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China's VAT Reform: Balancing Inflation?

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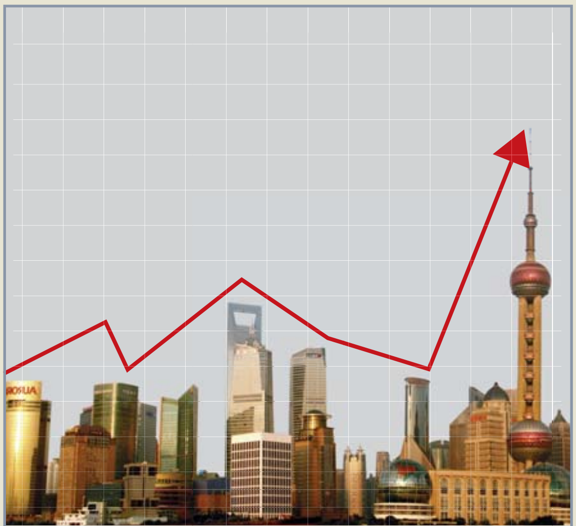

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China's VAT Reform: Balancing Inflation?




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Nymphea

China's VAT Reform: Balancing Inflation?

For more than 30 years since the beginning of the reform and opening up, the taxation system of China has gone through several major reforms. Taxes provide the most important revenue source for the Government of the People's Republic of China. As the most important source of fiscal revenue, tax is a key economic player of macro-economic regulation, and greatly affects China's economic and social development.

Taxation in China

In the early days of the reform and opening up, the adaptation to the requirements of opening up and the establishment of foreign-related taxation system are made as the breakthrough points of tax reform. In 1983 and 1984, the reform of "substitution of tax payment for profit delivery" on the state owned enterprises was carried out in two phases, which established the distribution relations between the State and the enterprises within the taxation system. In 1994, China implemented a tax reform with the largest scale, widest scope, most significant effectiveness and furthest-reaching influence since the foundation of new China. This reform focused on the goal of the establishment of socialist market economy system, and actively established the taxation system that met the requirements of socialist market economy system. Since 2003, in accordance with the requirements of the scientific outlook on development, and with the focus on the improvement of socialist market economy system and the goal of building a moderately prosperous society in all respects, China has implemented a series of tax reform in several phases, such as the rural tax and fee reform and the improvement of goods and service tax system, income tax system and property tax system, and the reform on export rebate mechanism. After several reforms, for the present, China has 19 tax categories, i.e. value added tax, consumption tax, business tax, enterprise income tax, individual income tax, resource tax, urban and township land use tax, house property tax, city maintenance and construction tax, tax on the use of arable land, land appreciation tax, vehicle purchase tax, vehicle and vessel tax, stamp tax, deed tax, tobacco leaf tax, customs duty, tonnage dues, and fixed assets investment orientation regulatory tax. Of which, 17 tax categories are to be collected by tax authorities; the fixed assets investment orientation regulatory tax was suspended to be collected as from 2000 as determined by the State Council; customs duty and tonnage dues are to be collected by the customs, in addition, the import value added tax and import consumption tax are to be withheld by the customs.

China's tax revenue came to 6.31 trillion yuan (924 billion USD) in 2009, up 9.1 percent on 2008. The government agency in charge of tax policy is the Ministry of Finance and for tax collection, State Administration of Taxation.

VAT Reforms

On 26 October 2011, China's State Council took the first tangible steps towards implementing significant Value Added Tax (VAT) reforms in China. In an announcement issued by Premier Wen Jiabao, the Chinese government indicated its desire to replace business tax (BT) with VAT incrementally, value added tax reforms commencing with a pilot program in 2012.

In joint circulars issued by the Ministry of Finance (MoF) and the State Administration of Taxation (SAT), Caishui [2011] No.110 and No.111, detailed implementation and transitional rules were released to give effect to a pilot program in Shanghai to replace Business Tax (BT) with a VAT, commencing on 1 January 2012. While the pilot program is limited to Shanghai and to particular industries only, the implementation and transitional rules are likely to serve as a roadmap to the way the reforms will ultimately be implemented across the whole of China.

Reforms of this magnitude will undoubtedly give rise to many short-term issues and potentially some unintended outcomes for business. Fundamentally though, the replacement of BT (a tax on business) with a VAT (a tax collected by business, but effectively borne by the end-consumer), is a welcome change for business. With over 150 countries around the world having now implemented a VAT, these reforms should also system of indirect taxes with the world's best practice.

Key Conceptual Elements

It is tempting, given the breadth of the rules that have been issued by the MoF and the SAT, to become so immersed in the detail that one risks losing sight of the objectives, which those rules seek to implement. Given this, it is worthwhile reiterating some important conceptual elements:

- BT is a tax which applies to each transaction in a supply chain. By contrast, VAT is a tax which, although applying to each transaction in a supply chain, effectively only taxes the final

2012 Tax Policy Outlook, China

Key drivers

- Due to accelerated tax globalization, the key tax policy drivers are to protect China's interest in the globalized environment and resolve international tax matters involving China.
- The country's development strategy, the 12th Five–Year Plan (for years 2011–2015), was approved by the National People's Congress in March 2011. Any tax policy change is likely to be aligned to the economic goals outlined in the 12th Five–Year Plan.
- In May 2011, the State Administration of Taxation (SAT) issued its five–year strategy in SAT release Guoshuifa [2011] No. 56, setting forth its plans to speed up various tax reforms, including goods and services tax reform, individual income tax reform and property tax reform.
- On 25 October 2011, Premier Wen Jiabao announced that China will introduce a structural tax cut favoring innovative start–up companies.
- China will also use tax measures as a macroeconomic policy tool to control pollution and resource exploration to achieve a greener environment. Measures could include increasing the tax burden on high resource–consuming products and reducing and/or suspending export refunds for such products.

price paid by the end-consumer. As such, a comparison of the rate of BT with the rate of VAT is a false comparison.

- Businesses that have been paying BT have effectively had both VAT and BT embedded in the price of goods and services they acquire. By merging the two systems, these embedded taxes largely disappear.
- BT is a tax collected and administered by local tax bureaus. VAT is a tax collected and administered by State tax bureaus. While these bureaus are one and the same in Shanghai, the merger of the two taxes should significantly simplify administration for businesses when the reforms are implemented in other regions.
- BT is a tax which applies to both the import and export of services. By contrast, VAT regimes globally do not generally tax the export of services by businesses. In relation to the import of services, offsetting VAT credits can ordinarily be claimed by business.
- These reforms are initially being implemented by way of a pilot program. The use of a pilot program enables the government to identify the effects of these reforms, and to make changes where necessary.
- During the period in which the pilot program operates (that is, until such time as these reforms are implemented nationally), there is likely to be short-term impacts across certain industries, competitive tensions between suppliers subject to the pilot program (and those outside it), and even some confusion and uncertainty. However, international experience has shown that these short-term impacts dissipate and that businesses generally benefit long-term.
- From a legislative design perspective, the rules seek to apply, to the extent which is practicable, the existing VAT regulations to those services subject to the pilot program.

With these conceptual issues in mind, now turn to consider some of the more important details.

Industries and rates

The following industries in Shanghai were subjected to the pilot program commencing on from 1 January 2012, with VAT applicable at the rates set out below:

Leasing of tangible movable property	**17%**
Transportation services	**11%**
Research and development (R&D) and technical services	**6%**
Information technology (IT) services	**6%**
Cultural and creative services	**6%**
Logistics and ancillary services	**6%**
Certification and consulting services	**6%**

One of the first areas that businesses need to consider is the scope of their services. In particular, identifying which services will be subject to the pilot program, and which services will remain within the BT regime. The rules contain very detailed definitions, which explain the scope of each of these services in more precise terms. Set out below is a brief summary only of key aspects of those definitions:

Leasing of tangible movable property – this includes both finance leasing as well as operating leasing of tangible movable property.

Transportation services – this includes land, sea, air and pipeline transportation. It includes road transportation, passenger and cargo transportation as well as time charter services and wet-lease operations.

R&D and technical services – this includes R&D services, as well as technology transfer services and technical consulting services (such as feasibility studies, contract energy management services and engineering exploration services).

IT services – the processing of information using computers, communication networks and other technologies, including software services, circuit design and testing services, information system services, business process management services.

Culture and creative services – this includes design services, trademarks and copyright transfers, intellectual property services, advertising services, and convention and exhibition services.

Logistics and ancillary services – this includes air services, port services, freight and passenger transportation (excluding railway) terminal services, salvage rescue services, freight forwarding services, customs clearance services, warehousing services and materials handling services.

Certification and consulting services – this includes certification and verification services, general consulting services such as legal, tax, accounting services as well as internal management and business process services.

Financial services, real estate and construction services have, as anticipated, remained outside the scope of the pilot program. Likewise, insurance services and post and telecommunications services will remain subject to BT (for the present time). Interestingly though, the rules make provisions for financial and insurance services as well as consumption oriented service industries (not defined) to be included in the VAT regime at a future time under what is referred to as a ‘simplified VAT calculation method’.

The VAT rate applicable to the transportation sector is 11 percent. Given the current rate of BT on transportation services is three percent, with general VAT taxpayers eligible to claim a seven percent input VAT credit, the real cost of transportation services (even in a business to business context) is likely to increase. This increase in rates is likely to create a significant focus on compliance in this industry – many contractors may now need to register as general VAT taxpayers and issue special VAT invoices to limit the cascading or multiplying of VAT throughout the supply chain. Having said that, as a special concession, general VAT taxpayers are entitled to claim a seven percent input VAT credit on the purchase of transportation services from pilot small scale taxpayers.

Experiences from Shanghai

Given the VAT reforms, there is considerable interest in learning from the experiences with the VAT pilot program in Shanghai. Below is a snapshot:

Implementation tips

- Businesses in Shanghai were only given six weeks within which to prepare for the reforms. In the 10 locations, they may have either less time (for those implementing shortly after 1 August 2012) or more time (for those implementing later in 2012). Either way, with the State Council decision just announced, and with the rules expected to be the same, or substantially the same, there is no reason to delay preparation. Implementation of these reforms will place significant demands on the internal resources of most businesses, and on the tax authorities.
- It is recommended to prepare a project plan, which prioritises tasks based on those which need to be managed prior to the changeover from BT to VAT, those which need to be managed prior to the filing of the first VAT return, and those which may be implemented over the course of the next several months. Forming a project management team, together with external advice and assistance, is the recommended strategy for many large businesses.
- For many businesses, the short timeframe for implementation will place heavy demands on tax and finance teams. The best way to overcome resource shortages are to ensure that staff across the business receives training on the VAT reforms. That is because the VAT reforms impact sales, procurement, marketing, IT, legal, finance and tax functions within a business.

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FINANCE AND ECONOMY

BANGLADESH BANK BECOMES A MODEL TO WORLD'S CENTRAL BANKS

Bangladesh Bank (BB) has reached to a new shape over the last three years, well recognized nationally and internationally, and likely to become a model to other central banks in terms of financial inclusion. Central bank officials claimed this last month when Dr. Atiur Rahman had just completed three years of his tenure as Governor of Bangladesh Bank.

Bangladesh stood second in South Asia in terms of financial inclusion index. Some of the financial inclusion programs undertaken by BB are exemplary, unique and replicable to other central banks, they said.

The BB has recommended that the central banks of the SAARC region can initiate policies targeting low-income populations by introducing agriculture and rural programs under a comprehensive monitoring strategy.

"Our banking sector has become much more automated, modern, inclusive and above all consumer friendly embracing all population segments of the society, particularly the disadvantaged, underserved, and unserved", said Bisnu Pada Shaha, General Manager, Debt Management Department of Bangladesh Bank.

The BB has introduced online banking, mobile banking, and e-commerce to facilitate financial services. It has also launched automated clearinghouse, electronic fund transfer network, online credit information of borrowers and national payment switch.

"More than 1,000 new bank branches have been opened over the past 3 years; mostly in rural areas. SME credit policy has been formulated in a new dimension with cluster based SME credit facility for the first time in 2010", Bisnu Pada Shaha said.

A recent study shows that financial inclusion of total population increased to 56.42 percent in 2010 from 39.76 percent in 2004. In terms of adult population, it increased from 65.33 percent in 2004 to 87.23 percent in 2010 due to opening of a significant number of 10-taka accounts in the last two years.

While the world economy has been struggling with the ongoing financial crisis, Bangladesh economy continued to grow above 6.0 percent annually over the past three years bolstered by strong domestic demand and adequate credit flows to the productive sectors including agriculture, industry and services.

Bangladesh Bank pursued a participatory, inclusive and cautious monetary policy to ensure adequate credit to productive sector and discourage credit flows to unproductive and speculative purposes. Maintaining price stability and external sector viability have been given the highest priority in the latest monetary policy statement (MPS).

"Good news is that all banks in Bangladesh are enthusiastically practicing environment friendly business ethos while the governor personally looks after the issues as part of his daily routine work", Shahinul Islam, Deputy General Manager, Law Department of Bangladesh Bank said. (May 07, The New Nation)

GOVT BORROWING LEVEL IN BD REMAINS MODERATE: DR. ATIUR

Government borrowing level in Bangladesh remains moderate, rarely exceeding four percent of GDP, Bangladesh Bank Governor Dr. Atiur Rahman said.

"However, the government's borrowing from the banking system creates spells of liquidity crunch in the inter-bank market needing market intervention by the central bank," The BB governor said while addressing the 'SAARCFINANCE roundtable on Macro-prudential and Monetary Policies and SAARC Region' in Pokhra, Nepal.

The governor also said that the CPI inflation is also on downtrend but still in double digits from knock on effects of energy price hikes. With the prevailing subdued trends in global commodity prices, we expect CPI inflation in Bangladesh to decline further in the coming months.

Dr. Atiur Rahman proposed the SAARC leaders to establish a useful forum for exchange of ideas and experience on monetary policies for financial stability. The SAARCFINANCE forum can be a convenient regional consultation and cooperation platform on measures bolstering financial stability and promoting financial development in the region. It can also serve as coordination of fiscal monetary policy stances and external spillovers from macroeconomic policies among member countries.

