

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
▼ 1.39%	▼ 1.07%	\$1,464.90	\$63.97	▼ 0.61%	▼ 0.09%	▼ 0.53%	▲ 0.10%	BUY TK	83.95	92.09	109.78	0.75
4,506.93	8,301.45	(per ounce)	(per barrel)	40,239.88	23,410.19	3,162.89	2,917.32	SELL TK	84.95	95.89	113.58	0.79

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# Star BUSINESS

DHAKA WEDNESDAY DECEMBER 11, 2019, AGRAHAYAN 26, 1426 BS starbusiness@thedailystar.net

## Record GDP growth despite challenges

Manufacturing sector catapulted growth

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Bangladesh's GDP ultimately grew at a record 8.15 percent in fiscal 2018-19 -- 2 basis points higher than earlier estimates -- smashing the 7.8 percent target set for the fiscal year back in June 2018.

The higher-than-expected growth came in spite of headwinds from slowing exports and drying banking sector liquidity.

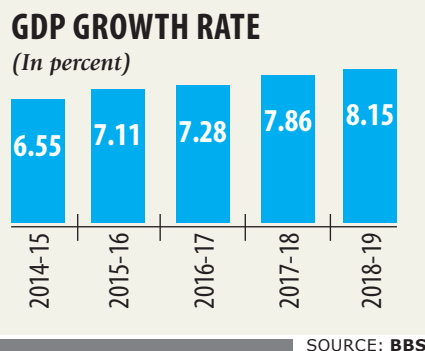
The development not only marks the economy breaking into the 8 percent growth territory after years of 6-7 percent growth, it makes Bangladesh the fastest growing nation in the Asia Pacific region, as per Asian Development Bank's earlier forecasts.

The figure also surpassed the World Bank's forecast of 7.3 percent for the year. In fiscal 2017-18, the GDP grew at 7.86 percent.

The strong growth recorded last fiscal year was down to higher contribution from the manufacturing sub-sector: it increased from 22.85 percent to 24.08 percent.

The share of industry to GDP increased from 33.66 percent in fiscal 2017-18 to 35 percent.

But the contribution to agriculture declined: from 14.23 percent to 13.65 percent, in what can be viewed as a worrying development.



"Consistency of the growth estimates with high frequency growth-related indicators remains an unresolved puzzle," said Zahid Hussain, former lead economist of the World Bank's Dhaka office.

In another uneasy news, investment, which keeps the growth engine of an economy chugging along nicely, increased only slightly and still a far off from the requisite level.

The investment to GDP ratio now stands at 31.57 percent, up from 31.23 percent in fiscal 2017-18.

Private investment increased from 23.26 percent to 23.54 percent and public investment from 7.97 percent to 8.03 percent.

"Explaining the rise in private investment rate when private sector credit growth declined from 16.9 percent in fiscal 2017-18 to 11.3 percent in fiscal 2018-19 is yet another challenge for analysts and observers," Hussain said.

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## Redesign development strategies to meet people's needs

OECD Development Centre Director says at CPD anniversary lecture

STAR BUSINESS REPORT

Governments should redesign development strategies by reducing reliance on growth-oriented thoughts in order to tackle social and political discontents, said Mario Pezzini, director of the Paris-based OECD Development Centre, yesterday.

"They also need to take comprehensive approach to building development strategies, which effectively meet people's need," he said.

Ensuring social protection with productive human resources and providing required public services, including education and health, could be the indicators for development, he said.

He spoke while delivering a lecture titled "Perspectives on Global Development: Rethinking Development Strategies" at the Lakeshore hotel in Dhaka. The Centre for Policy Dialogue (CPD) organised the event.

A number of countries, which have clocked in higher economic growth, are facing social and political unrest as governments have failed to ensure basic components for people.

"GDP-related indicators have long been at the core government policy actions, yet this kind of composite index does not adequately reflect people's living standard," said Pezzini, who joined the Organisation for Economic Co-operation and Development (OECD) in 1995.

Instead, multidimensional frameworks, such as well-being indicators, draw a better picture of people's need and can, therefore, be a tool for policymakers to design and implement reforms, he said.

The heterogeneity of the developing world has indeed created a new geography of poverty, according to Pezzini, who was a professor in industrial economics at the Ecole Nationale Supérieure des Mines de Paris as well as in US and Italian universities prior to joining the OECD.

In 1987, nine out of 10 extremely poor people lived in low-income countries. But by



Mario Pezzini, director of the OECD Development Centre, delivers the CPD Anniversary Lecture titled "Perspectives on Global Development: Rethinking Development Strategies" at the Lakeshore hotel in Dhaka yesterday.

2015, only four out of 10 lived in the low-income countries.

Today, half of the world's poor live in just five countries: India, Nigeria, the Democratic Republic of Congo, Ethiopia, and Bangladesh.

Pezzini said increased inequality has been a long time in the making.

"After a historical decline, both income and wealth inequality are on the rise again in nearly all countries," he said.

Against the backdrop, social discontent and

protest movements have recently flared across the globe.

While Chile saw its economy grow, its development model did not provide for the sharing of these gains among all its citizens.

"This has resulted in stark income and wealth inequality. A few weeks ago, the country experienced the largest protest in its history, which could lead to a reform of its constitution," Pezzini said.

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## Bangladesh an ideal destination for FDI

President says at the opening of an Asia-Pacific conference on sustainable development

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President Md Abdul Hamid yesterday sought foreign direct investment (FDI) from businesses, saying that government efforts have turned Bangladesh into a business and investment-friendly destination.

