



**IFIC BANK LIMITED  
TRAINING & RESEARCH DIVISION  
HEAD OFFICE, DHAKA**

## Special Bulletin

### **\* July-Dec MPS and inflation gini**

This time the Bangladesh Bank has presented us with a well-crafted programme of monetary management that seeks to balance the economy's competing demands of growth and price stability. Of late, both of these macroeconomic indicators suffered; one from external factors of a global slowdown; another, from a rate of monetary expansion that ran ahead of output of goods and services. The key thrust of this MPS is clearly on inflation. The objective is to cap it at 6.5% for the forthcoming fiscal year, a goal actually set by the fiscal year (FY) 2011 Budget. In light of the creeping point-to-point inflation, BB's target is to moderate the rising trend rather than put the inflation gini in the bottle. But growth, claims the MPS, will be facilitated with supportive monetary and financial policies that will create and diversify access to financing for diverse output activities. How does BB plan to achieve the twin objectives of growth and inflation control with the ammunition it has under its control - money supply. BB would have to accomplish a remarkable balancing act to reach its goal this time. The dilemma? How to fuel growth while tightening money supply to curb inflation? To be sure, inflation, already at 6.5%, has been creeping up lately and, if left unattended, could reach unacceptable levels. Economic growth has also suffered, what with the global economic slowdown which took the wind out of our export sails. To push it up to 6.7% from the 5.5% rate attained in FY2010 will be no mean feat under the present energy constraints. But here is how BB plans its monetary management for the coming year to fuel growth with price stability. Primarily, BB plans to slow down the growth of Broad Money -- a key indicator of the economy's money supply - from the estimated rate of 18.8% in June FY10 to 15.2% for FY11. Note that the average growth rate of M2 for the past three years has been 18.5%, a rate that could be described as more than accommodating in view of the growth of nominal GDP (real GDP growth plus inflation) of no more than 12% during the period. That is a clear prescription for fueling inflation, which eventually catches up. In view of the low global inflation, the current inflationary trend in Bangladesh can only be attributed to the history of money supply growth which went ahead of output of goods and services. Realizing this obvious arithmetic, BB has finally decided to put the brakes on money supply growth. Question is what component of Broad Money is BB targeting to get this job done and will it succeed? Cutting M2 growth by 3.6% in one go seems a bit of a stretch given recent history. First, the assumption of a modest growth of 4.2% in net foreign assets might not hold with a significant pick up in exports (and imports) with current account surplus projected at no less than 2.5% in FY11. If BB's plans materialize, the major brunt will be borne by the private sector whose credit growth is expected to be restrained at 16% from 21% in FY10. If

the potential driver of high growth is restrained, will it not make it harder for the economy to clock 6.7% GDP growth? How reasonable is it to put a damper on the impetus for private expenditure now is a fair question to ask. Again, hoping that the public sector will pick up the slack with a whopping 25% growth seems rather optimistic. Projections by Policy Research Institute (column 5) present a more likely scenario in light of balance of payments trends and the robust pick up in exports and private sector activity while remittance flows are holding. Finally, a closer look at the inflation targeting by BB surely raises certain questions on equity. One might argue that there was nothing sacrosanct about a 6.5% inflation target except that it was conceived as some comfort zone for the price level in FY11 Budget that sought 6.7% GDP growth. It is high by global standards though not so by developing country standard where a modest rate of inflation is thought to grease the wheels of the economy. Inflation's impact is known to be inequitable. Higher inflation makes things worse. In that light, a fair question is to ask why BB should simply validate the budgetary postulate of inflation rather than doing what most central banks are meant to do - that is, curb inflation. Certainly, in the Bangladesh context, a lower rate of inflation is better than a higher one. Given past history of money supply growth, I suppose BB could only manage a modest control of the inflation situation without hurting private sector's growing proclivity for investment. The same inclination is evident from the MPS statement about a slight undervaluation bias in the exchange rate management, to help exports. That bias has kept Taka nominal exchange rate at par for nearly three years running (around Taka 69 per US\$), preventing its appreciation which would have translated into lower inflation but also lower returns on exports. To be fair, in this event, BB is placed between the rock and a hard place. To maintain the bias would help exporters but not the poor, in the short term. However, over the long run, if such undervaluation bias helps to keep and expand our export markets, more jobs will be beneficial to the poor. In the policy space, more often than not, there are trade-offs to be weighed and the policy choice is not what is prescribed in textbooks as the first best option. Real life is about making do with the second best.

