

BANGLADESH'S ECONOMY DURING 2012-13





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The Bangladesh's Economy During 2012-13 is published for private circulation by Metropolitan Chamber of Commerce and Industry, Dhaka. The Chamber assumes no responsibility for the correctness of items quoted in this publication although every effort is made to give information from sources believed to be reliable.

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Introduction:

According to provisional Bangladesh Bureau of Statistics (BBS) data, Bangladesh economy grew by 6.03 percent in FY13, missing the targeted 7.2 percent GDP growth. The BBS attributes the lower GDP growth to the deceleration mainly in agriculture and also in manufacturing and services sector growth. However, given that the growth experience of all developed countries and most emerging and developing economies, including the once-fast-growing China and India, has been far lower than before due to global economic and financial crises, Bangladesh economy can be said to have performed reasonably well during FY13. The agriculture sector recorded a relatively low growth of 2.17 percent in FY13, compared to 3.11 percent in FY12. The industrial sector managed to sustain the previous year's growth, growing by 8.99 percent in FY13, compared to 8.90 percent in FY12. However, the largest sub-sector, manufacturing, grew lower by 9.34 percent in FY13 compared to 9.37 percent in

the previous fiscal. Low disbursements of industrial term loans, a drastic decline in private sector credit growth, political chaos, and erratic supply of power and gas were the major constraints faced by the manufacturing sub-sector, which prevented it to perform up to its potential. While there are strong official commitments and efforts to find solutions to these problems, the actual increase in economy-wide investment, including FDI, would depend on how quickly and effectively the government would ease the problems of power and energy sectors. Attaining the targeted 7.2 percent GDP growth this year (FY14) will hinge upon the government's success in this area.

Economic Growth:

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

Sector	2010-11	2011-12	2012-13
Agriculture:	5.13	3.11	2.17
Agriculture and Forestry	5.09	2.46	1.18
Fishing	5.25	5.39	5.52
Industry:	8.20	8.90	8.99
Mining and Quarrying	4.80	7.79	11.12
Manufacturing:	9.45	9.37	9.34
Large and medium scale	10.94	10.52	10.32
Small scale	5.84	6.45	6.76
Electricity, Gas and Water:	6.63	12.03	8.57
Construction:	6.51	7.57	8.05

(continued...)

Sector	2010-11	2011-12	2012-13
Services:	6.22	5.96	5.73
Wholesale and Retail Trade	6.31	5.63	4.69
Hotel and Restaurants	7.55	7.58	7.63
Transport, Storage & Communication	5.69	6.62	6.70
Financial Intermediation	9.64	11.04	8.99
Real-estate, Renting & Other Business Activities	3.96	4.05	4.07
Public Administration & Defence	9.67	5.81	5.07
Education	9.36	7.21	9.66
Health and Social Works	8.35	7.91	7.51
Community, Social & Personal Services	4.70	4.76	4.86
GDP at producer prices:	6.59	6.28	6.06
Import duty	10.04	4.82	5.32
GDP growth rate at constant (1995-96) market prices	6.71	6.23	6.03

In terms of US dollar, the value of GDP in current prices increased by 11.89 percent to US\$129,878 million in FY13 from US\$116,074 million in the previous year. Per capita GDP stood at US\$846 in FY13 compared to US\$766 in FY12, showing an increase of 10.44 percent. Measured in CPI, the annual average inflation was 7.70 percent in FY13 compared to 10.62 percent in FY12. The GDP deflator rose by 6.22 percent in FY13 compared to 8.70 percent in FY12. The Taka depreciated by 1.05 percent in FY13, compared to 11.13 percent depreciation in FY12, implying a strong appreciation of the Taka in recent months vis-à-vis the US dollar.

Agriculture:

The agriculture sector employs about 47.5 percent of the country's total labor force and accounts for about 19 percent of its GDP. The agriculture sector provides the much-needed food and nutritional security and plays a big role in income generation and poverty reduction. Its importance in poverty reduction is evident from the fact that agriculture is primarily a rural activity, and 83 percent of the country's poor live in rural areas. The sector also contributes significantly to the country's export earnings. Agricultural exports fetched US\$535.74



million in FY13, registering a 33 percent growth over the previous fiscal year. According to preliminary BBS data, the sector recorded a low growth of 2.17 percent in FY13, compared to 3.11 percent in FY12. The BBS attributes the decline to the high base in the previous few years. According to the BBS, crop production growth rate was a very low 0.15 percent in FY13, while fisheries, livestock and forestry sub-sectors performed reasonably well.

The Department of Agricultural Extension (DAE) set the domestic food grains production target for FY13 at 35.46 million metric tons (mmt), which is 1.84

percent higher than the actual production in FY12 (34.82 mmt). The latest data of the BBS reveals that actual production of aus, aman, boro, and wheat in FY13 was 2.158 mmt, 12.897 mmt, 18.778 mmt, and 1.255 mmt, respectively. Thus, production of total food grains in FY13 was 35.088 mmt, which is about 0.77 percent higher than previous year's production, even though it is 1.07 percent short of the year's target. The shortfall in production was mainly due to lower acreage and some natural disasters including flood, flash flood and cyclones.

