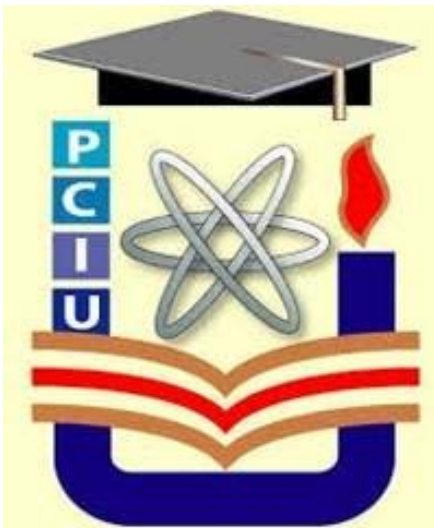# Economic environment of Bangladesh

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Economic environment of Bangladesh

Microeconomic trends of Bangladesh economy:

➢ **GDP**

➢ **Savings**

➢ **Investment and employment**

➢ **Export and import**

➢ **Tourism**

➢ **Recent economic development.**

GDP (Bangladesh)

- The Organization for Economic Co-operation and Development (OECD) defines GDP as "an aggregate measure of production equal to the sum of the gross values added of all resident and institutional units engaged in production".
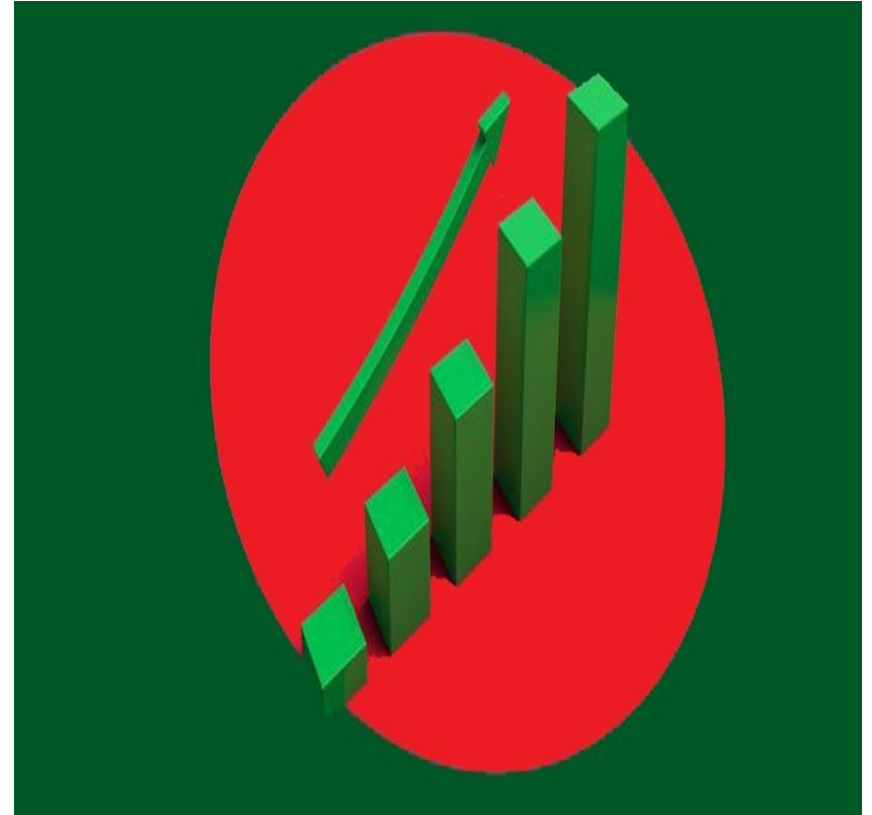
- **Gross Domestic Product** (**GDP**) is a monetary measure of the market value of all the final goods and services produced in a specific time period, often annually.

- The gross domestic product (GDP) is one the primary indicators used to gauge the health of a country's economy. It represents the total value of all goods and services produced over a specific time period & it can be treated as the size of the economy. Now economy of Bangladesh is composed of three main sectors-----Agriculture, Industry and Service

- The market-based **economy of Bangladesh** is one of the fastest growing economies in the world. It's the 35th largest in the world in nominal terms, and 25th largest by purchasing power parity; it is classified among the Next Eleven emerging market middle income economies and a Frontier market.

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- The Gross Domestic Product (GDP) in Bangladesh was worth **416.26 billion US dollars** in 2021, according to official data from the World Bank.

- According to the IMF, Bangladesh's economy is the second fastest growing major economy of 2016, with a rate of 7.1%.

