

# Analysis of Bangladesh's macroeconomic development

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**Abstract.** In recent years, the economy of Bangladesh has a rapid growth, with the total GDP increasing by years, reaching \$274 billion in 2018. GDP per capita is relatively low, but it grows steadily every year. GDP growth has been above 7% since 2016, and reached 7.86% in 2018. Bangladesh's unemployment rate remains around 4.2%; the rate of inflation is generally on the decline, and the total volume of imports and exports increases steadily. But, its import and export trade has been in deficit, and the deficit has been expanding by years. Foreign direct investment is at a low level, accounting for less than 2% of GDP. The current account balance fluctuates in a large range, and it ran a current account deficit in 2017.

## 1 INTRODUCTION

The People's Republic of Bangladesh, covering an area of 147,600 square kilometers, is located in the delta formed by the Alluvial Ganges and Brahmaputra rivers in the northeast of the Subcontinent of South Asia. Bordering India on the east, west and north, Myanmar on the southeast, and the Bay of Bengal on the south, it is a pivotal position connecting China, India and the three major economies in the ASEAN world. With a population of about 163 million, it is the most densely populated country in the world. Bangladeshis make up 98% and there are more than 20 ethnic minorities. Islam is the state religion and Muslims make up 86.6 percent of the total population. Bengali is one of the ancient peoples of the South Asian subcontinent. By the 16th century it had become the most densely populated, economically developed and culturally prosperous part of the subcontinent. It became the center of British colonial rule in India in the mid-18th century. It became a province of British India in the second half of the 19th century. Bangladesh was given to Pakistan in 1947. The People's Republic of Bangladesh was formally established on January 10, 1972.

In the late 1970s and early 1980s, the Government began economic reforms aimed at transforming an inward-looking economy based solely on agriculture into a multi-industry, export-oriented economy. In recent years, the Government of Bangladesh has accelerated market-oriented and liberalized reforms, accelerated integration into globalization, actively improved the investment environment, created export processing zones to attract foreign investment, and promoted industrialization and urbanization in Bangladesh. Bangladesh has achieved remarkable economic growth and poverty reduction. Since 2005, the GDP growth rate has been above 6 percent for a

long time. In 2017, the per capita income of Bangladesh was us \$1,610. The poverty rate dropped from 74 percent at the beginning of the founding of the People's Republic to 23.5 percent now. According to the UN Human Development Report, The Human Development Index of Bangladesh rose from 0.347 in 1975 to 0.579 in 2017, showing remarkable progress<sup>[1]</sup>. With the advantage of abundant and cheap labor force, garment manufacturing industry rose rapidly, and the contribution rate of service industry to the national economy increased continuously. Bangladesh has trade relations with more than 130 countries and regions, the main export products include: jute and its products, leather, tea, aquatic products, clothing, etc. The main imported commodities include means of production, textiles, petroleum and petroleum-related products, basic metals such as steel, edible oil and cotton.

China and Bangladesh are two populous countries with similar national conditions and Shared development goals. Our economies are highly complementary to each other and there is huge potential for cooperation. China has become Bangladesh's largest trading partner, while Bangladesh is China's third largest trading partner and third largest project contracting market in South Asia. In 2018, bilateral trade between China and Bangladesh totaled US \$18.74 billion, up 06.8% year-on-year, including US \$17.75 billion in exports, up 17% year-on-year, us \$990 million in imports, up 12.5% year-on-year, and China's surplus with Bangladesh was US \$16.76 billion.

As an important party to the beim economic corridor, Bangladesh is a node country of China's "One Belt And One Road" initiative in South Asia and the first country in South Asia to sign the "One Belt And One Road" cooperation document with China. China and Bangladesh have achieved win-win results under the framework of the Belt and Road Initiative, most notably in industrial

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transfer and infrastructure cooperation. With abundant labor resources and preferential trade treatment in many markets, Bangladesh could be an ideal place for Chinese manufacturing enterprises to move abroad. At the same time, Bangladesh hopes to improve its domestic infrastructure and make full use of its geographical advantages to build itself into an international transportation hub. China, on the other hand, enjoys significant advantages in transportation, electricity, energy, communication engineering machinery and shipping and oceanography<sup>[2]</sup>. The two sides enjoy broad prospects for cooperation in infrastructure development.

This paper mainly analyzes the macroeconomic development of Cambodia in recent years from the aspects of economic growth, unemployment rate, price level, import and export trade, foreign investment and international balance of payments.

## 2 Economic growth

Bangladesh's economy has grown rapidly in recent years. It can be seen from table 1 that the total GDP of Bangladesh increases by years, from \$133.4 billion in 2012 to \$274 billion in 2018, with an average annual increase of \$23.43 billion. GDP per capita is relatively low, but it has been growing steadily every year, from \$883.1 in 2012 to \$1,698.30 in 2018<sup>[3]</sup>. The GDP growth rate has been above 6% every year, especially since 2016, the annual growth rate has been above 7%, reaching 7.86% in 2018. The international monetary fund (IMF) has released a report forecasting that Bangladesh's economic growth rate will be 7.8% in 2019, ranking third in the world. The high growth rate is due to Bangladesh's strong exports, remittances income and manufacturing industry development.

