

Summary of BIPSS Dinner Discussion Club on “Bangladesh: Economic Outlook 2020”

Bangladesh has been one of the fastest growing economies in the world. It is categorised as Bangladeshi paradox. Economy of Bangladesh is driven by the private sector. The economy has thrived on initiatives. Socio-economic sector and growth has contributed to the prosperity of the Bangladeshi economy. The economy of Bangladesh is performing well in terms of Gross Domestic Product (GDP) and social indicators. Bangladesh received a lot of humanitarian support which resulted into development of Non-governmental organisations (NGOs). NGOs have contributed to the rural areas in terms of education and healthcare. Microcredit also played an instrumental role in case of reduction of poverty. During the last four of five decades, Bangladesh has been experiencing a rapid economic growth. Bangladesh underwent a lot of structural changes. In the past, 80% of the economy came from the agricultural sector. Over time there was transition from agricultural sector to manufacturing sector and then the economy became more dependent on the service sector. Now-a-days, approximately 16% of GDP comes from the agricultural sector. Manufacturing sector makes up for 34% of the GDP and service sector makes up for the remaining 50%. Underemployment still exists in the economy as 40% of the labor force is dependent on agriculture. Productivity is relatively low in Bangladesh in comparison to other countries. Manufacturing sector has been one of the main sources of employment generation for decades. Expansion of the service sector does not pertain to the modern service sector as a lot of traditional services have emerged. Both Financial and communication sector needs to grow more.

Almost 50% of the Bangladesh's economy is linked with the global economy. Foreign direct investment (FDI), remittance and development assistance contributed to the strength of the economy. Savings and investment are vital macro-economic indicators of a country. Bangladesh has a savings and investment gap of 2.5%. Per capita income of Bangladesh has increased while the poverty level has been reduced. Industrialisation has aided the process of diversification for the economy. Both private and foreign investment has shown an upward trend. National unemployment rate is 4.2% while youth unemployment rate is 10.6%. About 30% of the youth are not involved in employment, education or training. Job creation pace and poverty reduction pace has been relatively low. Income and wealth inequality has also widened. Top 5% own 25%

of GDP while bottom 5% owns 0.23% of GDP. Economic growth and economic development are two different indicators of development. Economic development pertains to decent employment rather than employment. History of economic development is linked to ensuring distributive justice. Concept of economic growth consists of a number of flaws. Private investment consists of 23% of the GDP. Both private banks and state-owned banks have the same amount of nonperforming loans.

Other factors that play crucial role are physical infrastructure, soft infrastructure, life expectancy and maternal mortality rate. Many infrastructural projects have been undertaken by the government. Bangladesh has seen rise in life expectancy and a decline maternal mortality rate. There is a possibility that Bangladesh will graduate from a Least Developed Country (LDC) to a developing country by 2024. Bangladesh has also performed well in Human Asset Index and Economic Vulnerability Index. Graduation of Bangladesh into a developing country will lead to a loss of many facilities such as GSP or loans at discounted rates. Interest rates and technology transfer is also a key issue for Bangladesh. The country reached the status of a low middle income country from a low income country. Education makes up for 2% of GDP while healthcare makes up for 1% of GDP. Out of pocket expenditures for Bangladeshi citizens are highest in South Asia. Climate challenges were also stressed as one-third of Bangladesh is expected to be inundated by 2050. Impact of corona virus and technological challenges were also notably mentioned. There was a concern pertaining to the elements of crony capitalism that plays a significant role in economic growth of a nation. Self employment has been stated as a crucial factor in case of building an economy. The banking sector of Bangladesh was also stressed. Moral capitalism and consumption have also been focal points of the discussion. Opportunities of Bangladeshi economy were also at the forefront of the discussion. The demographic dividend has also been emphasised as one of the strengths of the Bangladeshi economy.