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### Bangladesh economy and its future prospectus

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#### Abstract

Purpose of the case study is to understand current economy scenario of Bangladesh. What all sectors contribute in growth of its economy? How we can define growth of economy?

As Bangladesh was formed in 1971 and since then its very less time for an economy to grow from stretch. However, through GDP as a parameter through which I tried analyzed the current economic situation of this country. It is country situated in South Asia. Bangladesh formed in 1971 after Bangladesh Liberation War. Its market based is 42<sup>nd</sup> largest in the world. Its economy is second fastest growing with 7.1%. Its economy is largely driven by garments, remittance and agriculture. Other sectors which contributed to country's GDP are; textile, seafood, leather goods and shipbuilding. It also helps Indian, Nepal and Bhutan with its seaports.

GDP is monetary measure of the market value of final goods and services produced in a year. Nominal GDP is calculated to determine the economic performance of a country for international comparisons.

**Keywords:** GDP & GNP, sector & industry, agriculture sector, shipbuilding, balance of trade, inflation, nominal & real, Bangladesh liberation war, economic, export & import

#### Introduction

##### Introduction to Bangladesh Economy

It is country situated in South Asia. Its nearby countries are Nepal, Bhutan and China, however it share borders with India and Myanmar only. Bangladesh formed in 1971 after Bangladesh Liberation War. Its official language is Bengali and it is a Muslims dominant state. Its market based is 42<sup>nd</sup> largest in the world. Its economy is second fastest growing with 7.1%. It has two stock exchanges; Dhaka Stock Exchange and Chittagong Stock Exchange. Its economy is largely driven by garments, remittance and agriculture. Other sectors which contributed to country's GDP are; textile, seafood, leather goods and shipbuilding. It also helps Indian, Nepal and Bhutan with its seaports.

#### Objectives

1. Study concept of GDP
2. Study current Economic Situation of Bangladesh
3. Study sectors contributing in growth of GDP
4. Identify Future prospectus

#### Methodology

In duration of 2 weeks, I have studied the concept of GDP.

- How it is calculated?
- What all factors impact in the calculation of GDP?
- Relevance of GDP

I have studied Economy of Bangladesh.

- What all sectors contribute in the growth of its economy?
- How it has shown growth over the period of time?

Major Sector that contributes heavily in GDP is as follows:

#### Shipbuilding

It is growing industry. Due to this opportunity, Bangladesh is compared to countries like

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China and Japan. Its low production cost and quality, it is exporting as major product of Bangladesh; that helps country to be a major competitor in the global market. It has provided jobs to 200,000 individuals. Chittagong Ship Breaking Yard is second-largest ship breaking area in the world. Bangladesh Shipbuilding industry has a wide range of ships for customers. KSY built ships for Defence sector.

**Agriculture Sector**

Many citizens’ living is agriculture. They majorly grow; Rice, Wheat, Maize, Vegetables & Tea. They grow maize for other economic sectors. Tea is grown due to availability of water. Due to availability of water, rice grows easily. They have worked very hard on their food grain production. Wheat grows only one third size of rice in Bangladesh; with 27.6 million metric tons produced of rice whereas wheat output was 8.79 million metric tons. Farmers are more exposed to various risks like lack of finances for new technology and turnover on their investment. However, Agriculture sector is so strong that, it can also absorb unemployment in country.

**Finance**

Financial sector of Bangladesh was dominated by state-owned banks. After financial reforms in 90’s private commercial banks were open through privatization. With focus on the development of financial institutions, finance reforms were introduced after first phase and as on date; 4 government-owned specialized banks, 39 private commercial banks and 9 foreign commercial banks

**Manufacturing Sector**

Major manufacturing they do is of garment industry, which grows in double figures. This sector is major employment sector after agriculture. This sector majorly employs women. Other manufacturing area is Leather which is specifically used to shoe making. Bangladesh produces muslin and silk of very fine quality. Machine-made textiles introduced in 18<sup>th</sup> century from England were considered as boon for manual process. There was a labour unrest in 2006, minimum wage rate increased to USD 50 from USD 24 on monthly basis. Key points of this industry are:

- Knitwear and ready-made garments - 80% of Bangladesh's total exports
- The industry employs nearly 4.75 million workers.
- Wages in Bangladesh's textile industry were the lowest in the world.
- Politics has political influence on textile industry

**Information and Communication Technology**

It consists of workforce from private sector and freelance industry. It contributes to Bangladesh’s economic growth. In recent years Bangladesh has shown impressive growth in this sector.

- Bangladesh has a market of 160 million people which spend on phones and internet. It has 26.7 million active Facebook users
- It exports software, games, outsourcing and services of worth USD 843m; to European countries, Canada and Russia.
- Government is planning to raise export from this sector to USD 5b by 2021.

Top 10 companies of Bangladesh are as follows, they are

from different sectors.

