

Monthly Economic and Business Update



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Inflation Scenario in Bangladesh

Food price is pooling down the inflation in Bangladesh

Decreasing food price is securing the public food distribution system (PFDS). In order to ensure the food security, Government is adopting a number of fiscal measures. This includes reduction of import duty on rice and wheat, provision of credit to food importers at subsidized rates, cash transfer, allocation of funds to increase supply and expansion of the operation of public food distribution system (PFDS).

Bangladesh is enjoying a decreasing trend in food inflation. Point to point inflation is

recorded as 5.37 percent in August 2016. This inflation rate is the lowest in more than 10 years in Bangladesh which may be due to declining food inflation since last couple of months.

The twelve-month average inflation moderated to 5.76 percent in August 2016 from 5.91 percent in June 2016 due to decrease in food inflation from 4.76 percent in July to 4.62 percent in August 2016. Food inflation pulled down the point-to-point general inflation at 5.35 percent for August 2016.

**Bangladesh CPI Inflation(Point to Point), National
(2005/06=100)**

Period	General	Food beverage & tobacco	Non- food	Clothing & footwear	Gross rent fuel & lighting	Furniture furnishing household equipment s and operations	Of which Medica care and health	Transport and communi cation	Recreation Enter- tainment, Education & Cultural Services	Misc. goods & service s
<i>Weights</i>	100	58.84	41.16	6.85	16.87	2.67	2.48	4.17	4.13	3.63
Aug'16	6.17	6.06	6.35	9.12	2.37	6.23	16.55	10.32	2.26	5.40
Sep'16	6.24	5.92	6.73	12.26	2.85	5.97	15.69	9.03	1.79	5.11
Oct'16	6.19	5.89	6.67	11.89	2.76	5.69	13.32	11.42	1.64	4.31
Nov'16	6.05	5.72	6.56	11.82	2.87	6.00	10.73	11.60	1.71	4.24
Dec'16	6.10	5.48	7.05	12.91	3.69	7.01	11.37	11.58	1.38	3.04
Jan'16	6.07	4.33	8.74	12.38	10.19	7.04	8.27	11.40	1.83	2.63
Feb'16	5.62	3.77	8.46	11.82	10.09	6.48	7.28	11.19	1.82	2.89
Mar'16	5.65	3.89	8.36	11.78	10.06	6.00	7.23	11.08	1.80	2.86
Apr'16	5.61	3.84	8.34	11.82	10.03	5.92	7.20	11.06	1.82	2.83
May'16	5.45	3.81	7.92	11.80	9.20	5.39	7.11	10.59	1.68	2.67
Jun'16	5.40	4.23	7.50	10.94	9.06	5.11	6.89	10.11	1.33	1.74
Jul'17	5.40	4.35	6.98	8.04	9.49	5.00	6.35	8.71	1.63	2.44
Aug'17	5.37	4.30	7.00	8.23	9.31	5.09	6.35	8.56	1.64	2.94

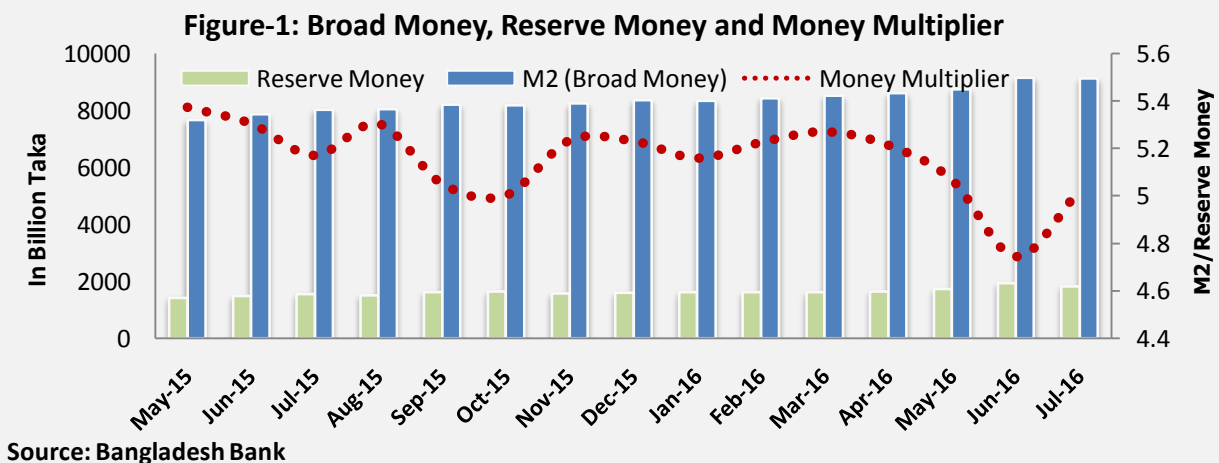


In July 2016, the amount of NFA (Net Foreign Asset) and NDA (Net Domestic Asset) increased to 3906.52 billion or 19.85 percent and 6955.79 billion or 11.22 percent respectively compared to the previous month.

