

# Bangladesh Economic Update

September, 2010



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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 Kashfi Rayan and A. Z. M. Saleh.



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### **Investment, Inflation and Effect of Inflation on Earnings**

*The required amount of investment to increase GDP growth rate to 8 percent by fiscal year (FY) 2015 is Tk. 15,387 billion (approximately).*

The third issue of the Bangladesh Economic Update attempts to investigate three major indicators of the economy that define performance of the economy. These are: investment, inflation and impacts of inflation on nominal earnings of industrial workers. In particular, the current issue of the Update estimates on the required amount of investment and rate of growth to attain government's target of achieving 8 percent GDP growth rate by FY 2014-15. Secondly, the Update assesses the past record of the inflation and makes a forecast on the possible movement. Thirdly, the Update looks into the effect of inflation on the average earnings of workers in different industries and differential of wages by gender.

### **Growth-Investment Situation**

*The gap between targeted investment projections and the trend of the current investment from FY 2011 to FY 2015 might be Tk. 3443.9 billion. An investment growth of 19.78 per cent per year (on average) has to be ensured by FY 2015 to cover up this gap of investment.*

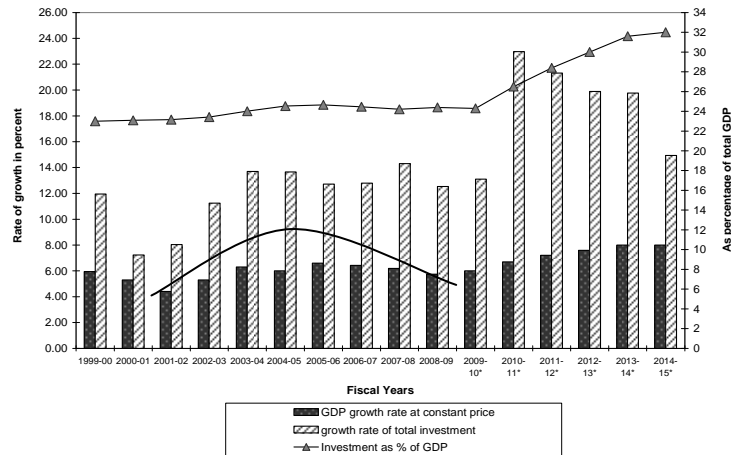
The present government aims to establish Bangladesh as a middle income country by 2021 à la "Vision 2021". The required amount of investment to increase GDP growth rate to 8 percent by fiscal year (FY) 2015 is Tk. 15,387 billion (approximately) in accordance with the government's Medium Term Macroeconomic Framework 2011-2015 (MTMF) of the government. If the business as usual as trend in investment continues, the accumulation of investment in five years, according to the Unnayan Onneshan estimate, may stand at TK. 11,883.16 billion. Therefore, the gap between targeted investment projections and the trend of the current investment from FY 2011 to FY 2015 might be Tk. 3443.9 billion. An investment growth of 19.78 per cent per year (on average) has to be ensured by FY 2015 to cover up this gap of investment.

In this analysis, the projections about investment growth rate and approximated quantity of investment required are presented based on GDP growth and investment target as percentage of GDP as enunciated in MTMF 2011-2015. Considering past scenario and efficacy of future targets, the whole analysis is divided into three parts:

1. Required amount of investment needed to reach the goal of attaining 8 percent GDP growth
2. Difference of Investment between target assumed in MMTF and observable trend based on the current investment pattern
3. The necessary amount of private investment to meet the target

Figure: 1 Required investment growth rate for achieving GDP growth rate by FY 2015

*The growth rate of GDP started from 5.9 percent in FY 1999-00, reached highest peak in FY 2005-06 with 6.66 percent, which slowly declined to 5.74 in FY 2008-09.*



\*MTMF (Medium Term Macroeconomic Framework) 2011-2015 projections of the government.

