2010

Bangladesh Economic Update

GDP, Capital Investment and Remittance

November, 2010

উন্নয়ন অন্বেষণ
Unnayan Onneshan
The Innovators
centre for research and action on development

Bangladesh Economic Update

Volume.1. No 5, November 2010

Acknowledgement:
The Bangladesh Economic Update is an output of the Economic Policy Unit of the Unnayan Onneshan, a multidisciplinary research centre based in Dhaka, Bangladesh. The report is prepared by a team, led by Rashed Al Mahmud Titumir and comprising Shah Md. Zabir and edited by A. Z. M. Saleh.

For orders and request please contact:

Unnayan Onneshan-The Innovators
House: 16/2, Indira Road, Farmgate, Dhaka-1205, Bangladesh.
Tell: + (880-2) 815 82 74, 911 06 36; Fax: + (880-2) 815 91 35
E-mail: info@unnayan.org; Web: www.unnayan.org

GDP, Capital Investment and Remittance

Bangladesh may face difficulty in achieving the Medium Term Macro-economic Framework (MTMF) targeted growth rate due to investment shortage and increasing savings-investment gap. Increase in remittance and decrease in domestic productivity resulting into the rise in inflation[1] which is another obstacle en route to achieving the targeted growth of GDP.

That is why, the fifth issue of Unnayan Onneshan Economic Update focuses on these three important variables. These are analysed through impact of export and remittance vis-a-vis the targeted GDP growth, inflation and capital investment in Bangladesh.

1. GDP, National Savings and Investment Relationship

GDP growth might hover around 5.7 percent in FY 2010-11 against the Medium Term Macro-Economic Framework (MTMF) target of 6.7 percent.

An Unnayan Onneshan projection suggests that the real GDP growth might hover around 5.7 percent in against the Medium Term Macro-Economic Framework (MTMF) target of 6.7 percent, inflation rate might see an escalation from 7.75 to 8.60 percent against the MTMF target of 6.5 percent and nominal GDP growth might be similar with the MTMF targeted 13 percent for FY 2010-11. Consistent with the forecast, Bangladesh might achieve a nominal GDP growth rate of 10.9 percent in FY 2014-15 which is 2.7 percent less than that of the MTMF target (Table 1). Bangladesh may face difficulty in achieving the MTMF targeted growth rate because of the three major reasons:

Inflation rate might see an escalation from 7.75 to 8.60 percent against the MTMF target of 6.5 percent in FY 2010-11.

- **Investment shortage**
- **Inflation**
- **Decrease in Export Growth rate**

1.1 Investment shortage

Savings-investment gap in FY2009-10 worth Tk. 57286.15 crore which might grow up to Tk. 148901.3 crore in FY 2014-15.

The targeted rate of real GDP growth of 8 percent would be difficult to achieve by FY 2014-15 due to the increasing gap between national savings and investment as well as the gradual decrease in the growth rate of export income. Savings-investment gap in FY2009-10 worth Tk. 57286.15 crore which might grow up to Tk. 148901.3 crore in FY 2014-15 (Table 1). This gigantic amount of idle money might further create an investment shortage in the economy.

[1] Bangladesh Economic Update, October 2010

1.2 Inflation

Savings and investment inflation in FY 2010-11 might rise from 7.75 to 8.60 percent against the MTMF target of 6.5 percent.

The rising trend of inflation possesses a huge threat in achieving the MTMF targeted growth rate. Savings and investment inflation in FY 2010-11 might rise from 7.75 to 8.60 percent against the MTMF target of 6.5 percent, if the present trend continues and nominal GDP growth might be similar with the MTMF target of 13 percent.

1.3 Decrease in Export Growth rate

If the current trend continues, the export growth rate might shrink down to 9.8 percent in FY 2014-15.

The export growth rate is dipping down since FY 2009-10 which might witness drop in the future. If the current trend continues, the export growth rate might shrink down to 9.8 percent in FY 2014-15 even though, Bangladesh might achieved an export growth rate of 15.8 percent FY 2010-11. This is completely a contrast with the MTMF where the projected export target was set at 17.2 percent for FY 2014-15. This shortage of export growth rate might be the cause of a big drop in the GDP growth rate.