Because of improved domestic supplies, total food grains import in FY13 was lower at 1.89 mmt, compared to 2.29 mmt in the past fiscal. In the total food grains import, 0.03 mmt was rice and 1.86 mmt was wheat. Domestic food grains procurement target in FY13 was set at 1.60 mmt, of which 1.50 mmt was rice and 0.10 mmt was wheat. Ultimately, 1.40 mmt was procured, of which 1.27 mmt was rice and 0.13 mmt wheat. The government initially planned to distribute a total of 2.77 mmt food grains among poor households in FY13. The actual distribution was, however, lower at 2.10 mmt in FY12, of which 2.09 mmt was distributed through public food distribution system (PFDS). According to the Directorate General of Food, the public food grain stock (including transit) stood lower at 1.02 mmt at the end of June 2013, compared to 1.25 mmt at the end of the previous fiscal.

Industry:

The growth of the broad industrial sector was virtually stagnant in FY13, growing by just 8.99 percent, compared to 8.90 percent in the preceding fiscal year. Experts attribute this stagnation to an



unfavorable business environment caused by the political unrest and also by the BB's 'contractionary' monetary policy pursued during the last one and a half years. All industrial imports declined sharply, and also the settlement of letters of credit (LCs) for industrial raw materials and capital machinery registered a negative growth in FY13 compared to the previous fiscal. In spite of some improvements, power and gas supplies still remained inadequate. However, despite this unfavorable situation, the share of the broad industrial sector in the country's GDP, according to BBS estimates, increased to 31.99 percent in FY13 from 31.13 percent in FY12. Experts believe that if there were no political unrest and energy and infrastructural constraints, the sector could have occupied a higher share in GDP.

Within the industry sector, the performance of different sub-sectors was mixed. The manufacturing industries, in particular, depicted a lower growth of 9.34 percent in FY13, compared to 9.37 percent in FY12 but its share in GDP rose to 19.54 percent in FY13 from 18.96 percent in FY12. Within manufacturing, the growth of large and medium industries decelerated from 10.52 percent in FY12 to

10.32 percent in FY13, but small industries recorded a slightly higher growth of 6.76 percent in FY13 as against 6.45 percent in FY12. Among other industry sub-sectors, the performance of mining and quarrying and construction was relatively better than in the previous fiscal.

Services:

As per BBS estimates, the services sector recorded a slightly lower growth of 5.73 percent in FY13 compared to 5.96 percent in the previous fiscal. The lower growth was mainly due to lower growth in agriculture and large-scale industry, and slower expansion in trade activities. The broad services



sector has nine sub-sectors, data on which are yet insufficient to enable an understanding of how they have fared in the fiscal. In fact, services sector in the country is perhaps one of the grey areas where information and data are the most chaotic in the absence of any methodical attempt to put on record the scope and operation of the service providers in a vast array of activities. Nevertheless, there are indications that activities of most sub-sectors, viz., wholesale & retail trade, financial intermediation,

hotels & restaurants, and health and social work suffered due to political unrest. A much faster growth of the overall services sector is possible in the present fiscal (FY14) if the heightened political tensions can be stopped and production in real sectors increases at a greater pace.

Investment and Saving:

Investment has traditionally been low in Bangladesh. It is in fact far below the level of 35-40 percent of GDP, which is deemed necessary to achieve a GDP growth of 8-10 percent. Gross investment as proportion of GDP increased slightly to 26.84 percent in FY13 from 26.54 percent in FY12. Public



investment as proportion of GDP increased to 7.85 percent in FY13 from 6.50 percent in FY12 while private investment decreased to 18.99 percent in FY13 from 20.04 percent in FY12. Though the share of private investment stood at about 75 percent of total investment in FY13, it constitutes only 19 percent of GDP. The low level of private investment, which has been largely due to the lack of infrastructure and power and an enabling environment, and also partly due to the present confrontational and volatile political

situation, discourages foreign investment as well. Increased investment in power and infrastructure is a critical requisite for enhancing industrial growth, which is why it features prominently in government's policy priorities. On the other hand, ironically, the country's savings are not fully invested, as the gap of around 2 to 3 percent between national savings and investment rates would indicate. The national savings as proportion of GDP increased to 29.51 percent in FY13 from 29.18 percent in FY12, while the domestic savings ratio decreased slightly to 19.25 percent in FY13 from 19.26 percent in FY12.

Monetary Development:

Bangladesh Bank (BB) claims that its monetary policies, outlined in all successive Monetary Policy Statements (MPS), have been growth supportive and aimed at preserving price stability. In pursuit of the growth objective, BB's credit policies and programs in FY13 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



or diversion of bank credit to unproductive and wasteful uses in order to bring down the inflationary pressure. However, BB's monetary/credit policies, for various reasons, have had very limited success in keeping prices and inflation rate under control.

The broad money (M2) recorded a 16.71 percent increase at the end of June, 2013 compared to the increase of 17.39 percent at the end of June, 2012. Of the sources of broad money, net domestic assets rose by 11.83 percent and net foreign assets increased by 43.83 percent. Increase in net foreign assets eased pressure on external sector as well as on liquidity position. Reserve money recorded an increase of 15.01 percent at the end of June 2013 compared to the increase of 8.99 percent in the corresponding period of the previous fiscal. Of the sources of reserve money, net domestic assets of Bangladesh Bank (BB) declined by 67.94 percent, mainly due to lower demand for borrowing of government and DMBs from BB while net foreign assets of BB increased by 49.75 percent in June 2013 compared to the increase of 12.28 percent in the same period of the last fiscal mainly because of purchase of large amount of US dollar by BB from the market.

