

Bangladesh keeps up growth momentum: Citi

STAR BUSINESS DESK

Bangladesh has maintained its growth momentum averaging over 6 percent GDP growth since fiscal year 2009, in spite of the persisting global economic slowdown, Citibank NA said in its Annual Market Update for 2012. Following is the first part of the report.

Provisional data from the Bangladesh Bureau of Statistics (BBS) shows a GDP growth rate of 6.32 percent in fiscal year 2012, which was impressive in the context.

Global growth was expected to be 2.50 percent while the average for developing countries was projected at 5.30 percent.

GDP growth, however, moderated from last fiscal year's 6.7 percent mainly due to a slowdown in agricultural sector, which fell to 2.53 percent from 5.13 percent in the previous fiscal.

The government has set a real GDP growth target of 7.2 percent for fiscal year 2013. This growth expectation hinges on a sharp rise in investments, improvement in infrastructure and power situation as well as global economic scenario.

The year-on-year inflation rate remained in single digits since April 2012, while the annual average rate of inflation dropped to single digits in September 2012. Point-to-point

inflation declined from a peak of 11.59 percent in January 2012 to 7.41 percent in November 2012.

This decline has largely been due to lower food price inflation which fell from 10.90 percent in January 2012 to 6.45 percent in November 2012 due to reasonable food production and a slowdown in international food prices.

Following successive hikes in fuel and power prices, non-food inflation shot up to 13.96 percent in March 2012. However, since April 2012, non-food inflation started to decline, recording a point-to-point value of 9.31 percent in November 2012.

Annual average food inflation dropped to single digits in July 2012 and stands at 7.68 percent as of November 2012. Annual average non-food inflation is still in double digits of 11.71 percent as of November 2012.

Export earnings marked a rise of 5.93 percent in 2011-12 which was well below the export growth target set by the government at about 15.6 percent for the period.

Eurozone financial crisis coupled with the European Union's single-step GSP facility which gave an edge to Bangladesh's competitors (Laos and Cambodia) resulted in sluggish growth in exports.

Export earnings in the first five months (July-November) of 2012-

13 stood at about \$10,133.57 million, which is 4.36 percent higher than that of the same period in the previous fiscal.

On the other hand, import growth also reduced significantly to 5.30 percent in 2011-12 as opposed to 41.79 percent reported in 2010-11, leading to lessening of pressure on the Balance of Payment (BOP) position.

Import LCs opened in 2011-12 declined by 4.01 percent compared to the growth of 34.04 percent observed in 2010-11. Import payments during July-October 2012 stand lower by 4.07 percent to \$10,750.00 million against the amount of the same period of the previous fiscal.

Sluggish growth of import payments in the current fiscal year can be attributable to lower food grain imports due to existing high food stocks, excellent domestic harvests and a restrained monetary policy.

Fresh opening of import LCs during July-October 2012 decreased by 11.54 percent to \$11,525.17 million compared to the same period of the previous fiscal. Negative growth in LC opening indicates that import payment may not shoot up in near future to put pressure on BOP and exchange rate.

Sharp slowdown in import growth and large inflow of work-

ers' remittances in the period contributed to a current account surplus of \$464 million during July-October 2012.

Total workers' remittance receipts during 2011-12 increased by 10.24 percent to \$12,843.42 million against \$11,650.32 million in 2010-11.

Remittance receipts in the first five months (July-November) of 2012-13 increased by 24.17 percent to \$6,110.57 million compared to the growth of 7.41 percent during the same period of 2011.

Large outflows of Bangladeshi workers to middle-eastern countries in 2011 and increase in the use of official channels contributed to high growth in worker remittances in recent times.

Gross foreign exchange reserves of Bangladesh Bank stood at \$11,753.96 million (around four months of import coverage) at the end of November 2012, which remains higher than the same period in the previous fiscal (\$9,285.2 million).

The government had earlier taken a number of steps to maintain reserves, and BOP stability, including the confirmation of a \$987 million IMF-ECF support.

According to the Bangladesh Bank data, the forex reserves hit a record high of \$12.65 billion on December 20th, 2012, breaking all past records, because of

increased remittances and foreign assistance, low import costs and steady export earnings.

