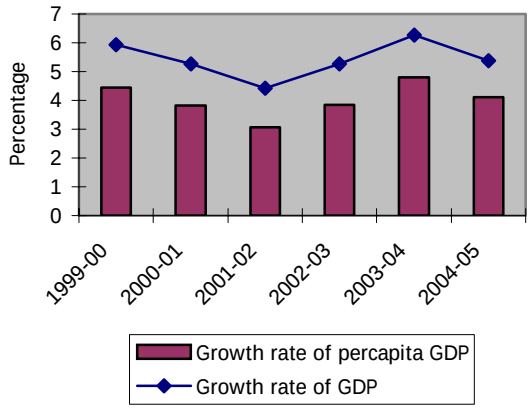
CHAPTER 2
GDP, SAVING AND INVESTMENT

Despite the colossal losses of crops due to devastating flood, the real GDP growth rate has been provisionally estimated at 5.38 percent in FY2004-05 propelled mainly by an increase in production in the industry and service sector. According to the projection of Medium Term Macroeconomic Framework (MTMF), the real growth of GDP will rise from 6.0 percent in the next fiscal year FY2005-06 to 6.5 percent in FY2006-07. It is widely recognised that acceleration of the growth of GDP is largely dependent on the flow of investment in the country. Attaining projected growth of GDP as set in the MTMF would therefore require investment level to the tune of 26.5 percent and 27.5 percent of GDP in the FY 2005-06 and FY 2006- 07 respectively.

Due to the huge increase in production in the agriculture, industry and service sector, real GDP grew at 6.27 percent in FY 2003- 04 and the rates of national savings and investments stood at 25.44 percent and 24.02 percent respectively. Despite various constraints including political unrest, the achievement of such a rate of growth demonstrates the fundamental resilience of the economy. Despite the irretrievable damages of crops due to massive flood, the real GDP growth rate has been provisionally estimated at 5.38 percent in FY 2004-05 caused by an increase in production in the industry and service sector.

Graph 2.1:Growth rate of GDP and percapita GDP at constant prices



In Table 2.1, total and per-capita GDP and Gross National Income (GNI) at current prices in taka and dollars have been shown:

Table 2.1: GDP, GNI, Per Capita GDP & GNI at Market Prices

Item	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (Provisional)
GDP (In Crore Tk.)	237086	253546	273201	300580	332973	368476
GNI (In Crore Tk.)	245799	262388	285743	317163	350526	389466
Population (In Crore)	12.81	12.99	13.16	13.34	13.52	13.70
Per Capita GDP (In Tk.)	18511	19525	20754	22530	24628	26898
Per Capita GNI (In Tk.)	19192	20206	21707	23773	25926	28430
Per Capita GDP (In US$)	368	362	361	389	418	445
Per Capita GNI (In US$)	381	374	378	411	440	470

Source: Bangladesh Bureau of Statistics (BBS)
Note: Population data for the previous years are adjusted on the basis of Census 2001.

The above table abundantly demonstrates that there is a secularly increasing trend in per capita GDP and GNI growth. In FY 2004-05, per capita income at current price has been estimated Tk.

28430, which is 9.66 percent higher than that of the previous fiscal year. During the same period per capita GDP also increased by 9.22 percent. In the current fiscal year per capita national income and per capita GDP stood at US$ 470 and US$ 445 respectively.

GDP: Growth and Composition

Table 2.2 shows the GDP at current prices during FY 1999-2000 to FY 2004-05. According to provisional estimates, the GDP in FY 2004-05 at current prices will be around Tk. 3,68,476 crore (about US$ 61 billion). In FY 2002-03 and FY 2003-04, GDP at current prices reached Tk. 3,00,580 crore and Tk. 3,32,973 crore respectively. In FY2004-05, the rate of GDP growth is projected to be around 10.66 percent at current prices, which were 10.02 percent and 10.78 percent in FY 2002-03 and FY 2003-04 respectively. In the current fiscal year per-capita GDP is estimated at Tk. 26,898 (about US$ 445), which was Tk. 24,628 (about US$ 418) during FY 2003-04. At current prices the rate of growth of per-capita GDP in taka will be 9.22 percent in FY2003-04, which was 9.31 percent in the previous fiscal year (FY 2003-04).

