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## Citi Asia Pacific CEO in Dhaka

STAR BUSINESS DESK

Shirish Apte, chief executive officer of Citi Asia Pacific, arrives in Dhaka today on a two-day visit.

During his stay, he is scheduled to meet key government officials, major clients of the bank and review the bank's growth potential in Bangladesh.

Apte is responsible for the company's business in Australia, Bangladesh, Guam, India, New Zealand, Southeast Asia and Sri Lanka.

# Bangladesh gets first credit rating

## Standard & Poor's assigns BB- with a stable outlook

### STAR BUSINESS REPORT

Bangladesh got its first sovereign credit rating yesterday, which the government expects will help the country in international transaction and attract more foreign investment.

The economic outlook is stable, US-based ratings agency Standard & Poor's (S&P) said in a statement after awarding Bangladesh a BB- for a long term.

With Bangladesh, S&P rated 124 sovereigns this year -- the country's position is below India but well over Pakistan and Sri Lanka in South Asia.

The position is more or less the same of some other emerging economies in Asia such as Philippines, Indonesia and Vietnam.

"We consider Bangladesh free from major macroeconomic imbalances despite severe fiscal constraints, a low-income economy and heavy development needs," S&P said.

"The stable outlook reflects our expectations that prudent macroeconomic policy-setting will prevail and microeconomic reforms to address growth constraints will continue," it said.

Globally reputed S&P has a total of 17 ratings categories ranging from AAA to CCC+, and Bangladesh was placed in the 13th category.

The government is happy with the rating, Finance Minister AMA Muhith said at a press conference in Dhaka yesterday. "More or less we are happy and it is a very good day for us."

Bangladesh Bank (BB) in 2006 assigned S&P and Moody's Investors Service, another US-based agency, to rate the country, which was also awarded a B for short term by S&P.

BB Deputy Governor Ziaul Hasan Siddiqui said there was no index in

the past to weigh the country's economic risks, but after getting the rating the country will get lower interest rates in international borrowing, among other advantages.

Rating Score	No of Countries
AAA	37
AA+	6
AA	4
AA-	4
A	5
A+	4
A-	6
BBB	4
BBB+	6
BBB-	15
BB	4
BB+	5
BB-	12
B	2
B+	5
B-	4
CCC+	1
<b>TOTAL</b>	<b>124</b>

Private sector will also be able to get loan from international sources at low interest, he said, adding that it will make export and import more cost effective.

BB Governor Dr Atiur Rahman said GDP growth, high foreign exchange reserve and good current account balance contributed to such a good credit rating.

It will give a signal to the foreign investors that the government is committed to development and reforms.

Sovereign credit ratings give

investors insight into the level of risk linked with making investment in a particular country, and political risks there.

The minister said the rating agency has evaluated GDP (gross domestic product) growth of the last 10 years to give the rating.

The previous BNP-led four-party alliance and the immediate past caretaker government also had a role in getting a good rating, Muhith said.

"There had been a lot of reforms in microeconomy and macroeconomic management during the caretaker government."

He said the country got the rating despite having a very low tax-GDP ratio, serious energy crisis and low-income generation.

S&P's rating indicates a favourable comparison with the rest of South Asia, said an analysis by Citi, an international financial conglomerate.

"While public finances remain an area of concern, the outlook for further positive rating action appears bright," Citi said.

S&P said the ratings were also constrained by limited fiscal flexibility because of a weak revenue base and high infrastructure needs.

It attributed the poor tax-GDP ratio to low tax compliance, administrative weakness, untaxed agricultural sector, tax exemptions and tax holidays.

Other constraints on the ratings include the country's relatively high public and external debt, energy and infrastructure deficiencies and power outages.

S&P conducted the ratings after consulting development partners, leading nongovernmental organisations, National Board of Revenue, Economic Relations Division, Finance Division, trade bodies and political parties, among others.

# Bankers see new era in global business

SAJJADUR RAHMAN

Top bankers said yesterday a relatively positive rating on Bangladesh by a globally reputed firm would help them reduce costs for cross-border business exposures.

They also said the country would now get an opportunity to raise equity and debt required for such mega projects as energy, power and infrastructure.

Standard & Poor's maiden sovereign rating for Bangladesh at BB-, announced yesterday, indicates a favourable comparison with the rest of the South Asian nations except India.

"I am sure we'll see the benefits in the pricing of cross-border risk by international financial institutions," said Muhammad A (Rume) Ali, chairman of BRAC Bank.

He said: "Bangladesh is no longer an 'unknown risk' country."

Generally, foreign banks and other lenders put a premium for country risk even in settling a letter of credit (LC) forwarded by a local bank. The premium varies from bank to bank and country to country. The bankers said the country risk sometimes costs local banks up to five percent of the loan or LC value.

K Mahmood Sattar, chief executive officer of The City Bank, was electrified to see Bangladesh's rating better than Sri Lanka and Pakistan and similar to countries like Turkey and Indonesia.

"Now we've a negotiating ability in settling and confirmation," said Sattar, also the chairman of Association of Bankers Bangladesh, a forum of 30 private banks' chief executive officers.

Confirmation is sought when a beneficiary is

not comfortable with the financial standing of the issuing bank or is doubtful about the country risk of the issuing bank.

Anis A Khan, managing director of Mutual Trust Bank, said the rating would brighten the country's image.

"It will help us in global business," said Khan.

Mamun Rashid, Citi country officer, said cross-border borrowing and lending will be competitive and transparent. "There will be no arbitrary rating."

Tarique Islam Khan, head of HSBC Global Markets in Bangladesh, said HSBC, as one of the rating advisers throughout the process, is happy about the outcome with a 'stable' outlook.

"Expectations outside Bangladesh had been lower than the outcome. So, this will have a tremendous positive impact on Bangladesh's country image among investors and economic analysts," he said.

Alamgir Morshed, director of Standard Chartered Global Markets in Bangladesh, said: "Credit rating assesses the ability and willingness of a borrower to repay."

Morshed quoted an S&P overview on Bangladesh that the stable outlook reflects "our expectations that prudent macroeconomic policy setting will prevail and microeconomic reforms to address growth constraints will continue". This means reforms, policy changes and the government's financial ability matter in a credit rating.

"Bangladesh is a good borrower and it has been proved," he said.

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## An explainer

STAR BUSINESS DESK

A sovereign credit rating means the credit rating of a country or sovereign entity. A credit rater evaluates the country's economic and political environment to determine a representative credit rating. A good rating is essential for accessing funding in international bond markets. Another reason for obtaining sovereign credit ratings is to attract foreign direct investment.

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