(1)	(2)	(3)	(4)	(5)
Annual growth rates →	FY08-10	June 2010	FY11	PRI projection
<b>M2 components</b>	<b>average</b>	<b>(BB estimated)</b>	<b>BB MPS</b>	<b>For FY11</b>
1. Net Foreign Assets	25.5	34.6	4.2	25.2
2. Net Domestic Assets	17.1	15.8	17.6	14.6
Domestic credit	18.7	18.4	17.9	18.4
– Credit to Public Sector	13.1	9.4	25.3	19.8
– Credit to Private Sector	20.6	21.1	16.0	18.0
3. Broad Money (M2)	18.5	18.8	15.2	16.6

Source: Bangladesh Bank; PRI staff estimates

Fin. Exp: 08.08.2010

### 01. Govt. slashes profit rates of savings instruments

The government has cut profit rates of savings instruments by maximum 2.0 per cent and downsized investment ceiling with effect from July 1, 2010. The maximum interest rates for savings tools have been fixed at 11.04 per cent from 12.50 per cent. Provision of automatic re-investment, in case of failure to encash, of the profit of savings tools has also been withdrawn from the current fiscal. Small savers have to withdraw the invested amount after maturity of the

saving tools to re-invest the amount. Investment ceiling for savings instruments has been reduced to Tk 3.0 million for single name and Tk 6.0 million for joint names from earlier amount Tk 5.0 million and Tk 10 million respectively. Only pensioners will enjoy higher investment ceiling of Tk 5.0 million for pensioners saving certificate. The Internal Resources Division (IRD) under the ministry of finance has issued a circular, dated June 29, introducing the new rates from 2010-2011 fiscal. The government has amended Sanchayapatra Rules, 1977, Pensioners Savings Certificate Rules 2004, the Wage Earner Development Bond Rules, 1981, the Post Office Savings Banks Rules, the US dollar premium bond rules, 2002 and the US Dollar Investment Bond Rules 2002. Maximum interest rates for the newly introduced family saving certificates have been fixed at 11.04 per cent while 11. per cent for pensioner's saving certificate, 10.50 per cent for five-year term Bangladesh Sanchayapatra and 10.0 per cent for three-month-profit saving tools on three-year term. The IRD, a wing of finance ministry, has also made submission of National Identity Card mandatory for investment in saving tools. In the circular, the ministry scrapped the three-year term National Investment Bond from 1, July 2010. However, profit rates for all saving certificates purchased before July 1, 2010 will remain same as earlier. From the current fiscal, pensioners will get Tk 2750 profit instead of Tk 3125 on each Tk 0.1 million investment after interval of every three months. Maximum interest rate for wage earner bond has been reduced to 10.50 per cent from 12 per cent. Interest rate of post office savings bank has been fixed at maximum 10 per cent, slashed by 2.0 per cent, from the current fiscal. All investors of the saving instruments have to pay advance tax at 10 per cent on profit.

Fin. Exp: 05.07.2010

## **02. BB asks banks to submit half-yearly statements on CSR**

The central bank has asked the commercial banks to submit statements on Corporate Social Responsibility (CSR) on half-yearly basis with mentioning the initiatives of institutionalising corporate governance. "The statement should reach Bangladesh Bank (BB) within 30 days of each half-year end. Accordingly, first statement as of 30 June, 2010 is to be submitted within July 31 this year," the BB said in a circular, issued on 15.07.2010. The circular said the banks will include a short description of the engagement with borrowers with regard to the environmental and social impacts of their proposed undertakings and disseminating valuable environmental know-how to customers, associates and suppliers, as well, in the statement. The high level of awareness of CSR has also come about as a result of the United Nations Millennium Development Goals (MDG), in which a major objective is the increased contribution of assistance from a range of organisations to help alleviate poverty and hunger, and for businesses to be more aware of their impact on society.

Fin. Exp: 16.07.2010

## **03. Banana farming becomes popular in Rangpur**

RANGPUR, Banana farming in the district has become popular over the last couple of years for its economic viability. Banana is cultivated in thousands of hectares of land every year and about 30 thousand people are directly involved in it. The farming has also changed fate of many educated unemployed young people. Banana has largely been cultivated at Pirgonj upazilla of the district. According to Rangpur Department of Agriculture Extension, no target has been set for banana cultivation in eight districts of the Rangpur-Dinajpur region this year. The varieties of banana produced here include -- Meher Sagor, Deshi Shobori and Chapa. If the weather remains favourable, at least 2.5 million bunches of banana would grow. The market price of the

total produce is about Tk 300 million. A bunch of banana sells in retail markets at Tk 100 to Tk 130. The farming has not only changed the lot of the farmers but also created permanent employment opportunities for thousands of people in the district. Many of the farmers at Pirganj Bazaar said the production cost of the farming has increased this year as the price of pesticides increased in the market. Fungal diseases and the seasonal storms were the main enemies of the crop. Regular spraying of pesticides is essential to save the plants from pest attack. They also urged the government to introduce easy bank loan for them.

Fin. Exp: 18.07.2010

#### **04. Economic Zone Bill passed in parliament**

Parliament on 20.04.2010 passed the Bangladesh Economic Zone Bill, 2010 with provisions to set up four types of economic zones. The bill aims at boosting industrialisation, service-oriented production, export and employment generation. The four types of economic zones are: Economic Zone by local or foreign national, group or institution with government or local private ownership; Private Economic Zone by local or expatriate Bangladeshi or foreigners, groups, business organisation or group, individually or collectively; Government Economic Zone by government initiative or ownership; and Specialised Economic Zone by specialised industry or commercial institution with private or public-private partnership or by government initiative.

