

# Vibrant Bangladesh

## A Stable and Potential Economy

AN ILLUSTRATIVE TIME SERIES APPROACH 2015



**Bangladesh Bank**  
(Central Bank of Bangladesh)

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# Subject Matter

OUTLOOK AND PROSPECTS

DOMESTIC SECTOR: RESILIENT AND FIRM

GOVERNMENT SECTOR: EXPANSION AND RESPONSIBILITY OF STATE FUNDING

EXTERNAL SECTOR: LIBERALIZATION AND GROWTH

PRICE, MONEY, AND FINANCE: STABILITY AND IMPROVEMENTS

SOCIAL INDICATORS: A MODEL OF DEVELOPMENT



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## More Light and More Life



- ❖ I am very delighted to learn about the publication of the time series booklet, *Vibrant Bangladesh: A Stable and Potential Economy*. I thank the relevant departments and Chief Economist's Unit in particular for carrying out this task. In addition, this booklet can be used to convey a dispassionate picture of the economy to the global stakeholders of the country and also to the eager readers who take enormous interests in Bangladesh. It is simply the Bangladesh economy at a glance.
- ❖ The specialty of this publication lies in the time series approach which helps the reader to understand the potentials of our economy from a long-term perspective while judgments based on simply short run deviations may often be misleading or confusing. Hence, this is a valuable collection whose usefulness is long lasting. Each page of this document contains a graphical presentation that tells us more stories than the words could deliver.
- ❖ The first edition of this book was published in April 2015 in English version. It was very appreciated by policymakers, investors and respective foreign communities. For that enormous demand this book is now published in Bengali and as well as in English. Our efforts will be fruitful only if the readers are benefited from this publication.
- ❖ I believe this booklet will represent our economy in a more direct and authentic way. I will be really glad if the readers find this publication beneficial and thought provoking. I also welcome any constructive comments or ideas that will further enrich the stability and vibrancy of the Bangladesh economy.
- ❖ We like to highlight a vibrant Bangladesh through strategic branding and augmented research.

A handwritten signature in blue ink, reading 'Atiur Rahman' in Bengali script.

Atiur Rahman, PhD  
Governor, Bangladesh Bank  
November 1, 2015

## As the Time Signals

Despite theoretical controversies in economics, we have little room to argue about economic facts of a country. Keeping that notion in mind, the book has been a compilation of econometric analyses to show comparisons the trend lines based on multiple time series of the Bangladesh macro economy. We often run into impulsive conclusions by watching short run positions of macro variables of not by judging their long term trends. This book will discourage that tendency and will familiarize us with long term intrinsic strength of the economy.

Knowing a potential Bangladesh is impossible without observing its long term temperament on a time series perspective. We tried to show where Bangladesh stands by comparing the country with its neighbors. We must start checking on Bangladesh since its independence to understand its real vigor.

Bangladesh experienced different policy regimes. After independence, the Government shepherded all enterprises into massive nationalization. The scenario changed remarkably after the mid-1970s when the Government began the project of grooming capitalists and to help the super rich take advantage of sporadic denationalization.

The economy succumbed to the impact of such policy derivations until the end of the 1980s. Consequently, economic growth mirrored high volatility. Globalization in the early 1990s marked a change on the world stage. And Bangladesh entered a new era of the market economy along with its neighbors. Liberalization got a new momentum since the mid-1990s and Bangladesh's economy began to display a new strength by following an upper growth path. Poverty began to wane remarkably. This book has illustrated a time series story of policy continuity and growth acceleration over every decade successively.

Time has come to analyze the trajectory of macro variables and figure out which factors contributed the growth momentum the most. Then we know a different Bangladesh - A Vibrant Bangladesh - a branding that fits. It is a stable economy as evidence shows. But the more important message is that Bangladesh is a vibrant economy. And the main task of the policymakers is to keep up that vibrancy across all the sectors of the economy with the spirit of inclusive growth to make development widespread and sustainable. I hope readers will hear that sound of music - signals of notes of the time from this endeavor.



Biru Paksha Paul, PhD  
Chief Economist  
November 1, 2015



# Bangladesh: A Role Model of Sustained Growth

- ❖ Bangladesh has been achieving a respectable average annual growth of 6.16 percent over the last 12 years (2004-2015). This growth performance has been spectacularly stable.
- ❖ The standard deviation of the growth rates was low around 0.40 percent – lowest not only in South Asia but also in many other regions of the globe where emerging economies are performing.
- ❖ That makes Bangladesh special and the global mega lenders are now considering the country as the next hotspot for investment in infrastructure, energy, housing, education, and technology.
- ❖ Bangladesh is an economy of proven resilience and vibrancy. Political disturbances or natural disasters could not pull its growth down, because the people are amazingly adaptive and hardworking.
- ❖ The geographical location of Bangladesh, which is strategically rewarding, gives the country an extra strength in trade, transports, and communications. Bangladesh is a land of opportunities for today and a promising land of development for tomorrow. Its progress is simply irresistible.
- ❖ Historically, Bangladesh proved all the bitter forecasts about it to be wrong. In the eyes of the western world in the 1970s, it was a “bottomless basket” or like a guinea pig type of “test case” for development. All these types of negative forecasts were proved wrong.
- ❖ Many countries from Africa still cannot prove the negative remarks from the western world to be futile. In contrast, Bangladesh can. The country is now an overflowing basket of food. Bangladesh is now a role model of development in various ways.



# History of Policy Regimes

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**Socialist Economic Program (1972-1976):** In 1972, Bangladesh nationalized major industries, banks, insurance, public enterprises.

**Denationalization and Privatization Policy (1976...):** The government began to denationalize public sector enterprises in 1976. Privatization process in Bangladesh started with the announcement of the New Industrial Policy (NIP) in 1982: The policy reforms were characterized mainly by withdrawal of food and agricultural subsidies, privatization of state-owned enterprises, reduction of tariff and non-tariff import restrictions, boosting exports.

**Liberalization and Fiscal Consolidation Policy:** Liberalization started since the mid-1980s though it began with stronger force in the early 1990s with the resumption of parliamentary democracy in 1991. New VAT (Value Added Tax) began in 1991. Financial sector reforms mainly ranged over the period from 1989 to 1995 while Current Account Convertibility was launched in 1994. Interest rate liberalization took place in this time. In 2003, the central bank switched from the fixed exchange rate system to the flexible exchange rate regime. We will see this dynamics from the central bank's time series data.

**Policy Credibility:** Bangladesh did not look back once it started liberalization in the early 1990s. The main reason behind this policy irreversibility is the financial gain Bangladesh achieved during the liberalized regime when growth earned a new momentum to place the country on a new path of acceleration. Bangladesh Bank sometimes interferes in the foreign exchange market to iron out fluctuations of the exchange rate. The monetary policy of Bangladesh Bank is determined to maintain stability of the exchange rate.

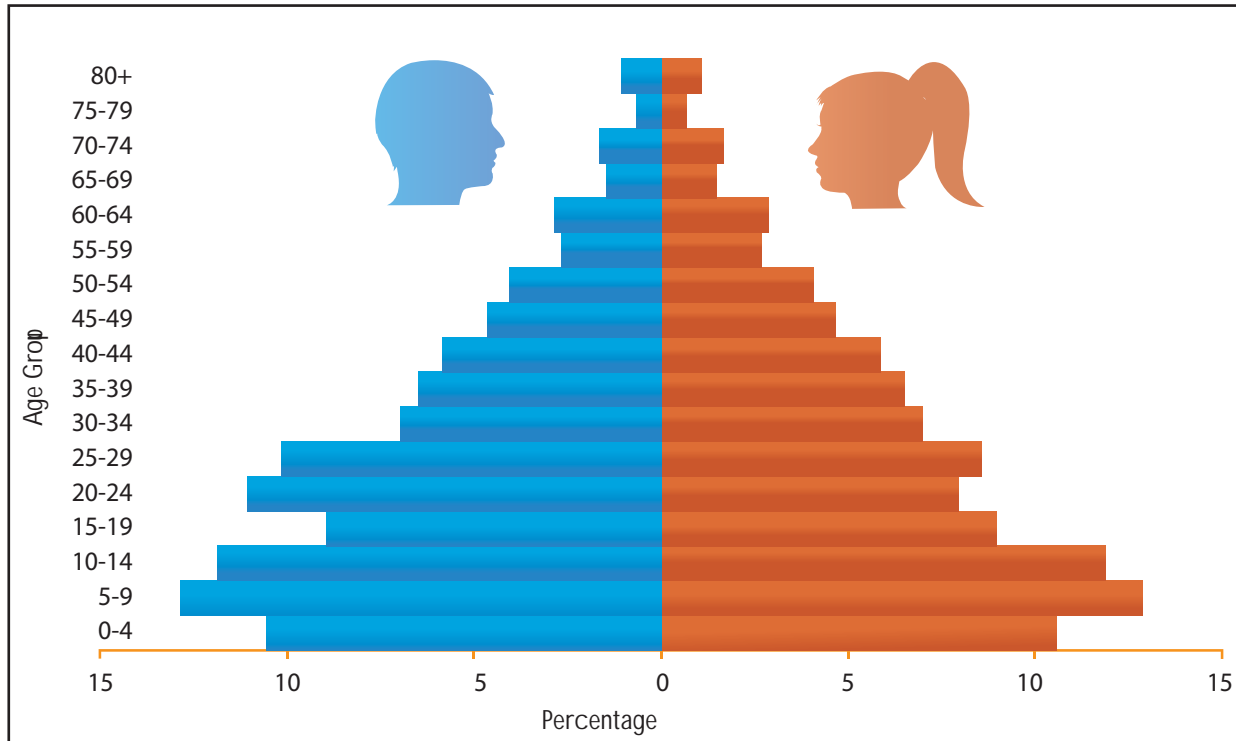


## Geographic Advantage and Connectivity



- ❖ Bangladesh is a geographically blessed country. It has a huge potential to turn into a hub of connectivity for South and South East Asia.
- ❖ Its position is strategically important for the emerging giants like China and India.
- ❖ The countries that find Bangladesh as a future route of connectivity include Malaysia, Thailand, Myanmar, Bhutan, Nepal, India, and Sri Lanka.
- ❖ Singapore achieved rapid development by utilizing its connectivity. They achieved this because of their leadership and the business mindedness of their politics. The amount of national trade in Singapore is 2.5 times greater than their national income. The leadership of Bangladesh realized the importance of connectivity for economic development although a bit later.
- ❖ Construction of more deep-sea port and efficient management of the port may become a new way of increasing income.
- ❖ Meanwhile, the issues relating to the maritime boundary dispute has settled down. This added a new dimension to the connectivity initiative. The prospects of “blue economy” have gained momentum.

## Demographic Advantage: Affluent with Youth and Productivity



Source: Bangladesh Bureau of Statistics, 2011

- ❖ Bangladesh enjoys the demographic dividend: the majority of the population is young and demand generators as shown in the diagram (based on 2011 data).
- ❖ Tech savvy young graduates are coming out of universities in large numbers every year, continually being added into the large pool of manpower further flourishing demographic dividend with growing share of working age people.
- ❖ The population pyramid with a wider bottom fuels greater productivity and increased domestic demand in the economy. Because, the consumption demand of the younger generation is higher than that of the older one.
- ❖ The larger share of the young people in total population strengthens both the demand for and supply of commodities and services and thus increases national income.
- ❖ Bangladesh will enjoy this advantage until 2040 before the youths begin turning grey.
- ❖ Bangladesh plans to become a developed nation by the beginning of the decade 2040. The demographic dividend is a great force to make this target happen.



# PART-I

## OUTLOOK AND PROSPECTS



# Global Outlook on Growth and Looking Forward

GDP at constant prices	Year on year % change			Projections	
	2012	2013	2014	2015	2016
<b>World</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>	<b>3.8</b>
Advanced Economies	1.2	1.4	1.8	2.4	2.4
USA	2.3	2.2	2.4	3.1	3.1
Euro Area	-0.8	-0.5	0.9	1.5	1.6
Other Advanced Economies	1.7	2.1	2.7	2.7	2.8
Emerging Market and Developing Economies	5.2	5.0	4.6	4.3	4.7
China	7.8	7.8	7.4	6.8	6.3
India	5.1	6.9	7.2	7.5	7.5
<b>Bangladesh</b>	<b>6.3</b>	<b>6.1</b>	<b>6.1</b>	<b>6.3</b>	<b>6.8</b>

Source: IMF World Economic Outlook, April 2015

- ❖ Bangladesh is a regional star performer in growth.
- ❖ The country is no less capable of generating growth than its neighboring giants like China and India.
- ❖ Bangladesh remains above the average growth rate generated by the emerging and developing economies.
- ❖ Bangladesh's success in achieving moderately high growth along with respectably high stability is only comparable with China's in the region of Asia and the Pacific.
- ❖ Although there were adverse political conditions in Bangladesh, the World Bank and IMF still show encouraging numbers while forecasting the rate of economic growth.

# Investment Prospects

- ❖ Japan sees Bangladesh as the most prospective country for future mega investments because its growth is respectable and historically sustained.
- ❖ China is increasingly augmenting its stakes in Bangladesh in infrastructure, power, and trade.
- ❖ India sees Bangladesh as the most reliable neighbor to benefit from mutual investment, connectivity, trade, and harmony.
- ❖ The US sees Bangladesh as a country of immense potentials and a future source of high return on investment.
- ❖ Economic zones are mushrooming and they will change the landscape.
- ❖ Bangladesh is one of the very few countries to achieve the millennium development targets faster than expected.
- ❖ For the connectivity of South Asia, huge investment in the infrastructure sector is required. China, Japan and India will extend their investment in building their infrastructure.



## Development of the Media



- ❖ There are at least 50 active media in Bangladesh. They have different opinions based on their political orientation.
- ❖ Despite differences in opinion, all media outlets believe one thing in common that Bangladesh's growth is irresistible and stable.
- ❖ A brighter future is ahead and hence the consumer confidence is always buoyant.
- ❖ The Nobel laureate economist Amartya Sen asserts, there will be no epidemic in a country if the media of the country is independent. The presence of a number of media and forums are working as the safeguard of the society.
- ❖ Earlier the only electronic media of the country, namely Bangladesh Television, was under the control the government. With the initiation of liberalization, the media enjoys the benefits of liberalization.
- ❖ As a result, a number of electronic media has emerged. Entertainments and information have expanded. Employment and business prospects have increased in this sector. Cultural thoughts have been flourishing with modernization.





## Business Oriented People and Old-Style Politics



**The new generation temperament is business minded. People often defy political calls of hartals or blockades which people feel unwarranted.**

### **Hartal becomes work-vibrant**

**People irked, defiant; non-stop program loses its sting.**

The ongoing hartals and over two-month-long indefinite blockade seem to have fizzled out. Tired of the prolonged agitation by the BNP-led alliance, people in big cities and district towns are coming out of their homes in large numbers to carry out their regular work. Local and inter-district bus operators have increased their trips significantly over the last week. The night-time trips of long-haul buses resumed on Thursday night after over a month. Transportation of goods across the country has been largely normal.

All offices and businesses in and outside Dhaka are operating smoothly. Markets and roadside shops are open. Almost all the schools and colleges in the districts are running their normal academic activities as more students are joining classes and taking exams.

*Source: The Daily Star, 15th March, 2015*

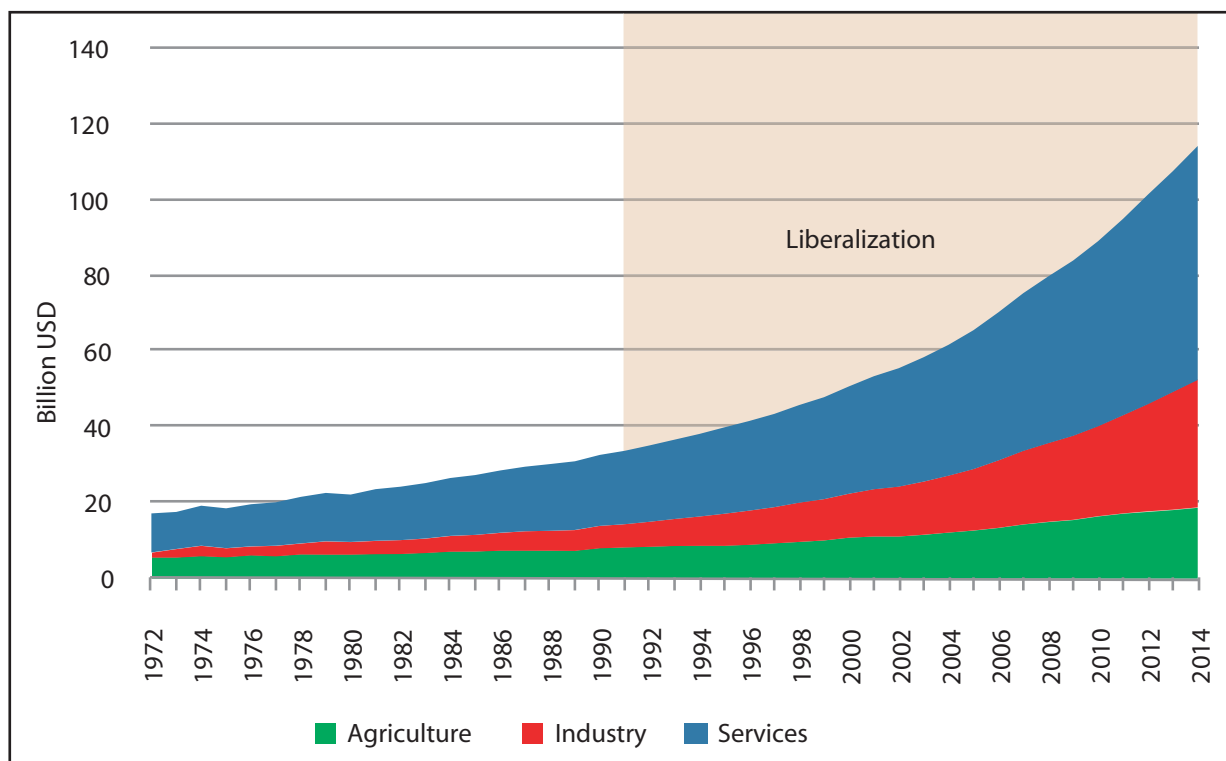


## PART-II

### DOMESTIC SECTOR: RESILIENT AND FIRM



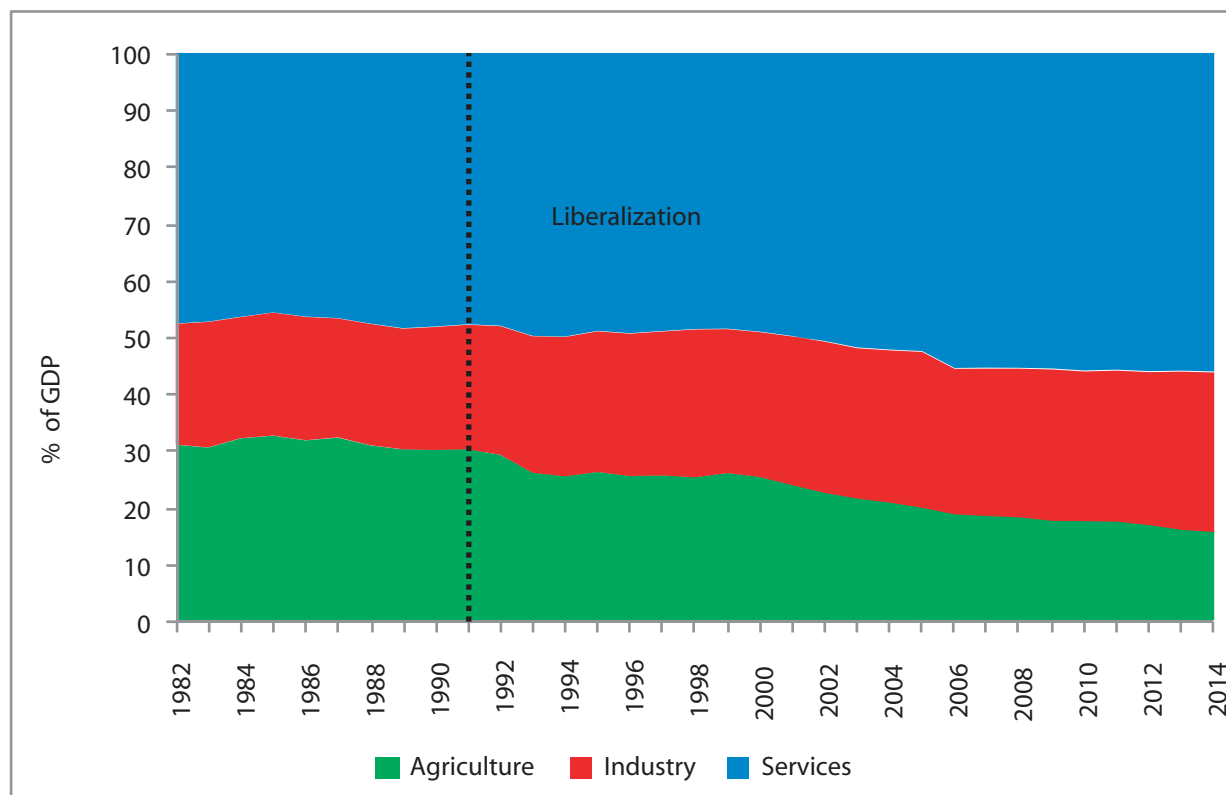
## The Three Largest Sectors: Liberalization and New Momentum of Expansion



Source: World Development Indicators 2015, World Bank

- ❖ The dynamics of the three major sectors of the economy, agriculture, industry, and services, looks impressive.
- ❖ Although all the sectors are moving up in volume, their developments got a new momentum since liberalization in the early 1990s.
- ❖ Except for the turbulent 1970s, the developments of the sectors are smoothly up trending.
- ❖ In the early 1990s, some economists feared that liberalization would neglect the agriculture sector, and the industry sector would face challenges in an environment of open competition. The apprehension caution from the conservative economists was proved wrong.
- ❖ Liberalization provided an environment of expansion in all sectors. This outcome gave Bangladesh a new era of economic strength.

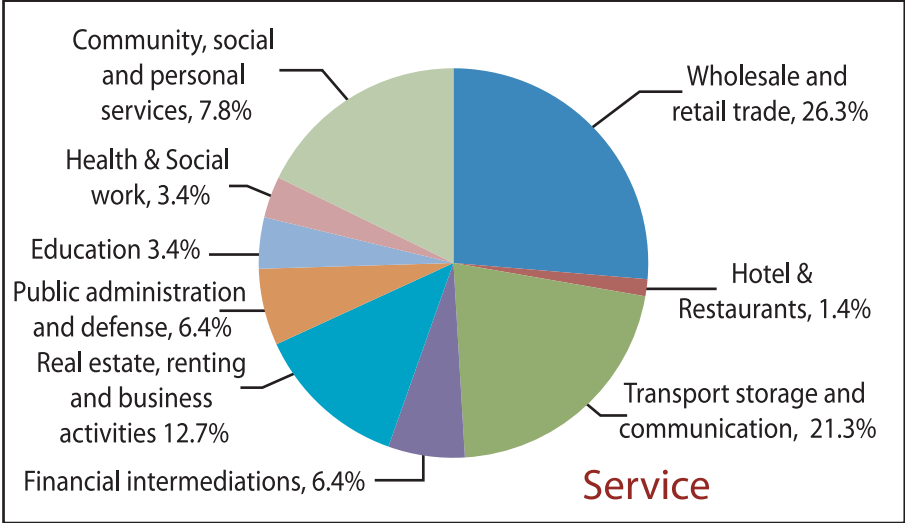
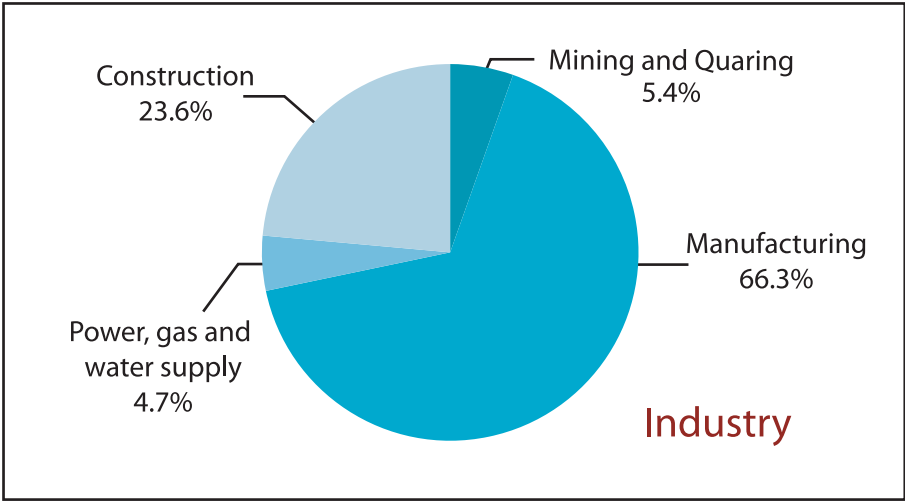
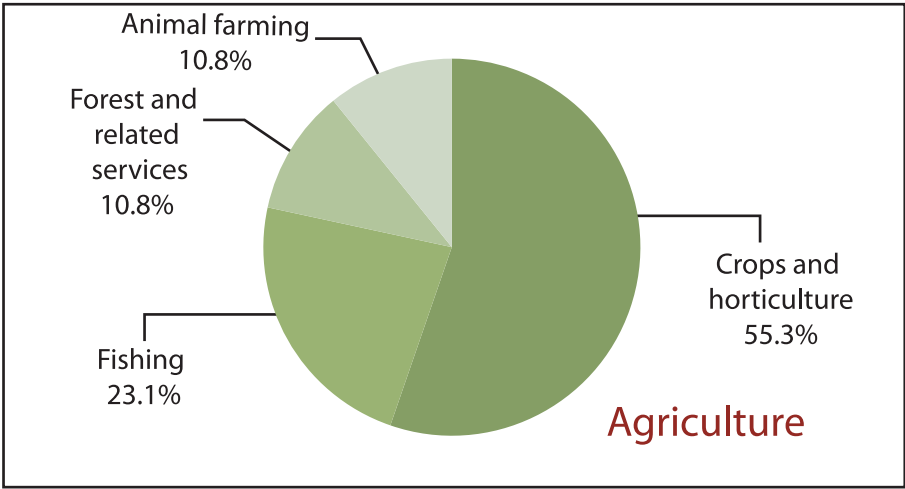
## Relative Shares of the Three Sectors of Economy



