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BB needs to monitor mid-sized banks' credit growth: IMF

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The medium-sized banks whose credit is growing by 20 to 30 percent and whose non-performing loan (NPL) ratios are about 10 percent should be more closely watched, said a report of International Monetary Fund (IMF).

"Bangladesh Bank needs to move more closely in line with best practice standards for banks' accounting, loan classification, and provisioning requirements," said the IMF report released on Wednesday.

The IMF in April this year prepared the paper on 'Bangladesh: Selected Issues' which include a series of reports on Bangladesh's readymade garment, bank, revenue, remittance, inflation, state-owned enterprises and aid flow to Bangladesh.

The IMF paper said at this time, the risks posed by recent credit growth appear to be limited, but they need to be closely monitored.

Former deputy governor of Bangladesh Bank (BB) Khondker Ibrahim Khaled said if the credit growth matches deposit growth, there would be no need for 'extra monitoring'.

Banks can disburse up to 80

percent credit against their deposits, Khaled told The Daily Star.

The IMF also said newer small banks are experiencing the most rapid growth in their loan portfolio, but they are the smallest banks and together this group accounts for 5 percent of banking system deposits.

"The second quintile of banks in terms of credit growth is also relatively small with a total share of 10 percent of system assets but whose performance ratios appear sound," it said.

However, it said much stricter monitoring is needed of the middle quintile, representing ten banks whose average loan growth is 25 percent annually and who already have non-performing loans slightly over 10 percent of their loan portfolio. This group of banks represents about 17 percent of total system deposits.

The IMF report said rapid credit growth poses particular risks when banking intermediation is inefficient. "Credit to the private sector has increased at an average annual rate of 18 percent over the past three years, even while lending to the private sector by the largest three state banks has been restricted to no more than 5 percent

annually."

It said some private banks saw strong growth in their loan portfolios, averaging over 40 percent annually.

The report said private commercial banks and stock exchange have seen the most rapid growth in the last five years. "Assets of domestic private commercial banks increased from 19 percent of GDP to 29 percent of GDP between 2001 and 2006. The stock exchange more than doubled in size relative to GDP."

According to the report, relatively high lending rates are a sign of weak financial intermediation. "Bangladesh's bank lending rates are on average around 15 percent with some rates much higher, while rates on lending to agriculture and state-owned enterprises by the state-owned banks are much lower."

It said these rates are relatively high compared to other Asian countries where they are between 8 and 12 percent on average although inflation rates are at similar levels. "The higher lending rates could reflect perception of higher risk in Bangladesh," it said.

The IMF report also said persistently higher interest rate spreads

are another sign of inefficiencies in the banking sector. "Interest rate spreads have remained high at between 6 and 8 percent since 1983. Improved economic conditions, and measures to strengthen bank performance have not been translated into lower interest rates," the IMF said.

It said private banks' deposit rates have risen most sharply, while both deposit and lending rates for nationalised commercial banks have dropped significantly.

Deposit rates of private banks average 9 percent compared to 5-6 percent for foreign banks, the report said adding that in contrast to the situation three years earlier, deposit rates of private banks now significantly exceed rates offered by state banks.

The report said Bangladesh's financial system is relatively shallow. Total financial sector assets amount to about 69 percent, with banking sector assets accounting for the bulk of assets or 58 percent of GDP.

Finally, the report said Bangladesh needs a sound financial sector and efficient financial intermediation to support sustained growth.

Int'l food festival begins at Dhaka Regency Hotel

STAR BUSINESS REPORT

A nine-day international food festival began at Dhaka Regency Hotel on Thursday to mark the formal opening of the newly launched hotel's restaurant.

The festival remains open from 7pm to midnight at the restaurant, Grandiose, on the 6th floor of the five-star hotel until July 13, officials said.

Industries Adviser Geeteara Safiya Choudhury formally inaugurated the festival.

Located near Zia International Airport, Dhaka Regency is the venture of British Bangladesh Investment Group, a consortium of Bangladeshi British nationals.

Inaugurating the food festival, the adviser said Bangladesh needs to develop its hotels to attract more tourists.

She also hoped more investors will invest in tourism sector.

During the festival, the dinner costs a person Tk 650 excluding services charge and VAT, Arif Mutahar, managing director of Dhaka Regency, said.