Domestic credit recorded an increase of 13.49 percent at the end of June 2013 against the increase of 19.56 percent in the corresponding period of the previous fiscal (y-o-y basis). Credit to private sector registered a growth of 11.04 percent during July-June, 2012-13, which was lower than the much higher growth of 19.72 percent recorded in the same period of FY12. Private sector credit growth slowed during the year mainly because of the slowdown in import growth emanating from uncomfortable global as well as domestic situation. Credit to public sector, however, increased

at a higher rate of 22.57 percent in FY13 compared to the increase of 18.99 percent in FY12. Net credit to government increased at a lower by 19.89 percent in FY13 as against 25.32 percent in the previous year, and credit to other public sector increased by 35.94 percent as against a negative growth of 5.01 percent in the previous year. Total liquid assets of scheduled banks stood higher at Tk.174,171 crore as of end June, 2013 as against Tk.125,444 crore as of end June, 2012. Required liquidity of scheduled banks also stood higher at Tk.94,731 crore as of end June, 2013, compared to Tk.79,768 crore as of end June, 2012.

Exports:

The overall exports during July-June of FY13 registered an increase of 11.22 percent to US\$27,027 million, over the corresponding period of FY12



despite the economic crisis in EU and US and political unrest in the country. However, the export earnings missed the target by 3.47 percent. According to Exporters, the growth is ‘satisfactory’ considering the domestic political turbulence, financial meltdown

in major export destinations and series of tragic incidents that hit the country’s RMG sector. They, however, fear that the country’s exports might bear the brunt of the ongoing political impasse in the months ahead, especially in this election year.

Of the major products, Bangladesh exported knitwear worth US\$10,476 million and woven products worth US\$11,040 million in FY13, a 10.43 percent and 14.96 percent year-on-year rise, respectively. Earnings from knit products failed to meet the target by 1.27 percent while the woven products surpassed the target by 1.03 percent during the period. Diversification of products and markets, especially in Japan, China, Russia, Latin America and Africa, played the major role behind the growth of exports during the fiscal. Among other products, export earnings from jute and jute goods marked a mild 6.54 percent growth during the fiscal, but exports of agricultural products, pharmaceuticals, leather and leather products, handicrafts, footwear, furniture, carpets, ceramic products, copper wire, computer services, and optical, photographic, medical instruments etc. increased significantly. On the other hand, the frozen food sector faced a negative export growth of nearly 9.12 percent during FY13 compared to the previous fiscal, and it also fell 22.31 percent short of the target. The frozen fish sector was severely affected by the global recession that hit the major export markets in the EU and USA. Exports of home textile also registered a negative growth of 12.64 percent in FY13 and fell 31.17 percent short of the target.

Bangladesh Export Processing Zones Authority (BEPZA) achieved good growth in exports during FY13 despite political unrest and the global meltdown. According to the BEPZA statistics,

its exports increased by 15.44 percent in FY13, compared to 13.88 percent in FY12. The companies inside the EPZs exported goods worth US\$4.86 billion in FY13, compared to US\$4.21 billion in FY12. The contribution of EPZs to the total national export is increasing every year. Export earnings from EPZs accounted for about 18 percent of total export in FY13, while the amount was 17.31 percent in the previous fiscal. Readymade garments and garment accessories, towels, footwear and leather goods, sweater, bag, electronic goods, lance, golf shaft, weaving, yarn, paper converting, under garments, embroidery, power generating sets, bicycles, tent, cap, padding and auto spare parts are the leading foreign exchange earner from the country's 8 EPZs.

Imports:

Because of lower demand for most of the importable items, import payments in FY13 fell by 4.32 percent to US\$33,981 million from US\$35,516 million in the previous fiscal. The import of essential commodities and capital machinery fell significantly in FY13 as political turmoil gripped the country. However, in



June 2013, imports stood 13.98 percent higher at US\$2,927 million, compared to US\$2,568 million in June, 2012. Imports in June, 2013 were also 1.99 percent higher than in the immediate past month, i.e., US\$2,870 million in May, 2013. According to BB data, the settlement of import Letters of Credit (LCs) witnessed a negative growth of 7.06 percent during FY13 compared to the previous fiscal. The opening of fresh import LCs, too, registered a negative growth of 2.84 percent during FY13. The falling trend in both opening and settlement of import LCs might continue unless the root causes behind political violence, blockades and shutdowns are resolved.

Balance of Payments:

The country's trade deficit declined to US\$7.01 billion in FY13 from US\$9.32 billion in the previous fiscal year mainly due to lower imports by the private sector.



In particular, the import of industrial raw materials, capital machinery and intermediate goods declined significantly in FY13. According to BB data, the trade deficit went down by 24.79 percent in FY13 compared to a 20.41 percent increase in FY12. Besides, the trade deficit was the lowest in the last three years, as the deficit was US\$7.74 billion in FY11.

