Macroeconomic Performance and Prospects

Global Economic Outlook

1.1 Global economic growth decelerated in 2019 compared to that of 2018 due mainly to weak demand and trade disputes between the USA and China. The outbreak of COVID-19 pandemic and its massive adverse effects have pushed the global economic growth into negative zone in 2020. Governments worldwide have imposed widespread closures, lock-down, isolation and restrictions of movement of domestic and international transports in order to contain the spread of the virus. As a result, the COVID-19 pandemic has triggered the deepest global recession since World War II and global economic activity is projected to contract sharply by 4.4 percent in 2020. However, growth is anticipated to pick up to 5.2 percent in 2021 subject to effective implementation of monetary and fiscal stimulus packages, restoration of normal economic activities and fading of the pandemic. In advanced economies, growth declined to 1.7 percent in 2019 from 2.2 percent in 2018 and it is projected to decline to -5.8 percent in 2020 and increase to 3.9 percent in 2021. In emerging market and developing economies, growth is forecasted to decline to -3.3 percent in 2020 and then pick up to 6.0 percent in 2021 (Table 1.1).

Table 1.1 World Economic Outlook Projections for 2020 and 2021

(annual percentage change)

	Actual		Projections	
	2018	2019	2020	2021
World Output	**3.5**	**2.8**	**-4.4**	**5.2**
Advanced Economies	**2.2**	**1.7**	**-5.8**	**3.9**
United States	3.0	2.2	-4.3	3.1
Euro area	1.8	1.3	-8.3	5.2
Germany	1.3	0.6	-6.0	4.2
France	1.8	1.5	-9.8	6.0
Italy	0.8	0.3	-10.6	5.2
Spain	2.4	2.0	-12.8	7.2
Japan	0.3	0.7	-5.3	2.3
United Kingdom	1.3	1.5	-9.8	5.9
Canada	2.0	1.7	-7.1	5.2
Other advanced economies[1]	2.7	1.7	-3.8	3.6
Emerging Market and Developing Economies	**4.5**	**3.7**	**-3.3**	**6.0**
Emerging and developing Asia	6.3	5.5	-1.7	8.0
China	6.7	6.1	1.9	8.2
ASEAN-5[2]	5.3	4.9	-3.4	6.2
South Asia				
Bangladesh	7.9	8.2	3.8	4.4
India	6.1	4.2	-10.3	8.8
Pakistan	5.5	1.9	-0.4	1.0
Sri Lanka	3.3	2.3	-4.6	5.3
World Trade Volume (goods and services)	**3.9**	**1.0**	**-10.4**	**8.3**
Imports				
Advanced Economies	3.6	1.7	-11.5	7.3
Emerging Market and Developing Economies	5.0	-0.6	-9.4	11.0
Exports				
Advanced Economies	3.5	1.3	-11.6	7.0
Emerging Market and Developing Economies	4.1	0.9	-7.7	9.5
Commodity Prices (U.S. dollars)				
Oil	29.4	-10.2	-32.1	12.0
Nonfuel (Average based on world commodity import weights)	1.3	0.8	5.6	5.1
Consumer prices				
Advanced Economies	2.0	1.4	0.8	1.6
Emerging Market and Developing Economies[3]	4.9	5.1	5.0	4.7
South Asia				
Bangladesh	5.8	5.5	5.6	5.9
India	3.4	4.8	4.9	3.7
Pakistan	3.9	6.7	10.7	8.8
Sri Lanka	4.3	4.3	4.7	4.6

Source: WEO, October 2020, 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.
3 Excludes Venezuela and includes Argentina.

1.2 In the United States, growth declined to 2.2 percent in 2019 from 3.0 percent in 2018. It is projected to further decrease to -4.3 percent in 2020 and rebound to 3.1 percent in 2021. In the euro area, growth decreased to 1.3 percent in 2019 from 1.8 percent in 2018 and is projected to drop further to -8.3 percent in 2020 and bounce back to 5.2 percent in 2021. However, growth in the United Kingdom increased to 1.5 percent in 2019 from 1.3 percent in 2018 and is projected to decline to

-9.8 percent in 2020. Japan's economy is set to shrink by 5.3 percent in 2020.

