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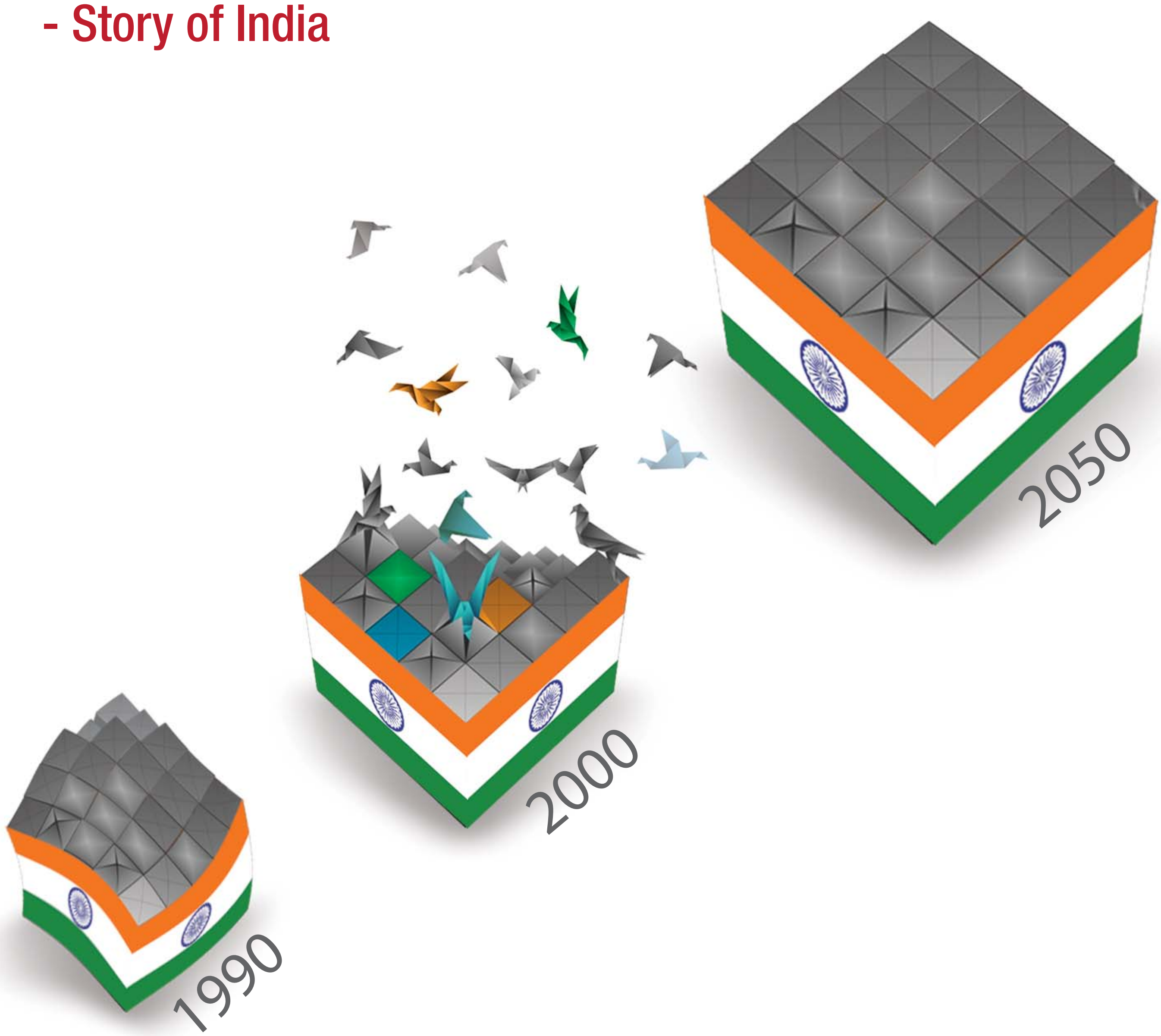
Economic Reform & Trade Liberalization - Story of India



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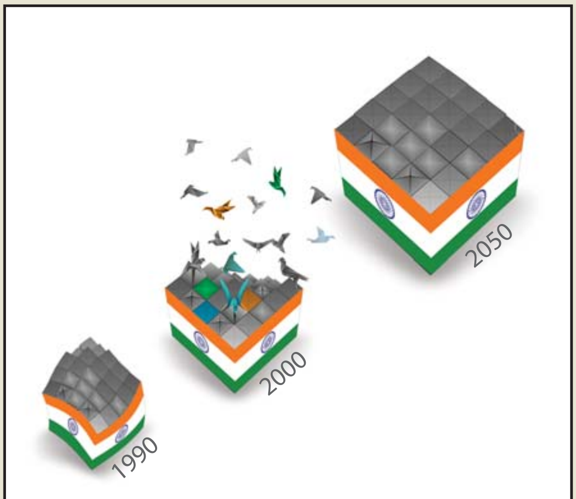

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ECONOMIC REFORM & TRADE LIBERALIZATION - STORY OF INDIA

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ECONOMIC REFORM & TRADE LIBERALIZATION - STORY OF INDIA

India being recognized as one of the world's most dominant suppliers of manufactured goods and services by Goldman Sachs in 2003; is merely the consequence of its development as both stable and mixed economy. Goldman Sachs in its report 2003 also speculated that, India would be wealthier than most of the current major economic powers of the world by 2050. India was labeled as "protectionist" since its liberalization to 1991 though. However, by that time India had matured simultaneously as a country, as a political system and as an economy. Economic reform through liberalization and integrate with that of the rest of the world was deemed essential to realize higher and sustainable internal growth. In 1991-92 India's economy departures from protectionist to mixed-economy framework with the announcement of series of economic reforms by Mr. Rao along with his finance minister Dr. Singh (neoclassical economist with specialization in International Trade). Twenty years on, the country stands as an economic power in the South Asian region. In particular, it has been focusing on two pillars of the reforms: the restructuring of the country's financial system and the liberalization of the trade and FDI regimes. Different policy measures were adopted which ultimately proved to bring changes in India's economy converting it as one of the most powerful emerging economies of the world.

Overview

The Economy of India is the 11th largest in the world by nominal GDP and the 3rd largest by purchasing power parity (PPP). The country is one of the G-20 major economies and a member of BRICS. In 2011, the country's per capita income stood at USD 3,694, 129th in the world, thus making a lower-middle income economy. India recorded the highest growth rates in the mid-2000s, and is one of the fastest-growing economies in the world. The growth was led primarily due to a huge increase in the size of the middle class consumer, a large labor force and considerable foreign investments. India is the 19th largest exporter and 10th largest importer in the world. Economic growth rates are projected at around 7 percent for the 2011-12 fiscal year. The Gross Domestic Product (GDP) in India expanded 6.10 percent in the fourth quarter of 2011 over the previous quarter. Historically, from 2000 until 2011, India GDP Growth Rate averaged 7.4 Percent reaching an all time high of 11.8 Percent in December of 2003 and a record low of 1.6 Percent in December of 2002. The economy has been reducing poverty by about 10 percentage points since 1997.

Policy reform and trade liberalization in Indian economy

Change in policy environment has greatly influenced the outward investment pattern in the global economy. Nonetheless, recognizing the concerns of capital outflows, governments in different countries, particularly emerging and developing economies i.e. India, have been relatively more circumspect on undertaking policy liberalization of outward investment.

Phase I (1992 to 1995): Period of Liberalization of Indian economy

In India the process of trade liberalization and globalization was first taken into account in the year 1991-92 with the demand of growing economy though guideline on outward FDI policy were present ahead. In 1992, the "automatic route" for overseas investments was introduced and cash remittances were allowed for the first time although restricted to USD 2 million with a cash component not exceeding USD 0.5 million in a block of 3 years.

Phase II (1995 to 2000): Creation of a Fast Track Route

In 1995, a comprehensive policy framework was laid down and the work relating to approvals for overseas investment was transferred from Ministry of Commerce to the Reserve Bank of India to provide a single window clearance mechanism. It reflected the need for transparency, recognition of global developments, capturing of Indian realities and learning of lessons from the past. The basic objectives of the policy was to ensure that such outflows, were determined by commercial interests but were also consistent with the macroeconomic and balance of payment compulsions of the country, particularly in terms of the magnitude of the capital flows.

Phase III (2000 till date): Liberalized framework under FEMA

In 2002, the per annum upper limit for automatic approval was raised to USD 100 million. Such upper limit was, however, discontinued when the automatic route for outward FDI was further liberalized in March 2003 to enable Indian parties to invest to the extent of 100 percent of their net worth. Since then the limit of outward FDI has been gradually increased to 400 percent, conditions applied.

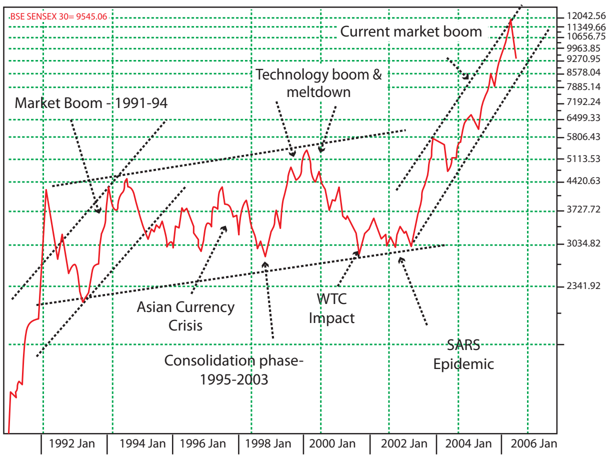
Trend of outward investments during trade liberalization

A trend analysis shows that the level of outward FDI from India has increased manifold since 1999–2000. The level of net outward FDI flows (on BoP basis), however, recorded a sharp uptrend at USD 74.3 billion during the second half of 2000s (2005–06 to 2009–10) as compared to USD 8.2 billion in the first half of 2000s (2000–01 to 2004–05). Even though trend in India's outward FDI was moderately affected during crisis year of 2009–10, a sharp rebound was seen in 2010–11. In recent years, outward FDI continued to be mainly financed through equity and loans. Although guarantees issued have been rising, their invocation has been negligible during 2009–10 and 2010–11. It has been observed that the number of outward FDI proposals under the Automatic Route during 2000s has also been on the rise indicating the growing appetite of the Indian corporates to establish their foot prints abroad given the liberal regulatory regime.

Indian stock market moves in tandem with trade liberalization

The Indian capital market scenario witnessed a transformation from 1991 through economic liberalization. However, this phase ended in 1994. The period from 1995-2003 was one of consolidation, characterized by largely horizontal movement of the markets with periodic peaks and troughs. From 2003, the market is again witnessing a major bull run.

Monthly Sensex Movement January, 1991-June, 2006



During this period, the Indian capital markets have transformed into being sophisticated, transparent and efficient markets, on the back of on-going comprehensive reforms, which commenced in the early 1990s, and encompassed infrastructure, systems, regulation and improved penetration.

The economic liberalization of the early 90s focused on:

- Industrial de-licensing;
- Tariff reduction;
- Deregulation of capital and financial markets; and
- Fiscal reforms.

In early 90s, de-licensing saw a flurry of activity in the manufacturing sector. Significant manufacturing capacities were planned. Capital market reforms eased the norms for equity issues and increased the opportunities for the corporate sector to raise equity capital at market prices. The markets readily provided the necessary funds for the industry. The households diverted significantly more of their savings to financial assets during the period from 1991-95 as compared to the previous or the preceding periods. The hitherto depressed stock markets immediately recognized the unlocking of potential of the Indian economy through the liberalization process and entered a bull phase. From 1993, significant foreign investment flowed into the country through Foreign Institutional Investors (FII) and foreign equity routes.

Notwithstanding these strong inflows into the capital markets, the rising markets gobbled up all available funds and still demanded more. This increased demand for funds strained the already tight liquidity. Industry was competing with a very high governmental demand for funds arising out of a long period of fiscal imprudence; slow economic growth and high inflation in the 80s. Consequently, the interest rates shot-up. The prime lending rates of the financial institutions peaked at 18 percent p.a. in 1992 up from 12 percent in 1991. As reforms progressed, economic weaknesses came to the fore. The industrial sector, which contributed a major chunk to the market capitalization, was small, fragmented and globally uncompetitive. With reduction in duty protection and de-licensing, the industrial sector became uncompetitive and corporate profitability declined.

As is evident, the market infrastructure did not support the extended bull run of 1991-94. During this period, the market was manipulated by a coterie of manipulators from 1991 to 1994*, (they exploited the strong sentiments created by widespread reforms, to over-expose themselves in the market and funded their excesses though fraudulent diversion of funds from money markets). These operators systematically manipulated the entire market till it was pushed up to unrealistic levels. Not backed by fundamentals, once the scam was exposed, the market collapsed as dramatically as it climbed. This "Great Indian stock market scam"* caused a major upheaval in the Indian markets, and dented the confidence of small investors. By 1995, the Indian stock markets were busy restructuring their systems. The industry continued to consolidate/restructure, improved its efficiency and shifted focus from capacity creation to cost competitiveness. Reforms implemented include establishment of a statutory regulator; promulgation of rules and regulations governing various types of participants in the capital market and also activities like insider trading and takeover bids; introduction of electronic trading to improve transparency in establishing prices; and dematerialization of shares to eliminate the need for physical movement and storage of paper securities.

A shift in the average GDP growth rate from 5.1 percent to 6.1 percent from 1991 saw a bull run in the Indian Stock Market from 1991-1994. But during the period of 1994-2003, the markets stabilized on the back of a steady GDP growth of 6.1 percent.

Financial Sector Reform

India's reform program also included wide-ranging reforms in the banking system and in insurance introduced at a later stage. Banking sector reforms included: (a) measures for liberalization, like dismantling the complex system of interest rate controls, eliminating prior approval of the Reserve Bank of India for large loans, and reducing the statutory requirements to invest in government securities; (b) measures designed to increase financial soundness, like introducing capital adequacy requirements and other prudential norms for banks and strengthening banking supervision; (c) measures for increasing competition like more liberal licensing of private banks and freer expansion by foreign banks. These steps have produced some positive outcomes. There has been a sharp reduction in the share of non-performing assets in the portfolio and more than 90 percent of the banks now meet the new capital adequacy standards.

Savings, Investment and Fiscal Discipline

Fiscal profligacy was seen to have caused the balance of payments crisis in 1991 and a reduction in the fiscal deficit was therefore an urgent priority at the start of the reforms. The combined fiscal deficit of the central and state governments was successfully reduced from 9.4 percent of GDP in 1990-91 to 7 percent in both 1991-92 and 1992-93 and the balance of payments crisis was over by 1993. However, the reforms also had a medium term fiscal objective of improving public savings so that essential public investment could be financed with a smaller fiscal deficit to avoid "crowding out" private investment. This part of the reform strategy was unfortunately never implemented and it was again proved after the 2007-08 crisis. Evidence does suggest that weaker public sector banks received capital injections, in whose anticipation depositors and stock market investors rewarded riskier public sector banks while penalizing private sector banks with similar risk.

