

## Demonetization in India

### Both Sides of the Coin



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## Demonetization in India

Both sides of the coin

India is a cash economy where millions of businesses, and hundreds of millions of people lack bank accounts and use cash to pay for everything from groceries to hospital stays to land purchases. Plenty of Indians use cash because of habit, poverty or a lack of easy access to banks while plenty of people use cash transactions to hide their wealth and avoid taxes. Instead of aiming squarely at wealthy tax dodgers, the demonetization is also hammering the poor, the working-class and small business people during the transition.

Demonetization effort, the most discussed economic decision, taken by Modi government in recent time in India, that came into action in early November 2016, declared that two big denomination of Indian currency (Rs 500 and Rs 1,000) be no longer legal tender and to be replaced by other notes of different denominations. The government stated that it aimed to wash the stock of black money out of the economy, and to get it into the licit, banked and taxable part of the economy. According to estimate of World Bank the size of India's parallel economy is about one-fourth of the formal economy.

This article would depict the economic discourse of demonetization in India, incorporating actions, reactions, compliments, criticisms, comments and speculations as noted from different secondary sources.

The commons speculations noted are, the demonetization would increase liquidity and induce a rate cut in interest rates for the banks having a large amount of increased inflows, while few others think the windfall for the banks would be temporary. A rush of putting the money into government bonds is seen with its prices fallen indicating lower yield. Since Oct. 8, 10-year bond yields have dropped by about half a percentage point to 6.325%, according to Bloomberg data. The long-term impact of demonetization is being seen to increase liquidity of in the banking system, which may strengthen RBI's monetary policy decisions, as banks will likely have more spare cash for new loans. State Bank of India (SBI) reduced rates on deposits from one year to 455 days to 6.90%, down 15 basis points, while keeping the 7% rate for deposits between 211 days to one year unchanged. That may not be great news for those putting their money in banks but lending rates are likely to follow suit in a few weeks, possibly giving sluggish credit expansion a much-needed boost and shoring up growth.

Economic growth is expected to get a boost from the move in the long run as it leads to greater tax compliance, moderates prices and increases the government's tax revenue. But for now, growth is expected to take a hit as a shortage of currency bills slams the brakes on consumption, which accounts for about 60% of the country's gross domestic product.

A significant chunk of the money hidden from tax authorities may never get disclosed because there isn't any significant financial incentive for cash hoarders to do so. The government will take away 90% of any such undisclosed wealth in tax and penalties, which might mean hoarders consign the money to trash instead of risking prosecution. If that money

### Brief History: Demonetization

#### Soviet Union

The country under Mikhail Gorbachev in January 1991 withdrew large-ruble bills from circulation in a move to take on the black economy and shore up the currency's value. The government said the 50- and 100- ruble notes being invalidated amounted to about one-third of the money in circulation.

#### North Korea

The regime of Kim Jong-Il mounted a reform that knocked off two zeros from the face value of the old currency in an effort to tighten control of the economy and close black markets in 2010.

#### Zaire

Mobutu Sese Seko faced increasing economic disruptions in the early 1990s when his administration mounted successive banknote reforms and planned to withdraw obsolescent currency from the system in 1993.

#### Myanmar

In 1987, the country's military junta invalidated as much as 80 percent of the value of money in circulation; it was directed at curbing the black market.

#### Nigeria

In 1984, the military government led by Muhammadu Buhari instituted an anti-corruption crackdown that involved issuing new banknotes with a different color, forcing the replacement of old ones within a limited period.



doesn't return to the financial system, the liabilities of the central bank will come down. A lower liability would mean the central bank will have more money to give back to the government, for whom it serves as a money manager.

As part of the move, India is withdrawing currency bills worth about 14.7 trillion rupees from circulation. Even assuming that a significant part of this cash would leave the banking system when people withdraw it, there could still be a large portion of funds that may remain with banks as more people shift to online transactions. Madan Sabnavis, chief economist at Care Ratings, estimates banks could be looking at a cumulative increase of 5.5 trillion rupees in deposits. That would provide a massive boost to Indian banks, particularly those owned by the government, as they look for fresh capital to give more loans to companies and strengthen economic growth.

The troubles of India's real-estate sector, which is already in the midst of a sharp slowdown, could deepen. Transactions in the sector typically involve a significant amount of cash exchange aimed at avoiding tax by under-reporting the value of the deal. But with such hidden money expected to move out of the market, prices could tumble.

#### Voice from the Central Bank – Towards cashless economy

Reserve Bank of India (RBI), the central bank of India, Governor Urjit Patel said the central bank is monitoring the situation on a daily basis and taking all necessary actions to 'ease the genuine pain of citizens' with a clear intent to normalize the things as early as possible.

Patel said the RBI has announced an incremental Cash Reserve Ratio (CRR) of 100 per cent because of the large increase in deposits of banks on account of the return of Rs 1,000 and Rs 500 notes and the decision would be reviewed immediately once the government issues adequate quantum of Mark Stabilization Scheme (MSS) bonds which they have promised to do.

Patel also urged the people to start using cash substitutes like debit cards and digital wallets, saying it will make transactions cheaper and easier and in the long term, it will help India leapfrog into a less cash-use economy at par with more developed nations. They are also urging banks to make a big push with PoS (Point of Sale) machines with traders so that debit card use becomes more prevalent.

#### Economic arguments: The shining side of the coin

As Girish Vanvari, partner and head (tax), KPMG in India articulated, this announcement appears to be the most significant change made by the Modi government to date. Its impact could be even bigger than Goods and Services Tax (GST).

A report by CRISIL, a global S&P company considered that this move can change the face of the Indian economy, improve the government's fiscal position and tax compliance. The size of the cash economy will shrink, as will black money generation avenues, because of the better cash-flow trail.

Jitendra V. Singh, Wharton emeritus professor of management identified demonetization as a step that would make a positive difference, if the transition challenges got handled well by the administration.

The International Monetary Fund (IMF) said that they support the measures to fight corruption and illicit financial flows in India. Given the

## BARTER ECONOMY REBORN REMOTE INDIA

Rice, honey, leather, with large bills voided, people offer to barter whatever they have for vegetables and spices at the weekly market. In an Indian villages, traders traded one customer a kilogram of potatoes, cauliflower and tomatoes for half a liter of honey. As authorities struggle to replace money, the sudden scarcity of paper money is being felt most acutely far from India's megacities. In the countryside, bank branches are few and understaffed. Villagers report waiting all day at a bank for usable bills, only to return home empty-handed. Few rural residents have debit or credit cards or the ability to make digital payments. Therefore, to get by, communities are turning to decidedly older forms of cashless payment.

Rice, abundant after the autumn harvest, has become a common medium of exchange. Rice for lentils, rice for potatoes, rice for cooking oil, rice for salt. One woman in Orissa even said she traded rice for the flattened rice flakes known as chivda.

large role of cash in everyday transactions in India's economy, the currency transition will have to be managed prudently to minimize possible disruption.

According to Mauro F. Guillen, a Wharton management professor and director of the School's Lauder Institute, in the short term, it could stifle some businesses that are legal and clean, if they use cash payments. But everyone will adjust. And while it can hurt some small businesses and individuals, it is better to do it than not. Guillen adds that large-value currency is an 'important source of problems' such as corruption, black money, terrorism and counterfeit money. The eurozone will be eliminating the largest euro note. The U.S. is also trying to reduce the [number of] 100 dollar bills in circulation.

### **Economic counter arguments: The other side of the coin**

Kaushik Basu, Chief Economist, World Bank and former chief economic advisor of India said that India's demonetization drive was not 'good economics' and that the damage it causes will be greater than its benefits. He tweeted that Goods and Services Tax (GST) was good economics; the demonetization is not. Its economics is complex & the collateral damage is likely to far outstrip the benefits.

Bharat Ratna and Nobel laureate, Amartya Sen criticized the demonetization drive of Prime Minister Narendra Modi to curb the black money. Amartya Sen said the idea of demonetization is like accusing every Indian of having black money. Amartya Sen criticized Narendra Modi government for implementing the demonetization scheme in haste and causing inconvenience to common man. The professor of Harvard University also opined that the demonetization move won't help the government in bringing back black money. Telling the public suddenly that the promissory notes you have, do not promise anything with certainty is a more complex manifestation of authoritarianism.

Former Prime Minister Manmohan Singh quoted Keynes and said in Rajya Sabha that those who say demonetization is good in the long run should recall quote 'in the long run we are all dead'. Amartya Sen echoed the same sentiments, saying all that cause pain is not necessarily a good policy. Good policies sometimes cause pain, but whatever causes pain is not necessarily good policy.

