



Bangladesh Development
Updates on

Bangladesh Economy : Growth & Resilience





Centre for Research and Information

The Centre for Research and Information (CRI) is a not-for-profit policy research organization which aims to create a platform for public discussion on important matters of national policy in Bangladesh.

Analyzing key challenges facing the nation, CRI explores through people-centered debate the political ideas and the policy reforms that will define progressive politics and policies in a new, digital Bangladesh.

With a focus on youth engagement and democratized debate, CRI aims to bring politics closer to the people.

Aims we have

CRI believes in the active participation of citizens in matters of national policy. By bridging the gap between people and politics, CRI hopes to empower citizens and afford them a stake in their society. The organization aims to generate high quality research and data on the opinions and views of people, especially young people in Bangladesh through creative, revolutionary methods. By doing so, the views of the people are given an unfiltered platform which can influence policy decisions on both a local and national scale.

Things we do

CRI takes a strategic approach to achieving its goals. It combines its resources and expertise with ground-breaking market research and polling aimed at various groups, especially young and student groups, to produce the following:

- High quality research into the concerns and priorities of young voters and the youth demographic in Bangladesh;
- Unique platforms for voicing the opinions of young Bangladeshis, such as Let's Talk and Policy Café;
- Publications and blogs produced to the highest editorial, design and production standards, whether in print or digital form;
- Pioneering marketing and promotion efforts, through television, radio and social media outlets;
- Cutting-edge media and publicity efforts aimed at and, in some cases, created by and for, young people themselves

Our Central Theme

The central theme with which CRI goes about its tasks is youth engagement. With that underlying objective in mind, CRI has created a number of unique platforms like Let's Talk and Policy Cafe which provide youths an unprecedented opportunity to express their opinions, views, hopes and fears. CRI wants to hear what young people have to say about national policy, politics and society. When young people talk, CRI is there to listen and make the nation listen.

Youth Centred Approaches

CRI believes that the young people of Bangladesh have ideas; innovative, creative ideas which can help transform Bangladesh if they are afforded the right platform. There are

numerous examples of talented young people making an impact in Bangladesh, be it through social and political activities or volunteer work in the community. Yet there are many people whose voices are not yet heard. CRI sees youth participation as a vital component for the future development of the country, and believes that the young people of Bangladesh do not have to wait until later in adulthood to shape their nation. Keeping this overriding objective in mind, CRI has arranged for the following programmes specifically tailored for the youths of Bangladesh:

Let's Talk

Let's Talk provides a much-needed avenue for young people to constructively engage with Members of Parliament, ministers and other prominent politicians and debate topical issues which are of relevance to them. Through the Let's Talk events, CRI helps to facilitate opportunities for informal but in-depth political dialogue among the future leaders of Bangladesh – the youth and the politicians. No topic is off the cards, there are no formalities nor are there pre-screened questions. Everything is up for discussion, and everyone is invited to share their opinion.

Policy Café

Policy Café is a forum for the youth to voice their assessments on national policy frameworks. It is an avenue of democratic exercises where every young person is expected to share his/her thoughts, opinion and ideas regarding the formulation and functioning of policies. It is a forum for the young generation to be engaged in policy discourses; simultaneously it's a floor for them to be heard by the policy makers of the nation. It is a forum for the youth to garner their assessment on national policies, acts, ordinances and other important national instruments. It is not an implementing agency rather it recognizes itself as an avenue of democratic exercises where every young citizen is expected to share his/her thoughts, opinion and ideas regarding policies. It is a platform for the youth to be engaged in policy discourses; simultaneously it's a floor for them to be heard by the policy makers of the country.

CRI Junction

CRI Junction invites young poets, writers, artists, filmmakers, photographers, actors, performing artists and other cultural leaders to express their views on society and the world around them. The objective is to facilitate gatherings of young cultural groups, fuel intellectual debate and explore the various aspects of Bangali arts and culture which undoubtedly affect our nation today. Creative young minds are encouraged to share their ideas on Bangali heritage and culture and discuss how these feed into wider debates on national policy and current affairs. Topics discussed include the future profile of Bangladesh in a globalised world, Bangla language and literature, and the cross-cultural influences of the creative arts in modern Bangladesh.