Source: Author's estimation of the future rate of growth of investment is based on the data available in Bangladesh Economic Review 2010

*If the share of investment is maintained by 29 percent and if the growth rate increases close to 19 percent, GDP growth would response positively.*

It has been observed that rate of growth of GDP of the last ten years shapes like an inverse U curve (Figure 1). This phenomenon started in FY 1999-00 with 5.94 percent GDP growth rate, reached the highest peak in FY 2005-06 with 6.66 percent. Later, the growth rate slowly declined to 5.74 percent in FY 2008-09. The growth of investment in FY 2005-06 is attributed to the fact that investment as percentage of GDP maintained a share above 24 percent with 13 percent growth rate in FY 2003-04 and FY 2004-05. On the contrary, accumulation of investment as percentage of GDP was 23 percent with irregular growth rates in the previous years (FY 1999 to FY 2003), for which the rate of growth of GDP could not rise above 6 percent in these years. Thus, it can easily be determined that if the share of investment is maintained by 29 percent and if the growth rate increases close to 19 percent, GDP growth would response positively.

Medium Term Macroeconomic Framework is an important policy instrument for effective linking of the resources of the four macroeconomic sectors, viz. real sector, fiscal sector, and monetary sector and Balance of Payments (BOP) sector. MTMF has been updated by Finance Division in order to prepare budgets using a Medium Term Budget Framework (MTBF).

### ***Investment required for attaining the goal***

*Growth rate of Investment in the present FY 2010-11 needs to increase to 22.97 percent. Though, the last year's growth rate of investment was 13.1 percent. However, last ten year's investment growth was close to 12 percent (11.82%) and it never went above 14.3 percent (FY 2007-08).*

According to MTMF, the share of investment as percentage of GDP requires to increase from 24.3 percent to 32 percent by FY 2014-15 to increase the GDP growth rate from current 6 percent to envisaged 8 percent. This implies that investment growth rate in the present FY 2010-11 needs to increase to 22.97 percent. Though, the last year's growth rate of investment was 13.1 percent. However, last ten year's investment growth was close to 12 percent (11.82%) and it never went above 14.3 percent (FY 2007-08).

As a result, the government has to come up with innovative policy framework that ensures a gradual yet steady rate of growth of 19.78 percent per annum for this and upcoming years, instead of making a projected rate which is neither feasible nor achievable.

Table: 1 Projection of Investment growth rate based upon MTMF projection

<b>Fiscal years</b>	<b>GDP growth rate at constant price</b>	<b>Growth rate of total investment</b>	<b>Investment as % of GDP</b>
2009-10	6	13.09	24.3
2010-11*	6.7	22.97	26.5
2011-12*	7.2	21.32	28.4
2012-13*	7.6	19.89	30
2013-14*	8	19.76	31.6
2014-15*	8	14.94	32
<b>Average for upcoming 6 years</b>	7.25	18.66	28.80
<b>Average from FY2010-11 to FY2014-15</b>	7.5	19.78	29.55

\*MTMF 2011-2015 projections, FY 2009-10 estimation

Source: Bangladesh Economic Review 2010, Growth rate of investment is calculated by author based on MTMF

*Volume of investment needs to increase by 62.78 percent. The increment of share of investment also needs to increase by 4.1 percentage point or an increase by 16.87 percent from the existing rate of 24.3 percent (% of GDP).*

If the government wants to achieve GDP growth rate of 7.2 percent in FY 2011-12 from the current 6 percent, the Unnayan Onneshan estimation suggests that volume of investment needs to increase by 62.78 percent. The increment of share of investment also needs to increase by 4.1 percentage point or an increase by 16.87 percent from the existing rate of 24.3 percent (% of GDP). If GDP attains 7.2 percent growth by FY 2012, the pressure of increasing the share of investment as percent of GDP should be reduced to 3.2 percentage point. Then, the target of achieving GDP growth rate of 8 percent by FY 2015 would require 12.67 percent expansion of investment as percentage of GDP.

