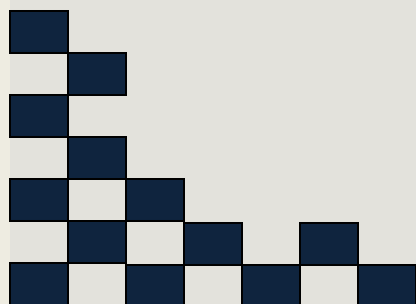


Monthly Economic and Business Update



- Domestic Economic Update
- VAT Structure in Bangladesh
- Benefits from Lowering Trade Barriers
- History of Bangla Barnamala



Inflation Scenario in Bangladesh

In May 2016, both twelve months moving average and point to point inflation fall to 5.98 percent and 5.45 percent respectively. This mainly happens due to fall in urban inflation rate to 7.06 percent in May 2016 from 7.22 percent in April 2016.

For the month of May 2016 urban food inflation decrease to 5.50 percent and rural food inflation decrease to 3.08 percent. Non food inflation in both urban and rural area

also decreases to 8.76 percent and 7.32 percent. Decreasing pattern in inflation in both rural and urban area pulled down the national inflation to 5.45 percent.

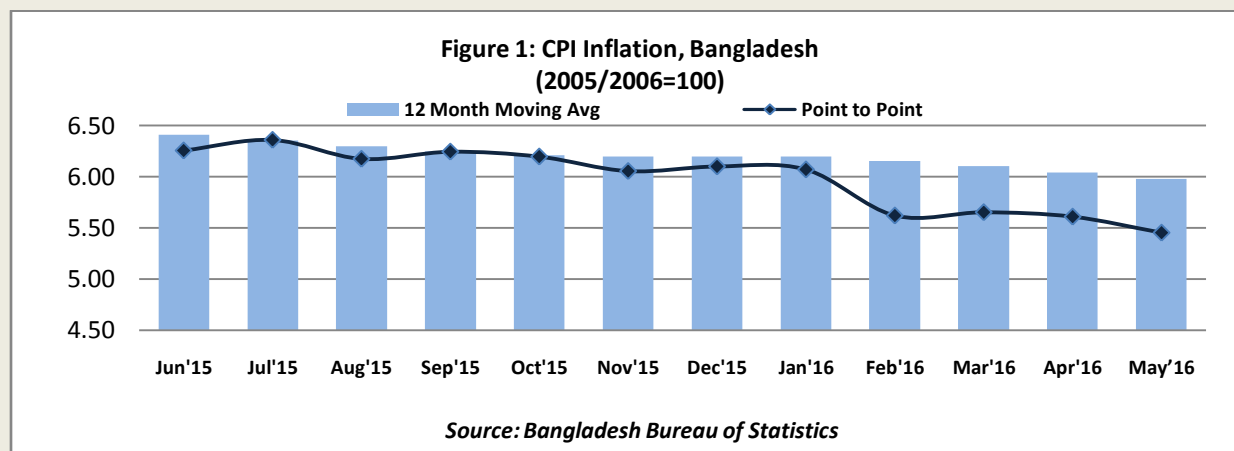


Table 1: CPI Inflation, Bangladesh (2005/2006=100)

Month	National			Urban			Rural		
	General	Food	Non-Food	General	Food	Non-Food	General	Food	Non-Food
Jun'15	6.25	6.32	6.15	6.91	7.64	6.14	5.90	5.76	6.16
Jul'15	6.36	6.07	6.80	7.28	7.58	6.96	5.88	5.43	6.69
Aug'15	6.17	6.06	6.35	6.94	7.56	6.26	5.76	5.43	6.41
Sep'15	6.24	5.92	6.73	6.96	7.47	6.37	5.86	5.26	6.99
Oct'15	6.19	5.89	6.67	6.91	7.44	6.33	5.82	5.23	6.90
Nov'15	6.05	5.72	6.56	6.88	7.42	6.29	5.61	5.00	6.76
Dec'15	6.10	5.48	7.05	7.07	7.14	6.98	5.58	4.76	7.10
Jan'16	6.07	4.33	8.74	7.53	5.96	9.25	5.29	3.63	8.37
Feb'16	5.62	3.77	8.46	7.22	5.48	9.14	4.76	3.04	7.97
Mar'16	5.65	3.89	8.36	7.27	5.61	9.12	4.79	3.15	7.82
Apr'16	5.61	3.84	8.34	7.22	5.51	9.11	4.75	3.11	7.80
May'16	5.45	3.81	7.92	7.06	5.50	8.76	4.59	3.08	7.32

Source: Bangladesh Bureau of Statistics

Table 2: Bangladesh CPI Inflation(Point to Point), National (2005/06=100)