Fin. Exp: 21.07.2010

#### **05. Facebook, Twitter powerful business tools**

Social media such as Facebook and Twitter or blogging sites have become powerful tools that influence what people buy, online researcher Nielsen said on 30.06.2010, urging business to embrace the trend. Nearly three in four people worldwide who use the Internet have visited a social networking or blog, spending an average of almost six hours a month on them, The Nielsen Company said in a report. Of the seven biggest brands online globally, three are social media networking sites -- Facebook, Wikipedia and YouTube -- it said in its latest report on social media trends in the Asia Pacific region. According to Nielsen's findings, online product reviews are the third most trusted source of information when consumers decide whether to purchase a product, coming after recommendations from friends and family.

Daily Star: 01.07.2010

#### **06. Bamboo shoot exports in Aug**

Bangladesh is set to export bamboo shoots for the first time from the first week of August. The exports will mainly reach South East Asia. The item gains export momentum after successful trial production from June, following the set up of a Tk 85 lakh Treatment and Scientific Processing Plant (TSPL), beside Karnaphuli Tea Estate in Fatikchari. Production is expected to begin in full swing from July. In September 2008, the Forest Research Institute in Chittagong and the International Centre for Bamboo and Rattan (ICBR), a Chinese organisation, signed an agreement to develop bamboo in Bangladesh. Under the agreement, ICBR will transfer technology related to bamboo shoot production, processing and marketing from China. As per the agreement, ICBR also set up a TSPL over three acres of land in Fatikchhari. Bangladesh received around Tk 1,37 crore as common funds for bamboo cultivation from the International Network for Bamboo and Rattan (INBER). The project will span three years -- from January 2008 to December 2010. After receiving the funds, the Forest Research Institute in Chittagong has been working to attract farmers and big entrepreneurs into the sector. Through the

initiative, a huge number of entrepreneurs and individuals joined the cultivation in three hill districts and Fatikachhri.

Daily Star: 01.07.2010

## 07. Banks pass robust period

*Operating profit of PCBs rises 30-95pc in the six months to June*

Private commercial banks (PCBs) have recorded 30-95 percent growth in operating profit in the six months to June 30, 2010 compared to the same period last year. The growth came mainly because of their trading in the stockmarket, while bankers said business and network expansions have also contributed to the staggering growth despite a sluggish investment demand.



The banks are forming their merchant banking wings as a subsidiary company in line with a directive of the regulator, Bangladesh Bank. The banks that have merchant banking operations have to make a subsidiary company by October this year. Recently, the central bank has also ordered the banks not to invest more than 10 percent of their liabilities in the stocks.

Daily Star: 02.07.2010

## 08. Inflation edges down

Inflation edged down to 8.54 percent in April from 8.78 percent a month ago, driven mainly by a fall in food prices. According to Bangladesh Bureau of Statistics, a dip in non-food prices also contributed to the overall decline in point-to-point or monthly inflation. In April, food price inflation slipped 33 basis points to 10.47 percent, while non-food price inflation fell 14 basis points to 5.46 percent.

Daily Star: 14.07.2010

## 09. First solar irrigation project launched

Central Bank Governor Atiur Rahman 17.07.2010 opened the country's first solar energy-based irrigation project in Kumarkhali village in Barguna. The project, powered by 48 solar panels, will be able to lift eight lakh litres of water a day. It was set up at a cost of Tk 38 lakh. The project was brought to light with financial help from Mutual Trust Bank and technical support from Rahimafrooz.

Daily Star: 18.07.2010

## **10. BB tightens control on credit**

The new monetary policy announced 19.07.2010 continued its dual objectives of maintaining inflationary pressure and supporting the economic growth, but left rates unchanged. Bangladesh Bank (BB) has taken a slightly tight monetary policy for the current fiscal year to cut loan flow into the unproductive sector. The central bank has targeted slashing the private sector credit growth by around 5 percentage points to rein in inflation. Also, the BB aims at cutting reserve money by 4 percentage points by June next year. However, the credit growth target for the public sector has been increased by 15.9 percentage points by June 2011 compared to June this year. Also, the MPS (Monetary Policy Statement) has indicated increasing different policy rates such as cash reserve requirement, repo, and reverse repo interest rates for controlling credit. Inflation had been low till June last year, but from July last year it continued to rise. Though inflation fell slightly in the recent months, experts think it may go up again from this month. The monetary policy has set the private sector growth rate at 16 percent for June 2011, which was 21.1 percent in June this year. However, the credit growth target for the public sector for the next June has been set at 25.3 percent. It was 9.4 percent in June this year. In a bid to contain inflation, reserve money growth target has been set at 13 percent for the next June, while it was 17.1 percent this June

