export growth to around 6 percent, up from 1.7 percent a year ago. However, import decomposition in FY18 reflected a high import of capital goods, food imports due to flood-related weather shocks and export-related intermediate goods. Overall BoP balance declined to (-)0.3 percent of GDP, leading to a decline in NFAs.

1.11 Foreign exchange reserves stood at USD 32.9 billion in June 2018, around 5 month of prospective imports. Bangladesh Bank expects that in FY19 remittance inflows and export growth will continue their recent performance. Import growth is expected to moderate, aided by better harvests and progress in some of the mega projects. Bangladesh Bank projects export, remittance and import growth in FY19 at around 8.0, 16.0 and 12.0 percent, respectively.

Growth Performance

1.12 According to the revised estimates by the Bangladesh Bureau of Statistics (BBS), gross domestic product (GDP) grew by 7.86 percent during FY18, compared to 7.3 percent in FY17. The sectoral GDP growth composition is presented in Table 1.2.

Table 1.2 Sectoral GDP Growth Rates

(at FY06 constant prices)

	FY09-FY18 (average)	FY17[R]	FY18[R]
1. Agriculture	**3.7**	**3.0**	**4.2**
a) Agriculture and forestry	3.1	2.0	3.5
i) Crops and horticulture	2.7	1.0	3.1
ii) Animal farming	2.9	3.3	3.4
iii) Forest and related services	5.4	5.6	5.5
b) Fishing	5.9	6.2	6.4
2. Industry	**9.3**	**10.2**	**12.1**
a) Mining and quarrying	8.2	8.9	7.0
b) Manufacturing	9.9	11.0	13.4
i) Large and medium scale	10.3	11.2	14.3
ii) Small scale	8.0	9.8	9.3
c) Electricity, gas and water supply	9.2	8.5	9.2
d) Construction	8.1	8.8	9.9
3. Services	**6.0**	**6.7**	**6.4**
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	6.6	7.4	7.5
b) Hotel and restaurants	6.6	7.1	7.3
c) Transport, storage and communication	7.1	6.8	6.6
d) Financial intermediations	8.0	9.1	7.9
e) Real estate, renting and other business activities	4.2	4.8	5.0
f) Public administration and defence	8.4	9.2	8.5
g) Education	7.6	11.4	7.0
h) Health and social works	5.7	7.6	7.0
i) Community, social and personal services	3.3	3.6	3.7
GDP (at FY06 constant market prices)	**6.4**	**7.3**	**7.9**

[R] Revised.
Source: Bangladesh Bureau of Statistics.

1.13 Agriculture sector contributed 14.2 percent of GDP and grew by 4.2 percent in FY18, compared to 3.0 percent growth in FY17, mainly supported by the growth of fishing, forest related services and animal farming sub-sector along with other sub-sectors.

1.14 Industry sector contributed 33.7 percent of GDP, and grew by 12.1 percent in FY18, up from 10.2 percent in FY17. This growth was supported by strong growth of manufacturing and construction sub-sectors.

1.15 The services sector accounts for the largest share of GDP, although the share is slowly decreasing. In FY18, 52.1 percent of GDP came from this sector which was 52.9 percent in FY17. In FY18, service sector grew by 6.4 percent, down from 6.7 percent growth in FY17. The growth of two major components of services sector - education and financial intermediations witnessed sharp decrease. Moreover, growth of financial intermediations, transport, storage and communication, public administration and defence and health and social works sub-sector decrease slightly. On the other hand, growth of hotel and restaurants, real estate, renting and business activities, wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods subsectors increased slightly in FY18.

Savings and Investment

1.16 Investment maintained its upward trend and reached at 31.2 percent of GDP in FY18, up from 30.5 percent in FY17. The ratio of private investment to GDP increased slightly from 23.1 percent in FY17 to 23.3 percent in FY18. Similarly, the ratio of public investment to GDP increased to 8.0 from 7.4 percent over the same period (Chart 1.1).

1.17 Gross national savings as percentage of GDP declined to 27.4 percent in FY18 from 29.6 percent in FY17. Similarly, domestic savings as a percentage of GDP decreased from 25.3 percent to 22.8 percent during the same period. Investment at current market price grew (16.6 percent) much faster than the gross domestic savings (2.7 percent). Therefore, the domestic savings-investment gap as percentage of GDP increased to 8.4 percent in FY18 from 5.2 percent in FY17 (Chart 1.1).

