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Overview of current economic conditions in Bangladesh

A biannual report on the economic conditions of Bangladesh, January-June, 2003

Submitted by:



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Posted to GPN on December 19, 2003.

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Bangladesh has an agrarian economy with 32% of GDP coming from the Agriculture Sector. Major agricultural products are rice, jute, wheat, potato, pulses, tobacco, tea and sugarcane. . The country is the largest exporter of jute and jute goods in the world. Readymade garments are among the most exportable items. Tea, frozen shrimp, fish, leather goods and handicrafts are also major exportable commodities.

The country has under gone a major shift in its economic philosophy and management in recent years. At Bangladesh's birth, the country embraced socialism as the economic ideology with a dominant role for the public sector. But, since the mid-seventies, it undertook a major restructuring towards establishing a market economy with emphasis on private sector-led economic growth.

During the nineties, the country has completed a major stabilization program which has reduced inflation as well as fiscal and current account deficits and established a healthy foreign exchange reserve position with low and sustainable debt-service liabilities. With modest economic growth, the basic indicators related to health, education and poverty have all shown sustained improvement.

According to a World Bank estimate, Bangladesh has the 36th largest economy in the world in terms of GNP based on the purchasing power parity method of valuation, and the 55th largest in terms of nominal GNP in U.S. Dollars.

MACROECONOMIC UPDATE

In the past decade, Bangladesh enjoyed a positive growth rate in GDP and other macro economic indicators. As the most densely populated country in the world, Bangladesh is facing the problems of illiteracy, malnutrition, unavailability of medical facilities etc. Sustainable economic development is one of the major goals of Bangladesh. Political turmoil has hampered the expected growth pattern in Bangladesh.

Table: 1: Growth rate of different macroeconomic indicators

GDP growth rate											
FY-95	FY-96	FY-97	FY-98	FY-99	FY-00	FY-01	FY-02	FY-03	FY-04 (p)	FY-05 (p)	FY-06 (p)
4.9	4.6	5.4	5.2	4.9	5.9	5.3	4.4	5.3	5.5	6.0	6.5
Growth rates of per capita income											
	FY-02		FY-03 (provisional)		Change		Growth rate (%)				
Per capita GDP (US \$)	361		389		(+) US \$28		7.76				
Per capita GDP (Tk)	21707		23575		(+) Tk 1868		8.61				
Per capita GNI (US \$)	378		407		(+) US \$29		7.67				
Per capita GNI (Tk)	20050		21778		(+) Tk 1728		8.62				
Population											
	FY-99		FY-00		FY-01		FY-02		FY-03 (p)		
Population (in crore)	12.63		12.81		12.99		13.16		13.34		
Population growth rate (in %)	--		1.42		1.40		1.31		1.37		
Sectoral contribution to GDP growth in FY-02 & FY-03											
	Sectoral share in GDP			Incremental contribution to GDP							
	FY-02	FY-03	Difference	FY-02	FY-03	Difference					
Agri sector	24	23.4	-0.6	0.1	14.4	14.3					
Industrial Sector	26.7	27.2	0.5	37.3	35.1	-2.2					
Manufacturing	15.8	15.9	0.1	18.6	18.8	0.2					
Construction	8.4	8.6	0.2	15.2	12.6	-2.6					
Service Sector	49.3	49.4	0.1	62.6	50.5	-12.1					

Source: Finance ministry, Bangladesh

p: provisional

Table: 2: Domestic saving at constant market price (base 1985-86)

Year	Domestic savings (Percentage of GDP)	National Saving (Percentage of GDP)
1993-94	13.10	18.79
1994-95	13.13	19.12
1995-96	14.90	20.17
1996-97	15.90	21.58
1997-98	17.41	21.77
1998-99	17.71	22.31
1999-00	17.88	23.10
2000-01	18.00	22.41
2001-02	18.16	23.44
2002-03(p)	18.23	23.74

Source: Finance ministry, Bangladesh

Table: 3: Domestic investment at constant market price (% of GDP)

Year	Total investment (Percentage of GDP)	Public investment (Percentage of GDP)	Private investment (Percentage of GDP)
1993-94	18.40	6.65	11.76
1994-95	19.12	6.74	12.38
1995-96	19.99	6.42	13.58
1996-97	20.72	7.03	13.70
1997-98	21.63	6.37	14.26
1998-99	22.19	6.72	15.47
1999-00	23.02	7.41	15.61
2000-01	23.09	7.25	15.84
2001-02	23.15	6.37	16.78
2002-03(p)	23.22	6.72	16.49

Source: Finance ministry, Bangladesh

It seems that the GDP growth rate in Bangladesh is fluctuating between 4-5%. In recent times, the growth rate exceeds 5% and policies were undertaken to try to exceed the mark of 6% within the next 2-3 years.

