

The Real Economy

Economic Growth

2.1 Bangladesh economy achieved reasonably satisfactory growth during the FY15 in spite of the prolonged political problems at home and slower growth in both developed and emerging markets abroad. Provisional estimates of the Bangladesh Bureau of Statistics (BBS) indicates that real GDP recorded a growth of 6.5 percent in FY15, which was higher than 6.1 percent recorded in FY14 (Table 2.1). Measured at current market prices, the GDP of Bangladesh in FY15 was estimated at Taka 15136 billion which was about 12.7 percent higher than that of FY14. In FY15, per capita real GDP and GNI estimated at Taka 52222 and Taka 55579 respectively. In the same year, per capita nominal GDP and GNI estimated at Taka 95864 and Taka 102026 respectively. The growth of per capita nominal GDP was the same as in the previous year, but the growth of per capita real GDP was higher than that in the previous year indicating fall in rate of inflation (Chart 2.1).

2.2 In absence of high agricultural growth, the 6.5 percent GDP growth was mainly contributed by the industry and services sectors. The industry sector grew by 9.6 percent, followed by services sector (5.8 percent) while the agriculture sector grew by a moderate rate of 3.0 percent. Out of the overall GDP growth of 6.5 percent in FY15,

Table 2.1 Sectoral GDP growth

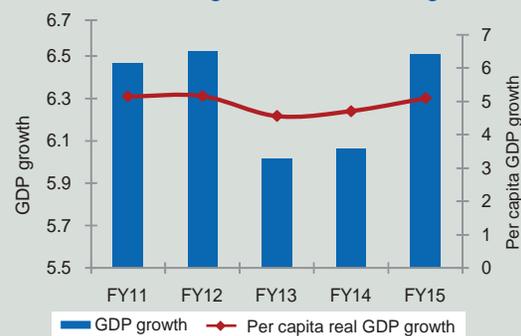
(at FY06 constant prices: percent)

	FY12	FY13	FY14	FY15 ^P
1. Agriculture	3.0	2.5	4.4	3.0
a) Agriculture and forestry	2.4	1.5	3.8	2.1
i) Crops and horticulture	1.8	0.6	3.8	1.3
ii) Animal farming	2.7	2.7	2.8	3.1
iii) Forest and related services	6.0	5.0	5.0	5.1
b) Fishing	5.3	6.2	6.4	6.4
2. Industry	9.4	9.6	8.2	9.6
a) Mining and quarrying	6.9	9.4	4.7	7.5
b) Manufacturing	10.0	10.3	8.8	10.3
i) Large and medium scale	10.8	10.7	9.3	10.2
ii) Small scale	6.6	8.8	6.3	10.7
c) Power, gas and water supply	10.6	9.0	4.5	7.0
d) Construction	8.4	8.0	8.1	8.6
3. Services	6.6	5.5	5.6	5.8
a) Wholesale and retail trade, repair of motor vehicles, motorcycles, and personal and household goods	6.7	6.2	6.7	6.6
b) Hotel and restaurants	6.4	6.5	6.7	6.9
c) Transport, storage and communication	9.2	6.3	6.1	6.0
d) Financial intermediations	14.8	9.1	7.3	8.8
i) Monetary intermediation (banks)	17.6	10.9	8.3	9.8
ii) Insurance	4.4	0.6	1.6	3.6
iii) Other financial intermediation	2.3	3.1	3.6	4.7
e) Real estate, renting and business activities	3.9	4.0	4.3	4.7
f) Public administration and defence	7.5	6.5	6.9	7.5
g) Education	7.8	6.3	7.3	7.6
h) Health and social work	3.8	4.8	5.1	5.7
i) Community, social and personal services	3.3	3.3	3.3	3.4
Total GVA at constant basic price	6.7	6.1	6.2	6.5
GDP (at constant market price)	6.5	6.0	6.1	6.5

P = Provisional.

Source: Bangladesh Bureau of Statistics.

Chart 2.1 Bangladesh real GDP growth



3.1 percentage points was contributed by the services sector, followed by the industry sector (2.9 percentage points) and the agriculture sector (0.5 percentage point).