*GDP growth rate at constant price might be 5.54 percent in FY 2009-10 as provisionally estimated by BBS, though the government estimated that overall economic growth will be 6 percent.*

Nevertheless, the targets set in FY 2009-10 seems unattainable because GDP growth rate at constant price might be 5.54 percent as provisionally estimated by BBS (Bangladesh Economic Review, 2010 [Bangla], page 19), which contradicts with the estimation of the government. The share of investment as percentage of GDP also declined from the targeted 24.6 percent to 24.3 percent in FY 2009-10. As a consequence, the pressure of accomplishing the target would fall on the upcoming years as the growth rate has increased on average from 18.66 percent to 19.78 percent. The final goal might be far away within the specific time-frame, if the gap between the target and achievement remains widening.

Table2: Calculated amount based on Projections for GDP and Investment (in billion taka)

Fiscal Years	GDP at constant price	GDP at current price	Total Investment
1999-00	2049.3	2370.9	545.9
2000-01	2157.4	2535.5	585.4
2001-02	2252.6	2732	632.4
2002-03	2371	3005.8	703.5
2003-04	2519.7	3329.7	799.9
2004-05	2669.7	3707.1	909.2
2005-06	2846.7	4157.3	1024.8
2006-07	3029.7	4724.8	1155.9
2007-08	3217.3	5458.2	1321.3
2008-09	3402	6148	1498.4
2009-10	3606.1	6905.7	1681.6
2010-11*	3847.7	7803.4	2067.9
2011-12*	4124.7	8833.5	2508.7
2012-13*	4438.2	10026.0	3007.8
2013-14*	4793.3	11399.6	3602.3
2014-15*	5176.7	12938.5	4140.3

\*MTMF projections

Source: Authors calculation about GDP and investment based on BBS data from Bangladesh Economic Review 2010,

*The government is in need of an augmentation in investment close to Tk. 3065.4 billion per year on average, to maintain the intended GDP growth. Consequently, investment of a total of about Tk. 15,327 billion is needed in the upcoming 5 years for sustaining the desired growth.*

For achieving growth rate of 8 percent in GDP, the volume of GDP should increase to Tk. 1570.6 billion by FY 2015 from the present Tk. 3606.1 billion at constant price of 1996-1997 and an increment of approximately Tk. 6032.8 billion at current prices (Table 2). Therefore, the government is in need of an augmentation in investment close to Tk. 3065.4 billion per year on average, to maintain the intended GDP growth. Consequently, investment of a total of about Tk. 15,327 billion is needed in the upcoming 5 years for sustaining the desired growth. In this year, an extra of Tk. 386.3 billion is needed as investment from the current amount of Tk. 1681.6 billion for increasing GDP to Tk. 4124.7 billion in FY 2011-12.

***The difference between Investment target and investment trend***

*The shortage of investment on average is Tk. 688.8 billion per year with a total shortage of Tk. 3443.9 billion in the upcoming five fiscal years.*

The Unnayan Onneshan has calculated that the shortage of investment on average is Tk. 688.8 billion per year with a total shortage of Tk. 3443.9 billion in the upcoming five fiscal years. If the investment target of each year is not fulfilled in time, growth rate of GDP appears to fall back. If the investment trend of the last eleven years (from FY 1999-00 to FY 2009-10) is analysed, the gap between the target and the trend seems to be widening in each year. It indicates that for generating the required amount of investment, a large amount of investors needs to be attracted and favorable conditions are to be ensured on emergency basis.

*Approximately 19.5 percent growth is needed in each year to increase investment from Tk. 1681.6 billion (FY 2009-10) to Tk. 4140.3 billion (FY 2014-15).*

Table 3: Investment target Vs trend (in billion taka)

<b>Fiscal Years</b>	<b>Total Investment target</b>	<b>Total investment trend</b>	<b>Difference between target and trend</b>
2010-11*	2067.9	1856.523622	211.4
2011-12*	2508.7	2086.328283	422.4
2012-13*	3007.8	2344.57868	663.2
2013-14*	3602.3	2634.795891	967.5
2014-15*	4140.3	2960.93684	1179.4