Source: World Development Indicators 2015, World Bank

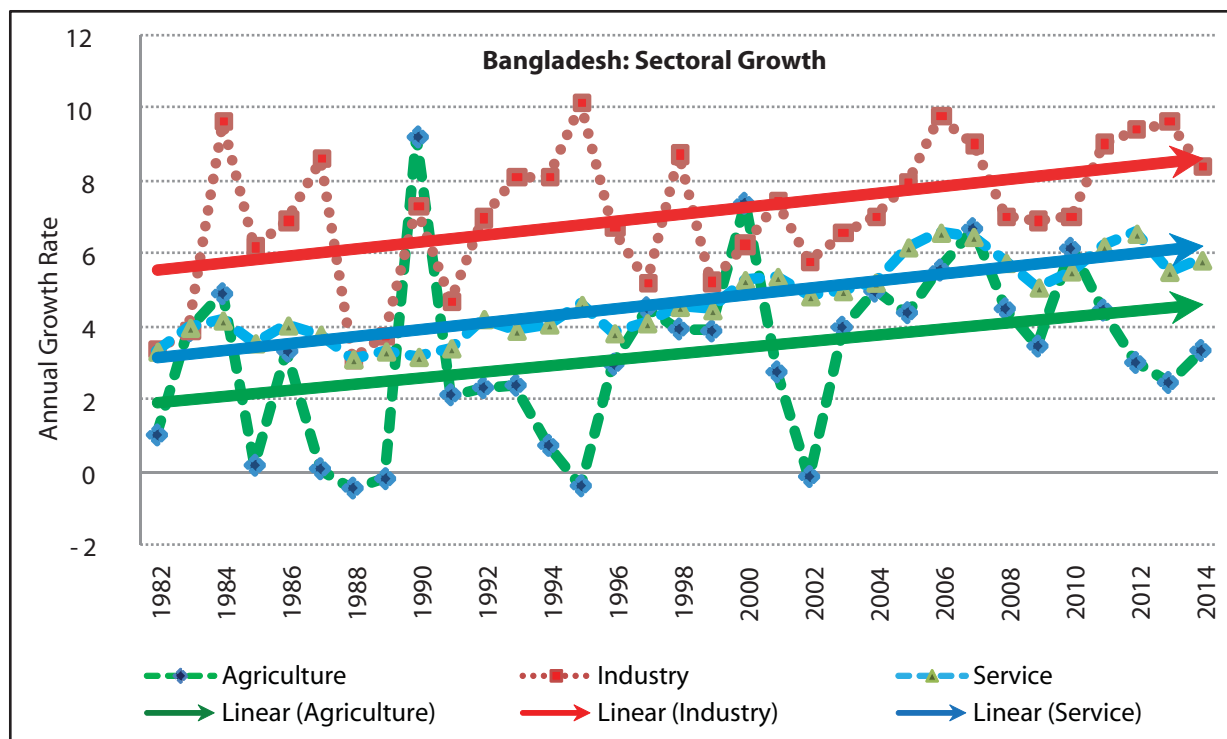
- ❖ The change of the relative shares of the three sectors is simply classical in pattern.
- ❖ As the economy grows at a respectable rate, the relative share of agriculture gradually shrinks while that of industry or services gradually rises.
- ❖ In Bangladesh's case both industry and services augmented their shares over time, implying a healthy transformation of the economy in the path of development.
- ❖ Although Bangladesh achieved food security and agricultural production expanded, the ratio of agriculture to GDP is gradually decreasing - which is consistent with any development process. In the developed nations, the ratio of agriculture to GDP is around 5 percent or less. In our country, now the ratio is around 18/19 percent.

# Composition of GDP : FY 2015



Source: Bangladesh Bureau of Statistics, 2015

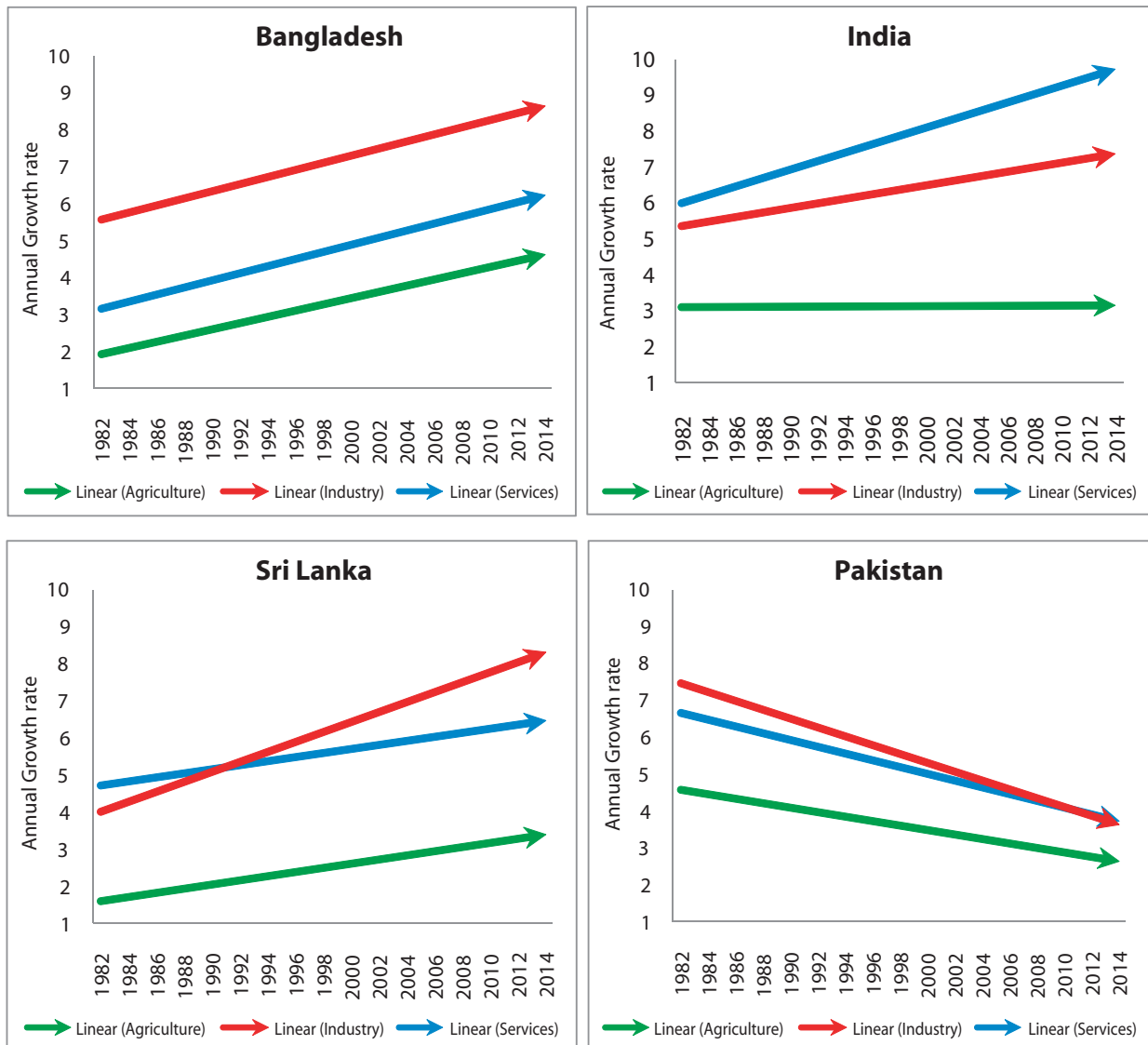
## Sector Growth Trends: Evidence of Financial Inclusion



Source: World Development Indicators 2015, World Bank

- ❖ In Bangladesh, the slope of the growth trend lines of all three sectors is moving upward in a parallel fashion. Gradual expansion of the financial inclusion program has contributed to this type of consistent development of the three sectors.
- ❖ As a result of financial inclusion, the country comprised all three sectors and achieved sustainable growth.
- ❖ The growth in all three sectors is well balanced in the long run. Thus, Bangladesh is a model of inclusive growth.
- ❖ Growth that does not include everyone is not sustainable. Financial Inclusion gives a healthy economy like a balanced diet.
- ❖ As a result of the financial inclusion program, agriculture, industry, and services sectors are growing at a consistent rate.
- ❖ Usually, agriculture is often neglected when an economy enters its emerging stage (e.g. India). But that did not happen for Bangladesh.
- ❖ Although agriculture has the lowest share among others, it harbors the highest amount of population though employment.
- ❖ Moreover, the growth of the rest two sectors will be heavily disrupted if agriculture cannot grow in tandem.

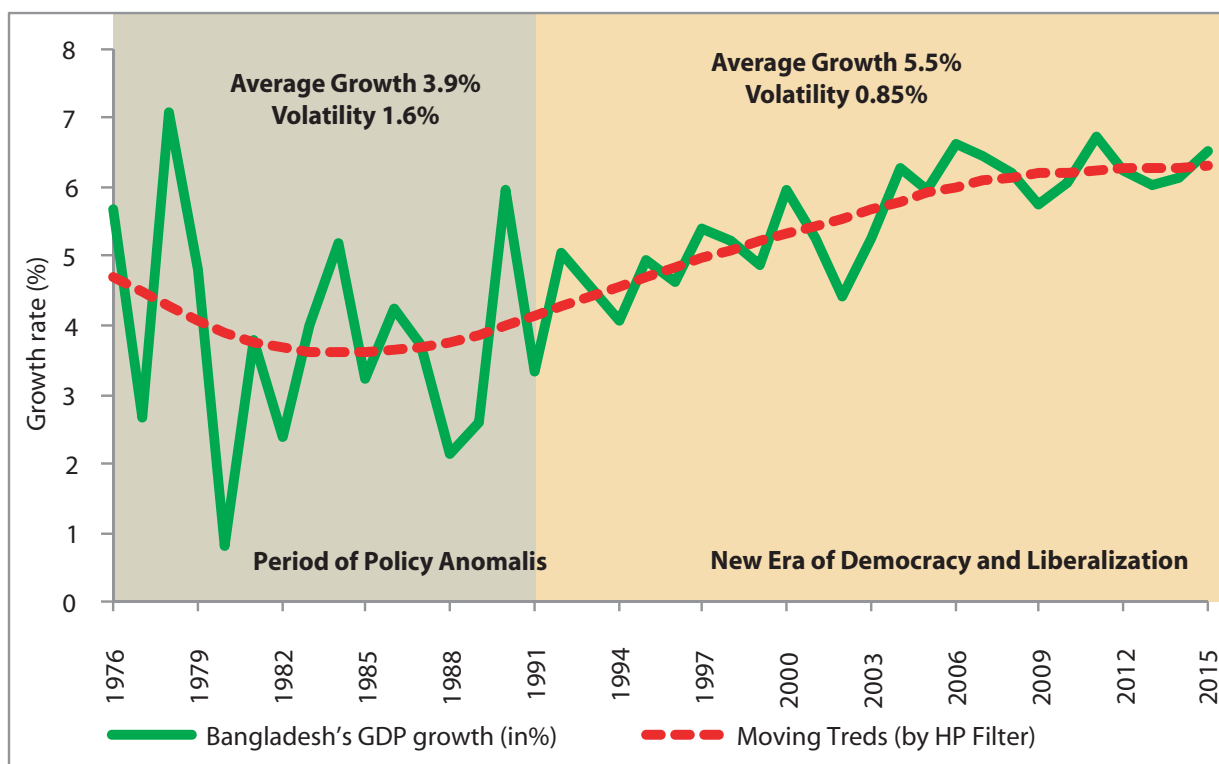
## Sector Growth Trends: Bangladesh vs. South Asia



Source: World Development Indicators 2015, World Bank

- ❖ The trends of Bangladesh's sector-wise growth are superior to those in neighboring countries.
- ❖ All three trends are downward in Pakistan and hence they can be left out of comparison with others.
- ❖ The trends of sector growth in Bangladesh are much more robust and balanced than those in India from an overall point of view. India displays highest growth in the service sector, but fails to transmit the similar message in agriculture and industry. Hence, Bangladesh's growth is more inclusive in nature than India's.
- ❖ The trends of sector growth in Sri Lanka are upward but they are not uniform as Bangladesh's.

## Market Openness: Growth and Upward Trend

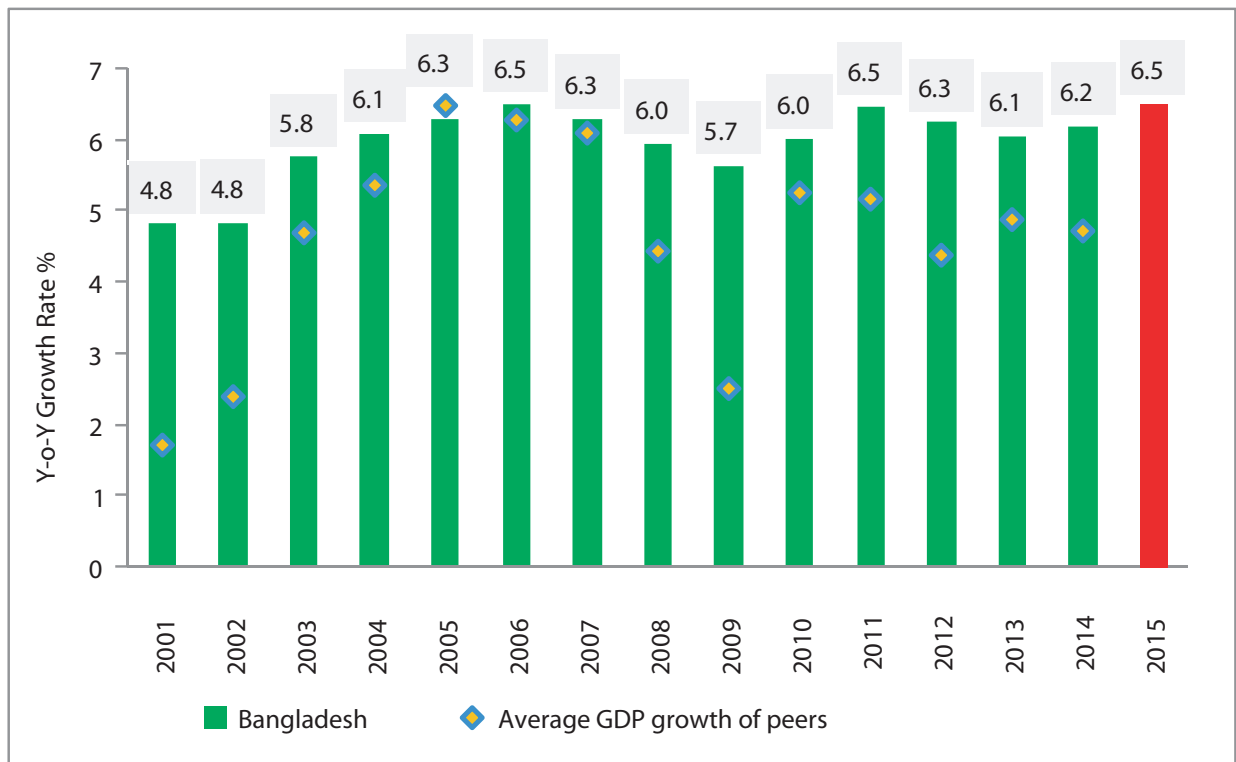


Source: Bangladesh Bureau of Statistics, 2015

- ❖ Bangladesh entered a new era of growth momentum since liberalization and the resumption of parliamentary democracy in the early 1990s.
- ❖ Many economists in the early 1990s were skeptical and often critical about the liberalization measures of the government. But the diagram shows that they were wrong in their assessment of the strength of the market economy, which in fact empowered the poor the most.
- ❖ Liberalization is often thought as volatility augmenting, but that did not happen for Bangladesh. Rather, growth uncertainty reduced since the country embarked on liberalization.
- ❖ During the regime of partial military rule and policy discontinuity, i.e. up to the 1990, our average growth rate was 3.9 percent. Low growth accompanied instability was also higher (1.6%). Many economists forecasted that the instability will increase after entering a free market. But this forecast proved wrong. Instability reduced drastically to 0.85% and growth jumped to an annual average rate of 5.5% demonstrating the strength of liberalization and the market economy.
- ❖ Liberalization contributed to growth acceleration of poverty reduction.



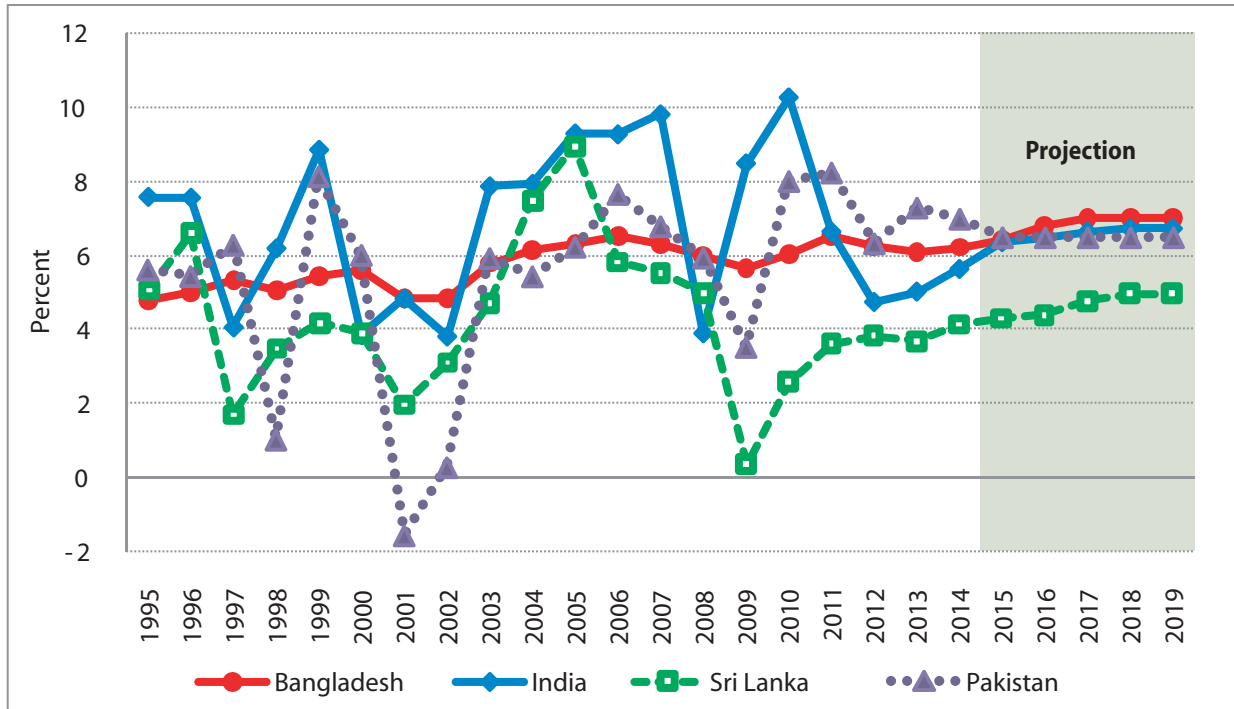
## Growth of Bangladesh Ahead than Equivalent Countries



Source: World Economic Outlook, April 2015, IMF and Bangladesh Bank 2015

- ❖ Bangladesh consistently exceeded the average growth rate of its peers who got similar ratings by the rating agency Standard and Poor's.
- ❖ The year of 2005 when Bangladesh's growth was slightly less than its peers' can be treated as an exception.
- ❖ More evidently, Bangladesh outstandingly outperformed its peers in 2008 and 2009 when the financial crisis tormented the globe in a significantly way.
- ❖ The rating agencies pointed their finger toward our capability of revenue collection. Some rapid improvement in this sector will help improve our rating from "BB-" to "BBB" or to an "investment grade".
- ❖ At present, the revenue as percent of GDP is around 12 percent which is much lower than that in other comparable countries.

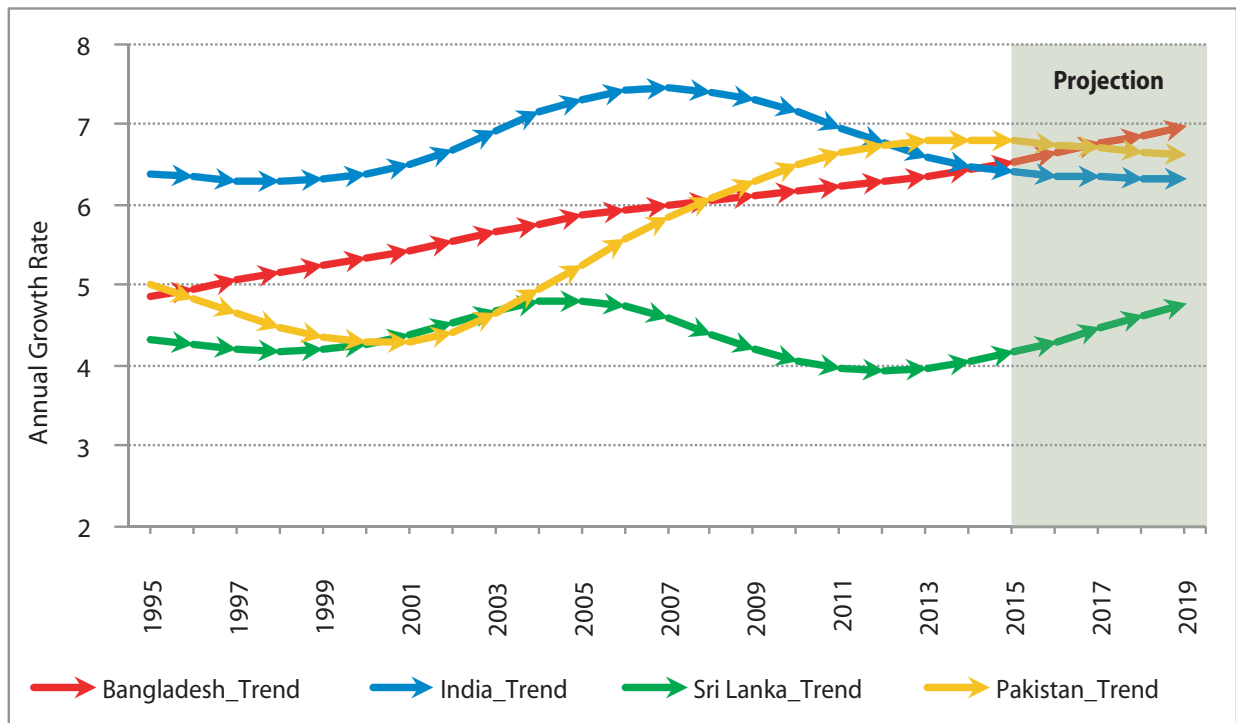
## Projected Growth Comparison in South Asia



Source: World Economic Outlook, April 2015, IMF

- ❖ The projected growth comparison by the IMF shows that Bangladesh will be an outperformer of growth in South Asia.
- ❖ Hence, Bangladesh's investment prospects look promising.
- ❖ The capital abundant countries got this message and they are showing elevated levels of interest in the service and manufacturing sectors of Bangladesh.
- ❖ Considering the new growth prospects of India, brought about by the new Modi leadership, growth of India should be higher in this region. It is likely to be higher than 7.5%.
- ❖ Competent political leadership can foster growth by increasing confidence in consumption and investment.
- ❖ Economics oriented politics are rapidly taking place in Bangladesh. People are losing their interests in unproductive political activities.

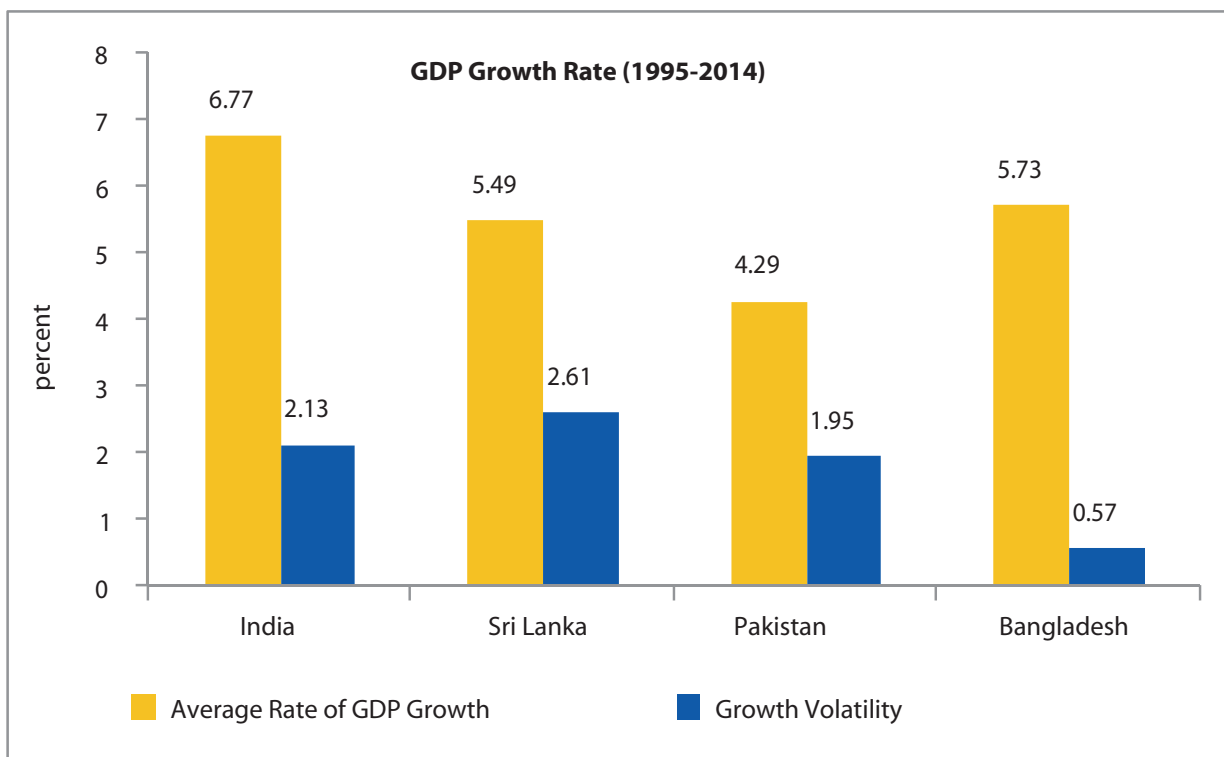
## Growth Trend Comparison in South Asia



Source: World Economic Outlook, April 2015, IMF

- ❖ While Bangladesh's growth is not currently the highest in the region, its trend of growth shows the most impressive upward trend in South Asia.
- ❖ Thus, judging the economy of Bangladesh in terms of its long term growth potentials has been more relevant in recent decades.
- ❖ Bangladesh's growth potential is the most solid and unswerving in the region as the H-P trend lines show.
- ❖ Long term investors always make their judgment based on the trend of the country's economy of a country instead of being swayed by short run fluctuations.

