

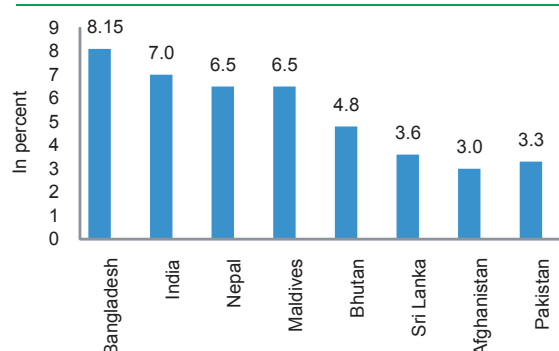
## The Real Economy

2.1 Bangladesh achieved a record high GDP growth of 8.15 percent in FY19, which is the highest in the South Asian Region (Chart 2.1). The robust growth was led by both domestic and external demand reflected in 10.5 percent growth in export and 9.6 percent growth in remittance. Besides, political stability, improved power supply and favourable weather for crops production and higher growth in industrial sector also supported the growth.

2.2 According to the Bangladesh Bureau of Statistics (BBS), real GDP recorded a growth of 8.15 percent in FY19, which was higher than 7.86 percent growth recorded in FY18 (Chart 2.2). This robust growth was mainly propelled by the industry and service sectors' growth. As the key sectors, industry, services and agriculture grew by 12.7, 6.8, and 3.9 percent respectively.

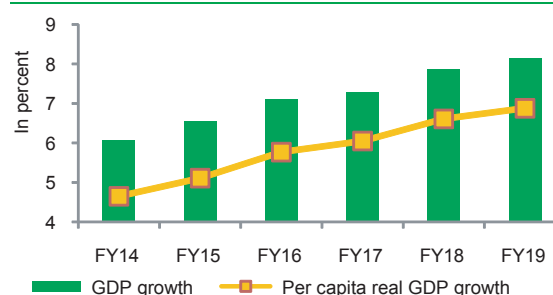
2.3 The data of Bangladesh Bureau of Statistics (BBS) showed that GDP at current market price was BDT 25424.8 billion for FY19 which is 13.0 percent higher compared to the preceding year. In FY19, per capita real GDP and GNI were estimated at BDT 66795.1 and BDT 69779.9 respectively. During the same period, per capita nominal GDP and GNI were estimated at BDT 153578.0 (USD 1828) and BDT 160440.0 (USD 1909) respectively.

**Chart 2.1 Growth in South Asian Countries in FY19**



Source: South Asia Regional Update, August 2019, IMF.

**Chart 2.2 Trends in Bangladesh Real GDP Growth**



Source: Bangladesh Bureau of Statistics.

### Sectoral Growth Rate of GDP

2.4 Growth decomposition shows that the industry sector registered the highest growth followed by services and agriculture sector.

#### Agriculture Sector

2.5 The growth in agriculture sector decreased from 4.2 percent in FY18 by 0.3 percentage point and stood at 3.9 percent in FY19. This was mainly due to fall in growth of crops and horticulture sub sector. Moreover,

the share of this sector declined to 13.6 percent of GDP in FY19 from 14.2 percent of GDP in FY18.

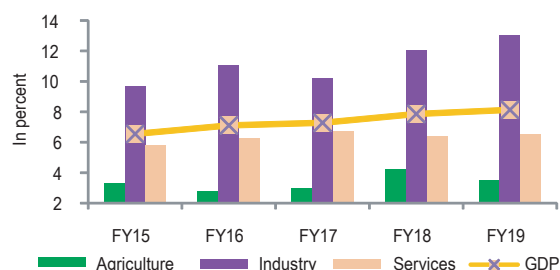
2.6 Within agriculture sector, crops and horticulture sub-sector registered a growth of 2.0 percent in FY19 against 3.1 percent growth in FY18. Animal farming sub-sector grew by 3.5 percent in FY19 registering a 0.1 percentage point increase of growth rate from FY18. Forest and related services sub-sector registered a growth of 8.3 percent in FY19, which was 5.5 percent in FY18. Fishing sub-sector grew by 6.2 percent in FY19 registering a 0.2 percentage point decrease of growth from FY18.

### Industry Sector

2.7 The industry sector, constituting more than one-third of gross value-added (GVA) in the economy, grew by around 12.7 percent in FY19, up from 12.1 percent in FY18, led mainly by manufacturing, and electricity, gas and water supply and construction. The growth of all sub-sectors of industry has increased in FY19 compared to FY18 except mining and quarrying sub-sector. Mining and quarrying sub-sector achieved 5.9 percent growth in FY19.