The rate of population growth is high. With only 1,48,000 square kilometer there is more than 14.5 crore population [Editor's note: a crore is a one followed by seven zeros, or 10 million.]. Although the GDP growth rate is at a high level, the high rate of population growth absorbs the expansion. So, the growth rate of per capita GDP is low compare to many other developing countries.

The agricultural sector still plays a dominant role in the GDP growth rate. In Bangladesh, the GDP growth rate fluctuates due to the variability in production in the agricultural sector. But the contribution of the service sector is dominates the GDP. Both domestic and national savings are increasing, but the rate of investment is low compare to the rate of

saving. An alarming feature is that growth rate of public investment remains stagnant although private investment is increasing. Adjustment in the rate of interest may change the scenario.

POVERTY AND INEQUALITY CONDITIONS:

Table: 4: Population below poverty line (% of population)

Absolute Poverty			
	1991-92	1995-96	2000
National	47.52	47.53	44.33
Rural	47.64	47.11	42.28
Urban	46.70	49.67	52.50
Hard core poor			
National	28.00	25.06	19.98
Rural	28.27	24.62	18.78
Urban	26.25	27.27	25.02

Source: Finance ministry, Bangladesh

The rate of both absolute and hard-core poverty is high in Bangladesh. Urban poverty is increasing alarmingly although poverty has decreased nationally and in rural areas. Inequality is also increasing in all three areas i.e., national, urban and rural. But, urban inequality is much higher than national and rural. The testing of Kuznet's hypothesis has not given any clear picture concerning the relationship between increasing GDP growth rate and Gini coefficient.

PERFORMANCE OF THE REAL ECONOMY:

Table: 5: Contribution of different sectors in GDP

Sectoral GDP at current market price					
Sectors/sub sectors	1998-99	1999-00	2000-01	2001-02	2002-03(p)
Agri & Forest	42990	44692	45631	46003	48800
Crops & vegetables	32395	33418	34068	33896	36035
Livestock	6443	6858	6893	7118	7474
Forest resource	4152	4417	4674	4989	5291
Sectoral growth rate of GDP at constant market price					
Agri & Forest	3.24	6.92	5.53	-0.62	3.59
Crops & vegetables	3.11	8.10	6.18	-2.39	3.21
Livestock	2.69	2.74	2.81	4.70	4.51
Forest resource	5.16	4.94	4.85	4.91	4.97
Fishery	9.96	8.87	(-) 4.53	2.22	2.33
Sectoral contribution to GDP at constant market price (%)					
Agri & Forest	19.35	19.49	19.51	18.58	18.23
Crops & vegetables	14.33	14.59	14.72	13.75	13.44
Livestock	3.12	3.02	2.95	2.96	2.93
Forest resource	1.90	1.88	1.87	1.88	1.87
Fishery	5.93	6.09	5.52	5.40	5.23

Sources: Finance ministry, Bangladesh,
Bangladesh Bureau of Statistics (BBS)

The agricultural and forest sectors account for a major share of GDP. Data reveals that the performance of the manufacturing sector is not satisfactory. Although the growth rate of the manufacturing sector is positive, it did not achieve its' target level. The fluctuating characteristic prevails in food grain production. Annual growth of food grain production was positive in FY-01 but it has sharply decline in FY-02, whereas the growth path leads back to its previous trends in FY-03.

Table: 6: Foreign investment

(Mln. US\$)

Year	FDI			Portfolio Investment			Foreign Investment in EPZ (Net inflow) ^a	Total net inflow of foreign investment
	Inflow	Outflow	Net inflow	Inflow	Outflow	Net inflow		
FY-01	166.10	0.10	166.00	5.90	6.30	-0.40	48.41	157.52
FY-02	65.24	0.56	64.68	0.50	6.09	-5.59	55.71	114.80
FY-03	na	na	16.00	na	na	1.00	79.14 ^b	na

Source: Finance ministry, Bangladesh,

Notes: ^a includes investments in joint-venture enterprises with local entrepreneurs.

