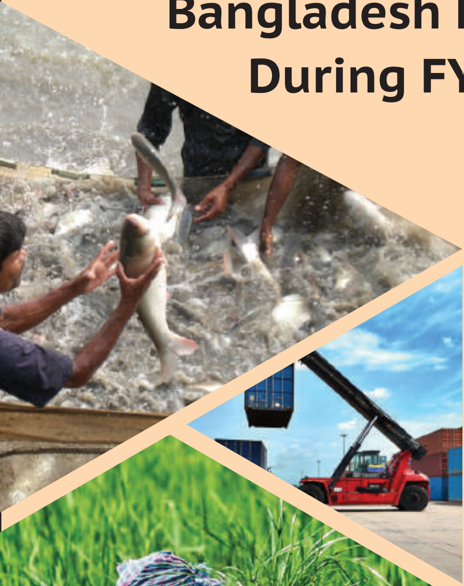
Bangladesh Economy During FY2016-17



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- Be the leading voice serving responsible business

MISSION

- Become the leading Chamber for providing research and analysis related to business in Bangladesh
- Attract quality membership, representative of a cross section of business
- Effectively respond to changing business environment
- Collaborate with local and international institutions
- Engage and communicate regularly with our stakeholders
- Promote best practices that benefit business and society

VALUES

- Fairness
- Integrity
- Respect
- Equal Opportunity

CORE COMPETENCIES - ORGANISATION

- Research based Policy Advocacy
- Networking
- Business Intelligence

CORE COMPETENCIES – PEOPLE

- Professional
- Innovative
- Adaptable
- Team Player
- Proactive
- Communication & Interpersonal Skills

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BANGLADESH'S ECONOMY DURING FY2016-17 (FY17)

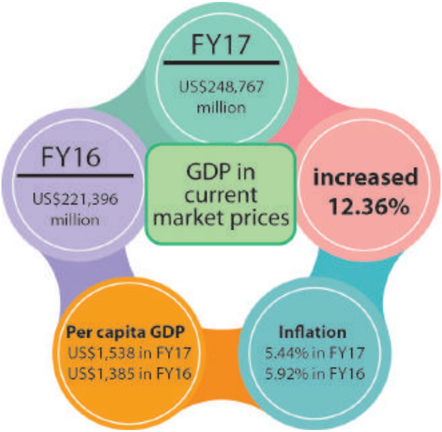
INTRODUCTION

Bangladesh Bureau of Statistics (BBS) has estimated the GDP growth at 7.24 per cent in FY17, which exceeds the official target of 7.20 per cent by 0.04 percentage point. Compared to many other developing countries, the 7.24 per cent GDP growth achieved by Bangladesh is quite impressive, but still the realized growth remains below the country's true potential. Inadequate infrastructure, shortage of power and energy, weak investment climate, and lack of consistency in policy and regulatory framework are now major impediments to the country's development. These impediments must be removed to restore the confidence of the country's business and investor community.

Based on the IMF's World Economic Outlook, released in April 2017, the GDP of Bangladesh in PPP terms will cross US$1,000 billion and the country will be ranked 30^{th} largest economy of the world in 2022, which is 32^{nd} in 2017. On nominal GDP basis, Bangladesh will be the 38^{th} largest economy in 2022 as against 45^{th} now.

ECONOMIC GROWTH

In terms of US Dollar, the value of GDP in current market prices increased by 12.36 per cent to US$248,767 million in FY17 from US$221,396 million in the previous year. Per capita GDP stood at US$1,538 in FY17, compared to US$1,385 in FY16, showing an increase of 11.05 per cent. The general point-to-point inflation came down to 5.44 per cent in FY17 from 5.92 per cent in FY16. Between end-June of 2016 and 2017, the Taka depreciated by 2.80 per cent in terms of US dollar. Gross foreign exchange reserves rose to US$33.407 billion in the last working day of FY17 (29 June 2017). The amount was sufficient to cover the country's import bills for more than nine months.



The growth rates of different sectors and sub-sectors in the three most recent years were as under:

(Per cent)

Sector/ Sub-sector	FY15	FY16	FY17
Agriculture:	**3.33**	**2.79**	**3.40**
Agriculture and Forestry	2.45	1.79	2.51
Fishing	6.38	6.11	6.26
Industry:	**9.67**	**11.09**	**10.50**
Mining and Quarrying	9.60	12.84	8.00
Manufacturing	10.31	11.69	10.96
Large and medium scale	10.70	12.26	11.32
Small scale	8.54	9.06	9.21
Electricity, Gas and Water	6.22	13.33	12.72
Construction	8.60	8.56	9.32
Services:	**5.80**	**6.25**	**6.50**
Wholesale and Retail Trade	6.35	6.50	6.88
Hotel and Restaurants	6.83	6.98	7.14
Transport, Storage & Communication	5.96	6.08	6.68
Financial Intermediation	7.78	7.74	7.67
Real-estate, Renting & Other Business Activities	4.40	4.47	4.78
Public Administration & Defence	9.82	11.43	9.85
Education	8.01	11.71	11.51
Health and Social Work	5.18	7.54	7.50
Community, Social & Personal Services	3.28	3.30	3.62
GDP growth rate at constant 2005-06 market prices	**6.55**	**7.11**	**7.24**

AGRICULTURE

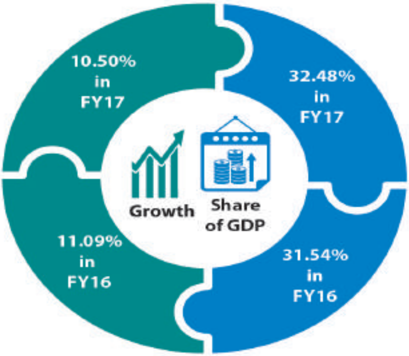
The agriculture sector is the most important sector in the Bangladesh economy. It employed about 47.5 per cent of the country's total labour force and accounted for about 14.79 per cent of GDP in FY17. Due to strong government support in terms of timely availability of inputs and finance, the sector recorded a higher growth of 3.40 per cent in FY17 compared to 2.79 per cent in FY16. Among the components of agriculture sector, agriculture and forestry sub-sector, which includes crops & horticulture, animal farming, and forestry & related services, recorded a higher growth of 2.51 per cent in FY17, compared to 1.79 per cent growth in FY16. On the other hand, the fisheries sub-sector performed relatively better, growing at 6.26 per cent in FY17, compared to 6.11 per cent in FY16.

