
Country Report

Bangladesh

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The Economist Intelligence Unit

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Executive summary

Highlights

February 2010

- Outlook for 2010-11**
- The ruling Awami League (AL) is expected to serve a full term after securing a big majority at the general election in December 2008. The main opposition Bangladesh Nationalist Party won just 29 of the 300 seats in parliament.
 - The likely monopolisation of parliament by the AL for the next few years raises the risk of large street protests, a tactic that has been used in the past to express opposition to the government.
 - The Economist Intelligence Unit expects the fiscal position to deteriorate in 2010-11 as the government increases its efforts to implement a wide range of development projects.
 - Real GDP growth is forecast to remain stable, averaging 5.7% in fiscal year 2009/10 (July-June) and 5.9% in 2010/11, after expanding by an estimated 5.9% in 2008/09.
 - After moderating in 2009, consumer price inflation is expected to accelerate in 2010 in line with increases in global commodity and non-commodity prices. Inflation is forecast to average 7% this year, before slowing to 6.4% in 2011.
 - The merchandise trade deficit will widen in 2010-11 as higher global commodity prices lead to a significant increase in the country's import bill.
- Monthly review**
- After a legal process that lasted 12 years, five former army officers who had been found guilty of killing independent Bangladesh's first leader, Sheikh Mujibur Rahman, were hanged in late January.
 - The Election Commission has directed several religious based political parties to amend their charters or risk being dissolved, following a ruling by the Supreme Court in early January that deemed them unconstitutional.
 - In January Bangladesh Bank (the central bank) stressed that it would continue to maintain an accommodative monetary policy stance and that it was confident of meeting its inflation target of 6.5% in 2009/10.
 - The government introduced a new rationing scheme in January to tackle a persistent shortage of energy. The scheme requires firms in certain zones to use a different day as a weekly holiday instead of the usual Friday.
 - The value of merchandise exports declined by 7.7% year on year to US\$1.2bn in November 2009. On a cumulative basis, the value of exports fell by 6.9% year on year in the first five months of the current fiscal year.
 - One of the main stockmarket indices, the DGen, has almost doubled in the last nine months. The increase partly reflects greater risk appetite, and also the way that the index is calculated following initial public offerings.

Outlook for 2010-11

Political outlook

Domestic politics Assuming that it retains the support of the security forces, the ruling Awami League (AL) is expected to dominate parliamentary proceedings for the next few years after securing a landslide victory at the 2008 parliamentary election. The party holds 230 parliamentary seats out of 300, more than the two-thirds majority that is required to pass constitutional amendments unchallenged. Its commanding position in the legislature also means that the AL can govern without the support of any other members of the Grand Alliance, the group of 14 political parties that it leads.

During its term of office the greatest challenge for the government will be to retain the support of the security forces, and in particular the army and a paramilitary force, the Bangladesh Rifles (BDR). A mutiny staged by members of the BDR in February 2009, which resulted in the deaths of around 70 army officers and civilians, threatened to destabilise relations between the two forces. In addition, the army's insistence on using the Army Act (which stipulates the death penalty for mutineers) to prosecute the perpetrators of the rebellion also threatened to strain ties between it and the government. The government shrewdly left the decision on whether the perpetrators of the mutiny should be prosecuted under the act to the Supreme Court; the court decided in September that they should not. By seeking the opinion of the Supreme Court on the issue the government has managed to escape accusations of bias from either the BDR or the army. It has also avoided the political embarrassment of mass executions.

In the months ahead the government will need to maintain the full backing of the army and the police if it is to deal successfully with a possible rise in street demonstrations and to increase surveillance of the activities of Islamist groups that are believed to be operating in the country. There have been no terrorist attacks in Bangladesh since 2005, when dozens of people were killed in a campaign of violence that was thought to have been carried out by a banned Islamist group, Jamiat-ul-Mujahideen Bangladesh. However, the government appears keen to take a proactive approach to the issue. Aside from imposing a ban on local Islamist organisations, the government is also keen to co-operate with India in its fight against militancy.

Social unrest is likely to emanate from a variety of quarters in the months ahead. Protests are likely to come from local religious-based political parties following a recent decision by the Supreme Court to ban them. Although the opposition has yet to engage in large-scale street agitation, there is a risk that it could resort to this tactic as a means to register its dissatisfaction with the government. It has already expressed its disapproval of recent agreements signed between the Bangladeshi and Indian governments, believing that the AL has in effect acquiesced to India's demands and has failed to gain any concessions in return. Moreover, it claims that the government has also signed a secret deal on security, although this has been denied by the prime minister, Sheikh Hasina Wajed.

International relations Relations between Bangladesh and India, which have not been very strong in the past, will improve under the AL government. New agreements to combat terrorism, tackle crossborder crime and strengthen economic ties were signed in January 2010, and could mark a new era for bilateral relations. However, contentious issues remain, especially over the sharing of river waters and the demarcation of the maritime border in the Bay of Bengal. The latter issue also affects Bangladesh's relations with Myanmar, as all three countries covet the oil and gas deposits in the Bay of Bengal. The government will maintain close relations with multilateral donors as it implements the multi-year plan produced in early 2008 by the Joint Damage, Loss and Needs Assessment Mission (which comprises 11 donors, including the World Bank) following the destruction caused by Cyclone Sidr in southern parts of Bangladesh in November 2007. The mission's participants have pledged to make available a total of US\$1.5bn in 2008-12, another US\$1.4bn in 2013-17 and a further US\$1.1bn in 2018-22 to help the country to improve its preparedness for natural disasters.

Economic policy outlook

Policy trends The government's fiscal position is expected to remain weak in the forecast period, as it attempts to tackle a number of problems while also making progress towards the attainment of development goals outlined by the UN. One of the biggest challenges in 2010-11 will be to improve the energy supply. Exploration rights have already been awarded to two foreign companies, ConocoPhillips of the US and Tullow Oil of Ireland, to explore for gas deposits in the Bay of Bengal, but this search is likely to be delayed until a dispute over the maritime border with Myanmar is resolved. More importantly, there are no plans to exploit the country's abundant coal reserves. In the meantime the government is likely to resort to a range of schemes, such as daylight-saving time and the staggering of weekly holidays, to deal with persistent shortages. Bangladesh Bank (BB, the central bank) is likely to start to tighten monetary policy by the end of 2010.

Fiscal policy The Economist Intelligence Unit expects the budget deficit to widen to 5.5% of GDP in fiscal year 2009/10 (July-June), before narrowing slightly to 5.3% in 2010/11. This compares with a budget deficit of 4% in 2008/09. Revenue expansion will fail to keep pace with growth in spending. The revenue collection rate in Bangladesh is among the lowest in the world, at the equivalent of 11.3% of GDP, according to the Ministry of Finance. Revenue collection will continue to be hampered by a complicated tax system. Despite the fact that a number of measures to boost tax collection were outlined in the 2009/10 budget, revenue will remain low as a proportion of GDP in the forecast period. The deterioration in the fiscal balance also reflects our view that the government will make progress in implementing more projects under the Annual Development Programme, which accounts for around 30% of total government expenditure.

