

SOCIAL IMPACTS OF GLOBAL ECONOMIC SLOWDOWN: THE CASE OF BANGLADESH

By

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1. Introduction

Globalization has made economies closely connected with each other so that there is hardly any scope for countries to escape from adverse impacts of economic mismatch in another country. The present global economic crisis originated in the US financial market in 2007 which engulfed the world economy within a short time. Although the developed industrial economies were the first victims, the crisis has transmitted to the emerging and developing economies by 2008. It is now apprehended that the year 2009 would experience the first contraction of the global economy in the post World War II era and severe recession is likely to continue well into 2010. For the developing economies, the impact of the crisis has been mainly through finance, trade, and investment channels affecting the performance of the real economy. The social impact of the crisis is also unfolding in terms of rising vulnerabilities in economic and social life especially for the poor and the vulnerable through job losses, wage reductions, lower consumption, cuts in health care and education expenditures, and insecurity in livelihoods.

Although the Bangladesh economy has shown considerable resilience against financial and real economy vulnerabilities of the global crisis and not much effect was visible till the last quarter of 2008, the situation started to change as the advanced economies entered into deeper recession by end-2008. The Bangladesh economy has now been showing signs of slowdown; and consequently, the country's growth and other macroeconomic projections have been revised downwards. However, one of the major concerns that remain for Bangladesh is the social impact of these developments especially on poverty, health, education, and other social development outcomes.

This paper reviews the nature of impact of the present global economic crisis in terms of selected social indicators in Bangladesh, including possible implications for poverty and other deprivations.

2. The Global Slowdown and Bangladesh Economy

With the intensification of the financial crisis and its spread to the real sector, the global economy has slipped into painful recession. The global economic activity, which grew by 3.1 percent in 2008, is projected to decline by 1.4 percent in 2009, before rising modestly by 2.5 percent in 2010. While economic activity in major industrial economies has been declining (e.g. the US economy is likely to contract by 2.6 percent in 2009 compared with 1.1 percent growth in 2008 and might rise by 0.8 percent in 2010); the emerging and developing economies are also experiencing the burden of the crisis with growth slowing down to 1.6 percent in 2009 from 6.1 percent in 2008, which could recover partly to 4.0 percent in 2010.

Moreover, unprecedented reductions in global consumption, investment, and trade are likely to take place at least in the near term. The volume of world trade, which grew by 2.9 percent in 2008, is projected to shrink by 12.2 percent in 2009; while the growth would be 1.0 percent in 2010. Imports and exports by both advanced and developing economies are projected to decline sharply in 2009 with some recovery in 2010. Overall, a depressed and uncertainty-clouded outlook for the global economy remains in 2009 and 2010. There also remain several downside risks that could further worsen the current dismal global outlook and trade and growth prospects. There are signs of emerging protectionism especially in the world's major economies that could further affect the trade dependent developing countries. Moreover, rising volatility in oil price and its likely upward trend as the global economy shows signs of

rebound remain along with the rising risk of undermined social cohesion resulting from high unemployment and marginalization of vulnerable groups.¹

2.1 Flow Channels of Global Crisis to Bangladesh Economy

There are several flow channels through which the impact of the global economic crisis may affect the Bangladesh economy (Figure 1). We group them under two broad heads—(i) financial channels; and (ii) trade and remittances channels.

Financial Channel

Bangladesh's financial sector has maintained a good health due to past reforms and remains highly insulated from foreign markets. Thus financial linkages of Bangladesh are limited especially in view of the relatively underdeveloped nature of the financial markets and the strength of the financial system gained through strong macroeconomic performance of the last few years including restructuring and reform measures implemented since the 1990s.² In the aftermath of the global crisis, the country's credit market remained normal without any credit crunch with adequate flow of credit to the real sector.

On the contrary, an emerging concern of the financial market is the low demand for bank credit as firms and consumers have cut back investments and consumption in the face of slowing economic activities and limited demands. In the case of external financing, both foreign direct investment (FDI) and portfolio investment are not very significant in quantity; moreover, these have not changed much due to the crisis. Moreover, since most FDIs in Bangladesh are longer term in nature, the financial crisis did not have any immediate impact. The full impact would be clear when investors begin to assess longer term investment decisions depending on global growth prospects and price developments. The official aid flows have also remained mostly unchanged. External debts are low and reserves are comfortable. In addition, a reasonably high domestic savings rate (around 20 percent of GDP) provides added cushion.

