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BB to start auditing NCCBL, NBL balance sheets soon

Banks' move to get rid of problem bank stigma

By Inam Ahmed

The Bangladesh Bank (BB) will soon start auditing the balance sheets of two problem banks hoping that they have managed to weather their crisis situation, according to banking sources.

National Credit and Commerce Bank Limited (NCCBL), one of the seven problem banks as identified by the central bank through CAMEL (capital, asset, management, earning ratio and liquidity) rating, has already applied to the BB for the change of its status. On the other hand, the BB has identified National Bank Ltd (NBL) as a prospective bank, which, as it thinks, may have successfully reversed the situation.

"We will soon launch our auditing drive and are awaiting the latest financial statements on these problem banks. But if things go right, NCCBL and NBL might be able to get rid of the problem bank blot by March this year," said a central bank source.

According to banking sources, NBL has to a great extent improved its position by clocking a record operating profit of Tk 90 crore last year. The bank has also been able to reduce its classified loan amount by seven per cent, banking sources claimed.

"Now we have not only more than the required capital adequacy but are also in a position to take pride in successfully covering up last year's loan loss-provision shortfalls."

NCCBL, on the other hand, posted an operating profit of Tk 29.07 crore last year. The bank's deposit now stands at Tk 902 crore and advances Tk 611 crore. It has also made progress in reducing its classified loans from the previous 22 per cent to 15 per cent. Moreover, with the floatation of its IPO, the bank has also managed to meet its capital adequacy requirement.

These two banks are really looking forward to ramping up their position since when a bank is dubbed 'problem bank', it has to sign a memorandum of understanding with the BB for bettering its financial health.

What is more important, a problem bank cannot open new branches with a view to expanding its banking net.

At the same time, the face problems in opening letters of credit since they require assurances from other banks confirming that they won't fail in making payments against the LCs they have opted for.

IFCExecutive VP due in city February 10

The Executive Vice President of the International Finance Corporation (IFC), Peter Woicke, will visit Bangladesh on the second leg of his fortnight-long tour of the sub-continent, reports BSS.

According to a message received here yesterday from the United States where IFC is based, Woicke will arrive here on February 10 for a five-day visit. The visit is intended to enable the Chief of IFC, part of the World Bank group to have close look of the result where it (IFC) has invested heavily to spur growth of the private sector as a means of reducing poverty.

In Bangladesh IFC's investments focus on basic needs for a thriving private sector — power, gas, cement, communications and a more developed financial sector.

IFC has invested or investing in several projects in the country that included Grameen Phone Limited, the first independent power plant in Khulna and BRAC DELTA housing a project involving a total investment of about 100 million US dollars.

Woicke will be accompanied by the new IFC director for South and South East Asia Bernard Pasquier and outgoing director Rashad Kaldany. The mission of IFC is to promote private sector investment in developing countries to help reduce poverty and improve people's lives, a press release said.

Agrani Bank holds Sylhet zones' confce

Agrani Bank arranged a conference of branch mangers of Sylhet east and Sylhet west zones recently, says a press release.

Md Matiur Rahman, Chairman of Board of Directors of the bank, was present as chief guest.

Nazrul Islam Chowdhury, Deputy General Manager, Sylhet west, presided over the conference.

In his speech, the chairman of the bank emphasise the need for the improvement of customer service to meet the challenge in the prevailing competitive banking arena.

He said the bank has a lot of investable fund which must be invested in profitable fields after selecting genuine entrepreneurs in order to increase the profit of the bank.

Zonal Head (west) and Deputy General Manager, Nazrul Islam Chowdhury, expressed the hope that the overall condition of the zones regarding deposit, advances, profit, foreign exchange business and recovery of classified and stuck-up loans would improve this year.

IMF seeks tighter curbs on states using its cash

WASHINGTON, Feb 3: The International Monetary Fund has already changed policies in response to the financial crisis of 1997-99 and is looking at ways to crack down on how countries use its cash, a senior official said yesterday, reports Reuters.

First Deputy Managing Director Stanley Fischer, in testimony to a Congressional commission examining the role of international lenders, said the IMF had already started reassessing the different ways it lends to member states.

"We've all learned many lessons from the turbulent events that have taken place in emerging markets over the last three years," he said. "The IMF has already been taking important steps to reform itself in the light of these lessons."