Monetary policy BB is expected to give greater priority to supporting domestic demand in the early part of the forecast period, and will maintain a loose monetary policy

stance despite an expected increase in the overall price level. BB has loosened monetary policy twice in 2009, first in March, and then in October, when it cut the reverse repurchase (repo) rate to 2.5%, from 6.5% previously. Traditionally, BB prefers to use the repo and reverse repo rates to influence money market interest rates, rather than making changes to the discount rate, which has been left at 5% for the past six years. The discount rate is therefore expected to remain at this level throughout the forecast period. Unlike a number of other central banks around the world, BB did not have to deal with a liquidity crisis in the country's banking sector during the global credit crunch. Instead, owing to a recent lull in government repo operations and a lack of demand from local private enterprises, the banking sector in Bangladesh is currently experiencing excess liquidity. These factors, coupled with a central bank directive not to set lending rates above 13%, have had the desired effect of bringing about a decline in commercial bank lending rates, but they could stoke inflationary pressures if lending growth accelerates in the medium term.

Economic forecast

International assumptions

International assumptions summary

(% unless otherwise indicated)

	2008	2009	2010	2011
Real GDP growth				
World	2.8	-1.0	3.6	3.5
US	0.4	-2.5	2.5	1.4
China	9.0	8.3	9.5	8.3
EU27	0.7	-4.1	0.9	1.1
Exchange rates				
¥:US\$	103.4	93.7	88.0	87.0
US\$:€	1.47	1.39	1.42	1.40
SDR:US\$	0.63	0.65	0.63	0.64
Financial indicators				
¥ 3-month money market rate	0.85	0.38	0.30	0.63
US\$ 3-month commercial paper rate	2.18	0.26	0.55	1.50
Commodity prices				
Oil (Brent; US\$/b)	97.7	62.0	78.0	73.0
Cotton (US cents/lb)	72.1	62.7	76.3	77.3
Food, feedstuffs & beverages (% change in US\$ terms)	29.5	-21.6	2.1	0.8
Industrial raw materials (% change in US\$ terms)	-5.1	-25.6	31.2	0.6

Note. Regional GDP growth rates weighted using purchasing power parity exchange rates.

Forward-looking economic indicators continue to improve in many countries thanks to aggressive fiscal and monetary stimulus, and in response we have revised up our global GDP forecast in recent months. We now expect the world economy at purchasing power parity exchange rates to grow by 3.6% in 2010, compared with our previous forecast of growth of 3.5%. However, the outlook remains uncertain, and global growth could slow in 2011 as the impact of stimulatory measures dissipates. We currently expect the global economy to grow by 3.5% in 2011. A rise in economic activity in the US and the EU, which directly absorb more than 60% of Bangladeshi exports, will provide support to the country's exporters. We have also revised up our international oil price

forecast amid persistently strong demand from China, and now expect oil prices (dated Brent Blend) to average US\$78/barrel in 2010 (compared with US\$75/b previously) and US\$73/b in 2011 (US\$70/b previously).

Economic growth

Gross domestic product by expenditure

(Tk bn at constant 1995/96 prices where series are indicated; otherwise % change year on year, fiscal years beginning July 1st)

	2008 ^a	2009 ^a	2010 ^b	2011 ^b
Private consumption	2,126.4	2,252.9	2,381.4	2,512.3
	5.5	6.0	5.7	5.5
Public consumption	170.7	177.6	191.8	204.3
	3.6	4.0	8.0	6.5
Gross fixed investment	870.2	920.0	975.2	1,038.6
	1.8	5.7	6.0	6.5
Total domestic demand	3,167.3	3,350.6	3,548.4	3,755.2
	4.4	5.8	5.9	5.8
Exports of goods & services	670.0	751.8	793.9	845.5
	7.0	12.2	5.6	6.5
Imports of goods & services	-674.9	-777.7	-819.7	-861.5
	-2.1	15.2	5.4	5.1
Foreign balance	-4.9	-25.8	-25.7	-15.9
	1.9 ^c	-0.6 ^c	0.0 ^c	0.3 ^c
GDP	3,217.3^d	3,406.5	3,600.4	3,813.1
	6.2 ^d	5.9	5.7	5.9

a Actual. b Economist Intelligence Unit estimates. c Contribution to real GDP growth (as a percentage of real GDP in the previous year). d Economist Intelligence Unit forecasts.

We forecast that real GDP growth in Bangladesh will average 5.8% a year in the forecast period, underpinned by a steady expansion in private consumption and investment. The main determinants of private consumption will be the performance of the agricultural sector and remittances from the Bangladeshi diaspora and those working overseas. Although the agricultural sector accounts for only 20% of overall GDP at factor cost, it is still the country's largest employer and is the main source of income for around one-half the working population. The agricultural sector is expected to grow by an average of 4% in the forecast period, a slightly slower rate compared with 2008/09, when bumper rice harvests resulted in a rise of 4.6%. We do not expect a repeat of this in the forecast period. Inflows of workers' remittances are another source of growth in private consumption. Such inflows have been healthy in recent months, but the pace of growth in remittances will moderate in 2010 as the rate at which Bangladeshis take up positions abroad will remain relatively subdued. We expect private consumption to expand by an annual average of 5.6% in the forecast period, contributing an average of 3.7 percentage points a year to GDP growth.

Gross fixed investment is expected to add an average of 1.7 percentage points to the annual GDP growth rate in the forecast period. This component is dominated by the private sector, which accounts for 80% of gross investment. Private investment is expected to be bolstered by improving business sentiment and government efforts to attract greater foreign direct investment from India and from members of the Bangladeshi diaspora residing in OECD countries.

Inflation Consumer price inflation is expected to average 7% in 2010, compared with an estimated 5.3% in 2009. Food prices, which have a weighting of more than 60% in the consumer price index, will exert the greatest upward influence on inflation in 2010 as global commodity prices increase. In Bangladesh any rise in global prices for fossil fuels (and for natural gas in particular) increases production costs in the agricultural sector significantly, as the majority of farmers rely on chemical fertiliser, the manufacture of which uses large amounts of natural gas, to maximise crop yields. This cost is usually passed on to consumers. The government's determination to maintain a subsidy on fuel will prevent a sharp acceleration in prices. However, significant upside risks exist, and prices could rise much faster than we currently expect if inclement weather reduces the size of harvests, either domestically or around the world. A fall in global oil prices and a slowdown in the rate of increase in world food prices will help to bring domestic inflation down to 6.4% in 2011.

Exchange rates We expect BB to maintain a fairly stable exchange rate against the US dollar in 2010-11. The central bank adopted a managed floating exchange-rate system in 2003, and since then its vigilance has prevented erratic movements in the local currency. The challenge for the bank in the forecast period will be to prevent the taka from strengthening against the US dollar, which is expected to weaken in international foreign-exchange markets. BB's task will be made more difficult if future forays into the market result in an accumulation of foreign-exchange reserves, which could cause further taka appreciation by strengthening confidence in the currency. We expect the taka to average Tk69.3:US\$1 in 2010 and Tk69.8:US\$1 in 2011.

External sector The trade deficit is forecast to widen in the forecast period. This is partly because import prices will recover at a much faster rate than those for exports. The trade deficit is forecast to average US\$5.5bn a year in 2010-11, compared with an estimated US\$4.3bn in 2009. The import bill will be inflated by higher global commodity and non-commodity prices, as well as by strong domestic demand, which is expected to suck in greater quantities of consumer and capital goods. Export growth is forecast to be slower than that in imports. This assumption is based on our expectation that export-oriented firms will struggle to raise prices in what will remain challenging external conditions, as Bangladesh's major export markets are expected to stage only modest economic recoveries. Moreover, growth in inflows of workers' remittances is expected to slow as overseas job markets continue to shrink in the early part of the forecast period. Despite slower expansion in such inflows, workers' remittances will still be sufficient to offset the combined deficit on the trade, services and income accounts, resulting in current-account surpluses equivalent to 1.9% of GDP in 2010 and 1.6% in 2011.