Agriculture Sector

2.3 The growth of agriculture sector declined by 1.4 percentage points in FY15 from 4.4 percent in FY14. This was mainly due to fall in growth of crops and horticulture sub-sector. Moreover, this sector's share also decreased to 16.0 percent of total GDP in FY15 from 16.5 percent of total GDP in FY14.

Within agriculture sector, crops and horticulture sub-sector registered a growth of 1.3 percent in FY15 against 3.8 percent in FY14. Forest and related services sub-sector registered a growth of 5.1 percent in FY15, which was 5.0 percent in FY14. Animal farming sub-sector grew by 3.1 percent in FY15 registering a 0.3 percentage point increase of growth rate from FY14. Fishing sub-sector grew by 6.4 percent in FY15 which was the same as in FY14.

2.4 Overall output of food grains (Aus, Aman, Boro and Wheat) increased by 0.4 percent from 35.66 million metric tons (MMT) in FY14 to 35.79 MMT in FY15. Amongst other factors, up-scaled agricultural credits played a role in this case. The production of Aus, a relatively minor crop of the year, did not change much from the previous year, which amounted 2.33 MMT in both years. Aman, the second largest crop of the year, increased by 1.3 percent from 13.02 MMT in FY14 to 13.19 MMT in FY15. Boro, the largest crop of the year, amounted to be 18.94 MMT in FY15. Wheat production increased by 2.3 percent from 1.30 MMT in FY14 to 1.33 MMT in FY15.

Table 2.2 Sectoral GDP shares

(at FY06 constant prices: percent)				
	FY12	FY13	FY14	FY15 ^P
I. Agriculture	17.4	16.8	16.5	16.0
a) Agriculture and forestry	13.7	13.1	12.8	12.3
i) Crop and horticulture	10.0	9.5	9.3	8.8
ii) Animal farming	1.9	1.8	1.8	1.7
iii) Forest and related services	1.8	1.8	1.7	1.7
b) Fishing	3.7	3.7	3.7	3.7
2. Industry	28.1	29.0	29.6	30.4
a) Mining and quarrying	1.6	1.7	1.6	1.7
b) Manufacturing	18.3	19.0	19.5	20.2
i) Large and medium scale	14.9	15.5	16.0	16.5
ii) Small scale	3.4	3.5	3.5	3.7
c) Power, gas and water supply	1.4	1.5	1.4	1.4
d) Construction	6.8	6.9	7.0	7.2
3. Services	54.5	54.2	54.0	53.6
a) Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	14.0	14.0	14.1	14.1
b) Hotel and restaurants	0.7	0.8	0.8	0.8
c) Transport, storage and communication	11.5	11.5	11.5	11.4
d) Financial intermediations	3.2	3.3	3.3	3.4
i) Monetary intermediation (banks)	2.6	2.7	2.8	2.9
ii) Insurance	0.4	0.4	0.4	0.4
iii) Other financial intermediation	0.2	0.2	0.2	0.2
e) Real estate, renting and business activities	7.2	7.1	7.0	6.8
f) Public administration and defence	3.4	3.4	3.4	3.4
g) Education	2.2	2.2	2.3	2.3
h) Health and social work	1.9	1.9	1.9	1.8
i) Community, social and personal services	10.4	10.1	9.8	9.5
Total GVA at constant basic price	100.0	100.0	100.0	100.0

P = Provisional.
Source: Bangladesh Bureau of Statistics.

Industry Sector

2.5 The growth of the industry sector increased by 1.4 percentage points in FY15 vis-à-vis FY14. Despite the political problems spanned over the second half of the fiscal year, performance of all sub-sectors within industry sector picked up eventually to register a 9.6 percent growth at the end. Growth of mining and quarrying, and power, gas and water supply sub-sectors increased substantially to 7.5 and 7.0 percent in FY15 from 4.7 and 4.5 percent in FY14 respectively. Despite the initial bumps, the construction sub-sector grew by 8.6 percent in FY15 compared to 8.1 percent in FY14.

