

The Real Economy

2.1 Bangladesh has experienced high and steady growth for more than a decade, with an average growth of over 6.0 percent. Growth exceeded 7 percent in FY16, a decade high, and higher than the average in peer Asian economies, making Bangladesh the 3rd best growth performer in Asia.

2.2 Growth accelerated to 7.1 percent in FY16, up from 6.6 percent in FY15, with support from both domestic and external demand (Table 2.1). On the supply side, industry and services sectors contributed to the growth.

2.3 According to the Bangladesh Bureau of Statistics (BBS), GDP at current market price was Taka 17328.6 billion for FY16 which was 14.3 percent higher than that of the preceding fiscal year. In FY16, per capita real GDP and GNI were estimated at Taka 55259 and Taka 58442, respectively. Per capita nominal GDP and per capita real GDP grew faster in FY16 than in the previous fiscal year (Chart 2.1).

2.4 Sectorally, industry, services, and agriculture sectors grew by 11.1, 6.3, and 2.8 percent, respectively (Chart 2.2). Growth decomposition shows that the largest share (3.4 percentage points) came from the industry sector, followed by services (3.3 percentage points) and then agriculture (0.4 percentage points).

Agriculture Sector

2.5 Agriculture growth deceleration stems from lower growth (0.9 percent) in crops and

Table 2.1 Sectoral GDP growth

	(at FY06 constant prices: percent)			
	FY13	FY14	FY15 ^R	FY16
1. Agriculture	2.5	4.4	3.3	2.8
a) Agriculture and forestry	1.5	3.8	2.5	1.8
i) Crops and horticulture	0.6	3.8	1.8	0.9
ii) Animal farming	2.7	2.8	3.1	3.2
iii) Forest and related services	5.0	5.0	5.1	5.1
b) Fishing	6.2	6.4	6.4	6.1
2. Industry	9.6	8.2	9.7	11.1
a) Mining and quarrying	9.4	4.7	9.6	12.8
b) Manufacturing	10.3	8.8	10.3	11.7
i) Large and medium scale	10.7	9.3	10.7	12.3
ii) Small scale	8.8	6.3	8.5	9.1
c) Electricity, gas and water supply	9.0	4.5	6.2	13.3
d) Construction	8.0	8.1	8.6	8.6
3. Services	5.5	5.6	5.8	6.3
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	6.2	6.7	6.4	6.5
b) Hotel and restaurants	6.5	6.7	6.8	7.0
c) Transport, storage and communication	6.3	6.1	6.0	6.1
d) Financial intermediations	9.1	7.3	7.8	7.7
i) Monetary intermediation (banks)	10.9	8.3	8.5	8.9
ii) Insurance	0.6	1.6	4.0	0.5
iii) Other financial intermediation	3.1	3.6	4.7	4.5
e) Real estate, renting and business activities	4.0	4.3	4.4	4.5
f) Public administration and defence	6.5	6.9	9.8	11.4
g) Education	6.3	7.3	8.0	11.7
h) Health and social work	4.8	5.1	5.2	7.5
i) Community, social and personal services	3.3	3.3	3.3	3.3
Total GVA at constant basic price	6.1	6.2	6.5	7.2
GDP (at constant market price)	6.0	6.1	6.6	7.1

^R Revised.

Source: Bangladesh Bureau of Statistics.

horticulture. Resultantly, the share of agriculture relative to GDP declined from 16.0 percent in FY15 to 15.4 percent in FY16.

2.6 Forest and related services sub-sector's growth remain unchanged at 5.1 percent. Animal farming sub-sector growth edged up to 3.2 percent in FY16. Fishing sub-sectors grew by 6.1 percent in FY16.

2.7 Total food production (rice-*Aus*, *Aman*, *Boro* and wheat) declined by 0.5 percent to 35.88 MMT in FY16. The production of *Aus*, a relatively minor crop, declined to 2.17 MMT in FY16 from 2.33 MMT in FY15. *Aman* production, the second largest crop, increased slightly to 13.48 MMT in FY16. *Boro*, the largest crop of the year, was estimated to be produced at 18.88 MMT in FY16.

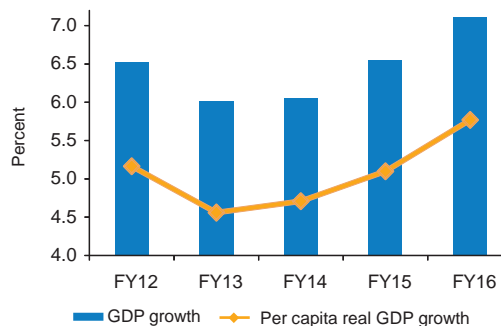
Industry Sector

2.8 Industry sector grew robustly by 11.1 percent in FY16, buoyed by power, gas and water supply, and mining and quarrying sub-sectors. Mining and quarrying accelerated its growth to 12.8 percent in FY16. Electricity, gas, and water supply sub-sector grew by 13.3 percent.

