

Monthly Economic & Business Update



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China's president came to Bangladesh for a two days visit, on October 14th – 15th, as a regional tour of Asia. After 1986 this is the first visit of a Chinese head of state, Mr. Xi Jinping, in 30 years. In this visit, the Chinese President and the Prime Minister of Bangladesh came to a signing deal of US\$ 13.6 billion.



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China Bangladesh Deal 2016



Highlights

- ④ Deals Signed – 27
- ④ 13 joint venture agreements
- ④ Chinese assistance in 34 projects amounting to \$24.45 billion
- ④ Loan agreements of 2 comprising \$464 million (ships from China & Water Treatment Plant)

"We mutually agreed to come to a strategic partnership of cooperation from a closer comprehensive partnership of cooperation in order to lift up the relation between China and Bangladesh," Xi Jinping said after the meeting with Prime Minister Sheikh Hasina.

China's president came to Bangladesh for a two days visit, on October 14th – 15th, as a regional tour of Asia. After 1986 this is the first visit of a Chinese head of state, Mr. Xi Jinping, in 30 years. In this visit, the Chinese President and the Prime Minister of Bangladesh came to a signing deal of US\$ 13.6 billion.

The agreement and the Memoranda of Understanding (MoUs) include investment to be done in energy and power (US\$ 5 billion), railway infrastructure (US\$ 6 billion), transportation, communication and establishment of economic and industrial zones and other fields.

❏ Disaster Aid: During disasters, around \$ 83 million aid will be provided for information circulation along the coast. For the fire service, 1,000 fire-fighting motorbikes will be purchased.

❏ Karnaphuli Tunnel: To improve connectivity between Cox's Bazaar and the rest of the country, a tunnel will be built connecting the two banks of the river Karnaphuli in Chittagong. This is one of the infrastructure deals which will not only connect Cox's Bazaar with other parts of Bangladesh but is also expected to bring an ease from traffic congestion. Beijing is especially keen to revive a plan to build a deep sea port in Sonadia which has been on hold for years.

❏ Dhaka WASA's Dasherbandi water treatment plant: It is designed to clean water of the Balu River. Not only this, it will also recycle the sewage from Dhanmondi, Banani, Baridhara, Mohakhali and Tejgaon areas (Hatirjheel and adjacent areas).



❏ **Loan Deals:** Karnaphuli tunnel worth the deal of \$700 million and Dasherbandi plant worth \$280 million. The second loan deal will be for the purchase of a number of vehicles including three oil tankers. The purchase of six ships as well from China with a loan of \$184 million.

❏ Another loan deal under which China will provide Bangladesh \$1.9 billion for a coal-fired power plant near Payra port in Patuakhali.

According to the Economic Relations Division (ERD)'s additional Secretary Abul Mansur Muhammad Faizullah a list of 28 projects, worth \$21.5 billion, have been made for Chinese financing and the final agreements will be signed gradually in next five years. As per the draft of MoU, additional projects would be included in the list upon consultations between the two sides.

Bangladesh has been expecting and hopeful even before the arrival of the Chinese head of state. "We are hoping to sign over 25 MoUs and deals which will deepen the cooperation in the areas of economic, trade and investment, electricity and power, information communication technology, infrastructure development for road, railway and waterway communication and agriculture," Foreign Minister Abul Hassan Mahmood Ali said on Thursday (13th Oct 2016).

During a visit to Dhaka, Prime Minister Modi announced a \$2 billion credit line for Bangladesh last year. It seems China is further ahead of India in helping Bangladesh. Bangladesh supports Xi Jinping's "One Belt, One Road" idea. It will enhance trade and transport links across Asia and into Europe which will also help to lift growth. As reported by the director of South Asia Studies at Shanghai Institute for International Studies, Zhao Gancheng, both India and China is favoring Bangladesh in development, and not just one of them. China provided finance for the set up of eight bridges from the time establishment of the diplomatic alliance in 1975. The economic relation deepened between the two countries in recent years.

Bangladesh is China's third largest trading partner in South Asia whereas China is Bangladesh's largest trading partner in recent years. For China, Bangladesh is also third largest project contract market in South Asia.

Bangladesh-China

Trade: Two countries trade between each other reached \$14.7 billion in 2015 and increasing by 17% year on year.

The debt situation

in Bangladesh is relaxed currently. In FY 2014-15 the ERD, Government of Bangladesh, data showed the debt-GDP ratio was 13.6 per cent. To service foreign loan the proportion of export earnings was 5.1 percent which implies that Bangladesh can take additional loans not having much difficulty of repayment.





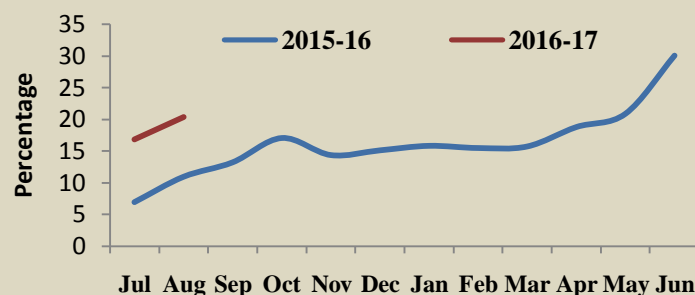
Reserve Money:

Reserved money recorded an increase of taka 308.85 billion or 20.34 percent in august 2016 which is than the previous FY15. Bangladesh Bank's net foreign assets increased by taka 416.4 billion or 22.34 percent in august 2016 against that of august 2015. Reserve money multiplier increased to 5.05 in August 2016 as compared to 5.02 of July 2016.

Broad money:

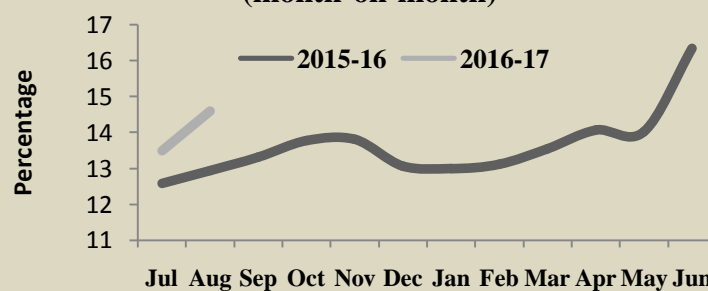
The broad money recorded an increase of taka 1175.06 billion or 14.59 percent at the end of august 2016 against the increase of taka 922.92 billion or 12.94 percent at the end of august 2015. This increase is due to the higher growth rate of net domestic assets (NDA) by taka 744.45 billion or 12.27 percent and net foreign assets (NFA) by taka 430.6 or 21.7 percent at the end of August 2016 as compared to the same month of the previous year. Both broad money (M2) growth and private sector credit growth picked up velocity in August 2016.