Hence, the broad money (M2) increased to Tk. 1086.231 billion or 13.5 percent (m-o-m) at the end of July 2016 against the same

month of the previous year. Reserve money increased to Tk. 262.242 billion or 16.85 percent in July 2016 which is significantly higher than the increase of 101.146 or 6.95 percent growth in July 2015.

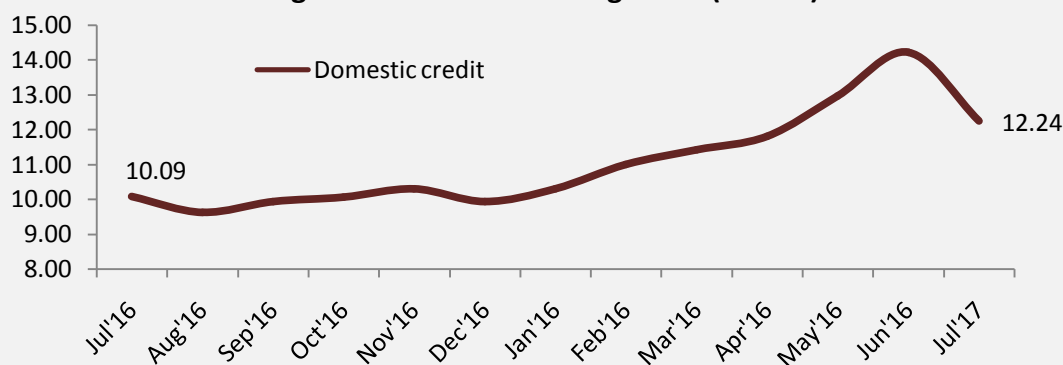
Reserve money multiplier increased to 5.02 in July 2016 compared to the previous month (**Figure-1**).



The domestic credit recorded an increase of Tk. 8703.39 billion or 12.24 percent at the end of July 2016 compared to the same month of the previous year. Credit to the private sector recorded as a decrease of

Tk.56.975 billion in July 2016 compared to the previous month and also credit to the public sector decreased by Tk. 0.525 billion compared to the previous month **(Figure-2)**.

Figure-2: Domestic credit growth (m-o-m)

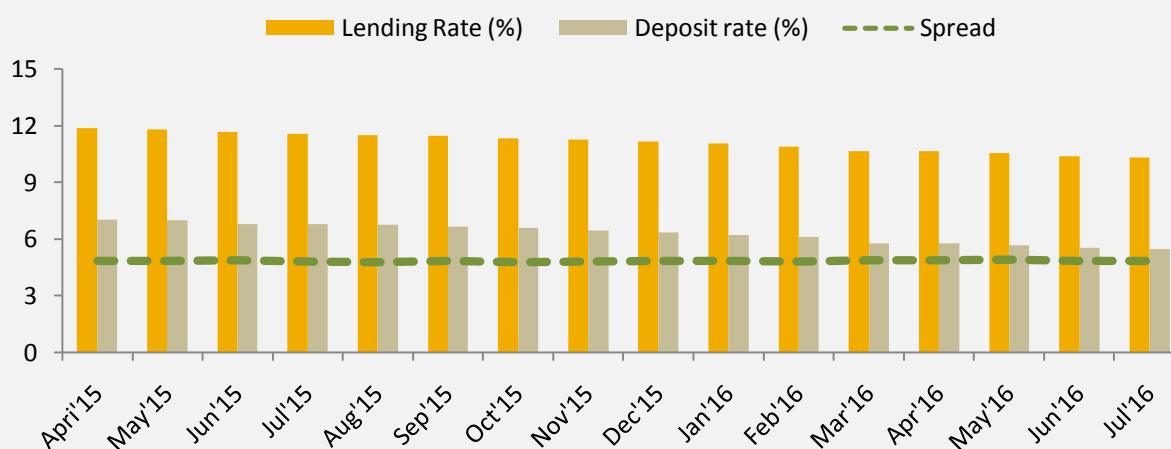


Source: Bangladesh Bank

In July 2016, the lending rate decreased from 11.57 to 10.32 against the same month of the previous year. During July, 2016 interest spread remained unchanged as the previous interest spread rate of 4.84 in December 2015. Though the interest

spread increased in May, it then followed a declining trend. Thus, gradual declining pattern of the interest spread is a combined outcome of the new monetary policy stance by Bangladesh Bank to increase private sector investments **(Figure-3)**.

