4.0 External Sector

4.1.1 Trade Openness

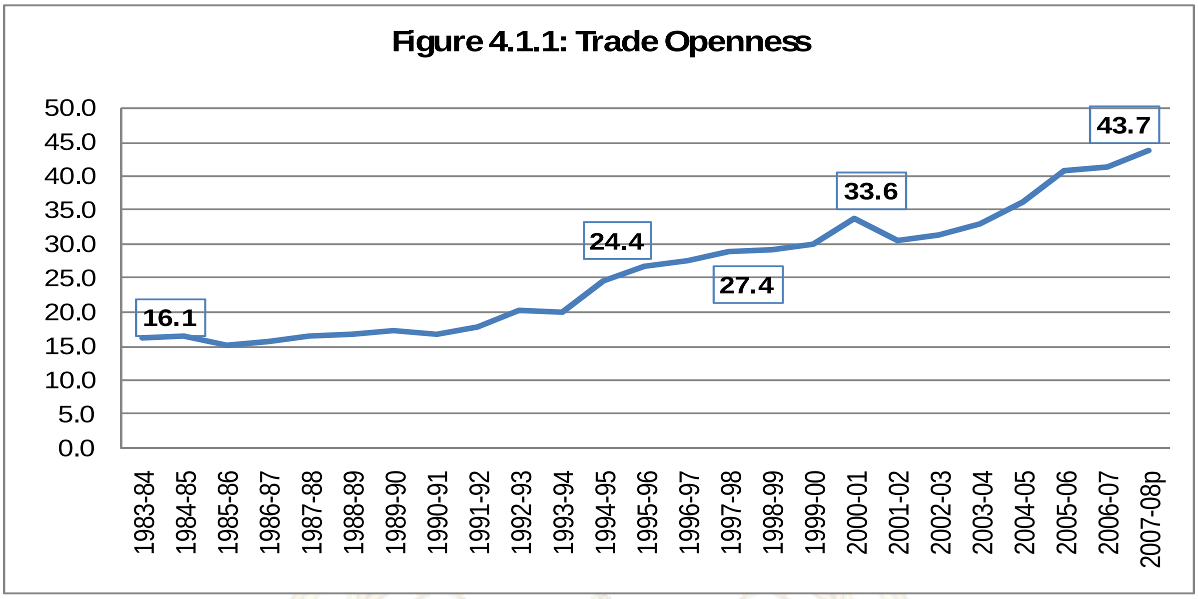


Figure 4.1.1 shows that:

- In 2007-08, trade openness has increased significantly to 43.7% from 33.6% in FY 2000-01.

For details please see Appendix 4.1.

4.1.2 Export and Import as Percent of GDP

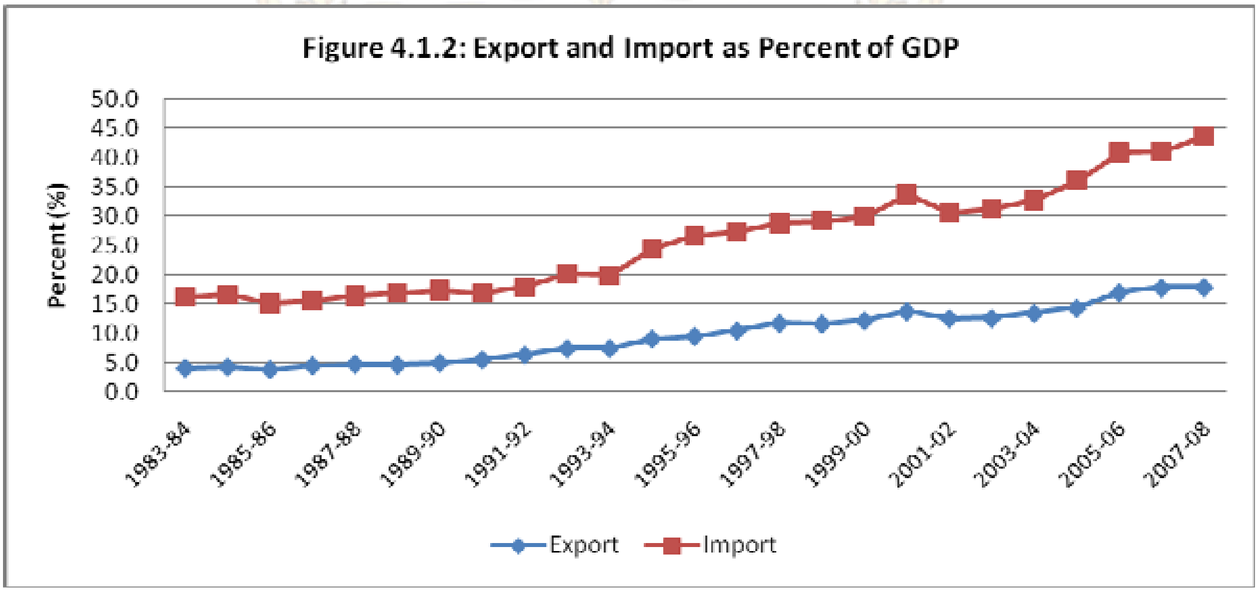


Figure 4.1.2 shows that:

- During 1983-84 to 1989-90, the average trade deficit was 7.3% of GDP. This deficit decreased to 6.7% on average in the last five years.

For details please see Appendix 4.2.