Economic Progress of Bangladesh: Strong Promise of Growth & Resilience

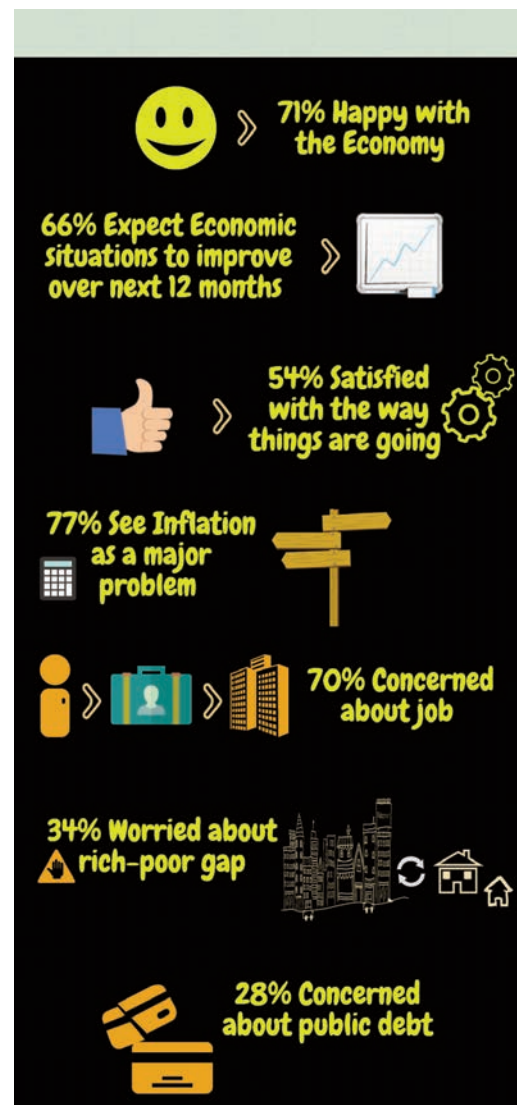
Bangladesh is in the process of transition from a predominantly agro-based economy to a modern time-befitting one. There has been a considerable change in global flows of trade and finance including a surge in Foreign Direct Investment (FDI). Several underlying factors have contributed to increasing the economic progress in Bangladesh. These are balanced trade and exchange rate liberalisation, current account convertibility, prominence on a private sector led development, liberalisation of the investment regime, opening up of infrastructure and services to the private sector– both domestic and foreign, and above all the growing interest of foreign investors in energy and telecommunication and other emerging sectors. Every major economic research suggests that Bangladesh has been a golden land in terms of doing business; and people of the land are satisfied enough with the pace of progress and development.

Pew Research 2014: Majority upbeat about economy

The Economic Conditions Report 2014 of Pew Research Centre (a Washington-based research organisation) found that 71 percent of the Bangladeshis are happy with the economic health of the country, while only 28 percent dissatisfied. The numbers reveal that majority of Bangladeshis have expressed optimism about the economy, giving the thumbs-up to the government's economic management.

A staggering 66 percent of the respondents said they expect the economic situation in Bangladesh would improve over the next 12 months, while 22 percent said the situation will remain the same. One in 10 respondents said the economic situation will worsen. A lack of job opportunities in the country worries 70 percent respondents. There is, however, low concern about income inequality as only 34 percent Bangladeshis saw the rich-poor gap as a major problem.

Apart from Bangladesh, the poll was conducted in eight other developing countries: Ghana, Kenya, Senegal, Nicaragua, Uganda, Tanzania, El Salvador and Palestine. It should be noted that in most nations, people say their country is heading towards the wrong direction and most voice the view that economic conditions are bad.