Figure-3: Interest Spread Rate(in percent)



Source: Bangladesh Bank

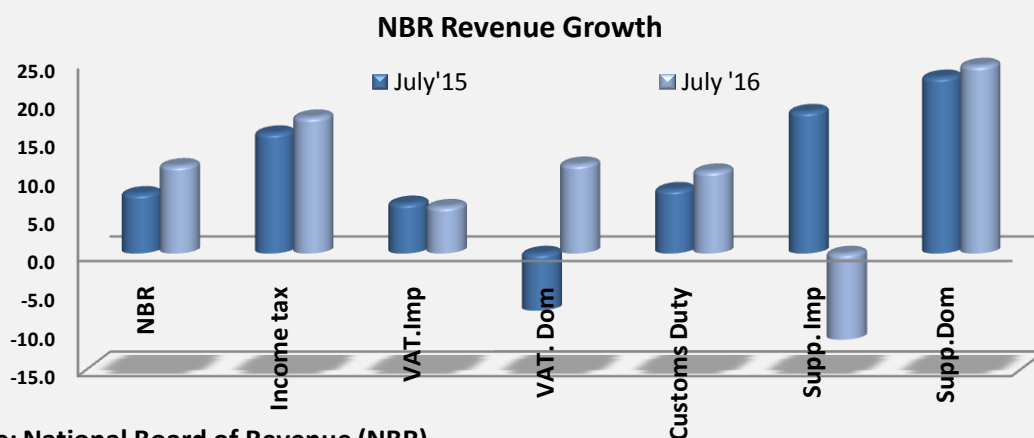


Fiscal Update

Income tax collection fell short of target by Tk. 5.39 billion in the first two months of the current fiscal year (FY) mainly due to sluggish trend of corporate tax collection from the large taxpayers.

The Large Taxpayers Unit (LTU) under the income tax wing faced Tk. 5.14 billion deficits in the period July-August 2016 against the target set for this period, according to a provisional data of the National Board of Revenue (NBR). Net collection of the income tax department was Tk. 55.44 billion until August against the target of Tk. 60.84

billion. Although income tax collection registered 8.98 percent growth in July and August over the corresponding period, it missed target in the current FY 2016. NBR Tax Revenue collection stood at Tk. 9594.14 crore in July, 2016 which was 9.92 percent higher than the collection of Tk. 8728.06 crore in July 2015.



Source: National Board of Revenue (NBR)

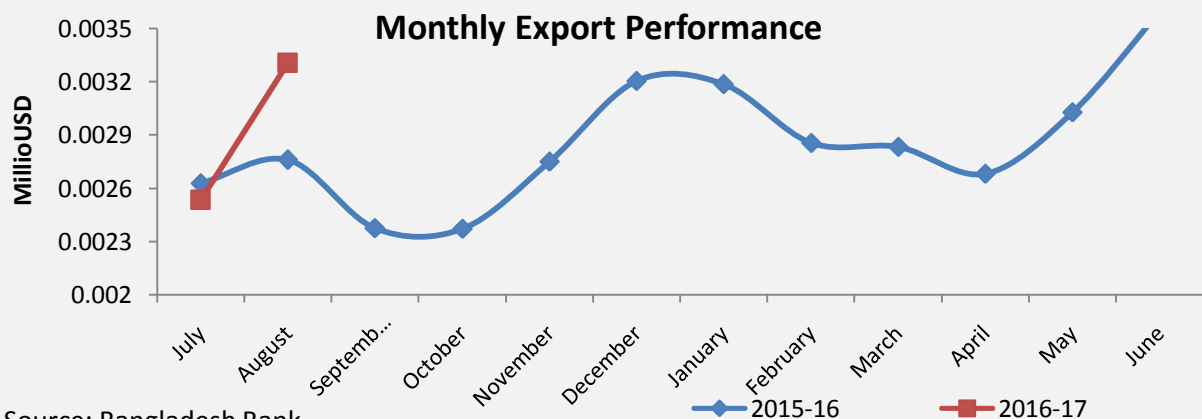


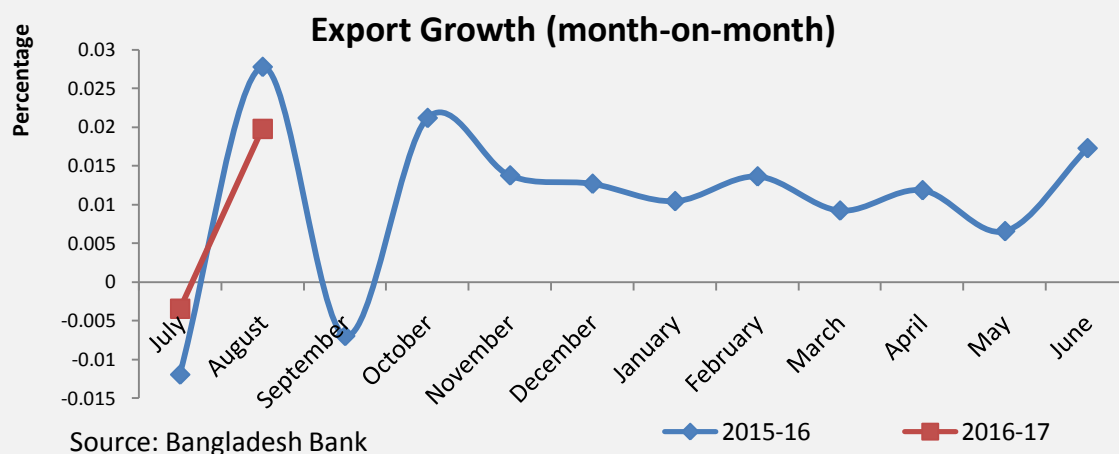
External Sector Update

Export Performance

Merchandise export shipment is forecasted as USD 3303.50 million in August FY17 while 2758.41 million USD in August FY16. The export shipment in August FY17 is expected to be USD 545.09 million higher than that for August FY16. The export growth in August FY17 is expected to be 19.76 percent (m-o-m) higher than the same period of FY16. Exports in Bangladesh averaged 36.42 BDT billion from 1972 until

