

The Real Economy

Economic Growth

2.1 Bangladesh economy achieved a respectable growth of 6.0 percent during FY13 in a very challenging domestic and global economic environment. Using the FY96 base year, real GDP growth was 0.2 percentage point lower than 6.2 percent growth recorded in FY12 (Table 2.1). However a more updated 2005 base was recently released by BBS where growth in FY13 is estimated at 6.18 percent. In FY13, measured at current market prices, the GDP of Bangladesh recorded Taka 10,379.9 billion representing a nominal growth of 13.1 percent. In FY13, the country's per capita real GDP increased by 4.6 percent and per capita nominal GDP increased by 11.6 percent (Chart 2.1).

2.2 The expansion of the economy during FY13 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 9.0 percent growth in the industry sector, 5.7 percent growth in the services sector and 2.2 percent moderate growth in the agriculture sector. In the overall GDP growth of 6.0 percent in FY13, the services and industry sectors contributed equally (weighted share in growth rate) i.e., 2.8 percentage points while agriculture contributed 0.4 percentage point.

Table 2.1 Sectoral GDP growth

(at FY96 constant prices: percent)

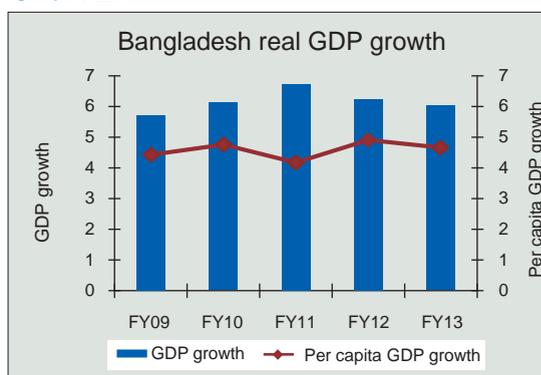
	FY10	FY11	FY12 ^R	FY13 ^P
1. Agriculture	5.2	5.1	3.1	2.2
a) Agriculture and forestry	5.6	5.1	2.5	1.2
i) Crops and horticulture	6.1	5.7	2.0	0.2
ii) Animal farming	3.4	3.5	3.4	3.5
iii) Forest and related services	5.2	3.9	4.4	4.5
b) Fishing	4.2	5.3	5.4	5.5
2. Industry	6.5	8.2	8.9	9.0
a) Mining and quarrying	8.8	4.8	7.8	11.1
b) Manufacturing	6.5	9.5	9.4	9.3
i) Large and medium scale	6.0	10.9	10.5	10.3
ii) Small scale	7.8	5.8	6.5	6.8
c) Power, gas and water supply	7.3	6.6	12.0	8.6
d) Construction	6.0	6.5	7.6	8.1
3. Services	6.5	6.2	6.0	5.7
a) Wholesale and retail trade	5.9	6.3	5.6	4.7
b) Hotel and restaurants	7.6	7.6	7.6	7.6
c) Transport, storage and communication	7.7	5.7	6.6	6.7
d) Financial intermediations	11.6	9.6	11.0	9.0
i) Monetary intermediation (Banks)	10.5	9.0	11.3	9.3
ii) Insurance	14.9	11.6	10.3	8.2
iii) Other financial intermediation	16.1	10.1	10.0	8.4
e) Real estate, renting and business activities	3.9	4.0	4.1	4.1
f) Public administration and defence	8.4	9.7	5.8	5.1
g) Education	9.2	9.4	7.2	9.7
h) Health and social work	8.1	8.4	7.9	7.5
i) Community, social and personal services	4.7	4.7	4.8	4.9
GDP (at FY96 constant market prices)	6.1	6.7	6.2	6.0

Source: Bangladesh Bureau of Statistics.

P= Provisional.

R= Revised.

Chart 2.1



Agriculture Sector

2.3 The agriculture sector contributed 18.7 percent of total GDP in FY13 compared to 19.4 percent of total GDP in FY12. The output growth of agriculture sector moderated to 2.2 percent in FY13 from 3.1 percent of FY12. The deceleration of agricultural growth was largely due to the base effect of two consecutive years of record growth and lower than expected rice output which led to the crop sector only growing by 0.2 percent.

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 5.5 percent in FY13 against 5.4 percent recorded in FY12. The growth rate of the forest and related services sub-sector increased to 4.5 percent in FY13 against 4.4 percent in FY12. Animal farming sub-sector grew by 3.5 percent in FY13 compared to that of 3.4 percent in FY12.