Growth Sustained

To implement Vision-2021, Perspective Plan (2012-13) and 6th five year plan (2011-2015), incumbent government has planned effective budgets every year and implemented them successfully. Overcoming the challenges of worldwide recession in FY 2011-12, Bangladesh has been able to keep a consistent rate of growth over 6 (six) percent. Economists at Standard Chartered Bank believe that Bangladesh could join what have been called the “7 percent club” of economies that expand at least 7 percent annually for an extended period — allowing their economies to double every decade. Current members of the “club” include China, Cambodia, India, Mozambique and Uganda.ⁱ

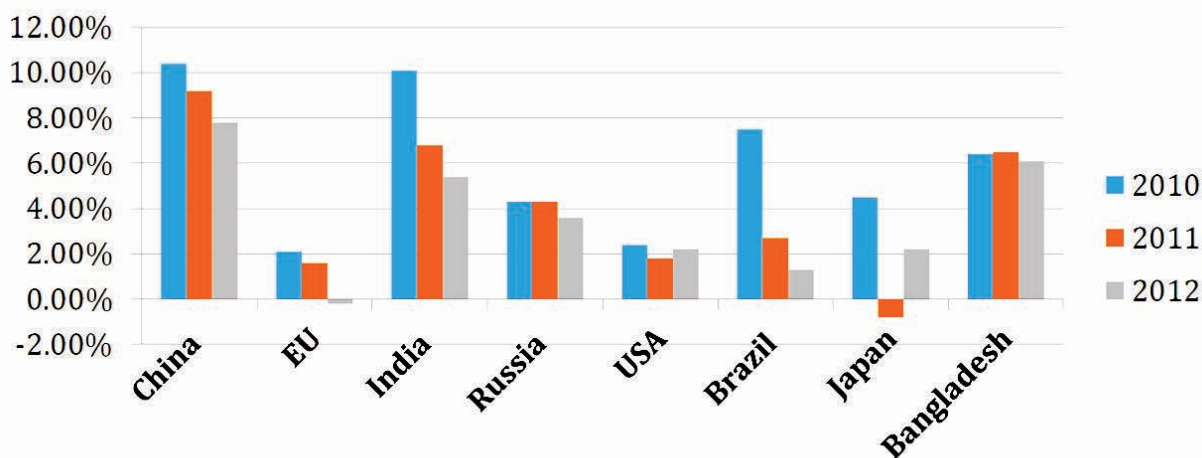


Table: Comparative GDP Growth among Some Countries

Source: CIA world fact book

The per capita income and per capita GDP stands respectively at US\$ 1190 and US\$ 1115.

- Yearly development expenses have been constantly increased. This has been increased to 8.8 billion in 2013-14 fiscal year from 3 billion dollar in 2007-08 fiscal year.
- Annual Development Programme (ADP) implementation rate has been increased to 97%.
- Revenue has been doubled.
- Foreign reserve has been increased. Bangladesh has been able to achieve 16.22 billion dollar, which is a record in the history of Bangladesh.
- Budget deficiency is now 5 % less from the GDP.
- Poverty rate has been decreased to 26% from 40%.
- Per capita income has been increased from 630US\$ to 1044US\$.
- Inflation has been decreased to 7% from 13% in 2008

Export Earnings Increased

Export earnings showed an increasing rate in FY 2012-13 for especially increasing export in the non-traditional markets. Moreover, export earning is increasing from FY 1994-95 to FY 2012-13, although at a discontinuous way. In FY 2012-13, export earnings were USD 27028 million which was 11.21 percent higher than that of the previous fiscal year.

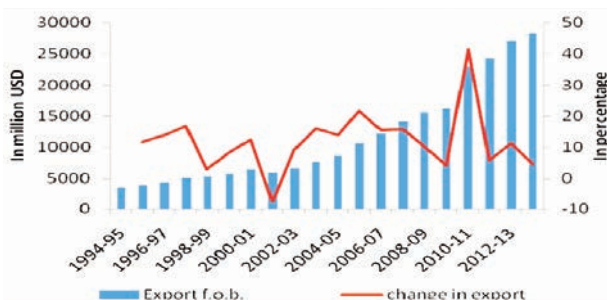


Table: Yearly export earnings (Bangladesh Economic Update, Unnayan Onneshan, April 2014)

Domestic Savings and Investments

According to a provisional estimation, Bangladesh Economic Review, 2014 shows that the domestic and national savings stand at 23.43% and 30.54% respectively in FY 2013-14. These numbers stood at 22.40% and 30.53% in the previous FY of 2012-13. Investment in the FY 2013-14 stands at 28.69% in which private investment contributes 21.30% and public investment contributes 7.30%.