Table 2.2: Gross Domestic Product (GDP) at Current Prices

(In Crore Tk.)

Sector/Sub-sector	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (Prov.)
1. Agriculture & Forestry	44692	45631	46003	48798	52419	55394
a. Crops & Vegetables	33418	34068	33896	36024	38883	40815
b. Livestock	6858	6893	7118	7474	7916	8615
c. Forestry	4417	4674	4989	5300	5620	5963
2. Fishery	13674	13406	13897	14259	14783	15484
3. Mining & Quarrying	2311	2640	2997	3309	3643	4042
a. Natural Gas & Crude Petroleum	1277	1502	1733	1900	2085	2295
b. Other Mining & Quarrying	1034	1138	1264	1409	1558	1746
4. Industry (Manufacturing)	34837	38234	41805	45813	51527	58849
a. Large & Medium-scale	24939	27340	2959	32377	36364	41615
b. Small-scale	9898	10894	12209	13435	15163	17234
5. Electricity, Gas & Water Supply	3072	3346	3640	3989	4424	4911
a. Electricity	2579	2804	3053	3318	3683	4090
b. Gas	343	375	399	438	480	532
c. Water	150	167	188	233	261	289
6. Construction	17622	19334	21159	23016	25397	29040
7. Wholesale & Retail Trade	29204	32479	35312	39103	44103	50084
8. Hotel & Restaurant	1463	1590	1740	1944	2202	2502
9.Transport, Storage & Communication	19743	22129	25524	31112	34444	38103
a. Road Transport	14463	16099	18869	24096	26860	29359
b. Water Transport	2490	2616	2725	2792	2886	2996
c. Air Transport	373	393	413	420	438	459
d .Related Transport Services & Maintenance	772	934	992	1036	1070	1118
e. Post & Tele-communication	1645	2088	2525	2768	3190	4171
10. Financial Intermediations	3648	3911	4207	4718	5197	5826
a. Bank	2828	2988	3179	3540	3889	4376
b. Insurance	660	760	8061	999	1111	1227
c. Others	160	162	167	180	198	223
11.Real Estate, Renting & Business Activity	21139	22365	23995	25678	27601	29740
12.Public Administration and Defense	6234	6695	7117	7783	8624	9855
13. Education	4386	5852	6352	7064	7873	8936
14. Health and Social Services	4376	5722	6079	6601	7197	7954
15. Community, Social and Personal Services	20360	21665	23698	26685	30028	33944
Import Duty	8325	8547	9676	10707	13510	13812
GDP at Current Market Price	237086	253546	273201	300580	332973	368476
Growth Rate (%) at Current Market Price	7.91	6.94	7.75	10.02	10.78	10.66

Source: Bangladesh Bureau of Statistics (BBS).

Sectoral growth of GDP at constant prices (base year 1995-96) has been presented in Table 2.3. In FY 2004-05 GDP will post a growth rate of 5.38 percent, which was 6.27 percent in FY 2003-04. The rate of growth of the agricultural sector has been projected at -0.73 percent in FY2004-05 which was 4.38 percent in FY 2003- 04. In FY 2004-05, it has been projected that the growth rate in crop sub-sector will be -3.30 percent. Although there has been increase in growth rate of forestry and livestock sub-sectors the growth rate of agriculture is negative because of the negative growth rates in important sub-sectors like crops & vegetables.

