

Remittance grows 14.5pc in FY05

REJAUL KARIM BYRON

Remittance saw a strong boost in the just concluded 2004-05 financial year, recording a healthy 14.5 percent growth.

According to the Bangladesh Bank (BB) statistics, non-resident Bangladeshis (NRBs) sent US\$ 3,866.63 million in the 2004-05 fiscal year, crossing the target by more than \$246 million.

The target for remittance income for the 2004-05 financial year was set at \$3620 million. Remittance inflow maintained a substantial growth in most of the months and in March 2005 it was an all time single month high, amounting to \$401 million. NRBs sent \$349 million in June 2005.

"Remittance service through banking channel has improved significantly in the recent years. Besides, anti-money laundering act is becoming stringent in different countries, discouraging people to send money through hundi," said a top official of the central bank.

Private banks are also taking different measures to increase their

earnings from remittance service and signing deals with the service providers who have strong networks across the globe, he mentioned.

"Some private banks are marketing remittance services very aggressively and providing quick

2001-02 fiscal and \$1,882.10 million in the 2000-01 fiscal.

According to BB statistics, remittance inflow saw a negative growth of 3.45 percent in the 2000-01 financial year.

NRBs send roughly \$ 7 billion

Remittance inflow in last five years		
Financial Year	US\$ million	Growth
FY2004-2005	3,866.63	14.67 %
FY2003-2004	3,371.97	10.12 %
FY2002-2003	3,061.97	22.42 %
FY2001-2002	2,501.13	32.89 %
FY2000-2001	1,882.10	Negative 3.45 %

Source: Bangladesh Bank

and secured services for their clients, which would push remittance inflow in the coming months," the official felt.

NRBs sent \$3,371.97 million in the 2003-04 financial year. The remittance inflow crossed the three billion mark, amounting to \$3,061.97 million in the 2002-03 fiscal year for the first time. Besides, NRBs sent \$2,501.13 million in the

every year and a significant amount of the total amount is still coming through hundi, an illegal way of sending money home, sources said.

"Increase in the number of remitters apart, new initiatives by banks including opening exchange house abroad, signing deals with other service providers are some of the reasons for augmenting remittance inflow in the last fiscal year," said SM

Aminur Rahman, managing director of Janata Bank.

Janata Bank opened an exchange house in Italy in the last fiscal year and it would cover a major part of Europe, he said adding that the bank is offering one percent more than the current exchange rate. It has also engaged some other private operators to receive money from the NRBs and send those to the exchange house.

Sonali Bank, Agrani Bank, Pubali Bank and Islami Bank Bangladesh Ltd are the major players in handling remittance inflow.

Among the private banks, Brac Bank Ltd has already installed online system in 300 outlets (of the Brac's total 1,400 outlets across the country) and extended its remittance service to the rural areas.

The bank, which inked a deal with Western Union last year, will also bring another 150 outlets under its network shortly. Its remittance service recorded over 100 percent growth in the last five months on an average.

BADC takes up 14 schemes to raise farm production

STAR BUSINESS REPORT

BADC (Bangladesh Agricultural Development Corporation) has taken up 14 projects across the country to increase farm production, a top official said yesterday.

Six seed, six irrigation and two fertiliser projects will be implemented in Dhaka, Netrakona, Tangail, Mymensingh, Cox's Bazar, Jhenidah, Faridpur, Rajbari, Gopalganj, Comilla, Pabna, Natore, Sirajganj and hill districts, BADC Chairman Mokhesur Rahman told a

press briefing in Dhaka.

The state-run BADC has also taken up measures to produce more seeds and repair 3,000 deep tube wells.

"Around 10,00,000 tons of seeds are needed annually but we produce only 47,000 tons," said the chairman.

He also said the BADC has been strengthened to help farmers augment agricultural produces.

"We cannot store seeds especially potato and onion seeds for long time due to lack of modern technology. But government has

allocated sufficient budget for the BADC to overcome the problem," he also said.

"The government has allocated Tk 250 crore to repair deep tube wells," he added.

He also said the corporation has also taken up special training programmes for farmers to create awareness about soil, seed, fertiliser and modern cultivation method.

Among others, Iqbal Hossain Khan, Khorsheed Alam and AM Najim Uddin of BADC were present.

British PM renews attack on EU farm spending

REUTERS, Paris

British Prime Minister Tony Blair renewed his attack on European Union farm subsidies that mainly benefit France by saying the bloc needed a long-term budget which would allow it to face global challenges.

