

# Economy growing well but below potential: MCCI

STAR BUSINESS REPORT

Bangladesh's agriculture, services and manufacturing sectors have performed well in the just concluded fiscal year but need more support to boost the economy in the coming days, said the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI).

"The economy is progressing well, but below its true potential," said the oldest chamber in the country.

It made the observations in its quarterly review of the economic situation of Bangladesh for April-June of 2017.

According to the review, the agriculture sector employed about 47.5 percent of the labour force and accounted for about 14.79 percent of the gross domestic product (GDP).

The sector grew 3.4 percent in fiscal 2016-17 compared to 2.79 percent in fiscal 2015-16, thanks to strong government support in terms of timely availability of inputs and finance.

The industrial sector grew 10.5 percent, 0.59 percentage points lower than that in the previous fiscal year.

However, the share of the industrial sector in GDP increased 0.94 percent

age points to 32.48 percent from 31.54 percent in fiscal 2015-16.

The services sector performed better last fiscal year compared to the previous year.

Despite investment being sluggish in the quarter under review, the services sector's growth rose 0.25 percentage points to 6.50 percent in fiscal 2016-17 from 6.25 percent in fiscal 2015-16.

In fiscal 2016-17, the agriculture sector also performed well, but continuous government support with inputs and finance will be needed to sustain the growth, said the MCCI.

The review said the services and manufacturing sectors are also doing well but they will need government support in different fields.

In particular, infrastructure deficit and gas and power supply problems were undermining the performance of all productive sectors.

The government will need to adopt suitable measures to remove bottlenecks in order to support the growth.

The MCCI said some risk factors such as negative growth in remittance, marginal growth in export receipts and higher inflationary pressures were

present in the economy.

But the overall economic situation was positive. "The country experienced stable growth. Inflation was a bit higher but under control. The exchange rate remained stable and foreign exchange reserves rose to a comfortable level."

The MCCI said it was assuming that the peaceful political situation that currently prevailed would continue in the coming days. "Therefore, export, import and remittance will increase further."

It said the foreign exchange reserves are likely to fall in July and September due to the payment to the Asian Clearing Union against imports. The rate of inflation may go up because of increased demand ahead of and during Eid-ul-Azha.

The review said inadequate infrastructure, a lack of investor confidence in the economy that discourages fresh investments and a shortage of power and energy are now the major impediments to the country's development.

"These impediments must be removed to restore the confidence of the country's business and investor community,"



**Farzana Chowdhury, CEO of Green Delta Insurance and director of GD Assist, and Hanie Abdul Sathar, director of Eurohealth Systems, exchange the signed documents of a deal at the insurer's head office in Dhaka. GD Assist, a subsidiary of Green Delta, became an exclusive representative of Eurohealth Systems, a Dubai-based firm specialised in healthcare and advisory consultancy.**

## Bangladesh not utilising growth potential

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He was presenting a paper -- Estimating Potential Growth for Bangladesh: A Production Function Approach -- co-authored by BIDS Research Associate Rizwana Islam at a seminar at the think-tank's office in the capital, said a press release.

The paper reinforces a view shared by many economists in the past that Bangladesh can't realise its full potential for various factors including infrastructure bottlenecks. Bangladesh's gross domestic product (GDP) grew 7.24 percent in fiscal 2016-17, up from 7.11 percent the previous year, according to the Bangladesh Bureau of Statistics (BBS).

Paul, a former chief economist of the Bangladesh Bank, said economic reforms and liberalisation propagated potential growth since the mid-1990s. However, the potential growth showed a decelerating trend since the early 2010s, he said.

The paper said knowing the growth potential was important, otherwise it would leave policymakers blind.

"All developed countries make great efforts to find the correct level of potential output. Developing countries often fail to estimate it correctly due to data paucity or low quality data. Bangladesh aspires to accelerate growth, but whether we are performing above or below the potential level is a big question," reads the paper.

Paul said fiscal and monetary policies along with other long-term ones should consider potential growth before formulating strategies and policy stances.

Analysts suggested further enhancement of labour quality and capital efficiency to make potential growth move upward.

Chaired by BIDS Director-General KAS Murshid, researchers from the BIDS, the Bangladesh Bank, the BBS and private organisations attended the event.

## Inflation inches down

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Yesterday, coarse rice price went up 37.50 percent from a year earlier to Tk 43-45 a kilogram, according to the Trading Corporation of Bangladesh, which tracks prices of several items in Dhaka city.