Daily Star: 20.07.2010

## **11. BB sets higher target to bankroll agriculture**

The central bank on 21.07.2010 set a target to disburse Tk 12,617 crore in agriculture loans for the current fiscal year in an effort to ensure food security. The loans will be equivalent to 9.5 percent of the national budget. According to BB statistics, the new target for the current fiscal year is 13.49 percent higher than the loans disbursed last year. The distribution target for agriculture loans was Tk 11,500 crore in fiscal 2009-10, while Tk 11,117 crore or 97 percent was disbursed. Of the target for the current fiscal year, the private commercial banks (PCBs) will distribute 24 percent. Even though state commercial banks (SCBs) have more branches in rural areas, they will distribute 20 percent of the total target. Even a foreign bank with limited operations in Bangladesh, Woori Bank, will disburse Tk 10 crore. New areas and sectors have been included for distribution of agricultural loans, to cultivate high value crops, like orange, strawberry, betel leaf, honey, and tissue culture. Outside the BB scheme, the banks, under their yearly agriculture loan programmes, distributed about Tk 422 crore in loans to 3,80,000 sharecroppers.

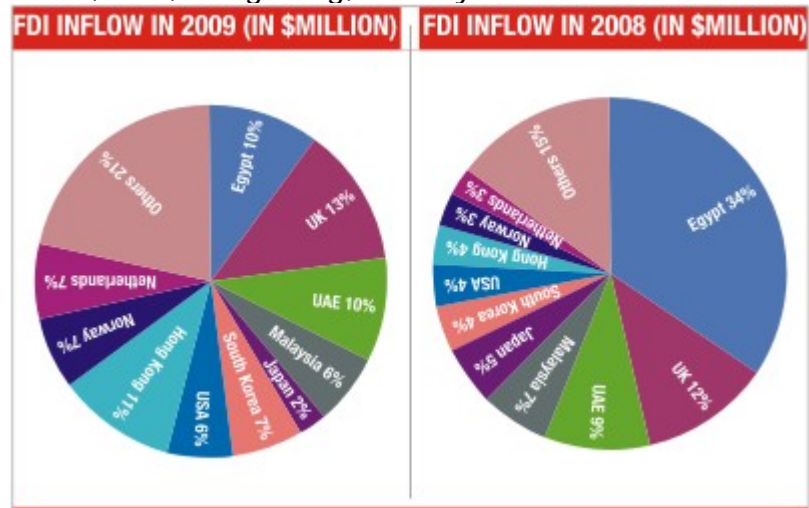
Daily Star: 22.07.2010

## **12. FDI plummets**

UNCTAD report tracks 2009 data

Foreign direct investment (FDI) in Bangladesh dropped by 36 percent in 2009 mainly due to the global recession, according to the World Investment Report 2010 released 22.07.2010. The United Nations Conference on Trade and Development (UNCTAD) prepared the report: "Investing in a low-carbon economy". In 2009, the total investment inflow into Bangladesh was \$700.16 million, which was \$1,086.33 million in 2008. The sector-wise FDI inflow fell in telecoms, power, gas and petroleum. However, textiles and wearing, banking, and food

products attracted more FDI. According to the World Investment Report 2010, the global FDI flow plunged by 37 percent in 2009. In the developed countries, it fell by 44 percent. The developing and transitional economies suffered a 27 percent decline in FDI. In Bangladesh, the sector-wise FDI inflow in telecoms in 2009 declined by 60 percent and stood at \$250 million. It was \$641 million in 2008. In the power, gas and petroleum sector, FDI fell by 49 percent and stood at \$51 million in 2009, which was \$101 million the year before. However, in the flow in textiles and wearing increased by 8 percent and stood at \$136 million, which was \$126 million in 2008. In the banking sector, FDI inflow was \$142 million, which was \$141million in last year. A country-wise inflow of FDI into Bangladesh also dropped. The FDI flow from Egypt to Bangladesh slipped 81 percent to \$72 million, while FDI from the UK was 32 percent less at \$88 million. FDI from Malaysia and Japan also dropped to almost half. However, FDI from South Korea, USA, Hong Kong, Norway and the Netherlands shot up.



Daily Star: 23.07.2010

### 13. Bangladesh ranks fourth in global apparel exports

Says WTO report

Bangladesh has ranked fourth in the global apparel exports and grabbed 3 percent market share, according to a recent World Trade Organisation (WTO) report. Bangladesh secured the fourth position in terms of value followed by China, EU-27 countries and Turkey, said the report. According to the report, China exported apparel items worth \$115billion, EU-27 countries \$103.40 billion, Turkey \$14 billion and Bangladesh more than \$10 billion. The report was prepared on the basis of export data of 2007 of the respective countries. The latest data from state-owned Export Promotion Bureau (EPB) said Bangladesh fetched \$12.59 billion from garment exports last fiscal year, and contributed around 80 percent to national exports. Of the total amount, the country exported knitwear items worth \$6.48 billion, and woven worth \$6.01 billion, registering a 0.84 percent and 1.60 percent growth respectively, according to the EPB data. Bangladesh also exported terry towel worth \$157.07 million, textile fabrics worth \$8.22 million, knitted fabrics worth \$20.68 million and home textile worth \$539.28 million in fiscal 2009-10. Last year Bangladesh also explored some new export destinations such as Japan, New Zealand, Canada, Australia, and some countries of South America and South Africa.