The BB governor said that macro-prudential reforms in the SAARC region are proceeding along lines of these global developments; in phased manner best suited to the stage of financial market development in each country. Apart from being important for price stability, monetary policies matter also for financial stability.

During the global financial crisis and its attendant global growth slowdown monetary policies in all South Asian economies understandably adopted accommodative stance to uphold domestic demand and output activities in the backdrop of sagging external demand, he added. (May 17, The Financial Express).

GOVT BORROWING TARGET FOR NEXT FISCALSET AT BDT 298b

The government has fixed its domestic borrowing target at BDT 298 billion for the coming 2012-2013 fiscal year, beginning from July 01 next, to finance budget deficit. The projected borrowing amount is equivalant 3.2 percent of the GDP (Gross Domestic Product), sources in the Ministry of Finance (MoF) said.

Of the total, BDT 238 billion will be sourced from the banking system and the rest BDT 70 billion from non-banking sector, they said.

The budget deficit for the ensuing fiscal year has been estimated at 5.0 percent of GDP. Besides domestic borrowing, a 1.8 percent equivalent of GDP amount will be sourced from foreign source for the purpose of deficit financing, a high official in the ministry said.

The estimated budget outlay for the next fiscal year is around BDT 1.90 trillion.

The bank borrowing target fixed for the next fiscal year is about BDT 40 billion more than the target originally set for the current fiscal year, but lower by about BDT 6.0 billion from its revised target, officials concerned said.

Besides, the government is committed to containing the deficit by 5.0 percent of GDP following an understanding reached between the government and the International Monetary Fund (IMF) under the ECF (extended credit facility) package, they added.

The government in April trimmed the non-bank borrowing target to BDT 35 billion from BDT 60 billion and increased the bank borrowing target by more than 40 percent to BDT 290 billion from BDT 189.57 billion, estimated originally.

However, experts are not fully confident in the government's budgetary estimation, particularly on bank borrowing as they said the experience of the current fiscal year does not justify the prudence of the policy makers and finance officials in this regard.

They advised the government for all-out efforts to get more foreign aids and grants so that deficit financing of the government does not solely depend on enhanced bank borrowing. (May 23, The Financial Express)

MCCI IDENTIFIES FIVE RISKS TO ECONOMY

FIVE RISKS
Pressure on balance of payments
Govt's excessive bank borrowing
Stagnant investment
Political unrest
Soaring inflation

The Metropolitan Chamber of Commerce and Industry (MCCI) has identified five major factors that threaten the targeted economic growth in fiscal 2011-12.

The threats are: pressure on the balance of payments, rising government expenditure out of bank borrowing, stagnant investment, political unrest and double-digit inflation.

"These problems will need to be addressed on an urgent basis if the country is to achieve the officially targeted 7 percent GDP growth in the present fiscal year," MCCI said in its quarterly economic review that covered January-March.

MCCI said the government should take note of the donors' concerns about the country's present economic problems and adopt appropriate measures to solve those problems.

MCCI, however, said Bangladesh's economy performed reasonably well in the third quarter of FY12 although most of the developed countries have been experiencing slow growth.

The agriculture sector depicted good growth in the quarter under review, but the chamber said continuous government support with inputs and finance will be required to sustain the sector's growth in the current fiscal year and beyond.

The services sector that grew at modest 6.6 percent in last year would have grown faster in the current fiscal year if production in real sectors increased at a greater pace.

The chamber said low disbursements of industrial term loans, a drastic decline in private sector credit growth, fall in the import of capital machinery, and erratic supply of power and gas indicate that the manufacturing sub-sector's performance has been relatively weak in the quarter under review.

Domestic credit recorded just 11.1 percent growth during July-January of FY12 against 14.6 percent for the same period a year ago. MCCI observed the lower credit growth was due to a sharp decline in the growth of private sector credit to 10 percent in July-January from 16.4 percent in the same period a year ago.

The MCCI observed declining exports, foreign aid and investments pose a threat to the economy.

Export earnings fell by 7.21 percent in March, 2012 compared to the same month a year ago. This is the first time that the monthly earnings have gone in the negative territory in the current fiscal year. On the other hand, settlement of import LCs in March, 2012 was 17 percent higher than that in February, 2012.

Disbursement of foreign aid dropped by 6.7 percent in the first seven months of FY12 compared to the same period of FY11 due to the slow pace of implementation of the donor funded projects.

The low level of foreign direct investment (FDI) inflow into Bangladesh remains a concern. FDI inflow during July-January of FY12 was only USD 425 million, slightly higher than USD 405 million in the same period of FY11.

Balance of payments stood negative at USD 813 million during July-January of FY12 because of growing deficit in trade balance.

The NBR revenue collection grew by 17.5 percent in the first eight months of the current fiscal year, thanks to a strong drive to collect revenues from public and private sectors. On a point-to-point basis, the general inflation rate dropped marginally to 10.10 percent in March, 2012 from 10.43 percent in the previous month, mainly because of a drop in food inflation. Food inflation came down to 8.28 percent in March, 2012 from 10.90 percent in January.

The capital market rebounded in March 2012 after the sharp fall during the previous two months. Activity increased considerably amid regained investor confidence, observed the chamber. (May 17, The Daily Star)

BAD LOANS PILE UP AS BUSINESS SLOWS

The amount of default loans increased by BDT 2,645 crore or 11.68 percent in public, private and foreign commercial banks in the first quarter of 2012.

Officials said a sluggish trend in business was the main reason behind the rise in such loans.

According to Bangladesh Bank (BB) statistics, banks had default loans worth BDT 25,298 crore or 6.57 percent of their outstanding loans on March 30, up from BDT 22,644 crore or 6.12 percent on December 31, 2011.

Of the total default loans, the amount in four state-owned commercial banks went up by BDT 950 crore or 10.35 percent. Such loans in 30 private banks increased by BDT 1,576 crore or 21.88 percent during the period.

Nine foreign banks registered a rise of BDT 88 crore or 14.05 percent in their default loans. Though the default loans of foreign banks rose in percentage, the amount was low -- BDT 717 crore -- at the end of March, which was BDT 626 crore at the end of December.

Default loans of five specialised banks increased by 0.53 percent or BDT 30 crore. A central bank official said, usually the amount of default loans marks a rise in the first quarter.

The official said the banks take a big move in December to recover default loans but the efforts slow down after the year-end. As a result, the amount of default loans goes up in the first quarter of a fiscal year, he added.

A high official of National Credit and Commerce Bank Ltd agreed with the observation of the BB official and said businesses, especially the export sector, have been going through a sluggish period. As a result, the recovery rate is low, he said. (May 18, The Daily Star)

BB WARNS BANKS AGAINST RISING CLASSIFIED LOANS

The central bank warned 16 banks against a rise in their classified loans in recent months and asked them to bring down the amount immediately.

The instruction came at a meeting between the Bangladesh Bank (BB) and the Association of Bankers Bangladesh (ABB), a forum of chief executive officers of banks. Governor Dr. Atiur Rahman chaired the meeting.

The average rate of classified loans of the country's banking industry is 6.57 percent, but the rate is much higher at some banks. This type of loan has a high rate of borrower default, and raises the cost of borrowing money for the other customers, according to Investopedia.

"The governor also asked these banks to reduce credit growth, which is on the rise, and to control the advance-deposit ratio in line with the monetary policy stance," said the managing director of a private commercial bank who was present at the meeting.

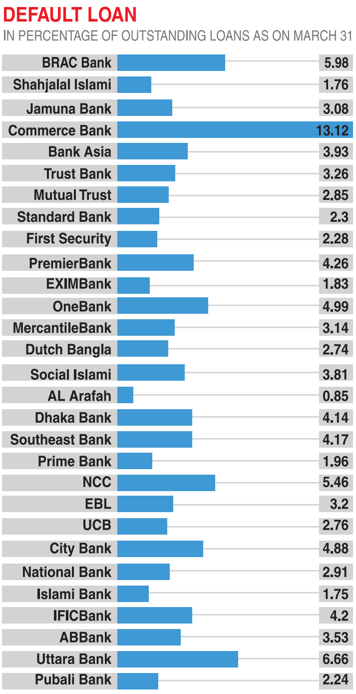
The BB found the private sector credit growth increased to 19 percent now from 16 percent last month.

The governor also asked all commercial banks to settle accepted bills between them as per agreements.

Rahman said, recently a bank complained to the BB that four banks (accepting banks of bills) are not paying it the bills.

"We have cut the amount from those four banks and deposited it to the complainant bank," the governor said in a statement.

Recently, settlement of accepted bills has been getting delayed



by many banks, according to BB officials who are getting a lot of complaints about the issue.

"I welcome the BB move. It would help repatriate money from abroad faster," said Anis A Khan, managing director of Mutual Trust Bank.

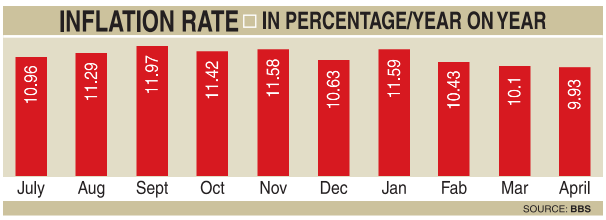
Khan said a committee comprising the bankers was formed several years ago to deal with the issue.

The meeting also discussed interest rates for deposits and lending, anti-money laundering issue and the growing pressure on the primary dealer banks.

The governor asked the CEOs to keep their promises they have made recently on the rates.

The ABB has set the maximum deposit rate at 12.5 percent and lending rate at 15.5 percent in the wake of a rapid rise in the rates after the BB withdrew its cap at the end of last year. (May 31, The Daily Star)

INFLATION DROPS TO SINGLE DIGITS



Inflation slowed to single digits on a point-to-point basis in April, for the first time in 13 months, thanks to a drop in rice prices.

Overall inflation fell by 0.17 percentage point to 9.93 percent last month from 10.10 percent in March, according to Bangladesh Bureau of Statistics (BBS). Inflation had jumped to double digits in March last year and continued thus for 13 months.

BBS Director General M Shahjahan Ali Mollah released the latest data at his office.

According to BBS data, food inflation decreased by about 0.20 percentage point compared to March and stood at 8.12 percent.

Non-food inflation fell by 0.19 percentage point over the same period and reached 13.77 percent in April.

Mollah told journalists that non-food inflation decreased and the purchasing capacity of people got a boost. Although prices of egg and aromatic rice increased slightly, those of coarse and fine rice marked a fall. This is why, inflation fell in April, added Mollah.

Mustafizur Rahman, executive director of Centre for Policy Dialogue, told, with the boro harvest, the food inflation would decrease. He, however, said non-food inflation might not come down as once it shoots up it does not show the tendency to fall.

According to Trading Corporation of Bangladesh (TCB) report, prices of all kinds of coarse rice remained steady on April 30 compared to a month ago.

A high official of the central bank said the government and the BB's target of bringing down inflation to single digits in the current fiscal year depends on how much inflation decreases on a point-to-point basis.

According to BBS data, urban people spend more on essentials than rural people do, as inflation is still in the range of double digits in the urban areas.

According to Mustafizur Rahman of the CPD, wage goes up when inflation increases, but the people of fixed income bracket do not get the benefit. (May 06, The Daily Star)

NBR EARNINGS SOAR

Revenue Raises 19.24pc in 10 Months
Earnings by the tax administrator grew by 19.24 percent in the first 10 months of current fiscal year compared to the same period last year, thanks to a strong drive for tax mobilisation from domestic sources.

However, the National Board of Revenue (NBR) has to collect more than BDT 21,000 crore in the remaining two months to meet the revised target for the entire fiscal year.

An NBR official said they are upbeat about earning more than the required amount in the next two months from the tax dodgers apart from the normal collection from taxpayers.

Being encouraged by the strong performance this year, the government plans to set a 22 percent higher target next year than the current fiscal year's original target, he said. According to NBR statistics, revenue earnings in the July-April period were BDT 71,065 crore, up from the target of BDT 69,787 crore.

The NBR official said they had a collection target of BDT 91,870 crore for the entire year. However, in the revised target the figure is going to be set at BDT 92,370 crore.

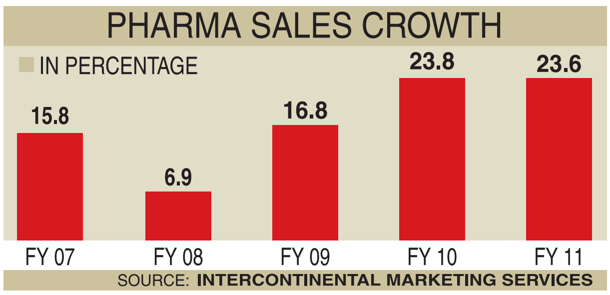
The current year's successes may encourage the NBR to set the next year's target at BDT 112,259 crore, 22.19 percent more than this fiscal year's original target.

In the first 10 months this year, growth in income tax was 27.76 percent and VAT at the local level increased by 20.34 percent. However, revenue earnings rose by only 12.43 percent at the import level.

The official said both the government and the Bangladesh Bank took various steps to discourage import of unnecessary goods to ease pressure on the foreign currency reserve. As a result, growth in revenue earnings at the import level is somewhat lower, he added.

Another official said the NBR not only collected an increased amount of revenue from the private sector but also took steps to raise revenue earnings from the public sector. The tax administrator realised a big amount of revenue from the state-owned mobile phone company and Bangladesh Petroleum Corporation. (May 30, The Daily Star)

PHARMA SALES RISE 20pc, OUTLOOK BRIGHT



Pharmaceutical sales in the domestic market rose 20 percent to BDT 2,293 crore in the three months through March, compared to the same period last year.

Increased life expectancy, increased medical coverage of population, private healthcare services, people's growing income and wellness drugs are the drivers of the industry's growth, analysts said.

The industry has recorded double-digit growth over the last one decade, the analysts said.

