BANGLADESH ECONOMIC REVIEW 2012

ECONOMIC ADVISER'S WING
FINANCE DIVISION, MINISTRY OF FINANCE

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Economic Adviser's Wing
Finance Division, Ministry of Finance
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Preface

Bangladesh Economic Review is an important annual publication of the Government. It is published along with the budget documents and placed before Parliament. The trend of macroeconomic indicators, development policies and strategies of the Government and sectoral progress of Bangladesh economy have been discussed in this document. In the English version of the document data have been updated, where possible.

2. The present Government, after assumption of office in 2009, introduced a set of comprehensive action agenda consistent with the goals articulated in 'Vision-2021'. The prime objective of these agenda is to transform Bangladesh into a middle income country by 2021 through efficient economic management with planned development.

3. Bangladesh maintained on an average 6 percent GDP growth over the last one decade. The country achieved 6.71 percent growth in FY 2010-11, the highest growth rate achieved during recent times. According to the provisional estimate of Bangladesh Bureau of Statistics (BBS), Bangladesh attained 6.32 percent growth in 2011-12 despite slowing down of the global economy

4. The economy faced formidable challenges during the second quarter of FY 2011-12. The pressure of inflation kept on rising due to price hike of food grains and oil in the international market. In addition, export plummeted due to economic recession in eurozone and sluggish growth of the US economy. High import growth put the economy under pressure. The costs of increasing subsidies were met by borrowing from the banking system as prices of different commodities like fuel could not be adjusted to the scale they were to be adjusted. This resulted in upward pressure of inflation and depreciation of Taka against US dollar. However, the Government met these challenges by undertaking relevant reforms and taking measures like efficient budget management and progress in revenue collection as well as adopting well-coordinated fiscal and monetary policies. Currently, the pressure of inflation has started receding and it has come down to a single- digit level at 9.93 in April, 2012. It is expected that inflation will recede further as the Government is pursuing appropriate fiscal and monetary policy stance in addition to other relevant measures. The value of Taka currency has also started regaining.

5. Over the last three years, there has been significant progress in revenue collection. During this time, revenue collection has doubled and this created an additional fiscal space for the Government. Budget deficit remained stable and within the target. Export earnings though remained low was offset by the increased inflow of remittance. Therefore, pressure on foreign currency reserve eased and eventually it was possible to maintain the reserve at US$ 10 billion.

6. In the meantime, all Ministries/Divisions/Departments of Government have been brought under the coverage of Medium Term Budget Framework (MTBF) to make the budget in line with the national policy; to link allocation with performance and to strengthen the monitoring and evaluation process. This program is being deepened further. The Perspective Plan (2010-2021) and Sixth Five Years Plan (2011-2015) of the Government have already been approved. These are indicative long and medium term planning framework fixing targets of economic and social development and giving choices of strategies for accelerated growth and achievement of those targets.

7. Issues relating to poverty reduction, human resource management and private sector development have been discussed in the Review along with the other important economic aspects of the country. I firmly believe that the policy planners, academics, researchers, students and other stakeholders will find the document useful.

8. I would like to convey my sincere thanks to the relevant Ministries/Divisions/Departments for their support by providing valuable information and data. I also thank the officers and staff of Economic Adviser's Wing of the Finance Division who put in their unrelenting efforts in producing this important document.

(Abul Maal Abdul Muhith)

Minister

Ministry of Finance

Introduction

Bangladesh Economic Review is an important publication which is presented before the National Parliament along with the budget documents. It reflects the macroeconomic situation of the country together the development of the various sectors of the economy. Basic macroeconomic data along with relevant information and analysis are presented in this document. In the English version of the Review, relevant data and information of FY 2011-12 have been updated up to June 2012, where possible.

2. In this publication fifteen chapters and sixty-four statistical appendices have been presented. These chapters have been prepared mainly on the basis of the trends of the macroeconomic indicators, development of the different sectors of the economy and the latest situation of the priority sectors of the Government. Chapter one includes a brief review of the macroeconomic situation of the country, progress status of the various reform programmes, and the medium and short term prospects of the economy. Chapters two to six contain an assessment of the country's macroeconomic fundamentals like GDP, savings and investment, wage and employment, fiscal and monetary sector development and the international trade. In the sector- specific chapters (chapters seven to eleven), developments in the major sectors of the economy like agriculture, industry, power and energy, transport and communication have been reviewed. Chapters twelve to fifteen present brief account of the initiatives of the Government for human resource development, poverty alleviation, private sector and environmental development. In the statistical appendices, time series data have been incorporated. Due care has been taken to make the review reader-friendly.

3. Economic Adviser's Wing of Finance Division is tasked with the assignment of preparing the Economic Review. It is recognised that the relentless efforts of the officers and staff members of the Wing have made possible the publication of the Economic Review (English version-2012). I would, therefore, like to place on record my heartfelt thanks to all the officials of the Economic Adviser Wing for their sincere endeavors. I also express my sincere gratitude to the relevant wings of the Finance Division and other concerned Ministries/Divisions/Agencies for their earnest cooperation by providing useful information.

4. This review has been published amidst various limitations. There might be therefore some unintentional errors in the publication. However, I hope that the document will turn out to be very useful to the policy makers, planners, economists, researchers, academics and the students. Suggestions and comments for further improvement of this publication will be much appreciated.

(Fazle Kabir)
Secretary
Finance Division