2.9 Manufacturing sub-sector grew by 11.7 percent. Its higher growth reflects a strong performance by large and medium scale enterprises (12.3 percent). Similarly, small scale manufacturing registered a higher growth of 9.1 percent in FY16 compared to 8.5 percent in FY15.

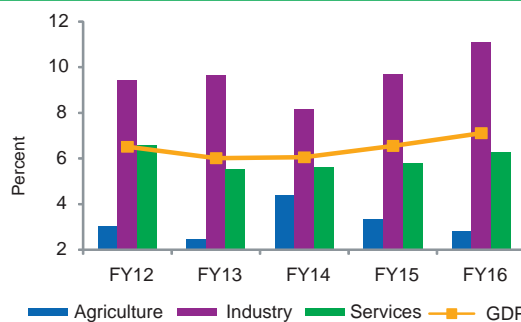
2.10 The large and medium scale manufacturing, and small scale manufacturing sub-sector contributed about 82.7 and 17.3 percent respectively of the total output of the manufacturing sector. Quantum Index of Industrial Production (QIIP) showed a growth of 13.5 percent in FY16 which was higher than the preceding fiscal year (Appendix-3, Table-VIII). Production of motor vehicles, trailers and semi trailers, and other transport equipments grew significantly (85.44 and 74.18 percent) in FY16. Computer, electronic and optical products, other non-metallic mineral products, machinery and equipment n.e.c, electrical equipment, chemicals and chemical products, beverages, food products,

Chart 2.1 Bangladesh real GDP growth



Source: Bangladesh Bureau of Statistics.

Chart 2.2 Annual growth rate



Source: Bangladesh Bureau of Statistics.

and rubber and plastic products registered higher growth in FY16 compared to FY15. Moreover, other major industry group's production also increased except leather and related products, tobacco products and coke, and refined petroleum products. The woven garments and knitwear, country's two key export items, showed a strong growth of 10.2 percent in FY16 compared with 4.1 percent growth in FY15.

Services Sector

2.11 The services sector improved its performance in FY16 and grew by 6.3 percent. Its growth was broad-based and covered public administration and defence, education, health and social work, and transport, storage and communication sub-sectors. The new public pay scale provided a

significant boost to public administration and defence sub-sector. Education sub-sector also posted a higher growth of 11.7 percent in FY16. Transport, storage and communication sub-sector grew by 6.1 percent in FY16. Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; hotel and restaurants; and real estate, rental, and business activities sub-sectors grew slightly higher at 6.5, 7.0 and 4.5 percent respectively in FY16 compared to 6.4, 6.8 and 4.4 percent respectively in FY15. Health and social work sub-sector also recorded a higher growth of 7.5 percent in FY16 compared to 5.2 percent in FY15 (Table 2.1).

Sectoral Composition of GDP

2.12 With continued economic transformation, sectoral composition of output is shifting towards industry and away from agriculture, a pattern commonly observed in other countries. The contribution of the industry sector in GDP increased to 31.5 percent in FY16 (Table 2.2). This was mainly driven by the manufacturing sub-sector whose share in GDP increased by 0.8 percentage point to 21.0 percentage points.

2.13 On the other hand, services sector's share in GDP declined slightly to 53.1 percent in FY16 as compared to the preceding fiscal year. However, the shares of public administration and defence, and education sub-sectors increased while those of real estate, renting and business activities and community, social and personal services sub-sectors declined. (Table 2.2).

2.14 Within agriculture, the share of crops and horticulture, the leading sub-sector comprising of 54.4 percent of agriculture, declined to 8.4 percent in FY16 from 8.9 percent in FY15 (Table 2.2).

Table 2.2 Sectoral GDP shares

(at FY06 constant prices: percent)				
	FY13	FY14	FY15 ^R	FY16
1. Agriculture	16.8	16.5	16.0	15.4
a) Agriculture and forestry	13.1	12.8	12.3	11.7
i) Crop and horticulture	9.5	9.3	8.9	8.4
ii) Animal farming	1.8	1.8	1.7	1.7
iii) Forest and related services	1.8	1.7	1.7	1.7
b) Fishing	3.7	3.7	3.7	3.7
2. Industry	29.0	29.6	30.4	31.5
a) Mining and quarrying	1.7	1.6	1.7	1.8
b) Manufacturing	19.0	19.5	20.2	21.0
i) Large and medium scale	15.5	16.0	16.6	17.4
ii) Small scale	3.5	3.5	3.6	3.6
c) Electricity, gas and water supply	1.5	1.4	1.4	1.5
d) Construction	6.9	7.0	7.2	7.3
3. Services	54.2	54.0	53.6	53.1
a) Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	14.0	14.1	14.1	14.0
b) Hotel and restaurants	0.8	0.8	0.8	0.8
c) Transport, storage and communication	11.5	11.5	11.4	11.3
d) Financial intermediations	3.3	3.3	3.4	3.4
i) Monetary intermediation (banks)	2.7	2.8	2.8	2.9
ii) Insurance	0.4	0.4	0.4	0.3
iii) Other financial intermediation	0.2	0.2	0.2	0.2
e) Real estate, renting and business activities	7.1	7.0	6.8	6.6
f) Public administration and defence	3.4	3.4	3.5	3.6
g) Education	2.2	2.3	2.3	2.4
h) Health and social work	1.9	1.9	1.8	1.8
i) Community, social and personal services	10.1	9.8	9.5	9.2
Total GVA at constant basic price	100.0	100.0	100.0	100.0

^R Revised.

