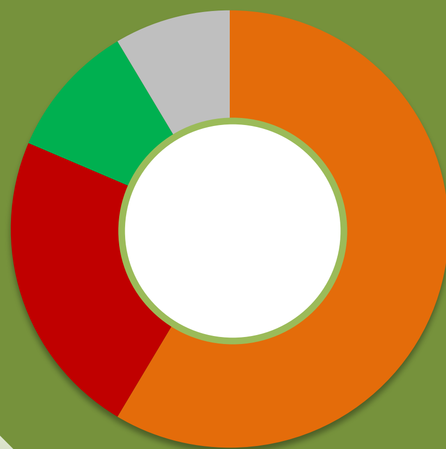
Volume: 06, December 2016

ECRL Monthly Economic & Business Update



Highlights

- Demonetization by Indian Government and its Impact.
- External Sector Update
- Food Grain Stock and Import
- Financial Market of Bangladesh update
- Global & Domestic Economic and Business News
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Emerging Credit Rating Limited
Research Department

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The total circulation of bank notes in India is valued at USD 240 billion (Rs. 16.42 lakh crore) of which Rs. 500 and Rs. 1000 bank notes comprise of USD 210 billion (14.1 lakh crore). The demonetized notes are about 86 percent of total notes in circulation.

If you have any queries or suggestions, please write to us: *info@emergingrating.com*

Cover Story

Sudden Demonetization by Indian Government & it's Impact

The Prime Minister of India, Narendra Modi, has announced to withdraw the 500 ($7; £6) and 1000 ($15; £12) rupee banknotes from the financial system on Tuesday, 8th November 2016. It is a crackdown on black money and corruption. After the announcement banks were closed on Wednesday and ATM machines also had certain withdrawal limits in order to stock new notes.

The announcement was made just after the receipt of nearly $10 billion through tax. This step of removing highest-denominated notes was taken as a step to catch illegal money. Mr. Modi promised to inject billions of dollars from black market into the financial system of the country. New 500 and 2,000 notes will be issued to replace the removed ones. Indian Prime Minister states that black money and corruption acts as a barrier in eliminating poverty.

Prof Kaushik Basu, Former World Bank Chief Economist, who now teaches at New York's Cornell University, says India's goods and services tax, was "good economics, but demonetization is not". He said that "the economics of demonetization is complex and the collateral damage is likely to far outstrip the benefits" (NDTV News, 29th November 2016).

According to Prof Basu, who was a chief economic adviser to the previous Congress government, it is a one-time flushing out of the system of the black money and its return is most likely not certain. Many economists view this one time flushing to carry a huge cost. That who does not have bank accounts and do not have anything to do with black money is facing trouble and harassment by bureaucratic officials.

Another economist, Prabhat Patnaik, says that this situation will give rise to another problem of black business where a range of people will come up and supply accepted changes of currency notes in exchange for old ones. Whereas, another expert, Vivek Dehejia, suggests that this can be offset by 'open market operations' with the standard operating procedure for central banks. This means bonds from the markets will be purchased circulating money (liquidity) into the markets.

Deflation increases the value of money that we have because the total money supply goes down but the commodities and things available in the market have not gone down.

Probable Impact

- Deflation as reduction in the circulation of total currency in the economy
- Another impact may be Inflation as credit loans will be easier and lower interest rate. Broad money supply slowly leading to inflation.
- Fight black money and reduce corruption.
- Reduction in smuggling, terrorist related activities.
- Slowly everyone will move to the digital transaction of money.
- Tracking of money easily by the Government while exchanging.
- Institutionalizing of the real estate sector with more transparency.
- Downward pressure on housing prices reviving sluggish demand.

What actually happened?

The total circulation of bank notes in India is valued at USD 240 billion (Rs. 16.42 lakh crore) of which Rs. 500 and Rs. 1000 bank notes comprise of USD 210 billion (14.1 lakh crore). The demonetized notes are about 86 percent of total notes in circulation.

Most of the daily transactions are done in cash and with the 500 rupees and over. These notes are commonly used everywhere whether airports, railway stations or hospitals. Now people are facing a shortage of money supply as they do not have enough changes to exchange. It caught everyone off guard completely and no one anticipated this. In 2012, India's Central Board of Direct Taxes disapproved demonetization as a solution for black money problem.

This is a contraction of money supply in the economy is a crisis, which is creating a chaos and people are struggling for money (cash). People are protesting nationwide against this ban on high-value notes. People came out to the streets in Kolkata and Mumbai rallying for the emergency financial situation caused by the ban. People cannot use banned money and have to deposit the notes in banks by the end of the year. People cannot even exchange or withdraw a large amount of money from banks.

The authorities are struggling to print enough notes to meet the demand. The economists fear that this might affect the growth. This is already affecting people and will hurt agricultural sector as 90 percent of the transactions are done with cash. The farmers are unable to buy seeds and small businesses or traders are in trouble with running their business. Moreover, people with no access to digital transaction facility or banking are facing lots of problems. People are left with not enough cash to buy food or necessary things.

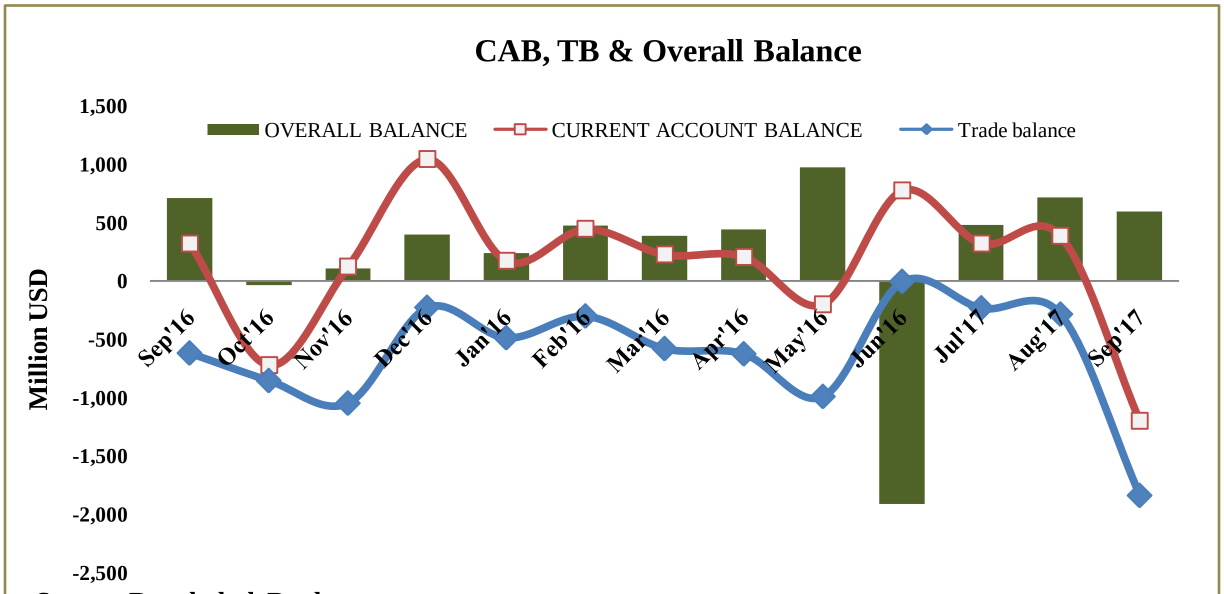
This has been a chaotic and confusing week. In order to absorb the excess liquidity after the ban on Indian notes, the Reserve Bank of India ordered to increase their cash on deposit which dropped the bonds and banking shares.

The notes are allowed to be used until December 15 at petrol pumps and paying government utilities and also can be deposited in bank till the end of this month.

External Sector Update

The Balance of Payments

Bangladesh has been recording continued trade deficits since independence due to the higher level of imports. Mainly Bangladesh imports petroleum, edible oil, food items and textile and the major export item is readymade garments, which is contributing more than 80% of exports revenue. According to the Bangladesh Bank data, Bangladesh recorded a trade deficit of USD 1841 million in September FY17 compared to the deficit of USD 622 million in September FY16. Though, at the end of the September FY17, overall Balance of Payment (BOP) surplus recorded USD 594 million compared to the surplus of USD 710 million at the same period. However, the current account balance recorded a deficit of USD 1204 million in September FY17 due to the rise in import payables along with a primary income shortfall and a deficit in the income from services.

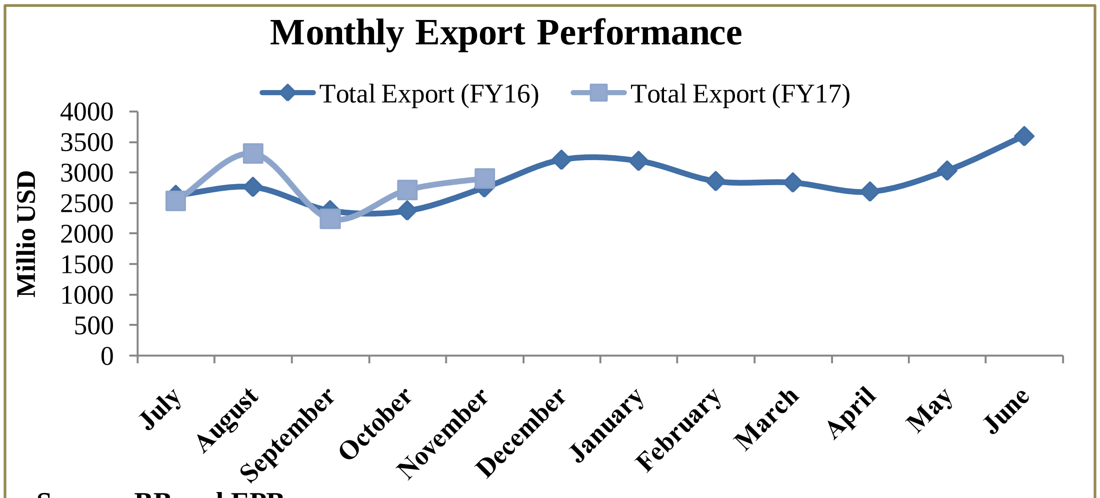


Source: Bangladesh Bank

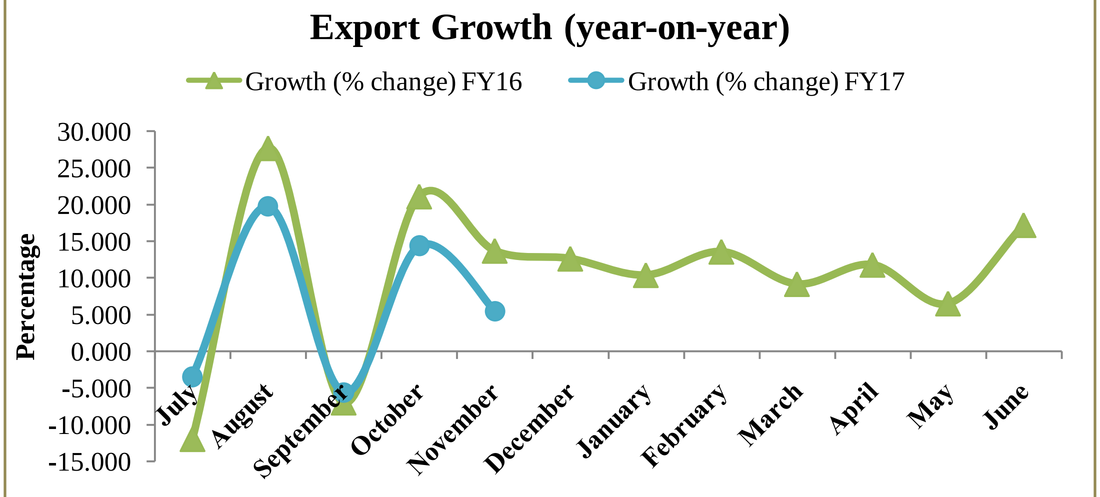
Monthly Export Performance & Growth

Merchandise export shipment was recorded of USD 2899.32 million in November FY17 and 2749.34 million USD in November FY16. The export shipment in November FY17 is USD 149.98 million higher than the November FY16. The export growth in November FY17 was 5.46 percent which was 8.27 percent lower than the same period of FY16. Exports in Bangladesh averaged 37.04 BDT Billion from 1972 until 2016, reaching an all-time high of BDT 218.38 billion in August 2016 and a record low of BDT 0.05 billion in February of 1972, 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 and fish.