Price Developments

1.18 Annual average CPI inflation has consistently declined from its recent peak of 7.4 percent at the end of FY14 to 5.4 percent at the end of FY17 but increased afterwards reaching at 5.8 percent at the end of FY18 (Chart 1.2). The increase in average CPI inflation is mainly driven by food inflation, while non-food inflation decreased slowly. Increased global commodity prices and weather related shocks raised food inflation above 7 percent in June 2018. However, core inflation, which excludes food and fuel components from the CPI basket, fell from 4.9 percent in June 2017 to 3.8 percent in June 2018.

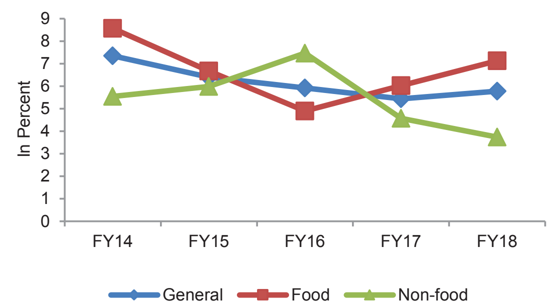
Money and Credit Developments

1.19 In FY18, monetary policy stance of Bangladesh Bank aimed at achieving price and macro-financial stability along with sustainable economic growth. Monetary policy stance was formulated with the target of keeping inflation below 5.5 percent as well as attaining

Chart 1.1 Trends in Domestic Savings and Investment

Source : Bangladesh Bureau of Statistics.

Chart 1.2 Trends in National CPI Inflation
(12 month average : base FY06 = 100)



Source : Bangladesh Bureau of Statistics and Bangladesh Bank.

GDP growth rate at 7.4 percent. In FY18, Bangladesh Bank's policy rate was reduced by 75 basis points with repo rate at 6.0 percent while reverse repo rate remained unchanged at 4.75 percent.

1.20 Broad money (M2) recorded a lower growth of 9.2 percent in FY18 against the target growth of 13.3 percent and the 10.9 percent actual growth in FY17. The lower growth in broad money is driven by negative growth in net foreign assets (NFA) stemming from a sharp increase in imports. Net foreign assets considered as one of the components affecting broad money decreased by 4.3 percent in FY18. Moreover, net domestic asset (NDA), another component of broad money, grew by 14.0 percent in FY18 from 10.7 percent in FY17, down from the targeted growth of 17.9 percent (Chart 1.3).

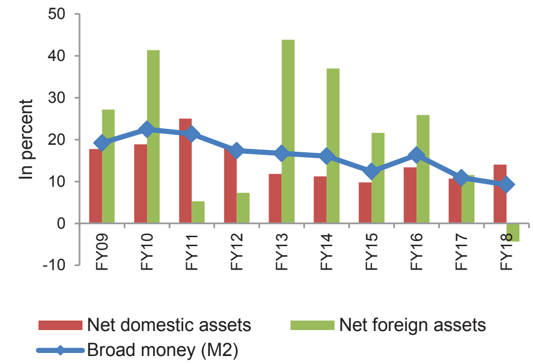
1.21 Domestic credit grew by 14.6 percent, below the targeted growth of 15.8 percent for FY18 but higher than the actual growth of 10.7 percent in FY17, mainly resulted from the negative growth of credit to the public sector from the banking system and strong growth of private sector credit.

1.22 Private sector credit grew by 17.0 percent in FY18, in line with the targeted growth of 16.8 percent for FY18 and higher than the actual growth of 15.7 percent in FY17. The downward trend of government borrowing from the banking system created a room for the private sector and supported by a buoyant domestic demand driven economic activities in agriculture, industry and service sector. Sources of broad money are shown in Chart 1.4.

1.23 Reserve Money (RM) grew by 4.0 percent in FY18 much lower than the programmed growth of 12.0 percent and actual growth of 16.3 percent in FY17. Reserve money growth slowed down relative to the programmed level due to the decrease in net foreign assets (NFA) and slow growth of net domestic assets (NDA).