The Department of Agricultural Extension (DAE) had set the domestic food grains (rice and wheat) production target for FY17 at 36.434 million metric tons (mmt). This target was 1.04 per cent higher than the actual production of FY16 (36.06 mmt). Individual targets for aman, aus, boro and wheat crops in FY17 were 13.544 mmt, 2.306 mmt, 19.153 mmt, and 1.431 mmt, respectively. The latest DAE data reveals that actual production of all crops other than aman fell short of their respective targets in FY17. The production of total food grains in FY17 was 35.626 mmt, which was about 0.434 mmt or 1.20 per cent lower than previous year's actual production of 36.06 mmt, and also 2.22 per cent short of the year's target. Rice production decreased by nearly 0.51 mmt or 1.47 per cent to 34.202 mmt in FY17 from 34.712 mmt in FY16 as crop losses in the back-to-back disasters – flashfloods in *haor* areas and *Chalan Beel* in Natore, intense rainfall in almost all parts of the country and fungal disease blast attacks.

Total import of food grains increased by 10.44 per cent to 5.82 mmt in FY17, from 5.27 mmt in the previous fiscal year. Most of the imported food grains were wheat (5.69 mmt). The revised target of domestic food grains procurement in FY17 was 2.05 mmt, of which 1.85 mmt was rice and the rest was wheat. Ultimately, 1.38 mmt of food grains were procured, of which 1.28 mmt was rice and 0.10 mmt was wheat. According to the Directorate General of Food, the public food grains stock stood lower at 0.38 mmt on 30 June 2017, compared to 0.86 mmt at the end of the previous fiscal.

INDUSTRY

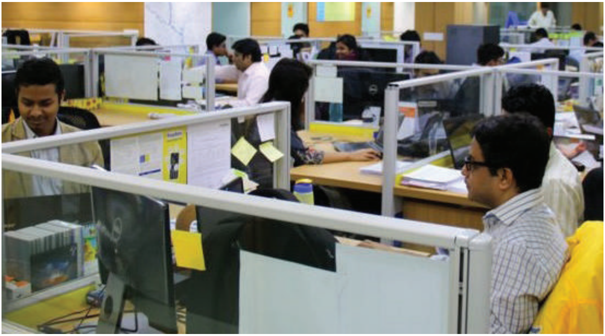
Shortage of energy, both gas and power, was adversely affecting production and growth in the broad industry sector. The sector managed to grow by 10.50 per cent in FY17, which is 0.59 percentage point lower than the growth of 11.09 per cent in FY16. However, the share of the industry sector in GDP increased by 0.94 percentage point to 32.48 per cent in FY17 from 31.54 per cent in FY16.



Within the broad industry sector, the manufacturing sub-sector grew by 10.96 per cent in FY17, compared to 11.69 per cent in FY16. The large and medium industries sub-sector grew by 11.32 per cent in FY17, compared to 12.26 per cent in FY16. The small scale manufacturing industries, however, performed better than in the previous fiscal. This sub-sector grew by 9.21 per cent in FY17, compared to 9.06 per cent in FY16.

SERVICES

According to provisional estimates of BBS, the services sector performed better in FY17 compared to the previous fiscal. Despite the sluggish investment situation prevailing in the country, the services sector grew by 6.50 per cent in FY17 as against 6.25 per cent in FY16. Notable among



the well-performing sub-sectors in FY17 are wholesale & retail trade, hotel & restaurant, transport, storage & communication, real estate, renting & business activities, construction, and community, social & personal services.

It is worth noting that the share of the services sector in GDP, which was at its peak at 55.59 per cent in FY06, has been continuously declining thereafter, dropping to 52.73 per cent in FY17. Among different services sub-sectors, the wholesale & retail trade held the highest share in GDP (13.94%) in FY17. The GDP shares of certain other sub-sectors in FY17 were: transport, storage & communication (11.25%); community, social & personal services (8.86%); construction (7.39%); real estate, renting & business activities (6.48%); public administration & defence (3.72%); financial intermediations (3.41%); and education (2.48%).

INVESTMENT AND SAVING

Investment has remained far below the optimum level of 35-40 per cent of GDP, which is deemed necessary to achieve a GDP growth of 8-10 per cent. As proportion of GDP, gross investment increased slightly to 30.27 per cent in FY17 from 29.65 per cent in FY16. The increase was mainly due to the rise in public investment, which rose to 7.26 per cent of GDP in FY17 from 6.66 per cent in FY16, whereas the share of private investment in GDP increased slightly to 23.01 per cent in FY17 from 22.99 per cent in FY16. The

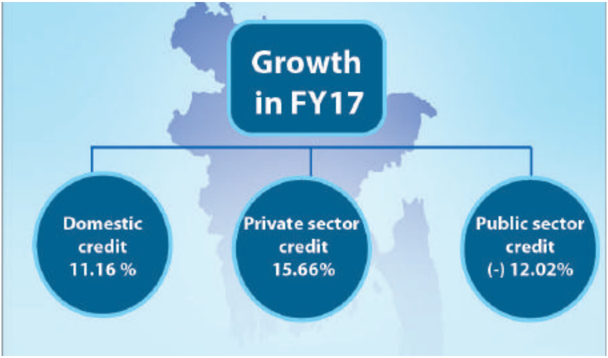
low level of private investment, local and foreign, is largely due to the underdeveloped infrastructure, and such other impediments as the shortage of power and energy and lack of consistency in policy and regulatory framework.

On the other hand, the domestic savings rate as proportion of GDP has tended to increase, albeit slowly, to 26.06 per cent in FY17 from 24.98 per cent in FY16. The national savings ratio, however, decreased to 30.30 per cent in FY17 from 30.77 per cent in FY16.

MONETARY DEVELOPMENT

Bangladesh Bank's monetary policy, outlined in all successive Monetary Policy Statements (MPS), has been growth supportive and aimed at preserving inflation, price stability, and employment generation. In pursuit of the growth objective, BB's credit policies and programmes in FY17 were directed to channeling adequate credit flows for productive purposes, especially to underserved sectors like agriculture, SME, renewable energy and other eco-friendly projects. At the same time, BB's policy was to discourage undue expansion of, or diversion of bank credit to, unproductive and wasteful uses in order to bring down the inflationary pressure.

Domestic credit recorded an 11.16 per cent decrease at the end of June 2017 as against the 14.22 per cent increase in the corresponding period of the previous fiscal (y-o-y basis). Credit to the private sector registered a lower growth of



15.66 per cent during July-June of FY17, compared to 16.78 per cent growth witnessed in the corresponding months of FY16. Credit to the public sector on the other hand registered a negative growth of 12.02 per cent in FY17 as against the positive 2.63 per cent growth in FY16.