Period	Of which							
	Non food	Clothing & footwear	Gross rent fuel & lighting	Furniture furnishing household equipments and operations	Medical care and health	Transport and Communication	Recreation Entertainment, Education & Cultural Services	Misc. goods & services
<i>Weights</i>	41.16	6.85	16.87	2.67	2.48	4.17	4.13	3.63
Jun'15	6.15	7.27	3.24	5.22	15.92	10.10	2.35	5.97
Jul'15	6.80	9.29	3.00	6.44	16.50	11.41	2.26	6.09
Aug'15	6.35	9.12	2.37	6.23	16.55	10.32	2.26	5.40
Sep'15	6.73	12.26	2.85	5.97	15.69	9.03	1.79	5.11
Oct'15	6.67	11.89	2.76	5.69	13.32	11.42	1.64	4.31
Nov'15	6.56	11.82	2.87	6.00	10.73	11.60	1.71	4.24
Dec'15	7.05	12.91	3.69	7.01	11.37	11.58	1.38	3.04
Jan'16	8.74	12.38	10.19	7.04	8.27	11.40	1.83	2.63
Feb'16	8.46	11.82	10.09	6.48	7.28	11.19	1.82	2.89
Mar'16	8.36	11.78	10.06	6.00	7.23	11.08	1.80	2.86
Apr'16	8.34	11.82	10.03	5.92	7.20	11.06	1.82	2.83
May'16	7.92	11.80	9.20	5.39	7.11	10.59	1.68	2.67

Source: Bangladesh Bureau of Statistics



Monetary Update

The amount increased in NFA (Net Foreign Asset) and NDA (Net Domestic Asset) during April 2016 compared to the same month in the preceding year by 22.86 percent and 13.95 percent. However, there is a constant growth in NFA Tk.2226.9 billion as well as NDA grew by Tk.6387.3.

Hence, the broad money recorded an increase of Tk. 8614.2 billion or 16.12 percent (y-o-y) at the end of April 2016 against the increase of Tk. 7418.0 billion or 10.13 percent at the end of April 2015.

Hereafter, the trend of money multiplier is at constant increasing rate which indicates that the inflation rate has a sluggish growth rate.

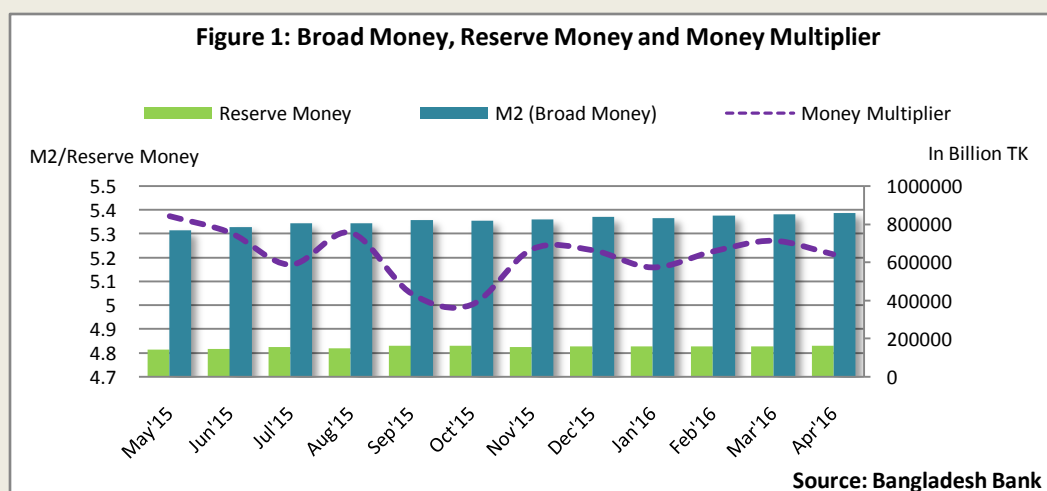


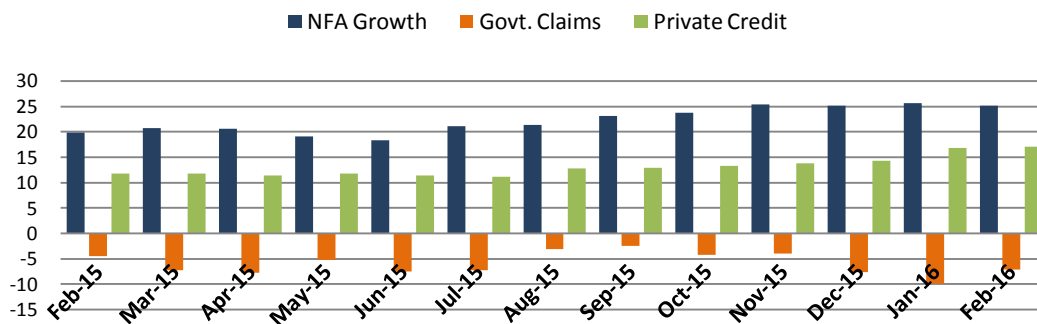
Table 2: Money Multiplier, Interest Spread and Growth Rate of Domestic Credit