Bangladesh's capital account remains nonconvertible with few private transactions permitted such as FDI and portfolio investment. The net inflow of FDI has remained relatively stable in recent times whereas private debt transactions are limited and strictly monitored by the Bangladesh Bank. Capital flows take place mostly in terms of concessional lending and FDI constituting around 2 percent and less than 1 percent of GDP respectively. Capital flows in the form of portfolio investment is minimal. Thus the financial sector is largely insulated from the risk of transmission of financial crisis from abroad.

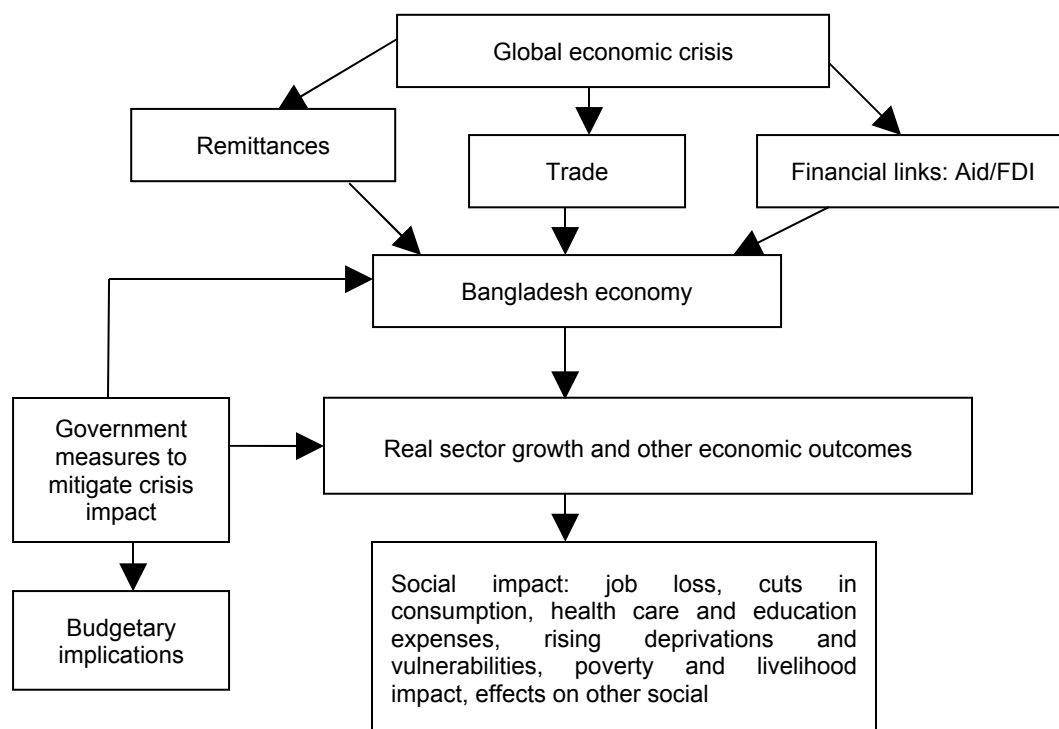
Trade and Remittances Channel

¹ In the US, for example, the total nonfarm payroll job loss has been 4.4 million since the start of the recession which raised the rate of unemployment to 7.6 percent in January 2009 from 4.9 percent a year earlier and the apprehension is that it may reach 10.0 percent soon. See, *The Employment Situation: February 2009*, US Bureau of Labor and Statistics. Available at <http://www.bls.gov/news.release/pdf/empisit.pdf>

² Bangladesh's financial system is dominated by commercial banks owning more than 95 percent of total assets. The financial system is hardly exposed to subprime products such as mortgage backed securities and collateralized debt obligations and hence the chance of toxic asset exposure was non-existent.