Asked about claims published last week that Ukraine might have misused money from IMF loans in 1997, Fischer noted that the government had agreed to commission new independent audits on central bank activities in that year.

"We've tried to sharpen up our controls and we are hoping for a decision in the next month or so on how to increase the effectiveness of these controls," he said.

He gave no details on how new controls might work or on what loans and countries might be affected.

The IMF has already said it is investigating the allegations how the funds to Ukraine were used. The Financial Times newspaper said the charges would be aired soon by a former Ukrainian prime minister, an opponent of Kiev's current leadership.

The IMF was at the forefront of efforts to contain the 1997-99 crisis, which started in Thailand in the summer of 1997 and spread relentlessly across Asia and beyond.

Fischer said that without IMF action, the problems would have been "far worse" and the policy response from countries swept into the crisis would have been much weaker.

He said new IMF policies since the crisis centred on strengthening surveillance and boosting transparency, as well as changes to the various lending instruments available.

Cambodian garment workers call for US actions

Factories don't comply with labour law

PHONE PENH, Feb 3: About 700 striking garment factory workers, most of them young women, marched through the Cambodian capital today in a protest over pay and conditions at their factory, reports Reuters.

The workers rallied outside the ministries of commerce and labour and called on the United States to shun garments from Cambodian factories that did not comply with local labour law.

"We urge the US government not to let any company which abuses the labour law export their products to the US market," workers' leader Nay Vannak told Reuters.

Police watched the march and no arrests were made.

The striking workers from Chinese firm Eternal Way (Cambodia) Ltd said they had not received over-time pay and also complained of poor conditions in their factory.

They said they had been on strike since Tuesday.

Company officials were not immediately available for comment.

Cambodia's garment industry has boomed in recent years and is now the largest export earner. Cambodia exported garments worth $606 million in 1999.

The United States, Cambodia's biggest market by far, imposed its first quotas on 12 categories of Cambodian garments in January 1999 and said the quotas would be raised by up to 14 per cent if working conditions improved substantially.

But the United States said in December it would only raise the quotas by five per cent because problems with working conditions remained' despite "certain improvements."

Commerce Minister Cham Prasidh last month chided manufacturers who he said were not properly implementing the labour law and said they had given the United States an excuse not to raise the quotas by the full 14 per cent.

There are now 178 garment factories in Cambodia employing more than 100,000 workers compared with only some 70 factories at the end of 1997.

Md Matiur Rahman, Chairman, Board of Directors of Agrani Bank, speaks as the chief guest at the branch managers' conference of Sylhet east and Sylhet west Zones of the bank. Sylhet west Zone head and Deputy General Manager Nazrul Islam Chowdhury presided over the conference.
— Agrani Bank photo

Lankan black tea output hits record high

COLOMBO, Feb 3: Black tea production in Sri Lanka reached an all time record of 283.7 million kilograms in 1999, a 1.3 per cent increase over the previous year, the Tea Board said Thursday, reports Xinhua.

The increase came mainly from high growns which rose to 81 million kilograms from 77 million kilograms in 1998, said the board.

Production of low growns, which make up more than half the crop, fell last year to 149 million kilograms from 150 million kilograms, it said.

Tea brokers Asia Siyaka Commodities said Sri Lankan teas have been reaching record levels since 1994 when only 242 million kilograms were produced.

"There is a 17 per cent increase during the six-year period," the brokers said.

The brokers have predicted another record crop this year as well.

They said the production for this year is expected to reach between 288 and 292 million kilograms due to continual improvement of agricultural practices and inputs by the corporate sector.

Cambodia, Thailand discuss tourism cooperation

PHNOM PENH, Feb 3: Thai Foreign Minister Surin Pitsuwan met with Prime Minister Hun Sen to discuss tourism cooperation and lingering disagreements Thursday between the two countries, says AP.

Cambodian spokesman Om Yentieng described the meeting as friendly and productive, declining to delve into details on sensitive territorial disputes, smuggling problems and a Cambodian terrorism suspect jailed in Thailand.

"These friendly talks give better results than official talks," Om Yentieng said. "I believe that the cooperative relationship between the two countries is getting stronger."

Surin did not speak to reporters Thursday, but after meeting Cambodian Foreign Minister Hor Namhong on Tuesday told The Cambodia Daily newspaper that discussions on territorial disputes in the natural gas-rich Gulf of Thailand were moving slowly.

