

On economic condition of bangladesh assignment

[Economics](#)



We think this will be very helpful for us in our reflections life. By this term paper we could able to understand and also we know about economic condition of Bangladesh. Assignment on Economic Condition of Bangladesh By Tantamount outstanding cooperation with us. Sincerely yours, Batch: 36th Finance B Acknowledgment At first we want to give thanks to our Almighty God for completing the assignment. After that, we are grateful to our honorable course instructor Dry. Shamans Islam Latin sir , for giving us a wonderful term paper. By this term paper, we have known about economic condition of Bangladesh.

Which will be helpful for our personal life as well s professional life? Really, we are grateful to you. Here we the students of the course-

Microeconomics" Course code-" ABA 1204" and also promising with emphasize that we could not involve in any plagiarism nor did not take any unfair mean for. Really, we are grateful to the following person: 1. Dry. Shamans Islam Latin The overall economic condition of Bangladesh 1.

INTRODUCTION The current issue of Bangladesh Economic Update focuses on the overall economic condition of Bangladesh particularly in the half way of FEY 2011-12.

The issue investigates the sector-wise performance of current fiscal year in light with the argots set in national budget of FEY 2011-12, Medium Term Macroeconomic Framework (MOTIF), Medium Term Budgetary Framework (MOTIF) and other national plans, policies and goals. The issue also tries to explore current implementation status and of Annual Development Programmer (ADAPT), and makes projection thereof. 2. MACROECONOMIC SCENARIO GAP In FEY 2010-11, the total amount of GAP in terms of take was <https://assignbuster.com/on-economic-condition-of-bangladesh-assignment/>

7874.95 billion (in current market price) in which TX. 1403.81 billion came from agricultural sector, TX. 2174.8 billion from industrial sector and TX. 4037.92 billion from service sector. The target of GAP in FEY 2011-12 is TX. 8996.70 billion in which the contribution of agricultural sector is projected to be TX. 1506.87 billion, while industrial and service sector might GAP Growth

The government has targeted to achieve the GAP growth rate of seven percent in FEY 2011-12 based on assumptions of further improvements in the global and domestic economy and taking into account the expected impacts of reforms initiated in various sectors. In FEY 2011-12, according to business usual scenario, the growth rate of GAP might be at 6.2 percent but the MOTIF projection is seven percent. The gap between equines as usual scenario and MOTIF projection might be 18 percentage point. In FEY 2010-11, the growth rate of GAP was 6.66 percent that was 59 percentage points more than that of the previous fiscal year. However, in FEY 2011-12, the growth rate of GAP might be 6.82 percent that is only 16 percentage points more than that of the previous fiscal year. Savings and Investment The target of the government is to stimulate GAP growth rate at 8 percent by 2013 where the share of investment to GAP is required at 35-40 percent.

GAP growth rate was 6.66 percent in FEY 2010-11 with 28.40 percent of savings and 24.73 percent of investment. In FEY 2011-12, the targeted GAP growth rate is seven percent, whereas savings as percentage of GAP and investment as percentage of GAP is targeted at 28.90 and 24.86 percent respectively Inflation Rate For achieving the targeted GAP growth rate, containing the rate of inflation at a tolerable limit is a prerequisite. In FEY

2011-12, the government has targeted the rate of inflation at 7.5 percent while it was 8.8 percent in FEY 2010-11 and 7.31 percent in FEY 2009-10.

In November 2011, general inflation rate is 10.51 percent while it was 8.14 percent in November 2010. In FEY 2001-02, the rate of general inflation (12-month average) was 2.79 percent and point-to-point was 3.58 percent while consumer price index (ICP) was at 130.26. The rate of inflation continued to increase further in the next fiscal years. In FEY 2007-08, the rate of Trade Balance general inflation (12-month average) was higher at 9.94 percent and the rate of point-to-point inflation was 10.04 percent. But in FEY 2008-09, the rate of point to point inflation followed a huge decline and dropped down to 2.5 percent as well as general inflation declined to 6.66 percent.

Ely Import and Export An increasing trend has been observed in import payments and export earnings over the years. In FEY 2011-12, import payments and export earnings are estimated by the government at US\$ 35400 million and 25700 million respectively. However, in 2010-11, import payments were US\$ 33660 million and export earnings were US\$ 22930 million. In FEY 2011-12, total revenue and foreign grants are estimated at Tk. 1233.23 billion that is 24 percent higher than that of the previous fiscal year in which total revenue is Tk. 1183.5 billion and foreign grants is Tk. 89.38 billion. The government has estimated total revenue collection at Tk. 1183.85 billion in FEY 2011-12 against Tk. 951.87 billion of the revised budget of FEY 2010-11. The tax collection from N.B. sources is estimated at Tk. 918.7 billion in FEY 2011-12 that is about 21.52 percent higher than that of the collection of the previous fiscal year. The revenue expenditure in FEY 2011-12 is estimated at Tk. 1635.89 billion. The total expenditure for

development sectors is estimated at TX. 506. 42 billion and TX. 1129. 56 billion for non-development sectors in FEY 2011-12.

