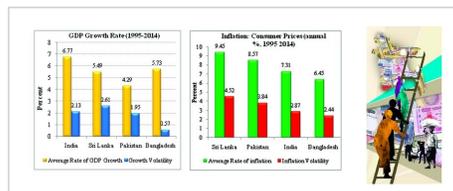


Bangladesh economy in 2015: Macro-stability with continuing strong gains in sustainable growth -The Asian Age



The Bangladesh economy demonstrated a spectacular upturn in 2015 despite weak global economy. Indeed, Bangladesh economy is an outlier among its peers in terms of robust growth with lowest inflation volatility. It has been on a sustained, steady average annual GDP growth rate for more than half a decade, with the lowest growth and inflation volatility in South Asia. Furthermore, unlike the recent trend of post GFC growth slowdown in the emerging economies, Bangladesh has well maintained its growth momentum, with the GDP growth averaged at 6.2 percent during FY 2010-2015. We are even targeting 7 percent growth for FY 2015-16. All indicators (e.g. growths in export, remittances, import of capital machineries, raw materials including cotton) look buoyant and robust during the first half of the current fiscal year. And hence this growth rate is

achievable. Resilience of the domestic economy over years amid repeated episodes of natural calamities and external shocks has provided the markets and entrepreneurs a predictable policy environment of low uncertainty. Bangladesh clearly distinguishes itself to be amongst a few (five or so) fast achievers in the world.

Source: World Economic Outlook, April 2015, IMF

Despite challenges of political turmoil during the beginning of 2015, prudent and timely policy interventions from the present Government and Bangladesh Bank (Central Bank of Bangladesh) have kept the economy and financial sector vibrant and stable. Cautious but growth supportive monetary policy stance has been able to contain inflation within low single digit level (6.2 percent in November 2015), which is moderate and reasonable for a growing developing economy like Bangladesh. The foreign exchange reserves of Bangladesh Bank have increased more than 3.5 folds from USD 7.5 billion in FY 2008-09 to USD 27.3 billion in December 2015. The current level of reserves, covering almost 8 months of import payments provides a quite positive signal to the foreign investors. Growing FX reserves are also contributing towards maintaining a stable foreign exchange rate; Taka is probably the most stable currency in the South Asia. We are now experiencing a pleasant challenge of managing appreciation, not depreciation. Progress in the social economic indicators has been quite satisfactory as well. Bangladesh has achieved most of the MDGs well ahead of timeline, with rapid fall in poverty from 48.9 percent in 2000 to 24.5 percent in 2015. The average life expectancy in Bangladesh, according to the latest Human Development Report is 71 years which is at least four years more than our biggest neighbour.

With continuous policy support from the Government and Bangladesh Bank, and rapid expansion of the remittance distribution network, remittance inflows have increased to USD 15.3 billion in FY 2014-15 from USD 9.7 billion in FY 2008-09. We hope to touch USD 16 billion milestone at the end of this fiscal year. Exports and imports are on positive growth trends rising from USD 16.2 billion and USD 23.7 billion in FY 2009-10 to USD 31.2 billion and USD 40.7 billion in FY 2014-15 respectively. With per capita income of USD 1,314, Bangladesh has joined the (lower) middle income country group in 2015.

The banking sector remains stable and resilient ever than before as reflected in the major financial sector indicators. Capital adequacy related BASEL-II has been fully implemented, and the roadmap for BASEL-III implementation has been chalked down. Capital Adequacy Ratio (CAR) was 10.53 percent in September 2015, higher than the international standard of 8 percent. The growth rate of banking sector deposit and credit in October 2015 was 13.9 percent and 11.5 percent respectively. Classified loans in the banking sector remain below 10 percent (9.67%). Call money rate remains around 5 percent for a long time. Constant vigilance of Bangladesh Bank and moral suasion on the banks were effective in driving the interest rate spread below 5 percent, accompanied by fall in the deposit and lending rates.

Besides performing its core responsibility of maintaining price stability and external sector viability, Bangladesh Bank has been contributing to the impressive development journey of Bangladesh through promoting a socially responsible inclusive green financing strategy alongside massive digitization in the country's financial sector. In recent years, Bangladesh Bank has brought about deeper engagement of the financial sector in the developmental role with a social responsibility driven financial inclusion initiatives. Bangladesh Bank has taken up comprehensive reform and up-gradation of the country's financial market infrastructure, including setting up of a fully automated nationwide online clearing and settlement system, Bangladesh Real Time Gross Settlement (BD-RTGS), customer interest protection centers, launching of mobile financial services (more than 29 million accounts), no frill accounts for the disadvantaged and students (more than 16 million accounts), mandatory credit for agriculture, MSMEs, renewable energy, and so forth. The financial inclusion drive is supported by advanced technology, which has drastically reduced costs, increased the outreach, and enabled new players to leapfrog constraints.

The performance of the Bangladesh economy is grounded on very inclusive and broad-based nature of growth, which has already gained global attention. The goal is now to deepen, widen, and further improve the quality of inclusive financing programs to ensure environmentally sustainable economic development. The inclusive growth strategy of the present government and Bangladesh Bank's sustained motivation and innovative policy initiatives in promoting environmentally sustainable green financing are paying off well for the Bangladesh economy. Looking forward, the 7th Five Year Plan (FY2016-FY2020) aspires to accelerate economic growth to 8 percent by the year 2020, which will be inclusive, pro-poor, and environmentally sustainable. The private sector will take the lead role in bringing in the additional growth.

All the government organs with the lead role of the private sector need to work hard to pace up the inclusive socioeconomic growth and development momentum. We, however, need to put more attention towards long term mobilization of savings, and quick completion of the infrastructure projects.

We are now looking forward to attaining the higher middle income country status by 2030 and to advanced economy status by the decade of 2040s. I am sure given strong leadership by our down to earth, Honorable Prime Minister and participation of our hard working entrepreneurs and ordinary people, we will certainly be able to achieve this dream.

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