



A woman checks tableware at a stall of the Dhaka International Trade Fair in the capital's Purbachal recently. The World Bank said that the rapid spread of the Omicron variant indicates that the pandemic will likely continue to disrupt economic activities in the near term.

PHOTO: ANISUR RAHMAN

# Economy to grow 6.9pc next fiscal year: WB

## STAR BUSINESS REPORT

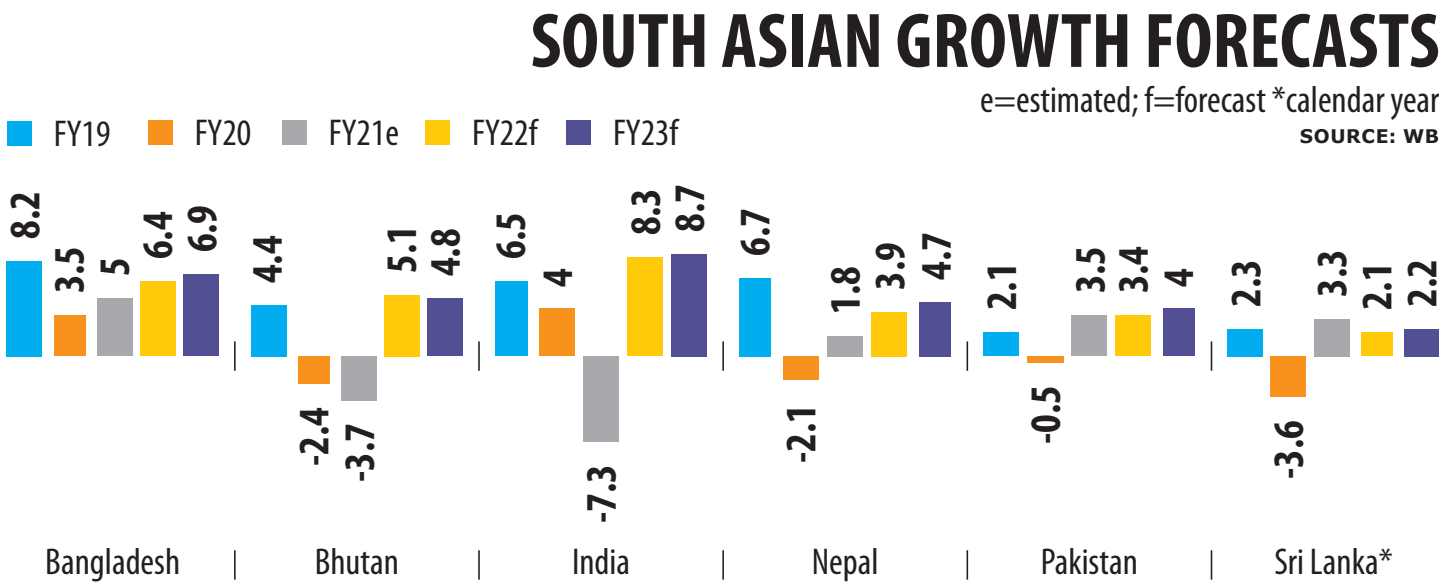
Bangladesh's economy is projected to grow 6.9 per cent in fiscal year 2022-23 thanks to strong export growth and a rebound in domestic demand, the World Bank (WB) said in its Global Economic Prospects released on Tuesday.

"In Bangladesh, strong export growth, supported by returning garment demand from abroad, and a rebound in domestic demand -- with improving labour income and remittance inflows -- supported the recovery," the WB said.

The multilateral lender forecasted that gross domestic product (GDP) would expand 6.4 per cent in the current fiscal year of 2021-22, up 1.3 percentage points from its June projection of 5.1 per cent for the fiscal.

For the next fiscal year 2022-23, it raised the forecast for Bangladesh by 0.7 percentage points from 6.2 per cent.

"Both Bangladesh and Pakistan saw their goods trade deficit widen to record levels on strong domestic demand and rising energy prices," said the WB, adding that private consumption, the main engine of growth, supported by rising services activity and firming exports of garments improved the outlook for Bangladesh.



It said output in South Asia is projected to expand by 7.6 per cent in 2022, accelerating from 7 per cent the previous year, as Covid-19 vaccination progresses and contact-intensive sectors recover.

"Growth projections have been revised up since June 2021 for each year of the forecast period, largely reflecting better prospects in Bangladesh, India and Pakistan. Returning demand is expected to drive a strong rebound in imports and gradually widen the region's current account deficit."

Growth prospects have

improved in the region since June 2021, reflecting forecast upgrades for Bangladesh, India and Pakistan.

Output losses compared to pre-pandemic trends remain significant in the region. Fiscal policy will support growth, but unwind over the forecast horizon.

Per capita income growth continues to catch up to advanced economy levels, but at about half the pace prior to the pandemic.

The WB, however, said following a strong rebound in 2021, the global economy

is entering a pronounced slowdown amid fresh threats from Covid-19 variants and a rise in inflation, debt, and income inequality that could endanger the recovery in emerging and developing economies.