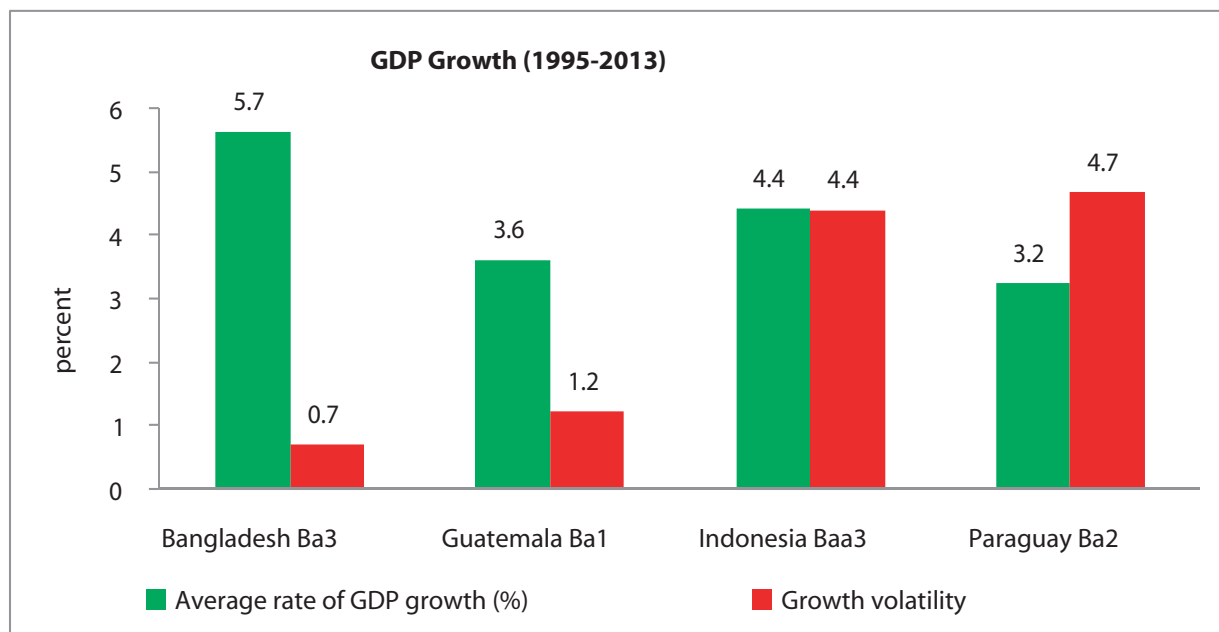
## Growth and Volatility in South Asia



Source: *World Economic Outlook, April 2015, IMF*

- ❖ The average annual real GDP growth rate of Bangladesh over the past two decades (1995-2014) is the second highest in South Asia with the lowest volatility.
- ❖ This indicates that the economic growth of Bangladesh is more stable than its regional peers.
- ❖ Now Bangladesh aims high to exceed India in the growth performance. Also it wants to maintain the stability like before.
- ❖ There are very few countries that achieved 5.75 percent growth with only 0.57 percent standard deviation during last twenty years. This represents the efficiency of the financial management which can be improved further.
- ❖ This type of impeccable achievements, however, did never get its deserved publicity. The policymakers and politicians will be able to attract more investments by utilizing these achievements.

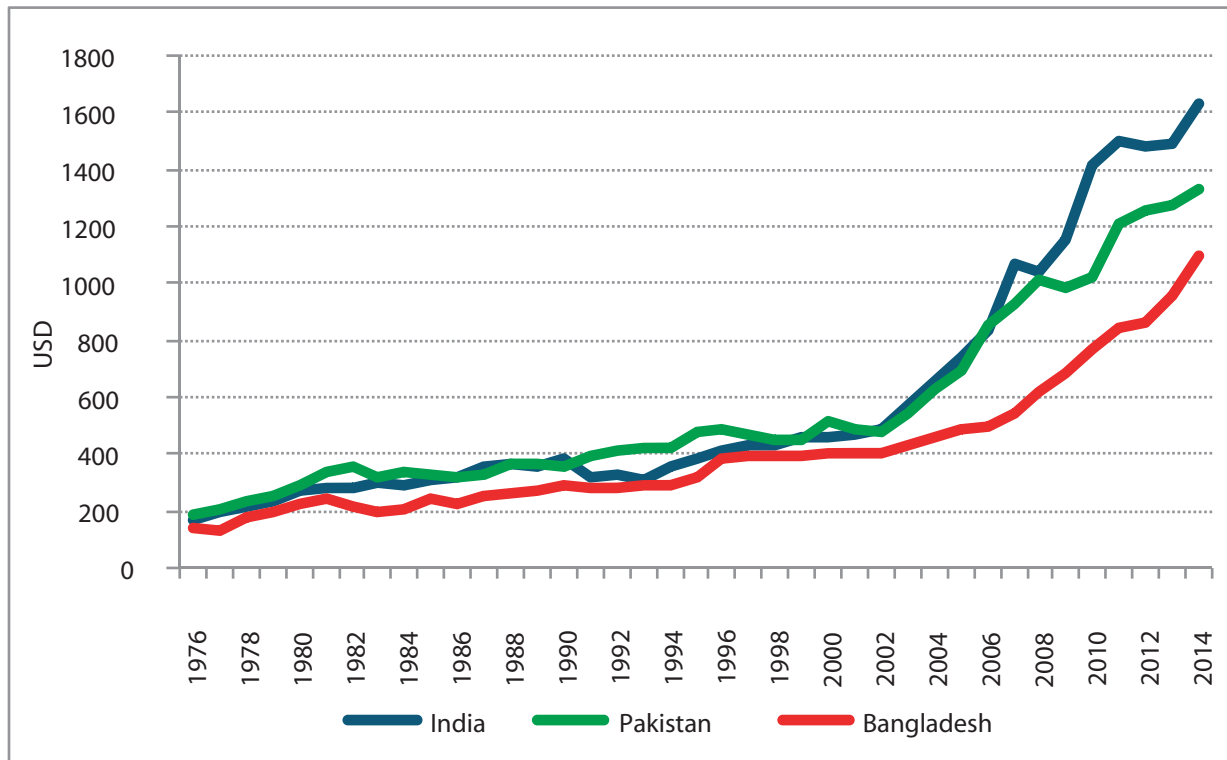
## Growth and Volatility Comparison with Peers



Source: World Development Indicators 2015, World Bank

- ❖ The rating agency Moody's reported of late about the increased institutional efficiency and revenue collecting capacity of Bangladesh.
- ❖ Bangladesh outperforms the average growth rate of Guatemala, Indonesia, and Paraguay – the countries who have been rated higher than Bangladesh.
- ❖ Usually higher growth rates are associated with higher volatility. But Bangladesh's moderately high growth performance has been associated with almost lowest possible volatility, suggesting financial and real sector stability in the country.
- ❖ More emphasis on these aspects will definitely increase our per capita income which, in turn, will improve our rating in the near future. As a result, investment will increase and the cost on foreign loans will be decreased.

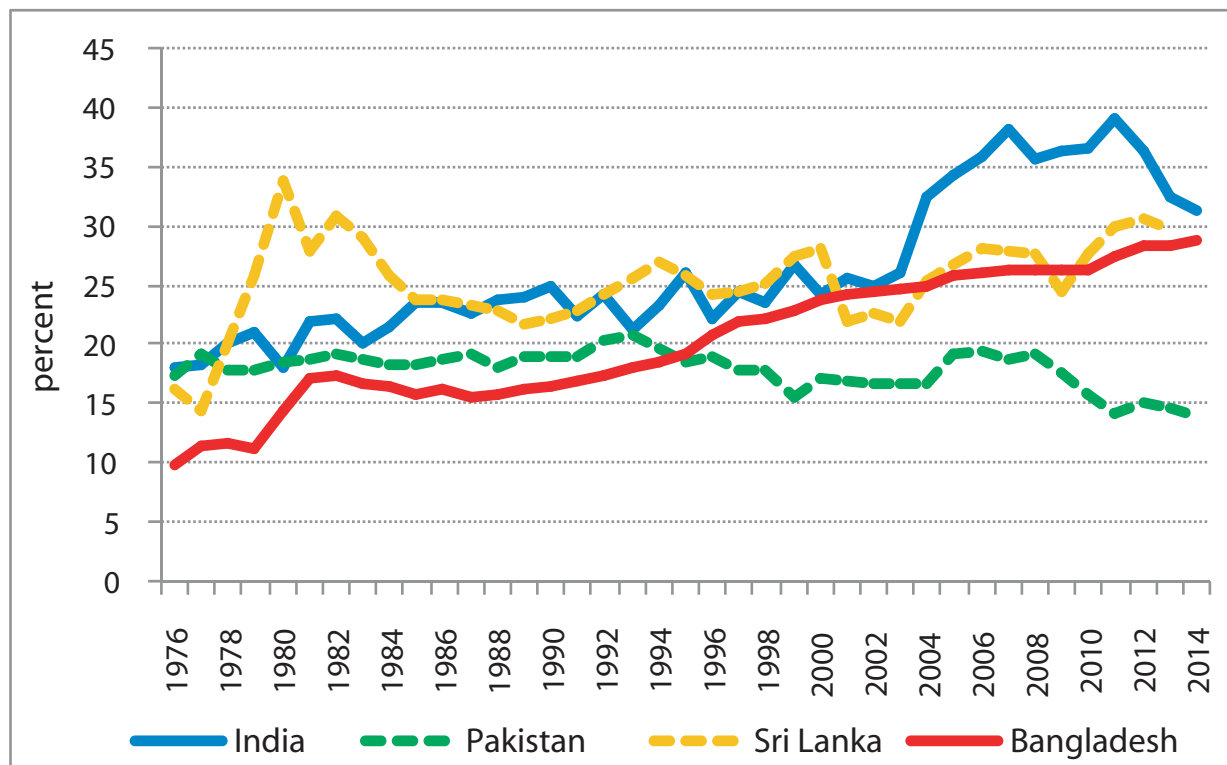
## Per Capita Income and Trend in South Asia



Source: World Development Indicators 2015, World Bank

- ❖ Bangladesh's per capita income appears to catch its neighbors'.
- ❖ Although per capita income in Bangladesh is currently lower than that in India and Pakistan, a simple visual examination shows that the trend in per capita income of Bangladesh has been steeper than that of others particularly since the mid-2000s.
- ❖ Bangladesh will catch Pakistan in per capita income in less than 10 years if the current trend persists.
- ❖ Bangladesh will earn the status of middle income country in a couple of years.
- ❖ Per capita income is a barrier for achieving higher rating in the international community. We can increase our per capita income in a faster way by controlling population and by increasing productivity of the economy. Increased standard of education will increase the productivity of the labor force in the long run.

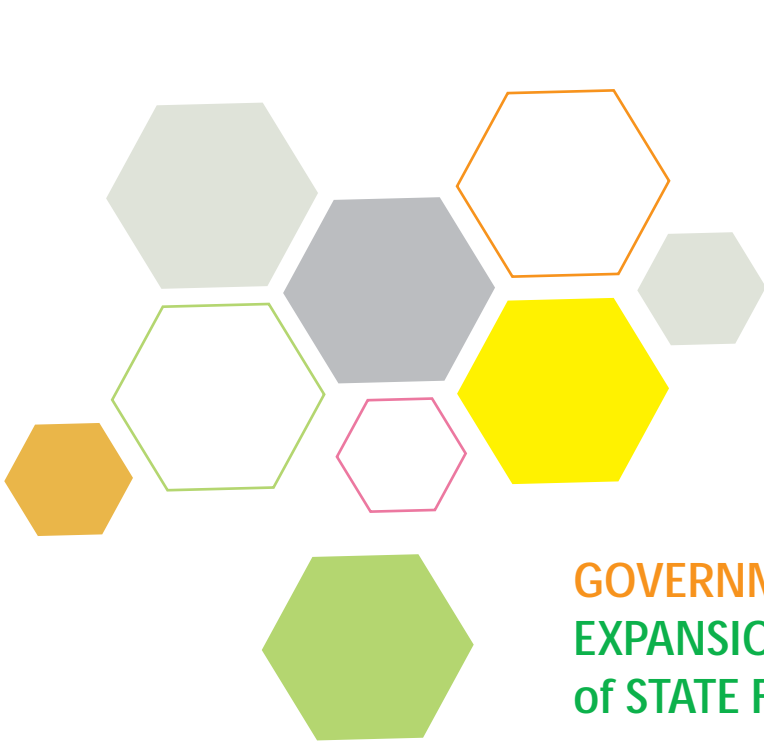
## Investment-GDP Ratio in South Asia



Source: World Development Indicators 2015, World Bank

- ❖ Bangladesh's investment-GDP ratio shows an upward trend. The ratio has been in the doldrums until the early 1990s.
- ❖ The ratio began to accelerate since then. This acceleration has also been reflected in Bangladesh's growth performance.
- ❖ Although Bangladesh's investment-GDP ratio is currently lower than India's and much higher than Pakistan's, its upward trend is inherently stable and steady.
- ❖ The capital-output ratio of Bangladesh is in between 4 and 5. Considering this, 30 to 32 percent investment-GDP ratio will give 7/8 percent economic growth.
- ❖ But, increasing capital efficiency by institutional reforms can also increase economic growth with the same level of the investment GDP ratio.
- ❖ We need to look at both: the investment-GDP ratio and labor productivity.

PART-III



GOVERNMENT SECTOR :  
EXPANSION AND RESPONSIBILITY  
of STATE FUNDING



Deficit  
Financing



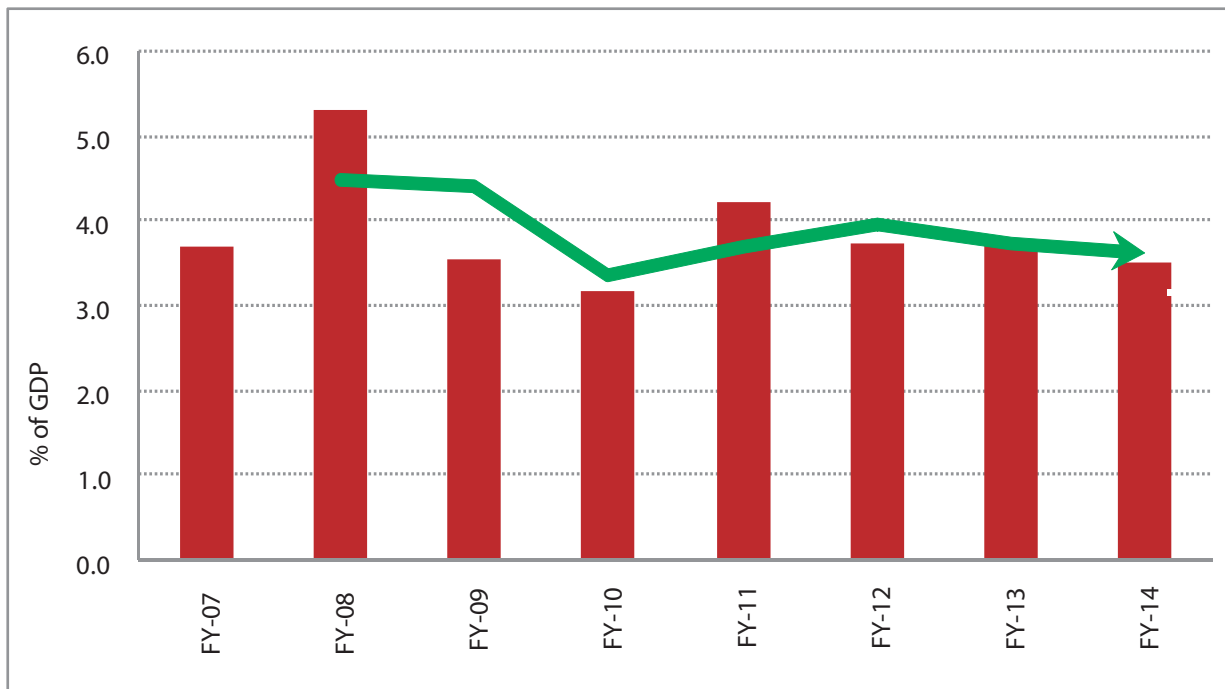


# Facts of Public Finance

- ❖ Public finance has been more disciplined than ever before.
- ❖ Fiscal policy is carefully coordinated with monetary policy to support sustainable growth and moderate inflation.
- ❖ While the fiscal deficit in the budget looks around 4.5%, in practice it was even less than 4% on average over the last 6 years.
- ❖ Fiscal responsibility should be widely practiced and increasing efficiency in revenue collection is imperative.
- ❖ Revenue as a share of GDP steadily rose from almost 10% in 2009 to 14% in 2014. Further expansion is possible.
- ❖ The new VAT with a simple 15% rate will further boost resource mobilization by the government to improve on infrastructure and power.
- ❖ Oil price reduction has been a boon for subsidy reduction and thus fiscal consolidation.
- ❖ The new pay scale does not necessarily mean high inflation according to a study of Bangladesh Bank. Even the market is not showing any signs of rising inflation even though the new pay scale has been announced months ago.
- ❖ Rapid increase of the tax base is necessary. Only 1.2 million people pay taxes in a population size of 160 million, suggesting a very weak tax base.
- ❖ The ratio of direct tax to total revenue should be increased to ensure sustainable financing for development.
- ❖ In every emerging economy, direct taxes become predominant quite speedily. Direct taxes should be raised rapidly to provide enough infrastructural facilities to the emerging businessman and entrepreneurs.



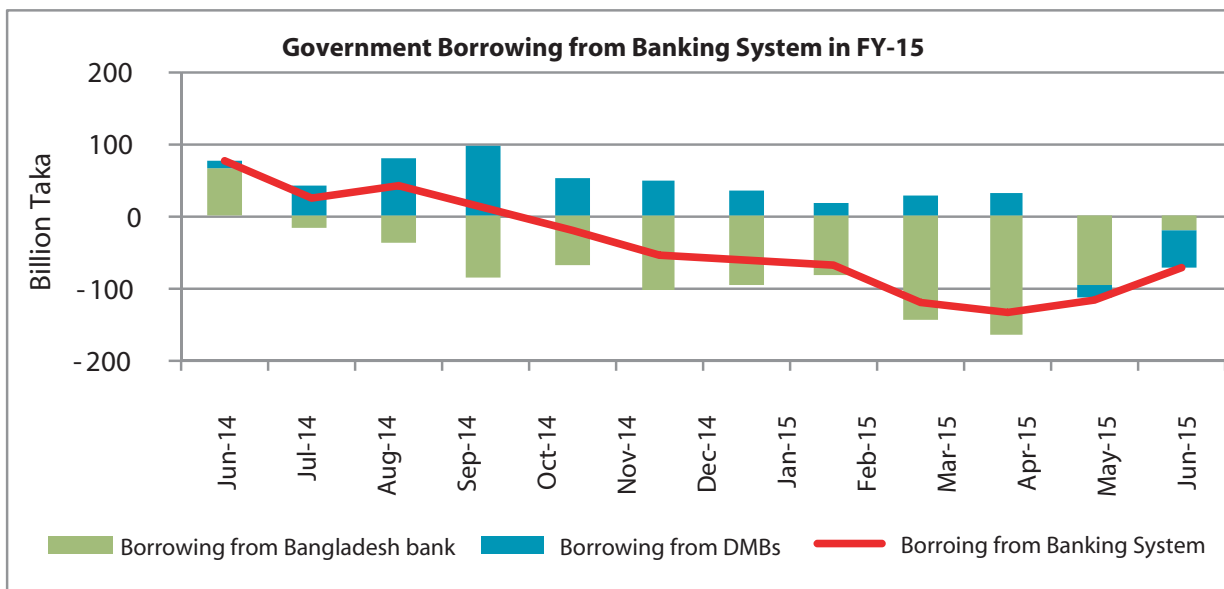
## Financing Fiscal Deficit as a Share of GDP



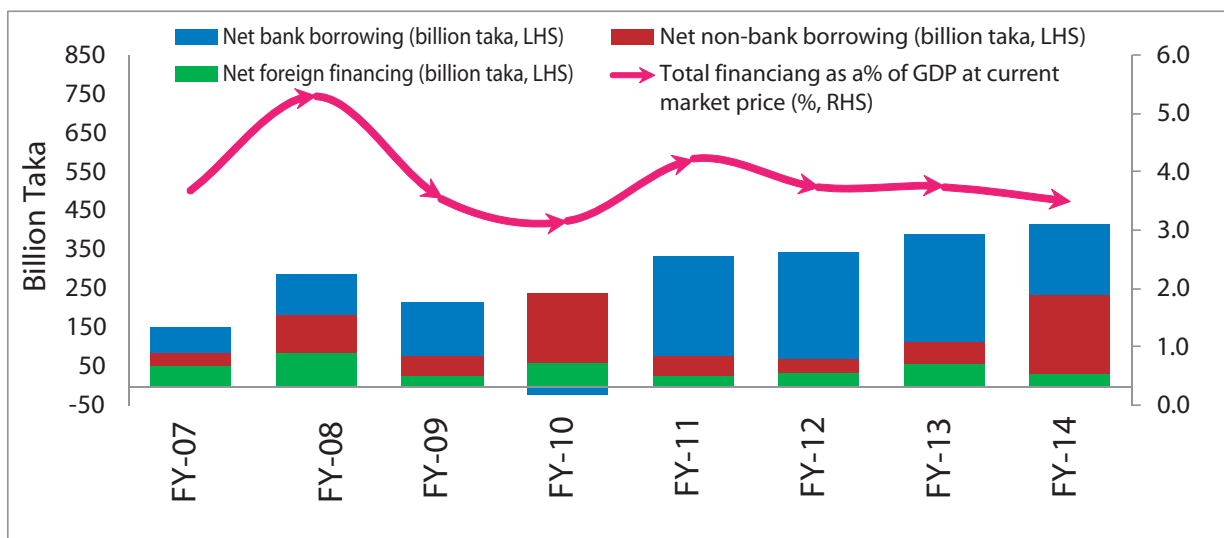
Source: Annual Report 2012-13 and 2013-14, Bangladesh Bank

- ❖ The fiscal deficit as a share of GDP is already reasonable, below the alarming mark of 5 percent.
- ❖ The ratio is gradually falling on the trend. It reflects increasing fiscal responsibility.
- ❖ Primary deficit of less than 5 percent does not necessarily mean that it is good for the economy.
- ❖ Mainly, this deficit arises from the development budget. Therefore, this deficit is likely to be helpful for the economy in the long run.
- ❖ The government total debt is around 30% of GDP.
- ❖ Increase in the primary deficit increases the loan burden also. However, the situation of Bangladesh is not so alarming right now. Rather, this is an opportune moment for the country to undertake an infrastructure blitz.

## Composition of Fiscal Deficit Financing



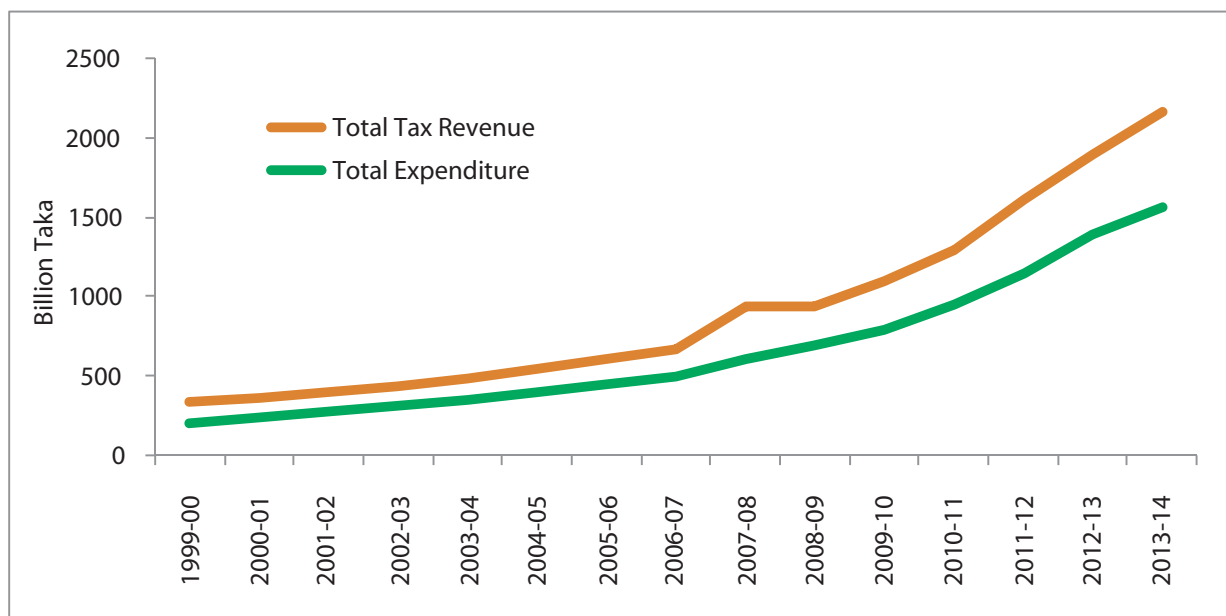
Source: Statistics Department 2015, Bangladesh Bank



Source: Annual Report 2012-13 and 2013-14, Bangladesh Bank

- ❖ The government borrowing from the banking sector has been decreasing. The composition of government financing is gradually changing.
- ❖ The government is also borrowing from nonbank sources such as National Savings Deposit (NSD) certificates.
- ❖ Financing from NSD certificates has increased in the recent period. The result of this increase is mixed. Interest liabilities will increase for the future. As a result, there are possibilities of shortage in the development budget.

