

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
2.11%	1.91%	\$1,551.50	\$65.02	0.62%	Closed	0.15%	0.75%	83.95	92.61	108.82	0.75	
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## BB's baffling move

Gives approval to new NBFIs, Strategic Finance and Investments, when sector is in meltdown

AKM ZAMIR UDDIN

The central bank has given the go-ahead to set up a new non-bank financial institution (NBFI) in its last board meeting -- a move that has stumped experts and industry insiders given the poorly state of sector.

In its meeting on Sunday evening, the board of directors of the Bangladesh Bank gave the letter of intent to Strategic Finance and Investments.

Its chairperson is Anjuman Ara Shahid, wife of Padma Bank Chairman Chowdhury Nafeez Sarafat.

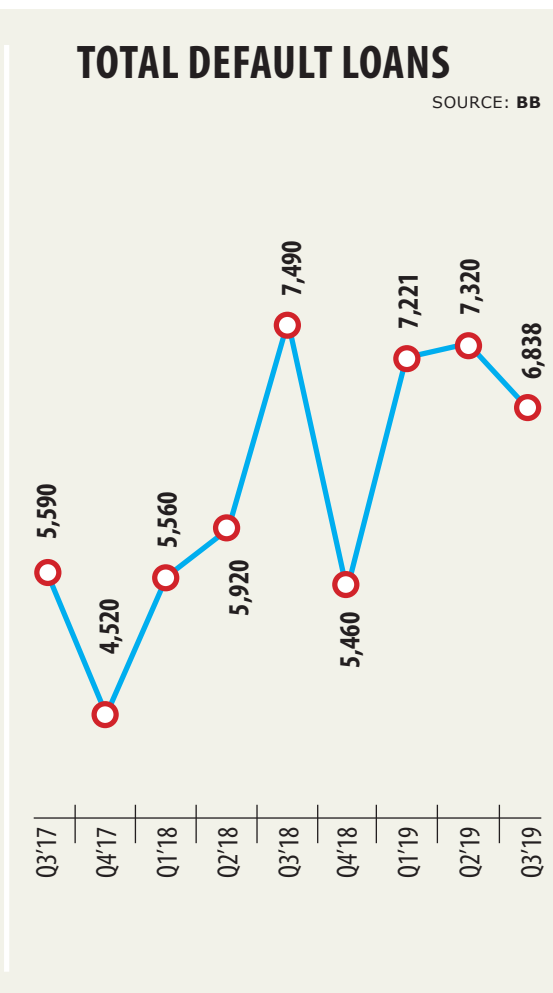
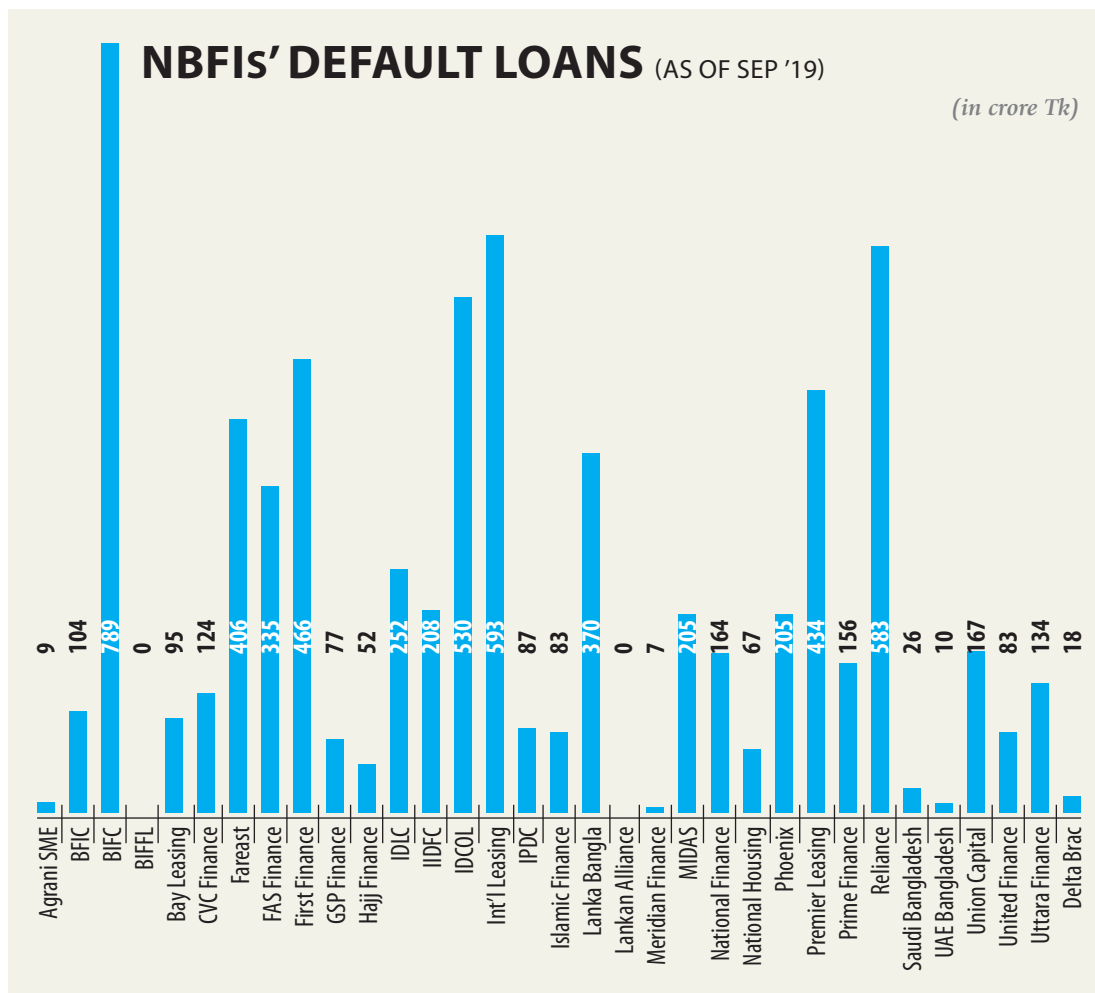
She is also a sponsor-shareholder of Padma Bank, which was rechristened from Farmers Bank earlier in January last year as part of its effort to sweep the gross irregularities and loan scams under the carpet and get an image makeover.

"This is quite the illogical move on the part of the central bank," said Ahsan H Mansur, a former economist of the International Monetary Fund.

The financial health of NBFIs is worse than banks, said Fahmida Khatun, executive director of the Centre for Policy Dialogue, a preminent think-tank.

At present, there are 33 NBFIs and the majority of them are struggling to survive amid rising default loans and inability to repay depositors' money.

Another unusual aspect of the move to award the licence to Strategic



said, adding that foreign institutions will hold a good number of shares of Strategic Finance and Investments.

Khatun of CPD remains unimpressed.

"Our experience is bad. In the past many spoke of such new models but they rarely followed through with their commitment," she said.

Had a well-reputed foreign company intended to set up an NBFI, the reception would have been different, said Mansur, executive director of the Policy Research Institute.

"But there is no scope of welcoming this decision," he said, adding that the NBFI sector is too crowded.

