

Stocks

DGEN ▲ 0.16%
3,001.45

CSCX ▲ 0.42%
6,639.87

Asian Markets

MUMBAI ▼ 0.36%
15,020.16

TOKYO ▼ 1.42%
10,435.00

SINGAPORE ▼ 1.00%
2,571.31

SHANGHAI ▼ 4.66%
3,112.72

Currencies

	Buy Tk	Sell Tk
USD	68.42	69.42
EUR	94.94	100.14
GBP	110.89	116.32
JPY	0.70	0.78

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▼
\$942.00
(per ounce)

Oil ▼
\$69.35
(per barrel)

SOURCE: AFP
(Midday Trade)

News in Brief

Macy's profit falls



AP, New York

Macy's Inc posted a lower second-quarter profit Wednesday as the department store chain's results were weighed down by costs for consolidations and efforts to localise merchandising to local markets.

The Cincinnati-based chain also boosted its full-year profit outlook as it benefits from the cost-cutting, but the expected range of 70 cents to 80 cents per share is mostly below average analyst estimates of 79 cents per share.

Indian industry rebounds sharply in June

AFP, New Delhi

Indian industrial output rose at its fastest pace in nearly a year and half in June, official data showed Wednesday in a sign that Asia's third-biggest economy is emerging from a downturn.

Industrial production increased 7.8 percent from a year earlier in June, after a 2.2-percent rise in May, data from the Central Statistical Organisation showed.

The rate of expansion was the highest since February 2008 when industrial output had risen 8.6 percent.

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Budget to get half-year review

Falling investment threatens growth target, say economists at CPD discussion

STAR BUSINESS REPORT

The government will go for a half-yearly review of the national budget in December to assess the implementation progress of development programmes for the current fiscal year, Finance Minister AMA Muhith said yesterday.

"Based on the review, we will decide allocation and reallocation of funds for development projects to attain targeted objectives," he said at a dialogue on implementation issues of fiscal 2009-10 budget, organised by Centre for Policy Dialogue (CPD) in Dhaka.

"By this time we should also be able to measure the impact of global recession on our economy and understand what we need to do," he said.

Chaired by CPD Chairman Rehman Sobhan, the discussion was addressed, among others, by former finance adviser Mirza Azizul Islam and former finance secretary Siddiqur Rahman Choudhury.

CPD Distinguished Fellow Debapriya Bhattacharya presented a paper.

The economists at the discussion expressed fear that weak investment would be a major challenge for the economy to achieve the targeted growth between 5.5 percent and 6 percent.

They observed that the sluggish investment threatens government revenue collection and proper implementation of the current budget, which will also make it difficult to generate employment and reduce poverty.

"Propping up investment will be a major challenge," said Debapriya Bhattacharya.

Revenue collection, employment generation and poverty reduction targets will be difficult to meet unless the overall investment situation improves, he said.

To overcome the challenge, the speakers laid emphasis on boosting public investment through faster implementation of annual development programme (ADP) for stimulating private investment.



Finance Minister AMA Muhith (L) speaks at a dialogue on implementation issues of fiscal 2009-10 budget, organised by Centre for Policy Dialogue (CPD) in Dhaka yesterday. CPD Chairman Rehman Sobhan (2-L) and former finance adviser Mirza Azizul Islam (middle), among others, are seen.

Private investment situation remained almost dull in the last couple of years. Initial slackness in investment is blamed for fear among businesses during the immediate past caretaker government. However analysts expected that the situation might improve after the general election.

But consistent power crisis and the fear of negative impact of global recession are dampening investment sentiment, although banks now have adequate funds for lending.

"There is a serious problem in private sector investment demand," said Mirza Azizul Islam.

Aware of the situation, Muhith said there are some impediments, over which the government has

no control.

"We know we have no control on some impediments. But I don't think the 'fear climate' is at all there," he said.

