MTBiz

Monthly Business Review, Volume: 06, Issue: 02, February 2015

China Shifts Economic Focus
From Growth to Sustainability

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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China Shifts Economic Focus
From Growth to Sustainability




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China Shifts Economic Focus

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INTRODUCTION

Over 30 years through 2011, China posted an average annual growth rate of 10.2%. That growth rate was unmatched by any nation in the post-World War II era and helped transform the country into a major world player. China's annual growth has slowed and the country aimed for a 7.5% growth target in 2014. Economic experts expect the Chinese economy to slow down, albeit at a much more modest pace. The International Monetary Fund anticipated China's growth will hit 6.8% and 6.3% in 2015 and 2016 respectably. The World Bank expects China's growth to slow to 7.1% in 2016. According to World Bank estimates, for an economy, it adds more than USD 9 trillion a year to global output, the second highest contribution after the United States (Fortune, Oct 20, 2014).

Source: World Bank

Debate regarding Chinese economy is a very vibrant issue among global economic thinkers. Arguments and counter-arguments generate high voltage in global economic thoughts. Optimism and pessimism are running parallel with a high velocity. This article would highlight the theses and antitheses of the economic growth of China. It would analyze the historical data of Chinese economy to underpin the argument of economic growth of China and explain the growth trajectory the second largest economy of the world.

THE DEBATE

Larry Summers, noted economist and former US Treasury Secretary, published a working paper in October 2014 arguing that projections for the Chinese economy were way off the mark. He wrote that China's long run outstanding growth would likely come to an end soon. Summers pointed out that, after 30 years of truly outstanding growth, it would be anomalous for the Chinese economy to continue to grow well above the world average. Another economist skeptical of a continuation of the China growth miracle, David Levy of the 'The Jerome Levy Forecasting Center', argues that over-investment in China will soon lead to a rapid slowdown in that nation and, potentially, a global recession (Fortune, Nov 5, 2014).

The 'Modernizing' Economy

Carl Weinberg, Chief Economist at High Frequency Economics, sees no reason for Chinese growth to slow down markedly in the near future. He argues that China perfectly fits the model of a "modernizing" economy, one that is defined by a growing population; sustained productivity growth; a rapid growth in urban relative to rural population; social changes like secularization; and increased trade. China, says Weinberg, is a special case because of how closely it resembles other modernizing economies, like the United States, during their rise. He said, "China is a modernizing economy." "Most of the countries in Larry Summers' sample are not. China's experience is different" (Fortune, Nov 5, 2014).

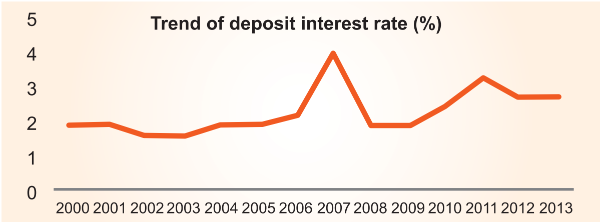
'Resilient' economy

Frederic Neumann, co-head of Asian economic research at HSBC said the Chinese economy is proving to be more resilient than expected. He articulated that, though, at 7.3% last quarter, growth isn't as spectacular as over the past decade, it is still among the world's fastest (BBC, Jan 20, 2015).

Democratic Vs. Authoritarian

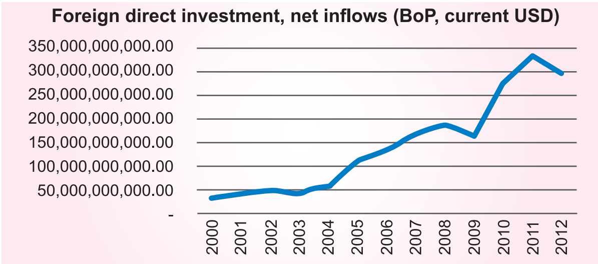
Summers analyzed the growth patterns of a broad collection of developing economies, finding that it is much more common for a country to grow slowly after a long period of rapid growth than for that country to continue to perform as it had been. Furthermore, they find that it is much more likely for wealthy countries to be democratic than authoritarian. Weinberg argues that, while China might not be a model of democracy, its government has made progress in allowing more freedom, especially when it comes to private enterprise. As the country continues to urbanize and per capita income continues to rise, there is reason to believe this process of liberalization will continue (Fortune, Nov 5, 2014).

Factory production, investment in fixed assets and interest rate



Source: World Bank

China's economy slowed in November 2014 as factory shutdowns exacerbated weaker demand, raising pressure on the central bank to add further stimulus. Bloomberg's gross domestic product tracker came in at 6.78% year-on-year in November, down from 6.91% in October and a fourth month below 7%, according to a preliminary reading. Factory production rose 7.2% from a year earlier, retail sales gained 11.7%, and investment in fixed assets expanded 15.8% in January through November from a year earlier. "The lending numbers give hope that investment will pick up now that there is more funds available to pay for capital spending projects," said Dariusz Kowalczyk, Senior Economist at Credit Agricole SA in Hong Kong. China is forecasted to follow up the interest rate reduction by lowering banks' required reserve ratio to 19.5% in the first quarter of 2015 and to 19% in the second quarter (Bloomberg, Dec 12, 2014).



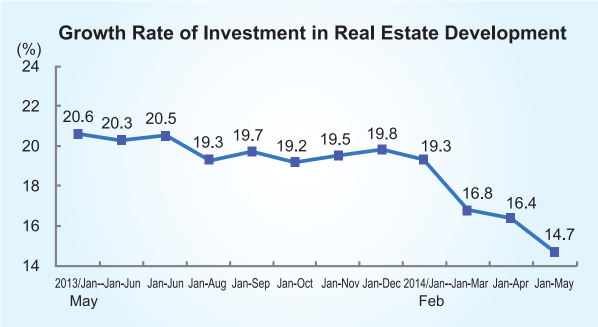
Source: World Bank

ARTICLE OF THE MONTH

China's economy is showing resilience and potential even as it slows, giving the government plenty of room to maneuver, the official Xinhua News Agency said. The country will keep a prudent monetary policy with more attention on the balance between loosening and tightening, Xinhua reported.

Electricity output rose 0.6% in November from a year earlier, while crude steel output fell 0.2%. Industrial production's 7.2% rise compares with October's 7.7% expansion. The retail sales increase beat October's 11.5% rise, which was also the median economists' estimate (Bloomberg, Dec 12, 2014).

Property headwinds



Source: National Bureau of Statistics of China

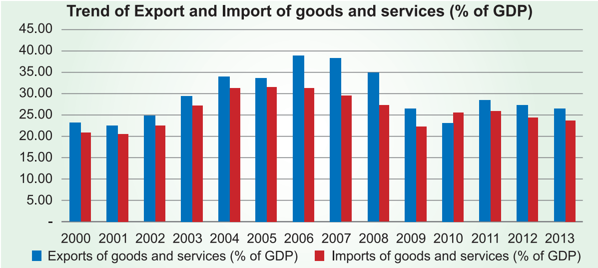
Investment in China's once red hot property market slowed to a five-year low of 10.5% in 2014 from a year earlier – the slowest pace since the first half of 2009. That was almost half the growth of 19.8% in 2013 and also down from an annual rise of 11.9% in the first 11 months of last year (BBC, Jan 20, 2015). The total investment in real estate development in the first five months of 2014 was 3,073.9 billion yuan, a nominal increase of 14.7% year-on-year, 1.7 percentage points lower over the first four months. Of which, the investment in residential buildings was 2,104.3 billion yuan, up by 14.6%, 2.0 percentage point lower, and accounted for 68.5% of real estate development investment (National Bureau of Statistics of China, Jun 13, 2014).

According to Wang Tao, Chief China economist at UBS Group AG in Hong Kong, what is more worrisome is property sales. Property sector downturn remains the largest risk to growth in 2015, and further policy easing and support is expected to offset this downturn (Bloomberg, Dec 12, 2014).

CHINA'S GROWTH: AN ECONOMIC DISCOURSE

Much of the analysis of China's 2014 GDP data has focused on the economy's slowdown, at one level, which has an understandable point; growth of 7.4% was China's weakest in 24 years and it was the first time this century that China has missed its official growth target, falling just short of the official goal of 7.5%. However, on another level, the focus on the slowdown seems almost myopic. China joined an exclusive club last year: its economic output exceeded USD 10 trillion, making it only the second country to achieve that feat (America reached this level in 2000). At market exchange rates, China's economic output was USD 10.3 trillion last year, more than five-times bigger than a mere decade ago, when it was USD 1.9 trillion (The Economist, Jan 15, 2015).

Moreover, the increase in China's economic size means that slower growth now generates as much additional demand as its turbo-charged growth did just a short time ago. Last year's growth, even with subdued inflation, yielded an extra 4.8 trillion yuan in GDP, almost exactly the same as in 2007, when growth ran to 14.2% and inflation was far higher. And because the economy now includes more labor-intensive services than in the past, China is doing even better at creating new jobs: it added 13.2 million urban jobs last year, compared with 12 million in 2007 (The economist, Jan 15, 2015).



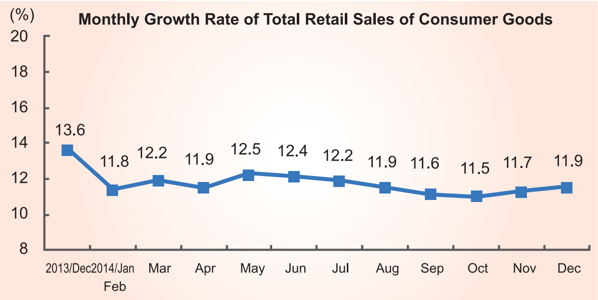
Source: World Bank

Premier Li Keqiang has stated repeatedly that authorities will tolerate growth slightly below target as they try to reshape the economy so it is driven more by domestic consumption and less by exports and investment. Li has indicated that maintaining employment is a policy priority. The government has said growth of 7.2% is needed to keep employment steady (Reuters, Oct 21, 2014).

Balanced economy

Looking beyond the headline GDP figure, China's growth appears to be slowly becoming better balanced. The big concern since 2009 when China unleashed a mammoth stimulus program has been the economy's excessive reliance on investment and its sluggish consumption spending. Gross fixed capital formation accounted for 48.3% of China's growth in 2011, well above the peaks of roughly 40% hit by South Korea and Taiwan when they industrialized last century (The Economist, Jan 15, 2015).

Investment economy to service economy



Source: National Bureau of Statistics of China

Even with last year's 'mini-stimulus' to prop up growth, investment is gradually playing a diminished role in China's economy. Consumption drove 51.2% of growth last year, up 3 percentage points from a year earlier. With the contribution from trade, China's investment-to-GDP ratio is likely to have declined. This can be seen from the rising share of services in GDP. Services, which are more closely correlated with consumption than with investment, grew to account for 48.2% of the economy last year, up 1.3 percentage points from 2013. Second, healthy wage growth means that labor's share of China's economic output rose last year, another critical part of tilting the country towards greater consumption. After controlling for inflation, incomes increased 8% last year, three-fifths of a percentage point faster than the economy as a whole. Importantly, this income growth probably also resulted in a mild improvement in income equality within China because it was rural citizens who did particularly well. Rural incomes increased 9.2% last year on average, while urban incomes rose 6.8%. The gap between urban and rural incomes peaked at a ratio of 3.3-to-1 in 2009; it fell to about 2.9 last year (The Economist, Jan 15, 2015).

The New Normal

China missed its 2014 growth target. The message from the top of the government is that growth is not as big a priority as in the past. It is a message reinforced by the constant repetition of President Xi Jinping's favorite slogan for describing the economy, the 'new normal'. It intended to describe slower but higher-quality growth. The International Monetary Fund (IMF) has cut its forecast for China's 2015 growth to 6.8%. It would be its weakest performance in 25 years. But when headlines appear about the 25-year low, it is worth remembering that the Chinese economy is more than 25-times bigger than it was in 1990 (The Economist, Jan 15, 2015).