Raghuram Rajan, the former head of India's central bank and one of the country's most respected economists, warned in 2014 that demonetization programs can easily stumble. Rajan has instead suggested better monitoring of financial transactions, such as using government ID cards to track major purchases, and improved tax enforcement.

### **Conclusion**

Indians appear sharply divided over Modi's move. For the prime minister's fans, the decision underscores his ability to take tough decisions in the national interest, and his commitment to clean up a parallel economy awash with so-called black money.

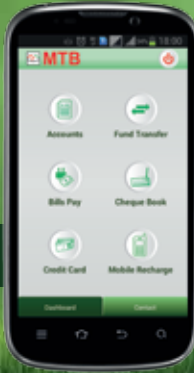
## DOUBTS IN DEMONETIZATION

Since the demonetization exercise kicked off on 8 November, the total deposits in banned currency notes has inched close to Rs 11 lakh crore, according to some reports. As per the RBI, the total value of the Rs 500 and Rs 1,000 notes in circulation till March 2016 was Rs 14.18 lakh crore. Of this amount, 15,707 million comprised Rs 500 notes and 6,326 Rs 1,000 notes. This accounted for 86% of the total currencies in the system. This means that Rs 11 lakh crore would comprise nearly 80% of the total banned currency that has entered the banking system. While announcing demonetization, the government had claimed that it was aimed at curbing black money.

However, the recent calculation is raising doubts over the purpose and efficacy of the entire exercise. With less than a month to go (30 December) till the banned currency notes can be deposited with the banks, the objective will be defeated if 90% of these are deposited.

Moreover, there is no real evidence to suggest that overnight demonetization substantially roots out black money hoards. From the Soviet Union to Ghana to Myanmar – attempts have resulted in hardship for the poor and contempt for governments.





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## NATIONAL NEWS

### BB lowers interest on long-term pvt sector loans



Bangladesh Bank recently lowered the interest rate for the long-term financing to the private s e c t o r

entrepreneurs under the World Bank-funded financial sector support project. The BB issued a circular to the Managing Directors and Chief Executive Officers of all banks saying that from now on the entrepreneurs would be allowed to take loans from banks at a maximum interest rate of LIBOR plus 3.50 per cent. The previous rate was LIBOR plus 4 per cent. The central bank under the auspices of the International Development Association of the World Bank provided USD 25.40 crore through FSSP to meet the growing demand for long-term financing in the productive sectors in the country. The BB provided USD 3.85 crore to form the revolving fund. Banks disburse the loans in US dollars to the clients by taking fund from the refinance scheme. The banks, CAMELS rating of which is good, are allowed to disburse loan with a lower rate of interest than the other banks, according to the circular.

### BB to launch new BDT 458 Crore refinance fund for foreign entrepreneurs

Bangladesh Bank is going to introduce a fresh refinance fund worth BDT 458 crore for foreign entrepreneurs by taking finance from the Japan International Cooperation Agency to stimulate Bangladesh's manufacturing sector and inflow of foreign direct investment. The government has already formed a steering committee to implement the JICA-funded scheme styled 'Foreign Direct Investment Promotion Project'. The governments of Bangladesh and Japan on December 13, 2015 signed an agreement to use the JICA fund amounting to around BDT 1,030 crore for promoting foreign entrepreneurs. The fund will be used in two areas as BDT 458 crore will be disbursed to foreign entrepreneurs and the rest will be allocated for expanding the country's economic zones. Under the latest JICA fund, foreign entrepreneurs will have to give 0.10 per cent interest to the development organisation (JICA), 4 per cent to the government, 1 per cent to the BB and 4 per cent to the commercial bank concerned.

### BB asks banks to appoint overseas remittance agents

The central bank advised the banks which have exchange houses abroad to appoint agents in the respective countries to help revamp receding inflow of remittances. Under the latest move, the banks are now allowed to post agents in the job-destination countries through their exchange houses. The Bangladesh Bank (BB) conveyed the advice in separate letters to all scheduled banks. Currently, 29 exchange houses of 15 commercial banks are now operating across the globe to expedite the inflow of foreign currencies from the wage earners. Besides, all banks have already set up 1160 drawing arrangements abroad for collection of remittances from different parts of the world. Managing Directors (MDs) and Chief Executive Officers (CEOs) of the banks have been asked to build mass awareness both at home and abroad through organising remittance fairs for sending expatriates' hard-earned money through legal channels instead of the illegal hundi system. The banks have also been advised to provide easy banking services to both remitters and beneficiaries using modern technologies.

### BB starts USD 200m green fund disbursement



Bangladesh Bank has started disbursement process of its USD 200 million green fund

through signing deals with six banks. As part of the move, the Bangladesh Bank (BB) signed separate agreements with six private banks recently to facilitate fund for long-term financing under the "Green Transformation Fund for Export-oriented Textile and Textile Products and Leather Manufacturing Industries". Under the agreements, the six banks -Eastern Bank Limited, Jamuna Bank Limited, Mercantile Bank Limited, Prime Bank Limited, Shahjalal Islami Bank Limited and South East Bank Limited- would provide long-term financing for transforming the export-oriented industries into green industries. BB's Deputy Governor SK Sur Chowdhury presided over the agreement signing ceremony while General Manager of Sustainable Finance Department Manoj Kumar Biswas, Chief Executives of related banks and senior officials of the BB were present.



## BB says monetary policy for H1 on right tract



Bangladesh Bank (BB) says the monetary policy for the first half (H1) of fiscal year 2016-17 (FY17) is on right tract to

help the government achieve its 7.2 per cent growth and keep inflation at its expected level of 5.8 per cent. "Inflation, exchange rate and credit flow to private sector are in a very comfortable zone which indicates that the central bank's monetary policy targets for H1 are on right direction," BB chief economist Biru Paksha Paul. Credit growth in private sector is slightly down in October of the current fiscal, he said, adding that the central bank has recorded a 15.20 per cent growth which is very close to the BB's target of 16.5 per cent for FY17. He also termed the present exchange rate and current account balance as very position. The Taka-US average exchange was 78.80 on December 7, 2016, which was 78.95 in December 2015, according to the BB data. Describing the USD 31.5 billion foreign currency reserves as very much satisfactory, the BB chief economist said the amount is enough to meet for imports for at least nine months. However, the World Bank forecasts that the country's GDP growth to be 6.8 per cent while the ADB says the growth would be 6.9 per cent in the current fiscal year.

## Bangladesh Bank for cash incentives to merchant ship business



Bangladesh Bank has recommended the government giving cash incentives to the business of

ocean-going ships carrying Bangladesh flag. In a recent letter to Bank and Financial Institutions Division, the central bank said the cash incentives against foreign currency earnings by the business at a rate fixed by the government. Bangladesh Bank also advised bringing the ocean-going ship business under the revised Industrial Policy 2016. According to official data, the number of Bangladesh ocean-going merchant ships declined sharply to less than 30 now from 72 in 2013. The foreign currency earnings from the business have dropped to USD 8,000 a year from USD 40,000. The country's 95% of imports and exports are done through sea. According to Bangladesh Bank letter, the ocean-going ships carrying Bangladesh flag should receive financial benefits from the government like container ship owners. Container ship owners receive cash incentives from the government.

## MTB Credit Rating Improves to

# AA

	CURRENT RATING	PREVIOUS RATING
Long Term	AA	AA-
Short Term	ST-2	ST-2
Based on Financials	December 31, 2015	December 31, 2014
Date of Rating	May 17, 2016	May 17, 2015
Validity Date	May 16, 2017	May 16, 2016

**AA** : Indicating High Safety for Timely Repayment  
**ST-2** : Indicating High Certainty of Timely Repayment  
**Outlook** : Stable

Rated by: Credit Rating Information and Services Limited (CRISL)



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# NATIONAL NEWS

## Walton launches eco-friendly fridges



Walton Electronics has launched eco-friendly fridges which would not use harmful gases. Abdullah Al Islam Jakob, Deputy Minister of the Environment and Forest Ministry, launched the products at a ceremony at the company's factory in Gazipur. Ashrafal Ambia, Executive Director of Walton Electronics, said the company has stopped using hydrochlorofluorocarbons (HCFCs) in fridges since 2012. Instead, the company uses R600A, a refrigerant gas also known as green gas, to make its products environment-friendly. These new fridges will now save 30-40 percent electricity, she said. The project for manufacturing the eco-friendly fridges at Walton was implemented with the partial funding from the USAID and the assistance from the environment and forest ministry. Md Raisul Alam Mondal, Director General of the Environment Department, Khurshid Alam, Assistant Country Director for UNDP Bangladesh, and Walton Group's Executive Directors SM Zahid Hasan, Md Humayun Kabir and Sirajul Islam were also present on the occasion.

