



WELCOME MESSAGE FROM THE
D-8 SECRETARY-GENERAL
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*I would like to welcome you to the first ever issue of the **D-8 Monthly Economic Bulletin**. With a total GDP of \$3.5 trillion and intra-trade volume of \$100 billion, D-8 strives at expanding and solidifying economic base of its Member States. In a world of constant change and progress, it is crucial for all of our Member States to follow up the economic developments. We hope this bulletin will serve the purpose of increasing connectivity and sharing information.*

MEMBER STATES**BANGLADESH:**

- **Bangladesh's annual inflation** accelerated in February for the second straight month driven by a jump in food prices. Consumer prices in February rose 5.31% from a year earlier, accelerating from 5.15% the previous month. Annual food inflation in February quickened to 6.84% from 6.53% the previous month, while non-food inflation dropped to 3.07% from 3.10%.
- **Bangladesh's exports** in February fell 4.5% from a year earlier to \$2.7 billion; 9% below the government's monthly target. For July-February, the first eight months of the country's 2016-17 financial year, exports rose 3.2% to \$22.8 billion from a year earlier. Shipments of readymade garments, comprising knitwear and woven items, totaled \$18.6 billion in July-February, up 2.8% from a year earlier.
- **Bangladesh's foreign exchange reserves** hit a record \$32.56 billion at the end of February up nearly \$840 million from the previous month. The reserves are sufficient to cover about nine months' worth of imports and are \$4.5 billion higher than a year ago. Steady garment exports and remittances from Bangladeshis working overseas, the key drivers of the country's more than \$200 billion economy, have helped build reserves in recent years.

EGYPT:

- **Egypt's annual inflation** rate recorded 31.7% in February. Monthly inflation rate declined in February, recording 2.7% increasing from 4.3% in January. The reason for the change is the increase in prices of meat, poultry, vegetables, dairies, oils, and fruits, in addition to healthcare and transportation.
- A report published by the Central Bank of Egypt revealed that **foreign exchange reserves** increased to \$26.5 billion at the end of February, compared to \$26.4 billion at the end of January 2017. This level of foreign exchange reserves is the highest since June 2011.

INDONESIA:

- **Indonesia's annual inflation rate** increased in February, mainly due to higher prices for processed and raw foods as well as healthcare. February annual headline rate was 3.83%, compared with 3.49% in January. On a monthly basis, the consumer price index was up 0.23% in February.
- Indonesia Statistics (BPS) announced that Indonesia's exports and imports grew at a slower pace in February 2017 compared to the preceding month. This performance was in line with expectations. While **Indonesia's exports grew 11.16%** year on year (y-o-y) to USD \$12.57 billion in February 2017, its imports grew at 10.61% y-o-y to USD \$11.26 billion over the same period. With exports outpacing imports, Indonesia saw a **\$1.31 billion trade surplus in February 2017**. This figure is slightly lower compared to the revised \$1.43 billion trade surplus Indonesia had recorded in the preceding month.
- **Indonesia's foreign exchange reserves** were up by \$3 billion to \$119.9 billion as of end-February 2017. The increase was attributable to, among others, the stability of the Rupiah against foreign currencies that resulted in the lack of use of foreign exchange reserves for monetary operations.
- Japan Credit Rating Agency (JCR) upgraded **Indonesia's credit outlook** to positive due to a more favorable economic outlook and strong fiscal and monetary management. The Tokyo-based rating agency has maintained Indonesia's credit rating of BBB- but gave it a positive outlook which indicates the possibility of an upgrade in JCR's next assessment.

IRAN:

- Statistical Centre of Iran has officially announced that point-to-point **inflation rate** reached 6.8% in the 12-month period leading to the present Iranian calendar month (began February 19). The overall index in the present month,

spanning from February 19 to March 20, has reached 240.7 showing a 1% growth as compared to the previous month. Index of food, beverages and tobacco rose 291.9 revealing a 3.4% increase compared to the previous month.

- The Organization of the Petroleum Exporting Countries (OPEC) said **Iran's oil production** reached a new record high of 3.8 million barrels per day in February. According to OPEC's monthly report, the February figures showed Iran was producing about 36,100 barrels a day above its previous level, reaching 3.8 million barrels per day.