EXPORTS

The country's export earnings in the just-concluded financial year (FY17) grew by only 1.72 per cent to US$34.847 billion from US$34.257 billion in the previous fiscal year. Export growth during the year hit a 15-year low since FY02, when it was (-) 7.43 per cent. Export earnings decreased due to low growth of readymade garments (RMG) exports in the major export markets, including the European Union and the United States. Export earnings were also 5.82 per cent short of the strategic target (US$37 billion). Though the RMG played a major role in the overall increase in exports, the slow growth in apparel exports was mainly responsible for the failure to meet the target. The RMG exports accounted for 80.81 per cent of total exports in FY17, compared to 82.01 per cent in the corresponding period of the previous fiscal year.

MCCI's analysis of EPB's export data for July-June of FY17 shows that the country's major export products, i.e., knitwear, jute & jute goods, leather & leather products, chemical products, plastic products, paper & paper products, cotton & cotton products, home textile, other footwear, engineering products, other manufactured products, ceramic products, and computer services showed positive growth while woven garments, agricultural products, frozen & live fish, petroleum bi-products, man-made filaments & staple fibres, carpet, and specialized textiles showed negative growth.

The overall export growth was largely dependent on the RMG sector. The sector alone earned US$28.150 billion or 80.81 per cent of total exports in FY17 but registering only 0.20 per cent growth from US$28.094 billion in FY16. This growth is too low to achieve the US$50.0 billion export target by 2021. In order to achieve that goal, the industry will need to attain more than 12.0 per cent export growth every year. RMG earnings in FY17 were also 7.34 per cent short of the strategic target (US$30.379 billion). Within the sector, knitwear products earned US$13.757 billion, a 3.01 per cent increase over the corresponding period of the previous year, and woven products earned US$14.393 billion, showing a negative growth of 2.35 per cent during the period.

Like the RMG, the other major sectors did not perform any better either. The frozen foods including fish, agricultural products, petroleum bi-products, specialized textiles and leather sector, especially processed leather, witnessed negative growth. In July-June of FY17, export earnings from frozen & live fish and agricultural products declined by 1.74 per cent and 7.20 per cent, respectively. Specialized textiles, another potential sector, experienced negative growth of 2.37 per cent in the period. Export of finished leather fell by

16.30 per cent to US$232.61 million but export of leather products and footwear increased as international retailers come to Bangladesh to buy leather goods, not finished leather, because of environmental pollution.

The country's exports to major destinations, including the USA, Canada and some EU countries, marked a downward trend in FY17. Factors like currency fluctuation and sluggish demand and ongoing safety issues in the RMG sector were mainly responsible for this poor performance. The country fetched US$5.84 billion from the US market, the single largest export destination, by exporting merchandise products, including garment, which recorded a 6.01 per cent negative growth in FY17. The downward trend was also seen in Canada that witnessed a 3.03 per cent negative growth in FY17. About 60 per cent of the country's total exports are destined for the countries of Western Europe, where Germany, the United Kingdom (UK), Spain, France, Italy, the Netherlands, Belgium, Poland and Denmark are the big markets. Of them, export earnings fell in the UK and Belgium by 6.31 per cent and 9.50 per cent, respectively, while exports rose in Germany, Spain, France, Italy and Denmark at varying rates.

Bangladesh Export Processing Zones Authority (BEPZA) exceeded the export target in FY17 but remained below the exports of the previous year. BEPZA credited the growth of exports to a peaceful production environment and industry-friendly atmosphere in EPZs.

IMPORTS

Import payments (C&F) increased by 9 per cent in FY17 to US$47.005 billion compared to US$43.123 billion in FY16. Import payments increased mainly due to higher imports of capital machinery. Also demand for industrial raw materials, petroleum and food grains at home soared. In FY17, import of capital machinery soared by 37.39 per cent at US$4.855 billion from a year earlier. Industrial raw material imports rose by 3.52 per cent year-on-year to US$16.22 billion, also import of intermediate goods such as coal, hard coke,

clinker and scrap vessels increased for the garment and textile sectors. Import of petroleum products increased by 3.3 per cent to US$2.522 billion in FY17. Food grains - rice and wheat - imports grew about 3 per cent from a year earlier to US$1.15 billion. Rice import has increased significantly in the last couple of months of FY17 to boost stock and stabilize the price level.

According to BB data, the settlement of import Letters of Credit (LCs) in FY17 increased by 10.47 per cent and stood at US$44.273 billion, compared to US$40.076 billion in FY16. On the other hand, opening of import LCs increased by 11.06 per cent to US$48.126 billion in FY17 from US$43.335 billion in the previous fiscal year.

BALANCE OF PAYMENTS

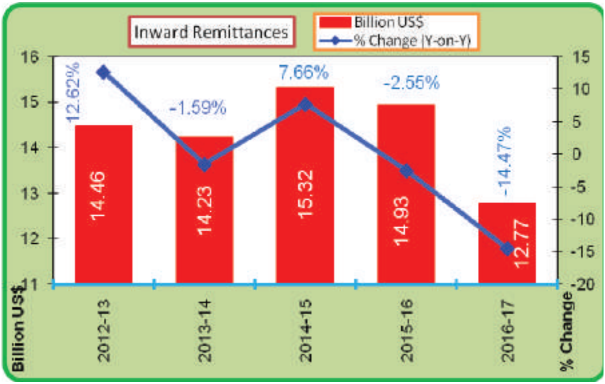
According to BB data, overall trade deficit increased by 46.63 per cent year-on-year to US$9.472 billion - the highest in six years - in FY17. Merchandise exports grew by 1.73 per cent while merchandise imports grew by 9 per cent during these periods. The disparate growth in imports visa-a-vis exports had the effect of widening the trade deficit. The deficit in trade in services, too, widened to US$3.284 billion in FY17 from US$2.708 billion in FY16. Inward remittance fell by 14.45 per cent during the period. Because of higher trade and services deficit and the fall in inward remittances, the comfortable surplus in the current account prevailing in the previous fiscal turned into a deficit in FY17.

The financial account, however, posted a sizeable surplus during July-June of FY17 - US$4.179 billion, compared to US$944 million in the same period of FY16. Higher inflow of foreign investment and comparatively low pressure on external debt repayment contributed to the improvement in the financial account. The BoP data show that the net inflow of FDI increased by 32.76 per cent to US$1.706 billion in FY17 while portfolio investment jumped by more than three times to US$458 million during the period. Other investment (net), too, recorded a handsome surplus of US$2.015 billion as against a deficit of US$480 million in the previous fiscal. However, because of the larger increase in the current account deficit balance relative to the surplus in the financial account, the surplus in the overall balance of payments shrank to US$3.169 billion in July-June of FY17 from US$5.036 billion in the same period of FY16.