1.3 In China, growth decreased to 6.1 percent in 2019 from 6.7 percent in 2018. China's growth is projected to slow down further to 1.9 percent in 2020 and then pick up to 8.2 percent in 2021. India's economic growth also decelerated from 6.1 percent in 2018 to 4.2 percent in 2019 and is projected to decrease further to -10.3 percent in 2020 and then pick up to 8.8 percent in 2021.

1.4 In advanced economies, inflation declined to 1.4 percent in 2019 from 2.0 percent in 2018 mainly due to lower commodity prices. Following weaker economic activity, inflation is expected to dip further to 0.8 percent in 2020. It is projected to pick up to 1.6 percent in 2021, thanks to forecasted economic activity. Inflation in emerging market and developing economies, excluding Venezuela and including Argentina, slightly increased to 5.1 percent in 2019 from 4.9 percent in 2018; while it is projected to decline to 5.0 percent in 2020 and 4.7 percent in 2021.

1.5 World trade volume growth declined considerably to just 1.0 percent in 2019 from 3.9 percent in 2018. It is projected at -10.4 percent in 2020 reflecting weaker demand for goods and services and at 8.3 percent in 2021. The growth rate of imports for advanced economies declined from 3.6 percent in 2018 to 1.7 percent in 2019. Projections suggest that imports will suffer a deep contraction of 11.5 percent in 2020 and will experience a rise of 7.3 percent in 2021. In emerging markets and developing economies, growth rate of imports decreased significantly from 5.0 percent in 2018 to -0.6 percent in 2019. It is projected to be -9.4 percent in 2020 and at 11.0 percent in 2021. Exports growth of advanced economies decreased to 1.3 percent in 2019 from 3.5 percent in 2018. It is projected to be -11.6 percent in 2020 and at 7.0 percent in 2021. Exports growth of emerging markets and developing economies declined to 0.9 percent in 2019 from 4.1 percent in 2018. It is expected that exports of emerging markets and developing economies will experience growth of -7.7 percent in 2020 and 9.5 percent in 2021.

1.6 According to IMF's WEO of October 2020, there remains pervasive uncertainty about the forecast of global economic output in 2021. The forecast depends on public health and economic factors that are inherently difficult to predict. The first source of uncertainty is related to the path of the pandemic, the needed public health response, and the associated domestic activity disruptions, most notably for contact-intensive sectors. The second source of uncertainty lies in the extent of global spillovers from soft demand, weaker tourism, and lower remittances. The third source of uncertainty rests on a set of factors comprising financial market sentiment and its implications for global capital flows. Moreover, there remains uncertainty surrounding the damage to supply potential—which will depend on the persistence of the pandemic shock, the size and effectiveness of the policy response, and the extent of sectoral resource mismatches. Following severe fallouts of the pandemic, all economic regions are projected to experience negative growth in 2020 for the first time.

1.7 According to Global Financial Stability Report of October 2020, a sharp easing financial conditions since late March 2020 helped prevent a financial crisis and cushion the impact of COVID-19 on the economy. Following unprecedented and timely policy response, near-term global financial stability risks have been addressed. Necessary policy supports have helped maintain the flow of credit to the economy and avoid adverse macro-financial feedback loops, creating a bridge to recovery. However, vulnerabilities are rising, intensifying financial stability concerns in some countries. Vulnerabilities have increased in the nonfinancial corporate sector, as firms have taken on more debt to cope with cash shortages, and in the sovereign sector, as fiscal deficits have widened to support the economy. As the crisis unfolds, corporate liquidity pressures may create insolvency crisis due to the delay of recovery. The disconnection between rising market valuations and the evolution of the economy still persists. If policy supports are maintained, current asset valuations could be sustained for some time. However, if policy supports are reassessed or the recovery is delayed, the odds of a sharp adjustment may rise.

