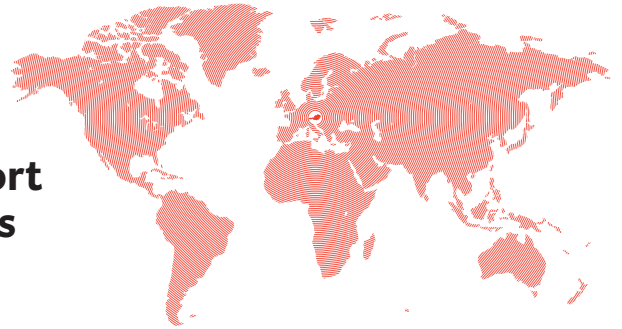


Oberbank

Economic and Banking Report Global Financial Institutions



Bangladesh

Economic situation

> GDP forecast for 2021 +6.2 %

Bangladesh - one country, two extremes. The divergence between success and abject poverty presents the nation with numerous challenges. On the one hand, Bangladesh, as the world's second largest textile producer, is one of the **most ambitious and successful economies in South Asia**.

On the other hand, Bangladesh, with around 165 million inhabitants, holds the title of the most populous nation in the category of the so-called **Least Developed Countries (LDCs)**. According to the United Nations definition, LDCs are countries with a low socio-economic status that have to cope with severe structural obstacles and a low level of human capital. Human capital is defined as the status of a population in terms of health, infant mortality, education structure and literacy rate.

The country recorded a GDP growth of 5.2 % in 2020, despite Covid-19. These black figures are due to stable domestic demand and the comparatively high number of foreign currency shipments as well as stimulus and social protection packages. The forecast for 2021 is +6.2 %, with additional **stabilisation of the labour market** at pre-pandemic level.

Inflation also remains stable at a projected 5.6 % for 2021, which is close to the central bank's target.

In addition, **consumer prices** are expected to rise by 5.5 % in 2021. This is due to a renewed increase in private consumption as well as higher oil and gas prices.

The economic successes of recent years can be attributed to the textile in-

Second largest textile exporting country in the world.

dustry, which is based on modernisation processes as well as on raising quality standards. In order to continue to strengthen the importance of textile industry, the Bangladeshi government is planning economic stimulus packages worth USD 1.4 billion. Although almost 87 % of GDP revenue comes from the manufacturing and service sectors, the **agricultural sector** still employs over 50 % of the population.

Modernisation as a driver of opportunity

> Investments in the billions

In order to be able to generate further economic progress in the country, it will be essential to establish the dynamism of the textile industry in other economic sectors as well and to drive the country and the economy forward with the help of various modernisations, especially in the area of infrastructure.

Thanks to **government investments** of around 26 billion USD for infrastructure projects, the analytical expectations of the Economist Intelligence Unit (EIU) of 2 % **growth** were corrected to 7 % in real terms.

In particular, investments were made in the areas of transport, energy, health and housing. Tax cuts for companies and tax exemptions for investments are also expected to boost private and foreign direct investment.

Bangladesh is still dependent on its gas resources and attributes almost 57 % of its energy output to this occurrence. Due to the steady population growth, coupled with a still outdated infrastructure as well as a growing industry, the **energy crisis** is further aggravated and leads to supply shortages.

With increasing production in the industrial sector, securing energy supply will continue to be a challenge in the coming years. This circumstance highlights the opportunities for entrepreneurs in the energy market.

Summary:

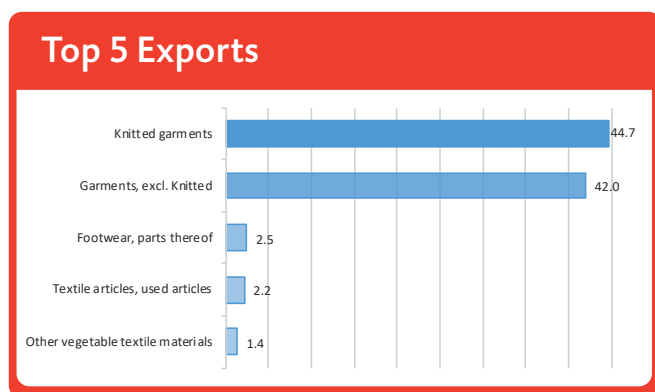
- 5.2 % GDP growth in 2020
- Third largest recipient of foreign exchange shipments in South Asia
- 50 % engaged in agriculture
- Infrastructure investment of 26 billion USD