The structural reforms and economic sustainability

According to Zhou Xiaochoan, governor of the People's Bank of China, if China's growth slows down a bit but economy becomes more sustainable, it is a good news for China. He also said that China's previous export-driven expansion drive had been unsustainable and it was right for the government to focus on structural reforms to make the economy more sustainable, including a transition to renewable energy sources. He emphasized that if the government pursues too high a growth rate, it will postpone necessary structural reform. What people care more about now is structural reform. China would like to sacrifice a little bit lower growth rate as long as we have structural reform. Cheaper oil and gas prices would give momentum to China's economic growth and employment, because of its dependence on imported fuel (Reuters, Jan 21, 2015).

SME policy: An Economic shield

Bikky Khosla, CEO of Tradeindia.com pointed out that China designed its policies to support its SMEs in response to economic growth challenges. A preferential income tax policy, for example, was introduced to provide a corporate income tax rebate to low-income SMEs in 2015 and offered more funds to SMEs meeting certain criteria. China has no such investment limit in case of SMEs. It defined its SMEs in a bit complex way with few specific features where most importance was given on earning revenue by a firm. Special strategic emphasis on preparing, monitoring and implementing SME and efficiency in bureaucracy are strength of China that laid a farm ground for the development and functioning of SMEs. It would strengthen the internal economy and work as a shield of Chinese economy.

Conclusion

The whole world is interested about the dynamics of Chinese economy. The question of Chinese growth is important for both China and rest of the world. It occupies a major slice of global economy and in many ways, many economies are dependent on it. It is also a giant player of global growth. The debate regarding economic slowdown China comes up with explanation and elaboration of growth trend of economy, highlighting the major economic indicators. It puts light on few economic challenges like, property market, investment, interest rate, debt etc. those took the pace of the economy off and drove it towards a much slower growth.

On the other hand, many economic scholar perceive the current trend of Chinese growth from a different angle. They pointed out the volume of current Chinese GDP and the big base that China got after a historical outstanding growth. Because it's got a giant base, even smaller percentage change in GDP adds much bigger volume in total GDP. As Chinese government articulates, their focus is, now, more on its economic balance, structural reform and as a whole, on an economic sustainability.

Banks asked to develop outsourcing policy guidelines

Bangladesh Bank (BB) has directed all local and foreign banks operating in Bangladesh to develop comprehensive policy guidelines for outsourcing some of their services to ensure proper monitoring of the third-party services. In a recent circular, BB said banks are increasingly using outsourcing for reducing costs and achieving strategic aims, but managing the risk factors associated with the third- party services requires effective policy guidelines. According to the circular, banks can mitigate these risks by taking steps to formulate a comprehensive and clear outsourcing policies, analyze the financial and infrastructure resources of the service provider, negotiate appropriate outsourcing contracts, require contingency planning by the outsourcing firm, and establish effective risk management programs. BB directive also drew a detail of the principles of the guideline to be followed by the banks when using outsourcing at home or abroad, that would help banks better mitigate the concerns.

Bangladesh's economic volatility lowest in South Asia: BB Governor

According to Bangladesh Bank (BB) Governor Dr. Atiur Rahman Bangladesh has creditably maintained the lowest economic volatility among South Asian nations, with sustaining 6.0% plus GDP (Gross Domestic Product) growth over the past decade. Growth volatility refers to the amount of uncertainty or risk about the size of changes in a country's annual rate of GDP growth. Accumulating the data on some key economic indicators, the governor came up with the observation that the country's macroeconomic fundamentals in the past decade were strong with downward edging single digit inflation, and moderate fiscal deficit.

The governor estimated that growth or economic volatility in Bangladesh was only 0.57% during 1995-2014 compared to 2.61% in Sri Lanka, 2.13% in India and 1.95% in Pakistan. During the period, the average GDP growth in Bangladesh was 5.73% while it was 6.77% in India, 5.59% in Sri Lanka and 4.29% in Pakistan. The inflation rate and the volatility in inflation in Bangladesh were also the lowest in South Asia. From 1995-2014, the average inflation was 6.45% in Bangladesh when Sri Lanka suffered the highest 9.45% average annual inflation followed by 8.57% in Pakistan and 7.31% in India.

BB to ask banks to follow int'l security standard of PCI

BANGLADESH BANK
Central Bank of Bangladesh

According to central bank officials, Bangladesh Bank (BB) will ask scheduled banks to follow the international security standard while operating their card-based transactions to avoid fraudulent acts and forgeries. Major card brands including American Express, Discover Financial Services, Japan Credit Bureau, MasterCard Worldwide and Visa International established the Payment Card Industry (PCI) and suggested 12 requirements to secure the card-based transactions.

According to the requirement, the banks will have to set up firewall configuration to protect cardholder data. The firewall is a system designed to prevent unauthorized access to or from a private network. The firewall can be implemented in both hardware and software, or a combination of both and it is (firewall) frequently used to prevent unauthorized internet users from accessing private networks connected to the intranets. The BB will ask the banks not to use the vendor-supplied passwords to protect the cardholders' data as such types of password might be hacked.

Banks to need CIB clearance for credit card issuance

According to the central bank's credit card draft policy, scheduled banks will have to take Credit Information Bureau (CIB) clearance from Bangladesh Bank to issue credit card to their clients so that a single client cannot avail a number of cards from different banks violating the regulation. As per the central bank regulation, a client is allowed to receive loan amounting to maximum BDT 5 lakh by using the banks' credit cards without giving any collateral securities while he or she is able to take loan of maximum BDT 20 lakh with giving mortgage. But, some clients often take a number of credit cards from different banks resulting that their credit ceiling crossed the credit ceiling violating the regulation.

A BB official recently said that the central bank had already framed the credit card draft policy in which it would ask the banks to take CIB clearance of the BB to issue the card to their clients. The banks will be able to know the total credit position of their clients by collecting the CIB report. The banks will not be allowed to issue fresh credit card if the credit position of a client crosses BDT 5 lakh without collateral securities and BDT 20 lakh with giving mortgage.

Bringing down classified loans to reasonable level

Over the years the banking sector of Bangladesh expanded and greater changes and development in the banking sector demands greater supervision on the part of the supervisory authority. The more stringent loan classification norms formulated by the BB have been implemented in the country. The central bank has implemented the Basel II capital regime and issued a roadmap to elevate the capital base of banks, in line with the Basel III requirements, starting from January 2015.

The central bank is exercising the oversight of corporate governance and internal control functions for establishing sound risk management processes and practices in banks. Branches of banks are coming under closer monitoring and customers' interests are getting more attention of the BB. The central bank is working to identify and safeguard the weaknesses and vulnerabilities in the banking sector by adopting a forward-looking risk-based approach to regulation and supervision. The initiatives could bring more a favorable regulatory environment for banks in 2015.

BB to get power to inquire about assets of foreign nationals

Foreign nationals and companies operating in Bangladesh will come under the scanner of Bangladesh Bank as amendment is being brought to foreign exchange regulation act to check money laundering activities. The cabinet recently approved the draft of the "Foreign Exchange Regulation (amendment) Bill, 2015" incorporating some new provisions. According to the draft amendment, the central bank can seek information on the assets of these foreign nationals and companies, be the assets in Bangladesh or abroad. However, a finance ministry official said the central bank will go for the measure only if suspicion arises against any individual or company.

BB relaxes rules to set up ATMs

The central bank recently relaxed the guidelines for setting up electronic booths, including automated teller machines (ATMs), to help banks expand their networks. According to Bangladesh Bank, banks now can set up all kinds of electronic booths including ATMs without prior permission from the central bank. However, consent from their respective boards is still needed with regards to expenses and rents for the ATM booths. The central bank will take actions if it finds irregularities in the rent and expenses, and may close down the booth if necessary.

BB extends green finance scheme

Bangladesh Bank (BB) recently extended its green financing scheme, with inclusion of two more sectors to get low-interest loans for green initiatives. The central bank in a circular directed all banks and financial institutions to offer easy loan from its refinancing scheme to the members of the Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) and Bangladesh Terry Towel and Linen Manufacturers and Exporters Association SPACE. The circular, however, said that the members of these organizations should have their own factories, and the loan would only be given for ensuring safe workplace through construction, renovation or rebuilding of fire safety system and the works associated with the fire safety procedure. In 2009, the central bank set up a BDT 200 crore refinancing scheme for financing green initiatives. With the latest expansion, some 50 green products were added to the scheme.

Bangladesh Bank now decides ATM charge at BDT 15

Bangladesh Bank backtracked from its earlier decision of ATM fee at BDT 20 on each inter-bank ATM transaction from currently charged BDT 10 after having discussion with commercial banks. According to BB official, the central bank has now decided to impose the fee at BDT 15 on per automated teller machine transaction under National Payment Switch Bangladesh project. The BB earlier made a decision to double charge on the clients on inter-bank ATM transactions, bowing down to repeated pressure by the scheduled banks.

Banks further cut interest rates on deposits in Nov

Scheduled banks in November 2014 further cut rates of interest on their deposit products due to rising excess liquidity in the banking sector amid lower loan disbursement in the industrial sector for dull business, according to the Bangladesh Bank data released recently. The weighted average interest rate on deposit in the banking sector declined to 7.32 percentage points in November from 7.40 percentage points in October of 2014. The weighted average interest rate on deposit was 7.48 percentage points in September, 7.63 percentage points in August, 7.71 percentage points in July, 7.79 percentage points in June, 8.01 percentage points in May, 8.11 percentage points in April, 8.21 percentage points in March, 8.34 percentage points in February, 8.40 percentage points in January of this year.

BB plans to bring the disabled into banking network

The central bank has asked the commercial banks to allocate fund under annual corporate social responsibility (CSR) program to ensure banking services for physically challenged persons. A senior official of the Bangladesh Bank (BB) said recently that BB wanted to bring the physically challenged persons into our banking network through strengthening the ongoing financial inclusion program in Bangladesh. He also said the central bank has already taken various measures to ensure banking services for physically challenged persons. The central bank recently issued a circular in this connection asking the Chief Executive Officers and Managing Directors of the scheduled banks to take necessary steps to implement the instructions.

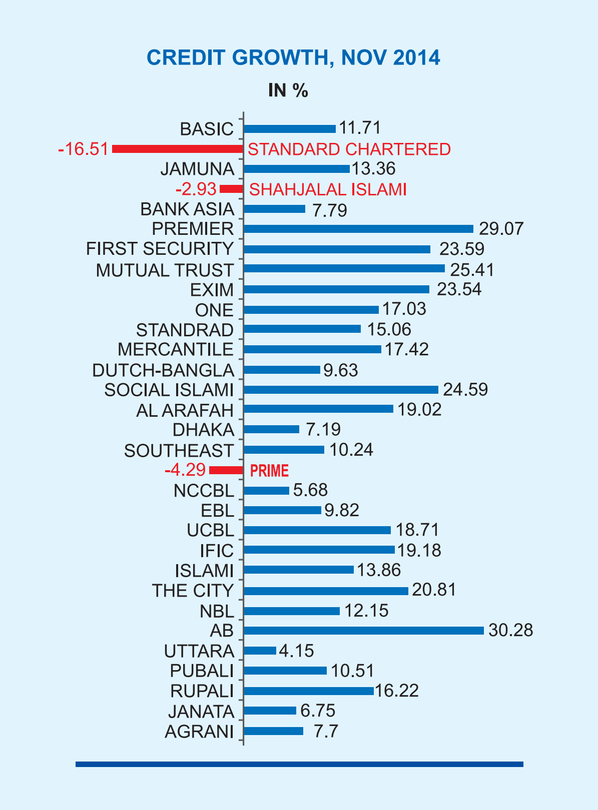
BB to check money laundering thru export-import

According to officials of the central bank, Bangladesh Bank (BB) has requested the country's major trade bodies to give suggestions to prepare fit and black lists of foreign buyers so that the country can check money laundering by businessmen through export and import. The BB issued separate letters to Federation of Bangladesh Chambers of Commerce and Industry, Metropolitan Chamber of Commerce and Industry, Dhaka Chamber of Commerce and Industry, Bangladesh Garment Manufacturers and Exporters Association and Bangladesh Textile Mills Associations on January 22 seeking suggestions and recommendations in this regard. A BB official told recently that the parliamentary standing committee on the finance ministry had earlier asked the finance ministry to prepare fit and back lists of foreign buyers to prevent money laundering and financial scams. As part of the directive, the finance ministry issued a letter to the BB on December 21 last year (2014) asking the central bank to upload the lists on its web site on regular basis.