**Trends of reserve money growth
(month-on-month)**

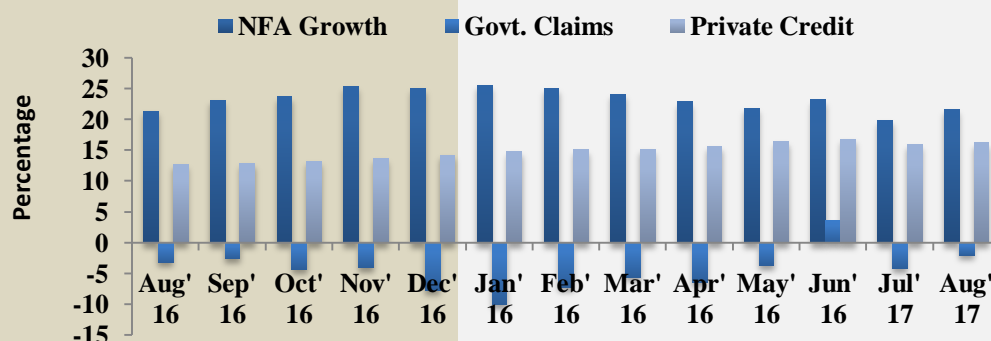


Source: BB

**Trends of broad money growth
(month-on-month)**



Source: BB

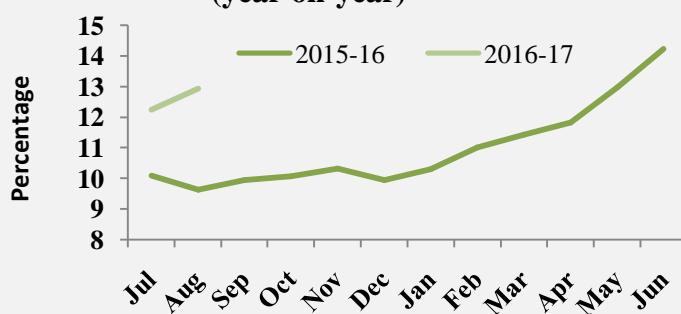


Source: BB

Domestic credit:

The domestic credit recorded an increase of taka 918.07 billion or 12.94 percent at the end of August 2016 against the increase of taka 623.27 or 9.63 percent at the end of August 2015. Credit to the private sector recorded a growth of 937.48 billion or 16.21 percent and credit to the public sector decrease by 19.41 billion or percent 1.48 in August 2016 as compared to the same month of the previous year. At the same time, interest rate spread narrowed in August 2016.

Trends of domestic credit growth (year-on-year)



Source: BB

Table 1: Lending and Deposit Rate

Particulars	Sep'15	Oct'15	Nov'15	Dec'15	Jan'16	Feb'16	Mar'16	Apr'16	May'16	Jun'16	Jul'16	Aug' 16
Lending Rate (%)	11.48	11.35	11.27	11.18	11.05	10.91	10.64	10.64	10.57	10.39	10.32	10.24
Deposit rate (%)	6.66	6.58	6.46	6.34	6.21	6.1	5.77	5.77	5.67	5.54	5.48	5.44
Spread	4.82	4.77	4.81	4.84	4.84	4.81	4.87	4.87	4.9	4.85	4.84	4.8





Domestic Price:

- ❑ **Rice:** At the ending of October 27th, the wholesale and retail prices of (Swarna) rice in Dhaka city markets were 36.50 Tk/kg and 39.00 Tk/kg respectively. The wholesale and retail prices are 35.1% and 23.8% higher than that of corresponding period of last year.
- ❑ **Atta:** At the same period the wholesale prices of atta in Dhaka city markets were up to 20.90 Tk/kg and the retail prices were 24.00 Tk/kg. The wholesale and retail prices are now point to point 8.5% and 14.3% lower respectively than a year ago.

Figure: 1. Change in prices of Coarse Rice (Dhaka)

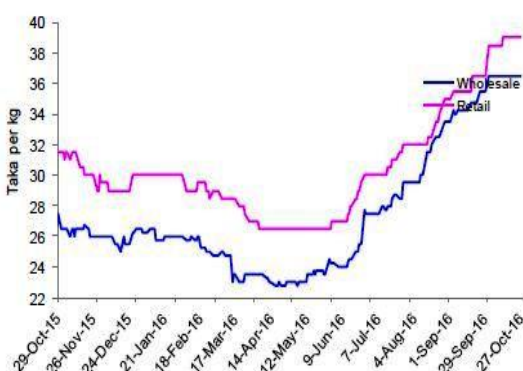
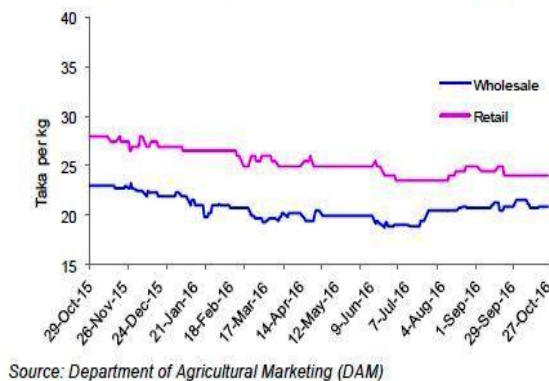


Figure: 2. Change in prices of Atta (Dhaka)

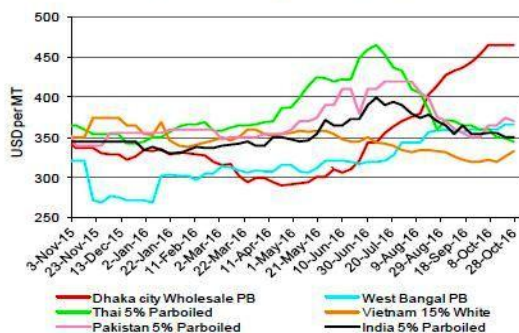


Source: Department of Agricultural Marketing (DAM)

International Price:

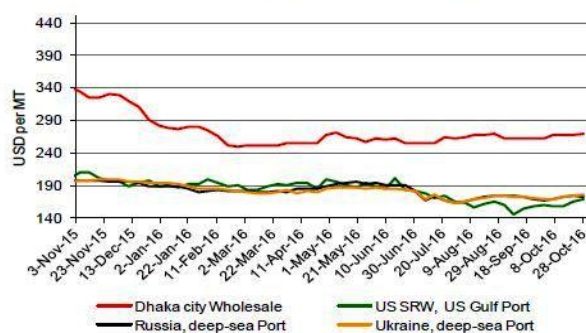
- ❑ **Rice:** In the ending October 28th, Indian 5% parboiled and Thai 5% parboiled rice prices decreased by 0.9% and 1.4% down to 347 USD/MT and 345 USD/MT respectively. But Vietnam 15% white and Pakistan 5% parboiled rice prices increased by 4.1% and 4.3% up to 333 USD/MT and 370 USD/MT. West Bengal coarse rice prices increased by 1.8% up to 366USD/MT. However, Dhaka city wholesale rice prices stood at 466 USD/MT.
- ❑ **Wheat:** In the ending October 28th, US (SRW) wheat prices decreased by 0.6% down to 163 USD/MT. But Russian and Ukraine wheat prices both increased by 2.3% up to 178 USD/MT and 174USD/MT respectively. On the same date, Dhaka city wholesale wheat prices stood same as at 273.3 USD/MT (increased by 2%).

