

A stable year for currency

STAR BUSINESS DESK

The taka has shown commendable strength in 2009 contrary to the other Asian currencies mainly because of slower demand for import payments due to falling commodity prices. Citi NA Bangladesh said in its annual market update for 2009.

A robust supply of the greenback from relatively stable export growth, workers' remittance inflow and the central bank's continuous purchase of the dollar from the local inter-bank market have also helped keep the money market stable throughout the year.

The bank said these moves led to a stable foreign exchange market with the local currency trading at around 69.06 against the dollar until the end of September.

Citi in its annual analysis also indicated that the last two quarters' activities predict a positive turn of the economy in 2010.

From October onwards, the taka started to depreciate marginally. By the end of 2009, the dollar/taka rate hovered around 69.20, marking a slight depreciation of only 0.39 percent from the opening level of 2009.

Available import data based on letters of credit (LCs) for July-Nov and export data for July-Oct indicate no significant upturn or slackening in economic activities in the last two quarters of 2009 compared to the previous quarter, but signs started emerging that output activities will

pace up from early 2010.

Commercial banks' LC opening for capital machinery imports has grown by 13.9 percent year-on-year in the July-October period. Excess reserve of banks with the BB has started to decline gradually, and the inter-bank call money rates turned around from the near zero level.

About inflation, the bank said it might go up in the coming year as the prices of commodities on domestic and international markets are increasing for the past few months.

After bottoming out at 2.25 percent in June, point-to-point CPI inflation edged up to 6.71 percent in October, with both food and non-food prices registering a significant increase.

Global and regional price trends indicate that point-to-point CPI inflation in Bangladesh is likely to edge up in the coming months. The 12-month average CPI inflation -- at 5.14 percent in October -- may however continue to decline for a few more months (with earlier higher inflation months falling out in the averaging) before edging up and seems to remain within the 6.5 percent ceiling stipulated in the BB's Monetary Policy Statement for the second half of 2009.

Slackening credit growth in the early part of the outgoing year left the market with surplus liquidity, leading the inter-bank short-term money market at the lowest level. The call money rate, which hovered around

10 percent in January, came down to between 1 percent and 2 percent at one stage in the middle of 2009.

To ease the credit condition in the backdrop of domestic lower inflation and global recession, the central bank had also reduced the rate on repo and reverse repo by 25 basis points to 8.50 percent and 6.50 percent from 8.75 percent and 6.75 percent respectively on March 11, 2009. The following six months saw the call money rate dip to near-zero levels, with most of the deals settling within 0.1-0.25 percent, as the BB temporarily stopped taking away money from the market through its reverse repo window.

However, from early August 2009, the central bank resumed its auction of 30-day BB bills to mop up some of the excess liquidity that prevailed in the market. In September, call money rates spiked due to cash withdrawals from the banking system ahead of the Eid festival.

Subsequently, BB's repo and reverse repo operations also resumed on October 12, 2009 with the rates realigned to 4.5 percent and 2.5 percent respectively to increase economic activities following lower credit demand and excess liquidity in the market during the previous two quarters. Since then call money rates took its queue from the repo rates and settled around 4 percent level to close the year.

The government securities' yield curve went through a major downward shift in 2009. Rates for govern-

ment securities of all tenors dropped by 280 to 563 basis points from their January levels. The yields of short-end bills with 91 days, 182 days and 364 days tenor dropped by 563 bps, 462 bps and 399 bps respectively. On the other hand, rates of mid and long-end government bonds with 5 years, 10 years, 15 years and 20 years tenor declined 280 bps, 297 bps, 345 bps and 390 bps respectively.

The decline in yield was highest in the 91 days bill that lost 563 bps.

Excess liquidity in the country's banking sector reached an all-time high at the end of June, indicating a sluggish trend in the investment scenario that is still persisting. The overall excess liquidity with the commercial banks stood at Tk 34,700 crore in June 2009, registering 165 percent growth over that of the same period of the previous calendar year.

So the BB decided to reintroduce the auction of 30-day Bangladesh Bank bills from August aiming to withdraw the excess liquidity from the market. Earlier, the central bank introduced 30-day and 91-day Bangladesh Bank bills in October 2006 as the monetary policy instruments following decision that the government treasury bills and bond auctions would exclusively be used for government debt management. However, the auction of 91-day Bangladesh Bank bill was discontinued to avoid its duplication with 91-day Treasury bill from January 8, 2008.