Source: Bangladesh Bureau of Statistics.

Table 2.3 GDP by expenditure groups

(at current market prices: billion Taka)				
Particulars	FY13	FY14	FY15 ^R	FY16
Domestic demand(1+2)	12751.0	14308.5	16177.9	18138.7
Consumption(1)	9347.3	10468.6	11799.2	13000.3
Private	8733.9	9751.4	10980.0	11979.3
Government	613.4	717.2	819.2	1021.1
Investment(2)	3403.7	3839.9	4378.6	5138.4
Private	2607.5	2960.0	3344.7	3983.5
Public	796.2	879.9	1033.9	1154.9
Resource balance(3-4)	-865.7	-878.1	-1123.6	-806.6
Exports(3)	2342.4	2551.6	2627.9	2885.2
Imports(4)	3208.1	3429.7	3751.5	3691.8
Gross domestic expenditure	11885.3	13430.5	15054.3	17332.1
Gross domestic product	11989.2	13436.7	15158.0	17328.6
Statistical discrepancy	104.0	6.3	103.8	-34.6

^R Revised.

Source: Bangladesh Bureau of Statistics.

GDP by Expenditure

2.15 Expenditure-based GDP in FY16 increased by 14.3 percent to Taka 17328.6 billion as compared to FY15 (Table 2.3).

2.16 Gross domestic expenditure (GDE) reflects the aggregate demand generated by domestic economic activity, measured as the sum of consumption and investment and net export. Domestic demand was estimated at Taka 18138.7 billion at current market prices in FY16, 12.1 percent higher than FY15. Net export was estimated at Taka -806.6 billion in FY16.

2.17 Total consumption expenditure and trade deficit accounted for 75.0 percent and 4.7 percent of GDE respectively in FY16. In nominal terms, investment increased by 17.4 percent outpacing the growth in consumption (10.2 percent).

Savings and Investment

2.18 Gross domestic savings (GDS) in FY16 at current market price stood at 25.0 percent of GDP, higher than 22.2 percent of GDP in the previous fiscal year (Table 2.4, Chart 2.3). Gross national savings (GNS) increased to 30.8 percent of GDP in FY16 from 29.0 percent in FY15.

2.19 Gross domestic savings (GDS) and national savings at current market prices increased significantly by 28.9 and 21.2 percent respectively in FY16, sharply higher than in FY15.

2.20 Investment as a share of GDP edged up to 29.7 percent in FY16 from 28.9 percent in FY15 (Table 2.4, Chart 2.3). Although public investment declined marginally, it was more than offset by the pick-up in private investment, which rose from 22.1 percent in

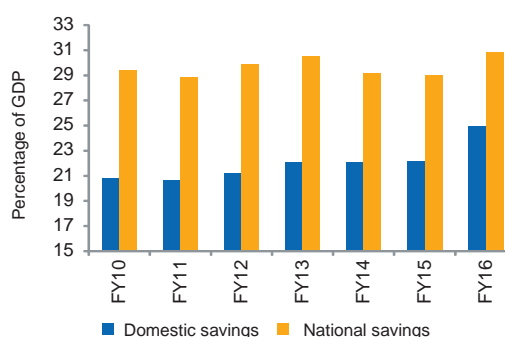
Table 2.4 Domestic savings and investment

(as percentage of GDP)				
Particulars	FY13	FY14	FY15 ^R	FY16
Investment	28.4	28.6	28.9	29.7
Private	21.8	22.0	22.1	23.0
Public	6.6	6.6	6.8	6.7
Domestic Saving	22.0	22.1	22.2	25.0
National Savings	30.5	29.2	29.0	30.8

^R Revised.

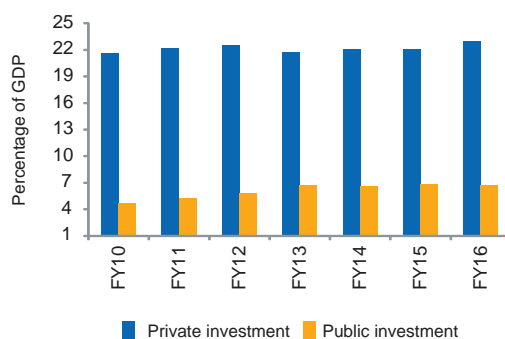
Source: Bangladesh Bureau of Statistics.

Chart 2.3 Domestic and national savings



Source: Bangladesh Bureau of Statistics.

Chart 2.4 Domestic investment



Source: Bangladesh Bureau of Statistics.

FY15 to 23.0 percent in FY16. As a result, domestic savings-investment gap as a percentage of GDP declined from 6.7 in FY15 to 4.7 in FY16. This gap was met with the help of the net factor income and net current transfer.