Zahid Hussain, former lead economist of the World Bank's Dhaka office, echoed the same.

"I do not find any logic on the central bank's decision to allow another NBFI as the existing numbers are too much larger than the requirement. And majority of them are facing different types of problem, including liquidity crunch and a lack corporate governance," he added.

At least three managing directors of NBFIs on condition of anonymity said that a good number of them have stopped fresh lending due to acute cash crunch.

Subsequently, Mansur, also the chairman of Brac Bank, urged the central bank to liquidate the weak NBFIs for the interest of the economy or merge them with stronger ones.

In July last year, the BB was forced to start the process of liquidating People's Leasing and Financial Services as the NBFI failed to repay depositors' money despite maturity of funds.

Furthermore, on September 30 Rupali Bank alleged that 10 NBFIs have failed to pay back its funds amounting to Tk 933 crore, according to BB documents.

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Finance and Investments was the time it took the central bank to do its due diligence.

Strategic Finance and Investments had applied for licence on

October 16 last year and the central bank completed all processes in less than three months, when it usually requires at least 5 to 6 months.

The move surprised even a number of the central bank officials.

"This was done within the shortest possible time," said a high official of the BB requesting anonymity due to sensitivity of the topic.

The central bank has given the

letter of intent to Strategic Finance and Investments as it had given commitment to bring the majority portion of its equity and fund from foreign sources, said Md Serajul Islam, spokesperson and an executive director of the BB.

"The new NBFI will not face any liquidity crunch as it will mobilise funds from abroad."

Islam, however, sidestepped a

query on whether the financial sector needs another NBFI.

Sarafat told The Daily Star yesterday that the new NBFI will kick off its operation on February 2 and it would take a different financial model than the existing ones.

"The majority of the NBFI's equity and funds will come from foreign sources. So, it will inject fresh liquidity into the financial sector," he

## BIDA to roll out the red carpet for foreign investors

Dhaka airport gets a dedicated lounge to welcome them

JAGARAN CHAKMA

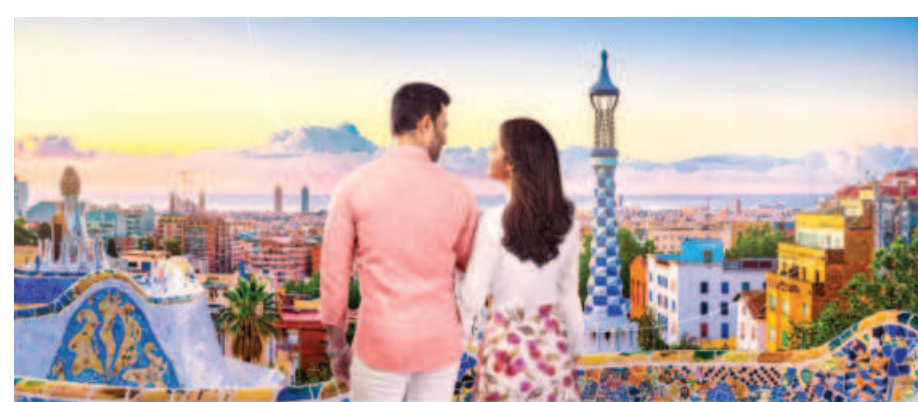
BIDA has shelled out Tk 2 crore to set up a lounge at the Hazrat Shahjalal International Airport as part of its efforts to woo in foreign investors to boost the country's historically low

investment from abroad.

Foreign investors have often complained of finding Bangladesh an overwhelming destination for doing business. For instance, although Bangladesh advanced 8 notches in this year's global ease of doing business

ranking of the World Bank, its ranking at 168 is lower than all its Sarc neighbours save for Afghanistan and competitors vying for foreign direct investment and exports like Myanmar, Ethiopia, Vietnam and Cambodia.

READ MORE ON B3



## Indonesia, UAE sign \$23b investment agreements

AFP, Jakarta

Indonesia and the United Arab Emirates have struck nearly \$23 billion in business deals, including agreements in the energy sector and on infrastructure projects, the Southeast Asian nation said Monday.

The investments will be made through a new Indonesian sovereign wealth fund set to also involve Japan's Softbank and US International Development Finance Corporation, Jakarta said, without elaborating.

The figure includes nearly a dozen deals signed after a meeting between Indonesian President Joko Widodo and Crown Prince Sheikh Mohammed Bin Zayed in Abu Dhabi over the weekend, Widodo said on social media.

About \$12.6 billion was linked to an agreement between Indonesia's state energy firm Pertamina and Abu Dhabi National Oil Company to develop a petrochemical plant in West Java, according to Indonesia's foreign ministry.

Other investments include deals in ports, renewable energy and agriculture.

Indonesia's leader has said he will focus his second term on luring more foreign investment to Southeast Asia's biggest economy and keep up a multi-billion-dollar infrastructure drive.

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Officials and employees of Bashundhara LPG pose at the company's annual sales conference in Gazipur recently.

## China starts 2020 with forecast of a 2pc sales decline

REUTERS, Beijing/Shanghai

Automakers in China need to get used to a new normal of "low speed growth" in the world's largest car market, the country's top auto body said on Monday, as it reiterated predictions that sales will likely shrink for the third consecutive year in 2020.

The China Association of Automobile Manufacturers (CAAM) expects a 2 percent fall in vehicle sales. That would compare with an 8.2 percent drop last year, when sales were pressured by new emission standards in a shrinking economy also contending with tit-for-tat import tariffs with the United States.

CAAM, affirming its forecast announced last month, also said auto sales declined for the 18th consecutive month in December. Annual sales started falling in 2018, by 2.8 percent, halting a growth march that had started in the 1990s.

Industry watchers, though, are hoping a sales recovery in lower-tier cities, and an

easing of trade tensions between China and the United States, can help ease the decline.

"We have moved away from the high-speed development stage. We have to accept the reality of low-speed development," Shi Jianhua, a senior official at CAAM, told a news briefing. "We had high-speed growth for a consecutive 28 years, which was really not bad, so I hope everyone can calmly look at the market."

Sales of new energy vehicles (NEV) sank 27.4 percent in December, resulting in an overall 4 percent decline to 1.24 million units in 2019. China's NEV sales jumped 62 percent in 2018 but a subsidy cut hurt sales last year.

When asked if the industry could sell 2 million NEVs this year, a target originally set by China's industry ministry in 2017, CAAM's assistant secretary general, Xu Haidong, said this was "not possible".

NEV sales for 2020 would likely "stay at the same level or slightly increase" versus last year, Xu said.

## Walmart sacks 56 executives in India as part of restructuring

REUTERS, New Delhi

Walmart Inc, the world's largest retailer, has fired 56 of its executives in India as it restructures in the country.

The move underscores the challenges Walmart has faced in expanding its wholesale business in India. The Bentonville, Arkansas-based company currently operates 28 wholesale stores in the Asian country where it sells goods to small shopkeepers, and not to retail consumers.

Reuters reported the firings earlier on Monday, citing three people with direct knowledge of the matter, adding the move had mostly affected executives in Walmart's real estate division, which takes care of store expansion, as the wholesale business model did not bring in expected growth.

Eight of the 56 executives fired were in "senior management" roles and the rest from middle or lower management, Krish Iyer, President and CEO of Walmart India said in a statement.