2016, reaching an all-time high of 211.99 BDT billion in August 2015, according to Trading Economics information. However, Bangladesh mainly exports garments including knitwear and hosiery which is 80% of total exports revenue. Other export items are jute goods, home textile, footwear and frozen shrimps & fish.





Import Performance

Landed import of customs was USD3816 million in June FY16 which was USD277.8 million higher than the same period of FY15. However, landed import of customs during FY16 increased by 5.45 percent and stood at USD 42920.8 million against USD 40703.7 million during FY15. Similarly, settlement of import LCs was USD3414.76 million in June FY16 which was USD133.03 million higher than the same period of FY15. But during FY16 import LCs increased by 4.22 percent and stood at USD40076.2 million against USD 38455.24 million during FY15. On the other hand, the fresh opening of import LCs was USD 4623.44 million in June FY16 which was USD 3560.39 million higher than the same period of FY15. Though, fresh opening of import LCs during FY16 increased by 0.62 percent and stood at USD

43335.33 million compared with USD 43068.76 million during FY15. Overall imports in Bangladesh averaged 62.35 BDT billion from until 2016, reaching an all-time high of 287.67 BDT billion in December 2015, according to Trading Economics information. However, Bangladesh imports mostly petroleum and oil (11 percent of the total imports); textile (10 percent) and food items (9 percent). Others include iron and steel (7 percent), edible oil (4 percent), chemicals (4 percent), yarn and plastic and rubber articles (4 percent). In 2013, imports of rice grains decreased substantially mainly due to the adequate domestic supply of rice during the period, according to Trading Economics information.

(US\$ in millions)						
Table: Landed import, import LCs settlement and LCs opening						
Month	Landed import of customs (c&f)		Import LCs settlement		Import LCs opening	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
July	2610.1	2556.1	3437.71	2964.69	3011.64	3655.65
August	3566	3458.8	3502.55	3461.55	3631.73	3475.02
September	3173.4	3733	2985.45	3369.85	3135.37	3704.3
October	3836.4	3304	3268.85	3145.15	3232.57	3142.6
November	3677.9	3059.2	3407.74	3259.6	4468.22	3760.76
December	3919.9	3444.8	3701.52	3390.64	3585.21	3547.28
January	3577.2	3268.8	3351.55	3037.47	3387.16	3501.47
February	3342.5	3202	3200.16	2807.87	3125.37	3257.3
March	3632.4	3404.1	3365.75	3351.97	3988.71	4262.45
April	3527.2	3835.5	3154.28	3179.16	3546.88	3518.94
May	4241.8	3899.2	3285.88	3205.56	3599.03	3682.6
June	3816	3538.2	3414.76	3281.73	4623.44	3560.39
July-June	42920.8	40703.7	40076.2	38455.24	43335.33	43068.76
	(+5.45)	(+0.21)	(+4.22)	(+3.41)	(+0.62)	(+2.99)