Figure: 3. Rice wholesale price in Dhaka and Kolkata and FOB Prices in relevant international markets



Source: For average weekly FOB prices: USDA, FAO, Jackson Sons & Co. (London) Ltd and Agrimarket Weekly. For average wholesale prices: Department of Agriculture Marketing, Govt. of Bangladesh and Department of Consumer Affairs, Government of India

Figure: 4. Wheat wholesale price in Dhaka and FOB Prices in relevant international markets



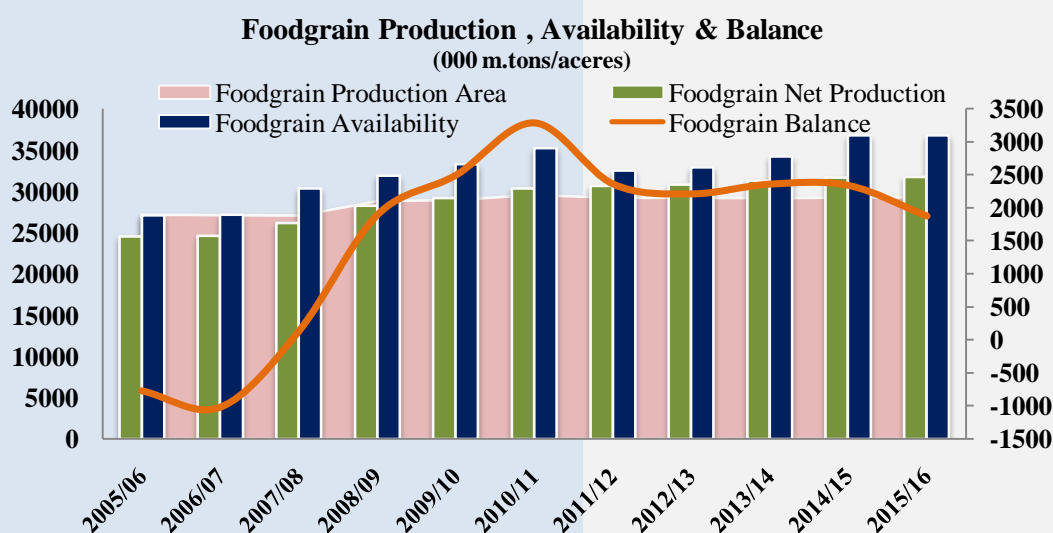
Global Rice & Wheat Production:

Table1: Rice world production and stock (million MT)				
	2014/15	2015/16	2016/17 forecast	change 2016/17 over 2015/16
Production	479	471	483	2.60%
Ending stocks	115	116	121	4.40%
Source: USDA, August, 2016.				

▣ **Rice:** Global rice production in 2016/17 is projected at a record about 483 million tons up 11.0 million tons from last month's forecast and up more than 2.6 percent from a year earlier. (USDA, October, 2016).

Table2: Wheat world production and stock (million MT)				
	2014/15	2015/16	2016/17 forecast	change 2016/17 over 2015/16
Production	727	734	744	1.40%
Ending stocks	216	240	248	3.60%
Source: USDA, August, 2016.				

▣ **Wheat:** Global wheat production for 2016/17 in October is projected to 744 million MT, up about 1.4% from a year earlier. Larger crops in Australia, Brazil, Canada, India and Kazakhstan more than offset lower production in China and the EU. (USDA, October, 2016).



Source: Ministry of Food(FPMU)

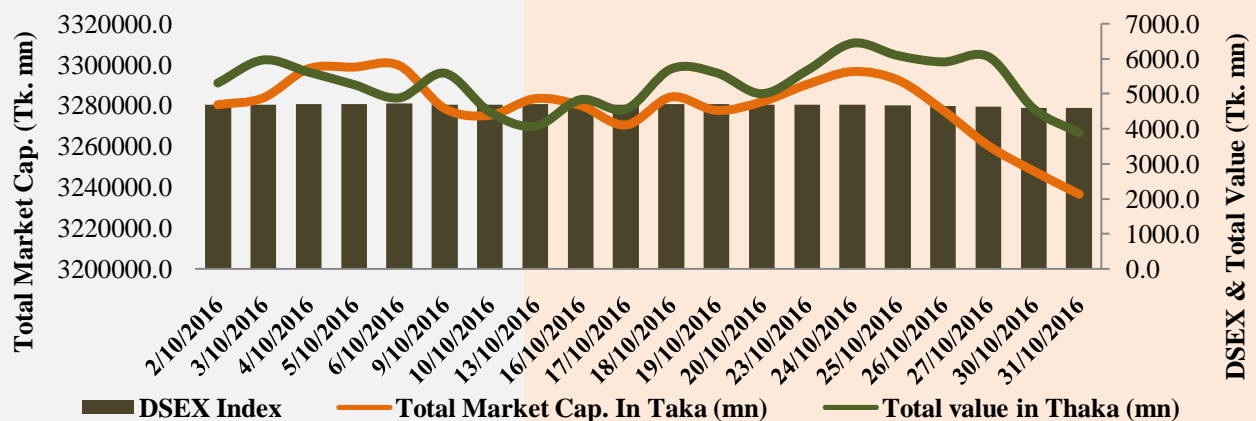


Bangladesh Stock Market Update:

Bangladesh Stock Market performance recorded slower pace during the last six years. Investors' confidence level had not been growing after taking different initiatives from the government. Historically, Stock Market recorded a higher performance, 8918.51 points in December (2010), and a record low of 282.43 points in October (1991). However, Stock Market is expected to trade at 4640.00 points by the end of this quarter, according to Trading Economics global macro models and analysts expectations. They estimate to trade at 4500.00 in 12 month's time.



Trends in Market Capitalisation, DSEX & Turnover Movement in DSE



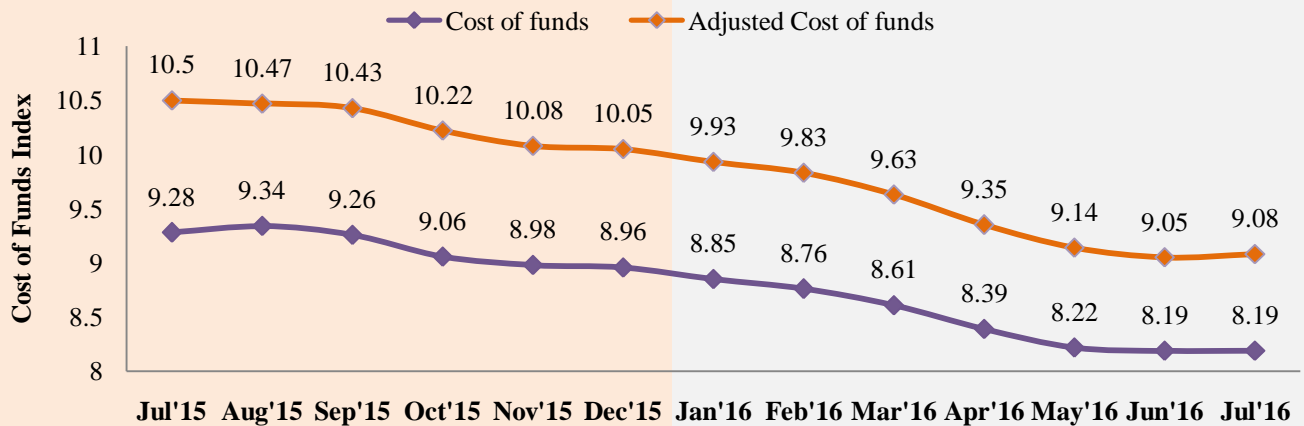
The DSE Broad Index or General Index (DSEX) was fairly stable but the turnover was decreasing over the month. On the other hand, Market Capitalization also followed the decreasing trend. Additionally, DSEX Index decreased 12.9 points or 0.28% to 4592.2 on October 31 from 4605.1 in the previous trading session. Besides, turnover movement decreased by Tk.681.7 million or 14.91% and the total market capitalization of all shares and debentures of the listed securities decreased by Tk.11328.6 million or 0.35% at the same time.