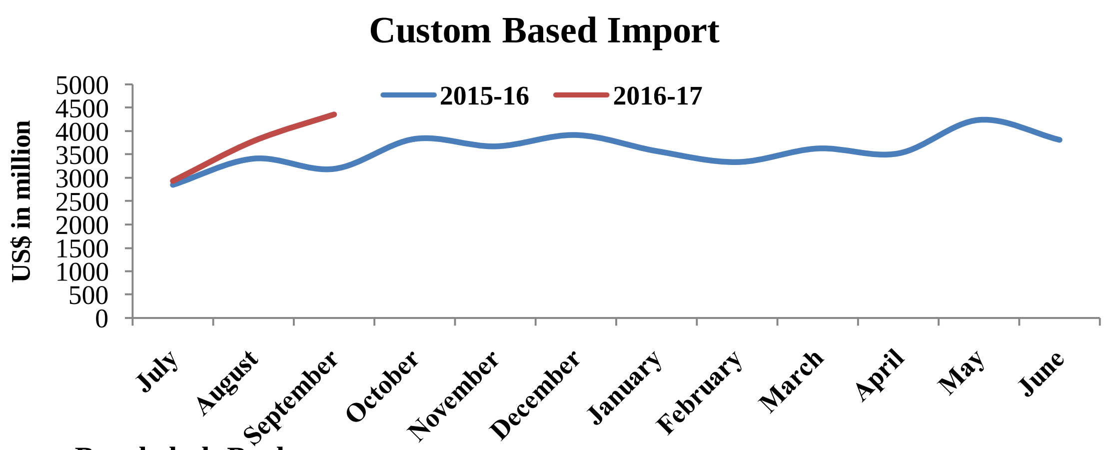
Source: BB and EPB



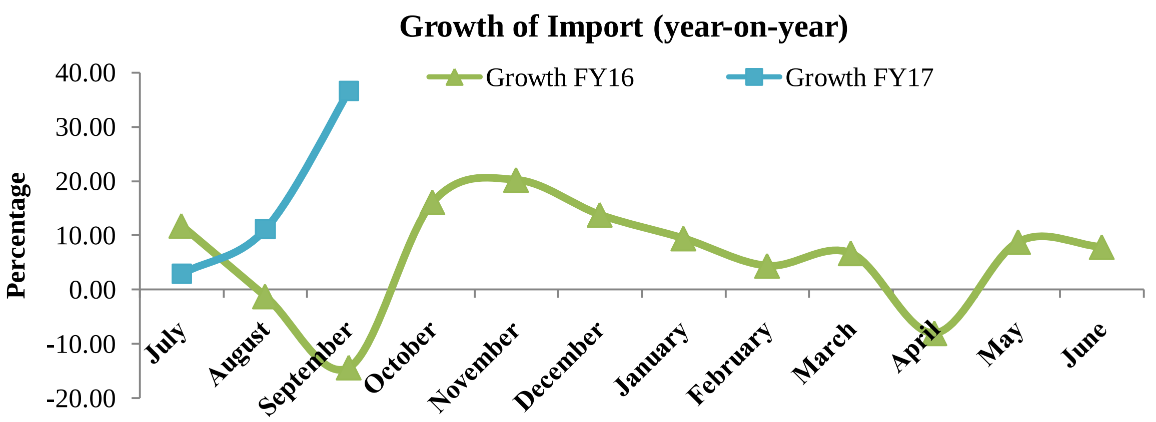
Source: ECRL RD Calculation

Monthly Import Performance & Growth

Landed import of customs was USD 4367.0 million in September FY17 which was USD 1169.8 million or 36.59 percent higher than the same period of FY16. However, landed import of customs up to September FY17 increased by 17.27 percent and stood at USD 11105.1 million against USD 9469.7 million up to September FY16. Overall imports in Bangladesh averaged 63.14 BDT billion from 1976 until 2016, reaching an all-time high of 287.67 BDT billion in December of 2015 and a record low of 0.57 BDT billion in November of 1976, according to Trading Economics information (Trading Economics). 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 (Trading Economics).



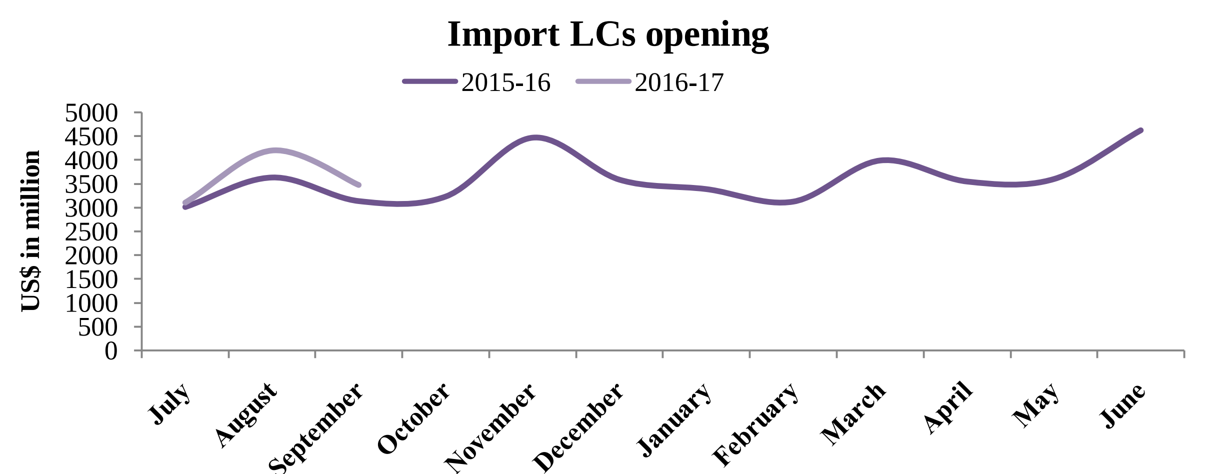
Source: Bangladesh Bank



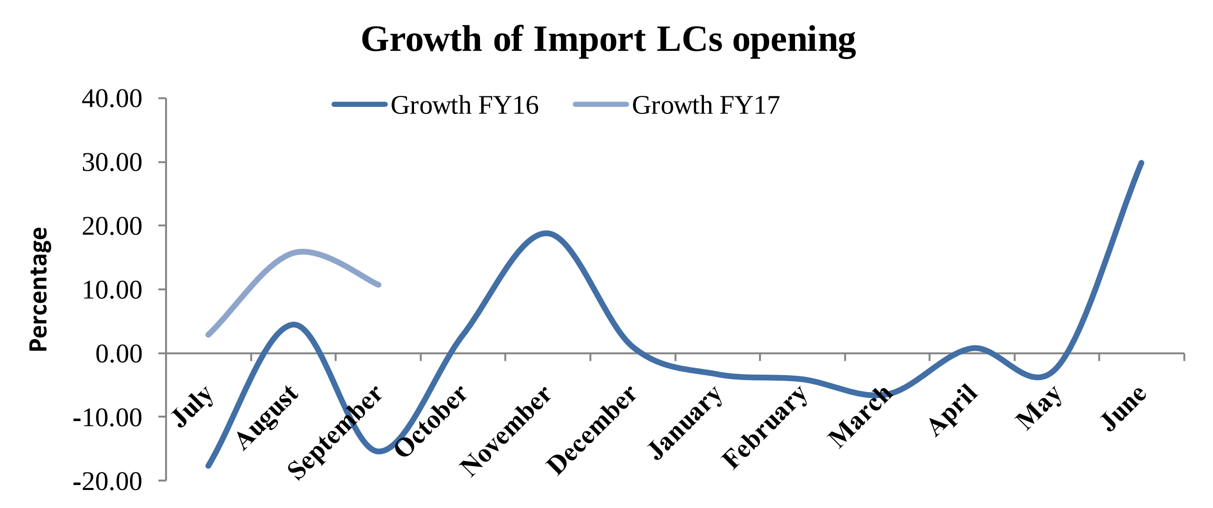
Source: ECRL RD Calculation

LC Opening & Settlement

The fresh opening of import LCs was USD 3471.54 million in September FY17 which was 10.72 percent higher than the same period of FY16. During the period July-September FY17, fresh opening of import LCs increased by 10.16 percent and stood at USD 10772.37 million as compared to July-September FY16. Though, during the period, LCs opening for the industrial raw materials was 35.23 percent and 13.38 percent for the consumer goods.

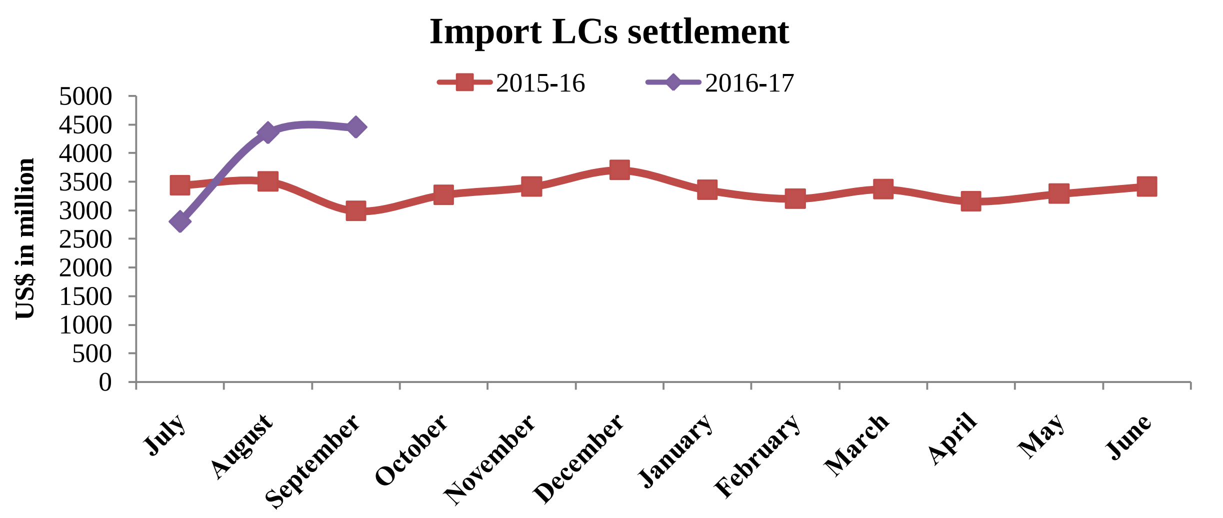


Source: Bangladesh Bank

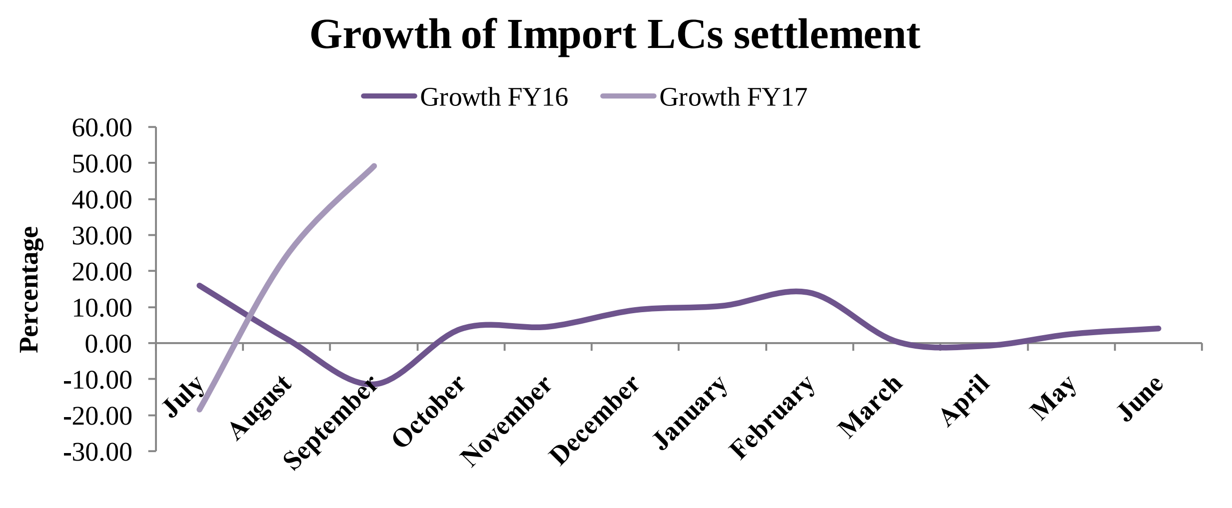


Source: ECRL RD Calculation

On the other hand, settlement of import LCs was USD 4451.61 million in September FY17 which was USD 1466.16 million or 49.11 percent higher than the same period of FY16. But during the period July-September FY17, import LCs increased by 16.97 percent and stood at USD 11609.91 million against USD 9925.71 million during the same period FY16.