Forecast summary

(% unless otherwise indicated)

	2008 ^a	2009 ^b	2010 ^c	2011 ^c
Real GDP growth ^d	6.2	5.9 ^a	5.7	5.9
Industrial production growth	8.0 ^b	7.5	7.2	7.6
Gross agricultural production growth ^d	3.2	4.6 ^a	4.1	3.8
Unemployment rate (av)	2.5 ^b	2.5	2.5	2.5
Consumer price inflation (av)	8.9	5.3	7.0	6.4
Short-term interbank rate	16.4	14.6 ^a	16.0	16.5
Government balance (% of GDP) ^d	-6.1	-4.0 ^a	-5.5	-5.3
Exports of goods fob (US\$ bn)	15.4	15.9	17.2	19.2
Imports of goods fob (US\$ bn)	21.5	20.2	22.3	25.1
Current-account balance (US\$ bn)	1.0	2.8	1.9	1.8
Current-account balance (% of GDP)	1.3	3.1	1.9	1.6
External debt (year-end; US\$ bn)	22.8 ^b	23.0	23.3	23.7
Exchange rate Tk:US\$ (av)	68.60	69.04 ^a	69.30	69.82
Exchange rate Tk:¥100 (av)	66.37	73.68 ^a	78.75	80.25
Exchange rate Tk:€ (year-end)	95.81	99.27 ^a	96.12	100.11
Exchange rate Tk:SDR (year-end)	103.64	110.76 ^a	108.19	112.18

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d Fiscal years (ending June 30th).

Monthly review: February 2010

The political scene

The men convicted of killing Sheikh Mujibur are executed

On January 27th, a day after the Supreme Court dismissed their appeals to have their sentences commuted, five former army officers convicted of killing independent Bangladesh's first leader, Sheikh Mujibur Rahman, were executed. The execution has been seen by some observers as an historic chance for Bangladesh's politicians to bury their obsession with the country's past and focus on the future. The fact that the judicial process has taken 12 years is a reflection of the partisan nature of the country's politics. The execution has also served as a reminder of the roots of the antagonism between the heads of the country's two main political dynasties. The leader of the ruling Awami League (AL), Sheikh Hasina Wajed, the current prime minister, is a daughter of Sheikh Mujib. Meanwhile, the army officers who confessed to killing Sheikh Mujib claimed that Lieutenant-General Ziaur Rahman, the late husband of the Bangladesh Nationalist Party (BNP) leader, Khaleda Zia, knew of the assassination plan. For decades the personal enmity between the Sheikh Hasina and Mrs Zia has fuelled the divisions in Bangladeshi politics.

In 1998 six other former officers were also convicted of Sheikh Mujib's murder, but have since absconded to a number of different countries. Recent comments from Sheikh Hasina suggest that she is determined to bring the officers back to the country to face prosecution. In addition to these efforts, the government is also expected to press ahead with other trials, and in particular a war crimes tribunal to investigate those alleged to have been involved in committing atrocities during the war of secession from Pakistan (then known as West Pakistan) in 1971. This means that leaders of Bangladesh's fourth-largest political party, Jamaat-e-Islami, could stand trial for such crimes.

The government takes steps to ban religious-based parties

In late January the Election Commission (EC) directed a number of religious-based parties to amend their charters, following a decision by the Supreme Court to lift the suspension of a four-year-old High Court verdict declaring the fifth amendment to the constitution to be illegal and unconstitutional. The amendment had ended the constitutional ban on religious-based parties. The EC said that the parties' aims and objectives were in contravention of the constitution.

Jamaat and a number of smaller Islamist parties are fiercely opposed to the commission's directive, and have sought to portray it as a governmental attack on Islam. Several Islamist parties have threatened to launch street protests. It is unclear whether the government is willing to risk a full-scale confrontation with all of the Islamist parties combined. It must fear that such a course of action could antagonise mainstream Islamist parties such as Jamaat, which received around 4% of the vote at the last parliamentary election, and fuel violence on the Islamist fringe. Shrewdly, the AL government has chosen to ban religious-based parties through the court system and the EC, rather than using its huge parliamentary majority to make the parties unconstitutional. In

so doing it has tried to avoid any further worsening in its already strained relations with the opposition parties, which have accused the government of seeking to establish one-party rule and of carrying out a political vendetta to marginalise them.

The opposition objects to rapprochement with India

The government's rapprochement with India has been met with fierce criticism from the BNP and Jamaat. Mrs Zia has accused her arch-rival, Sheikh Hasina, of "selling out to India" and has threatened to stage public protests. The BNP is particularly critical of the government's decision to allow India to use Bangladesh's main seaport at Chittagong and to hold out the possibility that India may in future be allowed to transport goods through Bangladesh. The BNP and Jamaat have described the recent agreements on trade, power and security as representing a surrender of Bangladeshi interests in favour of India. It is unclear whether the BNP's campaign will resonate with voters. Regional economic integration is at the heart of efforts to accelerate the country's development and reduce poverty. The AL is only one year into a five-year term, and it therefore has time to convince the electorate that its shift in foreign policy will benefit Bangladesh by increasing crossborder investment and trade, as well as by alleviating power shortages by means of imports of electricity from India.

In another development, Bangladesh's relations with its other immediate neighbour, Myanmar, improved in January. Both countries have agreed in principle to negotiate a maritime border dispute in the gas-rich Bay of Bengal. The argument led to the deployment of battleships in 2008, and there were reports that both countries had reinforced their military presence along the border in late 2009.

Economic policy

BB keeps monetary policy loose

On January 19th Bangladesh Bank (BB, the central bank) said that it would keep monetary policy accommodative and was confident of meeting its average inflation target of 6.5% in fiscal year 2009/10 (July-June). In its monetary policy statement for the second half of 2009/10, the central bank maintained its GDP forecast of 5.5-6% for the fiscal year as a whole. BB left interest rates unchanged in January, having cut the reverse repurchase rate (repo) by 400 basis points to 2.5% in October. The discount rate has remained at 5% since November 2003. However, there are signs that price pressures are building. Inflation as measured by the consumer price index reached by 7.2% year on year in November 2009, compared with 6.7% in October. Private-sector credit growth accelerated in December, and farm credit disbursed by state-run banks in the first half of 2009/10 was one-third higher than in the year-earlier period. As in neighbouring India, where annual food prices inflation hit 20% in December, higher inflation in Bangladesh has largely been driven by the rising cost of food.

Bangladesh resumes shrimp exports to the EU

In January 2010 Bangladesh resumed the export of freshwater shrimps to the EU, following the end of a self-imposed ban that began on June 1st 2009. The minister for fisheries and livestock, Abdul Latif Biswash, has also presented a new bill to parliament, which if passed will prohibit the use of antibiotics, growth hormones, steroids and harmful pesticides in animal and fish feed. The

EU imports shrimps worth around US\$250m per year from Bangladesh, but EU member states stopped importing Bangladeshi shrimps in May 2009 after importers detected an antibiotic, nitrofurantoin. The EU consumes around 50% of total shrimp exports from Bangladesh, while the rest is destined for the US, Japan and the Middle East. Seafood exports, including shrimps, are Bangladesh's second-largest export category after readymade garments.

