

Commentary

# Bangladesh Bank Annual report fails to come up to expectations

By Abu Ahmed

People expect the central bank's report on the economy to be more credible than the government's statement on it because the central bank supposed to be free from politics. Bangladesh Bank itself, however, does not prepare the report. It rather collects facts and figures from different governmental organisations to compile the report with own comments for the public.

Even if the Bank wants to focus on the economy from an impartial stand, it cannot do so simply because it does not enjoy enough freedom to take such a stand. That is why the Bank is seen trying hard to justify the non performances in the economy in as much convincing language as possible, which may be regarded as 'natural' on the part of a political government.

Bangladesh Bank is supposed to have exclusive power in monetary areas, but that too is, encroached upon at times by its controlling ministry: the Ministry of Finance. The level of interference in the functioning of Bangladesh Bank depends on the nature of the government in power.

When decisions on monetary issues are taken with political end in view, they do little good to the society. So, no decision, be it on investment or personal portfolio or be it on trade or commerce, can be taken correctly. When decisions are made unrealistically with yielding little or no result people at large lose confidence in the running of the economy. And an economy without people's confidence can not surge forward, rather eventually starts to move backward.

What Bangladesh Bank reported to the nation through its 1990-91 Annual Report is not at all comforting. Every sector excepting export has gone down. When the main indicators of the economy such as Gross National Product, investment, import payment, savings, price etc go down, in the language of economic science, the economy is in depression. This term, however, is not applicable in our case. 'Depression' is a term which is used in the context of an advanced economy only where these indicators may temporarily, fall below the level warranted by full employment.

What our low-level economy can be called then? It can be best described as one operating at a further low-level with problems like unemployment, low investment, poverty etc further deteriorating.

Bangladesh Bank reported that inflation was down from 9.3 per cent to 8.9 per cent in the reported year, apparently a soothing indication for the economy. But low price does not necessarily lead to higher consumption. It may rather slow down the economy through reducing people's income. In Bangladesh, price goes down usually due to a host of depressionary factors working elsewhere in the economy, such as low money and credit supply.

Bangladesh Bank reported that the money supply had fallen back from 16.9 per cent to 12.1 per cent compared to previous year. As a complementary comment it also reported that the reserve money or high-powered money had increased by only 3.3 per cent against the targeted growth rate of 15.5 per cent. This indicates that the economy absorbed less liquidity in the reported year, a result of low transaction in business and commerce.

The change in reserve money is caused by factors like change in price level, net foreign currency reserve and Gross National Product. As these things did not change much in the reported year, so the demand for further reserve money was low.

Gross Domestic Product (GDP) also did not reach its target. Perhaps it seldom did in the past. The GDP increased by 3.5 per cent last year, which is actually half the targeted rate. This poor performance in GDP should be seen

along with poor performance in investment which was only 11 per cent of GDP for the reported year.

An economy depreciates on an average at 10 per cent annually. If the depreciation rate is deducted from the investment rate, the economy had only one per cent of GDP as net investment, which, by any standard, produced a very remarkable result: the reported 3.5 per cent GDP increase.

This appears to be very misleading. The same is true also about money multiplier value. The Bank reported that money multiplier increased from 3.53 to 3.83 in the reported year. This indicates an upturn in money use rate in economic activities. But other indicators clearly show that the situation was quite the reverse. So the only conclusion that can be drawn is that either the previous figure was undervalued or the present figure was not correctly calculated. The increased value in money multiplier may have also resulted from a fall in high-powered money supply, which, even if true, is not a good indication at all.

The only heartening information the Bank reported is about our increased export earnings. The export earnings last year increased to 1669 million US dollar, an increase by 12.3 per cent over the previous year. But this too should be seen in terms of contribution to the national economy. Its responsibility does not end with the compilation of figures in annual reports and justifying the government's stand. It should be more suggestive and responsible in bringing about discipline in the financial sector of the economy.