2.8 Growth of manufacturing sub-sector increased to 14.2 percent from 13.4 percent over the same period. Growth of large and medium scale industry increased to 14.8 percent in FY19 from 14.3 percent in FY18, growth of small scale industry increased to 11.0 percent in FY19 from 9.3 percent in

**Chart 2.3 Trends in Sectoral Growth**



Source: Bangladesh Bureau of Statistics.

**Table 2.1 Sectoral Growth Rate of GDP**

(Base year: FY06)

	FY16	FY17	FY18	FY19
<b>1. Agriculture</b>	<b>2.8</b>	<b>3.0</b>	<b>4.2</b>	<b>3.9</b>
a) Agriculture and forestry	1.8	2.0	3.5	3.2
i) Crops and horticulture	0.9	1.0	3.1	2.0
ii) Animal farming	3.2	3.3	3.4	3.5
iii) Forest and related services	5.1	5.6	5.5	8.3
b) Fishing	6.1	6.2	6.4	6.2
<b>2. Industry</b>	<b>11.1</b>	<b>10.2</b>	<b>12.1</b>	<b>12.7</b>
a) Mining and quarrying	12.8	8.9	7.0	5.9
b) Manufacturing	11.7	11.0	13.4	14.2
i) Large and medium scale	12.3	11.2	14.3	14.8
ii) Small scale	9.1	9.8	9.3	11.0
c) Electricity, gas and water supply	13.3	8.5	9.2	9.6
d) Construction	8.6	8.8	9.9	10.2
<b>3. Services</b>	<b>6.3</b>	<b>6.7</b>	<b>6.4</b>	<b>6.8</b>
a) Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	6.5	7.4	7.5	8.1
b) Hotel and restaurants	7	7.1	7.3	7.6
c) Transport, storage and communication	6.1	6.8	6.6	7.2
d) Financial intermediations	7.7	9.1	7.9	7.4
i) Monetary intermediation (banks)	8.9	10.0	8.5	7.4
ii) Insurance	0.5	2.1	1.6	5.0
iii) Other financial intermediation	4.5	9.1	9.1	11.6
e) Real estate, renting and business activities	4.5	4.8	5.0	5.2
f) Public administration and defence	11.4	9.2	8.5	6.4
g) Education	11.7	11.4	7.0	7.7
h) Health and social work	7.5	7.6	7.0	11.8
i) Community, social and personal services	3.3	3.6	3.7	3.7
<b>Total GVA at constant basic price</b>	<b>7.2</b>	<b>7.2</b>	<b>7.9</b>	<b>8.4</b>
<b>GDP (at constant market price)</b>	<b>7.1</b>	<b>7.3</b>	<b>7.9</b>	<b>8.15</b>

Source: Bangladesh Bureau of Statistics.

FY18 and growth of electricity, gas and water supply increased to 9.6 percent in FY19 from 9.2 percent FY18. Growth of construction increased to 10.2 percent in FY19 from 9.9 percent in FY18.

## Services Sector

2.9 Despite some moderation, the service sector, comprising more than half of GVA, registered a modest growth of 6.8 percent in FY19. Within the sector, larger growth impulse primarily came from education and health and social work. The sub-sectors viz. education and health and social work grew by 7.7 and 11.8 percent in FY19 compared to 7.0 and 7.0 percent in FY18 respectively. Among other sub-sectors, wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; hotels and restaurants; transport, storage and communication; and real estate, renting and business activities registered higher growth compared to previous year while growth of community, social and personal services sub-sector remained unchanged. On the other hand, growth of financial intermediations; and public administration and defence sub-sectors declined to 7.4 and 6.4 percent in FY19 from 7.9 and 8.5 percent respectively in FY18 (Table 2.1).

2.10 Quantum Index of Industrial Production (QIIP) showed a growth of 10.1 percent in FY19 which was lower than the growth of 14.2 percent in the preceding year (Appendix-3, Table-VIII). Production of manufacture of electrical equipment, manufacture of computer, electronic and optical products, manufacture of beverages and manufacture of pharmaceuticals and

**Table 2.2 Sectoral Share of GDP**

(Base year: FY06)