The prices of all other varieties of the staple went up between 12.62 percent and 17.39 percent in the last one year.

In May 2016, coarse rice price was Tk 26.5 a kg, which rose to Tk 47.30 in June. The price came down to Tk 43.50 a kg in July, according to the Food and Agriculture Organisation of the United Nations.

The UN agency said coarse rice prices rose to record highs in June, reflecting dwindling market availabilities following flood-induced losses to the 2017 main boro crop coupled with reduced production and imports in 2016.

Meanwhile, by making the inflation data available for the month of July, the state-run statistical agency has gone back to monthly release of the key economic indicator.

In July, inflation data was released in a quarterly format for the first time in the country's history, doing away with the global standard practice of releasing monthly data.

The move was much criticised by economists and analysts.

Zahid Hussain, lead economist of

the World Bank's Dhaka office, welcomed the switch back to monthly release of inflation data. "We hope the BBS will maintain this release calendar in the days to come."

The decline in food inflation most likely resulted from moderation in rice prices because of the 18 percentage points cut in duty on rice imports and the easing of letters of credit margin requirements, he said.

As a result, rice imports increased significantly in July, leading to a Tk 4-6 per kg decline in rice prices.

In July, food inflation fell 0.56 percentage points to 6.95 percent -- the lowest in three months.

In the food domain, the prices of fish, meat, vegetable, fruits, spices, milk and milk-based food items increased in July.

"Post-Ramadan slowdown in consumer demand is likely to have contributed to the decline in non-food inflation," Hussain added.

Non-food inflation declined 14 basis points to 3.53 percent in July, which was 3.67 percent a month earlier.

However, the cost of energy, house rent, health and transport went up in the non-food segment.

Meanwhile, the average inflation of 5.44 percent recorded last fiscal year was lower than fiscal 2015-16's by 52 basis points as the prices of essential items at home and fuels and some other commodities in

external markets maintained a cool trend.

Besides being a 13-year low, the average inflation in fiscal 2016-17 was within the government-set target of 5.8 percent.

But inflation started to creep up from December last year when the consumer price index stood at 5.03 percent. It went up every month until June.

In the latest monetary policy unveiled last month, the central bank said the food price uptrend caused by the flash flood in the last quarter of fiscal 2016-17 in the haor regions poses risks of inflation.

The BB's fiscal 2017-18's monetary programme seeks to set a prudent, flexible course towards containing 12-month average CPI inflation within 5.5 percent.

According to the BB's latest inflation expectation survey, inflation is expected to be above 6 percent in June 2018.

The central bank's projection shows the average annual inflation for the first half of the fiscal year would be 5.5-5.9 percent.

"Looking ahead, given the domestic inflation dynamics, food price developments and tapering base effects, some price pressures may emerge during fiscal 2017-18 and will need to be monitored and contained carefully," said the monetary policy statement.



**Amir Hossain Amu, industries minister, cuts a ribbon to open the 18th Textech Bangladesh International Expo 2017, 12th Dhaka International Yarn And Fabric Expo 2017 and 28th Dye+Chem Bangladesh Expo 2017, organised by CEMS Global, at International Convention City Bashundhara yesterday. Mirza Azam, state minister for textile and jute; Md Shafiqul Islam, president of FBCCI; Md Siddiqur Rahman, president of BGMEA; Mansoor Ahmed, vice president of BKMEA, and Meherun N Islam, group president of CEMS Global, were also present.**

## BB, IFC team up for development of women SME entrepreneurs

STAR BUSINESS REPORT

Bangladesh Bank has signed an agreement with International Finance Corporation (IFC), a wing of the World Bank Group, for the development of women SME entrepreneurs.

IFC will provide technical assistance to develop credit guarantee scheme for women entrepreneurs under the project, "Catalysing access to finance for women SME entrepreneurs in Bangladesh".

The proposed project is basically designed to provide technical assistance to small and medium enterprises (SMEs) and special programmes development department of the central bank to develop credit guarantee schemes, Bangladesh Bank said in a statement yesterday.

Besides, employees of the department will get training for their capacity building, according to the statement.

Programmes to create awareness on the

credit guarantee schemes will also be conducted for women entrepreneurs under the project.

SK Sur Chowdhury, deputy governor of Bangladesh Bank, and Neeraj Verma, practice manager of World Bank, attended the meeting.