Table 2.3: Sectoral Growth Rate of GDP at Constant Prices (Base: 1995-96)

Sector/Sub-sector	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (prov.)
1. Agriculture & Forestry	6.92	5.53	-0.62	3.29	4.38	-0.73
a. Crops & Vegetables	8.10	6.18	-2.39	2.88	4.27	-3.30
b. Livestock	2.74	2.81	4.70	4.51	4.98	7.82
c. Forestry	4.94	4.85	4.91	4.43	4.18	4.25
2. Fishery	8.87	-4.53	2.22	2.33	3.09	4.02
3. Mining & Quarrying	9.48	9.75	4.53	7.17	7.66	8.40
a. Natural Gas & Crude Petroleum	14.55	13.99	4.93	8.91	8.98	9.04
b. Other Mining & Quarrying	3.47	4.19	3.96	4.66	5.68	7.40
4. Industry (Manufacturing)	4.76	6.68	5.48	6.75	7.10	8.43
a. Large & Medium-scale	4.35	6.55	4.60	6.56	6.95	8.65
b. Small-scale	5.80	7.02	7.69	7.21	7.45	7.91
5. Electricity, Gas & Water Supply	6.78	7.40	7.63	8.02	9.09	9.08
a. Electricity	6.87	7.60	7.78	7.29	9.19	9.22
b. Gas	5.61	6.05	6.53	8.77	8.81	8.96
c. Water	8.06	7.05	7.52	20.01	8.00	6.98
6. Construction	8.48	8.65	8.61	8.09	8.25	8.69
7. Wholesale & Retail Trade	7.30	6.43	6.59	6.09	6.57	6.88
8. Hotel & Restaurant	6.94	7.00	6.92	7.00	7.05	7.29
9. Transport, Storage & Communication	6.08	7.92	6.56	6.85	6.21	8.09
a. Road Transport	6.32	6.37	6.73	6.64	6.02	5.11
b. Water Transport	1.78	0.57	0.34	0.07	0.16	1.66
c. Air Transport	16.80	4.62	-16.84	-1.35	0.84	2.54
d. Related Transport Services & Maintenance	13.15	18.10	-4.62	-1.17	-1.35	0.41
e. Post & Tele-communication	5.57	26.92	20.95	17.89	14.56	29.48
10 Financial Intermediations	5.50	5.54	6.70	6.67	7.02	8.95
a. Bank	3.87	4.01	5.52	5.91	6.73	9.29
b. Insurance	13.59	13.46	12.35	10.29	8.06	7.56
c. Others	5.54	-0.03	2.05	2.32	6.91	10.03
11. Real Estate, Renting & Business Activity	3.83	3.41	3.42	3.52	3.58	3.64
12. Public Administration and Defense	5.97	5.88	5.92	5.24	7.06	11.15
13. Education	7.74	7.11	7.58	7.60	7.69	8.42
14. Health and Social Services	4.80	4.92	5.30	5.63	6.17	6.88
15. Community, Social and Personal Services	3.06	3.15	3.24	3.32	3.97	4.79
Import Duty	1.55	1.85	5.84	3.31	18.17	-2.40
GDP growth rate(%) at Constant Price	5.94	5.27	4.42	5.26	6.27	5.38

Source: Bangladesh Bureau of Statistics (BBS).

The growth rate of fisheries sector has been gradually increasing and in FY 2004-05, the growth rate of this sector is estimated at 4.02 percent, which was 3.09 percent in FY 2003-04. Appropriate policy measures taken by government for the development of investment-friendly

environment caused to accelerate the growth rate of industry and service sector. According to broad sectoral classification the growth rate of industry and service sector in FY 2004-05 are 8.55 percent and 6.63 percent respectively. In FY2004-05, the growth rate of industry sector is estimated at 8.43 percent. The growth rate of large scale and small scale sub-sector under this sector will stand at 8.65 percent and 7.91 percent respectively which was 6.95 percent and 7.45 percent in FY 2003-04. Like the past few years post and telecommunication sub-sector has achieved highest growth rate (29.48 percent) in the current fiscal year along with an increasing trend of its share in GDP. The sectoral growth of GDP at constant prices during FY 1993- 94 to FY 2004-05 has been shown in Appendix-4.