"It took 20 years to define the Gulf of Thailand with Malaysia," he was quoted as saying.

Each side has also raised the problem of smuggling along the 803-kilometer (506-mile) common border, officials said.

Thailand wants Cambodia to arrest smugglers bringing stolen cars into Cambodia, while the Cambodian government wants more cooperation from Thailand to halt the illicit trade in Cambodian artifacts.

A 117-piece bas-relief from a 13th-century Cambodian temple remains in Thailand after being seized by Thai border police a year ago. Bangkok newspapers have reported that a disagreement over compensation has blocked agreement on its return.

Asia to shake off higher US rates for now: Economists

TOKYO, Feb 3: Asia cannot hope to escape the global cycle of rising interest rates, but the strength of the region's recovery and ample liquidity will help cushion the impact, economists said today, reports Reuters.

They said demand for Asia's exports was strong enough to withstand the blow of Federal Reserve's widely expected quarter-point rise in short-term US interest rates overnight, ensuring another year of brisk growth.

"Our view is that you'll still see headline growth rates exceeding last year's averages virtually across the board in the region," said David Shairp of Paribas in Hong Kong.

Hong Kong which links its dollar to the US dollar, wasted no time on Thursday by raising its discount base rate to 7.25 per cent from seven per cent. With US rates likely to climb further, Shairp said the rise would not be the last.

"Many of these currencies have managed floats so the direct negative impact on local interest rates is limited, but generally I would see most economies broadly following the lead in the US I think interest rates are going to be rising in Asia," he said.

But as Asia now has a much stronger current account position that it did at the time of its 1997-98 financial crisis, economists said the direct impact of higher borrowing costs would be limited.

Asia's private sector invested much more than it saved before the crisis, leaving borrowers badly exposed when interest rates rose and liquidity tightened.

In the past two and a half years, however, all countries across the region have been running large private-sector savings surpluses and Southeast Asian banks have sharply reduced their net liabilities.

Shairp agreed that low leveraging in most Asian economies would muffle the impact of higher rates: "You still have very very low levels of loan deposit ratios, so many of these upturns are not particularly credit-fuelled.

Rob Subbaraman, who tracks non-Japan Asian economies for Lehman Brothers in Tokyo, said any country with potential inflation problems would be hurt if higher US rates fuel dollar strength that translates into import price pressure.

He said Korea was a particular concern, especially as he believes the central bank is likely to be too slow to raise interest rates to moderate the country's rapid recovery.

US Fed ups interest rates to curb economic momentum

WASHINGTON, Feb 3: The US Federal Reserve yesterday raised its benchmark interest rate a quarter of a point to 5.75 per cent in a bid to curb US economic momentum and a surge in inflation, says AFP.

Policymakers on the Fed's Open Market Committee also warned in a statement of inflation risks going forward.

"The committee remains concerned that over time increases in demand will continue to exceed the growth in potential supply, even after taking account of the pronounced rise in productivity growth," said the statement, issued after a two-day meeting here.

"Such trends could foster inflationary imbalances that would undermine the economy's record economic expansion.

"Against the background of its long-run goals of price stability and sustainable economic growth and of the information currently available, the committee believes the risks are weighted mainly toward conditions that may generate heightened inflation pressures in the foreseeable future.

The committee, reacting to recent evidence of upward price pressures in a booming economy, voted to increase its federal funds rate, a target used by banks making overnight loans among themselves, to 5.75 per cent.

The Fed also raised the less important discount rate, charged banks that borrow money from the Federal Reserve system, by a quarter point to 5.25 per cent.

Opting for a quarter point increase in fed funds, rather than the half a point a minority of analysts had predicted, the committee stuck to the gradual approach to monetary policy favoured by its chairman, Alan Greenspan.

Ahead of the meeting, several economists said policymakers would take care not to unsettle the stock market by acting too aggressively. But given the current strength of the US economy, they added, further rate hikes were likely later in the quarter.

An increase in the fed funds target usually induces banks to increase their prime rate, charged their best customers. While such a step drives up credit card costs, analysts say a Fed tightening move usually takes 12 to 18 months before having an impact on the national economy. Federal Reserve interventions are therefore preemptive in nature.

