

Overview of Bangladesh Economy

Bangladesh – The Next Asian Tiger

Bangladesh has made remarkable progress in raising incomes, reducing poverty and improving social indicators and has been classified as a lower middle-income country by World Bank under the dynamic leadership of the Prime Minister Sheikh Hasina. The economy has observed sustainable economic growth, exports have increased and foreign reserves have flourished over the decade in spite of the global economic crisis in 2008-09 and a series of natural disasters, to which Bangladesh is regularly susceptible, that caused disruptions to economic activity. Poverty has been reducing about 2 percent per year and it is predicted that it will come down to 8 percent by 2021. The country has been classified as a "Next Eleven" emerging market and one of the "Frontier Five" emerging economies in the world by Goldman Sachs and JP Morgan respectively.

Bangladesh has experienced average GDP growth rate of 6 percent over the past decade. The economy has been transforming from agrarian to export led industrialization. The seventh five year plan has forecast the average economic growth rate of Bangladesh over the next five years will be 7.4 percent. Remittances from the Bangladeshi diaspora provide vital foreign exchange which exceeded US\$15 billion in 2014. The Bangladesh textile industry is the second-largest in the world and has been forecast to exports to the value of US\$50 billion by 2021. Other key sectors including pharmaceuticals, shipbuilding, ceramics, leather goods and electronics have been growing rapidly. Being situated in one of the most fertile regions on Earth, agriculture plays a crucial role, with the principal cash crops including rice, jute, tea, wheat, cotton and sugarcane. Bangladesh ranks fifth in the global production of fish and seafood.

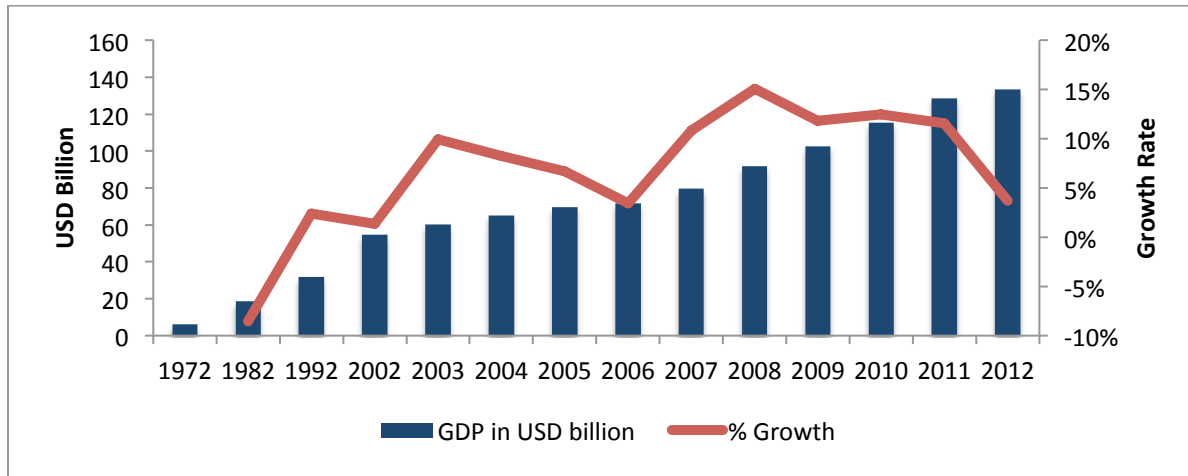
Box 1: Perspective Plan of Bangladesh (2010 – 2021): Making Vision 2021 a Reality

The year 2021 marks the 50th anniversary of independence of Bangladesh. In recognition of the long-term development challenges, the Government under the leadership of Prime Minister Sheikh Hasina adopted the Vision 2021. The Vision 2021 and the associated Perspective Plan 2010-2021 have set solid development targets for Bangladesh by the end of 2021. Those targets, if achieved, will transform the socio-economic environment of Bangladesh from a lower income economy to a middle income economy. The Bangladesh economy will be managed within the framework of a market economy with appropriate government interventions to correct market distortions, to ensure equality of opportunity, and to ensure equity and social justice for all. Those development priorities include ensuring broad-based growth and reducing poverty; ensuring effective governance and sound institutions but creating a caring society; addressing globalization and regional cooperation; providing energy security for development and welfare; building a sound infrastructure and managing the urban challenge; mitigating the impacts of climate change; and promoting innovation in a knowledge-based society. These thematic approaches will shape and form the foundation on which specific strategies are developed over the period of two five-year plans (Sixth and Seventh Five Year Plans).

