New Year’s Thoughts: What Lies Ahead for Bangladesh Economy

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Amazing economic transformation has led to the ‘quantum jump’ in terms of per capita income (current USD)

Between 1972 and 1975 Bangabandhu increased GDP per capita by 163% (USD 99 to USD 260).

Yet, between 1975 and 1997 it increased by only 52 percent (to USD 395)

Bangladesh started in the right direction after 1996, but the journey was halted once again in 2001.

The quantum jump began after 2008-09

Source: World Bank Data
The truest measure of a nation’s progress is in its ability to improve the quality of life of those belonging to the ‘bottom of the pyramid’.

"... যে জাতি উন্নতির পথে বেড়ে চলছে তার একটা লক্ষণ এই যে, ... যথাসম্ভব তাদের সকলেই মানুষত্বের পুরো গৌরব দাবি করবার অধিকার পাচ্ছে। এই জনাই সেখানে মানুষ ভাবছে কি করলে সেখানকার প্রত্যেকেই ভুল বাসায় বাস করবে, ভদ্রচিত শিক্ষা পাবে, ভালো খাবে, ভালো রবে, রোগের হাত থেকে বাঁচবে এবং যথেষ্ট অবকাশ ও স্বাতন্ত্র্য লাভ করবে।

- ‘শিক্ষা ও লক্ষ্য’ প্রবন্ধে রবীন্দ্রনাথ ঠাকুর
Amazing growth has been translated to improvements in ‘quality of life’ to a significant extent.


Between 2010 & 2022, poverty came down from 31.5% to 18.7%. Extreme poverty came down from 17.6% to 5.6%

Expected life span increased from 65.2 years in 2005 to 73 years in 2022.

Infant mortality rate reduced from 51 to 22 per thousand live births.

Maternal mortality came down from 376 to 123 per one hundred thousand (between 2005-2020)
Bangladesh’s success should be attributed to its multidimensional approach to sustainable development.
Bangladesh’s agriculture has gained amazing momentum

- Since independence rice production has almost quadrupled (Bangladesh is 3rd in rice, vegetable, & fish production, and 7th in mango production).
- Modern machineries are being used for almost 100% cultivation. Pioneering renewable energy in agriculture (over 15,000 SIPs).
- New possibilities of agro-processed product exports (USD 1.16 bn annual exports).
- Over the last decade- 109 climate adaptive seeds discovered by the scientists.
Sustainable growth of the export-oriented industries benefitting the formal sector workers

- Despite the pandemic and Russo-Ukrainian war, Bangladesh’s annual exports exceeded the USD 50 billion mark for the second consecutive year in FY22-23 (USD 55.55 billion).
- RMG is the main driver of exports. RMG exports has grown by 38 percent over the last five years (from USD 34.13 billion to USD 46.99 billion).
- Growth in minimum wage of the workers have been even higher (56 percent).
- Working environment of these workers have improved to a further significant extent. Of the top 100 LEED-certified factories, 54 are from Bangladesh.
Steady rise in remittance inflow has strengthened the economic base

- Over the last 15 years, annual remittance inflow has more than doubled from USD 8.94 billion to USD 21.50 billion.
- Through skilling and re-skilling of the workforce Bangladesh may earn even more in the medium- to long-term.
- Currently almost 75 percent of the migrant workers are either semi-skilled or low-skilled.

Source: World Bank Data
A brighter future awaits

Bangladesh’s workforce has a median age of 26.7 years (India 28.1 years, China 37.4 years).
Rate of tertiary education will increase from 11% to 32% by 2026.

By 2026, power generation capacity will increase by 57%.
Each of the mega-infrastructure may add 1.2% to GDP.

RMG exports to reach USD 100 billion by 2030.
ICT industry to reach USD 5 billion by 2026.
Light engineering & pharmaceuticals will grow by 15% to 19% annually.

Bangladesh to become the 9th largest consumer economy by 2030.
By then, over 30 million citizens will belong to the MAC.
Challenges Ahead
Current Account
Export (+ 52 bn $),
Import (- 70 bn $),
Remittance (+ 22 bn $),
Services & primary income (- 9 bn $)

Current Account Balance is likely to remain negative by the end of the FY (-5 bn $)

Financial Account
If the current trend continues, the financial account will end up in a deficit (it was -4 bn $ by the end of October 2023).

