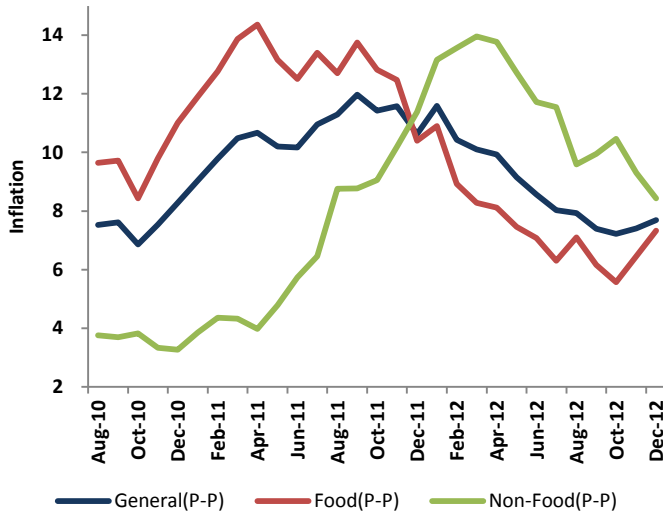


Domestic Inflation:

Figure 1: Inflation



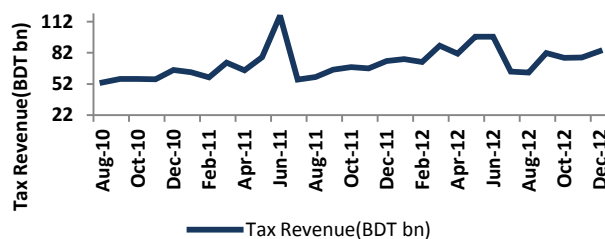
The general inflation (p-p) stood at 7.69 per cent in December, rising from 7.41 per cent in November under base year 1995-96. Inflation hiked in December because of supply disruption of essential goods. Food inflation (p-p) experienced a moderate hike, while non-food inflation (p-p) experienced a fall. In twelve month average basis, both food and non-food prices experienced a fall.

Country's aman rice missed its production target due to delay in cultivation because of lower rainfall in July-Sep period. The target was 2.38 tons per hectare but produced 2.3 tons per hectare. Government increased the fuel price again as a precondition of availing IMF loan. Two factors are likely to affect the General inflation in January, 2013; increased fuel price and food production. If the food production missed its target, the food and non-food inflation may experience another hike.

Domestic Fiscal:

All three wings of NBR have missed the target in the first half of the FY 2013, leading to 38 billion shortfalls in revenue collection. If the current trend of collection continues, it may cause a large deficit in the current fiscal year. The sluggish trend of import, recent political agitation and negative trend in domestic and foreign investments cause the shortfall in revenue collection. The Govt. set the revenue collection target in this fiscal year at BDT 1.12 bn. But it is difficult to achieve the target with this rate of collection. The peak time of the revenue collection is the last quarter of the fiscal year. So it is expected that the collection will increase in the second half of the fiscal year.

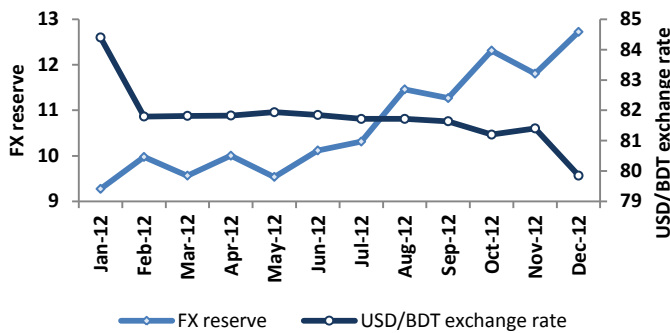
Figure 2: Tax Revenue



Revenue collection during July-Dec 2012		
	Target (BDT bn)	Collection (BDT bn)
VAT	183.12	154.33
Customs	163.65	154.33
Income Tax	130.15	129.9

Govt. borrowing from the Banking system may increase as NBR failed to achieve the target to meet the budgetary expenditure, creating a crowding out effect on the private sector. According to Bangladesh Bank's recent data, the Government borrowing from the Banking system has come down. Government should avoid borrowing heavily from Banking system as such trend has a negative impact on private sector's growth.

Figure 3: FX reserve



The foreign exchange reserve crossed the BDT 12.75 bn mark in January, 2013 following higher growth of remittance inflow, lower import payment pressure and positive trend of export growth. Bangladesh Bank also purchased USD from commercial Bank directly to make the inter-bank foreign exchange market stable, which also helped to pile up this reserve. The weighted average call money rate in the inter-bank market fell to 8.51 per cent in January, 2013 which was 9.35 per cent in December, 2012. Taka gained 0.75 per cent in January, 2013 against USD from December, 2012.

The credit growth of private sector fell to 16.55 percent in December, 2012 which was 17.41 percent in November, 2012. This poor growth might hurt the industrial sector and new employment thus affecting the economy. Decreasing trend of import growth of industrial raw material and capital machineries contributed to decline the credit growth.

