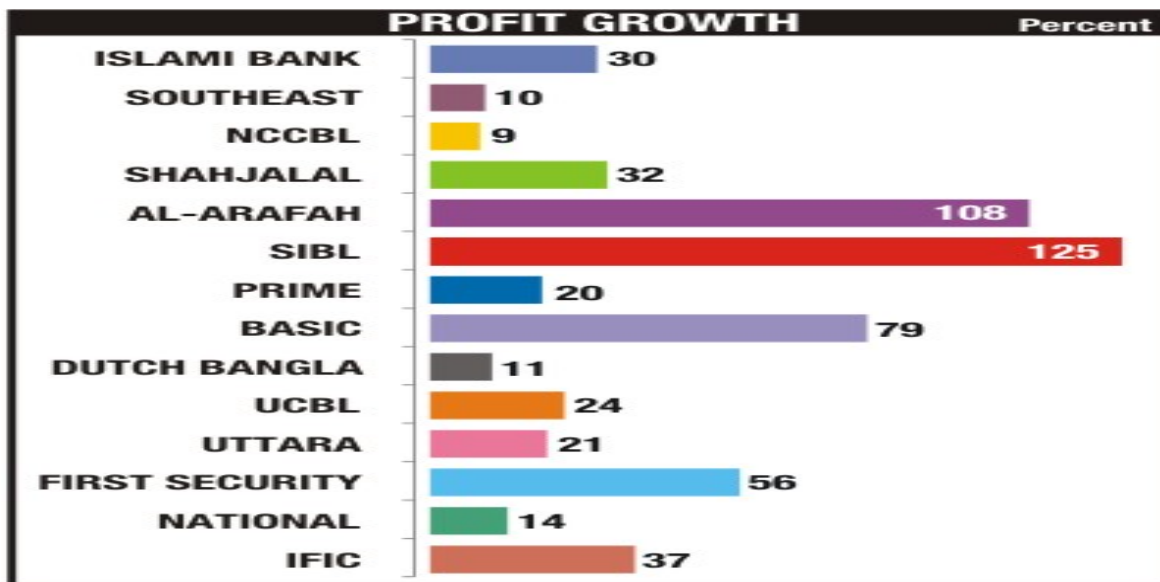




IFIC BANK LIMITED
HR Development & Training Institute
Head Office, Dhaka

Special Bulletin

Banks' profits beat expectations



Most private banks clocked up significant growth in profit in the six months to June despite a fall in contributions from the stock market although they claimed a liquidity crisis over the period. Data from 23 private commercial banks shows that 16 of them logged profit growth ranging between 8 percent and 125 percent. Thirty private commercial banks operate in the country. Three banks retained the same profit growth, while five profited less than in 2010 but they are still in the positive territory. In the same period of last year, most banks made profit ranging from 30 percent to 90 percent. In the final count, the percentage of profit growth may be a little higher or lower. Last year 47 banks made a total profit of Tk 16,000 crore. Of them, 28 banks made Tk 2,497 crore from the share market. In the last six months, Social Investment Bank posted the highest profit of Tk 135 crore, up 125 percent from a year ago. Al-Arafah Bank's operating profit rose to Tk 177 crore from Tk 85 crore last year. Islami Bank logged Tk 650 crore in profits, National Bank Tk 415 crore, Prime Bank Tk 405 crore and South East Bank Tk 325 crore. UCBL made a profit of Tk 280 crore, while Basic Bank's profit stood at Tk 136 crore. Dutch Bangla Bank earned Tk 245 crore. IFIC Bank posted a profit of Tk 185 crore, Uttara Bank Tk 170 crore, Shahjalal Bank Tk 156 crore, NCC Bank Tk 201 crore, First Security Bank Tk 78 crore and Dhaka Bank Tk 195 crore. Bank Asia made a profit of Tk 215 crore, BRAC Bank Tk 230 crore, and AB Bank Tk 200 crore. The three banks earned the same amount in the first six months of 2010. Five banks saw their profit growth decline between 1 percent and 50 percent.

Daily Star: 03.07.2011

BB offers for ex support to banks

The central bank has enhanced its foreign currency support through selling the US dollar directly to the commercial banks for settlement of import bills. As part of the operation, the central bank sold US\$16 million on 1st June at the market rate to a state-owned commercial bank (SCB) directly to meet the growing demand for the greenback. Besides, the BB provided overdraft (OD) facilities for \$ 5.0 million to a SCB on the same ground. The central bank has so far pumped in \$1.11 billion directly to the commercial banks to meet such higher demand for the greenback in the current fiscal year, the BB data showed.

Fin. Exp: 02.06.2011

Import spree of fabrics and yarn hits primary textile sector

The country's primary textile sector faces hard times as the stockpiling of unsold fabrics and yarn is increasing following heavy import from other competing countries. The primary textile sector has been facing difficulties following the relaxation of Rules of Origin under the Generalised System of Preferences by the EU from January 1 this year for the least developed countries (LDCs). As a member of LDCs, the Bangladeshi garment exporters get duty-waiver facility to the EU even if the produce items from imported fabrics. As a result, the garment makers favour to import fabrics from other competing countries like China. Previously, the domestic garment makers were dependent on local fabrics for getting the GSP facility. The import of woven fabrics has increased by 88.34 percent and knitwear fabrics by 32.35 percent during January to March period of the current fiscal year compared to the same period last year.

Daily Star: 03.06.2011

Rubber sector seeks soft bank loans, VAT waiver

The country's rubber industry has bright prospect to become a major area in the economy in three years if the sector is given policy support like soft bank loans and VAT waiver. Demand for rubber is on the sharp rise and per kg rubber now sells at between Tk 350 and 400. The price of the item fluctuated between Tk 70 and Tk 100 last year. Likewise, production cost of rubber has gone up by 50 per cent. So, the sector deserves VAT waiver and bank loans with five per cent interest as rubber is an agriculture product. Natural rubber has huge demand both at home and abroad. For instance, Turkey, Pakistan, and China have shown keen interest in importing rubber from Bangladesh but we have no surplus quantity to export. In the absence of 'Rubber Board' there is none to oversee rubber plantation, processing, marketing and export. Due to old clone and primitive plantation system it takes eight years for latex extraction in Bangladesh whereas in Malaysia the clone yields latex in four years. Around 15,000 tonnes of rubber is produced in the gardens on more than 85,000 acres of land in which 31,400 acres came under rubber plantation in the private sector and the rest under Bangladesh Forest Industries Development Corporation. In Bangladesh locally grown rubber is widely used in the production of sandal, bicycle tyre, automobile part, balloon, shoe sole, etc. The Bangladesh government first disbursed Tk 170 million among 360 garden owners for growing rubber gardens, each on 25 acres of land, in Chittagong Hill Tracts in 1984-85.

New Age: 04.06.2011

Banking payment system law on the cards

Bangladesh Bank governor stressed introducing the electronic payments in all banks for facilitating fast, safe and secure money transfer to meet their payment obligations. There is no alternative to e-Payment for facilitating trade and commerce as well as economic activities in the country. Bangladesh Bank and Dhaka Chamber of Commerce and Industry organised the seminar titled E-Payment in Bangladesh: Opportunities and Challenges. The electronic payments are the most sophisticated and advanced part of the modern payment system that can help increase the economic growth and development of the country. BB has already drafted a law on payment system, which will be sent shortly to the ministry concerned for enactment. BB adopted the payment and settlement system regulation in the year 2009. Electronic payments are the recent developments in the payment system arena of the country, the term used for any kind of payment processed without using

cash or paper based instruments. Bangladesh Bank has recently allowed offering Mobile based banking services to some 11 scheduled banks and after getting some more proposals, BB has decided to put a uniform guideline for this. The central bank has taken the initiative to streamline the service by introducing a common SWITCH for ATM/PoS. This system is expected to be operational within next year.

