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Hi everyone, today Cristella, Jackie and I are going to introduce the economic growth in Bangladesh.

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The capital of Bangladesh is Dhaka. Bangladesh is currently a developing country, and the second-largest economy in South Asia. In the world, Bangladesh’s economy is the 33rd largest in nominal terms, and 25th largest by purchasing power parity.

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Economic growth is the increase in real GDP over time. According to the graph shown right, Bangladesh’s economy has grown rapidly since 1990. Reasons for the economic growth include the roust demographic dividend, strong ready-made garment exports, resilient remittance inflows, and stable macroeconomic conditions. When Bangladesh was established in 1971, it was one of the poorest nations. In 2015, it rose to lower-middle income status and currently it is on track to graduate from the United Nation’s Least Developed Countries.

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Now move on to the change of unemployment in Bangladesh, the concept to quantify unemployment is the unemployment rate. It is the number of unemployed workers expressed as the percentage of the total workforce. However, as we can see in the graph, the unemployment rate from 1999 to 2022 has an increasing overall trend, from 3.07% to 4.7%. It is bizarre that as the economic growth is increasing, the unemployment rate is also increasing over time. While the economy is growing, Bangladesh society faces problems including the disability of creating new job opportunities proportionally and the shrank in female participation in the laborforce market, especially in rural areas. These drawbacks raise questions about the benefits and significance of the economic growth for a large section of population.

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Now I want to address a new concept to measure the relation between unemployment and economic growth, which is the employment elasticity. The employment elasticity indicates the ability of an economy to generate employment opportunities for its population as percent of its growth (development) process

Employment elasticity (ε) is calculated by the percent change of economic over the percentage change of income.

For example, employment elasticity of 0.01 implies that with every 1 percentage point growth in GDP, employment increased by just one basis point (one basis point is one-hundredth of a percentage point).

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For Bangladesh, as we can see in the table, the Employment elasticity declined from 0.55 to 0.25 by comparing the durations 2005-10 and 2010-18, when the economy was apparently on tremendous growth momentum, with a 6.6 percent average economy GDP growth.

In case of agriculture, manufacturing, construction and services sector, the employment elasticity is lower than 1, indicating that employment generation is not very sensitive to growth.

The services sector is the only sector that saw an increase in employment elasticity: from 0.27 in fiscal 2009-10 to 0.40 in fiscal 2017-18.

Data Result

The data attributed the decline to two simultaneous phenomena: the structural transformation in the economy from agriculture to industrial sector, and industrial sector being more capital intensive.

Besides, the overall employment elasticity declined because the decrease in employment elasticity in agriculture and industry far outweighed the increase in employment elasticity in services.

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Despite rising growth in industrial output, growth of labor demand in industry was weak because of low investment growth, higher capital intensity of industrial production processes and the spread of automation.

A big setback in the growth process has been the loss of female participation in employment.  By all metrics, their contribution to the economy was lower in 2018 than in 2010.

Weak growth of labor demand affected females more than males. Instead of continuing to actively seek employment, discouraged female labor appears to exit the labor market.

Since further advancement of technology will require high-skilled labour, for Bangladesh their new priority and focus point should be to improve a demand-driven skill development system.

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Then let’s talk about inflation. Inflation is a sustained increase in the average level of prices and a measure to quantify inflation is the inflation rate, calculated by the percentage change between two periods of the average price level, usually measured by CPI.

By referring to the graph, as we can observe, the inflation rate stayed high, as it’s normally around 2% and 10%, compared to a normal inflation rate of 2% to 4%. Also, for Bangladesh, 2023 is a year of inflation since it reached a high inflation rate of 9.02% in March.

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For Bangladesh, one of the primary drivers of inflation in Bangladesh is the relentless increase in food prices. Factors such as monopoly business sectors, unstable weather patterns, supply chain disruptions, and rising global commodity prices have significantly contributed to this problem.

Food Insecurity: Rising food prices have a direct impact on food security. Bangladesh is already grappling with issues related to food accessibility and distribution, and inflation exacerbates this problem. Vulnerable populations, including children and the elderly, are at risk of malnutrition.

Increased Production Costs: Businesses face higher production costs due to inflation, leading to reduced profits and potential job cuts. This could further strain the already fragile labor market in Bangladesh.

Investment Uncertainty: Inflation can discourage foreign and domestic investments, as it creates uncertainty in the economic environment. Investors may be reluctant to commit capital to a market with a high inflation rate, potentially hampering economic growth.

Government Fiscal Challenge: The government may struggle to manage its budget effectively, as rising prices can lead to increased expenditure on subsidies and social safety net programs. Balancing fiscal policies in the face of inflation is a complex task.