

The Real Economy

Economic Growth

2.1 Bangladesh achieved an impressive economic growth during FY12. A strong domestic demand and continued expansion of infrastructural facilities helped to accomplish this accelerated economic growth amidst the fragile pace of global economic recovery. According to the BBS (Bangladesh Bureau of Statistics) provisional estimate, the nominal GDP of Bangladesh in FY12 was Taka 9147.8 billion representing a nominal growth of 14.8 percent. In FY12, the country's per capita real GDP increased by 5.0 percent and per capita nominal GDP increased by 13.4 percent (Chart 2.1).

2.2 The expansion of the economy during FY12 was broad-based, registering positive growth by all sectors and sub-sectors of the economy (Table 2.1). GDP growth during the year was based on 9.5 percent impressive growth in industry sector, 6.1 percent steady growth in services sector and 2.5 percent moderate growth in the agriculture sector. In the overall GDP growth of 6.3 percent in FY12, the services sector's contribution (weighted share in growth rate) was the highest at 3.0 percentage points, followed by the industry sector at 2.8 percentage points and the agriculture sector at 0.5 percentage point.

Agriculture Sector

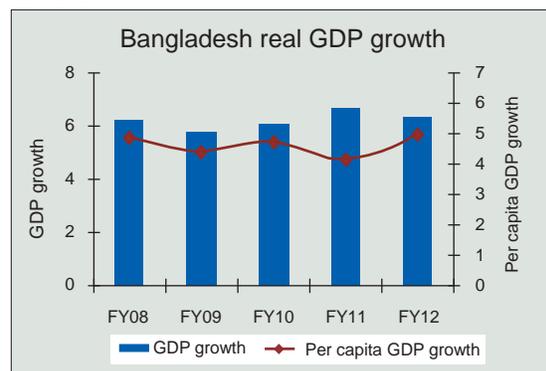
2.3 The agriculture sector contributed 19.3 percent of total GDP in FY12 compared to 20.0 percent in FY11. Expansion in this sector was aided by continued policy support from

Table 2.1 Sectoral GDP growth
(at FY96 constant prices: percent)

	FY09	FY10	FY11 ^R	FY12 ^P
1. Agriculture	4.1	5.2	5.1	2.5
a) Agriculture and forestry	4.1	5.6	5.1	1.7
i) Crops and horticulture	4.0	6.1	5.7	0.9
ii) Animal farming	3.5	3.4	3.5	3.4
iii) Forest and related services	5.7	5.2	3.9	4.4
b) Fishing	4.2	4.2	5.3	5.4
2. Industry	6.5	6.5	8.2	9.5
a) Mining and quarrying	9.8	8.8	4.8	6.3
b) Manufacturing	6.7	6.5	9.5	9.8
i) Large and medium scale	6.6	6.0	10.9	10.8
ii) Small scale	6.9	7.8	5.8	7.2
c) Power, gas and water supply	5.9	7.3	6.6	14.1
d) Construction	5.7	6.0	6.5	8.5
3. Services	6.3	6.5	6.2	6.1
a) Wholesale and retail trade	6.2	5.9	6.3	5.9
b) Hotel and restaurants	7.6	7.6	7.6	7.6
c) Transport, storage and communication	8.0	7.7	5.7	6.6
d) Financial intermediations	9.0	11.6	9.6	9.5
i) Monetary intermediation (Banks)	9.1	10.5	9.0	9.4
ii) Insurance	8.4	14.9	11.6	9.8
iii) Other financial intermediation	11.1	16.1	10.1	9.9
e) Real estate, renting and business activities	3.8	3.9	4.0	4.1
f) Public administration and defence	7.0	8.4	9.7	6.1
g) Education	8.1	9.2	9.4	8.6
h) Health and social work	7.2	8.1	8.4	7.9
i) Community, social and personal services	4.7	4.7	4.7	4.8
GDP (at FY96 constant market prices)	5.7	6.1	6.7	6.3

Source: Bangladesh Bureau of Statistics.
P= Provisional.
R= Revised.

Chart 2.1



the Government including subsidy in input prices, adequate and timely distribution of fertiliser, uninterrupted supply of power for irrigation, increased credit flows and higher procurement prices of output. Absence of any severe flood and cyclone during the year and overall favourable weather condition also contributed to attain the agricultural sector growth.