^b for July-February

na: not available

Table:7: Foreign Aid and Debt services

(Mln US\$)

Fiscal Year	Foreign Aid			Debt services		Outstanding External Debt as on June	Total Foreign Currency Earnings	Outstanding External Debt as % of GDP	Debt Servicing as % of Foreign Currency Earnings
	Commitment	Disbursement	Pipe Line	Principal	Interest				
FY-01	2053	1259	5713	438	159	16239	9117	34.6	6.5
FY-02	879	1250	5864	407	148	16648	8487	35.2	6.5

Sources: Finance ministry, Bangladesh,

Bangladesh Bureau of Statistics (BBS)

In FY-02 Bangladesh received a net amount of US\$114.71 million as foreign investment where more than 55% was in the form of Foreign Direct Investment (FDI) and rest of the investment was in EPZs. Net inflow of foreign investment falls in FY-02 compare to FY-01, Inflow of FDI falls drastically compare to the preceding year. A Foreign investment in EPZs continuously increased, which partly offset the fall of inflow of FDI. In spite of pro-active policy procurement, foreign direct investment continuous to shy away from Bangladesh. In the case of foreign aid, analysis shows that although the commitment of foreign aid falls in FY-02 compared to the preceding year, but the disbursement increases. Total foreign aid commitment for FY-03 (July-March) is \$616 million where project aid is more than 92%. Disbursement of foreign aid during July-Feb (FY-03) amounted to \$547 million with project aid consisting of about 80%. To date, in FY-03, there had been only \$8 million commitment and \$24 million in food aid disbursement. While committing aid donor countries are now putting pre-conditions for receiving aid.

DEVELOPMENT OF MONETARY SECTOR

Here the monetary sector interacts with the rate of domestic credit expansion, government borrowing from the banking system, the rate of inflation, the consumer price index (CPI) etc.

Table: 8: Domestic Credit Expansion

(Billion taka)

	Government		Other public		Private Sector		Total		Share of private sector in total credit
	Amount	Annual Growth rate	Amount	Annual Growth rate	Amount	Annual Growth rate	Amount	Annual Growth rate	
FY-01	176.8	19.7	73.6	19.2	590.7	16.9	841.1	17.7	70.2
FY-02	201.6	14.1	72.4	-1.6	675.7	14.4	949.8	12.9	71.1
FY-03 (Feb)	203.5	3.5	77.3	6.9	745.5	16.3	1026.3	12.8	72.6

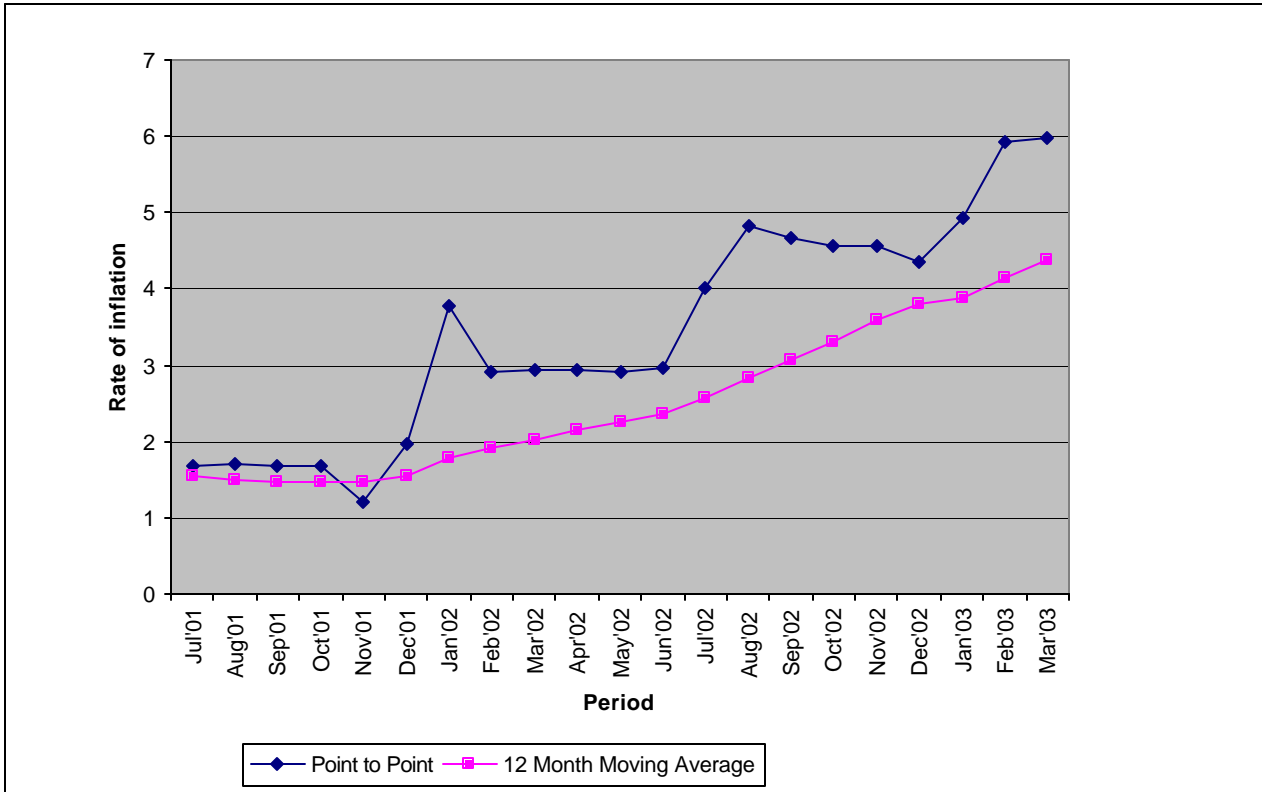
Sources: Finance ministry, Bangladesh
 Bangladesh Bureau of Statistics (BBS)
 Bangladesh Bank

