



Star BUSINESS

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Heavy withdrawal ups call money rate to 50pc

Precautionary demand for money creates stress on liquidity: Bankers

STAR BUSINESS REPORT

With the banks going on four-day vacation ahead of Eid, the call money rate yesterday hit 50 percent, a trend usually observed during the pre-Eid periods.

Banking sources attribute the high rate of inter-bank transaction to bank customers who withdraw cash heavily from the banking sector.

The demand, which economists term 'transaction and precautionary demand for money', creates a stress on the liquidity, bankers said.

"The resultant factor of the large volume of cash being in circulation in people's pockets rather than being in the banking sector causes temporary shortfall with the banks."

Therefore, quite naturally, the rate by which the banks exchange short term funds jump to higher levels, explained the banker.

He said its only before the last Eid in November, Bangladesh Bank extensively used the Treasury Bill Repurchase agreement (Repo)

facility in order to maintain a stability of the rate in the market. During the last Eid-ul-Fitr, the call rate remained relatively stable, as the highest rate was 20 percent.

The rate yesterday peaked at 55 percent among the non-banking financial institutions (leasing, insurance etc.) which are generally large borrowers from the inter-bank market.

In the Repo mechanism, Bangladesh Bank supplies money to the banking sector in exchange of banks' excess Treasury bill held with them for a specified period. Bangladesh Bank supplied almost Tk 500 crore on November 9, 2004 through the Repo facility.

However, the situation had changed since November last. Bangladesh Bank discontinued supplying funds in the banking sector through the Repo facility in the last week of December, a leading banker pointed out.

"As a result, we saw a spike of call rate to 40 percent during the year-end on Dec 30 when banks window

dressed their balance sheet by keeping excess money in central bank", he said.

Suddenly on 15th of January, Bangladesh Bank accepted Repo at a higher rate of 10 percent than the usual range of 4.5 percent to 5.5 percent.

To meet the demand from huge cash withdrawals, banks applied for Repo of Tk 770 cr on January 18 this year, which was the last Repo auction before the Eid, the banker said. "However, the central bank accepted less than 1/5th of the bid amount and supplied only 140 cr through Repo, which was also at a higher rate."

Because of this gap, call rates reached 50 percent yesterday and despite repeated requests from the borrower banks, central bank denied to hold Repo auction, the banker explained.

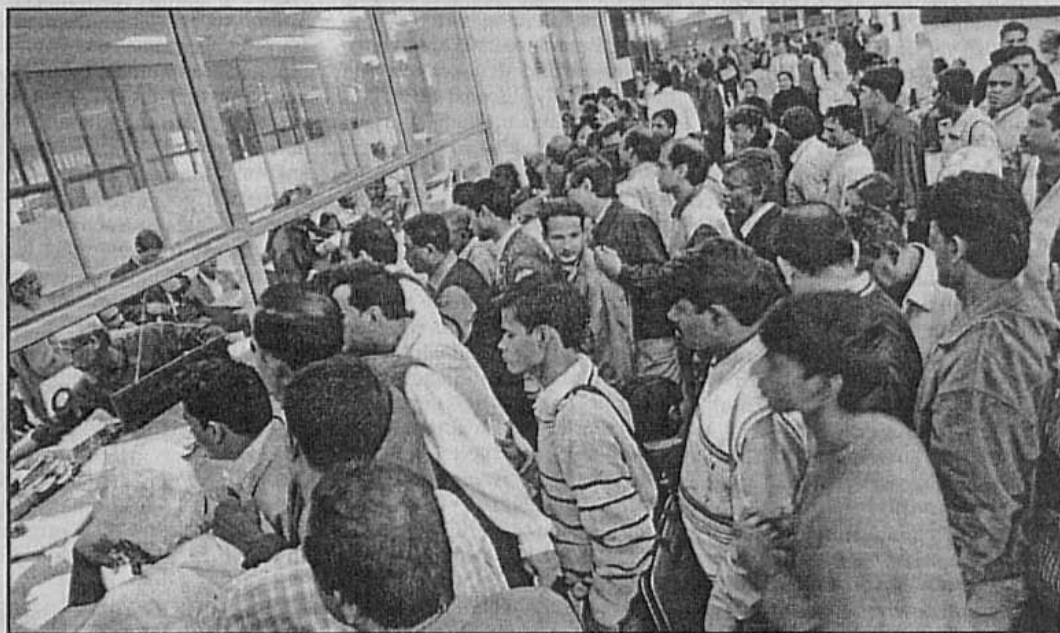
He said that as a result, almost 90 percent of the transactions among banks as well as the NBFIs were settled between 40 percent to 50 percent. Before Bangladesh Bank

decided to supply funds at 10 percent through Repo, most of the banks had closed their shortfalls at high rates. Looking back to last few years, Eid period could have justified an earlier communication to the banks.