New Age: 05.06.2011

WB okays \$359m credit for health sector dev

The World Bank (WB) has approved a US\$ 359 million credit for the Health Sector Development Programme (HSDP) to support the efforts of the Bangladesh government to improve health services, especially for women, children, the poor and the marginalized. The fund approved at a meeting of the WB Board, held on May 26, is a follow-up to the long standing support of WB for the government's sector-wise programmes in the health sector. The Bank's new support will be utilized for accelerating the progress towards achieving the Millennium Development Goals related to health, nutrition and population, it said. The WB assistance is a credit from the International Development Association (IDA), the Bank's concessionary lending arm, it said, adding the credit carries a 0.75% service charge, a maturity of 40 years, including a 10-year grace period.

Fin Exp: 05.06.2011

State-run factories see better profit prospects

The state-owned fertiliser factories see better prospect of earning profit following the government decision to increase the urea price from Tk 10,000 to Tk 18,000 per tonne, sources said. According to a source at Bangladesh Chemical Industries Corporation (BCIC), which controls the state-owned fertiliser factories, at present the production cost of a tonne of fertiliser at six state-owned factories is around Tk 10,000, leaving no room for them to earn profit. The total production target of BCIC is 1.15 million tonnes in the current financial year. The government largely depends on import of fertiliser to cater to the need of the farmers. At present the import price of per tonne fertiliser is around 400-410 dollars in the international market which is equivalent to more than Tk 29,000. Because of the big volume of fertiliser import the government has to provide a substantial amount of subsidy every year.

Fin Exp: 06.06.2011

Businesses eye \$1b in global market by four years

Bangladesh could secure a billion-dollar share in the global market of apparel accessories and packaging materials in less than five years, as global importers have been desperately looking for a competitive source to China. Local accessories manufacturers already have experience in catering to the country's huge apparel export industry, but for getting a foothold in global market they need promotion and sustainable supply chain where government has a lot to do. BCCMA has targeted that by 2018 its members would command a \$12 billion worth sector of packaging materials and accessories. They aspire to feed a \$50 billion-plus garment industry by that period while two to three billion would come from direct exports of accessories and packaging materials. Many of the local garment accessories and packaging materials manufacturers are sending products for manufacturers of garments and other products abroad... a new horizon is opening for Bangladesh's export sector. Bangladesh is now exporting abroad such accessories like plastic hangers, poly bags, cartons, tags, labels and sewing threads.

New Age: 06.06.2011

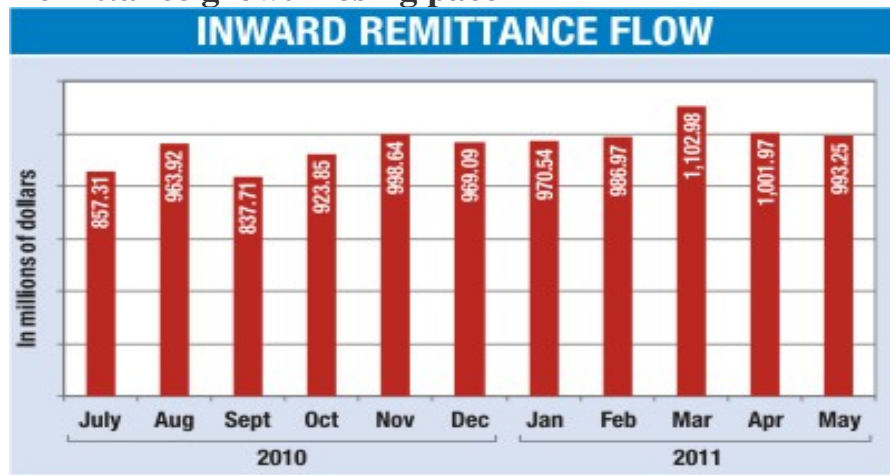
UAE sees more business with Bangladesh

The United Arab Emirates asked Bangladeshi businesses to explore opportunities in manufacturing, energy, healthcare and education in the Persian Gulf nation and said it firms were keen on doing business in agriculture, food processing, hospitality and tourism. Bangladesh occupies an 'important position' in the development scheme of things of the United Arab Emirates, according to the UAE minister for foreign trade. Bangladesh was among the 'illustrious' group of 11 3G (global growth generators) countries that had been identified as a 'source of growth potential and profitable investment opportunities. As the eighth most

populous country in the world, Bangladesh represents a huge market for their products, services and investments. So far, the Emirates has invested around \$2.5 billion in telecommunications, banking, ceramics, construction, real estate, and pharmaceuticals sectors. The Persian Gulf nation is the second largest source of foreign remittance for Bangladesh and contributed 17.20 per cent of total remittance flow in 2009-2010 fiscal.

New Age: 06.06.2011

Remittance growth losing pace



Inward remittance growth fell for a second month in May due mainly to the ongoing unrest in the Middle East and North Africa that has sent home thousands of migrant workers recently. In May, migrant workers remitted \$993.25 million, down from \$1,001.97 million a month ago, registering a 0.9 percent fall. The remittance, however, grew 9.9 percent in May compared to the same month last year when it was \$903.05 million, according to statistics of the Bangladesh Bank. The remittance growth in the first 11 months of the current fiscal year stood at 5.06 percent. During the July-May period, Bangladesh received \$10.6 billion in remittance, up from \$10.09 billion in the same period the previous fiscal year. Remittance growth started slowing down due to a significant decrease in the net outflow of migrant workers over the past year and a half. The number of workers going abroad in the first 11 months dropped 10.9 percent compared to the same period last year. Also, a number of migrant workers returned home following political unrest in the Middle East countries such as Egypt, Libya, Bahrain and Yemen.

Daily Star: 07.06.2011

Refrigerator importers dodge revenue

The government is being deprived of huge revenue due to under-invoicing in the imports of refrigerators from China and Thailand, an investigation of the Bangladesh Tariff Commission (BTC) has found. It said locally produced refrigerators are losing market to the imported ones brought through under-invoicing as the prices of the foreign made ones are lower. The investigation found differences between the market prices of refrigerators in China and Thailand and their announced prices while imported for Bangladesh.

Fin.Exp:07.06.2011

Move to hike interest rates on savings tools

Interest rates on savings certificates		
	2010-11 (%)	Proposed (%)
5-year family savings certificate	11.04	12.05
5-year pensioner savings certificate	11	11.80
5-year wage earners development bond	10.05	11.80
5-year Bangladesh savings certificate	10.05	11.55
3-year 3-monthly profit savings certificate	10	10.76
3-year postoffice savings scheme	10	10.76

The government has moved to increase sales of savings instruments by raising their interest rates and cutting taxes on profit, as sales marked a fall in the outgoing fiscal year. A government committee has recommended raising the rate of interest on all types of savings instruments by 0.5 percent to 1 percent and cutting taxes on profit by 5 percent. In the current fiscal year, the rate of interest on various savings instruments was cut by 1 percent to 1.5 percent. On the other hand, 10 percent tax was imposed on the profit. The committee recommended the rate of interest on Paribar Sanchaypatra at 12.05 percent from existing 11.04 percent, Pensioner Sanchaypatra at 11 percent from 11.80 percent now, and five-year Bangladesh Sanchaypatra at 11.55 percent from existing 10.5 percent. The interest rate on three-year Sanchaypatra and Post Office Sanchaypatra will rise to 10.76 percent from existing 10.25 percent, and five-year Wage Earners' Development Bond to 11.80 percent from 10.5 percent now. The committee said Paribar Sanchaypatra is now sold to women and the highest interest is paid on it considering the buyers' segment as a group lagging behind. But as no socio-economic class is specified as to who will be able to buy those, the higher sales of Paribar Sanchaypatra are mainly confined to the middle and upper-class families, as they invest in this savings instrument through women. The committee said, in future it should be specified to which socio-economic class this savings instruments will be sold. The study found that the investment coming through the savings instruments is not actually from the lower and lower middle classes. The high rate of interest given on these savings instruments is actually enjoyed by the middle and higher middle class people.