The pharmaceutical sector is technologically the most developed manufacturing industry in Bangladesh and the third largest industry in terms of contribution to the government's revenue, BRAC-EPL Stock Brokerage Ltd said in an analysis.

The sector recorded BDT 8,788 crore in sales turnover in the 12 months through March, according to the Intercontinental Marketing Services (IMS), a market research company that provides data on markets, especially on the healthcare industry.

At present, the pharmaceutical industry meets 97 percent of the local demand and exports drugs to more than 87 countries, according to the analysis.

The sector grew 23.6 percent in terms of sales in 2011, according to the IMS report.

Healthcare expenditure is estimated to reach 5 percent of GDP in the next five years and the domestic market is poised to grow over 15 percent annually in the same period, BRAC EPL predicted.

(May 21, The Daily Star)

PAY TAX ONLINE

Anybody with a debit or credit card and internet access can pay tax from home, instead of queuing for hours at a bank.

The National Board of Revenue (NBR) introduced an online tax payment system at a function at Bangabandhu International Conference Centre in Dhaka. Prime Minister Sheikh Hasina first paid her advance income tax online for 2012-13.

For the next one week, people will be able to pay tax only through Sonali Bank. Another 25 banks will join the system in 15 days or one month, said Kanan Kumar Roy, coordinator of the e-payment system and director general of the Directorate of Inspection (Taxes) of the NBR.

"More banks will join the system later," he said.

NBR's e-payment website, www.nbrepayment.org, is easy to use, secure and completely free of charge. Only registered users can make e-payments and get the full functionality of the site.

There will be separate sections for income tax, VAT and customs duty in the profile form of each taxpayer.

The NBR introduced an online return submission system last year on a trial basis in two zones and the tax administrator aims to enable all taxpayers to submit returns online by 2013. (May 27, The Daily Star)

BB Circulars/Circular Letters

Publish Date	Name of Department	Reference	Title
2-May-12	Department of Financial Institutions and Markets	DFIM Circular Letter No. 05	"Specimen signature of A.K.M. Amjad Hussain DGM of Department of Financial Institutions and Markets"
2-May-12	Debt Management Department	DMD Circular No. 03	Regarding selling of National Savings Instruments [Sanchayapatra]
13-May-12	Foreign Exchange Policy Department	FEPD Circular Letter No. 04	"Precaution relating to transfer of sales proceeds of asset of Jubo Karmashangsthan Society (JUBOK)"
17-May-12	Agricultural Credit and Financial Inclusion Department	ACFID Circular Letter No. 03	Re-fixation of Interest rate for Refinance scheme on Solar Energy, Bio-gas and Effluent Treatment Plant(ETP) Sector
21-May-12	Accounts & Budgeting Department	ABD Circular No. 01	Regarding Amendment of BD manual Para 220 & 220A
22-May-12	Debt Management Department	DMD Circular No. 04	Preservation of information regarding saving bond in the help desk of schedule Bank
31-May-12	Banking Regulation and Policy Department	BRPD Circular No. 06	"Involvement of Bangladesh Bank Officials in Training program/activities arranged by Banks/Financial Institutions"

BB CHIEF GETS WORLD NO-TOBACCO DAY AWARD

Bangladesh Bank Governor Dr. Atiur Rahman has recently been awarded with the prestigious World No-Tobacco Day Award 2012 by the World Health Organisation in recognition of his significant contribution towards anti-tobacco movements in Bangladesh.

In his earlier years as an academic and researcher in development economics he all along remained active in civil society campaigns against tobacco use; extensively engaging in writing, media appearances and lobbying efforts with the authorities for policy reforms. Upon taking over as central bank governor in 2009, he introduced an anti-tobacco growing stance in credit policies, with an advisory circular dissuading banks and financial institutions in Bangladesh from extending credit facilities for growing tobacco.

Simultaneously, he has been promoting a well-orchestrated financial inclusion campaign to ensure that farmers get the needed financing support for shifting to growing other feasible and remunerative alternative crops.

Earlier Rahman also received Sheltech Award (2010) for his outstanding contribution in developing the financial sector of Bangladesh, Indira Gandhi Gold Plaque (2011) in recognition of his contribution to international cooperation towards human progress, and Nawab Bahadur Syed Nawab Ali Chowdhury National Award 2012 by the Nawab Ali Hasan Ali Smriti Sangsad in recognition of his major contribution in banking and finance. (May 31, The Daily Star)

THIS YEAR WILL BE CRUCIAL FOR GLOBAL ECONOMY: ADB

Financial crisis in Europe could escalate and along with slow recovery in the US, this year will be crucial for global economy but Asian nations must continue long term structural reforms while insulating the region against the troubles, Asian Development Bank (ADB) said.

"While authorities continue to strengthen macroeconomic resilience to shocks, we also need to reinvigorate focus on the region's long-term development goals," ADB President Haruhiko Kuroda said at the Governors' Seminar.

"The ultimate challenge is to continue transforming economies in a way that promotes peoples' welfare and reduces poverty," he added.

Meanwhile, an ADB report presented at the seminar said this year could prove crucial for the global economy as financial tensions in Europe could escalate further and there remains concern over fledgling economic recovery in the US.

Against this backdrop, the region must update its growth model to accommodate a 'new normal' - prolonged restructuring in advanced economies - and surmount obstacles to sustained and equitable growth in Asia, the report said.

The global economic crisis is a wake-up call for Asia and policymakers have to boost Asia's resilience to external shocks in the near-term and also tackle the risks posed by ongoing global rebalancing and overall structural transformation, said the report.

Currently, the national focus is on containing crisis, risks from potential financial contagion and weaker trade, said the report-How Can Asia Respond to Global Economic Crisis and Transformation.

Asia can weather a renewed financial crisis and weakened export demand from developed markets, but long-term prosperity hinges on relying more on domestic and regional markets as well as expanding ties with Latin America and Africa, it said. (May 04, The Financial Express)

IMF LOOKS AT PROS AND CONS OF 'BAIL-IN' REGIMES FOR BANKS

"Bail-in" regimes, where creditors are forced to take losses when banks are rescued, would help make giant institutions safer, but they could also spread contagion in a financial crisis, a paper by International Monetary Fund staff members has warned.

To prevent the collapse of one bank from destabilising the broader financial system, the IMF staff note argues that regulators may want to limit the amount of unsecured bank debt other financial institutions can hold. That would effectively limit their losses if a failing bank's debt is "bailed in" – converted to equity or partly written down as part of a broader stabilisation effort.

The IMF staff issued their comprehensive look at bail-in regimes at a time when global regulators are working on proposals to make giant "systemically important financial institutions" (Sifis) safer and reduce the risk of additional taxpayer-funded bank rescues.

The Financial Stability Board is expected to include bail-in as one of the key tools it wants global regulators to use.

But devising a workable regime is proving very difficult, because of differences in national insolvency laws and fears of spooking debt investors. The European Commission recently sent its draft bank resolution proposals back out for more comment because of profound disagreements on how bail-in would work, when it would be triggered and how much bail-in-able debt banks would be required to hold.

The IMF authors, led by economist Jianping Zhou, argue for a relatively "extreme version" of bail-in, said Barney Reynolds, partner at Shearman & Sterling, the law firm.

In their view, governments should step in when a bank fell short of regulatory capital requirements – rather than having to wait until a bank got to the point of actual insolvency.

The authors also call for wiping out equity shareholders and limiting the ability of courts to intervene in the question of determining damages after the fact. The proposal to cap the amount of bail-in-able debt held by banks and insurers will draw support from industry critics who want to avoid a repeat of 2008, when the US government had to prop up insurer AIG partly to protect the international banks which were its counterparties. But such a move could also limit the potential market for bank debt – other banks constituted 17 percent of the buyers of European bank debt in 2010, the IMF paper said. (May 04, www.ftchinese.com)

BIG BANKS NEED EXTRA USD 566b, SAYS FITCH

The world's 29 largest global banks will need to raise an additional USD 566bn in new capital or shed about USD 5.5tn in assets by 2018 to meet the new tou-gher Basel III bank capital standards, a new study by Fitch Ratings has found.

The additional capital would represent a 23 percent increase in what the banks had at the end of 2011 and is roughly equivalent to three times their combined annual earnings, according to the report published by Fitch's Macro Credit research arm.

The Fitch estimates are the first to try to measure the full impact of the Basel III bank reforms plus the extra capital surcharge for "global systemically important financial institutions". It suggests that the 29 GSifi banks still face significant hurdles if they are to meet the higher standards by 2018.

Because the Basel requirements and the GSifi surcharge are calculated as a ratio of capital over risk-weighted assets, banks can meet the requirements in three ways – by retaining earnings, issuing equity or shrinking their balance sheets. Many analysts assume most institutions will do a combination of all three.

The Fitch estimates of the capital shortfall suggest the GSifis face a bigger hole than predicted by earlier studies, including one published in April by the Bank for International Settlements that suggested 103 large banks, including the GSifis, needed to raise Euro 486bn, or roughly 1.4 times earnings.

However, the BIS study was based on June 2011 balance sheet information rather than year-end – and did not include the GSifi surcharge, which increases capital requirements for the GSifis from 7 percent of risk-weighted assets to between 8 and 9.5 percent.

European banks are likely to suffer more from tighter definitions of what counts as capital. US banks, by contrast, may find the reforms less onerous because they are already being forced by the Volcker rule to ditch their proprietary trading activities.

"US Banks will have an easier time meeting Basel III requirements than predicted by the Fitch study because of Volcker. When Volcker comes into effect it will strictly limit their [proprietary] trading activities to US government and similar capital light securities," said Doug Landy, partner at Allen & Overy. (May 23, www.ft.com)

WORLD FOOD PRICES FALL, INFLATION FEAR REMAINS

World food prices eased in April after rising in the first quarter of this year, the United Nation's food agency said, but inflation worries are still simmering as soybean prices climb.

Record high food prices last February helped to fuel the Arab Spring uprisings in the Middle East and North Africa. Prices receded in the second half of 2011 but the uptrend resumed in January.

The FAO Food Price Index, which measures monthly price changes for a food basket of cereals, oilseeds, dairy, meat and sugar, averaged 214 points in April, down from revised 217 in March, the UN's Food and Agriculture Organisation (FAO) said.

Yet soybean prices - at their highest since July 2008 - are likely to raise further due to tight supplies, driving corn prices higher, the agency's senior economist said.

The index drop reflected a 2.5 percent month-on-month fall in maize prices, a 1 percent fall in wheat and a 5 percent drop in sugar prices, which offset a 2.2 percent rise in vegetable oils fuelled by soaring soybean prices.

"You would see prices most likely remaining under downward pressure in the next couple of months," the FAO's senior economist and grain analyst Abdolreza Abbassian told Reuters, adding that weather remained a critical factor.

The index seems to have stabilized at a relatively high level of around 214 points, the FAO said in a monthly update.

Last week, the World Bank said costlier oil, strong demand from Asia and bad weather had been pushing up global food prices, adding that if current production forecasts for 2012/2013 do not materialize, prices could reach higher levels. (May 04, the financial express)

GLOBAL TRADE WELL BELOW PRE-CRISIS TREND: SURVEY

Global trade growth will slow this year and volumes are unlikely to regain their pre-crisis trend for at least another four years, according to a survey released.

The International Chamber of Commerce (ICC) said it expected trade, the life blood of the global economy, to expand by 5.2 percent this year and by 7.2 percent in 2013.

Growth for all of 2011 was 6.6 percent, driven by emerging markets, but slowed down towards the end of the year. Eurozone export volumes fell 5.9 percent in 2011.

After the collapse of Lehman Brothers in September 2008, global trade suffered the steepest slump since the Great Depression of the 1930s as banks pulled in their horns. These financial problems have diminished but have not disappeared, the ICC warned.

"Left unattended, they can still cause irreparable damage to the trade finance industry," the report, based on a survey of 229 banks in 110 countries, said.

Chief among bankers' concerns is the scarcity of capital. Many European banks that were traditionally big suppliers of trade finance have quit the market or cut back sharply because of funding constraints and pressure to deleverage.

The ICC has lobbied in vain to persuade international bank regulators to remove trade finance - generally a low-risk business - from the overall leverage ratio that will limit banks' total assets to 33 times their core equity capital under new Basel III capital requirements.

Trade finance departments were "competing internally for each unit of the bank's scarce capital", the ICC said. Fifteen percent of respondents reduced their trade credit lines to corporate customers last year compare with 12 percent in 2011.

This pullback, allied to a shortage of liquidity and what the ICC called a disproportionate aversion to risk, was continuing to drive up interest rates on trade finance in a number of countries, especially in emerging markets.

Open account trade made up an estimated 80-85 percent of global volumes before the financial crisis, but the share is thought to have shrunk since as exporters sought more secure methods of settlement. (May 18, The Financial Express)

NO END IN SIGHT TO GLOBAL JOBS CRISIS: ILO

Fiscal austerity and tough labour reforms have failed to create jobs, leading to an "alarming" situation in the global employment market that shows no sign of recovering, the International Labour Organisation said.

In advanced countries, especially in Europe, employment is not expected to rise to pre-crisis levels of 2008 until the end of 2016 -- two years later than it previously predicted -- in line with a slowdown in production.

An estimated 196 million people were unemployed worldwide at the end of last year, forecast to rise to 202 million in 2012 for a rate of 6.1 percent, according to the United Nations agency's annual flagship report, "World of Work Report 2012".

The labour market overall has deteriorated over the past six months, with a very significant slowdown in the case of European countries, Torres said. Unemployment is growing in a significant number of countries, including more than two-thirds of European countries over the past year.

Labour market recovery has also stalled in Japan, the report said. Employment rates have stagnated or "double-dipped" in China, India and Saudi Arabia, while Latin America is healthier, marked by improvements in Argentina, Brazil and Mexico.

Only six advanced economies have seen employment rates grow since 2007: Austria, Germany, Israel, Luxembourg, Malta and Poland.