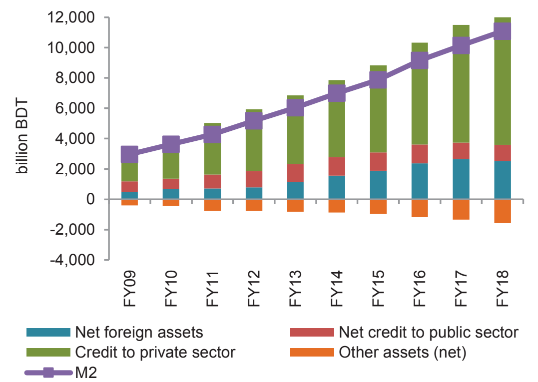
1.24 The weighted averages of interest rate on both bank advances and deposits increased slightly to 9.95 percent and 5.50 percent at the end of FY18, up from 9.56 percent and 4.84 percent respectively at the end of FY17. The spread narrowed to 4.45 percent in FY18 from 4.72 percent in FY17.

Chart 1.3 Trends in Growth of Monetary Aggregates



Source : Monetary Policy Department, Bangladesh Bank.

Chart 1.4 Trends in Sources of Broad Money



Source : Monetary Policy Department, Bangladesh Bank.

Public Finance

1.25 The main objective of the budget is to alleviate poverty, reduce inequalities and bring basic and qualitative changes in people's living standard. All these lead to sustained higher growth. Mobilization of resources and its appropriate allocation to different sectors together with the efficacy of policy frameworks can help achieve these targets.

1.26 According to the revised National Budget for FY18, the overall budget deficit (excluding grants) as a percentage of GDP increased from 3.46 percent in FY17 to 5.0 percent in FY18. The overall budget deficit (including grants) of 4.78 percent of GDP was largely financed by domestic sources, contribution of which increased slightly to 2.93 percent of GDP in FY18 from 2.83 percent of GDP in FY17. The Government's financing from the banking system increased from -0.42 percent of GDP in FY17 to 0.89 percent of GDP in FY18, while financing from the non-bank sources decreased from 3.26 to 2.05 percent of GDP over the same period (Chart 1.5 and 1.6).

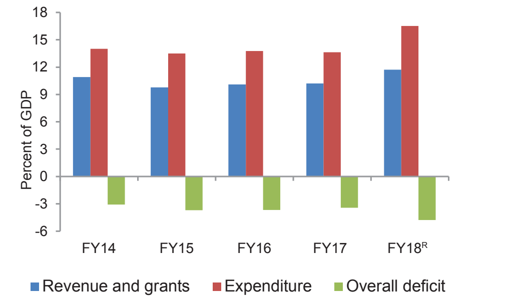
1.27 The growth of total revenue collection was revised downward to 28.9 percent from the budget in FY18 of 43.1 percent and the actual revenue growth of 16.3 percent in FY17. This downward revision was mainly stipulated by the weaker than expected tax revenue collection by the NBR in the original budget of FY18. Total revenue-GDP ratio decreased from 12.8 percent in the initial budget of FY18 to 11.5 percent in the revised budget but remained higher than 10.2 percent of FY17.

1.28 Public expenditure as a percentage of GDP increased from 13.6 percent in FY17 to 16.5 percent in the FY18 revised budget. It grew by 37.8 percent in the FY18 revised budget compared to 13.0 percent in FY17 actual budget. Operational expenditure in the FY18 revised budget stood at 8.6 percent of GDP which was 8.3 percent in FY17 actual budget (Chart 1.5).

External Sector

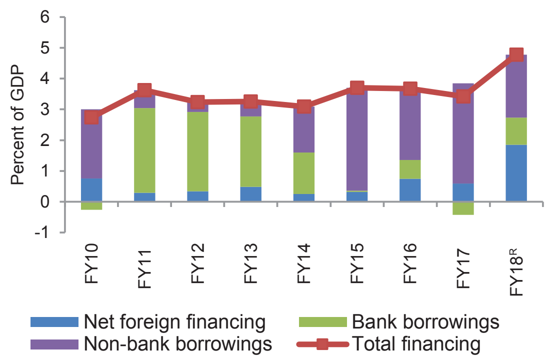
1.29 In FY18, imports grew much faster than exports. Export grew by 6.4 percent while the growth of import payment was 25.2 percent. Exports stood at USD 36,205 million in FY18 which was USD 34,019 million in FY17. During the same period the total import payments increased to USD 54463 million from USD 43491 million in FY17. As imports grew faster than exports, trade deficit widened to USD 18,258 million during the period from USD 9472 million in FY17 (Chart 1.7). The services and income account along with primary and secondary income registered a surplus of USD 8,478 million. Remittance inflows increased by 17.3 percent at the end of FY18 compared with the negative growth of 14.5 percent in FY17. Current account balance further deteriorated

Chart 1.5 Trends in Revenue, Expenditure and Overall Budget Deficit



R Revised Budget
Source : Ministry of Finance.