"We are also looking for ways to operate more efficiently, which requires us to review our corporate structure to ensure that we are organized in the right way," Iyer said, adding the fired executives had been offered enhanced severance benefits.

Walmart has placed bold bets on India's e-commerce sector. In 2018, it paid \$16 billion to buy a majority stake in India's online marketplace Flipkart, in its biggest global acquisition.

"It's happening because focus is shifting to e-commerce rather than physical (stores)," according to one of three people, who spoke to Reuters ahead of the company announcement.

A second source said Walmart could slow down the pace of opening new wholesale stores in India as it focuses on boosting sales through business-to-business and retail e-commerce.

## As businesses hold back, US consumers seen boosting big banks' profits

REUTERS, New York

Consumer lending is expected to propel profits for big US banks when they unveil fourth-quarter results this week, though stress in corporate lending and uneven capital markets may cast a shadow over results.

Balances for individual borrowers keep reaching new records as the US job market has stayed robust, prompting people to spend, and as interest rates have declined, prompting them to borrow — especially on credit cards.

Overall, US consumer-loan balances at the 25 largest banks reached \$1.19 trillion the last week of December, up 13 percent from a year earlier, according to Federal Reserve data. The biggest annual increase came from cards, where outstanding debt rose 16 percent.

The banks held another \$1.46 trillion in residential mortgage loans.

That spells good news for quarterly profits at JPMorgan Chase & Co and Citigroup Inc, which have been working to grow their card businesses in recent years. The Fed's decision to lower rates in 2019 boosted mortgage activity, which will help major home lenders like Wells Fargo & Co. Those three banks are scheduled to report results on Tuesday.

"The consumer-lending business is going to be very profitable for the banks," RBC Capital Markets analyst Gerard



REUTERS/FILE

Signs of JP Morgan Chase Bank, Citibank and Wells Fargo & Co bank are seen in this combination.

Cassidy said in an interview.

Americans borrowing to buy cars and pay for vacations has been a mainstay for industry profits recently. Consumer strength has helped offset weakness in trading, underwriting or business-loan demand at various points, with bank executives cheering it as a sign that the US economy is not on the brink of recession.

Analysts expect tepid business borrowing to have continued through the fourth

quarter. Global trade disputes, political uncertainties and market fluctuations have left CEOs wary of seeking financing to buy competitors or invest in operations, they said.

However, those issues could take a back seat to the thriving US consumer.

As Americans' loan balances have climbed, their incomes have grown even faster. That debt is now about equal to disposable personal income after climbing

to as much as one-third higher in 2007.

Analysts say they are also encouraged that banks appear to be lending more responsibly to consumers, partly due to new regulations. Consumer delinquency rates are low at 2.8 percent, compared with an average of 4.3 percent since 2003, according to Fed data. In the recession, the rate reached 8.2 percent.

However, analysts cautioned that credit mistakes often occur in the best of times and that it is hard to see them with the economy growing for the 11th straight year.

Higher real-estate values have allowed property owners to raise cash by selling or refinancing. As competition has heated up in cards, some borrowers have been transferring zero-interest balances from one bank to another for a small fee, without paying off the debt.

And although unemployment is at a 50-year low and wages are higher, there are still lots of consumers living paycheck-to-paycheck.

A Fed survey last year found 39 percent of Americans would have a hard time handling an unexpected \$400 expense. People with credit cards generally are not at such risk, but still about 16 percent said they would put the expense on a card.

Fred Cannon, research director at Keeffe, Bruyette & Woods, said a rise in unemployment in the next recession would expose bad loans. "There certainly could be some problems," he said.



SONALI BANK

Sonali Bank Chairman Ziaul Hasan Siddiqui and CEO Md Ataur Rahman Prodhan hand over the key of an AC bus to Bangabandhu Sheikh Mujib Medical University Vice-Chancellor Kanak Kanti Barua at the bank's head office in Dhaka yesterday.



RFL

Ahsan Khan Chowdhury, chairman and CEO of Pran-RFL Group, and RN Paul, managing director of RFL Group, attend the dealers' conference of RFL's housewares brand Tel Plastic, footwear brand Walkar and paints brand Rainbow at the RFL Industrial Park in Kaliganj, Gazipur on Friday.

## China's US trade deal commitments not changed in translation: Mnuchin

REUTERS, Washington

China's commitments in the Phase 1 trade deal with the United States were not changed during a lengthy translation process and will be released this week as the document is signed in Washington, US Treasury Secretary Steven Mnuchin said on Sunday.

Mnuchin told Fox News Channel that the deal reached on Dec. 13 still calls for China to buy \$40 billion to \$50 billion worth of US agricultural products annually and a total of \$200 billion of US goods over two years.

"It wasn't changed in translation. I don't know where that rumor started," Mnuchin said on the "Sunday Morning Futures with Maria Bartiromo" show.

"We have been going through a translation process that I think we said was really a technical issue," Mnuchin said. "And the language will be released this week. So I think it is — the day of the signing, we will be releasing the English version."

"And people can see. This is a very, very extensive agreement," he added.

White House officials had said as late as Friday that the final Chinese text was not yet completed, even as invitations went out to more than 200 people for a Jan. 15 signing event at the White House.

Asked if he still expected China to

purchase \$40 billion to \$50 billion in US farm products under the deal, Mnuchin said: "I do. Let me just say, it is \$200 billion of additional products across the board over the next two years, and, specifically in agriculture, \$40 billion to \$50 billion."

Thus far, Beijing has not confirmed those purchase commitments, and recent government actions here in the agriculture industry have raised questions over the \$40 billion to \$50 billion target cited repeatedly by Trump administration officials.

Chinese officials have been careful not to publicly discuss details of the Phase 1 deal, because Washington has changed its position multiple times during negotiations, three Chinese officials with knowledge of the situation told Reuters last week.

Signing of the trade deal on Wednesday eases Trump's 18-month trade war aimed at altering China's trade and economic practices, but will leave in place tariffs on about \$370 billion worth of Chinese imports per year.

Those are expected to be addressed in Phase 2 negotiations, which the Trump administration wants to launch this year, covering thornier issues untouched by the Phase 1 trade deal, including Beijing's heavy subsidies to Chinese state-owned enterprises and restrictions digital trade and cybersecurity issues.

## 'Smile with your eyes': How to beat South Korea's AI hiring bots and land a job

REUTERS, Seoul

In cram school-obsessed South Korea, students fork out for classes in everything from K-pop auditions to real estate deals. Now, top Korean firms are rolling out artificial intelligence in hiring - and jobseekers want to learn how to

beat the bots.

From his basement office in downtown Gangnam, careers consultant Park Seong-jung is among those in a growing business of offering lessons in handling recruitment screening by computers, not people. Video interviews using facial recognition

technology to analyze character are key, according to Park.

"Don't force a smile with your lips," he told students looking for work in a recent session, one of many he said he has conducted for hundreds of people. "Smile with your eyes."

Classes in dealing with AI in hiring, now being used by major South Korean conglomerates like SK Innovation and Hyundai Engineering & Construction, are still a tiny niche in the country's multi-billion dollar cram school industry. But classes are growing fast, operators like Park's People & People consultancy claim, offering a three-hour package for up to 100,000 won (\$86.26).

