



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

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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 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

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"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.



DAFFODIL INTERNATIONAL UNIVERSITY

Biji 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.

Revisiting the devaluation debate

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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

BB's baffling move

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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 NBFi
- ▶ 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 NBFIs 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 NBFi 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 NBFIs.

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