The report recommends countries would do better to boost job quality and reinforce institutions, rather than deregulating labour markets. (May 01, The Daily Star)

ASIA TO SURPASS EUROPE, US IN WEALTH BY 2030, SAYS ADB

Southeast Asian nations, China and India together may surpass the US and Europe combined in terms of wealth by 2030 if the Asian economies take quick steps to overcome challenges and reduce risks, according to a new book.

"The Asean is the hub of Asian regionalism. China is the world's most populous country and the second largest economy. India is rapidly catching up, and has the second largest population," the book says.

"Asean, the PRC, and India: The Great Transformation?" was released by the Asian Development Bank and Asian Development Bank Institute in Manila, the bank said in a statement.

The book envisions that realising this goal would require that each improve productivity through innovation and new technologies, establish knowledge-driven economies, build seamless infrastructure connectivity and reform the financial sector.

"These three region and countries are on a path to significantly improve the quality of life of their citizens -- in aggregate approaching half of the world's population by 2030," ADB President Haruhiko Kuroda said at the book launching ceremony.

The programme took place during the 45th annual meeting of ADB's Board of Governors at San Miguel Hall of Philippine International Convention Centre, Manila.

"By that time, China could reach high-income country status, while the Asean as a whole and India would be close behind. The three could be home to the world's leading consumers, producers, savers, investors and financiers," he said.

The book said the three economies will have to depend increasingly on their own and regional markets, investments, and institutions to generate sustained growth.

Without inclusive growth, widening income and social inequality are likely to persist and could undermine social cohesion and stability, according to the book.

Strengthening governance, accountability, institutional effectiveness and eradicating corruption are crucial for inclusive growth and better quality of life, it stated.

The book predicted that unless the challenges of energy and water security and reduction of CO2 emissions are addressed, these could amplify global environmental risks and geopolitical tensions.

To meet their potential, each economy will need to manage energy, food, and water effectively, balancing growth with environmental sustainability, it said. (May 03, The Daily Star)

AUSTRALIA CAN BECOME FOOD SUPERPOWER FOR ASIA: JULIA GILLARD

Australia has the potential to become a food superpower for Asia, Prime Minister Julia Gillard said in a speech in which she urged greater commercial engagement with China. Australia's economy is riding a mining and resources boom, but Gillard said the vast nation should also exploit its ability to produce high-quality food.

"Just as we have become a minerals and energy giant, Australia can be a great provider of reliable, high-quality food to meet Asia's growing needs," Gillard said in the speech to The Global Foundation in Melbourne late.

She said Australia should take advantage of growing international markets and become "a provider of higher-value products and services for the global food industry".

Despite living on the world's driest inhabited continent, Australians have enjoyed safe and high-quality food for many decades, with the nation producing enough to feed 60 million people, almost three times its population.

ustralia accounts for less than three percent of global food trade, although it is among the net food exporting nations of the world, a government report published in late 2010 said. With Asia's middle-class rapidly expanding, Gillard said Australian businesses must find opportunities in conditions where the dollar and terms of trade would remain high for the foreseeable future.

"In some cases, Australian businesses will be able to access large Asian markets through export, including through regional supply chains," she said. "In others, the business opportunities will be secured by establishing enterprises, including business partnerships, in Asian countries."

Gillard said Trade Minister Craig Emerson was already working to develop new agricultural partnerships between Australia and China. "It's not just about more exports," she said.

"It is about developing the systems and services that add extra value to them and participating in the development of a market-based solution to food security across the region." (May 05, The Financial Express)

GROWTH FIGURES SHOW JAPAN ON RECOVERY TRACK

Japan's economy grew by a faster-than-expected 1.0 percent in the three months to March, official figures showed, as rising domestic demand and a boost in exports kept it on the recovery path.

Economy Minister Motohisa Furukawa said the economy, hit hard by last year's quake-tsunami disaster and a surging yen, was likely to see further expansion in April-June, but warned of the possible impact of Europe's debt crisis.

Preliminary figures from the Cabinet Office showed 1.0 percent quarter on quarter growth in January-March gross domestic product, slightly above expectations for a 0.9 percent rise.

It marked the third straight quarter of real GDP growth for Japan, also buoyed by government reconstruction spending following the devastating natural disasters in March 2011.

On an annualised basis, Japan's economy grew 4.1 percent in the quarter, also beating expectations of 3.5 percent expansion.

"Our country's economy is continuing its upward movement," Furukawa said.

"Gradual growth is likely to continue in the April-June period and afterward, as reconstruction demand will underpin the economy," he added.

However, Furukawa also warned that "we need to be mindful of risk factors such as re-intensification in Europe's sovereign debt crisis" amid increasing worries that under-pressure Greece will leave the 17-nation bloc.

Europe, a key market for everything from Japanese televisions and DVD players to cars and machinery, remains at the top of policymakers' concerns.

At the weekend, Prime Minister Yoshihiko Noda cited the continent as the "biggest downside risk factor for the Japanese economy" along with a strong yen, which makes exporters' products more expensive overseas.

The unit remains strong but has fallen off record highs against the dollar reached late last year.

A key driver in the quarter-on-quarter growth data released was public investment, which rose 5.4 percent, amid strong reconstruction spending, while exports rose 2.9 percent on quarter.

Government subsidies for environmentally friendly cars were likely a key factor behind a boost in domestic demand, said Yasuo Yamamoto, senior economist at the Mizuho Research Institute.

"Growth will be spurred by continued reconstruction demand and domestic demand," he said.

Japan revised industrial production data for March to a 1.3 percent rise on month from a preliminary 1.0 percent increase, a bright spot for the economy, which has been beset by deflation for years.

But homes and businesses in Japan are getting set for what could be a summer of power shortages after the nation switched off its nuclear reactors following last year's atomic crisis, with industry being asked to make deep energy cuts. (May 18, The Financial Express)

JAPAN AND CHINA TO START DIRECT CURRENCY TRADING

Japan and China said they will start direct currency trading this week, marking the first time Beijing has let a major unit other than the dollar swap with the yuan.

The move, which will scrap the US currency as an intermediary unit, comes as China introduces measures as part of a long-term goal to internationalize its currency, and rival the dollar as the world's benchmark.

The yuan-yen trade -- part of a wider deal reached last year between Beijing and Tokyo to forge closer ties --- will also be allowed to move in a wider range than the narrow band at which the dollar and yuan change hands, Dow Jones Newswires and the Nikkei business daily reported.

The new system, makes way for "full-fledged direct exchange trading," Japan's Finance Minister Jun Azumi said.

By not using the dollar as an intermediate currency "we can lower transaction costs and reduce settlement risks at financial institutions as well as making both nations' currencies more useful", he added.

Beijing's tightly foreign exchange policy has triggered huge trade deficits in the United States, which accuses China of artificially undervaluing the yuan to boost exports, and has been a long-running source of friction between the world's two largest economies.

China overtook Japan to become the world's second-largest economy in 2010, and the neighbours are forging closer business ties despite frequent diplomatic spats over territorial claims and lingering historical animosities.

China is Japan's largest trading partner, but about 60 percent of their mutual trade is denominated in US dollars.

The official Xinhua news agency reported that the deal will save about USD3.0 billion in annual costs tied to using the dollar in trade transactions.

In March, Japan said it had won approval to buy Chinese government bonds for the first time -- Beijing does not allow investors to freely purchase its debt, requiring official approval instead.

Tokyo said it would buy about 65 billion yuan (USD10.25 billion) in Chinese public debt, a relatively small amount that was seen as largely symbolic.

The economic powerhouses have also agreed to promote the use of their currencies in bilateral transactions -- such as yuan-denominated foreign direct investment by Japanese companies in China -- to reduce foreign exchange risks.

Japanese finance officials have vowed to step into foreign-exchange markets again to tame the value of the yen, which is increasingly seen as a safe-haven currency as the euro takes a hit owing to worries about the debt-hit eurozone. (29, May, The tuoitrenews.vn)

MYANMAR MAY LET IN FOREIGN BANKS BY 2015

Myanmar may allow foreign banks to set up operations through joint ventures with local partners by 2015 when Southeast Asian countries are expected to formally integrate their economies, say bankers and industry officials familiar with the planned bank reforms.

Despite a year of wide-ranging political reforms, Myanmar's government has been slow to revise laws on the growing number of foreign banks clamouring to tap the country of 60 million people, whose natural gas, minerals and other resources make it one of Asia's most tantalising frontier markets.

As the United States and European Union lift economic sanctions, foreign banks remain limited to representative offices that can do little more than conduct research.

Some local media have reported they would be authorised to open full operational branches by 2014. But central bank officials said in interviews they doubted it would happen so soon. Officials at local private banks - only allowed since 1992 and primitive by international standards - were also sceptical.

"What I understand from the policy laid down earlier is local private banks will be opened first, then representative offices of foreign banks will be allowed, after that joint ventures between local private and foreign banks will come and finally foreign banks will be allowed," said one central bank official, declining to be identified.

But that policy, the official said, may change when the 10-member Association of South East Asian Nations (ASEAN) forms an economic bloc in 2015 to lower barriers to the flow of people, products and, to some extent, capital across its borders.

"In 2015, this policy may change if the leaders think it needs to be," the official said.

In a report on Myanmar's economy published this week, the International Monetary Fund said accelerating the modernisation of the financial sector was essential to prepare for economic integration in 2015. (May 12, The Financial Express)

IS FACEBOOK WORTH THE BET? DOUBTS AMID THE FRENZY

Everyone knows it is a giant of the Internet that will make money for a long while. But is Facebook worth investing in at its elevated initial public offering price?

Analysts have some doubts: the company has huge value, and could be very worthwhile over the long term. But there might be cheaper opportunities elsewhere on the market.

On the other hand, demand for Facebook shares is so strong that, fundamental valuations aside, an investor might score big in any case.

For one, there is last year's big social networking IPO, LinkedIn. Those who risked buying its shares at the seemingly expensive USD45 issue price would have more than doubled their money by now.

Facebook is confident of the demand and pushed up the price of its IPO, expected to take place, to USD34-USD38 a share, from the previously proposed USD28-USD35 range.

That is fairly high, by fundamental valuations, analysts say. At the current pace of growth, the company's price-earnings ratio would be more than 60 times this year's projected earnings and 40 times next year's.

That compares with a current Nasdaq average market p/e ratio of 19.7 times, and rival online ad giant Google's 18.5 times.

Moreover, the company's first quarter report showed slowing ad growth, rising costs, and the company was struggling to find ways to make money on customers who were using their smartphones more and more for their Facebook postings.

"It's really highly likely the company is overvalued... our fair value is USD32," said Rick Summer of Morningstar.

The issue price has been driven by the sheer frenzy of demand, he said. "This is the one Internet company that people feel they have to get a piece of."

"Sometimes the expectations get ahead of the fundamentals," said the more bearish Trip Chowdhry of Global Equities Research.

"Revenue per user... is very low (and) Facebook doesn't have a strong mobile story," he said.

The issue, said Chowdhry, is whether one believes the huge long-term promise that Facebook will keep a lock on users and their personal data that advertisers so sorely want, to keep it shoulder to shoulder with better-established Google in the online ads business.

"Is it a fad or is it a trend?" Chowdhry asked. "The industry is not defined, the business model is not defined, the user behaviour is not fixed."

Chowdhry says the company's financial performance might not justify the IPO price for several years. Revenues will grow quickly from online ads, but not earnings. (May 17, The Daily Star)

13th MTB ANNUAL GENERAL MEETING 2012

Presided by: Dr. Arif Dowla, Chairman, MTB

Founding Chairman, Syed Manzur Elahi; Vice Chairman, Rashed Ahmed Chowdhury, Directors Anjan Chowdhury, Khwaja Nargis Hossain, Md. Abdul Malek and Md. Wakiluddin were present at the meeting. Managing Director & CEO Anis A. Khan and Deputy Managing Director & Company Secretary Quamrul Islam Chowdhury also attended the meeting.

Date: May 27, 2012
Venue: Bashundhara Convention Centre 2, Bashundhara R/A, Dhaka 1229

MTB CELEBRATES THE ACHIEVEMENT OF SYED MANZUR ELAHI

Felicitating MTB Founding Chairman Mr. Syed Manzur Elahi on his receiving The Global Xaverian Award.

Dr. Arif Dowla, Chairman, MTB; MTB Directors Khwaja Nargis Hossain & Md. Hedayetullah were also present at the simple ceremony to celebrate the achievement.

Date: May 17, 2012
Venue: Sun floor, MTB Centre, Gulshan 1, Dhaka 1212

INAUGURATION OF MTB SKY AND CONFIRMATION CEREMONY OF MMT BATCH 2011

Chief Guest: Dr. Arif Dowla, Chairman, MTB

Special Guests: MTB Vice Chairman Rashed A. Chowdhury; Directors Anjan Chowdhury, Md. Wakiluddin, M A Malek and MTB Managing Director & CEO, Anis A. Khan were present at the event.

Date: May 31, 2012
Venue: Sky floor, MTB Centre, Gulshan 1, Dhaka 1212

FOUNDATION COURSE ON LAW AND PRACTICE OF BANKING

A month long foundation course on Law and Practice of Banking was offered for MTB employees. The course was conducted by both in-house and industry experts from relevant fields.

Date: May 28, 2012
Venue: MTB Training Institute, MTB Square, Tejgaon, Dhaka 1208

MTB NEWS & EVENTS

HANDING OVER WELCOME PACKS TO NEW PRIVILEGE BANKING CUSTOMERS

Chief Guest: Dr. Arif Dowla, Chairman, MTB

Special Guests: MTB Founding Chairman Mr. Syed Manzur Elahi and MTB Director Md. Abdul Malek.

Date: May 17, 2012
Venue: Oasis floor, MTB Centre, Gulshan 1, Dhaka 1212

TRAINING PROGRAM ON PMS RATING TECHNIQUES, BOGRA

Key Resource Person: Mehboobur Rehman, MTB HR Consultant.

Mr. Rehman is the Lead Executive Consultant & Coordinator at BANKCONSULT.