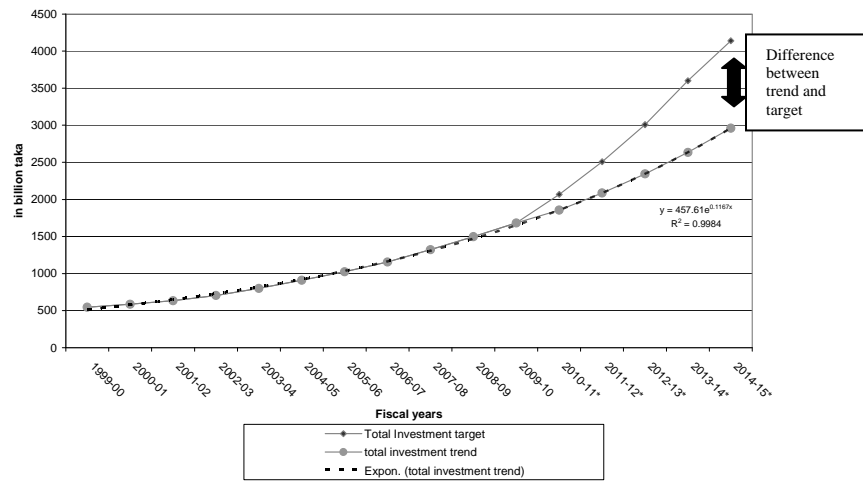
Source:\* Authors calculation of Investment Target Based on MTMF projections from Bangladesh Economic Review 2010 and trend analysis from the MS Excel 2003 trend equation

*The difference between the target of investment and business as usual varies from Tk. 211.4 billion to Tk. 1179.4 billion from FY 2011 to FY 2015.*

The enhancement of investment in the last ten years is following an exponential trend with 12.4 percent growth rate on average (Figure: 2). Except that this trend is inadequate to support the targets set by the government. Approximately 19.5 percent growth is needed in each year to increase investment from Tk. 1681.6 billion (FY 2009-10) to Tk. 4140.3 billion (FY 2014-15). The difference between the target of investment and business as usual varies from Tk. 211.4 billion to Tk. 1179.4 billion from FY 2011 to FY 2015.

Figure 2: Difference between Investment trend at current pace and Government's target (MTMF Projection)

*The difference between the target of investment and business as usual varies from Tk. 211.4 billion to Tk. 1179.4 billion from FY 2011 to FY 2015.*



\*indicates MTMF 2011-2015 projection

Source: Authors calculation of Investment Target Based on MTMF projections from Bangladesh Economic Review 2010

*The gap between the target and the trend appears to increase more in the future years as the investment trend is 27.29 percent lower on average (5 years) from the targeted amount.*

The gap between the target and the trend appears to increase more in the future years as the investment trend is 27.29 percent lower on average (5 years) from the targeted amount. Thus, stronger initiatives to attract more investment than the past years are to be taken to gather the shortfall amount.

***Necessary amount of private investment to meet the target***

The share of public investment is declining and the future rise in investment largely depends on the private sector (Table 4). The share of private investment in total investment is now close to 80 percent and is following a rising trend. In the last five years, the growth rate was 14.95 percent. On the other hand, the growth rate of public investment is fluctuating and its overall share is declining. It attained a growth rate of 11.90 percent in FY 2009-10, which was highest in the last ten years. However, the rise and fall of the growth pattern in public investment is so uncertain that it is difficult to determine its future trends.



*The share of private investment in total investment is now close to 80 percent, the growth rate of public investment is fluctuating but overall share is declining.*

Table 4: Situation of Public and Private Investment

	Public investment as % of GDP	Private investment as % of GDP	Share of private investment in total investment	Share of public investment in total investment	Public investment (in billion taka)	Growth rate of Public Investment	Private investment (in billion taka)	Growth rate of Private investment
2000-01	7.2	15.8	68.43	31.18	183.8	4.61	401.5	8.48
2001-02	6.4	16.8	72.57	27.65	174	-5.33	458.4	14.17
2002-03	6.2	17.2	73.47	26.48	186.3	7.07	517.2	12.83
2003-04	6.2	17.8	74.10	25.81	206.2	10.68	593.7	14.79
2004-05	6.2	18.3	74.60	25.28	230.1	11.59	679.2	14.40
2005-06	6	18.7	75.86	24.34	249.3	8.34	775.5	14.18
2006-07	5.5	19	77.68	22.49	257.3	3.21	898.6	15.87
2007-08	4.9	19.3	79.72	20.24	270.4	5.09	1050.9	16.95
2008-09	4.6	19.6	80.33	18.85	284.9	5.36	1202	14.38
2009-10	4.6	19.7	81.07	18.93	318.8	11.90	1362.8	13.38

