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Summary

- Despite production and manufacturing setbacks, a drop in exports, loss of livelihood and a rise in poverty, Bangladesh's economy has also shown resilience through the Covid-19 pandemic.
- The country's foreign exchange reserves are at an all-time high on the back of strong remittance inflow.

Report

GDP Growth

- Bangladesh has had an annual [GDP growth rate of over 6 per cent since 2011](#), going up to 8.2 per cent in 2019. According to the International Monetary Fund, GDP growth remained positive at 3.8 per cent in 2020 despite the effects of the COVID-19 pandemic, and is expected to rise to 4.4 per cent in 2021 and 7.9 per cent in 2022.
- The Economist Intelligence Unit recently revised the country's growth forecast for 2020-21 to 5.6 per cent, up from its previous projection of 3.8 per cent. Between 2021-22 and 2024-25, the agency expects the economy to grow by an average of 7.4 per cent annually. The latest outlook of the Washington-based International Institute of Finance says the Bangladesh economy will continue to grow faster than most others in 2021, driven by robust domestic demand and competitive manufacturing sectors, coupled with rebounding exports.

Growth in GDP per capita

- The Bangladesh Bureau of Statistics, pegs GDP growth in FY 2019-20 at 5.24 per cent. It says per capita income in the same period grew to USD 2064, up from USD 1909 in the previous fiscal year. This is among the highest per capita GDP growth rates in Asia in 2020. In the last five years, Bangladesh's per capita GDP has grown at a compound annual growth rate of 9.1 per cent.

Government's 8th five year plan

- The government has set the first-year growth target of its 8th Five-Year Plan, which began in July 2020, at 7.4 per cent. Though this is a downward revision of its budget target of 8.2 per cent, it is still an ambitious one. Bangladesh aims to post 7.7 per cent growth in FY22, 8 per cent in FY23, 8.32 per cent in FY24 and eventually 8.51 per cent in the final year of the plan period. Agriculture will be one of the prioritized sectors from 2020-23 to accelerate economic recovery.

Inflation and the financial sector

- Inflation moderated to 5.5 per cent in 2019 and 5.6 per cent in 2020, and is expected to remain stable in 2021 (5.9 per cent) and 2022 (5.5 per cent) despite the pandemic. The health of the banking sector, however, remains a concern due to a high number of non-performing loans and an increase in restructured loans.
- The current account deficit is estimated to have narrowed to -1.5 per cent of GDP in 2020 and forecasted to reach -2.8 per cent in 2021 and -1.4 per cent in 2022. The country's steady economic performance over the years has helped to reduce poverty and social inequalities, but the pandemic has pushed poverty up to almost 40 per cent (from 20.5 per cent in 2019) according to the South Asian Network on Economic Modeling (Sanem), with the highest impact on daily and self-employed workers in the non-agricultural sector and salaried workers in the manufacturing sector.

Record inflow of remittances

- A global economic recovery and a strong remittance inflow from the Bangladeshi diaspora are expected to contribute heavily to growth in 2021. Remittances increased 33.51 per cent year-on-year to USD 16.68 billion in the first eight months of this fiscal year. Diversion of remittances from informal to formal channels due to the difficulty of carrying money under travel restrictions as well as government incentives to transfer remittances have helped fuel this uptick.
- The country's foreign exchange reserves stood at a record USD 44.12 billion as of 1 March. The government aims to earn USD 150 billion through remittances between July 2020 and June 2025, according to the 8th Five-Year Plan. For this, the Expatriates' Welfare and Overseas Employment Ministry will roll out an overseas employment market expansion roadmap, targeting 20 countries in four new geographical regions. It aims to send at least 5 million new workers abroad, with nearly half of them belonging to higher skilled categories.

Graduation to developing nation

- In February, Bangladesh qualified to graduate into a developing nation from a Least Developed Country after the final evaluation by the United Nations Committee for Development Policy. However, the committee has recommended that the country should get five years instead of three to prepare for the transition due to the impact of COVID-19 on its economy, pushing the official graduation date to 2026. Until then, Bangladesh will continue to enjoy trade benefits as an LDC. It is worth noting here, that Bangladesh had reached 'lower middle-income country' status in 2015.

Export growth and diversification target

- The UN evaluation committee has also put forward some recommendations such as reforming the domestic business and taxation policy for the creation of jobs, and suggested export and market diversification of goods to stop over-reliance on garments. Prime Minister Sheikh Hasina is exploring ways to expand and diversify the country's export basket. The government has set a target of USD 41 billion with 21.75 per cent growth for FY 2020-21 from exports of merchandise. This includes a target of USD 33.78 billion (20.88 per cent growth) for the apparel sector, which contributes over 80 per cent to national exports. In 2020, exports shrunk to a 5-year low owing to the pandemic-induced global slowdown in demand and order cancellations, contracting 14.6 per cent year-on-year, with garments posting a 17 per cent drop.

Boost to industry and services

- Currently, the share of agriculture in Bangladesh's GDP is about 13 per cent, while that of the industry and services sectors are about 30 per cent and 53 per cent respectively. Though textile comprises the largest industry by far, the local pharmaceutical sector is performing very well, having clocked 17.36 per cent higher export growth during July to November 2020. Manufacturing of anti-coronavirus drugs like Favipiravir and Remdesivir has boosted the industry. The pharmaceutical market is expected to surpass USD 6 billion by 2025, registering 114 per cent growth
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from 2019 levels.

- Among services, microfinance and computing are among the largest sectors, with the country's technology exports reaching around USD 1 billion annually. The government aims to increase technology exports to USD 5 billion by 2021. The growing strength of the Information and Communication Technology (ICT) industry underpins the pillars that will support Bangladesh's transformation to a digital economy by 2021, and a knowledge economy by 2041. Launched by Prime Minister Hasina in 2009, the 'Digital Bangladesh Vision' identifies human resource development, connecting citizens, e-governance and the promotion of the ICT industry as critical to meeting these transformation targets.
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