Top 10 Companies	Trading Value
Bangladesh Thai Aluminium Ltd	99.769
City Bank Limited	78.601
Dragon Sweater and Spinning Limited	129.403
Golden Harvest	76.671
Grameenphone Private Limited	106.866
Ifad Autos Limited	117.537
IPDC Finance Limited	67.043
Olympic industries limited	60.557
Shahjalal Bank Private Limited	53.171
Square Pharmaceuticals Limited	449.888

**Gross Domestic Product (GDP)**

Gross domestic product is monetary measure of the market value of final goods and services produced in a year. Nominal GDP is calculated to determine the economic performance of a country for international comparisons.

**GDP Based on Production**

It’s a kind of reverse calculation. It measures value of economic output after deducting cost of intermediate goods and services which are used in the process. The production approach constitute national income. There are some factors which doesn’t forms part of Production approach but used here like Tax, depreciation looks backward from the vantage of a state of completed economic activity.

**GDP Based on Income**

It is based on score of the national income. Income earned by all the factors of production in economy; it includes the wages paid, the rent earned, the return on capital, entrepreneur’s profits. All this are factors used to constitute national income. There are some factors which doesn’t forms part of Production approach but used here like Tax, depreciation.

**Gross Domestic Product and Gross National Income**

GDP of a country is calculated as follows:  
 National income + Indirect business taxes + Depreciation + Net foreign factor income  
 This way GDP can also be referred to Gross Domestic Income (GDI), or Gross National Income (GNI).

**Balance of Trade and GDP**

Balance of trade is an important key component of GDP. GDP increases export is more than import or vice versa; when import is more than exports than it is known as trade deficit.

**Impact of Inflation and GDP**

GDP figures as reported to investors are already adjusted for inflation. In other words, if the gross GDP was calculated to be 6% higher than the previous year, but inflation measured 2% over the same period, GDP growth would be reported as 4%, or the net growth over the period.

**Standard of Living and GDP**

The major advantage of GDP per capita is; it is an indicator

of standard of living. It is measured often in countries to provide information on GDP in time to time. It provides us information on trends to be seen quickly. It is measured widely in that some measure of GDP is available for almost every country in the world, allowing inter-country comparisons. It is measured consistently in that the technical definition of GDP is relatively consistent among countries.

**Nominal vs. Real GDP**

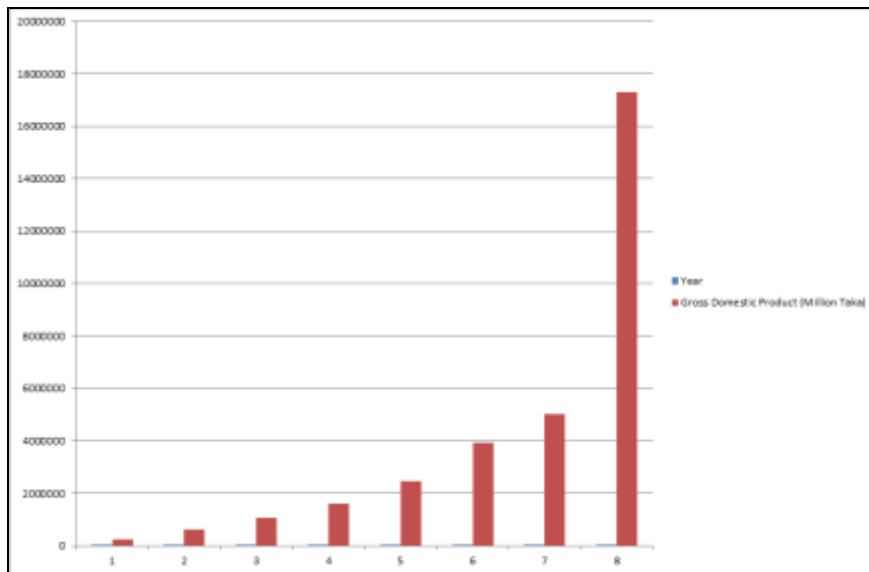
GDP is based on a monetary value of an economy’s output and it is subject to inflation as well. Over a period of time, prices typically tend to go up in an economy and this is reflected in the GDP. So, its very difficult to identify GDP exact increase of decrease without adjustment. That is why we adjust inflation to have real value of GDP instead of reviewing nominal GDP. By adjusting the output in any given year for inflation so that it reflects the price levels that prevailed in a reference year, called “the base year,” economists adjust for the inflation effect. This way, it is possible to compare a country’s GDP from one year to another and see if there is any real growth. Real GDP is calculated using a GDP price deflator, which is the difference in prices between the current year and the base

year. Nominal GDP is usually higher than real GDP because inflation is typically a positive number. It is used when comparing different quarters of output within the same year.

**Bangladesh GDP**

Bangladesh is a developing economy. Its one-third of population lives in extreme poverty. In the last decade, the country has recorded GDP growth rates of 5% due to development of microcredit and garment industry. Three fifths of Bangladeshis are employed in the agriculture sector, three quarters of exports revenues come from producing ready-made garments.