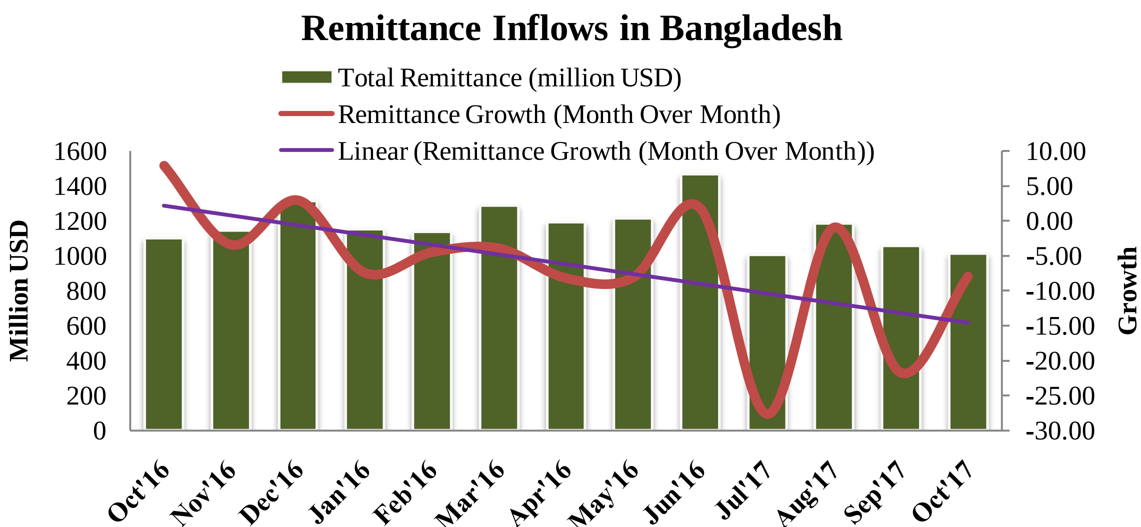
Source: Bnagladesh Bank



Source: ECRL RD Calculation

Remittance Inflows in Bangladesh

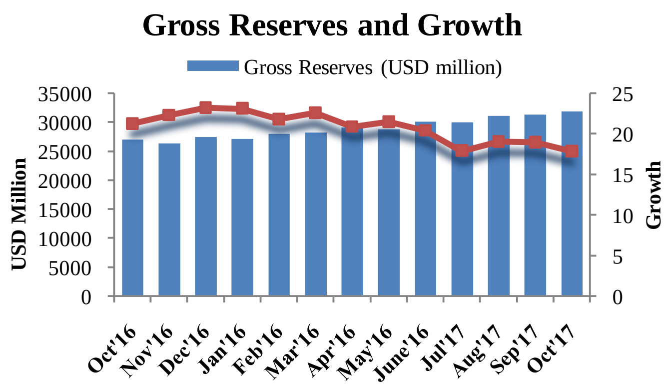
Workers' remittance inflow decreased from the beginning of the FY16 and it was continuously following a decreasing trend up to October FY17. Remittance inflow decreases 4.23 percent or USD 44.66 million in October FY17 compare to the previous month. However, the total remittance received USD 1010.99 million in October FY17 which is 15.43 percent lower than the same period of FY16.



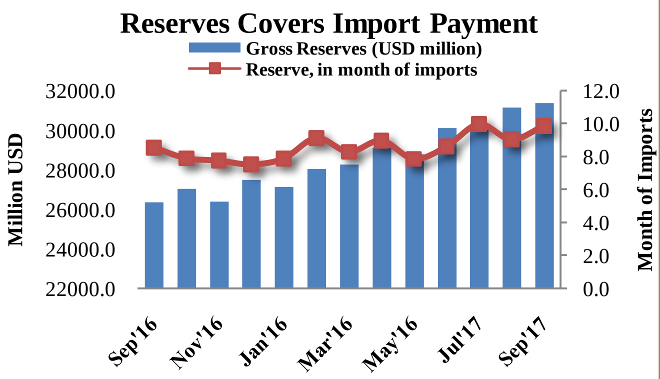
Source: Bangladesh Bank

Gross Reserves

The gross foreign exchange reserves of Bangladesh Bank stood at USD 31895.31million as of end October FY17 which was 17.88 percent higher than the October FY16. A lot of reserves support imports for 8.4 in September FY17, which was 1.3 higher than the same period of FY16.



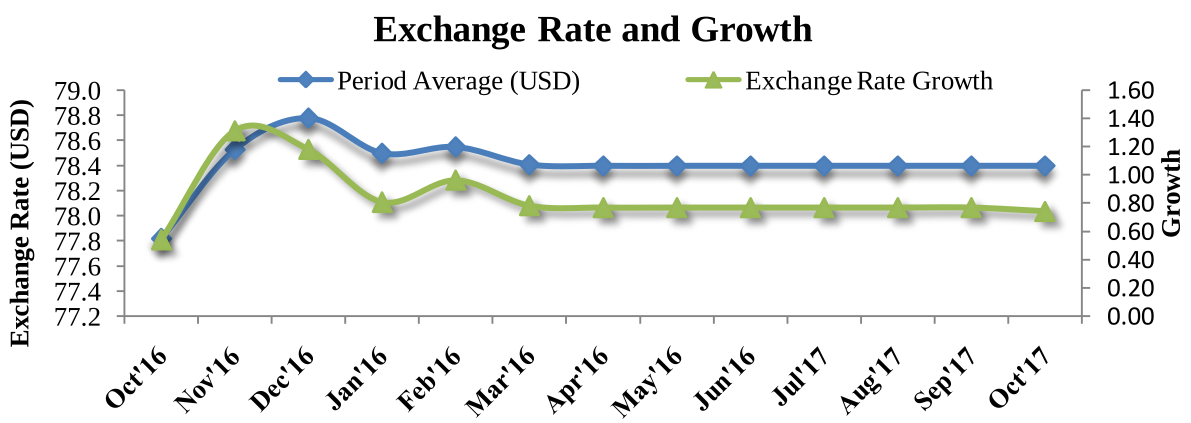
Source: Bangladesh Bank



Source: Bangladesh Bank

Exchange Rate

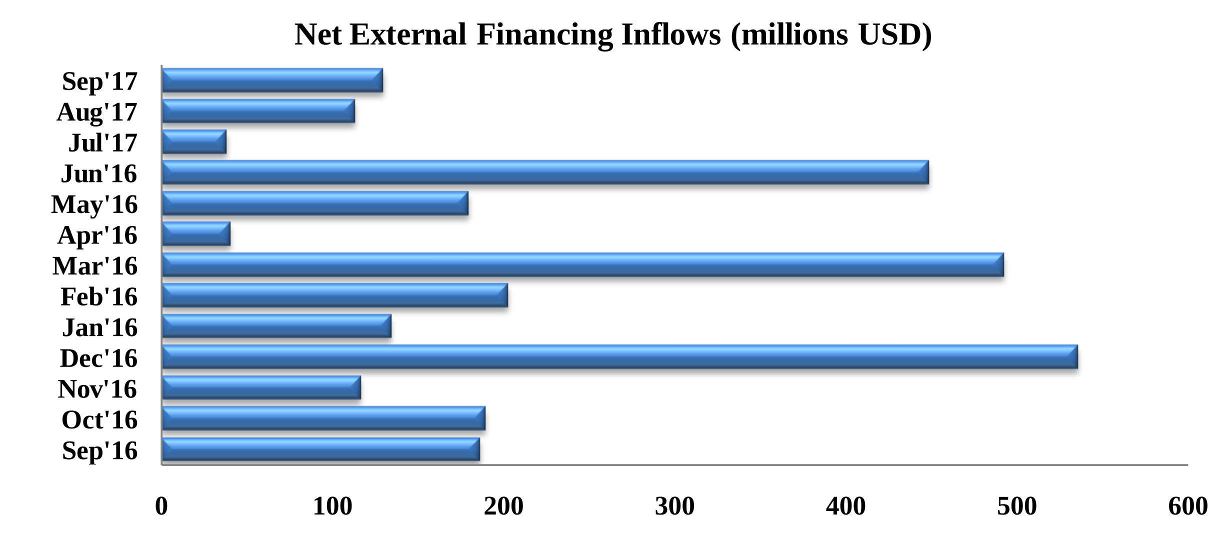
The average exchange rate against USD has been stable from March FY17 but Taka has depreciated in minor level, 0.02 percent, against USD at the end of October FY17 from its level of end March FY16. Though, the average exchange rate in October FY17 was TK.78.4 per USD or 0.75 percent higher than the October FY16, which was recorded TK.77.8 per USD.



Source: Bangladesh Bank

Net External Financing Inflows

Total received of the net foreign aid during July to September FY17 was USD 280.77 million which was USD 36.41 million or 14.9 percent higher than the same time period of FY16. But the monthly consideration, net foreign aid decreased by 30.41 percent or USD 56.62 million in September FY17and stood at USD 129.57 million as compared to the same period of the previous fiscal year.

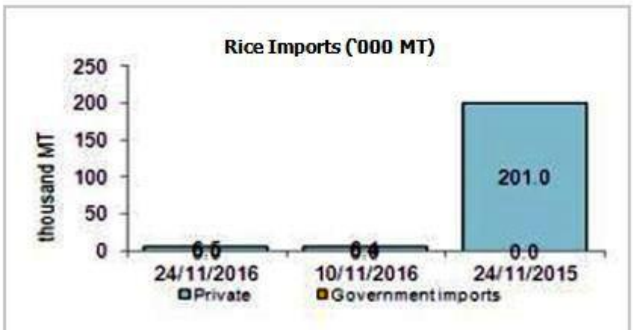


Source: Bangladesh Bank

Bangladesh Food Grain Sector Update

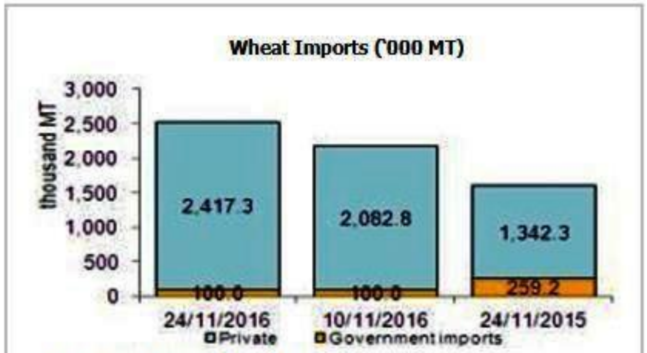
Rice & Wheat Import:

As of November 24th, the private sector imported about 6.5 thousand MT of rice in current fiscal year, but no rice was imported by the public sector. Over the same period of last fiscal year, the private sector imported about 121 thousand MT rice, where the public sector not imported any rice.



Source: Ministry of Food (FPMU)

As of November 24th, the public sector imported about 99.9 thousand MT of wheat in the current fiscal year, the private sector import was about 2417.3 thousand MT. Over the same period of last fiscal year, the private sector imported about 1342.3 thousand MT wheat and the public sector imported 259.2 thousand MT.



Source: Ministry of Food (FPMU)

Rice and wheat LC opening and settling situation are presented below:

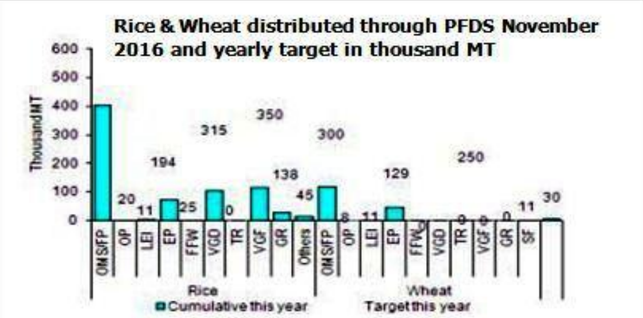
LC situation, as of 31st October/16 (in '000 MT)

Period	L.C. opened		LC settled	
	Rice	Wheat	Rice	Wheat
1-26 November/16 (provisional)	3	292	3	371
Cumulative month, November/16	3	502	4	782
Cumulative year (starting 1st July/16)	18	2799	13	2052

Source: Bangladesh Bank

Public Food Distribution

For the FY17, the total revised food distribution planned at about 2.37 million MT but in FY16 the actual distribution was about 2.064 million MT. As of November 24th, 137.3 thousand MT food grains were distributed mainly through OMS (Open Market Sale) & FPC (Fair Price Campaign) distributed 102.9 thousand MT, VGD (Vulnerable Group Development: 100% women) 11.4 thousand MT, EP (Economic Price) 10.6 thousand MT, GR (Gratuitous Relief) 2.2 thousand MT and through VGF (Vulnerable Group Feeding) 1.5 thousand MT. As of this date, a total of about 928.7 thousand MT has been distributed through the PFDS (The Public Food Distribution System), which is about 35.5% of the yearly target. The OMS drive is continuing in small scale; rice in Dhaka and Chittagong Metro areas and atta all over the country.