- Dhaka and Chittagong are the principal financial centers of the country, being home to the Dhaka Stock Exchange and the Chittagong Stock Exchange. The financial sector of Bangladesh is the second largest in the subcontinent.

- In the decade since 2009, Bangladesh averaged a GDP growth of 6.5%, that has been largely driven by its exports of ready made garments, remittances and the domestic agricultural sector.

- Asian Development Bank has estimated Bangladesh's GDP growth by 5.2% in 2020 even amidst global pandemic and 6.8% in 2021.

- The country has pursued export-oriented industrialization, with its key export sectors include textiles, shipbuilding, fish and seafood, jute and leather goods. It has also developed self-sufficient industries in pharmaceuticals, steel and food processing.

- As of 2022, Bangladesh's GDP per capita income is estimated as per IMF data at US$5,300 (PPP) and US$2,824 (nominal) with GDP growth rate 6.9%.
- Bangladesh is a member of the D-8 Organization for Economic Cooperation, the South Asian Association for Regional Cooperation, the International Monetary Fund, the World Bank, the World Trade Organization and the Asian Infrastructure Investment Bank.
- The economy faces challenges of infrastructure bottlenecks, insufficient power and gas supplies, bureaucratic corruption, political instability, natural calamities and a lack of skilled workers.

Savings (Bangladesh)

- Bangladesh Gross Savings Rate was measured at 30.4% in Jun 2021, compared with 30.4% in the previous year.

- Bangladesh Gross Savings Rate is updated yearly, with data available from Jun 2006 to Jun 2021, and an average rate of 30.4%.

- The data reached an all-time high of 30.4% in Jun 2016 and a record low of 27.4% in Jun 2018.

Investment and employment

❖ **Investment:** The Government of Bangladesh (GOB) actively seeks foreign investment. Sectors with active investments from overseas include agribusiness, garment/textiles, leather/leather goods, light manufacturing, power and energy, electronics, light engineering, information and communications technology (ICT), plastic, healthcare, medical equipment, pharmaceutical, ship building, and infrastructure.

- Bangladesh offers the most liberal FDI regime in South Asia, allowing 100% foreign equity ownership with unrestricted exit policy.

- Almost all the sectors are open for foreign investment without any quantitative restrictions. The country offers generous tax holiday, reduced tax rate for specific sectors, bond facility,

- The country has been hailed by The Economist as the new Asian Tiger. And the investor appetite reflects this.

- The GOB offers a range of investment incentives under its industrial policy and export-oriented growth strategy with few formal distinctions between foreign and domestic private investors.

- Bangladesh's Foreign Direct Investment (FDI) stock was $16.9 billion in 2019, with the United States being the top investing country with $3.5 billion in accumulated investments.

- Bangladesh has made gradual progress in reducing some constraints on investment, including taking steps to better ensure reliable electricity, but inadequate infrastructure, limited financing instruments, bureaucratic delays, lax enforcement of labor laws, and corruption continue to hinder foreign investment.

- Government efforts to improve the business environment in recent years show promise but implementation has yet to materialize.

- Bangladesh offers lucrative investment climate compared to other South Asian economies. Key pointers to Bangladesh's investment climate are highlighted below:

1. Bangladesh is a largely homogeneous society with no major internal or external tensions and a population with great resilience in the face of adversity.

2. Bangladesh has liberal democracy. The population of this country irrespective of race or religion have been living in harmony and understanding for thousands of years.

3. Broad non-partisan political support for market-oriented reform and the most investor-friendly regulatory regime in South Asia.

4. Trainable, enthusiastic, hardworking and low-cost (even by regional standards) labor force suitable for any labour-intensive industry.

5. The geographic location of the country is ideal for global trade, with very convenient access to international sea and air routes.

6. Bangladesh is endowed with abundant supply of natural gas, water and its soil is very fertile.

7. Although Bangla is the official language, English is generally used as a second language.

❖ **Employment**:

- In 2019, 38.3 percent of the employees in Bangladesh were active in the agricultural sector, 21.32 percent in industry and 40.38 percent in the service sector.

- Employment creates earning capacity and ensures workers entitlement on goods and services. Employment greatly depends on investment. Investment is the most vital factor for economic growth and development. Investment generates employment
- Bangladesh needs to create millions of new jobs over the next few years; and job creation will be the key factor to reduce poverty, improve people's lives, and reach the Sustainable Development Goals (SDGs) by 2030.
- The government's target is to create employment for more than 15 million people by 2023 as against 11 million new additions to the labour force during the period.