National Revenue

In FY2013-14, the target for revenue receipt stands at US\$ 20194.8 million (11.6% of GDP) of which National Board of Revenue (NBR) tax is accounted for US\$ 1611 million, non-NBR tax is accounted for US\$ 667.44 million and non-tax revenue is US\$ 3414.92 million Till March, 2014, total revenue receipts stands at US\$ 1270 million, which covers 63% of the target.

Remittances and Earnings

The ratios of remittances to Gross Domestic Product (GDP) and export earnings have been increasing over the last twelve years. In FY 2005-06, the remittance inflow was 45.62 percent of total exports and 7.76 percent of GDP, whereas remittance inflows as percent of GDP and export earnings were 11.14 and 53.51 percent respectively in FY 2012-13. Remittance as percent of export earnings was highest in FY 2009-10 as 67.8 percent.ⁱⁱ

Year/Month	Remittances	
	In million US dollar	In million Taka
2013-2014	14228.26	1105823.62
2012-2013	14461.14	1156460.78
2011-2012	12843.43	1018827.79
2010-2011	11650.32	829928.90
2009-2010	10987.40	760109.59
2008-2009	9689.26	666758.50

Total remittance in FY2013-14 stands at US\$ 14.22 billion. Recently, World Bank has ranked Bangladesh as the eighth remittance receiving country in the world in 2013. In recent fiscal year, 296,000 Bangladeshi went abroad which makes the total of 2.35 million of expatriates. Keeping the original trend, remittance inflow is on the rise from Malaysia, Singapore, United Kingdom and many other countries.

Foreign Exchange Reserve

Remittance inflow and declining rate in import payment flourished the foreign exchange reserve by 47.77 percent in FY 2012-13 than that of the previous fiscal year. In FY 2012-13, reserve was USD 15315.78 million which was USD 10364.40 million.

According to the central bank, bumper rice production and stable prices of fuel oil and other importable products in the international market have helped rise in the foreign exchange reserve, Bangladesh has the second-highest foreign exchange reserves among the South Asian countries after India. The foreign exchange reserve of India and Pakistan stood at USD 275056 and USD 10029 million respectively in February of 2014.ⁱⁱⁱ According to Bangladesh Bank, till August 2014, reserve stands at US\$ 22.09 billion.

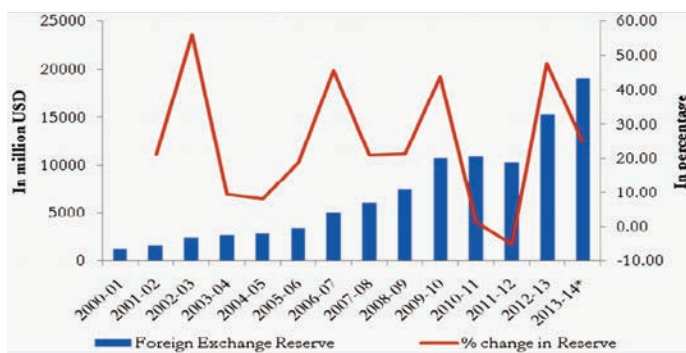
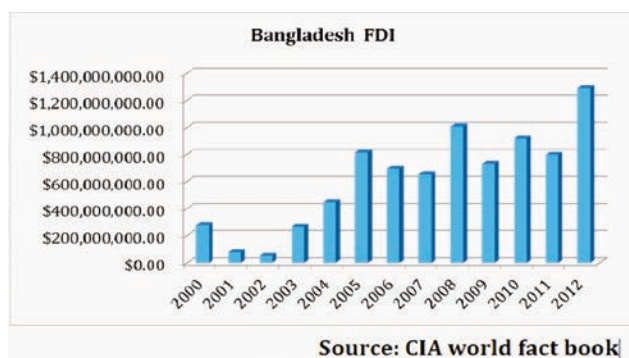


Figure: Foreign exchange reserve over the years (source: Bangladesh Economic Update, Unnayan Onneshan, April 2014)

FDI Flow in Bangladesh

During July-December of FY 2012-13, FDI inflow increased to USD 797.54, which is 61.11 percent higher than that of January-June of 2011-12 and 13.96 percent higher than that of the same period of the previous fiscal year. In FY 2011-12, FDI increased to USD 1194.88 million, which is 53.38 percent higher than that of the previous fiscal year^{iv}.