In contrast with the decline in the trade balance deficit, the service sector deficit increased by 5.26 percent to US\$3.16 billion in FY13. In FY13, the country received US\$2.83 billion from the service sector but it paid foreign sources US\$5.99 billion. Net foreign direct investment increased by 9.24 percent to US\$1.30 billion in FY13 from US\$1.19 billion in FY12. Because of the large inflow of worker remittances during the period, the current account surplus increased to US\$2.53 billion during July-June of FY13 compared to the deficit of US\$447 million during the corresponding period of the previous fiscal. Added to the higher capital account surplus of US\$588 million, a still higher financial account surplus of US\$2.78 billion resulted in a much larger surplus of US\$5.13 billion in the overall balance during July-June of FY13 as against the surplus of US\$494 million during July-June of FY12.

Remittances:

Remittance inflows to Bangladesh crossed US\$14 billion for the first time in FY13. Apart from the increase in manpower export in 2012, the higher value of dollar against the taka in most of the months of the fiscal was a major factor behind the rise in remittances. In FY13, remittance inflows to Bangladesh increased by 12.60 percent to US\$14,338 million from US\$12,734 million of the previous fiscal. Moreover, the inward remittance has increased in FY13 as the BB had organized a number of remittance fairs in different countries in a bid to encourage the expatriates to send more remittances through the banking channel. Also, the BB permitted banks to open their exchange houses in different countries that pushed up the remittance inflow.



The increased remittance inflow is a positive sign for the economy that would help maintain a healthy balance of payments position of the country.

In June 2013, the private commercial banks (PCBs) channeled US\$659 million of remittances, state-owned commercial banks US\$372 million, foreign commercial banks US\$15 million and specialized banks US\$12 million. Among the PCBs, Islami Bank Bangladesh Limited received the highest remittance (US\$260 million), while Agrani Bank Limited received the highest remittance (US\$129 million) among the SCBs.

Foreign Aid:

In FY13, the government received record US\$2.78 billion in foreign aid, compared to US\$2.12 billion in FY12 as some major donors, including the World Bank (WB), the Asian Development Bank (ADB) and Japan disbursed quite impressive amounts of funds, according to the Economic Relations Division (ERD). The WB alone disbursed US\$901.99 million, while the ADB and Japan government disbursed



US\$670.45 million and US\$360.43 million, respectively. Also, foreign aid disbursements by bilateral donors like China, the UK's Department for International Development (DFID) and India marked an impressive increase during FY13. The US\$2.78 billion foreign aid also exceeded the FY13 annual target by US\$100 million. The government had earlier set the foreign assistance target for the fiscal at US\$2.68 billion.

Of the total amount of US\$2.78 billion received by the government in FY13, US\$2.13 billion came as loans and US\$651.79 million came in grants. During the period, Bangladesh repaid US\$1.12 billion in both accrued interests and principal amounts against the total outstanding loans up to June 2013. Of the US\$1.12 billion repaid, the principal amounts of outstanding loans accounted for US\$919.19 million and interest amounts were US\$202.19 million.

Foreign Direct Investment (FDI):

Despite a major decline in global inflow of foreign direct investment (FDI), Bangladesh achieved a significant growth in FDI inflows in 2012, according

to the UNCTAD's World Investment Report (WIR), 2012. Bangladesh received FDI worth about US\$1.292 billion in 2012, the highest ever investment from overseas. The amount was also 13.7 percent higher than that in the previous year (US\$1.136 billion). The flow of FDI would increase further if there were no difficulties in getting access to land, and other problems like the lack of continuity in policies, bureaucratic red tape, weak governance, political instability, inadequate utilities, including gas, electricity and water, and so on.



According to the UNCTAD report, Bangladesh was one of the top five recipients of FDI in 2012 and the second highest FDI recipient among SAARC countries after India. However, only US\$498 million or 38.5 percent of the total FDI in 2012 came as fresh equity investment and US\$588 million or 45.5 percent was reinvested earnings while US\$206 million or 16 percent came as intra-companies loan. The manufacturing sectors attracted the highest amount of FDI equivalent to US\$515 million, followed by transport, storage and communication that fetched US\$376 million while the power, gas

and petroleum sector attracted only US\$127 million. As regards the source countries, the highest amount of FDI amounting to US\$247 million came from Malaysia, followed by US\$137 from UK, US\$127 from Egypt, US\$98 from South Korea, US\$80 from the Netherlands, US\$55 from Thailand, US\$54 from Hong Kong, US\$46 from British Virgin Island, US\$44 from USA, US\$38 from Switzerland, and US\$360 million from other countries.

The recent suspension of US trade benefits to Bangladesh may have some adverse effects on its future FDI inflows. Although the US's decision will have very limited immediate implications for export growth, the move may have negative signaling effects, since it could further deter investors who are already faced with the frequent occurrence of strikes and uncertainty over the future labor environment in the country.

Foreign Exchange Reserve:

Bangladesh Bank's foreign exchange reserves stood at a record high of US\$15.315 billion as of end June, 2013. The reserves were US\$14.531 billion at the end of May, 2013. The reserves increased mainly due



to the rise in inward remittances and foreign aid as well as lower import pressure. The BB has continued purchasing US dollars from the commercial banks directly, which has also contributed to the increase in the foreign exchange reserve. The latest available information indicates that the foreign exchange reserves rose to US\$15.332 billion on 2 July 2013.