BB buys USD 11 million from 2 commercial banks

According to BB official, the central bank purchased USD 11 million directly from the commercial banks recently to help keep the country's inter-bank foreign exchange (forex) market stable. A senior official of the Bangladesh Bank said that BB has bought the US currency from two banks at market rate aiming to keep the exchange rate of the local currency against US dollar stable. The US dollar was quoted at BDT 77.80 in the inter-bank forex market on the day unchanged from the previous level, according to the central bank statistics. The supply side of the foreign currency has improved recently due to higher inflow of remittance along with rising trend of export earnings. He also said the central bank may continue such intervention in line with the market requirement to protect the interests of exporters and migrant workers.

Private Banks' credit growth rebounds



Private Banks saw a substantial increase in credit growth towards the end of last year (2014). Credit growth of private banks, whose share in the total credit comes to 69.90%, accelerated 16.53% year-on-year in November last year. The sector's overall credit stood at Tk 690,045 crore, up 12.43 percent year-on-year. Credit growth started to accelerate from the middle of last year. People had been observing the situation till June to see whether the investment environment returned to 2013-like level. When they were convinced about the conducive environment, they started investing again. Between July and September, industrial term loans soared 44% year-on-year, according to data from the central bank.

Strategies to ensure financial health of banks

Mohammad Masoom, DMD of Mercantile Bank said that bankers now-a-days prioritize extending purpose- oriented credit facilities with required security/ collateral support because of growing awareness. They feel the imperative need to exercise due diligence in credit assessment focusing on the borrower's business dynamics and operational aspects. They do it to ensure optimal credit flow to the borrowing concerns matching their requirements and to avoid over or under-financing. A bank has to ensure that utilization of credit is in accordance with the purpose for which it is lent i.e. end-use of the lending has to be secured. The bank has to monitor the performance of the borrowing unit to verify whether the assumptions on which the loan was sanctioned continue to hold good with regard to operation and environment. It is also to be observed whether the loan recipients are adhering to the terms and conditions of sanction. This is done by devising a mechanism for obtaining information at regular intervals from the borrowing units. The bank will review the performance of the unit from a broader perspective for having better risk perception so that they can extend meaningful advice to them for overcoming any business hurdles.

Reducing non-performing loans of banks

According to the Bangladesh Bank (BB), during Quarter 3 (Q3), the share of classified loans in the total outstanding loans of the banking system rose to 11.60 % from 10.75% in the previous quarter. It was 10.45% in the January-March period in this calendar year. The volume of classified loans was 10.03% of the total outstanding loans of the banks at the end of the year 2012, and the amount of classified loans stood at 6.12% of the banks' total outstanding loans in December, 2011. Practically, the banking sector witnessed much improvement in terms of asset quality during the last five years. Available data on 'Gross NPL to Total Loans and Advances' in the last five years (2009-2013) indicates notable improvement compared to the 2004-2008 period. However, the status of the banks in terms of NPLs in the banking sector in 2014 is a bit different. Though enforcement of the tighter loan classification norms was a factor, the increase in the volume of NPLs during 2014 might be mainly due to the 'hangover' of scams in late 2011 and early 2012 and also because of the difficulties businesses faced in repaying loans following political uncertainties and unrest in 2013.

'Digital First' strategy: Banks redefine their relationship with customers

With the advancement of technology, from mobile wallet to social media, tablets and 'de-banked' digital consumer, one argues if banking is a place we go to, but something else we do. Bill Gates, former chairman of Microsoft, surprised many, saying, 'Banking is necessary, banks are not' while referring to financial inclusion and how technology may complement, in bringing banking services to the doorstep to the un-banked, or the poor. The Bill & Melinda Gates Foundation have ploughed USD 65 million into the Alliance for Financial Inclusion (AFI), helping financial inclusion drive leveraging proliferation on mobile technology. The Royal Bank of Scotland has defined digital banking as 'banking on the move'. Digital banking is about how we can manage our money and interact with our banks. Now, three quarters of British banking customers use online/mobile banking at least once a month. Consumers are now demanding ever greater integration of financial services into their daily lives, as well as flexibility and control over money.

PRI for widening scope while bankers seek a cap

A prominent policy think tank says international capital market should be opened wider for the local investors to have greater access to foreign finances at cheaper interest rates. Bankers, however, pleaded for a cap on external borrowing by local entrepreneurs. The Policy Research Institute of Bangladesh (PRI) came up with the recommendation at a policy-brief program in Dhaka recently, based on the findings of a study on capital inflow and its impacts on private investment. Dr. Ahsan H Mansur, the PRI Executive Director, conducted the study. Currently, Bangladesh is allowing limited foreign funds being availed by local big corporate houses only. Since 2008, the central bank has approved overseas funds worth USD 5.5 billion. The PRI Executive Director said the limited funding has been contributing to lowering the domestic lending rates. Earlier, the borrowing rates used to be 16 % to 18% in nominal terms and now it dropped to 12% to 14%. Dr Ahsan H Mansur said high domestic lending cost is affecting the local business sectors mainly the export-oriented manufacturing units. On the other hand, a number of top executives at the local banks said the central bank should give a cap on the foreign-currency credits otherwise it will affect the domestic banking sector. Ali Reza Iftekhar, Managing Director and the CEO of Eastern Bank Ltd. said that Bankers were not worried when its volume was low, but it would affect the banking sector at a time when its magnitude would increase sharply.

SIBL and Fareast Islami Life Insurance sign an agreement

Social Islami Bank Limited (SIBL) and Fareast Islami Life Insurance Company Limited have recently signed an agreement regarding group term life insurance. Under this agreement, all the credit cardholders of SIBL will enjoy the group insurance facilities of Fareast Islami Life Insurance Company Limited. Deputy Managing Director of SIBL AMM Farhad and Managing Director of Fareast Islami Life Insurance Company Limited Md Hemayet Ullah signed the agreement on behalf of the respective organisations.

Modhumoti Bank and the Ministry of Planning sign MoU

Managing Director and CEO of Modhumoti Bank Limited Md Mizanur Rahman and Director General of Central Procurement Technical Unit (CPTU), Implementation Monitoring and Evaluation Division (IMED) under the Ministry of Planning Md Faruque Hossain signed a memorandum of understanding (MoU) on behalf of their respective organizations in the city recently. Secretary (in charge) of IMED Md Shahid Ullah Khandaker and Additional Managing Director of the bank Md Shafiul Azam, Deputy Managing Director Md Touhidul Alam Khan and Head of SME and Retail Banking Md Shaheen Howlader were present on the occasion.

UCBL signs term sheet with IDLC Finance Ltd

United Commercial Bank Limited (UCBL) signed Term Sheet with IDLC Finance Limited (Arranger) at the Corporate Head Office of the Bank recently. The signing is initiated to issue 'UCB Second Subordinated Bond' of BDT 5.0 billion as Tier-II Capital. UCBL Managing Director Muhammed Ali and IDLC Managing Director Selim R. F. Hussain signed the Term Sheet on behalf of their respective organizations.

ICMAB Best Corporate Awards-2014

ICMAB Best Corporate Awards-2014 held on 20 January 2015 at the Pan Pacific Sonargaon Hotel, Dhaka where a total of 66 corporate entities won the awards for their outstanding performance, especially in maintaining corporate governance.

Finance Minister Mr. AMA Muhith handed over the awards to the winners as the chief guest. ICMAB recognized the corporate entities in 14 separate categories. Dutch-Bangla Bank Ltd. bagged the first award in the category of traditional private commercial banks while the Eastern Bank Ltd. and Dhaka Bank Ltd. won the second and third ones respectively. Among the Shariah principles-based private commercial banks, Islami Bank Bangladesh Ltd. (IBBL) garnered the first award while the second and third prizes went to Al-Arafah Islami Bank Ltd. and Export Import Bank of Bangladesh Ltd. respectively. In the foreign commercial bank category, Standard Chartered Bank secured the first prize while The Hongkong and Shanghai Banking Corporation Ltd. the second one and Commercial Bank of Ceylon PLC the third. Janata Bank Ltd. won the first award in the category of state-owned commercial banks while Agrani Bank Ltd. and Bangladesh Development Bank Ltd. were honored with the second and the thirds ones.

Prime Bank's CSR with BSMMU

Managing Director of Prime Bank Limited Ahmed Kamal Khan Chowdhury handed over the tripartite agreement in capacity building project to Vice-Chancellor of Bangabandhu Sheikh Mujib Medical University (BSMMU) Professor Dr. Pran Gopal Datta recently. Professor Md Ruhul Amin Miah, Pro-Vice-Chancellor (Academic) of BSMMU, Professor Sahana Akther Rahman, Dean of Nursing Faculty of BSMMU and Dr. Iqbal Anwar, CEO Prime Bank Foundation were present on the occasion. As part of its corporate social responsibility (CSR), Prime Bank began assisting BSMMU in a capacity building project by providing expatriate faculty members to the Faculty of Nursing of BSMMU.

Meghna bank signs agreement with trans-fast

Meghna Bank Limited has recently signed an agreement with Trans-Fast Remittance LLC, USA to facilitate inward remittance of expatriates Bangladeshis residing abroad. Mr. Mohammad Khairuzzaman, Country Head of Trans-Fast has handed over the agreement to Mr. Mohammed Nurul Amin, Managing Director and CEO of Meghna Bank Limited at a simple ceremony at Meghna Bank Head Office recently. Mr. Md. Mohashin Miah, AMD, Mr. Arif Quadri, DMD, Mr. Md. Nazrul Hossain, DMD, Mr. A.F. Shabbir Ahmad, SEVP and Head of Operations and other Officials from both organizations were present at the ceremony.

Premier Bank signs an agreement with PRAN-RFL Group

The Premier Bank Limited recently signed an agreement with PRAN-RFL Group for Premier Payroll Account Services. Under this agreement, PRAN-RFL, Chorka textile, Danga, Norshinghdi employees will maintain payroll accounts with the Premier Bank and Bank will provide all modern banking facilities including ATM booth at their premise for 365/24 hours cash withdrawal facilities. K.A.M. Majedur Rahman, Managing Director & CEO of Premier Bank Ltd. and Uzma Chowdhury, Director Finance, PRAN-RFL Group signed the agreement for their respective organizations. Khondker Fazle Rashid, Advisor and Abu Haniff Khan, Additional Managing Director of Premier Bank along with other Senior Executives of the both organizations were present at the signing ceremony.

Midland Bank signs an agreement with Apollo Hospital

Midland Bank Limited (MDB) recently signed an agreement with Apollo Hospital Dhaka. Under this agreement, MDB Credit and Debit cardholders and MDB employees will enjoy special health care facilities from Apollo Hospital Dhaka and STS Life Care Center. Mostafizur Rahman, Head of Cards along with Imteeaz Ahmed, Deputy Head of HR of Midland Bank Ltd. and Dr. Shagufa Anwar, General Manager, Business Development of Apollo Hospital Dhaka signed the agreement.

