



Economic Report Bangladesh



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ECONOMY MAY SLOW IN RECESSION: ASIAN DEVELOPMENT BANK REPORTS

Bangladesh may face slowing economic growth in FY2008-09, hurt by a slow down in the export based industry and a decline in remittance as a result of the financial crisis across the world- according to recent ADB Quarterly Economic Update on Bangladesh.

As per the report, the global financial crisis is yet to significantly affect Bangladesh. However, pressures from the global slowdown are building up with signs of moderation in growth.

ADB predicts that growth may dip as much as 1% point to fall between 5.5-6.0%, down from a government projection of 6.5% for Fiscal Year 2008-09. ADB's prediction comes about three months after the World Bank's forecast of growth falling below 5% this fiscal year.

REMITTANCE DIPS TO A NEW LOW – MIGRANT OUTFLOW TO MAJOR COUNTRIES DROPS

Remittance growth in February was the lowest in the last eight months due to the ongoing global recession.

The overall remittance growth was 27% in the first eight-months of the current fiscal year; in February 2009 growth was 15% compared to February last year (USD 689 million). The remittance inflow in February

2009 was USD 784 million, falling from USD 859 million in January.

Also the growth in number of workers leaving Bangladesh for overseas jobs slowed sharply to 5.1% in 2008 compared to 118.2% in 2007.

Among the major destinations for overseas employment, new jobs for Bangladeshi workers in Saudi Arabia, Kuwait and Bahrain fell by 35.3%, 92.4% and 19.8% respectively in 2008. New opportunities for Bangladeshi workers also declined in Malaysia and Brunei by 52% and 11% respectively in 2008.

The recession is also badly affecting new jobs for Bangladeshi workers in Europe as in 2008 new jobs for them fell by 37% in Italy and 2% in the UK.

However, Bangladesh retained its position among the world's top ten recipients of remittances in 2008, according to the World Bank.

BANGLADESH RENEWS TRADE DEAL WITH INDIA

The cabinet approved a proposal for renewal of the trade agreement between India and Bangladesh for the next three years and approved a bilateral Investment Development and Protection Agreement between the two countries.

The trade deficit of Bangladesh with India is on the rise. In fiscal year 2007-08, India



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exported goods worth USD 3.3 billion to Bangladesh and imported USD 358 million worth of products from Bangladesh, according to official statistics. Informal trade between India and Bangladesh is estimated to be much more.

RECESSION HURTS BYCYCLE EXPORTS

Bicycle exports have marked a drop in recent months due to the ongoing global financial meltdown according to the industry's sources.

Bangladesh bicycles, which fall in the light engineering sector in Bangladesh, are getting increasingly popular in Europe due to its lower price. Bangladesh is now manufacturing mountain bikes, city bikes, free style bikes, trekking bikes, folding bikes, beach cruisers and kid bikes. EPB data show that Bangladesh exported bicycles worth USD 64 million in fiscal year 2007-08, up by 19% from USD 54 million in fiscal 2006-07.

Currently, some of the world's leading companies including the British company Raleigh, are importing bicycles from Bangladesh

RMG EXPORTERS UPBEAT ON TARGET

Top Readymade Garment (RMG) makers are optimistic about meeting the target in the current fiscal year although exports of

some other products from Bangladesh declined in the July-December period.

Woven garment surpassed the export target by 2.45%, knitwear by 2.16%, terry towel by 11%, and textile fabrics by 8.16% during the same period of the current fiscal year, according to the data of EPB.

SHIPBUILDERS DISPEL RECESSION FEARS

Local shipyards still receive enquiries from foreign buyers about building small vessels despite a downturn in the global shipbuilding industry amid an economic recession and uncertain demand outlook this year.

Bangladesh, as a new entrant in the global shipbuilding market, is yet to face any cancellation in orders or deferment in payments. So far, local shipyards have received over USD 600 million worth of orders to make more than 40 vessels, with a capacity below 15,000 DWT. These orders come from the Netherlands, Germany and Denmark.

FOOTWEAR – A BRIGHT SPOT IN DIM EXPORTS

Local leather footwear manufacturers see a better prospect ahead, after an increase in exports by 39% in the July-November period of the current fiscal year.

During the period export earnings from locally made footwear stood at around



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USD 85 million, compared to USD 61 million in the same period of the last fiscal year, according to the Bangladesh Export Promotion Bureau (EPB).

The costs of production of quality leather shoes is lower in Bangladesh than in China and India, which is the main reason for getting increased orders from European countries creating more demand for local shoes in the international market.

The growth came at the time when Bangladesh is struggling with its falling leather exports - one of the biggest foreign exchange earners. Export of finished leather and leather goods declined by 18% in the July-November period of the current fiscal year.