Public Debt In FEY 2011-12, the overall public debt/borrowing has been estimated at TX. 402. 66 billion which is 31. 59 percent higher than that of the revised budget of FEY 2010-11 ND 47. 50 percent higher than that of the revised budget of FEY 2009-10. The share of domestic borrowing and foreign borrowing has been estimated at TX. 272. 08 billion and TX. 130. 58 billion respectively in current fiscal year, which are 67. 57 and 32. 43 percent of the total borrowing. Moreover, in FEY 2011-12, net foreign and domestic borrowing have been projected at TX. 130. 58 billion and TX. 272. 8 billion respectively, which are 125. 79 and 9. 63 percent higher than those of FEY 2010-11. Deficit financing and Debt Management There are two sources of deficit financing: internal and external debt. The overspent has become more dependent on banking sectors other than non- banking ones for domestic financing over the time. Over the past few years, the overall budget deficit registered an increasing trend that put a serious pressure on the total debt of the country. Government Domestic Borrowing (net) Continuation of current trend might result into an increasing movement in domestic debt.

Total estimation of government borrowing from domestic sources in FEY 2011-12 is TX. 272. 08 billion which is 23. 26 percent higher than that of FEY 2010-11 and 275. 47 percent higher than that of FEY 2001-02. In FEY 2011-12, the government has estimated o borrow 68 percent higher from banking sectors in comparison to that of FEY 2008-09 indicating a sharp crowding out effect which has dampened private investments. The government borrowing from banking sector in FEY 2011-12 (up to September, 2011) is TX. 72. 28
<https://assignbuster.com/on-economic-condition-of-bangladesh-assignment/>

billion which is 0.8 percent of GAP. Government borrowing from the banking system outstanding as on 30 September 2011 is TX. 06.65 billion which was TX. 768.25 billion outstanding as on 31 August 2011. The government borrowing from non-banking sector in FEY 2011-12 (July to September, 2011) is TX. 10.0 billion that was TX. 17.410 billion in FEY 2010-11. Government domestic borrowing from banking sector in FEY 2011-12 (July-September, 2011) is 622.57 percent higher than borrowing from non-banking sector. Total payment in April 2011 amounts USD 744 million in which USD 588 million was principal payment and USD 157 million was interest payment. Both principal and interest payment have risen at a much higher rate during the asses.

In FEY 2001-02, the principal and interest payments were USD 435 million and USD 151 million respectively. Under the business as usual scenario, in FEY 2011-12, total payments might stand at USD 923.71 million, which is 3 percent higher than that of the revised fiscal year. In the current fiscal year, principle payments might reach at USD 705.15 million and interest payment at USD 191.54 million, which are 80 and 20 percent of total payment. Net Foreign Aid Flow Total aid disbursements during July-October of FEY 2011-12 stood at USD 340.86 million compared to USD 443.25 million of the same period of FEY 2010-11.

In addition, net foreign aid receipts during July-October of FEY 2011-12 also stood lower at USD 80.54 million, against USD 216.47 million during July-October of FEY 2010-11. In FEY 2010-11, total foreign aid amounts USD 1,777.3 million, which was USD 387.12 million less than that of the previous fiscal year. Total foreign aid might reach at USD 1800.565 million by the <https://assignbuster.com/on-economic-condition-of-bangladesh-assignment/>

end of the current fiscal year that is only 1 percent higher than that of FEY 2010-11. Public Finance Balance In the budget of FEY 2011-12, the government has targeted to collect total revenue of TX. 1183. 5 billion which is 13 percent of the total GAP. The National Board of Revenue (N. B.) has to collect TX. 918. 70 billion in the FEY 2011-12 which is 77 percent of the total targeted revenue. However, the collection was 78 percent of total targeted revenue in FEY 2010-11. In August 2011, the collection of total tax revenue is TX. 61. 06 billion that is 7 percent higher than that of the collection of August 2010, among which N. B. tax revenue is TX. 58. 82 billion and non-N. B. tax revenue is TX. 2. 23 billion. If the current trend prevails, at the end of this fiscal year, total tax revenue might amount at TX. 24. 53 billion against the government target of TX. 957. 85 billion indicating a gap of TX. 133. 32 billion. Tax Revenue is the essential element to manage the government's fiscal budget. It is a better way to finance the budget deficit than borrowings from any other sources. In FEY 2011-12, total targeted revenue is TX. 1183. 85 billion which is 27. 51 percent higher than that of the preceding fiscal year. Moreover, the targets of tax and non-tax revenue are set at TX. 957. 85 billion and TX. 226. 00 billion respectively in FEY 2011-12. N. B. and non-N. B. revenue are proposed at TX. 18. 7 billion and TX. 39. 15 billion respectively in FEY 2011-12, while in FEY 2010-11, the contribution of N. B. and non-N. B. were TX. 790. 91 billion and TX. 32. 2936 billion respectively. In FEY 2010-11, the collection of total revenue, tax revenue and non-tax revenue was TX. 984. 57 billion, TX. 823. 21 billion and TX. 61. 36 billion correspondingly. The receipt of remittances during July-November 2011 is USED 4927. 74 million which is USED 346. 31 million or 7 percent higher than that of the same period of FEY 2010-11 while the amount of total