Navid Haider, director for sales and marketing of ABC Air Ltd, general sales agent of Emirates in Bangladesh, presents a Skywards Gold Card to Sheikh Hasina, prime minister, at her office recently.

Country does not need food import this year

Says central bank governor

UNB, Dhaka

Bangladesh will not have to import food this year as the country's farmers produced enough, in contrast to production shortfalls in the outer world, said Bangladesh Bank Governor Dr Atiur Rahman.

He noted that the food-exporting countries across the world stopped exporting grains as there was less production. "But our farmers produced enough food and we will not have to import rice."

He was speaking at a loan-disbursement ceremony for the farmers at Dighapatt Shamsul Huq Degree College in Jamalpur district yesterday.

The governor also pointed out that the earnings from exports posted 18

percent growth in October, while India got negative growth.

"The young entrepreneurs deserve the credit for their venture," he said.

Chaired by the Bangladesh Krishi Bank (BKB) Chairman Khandaker Ibrahim Khalid, the function was also attended by BKB Managing Director M Mokhtadir Hossain, Dighapatt Shamsul Huq Degree College Principal Abdul Hamid, and peasant representatives Abdul Aziz and AKM Mohsinuzzaman.

The central bank governor said that Bangladesh is the only country that attained 6 percent GDP growth during the recession period.

Dr Atiur, who has launched a new collateral-free lending scheme for the

farmers, said the BKB would increase the loan amounts if the money is taken and repaid in stipulated time.

He observed that it was not the kindness of banks to provide money for the farmers. "Rather you (farmers) are showing kindness to the banks by taking loans from them as the banks are running their business by taking money from the government," he told the gathering.

From the ceremony, the BKB distributed loans amounting to Tk 1.15 crore to 240 farmers of Dighapatt and Rashidpur unions.

Later, Atiur inaugurated a branch of Janata Bank at Nandina and attended a civic reception given by Jamalpur people at the district Shilpakala Academy auditorium.



Shahriar Kamal, deputy managing director (DMD) of Concord Entertainment Co Ltd, and Tanvir Sinha, DMD of Acme Agrovet and Beverage Ltd, exchange documents after signing a deal in Dhaka recently. Acme will supply its beverages to all the parks of Concord Entertainment.

HK economy may take a double dip

AFP, Hong Kong

Hong Kong's Chief Executive Donald Tsang on Tuesday sounded a pessimistic note on the city's economic recovery, warning it may experience a "double dip" in the middle of next year.

Tsang said from Beijing that Hong Kong's economic recovery "would not proceed smoothly, and I am prepared," according to Dow Jones.

"I am a bit pessimistic about the pace of recovery and we may experience a double dip in the middle of next year," said Tsang, who travelled to Beijing on Sunday to meet with Chinese leaders.

However, he said the city's government had a reserve of 500 billion Hong Kong dollars (64 billion US).

E-governance project starts next month

BSS, Dhaka

The government has taken a three-year plan to bring all departments, agencies and associated organizations run by the ministries under e-governance, a state-of-the-art service delivery system.

Under the scheme, a central data centre (CDC) will be set up and be connected to offices of deputy commissioners (DCs), Upazila Nirbahi Officers (UNOs) in all 64 districts, according to the science and ICT ministry.

State Minister for Science and ICT Yeafesh Osman told the news agency that a project styled "Development of National ICT Infra-Network for Bangladesh Government (Bangla.gov.net)" has been taken up.

Osman said the Korean government agreed to provide Taka 273 crore as soft loan with 0.50pc interest rate for the project that will be implemented during 2010-12.

The project will have inter-connectivity in all ministries with a special focus on the e-governance system, the minister said and expressed his hope that the project would help make a "Digital Bangladesh".

The main objective of the venture is to build a basic infrastructure to impart IT literacy to the officials and employees under all ministries resulting in developing a skilled manpower in Bangladesh.

Talking to the news agency, Executive Director of Bangladesh Computer Council (BCC), an organisa-

tion run under the science and ICT ministry, M Mahfuzur Rahman said they are expecting to take off the project next month as necessary preparations are now nearing completion.