Revenue collection from DSE surges by 31% in H1

Government's revenue collection from the Dhaka Stock Exchange (DSE), the country's prime bourse, rose by 31.22% or BDT 24.76 crore in the first half of the current financial year 2014-15 compared with the corresponding period of the FY14. According to DSE data, the National Board of Revenue during the July-December of the FY15 collected BDT 104.06 crore in tax including tax on turnover and on sponsor-directors' share sales against BDT 79.30 crore during the first half of the FY14. The government during the period of the FY15 got BDT 64.68 crore in tax on turnover, while it was BDT 58.36 crore during the same period of the FY14. The DSE in the FY14 paid BDT 153.84 crore in tax including tax on turnover and on sponsor-directors' share sales against BDT 127.29 crore it had paid in the FY13.

BSEC will make IPO approval strategy public soon

According to officials, the securities regulator will make its strategy of approving IPO (initial public offering) proposals public soon. The regulatory move came over an 'embarrassing situation' of receiving a letter recently sent by Ministry of Finance (MoF) for ensuring 'strict' implementation of relevant rules and regulations while determining the prices of primary shares for the greater interest of general investors. The Bangladesh Securities and Exchange Commission (BSEC), however, said their initiative of making public the IPO strategy has not been taken as part of replying to the letter of the MoF.

Two bodies formed on framing ETF rules

The securities regulator recently formed two sub-committees including major stakeholders of the capital market to formulate the rules of Exchange Traded Fund (ETF). The sub-committees were formed at a meeting held at the office of Bangladesh Securities and Exchange Commission (BSEC). The representatives of both the bourses, Central Depository Bangladesh Limited (CDBL), Bangladesh Merchant Bankers Association (BMBA) and Asset Management Companies (AMCs) attended the meeting chaired by BSEC commissioner Prof Helal Uddin Nizami. The ETF is similar to an open-end mutual fund (MF) which is normally issued under the Collective Investment Scheme (CIS). The regulatory move came following the proposal of Dhaka Stock Exchange (DSE) which will launch new products such ETF to increase market diversification.

Banks, NBFIs seek relaxation of stock exposure limit rules

The banks and non-bank financial institutions (NBFIs) have sought relaxation of the Bangladesh Bank's directives regarding bringing down their exposure to the capital market. The Dhaka Stock Exchange (DSE) management received the appeal from the institutional investors recently and passed it to the Securities and Exchange Commission (SEC) seeking BB's consideration on the demand with the view to let some space for rescuing the falling capital market. In the appeal, institutional investors said the central bank has set the deadline on July 21, 2016 to bring down institutional investors' exposure to capital market within 50% of their respective consolidated paid-up capital, balance in share-premium account, statutory reserve and retained earnings in accordance with their latest audited financial statements.

National Feed, C & A Textiles get listing approval

National Feed Mill Limited (NFML) and C & A Textiles got listing approval from the Dhaka Stock Exchange (DSE) recently and debut trading date of these two companies will be announced soon. The approval came at a DSE board meeting held at the board room of the bourse chaired by its Chairman Justice Siddiqur Rahman Miah. National Feed Mill floated 18 million ordinary shares at an offer price of BDT 10 and raised a fund worth BDT 180 million from public using the fixed price method. The fund raised through the IPO is being used for repayment of bank loan and expansion of business along with boosting working capital, according to the company's IPO prospectus. As per the audited financial statement for the year ended on June 30, 2013 the earnings per share (EPS) and net asset value (NAV) of the National Feed Mills are BDT 1.85 and BDT 14.55 respectively. Under the fixed price method, C & A Textiles floated 45 million ordinary shares at an offer price of BDT 10 and raised a fund worth BDT 450 million from the public. A market lot is 500 shares. The textiles company's IPO subscription hit over 20 times high on its offer. The total subscription received BDT 9.10 billion against demand offer of BDT 450 million. In accordance with the audited financial statement for the year ended on December 31, 2013, the company's earnings per share (EPS) and Net Asset Value (NAV) are BDT 1.78 and BDT 18.38 respectively.

Trading of all kinds of treasury bonds allowed

According to officials, the securities regulator has abolished its previous directive on listing of only 5-year and 10-year Treasury Bonds paving the way of listing, trading and spot settlement of all kinds of treasury bonds. The Bangladesh Securities and Exchange Commission (BSEC) said this in a directive issued recently. It was signed by BSEC Chairman Professor K Khairul Hossain. Officials of Dhaka Stock Exchange (DSE) said the premier bourse so far gave listing to all kinds of treasury bonds and internally created the facility of their trading and spot settlement although previous directive only spoke for listing of two kinds of bonds.

ICB AMCL Islamic MF converted to open-end scheme

ICB AMCL Islamic Mutual Fund has been converted to an open-end scheme from a close-end scheme. The approval came at a special meeting of the unit holders of ICB AMCL Islamic Mutual Fund, managed by ICB Asset Management Company Limited (IAMCL), on expiration of its 10 years maturity on 28 December, 2014, held at a city hotel recently, in accordance with the rules of Bangladesh Securities and Exchange Commission (BSEC). More than three-fourth majority of the unit holders cast their votes favoring the conversion. The premier bourse recently revised transaction fee of block trade, report crossing and the delivery versus payment (DVP) in an effort to boost market liquidity through more bulk transactions. Presently, transaction fee is imposed for all kinds of trade at a flat rate of 0.03 per cent. As per the decision taken at a board meeting of the Dhaka Stock Exchange (DSE), 0.0125 per cent transaction fee will be applicable if the transaction of shares worth above BDT 5.0 million is executed once through block trade, report crossing and delivery versus payment (DVP).

MTB ANNUAL BUSINESS CONFERENCE 2015

Unlocking
New Horizons

Mr. Rashed Ahmed Chowdhury
Chairman, MTB

Mr. M. A. Rouf, JP
Vice Chairman, MTB

Mr. Syed Manzur Elahi
Founding Chairman, MTB

Dr. Arif Dowla
Former Chairman & Director, MTB

Mr. Md. Abdul Malek
Director, MTB

Mrs. Khwaja Nargis Hossain
Director, MTB

Mr. Anwarul Amin
Independent Director, MTB

Mr. Anis A. Khan
Managing Director & CEO

Mutual Trust Bank Ltd. (MTB) held its Annual Business Conference 2015 (MTB ABC 2015) on January 24, 2015 at a local hotel in Dhaka. MTB Chairman, Rashed A. Chowdhury, Founding Chairman, Syed Manzur Elahi, Vice Chairman, M.A Rouf, JP, MTB Directors, Dr. Arif Dowla, Md. Abdul Malek, Khwaja Nargis Hossain, Independent Director Anwarul Amin attended the program. MTB Managing Director & CEO, Anis A. Khan, Deputy Managing Directors, Quamrul Islam Chowdhury, Md. Hashem Chowdhury, Md. Zakir Hussain and Syed Rafiqul Haq were also present at the day-long program.

The theme for 2015 - "Unlocking New Horizons", was unveiled at the conference. MTB Chairman Rashed A. Chowdhury expressed his gratitude to all MTBians for successfully closing the financial year 2014 with significant progress. The MTB Founding Chairman Syed Manzur Elahi appreciated the efforts of the management to bring the bank to its current stage of development, and success in growing the infrastructure, network, products and services and keeping the trust of its customers.

Date : January 24, 2015
Venue : Pan Pacific Sonargaon Dhaka, Dhaka 1215

MTB NEWS & EVENTS

MTB PARTNERS WITH WALES BANGLADESH CHAMBER OF COMMERCE

Date : January 25, 2015
Venue : British High Commissioner's Residence

MTB LAUNCHES PRIVILEGE BANKING AT BANANI

Date : January 14, 2015
Venue : MTB Banani Branch, Dhaka 1213

Inaugurated by Md. Hedayetullah
Chairman, Hedayetullah Securities Ltd & Director, MTB

MTB SIGNS AGREEMENT WITH KAZI & KAZI TEA ESTATE LTD

Date : January 06, 2015
Venue : MTB Corporate Head Office, Gulshan 1, Dhaka 1212

Under this agreement, Kazi & Kazi Tea (KKT) will provide various types of tea for privilege customers at both the Gulshan and Banani Privilege Centres of MTB.

MTB DISTRIBUTES WARM CLOTHING

Date : December 26, 2014
Venue : MTB Rajshahi Branch, Rajshahi 6100

Date : December 28, 2014
Venue : MTB Thakurgaon Branch, Thakurgaon 5100

Jalaluddin joins Sonali Bank as DMD

Mr. Mohammad Jalaluddin has been promoted to the post of Deputy Managing Director (DMD) of Sonali Bank Ltd. and joined his new position recently. Prior to joining his new position, he was the General Manager (GM) of Agrani Bank Ltd. He started his banking career by joining Agrani Bank Ltd. in 1983. Mr. Jalaluddin served Agrani Bank Ltd. for about 32 years in various capacities. He took part in a number of trainings on banking career at home and abroad.

Prime Bank's new DMD

Md. Golam Rabbani has joined Prime Bank Ltd. as Deputy Managing Director (DMD). Mr. Rabbani worked as Al-Arafah Islami Bank's Deputy Managing Director before joining Prime Bank Ltd. Mr. Rabbani began his banking career with the then Bangladesh Shilpa Rin Sangstha in 1977, and later worked with Al Baraka Bank Ltd.

SIBL gets AMD

Mr. Ihsanul Aziz has been promoted to Additional Managing Director (AMD) of Social Islami Bank Ltd. Aziz served as Deputy Managing Director of the bank prior to the promotion. Mr. Aziz began his banking career with Agrani Bank Ltd. in 1978. He has worked with NCC Bank, Al-Arafah Islami Bank Ltd. and Premier Bank Ltd. Mr. Aziz has specialized experience in credit, foreign exchange, general banking, administration and human resources.

New DMD for Bangladesh Development Bank

Md. Wahiduzzaman Khandaker joined Bangladesh Development Bank Ltd. as Deputy Managing Director recently. He has previously served Rupali Bank Ltd. and Investment Corporation of Bangladesh as General Manager. He also served ICB Asset Management Company Ltd. as Chief Executive and Chairman. A postgraduate from Dhaka University, Khandaker started his banking career as senior officer of ICB in 1983.

South Bangla Bank appoints AMD

Mr. AKM Ashraf Uddin Khan has joined South Bangla Agriculture and Commerce Bank as Additional Managing Director (AMD). He was working as Deputy Managing Director of Janata Bank Ltd. prior to the new position. He has also worked with Sonali Bank Ltd., Rupali Bank Ltd. and Bangladesh Krishi Bank Ltd. Mr. Khan began his banking carrier in 1980.

NBR gets new Chief

The government recently appointed Md. Nojibur Rahman as the new Chairman of the National Board of Revenue (NBR). Prior to the current assignment, Mr. Rahman had been working as the Secretary of the Environment and Forests Ministry. He replaced Md. Ghulam Hussain, who retired after serving NBR for more than two years. Rahman, who is a 1982 regular batch officer of Bangladesh Civil Services, completed his bachelor and master's degree in Social Science from Dhaka University.

Rupali Bank appoints DMD

Mr. Debasish Chakrabarty joined Rupali Bank Ltd. as Deputy Managing Director recently. Mr. Chakrabarty began his career in 1987 with the World Bank Project, and later worked at MIDAS and House Building Finance Corporation. He holds a masters in finance and banking from Dhaka University and an MBA from University of Brussels.

South Bangla Bank appoints new DMD

Md. Shawkat Ali has joined South Bangla Agriculture and Commerce Bank Ltd. as Deputy Managing Director (DMD). He served as General Manager at Sonali Bank Ltd. prior to the new position. Ali started his banking career as a probationary officer with Sonali Bank Ltd. in 1980.

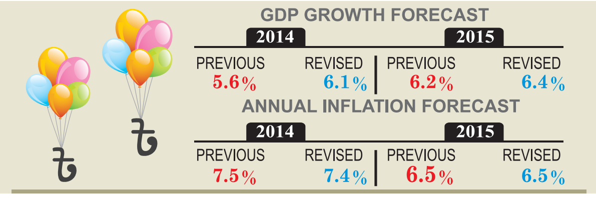
PKB gets new MD

Md. Mosharraf Hossain Chowdhury joined Probashi Kallyan Bank (PKB) as its Managing Director. Before joining the PKB, Mosharraf Hossain was the Deputy Managing Director of Janata Bank Limited and Rajshahi Krishi Unnayan Bank. He was also a former General Manager of Bangladesh Krishi Bank and a former DMD of House Building Finance Corporation. Mosharraf passed the Bangladesh Public Service Commission and joined the Ministry of Finance as an Assistant Secretary in 1982. He obtained his honors and master degrees in finance from Dhaka University.