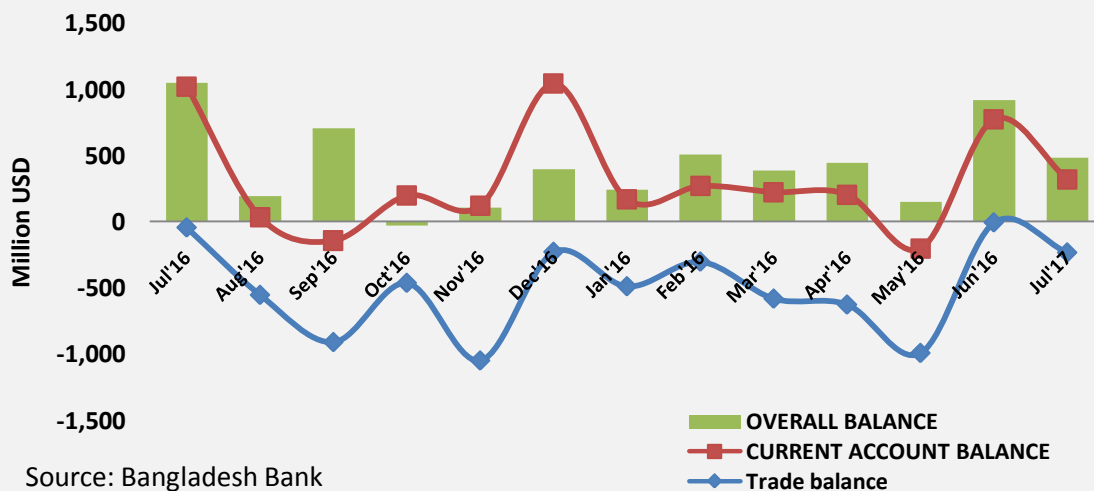


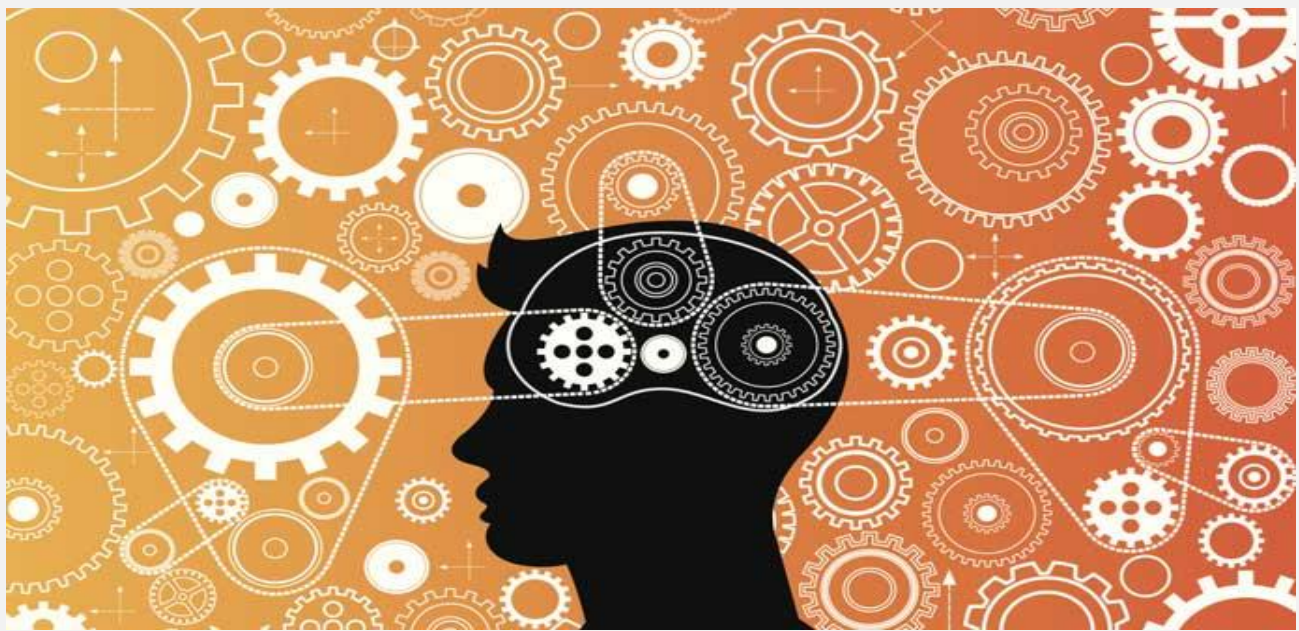
Balance of Payment

Bangladesh has been experiencing trade deficits since independence due to the higher level of imports. Bangladesh imports petroleum, edible oil, food items and textile and the major export item is readymade garments, which is contributing to more than 80% of exports revenue. According to the Bangladesh Bank data, Bangladesh recorded a trade deficit of USD234 million in June FY16 compared to

the deficit of USD47 million in June FY15. Despite a trade deficit and lower income from services and primary income, the current account balance recorded a surplus of USD318 million in July FY16 compared to July 2015. However, at the end of the July FY16, overall Balance of Payment (BOP) surplus was recorded at USD481 million compared to the deficit of USD1,044 million at the same period.

CAB, TB & Overall Balance





ECRL Thoughts

Story behind Littering in Public Place

Dhaka city has an area of 816 square kilometers. The Dhaka municipality was setup in 1864. It took many years to come up with a proper waste management system. In 2016, Dhaka City Corporation installed bins beside roads. However, people are still littering in public. Dhaka city generates about 3500 tonnes of solid waste per day, and 400 tonnes of that waste is generated from littering. Local street children collect 300 tonnes of litter per day from the public roads and sell them to scrap businesses (DCC 1999).