Blair, who assumed the rotating EU presidency of Friday, said the 25-member bloc's social model should be modernised and quick action was needed in several areas including jobs, higher education, training, and innovation.

"This implies that we have a budget which reflects these realities," he said in an article written for Le Figaro newspaper, released on Sunday before publication on Monday.

"A modern budget is not a budget which, in 10 years, will still dedicate 40 percent to CAP (Common Agricultural Policy)."

He reiterated that any discussions on cutting in Britain's rebate from the

EU coffers should be linked to CAP reform talks.

Britain won its rebate in 1984 when it was one of the poorer EU countries and got little back from Brussels in

GE reaches deal to sell stake in India's Dabhol

REUTERS, Bombay

General Electric Co confirmed it had reached a settlement to sell its equity in India's mothballed Dabhol power project, a key step in the government's plans to resurrect the facility.

In a statement released at the weekend, the US conglomerate did not specify how much it would receive for its stake in the \$2.9 billion venture. The settlement included the partial payment of contractor claims, GE said.

farm subsidies which at the time made up 75 percent of the EU budget.

Britain is richer now but says that even with the rebate its net contribution to the EU is much greater than that of France.

Blair reiterated the EU was more than a single market and those who insisted the bloc had to choose between free-market principles and social values were presenting a false choice.

He said Europeans were concerned about globalisation, job security, pensions, and living standards and wanted policies which would address such worries rather than fuel them further.

"Let us show them we are up to the job," Blair said.

He welcomed the debate under way about the future of Europe but added: "Debating is not the same as exchanging insults. Nor is it killing new ideas by treating those who want change like traitors to the European ideal."

Malaysia to announce new auto tariffs next month

AFP, Kuala Lumpur

A new tax and tariff structure for Malaysia's auto industry is expected to be announced in August, Trade Minister Rafidah Aziz said Monday.

"I am told, August," Rafidah told reporters of the much-delayed policy for the sector.

Malaysia announced last year that from January 2005 it would cut import duties on cars from Southeast Asian countries in line with a regional trade pact but continue giving local producers rebates to minimise the impact.

Then in January it delayed implementation of that plan until June, pending a review of the tariff structure, on concerns that foreign companies might shelve new investments or even relocate current Malaysian operations.



PHOTO: AKTEL

Rajaduray Selvaduray, chief financial officer of mobile phone operator AKTEL, and Charles CR Patra, managing director of Square Informatix Ltd, exchange documents after signing an interconnectivity deal Sunday in Dhaka.

State of money market: Debacle or correction?

MAMUN RASHID

In recent times, we are observing a bit of uneasiness in Bangladesh money market, especially in the foreign exchange market. The liquidity of US dollars (USD) against Bangladesh taka (BDT) seems to be under huge pressure. As a result, lots of banks reportedly are not being able to meet their L/C payments on time.

BDT has started to depreciate against USD. Most importantly, we are also noticing that the inter bank USD/BDT market is getting fragmented in various tiers. In the inter-bank transaction, USD/BDT is trading at 63.70/80 levels. However, the total amount of transaction at that level is very negligible. Previously, the daily volume was about US\$ 15-20 million whereas the current volume is about US\$ 2-3 million. In the absence of liquidity in the interbank market, Banks are staying away from the interbank market and focusing more on their customer transactions. Since interbank USD/BDT rates are managed not to be quoted beyond a level, the banks, which are desperate to make payments, are even buying USD through other major currencies (EUR/BDT, GBP/BDT, CHF/BDT etc) at an effective rate of Tk 66.00 or even higher, according to newspapers. Besides, there is a large difference between exchange rates being quoted by nationalised and other commercial banks. The nationalised commercial banks (NCBs) are selling USD to their clients at 63.90 levels.

On the other hand, the private commercial banks (PCBs) and foreign banks are selling at around 65.00 or higher level against taka. Although the Bangladesh Bank is doing little to narrow the gap between NCBs and PCBs quoted rates, it reportedly has started taking cognizance of the situation

and is supporting NCBs and some badly hit new generation banks with some foreign currency (FCY) liquidity in settling their pressing payments. However, they are also heard to be constrained by a commitment to hold on to a desired level of foreign currency reserve. This may politically sound bad but practised in many developing or least developed countries for better economic management.

