BANGLADESH

Table 1	2023
Population, million	169.4
GDP, current US$ billion	414.4
GDP per capita, current US$	2445.6
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]	73.7
Total GHG emissions (mtCO2e)	260.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2022).

Real GDP growth is expected to slow from 5.2 percent in FY24 to 4.0 percent in FY25, driven by subdued investment and industrial growth in the aftermath of student-led protests and persistent social grievances. Extreme poverty is projected to have increased to 6.1 percent in FY24, and inequality to increase over one Gini index point. Job creation, revenue mobilization, and financial sector reforms are key priorities for robust growth in the medium to long term and to support the new poor to improve their welfare and be lifted out of poverty.

Key conditions and challenges

On August 8, 2024, an interim government took office following the resignation of the former Prime Minister. The timing of the next election remains uncertain. The interim government will need to address persistent high inflation, declining reserves, and elevated financial sector vulnerabilities to stabilize the economy. Despite disruptions in economic activity, the transition is an opportunity to implement a wide-ranging reform agenda.

Deterioration in labor market conditions may have contributed to people's discontent. Labor force participation declined from 61.2 in 2022 to 60.9 in 2023 and reached 59.9 percent in the first half of 2024. Employment has also reduced, particularly in 2024 (1.2 percentage points variation), and the unemployment rate remained almost stagnant at around 3.5 percent. This dynamic is mainly driven by discouraged workers leaving the market as they cannot find jobs.

Comprehensive reforms to create more jobs, address financial sector vulnerabilities, strengthen public sector performance, and improve revenue mobilization will be critical to support growth. In the medium term, Bangladesh will need to improve governance, boost human capital, address climate risks and diversify exports to counter reduced market access following the graduation from UN Least Developed Country (LDC) status in 2026.

Recent developments

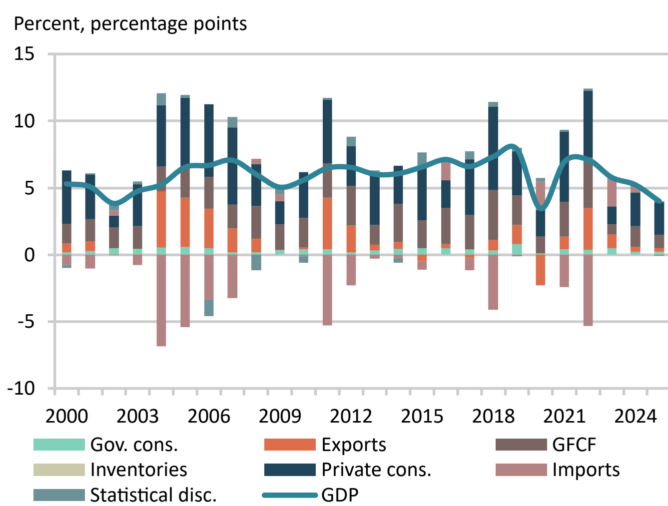
Prior to the interim government taking office, the turmoil disrupted economic activity, particularly in the industrial and service sectors.

Before the transition, real GDP grew by 5.2 percent in FY24. On the supply side, GDP growth was primarily driven by industry, which expanded by 5.8 percent—lower than the decadal average of 9.5 percent, impacted by energy shortages, import restrictions, and monetary tightening. Services growth also slowed to 5.3 percent as domestic purchasing power declined due to persistent inflation. Agricultural growth remained modest at 3.3 percent.

The current account deficit almost halved to US$6.5 billion (1.4 percent of GDP) in FY24 from US$11.6 billion in FY23, as the trade deficit improved, and remittance inflows grew by 10.7 percent. In May 2024, Bangladesh Bank adopted a crawling peg exchange rate system and devalued the exchange rate. As of September 8, foreign exchange reserves declined by US$2.3 billion since June 2024 to reach US$19.4 billion, (3.2 months of import coverage).

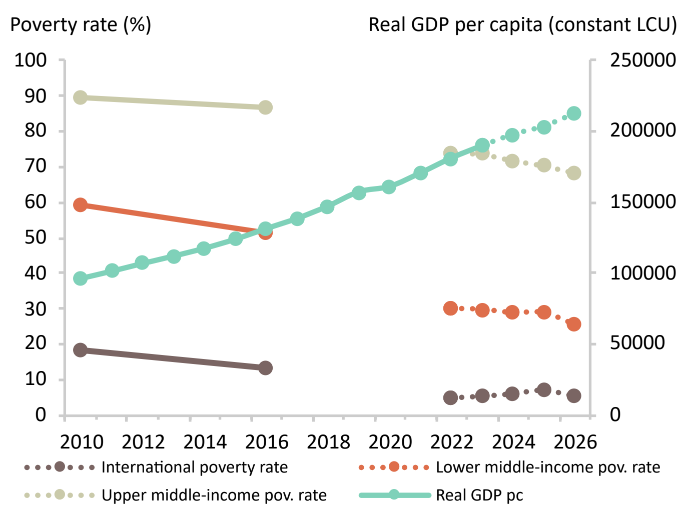
Inflation remained elevated, averaging 9.7 percent in FY24, due to high food and import prices. In response, the policy rate was raised by 100 basis points in FY25 to 9.5 percent (cumulatively by 425 basis points

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



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

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



Source: World Bank. Notes: see Table 2.

since May 2022). The cap on bank lending rates was abolished to improve monetary transmission. The financial sector remains vulnerable to high non-performing loans.