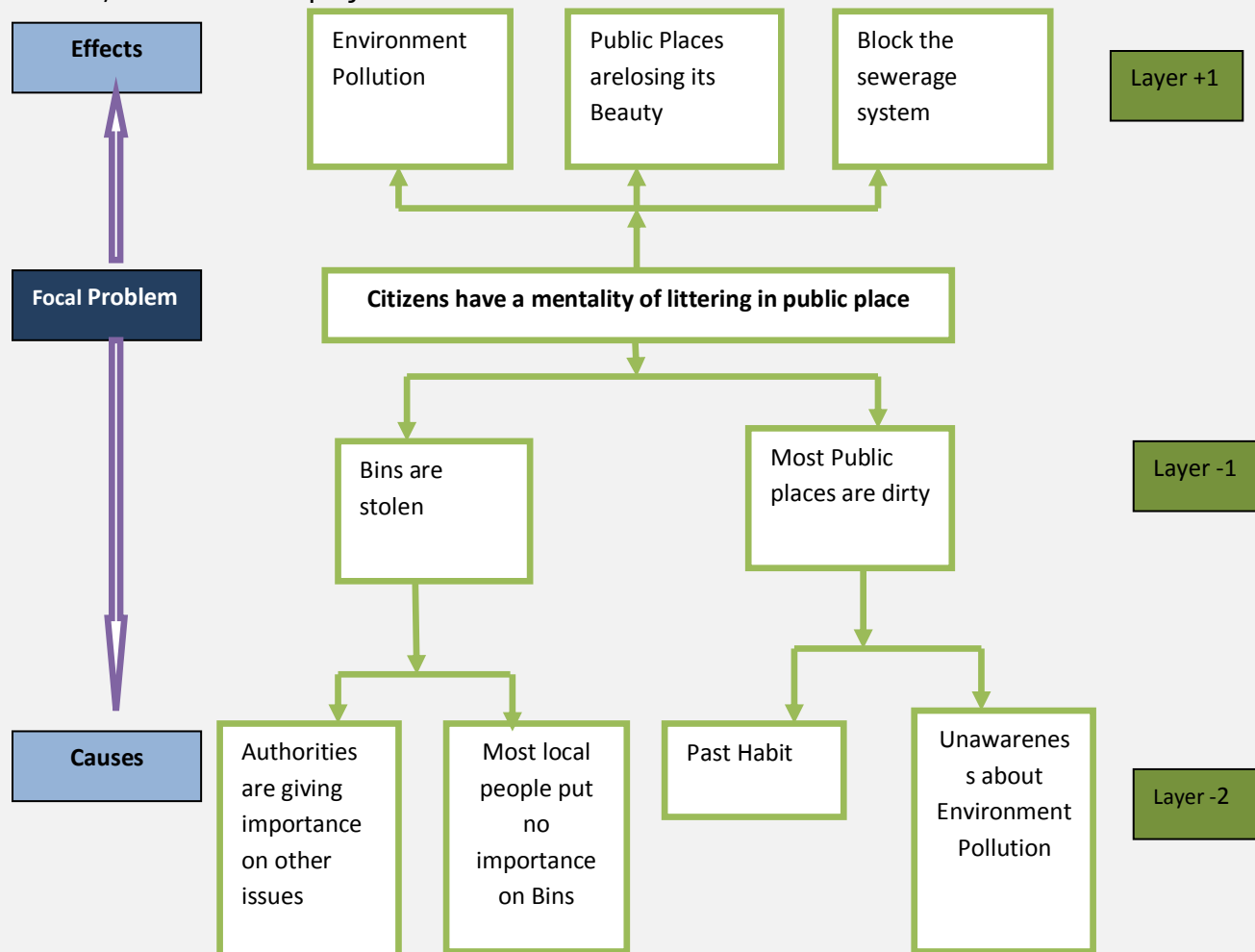
Science Leadership Academy of USA has found that the biggest source of littering is the disposal of cigarette butts. Cigarette butts are small but very dangerous. Cigarette butts contain harmful chemicals, and these harmful chemicals are contaminating the air, water and are also polluting the environment. This

environmental pollution is liable for most of the diseases (Cruice-Barnett 2012). Every day, over 1.04 crore polythene bags are used in Dhaka city (Daily Sun 2015). Most of those bags are not re-used and instead are thrown onto the streets in public. Polythene takes 130 years to degrade into the soil. Heavy rainfall and air drives the polythene in to the drainage system and creates blockage. The litter on the public streets is destroying the beauty of our environment. Proper litter management can rescue the beauty of the nature of Dhaka city and we would be able to breathe in fresh air. Our focal problem is that "citizens have a mentality of littering in public areas". We identified two reasons for our project area. One reason is that most public areas are dirty. Generally people think "this place is already dirty so my littering will not affect it much".

All public areas are dirty because of our littering. Our past habits have forced us to litter in public. In most cases, people are not aware about the negative impacts of littering in public.

The second reason is that bins are stolen. Earlier, we said at our project area that bins

are already installed. Many people at our project area want to use bins but most of the times, they find no bins. Thieves are stealing bins for some reason. The main reasons behind the stealing are that local people and authorities put no concern about using bins.





Refugee Crisis in the Middle East & North Africa, Its Economic Impact.

Extensive conflicts are a key challenge for the Middle East and North Africa (MENA).