Source: Bangladesh Economic Review 2010, Authors calculation about share and growth of public and private investment based on BBS data

Thus, for generating future growth, the government must facilitate a proper environment to attract private investment and keep the public investment on a stable condition. A growth rate close to 20 percent (19.8%) is essential in the upcoming years. Growth in GDP will be hindered without the proper growth in both public and private investment.

*As a result, an average of Tk. 2419 billion per year is needed as private investment to remain on the track of MTMF projection.*

An approximate amount of Tk. 15,327 billion is required as total investment to attain the target. If the share of private investment to total investment reaches close to 78.93 percent (average of last five years), a total of Tk. 12,097 billion is needed as private investment (Table 5). As a result, an average of Tk. 2419 billion per year is needed as private investment to remain on the track of MTMF projection.

Table 5: Projections about investment and Private investment

Fiscal Years	Total Investment (in billion taka)	Private investment in total investment (7 year average)	Private investment in total investment (5 year average)
2010-11*	2067.911865	1605.11319	1632.202835
2011-12*	2508.71264	1947.262751	1980.126887
2012-13*	3007.80512	2334.658334	2374.060581
2013-14*	3602.267724	2796.080207	2843.269914
2014-15*	4140.327966	3213.722567	3267.960863
Total of five years	15327.025314	11896.837049	12097.621081
Average of five years	3065.405063	2379.36741	2419.524216

Average of last 7 years share of private investment in total investment is 77.62 percent  
 Average of last 5 years share of private investment in total investment is 78.93 percent  
 Source: Authors calculation based on BBS data on investment by MTMF projections

*A total of Tk. 11896 billion is required as private investment, if the share of private investment in total investment remains 77.62 percent (average of last seven years) and if it increases to 78.93 percent (average of last five years), Tk. 12097 billion is required.*

*Rate of inflation reached to 7.31 percent against the expectation of the Finance Minister to contain it within 6.5 percent.*

*The current trend suggests that inflation would be higher in this year than the previous year and the target of maintaining inflation by 6.5 percent in FY 2010-11 would be challenging.*

On the other hand, a total of Tk. 11896 billion is required as private investment, if the share of private investment in total investment remains 77.62 percent (average of last seven years) and if it increases to 78.93 percent (average of last five years), Tk. 12097 billion is required. The government has taken an initiative to allocate Tk. 2500 crore or Tk. 25 billion in the budget of FY 2009-10 to support the PPP (Public Private Partnership) to meet the investment gap, especially in the infrastructural sector. But hardly any investment was made in this sector last year. Even this year, formal guidelines of implementing PPP and sectors which are to be prioritised are still on the discussion table, yet to be published.

In the World Bank ranking of 'Ease of Doing Business: Global rank 2010', Bangladesh has gone down by 4 ranks from 115th position in 2009 to 119th position in 2010. Because the time-frame to start a business, secure rights to property and other factors to successfully run a business in Bangladesh are worse than other South Asian countries. Therefore, the overall investment situation stands in a position where without proper guideline, the goals for the upcoming five years (from FY 2011 to FY 2015) seem unattainable. Consequently, without the support of investment and mainly the proper growth of private investment, the ambition of achieving 8 percent GDP growth by FY 2015 is quite imaginary.

### **Inflation**

Food inflation may maintain a double digit status in the upcoming months of the current fiscal year, though it went down to 8.72 percent in July 2010 from 10.88 percent in June 2010. The current trend suggests that inflation would be higher in this year than the previous year. Therefore, the target of maintaining inflation by 6.5 percent in FY 2010-11 would be challenging. In FY 2009-10, rate of inflation reached to 7.31 percent against the expectation of the Finance Minister to contain it within 6.5 percent (B.B.S.). In the last issue of monthly economic update by Unnayan Onneshan\*, a projection that inflation would cross 7 percent in the last FY was made. By analyzing monthly trends, it also focused that it would be close to 7 percent, which is reflected in the National Account reports of CPI and inflation by B.B.S.