He maintained that it had been observed that since the beginning of December 2004, call rates edged higher than the previous ranges. "Higher call rate is an additional cost, which is finally being passed on to the investors and borrowers from banks."

In this situation, banks increase their deposit rates to attract deposits which is again needed to be passed on to borrowers, he said adding that when a bank gives depositors 7 percent for their funds, the grossed up cost becomes around 8 percent because of the reserve requirements.

Paying higher costs for depositors' money would force the banks to keep the lending rates higher, he observed.



A huge number of people crowd cash counters of a commercial bank in Dhaka yesterday, the last working day before the Eid-ul-Azha to be celebrated on Saturday. The banks resume transactions on January 24 after a four-day holiday.

Tesco eyes \$100m garments in '05

British retailer upbeat about Bangladesh's RMG industry

STAR BUSINESS REPORT

Britain's number one retailer -- Tesco that has 2,380 stores in 14 countries -- has set a target to buy garment products worth US\$ 100 million from Bangladesh this year.

Making a positive note about the future of Bangladesh garment industry, John Hoerner, chief executive officer of Tesco Clothing & International Sourcing, said prices of Bangladesh products are excellent and this country is driving to be an ethical sourcing for the buyers.

"There are huge opportunities for us to grow in this country and that's why we have expanded our office in Dhaka," said Hoerner, who is on a visit to Bangladesh for the first time and accompanied by other top executives of Tesco.

He was speaking at the reception organised in honour of him by Bangladesh Garment Manufacturers and Exporters Association (BGMEA) in Dhaka yesterday. Commerce Minister Altaf Hossain Choudhury was present at the function as chief guest.

Hoerner said 10 years back Tesco's turnover was nine billion pound sterling and it recorded a tremendous growth in sales during this time.

"Today Tesco's sales went up to



Annisul Huq, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), presents a crest to John Hoerner, chief executive officer of Tesco Clothing & International Sourcing, while Commerce Minister Altaf Hossain Choudhury looks on at a reception accorded to Hoerner by BGMEA in Dhaka yesterday.

33.5 billion pounds which is equivalent to US\$58.6 billion. We have 2,380 stores in 14 countries of which 1909 are in the UK."

Only low labour cost is not enough, the Tesco CEO said noting that enlightened management and investment in hi-tech are equally important factors for the growth of a company.

Laurent Madelaine, country manager of Tesco, said Tesco started sourcing from Bangladesh two years back. "And our experience here is good."

Responding to the observations of Hoerner, BGMEA President Annisul Huq said garment exporters are trying their best to make this country an ethical sourcing for

the buyers.

Around 39 BGMEA well-trained officials are working in its complaint cell and 17 in the safety cell. They are working together to strengthen the capacity of the association so that these complaints are well addressed, Huq added.

Expanding of Tesco operation in Bangladesh is a positive indication for the garment exporters, the BGMEA president observed.

Speaking at the reception, Altaf said: "We have to do more to be competitive in stiff competition of present age of globalisation."

"The country's economy depends to a great extent on retaining the success of garment exports whose prospects are apprehended to be bleak in the post-MFA era."

"But the initial symptoms in terms of export orders received so far indicate that future might be better than expected," Altaf added.

Customs procedures have been simplified to a great extent and one stop service has been introduced in the Chittagong Port for clearing import and export consignments in an hour, the commerce minister told the reception.

IDLC launches car loan scheme

Industrial Development Leasing Company (IDLC) of Bangladesh, a multi-product financial institution, launched 'IDLC Car Loan' scheme at a function in Dhaka yesterday.

IDLC also announced special discount on processing fee and various gift items to mark the launch. The offers will remain valid until March 31, 2005.

Anis A Khan, CEO and managing director, Yongbok Jo and Syed Ehsan Quadir, deputy managing directors, and Arif Khan, general manager of IDLC, were present at the function, says a press release.

Bank of Japan sees continuing economic recovery

AFP, Tokyo

The Bank of Japan on Wednesday said in a monthly report that the Japanese economy will continue recovering despite some soft patches, leaving its view unchanged from December.

"Japan's economy is expected to continue to recover," the central bank said in the January report.

Exports have been flat and industrial output has been soft, hit by slowing demand in the information technology (IT) sector, but both corporate investment in factories and offices and the labour market were on an upturn, the bank said.

Japan's industrial production rose 1.5 percent in November month-on-month, the first such rise in three months, after falling 1.3 percent in October.

A survey of manufacturers by the trade ministry showed that industrial output may fall 0.9 percent in December, but rise 2.8 percent in January.