Continental, Italian, Arabian, Thai-Chinese and Indian dishes are available during the festival. Besides, the food lovers can also taste fresh juice, salad and different dishes of Lebanon, Mexico, Mongolia, Egypt, Spain and Morocco, he added.

The Daily Star, the Jugantor, Channel I and radio Today are the media partners of the festival.

Former chairman of Privatisation Commission Enam Ahmed Chowdhury also spoke at the function.

Food prices set for 'long-lasting' inflation: Nestle chairman

AFP, London

Food prices around the world are set for a "significant and long-lasting" period of inflation because of a variety of factors, including demand from China and India, Nestle's chairman said in an interview published Friday.

The use of crops for biofuels and general population growth would also continue pushing food prices higher, Peter Brabeck told the Financial Times while on a trip to China.

"They will have a long-lasting impact on food prices," Brabeck told the business daily, referring to long-term and structural factors affecting prices.

He also cited rising demand from "the phenomena of India and China" as leading to higher food prices.

According to the FT, corn prices have risen about 60 percent in the past year, and wheat prices have gained about 50 percent in that time, while sugar, milk and cocoa prices have also increased.

Unilever eyes stake in Chinese toothpaste maker

AFP, Shanghai

Anglo-Dutch consumer products giant Unilever is eyeing a stake in Chinese personal hygiene firm Shanghai White Cat, which was recently at the centre of a safety scandal, state media said Friday.

"We have approached them," Unilever China vice president Zeng Xiwen was quoted by the China Business News as saying.

"(We) do not rule out the possibility of Unilever acquiring White Cat."

Last month, White Cat admitted to mixing potentially dangerous diethylene glycol, or DEG, into its Maxam brand toothpaste that is exported, helping to heighten global fears about the safety of Chinese-made products.

The Shanghai-listed firm said at the time, the chemical, a thickening agent used in car anti-freeze, was commonly used in toothpaste production and at low levels was not harmful to people.

But the United States Food and Drug Administration said DEG it poses a "low but meaningful" risk to children and people with kidney or liver disease.

Unilever has had a licensing agreement with White Cat's Zhong Hua toothpaste since 1994, although that brand was not among those said to contain DEG.

Industry insiders have long speculated that the European firm is keen to better entrench itself in China's booming consumer market by buying into a well-entrenched firm such as White Cat.

Donors must do more to help poor states achieve MDGs

SUPRO meet told

STAR BUSINESS REPORT

The donor states must fulfil their commitments towards global poverty elimination in order to help the poor countries attain the Millennium Development Goals (MDGs), speakers told a function in Dhaka yesterday.

They also said the rich countries should write off the debts of the poor nations to help them overcome the millennium challenges.

They were speaking at the launch of a campaign titled "Progress, Review & Evaluation of MDGs: Nothing for Complacency", according to a press release.

Campaign for Good Governance, or SUPRO, a non-government organisation, launched the campaign on the eve of Mid-Term Review of Millennium Development Goals.

The donor countries promised to contribute 0.7 percent of their national incomes towards attaining the MDGs, but they are now putting in only 0.33 percent, the speakers said.

Unless poor countries like Bangladesh get more foreign aid to fight poverty, attaining the MDGs would be even harder, they added.

According to the latest data of Bangladesh Bank, foreign aid in only 0.33 percent, the speakers said.

More than 40 percent of the country's population live on less than a dollar a day, while 36 percent are facing extreme poverty, he added.

The country spends 20 percent of its national budget just to pay off interests of the debts, he added urging the donors to consider writing off the debts of countries like Bangladesh to help achieve the MDGs.

SUPRO Chairperson Abdul

Awal presided over the conference, while General Secretary Rezaul Karim Chowdhury and Chief Executive Officer Prodip Kumar Roy spoke.

Coordinator-Policy Research Aminul Haque in the keynote speech said although Bangladesh is doing remarkably good in achieving the MDGs, it still has to face a number of challenges.

More than 40 percent of the country's population live on less than a dollar a day, while 36 percent are facing extreme poverty, he added.

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Siemens AG head of Asia, Australia due today

Dr Klaus Wucherer, head of Asia and Australia and member of the Corporate Executive Committee of Siemens AG, is expected to arrive in Dhaka today to take part in the Siemens' 50-year celebration in Bangladesh, says a press release.