"The rapid spread of the Omicron variant indicates that the pandemic will likely continue to disrupt economic activity in the near term. In addition, a notable deceleration in major economies -- including the US and China -- will weigh on external demand in emerging and developing economies," the

WB said in a statement.

It said at a time when governments in many developing economies lack the policy space to support activity if needed, new Covid-19 outbreaks, persistent supply-chain bottlenecks and inflationary pressures, and elevated financial vulnerabilities in large swaths of the world could increase the risk of a hard landing.

"The world economy is simultaneously facing Covid-19, inflation and policy uncertainty, with government

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## Kamal rules out major exchange rate fluctuation

### STAR BUSINESS REPORT

The US dollar will not fluctuate much in Bangladesh despite worries expressed by market operators as the rate is set under a floating exchange rate regime, not by the government, said Finance Minister AHM Mustafa Kamal yesterday.

"Moreover, the country's monetary and fiscal policies are very much aligned, and it is expected that the rates of US dollars will not fluctuate too much," he told reporters after a meeting of the cabinet committee on economic affairs in Dhaka yesterday.

The comments came days after the interbank exchange rate hit Tk 86 per dollar for the first time. This was a major depreciation of the local currency in recent years.

The central bank usually depreciates the taka between Tk 0.05 and Tk 0.10 per dollar for a particular working day.

Sunday's move was aimed at tackling pressure stemming from an increase in import payments and giving encouragement to remitters.

"The BB is considering a gradual appreciation of the dollar against the taka to give a boost to both exporters and remitters," Md Habibur Rahman, acting chief economist of the central bank, told The Daily Star on Monday.

Independent economists welcomed the BB move and went on to urge the central bank to depreciate the local currency to at least Tk 88 per dollar.

The local currency is trading at more than Tk 90 per USD in the kerb market.



## Sri Lanka rejects IMF bailout, seeks new China loan

AFP, Colombo

Sri Lanka ruled out an IMF bailout on Wednesday and said it plans to seek another loan from China to address an economic crisis that has led to food and fuel shortages.

The island's tourism-dependent economy has been battered by the pandemic, with supermarkets rationing goods and rolling blackouts imposed by power utilities unable to fund oil imports.

International rating agencies have warned of a looming sovereign default on Sri Lanka's \$35 billion foreign debt as the treasury battles a crunch on foreign exchange reserves and a gaping budget deficit.

But central bank governor Ajith Nivard Cabraal rejected mounting calls from local and international economists to seek an International Monetary Fund bailout and debt restructuring.

"The IMF is not a magic wand," he told a news conference in Colombo.

"At this point, the other alternatives are better than going to the IMF."

"Cabraal added that talks with China over a new loan were at an "advanced stage", and a fresh agreement would service existing debt to Beijing.

"They would assist us in making the repayments... the new loan coming from China is in order to cushion our debt repayments to China itself," he said.

Beijing is already the island's biggest bilateral lender, accounting for at least 10 percent of Sri Lanka's external debt.

## Global growth could slow sharply for Omicron: WB

AFP, Washington

Global growth will "decelerate markedly" this year, but the Omicron variant of Covid-19 that is spreading rapidly worldwide could make the situation worse and exacerbate labor shortages and supply chain snarls, the World Bank warned Tuesday.

In its latest Global Economic Prospects report, the Washington-based development lender cut its forecast for world economic growth this year to 4.1 per cent after the 5.5 per cent rebound last year.

The forecasts for growth last year and this year were both 0.2 per cent lower than estimates released in June.

However, the bank warned, "Various downside risks cloud the outlook, including simultaneous Omicron-driven economic disruptions, further supply bottlenecks (and) a de-anchoring of inflation expectations," the report said. That could further reduce global growth this year to as low as 3.4 per cent, a drop of 0.7 percentage points.

World Bank President David Malpass worries about the "huge toll" the pandemic is inflicting on people in poor countries, which could have ramifications for the future. "We're seeing troubling reversals in poverty, nutrition and health. The reversal and education or scope from schools' closures will have a permanent impact," he told reporters. "I'm very worried about the permanent scar on development."

Ayhan Kose, head of bank's forecast unit, told AFP the Omicron strain is causing fewer restrictions than the initial outbreak, which means the overall impact could be more benign. However, he cautioned, "If it stays around much longer, and cases remain elevated and continue pressuring health systems, under that scenario, the global growth will be lower."



A cargo ship moves towards the Bayonne Bridge as it heads into a port in Bayonne, New Jersey.

PHOTO: AFP

## Citi to exit consumer banking in Mexico

AFP, New York

Citi announced Tuesday it will exit its Mexican consumer banking business, the latest reorganization effort to steer the US financial heavyweight towards higher-return ventures.

The bank plans to cease operations in Mexico in consumer, small business and middle-market customers, but will maintain an institutional client business in the country.

Chief Executive Jane Fraser said the move was consistent with a "strategy refresh" that included earlier moves to pare back consumer banking in other overseas markets.

"Citi is uniquely positioned to support cross-border capital markets activity and trade flows in and out of Mexico for our institutional clients," Fraser said.