Trade and remittances linkages, on the other hand, provide important avenues through which global economic shocks are transmitted to the Bangladesh economy. For Bangladesh, the composition of exports makes export sector the most vital transmission channel of the effects of global recession. Two features contribute significantly to potential vulnerability of the export sector: first, high dominance (more than three-quarters) of readymade garments (RMGs) in total export earnings; and second, high reliance (nearly 87 percent) of the country's exports on US, EU, and other developed country markets. The growth slowdown in the developed countries could have important implications on the demand for Bangladesh's exports, especially that of RMGs, in these countries. In addition, the sharp slowdown in global growth has resulted in significant declines in commodity prices including food, oil, and metals in the global market. The net effect of global price declines on Bangladesh, however, is complex. Bangladesh, for example, benefits from the drop in oil and food prices but is set to lose from any decline in the prices of exportable commodities especially RMGs.

Figure 1: Flow Channels of Impact of Global Slowdown on Bangladesh Economy



Remittances, on the other hand, could be less affected by adverse growth prospects in developed economies since less than 30 percent of the remittances originate in advanced countries (mostly USA and Europe) while nearly 63 percent come from the Gulf region where growth has been less affected.

2.2 Macroeconomic Impacts of Global Crisis

Table 1 shows how projections of growth, exports, imports, and remittances of Bangladesh have been revised for 2009 and the next two years as a result of the impact of the global crisis. All growth projections are now lower compared with their pre-crisis projections.³ Likewise, the projected remittance inflows in 2009 and afterwards are lower than their pre-crisis projections.

Table 1: Revised Projections for Selected Macro Indicators of Bangladesh

Indicators		2007	2008	2009*	2010*	2011*
Real GDP growth (%)	After crisis	...	...	5.9	5.5	6.0
	Before crisis	6.4	6.2	6.5	7.0	7.2
Export growth (%)	After crisis	...	...	10.3	12.5	17.5
	Before crisis	15.7	15.8	15.5	19.3	20.3
Import growth (%)	After crisis	...	...	4.1	13.0	17.0
	Before crisis	16.6	25.6	26.7	28.8	31.1
Remittances (US\$ million)	After crisis	...	...	9,400	10,575	11,632
	Before crisis	5,979	7,915	9,500	12,100	15,500

Note: Year refers to fiscal year (e.g. 2007 is July 2006 to June 2007). Data for 2007 and 2008 are actual figures. * As projected in the Medium-Term Budgetary Framework of the Ministry of Finance.

Source: Ministry of Finance, Bangladesh Bank, and Export Promotion Bureau.

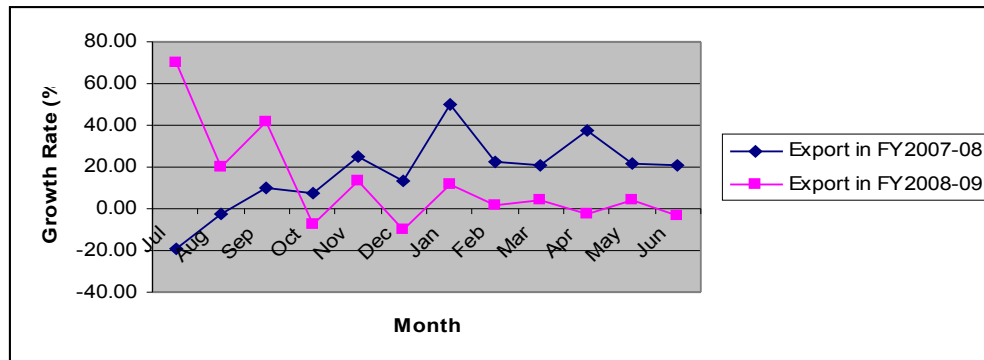
Exports and Imports

In 2009, export of RMGs (consisting of woven and knit products) comprised nearly 80 percent of the country's total export earnings.⁴ It may be added that the RMGs sector employs around 3 million workers (90 percent of whom are females) showing that a total of 15 million people are dependent on the RMGs sector for their livelihoods. In addition, a large number of people are engaged in various support services catering to the sector including banking, transport, packaging, labeling, and other activities. During 2009, although Bangladesh's overall export grew by more than 10 percent (whereas exports of most of the developing Asian countries are projected to contract), its monthly growth performance shows fluctuating and declining performance with sharp fall in growth rates since November 2008 (Figure 2). The quarterly export of major commodities shows rising adverse effects of global recession especially on frozen food (mainly shrimp), leather and jute goods (Table 2). Woven and knitted garments, two most important export commodities, are also experiencing falling growth and during the last quarter of the fiscal year 2009, woven and knitted RMG exports could attain only 4 percent and 3.7 percent growth respectively compared with 37 percent and 52 percent growth achieved before the effects of crisis began.