Cost of Funds Index (CoFI) of the Non-Bank Financial Institutions:

The cost of funds of the country's Non-Bank Financial Institutions (NBFIs) has been declining gradually. The Cost of Fund Index (CoFI), constructed by Bangladesh Bank, revealed that cost of fund declined from 9.28 in July 2015 to 8.19 in July 2016. The central bank considers the Cost of Funds is the weighted average interest rate of the interest-bearing liabilities of a nonbank financial institution. It also calculates two types of cost of fund. One is for all the interest-bearing funds and the other is for the interest-bearing funds excluding the low-cost specific purpose scheme funds termed as the adjusted cost of funds. Bangladesh Bank data also shows that index of adjusted cost of fund from 10.5 in July 2015 to 9.08 in July 2016.



Cost of Funds Index of the Non Bank Financial Institutions

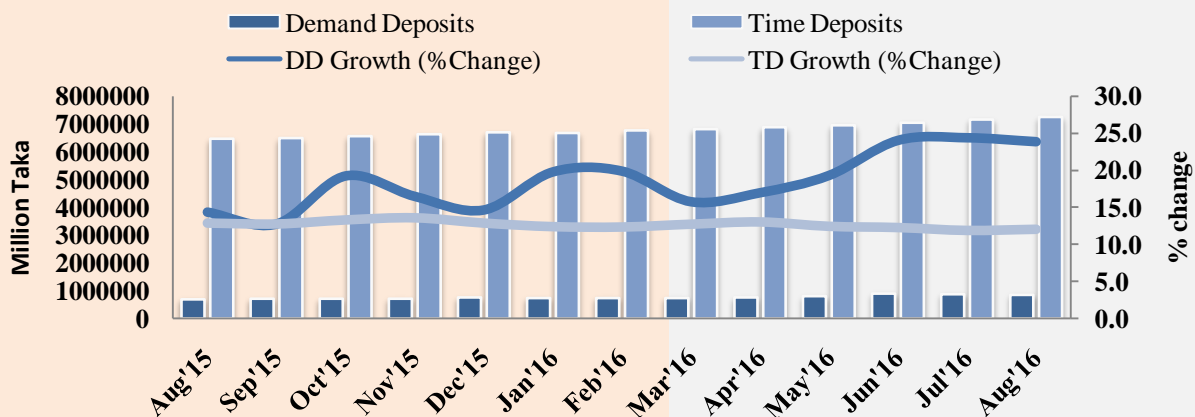


Source: Bangladesh Bank

Current Bank Deposit and Credit:

- Bank Deposit:** The total demand deposits of the banks stood at Tk. 856539 million as of end-August 2016 which was Tk. 691744 million at the end of August 2015. The total demand deposits increased by 23.8 percent compared to the same period of previous year. But the time deposits of the banks stood at Tk.7245196 million at the end of the month August 2016. It was also increased by 12.1 percent compared with the August 2015.

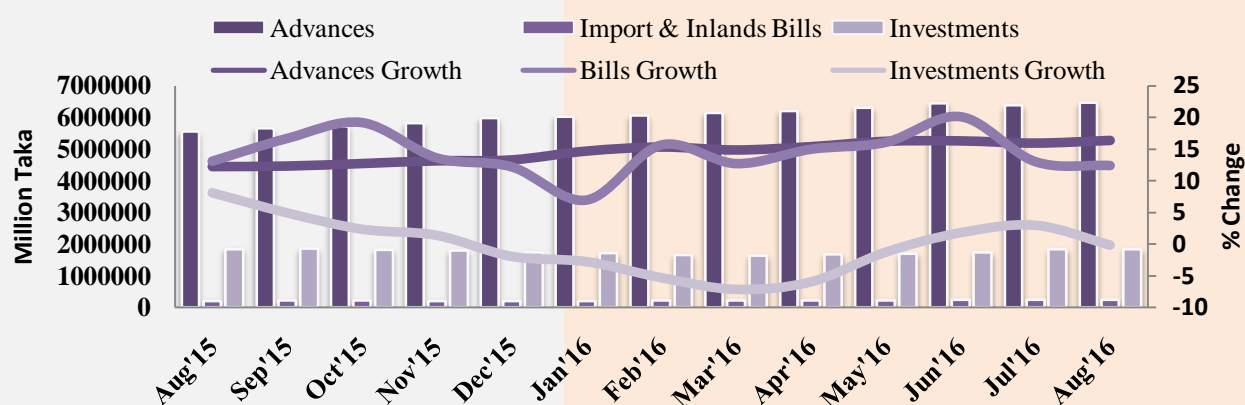
Bank Deposits



Source: Bangladesh Bank

- **Bank Credit:** On the other hand, overall credit growth was positive at the end of August 2016. In a fragmented way, advance growth increased by 16.3 percent while import and inland bills increased by 12.4 percent at the end of August 2016 compared to August 2015. At the same time, investment credits recorded a negative growth of 0.2 percent in August 2016 compared to the same month of the previous year.

Figure : Bank Credit



Source: Bangladesh Bank

Interest Rate Spread:

The interest rate spread of all banks slightly decreased to 4.76 percent in September 2016 from that of the same month of the previous year 2015. After category wise breakdown of the banking sector, the spread of state owned banks, specialized banks increased by 3.82 percent and 2.69 percent respectively and foreign banks and private banks decreased by 7.52 percent and 4.89 percent in September 2016 to September 2015.





- Lending Rate:** *The rate of interest to be paid to the lender(s) for the money borrowed. In August 2016, the average lending rate came down to 10.24% from 11.51% in 2015.*
- Forex Reserve:** *the foreign currency reserve has passed \$31-billion mark making it a potential source of financing for Bangladesh.*

Lending Rate going down to single-digit: According to Bangladesh Bank (BB) lending rates have reduced to single-digit rate generating lower deposit rates in August 2016. It seems that the banks are getting healthy deposit growth at the prevailing rates. However, the overall banking spread seems not to face any dramatic fall. (Date: Oct 03, 2016; Source: Dhaka Tribune)

\$50 m drawn by the Govt. for Rooppur Power Plant: Rooppur plant is the first-ever nuclear power plant project in Bangladesh. The fund was released from finance division, Bangladesh Ministry of Finance, kept for the construction of this project even though the development project has not been approved yet. (Date: Oct 03, 2016; Source: Dhaka Tribune)

India imposing an anti-dumping duty on jute exports: If the local exporters are found guilty of dumping Bangladeshi jute and jute goods then they may be subject to 25-30 percent duty upon entry to the Indian market. (Date: Oct 19, 2016; Source: The Daily Star)



Cement, power and paper plants to be set up by Saudi in BD: A between deal Saudi Arabia and Bangladesh has been signed on Thursday to implement a cement, paper and power plants. Cement Plant beside a power plant of 330-mw (a joint venture with BCIC) to be set up in Chhatak with 1.5 million tonnes production capacity, a modern paper mill to be installed with annual 300,000 tonnes production capacity and power plant at Karnaphuli Paper Mills Limited Complex in Chittagong (360-mw). (Date: Oct 20, 2016; Source: The Financial Express)

Private investors losing interest on Bangladesh bonds: According to many economist and banker, the investors are decreasing their bond holdings as the yields from these are falling as well continually. So they are thinking about their opportunity cost and parking their money in safe-haven investments in different emerging economies. (Date: Oct 22, 2016; Source: The Financial Express)

Forex reserve to be used as external finance by Govt.: The foreign exchange reserve is a good source of external financing as stated by the finance Minister. The remittance flow in Bangladesh is more than FDI and foreign aid. They are giving it a thought to use the foreign reserve for financing in the next budget. (Date: Oct 19, 2016; Source: The Daily Star)