There's good reason to see potential. As many as eight out of every 10 South Korean students are estimated to have used cram schools, and rampant youth unemployment in the country - nearly one in four young people are not in the workforce by certain measures, according to Statistics Korea - offers a motive not present in other countries where cram

schools are popular, like Japan.

"The AI won't be naturally asking personal questions," said Yoo Wan-jae, a 26-year-old looking for work in the hospitality industry. "That will make it a bit uncomfortable ... I'll need to sign up for cram schools for the AI interview," said Yoo, speaking in Seoul's Noryangjin district, known as 'Exam Village', packed with cram schools and study rooms.

Businesses around the world are experimenting with increasingly advanced AI techniques for whittling down applicant lists.

But Lee Soo-young, a director of Korea Advanced Institute of Science and Technology (KAIST) Institute for Artificial Intelligence, told Reuters by telephone the new technology is being more widely embraced in South Korea, where large employers wield much influence in a tightening job market.

According to Korea Economic Research Institute (KERI), nearly a quarter of the top 131 corporations in the country currently use or plan to use AI in hiring.



REUTERS/FILE

Kim Seok-wu, a university senior majoring in management, demonstrates an AI interview program in Sungnam, South Korea.





## BB gets new director

STAR BUSINESS DESK

The government has recently appointed Nazrul Huda, a former deputy governor who served Bangladesh Bank for 35 years, to take on the role of director in the central bank's board.

Huda has also worked for international organisations and was an adviser of Maldives Monetary Authority on secondment from Islamic Development Bank.

He did his post-graduation in economics from the University of New England, Australia and the University of Dhaka.



Md Mukhter Hossain

## New MD for NRBC Bank

STAR BUSINESS DESK

Md Mukhter Hossain has recently been appointed managing director and CEO of NRBC Commercial Bank.

He was previously serving as the bank's deputy managing director, according to a statement.

The bank also appointed Kazi Md Talha as additional managing director and head of its Islamic banking wing "Al Amin" and Md Rabiul Islam as deputy managing director.

Talha had been serving the bank as deputy managing director since 2016. Before joining the bank, Islam worked at the National Credit and Commerce Bank.

# Ford's China vehicle sales drop 26pc in third straight year of decline

REUTERS, Shanghai

Ford Motor Co's China vehicle sales fell for a third consecutive year, by 26.1 percent, as it battles a prolonged overall sales decline in its second-biggest market that has hit demand for its mass-market Ford brand and sports utility vehicles.

The US automaker delivered 146,473 vehicles in China in the fourth quarter, down 14.7 percent year-on-year, Ford said in a statement. In total, it sold 567,854 vehicles over 2019.

Ford has been trying to revive sales in China after its business began slumping in late 2017. Sales sank 37 percent in 2018, after a 6 percent decline in 2017.

Anning Chen, president and chief executive of Ford Greater China, said that while 2019 was a "challenging" year for the automaker, it saw its market share in the high-to-premium segment stabilize and its sales decline in the value segment start to narrow in the second-half of the year.

"The pressure from the external environment and downward trend of the industry volume will continue in 2020, and we will put more efforts into strengthening our product lineup with more customer-centric products and customer experiences to mitigate the external pressure and improve dealers' profitability."

The automaker plans to launch more than 30 new models in China over the next three years of which over a third will be electric vehicles. It has also said it would localize management teams by hiring more Chinese staff and aimed to improve relationships with joint venture partners.

Models launched in the fourth quarter include a new Ford Escape version - for which the automaker said orders received so far have been much higher than expected - and the Lincoln Corsair, the first localized Lincoln model in China.

Bill Russo, head of Shanghai consultancy Automobility Ltd, said Ford was dealing with a "perfect storm" of trends which were not favorable to multinational mass market brands, and while the automaker was addressing the need to update its showrooms with new and refreshed models, this was taking time.

"They managed to stop the bleeding and increase average selling price," he said of their 2019 sales figures. "Good sign, but they need to do more to localize their business model to address the growth in non-hardware related mobility and digital services if they are to recapture growth."

In China, Ford makes cars through a joint venture with Chongqing Changan Automobile

Co Ltd and Jiangling Motors Corp Ltd (JMC). It has also said it would partner Zotye Automobile Co Ltd to sell lower priced cars.

Its larger US rival General Motors Co last week said its sales in China fell 15 percent from a year earlier to 3.09 million vehicles in 2019, its second year of decline.

China's auto market is set to contract by 2 percent in 2020 for the third year of decline, the China Association of Automobile Manufacturers (CAAM) forecast, due to a weaker economy and trade dispute with the United States.

Over 28 million vehicles were sold in 2018, down 3 percent from the prior year, while 2019 sales are likely to have declined 8 percent from the prior year, CAAM said.



A Ford model is seen during the China International Import Expo, at the National Exhibition and Convention Center in Shanghai, China.

# Nagad's daily transactions cross Tk 100cr

STAR BUSINESS DESK

Daily transactions of Nagad, Bangladesh Post Office's digital financial service platform, crossed Tk 100 crore on Friday, just 10 months past its launch.

Posts and Telecommunications Minister Mustafa Jabbar shared the information on his verified Facebook account on Saturday, Nagad said in a statement.

"We are announcing with pride that, on January 10, on the historic Homecoming Day of the Father of the Nation Bangabandhu Sheikh Mujibur Rahman, our daily transactions crossed Tk 100 crore."

Bangabandhu returned to an independent Bangladesh via London and New Delhi on January 10 in 1972, after 290 days of confinement in a Pakistani jail.

Launched on 26 March, the platform has already created more than 1 lakh entrepreneurs, the statement added.

## New MD for of IIFC

STAR BUSINESS DESK

Md Shahabuddin Patwary, an additional secretary to the finance ministry's Economic Relations Division (ERD), has recently been appointed to additionally serve as managing director of Infrastructure Investment Facility Company (IIFC) with effect from January 9. He took office as chief of the ERD wing for World Bank on December 17, according to a statement.

Patwary obtained his bachelor's degree in electrical and electronic engineering from the Bangladesh University of Engineering and Technology in 1986 and completed his master's degree in government financial management from Ulster University, UK in 2000.



# India warns palm oil buyers against Malaysian imports

REUTERS, Mumbai

Indian palm oil importers have effectively stopped all purchases from Malaysia after the government privately warned them to shun product from the country following a diplomatic spat, industry and government sources said.

The warning, issued last week, comes almost in parallel with New Delhi's move to restrict imports of refined palm oil and palmolein after Malaysia's Prime Minister criticised India's actions in Kashmir and its new citizenship law. Currently, Indian buyers are not making any crude or refined palm oil purchases from top supplier Malaysia, at least five industry sources familiar with the matter told Reuters.

"Officially there is no ban on crude

palm oil imports from Malaysia, but nobody's buying due to government's instructions," said a leading refiner, adding that buyers now import from Indonesia despite paying a premium to prices in Malaysia.

India is the world's largest buyer of palm oil and the move to effectively block imports from Malaysia could put pressure on palm oil prices in Malaysia and push up palm oil inventories in the country. Malaysian prices set the global benchmark for palm oil prices. The move could also benefit Indonesia - the world's largest exporter of crude palm oil (CPO).