Table 1: Forecast of GDP, National Savings, Investment and Export growth rate. (Tk. crore)

Fiscal years	GDP	Gross National Savings	Gross National Investm-ent	Savings and investment Gap	Export Receipt Growth rate	Nominal GDP Growth rate	MTF Nominal GDP growth
2008-09	614943	199205	148841	50364	10.3%	12.7%	
2009-10	690570	215742.5	158456.4	57286.15	4.0%	12.3%	
2010-11	780273.2	244914.6	175441.3	69473.32	15.8%	13.0%	13.0%
2011-12	875782.4	284020	195336.4	88683.6	11.0%	12.2%	13.2%
2012-13	979113.6	321501.6	214463.2	107038.5	10.6%	11.8%	13.5%
2013-14	1090267	361783.6	234672.6	127111	10.2%	11.4%	13.7%
2014-15	1209242	404866	255964.8	148901.3	9.8%	10.9%	13.6%

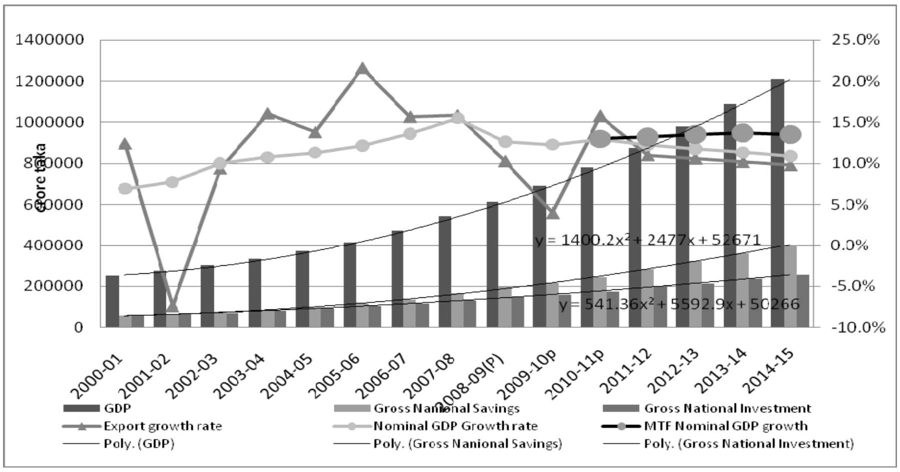
Source: Bangladesh Bureau of statistics, Export promotion Bureau, Finance Division and Statistics Department, Bangladesh Bank

In order to increase the level of GDP, a country needs to increase the level of investment. At the same time, it is required to increase the level of national savings in order to increase the level of investment. Bangladesh has gradually increased its level of GDP throughout the years. In recent years, national savings and investment have also increased simultaneously (Figure 1). However, the gap between savings and investment has been consistently increasing since FY 2003-04 (Figure 1). This means that consumption rate has decreased due to increase in savings. In addition, the internal demands for domestic production have decreased because of the decrease in consumption. However, the growth rate of GDP has been increasing from FY 2002-03 to FY 2007-08 as a result of the higher increase in international demands or export. This is developed through analysing the domestic savings and consumption situation as well as the investment propensity situation. The rate of domestic consumption decreased with the increase in domestic savings.

The export growth rate has been 4.0 percent in FY 2009-10 against the MTMF projected export growth rate of 8 percent. This export growth rate has been quite low compared to the previous years.

Since FY 2002-03, the export growth rate has been increasing consistently (from -7.4 percent to 21.6 percent) which boosted national income (from 11.0 percent to 17.0 percent) despite the increase in the gap of savings and investment. Till FY 2007-08, the export growth rate as well as the GDP was higher. In the later years, both export growth rate and GDP has started to fall. The export growth rate has been 4.0 percent in FY 2009-10 against the MTMF projected export growth rate of 8 percent. This export growth rate has been quite low compared to the previous years (Figure 1). Such drop in the export growth rate might generate a continuous fall in the nominal GDP growth rate till FY 2014-15. There is also a huge amount of unused capital in the national storage (Table 1). If that capital has been used properly, the "multiplier effect" might come in operation to increase the growth rate of GDP.

Figure 1: National Savings, Investment and Export relationship with GDP



Source: Bangladesh Bureau of statistics, Export promotion Bureau, Finance Division and Statistics Department, Bangladesh Bank

2. Relationship of Domestic Savings and Investment with National Savings

National savings In FY 2009-10 was 74.7 percent while it might fall down to 63.2 percent in FY 2014-15.

In FY 2009-10, 74.7 percent of the total national savings has been incorporated in investment and if the present trend of transforming savings into investment continues, it might fall down to 63.2 percent in FY 2014-15. However, national investment might increase to Tk. 255964.8 crore in FY 2014-15 while it was Tk. 158456.4 in FY 2009-10.

National investment might increase to Tk. 255964.8 crore in FY 2014-15 while it was Tk. 158456.4 in FY 2009-10.

This is falling consistently since FY 2004-05. The volume of national savings in FY 2008-09 worth only Tk. 199205 crore which might increase to Tk. 404866 crore in FY 2014-15. This indicates that there might be more gap between savings and investment in the future years

The share of domestic savings in national savings has been 63.7 percent in the FY 2009-10 and the projected savings might be 54.0 percent in FY 2014-15.

to come resulting distruption to the growth of GDP. The share of domestic savings in national savings has been 63.7 percent in the FY 2009-10 and the projected savings might be 54.0 percent in FY 2014-15.