Date: May 05, 2012
Venue: Hotel Naz Garden, Bogra City Bypass Bogra 5800

COURSE ON CREDIT APPRECIATION

Key Resource Person: Kaiser A. Chowdhury, Former President & Managing Director of AB Bank Ltd.

MTB Managing Director & CEO Anis A. Khan also attended the training as special guest.

Date: May 21, 2012
Venue: MTB Training Institute, MTB Square, Tejgaon, Dhaka 1208

AGREEMENT SIGNING CEREMONY FOR PURCHASE OF THE WIND FLOOR, MTB CENTRE

Signed by: Syed Ali Jowher Rizvi, Managing Director, Nekan Alliance PEB Ltd. and Anis A. Khan, Managing Director & CEO, MTB.

Date: May 17, 2012
Venue: Sun floor, MTB Centre, Gulshan 1, Dhaka 1212

NATIONAL ECONOMIC INDICATORS

NATIONAL ECONOMIC INDICATORS

Total Tax Revenue

Total tax revenue collection in April 2012 increased by 24.50 percent to BDT 8462.39 crore from April 2011 level.

NBR tax revenue collection in April 2012 was 24.73 percent higher than the collection of April 2011. Total NBR tax revenue collection during July-April, 2011-12 increased by 19.02 percent to BDT 73963.71 crore against the collection during July-March, 2010-11, while the NBR tax revenue collection increased by 19.24 percent from the same period a year ago.

Liquidity Position of the Scheduled Banks

Total liquid assets of the scheduled banks stand higher at BDT114469.56 crore as of end April, 2012 against BDT 100564.96 crore as of end June, 2011. Required liquidity of the scheduled banks also stands higher at BDT 77178.50 crore as of end April, 2012 against BDT 66493.75 crore as of end June, 2011.

Scheduled banks holding of liquid assets as of end April, 2012 in the form of Cash in tills & balances with Sonali bank, Balances with Bangladesh Bank, and Unencumbered approved securities are 5.73 percent, 31.18 percent and 63.09 percent respectively of total liquid assets.

Bank Group	As on end June, 2011 (BDT in crore)		As of end April, 2012 P	
	Total Liquid Asset	Required Liquidity (SLR)	Total Liquid Asset	Required Liquidity (SLR)
State Owned Banks	30146.85	19228.08	34497.77	21667.70
Private Banks	47857.65	34591.75	55918.89	38877.27
Private Islamic Banks	13418.07	6386.33	11181.88	8806.19
Foreign Banks	7969.63	5273.29	10238.37	5694.98
Specialized Banks	1172.76	1014.30	2632.65	2132.36
Total	100564.96	66493.75	114469.56	77178.50

Imports

Import payments in April 2012 stand higher by USD 60.00 million or 2.11 percent to USD 2906.50 million, against USD 2846.50 million in March 2012. This is however; lower by USD 322.70 million or 9.99 percent compared to USD 3229.20 million in April 2011.

Of the total import payments during July-April, 2011-12 imports under Cash and for EPZ stand at USD 28194.00 million, imports under Loans/Grants USD 215.8 million, imports under direct investment USD 91.00 million and short term loan by BPC USD 1352.40 million. The falling trend in cumulative import payments, consequential effect of BB's monetary policy stance, is contributing to ease pressure on gross foreign exchange reserve.

Exports

Merchandise exports in April, 2012 stands lower by USD 91.28 million or 4.60 percent at USD 1890.98 million as compared to USD 1982.26 million in March, 2012. The amount is also lower by 7.10 percent than the exports value of April 2011.

Remittances

Remittances in May 2012 stand higher at USD 1151.17 million against USD 1083.89 million in April 2012. This is also higher by USD 152.75 million against USD 998.42 million of May 2011.

Total remittances receipts during July-May, 2011-12 increased by USD 1155.51 million or 10.89 percent to USD 11766.92 million against USD10611.41 million during July-May, 2010-11. Strong growth in remittances stabilized gross reserves and helped to maintain strength of local currency.

Foreign Exchange Reserve (Gross)

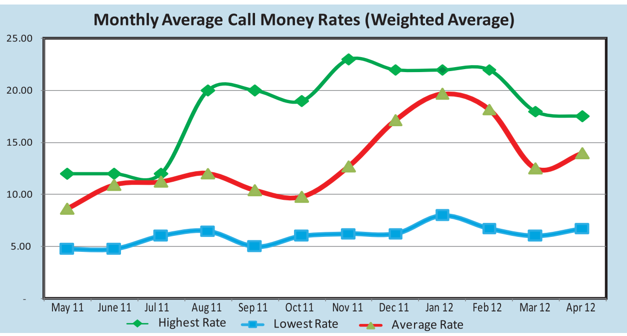
The gross foreign exchange reserves of the BB stood lower at USD 9520.43 million (with ACU liability of USD 336.91 million) as of end May 2012, against USD 10193.04 million (with ACU liability of USD 732.39 million) by end April 2012. The gross foreign exchange reserves, without ACU liability is equivalent to import payments of 3.06 months according to imports of USD 3004.62 million per month based on the preceding 12 months average (May-April, 2011-12).

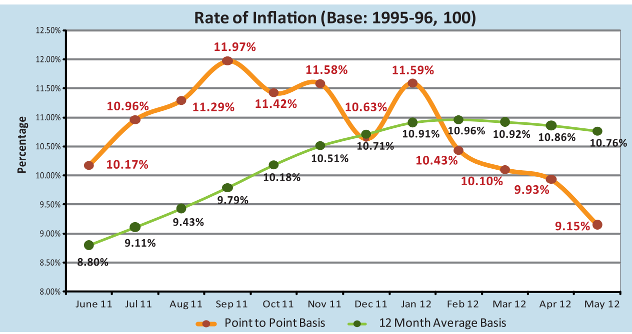
The gross foreign exchange balances held abroad by commercial banks stood lower at USD 1095.46 million by end May 2012 against USD1164.05 million by end April 2012. However, this was higher than the balance of USD903.12 million by end May 2011.

Exchange Rate Movements

Exchange rate of BDT per USD appreciated about 3.28 percent in the month of February and has since hover around that rate, resulted from moderate growth in remittances, foreign aid, and lower import pressures. At the end of May 2012 BDT has depreciated by 9.50 percent from its level at the end of June 2011.

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





Rate of Inflation on CPI for National (Base: 1995-96, 100)	June 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12
Point to Point Basis	10.17%	10.96%	11.29%	11.97%	11.42%	11.58%	10.63%	11.59%	10.43%	10.10%	9.93%	9.15%
12 Month Average Basis	8.80%	9.11%	9.43%	9.79%	10.18%	10.51%	10.71%	10.91%	10.96%	10.92%	10.86%	10.76%

Source: Major Economic Indicators

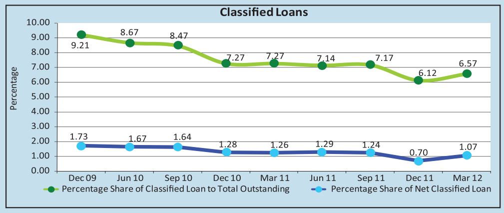
Monthly Average Call Money Market Rates (wt avg)	May 11	June 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12
Highest Rate	12.00	12.00	12.00	20.00	20.00	19.00	23.00	22.00	22.00	22.00	18.00	17.50
Lowest Rate	4.75	4.75	6.00	6.50	5.00	6.00	6.25	6.25	8.00	6.75	6.00	6.75
Average Rate	8.64	10.93	11.21	12.03	10.41	9.77	12.70	17.15	19.66	18.18	12.51	13.98

Source: Economic Trends Table XVIII (Call Money)

BANKING AND FINANCIAL INDICATORS

Classified Loans	Dec 09	Jun 10	Sep 10	Dec 10	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12
Percentage Share of Classified Loan to Total Outstanding	9.21	8.67	8.47	7.27	7.27	7.14	7.17	6.12	6.57
Percentage Share of Net Classified Loan	1.73	1.67	1.64	1.28	1.26	1.29	1.24	0.70	1.07

Monetary Survey	April, 2011	June, 2011	April, 2012 P	Percentage Change (%) Aprl.12 over Aprl.11	Percentage Change (%) FY 2010-2011 P
Reserve Money (BDT crore)	83227.50	97500.90	91691.80	10.17%	21.09%
Broad Money (BDT crore)	421461.50	440,520.00	493807.00	17.17%	21.34%
Net Credit to Government Sector (BDT crore)	63737.30	73436.10	89934.00	41.10%	34.89%
Credit to Other Public Sector (BDT crore)	18505.00	19377.10	18938.10	2.34%	28.72%
Credit to Private Sector (BDT crore)	330460.70	340712.70	390663.80	18.22%	25.84%
Total Domestic Credit (BDT crore)	412703.00	433525.90	499535.90	21.04%	27.41%



L/C Opening and Settlement Statement (USD million)	July- April, 2010-11		July- April, 2011-12		Percentage Change (%) Year over Year	
	Open	**Sett.**	**Open**	**Sett.**	**Open**	**Sett.**
Food Grains (Rice & Wheat)	2337.70	1644.47	699.05	745.72	-70.10%	-54.65%
Capital Machinery	2421.44	1683.95	1796.19	2038.46	-25.82%	21.05%
Petroleum	2519.70	2556.88	4097.59	4012.72	62.62%	56.94%
Industrial Raw Materials	12873.71	10130.29	11836.79	11342.84	-8.05%	11.97%
Others	12489.39	10205.55	11938.51	11419.82	-4.41%	11.90%
Total	32641.94	26221.14	30368.13	29559.56	-6.97%	12.73%

YEARLY INTEREST RATES

End of Period	Bank Rate	Call Money Market's Weighted Average Interest Rates on		Scheduled Banks' Weighted Average Interest Rates on		Spread
		Borrowing	Lending	Deposits	Advances	
2012*	5.00	15.05	15.05	....	....	....
2011	5.00	17.15	17.15	....	....	....
2010	5.00	8.06	8.06	6.08	11.34	5.26
2009	5.00	4.39	4.39	6.29	11.51	5.22
2008	5.00	10.24	10.24	7.09	12.40	5.32
2007	5.00	7.37	7.37	6.84	12.78	5.95
2006	5.00	11.11	11.11	6.99	12.60	5.61
2005	5.00	9.57	9.57	5.9	11.25	5.35
2004	5.00	4.93	5.74	5.56	10.83	5.27
2003	5.00	6.88	8.17	6.25	12.36	6.11

**: data upto month of May, 2012.*

Interest Rate Development *1/

Period	Treasury Bills			BGTB				Repo	Rev. Repo	Avg Call Money Rate	Lending Rate	Deposit Rate
	91-Day	182-Day	364-Day	5-Year	10-Year	15-Year	20-Year	1-3 Day	1-3 Day			
2010-11 *r												
July	2.43	3.51	4.24	7.88	8.79	8.84	9.20	4.50	2.50	3.33	...	...
August	...	...	...	7.88	8.82	8.86	9.23	5.50	3.50	6.58	...	...
September	...	...	...	7.93	8.85	8.91	9.24	5.50	3.50	7.15	11.17	6.00
October	2.94	3.75	4.45	7.96	8.85	8.94	9.25	5.50	3.50	6.19	...	...
November	3.72	4.16	4.65	8.00	8.89	9.05	9.41	5.50	3.50	11.38	...	...
December	4.58	4.85	5.50	8.10	9.45	9.11	9.56	5.50	3.50	33.54	11.19	6.08
January	5.11	5.39	5.94	8.25	9.50	....	9.60	5.50	3.50	11.64	11.34	6.39
February	5.25	5.5	6.00	8.25	9.45	9.12	9.60	5.50	3.50	9.54	11.41	6.54
March	5.48	5.63	6.20	8.26	9.36	9.20	9.63	6.00	4.00	10.59	11.95	6.81
April	5.98	6.03	6.67	8.26	9.45	9.30	9.65	6.25	4.25	9.50	12.02	7.06
May	6.45	6.63	6.97	8.26	9.45	9.35	9.65	6.25	4.25	8.64	12.17	7.24
June	6.75	7.00	7.30	8.26	9.45	9.35	9.65	6.75	4.75	10.93	12.42	7.27
2011-12 *p												
July	7.04	7.28	7.60	8.26	9.45	....	10.00	6.75	4.75	11.21	12.55	7.32
August	7.40	7.65	7.90	8.30	9.50	9.65	10.25	6.75	4.75	12.02	12.63	7.40
September	7.73	8.30	8.65	8.35	9.53	10.30	10.85	7.75	5.25	10.41	12.72	7.42
October	8.12	8.40	8.65	8.50	9.55	10.99	11.50	7.75	5.25	9.77	12.80	7.46
September	8.73	8.90	9.13	8.50	9.55	11.00	11.50	7.75	5.25	12.70	12.83	7.53
December	9.50	9.18	10.00	8.50	9.55	11.00	11.50	7.25	5.25	17.75	13.01	7.55
January	10.50	10.63	10.88	9.00	11.25	11.50	11.95	7.75	5.75	19.67	13.43	7.86
February	11.00	11.23	11.31	11.25	11.35	11.60	12.00	7.75	5.75	18.18	13.63	7.95
March	11.00	11.20	11.25	11.3	11.40	11.65	12.03	7.75	5.75	12.51	13.69	8.11
April	11.21	11.29	11.33	11.37	11.50	11.70	12.07	7.75	5.75	14.18	13.72	8.17
May	11.34	11.36	11.40	11.56	11.56	11.75	12.10	7.75	5.75	15.05	...	...

Source: MRP, DMD, Statistics Dept., Bangladesh Bank.