He said district level ICT centre will be set up during 2010-11 and at upazila level in the period of 2011-12.

E-governance is an information and communication technology (ICT)-enabled service delivery system that rocked the governing systems in the world to a degree by achieving good governance.

Experts say the e-governance project will have people's participation by ensuring transparency, shortened service delivery, poverty alleviation, curbing corruption and strengthening democratic practices.

DSE upbeat on 2010

STAR BUSINESS REPORT

Dhaka Stock Exchange, already encouraged by this year's performances, sees a more stronger and stable capital market in the coming year.

"The market performed well with some milestone achievements this year. We saw the much-hyped Grameenphone listing, highest single day turnover, record levels of market capitalisation and key indices, introduction of book building method and many more," DSE President Rakibur Rahman told journalists yesterday.

"All these successes have added to the investors' confidence. If the trend continues next year and new companies list on the bourses, daily turnover may reach Tk 3,000 crore level by December 2010," he said.

Rahman also requested the government to increase the flow of good shares to keep the trend by balancing demand and supply.

The government can get more return by offloading shares in such public sectors as hospitality, aviation, port and other services sectors, he said.

Rahman however criticised the government for its intervention in the market this year.

ICAB gets new chief



STAR BUSINESS DESK

Jamaluddin Ahmed was elected the president of the Institute of Chartered Accountants of Bangladesh (ICAB) for the year 2010 yesterday, it said in a statement.

A post-graduate in accounting from Dhaka University, Ahmed obtained a PhD from Cardiff Business School under University of Wales, UK.

Ahmed, current technical advisor of South Asian Federation of Accountants, is also the director of Janata Bank Ltd and Power Grid Company of Bangladesh.

ICAB also elected Md Abdus Salam, Md Shahjahan Majumder and Nasim Anwar as vice presidents for the same tenure.



GO Chowdhury (left), chief executive officer of Transcom Beverages Ltd, poses with the award for No. 1 Soft Drink at the Best Brand Award Bangladesh 2009 in Dhaka recently. Tejinder Khurana (middle), country manager of PepsiCo International, and Dr Noor Mohammad (right), assistant representative of UNFPA, are also seen. Bangladesh Brand Forum awarded TUP in beverage category.

Govt to build permanent trade fair centre

BSS, Dhaka

All is set to construct a permanent complex to hold international trade and other fairs in Dhaka as an agreement has been signed with China to build infrastructure at a cost of Tk 265 crore.

Commerce Minister Faruk Khan said on Monday the permanent venue would be built near the National Parade Square, opposite Bangabandhu International Conference Centre, to hold all big events.

China has agreed to provide Tk 210 crore while the government will bear the rest of the cost amounting to Tk 55 crore.

The minister was speaking at a press conference ahead of the launch of the 15th Dhaka International Trade Fair at Sher-e-Bangla Nagar in Dhaka.

Prime Minister Sheikh

Hasina is scheduled to open the month-long fair on Saturday, organisers said.

People can visit the fair at a cost of Tk 15 everyday from 10am to 10pm.

The structure will be built on 6.72 hectares in next three years from 2010, said an EPB official.

Faruk Khan said the government will have to spend a sizable amount each year to develop makeshift infrastructure and other facilities to hold DITE, biggest of its kind in the country, which aims to make consumers at home and abroad familiar with Bangladeshi products.

The trade fair in 2009 fetched about Tk 20 crore, but the organisers and the government expect higher export orders of Bangladesh products from international buyers this year as the global economic slowdown shows signs of recovery.

"The fair faced declining export orders for the last three years, mainly due to global economic crisis. But things are expected to reverse at the beginning of 2010," said Khan.

"We will not tolerate poor service or any kind of forgery this year," Khan warned.

The complaints include: serving low-quality food at high prices from restaurants at the fair and subsequent food poisoning, selling poor-quality products at brand shops and massive dust pollution.

The minister held a series of meetings with the organisers and law-enforcement agencies.

The fair will play host to 486 pavilions and stalls, including 28 from abroad. The government is expected to earn nearly Tk 5 crore from the fair ending on January 31.



Md Abdul Jalil MP, chairman of Mercantile Bank Ltd, inaugurates the bank's 49th branch at Faridganj in Chandpur yesterday. Dewan Mujibur Rahman, managing director and chief executive officer, is also seen.