	Apr'15	May'15	Jun'15	Jul'15	Aug'15	Sep'15	Oct'15	Nov'15	Dec'15	Jan'16	Feb'16	Mar'16
Money Multiplier	5.43	5.37	5.30	5.17	5.30	5.05	5.00	5.23	5.23	5.16	5.23	5.27
Interest Spread	4.84	4.83	4.87	4.79	4.77	4.82	4.77	4.81	4.84	4.84	4.81	4.86
Domestic Credit	9.77	10.28	9.97	10.08	9.63	9.94	10.05	10.31	9.93	10.30	11.00	11.42

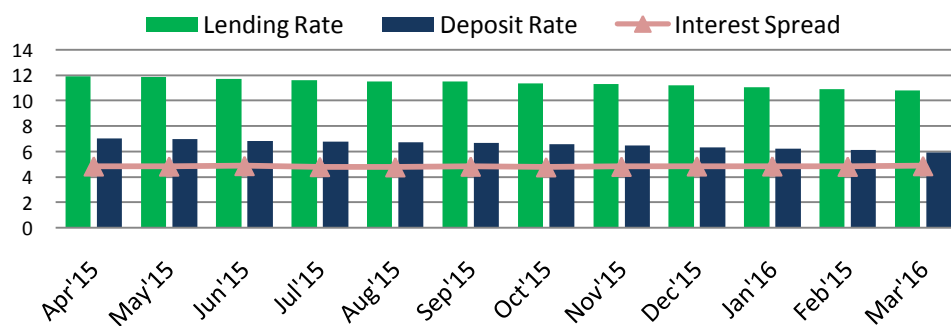
Source: Bangladesh Bank

The domestic credit recorded an increase of Tk.75349.09 crore or 11.42 percent (y-o-y) at the end of March 2016 against the increase of Tk.67623.52 crore or 10.18 percent at the end of March 2015 as well as

the spread between the weighted average advances and the weighted average deposits of all banks increased to 4.86 percent in March 2016 from that of the previous month.