Daily Star: 08.06.2011

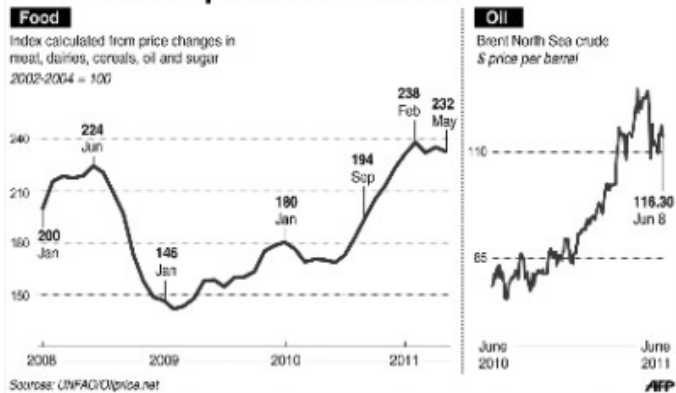
Marketing guru creates buzz in city

Marketing guru Philip Kotler who came in Dhaka on a three-day visit, talked about modern thoughts of marketing and its importance. He met with young marketers to discuss modern thoughts of marketing and debate the marketing challenges faced by them at Mirpur Indoor Stadium. During the one and a half hour session, he portrayed the significance of production, customer service and sales in maneuvering the marketing principles. He suggested providing a positive experience to customers because it is an essential tool in constructing affection towards the brand or in other words, becoming the fan of a brand. The session focused on the magnitude of public service marketing and the positive impact it can bring to different government institutions through better efficiency and better delivery of service. Kotler, an icon in the academic arena for popularising a groundbreaking theory of marketing -- the Four Ps (Product, Price, Place, and Promotion) -- also announced the launch of his textbook 'Principles of Marketing' in Bangla.

Daily Star: 09.06.2011

Inflation piles pressure on growth in developing world

Food and oil prices on the rise



The World Bank on June 08 revised up its growth forecast for the developing world and warned that higher food and fuel prices were causing inflationary pressures to build up. In its updated Global Economic Prospects report, the World Bank said the pace of growth in the world's developing countries should average 6.3 percent over the next three years through to 2013, which is down from 7.3 percent in 2010. The majority of developing economies have, or are close to, full capacity activity levels while advanced economies still struggle with the effects of the global financial crisis, the World Bank said. Rising commodity prices have pushed headline inflation rates higher, which are close to, or have breached the upper limits of central banks' targeted bands in many countries, the report said. Food inflation exceeded 9 percent by February 2011 in developing countries, it added. While the World Bank forecast is for solid growth in developing countries, the report highlighted risks from costlier food and fuel, possible further price spikes in oil and nagging post-crisis problems in advanced economies. The World Bank said a large and sustained drop in global oil supply due to the turmoil in the Middle East could push global oil prices as high as \$200 a barrel. The bank said higher global oil prices were a major factor behind the rise in world food prices, just three years after the last food price crisis in 2008. More expensive oil feeds into food prices through the rise in fertilizer prices, transport costs to ferry food to markets, and through increased use of corn for biofuel production. The Bank noted that the rise in global food prices has been mitigated by healthy local harvests in some regions of the developing world. World Bank simulations suggest that if the June 2011/May 2012 crop year is normal, then globally-traded grain prices should decline in 2012. However, if the crop is poor then wheat prices could rise by a further 3.5 percent.

Daily Star: 09.06.2011

e-commerce gets a boost

The government in the proposed budget has concentrated more on e-commerce (electronic commerce) to make financial transaction by using information and communication technology (ICT) to create an environment for ICT-based trade and commerce. The government plans to accelerate banking and commerce by using electronic banking. It is also going to introduce automation in dealing with financial transactions between the public and government officials in relation to distribution of social safety net benefits, payment of salaries, depositing money with the government treasury and payment of all kinds of fees. Steps have taken to establish a national e-payment switch in the Bangladesh Bank (BB). The BB would introduce mobile phone-based online transaction systems, which would simplify government transactions. The central bank has introduced automated clearing houses that processes cheques fast. The BB has given permission for mobile banking and making credit card-based online transactions.

Daily Star: 10.06.2011

Bangladesh to host World Marketing Forum

Marketing guru Dr Philip Kotler declared Bangladesh the host of World Marketing Forum where the country will be propelled in the global arena. World Marketing Forum is a unique venture where some of the world's most influential marketers, academia, corporate leaders and development experts will gather to find solution to some of the biggest challenges of the world. The forum aimed at creating better world through marketing. During the first year, education, health, food and environment will be discussed. Kotler announced the forum after a daylong workshop on 9th June, "Professional Certified Masterclass 2011" for the marketers of the corporate world in Dhaka. "Bangladesh is a sleeping tiger which will rise and win," Kotler added. He was very impressed by the energy of the country, which helped him to pick Bangladesh as the host nation.

Daily Star: 10.06.2011

5.0pc tax at source for all savings tools

All kinds of savings instruments, including pensioners savings certificate, family savings certificate (FSC) and wage-earner bond, are set to come under 5.0 per cent tax at source provision from the upcoming fiscal (2011-12). Income from the wage earner bond is presently tax-free, while the investors of pensioners certificate and FSC are subject to pay income tax at regular rate on the earning, if it exceeds the tax-free ceiling of Tk. 1,65,000. From the next fiscal, taxmen will adjust 5.0 per cent tax at source with the income tax on annual earning at the time of return submission. During the first nine months of the current fiscal, net investment in FSC was Tk.39.0 billion, and in pensioners savings certificate Tk. 10.63 billion. Other savings tools with five years and three years tenure posted negative growth during the period.

Fin.Exp:11.06.2011

Industrial sector's share in GDP slightly up in FY'11

The share of the industrial sector in the country's gross domestic product (GDP) has increased by 0.40 percentage point in the outgoing fiscal and that of agriculture and service sectors has slightly declined, according to the latest official survey report. The Bangladesh Economic Survey 2011 estimated the share of the industrial sector at constant price to the country's GDP at 30.33 per cent in fiscal 2010-11 against 29.93 per cent in the previous fiscal. The GDP represents the aggregate value of goods and services produced in an economy. The contribution of the agriculture sector to the economy showed a decline by 0.34 percentage points in the outgoing fiscal from 20.29 per cent in the previous fiscal, the survey said.

Fin.Exp:12.06.2011

Digital marketplace launched for SMEs

Akhoni.com, a digital marketing and e-commerce company, was launched in the city on June 12, 2011 in order to help small and medium businesses market their products. Bangladesh Bank Governor Atiur Rahman unveiled the digital platform at a ceremony in Dhaka. The online marketplace features discount deals with popular businesses like internet services, luxury restaurants, hotels, transports, beauty parlours, fashion houses, theme parks, gymnasiums, furniture shops, sports and recreation centres. Its merchant partners offer discounts, date and time specific on their products, and the online platform promotes the offer through activation campaigns, emails and SMS.

Daily Star: 12.06.2011

Exports to Canada back on high growth

After suffering a poor growth in the Canadian market last year, shipment of Bangladesh's apparel and other merchandizes to the North American country is experiencing a sharp growth this year. Quoting a Canadian government trade report, official of the Canada-Bangladesh Chamber of Commerce and Industry told that Bangladesh's exports to Canada in terms of value increased by 56 percent year-on-year in January-March period of the current year. In 2010 growth in export shipment to Canada was recorded at below 10 percent. In

the first quarter of 2011, exports amounted worth \$ 273 million against \$175 million in the same period last year. Report shows that by April the export figure crossed \$350 million. The economy in Canada has been very strong in recent months with increase of consumers' spending which illustrated demand for products imported from across the world. Canadian importers' major import from Bangladesh, started growing robustly again in recent months while footwear and other merchandises also showed a strong growths in shipment. Apparels shared 91 percent of Bangladesh's export shipments to Canada in January-March period of the current year. Imports of clothing from Bangladesh increased by 60 percent year-on-year in the first quarter of the current year to \$248 million. Canadian importers bought woven garments in men's category worth \$108 million, growing 63 per cent year-on-year while imports of women's category amounted \$98 million with 60 per cent growth. Shipment of knitted clothing increased by 54 per cent to \$23 million.