Daily Star: 25.07.2010

#### **14. Bangladesh one of the most convenient FDI destinations: WB**

Bangladesh is one of the most convenient destinations for Foreign Direct Investors as some of the regulations and facilities offered by the country are very much relaxed and attractive. The FDI friendly index in the WB's latest report titled 'Investing Across Borders 2010' surveyed opportunities in 87 countries to boost global investment competitiveness. The report rated Bangladesh in the top of the list of countries which provide the strongest land or property lease rights to the foreign investors. Canada, Singapore, Costa Rica, Spain, UK, USA and France deliver such full-fledged facility. Leasing a private land by the foreign investors is easy in Bangladesh while buying private land is easier in the country than that in India, Pakistan and Sri Lanka. 'Bangladesh offers the strongest lease rights... allowing land to be used as collateral and in a mortgage contract,' the report said. The time required to lease private land in Bangladesh is around 2 months, in Afghanistan 7 months, in India for government land it takes 3 months and in Sri Lanka 10 months. The report cited that except for Pakistan all countries in South Asia require some form of investment approval or notification. In Bangladesh and India it merely requires declaration. The report said starting a foreign business in Bangladesh requires 55 days on an average, completing 9 procedures, in India 46 days with 16 procedures and in China 99 days with 18 procedures. Along with Angola, Cambodia, Kosovo and Solomon Islands, Bangladesh however has been listed in 10 countries which do not have any arbitration institution. 'Bangladesh is one of the most open countries to foreign equity ownership, as measured by the Investing Across Sectors indicators,' the report said. 'All of the 33 sectors covered by the indicators are fully open to foreign capital participation. 'This is the first World Bank Group report to offer objective data on laws and regulations affecting foreign direct investment that can be compared across 87 countries.

New Age: 08.07.2010

#### **15. Pharma cos get \$29m export order in Manila fair**

Fifteen Bangladeshi pharmaceutical companies received prospective export orders amounting to \$ 29.08 million in a single country trade fair, 'Bangladesh Pharmaceuticals Expo-10', held in Manila recently. The three-day trade fair was organised, for the first time, by the Export Promotion Bureau in cooperation with the embassy of Bangladesh in Manila, Philippines from June 16. The fair, held at SMX Convention centre in Manila, created huge opportunity to export pharmaceuticals products to the Philippines and also other south east Asian countries. A good number of potential visitors, prospective buyers, distributors, traders and specialised people in the pharmaceutical sector visited 15 stalls set up by Bangladeshi companies to showcase their products. A seminar was also organised on the occasion where a paper was presented on "Bangladesh Pharmaceuticals Industry".

New Age: 08.07.2010

#### **16. World trade to grow to 10pc in 2010: WTO**

The World Trade Organisation raised on 23.07.2010 its forecast for growth of global commerce to 10 per cent this year. The WTO's latest forecast marks a rise from the 9.5 per cent issued in March. In the trade body's annual trade report, the WTO focused on the issue of trade in natural resources. It called for greater global cooperation on such trade, warning that a failure to work together could spark new tensions. The value of world trade in natural resources — including fisheries, fuels, forestry products and mining — reached \$3.7 trillion in 2008, close to

a quarter of world merchandise trade. Trade in such products had surged more than six fold between 1998 and 2008 mainly due to sharp rises in fuel prices, noted the WTO. Russia topped the list of leading natural resource exporters, with a share of 9.1 per cent in 2008. Saudi Arabia was the next biggest exporters, with a share of 7.6 per cent. The United States meanwhile is the biggest importer, buying some 15.2 per cent of natural resources traded in 2008. Japan was the next biggest importer with 9.1 per cent and China a close third with 8.6 per cent. But as natural resources are finite or requires time for natural replenishment, resource-rich countries typically restrict their export volumes through export taxes or quotas, said the WTO. Such measures help to improve conservation of resources and can help push countries to diversify their exports away from the natural resource sectors. However, the WTO warned that such trade barriers can be problematic. They can lead to retaliation or rising world prices.

New Age: 24.07.2010

### **17. Euro holds firm ahead of banking 'stress tests'**

The euro held firm against other currencies in Asia on 23.07.2010 as investors took a cautiously optimistic view of upcoming results of 'stress tests' of European banks. The euro fetched \$1.2910 in Tokyo afternoon trade, up from \$1.2886 in New York late 22.07.2010. The single currency traded at 112.34 yen from 112.08. The dollar was selling at 87.01 yen, marginally up from 86.92. Meanwhile, the dollar lost broadly against most Asian currencies. The greenback fell to 9,050.50 Indonesian rupiah from 9,063.00, to 32.27 Thai baht from 32.31, and to 1.3725 Singapore dollars from 1.3752. It also declined to 46.40 Philippine pesos from 46.60 and to 32.12 Taiwanese dollars from 32.19.