Challenges Ahead

A project named Unique Identification Authority of India (UIDAI) has been charged with implementing a nationwide program to register and assign a unique 12-digit ID to every Indian resident, some 1.2 billion people, by 2020. The project was initiated to create identity to be used in access to govt. facilities, if turns to be successful. In this era of globalization, any company that wants to operate in emerging markets that are large and populous, would need to reach the people on the street. Upon completion of the project, India will definitely create another edge in terms of business perspective easing the way for FIEs reducing both investment and operational obstacles.

With the process of trade liberalization, India has passed many transitional points in last two decades. However, using World Bank private-sector survey data (2004 for India), Huang and Tang found evidence that foreign-invested enterprises (FIEs) still perceive far more restrictions relative to domestic firms in India even after pursuing comprehensive domestic reforms. Therefore, for India, the priority in their next stage of reforms should be on reducing obstacles for FIEs.

India still has room left to improve its governance, controlling inflation, introducing credible fiscal policy, liberalizing financial markets and increasing trade with its neighbors. These will ensure strong, persistent, medium-to-long-term growth, allowing India to reach its amazing potential.

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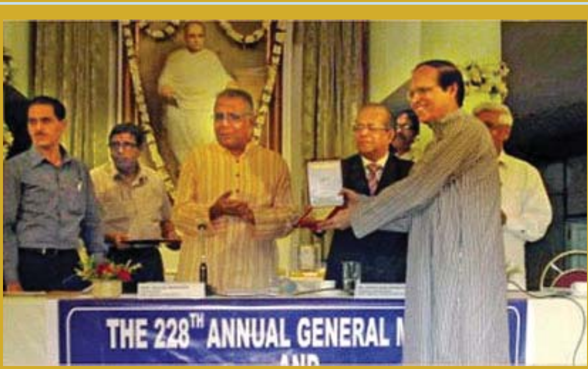
** The Great Indian Stock Market Scam, Verma & Barua*

DR ATIUR GETS INDIRA GANDHI GOLD PLAQUE



Bangladesh Bank Governor Dr. Atiur Rahman has recently been awarded with the prestigious Indira Gandhi Gold Plaque 2011 by the Asiatic Society, Kolkata, in recognition of his significant contribution to international co-operation towards human progress.

The award will be handed to Rahman in a ceremony at the Vidyasagar Hall of the Asiatic Society in Kolkata on May 7, Professor Mihir Kumar Chakrabarti, general secretary of the Society, said in a letter.

Rahman is the second Bangladeshi to get the award after Prime Minister Sheikh Hasina who received the same recognition in 2009.

Past Gold Plaque recipients include Nobel Laureates Mother Teresa (1987), Nelson Mandela (1989), Rev Desmond Tutu (1990), Yasser Arafat (1993), Professor Amartya Sen (1994), Aung San Suu Kyi (1995), Gabriel Garcia Marquez (1998), Pandit Ravi Shankar (2001), and Indian Finance Minister Pranab Mukherjee (2008). (16, March 2012, The Daily Star)

FINANCE AND ECONOMY

BANKS' NON-PERFORMING LOANS DECLINE IN 2011

The volume of default loans of private commercial banks (PCBs) increased while that of the state-owned commercial banks (SoBs) declined over a period of one year, ending on December 31, 2011, reveals the latest data of Bangladesh Bank (BB).

However, overall amount of non-performing loan (NPL) of banks declined during the period under review.

The amount of total NPL in the banking system was BDT 226.44 billion at the end of 2011, which was BDT 227.09 billion a year ago, according to BB data. The rate of bank default loan has declined to 6.12 percent, which was 7.27 Percent in 2010.

The amount of NPL in the 29 PCBs rose to BDT 72.02 billion at the end of 2011, which was BDT 64.30 billion a year ago.

However, in terms of percentage, the bad loans of PCBs remained unchanged at 2.95 of their total outstanding loans in 2011 compared to that of the previous year.

In the SoBs — Sonali, Janata, Agrani and Rupali — the percentage of the NPL came down to 11.27 on December 31, 2011, which was 15.66 on December 31, 2010. In terms of amount, their NPL declined to BDT 91.70 billion, which was BDT 99 billion a year back, said the BB data.

A top BB official said the situation NPL would be better in the near future as the central bank is set to further intensify its monitoring. He said the situation with regard to the default loans more or less remained static in 2011 despite global financial problem throughout the last year.

A BB official said, the specialized banks, particularly Bangladesh Krishi Bank and Rajshahi Krishi Unnayan Bank need strong leadership and professionals in their respective board of directors to bring about improvement in NPL situation. (01, March 2012, The Financial Express)

INFLATION TO COME DOWN BY FISCAL END: DR ATIUR

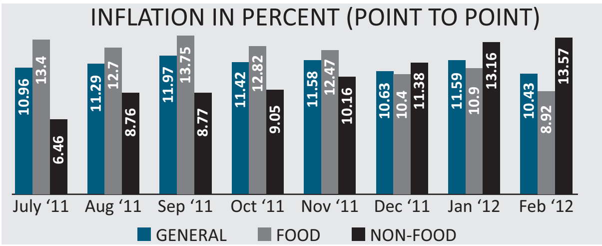
Bangladesh Bank (BB) Governor Dr. Atiur Rahman said that the soaring inflation would come down to a comfortable 'single-digit level' towards the end of the current fiscal.

"If we can maintain the present coordination between the fiscal and the monetary policies, we're hopeful that the inflation will come down to a comfortable single digit level by the end of the current fiscal," he told the central bank inspectors at their regional 'Town Hall Meeting on Bank Supervision'. BB senior consultant Allah Malik Kazemi, deputy governor Abu Hena M Razee Hassan, BB Executive Directors SM Moniruzzaman and M Jahangir Alam, among others, took part in the daylong meeting held with BB Executive Director M Naushad Ali Chowdhury in the chair.

Giving his view on the current macro economic situation, the central bank chief said the foreign exchange market is stable mainly because of reduced outflow of import payments and the encouraging export growth.

"With the growth of remittances above 12 percent, we're projecting a record level of remittance inflow by the end of current fiscal," he added. (19, March 2012, The Financial Express)

FOOD INFLATION EASES INTO SINGLE DIGIT



Food inflation slowed to single digits for the first time in 15 months, thanks to a bumper crop and a fall in food prices at the international market.

Food inflation was 8.92 percent in February on a point-to-point basis, down from 10.90 percent in January.

Many traders, instead of hoarding, released their stocks due to a bumper production, pulling down the food prices, Bangladesh Bureau of Statistics (BBS) Director General Shahjahan Ali Mollah told reporters.

The overall inflation decreased in February by 1.16 percentage points to 10.43 percent, according to BBS data.

Asked about the government's projection that the overall inflation will come down to single digit within this fiscal year, the BBS director general said, if non-food inflation declines sharply alongside food inflation, the overall inflation may fall to single digit. (20 March, The Daily Star)

DR. ATIUR STRESSES IT-ENABLED BANKING SERVICES: ALERTPAY LAUNCHED IN BANGLADESH

Lowering poverty up to the remarkable level is possible through ensuring the optimum use of the information technology (IT), Bangladesh Bank Governor Dr. Atiur Rahman said.

He said the improved banking facilities come within the reach of general people through the auspices of IT and a savings attitude can develop among the people if the banking activities become easier.

He urged the banking community to enhance the economic facilities by utilising the competence of modern IT facilities like mobile banking.

The BB governor was speaking at the formal launching of the services of “Alertpay” and “Express Cash” in Bangladesh.

Alertpay and Express Cash are internationally recognised online payment gateway and mobile banking service which have been introduced by Bank Asia.

He said a research conducted by KPMG, an international audit, tax and advisory services firm, has recently identified Bangladesh as a highly potential destination for IT outsourcing.

Mehmood Hussain, Managing Director, Bank Asia Limited; Anir Chowdhury, Policy Adviser to the Access to Information Programme at the Prime Minister’s Office; A Rouf Chowdhury, Chairman of Bank Asia; Das Gupta, Asim Kumar and Md Ahsan Ullah—Executive Directors of Bangladesh Bank also attended the function as special guests. (16, March 2012, The Daily Sun)

STATE BANKS RELUCTANT TO PAY FUEL IMPORT BILLS

BPC dues pile up to BDT 17,000cr

BPC’S DUES TO STATE BANKS

SONALI	TK	5,368 CR
JANATA	TK	4,785 CR
AGRANI	TK	6,605 CR
RUPALI	TK	407 CR
BASIC	TK	135 CR

Bangladesh Petroleum Corporation (BPC) owes state-owned banks more than BDT 17,000 crore as of January 12, making the banks reluctant to open further letters of credit for fuel import.

The banks have already conveyed their stance on LC opening at a high level meeting with Finance Minister AMA Muhith. Bangladesh Bank Governor Dr. Atiur Rahman, officials of the four banks, and other senior government officials were present at the meeting.

Officials of the banks said the BPC’s overdues to the banks have gradually been rising in the recent times. As a result, the banks are facing a liquidity dearth.

On December 31, 2010, the state-run BPC owed the banks BDT 8,780 crore, and the amount more than doubled in just one year.

A finance ministry official who attended the meeting said the banks have requested the finance ministry to arrange the BPC’s overdues in cash, not in bond. Earlier the BPC made its payment in bond but it was not helpful in solving their liquidity crisis.

The meeting also discussed the issue of taking credit for the BPC from a foreign lender, Islamic Trade Finance Corporation (ITFC).

The ITFC has decided to raise the credit limit for the BPC to USD 2.5 billion from this year. Of the amount, USD 500 million will be taken for this year through special arrangement, and the amount will have to be repaid in nine months. In line with the new conditions of the ITFC, it will now open LCs worth USD 500 million.

Usually the state banks open the LCs under the ITFC credit limit.

At the meeting, the state banks were also told that they will have to repay USD 500 million credit. However, the banks set three conditions for paying the loan.

The conditions are -- the BPC will have to pay the amount in local currency; the BPC will inform the banks about the repayment date at least 15 days ahead of the payment; and if the banks have a dearth of foreign currency at that time, the central bank will supply the foreign exchange. (1, March 2012, The Daily Star)

CYCLONES, FLOODS WILL COST BD USD 5.7b BY 2050: WB

Increased risks of cyclones and inland monsoon floods in a changing climate will cost Bangladesh approximately USD 5.7 billion by 2050 for adaptation purpose, a World Bank (WB) report estimates.

It said Bangladesh will require climate-smart policies and investments to make her more resilient to the effects of climate change.

The Washington-based global lender revealed the report titled ‘The Cost of Adapting to Extreme Weather Events in a Changing Climate’.

The WB conducted the study in collaboration with the Institute of Water Modeling and the Center for Environmental and Geographic Information Services with the financial support of Netherlands and Bangladesh Climate Change Resilience Fund (BCCRF).

The report estimates that monsoon flood will affect an additional two million people by overwhelming new areas due to climate change and 13.5 million people will be vulnerable to inundation depths greater than 3 metres due to cyclonic storm surge by 2050.

According to the report, currently eight million people in the coastal areas are vulnerable to such inundation.

It said Bangladesh has already built infrastructures to protect coastal residents from frequent cyclones and tidal waves. “An additional USD 2.4 billion will be required to climate-proof critical infrastructure by 2050,” it added.

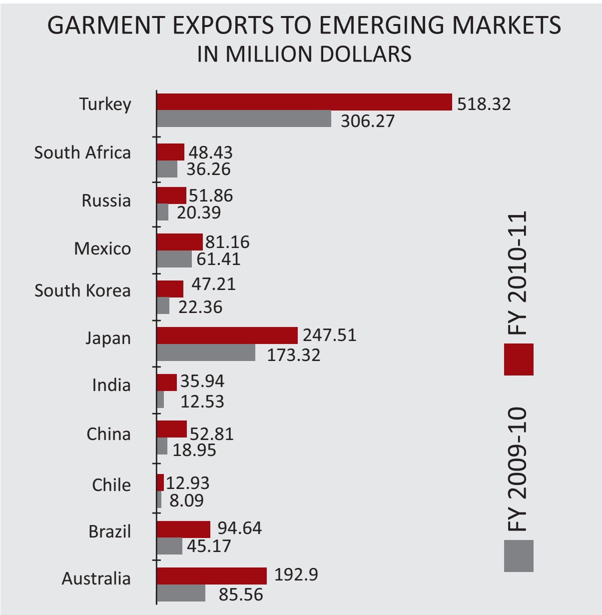
The report also said for inland monsoon flood the costs of adaptation for the railways, road network, embankments and drainage infrastructure to offset additional inundation due to global warming is estimated at USD 3.3 billion.

Presently, a powerful cyclone strikes Bangladesh in every three months and it faces a severe monsoon inland flooding that may submerge over 60 percent of the country in every 4-5 years.

Vice-Chancellor of Brac University Dr. Ainun Nishat said the country's policymakers and other agencies concerned including development partners and project implementing organisations should be serious to avert the possible disasters.

"Adaptation to increased risks from climate-induced weather events is essential for development worldwide, particularly in Bangladesh," WB country director Ellen Goldstein said, adding that the study provides an analytic framework for understanding the challenges ahead. (02, March 2012, The Financial Express)

RMG EXPORTERS SEE ROBUST GROWTH IN NEW MARKETS



Garment exports to new destinations logged a robust growth last year, as the makers were looking for new markets due to the ongoing financial crisis in their traditional western markets.

Garment makers said they started diversifying markets in the face of shrinking demand for apparel items during the global recession in 2007 and 2008. Their aggressive marketing drive is paying off now, they added.

Markets except for the US, Europe and Canada, which take more than 90 percent of Bangladeshi garments, are considered the new export destinations.

Of the total earnings of USD 17.92 billion from garment exports in fiscal 2010-11, USD 1.39 billion came from these 11 new destinations, with a 75.08 percent rise from a year ago.

Of the total earnings from the sector, USD 10.51 billion came from Europe, USD 4.62 billion from the US and USD 894.67 million from Canada. Other countries accounted for USD 491.57 million.

David Hasanat, Chairman of Viyellatex Group, said it is true that Bangladesh has a huge potential in the new markets. "But we have to exploit the new destinations seriously to attract new buyers," he said.

The exporters' commitment and high quality of products are the main driving forces behind the rise in exports of garment items to the new destinations, said Nasir Uddin Chowdhury, vice-president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

"The government's stimulus package for exploring new export destinations also played a significant role," he said.

He said the government should strengthen the activities of the commercial wings of its foreign missions in the new markets to help maintain the higher export growth. (1, March 2012, The Daily Star)

BANGLADESH MAY EARN BDT 100b BY EXPORTING SAND TO MALDIVES

The country may earn about BDT 100 billion per year by exporting sand to the Maldives, which wants quality sand for its construction industry and protection of islands from sea-level rise.