*1/ Weighted Average Rate, *p Provisional, *r Revised, ... Data Unavailable

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

Weekly Summary Comparison:

	May 27 - 31, 2012	April 29 - May 03, 2012	% Change
Total Turnover in mn BDT	9,650	18,143	(46.81)
Daily Average Turnover in mn BDT	1,930	4,536	(57.45)

Category-wise Turnover

Category	May 27 - 31, 2012	April 29 - May 03, 2012	% Change
A	87.15%	93.51%	(0.064)
B	1.12%	0.48%	0.006
G	0.00%	0.00%	0.000
N	3.33%	3.86%	(0.005)
Z	8.39%	2.15%	0.062

Scrip Performance in the Week

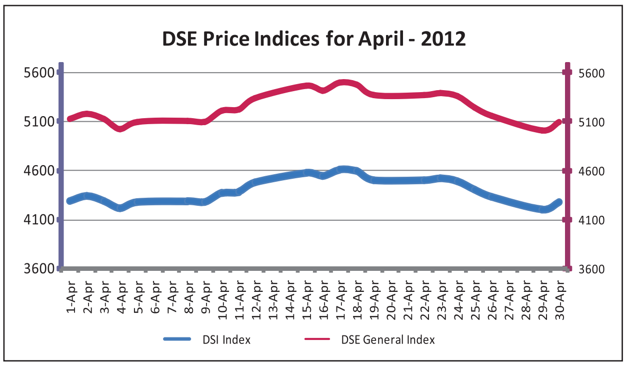
	May 27 - 31, 2012	April 29 - May 03, 2012	% Change
Advanced	78	128	(39.06)
Declined	181	135	34.07
Unchanged	16	10	60.00
Not Traded	4	5	(20.00)
Total No. of Issues	279	278	0.36

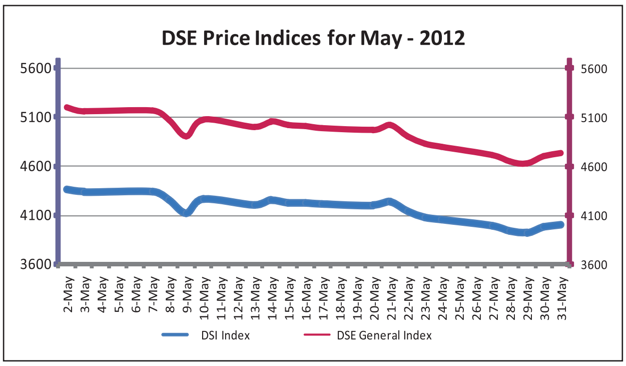
Top 10 Gainer Companies by Closing Prices, May, 2012

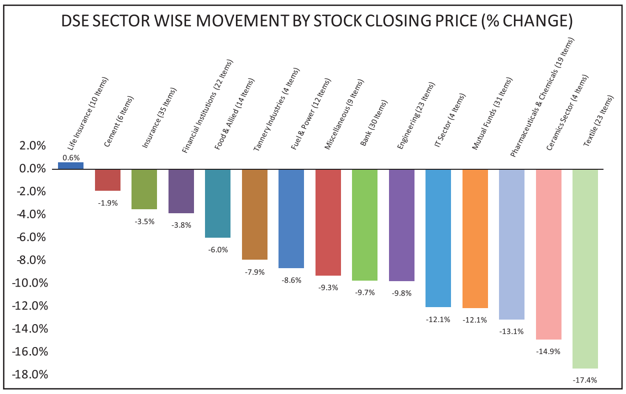
Sl	Names	Category	% of Change	Deviation % (High & Low)
1	Purabi Gen. Insurance	A	20.92	25.85
2	FAS Finance & Investment Ltd.	A	11.97	21.78
3	BDFINANCE	A	8.72	22.00
4	1st Lease Finance & Investment Ltd.	A	8.60	18.36
5	GSP Finance Company (BD) Ltd.	N	8.59	16.34
6	7th ICB M.F.	A	7.79	00.00
7	First Bangladesh Fixed Income Fund	A	7.61	15.12
8	MIDAS Financing Ltd.	A	5.69	16.33
9	United Insurance	A	5.23	10.09
10	Grameen Mutual One	A	5.21	15.60

Top 10 Loser Companies by Closing Prices, May, 2012

Sl	Names	Category	% of Change	Deviation % (High & Low)
1	Shahjalal Islami Bank Ltd.	A	-28.75	12.55
2	CMC Kamal	A	-17.36	19.92
3	Beach Hatchery Ltd.	A	-16.67	24.69
4	1st Security Islami Bank Ltd.	A	-14.49	05.81
5	Shyampur Sugar Mills Ltd.	Z	-12.84	04.21
6	Pragati life Insurance	A	-12.01	07.98
7	Sinobangla Industries	A	-11.76	15.05
8	Salvo Chemical Industry Ltd.	Z	-11.72	18.23
9	Samata Leather Complex Ltd.	Z	-10.43	07.59
10	Monno Staffiers	A	-9.35	09.35







Stocks broke a six-day losing streak on the month's last trading day Thursday (May 31, 2012) as investors went for buying amid renewed optimism though turnover value remained low due to investors' cautious attitude.

The market experts said the investors took position on the day as the market fall in the last six sessions. They became optimistic following the news that over a hundred sponsor-directors have applied to the SEC seeking time extension for buying shares. Receiving of judgment copy of three writs by the SEC, filed against securities regulator's directive on minimum two percent share holding by sponsor-directors, also made investors optimistic, said a stock broker.

The benchmark DGEN General Index of the DSE ended at 4,734 points, after losing 364 points or 7.1 percent at the end of May 2012 trading session.

"Possibility of decision from the court regarding latest five writ petitions has created hopes among the investors, which helped the index to close in the green zone. However, the investors were 'watchful' like most other sessions of May," commented IDLC Investments in its regular analysis.

A market analyst said the investors adopted 'wait-and-see' policy due mainly to the legal complexity that arose out of the SEC ordinance and its silence about the next move on compliance of the mandatory shareholding by sponsor-directors. Because of delay in receiving the official copy of the verdict on three writs, the SEC is yet to announce its next move about the mandatory shareholding by the sponsor directors. However, the SEC might take a decision coming week, a source said. Lower turnover indicates that the participation of institutional investors is still very low, he said, adding the institutional support is needed for a stable market in the long term.

DOMESTIC CAPITAL MARKETS

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

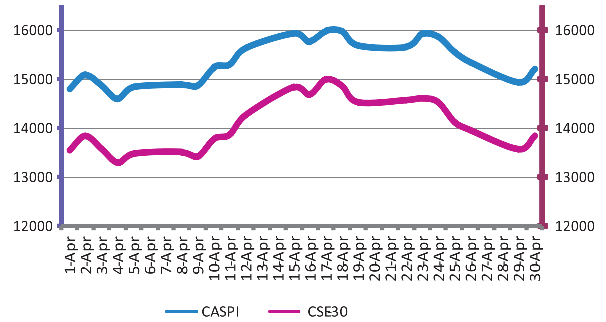
Top 10 Gainer Companies by Closing Price, May, 2012

Sl	Names	Category	Week Difference	Opening	Closing	Turnover (BDT)
1	Fas Finance & Investment Ltd.	A	10.70	35.50	39.30	3,903,750.00
2	BD Finance and Investment Co.	A	8.76	38.80	42.20	4,439,543.00
3	Gsp Finance Company (Bangladesh) Ltd.	N	7.77	38.60	41.60	14,161,650.00
4	First Lease Finance & Investment	A	7.69	50.70	54.60	1,121,500.00
5	Midas Financing Ltd.	A	5.66	60.00	63.40	567,030.00
6	Subordinated 25% Convertible Bond of Brac Bank Ltd.	A	5.09	951.50	1,000.00	15,000.00
7	Miracle Industries Ltd.	B	4.92	14.20	14.90	67,000.00
8	Republic Insurance Company Ltd.	A	3.51	54.10	56.00	1,745,400.00
9	Grameen Mutual Fund	A	3.22	46.50	48.00	396,050.00
10	Sandhani Life Insurance Co.Ltd.	A	3.13	191.30	197.30	3,431,850.00

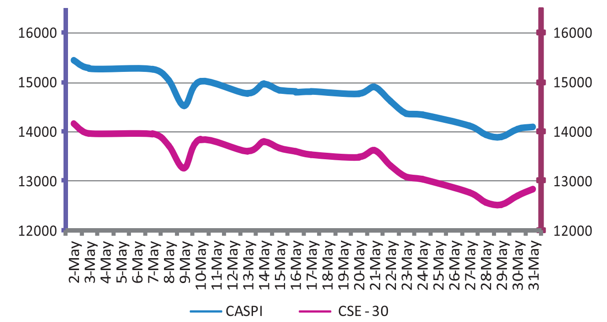
Top 10 Loser Companies by Closing Price, May, 2012

Sl	Names	Category	Week Difference	Opening	Closing	Turnover (BDT)
1	Usmania Glass Sheet Fac Ltd.	A	-14.48	106.30	90.90	49,450.00
2	First Security Islami Bank Ltd.	A	-13.94	20.80	17.90	5,588,753.60
3	Beach Hatchery Ltd.	A	-13.86	30.30	26.10	1,733,350.00
4	Investment Corp of Bangladesh	A	-13.07	2,242.00	1,948.75	2,143,600.00
5	Sinobangla Industries Ltd.	A	-12.86	34.20	29.80	483,350.00
6	Heidelberg Cement Bangladesh	A	-12.11	252.60	222.00	179,500.00
7	Shahjalal Islami Bank Ltd.	A	-10.30	26.20	23.50	5,139,834.30
8	Salvo Chemical Industry Ltd.	Z	-10.00	24.00	21.60	3,810,642.50
9	Anwar Galvanizing Ltd.	B	-9.80	25.50	23.00	105,650.00
10	Pragati Insurance Ltd.	A	-9.73	78.10	70.50	14,100.00

CSE Price Indices for April - 2012



CSE Price Indices for May - 2012



INTERNATIONAL CAPITAL MARKETS

SELECTED GLOBAL INDICES

GLOBAL INDICES ROUND-UP FOR THE MONTH OF MAY, 2012

World stocks finished in the red Thursday (May 31, 2012), ending a wretched month on a weak note. “May is always a difficult month for the market, and this month has lived up to that reputation,” said Fred Dickson, chief market strategist at D.A. Davidson, noting that the market has suffered declines in May for three out of the last four years. This month’s sell-off was sparked by escalating concerns about the eurozone debt crisis, with Spain and Greece keeping contagion worries front and center, as well as fears about a slowing US economy. CNNMoney’s Fear & Greed Index, which measures investor sentiment, has remained firmly in “extreme fear” territory for more than two weeks.

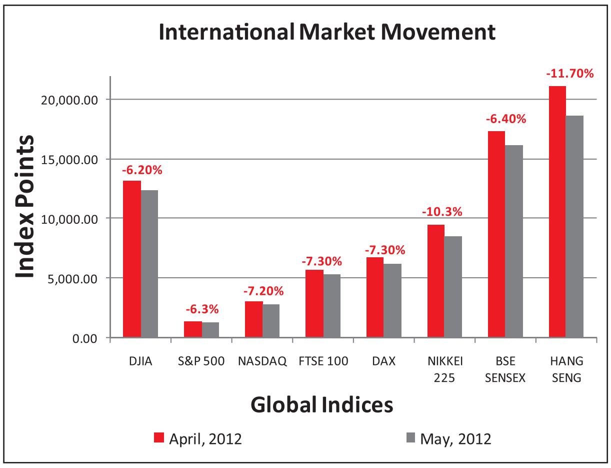
The Dow (DJIA) and S&P 500 dropped more than 6% in May. In fact, the Dow only booked five positive days this month. The last time this occurred was in January 1968. Meanwhile, the Nasdaq has declined more 7%.

The Dow and Nasdaq logged the worst monthly performance since May 2010, when investors were spooked by the Flash Crash, while the S&P 500 posted its biggest monthly loss since September 2011. As stocks have tumbled, investors have rushed toward the safety of US Treasuries, pushing the 10-year yield to record lows.

European stocks also finished in red. Britain’s FTSE 100 dipped more than 7%, while the DAX in Germany lost 7.3%. In Asia, major indexes closed slightly in the red after recovering from earlier steep losses. The HANG SENG decreased 11.7%, Japan’s Nikkei (NIKKEI 225) dropped 10.3% and BSE Sensex lost 6.4%.

International Market Movements:				
INDEX	VALUE (As of May 31, 2012)	VALUE (As of April 30, 2012)	CHANGE	% CHANGE
DJIA	12,393.45	13,213.63	-820.18	-6.2%
S&P 500	1,310.33	1,397.91	-87.58	-6.3%
NASDAQ	2,827.34	3,046.36	-219.02	-7.2%
FTSE 100	5,320.90	5,737.80	-416.9	-7.3%
DAX	6,264.38	6,761.19	-496.81	-7.3%
NIKKEI 225	8,542.73	9,520.89	-978.16	-10.3%
BSE SENSEX	16,218.53	17,318.81	-1100.28	-6.4%
HANG SENG	18,629.52	21,094.21	-2464.69	-11.7%
Arithmetic Mean				-7.8%

DOUBLE VIEW



(Compiled from Yahoo! Finance)

INTERNATIONAL ECONOMIC FORECASTS

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

WELLS FARGO SECURITIES

US OVERVIEW

"Temporary" Shelter from the Gathering Storm

For the third year in a row, troubles overseas appear set to derail the fledgling US economic recovery. Global GDP growth has slowed abruptly, even in formerly rapidly growing developing economies such as China, India and Brazil. The biggest worry is Europe, however, where the financial crisis has hit another critical juncture. The most likely outcome calls for some greater economic and political coordination between the Eurozone nations, which keeps the recession fairly shallow and merely slows economic growth in the United States and around the globe. The more dire consequence has one or more countries dropping out of the currency and economic union, creating a deeper recession in Europe and possibly dragging down US and global economies as well.