Bangladesh opens up its seaports

Bangladesh's recent decision to open its two ports to India, Nepal and Bhutan could lead to annual revenue of US\$1bn, a drop in the price of traded goods and an increase in foreign investment, according to business leaders in Bangladesh. The decision to allow India access to port facilities in Chittagong, located in south-eastern Bangladesh, and Mongla in the south-west is politically controversial owing to traditional anti-Indian sentiment. The agreement to allow India access to the two ports is part of a range of agreements signed by Sheikh Hasina during a state visit to that country in January. The BNP has said that opening up the country's ports poses a threat to national security. However, the opportunities are clear, especially as much of the upgrading of infrastructure that will be required to cope with the likely increase in cargo is expected to be financed by foreign investment, and by the Indian government in the form of loans and grants.

The government orders gas rationing

On January 27th the government announced that it would stagger holidays with immediate effect, in a bid to tackle gas shortages. The state-owned hydrocarbon monopoly, the Bangladesh Oil, Gas and Mineral Corporation (Petrobangla) has divided the capital, Dhaka, and its surrounding area into seven zones and has introduced a new rationing system that requires firms within certain zones to use days other than Friday, the usual day, as their weekly holidays. The government estimates that the new initiative will save at least 40m cu ft/day of gas, as well as improving the supply of gas on a daily basis. At the same time, Bangladesh is in talks with service companies to establish a floating liquefied natural gas (LNG) import facility, and with LNG suppliers, including Qatar, to supply the fuel, according to the director of Petrobangla, Shahidul Abedin. LNG is gas that is cooled to a liquid state for transport by ship to markets not connected by pipelines. The fuel is received at import terminals and converted back to gaseous form to be piped to users. According to Mr Abedin, Bangladesh plans to import 3m-4m tonnes of LNG a year—sufficient to meet the country's current shortage of about 500m cu ft/day. At present more than 98% of the country's gas output, amounting to 1.9bn cu ft/day, comes from onshore fields, while only 2% (35m cu ft/day) comes from the Sangu field, the country's only offshore gasfield, which is operated by a UK-based firm, Cairn Energy. National demand for gas currently stands at 2.5bn cu ft/day. Mr Abedin added that gas consumption was currently growing by 8% a year.

Economic performance

Economic indicators point to signs of weakness

Unlike many economies in Asia, that of Bangladesh has shown remarkable resilience in the past year. Part of the reason is the fact that Bangladesh's export sector accounts for a fairly small proportion of GDP. In 2008/09 exports of goods and services accounted for 20% of GDP, compared with more than 200% in Singapore and around 100% in Malaysia, meaning that Bangladesh has been less exposed to the downturn in the global demand. In addition, inflows of workers' remittances have remained strong—although part of this strength is attributable to the repatriation of savings by skilled workers who have returned to Bangladesh after losing their jobs abroad, as well as to fresh remittances from Bangladeshis living overseas, who, prompted by fears of a collapse in the financial systems of their host countries, have sent savings back to Bangladesh. Costs for workers relocating abroad from Bangladesh are extremely high, and it can take years for unskilled (and hence relatively low-paid) to recoup them, limiting such workers' ability to save. The same is not true for skilled workers, who can generally recoup their relocation costs much faster as a result of the higher wages that they earn and the direct financial support that they receive from their (generally wealthier) extended families. The agricultural sector, which employs around one-half of the country's workforce, has also played a part in the economy's relatively strong performance in the past year or so, reporting healthy rises in food production, and particularly in output of rice, the country's main staple.

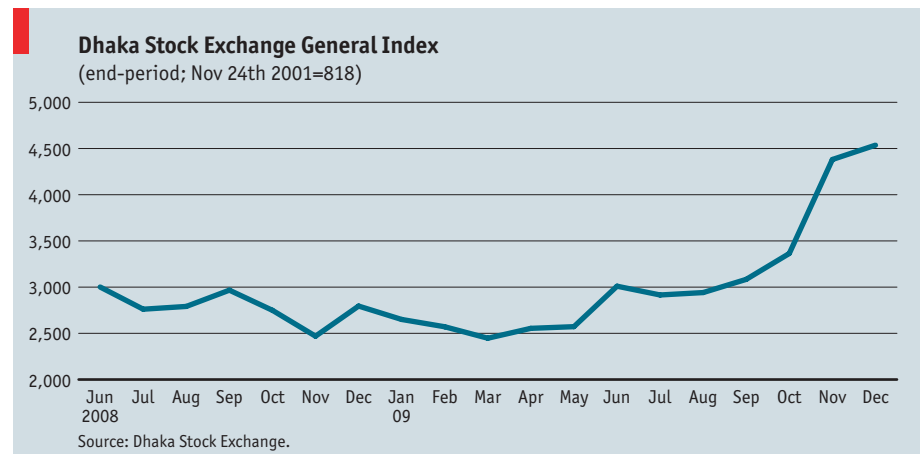
However, the latest economic indicators also point to signs of weakness. The value of merchandise exports was down by 7.7% year on year to US\$1.2bn in November 2009. On a cumulative basis, the value of exports declined by 6.9% year on year in the first five months of 2009/10. A breakdown of various export categories shows falls in the value of exports of frozen food, ceramic products and tea. But the decline in overall merchandise exports is largely attributable to a drop in the value of shipments of readymade garments, which account for more than 70% of total exports. In the first five months of 2009/10 exports of knitwear fell by 5.7% year on year, while exports of woven garments declined by 7.9%. Exports also followed a downward trend in volume terms in the five-month period. But comments from members of the Bangladesh Garment Manufacturers and Exporters Association hint at a brightening outlook for the garment sector, with many members reporting a rise in orders in recent weeks.

The value of merchandise imports has also been falling, although this largely reflects lower global prices for energy and industrial raw materials compared with the highs of 2008. More worryingly, Bangladesh continues to import fewer items of capital machinery compared with the year-earlier period—a likely indication of weak business sentiment. Like exports, there are tentative signs of a rise in total imports in the months ahead. The government expects imports of wheat to rise to 400,000 tonnes in April-May, as a result of an increase in consumption and stagnant local production. It also plans to import 300,000 tonnes of rice in 2009/10 to boost food stocks. The government is concerned about rising food prices: in January it extended a ban on rice exports until June, in a bid to stem domestic price increases. According to the latest trade data published by BB, Bangladesh continued to post deficits on the trade, income

and services accounts in July-October 2009, but these were offset by strong inflows of workers' remittances, resulting in a balance-of-payments surplus of US\$1.2bn in the first four months of 2009/10.

The stockmarket index doubles in nine months

DGen, the general index of the Dhaka Stock Exchange (DSE), has doubled in the past nine months, rising to a record high of over 5,300 points in mid-January. The return of democratic rule in December 2008 has contributed to a return of investor confidence and a consequent rise in stock prices. November 2009 saw the country's biggest initial public offering (IPO), by Grameenphone, a joint venture between a Norwegian telecommunications firm, Telenor, and a local firm, Grameen Telecom, which also helped to boost investor confidence.



The steep rise in the DGen is also partly attributable to way that the index is calculated in the event of an IPO. The DSE uses the face value of a share in its index calculations, which can be lower than its offer price. The face value is the minimum value at which shares are offered to the public, while the offer price is that at which people can buy the shares in the market. For example, the face value of Grameenphone's shares at the time of its IPO was Tk10 (14 US cents), whereas their offer price was Tk70. Given this wide difference, it was not surprising that the Grameenphone IPO resulted in a 22% jump in the DGen on November 16th. In a bid to standardise the methodology used by the DSE and the country's other bourse, the Chittagong Stock Exchange, the Securities and Exchange Commission (which regulates capital markets) has instructed the DSE to start computing index values from the second day of a company's IPO (the Chittagong exchange already follows this practice).