Developments in the Bangladesh Economy

1.8 Bangladesh Bureau of Statistics (BBS) estimated real GDP growth of 5.2 percent in FY20, much lower from 8.2 percent in FY19. Though Bangladesh recorded robust growth rates during the last couple of years, the outbreak of COVID-19 pandemic during the last quarter of FY20 affected national economy adversely, leading to the fall in growth. Following negative impacts of COVID-19, all major sectors witnessed a lower growth. However, the growth rate in FY20 was highest in South Asian region. The outbreak of COVID-19 has created serious impediments in attaining key monetary program objectives viz., keeping

Table 1.2 Sectoral GDP Growth

(at FY06 constant prices)

	FY11-FY20 (average)	FY19	FY20[P]
1. Agriculture	**3.46**	**3.92**	**3.11**
a) Agriculture and forestry	2.65	3.15	2.08
i) Crops and horticulture	1.96	1.96	0.89
ii) Animal farming	3.04	3.54	3.04
iii) Forest and related services	5.76	8.34	6.36
b) Fishing	6.20	6.21	6.10
2. Industry	**9.85**	**12.67**	**6.48**
a) Mining and quarrying	7.32	5.88	4.38
b) Manufacturing	10.55	14.20	5.84
i) Large and medium scale	11.06	14.84	5.47
ii) Small scale	8.28	10.95	7.78
c) Electricity, gas and water supply	9.04	9.58	6.16
d) Construction	8.67	10.25	9.06
3. Services	**6.12**	**6.78**	**5.32**
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	6.71	8.14	5.02
b) Hotel and restaurants	6.80	7.57	6.46
c) Transport, storage and communication	6.87	7.19	6.19
d) Financial intermediations	8.60	7.38	4.46
e) Real estate, renting and other business activities	4.48	5.23	4.85
f) Public administration and defence	8.11	6.40	6.02
g) Education	7.89	7.66	6.19
h) Health and social works	6.91	11.79	9.96
i) Community, social and personal services	3.42	3.72	3.61
GDP (at FY06 constant market prices)	**6.76**	**8.15**	**5.24**

[P] Provisional
Source: BBS.

annual average CPI inflation within 5.5 percent and achieving 8.2 percent real GDP growth target for FY20. Annual average CPI inflation stood at 5.7 percent at end June 2020.

Growth Performance

1.9 According to the provisional estimates by BBS, gross domestic product (GDP) of Bangladesh grew by 5.2 percent in FY20, while it was 8.2 percent in FY19. The sectoral GDP growth composition is presented in Table 1.2.

1.10 Agriculture sector contributed 13.3 percent of GDP and growth of this sector moderated from a base of 3.9 percent in FY19 to 3.1 percent in FY20. This growth was mainly supported by the growth of fishing, forest related services and animal farming sub-sector.

1.11 Industry sector contributed 35.4 percent of GDP, and grew by 6.5 percent in FY20, lower from 12.7 percent in FY19. This growth was mainly supported by the growth of manufacturing and construction. As a result of COVID-19, both large and medium, and small scale industrial sub-sector recorded lower growth of 5.5 percent and 7.8 percent respectively.

1.12 The services sector accounts for the largest share of GDP. In FY20, 51.3 percent of GDP came from this sector which was 51.4 percent in FY19. Service sector grew by 5.3 percent, much lower than 6.8 percent growth in FY19. All components of services sector like- health and social works, financial intermediations, wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods, hotel and restaurants, and transport, storage and communication experienced lower growth in FY20.