New Age: 13.06.2011

Bangladesh's businesses, economy show strong desire for change

Bangladesh's businesses and economy are showing a strong desire for change now and so strategies are required to transform the desire into sustainable growth, said a top international management strategist. David P Norton, a globally acclaimed management guru known for his Balanced Scorecard theory and rated as one of world's top 12 Most Influential Management Thinkers. Norton's Balanced Scorecard concept was selected by the editors of Harvard Business Review as one of the most influential management ideas of the past 75 years. Structured management system, openness and concentrated focus on specific agenda should be practiced by organizations, either the government or individual companies, for reaching their goals of higher growth. His balanced scorecard is a strategic performance management tool used by managers globally, including those in the companies like Wal-Mart, HP and Bank of America, to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions. Companies operating with structured management system can attain growth nearly three times more than the companies which move on unstructured management. He suggested Bangladeshi companies in export sector needed to cooperate one another for developing the supply chain which would help maximize value addition. Companies in Bangladesh should invest much in continuous learning and training of their employees. Certified strategy planners are also required in the companies.

New Age: 13.06.2011

China's bank lending falls sharply

New loans issued by Chinese banks fell sharply in May from the previous month, the central bank said. The country's banks handed out 551.6 billion yuan (\$85.14 billion) in loans in May compared with 739.6 billion yuan in April — and 100.5 billion yuan less than a year earlier, the People's Bank of China said in a statement. Analysts had expected 650 billion yuan in new loans, Dow Jones Newswires said. The data, which come a day before inflation data for May amid fears prices are rose faster, suggest Beijing's 'credit controls are gaining. Policymakers have been pulling on a variety of levers to rein in bank lending on fears soaring property prices and inflation — which has been hovering above five per cent — could trigger social unrest.

New Age: 14.06.2011

BB plans mobile phone-based credit services in rural areas

Bangladesh Bank is expected to introduce soon mobile phone-based credit services to accelerate loan disbursement and recovery in rural areas. BB governor was speaking on the status of e-banking and its future in Bangladesh at the 3rd International E-banking and Mobile Commerce Conference and Exhibition at a hotel in the city. SAARC Chamber of Commerce and Industry (SAARC CCI) organised the seminar. Receipt and delivery of inward remittances from overseas workers are now largely electronic, and use of credit and debit cards for e-payment at vendor site POS (point of sale) terminals and for utility bills are spreading steadily. Besides, mobile phone and smart card-based online purchases of goods and services are catching on in popularity because of growing hassles from traffic snarls and jams in physical visits to vendor outlets in cities. BB is actively encouraging engagement of banks, microfinance institutions and mobile phone operators in

partnerships for delivering innovative financial services to cater to the needs of existing and emerging demands in the fast developing market.

New Age: 15.06.2011

SEC's permission must for appointing, sacking merchant bank CEOs

The Securities and Exchange Commission approved the draft amendments to the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996 which will make it mandatory for the merchant banks to take the commission's permission to recruit or terminate their managing directors or chief executive officers. The commission has approved the draft amendment to the Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996. The commission in its 387th meeting decided to include a new chapter, Chapter 9 comprising two new sections – 37 and 38, regarding recruitment, termination and authority of the managing director or the CEO of any merchant bank. According to the new rules, the appointment of a managing director or CEO of a merchant bank will have to be contractual for three years and renewable on commission's permission. The draft also said any MD or CEO of any merchant bank would have to give a resignation notice to his/her respective bank three months ahead and the board of the bank would have to get a replacement within that period. If any board fails to appoint a new MD or CEO within that period, the commission will take over the responsibility.

New Age: 15.06.2011

BB builds up fight against inflation

The Bangladesh Bank (BB) on 14th June again increased repo and reverse repo rates by 50 basis points -- the third attempt in about one and a half months -- to rein in credit growth and inflation. The central bank hiked the interest rate on repo to 6.75 percent from 6.25 percent. The rate of interest on reverse repo was raised to 4.75 percent. A repo rate is the interest rate at which the central bank lends money to commercial banks, while a reverse repo rate is the interest rate earned by a bank for lending money to the central bank in return for government securities. A rise in the reverse repo or repo rate means a squeeze on credit from financial institutions to the private sector, which makes loans costlier. Bankers said the moves will make credit costlier. In January, the central bank indicated that it would hike the policy interest rate to contain inflation. Earlier, on April 26 the repo and reverse repo rates were increased by 25 basis points, while on March 13, the rates saw a rise of 50 points. The BB also increased cash reserve requirement (CRR) on December 15 last year.

Daily Star: 15.06.2011

India's inflation above 9pc in May

India's annual inflation accelerated above market forecasts to 9.06 percent in May. The rise in the wholesale price index -- the government's preferred measure of the cost of living -- was lower in April at a provisional 8.66 percent. Inflation is one of the biggest problems for India's government and is the highest among all major Asian economies. India's central bank, the Reserve Bank of India (RBI), has been among the most hawkish in the region, having increased key rates nine times in the past 16 months.

Daily Star: 15.06.2011

Mobile phone can be a bank branch

Every mobile phone can be a branch of a bank, taking financial services to the country's un-banked low-income people anywhere anytime. Both the mobile operators and banks should develop mutual trust to run mobile banking in the country, as the service is performed in partnership between the two service providers. The government has targeted to bridge the digital gap between the wealthy and the poor. The governor of Bangladesh Bank said that the central bank is actively encouraging engagement of banks, microfinance institutions and mobile phones and other IT platforms in partnerships to innovate financial service delivery models responding to the diversity of existing and emerging new demands in the fast developing market.

Daily Star: 16.06.2011

Banks not to charge over 12pc interest on food import loan

Private commercial banks will not charge more than 12 per cent interest rate on loan for importing food grains. A delegation of Bangladesh Association of Banks (BAB) conveyed the decision to Prime Minister while exchanging views with her at the Prime Minister's Office on 16.06.2011. BAB Chairman led the delegation. The interest to the depositors will also not be more than 12 per cent, the delegation informed the premier. During the meeting, the BAB delegation apprised that banks have no liquidity crisis at present as the country's economy is in good condition. The prime minister called upon the businessmen and others concerned to take necessary measures to prevent price spiral of essential commodities during the month of Ramadan considering sufferings of the commoners.

New Age: 17.06.2011

Export earning crosses \$20b mark for first time

The country's annual export earning for the first time crossed the \$20 billion mark in 11 months of the current fiscal year, and the export earning in May stood at \$2,295.10 million, which is 47.69 per cent higher compared to that of May last year. Total export earning in the July-May period of the current fiscal year stood at \$20,538.34 million, growing by 41.61 per cent compared to the same period of the last fiscal year when \$14,503 was earned, according to the Export Promotion Bureau's data released on 16.06.2011. The export proceeds of this fiscal year's 11 months exceeded the target of \$18,500 million because of healthy growth in the export of readymade garments, jute and jute goods and frozen foods. The total export was worth \$16,204.65 million in the last fiscal year and \$15,535.94 million in FY2008-2009. In May this year, export grew by 47.69 per cent compared to the corresponding month last year. In 11 months of the current fiscal year, knitwear export earned \$8,444.65 million, growing by 46.76 per cent over the same period of the last fiscal year, and woven garments fetched \$7,514.70 million, growing by 39.44 per cent, according to EPB's data. Export of home textiles registered a whopping 97.97 per cent growth, totalling \$716.36 million in 11 months.

