

Dealing with Deceleration

State of Bangladesh Economy and Development 2014



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List of Abbreviations

ADP	Annual Development Programme
BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
BDHS	Bangladesh Demographic and Health Survey
BEFTN	Bangladesh Electronic Funds Transfer Network
BFTI	Bangladesh Foreign Trade Institute
BMI	Body Mass Index
BOP	Balance Of Payments
CBN	Cost of Basic Need
CPI	Consumer Price Index
CSO	Civil Society Organisation
DMB	Deposit Money Banks
DSE	Dhaka Stock Exchange
DTA	Domestic Tariff Area
EPZ	Export Processing Zone
ERD	Economic Relation Division
EU	European Union
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
HIES	Household Income & Expenditure Survey
IBAS	Integrated Budgeting and Accounting System
ICOR	Incremental Capital Output Ratio
IDB	International Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMED	Implementation Monitoring and Evaluation Division

IMF	International Monetary Fund
IRS	Interest Rate Spread
Kcal	Kilo calorie
LBD	Log of Budget Deficit
LC	Letter Of Credit
LRGDP	Log of Real Gross Domestic Product
MDG	Millennium Development Goals
MEFP	Memorandum Of Economic And Financial Policies
MoF	Ministry of Finance
MPS	Monetary Policy Statement
MTMF	Medium Term Macroeconomic Framework
MTO	Money Transfer Operators
NBR	National Board of Revenue
NER	Net Enrolment Rate
NGO	Non-Government Organisation
NPL	Non-Performing Loan
OLS	Ordinary Least Squares
QIP	Quantum Index Of Production
SSNP	Social Safety Net Programmes
UO	Unnayan Onneshan
VAT	Value Added Tax
VGD	Vulnerable Group Development
VGf	Vulnerable Group Feeding
WB	World Bank

PREFACE

The *State of Bangladesh Economy and Development 2013-2014* is an annual publication by Unnayan Onneshan, and the current number focuses on the recent decelerations in the growth of Bangladesh economy through scrutinising the major macroeconomic indicators of growth and development.

The Unnayan Onneshan in its preceding two yearly publications and its numerous monthly issues of *Bangladesh Economic Update* highlighted that the management of an economy is contingent upon the efficacy of macroeconomic policies in preventing fluctuations in output and employment and if the current expedient regimes continue, the deceleration could not be averted.

Lack of farsightedness in the economic management coupled with recent uncertainties in the country's political sphere have prevailed the downturn in the FY 2013-14 as well. Almost all of the early growth forecasts, including that of the Unnayan Onneshan, for the FY 2013-2014, project a rate which is not only lower than that of the preceding year, but also is below the decadal average of six percent. The rate of growth in Gross Domestic Product (GDP) has been declining than the preceding year since FY 2010-11.

The present book unearths the existing and emerging factors behind the decelerated growth of the economy through probing

into the macroeconomic policy regimes that have proved to be inefficacious in preventing the declining trends.

The recent decelerations in the growth of the economy are largely, as the book reveals, attributed to the stagnation in savings and investment as well as the increasing gap between the two variables, along with contractionary monetary policy-induced decline in the private sector credit growth, wrong diagnosis of the causes of inflation, increasing gap between the target and the actual collection of revenue, increasing per capita debt burden, falling rate of growth in the agricultural and manufacturing sectors, frequent hikes in power tariff, declining growth of export, dwindling growth of capital machineries import, and deterioration in the growth of remittance inflow.

There has been decelerated decline in the incidence of poverty coupled with increased number of educated unemployed people and decreasing allocation of budget and poor status of ADP implementation in the social sectors.

This is a product of a team effort. We acknowledge valuable contribution from the young and energetic team members. Special thanks go to Abid Feroz Khan for copy editing and Md. Al Amin Islam for formatting the book. We also recognise the valuable services provided by Md. Abu Hossain, Azmol Hossain, and Nayeem Mohammad Firoz. We would also like to express gratitude to the staff of the Shrabon Prokashani, particularly its energetic publisher Robin Ahsan.