2.4 The production of food grains (*Aus*, *Aman*, *Boro* and *Wheat*) increased by 0.9 percent from 34.8 million metric tons (MMT) in FY12 to 35.1 MMT in FY13 reflecting slightly higher *Aman*, *Boro* and *Wheat* production. *Aus* output, a relatively minor crop of the year, decreased by 4.3 percent from 2.3 MMT in FY12 to 2.2 MMT in FY13. The production of *Aman*, the second largest crop of the year, increased to 12.9 MMT in FY13. *Boro* output, the single largest crop of the year, grew by 0.5 percent from 18.7 MMT in FY12 to 18.8 MMT in FY13. *Wheat* production was increased by 30.0 percent from 1.0 MMT in FY12 to 1.3 MMT in FY13.

Table 2.2 Quantum index of medium and large-scale manufacturing industries (base: FY06=100)

Code	Major Industry Group	Weight	2010-11	2011-12	2012-13
1	General Index of Manufacturing	100.00	157.89	174.92	195.19
2	Manufacture of food products	10.84	138.66	161.34	219.10
3	Manufacture of beverages	0.34	152.37	152.46	189.81
4	Manufacture of tobacco products	2.92	112.30	136.79	144.66
5	Manufacture of textile	14.07	139.51	139.44	142.41
6	Manufacture of wearing apparel	34.84	200.80	235.44	265.83
7	Manufacture of leather and related products	4.40	129.02	132.32	139.76
8	Manufacture of wood and products of wood and cork	0.33	216.66	235.99	238.81
9	Manufacture of paper and paper products	0.33	169.70	171.34	160.43
10	Printing and reproduction of recorded media	1.83	121.12	123.23	124.36
11	Manufacture of coke and refined petroleum products	1.25	99.10	90.85	101.54
12	Manufacture of chemicals and chemical products	3.67	70.80	80.77	84.62
13	Manufacture of pharmaceuticals and medicinal chemical	8.23	164.97	169.82	178.79
14	Manufacture of rubber and plastic products	1.56	191.97	217.59	244.87
15	Manufacture of other non-metallic mineral products	7.12	134.62	138.22	139.51
16	Manufacture of basic metals	3.15	111.50	114.26	136.41
17	Manufacture of fabricated metal products except machinery	2.32	137.71	138.81	149.03
18	Manufacture of computer, electronic and optical products	0.15	126.22	114.77	99.00
19	Manufacture of electrical equipment	0.73	122.47	125.22	128.53
20	Manufacture of machinery and equipment n.e.c	0.18	172.95	178.29	155.86
21	Manufacture of motor vehicles, trailers and semi trailers	0.13	160.10	201.46	186.62
22	Manufacture of other transport equipment	0.73	150.31	158.31	138.21
23	Manufacture of furniture	0.88	103.19	100.98	109.14

Industry Sector

2.5 The country's industry sector grew substantially by a healthy 9.0 percent in FY13. The sustained increase in mining and quarrying, construction and large and medium scale spurred the growth in the industry sector. The growth in mining and quarrying sub-sector, a relatively minor activity,

increased to 11.1 percent in FY13 from 7.8 percent in FY12, helped to bolster the growth in the industry sector. The manufacturing sub-sector decelerated slightly to 9.3 percent growth in FY13 compared to 9.4 percent in FY12 due to subdued domestic and external demand. The large and medium scale manufacturing which accounted for 73 percent of the manufacturing sub-sector grew by 10.3 percent in FY13 compared to 10.5 percent in FY12. On the other hand, small scale manufacturing sub-sector which contributed about 27.0 percent of the total output of the manufacturing sector grew by 6.8 percent in FY13, slightly higher than 6.5 percent in FY12. Small scale manufacturing industries like rice milling, grain milling, knitwear, leather products, footwear, and non-metallic mineral products etc. showed upward growth in FY13. The production of this sub-sector mostly depends on indigenous raw materials and are generally immune to external shocks. Quantum Index of Industrial Production (QIP) showed a growth of 11.6 percent during FY13 (Table 2.2). Production of both large and medium scale manufacturing industries, particularly food, textile, wearing apparels, leather and related products, basic metals, tobacco products, coke and refined petroleum, fabricated metal products except machinery, pharmaceuticals and medicinal chemical showed growth during FY13. The export of woven garments and knitwear, the country's two key export industries showed a growth of 15.0 percent and 10.4 percent respectively in FY13. However, exports of raw jute, tea, frozen food and chemical products showed a downward growth during the year.