❖**Causes of unemployment in Bangladesh:**

1. Overpopulation: Higher population growth rate and overpopulation is the principal reason of unemployment in this country. The population is increasing day by day but there is a shortage of investment.

2. Underdeveloped economy: The economy of Bangladesh is underdeveloped and based on agriculture. It is very hard to employ all the people in an underdeveloped economy.

3. **Lack of capital:** Bangladeshi people have small savings because of lower per capita income. So, capital formation is not possible here or only a small capital can be formed here. Lack of capital means no investment and employment.

- **Lack of technical education**: There needs skilled labor in all industries. Most of the Bangladeshi workers don't have enough knowledge about the latest technology and skill.
- **Natural calamities**: Every year many people get unemployed because of river erosion, flood, cyclone, etc.
- **Political instability:** Political instability and unskilled administration weakens our social structures. It brings fears to people on new investments.
- **Agriculture dependency**: Most of the people of Bangladesh are directly or indirectly depends on agriculture. The seasonal unemployment problem occurs in agriculture.
- **Corruption**: There is corruption in every stage of business. Foreign investors feel disappointed because of corruption.
- **Annihilate cottage industries:** Bangladeshi cottage industries get vanished because they fail to compete with foreign industries. This creates unemployment.

❖Solutions to the unemployment problem of Bangladesh

1. Creating self-employment facilities, especially in poultry and livestock facilities.

2. Empowerment and job opportunities for all women.

3. Establish an employment information center.

4. Give proper training to workers.

5. Make available industrial inputs.

6. Diversify the worker's skills.

7. The government's social work kabikha, kabita etc. should conduct on jobless time.

8. The government should accept the expansionary monetary policy and fiscal policy.

9. Provide technical and technological education for workers.

10. Set up small and cottage industries in rural areas.

11. Create an investment-friendly environment to attract foreign direct investment.

- Unemployment and poverty are two great problems in Bangladesh. If sufficient jobs are not generated unemployment problem will create many complex social and political problems. If sufficient employment opportunities are not created present declining rate of poverty may further revert back.

- The rate of unemployment is 5.20 per cent in Bangladesh (2021).

- Educational institutions become the factories of producing huge number of unemployed people. So we should careful to establish new educational intuitions specially universities. Steps should be taken to proper manpower planning.
- The higher growth of female participation in national labor force and dominance of youth age group have created the bright prospects for Bangladesh.
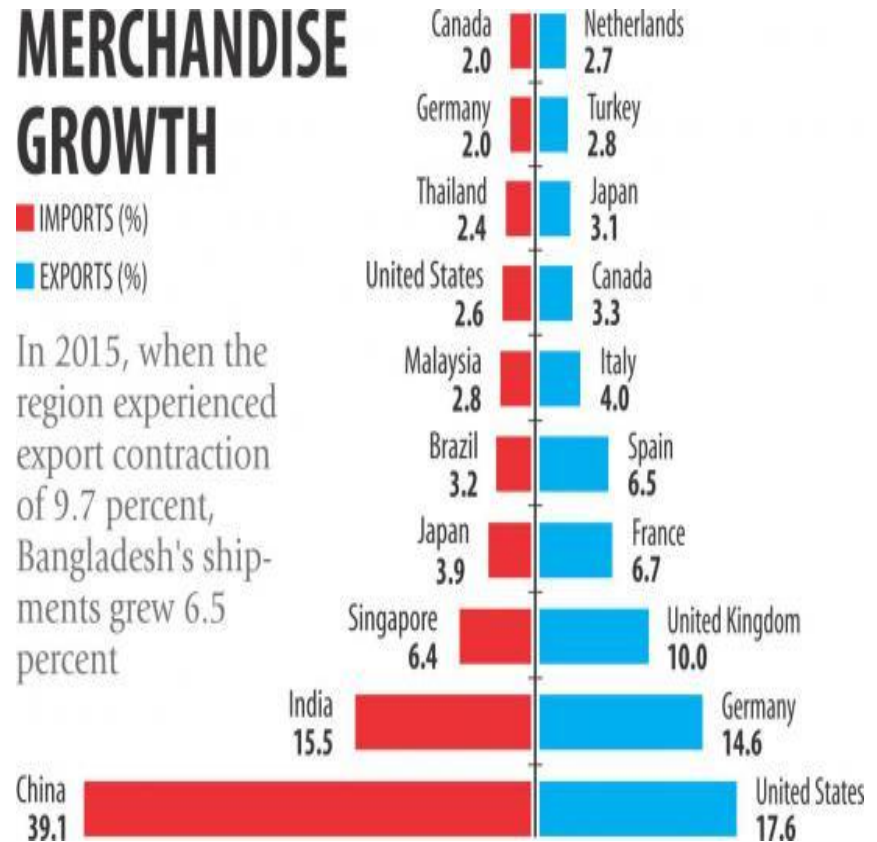
Export and import

❖ **Export**:

• The country's export earnings in the just concluded year 2021 stood record $44.22 billion.

