Bangladesh Economy by 2030/35: Challenges, Prospects, Partnership

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Narrative .......

• Bangladesh is a ‘stable’ State:
  - sound political, economic and social fundamentals - governed by a strong and visionary leader i.e. Hon. Prime Minister, Sheikh Hasina
  - prudent macro-economic management

• A pluralistic democracy
  - unity amongst diversity is her strength: people are inspired to move forward despite many internal and external odds. [ref. PEW Centre Report, 2015]

• People - politically conscious, socio-culturally vibrant, resilient - creative - industrious, with appreciation for wider values and identity.

• Civil society - dynamic and responsible, with global appreciation.

• Economy - on a stable path, with a positive outlook for future
“Prudent macroeconomic policies and structural reforms, with support from the Extended Credit Facility (ECF) arrangement, have helped steer Bangladesh economy through domestic and global challenges in the last three and a half years. Growth has been robust, inflation eased, foreign exchange reserves have risen to a comfortable position and public debt has remained stable as a share of GDP ....”

[5th-6th Review under Extended Credit Facility (ECF) Arrangement, Oct. 2015]
Bangladesh : strong socio-economic fundamentals

**trends of Bangladesh Economy: Sustained Growth**

![Graph showing trends of Bangladesh Economy: Sustained Growth from 1976 to 2014. The graph displays Bangladesh's GDP Growth (in%) and Moving Trend (by HP Filter).](Image)

*Source: Bangladesh Bank*
Over the last two decades, average GDP growth is just below 6%. However, in the last decade, average GDP growth crossed the 6% threshold. Economic performance was complemented by inclusive socio-political policies. As a result, volatility in the growth path would be seen as less than other regional countries. [Source: Finance Division]

Bangladesh is one of the top 20 countries in terms of attractiveness based on growth and market size (Agility Index 2014)
Bangladesh: strong socio-economic fundamentals (Contd.)

**Poverty level receding fast**

![Graph showing poverty level receding fast from 92.0% in 1970 to 8.3% projected by 2030.](chart)

*Source: HIES 2005, 2010; Projection of Bangladesh Bank*

**Per Capita Income (USD) Rising**

![Bar chart showing per capita income rising from 463 USD in 2005 to 1314 USD in 2015.](chart)
## Bangladesh: strong socio-economic fundamentals (Contd.)

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>2013 / Latest</th>
<th>India</th>
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<tbody>
<tr>
<td><strong>Fertility rate, total</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(births per woman)</td>
<td>4.37</td>
<td>2.17</td>
<td>2.47</td>
</tr>
<tr>
<td><strong>Immunization, DPT</strong></td>
<td></td>
<td></td>
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<tr>
<td>(% of children 12-23 mths)</td>
<td>74%</td>
<td>97%</td>
<td>72%</td>
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<tr>
<td><strong>Life expectancy at birth, total</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(years)</td>
<td>60.5</td>
<td>70.7</td>
<td>66.46</td>
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<tr>
<td><strong>Literacy rate, adult total</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(% of people ages 15 and above)</td>
<td>35.3%</td>
<td>57.7%</td>
<td>48.2%</td>
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<tr>
<td><strong>Malnutrition prevalence, height for age</strong></td>
<td></td>
<td></td>
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<tr>
<td>(% of children under 5)</td>
<td>76.7%</td>
<td>42%</td>
<td>-</td>
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<tr>
<td><strong>Mortality rate, infant</strong></td>
<td></td>
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<tr>
<td>(per 1,000 live births)</td>
<td>95.8</td>
<td>33.2</td>
<td>41.4</td>
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</tbody>
</table>

[Source: Finance Division]
Bangladesh: strong socio-economic fundamentals (Contd.)

*a large domestic market ... competitive and innovative workforce*

Unit Labor Costs Across Selected Countries
(Percent of unit labor costs in China)

- **China**: 100
- **India**: 50
- **Cambodia**: 49.75
- **Bangladesh**: 33

Population

- **Bangladesh**: 159 m
- **Vietnam**: 91 m
- **Myanmar**: 54 m
- **Cambodia**: 15 m

[Source: Finance Division]
Over the years, exports show robust growth. Remittance growth complements exports in boosting growth [Source: Finance Division]
Bangladesh: strong socio-economic fundamentals (Contd.)

