Star BUSINESS

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## Polls spending won't impact inflationary pressure: BB

UNB, *Dhaka*

Bangladesh Bank Governor Dr Salehuddin Ahmed yesterday said the election-related spending during the next month would have no substantial impact on the inflationary pressure.

"The election will only push up the demands for items like bidi, cigarettes, tea and cold drinks… I don't think it will put pressure on the inflation," he said.

The governor made the observation replying to question at a press briefing at the central bank's conference room, arranged to release the Bangladesh Bank Annual Report 2005-06.

Replying to another question whether there would be any impact of black money to be spent in buying votes, he said, "Both who will buy and sell votes will not want to reflect the transactions. So, the money will remain sunk as iceberg. The money would not affect the price situation."

The Annual Report, however, said stabilising the inflation rate would be a major challenge to the policymakers.

The report said besides international factors, some non-economic domestic factors like market manipulation through syndication by major market players and extortion in the supply chains might have, to some extent, added to the up-trend in consumer prices.

The report estimated 7.2 percent inflation as of June 2006 compared to 6.5 percent as of June 2005.

The central bank chief said the inflation was relatively higher in rural areas.

## BB identifies 7 risks in achieving growth target

STAR BUSINESS REPORT

The central bank yesterday identified seven risks, including rising inflationary pressure and obstacles to reforms in the election year, in achieving the GDP growth target.

The soaring oil prices, underpricing of energy products, power shortage, probable adverse effect from RMG sector and political developments centring the general election are the other risks, according to the Bangladesh Bank Annual Report 2005-06 released yesterday.

"Although the annual report predicts a 6.7 percent GDP growth in 2006-07, the actual growth may reach 8 or even 9 percent if the law and order and the political situation remain favourable," the BB governor told a briefing organised to launch the report in Dhaka.

The bank said stabilising inflation rate is a major challenge and suggested continuation of cautious monetary policy and strong administrative measures to break the illegal syndicate of traders of essential products to help contain inflation.

The BB also suggested administrative measures against extortion and smuggling of goods to contain inflation.

The BB report also suggested further rationalisation of the domestic administered prices of petroleum products and consideration of an automatic adjustment of domestic fuel prices to international market prices.

It underscored the need for a strong political commitment to implementing sectoral reform agenda, especially expansion of the tax base, systematic consolidation of tax instruments, improving tax administration and strengthening public expenditure management.

The bank report forecast adverse effects from the textile quota elimination for Bangladesh may come into reality after 2008 when the restriction imposed on China will expire.

Upgrade of infrastructures, development of financial capacity of manufacturers, development of labour compliance standards and development of longtime business relationships are needed for the survival of the garment industry, the report suggested.


PHOTO: PUBALI BANK

**Pubali Bank Director M Faizur Rahman inaugurates the 354th branch of the bank at Badda in Dhaka yesterday. Among others, Managing Director Helal Ahmed Chowdhury was present.**

CSR EDUCATION

## BEI facilitates MoU between 5 varsities, Katalyst

Five private universities and a non-governmental organiation signed a memorandum of understanding (MoU) among themselves yesterday in Dhaka under the auspices of the CSR Centre at the Bangladesh Enterprise Institute (BEI).

The MoU signatories are American International University-Bangladesh (AIUB), Brac University (BU), East West University (EWU), Independent University, Bangladesh (IUB), North South University (NSU) and Katalyst, said a press release.

The MoU aims to bring together the five universities to advance the agenda of incorporating corporate social responsibilities (CSR) in the tertiary programme curricula through synergy and cooperation, and encourage other business schools to introduce CSR into their curricula.

The objective of the MoU is to promote CSR education through the business schools through developing new courses or reorganising existing courses in line with CSR to ensure a better understanding of CSR concepts and practices among current and future business leaders in order to ensure business sustainability.

As per the MoU, signed at the BEI conference room, the BEI will work to coordinate the activities covered under it.

Professor Anwar Hossain of the AIUB, spoke about the universities' role in CSR education.

Iftekar Ahmed, the BEI project director, gave his opening remarks at the MoU signing ceremony, while Rajiv Pradhan, manager of Business Environmental Division at the Katalyst focused on his organisation's CSR education intervention.

## Microcredit not the only tool to alleviate poverty

### Says Salehuddin

STAR BUSINESS REPORT

Microcredit disbursement among the poor is not the only means to alleviate poverty, observed Bangladesh Bank (BB) Governor Dr Salehuddin Ahmed.

He said, "It should not be correct, if we think that only microcredit can wipe out the huge poverty from the country."