The sectoral contribution to GDP has been shown in Table 2.4. The positive trend of structural transformation from agricultural to non-agricultural sectors has been consistently continuing. In FY 2004-05, the contribution of agricultural sector including the fisheries sector stands at 21.91 percent, which was at 23.47 percent and 23.08 percent respectively in FY 2002-03 and FY 2003-04.

Table 2.4: Sectoral Share of GDP (%) at Constant Prices (1995-96)

Sector/Sub-sector	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05(prov.)
1. Agriculture & Forestry	19.49	19.51	18.58	18.22	17.97	16.88
a. Crops & Vegetables	14.59	14.72	13.75	13.43	13.2	12.10
b. Livestock	3.02	2.95	2.96	2.93	2.91	2.97
c. Forestry	1.88	1.87	1.88	1.86	1.83	1.81
2. Fishery	6.09	5.52	5.40	5.25	5.11	5.03
3. Mining & Quarrying	1.03	1.07	1.07	1.09	1.11	1.14
a. Natural Gas & Crude Petroleum	0.58	0.63	0.63	0.66	0.68	0.70
b. Other Mining & Quarrying	0.45	0.44	0.44	0.44	0.43	0.44
4. Industry (Manufacturing)	15.40	15.59	15.76	15.97	16.16	16.58
a. Large & Medium-scale	11.01	11.13	11.16	11.29	11.41	11.72
b. Small-scale	4.39	4.46	4.60	4.68	4.76	4.85
5. Electricity, Gas & Water Supply	1.43	1.46	1.51	1.54	1.59	1.64
a. Electricity	1.21	1.23	1.27	1.30	1.34	1.38
b. Gas	0.16	0.16	0.17	0.17	0.18	0.18
c. Water	0.06	0.07	0.07	0.08	0.08	0.08
6. Construction	7.84	8.08	8.41	8.63	8.83	9.08
7. Wholesale & Retail Trade	13.35	13.48	13.77	13.87	13.97	14.12
8. Hotel & Restaurant	0.63	0.64	0.66	0.67	0.68	0.69
9. Transport, Storage & Communication	9.20	9.42	9.62	9.76	9.79	10.01
a. Road Transport	6.65	6.71	6.86	6.95	6.96	6.92
b. Water Transport	1.18	1.12	1.08	1.03	0.97	0.93
c. Air Transport	0.18	0.18	0.14	0.13	0.12	0.12
d. Related Transport Services & Maintenance	0.36	0.41	0.37	0.35	0.33	0.31
e. Post & Tele-communication	0.83	1.01	1.16	1.30	1.41	1.73
10. Financial Intermediations	1.57	1.57	1.61	1.63	1.65	1.70
a. Bank	1.22	1.20	1.22	1.22	1.23	1.27
b. Insurance	0.28	0.31	0.33	0.34	0.35	0.36
c. Others	0.07	0.07	0.06	0.06	0.06	0.07
11. Real Estate, Renting & Business Activity	8.88	8.72	8.63	8.48	8.30	8.14
12. Public Administration and Defense	2.55	2.56	2.60	2.60	2.63	2.76
13. Education	2.20	2.24	2.31	2.36	2.40	2.46
14. Health and Social Services	2.20	2.19	2.21	2.21	2.22	2.25
15. Community, Social and Personal Services	8.13	7.97	7.87	7.72	7.59	7.52
GDP	100.00	100.00	100.00	100.00	100.00	100.00

Source: Bangladesh Bureau of Statistics (BBS).

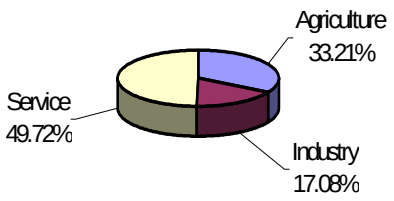
The share of industry sector in GDP has been gradually increasing since FY 1999-00. The share of manufacturing industry stood at 16.58 percent in FY 05 from 16.16 percent of the previous fiscal year. In FY 2004-05, the share of wholesale and retail trade estimated at 14.12 percent, which was 13.87 percent and 13.97 percent in FY 2002-03 and FY 2003-04 respectively. The contribution of transport and communication is also increasing and this rate is 10.01 percent in current fiscal year. The sectoral share of GDP at constant prices during FY 1993-94 to 2004-05 have been shown in Appendix-5 and the trend of structural transformation of broad sectoral shares in GDP have been shown in the table 2.5 and graphs below.