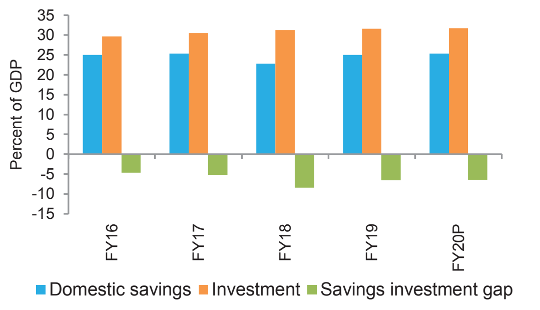
1.13 On the demand side, private consumption grew by 4.0 percent underpinned by a record inflow of remittances at USD 18.2 billion in FY20. Moreover, public consumption grew by 7.2 percent during the same period. As a result, total consumption growth stood at 4.2 percent and it contributed 2.9 percentage points to the growth of GDP. On the other hand, total investment contributed to 2.3 percentage point to the growth. Contribution of net exports to GDP became zero as the contribution of exports was offset by the contribution of imports to GDP.

Savings and Investment

1.14 Although the provisional data report a reduction of investment growth in FY20 from a year earlier, total investment as percentage of GDP increased to 31.8 percent in FY20 from 31.6 percent in FY19. Over the same period, both the ratios of public investment to GDP and private investment to GDP registered around 10 basis points increase and stood at 8.1 percent and 23.6 percent respectively in FY20.

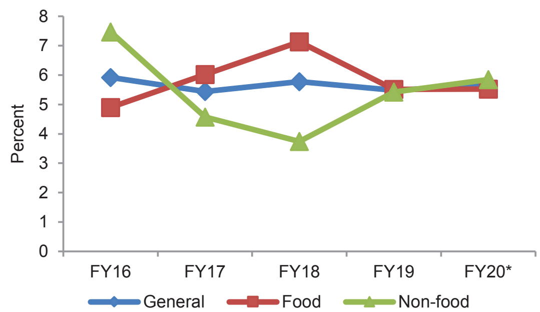
1.15 The provisional data report that gross national savings as percentage of GDP increased to 30.1 percent in FY20 from 29.5 percent in FY19. Similarly, domestic savings as percentage of GDP increased by 28 basis points and stood at 25.3 percent during the

Chart 1.1 Trends in Domestic Savings and Investment



P Provisional
Source : BBS.

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



Source : BBS and BB.

same period. Gross domestic savings at current market price grew a little faster (11.2 percent) than the investment (10.6 percent) resulting in a slight decrease in domestic savings-investment gap as percentage of GDP to 6.4 percent in FY20 from 6.5 percent in FY19 (Chart 1.1).

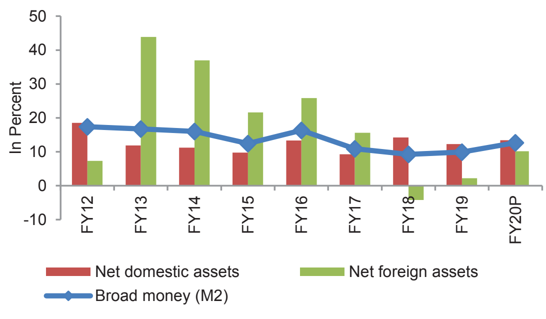
Price Developments

1.16 The twelve month average general CPI inflation was recorded 5.7 percent in June 2020 with gradually increasing by 17 basis points during FY20, which exceeded the targeted ceiling of 5.5 percent (Chart 1.2). This higher general CPI inflation was the result of higher non-food inflation on the back of higher remittance inflows and disruption of supply chains due to the COVID-19 pandemic. Food inflation remained almost similar in June 2020 though non-food inflation increased compared to the same month of the previous fiscal year. With minor fluctuations the food inflation remained unchanged at 5.5 percent in June 2020 as in June 2019, while non-food inflation increased to 5.9 percent in June 2020 from 5.4 percent in June 2019. The non-food and non-energy 'core' component of CPI inflation also showed fluctuations throughout the fiscal year and stood at 5.8 percent in June 2020 from 5.5 percent in June 2019, indicating a rising inflationary pressure.