Terming the microcredit a major path of poverty alleviation, he said, "Keeping the microcredit disbursement system into effect, we should also concentrate on some other measures like education, agriculture, health and so on to up the living standard of the people below poverty line."

The central bank governor made the comments while addressing the inaugural session of a three-day training programme on Poverty, Microfinance and Development in Dhaka.

Institute of Micro-finance, an independent research and training organization, organised the training programme for media people in a bid to introduce trainees with different innovations of micro-finance in Bangladesh. A total of 25 journalists from both print and electronic media are participating in the training programme.

Earlier, Dr Salehuddin Ahmed formally inaugurated the programme held at the Palli Karma-Sahayak Foundation (PKSF) conference room.

Mosharraf Hossain Khan, deputy managing director of PKSF, and Prof M A Baqui Khalily, executive director of the institute, were also present at the inaugural session.

In his speech, the BB governor also stressed objective reporting to project the country's economic activities to the people.

He said," Awareness is very important to reach out the success of economic activities to the people of remote areas. And in this case, transparency and accountability of reporting on any sort of activities is needed".

Admitting that micro-credit is one of the strong tools for poverty alleviation, he said, urging the journalists to aware the people about its benefits through objective reporting.

Prof M A Baqui Khalily said as international financial institutes in the 60s failed to address the issue of poverty alleviation, the concept of micro-credit came to the fore at that time as a system that can be utilised to get rid of poverty.

"Through the micro-credit system, poor people are now able to innovate how they improve their lifestyle and how they reach out to the upper level of poverty net," he added.

Dr Hassan Zaman, senior economist of World Bank, Dipal C Barua, deputy managing director of Grameen Bank, Imran Matin, director (RED) of Brac, Md Enamul Haque, executive vice president of ASA and Rushidan Islam Rahman, director (Research) of BIDS, presented different aspects of microfinance before the trainees.

Meanwhile, the PKSF established the Institute of Micro-finance in August 2006 in a view to developing the capabilities of such institutions and other stakeholders so that an efficient and sustainable microfinance sector can grow in Bangladesh and other countries through training, research and advocacy.

## China's textile export faces rising pressure from India

PTI, *Beijing*

China's textile and clothing exports rose to record levels at USD 12.72 billion in November but could soon lose their comparative advantages in costs to developing nations like India, the state media reported Monday.

China's textiles exports were up by 30.85 per cent from November 2005, the highest monthly growth in two years, according to the latest customs figures.

However, experts warned against believing the high indicated a new wave of rapid export growth. "It's only a temporary flourishing before fading away," the China Securities Journal reported Monday.

The paper attributed the hike to export firms that were catching their last chance to benefit from higher export tax rebates.

As the textile industries of India, Pakistan and Association of South East Asian Nations (ASEAN) are developing fast, the Chinese textiles exporters are facing the heat from them in the region, it said.

The Ministry of Commerce announced in September that tax rebates for textile exports would be cut from 13 to 11 per cent, but companies that signed export contracts before September 14 and cleared their goods through the customs before December 14 could still claim the original tax rebates.

The government had hoped the measure would force domestic textile firms to be more aware of technical innovations and to develop more products with proprietary intellectual property rights.

The move coupled with the appreciation of the Chinese currency, Renminbi, however, has pushed Chinese textile manufacturers to mark down their prices this year to sustain their exports and offset the negative impact of the rising yuan.

Figures from the National Bureau of Statistics show retail sales of clothing in China climbed 21.5 per cent in November. The growth was 7.4 percentage points higher than the average.

In future, the focus of China's textile and clothing industries would gradually shift from abroad to home, the newspaper said.

After the European Union and the United States set caps on China's textile exports in January, more than 69 per cent of China-made textiles and clothing have gone to the Association of South East Asian Nations (ASEAN), South Korea and African countries.

## SEC issues show cause notices on 4 firms

UNB, *Dhaka*

Securities and Exchange Commission (SEC) yesterday issued show cause and hearing notices on four companies and their high-ups for violating securities laws.

The four companies are Stylecraft Limited, Pharma Aids Limited, Hakkani Pulp & Paper Mills Limited and Central Insurance Company Limited, according to SEC sources.

The capital market watchdog issued show cause and hearing notices on directors, managing directors and company secretaries of the companies for non-submission of audiovisual recording of AGM and non-compliance of rules regarding AGMs and financial statements.