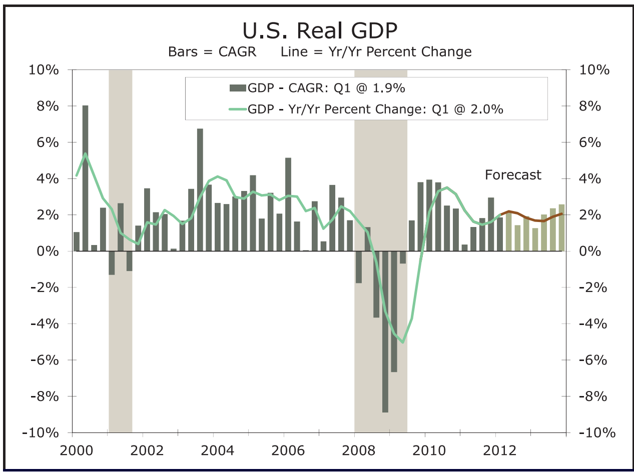
Under either outcome, the US economy provides some shelter from Europe's financial storm. Private final domestic demand grew 2.7 percent over the past year, which has provided steady demand for imports from these nations. Many US companies that had been relying on exports for overseas operations for growth also have a solidly growing mature economy to fall back on that is actually a couple years further along in correcting from the excesses that triggered its own crisis four years ago. Our forecast now builds in a modest drag from the European financial crisis. Real GDP growth slows to less than a 2.0 percent pace during the second half of 2012 and early 2013. Slower global economic growth also reduces commodity prices and inflation, which lessens the hit to real income and, along with lower interest rates, helps support consumer spending.

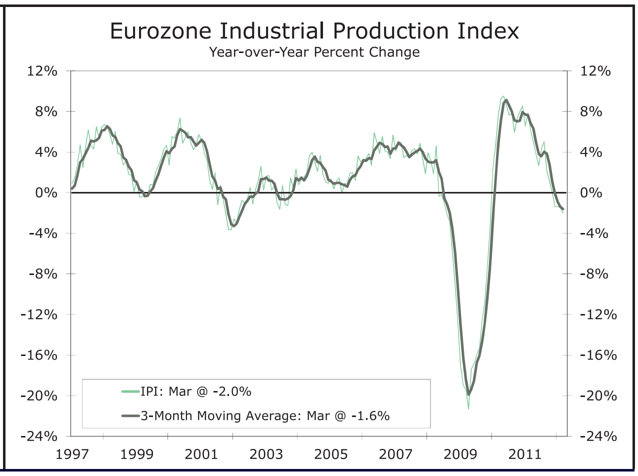
INTERNATIONAL OVERVIEW

A Gloomier Outlook for the Global Economy

The degree of "gloom" in the global economy has increased considerably during the past month, as the Greek and Eurozone sovereign debt situation has continued to worsen, with Spain now on speculators' radar screens as the next "shoe to fall". This situation is making the world remember the days after Lehman Brothers collapsed, with investors looking for safe havens to protect their capital, forgetting that they are in the markets to make money rather than to avoid losses.

The possibility of a Greece departure from the euro currency union has increased considerably during the past several months and is probably going to be put to test during the June 17 parliamentary elections. A departure from the Eurozone could have serious adverse effects not only for the Eurozone, but also for the entire world economy, especially if capital markets freeze as they did after Lehman Brothers collapsed. We believe that the world economy will continue to post positive rates of growth in the coming quarters, but we are watching current events with concern, as a worsening of the Eurozone crisis could cripple the ability of growth economies to continue to grow during the rest of the year. Some fear has been reflected in some of these emerging market currencies, as lower commodity prices and lower expected growth, together with fear of the future, have made these currencies plunge and the US dollar appreciate in a similar fashion, as the world experienced in the aftermaths of Lehman Brothers bankruptcy.





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

COMMODITY MARKETS REVIEW

Non-energy prices fell 2.5 percent in May, with declines in most main groups, particularly for industrial commodities. Energy prices declined 7.6 percent. During the month, however, many commodity prices plunged in response to heightened concerns about the Euro Area. Between the beginning and end of May, crude oil prices dropped 15 percent, copper 13 percent and cotton 20 percent, partly reflecting an appreciation of the dollar—up 6.5 percent against a broad group of US trading partners.

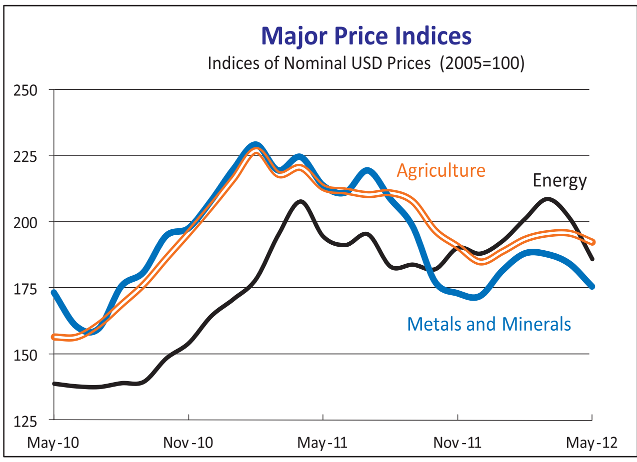
Crude oil prices (World Bank average) dropped 8.4 percent in May to USD 104.1/bbl, and fell below USD 92/bbl in early June, on sovereign debt fears, worries about slowing demand, and continued rise in production. There was also an apparent easing of political tensions surrounding Iran's nuclear program. Moscow holds the next round of talks June 18-19 between Iran and officials from six nations, which follow discussions in Baghdad on May 23-24. Iranian exports are expected to fall further in July when sanctions take full effect. Oil demand growth remains weak, and crude stocks are high, especially in the US However, product inventories are low and should begin to build with a seasonal upturn in refining runs. OPEC production continues to rise, with the group nearly 2 mb/d above its 30 mb/d target agreed to in December. OPEC meets June 14th, and is unlikely to change production policy given current economic conditions. The Brent/WTI spread remains at USD 15/bbl, despite oil now flowing through the reversed Seaway pipeline, as production continues to climb in Canada and the US

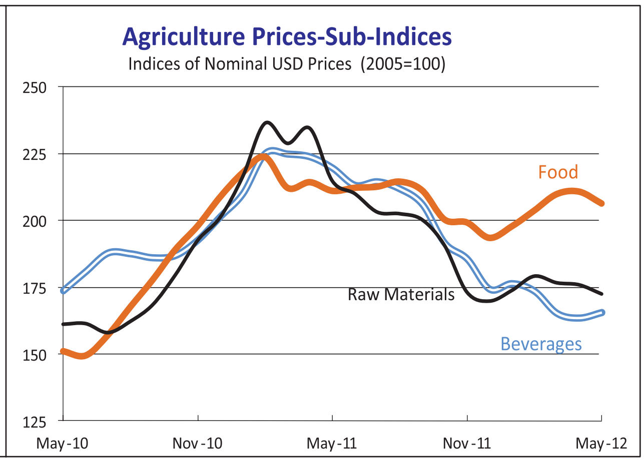
Coal prices fell 6.8 percent in May, down a fourth straight month, on weak global consumption and rising supply. Traditional suppliers to the Atlantic basin—the US and Colombia—are now selling into Asia, adding downward pressure to Pacific prices.

Natural gas prices in the US surged 25.2 percent in May to USD 2.44/mmbtu—the first increase in eleven months—on increasing demand in the power sector at the expense of coal, and lower storage injection—although the stock overhang is still large.

Agricultural prices fell 1.7 percent in May, with declines in most commodities partly offset by gains in rice, soymeal, and beverages. Coconut oil and palmkernel oil prices fell 11-14 percent on a 20 percent increase in the Philippines' coconut oil exports. Cotton prices fell 11 percent on weak demand and high stocks, while sugar prices dropped 9 percent following India's decision to allow exports of raw sugar. Palm oil and soybean oil prices fell 7-8 percent on weak demand for food and biodiesel. Rice prices posted the largest increase, up 10 percent, due to a rise in government stocks in Thailand. Soymeal prices rose 7 percent from a shortfall in Latin American soybean supplies that pushed stocks to very low levels. Robusta coffee prices rose 5 percent as producers and traders held back sales in Vietnam.

Metals and minerals prices fell 4.7 percent in May, the third consecutive monthly drop, with declines in all base and precious metals, and iron ore. The fall is due to concerns about global demand, with the focus on Europe and China, and prices are now biting into the cost curve for some metals producers. The largest reduction was in tin, down 8 percent, on weak demand from China and rising inventories. Iron ore prices fell 7 percent also due to weak demand and concerns about slowing steel production in China. Nickel prices fell 5 percent on slowing stainless steel demand, rising inventories, and expected new nickel mine capacity. Precious metals fell on lower investment demand and the strong dollar, with silver prices dropping 8 percent on added concerns about industrial consumption.





Prepared by Shane Streifel, John Baffes and Betty Dow, with the assistance of Katherine Rollins.

BANGLADESH ASSOCIATION OF CALL CENTER & OUTSOURCING

Ahmadul Hoq Bobby
President, BACCO

Background

Call Centers are being successfully outsourced by large multi-nationals companies (MNCs) to other regions of the world (for example Philippines, India, West Indies). With the attraction of such customers untold benefits are being reaped: such as country's traditional images are changing to high-tech hubs; information technology (IT) and services market are booming and improvement in standard of living. Research has identified that Bangladesh can also exploit the full benefit of offshore market with the help of a vast cost-effective workforce of educated, English-speaking personnel, low-cost technology, and proper government support.

Scope

Identifying proper government support as being fundamental in making Bangladesh a major contender in the offshore market, the entrepreneurs have created the Bangladesh Association of Call Center & Outsourcing (BACCO). The role of BACCO is to encourage creation of proper policies and regulations; ensure in place are fair and appropriate operating environment; and provide assistance to interested operators who want to enter the market. BACCO will work with any recognised authorities such as Bangladesh Telecommunication Regulatory Commission (BTRC), other ministries and organisations to meet the objectives.

BACCO membership comprises of two categories i.e. 1. General Member and 2. Associate Member categories.

1. Individuals, firms, joint stock companies or associate bodies whether local or foreign engaged in call center operation and/or BPO having obtained operational/telecommunication license for the purpose from Bangladesh Telecommunication Regulatory Authority (BTRC) shall be eligible for General Membership;
2. Individuals, firms, joint stock companies or associate bodies whether local or foreign engaged in providing infrastructure and support services to call center and/or Business Process Outsourcing operations have obtained necessary permission/license for the purpose either from BTRC or any other appropriate government authority of Bangladesh shall be eligible for Associate Membership subject to the condition that this category of members shall not have any voting right and cannot be candidate(s) for election as a member of the Executive Committee.

Apart from advantages from the policy advocacy, the members of the association get exclusive services from BACCO. These services include:

- Various supports to members on issues with Government agencies
- Supports on issues with foreign clients / countries. Through its regular meetings and social gathering, BACCO members will interact and network with biggest movers of the global call center and BPO services at home an abroad
- Supports on participation in international call center events
- Exclusive participation of events, training designed for BACCO members
- Discounted facility for BACCO members on every event or program compared to the services to non-members
- Moreover, BACCO is working to make its membership preferential to Government agencies on various purposes

BACCO participates and organizes different events regularly to promote BPO industry. Few recent events are listed below:

- The e-Asia 2011 conference and exhibition held in Dhaka, Bangladesh on December 1-3, 2011, was inaugurated by the Honorable Prime Minister Sheikh Hasina, Government of the Peoples' Republic of Bangladesh, and co-organized by Centre for Science, Development and Media Studies (CSDMS), India and Bangladesh Computer Council, ICT Division, Ministry of Science and ICT, Bangladesh and supported by the Access to Information (A2I) Programme, Prime Minister's O¬ce, Bangladesh, Bangladesh Association of Software and Information Services (BASIS), Bangladesh Computer Samity (BCS), Internet Service Providers Association of Bangladesh (ISPAB), Association of Mobile Telecommunication Operators of Bangladesh (AMTOB) and Bangladesh Association of Call Centre & Outsourcing (BACCO). This mega showcase included 100 exhibitors, 200 speakers, 30 Seminars, 5 Workshops, Awards, etc.
- BACCO participated in the 'Digital Innovation Fair 2011' held at Bangabandhu Sheikh Mujibur Rahman Novotheatre, Dhaka continues from July 6 to 8, 2011. During this fair BACCO & its members demonstrated the call center industry & various services it can provide for better & efficient access to information for the citizens that leads to help making Digital Bangladesh.
- BACCO participated at Birmingham in the 'Call Center & Customer Management Expo 2010'.

Role and Objectives

Policy	To ensure fair and objective call center policies and regulations
Operation	To advocate fair operating environment in place from all government departments
Service	To promote Call Center and Business Process Outsourcing (BPO) services globally
Competitive	To make Bangladesh a major competitive offshore contender for the MNCs
Governance	To ensure good governance establishment
Growth	To open a new high tech sector in Bangladesh and thereby earn foreign currency
Employment	To assist in generating new employment and human resource for the call center market

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ENTERPRISE OF THE MONTH

Lafarge Surma Cement Ltd.
A company of Lafarge and Cementos Molins

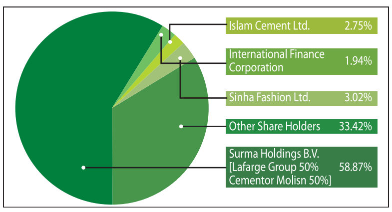
LAFARGE SURMA CEMENT LTD.

Martin Kriegner
Chairman, LSC

About LSC

Lafarge Surma Cement Ltd. (LSC) was incorporated on November 11, 1997 as a private limited company in Bangladesh under the Companies Act 1994. On January 20, 2003 Lafarge Surma Cement Ltd. was made into a public limited company. In November 2000, the two Governments of India and Bangladesh signed an agreement through exchange of letters in order to support this cross border commercial venture and till date it is the only cross border industrial venture between the two countries. This commercial venture with an investment of USD 280 million, which is one of the largest foreign investments in Bangladesh, has been financed by Lafarge of France, world leader in building materials, Cementos Molins of Spain, leading Bangladeshi business houses together with International Finance Corporation (IFC – The World Bank Group), the Asian Development Bank (ADB), German Development Bank (DEG), European Investment Bank (EIB), and the Netherlands Development Finance Company (FMO). Lafarge Group, with 176 years of experience, holds world's top-ranking position in Cement, Aggregates, Concrete and Gypsum. It operates in 64 countries with around 68,000 employees. Lafarge is named as one of the 100 Most Sustainable Companies in the World.