❏ **Loss of 7pc customers by telecom operators:** the decline in a number of customers was approximately 37 lakh in August. This is due to the adjustments of the total subscribers after blocking the unregistered customers who did not complete the biometric SIM re-registration process. (Date: Oct 24, 2016; Source: The Daily Star)

❏ **Kuwaiti Businessmen interested to invest in Bangladesh:** After Learning about different potential sectors of investments and the relevant facilities provided by Bangladesh's Govt, the Kuwaiti businessmen showed interest in investing in Bangladesh. The sectors include readymade garments (RMG), ship building, refinery, tannery, ceramic, and pharmaceuticals area. (Date: Oct 24, 2016; Source: The Financial Express)

❏ **The race for building metro rail:** Companies and firms from India, China, Thailand and Japan are bidding for the metro rail project. Though Japan later backtracked. (Date: Oct 24, 2016; Source: The Financial Express)

❏ **Fear of inflation creating unfavorable conditions for shipbuilding by BB:** As the shipbuilding might fuel inflation BB is in fear of funding it. Any kind of loan allocated by BB will expand the reserve money which will trigger inflation. On the other hand, BB also states that it is less likely to increase inflation if the fund is given from the government source. (Date: Oct 25, 2016; Source: The Financial Express)

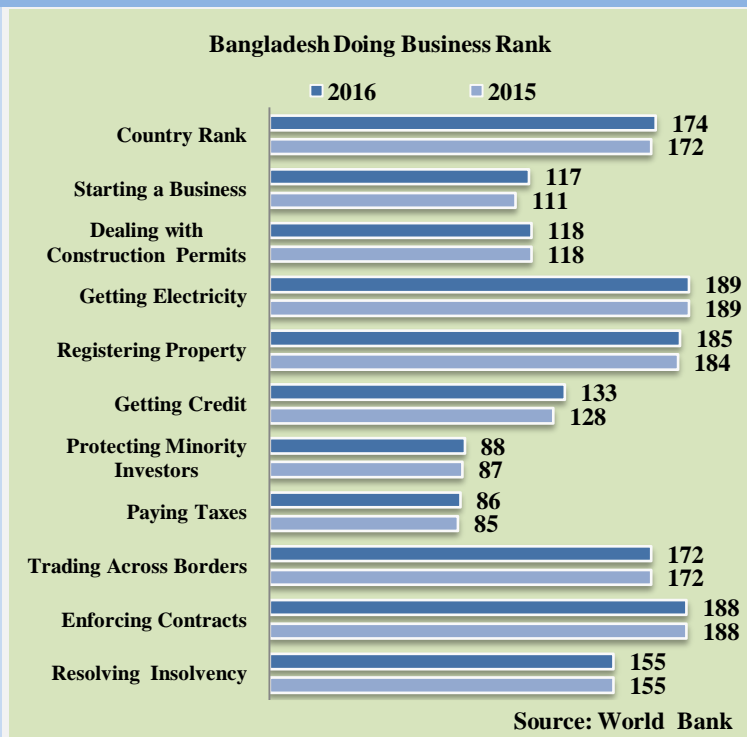
❏ **Due to Bakers' demand, the import of wheat is on the rise:** As the president of Narayanganj Flour Millers Cooperative Society states, the sales of flour increased due to the lower price of flour which changed the demand for rice to flour. The demand for fast food also rose over the years. The US Department of Agriculture said the increasing demand for wheat will most likely increase import of wheat. (Date: Oct 25, 2016; Source: The Financial Express)

❏ **Export of Cardiovascular drug to the US by Beximco:** An entity of business conglomerate Beximco Group, Beximco Pharmaceuticals, first received their permission from FDA to export medicines to the American market in November last year. A number of global regulatory authorities which included AGES (EU), TGA Australia, Health Canada, GCC, and TFDA, accredited them. They are expecting to launch Sotalol Hydrochloride, a generic version of the cardiovascular drug Betapace, in the US market in 2017. (Date: Oct 25, 2016; Source: The Daily Star)

© **Metro Rail:** The metro rail is officially known as the mass rapid transit line-6 (MRT-6) which will be running from Uttara to Motijheel facilitating more than 60000 passengers daily crossing 20 km uninterrupted.



Bangladesh two place up in Doing Business Index: The score of distance to frontier (DTF), ranking calculator, was 40.68 percent which increased to 40.84 percent which is 176th rank among 190 economies. Although the score of Bangladesh is not well comparing to East Asian countries like Thailand, China, Vietnam, the Philippines, Indonesia, and Cambodia. Bangladesh is ahead of Afghanistan among the eight South Asian countries. (Date: Oct 27, 2016; Source: The Daily Star)



Indexes declined further than past week: A five-week low points of the benchmark index of Dhaka Stock Exchange DSEX lost 56 points or 1.2 % during this week. The share price fell faster than the previous week. The highest gaining sector of the week is the small cap IT sector with 5.7 % rise. Following the IT sector, services & real estate had 4.7 %, cement 2.5 % and fuel & power with 1.9 %. Telecommunication industry showed a gain of 3% among the large-cap sectors. (Date: Oct 30, 2016; Source: Dhaka Tribune)

Farmers' income is increased by 46 percent through ALO project: Alternative Livelihood Options (ALO) project improved rural farmers' income and changed their lives. A lot of different initiatives have been taken to improve the income and work of the rural farmers which included forming groups and associations and training them about modern agricultural methods and also inspire them to save incomes. (Date: Oct 31, 2016; Source: The Financial Express)



- ◆ **Bangladesh having 8th highest number of poor people according to WB:** Under the new US\$1.90 poverty line based on 2011 purchasing power, 28 million or 18.5% of Bangladeshis lived in extreme poverty in 2010. However, Bangladesh has improved from then in reducing poverty and stands as 8th largest nation-in terms of number of people living below international poverty line in 2013. Out of 154 poorest countries, Bangladesh is currently ranked 64th. (Date: Oct 04, 2016; Source: Dhaka Tribune)



- ◆ **Growth forecast to be 6.8% retained by:** As consumption decreased most likely caused by fall in remittance flow, the forecast is 0.4% lower than targeted GDP growth of 7.2%. **WB** (Date: Oct 04, 2016; Source: Dhaka Tribune)

- ◆ **The growth of export earning over 4%:** Compared to last year of the same period, export income has risen to US\$ 8.08 billion which is 4.12% in the first quarter of the current fiscal year. (Date: Oct 09, 2016; Source: Dhaka Tribune)

- ◆ **Bangladesh ahead in Global Hunger Index (GHI):** Hunger measured by US-based International Food Policy Research Institute (IFPRI) ranked Bangladesh at 90th position among other 118 countries. Bangladesh is in advanced position compared to Pakistan (107) and India (97). Brazil and Argentina are in the top position with GHI less than 5 and have been ranked the best among developing countries. (Date: Oct 12, 2016; Source: The Financial Express)

- ◆ **Export of Shrimp on the rise again:** In its saline-prone southwestern coastal region, Bangladesh grows shrimp on 2.75 lakh hectares of land and shipping over 45,000 tons a year as stated by the Department of Fisheries. A former president of the Bangladesh Frozen Foods Exporters Association, Hossain, said that the demand for black tiger, locally known as Bagda, has particularly increased in the EU and the US. (Date: Oct 23, 2016; Source: The Daily Star)

- ◆ **Marine fish stock survey beginning next month:** The inauguration of the survey vessel, RV Meen Sandhani, to be held next month. The major financing is done by Islamic Development Bank and the Malaysian government. The survey will be started with a two-year plan providing an assessment by 2019. (Date: Oct 24, 2016; Source: The Daily Star)

✓ **Global Hunger Index-A**

multidimensional statistical tool used to describe the state of countries' hunger situation.