Foreign Exchange Reserve

*steadily rising Forex reserves safeguard against external/global shocks/vulnerabilities*

- **Foreign Reserves (in USD bn), LHS**
- **Import cover (months), RHS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign Reserves</th>
<th>Import Cover</th>
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</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>10.9</td>
<td></td>
</tr>
<tr>
<td>FY2012</td>
<td>10.4</td>
<td></td>
</tr>
<tr>
<td>FY2013</td>
<td>15.3</td>
<td></td>
</tr>
<tr>
<td>FY2014</td>
<td>21.6</td>
<td>25</td>
</tr>
<tr>
<td>FY2015</td>
<td>25</td>
<td>26.2</td>
</tr>
<tr>
<td>FY2016*</td>
<td>26.2</td>
<td></td>
</tr>
</tbody>
</table>

*As of August 2015

[Source: Finance Division]
Bangladesh: strong socio-economic fundamentals (Contd.)

Investment is rising steadily

- India
- Pakistan
- Bangladesh

[Source: Finance Division]
Bangladesh: strong socio-economic fundamentals (Contd.)

low and sustainable External Debt

[Source: Finance Division]
Bangladesh: Strong Socio-economic Fundamentals (Contd.)

Openness of the Economy

steadily rising integration with global economy, trade

[Source: Finance Division]
Bangladesh GDP (nominal) expected to rise: from US$ 175 billion (2015) => US$ 1,044 billion (by 2034) [Ref.: IMF Country Report]

Average GDP (real) growth of Bangladesh will be 6.5% over the next 20 years. Yet, potential is to achieve 7% real GDP growth until 2020.

In the long-run, price level will be stable: good for investment and business!

Interest rate on foreign currency debt will be around 3.5%, by 2034: fairly low!
Remittance inflow projected to be around **US$ 21 billion** (by 2021) and **US$ 44 billion** (by 2034) [ref.: IMF Country Report]

- By 2034: global export likely to be **US$ 290 billion** ... global import to be around **US$ 329 billion**.
- External debt-GDP ratio will be around **13%** by 2034: *little worry over debt distress!*
- In **2034**, FDI inflow to be around **US$ 26 billion**: FDI growing @ 25.31% annually
Over the next decade (2015 - ’25),

- Female workforce participation will reach 82% - from current 34%.
  => adding 18% to Bangladesh GDP [ref. : World Bank President, 2015]

- Middle and Affluent Class (MAC) population to increase: from 7% to 17%

By 2030, Bangladesh will be one of the top 30 countries in terms of size of real GDP. By 2050, Bangladesh will overtake countries like Malaysia, Australia and the Netherlands, being the 23rd largest economy in the world (now 31st) [Source: Price Waterhouse Coopers, February 2015]
Bangladesh Economy: Strength(s) ?!

- **Geo-strategic location**: unique location, contiguous, flat border and proximity to South-East Asia.

- % of Bangladeshi population will continue to be young over the next 3 decades. Additionally, millions will be lifted out of extreme poverty and join mainstream economy. This educated young population will transform the economy through hard work and expanding domestic market: every year, 2 million people will be added to the Middle Class (Per Capita GNI US$ 5000+). By 2035, the middle class population could reach 30 to 40 million.
Demography
continue to enjoy demographic dividend (2012 – 2035)

- Bangladesh has an increasingly younger population:
  - 100 million economically-active by 2017.
- 2/3rd population will remain active till 2031.
- Increasingly urbane people: by 2028/30: 48%+ population will live in urban or, peri-urban space.
Strength of Bangladesh Economy

Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC)
Asia-Pacific wide Rail connectivity: re-define economics!!
Trans-Asian Railway: zooming into South Asia and around ...

Map-2: Trans-Asian Railway
Trans-Asian Highway: *Bangladesh in the middle!*

Map-1: Asian Highway Route Map (UN 2004)
BBIN Passenger Vehicles related to Bangladesh
Trans Asian Highway + Railway + Dry Ports: an emerging connected world!
Strength of Bangladesh Economy
Connectivity: re-shaping Bangladesh

China’s Initiatives
Potential Location of Multi-Purpose Port

In fact, South Chittagong Region is the area with natural deep seabed among the coastal area of Bangladesh.
Japan proposed to assist Bangladesh in establishing the “Bay of Bengal Industrial Growth Belt (Big-B)” along Dhaka-Chittagong-Cox’s Bazar an Engine of Growth. (Matarbari Island)

Matarbari island, 60 km south of Chittagong city, has the potential to become transformed into an integrated industrial and trading hub as well as a central energy base.