## Firms get initial nod to set up 1,200 LPG auto refuelling stations

Around a dozen companies got a primary nod from the government to set up 1,200 LPG auto refuelling stations across the country. Beximco, Intraco, Navana, Petromax and Besto are some of the companies that received the approval for the liquefied petroleum gas plants. Policies on auto gas and bottling plants have already been formulated. Once the franchisee policy is prepared, the department will start issuing the final licences. LPG is an alternate fuel for motor vehicles and is used in more than 100 countries. Presently, there are around 600 CNG stations that refuel motor vehicles across the country. Beximco Group has applied to set up 500 LPG auto refuelling stations across the country in the next two years. It will franchise the operations of the filling stations. The cost of the Beximco project, which will also facilitate sales of LPG for cooking and industrial purposes, was estimated at around BDT 1,000 crore, according to the company.

## Bangladesh earns USD 14b from exports in July-November



Bangladesh's export earning in the first five months of the current 2016-17 fiscal year (July 2016-June 2017) grew 6.30 per cent year-on-year to nearly 14 billion US dollars. "July-November exports reached 13,690.97 million US dollars. Of total earnings, the country's income from ready-made garment items, including knitwear and woven, stood at 11.13 billion US dollars during July-November period of the current fiscal year. Bangladesh export income in the 2015-16 fiscal year (July 2015- June 2016) grew at a moderate rate of 10 per cent to 34.24 billion US dollars. The country set its export target in 2016-17 fiscal year at 37 billion US dollars, including 30.38 billion US dollars from readymade garment products.

## Inflation dips by 0.19pc in Nov



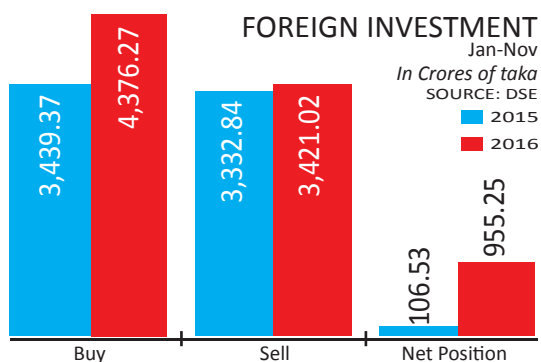
The rate of inflation in November of the current fiscal dips by 0.19 per cent compared to the previous month, reports Bangladesh Bureau of Statistics (BBS). The point-to-point general inflation declined to 5.38 per cent in November from the 5.57 per cent in October this fiscal. The food inflation also eased to 5.41 per cent in November from 5.56 per cent in October while the non-food inflation came down to 5.33 per cent from 5.58 per cent. The general inflation in last 12 months was 5.53 per cent in September, 5.37 per cent in August, 5.40 per cent in July, 5.45 per cent in May, 5.61 per cent in April, 5.65 per cent in March and 5.62 per cent in February.

## China companies sign USD 510m deals for Payra seaport



Two Chinese companies recently signed preliminary agreements with Bangladesh to develop three components of Payra seaport with USD 510 million in funds. The agreements with China Harbour Engineering Company and China State Construction Engineering Corporation were signed at the shipping ministry in Dhaka. China Harbour Engineering will build the core port infrastructure at USD 150 million. China State Construction Engineering will fortify riparian areas to reduce flood risk and soil erosion at a cost of USD 300 million. It will also set up housing, education and health facilities at USD 60 million. Md Saidur Rahman, chairman of the Payra Port Authority; Zeng Nanhai, Joint Managing Director of China Harbour; and Li Shujiang, Managing Director of China State Construction, signed the deals. The Payra seaport, the third in Bangladesh, is being constructed at an estimated cost of USD 16 billion. India will also invest USD 750 million in the seaport to construct a multipurpose container terminal.

## Foreign funds in stocks jump nine times



Net foreign investment in the capital market soared almost nine times in the first 11 months of the year, as overseas investors continue to pour funds into Bangladesh's stockmarket seen as a frontier and emerging market by many. Foreign investors bought shares worth BDT 4,376.27 crore and sold shares worth BDT 3,421.02 crore to take their net investment for the January-November period to BDT 955.25 crore. A year earlier, the net investment by foreigners stood at BDT

106.53 crore, according to data from Dhaka Stock Exchange. Positive macroeconomic indicators, including stable exchange rate and a steady political scenario, boosted the foreign investors' confidence, analysts said. Also, the recent trend of pulling funds out of the neighbouring stockmarkets including India created an opportunity for Bangladesh to receive more investment as a frontier and emerging market.

## Taxpayers cross 25 lakh



## National Board of Revenue, Bangladesh জাতীয় রাজস্ব বোর্ড, বাংলাদেশ

The total number of registered taxpayers crossed the 25 lakh-mark, exceeding the National Board of Revenue's fiscal 2016-17 target six

months ahead of time. The number, which accounts for just 1.5 percent of the total population of 16 crore, and was disclosed at a seminar on the importance of value-added tax to attain the targets for 2021 and 2041. On June 30 this year, the number of TIN holders stood at 19.79 lakh. The NBR recorded 25.22 lakh TINs. NBR officials attributed the spike to the budgetary measure that made taxpayer identification numbers mandatory for both public and private sector employees who draw at least BDT 16,000 in basic salary every month. It also made the submission of tax returns mandatory for public sector employees who get at least BDT 16,000 in monthly basic salary. This measure, taken to increase collection of payroll tax, has boosted TIN registration. The NBR also launched a call-centre so that taxpayers can get answers to their queries related to the new VAT law, which will come into effect from July 1 next year. The NBR said the call centre will remain open from 9am to 5pm seven days a week.

## GDP growth seen at 7.1pc this fiscal year

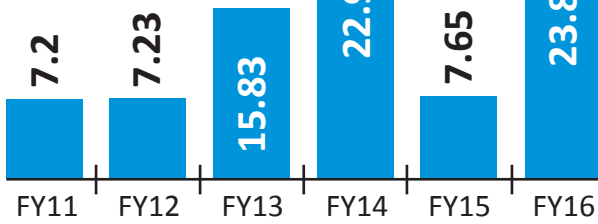
Bangladesh's economic growth will remain strong at 7.1 percent in the ongoing fiscal year based on rising foreign direct investment in energy and transport infrastructure projects, the BMI Research said in a report. The forecast from the London-based firm is unchanged from the previous year. Owned by Fitch Group, the BMI Research provides macroeconomic, industry and financial market insights. Bangladesh's longer term growth performance will likely remain below potential over the coming years, according to the report. It said both political tensions and a challenging business environment weigh on the country's long-term growth prospects. Other factors which contribute to the country's relatively high operational risks include poor logistics and cumbersome procedures to obtain construction permits, register property and file tax returns, said BMI Research.



## Crab export on the rise

### CRAB EXPORT

In millions of \$



Crab has emerged as a potential export earner thanks to its high demand in East and Southeast Asian countries and increased farming in the coastal belts of Bangladesh, sector operators said. Bangladesh shipped crabs worth USD 23.82 million in 2015-16, which was USD 7.2 million in 2010-11, according to Export Promotion Bureau. During July-October of the current fiscal year, shipment rose 28 percent year-on-year to USD 3.5 million, EPB data shows. Fisheries officials said Bangladesh exports mud crabs that are grown mainly in the southern districts such as Satkhira, Khulna and Bagerhat, along with shrimp. Officials and stakeholders said many shrimp farmers have started fattening crabs inside their shrimp enclaves to boost earnings. Under the project, the DoF plans to establish a hatchery so that farmers can get crab fries and increase farming for exports as its local demand is low. Apart from the main destination China, crabs are also exported to Hong Kong, Taiwan and Malaysia. Bangladesh exports about 1,200 tonnes of crabs a year. Alam of ZF Trade International said local exporters have been shipping crabs for the last couple of decades.