New Age: 17.06.2011

Biggest global banks may face stiffer capital surcharge

The world's biggest banks face a capital surcharge of up to three per cent in a bid to keep taxpayers off the hook next time a lender gets into difficulty. But a surcharge of between 3 per cent and around 3.5 per cent will be imposed if a bank grew significantly and as a result posed larger systemic risks. The basic structure, however, is set to be in line with what regulators and bankers have been saying over the past year. The blueprint is about a year behind schedule due to bickering among G20 countries over whose banks will be deemed G-SIFIs, and whether other measures, also in the blueprint, such as effective wind-up mechanisms could be a substitute for surcharges at some banks. Initially the surcharge will apply only to the biggest banks such as Goldman Sachs, HSBC, Deutsche Bank and Morgan Stanley. The surcharge will depend on criteria regulators have already outlined, such as how interconnected the bank is to the rest of the financial system and how easily its operations could be substituted by another lender. The bigger issue is going to be liquidity as banks are even more concerned about this. Basel III introduces the first global liquidity standards which will force banks to top up with large chunks of government bonds to comply. The capital surcharge will be on top of the new global Basel III minimum capital of 7 per cent set for all banks from 2013. The blueprint will be published by the FSB in late July for public consultation before G20 leaders endorse them in November.

New Age: 17.06.2011

BB dissatisfied with SCBs' performance

The Bangladesh Bank blamed the four state-owned commercial banks for low performance in the first quarter of this year and directed them to improve their key financial indicators. The central bank issued the directive from a quarterly performance evaluation meeting on the four state-owned commercial banks held at the BB conference room. The amount of classified loans, capital inadequacy, loan disbursement, and deposit collection of the banks are not agreeable. The BB quarterly report shows classified loans of all the four banks

have increased over the quarter, with Sonali Bank accounting for Tk 563.47 crore, Janata Bank Tk 84.73 crore, Agrani Bank Tk 82.47 crore, and Rupali Bank for Tk 1.81 crore. The amount of classified loan of Sonali Bank is 25.47 per cent of its total disbursed loans, that of Janata Bank is 5.36 per cent, Agrani Bank 12.50 per cent, and Rupali Bank 7.23 per cent. The Sonali Bank's deposit collection growth in the period is 2.93 per cent, Janata Bank's 1.01 per cent, Agrani Bank's 9.32 per cent, and Rupali Bank's is 3.17 per cent. Three of the banks are facing capital inadequacy. The capital shortage of Janata Bank is Tk 191.23 crore, Agrani Bank Tk 259.48 crore, and Rupali Bank Tk 79.43 crore. Sonali Bank, on the other hand, has added a Tk 685.22 crore capital in the quarter. The loan disbursement growth achieved in the period by Sonali Bank is 7.58 per cent, Janata Bank 4.76 per cent, Agrani Bank 9.11 per cent, and Rupali Bank 10.52 per cent. Sonali, Janata, Agrani and Rupali banks have been operating as public limited companies since November 15, 2007.

New Age: 17.06.2011

Treasury functions launched at BB Barisal branch

The Bangladesh Bank on 19.06.2011 introduced full-pledged treasury functions at its Barisal branch after twenty years of the opening of the branch. Governor of Bangladesh Bank inaugurated the treasury functions through a teleconference held at the Barisal branch in the morning on the day. Bangladesh had started electronic fund transfer, opened helpdesks at BB branches and introduced mobile banking system. With the launch of the treasury activities, the BB Barisal branch has been dignified as a full-pledged branch of the central bank. Generally treasury functions were expected to monitor cash positions and corporate spending. But now-a-days, treasurers also perform additional responsibilities of containing expenses through process improvements, reducing process cycle times, managing corporate spending, preventing fraud and misuse, accounting for risk and building vendor relationships.

New Age: 19.06.2011

BB becomes APRACA vice-president

Bangladesh Bank has been selected as the vice-president of the Asia Pacific Rural and Agricultural Credit Association for 2012-14 terms. The central bank won the position after competing with Malaysia, South Korea and Sri Lanka. The BB has been an active member of the APRACA, established in 1977. Earlier in 1981-82, the BB was selected as the president of this organisation.

New Age: 19.06.2011

BAB, ABB to follow uniform policy on deposit rate

Two representative associations of private commercial banks (PCBs), Bangladesh Association of Banks (BAB) and Association of Bankers, Bangladesh (ABB) have decided to follow a uniform policy on deposit rate, indicating a maximum rate of interest at 12 per cent on deposits. Besides the decision taken on the deposit rate, they also resolved to keep the limit on lending rate on import funding for food items at 12 per cent. This decision of the BAB and ABB on deposit rate was taken in the backdrop of the pressure on some commercial banks to mobilize deposit at high rates to meet their liquidity problems and to comply with the directives of the Bangladesh Bank about credit-deposit ratio (CDR). In some cases, the rate on some term deposits was offered by some banks at as high as 14 per cent, substantially up from their publicly announced rate. The high cost of deposit has also led to hikes in lending rate in many cases. This time BAB has passed a resolution, urging the PCBs to follow a uniform policy on deposit rate, by not offering to any client more than 12.0 rate of interest on any form of deposit. BAB and ABB decided also to withhold cooperation with those banks if they are found to offer deposit rate exceeding 12 per cent if any bank does not comply with our decision on deposit rate, other banks will consider stopping all kinds of inter-bank transactions with the concerned PCB.

Fin Exp: 19.06.2011

Heavy bank borrowing to slow down private investment

Economists and business leaders at a post-budget discussion expressed concern over hefty government borrowing from banks, saying it might slow down private investment making difficult to achieve the projected

7 per cent GDP growth. The banking sector was already suffering from liquidity crisis and the targeted foreign aid might not come, which would ultimately put pressure on the banking sector. The country's future economy depends on sound political environment. The private sector investment would face a challenge due to budget deficit financing through bank borrowing. High bank borrowing by the government will have pressure on banks and it will subsequently shrink private sector investment. High bank borrowing might increase inflationary pressure.

New Age: 20.06.2011

Islamic banks seek BB support to overcome liquidity crisis

Bangladesh Bank directed the Islamic banks to share deposit placement to ease their liquidity crisis. The central bank told the banks to maintain credit-deposit ratio to 90 percent as per the guideline of BB. At the meeting held at BB conference room, representatives of the Islamic banks demanded fund support under the central bank's re-financing scheme and urged for establishing a separate money market for the Islamic banks. The commercial banks were reportedly having a liquidity crisis though the central bank claimed there has been excess liquidity of Tk 28,000 crore in the banking system. The Bangladesh Bank has refinancing schemes for housing, environment and small and medium Enterprise sectors under which the private banks can get fund support to provide loans. But the Islamic banks were not getting the benefits of refinancing scheme of Bangladesh Bank.

New Age: 20.06.2011

BAB wants increased ceiling of CDR

The Bangladesh Association of Banks urged Bangladesh Bank to increase the ceiling of credit-deposit ratio, or CDR, of commercial banks from 85 per cent to 90 per cent and of Islamic banks from 90 per cent to 95 per cent. A delegation of the country's lone trade body of bank-owners placed the demand in a meeting with the central bank governor at the BB conference room. In response to the demand, Governor said Bangladesh Bank would take all the necessary steps to keep the financial sector stable. The delegation also informed the central bank about the latest interest rate ceiling set at 12 per cent by the bankers on deposits and letters of credit for import of essential commodities.