Data and charts

Annual data and forecast

	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^c	2011 ^c
GDP^d							
Nominal GDP (US\$ bn)	60.3	61.9	68.5	79.6	89.5	99.3	110.8
Nominal GDP (Tk bn)	3,707	4,157	4,725	5,458	6,155 ^a	6,867	7,691
Real GDP growth (%)	6.0	6.6	6.4	6.2	5.9 ^a	5.7	5.9
Expenditure on GDP (% real change)^d							
Private consumption	3.9	4.3	5.9	5.5	6.0 ^a	5.7	5.5
Government consumption	7.8	6.0	6.4	3.6	4.0 ^a	8.0	6.5
Gross fixed investment	10.7	8.3	8.5	1.8	5.7 ^a	6.0	6.5
Exports of goods & services	15.6	25.8	13.0	7.0	12.2 ^a	5.6	6.5
Imports of goods & services	19.1	18.2	16.0	-2.1	15.2 ^a	5.4	5.1
Origin of GDP (% real change)^d							
Agriculture	2.2	4.9	4.6	3.2	4.6 ^a	4.1	3.8
Industry	8.3	9.7	8.4	6.8	5.9 ^a	5.4	6.0
Services	6.4	5.7	6.1	7.1	6.3 ^a	6.4	6.6
Population and income							
Population (m)	153.1	155.5	157.8	160.0 ^b	162.7	165.4	168.0
GDP per head (US\$ at PPP)	1,069	1,159 ^b	1,251 ^b	1,338 ^b	1,408	1,478	1,558
Recorded unemployment (av; %)	2.5 ^b	2.5 ^b	2.5 ^b	2.5 ^b	2.5	2.5	2.5
Fiscal indicators (% of GDP)^d							
Public-sector expenditure	15.0	14.7	13.6	17.1	15.3 ^a	16.0	15.7
Public-sector balance	-4.4	-3.9	-3.1	-6.1	-4.0 ^a	-5.5	-5.3
Net public debt	41.9	42.5	40.6	39.4 ^b	38.8	38.7	37.9
Prices and financial indicators							
Exchange rate Tk:US\$ (end-period)	66.21	69.07	68.58	68.92	69.27 ^a	69.40	71.00
Exchange rate Tk:€ (end-period)	78.10	91.15	100.14	95.81	99.27 ^a	96.12	100.11
Consumer prices (av; % change)	7.0	6.8	9.1	8.9	5.3	7.0	6.4
Consumer prices (end-period; % change)	7.1	6.1	11.6	6.0	7.3	7.5	4.6
Stock of money M1 (% change)	18.1	32.1	16.8	10.6	14.0	12.1	13.3
Stock of money M2 (% change)	16.0	20.2	13.8	16.3	17.3	12.9	13.9
Lending interest rate (av; %)	14.0	15.3	16.0	16.4	14.6 ^a	16.0	16.5
Current account (US\$ m)							
Trade balance	-3,199	-2,890	-4,195	-6,065	-4,312	-5,121	-5,847
Goods: exports fob	9,303	11,554	12,474	15,442	15,905	17,177	19,239
Goods: imports fob	-12,502	-14,443	-16,669	-21,507	-20,217	-22,299	-25,086
Services balance	-958	-1,007	-1,268	-1,906	-2,156	-2,371	-2,547
Income balance	-794	-841	-968	-771	-1,077	-1,255	-1,442
Current transfers balance	4,774	5,933	7,288	9,775	10,352	10,600	11,600
Current-account balance	-176	1,196	857	1,032	2,808	1,852	1,764
External debt (US\$ m)							
Debt stock	18,919	20,491	22,033	22,825 ^b	22,954	23,263	23,673
Debt service paid	805	707	814	1,119 ^b	1,105	1,267	1,230
Principal repayments	569	474	570	843 ^b	857	981	930
Interest	235	232	244	284 ^b	272	286	300
International reserves (US\$ m)							
Total international reserves	2,825	3,877	5,278	5,789	10,219	10,453	10,787

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d Fiscal years (ending June 30th).

Source: IMF, *International Financial Statistics*.

Quarterly data

	2008				2009			
	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Output								
Industrial production index (2000=100)	123.1	124.2	n/a	n/a	n/a	n/a	n/a	n/a
Industrial production index (% change, year on year)	11.9	8.2	n/a	n/a	n/a	n/a	n/a	n/a
Prices								
Consumer prices (2005=100)	121.7	124.5	131.0	130.3	128.5	129.8	n/a	n/a
Consumer prices (% change, year on year)	10.5	8.4	10.4	6.5	5.6	4.3	4.2	n/a
Financial indicators								
Exchange rate Tk:US\$ (av)	68.58	68.58	68.52	68.72	68.94	69.03	69.06	69.12
Exchange rate Tk:US\$ (end-period)	68.58	68.53	68.51	68.92	69.03	69.06	69.06	69.27
Deposit rate (av; %)	8.81	9.34	10.06	10.40	10.22	8.67	7.32	6.61
Discount rate (end-period; %)	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Lending rate (av; %)	16.60	16.30	16.30	16.30	16.30	16.10	13.0	13.0
M1 (end-period; Tk bn)	540	587	657	641	609	657	n/a	n/a
M1 (% change, year on year)	15.3	18.3	25.2	10.6	12.8	12.0	n/a	n/a
M2 (end-period; Tk bn)	2,826	3,002	3,193	3,258	3,333	3,534	n/a	n/a
M2 (% change, year on year)	14.0	15.8	20.9	16.3	17.9	17.7	n/a	n/a
Foreign trade (Tk bn)								
Exports fob	197.4	197.1	220.6	192.8	218.1	212.8	n/a	n/a
Imports cif	-382.2	-393.4	-411.1	-354.8	-366.6	-326.2	n/a	n/a
Trade balance	-184.8	-196.2	-190.6	-162.0	-148.5	-113.4	n/a	n/a
Balance of payments (US\$ m)								
Merchandise trade balance fob-fob	-1,609	-1,529	-1,347	-1,581	n/a	n/a	n/a	n/a
Services balance	-385	-351	-647	-523	n/a	n/a	n/a	n/a
Income balance	-88	-227	-233	-224	n/a	n/a	n/a	n/a
Net transfer payments	2,432	2,473	2,514	2,356	n/a	n/a	n/a	n/a
Current-account balance	351	366	287	28	n/a	n/a	n/a	n/a
Reserves excl gold (end-period)	5,201	6,044	5,764	5,689	5,850	7,365	n/a	n/a

Sources: IMF, *International Financial Statistics*; Bangladesh Bank, *Economic Trends*.