Manufacturing growth increased to 10.3 percent from 8.8 percent over the same period as a result of better performance of the large & medium and small scale manufacturing subsectors. The sectors grew by 10.2 and 10.7 percent respectively in FY15 compared to 9.3 and 6.3 percent respectively in FY14. The large and medium scale manufacturing, and small scale manufacturing sub-sectors contributed about 81.7 and 18.3 percent respectively of the total output of the manufacturing sector. Production of other transport equipments grew significantly (122.47 percent) in FY15.

Quantum Index of Industrial Production (QIP) which has been estimated for computing value added of large and medium scale industries showed a growth of 10.7 percent in FY15 (Appendix-3, Table-VIII). Manufacture of computer, electronic and optical products, food products, other non-metallic mineral products, pharmaceuticals and medicinal chemical, electrical equipment and basic metal registered higher growth in FY15 compared to FY14. The woven garments and knitwear, country's two key export items, showed 4.1 percent growth in FY15. However, manufacturing of motor vehicles, trailers and semi trailers, textile, beverages, leather and related products, chemicals and chemical products and tobacco products experienced negative growth in FY15.

Services Sector

2.6 The services sector registered a 5.8 percent growth in FY15 which was slightly higher than the preceding fiscal year. The growth of all sub-sectors of services sector was upward in FY15 except wholesale and retail trade, repair of motor vehicles,

Table 2.3 GDP by expenditure groups

(at current market prices: billion Taka)

Particulars	FY12	FY13	FY14	FY15 ^P
Domestic demand (1+2)	11294.8	12751.0	14308.5	16144.5
Consumption (1)	8312.5	9347.3	10468.6	11760.2
Private	7780.8	8733.9	9751.4	10936.2
Government	531.7	613.4	717.2	824.0
Investment (2)	2982.2	3403.7	3839.9	4384.3
Private	2374.2	2607.5	2960.0	3340.1
Public	608.0	796.2	879.9	1044.2
Resource balance (3-4)	-821.7	-865.7	-878.1	-1297.5
Exports (3)	2127.5	2342.4	2551.6	2603.4
Imports (4)	2949.2	3208.1	3429.7	3900.9
Gross domestic expenditure	10473.0	11885.3	13430.5	14847.0
Gross domestic product	10552.0	11989.2	13436.7	15136
Statistical discrepancy	79.1	104.0	6.3	289.0

P = Provisional.
Source: Bangladesh Bureau of Statistics.

Table 2.4 Domestic savings and investment

(as percent of GDP)

Particulars	FY12	FY13	FY14	FY15 ^P
Public				
Investment	5.8	6.6	6.6	6.9
Domestic savings	1.4	1.5	1.5	1.6
Domestic savings-investment gap	-4.4	-5.1	-5.1	-5.3
Private				
Investment	22.5	21.8	22.0	22.1
Domestic savings	19.9	20.6	20.6	20.7
Domestic savings-investment gap	-2.6	-1.2	-1.4	-1.4
Total				
Investment	28.3	28.4	28.6	29.0
Domestic savings	21.2	22.0	22.1	22.3
Total savings-investment gap	-7.1	-6.4	-6.5	-6.7
National Savings	29.9	30.5	29.2	29.1

P = Provisional.
Source: Bangladesh Bureau of Statistics.

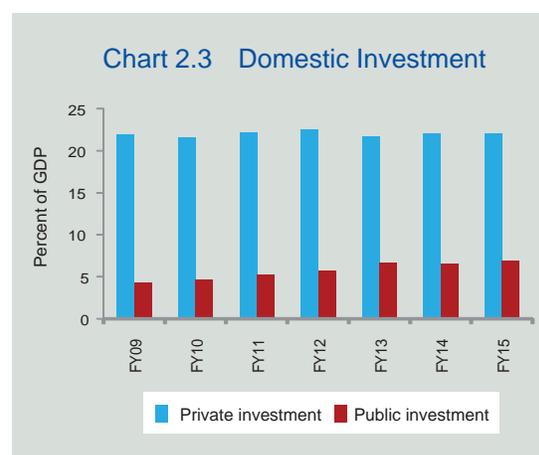
motorcycles and personal and household goods; and transport, storage and communication sub-sectors. Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; and transport, storage and

communication sub-sectors grew by 6.6 and 6.0 percent respectively in FY15 compared to 6.7 and 6.1 percent respectively in FY14. Financial intermediations sub-sector registered a growth of 8.8 percent in FY15 which was 7.3 percent in FY14. Besides, public administration and defence, health and social work, real estate, renting and business activities, education, hotel and restaurants, and community, social and personal services sub-sectors grew by 7.5, 5.7, 4.7, 7.6, 6.9 and 3.4 percent respectively in FY15 compared with 6.9, 5.1, 4.3, 7.3, 6.7 and 3.3 percent respectively in FY14.