Shareholders & Investors



The Company is fortunate to have a blend of both international and local shareholders. The international shareholders of Lafarge Surma Cement Ltd. bring in technological and management expertise while the local partners provide deep insights of the economy of Bangladesh. The shareholders believe that growth and innovation must add value, not only for the Company, but also for customers, whom the Company serves through modern and well-located production facilities as well as innovative and reliable products.

Product

Supercrete is a premium cement brand made for multi-purpose applications, namely – foundation, beam, column, slab masonry, plastering works, etc. This cement is purely limestone based, free of fly-ash or slag, unlike other cements in the country. Limestone allows better workability and a stronger bond. Supercrete cement is already known for its light colour, giving the construction a remarkable elegant look. Any construction work that used Supercrete is identifiable with bare eyes. Being a limestone cement, Supercrete production emits less carbon and consumes less energy than other cements, hence is also a more environment friendly choice. By purchasing Supercrete, consumers contribute to a greener world.

Market Capture

It is producing world class clinker and cement which is a demonstration of the sophisticated and state-of-the-art machineries and processes of their plant at Chhatak. The Company is already meeting about 8% of the total market need for cement and 10% of total clinker requirements of Bangladesh market whereas LSC continues to enjoy strong growth rates. By supplying clinker to other cement producers in the market, LSC contributes some USD 50-60 million per annum worth of foreign currency savings for the country. LSC contributes around BDT 1 (one) billion per annum as government revenue to the national exchequer of Bangladesh. About 5,000 people depend on LSC's business directly or indirectly for their livelihood.

Awards

Lafarge Idea Factory Award 2010

Lafarge Surma Cement Limited ("LSC") has proved itself as one of the most innovative business units through its remarkable achievement in "IdeaFactory", the group-wide idea generation competition and first of its kind in Lafarge. The idea on web-based retail management by the LSC team (author: Mahmud Hasan, co-authors: Golam Kibria and Khourshed Alam) won the second prize in Customer Services category. It was the only selection from whole of Asia region among the nine winners in three categories. The presentation ceremony was held in Paris in October 2010 – the picture shows LSC team with Lafarge Chairman and CEO Mr. Bruno Lafont after the awards distribution event.

CSR

LSC strongly believes that business is a priority but social welfare is a responsibility. This is a key for sustainable development. Thus, LSC has undertaken wide ranging community development activities around their plant at Chhatak and their quarry in Meghalaya.

One of the focus areas for their CSR initiatives is Healthcare. They have provided sanitation wares to two hundred (200) families in remote villages near the plant at Chhatak. They have also provided arsenic filters to all the project affected families to ensure access to safe drinking water.

Earlier children of the PAPs at Chhatak never went to any school, now they have access to education and their children regularly attend primary lessons in language, mathematics, geography, science and art. The school has been named as "LSC Community Welfare School" which offers free education up to class five with a library at the school complex.

They also take pride in lending a hand in community infrastructure development initiatives. LSC has assisted in the construction of a mosque for the local community beside the housing complex near the plant at Chhatak. Engineers of the Company provided support in designing and other necessary preparation work. Also LSC donated Supercrete cement for the construction work of the mosque.

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UPCOMING TRADE SHOWS

International

Upcoming Top 10 International Trade Shows of July 2012			
Event Name	**Date**	**Industry**	**Venue**
International Quilt Festival - Long Beach	27 Jul 12 - 29 Jul 12	Textiles, Yarn, Fabrics & Allied Industries	Long Beach, United States Of America
Timber & Working With Wood Show-Sydney	27 Jul 12 - 29 Jul 12	Industrial Plants, Machinery & Equipment	Sydney, Australia
Cosmoprof North America	22 Jul 12 - 24 Jul 12	Cosmetics, Toiletries & Personal Care Products	Las Vegas, United States Of America
India International Garment Fair	16 Jul 12 - 18 Jul 12	Apparel, Clothing & Garments	New Delhi, India
Shanghai International Advertising & Sign Technology & Equipment Exhibition	11 Jul 12 - 14 Jul 12	Media, Advertising, Copywriting & Publishing Services	Shanghai, China
China Building & Decoration Fair	08 Jul 12 - 11 Jul 12	Building Construction Material, Equipment and Sanitaryware	Guangzhou, China
Southern African International Trade Exhibition	15 Jul 12 - 17 Jul 12	Housewares, Home Appliances & Household Consumables	Midrand, South Africa
India International Medical Equipment Expo - Chennai	20 Jul 12 - 22 Jul 12	Medical, Pharma, Surgical & Healthcare Products	Chennai, India
International Make-Up Artist Trade Show-Vancouver	21 Jul 12 - 22 Jul 12	Cosmetics, Toiletries & Personal Care Products	Vancouver, Canada
California Gift Show	25 Jul 12 - 31 Jul 12	Gifts, Crafts, Antiques & Handmade Decoratives	Los Angeles, United States Of America

Source: www.biztradeshows.com

National

Upcoming National Trade Shows of July 2012			
Event Name	**Date**	**Industry**	**Venue**
Dye+Chem Bangladesh	11-JUL-12 - 14-JUL-12	Dyes & Chemicals	Bangabandhu International Conference Centre, Dhaka, Bangladesh
Textech International Expo	11-JUL-12 - 14-JUL-12	Textile & Apparel	Bangabandhu International Conference Centre, Dhaka, Bangladesh
Dhaka International Yarn & Fabric Show	11-JUL-12 - 14-JUL-12	Yarn & Fabric	Bangabandhu International Conference Centre, Dhaka, Bangladesh
Chem+ Bangladesh Expo	11-JUL-12 - 14-JUL-12	Custom, Fine & Specialty Chemicals	Bangabandhu International Conference Centre, Dhaka, Bangladesh
MPS Expo	2-JUL-12 - 14-JUL-12	Ship Building	K Square, G.E.C, Chittagong, Bangladesh
Power And Lighting Expo	2-JUL-12 - 14-JUL-12	Power And Lighting	K Square, G.E.C, Chittagong, Bangladesh

Source: www.biztradeshows.com

New Appointments During May, 2012

BANKS, FINANCIAL & OTHER INSTITUTIONS				
Name	**Current Position**	**Current Organization**	**Previous Position**	**Previous Organization**
Badiur Rahman	Chairman (re-elected)	Al-Arafah Islami Bank Ltd.	Chairman	Al-Arafah Islami Bank Ltd.
Prof. Abu Nasser Muhammad Abduz Zaher	Chairman (re-elected)	Islami Bank Bangladesh Ltd. (IBBL)	Chairman	IBBL
Akhtaruzzaman Chowdhury	Chairman (re- elected)	United Commercial Bank Ltd. (UCB)	Chairman	UCB
Mahbub Jamil	Chairman (re- elected)	International Leasing and Financial Services Ltd.	Chairman	International Leasing and Financial Services Ltd.
Md Mahmudul Hoque	Chairman	Jamuna Bank Ltd.	Director	Jamuna Bank Ltd.
Alhaj Nasiruddin	Chairman	Social Islami Bank Ltd.	Director	Social Islami Bank Ltd.
Monzurur Rahman	Chairman	Delta Life Insurance Company Ltd.	Director	Delta Life Insurance Company Ltd.
MA Hashem	Chairman	Janata Insurance Company Ltd.	Director	Janata Insurance Company Ltd.
Raihan Shamsi	Chief Executive Officer (CEO)	GPIT	Deputy CEO and Chief Financial Officer	Grameenphone

Continuation form Page- 3

If the knowledge of how the VAT reforms may affect the business is shared right across the business, it makes implementation more manageable, and reduces the risk of errors.

- Over the next few months, clear communication with key customers and suppliers is absolutely critical so that both parties are familiar with what will happen following the changeover from BT to VAT. For example, there needs to be communication with key customers so they know how your prices will be affected by the reforms. Furthermore, they may need to know if you are registered as a general VAT taxpayer so that input VAT credits may be claimed. Similarly, you will need to obtain the registration details of your key customers in order to issue them with special VAT invoices. In our experience, contractual and other commercial disputes are more likely to arise if you fail to engage proactively with your customers. Finally, businesses need to pay close attention to the transitional issues which arise. For example, determining whether the trigger point for transitioning from BT to VAT should be based on either the time when the contract is entered into, when the services are performed, when the services are invoiced, or when the fee is paid. Moreover, if there are any price adjustments to service fees on or after the commencement date relating to services, which were subject to BT, then businesses will need to ensure appropriate refunds can be accessed. Affected businesses may also need to ensure they retain access to BT fapiao equipment so that BT fapiaos may be issued where customers request them after the changeover date, but in respect of services provided prior to that date.

The Devil is in the Detail

At first glance, the rules for the pilot program are deceptively simple. However, it is only when you drill down into the finer details that many issues are identified, or uncertainties arise, which require resolution.

The issue is how best to resolve those uncertainties; in this case, many local in-charge tax officials may not have had prior experience with these reforms, and their resources will be stretched in the lead up to the commencement. That is where professional advice may be necessary.

Many of the major causes of uncertainty with the VAT reforms derive from two underlying principles:

- The first principle is that the pilot program is limited to specific locations – Shanghai, and shortly, in the 10 locations. In some cases, competitive advantages can arise for businesses in those locations because they charge VAT (therefore allowing input VAT credits to be claimed), and competitive disadvantages can also arise because the rate of VAT is generally higher than the rate of BT. This is why the introduction of a pilot program in specific locations can create a ripple effect – businesses in cities or provinces immediately surrounding it are affected. Once the VAT reforms are implemented right across mainland China, and to other industries, these issues will become more manageable.

- The second principle is due to the fact that the pilot program incorporates special rules from the previous BT regime, so as to ensure the transition to VAT is smoother for affected businesses. For example, for those taxpayers that previously paid BT on a net basis, the pilot program rules allow them to continue to pay on a net basis under the VAT regime. Likewise, there were a myriad of special rules or concessions granted to businesses under BT, which may continue. The result is that the current VAT pilot program remains something of a hybrid of the old BT system with the new VAT system. The difficulty is that the concepts underpinning BT and VAT are quite different, and problems with the interaction between the two taxes frequently arise. Again though, once the VAT reforms expand across mainland China, and to all sectors, these uncertainties will largely cease.

Cross-Border Transactions

Generally, the VAT reforms provide for more favourable treatment of cross-border transactions than under the previous BT regime. For example, the export of many different types of services may be treated as either zero-rated or exempt from VAT, as compared with the previous position where five percent BT ordinarily applied. Furthermore, the provision of services from offshore to a business in either Shanghai or the 10 locations will be subject to VAT (with a withholding of the VAT liability by an agent or the business customer). However, if the business customer is also registered as a general VAT taxpayer, they may be entitled to an input VAT credit. In other words, there is no effective VAT cost. While the treatment of cross-border transactions is certainly more favourable than under BT, there are a number of issues, which need to be carefully considered to achieve this outcome, including:

- In Shanghai, the tax authorities are yet to release the implementation procedures for taxpayers claiming exemptions from VAT, which is practically limiting the ability of many taxpayers to access these concessions. It is hoped that the implementation procedures for exemptions from VAT will be issued shortly, both for Shanghai as well as the 10 locations

- The Ministry of Finance (MoF) and the SAT have released the implementation procedures for taxpayers claiming zero-rating of exported services, such as international transportation, research and development and design services. However, the ability for businesses to zero-rate exported services depends on the business meeting certain approval requirements, and providing certain documentation to the tax authorities.

- Some tax officials in Shanghai have been interpreting the scope of the exported services concessions narrowly. As such, businesses may require assistance with the preparation and presentation of contracts and other documents to ensure that these concessions can be utilised.

VAT Implementation Dates Announced

In a joint circular Cai Shui [2012] No.71 (Circular 71) dated 31 July 2012, the Ministry of Finance (MoF) and the State Administration of Taxation (SAT) announced the implementation dates for the VAT pilot program in various cities and provinces, as well as the rules that will apply.

Confirmation of the implementation dates follows the earlier announcement last week by China's State Council that the VAT pilot program would be rolled out to 10 cities/provinces ('the pilot locations') progressively between 1 August 2012 and 31 December 2012.

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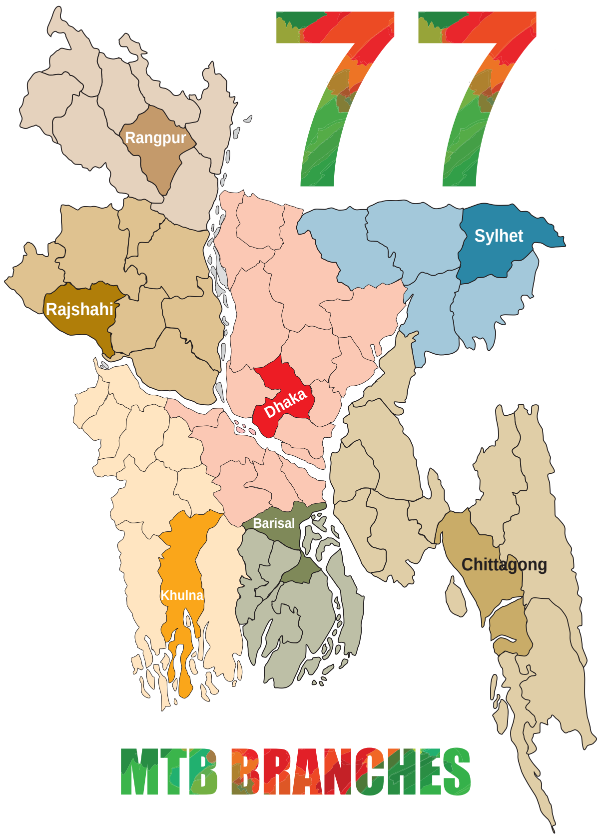

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