Siemens AG is a Germany-based multinational company with a business portfolio of activities in the field of electronics and electrical engineering.

Wucherer joined Siemens AG in 1970 as a project engineer at the Siemens Regional Office in Bremen, Germany. In 1978 he became the head of Drives, SIMATIC, Process Control Computers Department.

India's Wipro to buy S'pore consumer products firm for \$246m

AFP, Bangalore

Wipro Ltd, which built India's third-largest software business after starting out as a maker of oils and soaps, said Friday it would buy Singapore-based consumer products firm Unza Holdings for 246 million dollars.

Bangalore-based Wipro signed definitive agreements to acquire Unza in a transaction expected to be completed by the end of July, catapulting the combined entity into a strong Asian force, the company said here.

Unza is Southeast Asia's largest independent maker and marketer of personal care products, with a presence in more than 40 countries.

Unza has manufacturing plants in Malaysia, Vietnam, China and Indonesia. Its sales last year grew 14 percent in dollar terms, well ahead of market growth rates in the region.

Wipro Consumer Care and Lighting reported revenues of 8.18 billion rupees (202.5 million dollars) for the financial year ended March, clocking growth of 36 percent. It makes soaps and office furniture and has domestic and commercial lighting businesses.

The purchase is only the latest overseas asset acquisition this year by an Indian firm, attesting to the growing clout abroad of an economy that grew at a record 9.4 percent pace in the last financial year.

Corruption fight 'matter of life and death'

UN business summit told

AFP, Geneva

An anti-corruption watchdog on Thursday warned business leaders at a United Nations summit to urgently tackle corruption costing the global economy some 2.5 trillion dollars (1.8 trillion euros) to help lift millions out of poverty.

Huguette Labelle, chairwoman of Transparency International and board member of the UN Global Compact, said the amount that the World Bank estimated was lost by corruption would be "quite enough to help us remove those that are at the edge of survival around the world to a much different level."

More than 600 senior executives are attending a two-day meeting, which began Thursday, of the Global Compact, a seven-year-old partnership between the UN and companies set up by the previous UN chief, Kofi Annan.

The core concerns of the Compact, such as corruption, transparency and corporate and social responsibility, are "matters of life and death for today and tomorrow," Labelle said at a press conference.

The Compact "provides the stimulus for businesses to act with social responsibility, with environmental sustainability, and with transparency and integrity," she added.

UN Secretary General Ban Ki-moon stressed the same point and urged the 4,000-odd businesses who have signed up to the Compact to implement its 10 principles at all levels of their operations.

"While significant strides are being made we must not be complacent... Companies need to deepen their integration of the Global Compact principles, especially with respect to subsidiaries and supply chains," Ban said.

Apart from anti-corruption measures, the Compact's 10 principles cover labour relations, human rights and the environment.

The UN's first ever survey on the Compact published this week revealed major shortcomings in a sample of about 400 participants, especially in human rights and anti-corruption, despite overall progress.

At least one of the companies

with participants registered for the meeting, electric engineering giant Siemens, is embroiled in corruption investigations in Germany, including allegations of setting up a slush-fund to obtain foreign contracts.

French Foreign Minister Bernard Kouchner, addressing the opening session of the Compact, said there were limits to what it can achieve given its voluntary nature and hinted that legally-binding resolutions might be necessary.

"Given that countries are increasing the number of constraints in the aim of making environmental responsibility a legal imperative, can corporate and social responsibility be limited to a self-defined code of good conduct?" he asked.

Compact director Georg Kell acknowledged this voluntary aspect limited its capacity to influence corporate behaviour.

"The Compact is only a complementary tool, it can never substitute for effective regulation at country level, that goes without saying," he said.

Indian inflation rises but within central bank target

AFP, New Delhi

India's inflation rate jumped by a surprise tenth of a percentage point, snapping ten straight weeks of decline, but remained at a 14-month low, official data showed on Friday.

Inflation rose to 4.13 percent for the week ended June 23, on the back of higher food costs, from 4.03 percent a week earlier, but was lower than the 4.84 percent registered a year ago, according to the wholesale price index, India's closely watched cost-of-living monitor.