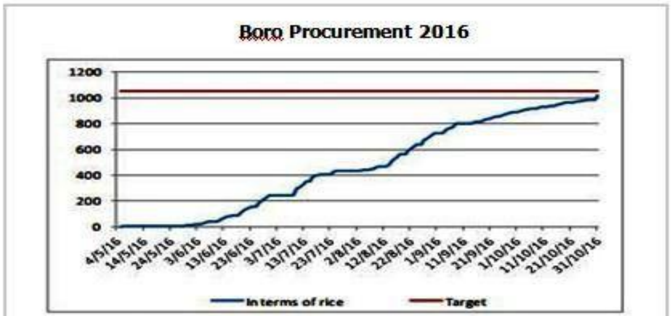
Source: Ministry of Food (FPMU)

Public Stocks:

As of November 24th, the public food grain stock estimated at 794.3 thousand MT, 474.6 thousand MT for rice and 319.7 thousand MT for wheat (MISM, DG Food).

Domestic Food Grain Procurement:

To provide the price incentive to farmers the government started procurement of 0.2 million MT of wheat at 28 Taka per kg from the domestic market. Government procured about 670.0 thousand Boro Paddy in Boro procurement season & about 585.6 thousand MT rice (in terms of rice is about 1021.0 thousand MT). The price of paddy was 23 TK/kg & 32 TK/kg for parboiled rice. The government also decided to procure 300.0 thousand MT of Aman rice in this season at the rate of 33 Tk/kg during the 1st December 2016 to 15th March 2017.



Source: Ministry of Food (FPMU)

Global Rice & Wheat Production:

For the FY17, global rice production is projected at 484 million tons which are 12.0 million tons upper than the previous year. It is more than 2.6 percent higher compared to a year earlier. One the other hand, November FY17 forecast represent global wheat production will be 745 million MT for the FY17 which is about 1.3 percent higher than the previous year. Several countries of the EU have been revised the wheat production forecast; two other countries' wheat outputs are also adjusted this month (USDA, November 2016).

Global Stock:

The ending stock of global rice for FY17 are forecasted at 121 million MT, which is 3.8 percent higher compared to previous year. Similarly, global wheat ending stocks are forecasted at 249 million metric tons for the FY17, which is 3.4 percent higher compared to the year earlier.

Global trade:

Rice:

For the FY17, global rice export is forecasted in November at 40.85 million MT which is up to 2.0% from a year earlier (USDA, November 2016). This month there were four upward global production revisions for the FY17. First, as a result of expanded area, Colombia's forecast was raised 0.34 million tons to 1.7 million tons. Second, South Koreas' crop projection for FY17 was increased 5 percent a result of a higher yield forecast. Third, Japans crop forecast for FY17 was raised 0.1 million tons to 7.8 million tons. Fourth, Russia's production forecast for FY17 was raised 50000 tons to 775000 tons based on a higher yield reported by MOA (Ministry of Agriculture).There were only two noteworthy export revisions this month: Myanmar's exports for 2017 were lowered 0.2 million tons to 1.5 million tons and Cambodia's were reduced 0.5 million tons to 1.0 million tons. Both revisions were based on slower sales in 2016. Vietnam's 2017 imports were reduced 100,000 tons to 300,000 tons based on smaller expected purchases from Cambodia.

Wheat:

For the FY17 global wheat export in October was forecasted at 173.55 million MT, which is about 1.0 percent upper compared to previous year forecast (USDA, November 2016). Global wheat trade in FY17(July-June international trade year) is projected up fractionally this month at 173.6 million tons. For the local marketing year, wheat exports are down 0.5 million tons for Canada (September–August), indicating a decline in wheat quality. (USDA, November 2016). Global production and stock Wheat imports for the FY17 are projected 0.3 million tons higher in both Brazil and Vietnam, and by 0.5 million tons lower in the European Union. All these changes reflect the current and projected pace of imports. The U.S. wheat export forecast for the FY17, international trade year (July-June), as well as for the local marketing year (June-May), is left unchanged this month.

Main rice annual exporters (million MT, milled)

	2014/15	2015/16	2014/15-2015/16 change	2016/17 projected	2015/16-2016/17 change
Thailand	9.78	9.20	-6%	9.50	3%
Vietnam	6.61	5.40	-18%	5.80	7%
USA	3.36	3.45	3%	3.55	3%
Pakistan	4.00	4.20	5%	4.20	0%
India	11.05	10.50	-5%	10.00	-5%
Others	7.88	7.32	-7%	7.80	7%
World total	**42.66**	**40.07**	**-6%**	**40.85**	**2.0%**

Source: Ministry of Food (FPMU)

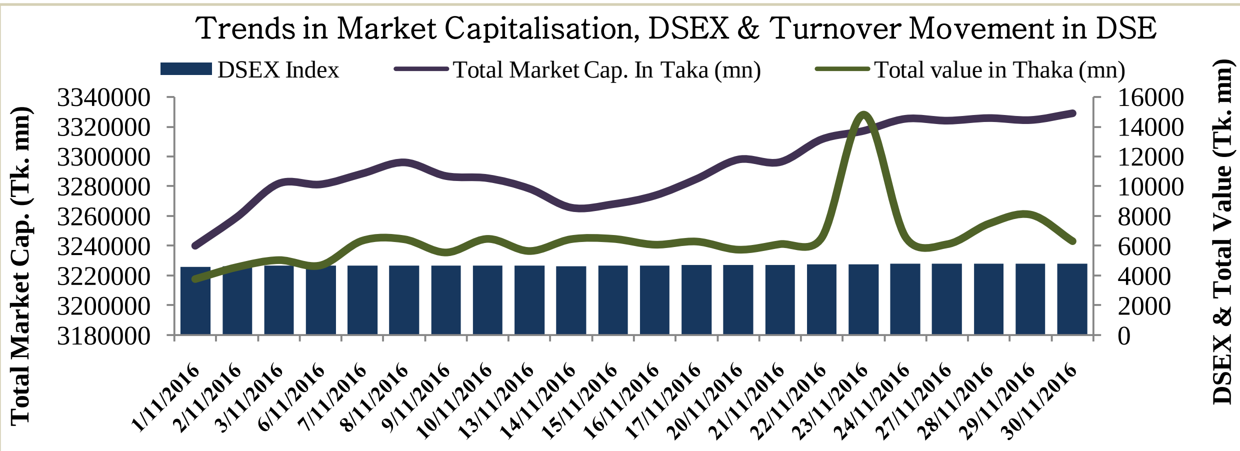
Main wheat annual exporters (million MT, milled)

	2014/15	2015/16	2014/15-2015/16 change	2016/17 projected	2015/16-2016/17 change
USA	23.00	21.86	-5%	26.00	19%
European Union	35.42	34.68	-2%	25.00	-28%
Canada	24.88	22.14	-11%	21.50	-3%
Australia	16.58	15.78	-5%	20.50	30%
Ukraine	11.27	17.43	55%	15.50	-11%
Russia	22.80	25.54	12%	30.00	17%
Others	27.86	34.73	25%	35.10	1%
World total	**161.80**	**172.16**	**6%**	**173.60**	**1%**

Source: Ministry of Food (FPMU)

Financial Market Insights

Bangladesh Stock Market Update

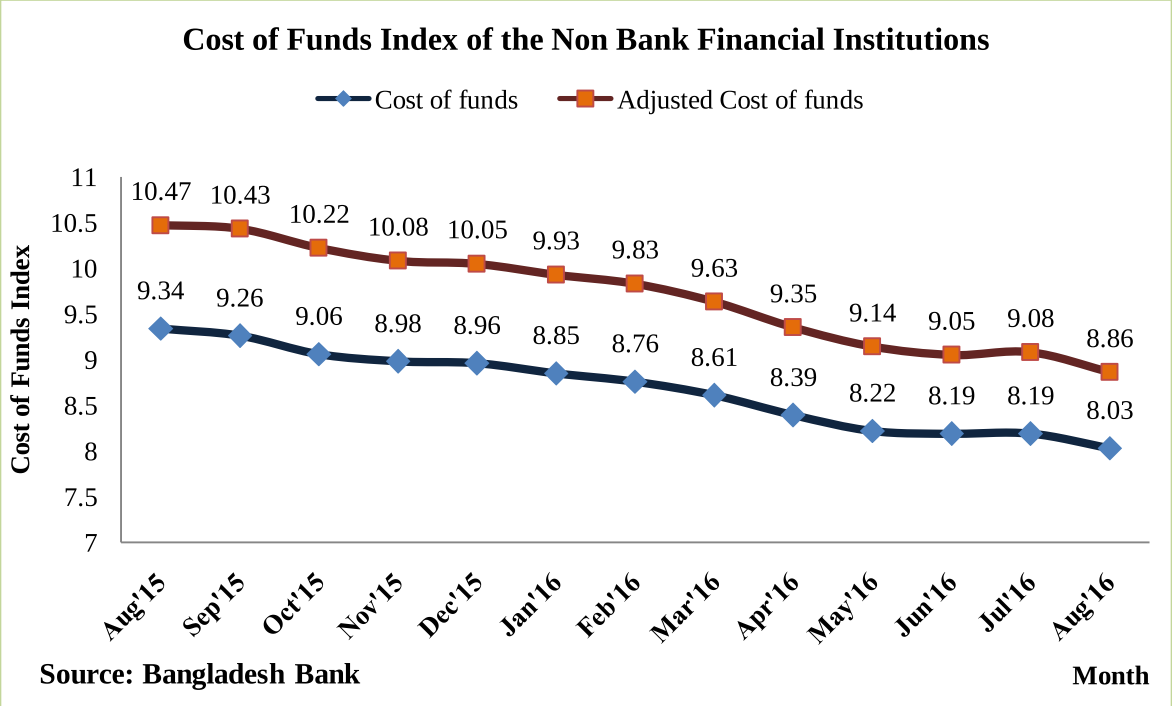


Source: DSE

Bangladesh Stock Market performance recorded slower during the last five years. Investors' confidence level has not been growing after taking different initiatives from the government. Historically, Stock Market recorded a higher performance 8918.51 in December of 2010 and a record low of 282.43 in October of 1991. However, Stock Market is expected to trade at 4630 points by the end of this quarter, according to Trading Economics global macro models and analysts expectations. They estimate to trade at 4490 in 12 month's time.

The DSE Broad Index or General Index (DSEX) was fairly stable but the turnover slightly increased over the month. On the other hand, Market Capitalization also followed the increasing trend. Additionally, average DSEX Index increased 24.06 points or 0.51% to 4708.42 on November from 4684.38 in the average of last trading session of October. Besides, Average turnover movement increase by 1151.49 million taka or 21.81% and the total market capitalization of all shares and debentures of the listed securities increased by 13230.97 million taka or 0.40% at the same time.