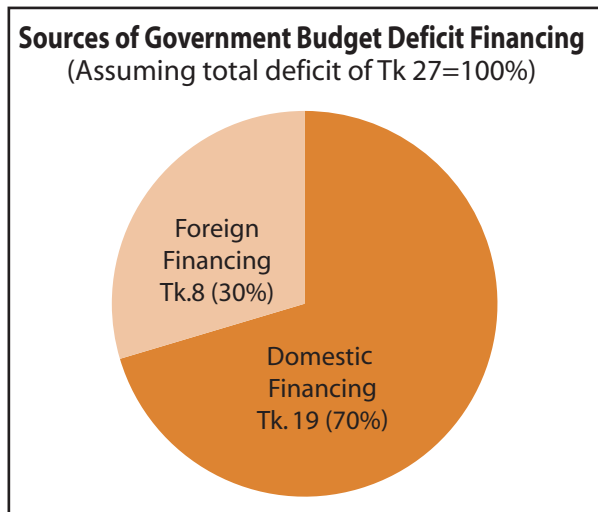
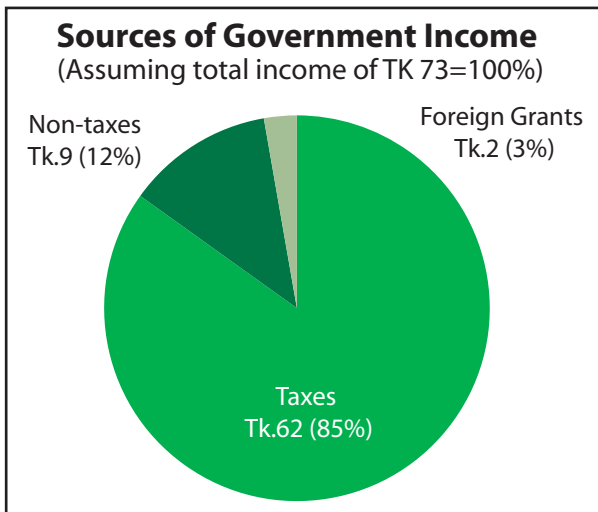
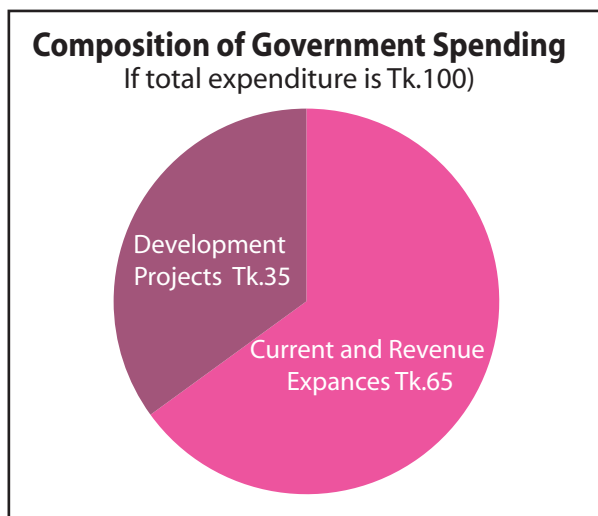
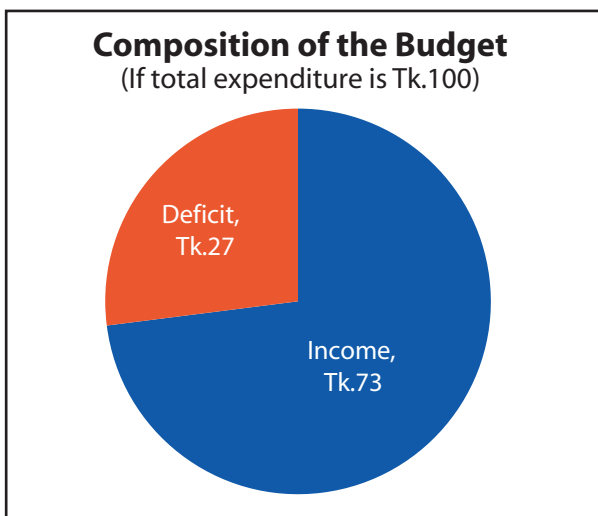
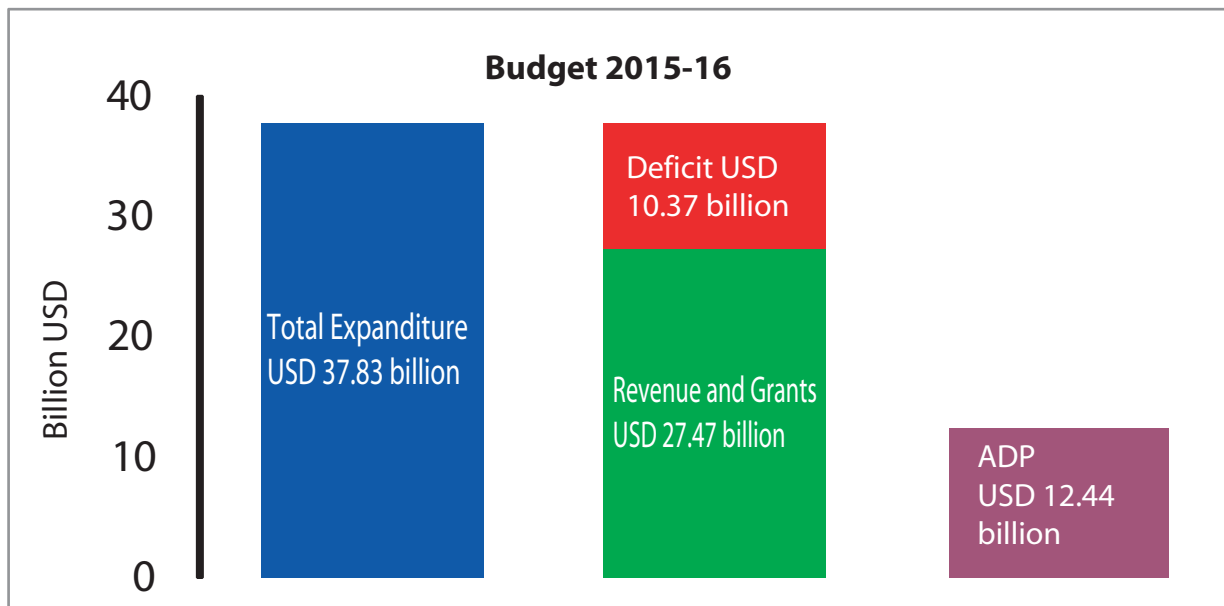
## Government Tax Revenue and Expenditure



Source: Bangladesh Economic Review 2012 and 2014, Ministry of Finance

- ❖ Total revenue collection has been increasing drastically since FY2012 due to different measures taken by the government including the strengthening of the National Board of Revenue (NBR).
- ❖ The implementation of proposed Value Added Tax (VAT) policy is expected to further reduce the budget deficit.
- ❖ The solvency and efficiency of the public administration can be increased drastically by expanding the direct tax base.
- ❖ The government is aware of this issue. The donors and the rating agencies are pointing this issue in a repeated fashion.

# Budget at a Glance: Fiscal Year 2015-2016



Source: National Budget 2015-16 and Author's Calculation

## Government's Mega Projects in Progress

Mega projects in infrastructure and energy will tremendously amplify the economy's growth potential.

(All cost figures are estimated. b = billion, m = million)

- ❖ Padma Multipurpose Bridge: 6.15 km long, cost \$3.0b
- ❖ Deep-Sea Port at Sonadia in Cox's Bazar, cost \$13.85b
- ❖ Dhaka-Chittagong Access Control Highway, cost \$3.02b
- ❖ Dhaka City Elevated Expressway, cost Tk. 8.940b
- ❖ Dhaka-Narayanganj-Gazipur-Dhaka Elevated Expressway, cost \$1.90b
- ❖ Metro Rail/Mass Rapid Transit Line- JICA financed
- ❖ Bus Rapid Transit Line – JICA financed
- ❖ Sky Rail Around Dhaka city, cost \$2.8b
- ❖ Dhaka Underground Railway, cost \$3.1b
- ❖ Dual Gauge Double Rail Tracks from Akhaura to Laksam
- ❖ Bibiyana-Dhanua Gas Transmission Pipeline, cost Tk.1.710b
- ❖ Four 450 MW Power Stations, cost \$1.80b
- ❖ Rampal Thermal Power Plant, cost \$1.5b
- ❖ Two Nuclear Power Plants at Rooppur. 2000 MW each

Source: Board of Investment, Prime Minister's Office and other national source 2015



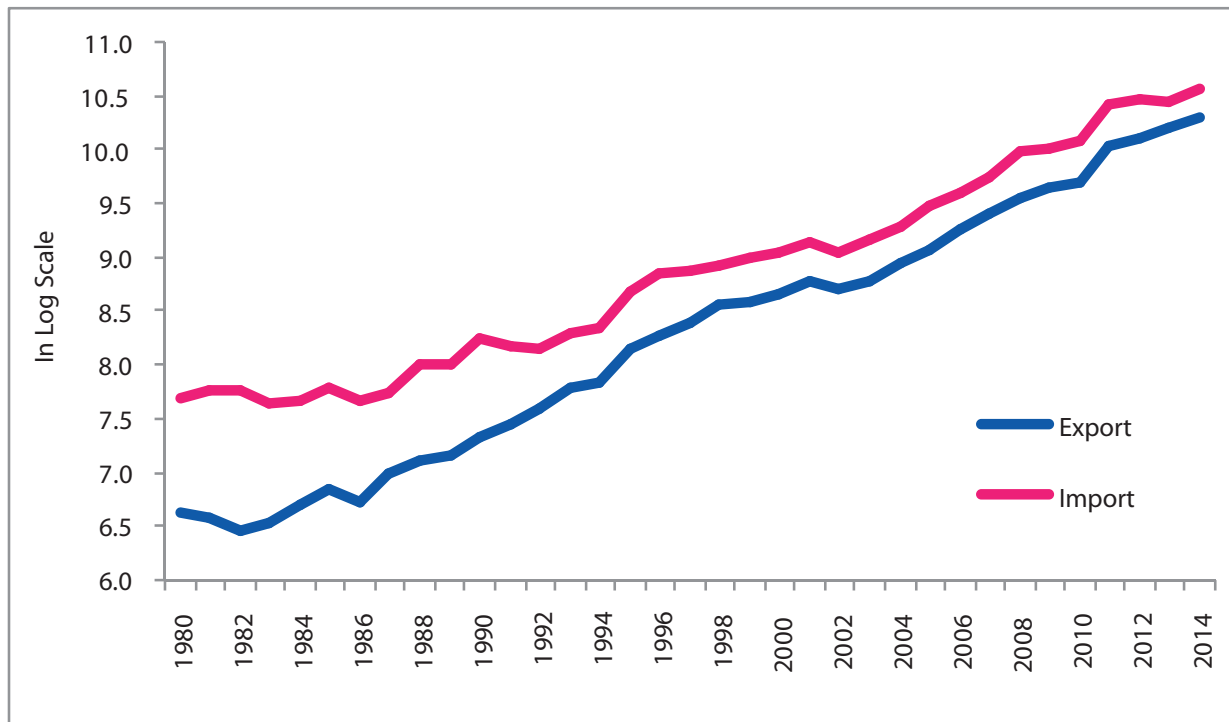
**PART-IV**



**EXTERNAL SECTOR:  
LIBERALIZATION AND GROWTH**



## Exports and Imports and the Narrowing Gap

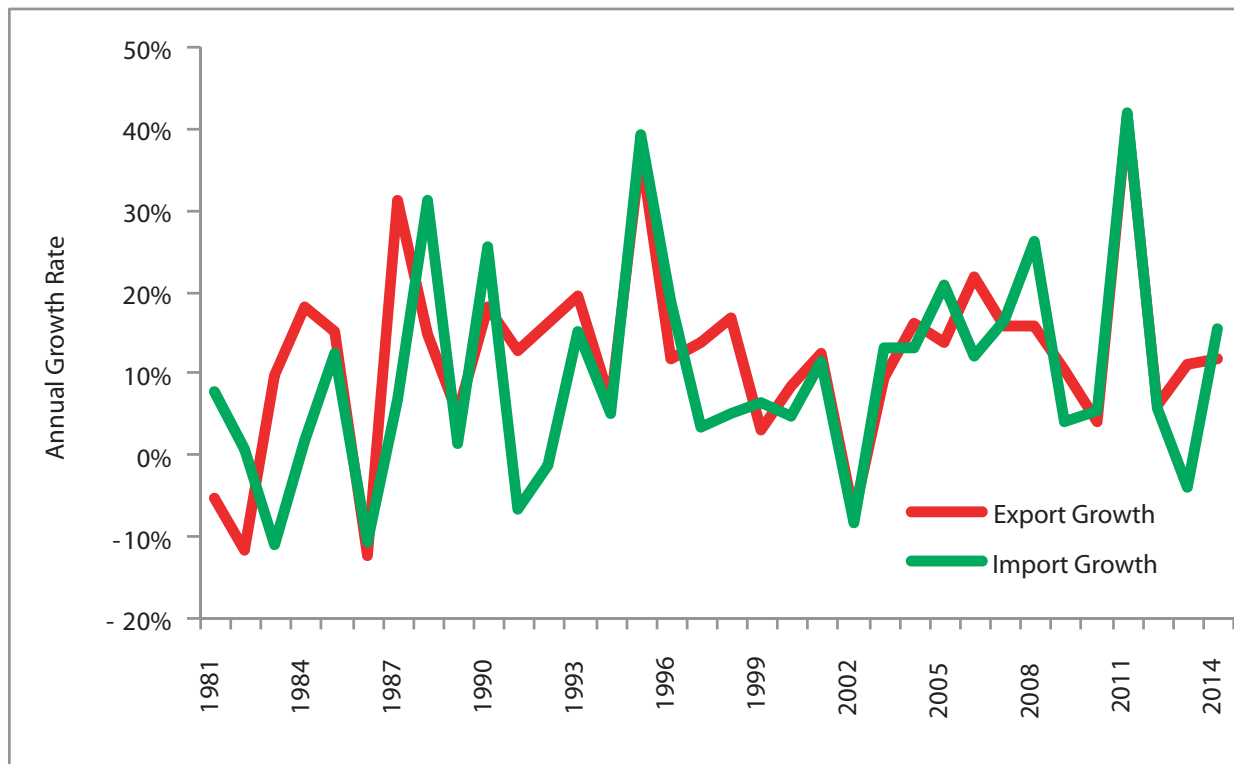


Source: Bangladesh Export Statistics 2006-2007, Export Promotion Bureau and Monthly Economic Trends, September 2015, Bangladesh Bank.

- ❖ The log figures of exports and imports are showing a steady uptrend.
- ❖ The gap between exports and imports are gradually narrowing down to show the robust performance of exports.
- ❖ The diagram also shows the steady performance of the trade sector of the country.
- ❖ While the trade deficit is undesirable for an economy, having a situation where imports exceed exports is not necessarily harmful for us. Because around 60 to 70 percent of our imports are capital goods, industrial machinery and raw materials, which are raises production.
- ❖ A significant portion of our imports increase the capacity of the economy with a time lag.



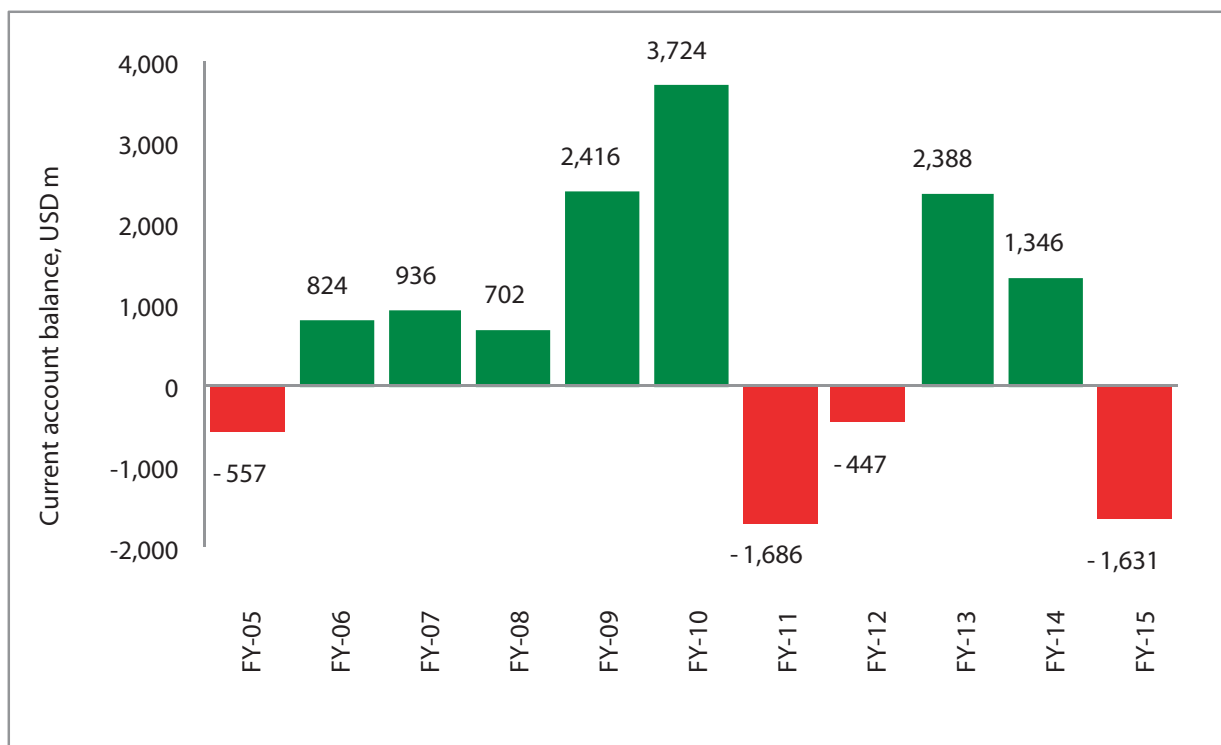
## Export and Import Growth



Source: Bangladesh Export Statistics 2006-2007, Export Promotion Bureau and Monthly Economic Trends, September 2015, Bangladesh Bank.

- ❖ A visual inspection of the figure will confirm that both the growth series show an uptrend overtime.
- ❖ The growth figures of exports and imports are almost synchronized in Bangladesh mainly because exports create extra demand for imports (e.g. back-to-back LCs).
- ❖ The uptrend of growth in both exports and imports help increase the degree of liberalization in the economy.
- ❖ The association imports with exports are quite evident, reflecting our heavy dependence on the garments industry.
- ❖ Eighty percent of exports are coming from the garments sector. We need to strengthen our economic diplomacy to widen the export base and to diversify the export sector. Then the growth lines for exports and imports will move in a more independent fashion.

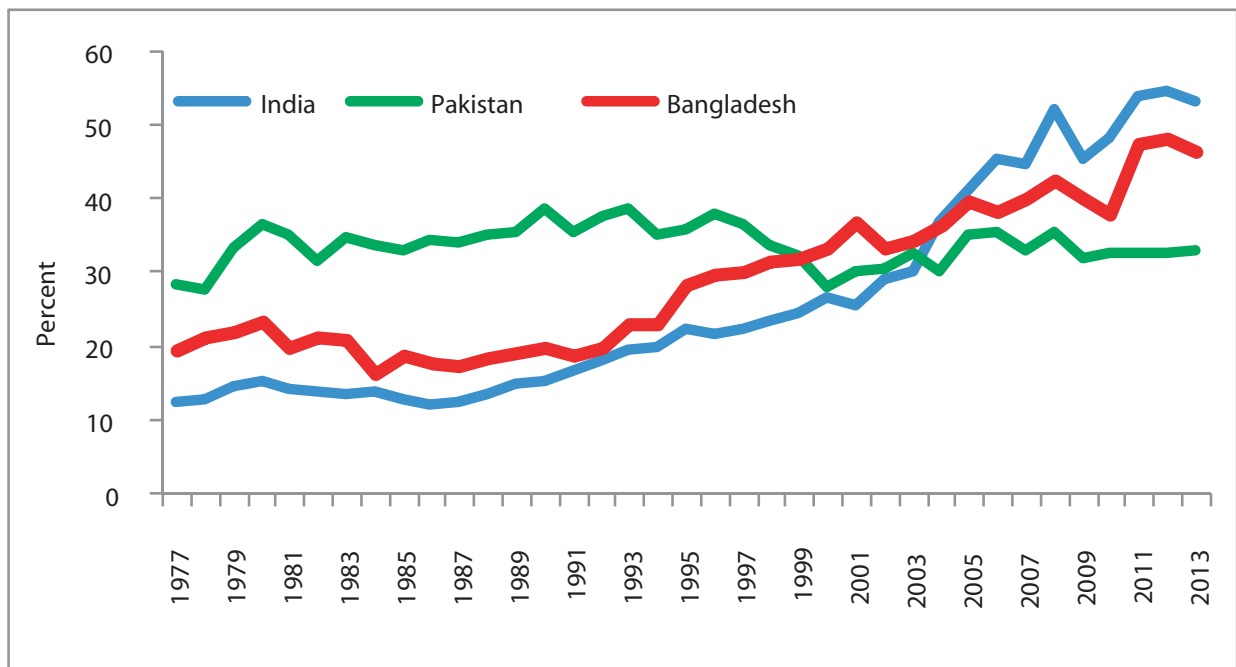
## Current Account Balance



Source: Statistics Department 2015, Bangladesh Bank.

- ❖ Current Account Balance (CAB) does not show any rigid pattern. It switches from positive to negative figures. However in all cases, they are under control.
- ❖ Reasonable current accounts deficits may reflect the growing demand of an emerging economy like Bangladesh.
- ❖ It is hard to say how much deficit in the current account is acceptable in an economy like Bangladesh. There are no theoretical instructions behind this. The current account deficit of Bangladesh is less than one percent of GDP, which translates no concern immediately.
- ❖ Though an increase in capital goods among imported goods enhances the deficit of the current account balance, but in the long run it will have a positive impact on economic growth.

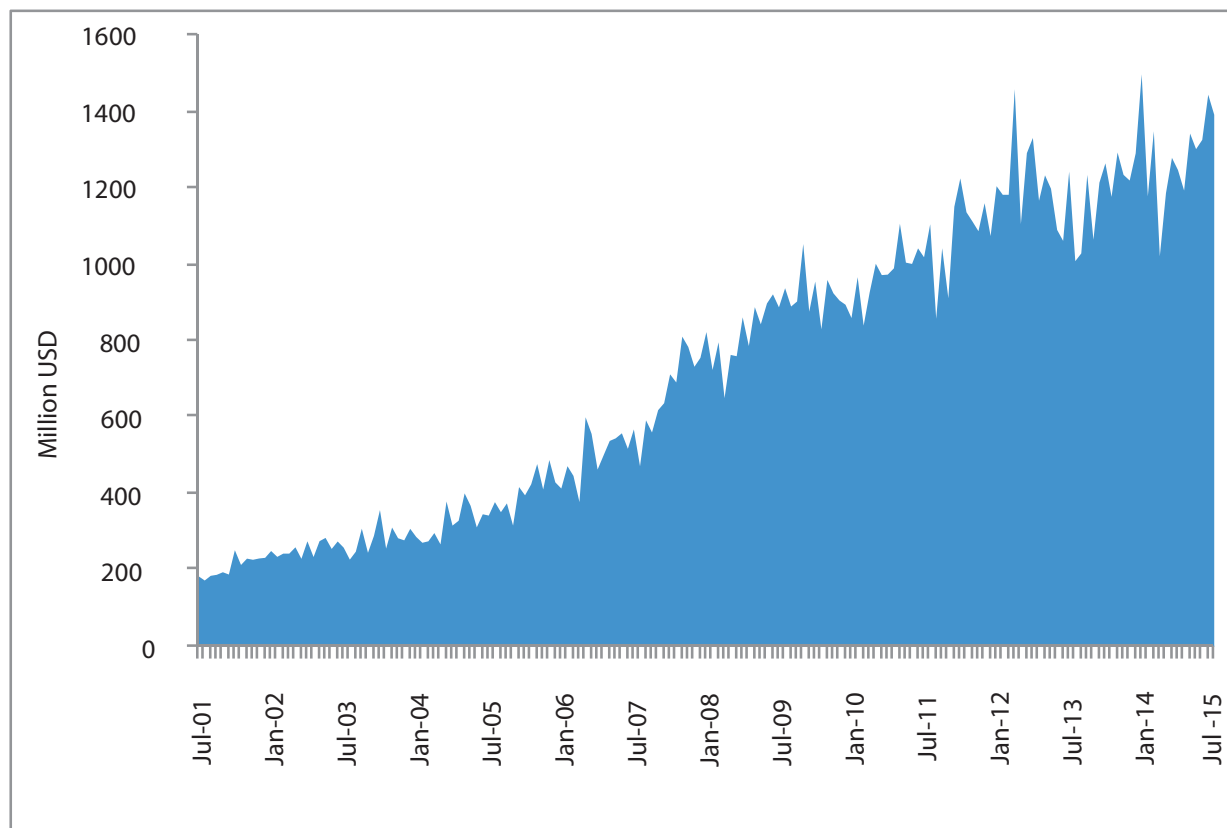
## Openness Indices in South Asia



Source: World Development Indicators 2015, World Bank

- ❖ Here the openness index is calculated by summing up exports and imports and dividing the summed up figure by GDP.
- ❖ It is evident that Bangladesh's openness index is steadily rising since liberalization of the early 1990s.
- ❖ Bangladesh embraces the spirit of globalization in a positive way.
- ❖ These three countries of South Asia embarked on liberalization in the early 1990.
- ❖ Among them India opens its economy at a fastest pace. Bangladesh lags behind India.
- ❖ Investors think that export and import policies require further liberalization.

