

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

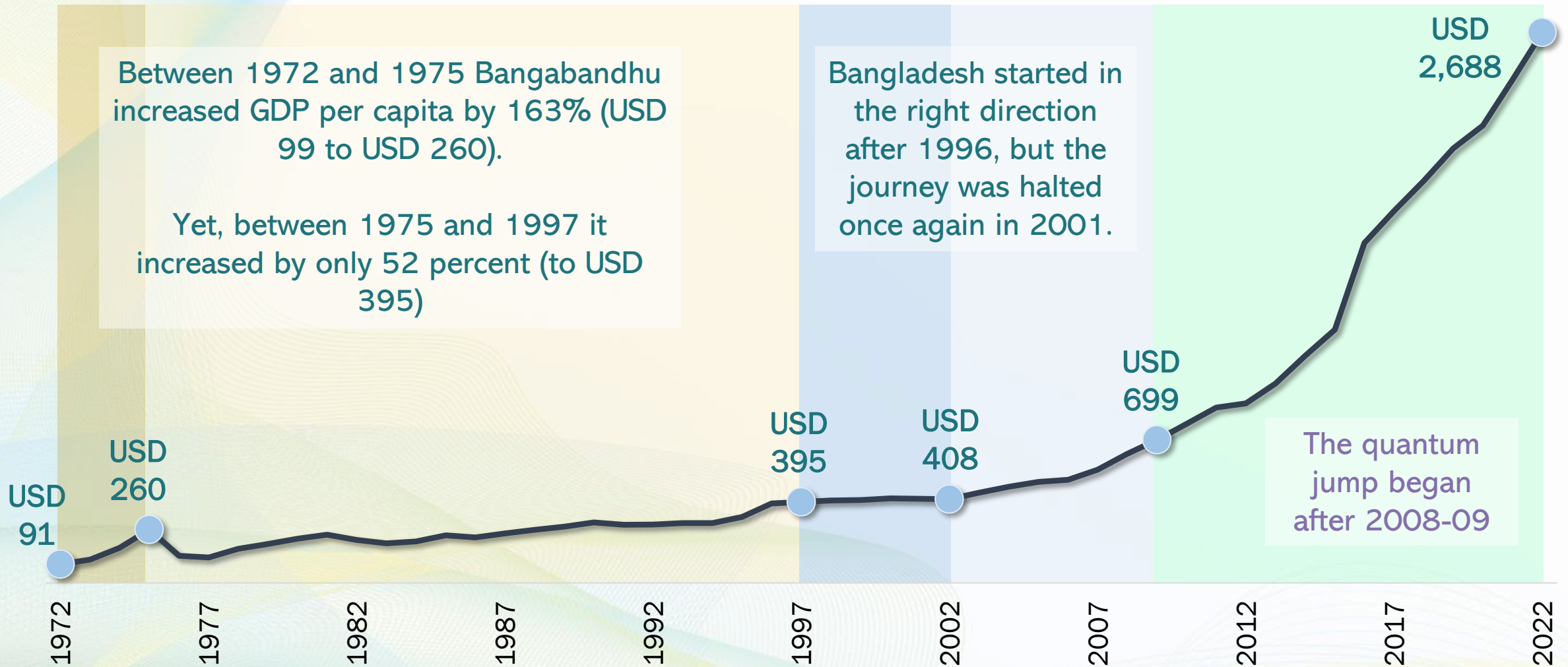
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Public lecture (online) on economic issues organized
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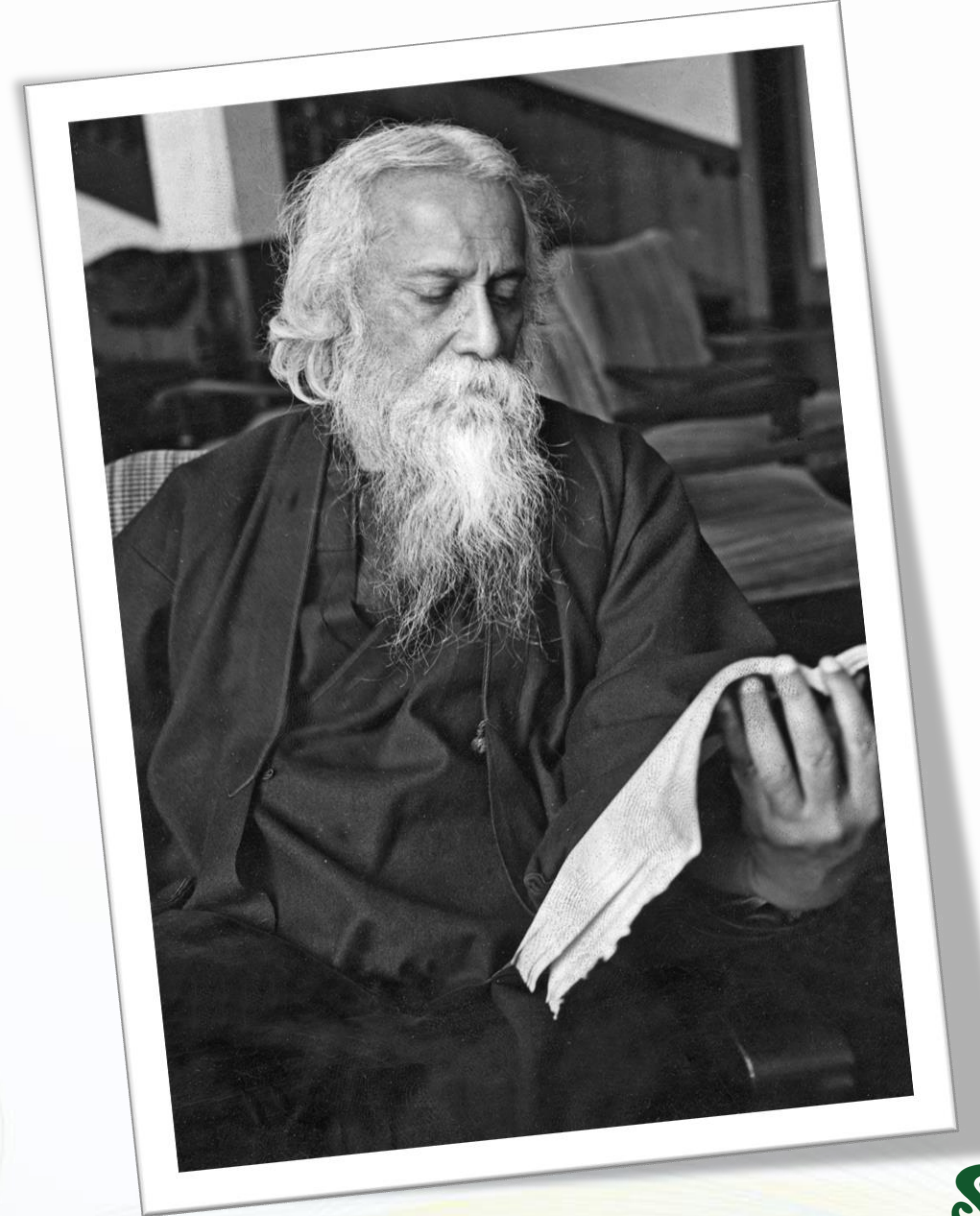
Amazing economic transformation has led to the 'quantum jump' in terms of per capita income (current USD)