The Ministry of Land is assessing both the environmental and financial feasibilities of a proposal, placed in this regard by the Maldives government.

Md. Moyjuddin Ahmed, Additional Secretary of the Ministry of Land, told will submit its report soon after conducting a detail geological mapping.

Moyjuddin said a bilateral agreement will be required to export sand or earth to a certain country. There is no prohibition in exporting sand according to the current Export Policy Order of the Ministry of Commerce.

The immediate past President of the Maldives Mohammed Nasheed at a programme with the then Bangladeshi Commerce Minister at Male in 2011 expressed his eagerness to import sand and earth from Bangladesh.

Around one billion cubic metres of sediment from the Himalayas are naturally deposited in Bangladesh by the river network spread across the country. It is one of the main reasons that the country's rivers are losing their navigability.Bangladesh is also pushing a colossal river project worth over BDT 10 billion (1,000 crore) to dredge all of its major rivers, which will also provide a significant volume of sand in the near future. (07, March 2012, The Financial Express)

REMITTANCE RISES 14.58pc

Remittances rose 14.58 percent to USD 1.13 billion in February from the same time a year ago, Bangladesh Bank said.

A rise in manpower exports and the number of exchange houses of banks abroad, and scope to easily open foreign currency accounts boosted the remittance inflow.

Remittances rose 12.15 percent in the first eight months of this fiscal year over the same period last year, data shows.

But the remittance inflow was lower in February than in January, when the country received USD 1.22 billion.

The political turmoil in the Middle East and North Africa last fiscal year slowed remittance growth, Finance Minister AMA Muhith said in parliament. The current fiscal year bucked the trend, he added. (05, March 2012, The Daily Star)

GOVT MULLS USD 500 REMITTANCE INFLOWS WITHOUT CHARGE

The government is considering remittance inflow with no charge up to USD 500 in a bid to encourage foreign currency senders to use legal channels.

Expatriates' Welfare and Overseas Employment Minister Engineer Khandaker Mosharraf Hossain said this, while addressing a business luncheon meeting of Bangladesh-Malaysia Chamber of Commerce and Industry (BMCCI) in the city.

"We're seriously considering giving special incentives to remitters given that remittance has increased to an amount which is three times higher than the net RMG export," said the minister.

He said Bangladesh is third largest country in terms of manpower export and their income.

Currently, Bangladesh has around 8 million people working abroad, who remit now over USD 10 billion every year, the official figures show. The minister said the country has shown resilience during the world economic meltdown, posting a steady GDP growth of over 6 percent. He also said that the Government will set up more training centres to generate more than 0.1 million skilled workers every year. "We'll do everything to turn our huge population into skilled manpower," the minister said.

The Expatriates' Welfare and Overseas Employment Secretary Dr. Zafar Ahmed Khan said 0.275 million Bangladeshis were expected to be recruited in Malaysia soon, which is now on the negotiating table.

President of BMCCI Syed Nurul Islam underscored the role of the expatriates to develop the Bangladesh economy. Managing director of Probashi Kallyan Bank CM Koyes Sami said they will open an exchange house in Malaysia to facilitate remittance from Malaysia.

The initiative is expected to make a significant decrease in the sending cost of remittance, he added. (26, March 2012, The Daily Sun)

BANKS' PROFITABILITY DECLINES IN 2011

The average profitability of the country's commercial banks witnessed a modest decline in 2011 as the quality of the trading portion of their assets deteriorated mainly because of the stock market debacle, officials said.

The earnings of banks, in terms of both return on assets (RoA) and return on equity (RoE), came down to 1.54 percent and 17.02 percent respectively in the last calendar year from the corresponding levels at 1.8 percent and 21.0 percent in 2010, according to the latest central bank statistics.

Total operating profits of all commercial banks stood at BDT 197.38 billion by the end of December 31 last year, the BB data showed.

Profitability Ratios of Banks (in percentage)

	Return on Assets (RoA)		Return on Equity (RoE)	
	2010	2011	2010	2011
SoBs	1.1	1.34	18.4	19.66
PCBs	2.1	1.59	20.9	15.69
FCBs	2.9	3.24	17.0	16.58
All Banks	1.8	1.54	21.0	17.02

Source: Bangladesh Bank

The banks, however, earned BDT 91.21 billion as net profit in 2011 after adjustment of their requirements for provisioning against bad debts and also making provision for tax payments, worth BDT 33.55 billion and BDT 72.62 billion respectively.

"The profitability of PCBs has decreased slightly in 2011 mainly due to nominal or negative growth in their non-banking businesses including their investments in the capital market," a senior official of leading PCB told the FE. (13 March, The Financial Express)

BB Circulars/Circular Letters

Publish Date	Name of Department	Reference	Title
12-Mar-12	SME & Special Programmes Department	SMESPD Circular No. 01	Two step loan fund for refinance or pre-finance under JICA assisted financial sector project for the development of smal and medium sized enterprises (BD-P67).
15-Mar-12	Bangladesh Financial Intelligence Unit	BFIU Circular No. 02	Money Laundering Prevention Act, 2012 and Amendment of Anti Terrorism Act, 2012.
18-Mar-12	Agricultural Credit and Financial Inclusion Department	ACFID Circular Letter No. 01	Formation of Agricultural Credit and Financial Inclusion Department (ACFID) by Restructuring Agricultural Credit Department (ACD).
20-Mar-12	Department of Currency Management and Payment System	DCMPS Circular No. 02	Implementation of National Payment Switch.
22-Mar-12	Foreign Exchange Operation Department	FEOD Circular Letter No. 01	Payment of 0.50% Freight Brokerage Charge to Shippers Council of Bangladesh(SCB) by Shipping Company/Shipping Agent.
25-Mar-12	Banking Regulation and Policy Department	BRPD Circular Letter No. 03	Preservation of CCTV footage for Bank Branches and ATM Booth.
28-Mar-12	Department of Financial Institutions and Markets	DFIM Circular No. 04	Formation of subsidiary company by the financial institutions.

INTERNATIONAL NEWS

OBAMA CALLS FOR INVESTMENT IN CLEAN ENERGY

US President Barack Obama called on Congress to invest more money in clean energy technologies and end multi-billion-dollar subsidies given each year to oil companies.

"I want this Congress to stop the giveaways to an oil industry that's never been more profitable, and invest in a clean energy industry that's never been more promising," Obama said in his weekly radio and Internet address.

"We should be investing in the technology that's building the cars and trucks and jets that will prevent us from dealing with these high gas prices year after year after year," he added.

The comments came as the president faced mounting criticism from Republicans, who have blamed his energy policy for spiking gas prices.

The American Automobile Association (AAA) predicts gasoline prices across the United States could average USD 4.25 a gallon by May, up from over USD 3.60. Between 1998 and 2004, prices ranged from USD 1 to USD 2.

Prices vary wildly between regions. Given that 76 percent of Americans drive themselves to work, and a trip to the store can often mean a long drive to the mall, higher gas prices are a critical issue especially in a presidential election year.

The president said that under his administration, domestic oil production has been on the rise and the number of operating oil rigs has quadrupled. But he argued the United States won't be able to solve its energy problem just by drilling more oil wells.

"But you and I both know that with only two percent of the world's oil reserves, we can't just drill our way to lower gas prices - not when we consume 20 percent of the world's oil," Obama said. "We need an all-of-the-above strategy that relies less on foreign oil and more on American-made energy - solar, wind, natural gas, biofuels, and more."

He noted that his administration had already put in place new standards that will make sure that American cars average nearly 55 miles per gallon (88.5 kilometers per 3.8 liters) by the middle of the next decade - nearly double what they get today.

The president also called for ending the USD 4 billion a year in tax breaks that US oil companies receive each year.

"We've been handing out these kinds of taxpayer giveaways for nearly a century," he said. "And outside of Congress, does anyone really think that's still a good idea?" (11 March 2012, The Financial Express)

GLOBAL AUTO OUTPUT TO RISE 3.0pc, ASIA LEADING

Global production of cars will increase by 3.0 percent this year, about in line with growth in 2011, the International Organization of Motor Vehicle Manufacturers forecast.

Last year, global vehicle production reached a record 80.1 million units, the organisation told a press conference at the Geneva Motor Show.

"After a dramatic fall in 2009 to 61.8 million units due to the crisis in 2008, world car production car has regained its growth rate," the president of the trade body, Patrick Blain, said.

Last year, vehicle production in Europe grew to a total of 17.7 million units, but this was still less than the volume in 2008 when the financial crisis hit, Blain said.

Production in China, the biggest car maker, slowed to 18.4 million units, after a spurt in 2009 and 2010. North American production totalled 13.5 million vehicles.

Japanese production also fell, owing mainly to the effects of a massive earth quake and tsunami.

Forecasting that overall, global car producers would raise output by 3.0 percent in 2012, the organisation said it expected a slowdown "in some countries" but that factories would be opened in countries such as Russia, Morocco and Brazil.

These overall figures were slightly lower than those estimated by the German auto industry, which expects the global car market to grow by 4.0 percent this year.

The auto market in Europe has begun the year on a weak note, largely because of uncertainty arising from the debt crisis.

In February, new car registrations declined in most European countries except for Germany where they were stable.

They fell by 2.5 percent in Britain, 2.1 percent in Spain and plunged 18.94 percent in Italy and 20.2 percent in France. (8 March 2012, The Financial Express)

TATA STEEL INDIA'S MOST ADMIRED COMPANY: FORTUNE

Tata Steel has topped a list of India's 50 most admired companies, while four other companies from the steel-to-software conglomerate Tata group have also made to the first such rankings.

However, the first such list for India, compiled by business magazine Fortune and global management consultancy Hay Group, has nearly half of the total 50 positions being occupied by the Indian units of the foreign companies.

Tata Steel is followed by Hindustan Unilever, Colgate Palmolive and Cadbury India (all of which are Indian ventures of different foreign companies) in the second, third and fourth positions, while Tata group's TCS has occupied the fifth place.

The other Tata group firms on the list include Tata Motors (6th), Titan Industries (39th) and Tata Tech (44th).

The companies in the top-ten include ITC (7th), L&T (8th), IBM India (9th) and Dell India (10th).

While 24 places on the list are occupied by the Indian ventures of foreign companies, there are eight public sector entities, including ONGC (16th), Bharat Petroleum (17th), Indian Oil (19th) and Hindustan Petroleum (20th).

Other PSUs on the list include ONGC Videsh, SAIL, Gail India and NTPC, while the Indian ventures of foreign giants like GSK, HP, Microsoft, Mercedez Benz, J&J, Nestle, Intel, SAP, Toyota, Phillips Electronics, Cisco Systems, Samsung, Coca-Cola, Siemens and Oracle have also made to the rankings. The list has been prepared on the basis of a survey of 507 executives across 291 companies that was carried out from October 2011 to January 2012.

Various factors including corporate governance, financial soundness, leadership, talent management and corporate social responsibility were taken into consideration for the rankings. (7 March 2012, The Financial Express)

EUROZONE CRISIS 'REMOVED' FOR NOW: IMF CHIEF

The risk of crisis in the eurozone has been "removed," for now, IMF head Christine Lagarde said, with the Greek rescue efforts seeing progress.

"As we speak, it looks like it's going through," said Lagarde, head of the International Monetary Fund, in an interview with broadcaster Charlie Rose on the US public broadcaster PBS.

In Athens it appeared stricken Greece had clinched a high-stakes debt swap as a deadline for bondholders to accept huge losses on their Greek holdings passed, opening the way for an urgent bailout.

"It looks as if the numbers will be promising," Lagarde said, adding that the "real risk of a crisis, of an acute crisis has been, for the moment, removed."

Lagarde said she was "not pessimistic" about the plan's chance for success. "Spring is in the air," she added.

With a threshold apparently met, Greece was expected to press on towards unlocking a 130-billion-euro bailout from the European Union and IMF; a process that might include resorting to so-called collective action clauses Athens introduced to force holdouts to accept the deal.

The IMF chief meanwhile in the interview noted increasing calls for the euro firewall, or buffer, to keep the zone protected from future crises: "They need high volumes. And the bigger, the better, because it will not be used," she said.

The Greek bond swap is intended to avert default by Greece when debt falls due on March 20 and is a key part of a eurozone-IMF rescue worth up to 237 billion euros to enable the country to rebuild its economy. (10 March 2012, The Financial Express)

BANKS' DEPOSITS AT ECB TOP ANOTHER RECORD

Banks' deposits with the European Central Bank (ECB) have hit yet another new record, data showed, just days after the ECB pumped more than half a trillion euros into banks to unclog seized credit markets.

Banks put €820.8 billion (USD 1.08 trillion) on deposit for 24 hours at the ECB overnight, beating the previous record set the day before of €776.9 billion.

Rising levels of deposits at the central bank are seen by some as a possible sign of market tensions since the money deposited earns interest of 0.25 percent, much less than the rate available on the interbank market.

Thus, heavy use of the facility suggests banks favour parking the money at low interest with the ECB rather than lending it to each other.

But the massive amount currently held on deposit is not seen by analysts as surprising in the wake of last week's long-term refinancing operation (or LTRO) in which the ECB pumped a record €529.5 billion into euro area banks to avert a credit crunch.

Separately, ECB data showed that the central bank bought no bonds of eurozone nations last week for the third week in a row.

The ECB first launched its bond-buying blitz, or Securities Market Programme (SMP), in 2010 to help debt-wracked eurozone countries that were finding it difficult to drum up financing in the normal way via the markets.

The programme was controversial from the start, with critics saying the ECB was overstepping its mandate in buying up sovereign bonds on the secondary market.

ECB President Mario Draghi and his predecessor Jean-Claude Trichet always said the measure was only temporary and aimed at easing strains in the 17-nation euro bloc but two prominent German ECB members quit in protest over the practice.

Between January and August 2011, the purchases dried up, but the ECB resumed the programme in August when renewed strains pushed Italian and Spanish borrowing rates to unsustainable levels.

At one point, purchases reached as much as €22 billion (USD 29 billion) in a single week.

In total, the ECB has now bought a total €219.5 billion in eurozone government bonds since the start of the programme. (7 March 2012, The Financial Express)

EUROZONE GROWTH REVISED DOWN TO 1.4pc IN 2011

The eurozone economy grew by 1.4 percent last year, less than previously forecast, and is now in "mild recession", EU officials said.

The overall picture points to a so-called double-dip recession within three years in the eurozone, which has been hard hit by uncertainty arising from its now easing debt crisis.

The latest growth estimate for 2011 came from the EU statistics office Eurostat, which had previously estimated 1.5-percent growth, after growth of 1.9 percent in 2010.

The office confirmed an estimate that output shrank by 0.3 percent in the fourth quarter and revised down growth for the third quarter from 0.2 percent to 0.1 percent.