✓ **Shrimp Export-**
Earnings from shrimp export rose 14 percent year-on-year with the income reaching \$124 million in the July-September period of the fiscal year 2016 (according to data from the Export Promotion Bureau).

WB reports that private investments decreased in Bangladesh due to infrastructure deficits, scarcity and high prices of land, corruption, political uncertainty and, of late, concerns about security. The report came at the time when the equity fell by 10%.

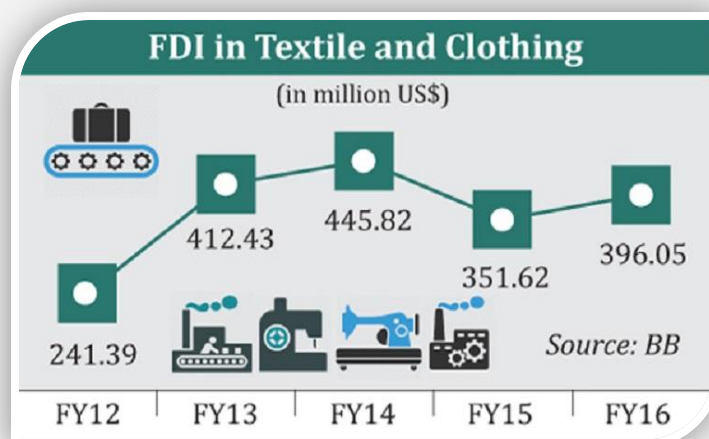
◆ **The level of FDI increased:** Foreign direct investment is split into three categories: equity, reinvestment of earnings and intra-company loan. Foreign investment increased 9.27 percent year-on-year in fiscal 2015-16 due to an improvement in reinvestment in existing companies. Last fiscal year, net foreign direct investment stood at \$2 billion in contrast to \$1.83 billion a year earlier, according to data from the central bank. From a year earlier equity capital or new investment declined 4.35 percent in the last fiscal year to \$505 million. Intra-company loans more than doubled year-on-year to \$344 million during the period. However, reinvestment of earnings rose 1 percent to \$1.15 billion. Reinvestment by existing companies is more than 50 percent. A decline in the total share of equity capital points out that new investors lack interest in investment in Bangladesh. (Date: Oct 24, 2016; Source: The Daily Star)

◆ **USA stands as a top source of FDI in FY16:** The major portion of the equity capital came from the USA. The investment from the UK has majorly been the reinvested earnings. (Date: Oct 25, 2016; Source: The Financial Express)

◆ **Using less fuel can save energy up to 21pc FY16:** Efficient use of fuel can help in cutting cost up to 21 PC which will also reduce carbon emission. This was revealed by the Danish International Development Agency (DANIDA) in the Energy Efficient (3E) Programme. According to the senior advisor of DANIDA, Stephen Skare Enevolsen, Bangladesh could save total cost of US \$ 5.2 million (52 Lakh) annually for 36 operating factories. (Date: Oct 25, 2016; Source: The Financial Express)

◆ **Economic growth exceeded prediction:** The expansion of the economy was more than 7 percent in the last fiscal year as compared to the previous years' one which was 6 percent. The provisional data, released in April, indicated the GDP growth in fiscal 2015-16 would be 7.05 percent -- an assertion that was met with much skepticism by economists. (Date: Oct 26, 2016; Source: The Daily Star)

◆ **FDI in textile and clothing sector on the rise in FY2017:** Bangladesh stands third in the rank of largest apparel exporters after China and the European Union. Except US, South Asian countries enjoys market access free of the tariff in the countries like EU, Canada, Australia and other developed countries. (Date: Oct 26, 2016; Source: The Financial Express)



- ◆ **Latest Statistics shows 7.11pc economic growth:** The economy faced growth of 7.11 percent last fiscal year 2016. The GNI (Gross National Income) or per capita income also increased comparatively. (Date: Oct 26, 2016; Source: The Financial Express)

- ◆ **DSE crossed Tk 6.0 billion-mark turnover:** The Company topping the chart is Doreen Power Generations and Systems with a value of Tk 334 million. Following them is MJL Bangladesh with Tk 245 million, KDS Accessories Tk 221 million, Large Surma Cement Tk 171 million and Mithun Knitting Tk 159 million. (Date: Oct 27, 2016; Source: The Financial Express)



- ◆ **Decline in poverty rate by 8.3pc in six years:** Bangladesh is showing remarkable progress in the reduction poverty. The HIES showed that the extreme poverty of Bangladesh in 2016 has dropped to 12.9 per cent from 17.6 per cent in 2010. (Date: Oct 29, 2016; Source: The Financial Express)



- ◆ **Expecting Profusion in Maskalai output by Bogra farmers:** Maskalai cultivation has been done more than targeted reports stated by Department of Agriculture Extension (DAE) office source. According to experts increasing emphasis on Maskalai rather depending only on IRRI-BORO paddy might ensure food security during adverse climate change impact. (Date: Oct 30, 2016; Source: The Financial Express)

- ◆ **Monitoring on agro-credit by BB:** in order of boosting agricultural production in Bangladesh, BB instructed the commercial banks to provide as much as a necessary credit to farmers without any harassment. (Date: Oct 30, 2016; Source: The Financial Express)



- ❑ **German inflation hits two-year high in October:** German inflation rose more than expected in October, reaching its highest level in two years, preliminary data showed on Friday, a welcome sign for the European Central Bank that its monetary policy is gradually eliminating the threat of deflation in Europe's biggest economy. German consumer prices, harmonized to compare with other European countries (HICP), rose by 0.7 percent on the year after an increase of 0.5 percent in September, the Federal Statistics Office said.
- ❑ **US economy hits fastest pace in two years:** US economic growth accelerated to a 2.9 percent annual rate in the third quarter boosted by a big jump in exports and solid consumer spending, the Commerce Department reported Friday. Coming just 11 days before the presidential election in which the economy has been a major issue, the GDP data showed the strongest growth in two years, and beat the consensus forecast of 2.5 percent.
- ❑ **Hurricane Matthew damages in Haiti tally nearly \$2b:** Hurricane Matthew's devastating passage over southern Haiti on October 4 caused nearly \$2 billion in damages, Haitian authorities announced Friday. Studies by the World Bank and the Inter-American Development Bank (IADB) put the estimated cost of damage and economic losses at 124 billion Haitian gourds (\$1.89 billion), officials with the Ministry of Economy and Finance told a news conference.
- ❑ **Oil falls as investors doubt OPEC can seal output deal:** Oil fell for a third day on Wednesday, nearing \$50 a barrel for the first time in three weeks, as investors grew increasingly doubtful that OPEC members will agree to cut output and as U.S. inventories staged a surprisingly large increase. Iraq, the second-largest member of OPEC, does not want to join in with a proposed production cut that the group has said it will approve at a regular meeting in Vienna next month.



- ❑ **Property and credit booms stabilize China growth:** Chinese growth stabilized in the third quarter, data showed Wednesday, as ample credit and hot property markets propped up the world's second-largest economy. But while the forecast-beating reading was in line with state targets, it came as experts warned that authorities have relied too much on easy credit, which has in turn increased financial risks. The economy grew 6.7 percent in July-September, officials said, just above the 6.6 percent predicted in an AFP poll.