This week's figure, which defied analysts' forecasts that it

would remain flat, was still comfortably within the central bank's medium-term inflation target of 4.0 to 4.5 percent and well below its goal of close to five percent for the current financial year to March 2008.

Economists have said the central bank will be closely watching the inflation pattern ahead of its next policy review on July 31, but they expect it to leave interest rates on hold.

The rise had no impact on the share market, which raced past the 15,000 points mark for the first time.

The benchmark Sensex rose as much as 145.33 points or 0.97

percent to a new intra-day record of 15,007.22, before closing at 14,964.12, up 102.23 points or 0.69 percent.

Some economists say the central bank may shift its monetary policy stance to neutral from hawkish at its end of the month meeting but others say rising crude oil prices could upset the picture.

The central bank has hiked benchmark interest rates nine times since late 2004, driving borrowing costs to five-year highs.

Among food items, maize, fish-marine products, fruits and vegetables and pulses cost more as did dairy products. Mineral prices also rose.



Dr Salehuddin Ahmed, governor of Bangladesh Bank, speaks at a workshop on 'Risk Management & Disclosure Requirement of Banks under Basel-II Regime: The Role of Management Accountants' in Dhaka on Thursday. Faruq Ahmad Siddiqi, chairman of Securities and Exchange Commission, among others, is seen.



Industries Adviser Geeteara Safiya Choudhury visits a nine-day international food festival that began at Dhaka Regency Hotel on Thursday.

Dhaka gets \$23.6m WB loan to improve public procurement system

UNB, Dhaka

The World Bank (WB) has approved a credit of US\$23.6 million from International Development Association (IDA) to help improve public procurement system of Bangladesh.

The approval was given in Washington on Thursday, the World Bank said in a statement issued here yesterday.

The credit from IDA, the WB's concessional arm, is interest-free and has 40 years to maturity with a 10-year grace period. It carries a service charge of 0.75 percent.

"Public procurement is an integral part of the development process and a priority area for governance improvement," said WB Country Director Xian Zhu.

He said budgets get translated into services in large part through the operation of the procurement system.

"Improving the use of public resources with greater efficiency, transparency, and accountability, and tackling corruption will contribute to reducing poverty," he added.

The Public Procurement Reform Project II will support procurement reforms by improving procurement

quality through better management and monitoring.

It aims to strengthen procurement management at sector level, maintain a sustainable programme for creating skilled procurement professionals, and will introduce electronic government procurement system in target agencies and the Central Procurement Technical Unit on a pilot basis.

It is also designed to create greater awareness of a well functioning public procurement system by engaging civil society, think tanks, and the private sector.

The project will target four agencies of key sector ministries (target agencies) -- Roads and Highways Department, Local Government Engineering Department, Rural Electrification Board, and Bangladesh Water Development Board -- chosen for the size of their annual procurement spending.

The Country Procurement Assessment Report 2002 for Bangladesh identified procurement as the single most significant issue affecting public sector performance, with enormous wastage of money.

The Public Procurement Reform Project II will support procurement reforms by improving procurement

Baht hits 10-yr high against dollar

ANN/ THE NATION

The Thai baht broke the psychological 34-baht barrier to reach a new 10-year high against the US dollar, prompting the Bank of Thailand (BOT) to warn exporters not to panic as it has acted to stem the currency's rise.

The baht peaked at 33.98 to the dollar in afternoon trading on Thursday, before closing slightly weaker at 34.00-34.02.

Four business associations met officials at the central bank to discuss the currency's rise.

Thai Chamber of Commerce vice chairman Phongsak Assakul said after his meeting that exporters would be affected tremendously by loss of competitiveness if the currency rose above 34 baht to the greenback, particularly small and medium-sized enterprises and those in the agricultural and textile sectors.

He asked the BOT to keep the baht in line with regional currencies, particularly the Chinese yuan and Vietnamese dong. Thai exporters currently cannot make profits and are even making losses, which would have a big impact on the country's competitiveness in the long run, he said.



Mantra Mega Shop was opened at Kakrail in Dhaka yesterday. Sajju Hossain, executive director of Ittefaq Group of Publications, formally inaugurated the outlet while Arshad Hossain, managing director of the supermarket, was present among others.