MALAYSIA:

- **Malaysia's consumer price index** in February rose to an eight-year high at 4.5% from a year earlier, government data showed. The inflation rate is the highest since November 2008 when it hit 5%. February's inflation rate was driven by highest costs of transport and food, data from the Statistics Department revealed.
- **Malaysia's foreign exchange reserves** remained stable in February, suggesting that the foreign outflow could have subsided. However, analysts observed that the ringgit foreign exchange (forex) movement could remain volatile in the near term. RHB Research in a report explained that Malaysia's forex reserves remained stable at \$95 billion as of February 28, which was unchanged from the previous month.
- Moody's Investors Service says that **Malaysia's A3 issuer rating and stable outlook** balance a resilient economy against structural fiscal challenges posed by the trend deterioration in revenue, as well as signs of weakening institutional strength.

NIGERIA:

- **Annual inflation in Nigeria** fell in February to 17.78% from 18.72% in January, the National Bureau of Statistics said, the first decline in 15 months. A separate food index showed inflation at 18.53% from 17.82% in January, the statistics office reported.
- S&P Global Ratings affirmed its 'B/B' long- and **short-term sovereign credit ratings** on the Federal Republic of Nigeria. The outlook is stable.
- The Organization of Petroleum Exporting Countries (OPEC) has revealed that **crude oil output** increased in Nigeria. According to the report, oil production rose from 1.550 million barrels per day in January to 1.608 million barrels per day in February.
- The Central Bank of **Nigeria** has kept its **key interest rate** unchanged at 1%, in line with market expectations as the country grapples with economic recession, soaring inflation and a managed exchange rate.
- According to the report by the National Bureau of Statistics, **economy contracted by 1.51%** for the year ended December 2016, representing the country's first negative GDP growth

since 1991. Nigeria's highest GDP growth rate remains 14.6%, which was recorded in 2006.

PAKISTAN:

- **Pakistan's inflation rate** accelerated to 4.22% y-o-y in February from 3.66% in January, the Bureau of Statistics reported. On a month-on-month basis, prices rose by 0.28% in February, the bureau said. The rise in month-on-month inflation was mostly due to higher prices of food items such as tomatoes, peas, oranges and chicken.
- **Pakistan's trade deficit** widened to 4.5% in February over January. In absolute terms, the trade deficit was \$2.8 billion. The exports were down by 8% while imports grew at 5.9%.

TURKEY:

- **Turkey's annual inflation rate** was 10.13% in February, according to Turkish Statistical Institute. Consumer prices rose 10.13% y-o-y in February from 9.22% in January. Meanwhile, monthly inflation also climbed 0.81% in February over the previous month, higher than experts' predictions. The highest monthly increase was in transportation.
- **Turkey's central bank** lifted its **interest rates** on March 16 after the U.S. Federal Reserve resorted to another rate hike. The Monetary Policy Committee raised the late liquidity window rate to 11.75% from 11%. The Marginal Funding Rate was kept at 9.25%. The bank had previously raised the rate by 75 basis points in January. The bank said it would continue to use all available instruments in pursuit of the price stability objective.
- **Turkey's exports** increased by 5.1% year-on-year in February, according to data from the Exporters' Assembly of Turkey (TIM). Exports were around \$11.3 billion last month and the country's total exports over the last 12 months stood at over \$143.2 billion, up by 2.6% compared with the previous 12 months.
- **Gross domestic product** expanded 3.5% in the 4th quarter of 2016. Seasonally adjusted output rose 3.8% from the previous three months while full-year growth was 2.9%, down from 6.1% in 2015.
- **Moody's Investors Service** has changed **Turkey's rating outlook** to negative from stable on March 17. Moody's has also announced that it changed outlook of 14 banks in Turkey from stable to negative, while their long-term debt and deposit ratings remained the same.

