

Bringing Out the Best Amidst Crisis



Bangladesh has been able to achieve considerable economic strength in recent times, especially in the macroeconomic sectors. The various indicators of macroeconomic progress and stability have been the fundamental elements of Bangladesh's success story. Despite some glitches in the microeconomic sectors like the demand for fostering inclusive growth, Bangladesh has been lauded for its sustained growth. However, there have always been scopes for correcting the glitches in the economic sector, only to be detected by a series of global events like pandemic and war. The turmoil in the neighbourhood has added a different dimension to the current strain in the macroeconomic aspects of the Bangladeshi economy. But it's better late to correct the economic course than never. The growth of a robust and inclusive economy is fundamental to withering away external shocks in the future.

The problematic macroeconomic duo – dollar shortage and rising inflation are driven by international conditions and domestic demands. The duo's emergence can be attributed to the increase in international prices, including a pricier dollar. Domestic demand has fuelled the mismatch between supply and demand in the forex market and, consequently, a rise in inflation. The statistical indications are also staggering, as the current account deficit totalled \$14.1 billion in July-March, compared to \$555 million during the same period of last year. Due to the disruption in the supply chain caused by the Russia-Ukraine war, inflation has globally been on the rise. At the national level, inflation increased by 0.7% in April 2022 compared to the same period last year. While we can attribute the situation to global distress, we cannot turn a blind eye to the loopholes at the national level.

As I have mentioned earlier, strengthening the inclusivity of the national economy is key to tackling the effects of any global economic distress. The extent of the impacts of the Russia-Ukraine war will depend on the duration of the conflict, and it is simply out of our hands to shape the trajectory of the conflict. But we surely can strengthen our national strength to

cope with the external volatilities, and the crisis should be perceived as a scope of both opportunities and challenges. In this regard, we have to rethink how we have traditionally been measuring our economic strength and celebrating the success story. There is an urgent need to dethrone the status of GDP and per capita income as two of the most important benchmarks for assessing the country's economic condition. The locus of economic stability should be controlling the inflation rate, which shapes the purchasing power of the mass people. The purchasing capacity of the poor people must always be protected so that their capability is the least affected in the face of a crisis.

The need for reforming our economic management system could not surface at a more critical time. While we need to revise our fiscal and monetary policy in alignment with the global situation, we also need to find a solution to govern the economic sector in a more meaningful way. The intended social safety nets have to be enjoyed by the designated beneficiaries, not any intermediary actors. Failure to ensure socio-economic safety nets will trigger a political crisis that can destabilise the country's socio-political fabric. On top of that, Bangladesh needs to be prepared to address a plethora of challenges in the coming years. Bangladesh is scheduled to officially become a developing country in 2026, and the country must be prepared for the consequences associated with it. While this is a prestigious achievement for a country that has risen from a war-torn economy, it also comes with challenges. Bangladesh will not be entitled to the facilities of an LDC economy anymore, and it will affect various sectors of the national economy. The preparation should be started immediately, and it needs to be reflected in the upcoming budget. Another aspect that gets frequently debated is the impact of foreign debt on our national economy. The comparative analysis can be distractive in this regard. According to multiple analyses, we are in a comfortable position to repay the foreign debts. But the national economy will eventually feel the heat of the repayment of foreign debts. According to the Bangladesh Economic Association, after starting the debt-servicing for 4-5 mega-projects in 2027-28, the situation might get tricky, and the economy might face the distress from 2032. There is absolutely no alternative to improving the management of these projects and addressing any loophole in the planning and implantation.

We often tend to focus on a single aspect of an issue instead of analysing it holistically. Bangladesh's growth trajectory is a wonder, but that should not stop us from searching for its weaknesses. The more a country gets developed, the more complicated its state affairs gets. We will face more competition in the global market than ever before, and we will be faced with more difficult geopolitical and geo-economic choices than in previous times. And the global landscape is also ever-changing as newer types of crises will surface. The global community is facing the risk of severe challenges to food security because of the disruption in the global economy. Crises expose the fallacy of trickle-down economics, and numerous examples are available throughout history. There will be hiccups throughout the journey of Bangladesh as an emerging economy in the global market. But we should learn lessons quickly, and the existing solvable difficulties have to be prioritised to safeguard the national economy against any future shocks. Any crisis is not one dimensional, and the multidimensionality cannot be ignored in this regard. Failing to do so will provide the scope of having loopholes in the crisis management system.

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