4.1.3 Current Account Balance as Percent of GDP

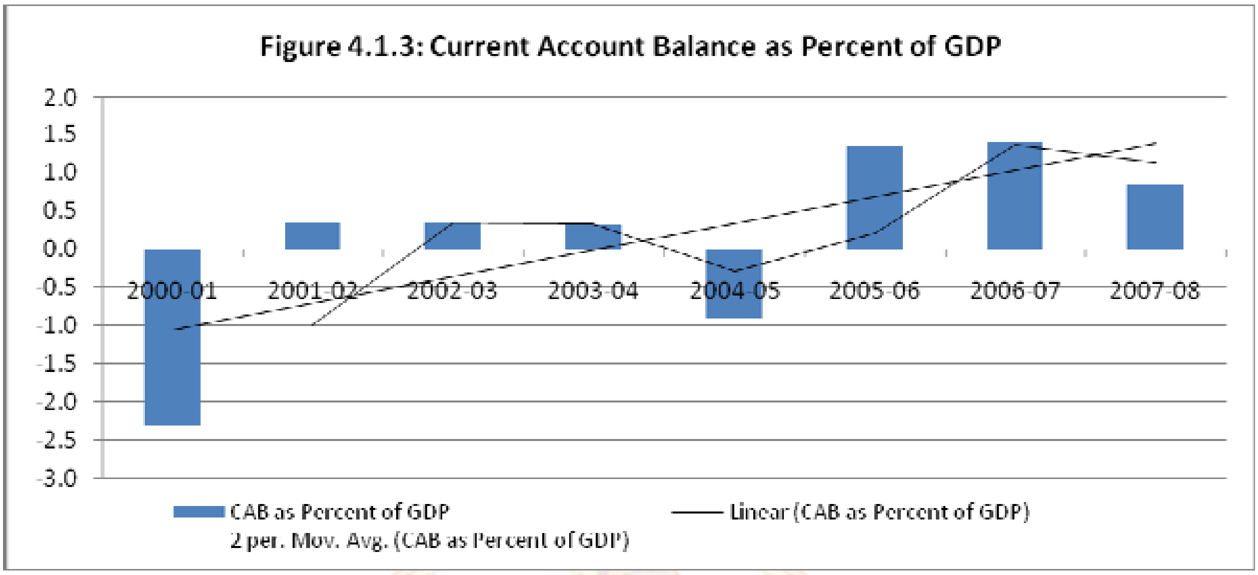


Figure 4.1.3 shows that:

- Since 2000-01, the Current Account Balance as percent of GDP has been in deficit twice (2000-01 and 2004-05), in all the other years it was in surplus.
- Although we have trade deficit, our current account balance has been positive mainly due to higher to high growth in worker's remittance.

For details please see Appendix 4.3.

4.2 Export

4.2.1 Trend in Export

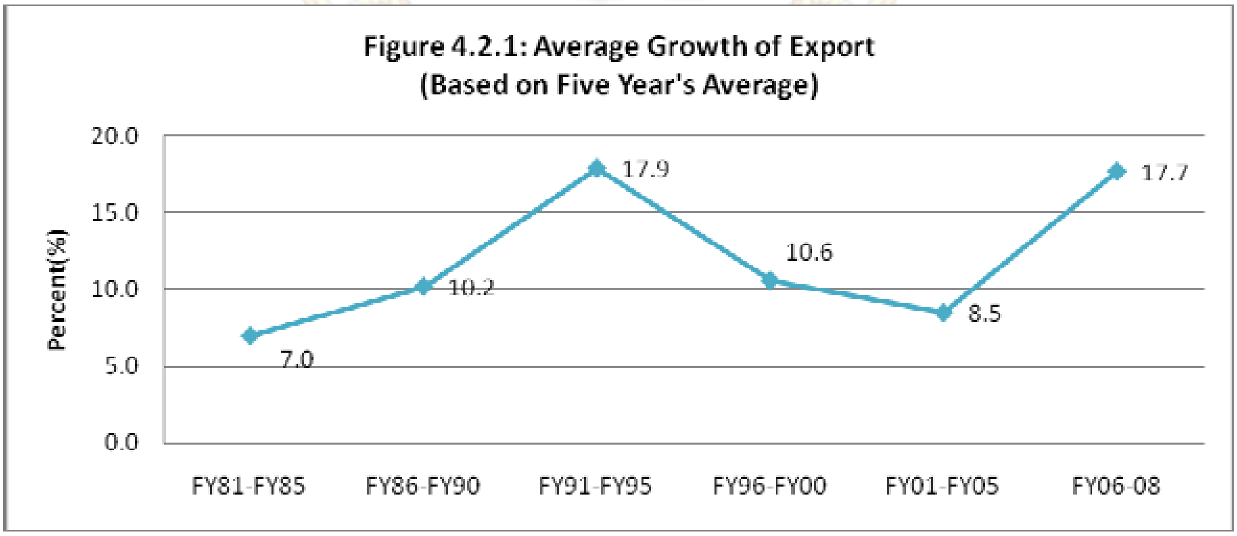


Figure 4.2.1 shows that:

- The growth in exports has fluctuated considerably from an average low of 7% in 1981-1985 period to an average high of in excess of 17% in 1991-1995 and 2006-2008 periods.

For details please see Appendix 4.4.

4.2.2 Sectoral Share

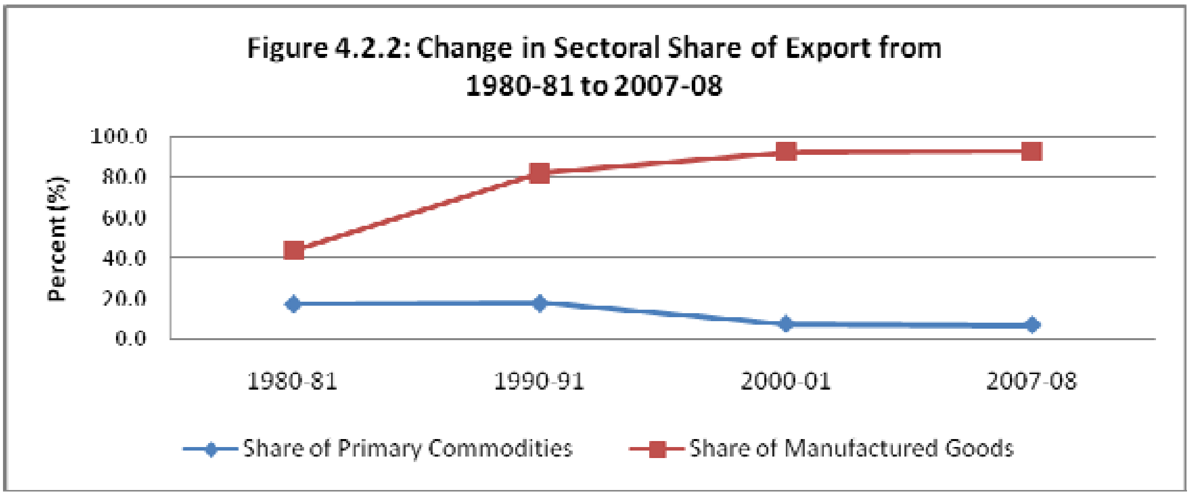
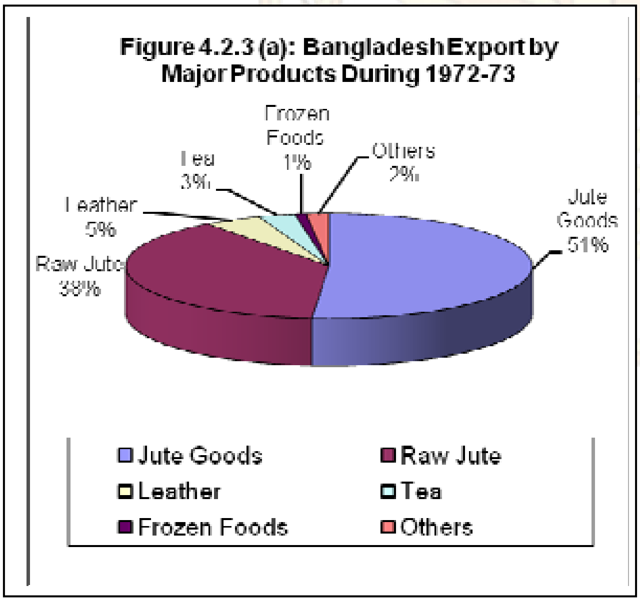