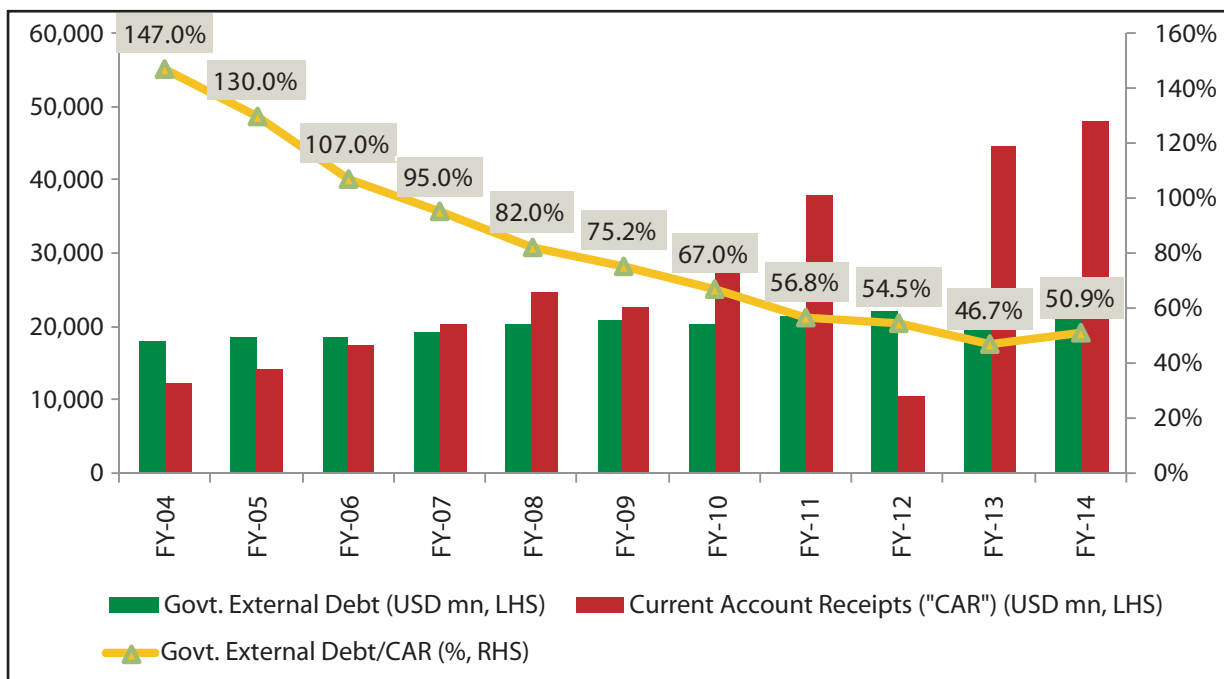
## Inflows of Remittances



Source: Foreign Exchange Policy Department 2015, Bangladesh Bank.

- ❖ Though the inflows of remittances are gradually rising, they got a new momentum since the middle of 2007.
- ❖ The government is exploring new outlets for manpower export.
- ❖ The Middle East and Saudi Arabia in particular will host more Bangladeshi immigrant workers in the years to come.
- ❖ It is possible to get more remittances from the same amount of migrant workers by training them up and thus raising their levels of productivity.
- ❖ It is possible to bargain for a pay rise of our workers, but economic diplomacy must be improved further.
- ❖ The current account balance would have been devastated without the support of remittances.

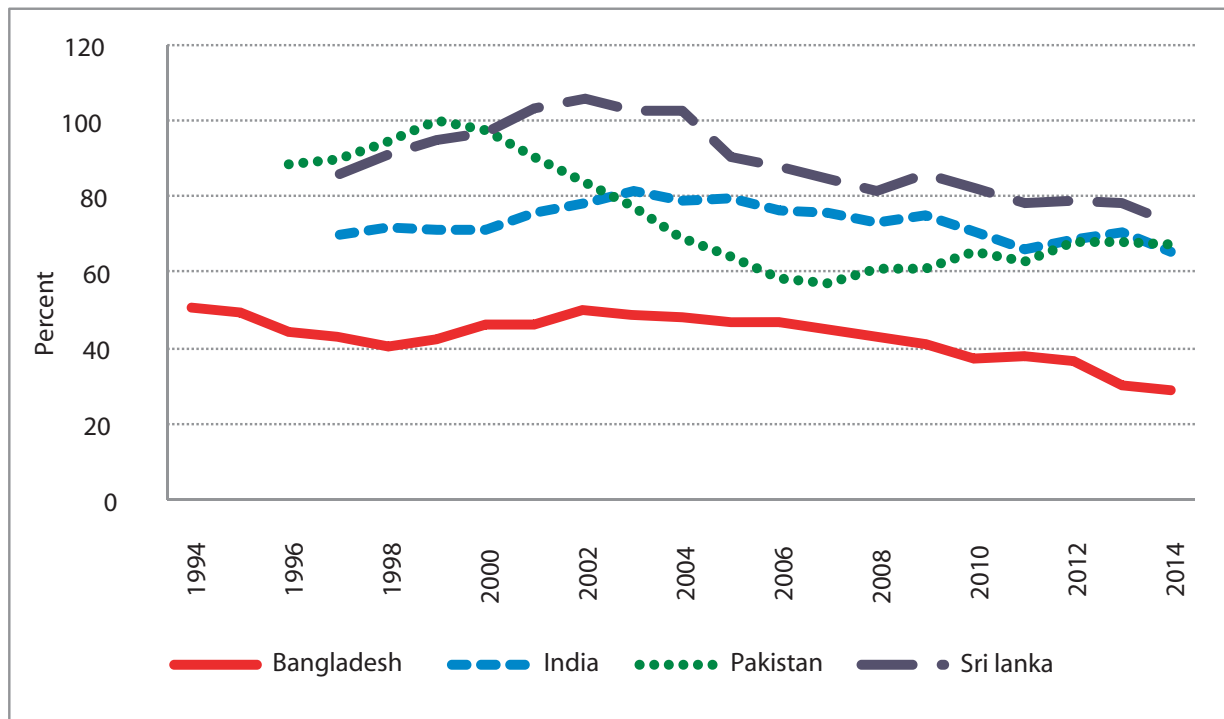
## Servicing the External Debt



Source: Statistics Department 2015, Bangladesh Bank.

- ❖ The external debt of the government is rising very slowly.
- ❖ Current Account Receipts (CAR), which are mainly composed of export earnings and remittances, are rising steadily.
- ❖ As a result, the external debt-CAR ratio is falling rapidly, suggesting an increasing capacity of the government to service the external debt.
- ❖ Here we get mixed opinions. To overcome the budget deficit the government takes loans from both foreign and domestic sources. If interest rates of foreign loans are less, then to minimize the cost of funding and total liabilities of the country, taking external loans is preferred.
- ❖ The government's repayment capacity of the external debt is commendable right now. Hence, taking more external loans to fulfill the huge demand for infrastructure seems desirable.

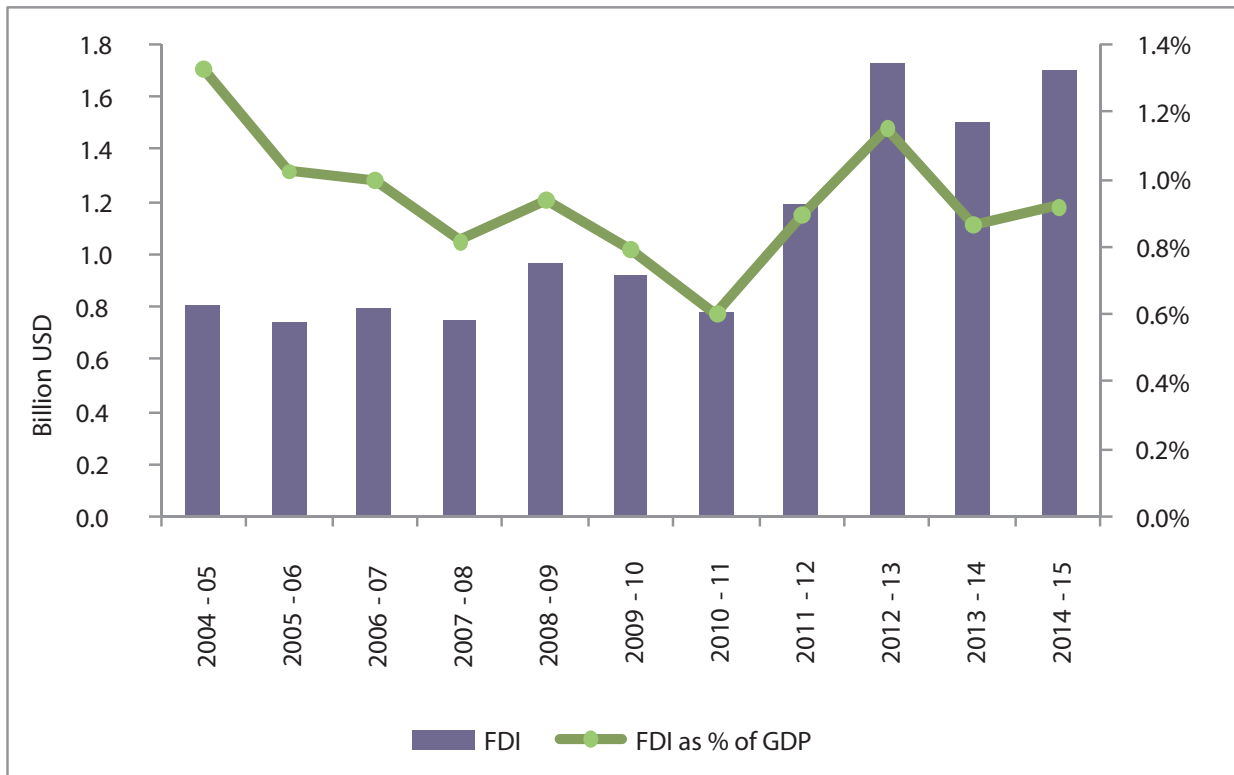
## Debt-GDP Ratio in South Asia



Source: World Development Indicator 2015, World Bank

- ❖ The Debt-GDP ratio in South Asia does not follow a uniform pattern.
- ❖ Bangladesh's Debt-GDP ratio is outstandingly low in the region. While India, Pakistan, and Sri Lanka face almost 70 percent debt-GDP ratio, the corresponding rate for Bangladesh is below 30 percent.
- ❖ This shows that Bangladesh has more room for incurring more debt which can be used for infrastructure and energy development.
- ❖ The government has taken development projects to increase the services of energy and infrastructure.
- ❖ It is helpful to get a good country rating if the debt-GDP ratio is in a moderate stage between 40 to 50 percent.
- ❖ While the government can take more external loans, it should not be spent to meet current expenditure. It will be appropriate to spend the amount behind the development budget.
- ❖ More steps need to be taken to reduce the waste of resources. Implementation capacity at the public management level must be improved further to rapidly finish energy and infrastructure projects.

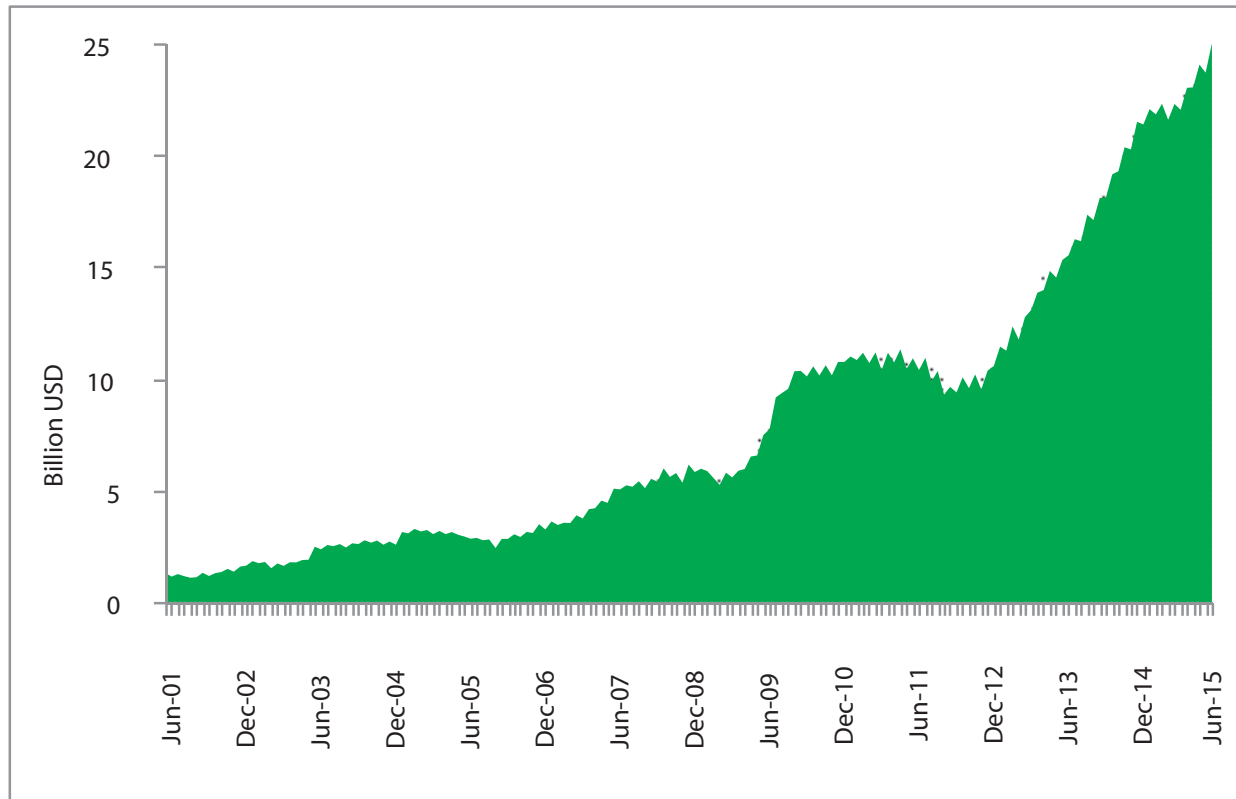
## FDI and Its Share in GDP



Source: Bangladesh Bureau of Statistics and Statistics Department 2015, Bangladesh Bank

- ❖ The inflows of Foreign Direct Investment (FDI) have been increasing in recent years, suggesting a growing confidence of foreign investors in Bangladesh's growth prospects.
- ❖ However FDI as a share of GDP is close to 1.0 percent which can be improved through further openness and governance enhancement.
- ❖ FDI can be increased by administrative capacity building such as 'one stop service' for the foreign investors in particular.
- ❖ FDI is not only the investment of money. We get technology which increases the long term capability for economic growth.
- ❖ FDI played a pivotal role in the economy of Singapore and Hong Kong.

## Evolution of Foreign Reserves

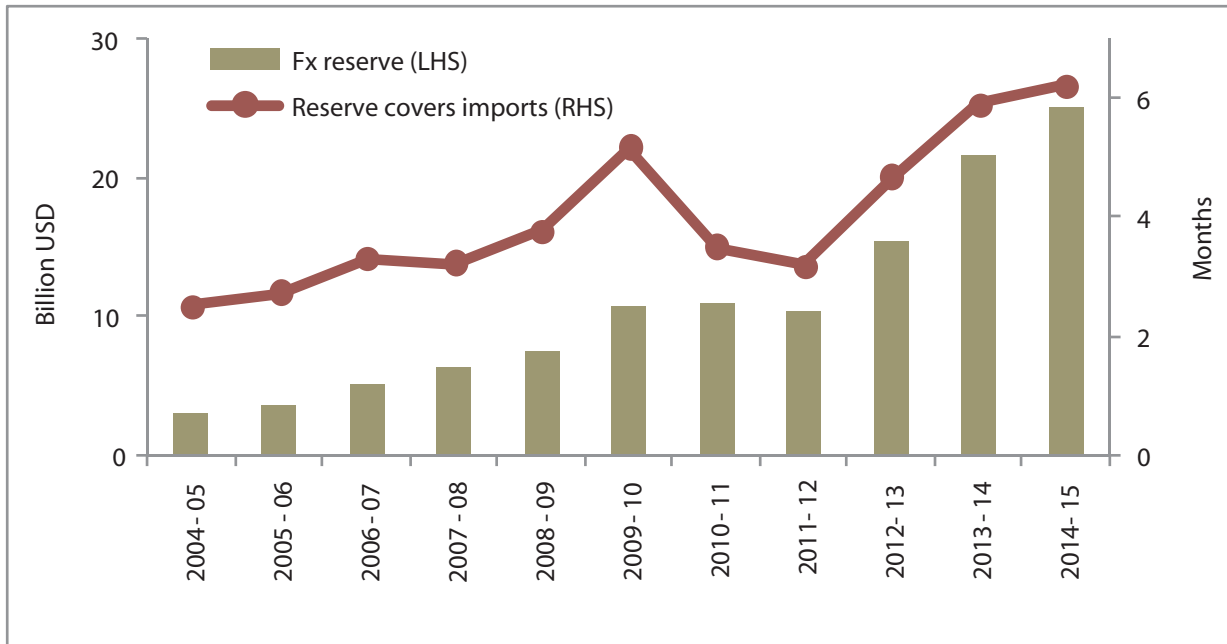


Source: Accounts and Budgeting Department 2015, Bangladesh Bank

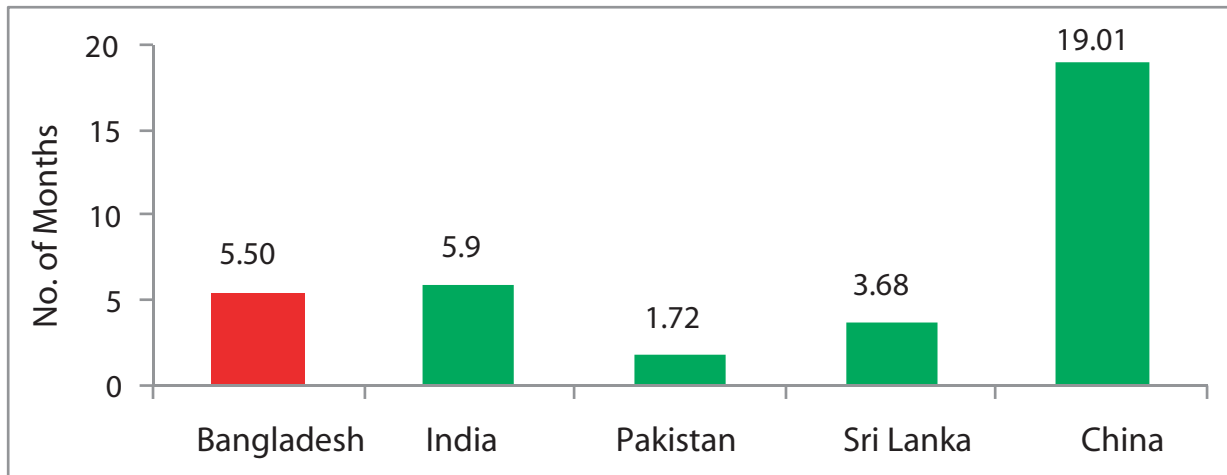
- ❖ The evolution of foreign reserves shows a respectable uptrend since 2009.
- ❖ The strong performances of the export sector and remittances and a rising agricultural production-all contributed to the healthy pileup of foreign reserves.
- ❖ And active monetary policy is creditworthy in this regard.
- ❖ Though there are many opinions among economists about the foreign reserve, but there is no theoretical exact number for reserves adequacy.
- ❖ A healthy stockpile of foreign reserves helps keep a fairly stable exchange rate.
- ❖ The government has never been worried over the level of reserves particularly in the past six years. The level has exceeded \$25 billion of late.



# Import Cover of Foreign Reserves



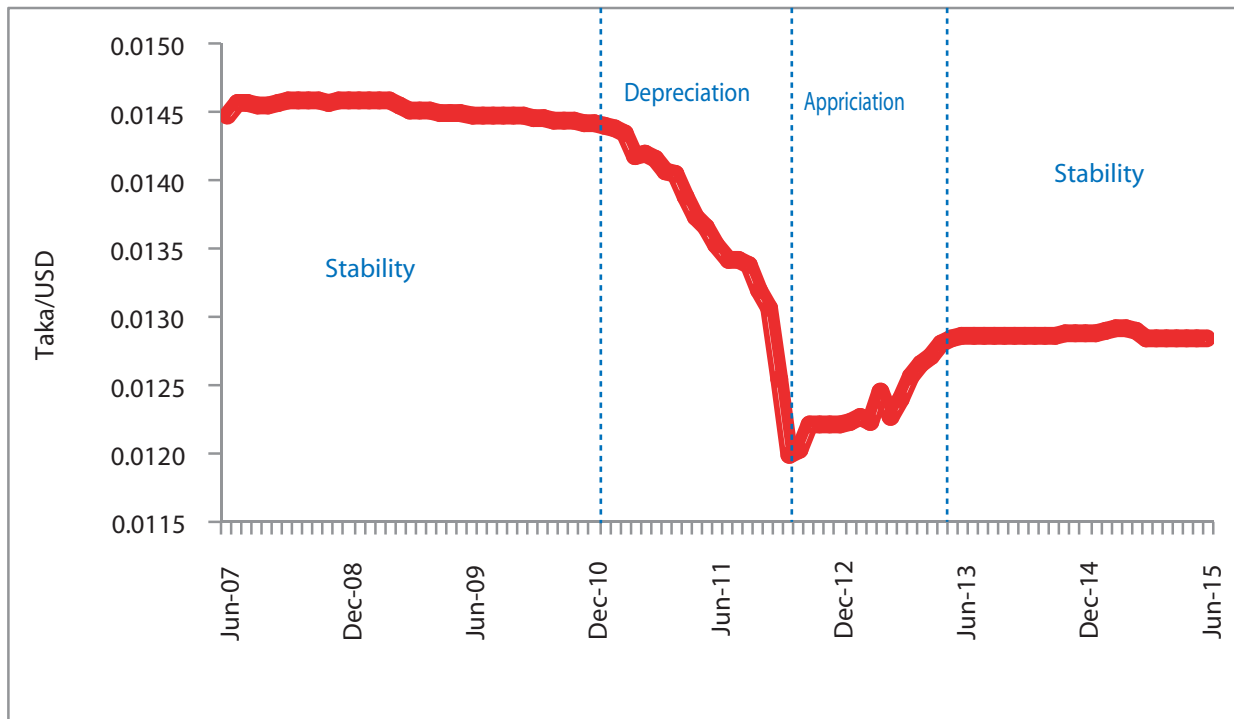
Source: Accounts and Budgeting Department and Statistics Department 2015, Bangladesh Bank



Source: World Bank and IMF 2015

- ❖ The chart shows the number of months a country can cover its import bills by using its reserves.
- ❖ The import cover of foreign reserves has increased since 2012 and now has come to a reasonable number that gives comfort to the monetary authority. Bangladesh’s foreign reserves are deemed to be standard in a regional comparison.
- ❖ It is comfortable if import coverage of 6 to 7 months can be maintained with foreign reserves. China, India, and Bangladesh are in such a comfort zone right now.

## Path of the Exchange Rate



Source: Statistics Department 2015, Bangladesh Bank

- ❖ A solid reserve of foreign exchanges gave enough strength to the market and helped to ensure a stable exchange rate.
- ❖ The stability of exchange rate has been prevalent through the entire period.
- ❖ The exchange rate of Bangladesh is mainly market driven. Still Bangladesh Bank iron outs fluctuations in the exchange rate to add peace to the investors' mind.
- ❖ The central bank's duty is to provide a stable exchange rate to the importers and exporters of a developing economy.
- ❖ Recently, depreciation took place in China and India, but not in Bangladesh. The results are mixed. Generally imports decrease and exports increase following the depreciation. Thus the current account deficit reduces.