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Another apparently encouraging figure the Bank reported is about our foreign exchange reserve. How much reserve is good for a country like Bangladesh? No clear answer can be given. Normally, it is thought that the higher the reserve, the better for the country, provided it has met all requirements of import. But, the

reserve may go up due to a slow-down of economic activities within the country, meaning a lower import of industrial raw materials and consumer products. This was the position of import last year and as such, it cannot be said that the higher foreign exchange reserve showed the strength of our economy.

Bangladesh Bank is central to our national economy in the sense that it formulates the monetary policy, executes it and oversees the operation of financial market. Recently as part of financial sector reform it took two important measures: introduction of flexible interest rate policy and the Bangladesh Bank Bill. The former is essential to reflect the true scarcity price of money use and help develop the money market while the latter is important to pursue an objective monetary policy.

Unfortunately, the flexible interest rate policy is not working properly in the absence of other instruments of money market like commercial papers, certificate of deposits, promissory notes and other bill type papers, and requisite financial institutions. Bangladesh Bank should start thinking in terms of creating greater competitiveness in the money market.

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# Small industries add marginal value

Star Economic Report

The small and medium industrial units contributed marginally to value addition of industrial sector despite heavy absorption of labour in the last two decades.

According to Devapriya Bhattacharya, a Research Fellow at Bangladesh Institute of Development Studies (BIDS) 56 per cent of the value added in the industrial sector came from the large units where only 14 per cent of the total industrial labour force are employed.

He said that the difference between value addition and percentage of employed work force was increasing at a steady rate.

Among the large units, there are only a handful where this difference is negligible, he mentioned. The units in jute, fibre, textile, fertilizer, refined oil and pharmaceuticals which account for only seven per cent of the total industrial units in the country, contribute 56 per cent to the value addition and also employ 56 per cent of the total work force, he added.

Bhattacharya said that this tendency showed that instead of diversification the industries in Bangladesh were heading towards a monopolisation.

According to Bhattacharya, the contribution of industry to the national economy increased by only 1.4 per cent in the last two decades. However,

the employment of workers doubled in 10 years starting from 1974. The percentage of total work force in industries was five per cent in 1973-74 and it increased to 10 per cent in 1985-86.

Bhattacharya also viewed that although much emphasis was given to export oriented industries, very little was achieved in that sector. He

said that only about 17 per cent of the total value addition came from the export oriented units where only 12 per cent of the work force are employed.

(The writer is an Associate Professor of Economics at Dhaka University.)



Mahbubur Rahman, president, Dhaka Chamber of Commerce and Industry (DCCI) delivering his inaugural speech at the three-day workshop titled 'Letters of Credit for Export Operations' at DCCI premises Thursday. DCCI in collaboration with ITC (Geneva) and UNDP (Dhaka) organised the workshop. Sophie de Caen, Asstt Resident Representative UNDP, Md Iemal Hossain Miah, M H Rahman, Nasiruddin Khan, Vice-President and Directors of DCCI were present.

# Week-long plan to promote tourism

A 'Tourism Week' will be observed during February 23-29 as part of the government's campaign for creating awareness and attracting tourists in increasing number, official sources said in Dhaka, reports UNB.

## Tk 13 cr loan for Jamalpur farmers

JAMALPUR, Feb 7: The government has sanctioned Tk 13 crore as agricultural loan for the farmers of Jamalpur Zone during the current financial year, reports UNB.

Sources said Tk 5 crore has already been distributed among the farmers of 7 upazilas of the district through Bangladesh Krishi Bank (BKIB) and other commercial banks till January 31.

The upazilas are Dewanganj, Melandaha, Islampur, Bokshigonj, Madarogonj, Sarishabari and Sadar upazila.

The Ministry of Civil Aviation and Tourism and Bangladesh Parjatan Corporation have drawn up an elaborate programme for the week.

The programme includes a seminar, food festivals, cultural functions, tribal feast, a special television programme, vintage car rally, Dhaka fun run, races of hackney carriages and rickshaws and a boat race.