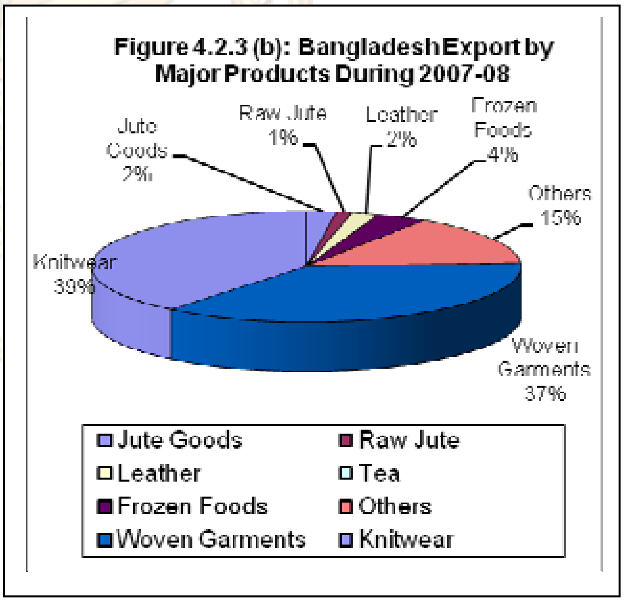
Figure 4.2.2 shows that:

- The share of primary commodities to total exports decreased from 17.5% in 1980-81 to 7% in 2007-08.
- On the other hand, the share of manufactured goods to total exports increased from 44% in 1980-81 to 93% in 2007-08.

For details please see Appendix 4.4

4.2.3 Product wise structural change





From the above two charts, we conclude that:

- In 1972-73, raw jute and jute goods comprise 89% of the total export. In 2007-08, it dropped to 3% of the total export.
- Woven Garments (52%) and Knitwear (9%) became the main export item during 1992-93. This constitutes 61% of the total export.
- In 2007-08, Woven Garments and Knitwear comprise 76% of the total export. Of which Woven Garments accounted for 37% and Knitwear 39% of the total export.

4.2.4 Recent Trend in Export

(in million US$)

Month	2008-09^P	2007-08^R
July	1550.18	908.75
August	1358.09	1129.08
September	1478.02	1042.85
October	867.69	941.48
November	1297.47	1144.47
July-November	6551.45 (+26.80)	5166.63 (+2.40)

Source: Export Promotion Bureau (EPB) and Bangladesh Bank

The above Table shows that:

- Merchandise export shipments in November 2008 stood at US$ 1297.47 million compared to US$ 1144.74 million in November 2007.
- Export receipts during July-November 2008 increased by US$ 1384.82 million or 26.80 percent to US$ 6551.45 million as compared to US$ 5166.63 million in the July- November 2007.
- It is evident that:
    - The export basket is not diversified. 85 percent of export earnings come from only 5-7 products.
    - There is a possibility that Bangladesh economy with the high share of RMG in its export basket might be affected in the recent crisis. Revenue (foreign exchange earnings) from merchandise exports may decline due to economic slowdown in advanced economies.
    - On the other hand, Bangladesh does not export a very high-end product. It is therefore, less likely that there would be a significant reduction in the demand of this product.

4.3 Import

4.3.1 Trends in Import

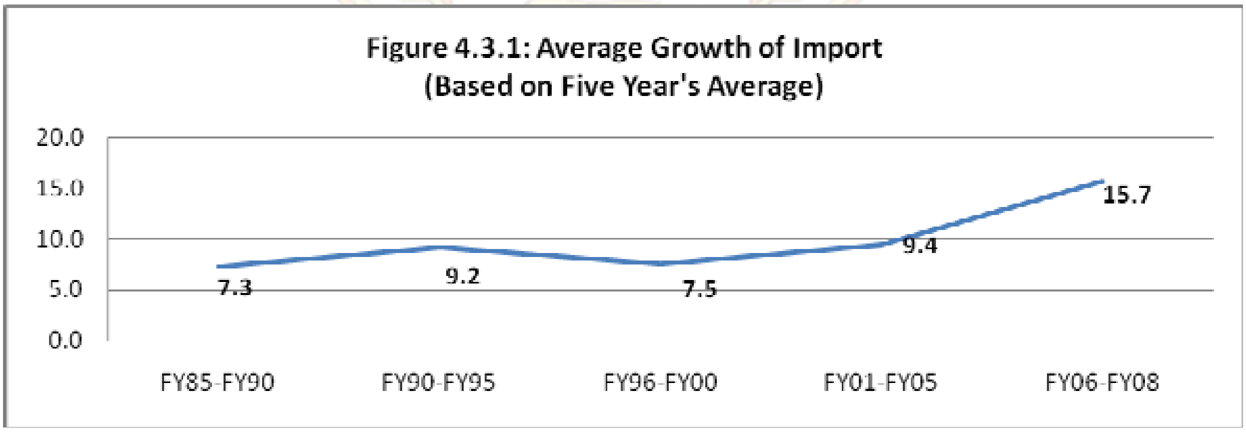


Figure 4.3.1 shows that:

- Over the 1985-1990 to 2001-2005 periods, Import grew at an annual average rate between 7% and 9.5%. However, there has been a significant increase in an average rate of growth in the most recent past.