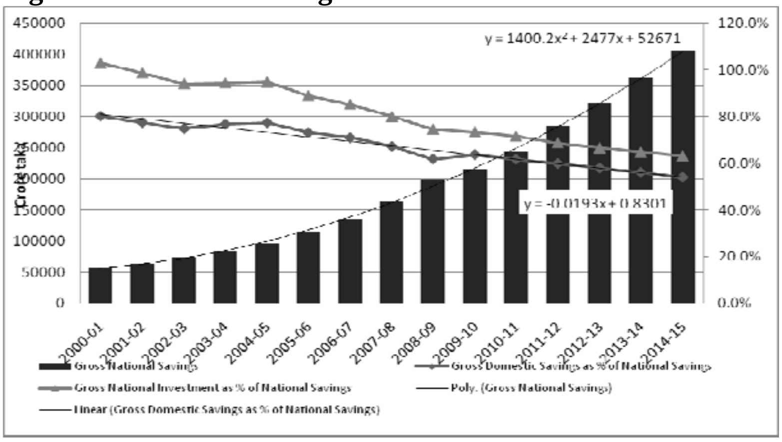
Table 2: Forecast on the share of Domestic Savings in National Savings.
(Tk. crore)

Fiscal Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Gross Domestic Savings as % of National Savings	67.2%	61.9%	63.7%	61.7%	59.9%	57.9%	56.0%	54.0%
Gross National Savings	164912	199205	215742.5	244914.6	284020	321501.6	361783.6	404866
Gross National Investment as % of National Savings	80.1%	74.7%	73.4%	71.6%	68.8%	66.7%	64.9%	63.2%

Source: Bangladesh Bureau of Statistics

Since FY 2004-05, the percentage share of investment from national savings is constantly dropping (Figure: 2). This phenomenon implies that people are not interested in increasing the rate of their investment with the increase of their savings level. However, the rate of consumption decreases with the increase in the level of savings. A decrease in consumption rate might mean a drop in domestic demand which might cause more problems for the growth rate of GDP.

Figure 2: Domestic Savings Vs. National Investment



Source: Bangladesh Bureau of Statistics

The percentage of domestic savings has gradually been decreasing from 94.9 percent since the FY 2004-05 which might drop down to 54.0 percent in FY 2014-15.

The percentage share of domestic savings has gradually been decreasing from 94.9 percent (Figure 2) since the FY 2004-05. According to the forecast, the percentage might drop down to 54.0 percent in FY 2014-15. The main cause behind the decrease in domestic savings is the increase in the rate of food inflation. Food inflation in FY 2004-05 has been 7.91 percent with the non-food items inflation rate of 4.33 percent (Statistics Department of Bangladesh

Bank). However, the rate of food inflation in FY 2007-08 has been at a staggering percentage of 12.28 while the non-food inflation has been 6.32 percent only. In that year, the percentage share of domestic savings has dropped to 62.0 percent (Table 2). With the advancement of time, the rate might further drop due to the increase of inflation.

3. Marginal Propensity to Save and Investment (MPS and MPI)

In Bangladeshi economic perspective, the MPS[2] has some intriguing implications as the MPS is an indicator of the consumption situation. The MPS increases when the rate of consumption drops in the economy, and it decreases when people decide to consume less instead of spending it. Spending or consumption depends on several issues, but income level and price level are the major two issues among the others.

The MPS in FY 2008-09 has been 0.496 and the percentage might drop to 0.362 by FY 2014-15. In FY 2008-09, the MPI has been 0.241 and according to the forecast, the MPI might dip to 0.178 (Table 3) in FY 2014-15.

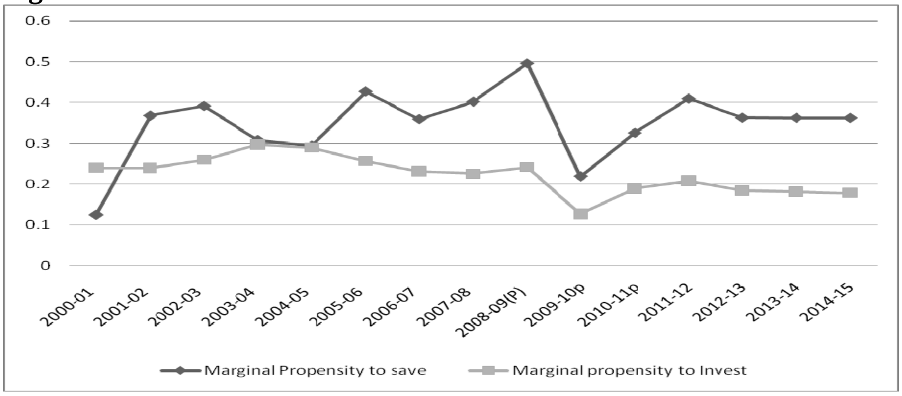
Table 3: Forecast on MPS and MPI

Fiscal Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MPS	0.402045	0.49613	0.218672	0.325207	0.409441	0.362733	0.362401	0.362112
MPI	0.225537	0.241736	0.127142	0.189346	0.208306	0.185101	0.181816	0.178963

Source: Bangladesh Bureau of Statistics

The MPS of Bangladesh in FY 2008-09 has been 0.496 and the percentage might drop to 0.362 by FY 2014-15. In FY 2008-09, the MPI[3] has been 0.241 and according to the forecast, the MPI might dip to 0.178 (Table 3) in FY 2014-15. The national economy might witness lesser level of investment through the increased level of income in the future.