**Big-B has 3 pillars:**

- **Energy and power development**
  Matarbari to be developed into a massive supply base of primary energy (such as coal, LNG and oil). Electricity produced can support industry all over Bangladesh.

- **Industry and trade**
  Construct a deep sea port at Matarbari island and turned to be a trade gateway to Asia and beyond.

- **Transportation connectivity**
  Dhaka-Chittagong- Cox’s Bazar transport network to be strengthened and could be extended to neighbouring countries to enable greater industry, trade and energy production.

**Japan’s projects:**

Matarbari Ultra Super Critical Coal-fired Power Project with 2 components:
- Deep sea port with 18 m draft for importing coal.
- Coal-fired plant with an electricity generation capacity of 1200 MW.
Connectivity: Japan’s Initiative (contd.)

Matarbari Island
Tipping Point of BIG-B Initiative

Chittagong
60km South from Chittagong

Cox’s Bazar

Matarbari Island
Maheshkhali Island
Japan’s Initiative (contd.)
Japan’s Initiative (contd.)
Japan’s Initiative (contd.)

Accelerate industrial agglomeration in Dhaka-Matarbari belt and beyond to shape a value chain hub for South Asia and Southeast Asia
Connectivity: Bangladesh-Bhutan-India-Nepal (BBIN)

Kathmandu-Dhaka-1152 km; Thimphu-Dhaka-630 km; Kolkata-Agartala-530 km
South-Asia Sub-regional Connectivity

Existing and Planned Connectivity in the South Asian Sub-Region

- Road Routes
  - Existing
  - New
- Rail Routes
  - Existing
  - New
- Water/Sea Routes
  - Existing
  - New
- Nepal-Bhutan Routes
  - Existing
  - New

Source: The Daily Star, 9 June 2015
Connectivity: India-Myanmar-Thailand Trilateral Highway

Joint Task Force Meeting

Financing Portion:
India - Red
Myanmar - Blue
Myanmar (4 lane) - Green
Thailand - Black

THREE-NATION HIGHWAY PROJECT
Politics of Connectivity

- Connectivity initiatives are **strategic opportunity** (rather than strategic concern)

- Not to be a party to any “zero-sum” geographical game (containment of any country). Carefully navigate relations with other countries/entities maintaining a **delicate balance of interests and alliances** (greatest diplomatic challenge)
Risks and Challenges

- Impact of climate change
- Terrorism and violent extremism
- Limitations in adopting to rapid economic changes as well as evolving international norms, ethics and practices
Conclusion

- Rapid and radical changes are “new normal” making economy and society ever changing.

- In future economy, consumers/clients will be more urbane, empowered, and rights-conscious.

- ‘Dignity’ and ‘well-being’ of people will get focus - way beyond CSR!

- Cost matrix and pricing equations likely to be altered unlike anytime before e.g.
  - science – technology – innovation will pay, not merely R&D!
  - ideas-design-creativity will count! Concepts as ‘water footprint’ will hold sway.
  - social – environmental accountability will matter e.g. green accounting, green design will be essential, not just sufficient!
  - Global value chain will dominate business.
Future of Work and workplace will be different:

• A more *urbane, youthful* population and *women-dominated workplace/force*

• Work attitude will be radically changed – ethical standard will define economics of production-distribution-logistics e.g. decent work, fair wage.

• Traditional labour-intensive production, sourcing of inputs, marketing likely to come under challenge

• ‘Informal economy’ will come under organized structure…

• Business to be more ‘responsible’ e.g. EU GSP+ [Bangladesh Sustainability Compact !!] Responsible Business Conduct!
Bangladesh businesses:

- Global / Regional Supply Chains + Global Value Chains: *Bangladeshi merchandise exports to conform*
- **Productive resources** / production inputs i.e. raw materials to be sourced worldwide: intense competition!
- Bangladesh as MIC: new role, new responsibility …
- End of preferential access + protective regimes + support measures
Way forward

- Get more connected and integrated into regional and global space/platforms.
- Appreciate the existing and emerging norms, practices impacting business and industry (nationally + globally)
- Manage industrial relations in a prudent manner!
- Follow development of emerging discourse concerning business and industry, e.g. OECD, G-20, G-8
- Effective and transparent interface of Business and Politics in a global context.

Business not devoid of International Politics
Thank You