The growth rate of private sector credit is higher than in the public sector. Agricultural credit and industrial term loans fell. Monthly data suggests that there had been a spectacular slowdown in the rate of credit growth in the private sector since May 2002. As domestic financing of ADP increases, the borrowing from the banking sector by the government increases. Data reveals that total credit to government from the banking sector increases sharply in 1996-2002. But, as the government has pursued a tight monetary policy and strengthened the collection of taxes from domestic sources, the increasing tendency of government borrowing from the banking sector remains stagnant.

There is a sharp increase in the rate of inflation from June 2002 to July'02 on a point-to-point basis. It increased sharply in March 2003-the highest in the last few years. The reason for such inflation is "cost push" rather than "demand pull". Increases in the price of fuel, public utilities and the adjustment of the exchange rate etc. contributed to a raise in the level of inflation. But there is no reason to be panic over the current level of inflation. Indeed, some would say that a "little inflation: is good for stimulating investment."

Table 9: Rate of Inflation in Bangladesh (Measured by CPI, Base: 1985-86)

Period	Point to Point	12 Months Average
1994-95	11.22	8.87
1995-96	1.61	6.65
1996-97	5.59	2.52
1997-98	6.78	6.99
1998-99	7.79	8.91
1999-00	2.27	3.41
2000-01	1.66	1.58
2001-02	2.95	2.36
July	1.68	1.54
August	1.71	1.50
September	1.68	1.47
October	1.69	1.48
November	1.20	1.47
December	1.96	1.54
January	3.78	1.79
February	2.90	1.91
March	2.93	2.02
April	2.94	2.14
May	2.91	2.25
June	2.95	2.36
2002-03		
July	4.01	2.56
August	4.83	2.82
September	4.67	3.07
October	4.56	3.30
November	4.57	3.59
December	4.36	3.79
January	4.93	3.89
February	5.93	4.14
March	5.98	4.39
April	---	--



Sources: Finance ministry, Bangladesh,
 Bangladesh Bureau of Statistics (BBS)
 Bangladesh Bank

BEHAVIOR OF EXTERNAL SECTOR

As globalization expands, the importance of the external sector increases. The external sector includes the exchange rate, foreign exchange reserves, remittances from abroad, export/ import, foreign trade etc. Remittances from abroad are working to produce continuous growth in foreign exchange reserves.