Figure 3: MPS and MPI forecast



Source: Bangladesh Bureau of Statistics

[2] The Marginal Propensity to Save (MPS) refers to the increase in saving (non-purchase of current goods and services) that results from a unit increase in income. Mathematically, the marginal propensity to save (MPS) function is expressed as the derivative of the savings function with respect to disposable income.

[3] The Marginal Propensity to Invest (MPI) indicates the extent to which investment expenditures are induced by changes in income or production. For example, if the MPI is 0.1, then each taka of extra income in the economy induces Tk. 0.1 of investment expenditures.

MPS and MPI might further increase (Figure 3) which might hold back the growth process till FY 2014-15. This notion supports the projected nominal GDP growth of FY 2014-15 might be 9.8 percent against the target of 13.5 percent set by MTMF.

By analysing the pattern of MPS and MPI for the last few years, Unnayan Onneshan finds that the MPS has always been higher than the MPI (Figure 4). This means that people have been more interested in saving their extra income rather than allocating for further investment. In FY 2003-04, MPS and MPI have almost been equal (MPS= 0.307and MPI= 0.297), while the growth rate of GDP has been 6.27 percent which is very high in the recent years (Figure 3). The values of MPS and MPI in FY 2008-09 have been 0.496 and 0.421 respectively. During that year, the GDP growth rate has been 5.74 percent which is the lowest in the recent years. However, inconsistency in their natures has been observed (Figure 4) from FY 2005-06 till FY 2009-10. The statistics show that the gap between MPS and MPI might further increase (Figure 3) which might hold back the growth process till FY 2014-15. This notion supports the projected nominal GDP growth of FY 2014-15 might be 9.8 percent against the target of 13.5 percent set by MTMF.

4. Contribution of Time Deposit/Fixed Deposit on total Monetary Asset

Time deposit as the percentage of total monetary assets might be 77.3 percent and the growth rate of time deposit might be 21.6 percent in FY 2010-11.

The exponential trend line forecast indicates that time deposit as the percentage of total monetary assets might be 77.3 percent and the growth rate of time deposit might be 21.6 percent in FY 2010-11. The polynomial trend suggests that the volume of potential time deposit in FY 2010-11 might worth Tk. 298283.6 crore (Table: 4). All this indicators implies that the volume of savings might increase at a higher rate in the upcoming years which might allow the economy with a better opportunity, if such is translated into investment.

Table 4: Evaluation of Time Deposit and Monetary Assets (Tk. crore)

Periods	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Time deposit/Fixed deposit	138021.9	161336.2	189480.5	230073	275042.8	298283.6
Time deposit as % of total monetary asset	74.3%	74.3%	74.6%	76.0%	74.3%	77.3%
% change of time deposit from previous year	18.9%	16.8%	17.4%	21.4%	19.5%	21.6%

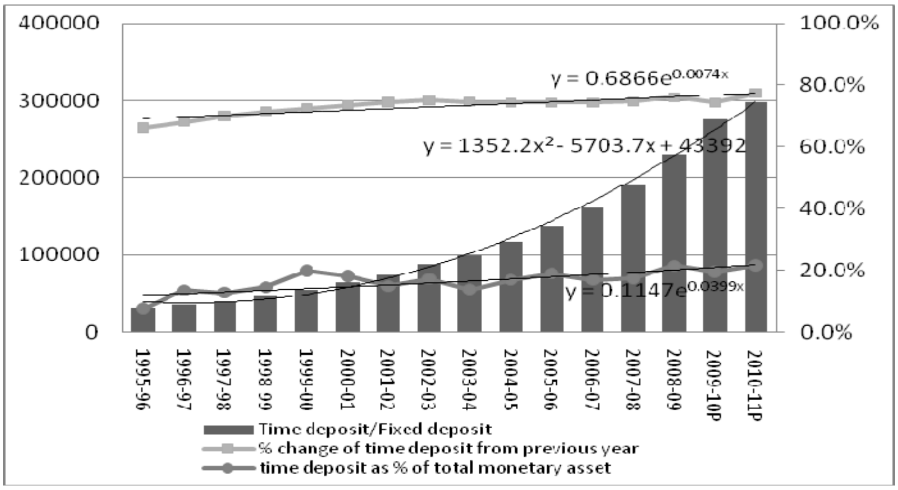
Source: Bangladesh Bureau of Statistics

The volume of idle capital in FY 2008-09 worth Tk. 50364 crore while it was TK. 300 crore in FY 1995-96. This volume of unused national savings has two reasons for not being used-

I. There might not be sufficient investment infrastructure in the country;
II. The investors might not have found it profitable enough to initiate new investment.

