

a disincentive for the latter (i.e., savers) in keeping their surplus funds with the banks. On their part, the banks will neither be in a position to lower their lending rate because of provisioning requirements for the new NPLs under the present situation. Besides, lowering lending rates will not automatically create fresh demand for bank credits as both economic and non-economic factors continue to put fetters on the expansion of investment and related economic activities.

As far as the performance of the real sectors is concerned, the scope for recouping the production losses to the food crops in the agricultural sector this year in the forthcoming Aman harvesting season is limited because of successive flooding in the main growing areas. Seedlings were badly damaged then, blighting the prospects for recovery during the Aman season. Much will now depend on production activities during the Boro crop season, subject to availability of all related agri-inputs in time. The Boro crop is now the largest food crop of the country. The farmers who have shown their resilience, time and again, are expected to be encouraged this year by higher domestic prices and, thus to make efforts to bring more land under Boro farming. How far their efforts will be successful, will, however, depend largely on the extent of supports they receive from the Department of Agricultural Extension (DAE) and all other agencies to encourage increased use of high-yielding variety seeds by ensuring adequate supply of seed and necessary inputs, including fertilizers and insecticides.

Yet then, there remains a great deal of doubts over how far the Boro crop this year will make room for compensating the flood losses that were incurred this year. Agricultural growth during fiscal 2006-07 stood at 2.3 per cent lower than the post-flood higher growth of 4.9% in fiscal 2005-06.

A clear picture about the production performance this year of non-cereal minor crops, livestock and fisheries sub-sectors is difficult to project at this stage. However, even cautious optimism here does not lend much credence to any robust hope about a major difference to the agricultural growth performance without output of Boro crop expanding this year.

For the industrial sector, the production index was earlier projected to grow at 12.48%, 11.76% and 11.92% respectively in June 2007, December 2007 and June 2008 against actual growth of 15.70% in June, 2006. But the latest available figures, unofficial ones, do, of course, suggest a slackening of industrial output expansion so far during the current fiscal. The import statistics relating to industrial raw materials, the export operation in the first quarter of the current fiscal, credit flows etc, make it doubtful whether the projected annual industrial growth rate can be achieved steps coming at the earliest to gear up production-oriented activities in the sector. Furthermore, construction activities which fall in the category of industrial sector, are yet to recover from setback, particularly in the private sector, in the fourth quarter of the last fiscal.