³ It may, however, be pointed out that the contraction in economic activity in other developing Asian countries is much more intense than in Bangladesh with the greatest impact projected in 2009. The overall growth in developing Asia is projected to fall to 3.4 percent in 2009 from 6.3 percent in 2008 before rising modestly to 6.0 percent in 2010. Only countries with lesser external linkages are able to partly defy the dominant regional trend in economic growth. See, *Asian Development Outlook 2009*, Asian Development Bank, Manila.

⁴ Other notable export products included frozen food (2.9 percent), chemical products (1.8 percent), footwear (1.2 percent), leather (1.2 percent), jute goods (1.7 percent), and engineering products (1.2 percent).

Figure 2: Monthly Growth of Bangladesh's Exports



Source: Export Promotion Bureau

Although Bangladesh's exports of RMGs face a positive but declining growth, its performance is better than its competitors both in USA and EU markets. During the second quarter of 2009, while countries like China, India, Pakistan, Philippines, Sri Lanka, and Vietnam were facing contraction in their exports to the US, Bangladesh managed to achieve a positive growth of 11.4 percent. Similarly, Bangladesh's export growth to EU in the first quarter of 2009 was 19 percent compared with negative export growth of China, India, and Sri Lanka.

Table 2: Quarterly Growth of Major Export Commodities, FY2009

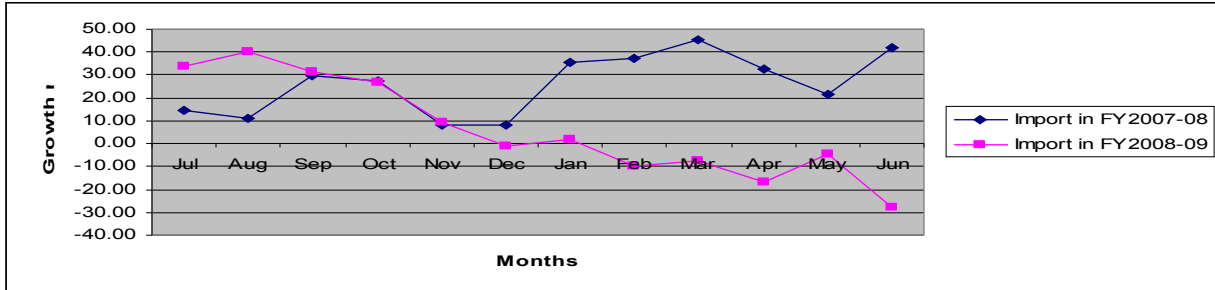
Commodities	Share in total exports (%)	Export growth (%)					
		Q1	Q2	Q3	Q4	FY2009	FY2008
Woven garments	38.0	36.7	6.5	14.3	4.1	14.5	10.9
Knitwear	41.3	52.0	4.7	10.8	3.7	16.2	21.5
Frozen food	2.9	15.7	-24.3	-32.5	-21.0	-14.9	3.6
Home textile	2.0	27.8	9.3	5.6	-9.1	7.6	13.4
Jute goods	1.7	-4.3	-32.0	-18.3	-7.2	-15.4	-0.8
Leather	1.1	-6.4	-50.2	-41.6	-46.8	-37.7	6.9
All products	100	42.3	-1.6	6.0	-0.6	10.3	15.9

Note: Q1 is Jul-Sep 2008, Q2 is Oct-Dec 2008, Q3 is Jan-Mar 2009, and Q4 is Apr-Jun 2009.

Source: Export Promotion Bureau

Imports in Bangladesh have also declined in FY2009 due mainly to two reasons: first, fall in international prices especially oil and food commodities; and second, decline in import volume. The growth in imports was only 4.1 percent in FY2009 in contrast with 26.1 percent growth in FY2008 (Figure 3). The import of food grains has declined due to two consecutive good harvests of rice (the staple food) and some softening of domestic demand resulting from growth slowdown. Import data also show that import of capital goods and equipment as well as industrial raw materials are two of the negatively affected groups reflecting contraction of economic activities and reduced investments.