REMITTANCES

In spite of various measures taken by the country's central bank, remittance inflow in FY17 has been the lowest in six years. The inflow dropped substantially - by 14.48 per cent – in FY17 compared to the previous fiscal. According to BB data, Bangladesh received US$12.769 billion in remittance in FY17 compared to US$14.931 billion in

FY16. Remittance is a major source of foreign exchange earning for Bangladesh and the declining trend since FY16 has progressively become a matter of concern for the government. The decline in remittance is indirectly linked with the decline in the price of petroleum products in the



global market. The majority of Bangladesh's expatriate workers now work in the oil-producing Gulf Cooperation Council (GCC) countries whose development activities mainly depend on their income from petroleum products. The fall in petroleum prices greatly squeezed the oil income of these GCC countries, and their wage payment to overseas workers declined as a result. Also, the depreciation of the Taka against the U.S. dollar and the rising tendency of migrants to send money home through informal channels worked as a damper to the flow of inward remittances.

According to BB data, remittance inflow to Bangladesh from outside the GCC countries, especially the US, crashed in FY17 mainly due to uncertainty over the migration policy aimed at Muslims amid a spurt in militant activities. Bangladesh receives the third highest remittance from the US, but the inflows dropped by 30.15 per cent year-on-year in FY17 due to uncertainty over their job security. Remittance from the US normally comes through legal channels, but due to the large divergence between formal and informal rates in the foreign exchange market, there might have been a rising tendency to send money home through *hundi*. Remittance inflow from Malaysia, Singapore and the UK also declined in FY17. Remittance from the UK declined 4.4 per cent, from Malaysia 17.42 per cent and from Singapore 22.48 per cent.

Currently, 29 exchange houses are operating across the globe to expedite the remittance inflow. BB expects that the flow of inward remittances will improve in the present fiscal year following different initiatives. Earlier, the central bank took a series of measures to encourage the expatriate Bangladeshis to send their money through formal banking channels, instead of the illegal *hundi* system, to help boost the country's foreign-exchange reserves.

As part of the promotional measures for ensuring better remittance services, banks have been instructed to open 'help desk' at each branch concerned. Also, BB asked banks to take measures for improving the quality of remittance services so that the NRBs send their savings home through the formal channel. Following these measures, the flow of inward remittances improved slightly in Q4 of FY17. The remittance receipts stood at US$3.573 billion in April-June of FY17 compared to US$3.028 billion three months ago.

FOREIGN AID

According to the Economic Relations Division (ERD) provisional data, the disbursement of foreign aid in the just-concluded fiscal year (FY17) decreased by 12.32 per cent to US$3.56 billion from US$4.06 billion in the previous fiscal year. The lower disbursement of aid was mainly due to slow development work following the Holey Artisan café attack in July 2016. Some development partners, including Japan, withdrew their staff from Bangladesh immediately after the attacks. Besides, the slow progress in aid-funded ADP projects has affected aid disbursement. Government agencies and ministries spent 78 per cent of their foreign fund allocations in FY17. Meanwhile, development partners' aid commitments increased to a record high of US$17.86 billion in FY17, 153.33 per cent higher than the commitment made in the previous fiscal (US$7.05 billion). The large increase in the commitment in FY17 was mainly due to a single-largest

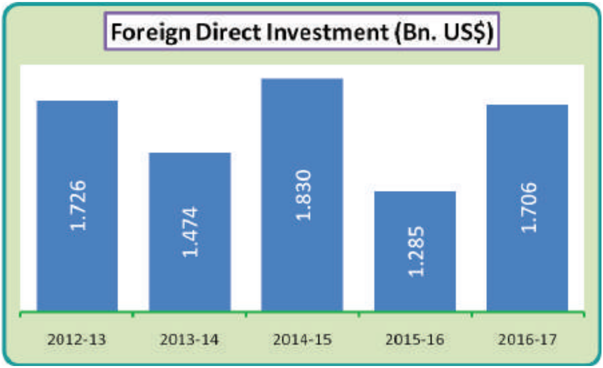
US$11.36 billion state credit commitment by the Russian government for Rooppur Nuclear Power Plant project. Out of the US$17.86 billion of aid commitment, government received US$17.49 billion as concessional loans and US$0.37 billion as grants from the development partners.

Bangladesh mainly takes Official Development Assistance (ODA) from multilateral organisations or countries, which are soft loans or grants. The country's largest development partner is the World Bank (WB). Other development partners include the Asian Development Bank (ADB), Japan, the Islamic Development Bank (IDB), China, the United Nations (UN), the UK's DFID, Russia, Germany, and India.

In the current fiscal year (FY18), the government has targeted US$7.6 billion in concessional loans and grants from different bilateral and multilateral development partners. In the previous fiscal, the target was US$5.0 billion.

FOREIGN DIRECT INVESTMENT (FDI)

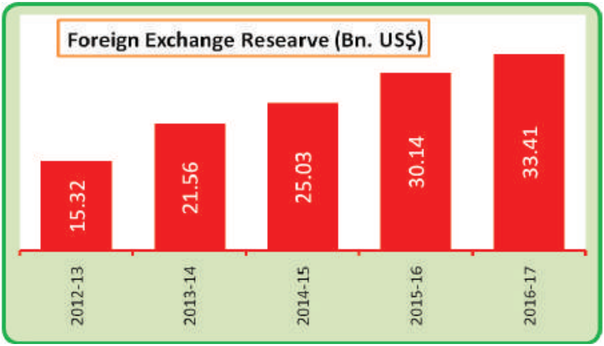
Net foreign direct investment (FDI) in FY17 increased 32.76 per cent to US$1.706 billion from US$1.285 billion in FY16. According to industry experts, however, the annual FDI inflow in the country is not enough to meet its development needs. Bangladesh's low labour cost and efficient supply chain, especially in readymade garments industry, are generally believed to be attractive to foreign investors, but yet they hesitate to make fresh investments in the country because of the country's underdeveloped infrastructure, and such other impediments as the shortage of power and energy, lack of consistency in policy and regulatory framework, scarcity of industrial lands, and political uncertainty. The government needs to address these impediments to attract more FDI in the country.



To boost FDI, BB has recently asked all banks dealing in foreign currencies to set up at least one 'FDI Help Desk' in their Dhaka and Chittagong offices with competent officials to help potential foreign investors in making productive investment. The government has also plans to develop 100 economic zones by 2030 on 75,000 acres of land to create jobs for one crore people and produce goods and services worth US$40 billion. Bangladesh Economic Zones Authority has so far awarded licence to eight local private companies to set up 10 economic zones. The government itself is setting up 4 economic zones - Mirsarai economic zone in Chittagong, Mongla economic zone in Bagerhat, Srihatta economic zone in Moulvibazar and Sabrang tourism park in Cox's Bazar.