\* <http://www.unnayan.org/reports/meu0810.pdf>

Table 5: Inflation rate in FY2009-10 (point to point basis)  
[base year 1995-96]

Months	Food Inflation	Non-Food Inflation	General
July	3.34	3.74	3.46
August	4.93	4.54	4.69
September	4.98	4.28	4.6
October	7.78	5.07	6.71
November	7.84	6.44	7.24
December	9.5	7.04	8.51
January	10.56	6.53	8.99
February	10.93	6.14	9.06
March	10.8	5.6	8.78
April	10.47	5.46	8.54
May	10.72	5.34	8.65
June	10.88	5.24	8.7
Average	8.56	5.45	7.3275

Source: National Accounting Report, Bangladesh Bureau of Statistics

*Inflation, specially in the last six months of the last fiscal year was close to 9 percent, mainly because of increasing food inflation, which was more than 10 percent on average.*

*Inflation was lower at the starting months of the last FY, as it was 3.46 percent in July 2009 and increased to 10.88 percent in June 2010.*

*The domestic factors that might effect the movement of prices are undervalued exchange rate aimed to benefit the export sector, continuous pile-up of remittances, increased non-development expenditure, anticipated upward pressure on prices of gas, fuel and power.*

It is clearly noticed that inflation, specially in the last six months of the last fiscal year was close to 9 percent, mainly because of increasing food inflation, which was more than 10 percent on average (Table 5). Food inflation was lower at the starting months of the last FY, as it was 3.46 percent in July 2009 and increased to 10.88 percent in June 2010 (Table 5). Though, the price movement of non-food items is declining from March 2010, still the inflation situation could not be stabilised because of high food price.

As a consequence, the inflationary pressure continued dominating in the first months of the current fiscal year, because demand and price hike during 'Ramadan' and the expectation of people had further raised the food inflation. The domestic factors that might effect the movement of prices are undervalued exchange rate aimed to benefit the export sector, continuous pile-up of remittances, increased non-development expenditure, anticipated upward pressure on prices of gas, fuel and power. The tendency of higher price movement in the international market is also a major reason for inflation to get higher.

Currently, there are two main reasons for inflation to get higher. First cause is that wheat price has almost doubled since June 2010 as Russia has banned export until next year's harvest because fires and draughts have reduced their grain. Increasing demand from developing countries has also tightened the market and natural disasters (ex: flood in Pakistan) are creating supply shortage of food.

*There are two main reasons for inflation to get higher. First cause is increasing wheat price and second is lagging behind the target of liquidity management.*

The second reason is lagging behind the target of liquidity management. In the half yearly Monetary Policy Statement of Bangladesh Bank, the Broad Money Supply for June 2010 was estimated to grow by 18.8 percent from 22.9 percent of the previous month to contract the money supply as a tool to reduce inflation. But the broad money supply in June 2010 was TK.363031.2 crore, which reflects that the growth rate in this month was 22.4 percent, exceeding the estimated target. Though, the flow of remittance decreased from US \$ 903.05 million in May 2010 to US \$ 892 million in June 2010. Still, it is a challenge to contract the money supply to reduce inflation. (Major Economic Indicators Monthly Update August 2010, Bangladesh Bank)

### **Effect of Inflation on Earnings of Different Industry workers and Gender Discrimination in Earnings**

An analysis of how inflation has affected on the nominal earnings of the people working in different industries has been presented based upon National Accounts Report of 2009 and Monitoring of Employment Survey 2009 by Bangladesh Bureau of Statistics. Twelve industries based on number of people employed in these industries are selected for this analysis. The effects of inflation on average earnings of nearly 25 million people have been merged to specify these industries, following the MES (Monitoring of Employment Survey) 2009 and National Accounting report of BBS on Wage in 2009.