BILATERAL ECONOMIC RELATIONS

- **Pakistan and Turkey** are expected to sign Free Trade Agreement (FTA) in May this year. According to a report quoting officials, the agreement would enhance bilateral trade between the two countries. Both sides would share provisional list in the coming round of dialogue for reaching the final agreement for FTA.
- **Malaysia and Indonesia** plan to develop their joint border areas in Tebedu, Sarawak and Entikong in West Kalimantan

Barat as agricultural areas. Agriculture and Agro-based Industry Minister of Malaysia Datuk Seri Ahmad Shabery Cheek said the proposal to develop agriculture land in these border areas would allow both countries to share the technology and agriculture land development models.

SECTORIAL DEVELOPMENTS

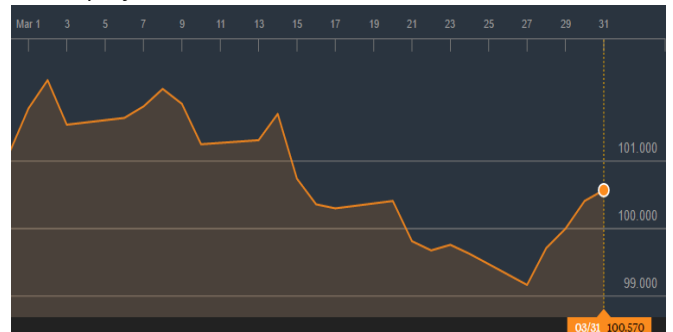
- The **European Union** approved an agreement with **Egypt** to encourage trade in agricultural products, manufactured agricultural products, and fish. Egyptian exporters welcomed the agreement, saying it guaranteed an increase in agricultural exports, though they expressed fears over possible technical restrictions that EU countries might impose. "The agreement was an Egyptian request in the first place because it serves our interests," said Gamal Bayoumi, the lead negotiator on the partnership agreement with the EU. Bayoumi also said that Egyptian agricultural products are largely of higher quality than European counterparts.
- **Indonesia Ministry of Environment and Forests (KLHK)** has given a "green light" to uses of **geothermal energy or geothermal** for new renewable energy in conservation area in order to support energy security and sovereignty of energy and to help reduce emissions of greenhouse gases. Previously the use of geothermal energy in conservation areas was not allowed based on the status of geothermal as a mining activity in Law No. 5 of 1990 on Conservation of Biological Resources and Ecosystem, which prohibited development activities.
- The **Turkish-Korean Kalyon-Hanwha consortium** on March 20 won the tender bid for the construction of Turkey's biggest **solar power plant** set to be built in the Central Anatolian province of Konya's Karapinar district, with an estimated investment volume of \$1.3 billion. The solar project in Karapinar will meet the energy needs of more than 600,000 households and will create around 1,500 new jobs, according to energy officials.
- **Bangladesh Agricultural Research Institute (BARI)** will release three more varieties of the country's first genetically modified (GM) crop--Bt Brinjal, which is infused with a pest-resistant gene. Currently, around 6,000 farmers in 36 districts are cultivating four Bt Brinjal varieties. Farmers from Rajshahi, Rangpur, Pabna and Gazipur started cultivating the Bt Brinjal for the first time in 2014. With the journey of cultivating Bt Brinjal, Bangladesh has joined a group of 29 countries that grow GM crops.

WORLD ECONOMIC HIGHLIGHTS

- **International Monetary Fund (IMF)** said that the **global economy** is showing more positive momentum, but warned that inward-looking policies and sharp tightening in global financial conditions could threaten the growth momentum. "Near-term global growth is expected to pick up, reflecting a firming-up of activity in advanced economies, an anticipated shift in the macroeconomic policy mix in the

United States, and stabilization in stressed emerging economies," said the IMF in its G20 surveillance note released ahead of the G20 finance ministers and central bank governors' meetings on March 17 and 18 in Germany. Outlook has improved in advanced economies, although their growth prospects in the medium-term remain subdued. They will continue to suffer from global financial crisis legacies, such as high corporate debts and low productivity growth, said the IMF. Emerging economies remain the main driver of the strengthening global outlook, as they continue to contribute more than three-quarters of total global GDP growth in 2017.

- For the second time in three months, the **Federal Reserve** increased its benchmark interest rate (March 15) a quarter point amid rising confidence that the economy is poised for more robust growth. The market currently expects the Fed to hike two more times this year, which was in line with the bank's projections from December 2016.