	FY16	FY17	FY18	FY19
<b>I. Agriculture</b>	<b>15.4</b>	<b>14.7</b>	<b>14.2</b>	<b>13.6</b>
a) Agriculture and forestry	11.7	11.1	10.7	10.2
i) Crop and horticulture	8.4	7.9	7.5	7.1
ii) Animal farming	1.7	1.6	1.5	1.5
iii) Forest and related services	1.7	1.7	1.6	1.6
b) Fishing	3.7	3.6	3.6	3.5
<b>2. Industry</b>	<b>31.5</b>	<b>32.4</b>	<b>33.7</b>	<b>35.0</b>
a) Mining and quarrying	1.8	1.8	1.8	1.7
b) Manufacturing	21	21.7	22.9	24.1
i) Large and medium scale	17.4	18.0	19.1	20.2
ii) Small scale	3.6	3.7	3.8	3.9
c) Electricity, gas and water supply	1.5	1.5	1.5	1.6
d) Construction	7.3	7.4	7.5	7.6
<b>3. Services</b>	<b>53.1</b>	<b>52.9</b>	<b>52.1</b>	<b>51.4</b>
a) Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods	14	14.0	14.0	13.9
b) Hotel and restaurants	0.8	0.8	0.8	0.7
c) Transport, storage and communication	11.3	11.3	11.1	11.0
d) Financial intermediations	3.4	3.5	3.5	3.4
i) Monetary intermediation (banks)	2.9	3.0	3.0	3.0
ii) Insurance	0.3	0.3	0.3	0.3
iii) Other financial intermediation	0.2	0.2	0.2	0.2
e) Real estate, renting and business activities	6.6	6.5	6.3	6.1
f) Public administration and defence	3.6	3.7	3.7	3.7
g) Education	2.4	2.5	2.5	2.4
h) Health and social work	1.8	1.9	1.8	1.9
i) Community, social and personal services	9.2	8.9	8.5	8.2
<b>Total GVA at constant basic price</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Bangladesh Bureau of Statistics.

medicinal chemical grew significantly (86.1, 52.4, 43.9 and 38.6 percent respectively) in FY19. Production of manufacture of food products, manufacture of chemicals and chemical products, and printing and reproduction of recorded media registered higher growth in FY19 compared to FY18. However, manufacture of motor vehicles, trailers and semi trailers, manufacture of wearing apparels, manufacture of furniture, and manufacture of coke and refined petroleum products registered negative growth in FY19.

### Sectoral Share of GDP

2.11 With the gradual upward trends of GDP, the sectoral decomposition of GDP has also changed over the period. Sectoral decomposition of the share of GDP shows that the service sector achieved the largest share followed by industry sector and then agriculture sector.

2.12 The services sectors' share in GDP stood at 51.4 percent in FY19 as compared to 52.1 percent of the preceding year. However, the shares of wholesale and retail trade; hotel and restaurants; real estate, renting and business activities; education, transport, storage and communication; financial intermediations; and community, social and personal services sub-sectors went down while those of public administration and defence remained unchanged in FY19. At the same time share of health and social work increased to 1.9 percent from 1.8 percent in FY18 (Table 2.2).

2.13 The contribution of the industry sector in GDP increased from 33.7 percent in FY18 to 35.0 percent in FY19. This increase was mainly supported by the manufacturing sub-sector whose share in GDP increased from 22.9 percent in FY18 to 24.1 percent in FY19 (Table 2.2).

2.14 Contribution of agriculture sector has been declining and shifting towards service and industry sector during the last

**Table 2.3 GDP by Expenditure Groups**

(current market price)		(billion BDT)			
Particulars	FY16	FY17	FY18	FY19	
Domestic demand(1+2)	18138.7	20781.9	24395.2	27089.4	
Consumption(1)	13000.3	14753.6	17365.9	19062.7	
Private	11979.2	13568.9	15935.3	17468.2	
Government	1021.1	1184.7	1430.5	1594.4	
Investment(2)	5138.4	6028.3	7029.4	8026.7	
Private	3983.5	4563.6	5235.2	5985.8	
Public	1154.9	1464.7	1794.2	2040.9	
Resource balance (3-4)	-806.6	-1033.7	-1945.1	-1554.2	
Exports(3)	2885.2	2970.9	3330.9	3895.9	
Imports(4)	3691.8	4004.6	5276.0	5450.1	
Gross domestic expenditure	17332.1	19748.2	22450.1	25535.2	
Gross domestic product	17328.6	19758.2	22504.8	25424.8	
Statistical discrepancy	-3.5	10.0	54.7	-110.4	

Source: Bangladesh Bureau of Statistics.