- ❑ **Saudi Arabia draws \$67b demand for first international bond:** Saudi Arabia attracted massive investor demand of about \$67 billion on Wednesday for its first international bond offer, as the world's top crude exporter allayed concern about the impact of low oil prices on its finances. A source familiar with the offer said order books had come close to the \$69 billion record for an emerging markets bond issue that was set by Argentina in April this year. Saudi Arabia is expected to raise up to \$17.5 billion through its bond offer, which involves five-, 10- and 30-year tranches, the source said. Argentina set the current record for an emerging market sovereign bond sale in April, selling \$16.5 billion. The huge size of demand for Saudi debt was partly due to low global interest rates and funds' frustration with a lack of high-yielding assets around the world.
- ❑ **WB says Brexit has little impact on Asia:** BRITAIN'S shock decision to leave the European Union will not be as damaging to developing Asia's economies as feared, the World Bank said Wednesday as it increased its growth forecast for the region this year. Countries in the Mekong region led by Myanmar are projected to expand at the fastest pace in the next three years, the bank said in an updated report on East Asia and the Pacific, though Thailand was projected to be a laggard. World Bank chief Asia economist Sudhir Shetty said the upgrade for the regional economy came after the group noticed positive early results from the June 23 vote by Britain to leave the EU.
- ❑ **Eurozone approves 2.8b euros in bailout funds for Greece:** Eurozone officials announced on Tuesday they have approved 2.8 billion euros for Greece from its huge third bailout after the cash-strapped nation delivered the needed reforms. Following the latest disbursement approved by the European Stability Mechanism (ESM), Greece will have received 31.7 billion euros of the 86-billion-euro bailout granted in July 2015, its third since being engulfed by debt in 2010.
- ❑ **BRICS agrees to fast-track new credit rating agency:** The BRICS nations agreed on Sunday to fast-track the setting up of their own credit-rating agency to better cater to developing economies, rivaling existing ones based in Western countries. Prime Minister Narendra Modi said they agreed to move ahead on the ratings agency, although there was no timetable announced for its formation.
- ❑ **G20 warns of risks hurting global economy, financial markets:** Global economy continued to face uncertainty and rising risks, Lou Jiwei, China's Finance Minister, said on behalf of the G20 economies on Friday. Uncertainty and risks, including elections in major economies, uncertain fallout of Brexit, rising expectation for rate hikes by the Federal Reserve, increased geopolitical risks and terrorist attacks, could have significant repercussions for the global economy and international financial markets, said Lou at a press conference after the G20 policymakers concluded their meeting in Washington.





- ❑ **Spain jobless rate hits new record:** For the first time in six years Spain's unemployment rate fell below 20 percent, according to new information released on Thursday by the country's National Statistics Institute. In the third quarter of 2016, Spain's unemployment rate fell to 18.91 percent. In real numbers, this means that in a country of 46 million people, around 18.5 million were actively employed; around 4.3 million unemployed and the rest were inactive. Before the financial crisis hit in 2007, Spain's unemployment rate was hovering at around eight percent. However, the crisis devastated Spain's banking and construction industries; unemployment skyrocketed to a historic high of nearly 27 percent by the beginning of 2013.



- ❑ **Tata stocks fall after chairman Mistry ousted:** Shares in Tata Sons companies fell in early trade on Tuesday after India's biggest conglomerate shocked the Indian business world and abruptly sacked its chairman Cyrus Mistry. In a statement Tata Sons, the holding company of the massive \$100 billion Tata Group, said Monday its board had voted to replace Mistry, four years after he became its first chief from outside the immediate Tata family.

❑ **EU, Canada sign long-delayed trade deal:** The deal was signed in Brussels by Canadian Prime Minister Justin Trudeau and top EU officials. The signing ceremony initially planned for Thursday had been cancelled after Belgium's Wallonia region vetoed the agreement. All 28 EU states approved the deal on Friday when consensus was reached. The Comprehensive Economic and Trade Agreement, known as Ceta, required all EU member states to endorse it. The deal removes 99% of tariffs - and officials hope it will generate an increase in trade worth \$12bn (€10.9bn; £9.8bn) a year.

- ❑ **Nigeria to spend \$10bn to end conflict in oil-rich Niger Delta:** Nigeria will invest \$10bn (£8bn) in its oil-rich south to end an insurgency by militants, the oil minister has said. The money would be used to build infrastructure, including roads and railways, Emmanuel Ibe Kachikwu said. Militant attacks have severely disrupted oil production, fuelling a recession in the West African state. The militants have been demanding that the government spend more of its oil wealth on tackling widespread poverty in a region, known as the Niger Delta.
- ❑ **IMF Members Commit US\$340 billion in Bilateral Borrowing to Maintain the IMF's Lending Capacity:** IMF membership has committed US\$340 billion in bilateral borrowed resources with maximum terms through end-2020. Access to bilateral borrowing will be governed by a new framework approved by the IMF's Executive Board in August 2016. These resources will continue to serve as a third line of defense after quotas and the NAB.



❑ **UK economy grows 0.5% in three months after Brexit vote:**

Britain's economy expanded by 0.5pc in the three months following the EU referendum, slowing down a touch from the 0.7pc growth recorded in the previous quarter but defying the most pessimistic predictions made by the Remain campaign. The country's economic performance was stronger than the 0.3pc predicted by economists, and in line with the official forecasts made before the referendum took place – in March the Office for Budget Responsibility predicted third quarter growth of 0.5pc.



❑ **China wins WTO ruling against US dumping rules:** China won the bulk of a World Trade Organization complaint against certain U.S. methods of determining anti-dumping duties on Chinese products in a WTO dispute panel ruling released on Wednesday. China brought the complaint in December 2013, one of a string of disputes challenging Washington's way of assessing "dumping," or exporting at unfairly cheap prices.

❑ **Japan consumer prices fall for seventh straight month:** Japan's consumer prices fell in September for the seventh straight month, data showed, heaping more pressure on the central bank to push back its inflation target deadline. The disappointing data came as the world's third largest economy struggles to kick-start growth and conquer a long battle against deflation. Core consumer prices, excluding volatile fresh food costs, declined 0.5 percent on-year -- in line with the market forecast -- putting the Bank of Japan's 2.0 percent inflation target further out of reach.

❑ **Malaysia sets higher economic growth target for 2017:** Malaysian Prime Minister Najib Razak said that he expected the country's gross domestic product (GDP) to expand 4-5 per cent in 2017, up from this year's 4-4.5 per cent, reports Xinhua. Najib set the growth target during his annual budget speech at the parliament as the Southeast Asian country continued to reduce its dependence on oil and gas.



❑ **India's GDP to grow more than 7pc in 2016: IMF chief:** International Monetary Fund chief Christine Lagarde said India's Gross Domestic Product will grow by more than 7.0 per cent in 2016, Reuters reported. The Funds managing director also warned against the use of trade restrictions and protectionist policies by countries, saying that the global economy's recovery from the 2009 financial crisis was still fragile.



Traffic Congestions in Dhaka City



Dhaka is one of the fastest-growing and the overpopulated megacities with the worst traffic congestion condition in the world. A population of just 3 million in 1971 has ballooned to 18 million today (The daily Star, May 09, 2016). Dhaka's urban population is growing at an estimated 4 percent each year since independence, at a time when national population growth was at 2.2 percent (Rajuk: Dhaka Structure Plan Report 2016-2035). This unprecedented urban growth has resulted in a city more densely inhabited than any other major city in the world.