Table 2.5: The trend of structural transformation of broad sectoral share in GDP and growth rate at constant prices (Base year: 1995-96)

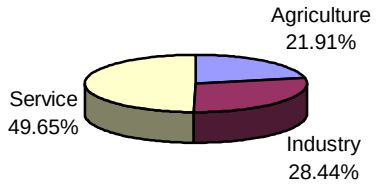
Share (in percent)						
Sector	1979-80	1984-85	1989-90	1994-95	1999-00	2004-05
Agriculture	33.21	31.46	29.52	26.02	25.58	21.91
Industry	17.08	18.70	20.78	24.28	25.70	28.44
Service	49.72	49.84	49.70	48.70	48.72	49.65
Total	100.00	100.00	100.00	100.00	100.00	100.00
Average growth rate (in percent)						
	FY 81-04	FY 81-85	FY 86-90	FY 91-95	FY 96-00	FY 01-05
Agriculture	2.77	2.68	2.40	1.55	4.88	2.13
Industry	6.51	5.70	5.86	7.47	6.44	7.48
Service	4.33	3.83	3.58	4.15	4.81	5.73
Total GDP	4.41	3.72	3.74	4.39	5.21	5.32
Per capita GDP	2.54	1.54	1.50	2.36	3.83	3.91

Source: Bangladesh Bureau of Statistics (BBS).

Graph 2.2.1: Contribution of Broad sectors in GDP of 1979-80



Graph 2.2.2: Contribution of Broad sectors in GDP of 2004-05



Though there is a trend of transformation of the share of agriculture and industry sector, at the same time the share of service sector remained stagnant for several years except minor variation year to year. The share of agriculture sector in GDP at the beginning of eighties was above 33.21

percent whereas in the current fiscal year this share is 21.91 percent. On the other hand the share of industry sector in GDP at the beginning of eighties was 17.08 percent whereas in the current fiscal year this share is 28.44 percent. This structural transformation of GDP of Bangladesh reflects the positive trend of industrialisation.

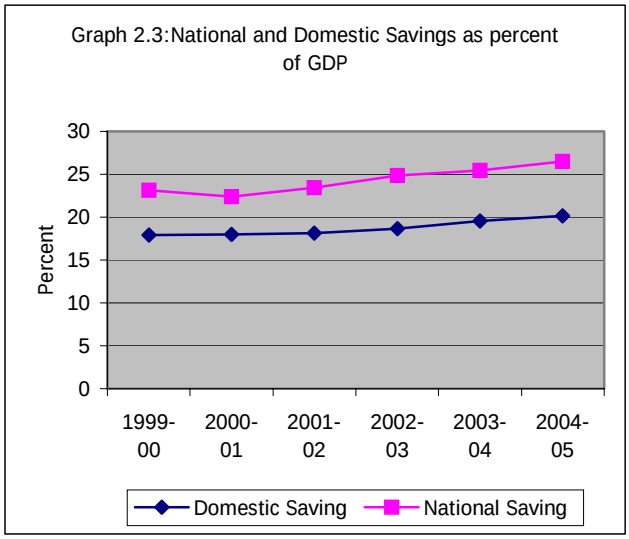
By this time there is a significant success in increasing growth of this sector along with the increase in contribution of the industry sector. By analysing the sectoral growth rate since the beginning of eighties it is observed that average growth rate of industry sector is 6.59 percent which is higher than that of agriculture (2.73 percent) and service (4.42 percent) sectors. The per capita real GDP growth rate was 3.87 percent in the past ten years.