Financial Account balance is likely to remain negative by the end of the current FY.

Rising BoP Deficit and Depleting Reserve
Negative Balance of Payment is forcing depletion of the reserve
Prudent Macroeconomic Management can Ensure Desired Recovery

- Market-based exchange rate & interest rates
- Promoting exports & controlling unnecessary imports
- More remittance through official channels
- Bolstering bond markets (GoB is issuing bonds to pay for fertilizers and power)
- Rationalize public spending and improve revenue collection
High inflation creating pressure on households (almost double-digit overall inflation, and double-digit food inflation prevailing currently)

Policymakers are rightly prioritizing controlling inflation (as evident from their election commitments.)

Because of necessary currency devaluation and rationalization of subsidies, it will be difficult to significantly reduce inflation in 2024.

New safety net measures will be required for low-income households (digital databases of beneficiaries, and digital transformation of benefits are prerequisites).
Long-term challenges must also be considered

Still has almost 32 million people living below the national poverty line.

Has to create adequate jobs for 2 million youth entering the workforce every year.

Needs to induce investment through creating enabling environment for businesses.

Must sustainably manage economic transformation (urbanization) and ensure resilience to climate change.
Increasing scope of formal employment and IGAs for the youthful workforce is a top priority

- Only 200,000 jobs are created annually in the formal sector, whereas 2 million youth enters the job market each year.

- Skilling and re-skilling the workforce is a must. Further emphasis on TVET required. Despite commendable achievements TVET enrollment remains around 17% (with about one-fourth being women).

- With a 25% share in the GDP and having 30% of the employed workforce- MSMEs of Bangladesh hold enormous potential as job creators.

- Yet MSMEs face structural bottlenecks such as access to finance, infrastructural barriers, and technological shortcomings.
Climate change is perhaps the biggest barrier to Bangladesh’s journey of inclusive development

- Bangladesh is vulnerable to both disasters and climate change and ranked the seventh extreme disaster risk-prone country in the world as per the report from the Global Climate Risk Index 2021.

- In terms of economic losses, Bangladesh is ranked at the fifth position, which indicates the economy is consistently at risk from climate catastrophes, impacting human health, economy, agriculture and ecosystem.

- The country has enormous potential for climate adaptive development (e.g., 8.1-million-liter diesel used for irrigation annually. SIPs could be a sustainable alternative).
Consistently investing around 10% of national budget for SSNPs have yielded great results.

For a soon to be ‘developing country’, there should be new programs suitable for new realities (e.g. universal pension schemes, health insurance etc.).

Need for going beyond conventional cash or in-kind support. Digitization will reduce leakage and improve last mile delivery.

Social safety nets for ‘Smart Bangladesh’: Going beyond the LDC horizon
Between 2008 and 2023 Global Hunger Index score has been commendably reduced from 30.8 to 19.0.

Yet, over 21% of the population (roughly 37 million) face food insecurity (having food stock for 51 days).

Sudden loss of income, or disruptions in supply chain can put these households in peril.

Ensuring food security for a burgeoning population
Above all, corruption must be dealt with and good governance must be ensured.
Dealing with poverty in the next decade: Minding the new strategies

- Considering the vulnerable non-poor groups to prevent 'fall backs'
- Cash support preferably transferred through digital channels to ensure protection amid crises
- Context-specific consideration of multidimensional poverty indices to complement income-based measures
- Maintaining dynamic databases of the poor and the vulnerable
আমাদের দুঃখের লক্ষণগুলিকে বাহির হইতে দূর করা যাইবে না, দুঃখের কারণগুলি ভেতর হইতে দূর করিতে হইবে। ... 

dেশের সর্বসাধারণকে শিক্ষা দিয়া পৃথিবীর সকল মানুষের মনের সঙ্গে তাহাদের মনের যোগ ঘটাইয়া দিতে হইবে ... জীবিকার ক্ষেত্রে তাহাদিগকে পরস্পর মিলাইয়া পৃথিবীর সকল মানুষের সঙ্গে তাহাদের কাজের যোগ ঘটাইয়া দিতে হইবে।

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