The figures track a slowdown at least from the middle of last year and the European Union's Economic Affairs Commissioner Olli Rehn said in Paris: "The euro area is currently in a mild recession."

Recession is taken to mean two quarters running of declining output, so his remark points to a first-quarter 2012 figure which is likely to show that the economy shrank again.

The fourth-quarter growth of 0.1 percent was sharply down over 12 months from growth of 0.7 percent in the last quarter of 2010 in the 17-nation eurozone.

Rehn's remark means that the eurozone is in its second period of recession in three years.

Over the whole of 2011 in the 27-nation European Union, gross domestic product expanded by 1.5 percent compared with 2.0 percent in 2010.

In comparison, US GDP rose 0.7 percent in the fourth quarter and 1.7 percent overall in 2011. In Japan, GDP fell 0.6 percent in the fourth quarter and 0.9 percent overall in 2011.

The data showed poor performance in the last 2011 quarter for the various components of GDP, with household consumption declining 0.4 percent in the euro area and 0.2 percent across the EU compared with increases of 0.3 percent and 0.2 percent in the previous quarter.

Investment dropped 0.7 percent in both areas while imports fell 1.2 percent and exports dropped 0.4 percent.

Among the countries where date was available, only three of the 17 sharing the euro saw growth in the last 2011 quarter- Slovakia with 0.9 percent, France with 0.2 percent and Finland at 0.1 percent. (7 March 2012, The Financial Express)

'CHINA HAS BECOME INDIA'S LARGEST TRADE PARTNER IN SOUTH ASIA'

The relations between India and China are improving fast amid growing trade ties between the two countries, a top Chinese official said.

Addressing an international seminar on 'BRICS and the new World Economic Order', Minister-Counsellor and DCM (Deputy Chief of Mission) Embassy of China, Deng Xijun said that the bilateral economic cooperation had witnessed a sustained growth over the past few years.

Xijun said that trade volume between the two countries had increased more than ten times in the past 11 years. "Last year, the bilateral trade between the two countries had reached new heights, despite the global economic and financial crisis," he said.

The two-way trade reached USD 74 billion in 2011 and China has become one of the largest trade partners of India and vice versa, he said." In 2010, both the sides agreed to set a new target of 100 billion US Dollars for bilateral trade by the year 2015." he added.

"High level of interactions have maintained a strong momentum and the leaders of two countries have maintained frequent exchange of visits over the past few years," Xijun said.

"China and India are enjoying growing convergence of interests and are committed to the building of a fair, just and reasonable international economic, financial and trade order," he added. (12, March 2012, The Financial Express)

JAPAN SPENDING DOWN AS DEFLATION PERSISTS

Japanese unemployment inched up and household spending fell more sharply than expected in January, government data showed, but analysts said the nation's economic recovery was still on track.

Figures from the internal affairs ministry showed the unemployment rate crept up to 4.6 percent in January from a revised 4.5 percent in the previous month while household spending dropped by 2.3 percent year-on-year.

The inflation-adjusted fall in spending was far bigger than the 0.8 percent dip economists had expected.

However, analysts said the figures did not indicate Japan's economic recovery was in trouble because they were more than offset by upbeat production figures earlier in the week.

The recent batch of data confirmed "the economy is on a gradual recovery track," said Satoshi Osanai, economist at Daiwa Institute of Research.

The yen has tracked lower since the Bank of Japan surprised markets two weeks ago with the announcement that it would pump USD 130 billion more into the economy in the latest push to combat deflation.

The yen changed hands at 81.20 to the dollar and 108.17 to the euro in Tokyo midday trade, much weaker than 76.19 and 99.56 of a month ago. A strong yen reduces Japanese exporters' repatriated income.

The internal affairs ministry also said Japan's core consumer prices fell 0.1 percent in January from a year earlier, as the deflation that has plagued Japan for years persisted. (3 March 2012, The Financial Express)

CHINA MAY TARGET SLOWER ECONOMIC GROWTH

China might set an annual economic growth target below 8.0 percent for this year, state media said, as the leaders of the world's second largest economy acknowledge it is slowing.

The report in the official Shanghai Securities News came before Chinese Premier Wen Jiabao delivers an annual policy address to lawmakers; when he is due to announce economic goals for the year.

China's economy expanded by 9.2 percent last year, slowing from 10.4 percent in 2010, as global turbulence and efforts to tame high inflation put the brakes on growth.

"An economic growth rate adjusted down to around 7.5 percent will not have any impact on economic development," the newspaper quoted Li Guozhang, an academic at Lanzhou University and member of an advisory body to the National People's Congress, or legislature, as saying.

China typically exceeds the annual growth target unveiled every March at the parliament session, and most economists are predicting GDP growth of 8.0-8.5 percent for China this year.

The 2011 increase in gross domestic product was well above the government's 8.0 percent target.

In a bid to counter slowing exports, the government has cut reserve requirements for banks twice in the last three months to increase lending and give the economy a boost.

Investment bank Goldman Sachs has forecast China will set a lower GDP growth target of 7.5 percent at the legislative meeting, but said that implied the government was willing to accept slower growth.

"A slightly lower GDP growth target rate is sensible given the fall in the level of potential GDP growth," Goldman said in a research report.

"It can also be viewed as a gesture from the central government that local governments should not focus solely on the pace of GDP growth."

China has sought to prod local governments to focus on the quality of growth instead of its speed, while also seeking to shift away from dependence on exports to other engines such as domestic consumption.

China could target containing inflation to less than 4.0 percent this year at the upcoming congress, the Shanghai Securities News said, amid worries surging prices could spark social unrest.

For all of 2011, China's consumer price inflation was 5.4 percent, official figures showed, well above the government's full-year target of 4.0 percent and higher than the 2010 rate of 3.3 percent. (04, March 2012, The Financial Express)

INTERNATIONAL NEWS

WB Presidency

OBAMA FOR JIM YONG KIM

President Obama nominated Korean-born US academic Jim Yong Kim to be the next president of the World Bank.

President Obama stressed Dr Kim's international experience in his statement announcing the nomination."It is time for a development professional to lead the world's leading development agency," he said."Jim has truly global experience. His personal story exemplifies the great diversity of our country... and his experience makes him ideally suited to forge partnerships all around the world."

Dr Kim is a leading figure in global health. As well as his work at the WHO, he co-founded the health organization Partners in Health in 1987.Born in Seoul, he moved with his family to the US at the age of five.

A US national traditionally heads the World Bank while a European runs the IMF - currently France's Christine Lagarde. But emerging economies have become increasingly unhappy with this arrangement and are pushing for change.

In a recent editorial, three former chief economists of the World Bank - Francois Bourguignon, Nicholas Stern and Joseph Stiglitz - argued for an end to the US "monopoly" on running the institution.

Fredrik Erixon, a former World Bank economist, told the BBC that the selection process was "anachronistic" but he still expected the White House nominee to be the successful candidate.

The current president, Robert Zoellick, is to step down from his role at the institution when his five-year term comes to an end on 30 June. Zoellick, 58, was nominated for the role in 2007 by George W Bush. (24 March 2012, The Daily Star)

NEW INDIAN BUDGET PROPOSES 'SOPS' TO INDIVIDUAL TAXPAYERS

Finance Minister Pranab Mukherjee in the Indian Union Budget 2012-13 has given a marginal benefit on the much awaited income tax slabs. The biggest beneficiaries would be people having income between Rs. 800,001 to 999,999 per annum. They move from the 30% slab to the 20% slab.

The basic slab for income tax has been proposed to be raised to Rs. 0.2 million (2.0 lakh) from the current Rs. 0.18 million (1.8 lakh). This leads to a savings of Rs. 2,000 for all taxpayers earning between Rupee 180,001 to Rupee 199,999.In addition, the finance minister has created new tax slabs.

The finance minister (FM), presenting the budget to the Indian parliament, also said that taxation of unexplained money, credits, investments, expenditures etc, will be at the highest rate of 30%, here the slab of income will not be considered.

The union budget to parliament for the coming financial year beginning in April projected fiscal deficit at 5.1 percent of gross domestic product (GDP) in fiscal year (FY) against an estimated at 5.9 percent of GDP in FY 2011-12.Total expenditure in FY 2012-13 is projected at 14.9 trillion rupees, up 29 percent from that of the outgoing fiscal. Net market borrowing by the government is estimated at 4.8 trillion rupees in FY 2012-13

The Indian Finance Minister has promised to keep 2012/13 subsidies under 2.0 percent of GDP. The Union Government has proposed to inject 159 billion rupees to capitalize state-run banks in 2012/13.

The proposed budget expects gross tax receipts at 10.8 trillion rupees, and non-tax revenue at 1.64 trillion rupees in FY 2012-13. It proposes to levy tax on all services except 17 items in the negative list from 2012/13.

It proposes to raise service tax rate to 12 percent from 10 percent. It proposes to provide full exemption on import duty of thermal coal for power plants and to double basic customs duty on gold. The proposed budget envisages the Indian economy to grow at 7.6 percent in 2012/13 against 6.9 percent in 2011/12.

The proposed budget will allow external commercial borrowing of up to USD 1.0 bn to raise working capital for airlines industry for one year, qualified foreign investors in Indian corporate debt markets and external commercial borrowing to part finance rupee debt in power projects.

It proposes to remove sector-specific restriction on venture capital fund investments and hopes to achieve "broad-based consensus" to open multi-sector to foreign investors

The proposed budget sets disinvestment target in 2012-13 of 300 billion rupees. Current account deficit of India is projected in the proposed budget at 3.6 percent of GDP in 2011/12 and furthermore expects smaller current account deficit in 2012/13.

"As Hamlet, the Prince of Denmark, said in Shakespeare's immortal words, 'I must be cruel only to be kind'."

The Finance Minister has proposed to allow selected government undertakings to issue tax-free bonds of Rs. 600 billion (60,000 crore), which is double the amount assigned in the previous year.

The Indian FM has proposed to give a tax deduction of up to Rs 10,000 on interest earned from savings bank accounts. This means one can keep up to Rs. 0.25 million (2.5 lakh) continuously in his or her savings bank, get interest (currently 4% in most banks) and not worry about the interest getting taxed.

The finance minister has said that Credit Guarantee Fund is to be set up which is likely to reduce the risk of banks. For that reason, the banks might reduce the rate of interest on educational loans.

The finance Minister has announced 12% excise duty on branded retail garments but it has been proposed that multi-brand shops are to be supported and the country can expect more number of malls and Super Malls in the future. (17 March 2012, The Financial Express)

GOLD AT LOWEST SINCE MID JAN

Gold hit its lowest level since mid-January, influenced by dollar strength, with the market having unwound the entire premium built up on expectations for further U.S. quantitative easing.

Spot gold was down 0.8 percent at USD 1,635.06 at 1140 GMT. The metal earlier hit a low of USD 1,631.74 -- its weakest since January 16, extending losses seen when the Federal Reserve upgraded its U.S. economic outlook and fuelled the idea of being done with injecting further liquidity into the system.

U.S. gold futures were down USD 15.40 at USD 1,634.90. Spot silver was last at USD 31.86, down 0.8 percent.

The dollar found its legs as the euro took a hit from unexpected declines in euro zone manufacturing and services activity in March, dented by a sharp fall in French and German factory activity. (23, March 2012, The Financial Express)

MTB PROVIDES YEARLY CONTRIBUTION TO TWO FAMILIES AFFECTED BY BDR CARNAGE

Honorable Prime Minister Sheikh Hasina is seen handing over a cheque as part of the yearly contribution provided by Mutual Trust Bank Ltd. (MTB) to two families affected by BDR carnage of 2009. MTB Chairman Dr. Arif Dowla is also seen.

Date: March 05, 2012
Venue: Gonobhaban, Dhaka 1207

INAUGURATION OF MTB 24/7 ATM AT NAZIRHAT BRANCH

Guests: Aftab Uddin Chowdhury, Upazilla Chairman, Fatikchhari; Salamat Ullah, Chairman, Dowlatpur Union; Mr. Salam, Ex Chairman of Sundarpur Union.

Mohammad Ali Chowdhury, SEVP & Head of MTB Chittagong Division branches and MTB Chittagong branch managers were also present.

Date: March 05, 2012
Venue: M.M. Plaza, Fatikchari, Chittagong 4353

INAUGURATION OF MTB 24/7 ATM AT OXYGEN MOR BRANCH

Guests: Khondaker Khairul Bashar Chowdhury, Local Elite; Md. Jahangir, Proprietor, Baghdad Foods, Md. Siraj Chowdhury, Proprietor Siraj Store; Abu Sama Md. Ridwanul Haque, Consultant, Plasma Hospital, Md. Anowar Hossain, Proprietor, Royal Bangla Foods, Oxygen Bazar.

Mohammad Ali Chowdhury, SEVP & Head of MTB Chittagong Division branches and MTB Chittagong Division managers were also present.

Date: March 05, 2012
Venue: Plasma Hospital Building, Oxygen Mor, Chittagong 4210

MTB OBSERVES EARTH HOUR

Special Guest: Khondker Morshed Millat, Joint Director & Head of Green Banking, Bangladesh Bank

MTB expressed its solidarity with the global community by observing of a simple but overwhelming event “Earth Hour”. MTB Centre was completely shrouded in darkness for one hour as part of its commitment to conserve electricity and join the world.

Date: March 31, 2012
Venue: MTB Centre, Gulshan 1, Dhaka 1212

MTB NEWS & EVENTS

CUSTOMER MEET PROGRAM (CMP) 2012 HELD AT MTB BRANCHES

MTB recently rolled out a nationwide program named CMP (Customer Meet Program) in order to remain closer to the heart of the Customers.

The program was a success having good feedback from the customers. A large number of customers attended the CMP.

Date: March, 2012
Venue: Nationwide, MTB Branches (Picture from Tejgaon Branch)

MTB ORGANIZES TRAINING ON FOREIGN EXCHANGE AND FINANCE OF FOREIGN TRADE

MTB recently organized a three week long training program on Foreign Exchange and Finance of Foreign Trade for its MTB Management Trainee (Batch: MMT 2011), Officers from MTB International Trade Services (MITS) Division and Wholesale Banking Division.

Date: March 25, 2012
Venue: MTB Training Institute, MTB Square, Tejgaon, Dhaka 1208

TRAINING PROGRAM ON PERFORMANCE MANAGEMENT SYSTEM (PMS)

Key Resource Person: Mehboobur Rehman, MTB HR Consultant. Mr. Rehman is Lead Executive Consultant & Coordinator at BANKCONSULT.

Date: March 24, 2012
Venue: MTB Training Institute, MTB Square, Tejgaon, Dhaka 1208

WORKSHOP ON IMPLEMENTATION OF RIT (RATIONALIZED INPUT TEMPLATES)

Key Resource Person: Sheikh Mozaffar Hossain, Deputy General Manager, DBI-I, Bangladesh Bank.