State Minister for Civil Aviation and Tourism Abdul Mannan will inaugurate the programme at Hotel Sonargaon. A seminar titled 'Bangladesh Tourism Industry: Present and Future' will be held at the same venue on the opening day.

The second day's programme will include a rickshaw race from ZIA to Panthapath through the VIP road and a food festival and cultural function at Hotel Sheraton.

A golf tournament will be held on the third day at Cox's Bazar Golf club while tribal feast and cultural function will be organised at Cox's Bazar Holiday Complex.

The programme of the fourth day includes inauguration of tourists desks at hotel Sonargaon, Sheraton, Purbani and other important hotels, television programme on scopes of tourism in Bangladesh and a vintage car rally.

The fifth day's programme includes a fun run from Panthapath to ZIA and back, special night and cultural function at Hotel Abakash and a hackney-carriage race.

Officials said about 357 metric tons of wheat has been allocated for the programme.

The projects include re-excavation of Baljur canal, earth work on Comilla-Senerkil road, repair of Mittala road and re-excavation of Sreepur-Nalchar canal.

ceremony at the auditorium of Dhaka Museum.

The Ministry has suggested some other programmes like visit of journalists to the tourism projects in Chittagong and Cox's Bazar, essay competition, special treatment to foreigners arriving at the airport during the week and tour of the city at reduced rates.

## 4 FWP schemes in Chouddagram

COMILLA, Feb 7: The Food for Work Programme (FWP) has undertaken four development projects in Sadar union of Chouddagram upazila of the district, reports UNB.

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# \$ 217m IDA, EC fund for irrigation scheme

Bangladesh will receive an amount of 217 million US dollar from International Development Agency (IDA) and European Community (EC) for introducing and maintaining National Minor Irrigation Development Project (NMIDP) and Shallow Tubewell and lowlift lumph (STW-LLP) projects under the Ministry of Agriculture, reports BSS.

This was stated at an orientation workshop titled 'Introduction of NMIDP and STW-LLP Project' at Bangladesh Agriculture Research Council (BARC) conference hall in Dhaka Thursday.

Presided over by Additional Agriculture Secretary M Ershadul Haq, the workshop was addressed, among others, by Agriculture Secretary K M Rabbanil, World Bank Representative F Thornley, EC

Representative A Goodwin, senior officials of Ministry of Agriculture and BADC representatives of Bangladesh Bank and a number of private sector entrepreneurs.

The Agriculture Secretary, the chief guest in the workshop, said that the IDA would provide US dollar 54 million as loan and, the EC would give US dollar 88 million as grant for implementation of NMIDP.

He also informed that IDA would make available US dollar 75 million for financing the import of small engines of LFPs and 18,000 power tillers for selling out those to the farmers under STW-LLP project.

The NMIDP will initially cover 172 upazilas under 35 districts and will be completed by June, 1998.

The production target of summer vegetables (cucumber, lady's finger, jhinga, kakrol etc) has been fixed at six lakh tons in 1991-92. Last year's (1990-91) production of 5.56 lakh tons of vegetables exceeded the target of five lakh tons.

Experts attribute the good production of summer vegetables to the fact that farmers concentrated on vegetable cultivation after natural calamities caused huge damage to standing crops of rice and jute.

They said that on an average 1.57 lakh tons of mango is produced every year. The country has an estimated 35 lakh mango trees on 46,000 hectares of land.

According to FAO reports, mango production is decreasing every year. Only 3.40 tons of mango is now produced per hectare in the country. But, 20 years ago, the per hectare production was 8.80 tons.

# Early monsoon may boost summer crops

An early monsoon this year is likely to increase production of summer crops an agricultural expert said Friday, reports UNB.

Rains during the March-July period will help increase the production of Aus, jute, mango and summer vegetables, said Dr Rahimuddin Ahmed, a Deputy Director at the Crop Wing of Agriculture Extension Department.