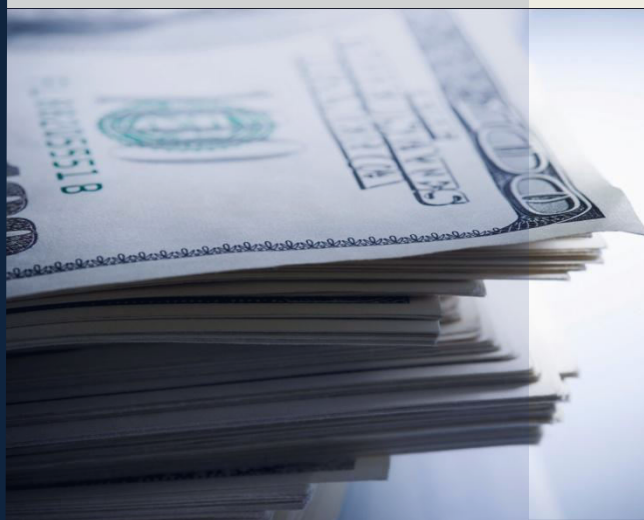
Figure 2: Contribution of Money Supply


Source: Bangladesh Bank

Figure 3: Interest Spread Rate


Source: Bangladesh Bank

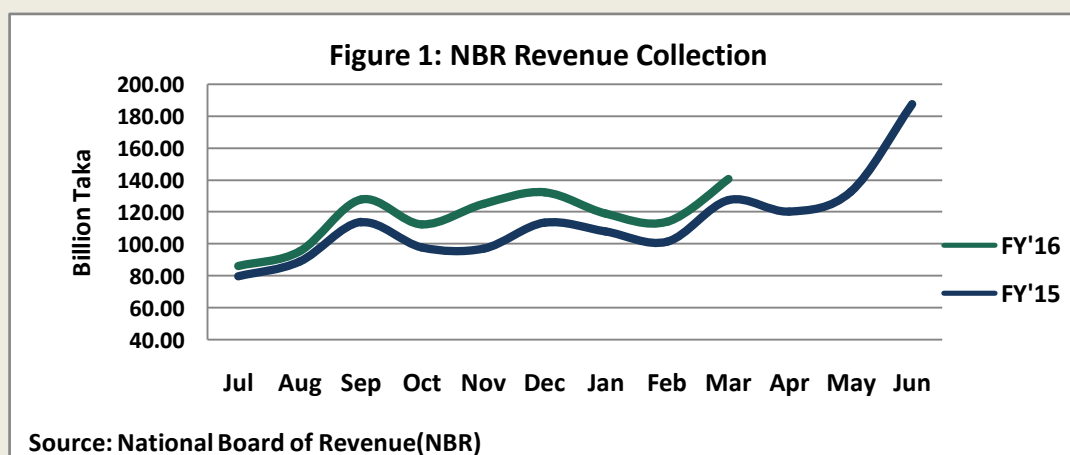
Fiscal Update



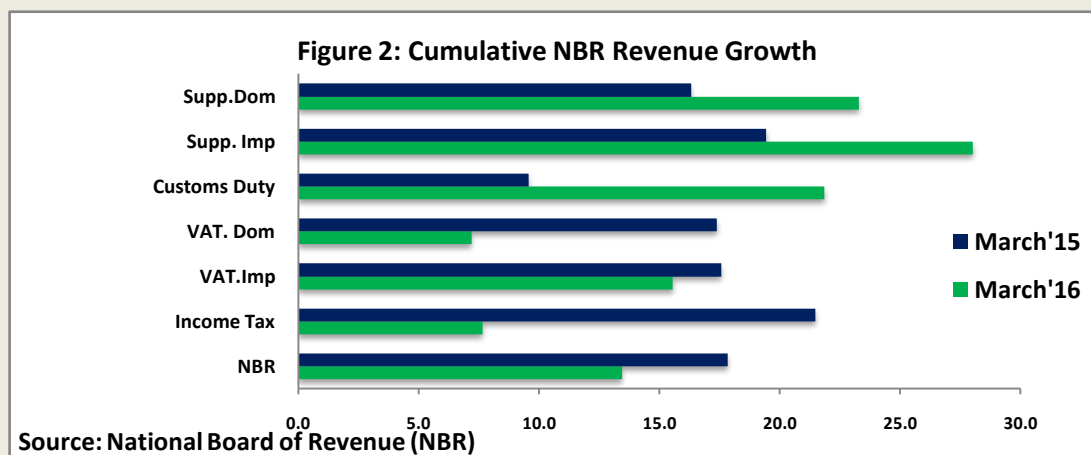
NBR Revenue collection in March 2016 increased by 23.54 percent of February 2016. Total Revenue earnings increased by Tk.125.49 billion (13.43%) during July-March of FY16 compared to the same period of FY15.

Total revenue collection during July-March of FY16 is TK.1052.45 billion while it was TK. 927.86 billion during Jul-March of FY15. The amount is almost 70 percent of the revised target at Tk.1500 billion for FY16. It

means the NBR will have to collect Tk.448 billion in the remaining three months. The revised target is 15 percent lower than the original target of Tk.1763.7 billion.



During July-March 2016 revenue collection from income tax, value added tax (VAT), custom duties & supplementary duties increased by 7.7 percent, 10.2 percent, 21.9 percent & 24.5 percent respectively. Although major share of revenue shortage are generated from income tax & domestic VAT.





Balance of Payment (BOP)

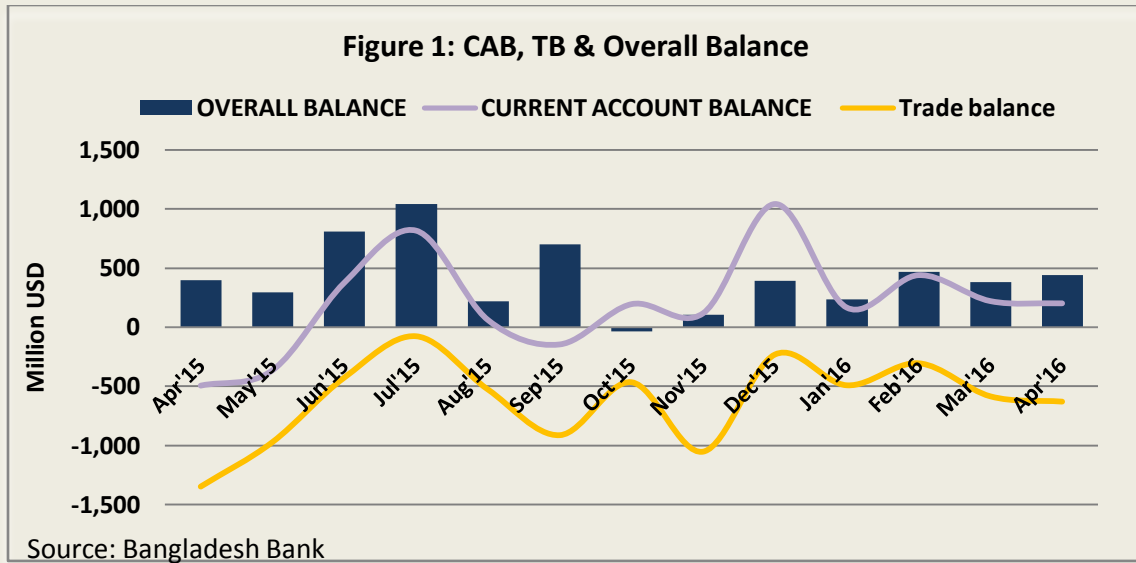
Bangladesh has been recording continued trade deficits since independency due to higher level of imports. Mainly Bangladesh imports petroleum, edible oil, food items and textile and major export item is readymade garments, which is contributing more than 80% of exports revenue. According to the Bangladesh Bank data, Bangladesh recorded a trade deficit of USD629 million in April 2016 compared to the deficit of USD1346 million in April 2015 due to the less import cost in major items.

