# Medium-Term Macroeconomic Framework: FY04-FY07

- Objectives : promote private-sector led economic growth and employment consistent with the poverty reduction goal
- Two scenarios: base-line scenario & alternative scenario

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Base-line scenario:

1. acceleration in growth from 5.5% in FY05 to 6% in FY06 & 6.5% in FY07; assuming

   a) macro economic stability
   b) SOEs reforms
   c) NCBs reform
   d) moderate impact of MFA phase-out
   e) improvement in investment climate

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1. revenue-GDP ratio to rise by 0.5% of GDP every year through improved tax administration
2. expenditure-GDP ratio will increase by 2% in FY05, 0.4% in FY06 & 0.4% in FY07, pro-poor expenditure will increase by about 1% of GDP every year
3. budget deficit will be 4.7% of GDP in FY05 & decrease by 0.1 percentage point afterwards

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4. monetary and credit policy geared towards maintaining price and exchange rate stability, and promoting low levels of real interest rates.
5. credit to the private sector grow by 14.5% in FY05, 14.0% in FY06 and 12.5% in FY07
6. rate of inflation in FY05 will 7.5% because of increased food prices & higher commodity prices in world market;
7. take a cautious view of export performance. Exports will increase by 9% in FY05, 6% in FY 06 & 7% in FY 07. Imports will increase at a faster rate –by 14%, 9% & 9.5% respectively.

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- Alternative scenario: premises are

  (i) a more rapid adjustment in RMG sector focusing more on knitwear products and markets with competitive advantage while moving to higher levels in the value-chain;

  (ii) possible decline in prices of textile products will not be drastic;

  (iii) Bangladesh may gain some tariff preferences in US market; and

  (iv) an appropriate policy response by the government will be more timely and effective,

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- GDP growth 6.2% in FY06 & 6.8% in FY07
- Exports grow by 12%, 10% & 12% while imports grow by 15%, 12% & 9.5% during FY05,FY06 & FY07 respectively