Date: March 10, 2012
Venue: MTB Centre, Gulshan 1, Dhaka 1212

NATIONAL ECONOMIC INDICATORS

Total Tax Revenue

Total tax revenue collection in December, 2011 increased by BDT 959.90 crore or 14.09 percent to BDT 7770.12 crore, against BDT 6810.22 crore in December, 2010. The NBR and Non-NBR tax revenue collection during July-December, 2011-12 were BDT 38938.98 crore and BDT 1594.89 crore respectively, against BDT 33584.48 crore and BDT 1471.96 crore respectively during July-December, 2010-11.

NBR tax revenue collection in January, 2012 was 18.25 percent higher than January, 2011. Total NBR tax revenue collection during July-January, 2011-12 increased by BDT 6345.69 crore or 15.86 percent to BDT 46349.88 crore against collection of BDT 40004.19 crore during July-January, 2010-11. Target for NBR tax revenue collection for FY 2011-12 is fixed at BDT 91870.00 crore.

Liquidity Position of the Scheduled Banks

Total liquid assets of the scheduled banks stands higher at BDT 111856.49 crore as of end February, 2012 against BDT 100564.96 crore as of end June, 2011. Required liquidity of the scheduled banks also stands higher at BDT 75709.61 crore as of end February, 2012 against BDT 66493.75 crore as of end June, 2011.

Scheduled banks holding of liquid assets as of end February, 2012 in the form of cash in tills & balances with Sonali bank, balances with Bangladesh Bank and unencumbered approved securities are 5.68 percent, 31.05 percent and 63.27 percent respectively of total liquid assets.

Bank Group	As on end June, 2011 (BDT in crore)		As of end February, 2012	
	Total Liquid Asset	Required Liquidity (SLR)	Total Liquid Asset	Required Liquidity (SLR)
State Owned Banks	30146.85	19228.08	34776.24	21557.42
Private Banks	47857.65	34591.75	54298.26	37889.78
Private Islamic Banks	13418.07	6386.33	10583.31	8532.83
Foreign Banks	7969.63	5273.29	9676.94	5579.85
Specialized Banks	1172.76	1014.30	2521.74	2149.73
Total	100564.96	66493.75	111856.49	75709.61

Imports

Import payments in January, 2012 stood higher by USD 456.10 million or 15.78 percent to USD 3346.00 million, against USD 2889.90 million in December, 2011. This was also higher by USD 297.45 million or 9.76 percent than USD 3048.55 million in January, 2011.

Of the total import payments during July-January, 2011-12 imports under Cash and for EPZ stood at USD 20070.90 million, import under Loans/Grants USD 200.20 million, import under direct investment USD 66.00 million and short term loan by BPC USD 805.80 million. The falling trend in cumulative import payment, consequential effect of BB's monetary policy stance, is contributing to ease pressure on gross foreign exchange reserve.

Exports

Merchandise export shipments in February, 2012 stood lower by USD 170.54 million or 8.62 percent at USD 1979.33 million as compared to USD 2149.87 million in January, 2012 according to EPB data. However, this was higher than USD 1886.02 million of February, 2011. The year-on year growth stood at 4.95 percent in February, 2012.

Remittances

Remittances in February, 2012 stood lower at USD 1130.90 million against USD 1221.41 million of January, 2012. However, this was higher by USD 143.93 million against USD 986.97 million of February, 2011.

Total remittances receipts during July-February, 2011-12 increased by USD 912.57 million or 12.15 percent to USD 8420.61 million against USD 7508.04 million during July-February, 2010-11. Strong growth in remittances stabilized gross reserves and helped local currency be stronger against USD.

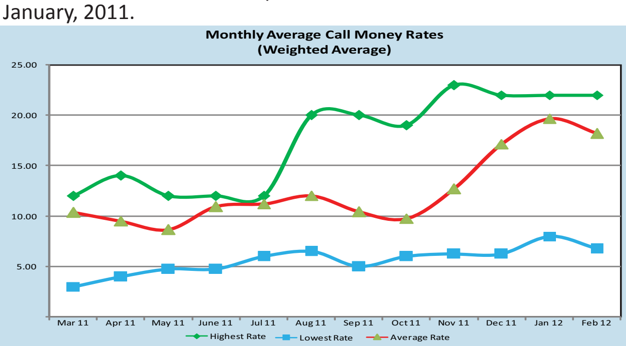
Foreign Exchange Reserve (Gross)

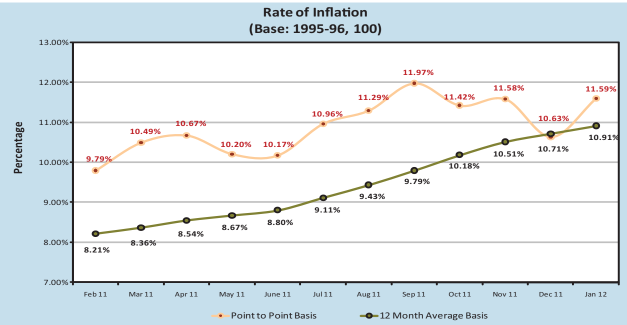
The gross foreign exchange reserves of the BB stood higher at USD 10066.77 million (with ACU liability of USD 893.65 million) as of end February, 2012, against USD 9386.46 million (with ACU liability of USD 463.36 million) by end January, 2012. The gross foreign exchange reserves, without ACU liability is equivalent to import payments of 3.02 months according to imports of USD 3042.80 million per month based on the previous 12 months average (February-January, 2011-12).

Exchange Rate Movements

Exchange rate of Taka per USD appreciated about 3% in the month of February and has since stabilized. This resulted from higher remittances and aid, lower import pressures and changed exchange rate expectations. Overall during the course of FY12 the Taka has depreciated by 9.31 percent between early July-End February.

(Source: Major Economic Indicators: Monthly Update, March 2012)





Rate of Inflation on CPI for National (Base: 1995-96, 100)	Mar 11	Apr 11	May 11	June 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12
Point to Point Basis	10.49%	10.67%	10.20%	10.17%	10.96%	11.29%	11.97%	11.42%	11.58%	10.63%	11.59%
12 Month Average Basis	8.36%	8.54%	8.67%	8.80%	9.11%	9.43%	9.79%	10.18%	10.51%	10.71%	10.91%

Source: Major Economic Indicators

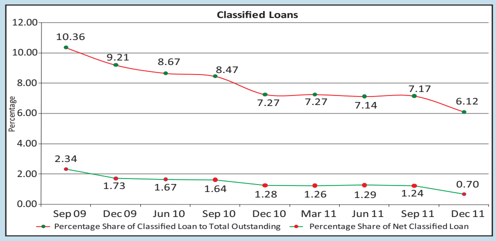
Monthly Average Call Money Market Rates (wt avg)	Mar 11	Apr 11	May 11	June 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12
Highest Rate	12.00	14.00	12.00	12.00	12.00	20.00	20.00	19.00	23.00	22.00	22.00	22.00
Lowest Rate	3.00	4.00	4.75	4.75	6.00	6.50	5.00	6.00	6.25	6.25	8.00	6.75
Average Rate	10.35	9.50	8.64	10.93	11.21	12.03	10.41	9.77	12.70	17.15	19.66	18.18

Source: Economic Trends Table XVIII (Call Money)

BANKING AND FINANCIAL INDICATORS

Classified Loans (%)	Sep 09	Dec 09	Jun 10	Sep 10	Dec 10	Mar 11	Jun 11	Sep 11	Dec 11
Percentage Share of Classified Loan to Total Outstanding	10.36	9.21	8.67	8.47	7.27	7.27	7.14	7.17	6.12
Percentage Share of Net Classified Loan	2.34	1.73	1.67	1.64	1.28	1.26	1.29	1.24	0.70

Monetary Survey	January, 2011	June, 2011	January, 2012 P	Percentage Change (%) Jan.12 over Jan.11	Percentage Change (%) FY 2010-2011 P
Reserve Money (BDT crore)	84052.20	97500.90	98026.40	16.63%	21.09%
Broad Money (BDT crore)	401840.50	440,520.00	473703.60	17.88%	21.34%
Net Credit to Government Sector (BDT crore)	54809.80	73436.10	89019.10	62.41%	34.89%
Credit to Other Public Sector (BDT crore)	19866.80	19377.10	17923.90	-9.78%	28.72%
Credit to Private Sector (BDT crore)	315165.10	340712.70	374855.60	18.94%	25.84%
Total Domestic Credit (BDT crore)	**389841.70**	**433525.90**	**481798.60**	**23.59%**	**27.41%**



L/C Opening and Settlement Statement (USD million)	July-January, 2010-11		July-January, 2011-12		Percentage Change (%) Year over Year	
	Open	Sett.	Open	Sett.	Open	Sett.
Food Grains (Rice & Wheat)	1816.51	882.68	487.06	611.86	-73.19%	-30.68%
Capital Machinery	1828.12	1182.09	1220.81	1415.41	-33.22%	19.74%
Petroleum	1420.52	1804.93	2745.27	2682.35	93.26%	48.61%
Industrial Raw Materials	9373.79	7164.95	8500.43	7947.96	-9.32%	10.93%
Others	8616.49	7022.5	8181.69	7860.03	-5.05%	11.93%
Total	**23055.43**	**18057.15**	**21135.26**	**20517.61**	**-8.33%**	**13.63%**

YEARLY INTEREST RATES

End of Period	Bank Rate	Call Money Market's Weighted Average Interest Rates on		Schedule Banks' Weighted Average Interest Rates on		Spread
		Borrowing	Lending	Deposits	Advances	
2012*	5.00	13.98	13.98	....	....	....
2011	5.00	17.15	17.15	....	....	....
2010	5.00	8.06	8.06	6.08	11.34	5.26
2009	5.00	4.39	4.39	6.29	11.51	5.22
2008	5.00	10.24	10.24	7.09	12.40	5.32
2007	5.00	7.37	7.37	6.84	12.78	5.95
2006	5.00	11.11	11.11	6.99	12.60	5.61
2005	5.00	9.57	9.57	5.9	11.25	5.35
2004	5.00	4.93	5.74	5.56	10.83	5.27
2003	5.00	6.88	8.17	6.25	12.36	6.11

*Data upto month of April, 2012

Interest Rate Development *1/

Period	Treasury Bills			BGTB				Repo	Rev. Repo	Avg Call Money Rate	Lending Rate	Deposit Rate
	91-Day	182-Day	364-Day	5-Year	10-Year	15-Year	20-Year	1-3 Day	1-3 Day			
2009-10												
May	2.37	3.52	4.20	....	8.77	8.77	9.19	4.50	2.50	5.18	12.30	7.13
June	2.42	3.51	4.24	7.87	8.78	8.80	9.15	4.50	2.50	6.46	12.37	7.40
2010-11 *r												
July	2.43	3.51	4.24	7.88	8.79	8.84	9.20	4.50	2.50	3.33	12.58	7.25
August	...	...	...	7.88	8.82	8.86	9.23	5.50	3.50	6.58	12.29	7.21
September	...	...	...	7.93	8.85	8.91	9.24	5.50	3.50	7.15	11.76	7.22
October	2.94	3.75	4.45	7.96	8.85	8.94	9.25	5.50	3.50	6.19	11.81	7.22
November	3.72	4.16	4.65	8.00	8.89	9.05	9.41	5.50	3.50	11.38	11.78	7.25
December	4.58	4.85	5.50	8.10	9.45	9.11	9.56	5.50	3.50	33.54	12.20	7.32
January	5.11	5.39	5.94	8.25	9.50	....	9.60	5.50	3.50	11.64	12.64	7.59
February	5.25	5.5	6.00	8.25	9.45	9.12	9.60	5.50	3.50	9.54	12.51	7.55
March	5.48	5.63	6.20	8.26	9.36	9.20	9.63	6.00	4.00	10.59	12.82	7.67
April	5.98	6.03	6.67	8.26	9.45	9.30	9.65	6.25	4.25	9.50	12.83	7.98
May	6.45	6.63	6.97	8.26	9.45	9.35	9.65	6.25	4.25	8.64	12.85	8.45
June	6.75	7.00	7.30	8.26	9.45	9.35	9.65	6.75	4.75	10.93	13.39	8.85
2011-12 *p												
July	7.04	7.28	7.60	8.26	9.45	....	10.00	6.75	4.75	11.21	13.74	9.09
August	7.40	7.65	7.90	8.30	9.50	9.65	10.25	6.75	4.75	12.02	13.61	9.33
September	7.73	8.30	8.65	8.35	9.53	10.30	10.85	7.75	5.25	10.41	13.71	9.45
October	8.12	8.40	8.65	8.50	9.55	10.99	11.50	7.75	5.25	9.77	13.94	9.35
September	8.73	8.90	9.13	8.50	9.55	11.00	11.50	7.75	5.25	12.70	14.00	10.32
December	9.50	9.18	10.00	8.50	9.55	11.00	11.50	7.25	5.25	17.75	13.87	10.56
January	10.50	10.63	10.88	9.00	11.25	11.50	11.95	7.75	5.75	19.67	14.56	10.28
February	11.00	11.23	11.31	11.25	11.35	11.60	12.00	7.75	5.75	18.18	14.62	10.35
March @	11.00	11.20	11.25	11.30	11.40	....	....	7.75	5.75	18.18	....	....