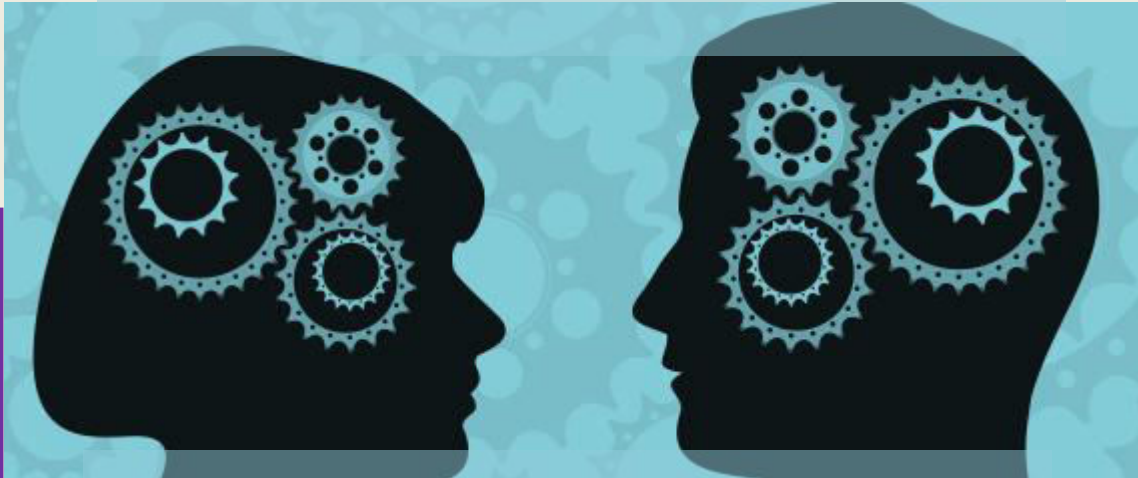
Though, the current account surplus recorded USD204 million in April 2016 which was higher at the same period in April 2015. But the cumulative surplus was USD3137 million up to April 2016 compare to the surplus of USD2208 million during the same period of 2015 because of higher export earnings and an improvement in primary income and income from services.

However, at the end of the April 2016, Overall Balance of Payment (BOP) surplus was USD3975 million compared to the surplus of USD3290 million at the same period. But the BOP balance in April 2016 was USD442 million which was higher than the April 2015.

The BOP surplus was continuously increasing because of sluggish growth of import compared to exports in the first ten months of FY16. At that time, less spending on petroleum and reduced trade credit for imports mainly support to the growth of BOP.

So, the cost of petroleum imports dropped around 30 percent. On the other hand, BOP surplus increased during that time because of manufacturing sector slow down which carries out the lower imports of manufacturing raw materials. In addition, the BOP surplus increased due to the net foreign direct investment increased significantly during that time.





ECRL Thoughts

VAT Structure in Bangladesh

To develop a country's economy, internal financing is one of the major tools that can minimize all sorts of risks which can be created from external financing on a project. Although, Bangladesh has maintained a sustained growth rate of over 6 percent in recent years, tax revenue to GDP ratio remains at around 10 percent, one of the lowest in the world.

However, Bangladesh has set a target to raise tax revenue-GDP ratio to 14.1 percent in FY20, the terminal year of the Seventh Five Year Plan (7FYP) to increase its collection of revenue. As domestic VAT and income tax shares 70 percent of total tax revenue so, Bangladesh has set a target of

achieving 10.5 percent of GDP as tax revenue from VAT and Income tax in FY20, which is 3.9 percentage points higher than base year value of the plan period (i.e. 2015). 7FYP assumes that 2.2 percentage points will be generated from income tax, while 2.4 percentage points from Value added tax (VAT).