If this capital has been utilized, it might have helped the cause of further employment generation and GDP growth.

Figure 4: Contribution of Time Deposit/Fixed on total Monetary Asset



Source: Bangladesh Bureau of Statistics

Time deposit has a trend of constant increase throughout the years (Figure: 5). The volume has gradually increased from Tk. 31231.1 crore in 1995-96 to Tk. 275042.8 crore in 2009-10. Time deposit as the percentage of total monetary assets has gradually increased throughout the years (Figure: 5). In FY 1995-96, the percentage has been 66.1 percent and increased to74.3 percent in FY 2009-10. This implies that the contribution of time deposit has gradually increased in total monetary assets. Then again, the percentage increase of time deposits has also increased from the previous years. The percentage has been 7.6 in FY 1995-96 which has gradually increased to 19.5 percent in FY 2009-10.

5. Export Nature

The percentage share of export in FY 2014-15 might fall down to 2.0 percent, if there is no reversal of the current trend.

An Unnayan Onneshan projection on export share in national income depicts that the percentage share in FY 2014-15 might fall down to 2.0 percent, if there is no reversal of the current trend. However, it might be 2.2 percent in FY 2010-11 and there might not be much fluctuation in percentage share over intermediate years.

Table 5: Forecast of Export as percentage of NI

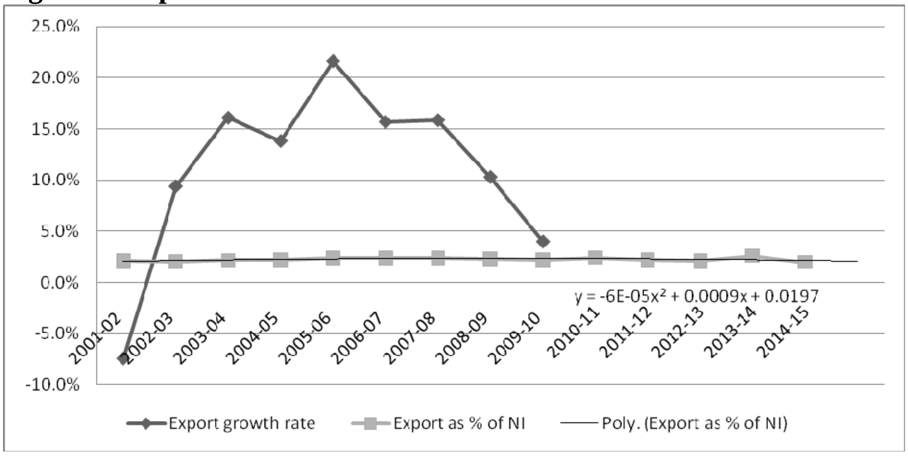
Fiscal Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Export as % of NI	2.3%	2.2%	2.4%	2.2%	2.1%	2.6%	2.0%

Source: Bangladesh Bureau of Statistics, Export Promotion Bureau

In FY 2009-10, the growth rate has slipped down to 4.0 percent.

In FY 2001-02, there has been a negative export growth rate of -7.4 percent while there has been an export growth rate of 21.6 percent (Figure 4) in FY 2005-06. In FY 2009-10, the growth rate has slipped down to 4.0 percent. This implies the stochastic nature of export growth rate. Still over the years, the percentage share of export in national income has been very steady. It has always remained in the range from 2.0 to 2.4 percent. Therefore, it might be said that export and GNI has an almost linear relationship. Due to this phenomenon, it might also be said that GNI growth is positively related with the export growth rate which means that the GNI growth rate increases with the increase of export growth rate as the export keeps a consistent share in GNI over the years.

Figure 5: Export situation



Source: Bangladesh Bureau of Statistics, Export Promotion Bureau

6. Contribution of RMG vs. Remittance

Remittance contributed 10.3 percent of the national income in FY 2009-10 while income from RMG sector has fall short to 9.1 percent of NI.

Ramittance earnings has already overtaken the lion's share of national income by the FY 2009-10 with 10.3 percent share of the national income (NI) and income from the previously dominating ready made garments (RMG) sector has fall short to 9.1 percent of NI. Against the current backdrop by FY 2014-15, this income level of remittance might gradually increase to 16.1 percent of NI which is equivalent of Tk. 204885.1 crore (Table 6).

Table 6: Forecast on percentage of Remittance and RMG in NI.