India may import genetically modified oilseeds

India, the world's largest importer of edible oils, may allow imports of genetically modified oilseeds (GMO) to meet a domestic shortfall, the country's food minister said on Tuesday.

But any decision on this would be taken keeping in mind the interests of local farmers, Sharad Pawar told an international oilseeds conference.

The country of more than one billion people, which has the world's fourth-largest vegetable oil and oilseeds economy, does not allow imports of GMO seeds. It also imposes a 30-percent duty on non-GMO seeds, which traders say is too high and not viable.

"In order to overcome the shortage of oilseeds and edible oils, there is a need to encourage imports of high oil content oilseeds and to import genetically modified oilseeds, while protecting the interests of Indian farmers," Pawar said.

The domestic oilseed crushing industry often faces a shortage of oilseeds because of low domestic production.

India imports some 40 percent of its annual needs of 11 million tonnes of edible oil. It imported 4.4 million tonnes of edible oil, mainly palm oil and soft oils, in the 2003/04 (November-October) oil year.

Expansion of industrial parks on the cards

Says minister

UNB, Dhaka

The industries minister yesterday said the government is now considering a proposal to expand industrial parks in the country.

"Our first priority is to identify whether there is still available space in the existing industrial parks," he told a press conference at the ministry's conference room.

Replying to a question, the minister said they were not thinking about any price-hike of fertilisers although the prices of gas and diesel have been increased.

To meet the demand of the fertilisers in the country, he said, the government earlier decided to import 400,000 metric tons of fertiliser this fiscal year.

"We are strictly monitoring production, demand, stock and distribution of fertilisers and hope to fulfill the demand successfully," said Motiur Rahman Nizami.

Clarifying the position of the government towards the backward linkage industries, he said: "We are extending cooperation to the backward linkage industries, not regulating them."

Nizami mentioned the cabinet in a meeting January 17 approved the Industrial Policy. "Because of this policy, foreign and local investors would be interested to invest in the country," he said.

The industrial sector was in total disarray before the alliance government took over power, he said adding that they had restored discipline

in the sector.

The minister said: "We closed down eight industrial units under the industries ministry, including Adamjee Jute Mills, Khulna Newsprint Mill, Paksey Paper Mills and Rangpur Sugar Mills."

Any private, entrepreneurs, willing to invest, can buy these units from the government, he said.

The minister said in the Industrial Policy, the government put emphasis on expansion and development of the agro-based and agro-processing industries.

To achieve the growth of and modernise the agro-based sector, the Industrial Policy defined the technology based seed production, expansion and processing of agro-products as industry, he added.

The minister said the policy underscored creating congenial environment to help the women entrepreneurs set up various types of industries. It also put emphasis on creating economic zone as in Malaysia, Thailand and India.

Mentioning the share of the industrial sector in the GDP as 16.3 percent in the last fiscal year, he said the policy indicated how to improve the share of the sector to 40 percent within a decade.

He said as recommended in the Industrial Policy, the government would give a national award each year for "Excellence in Productivity & Quality" to encourage production of world class products and efficient management.

Oil prices steady in Asian trade

AFP, Singapore

Crude oil prices were steady in Asian trade Wednesday ahead of the release of the US oil stocks report, dealers said.

New York's main oil contract, light sweet crude for delivery in March, was at 48.38 dollars per barrel at 11:35 am (0335 GMT), easing off a high of 48.51 and unchanged with the close in New York.

Energy analyst at ANZ Bank Daniel Hynes said traders were reaping themselves for the US stocks report.

"I think everyone's waiting for

the stocks report out of the US before they make any particular move and I suppose the slight easing today is just a result of people positioning themselves for the release," he said.

Concerns over a heating oil supply during a cold US winter and the possibility of oil installations in the Middle East being sabotaged have not eased, he said.

"It all depends on the figures released from US. If we see rising heating oil stocks, prices will fall fairly quickly but if stocks are held at the same level or fall, then we could see prices moving even higher."



KR Kim (3rd from left), president and managing director of southwest Asia headquarters of LG Electronics, speaks at a press conference in Dhaka yesterday. Kim, who is on a two-day visit to Bangladesh, unveiled a range of colour television sets, refrigerators, air-conditioners, washing machines, microwave ovens and latest models of GSM phones and desktop computers as part of LG's business expansion programme in Bangladesh.

AB Bank arranges Tk264m loan for Basic Dredging Co

Arab Bangladesh (AB) Bank Limited has arranged a syndicated credit facility of Tk 264 million for Basic Dredging Co Ltd to support the land development work in Jhilmil residential project area, Keraniganj, Dhaka.

The other participants in the syndication arrangements for the Rajdhani Unnayan Katipakkha (Rajuk) project is The City Bank Ltd.