For details please see Appendix 4.5.

4.3.2 Import Composition

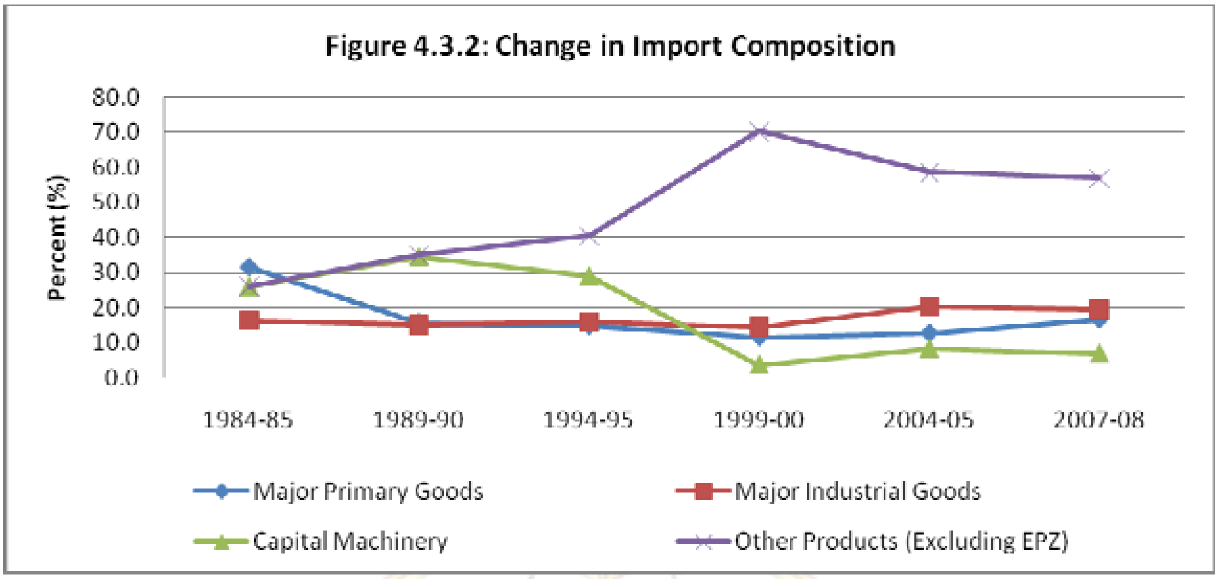


Figure 4.3.2 shows that:

- Share of imports of capital machinery to total imports has fallen significant over the 1984-85 to 2007-08 periods from a high of 35.6% in 1991-92 to 3.7% in 1999-00. Since then it has not been over 10% of total imports.
- The share of import of major primary goods was 32.2% of total import in 1984-85. Since then it has remained in the 10% to 20% range.
- In contrast, the share of other products (mainly textile fabrics, pharmaceutical raw materials, machinery for miscellaneous industry) in total import was 25.9% in 1984-85. It reached to 70% in 1999-00. In 2007-08, this accounted for 56.8% of total import.

For details please see Appendix 4.5

4.3.3 Recent Trend in Import

(in million US$)

Month	**2008-09**[P]	**2007-08**[R]
July	2071.40	1546.00
August	2084.60	1490.00
September	2168.70	1651.50
October	2089.90	1649.90
November	1816.50	1662.00
July-November	**10231.10 (+27.90)**	**7999.40 (+17.51)**

Source: Bangladesh Bank

The above Table shows that:

- Import payments during July-November 2008 increased by US$ 2231.70 million (27.90%) to US$ 10231.10 million compared to US$ 7999.40 million during July-November 2007.

4.4 Remittances

4.4.1 Number of expatriate workers

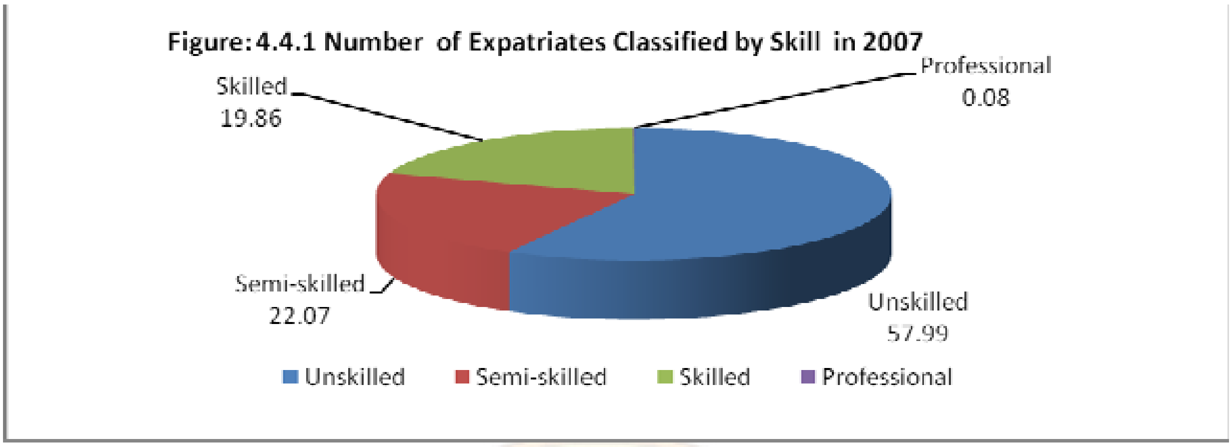


Figure 4.4.1 shows that:

- The number of expatriate workers is mainly comprised of semi-skilled and unskilled workers. They accounted for 80.8% in 2007.
- The share of professional and skilled labourers in the total expatriate workforce is 0.1 percent and 19.9 percent respectively (Appendix 4.6).