A Dutch company, Mundo Trading, is one of the successful exporters of leather goods in Bangladesh. They produce high end shoes and bags.

EXPORT EARNINGS FROM SOFTWARE AND IT LIKELY TO REACH A RECORD USD 31 MILLION

Export earnings from software and IT enabled services is expected to reach a record USD 31 million in the current FY2008-09 as export turnover from the burgeoning domestic IT sector is set for a rebound following a couple of sluggish years (USD 26 million in 2006-07 and USD 25 million in 2007-08)

Outsourcing and offshoring remain the cornerstones of this ICT boom as the local

ICT companies, around 100 at the moment, offer low end IT solutions to their international clients at a far more reasonable cost.

LOCAL RMG CARVES NICHE IN CHINA MARKET

China, the world's largest apparel supplier, has become a major export destination for Bangladesh as Chinese manufacturers are showing reluctance to produce basic RMG items. Chinese manufacturers have recently shifted from basic readymade garment (RMG) items to high-end products.

According to EPB statistics, Bangladesh Exported knitwear products to China worth USD 3 million in FY2007-08 against 0.7 million in the previous fiscal year, posting a staggering 400% growth.

Currently Bangladesh enjoys duty concessions on exports of 757 products to the Chinese market under the Asia Pacific Trade Agreement. Of the 757 products, 22 knitwear items and almost the same amount of woven items are included in the concession category.

THAI FIRM TO INVEST EURO 300 MILLION IN BANGLADESH IN TOURISM AND RETAIL SECTORS

Central Hotels and Resorts, a major hotel and chain store business group in Thailand, plans to invest up to Euro 300 million in Bangladesh's growing hospitality and retail business.



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Central Plaza Hotel Public Company Limited, set up in 1980, is the registered name of Centara that manages and operates a chain of hotels and resorts throughout Thailand and regions. The company will initially invest in the hotel business in Cox's Bazar, the world's largest unbroken sea beach and Kuakata, another sea beach in Southern Bangladesh.

GOVT PLANS INTERNATIONAL CONFERENCE TO ATTRACT FDI

Government is planning to host an international conference in Dhaka next September. The aim of the Conference is to project Bangladesh's potential sectors before the leading global investors to boost foreign direct investment that plunged to its lowest level in the last two years.

Among the most promising sectors to attract FDI are energy, power, infrastructure, IT, agriculture and tourism.

The government expects that successful holding of the proposed conference will add a new chapter to the country's economic diplomacy, now mostly confined within the multilateral lending agencies.

According to the Board of Investment (BoI), during the past two-year interim government, the flow of FDI declined to an all time low. In 2008, only 13 small projects together worth USD 60 million were recorded compared to 141 projects worth USD 327 million in 2007.

EURO 65 MILLION GLASSWARE PLANT TO COME ON STREAM

Nasir Group, a local business house, is going to set up Bangladesh's first glassware and energy saving tube plant at a cost of Euro 65 million.

The plant will create 800 permanent job opportunities in addition to several hundred part time job opportunities.

Nasir Glass and Tube Industries will compete against a flood of imported goods now dominating the glass tableware, fluorescent and energy saving bulb market in Bangladesh.

Glassware products that will be manufactured at the plant include tableware, flower vases, perfume bottles, bowls and candle stands.

According to a market analysis, Bangladesh has an annual market of glassware worth around Euro 50 million. At the moment glassware products are imported from different countries like China, Thailand, Malaysia and Indonesia.

3-TOP GLOBAL TEXTILE FIRMS TIE UP WITH A LOCAL COMPANY TO TAP INTO THE JAPANESE MARKET

A Bangladeshi top garment group has tied up with two leading Hong Kong-based textile firms and Japan's biggest clothing



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retailer to set up one of the largest integrated knitwear plants in the country.

The four-way joint venture is believed to be the largest foreign direct investment in Bangladesh' fast-booming knitwear sector, with Hong Kong listed Pacific Textiles holding 42% stakes in the venture.

According to the analysts, the said investment testifies Bangladesh's growing stature in world of garment trade at a time when top player China's reputation is at stake amid the worsening global economic meltdown.

Hong Kong based Crystal International, with an annual turnover of around USD 800 million and Fast Retailing, Japan's largest apparel retailer, are the other foreign partners of the deal. Trendit Corporation is the local partner.

The total capital investment in the facilities is USD 80 million, to be contributed by the partners in the joint venture.

The first phase of the production facilities, including a fabric production factory, a power plant, water treatment facilities, a garment production factory and IT systems, is expected to commence operation in 2010.

The four-way joint venture would make more investment in phases in a bid to make maximum use of Bangladesh's duty-free-access to European and Japanese markets.