Price Situation:

Calculated by using 1995-96 as base year, the 12-month average annual inflation rate declined by 2.92 percentage point to 7.70 percent in FY13 from 10.62 percent in FY12 due to a fall in commodity prices and weak domestic demand. Food and non-



food inflation also came down to 7.35 percent and 8.42 percent in FY13 from 10.47 percent and 11.15 percent, respectively, in the previous fiscal year.

The BBS data, however, showed that the general point-to-point inflation rose by 0.11 percentage point to 7.97 percent in June, 2013 from 7.86 percent in May, 2013 because of a rise in prices of some food items ahead of Ramadan. The point-to-point average annual inflation in June, 2013, despite a systematic

decline since June, 2012, was, however, slightly higher than the government's target of 7.50 percent. According to BBS data, the point-to-point food and non-food inflation were 8.53 percent and 6.99 percent in June, 2013 while these were 8.40 percent and 6.93 percent in May, 2013. The point-to-point food inflation increased mainly due to a rise in prices of food items like flour, pulses, fish, meat, spices, milk, and other food items, while the rise in prices and costs of various non-food items, including clothing, house rent, household items, transport cost, education and health services, pushed up the rate of non-food inflation.

Calculated by using 2005-06 as base year, the point-to-point general inflation and the food inflation increased in June, 2013, compared to May, while the non-food inflation slightly decreased. The general inflation rose to 8.05 percent, and the food inflation rose to 8.26 percent but the non-food inflation went down to 7.75 percent in June. In May 2013, the respective rates were 7.98 percent, 8.13 percent, and 7.76 percent. However, the average annual inflation rate in FY13 came down to 6.78 percent, which was 8.69 percent in FY12. The stable price of rice and some other food items helped control the annual average inflation.

Public Finance:

The NBR tax revenue collection grew by 14.26 percent in FY13. In the period, total tax revenue collection (NBR and non-NBR) was Tk.112,743 crore, as against Tk.98,691 crore in FY12. Income tax receipts soared 27.62 percent in FY13, compared to 24.54 percent in FY12. Over the past five years, the tax authority has maintained more than 20 percent



growth in income tax receipts particularly because of the steady growth of the economy and rising incomes.

Some Tk.500.26 billion or 95.5 percent of the revised ADP of Tk.523.66 billion was implemented in FY13. This was the highest rate of ADP implementation in the past 17 years. In the previous fiscal (FY12), the implementation rate was 93 percent. According to the Implementation, Monitoring and Evaluation Division (IMED), all major government ministries performed better, their average rate of utilization of ADP funds being 98 percent. The performance of other implementing agencies was, however, less satisfactory. The performance of the Power Division was the best with 104 percent progress among the 10 large ministries and divisions, followed by the Roads Division (100% progress), the Ministry of Education (98% progress), the Ministry of Water Resources (98% progress) and the Ministry of Primary and Mass Education (96% progress). The Ministry of Housing and Public Works was evaluated as the least performer with only 47 percent progress.

Earlier, the government in FY13 undertook an ambitious Tk.550 billion ADP, Tk.139.20 billion higher than the revised ADP of FY12. In the last quarter of FY13, the original ADP was revised downward to Tk.523.66 billion, and some 1,318 projects were included. Out of the 1,318 projects, 385 were foreign-aided, and the rest were implemented with internal resources.

Meanwhile, the IMED for the first time in FY13 started monitoring the implementation status of development expenditure of the autonomous bodies as well. Here the implementation record was poor as the autonomous bodies managed to utilize only 45 percent of their allocation in FY13.

Budget for 2013-14:

The outlay of the FY14 national budget is Tk.2,224.91 billion, which is 17.52 percent higher than that of the last year's revised budget, and within it a Tk.722.75 billion development budget, which is 25.15 percent bigger than in the revised FY13 budget, and Tk.1,344.49 billion non-development budget, which was Tk.1,106.27 in the revised FY13 budget. The ADP size is Tk.658.70 billion in the FY14 budget, which is 25.79 percent larger than that of the past year's revised ADP. The budget sets a 19.90 percent revenue growth to Tk.1,674.59 billion over the revised revenue estimate of Tk.1,396.70 billion in the outgoing fiscal. The revenue receipts will comprise of Tk.1,412.19 billion as tax revenue and Tk.262.40 billion as non-tax revenue. In the total tax revenue, Tk.1,360.90 billion will come from NBR and Tk.51.29 billion from non-NBR taxes.

The overall fiscal deficit in the FY14 budget is Tk.550.32 billion, which is 4.60 percent of GDP. The budget seeks to finance the deficit largely through



domestic borrowing – Tk.259.93 billion, or 47.23 percent of the deficit, from banks and Tk.79.71 billion, or 14.48 percent of the deficit, from non-bank sources. The remainder, or 38.29 percent, of the deficit is to be financed with foreign borrowing.

In the ADP allocations, 24.38 percent is for the transport and communication, 19.00 percent for local government and rural development, 13.77 percent for education and technology, 13.74 percent for power sector, 5.47 percent for health sector, 4.82 percent for social security and welfare and 4.08 percent for industrial and economic services.

The budget seeks to attain a 7.2 percent GDP growth in FY14 and 8.0 percent GDP growth by FY15, reduce poverty, develop physical infrastructure, solve power and energy sector problems, create opportunities for employment generation, increase social sector expenditure to address inadequacies in education and health, and implement social safety net programs for improving the economic condition of the people.