New Age: 24.07.2010

### **18. Local firm builds 100-metre ship**

Western Marine Shipyard Limited has completed building a 100-metre multi-purpose dry cargo vessel for a German shipping company. Western Marine on 26.07.2010 launched EMSSEA, a 5,200 dead weight tonnes vessel, which is the largest vessel built by Bangladesh shipping industry so far, at the company's shipyard in Chittagong, said a press release on 26.07.2010. The German company Grona Shipping earlier gave contracts to Western Marine to build 12 such vessels in phases by 2012. EMSSEA is likely to be handed over to Grona in three to four months. Built in compliance with Germanischer Lloyd standard and designed to endure extreme weather condition, the ice-class 12 vessels will be deployed in the Atlantic and the Baltic seas.

New Age: 29.07.2010

### **19. Salman F Rahman new IFIC Bank chairman**

Beximco Group vice-chairman Salman F Rahman has been unanimously elected as the IFIC Bank chairman at an emergency board meeting held on Monday. He is also a sponsor shareholder of the bank, said a news release. Earlier, presided over by the immediate past chairman of the Bank Mohammad Lutfar Rahman, the shareholders at the 33rd annual general meeting held on the same day elected Salman as a director of the bank.

New Age: 29.07.2010

## **20. BB chief asks banks to avoid exposure to risk**

*Three-day banks, financial institutions fair starts in city*

Bangladesh Bank governor Atiur Rahman on 29.07.2010 suggested banks to avoid short term investments for higher profits as the risk associated with it is too high. The central bank governor made the remarks at the inaugural ceremony of a three-day fair of banks and financial institutions at Sheraton Hotel, reports United News of Bangladesh. A total of 26 banks and financial institutions are participating in the fair, organised by Sheraton Hotel for the third time.

New Age: 30.07.2010

## **21. China overtakes Japan as No 2 economy**

China has overtaken Japan to become the world's second-largest economy, the fruit of three decades of rapid growth that has lifted hundreds of millions of people out of poverty. Depending on how fast its exchange rate rises, China is on course to overtake the United States and vault into the No 1 spot sometime around 2025, according to projections by the World Bank, Goldman Sachs and others. China came close to surpassing Japan in 2009. Cruising past Japan might give China bragging rights, but its per-capita income of about \$3,800 a year is a fraction of Japan's or America's. China has averaged more than 9.5 per cent growth annually since it embarked on market reforms in 1978. The uninterrupted economic ascent, which saw China overtake Britain and France in 2005 and then Germany in 2007, is gradually translating into clout on the world stage. China is a leading member of the Group of 20 rich and emerging nations, which since the 2008 financial crisis has become the world's premier economic policy-setting forum. In one important respect, however, China is still a shrinking violet: anxious to shield itself from the rough-and-tumble of global markets, it does not permit its currency to be freely exchanged except for purposes of trade and foreign direct investment. In the same vein, China was in no rush to turn the yuan into a global currency. China has been encouraging the use of the yuan beyond its borders, allowing more trade to be settled in renminbi and taking a series of measures to establish Hong Kong as an offshore centre where the currency can circulate freely. There was no basis for a sharp rise in the exchange rate, partly because the price level in China had risen steadily over the past decade. China scrapped the yuan's 23-month-old peg to the dollar on June 19 and resumed a managed float. The yuan has since risen only 0.8 per cent against the dollar, and economists calculate that it has fallen in value against a basket of currencies. China would stick to the principle of holding its \$2.45 trillion of official reserves in a mix of currencies and assets. The stockpile — the world's largest — was so big that it was impossible to adjust its currency composition in a short space of time

New Age: 31.07.2010

## 22. Bangladesh bank Circulars during July, 2010

Circular Number	Date	Subject
ACD Circular No. 14	21/07/2010	Agricultural/Rural Credit Policy and Programme for the Fiscal Year 2010-2011.
FEPD Circular No. 13	21/07/2010	Implementation of steps adopted in second stimulus package declared by the Government for the development of export sector.
DOS Circular No. 06	15/07/2010	Uniform Accounting Procedure for REPO Transactions
DOS Circular Letter No. 07	15/07/2010	Mainstreaming Corporate Social Responsibility (CSR) in banks in Bangladesh
DOS Circular No. 05	13/07/2010	Online submission of Weekly Statement of Position
DCMPS Circular Letter No. 07	26/07/2010	Issuance of MICR Instruments from all bank branches throughout the country
DCMPS Circular No. 06	22/07/2010	Live Day Simulation on 4th August, 2010
SME Circular No. 01	19/07/2010	Refinance in Small & Medium Enterprize

Source: BB Website.