4.4.2 Regional Pattern of Remittances

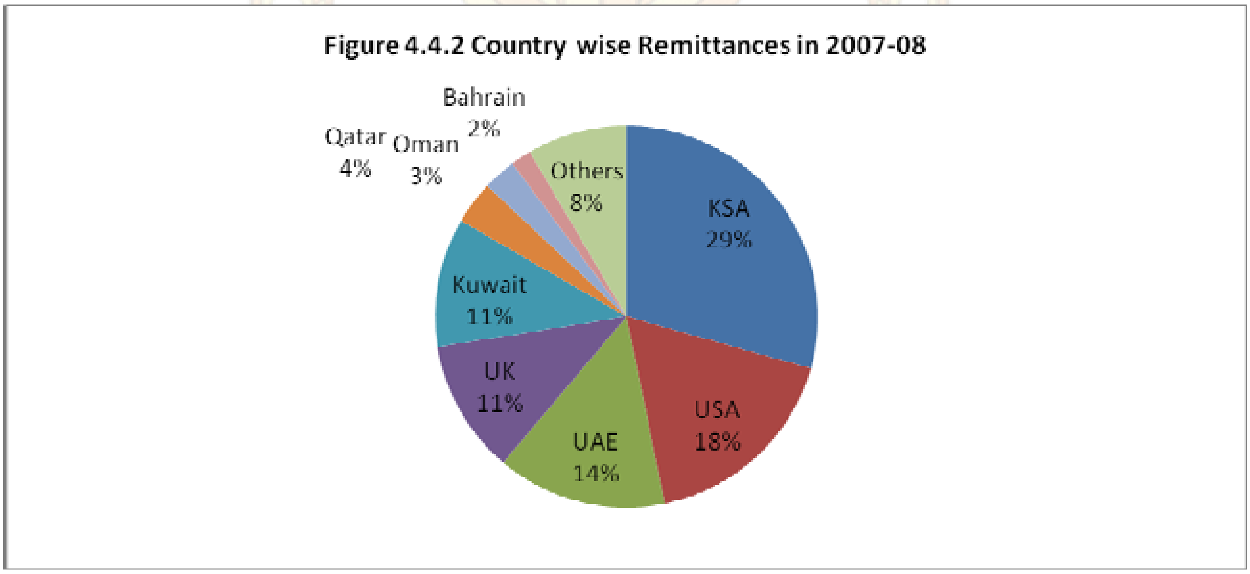


Figure 4.4.2 shows that:

- In 2007-08, 29.4 percent of total remittance came from Saudi Arabia.
- The US was the second largest source of remittance registering $1380 million or 17.4% of the total.
- The share of remittances from UAE, UK and Kuwait stood at 14.34%, 11.32% and 10.91% respectively.
- In the current fiscal year, about 63 percent remittances came from the countries in the Middle East only.

4.4.3 Number of Expatriate Bangladeshis by Country

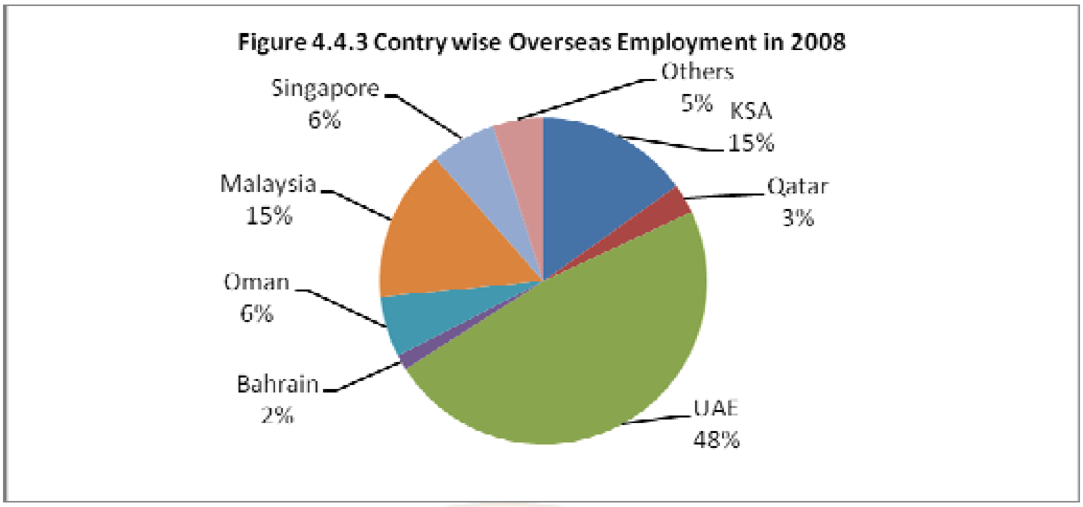


Figure 4.4.3 shows that:

- In 2008, 48% of expatriate Bangladeshis are working in UAE, 15% in Saudi Arabia, 15% in Malaysia and 6% in Singapore.