SIBL gets DMD

Mr. Tarik Morshed has been promoted to Deputy Managing Director (DMD) of Social Islami Bank Ltd. recently. Mr. Morshed served as Senior Executive Vice President and Manager of principal branch of the bank prior to the new assignment. Mr. Morshed has been with SIBL since its beginning in 1995. He began his carrier with BRAC.

ADB lifts economic growth forecast for Bangladesh



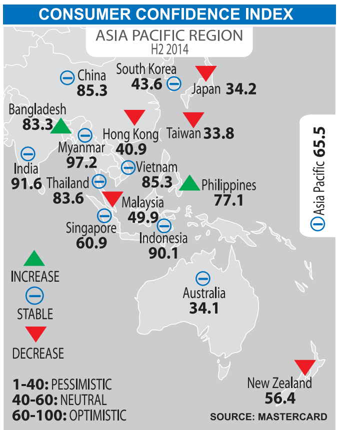
The Asian Development Bank (ADB) has revised upwards its economic growth forecast for Bangladesh, to 6.4% from 6.2%, for the current fiscal year (FY 15). According to ADB's update report, launched recently at its Dhaka office, all major economic indicators of Bangladesh have been showing a sign of improvement for the past several months. The report has also projected a current account surplus and said inflation will remain within the target of the government.

e-LC in the offing to check tax dodging

BANGLADESH BANK
Central Bank of Bangladesh
National Board of Revenue, Bangladesh
জাতীয় রাজস্ব বোর্ড, বাংলাদেশ

The National Board of Revenue (NBR) and Bangladesh Bank (BB) are going to introduce electronic letters of credit (e-LC) to prevent use of fake LCs as well as to facilitate importers and exporters in smooth international trade. They said the system would check tax dodging through submitting fake LCs to the customs offices. The online or e-LC system will be introduced under the National Single Window in which all activities related to import and export to be conducted online instead of existing manual system. Officials of the revenue board, before making the e-LCs fully operational, the revenue board and the central bank are set to carry out a pilot program at Sonali Bank Ltd. from January 25 to test the effectiveness of the initiative. They said the system would be introduced for all banks soon based on the experiences of the pilot program. A high official of the central bank that they had already tested the system. Under the system, customs offices will be able to verify the authenticity of LCs though the National Single Window as the banks will upload the LCs on the Bangladesh Bank's foreign exchange transaction monitoring dashboard.

Consumer confidence perks up further



Bangladesh recorded the highest improvement in consumer confidence in the Asia Pacific region in the second half of 2014, moving from "optimistic" to "very optimistic" territory. During the period, the country added 16.9 points to take the total to 83.3 in the MasterCard Index of Consumer Confidence released recently. The survey did not take into account the prevailing political situation. MasterCard, a New York-based technology company in global payments, first included Bangladesh in its survey in the second half of 2012. According to the survey, Bangladesh is the only market that saw a double-digit rise in consumer sentiment, which is considered the most comprehensive and the longest running study of its kind in the region. In the first half too, the country recorded the biggest improvement among the 27 countries from the Asia Pacific, Middle East and Africa region covered in the study. Consumer confidence during January-June of 2014 jumped a whopping 25.9 points. The findings of the study are an acknowledgement of Bangladesh's sound economic management in the last one year. Analysts said they are not surprised by the rise in consumer confidence.

USD 24.5 billion RMG exports during FY'14

According to Export Promotion Bureau (EPB), garment exports hit a record high at USD 24.50 billion in the immediate past fiscal year, rising 13.86% year-on-year. Competitive prices of Bangladeshi products and a higher demand among Western consumers have led to the growth despite all domestic and international odds. Export of knitwear products rose 15.02% to USD 12.04 billion, while that of woven garments grew 12.70% to USD 12.44 billion. The total garment exports were worth USD 21.51 billion in fiscal 2012-13. The total earnings from exports also saw a boost, rising 11.65% year-on-year to USD 30.17 billion in fiscal 2013-14. However, the amount narrowly missed the target at USD 30.50 billion for the year. Month-wise, Bangladesh exported goods worth USD 2.80 billion in June, the amount being 3.50% higher than that in the same month a year ago, and 8.65% lower from the target at USD 3.06 billion set for the month.

China, Japan pledge huge investment in Bangladesh

According to global monitors, Bangladesh is eyeing a huge foreign direct investment (FDI) in the coming months as both China and Japan have recently announced big plans to help the South Asian country to boosts its economy. In recent months, both Bangladesh and Japan have appeared to be committed to taking the bilateral relationship to a new level. And the Bay of Bengal Industrial Growth Belt (BIG-B) has emerged as a cornerstone of Japan's strategy for South Asia. The BIG-B concept consists of infrastructure improvement for industrial development, creating a better environment for investment, and improving solidarity and connectedness. Japanese Prime Minister Shinzo Abe paid an official visit to Bangladesh in September last year (2014). The Abe administration has vowed to unlock Bangladesh's huge potential, expedite growth, and take advantage of its geostrategic position. On his last visit to Bangladesh, Abe announced USD 5.9 billion in aid over the next four or five years to establish the country's first deep-sea port and build other major infrastructure, most notably a highly efficient power plant.

ECNEC okays BDT 1.9 billion Khagrachhari road development project

The government has taken steps to improve communications system in the Chittagong Hill Tracts (CHT) district of Khagrachhari, as ECNEC approved a BDT 1.90 billion cost project to this effect recently. Planning Minister AHM Mustafa Kamal said the Executive Committee of the National Economic Council (ECNEC) at its meeting endorsed the Khagrachhari Road Development Project along with four other ones at a combined cost of BDT 13.55 billion. The ECNEC meeting was held at the Planning Commission in the city with Prime Minister Sheikh Hasina in the chair. After the meeting the Planning Minister said that since the lifetime of the bridges on different roads in Khagrachhari district has almost expired, the government has decided to construct 34 PC girders, 9 RCC and 10 RCC box bridges. He said after reconstruction of the bridges, regular passengers and tourists will be able to visit the CHT areas smoothly. The Roads and Highways Department (RHD) will build the bridges within the period ranging from January 2015 to December 2017.

RoO being used as non-tariff barrier to exports from LDCs

Trade experts made a fervent call for building the country's trade-related capacity, getting the rules of origin further relaxed and strengthening the infrastructural backbone of the economy to help an optimum expansion of the export market. The suggestions came from a roundtable discussion on 'Bali Decision on Preferential Rules of Origin for LDCs: Issues for Bangladesh', as strict Rules of Origin (RoO) tags restrict access of the country's products to different overseas markets. Speakers at the meet highlighted the urgency of taking measures for relaxing the trade rules as Bangladesh is entitled to have preferential treatment to its exports by virtue of being a least-developed country. RoO are a set of principles applied to determine the originating status of a product imported into a country-essentially fixing a certain amount of local value addition to the item. But the RoO, according to the speakers, are frequently being used as non-tariff barriers to offer protection to domestic markets from competition. And this tool deprives the LDCs of the benefits associated with the Generalised System of Preferences (GSP).

Active mobile SIM number crosses 120 million in Bangladesh

The number of active mobile SIMs in the country has crossed 120 million, showed December data released by the telecom regulator recently. As of December last year (2014), the country's mobile operators saw a total of 120.4 million active SIM cards, increasing from 119.6 million in November. In April 2013 Bangladesh's telecom industry had reached having 100 million active SIMs. According to the Bangladesh Telecommunication Regulatory Commission (BTRC) figures, as of December 2014 the Grameenphone led the market with 51.5 million active SIMs, compared with 51.1 million a month earlier. And with this growth the leading operator's market share reached around 43%. Banglalink's customer base inched up to 30.9 million from 30.6 million active SIMs, while Robi ended December with 25.2 million, up from 25.1 million users in November. Airtel's customer base was 7.47 million in November 2014, which increased to 7.51 million in December. The state-owned operators Teletalk's ended December with having 3.86 million subscribers.

Consider home-grown policies for balanced development: economist

Bangladesh must pursue 'home-grown' policies to achieve various development goals, particularly narrowing inequality, an economist said recently. According to Abul Barkat, president of Bangladesh Economic Association (BEA), political economy of Bangladesh has diverged from the original vision held during the country's liberation. It is now time to rethink and put it back on the desired track. Policies developed locally are essential for proper development of a country as those incorporate local problems. Mr. Barkat suggested the government to rethink about manpower export. He said that manpower is the biggest asset for a country. Many developed countries cannot utilize their capital resources due to a lack of labor.

Financing SMEs: Challenges and strategies

All enterprises, large or small and medium-sized, need financing from start-up business to supply of finished products or services to the consumers. Small and medium-sized enterprises (SMEs) play a vital role in employment generation, economic growth and development in developed and developing economies alike. SMEs are epitomized as 'engines of growth' by economists. Some developing countries face enormous problems in financing enterprises, especially the SMEs. Economic, financial and political factors always stand as a stumbling block on the way of developing and financing SMEs. Various research institutions have identified some common barriers being faced by SMEs in developing countries that hinder survival, growth and innovation. Most failures of SMEs are due to multiple factors such as under-capitalization, short-term liquidity problems, insufficient working capital, insufficient start-up capital and weak financial management.

The SMEs, firms with fewer than 500 employees, are the backbone of the US economy. These make up 99% of all firms, employ over 50% of private sector employees and generate 65% of net new private sector jobs. These units account for over half of US non-farm GDP and represent 98% of all its exports and 34% of its export revenue. SMEs play a significant role in all economies and are the key generators of employment and income, and drivers of innovation and growth (extracted from an article by M Jalal Hussain).

5 lakh solar-powered irrigation pumps to be installed by '20

In an effort to sharply reduce the use of conventional power, Power Division has initiated a move to install 5,00,000 solar-powered pumps across the country by 2020 for irrigation. The Power Division is currently moving ahead with a program to replace about 1,50,000 diesel and conventional electricity-run irrigation pumps with solar-powered ones by 2017. But, the new initiative has been taken recently to increase the number of solar-powered pumps under a power system master plan. According to Siddique Zobair, joint secretary of the Power Division and a member of the Sustainable and Renewable Energy Development Authority, the latest plan is to install 5,00,000 solar-powered irrigation pumps by 2020. The capacity of each of the solar-powered irrigation pumps will be about 8 kilowatt peak and those would able to run for 5-8 hours a day to pump about 5,00,000 litres of water. The Power Division has been created SREDA as a new entity to promote renewable energy, particularly the solar power across the country as green and sustainable energy. Of the 5,00,000 solar-powered irrigation pumps, some will be installed replacing the existing diesel-run ones and conventional electricity pumps while some will be installed as new ones in new areas.

Listed multinational cos shine in 2014

Name of companies	Open price in 2014	Closing price in 2014	Gain in %
Lafarge Surma Cement	Tk 31	Tk 138	345
GrameenPhone	Tk 205	Tk 360	75.61
Berger Paints	Tk 850	Tk 1400	64.71
BATBC	Tk 1600	Tk 2600	62.5
Bata Shoe	Tk 700	Tk 1100	57.14
Glaxo SmithKline	Tk 1000	Tk 1500	50.00
Marico BD	Tk 770	Tk 1100	42.85
Linde BD	Tk 640	Tk 900	40.62
Heidelberg Cement	Tk 390	Tk 500	28.21
Reckitt Benckiser	Tk 900	Tk 1050	16.67
Fu-Wang Foods	Tk 23.10	Tk 24.80	7.35
Singer Bangladesh	Tk 205	Tk 215	4.88
Fu-Wang Ceramics	Tk 20	Tk 15.50	-22.5

According to statistics from the DSE, share prices of listed multinational companies (MNCs) posted hefty gains in the just concluding calendar year compared to previous year. Presently, a total of 13 multinational companies listed on the Dhaka Stock Exchange (DSE) account for 34% of the total market capitalization. Of the 13 listed MNCs, 12 witnessed price appreciation between the range of 345% to 4.88% while one saw 22.5% price fall in the just concluding calendar year. Lafarge Surma Cement witnessed the highest gain with a whopping 345% over the year as its opening price in 2014 was BDT 31 and at the end of the year its price stood at BDT 138. Analysts said that merger of Switzerland's Holcim and French Lafarge spurred the sharp rise of the cement company.