Major Economic Indicators:

Indicators	2009-10	2010-11	2011-12	2012-13 (P)	2013-14 (E)
National Accounts:					
GDP (million US\$)	100365	111944	116074	129878	134545
GDP Growth (%)	6.07	6.71	6.23	6.03	6.00
Per Capita GDP (US\$)	687	748	766	846	950
Domestic Demand (million US\$)	104688	118502	124529	137676	142525
GDP by Sector:					
Agriculture					
Share in GDP (%)	20.29	20.01	19.42	18.70	18.72
Growth Rate (%)	5.24	5.13	3.11	2.17	2.45
Industry					
Share in GDP (%)	29.93	30.38	31.13	31.99	32.05
Growth Rate (%)	6.49	8.20	8.90	8.99	9.10
Manufacturing					
Share in GDP (%)	17.94	18.42	18.96	19.54	19.90
Growth Rate (%)	6.50	9.45	9.37	9.34	9.55

Indicators	2009-10	2010-11	2011-12	2012-13 (P)	2013-14 (E)
Construction					
Share in GDP (%)	9.10	9.09	9.20	9.37	9.75
Growth Rate (%)	6.01	6.51	7.57	8.05	8.45
Electricity, Gas & Water					
Share in GDP (%)	1.60	1.60	1.69	1.73	2.45
Growth Rate (%)	7.28	6.63	12.03	8.57	10.25
Service					
Share in GDP (%)	49.78	49.61	49.45	49.31	49.23
Growth Rate (%)	6.47	6.22	5.96	5.73	6.15
Wholesale and Retail Trade					
Share in GDP (%)	14.36	14.33	14.24	14.05	14.45
Growth Rate (%)	5.87	6.31	5.63	4.69	5.70
Transport, Storage & Communication					
Share in GDP (%)	10.79	10.70	10.74	10.80	10.95
Growth Rate (%)	7.69	5.69	6.62	6.70	6.95
Real-estate, Renting & Business Activities					
Share in GDP (%)	7.18	7.00	6.86	6.73	6.95
Growth Rate (%)	3.89	3.96	4.05	4.07	4.25

(continued...)

Indicators	2009-10	2010-11	2011-12	2012-13 (P)	2013-14 (E)
Health and Social Works					
Share in GDP (%)	2.38	2.42	2.46	2.49	2.65
Growth Rate (%)	8.10	8.35	7.91	7.51	8.25
Education					
Share in GDP (%)	2.71	2.78	2.81	2.90	3.25
Growth Rate (%)	9.24	9.36	7.21	9.66	10.45
Money and Credit (billion Tk.):					
Narrow Money (M1)	879.88	1031.01	1097.21	1236.03	1400.00
Percentage Change (%)	(32.46)	(17.18)	(6.42)	(12.65)	(13.27)
Broad Money (M2)	3630.31	4405.20	5171.10	6035.05	6700.00
Percentage Change (%)	(22.44)	(21.35)	(17.39)	(16.71)	(11.02)
Foreign Assets (net)	670.74	706.20	788.19	1133.65	1333.00
Percentage Change (%)	(41.33)	(5.29)	(11.61)	(43.83)	(17.58)
Domestic Assets (net)	2959.58	3699.00	4382.91	4901.41	5400.00
Percentage Change (%)	(18.84)	(24.98)	(18.49)	(11.83)	(10.17)

Indicators	2009-10	2010-11	2011-12	2012-13 (P)	2013-14 (E)
Domestic Credit	3402.14	4335.26	5183.35	5882.82	6500.00
Percentage Change (%)	(17.90)	(27.43)	(19.56)	(13.49)	(10.49)
Govt. Sector (net)	543.92	734.36	920.28	1103.35	1300.00
Percentage Change (%)	(-6.52)	(35.01)	(25.32)	(19.89)	(17.82)
Other Public Sector	150.61	193.77	184.06	250.22	265.00
Percentage Change (%)	(21.07)	(28.66)	(-5.01)	(35.94)	(5.91)
Private Sector	2707.61	3407.13	4079.02	4529.25	4900.00
Percentage Change (%)	(24.24)	(25.84)	(19.72)	(11.04)	(8.19)
Reserve Money	741.43	897.34	978.03	1124.82	1300.25
Percentage Change (%)	(6.85)	(21.03)	(8.99)	(15.01)	(15.60)
Total Liquid Assets	871.97	1005.65	1254.44	1741.71	2090.00
Percentage Change (%)	(12.75)	(15.33)	(24.74)	(38.84)	(20.00)

(continued...)