Within the agriculture sector the highest growth was achieved in the fishing sub-sector followed by the forest and related services sub-sector. Fishing sub-sector grew at a rate of 5.4 percent in FY12 against 5.3 percent recorded in FY11. The growth rate of the forest and related services sub-sector increased to 4.4 percent in FY12 from 3.9 percent in FY11. Animal farming sub-sector grew by 3.4 percent in FY12 compared to that of 3.5 percent in FY11. However, the crops and horticulture sub-sector registered a lower growth of only 0.9 percent in FY12 compared to the 5.7 percent growth recorded in FY11.

2.4 The production of food grains (*Aus*, *Aman*, *Boro* and wheat) increased by 0.9 percent from 34.5 million metric tons (MMT) in FY11 to 34.8 MMT in FY12. *Aus* production, a relatively minor crop of the year, increased significantly by 9.5 percent from 2.1 MMT in FY11 to 2.3 MMT in FY12. The production of *Aman*, the second largest crop of the year, remained unchanged at 12.8 MMT in FY12. *Boro* output, the single largest crop of the year, grew by 0.5 percent from 18.6 MMT in FY11 to 18.7 MMT in FY12. Wheat production was increased by 3.1 percent in FY12. In FY11 it was 0.97 MMT and it was 1.0 MMT in FY12.

Industry Sector

2.5 The industry sector emerged as the highest growing sector with impressive performance by almost all the main sub-sectors namely manufacturing, construction

Table 2.2 Quantum index of medium and large scale manufacturing industries (base: FY89=100)

Sub-sectors	Weight	FY09	FY10	FY11 ^R	FY12 ^P
Food, beverage & tobacco	22.1	288.0	313.1	344.0	355.4
Jute, cotton, woven apparel & leather	38.2	563.6	581.4	754.6	899.4
Wood products including furniture	0.2	309.2	310.2	319.5	306.1
Paper and paper products	4.7	495.1	502.9	492.5	517.2
Chemical, petroleum & rubber	24.0	327.3	400.3	343.5	374.5
Non-metallic products	2.8	514.9	527.3	547.2	557.2
Basic metal products	2.1	351.6	206.4	274.2	269.6
Fabricated metal products	5.9	178.9	194.2	197.8	214.9
General index of manufacturing	100	413.4	442.1	502.9	570.4

Source: Bangladesh Bureau of Statistics.
P= Provisional, R= Revised.

and power, gas and water supply. It contributed 31.3 percent of GDP and exhibited a robust growth of 9.5 percent in FY12 compared to 8.2 percent growth in FY11. Adequate credit supply and other mode of financing facilities to SMEs contributed to achieve this remarkable industrial growth. The growth in mining and quarrying sub-sector, a relatively minor sub-sector, increased to 6.3 percent in FY12 from 4.8 percent in FY11. The manufacturing sub-sector grew at a higher rate of 9.8 percent in FY12 compared to 9.5 percent in FY11. The small scale manufacturing sub-sector contributed about 28.0 percent of the manufacturing sector. The production of this sub-sector mostly depends on indigenous raw materials and is generally immune to external shocks. It grew by 7.2 percent in FY12 compared to that of 5.8 percent in FY11. The large and medium scale manufacturing sub-sector registered a growth of 10.8 percent in FY12 compared to that of 10.9 percent in FY11. The Quantum Index of Industrial

Production (QIP) showed a growth of 13.4 percent from FY11 to FY12 (Table 2.2). The exports of woven garments and knitwear, the country's two key export industries, showed a growth of 13.9 percent and 0.05 percent respectively in FY12. However, exports of raw jute, jute goods, frozen food and chemical products showed a downward growth during the year.

Growth of the construction sub-sector increased to 8.5 percent during FY12 from 6.5 percent in FY11. The power, gas and water supply sub-sector exhibited an impressive growth of 14.1 percent in FY12 compared to that of 6.6 percent in FY11. It should be noted that despite the impressive growth in the power, gas and water supply sub-sectors there was a large unmet demand for power supply (reflected in power outages) throughout FY12, affecting the growth potential of a number of industries in both urban and rural areas.