Table: 10: Exchange Rate (Taka vs. US Dollar):

Fiscal Year	Average Exchange rate
1993-94	40.00
1994-95	40.20
1995-96	40.84
1996-97	42.70
1997-98	45.46
1998-99	48.06
1999-00	50.31
2000-01	53.96
2001-02	57.43
2002-03(July-March)	57.90

Sources: Finance ministry, Bangladesh,
Bangladesh Bank

Table: 11: Foreign Exchange Reserve:

(In Million US Dollar)

Fiscal Year	Foreign Exchange Reserve
30.06.1994	2765
30.06.1995	3070
30.06.1996	2039
30.06.1997	1719
30.06.1998	1739
30.06.1999	1523
30.06.2000	1602
30.06.2001	1307
30.06.2002	1583
19.05.2003	1805

Sources: Finance ministry, Bangladesh,
Bangladesh Bank

The exchange rate in Bangladesh declined sharply compared to other macroeconomic indicators. To promote exports, to reduce imports and to compete with neighboring countries, the exchange rate has depreciated several times. Finally, the government has adopted a policy of floating exchange rates. Foreign exchange reserves have improved more than any other macroeconomic indicator. The foreign exchange reserve bounced back to US\$1.8 billion in FY-03 from US \$1.3 billion in FY-01 registering a significant growth rate. The current account balance remains erratic. Exports fell after the attack on the twin towers in New York on 11th September 2001, but returned to a significant level within a short period of time. Import controls and the promotion of exports is have been used to maintain a positive current account balance.

Table: 12: Remittances from abroad:

Fiscal Year	Number of overseas person ('000')	Amount of Remittances (in Million US\$)	Amount of Remittances (in crore tk.)
1993-94	192	1089	4355
1994-95	200	1198	4814
1995-96	181	1217	4978
1996-97	228	1475	6304
1997-98	243	1525	6951
1998-99	270	1706	8213
1999-00	248	1949	9825
2000-01	213	1882	10266
2001-02	195	2501	14377
2002-03	201	2249(July-April)/ 2531(projected till the end of fiscal year)	14653(p)

Sources: Finance ministry, Bangladesh,
Bangladesh Bank

AN OVERVIEW OF THE LABOUR MARKET SCENARIO IN BANGLADESH

This section deals with labour force characteristics. The characteristics include working age population by broad age group, sex and geographic location. The labour force characteristics are analyzed and presented by (A) Usual definition (B) Extended definition. The concept and definitions as recommended by the International Labour Office (ILO) regarding unemployment and underemployment were used. Accordingly, a person of age 10 years and above was considered unemployed if he/she did not work at all during the preceding week of the survey (even an hour in the reference week) and was actively looking for work or was available for work but did not work due to temporary illness or because there was no work available. In Bangladesh situation, the concept of unemployment based on the above definitions needs to be supplemented by the concepts of visible and invisible underemployment. The following data give a brief sketch of the labour market conditions of Bangladesh.

Table: 13: Distribution of households by economically active persons and locality:

Locality	Total households (000)	Total economically active persons (000) (15+usual)	Average number of economically active persons per households (15+usual)	Average number of male economically active persons per household (15+usual)	Average number of female economically active persons per household (15+usual)
Bangladesh	26282	40728	1.5	1.2	0.3
Urban	5704	9228	1.6	1.2	0.4
Rural	20578	31500	1.5	1.2	0.3

Source: BBS

In Bangladesh, the majority of the economically active population is male. The average number of economically active people per household is 1.5, of these, on average, 1.2 is male and 0.3 is female.

Table: 14: Unemployment rate of population (15+) by sex and residence:

Locality	Both sex		Male		Female	
	No. of unemployed population (thousand)	Unemployment rate (%)	No. of unemployed population (thousand)	Unemployment rate (%)	No. of unemployed population (thousand)	Unemployment rate (%)
Thousand						
1995-96						
Bangladesh	1266	3.5	848	2.8	418	7.8
Urban	401	4.8	299	4.4	102	6.5
Rural	865	3.1	549	2.3	316	8.3
1999-2000						
Bangladesh	1749	4.3	1083	3.4	666	7.8
Urban	533	5.8	356	5.0	176	8.3
Rural	1216	3.9	726	2.9	489	7.6

Source: Different round of labour force survey.

Comparing unemployment rates between 1995-96 to 1999-2000 shows that the number of unemployed person increased significantly for both males and females. But the rate of unemployment for rural females fell in 1999-2000 compared to 1995-96.