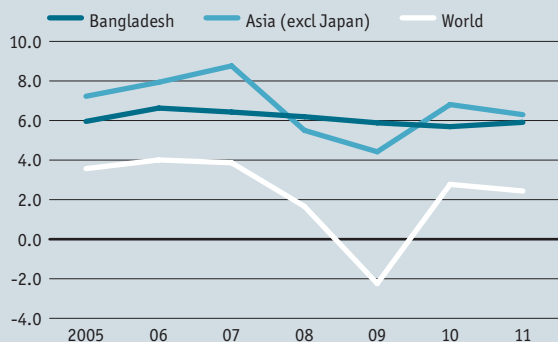
Monthly data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Exchange rate Tk:US\$ (av)												
2007	69.72	69.01	68.95	68.94	69.09	68.93	68.64	68.60	68.70	68.70	68.62	68.59
2008	68.58	68.58	68.58	68.63	68.58	68.53	68.52	68.52	68.52	68.55	68.72	68.89
2009	68.94	68.91	68.98	69.02	69.03	69.05	69.06	69.06	69.06	69.10	69.10	69.16
Exchange rate Tk:US\$ (end-period)												
2007	69.11	69.00	68.80	69.22	69.03	68.80	68.50	68.70	68.71	68.68	68.60	68.58
2008	68.58	68.58	68.58	68.58	68.55	68.53	68.52	68.52	68.51	68.65	68.80	68.92
2009	68.90	68.90	69.03	69.03	69.03	69.06	69.06	69.06	69.06	69.15	69.04	69.27
Deposit rate (av; %)												
2007	9.3	9.4	9.1	9.2	9.2	9.1	8.9	9.3	9.2	9.2	9.2	9.0
2008	9.0	8.5	9.0	9.0	9.1	9.9	10.0	10.0	10.2	10.3	10.4	10.5
2009	10.6	10.2	9.9	10.1	8.1	7.8	7.9	7.4	6.7	6.8	6.5	6.6
Lending rate (av; %)												
2007	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
2008	16.0	17.5	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3	16.3
2009	16.3	16.3	16.3	16.3	16.0	16.0	13.0	13.0	13.0	13.0	13.0	13.0
Money supply M1 (% change, year on year)												
2007	23.8	21.6	21.4	20.8	19.0	17.7	19.3	20.3	21.7	14.3	17.1	16.8
2008	13.9	15.8	15.3	16.0	19.3	18.3	16.9	14.5	25.2	15.8	17.6	10.6
2009	16.9	13.3	12.8	10.5	8.8	12.0	10.2	n/a	n/a	n/a	n/a	n/a
Money supply M2 (% change, year on year)												
2007	18.4	17.9	17.8	17.4	16.7	15.9	14.9	14.5	14.5	13.2	13.8	13.8
2008	13.1	13.9	14.0	14.7	15.7	15.8	17.0	17.3	20.9	18.5	19.1	16.3
2009	17.8	17.3	17.9	17.9	17.3	17.7	17.5	n/a	n/a	n/a	n/a	n/a
Consumer prices (av; % change, year on year)												
2007	5.9	7.3	7.4	8.3	8.0	9.2	10.1	10.1	9.6	10.1	11.2	11.6
2008	11.4	10.2	10.1	7.7	7.4	10.0	10.8	10.1	10.2	7.3	6.1	6.0
2009	6.1	5.8	5.0	5.4	5.4	2.3	3.5	4.7	4.6	6.7	7.2	n/a
Dhaka Stock Exchange General Index (end-period; Nov 24th 2001=818)												
2007	1,805.1	1,791.5	1,760.9	1,743.3	2,003.6	2,149.3	2,384.2	2,455.1	2,551.6	2,842.9	2,971.1	3,017.2
2008	2,887.9	2,931.4	3,016.5	3,072.9	3,168.0	3,000.5	2,761.1	2,791.2	2,966.8	2,748.6	2,468.9	2,795.3
2009	2,649.5	2,571.0	2,446.9	2,554.4	2,572.2	3,010.3	2,914.5	2,941.3	3,083.9	3,364.3	4,381.0	4,535.5
Total exports fob (Tk bn)												
2007	55.2	52.9	58.8	57.9	60.6	62.5	63.0	62.2	60.9	54.4	61.2	55.1
2008	68.1	62.5	66.8	63.9	63.7	69.5	80.1	72.9	67.6	72.7	62.8	57.3
2009	73.9	68.7	75.5	70.3	67.5	75.0	76.1	77.1	64.0	73.9	64.3	n/a
Total imports cif (Tk bn)												
2007	98.1	83.1	91.9	102.4	96.0	98.0	98.9	97.2	107.1	106.3	107.1	102.9
2008	131.1	114.2	136.9	137.2	116.6	139.5	134.1	135.8	141.2	135.0	117.4	102.4
2009	135.9	104.6	126.2	113.7	111.8	100.6	113.1	103.5	119.5	133.3	119.5	n/a
Trade balance fob-cif (Tk bn)												
2007	-43.0	-30.2	-33.1	-44.5	-35.4	-35.5	-35.9	-35.0	-46.2	-51.9	-45.9	-47.7
2008	-63.0	-51.7	-70.1	-73.3	-52.9	-70.0	-54.1	-62.9	-73.6	-62.3	-54.5	-45.1
2009	-62.0	-35.9	-50.6	-43.4	-44.4	-25.6	-37.0	-26.4	-55.5	-59.4	-55.2	n/a
Foreign-exchange reserves excl gold (US\$ m)												
2007	3,667	4,080	4,125	4,462	4,365	5,003	4,967	5,151	5,075	5,323	4,943	5,183
2008	5,288	5,572	5,201	5,674	5,236	6,044	5,718	5,872	5,764	5,467	5,153	5,689
2009	5,477	5,765	5,850	6,408	6,454	7,365	7,636	9,050	n/a	9,430	10,205	10,219

Sources: IMF, *International Financial Statistics*; Haver Analytics.

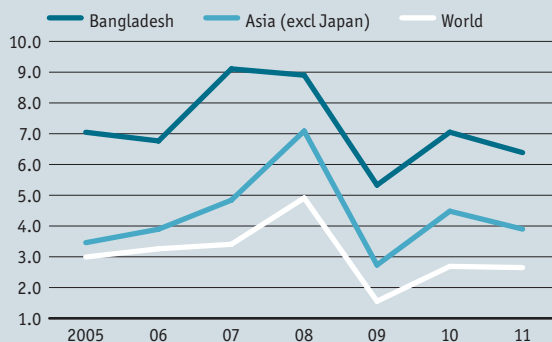
Annual trends charts

Real GDP growth
(% change)



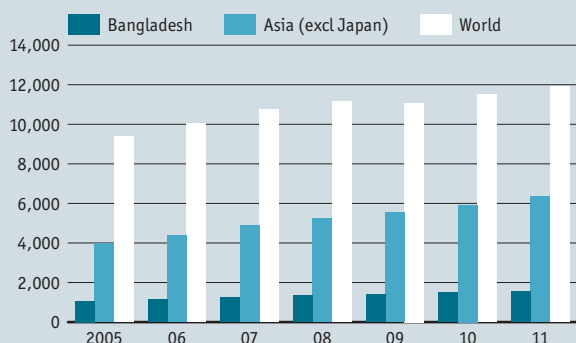
Source: Economist Intelligence Unit.

Consumer price inflation
(av; %)



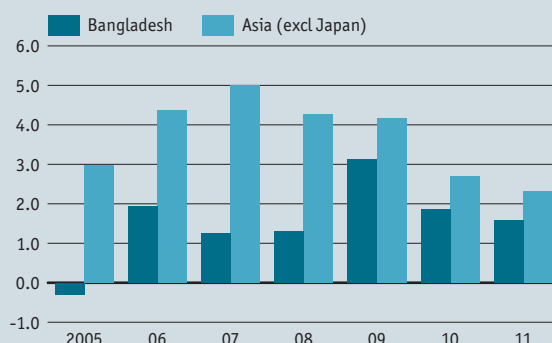
Source: Economist Intelligence Unit.