Services Sector

2.6 The services sector, which is the largest sector in the economy, contributed almost half (49.5 percent) of the total GDP in FY12. 14.3 percent of this was attributable to wholesale and retail trade, 10.7 percent to transport, storage and communication, 6.9 percent to real estate, renting and business activities and 6.6 percent to community, social and personal services. In FY12, the services sector grew at a rate of 6.1 percent compared to that of 6.2 percent in FY11. Despite some fluctuations, this growth appears to be broad-based across the sub-sectors (Table 2.1). The wholesale and retail trade, which accounted for about 29.0 percent of the sector, grew by 5.9 percent in FY12 compared to that of 6.3 percent in FY11. The growth rate in the transport, storage and communication sub-

Table 2.3 Sectoral GDP shares (in percent)
(at FY96 constant producer prices)

	FY09	FY10	FY11 ^R	FY12 ^P
1. Agriculture	20.5	20.3	20.0	19.3
a) Agriculture and forestry	15.8	15.8	15.6	14.9
i) Crop and horticulture	11.4	11.4	11.3	10.7
ii) Animal farming	2.7	2.7	2.6	2.5
iii) Forest and related services	1.8	1.7	1.7	1.7
b) Fishing	4.6	4.5	4.4	4.4
2. Industry	29.9	29.9	30.4	31.3
a) Mining and quarrying	1.2	1.3	1.3	1.3
b) Manufacturing	17.9	17.9	18.4	19.0
i) Large and medium scale	12.7	12.7	13.2	13.8
ii) Small scale	5.2	5.3	5.2	5.3
c) Power, gas and water supply	1.6	1.6	1.6	1.7
d) Construction	9.1	9.1	9.1	9.3
3. Services	49.6	49.8	49.6	49.5
a) Wholesale and retail trade	14.4	14.4	14.3	14.3
b) Hotel and restaurants	0.7	0.7	0.7	0.7
c) Transport, storage and communication	10.7	10.8	10.7	10.7
d) Financial intermediations	1.9	1.9	2.0	2.1
i) Monetary intermediation (Banks)	1.4	1.4	1.5	1.5
ii) Insurance	0.4	0.4	0.5	0.5
iii) Other financial intermediation	0.1	0.1	0.1	0.1
e) Real estate, renting and business activities	7.3	7.2	7.0	6.9
f) Public administration and defence	2.8	2.8	2.9	2.9
g) Education	2.6	2.7	2.8	2.8
h) Health and social work	2.3	2.4	2.4	2.5
i) Community, social and personal services	6.9	6.8	6.7	6.6
GDP (at FY96 constant producer prices)	100.0	100.0	100.0	100.0

Source: Bangladesh Bureau of Statistics.
P= Provisional.
R= Revised.

sector increased from 5.7 percent in FY11 to 6.6 percent in FY12. The post and telecommunication services experienced an impressive growth in FY12. The communications services particularly the mobile phone services market continued to drive the telecommunication industry. The driving force that led to the high growth of this sub-sector was strong consumer demand. The real estate, renting and business activities, and the community, social and personal services sub-sectors exhibited a growth of 4.1 and 4.8 percent respectively in FY12 compared to those of 4.0 and 4.7 percent respectively in FY11. The other sub-sectors experienced a decline in growth rates

from FY11. The growth rates in the public administration and defence, education, and health and social work sub-sectors declined to 6.1, 8.6 and 7.9 percent in FY12 from 9.7, 9.4 and 8.4 percent in FY11 respectively. Financial intermediations achieved a lower growth of 9.5 percent in FY12 compared to that of 9.6 percent in FY11. On the other hand, monetary intermediation (banks) achieved a higher growth of 9.4 percent in FY12 compared to that of 9.0 percent in FY11.

Sectoral Composition of GDP

2.7 Looking at the sectoral shares in GDP, it is observed that in the agriculture sector the share of crops and horticulture sub-sector (comprising of 55.7 percent in the overall agriculture) decreased from 11.3 percent in FY11 to 10.7 percent in FY12 (Table 2.3). The share of animal farming sub-sector declined from 2.6 percent in FY11 to 2.5 percent in FY12. However, the share of forest and related services and fishing sub-sectors remained unchanged at 1.7 and 4.4 percent respectively in FY12. In the industry sector, while the share of manufacturing, power, gas and water supply, and construction sub-sectors increased during the year, the share of mining and quarrying sub-sector remained unchanged. The low share of power, gas and water supply (1.7 percent) partly reflected the supply side bottlenecks constraining the growth of the economy. In the services sector, while the share of financial intermediations, and health and social work sub-sectors increased slightly, the share of real estate, renting and business activities, and community, social and personal services sub-sectors declined slightly. The share of rest of the sub-sectors remained unchanged during the year (Table 2.3).