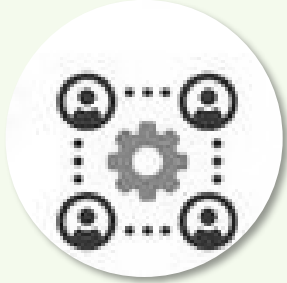
The truest measure of a nation's progress is in its ability to improve the quality of life of those belonging to the 'bottom of the pyramid'

“ ... যে জাতি উন্নতির পথে বেড়ে চলেছে তার একটা লক্ষণ এই যে, ... যথাসম্ভব তাদের সকলেই মনুষ্যত্বের পুরো গৌরব দাবি করবার অধিকার পাচ্ছে। এই জন্যই সেখানে মানুষ ভাবছে কি করলে সেখানকার প্রত্যেকেই ভদ্র বাসায় বাস করবে, ভদ্রোচিত শিক্ষা পাবে, ভালো খাবে, ভালো রবে, রোগের হাত থেকে বাঁচবে এবং যথেষ্ট অবকাশ ও স্বাভাব্য লাভ করবে।

- 'শিক্ষা ও লক্ষ্য' প্রবন্ধে রবীন্দ্রনাথ ঠাকুর



Amazing growth has been translated to improvements in 'quality of life' to a significant extent.



5-year average growth rate accelerated from 4.15% in 1991-1995 to 7.13% in 2016-2020.



