BANGLADESH

Table 1	2023
Population, million	173.0
GDP, current US$ billion	437.4
GDP per capita, current US$	2529.1
International poverty rate ($2.15)[a]	5.0
Lower middle-income poverty rate ($3.65)[a]	30.0
Upper middle-income poverty rate ($6.85)[a]	74.1
Gini index[a]	33.4
School enrollment, primary (% gross)[b]	117.7
Life expectancy at birth, years[b]	72.4
Total GHG emissions (mtCO2e)	256.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Real GDP growth is expected to slow from 5.8 percent in FY23 to 5.6 percent in FY24, as inflation weighs on consumption and import restrictions and financial sector vulnerabilities constrain private investment. Poverty is projected to rise marginally in FY24, with stagnant inequality. External buffers need to be rebuilt to ensure macroeconomic stability. Export diversification, financial sector reforms, and revenue mobilization are key policy priorities ahead of Least Developed Country (LDC) graduation in 2026.

Key conditions and challenges

Macroeconomic stability and strong exports underpinned 6.6 percent average real GDP growth over the decade preceding the COVID-19 pandemic. A stimulus program and accommodative monetary policy sustained modest growth during the pandemic. From 2016 to 2022, poverty incidence declined by 2.1 percentage points (US$ 3.65 poverty line) and 0.7 percentage points for extreme poverty (US$ 2.15) annually. Thirty percent of the population (51.3 million people) currently lives in poverty (US$ 3.65). Multidimensional poverty declined from 45.3 to 30.6 percent over the same period, lifting 20 million people out of deprivation of basic services. Inequality based on the Gini coefficient remained unchanged at 33.4.

Economic conditions deteriorated in FY23 as inflation accelerated and the balance of payments (BoP) deficit widened, driven by a financial account deficit. FX rationing restricted imports, leading to electricity blackouts. Rising financial sector vulnerabilities have dampened growth prospects. Unemployment was low in 2022 (3.6 percent), and the female labor force participation rate (42.7 percent) was almost half that of males. However, job quality deteriorated between 2016 and 2022 as employees earning more than US$ 3.65/day fell from 77.9 to 50.2 percent.

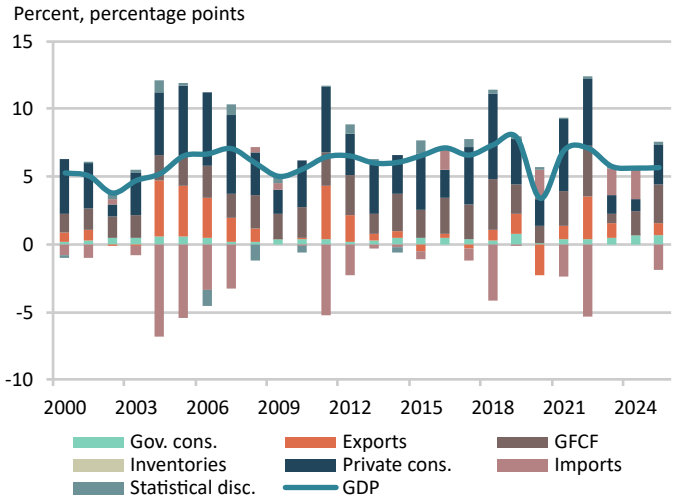
Bangladesh's expected graduation from UN LDC status in 2026 will gradually result in a loss of trade preferences. Export diversification away from garments and negotiation of trade agreements are key medium-term objectives. Revenue mobilization, tariff modernization, and elimination of non-tariff barriers would promote diversification and boost growth. Addressing financial sector vulnerabilities and streamlining regulations would support foreign investment inflows. Improving governance, building human capital, and mitigating climate risks are key long-term challenges.

Recent developments

Estimated real GDP growth slowed in the first half of FY24 as private consumption and investment growth stagnated. On the supply side, industrial growth moderated as energy shortages and import restrictions offset steady external demand for RMG. The services sector slowed as domestic purchasing power declined, while agricultural growth remained modest. This has impacted labor income, especially for vulnerable populations working in services and agriculture.

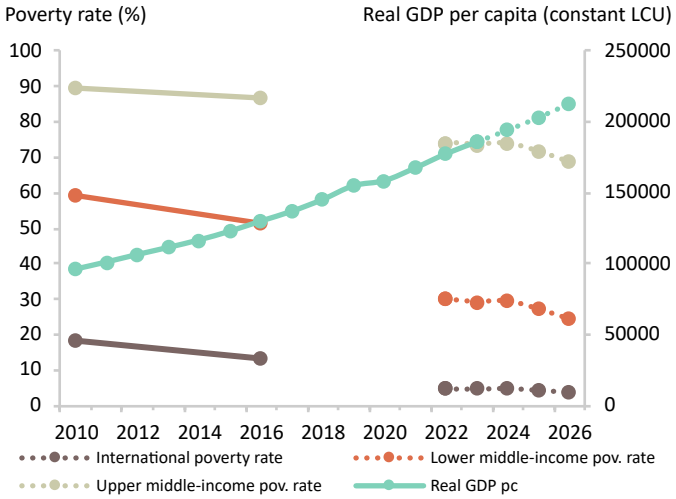
Inflation remained elevated in the first half of FY24, declining marginally to 9.7 percent in February 2024, driven by rising food and electricity prices. Weak private consumption growth and high inflation have halted poverty reduction. Higher food prices particularly impacted poor households, which allocate over half of their budget towards food expenditures. Bangladesh Bank (BB) raised the policy rate by a cumulative 325 basis points

FIGURE 1 **Bangladesh** / Real GDP growth and contributions to real GDP growth



Sources: Bangladesh Bureau of Statistics and World Bank staff calculations.