## Balance of Payments

(in million US\$)

Items	FY-2013	FY-2014	FY-2015 <sup>P</sup>	Projected FY2016 <sup>P</sup>
<b>Balance of Trade</b>	<b>-7009</b>	<b>-6806</b>	<b>-10015</b>	<b>-13416</b>
Export f.o.b (including EPZ)	26567	29765	30762	33069
Import f.o.b (including EPZ)	33576	36571	40777	46485
<b>Balance of Services</b>	<b>-3162</b>	<b>-4189</b>	<b>-4708</b>	<b>-4944</b>
Receipts	2830	3065	3126	3439
Payments	5992	7254	7834	8383
<b>Balance of Primary Income</b>	<b>-2369</b>	<b>-2571</b>	<b>-2797</b>	<b>-2987</b>
Receipts	120	171	137	123
Payments	2489	2742	2934	3110
<b>Balance of Secondary Income</b>	<b>14928</b>	<b>14912</b>	<b>15889</b>	<b>17796</b>
Official transfers	97	79	65	150
Private transfers	14831	14833	15824	17646
<b>CURRENT ACCOUNT BALANCE</b>	<b>2388</b>	<b>1346</b>	<b>-1631</b>	<b>-3551</b>
<b>Capital Account</b>	<b>629</b>	<b>644</b>	<b>500</b>	<b>550</b>
<b>Financial Account</b>	<b>2770</b>	<b>3075</b>	<b>5220</b>	<b>4131</b>
Foreign Direct Investment	1726	1504	1700	1900
Portfolio Investment	368	825	850	900
Other Investment	676	746	2670	1331
Net Aid Flows	1179	1259	1400	1550
MLT loans	2085	2277	2450	2650
MLT amortization payments	906	1018	1050	1100
Other long term loans	-150	418	120	100
Other short term loans	-193	355	-100	-120
Trade credit	-250	-1045	850	-550
Commercial banks(DMBs &NBDCs)	90	-241	400	351
<b>Errors and omissions</b>	<b>-659</b>	<b>418</b>	<b>71</b>	<b>0</b>
<b>OVERALL BALANCE</b>	<b>5128</b>	<b>5483</b>	<b>4160</b>	<b>1130</b>

Note: P=Provisional R=Revised

Source: Statistics Department 2015, Bangladesh Bank



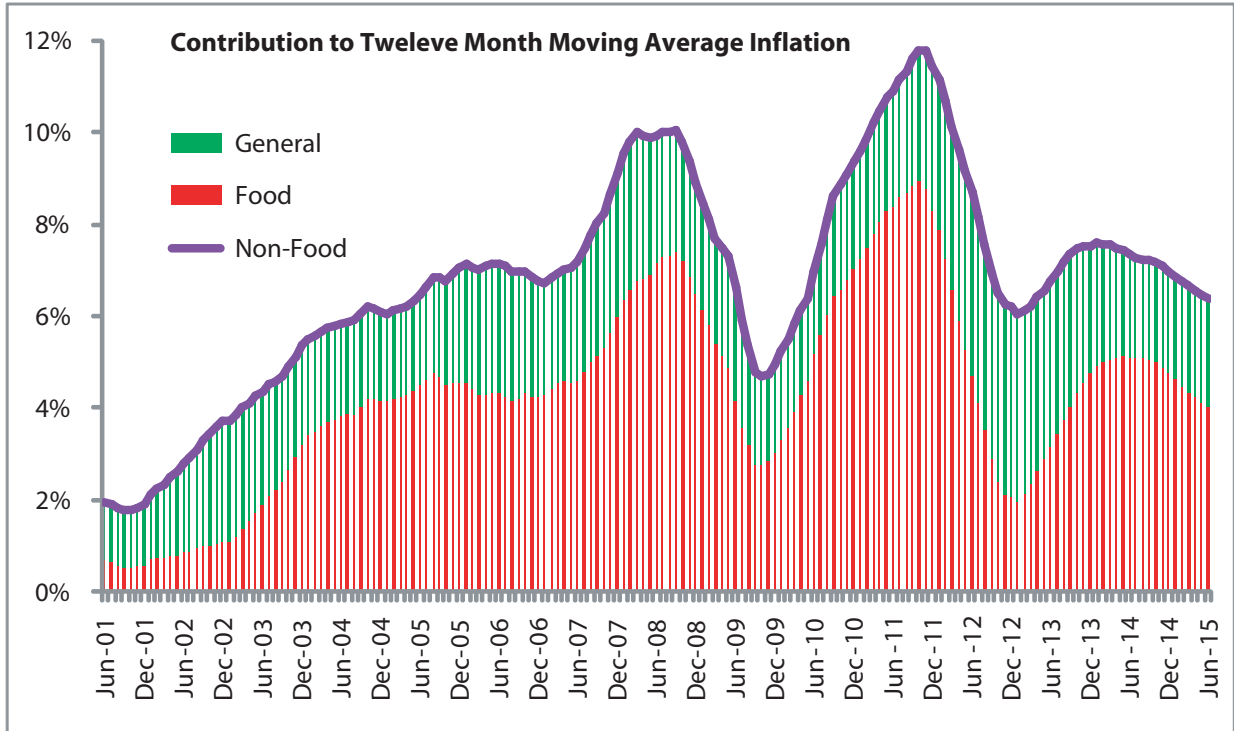
## PART-V



### PRICE, MONEY, AND FINANCE: STABILITY AND IMPROVEMENTS



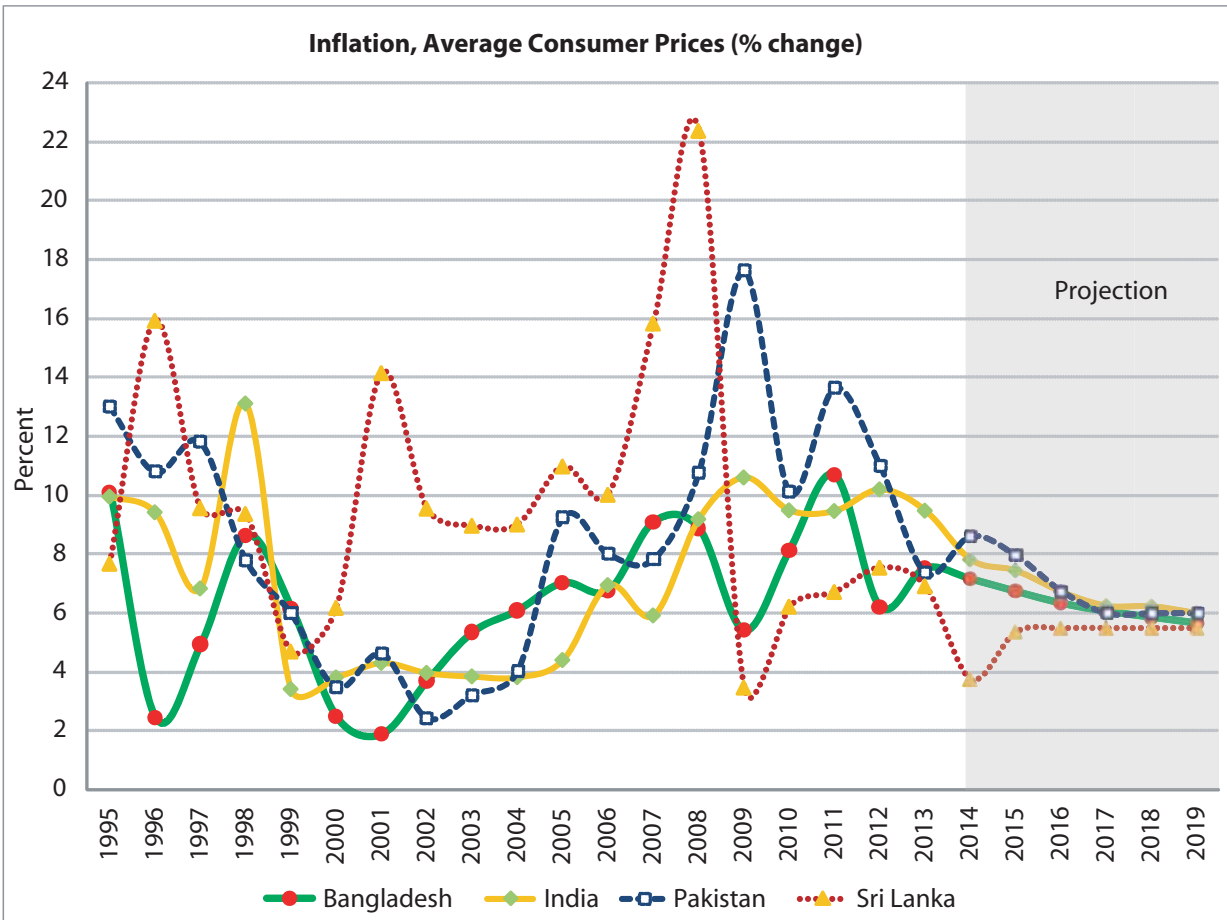
# Inflation: Food and Nonfood



Source: Bangladesh Bureau of Statistics 2015

- ❖ Inflation in Bangladesh has gradually been coming down since December 2011.
- ❖ Food inflation covers a large part of average general inflation.
- ❖ Though the diagram shows two big spikes of inflation, they mainly came from the global supply shocks.
- ❖ Overall, Bangladesh's inflation has remained at a tolerable level for last two years.
- ❖ Inflation came close to the target of 6.5% at the end of the FY 2015 due to low oil prices of low commodity prices in the global market.
- ❖ This level of inflation which is now close to 6% seems tolerable and natural for an emerging economy.
- ❖ Interest rates can be reduced if inflation is low. Low interest rates encourage investment. So, low inflation helps increase investment in an economy.

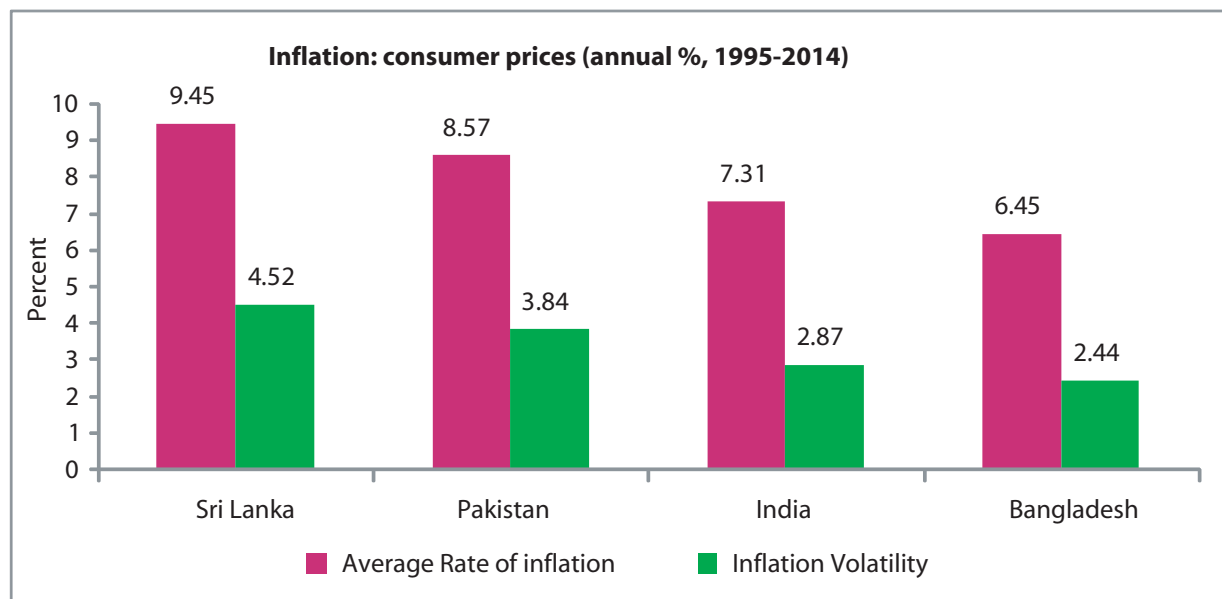
## Projected Inflation in South Asia



Source: World Economic Outlook, April 2015, IMF

- ❖ Projected inflation in South Asia shows a convergence at the rate of 6.0 percent and Bangladesh is close to that.
- ❖ If that convergence is achieved, price stability will help South Asian countries to engage in greater volume of trade.
- ❖ Regional price stability is likely to attract investment in South Asia. Moreover, consumers will reap the benefits of stable inflation and regional price convergence.
- ❖ The convergence of the regional inflation can be helpful for interest rates and equality in cost of funding in South Asia which may increase regional capital flows.

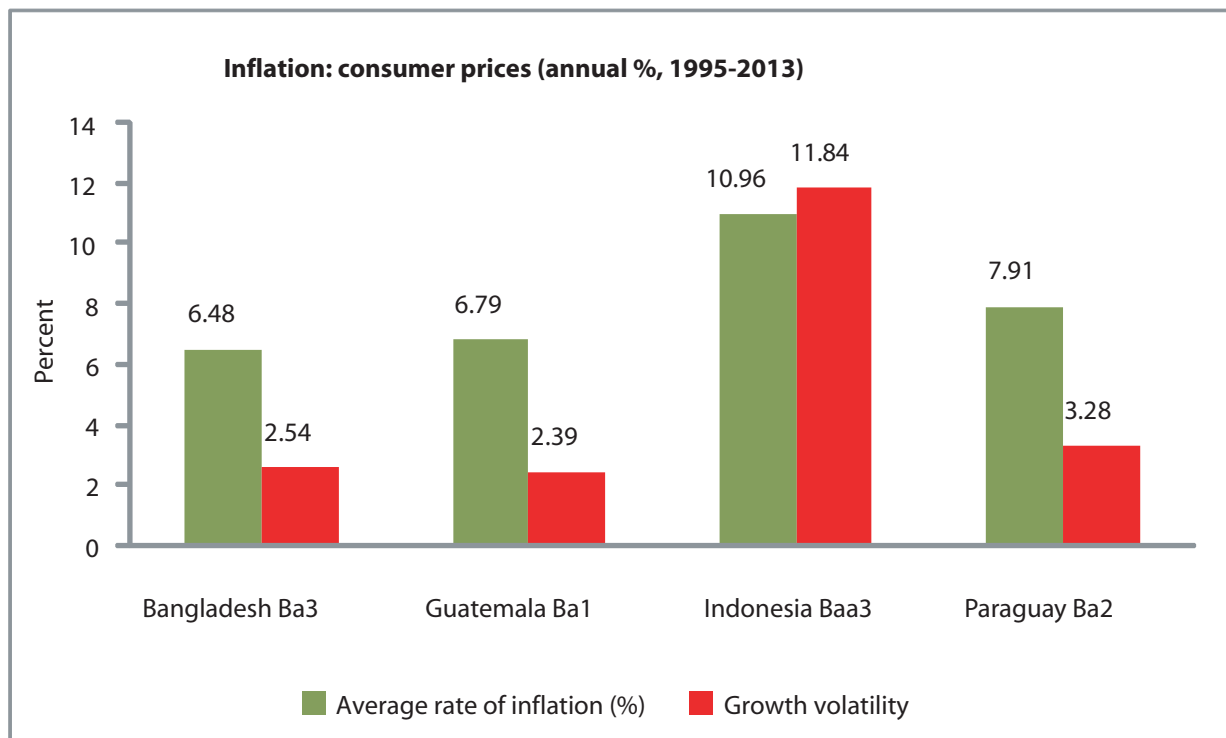
## Inflation and Volatility in South Asia



Source: World Economic Outlook, April 2015, IMF

- ❖ The average rate of Bangladesh's inflation is the lowest in the region that includes India, Pakistan, and Sri Lanka as well.
- ❖ More spectacularly Bangladesh's inflation volatility is the lowest in the region, suggesting respectable macro stability in country.
- ❖ The main intent of monetary policy is price stability and moderate inflation. The central bank of Bangladesh was able to show the highest efficiency in achieving this goal among South Asian countries. The last twenty years' history reflects this achievement.
- ❖ Inflation of Bangladesh remained consumer friendly over the last two decades. Consumption is around four-fifths of our national income.
- ❖ Global factors affected inflation equally in all countries over the last 20 years. Besides this, low inflation in Bangladesh indicates the success of the moderate monetary policy of the country.

## Inflation Comparison with Peers of Better Ratings

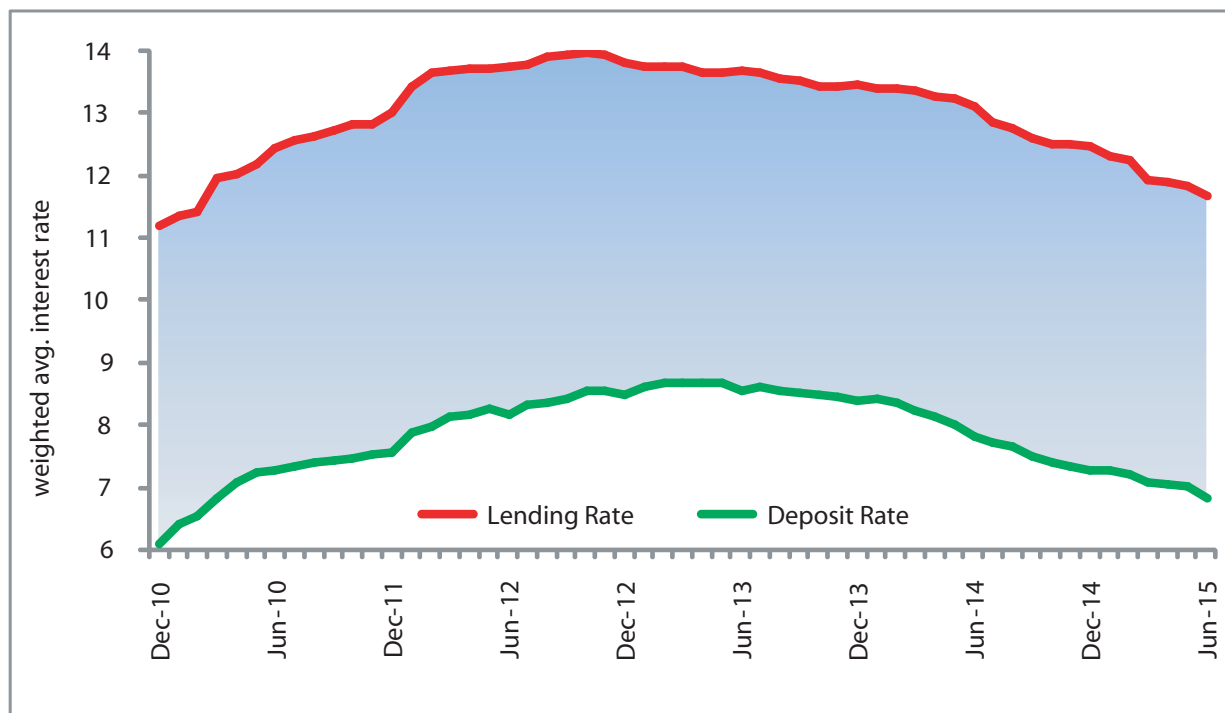


Source: *World Economic Outlook, April 2015, IMF*

- ❖ The average rate of Bangladesh's inflation is lower than the average rates of inflation of Guatemala, Indonesia, and Paraguay- the countries who have been rated higher than Bangladesh by a rating agency Moody's.
- ❖ In addition to that Bangladesh's inflation has been associated with almost lowest possible volatility, suggesting better macro stability in the country.
- ❖ Two major variables of macro stability of economy are growth and inflation. Bangladesh achieved the best macro stability in these variables among neighbors and the countries of similar ratings.
- ❖ It is a combined success of both monetary and fiscal strategies.



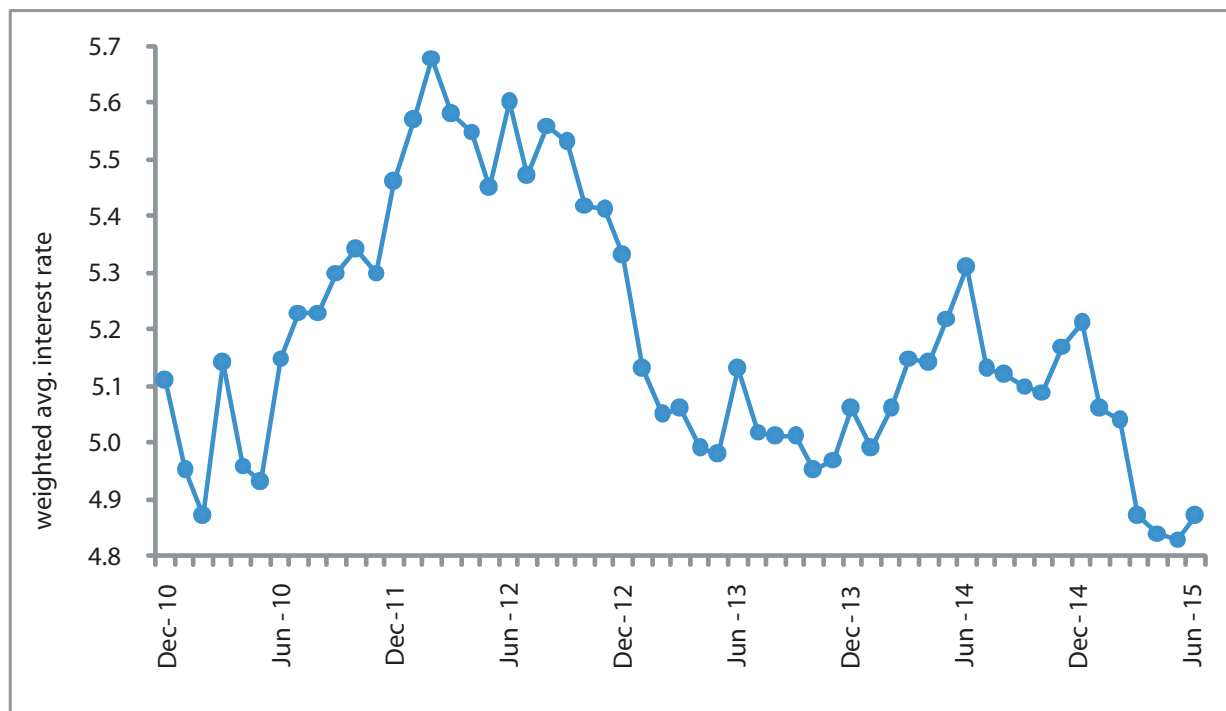
## Lending and Deposit Rates



Source: Statistics Department 2015, Bangladesh Bank

- ❖ The lending and deposit rates in Bangladesh are gradually falling since the end of 2012.
- ❖ More measures have been taken to further reduce the rates and the spread between the two rates.
- ❖ The government has already brought down interest rates on Sanchaypatra by about 2 percentage points to reach 11% (June 2015).
- ❖ If the inflation rate remains at this level, interest rates on Sanchaypatra would require further reduction. If there is no consistency between the average bank deposit rate (7%) and the Sanchaypatra rate (11%), funds will rush to Sanchaypatra, creating difficulties in the banking sector.
- ❖ The average deposit rate is almost 7% and the average lending rate is almost quarter to 12% and the spread is also below the 5% in the market at present.
- ❖ If this trend a falling lending rate continues like this, investment will be encouraged more.
- ❖ The spread is mainly determined by the regular expenditure of banks, taxes paid to the government, and the provision for default loans.

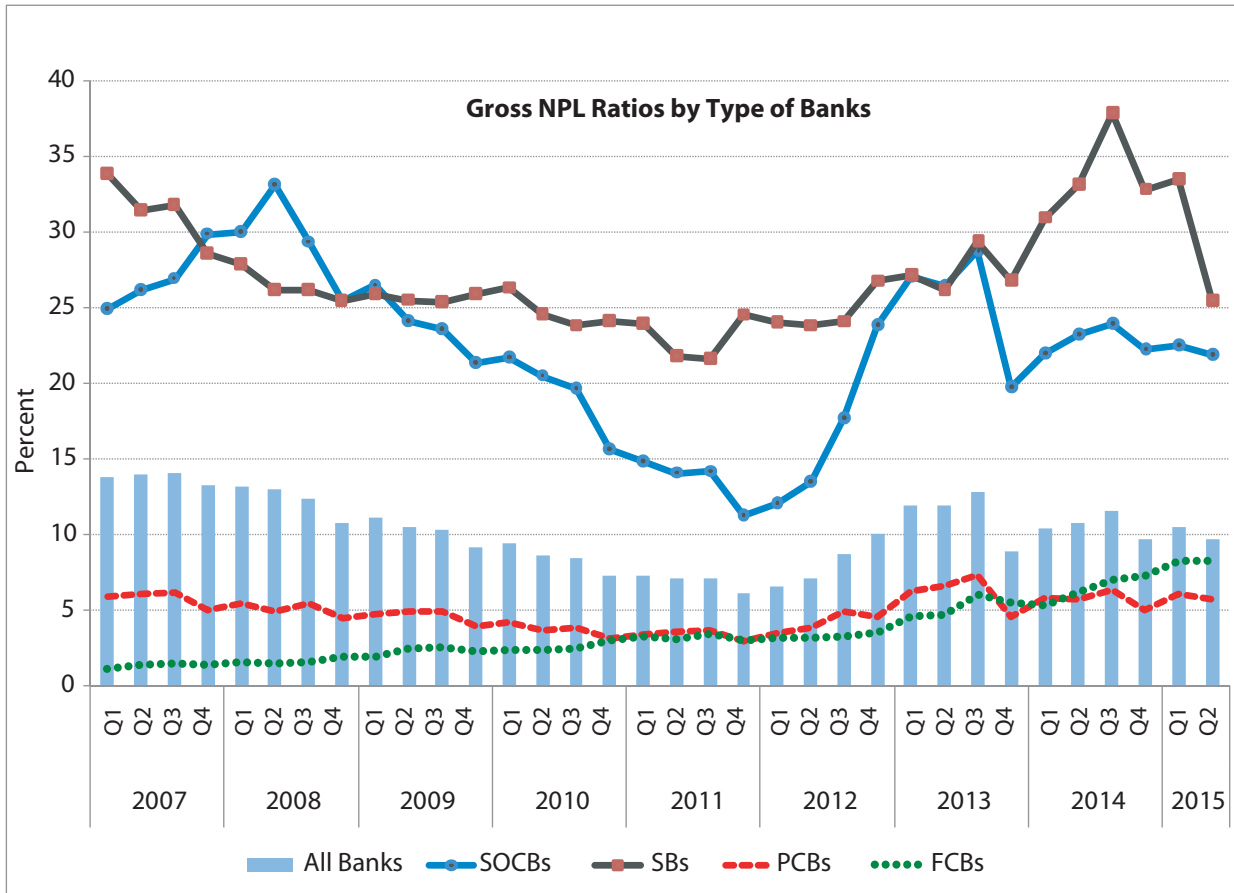
## Path of the Interest Rate Spread



Source: Statistics Department 2015, Bangladesh Bank

- ❖ The spread is calculated by subtracting the deposit rate from the lending rate.
- ❖ The interest rate spread is gradually falling since early 2012.
- ❖ It slightly went up in the middle of 2014 mainly because of supply disruptions.
- ❖ Reducing the spread means more banking efficiency. Our depositors expect slightly more interest on their deposits due to lack of pension schemes and an immature stock market. In this circumstance, there are no alternatives other than reducing the spread to decrease lending rate in order to increase investment.
- ❖ It is possible to reduce the spread by increasing banking efficiency further. The spread of Malaysia is about half of ours.
- ❖ Default loans must be reduced. Otherwise the spread cannot be minimized in a significant manner.

