

**Scheme on Improvement of Fiscal Forecasting Through Development of
Macroeconometric Model
Strengthening Public Financial Management Reform to Enable Service Delivery
(SPFMS)**

Finance Division, Ministry of Finance

**Knowledge Sharing Workshop on
“Macro Fiscal Policy Papers”**

Chief Guest : **Dr. Md. Khairuzzaman Mozumder**
Secretary, Finance Division

Special Guest : **Ms Bilquis Jahan Rimi**
Additional Secretary (Budget and Macroeconomics), Finance Division.
Dr. Ziaul Abedin
Additional Secretary (Budget-1) and National Program Director, SPFMS,
Finance Division

Chairperson : **Mr Hasan Khaled Foisal**
Additional Secretary (Macroeconomics-1), Finance Division

Date : 29 September 2025
Venue : InterContinental, Dhaka

Participants : Officials Finance Division.

Bangladesh’s economy has reached a critical crossroads where not only the pace of growth but also the structural stability of the macro-economy is under strain. Two new research papers released on Monday identify three major sources of stress that are aggravating this vulnerability: the volatility of the taka’s exchange rate, swings in global oil prices and structural sluggishness in implementing monetary and fiscal policies. The findings warn that the country must move swiftly toward rule-based, forward-looking and more “smart” policy frameworks if it is to curb future uncertainty and avoid fresh shocks.

The reports call for greater flexibility in the foreign-exchange regime, maintaining foreign-exchange reserves equivalent to at least five months of import payments, preparing in advance for swings in the global oil market and adopting the internationally recognized Taylor Rule as a guide for setting monetary policy.

Scheme on Improvement of Fiscal Forecasting Through Development of Macroeconometric Model under Strengthening Public Financial Management Program to Enable Service Delivery (SPFMS), Finance Division (FD) launched the studies result at a workshop held at the InterContinental Dhaka. Finance Division Secretary Dr. Md. Khairuzzaman Mozumder attended the workshop as the chief guest, with Additional Secretary, Budget & Macroeconomics Bilquis Jahan Rimi and Additional Secretary and National Program Director, SPFMS Dr. Ziaul Abedin as special guest. The session was chaired by Additional Secretary, FD Hasan Khaled Foisal.

Dr Mozumder said the core message of the two reports was that the conventional policy framework is no longer enough. He said, “A sound fiscal framework is not merely about balancing the books; it is about building the public’s confidence that every taka collected is channeled efficiently and transparently toward the nation’s priorities.”

The first study, “Empirical and Theoretical Insights into Bangladesh’s Import Demand: A Policy Perspective,” was conducted by Dr Asif Iqbal. The second, “Re-casting Monetary Policy under the Taylor Rule,” was authored by Dr K M Alamgir Kabir, Roshan Ara Laboni, Syed Mahmud Hasan and Shihab Uddin Ahmed and covered the period from October 2023 to June 2025. Both studies were designed to identify structural weaknesses in the economy and propose realistic policy options to strengthen macro-economic management.

The first paper highlights that Bangladesh’s economic growth over the past three decades has been powered by heavy import dependence spanning industry, infrastructure and even household consumption. Using annual data from 1993 to 2022, the researcher found that a one-per-cent appreciation of the taka typically raises imports by about 2.7 per cent, showing that the exchange rate has a stronger influence on imports than income growth itself. A one-per-cent rise in real GDP lifts imports by around 1.02 per cent, confirming that higher growth fuels import demand. A one-per-cent increase in global oil prices pushes the long-run import bill up by roughly 0.32 per cent, while a sudden 20-per-cent oil-price spike can swell the nominal import bill by about 19 per cent even without any change in import volume. The study recommends maintaining a market-aligned yet policy-guided exchange-rate regime, securing at least five months’ import-cover in reserves, stepping up price-forecasting and hedging to deal with oil-market volatility, expanding domestic production of capital and intermediate goods to reduce import reliance, and speeding up LC processing, customs clearance, and port-infrastructure upgrades.

The second paper argues that Bangladesh Bank’s policy responses in the post-COVID period were often delayed and less effective, as persistent inflation, output-gap mismatches and supply-side rigidities complicated the transmission of policy measures. It observes that changes in the policy interest rate take time to feed through to inflation, that a positive output gap does not always fuel price rises and sometimes dampens them in the medium term, that domestic inflation has often stemmed more from market inefficiencies and supply constraints than from simple demand-supply gaps, and that slow supply-chain adjustments and misaligned policy signals have at times undermined public confidence in central-bank decisions.

The study calls for a Taylor-Rule-based, transparent and predictable monetary-policy framework, pre-emptive action against emerging shocks, improvement of supply-chain efficiency and market competition to ease price pressures, closer coordination between fiscal and monetary policies, stronger data and modelling of output gaps and inflation, and clearer public communication of policy expectations and forecasts.

Both reports conclude that implementing these recommendations would help Bangladesh build stronger buffers against external shocks, rein in inflationary pressures, improve the investment climate and secure more durable long-term growth.