Savings

In FY 1995- 96 the domestic and national savings as percentage of GDP were 14.90 and 20.17 percent respectively and had since gradually increased to 19.53 and 25.44 percent of GDP respectively in FY 2003-04. According to provisional estimates, the rates of domestic and national savings will stand at 20.16 and 26.49 percent of GDP in FY 2004-05. In Table 2.6 and in chart 2.3, the year-wise rates of domestic and national savings during FY 1995- 96 to FY 2004-05 have been presented.

Table 2.6: Saving as Percentage of Gross Domestic Product (GDP)

FY	Domestic Saving	National Saving
1995-96	14.90	20.17
1996-97	15.90	21.58
1997-98	17.41	21.77
1998-99	17.71	22.31
1999-00	17.88	23.10
2000-01	18.00	22.41
2001-02	18.16	23.44
2002-03	18.63	24.87
2003-04	19.53	25.44
2004-05 (Prov.)	20.16	26.49

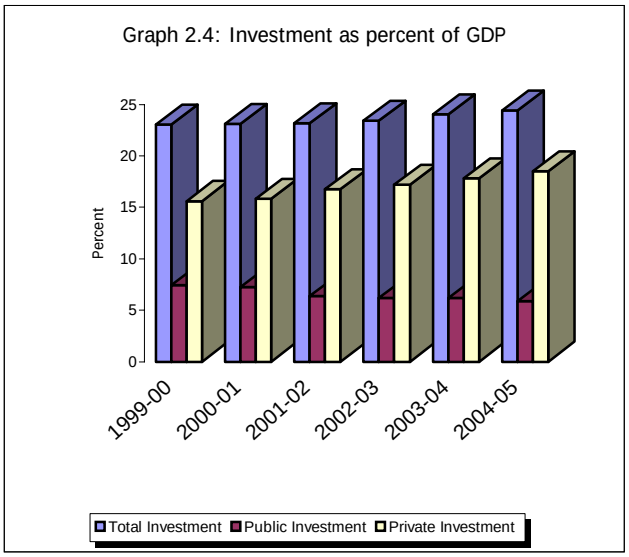


Investment

Due to the creation of investment-friendly environment generated through appropriate measures including the reduction of investment expenditure local and foreign direct investments have been rising and this resulted in gradual increase in private sector investment. In FY 1995-96, the rate of total investment was 19.99 percent of GDP in which the shares of public and private sector were 6.42 percent and 13.58 percent respectively. The rate of national investment gradually picked up since FY 96 and rose to 24.02 percent of GDP in FY 2003-04. Of the total investment, the shares of public and private sector contribution were 6.19 percent and 17.83 percent respectively in FY

2003-04. According to provisional estimates, the rate of national investment picked up to 24.43 percent in FY 2004-05, which is the ever-highest rate so far. The shares of public and private sector contribution are estimated to be 5.90 and 18.53 percent respectively. The contribution of public sector in total investment is gradually decreasing and the contribution of private sector investment is gradually increasing. Investment in public sector though reduced slightly as percentage of GDP, the total public expenditure has increased. At the beginning of the nineties, the share of private investment in total investment was about 60 percent, which stood at 76 percent in the current fiscal year. Table 2.7 shows investment as percentage of GDP during FY 1995-96 to FY 2004-05:

Table 2.7: Investment as Percent of Gross Domestic Product (GDP)

FY	Total Investment	Public Investment	Private Investment
1995-96	19.99	6.42	13.58
1996-97	20.72	7.03	13.70
1997-98	21.63	6.37	14.26
1998-99	22.19	6.72	15.47
1999-00	23.02	7.41	15.61
2000-01	23.09	7.25	15.84
2001-02	23.15	6.37	16.78
2002-03	23.41	6.20	17.21
2003-04	24.02	6.19	17.83
2004-05 (prov.)	24.43	5.90	18.53

Source: Bangladesh Bureau of Statistics (BBS).