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.**



Manufacturing (mostly led by RMG, but other export-led industries are growing)



Remittance (exporting unskilled or low-skilled labor. USD 233 billion inward remittance over the period of 2009-2023)



Agriculture (ensuring food security even amid global crisis as well as creating scope of agro-exports)



Inclusive financing (use of digital technology to reach the bottom of the social pyramid)



Women empowerment (female labor force participation rate increased from 30% to 38% between 2009 and 2022)



100% population under electricity coverage (improved quality of life as well as business environment)





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.



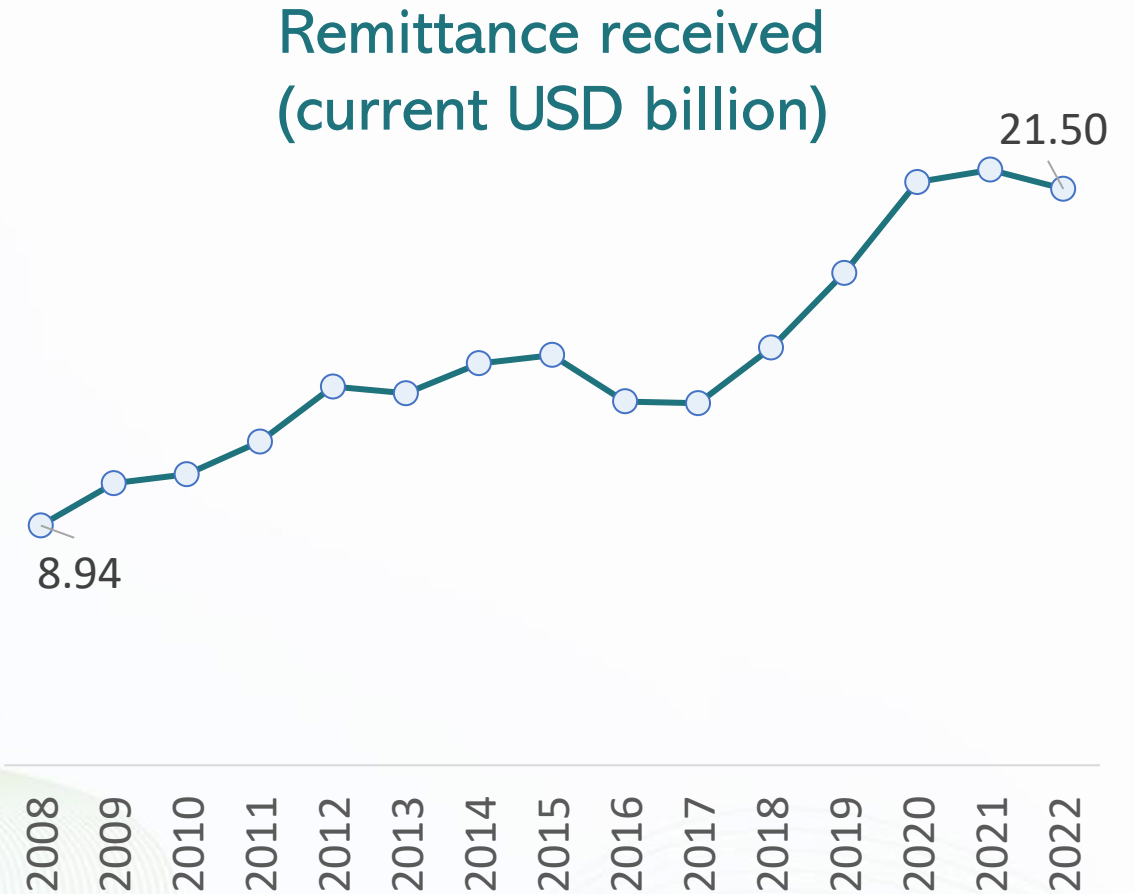
Sustainable growth of the export-oriented industries benefitting the formal sector workers

- 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.



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

Rising BoP Deficit and Depleting Reserve



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.



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

Safeguarding households against inflation



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).



Social safety nets for 'Smart Bangladesh': Going beyond the LDC horizon



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.



Between 2008 and 2023 Global Hunger Index score has been commendably reduced from 30.8 to 19.0.