"We could import CPO from Malaysia, but the government has warned: 'Don't come to us if your shipments get stuck,'" said a Mumbai-based trader, adding "no one wants to

see their shipments get stuck at ports."

India's government has not made any public remarks about Malaysian palm oil. The commerce ministry did not immediately respond to a request for comment on Monday.

Palm oil accounts for nearly two-thirds of India's total edible oil imports. India buys more than 9 million tonnes of palm oil annually, mainly from Indonesia and Malaysia.

Indian refiners and traders have shifted almost all palm oil purchases to Indonesia, despite having to pay a \$10 per tonne premium over Malaysian prices, four traders told Reuters.

Malaysian crude palm oil for February shipment was available at \$800 a tonne on a free-on-board (FOB) basis, compared to \$810 from Indonesia, traders said.

# BIDA to roll out the red carpet for foreign investors

FROM PAGE B1

"We are trying to create a welcoming environment for the foreign investor so that they do not feel helpless," said Md Sirazul Islam, executive chairman of the Bangladesh Investment Development Authority.

Upon arrival, the investors would be received by a staff, who would then escort the foreign visitors to BIDA-Chameli lounge, a pre-existing space on the ground floor of the international terminal, close to the VIP lounge.

The investors will then get assistance, starting from immigration to collecting luggage, from getting an overview of Bangladesh and its attractions to free SIM cards. The investors would also be given transport assistance to their accommodation.

Existing foreign investors and commercially important persons will also

enjoy these facilities whenever they enter the country.

Such lounges already exist around the world as part of the governments' effort to give a good first impression of the country, he told The Daily Star at his office in the capital's Agargaon yesterday.

"A positive first impression ensures that subsequent decisions taken by investors are fruitful for the country," he added.

Since the Civil Aviation Authority of Bangladesh runs the country's airports, BIDA has already asked it through a letter to run the lounge on their behalf to facilitate the whole process, especially when it comes to addressing security concerns.

BIDA is expecting the initiative will go some way towards boosting Bangladesh's FDI, which at \$3.88 billion last fiscal year was rather low when compared with peer countries.

# Hong Kong applauds its financial prowess amid protests

REUTERS, Hong Kong

Hong Kong's chief executive Carrie Lam and top finance officials praised the Chinese-ruled city's resilience as a global financial hub on Monday amid more than six months of often violent pro-democracy unrest.

Protests escalated in June over a since-withdrawn bill which would have allowed extraditions to mainland China, where courts are controlled by the Communist Party. They have since broadened to several demands, including universal suffrage.

Speaking at the opening of a regional financial forum, Lam said the city's financial system remained stable thanks to lessons learnt since the 1998 Asian financial crisis. Lam cited the listing of e-commerce giant Alibaba Group Holding Ltd as a boon for other listings by mainland companies.

The city's "strengths and resilience, just like our financial systems, have not been undermined despite (the fact) that we experienced considerable social unrest and challenges", Lam said.

She added she was confident the former British colony, which returned to China in 1997, would bridge divisions and realize its goals of a reunited community and "flourishing" economy.

Finance Secretary Paul Chan, speaking at the same event, said Hong Kong's banking system was running smoothly and had ample liquidity despite the city facing "unprecedented" turbulence.

Hong Kong Monetary Authority's Deputy Chief Executive Howard Lee said the strong performance of financial assets was further proof of the city's resilience.

"No matter whether it is the currency or the equity markets or infrastructure, they seem to be going through a kind of parallel universe," he said.

The Hang Seng index was trading at its highest since July, while the Hong Kong dollar has flirted with three-year highs.



Bijon Islam, CEO of LightCastle Partners, and Colleen Conner, a nutrition officer of the World Food Programme, attend a panel discussion at the launch of Dhaka roadshow of Bangladesh NutriStar: Nutrition Innovation Challenge 2019-20 at the Daffodil International University in Dhaka yesterday. The competition, organised by the SUN Business Network in Bangladesh, the Global Alliance for Improved Nutrition, the WFP and the industries ministry, will harness innovative solutions for improved nutrition by connecting startups and businesses.

# BB's baffling move

FROM PAGE B1

The bank has repeatedly asked them to repay the money, but they were unable to. Subsequently, the state-run bank sought the central bank's intervention.

## STRATEGIC FINANCE AND INVESTMENTS

- ▶ Set to be the 35th NBF
- ▶ Chairman is Anjuman Ara Shahid
- ▶ Anjuman is wife of Padma Bank Chairman Chowdhury Nafeez Sarafat
- ▶ Proposed MD Muhammad Ali Zaryab, DMD of Padma Bank
- ▶ Paid-up capital is Tk 100cr
- ▶ BB gives letter of intent on Jan 12
- ▶ BB completes licensing process hurriedly
- ▶ Set to start operation on Feb 2

But the BB is yet to take any effective measures to help Rupali recover the funds.

At the end of September, the total default loans in NBFs amounted to Tk 6,838 crore, up 25.23 percent from six months earlier, according to data from the central bank.

The amount would have been much larger had the default loans of People Leasing been added to the list.

Default loans of People's Leasing is about Tk 600 crore to Tk 700 crore.

Khatun went on to urge the central bank to strengthen monitoring on the NBF sector, rather than allowing new one.

The central bank has not taken the decision based on the current haphazard state of the sector, said Salehuddin Ahmed, a former governor of the central bank.

"Rather, it has been forced to do this because of pressure from an influential group," he said, while advising the BB to give all-out effort to bring down default loans and restore corporate governance in NBFs.

AB Mirza Azizul Islam, a former adviser to a caretaker government, echoed the same.

# Revisiting the devaluation debate

FROM PAGE B4

Such directed exchange rates often induce recalibration of foreign currency contracts and misreporting by banks. It can also divert foreign currency trades to the unofficial market.

An indication of divergence between the directed rate and the market rate is the wedge between the officially reported interbank exchange rate and the unofficial market rate.

Large injections of dollar liquidity in fiscal 2017-18 and fiscal 2018-19 reduced the wedge to less than one taka per dollar. With somewhat restrained interventions and large trade and services deficits in fiscal 2019-20 so far, the wedge between the two rates has increased to Tk 2.6 per dollar.

The above suggests taka is overvalued certainly in PPP terms as well as being below the market clearing level.

Persistence of external trade deficit also suggests overvaluation, but this is not as much of a certainty because it is extremely hard to figure how much.

Many different factors on both the trade and the financial sides influence a country's trade imbalance besides just the exchange rate.

The exchange rate that balances trade depends on the values taken by all these other factors. There isn't one exchange rate value that will balance trade. Yet, many observers still contend that a country needs to devalue currency by some percentage to eliminate a trade deficit.

The most pertinent question then is what the

risks are in keeping the value of taka where it is ignoring the whole gamut of evidence suggesting that it is significantly overvalued.

Note that the BB pursues an implicit target rate, something that used to be explicit when we were under a fixed rate system prior to May 3, 2003. When overvalued, this target needs a correction. Such a correction can be called devaluation, except that it is not intended to undervalue the exchange rate to gain competitive advantage against external competitors.