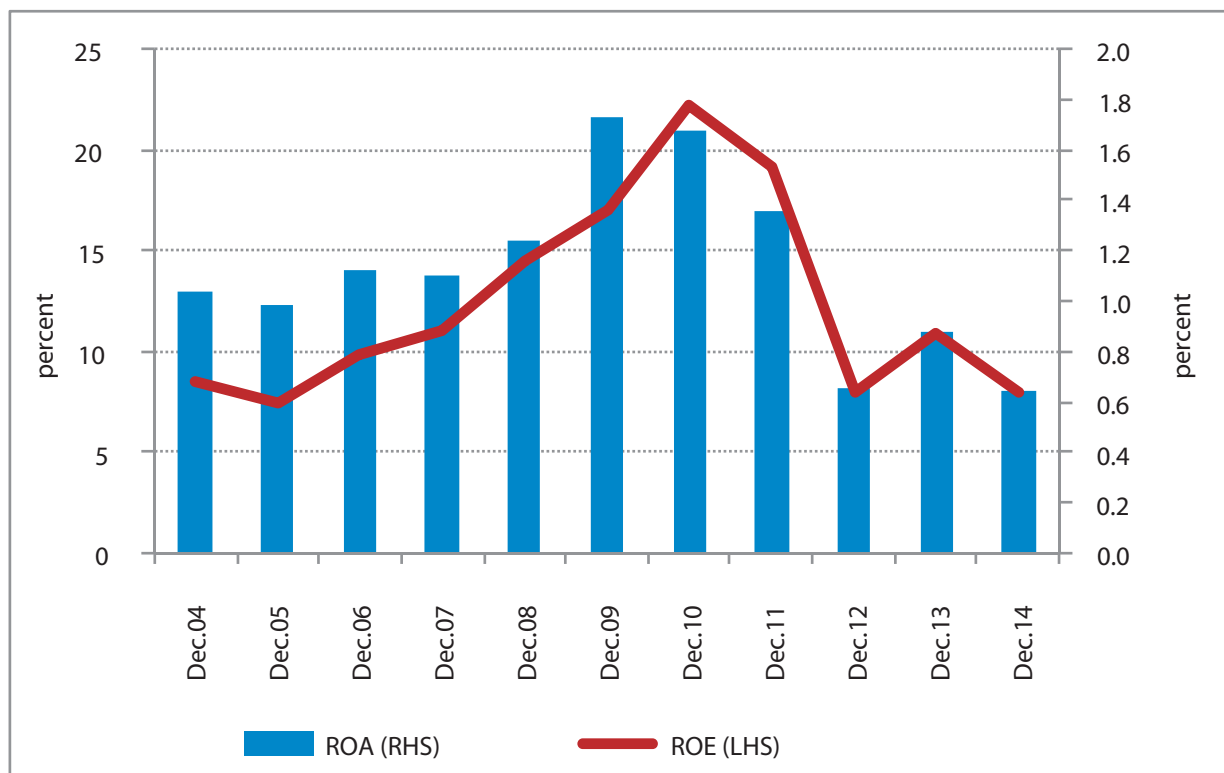
# Nonperforming Loans in the Banking Sector



Source: Banking Regulation and Policy Department 2015, Bangladesh Bank

- ❖ Nonperforming loans in the banking sector are around 10.0 percent of the outstanding loans.
- ❖ State Owned Commercial Banks and Specialized banks are the major source to the prevalence of high nonperforming loans.
- ❖ The central bank has taken adequate measures to reduce the amount of bad loans. And the results are reflected in the last quarter of 2014.
- ❖ Coordination of the central bank with other government bodies and swiftness of the judiciary can help minimize the bad loans.
- ❖ The World Bank, IMF and rating agencies have drawn attention to the bad loans. Conscious people expect that habitual defaulters should not get any leniency. This expectation is also reflected in the monetary policy of the central bank (Jan 2015).

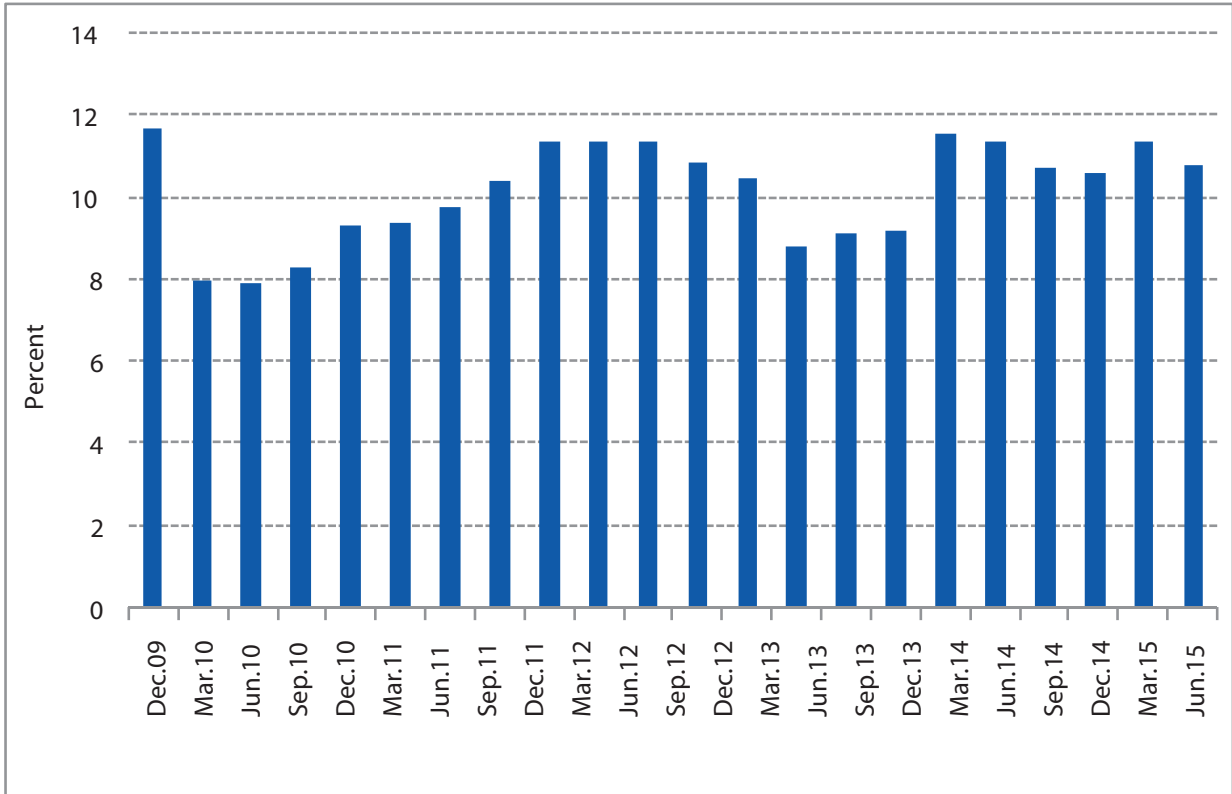
## Return on Assets and Return on Equity



Source: Department of Off-site Supervision 2015, Bangladesh Bank

- ❖ The Return on Assets (ROA) and the Return on Equity (ROE) confirm the standards.
- ❖ The ROA is expected to be at least 0.5 percent. It is the expected levels.
- ❖ The current ROE at around 8 percent is satisfactory.
- ❖ These two rates will increase if efficiency of the banking system improves and default loans can be reduced.
- ❖ Banks are also seeking to develop the quality of assets and equity.

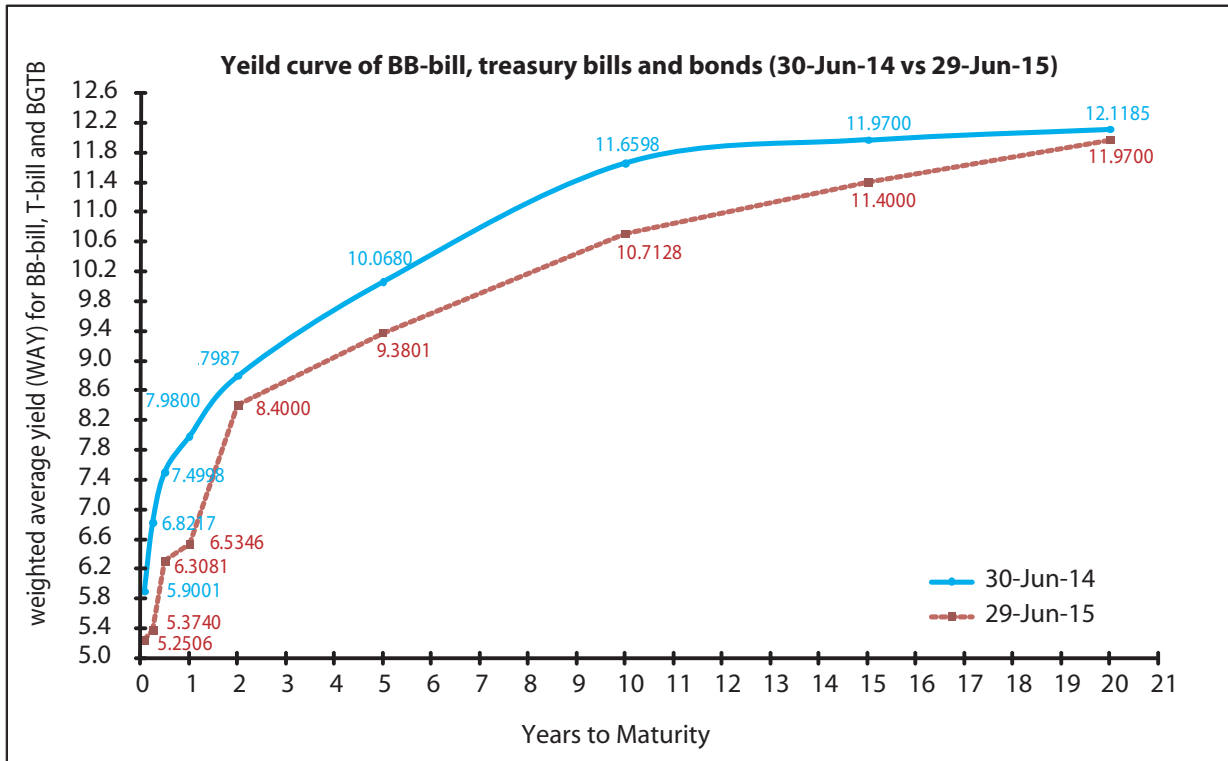
# Capital Adequacy Ratio



Source: Department of Off-site Supervision 2015, Bangladesh Bank

- ❖ The Capital Adequacy Ratio (CAR) which is supposed to be 10.0 percent is now higher than that.
- ❖ This reflects a healthy performance of the banking sector.
- ❖ Bangladesh already implemented Basel-II and has started implementing Basel-III, which are regarded as the global standards for banking practice.
- ❖ In consideration of the trend line, the capital adequacy rate has been increasing since the beginning of 2013.
- ❖ This is a sign of increasing trust on the banking system and an indicator of investment incentives.
- ❖ Increasing the quality of capital is necessary for the durable growth.

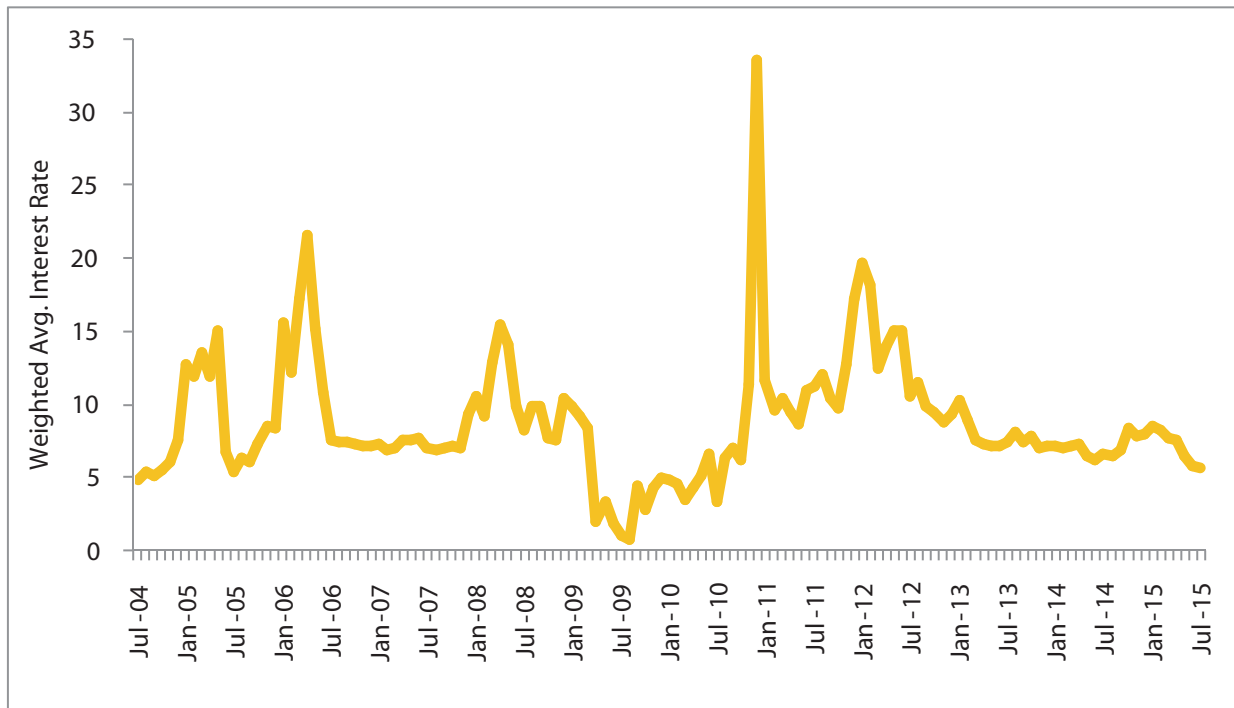
# Upward Yield Curves



Source: Monetary Policy Department 2015, Bangladesh Bank

- ❖ The upward sloping yield curve shows a prospective future of investment in Bangladesh.
- ❖ That is why the foreign investors are now more attracted to engage themselves in long term commitment in Bangladesh.
- ❖ Investors are interested in the slope of the yield curve which helps get long term foreign loans.
- ❖ This type of slope of the yield curve is helpful for Bangladesh to initiate long term bond for infrastructure and energy.
- ❖ For a developing country, this type of opportunity does not come all times.

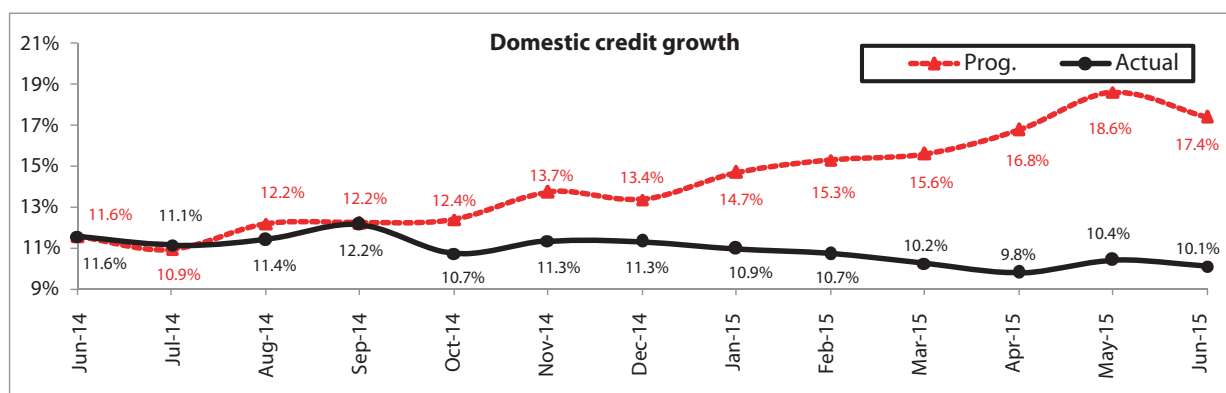
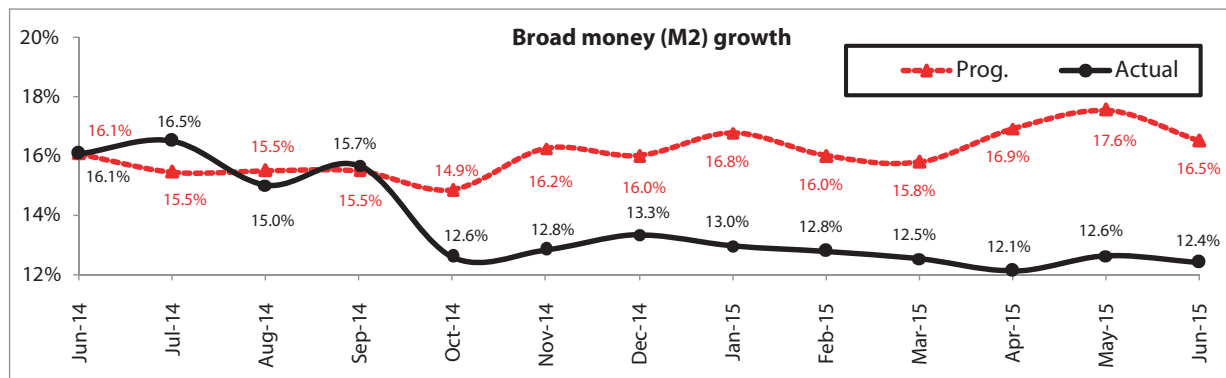
## Call Money Rate



Source: Debt Management Department 2015, Bangladesh Bank

- ❖ Except for some occasional spikes the call money rate shows a considerably tight money market suggesting that there is no liquidity overhang in the money market.
- ❖ The call money rate spike quickly before any festivals. It is usual, because people withdraw cash more during that time. For this, liquidity demand increases in banks.
- ❖ Consumer spending before festivals invigorates the economy.
- ❖ The call money rate is now below 10 percent which indicates the short term cost of funding in economy.

## Broad Money and Domestic Credit Growth

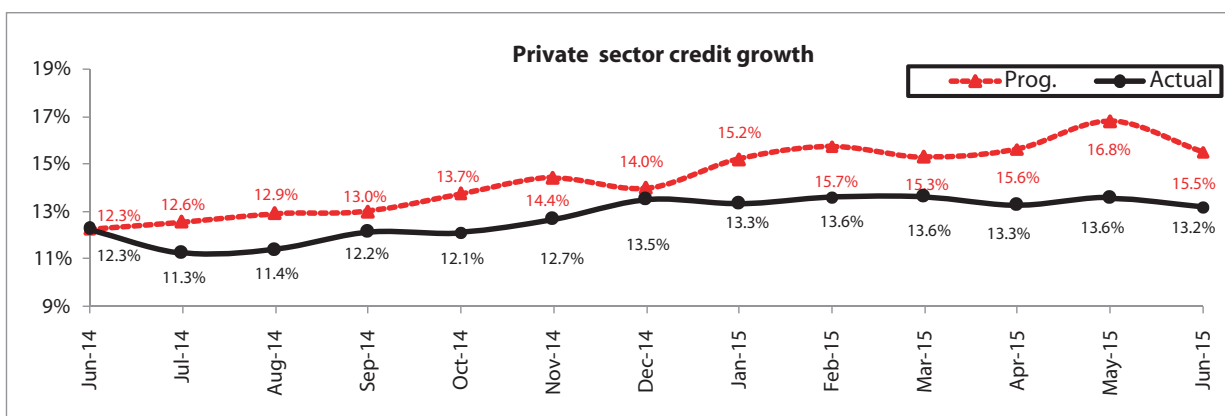
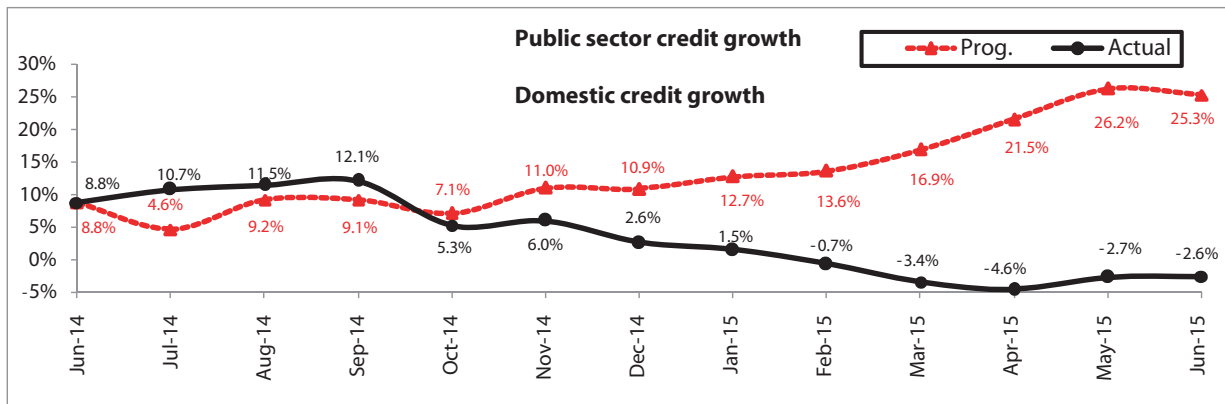


Source: Monetary Policy Department 2015, Bangladesh Bank

- ❖ The central bank has remained cautious in its monetary stance. As a result broad money growth has remained much lower than the programmed path.
- ❖ This helps to achieve inflation target in a steady fashion.
- ❖ The programmed path has left some room for future expansion of domestic credit.



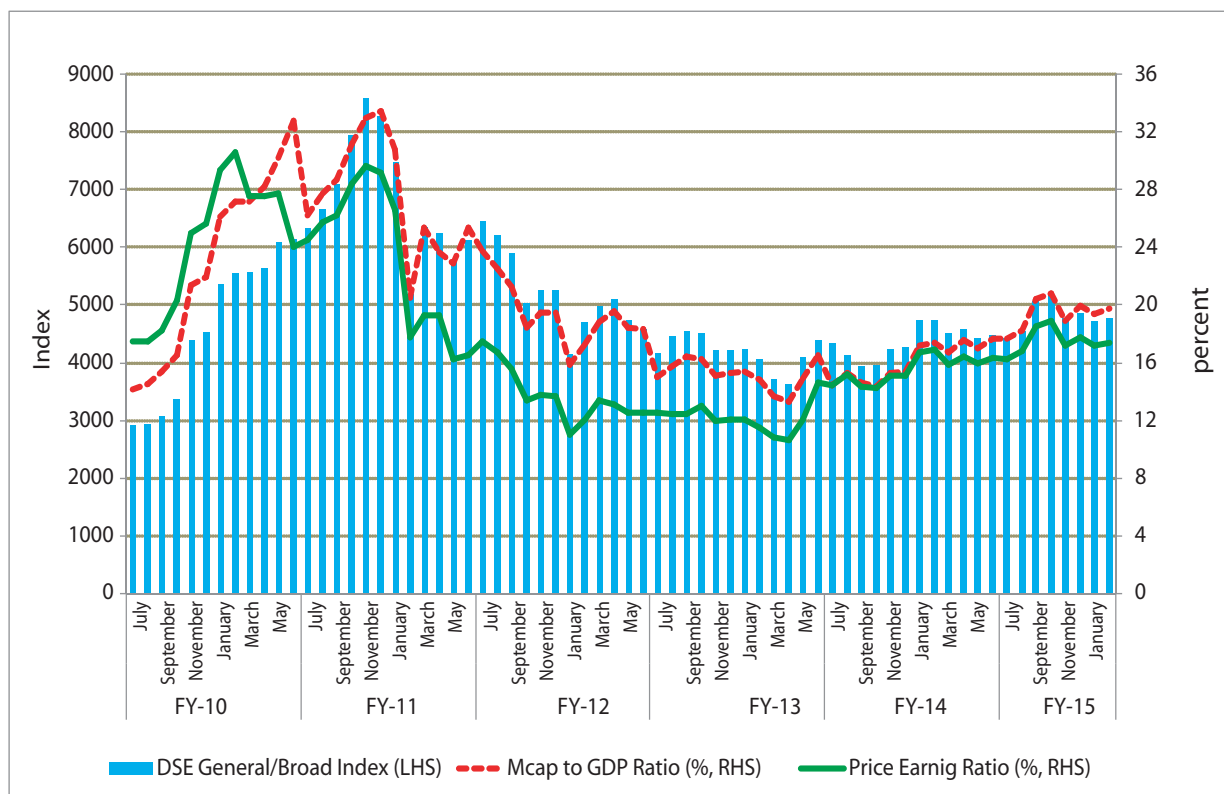
# Public and Private Sector Credit Growth



Source: Monetary Policy Department 2015, Bangladesh Bank

- ❖ Lower bank borrowing kept public sector credit growth below the programmed level since October 2014.
- ❖ The private sector credit growth also remained below the programmed path during the fiscal year 2015, particularly due to allowing the local corporate to lap foreign sources of financing.
- ❖ Investors gain their confidence if a stable political situation prevails for a long time. Investment keeps on escalating swiftly, according to Keynes' notion of 'animal spirits'.

# Capital Market Developments



Source: Monthly Economic Trends, September 2015, Bangladesh Bank

- ❖ The stock market is reviving after 2012. Market capital as a share of GDP is gradually rising.
- ❖ The price earning ratio is also rising consistency since 2012.
- ❖ There was a price bubble in the FY2010 and once the bubble burst, the value of market capitalization fell, but it is rising now though slowly.
- ❖ High interest rates and high return from the stock market do not live together. It is usual to invest in the stock market when savings and deposit rates are low.
- ❖ The government is committed to reinstating the confidence of the investors by reinforcing the rules and regulations of the stock market.