Higher inflation and reduced employment opportunities impacted families' welfare, who consume a much higher percentage of income in food and goods affected by inflation. Workers in industry and services were especially affected, facing job losses of around 4.8 percent and wage reductions (by 2.3 and 0.7 percent), likely pushing their families into extreme poverty. Consequently, extreme poverty at the USD 2.15 (2017 PPP) threshold is projected to increase by 0.7 percentage points (or affect 1.2 million people) in 2024. Some families—particularly in agriculture or receiving remittances—were able to maintain their welfare. The opposing trends have likely exacerbated inequality, with the Gini index increasing by 1.1 points over the year.

The fiscal deficit was 4.5 percent of GDP in FY24. Revenue growth was robust but remained one of the lowest globally at 8.5 percent of GDP. Expenditure is estimated to have increased modestly to 13.0 percent of GDP, driven by current expenditure. The public debt to GDP ratio increased to 38.8 percent but remained sustainable.

Outlook

Real GDP growth is projected to decline to 4.0 percent in FY25 but could range between 3.2 and 5.2 percent. The wide range of the projection reflects the unavailability of credible data in recent months and significant uncertainties around the outlook. These uncertainties are expected to keep investment and industrial growth subdued in the short term. Recent floods are expected to moderate agriculture growth. Growth is expected to rise gradually, benefiting from critical financial sector reforms, increased revenue mobilization, improved business climate, and trade.

Export growth is anticipated to remain positive, despite short-term challenges due to high input costs, weak global demand, and uncertainties within the manufacturing sector. Remittances are projected to stay robust in FY25, supported by the adoption of the crawling peg exchange rate regime. The financial account will likely remain in surplus, supported by budget assistance from development partners. Foreign exchange reserves are expected to stabilize in FY25, albeit with some downward pressure due to external payment requirements to foreign energy suppliers.

The growth slowdown in FY25 will exacerbate the situation for the most disadvantaged populations and increase disparities. Extreme poverty is expected to rise to 7.0 percent, pushing an additional 1.7 million people into extreme poverty. According to the upcoming Poverty Assessment, about 6 out of 10 individuals are estimated to have used their savings to maintain household consumption. Conversely, households benefitting from robust remittance inflows will improve their welfare, but the contrasting effect will widen inequality by 1.4 Gini points.

The fiscal deficit is projected to remain below 5.0 percent of GDP over the medium term. In the short term, total expenditure as a share of GDP is expected to decline due to contractionary fiscal policy. Over the medium- to long-term, strengthening revenue performance will be crucial to expand investments in infrastructure and human capital.

Downside risks to the outlook have increased substantially. Increased political instability, poor corporate governance, and the potential insolvency of some banks could worsen an already weak financial sector. Persistently elevated inflation, weak global demand, energy shortages, and climate shocks could lower the growth outlook further and exacerbate vulnerability to falling into poverty.

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

	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Real GDP growth, at constant market prices[a]	6.9	7.1	5.8	5.2	4.0	5.5
Private consumption	8.0	7.5	2.0	3.9	3.8	4.8
Government consumption	6.9	6.2	8.5	3.5	3.5	9.2
Gross fixed capital investment	8.1	11.7	2.2	4.8	3.1	6.4
Exports, goods and services	9.2	29.4	8.0	2.7	2.1	4.5
Imports, goods and services	15.3	31.2	-9.8	-2.5	0.4	5.1
Real GDP growth, at constant factor prices[a]	7.0	7.2	6.2	5.3	4.0	5.5
Agriculture	3.2	3.1	3.4	3.3	3.0	3.1
Industry	10.3	9.9	8.4	5.8	3.3	5.4
Services	5.7	6.3	5.4	5.3	4.7	6.0
Inflation (consumer price index)	5.6	6.1	9.0	9.7	9.5	9.0
Current account balance (% of GDP)	-1.1	-4.2	-2.8	-1.4	-0.9	-0.5
Net foreign direct investment inflow (% of GDP)	0.3	0.4	0.4	0.4	0.3	0.4
Fiscal balance (% of GDP)	-3.7	-4.6	-4.6	-4.5	-4.3	-4.6
Revenues (% of GDP)	9.4	8.5	8.2	8.5	8.3	8.7
Debt (% of GDP)	32.4	33.8	37.0	38.8	40.6	41.8
Primary balance (% of GDP)	-1.7	-2.6	-2.5	-1.9	-1.4	-1.6
International poverty rate ($2.15 in 2017 PPP)[b,c]	..	5.0	5.4	6.1	7.0	5.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	..	30.0	29.8	29.0	29.0	25.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	..	74.1	73.7	71.8	70.2	68.0
GHG emissions growth (mtCO2e)	7.3	5.0	2.7	1.8	2.0	2.6
Energy related GHG emissions (% of total)	42.3	44.1	44.6	44.7	44.9	45.3

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.