VAT Structure

In Bangladesh, first two decades were dominated by trade based tax along with customs duty. With the introduction of VAT the scenario had started to change. From

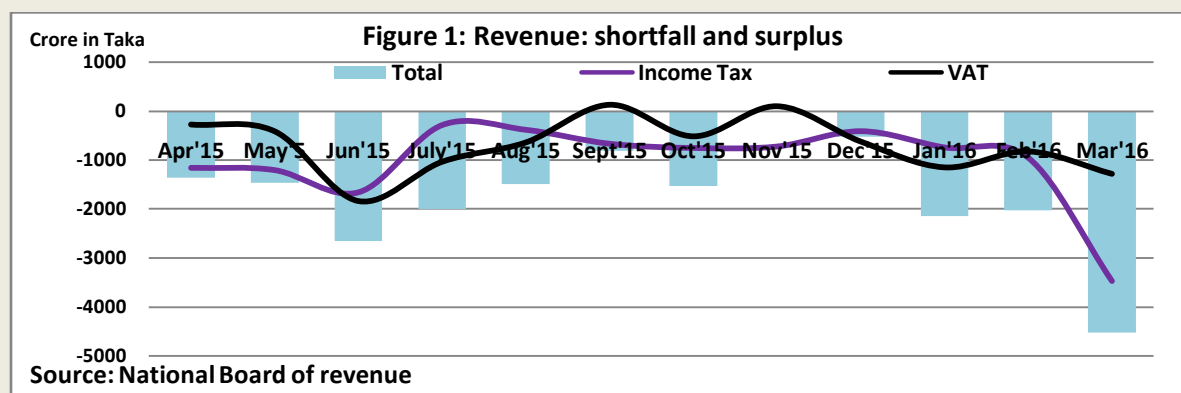
1990 to 1995 vat collection rate was increasing at 23.6 percent and from 2011 to 2015 the rate was increasing at 36.8 percent.

Box II: Current Bangladesh VAT System
Characteristics of VAT System
Exemptions and Deductions
Current tax status with rates

<input type="checkbox"/> Invoice method VAT applied to manufactures	<input type="checkbox"/> Firms with turnover less than Tk. 6 million per annum.	<input type="checkbox"/> 15 percent at standard rate
<input type="checkbox"/> VAT is applicable to imports and selected services and goods at the domestic wholesales and retails	<input type="checkbox"/> 4.0 percent turnover tax is applicable and no rebate is allowed on inputs	<input type="checkbox"/> Fixed VAT amounting Tk. 6,000 for small retailers of Dhaka City Corporation
<input type="checkbox"/> Exports are exempted from VAT	<input type="checkbox"/> Education, public administration, housing and charitable health services, cold storage, travel agency, indenting firm, construction faces a reduced tax of 5.5 percent without credit from invoiced tax	<input type="checkbox"/> Fixed VAT amounting TK. 4,800 for small retailers of Chittagong City Corporation
	Goods Exempted:	<input type="checkbox"/> Fixed VAT amounting TK. 3,600 for small retailers of other city corporations
<input type="checkbox"/> VAT is levied on the base inclusive of Customs duties and supplementary duties	<input type="checkbox"/> Animals, meat, eggs, hides, fish, vegetables, fruit, grain, flour, cattle and poultry feed, primary milk products, insecticides, jute cuttings, oilseeds,	<input type="checkbox"/> Fixed VAT amounting TK. 1,800 for small retailers of all districts
<input type="checkbox"/> Distortion—chain base system-i.e. tariff values and truncated base	<input type="checkbox"/> A few chemicals and drugs, fertilizers, domestic textiles. Cottage industries (defined as a unit with an annual turnover of less than taka 2 million and a capital; machinery value added up to taka 300000). Some plastics, metal products, electricity used in the agricultural sector and a wide range of machinery and scientific apparatus.	<input type="checkbox"/> Truncated rates of 1.5%, 2.25%, 4.5%, 5% and 9% in cases where invoice method is difficult to apply. 5.0025% for electricity
<input type="checkbox"/> Wholesalers and retailers may register for VAT(those who want to engage in standard VAT system)		<input type="checkbox"/> Commercial importers and fixation of VAT deductible at source at the rate of 3%. It varies in others types-services provided by commercial importers and businesses (3%), construction firms (5%), furniture manufacturers (6%), furniture sellers (3%) and procurement providers (4%).

Problems in revenue collection to meet the government expenditure

This year government is planning to set separate budget for mega projects. Besides the mega plan, about 78 new projects are going to be added for the next fiscal year. To implement those projects government needs to develop infrastructure which requires more expenditure. To meet the expenditure government needs revenue. From the above graph we can see most of the time government fails to meet the expected level of revenue and facing the shortfall of revenue. In the month march 2016, actual revenue is far away from the expected revenue.