Widely anticipated on financial markets, the Fed decision Wednesday followed a spate of statistics indicating that the US economy was not about to cool down on its own as it extended its expansion to a record-setting 107th month on Tuesday.

Gross domestic product increased a stronger-than-expected 5.8 per cent in the final quarter of 1999, making it the fastest growing three months since fourth quarter 1998.

But the index to which Greenspan is said to pay the closest attention last week revealed that employment costs — wages, salaries, benefits — gained 1.1 per cent in the fourth quarter after 0.8 per cent in the third.

With unemployment at a 30-year low of 4.1 per cent, and in the face of a steadily shrinking pool of available workers, Greenspan fears that employers will be forced to raise wages to attract personnel — increases that sooner or later will be passed on to consumers in the form of higher prices.

While inflation, which in 1999 came to 2.7 per cent, does not pose an immediate threat to the expansion there are signs that upward price pressures are present in the economy. Two measures of inflation used by the Commerce Department showed that consumer prices in the October-to-December period rose two per cent, compared with 1.1 per cent in the third.

Wall Street calm

NEW YORK, Feb 3: Wall Street remained calm following a hike in US interest rates yesterday, with the Dow Jones Industrial Average down 37.85 points, 0.30 per cent, to 11,003.20 and Nasdaq up 21.98 points, 0.54 per cent, to 4,073.96, says AFP.

On the bond market, where prices and yields move in opposite directions, the 30-year Treasury bond yield fell to 6.285 per cent from 6.421 per cent late Tuesday. Standard and Poor's 500 ended the session slightly down at 1,409.12, losing 0.16 points, or 0.01 per cent.

Among the most active stocks on the New York market, America Online gained 4-1/4 to 60 dollars, Compaq fell 13/16 to 27-3/8 and Lucent fell 1/8 to 55-5/16.

Financial stocks were depressed by the rate hikes, with American Express down 4-13/16 to 164-3/16, Citigroup down 1-3/16 to 57-1/16 for Citigroup and JP Morgan falling 1-7/16 to 121-3/16.

General Motors lost 3-7/16 to 81-13/16, after the announcement of the June departure of its chief executive John Smith, who will be replaced by Rick Wagoner.

Among gainers, Hewlett-Packard advanced 4-3/4 to 110-9/16, IBM advanced 3-15/16 to 113-9/16, and Motorola was up 7-13/16 to 144-13/16.

White House steps up pressure on Congress to okay deal with China

WASHINGTON, Feb 3: The White House yesterday stepped up pressure on Congress to approve a landmark trade agreement with China, saying no less than US national security was at stake, reports Reuters.

President Bill Clinton's National Security Adviser Sandy Berger told foreign policy and trade experts that the market-opening agreement with Beijing would have long-term economic and security benefits.

In contrast, denying trade privileges to China would be the economic equivalent of using a nuclear weapon — in other words, the weapon of last resort — he said.

The trade agreement, announced in November 1999, would open Chinese markets and clear the way for Beijing to join the World Trade Organisation, which sets global trading rules.

In exchange for China's reduction of barriers in areas from agriculture to telecommunications, Clinton must convince the Republican-controlled Congress to grant Beijing favourable access to US markets, so-called permanent normal trade relations status.

"It increases the chance that in the new century China will be on the inside of the international system, playing by the rules, instead of on the outside, denying them," Berger said in a speech at the Woodrow Wilson Centre in Washington.

Clinton and his allies in the business community have launched a major lobbying campaign to persuade Congress to approve permanent NTR this year. China currently benefits from this status on a year-by-year basis.

US trade officials tout the agreement's economic benefits, since it would require China to slash tariffs and other trade barriers. Berger cited national security advantages.

"Our future is tied to Asia. And the stability of Asia — economically, politically and militarily — is inextricably entwined with the stability and direction of China," he said, adding, "China cannot maintain stability or ensure prosperity by maintaining the status quo."

Berger credited Congress with renewing China's trade privileges for 20 years in a row despite disputes over human rights and weapons proliferation.

"Congress has not revoked (NTR) through bad times and good, because it's like a nuclear weapon. It's not a very good remedy for what's wrong ... So Congress is reluctant to pull the plug," he said.

"Denying China (permanent NTR) simply would deprive American companies and workers of the full benefits of China's concessions — the favourable market access and dispute settlement that our European, Japanese and other competitors will have," Berger said.