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casts were published in October, and do not incorporate the latest global outlook. As the average of private sector predictions, Consensus's November numbers probably best reflect the likely reality. Unfortunately, Consensus doesn't publish any reasoning behind these predictions.

Mujeri and Shahiduzzaman (2008) provide a glimpse into the Bangladesh Bank's take on how the crisis will affect Bangladesh. They expect economic growth to remain resilient, and appear to be unperturbed about any slowing in remittances or foreign direct investment. They do anticipate foreign aid to shrink, and urge fiscal consolidation. They are also monitoring signs of stress in the financial sector. However, their biggest policy concern appears to be inflation.

Before discussing inflation in more detail, it would be useful to explore the export channel through which the crisis might affect Bangladesh.

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Chart 2 shows that a modest export recovery was on the way up to August 2008. While this recovery was before the global financial crisis hit the docks, but after the general slowdown had commenced -- most of our export market economies contracted in the September quarter. Chart 2 also shows that at similar stages of the 2001 recession, our exports were well on the way towards falling. While exports may yet slump again -- this recession is expected to be deeper and more protracted than the last -- there are two inter-related factors that may somewhat mitigate against the worst effects of the recession.

Firstly, labour costs in our garments sector are much lower than our competitors in the region (Chart 3). Secondly, anecdotal evidence suggests that our ready-made garments are mainly sold in the relatively low-priced end in the rich world. This second factor is often called the Wal Mart Effect after the American retailer that specialises in cheap consumer items. Retail data