

# Risks to economy come to light

STAR BUSINESS REPORT

For the past several months, inflation has been a major concern for policymakers. But two issues -- increased lending rates in banks and devaluation of the taka against the greenback -- have come on the surface.

All these three are likely to make tougher the policymakers' tasks of maintaining economic stability and ensuring faster growth in the next fiscal year.

Inflation has already exceeded the central bank's target of 6.5 percent and stood at 8.14 percent in January.

Also, high import growth has caused the taka to lose its value against the dollar and contributed to a rise in the import costs of commodities, including food items.

Add to this, the rise in the banks' lending rates recently has created concerns among entrepreneurs about losing the competitive edge due to an increase in the cost of doing business.

These three may hurt economic stability and undermine the growth prospects in the next fiscal year, according to a live TV

show Sunday night.

"It appears that there will be no easy ride in the next fiscal year. It's problematic. But we will remain vigilant to make sure that the economy remains on the right track," said Finance Minister AMA Muhith at the show.

"We have to keep an eye on inflation, interest rate and exchange rate to maintain the pace of development and ensure the overall macro-economic stability," he said.

Private TV channel Ntv and the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) organised the talk show at Dhaka Sheraton Hotel, allowing businesses and farmers to place their demands and ask questions to ministers ahead of the budget for fiscal 2011-12.

The finance minister said focus would be given on job creation and implementation of budget in the next fiscal year.

Among others, Commerce Minister Faruk Khan, Prime Minister's Energy Adviser Taufiq-e-Elahi Chowdhury, former education minister and

BNP chairperson's adviser Osman Faruk and former commerce minister Amir Khasru Mahmud Chowdhury spoke.

Former adviser to a caretaker government and Managing Director of Square Pharmaceuticals Tapan Chowdhury and former BGMEA president Anisur Rahman Sinha represented businessmen, while Centre for Policy Dialogue (CPD) Distinguished Fellow Debapriya Bhattacharya also attended the show.

FBCCI President AK Azad moderated the discussion.

The budget for the fiscal 2011-12 is going to be the third one of the grand alliance government. The main party of the alliance, Awami League, had promised people of keeping prices of essential commodities at tolerable levels.

In its first year, the prices of foods, including the staple rice, had been low. But, supported by spike in commodity prices on the global market, the prices began rising since last year and thus fuelled inflation.

Participants suggested steps to curb inflation in the next fiscal

year as price levels are likely to remain high due to a rise in import costs for the devaluation of the taka against the dollar.

A rise in oil prices due to the ongoing unrest in the Middle East may add vigour to the inflation. "Inflation may go 1 percentage point above the target of the Bangladesh Bank this fiscal year. There is no assurance of its fall in the next fiscal year," said CPD Distinguished Fellow Debapriya Bhattacharya.

Other than inflation, two major sectors of the economy -- exports and agriculture -- fared well during the current fiscal year. Cereal output rose to near the self-sufficiency level, while exports surged 40 percent to \$16.20 billion in the July-March period. Revenue earning also increased.

Despite positive outcomes, a surge in import costs at 42 percent against the backdrop of a slow-down in remittances and foreign aid inflows has created pressure on the balance of payments.

While the infrastructural bottlenecks -- gas and electricity -- continue to undermine the growth prospects of the econ-

omy, some new risks are also seen in the economy.

Banks have increased lending rates to reduce their liquidity crunch at a time when the government's increased borrowing has created pressure on the money market.

"The overall money market is in a bad shape. The devaluation of the taka against the dollar has been added with the liquidity shortage," said Amir Khasru of BNP.

Anisur Rahman Sinha, former president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said a 15-16 percent interest rate on lending will make businesses uncompetitive on the world market.

"We will be unable to compete with foreign firms without a single digit interest rate," he said.

Finance Minister Muhith said the government had earlier imposed cap on interest rate to help local industries stay in good shape following the global financial crisis.

"We follow a market determined interest rate policy. What we did during the crisis can't go on for ever," he said.



WASA  
Kofi Annan, left, former secretary general of the United Nations, hands the "Water Performer of the Year" award to Taqsem A Khan, managing director of Dhaka Wasa, at Berlin in Germany recently. Dhaka Wasa got the award at the Global Water Summit 2011 that was held on April 18-19.