Source: MRP, DMD, Statistics Dept., Bangladesh Bank. *1/ Weighted Average Rate
*p Provisional, *r Revised, @ = upto 15 th March, 2012, ... Data Unavailable

DOMESTIC CAPITAL MARKETS

CAPITAL MARKET – DSE
(For the Month of March, 2012)

Weekly Summary Comparison

	Mar 25 - 29, 2012	Mar 04 - 08, 2012	% Change
Total Turnover in mn BDT	31,983	11,431	179.80
Daily Average Turnover in mn BDT	7,996	2,286	249.75

Category-wise Turnover

Category	Mar 25 - 29, 2012	Mar 04 - 08, 2012	% Change
A	95.33%	95.70%	(0.004)
B	1.31%	1.70%	(0.004)
G	0.00%	0.00%	0.000
N	1.51%	1.46%	0.001
Z	1.85%	1.13%	0.007

Scrip Performance in the Week

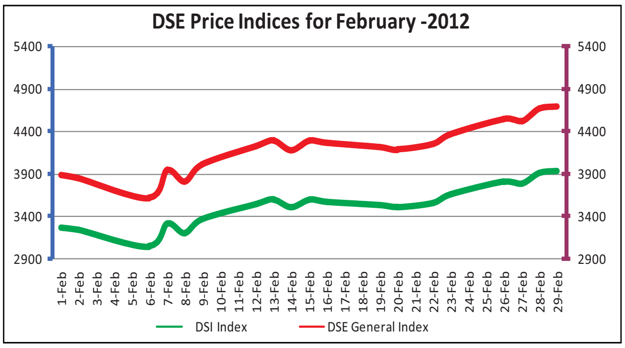
	Mar 25 - 29, 2012	Mar 04 - 08, 2012	% Change
Advanced	223	18	1138.89
Declined	45	244	(81.56)
Unchanged	5	3	66.67
Not Traded	2	9	(77.78)
Total No. of Issues	275	274	0.36

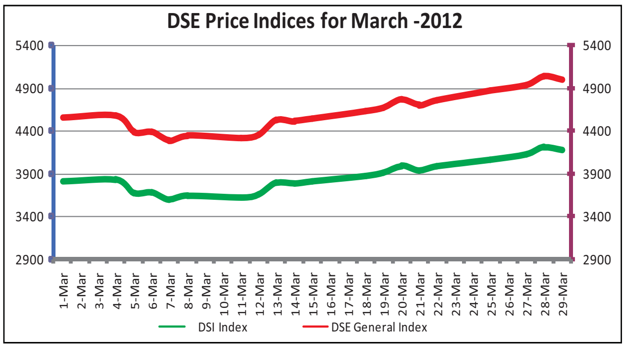
Top 10 Gainer Companies by Closing Prices, March, 2012

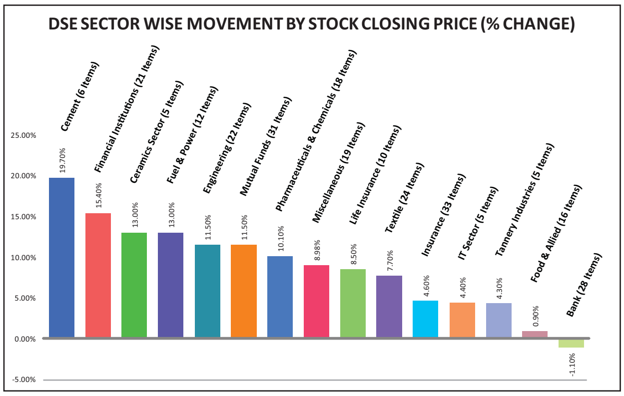
Sl	Names	Category	% of Change	Deviation % (High & Low)
1	MIDAS Financing Ltd.	A	40.20	37.77
2	IDLC Finance Ltd.	A	29.39	32.10
3	National Tubes	A	29.26	29.65
4	Kohinoor Chemicals	A	25.03	25.03
5	Apex Adelchi Footwear	A	18.78	24.31
6	Dhaka Insurance	A	17.71	23.86
7	PHP Firs t Mutual Fund	A	17.54	19.30
8	ICB	A	16.83	19.05
9	DESCO	A	16.23	18.22
10	Bangladesh Lamps	A	16.04	18.03

Top 10 Loser Companies by Closing Prices, March, 2012

Sl	Names	Category	% of Change	Deviation % (High & Low)
1	Green Delta Insurance	A	-19.35	5.26
2	Northern Jute Manufacturing Co. Ltd.	Z	-15.68	11.57
3	Summit Power	A	-12.30	12.08
4	Mutual Trust Bank Ltd.	A	-10.14	12.12
5	National Housing Finance and Investments Ltd.	A	-8.64	21.15
6	1s t Leas e Finance & Investment Ltd.	A	-7.52	14.42
7	5th ICB M.F.	A	-6.90	03.05
8	AB Bank 1s t Mutual Fund	A	-5.88	14.44
9	7th ICB M.F.	A	-5.25	11.05
10	3rd ICB M.F.	A	-5.23	07.74







Dhaka stocks continued to rise for the third straight week that ended Thursday (March 29, 2012) with significantly increasing turnover value, as recent positive market trend has heightened investors' confidence. According to market experts the participation of investors is increasing gradually and feels encouraged in taking fresh position in the market, as the market has been showing some stability for the last few days.

The week (Mar 25-29, 2012) witnessed four trading sessions instead of five as Monday was a public holiday on the occasion of 41st Independence and National Day. Among those, first three sessions gained 278 points, while last one lost 48 points amid profit taking. In the week, the DSE General Index (DGEN), the yardstick of the market, went up by 231.83 points or 4.86 percent to close at 4,990.32. The broader All Shares Price Index (DSI) soared 191.48 points or 4.81 percent to close at 4,172.95. The DSE-20 Index comprising blue-chip shares also advanced 80.73 points or 2.18 percent to close at 3,777.20.

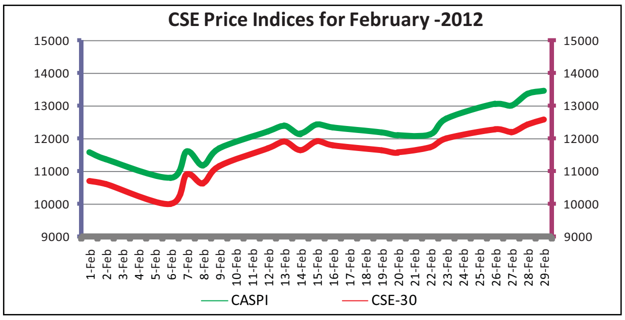
The turnover value rose significantly during the week on active buying. The new investors were also coming to the market expecting better days ahead, as they were optimistic about the prospects of the market under the new DSE leadership, said a market expert. The turnover value increased steadily throughout the week with the highest value recorded BDT 9.33 billion Thursday and this was also the highest turnover value in more than four months.

DOMESTIC CAPITAL MARKETS

CAPITAL MARKET – CSE
(For the Month of March, 2012)

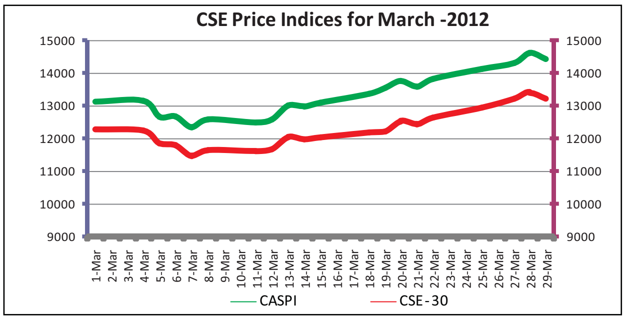
Top 10 Gainer Companies by Closing Price, March, 2012

Sl	Names	Category	Week Difference	Opening	Closing	Turnover (BDT)
1	Midas Financing Ltd.	A	37.42	49.70	68.30	2,406,300.00
2	IDLC Finance Ltd.	A	25.89	91.90	115.70	9,647,946.20
3	Dhaka Insurance Ltd.	A	20.68	87.00	105.00	3,837,300.00
4	PHP First Mutual Fund	A	15.78	5.70	6.60	5,259,400.00
5	AIBL 1st Islamic Mutual Fund	A	15.38	6.50	7.50	70,450.00
6	Apex Foods Ltd.	A	15.26	66.80	77.00	146,960.00
7	Delta Brac Housing Finance Co	A	14.87	78.00	89.60	4,384,920.00
8	Salvo Chemical Industry Ltd.	Z	14.59	28.10	32.20	9,058,127.50
9	ICB AMCL Second NRB Mutual Fun	D	14.28	12.60	14.40	317,550.00
10	Trust Bank First Mutual Fund	A	14.28	7.70	8.80	7,114,800.00



Top 10 Loser Companies by Closing Price, March, 2012

Sl	Names	Category	Week Difference	Opening	Closing	Turnover (BDT)
	Premier Bank Ltd.	A	-15.88	27.70	23.30	16,029,925.50
2	National Housing Finance and In	A	-13.19	93.20	80.90	4,776,930.00
3	Ocean Containers Ltd.	A	-11.86	67.40	59.40	2,256,487.00
4	Mutual Trust Bank Ltd.	A	-11.07	29.80	26.50	8,321,395.00
5	Prime Insurance Company Ltd.	A	-10.90	55.00	49.00	214,650.00
6	Prime Islami Life Insurance Ltd.	Z	-8.89	189.90	173.00	190,350.00
7	Pragati Insurance Ltd.	A	-7.51	86.50	80.00	249,770.00
8	Reliance Insurance Ltd.	A	-4.06	96.00	92.10	225,540.00
9	Rangpur Foundry Ltd.	A	-2.85	70.00	68.00	281,200.00
10	Bsrm Steels Ltd.	A	-2.85	105.20	102.20	108,041,230.00



INTERNATIONAL CAPITAL MARKETS

SELECTED GLOBAL INDICES

GLOBAL INDICES ROUND-UP FOR THE MONTH MARCH 2012

US stocks closed mixed last day, with the Dow and S&P 500 ending their best first quarter in over a decade, as investors weighed a report on consumer spending and a boost in the eurozone bailout fund. The Dow Jones industrial average (DJIA) gained 259 points, or 2.0%, to end at 13,212. The S&P 500 (S&P 500) added 42.79 points, or 3.1%, to 1,408. The Nasdaq (NASDAQ) edged up 124 points, or 4.2%, to 3,091 for the month of March 2012. March gains capped a stellar three months for stocks, with the Dow and S&P posting the biggest first-quarter gain since 1998 and the Nasdaq had its best first quarter since 1991, according to the Stock Trader's Almanac.

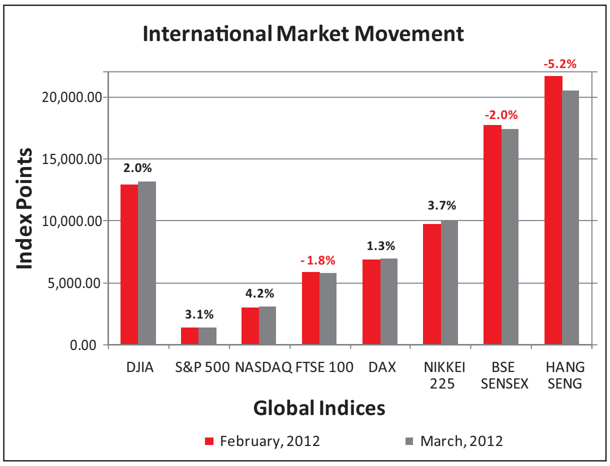
For the quarter, the Dow gained 8.1%, the S&P 500 advanced 12% and the Nasdaq rose a whopping 19% since New Year's Day. The gains were driven by improving economic data in the United States and easing concerns about the debt crisis in Europe. Stocks have also been supported by expectations the Federal Reserve will continue to support the economy.

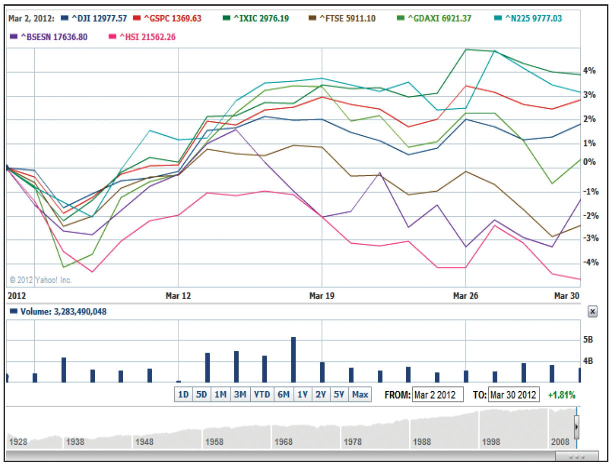
World other major markets ended modestly higher except Britain's FTSE 100 which down by 1.8%, while the DAX in Germany gained 1.3%. Asian markets ended mixed. Japan's Nikkei (NIKKEI 225) added 3.7%, while the Hang Seng in Hong Kong and India's BSE SENSEX dropped 5.2% and 2.0% respectively.

INTERNATIONAL MARKET MOVEMENTS

INDEX	VALUE (As of March 31, 2012)	VALUE (As of Feb 29, 2012)	CHANGE	% CHANGE
DJIA	13,212.04	12,952.07	259.97	2.0%
S&P 500	1,408.47	1,365.68	42.79	3.1%
NASDAQ	3,091.57	2,966.89	124.68	4.2%
FTSE 100	5,768.50	5,871.50	-103	-1.8%
DAX	6,946.83	6,856.08	90.75	1.3%
NIKKEI 225	10,083.56	9,723.24	360.32	3.7%
BSE SENSEX	17,404.20	17,752.68	-348.48	-2.0%
HANG SENG	20,555.58	21,680.08	-1124.5	-5.2%
Arithmetic Mean				0.7%

DOUBLE VIEW





(Compiled from Yahoo! Finance)

INTERNATIONAL ECONOMIC FORECASTS

International Economic Forecasts: Wells Fargo Securities Economics Group™ Monthly Outlook (April, 2012)

WELLS FARGO SECURITIES

US OVERVIEW

More Momentum than Meets the Eye

March's disappointing employment report has raised concerns that the solid momentum in hiring and retail sales shown earlier in the year may have been merely temporary. Consensus expectations for real GDP growth were ratcheted down immediately following the jobs numbers, and folks that had proclaimed the Fed was done with quantitative easing again began to second guess themselves. The disappointing job data had little effect on our forecast. We continue to project only modest growth over the next couple of years, as sluggish real income growth restrains gains in the private sector and budget cuts restrain growth at federal, state and local governments. We expect just 2.1 percent real GDP growth in 2012 and look for just 2.2 percent growth in 2013.

While our headline GDP forecast remains near the lower end of the consensus, the economy has more momentum than meets the eye. Private sector employers have added jobs for the past 25 months, producing a net gain of 3.86 million jobs. Moreover, private final domestic demand has risen 2.7 percent over the past year and is expected to rise 3.1 percent in 2012. Both gains are about a percentage point higher than real GDP growth for their respective periods, which helps explain why the airplanes and restaurants seem to be full all the time, even though real GDP growth is stuck at around 2 percent.

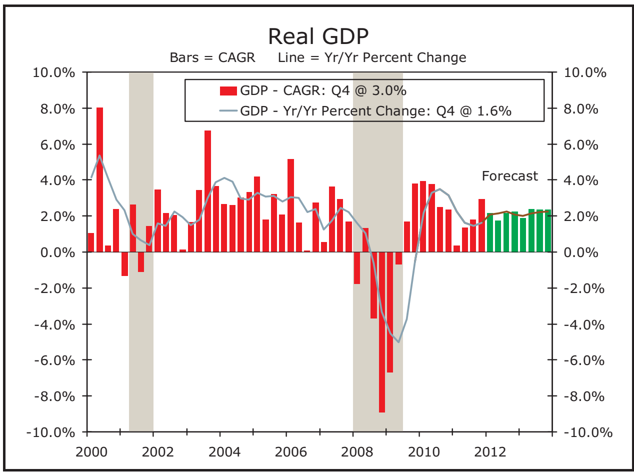
The stronger private sector recovery suggests the economy should be better able to weather the run-up in gasoline prices and navigate around any shockwaves from the European financial crisis. Stronger private sector growth will also boost credit demand, nudging interest rates slightly higher this year.