**Table 1.** Economic growth data of Bangladesh from 2012 to 2018

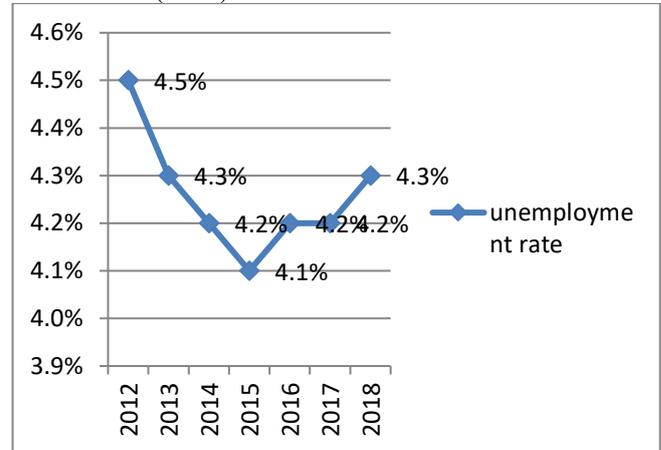
| year | GDP (\$100 million) | GDP per capita (\$) | GDP growth rate (%) |
|------|---------------------|---------------------|---------------------|
| 2012 | 1334                | 883.1               | 6.52                |
| 2013 | 1500                | 981.8               | 6.01                |
| 2014 | 1729                | 1118.8              | 6.06                |
| 2015 | 1951                | 1248.5              | 6.55                |
| 2016 | 2214                | 1401.6              | 7.11                |
| 2017 | 2497                | 1564.0              | 7.28                |
| 2018 | 2740                | 1698.3              | 7.86                |

Source: Wind database

## 3 Unemployment rate

From 2014 to 2018, Bangladesh's unemployment rate remained stable at around 4.2%. The unemployment rate was the lowest in 2015, at 4.1%<sup>[5]</sup>. The unemployment rate was 4.2% in 2014, 2016 and 2017, and rose to 4.3% in 2018 (As shown in chart 1). Bangladesh has the highest youth unemployment rate in the asia-pacific region.

According to the International Labour Organization(ILO)'s 2018 asia-pacific country employment and social outlook report, youth unemployment rose 6.4% from 2010 to 2017, the highest among asia-pacific countries, followed by Pakistan (5.3%) and Vietnam (3.7%).

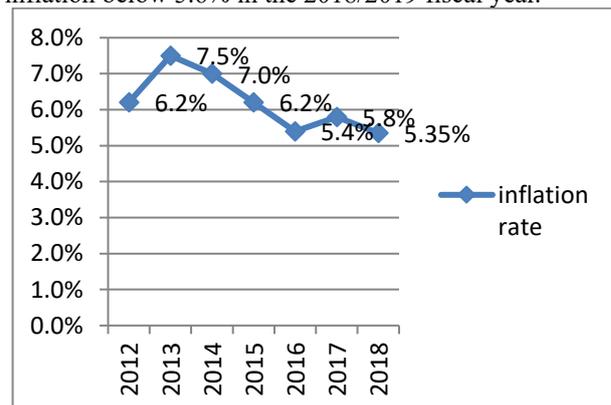


**Figure 1** Unemployment rate in Bangladesh from 2012 to 2018

Source: Wind database

## 4 Price level

The inflation rate of Bangladesh, as shown in figure 2, is generally on a downward trend, falling from 7.5% in 2013 to 5.4% in 2016, rising to 5.8% in 2017, but falling to 5.35% in 2018<sup>[4]</sup>. From a structural perspective, both food and non-food inflation rates declined in 2018, with the inflation rate in rural areas unchanged from November and the inflation rate in urban areas dropping to 6.14% from 6.21% in November. The government plans to keep inflation below 5.6% in the 2018/2019 fiscal year.