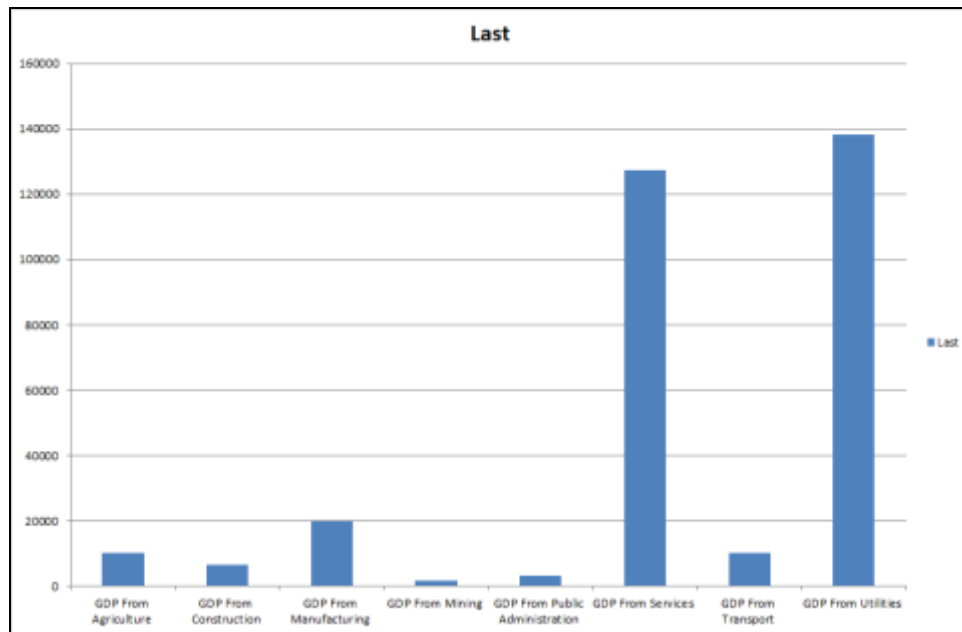
Year	Gross Domestic Product (Million Taka)	US Dollar Exchange
1980	250,300	16.10 Taka
1985	597,318	31.00 Taka
1990	1,054,234	35.79 Taka
1995	1,594,210	40.27 Taka
2000	2,453,160	52.14 Taka
2005	3,913,334	63.92 Taka
2008	5,003,438	68.65 Taka
2015	17,295,665	78.15 Taka



In recent decade, it has shown huge growth in comparison to previous decades and from 2008 to 2015 it has shown huge growth of 250% approx. However, yearly growth of GDP is

7.11% in 2016. GDP Growth Rate in Bangladesh averaged 5.69 percent from 1994 until 2016.

Bangladesh GDP	Last	Previous	Highest	Lowest	Unit
GDP Annual Growth Rate	7.3	7.2	7.3	4.08	percent
GDP	249.72	221.42	249.72	4.3	USD Billion
GDP Constant Prices	9478.98	8830.54	9478.98	2372.59	BDT Billion
Gross National Product	9872.56	9350.98	9872.56	2483.46	BDT Billion
Gross Fixed Capital Formation	7043.96	6028.3	2829687	6028.3	BDT Million
GDP per capita	1093.05	1029.6	1093.05	317.7	USD
GDP per capita PPP	3523.98	3319.4	3523.98	1287.9	USD
GDP From Agriculture	10117.3	9922.8	10117.3	7017.1	BDT Million
GDP From Construction	6695.1	6155.2	6695.1	2982.5	BDT Million
GDP From Manufacturing	19776.5	17822.3	19776.5	7383.4	BDT Million
GDP From Mining	1633	1499.7	1633	700.9	BDT Million
GDP From Public Administration	3361.5	3079.6	3361.5	1408.9	BDT Million
GDP From Services	127417	118665	127417	62352	BDT Million
GDP From Transport	10246.3	9597.2	10246.3	4649.7	BDT Million
GDP From Utilities	138196	127422	163812	69975	BDT Million



If we in graph above in GDP major contributors are:

1. Utilities
2. Services
3. Manufacturing
4. Agriculture

In recent past Service sector also emerged as a great contributor in GDP, as main reason is western countries are looking for back office support in South Asian countries for cheap labour.

#### Future Prospectus of Bangladesh Economy

1. **New Mode of Transport:** Bangladesh is covered with so many water streams and mostly flows through Bay of Bengal. They are planning to introduce new water transport to utilise water streams and reduce use of land for transportation. This will give a boost to other sectors in the economy like riverside forestation, commercialisation etc.
2. **Power Generating Modes:** Three forms of energy are abundant in Bangladesh i.e. Water, Wind and Sunlight. All three forms of energy can be converted into electricity through setting up all kinds of power plants; Hydro power plant, wind farm and solar panels.
3. **Urbanisation:** As agriculture is a major sector in the economy of Bangladesh, with this they have to cater to the problem of growing population which is an opportunity as well for the country to develop its infrastructure to accommodate both agriculture and urbanisation. This new opportunity will create employment within the country and it will lead to economic development.
4. **Tourism:** With so much forestation, rivers and greenery, the country should promote tourism in their country to attract foreign tourists, which in turn will help them to grow their foreign reserves as well.

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