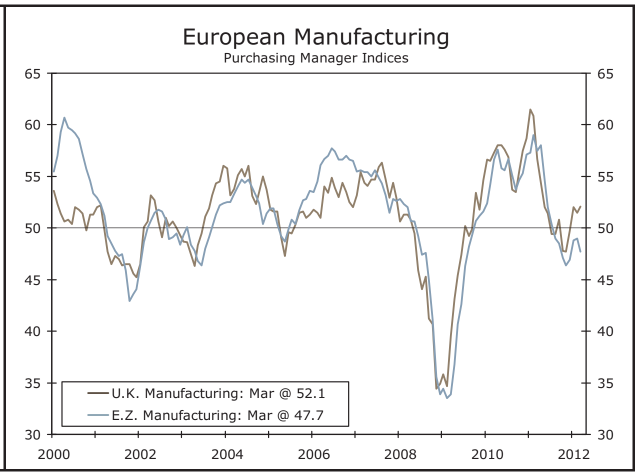
INTERNATIONAL OVERVIEW

Is Global Activity Starting to Stabilize?

Available data from the first quarter suggest that global economic activity, which slowed noticeably in the second half of 2011, may be stabilizing. Although the Eurozone likely registered its second consecutive quarter of economic contraction in the first three months of the year, the rate of contraction appears to be slowing relative to the fourth quarter. Elsewhere, economic activity appears to be stabilizing, if not turning higher. For example, purchasing managers' indices in the United Kingdom, China and other major Asian economies strengthened in March. Assuming nothing "blows up," global economic activity should strengthen in the second half of the year and in 2013.

However, the rub is that there are plenty of things that could go wrong. Oil prices have risen this year due, at least in part, to geopolitical tensions in the Middle East. It would not take much of a price shock to cause global growth, which is already relatively modest, to falter. In addition, Europe is not completely "fixed" yet. Yields in Spain, and to a lesser extent Italy, have crept higher over the past month due to signs that the renewed downturn in Spain is making it difficult for the Spanish government to live up to its deficit-reduction plans. If the Spanish government is not able to roll over its maturing debt, a restructuring would need to occur and the contagion could spread to Italy, which has more than twice as much outstanding government debt as Spain. Although we are feeling a bit more constructive on the global economic outlook than we were a few months ago, we readily acknowledge the downside risks that still exist.





Source: US Department of Commerce, Bloomberg LP and Wells Fargo Securities, LLC

COMMODITY MARKETS REVIEW

Non-energy commodity prices rose by 0.6 percent in March 2012—a third straight monthly increase—led by gains in several food prices, but there were also declines in most metals prices and a few agriculture commodities, notably arabica coffee. Crude oil prices continued to climb on numerous production outages and expected losses of Iranian exports because of US/EU sanctions. Natural gas prices in Europe jumped on higher oil prices, while in the US prices continue to plummet on weak demand and growth in shale-gas output.

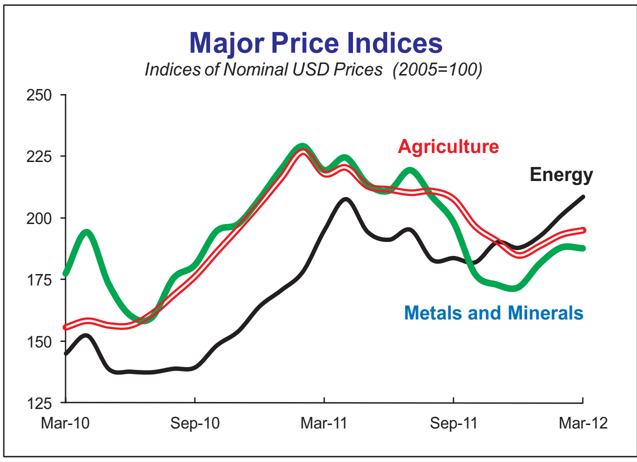
Crude oil prices (World Bank average) rose by 4.5 percent in March to USD 117.8/bbl on expected supply losses from Iran, and ongoing disruptions in a number of non-OPEC countries—notably South Sudan, Syria, and Yemen—due to various geopolitical/weather/technical issues. The US/EU sanctions on Iran, which come into full force in July, have already caused EU countries, Japan and other nations to reduce imports from Iran. Further curtailments are likely as buyers encounter difficulty paying for Iranian crude (US rules prohibit financial institutions that deal with the US from doing business with Iranian banks). Up to 1 mb/d of Iranian exports may be halted by this summer according to the IEA. Further oil price increases may be capped; however, by the impact of high prices on demand, and as the US, UK and France consider the release of strategic reserves. Meanwhile, the Brent/WTI spread remains at more than USD20/bbl due to rising stocks at Cushing OK and limited capacity to transport surplus oil to the US Gulf.

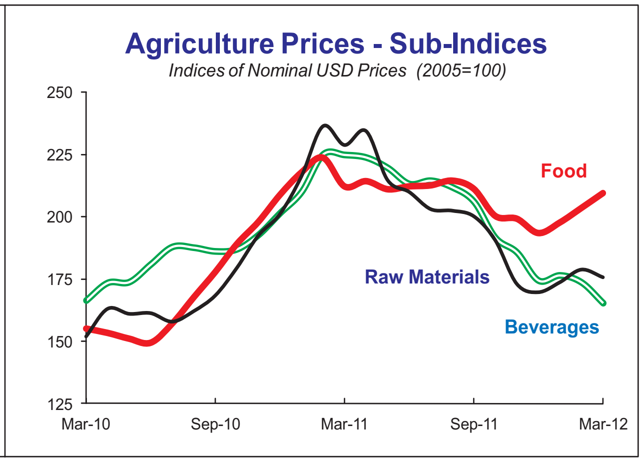
Natural gas prices in the US plunged 14.1 percent in March to USD 2.2/mmbtu—a ninth consecutive monthly drop. Prices are substantially below those in Europe and Asia where contracted gas is linked to oil prices. Mild weather and burgeoning stocks have contributed to the current weakness, but the overall low price level is primarily a result of the large growth in US shale gas production in recent years.

Natural gas prices in Europe jumped 7.6 percent in March on higher oil prices, as imported gas contracts are indexed to petroleum prices with a lag.

Agricultural prices rose by 0.9 percent in March, a third monthly gain. Increases in food prices—especially fats and oils—were partly offset by declines in beverages and raw materials. The largest gains were for **soymeal** and **soybean** prices, up 9 and 6 percent respectively, on lower than expected US planting intentions, and reduced South American supplies due to dry weather. **Palm oil** and **soybean oil** prices raised 3-4 percent due to slower production in Malaysia and South America. **Wheat** and rice prices rose 2 percent, on tightening supplies. **Arabica coffee** prices posted a 10 percent decline partly due to a large Brazilian crop. **Coconut oil** prices fell 5 percent on weak demand in Asia and substitution toward lower-priced competing oils. Logs (Malaysia) prices decreased 3 percent on the continuing slowdown in Asian demand.

Metals and minerals prices fell 0.2 percent in March with declines in most base metals, partially offset by a gain in iron ore prices. The largest decrease was for **nickel**, down 8 percent, on rising stocks and ongoing ramp-up of new projects that is expected to keep the market in surplus in the medium term. **Tin** prices fell 5 percent due to rising inventories and recovery in production from earlier weather-related disruptions in Asia. **Lead** prices fell 3 percent on seasonally weak battery demand and rising lead production in China. Also declining were **gold** and **silver** prices, down 4 percent, on reduced investment demand. The only notable price gain was for iron ore, up 3 percent, following the return of year-on-year growth to China's **steel** production in February, and tightening seaborne ore supplies.





Prepared by Shane Streifel, John Baffes and Betty Dow, The World Bank.

ASSOCIATION OF THE MONTH

Tapan Chowdhury
President, BAPLC

BANGLADESH ASSOCIATION OF PUBLICLY LISTED COMPANIES (BAPLC)

History

Bangladesh Association of Publicly Listed Companies (BAPLC) was formed against the backdrop of the 1996 fall-out and the chaotic conditions that followed in the capital market, a group of representatives of the leading issuers Publicly Listed Companies (PLCs) decided to form an Association of PLCs to coordinate with regulators, intermediaries, investo rs and PLCs themselves with the main purpose of protecting the interests of both issuers and investors through continuing efforts to bring about an orderly stock market situation. The Association was incorporated on 30th August, 1999 under section 28 of the Companies Act 1994. Since then the Association has been endeavoring to bring in an orderly market, which would encourage both investors and issuers and ensure a sustainable demand and supply of securities in the market.

Charter and Objectives

BAPLC is the only organization to represent the publicly listed companies of the Bangladeshi capital market. The main objectives of BAPLC, inter alia, are to promote, protect, and safeguard the interests of listed companies, foster cooperation and mutual help amongst the members, aid and stimulate development, and encourage the listed companies in Bangladesh.

As stipulated in the Memorandum of the Association, BAPLC is to take all lawful steps necessary to promote, support, or oppose legislation or any other action affecting the interests of listed companies, and in general to take initiative to secure and safeguard the interests of listed companies in all respects.

Contributions of PLCs to the National Economy

PLCs and their sponsors comprise many of Bangladesh's leading enterprises and entrepreneurs, and have contributed greatly to the development of both the country's capital market and its economy in general. PLCs have provided direct and indirect employment to several million people, contributed significantly to the national exchequer in the form of import duties, VAT, corporate taxes, individual employee income taxes, and taxes paid by suppliers, contractors, and shareholders. Many export-oriented PLCs are also foreign exchange earners.

The over 250 companies listed in Bangladesh's stock exchanges span numerous sectors, from banking and financial services to engineering, textiles, and telecommunications.

BAPLC regularly coordinates with the Securities and Exchange Commission, listed companies, stock exchanges, various ministries, Bangladesh Bank, and other institutions in order to encourage and preserve a congenial investment environment. Accordingly, BAPLC has extended all-out cooperation to the Securities and Exchange Commission in its plans to establish the Bangladesh Institute of Capital Market. The Association is also represented on various Committees of Securities and Exchange Commission.

Compulsory Membership

The Securities and Exchange Commission has mandated that publicly listed companies secure BAPLC membership. From the Bangladesh Gazette, 26th April 2010 (page 2522):

"(3) All listed companies are required to submit to the Exchange a certificate of membership of Bangladesh Association of Publicly Listed Companies (BAPLC), which has been made compulsory by the Ministry of Commerce as per Office Order No. MC/OBA-6/A-2/99/216 dated 15th August, 2005 and published in the Bangladesh Gazette dated 18th August, 2005. A renewed certificate shall be submitted to the Exchange every year along with the Annual Report."

Major Advantages of Public Listing

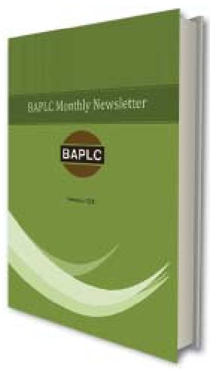
- Fundraising from BDT 50 – 300 crore: An IPO is when the Sponsors decide to raise funds by selling new shares for general public ownership of a percentage of the company. A company can rise between BDT 50 crore and BDT 300 crore through an IPO against the current paid-up capital.
- Premium per share: Very well-known companies with excellent track record and strong earnings per share may capture a premium on the face value of the shares.
- Rights issues: Rights issues are new shares made available, at a predetermined proportion to their existing holding, to existing shareholders of a publicly listed company.
- Retain control despite scattered ownership and small shareholders: An IPO increases a company's capital base while allowing the sponsor to maintain control and the sponsor can hold in excess of 50% of paid-up capital—remaining the majority shareholder while offering the remaining balance to the general public and institutional investors.
- Enhanced ability to obtain bank financing: Listed companies that have been paying regular dividends enjoy easier access to large credit facilities from commercial banks.
- Reduced corporate tax for listed PLCs: The corporate tax for public listed companies is 27.5 percent, while that for private limited companies is 37.5 percent.
- Assistance in marketing and ISO recognition: A public listed company has greater public recognition, strengthening its marketing campaign.
- National profile for top management: The chairman, directors, managing director and senior executives of a nationally recognized public listed company typically enjoy an increased social profile, facilitating recruitment of the best middle-management staff.

Responsibilities of Listed Companies

- Stable and growing business model - A listed company should have a strong long-term business model, focused on growth in its existing business or expansion into other lucrative sectors.
- Appointment of a company secretary - Every listed company must officially appoint a company secretary, who is responsible for maintaining all filings to the relevant stock exchange as required by the listing guidelines.
- Quarterly declarations - A listed company, through its company secretary, must declare its unaudited earnings per share to the relevant stock exchange each quarter.
- Annual general meeting - Each listed company must submit its audited accounts once per year for approval in the annual general meeting.

Knowledge Contribution

BAPLC regularly publishes two reports to update its industry stakeholders on contemporary issues and to give expert guidelines i.e. Monthly Capital Market News and BAPLC Briefing Paper (quarterly basis).



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A.K. KHAN & COMPANY LTD.

A.K. Shamsuddin Khan
Chairman, A.K. Khan & Company Ltd.

Company Background

A.K. Khan & Company Ltd. (AKK) is one of the oldest and most renowned private sector organizations in Bangladesh. Late Janab Abul Kasem Khan, popularly known as A.K. Khan, established the company after the Second World War in 1945. Janab A.K. Khan started his business from Chittagong, and after India and Pakistan separated in 1947, Chittagong emerged as the foremost port city and business center of the country. Within a decade, A.K. Khan and Company Limited became a leading industrial powerhouse and a major contributor to the national economy. In the early 1950s, Janab A.K. Khan established Insurance Company, Financial Institution as well as manufacturing industries in Textiles, Jute, Plywood, Tannery, Heavy Electrical Goods, Shipping and Irrigation. From 1980s the Company started to grow through Joint Ventures (JV) with renowned Multinational Companies in Textile, Deep Sea Fishing, Telecommunication, Application Service Provider, Public Health, Agricultural Products and so on. Currently the company plans to establish new businesses in Hospitality Sector, Power Generation, Textiles, Real Estate, Green Jute Pulp and Paper Manufacturing and Community Based Water project.

Vision

To strive for business excellence through joint ventures to match state of the art technology and R&D of our foreign partner's coupled with the expertise and long industrial experience of our group to compete in a globalized economy.

Mission

- To create optimum value for all our stakeholders by adhering to the highest ethical standards.
- To pursue relentlessly customer satisfaction through delivery of high quality product and service.
- To strive for providing employment opportunity to reduce unemployment.
- To create centers of excellence in industrial and service sectors through Joint Ventures.
- To contribute to the well being of the society by acting as a responsible corporate citizen through CSR.

Strength

- Long experience over 65 years
- Well known reputation
- Financial capability
- Good corporate link
- Goodwill

Trustworthiness, Accountability, Market Knowledge, Management Expertise, Strategic & vast land base, Knowledge base public relation, Access to top level management of big corporate (Chairman, CEO, Managing Director etc.), Good liaison with Government regulatory bodies, Access to policy makers, Largest Number of JVs with renowned MNCs, Legacy of Sound Business Practice and Brand Image, Strategic Alliance with Multinational Companies, Strong local and international network and Nationwide Sales and Distribution network are the other strength of the group.