Chart 1.6 Trends in Deficit Financing



R Revised Budget
Source : Ministry of Finance.

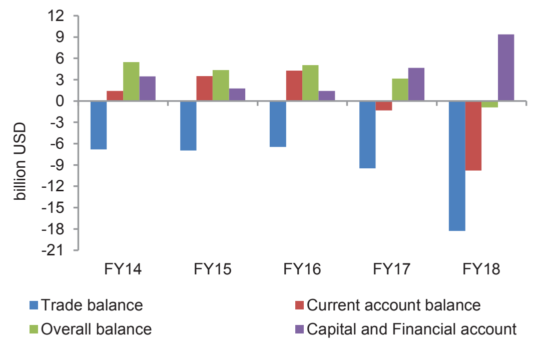
to USD (-) 9,780 million in FY18 from USD (-)1,331 million in FY17. The capital and financial account surplus increased to USD 9,368 million in FY18 from USD 4647 million in FY17. The overall balance of payments surplus turned into a deficit of USD (-) 885 million in FY18, which was USD 3,169 million in FY17 (Appendix-3 Table-XVI).

1.30 The growth of export (f.o.b) earnings increased to 6.4 percent in FY18 from 1.7 percent in FY17 (Chart 1.8). Export as a percentage of GDP slightly decreased to 13.2 percent from 13.6 over the same period. Among the major export items, agricultural products, cotton and cotton products, knitwear, home textile, jute goods, chemical products, woven garments, and footwear products experienced a higher growth in FY18, while petroleum bi-products, engineering products, leather and leather products, plastic products, raw jute, and frozen food, slowed down the pace of export performance as these items experienced a negative growth.

1.31 Imports (c.i.f) grew at a rate of 25.2 percent in FY18 compared with the 9.0 percent growth in FY17 (chart 1.8). Import payments as a percentage of GDP increased to 19.9 in FY18 from 17.4 in FY17. Import payments for food grains, milk and cream, spices, capital machinery, clinker, POL, oil seeds, fertilizer, textile & textile articles thereof, staple fiber, plastic and rubber articles thereof, raw cotton, and iron, steel & other base metals rose in FY18 compared to FY17 while those for pulses, crude petroleum and sugar declined during the same period.

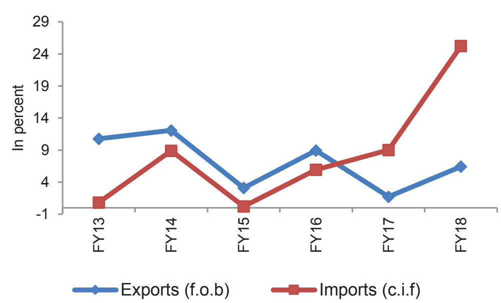
1.32 Gross international foreign exchange reserves stood at USD 32,943 million at the end of FY18, representing around 5 months

Chart 1.7 Trends in Balance of Payment



Source : Statistics Department, Bangladesh Bank.

Chart 1.8 Trends in Export and Import Growth



Source : Statistics Department, Bangladesh Bank, EPB.

of prospective imports, supported by a surplus in financial account and significant inflows of remittances.

1.33 Bangladesh Bank (BB) increased foreign exchange flexibility in line with the market forces while avoiding excessive volatility in foreign exchange market. In FY18, exchange rate depreciated by 3.6 percent due to higher demand for dollar following the declining trend of net foreign assets and high import growth. To avoid excessive fluctuations, BB sold foreign currency amounting to USD 2,311 million in FY18. Exchange rate stood at Taka 82.1 as of end June 2018 compared to Taka 79.1 as of end June 2017 (period average). The nominal effective exchange rate (NEER) of Taka, calculated against a trade weighted 15 currency basket (base: FY16=100), depreciated by 4.5 percent in FY18. Similarly, the real effective exchange rate (REER) of Taka depreciated by 1.7 percent in FY18 (Chart 1.9 and 1.10).