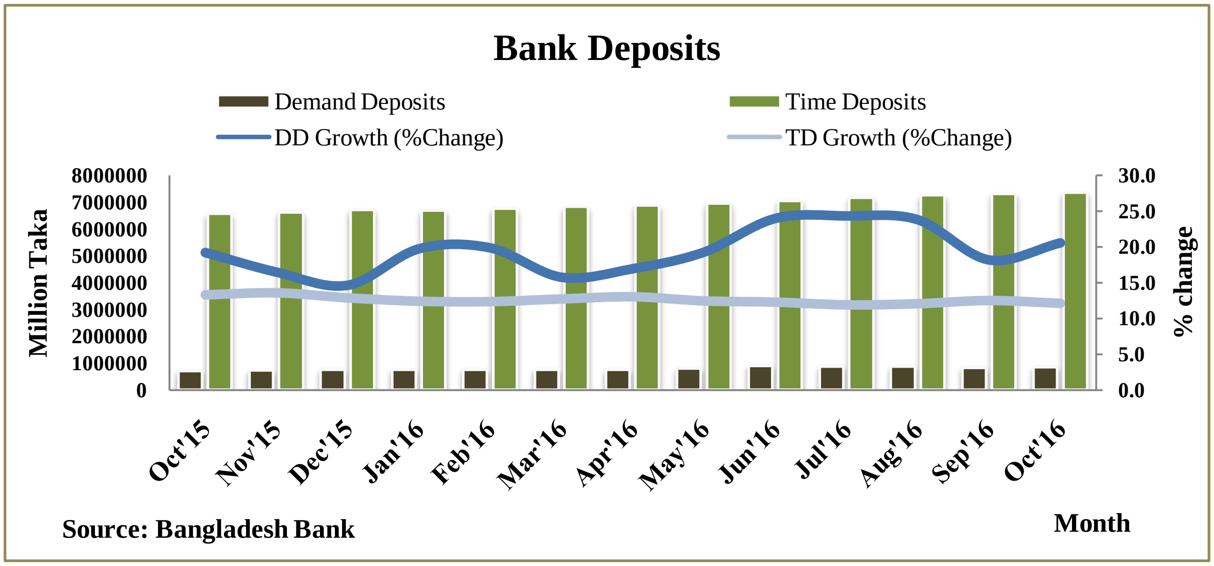
The Cost of Funds Index (CoFI) of the Non-Bank Financial Institutions



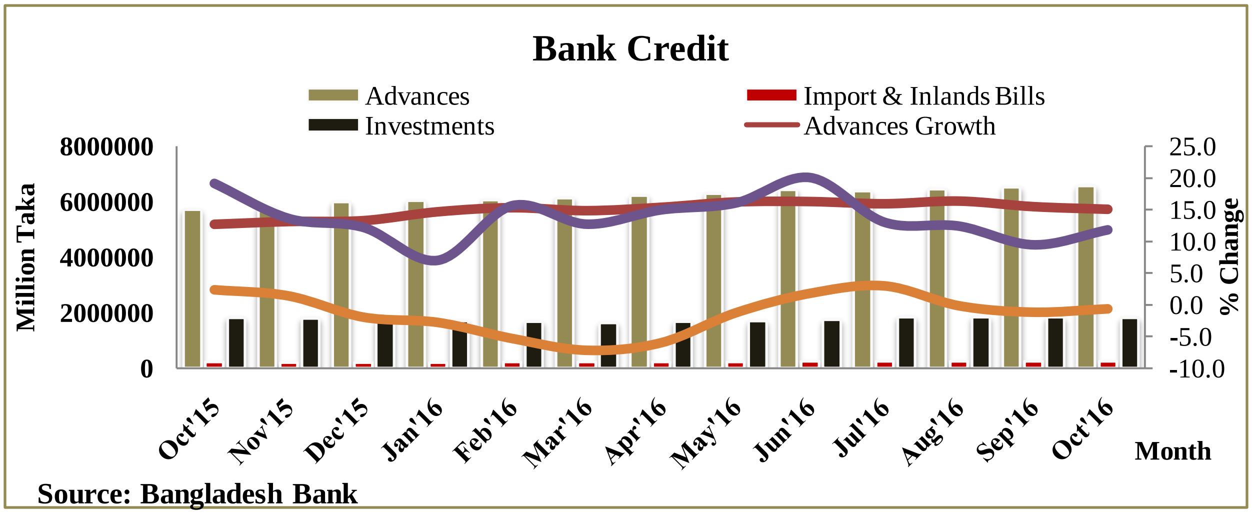
The cost of funds of the country's Non-Bank Financial Institutions (NBFIs) has been declining gradually. The Cost of Fund Index (CoFI), constructed by Bangladesh Bank, revealed that cost of fund declined from 9.34 in August 2015 to 8.03 in August 2016.The central bank considers the Cost of Funds is the weighted average interest rate of the interest-bearing liabilities of a non-bank 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 10.47 in August 2015 to 8.86 in August 2016.

Current Bank Deposit & Credit

The total demand deposits of the banks stood at Tk. 843911 million as of end October 2016 which was Tk. 699970 million at the end of the October 2015. The total demand deposits increased by 20.6 percent compare to the same period of previous year. But the time deposits of the banks stood at Tk. 7354984 million at the end of the month October 2016. It was also increased by 12.1 percent compare with the October 2015.

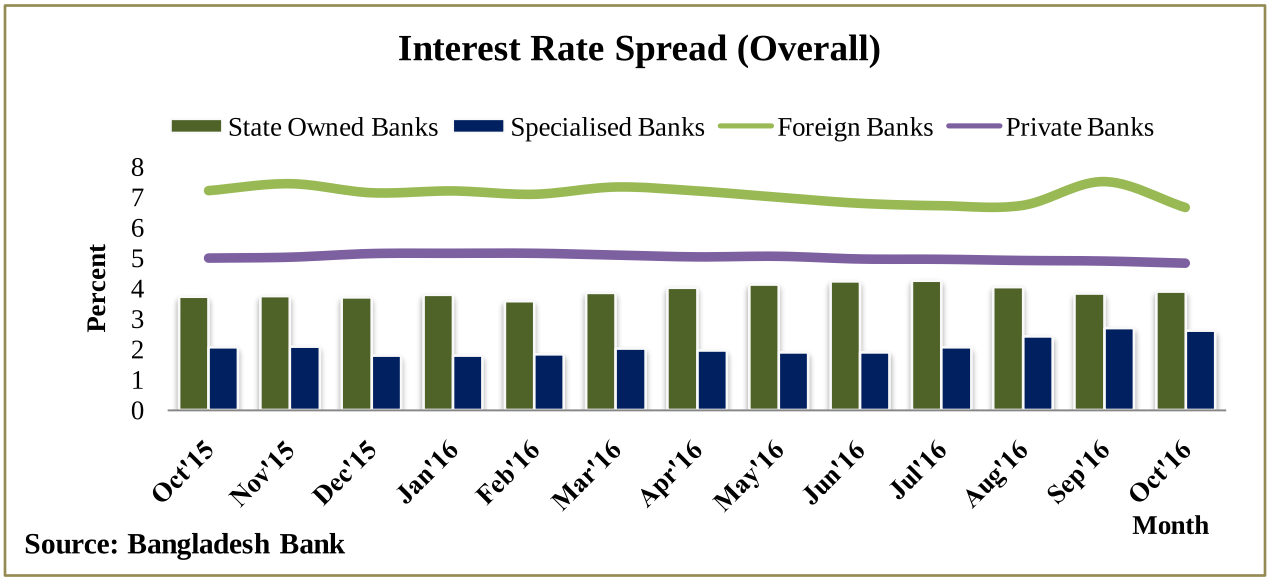


On the other hand, overall credit growth was positive at the end of the October 2016. In a fragmented way, advance growth increased by 15.1 percent while import and inland bills increased by 11.8 percent at the end of the October 2016 compare to the October 2015. At the same time, investment credits recorded a negative growth of 0.7 percent in October 2016 compared to the same month of the previous year.



Interest Rate Spread

The interest rate spread of all banks slightly increased to 4.6 percent in October 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 and specialized banks increased by 3.90 percent and 2.60 percent respectively and foreign banks and private banks decreased by 6.66 percent and 4.82 percent in October 2016 to October 2015.



News of the Month

Domestic Business News

- **Reducing import of cotton by cultivation:** A seminar was held at Diaz Hotel Seminar Hall, Uttara EPZ, Nilphamari which was organized in collaboration with Cotton Development Board (CDB), Department of Agriculture Extension (DAE), Zerin Tex, RMG Chronicle and Nilphamari Chamber of Commerce and Industries (NCCI). Bangladesh is the second largest consumer of cotton. There are 1,50,000 hectares of unused land in Barendra area which can be used to produce 2.0 million bales of cotton meeting one-third of the total demand. Bangladesh can reduce the import of cotton replacing tobacco cultivation with cotton farming which will also increase farmers' income. **(Date:** Nov 01, 2016; Source: Dhaka Tribune)

- **LCAF without BB's permission:** Incase of importing capital machinery Bank's does not need prior permission from Bangladesh Bank for increasing the tenure of Letter of Credit Authorization Form (LCAF). (**Date:** Nov 07, 2016; Source: Dhaka Tribune)

- **Lowest per hour export earning in South Asia:** Despite of being the second largest exporter of apparel and the top regional exporter, per hour, earning of Bangladesh is the lowest. The World Bank's latest report titling ' South Asia's Turn: Policies to Boost Competitiveness and Create the Next Export Powerhouse' said that Bangladesh has many key advantages in the apparel industry but still lags behind China accounting for 41 percent of the global market. (**Date:** Nov 07, 2016; Source: The Financial Express)

> *Bangladesh's per hour earning from apparel export is $0.51 while in Sri Lanka is $0.55, in Pakistan $0.58 and in India $1.06. China earns significantly high amount which is $2.6.*

- **Profit surplus in Bean cultivation in Rangpur region:** According to the sources from the Department of Agriculture Extension (DAE), said that when harvesting is done early, it ensures a good price for the growers. The socio-economic conditions of the peasants have improved by farming vegetables like beans. The farmers are arranging more lands for the farming of beans based on the demand and favorable weather condition of that region. Moreover, modern technologies are also influencing the output of the vegetables. (**Date:** Nov 21, 2016; Source: The Financial Express)

- **The DSE showed a higher turnover than before:** The turnover crossed the Tk 6 billion-mark amounted to Tk 6.10 billion which was 6.27 percent higher than the previous day's turnover of TK 5.74 billion. According to the stockbroker, it is a very crucial time as the market is showing a strong resistance level. DSEX which is the prime index of the DSE finished at 4,721.40 which might move upward if the resistance level is broken in next session which is at 4,870-level. (**Date:** Nov 22, 2016; Source: The Financial Express)

- **Import of wheat from Russia to build reserves:** Bangladesh to import 200,000 tons of wheat from Russia in a government to government deal. Due to quality reasons, three cargos of Russian wheat have already been rejected in the beginning of this year. The cargo will be bought at $ 245 per ton even though the current market price is $ 216 for the US milling wheat. (**Date:** Nov 22, 2016; Source: Reuters)

- **Government servants entitled to revised pension scheme approved by PM:** On November 19 PM gave a positive nod on the scheme of revised pension according to the senior official of the Prime Minister's Office (PMO). MoF states that government has spent Tk 100 million on pension and gratuity for paying public servants in FY 16. The revised scheme will come into effect from July 01 2017. (**Date:** Nov 24, 2016; Source: The Financial Express)

- **MoU signed by BD and Hungary:** For bilateral benefits in agriculture, water management, trade, and investment, Bangladesh and Hungary signed three Memorandum of Understandings (MoU). Prime Ministers of both countries, Sheikh Hasina and Victor Orban, were present at the signing ceremony of these MoUs. (**Date:** Nov 29, 2016; Source: The Financial Express)

- **Remittance services, LC being affected by crash crunch:** Bangladesh Krishi Bank (BKB) had been struggling to run some of its services like LCs, remittance services, due to the capital shortfall. The government owes BKB Tk 15.58 billion against interest subsidy and interest waiver, creating the shortage. (**Date:** Nov 29, 2016; Source: The Financial Express)

- **Low and Middle-income housing finance market remains unused:** financial sector focusing mostly on upper-middle class housing and lack of policy support is the cause of housing finance for low and middle-income class being intact. (**Date:** Nov 29, 2016; Source: The Financial Express).

Domestic Economic News

- **Income tax earnings of TK 9.52b from Tax fairs Oct:** National Board of Revenue (NBR) collected income tax earnings of Tk 9.52 billion in first three days of the weeklong tax fairs in the country. NBR arranged new booths for making user ID and password for the taxpayers in the venue. **(Date:** Nov 03, 2016; Source: The Financial Express)

Just in three days, the NBR received Tk 2.27 billion income tax with 24,864 tax returns all over the country.

- **Growth in earnings from export by 6.53 pc in July-Oct:** The export earnings trend has been showing a positive trend during July-October (first four months of FY17). In the latest statistics of Export Processing Bureau (EPB) reports show that the earnings have increased to the US $ 10,791.65 million the in the current period from the US $ 10,130.49 million in the last fiscal period (FY16). **(Date:** Nov 06, 2016; Source: The Financial Express)

According to figures in EPB's statistics, the single-month (October) export earnings marked a 14.39 per cent growth. The total earnings scored $2712.83 million from $ 2371.50 million of last year.