## Pubali Bank re-elects top brass

STAR BUSINESS DESK

Pubali Bank re-elected Hafiz Ahmed Mazumder as chairman at the bank's 818th board meeting in Dhaka on Sunday.

The meeting also re-elected Habibur Rahman as vice chairman, the bank said in a statement yesterday.

Member of the Parliament, Mazumder established "Hafiz Mazumder Education Trust" for the development of the education sector.



Hafiz Ahmed Mazumder

## New MD for Jennys International

STAR BUSINESS DESK

MA Quader has recently joined Jennys International as managing director, the company said in a statement yesterday.

Prior to joining the post, Quader has been serving Bata Shoe Company (Bangladesh) Ltd for the last 32 years in the retail and mar-



BAHANGLOSH HOUSING  
M Janibul Haq, chairman of Bangladesh House Building Finance Corporation (BHBFC), and Kazi Faqurul Islam, managing director, attend the launch of the BHBFC's zonal office at Mohammadpur in Dhaka yesterday.



NORTHERN POWER  
Md Enamul Haque, managing director of Northern Power Solution Ltd, and Fayekuzzaman, managing director of Investment Corporation of Bangladesh (ICB), signed a trust deed in Dhaka yesterday. ICB Capital Management Ltd will be the issue manager to float a Tk 175-crore bond of Northern Power.

## ADB to scale up operations

STAR BUSINESS REPORT

The Asian Development Bank (ADB) will scale up its operations by 50 percent for private sector development by 2020.

Currently, ADB provides three types of financial support -- grant, loan and technical assistance -- both to private and public sectors.

The proposed move will ensure equal support to the public and private sectors. Currently, around 15 percent of the total fund of the ADB goes to the private sector while the remaining 85 percent is spent on the government-sponsored projects.

The Manila-based multilateral donor agency is set to begin work on it because the government can hardly spend the money for the poor implementation of different projects.

The ADB has taken the initiative to increase the flow of fund to the private sector in all its operation areas.

"The ADB has recently shifted a policy to scale up the private sector development in all its operation areas," said MM Zillur Rahman, senior financial sector officer of ADB, yesterday.

It has a plan to disburse up to 50 percent of its fund for the private sector as per ADB's 2020 strategy, he added.

The development agency has already

undertaken a study to analyse the overall macroeconomic policy, legal and regulatory environment for the private sector development in Bangladesh and will finalise the modality of fund disbursement, based on the study findings, said M Fouzul Kabir Khan, who is conducting the study as the team leader.

Khan spoke at a consultation meeting on Private Sector Assessment Study, co-organised by the Dhaka Chamber of Commerce and Industry (DCCI) and Keystone Business Support Company, which is conducting the study on behalf of ADB in Dhaka.

While moderating the session, Asif Ibrahim, president of DCCI, urged ADB to select 60-70 companies in Bangladesh and give them loans on a 6-7 percent interest rate.

He also said businessmen want to invest further but are constrained by the high rates of interest of project loans given by banks.

DCCI Senior Vice President TIM Nurul Kabir urged ADB to come forward for the development of IT and skill development of the sector.

The discussants called upon ADB to work for the development of agriculture in Bangladesh. They also asked the government to make investment-friendly policies and ensure reduced interest rates.

## Global wellness brand opens office in Dhaka

STAR BUSINESS REPORT

VLCC Health Care Ltd, a leading wellness brand in Asia, yesterday launched operation in Bangladesh with a promise to introduce its flagship health care and beauty products and services to serve the largely untapped market.

"We know there is a huge gap between supply and demand in Bangladesh for wellness products and services, and we have the solutions," said Sandeep Ahuja, managing director of VLCC, at a press conference at Dhaka Sheraton Hotel.

Ahuja, who inaugurated the centre in Gulshan earlier in the morning, said VLCC would set up two more outlets in Bangladesh in the next 12 months.

Over the last few years, Bangladesh has turned out as a destination for global wellness industry, thanks to a vast population, rising disposable incomes, increasingly demanding and stressful work-place conditions and sedentary lifestyles.