4.4.4 Manpower Export

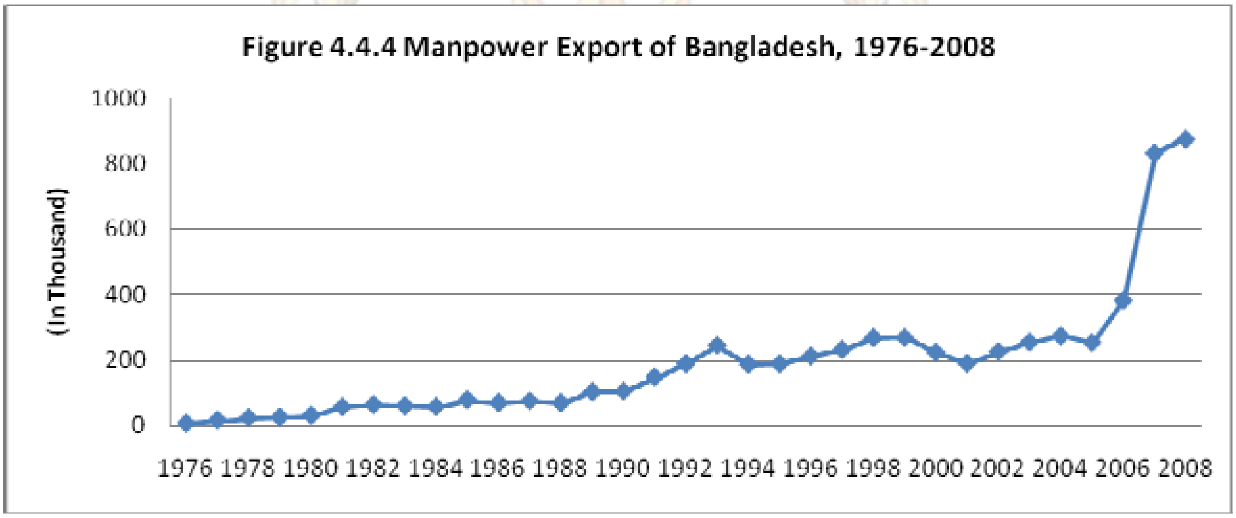


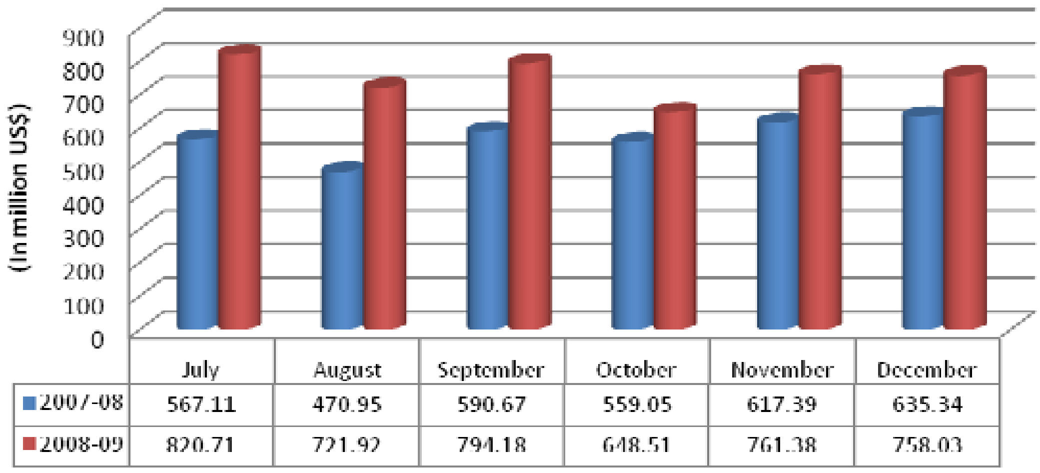
Figure 4.4.4 shows that:

- There has a dramatic increase in the number of expatriate workers since 2005, rising from about 2.50 lakh to 8.75 lakh.
- However, the impact of the global financial crisis may lead to a decline over the comming months.
- The close down of the outsourcing industries in Singapore and the outburst of real estate boom in United Arab Emirates may lead to shrink the manpower export from Bangladesh.
- The non-inclusion of Bangladesh in the list of 12 outsourcing countries of Malaysia and fixing the ceiling of manpower import from Bangladesh up to 5.3 lacs has been acting as a barrier to the enhancement of manpower export over there.
- To counter this, Bangladesh should explore the new opportunities in different countries like Libya, Korea, Russia and East European Countries to continue the momentum of its manpower export growth.

For details please see Appendix 4.6

4.4.5 Remittances Received from Expatriate Bangladeshis and Recent Trend

Figure 4.4.5: Inward Remittances Flow in the Recent Time



	July	August	September	October	November	December
2007-08	567.11	470.95	590.67	559.05	617.39	635.34
2008-09	820.71	721.92	794.18	648.51	761.38	758.03

Figure 4.4.5 shows that:

- In 2006-07, the remittances from expatriate Bangladeshi workers stood at US$ 5978.47 million reflecting 24.50% rise over the previous year. In 2007-08, remittances stood at US$ 7914.78 million reflecting 32.39 % rise over the previous year.
- The remittance flow for the first six months of current fiscal year increased by 31% over the corresponding period of the previous fiscal year.

For details please see Appendix 4.7.

4.4.6 Remittances and Broad Macroeconomic Indicators

Figure 4.4.6: Remittances as Percent of GDP and Export

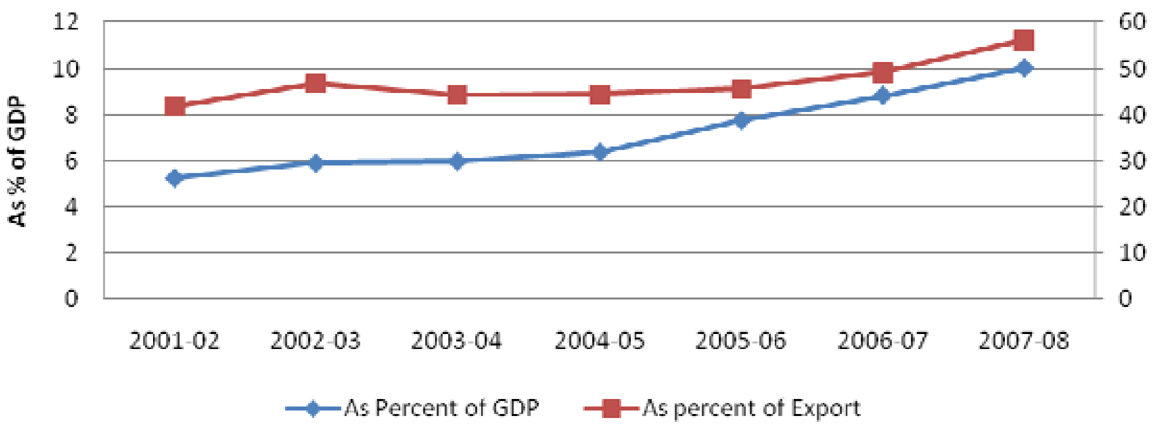


Figure 4.4.6 shows that:

- In 2001-02 remittances as percent of GDP and export stood at 5.3% and 41.8% respectively.
- In 2007-08 remittances as percent of GDP and export stood at 10.0% and 56.1% respectively.

For details please see Appendix 4.8.