## Taka depreciation level down in 2006

### Says Citibank review

UNB, *Dhaka*

The country's money markets saw a relatively higher level of volatility in the outgoing year (2006), but maintained a lower level of year-on-year depreciation of local currency compared to the previous year.

Compared to about 9 percent in 2005, the taka depreciated by over 4 percent this year, said a review by Citibank NA.

"Gradual shifting of inter-bank volumes from cross currency trades to inter-bank USD/BDT trades" was also a major event the foreign exchange market witnessed during the year, according to the review.

It said historically the movement in USD/BDT rates had been unidirectional -- BDT depreciating against the US dollar (USD). This year the market saw wide range of movements in both the directions as BDT appreciated and depreciated in turns.

By the first quarter of 2006, BDT depreciated by over 6 percent against the US dollar as the market was in buying frenzy for the greenback to settle large amount of payments. As crude oil holds a major share in the import wallet of the country, soaring oil price levels ballooned the import payment figures.

Even the state-owned banks that were traditionally greenback sellers were seen bidding in the market. At the end of the first quarter of 2006, inter-bank USD/BDT rates were trading as high as at Tk 72.25 to a dollar.

However, reduced import payments and improved remittance inflows to the country eased the US dollar demand in the early second quarter of 2006.

The USD/BDT rates gradually moved downwards and by the end of May the rate stood at around Tk 69.50 -- which meant a 3.60 per cent strengthening of BDT from March highs.

The USD/BDT rates remained relatively quite in mid-year. However, the local market experienced a raging appreciation of the Bangladeshi taka in September.

In just two weeks' time, the US dollar lost more than 5 percent of its value against BDT because of record level of remittance inflows.

The inter-bank USD/BDT rates stood at Tk 66.50 in September. However, the strengthening of BDT halted at the end of September, and the US dollar was slowly inching upwards -- gathering momentum for the most turbulent roller-coaster ride of the year.

As November approached, the BDT turned volatile again. In less than a month's time, the BDT appreciated by almost 5 percent. When everyone thought the rampant move was over, the market turned back and BDT went for a free fall.

In another two weeks, the BDT depreciated by more than 5.50 percent. Despite the volatility, year-on-year, the BDT depreciated by less than 4 per cent in 2006 because of the both-way movements.

A significant trend in 2006 was a shift of volumes from the third currency-based cross currency transactions to USD/BDT inter-bank transactions.

"Last year, we saw most (approx. 95 per cent) of the inter-bank transactions routed through the third currency trades," the review said.

But, as market became more accommodative to wider exchange rate movements, market participants were encouraged to conduct their trades to more simple and customary USD/BDT channel.

By the end of December, almost all the trades are done through the USD/BDT inter-bank market.

Call rates started with higher note in 2006. The rates ranged from 10 percent to 20 percent in the first quarter of the year. Due to liquidity mop-up programme by the central bank at the end of March 2006, the call rates soared skywards for a week.

The rates shot as high as 40 per cent on the last day of March in a number of call money market trades.

However, the following day, the rates came down below 30 per cent. The call rates remained bullish till May. During this time, the call rates were trading at a range of 15-25 percent.

Due to higher call rates, banks became increasingly involved in mobilising deposits and restraining credit growth.

As a consequence, by the end of June, the local market was swamped with liquidity and the overnight rates dropped very fast.

However, the central bank stepped in to support the overnight rates by taking Reverse Repos at 6.50 percent. Because of improved liquidity and central bank's support through the Reverse Repo rates, the call rate remained stagnant around 6.50 percent for the last six months.

## Oil leaps above $63

REUTERS, *Singapore*

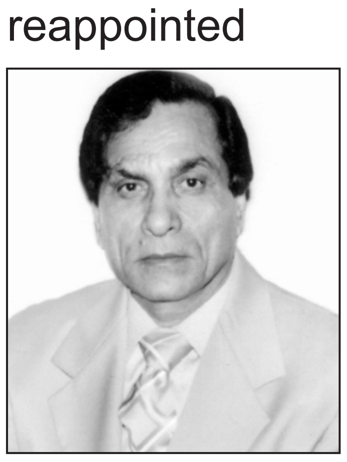
Oil rose more than 1 percent to over $63 a barrel on Tuesday after Iran threatened to use oil exports as a weapon following the UN Security Council's decision to impose sanctions on its trade in nuclear goods.

Chillier weather approaching the US Northeast and news Abu Dhabi had become the first to implement fresh Opec supply cuts added to the gains that followed two days of losses.

US crude climbed 66 cents or 1.06 percent to $63.07 a barrel by 1102 GMT in electronic trade. Brent crude jumped 78 cents to $63.20 a barrel.