Money and Credit Developments

1.17 In FY20, Bangladesh Bank's monetary and financial policies prioritized the government's inclusive and sustainable growth agenda by fostering price and financial stability. During the period, monetary programme aimed at ensuring adequate flow of quality credit to support the job friendly economic growth and inflation targets, while promoting domestic

Chart 1.3 Trends in Growth of Monetary Aggregates



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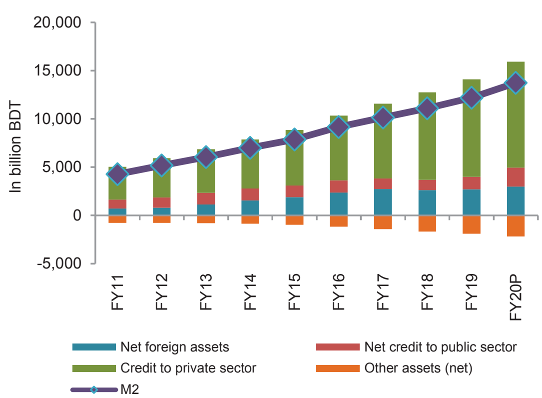
Source : MPD, BB

Chart 1.4 Trends in Sources of Broad Money



P Provisional
Source : MPD, BB.

and external financial stability. Some major policy initiatives were taken by Bangladesh Bank to ensure adequate liquidity supply for the implementation of government’s stimulus packages aimed at combating the economic downdrafts of the coronavirus pandemic. Bangladesh Bank's repo rate was reduced by 75 basis points, compared to that of FY19, to 5.25 percent in FY20. Meanwhile, CRR on bi-weekly average and daily basis were reduced by 150 points to 4.0 percent and 3.5 percent in FY20 from 5.5 percent and 5.0 percent in FY19, respectively.

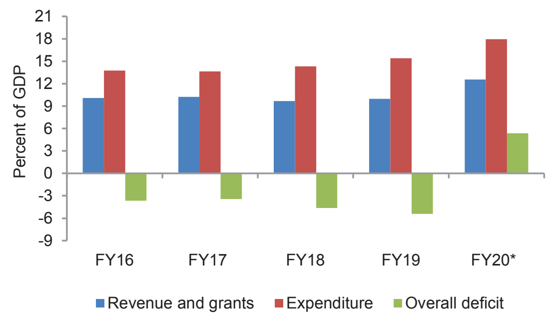
1.18 Broad money (M2) growth accelerated in FY20 to 12.7 percent from 9.9 percent in FY19 but, ended up slightly short of the FY20 monetary programme target growth of 13.0 percent. The growth in broad money was driven by growth in net domestic assets (NDA) stemming from huge growth of public sector credit. NDA grew by 13.4 percent in FY20 against the target growth of 15.5 percent and 12.3 percent actual growth in FY19 (Chart 1.3). Net foreign assets (NFA) increased by 10.2 percent in FY20 against the programmed growth of 4.2 percent mainly due to IMF's support under Rapid Financing Instrument and Rapid Credit Facility extended to Bangladesh for addressing the challenges posed by COVID-19.

1.19 Domestic credit grew by 13.7 percent, lower than the targeted growth of 17.4 percent for FY20 and slightly higher than the actual growth of 12.4 percent in FY19, mainly due to the substantial increase of credit flow (53.4 percent) to the public sector from the banking system.

1.20 Private sector credit grew by 8.6 percent in FY20, much lower than the targeted growth of 14.8 percent for FY20 and actual growth of 11.3 percent in FY19. However, the lower growth in credit to private sector might be attributed to banks' adherence towards quality credit and COVID-19 led lockdown. Sources of broad money are shown in Chart 1.4.