Source: Perspective Plan of Bangladesh (2010 – 2021), Planning Commission

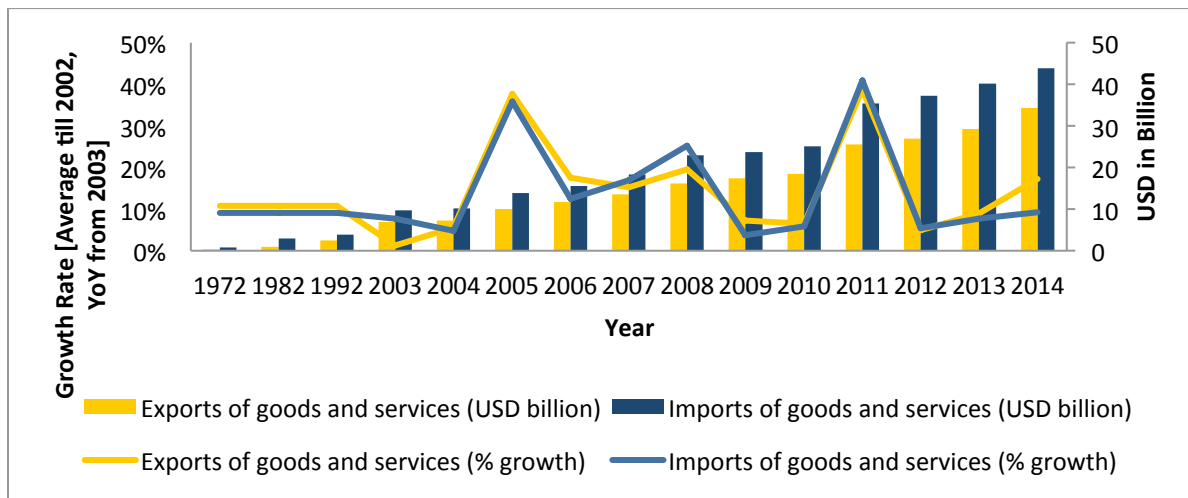
The Gross Domestic Product (GDP) of Bangladesh was worth US\$ 174 billion in 2014. Bangladesh has experienced average GDP growth rate of 6 percent over the decade. The average growth rate is projected at 7.4% over the Seventh Five Year Plan period. Bangladesh exports increased to about US\$ 35 billion in 2014, which is about 20 percent of GDP whereas, in 2009, the number was merely US\$ 17 billion. Trade GDP ratio has progressed immensely and is now approximately 45% in 2014. The export friendly ecosystem in the country has played a vital role to make this shift happen.

Fig 1: GDP Growth rate of Bangladesh



Source: World Development Indicators (2015), World Bank

Fig 2: Trade Growth of Bangladesh

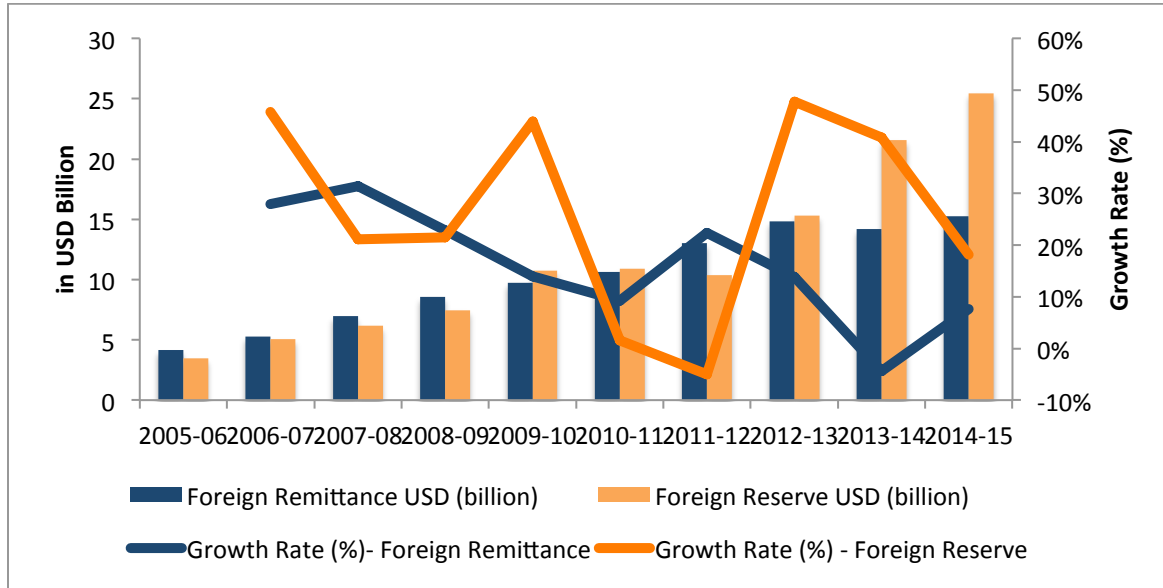


Source: World Development Indicators (2015), World Bank

There has been a remarkable advance in the growth of foreign remittances. In 2014, they exceeded US\$ 15 billion, whereas, in 2009 the number was less than US\$ 10 billion. Recently, Bangladesh foreign exchange reserves reached US\$ 25 billion, which is the highest in the history of the country, and which is sufficient for about 6 months of

