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Bangladesh 'sleepwalked' into middle-income trap

White paper asserts

AM JAHID

Bangladesh, mired in data fog, has "sleepwalked" into the middle-income trap according to the white paper on the state of the country's economy.

The term refers to a situation where a country experiences rapid economic growth and moves from a low-income economy to middle-income status but then struggles to make the leap to high-income status.

"We said earlier that Bangladesh is at risk of falling into the middle-income trap. But it has already happened. We have tried to explain it with data in the white paper," Zahid Hussain, a key member of the white paper panel, said at a press conference on Monday, a day after the committee handed over the final report to Chief Adviser Prof Muhammad Yunus.

Addressing the same event, Debapriya Bhattacharya, who led the white paper panel, supported Hussain's claim.

A major reason was the practice of inflating official data, which meant the country did not have any idea about the path it was truly on

As for how the country had fallen into this trap, the white paper identified "stasis in structural reforms, reform reversals, institutional decadence, global adversities, and a growing gulf between the reality on the ground and the perceptions of policymakers".

Other factors that it mentioned were employment remaining concentrated in low-productivity agriculture and informal activities, ubiquitous resource misallocations, and the slipping competitiveness of the economy.

Another major reason was the practice of inflating official data, which meant the country did not have any idea about the path it was truly on.

For example, according to the white paper, Bangladesh's economic growth has been overstated since 1995.

The remarks were made at a time when Bangladesh's overall economy is facing significant challenges, exacerbated by persistent inflation and a banking sector crisis brought on by a massive amount of non-performing loans, poor governance, and a severe liquidity crunch.

Simultaneously, slow infrastructure development and inefficiencies plague the development industry while political unpredictability and low

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Current account deficit narrows in Jul-Oct

STAR BUSINESS REPORT

Bangladesh's current account deficit narrowed 76.20 percent year-on-year to \$752 million in the first four months of the current fiscal year on the back of growing export earnings and remittance inflows, reflecting reduced pressure on the country's external accounts.

Bangladesh Bank data showed that the current account deficit was \$3.16 billion in the four months to the end of October a year ago.

Remittances sent home by Bangladeshis living abroad rose 14 percent year-on-year to \$2.2 billion in November, according to central bank data.

Year-on-year remittance fell 3.2 in July, but increased 39 percent in August, 80 percent in September and 21 percent in October.

Export earnings also increased in the four months this year, rising 8.3 percent to \$14.29 billion. In the same period, import expenditure rose only 1 percent to \$20.95 billion. As a result, the trade deficit narrowed by 11.72 percent to \$6.65 billion at the end of October.

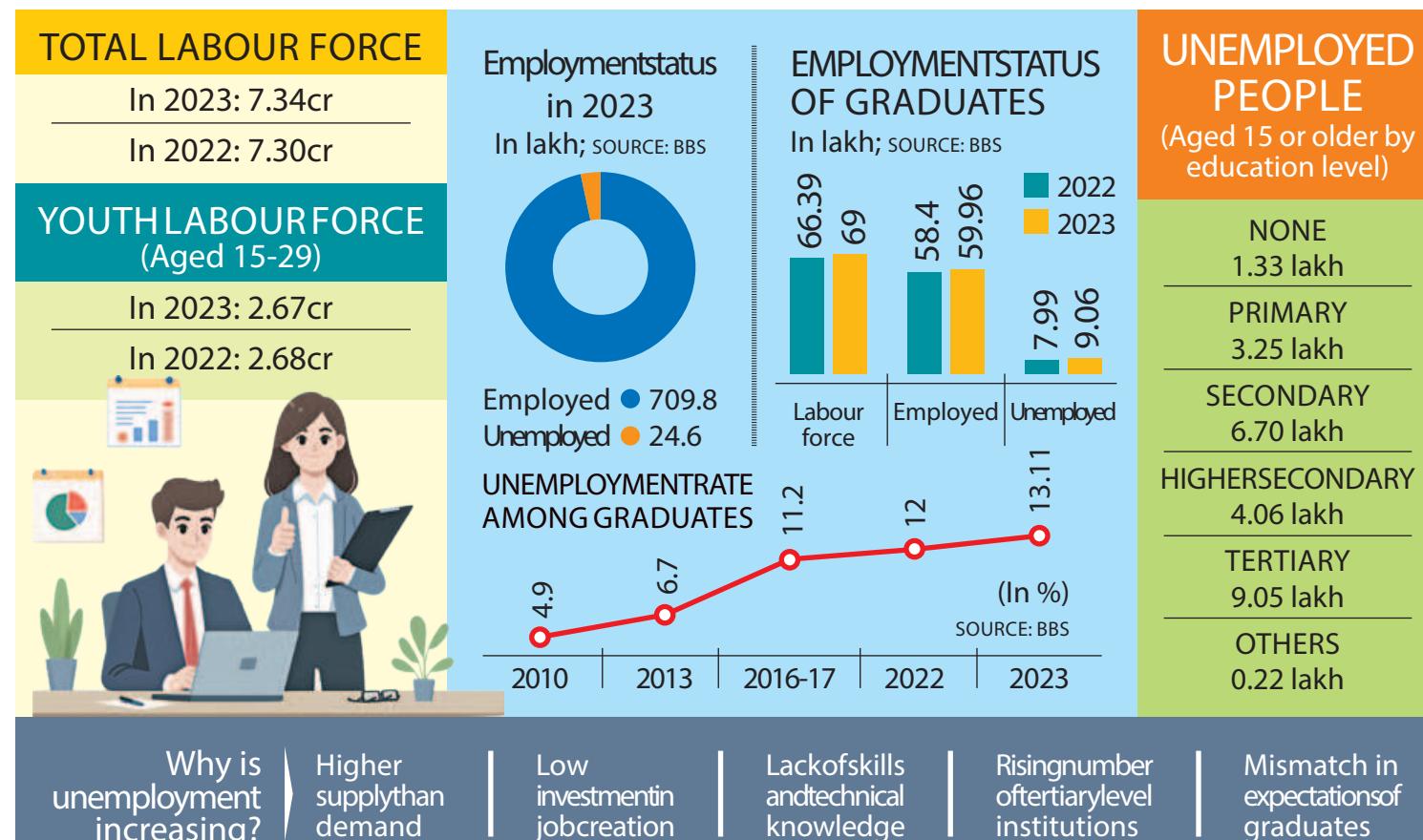
However, industry insiders said slow growth in import payments is not a good sign for the economy as it means that industrial expansion and investment are stagnant.