## 23. Information on Economy

	Amount	Previous month's Position
1. Foreign Trade:	Million US\$	Million US\$
a. Exports (2008-09)	15565.20	15565.20
b. Exports (April-2010)	1400.10	1515.80
c. Imports (2008-09)	22507.10	22507.10
d. Imports (April -2010)	2220.20	2353.60
2. Workers' Remittance (April -2010)	922.16	956.49
3. Inflation: point to point (March-2010)	8.78	9.06

Export= f O B Value, Import = CFR Value  
Economic Trends: June, 2010

## 24. Banking Sector and Economic Information

	Amount (TK in Cr.)	
	April-2010	March-2010
<b>1. Bank Deposit</b> (excluding inter bank)	320134.20	314735.10
<b>2. Bank Credit</b> (excluding inter bank)	320188.90	316184.50
<b>3. Money Supply</b>		
a) Currency Outside Banks	42330.10	41493.50
b) Demand Deposit	36789.90	35935.00
c) Deposit with BB other than DMBs	158.30	150.60
<b>d) Narrow Money (a+b+c)</b>	79368.30	77579.20
e) Time Deposit	263672.50	260000.10
<b>f) Broad money (d+e)</b>	343040.80	337579.20
<b>4. Excess Reserve</b> (Liquidity)	8339.20	7852.5
<b>5. Weighted average rate of Deposits of Schedule Banks</b> (Quarterly)	6.12 <sup>(P)</sup>	6.12 <sup>(P)</sup>
<b>6. Weighted average rate of Advances of Schedule Banks</b> (Quarterly)	11.32 <sup>(P)</sup>	11.32 <sup>(P)</sup>
<b>7. Ratio of DMBs Credit to Deposits (%)</b>	100.02	100.46
<b>8. DMBs Total Assets/Liabilities</b>	803941.40	788550.80
<b>9. F.E. Reserve (million \$US )</b>	10602.10	10142.00
<b>10. Cash Base of the Economy</b>	70896.10	69368.90

- **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
  - **P= Provisional**
- Monthly Economic Trends: June, 2010

**Readers please:** In which area of Bangladesh the maximum number of bank branches is situated?

Match our answer with yours: Knowledge Update: 135

**Answer:** We can offer the customer "Thikana" (HBL), a CF product of IFIC Bank Ltd. But before providing this credit facility we must inform the customer through a covenant that he can not rent out the excess floors to any commercial/ business firms except for domestic utilization.