Power shortage, fear of the impact of global recession and problems in administrative process hurt investment, he added.

Muhith said the government would go for massive investments in energy, water resources and ICT sectors within a couple of months to attract private sector investment.

But given the targeted budget deficit at about 5 percent of GDP (gross domestic product), the government depends much on financing from domes-

tic sources, mainly banks, to implement its programmes.

The economists said ensuring finance from the banks would not be a problem amid the liquidity glut in the banking sector. But unrealised foreign financing targets will put additional burden on bank borrowing, they said.

The CPD predicted that investment might pick up in the second half of the current fiscal year and it could lead to higher credit demand from private sector.

Noting unrealised foreign financing goals, the private think tank warned that the situation would aggravate the concern of a crowding out effect or create resource gap for ADP financing.

The former finance adviser however said the government borrowing would not hurt credit flow to the private sector. "Earlier it had not affected, and I hope it will not this year given excess funds in the banks," he said.

"But it is understandable that no new electricity connection would be given and power supply from industrial units will be shifted to serve prayer needs of the Muslim devotees during Ramadan," said the former adviser to the immediate past caretaker government.

"So there will be less investment," he said, "It is unlikely to achieve a 6 percent GDP growth for the current fiscal year."

About poor ADP implementation, Azizul blamed delay in revision of projects due to faulty preparation. Problems in acquiring land by the government especially by ministries concerned also hamper timely implementation of ADP, he said.

He also expressed doubt over the expected outcome through the planned Public-Private Partnership (PPP) programmes to draw investment.

Citing the deadlock in shifting the tannery units from Hazaribagh to Savar, Azizul said the tannery operators were reluctant to accept a 20-year loan with 5 percent interest rate for establishing an effluent treatment plant.

"I hope the PPP won't become publicly funded private projects."

Remittance drives banks to open exchange houses abroad

SAJJADUR RAHMAN

Private commercial banks (PCBs) are scrambling to open exchange houses abroad to cash in on increasing business driven by inward remittances, officials said.

At least half a dozen banks sought permission from Bangladesh Bank to open nearly 10 exchange houses in remittance destinations, such as Canada, Italy, Singapore and the UK, central bank officials said.

Currently, eight local banks -- including the state-owned four -- have 28 exchange houses abroad, BB data shows.

"Exchange houses will help route more remittances through the banking channel," said Shah Alam Sarwar, managing

director of Premier Bank that has sought to open exchange houses in Singapore and the UK.

Bangladesh received \$9.67 billion in remittance in fiscal 2008-09 despite the recession that hit many countries. The World Bank has projected that Bangladesh's inward remittances for the current fiscal year may reach \$11 billion.

Bankers and experts believe a huge amount of remittance is flowing through an informal channel popularly known as hundi for its faster and cost-effective services.

The central bank encourages banks to open their own exchange houses in foreign countries to send in more remittances through the banking channel.