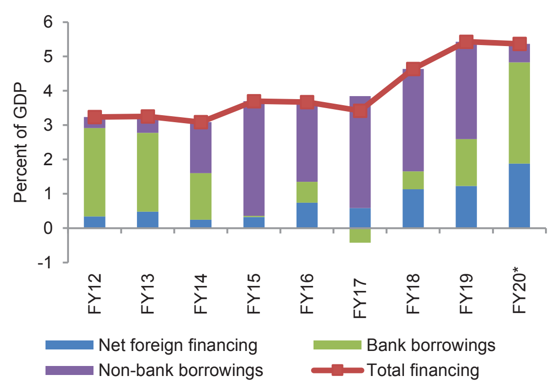
1.21 Reserve Money (RM) grew by 15.7 percent, higher than the programmed growth of 12.0 percent for FY20, and much higher than the actual growth of 5.3 percent recorded in

Chart 1.5 Trends in Revenue, Expenditure and Overall Budget Deficit



* Revised Budget
Source : MoF.

Chart 1.6 Trends in Deficit Financing



* Revised Budget
Source : MoF.

FY19. Reserve money growth exceeded the programmed level mainly due to higher than targeted growth of NFA.

1.22 At the end of FY20, the weighted average interest rate on bank advances significantly decreased to 8.0 percent from 9.6 percent in FY19. The weighted average interest rate on deposits decreased slightly to 5.1 percent at the end of FY20 from 5.4 percent at the end of FY19. As a result the spread also narrowed down to 2.9 percent at the end of FY20 from 4.2 percent at the end of FY19.

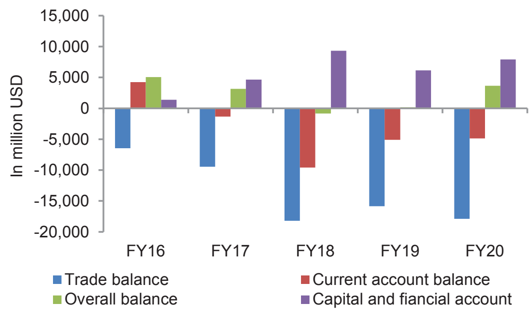
Public Finance

1.23 Attaining SDGs and their targets had been the spotlight of government's fiscal policy in FY20. The FY20 was the terminal year of 7th Five Year Plan, hence the budget also emphasised on the implementation of the plan. The budget aims to optimally mobilize public resources to attain sustainable and inclusive growth. To this end in the national budget for FY20, government proposed an overall deficit (including grants) of 4.8 percent of GDP. However, this deficit increased to 5.3 percent of GDP in the revised budget for FY20, which was 5.4 percent of GDP in FY19. The deficit was largely financed by domestic sources, contribution of which decreased slightly to 3.5 percent of GDP in FY20 from 4.2 percent of GDP in FY19. The Government's financing from banking system increased from 1.4 percent of GDP in FY19 to 2.9 percent of GDP in FY20, while financing from non-bank sources decreased from 2.8 percent of GDP to 0.5 percent of GDP over the same period (Chart 1.5 and 1.6).

1.24 The targeted growth of total revenue collection was revised downward to 38.2 percent from 49.9 percent in the original budget for FY20, which was greater than the actual revenue growth of 16.3 percent in FY19. Total revenue-GDP ratio decreased to 12.4 percent in the revised budget from 13.5 percent set in the original budget for FY20, but remained higher than 9.9 percent in FY19.

1.25 Public expenditure as percentage of GDP increased from 15.4 percent in FY19 to 17.9 percent in FY20 revised budget. The volume of public expenditure grew by 28.1 percent in FY20 compared to FY19. Recurrent expenditure in FY20 revised budget stood at 9.8 percent of GDP which was 8.4 percent in FY19 (Chart 1.5). Hence, total outstanding public debt as percent of GDP stood at 31.7 in FY20 form 29.6 in FY19.

Chart 1.7 Trends in Balance of Payment



Source : SD, BB.