FOREIGN EXCHANGE RESERVE

Bangladesh Bank's gross foreign exchange reserves (Forex) crossed US$33 billion-mark for the first time on 22 June 2017 and rose to US$33.407 billion in the last working day of FY17. The increase in reserves was mainly due to lower import payment pressure on the economy and higher



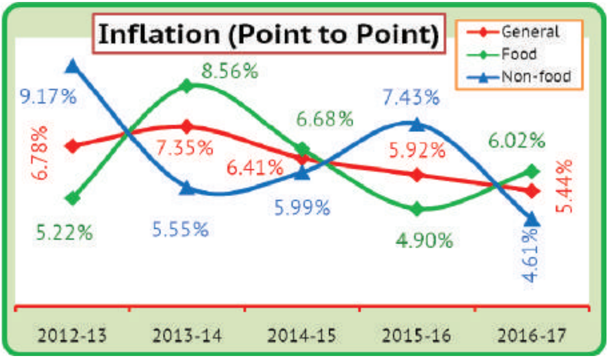
inflow of remittance ahead of the Eid-ul-Fitr festival. The stable exchange rate of the Taka against the US dollar has encouraged the expatriate Bangladeshis to send home their earnings, which has also helped boost the reserve. In addition, according to BB, a fund of US$46 million received from the World Bank has contributed to raise the reserve to some extent. The country would be able to settle more than nine months' import bills with the existing forex reserve. A healthy reserve allows a country to get higher credit rating and helps the private sector to get loans from foreign sources at low interest rates. Also, the current reserves will help keep the Taka stable against the US dollar and provide a more favourable economic environment.

PRICE SITUATION

In June 2017, the general point to point inflation in the country increased by 0.18 percentage point to 5.94 per cent from 5.76 per cent in May 2017. The rise in inflation was due to an increase in the prices of some food and essential items. A year ago, in June 2016, the inflation rate was 5.53 per cent. Economists predict higher inflationary pressures in the near term as the country is facing some supply-chain problems with rice in addition to recent floods in some areas of the country with severe crop damage in *haor* regions.

The food inflation increased by 0.14 percentage point to 7.51 per cent in June 2017 from 7.37 per cent in the previous month because of a rise in prices of rice, oil, meat, pulses, vegetable, green chilli, sugar, tea and milk. Non-food inflation also increased by 0.23 percentage point to 3.67 per cent in

June 2017 from 3.44 per cent of the immediate past month (May). Besides, the average inflation in the just-concluded financial year (FY17) recorded a 13- year low at 5.44 per cent from 5.92 per cent in FY16 as the prices of essential items at home and fuel oils and some other commodities



in external markets were maintaining an upward trend. The year-on-year average inflation in FY04 was the lowest at 5.83 per cent. Moreover, the average inflation in FY17 was within the government-set target of 5.80 per cent, leaving this major macroeconomic indicator in a comfortable zone.

A comparison of point to point inflation data for urban and rural areas in June of FY17 shows that the inflation rate was higher in urban areas than in rural areas. Thus, the point to point general, food, and non-food inflation in rural areas in June were 5.65 per cent, 7.20 per cent, and 2.94 per cent, respectively, while these rates in urban areas were 6.49 per cent, 8.21 per cent, and 4.67 per cent, respectively.

PUBLIC FINANCE

Government's total revenue collection grew by 36.84 per cent to Tk.2,427.52 billion in FY17 compared to Tk.1,774.00 billion in FY16. Total tax revenue collection (NBR and non-NBR) was Tk.1,642.19 billion in July-May of FY17 as against Tk.1,387.61 billion in the same period of FY16. Out of Tk.1,642.19 billion, NBR collected Tk.1,586.95 billion and non-NBR sources collected Tk.55.24 billion. The government had initially set a collection target of Tk.2,031.52 billion for FY17 for the NBR but as the growth in revenue collection remained slow, the target was later downsized at Tk.1,850.00 billion.

In FY17, government was able to implement 89.4 per cent of the total annual development programme (ADP) which was the lowest in eight years. The implementation rate was low mainly because some mega projects could not mobilise foreign funds, particularly those financed by Japan due to the militant attack at the Holey Artisan Bakery in July 2016. The government agencies and ministries spent 78 per cent of their Tk.357.97 billion foreign fund allocations, whereas they managed to spend as much as 93 per cent of the government's own fund of Tk.777 billion in the fiscal. Among other reasons, the implementation capacity of the ministries and divisions has not kept pace with the increase in the size of the development budget. According to the Implementation, Monitoring and Evaluation Division (IMED), 54 ministries and divisions spent Tk.1.066 trillion, the highest in history, out of the total Tk.1.193 trillion outlays in the ADP of FY17. ADP spending was 92.7 per cent in the previous fiscal year (FY16).

Twelve ministries or divisions, or implementing agencies, which together received 85 per cent of the total development budget, performed very well. These ministries and divisions are those of Science and Technology, the Road Transport and Highways Division, the Secondary and Higher Secondary Education Division, the Ministry of Primary and Mass Education, the Local Government Division, the

Ministry of Housing and Public Works, the Ministry of Water Resources, the Energy Division, and the Ministry of Disaster Management and Relief. Some of the implementing agencies even overshot their allocation: the Power Division spent 101 per cent, the Ministry of Post and Telecommunications 119 per cent, and the Ministry of Shipping spent 106 per cent. But the Ministry of Health, the Ministry of Railways, and the Bridges Division fell short of spending their total allocation, according to IMED data.

BUDGET FOR 2017-18 (FY18):

The outlay of the FY18 national budget is Tk.4,002.66 billion, which is 26.20 per cent higher than that of the last year's revised budget (Tk.3,171.74 billion). Within the national budget there is a Tk.1,590.13 billion development budget, which is 37.09 per cent bigger than that in the revised FY17 budget (Tk.1,159.90 billion), and a non-development budget of Tk.2,071.38 billion, which is 16.27 per cent higher than in the revised FY17 budget (1,781.54 billion). The size of the ADP is Tk.1,533.31 billion in the FY18 budget, which is 38.51 per cent larger than the past year's revised ADP (Tk.1,107.00 billion). The budget targets a 31.80 per cent revenue growth to Tk.2,879.91 billion over the revised revenue estimate of Tk.2,185.00 billion in the outgoing fiscal. The revenue receipts will comprise of Tk.2,568.12 billion as tax revenue and Tk.311.79 billion as non-tax revenue. In the total tax revenue, Tk.2,481.90 billion will come from NBR and Tk.86.22 billion from non-NBR taxes.