Sectoral Composition of GDP

2.7 The contribution of both industry and services sector to the GDP has been increasing gradually indicating an in-road of Bangladesh's economy towards a modern developing economy. The percentage share of the agriculture sector in GDP declined from 16.5 in FY14 to 16.0 in FY15. Similarly, the share of services sector reduced to 53.6 percent from 54.0 percent during the same period. Consequently, the share of the industry sector increased from 29.6 percent in FY14 to 30.5 percent in FY15.

2.8 The compositional change of GDP is well aligned with standard in patterns observed elsewhere. The share of agriculture was decreasing mainly due to decline in relative share of the crops and horticulture sub-sector (comprising of 55.3 percent in the overall agriculture) which fell from 9.3 percent in FY14 to 8.8 percent in FY15 (Table 2.2). The increased relative share of the industry sector in FY15 (by 0.8 percentage point) was driven by the higher share of large and medium



scale manufacturing. The share of mining and quarrying and construction also increased slightly from 1.6 and 7.0 percent in FY14 to 1.7 and 7.2 percent in FY15 respectively. The share of power, gas and water supply sub-sector remained unchanged. Most of the sub-sectors of the services sector (Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods; hotel and restaurants; public administration and defence; and education) remained unchanged. However, the financial intermediation services improved slightly. The share of the transport, storage and communication; real estate, renting and business activities; health & social work; and community, social and personal services sub-sectors slightly declined in FY15 (Table 2.2).

GDP by Expenditure

2.9 In FY15, expenditure based GDP was Taka 15136.0 billion, showing a nominal increase of 12.7 percent over FY14 (Table 2.3). Gross Domestic Expenditure (GDE), a measure of the sum of consumption and investment expenditure of the private and public sector and the resource balance of the economy, stood at Taka 16144.5 billion at current market prices in FY15, showing an increase of 12.8 percent over FY14.

2.10 Total consumption expenditure accounted for 79.2 percent while investment expenditure accounted for 29.5 percent and resource balance (i.e. trade deficit) accounted for 8.7 percent of GDE in FY15. The investment expenditure increased by 14.2 percent in nominal terms whereas consumption expenditure increased by 12.3 percent in FY15.

Savings and Investment

2.11 Domestic and national savings increased moderately. Gross Domestic Savings (GDS) at current market prices grew by 13.7 percent in FY15 from 12.3 percent in

FY14. The GDS as percentage of GDP also increased to 22.3 in FY15 from 22.1 in FY14 (Table 2.4, Chart 2.2).

The ratio of private savings to GDP increased to 20.7 percent in FY15 from 20.6 percent in FY14. The ratio of public savings to GDP increased to 1.6 percent in FY15 from 1.5 percent in FY14. The ratio of Gross National Savings (GNS) to GDP declined slightly to 29.1 percent in FY15 from 29.2 percent in FY14. Net Factor Income (NFI) grew by 6.8 percent over the previous year. However, the net current transfer (NCT) declined by 8.0 percent in FY15 compared to FY14.

2.12 Investment as a percentage of GDP increased to 29.0 in FY15 from 28.6 in FY14 (Table 2.4, Chart 2.3). The ratio of private investment to GDP increased from 22.0 in FY14 to 22.1 in FY15; the ratio of public investment to GDP increased to 6.9 in FY15 from 6.6 in FY14.

2.13 The domestic savings-investment gap as a percentage of GDP increased from 6.5 in FY14 to 6.7 in FY15 (Table 2.4). The domestic savings-investment gap was met with the help of the net factor income from abroad.