<https://assignbuster.com/on-economic-condition-of-bangladesh-assignment/>

receipt of remittance was USED 4581. 3 million in that year. Number of Persons Left for Abroad on Employment and Total Workers Remittance At the beginning of FEY 2010-11, the total number of expatriates went abroad amounts to 28347 and remittance earning was USED 857. 31 million while a total of 50307 expatriates went abroad at the same period of FEY 2011-12 and total earnings from maintenance totals USED 1015. 58 million. If the first quarter of the three successive fiscal years is compared, total remittance earning amounts to USED 4012. 29 million which is 11. 98 percent higher than that of FEY 2010-11 and 11. 8 percent higher than that of FEY 2009-10. Earnings from remittance in the first two months of the current fiscal year were in a satisfactory level that was USED 1015. 58 million and USED 1101. 79 million in July and August 2011. Though this flow becomes lower in September, it picks up again in October. In October 2011, remittance earning was USED 1039. 48 million, which was correspondent's 12. 1 percent and 15. 41 percent higher than those of FEY 2010-11 and FEY 2009-10. In the first quarter of FEY 2011-12 total 207563 expatriates went abroad which is 70. 1 percent higher than that of FEY 2010-11 and 37. 84 percent higher than FEY 2009-10. Under the business as usual scenario, by the end of this fiscal year, earnings from remittance might reach at USED 1094. 63 million.

Foreign Exchange Reserve The foreign exchange reserves are essential for paying the import bills and to repay the foreign debts. The gross foreign exchange reserves are declining over the years. It has declined to USED 9285. 0 million in November 2011-12 from USED 10338. 3 million in October 2011-12, the lowest ever in the last 12 months. This is lowered by USED 1461. 2 million or 13. 66 percent than that of November 2010-11. This foreign exchange reserves has declined mainly due to the payments of the petroleum and

<https://assignbuster.com/on-economic-condition-of-bangladesh-assignment/>

imports of different capital machineries and increase in budget deficit and debt. According to the Bangladesh Bank, foreign exchange reserves were highest in December 2010 at USED 11174. 4 million. ADAPT Implementation The Annual Development Programmer (ADAPT) for FEY 2011-12 has been projected at TX. 460 billion as 5. Percent of the GAP. This is 19. 00 percent higher than the proposed ADAPT and 28. 00 percent higher than the revised ADAPT of FEY 2010-11. . REAL SECTOR SCENARIO Different governments have taken six five year plans after the independence mainly emphasizing on the acceleration of economic growth, poverty alleviation and employment generation. The growth performance during previous five year plans was not up to the mark considering the achievement of targeted growth rate. 5. 21 percent against the targeted growth rate of 7 percent. Under the business as usual scenario, the average annual growth rate of 5. 5 percent might be achieved by the end of Sixth Five Year Plan against the targeted growth rate of 7. 3 percent.

Therefore, the year gap between targeted and achieved growth rate might increase further in the upcoming years while the main objectives of the plans may remain far behind. Agriculture The sector of agriculture is one of the driving forces of the economy and the life- blood of rural economy. A large population is depended on the sector of agriculture not only because of food but also because of livelihood options. Therefore, any change in agriculture sector affects the livelihood of mass people both directly and indirectly. Nevertheless, total employment of agriculture has decreased from 48. 10 percent in 2005 to 43. 3 percent in 2009 although it remained the highest source of employment (MESS, 2009). The target of current government is to

increase food production and ensure food security with keeping the price of agriculture inputs like fertilizer, seed, fuel etc. At a reasonable level. However, recent increased price of fertilizer, fuel and electricity may build a barrier in fostering the pace of agricultural advancement. Industry

Bangladesh is in the process of transmission from a predominantly agrarian economy. The present government is promised to increase the contribution of industrial sector in GAP from 30.3 percent in FEY 2010-11 to 40 percent by the calendar year 2021. In addition, the proportion of labor force employee's projected to accelerate from 17.85 percent in FEY-2009-10 to 25 percent by the calendar year 2021. Growth Rate of Manufacturing Sector The manufacturing sector consists of two sub-sectors: Small and Cottage Industry and Medium and Large Industry. Therefore, the total growth depends on both the two sub-sectors. During FEY 2009-10, the growth rate of total manufacturing sector was 6. Percent whereas the growth rate of small and cottage industry was 7.7 and medium and large industry was 5.98 percent. In FEY 2010-11, the growth rate of total manufacturing sector increased to 9.51 percent. On one hand, the growth rate of small and cottage industry decreased to 7.34 percent and on the other hand, medium and large industry increased to 10.41 percent. According to the business as usual scenario, in FEY 2011-12, total growth rate of manufacturing sector might be 9.76 percent, while the growth rate of small and cottage industry and medium and large industry might be 7.36, and 10.76 percent respectively.