
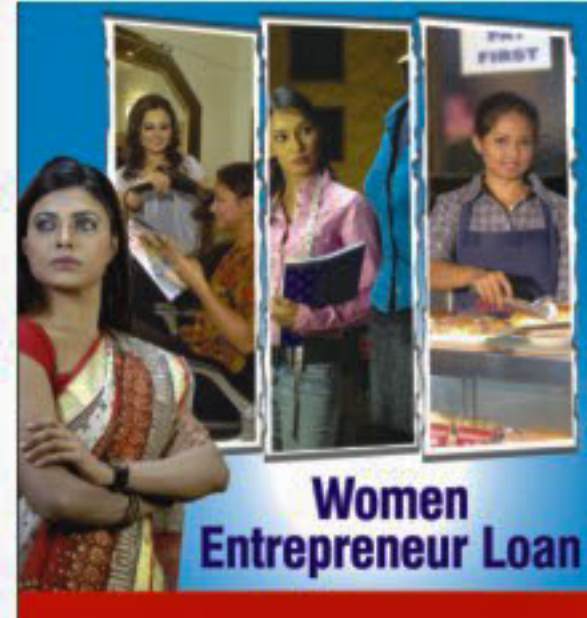


STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
0.21%	0.39%	\$1,618.00	\$98.83	0.80%	0.81%	0.36%	2.96%	74.00	105.19	119.52	0.94
6,696.39	12,289.86	(per ounce)	(per barrel)	18,871.29	10,050.01	3,171.55	2,688.75	BUY TK	75.00	109.13	123.48
								SELL TK			1.02



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DHAKA TUESDAY JULY 26, 2011, e-mail: business@thedailystar.net

BB targets tight credit

Half-yearly monetary policy will be announced tomorrow

REJAUL KARIM BYRON

The central bank may set a target to bring down private sector credit growth to 18 percent by June next year in a bid to reduce a huge pressure on exchange rate and contain soaring inflation.

The Bangladesh Bank may also target to lower domestic credit growth to 20 percent in its half-yearly monetary policy for the current fiscal year to be announced tomorrow.

To reach the goal, the BB will aim at cutting money supply growth substantially by reining back the private sector credit flow.