MERCHANDISE GROWTH

■ IMPORTS (%)
■ EXPORTS (%)

In 2015, when the region experienced export contraction of 9.7 percent, Bangladesh's shipments grew 6.5 percent

	IMPORTS		EXPORTS
Canada	2.0	Netherlands	2.7
Germany	2.0	Turkey	2.8
Thailand	2.4	Japan	3.1
United States	2.6	Canada	3.3
Malaysia	2.8	Italy	4.0
Brazil	3.2	Spain	6.5
Japan	3.9	France	6.7
Singapore	6.4	United Kingdom	10.0
India	15.5	Germany	14.6
China	39.1	United States	17.6

- In 2020, Bangladesh was the number 39 economy in the world in terms of GDP, the number 52 in total exports, the number 50 in total imports, the number 149 economy in terms of GDP per capita and the number 111 most complex economy.

- The top exports of Bangladesh (2021) are
- Non-Knit Men's Suits ($5.75B),
- Knit T-shirts ($5.74B),
- Knit Sweaters ($4.91B),
- Non-Knit Women's Suits ($4.63B), and
- Knit Women's Suits ($2.45B)

- The top export destinations of Bangladesh (2021) are
- Germany ($6.59B),
- United States ($6.25B),
- United Kingdom ($3.05B)
- Spain ($2.95B)
- Poland ($2.27B).

- Besides these Bangladesh exports, the country is also engaged in the production of rice, tea, sugar wheat, ship scrap metal, textiles, fertilizer, pharmaceuticals, ceramic tableware and newsprint.
- Though yields can at times be quite high, the country still faces widespread poverty and it is struggling to free itself from this. Some progress has been made, but there are still many people living below the breadline in Bangladesh.

❖ Import:

- Bangladesh imported US$53 billion worth of goods from around the globe in 2018, up by 10.3% since 2015 and up by 6.2% from 2017 to 2018.

- Bangladeshi imports represent a modest 0.3% of total global imports which totaled an estimated $17.788 trillion one year earlier.

  Given Bangladesh's population of 159.5 million people, its total $53 billion in 2018 imports translates to roughly $330 in yearly product demand from every person in the South Asian country.

- The top imports of Bangladesh (2021) are
- Refined Petroleum ($2.64B),
- Raw Cotton ($1.8B),
- Wheat ($1.28B),
- Light Rubberized Knitted Fabric ($1.09B), and
- Heavy Pure Woven Cotton ($975M),
- importing mostly from (2021)
- China ($15B)
- India ($7.91B),
- Singapore ($2.29B),
- United States ($1.79B),
- Indonesia ($1.69B).

- At the more granular four-digit Harmonized Tariff System (HTS) code level, Bangladesh spend the most on imported refined petroleum oils (7.7% of global total), woven fabrics made mainly from cotton (4.7%), raw cotton (3.2%), cotton yarn (2%), palm oil (also 2%) then mobile phones including smartphones (1.8%).

Tourism

- **Bangladesh's** tourist attractions include historical monuments, resorts, beaches, picnic spots, forests and tribal people, wildlife of various species. Activities for tourists include angling, water skiing, river cruising, hiking, rowing, yachting, and sea bathing.

- In the northern part, comprising the Rajshahi division, there are archaeological sites, including the temple city **Puthia** in Rajshahi; the largest and most ancient archaeological site, **Mahasthangarh** in Bogra; the single largest Buddhist monastery, **Paharpur** in Naogaon; the most ornamental terracota Hindu temple, **Kantaji Temple**, and many rajbaris or palaces of old zamindars.

- In the south-eastern part, which is the Chittagong Division, there are natural and hilly areas like Chittagong Hill Tracts, along with sandy sea beaches. The most notable beach, in Cox's Bazar, is a contender for the title of longest unbroken sandy sea beach in the world.