The World investment Report released recently by UNCTAD (United Nations Conference on Trade and



Source: CIA world fact book

Development) shows Bangladesh is placed as a second favoured investment destination in South Asia after India, which got US\$ 28 billion. Pakistan stood third with US\$ 1.3 billion pouring in as FDI. Inflows of FDI into Bangladesh rose 24 per cent year-on-year to US\$ 1.6 billion in 2013.

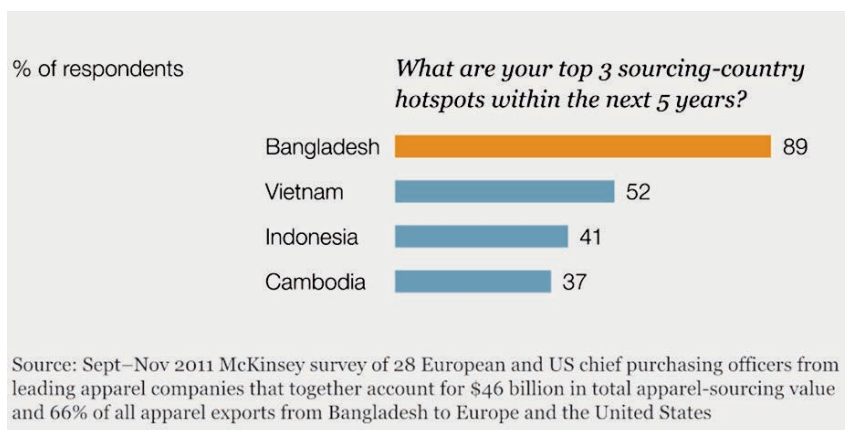
In January 2010, **JETRO conducted a comparative survey^v** of investment-related costs in 29 major cities and regions in Asia. The following comparison is based on that survey with some selected cities^{vi} :



- Bangladesh offers a truly low competitive cost base. Wages and salaries are still lowest in the region, a strong business advantage. Yet this is an increasingly well-educated, adaptive and peaceful population with many skilled workers
- Dhaka's skilled labor cost base is still less than the other major cities
- Dhaka's management grades are 2-3 times less than in Singapore, Shanghai, Bangkok
- Industrial estate rent in Dhaka is cost effective than Shanghai, Jakarta, Bangkok.
- Office rents are also very competitive with other international cities
- Dhaka's housing rent for foreigners are less expensive than Singapore, Mumbai, Karachi, Hanoi
- Cost of diesel in Dhaka is found to be more competitively priced than most other large cities
- Vehicles increasingly use LPG as Dhaka gasoline costs are competitive with most other cities

McKinsey Case Study: Bangladesh the Next ‘Hot-spot’ in Apparel Sourcing

According to the **McKinsey forecast report**, many chief purchasing officers view Bangladesh as the next hot spot for sourcing in the ready-made-garment market. With about \$15 billion in exports in 2010, ready-made garments are the country’s most important industrial sector; they represent 13 percent and more than 75 percent of GDP and total exports, respectively. McKinsey forecasts export-value growth of 7 to 9 percent annually within the next ten years, so the market will double by 2015 and nearly triple by 2020^{vii}.



“For many years, China was almost always the hands-down answer to all buyers’ needs,” the consulting firm McKinsey noted in a recent report. Now, Western wholesale buyers of garments are looking for the “next China,” and Bangladesh “is clearly the preferred next stop for the sourcing caravan.”

Bangladesh exported nearly \$18 billion worth of garments in the 12 months through June 2011, \$10.5 billion of that to the European Union and \$4.6 billion to the United States, according to the Bangladesh Garment Manufacturers and Exporters Association. The total nearly doubled from four years earlier, and McKinsey forecast that the garment industry would grow by as much as 9 percent a year over the next decade^{viii}.