From the middle of the last century the Middle East & North Africa have experienced numerous & brutal conflicts than any other part of the world, exacting a destructive human toll. So far, as conflicts deepen and extend, the region now faces unparalleled challenges. Cruel, non-state groups such as the Islamic State of Iraq and the Levant have appeared as considerable political and military actors, holding large areas of territory. And a refugee crisis larger than any since World War II is distressing the MENA region, Europe, and beyond, damaging economies and social structures. Given the considerable political divergence, economic dissimilarity, and fast population

growth in the region, these conflicts are unlikely to dissolve anytime soon.

Powerful conflicts and human dislodgment have had immense and indefatigable economic costs.

Conflicts in countries such as Iraq, Libya, Syria, and Yemen, in addition to terrible loss of life and physical obliteration, have caused profound recessions, driven up inflation, deteriorated fiscal and financial positions, and damaged institutions. In addition, the harmful possessions of the turmoil have dropped over into adjoining countries such as Lebanon, Jordan, Tunisia, and Turkey, into the broader Middle East and North Africa, and even other regions including Europe. To differing amounts, these countries face huge numbers of refugees,

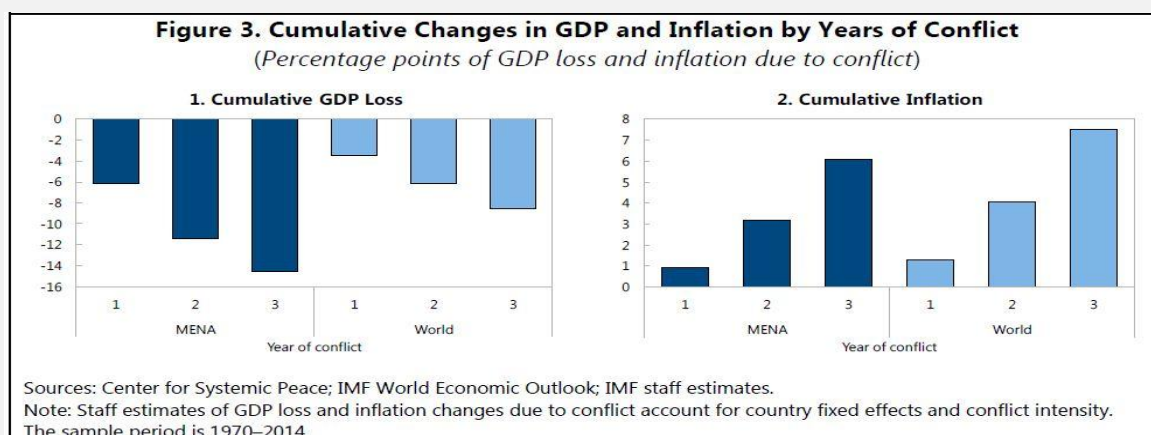
Global Economic & Business Issues

weak confidence and safety, and declining social solidity that weakens the quality of institutions and their capability to carry out much-needed economic developments.

In reality, the economic fallout is no less damaging than the humanitarian costs and its long-term development of the region. Additionally, the economic costs are not restricted to countries straightly affected by conflict. An estimated 10 million refugees originating from the region and registered by the United Nations High Commissioner for Refugees (UNHCR) have stayed mostly in the neighborhood. For example, since 2010, refugees from Syria and Iraq have increased the populations of Lebanon by one-quarter and Jordan by one-tenth, putting major pressure on budgets, public infrastructure, labor and housing markets. Impacts also include trade disruptions, where declining investor and consumer confidence has hurt the entire MENA region. These major macroeconomic problems could be anywhere, but they are especially acute for a region beset for a long time by severe structural deficiencies, lack of investment (IMF 2016), and, more recently, the substantial impact of falling oil prices on the oil-producing economies.

Proper economic policies can mitigate the economic costs of conflicts and large refugee flows.

Recent MENA experience recommends that effective policy focuses on protecting economic institutions, prioritizing budget space to serve basic public needs, and using monetary and exchange rate policies to shore up confidence. But such policies are often difficult to implement, requiring unconventional measures. In Libya and Yemen, for example, central banks have gone to extraordinary lengths to support their economies. Once conflicts subside, successful rebuilding will require well-functioning institutions and flexible macroeconomic frameworks to absorb capital inflows and maintain debt sustainability. Countries hosting refugees must make difficult decisions for access to labor markets and social programs, followed by measures supporting own nationals who often struggle with poverty and unemployment. To help prevent future violence, countries across the region should accelerate inclusive growth reforms aimed at reducing inequality.



Back To Basic



History of Mushroom Cultivation in Bangladesh

Mushroom (or toadstool) is the fleshy, spore-bearing fruiting body of a fungus, typically produced above ground on soil or on its food source (Wikipedia). It has been assumed that mushroom was used in Paleolithic time, approximately 2.5 million years ago. The emperor of France, Luis XIV is considered to be the first farmer of mushroom cultivation making France the first mushroom producer country in the world.