Table 2.4 GDP by expenditure groups

(at current market prices: billion Taka)				
Particulars	FY09	FY10	FY11 ^R	FY12 ^P
Domestic demand	6411.3	7242.8	8434.0	9704.1
Consumption	4912.9	5547.7	6430.2	7376.3
Private	4589.4	5175.0	5969.4	6858.2
General Government	323.5	372.7	460.9	518.1
Investment	1498.4	1695.1	2003.8	2327.8
Private	1209.4	1346.9	1554.4	1751.0
Public	289.0	348.2	449.3	576.7
Resource balance	-438.0	-459.0	-693.9	-944.6
Exports	1194.4	1278.0	1824.5	2286.5
Imports	1632.4	1736.9	2518.4	3231.1
Gross domestic expenditure	5973.2	6783.9	7740.1	8759.4
Gross domestic product	6148.0	6943.2	7967.0	9147.8
Statistical discrepancy	174.7	159.4	226.9	388.4

Source: Bangladesh Bureau of Statistics.
P= Provisional.
R= Revised.

2.8 From Table 2.3 we can see that the sectoral composition of GDP has shifted away from agriculture towards industry and services. The share of the agriculture sector came down from 20.0 percent in FY11 to 19.3 percent in FY12; the share of services sector also decreased slightly from 49.6 percent in FY11 to 49.5 percent in FY12; and the share of industry sector increased to 31.3 percent in FY12 from 30.4 percent in FY11.

GDP by Expenditure

2.9 In FY12, expenditure based estimate for nominal GDP was Taka 9147.8 billion, showing an increase of 14.8 percent over FY11 (Table 2.4). In FY12, domestic demand was estimated at Taka 9704.1 billion at current market prices, reflecting an increase of 15.1 percent over FY11.

2.10 Table 2.4 shows that consumption expenditure constituted 84.2 percent of Gross Domestic Expenditure (GDE), while investment expenditure constituted 26.6 percent and resource balance was -10.8 percent. In FY12 the nominal growth rate of investment expenditure was 16.2 percent and that of consumption expenditure was 14.7 percent.

Savings and Investment

2.11 The Gross Domestic Savings (GDS) as percentage of GDP increased from 19.3 in FY11 to 19.4 in FY12 (Table 2.5, Chart 2.2). It grew at a rate of 15.3 percent during this period. The share of the private sector savings as percentage of GDP increased to 18.0 in FY12 from 17.9 in FY11 and that of the public sector savings remained unchanged at 1.4 in FY12. The Gross National Savings (GNS) as percentage of GDP increased from 28.8 in FY11 to 29.4 in FY12, resulting from a higher inflow of Net Factor Income (NFI). In FY12, NFI increased by 24.0 percent.

2.12 Investment as percentage of GDP increased to 25.5 in FY12 from 25.2 in FY11. (Table 2.5, Chart 2.3). While the share of private investment decreased from 19.5 percent in FY11 to 19.1 percent in FY12, the share of the public investment increased from 5.6 percent in FY11 to 6.3 percent in FY12. The increasing share of public investment in GDP in FY12 resulted from a higher ADP expenditure compared to that in FY11.

2.13 The domestic savings-investment gap as percentage of GDP increased from 5.9 in FY11 to 6.1 in FY12 (Table 2.5). This gap was met with net factor income from abroad.

Table 2.5 Savings and investment

(as percent of GDP)				
Particulars	FY09	FY10	FY11 ^R	FY12 ^P
Public				
Investment	4.7	5.0	5.6	6.3
Domestic savings	1.3	1.4	1.4	1.4
Domestic savings-investment gap	-3.4	-3.6	-4.2	-4.9
Private				
Investment	19.7	19.4	19.5	19.1
Domestic savings	18.8	18.8	17.9	18.0
Domestic savings-investment gap	-0.9	-0.6	-1.6	-1.1
Total				
Investment	24.4	24.4	25.2	25.5
Domestic savings	20.1	20.1	19.3	19.4
Domestic savings-investment gap	-4.3	-4.3	-5.9	-6.1
National savings	29.6	30.0	28.8	29.4

Source: Bangladesh Bureau of Statistics.
P= Provisional.
R= Revised.

Chart 2.2

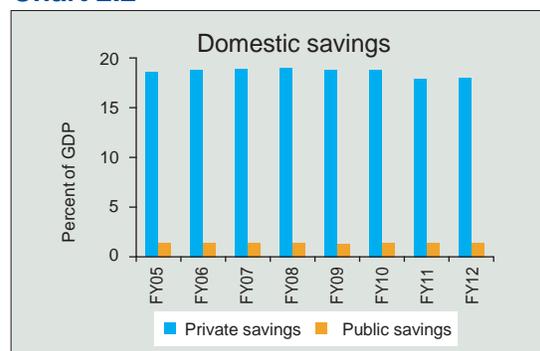


Chart 2.3