## DataSoft opens first IoT lab

DataSoft Systems Bangladesh recently opened a state-of-the-art IoT lab at its new office in Shyamoli in Dhaka. ICT State Minister Zunaid Ahmed Palak inaugurated the country's first internet of things or IoT lab, where about 300 engineers will sign up for a four-month course on IoT systems. At the event, the state minister declared DataSoft as the country's new private hi-tech park that will give the company a push to go into further innovations. US Ambassador to Bangladesh Marcia Bernicat and industry experts were also present at the event. Palak also accepted DataSoft's request to allocate it a space of 20,000 square feet at Bangabandhu Hi-Tech City. As a private hi-tech park, the DataSoft office will get special tax benefits with uninterrupted power supply. At the same time, it gives the company huge scope for branding in international business. DataSoft, a renowned software company, began its first course on IoT on November 1

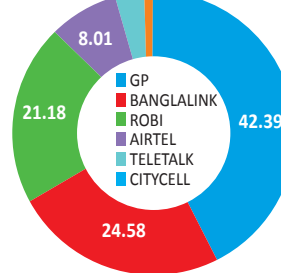


and 30 students from public and private universities are already enrolled. They are finding solutions to the different problems, such as traffic congestion and garbage collection in Dhaka. At the ceremony, Vice Chancellor of University of Asia Pacific Jamilur Reza Choudhury, BASIS President Mustafa Jabbar, Executive Director of Bangladesh Computer Council SM Ashrafur Islam, President of American Chamber of Commerce in Bangladesh Aftab-ul-Islam also spoke.

## Grameenphone expands its market footprints

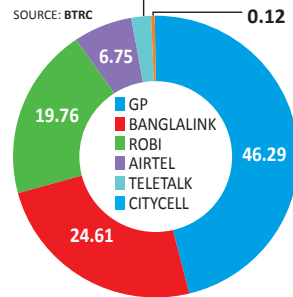
### TELCO'S MARKET SHARE IN DECEMBER 2015

SOURCE: BTRC



### TELCO'S MARKET SHARE IN AUGUST 2016

SOURCE: BTRC



Grameenphone's share of active subscribers has expanded by 4 percentage points after biometric re-registration, cementing its position as the market leader. Between January and August this year, the market saw active subscribers drop by 11.89 percent to 11.78 crore. Out of the six operators, Grameenphone lost the lowest number of subscribers, according to data from Bangladesh Telecommunication Regulatory Commission. It lost 21.72 lakh active connections, but its market share widened to 46.29 percent in August from 42.39 percent in January. Grameenphone started the year with 5.67 crore active SIMs, which stood at 5.45 crore in August. Banglalink, the second largest operator in terms of connections, holds a 24.61 percent market share, although it lost 38.88 lakh active connections over eight months. As the third largest operator, Robi lost 1.42 percent of its subscribers and its market share shrank to 19.76 percent. Airtel, in the process of merging with Robi, lost 1.26 percent of market shares in the eight months, according to BTRC data.





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## MTB DONATES 25,000 BLANKETS TO THE PRIME MINISTER'S RELIEF FUND

Mutual Trust Bank Ltd. (MTB) Chairman M. A. Rouf, JP is seen handing over a blanket to Sheikh Hasina, Honorable Prime Minister of Bangladesh at a simple ceremony, held at Gana Bhaban in Dhaka recently.

MTB has donated 25,000 blankets to the PM's Relief Fund.



**Date:** December 08, 2016

**Venue:** Gana Bhaban, Dhaka 1207

## MTB OPENS ITS 109TH BRANCH AT ULIPUR, KURIGRAM



MTB recently opened its 109th branch at Ulipur, Kurigram on Wednesday, December 14, 2016. Tariq Abul Ala, Mayor, Ulipur Municipality, inaugurated the branch as the Chief Guest at the branch premises. Special Guests Rashed A. Chowdhury, former Chairman and Anis A. Khan, Managing Director & CEO of MTB, Tasvirul Islam, Managing Director, Quasem Group, Haider Ali Mia, Ulipur Upazilla Chairman, local elites, leaders of local business associations, people from different strata, managers of nearby MTB branches and other senior officials of MTB also attended the inauguration program.

The Chief Guest, in his speech, thanked MTB for opening a modern bank branch at Ulipur, an iconic

business location of the country. Rashed A. Chowdhury, in his address, expressed his gratitude to the people of Ulipur for providing sincere support in setting up the branch and a 24/7 ATM to serve the customers in this commercially important area. It is noteworthy to mention here that, this is the first ATM ever installed in the area.

**Date:** December 14, 2016

**Venue:** Ulipur, Kurigram 5621

## MTB OPENS ITS 108TH BRANCH AT FARIDPUR SADAR, FARIDPUR

MTB has recently opened its 108th branch at Faridpur Sadar, Faridpur.

Q. A. F. M. Serajul Islam, Director, MTB and Managing Director, Pioneer Insurance Company Limited, inaugurated the branch as the Chief Guest at a simple ceremony held at the branch premises on November 29, 2016.

MTB Additional Managing Director & Chief Operating Officer, Md. Hashem Chowdhury, Group Chief Communications Officer, Azam Khan along with dignitaries, members of local business associations, existing and prospective customers and people from different strata were present during the inauguration program.



**Date:** November 29, 2016

**Venue:** Moni Bhaban, Mujib Sarak, Faridpur Sadar, Faridpur 7800

## TOP BANKERS GREET NEW BB DEPUTY GOVERNOR

A team from the Association of Bankers, Bangladesh Ltd. (ABB) met and congratulated S. M. Moniruzzaman, the newly appointed Deputy Governor of Bangladesh Bank on Tuesday, December 06, 2016 at his office. The delegation was led by Anis A. Khan, Chairman, ABB and Managing Director & CEO, MTB.

Vice Chairman, ABB and Managing Director, Dhaka Bank Ltd., Syed Mahbubur Rahman, Treasurer, ABB and Managing Director, Exim Bank Ltd., Dr. Mohammed Haider Ali Miah, Secretary General, ABB and Deputy Managing Director, United Commercial Bank Ltd., Arif Quadri along with members of the Board of Governors, ABB, Abdul Halim Chowdhury, Managing Director & CEO, Pubali Bank Ltd., Shahid Hossain, Managing Director, Southeast Bank Ltd., M. Shah Alam Sarwar, Managing Director & CEO, IFIC Bank Ltd., Helal Ahmed Chowdhury, Chairman, Audit Committee, Islami Bank Bangladesh Ltd. and former Managing Director & CEO, Pubali Bank Ltd. are also seen in the photograph.



**Date:** December 06, 2016  
**Venue:** Bangladesh Bank, Dhaka 1000

## MTB T-20 CORPORATE CRICKET TOURNAMENT 2016 LAUNCHED



**Date:** November 06, 2016  
**Venue:** Hotel Radisson Blu, Airport Road, Dhaka 1206

MTB Chairman, M. A. Rouf, JP, unveiled the trophy of MTB T-20 Corporate Cricket Tournament 2016 at a gala ceremony held at Hotel Radisson Blu, Dhaka on Sunday, November 06, 2016.

MTB and T. K. Sports jointly launched this cricket tournament for the participants from leading business and industrial groups, banks, financial institutions and telcos, etc.

Directors, Bangladesh Cricket Board, and former cricketers Khaled Mahmud Sujon and Naimur Rahman Durjoy, MP, and former national cricket team captain Mohd. Shafique ul Huque (Heera), former players, Mohammad Rafique, Mohammad Hasibul Hossain, Enamul Haque, proprietor of T. K. Sports, Tareq Aziz Khan and MTB Managing Director & CEO, Anis A. Khan attended the event.

## FELICITATION TO PRESIDENT OF DSE BROKERS ASSOCIATION (DBA)

Md Nazrul Islam Mazumder, CEO, MTB Securities Limited and Md. Khalid Mahmood Khan, SEVP & Manager, MTB Principal branch, called on Ahmad Rashid Lali, the newly elected President of DSE Brokers Association (DBA) at his office.

They handed him a bouquet of flowers and a letter of felicitation from Anis A. Khan, Managing Director and CEO, MTB.



**Date:** December 01, 2016  
**Venue:** Bhuiyan Mansion, Motijheel, Dhaka 1000



## MTB HAS CROSSED THE MILESTONE OF PRESENTING 1,000 BICYCLES TO SCHOOL CHILDREN



“Swapno Sarathi” is a brand for MTB’s CSR campaign of bicycle distribution amongst the underprivileged students, first inaugurated by the then Bangladesh Bank Governor on Oct 25, 2015 at the former enclaves in Garati, Panchagarh.

