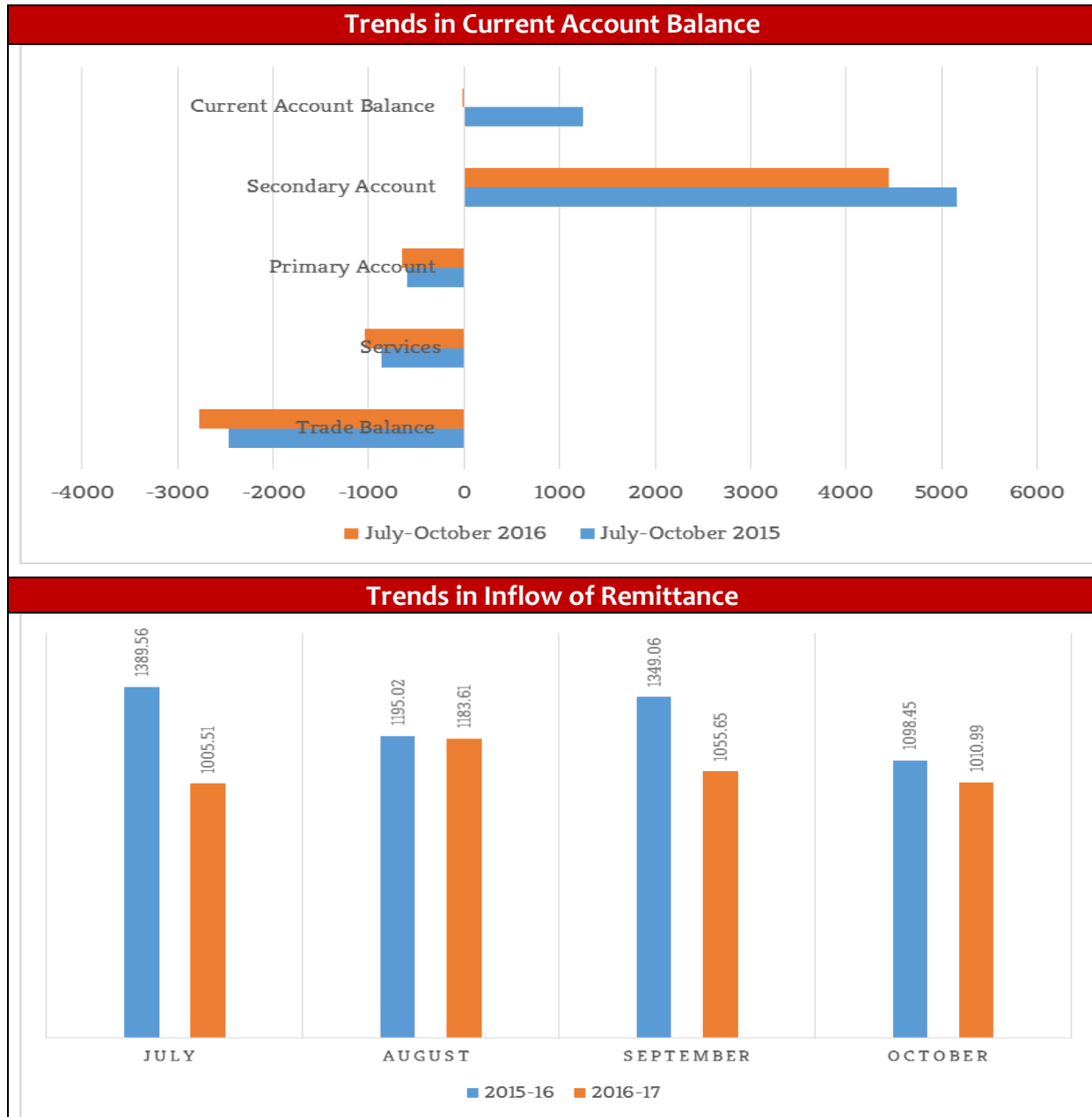


Bangladesh Economic Update  
Recent Trends in the Accounts of Balance of Payment  
December, 2016



Source: Unnayan Onneshan, “Recent Trends in the Accounts of Balance of Payment”, December, 2016

The Unnayan Onneshan (UO), an independent multidisciplinary think-tank, in its monthly publication of the ‘Bangladesh Economic Update’ December 2016 reveals increased trade deficit and resultant negative current account balance coupled with negative growth in inflow of remittance is likely to exert pressure on country’s balance of payment.

Referring to the most recent data published by the central bank, the research organization shows that trade deficit increased by 12.52 percent to 2777 million USD in July-October 2016 from 2468 million USD in July-October, 2015 since export increased by 6.78 percent whereas import increased by 7.93 percent during July-October 2016.

The other three components of current account balance – services, primary income and secondary income – also exhibit declining trends, notes the think tank. The balance of services further declined from negative 865 million USD in July-October 2015 to negative 1036 million USD during the corresponding period of the current fiscal year.

Both of the balances of primary and secondary income accounts declined in July-October 2016 compared to the corresponding period of the previous fiscal year. The balance of primary income declined from negative 590 million USD to 651 million USD while that of secondary income declined from 5164 million USD to 4448 million USD.

As a result of deterioration in the balance of all four components of current account, the current account balance declined substantially in July-October 2016 compared to the corresponding period of the previous fiscal year. The current account balance exhibited a surplus of 1241 million USD in July-October 2015, whereas it shows a deficit of 16 million USD in July-October 2016.

Declining trend is also observed in the inflow of workers' remittance in the first four months of FY 2016-17 compared to the corresponding period of the previous fiscal year. Inflow of workers' remittance declined by 15.43 percent to 4255.76 million USD in July-October 2016 from 5032.09 million USD in July-October 2015.

A large portion of expenditure on consumption, education and health in rural households is financed by remittance. Decrease in inflow of workers' remittance is therefore likely to exert an adverse impact on socioeconomic status of rural households, comments the UO.

The overall balance shows a slight improvement in the first four months of the current fiscal year compared to the corresponding period of the previous fiscal year due mainly to improvement in the financial account. Overall balance increased to 2063 million USD in July-October 2016 from 1938 million USD in July-October 2015, finds the research organization.

Calling for a thorough reexamination of the current trade policies to address the structural bottlenecks and an immediate step to facilitate inflow of remittance, the UO urges for the adoption of new strategies aimed at expanding country's productive capacities that enhance utilization of available resources through efficient entrepreneurial capabilities and increased production linkages.