New Age: 20.06.2011

NBR to withdraw tax rebate on investment in capital market

The National Board of Revenue (NBR) is set to withdraw tax rebate facilities on investment in the capital market by individual taxpayers from the upcoming fiscal. Currently, individual taxpayers can enjoy 10 per cent tax rebate facilities if they show investment in the share market in the tax return file. In a reverse order, the revenue board is set to offer 10 per cent tax rebate on Deposit Premium Scheme (DPS) up to Tk. 60,000 annual investment in all scheduled and commercial banks. Depositors of the state-controlled banks - Sonali, Janata, Agrani, Rupali - are now enjoying the tax rebate on DPS. In the Finance Bill-2011, the government also brought income of mutual fund issuing companies under tax net from the upcoming fiscal. Issuer of mutual fund will have to pay income tax at the regular rate on their income on issuance of mutual fund. The revenue board has also withdrawn tax-free ceiling up to Tk. 20,000 for investment on debenture. From 2011-12 fiscal, people will have to pay tax on the entire interest amount of debenture. Currently, the revenue board offers tax rebate on the amount that the taxpayer invests in the share market, both primary and secondary trading. Taxpayers who are now claiming tax rebate on investment in the capital market are subject to paying tax at the normal rate on capital gain, said a senior tax official. The revenue board has withdrawn the provision to avoid any complexities on claiming tax benefit on capital gain. In a bid to come out of the widespread tax-exemption culture the revenue board has incorporated those measures in the Finance Bill-2011. Tax officials said the measures will bring a significant amount of revenue in the upcoming fiscal from the capital market.

Fin. Exp: 20.06.2011

BB raises number of audit committee members of banks

The central bank has increased the number of audit committee members of the commercial banks aiming to improve the performance of the independent committee properly. Under the amended provisions, the number of audit committee members of the board of directors of commercial banks has been set at maximum five instead of three and the audit committee reports to the board of directors of the bank.

Fin. Exp: 20.06.2011

BB to include other banks' deposits for calculating CDR

Commercial banks will be able to lend more as the central bank has decided to include other banks' deposits for the calculation of credit-deposit ratio (CDR). In accordance with the latest decisions, the banks will be allowed to calculate the CDR considering other banks' deposits as a source of fund instead of excluding those deposits from the denominator. Besides, the banks will have to include credit to other banks in their total credit position. But overnight borrowing and lending will be excluded from the total deposit and credit. Bangladesh Bank (BB) took the decisions at a meeting with the leaders of the Bangladesh Association of Banks (BAB) and Association of Bankers, Bangladesh (ABB). The banks have to include credit to other banks in their total credit position, he said, adding that overnight borrowing and lending will be excluded from the total deposit and credit. On February 20 last, the BB has set June 30 as deadline for bringing down the CDR of the commercial banks to a reasonable level. Under the directive, 19 conventional commercial banks will have to bring down their CDR to 85 per cent while five Sharia-based Islamic banks to 90 per cent by June 30 this year. On June 18, the BAB and the ABB decided to follow a uniform policy on deposit rate, indicating a maximum rate of interest at 12 per cent on deposits.

Fin. Exp: 20.06.2011

Bank accounts for beneficiaries of social safety net

Bangladesh Bank has directed public banks to immediately open accounts for people enjoying benefits under social security programmes run by the social welfare directorate. The central bank said people enjoying such benefits, including the elderly persons' pension and allowances for insolvent disabled and widows, can open bank accounts in their names by depositing Tk. 10 against their national identity cards and pension payment orders. Such bank accounts are aimed at making the distribution of allowance easier and hassle-free and ensuring transparency, the central bank said and there will be no obligation for maintaining a minimum balance in these accounts, and no charge or fees could be charged, according to the central bank. In cases where cheque books are inadequate, the transactions into these accounts can be done through voucher instead of cheque books.

Daily Star: 20.06.2011

BB redefines small and medium enterprise

Bangladesh Bank has reset the definitions of small and medium enterprises as per the National Industrial Policy Order 2010. The redefinition was done for the benefit of banks and financial institutions, a Bangladesh Bank circular said. In manufacturing, medium industry/enterprise would be those with assets worth Tk 100 to 300 million (minus land and factory building, and including replacement value) and/or 100 to 250 workers. In service industry and in business, medium enterprises will be those which employ 50 to 100 and have assets (defined as above) worth Tk 10 to 150 million. If a business fits into any of the criterion for a large industry, it will be considered a large industry though its other characteristics may be that of a medium one. In manufacturing, small industry/enterprise would be those with assets worth Tk 5 to 100 million (defined as above) and/or 25 to 99 workers. In service industry and in business, small enterprises will be those which employ 10 to 25 and have assets (defined as above) worth Tk 5,00,000 to 10 million. In manufacturing, micro industry/enterprise would be those with assets worth Tk 5,00,000 to 5 million (defined as above) and/or 10 to 24 workers or less. In service industry and in business, micro enterprises will be those which employ 10 or less people and have assets (defined as above) worth Tk 5,00,000 or less. In manufacturing, cottage industry/enterprise would be those with assets worth Tk 5,00,000 to 5 million (defined as above) and/or 10 to

24 workers or less. In service industry and in business, cottage enterprises will be those which employ 10 or less people and have assets (defined as above) worth Tk 5,00,000 or less. If a woman is the proprietor of a proprietary business or the owner of at least 51 per cent of a partnership or a private company registered under joint stock companies, then she would be considered a woman entrepreneur. Cottage and micro industries would from now on be included in Bangladesh Bank's SME loan policies and programmes.

New Age: 21.06.2011

Solar power must for new SME, agriculture branches

The Bangladesh Bank in a circular made it mandatory for banks which want to finance the SME and agricultural projects to set up solar power panels for providing electricity. BB's circular mentioned that if any bank plans to open a new branch to finance projects in the agriculture or small and medium enterprise sectors, they should inform it whether solar power panels are available there to provide power to the branch. The BB will not allow any bank to open any such branch without installation of solar power panels. The new branches should be environment-friendly, and should prioritise the effective use of sunlight, the use of renewable energy, energy-efficient bulbs and machinery, along with proper use of water. The new directives are in line with the implementation guideline of 'green banking' which was announced last February.

New Age: 21.06.2011

BB asks banks to publicize rate charts properly

Bangladesh Bank (BB) has instructed all scheduled banks to publicize their rate charts for deposit and lending in a proper manner. The banks will display the interest rate matrix in their head offices and branches at suitable places where everybody can see it. The central bank, in a circular issued ON June 20, clarified the interest rate disclosure guidelines as it found that the banks are not properly announcing the rates. It said the banks would disclose the mid-rate of interest, and considering risks of any client, it could charge 1.5 per cent up or down of the disclosed rate. The banks will send the interest rate matrix to BB by the 7th of any month, the circular added. If the central bank has fixed or will fix any rate for export or any other sector, the banks won't be allowed to charge more than that.

Fin. Exp: 21.06.2011

BB gets more powers to curb money laundering

The proposed anti-money laundering law empowers Bangladesh Bank to cancel licenses of organizations that provide false information or conceal facts from the central bank about siphoning of funds. The cabinet approved the Money Laundering Prevention Act on 20th June. Besides banks and other financial institutions, nongovernmental organisations, stock dealers, brokerage houses, asset managers and other organisations must regularly send information about suspected transactions to the central bank, according to the draft of the law. Under the law, a separate financial intelligence unit will be set up at Bangladesh Bank to monitor and take necessary action against money laundering activities. If any organisation fails to provide information sought by the central bank, it can fine the agency as high as Tk.5 lakh at a rate of Tk. 10,000 a day, according to the law. If any organisation is fined more than thrice in a fiscal year, the central bank can suspend registration or licence of the organisation, any of its branches, service centres, booths and agents, according to the law. As further punitive measures, the central bank can take action against the licensing authority of the organisation, the law says. Similar punitive action will be taken against any organisation if it fails to comply with any circular issued by the central bank. If any organisation finds information about any suspicious transaction it can suspend transaction of the account for 30 days, and the timeframe can be extended to six months, if necessary, according to the law.