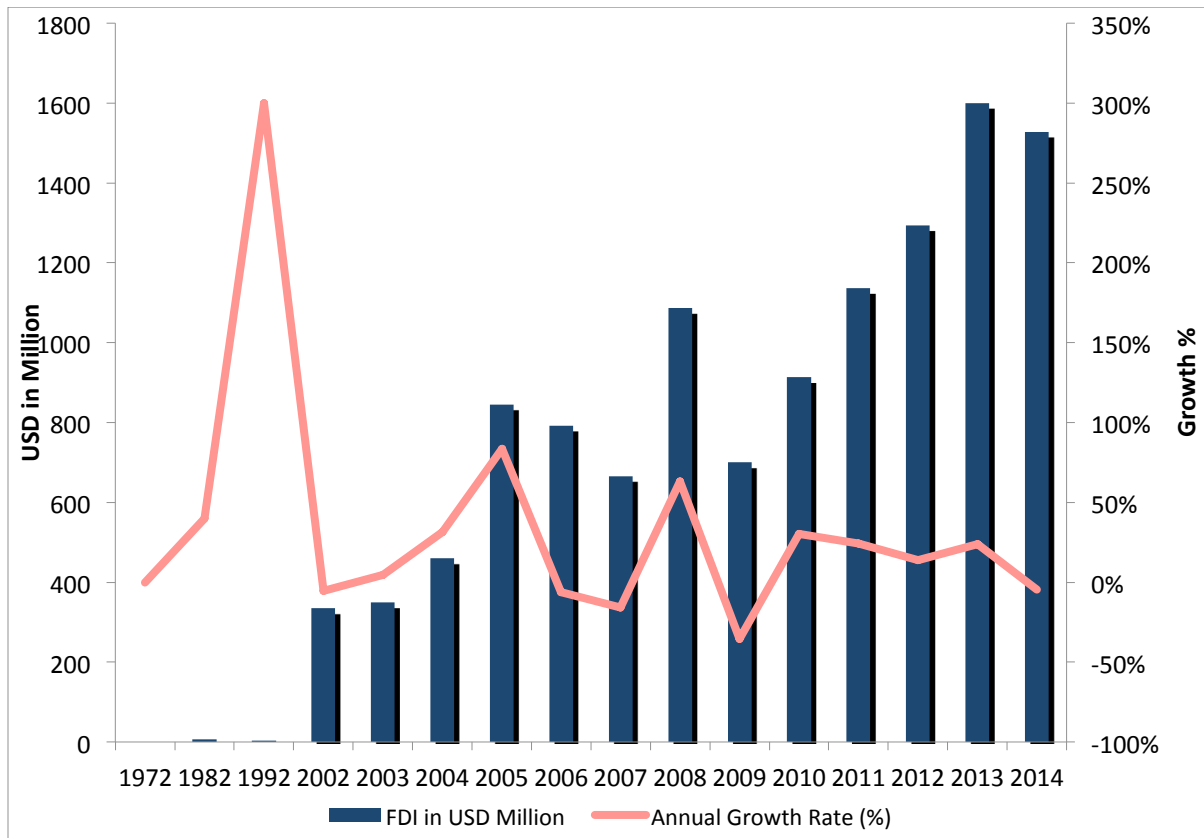
import coverage. The trend of foreign investment inflows suggests that investment in Bangladesh is on the rise in recent years.

Fig 3: Foreign Reserve and Remittance Growth in Bangladesh



Source: Bangladesh Bank (2015)

Fig 4: Foreign Direct Investment in Bangladesh



Source: UNCTAD Investment Report (2015)

The World Investment Report 2015 also identifies that the country attracted Foreign Direct Investment (FDI) of US\$1.53 billion in 2014. During the tenure of the current Prime Minister Sheikh Hasina, the Government has taken a number of large-scale development initiatives. Major projects include: Padma Bridge, Metro Rail, Nuclear Power Plant and Rampal Coal Power Project.

Box 2: Seventh Five Year Plan (2016-2020): Accelerating Growth, Empowering Citizens

The Government's Vision 2021 defines several economic and social outcomes for Bangladesh to achieve by 2021. To convert this Vision into long-term development targets, a Perspective Plan 2010-2021 was prepared. The targets of Vision 2021 and the associated Perspective Plan 2010-2021 were to be achieved through the implementation of two five-year plans, the Sixth Five Year Plan (2011-15) and the Seventh Five Year Plan (2016-2020).

The 7th Plan seeks to raise the GDP growth rate progressively from 6.5% in FY15 to 8% by FY20. The average growth rate is projected at 7.4% over the Seventh Plan period. It therefore encapsulates a strategy for inclusive growth which empowers people by creating employment opportunities, fostering the scope for greater labor force participation, particularly of women, supporting skill development in response to market demand, enabling access to credit for small and medium enterprises, and many other ways for people to be more productive. With about a quarter of the population of 160 million still living below the poverty line, faster growth is a necessary condition for attacking poverty. The 7th Plan seeks to reduce poverty rate to 18.6% and extreme poverty to around 8.9% by FY2020. Along with growth, the 7th Plan will emphasize human development, social protection and social inclusion as essential elements of a comprehensive poverty reduction strategy. It is estimated that some 12.9 million additional jobs will be available during the five years of the 7th FYP, including some 2 million jobs abroad for migrant workers, during the same period.

Source: Seventh Five Year Plan (FY2016-2020): Planning Commission