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|----------|----------|-------------|--------------|---------------|-----------|-----------|----------|------------|---------|--------|--------|-------|
| DSEX     | CSCX     | Gold        | Oil          | MUMBAI        | TOKYO     | SINGAPORE | SHANGHAI | USD        | EUR     | GBP    | CNY    |       |
| ▲ 0.10%  | ▲ 0.41%  | \$1,898.97  | \$42.93      | ▲ 0.64%       | ▼ 0.41%   | ▲ 0.37%   | ▲ 0.13%  | 83.95      | 97.32   | 107.46 | 12.35  |       |
| 4,877.65 | 8,372.65 | (per ounce) | (per barrel) | 39,982.98     | 23,410.63 | 2,533.02  | 3,336.36 | BUY TK     | SELL TK | 101.12 | 111.26 | 12.98 |

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## The never-ending debate over GDP growth

Experts say it's natural that the numbers will differ due to diverse perspectives, but all should learn to live with differences in the testing times

REJAUJIL KARIM BYRON, SOHEL PARVEZ and MD FAZLUR RAHMAN

The debate over Bangladesh's GDP growth forecasts is back again. There is wide variation in the projections made by the multilateral development agencies for the current fiscal year amid deep uncertainties about the near-term trajectory of the global economy as the pandemic is still raging.

Last week, the International Monetary Fund (IMF) lowered its economic growth forecast for Bangladesh to 4.4 per cent for FY21 from 5.7 per cent earlier.

The World Bank said the economy would grow by 1.6 per cent. The Asian Development Bank (ADB) painted a more optimistic scenario among the three as it predicted 6.8 per cent GDP growth.

The government is, however, bullish about pulling off 8.2 per cent GDP growth and has said the WB forecast is not reflective of the ongoing economic recovery.

The modelling exercises to reach the GDP figures are carried out based on a number of assumptions.

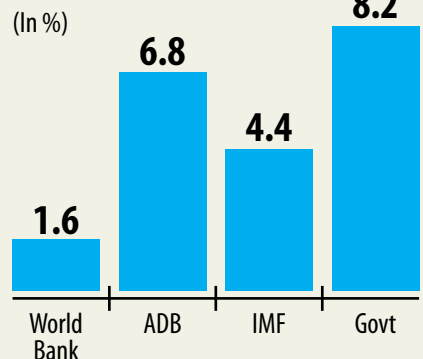
This would include the performance of the global economy and whether there would be a second wave of the coronavirus, the service sector would make a comeback and how long it would take for the transport system to return to its pre-pandemic level, said Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue.

"It appears that the World Bank's assumptions in these areas are more conservative, the IMF's forecast is modest and the ADB is more optimistic."

Zahid Hussain, a former lead economist of the WB's Dhaka office, said the pandemic struck the economy on both demand and supply sides by reducing mobility and assembly.

The consequent decline in income and employment combined with the persisting spread of the virus reduced confidence

### GDP GROWTH PROJECTIONS FOR FY2021



in goods, labour, and financial markets, thus deepening the economic contraction. All agencies have, therefore, backcasted significantly lower growth in FY20 relative to FY19, he said.

"We can live with differences in the magnitude of the estimated growth contraction between different agencies in times of deep uncertainties brought on by the pandemic."

Monzur Hossain, research director of the Bangladesh Institute of Development Studies, said two factors are important when it comes to carrying out modelling.

"First, you can't be too mechanical and can't just insert data in the model. Second, one has to understand the dynamics of the local economy. Otherwise, models would not come up with better results," he said.

Usually, four areas are taken into account to make an assumption: macroeconomic, fiscal, monetary and external books. But there is not 100 per cent reliable data of the four sectors. Maybe the data on the financial and external sectors are alright, Monzur said.

For instance, the revenue collection does not paint the real situation. "We may have weakness in tax coverage. Weaknesses might be there because of corruption and there might be a weakness in the system."

"If these anomalies are not assessed and one relies on the model alone, definitely there will not be a good result," Monzur said.



"Rather than focusing on the precise percentage points on predictions, it is more valuable to focus on policies that will help the economy bounce back. For a resilient recovery, the government needs to continue to pursue policy reforms."

MERCY TEMBON  
Country director of WB



"The IMF's growth projection for FY21 is more conservative as it reflects the fact that the Covid-19 pandemic has already had an impact on the first two quarters of the current fiscal year."

RAGNAR GUDMUNDSSON  
Resident representative of IMF



"Managing the Covid-19 in Bangladesh and its major export markets and gradual economic recovery in the eurozone and the US are important assumptions that have been considered to forecast faster economic recovery and growth."

MANMOHAN PARKASH  
Country director of ADB



"Policy support to keep enterprises-at-risk afloat and protect the incomes of the poor and the vulnerable will need to complement a ramped-up response on the public health front to flatten the curve."