With the vision in heart, that, Distance shall not be a hurdle to school goers, MTB Swapno Sharathi this time anchored at Khulna KDA School & College.

Brigadier General Md. Ahsanul Huq Miah, NDC, Chairman, Khulna Development Authority (KDA) distributed fifty (50) MTB Swapno Sharathi bicycles amongst the students. Azad Shamsi, Head of Other Division Branches, MTB and other MTB senior officials were also present at the event.

This campaign is a landmark in the history of MTB’s CSR campaigns. MTB, in this campaign, has crossed the milestone of 1000 bicycle distribution across the country, which commenced on October 25, 2015.



**Date:** November 16, 2016

**Venue:** KDA School and College, Sonadanga, Khulna 9000

## MTB OPENS ITS 8TH AGENT BANKING CENTRE AT PATHAN NAGAR, FENI



**Date:** October 31, 2016

**Venue:** Pathan Nagar, Chhagalnaiya, Feni 3910

MTB has opened its 8th Agent Banking Centre at Pathan Nagar, Chhagalnaiya, Feni to offer banking products and services to hitherto unbanked citizens of the country.

MTB Deputy Managing Director & Group Chief Risk Officer, Md. Zakir Hussain inaugurated the Agent Banking Centre at a simple ceremony held at the centre premises.

MTB Deputy Managing Director & Chief Business Officer, Syed Rafiqul Haq, Head of Dhaka Division Branches, Syed Rafiqul Hossain, Head of Agent Banking, Madan Mahan Karmoker along with managers of nearby MTB branches, other MTB senior officials, dignitaries, members of local business associations, existing and prospective customers and people from different strata were present during the inauguration ceremony.



## MTB SPONSORS THE 1ST INTERNATIONAL WEAVERS FESTIVAL 2016

MTB has participated in the International Weavers Festival 2016, 1st of its kind, held in the capital's Army Museum field, during November 17 to November 19, 2016, as a Platinum Sponsor.

The festival was organized to celebrate, showcase and promote weaving art of the different regions of the country.

MTB Additional Managing Director & Chief Operating Officer (COO), Md. Hashem Chowdhury is seen handing over a cheque of BDT One Million to Ms. Tootli Rahman and Ms. Mantasha Ahmed of TS Events, the event managers of the festival.



**Date:** November 17, 2016  
**Venue:** Army Museum Field, Bijoy Sharani Road, Dhaka, 1225

## MTB AND OGILVY & MATHER SIGN PAYROLL BANKING AGREEMENT



**Date:** November 13, 2016  
**Venue:** MTB Centre, Gulshan 1, Dhaka 1212

MTB has recently signed an agreement with Ogilvy & Mather Communications Pvt. Ltd. at MTB Centre, Dhaka, for providing exclusive payroll banking services to its employees.

Syed Rafiqul Haq, Deputy Managing Director & Chief Business Officer, MTB and Ms. Fahima Choudhury, Managing Director, Ogilvy & Mather, Bangladesh signed the agreement on behalf of their respective organizations.

SM Hadiuzzaman, Finance Director, Ogilvy & Mather Bangladesh along with other senior officials of both the organizations were present at the occasion.

## MTB SIGNS AGREEMENT WITH BANGLADESH SPECIALIZED HOSPITAL

MTB has recently signed an agreement with Bangladesh Specialized Hospital at a simple ceremony held at MTB Centre, Dhaka. Under this agreement, all MTB Cardholders will enjoy up to 20% discount on various tests and FlexiPay installment facility at Bangladesh Specialized Hospital.

Engr. M A Kabir, Managing Director, Bangladesh Specialized Hospital and Syed Rafiqul Haq, Deputy Managing Director & Chief Business Officer, MTB signed the agreement on behalf of their respective organizations. Dr. Ahmed Zahid Hossain, Director of Bangladesh Specialized Hospital, Mohammad Anwar Hossain, Head of Cards, MTB are also seen.



**Date:** November 08, 2016  
**Venue:** MTB Centre, Gulshan 1, Dhaka 1212

# NATIONAL NEWS

## SM Moniruzzaman appointed as DG for BB



S. M. Moniruzzaman has been appointed as Deputy Governor of Bangladesh Bank (BB) for a three-year term. Moniruzzaman, a career central banker, joined BB as an assistant director in 1984. In last 32 years, he held many senior

positions at BB. He carried out special duty in the boards of Bangladesh Commerce Bank Ltd., United Commercial Bank Ltd. and Islami Bank Bangladesh Ltd. as BB's observer. He was also a Director of the Investment Corporation of Bangladesh and the Bangladesh Municipal Development Fund.

## Mahfuz Uddin joins BTCL as MD



Engineer Mahfuz Uddin Ahmed, a retired BCS (Telecom) cadre official, has recently been appointed as the Managing Director of Bangladesh Telecommunications Company Limited (BTCL). He has 36 years working experience in the telecom

sector. He served the government in different positions including divisional engineer, Director and General Manager. He joined Government job in 1979 as Assistant Divisional Engineer.

## Awal Khan new MD of BKB



Muhammad Awal Khan has been appointed Managing Director of Bangladesh Krishi Bank recently. Earlier he was the Managing Director of Rajshahi Krishi Unnayan Bank (RAKUB). He started his banking career at Bangladesh

Krishi Bank in 1982. During his career, he holds the position of Deputy Managing Director of Agrani Bank. He also served as General Manager in Sonali Bank, Rajshahi Krishi Unnayan Bank and Bangladesh Krishi Bank.

## Ahmad Rashid elected DBAB president



Ahmad Rashid, a former Senior Vice President of the Dhaka Stock Exchange, has been elected President of the DSE Brokers Association of Bangladesh for a two-year term. Rashid is also the Managing Director of Rashid

Investment Services Ltd.

## Faruq re-elected Chairman of DBH, Nasir Vice-Chairman



Faruq A Choudhury, a former foreign secretary and a noted columnist and author, has been re-elected as Chairman and Nasir A Choudhury, a

renowned personality in the insurance industry, as Vice-Chairman of Delta BRAC Housing Finance Corporation Ltd (DBH) for the next one year. Faruq, a former career diplomat and high commissioner to India, was adviser of Brac from 1992 to 2006. He is presently a member of the BRAC University Trustee Board. He has been a Director of DBH since its inception. Nasir A Choudhury is a pioneer in the field of insurance. He was the founder Managing Director and presently adviser of Green Delta Insurance Company. He is also the Chairman of Green Delta Securities Ltd, Green Delta Capital Ltd, and GD Assist Ltd. He has been a Director of DBH since its inception.

## Janata Bank gets new GM



Md Hafizur Rahman has been appointed as General Manager of Janata Bank Limited recently. He had joined Janata Bank as a Senior Officer in 1984. During his long career, he took part in many training courses and workshops at home and abroad.

# INTERNATIONAL NEWS

## Goldman Sachs forecasts lower China growth for 2017



Goldman Sachs expects China to register lower annual growth in 2017 as property and auto sales are likely to slow down. The bank forecasts a slight slowing in China's GDP growth to 6.5 per cent in 2017, from a forecast of 6.7 per cent in 2016. Although Goldman Sachs only expects a modest slowing in real estate investment in 2017, it sees both price and transaction growth slowing significantly, meaning a much lower contribution to China's GDP growth from the housing sector in 2017. Despite the challenges to growth, the bank said China's 2017 growth will be near the 6.5 per cent "bottom line" with a combination of a better external environment and supportive policies. To lift growth, Goldman Sachs expects China's central bank to cut the reserve requirement ratio at least twice next year to ensure supportive liquidity conditions in the banking system.

## Venezuela issues new banknotes



Venezuela will introduce new higher-value notes to help alleviate practical problems in doing business with the world's most inflationary currency, according to the central bank. Currently the largest note is 100 bolivars and worth about two US cents, meaning a backpack full of cash is often required to pay bills at a restaurant or supermarket. The Central Bank of Venezuela said that six new bills ranging from 500 to 20,000 bolivars would come into circulation. The new currency will make the

payments system more efficient, facilitate commercial transactions and minimise the costs of production, replacement and transfer, the central bank said. Venezuela's credit card and cash machine system froze, leaving businesses unable to process transactions and having to ask for cash or to delay payment. Socialist President Nicolas Maduro blamed the problem on a cyber-attack. He maintains that the economic crisis is being backed by the US. The Venezuelan economy has been hit hard by the fall in the price of oil, its main source of income. It also has had strict currency controls in place since 2003, according to a news agency report.