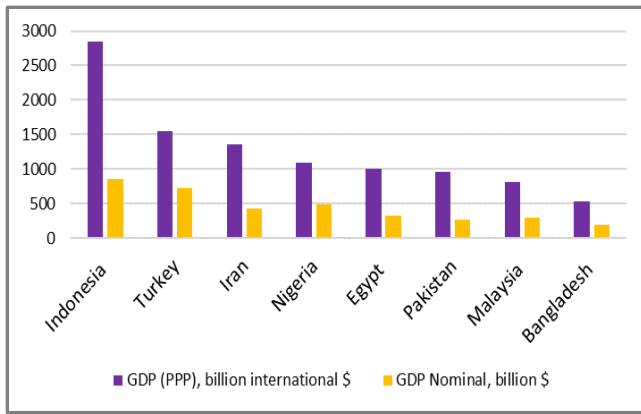


Bloomberg: Dollar Index

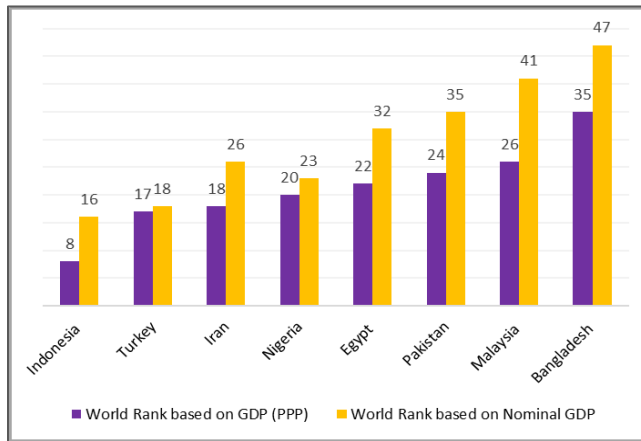
- Talks had been under way in Chile to try to revive the **Trans-Pacific Partnership (TPP)** free trade deal. President Donald Trump pulled the US out of the pact in January, but now the 11 remaining countries are trying to forge a new way forward.
- Theresa May has finally revealed that she will trigger Article 50 on March 29, launching the two-year countdown to **Brexit**. The Prime Minister informed EU Council President Donald Tusk on Monday morning that she will invoke the Article, ending months of speculation on the matter.

D-8 ECONOMIC HIGHLIGHT OF THE MONTH

- GDP calculation based on **Purchasing Power Parity (PPP)** is regarded as a more accurate measurement of national output since it accounts the relative cost of local goods, services and inflation rates of the country, rather than using international market exchange rates which may under or overestimate real differences in income. The latest available figures (2015) by the World Bank suggest that GDP based on PPP are much higher than the nominal GDP for D-8 countries.
- Figure below shows that GDP based on PPP denominated in international dollars is much higher than the nominal GDP for D-8 Member States.



- There is also a significant difference in the world ranking of the Member States. When measured in nominal terms, Indonesia appears as the 16th largest economy of the world while Bangladesh is the 47th. According to the PPP figures on the other hand Indonesia ranks as the 8th largest economy of the world and Bangladesh ascends to 35. **This shows that when adjusted for differences in the cost of living, D-8 member states have much higher national output figures.**



DISCUSSION

- A study by the **D-8 Secretariat** reveals that nominal value of the agriculture market opened to trade by the **D-8 PTA** amounts to **\$300 million**. Agriculture is a priority area of cooperation and one of the main strategic sectors. Member States can put more efforts to increase the quality of imported agricultural items and consider introducing new tariff reductions.

EXCHANGE RATES

Currency	28-Feb	28-Mar	% Change
USD/BDT	78.1659	78.8322	↑ 0.85
USD/EGP	15.8716	18.2276	↑ 14.84
USD/IDR	13312.1	13141.3	↓ -1.28
USD/IRR	32403	32415	↑ 0.04
USD/MYR	4.4391	4.3875	↓ -1.16
USD/NGN	302.49	313.047	↑ 3.49
USD/PKR	104.581	104.916	↑ 0.32
USD/TRY	3.6209	3.6379	↑ 0.47

Spot Inter-Bank Market Rates (average), USD/IRR taken from CBRT

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