- In the south-western part, mainly the Khulna Division, there is the **Sundarbans**, the largest mangrove forest of the world with royal Bengal tiger and spotted deer. The historically and architecturally important **sixty domed mosque** in Bagerhat is a notable site. In the north-eastern part, Sylhet division, there is a green carpet of tea plants on small hillocks. Natural reserved forests are great attractions. Migratory birds in winter, particularly in the haor areas, are also very attractive in this area.

- **Tourist attractions in Dhaka**:
- Lalbagh Fort
- Dhakeshwari Temple
- Baitul Mukarram
- Ahsan Manzil
- Shaheed Minar
- Liberation War Museum
- Rickshaw art and rickshaw-riding
- Jatiyo Sangsad Bhaban
- Bashundhara City

- The World Travel and Tourism Council (WTTC) reported in 2013 that the travel and tourism industry in Bangladesh directly generated 1,281,500 jobs in 2012 or 1.8 percent of the country's total employment, which ranked Bangladesh 157 out of 178 countries worldwide. Direct and indirect employment in the industry totalled 2,714,500 jobs, or 3.7 percent of the country's total employment.

- The WTTC predicted that by 2023, travel and tourism will directly generate 1,785,000 jobs and support an overall total of 3,891,000 jobs, or 4.2 percent of the country's total employment.

- The top five countries where foreign tourists come to Bangladesh are India (64 percent), China (16 percent), Pakistan (10 percent), USA (5 percent), and South Korea (5 percent) (2022).

- Bangladesh is an unpopular travel destination among foreigners. However, efforts are made to attract more foreign tourists to the country. This includes formulating a master plan.

- According to Bangladesh Parjatan Corporation, Bangladesh has 1,400 tourist destinations. The master plan aims to boost the sector by developing these destinations.

- Ministry of Tourism and The Civil Aviation Ministry designs national policies for the development and promotion of tourism. The Ministry also maintains the Beautiful Bangladesh campaign.
- Bangladesh Government has formed Tourist Police unit to better protect local and foreign tourists as well as look after the nature and wildlife in the tourist spots.

Recent economic development.

- Since 2009, the country has had the same government; keeping the overall economy relatively stable. In 2009, Bangladesh's GDP was 102.4 billion dollars, increasing to 172.9 billion dollars by 2014.

- Moreover, Bangladesh's GDP has grown at a rate of 6 to 8 percent every year from 2015 to 2019. In 2019, the year before the pandemic, Bangladesh's GDP growth rate was 8.2%.

- On the contrary, India's growth rate in that year was 4%. During the Covid-19 pandemic, Bangladesh was one of those countries whose economy bounced back fairly quickly.

- Bangladesh has a strong track record of growth and development, even in times of elevated global uncertainty. A robust demographic dividend, strong ready-made garment (RMG) exports, resilient remittance inflows, and stable macroeconomic conditions have supported rapid economic growth over the past two decades

- Bangladesh is also a remarkable story of poverty reduction and development. From being one of the poorest nations at birth in 1971, Bangladesh reached lower-middle income status in 2015. It is on track to graduate from the UN's Least Developed Countries (LDC) list in 2026. Poverty declined from 43.5 percent in 1991 to 14.3 percent in 2016, based on the international poverty line of $1.90 a day (using 2011 Purchasing Power Parity exchange rate). Moreover, human development outcomes improved along many dimensions.

- Based on the Bangladesh Bureau of Statistics, for a population of about 170 million in Bangladesh, the median age is 28 years, and 62% of the country's population is under 35 years of age.

- The participation of women in the country's labor force has also increased. According to the World Bank, the total labor force of Bangladesh in 2020 is more than 67 million, of which 36.4% are women.

❖Challenges

- Bangladesh, like many other countries, faces global economic challenges. Rising commodity prices and a surge in imports in the second half of FY22 resulted in a widening Balance of Payments (BoP) deficit and accelerating inflation.

- Foreign exchange reserves declined as a result, reaching US$ 38.9 billion by the end of August 2022. Real GDP growth is expected to slow in FY23 as import suppression measures disrupt economic activity.

- To achieve its vision of attaining upper middle-income status by 2031, Bangladesh needs to create jobs and employment opportunities through a competitive business environment, increase human capital and build a skilled labor force, build efficient infrastructure, and establish a policy environment that attracts private investment.

- In proportion to the population, although the literacy rate in Bangladesh is fairly good, the unemployment rate in the country is about 5.3%. The unemployment rate was 4.22% in the pre-pandemic stage, but the rate has risen slightly due to layoffs in most organizations during the pandemic. A large number of people are also migrating from Bangladesh every year for employment.

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THANK YOU AND ANY QUESTION?