The overall fiscal deficit in the FY18 budget is Tk.1,122.75 billion, which is 5.0 per cent of GDP. The budget seeks to finance the deficit largely through domestic borrowing of Tk.321.49 billion or 28.63 per cent of the deficit from non-bank sources, and Tk.282.03 billion or 25.12 per cent of the deficit, from banks. The remainder, 46.25 per cent, of the deficit is to be financed with foreign borrowing.

In the ADP allocations, 28.7 per cent is for human resources sector (education, health, and other related sectors), 26.8 per cent for transport and communication (road, railway, bridges, and other related sectors), 21.2 per cent for agriculture and rural development (agriculture, local government, rural development, water resources and other related sectors), 13.7 per cent for power & energy sector, and 9.6 per cent for other sectors.

The budget sets a 7.4 per cent GDP growth target and commits to bring down the inflation rate to 5.5 per cent by the end of FY18. Other objectives of the FY18 budget are to reduce poverty, develop physical infrastructure, solve power and energy sector problems, create opportunities for employment generation, provide necessary protection to local industries, increase social sector expenditure to address inadequacies in education and health, and widen the prevailing safety net programmes for improving the economic condition of the people.

MAJOR ECONOMIC INDICATORS

Indicators	FY14	FY15	FY16	FY17(P)	FY18(E)
National Accounts					
GDP (million US$)	172,887	195,159	221,396	248,767	286,550
GDP Growth (%)	6.06	6.55	7.11	7.24	7.40
Per Capita GDP (US$)	1,110	1,236	1,385	1,538	1,715
Domestic demand (million us$)	184,103	208,290	231,746	259,247	297,850
GDP by Sector:					
Agriculture					
Share in GDP (%)	16.50	16.00	15.35	14.79	14.75
Growth Rate (%)	4.37	3.33	2.79	3.40	2.95
Industry					
Share in GDP (%)	29.55	30.42	31.54	32.48	32.55
Growth Rate (%)	8.16	9.67	11.09	10.50	11.20
Manufacturing					
Share in GDP (%)	19.47	20.16	21.01	21.73	22.35
Growth Rate (%)	8.77	10.31	11.69	10.96	11.70
Construction					
Share in GDP (%)	7.03	7.16	7.26	7.39	7.50
Growth rate (%)	8.08	8.60	8.56	9.32	9.45
Electricity, Gas & Water Supply					
Share in GDP (%)	1.42	1.42	1.50	1.58	1.75
Growth Rate (%)	4.54	6.22	13.33	12.72	13.40
Service					
Share in GDP (%)	53.95	53.58	53.12	52.73	52.70
Growth Rate (%)	5.62	5.80	6.25	6.50	6.88
Wholesale and Retail Trade, Repair of Motor					
Share in GDP (%)	14.10	14.08	13.99	13.94	14.30
Growth Rate (%)	6.73	6.35	6.50	6.88	6.95
Transport, Storage & Communication					
Share in GDP (%)	11.49	11.43	11.31	11.25	11.60
Growth rate (%)	6.05	5.96	6.08	6.68	6.75

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Indicators	FY14	FY15	FY16	FY17(P)	FY18(E)
Real-estate, Renting & Business Activities					
Share in GDP (%)	6.95	6.81	6.64	6.48	6.80
Growth rate (%)	4.25	4.40	4.47	4.78	4.95
Health and Social Works					
Share in GDP (%)	1.86	1.83	1.84	1.84	1.95
Growth rate (%)	5.06	5.18	7.54	7.50	7.75
Education					
Share in GDP (%)	2.26	2.29	2.39	2.48	2.65
Growth rate (%	7.26	8.01	11.71	11.51	11.85
Money and Credit (billion Tk.):					
Narrow Money (M1)	1,416.45	1,608.14	2,124.31	2,400.79	2,720.60
Percentage Change (%)	(14.60)	(13.53)	(32.10)	(13.02)	(13.32)
Broad Money (M2)	7,006.24	7,876.14	9,163.78	10,160.76	11,290.50
Percentage Change (%)	(16.09)	(12.42)	(16.35)	(10.88)	(11.12)
Foreign Assets (net)	1,600.57	1,892.29	2,331.36	2,659.97	3,190.70
Percentage Change (%)	(41.33)	(18.23)	(23.20)	(14.10)	(19.95)
Domestic Assets (net)	5,405.67	5,983.85	6,832.42	7,500.79	8,250.60
Percentage Change (%)	(10.26	(10.70)	(14.18)	(9.78)	(10.00)
Domestic Credit	6,379.06	7,015.27	8,012.80	8,906.73	9,995.60
Percentage Change (%)	(11.57)	(9.97)	(14.22)	(11.16)	(12.23)
Govt. Sector Credit (net)	1,175.29	1,102.57	1,142.20	973.34	990.60
Percentage Change (%)	(6.72)	(-6.19)	(3.59)	(-14.78)	(1.77)
Other Public Sector Credit	127.37	166.70	160.51	172.80	188.90
Percentage Change (%)	(34.71)	(30.88)	(-3.71)	(7.66)	(9.32)
Private Sector Credit	5,076.40	5,745.99	6,710.09	7,760.59	8,816.10
Percentage Change (%)	(12.27)	(13.19)	(16.78)	(15.66)	(13.60)

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Indicators	FY14	FY15	FY16	FY17(P)	FY18(E)
Reserve Money	1,298.75	1,484.83	1,932.01	2,246.59	2,560.00
Percentage Change (%)	(15.46)	(14.33)	(30.12)	(16.28)	(13.95)
Total Liquid Assets	2,162.17	2,395.78	2,622.27	2,647.44*	2,980.00
Percentage Change (%)	(24.14)	(10.80)	(9.45)	(0.96)	(12.56)
Minimum Required Liquid Assets (CRR+SLR)	1,129.98	1,272.44	1,450.49	1,615.40*	1,880.00
Percentage Change (%)	(19.28)	(12.61)	(13.99)	(11.37)	(16.38)
Financial Deepening (M2/ GDP*100)	52.14	51.96	52.88	51.95	49.04
Balance of Payments (million US$):					
Trade Balance	-6,806	-6,965	-6,460	-9,472	-9,020
Exports f.o.b (including EPZ)	29,765	30,697	33,441	34,019	36,800
Imports f.o.b (including EPZ)	36,571	37,662	39,901	43,491	45,820
Services	-4,096	-3,186	-2,708	-3,284	-2,720
Primary Income	-2,635	-2,869	-1,915	-2,007	-1,960
Secondary Income	14,934	15,895	15,345	13,283	13,440
Workers' Remittances (current a/c portion)	14,116	15,170	14,717	12,591	12,650
Current Account Balance	1,409	2,875	4,262	-1,480	-260
Capital Account	598	496	464	314	300
Financial Account	2,855	1,925	944	4,179	3,800
Foreign Direct Investment (net)	1,474	1,830	1,285	1,706	2,250
Errors and Omissions	621	-923	-634	156	105
Overall Balance	5,483	4,373	5,036	3,169	3,945
Foreign Exchange Reserves	21,508	25,025	30,138	33,407	37,500

Cont'd...