ZAHID HUSSAIN  
Former lead economist of WB



"Compared to other countries, Bangladesh's GDP is more dependent on domestic demand and this is a strength for the country. The economy is opening up but it has not reached its full capacity."

MUSTAFIZUR RAHMAN  
Distinguished fellow of CPD



"First, you can't be too mechanical and can't just insert data in the model. Second, one has to understand the dynamics of the local economy. Otherwise, models would not come up with better results."

MONZUR HOSSAIN  
Research director of BIDS

The IMF's growth estimate seems more reasonable, he said. The growth might even be higher if the current pace of economic activities continues and there is no further disruption, he said.

Ragnar Gudmundsson, the resident representative of the IMF office in Dhaka, said the IMF's growth projection for FY21 is more conservative as it reflects the fact that the Covid-19 pandemic has already had

an impact on the first two quarters of the current fiscal year.

Moreover, there is still considerable uncertainty regarding the speed of recovery at the global level, which will have an impact on garment exports, remittances, and domestic consumption.

"Compared to FY20, we are still expecting a moderate improvement in economic conditions."

In order to enhance the quality and transparency of GDP estimates and projections, the IMF would strongly recommend moving towards the production of quarterly GDP numbers.

"This would also be consistent with Bangladesh's commendable aspiration to move towards middle-income and higher middle-income status," said Gudmundsson.

Mercy Tembon, country director of the WB Bangladesh, said all forecasts on growth are derived on the basis of available data, observed trends, and the global risk factors. Some predictions are more conservative than others.

"So, it is natural that the numbers will differ. With a significant level of uncertainties created by the Covid-19 pandemic, such differences are even more likely."

The WB's projection also reflects the slowdown of growth it observed in the country during the first half of the fiscal year 2019-20 due to a decline in exports by 5.8 per cent year-on-year, as well as projected recessions in its export markets, the US and Europe.

"Rather than focusing on the precise percentage points on predictions, it is more valuable to focus on policies that will help the economy bounce back. For a resilient recovery, the government needs to continue to pursue policy reforms that will ensure macro-financial stability."

Manmohan Parkash, country director of the ADB, said the key assumptions are that prudent macroeconomic management will continue along with the speedy implementation of the government's stimulus measures.

"Managing the coronavirus disease pandemic in Bangladesh and its major export market countries, and the gradual economic recovery in the Eurozone and the US are important assumptions that have been considered to forecast faster economic recovery and growth in Bangladesh."

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## BSTI licence mandatory to retail fruit drinks, wafer

SOHEL PARVEZ

Fruit drinks and wafer biscuits can no longer be marketed or sold without the certification from the Bangladesh Standards and Testing Institution (BSTI), according to a government notification.

The government has prohibited firms from advertising or retailing fruit drinks and wafer unless the products are made in compliance with the national standards set by the BSTI, the industries ministry said in the notification on October 6.

This means that the makers of these items will have to secure the BSTI licences first before releasing their products into the market.

"We have given firms two months to comply. After December 6, none will be able to market these products without the licences," said Sajjadul Bari, director for certification marks at the state agency.

Before the notification, firms didn't need to comply with the national standards or get BSTI licences to retail fruit drinks and wafer. The two items have a collective annual market value of more than Tk 1,000 crore, which includes nearly Tk 300 crore wafer biscuit industry, according to a top

industry operator.

Manufacturers welcomed the move. Kamruzzaman Kamal, director for marketing at Pran-RFL Group, said that Pran, the biggest player in the local fruit drink market, has long been following BSTI standards voluntarily.

The BSTI's announcement will increase consumer confidence in these products and accountability of the companies.

"So, it is a good move, particularly in Bangladesh's context," he said.

Kamal suggested the BSTI develop standards for more products, especially the items of higher consumer interest.

"Still, there are a large number of products for which there are no standards," he said.

The domestic market for fruit drinks has grown to about Tk 800 crore, attracting both local corporations and multinational firms to the segment.

MM Iqbal Hossain, assistant general manager for total quality management at Akij Food and Beverage, said people of all ages enjoy fruit drinks.

"The rule of mandatory licencing will increase the accountability of manufacturers and benefit consumers," he said.

## BSRM Steel to set up Tk 700cr plant

The MS rod unit will begin production in 2023

STAR BUSINESS REPORT

BSRM Steel has decided to set up a Tk 700 crore plant to raise annual MS rod production capacity by another 5 lakh tonnes to meet its growing market demand.