Bangladesh Bank's (BB) monetary policy stance in the first half of 2012-13 continues earlier restrictive monetary stance to curb inflationary pressures and to preserve external sector stability, while ensuring adequate private sector credit to stimulate inclusive growth.

With an aim to contain inflation to single digits and stem foreign reserve depletion, a prudent fiscal stance was adhered to through ensuring government borrowing from the banking system did not crowd out available liquidity for commercial banks.

Reserve money growth is targeted at 14.50 percent and broad money growth at 16 percent by December 2012. Credit growth to the private sector to remain at a healthy 18 percent -- just enough to accommodate the 2012-13 GDP growth target.

This monetary policy stance also aims at ensuring access to credit for productive sectors, primarily SME and agriculture, while reducing share of consumer credit and implementation of new loan classification and provisioning guidelines in order to strengthen the financial sector.

TO BE CONTINUED



UTTARA BANK

Prime Minister Sheikh Hasina poses for photographs after receiving a donation cheque of Tk 1 crore for the Prime Minister's Relief Fund from Iftekharul Islam, vice chairman of Uttara Bank, at the former's office in Dhaka on Sunday.

CPD holds meeting of trustees

STAR BUSINESS DESK

Debapriya Bhattacharya, distinguished fellow of Centre for Policy Dialogue, will be invited to become a member of its trustee board, the leading think-tank said in a statement yesterday.

The decision came at the 39th meeting of the trustees held at the CPD office in Dhaka.

The meeting approved CPD's annual accounts for 2012 and the budget for 2013. The board also endorsed CPD's plan for research, dialogue and publication-related activities for 2013.

Prof Rehman Sobhan, chairman of CPD, presided over the meeting. Trustees Prof Muhammad Yunus of Yunus Centre, M Syeduzzaman, former finance minister, and Khushi Kabir of Nijera Kori

Rangpur chamber's AGM held

OUR CORRESPONDENT, Rangpur

The annual general meeting for 2012 of Rangpur Chamber of Commerce and Industry (RCCI) took place at its auditorium in Rangpur on Wednesday.

Mosadeq Hossain Bablu, RCCI president, presided over the meeting where he presented excerpts of previous general meetings, annual report on RCCI activities, audit report, revised budget for 2012 and proposed budget for 2013-14.

Mostafa Azad Chowdhury Babu, RCCI director,

Stocks look up ahead of New Year

STAR BUSINESS REPORT

Stocks ended the last week of the year with the key market-tracking index remaining in the black for a second day. There is only one trading day left in 2012.

DGEN, the benchmark General Index of Dhaka Stock Exchange, finished the day at 4,205 points, after gaining 25.74 points or 0.61 percent.

The market saw improved sentiment and slightly increased turnover as the institutional investors were willing to participate in buying to see a healthy closing index for the yearend, said LankaBangla

Govt working to ensure uniformity of data: Muhith

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The date dissemination mechanisms are still poor, the minister said, asking the BBS to give more emphasis on the issue to make people aware of the economic activities of the country.

AAMS Arefin Siddique, vice-chancellor of Dhaka University, said statistics are important for planning and development strategies and a coordinated approach will produce better results to this end.

He said statistical methods are developing gradually and there is a need to adopt all these methods and techniques to keep pace with the global changes.

Siddique also called upon the statisticians to produce appropriate data and information.

BSA President M Nurul Islam said Bangladesh has many ambitious development plans and so the country should focus on developing more professionals in statistics.

Islam, who is also the vice chancellor of Mawlawi Bhashani Science and Technology University in Tangail, said statisticians are facing challenges due to inconsistencies between theoretical knowledge and its practical use.

A total of 56 research papers will be presented at the conference.

The BSA also awarded a gold medal to Prof Shahjahan Khan, a teacher of mathematics and computing department of the University of Southern Queensland in Australia, for his outstanding

Book your hotel online

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Now individuals, having no international credit cards, make such payments online using 'virtual cards' issued by banks.

Banks have to report these transactions to the central bank. Also, foreign professionals and scientific institutions can remit 'membership fees'



Sharif Zahir, director of United Commercial Bank, inaugurates its 128th branch at Kamrangirchar in Dhaka on Wednesday. Mirza Mahmud Rafiqur Rahman, additional managing director, was also present.