Key economic figures	2019	2020	2021*	2022*
Nominal GDP in billion USD	302.6	329.8	367.9	408.7
GDP/capita at purchasing power parity in USD	4,939	5,244	5,604	6,048
Population in millions	163	165	166	168
Real economic growth in %	8.2	5.2	6.2	6.9
Inflation rate (%)	5.6	5.7	5.6	5.5
Unemployment rate in %	4.2	5.3	5.2	4.8
Exchange rate GBP to EUR	95.4	104.1	102.3	101.7
Goods exports of the country in billions of USD	38.7	33.0	37.1	40.9
Goods imports of the country in billion USD	54.7	46.5	54.9	59.9

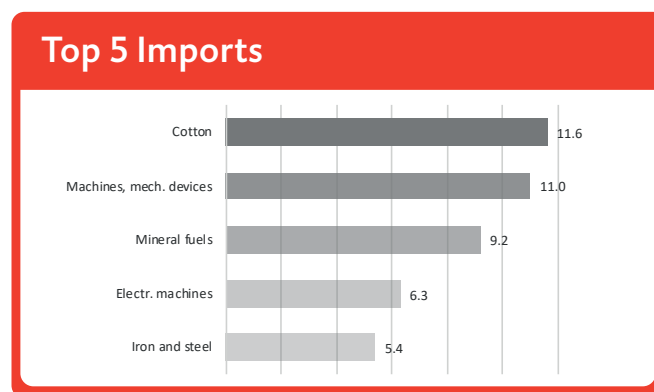
* Preliminary forecast; Source: WKO, Wirtschaftsbericht, June 2021; Business year: 1 July to 30 June.

Exports/Imports

Textiles play the most important role in Bangladesh's international activities, accounting for more than 80 % of exports. The top exporting countries are western-oriented countries, including the USA, Germany and the UK. On the other hand, goods such as cotton, machinery and equipment, but also mineral fuels are largely imported from China and neighbouring India.



Source: WKO, Länderprofil 2021; 2019, in %.



Economic relations with Austria

>Imports to Austria

Trade with Bangladesh shows a clear gap between import and export goods, with an enormous trade deficit of EUR 655 million, in favour of Bangladesh. While Austrian export goods have been subject to only minimal fluctuations over the last 20 years, imports have tended to show strong growth, despite -8.8 % in 2020. Here, too, the textile sector, with 95 % of the total import of goods, takes a pioneering position. Due to the dominance of the textile industry, there are opportunities for Austrian companies in this sector in particular, as well as in the areas of energy, medical technology, alternative energy and packaging.

Imports of goods 2020: -8.8 %

> Exports from Austria

With power, labour and electrical machinery as Austria's main export goods, these are mainly found in the production sector. With a pandemic-related decline of 11.5 % compared to the previous period, Austria thus generates EUR 81.8 million in 2020. In addition, we are seeing an increase in business transactions via brokers in the banking sector.

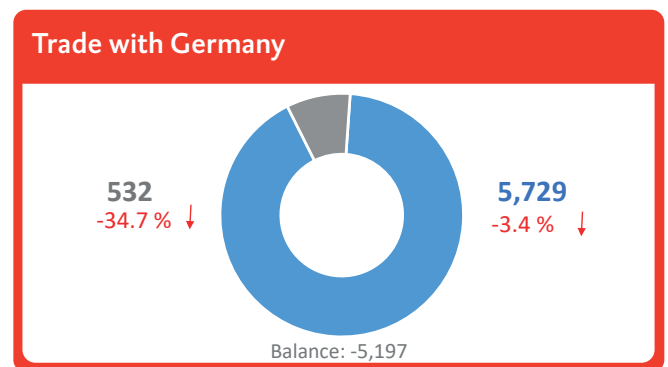
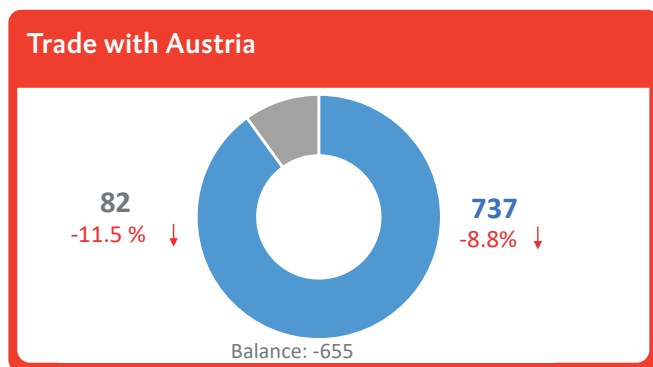
Exports of goods 2020: -11.5 %