Met Office has forecast there are indications that the country will have an early monsoon this year.

The government has fixed the target of Aus production at 30 lakh tons on 25 lakh hectares of land during the current fiscal year (1991-92). Last year's (1990-91) production was 25.70 lakh tons against the target of 31.28 lakh tons.

This year's (1991-92) target of jute production is 55 lakh bales as compared to 45.83 lakh bales against the target of

54 lakh bales.

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# Shipping Intelligence

Name of Vessels	Berthed	EID	Berth	L Port No	L Agent
Banglar Kallol	22/01	04/02	J/1	Munda	IBC
Prabu Panti	23/01	01/01	J/3	Col	SEACOAST
Lunaris	29/01	01/02	J/5	China	CSA
Mistar	24/01	07/02	J/6	Singapore	MSA
Banglar Shobha	28/01	05/02	J/7	Pena	IBC
Shalamar	31/01	01/01	J/8	Col	IBC
Banglar Asha	30/01	04/02	J/11	NA	IBC
Fong Shan	30/01	NA	MB/1	Singapore	BDSHIP
Prince Shan	22/01	02/01	CCJ	Apia	UMAL
Lina	24/01	03/02	GSJ	Singapore	PROG
Sea Rhapsody	29/01	10/02	TSP	Singapore	OSA
Kang Dong	19/01	05/02	RM/4	Singapore	OSA
Pacific diamond	28/01	31/01	RM/5	MAD	ECSL
Fong Yun	06/01	03/02	DDJ/1	Singapore	BDSHIP
Banglar Kiron	25/01	05/02	DDJ/2	NA	IBC
Olga	25/01	01/02	RM/8	Kand	DELMURE

Name of Vessels	Ready	L Port	L Agent
Alpha nova	31/01	Singapore	PROG
Songrim	03/01	Kand	FRSA
Taluk	01/02	Kand	SEACOAST
Virginia	31/02	Pode	LTL
Gemini	02/02	Durb	AGUA
Eastern Breeze	04/02	Singapore	RRSA
Ryong Song	05/02	NA	NA
Loyal Bird	05/02	NA	NA

Name of Vessels	ETA	L Port Call	L Agent
Atlantic Clipper	31/01/92	CAL	BDSHIP
New Genlord	31/01/92	Singapore	BDSHIP
Weber Star	01/02/92	Singapore	BDSHIP
Calypso	01/01/92	NA	PROG
Ronjoy choomie	02/02/92	NA	PSAL
Chong Chon Gang	02/02/92	NA	RRSA
Knud Jerspersen	02/02/92	NA	CT
Ronjoy Victory	03/02/92	NA	PSAL
Felicity	03/02/92	Tamp	OWSL
Vishva Pankaj	03/02/92	NA	SEL
Ryong Gong	04/02/92	NA	BRIGHT
Sadina e-Ismael-2	05/02/92	NA	ASLL
Andrian Goncharov	05/02/92	NA	CT
Seabulk Hope	05/02/92	NA	IBA
Fong Shan	06/02/92	Singapore	OWSL
Infinity	07/02/92	Singapore	RSL
Nga Ranger	09/02/92	Singapore	BDSHIP
Tanta	12/02/92	NA	NISHAT
Petr Starostin	14/02/92	NA	CT

Name of Vessel	Berthed	ETA	EID	L Port	L Agent
Shalmar	24/01	31/01	01	Chittagong	IBC
Sea Carol	28/01	NA	NA	Vizag	HIL
Banglar Banti	28/01	NA	NA	Chittagong	BSL
Al-Basir	30/01	NA	NA	India	TMIL
Yom Bun Jin	30/01	NA	NA	Dprk	GREENLAND
Felicity	05/02	NA	NA	Chittagong	OWSL
Mun Su Bong	05/02	NA	NA	China	GREENLAND
Gold Future	15/02	NA	NA	Chittagong	AGM

Note: Berthed = Vessel At Port Jetty. ETA = Expected Time of Departure. ETD = Expected Time of Arrival. N.A = Not Available. ETB = Expected to Berth.

