Bangladesh
An Economic Tiger
The Chief Economist of the World Bank Mr Kaushik Basu has stated that Bangladesh is poised to be the 'next Asian tiger'. Such opinions are not surprising given the progress the country has achieved in the last decade or so. This pace of accelerated development took a new trajectory under the Awami League Government’s sound economic policies and management during the last 7 years. This brief looks at the continued progress the country achieved in 2015-16 as regards the major economic indicators.

Bangladesh achieved its highest growth in the last 8 years in terms of gross domestic product (GDP) in 2015-16 by securing a rate of 7.05% (provisional). This is a substantial increase from the 6.55% growth achieved in 2014-15. As a result of the sustained and high economic growth, CNN Money predicts Bangladesh to be the 2nd fastest growing economies in 2019. The International Monetary Fund (IMF) forecasts Bangladesh's GDP growth to speed up further in 2016 and 2017. In the current 2016-17 fiscal year, the government is aiming for 7.4% GDP growth. Under the Seventh Five Year Plan (2016-2020), the government seeks to raise the GDP growth rate progressively to 8% by 2020.

**ECONOMIC GROWTH**

<table>
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<tr>
<th>Year</th>
<th>GDP Growth</th>
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<tr>
<td>2014-15</td>
<td>6.55%</td>
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<td>2015-16</td>
<td>7.05%</td>
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<td>Target 2016</td>
<td>7.40%</td>
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<td>Target 2020</td>
<td>8.00%</td>
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Bangladesh is now the second largest foreign direct investment (FDI) receiver among the South Asian countries with over $2 billion in 2015-16 up from $1.83 billion in the previous fiscal year. This was stated in the World Investment Report 2016 released jointly by the United Nations Conference on Trade and Development and Board of Investment, Bangladesh. According to the report, FDI inflows to Bangladesh jumped by 44% to $2.23 billion compared 2014-15 fiscal year. This was described as an all-time high placing Bangladesh closely behind India in South Asia. Bangladesh plans to raise the FDI level to $9.6 billion by 2020 under the Seventh Five Year Plan (2016-2020).
Bangladesh earned over $34 billion from exports in the fiscal year 2015-16, which is a striking 10% increase from 2014-15 which was $31.20 billion. The figure also exceeded export target set for the year by $743 million, according to provisional data prepared by the Export Promotion Bureau (EPB). Even better results are expected in future as the country's exports are increasing due to a rebound in the global economy and an increase in the export basket. Asian Development Bank's Development Outlook predicts the growth of exports to rise by 13%, up from 12% in the previous year. By 2020, the country is planning to enhance annual export earnings to $54 billion. The target has also been set for $5 billion ICT exports by 2021.

On 2 September, 2016, Bangladesh's foreign exchange reserves crossed the $31 billion mark for the first time. The reserves currently stand at $31.2 billion, the highest ever in the country's history. In 2006, the country's foreign currency reserves stood at $3.48 billion only. This means that, within a span of just ten years, the reserves have been boosted by almost 818%.

Bangladesh is now seeing the lowest inflation in a decade. The average inflation rate in the past year – from May 2015 to May 2016 – was an impressive 5.97% compared to 6.40% between May 2014 and May 2015. Although the government had set targets to bring the inflation down to 6.2% at the beginning of 2015-16 fiscal year, it has achieved a significantly lower number.
Bangladesh has continued to receive good credit ratings from top agencies. According to Moody’s (April 2016), Bangladesh’s Ba3 government bond rating is supported by the country’s stable and strong growth performance and modest debt burden. Moody’s also predicts more than 7% expansion in FY2016, supported by industrial activity, positive exports and backed by a track record of macroeconomic stability. Standard and Poor maintained its 'BB-' long-term sovereign credit rating on Bangladesh based on relatively modest external debt burden, reflecting support from substantial donor engagement, and large remittances from the Bangladeshi diaspora.

Per capita income in Bangladesh has grown by 11.39% to $1,466 during the fiscal year 2015-16 from $1,316 in the last fiscal year according to the Bangladesh Bureau of Statistics. The Gross National Income (GNI) was $2,343 million this fiscal year with a population of 159.9 million. In mid-2015, Bangladesh was elevated from the lower income status to the lower middle income one for the first time since its independence, meeting the World Bank and IMF’s requirements comfortably. Bangladesh now plans to secure the higher middle-income status by 2021, under the current government’s Vision 2021, and become a developed nation by 2041 under “Vision 2041”.

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<th>2015</th>
<th>2021</th>
<th>2041</th>
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<tr>
<td>Became A Low Mid Income Country</td>
<td>Aim to Become A High Mid Income Country</td>
<td>Aim to Be A Developed Country</td>
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CREDIT RATINGS

Bangladesh Economy Stable

STANDARD & POOR’S

Moody’s

PER CAPITA INCOME
The balance of payments surplus (BoP) surged by more than 15% from the previous fiscal year to $3.7 billion which is credited to lower import to export growth ratio. In fiscal 2015-16, exports grew 8.94% and imports 5.45%, which caused the expansion of the overall surplus, according to Bangladesh Bank. Trade deficit narrowed 10.22% in the first ten months of 2015-16 as exports grew twice as imports. Between July last year and April this year, trade deficit stood at $5.27 billion in contrast to $5.87 billion a year earlier, according to Bangladesh Bank's balance of payments data.

Bangladesh continued to a top remittance earning country in the world in 2015-16 earning $14.93 billion according to Bangladesh Bank figures. In the previous fiscal year, the incoming remittances stood at $15.32 billion. The current figures are likely to be much higher for the ongoing 2016-17 fiscal year as the government of the Kingdom of Saudi Arabia has recently withdrawn its 6 year cessation of hiring workers from Bangladesh.

Setting private sector credit growth target at 16.5% and 15.9% for public sector in H1 of 2016-17 fiscal year, Bangladesh Bank introduced the half-yearly new monetary policy in June 2016. The new monetary policy has been designed to enable local financial sector to integrate more fully with the global market, initiatives for growth support inclusive of financing, new financing windows supporting output activities and improving intermediation efficiency. Under the policy, the government plans to achieve a 7.2% growth in the 2016-17 fiscal year and keep the average inflation rate at 5.8%.

Sources:
i) Bangladesh Bank   ii) Ministry of Finance, Bangladesh   iii) Bangladesh Bureau of Statistics
iv) Economic Relations Division, Bangladesh   v) Prime Minister's Office, Bangladesh
vi) Export Promotion Bureau, Bangladesh   vii) Board of Investment, Bangladesh   viii) Standard and Poor's
ix) Moody's Investors’ Service   x) World Bank