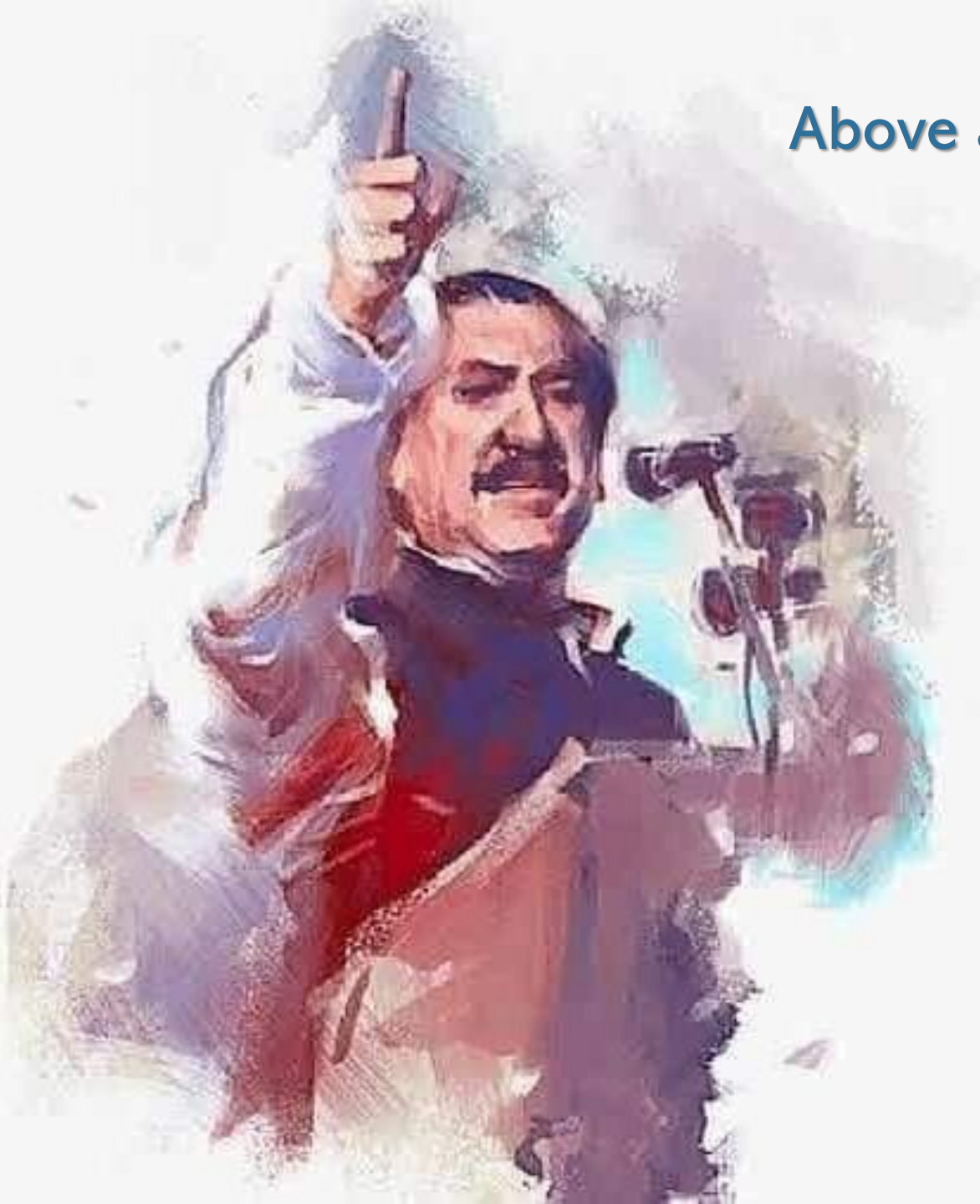
Yet, over 21% of the population (roughly 37 million) face food insecurity (having food stock for 51 days).



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

“ করাপশন আমার বাংলার মজদুর করেনা। করাপশন করি আমরা শিক্ষিত সমাজ, যারা আজ ওদের টাকা দিয়ে লেখাপড়া করছি। আজ যেখানে যাবেন, করাপশন দেখবেন। আমাদের রাস্তা খুঁড়তে যান করাপশন, খাদ্য কিনতে যান করাপশন, জিনিস কিনতে যান করাপশন, বিদেশ গেলে টাকার উপর করাপশন। তারা কারা? আমরা যে পাঁচ পার্সেন্ট শিক্ষিত সমাজ, আর আমরাই বঞ্চিতা করি। ... আজ আত্মসমালোচনার দিন এসেছে।”

- বঙ্গবন্ধু শেখ মুজিবুর রহমান (২৫ জানুয়ারি ১৯৭৫)





Considering the vulnerable non-poor groups to prevent 'fall backs'



Cash support preferably transferred through digital channels to ensure protection amid crises