HSBC Global Trade Forecast Report: Trade Confidence Rising Sharply

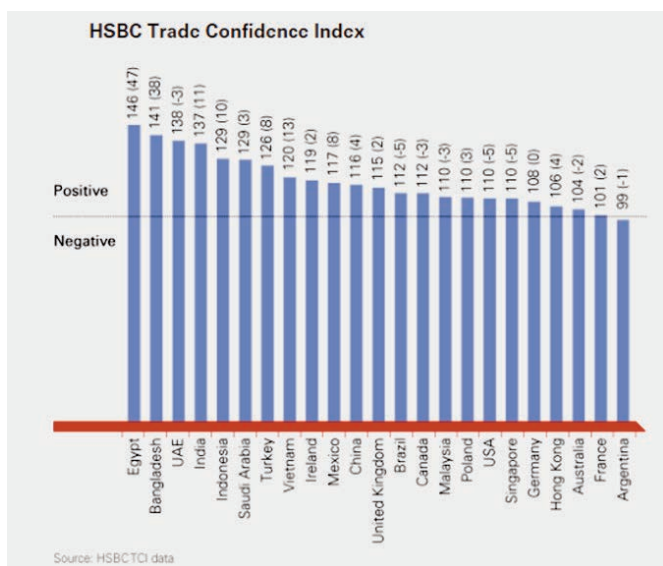
HSBC's latest Trade Confidence Index, which was published 15 September 2014, shows that Bangladesh's trade confidence rose sharply by 38 points in six months, which is the second highest among 23 countries globally. The jump was due to growing demand for its garments from Western buyers and the recent initiatives aimed at making the country's apparel factories safer.

Bangladesh's score increased to 141 in the first half of 2014, from 103 in the second half of 2013. Only Egypt is ahead of Bangladesh as the economic climate in the largest Arab country improved in recent times. Bangladesh outpaced the UAE, India, Indonesia, Saudi Arabia, Turkey, Vietnam, Ireland, Mexico, China, the UK, Brazil, Canada, Malaysia, Poland, the USA, Singapore, Germany, Hong Kong, Australia, France and Argentina.

On the longer-term outlook on Bangladesh, HSBC expects the country to grow rapidly over the remainder of the current decade, and investment, particularly in infrastructure, will continue to rise strongly to support this.

In its latest trade forecast, the bank said textiles and garments are Bangladesh's most important export sector. In 2013, half of Bangladesh's exports of garments and textiles went to Europe and a quarter went to the US.

"Amongst the 25 economies in the HSBC Trade Forecast, we expect Bangladesh's share of textiles and garment exports to rise from 2.8 per cent in 2010 to 3.8 per cent in 2020", the HSBC report said^x.



World Bank sees Bangladesh economy growing at 6.2%

In the latest edition of World Bank South Asia's Economic Focus it has been said that Bangladesh has found its way back to political stability and has forecast that GDP growth will recover as a result, rising to 6.2 percent. The industrial sector remained the primary driver of GDP growth in Bangladesh, the report said. High rates of inflation brought about partly by the political unrest of late 2013 had come down to a stable level, it said^{xi}.

Robust export growth helped lower the trade deficit and foreign exchange reserves continued to accumulate despite the 1.6 percent decline in remittance, the report observed. The report observed that Bangladesh has continued to make remarkable progress in poverty reduction and shared prosperity, with employment and wage growth increasing the income of the bottom 40 percent of the population.

- i. *The New York Times*, http://www.nytimes.com/2012/04/24/business/global/in-bangladesh-strong-promise-of-economic-growth.html?pagewanted=all&_r=0
- ii. *Bangladesh Economic Update*, Unnayan Onneshan, April 2014
- iii. *ibid*
- iv. *Bangladesh Economic Update*, Unnayan Onneshan, April 2014
- v. http://www.jetro.go.jp/en/reports/survey/pdf/2010_06_29_biz.pdf
- vi. *Website of Board of Investment, Bangladesh* <http://www.boi.gov.bd/index.php/why-bangladesh/competitive-cost-base>
- vii. http://www.mckinsey.com/insights/consumer_and_retail/bangladesh_the_next_hot_spot_in_apparel_sourcing
- viii. *The New York Times*, http://www.nytimes.com/2012/04/24/business/global/in-bangladesh-strong-promise-of-economic-growth.html?pagewanted=all&_r=0
- ix. *The Daily Star* 16 September 2014, Trade confidence rises sharply
- x. *The Financial Express* 17 September 2014, West to be Dhaka's top export destination to 2030 : HSBC
- xi. <http://bdnews24.com/economy/2014/10/06/world-bank-sees-bangladesh-economy-growing-at-6.2>

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