4.4.7 Foreign and Workers and Domestic Labour Force

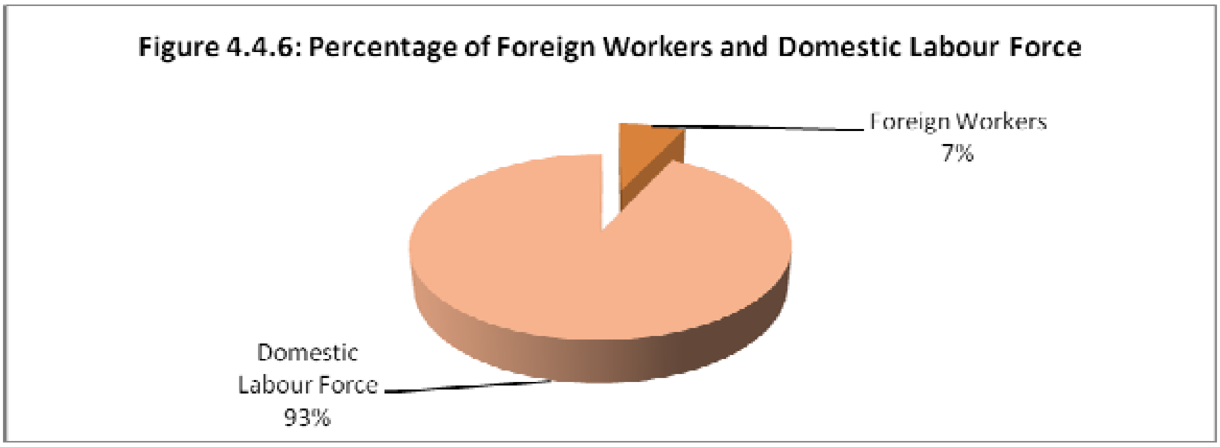


Figure 4.4.7 shows that:

- 7% of our total laborforce work abroad and their remittances constitutes 10% of our GDP.
- As the construction boom in the Middle East slows down, the remittance from abroad is likely to suffer setbacks.
- As there is a high demand of skilled labor in the international market, Bangladesh should seize this opportunity by creating a pool of highly skilled workers.
- Most of the remitted money is spent on unproductive sector as there is not enough incentive for investment in the productive sector.

4.5 Nominal Exchange Rate (Percent Change)

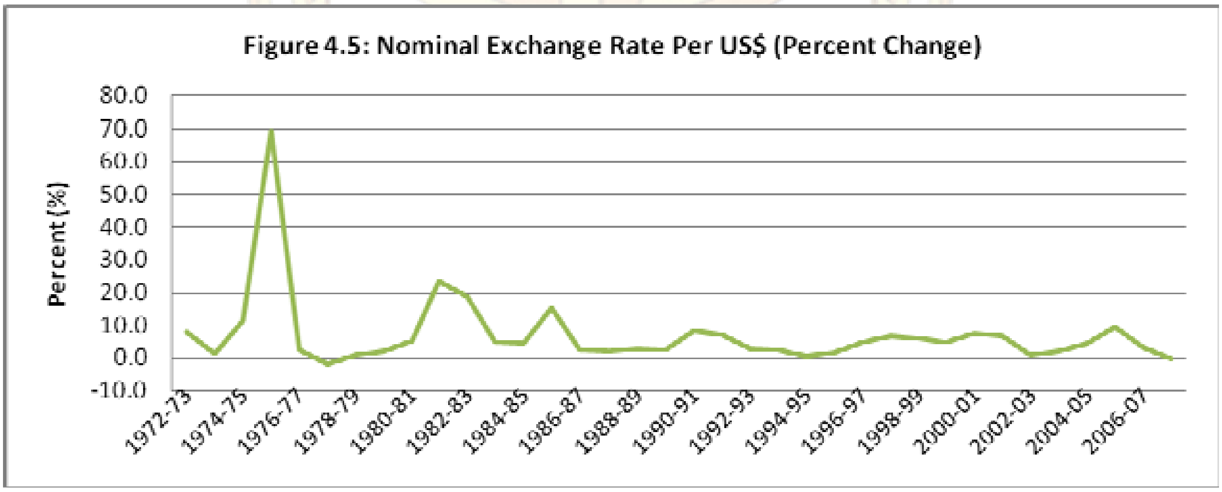


Figure 4.5 depicts the key findings:

- Before 1980, Taka (Bangladeshi currency) was pegged to the Pound Sterling and in 1980, the fixed exchange rate regime was replaced by a managed system of floating where Taka was pegged to a basket of currencies of the country's major trade partners. But since May 2003, Bangladesh adopted floating exchange rate regime. It is noted that, after introduction of floating exchange rate regime, the exchange rate did not face any adverse situation indicating the resilience of Bangladesh economy. In fact, the devaluation/depreciation rate of Taka is almost same over the three exchange rate regimes.
- The Taka was appreciated first time in 2007-08 (0.62%) against US Dollars after 1977-78.