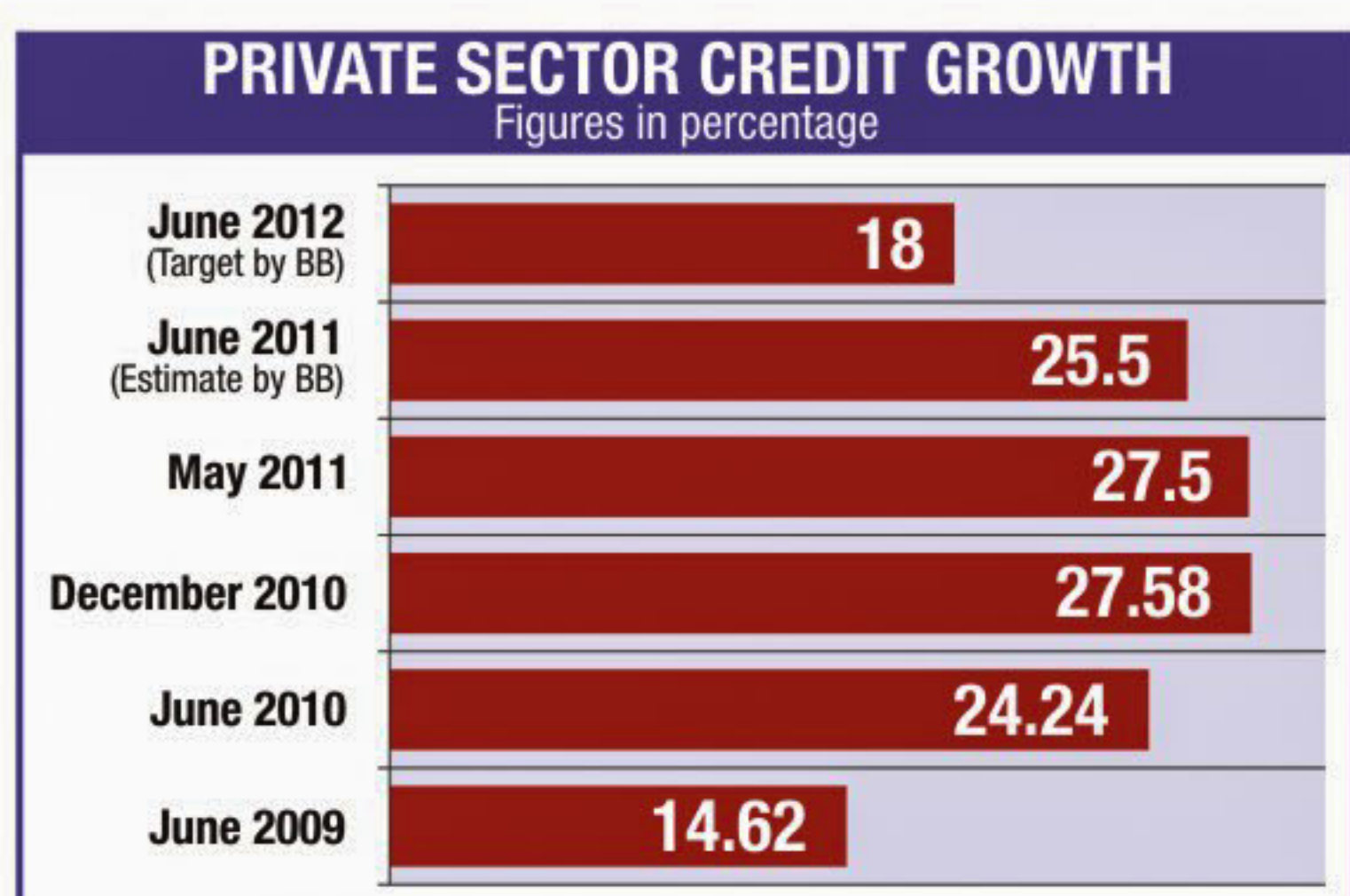
A BB official said, to achieve the goal the central bank on the one hand may use policy instruments frequently and will also try not to intervene in the foreign exchange market.

It will also refrain from interfering if banks' credit and deposit rates soar.

In May this year, the domestic credit growth was 28.29 percent, while that in the private sector was 27.50 percent.

In the monetary policy of last fiscal year the BB set a target of bringing down domestic credit growth to 16 percent and the private sector credit growth to 15.2 percent.

To reach the goal the central bank used its policy instruments several times but failed to achieve



the target.

In its monetary policy, the BB also plans to set a target of cutting down money supply to 16 percent, which was 21.88 percent in May this year.

The BB official said the ongoing high credit growth from domestic banking system created risks to price stability and external sector viability.

Credit from the domestic banking system continues rising sharply, both in the public and private sectors, with attendant steep decline in growth of net foreign assets, according to a BB report.

In the last fiscal year, the net foreign asset growth was only 0.2 percent which was 41.3 percent in the previous fiscal year.

The central bank also projected that in the current fiscal year there will be no growth rather there will be a deficit of 1.6 percent in foreign asset.

Last fiscal year, the BB sold \$1 billion from its reserve, but the taka was devalued by around 7 percent against the US dollar.

The taka may depreciate another 4 percent in the current fiscal year, the BB said.

In the last fiscal year, the balance of payments (BOP) was under huge pressure. The BB estimated that in the last fiscal year the overall balance may have a deficit of \$38 million, whereas it was \$2.86 billion surplus in the previous fiscal year.

Vice Chairman of Policy Research Institute of Bangladesh

Sadiq Ahmed said, in the current fiscal year the main challenge is to contain inflation and reduce pressure on the exchange rate.

The former WB official also said money supply must be reduced to ease the pressure. He said there may be a debate on how much that reduction should be, but it has to come down.