External Sector

1.26 Exports shrank by a larger margin than imports did in FY20. Exports fell by 17.1 percent while imports' decline was 8.6 percent. The total exports (f.o.b) in FY20 stood at USD 32830 million, which was USD 39604 million in FY19. On the other hand, the total imports (f.o.b) was USD 50691 million in FY20 in contrast to USD 55439 million in FY19. As a result, the trade deficit widened further and was recorded USD 17861 million in FY20, which was USD 15835 million in the preceding fiscal year. Current account balance stood at USD (-) 4849 million in FY20 against USD (-) 5102 million in FY19. Workers' remittances inflow, which was USD 18205 million in FY20, set the base for improved current account position. FY20's overall balance (USD 3655 million) was higher than that of the preceding fiscal year by a large margin riding on huge financial account build-up (Chart 1.7 and Appendix-3, Table-XVI).

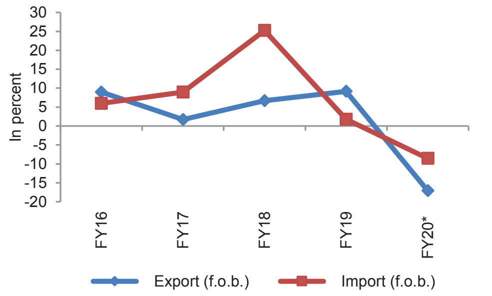
1.27 According to Export Promotion Bureau (EPB) export shipment data, FY20 export earnings decreased by 16.9 percent. On the other hand, the preceding fiscal year had export earnings growth of 10.6 percent. Export as percentage of GDP fell to 10.2 percent in FY20 against 13.4 percent in FY19. Only six types of products, namely vegetables, fruits, tobacco, fish, raw jute, and jute goods had positive export growth in the fiscal year under report. Contrary to these items, the rest array of products had decline in exports, of which petroleum bi-products, woven garments, knitwear, home textile and shrimps were notable.

1.28 Import (f.o.b) declined by 8.6 percent in FY20 against 1.8 percent increase in FY19 (chart 1.8). Import as percentage of GDP stood at 15.4 percent in FY20, while it was 18.3 percent in FY19. Foodgrains, mainly wheat, import payments rose by 7.8 percent in FY20. Other major import items which had increases in FY20, included crude petroleum, oil seeds, pulses, pharmaceutical products, spices and sugar. On the other hand, import of capital machinery, yarn, fertilizer and metals suffered drastic fall in the fiscal year under report.

1.29 Gross international foreign exchange reserves stood at USD 36,073 million at the end of June 2020 covering 8.5 months of import payments. Workers' remittances which grew by 10.9 percent constituted the main pillar of the reserves.

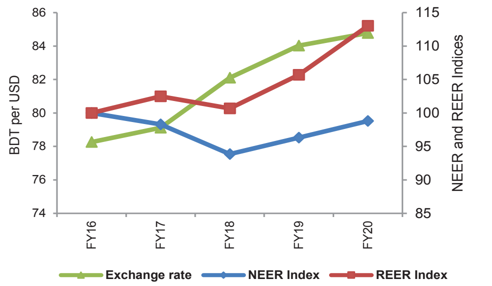
1.30 The annual average exchange rate stood at BDT 84.8 per USD in June 2020 against BDT 84.0 per USD in June 2019. Hence, the average exchange rate depreciated by 0.9 percent in FY20, which was lower then 2.3 percent depreciation in the preceding fiscal year. With a view to ensuring stability in the local foreign exchange market, BB sold USD 835 million and purchased USD

Chart 1.8 Trends in Export and Import Growth



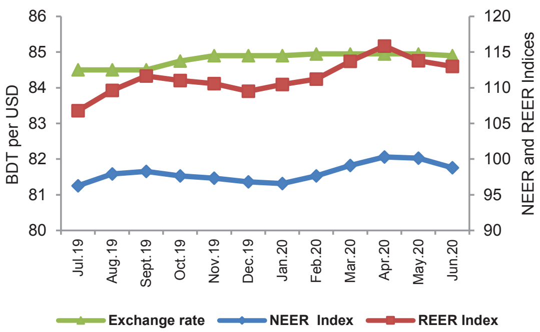
* Provisional.
Source : SD, BB.