**We can be reached at: [ifichrd@ailonline.net](mailto:ifichrd@ailonline.net)**

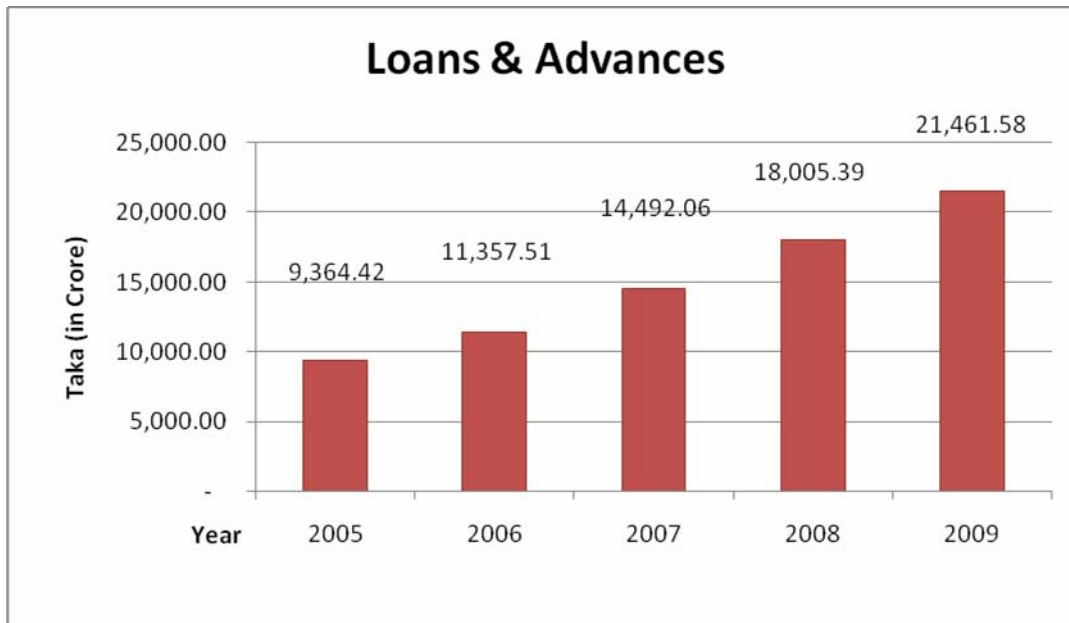
**Team Members**

**Ms. Zaitun Sayef, SEVP**  
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**Mr. Benjir Rahman, OG - I**  
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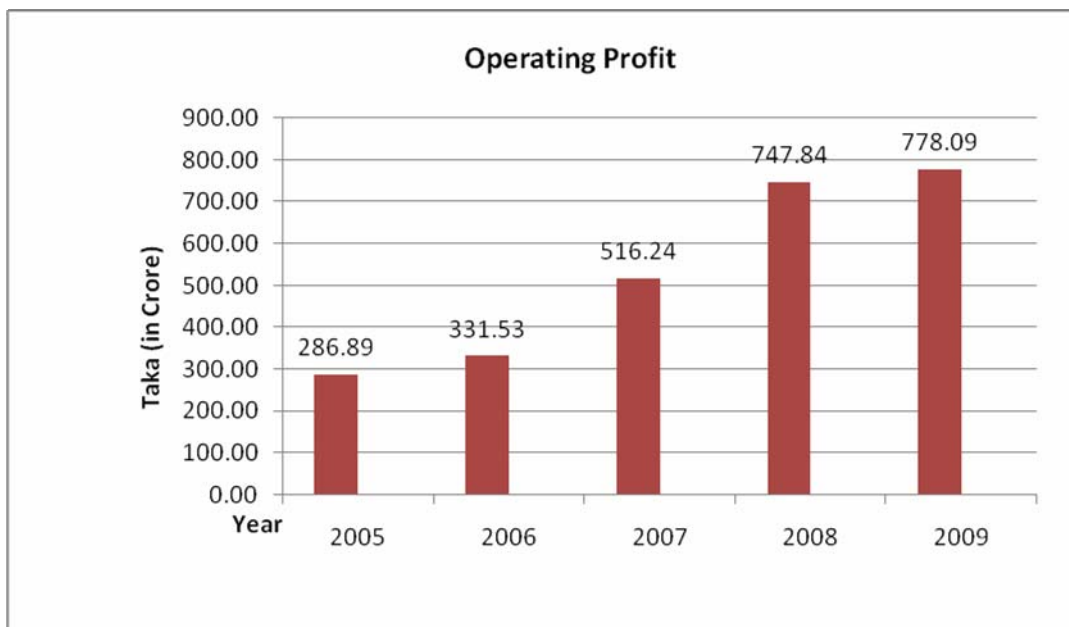
## Revisiting Basics

In the previous issue of Revisiting Basics we gave the profit & profit growth rate of 16 PCBs of Bangladesh, where the Islamic Shariah Based banks were not included. In this RB we have published the Loans & Advance, Operating Profit and Total Deposit position of Islami Bank Bangladesh Limited to show the comparison between them (16 PCBs & IBBL).

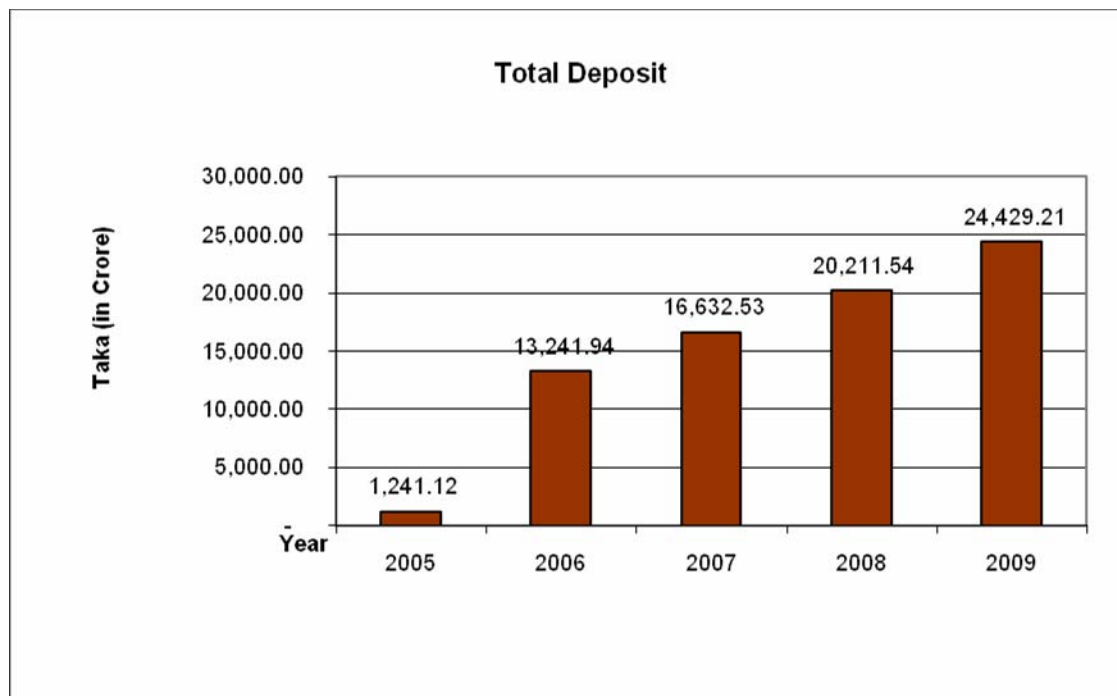
Year	2005	2006	2007	2008	2009
Loans & Advances	93,644,154,974	113,575,071,129	144,920,609,595	180,053,935,732	214,615,801,272



Year	2005	2006	2007	2008	2009
Operating Profit	2,868,864,934	3,315,297,088	5,162,360,119	7,478,428,598	7,780,888,071



Year	2005	2006	2007	2008	2009
Total Deposits	12,411,225,499	132,419,403,524	166,325,286,292	202,115,445,098	244,292,144,333



N.B: Data Sources Annual Reports of IBBL from 2005 to 2009.