This shortfall mainly happens due to low coverage of VAT and tax with less availability of automation in terms of collecting tax.

Alternative Program

Automation of VAT tax system

A group of researchers introduced a program named VAT Online Program. This program will facilitate the government in terms of collecting more revenue by removing cascading problems. This program requires in case of implementation:

- All registration process for VAT tax payers of the current system will be replaced by on-line system.
- Enhancing the skill of tax administrators through developing new ICT system for VAT collection.

The objectives of the interventions are:

- Increase the number of active registered VAT tax payers from 50,000 in 2014-15 to 85,000 in 2019-20.
- Improve transparency in the VAT administration.

- Ensuring to provide better services with the minimum level of administrative costs for tax payers, and to raise awareness the need to register and file to VAT.

Expected Outcomes is to increase the revenue to GDP by 1 percentage point.

The Copenhagen Consensus evaluate VAT Online Program on the basis of benefit-cost ratio

Table 1: Benefits from Automation of VIP Projects

Categories from Compliance Costs:	In BDT
Average reduction of marginal Compliance Cost from Value Added Tax	666,153
Of which:	
Costs from obtaining TIN costs	4295
Average staff time spent (working days) on Book-keeping and Tax- Accounting	615,892
Average cost of outsourcing bookkeeping	45435
Average staff time cost of tax inspection	531
No Registered VAT Payers in 2013-14	35,000
No Registered VAT Payers in 2018-19, under VIP Project	85,000
No of New Registered VAT payers under VIP Projects¹	50,000
Total benefit from automation, in million taka	33,307
Benefits of VAT Automation as % of GDP	0.25

Source: Cost-Benefit Analysis: Strengthening the Tax Base in Bangladesh, Copenhagen Consensus

1. Bibliography

Nandi, B. K., & Khondker, B. H. (2016). Cost-Benefit Analysis: Strengthening the Tax Base in Bangladesh. *Copenhagen Consensus*.

¹ 33,307 million taka benefits will be generated from VOP Projects. Thus, indirect benefits from VAT automation per year amount to 6661.5 million of taka.



Benefits from Lowering Trade Barriers

Trade barriers are most likely a curse for most developing countries. A study by Copenhagen Consensus argued that a country can gain strategic benefit by re-forming its own trade structure. A border less trade can exploit comparative advantage where domestic countries become more productive. The gains from opening an economy are larger, the greater the variance of rates of protection among industries, particularly within a sector.

The static gains from trade tend to be greater as a share of national output the smaller the economy, where competition is less than perfect. Those gains from opening up will be even greater if accompanied by a freeing up of domestic markets and the market for currency exchange. The more stable is domestic macroeconomic policy, the more attractive will an economy be to capital inflows. If domestic policy reforms

were to allow governments to redistribute income and wealth more efficiently to match society's wishes, there would be fewer concerns about the societal consequences of trade liberalization. Benefits and opportunities will swell up from the absorption of lower trade barriers. Hence, the trade following WTO's current round of multilateral trade negotiations, the Doha Development Agenda that includes

non-preferential, legally binding, partial liberalization of goods and services is the most obvious route. But, despite some progress in Bali in December 2013, it is proving politically difficult to come to an agreement, making it sensible to consider alternatives. Besides, there are three other opportunities that involve prospective sub-global regional integration agreements. One is the proposed Trans-Pacific Partnership (TPP) among a subset of twelve member countries of the Asia Pacific Economic Cooperation (APEC) grouping; another involves extending the free-trade area among the ten-member Association of South East Asian Nations to include China, Japan and Korea (ASEAN+3); and the third opportunity is a free-trade area among all APEC countries. Also considered, below is a potential opportunity to include another item on the WTO's agenda, namely, bringing discipline to export restrictions on farm products to match those on imports. With four small APEC members, the TPP began started its journey in 2006 – Brunei, Chile, New Zealand and Singapore – discussing greater economic integration. They had been joined by the USA, Australia, Malaysia, Peru, Vietnam, Canada, Japan and Mexico, bringing the total to 12 of APEC's 21 members up to April 2014. Between the

ten members of ASEAN (who already have their own free-trade agreement, AFTA) and China, Japan and Korea, there have been separate discussions. APEC leaders see both regional integration tracks as potential pathways to an FTA involving all APEC members, which is the third regional opportunity considered here. While all these initiatives are in the Asia-Pacific region, the World Bank estimated this to account for 60% of the global economy in 2011, so the importance of reform in this region to other much smaller economies is very considerable.