Indicators	2009-10	2010-11	2011-12	2012-13 (P)	2013-14 (E)
Required Liquidity (SLR)	526.98	664.94	797.68	947.31	1100.00
Percentage Change (%)	(23.71)	(26.18)	(19.96)	(18.76)	(16.12)
Financial Deepening M2/GDP (%)	52.29	55.29	56.32	58.14	59.95
Balance of Payments (million US\$):					
Trade Balance	-5155	-7744	-9320	-7010	-5851
Exports f.o.b. (including EPZ)	16233	22592	23989	26566	28099
Imports f.o.b. (including EPZ)	-21388	-30336	-33309	-33576	-33950
Services	-1233	-2369	-3001	-3159	-2925
Income	-1484	-1454	-1549	-2315	-2010
Current Transfers	11596	12452	13423	15009	15225
Workers' Remittances	10987	11650	12734	14338	15705
Current Account Balance	3724	885	-447	2525	1520
Capital Account	512	642	482	588	622
Financial Account	-651	-1920	-1436	-2779	-1590
Foreign Direct Investment (net)	913	768	1191	1300	1390

Indicators	2009-10	2010-11	2011-12	2012-13 (P)	2013-14 (E)
Errors and Omissions	-720	-263	-977	-764	-665
Overall Balance	2865	-656	494	5128	4005
Foreign Exchange Reserves	10750	10912	10364	15315	17500
Public Finance (billion Tk.):					
Total Revenue	794.84	951.87	1148.85	1396.70	1580.00
Tax Revenue	648.90	826.32	986.91	1127.43	1290.00
Current Expenditure	781.36	841.88	1021.30	1129.00	1300.00
Overall Surplus	13.48	109.99	127.55	267.70	280.00
ADP Expenditure	259.17	330.07	380.20	500.26	580.00
Savings & Investment as % of GDP:					
Total Investment	24.41	25.15	26.54	26.84	26.95
Public Investment	5.01	5.64	6.50	7.85	8.15
Private Investment	19.40	19.51	20.04	18.99	18.80
National Savings	30.02	28.78	29.18	29.51	30.45
Domestic Savings	20.10	19.29	19.26	19.25	19.55
Rate of Inflation (CPI)	7.31	8.80	10.62	7.70	8.20
GDP Deflator (%) Change	6.08	7.81	8.70	6.22	6.95

(continued...)

Indicators	2009-10	2010-11	2011-12	2012-13 (P)	2013-14 (E)
Wage Index (%) Change	8.26	6.27	11.89	NA	NA
Average Exchange Rate (Taka/US\$)	69.1848	71.1719	79.0963	79.9239	80.7500

Note: P = Provisional, E = Estimated, NA = Not Available

New Investments:

(in million US\$)

	2008-09	2009-10	2010-11	2011-12	2012-13 (P)
A. Investment Projects Registered by Board of Investment (BoI)	4631.83	4867.59	12911.76	11148.68	8332.00
B. Investments in Bangladesh Small and Cottage Industries Corporation (BSCIC)	355.52	403.37	336.10	127.69	208.38
C. Investments in Export Processing Zones (EPZs)	148.03	221.99	313.23	339.26	328.53
Total (A+B+C)	5135.38	5492.95	13561.09	11615.63	8868.91

Note: P = Provisional

Major Trading Partners:

(in million US\$)

Country	FY12		FY13 (P)	
	Exports	Imports	Exports	Imports
Australia	347.14	628.30	461.89	471.50
Belgium	741.96	145.40	730.80	88.10
Brazil	156.52	1179.50	183.00	801.40
Canada	993.66	440.70	1090.01	613.90
China	401.94	6455	458.11	6324
Denmark	421.26	73.9	529.94	61.70
France	1380.37	109.40	1513.88	134.80
Germany	3688.98	537.80	3962.59	533.40
Hong Kong	245.43	703.50	345.11	612.10
India	498.41	4755	563.96	4776.80
Indonesia	25.24	1224.70	50.82	1054.70
Ireland	194.74	9.80	208.83	21.80
Italy	977.41	323.80	1036.60	250.00
Japan	600.52	1456.10	750.26	1180.20
Korea Republic	209.70	1550.70	250.48	1295.90
Malaysia	56.11	1406.70	100.11	1903.10
Netherlands	691.29	139.00	712.46	137.00
Pakistan	73.21	517.20	68.70	489.80
Russian Federation	133.25	337.90	208.29	335.30
Saudi Arabia	136.71	801.80	169.12	783.80
Singapore	179.23	1711.40	156.00	1422.00
Spain	1147.93	119.70	1301.42	121.00
Sweden	358.08	73.90	403.99	61.20
Switzerland	121.86	203.10	121.38	185.00
Thailand	51.43	881.50	94.38	689.80
Turkey	551.87	104.50	637.81	224.00

(continued...)

(in million US\$)

Country	FY12		FY13 (P)	
	Exports	Imports	Exports	Imports
UAE	170.16	799.80	251.24	774.70
UK	2444.56	294.00	2764.90	262.30
USA	5100.91	710.40	5419.60	537.80
Others	2202.02	7821.80	2481.68	7821.90
Total	24301.90	35516.30	27027.36	33969.00

Note: P = Provisional

Exports Performance:

(in million US\$)

Products	Target for FY13	Exports in FY13 (P)	% Change of Exports in FY13 Over Target	Exports in FY12	% Change of Exports in FY13 Over FY12
A. Primary Commodities	1145.68	1079.58	-5.77	1001.12	7.84
1. Frozen Food	700.00	543.84	-22.31	598.42	-9.12
a. Frozen Fish	133.82	57.99	-56.67	108.05	-46.33
b. Shrimps	545.23	454.93	-16.56	471.67	-3.55
2. Agricultural Products	445.68	535.74	20.21	402.7	33.04
a. Vegetables	79.23	110.34	39.27	77.43	42.50
b. Tobacco	81.63	60.18	-26.28	68.74	-12.45
c. Fruits	71.76	71.89	0.18	57.16	25.77
d. Spices	15.76	21.13	34.07	13.68	54.46
e. Dry Food	38.46	45.24	17.63	37.19	21.65