Government borrowing from the banking system was much lower in the first half of the FY 13 than the same period of the previous year, which was only 35 per cent of the total target of BDT 230 bn. The foreign aid disbursement increased by 107 per cent in July-November, 2012 compared to the same period of the previous year. This increasing rate of aid disbursement and downsize of public expenditure helped the Government to lessen the dependence of borrowing from the banking system.

Figure 4: Wgt. Avg. Call money rate

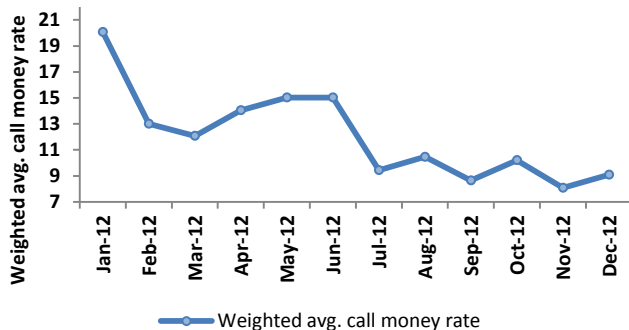


Figure 5: Deposit/Lending rate

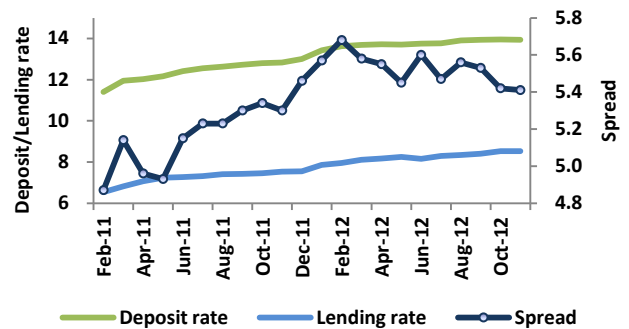


Figure 6: Credit goes to Govt./Other Public

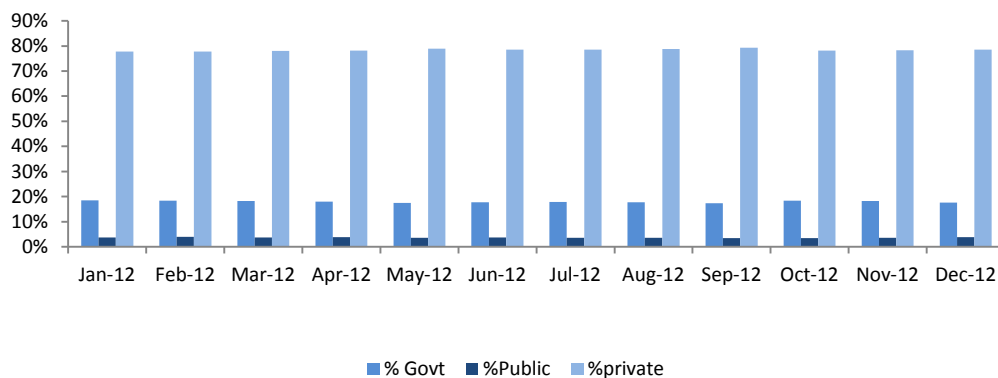
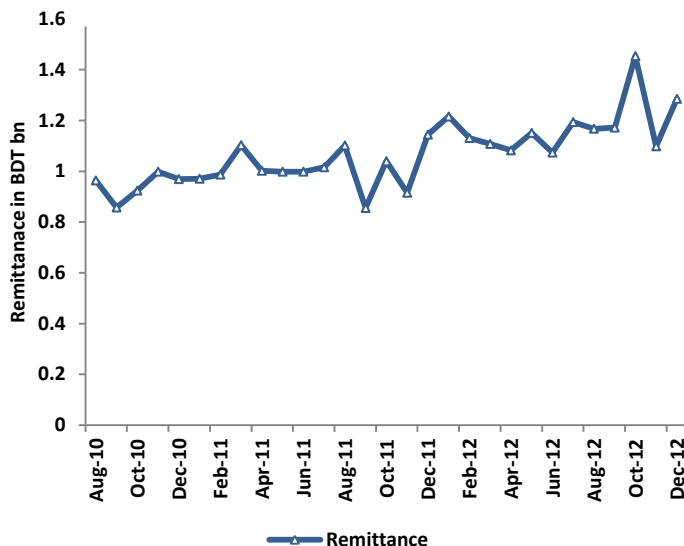