Daily Star: 21.06.2011

Bank rates to come under sharp watch

Bangladesh Bank has moved to monitor banks' interest rates on deposits and loans strictly as many have been found charging abnormally high rates. A statement of interest rates on deposit and credit have to be sent to the central bank by the first week of every month, the central bank said in a statement on 20th June. If any change is made in the stated rates later, banks must communicate with the central bank immediately. According to a BB report on the overall situation in the banking sector, there is no liquidity crisis in commercial banks. It however found banks have engaged in a stiff competition to collect deposits. Some banks offered as high as 14.25 percent interest rate on deposits. The report said only four banks faced a liquidity crunch. In May, three banks offered a 14 percent rate on term deposits while one bank offered 14.25 percent. Sixteen banks offered between 13.50 percent and 13.75 percent rates on term deposits. In case of working capital, banks imposed a maximum rate of interest. According to the BB report, 12 banks are imposing interest rates between 15.50 percent and 18 percent. However, most charge 16 percent. The high deposit rates offered by a few banks indicate stiff competition in the sector in collecting funds. Owners of private banks have decided not to offer more than 12 percent interest rates on deposits. They informed the central bank governor about their decision. The circular also said banks would announce rates for sectors for which the central bank has fixed a ceiling on the lending rate.

Daily Star: 21.06.2011

Weak taka fuels inflation

The continuous depreciation of the taka against the US dollar has made imports of 'essential-to-luxury' items expensive over the last six months and fuelled inflation. The weak taka has also put the balance of payments (BOP) under stress and widened trade deficit. The taka has depreciated by more than 5 percent against the dollar since January this year. In the beginning of 2011, the US dollar was sold at Tk 71 for import payments and now the value stands at around Tk.75. The exchange rate was Tk. 69.34 in June last year. Taka depreciation leaves direct impact on food inflation, which is evident in edible oil and sugar prices. The devaluation has not only made import of food items costly, but it has also hiked the costs of inputs of readymade garments, pharmaceuticals and agriculture (fertilizer and tractor).

Daily Star: 23.06.2011

BB asks govt. to curb bank borrowing

The central bank has warned of a "crowding-out effect" in the private sector as the government borrowing from the banking system is on the rise. In a report, Bangladesh Bank also alerted the government to the risks of excessive borrowing from the banking system. In view of the pressure on the balance of payments (BOP), alongside a conservative monetary policy, a conservative fiscal policy will be logical, the report said. The report said, if the government continues to borrow heavily from the banking system, the debt in the private sector may fall much short of the expected level, which will not be consistent with achieving the GDP growth target. According to BB statistics, the government borrowed Tk 17,626 crore from the banking system till June 19 of the current fiscal year. During the same period last year, the government did not borrow rather repaid Tk 5,983 crore. Of the total government borrowing, Tk 7,298 crore was from the central bank, which is fresh money and will have an inflationary effect as soon as it lands in the market. In the original budget of the current fiscal year, the government target of borrowing was Tk 15,680 crore, which was Tk 18,389 crore in the revised budget. During the July-April period of the current fiscal year, the overall deficit in BOP was \$502 million, whereas it was a \$2.42 billion surplus during the same period last year, according to the BB. However, so far, the taka depreciated against the dollar by more than 7 percent. The BB report recommended that the exchange rate should be determined by the market and it will be better to let the taka lose value further, which will increase the value of export and remittance and will, in turn, ease pressure on the BOP.

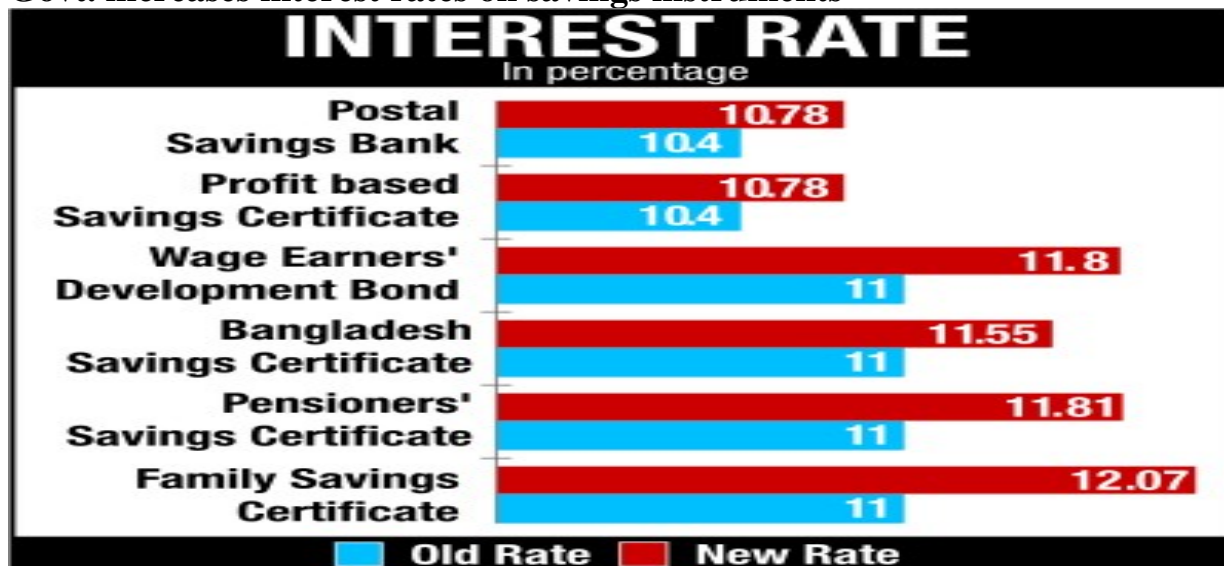
Daily Star: 27.06.2011

Jute cultivation doubles on strong global demand

Jute cultivation has nearly doubled this year from that of 2010 thanks mainly to a sustainable price and multipurpose use of the fibre across the globe. According to the Directorate of Agricultural Extension data, around 8.33 lakh hectares of land has been brought under jute cultivation this year. The area was around 4.8 lakh hectares last year with the yield standing at 50.79 lakh bales or 10.58 bales per hectare. The DAE estimates this year's total yield of raw jute at 88.30 lakh bales, based on an assumed average production of 10.6 bales per hectare. The DAE at the beginning of this year had targeted jute cultivation in 7.5 lakh hectares of land with an estimated production of 79.5 lakh bales. The area brought under jute cultivation has nearly doubled year on year as farmers are now more eager and encouraged to cultivate the cash crop due to a rising price trend fuelled by increased demand as well as more diverse use of jute across the world. The jute sector in fiscal 2009-10 logged 76 per cent higher export earnings year on year at \$736 million, equivalent to Tk 5,225 crore approximately, and the demand for Bangladeshi jute on the global market continues to be buoyant in the current fiscal year too. In the first 11 months of the current fiscal year, the country has earned \$1030.57 million from export of jute and jute goods, posting a 42.04 per cent year-on-year rise. Of the sum, raw jute exports accounted for \$331.61 million, jute yarn and twine \$463.58 million, jute sack and jute bag \$188.86 million, and other jute products \$46.52 million.

New Age: 28.06.2011

Govt. increases interest rates on savings instruments



The government has increased interest rates on six savings instruments by 0.38-1.07 percentage points. At present, there is no tax on earnings from Family Savings Certificates, Pensioner Savings Certificates and Wage Earners' Development Bond, but the Finance Minister told the parliament that 5 percent tax will be imposed at source on earnings from all savings instruments in the next fiscal year. Presently, 10 percent tax is levied on earnings from only three types of savings instruments which will be lowered to 5 percent in the next fiscal year. Though the rate of interest has increased the highest on Family Savings Certificates and Pensioner Savings Certificates the tax levied on the interest earnings will pare down profits, statistics from National Directorate of Savings show. For example, the interest rate on Family Savings Certificates has been raised from 11 percent to 12.07 percent. If a person invests Tk 1 lakh, he will get Tk 1,005.83 in monthly profits. But after a deduction of 5 percent tax on the interest earnings, his net profit will stand at Tk 960 in line with the new rate. At present, he gets a net profit of Tk 920 on an investment of Tk 1 lakh. The rate of interest on Pensioner Savings Certificates has been raised from 11 percent to 11.81 percent. The term of Pensioner Savings Certificates is five years and the profit is given every three months.