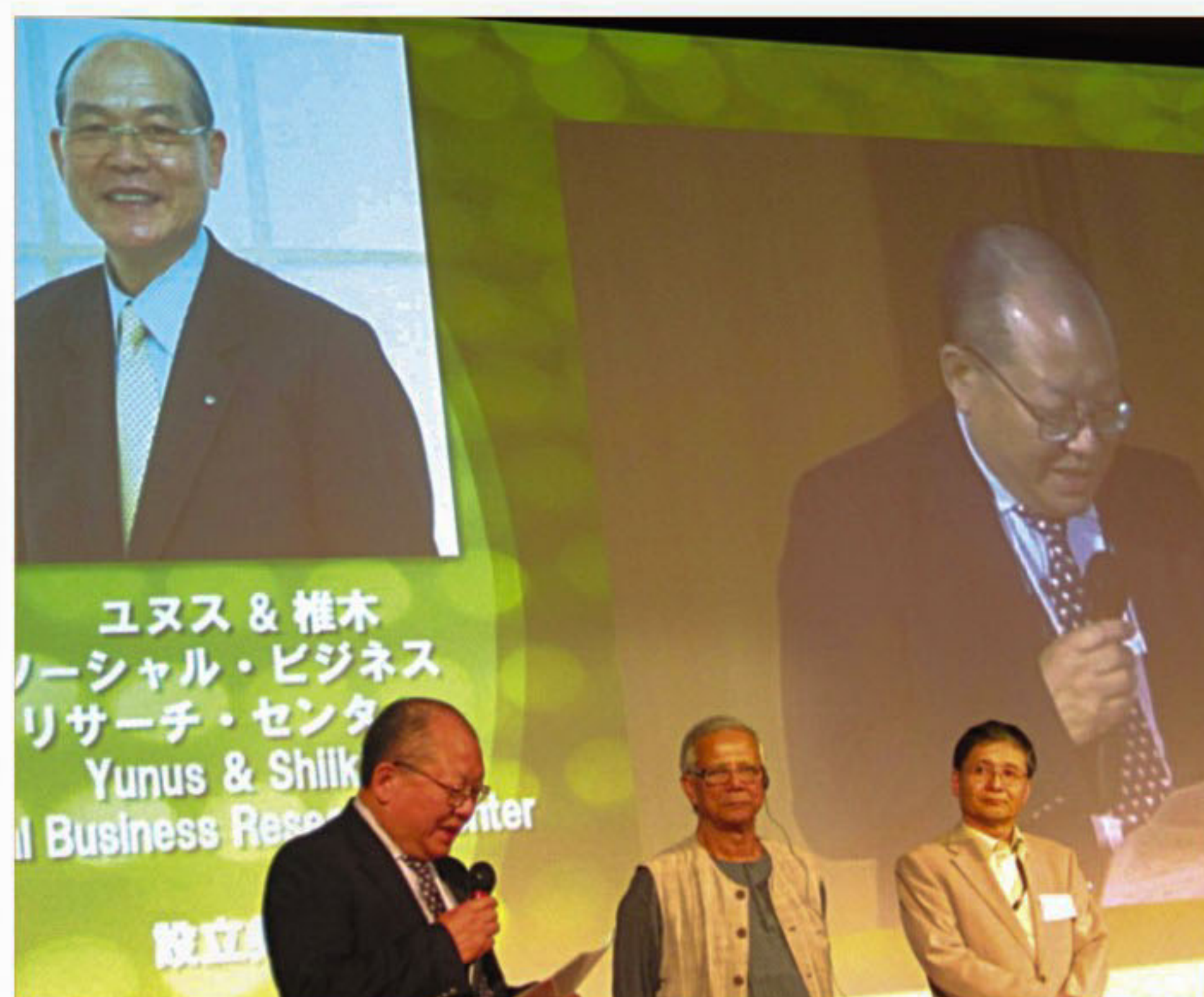
The central bank has various policy instruments to bring it down and it may use those, he said, adding that the commercial banks' lending and deposit rates have to be increased to achieve the money supply growth target.

The central bank will have to strictly monitor the banks so that their credit deposit ratio does not go up beyond the limit.

Former central bank governor Salehuddin Ahmed said the monetary policy alone cannot tackle the macro-economic challenges. There has to be a balance between the government's fiscal policy and trade policy.

The government's trade policy and fiscal policy will have to be well coordinated to strengthen the supply side, he said, adding that the BB should clearly depict this need in its monetary policy.

The monetary policy should be pragmatic, focusing not only on demand management but also on increasing investment in the real sector, said the former BB governor.