At the same time, private vehicles' growth increased significantly rather than the public transportation growth (which is 33 times more cars than buses in the city) and interestingly cars account for just 13 percent of passenger transport, while buses are responsible for 49 percent. Due to the higher growth of vehicles, the average traffic speed in Dhaka is 6.4 kph. But if vehicle growth continues at its current pace, without substantial public transport investment, the average speed may fall to 4.7 kph by 2035 (The daily Star, May 09, 2016).

Alongside, there are numbers of manually driven vehicles playing on the narrow streets of Dhaka. Moreover, improper planning of the Dhaka city has been intensifying this problem. However, the government is also concerned about it and is trying to solve this problem to reduce the human hazard. That's why in 2015, the government updated transport strategy and commissioned a Revised Strategic Transport Plan (RSTP), which proposed building 5 metro-rail line, 2 rapid bus route, 6 elevated expressways and 3 ring roads with 1,200 kilometers of new





roadway. The total public outlay proposed in the plan would be about Tk. 3.5 trillion over 20 years (2015-2035).

Besides, researchers have been doing several types of research to find out the causes and effect of this problem and how to minimize it. However, a very recent study have been done by the Bangladesh Priorities Research and found that over the next two decades, private investment would be around Tk. 6.1 trillion, or twice the public spend which including all the private operating costs such as fuel, drivers' wages, garaging, plus the actual purchase cost of new cars, motorcycles, rickshaws. The public spending on more street capacity and more metro rail service could speed up Dhaka traffic to about 13.7 kph. Overall, the analysis shows that compared with a "do nothing" scenario, each taka spent under the RSTP scenario would do about 3 takas of good. This study also estimates that, if autos increase by 360,000 by 2035, the area needed just to park them will take up approximately 3.6 km² of city space which is almost as big as Gulshan and Banani residential areas combined. This study also examines an alternative scenario that focuses on greater investment in bus systems and infrastructure, which would mitigate the need for so many space-intensive private automobiles, motorcycles, auto-rickshaws, and cycle-rickshaws. This option will considerably take less road space, reduce traffic congestion, and lead to an average traffic speed of 14.4 kph, saving commuters even more time. The alternative scenario would also save substantial private investment on vehicles, drivers, spare parts, and fuel. However, the combined benefits from reduced traffic congestion and reduced transport system costs would mean that each taka spent would do about 6 takas of good.

No doubt traffic jam is a critical problem in our daily life. Every day we are facing enormous hazard because of the traffic jam. Now the question is "what are the main causes of the traffic jam or why it arises? There are several causes behind traffic jam, some of which are mentioned below:

- ❏ Rapid population growth with a large number of private vehicles in Dhaka city but proportionately slow growth of roads & highways.
- ❏ Lack of planning and preparation over previous decades, and an over-reliance on cars due to a deficient public bus system.
- ❏ Manually driven vehicles everywhere, like the rickshaw.
- ❏ The vehicle drivers do not follow the traffic rules or they have little knowledge about it with irresponsible driving.
- ❏ Faulty traffic management and signaling systems, inadequate manpower and narrow roads.
- ❏ The overtaking tendency of drivers creates prolonged traffic congestions.





- ❏ Illegal parking along the road and blocking space.
- ❏ Unplanned big construction works in Dhaka city like flyover, metro rail, and elevated expressway are keeping their construction materials and debris along the roads blocking it and making it difficult for vehicles to move.
- ❏ No space to walk for passersby as already narrow footpaths, and even roads, are occupied by the hawkers.
- ❏ Lack of public transport and some are illegal with low fitness.
- ❏ Vehicles of VIPs, army personnel, lawmakers and others often take the wrong side of the roads.
- ❏ Bus terminals inside the Dhaka city with frequent U-loop System on the road.
- ❏ Unplanned road excavation on the road by Water and Sewer Authority (WASA), Dhaka Electric Supply Authority (DESA), telephone and telegraph agencies without any integration among them is responsible for intolerable traffic jams.

Nowadays, the impact of the traffic congestion increased significantly. The opportunity cost of the traffic jam is going too high day by day. People are losing their valuable time every day. Environmental pollution, like air and sound pollution, is on the rise regularly and creating a health hazard for humans. The willingness to pay off travel cost increased significantly as well. Due to the traffic jam, people cannot reach schools, colleges, offices, and even hospitals on time. Moreover, sometimes ambulance and fire brigade vehicles cannot reach the specific place. On the other hand, road accident also increased tremendously and people are dying and getting injured almost every day.

Though the government has taken some bold steps to reduce traffic jam but it is still insufficient. It is better to solve the problem sequentially depending on the magnitude of the problems. However, to reduce traffic obstruction government can take steps such as:

- ✓ Awareness program to influence people and drivers for not to violate traffic rules.
- ✓ Decentralization is important to reduce pressure on Dhaka city.
- ✓ The introduction of a good public transport system convenient for the general people.
- ✓ Establish a good traffic system and enforce a strong traffic law with a higher fine.





- ✓ Numbers of traffic police with a number of alternative roads should be increased.
- ✓ Create lane for different vehicles, withdraw rickshaw from the main roads, building one way main road, make proper footpaths, unlicensed and invalid vehicles should be removed from the Dhaka city, impose road tax in rush hour for private vehicles, eliminate illegal parking or impose high parking fees on road, increase parking facilities for vehicles and removing illegal shops on roads will also help to reduce traffic jam.
- ✓ People must be forced to use zebra crossing and foot over bridge while crossing roads otherwise they will be facing higher fines as punishment.
- ✓ The government should take proper and well-planned infrastructure projects to construct more flyovers, elevated expressways, underground rails, monorails and ring roads in order to reduce traffic jam in the capital city.
- ✓ Different government authorities like WASA, DESA and RAJUK should work on roads in a particular time with proper coordination.

However, the government can reduce traffic jam by making people change their habitual practice with public awareness and promotion program. They can change peoples' habit by using awareness program with imposing traffic rules with an iron hand; those are less expensive compared to any other policy. Habitual practice like using a bicycle or walking for short distances rather than the buses, taxies, and rickshaws which will be environment-friendly as well; using footpath, zebra cross, and foot over the bridge; influence drivers to practice to maintain traffic rules. Also, introduce public transport fleet buses and double-decker buses like London and Moscow. So, the government can reduce traffic jam significantly in a less expensive way by developed smooth transportation system with awareness program in Dhaka city.





Editorial Overview

ECRL Research provides insights, opinions and analysis on Bangladesh and International Economies. ECRL Research conducts surveys and produces working papers and reports on Bangladesh's different socio economic issues, industries and capital market. It also provides training programs to professionals from financial and economic sectors on a wide array of technical issues.

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Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinion in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Rating Institution (ECAI) in October 2010.

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FCA, PhD
Chairman

NKA Mobin
FCA, FICS, CFC
MD and CEO

Arifur Rahman
FCCA
Chief Rating Officer

Research Team

Al Mamun
Senior Research Associate

Subrata Howlader
Research Associate

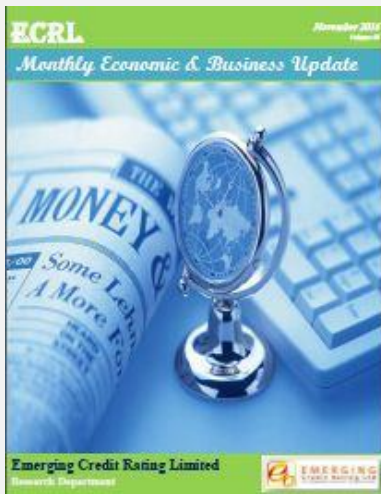
Nabihatul Afrooz
Research Associate

A.B.M. Qudrot-E-Khuda
Junior Research Associate





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