Chart 1.9 Trends in NEER and REER Indices and Nominal Exchange Rate



Note: NEER and REER indices FY16=100, are calculated against 15 currency basket.
Source: MPD, BB.

Chart 1.10 Recent Movements of NEER and REER Indices and Nominal Exchange Rate



Note: NEER and REER indices FY16=100, are calculated against 15 currency basket.
Source: MPD, BB.

877 million during the FY20. However, the nominal effective exchange rate (NEER) index (FY16=100) calculated against 15-currency basket increased by 2.6 percent in FY20. Similarly, the real effective exchange rate (REER) index (FY16=100) increased by 6.9 percent in the same fiscal year (Chart 1.9 and 1.10). The increases in NEER and REER indices in FY20 indicated appreciation of BDT in the international market.

1.31 Outstanding external debt stock increased from USD 38475.5 million at the end of FY19 to USD 44202.2 million at the end of FY20. Similarly, the outstanding external debt to GDP ratio also increased from 12.7 percent to 13.4 percent over the period.

Near and Medium-Term Outlook for Bangladesh Economy

1.32 In spite of weaker growth performance in FY20, the government of Bangladesh has set the real GDP growth target for FY21 at 8.2 percent. This growth outlook is underpinned by both the domestic and external demand recovery prospects. The COVID-19 pandemic broke out in the last quarter of FY20, which eventually lead to country-wide lockdown till May 2020. Economic activities almost stalled during the lockdown period as the government enforced closure of offices and factories and ban on transportation. However, the government immediately undertook massive stimulus packages which acted as a buffer against economic losses. The main component of the stimulus packages was to channel fresh working capital at a subsidized rate to the industry and service sectors severely hit by the pandemic. The packages also included funds for workers' salary, which aimed to uphold consumption demand of the workers and employees. Special credit allocation was made for the agriculture sector. In order to ensure food grains availability to the low-income population the government provided funds as subsidy.

1.33 Economic recovery largely depends on the strict implementation of the packages. Prudent government measures are expected to put the economy back on the growth track. While the export earnings in FY20 had a huge slump, the first three months' earnings of FY21 was higher compared with that of the same period of the preceding fiscal year. In the same manner, disbursement of agricultural and non-farm rural credit plunged in FY20. The amount of agricultural and non-farm rural credit disbursement till October 2020 outperformed the volume disbursed during the same period of the preceding fiscal year. Workers' remittances inflow till September 2020 surpassed the amount accumulated during the same period of the preceding fiscal year. The gross foreign exchange reserves of BB stood at 40.8 billion as of end October 2020, which was 25.8 percent higher than that of the same period of FY20.

1.34 The target for FY21 average inflation rate has been set at 5.4 percent. Given the current subdued economic activities, inflationary pressure is unlikely to build up in the forthcoming months. Adequate domestic food grains production along with fall in international commodity and fuel prices is expected to have favourable impact on inflation situation. Considering these facts BB has projected average inflation range of 5.0-5.9 percent for FY21 and 5.0-5.9 percent for FY22. However, excess liquidity stemming from the stimulus packages may engender inflationary bubbles in the periods ahead, hence strong vigilance would be required.

1.35 BB has announced its monetary policy stance (MPS) for FY21. The stance is essentially expansionary and accommodative for all growth support needs while ensuring inflation target as well. The prime objectives of the MPS FY21 are the economic recovery from the adversity of the pandemic and rehabilitation of production capacity. The MPS undertakes a strategy to provide adequate financial support to the priority sectors like agriculture, CMSMEs, and manufacturing industries.

1.36 In order to restore normal administrative and economic activities the government withdrew general lockdown in June 2020. Gradual easing of restrictions was implemented with strict health guidelines. There have been signs of improvement in respect of heath issues and economic recovery. However, the subsequent spells of the pandemic are still feared to pose serious risks to the economy. On the external front, global recession, oil price volatility, and trade wars may slow down the domestic recovery.