Figure 8: Remittance

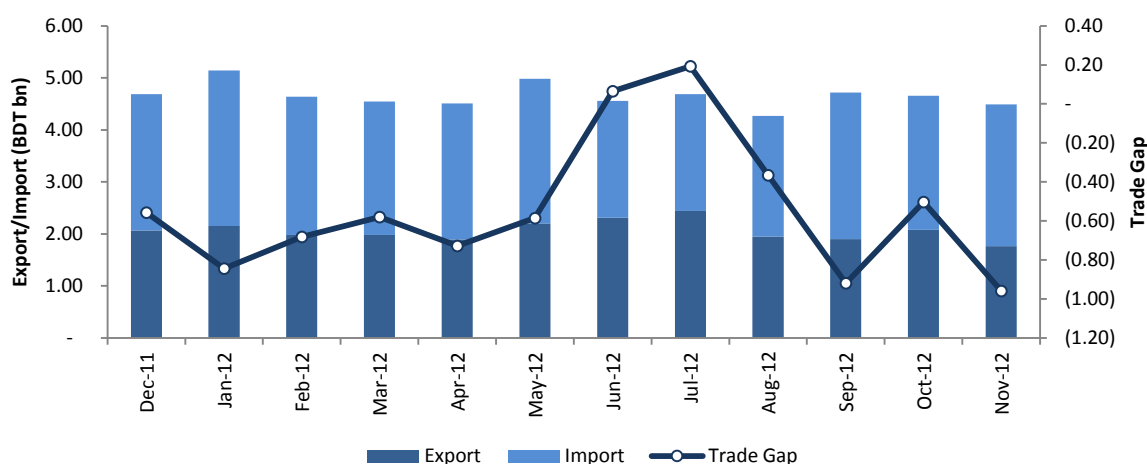


Export earnings growth in the first half of the fiscal year (FY 13) was 7.01 percent, which was 14.68 percent in the same period of the previous year, but the December earning growth showed some hope of a revival. The country failed to achieve the target by 3.42 percent because of sluggish growth in USA market and economic crisis in Europe. The major contributors of our export earnings are woven garments and knit wear.

The import (f.o.b) has increased slightly in December, 2012 as significant number of LCs for scrap-vessels were opened in December, 2012. The fuel oil import has started rising to meet the essentials for irrigation in coming months. The import of capital machineries and industrial raw materials decreased as the country's entrepreneurs are reluctant to invest or expand their business now. Due to negative growth of import for last few months, trade deficit decreased by 35 percent in December, 2012.

The remittance flow picked with a growth of 17.03 per cent in December, 2012. Remittance from major countries has increased due to increase in number of wage earners abroad. It is expected that remittance inflow will rise in the coming months as Malaysia reopened the labor market for us in 2012 and GCC (Golf Council Countries) countries intended to hire more manpower from Bangladesh.

Figure 9: Export/Import



Inflation

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
General(P-P)	11.59	10.43	10.1	9.93	9.15	8.56	8.03	7.93	7.39	7.22	7.41	7.69
Food(P-P)	10.9	8.92	8.28	8.12	7.46	7.08	6.3	7.1	6.16	5.57	6.45	7.33
Non - Food(P-P)	13.16	13.57	13.96	13.77	12.72	11.72	11.54	9.59	9.95	10.46	9.31	8.43

Domestic Fiscal

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Revenue earnings(Tk. In crore)	7581.5	7316.45	8895	8107.57	9745.53	9745.53	6386.58	6305.08	8183.54	7724.95	7741.32	8369.01
Net Foreign Aid (in mn USD)	72.48	146.09	141.78	122.13	54.83	232.65	155.12	66.87	102.9	197.41	46.06	
Net Sale of NSD(Tk. in crore)	(219.93)	(222.25)	129.12	358.64	197.76	(98.33)	209.11	253.06	(9.05)	58.31	-126.12	

Money and Banking

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
BDT/\$	84.4	81.796	81.81	81.9	81.94	81.87	81.7	81.71	81.61	81.23	81.41	79.85
FX Reserve (bill USD)	9.39	10.06	9.56	10.19	9.52	10.36	10.56	11.43	11.27	12.31	11.81	12.72
Call Money (%)	19.97	13	12.08	14.62	15.03	15.02	10.58	11.51	10.08	10.21	9.09	11.08
Lending rate	13.43	13.63	13.69	13.72	13.7	13.75	13.77	13.9	13.93	13.95	13.94	
Deposit rate	7.86	7.95	8.11	8.17	8.25	8.15	8.3	8.34	8.4	8.53	8.53	
Spread	5.57	5.68	5.58	5.55	5.45	5.6	5.47	5.56	5.53	5.42	5.41	

External Sector

	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
Export (in mn USD)	2,150	1,979	1,982	1,891	2,199	2,311	2,439	2,448	1,901	2,077	1,765	2,466
Import fob (in mn USD)	2,994	2,661	2,562	2,619	2,785	2,246	2,246	2,317	2,820	2,580	2,724	
Trade Gap (BDT. Crore)	(844)	(682)	(580)	(728)	(586)	65	193	131	(919)	(503)	(959)	
Remittance (in mn USD)	1,215.80	1,130.90	1,107.49	1,082.28	1,151.17	1,073.48	1,193.77	1,167.84	1,171.90	1,453.60	1,098.25	1,285.30
Remittance growth (%)	6.24	(6.98)	(2.07)	(2.28)	6.37	(6.75)	11.21	(2.17)	0.35	24.04	(24.45)	17.03

Source: Bangladesh Bank, Bangladesh Bureau of Statistics

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