Table: 15: Unemployed persons aged 10 years and 15 years and over, unemployment rates by extended and usual definitions:

Locality	Unemployed population (000)		Unemployment rates (%)			
			Extended definition		Usual definition	
	Aged 10+	Aged15 +	Aged 10+	Aged15 +	Aged 10+	Aged15 +
Bangladesh	2225	1750	3.7	3.3	4.9	4.3
Urban	620	533	5.5	5.3	6.0	5.8
Rural	1604	1217	3.3	2.8	4.6	3.9

Source: BBS

Rate of unemployment is high according to usual definition than extended definition.

The rate of underemployment is 16.6%, where the female underemployment rate is very high, which is 52.8% and male underemployment rate is only 7.4%. Females are busy with household work and they have less opportunity to search for jobs. Traditionally, females are responsible for household work and they are paid less for their labour. By usual definition, the rate of unemployment and the rate of underemployment is 21.0%, whereas it is 39.9% in extended definition based on the labour force survey of 1999-2000.

Table 16: Population aged 15 years and over by activity status:

Activity status	Both sex		Male		Female	
	Number (millions)	%	Number (millions)	%	Number (millions)	%
Total	74.2	100.0	38.3	100.0	35.9	100.0
Worked for salaries, wages and commission	16.0	21.6	13.0	33.9	3.0	8.4
Self-employment/own account workers	18.3	24.7	16.1	42.0	2.2	6.0
Working but not at work	0.0	0.0	0.0	0.0	0.0	0.0
Crop and non-crop production, cottage ind. Small trade and farm activities as unpaid workers	4.7	6.3	2.0	5.2	2.7	7.5
Did not work but available for work	1.7	2.3	1.1	2.9	0.6	1.7
Household work	25.4	34.2	1.5	3.9	23.9	66.6
Students	5.1	6.9	3.1	8.1	2.0	5.7
Retired/income recipients	2.1	2.8	1.1	2.9	1.0	2.8
Others (beggars, disabled, etc).	0.9	1.2	0.4	1.1	0.5	1.3

Source: BBS

Table 17: Population aged 15 years and over by broad economic category

Economic categories of population 15+	Bangladesh			Urban			Rural		
	Both sex	Male	Female	Both sex	Male	Female	Both sex	Male	Female
Number (Million)									
Population aged 15+	74.2	38.3	35.9	16.5	8.5	8.1	57.7	29.9	27.8
Total labour force	40.7	32.2	8.6	9.2	7.1	2.2	31.5	25.1	6.4
Employed	39.0	31.1	7.9	8.7	6.7	2.0	30.3	24.4	5.9
Unemployed	1.7	1.1	0.7	0.5	0.4	0.2	1.2	0.7	0.5
Not in labour force	33.5	6.1	27.3	7.3	1.4	5.9	26.2	4.8	21.4
Household work	25.4	1.5	23.9	5.0	0.1	4.9	20.4	1.4	19.0
Students	5.1	3.1	1.9	1.6	0.9	0.7	3.5	2.3	1.2
Income recipients/retired persons	2.1	1.1	1.0	0.5	0.3	0.2	1.6	0.8	0.8
Others (beggars, disabled etc)	0.9	0.4	0.5	0.2	0.1	0.1	0.7	0.3	0.4
Percent									
Total labour force	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Employed	95.7	96.6	92.2	94.2	95.0	91.8	96.1	97.1	92.4
Unemployed	4.3	3.4	7.8	5.8	5.0	8.2	3.9	2.9	7.6
Not in labour force	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Household work	75.9	24.1	87.5	68.3	7.4	82.5	78.0	28.9	89.0
Students	15.1	50.8	7.1	21.8	62.8	12.2	13.2	47.3	5.6
Income recipients/retired persons	6.3	18.4	3.6	7.5	24.1	3.6	6.0	16.7	3.6
Others (beggars. Disabled etc)	2.7	6.7	1.8	2.4	5.7	1.7	2.8	7.1	1.8

Source: BBS

Table: 18: Labour force by sex and locality

Locality	Labour force			Employed			Unemployed		
	Both sex	Male	Female	Both sex	Male	Female	Both sex	Male	Female
Number									
Bangladesh	53.5	33.5	20.0	51.8	32.4	19.4	1.8	1.1	0.7
Urban	10.0	7.2	2.8	9.5	6.8	2.7	0.6	0.4	0.2
Rural	43.5	26.3	17.2	42.3	25.6	16.7	1.2	0.7	0.5
Percent									
Bangladesh	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Urban	18.7	21.4	14.2	18.3	21.0	13.8	30.5	33.0	26.4
Rural	81.3	78.6	85.6	81.7	79.0	86.2	69.5	67.0	73.6

Source: BBS

Notes: Figures may not add to total due to rounding.