**Table 2.4 Savings and Investment as Percent of GDP**

Particulars	FY16	FY17	FY18	FY19
Investment	29.7	30.5	31.2	31.6
Private	23.0	23.1	23.3	23.5
Public	6.7	7.4	8.0	8.0
Domestic Savings	25.0	25.3	22.8	25.0
National Savings	30.8	29.6	27.4	29.5

Source: Bangladesh Bureau of Statistics.

several years. The share of agriculture slightly went down to 13.6 percent in FY19 from 14.2 percent in FY18. This was mainly due to agriculture and forestry as the leading sub-sector declined to 10.2 percent in FY19 from 10.7 percent in FY18 and crop and horticulture declined to 7.1 percent in FY19 from 7.5 percent in FY18 (Table 2.2).

### GDP based on Expenditure

2.15 Expenditure-based GDP at current market price in FY19 soared by 13.0 percent to BDT 25424.8 billion as compared to BDT 22504.8 billion in FY18 (Table 2.3).

2.16 Gross Domestic Expenditure (GDE) reflected the aggregate demand originated by domestic economic activities, measured as the sum of consumption, investment and net export. Domestic demand was estimated at BDT 27089.4 billion at current market prices in FY19 which was 11.0 percent higher than that of FY18. Net export was estimated at BDT (-) 1554.2 billion in FY19.

2.17 Total consumption expenditure and trade deficit accounted for 74.7 percent and 6.1 percent of GDE respectively in FY19. In nominal terms, investment increased by 14.2 percent while consumption increased by 9.8 percent during the same period.

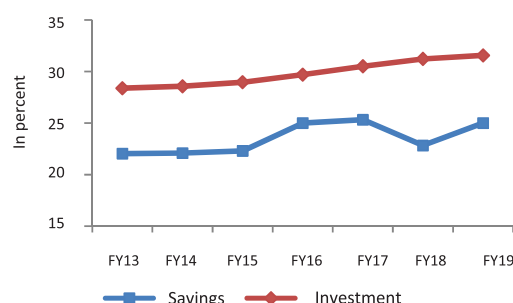
### Savings and Investment

2.18 Gross Domestic Savings (GDSs) at current market price, stood at 25.0 percent of GDP in FY19, higher than 22.8 percent of GDP in the preceding year. Gross National Savings (GNSs) increased to 29.5 percent of GDP in FY19 from 27.4 percent in FY18.

2.19 Investment as a percent of GDP stood at 31.6 percent in FY19 from 31.2 percent in FY18. Public investment to GDP ratio remained unchanged in FY19 at 8.0 percent. The ratio of private investment to GDP slightly increased to 23.5 in FY19 from 23.3 in FY18 (Table 2.4).

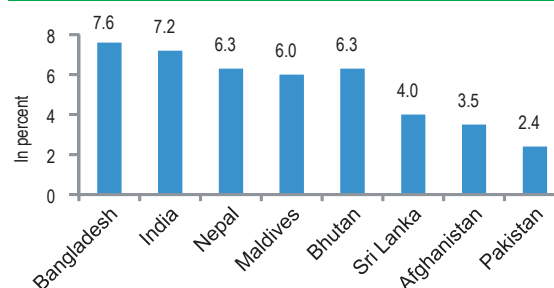
2.20 Gross Domestic Savings (GDS) and Gross National Savings (GNS) at current market prices increased by 23.8 and 21.6 percent respectively in FY19. Domestic

**Chart 2.4 Trends in Savings and Investment**



Source: Bangladesh Bureau of Statistics.

**Chart 2.5 Projection of Growth in South Asian Countries**



Source: South Asia Regional Update, August 2019, IMF.

savings-investment gap as percent of GDP reduced from 8.4 in FY18 to 6.6 in FY19 (Chart 2.4).

### Growth Outlook

2.21 Bangladesh economy has shown its resilience to achieve GDP growth on an average by 7.0 percent over the last five years. Bangladesh Bank projects that the existing growth momentum in the country will continue through 2024. Besides, the International Monetary Fund (IMF) has projected Bangladesh's economic growth to be at 7.6 percent in FY20, which is the highest in the South Asian Region (Chart-2.5). The projected growth rate is 0.6

percentage points lower than the government's projection of 8.2 percent. According to the IMF, despite the positive near-term outlook, maintaining the past growth performance may become more challenging for Bangladesh.

2.22 However, Bangladesh has to maintain sustainable inclusive growth in

order to obtain the upper middle income country status by 2030. To achieve the desired growth, the country needs to increase FDI, mobilize adequate financing in private sector, development in financial market, infrastructural development, export diversification, increase revenue collection and reduce cost of doing business.