Figure 3: Monthly Growth of Bangladesh's Imports

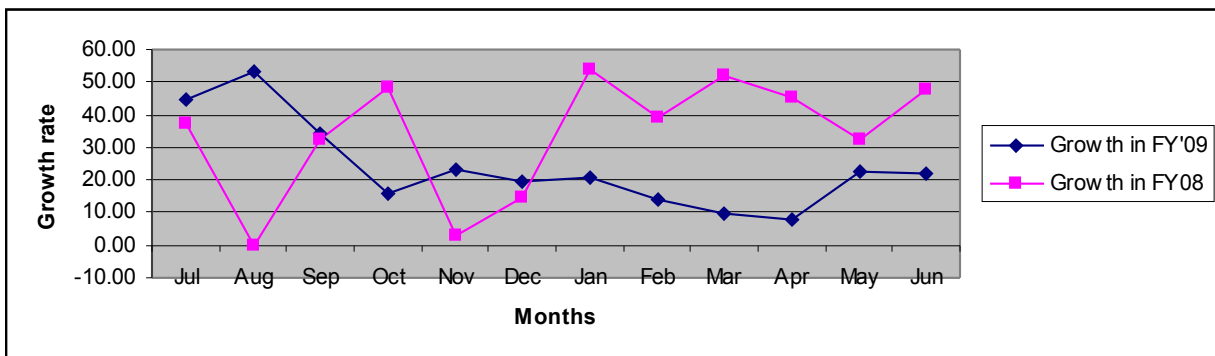


Source: Bangladesh Bank.

Remittances

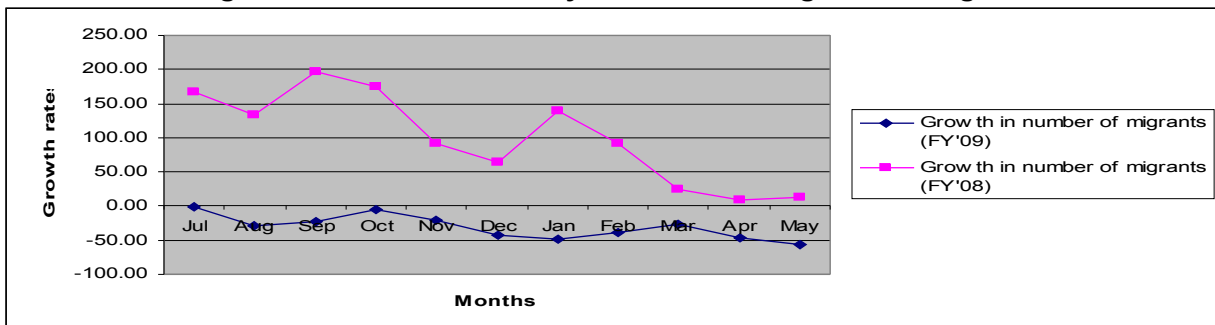
Remittance inflows from Bangladeshi migrants abroad have reached 10 percent of GDP, which was only 3 percent in 1995, putting Bangladesh among the top ten remittance-receiving countries in the world. In 2008, nearly 6 million workers were employed overseas. During FY2009, Bangladesh received US\$ 9.7 billion as remittances, which was 22.4 percent higher than the remittance inflow of FY2008. The growth rate, however, shows considerable monthly variations (Figure 4). Out-migration in FY2009 was 30 percent lower than that in FY2008 (Figure 5). Since no reliable data are available on returnee migrants, the impact of global recession in terms of job loss of Bangladeshis abroad cannot be assessed. There has, however, been some report (e.g. in newspapers) on return of migrants due to job loss resulting from recession.

Figure 4: Monthly Growth of Remittance Inflows



Source: Bangladesh Bank

Figure 5: Growth in Monthly Outflow of Bangladeshi Migrants



Source: Bangladesh Bank and BMET

2.3 Macroeconomic Impacts: Why Bangladesh remained Less Affected

The review in the previous section reveals that Bangladesh has so far remained somewhat less affected by the global economic slowdown. Although economic growth has slowed down, and exports and remittance inflows, two of Bangladesh's critical parameters of macroeconomic strength, have grown at slower rates relative to pre-crisis projections, the quantitative nature of these impacts in Bangladesh are much less compared with impacts experienced by comparable countries especially in the Asia-Pacific region.⁵ Moreover, Bangladesh's growth prospects remain relatively less affected. Inflation has eased with falling global commodity prices and good domestic production especially in agriculture. Although Bangladesh suffered significant loss of income in the external sector since 2003 from severe terms of trade shock mainly originating from higher food and petroleum prices, this large loss of income was largely met by compensating growth in remittances and thus Bangladesh enjoyed a surplus in its current account balance.⁶ In addition, despite large scale challenges, Bangladesh has maintained relatively sound macroeconomic fundamentals, stable external balances, and good foreign exchange reserves.⁷ In short, one can identify several reasons behind the relatively low level of impact of global economic recession on the Bangladesh economy:

- Bangladesh's financial system has reasonable resilience with capacity to safeguard the stability of banking and financial systems. The financial institutions were not exposed to complex financial derivatives and synthetic securitization instruments. As such, contagion effects of the global financial markets were non-existent. There has been no sign of any crisis of confidence or liquidity problem. Prudential regulations and strong monitoring by Bangladesh Bank has ensured a relatively good health of the banking sector including lending-deposit ratio within acceptable limits. Bangladesh's positive current account balance has also reduced the risks emanating from short run fluctuations in the exchange rate and foreign reserve situation.
- The robust growth of agriculture, led by crop (mainly rice) production having a growth of more than 5 percent in FY2009 compared with 2.7 percent in the previous year, supported the growth of income as well as employment (more than half of the labor force are engaged in agriculture) especially in the rural areas. The government's policy of providing subsidy to fertilizer and diesel for irrigation enhanced profitability and helped the farmers to go for higher production. The informal sector, being the largest source of employment and

⁵ In most of these countries, global crisis has provoked sharp decline in economic growth with the greatest impact projected in 2009 along with contraction in exports in most countries. The growth projections of merchandise exports for 2009 are -6.2 percent for East Asia, -7.9 percent for South Asia, -17.7 percent for Southeast Asia with an average of -10.2 percent for developing Asia. See, *Asian Development Outlook 2009*, Asian Development bank, Manila.

⁶ It is estimated that, between January 2003 and May 2008, the loss was 7.7 percent of GDP (food 3.1 percent, energy 2.6 percent) for all commodities. See, *Global Financial Crisis: Implications for Bangladesh*, (preliminary draft), 30 October 2008, Bangladesh Resident Mission, World Bank, Dhaka.

⁷ The value of exports registered 7.5 percent growth in June 2009 over the previous month, while year-on-year growth of remittances was 8.0 percent in July 2009. The current account balance showed a surplus of US\$ 2.5 billion in FY 2008-09 compared with a surplus of US\$ 0.7 billion in the previous fiscal year. The gross foreign exchange reserves rose to US\$ 7.7 billion at the end of July 2009.

income for the majority of households, also flourished with support of high agricultural growth.

- Given the overwhelming dominance of RMGs in the export basket, the impact on RMGs has determined the impact on Bangladesh's exports. Since Bangladesh's RMG exports mainly cater to the low-price segment of the apparel market where income elasticity is lower than that in the high-price segment, the country's RMG exports remained less affected. With incomes falling, even some diversion of demand from high-end garment segment to low-end segment probably took place in the developed country markets counterbalancing the otherwise negative impact. Also recession driven fall in prices of imported industrial raw materials helped domestic RMG industries to maintain low production cost. Moreover, in view of the country specific nature of changes resulting from the crisis, RMG importers in advanced economies (especially in the US and EU) introduced adjustments in sources of procuring apparel products (e.g. diversion of orders from countries like China to Bangladesh) which compensated, at least partly, Bangladesh's loss in RMG exports and enabled it to capture greater market shares in these countries.
- In case of imports, the changes favored Bangladesh through lowering the growth of the import bill. In the international market, prices of commodities for which Bangladesh is a net importer (especially food, oil, fertilizer, and other essential products) experienced significant decline since the global recession. In particular, sharp fall in prices of oil, fertilizer, imported raw materials, and machinery/equipment helped in reducing production costs and improving competitiveness.
- The remittance inflow was not much affected since bulk (around 64 percent) of the inflows originates in the Gulf region where recession has been less severe and growth prospects marginally declined. Remittances from advanced economies (especially from USA, UK, and Germany which together account for nearly 30 percent of the total) were also not affected to a significant extent. The net impact so far has been steady growth in remittance inflows especially since the low-skilled jobs in which Bangladeshi migrant labor is mostly concentrated are unlikely to be much affected due to growth slowdown. In addition, the resilience remittance inflows to past changes in economic growth in major remittance sending countries and the compulsion of remitters to send money to meet family obligations helped in maintaining growth of remittance inflows. The measures to reduce the cost of remittance and bring more efficiency in remittance related operations also encouraged more migrant workers to send money through official channels. .