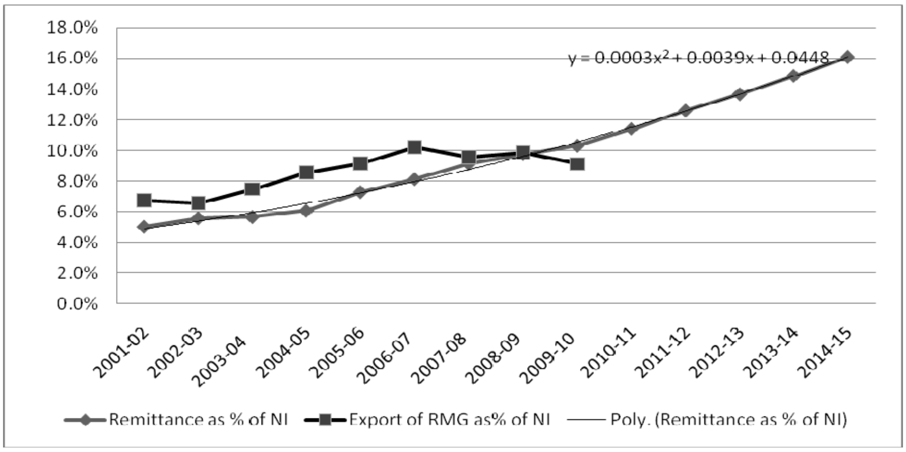
Fiscal Years	2007 -08	2008 -09	2009 -10	2010 -11	2011 -12	2012 -13	2013 -14	2014 -15
Remittance as % of NI	9.1%	9.8%	10.3%	11.4%	12.6%	13.7%	14.9%	16.1%
Export as % of NI	9.6%	9.8%	9.1%					

Source: Bangladesh Bureau of Statistics, Bureau of Manpower, Employment and Training, Statistics Department and Foreign Exchange Policy department, Bangladesh Bank

Both RMG and remittance income have equaled their share at 9.8 percent of NI in FY 2008-09. Since then remittance remains the highest earning sector in the economy.

Since early 1980's, the growth rate of GDP of Bangladesh has mostly been dependent on the income of Ready Made Garments (RMG) export. RMG export has not only increased the volume of GDP but has also created a huge employment opportunity for the economy. Now, export market is unstable due to international compulsion. Bangladesh has not been always successful in increasing its export rate (Figure: 6). In FY 2001-02, the percentage share of RMG income has been 6.7 percent of the NI while the income from remittance has only been 5 percent. Since then, the RMG income has gradually increased up to 9.6 percent of NI while income from remittance has increased to 9.1 percent. However, both RMG and remittance income have equaled their share at 9.8 percent of NI in FY 2008-09. Since then remittance remains the highest earning sector in the economy while export sector has going through its leaps and bounds.

Figure 6: Comparison between Remittance and RMG as percentage of NI



Source: Bangladesh Bureau of Statistics, Bureau of Manpower, Employment and Training, Statistics Department and Foreign Exchange Policy department, Bangladesh Bank

Therefore, there is a need of enhancing domestic productivity to avoid inflation due to increased income from remittance.

7. Correlation between Remittance, GDP and Growth Rate of Inflation

Income from remittance has dropped by Tk. 226.11 crore from July-August of FY 2009-10 compared to the same time period of the previous fiscal year.

Income from remittance has dropped by Tk. 226.11 crore from July-August of FY 2009-10 compared to the same time period of the previous fiscal year (Table: 7). In addition, the average inflation rate has been 2.153 percent higher than that of the same period of the previous fiscal year. This might trigger decrease in GDP growth rate for the coming years.

The average inflation rate from July- August of FY 2009-10 has been 2.153 percent higher than that of the same period of the previous fiscal year.

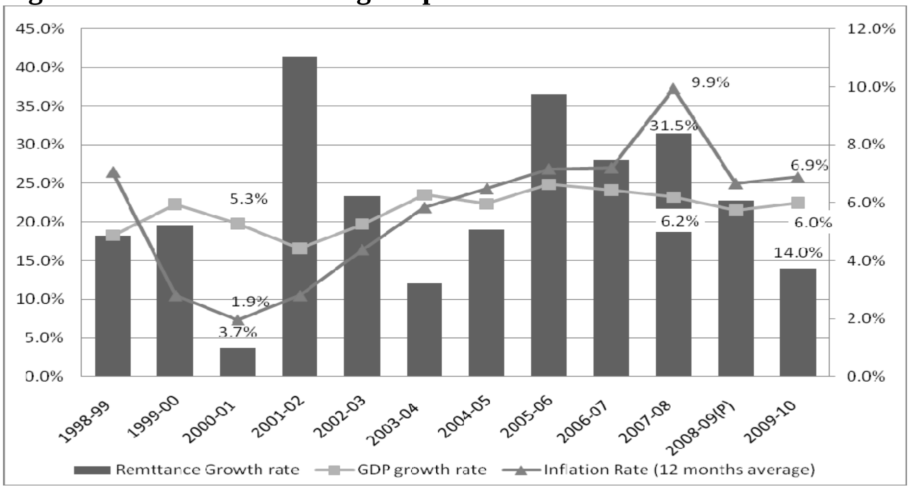
Table 7: Recent Ramittance and Inflations statistics. (Tk. crore)