Grameenphone (GP), the country's top mobile phone operator, followed next in terms of price rise. GP's share price rose 75.61% to BDT 360 at the closing session of the year. Each share of Berger Paints, Bangladesh closed at BDT 1400 from opening price of BDT 850, registering an increase of 64.71% over the year. British American Tobacco Bangladesh (BATBC) followed next with gaining 62.5% as its' opening price was BDT 1600 and closed at BDT 2600 in 2014. Bata Shoe witnessed 57.14% rise over the year, followed by Glaxo SmithKline 50%, Marico BD 42.85%, Linde BD 40.62%, Heidelberg Cement 28.21%, Reckitt Benckiser 16.67%, Fu-Wang Foods saw 7.35% and Singer Bangladesh witnessed 4.88% while Fu-Wang Ceramics saw 22.5% price decline over the year.

Dhaka chamber seeks Wales investment in Bangladesh

Dhaka Chamber of Commerce and Industry (DCCI) president Hossain Khaled has called upon Wales entrepreneurs to invest in various sectors in Bangladesh. His call came when a visiting business delegation of Wales-Bangladesh Chamber of Commerce made a courtesy call on leaders of the DCCI in the capital recently. Mr. Khaled said the Wales entrepreneurs could invest in areas of roads and highways, tourism infrastructure, industry, hotels, agro-based industries, hospitals, telecommunication, IT, leather goods, synthetic leather, textile, textile dyes and chemicals, small power generation plant, automobile spare parts, battery, food industry and fruit processing sectors in Bangladesh. The 24-member WBCC delegation led by its Chairman Dilabor A Hussain met the DCCI president Hossain Khaled and members of the board of directors. Deputy Director of Welsh Government Mike Hnyda was also present during the meeting. Welcoming the delegation, Khaled said Wales and Bangladesh both were the land of opportunities where entrepreneurship was vibrant. The DCCI president said Bangladesh and Wales should increase trade-related programs to boost trade between the two parties.

20 customs officials, stakeholders get WCO award

National Board of Revenue, Bangladesh

জাতীয় রাজস্ব বোর্ড, বাংলাদেশ

The National Board of Revenue (NBR) recently awarded 20 persons including customs officials and stakeholders World Customs Organization's Certificate of Merit for their outstanding performance in customs affairs. Finance minister Abul Maal Abdul Muhith handed over the certificates to the individuals at a program organized by the Bangladesh Customs of the NBR on the occasion of the World Customs Day at the Bangabandhu International Conference Centre in the capital. Of the 20 award recipients, 16 are customs officials, one businessman, one commerce ministry official and two are customs agents. The award recipients are Customs, Excise and VAT Training Academy Director General Md. Anwar Hossain, Customs Intelligence and Investigation Directorate director general Moinul Khan, Duty Exemption and Drawback Office director general Farjana Afroz, joint commissioners Firoz Uddin Ahmed, Shamsul Islam and ABM Shafiqur Rahman, Central Intelligence Cell deputy director Mushfiqur Rahman, NBR second secretary Sadhan Kumar Kundu, assistant commissioners Abul Aala Muhammad Amimul Ehsan Khan, Rukba Iffat, Prabhat Kumar Singh and Md Kamruzzaman, revenue officers Nanda Kishore Dey and Taleb Uddin, assistant revenue officers Redwan Ullah Bhuiyan and Ramiz Sikder, commerce ministry's WTO Cell director Nesar Uddin, Envoy Group chairman Kutubuddin Ahmed, C&F agents Sheikh Md Farid (Dhaka) and Motiar Rahman (Benapole).

Govt mulls expansion of Gopalganj BSCIC Park

The government has planned to set up 360 industrial plots in the BSCIC Park of Gopalganj district, which would create nearly 2500 new jobs. According to an official of planning ministry, a total of 250 industrial units would be installed at the BSCIC Park, of which 10% would be reserved for the women entrepreneurs. He said the direct employment of 2500 people in the industrial park would help eliminate poverty in the district. In this connection, the Bangladesh Small and Cottage Industries Corporation (BSCIC) has taken a project involving BDT 980 million to expand the Gopalganj Industrial Park. The project is now awaiting the final approval of the Executive Committee of the National Economic Council (ECNEC). The planning ministry official said potential entrepreneurs and labourers are available in the district. In addition, export and import would be easier from the industrial park after the completion of the Padma Multipurpose Bridge. The project is scheduled to be completed by 2016. The main activities of the project are to expand the existing park to 50 acres, development and construction of road and drainage system and installation of power connection.

Hutchison in 'exclusive' talks buy telco O_2 for USD 15.4 billion

Hong Kong tycoon Li Ka-shing's Hutchison Whampoa recently said that it is in "exclusive negotiations" to buy O_2 for up to USD 15.4 billion, in a deal that would create UK's biggest mobile phone group. Hutchison confirmed in a statement that it was in talks to buy the company from Spain's Telefonica for 9.25 billion pounds, with a deferred further payment of up to 1 billion pounds after completion of the deal. It said the deal was subject to due diligence and regulatory approvals and also said that the negotiations may or may not result in any transaction. Hutchison already owns Britain's Three mobile phone network and the purchase of O_2 would create the country's largest mobile company. The move comes after Hong Kong investment icon Li, a former plastic-flower seller who is now Asia's richest man, announced this month a USD 24 billion revamp of his vast business empire, and is the latest in a string of purchases. The potential acquisition of O_2 is part of Li's quest for international diversification and steady growth.

According to Bloomberg News, Hutchison finance director Frank Sixt said the deal would probably face anti-trust scrutiny from the European Commission and would not be closed until mid-2016. He said that the deal would mean Hutchison owns the largest mobile operator in Britain by market share. British telecoms giant BT had said in November 2014 it was in preliminary talks to buy back O_2.

Indonesia: a slippery road to recovery

According to the IMF, it is unrealistic for Indonesia to see a V-shape bounce in its economic status due to recent headwinds, moving against market expectations. Instead, 2015 is going to be the year where President Joko "Jokowi" Widodo is going to lay the foundations for the country's new growth model, which will take a few years to bear fruit, said Jakarta-based Ben Bingham, senior resident representative for the IMF. The country's new growth model includes establishing solid macro foundations on both fiscal and monetary fronts as well as the need to deliver employment opportunities, which will in turn improve the living standards for a bulk of the population. The Central Statistics Agency (BPS) released Indonesia's latest poverty data in January, which found that 27.73 million people, or about 11% of the country's population, lived below the poverty line as of September 2014. The agency defines being poor as living on less than Rp312,328 (USD 25) a month. Although the number of people living below BPS's "basic needs" poverty line fell from 28.8 million (11.25%) in March 2014.

American CEOs most bearish on earnings since 2008 crisis

U.S. Chief Executive Officers are more pessimistic about corporate earnings than any time since the financial crisis, according to research from Bespoke Investment Group LLC. The percentage of companies cutting profit forecasts during this earnings season has outpaced those with upward revisions by 8.6 percentage points, the widest margin in six years, according to data compiled by Bespoke. Consumer companies and drug makers are the most bearish among 10 major industries, with at least 18% of each group providing lower guidance. Plunging oil and a strengthening dollar are wreaking havoc on earnings this month as Procter & Gamble Co. to Caterpillar Inc. and Pfizer Inc. joined an increased number for companies to announce disappointing forecasts. While the reduction in projections sets a lower bar for companies to exceed, the dismal outlook undermines the bull market where five years of profit expansions have helped the Standard & Poor's 500 Index triple.

Alwaleed's Kingdom Holding plans to IPO investments

Kingdom Holding Co., the investment company owned by Saudi billionaire Prince Alwaleed Bin Talal, is planning to sell shares in a "significant" number of assets. The firm, through which Prince Alwaleed holds stakes in companies including Citigroup Inc. and Twitter Inc., is considering offerings on the Saudi stock exchange and internationally, Chief Financial Officer Mohammed Fahmy said in an interview in Riyadh. Flynas LLC, the Saudi budget airline in which it holds a 34% stake, is among companies planning share sales, he said, declining to identify others. Kingdom Holding, which owns half of the Savoy hotel in London and is backing a project to build the world's tallest tower in Jeddah, took an early interest in Twitter and Beijing-based online retailer JD.com Inc. Those investments have yielded an internal rate of return of more than 30% and 75% respectively since they went public in the U.S. last year, Fahmy said. Alwaleed is considering an initial public offering or merger of Four Seasons Holdings Inc. and Fairmont Hotels & Resorts Inc. The prince, the world's richest man, according to data compiled by Bloomberg, holds a 95% stake in the Four Seasons chain with Bill Gates.

CRH agrees to buy Holcim-Lafarge Assets for USD7.3 billion

CRH Plc, the Irish building-materials company, entered a binding agreement to buy assets that cement makers Holcim Ltd. and Lafarge SA need to sell ahead of their planned merger. The deal will allow Dublin-based CRH, which is partnering with KKR & Co., to move into new markets and expand its presence in existing ones. The builder, which was formed in 1970 through the merger of two Irish companies, already operates in 35 countries with about 76,000 people and has about 18 billion euros in annual sales. The transaction has an enterprise value of 6.5 billion euros (USD 7.3 billion) and will be funded by a combination of cash on balance sheet, new debt and a 9.99% equity placing, CRH said recently. Holcim and Lafarge needed to divest businesses with revenue of about 5 billion euros to ensure regulatory approval for their merger which will combine cement- and crushed-rock operations with USD 40 billion in annual revenue. The companies expect the merger, agreed on in April 2014, to be completed in the first half of this year (2015).

Cromwell seeks to raise € 200 million through CB

Cromwell Property Group, the Australian property fund manager, sought to raise up to € 200 million through a convertible bond issue recently to help fund the acquisition of a European property group. The euro-denominated convertible has a five-year maturity with no investor put. It offers a 1.875% to 2.375% yield-to-maturity and converts into Cromwell shares at a 5% to 10% premium to the January 23 closing price of AUD 1.07, according to a term sheet seen by FinanceAsia. Proceeds will go towards Cromwell's € 145 million acquisition of Valad Europe, a European property investments manager with € 5.3 billion in assets under management. The base offering size totaled € 150 million with an upsize option of an additional €50 million. The annual coupon rate ranged between 1.875% to 2.375% and is payable semi-annually, the term sheet said. Bank of America Merrill Lynch was the sole bank on the deal. The deal finally closed at € 150 million, with the conversion price being set at AUD 1.15 per unit, according to a term sheet. This represented a conversion premium of 7.5% above the January 23 price of AUD 1.07 per unit.

Egypt's Global Telecom to sell Djezzy majority stake for USD 2.6 billion

Egypt's Global Telecom (GTH) will sell a 51% stake in Djezzy for USD 2.6 billion while keeping operational control of the Algerian mobile operator, Global said recently. The sale to the Algerian National Investment Fund (FNI) is the result of a deal reached last April between GTH's Russian parent firm Vimpelcom and Algeria to end a dispute over the country's moves to nationalize Djezzy. Despite holding less than 51% of the company, GTH, formerly known as Orascom Telecom, will continue to exercise operational control over Djezzy through a shareholder agreement that creates a public-private partnership, the statement from GTH and Vimpelcom said. Global Telecom's shares were up 5.4% on the Egyptian stock exchange at 0840 GMT at 4.90 Egyptian pounds. Once known as Orascom Telecom Algeria, Djezzy was a prized asset which Vimpelcom bought in 2010 from Egyptian tycoon Naguib Sawiris as part of a more than USD 6 billion deal as it aimed to diversify outside of Russia.