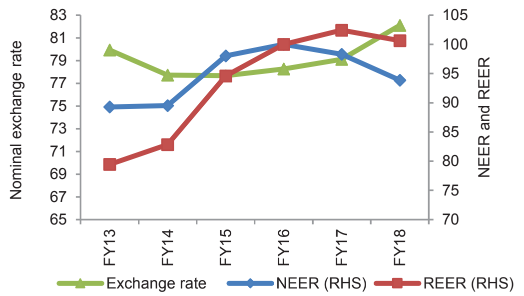
1.34 Outstanding external debt stock of Bangladesh increased to USD 33,110 million at the end of FY18 from USD 28,337 million at the end of FY17. Moreover, the outstanding external debt to GDP ratio increased to 12.1 percent from 11.3 percent during the same period. While total government outstanding debt-to-GDP ratio marginally increased to 27.9 percent in FY18 from 27.0 percent in FY17.

Near and Medium-Term Outlook for Bangladesh Economy

1.35 The Bangladesh economy experienced an impressive growth in FY18, aided by strong domestic and external demand, as reflected in the buoyant public and private investment and consumption, driven by higher exports, remittances and private sector credit growth. Import growth in FY18, however, reached a recent high of over 25 percent, reflecting a confluence of domestic and external factors: infrastructure-related imports, higher commodity and oil prices, a sharp increase in food imports after the floods last year, resulting in a current account deficit of around 3.6 percent of GDP. Supporting productive private sector investment is critical to sustaining the recent high levels of growth. At the same time, a significant increase in public investment is also necessary to maintain competitiveness and generate further productivity.

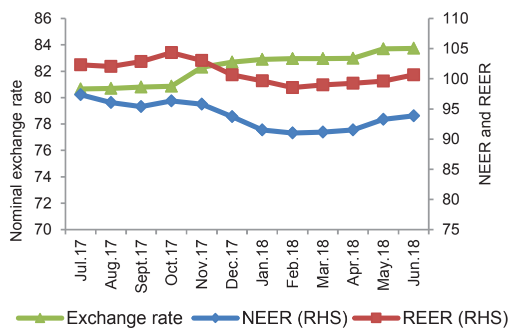
1.36 In light with the global growth prospects and potential risks in the context of global and domestic economic perspectives, GDP growth

Chart 1.9 Trends in NEER, REER (base: FY16=100, 15 currency basket) and BDT-USD Exchange Rate



Source : Monetary policy Department, Bangladesh Bank.

Chart 1.10 Recent Movements in NEER, REER (base: FY16=100, 15 currency basket) and BDT-USD Exchange Rate



Source : Monetary policy Department, Bangladesh Bank.

rate is set at 7.8 percent and inflation to 5.6 percent in the Proposed Budget Framework for FY19. Bangladesh Bank projects GDP growth to range from 7.5-7.7 percent for FY19, assuming a continuation of domestic political calm and no further escalation of global trade-related conflicts. Bangladesh Bank has been pursuing a monetary policy stance to maintain macroeconomic stability and to keep inflation at or the below the programmed level. The CPI inflation stood at 5.78 percent in FY18, while Bangladesh Bank's projection shows average annual inflation for H1 FY19 to be around 5.4-5.8. Looking ahead, domestic and external risks, including from global trade tension, commodity prices, any election-related uncertainties, need to be closely monitored. In this regard, Bangladesh Bank will update its forecasts on a regular basis and accordingly monetary program to accommodate any significant changes.

1.37 Bangladesh Bank has pursued various initiatives to support the country's growth aspirations and supported market development agenda that can help better finance long-term investment. BB's continued focus on SMEs, agriculture and green initiatives, including Long Term Financing Facility and Green Transformation Fund (GTF). These schemes would make finance and growth more sustainable. Besides, given Bangladesh's young labor force, more and better jobs will need support from both the engines of growth-a vibrant manufacturing-led export sector and output activities to meet domestic demand and create job. Furthermore, BB will continue to resort to intensive and intrusive supervision in ensuring that credit flows reach the priority sectors (agriculture, manufacturing, SMEs) that can create more and better jobs while protecting the environment.

1.38 The overall macroeconomic stability for Bangladesh economy has shown resilience despite domestic and external shocks. However, the ambitious target of building Bangladesh as a knowledge-based upper middle income country by 2030 or earlier and graduation of the country to a developed one by 2041 will require unwavering and continued reforms, given Bangladesh's integration with the global economy in an increasingly complex world.