Analysis

question that arises is whether the foreign exchange market has suffered a debacle or it is a mere correction of the market'. To answer this question, we must review the whole background. If we examine our import data, we will find that in July-April 2004-05 fiscal year we have made payment of US\$ 10.56 billion for import L/Cs, which is about 20 percent higher than that of July-April 2003-04 fiscal year. Of these import payments, about 55 percent is made for industrial raw materials and capital machinery. Because of price rise of oil and petroleum products, we had to pay a larger amount as well. Bangladesh Bank and others already expressed their concern about this rise in import payment. They have also suggested that we should take measures to curb the growth of credit to reduce pressure of future import payments. That is why, we witnessed the call money interest rate of BDT soaring above 10 percent for a long period. On the other hand, our export has also shown almost 12-13 percent growth, despite the worries regarding RMG export growth in post-MFA scenario. Although it is still too early to evaluate, the RMG export has shown a remarkable resilience in the face of quota free environment. Moreover, remittances from expatriate Bangladeshis has increased by

almost 15 percent.

In view of the above facts, it is apparent that the current devaluation of BDT against USD is more of a correction than a debacle. While we appreciate the importance of central bank taking cognizance of the market disturbances, bringing in required level playing environment for all operators in the market and supporting liquidity creation in the right target segment, we also have to realise that the economy of the country is passing through a critical juncture. After almost two decades of average 4-4.5 percent growth in GDP, we are now aiming at taking the growth rate at above 6 percent. To achieve that we have invested heavily in industrial raw materials and capital machineries. This additional investment has increased the credit growth of the economy as well as the import payments. As a result, we see absence of liquidity in USD/BDT market. To reduce the credit growth and thereby import payments for the time being and support our export for a longer term, we need to devalue BDT.

The devaluation of BDT will enable us to prioritise the right kind of investments, which will contribute to the GDP growth as well as discourage import and consumption of unnecessary goods and services. It will also provide appropriate incentives to our exporters and expatriate Bangladeshis all over the world, as mentioned. The devaluation of BDT should not hurt the general consumer or common people as long as there is good harvest and we are not importing essential food items. This would only create pressure on prices of luxury goods or 'life style' items mostly used by middle class and upper middle class. Surveys driven by the multinational fast moving consumer goods (FMCG) companies or service sector investors have proven 'enough opportunity space' in this segment.

We of course got to address the interim 'liquidity issue' with better funds management and at times, support from the central bank. However, gradual or market driven devaluation of BDT is also important for us to ascertain whether we are prioritising our investments in productive sectors that will elevate the economy's growth rate to a desired level and discontinue investments in 'not so productive' sectors. Devaluation of the currency does not necessarily reduce the growth of economy rather may channel all the investments of resources in optimum ways. The sectors, which will survive the devaluation, are the real sectors and are capable of generating substantial returns commensurate with their cost. Therefore, the correction of the currency will test the resilience and vision of our private sector as well as the economy to drive the country to the right growth path.

The private sector must take signal from the movement of market variables to allocate their resources in most optimum ways. Above all, we of course need better asset and liability management (ALM) in the financial institutions (FIs) and have to bring in more transparency and granularity in their profitability and depth in reading business as well as industry futures. Right approach in addressing these issues by FIs should also put pressure on their clients to discipline themselves and ensure right organisation and management platform. History says, any correction is painstaking and faces natural resistance, therefore, we got to think dispassionately and drive changes with a 'full view' of the destination.

The writer is a banker.

Asian travel industry still resilient amid high oil prices

AFP, Singapore

Asian travellers face costlier air tickets after oil breached 60 dollars a barrel, but the impact on demand should be limited amid rapid growth in no-frills travel, industry analysts said.

Airlines' profits are expected to be hit the hardest as jet fuel costs account for an increasingly greater share of their expenses, ranging from 17-40 percent of total expenditures, aviation and tourism analysts told AFP.

"A broader concern is what impact high oil prices have on the global economy. If oil prices are sustained at this level and begin to have an impact on the wider economy, it will affect travel demand," said Andrew Herdman, director-general of the Association of Asia Pacific Airlines.

New MD of Prime Ins



AR Bhuiya has recently joined Prime Insurance Company Ltd managing director.

Prior to his present assignment, Bhuiya was the managing director of Crystal Insurance Co Ltd. He started his career in 1967 in the then Pakistan Insurance Corporation, says a press release.