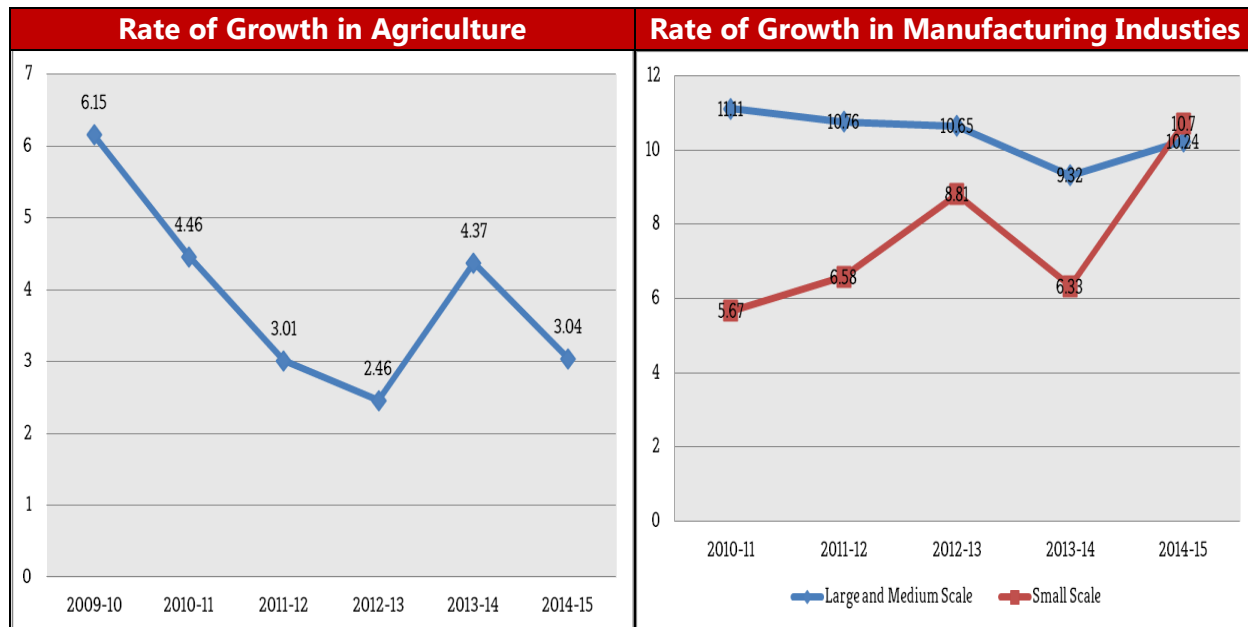


Bangladesh Economic Update  
**Recent Trends in Agriculture, Industry, and Service Sectors**  
 February, 2016



Source: Unnayan Onneshan, *Recent Trends in Agriculture, Industry, and Service Sectors*, Bangladesh Economic Update, Volume 7, No. 2, February 2016.

The Unnayan Onneshan (UO), an independent multidisciplinary think tank, in its February issue of Bangladesh Economic Update 2016 cautions that lower growth in agriculture, underperformance in medium and large scale manufacturing industries coupled with greater product and market concentration of export, and slow expansion of service sector may hinder the achievement of 7 percent growth target.

Pointing to declined rate of growth in agriculture, the research organisation shows that rate of growth in agriculture declined to 3.04 percent in FY 2014-15 from 4.37 percent in FY 2013-14, representing 1.33 percentage points decrease.

Noting the fact that growth in agriculture sector has been sharply declining since FY 2009-10 when the rate stood at 6.15 percent. Since then, the rate of growth in the sector declined to 4.46 percent, 3.01 percent, and 2.46 percent in FY 2010-11, FY 2011-12, and FY 2012-13 respectively.

Referring to volatile trend in the growth of manufacturing industries, the UO demonstrates that since FY 2010-11, the average rate of growth in manufacturing sector was 1.44 percent. The rate of growth was 10.01 percent in FY 2010-11, 9.96 percent in FY 2011-12, 10.31 percent in FY 2012-13, 8.77 percent in FY 2013-14, and 10.32 percent in FY 2014-15.

Taking account of the declined rate of growth in large and medium scale manufacturing industries, the research organisation evinces that during the last four fiscal years the rate of growth in this sector did not reach the rate in FY 2010-11 when growth in large and medium scale manufacturing industries stood at 11.11 percent.

The rate of growth in the large and medium manufacturing sector became 10.76 percent in FY 2011-12, 10.65 percent in FY 2012-13, 9.32 percent in FY 2013-14, and 10.24 percent in FY 2014-15, finds the research organisation.

In view of the importance of electricity, gas and water supply for industrial growth, the think tank notices an upsetting trend in the growth of electricity, gas and water supply as sectoral growth in GDP. The rate of growth in the sector has been declining since FY 2010-11 except for an increase of 2.47 percentage points in FY 2014-15 compared to the previous fiscal year.

The rate of growth in the supply of electricity, gas and water at constant market prices stood at 13.36 percent in FY 2010-11, 10.58 percent in FY 2011-12, 8.99 percent in FY 2012-13, 4.54 percent in FY 2013-14, and 7.01 percent in the FY 2014-15, shows the UO.

Pointing to greater concentration of export of readymade garments, the research organisation notices that readymade garments accounted for 84.2 percent of the total export earnings in July-September of 2015 compared to 82.9 percent in corresponding period of 2014. Lack of export diversification may pose serious threat to the economy's external balance, says the UO.

Referring to decrease in the disbursement of industrial term loans, the think tank shows that during the first quarter of FY 2015-16, disbursement of industrial term loans decreased by 0.86 percent and stood at BDT 12699.68 crore compared to the corresponding period of the previous fiscal year. Meanwhile, recovery of industrial term loans also decreased by 5.47 percent during July-September of FY 2015-16 compared to the corresponding period of the previous fiscal year.

In view of recent unsatisfactory trend in Quantum Index of Industrial Production (QIIP) for medium and large-scale manufacturing industries, the research organisation notices that in 2015 QIIP for manufacturing industries reached a peak at 285.50 in June'15, whereas the index declined in the following months and stood at 253.67 in July'15, 265.62 in August'15, 238.70 in September'15, 235.04 in October'15, and 253.24 in November'15.

Referring to slow expansion the service sector, the think tank reveals unsatisfactory trends in the rate of growth in transport, storage and communication and financial intermediations sectors. The rate of growth in transport, storage and communication as sectoral growth in GDP has been on the decline since FY 2011-12. The rate of growth in the sector stood at 9.15 percent in FY 2011-12, 6.27 percent in FY 2012-13, 6.05 percent in FY 2013-14, and 5.99 percent in FY 2014-15.

In the same vein, rate of growth in financial intermediations at constant prices as sectoral growth in GDP has been declining since FY 2011-12 except for slight increase in FY 2014-15. Rate of growth in the sector stood at 14.76 percent in FY 2011-12, 9.11 percent in FY 2012-13, 7.27 percent in FY 2013-14, and 8.83 percent in FY 2014-15.

Calling for adoption of strategies particularly focusing on the expansion of productive capacity, the UO advocates prudent harmonisation of macroeconomic policies that will foster agricultural growth, bolster industry, and expand service sector by creating adequate employment opportunities in the economy.