## South Korea auto exports rise



Automobile exports in South Korea rose in 13 months in November as major car manufacturers settled on an annual pay negotiation, a government report showed recently. Car exports gained 0.9 per cent from a year earlier to 260,491 vehicles in November, marking the first increase since October last year, according to the Ministry of Trade, Industry and Energy (MOTIE). Export value of cars, one of South Korea's key export items, added 1.5 per cent to 3.98 billion US dollars, the first expansion in 17 months. The expansion came as major automakers agreed on wage bargaining with the labour union, which used to be held around the end of the year. The pay settlement resulted in stable car production, helping increase car sales at home and abroad. Domestic sales of cars, produced by local companies, grew 2.8 per cent to 143,329 units last month. Auto production increased 5.1 per cent to 415,106 vehicles, with those by top automaker Hyundai Motor growing 9.1 per cent to 171,976 units. It accounted for about 40 per cent of total manufacturing. Auto parts shipment climbed 4.2 per cent to 2.12 billion dollars in November as car production in foreign factories of local automakers increased on strong overseas demand.



# INTERNATIONAL NEWS

## India's economy grows 7.3pc in Q2



India's economy grew by 7.3 percent in the second quarter of the financial year, according to official figures published recently. Gross

domestic product expanded 7.3 percent year-on-year in the three months to the end of September, up slightly from the previous quarter, according to the statistics ministry. Analysts said the figures, which were buoyed by good monsoon rains, fell slightly short of expectations of around 8 percent for the quarter. India remains the world's fastest-growing major economy, with growth outpacing Asian rival China for more than a year. But economists have warned growth will be hit by the government's shock move to pull 86 percent of the country's currency from circulation to tackle tax evasion. "The numbers for Q2 at 7.3 percent are marginally better than the previous quarter," said Subramaniam Sharma, analyst with the Greenback forex advisory service in Mumbai.

## Foreign investments in Singapore property at 9-year high



Singapore is seen as a safer investment destination in turbulent world. Mega office deals

helped drive foreign investment in local real estate to its highest level since 2007. About USD 8.85 billion from overseas has been pumped into Singapore property so far this year -- the best result since the USD 15.27 billion outlay in 2007, before the global financial crisis hit. The data from property consultancy CBRE, which records investment deals over USD 10 million in value, shows foreign expenditure at USD 8.85 billion, accounting for 41.7 per cent of total property spending so far this year. That was up by 62 per cent from foreign investment sales of about USD 5.46 billion last year, CBRE told. It was also markedly higher than the foreign investment volume of USD 4.67 billion in 2014.

## GSK leads Access to Medicine Index 2016



GSK has recently been ranked first in the Access to Medicine Index for the fifth consecutive time, taking a leadership position in research

and development, pricing, manufacturing and distribution, and product donations. The Index, which recognises GSK for its clear access to medicines strategy and company-wide ownership, is an independent measure of the top 20 pharmaceutical companies' efforts to improve access to healthcare in developing countries. GSK has topped the Index, which ranks individual companies on their performance across seven categories, each time since its launch in 2008. The Access to Medicine Index is a major initiative of the Access to Medicine Foundation, an international not-for-profit organisation, established in 2004 and dedicated to improving access to medicines.

## Oil prices climb on expectation of OPEC-led production cut



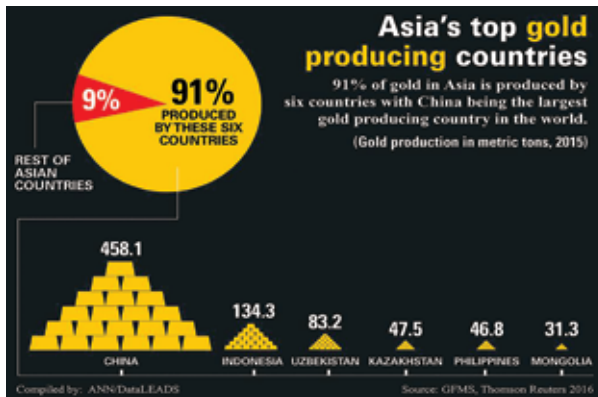
Oil prices rose around 1 percent as OPEC moved closer to an output cut to rein in

oversupply that has pressured prices for over two years. Brent crude futures were trading at USD 47.31 per barrel at 0743 GMT, up 65 cents, or 0.96 percent, from their last settlement. U.S. West Texas Intermediate (WTI) was up 0.9 percent, or 41 cents, at USD 46.10 a barrel. Traders said that markets were being supported by advancing plans by the Organisation of the Petroleum Exporting Countries (OPEC) to cut production following over two years of low prices as a result of output exceeding demand. Crude oil will continue to be driven by headlines as the 30 November meeting regarding production cuts draws closer, ANZ bank said. Agreeing deal terms has proved tricky as some producers, including Iran, are reluctant to cut output. Barclays also said some form of deal was likely, and also said that an agreement would have little impact.



# INTERNATIONAL NEWS

## 6 countries produce 91% of gold in Asia



Six countries in Asia produce 91 percent of gold in the continent. China is the leader of the world's gold-producing nations. China became the top producer of gold in 2012. The production rose from 12 tons in 204 to 397 tons in 2013. In 2015, according to GFMS Gold Survey 2016, China produced 458.1 metric tons of the gold. The survey says that China recorded a 14 percent, a year-on-year gain to a record high. China is followed by Indonesia. The archipelago in Southeast Asia, according to GFMS Gold Survey 2016, produced 134.3 metric tons of the gold in 2015. Indonesia is the home to one of the largest gold mines in the world known as the Grasberg Mine. At the third place comes Central Asian country, Uzbekistan. The country in 2015 produced 83.2 metric tons of the gold. Gold production plays an important role in Uzbekistan economy. Kazakhstan with 47.5 metric tonnes of production, Philippines with 46.8 metric tonnes and Mongolia with 31.3 metric tonnes are at fourth, fifth and sixth place respectively, according to the survey.

## Irish economy grows 4.0pc in Q3

Ireland's gross domestic product (GDP) grew by 4 per cent year on year in the third quarter of this year. The figures from the Central Statistics Office (CSO) showed that compared with a year ago, Ireland's GDP was 6.9 per cent higher. Irish Prime Minister Enda Kenny said the Irish economy is expected to grow at about 4 per cent this year, well ahead of EU partners. The CSO said Ireland's gross national product (GNP) increased by 3.2 per cent in the third quarter, adding that compared with a year ago, GNP was 10.2 per cent higher than in the third quarter of 2015. The CSO figures also showed that net exports were 20.1 per cent higher in the third quarter of 2016 compared with the corresponding quarter of 2015. Commenting on the CSO figures, Irish Finance Minister Michael Noonan said these figures are the first estimate of growth in the Irish economy since the Brexit referendum.

## Citi and JPMorgan top list of globally systemic banks



Citi has joined JPMorgan at the top of global regulators' list of systemically important banks, replacing HSBC and meaning the U.S. bank will have to hold extra capital from 2019 to help preserve financial stability. The group of 20 economies (G20) agreed after the 2007-09 financial crisis that top banks, whose size and complexity mean a collapse could wreak havoc in markets, should hold extra capital, according to the level of risk they present. Members of the list of 30 lenders will also have to begin holding bonds from 2019 that can be written down to help replenish capital that is burned through in a crisis. In the annual update of rankings published recently by the G20's Financial Stability Board (FSB), Citi has replaced HSBC in the top "bucket" facing a 2.5 percent capital surcharge on top of global minimum requirements.

## Fiat Chrysler teams up with Amazon to sell cars online



Fiat Chrysler Automobiles (FCA) said it has teamed up with U.S. internet giant Amazon to start selling cars online offering an additional discount. Initially only Italian buyers will be able to purchase their cars with

a simple click online and the offers on Amazon. It will be limited to three models - the 500, the Panda and the 500L. FCA said the choice was deliberate because the Panda is Italy's biggest selling car, while buyers of the 500 and its larger 500L version embody the young and adventurous nature this initiative is trying to appeal to. The time has arrived to give consumers a new, more efficient and transparent way to choose a new vehicle, Gianluca Italia, responsible for Fiat Chrysler in Italy, said. The manager at the world's seventh largest carmaker said the partnership will appeal to buyers looking for deals from the comfort of their own home, adding that existing promotions will be improved by up to 33 percent for online customers.



**Eurocurrency market:** The market where financial banking institutions provide banking services denominated in foreign currencies. They may accept deposits and provide loans. Unlike Eurocredit markets, however, loans in this market are made short-term.