Bangladesh is one of the most suitable countries in the world for mushroom cultivation for its favorable climate with low production cost and high market price (Alom & Bari, 2010). But, the history of mushroom cultivation in Bangladesh was not pleasant. Though the cultivation history of mushroom is ancient but it is totally new in Bangladesh. In 1976, agricultural advisor Azizul Hoque first brought seeds of Straw Mushroom from Thailand to Bangladesh and

this was handed over to M. Shahidul Islam, the director of horticulture development board (uddan unnon board), which is now in food-grain wing under director general of Agriculture extension. Using the seeds, he started the cultivation of mushroom at Asadgate horticulture nursery. Later in 1982-83, Euoso-Aki-Kaki-Jaki, a member of Japan Overseas Cooperative Volunteer (JOCV), took the responsibility of the laboratory. In 1984, a laboratory was developed by the financial assisting help of JOVC and later in 1985 was handed over to the Government of Bangladesh by the Japanese Ambassador. After that, agriculturist Mr. Abdur Rakib came in charge of the laboratory. On 1st November 1986, Mr. Saleh Ahmed joined the center and on 15th November 1986, volunteer Kojima Mashao joined as a junior expert through the Japanese JOCV. He brought some seeds which were cultivable in low temperature.

In 1987, two mushroom experts Dr. Fadirico Jeny, and Dr. Majoriana came to this country and trained the lab's officers and staffs for one month under the funding of FAO. Then they brought the seeds of Oyster mushroom (or *Pleurotus Sajor-Caju*) from Italy which is being cultivated at high temperature. A project called "the Bangladesh Mushroom Cultivation Pilot Project" was approved in 1988 under the assistance of Japan and implemented in 1990.

Within 1997-98, the government took a project in Rangamati at the cost of Tk.7.5 crores. At that time, Begum Motia Chowdhury, the minister of agriculture, collected the seeds of Oyster and Straw Mushroom from India and supplied to the lab. In 1998, a research program was conducted on mushroom varieties which were cultivated in Bangladesh under the financial assistance of Bangladesh Agriculture Research Council resulting in the preservation of twenty varieties of seeds. On 1st January 2002, Sheikh Md. Ruhul Amin joined as an assistant gardenia and proposed a development project of Tk.4.71 crore. Under his guidance, from the year 2003 to 2006, a project named "Mushroom Center Development Project" was implemented at a cost of Tk.4.71 crores. The repair and extension of the laboratory building, mushroom training hall etc. were done using that money. Training of 3 days Farmers Training, 5 days Extension Officers Training, 2 months Industrial Entrepreneur Training were given and the programs are still running. For this, the number of farmers and industrial entrepreneurs increased and they started producing seeds privately.

Between 2006-09, agriculturist Sheikh Md. Ruhul Amin started a project named "Mushroom Development Project" at the cost of Tk.16 crores and under that Shobhanbagh laboratory was transferred to "National Mushroom Development and Expansion Sinter". However, under this project, six mushroom horticulture sub-centers was created in six districts. Their locations were Shasongasa-Comilla; Vazondanga-Faridpur; khoyeartola-Jessore; Mehediabagh-Sylhet; Dinajpur city Dinajpur and Hathajari-Chittagong. They are conducting different types of research program which was published in the journal name "Bangladesh journal of mushroom". Besides, they are working for their infrastructure development. For this activity, 350 people are producing mushroom seeds; they established fifteen big, medium and small mushroom related food industries and a mushroom medicine industry (food supplement). So thousands of peoples are directly involved in mushroom cultivation. Now the government is obtaining a project called "Mushroom Unnoyon o Jordarkoron" at the cost of Tk.50 crores which is still running and agriculturist Mr. Saleh Ahmed is taking this responsibility.

At present, total sub-centres are 16 and the new sub-centers are Ghlonja - Cox bazaar; Rohomotpur- Barisal; Eashambosti-Rangamati; Keyoutkhali-Mymensingh; Bonani-Bogra; pashgasiya-Feni; Balaghat-Bandarban; Burirhat-Rangpur; Doulotpur-Khulna; Kollanpur-Chapinobabgonj (Mushroom Development Institution).

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.

About ECRL

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.

Emerging Credit Rating Limited's team is oriented towards the continuous improvement of processes, striving for an important role in the leadership of the business world. Every individual in ECRL is committed to provide top most ingenious Credit Rating Services and Comprehensive Research Services in Bangladesh. ECRL's ratings services and solutions reflect independency, professional, transparency and impartial opinions, which assist businesses enhance the quality of their decisions and help issuers access a broader investor base and even smaller known companies approach the money and capital markets. The Credit Rating process is an informed, well-researched and intended opinion of rating agencies on the creditworthiness of issuers or issues in terms of their/ its ability and willingness of discharging its financial obligations in timely manner. Issuers, lenders, fixed-income investors use these risk assessments for the purpose of lending to or investment in a corporation (such as a financial institution, an insurance company, a non-banking corporation or a corporate entity) as well as evaluating the risk of default of an organization's financial obligations in terms of loan or debt.

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- ☐ Rice Mill Industry Report
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