2.4 Policy Response and Stimulus Package

The initial response of the government to the crisis was to safeguard the stability of the banking and financial systems followed by proactive efforts by the Bangladesh Bank (the central bank) to ensure adequate liquidity and to ease credit and monetary policy. The measures covered the use of several financial and monetary policy instruments

such as regulatory forbearance, stock market interventions, adjustment in policy rate, liquidity injections, and exchange rate arrangements.

In order to address the adverse impacts especially on the real economy, the government has set up a high powered task force and taken up fiscal stimulus packages covering a variety of measures including support to agriculture and small and medium enterprises, expansion of safety nets, employment generation, strategic industries support, and others. In the stimulus package worth US\$500 million announced in April 2009, 13 percent was allocated for cash subsidy to selected export industries, 44 percent for agriculture, 18 percent for energy, 15 percent for agricultural credit, and 11 percent for social safety-nets. In the budget of FY2009-10 announced in June 2009, the government provided another US \$ 725 million as a means to offset the adverse impact of contraction in external demand and rebalance growth toward domestic demand. While the intent to boost spending is clear, the challenge however is to determine where and how to increase spending and ensure the capacity to plan and implement effective spending programs.

3. Social Impacts of the Global Crisis

The slowdown in the growth of exports and remittances and other associated changes in the domestic economy have resulted in lower GDP growth projections which will also have social implications. However, many of the social impacts would take more time to manifest following complex processes of transmission of impact of changes in household income and intra household decisions and resource allocations. In this section, we shall focus on selected key areas having more direct interfaces.

Employment

The most direct impact of economic slowdown due to the global crisis is not only current job losses but also contraction in future employment opportunities. The lower growth in exports may lead to job-cuts in export industries and consequent income loss of the workers. The decline in household income may trigger a host of changes in intra-household allocations of resources with implications on food security, nutrition, education, health care, as well as poverty dynamics and intergenerational transmission of poverty.

Table 3 shows that, as a result of growth slowdown due to the global economic crisis, loss in incremental employment was 0.1 million in FY2009, which would further rise to 0.6 million in FY2010 and 1.1 million in FY2011. Thus the total loss of incremental employment in three years after which the global economy is expected to return back to its normal growth path is 1.8 million which is nearly 4 percent of total employment in the base year.

Table 3: Loss of Incremental employment due to Global Crisis

Fiscal year (July-June)	GDP growth without crisis	GDP growth with crisis	Employment without crisis (million)	Employment with crisis (million)	Loss of incremental employment (million)
2008-09	6.5	5.9	52.9	52.8	0.1
2009-10	7.0	5.5	55.1	54.5	0.6
2010-11	7.2	6.0	57.5	56.4	1.1

Note: The estimates are based on employment figure from the Labor Force Survey 2005-06 as the base and an employment elasticity value of 0.59 applied in Bangladesh.

Source: Authors' calculation.

Much of this job loss would probably take place in industry and services sectors having 15 percent and 37 percent of total employment respectively rather than in the agriculture sector (with 48 percent of total employment) which is expected to grow robustly unless affected by natural calamities and other unexpected events. Much of the lost employment would be in the RMGs sector which now employs around 3.0 million people in more than 5,000 factories.⁸ Moreover, 1.8 million more unemployed persons in the economy would mean livelihood uncertainties for more than 9 million people along with implications for poverty dynamics of the current generation as well as intergenerational transmission of poverty through inadequate food intake, low health care and education, and other vital channels. Other major sectors which are facing decline in export due to crisis include frozen food, leather and jute goods. The resulting production cuts would hurt low paid low skilled workers more as they are the ones who lose jobs in larger proportions. The contraction of shrimp sector (which employs around 1 million people majority being women) would lead to job loss in larger number for female unskilled workers, who have very limited employment opportunities. As productive employment is the main conduit through which growth impacts upon poverty, loss of employment by low skilled workers may aggravate the poverty situation.