Indicators	FY14	FY15	FY16	FY17(P)	FY18(E)
Public Finance (billion Tk.):					
Total Revenue	1,566.71	1,633.71	1,774.00	2,427.52	3,200.00
Tax Revenue (NBR+Non-NBR)	1,301.78	1,406.77	1,554.00	1,642.19*	2,700.00
Current Expenditure	1,358.00	1,553.10	1,643.35	2,160.98	2,800.00
Overall Surplus	208.71	80.61	130.65	266.54	400.00
ADP Expenditure	569.13	711.37	870.67	1,066.00	1,290.00
Savings & Investment as % of GDP:					
Total Investment	28.58	28.89	29.65	30.27	31.00
Public Investment	6.55	6.82	6.66	7.26	7.80
Private Investment	22.03	22.07	22.99	23.01	23.20
National Savings	29.23	29.02	30.77	30.30	30.65
Domestic Savings	22.09	22.16	24.98	26.06	28.15
Rate of Inflation (Point-to-Point)	7.35	6.40	5.92	5.44	5.50
GDP Deflator (%) Change	5.67	5.87	6.73	5.25	5.40
Wage Index (%)Change (2010-11=100)	5.50	4.94	6.52	NA	NA
Exchange Rate (Taka/US$)	77.72	77.67	78.27	78.63	80.35

Note: P = Provisional, E = Estimated, * = As of end May 2017, NA = Not Available
Sources: Bangladesh Economic Review 2016, Bangladesh Bureau of Statistics (BBS), Bangladesh Bank (BB) and Research Cell, MCCI

NEW INVESTMENTS

(In million US$)

	FY13	FY14	FY15	FY16	FY17 (P)
A. Investment Projects registered by BIDA	8,332.26	8,775.51	12,715.62	13,969.86	23,250.32
B. Investments made by BSCIC with entrepreneurs own fund	60.17	36.74	42.81	64.38	85.86
C. Investments in EPZs	328.53	402.56	406.38	404.35	343.70
Total (A+B+C)	**8,720.96**	**9,214.81**	**13,164.81**	**14,438.59**	**23,679.88**

Note: P = Provisional
Sources: Bangladesh Investment Development Authority (BIDA), Bangladesh Small and Cottage Industries Corporation (BSCIC) and Bangladesh Export Processing Zones Authority (BEPZA)

MAJOR TRADING PARTNERS

(In million US$)

Country	FY16		FY17 (P)	
	Exports	Imports	Exports	Imports
Australia	705.64	566.40	658.15	683.90
Belgium	1,015.33	134.10	918.85	194.70
Brazil	135.60	952.30	115.64	1,152.20
Canada	1,112.88	726.60	1,079.19	598.50
China	808.14	9,669.10	949.41	10,128.10
Denmark	664.02	71.30	698.80	76.60
France	1,852.16	203.10	1,892.55	167.10
Germany	4,988.08	798.00	5,475.73	827.20
Hong Kong	214.13	805.10	259.97	911.30
India	689.62	5,452.90	672.40	6,162.20
Indonesia	43.36	1,235.50	46.39	1,107.10
Ireland	207.91	18.00	162.38	22.80
Italy	1,385.67	468.30	1,462.95	484.40
Japan	1,079.55	1,643.60	1,012.98	1,833.40
Korea Republic of	280.09	1,145.00	238.23	1,268.20
Malaysia	191.05	956.70	211.52	1,028.30
Netherlands	845.92	129.70	1,045.69	169.80
Pakistan	47.07	507.50	62.38	464.50
Russian Federation	314.29	280.30	464.62	437.10
Saudi Arabia	225.68	590.70	185.21	605.40
Singapore	164.70	1,925.10	335.12	2,551.70
Spain	1,998.91	103.40	2,024.59	121.40
Sweden	481.73	75.20	531.59	48.60
Switzerland	125.66	304.20	119.97	401.50
Thailand	35.15	669.10	48.57	781.60
Turkey	661.89	175.00	631.63	212.30
UAE	425.91	583.80	380.11	818.00
UK	3,809.70	276.60	3,569.26	329.90
USA	6,220.65	1,007.60	5,846.64	1,126.20
Others	3,526.69	5,335.60	3,746.32	5,665.80
Total	**34,257.18**	**36,809.80***	**34,846.84**	**40,379.80***

Note: P = Provisional, * = excluding imports of Export Processing Zones (EPZs)
Sources: Export Promotion Bureau (EPB) and Bangladesh Bank (BB)

EXPORT PERFORMANCE

(In million US$)

Products	Target for FY17	Exports in FY17 (P)	% Change of Exports in FY17 over Target	Exports in FY16	% Change of Exports in FY17 over FY16
A. Primary Commodities (1+2)	**1,149.00**	**1,079.62**	**-6.04**	**1,131.83**	**-4.61**
1. Frozen Food & Live Fish	541.00	526.45	-2.69	535.77	-1.74
a. Live Fish	*10.00*	*8.05*	*-19.50*	*9.14*	*-11.93*
b. Frozen Fish	*48.00*	*44.04*	*-8.25*	*47.07*	*-6.44*
c. Shrimps	*450.00*	*446.04*	*-0.88*	*448.56*	*-0.56*
d. Crabs	*25.00*	*18.28*	*-26.88*	*23.18*	*-21.14*
e. Others	*8.00*	*10.04*	*25.50*	*7.19*	*39.64*
2. Agricultural Products	608.00	553.17	-9.02	596.06	-7.20
a. Vegetables	*90.00*	*81.03*	*-9.97*	*104.34*	*-22.34*
b. Tobacco	*56.00*	*46.62*	*-16.75*	*54.98*	*-15.21*
c. Fruits	*21.50*	*2.69*	*-87.49*	*20.23*	*-86.70*
d. Spices	*33.00*	*34.95*	*5.91*	*29.06*	*20.27*
e. Dry Food	*98.00*	*109.61*	*11.85*	*96.04*	*14.13*
f. Others	*309.50*	*278.27*	*-10.09*	*291.41*	*-4.51*
B. Manufactured Commodities (1+...+19)	**35,691.00**	**33,576.28**	**-5.93**	**32,973.52**	**1.83**
1. Petroleum bi Products	370.00	243.77	-34.12	297.01	-17.93
2. Chemical Products	138.90	139.99	0.78	123.65	13.21
a. Pharmaceuticals	*95.00*	*89.17*	*-6.14*	*82.11*	*8.60*
b. others	*43.90*	*50.82*	*15.76*	*41.54*	*22.34*
3. Plastic Products	93.50	116.95	25.08	89.00	31.40
4. Rubber	29.00	28.46	-1.86	23.53	20.95
5. Leather & Leather Products	1,220.00	1,234.00	1.15	1,160.95	6.29
a. Leather	*280.00*	*232.61*	*-16.93*	*277.90*	*-16.30*
b. Leather Products	*450.00*	*464.43*	*3.21*	*388.22*	*19.63*
c. Leather Footwear	*490.00*	*536.96*	*9.58*	*494.83*	*8.51*
6. Handicrafts	11.00	14.48	31.64	10.01	44.66
7. Paper & Paper Products	50.00	56.87	13.74	42.16	34.89