In the meeting, representatives from World Bank highly appreciated the upbeat growth of SME sector in Bangladesh and they expressed their interest to work together in future.

Wendy J Werner, country director of IFC, appreciated the steps Bangladesh Bank has taken to promote vulnerable women segment and he reassured to work together for the development of women entrepreneurs.

Werner and Nawshad Mustafa, joint director of Bangladesh Bank, signed the cooperation agreement at the programme.

Mustafa will be the project coordinator, according to the statement.

## MTB Unit Fund declares 13pc dividend

STAR BUSINESS DESK

MTB Unit Fund has declared 13 percent cash dividend for the unit holders for fiscal 2016-17. The announcement came at a meeting of the trustee committee of the MTB Unit Fund in Dhaka on Monday.

Alliance Capital Asset Management Ltd

is the asset manager of the MTB Unit Fund, while Mutual Trust Bank is the sponsor, Bangladesh General Insurance Company is the trustee and Brac Bank is the custodian.

The unit holders, whose name appeared in the registers of MTB Unit Fund on 30 June 2017, will be entitled to receive the dividend.

## Swiss franc set for biggest single day rise in 2.5yrs

REUTERS, London

Switzerland's franc on Wednesday posted its biggest single-day rise against the euro since the central bank removed its cap on the currency in January 2015.

Traders said hedge funds had cut leveraged bets against the franc, prompted in part by worries about increased US-North Korea tension. The Swiss franc is a traditional safe haven. The franc jumped 1.4 percent to 0.9611 francs per euro in early trades.

"The overnight Korean news has prompted some unwinding of the cheapening trades on the franc that has been going on for some time and though positioning is not stretched by any means, the franc's strength may have room to run," said Timothy Graf, head of macro strategy at State Street Global Markets in London.

## NEW POWER PLANTS

Company	Capacity (MW)	Location	Tariff Rate (kW/h)
APR Energy	300	Keraniganj, Dhaka	Tk 19.99
M/s Agrico International Project	200	Keraniganj, Dhaka	Tk 19.99
Banglatrack	100	Noapara, Jessore	Tk 19.99
Banglatrack	200	Daudkandi, Comilla	Tk 19.99
Confidence Power	113	Bogra	Tk 8.34
Desh Energy	200	Chandpur	Tk 8.34
Orion Power Meghnaghat	105	Labonchhara, Khulna	Tk 8.34
Consortium of Summit Corporation and Summit Power	300	Kodda, Gazipur	Tk 8.34
M/s Acorn Infrastructure Services	100	Julda	Tk 8.26
Midland Power	150	Ashuganj	Tk 8.26

## Ctg port congestion lingers

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Golam Robbani, the clearing and forwarding agent, said the importer would have to pay Tk 10,000 per day as wharf rent to the CPA and the shipping agent respectively for overstaying.

Around 2,200 TEUs of empty containers of Orient Overseas Container Line have remained stuck in 15 ICDs.

The ICDs must be decongested immediately, not only for the sake of importers but also for decongesting the port, said Gias Uddin Chowdhury, general manager of Orient Overseas.

Upon request from importers and C&F agents, last month the CPA allowed them to take delivery of 37 types of import goods directly from the port for one month, said Akhtar Hossain, president of Chittagong C&F Agents Association.

The association has sought continuation of the arrangement and the CPA agreed too, but the Chittagong Customs House is yet to give its decision.



**M Fakhru Alam, managing director of One Bank, and Md Yusuf Ali Mridha, CEO of Protective Islami Life Insurance Ltd, exchange the signed documents of a deal at a programme. Protective Islami will provide insurance coverage to the clients of OBL Protect, a personal loan product of the bank.**

**ICL BALANCED FUND**

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enabling opportunities

**PRICE SENSITIVE INFORMATION**

This is for kind information of the valued unit holders of ICL BALANCED FUND that the Trustee Committee of the ICL BALANCED FUND in its Trustee Meeting held on August 08, 2017 at the Board Room of Bangladesh General Insurance Company Limited, approved a cash dividend of BDT 0.50 per unit for the year ended June 30, 2017, for the unit holders of the fund.

Unit Holders, whose name would appear in the Register of Unit Holders of the ICL BALANCED FUND at the close of business on August 09, 2017 (record date: August 10, 2017) shall be entitled to receive the stated cash dividend.

With the approval of the Trustee Committee Managing Director and Chief Executive Officer

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