FIGURE 2 **Bangladesh** / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

since May 2022. However, policy transmission has been impaired by a cap on lending rates. The nonperforming loan ratio increased to 9.2 percent in FY23, although this ratio understates vulnerabilities due to lax regulatory definitions and reporting standards.

The current account moved into a US$ 3.1 billion surplus in the first seven months of FY24 as exports grew by 0.2 percent and imports contracted by 16.3 percent. Official remittance growth remained muted at 3.6 percent. The financial account deficit surged to US$ 7.4 billion, led by a decline in short-term lending. The BoP deficit narrowed to US$ 4.7 billion over the first seven months of FY24, compared to US$ 7.4 billion over the same period of FY23. Official exchange rates depreciated modestly, remaining insufficient to clear the FX market. BB intervened heavily in the market to maintain exchange rate caps. Gross FX reserves declined to US$ 20.0 billion at end-January 2024, a $4.8 billion decline in FY24, providing 3.4 months of import coverage.

The fiscal deficit narrowed modestly to 4.4 percent of GDP in FY23, down from 4.6 percent in FY22, as weak revenue growth was offset by deferred capital investment and limited public sector wage growth. The public debt to GDP ratio increased to 35.0 percent but remained sustainable, with a low risk of debt distress.

Outlook

Growth is expected to decelerate to 5.6 percent in FY24 from 5.8 percent in FY23 before returning gradually to its long-term trend above 6.0 percent. Elevated inflation will weigh on consumption, while private investment will remain constrained by FX rationing. As consumption growth slows and the population increases, almost half a million Bangladeshis are projected to fall into extreme poverty (at US$ 2.15) between FY23 and FY24, while moderate poverty (at US$ 3.65) increases from 29.3 to 29.4 percent, rising by around 0.84 million. Inequality is forecasted to remain stagnant.

External sector pressure will ease gradually, with resilient export growth. The CAD is expected to narrow further in FY24 as import restrictions persist before widening over the medium term as policies normalize. Remittance inflows are expected to rise, underpinned by a higher outflow of workers and greater exchange rate flexibility. The financial account is expected to return to surplus with the resumption of trade credit flows and a higher volume of external financing. Additional exchange rate flexibility would accelerate the stabilization of FX reserves.

The fiscal deficit is projected to stay below 5.0 percent of GDP over the medium term. Nominal revenues will rise with increasing trade, improving domestic activity, and ongoing efforts to strengthen the tax administration. Over the longer term, rising public expenditure requirements to meet infrastructure needs, mitigate climate vulnerabilities, and accelerate human capital investment will require the mobilization of additional revenues, as trade-based taxes decline with tariff modernization.

Downside risks to the growth outlook have increased, with a weak global outlook. The pace of monetary and exchange rate reforms may be insufficient, depleting FX reserves. Tighter liquidity could exacerbate banking vulnerabilities. Fiscal risks include revenue underperformance, realization of financial sector contingent liabilities, and monetization of the deficit.

TABLE 2 **Bangladesh** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2020/21	2021/22	2022/23e	2023/24f	2024/25f	2025/26f
Real GDP growth, at constant market prices[a]	6.9	7.1	5.8	5.6	5.7	5.9
Private consumption	8.0	7.5	2.0	1.4	4.9	5.3
Government consumption	6.9	6.2	8.5	10.6	9.9	7.4
Gross fixed capital investment	8.1	11.7	2.2	5.6	8.8	8.6
Exports, goods and services	9.2	29.4	8.0	0.1	7.2	6.4
Imports, goods and services	15.3	31.2	-9.8	-12.2	12.5	10.2
Real GDP growth, at constant factor prices[a]	7.0	7.2	6.2	5.7	5.7	5.9
Agriculture	3.2	3.1	3.4	3.1	3.1	3.2
Industry	10.3	9.9	8.4	6.6	7.2	6.8
Services	5.7	6.3	5.4	5.6	5.1	5.8
Inflation (consumer price index)	5.6	6.1	9.0	9.6	8.5	6.5
Current account balance (% of GDP)	-1.1	-4.0	-0.6	0.9	0.7	-0.2
Net foreign direct investment inflow (% of GDP)	0.3	0.4	0.4	0.3	0.4	0.4
Fiscal balance (% of GDP)	-3.7	-4.6	-4.4	-4.6	-4.7	-4.8
Revenues (% of GDP)	9.4	8.5	8.2	8.6	9.0	9.3
Debt (% of GDP)	32.4	33.7	35.0	35.0	35.3	36.3
Primary balance (% of GDP)	-1.7	-2.6	-2.5	-2.1	-2.2	-2.3
International poverty rate ($2.15 in 2017 PPP)[b,c]	..	5.0	4.9	5.1	4.5	3.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	..	30.0	29.3	29.4	27.2	24.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	..	74.1	73.5	73.8	71.6	68.7
GHG emissions growth (mtCO2e)	5.9	5.1	2.6	1.8	2.0	2.6
Energy related GHG emissions (% of total)	41.3	43.0	43.6	43.7	43.9	44.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ FY23 estimates based on BBS provisional estimates.
b/ Calculations based on SAR-POV harmonization, using 2022-HIES. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
c/ Projections using microsimulation methodology.