Table 2.3 Sectoral GDP shares (in percent)

(at FY96 constant producer prices)

	FY10	FY11	FY12 ^R	FY13 ^P
1. Agriculture	20.3	20.0	19.4	18.7
a) Agriculture and forestry	15.8	15.6	15.0	14.3
i) Crop and horticulture	11.4	11.3	10.9	10.3
ii) Animal farming	2.7	2.6	2.5	2.5
iii) Forest and related services	1.7	1.7	1.7	1.6
b) Fishing	4.5	4.4	4.4	4.4
2. Industry	29.9	30.4	31.1	32.0
a) Mining and quarrying	1.3	1.3	1.3	1.3
b) Manufacturing	17.9	18.4	19.0	19.5
i) Large and medium scale	12.7	13.2	13.7	14.3
ii) Small scale	5.3	5.2	5.2	5.3
c) Power, gas and water supply	1.6	1.6	1.7	1.7
d) Construction	9.1	9.1	9.2	9.4
3. Services	49.8	49.6	49.5	49.3
a) Wholesale and retail trade	14.4	14.3	14.2	14.1
b) Hotel and restaurants	0.7	0.7	0.7	0.8
c) Transport, storage and communication	10.8	10.7	10.7	10.8
d) Financial intermediations	2.0	2.0	2.1	2.2
i) Monetary intermediation (Banks)	1.4	1.5	1.5	1.6
ii) Insurance	0.4	0.5	0.5	0.5
iii) Other financial intermediation	0.1	0.1	0.1	0.1
e) Real estate, renting and business activities	7.2	7.0	6.9	6.7
f) Public administration and defence	2.8	2.9	2.9	2.9
g) Education	2.7	2.8	2.8	2.9
h) Health and social work	2.4	2.4	2.5	2.5
i) Community, social and personal services	6.8	6.7	6.6	6.5
GDP (at FY96 constant producer prices)	100.0	100.0	100.0	100.0

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

Growth of the construction sub-sector increased to 8.1 percent during FY13 from 7.6 percent in FY12. Growth in the power, gas and water supply sub-sector (8.6 percent in FY13) was lower than FY12 but higher than the earlier two years.

Services Sector

2.6 The services sector growth moderated to 5.7 percent in FY13 compared to 6.0 percent in FY12. The moderation in this sector growth was led mainly by a slowdown in wholesale and retail trade and financial intermediation. Wholesale and retail trade, which accounted about 28.5 percent of the

sector, grew by 4.7 percent in FY13 against 5.6 percent in FY12. Financial intermediation achieved a lower growth of 9.0 percent in FY13 compared to 11.0 percent in FY12 largely due to lower profitability in the banking sector.

Growth in real estate, renting and business activities, social and personal services, transport, storage and communication and hotel and restaurants sub-sectors remained virtually unchanged in FY13 compared to the previous year. The education sub-sector exhibited an impressive growth of 9.7 percent in FY13, significantly higher than the 7.2 percent of FY12, possibly due to the growth of new institutions of higher education.

Sectoral Composition of GDP

2.7 The long-term trend showing a shift of the sectoral composition of GDP away from agriculture towards industry continued in FY13 (Table 2.3). During the year under review, the share of the agriculture sector came down from 19.4 percent in FY12 to 18.7 percent in FY13; the share of services sector also decreased slightly from 49.5 percent in FY12 to 49.3 percent in FY13; and the share of industry sector increased to 32.0 percent in FY13 from 31.1 percent in FY12.

2.8 The reduction in the share of agriculture is mainly due to the drop in the crops and horticulture sub-sector (comprising of 55.1 percent in the overall agriculture) which fell from 10.9 percent in FY12 to 10.3 in FY13 (Table 2.3). The rise in the overall contribution of industry to GDP in FY13 (by 0.9 percentage points) is largely due to the higher share of large and medium scale

Table 2.4 GDP by expenditure groups

(at current market prices: billion Taka)

Particulars	FY10	FY11	FY12 ^R	FY13 ^P
Domestic demand (1+2)	7242.8	8434.0	9849.8	11167.6
Consumption (1)	5547.7	6430.2	7412.9	8381.5
Private	5175.0	5969.4	6900.0	7812.2
Government	372.7	460.9	512.9	569.3
Investment (2)	1695.1	2003.8	2436.9	2786.1
Private	1346.9	1554.4	1840.4	1971.3
Public	348.2	449.3	596.6	814.9
Resource balance (3-4)	-458.9	-693.9	-821.8	-845.7
Exports (3)	1278.0	1824.5	2127.5	2371.1
Imports (4)	1736.9	2518.4	2949.2	3216.7
Gross domestic expenditure	6783.9	7740.1	9028.0	10321.9
Gross domestic product	6943.2	7967.0	9181.4	10379.9
Statistical discrepancy	159.4	226.9	153.4	58.0

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

Table 2.5 Domestic savings and investment

(as percent of GDP)