2009-10	Remittance income	Inflation rate
July	6114.45	6.04
August	6458.14	5.6
September	6129.56	5.15
2010-11		
July	5953.16	7.63
August	6698.28	7.87
September	5824.6	

Source: Bangladesh Bureau of Statistics, Bureau of Manpower, Employment and Training, Statistics Department and Foreign Exchange Policy department, Bangladesh Bank

In FY 1999-2000, growth rate of remittance has been 19.6 percent while the growth rate of GDP has been at a higher percentage of 5.9 (Figure: 7). This amongst others, has kept the inflation rate only at 2.8 percent. In FY 2001-02, the growth rate of remittance income has dropped to 3.7 percent. The growth rate of GDP in FY 2000-01 has been 5.3 percent which has been quite high. In that year, the inflation rate has only been 1.9 percent which is the lowest in the recent history. Again in FY 2007-08, the growth rate of remittance earnings has been very high at 31.5 percent, the growth rate has been reduced to 6.2 percent and the inflation rate has increased to 9.9 percent. In last fiscal year (FY 2009-10), the growth rate of remittance has been dropped to 14.0 percent and growth rate has been 6.0 percent which is a bit higher than the previous year. In addition, the rate of inflation has dropped down to 6.9 percent.

Figure 7: Remittance earnings impact on GDP and Inflation.



Source: Bangladesh Bureau of Statistics, Bureau of Manpower, Employment and Training, Statistics Department and Foreign Exchange Policy department, Bangladesh Bank

8. Forecast on share of Capital Goods import in Total Investment

The capital machinery import in FY 2009-10 has been 29.5 percent while it might stand at 31.2 percent of national investment in FY 2014-15.

The capital machinery import in FY 2009-10 has been 29.5 percent while it might stand at 31.2 percent of national investment in FY 2014-15. In FY 2014-15, if adequate actions are not taken to reverse the current trend, the investment growth rate might drop down to 9.1 percent while it has been 12.6 percent in 2008-09. The volume of investment in FY 2014-15 might be around Tk. 255964.8 crore on the basis of current trend while it has been Tk. 148841 crore in FY 2008-09.

In FY 2014-15, if adequate actions are not taken to reverse the current trend, the investment growth rate might drop down to 9.1 percent while it has been 12.6 percent in 2008-09.

Table 8: Forecast over investment growth rate and percentage share of Capital Machinery import (Tk. crore)

Fiscal year	National Investment	Capital machinery import as % of national investment	Investment Growth rate
2008-09	148841	27.4%	12.6%
2009-10	158456.4	29.5%	6.5%
2010-11	175441.3	29.9%	10.7%
2011-12	195336.4	30.2%	11.3%
2012-13	214463.2	30.6%	9.8%
2013-14	234672.6	30.9%	9.4%
2014-15	255964.8	31.2%	9.1%

Source: Bangladesh Bureau of Statistics, Statistics Department, Bangladesh Bank

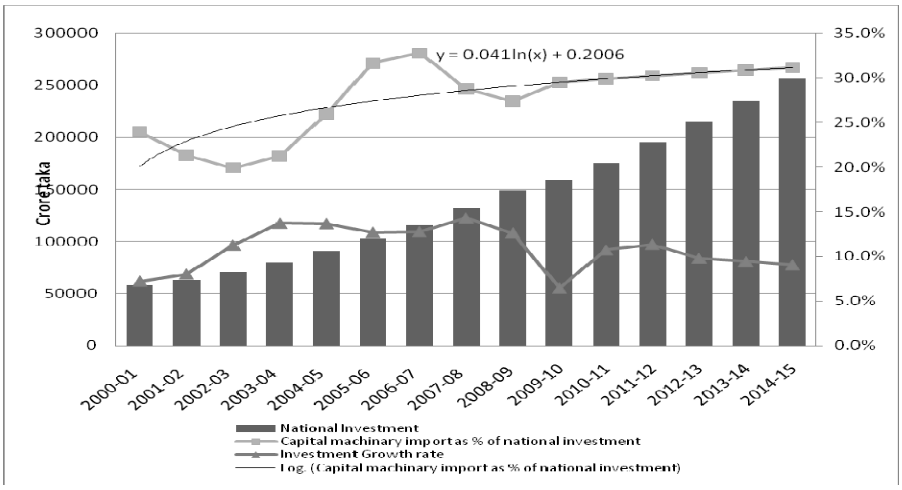
The volume of investment in FY 2014-15 might be around Tk. 255964.8 crore on the basis of current trend while it has been Tk. 148841 crore in FY 2008-09.