The latter is akin to currency manipulation through prolonged foreign exchange intervention or the use of laws or regulations to keep a country's currency undervalued to gain a trade advantage. The International Monetary Fund (IMF) Articles of Agreement prohibits these tactics, although it has no enforcement mechanism.

Why is a correction warranted? There are many channels through which an exchange rate overvaluation affects trade.

It discriminates against exports by reducing the ability of exporters to compete in foreign markets. Import-competing industries face increased pressure from foreign goods, resulting in increased calls for protection against imports from industrial and agricultural lobbies.

Exporters lobby for cash subsidies and tax waivers to make up what they are losing on the exchange rate. The adverse impact on export and the import competing sectors impede growth since it is in these sectors that productivity advances are often most rapid.

Governments yield to lobbying incurring large fiscal costs. Overvaluation can also induce capital flight if investors start anticipating a devaluation.

Interventions to defend an overvalued exchange rate drains liquidity in the domestic money market, thus exerting upward pressure on the interest rates.

A correction of the target will serve the dual purpose of uniformly increasing the incentives to exporters and protecting import competing industries while allowing monetary policy to focus on managing domestic liquidity and assuaging anticipated devaluation induced capital flight.

Additionally, the correction will strengthen the incentive to remit, thus reinforcing the impact of goods and services trade deficit contraction on the current account balance.

Consequently, it will obviate the need for borrowing to finance the overvaluation induced deficit in merchandise and services trade.

The correction will increase the cost of imports, unless the import duties are adjusted in the opposite direction. It will also increase the local currency cost of servicing external debt.

But, as the joint World Bank-IMF Debt Sustainability Analysis in June 2019 showed, the debt service-to-revenue ratio remains on a declining trend and below its threshold even with a one-time large currency devaluation shock.

The author is an economist



# Telecom complaints double, one-third solved

STAR BUSINESS REPORT

The Bangladesh Telecommunication Regulatory Commission received more than 14,000 complaints last year, almost double from a year ago, because of the inclusion of new options to lodge grumbles.

However, only 37 percent of the complaints were resolved in 2019, way lower than 93.44 percent a year ago.

Most of the complaints were about bar on mobile connection, network problem, quality of service, tariff issues and mobile number portability, according to a report of the commission. The report was released yesterday.

The flow of grievances started piling up after May 16, when the telecom watchdog began keeping a call centre open round the clock along with the regular process of receiving objections during office hours.

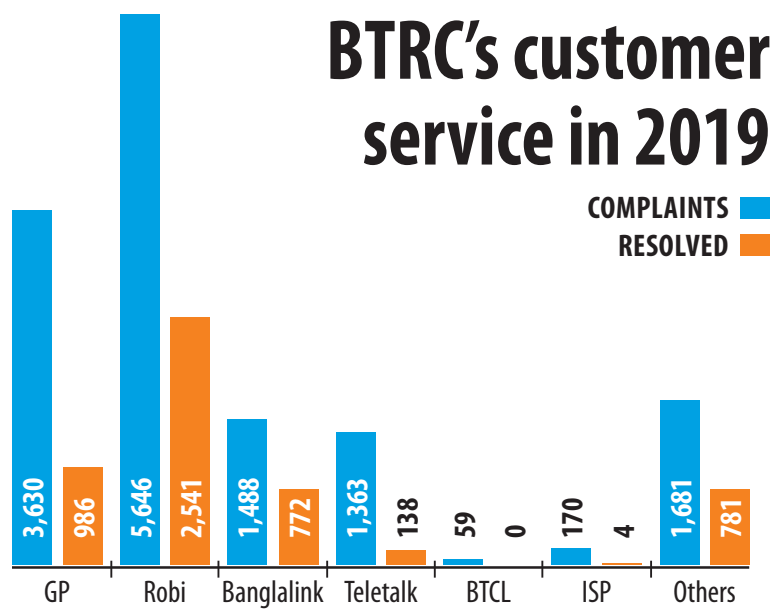
A good number of complaints remained pending, while more than half did not get any response.

From May 2018 to April 2019, the commission received 7,908 complaints and resolved 7,390.

However, the mobile operators explained the situation from a different point of view.

The restrictions on top two players on network expansion have impacted the overall service quality, which fuelled the number of complaints, they said.

Over 40 percent of the



complaints, or 5,646, were lodged against Robi, the second largest mobile phone operator with 4.87 crore active connections as of November. The BTRC resolved 45 percent of them.

Robi topped the list in the previous year too, when 3,427 complaints were placed between May 2018 and April 2019.

Robi has always taken pleasure in addressing complaints of its customers, said Shahed Alam, chief corporate and regulatory officer of the company.

"Each complaint gives Robi

an opportunity to forge a deeper relationship with its customers," he told The Daily Star.

The firm commitment to ensuring good quality service has convinced nearly five crore customers to remain with Robi network, Alam said.

"In this context, we need to keep in mind that the reported number of complaints is only 0.008 percent of our customer base. Although few in numbers, we look forward to addressing them with utmost pleasure."

Last year, 3,630 complaints,

down from 2,413 in the previous year, were submitted against Grameenphone, the market leader with about 7.61 crore active connections as of November.

However, the operator resolved only 27.16 percent, or 986 complaints. Grameenphone resolved almost 99 percent of customer complaints lodged through the BTRC hotline in 2019, the operator said in a statement.

"Our dedicated team interacts with our customers daily and serves the best to solve problems and technical issues. Moreover, our user-friendly digital touchpoints have become a useful tool to meet customers' needs in this digital era."

Banglalink customers sent 1,488 complaints, down from 1,157 from May 2018 to April 2019.

The third biggest operator resolved about half of the complaints, the BTRC report showed.

Teletalk faced 1,363 complaints and Bangladesh Telecommunications Company (BTCL) 59. The state-owned mobile operator sorted 138, while the state-run landphone operator did not respond to the objections at all.

Once the most dominant market player, BTCL is currently struggling to survive with about five lakh active connections. The telecom regulator also received 1,681 complaints in other segments, of which 46.46 percent—the highest—were resolved.

## STOCKS BACK IN THE RED

The key index of the Dhaka bourse fell 2.11 percent, the biggest drop since February 1, 2018, as a confidence crisis persisted amid foreign selloffs and thin presence of institutional investors.