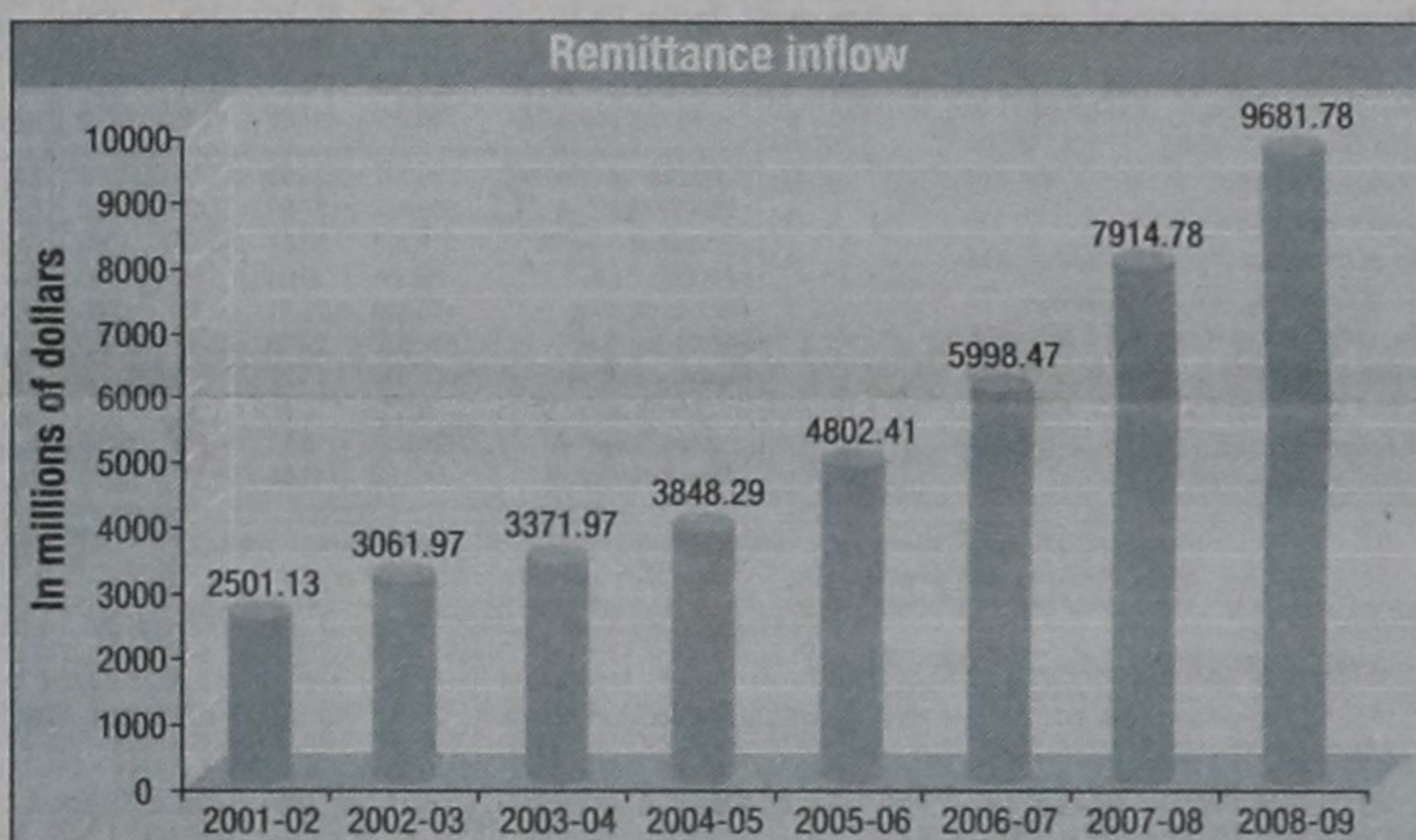
The BB has also allowed the banks to team up with local nongovernmental organisations to fast-track services to remittance beneficiaries.

"As part of the move, the BB is a bit more flexible than before in allowing banks to open exchange houses," said a BB official, asking not to be named.

Earlier, state-owned banks had the monopoly in opening exchange houses. The PCBs had to rely on drawing arrangements (DA) with exchange houses abroad.

Currently, 40 banks have over 800 DAs with 280 exchange houses in different countries, but the BB official said DAs alone cannot boost the flow of inward remittances.

"If a bank has its own exchange house



it gives remitters a morale boost," said Shah Alam Sarwar of Premier Bank.

PCBs which have applied to the central bank to open their own exchange houses are: First Security Islamic Bank for Canada and Italy, Prime Bank for the UK, Premier for Singapore and the UK, and EXIM Bank.

EXIM has applied to open a number

of exchange houses in different countries, the BB official said without disclosing the numbers and countries.

"Bangladeshi banks have no exchange houses in Korea, Japan, Australia and some East European countries due to strict regulations there," said the BB official.