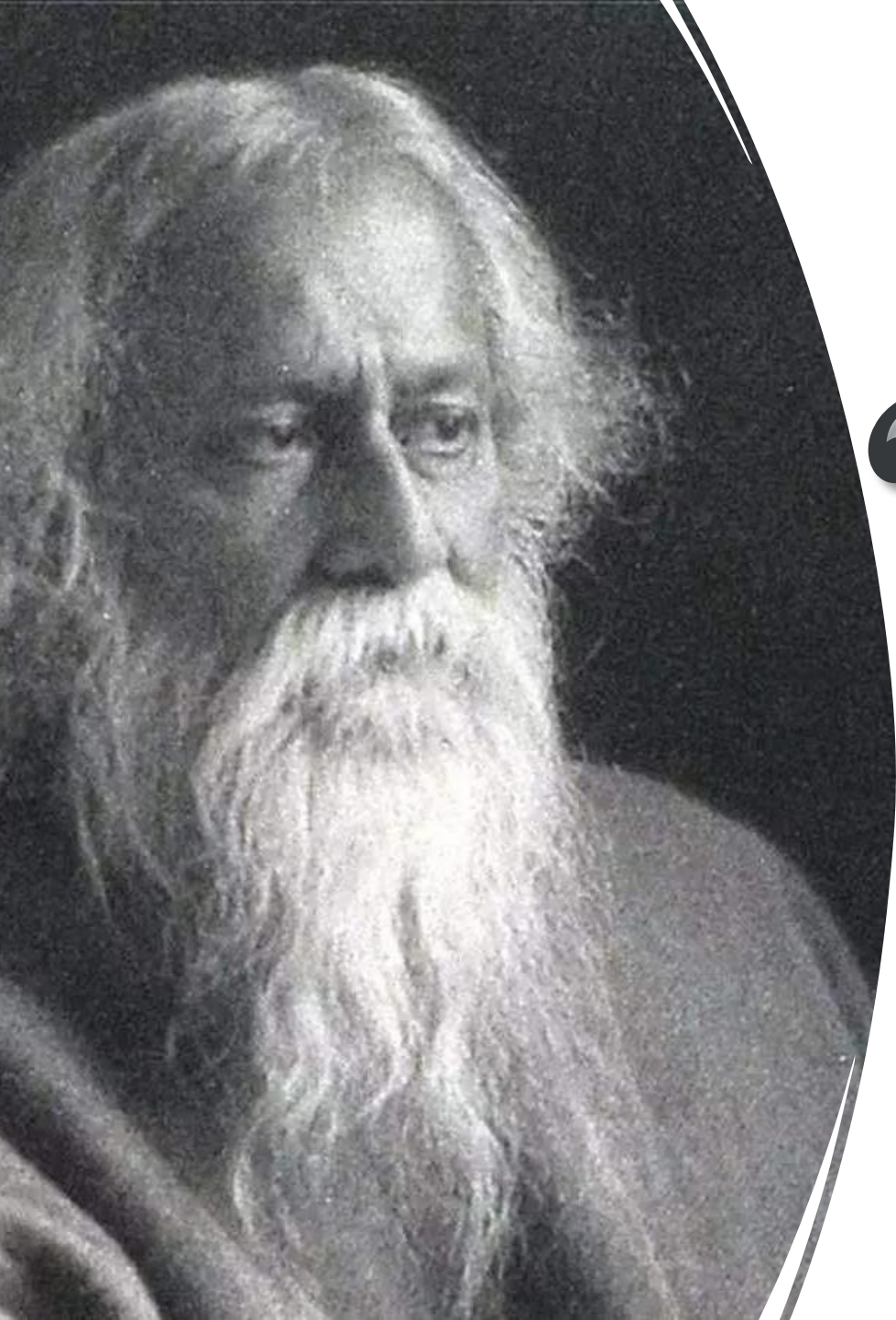


Context-specific consideration of multidimensional poverty indices to complement income-based measures



Maintaining dynamic databases of the poor and the vulnerable

Dealing with poverty in the next decade: Minding the new strategies



“আমাদের দুঃখের লক্ষণগুলিকে বাহির হইতে দূর করা যাইবে না, দুঃখের কারণগুলি ভেতর হইতে দূর করিতে হইবে। ... দেশের 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।

- রবীন্দ্রনাথ ঠাকুর
(রবীন্দ্র রচনাবলীর, চতুর্দশ খণ্ড, পৃষ্ঠা ৩১৬)