A recent study shows that if current proposal for reducing trade barriers were be adopted by all WTO members, world GDP will increase by 0.36 percent higher. A firm is assumed to be heterogeneous rather homogenous when monopolistic competition and economies of scale exist. And trade liberalization in goods, services and investment flows are raised several fold with potential gain. An upper bound estimate is five times the lower one: 1.1% globally, 1.25% for high-income countries and 0.85% for developing ones. It is assumed that gains would fully accrue after 2020, with a six-year phase-in starting in 2015 [Copenhagen Consensus, Anderson].

Cost Benefit Analysis by Copenhagen consensus	World			Developing Countries
	Total Benefits (\$T)	Total Costs (\$T)	Benefit for Every Dollar Spent (\$)	Benefit for Every Dollar Spent (\$)
Trade Targets				

Cost Benefit Analysis by Copenhagen consensus	World			Developing Countries
Complete the languishing Doha Development Agenda process at the World Trade Organization.	533	0.28	2011	3426
Implement a free trade agreement between member states of the free trade area of the Asia Pacific.	371	0.22	1728	2559
Implement a free trade agreement between selected APEC countries (known as the Trans-Pacific Partnership).	91	0.07	1229	1870
Implement a free trade agreement between ASEAN countries and China, Japan and South Korea (known as ASEAN+3).	243	0.13	1914	3438

Source: *POST-2015 CONSENSUS: TRADE ASSESSMENT, ANDERSON*

BASIC

Back



বাংলা বর্ণমালা

The 6th most widely used writing system in the world is the Bengali alphabet. The script of Bengali is abugida in the classificatory point of view. However, the Bengali alphabet script was shared by Assamese with slight variation as well as is the basis of for the other writing systems like Meithei and Bishnupriya Manipuri.

Historically, the script has also been used to write Sanskrit in the region of Bengal. The writing process of Bengali alphabet starts from the left to the right and lacks distinct letter cases. From the Siddham script, Bengali script was evolved which belongs to the Brahmic family of scripts. The version of the script used for Assamese language and Bengali language has typographical difference as well as there is also a difference in how the letters are pronounced in different languages. For example:

- *rô* is represented as র in Bengali, and as ৱ in Assamese.
- Assamese script has an additional character, *wô*, represented as ৱ, which is absent in the Bengali script.

For Manipuri, the version of the script used also has a different variation such as it uses the *rô*, represented as ৱ in Bengali script without the different representation as in Assamese script. It also uses the Assamese script character sounding *wô*, represented as ৱ, which is absent in the Bengali Script.

Bengali script was often used in the eastern regions of Medieval India and then in Pala Empire and later continued to be specifically used in the Bengal region. It was later standardized into the modern Bengali Script by Ishwar Chandra under the region of the East India Company but was originally not associated with any particular language. Today, the script holds official script status in Bangladesh and India, and is associated with the daily life of Bengalis.

During the 19th and early 20th centuries, the modern literary form of Bengali was developed based on the dialect spoken in the Nadia region, a west-central Bengali dialect. A strong case of diglossia is presented by Bengali, with the literary and standard form differing greatly from the colloquial speech of the regions that identify with the language. The modern Bengali vocabulary contains the vocabulary base from Magadhi Prakrit and Pali, also tatsamas and re-borrowings from Sanskrit and other major borrowings from Persian, Arabic, Austro-Asiatic languages and other languages in contact with.

Typically, three periods are identified in the history of the Bengali language:

- Old Bengali (900/1000–1400)—texts include চর্যাপদ Charyapada, devotional songs; emergence of pronouns আমি āmi, তুমি tumi, etc.; verb inflections -ইলা -ila, -ইবা -iba, etc. The scripts and languages

during this period were mainly influenced by the Kamarupi Prakrit as the entire region - Assam, Bengal and parts of Bihar - was part of the state of Kamarupa.

- Middle Bengali (1400–1800)—major texts of the period include Chandidas' Shreekrishna Kirtana; elision of word-final অ ô sound; spread of compound verbs; Persian influence. Some scholars further divide this period into early and late middle periods.
- Modern Bengali (since 1800)—shortening of verbs and pronouns, among other changes (e.g. তাহার tahar → তার tar "his"/"her"; করিয়াছিল kôriyachilô → করেছিল korechilo he/she had done).

However, there was no attempt to document Bengali grammar until the 18th century. The first written Bengali dictionary/grammar, Vocabolario em idioma Bengalla, e Portuguez dividido em duas partes, was written by the Portuguese missionary Manuel da Assumpção between 1734 and 1742, while he was serving in Bhawal Estate. Nathaniel Brassey Halhed, a British grammarian, wrote a modern Bengali grammar (A Grammar of the Bengal Language (1778)) that used Bengali types in print for the first time. Ram Mohan Roy, the great Bengali reformer, also wrote a "Grammar of the Bengali Language" (1832).

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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

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