**Cafeteria plan:** A benefits plan that allows employees to select from a pool of choices, some or all of which may be tax-advantaged. Potential choices include cash, retirement plan contributions, vacation days, and insurance.

**Bait and switch:** An illegal tactic in which a seller advertises a product with the intention of persuading customers to purchase a more expensive product. When a seller uses this tactic, they frequently tell the customer that the original product is sold out or no longer available (even if the product is indeed still available), and push hard for the customer to purchase the costlier product. This tactic can be considered false advertising if the seller is not actually providing the original product, but if the item is available but the seller strongly encourages the customer towards another item, in general no legal action can be taken.

**Comfort letter:** An accounting firm's statement provided to a company preparing for a public offering, confirming that unaudited financial data in the prospectus follows GAAP, and that no significant changes have occurred since the report was prepared.

**Fiduciary fraud:** Type of felony violation that occurs when a financial institution or advisor purposefully deceives a customer or client. A fiduciary is responsible for maintaining a relationship of trust. The violation occurs when the financial representative acts in his own interest at the detriment of his client.

**Contrarian:** An investor who behaves in opposition to the prevailing wisdom; for example, buying when others are pessimistic and selling when they're optimistic, or buying out-of-favor stocks. In an extended bull market, the term contrarian can begin to mean someone who is bearish or prefers value stocks to growth stocks, although this is really just a subset of contrarian investing.

**Consumer confidence index:** A measure of consumer optimism toward current economic conditions. The consumer confidence index was arbitrarily set at 100 in 1985 and is adjusted monthly on the basis of a survey of about 5,000 households. The index considers consumer opinion on both current conditions (40% of the index) and future expectations (the other 60%). The Consumer Confidence Index is closely watched because many economists consider consumer optimism an important indicator of the future health of the economy.

**CAGR:** Compound Annual Growth Rate. The year over year growth rate applied to an investment or other part of a company's activities over a multiple-year period. The formula for calculating CAGR is  $(\text{Current Value}/\text{Base Value})^{1/\# \text{ of years}} - 1$ .



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- Salaried executive: Minimum 2 years
- Business/Self-employed personnel: Minimum 2 years

#### ● Monthly income:

- Salaried executive: Minimum BDT 30,000
- Business/Self-employed personnel: Minimum BDT 40,000

#### Eligibility:

- Age: Minimum 21 years  
Maximum 60 years



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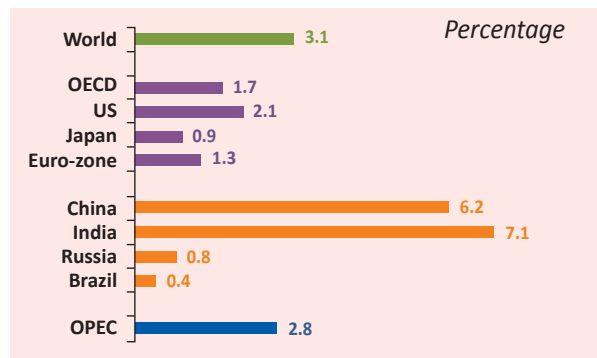




## Oil Market Outlook 2017

The recent pick-up in global economic activity in combination with supportive developments in the oil-market is seen leading to higher economic growth of 3.1% in 2017, following 2.9% growth in 2016. However, some downside risks prevail as policy decisions may lead to the use of stimulus measures that may lift inflation to levels higher-than-anticipated by central banks. This in turn could lead to a quicker-than-expected rise in interest rates triggering numerous repercussions on economic growth in various economies, mainly in emerging markets. Despite these uncertainties, the economic landscape is expected to improve in 2017. The OECD economies are forecast to grow at 1.7%, the same level as in 2016. Russia and Brazil are forecast to grow by 0.8% and 0.4% in 2017, respectively, after two years of recession. China and India are forecast to expand at a slightly slower pace in 2017 – at 6.2% and 7.1%, respectively, compared 6.7% and 7.5% in 2016 – growth remains encouraging.

**Graph 1: Real GDP growth for selected countries in 2017**

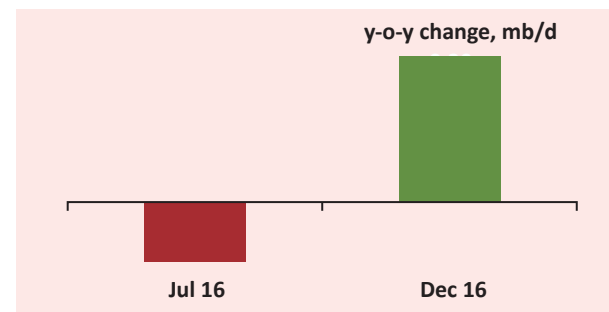


Source: OPEC Secretariat

World oil demand growth is estimated at 1.24 mb/d in 2016 supported by the transportation sector, reflecting low retail prices and better-than-anticipated vehicle sales. In the non-OECD, Other Asia and China saw solid-to-steady oil demand growth. In Latin America and the Middle East, oil requirements were lower than initial projections as slower economic developments and a high level of substitution dampened oil consumption. In 2017, world oil demand is projected to grow by 1.15 mb/d. In OECD, oil demand is projected to rise in OECD Americas, flatten in Europe and continue declining in Asia Pacific. In non-OECD, improvement in economic activities is assumed to provide support to oil demand growth, particularly in Latin America and the Middle East.

Non-OPEC oil supply in 2016 is estimated to contract by 0.78 mb/d. The main contributors to this decline are the US, China, Mexico, Colombia and other OECD Europe, while growth is anticipated to come from Russia, Brazil, Congo and the UK. Low oil prices led to a decline of 420 tb/d in US oil production. Declines are also seen coming from Colombia and China, as well as Canadian conventional crude output. In 2017, non-OPEC oil supply is projected to grow by 0.3 mb/d, despite initial projections in July 2016 for a contraction. This is mainly due to higher price expectations for 2017. The main contributors to non-OPEC supply growth are Brazil with 0.25 mb/d, Kazakhstan with 0.21 mb/d, and Canada with 0.17 mb/d. In contrast, Mexico, US, China, Colombia, and Azerbaijan are expected to show the main declines. However, this forecast remains subject to a number of uncertainties, including the pace of economic growth, potential new policies and price

**Graph 2: Revision to Non-OPEC supply change in 2017**



Source: OPEC Secretariat

developments. Based on the above forecasts, the demand for OPEC crude in 2017 is expected to stand at 32.6 mb/d, which is slightly higher than the 32.5 mb/d level referred to in the most recent OPEC Ministerial Conference. This, combined with the joint cooperation with a number of non-OPEC countries in adjusting production by around 0.6 mb/d, will accelerate the reduction of global inventories and bring forward the rebalancing of the oil market to the second half of 2017.

World economic growth forecasts remain unchanged at 2.9% for 2016 and 3.1% for 2017. Due to stronger-than-expected growth in 3Q16 in the US and Japan, OECD growth in 2016 was revised up from 1.6% to 1.7%, the same growth as in 2017. China's figures remain at 6.7% in 2016 and 6.2% in 2017. Growth in India for 2017 was revised down slightly to 7.1% from 7.2%, following growth of 7.5% in 2016. After two years of recession, both Russia and Brazil are forecast to recover in 2017 with growth of 0.8% and 0.4%, respectively.

## World Oil Demand

World oil demand growth in 2016 has been revised up slightly to around 1.24 mb/d, following better-than-expected data from OECD Europe, to average 94.41 mb/d. In 2017, world oil demand growth is forecast at 1.15 mb/d to average 95.56 mb/d. OECD will contribute some 0.15 mb/d to oil demand growth in 2017, while non-OECD will contribute the bulk of growth with 1.00 mb/d.

## World Oil Supply



Non-OPEC oil supply growth in 2017 was revised up by 70 tb/d to now stand at 0.30 mb/d, following a contraction of 0.78 mb/d in 2016. Non-OPEC supply is expected to average 56.50 mb/d in 2017. OPEC NGLs are forecast to grow by 0.15 mb/d in 2017 to average 6.43 mb/d. In November, OPEC crude oil production increased by 0.15 mb/d to average 33.87 mb/d, according to secondary sources.

## Crude Oil Price Movements

November was a volatile month for crude, with the OPEC Reference Basket (ORB) wiping out gains from the previous month to plunge nearly 10% to USD 43.22/b. Oil prices trended down sharply amid uncertainty surrounding the implementation of OPEC's Algiers Accord agreed upon in late September. A substantial increase in global oil supplies into a market already awash in crude also contributed to the decline in prices. Year-to-date, the ORB value was lower by 21.9% at USD 39.80/b.