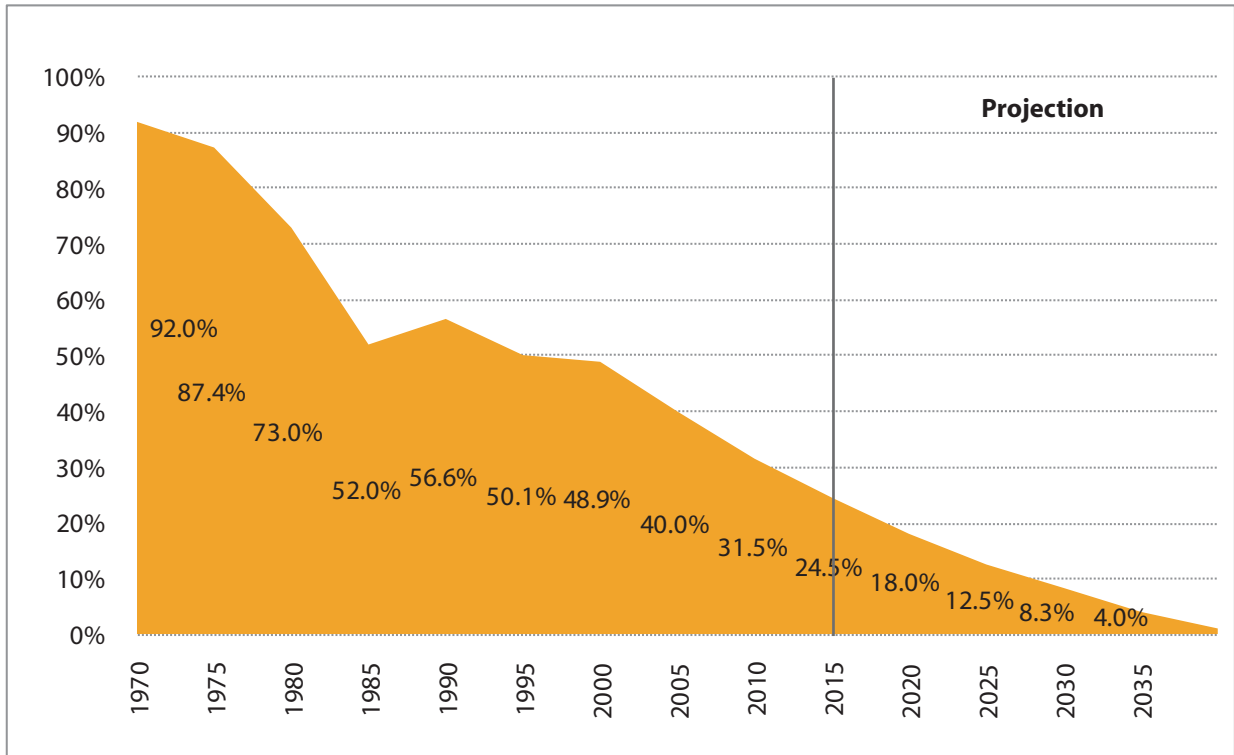


## PART-VI

### SOCIAL INDICATORS: A MODEL OF DEVELOPMENT






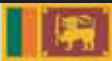
## Poverty Reduction Map



Source: HIES Survey Report 2010, Bangladesh Bureau of Statistics 2015 and Bangladesh Bank's projection

- ❖ One area where Bangladesh achieved an amazing success is poverty reduction.
- ❖ The way it reduced poverty has turned in to a role model for many developing countries.
- ❖ The poverty rate is expected to come to a single digit in 12 years.
- ❖ The rate may fall further if infrastructure development is achieved.
- ❖ Government policies like liberalization, quality education, family planning, infrastructure development, and opportunity to do business in the market system have been the key factors behind a rapid reduction in poverty.

## Literacy, Life Expectancy, and Other Figures

	1991	2013 / Latest		
				
	Bangladesh (BA3)	Bangladesh (BA3)	India (BA3)	Sri Lanka (BA3)
<b>1. Literacy rate, adult total</b> (% of people ages 15 and above)	35.3%	57.7%	62.8%	91.2%
<b>2. Life expectancy at birth, total</b> (years)	60.5	69.9	66.0	73.9
<b>3. Fertility rate, total</b> (births per woman)	4.4	2.2	2.5	2.4
<b>4. Mortality rate, infant</b> (per 1,000 live births)	95.8	33.0	44.0	8.0
<b>5. Immunization, DPT</b> (% of children 12-23 mths)	74%	97%	72%	99%

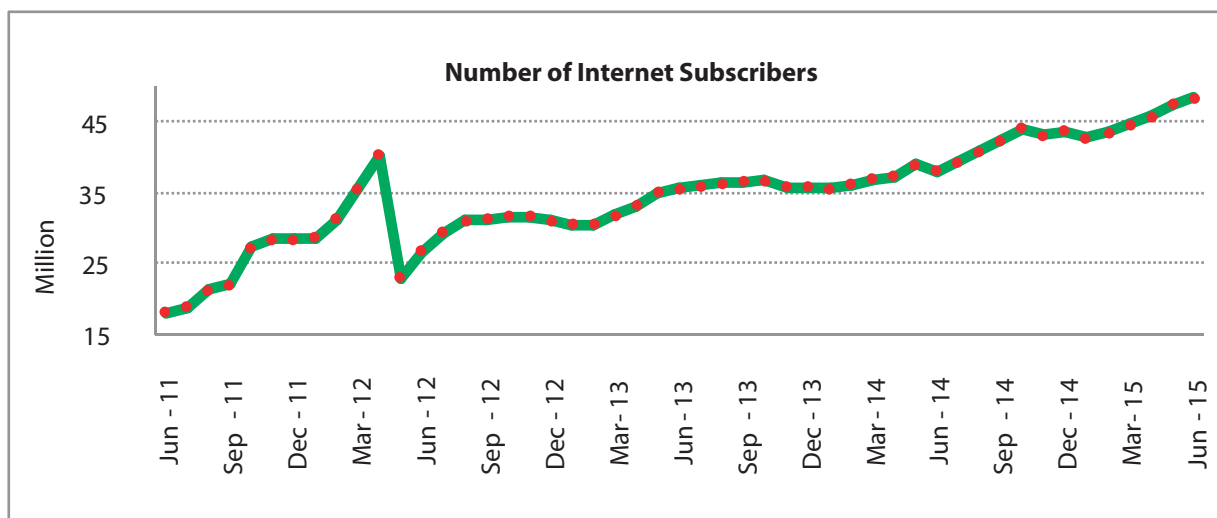
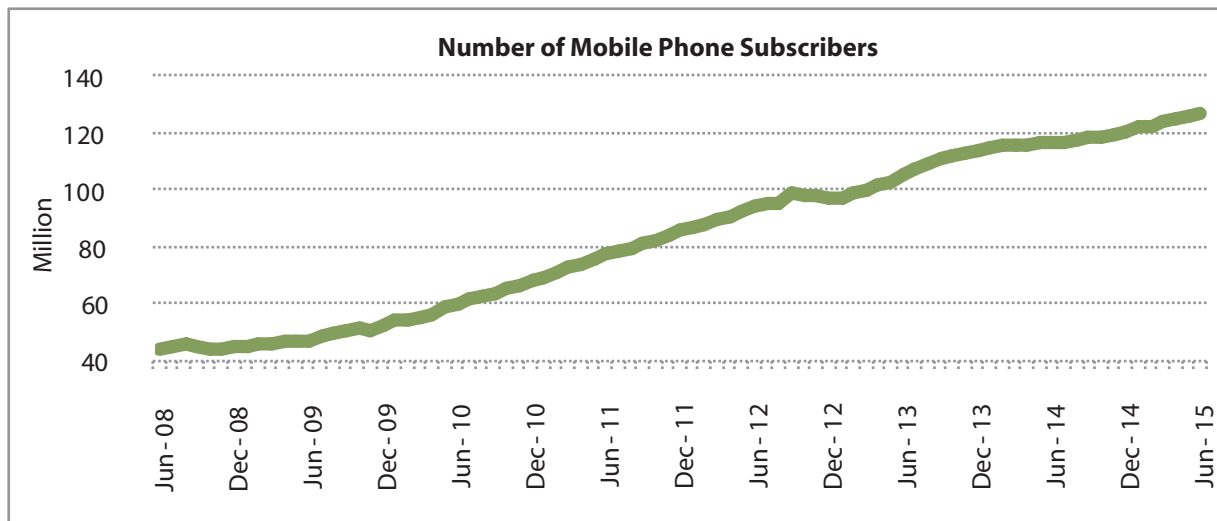
Source: World Development Indicators 2015, World Bank

	All Households		
	2000	2005	2010
Electricity Connection (%)	31.2	44.2	55.2
TV ownership (%)	15.8	26.5	35.8
Phone ownership (%)	1.5	12.2	63.9

Source: HIES Survey Report 2010, Bangladesh Bureau of Statistics

- ❖ The achievements of Bangladesh in social indicators are simply exemplary.
- ❖ Bangladesh has turned into a regional star in social achievements.
- ❖ Nobel laureate Amartya Sen asserts that many social indicators of Bangladesh are ahead of India.
- ❖ The growth in electricity, television and, cell phone usage are phenomenal reflecting our increased demand for technology.

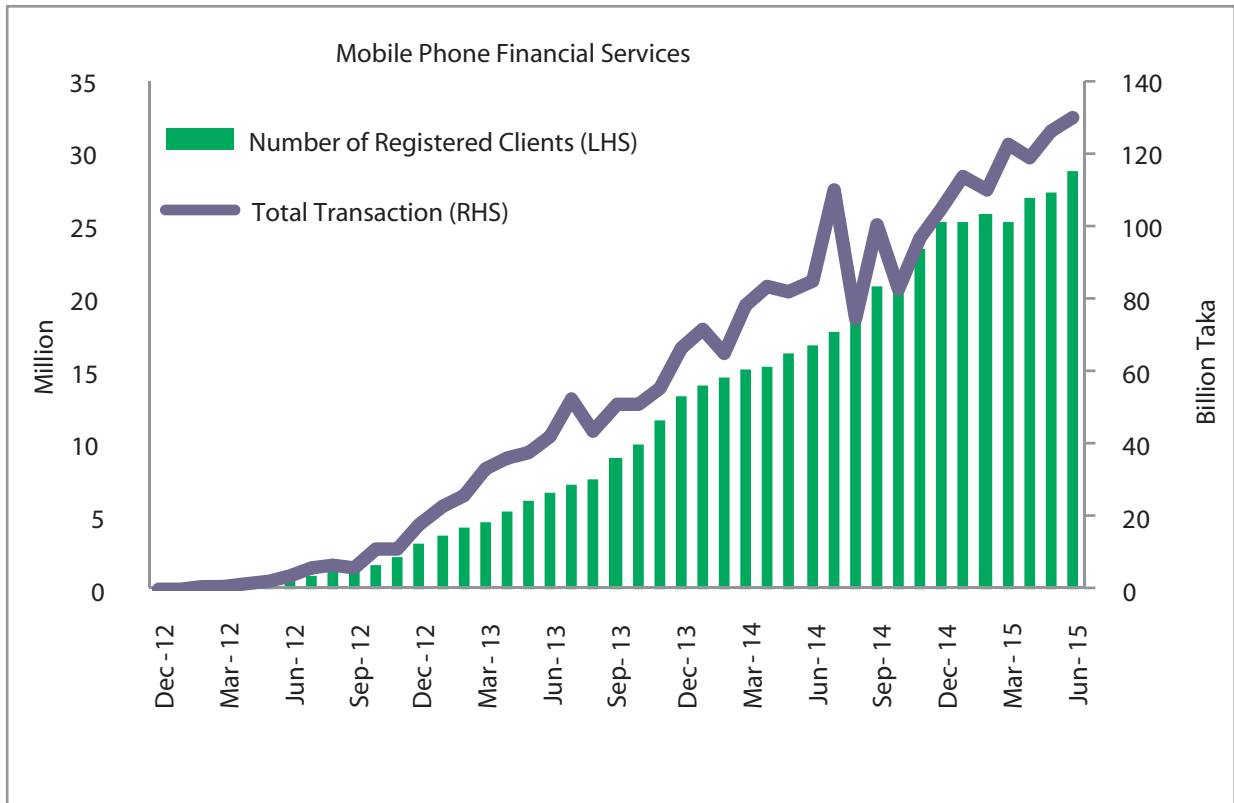
## Subscriber Number of Mobile Phone and Internet



Source: Annual Report 2015, Bangladesh Telecommunication Regulatory Commission

- ❖ Mobile phone subscribers' number has been increasing over the last six years.
- ❖ Mobile is not only a talking device now; moreover it is a multidimensional effective instrument in an emerging economy.
- ❖ This revolution has been made possible through the privatization of the mobile phone sector. The cell phone market is an impeccable example success in a market economy. Revenue income of the government has also increased.
- ❖ Expansion of internet use has been remarkable toward the goal of a digital Bangladesh.
- ❖ Successes in cell phones prove the intrinsic strength of competition which is the main factor of free market economy.

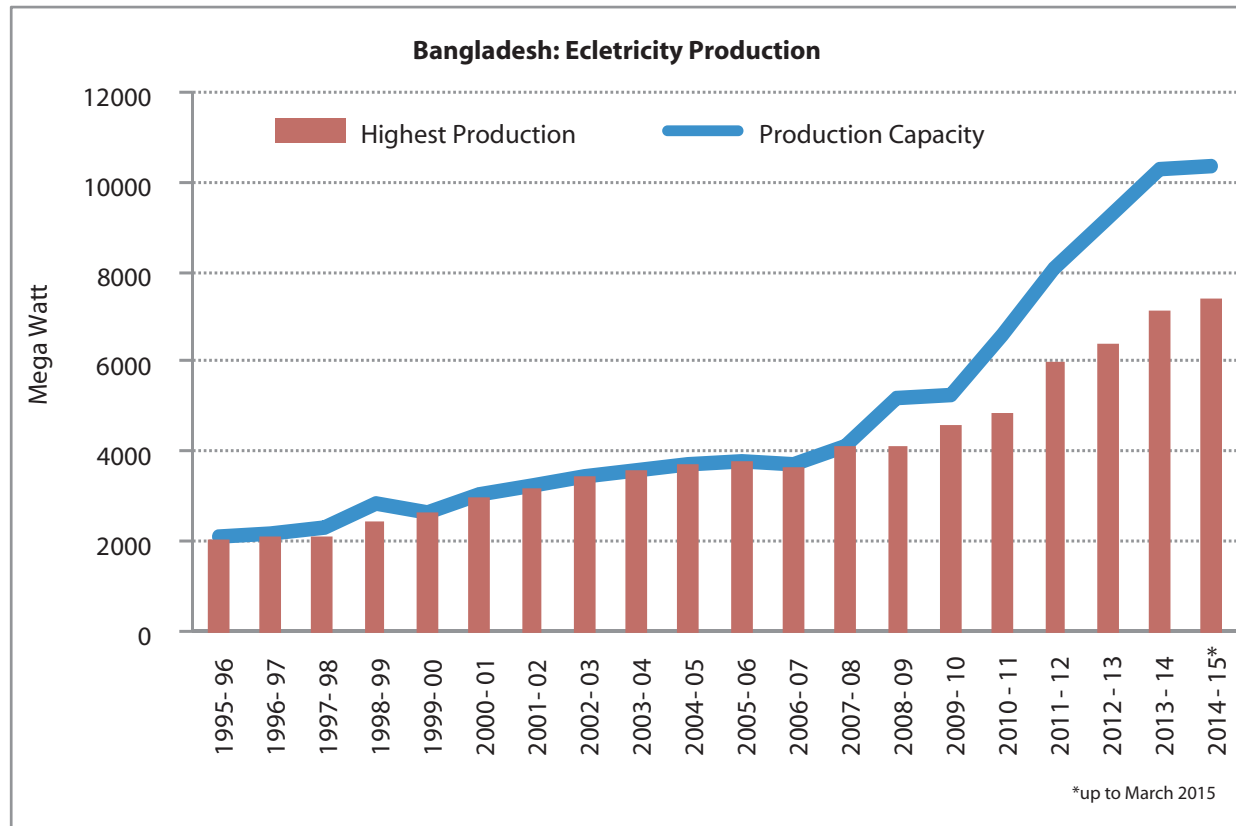
## Mobile Phone Spread of Financial Service



Source: Payment Systems Department 2015, Bangladesh Bank

- ❖ A mobile phone is not simply a talking device. It is a dominant driving force for expanding financial services.
- ❖ Working people in cities send money to villages through a mobile phone.
- ❖ Rapid growth of technology based financial services proves that Bangladesh is moving toward financial inclusion at a faster pace.
- ❖ The central bank has created a new department named "Financial Inclusion." Many developed countries in the world are interested to know the success stories of financial inclusion in Bangladesh.

## Competency of Electricity Production

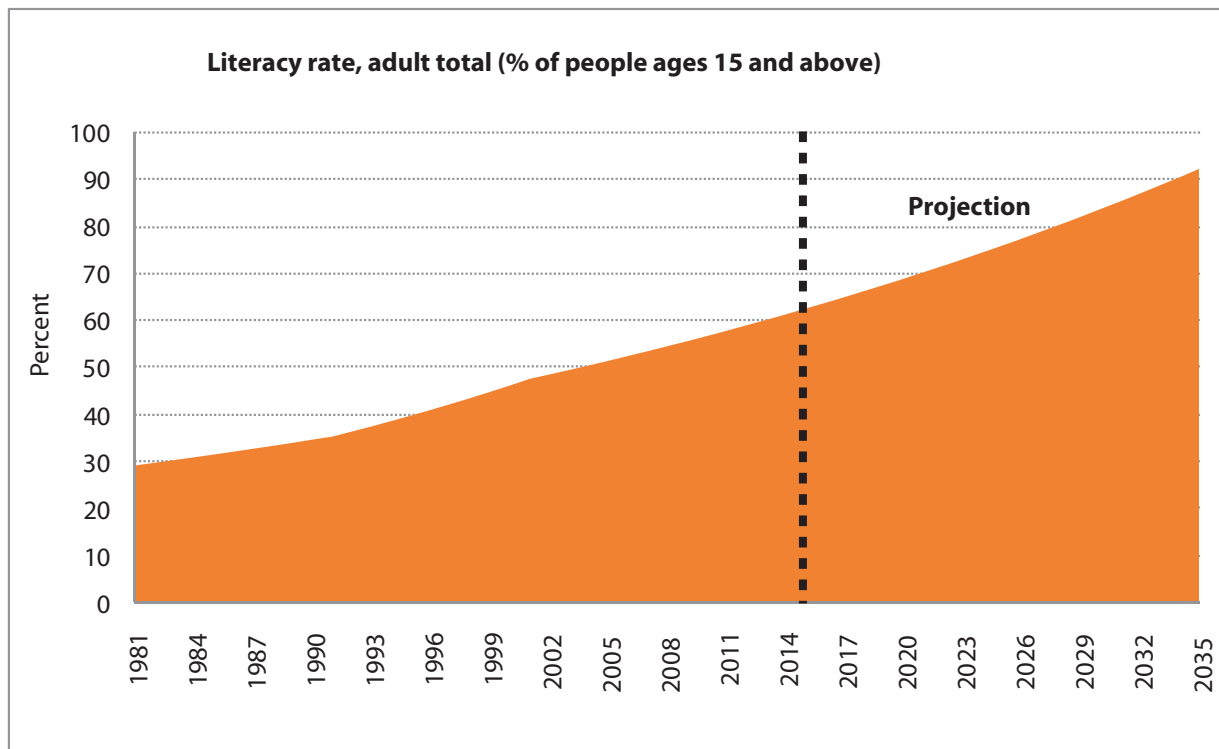


Source: Bangladesh Economic Review 2014, Ministry of Finance and Bangladesh Power Development Board 2015

- ❖ Electricity is essential for modern development activities.
- ❖ The government defined electricity as the priority sectors.
- ❖ Electricity production increased three times after 2008.
- ❖ Our national growth has been strongly benefited from growth in electricity.
- ❖ The difference between the capability and actual production is an area to be addressed fast.
- ❖ Productivity will rise further in industry and services if the incompetence can be addressed.



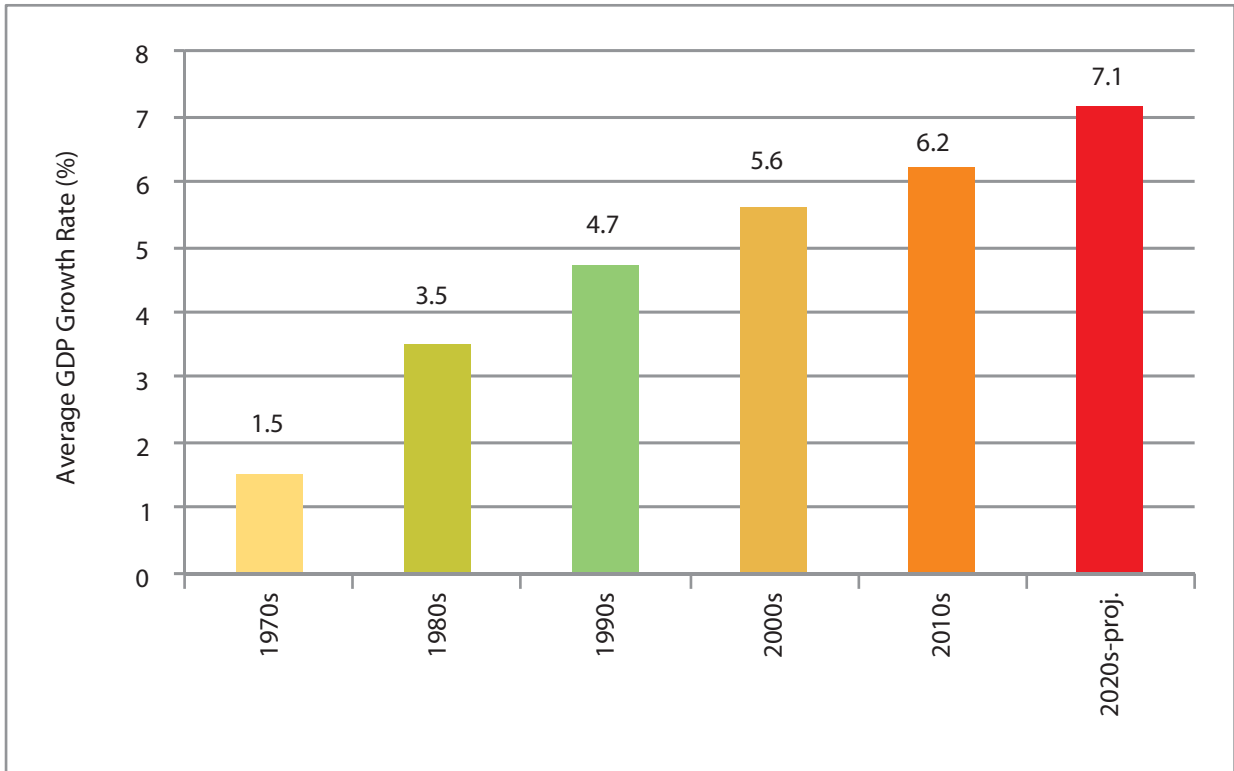
# Adult Literacy Rate



Source: World Development Indicators 2015, World Bank and Bangladesh Bank's projection

- ❖ Our adult literacy rate is above sixty percent now.
- ❖ If this trend continues, we may achieve 90 percent literacy within 20 years.
- ❖ The government now focuses on the quality of education. Technology and sciences are specially included in the curricula.
- ❖ By increasing the quality of education and including science, mathematics, economics, health, medicine, IT, etc in the curricula, changes in the other social indicators can be achieved soon.

## Vibrant Bangladesh: A Forceful Branding



Source: World Bank 2015 and Author's own projection for 2020 decades

- ❖ Many countries in the world do their own branding for attracting capital and technology from the global market. It is one of the most effective marketing strategies for attracting investment.
- ❖ Incredible India, Amazing Thailand, Malaysia -Truly Asia, Refreshingly Sri Lanka – these are the examples of successful branding of a country. Bangladesh is not that much successful in this case because we could not come with a unique slogan or branding. “Beautiful Bangladesh” may be effective for attracting tourists, but a more powerful and economy related branding is needed to attract foreign investors.
- ❖ An increase in average growth in every decade proves that Bangladesh has a dynamic and vibrant economy. Large parts of the population are youths. The country has an amazing advantage of geographical connectivity.
- ❖ The growth performance and other advantages in geography and demography make this ‘vibrant’ word for Bangladesh more appropriate and significant.

## Concluding Remarks

- ❖ Economy remains resilient despite occasional disturbances. It targets to achieve 6.5% growth in the FY2015.
- ❖ Reserve-buildup of around six months of cover reflects stable external balances.
- ❖ Both monetary and fiscal policies remain prudent with budget deficit projected to be less than 5%.
- ❖ Inflation has been on a downward trend largely due to effective monetary stance.
- ❖ Policy initiatives include maintaining vigilance on the financial sector and supporting the continued development of the domestic credit and debt markets.
- ❖ Bangladesh has come a long way to make sustained progress in the years ahead.
- ❖ Liberalization contributed to growth acceleration and drastic poverty reduction.
- ❖ Bangladesh's growth, inflation, exchange rates, and reserves are commendable in the region.
- ❖ Bangladesh exhibited highest amount of stability in inflation and growth in the region.
- ❖ The country has some space to increase its debt.
- ❖ Infrastructure, energy, institutional reforms (e.g. Judiciary) and social peace are needed to make the economy grow fast.
- ❖ Strong consumer demand and resilient business moods are the main strengths of Bangladesh's march for growth.
- ❖ The market economy and liberalization gave a new momentum of growth and development in Bangladesh since the early 1990s and especially from mid 1990s.
- ❖ No alternatives other than a free market and liberalization exist for becoming a mid income country swiftly. We need to further improve traffic discipline, good governance in infrastructure, speed of the judiciary, education standards, research, women empowerment, cultural awareness, political modernity, and vigilance of government to accelerate our growth.
- ❖ After completing these steps, an accomplished Bangladesh will stand as a role model of development. The developing economies will take lessons from a **vibrant Bangladesh**.



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