Abu Dhabi's Waha Capital to invest USD 870 million cash bounty - CEO

Abu Dhabi investment firm Waha Capital plans to invest 3.2 billion dirhams (USD 872 million) in the short-term to grow its energy, healthcare and infrastructure portfolio, its Chief Executive said recently. Salem Rashid al-Noaimi spoke to Reuters after the firm posted an 88% increase in fourth-quarter net profit to 142.1 million dirhams and a more-than fivefold increase in annual profit to 1.73 billion dirhams, bolstered by deals around its investment in AerCap Holdings. AerCap Holdings, in which Waha was the largest shareholder, bought American International Group's aircraft leasing business in a USD 5.4 billion cash and share deal that was completed in May. This diluted its stake in the firm by almost half but provided it with significant cash to deploy into new deals. Its cash position was bolstered further in December, when Waha hedged 12 million shares it owned in AerCap and sold a further 3 million shares in the aircraft leasing firm, giving it USD 532 million in funding.

Three cars designed and manufactured in Africa

According to the World Bank, Sub-Saharan Africa is projected to remain one of the fastest growing regions in the world. While Africa's economy is soaring past most regions with an annual growth of about 5% due mainly to increased agriculture production, infrastructure investment including transportation, ports and energy as well as buoyant services led by tourism, telecommunications and financial services, the continent's middle class is expected to swell to approximately 300 million people. Additionally, the World Bank projects private consumption in the region to remain strong in 2015-17; particularly with the continent's burgeoning middle class looking to splurge on new passenger vehicles and for most, their first such purchase. Last year, Africa was projected to see sales of new 2 million cars with major auto players such as Toyota, Tata Motors and General Motors GM -1.63% looking at the continent for growth opportunities. According to Zawya, there are approximately 21.6 million passenger vehicles operating in Africa; making the continent's nearly 1.2 billion population a very attractive prospect for automobile manufacturers to penetrate. Not to be left out, African entrepreneurs are also entering the automobile industry; designing and developing vehicles geared for the local market and local consumers.

Security Bank cracks open bond investors

SECURITY BANK

Security Bank, the Philippines' tenth largest bank by assets, completed its maiden offshore bond recently, offering a small new issue premium to its nearest comparable, Rizal Commercial Banking Corporation (RCBC). The BB+/BB rated issuer priced a USD 300 million five-year Reg S deal at par with a coupon and re-offer yield of 3.95%. This was 25bp inside initial guidance around the 4.2% area and the tight end of final guidance of 3.95% to 4%. The order book closed with about USD 1.75 billion in demand from 187 accounts, of which 58% came from the Philippines, 35% Asia and 7% Europe. By investor type banks took 50%, funds 38%, private banks 7% and pension funds 5%. High demand enabled the deal to price not far back from RCBC's 4.25% January 2020 bond. This was bid at 101.875% at the time of pricing, equating to a yield of 3.833%.

Goldman Sachs names Stephen Wong HK IB chairman

Goldman Sachs has promoted Stephen Wong to Chairman of investment banking in Hong Kong, after the US investment bank landed a string of high-profile deals and further integrated its China teams. Wong was previously Goldman Sachs's head of coverage for Hong Kong investment banking clients, a role he has held since 2011. In his newly created position he will continue to cover many of the US bank's most significant clients in the territory. Wong's close connections with the Fung family helped Goldman Sachs land a role on OCBC's USD 5 billion purchase of one of Hong Kong's few remaining family-run banks, Wing Hang. Goldman Sachs advised Wing Hang on the deal, which was the largest acquisition of a financial institution in Hong Kong since 2001 and the largest take-private in Asia since 2008.

BBVA sells China Citic Bank stake for USD 1.7 billion

Spain's Banco Bilbao Vizcaya Argentaria has agreed to sell 4.9% of China Citic Bank Corp. to Chinese real estate firm Xinhu Zhongbao for HKD 13.136 billion (USD 1.69 billion) to help bolster its balance sheet, the latest step in its divorce with China's seventh-largest bank by assets. The deal announced recently follows BBVA's December sale to China Citic of a 29.68% stake in Citic International Financial Holdings, which is China Citic's unlisted Hong Kong-based unit, for about €845 million (USD 948 million). In 2013, BBVA trimmed its stake in China Citic to just below 10%. BBVA's remaining 4.7% looks earmarked for sale as soon as feasible. Other Chinese banks have been ditched by undercapitalised US or European financial institutions. In 2013 Goldman Sachs exited Industrial and Commercial Bank of China and Bank of America Merrill Lynch sold its remaining stake in China Construction Bank.

BBVA earlier sold another 5.1% stake in China Citic for USD 1.27 billion. In that sale in October 2013 Citic, the state-owned parent group, bought China Citic's H shares. BBVA and China Citic Bank also agreed to modify their strategic agreement to release the European bank from an exclusivity obligation restricting it to cooperating with China Citic in China.

IMF slashes 2015-2016 world growth forecast

The International Monetary Fund (IMF) recently sharply cut its 2015-2016 world growth forecast of only six months ago, saying lower oil prices did not offset pervasive weaknesses around the globe. The IMF said poorer prospects in China, Russia, the euro area and Japan will hold world GDP growth to just 3.5% this year and 3.7% in 2016. The forecasts were lower than the 3.8% and 4% growth for 2015 and 2016 respectively given in the previous World Economic Outlook in October. The cut underscored the steady deterioration of the economic picture for many countries, due to sluggish investment, slowing trade and falling commodity prices. While the United States will remain the one bright spot among major economies, Europe will continue to struggle with disinflation, the IMF said. Meanwhile, China's growth, which Beijing said recently had slowed to 7.4% in 2014, its weakest for 24 years, will decelerate further, hit by poor export growth and a real estate slump, the organization said. The IMF forecast that the United States, the world's largest economy, will expand by 3.6% this year, up a half-percentage point from the previous outlook. But the economy of China, the global number two, is expected to grow 6.8% this year, the IMF said, 0.3% slower than previously expected, and 6.3% in 2016.

China's Tencent launches private online bank

Chinese Internet giant Tencent, operator of the popular messaging app WeChat, has launched an online bank, a state-backed newspaper said recently, as the government seeks to foster private lenders. The online bank, called WeBank, will be fully Internet-based with no physical branches, the China Daily newspaper said. WeBank, approved by regulators in July, made its first loan at the weekend, although its formal opening is planned for April, the report said. Shenzhen-based Tencent holds a 30% stake in the new bank, with two local investment firms among the other major shareholders, it added. Nearly all of China's banks are state-owned, but are criticized for preferring to lend to state-owned firms, stifling the provision of credit to private enterprise, and the government hopes private lenders will introduce more competition to the sector.

Myanmar set to open first stock exchange by October

Myanmar's Deputy Finance Minister has said the country will launch its first official stock exchange by October, as the emerging economy takes another step towards opening up after decades of isolation. Maung Maung Thein said the former junta-run nation was on track to launch the bourse in the country's main commercial hub of Yangon. Myanmar's central bank signed a joint venture agreement with Japan Exchange Group and Daiwa Institute of Research, the research arm of Daiwa Securities Group, last month to set up and run the Yangon Stock Exchange following years of discussions. Myanma Economic Bank will own the controlling 51%-stake in the Yangon Stock Exchange Joint-Venture Company with the remainder divided between the Japanese partners, the state-backed Global New Light of Myanmar reported recently. The newspaper quoted Maung Maung Thein as saying Myanmar was one of only nine countries in the world, including North Korea and Brunei, without a stock exchange.

IMF applauds India for cutting fuel subsidy

The International Monetary Fund (IMF) had lauded India's efforts to cut fuel subsidies, saying the fall in global crude oil prices provides a golden opportunity to reduce energy subsidies. While speaking about the outlook for the global economy in 2015, IMF Managing Director Christine Lagarde said that the drop in oil prices provides a golden opportunity to cut energy subsidies and use the savings for more targeted transfers to protect the poor. The government, in October last year (2014), deregulated diesel prices. Following the decision, retail prices of the fuel now reflects international movement in oil prices. In 2013-14, government provided Rs 70,772 crore by way of cash subsidy while upstream firms Rs 67,021 crore towards subsidising fuels such as diesel, LPG and kerosene. Aided by global crude oil price plunge -- the lowest since 2009 -- government expects the oil subsidy bill to be dropped by 60 per cent in 2014-15. On infrastructure investment, Lagarde said India needs to focus on removing bottlenecks in transportation and energy sector that constrain the growth prospects.

Commodity Markets Outlook: World Bank

Trends. Although the energy price index experienced the largest drop in 2014 Q4 (mostly due to oil), all three industrial commodity price indices (energy, metals and minerals, and agricultural raw materials) have experienced nearly identical declines from their 2011 Q1 peaks: 37, 36, and 35% lower as of December 2014. The moderate decline in agricultural prices (down 24% during this period) reflects strengthening beverage prices (led by the rally in Arabica coffee prices) and some other food items (mostly meat products).

Outlook and risks. The broad-based weakness in commodity prices is expected to extend in 2015. In fact, 2015 is a rare case in which all nine key commodity price indices are expected (as of January) to decline for the year. In the baseline scenario, which assumes no further deterioration in the global macroeconomic environment and OPEC abstaining from any form of supply management, oil prices are expected to average USD 53/bbl in 2015, 45% lower than 2014. The large production capacity currently in place points to a continuation of low prices for some time, with prices recovering only modestly, by USD 4/bbl, in 2016. The weakness in crude oil prices will extend to other energy markets, especially natural gas in Europe and Asia. The European natural gas and the Japanese liquefied natural gas (LNG) price benchmarks are projected to decline 15 and 30%, respectively, in 2015. Moderate price declines are expected for coal and U.S. natural gas as well. There are two risks to these forecasts.

Further demand and supply pressures: On the supply side, despite the fact that the costs of extracting unconventional oil may be above current oil prices, because most of these costs are sunk, it will take at least a year before supply moderates and is likely to occur through cancelation of new projects. Furthermore, most energy companies have engaged in cost reduction measures, enabling them to sustain most projects. On the demand side, the International Energy Agency expects further weakening, with oil consumption projected to average 93.3 mb/d in 2015, according to the January 2015 assessment, down from 94.1 mb/d in July 2014.

OPEC's policies: A significant part of the decline in oil prices has been driven by the cartel's November 27 decision to let markets determine the price rather than engaging in supply management. Prior to the November decision, Saudi Arabia—OPEC's largest and most influential member—engaged in a series of price discounts to various Asian oil importers, thus signaling the cartel's intention to abandon price targeting. OPEC has repeatedly stated that the cartel will not act even if prices decline to USD 20/bbl.

Agricultural prices, which fell 3.4% in 2014, will decline almost 5% in 2015 (before recovering marginally in 2016) given that current good crop prospects are unlikely to be reversed during the remainder of the season. Some variation in agricultural prices is expected, however. Grain prices are projected to decline almost 4% in 2015, while prices of edible oils and meals will drop more than 7%. Although prices of other food items will remain almost unchanged in 2015, some small declines (e.g., shrimp and chicken) will be offset by increases in beef. Beverage prices will decline almost 6%, driven by coffee (Arabica) prices as the market rebuilds lost supplies due to Brazil's crop failure in early 2014. Most price risks in agriculture are on the downside.