DSEX fell to **4,123.48** points (a drop by **88.96** points or **2.11%**)

Turnover Tk **286.77** crore (increased Tk **25.95** crore, or **9.98%**)

### TOP NEGATIVE CONTRIBUTORS TO DSEX

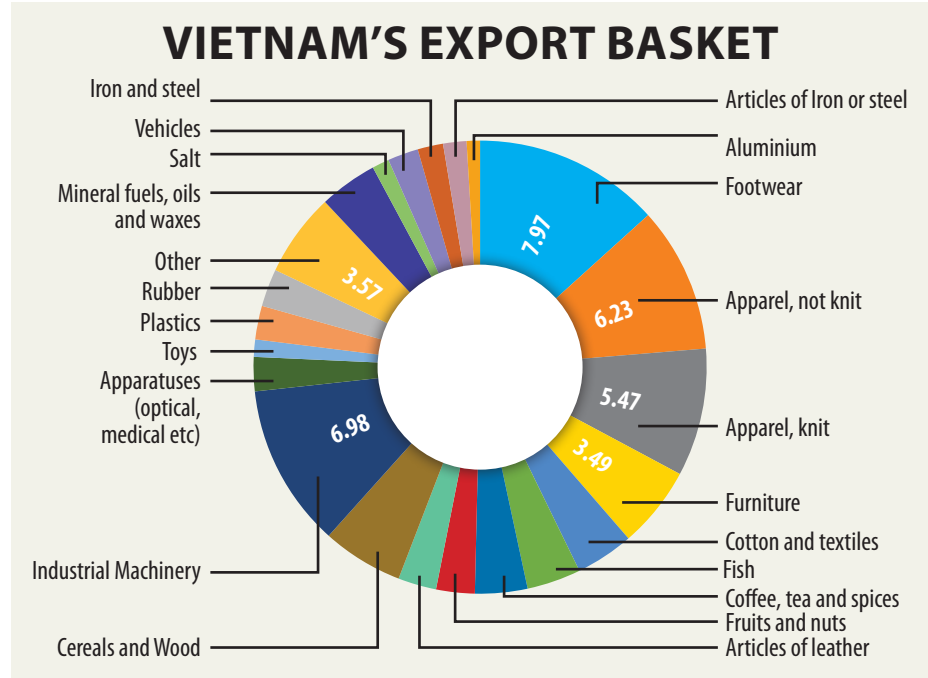
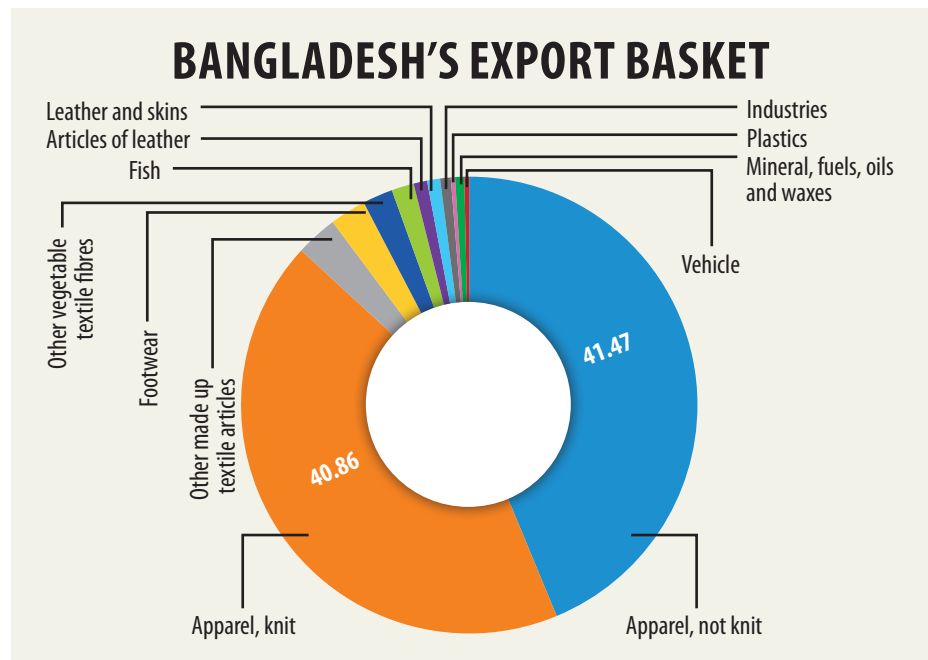
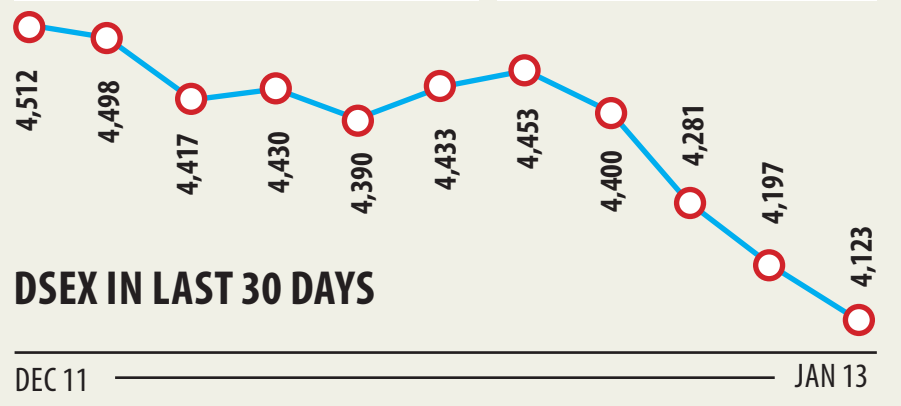
Company	Points lost
Grameenphone	25.11
BATBC	8.34
Square Pharmaceuticals	4.78
ICB	2.66
Berger Paints	2.55

### TOP FIVE GAINERS

Company	Gain (in %)
Information Services	8.35
United Airways	7.14
EBL NRB Mutual Fund	5
Phoenix Finance First Mutual Fund	4.08
Safko Spinning	3.79

### TOP FIVE LOSERS

Company	Loss (in %)
SS Steel	9.90
Emerald Oil	9.35
Meghna Condensed Milk	9.21
Tung Hai	9.09
Ring Shine	8.98



# US provides silver lining for garment exporters

REFAYET ULLAH MIRDHA

Bangladesh's apparel shipments to the US, its main export destination, edged up in the first 11 months of 2019 -- a heartening development given the inclement condition on the export front.

Between the months of July and December last year, Bangladesh's apparel shipments fell 6.21 percent to \$16.02 billion, according to data from the Export Promotion Bureau.

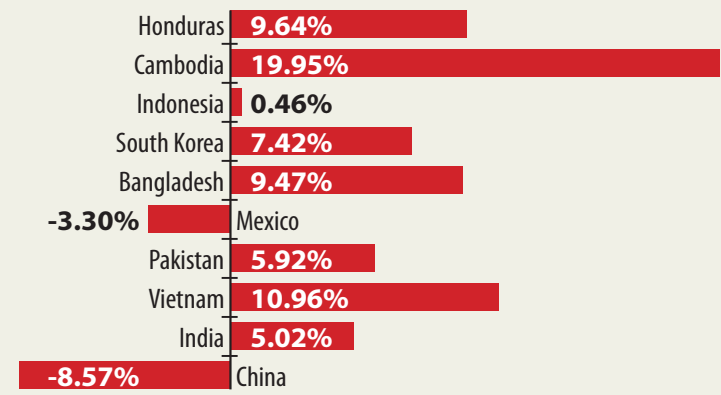
But exports to the US fetched \$5.69 billion, up 9.47 percent from a year earlier, according to data from the Office of Textiles and Apparel (OTEXA).

"Primarily, the tariff war between the US and China played a vital role in raising the shipments to the US," said Rubana Huq, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Furthermore, China, the largest apparel supplier to the US, saw its shipments slump during the period, in what can be viewed as a direct impact of the 25 percent tariff slapped by the Trump administration in May last year.