Source: Aquamarine Limited.

# Exchange Rates

The following are the Commercial Bank's BC selling and TT (C). OD transfer buying rates for some selected foreign currencies effective on February 7 and 8.

Currency	SELLING	TT(C)	BUYING
US dollar	38.9326	38.7087	38.4481
Poundsterling	70.7197	70.3868	69.9467
DM	24.6362	24.4837	24.3188
FF	7.2305	7.1849	7.1365
S Riyal	10.4106	10.3507	10.2811
S Kroner	21.8907	21.7526	21.6061
Singapore Dollar	6.7809	6.7360	6.6907
UAE Dirham	23.9600	23.8222	23.6818
Kuwaiti Dinar	10.6364	10.5753	10.5041
Indian Rupee (AMU)	NA	NA	NA
Pak. Rupee (AMU)	1.5065	1.4996	1.4921
	1.5744	1.5671	1.5593

Authorised dealers will apply TT clean buying rate for purchase of remittances of Bangladeshis working abroad.

NOTE: AMU = Asian Monetary Unit.

# Dhaka Stock Prices

At the close of trading on Jan 30 and Feb 6, 1992

Company	FV/ML*	1991-92		High	Low
		January 23	January 30		
<b>BANKS (10)</b>					
AL Baraka Bank	1000/1	1065.00	1065.00	1080.00	760.00
AB Bank	100/5	177.00	177.00	185.00	155.00
City Bank	100/5	269.67	270.00	290.00	172.00
LFJC	100/5	180.00	178.00	200.00	170.00
Islami Bank	1000/1	1855.00	1840.00	1900.00	1190.00
National Bank	100.00	109.40	109.00	118.00	103.00
Pubali Bank	100/5	102.00	102.00	110.00	85.00
Rupali Bank	100/10	90.00	90.00	110.00	68.00
U.C.B.L	100/5	121.00	120.00	131.00	118.00
Uttara Bank	100/5	159.00	158.00	200.00	155.00
<b>INVESTMENT (08)</b>					
LCB	100/5	90.00	90.00	95.00	90.00
1st ICB Fund	100/5	340.00	340.00	400.00	340.00
2nd ICB Fund	100/5	153.00	153.00	190.00	150.00
3rd ICB Fund	100/5	129.25	130.00	160.00	125.00
4th ICB Fund	100/10	124.00	127.00	145.00	120.00
5th ICB Fund	100/10	92.00	90.00	128.50	90.00
6th ICB Fund	100/10	68.00	67.17	91.50	56.50
Unit Certificate					
Sales Price		116.00	116.00		
Re-purchase		111.00	111.00		
<b>INSURANCE (04)</b>					
BGC	100/10	115.25	115.00	121.00	104.50
Green Delta	100/10	128.75	123.00	139.25	106.00
Peoples	100/10	147.00	147.00	150.00	120.00
United	100/10	146.00	144.00	154.00	116.50
<b>ENGINEERING (19)</b>					
Aftab Automobiles	100/5	184.50	184.44	208.00	182.00
Atlas Bangladesh	105/0	39.00	38.00	49.97	38.00
Auto Pipes	240/0/5	240.00	240.00	300.00	218.00
Bangladesh Autocars	100/5	79.00	91.75	105.00	70.00
Bangladesh Lamps	105/5	235.00	230.00	266.00	230.00
B.Thal Alumintum	100/10	90.20	92.00	110.00	75.00
Bengal Carbide	100/5	220.00	220.00	250.00	220.00
Bengal Steel	10/50	18.00	18.00		
Eastern Cables	100/5	86.00	86.00	100.00	75.00
Howlader PVC	100/10	96.00	100.00	122.00	97.00
Karim Pipe	100/5	135.00	128.00	139.00	112.00