"So, we are looking at Bangladeshi market aggressively," Ahuja said.

Delhi-based VLCC is a pioneer in the global wellness arena. The brand has a network spread of over 237 locations across 102 cities in eight countries including India, the UAE, Oman, Bahrain, Qatar, Nepal, Sri Lanka and Bangladesh.

The firm employs 7,000 employees including doctors, nutritionists, dietitians, psychologists, counselors, physiotherapists, nurses and therapists, and served over one crore customers since its inception in 1989.

In Dhaka, it has already employed 40 people, all of them are Bangladeshi, at its centre in Gulshan and spent \$5 lakh in the last six months, said Rajat Mathur, vice president of VLCC international business.

The spending is part of the \$15 million VLCC has set aside to make its footprint in three Asian markets -- Bangladesh, Nepal and Sri Lanka. Of the money, about 40 percent will come to Bangladesh, said Ahuja.

More people will be employed as



Sandeep Ahuja

investment pours into Bangladesh to expand its business, said Mathur, also the head of the Bangladesh centre.

The wellness company operates in three areas -- slimming, skin and hair care; education and training; and manufacturing and personal care products.

The wellness treatments available at VLCC centres include de-stressing, detoxification, cleansing, deep relaxation, anti-aging, weight and inch loss, guidance in the area of nutrition and exercise.

Providing high-end services from ayurveda to a host of international massages, from anti-ageing facials to dermatological solutions, from hair solutions to pedicures or manicures, VLCC offers an array of therapies that address the health and beauty needs of every individual.

Ahuja said the VLCC personal care business offers over 100 herbal and ayurvedic skin-care, hair-care and body-care products. Of those, 60 percent will be available in Bangladesh at its centre as well as other stores in the market.

He said VLCC also plans to set up an institute for beauty and nutrition to train new talent, in view of the rapidly growing wellness industry and the corresponding demand for trained professionals.



BENGAL MEAT  
Ujjal Bikash Datta, fisheries secretary, inaugurates a shop of Bengal Meat named "Butcher Shop" at Gulshan in Dhaka on Wednesday. Md Mazharul Islam, managing director of Bengal Meat, and Owen Gaskel, chief executive officer, attended the programme.

## Kuwait's Global wins \$300m from UAE bank

AFP, Kuwait City

Dubai appeals court on Monday ordered a UAE bank to repay a deposit worth \$250 million plus interest to Kuwait's Global Investment House, ending a long dispute, the Kuwaiti firm said.

The dispute dates back to August 2008 when Global placed the deposit at the Dubai branch of National Bank of Umm Al-Qaiwain (NBQ), the company said in a statement.

The court also ordered NBQ to pay \$54.6 million in interest and expenses, the statement said.

Global chairwoman Maha al-Ghunaim said the "recovery of this long overdue deposit along with interests will strengthen the company's financial position."

Global, in the red for the past three fiscal years, was severely impacted by the global financial crisis which forced it to default on all of its estimated \$3 billion debt in December 2008.

A year later, the firm struck a deal with creditors to restructure \$1.73 billion in debt, promising to

## Mahindra Holidays net profit up 25pc

REUTERS, Mumbai

Vacation home operator Mahindra Holidays and Resorts posted a net profit of 401.7 million rupees for the quarter ended March, a 25 percent jump from the year ago, and said it will spend up to 8 billion rupees on expansion in FY12.

The company, which operates under the flagship brand 'Club Mahindra', posted a 27 percent jump in total operating income to 1.66 billion rupees in the period, it said on Monday.

It added 3,418 members during the quarter ended March, it said. Occupancy across resorts went up to around 78 percent for the year ended March from 74 percent last year.

Chairman Arun Nanda said the company plans to spend between 7 to 8 billion rupees in the current fiscal to expand its portfolio and take advantage of India's booming travel and tourism sector.

"It will be a combination of new properties, brownfield properties under construction, acquisition of properties and we might take some properties on lease as well," Nanda said.

The firm plans to add 700 to 800 units, or rooms, across properties in FY12, said Managing Director Ramesh Ramanathan.