Another significant development in the balance of payments came is the financial account, which turned positive at the end of October.

The financial accounts surplus reached \$1.18 billion compared to a deficit of \$873 million in the same period last year, data showed.

The financial account includes components such as direct investment, portfolio investment, and reserve assets, broken down by sector. On a negative note, foreign direct investment

Another 1 lakh graduates joined job hunt last year



MD ASADUZ ZAMAN

Over 1 lakh youth with higher academic degrees joined the already long rally of graduates in a grueling search for jobs last year, according to the latest official data, as experts point to an oversupply of graduates and a lack of skills among them.

In 2023, the overall number of unemployed tertiary graduates, including university, college and madrasa graduates, stood at 9.06 lakh, up from 7.99 lakh a year ago, according to the latest data of the Bangladesh Bureau of Statistics (BBS).

The unemployment rate among persons with tertiary-level education rose to 13.11 percent in 2023 from 12 percent a year ago, as per the statistics bureau's Labour Force Survey 2023.

In the face of rising youth unemployment, disappointment and frustration accumulating over the years, students organised a nationwide movement in July, seeking job quota reform in public recruitment.

This frustration, which boiled over after a series of retaliatory measures from the government, climaxed in the fall of the Awami League government and the ouster of prime minister Sheikh Hasina, who fled to India.

Recently, a white paper on the current state of the economy also termed the employability and labour market dynamics as a "ticking time bomb" in their 397 page report, which was submitted to the Chief Adviser Prof Muhammad Yunus on Sunday.

"The graduates are not only oversupplied, they are ill-prepared for the market and have little skills, both hard and soft, to offer," the paper said.

"The most unemployed tertiary graduates come from colleges and they are unable to compete in the job market," said Kazi Iqbal, a

research director at the Bangladesh Institute of Development Studies (BIDS).

According to official data, the country's 55 public universities last year had about 10.5 lakh, or 68 percent of enrolled students. The remaining 32 percent were enrolled in 116 private universities.

Besides, some 1,941 tertiary-level colleges, that award honours and master's degrees, had about 41.8 lakh enrolled students.

Iqbal said a large number of those colleges were established in the last 10 to 15 years.

Official data shows that about 60 percent of public university students were studying

why integration of education policy with industrial policy is critical."

The service and industry sectors mostly rely more on professionals and technicians who have completed secondary or higher secondary education, i.e., technical graduates than university graduates, it observed.

White collar jobs make up about 9 percent of employment opportunities in industries and 23 percent in the service sectors, according to the Labour Force Survey 2022.

On the demand side, the country is witnessing slow growth investment in recent years. This may have contributed to the higher unemployment rate, said Iqbal.

"The rate at which the number of colleges has increased unplanned in the country, the number of unemployed graduates may increase in the coming days," Iqbal said.

Echoing similar sentiments, Rizwanul Islam, a former special adviser for the employment sector at the International Labour Office (ILO) in Geneva, said the causes can be found from both demand and supply sides.

On the demand side, Islam said economic growth has not been able to create enough jobs for the growing number of graduates coming to the labour market.

"Growth of formal sector jobs where graduates seek employment is inadequate," he added.

On the supply side, there is a mismatch between the kind of qualifications and skills required in the labour market and those produced by the education system, he added.

About the implications, the former ILO official said this causes the waste of valuable resources because society and individuals aren't getting appropriate returns from investment in education.