Particulars	FY10	FY11	FY12 ^R	FY13 ^P
Public				
Investment	5.0	5.6	6.5	7.9
Domestic savings	1.4	1.4	1.3	1.3
Domestic savings-investment gap	-3.6	-4.2	-5.2	-6.6
Private				
Investment	19.4	19.5	20.0	19.0
Domestic savings	18.8	17.9	17.9	18.0
Domestic savings-investment gap	-0.6	-1.6	-2.1	-1.0
Total				
Investment	24.4	25.2	26.5	26.8
Domestic savings	20.1	19.3	19.3	19.3
Total Savings-Investment gap	-4.3	-5.9	-7.2	-7.5
National savings	30.0	28.8	29.2	29.5

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

manufacturing and a small rise in the share of construction. The share of mining and quarrying and power, gas and water supply sub-sector remained unchanged. In the services sector, while the share of hotel and restaurants, financial intermediations, transport, storage and communication and education sub-sectors increased slightly; the share of wholesale and retail trade, 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).

GDP by Expenditure

2.9 In FY13, expenditure based estimation for nominal GDP was Taka 10,379.9 billion, showing a nominal increase of 13.1 percent over FY12 (Table 2.4). Gross Domestic Expenditure (GDE) measures the aggregate demand generated by domestic economic activity, which is the sum of consumption expenditure, investment expenditure of the private and public sector and the resource balance of the economy. In FY13, domestic demand was estimated at Taka 11,167.6 billion at current market prices, reflecting an increase of 13.4 percent over FY12.

2.10 Available BBS data of FY13 indicates that of the GDE, consumption expenditure constituted 81.2 percent while investment expenditure constituted 27.0 percent and resource balance was -8.2 percent. In FY13, investment expenditure increased by 14.3 percent in nominal terms, higher than 13.1 percent increase in consumption expenditure.

Chart 2.2

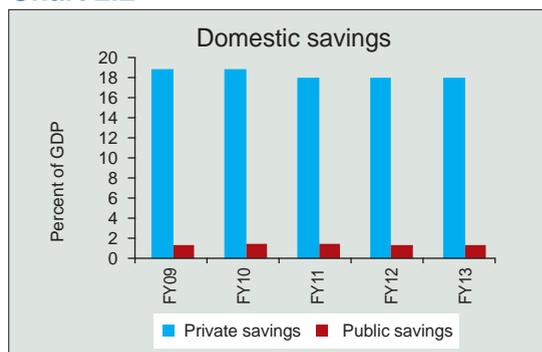
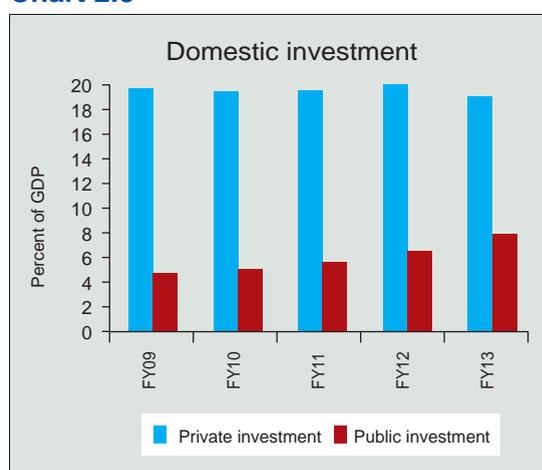


Chart 2.3



Savings and Investment

2.11 Domestic and national savings rose considerably as the current account deficit improved this year. Available data indicates that Gross Domestic Savings (GDS) at current market prices grew by 13.0 percent in FY13. The GDS as percentage of GDP remained constant in FY13 at 19.3 compared to FY12 (Table 2.5, Chart 2.2).

The private sector component of domestic savings increased to 18.0 in FY13 from 17.9 in FY12. The small public sector component of domestic savings remained unchanged at 1.3 in FY13. The continued growth of Net Factor Income (NFI) raised the Gross

National Savings (GNS) rate to 29.5 percent of GDP in FY13 from 29.2 percent of GDP in FY12. In FY13, NFI increased by 17.0 percent over the previous year.

2.12 Investment as percentage of GDP increased to 26.8 in FY13 which was 26.5 in FY12 (Table 2.5, Chart 2.3). While the private sector component of investment decreased from 20.0 in FY12 to 19.0 in FY13; the public sector component of investment increased

from 6.5 percent in FY12 to 7.9 in FY13. The increasing share of public investment in GDP in FY13 resulted from higher implementation rate of ADP compared to that in the last year.

2.13 The domestic savings-investment gap as percentage of GDP increased from 7.2 in FY12 to 7.5 in FY13 (Table 2.5). The domestic savings-investment gap was met with net factor income from abroad.