Nobel Laureate Professor Muhammad Yunus attends a ceremony to mark the launch of Yunus Shiki Centre for Research on Social Business in Japan recently. Story on B3

Agora takes over PQS

SAYEDA AKTER

Rahimafrooz Superstores Ltd that operates supermarket chain Agora has acquired PQS, another renowned brand.

From August 1, all five PQS outlets across the capital will be operated under the brand name of Agora.

"We reached an agreement two weeks back to take over PQS. This move is part of an expansion plan we have been working on for the last couple of years," said Niaz Rahim, managing director of Rahimafrooz Superstores Ltd.

"We have been trying for several years to expand our retail chain with an aim to enhance the volume of the 'low margin' business. But the biggest setback is a weak supply chain," he said, adding, "Now with a more strong supply chain and trained staffs we are ready to expand."

Now the number of Agora outlets will be 10.

"We are going through massive renovation works to upgrade all the five outlets of PQS to bring them at the equal level of Agora outlets. And from the first day of next month these outlets will be rolled out as Agora," said Rahim.

SMA Haroon Sohel, president of PQS Super Centres, confirmed the purchase, and said, "Agora will operate the management from next month."

However, both parties declined to reveal the value of the transaction.

Agora, the first-ever superstore in the country, started operation in 2001.

The idea of superstore flourished in the country last decade, fueled by growing urbanisation, increasing number of women working outside their home, and rising per capita income, said industry leaders.

At present, there are 23 companies with nearly 100 branches operating across the country, according to Bangladesh Supermarket Owners' Association.

The combined sales turnover of these superstores stands at around Tk 1,500 crore a year, while the government gets revenue of nearly Tk 30 crore as VAT, according to data of the association.

The growth in the number of supermarket shoppers is still low, as only one percent of total urban population now shop through these stores.

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Book building to be finalised next week

GAZI TOWHID AHMED

The book building method will be finalised next week, said Helal Uddin Nizami, a member of the Securities and Exchange Commission, yesterday.

The commission has made a draft law on the book building method to increase supply of shares to the market, said Nizami, after SEC's discussion with its advisory committee.

Issues of omnibus account, book building method, supply of shares, margin loans and uniform index and demutualisation of bourses were discussed at the meeting, chaired by M Khairul Hossain, chairman of SEC.

Commodity prices steady

STAR BUSINESS REPORT

Prices of sugar remained steady yesterday thanks to increased supply of the sweetener from millers in city markets.

Other essential commodities such as cooking oil, chickpea and onion also maintained a stable price.

"We are getting adequate supply of sugar from millers," said Anwar Habib, president of Bangladesh Sugar Traders' Association. Some companies are selling sugar at different points at the government's fixed rate to bring back normalcy in the prices of the item.

Yesterday, retailers sold a kilogram of sugar at Tk 65-68 while loose cooking oil such as palm oil was sold at Tk 96-99 and soybean at Tk 109-110 a litre, according to Trading Corporation of Bangla-

desh.

Spike in prices of chickpea, which had been surging since early this month, also came to a halt.

Chickpea was sold at Tk 70-85 a kg yesterday. On July 1, prices of chickpea were Tk 60-70 a kg, TCB data shows.

The respite in price spiral came after businessmen's assurance to Prime Minister Sheikh Hasina to keep prices stable ahead of Ramadan and a High Court directive to the government to take necessary steps to stop illegal hoarding of sugar and soybean oil.

Earlier sugar prices shot up to as much as Tk 80 a kg in retails due to suspension of production by four refiners that prompted a section of traders to hoard and create a supply crunch.

Two mills resumed production

recently while another is expected to restart within a week.

At Moulvibazar, the main wholesale market for sugar and cooking oil, the sweetener prices remained steady at Tk 62-63.5 a kg. While wholesale price of soybean was Tk 104-105 a litre.

Commerce Minister Faruk Khan yesterday said the government agencies will continue monitoring the market.

He said three types of monitoring are going on.

Two teams from the commerce ministry are monitoring the market in the city. Some personnel from the Directorate of National Consumers Rights Protection are also doing the same job regularly, he said.

"Moreover, officials from every deputy commissioners' offices are monitoring the market at district level."

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