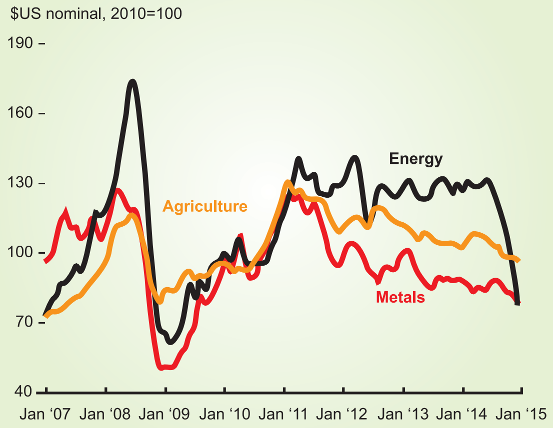
Well-supplied markets: In its January 2015 assessment, the U.S. Department of Agriculture maintained its comfortable supply outlook for most grains and oilseeds. The stock-to-use ratio, a measure of whether markets are well supplied, is expected to increase for wheat and maize and most oilseeds (but decline for rice).

Trade policies: Given the well-supplied nature of most grain and oilseed markets, export restrictions are unlikely to be imposed (as they were on 2008/09) and, if they are, they will be sporadic and, thus, ineffective.

Biofuels: The collapse in oil prices removes one of the key forces that supported biofuel production in recent years: energy scarcity and security concerns. While biofuel production received broad-based support when oil was above USD 100/bbl, it is unlikely that policymakers will be able to justify transfers from consumers to grain and oilseed producers at USD 45/ bbl, pointing to a drop in biofuel production in the near term.

Metal prices are expected to decline 5.3% in 2015 on top of last year's 6.6% decline. Fertilizer prices are projected to fall marginally (2.1%) after last year's 11.6% decline, as price moderation in natural gas feeds into prices of nitrogen-based fertilizers. A moderate decline is also expected in precious metal prices as institutional investors view them less attractive "safe haven" investment vehicles; reduced demand by China and India will also contribute to the weakness. The key risk on metals prices is a sharp slowdown in the Chinese economy, as China accounts for almost half of world metal consumption. However, a sharp slowdown of the Chinese economy remains a low probability scenario at present.

FIGURE 1 Commodity price indices



Source: World Bank.

FIGURE 2 Food price indices

Source: World Bank

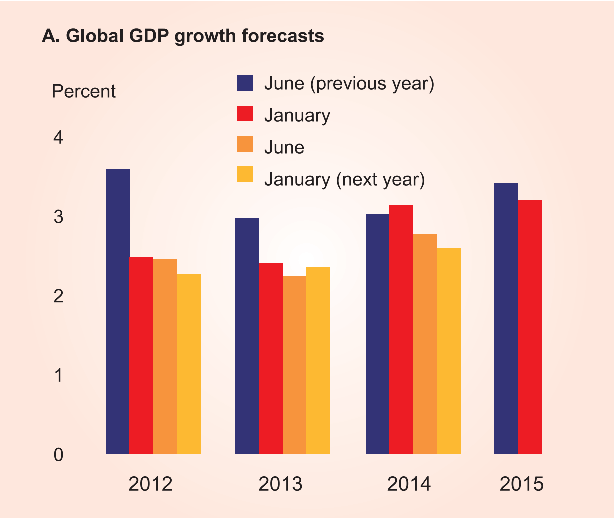
Global Outlook: World Bank

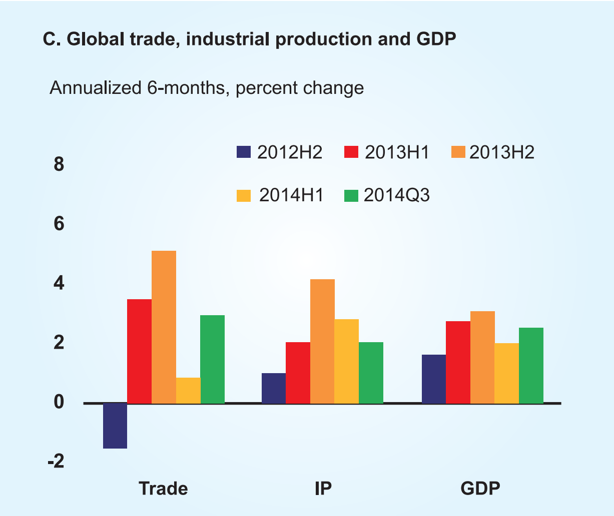
The recovery has been weaker than anticipated in June 2014, partly for one-off reasons, with a string of disappointing growth outturns in the Euro Area, Japan, parts of emerging Europe (especially Russia) and Latin America. The Euro Area and Japan accounted for more than half of the downward revisions to global growth in 2014 (and one-third of the downward revisions to global growth in 2015). Global growth picked up only marginally to 2.6% in 2014 from 2.5% in 2013. Some of the factors that set back activity, however, were slowly fading in the second half of the year, and growth is expected to settle at 3.0–3.3% for 2015-17. Partly as a result of the modest growth outlook, commodity prices are expected to remain low and trade growth weak. In particular, following their sharp drop in the second half of 2014, soft oil prices are expected to persist, supporting global growth but dampening prospects for oil-exporting countries. With the recent decline of inflation expectations, monetary policy tightening is likely to be delayed in some high-income countries, and, even once it begins, policy rates are expected to remain low for an extended period. Growth in major economies has increasingly diverged, as the United States and the United Kingdom gained momentum, while the Euro Area and Japan lag behind. China is still growing at a robust pace but continues on a path of gradual deceleration.

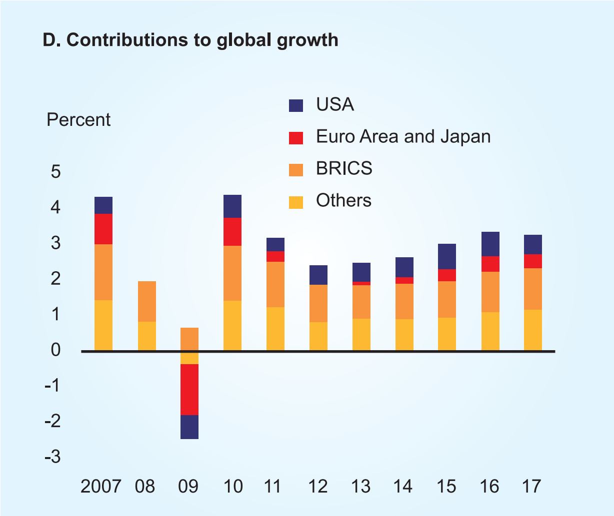
Growth in middle- and low-income countries slipped to 4.4 % in 2014. The slowdown in several large middle-income economies mainly reflects cyclical factors, domestic policy tightening, and political tensions. However, deeper, structural factors, including a trend slowdown in productivity, dampen growth prospects over the medium-term. Since the post-crisis rebound, output growth in the developing world has settled at a pace below that of the first decade of the 2000s. A sharp decline in oil and other commodity prices and softening growth, partly due to tighter monetary policies, is helping reduce inflation pressures in many developing countries. Low-income countries have been the exception: despite headwinds from the commodity price declines and in West Africa from the Ebola epidemic, growth strengthened on the back of rising public investment, robust capital inflows and solid harvests.

Recent developments and global outlook

Global growth disappointed again in 2014 but is expected to pick up in 2015-17. Some high-income countries are projected to contribute more to global growth.







Source: World Bank

WELLS FARGO SECURITIES ECONOMICS GROUP REPORT

U.S. Overview

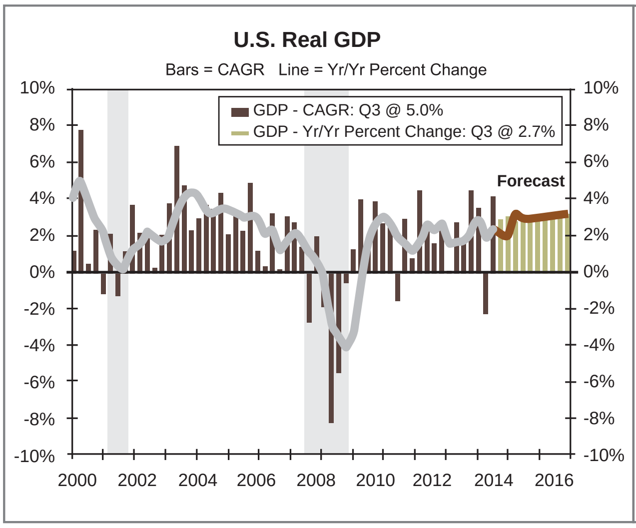
Better First Half of 2015, Fed Call Key

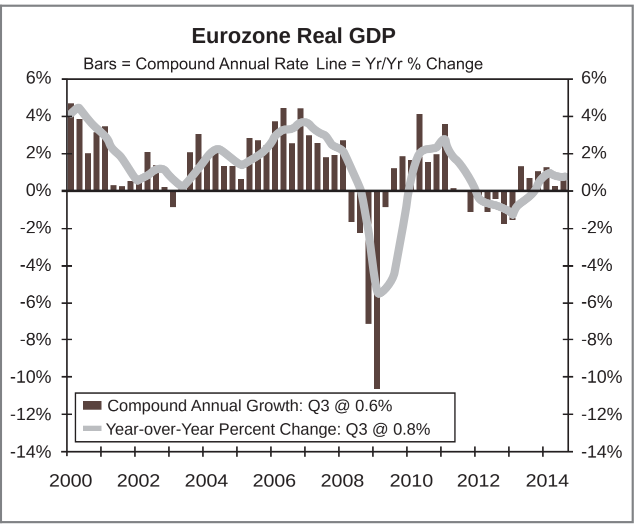
Wells Fargo's forecast remains for U.S. real GDP to grow roughly 2.5-3% in each of the next two years, marking the strongest two-year period since the middle of the 2001-2007 economic expansion. The composition of growth should remain broad-based. Much of the improvement will come from a stronger labor market as slack continues to diminish. Wells Fargo expects employers to add around 220,000 jobs per month and the unemployment rate to continue to steadily decline in 2015. One notable area that will get a lift from better job prospects is consumer spending. In 2015, consumption will be bolstered by better household balance sheets, stronger income growth and lower retail gasoline prices. Residential investment is expected to strengthen next year as single-family construction and sales activity continue to normalize. However, slower economic growth for some of America's important trading partners and a stronger dollar mean that net exports will likely detract from U.S. real GDP growth for the second-straight year. Falling energy prices will likely pull headline inflation measures lower during the first half of 2015. Core inflation will likely be less affected and should remain well contained given the slack still in the labor market, as well as a stronger dollar, which will hold down prices of imported goods and services. With inflation running below the Fed's target, the Federal Open Market Committee (FOMC) will continue to enjoy a wide degree of latitude in normalizing short-term interest rates, with the first rate hike unlikely to come before June.

International Overview

New Year, Same Uncertainties

The global economy started the year by exposing some of the same uncertainties left by the year that just ended. On top of that, old threats seem to have rekindled in the early part of the year as Paris was hit by one of the most serious terrorist attacks in decades. Although the terrorist attack likely will not have any measurable impact on economic activity per se, it comes at a time when the Eurozone is still facing some tough economic times and markets are expecting the European Central Bank (ECB) to further engage in quantitative easing by buying sovereign bonds to try to support economic growth across the region. The rest of the global economy is not doing much better than the Eurozone, with Chinese economic growth expected to slow down further over the next several years and stabilize close to 6.5% per year, way below the double digit-growth recorded during the first decade of this century. But, not all is bad in this environment. The decline in petroleum and gasoline prices, while hurting oil producers and exporters all across the world, is helping consumers at a time when the world economy needs those consumers to step up to the plate and start consuming again. That is, disposable personal income across the world is expected to benefit and this should help global demand and economic growth during the year. It is still too early to tell what will be the net effect of this lower oil price environment in terms of global economic growth, especially if governments across the world start raising taxes on gasoline to capture revenues lost due to the decline in the price of oil. Perhaps the biggest threat to this new global balance between supply and demand factors across the world would be the future path of inflation.





Source: U.S. Department of Commerce, IHS Global Insight and Wells Fargo Securities, LLC