Economic relations between Austria and Germany

	2020	2019	Change on previous year in %
Austrian exports of goods in EUR million	81.8	92.5	-11.5
Austrian imports of goods in EUR million	736.7	807.3	-8.8
Austrian exports of services in EUR million, 1st-3rd quarter	8	13	-38.5
Austrian imports of services in EUR million, 1st-3rd quarter	8	9	-11.1
German exports in EUR million	531.5	813.7	-34.7
German imports in EUR million	5,728.5	5,932	-3.4

Source: Wirtschaftsbericht WKO and Germany Trade & Invest

Bangladesh's foreign trade



2020, change YOY, in EUR million
Imports, exports and balance sheet from Bangladesh's perspective; own presentation

Assessment of the business environment

	Bangladesh
Ease of Doing Business 2020	Rank 168 of 190 countries
Global Competitiveness Index 2019	Rank 105 of 141 countries
Corruption Perceptions Index 2020	Rank 146 of 198 countries
Rule of Law Index (World Justice Project) 2020	Rank 115 of 128 countries
Most important goods export market AT/DE 2020	Rank 69 / Rank 79

The Corruption Perceptions Index is a global corruption indicator that is updated annually. In this ranking, the nation is in the bottom quarter and has stagnated at this level since 2012. In the Ease-of-Doing-Business ranking, an indicator of a business-friendly envi-

ronment, Bangladesh ranks last in the "BB-" rating category. Moreover, the nation shows a negative trend of two places in the Global Competitiveness Index, compared to 2018.

Current rankings of Oberbank regions in the Rule of Law Index:

Germany	6
Austria	8
Czech Republic	18
Hungary	60
Slovakia	not specified

Source: World Justice Project, 2020

All in all, Bangladesh ranks at the bottom of the rankings, implying potential for improvement in all areas.

Rating Bangladesh

> Non-investment grade

Agency	Rating	Outlook	Date
Fitch	BB-	Stable	11.11.2020
S&P	BB-	Stable	24.08.2021
Moody's	Ba3	Stable	19.03.2020

Source: Countryeconomy, Fitch Ratings, EconomyNext

Fitch justifies its "BB-" rating despite resilient external finances due to a low government revenue base with low per capita income, the weak business environment as well as a weak banking sector.

Standard and Poor's supports the statement about the issue of low per

capita income combined with high debt servicing costs, which is the main rating constraint.

In contrast, S&P emphasises that despite strong challenges, Bangladesh continues to record above-average economic growth compared to its peers. The stable outlook manifests it-

Dual B ratings with stable outlook for the country.

self with the statement that economic growth trends can offset the risks of the next year.

Banks

Health and governance standards in the banking sector remain weak, according to Fitch. In particular, state-owned commercial banks (SOCBs), which account for around 30 % of total banking sector assets, are affected. This leads to a generally increased gross non-performing loan (NPL) ratio of 9 %. Bangladesh's banking sector is described by S&P as rather small, with assets of less than 100 % of GDP. In addition, the to-

tal capital ratio of the banking sector is also described as low at 11.6 %.

The nation benefits from low foreign credit in terms of its credit profile. Combined with the competitive textile sector, Bangladesh, as the third largest South Asian recipient of foreign currency shipments, has a moderate current account deficit.

According to Fitch, Bangladesh's central bank will maintain its current policy stance to create a stable and competitive exchange rate.

The largest banks in Bangladesh

Place	Bank	Total Assets
1	Sonali Bank Limited	16.733*
2	Islami Bank Bangladesh Ltd**	16.322*
3	Janata Bank Limited**	11.969*
4	Agrani Bank Ltd	9.774*
5	Pubali Bank Ltd**	6.563*
6	Rupali Bank Limited	5.747*
7	Export Import Bank of Bangladesh Limited**	5.641*
8	Dutch-Bangla Bank Limited**	5.491*
9	National Bank Limited	5.330*
10	BRAC Bank**	5.294*

Total assets as of 31.12.2019 / **2020 in USD million;

*consolidated; source: Bankers Almanac, download on 14.09.2021

Oberbank Expertise

Banks shaded in grey:

Oberbank has an active relationship (SWIFT/RMA) with these relationship banks and can thus present documentary transactions for customers.

Payment transactions are also possible with all banks in Bangladesh via our clearing bank partners.

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