However, garment shipments from India and Vietnam, both Bangladesh's competitor in global apparel trade, grew to \$7.43 billion

### HOW TOP 10 APPAREL EXPORTERS TO US FARED IN 2019



SOURCE: OTEXA

and \$13.35 billion respectively.

"The US's total imports from the world is declining since September, whereas it is increasing from Bangladesh. Vietnam's export growth to the US is faltering. That's the only piece of good news," Huq said.

The first half was positive, but the second half saw a collapse.

"We can't predict any increase based on previous growth. The current trend should be taken into consideration."

And shipments to the US increased just nominally in the first two weeks of 2020, according to the BGMEA president.

The average price of Bangladeshi garment products though decreased 4.50 percent: it was \$13.74, down from \$14.39 a year earlier.

Earnings from garment exports is on the slow lane for appreciation of taka against the dollar, lack of diversified products and rise of other competing countries, particularly of Vietnam and Cambodia.

# British economy stalls

AFP, London

Britain's economy has stalled, official data showed Monday, as Brexit and political uncertainty contributed to slashing manufacturing output, heaping pressure on the Bank of England to cut interest rates.

Gross domestic product contracted 0.3 percent in November, the Office for National Statistics said in a statement. It grew only 0.1 percent in the three months to the end of November, the ONS added.

Manufacturing meanwhile slumped 1.7 percent in November. Speaking ahead of the data a Bank of England policymaker, Gertjan Vlieghe, hinted at a potential vote in favour of a January cut to the BoE's main interest rate, weighing on the pound Monday.

It followed comments Friday by fellow policymaker Silvana Tenreiro, who said she could support a rate cut from the current 0.75-percent level, if the economy did not strengthen.

And on Thursday, the bank's outgoing governor, Mark Carney, said the monetary policy committee was looking at the merits of near-term stimulus.

As for the latest GDP data, "a poor performance in November was always on the cards given that the uncertainties facing the economy were at a peak with the general election looming and doubts over what would happen on the Brexit front after it had been delayed again from 31 October", noted Howard Archer, chief economic advisor to financial researchers EY ITEM Club.

# Revisiting the devaluation debate



ZAHID HUSSAIN

THE debate on taka devaluation is a debate on whether the exchange rate is currently overvalued. How do we know?

There are three common reference exchange rates often considered. The exchange rate may be overvalued with respect to purchasing power parity (PPP) or relative to the rate assumed needed to balance the current account (CA). The third is the persistent excess of the informal market rate over the interbank market rate.

Overvaluation of an exchange rate for any of the three reasons (PPP or

current account balance or informal market premium) is something that happens. The key question is what it means when such overvaluation happens.

The PPP exchange rate is the rate that equalises the cost of a market basket of goods between two countries. For instance, if the cost of a representative basket of tradable goods is \$50 in the US and Tk 4,700 in Bangladesh, then the PPP exchange rate is Tk 94 per dollar.

The taka is overvalued with respect to the US dollar if the exchange rate is below the PPP exchange rate.

The second way to gauge overvaluation is in comparison to an exchange rate presumed necessary to induce balanced trade or the current account. Since such an exchange is not even indirectly observable, persistent trade deficit at the prevailing exchange rate is assumed to indicate overvaluation.

In a floating exchange rate system where the market is allowed complete free play, it is hard to argue that the exchange rate has the "wrong" value since competition in the market will always equalise supply and demand. The "correct" value for the

exchange rate is not the one that satisfy PPP or generate trade balance but rather whatever rate currently prevails without any central bank intervention.

De jure, we have a floating exchange rate but de facto it is managed by the Bangladesh Bank through directives as well as buying and selling the dollar.

Under such a regime, overvaluation occurs when the exchange rate is lower than the rate such that the BB either has to sell dollar or direct the authorised dealers to keep the rate at a prescribed level.

Is taka currently overvalued according to these metrics? According to the BB's Real Effective Exchange Rate (REER) -- a measure of the value of taka against a trade weighted average of currencies of our key trading partners adjusted for differences in inflation -- the level of the nominal taka-dollar rate consistent with keeping the REER constant at its 2015/16 level has varied between Tk 93-94 of late, compared with the interbank average rate of Tk 84.9/dollar.

This suggests an overvaluation of about Tk 10 per dollar owing to the

failure of the nominal taka-dollar rate to rise in line with the differential between inflation in Bangladesh with inflation in our trading partners since 2015/16.

As a result, the prices of all identical goods in Bangladesh relative to their prices in our trading partners has increased by Tk 10 on average since 2015/16.

The trade deficit has risen from \$7 billion in fiscal 2012-13 to \$15.5

billion in fiscal 2018-19. Deficit in the services account during the same period increased from \$3.1 billion to \$3.7 billion.

Thanks to remittances, the current account was in surplus until fiscal 2015-16. But it turned into deficit, reaching as high as \$9.6 billion in fiscal 2017-18, because of a sharp drop in remittances and declined to \$5.2 billion in fiscal 2018-19 as remittances recovered considerably.

Surplus in the financial account reinforced the current account surplus to produce large surpluses in the overall balance of payments until fiscal 2016-17.

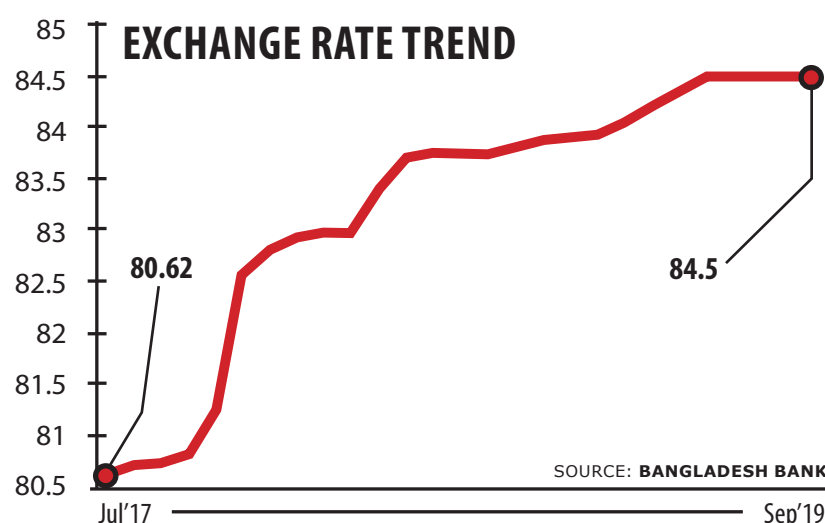
The BB accumulated foreign exchange reserves rapidly, suggesting undervaluation until fiscal 2016-17 despite an imbalance in merchandise and services trade.

Remittances, aid flows and private foreign borrowing augmented the supply of foreign exchange to create an excess supply that needed to be siphoned off to prevent taka appreciation. This changed since fiscal 2016-17.

BB sold more than \$4.6 billion in fiscal 2017-18 and fiscal 2018-19 and another \$423 million so far in fiscal 2019-20 to keep the exchange rate from depreciating too much.

Gross official reserves in months of import cover has declined from its peak of 8 in fiscal 2016-17 to 6 in fiscal 2018-19.

The central bank limits the rates at which authorised dealers can sell foreign exchange and attempts to ensure compliance by imposing penalties.



SOURCE: BANGLADESH BANK

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