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Pedestrians walk past a BRAC Bank ATM booth in Bogra town. Increasing bank branches are providing jobs to local people.

Bogra banks bring jobs

HASIBUR RAHMAN BILU, Bogra

Branch expansion of private and specialised banks in Bogra has created a good number of jobs and provided small and medium enterprise (SME) loans for the locals, according to Bangladesh Bank (BB) Bogra branch.

Md Ataur Rahman, general manager of the BB branch, said 39 branches of several private and specialised banks along with Standard Chartered Bank introduced modern banking facilities like automated teller machine (ATM) in the northern district town.

Six specialised and 33 private bank branches are dealing with SME loans and facilitating export-import business.

Standard Chartered, National Bank, Dhaka Bank and other banks have set up 12 ATM booths in the town and the adjacent areas.

Md Nurul Amin Sarker, assistant vice president of Dhan-Bangla Bank, Bogra branch, said the bank has installed seven ATMs in Bogra town and the adjacent areas.

One Ahmed Tanvir Siddique said he has established an electronic device making company in the town, MARCH Electronic, with a loan of Tk 2 lakh from the local Dutch-Bangla Bank branch and created nine jobs. He produces cost-effective Automatic Voltage Regulator (AVR) and other equipment.

Md Shafiqul Islam, branch sales & service manager of Standard Chartered, said five out of a total eight staff in the branch are from Bogra and one is from Dinajpur.

Housewife Shirin Akter, 32, has been

maintaining an account in Standard Chartered since 2004 for smooth and modern banking facilities, especially online banking.

"My husband lives abroad and so I need international banking for my security, which has been ensured by Standard Chartered," she said.

Md Rafiqul Islam, branch manager of Social Islami Bank, said four importers opened letter of credit (LCs) worth Tk 127 crore last year, while LCs worth Tk 673.51 crore were opened during 2000-2008.

"Branches of different banks have been set up in Joypurhat and Naogaon as the districts have a bright future both in SME and export-import business," said Rafiqul.

He said seven out of a total 16 staff in the branch are from Bogra.

Md Zahirul Islam, senior assistant vice president and branch manager of National Bank in Bogra, said the branch dealt with LCs worth Tk 2,000 crore in the last eight years, while LCs worth Tk 400 crore were opened last year.

Eight out of a total 10 staff in the branch are from the north, he said.

Kamrun Nahar, customer service manager of BRAC Bank's Bogra branch, said: "I am happy working with the bank." Her husband Abu Zakaria Khan works in National Credit and Commerce Bank's regional branch.

Md Fazlur Rahman Paiker, president of Bogra Chamber of Commerce and Industry, said many small and big industries have been set up in Bogra and its adjacent districts due to the expansion of private and specialised banks and their loan and other banking facilities.

Ministry, FBCCI to mount market watch

STAR BUSINESS REPORT

The commerce ministry and Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) are set to start market monitoring today in a bid to stem the price spiral of basic commodities during Ramadan, ministry officials said.

In line with the programme, Commerce Minister Faruk Khan will visit the city's Karwan Bazar today to see for himself the prices of commodities and whether price lists have been displayed at wholesale and retail markets.

After the visit to the kitchen market, Khan is scheduled to hold a discussion meeting with businessmen to find ways to keep the market stable.

The minister will also visit two major edible oil refineries on the outskirts of the city to assess the stock level and price situation of the widely consumed item, the ministry officials said.

Earlier, the minister instructed both wholesalers and retailers of basic commodities to hang price lists in clear view at their shops for consumers. But the businessmen are not following the instruction.

The minister has held a series of meetings with importers, refiners, wholesalers, retailers and the leaders of FBCCI as part of an effort to stabilise the prices of commodities.

In a meeting yesterday, Khan urged sugar refiners to keep a smooth supply of the item to the market during Ramadan as the prices of sugar have shot up on the local market.