After months of deadlock over Iran's dispute with the West in connection with its nuclear program, the Security Council agreed at the weekend to impose sanctions on Iran's trade in nuclear materials and technology, drawing a warning from Tehran.

## Standard Bank MD reappointed



Mosharraf Hossain

Mosharraf Hossain has been reappointed for the 3rd consecutive terms as managing director of Standard Bank Limited recently, says a press release.

Because of his distinctive competence in 35 years of banking career he is well known as an efficient banker.

## Railway pushes Tibet growth to 10-year high

AFP, *Beijing*

A railway linking Tibet with China's densely populated east has helped push the Himalayan region's economic growth to a 10-year high, state media said Tuesday.

The region expects its economy to expand 13.2 percent this year, the official Xinhua news agency said, citing local government statistics.

The July opening of a railway from the Tibetan capital Lhasa to neighboring Qinghai province is believed to be "the key factor" in promoting development this year, according to Xinhua.

The 1,142-kilometer (710-mile) track climbs a peak of 5,072 meters (16,737 feet) above sea level, making it is the highest railway in the world.

Beijing sees the rail line as an important tool in modernizing and developing Tibet, which has been part of China since Chinese troops occupied the region in 1950.

However, critics argue the line will allow the Han Chinese, the national majority, to flood in to Tibet, leading to the devastation of the local culture as well accelerating environmental degradation of the pristine region.

Tibet is one of China's poorest regions. A Tibetan farmer earns an annual income of just 1,860 yuan (240 dollars), compared with a national average rural income of 2,936 yuan.

In the period from 2001 to 2005, Tibet witnessed average annual economic growth of 12 percent, according to Xinhua.

PHOTO: UCB

**Md Jahangir Alam Khan, chairman of the executive committee of United Commercial Bank Ltd (UCB), opens the 81st branch of the bank at Gohira of Raozan in Chittagong recently. Directors MA Sabur, M A Kalam, Shabbir Ahmed, and Managing Director Hamidul Huq were present among other senior officials.**

## National Tubes declares 60pc cash dividend

National Tubes Ltd, an API pipe producing company, has declared 60 percent cash dividend for the year 2005-06.

The dividend was declared at the company's 26th annual general meeting (AGM) at Tongi in Gazipur yesterday, says a press release.

Mohammad Abu Jafar, additional secretary of the government and chairman of National Tubes, presided over the AGM.

The company earned a pretax net profit of Tk 7.75 crore during the fiscal year 2005-06, the release added.


PHOTO: JAMUNA BANK

**Md Tajul Islam, director of Jamuna Bank Ltd, inaugurates the 26th branch of the bank on Main Station Road of Basurhat in Noakhali recently. Other high officials were present.**

## Indian builders under tough tax rules

ANN/ THE STATESMAN

The real estate sector, which has been making millions in profits over the past few years, has now come under the scanner of income tax department.

"The builders who have not paid a single penny as corporate tax while floating schemes every other day, have come under our notice," a senior official in the finance ministry said.

He said the investigation wing of the IT department has kept a close watch on investments made by the companies, besides conducting search operations and scrutinising their documents. This has resulted in substantial tax deposits by the companies.

Parsavnath Builders deposited Rs 50.8 crore advance tax till December, as against Rs 9.5 crore during the corresponding period last fiscal.

The Omaxe Group, which had not deposited any advance tax by December last fiscal, has this time deposited Rs 30 crore.

The biggest surprise, sources said, is the increase in advance tax deposited by DLF Universal from Rs 3 crore last year to Rs 132 crore this fiscal.

Rising profits in real estate, coupled with efforts of the IT department, have led to an increase in advance tax deposits by builders, a senior official said adding that the government is also ready to encash the real estate boom.

The Eros Group and GTM Builders have also deposited Rs 40 crore and Rs 20 crore respectively after investigations were conducted by IT sleuths, the sources said.

## Broadband revolution on the cards in India

ANN/ THE STATESMAN

After the exponential growth in the telecom sector, India is now going to witness a broadband revolution, thanks to the New Telegraph Act and the new technology which can provide seamless broadband connectivity throughout the country.

At present, the total number of broadband subscribers is a mere 1.32 million which is likely to increase to five million in the next financial year. If all goes well it would be around four times growth in a year.

Government owned telecom players as well as private telecom players have already planned to make huge investments in the broadband sector to make 2007 the year of broadband in the telecom sector.

BSNL has plans to increase its capacity from one million broadband connections to five million capacity from next year.