For details please see Appendix 4.9

4.6 Real Effective Exchange Rate (REER) Indices
(Based on a basket of 11 currencies, Base year: 1994-95=100)

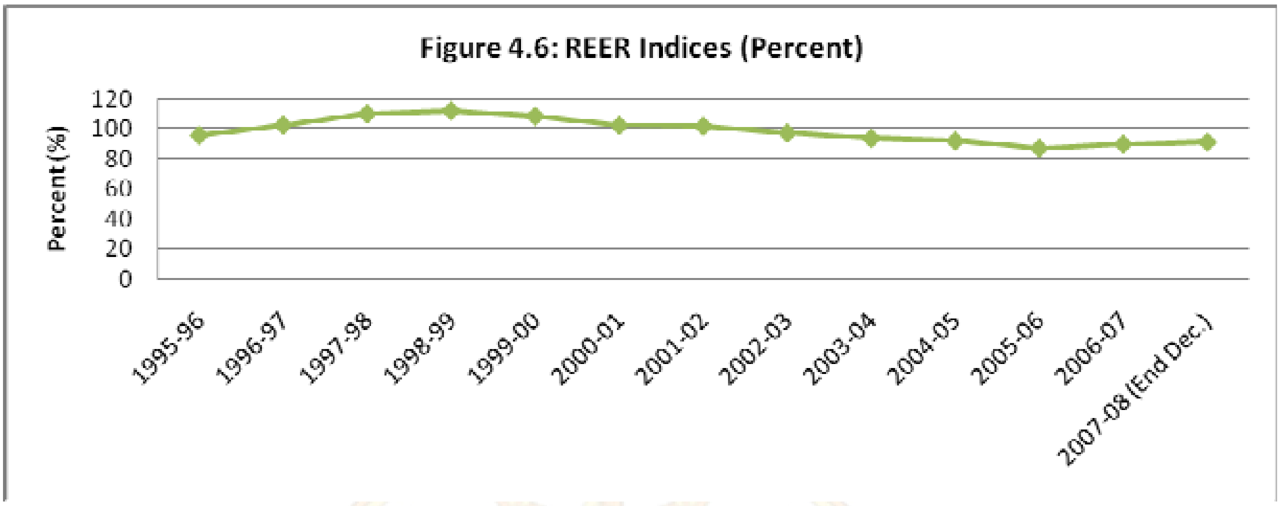


Figure 4.6 shows that:

- The Real Effective Exchange Rate (REER) index appreciated during the period 1997-2002 and then decreased gradually. For details please see Appendix 4.10

4.7 Foreign Exchange Reserve

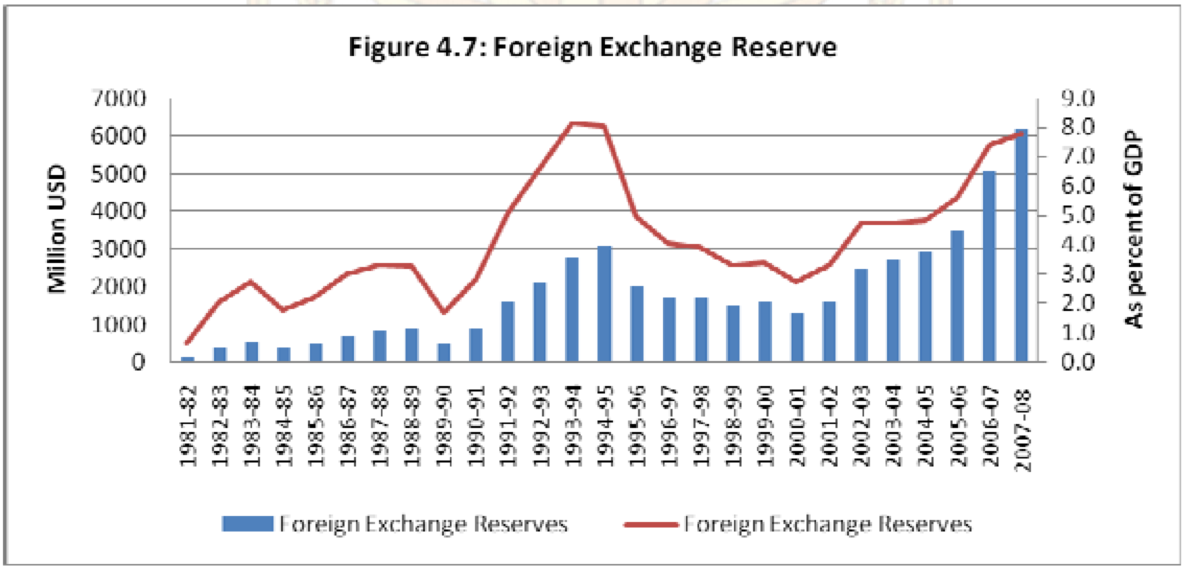


Figure 4.7 shows that

- Foreign currency reserve was quite low (only 0.7%) as a percentage of the GDP in 1981-82 followed by an upward trend and reached the highest 8.2% of GDP in 1993-94.
- It again dipped down to a lower level of 2.8% of the GDP in 2000-01 and showed a continuous upward trend to 2007-08 when it reached 8.1% of the GDP.
- Total foreign exchange reserve as of February 3, 2009 was US$ 5572 million. Latest available data on import was US$1817 million in November 2008. The reserve is therefore sufficient to pay 3.1 months' import bill.

For details please see Appendix 4.11.

4.8 Foreign Direct Investment

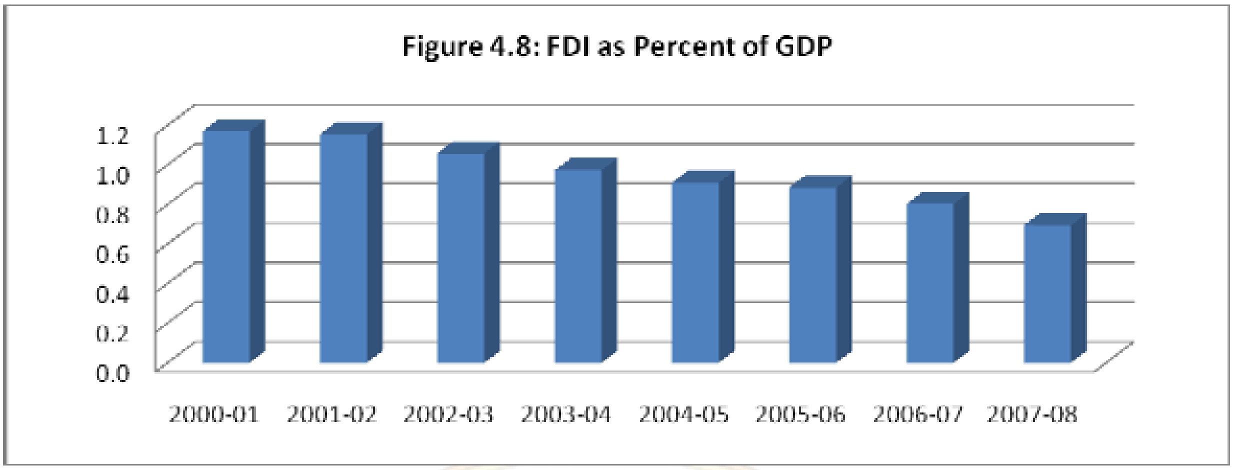


Figure 4.4.2 shows that:

- As percentage of GDP, FDI shows a decreasing trend. Total FDI as percent of GDP fell by 0.5 percentage point from 2000-01 to 2007-08.

For details please see Appendix 4.12.