- **Slight increase in development spending:** The ADP of this year is Tk 123,346 crore which is 50.9 percent more than last year. It has crossed the mark of Tk 1 trillion ($12.7 billion). The government is taking initiative to speed up ADP like - in order to implement effective development projects on time project preparatory fund is created; placing project directors interviewed by ministries and divisions directly; a dedicated official is assigned to each government agency in order to monitor and evaluate projects and also removing non-operational projects from the list. The Implementation, Monitoring, and Evaluation division is always advising and recommending based on the challenges faced in the project cycle of the annual reports. **(Date:** Nov 21, 2016; Source: The Daily Star)

- **Remittance affected by stronger dollar:** According to data from the central bank, remittance has fallen by 15.42 percent from same period a year ago. The remittance received between July and October was $4.26 billion. One of the BB officials said the major reason for the decline in remittance is the devaluation of currencies. Other reasons are wage cuts in the Middle East following the oil price drop, use of informal media of sending money, and unskilled workers can also be included. **(Date:** Nov 21, 2016; Source: The Daily Star)

The US dollar climbed the highest level in almost 14 years this week. Drop in Malaysian ringgit, depreciation of British pound and slight depreciation of Saudi Arabia currency is also affecting the level of remittance.

- **Millennium Development Goal achievement by Bangladesh:** Bangladesh has fully achieved 13 targets out of 33. Of the achieved targets one was halving the population under the poverty line. Bangladesh met two targets of Goal 1 successfully. One was achieving Universal Primary Education (98%) and the other was the maintaining gender parity at secondary education level. Bangladesh outperformed India, Pakistan, Nepal, Afghanistan, and Bhutan the in share of women in wage employment (non-agriculture). **(Date:** Nov 23, 2016; Source: The Financial Express)

- **Use of informal channels by remitters:** Fall in official remittances inflow have been observed due to the fact that the expatriates use informal channels to send money home which gives a higher an exchange gain. According to the quarterly review in the Ministry of Finance, the employment in countries like Saudi Arabia, The United Arab Emirates, Oman, Qatar, Kuwait and Bahrain, have increased by 58.8 percent but earning fell by 11 percent. Even the high-value of Indian currency notes is also creating higher demand for the dollar as the travelers carry dollars instead of Indian rupees. **(Date:** Nov 28, 2016; Source: The Financial Express)

- **Taka depreciates by seven poisha (paisa):** Taka loses seven poisha in a single day against US dollar on Bangladesh's interbank foreign-exchange (forex) market. The US dollar was quoted at Tk 78.68-Tk 78.72 against Tk 78.65. **(Date:** Nov 28, 2016; Source: The Financial Express)

- **Approaching towards middle-income country:** Bangladesh achieved huge success in every sector which is contributing in earning the middle-income nation status. This opinion was raised in the discussion titling 'Informing people about the government's success, achievement, development plans, Prime Minister's special initiatives, involving people with uplift activities, preventing terrorism and militancy' in the Taraganj Upazila Parishad auditorium organized by District Information Office. **(Date:** Nov 29, 2016; Source: The Financial Express)

- **Launch of 'Food for Peace' project in Khulna by USAID:** New five-year Food for Peace project have been inaugurated by the United States Agency for International Development (USAID) in collaboration with the Ministry of Disaster Management and Relief in Khulna (**Date:** Nov 30, 2016; Source: The Financial Express)

Global Business & Economic News

- **The Indian economy grew 7.1pc:** India's economy grew at 7.1 percent in the first six months of the current financial year despite subdued growth in the world economy, said by Indian Union Minister Nirmala Sitharaman. Despite subdued growth in the world economy, India has maintained a GDP growth rate of 7.2 percent in 2014-15, 7.6 percent in 2015-16 and 7.1 per cent during April to September of 2016-17, the commerce and industry minister said. *(28th Nov 2016, The Financial Express Bangladesh)*

- **Boeing, Airbus trade barbs as China competition heats up:** Aerospace giants Boeing and Airbus took potshots at one another at the Zhuhai air show, as the US and European rivals seek to capture more of China's booming aircraft market. China is one of the Western manufacturers' key battlegrounds, with its travelers taking to the skies in ever-growing numbers. The country's airlines will need nearly 6,000 new planes worth $945 billion over the next two decades, Airbus said in its (2016-2035) Global Market Forecast. Boeing's expectations are even more optimistic, for 6,800 aircraft costing $1 trillion. To win favor locally both have built partnerships with Chinese firms. *(2nd Nov 2016, AFP)*

- **Zimbabwe introduces new currency:** Zimbabwe has launched a controversial new currency in a last-ditch bid to inject desperately needed cash into its failing economy. Many ordinary people fear the new "bond notes", issued by the central bank in Zimbabwe, will trigger economic chaos, wiping out savings and causing massive hardship for millions, reports The Guardian. *(28th Nov 2016, The Independent)*

- **Alibaba revenue beats expectations:** Chinese e-commerce giant Alibaba Group Holding Ltd reported a better-than-expected 59 percent jump in quarterly revenue, defying a slowdown in the Chinese economy. Alibaba's total revenue rose to 32.15 billion yuan, or $4.84 billion, in the quarter ended June 30 from 20.25 billion yuan a year earlier. *(2nd Nov 2016, Reuters)*

- **British wage growth looks 'dreadful' after Brexit:** Britain's wage growth prospects look "dreadful", a leading think tank said, after official economic forecasts showed workers were unlikely to recoup losses suffered after the financial crisis within the next five years. The Institute for Fiscal Studies - a think tank focused on budget issues - said Wednesday's forecasts showed wages in 2021 would be lower than in 2008, after adjusting for inflation - stagnation with no precedent since at least World War Two. *(24th Nov 2016, The Guardian)*

- **India to launch clean energy equity fund of up to $2b:** The Indian government and three state-run firms will jointly set up an equity fund of up to $2 billion for renewable energy companies to tap into to help New Delhi meet its clean energy goals, two government sources told Reuters. Private and public companies will be able to dip into an initial amount of more than $1 billion starting next fiscal year, said the sources with direct knowledge of the decision taken after a meeting of government officials more than a month ago. *(3rd Nov 2016, The Daily Star)*

- **Eurozone business activity points to solid growth:** Eurozone business activity grew at the fastest pace this year in November, as a surge in new orders results in companies taking on staff at the joint-fastest pace since 2008.Market closely watched index of private sector manufacturing and services activity rose to 54.1 last month, up from 53.3 in October. The purchasing managers' index (PMI) was well above the 50 level that divides growth from contraction and the highest reading this year. *(23th Nov 2016, AFP)*

- **IMF urges further Kuwait subsidy reforms:** Kuwait must enact further subsidy reforms to trim its budget deficit resulting from low oil prices despite political sensitivity, the International Monetary Fund has said. Posting its first budget shortfall of $15 billion (Dh55 billion) last fiscal year following 16 years of surpluses, OPEC member Kuwait has adopted a series of austerity measures raising the prices of fuel, power, and water. *(17th Nov 2016, The Independent BD)*

- **Indians continue to protest against currency policy:** Thousands of people are demonstrating across India to protest the government's sudden demonetization move, withdrawing large-denomination currency from circulation. Nearly three weeks ago, Prime Minister Narendra Modi announced that 500- and 1,000-rupee notes would become worthless overnight and would be replaced by new currency in a bid to stamp out corruption. The surprise decision pulled 86 percent of the country's money supply out of circulation, leading to serpentine lines at banks, which often ran short of currency, showing that the government was ill-prepared for the move. *(28th Nov, FOX News)*

- **Replacement of new Indian notes will take 6 months:** It's been over a week since demonetization, but the queues and the chaos continue. Prime Minister Narendra Modi, whose decision to scrap rupee 500 and 1,000 rupee notes has been intensely criticized, has asked for patience. The new rupee notes are being printed at four mints. Together, they can print about three billion notes per month. The mints have to replace about rupee 14 trillion taken out of circulations — roughly equal to the gross domestic product of Portugal. If half that value is printed in 500 rupee notes and the other half is printed in 2,000 rupee notes, the mints will have to print around 17.5 billion total notes to replace the value of the notes taken out of circulation. *(17th Nov 2016, The Times of India)*

- **S Korea exports likely to rebound:** South Korea's exports are expected to rise in November for the first time since August as the shock from Samsung Electronics' (005930.KS) Galaxy Note 7 cancellation and strikes at Hyundai Motor Co (005380.KS) dissipates and global trade shows signs of improvement. Exports are expected to rise 1.2 percent this month from a year ago, bouncing from a 3.2 percent decline in October, a Reuter's poll found on Monday. Imports are expected to gain 2.9 percent over the same period versus a 4.8 percent drop in October, the same poll showed. *(28th Nov 2016, Reuters)*

- **Income inequality still at record levels, says OECD:** The gap between the rich and poor remains at record levels, according to the Organization for Economic Cooperation and Development as the poorest 10% have been unable to recover from the blow dealt by the financial crisis. The Paris-based think-tank said while the richest 10% had rapidly bounced back, long-term unemployment, low-quality jobs, and greater job insecurity had disproportionately hit low-income households. *(24th Nov 2016, The Guardian)*

- **Natural disasters push 26m into poverty each year, says World Bank:** Floods, earthquakes, tsunamis and other extreme natural disasters push 26 million people into poverty each year and cost the global economy more than half a trillion dollars in lost consumption, the World Bank has said. A bank study of 117 countries concluded that the full cost of natural disasters was $520bn (£416bn) a year – 60% higher than any previous estimate – once the impact on poor people was taken into account. *(14th Nov 2016, Yahoo)*

- **IMF approves $162m loan to Sri Lanka:** The IMF has approved a loan of USD 162 million to Sri Lanka under its program to aid the government's reform program which aims to promote inclusive growth. The announcement came as the Sri Lankan parliament on Friday approved its 2017 budget which aims to boost tax revenue, reports The Indian Express."The reinstatement of the amendments to the value added tax will help boost revenues, while the 2017 budget proposal should strengthen government finances," the IMF said in a statement. *(19th Nov 2016, The Financial Express BD)*

ECRL Thoughts

An Analysis of Oil Price in International and Domestic Market

Looking into the history of ups and downs of the oil industry, the recent downturn has the profound effect on countries. The oil price fell drastically from a peak of $115 per barrel in June 2014 to lower than $27 at the end of January 2016 (Barne, 2016). It has been a global macroeconomic development issue for the importing countries for the past couple of years. This oil shock is not new to this industry. The industry did face oil price fluctuations previously but reasons were different. In 1985-1986, a similar oil price decline was observed which was driven by supply and another one in 2008-2009 was due to drop in demand. The reason for the recent downturn is a mix of both oversupply and declining demand along with other issues creating an influence such as declining price of a barrel of oil, strong U.S. dollar, OPEC, and the nuclear deal with Iran.

Among the top oil producing countries, Russia ranks at the first position. Then following comes Saudi Arabia, United States, Iraq, China, Canada, Iran, UAE, Kuwait and Venezuela, respectively (CNN, 2016). As the supply surplus has decreased the earnings of the oil companies they decided to decommission two-thirds of their rigs and reduce their investment in exploration and production. As companies reduced their production in many oil producing countries, a lot of oil workers have lost their jobs.

This drop in price has affected many oil exporting and importing countries of the world. The falling oil price has created considerable revenue shortfalls for oil exporters whereas importers have been enjoying the lower price. Countries are trying to lift this price in order to maintain its market share and cover for losses. Moreover, renewable energy is a good alternative if the price of renewable energy is lower than oil. The higher price of oil would make the consumers to shift their demand towards renewable energy.

OPEC has been planning to work on pulling up the price of oil. OPEC has been trying to discuss and come to a deal with other countries regarding this. Finally, OPEC and a group of non-OPEC countries, including Russia, Mexico, Kazakhstan, and Oman, have come to an agreement of six months to cut the overall production by 1.2 million barrels a day (Soldatkin, Gamal, & Lawler, 2016). This cut in production is to commence in January. This is supposed to influence price to a higher price above $54 per barrel (Paul Whitfield, 2016). According to The International Energy Agency (IEA), the price rise is expected to happen by mid of next year though in the long run uncertainties in the oil market prevails.

This circumstance can be defined by the simple economics theory. Generally, when the price goes up quantity demand goes down, and when the price goes down quantity demand goes up. Contrastingly, in the supply side, when the price goes up quantity supply also goes up and when the price goes down quantity supply also goes down. These laws of demand and supply theories are applicable when other things remain constant and the market is perfectly competitive. But, normally the oil market is not perfectly competitive. It is an oligopoly market, where oil-producing countries maximize profit and if one country increases the price, other countries would not follow because demand is price elastic. On the other hand, if one country cuts price, other countries will follow because they do not want to lose market share, as in this case demand is price inelastic. That is what happened in the oil market.