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arts and social sciences, 24 percent commerce and only 12 percent science, technology, engineering and mathematics (STEM).

However, enrollment in STEM fields was much lower in tertiary colleges.

According to the white paper, the fact that the share of STEM graduates is low can merely reflect the structure of the economy with low demand for them.

"That is, unless the economic growth is propelled by high-tech industries and services including ICT, the demand for STEM graduates will remain low," it said.

"It is a catch-22 situation, which is

showed a 19.8 percent year-on-year decline to \$388 million at the end of October this year, data showed.

The overall balance stood at a \$2.14 billion deficit at the end of October, down from \$3.82 billion in the same period last year.

The current account records a nation's transactions with the rest of the world -- specifically net trade in goods and services, net earnings on cross-border investments, and net transfer payments.

IMF begins talks on fresh loans

Interim govt expects \$6b budget support by next June

STAR BUSINESS REPORT

The third review mission of International Monetary Fund (IMF) yesterday entered into discussions with the interim government of Bangladesh regarding potential conditions for a fresh \$3 billion loan.

The IMF mission, whose primary task is to assess the country's progress in meeting its criteria for releasing the fourth tranche of a \$4.7 billion loan, will continue the discussions until December 17.

The IMF mission led by Chris Papadakis held separate meetings with Finance Adviser Salehuddin Ahmed and Bangladesh Bank Governor Ahsan H Mansur alongside other senior officials.

"We discussed the disbursal of the existing loan package and also sought extra funds. As the government is going for many reforms, it will need more money," Ahmed said after the meeting.

But other than financing reforms, particularly in the banking sector and revenue collection, the funds will

also be needed to address any deficit in the country's current account and foreign exchange reserve.

Having already sought funds for its reform activities, the government is expecting a total commitment of \$6 billion from the World Bank, IMF, OPEC Fund and others by next June, he added.

After taking office in August, the interim government said it would seek an additional \$3 billion loan from the IMF to reduce the existing pressure on the foreign exchange reserves.

On the last week of September, an IMF mission came to take stock of the country's economic situation and what it requires to recover.

In October, Bangladesh opened discussions with the IMF regarding the new loan in a sideline meeting when Ahmed visited Washington to attend the annual meeting of the World Bank and IMF.

The industry people, especially spinning mills, have been complaining over the last few years about inadequate gas supply severely affecting production, causing most to run at just 50 percent capacity.

needs to reduce the subsidy burden, he said.

The adviser was responding to a query of a journalist at a roundtable on "FDI Ecosystem to Boost Sustainable Economic Growth" organised by the American Chamber of Commerce in Bangladesh (AmCham) at The Westin Dhaka on Monday.

Business people from both America and Bangladesh, government high-ups, diplomats, leaders of different business chambers and trade bodies and experts attended the roundtable.

The industry people, especially spinning mills, have been complaining over the last few years about inadequate gas supply severely affecting production, causing most to run at just 50 percent capacity.

Following this discussion, the mission came to Bangladesh to review the country's performance

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Govt yet to decide on raising energy prices

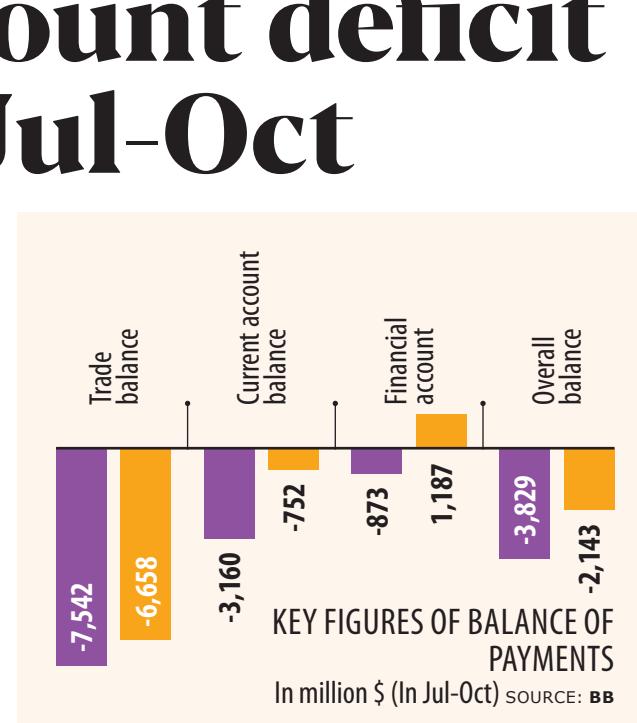
STAR BUSINESS REPORT

The interim government is yet to decide whether energy prices will be increased, said Muhammad Fouzul Kabir Khan, adviser to the Ministry of Power, Energy and Mineral Resources.

Khan said he was not the authority to raise gas price and proposals have been sent to Bangladesh Energy Regulatory Commission (BERC) for further consultation, while views must also be availed from industry people.

This is a conflicting issue because the industries need gas, but at the same time the government also

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