"Bangladesh welcomes foreign direct investment. The government of Bangladesh has been providing all-out support and taking steps in protecting FDI," he said.

"We have introduced very liberal trade and investment policies in this regard. There are hardly any trade restrictions, tariff rates are being rationalised. To promote investment both direct and portfolio, we have very attractive and competitive package," said the president.

He said Bangladesh wants to be an active partner in the world economic community.

"We are one of the most open economies among the developing countries and wish to continue the process," Hamid said.



President Md Abdul Hamid speaks while inaugurating the "Asia-Pacific Conference on Financing for Inclusive and Sustainable Development" organised by the International Chamber of Commerce Bangladesh at the InterContinental Dhaka hotel yesterday.

The president spoke while inaugurating a three-day Asia-Pacific Conference on "Financing for Inclusive and Sustainable Development" at InterContinental Dhaka.

The International Chamber of Commerce (ICC) Bangladesh

is organising the summit in collaboration with the United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP), the Asian Development Bank's Trade Finance Programme, and the London Institute of Banking and Finance.

"We are also working actively to attain the Agenda 2030 or Sustainable Development Goals. The main challenge for Bangladesh as well as other developing countries is to fill the financing gap," the president also said.

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## Stocks extend fall

DSE lost 196 points, Tk 10,835cr in 4 days

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Shares on the Dhaka Stock Exchange fell for the fourth consecutive day yesterday as foreign investors went for huge sales and institutional investors remained inactive.

The DSEX, the benchmark index of the country's premier bourse, dropped 26.81 points to close at 4,506.93, the lowest in 40 months.

The slide in the last four trading days knocked off 196.05 points and wiped out Tk 10,835 crore, or 3.06 percent, in market value.

Market insiders say foreign investors' share sales and the forced-sale by some merchant banks were the main reasons behind the recent decline, which spooked the confidence of some investors leading them to dispose of stocks.

"Foreign investors are selling shares as they fear the local currency may fall further against the US dollar," said a top official of a brokerage house, which deals with foreign investors.

Investors are also worried about the macroeconomic stability as some indicators are already showing signs of stress, he said.

Riyad Mahmud, an investor, said the

stocks of almost all well-performing companies are at a very low level. Some of the securities have even fallen to their two-year lows, making them attractive to buyers.

He invested in good stocks last month by borrowing from relatives. But the recent fall has inflicted huge loss on him.

"All the good stocks fell hugely compared to junk stocks. As a result, I incurred losses. I'm disappointed."

A merchant banker acknowledged that they executed forced-sale as the index sank to a low level.

Investors can take margin loans from merchant banks to buy "A" category shares. If the price of the securities bought with the borrowed money decreases past a certain point, the lenders can legally force the borrowers to sell some of their assets to save the margin loans.

"We had no alternative but to sell shares as investors did not repay their loans," said the merchant banker.

Turnover, another indicator of the market, rose 10.90 percent to Tk 305.87 crore yesterday. Of the traded issues, 96 advanced, 203 declined and 54 closed unchanged.

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Finance Minister AHM Mustafa Kamal poses with the officials of top VAT-paying firms in manufacturing, trade and services sectors in 2017-18 at Bangabandhu International Conference Centre in Dhaka yesterday.

## Waivers eat up 10pc of tax income: Kamal

VAT return goes online today; top 9 VAT-paying firms honoured

STAR BUSINESS REPORT

The tax income would be 10 percent higher if the government includes the tax exemptions and waivers that it extends to various industrial and social sectors, Finance Minister AHM Mustafa Kamal said yesterday.

He spoke while handing over

awards to nine firms operating in manufacturing, trade and services for paying the highest amount of value added tax (VAT) in 2017-18.

The National Board of Revenue (NBR) honoured the companies at an event at Bangabandhu International Conference Centre in Dhaka.

Square Formulations Ltd,

Aristopharma Ltd and Rashidpur Condensate Fractionation Plant were honoured for becoming top VAT depositors in manufacturing sector.

The highest VAT-payers' recognition was given to M/S Hamko Corporation Ltd, SC Johnson Pvt Ltd and Siemens Healthcare Ltd in trade category.

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## Inflation hits 25-month high

Onion price spiral finally hitting consumer price index

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Inflation leapt 45 basis points last month to 6.12 percent, a 25-month high, on the back of the runaway prices of onion, a key cooking ingredient for local cuisine.

"The main culprit is onion," said Planning Minister MA Mannan while unveiling the latest inflation figures yesterday.

Onion prices surged as much as eight times since India, the main source of the tuber, imposed a ban on its export on September 15 in the face of a supply

shortage as a result of crop damage.

At one point, it became possible to purchase 4-5 kilograms of rice for one kg of onion.

The onion price spiral, however, did not impact the consumer price index right away: last month inflation came down 7 basis points to 5.47 percent in October.

Speculative hoarding and panic buying locally further contributed to the onion price spiral, said Zahid Hussain, former lead economist of the

World Bank's Dhaka office.

In November food inflation stood at 6.11 percent, up 80 basis points from October, while non-food inflation edged up 4 basis points to 6.13 percent.

Prices of other spices also increased as did rice prices with aman harvest yet to come in, Hussain said.

"Increase in non-food inflation was small, but still a concern as this constitutes a partial reversal of the decline in October."

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