Table 6: Employment by major industry (million)

Trade, hotel and restaurant	7.8
Manufacturing	6.9
Transport, Storage and Communication	4.2
Community and personal Services	2.9
Construction	2
Finance ,Business Services and Real Estate	1.2

Source: Monitoring of Employment Survey, 2009 BBS

*The burden of bearing extra expenditure due to inflation has been borne mostly by these people whose monthly earnings vary from Tk. 3500 to Tk. 8650.*

In all the selected industries, the average earnings of the employers were affected because of high inflation (Table 7). Wages were adjusted on the basis of projected average inflation of 6.5 percent but inflation increased to 7.31 percent at the end of FY 2009-10. As a consequence, the burden of bearing extra expenditure due to inflation has been borne mostly by these people whose monthly earnings vary from Tk. 3500 to Tk. 8650. The monthly earnings of workers mostly affected by inflation were from banking and insurance, transport and jute textile industries.

*Because of the upward pressure of inflation, earnings of people working in these 12 industries have decreased by 384.04 taka per month (on average), which implies that they are being deprived of a total amount of TK. 4608.48 this year.*

Table 7: Nominal and inflation adjusted monthly earnings of male in 2009

Industry	Nominal earnings (male) in 2009 (till June)	Inflation adjusted earning rate (male) in 2009	Difference between Adjusted and Nominal earnings
1.Readymade garments	4289.5	4603.06	-313.56
2.Jute textile	5470.5	5870.39	-399.89
3.Leather	4017.5	4311.18	-293.68
4.Pharmaceuticals	5334.5	5724.45	-389.95
5.Construction	5340.5	5730.89	-390.39
6.Wholesale & retail trade	3515	3771.95	-256.95
7.Hotel (Residential)	3476.5	3730.63	-254.13
8.Restaurant	4496.5	4825.19	-328.69
9.Road transport	5337.5	5727.67	-390.17
10.Water transport	7537.5	8088.49	-550.99
11.Railway transport	7383.5	7923.23	-539.73
12.Banking & insurance	8647.5	9279.63	-632.13
13.Real estate	3652	3918.96	-266.96
14. Community and personal services	5051.5	5420.76	-369.26
average difference			-384.04

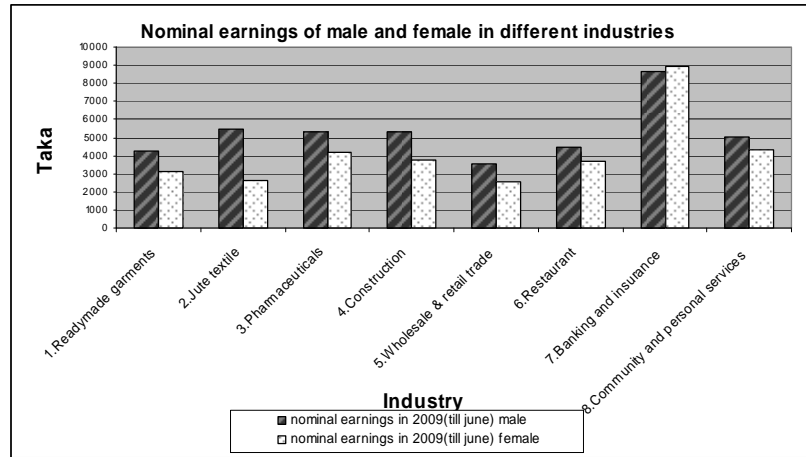
Source: Authors calculation based on National Accounting report of BBS

The lower and lower middle income groups are effected largely because of the rising prices, especially as food inflation was more than 10 percent in the last six months. Considering the same trend, food inflation has risen to 8.56 percent at the end of the FY 2010, which was 7.18 percent in FY 2009. If weights are assigned based on food and non-food items, then the living standard of the people would worsen as most of the workers in these industries spend approximately two-third of their earnings on food items except for the banking and insurance industries. Because of the upward pressure of inflation, earnings of people working in these 12 industries have decreased by 384.04 taka per month (on average), which implies that they are being deprived of a total amount of TK. 4608.48 this year.