Classification of employed population

Table: 19: Annual growth rate of major occupation

(Thousand)

Major occupation	Bangladesh (1995-96)			Bangladesh (1999-2000)			Annual growth rate (1995-96 to 1999-00)		
	Both sex	Male	Female	Both sex	Male	Female	Both sex	Male	Female
Total	49071	30419	18652	51664	32429	19335	1.4	1.7	0.9
Profession, technical	1680	1107	573	1600	1202	398	-1.2	2.1	-7.6
Admn, managerial	181	171	9	189	174	15	1.1	0.4	16.7
Clerical workers	1183	1059	124	1222	1092	130	0.8	0.8	1.2
Sale workers	5815	5377	438	5873	5436	437	0.2	0.3	-0.1
Service workers	1427	658	769	2270	1024	1246	14.8	13.9	15.5
Agri, forest, fisheries	30967	16132	14835	32381	17231	15150	1.1	1.7	0.5
Production, transport labourers & others & not adequately defined	7819	5915	1904	8230	6271	1959	1.3	1.5	0.7

Sources: BBS

A striking feature is that females are highly engaged in household work, with 25.4 million people or 34.2% of the active population involved in household work and of these 23.9 million or 66.6% are female. According to LFS 1999-2000, 33.5 million of the population aged 15+ are not in the labour force. Of this group of 33.5 million people 26.2 million are female.

Table: 20: Average number of wage and salaried (employee) persons per households:

Locality	Total households (000)	No. of wage and salaried persons (000)	Average number of wage and salaried persons per household	Average no. of wage and salaried persons per 100 households
Bangladesh	26282	6533	0.25	24.86
Urban	5704	3251	0.57	57.00
Rural	20578	3283	0.16	15.96

Sources: BBS

Wage Rate analysis:

Table: 21: Average wage rate of day labourers 15 years & over by sex and residence (Tk.)

Sex	Bangladesh	Urban	Rural
Both sex	61	80	59
Male	65	85	63
Female	38	59	35

Sources: BBS

The wage gap between males and females is high. The average daily wage for males is 65(tk.), whereas it is only 38 tk for females. The wage gap is more severe in rural areas than it is in urban areas. The large wage gap contributes to the high underemployment rate for females.

Comparing different labour force surveys from 1989 through 2000 we find that the number of economically active population increased in total, in rural, and in urban areas. From 1995-96 to 1999-2000, number of population in all categories such as, employed population, unemployed population, and underemployment rate in both rural and urban area has increased. Underemployment rate is higher for female than male at both urban and rural level. The same is true for the extended definition except in the case of the underemployment rate, which fell from 1995-96 to 1999-2000 at all three levels.

Although the demographic dependency ratio is the same in both the usual and the extended definitions, the economic dependency ratio is significantly higher by the usual definition.

CONCLUSION AND POLICY RECOMMENDATION

As we move through the new millennium, Bangladesh is doing much better in some sectors, but the proper balance between sectors is required for achieving positive goals. Bangladesh has recently achieved success in a significant growth rate of GDP. But, the problem also remains that the growth rate of GDP is dominated by agriculture while

production is weak. The growth of the manufacturing sector is not satisfactory. Lack of democratic practice and corruption works as an obstacle for achieving government targets.

If the government is not successful in creating a favorable investment climate and investment does not match the savings rate, then the ability to achieve the targeted level of GDP growth will remain in doubt. To attract investment, the government should readjust the rate of interest and should create political atmosphere that will be favorable for domestic as well as foreign investment. Policies that promote remittances would also be helpful to stabilize economy.

With high population growth continuing to expand the economically active population and the simultaneous employment cuts in privatized industries, the labour market situation in Bangladesh is fragile. Relatively high rates of inflation combined with high levels of unemployment may lower real wages. To overcome these problems, the government should create job opportunities and should take initiative to run industries. Within the policy of privatization, the government may take different steps towards creating jobs and running industries. Since the world economy is subject to sudden and rapid changes, Bangladesh faces both risks and opportunities. Unless we can devise far-sighted strategies, we risk remaining marginalized in the increasing global flow of commodities, capital, information and technology.