However, when OPEC was formed, the member countries started to behave like a monopoly. OPEC mainly decided the global price of oil for the world market. At that time OPEC did not face any potential competitors. The oil market to some extent became a collusive oligopoly market due to the OPEC's formation. OPEC countries formed a cartel and they fixed the price of oil at the level which maximized the profit. They also set quotas to keep output at the profit maximizing level. So the price and quantity of output set by OPEC was reflected in the price and output of a monopoly. It happened until the new players entered in the oil market.

At that time, there was only one key player which meant that in the face of increasing demand there was less supply. This would again mean that the price of oil would increase. However, the opposite happened in recent years. The oil price has dropped significantly making it relatively cheaper than ever. Now the question is how it has happened?

Different scholars have defined present circumstance in different ways. Some scholars analyzed that the drop has been driven by oversupply, coupled with a fall in demand because of a slowdown in economic growth in China and Europe (BBC, 2016).

Generally, supply and demand determines the price of oil, until recently, scholars analyzed three forces to have an influence in the oil market (Mansmania, 2016). The discussion of these three forces by scholars is given below:

The first force is the growing importance of oil in our economy. Oil is needed everywhere such as heating, transportation, electricity and it is a prime raw material for chemical fertilizer and plastics. Around 6000 products are manufactured from the petroleum. So using of oil almost everywhere, lead to increased demand.

The second force is the emergence of the monopoly position. When capitalism is raised, multinational oil companies, merchants, and individual investors can obtain the monopoly position in various part of the production process. This allows them to set a price for their part of the process and hence influence the overall oil price.

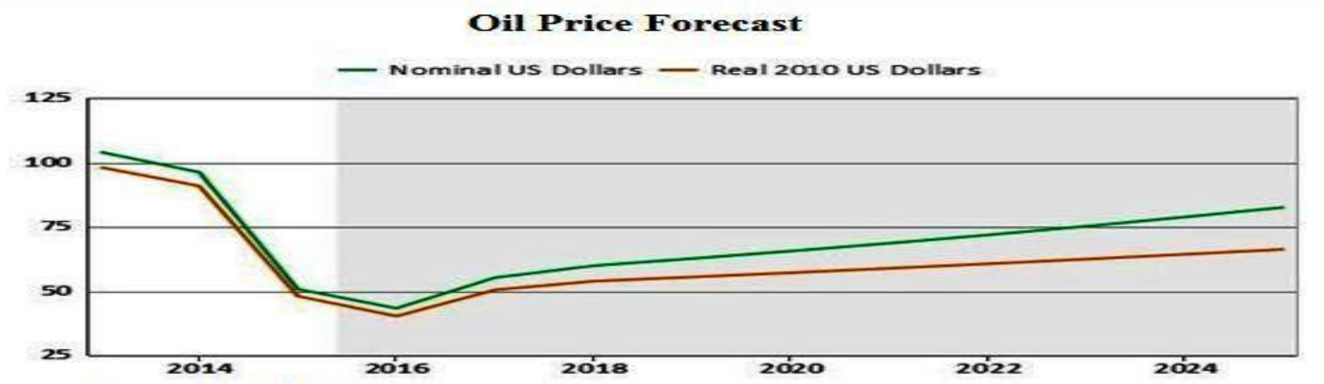
Finally, the third force is the collection of geopolitical games being played in order to gain political power. An example is the nationalization of oil companies in a country allowing the government to control production supply and having impacts on the price of oil.

So, these three forces have always determined the price of oil at the end of the second century a fourth force enters the scene which is self-renewing energy. Huge consumption of oil in every sector is the main causes of the global warming. Global leaders are incredibly conscious about it. They are trying to produce self-renewing energy instead of oil energy. But, which is only possible if the oil price is higher than the production cost of self-renewing energy. Due to the lower oil price, consumption of oil is more attractive. However, the price of oil still seems to be controlled by monopoly positions and geopolitical games.

Now the question is who is playing these games of keeping the price so low? Some scholars elaborately define this situation. Different oil producing countries and multinational oil companies like BP and Shell are involved in this oil game. However, one of the major players OPEC (The Organization of Petroleum Exporting Countries) was formed from the alliance of twelve countries, such as Saudi Arabia, Iran, Iraq, Kuwait, Venezuela, Qatar, Indonesia, Libya, United Arab Emirates, Algeria, Nigeria and Angola. This alliance was powerful enough to determine worldwide supply and controlled the price in the past decades. In recent years other players, i.e. Russia, China, Canada, Brazil, USA, have also become powerful enough to determine the price of oil of the world market. Due to the competition, OPEC has opened its oil tapes completely, increasing the supply to a greater extent. So, this is the main cause of the price fall in the world market.

Such a low oil price is unfavorable for any oil producing country and they are suffering for the low price. OPEC tried to keep the power of worldwide oil trade and decreased oil production to stabilize the price of oil but the new powerful player Russia gradually increased its market share and became one of the largest oil exporter countries. Another major player China has taken a different strategy to compete in the oil market. Instead of taking on the competition, they economically stimulate several poor countries mostly in Africa in exchange for the rights to drill there and import the oil directly to China. The United States was highly dependent on OPECs' oil but recently they are producing oil and gas, though oil is expensive and potentially harmful for the environment, in order to reduce dependency on other countries. Due to the new players in the oil game, OPEC is losing the power to determine the oil price.

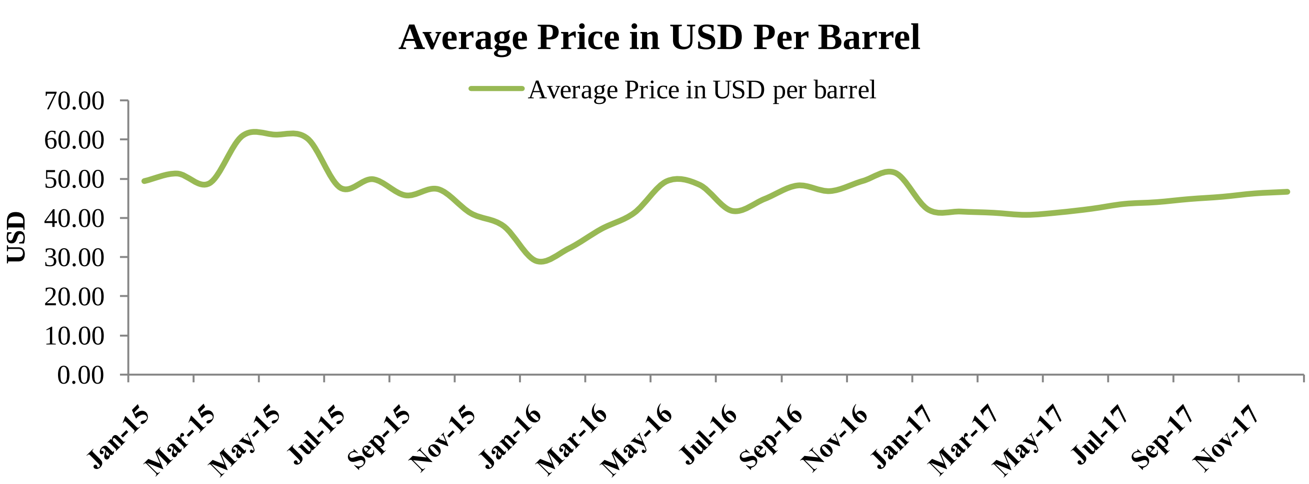
As a consequence, OPEC tried to keep its power by reducing oil price. The oil price will only stabilize if OPEC countries and other powerful countries negotiate with each other and jointly set a price floor above the equilibrium price which will support the oil market to keep the price high. The price floor also helps to produce less oil and the higher price would allow renewable energy source to enter the market and increase market share.



Source: World Bank

In this present situation, World Bank forecasted the oil price to estimate the future oil price. In July 2016 commodity forecast report estimated that the average spot price for crude oil will fall slightly further in 2016 to $43 per barrel from $51 per barrel in 2015. The estimation was up to 2024 and showed the oil price going up from next year.

Recent estimation of the World Bank in October 2016 showed the upper trend of the oil price. Forecast result of 2017 showed, the crude oil prices to $55 per barrel from $53 per barrel as members of the OPEC prepare to limit production after a long period of unrestrained output (World Bank, October 2016).



Source: ECRL RD Calculation

Research Department of Emerging Credit Rating Ltd has taken two years monthly average data (2015-2016) from macro trends website and forecasted data from January to December 2017. Data of December 2016 are taken up to 9th December, which is an average of nine days. The graph shows that in 2017 oil price will fairly stabilize within the range $40 to $47 per barrel. This price estimation is lower than the World Bank's estimated price. However, if other things remain constant, there will be no significant change of the average world price of oil. If OPEC and others major oil producing countries take initiative to drive oil price high then different scenario will happen in upcoming years.

As the economy of Bangladesh grew, the population size also increased. The number of motor vehicles and power plants had been increased. These facts contributed to the rise in demand for fuel in Bangladesh.

Bangladesh is not an oil producing country for which they have to rely on imported fuel. Bangladesh imports crude oils and refined oils from a number of countries. The Bangladesh Petroleum Corporation (BPC) is an authorized collector and importer of petroleum products. BPC also acts as the managing agent for marketing of petroleum products' storage, distribution and marketing of it in the country. Bangladesh Petroleum Corporation (BPC) is a government-owned monopoly in Bangladesh, under Petroleum and Mineral Resources Division, Ministry of Power, Energy and Mineral Resources, Government of People's Republic of Bangladesh. BPC imports up to 29 million barrels of petroleum products a year, including 9 million barrels of crude oil, to meet the country's demand.

There are 8 companies operating under BPC:

- The oil refinery, Eastern Refinery Limited (ERL);
- The 3 oil distribution and marketing companies:
  - Padma Oil Company Limited,
  - Jamuna Oil Company Limited
  - Meghna Oil Company Limited;
- Two lubricant blending plants:
  - Eastern Lubricants Blenders Limited
  - Standard Asiatic Oil Company Limited;
- LPG bottling and distribution plant, LP Gas Limited
- A bitumen production company, Asphaltic Bitumen Plant.

The refinery plant (Eastern Refinery Limited, ERL) of Bangladesh, a subsidiary of Bangladesh Petroleum Corporation (BPC), refines the imported crude oils. Crude oils are imported from Saudi Arabian Oil Company (Saudi Aramco) and Abu Dhabi National Oil Company (ADNOC). The imported crude oils are processed here. A very small quantity of oil is brought from Haripur Gas Field to process along with the imported ones. There are several marketing companies who distribute these products all over the country.

The demand for liquid fuel varies from 5.5 to 6.5 million ton depending on the usage of High Sulfur Fuel Oil (HSFO) & Diesel in the liquid run power plants.

The total storage capacity of petroleum products in the country is 687,500 tons. The storage capacity at ERL is 365,000 tons. In the three oil marketing companies of ERL in Chittagong (Padma Oil Company Ltd, Jamuna Oil Company Ltd, Meghna Petroleum Ltd), the total storage capacity is 205,600 tons. From Chittagong, 82% of petroleum products are transported by the river (coastal tanker), 6% by RAILWAY (Tank wagon or Box wagon), 10% by road (Tank lorry/truck) and 2% by other local means (boat, push cart or van etc).

Other than Chittagong, oil companies have 19 (nineteen) oil depots in different parts of the country, located at Godenail, Fatullah, Daulatpur, Bhairab, Chandpur, Baghabari, Balashi, Chilmari, Ashuganj, Rangpur, Dhaka, Barisal, Jhalokati, Sreemangal, Sylhet, Parbatipur, Rajshahi, Natore and Harian (Rajshahi).