Products	Target for FY13	Exports in FY13 (P)	% Change of Exports in FY13 Over Target	Exports in FY12	% Change of Exports in FY13 Over FY12
B. Manufactured Commodities	26854.32	25947.78	-3.38	23300.78	11.36
1. Petroleum bi Products	334.02	313.95	-6.01	275.44	13.98
2. Chemical Products	133.77	93.01	-30.47	103.01	-9.71
a. Pharmaceuticals	60	59.82	-0.30	48.25	23.98
3. Plastic Products	119.95	84.51	-29.55	88.69	-4.71
a. PVC Bags	34.37	32.00	-6.90	31.26	2.37
b. Plastic Waste	69.22	39.09	-43.53	43.42	-9.97
4. Rubber	18.01	13.57	-24.65	16.23	-16.39
5. Leather	400.00	399.73	-0.07	330.16	21.07
6. Leather Product	135.45	161.62	19.32	99.36	62.66
7. Handicrafts	5.12	6.16	20.31	4.78	28.87
8. Paper & Paper Products	30.15	33.73	11.87	27.75	21.55
9. Cotton & Cotton Product	130.00	124.96	-3.88	113.00	10.58
10. Jute & Jute Goods	1082.56	1030.61	-4.80	967.38	6.54
a. Raw Jute	301.98	229.92	-23.86	266.28	-13.65
b. Jute Yarn & Twine	517.45	506.74	-2.07	468.15	8.24

(continued...)

(in million US\$)

(in million US\$)

Products	Target for FY13	Exports in FY13 (P)	% Change of Exports in FY13 Over Target	Exports in FY12	% Change of Exports in FY13 Over FY12
c. Jute Sacks & Bags	208.56	237.42	13.84	185.26	28.16
11. Man Made Filaments & Staple Fibres	86.04	101.45	17.91	81.39	24.65
12. Specialized Textiles	149.29	124.52	-16.59	138.77	-10.27
a. Terry Towel	102.73	81.96	-20.22	92.11	-11.02
13. Knitwear	10610.89	10475.88	-1.27	9486.39	10.43
14. Woven Garments	10927.37	11039.85	1.03	9603.34	14.96
15. Home Textile	1150.00	791.52	-31.17	906.07	-12.64
16. Footwear	410.05	419.32	2.26	335.51	24.98
17. Headgear/ Cap	56.54	47.69	-15.65	53.23	-10.41
18. Engineering Products	500.00	367.47	-26.51	375.49	-2.14
a. Iron Steel	65.93	56.81	-13.83	59.73	-4.89
b. Copper Wire	62.68	66.38	5.90	50.93	30.34

Products	Target for FY13	Exports in FY13 (P)	% Change of Exports in FY13 Over Target	Exports in FY12	% Change of Exports in FY13 Over FY12
c. Engineering Equipment	74.36	48.73	-34.47	49.54	-1.64
d. Electric Products	144.60	63.09	-56.37	88.53	-28.74
e. Bicycle	122.05	105.08	-13.90	105.59	-0.48
19. Ships, Boats & Floating Structures	260.00	5.73	-97.80	45.95	-87.53
20. Other mfd Products	120.00	121.53	1.28	84.61	43.64
a. Optical, Photographic, Medical Instruments etc.	49.73	50.33	1.21	34.64	45.29
b. Furniture	41.67	31.41	-24.62	27.14	15.73
21. Computer Services	85.69	101.63	18.60	70.81	43.53
22. Others	109.42	89.34	-18.35	93.42	-4.36
Total (A+B)	28000	27027.36	-3.47	24301.90	11.22

Note: P = Provisional



A BRIEF HISTORY OF THE METROPOLITAN CHAMBER OF COMMERCE AND INDUSTRY, DHAKA (MCCI)

Founded in 1904, Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) is the oldest and the most representative trade organization in the country having on its membership roll the most leading commercial and industrial organizations including the public sector corporations and multinational organizations. Presently almost all the reputed industrial organizations, in the private sector manufacturing field, the public sector corporations, banks, non banking financial institutions, insurance companies, various service sector enterprises in telecommunications, IT and IT enabled services, healthcare and media are members of the Chamber.

The Chamber's services, having been developed over a long period, are comprehensive and cover specialized areas like taxation, import-export, tariff and non-tariff measures, investment, WTO matters and other national and international economic and commercial issues. The Chamber maintains a unique Secretariat manned by professional staff. It also 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, decent work, skills development, labour law and other labour related issues.

The Chamber's policy recommendations and inputs related to ongoing reforms have gained wide acceptance by the government and policy makers. MCCI has gained considerable recognition at home and abroad through various services like issuance of certificates of origin, economic research, sector survey, trade and investment facilitation services, legal services, information management and dissemination, and publications related to trade and commerce.

The Chamber is represented in many Advisory Councils or Committees under different ministries of the government of Bangladesh. MCCI maintains effective working relations with development partners, viz., the World Bank Group, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Asian Development Bank, Japan External Trade Organization (JETRO), Japan International Cooperation Agency (JICA), the Asia Foundation, etc. MCCI has a long history of joint collaboration, corporate understanding, and a high level of cooperation with the major trade bodies and a good number of private sector organizations around the world.