For a developing country like Bangladesh, import of capital machinery is one of the determinent element to increase the production level. The annual investment of FY 2009-10 has been Tk. 158456.4 crore (Table: 8), 25.6 percent of which has been spent on capital goods (Figure: 8). In the same fiscal year, investment has been increased by 6.5 percent which is 6.1 percent less than that of the previous fiscal year. Growth rate of investment has been drop down between FY 2001-02 and FY 2008-09.

From FY 2010-11 to FY 2014-15 the percentage share of capital goods investment in total investment might increase at a slow rate.

This trajectory implies that from FY 2010-11 to FY 2014-15 the percentage share of capital goods investment in total investment might increase at a slow rate (Figure 8). It projects the fact that Bangladesh might gradually increase its dependence on capital goods in its production process. Since the production method of agricultural sector is much different than the production of industrial sector, an analysis is required to determine the impact of increased import of capital machinery on the productive sector.

Figure 8: Forecast on Investment and future Capital Good import situation



Source: Bangladesh Bureau of Statistics, Statistics Department, Bangladesh Bank

9. Impact of Capital Goods import on National Output

In FY 2014-15, the growth rate of agricultural sector under business as usual scenario might be 14.8 percent while it has been 11.6 percent in FY 2009-10.

In FY 2014-15, the growth rate of agricultural sector under business as usual scenario might be 14.8 percent while it has been 11.6 percent in FY 2009-10. In addition, the growth rate of industrial sector might be 14.9 percent in FY 2014-15 while it has been 13.9 percent in FY 2009-10. In both the sectors, growth rate might gradually increase in the forthcoming years.

The growth rate of industrial sector might be 14.9 percent in FY 2014-15 while it has been 13.9 percent in FY 2009-10.

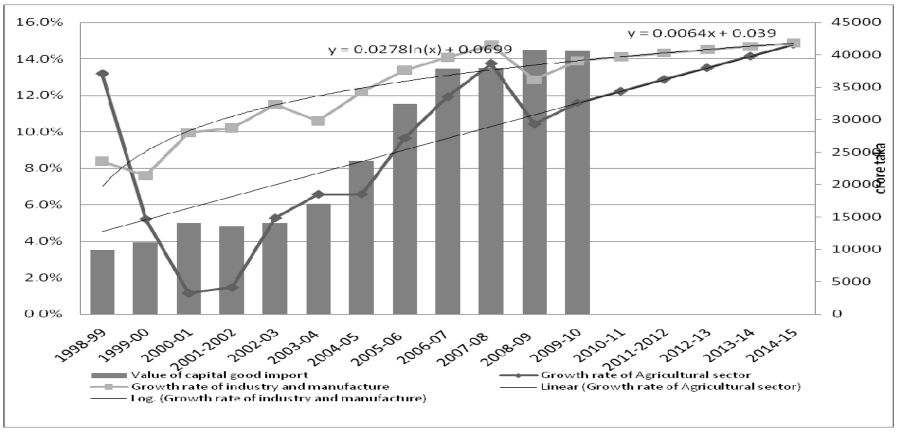
Table 9: Forecast on contribution of Capital Goods import on productivity

Fiscal year	2008-09	2009-10	2010-11	2011-2012	2012-13	2013-14	2014-15
Growth rate of Agricultural sector	10.4%	11.6%	12.2%	12.9%	13.5%	14.2%	14.8%
Growth rate of industry and manufacture	12.9%	13.9%	14.1%	14.3%	14.5%	14.7%	14.9%

Source: Bangladesh Bureau of Statistics, Statistics Department, Bangladesh Bank

Import growth rate of agricultural sector has been dropped down to 1.1 percent while the growth rate of the industrial sector has been 10.0 percent in FY 2000-01. During that year, the import of capital goods has been increased by Tk. 2938 crore from the previous year which suggests that the growth of the agricultural sector has not been responsive to the import of capital goods. However after that year, the agricultural sector has began to increase consistently along with the increase of capital good import and the growth rate of the industrial sector. This indicates the increased dependency of the agricultural sector on imported capital equipments. In FY 2007-08, the growth rate of agricultural sector has increased to 13.1 percent while the growth rate of the industrial sector has gone up by 14.8 percent.

Figure 9: Forecast on the productivity of Agriculture and Industrial sector.



Source: Bangladesh Bureau of Statistics, Statistics Department, Bangladesh Bank

By looking at the current growth rate trend of industrial and agricultural sectors it might be projected that the growth rate of industrial sector might get up to 14.9 percent in FY 2014-15 while the growth rate of agricultural sector might be 14.8 percent in the same fiscal year (Figure: 9).