After rising to 12-month-highs in October in reaction to the OPEC decision in Algiers, crude oil futures plunged in November. A sharp increase in global oil supplies was also a contributing factor. An all-time high build of 14.4 mb in US crude stocks, as well as the unexpected result of the US presidential election and the strength of the US dollar, all weighed heavily on oil prices during the month. Nevertheless, the oil complex still managed to soar more than 10%, with futures for both benchmark crudes well above USD 50/b late in the month following OPEC's announcement on 30 November of a supply adjustment agreement. ICE Brent ended USD 4.31 lower at USD 47.08/b for the month and 19.5% lower at

USD 44.26/b for the year. Similarly, NYMEX WTI dropped USD 4.18 to USD 45.76/b in November and 14.3% to USD 42.68/b year-to-date. The ICE Brent/NYMEX WTI (or transatlantic) spread narrowed further to USD 1.30/b, encouraging the US to import Brent-related grades such as West African crudes. Pressure on Brent relative to WTI has come from increasing production and exports of regional light sweet crudes as well as North Sea grades. Speculators bet strongly on price declines in November. Futures and options trading data indicated that money managers had boosted short positions by record amounts throughout the month.

## The oil futures market

Crude oil futures were volatile over much of November, driven mainly by questions regarding the implementation of the OPEC adjustment agreement. The sharp increase in oil supplies by OPEC and non-OPEC also contributed to uncertainty, as they revived concerns that the persistent oversupply seen throughout 2016 would carry on into 2017. EIA data showing a 14.4 mb increase in US crude stocks in the final week of October, the largest weekly build on record, came as a major surprise, pushing prices down further. Oil futures were also pressured by the surprise outcome of the US presidential election earlier in the month. The continued strengthening of the US dollar also kept crude oil prices under pressure. The oil complex soared more than 10% at the end of the month, with futures for both Brent and WTI above USD 50/b. ICE Brent traded above USD 54/b, as prices continued to surge following OPEC's agreed production adjustment announced on 30 November.

## The futures market structure

Amid increasing oversupply, the market structure of Dubai flipped back to contango, while the contango in both Brent and WTI steepened. The light backwardation seen in the Dubai market structure in October flipped back into a deep contango on an average monthly basis, amid plentiful Mideast Gulf crude supplies and a lack of buying interest. The Dubai M1/M3 premium of 2¢/b flipped into a discount of 94¢/b. North Sea Brent came under pressure again as the amount of North Sea crude in floating storage rose further. Rising supply of Brent, Forties, Oseberg and Ekofisk also pressured North Sea crudes. This resulted in a further widening of the Brent contango where the M1/M3 discount moved out to almost USD 2.05/b on average in November from USD 1.50/b in October. In the US, the WTI contango worsened over the month amid a significant surprise build in US stocks as well as lower refinery crude intake. The WTI contango (M1/M3) widened 54¢ to USD 1.58/b.

# INTERNATIONAL NEWS

## Commodity Markets Outlook 2017

In November 2016, average energy commodity prices declined, led by lower crude oil prices. In the group of non-energy commodities, base metal prices experienced a broad-based advance on continuing expansion in global manufacturing and the expectation of higher infrastructure investment in the US, and agricultural prices increased on average, led by vegetable oils and oilseeds. Gold prices declined on a firming outlook for interest rate increases in the US.

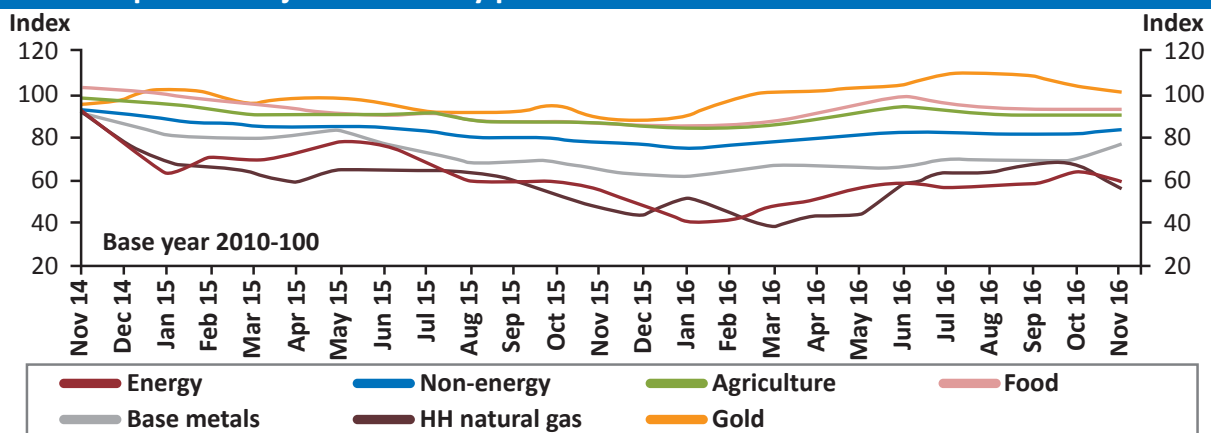
### Trends in selected commodity markets

During the month, interest rate expectations increased due to further confirmation of a rebound of US GDP in 3Q16 as well as the expectation of higher infrastructure investment by the upcoming administration. This has translated into appreciation of the US dollar and a sharp decline in gold prices. Meanwhile, an improving global manufacturing picture as shown by a JPM global manufacturing PMI at 52.1 versus 52.0 during the previous month, together with the aforementioned expectations of stimulus plans in the US, gave support to the largest jump in base metal prices in the last six years. Agricultural prices found support in the group of vegetable oils and oil seeds. Palm oil increased due to a smaller-than-expected reported output – down 2.2% m-o-m and 17.5% y-o-y in Malaysia in October, as reported by the Malaysian Palm Oil Association. Support also came from a rally in soy oil following a higher-than-expected biofuels mandate in the US. This also gave some support to soybeans, in spite of forecasts for higher global end-of-season inventories, due to increased output by the US Department of Agriculture (USDA). Meanwhile, the USDA also increased its forecasts in relation to end-of-season stocks for maize, wheat and rice. Sugar prices declined

by around 8% as a higher proportion of the sugarcane output of Brazil was used for sugar production – 46.8%, versus 41.7% the previous year, according to the Brazilian Sugarcane Industry Association – as the recent rally in sugar prices and the depreciation of the Brazilian real during the month increased the attractiveness of sugar over ethanol production.

Metal prices showed their best performance since 2009 on the aforementioned strong performance of global manufacturing, especially in China, where the manufacturing PMI was at 50.9 in November, versus 51.2 the previous month, showing a slight deceleration, though still expanding. Further support to metals came from the expectation of higher infrastructure investment by the new US Administration. Copper prices jumped by 15.2%, its largest jump in six years, also supported by a large drop in inventories in the LME system. Meanwhile, iron ore prices jumped by 24% due to continuing increases in steel output, which was up in October by 3.3% worldwide and by 4.0% in China, according to the World Steel Association. In the group of energy commodities, crude oil declined during the month due to higher supplies, while uncertainty about the outcome of the OPEC meeting also weighed on prices. Natural gas prices declined in the US due to warmer-than-average temperatures during the month, but have jumped quickly since the beginning of December on a colder weather outlook. Meanwhile, prices advanced in Europe, mainly due to colder weather. EU-28 inventories, as reported by Gas Infrastructure Europe, were around 81% full at the end of December, versus 78.7% a year ago. Coal prices rose by 7.3%, and have almost doubled since April, mainly due to decreasing output in China, which, this year, has dropped by 10.7% in the first ten months of the year.

Graph 2.1: Major commodity price indices



Source: World Bank, Commodity price data





## SME Bank of the Year & Women Entrepreneurs' Friendly Bank of the Year

Mutual Trust Bank Ltd. (MTB) rejoices along with its customers, shareholders, stakeholders, regulators, patrons and well-wishers, on receiving the **SME Bank of the Year** and **Women Entrepreneurs' Friendly Bank of the Year** Awards.

The recognition was made at the '**SME Banking Award 2014**' ceremony jointly organized by Bangladesh Bank and the SME Foundation. With this achievement, MTB becomes the first-ever best SME bank of the year for its contribution to the development of small and medium enterprises (SMEs).



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