GDP per head
(US\$, PPP)



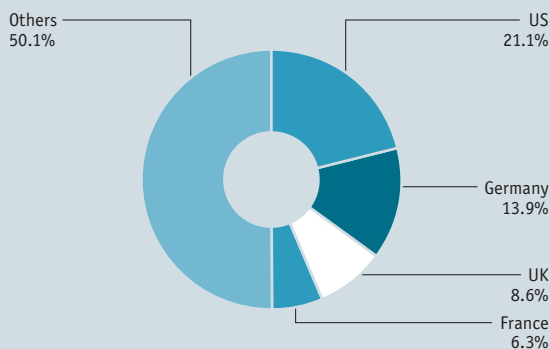
Source: Economist Intelligence Unit.

Current-account balance
(% of GDP)



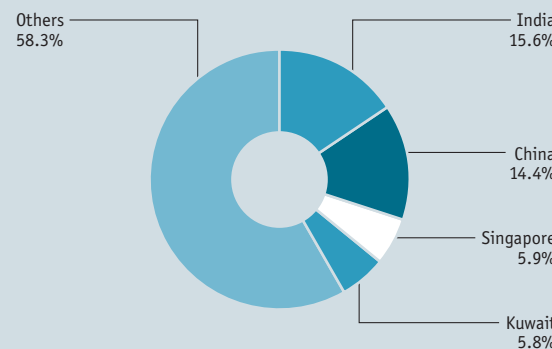
Source: Economist Intelligence Unit.

Leading markets, 2008
(share of total; fiscal year ending Jun 30th)



Source: Economist Intelligence Unit.

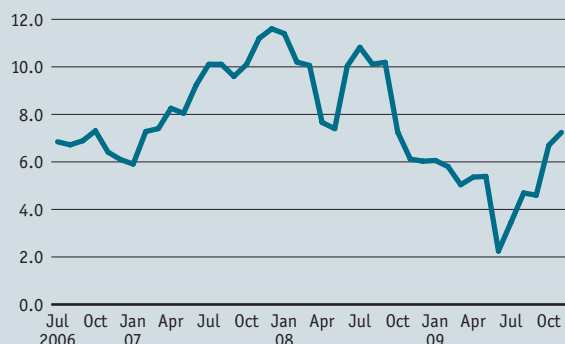
Leading suppliers, 2008
(share of total; fiscal year ending Jun 30th)



Source: Economist Intelligence Unit.

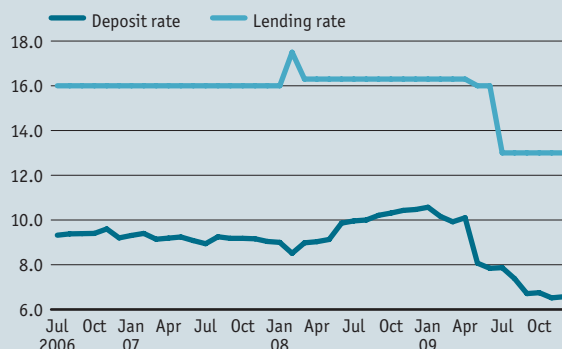
Monthly trends charts

Consumer price inflation
(% change, year on year)



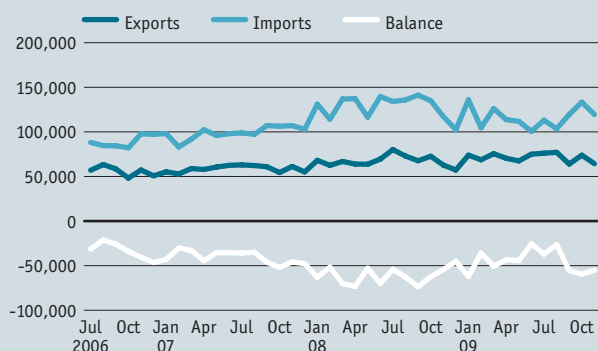
Source: Economist Intelligence Unit.

Interest rates
(av; %)



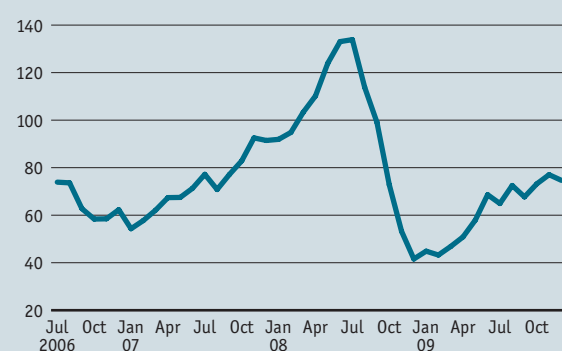
Source: Economist Intelligence Unit.

Foreign trade
(Tk m; goods only)



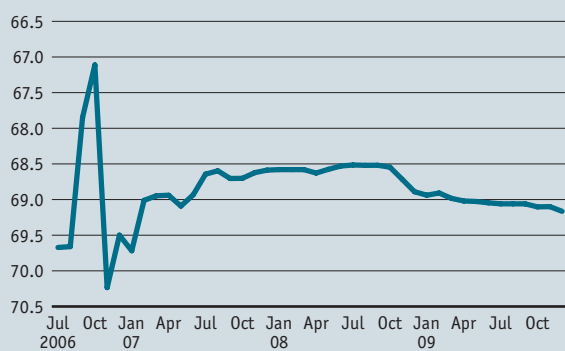
Source: Economist Intelligence Unit.

Oil: Brent crude price
(US\$/b; av)



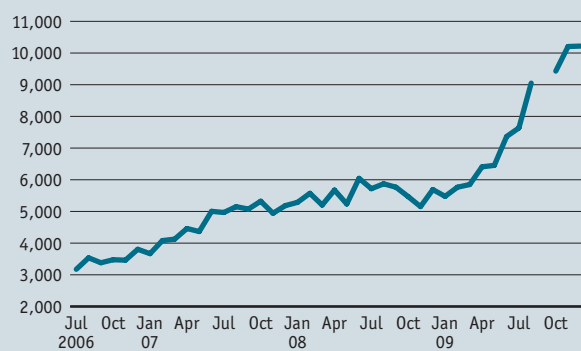
Source: Economist Intelligence Unit.

Exchange rate
(Tk:US\$; av; inverted scale)



Source: Economist Intelligence Unit.

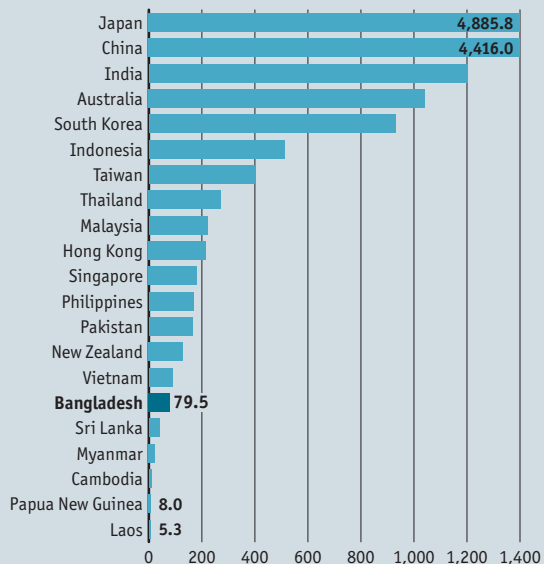
Foreign-exchange reserves
(US\$ m)



Source: Economist Intelligence Unit.

