Bangladesh's economic freedom score is 52.7, making its economy the 137th freest in the 2022 Index. Bangladesh is ranked 29th among 39 countries in the Asia–Pacific region, and its overall score is below the regional and world averages.

Over the past five years, Bangladesh's economy has continued to grow strongly. Growth accelerated from 2017 through 2019, decelerated in 2020, and accelerated again in 2021. However, a five-year trend of slowly expanding economic freedom has been broken. With significant score decreases in labor freedom and trade freedom, Bangladesh has recorded a 2.3-point overall loss of economic freedom since 2017 and has fallen into the lower half of the “Mostly Unfree” category. Scores for tax burden and government spending are excellent, but the country lags in rule of law and labor freedom.

**IMPACT OF COVID-19:** As of December 1, 2021, 27,983 deaths had been attributed to the pandemic in Bangladesh, and the government’s response to the crisis ranked 119th among the countries included in this Index in terms of its stringency. The economy grew by just 3.8 percent in 2020.

**BACKGROUND:** Bangladesh is a large Muslim-majority democracy that shares borders with India and Burma. The British partition of India in 1947 resulted in the creation of West Pakistan and East Pakistan. Following a conflict for independence from West Pakistan and aided by India, East Pakistan declared itself the independent state of Bangladesh in 1971. Two political parties have alternated in power for decades. Prime Minister Sheikh Hasina of the Awami League secured her third consecutive term when her party won 288 of 300 contested seats in 2018 parliamentary elections that generated credible accusations of fraud. Despite political instability and the ruling party’s authoritarian tendencies, economic growth, led by garment exports, has been robust.
Enforcement of property rights is uneven. Poor record-keeping systems can complicate land and property transactions. The feeble judiciary is slow and lacks independence. Procedures for contract enforcement and dispute settlement are inefficient. Corruption is pervasive at all levels of society. Weak rule of law, limited bureaucratic transparency, and political polarization undermine government accountability and impede economic growth.

The top individual income tax rate has been reduced to 25 percent, but the top corporate tax rate has been increased to 32.5 percent. The overall tax burden equals 7.7 percent of total domestic income. Government spending has amounted to 15.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.2 percent of GDP. Public debt is equivalent to 38.9 percent of GDP.

Regulations governing business are unclear, inconsistent, or little publicized. Registration and regulatory process interactions by businesses often require under-the-counter payments to bureaucrats. Cheap, low-skilled labor abounds, but productivity is low. Enforcement of labor law is lax. The government maintains significant subsidies for energy and agricultural products.

Bangladesh has five preferential trade agreements in force. The trade-weighted average tariff rate is 10.6 percent, and layers of nontariff barriers continue to impede dynamic flows of trade. Although foreign investment is welcome, potential investors face a host of challenges. Government ownership and interference in the financial sector remain considerable, undermining the sector’s overall efficiency. Financing instruments are limited.