*The wage structure of Bangladesh maintains the sticky wage situation. The wages take time to increase but inflation rises rapidly than the projected expectations.*

The wage structure of Bangladesh maintains the sticky wage situation. The wages take time to increase but inflation rises rapidly than the projected expectations. Thus the earnings of the people become inadequate to maintain their basic needs.

Figure 3: Comparison between Nominal monthly earnings of male and female



Source: Authors calculation based on National Accounting report of BBS

*The discrimination of average earnings is uppermost in Jute textile, where the earning of male is Tk. 2859 more than female. Second is construction where the gap between average earnings of male and female is Tk.1606.5. In R.M.G sector, female workers are more in numbers but still earn Tk.1166 less than their male colleagues.*

The difference between earnings of male and female workers is also significant in these industries (Figure 3). The discrimination of average earnings is uppermost in Jute textile, where the earning of male is Tk. 2859 more than female. Second is construction where the gap between average earnings of male and female is Tk.1606.5. In R.M.G sector, female workers are more in numbers but still earn Tk.1166 less than their male colleagues. The interesting finding is in the Banking and insurance sector where the female earn more than their male counterparts by Tk. 294.5.

Table 7: Nominal and inflation adjusted monthly earnings of in 2009 (Comparison between male and female)

Industry	Nominal earnings in 2009 (till June)		Inflation adjusted earnings in 2009	
	Male	Female	Male	Female
1. Readymade garments	4289.5	3123.5	4603.06245	3351.82785
2. Jute textile	5470.5	2611.5	5870.39355	2802.40065
3. Pharmaceuticals	5334.5	4175	5724.45195	4480.1925
4. Construction	5340.5	3734	5730.89055	4006.9554
5. Wholesale & retail trade	3515	2531	3771.9465	2716.0161
6. Restaurant	4496.5	3676	4825.19415	3944.7156
7. Banking & insurance	8647.5	8942	9279.63225	9595.6602
8. Community and personal services	5051.5	4346	5420.76465	4663.6926

Source: Authors calculation based on National Accounting report of BBS on Inflation and Wage

*Monthly earnings of male are higher than their female counterparts with a range starting from Tk. 705 to Tk. 2859. In the eight industries, earning of male workers on average is Tk. 5268 and female workers earn Tk. 4142. On an average, female get Tk. 1328 less than their male colleague (except banking and insurance).*

*If discrimination in monthly earnings persists, then how gender equality and women empowerment is to be ensured?*

Earning discrimination of eight industries is presented on the basis of data availability from B. B. S (Table 7). On average, male workers are earning more, which is shown in figure-3 and table-3. Monthly earnings of male are higher than their female counterparts with a range starting from Tk. 705 to Tk. 2859. In the eight industries, earning of male workers on average is Tk. 5268 and female workers earn Tk. 4142. On an average, female get Tk. 1328 less than their male colleague (except banking and insurance). Earning of female in banking and insurance is Tk.294.5 higher than male but the advantage of this only sector can not overlap the overall discrimination of earning faced by female workers in all eight industrial sectors.

The analysis also reveals that portrayal of discrimination is much higher in less skilled and labour intensive sectors. Female employment participation is mainly seen in such sectors. Female headed households are mostly affected due to inflation as their average earning is less than male.

According to the Monitoring of Employment Survey 2009, labour force participation rate has increased by 2.3 percentage point from 29.2 percent in the year 2005-06 to 31.5 percent in 2009. The rate of participation increase in male was only 0.4 percentage point from 86.8 percent in the year 2005-06 to 87.2 percent. But the participation increase is not addressing the problem of wage discrimination between male and female workers. Although female employments are being created and they are participating with at best of their labour.

Thus, if the discrimination persists and the participation of women increases, wages in labour intensive industries would go lower, as they do not follow the labour laws (an increase in labour supply lowers equilibrium wage). Promoting Gender Equality and Empowering Women is the third goal in MDGs (Millennium Development Goals), where one of the indicators is to increase share of women in wage employment in non-agricultural sector to 50 percent by 2015. If discrimination in monthly earnings persists, then how gender equality and women empowerment is to be ensured?