

# ECONOMY THE YEAR IN REVIEW



**DR. SULTAN HAFEEZ RAHMAN**  
Executive Director

BRAC Institute of Governance and Development (BIGD),  
BRAC University

## TOP THREE CHALLENGES

- There was a raise in domestic resource mobilisation rate. Macroeconomic variables such as Tax-GDP ratio, private and foreign direct investment rates are not satisfactory in the current FY2015. Even with calmer political year, the FDI is 20 percent -22 percent, whereas it needs to be around 35 percent whereas Tax-GDP ratio remains at 9.94 percent.
- Although USD has strengthened, there has been a persistent stabilisation of BDT which is eroding the competitiveness of export sector.
- Non-performing loans (NPL) has been reduced by rescheduling of loans and recapitalisation of state-owned banks. However, these are temporary measures, so the banking sector remains weak. Hence, deep reforms are needed in this regard.

## TOP THREE ACHIEVEMENTS

- One of the significant achievements has been a consistent decline in the inflation rate. Food inflation and non-food inflation have slowed to 5.72 percent and 6.56 percent, respectively (Trading Economics). This will have implications in the interest rate and exchange rates growth and thus a lower inflation rate will favor the economic growth of the country. Thus inflation management has been prudent.
- There has been promising achievements of the MDG goals in Bangladesh. This has significantly contributed in poverty reduction of Bangladesh where the poverty rates have fallen to around 24.8 percent.
- It is noteworthy to mention that Bangladesh is now a lower middle-income country with its stable growth rate of around 6.26 percent

## TOP THREE SUGGESTIONS FOR 2016

- Tax-GDP ratio must increase so that aggregate savings can increase. This calls for a better tax-business reform in the country.
- FDI needs to increase as well. This will then ensure an increase of manufacturing industry that will contribute to increase employment growth. Otherwise



**DR. AHSAN MANSUR**  
Executive Director

Policy Research Institute  
of Bangladesh

## TOP THREE CHALLENGES

- Lack of investment.
- Fulfilling revenue target was a big challenge.
- Lack of implementation of infrastructural projects. The government has taken many initiatives but we see poor implementation of these projects. For example, in power sector, except for the Rampal power plant, which is also controversial, there is no development in big power projects.

## TOP THREE ACHIEVEMENTS

- Maintaining macroeconomic stability.
- Relative strong position in export. Many strong economies suffered from double digit shrink in their export while Bangladesh maintained a stable position.
- Last year, the political climate was stable which really supported the production environment.

## TOP THREE SUGGESTIONS FOR 2016

- Fiscal steps should be taken to increase investment.
- Do not go for ambitious infrastructure project. For



**DR. BIRU PAKSHA PAUL**  
Chief Economist

Bangladesh Bank

## TOP THREE CHALLENGES

- Weak infrastructural governance: We are building various infrastructures but governance of these structures is really poor. For example, we do not have spacious approach roads for flyovers; traffic jam is also an important part of infrastructural governance. If we can improve street governance, our GDP growth would get 1 percent higher.
- Absence of robust growth in the capital market: We could not stimulate the capital market. By and large the stock market index remained below 5000-point.
- High lending rate: At the backdrop of global low interest regime high lending rate in Bangladesh remained as a challenge. Currently it is above 12 percent.

## TOP THREE ACHIEVEMENTS

- GDP growth well off the track. Service sectors performed very well.
- Stable inflationary trend
- Sustained export growth amid global export slump.

## TOP THREE



Bangladesh's foreign exchange reserves have hit the \$25 billion mark for the first time on the back of stable growth in exports and remittance earnings.