Currently, the price of petroleum products has decreased slightly. The updated price of the products along with their effective dates as given by BPC:

Table: Local Selling Price of Petroleum Products

<table>
<tr><th>No</th><th colspan="2">Product Name</th><th colspan="2">Local Selling Price (Tk/liter)</th><th colspan="2">Effective Date</th></tr>
<tr><td>1</td><td colspan="2">HSD (Diesel)</td><td colspan="2">65.00</td><td colspan="2">24/04/2016</td></tr>
<tr><td>2</td><td colspan="2">SKO (Kerosene)</td><td colspan="2">65.00</td><td colspan="2">24/04/2016</td></tr>
<tr><td>3</td><td colspan="2">HOBC (Octane)</td><td colspan="2">89.00</td><td colspan="2">24/04/2016</td></tr>
<tr><td>4</td><td colspan="2">MS (Petrol)</td><td colspan="2">86.00</td><td colspan="2">24/04/2016</td></tr>
<tr><td rowspan="3">5</td><td colspan="2" rowspan="2">a) JP-1 (Chittagong)</td><td>For Domestic Flight</td><td>For International Flight</td><td colspan="2" rowspan="2">1/11/2016</td></tr>
<tr><td>63.00 (Tk/litre)</td><td>0.54 ($/litre)</td></tr>
<tr><td colspan="2">b) JP-1 (Dhaka)</td><td>64.00 (Tk/litre)</td><td>0.55 ($/litre)</td><td colspan="2">1/11/2016</td></tr>
<tr><td>6</td><td colspan="2">LP Gas (12.50kg per Cylinder)</td><td colspan="2">700.00/Cylinder</td><td colspan="2">19/06/2009</td></tr>
<tr><td>7</td><td colspan="2">SBPS</td><td colspan="2">99.00</td><td colspan="2">11/1/2013</td></tr>
<tr><td>8</td><td colspan="2">MTT</td><td colspan="2">72.00</td><td colspan="2">11/1/2013</td></tr>
<tr><td>9</td><td colspan="2">JBO</td><td colspan="2">68.00</td><td colspan="2">4/2/2015</td></tr>
<tr><td>10</td><td colspan="2">LDO</td><td colspan="2">68.00</td><td colspan="2">11/1/2013</td></tr>
<tr><td rowspan="3">11</td><td colspan="2">a) FO (Furnace Oil)</td><td colspan="2">42.00</td><td colspan="2">1/4/2016</td></tr>
<tr><td colspan="2">b) FO: Bunker Price (Ctg Port)</td><td colspan="2">USD 824.00 per M.Ton</td><td colspan="2">25/04/2013</td></tr>
<tr><td colspan="2">b) FO: Bunker Price (Mongla Port)</td><td colspan="2">USD 829.00 per M.Ton</td><td colspan="2">25/04/2013</td></tr>
<tr><td rowspan="3">12</td><td colspan="2">Bitumen Selling Price</td><td colspan="2">80/100 Grade (in taka)</td><td>60/70 Grade (in taka)</td><td>Effective Date</td></tr>
<tr><td>Drum Bitumen</td><td>Selling price per Drum</td><td colspan="2">10,300.00</td><td>11,000.00</td><td>8/12/2014</td></tr>
<tr><td>Bulk Bitumen</td><td>Selling price per M. Ton</td><td colspan="2">63,300.00</td><td>68,000.00</td><td>8/12/2014</td></tr>
</table>

Source: Bangladesh Petroleum Corporation

Bangladesh buys refined oil from a number of national oil companies, including

- Malaysia's PETCO Trading Lebanon Company Limited (PTLCL),
- Philippines National Oil Corporation (PNOC),
- Emirates National Oil Corporation (ENOC),
- Vietnam's Petrolimex (Singapore) Pte Ltd
- Unipec Singapore Pte Ltd, China
- Kuwait Petroleum Corporation (KPC)
- Petrochina (Singapore) Pte. Ltd, China
- Indonesia's Bumi Siak Pusako (BSP)
- Brunei's PB Trading Senderian Berhad
- Turkey's Petroleum International Company
- Oman Trading International Ltd
- China's Zhenhua Oil

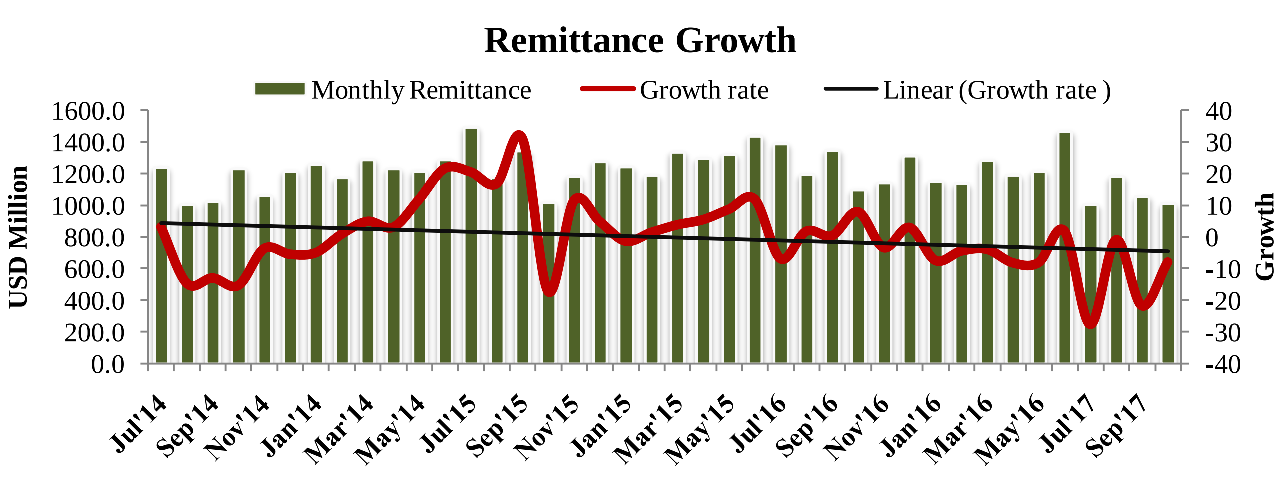
The government has adopted various reform measures to attain energy security by 2021 such as enhanced exploration and appraisal of oil and natural gas, maximized value addition of natural gas, tariff rationalization, effective programs for energy efficiency and conservation of commercial energy, diversifying sources of energy including greater use of coal, LPG (Liquefied Petroleum Gas) and LNG (Liquefied Natural Gas), strengthen institutional and technological capability of public sector exploration and production companies, encouraging foreign private finance, joint venture, structured loan etc.

The global oil price reduction did not affect the price of oil in Bangladesh until now. The government had been resisting this oil price change in order to help the state-owned BPC to compensate the losses they had incurred. Octane had been selling at Tk. 99 per liter, petrol at Tk. 96, kerosene and diesel at Tk. 68 a liter and furnace oil at Tk. 60 until the latest cuts (Staff Correspondent, 2016).

According to apex business body FBCCI President Abdul Matlub Ahmad, production and transport costs will reduce. This will again affect local and foreign investments positively creating job opportunities. As oil price is a major factor it might decrease inflation along with the bank's interest rates. Even Executive Director of Centre for Policy Dialogue (CPD) this price fall will have a total positive effect on producers, consumers and economic growth (Harmachi, Cut in Oil Price, 2016). Although there are some factors which are considered to have an opposite impact.

One of the main sources of foreign currencies is the remittance from the expatriates. According to experts and researchers, the oil price decrease might bring a significant change in the flow of remittance (Harmachi, Falling global oil price sucks Bangladesh remittance down in January 2016). Economists warn that economy like Bangladesh, which relies on remittances, has the possibility to get hit from oil price shock as most of the migrant workers are concentrated in the petroleum-producing countries (Chowdhury, 2016).

The migrant workforce from Bangladesh is around 9 million in the world. According to government data, the inflow from remittances is a significant part of Bangladesh's revenue. According to data from the central bank, remittance has fallen by 15.42 percent from same period a year ago. Even though the remittances have decreased compared to previous years, so far the decline in demand for this workforce is not evident in the oil-based countries.



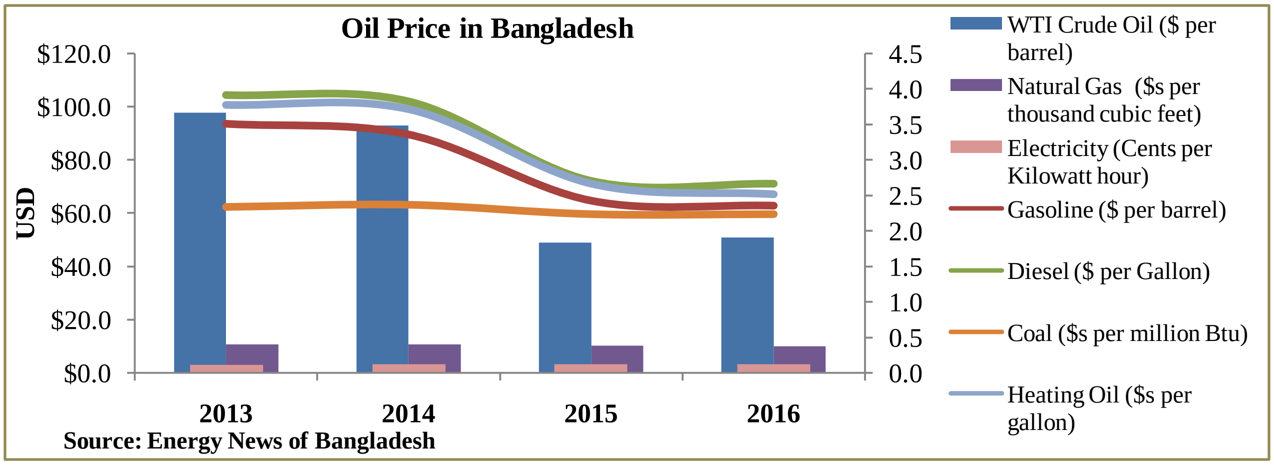
Source: Bangladesh Bank Data and ECRL RD calculations

The graph above is the total remittance in US $ (million) over the month from different countries to Bangladesh. The flow of remittance had fluctuations throughout the year of FY14, FY15, and FY16. The above trend shows how much ups and downs the total remittance flow had during these periods. In the beginning of FY14, the flow was lower. It was highest in July and after that, it started to fall. Then it took a rising trend but at a slower rate. The linear trend graph shows that the overall remittance flow had been upward facing but with decreasing rate. In the next fiscal year (FY15), the remittance dropped considerably. It had been fluctuating almost every month. The amount of flow has declined in FY16 and is following a depressing trend for FY 17.

The linear trend line for remittance growth shows that Bangladesh faced a decreasing remittance flow throughout FY16 and until October of FY17. The remittance growth rate fluctuation indicates that as the price of oil fell it might have influenced the inflow of remittance. Due to reduced production and lower price of oil, many people lost their jobs.

Although there are other factors which might have had an impact on the remittance. Other factors influencing remittance flow can be stronger US dollar, use of informal media of sending money, and unskilled workers.

The Brent crude oil price per barrel has dropped quite low globally. According to data from OPEC, the Brent crude oil price was $35 per barrel in December 2015 whereas it was $111 per barrel in December 2013 just two years back. The prices of oil for Bangladesh have not faced a dramatic change over the years compared to the global oil price fluctuation. Below is the table showing the fluctuations of prices in fuel and power of Bangladesh.



The above chart is the graphical representation of the price of oil and power (Sufi, 2016). The main impact fell on crude oil price in Bangladesh due to fall in the global price of oil. Other fuel prices have declined but the rate is not that extensive.

The price slump of oil had a heavy impact for the majority of the countries. The oil producing countries faced losses with reduced price which caused the investment in production to be lowered which in turn pushed to reduce employees or salaries to cover for losses. Remittances in many Asian countries dropped. It came on hard and hefty for OPEC and non-OPEC countries as they faced losses and had to cut down production. Some countries also enjoyed this lower price.

A country like Bangladesh who earns huge amount of remittance from these oil producing countries is said to be affected negatively. Some effects are already seen in the recent data analysis. The flow of remittance has decreased considerably. It is said to be the resulting impact of this oil price fluctuations. As the oil price is rising it may have an impact the on the price of fuel in Bangladesh and also on other goods. As per the economic analysis when the price was decreasing all the other players reduced their price for not losing their market share. The reasons for this oil price shock is fueled by increasing demand for oil, different producers and suppliers setting their own price level, and geopolitical game. Now OPEC and other non-OPEC countries made an agreement to cut production and lift the price of oil. They decided to provide oil of a certain amount at a certain price for six months.

World Bank and ECRL RD forecasted the future price of oil. According to both the forecast, the future price of oil will increase. The agreement between OPEC and non-OPEC countries has already increased the level of price than what it was before. The producers of oil have to sell at the agreed amount and price if they do not want to face the same situation as before.

This six months agreement was required to tackle this oil price situation. Moreover, the economies are trying to switch towards less harmful alternatives as oil and oil products are causing harm to the society as a whole. The renewable energy is a better and safer choice compared to oil. As it is still not cheaper than oil, most of the consumers are using oil. If this price of oil is on the rise then, soon in the future people will shift to renewable energy.

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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.

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