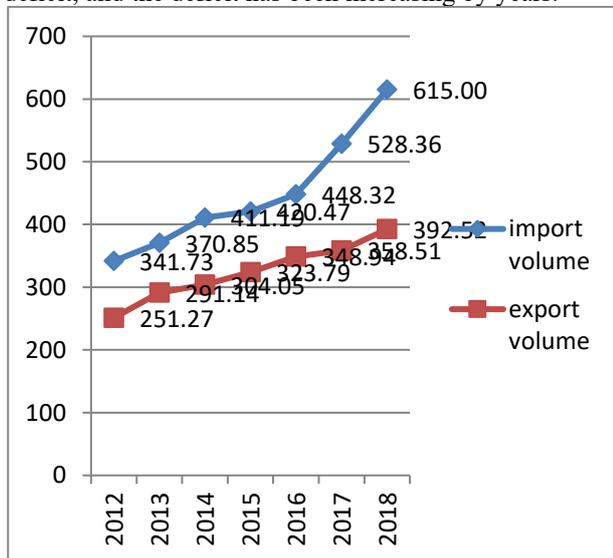
**Figure 2** Changes of inflation rate (CPI growth rate) in Bangladesh from 2012 to 2018

Source: Wind database

## 5 Import and export trade

As shown in figure 3, Bangladesh's imports and exports volume both increased by years, with imports volume increasing from \$34.173 billion in 2012 to \$61.5 billion in 2018. In 2017, the import volume exceeded \$50 billion for the first time, reaching \$52.836 billion, up 16.4% year on year. Imports of petrochemical products increased

32.7% year on year, and imports of grain affected by floods increased 23 times year on year. Exports increased from \$25.127 billion in 2012 to \$39.252 billion in 2018, an increase of \$14.125 billion within six years. Although Bangladesh's total import and export volume has been increasing steadily, its import and export trade has been in deficit, and the deficit has been increasing by years.

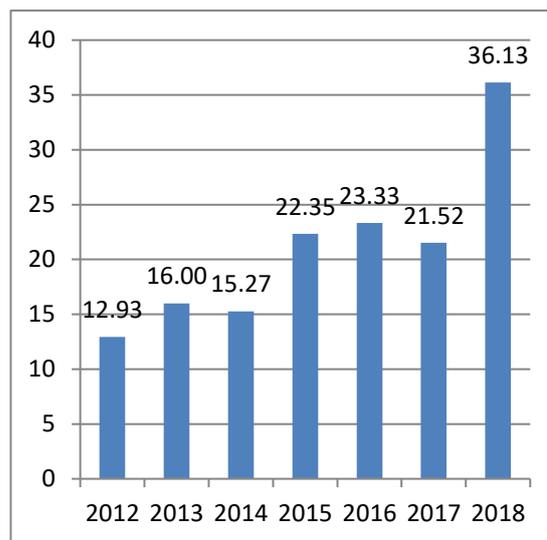


**Figure 3** Import and export volume of Bangladesh from 2012 to 2018 (\$100 million)

Source: CEInet Database

## 6 Foreign direct investment

Net inflows of foreign direct investment in Bangladesh generally shows the trend of increasing fluctuation, increasing from \$1.293 billion in 2012 to \$3.613 billion in 2018, representing a total increase of \$2.32 billion in six years. In particular, from 2017 to 2018, the net inflow of foreign direct investment increased from \$2.153 billion to \$3.613 billion, attracting a record high amount of foreign direct investment, an increase of 67.89% (as shown in figure 4). Yet foreign direct investment in Bangladesh remains low, at less than 2% of GDP. In addition, Bangladesh ranks only 168th in the world bank's ranking of 190 countries in terms of investment and business environment due to the weak efficiency of government management, and its ability to attract foreign direct investment may be limited in the coming years. The government needs to take measures to further improve the business environment.



**Figure 4** Net inflows of foreign direct investment in Bangladesh from 2012 to 2018 (\$100 million)

Source: CEInet Database

## 7 International balance of payment

As shown in table 2, the current account balance of Bangladesh fluctuates greatly, it dropped sharply from \$2.58 billion in 2015 to \$931 million in 2016. From 2014 to 2017, total reserves (including gold) increased by years, from \$22.32 billion in 2014 to \$33.431 billion in 2017. But total reserves (including gold) were only \$32.028 billion in 2018, down \$1.403 billion from 2017. As of December 30, 2018, foreign exchange reserves stood at \$32.02 billion. International aid is an important source of Bangladesh's foreign exchange reserves and the main source of funds for Bangladesh's investment and development projects. Japan, the United States, Canada and international institutions such as the world bank and the Asian development bank are major providers.

**Table 2.** International balance of payments of Bangladesh 2014-2018 (\$100 million)

|                                 | 2014   | 2015   | 2016   | 2017   | 2018   |
|---------------------------------|--------|--------|--------|--------|--------|
| Current account balance         | 7.56   | 25.80  | 9.31   | 63.65  | --     |
| Total reserves (including gold) | 223.20 | 274.93 | 322.84 | 334.31 | 320.28 |

Source: CEInet Database

## 8 Conclusion

On the whole, Bangladesh's economy has grown rapidly in recent years. The high growth rate is attributed to the strong exports, remittances income and manufacturing industry development of Bangladesh. The consumer price index shows a downward trend and prices are generally under control. The import and export volume increases by years, and the net inflow of foreign direct investment shows the trend of increasing fluctuation. In the future, the bangladeshi economy will continue to maintain a high growth level.

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