Living and growing with the "new normal"

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IF the first month of 2016 is an indication of things to come, then the only certainty in 2016 is that there will be high uncertainty. Plunging oil prices, the double whammy of slowdown in the emerging markets, especially the BRICS countries and the continuing financial and political malaise in the advanced economies particularly Europe, climate change and the new norm of lower "sustainable" growth driven by domestic consumption in China - in an over connected world all of these factors are not only coming together to influence global trade, investment flows and markets but casting a long shadow reaching also Bangladesh.

"Global trade, which was already growing slowly over the past few years, appears to have stagnated," said Angel Gurría, the OECD's secretary general, presenting its latest economic forecasts and predicting trade growth of around 2% this year. "What happened in the past 50 years whenever there was such a slowdown in trade growth, it was a harbinger of a very sharp turn of the economy for the worse."

The global economy has always had different sources of growth helping to compensate for the laggards such as the emerging markets when Japan and USA were low, or China when the global financial crisis erupted. But today we are in a unique situation where it is very hard to identify a MAJOR source of economic activity that can lift the world out of its current economic malaise. India has recently emerged as the fastest growing economy in the world but there are enough serious naysayers even in India , for us to not being able to depend on India being able to do all the heavy lifting on it's own.

But then why is this all relevant for our own Bangladesh economy which ,as many politicians, development partners, think tanks and trade body leaders, will tell you has been on a sustained economic growth trajectory of 6%+ over the last decade and with some forecasts for even higher this year?

The reason I believe it is relevant is that if we are ABLE to factor in these conditions and make the course corrections WE believe are needed in policy and implementation - we can do EXACTLY that, we can continue to beat the curve. Bangladesh CAN be one of the outlier economies in 2016 in terms of growth but it will not happen through wishful thinking or business as usual. The world changed from 2014 to 2015 and is doing so already in 2016and we need to respond.

The first fact is that despite all the talk about export diversification in terms of products and markets, Bangladesh remains still very much a one trick pony, with more than 80% of our export earnings coming from RMG and Textiles and more than 80% of our exportables destined for USA, EU and Japan. But globally, consumers are spending less. Global expenditure on clothing and footwear is expected to decline by 1.5% in US dollar terms in 2015 to its lowest level since 2011, according to a report in the latest issue of Global Apparel Markets from the business information company Textiles Intelligence

The decline was due largely to depreciations of the currencies in a number of major supplying countries against the US dollar. Such depreciations have made exports from these countries cheaper in US dollar terms and this has made suppliers from these countries more competitive viz-a-viz Bangladesh.

In China, for instance, the value of the renminbi fell against the US dollar by 4% between October 2014 and October 2015 after a sustained appreciation between July 2005 and October 2014. In January 2016 the Yuan touched a five year low against the USD.

As a result, buyers who source from China are able to negotiate reduced prices. Chinese producers may also further reduce their prices in order to remain competitive with their counterparts in Vietnam, given that the latter are set to gain from preferential access to the US market under the impending Trans-Pacific Partnership (TPP) agreement.

During 2008-09 global financial meltdown, India witnessed decline in exports for nine months in a row. This time in 2015 it has been for 11 consecutive months. (Source : GLOBAL SLOWDOWN HURTING INDIA'S TARGET, NOVEMBER 24, 2015 By K R Sudhaman)

In India, the rupee depreciated by 13% against the US dollar between 2012 and 2014. During the first nine months of 2015, it was down by 4% compared with the corresponding period a year earlier to its weakest level on record.

The depreciation of the rupee has made Indian products cheaper in US dollar terms and therefore more attractive to foreign buyers.

India's grim exports scenario this financial year prompted their government to respond by announcing three per cent interest subsidy. With India's exports declining for the eleventh month running in October 2015 and no immediate recovery visible in the near future, the government decided to give a leg up to the declining exports by announcing the interest subsidy for five years providing much head room for exporters to plan their strategy. This cheaper credit under the interest equalisation scheme, approved by the cabinet committee on economic affairs will be available from April one this year for both pre and post shipment rupee export credit.

"The decline in exports is worse than even that during the global slowdown. With this, reaching even USD300 billion of exports this year looks difficult," said Ajay Sahai, director-general of the Federation of Indian Export Organisations.

The EURO depreciated against the US dollar by a sharp 18% in the first

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