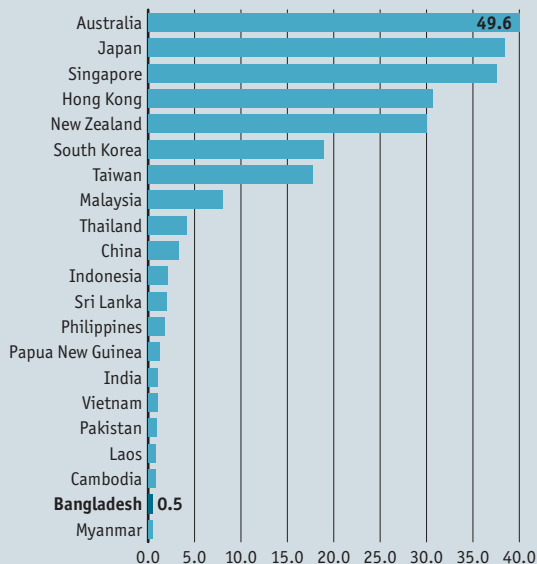
Comparative economic indicators, 2008

Gross domestic product
(US\$ bn; market exchange rates)



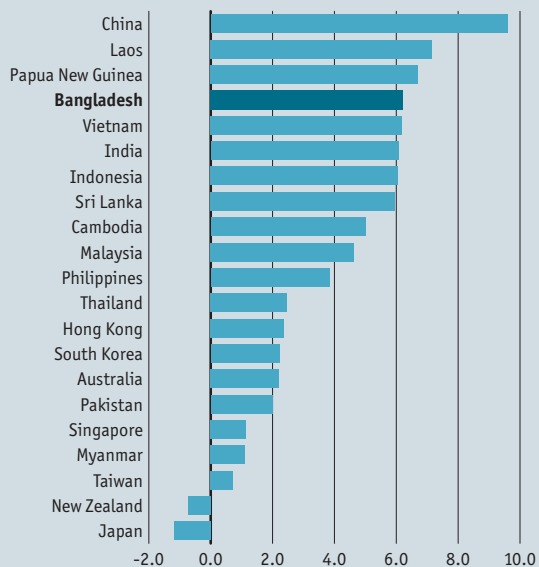
Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product per head
(US\$ '000; market exchange rates)



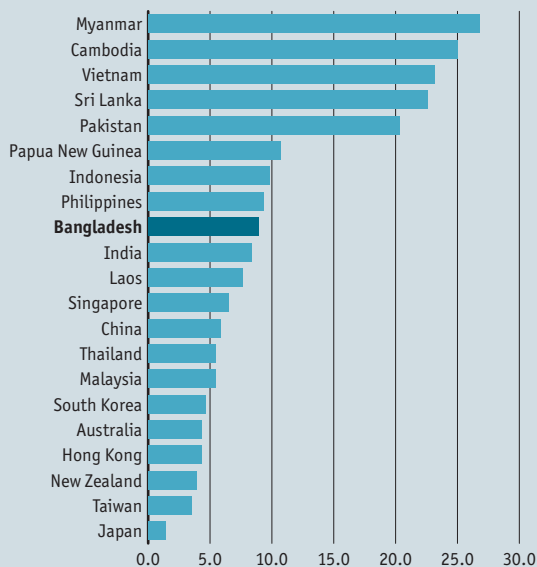
Sources: Economist Intelligence Unit estimates; national sources.

Gross domestic product
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Consumer prices
(% change, year on year)



Sources: Economist Intelligence Unit estimates; national sources.

Country snapshot

Basic data

Land area	147,570 sq km
Population	140.6m (2006 government estimate)
Main towns	Population in '000 (2006 government estimate)
	Dhaka (capital) 11,814
	Chittagong 3,588
	Khulna 1,323
	Rajshahi 737
Climate	Tropical monsoon
Weather in Dhaka (altitude 3 metres)	Hottest month, July, 23-35°C (average daily minimum and maximum); coldest month, January, 11-28°C; driest months, December and January, 5 mm average monthly rainfall; wettest month, July, 567 mm average monthly rainfall
Languages	Bengali; Urdu and Hindi are minority languages, and English is also used
Religion	Muslim (89.7% in 2001 census); Hindu (9.2%); Buddhist (0.7%); Christian (0.3%); others (0.1%)
Measures	Imperial system. Local measures include: 1 tola = 11.66 g; 1 seer = 80 tolas = 932 g; 1 maund = 40 seers = 37.29 kg Numbers are commonly expressed in crores and lakhs; 1 crore = 10m, written 1,00,00,000; 1 lakh = 100,000, written 1,00,000
Currency	Taka (Tk). Tk1 = 100 paisa. Average exchange rate in 2009: Tk69.04:US\$1
Fiscal year	July 1st-June 30th
Time	6 hours ahead of GMT between November 1st-March 31st and 7 hours ahead of GMT between April 1st-October 31st
Public holidays	January 1st (New Year's Day); February 21st (International Mother Language Day); February 26th (Birth of the Prophet); March 26th (Independence Day); April 14th (Bengali New Year); May 1st (Labour Day); May 27th (Buddha Purnima); July 27th (Shab-e Barat); August 15th (National Mourning Day); September 8th (Shab e-Qadr); September 10th (Eid al-Fitr); October 17th (Durga Puja); November 7th (National Revolution Day); November 17th (Eid al-Adha); December 7th (Islamic New Year); December 16th (Victory Day); December 25th (Christmas Day); December 31st (Bank Holiday); plus religious holidays that depend on lunar sightings and optional holidays for various religious groups

Political structure

Official name	People's Republic of Bangladesh	
Form of government	Bangladesh has been a parliamentary democracy since a constitutional amendment in 1991	
The executive	The prime minister is chief executive and head of the Council of Ministers (the cabinet), which she selects; the presidency is a largely ceremonial role, although the president appoints members of the cabinet and the judiciary and has the power to dissolve parliament	
National legislature	A unicameral parliament, consisting of 300 members directly elected from geographical constituencies for five-year terms	
National elections	The most recent election was held on December 29th 2008. A caretaker government will be appointed in December 2013 to supervise the next election, which must then be held within 90 days	
National government	An alliance headed by the Awami League (AL) won more than two-thirds of the seats in parliament at the December 2008 election, which was overseen by a non-partisan caretaker government. The AL dominates the alliance, with a two-thirds majority in parliament in its own right. Four other parties in the alliance also won seats: the Jatiya Party is the AL's largest coalition partner, while the Jatiya Samajtantrik Dal (JSD), the Workers Party of Bangladesh and the Liberal Democratic Party (LDP) complete the government	
Main political organisations	AL; Jatiya Party; JSD; Workers Party of Bangladesh; LDP; Bangladesh Nationalist Party (BNP); Jamaat-e-Islami; Bangladesh Jatiya Party (BJP)	
	President	Zillur Rahman
	Prime minister	Sheikh Hasina Wajed
Key ministers	Agriculture	Motia Chowdhury
	Civil aviation & tourism	G M Quader
	Commerce	Faruq Khan
	Communication	Syed Abdul Hossain
	Education	Nurul Islam Nahid
	Finance	Abdul Maal Abdul Muhith
	Fisheries & livestock	Abdul Latif Biswash
	Food & disaster management	Abdur Razzak
	Foreign affairs	Dipu Moni
	Home affairs	Sahara Khatun
	Industries	Dilip Barua
	Labour & employment	Khandaker Mosharrif Hossain
	Law, justice & parliamentary affairs	Shafique Ahmed
	Local government & rural development	Syed Ashraful Islam
	Planning	A K Khandaker
	Shipping & inland water transport	Afsarul Amin
	Textile & jute industry	Abdul Latif Siddiqui
	Water resources	Ramesh Chandra Sen
Central bank governor	Atiur Rahman	