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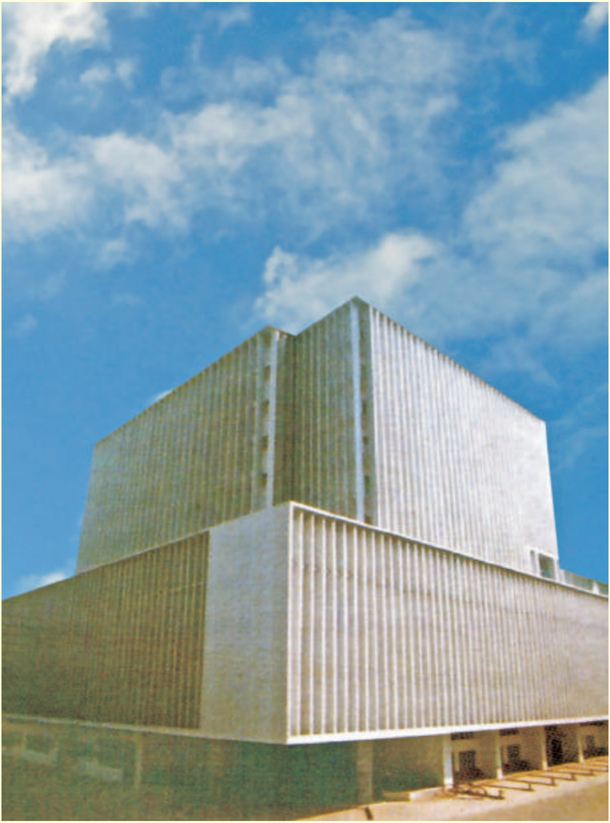
(In million US$)

Products	Target for FY17	Exports in FY17 (P)	% Change of Exports in FY17 over Target	Exports in FY16	% Change of Exports in FY17 over FY16
8. Cotton & Cotton Products	105.00	109.49	4.28	102.76	6.55
9. Jute & Jute Goods	964.00	962.42	-0.16	919.58	4.66
a. Raw Jute	*182.00*	*167.84*	*-7.78*	*173.17*	*-3.08*
b. Jute Yarn & Twine	*590.00*	*607.88*	*3.03*	*558.73*	*8.80*
c. Jute Sacks & Bags	*124.00*	*127.53*	*2.85*	*122.53*	*4.08*
d. Others	*68.00*	*59.17*	*-12.99*	*65.15*	*-9.18*
10. Man Made Filaments & Staple Fibres	130.00	100.02	-23.06	112.17	-10.83
11. Specialized Textiles	119.00	106.14	-10.81	108.72	-2.37
12 Readymade Garments (RMG)	30,379.00	28,149.84	-7.34	28,094.16	0.20
a. Knitwear	*14,169.00*	*13,757.25*	*-2.91*	*13,355.42*	*3.01*
b. Woven Garments	*16,210.00*	*14,392.59*	*-11.21*	*14,738.74*	*-2.35*
13. Home Textile	775.00	799.14	3.11	753.01	6.13
14. Other Footwear	250.00	240.88	-3.65	219.18	9.90
15. Headgear/Cap	190.00	187.10	-1.53	148.70	25.82
16. Engineering Products	584.90	688.84	17.77	510.08	35.05
a. Iron Steel	*48.90*	*58.83*	*20.31*	*48.56*	*21.15*
b. Engineering Equipment	*225.00*	*271.09*	*20.48*	*174.80*	*55.09*
c. Electric Products	*65.00*	*68.94*	*6.06*	*65.00*	*6.06*
d. Bicycle	*100.00*	*82.46*	*-17.54*	*99.15*	*-16.83*
e. Others	*146.00*	*207.52*	*42.14*	*122.57*	*69.31*
17. Ships, Boats & Floating Structures	30.00	65.61	118.70	19.89	229.86
18. Other Manufacturing Products	159.00	229.81	44.53	148.23	55.04
19. Others	92.70	102.47	10.54	90.73	12.94
C. Computer Services	**160.00**	**190.94**	**19.34**	**151.83**	**25.76**
Total (A+B+C)	**37,000.00**	**34,846.84**	**-5.82**	**34,257.18**	**1.72**

Note: P = Provisional

Source: Export Promotion Bureau (EPB)



Chamber Building

A Brief Profile of MCCI, Dhaka

Founded in 1904, the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) is the oldest and the pre-eminent trade organization of Bangladesh. Its membership roll encompasses leading commercial and large industrial organizations of the country, including public sector corporations and local as well as multinational companies. Presently, almost all major enterprises of the manufacturing and service sector are among its members. The Chamber provides a wide range of professional services to its members.

The Chamber's services, developed over a long period, are comprehensive and cover specialized areas such as taxation, import-export, tariff and non-tariff measures, investment, WTO matters and other national and international economic and commercial concerns. The Chamber maintains a secretariat manned by professional staff. It offers secretarial services to the Bangladesh Employers' Federation (BEF), the lone national level organization of employers in the country dealing with industrial relations, occupational safety and health, workplace cooperation, skills development, labor law and other labor-related issues.

The Chamber's policy recommendations and inputs related to ongoing reforms have gained wide acceptance amongst government and policy makers. MCCI has earned recognition at home and abroad by offering services such as issuing certificate of origin, through conducting economic research and sector surveys, offering trade and investment facilitation services, legal services, information management and dissemination, and with publications related to trade and commerce.

The Chamber is represented in many Advisory Councils as well as Committees formed by various ministries of the government of Bangladesh. MCCI also maintains effective working relations with development partners, e.g., the World Bank Group, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Asian Development Bank (ADB), Japan External Trade Organization (JETRO), Japan International Cooperation Agency (JICA), the Asia Foundation. MCCI has a long history of joint collaboration and corporate understanding. It interacts regularly with major international trade bodies and many private sector organizations located all over the world.