Areas of Operation

Textile, Jute, Deep Sea Fishing and Fish Processing, Clearing and Forwarding, ISP / ASP, Information Technology, Distribution, Plantation, Water Health, Agriculture and Securities and Stock are the areas of operation of the group.

Milestones

- 1945: Establishment of A. K. Khan & Co. Ltd. by Founder Chairman Late Janab A. K. Khan.
- 1945-1958: A total of 8 new companies were setup in the field of textile, shipping, jute, electronic motors, match and plywood.
- 1974: All major industrial units of the group were nationalized by the Govt.
- 1979: Bengal Fisheries Ltd was established as a pioneer of such industry in Deep Sea Fishing and Fish processing sector.
- 1982: Most of the nationalized units of A.K. Khan & Co. Ltd. were returned except Eastern Insurance and Eastern Mercantile Bank.
- 1989: Total Thread (later renamed Coats Bangladesh) was established as the pioneer sewing thread company.
- 1996: Establishment of TM International (BD) Ltd, a joint venture Company awarded with cellular license incorporation with Telekom Malaysia Berhad.
- 1999: Establishment of AKCEYCOM Limited, a Joint Venture company in ASP/ISP services.
- 2002: Several Joint Venture Projects under process in Textile, International 5 Star Hotel and ICD
- 2009: Foundation Laying of Hotel Niketan, a 5 star hotel project at Chittagong; Joint Venture with PenFabric-Malaysia for Yarn Manufacturing industry.
- 2010: Joint Venture with Panbo Systems BV, the Netherlands, for mushroom project.
- Joint Venture with WaterHealth International, USA and IFC for community based water treatment project.

A.K. Khan Foundation

A.K. Khan Foundation (AKKF) is supported by A.K. Khan Group as part of its Corporate Social Responsibility (CSR). The organization is a not-for-profit and non-political Social Welfare Organization established in the year 1991 to materialize the dream of Late Mr. A.K. Khan - a legendary personality and pioneer of the industrialization in Bangladesh. 30% of the profits of A. K. Khan & Co. Ltd. has been earmarked for the well being of the community people especially for the improvement of Health & Education of the vulnerable group of the society. Besides, the organization is engaged in philanthropic activities with special move towards sustainable social development activities.

The main services of the Organization include:

- Relief & Rehabilitation Services under the Scheme of Humanitarian Assistance.
- Educational Stipend/ Scholarships for the Needy and Meritorious Students.
- Assistance for Medical Treatment of the Poor People.
- Assistance for House Repairing for the vulnerable people.

Besides the above services, the foundation sponsored following Projects for underprivileged children & adolescents of the country to make them productive human resources:

- A.K. Khan High School (Kalurghat, Chittagong)
- A.K. Khan Technical School (Kalurghat, Chittagong).
- Islamabad Balika Etimkhana (Ambagan, Chittagong).
- Shama Shisu Sadan (Batali Hills, Chittagong).

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Website: www.akkhan.com

CSR ACTIVITIES

MUHITH EXTOLS VIRTUES OF CSR

Renata, DBL & Nestle BD receive StanChart-FE CSR Award 2010-11

Three firms of high repute - Renata Ltd, DBL Group and Nestle Bangladesh - won Standard Chartered-Financial Express CSR Award 2010-11 in recognition of their excellence in the field of corporate social responsibility (CSR).

Finance Minister AMA Muhith handed over crests to the award winners at a function at a city hotel as chief guest.

The CSR activities of Renata include comprehensive healthcare benefits for its staff and their families, healthcare and livelihood support, various scholarships and donation programmes. A sizeable portion of the garment sector unit, DBL Group's profit is channeled into CSR activities reflecting their commitment to social development. This enterprise provides wide-ranging support to the fields of education and health, especially back-up to the general ward of the burn unit at Dhaka Medical College Hospital (DMCH). Nestle Bangladesh is a renowned firm in Bangladesh, which is engaged in the laudable job of water conservation, recycling and rain-water harvesting being their major initiatives.

The Standard Chartered-Financial Express CSR Award recipients - Kaiser Kabir, Managing Director of Renata Ltd, MA Jabbar, Managing Director of DBL Group, and Laurent Therond, Managing Director of Nestle Bangladesh - expressed gratitude for selecting their firms for the prestigious award. (02 March, The Financial Express)

DBBL EXTENDS FINANCIAL SUPPORT FOR 'ORGAN TRANSPLANT CENTER'

Dutch-Bangla Bank Ltd (DBBL) has provided BDT 9.36 crore to Diabetic Association of Bangladesh (DAB) to modernize the Ibrahim Cardiac Hospital and Research Institute with a Cath Lab, operation theatres and other equipments for organ transplant surgery.

President of Diabetic Association of Bangladesh Prof. AK Azad Khan along with its Vice President Barrister Rafiq-ul-Huq and Chairman of Dutch-Bangla Bank Foundation M Shahabuddin Ahmed unveiled the plaque of financial support at the hospital premises in the city. (02 March, The New Nation)

BANK ASIA PROVIDES HIGHER STUDIES SCHOLARSHIP

As a part of its CSR, Bank Asia provided higher studies scholarship to 42 insolvent

meritorious students of Ishwardi upazila of Pabna, Tarail and Bhoirab upazilas of

Kishoreganj and Jagannathpur upazila of Sunamganj district, said a statement.

Mohammed Roshangir, Deputy Managing Director of Bank Asia, handed over the scholarship money to 24 students at Ishwardi while Humaira Azam, deputy managing director, to 4 students at Bhoirab, Nasirul Hussain, SEVP, to 11 students at Tarail and Abdul Wadud, upazila Nirbahi Officer of the upazila, to 3 students at Jagannathpur respectively. (04 March, The Financial Express)

JAMUNA BANK FINANCED A FREE EYE OPERATION PROGRAMME

Jamuna Bank Foundation organised and financed a free eye operation programme at Kathal Tola in Munshigonj recently. Chairman of the foundation Nur Mohammed inaugurated the eye operation programme as the chief guest while Managing Director of Jamuna Bank Limited Md Motior Rahman was the special guest. In all 118 eye patients received free operation under the programme. (2 March, The Financial Express)

SIBL DONATES BDT 1m TO DU

The Chairman of Shahjalal Islami Bank Ltd. (SIBL) Alhaj Anwer Hossain Khan handed over a cheque worth BDT 1.0 million (10 lac) recently to Professor A A M S Arefin Siddique, Vice Chancellor of Dhaka University for supporting 46th Convocation of DU. Among others Controller of Examination of Dhaka University Baharul Haque Chowdhury and Head of PRD of the Bank Shamsuddoha Shimu were present on the occasion. (22 March, The Financial Express)

TRUST BANK DONATES BDT 200,000 TO SCHOOL

Maj Gen Ashraf Abdullah Yussuf and Vice Chairman of Trust Bank Limited, hands over a cheque to Md Abdur Rouf, Headmaster of Anandabagh Shishupalli Primary School in the city. Trust Bank Limited has distributed BDT 200,000 to Anandabagh Shishupalli Primary School of Fulbaria in Mymensingh. (22 March, The Daily Sun)

New Appointments During March, 2012

	BANKS, FINANCIAL & OTHER INSTITUTIONS			
Name	**Current Position**	**Current Organization**	**Previous Position**	**Previous Organization**
M. Ghaziul Haque	Chairman	Eastern Bank Ltd. (EBL)	N/A	N/A
Manwar Hossain	Chairman	Bangladesh Finance and Investment Company Ltd.	N/A	N/A
Samuel S Chowdhury	Chairman	Square Group	N/A	N/A
M Moniruzzaman	Chairman (re-appointed)	Karmasangsthan Bank	Chairman	Karmasangsthan Bank
Rakibur Rahman	President	Dhaka Stock Exchange Ltd.	N/A	N/A
Rafez Alam Chowdhury	President (re-elected)	Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA)	President	BGAPMEA
Md Sharif Ashrafuzzaman	Managing Director	Meghna Petroleum Ltd.	N/A	Meghna Petroleum Ltd.
Qazi Gholam Rasool Arif	Managing Director	NDB Capital Ltd.	N/A	N/A
Khondker Fazle Rashid	Managing Director (re-appointed)	Dhaka Bank Ltd.	Managing Director	Dhaka Bank Ltd.
Dina Ahsan	Deputy Managing Director	Bangladesh Development Bank Ltd. (BDBL)	General Manager	Investment Corporation of Bangladesh (ICB)

WHY US BANKS NEED A NEW BUSINESS MODEL

Investors want radical plans to boost ROE above the cost of capital.

- Toos Daruvala, Hasan Malik, and Fritz Nauck

This autumn, many US banks reported a respectable improvement in earnings for the third quarter: more than 80 percent of the largest beat the market's consensus forecasts, and a similar proportion showed year-on-year increases. The second quarter was equally impressive. So why have the stocks of large banks declined by more than 20 percent since the beginning of the third quarter—nearly three times more than the broader stock market—to the point where four out of five now trade below book value?

Many commentators blame Europe's sovereign-debt crisis and fears of a double-dip recession. But three additional factors also weigh heavily on investors: the new bank capital requirements introduced under the Basel III international-banking regulations, the impact of new US banking regulations responding to the financial crisis, the Dodd–Frank Act, and the unwinding of consumer debt. All three undermine banking's traditional business model.

By business model, we mean how banks actually operate—how work is done, the degree of automation, the pricing and design of products, and underlying compensation systems. In the market's view, the threats are so strong that it won't be enough to trim the sails, refocus investment, or cut costs a bit here and there. Our estimates show that if banks maintain their existing business models, their average return on equity (ROE) would fall to 7 percent by 2015, from its current level of 11 percent, against a cost of equity projected to be more than 9 percent.

Investors want to see the management teams of banks propose credible, far-reaching plans to close this gap. The message that investors are now sending—shares of banks will be valued at levels implying that they will not earn their cost of equity—has profound implications for a US economy dependent on a healthy banking system to support recovery and fuel growth.

Of the three threats, the most significant comes from the Basel III requirements, proposed by the Basel Committee on Banking Supervision. Without mitigating actions, they could reduce the ROE of some banks by as much as five percentage points. While the details are still being determined, we estimate that the US banking system will need an additional USD 500 billion in retained earnings or new equity to meet the new capital adequacy standards (assuming the current asset level and mix).

The second threat is the continuing deleveraging of consumers. The history of the past 100 years suggests that when excessive borrowing is a principal cause of a recession, consumers and businesses spend the next seven to eight years rebuilding their balance sheets. On that basis, we are in only year three of a much longer journey. There is little prospect of a quick return to the heady consumer-borrowing levels of the years immediately preceding the crisis—and some of that business may never return. In 2006, after all, bank revenues related to consumer credit exceeded their longer-term average by 25 percent.

Third, new US bank regulations resulting from the Dodd–Frank Act are also taking their toll on bank profits. The reasons include an amendment that caps fees on payments, as well as a requirement to move many over-the-counter (OTC) businesses to clearing houses and to divest proprietary activities. The costs implicit in a new consumer oversight agency will probably make day-to-day operations more expensive and complex.

These forces of change will compel banks to reinvent four of their core banking businesses: retail branch banking, payments, mortgages, and fixed-income OTC trading.

Take the business model of core retail banking. Over the past decade, banks continued to invest in branches as a response to free checking and to the rapid growth in consumer borrowing. But regulations undermining the assumptions behind free checking and a significant reduction in consumer borrowing have called into question the entire retail model. In five years, branch banking will probably look fundamentally different as branch layouts, formats, and employee capabilities change. The use of the Internet and mobile devices will grow exponentially. Overall, the cost of serving each customer in a branch is likely to fall by one-third.

What's more, until investors see evidence of a similar transformation in cards, mortgages, and OTC trading operations, they will continue to lack confidence in the ability of banks to earn attractive rates of return. Banks must therefore squeeze the most out of every dollar of capital—something they largely neglected to do over the past decade, when it (and leverage) were widely available. They will come under increasing pressure from investors who want to know how capital is deployed, how effectively banks are using it, and how well compensation systems support the new objectives. Banks that historically geared rewards to the results of the income statement must now link them to risk-adjusted capital usage.

Accepted wisdom on the businesses banks should own is also being turned on its head. While most have started to think about which of their activities are noncore, this evaluation will have to be stricter in coming years. Many more businesses will be tagged as peripheral, speeding up divestitures and sales, as investors demand greater transparency on this issue, a rigorous review process, and evidence of solid execution in divestitures.

We estimate that by remaking all four key banking businesses, the industry could boost overall ROE by five to six percentage points. At this level, banks would be earning an ROE of 12 to 13 percent, comfortably above their cost of equity and right in line with their 50-year average. But valuations won't improve until investors have a clear understanding of the banks' plans to embrace the new business model implicit in this transformation.

About the Authors

Toos Daruvala is a director in McKinsey's New York office, where Hasan Malik is a principal; Fritz Nauck is a director in the Charlotte office.

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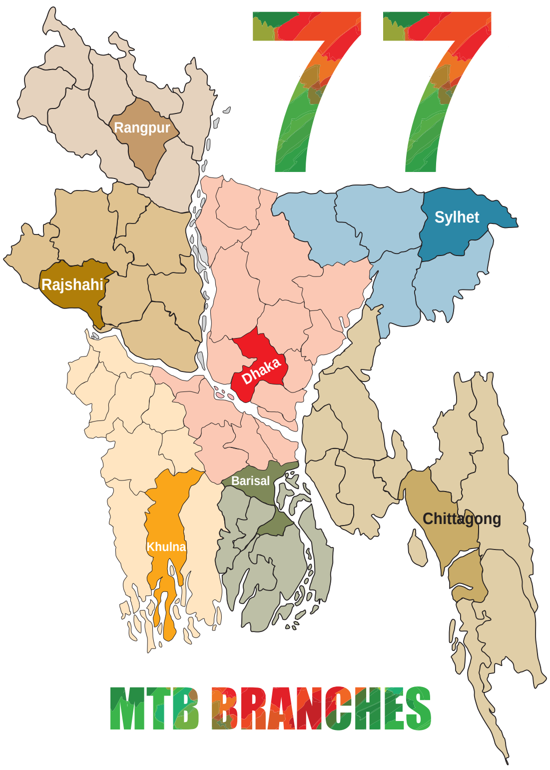

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New Branch

MTB opens it's 77th Branch at Thana Mor, Kapasia Upazila Gazipur on June 10, 2012.

Relocation

MTB Gulshan Branch is shifting from House # 50, Road # 03, South Avenue Gulshan, Dhaka 1212 to 120, Gulshan Avenue Dhaka 1212.

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12 Years *you can bank on us*

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MTB Sylhet

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