Md Abdul Kashem, deputy governor of Bangladesh Bank, inaugurates the 'mCash' service of Islami Bank Bangladesh (IBBL) at a ceremony at a hotel in Dhaka yesterday. Mohammad Abdul Mannan, managing director of IBBL, was also present.

Move fast on digital Bangladesh vision: PM's adviser

STAR BUSINESS REPORT

The government should fast track its work now to implement the "Digital Bangladesh" vision, said HT Imam, an adviser to the Prime Minister.

Allocation for the information and communication technology (ICT) sector reduced when the ICT ministry was separated from the science and technology ministry, he said yesterday.

All budgetary problem of the ICT sector will be solved if the telecom and ICT ministries merge together, he said at a seminar on "The expectation and achievement after 4 years of digital Bangladesh vision" at a five-day tech fair.

The show -- BCS ICTWorld 12 -- organised by Bangladesh Computer Samity (BCS) at Bangabandhu International Conference Centre in the capital comes to a close tomorrow.

The digitisation process has achieved some success at personal levels where the government still lags behind, said Yusuf Abdullah Harun, former president of the Federation of Bangladesh Chambers of Commerce and Industry.

Around 70 percent of the population who are under 35 are still out of the digit-

isation process, Harun said.

If they get proper training, the country's GDP growth would be raised from 6 percent to 10 percent, he said.

Use of digital products has increased in the country in the last four years, said Munir Hasan, general secretary of Bangladesh Open Source Network. The number of mobile users was 4.46 crore in 2008, which now stands at 9.51 crore, he said.

The country now has around 7.30 lakh personal computer and laptop users, up from 2.22 lakh in 2008, he said, adding that the number of Facebook accounts has also increased from less than 1 lakh in 2008 to 30 lakh now.

It is a must to go for a massive infrastructure development to reach the goal of digitisation, he said.

Mustafa Jabbar, director of BCS and moderator of the seminar, hoped the government will be able to reach the vision by 2021. The secretariat is still not digitised, although various sectors saw huge development in the field of digitisation, he said.

But the government's best achievement is that it has created awareness about digitisation among the general mass, Jabbar said.

BB's growth forecast falls below govt target

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Meanwhile, imports grew by 2 percent, down from the 5.2 percent registered on average for the whole of FY12.

Given the "mixed picture" by the major factors associated with growth, the BB projected the economy to grow between 6.1 percent and 6.4 percent in the current fiscal year.

"This compares favourably with a developing country average forecast of 5.3 percent (World Bank 2012) for 2012."

CPI inflation fell to 7.4 percent in the first quarter this year from 12 percent in the same quarter last year, with average inflation coming down to 9.69 percent in September 2012.

The decline in inflation was due to a slowdown in food inflation and the impact of monetary policy on non-food inflation and inflationary expectations.

"We expect the average inflation to decline further in FY13," said the BB, adding that the prediction was made assuming no supply-side shock and the continued coordination between the monetary and fiscal policies.

"The first quarter witnessed three key developments related to monetary policy," said the BB report.

The sharp increase in foreign remittances during the quarter (19.7 percent) and higher foreign aid disbursements contributed to a sharp rise in net foreign assets (27 percent over the quarter).

While this favoured a reserve build-up close to four months of import cover, it also led to some over-shooting of monetary targets.

The second key development relates to the sharp decline in inter-bank rates, which fell from 15 percent in June 2012 to 9.81 percent by the end of September, and from a peak of 19.66 percent in January 2012.

"This confirms the ample liquidity prevailing in the banking system and as such, the BB is seeking to sterilise some of this liquidity to avoid a re-emergence of inflationary pressures."

The third development centres around the healthy growth in private sector credit, which during the first quarter this year grew by 19.9 percent against a target of 18.4 percent. This suggests that the credit envelope will "not be a constraint towards achieving the overall economic growth targets".

The National Board of Revenue's tax



Nazmul Haq Sony, mayor of Naogaon Municipality, inaugurates Mutual Trust Bank's 83rd branch at Chalkdev in Naogaon on Sunday. Md Ahsan-uz Zaman, additional managing director of the bank, was also present.



Kh Sanaul Haque, chief executive officer of MJL Bangladesh Ltd, and Tanjil Chowdhury, director, attend the launch of the company's new product -- Omera Motorcycle Oil -- at a press briefing in Dhaka recently.