Kaiser A Chowdhury, president and managing director of AB Bank, Abbas Uddin Ahmed, managing director of The City Bank, and Md Saiful Islam, chairman and managing director of Basic Dredging, signed the agreement on behalf of their organisations in Dhaka on Sunday, says a press release.

New MD of First Security Bank



Mohiuddin Ahmed took over as managing director of First Security Bank recently.

Earlier, he was working as acting managing director of the bank. Ahmed started his career in 1969 as a trainee officer of the then United Bank, says a press release.

Chairman of NCC Bank re-elected



M Wazhiullah Bhuiyan has been re-elected chairman of National Credit and Commerce Bank Ltd.

The board of directors of the bank also re-elected Khairul Alam Chakladar vice chairman.

Bhuiyan is also the founder of Wazhico Group. Chakladar is the chairman of Technical Bangladesh Ltd and Max Electronics, says a press release.

EU upbeat in public as budget pact revamp starts

REUTERS, Brussels

EU finance ministers set aside differences to report positive preliminary talks on the European Union's budgetary rules on Tuesday, leaving the hard bargaining for later while keeping their sights on a deal by March.

Luxembourg Prime Minister Jean-Claude Juncker, who chaired their meeting in Brussels, told a news conference that countries with the most extreme positions on the future of the Stability and Growth Pact were moderating their stances on a revamp.

"We are making progress, the various positions are moving closer and I hope we can conclude within the deadline," he said.

The pact was designed as a warranty for the euro, to ensure that profligate governments did not knock it off course.

But France and Germany, suffering from an economic downturn, exceeded the pact's budget deficit limit 3 percent of gross domestic product for a third year in a row last year, and are among EU states pressing for a loosening of the rules.

Germany, undaunted by criticism from its own central bank, pursued its campaign at Tuesday's meeting, arguing governments should not be systematically subjected to disciplinary procedures when deficits exceed the limit.

BCIC Tender Notice

বিসিআইসি'র পণ্য শিল্পায়নে জাতীয় অগ্রগতির প্রতীক

01. Name of Organization: Chhatak Cement Co Ltd, Chhatak, Sunamganj.
02. Source of funds: Company's own fund.
03. Invitation for tenders Reference No. & Date: (a) CCCL/Pur/C/198/04-05 dtd. 21-12-04, (b) CCCL/Pur/C/Pumps/RT/04-05 dtd. 21-12-04.
04. Time for completion of delivery: Within 21 days.
05. Eligibility of tenderers: Attested photocopy of a) trade licence, b) TIN certificate, c) agency certificate (if agent), d) VAT registration certificate.
06. Price of tender documents: 400/- (four hundred) only per set.
07. Amount of tender security (earnest money): (a) 3,200/- (Three thousand two hundred), (b) 6,000/- (six thousand) only.
08. Name & address of the office(s) selling tender documents: (a) BCIC Head Office, 30-31, Dilkusha C/A, Dhaka, (b) BCIC Branch Office, 6, Agrabad C/A, Chittagong, (c) Accounts Deptt, Chhatak Cement Co Ltd, Chhatak, Sunamganj.
09. Name & address of the office(s) receiving & opening tenders: GM (Comm), Chhatak Cement Co Ltd, Chhatak, Sunamganj.
10. Last date & time for selling tenders: 30-01-05 at office hours.
11. Last date & time for submission of tenders: 31-01-05 at 3:00 PM.
12. Date & time for opening of tenders: 31-01-05 at 3:10 PM.
13. Special instructions: The procuring entity reserves the right to reject all tenders prior to acceptance.
14. Brief description of goods: (a) Arc welding machine, (b) Hydrochloric acid pump & sodium hydroxide dosing pump with electric motor.

BCIC-458-28/12/04
DFP-135-4/1/05
G-33

Md. Azad Islam
General Manager (Commercial)
For Managing Director

District Council, Narail Amendment Notice

All contractors of Narail District Council are hereby informed that the Tender Notice No. 1/2004-05 Memo No. DC/Nara/৯৮/2004-05/171 (500) dated 12-12-04 is amended as the following under unavoidable circumstances.

- A) Last date of : 18-01-2005 (during selling tender office hours). was
- B) Date of : 19-01-2005 up to 1:00 PM. submitting tender was
- C) Date of : 19-01-2005 at 2:00 PM. opening tender was

Amended dates

- A) Last date of : 30-01-05 (during office selling tender hours).
- B) Date of : 31-01-05 up to 1:00 PM. submitting tender
- C) Date of : 31-01-05 at 2:00 PM. opening tender

All other terms & conditions of tender shall remain unchanged.

DFP-31772-01/01/05

G-38