Daily Star: 30.06.2011

Bangladesh bank Circulars during June, 2011

Date	Circular Number	Subject
06/06/11	FEPD Circular No. 07	Cash incentive against export of frozen shrimps and other fishes
08/06/11	FEPD Circular No. 08	Cash incentive against export of handloom and other products
15/06/11	AML Circular No. 27	Instructions to be followed by the Non Profit Organizations and Non Government Organizations to comply with the provisions of Money Laundering Prevention Act, 2009
19/06/11	BRPD Circular No. 05	Bank account for beneficiaries under social security program
19/06/11	BRPD Circular No. 08	Regarding formation of audit committee of Banks executive committee
20/06/11	BRPD Circular No. 09	Regarding fixation of rate of interest, it's disclosure and reporting
20/06/11	BRPD Circular Letter No. 10	Inclusion of solar energy system for establishment of new SME/Krishi branch
23/06/11	FEPD Circular No. 09	New edition of code lists for reporting of external sector transactions by the authorized dealers

Source: BB Website.

Information on Economy

	Amount	Previous year's/ month's Position
1. Foreign Trade:	Million US\$	Million US\$
a. Exports (2009-10)	16204.70	16204.70
b. Exports April-2011)	2036.20	2136.90
c. Imports (2009-10)	23738.00	23738.00
d. Imports (April-2011)	3229.20	3186.10
2. Workers' Remittance (April -2011)	1001.97	1102.98
3. Inflation: point to point (April-2011)	10.67	10.49

Export= FOB Value, Import = CFR Value
Economic Trends: May 2011

Banking Sector and Economic Information:

	Amount (TK in Cr.)	Amount (TK in Cr.)
	February-2011	January-2011
1. Bank Deposit (excluding inter bank)	376495.70	371294.90
2. Bank Credit (excluding inter bank)	392415.80	387080.80
3. Money Supply		
a. Currency Outside Banks	51918.20	52083.90
b. Demand Deposit	45060.30	46017.10
c. Deposit with BB other than DMBs	184.20	187.80
d. Narrow Money (a+b+c)	97162.20	98288.80
e. Time Deposit	303551.70	303551.70
02. Broad money (d+e)	406784.90	401840.50
4. Excess Reserve (Liquidity)	8224.80	5387.20
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	6.54	6.39
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	11.41	11.34
7. Ratio of DMBs Credit to Deposits (%)	104.23	104.25
8. DMBs Total Assets/Liabilities	1008559.00	980871.60
9. F.E. Reserve (million \$US)	11158.60	10381.70
10. Cash Base of the Economy	88510.20	85380.90

- **Narrow Money (M1)** = Currency outside Banks+ Demand Deposits + Deposit with Bangladesh Bank
- **Broad Money (M2)** = M1 + Time Deposit
- **DMBs** = Deposit Money Banks
- **Cash Base of the Economy** = Currency in Circulation+ Balances with Bangladesh Bank
- Monthly Economic Trends: May 2011
- (p)= Provisional

Academic Activities in June - 2011:

- I. One day workshop on “**NPL-Recovery and Implication on Related Laws**” was inaugurated on June 09, 2011 at IFIC Bank Academy at Chamber Building 8th floor., 122-124, Motijheel C/A., Dhaka. Mr. Delwar Hossain, Ex-Executive, of IFIC bank was present on the occasion and delivered his inaugural speech before the participants. A total number of 31 officials from different Branches and Head Office of the bank attended the workshop. It may be mentioned here that this was the 21th programme of IFIC Bank Academy in the year 2011.
- II. Half day workshop on "**Reporting of SBS-1, 2 & 3 Returns of The Banks**" was inaugurated on June 11, 2011 at IFIC Bank Academy at Chamber Building 8th floor., 122-124, Motijheel C/A., Dhaka. Mr. S. M. Abdul Hamid, CFO, SEVP & Head of Finance & Account Division, Head Office of the bank was present on the occasion and delivered his inaugural speech before the participants. A total number of 44 officials from different Branches of the bank attended the workshops. It may be mentioned here that these were the 22th programme of IFIC Bank Academy in the year 2011.
- III. Half day workshop on “**BEFTN**” was inaugurated by The Deputy Managing Direct (Business) of the Bank Mr. Mati-ul-Hasan on June 15, 2011 at IFIC Bank Academy at Chamber Building 8th floor, 122-124, Motijheel C/A., Dhaka, delivered his inaugural speech before the participants. A total number of 30 Officers from different Branches of the bank attended the workshop. It may be mentioned here that, it was the 23rd programme of IFIC Bank Academy in the year 2011.
- IV. IFIC Bank Training Institute conducted a three days long special course on “**Orientation Program for Beginners**” from June 14-16, 2011 for newly recruited officers of different grades(i.e.: Officer Grade-II to Cash officer). It was the 24th programme of IFIC Bank Academy in the year 2011.

Readers please: Please mention the proposed amount of ADP of the National Budget for FY 2011-12.

Match our answer with yours: Knowledge Update: 149

Answer: There are 3 types of audit in a Banking Financial Institution.

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Supervisory Executive

Ms. Zaitun Sayef, DMD (Risk Management)

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Revisiting Basics

Primary Indicators for Understanding Economy

Contributed by: Mr. Gazi Mohammad Saidul Hoque, PO

Economists have been developing many indicators/ tools to understand the performance of economy. Those indicators can help us to understand our present economy and draw speculation in future.

Some Basic Indicators of Economy (which are indicators of Macroeconomics¹ as well)

- (i) GDP Growth : GDP (Gross Domestic Product) growth refers to the growth of the value of output of a country usually measured yearly.
For example in FY 2010- 11, our GDP growth was 6.66%² ; which means our GDP is 6.66% higher than the FY2009-10 year.
- (ii) Inflation rate : Inflation rate is the percentage change in the price level.
For example, in 2010-11(Provisional) inflation rate was 8.5%³; which means the price level has been increased 8.5% than the previous year.
- (iii) Unemployment rate : Unemployment rate is unemployment expressed as a percentage of the labor force.
For example, in Bangladesh out of a labor force of 5.37 crore, 0.27 crore are unemployed.⁴ That means; our unemployment rate is 5%.
- (iv) Investment as a % GDP : It shows the portion of investment in GDP. It is assumed that higher investment will generate higher growth.
For example, in FY2010-11, the percent of investment in GDP is 24.73%⁵.
- (v) Interest Rate : When lending interest rate is high, investment is low and vice versa.
For example, the present lending interest rate is high (offered by most of the banks) which is a threat for investment to grow.
- (vi) Exchange Rate : The exchange rates are used as reference rates to purchase or sale transactions for Bangladesh Bank with Government or different International Organization.
When our taka depreciates (usually measured with USD), our exports become more competitive and imports become more expensive.
- (vii) Foreign Reserve : As on April 2011, foreign reserve stood at USD 108.17 billion.
- (viii) Export & Import : In 2009-10, our total import was US\$ 23.73 billion and export was US\$ 16.59 billion. So, we import more than the export; which creates deficit of foreign exchange.
- (ix) Remittance : In 2009-10, remittance income was US\$.10.99 billion

¹ In the May 2011 issue of Knowledge Update, we have discussed about **Macroeconomics**.

² Ministry of Finance, Bangladesh Government, Bangladesh Economic Review 2010 (Dhaka: Bangladesh Government Press, 2010) p.17

³ Budget Speech of FY2011-12

⁴ Ministry of Finance, Bangladesh Government, Bangladesh Economic Review 2010 (Dhaka: Bangladesh Government Press, 2010) p.27

⁵ Ibid. p.24

(x) Simple depiction of how Export, Import and Remittance affect the Foreign Reserve.

Sl	Particulars	USD in Billion	Remarks
1.	Import	-23.73	Foreign currency spent for import payment
2.	Export	16.59	Foreign currency receipt from export earning
3.	Changes	-7.14	Trade deficit
4.	Remittance	10.99	Foreign currency sent by Expatriate
5.	Changes	3.85	The surplus added to our Foreign Reserve.