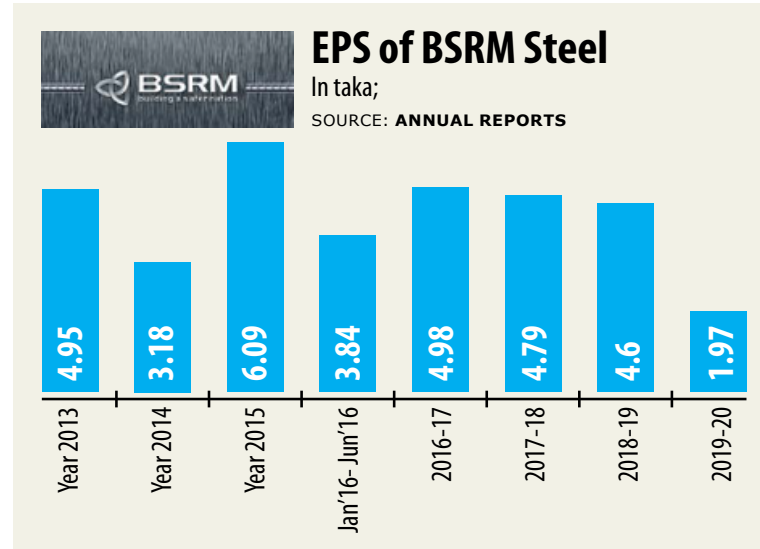
The Chattogram-based listed steel maker is expected to start operation of the new production unit by the middle of 2023.

The investment fund would come from bank loans and own sources, according to the data shared by the leading steel maker with the stock investors of Dhaka and Chattogram stock exchanges yesterday.

The paid-up capital of the listed steel maker was Tk 375 crore while its reserve and surplus was Tk 1,044 crore at the end of the fiscal year that ended on June 30 of 2019.

On the other hand, the company's short-term loan was Tk 2,275 crore and long-term loan amounted to Tk 906.79 crore.

At present, BSRM Steel is producing 2 million tonnes of MS



billet and 1.6 million tonnes of rolling steel per year.

Consumption of steel has been rising for the last few years riding on the increasing gross domestic product (GDP) of the country.

Moreover, the government's

development projects have left a positive impact on the nearly Tk 50,000 crore industry, according to market players.

At present, government projects account for 35 per cent to 40 per cent of the total steel consumption

in Bangladesh, up from 15 per cent a decade ago.

The country's annual steel production capacity was 8.58 million tonnes in 2018 when total consumption was 7 million tonnes.

Although per capita steel consumption in Bangladesh almost doubled in eight years to over 45 kilograms in 2018, the figure was still much lower than the global average of 208 kgs, according to the World Steel Association.

The figure stands at 65 kgs in India, 400 kgs in South Korea and 1,000 kgs in Japan. To meet the spiralling demand, other steel makers are also increasing their production capacity.

GPH Ispat, another listed steel manufacturing company, had already started its new Tk 2,390 crore plant on a trial basis.

The new factory of GPH Ispat has the annual capacity to produce 840,000 tonnes of MS billet and 640,000 tonnes of MS rod and medium section products.

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## TCB to sell potato amid price hike

STAR BUSINESS REPORT

State-owned Trading Corporation of Bangladesh (TCB) will sell potato at Tk 25 a kg under its open market sales programme to tame the soaring price of the widely-consumed vegetable in the local market.

Commerce Minister Tipu Munshi disclosed this after a meeting with cold storage owners and traders of potato at the retail and wholesale level at his secretariat office in Dhaka, according to a press release from the ministry.

The ministry did not say since when the TCB would begin retailing potato through its trucks.

The move came as potato is being



sold for Tk 55 to Tk 60 per kg across the country, up from Tk 35 and Tk 40 a few days ago.

At the meeting, the minister said there was no crisis of potato. There is an adequate supply of the item in the market to meet the demand of the consumers.

"The prices of potato have gone up because of the damages faced by other crops and vegetables during recent floods and excessive rains in many districts," the ministry said.

The Department of Agricultural Extension has already fixed the prices of potato at Tk 23 a kg at the cold storage level, Tk 25 at the wholesale level and Tk 30 at the retail level, the statement said.

However, the businessmen are not following the government-fixed prices and are charging higher prices.

Advertisement

I am Carlo Ferretti. I came from Carpi, Italy. I started to come to Bangladesh in 1998 and started to live here permanently since 2004 up to today. I have seen big development during my stay here. The beauty of Bangladesh is in the smile, in spite of many challenges I have seen people of Bangladesh are smiling.

I have visited 90% of your country's heritage like mosque, pagoda, temple and most of the beautiful natural tourist spots. I do my Technical job in readymade garments and leather shoes sector during this time and meet a lot of people and teach lot of them.

Bangladesh is my second home now. I am at the age of 70, it is time to go back to my wife and my family in my town. One piece of me will remain here.

"I am grateful to all Bangladeshi to host me 19 days in October"

I wish all of you to go ahead properly. Keep smiling, days are yours!

Thanks.  
Carlo Ferretti  
Carpi, Italy