Poverty and Other MDG Targets

Any reduction in income growth is likely to have an adverse impact on poverty and other MDGs. We have deduced the magnitude of the impact using the elasticity of per capita GDP growth with and without crisis by calculating the gaps in the rate of progress in achieving selected targets. In the absence of country specific values for Bangladesh, we have used various 'MDG elasticity' values for South Asia.⁹

The results are given in Table 4. It can be seen that the rate of reduction in the proportion of population living in poverty declines by 0.5 percentage point in 2008-09 due to slowdown in per capita GDP growth as a result of the crisis. Such reduction rates are higher in the next two years. Similar impacts can also be seen in the case of poverty gap ratio and the number of undernourished people. Although the impact on educational indicators is less, mortality indicators show greater susceptibility to slower income growth. These results indicate that the global economic crisis is likely to make it more difficult for Bangladesh to achieve poverty reduction and other social development targets.

⁸ The job loss in the RMGs sector has many other social dimensions since 90 percent of these workers are females and migrants from rural areas. Most of these workers are low skilled and work for low wages. Some information shows that recent migrants (less than 5 years) usually remit about 40 percent of their income while long time migrants remit round 26 percent to 30 percent of their income. This remitted money is mostly sent for family maintenance and education of younger family members. Thus any downturn in income of the apparel workers is more likely to generate adverse impacts on rural households.

⁹ See, UNESCAP, UNDP, ADB 2008, *A Future Within Reach: Regional Partnership for the Millennium Development Goals in Asia and the Pacific*, Bangkok.

Table 4: Impact of Global Economic Crisis on Poverty and Selected MDG Indicators

Indicator	Current value*	Gaps in achieving target (percentage point)			Target in 2015
		2008-09	2009-10	2010-11	
Population living below the national poverty line, %	40.0	-0.52	-1.27	-1.02	29.4
Poverty gap ratio, %	9.0	-0.48	-1.16	-0.92	8.0
Population undernourished, %	19.5	-0.30	-0.73	-0.58	13.8
Net enrolment ratio in primary education, both sexes, %	87.2	0.03	0.08	0.06	100
Primary completion rate, both sexes	53.0	0.03	0.07	0.06	100
Under-5 mortality rate per 1,000 live births	62	-0.26	-0.64	-0.51	50
Infant mortality rate per 1,000 live births	45	-0.28	-0.68	-0.55	31
Maternal mortality ratio per 100,000 live births	290	-0.19	-0.45	-0.36	147

Note: * Current values refer to 2005.

Source: Authors' calculation

Remittance Inflows

Remittances have been a key driver of poverty reduction in Bangladesh. There exists a strong positive correlation between foreign remittances and household expenditures. Households having migrant workers tend to have higher per capita expenditures, both on food and non-food items, as well as on consumer durables. Households with migrant members also save a good amount of their remittance receipts. Thus lower growth of remittances would tend to adversely affect the growth of household expenditure along with lower household savings affecting both household welfare and upward mobility.

4. Conclusions

Although the impact has not been as severe as in many other developing countries, Bangladesh has been experiencing the adverse impact of the global economic crisis where the most obvious areas are exports, remittances, and economic growth affecting social equity and poverty. Much of the sensitivity resulted from the export-led development strategy that the country follows creating a situation of slackened export-related production and investment as well as softened domestic demand. So far Bangladesh has successfully coped with the crisis through appropriate adjustments in monetary policy supported by an expansionary fiscal policy stance focusing on boosting domestic demand and promoting more competitive markets. The strategic thrust of the government's policy is on spending more on education, health care, social protection and social safety nets that would not only help boost domestic demand but also support broader social objectives like inclusive growth and poverty reduction.

The analysis of social impacts shows that the global economic crisis has adversely affected Bangladesh's progress toward achieving poverty reduction and social development goals including the MDGs. This highlights the need to re-launch more determined efforts in achieving the stipulated goals. Bangladesh thus faces difficult and complex challenges. Along with providing stimuli to growth, the government must also make efforts to strengthen safety nets and ensure that poverty reduction and key social development gains are not reversed. While the government is the key actor, a shared paradigm is necessary in which global and regional partnership could foster technology diffusion and capacity building for inclusive and sustainable growth. Also this is the time for the developed countries to keep their commitment to share required resources for achieving the MDGs from which the developed countries have as much to gain as the developing countries like Bangladesh.