

Inflation edges up

STAR BUSINESS REPORT

Inflation again returned to a rising path in November due mainly to price hike of fuel, according to Bangladesh Bureau of Statistics (BBS).

Last month, inflation went up by 0.16 percentage point to 11.58 percent, which was 11.42 percent in October, said the state-run agency at a press briefing in the city yesterday.

BBS Director General Shahjahan Ali Mollah said that non-food items took the negative impact of fuel price hike in November.

He said the price of fish, meat, fruits, milk and dairy products and transport fare went up in November, which had an impact on inflation.

Early in November the government increased price of all types of fuel by Tk 5 per litre.

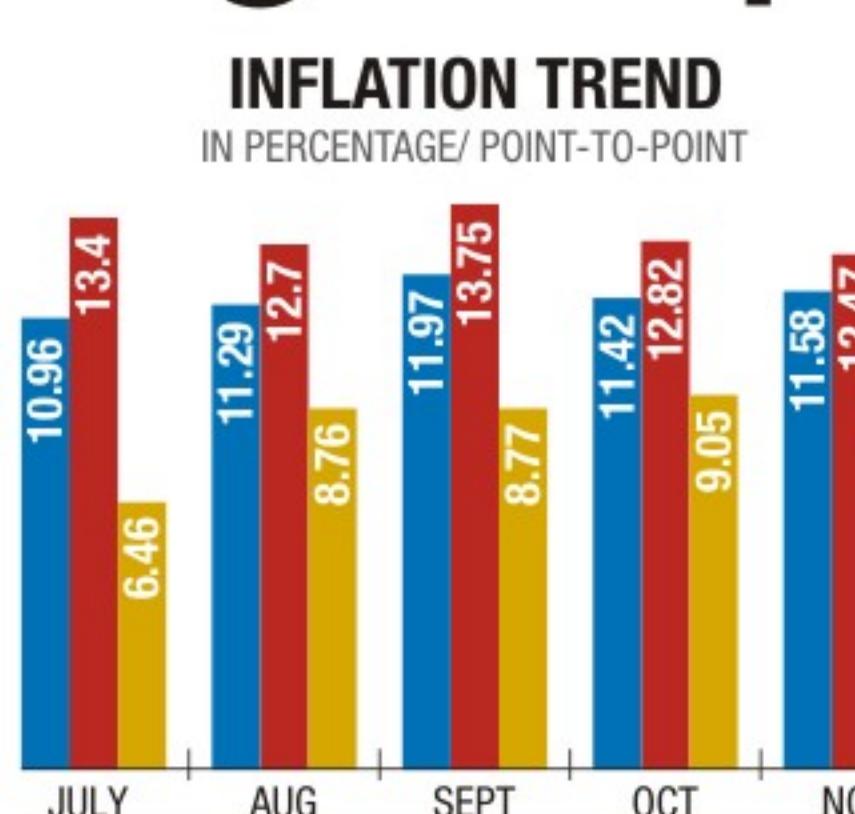
According to BBS statistics, food inflation declined but non-food inflation rose last month.

In November food inflation was 12.47 percent, a slight fall from 12.82 percent in October. Non-food inflation, which normally remained below the double digit mark, entered the double digit territory, reaching 10.16 percent in November from 9.05 percent in October.

According to an official of Bangladesh Bank, an increase in the government borrowing from the central bank has also led to soaring inflation.

The Bangladesh Bank's tight monetary policy pulled down private sector credit growth to 21 percent at end-September from 29 percent at end-March. But the government's borrowing could not be contained, rather it is increasing day by day, said the official.

In just five months of the current



fiscal year, the government has borrowed Tk 19,804 crore from the banking system, surpassing its target for the entire year, according to the BBS.

Of the amount, it borrowed around Tk 11,771 crore from the central bank, creating more inflationary pressure on the economy, the BB official said.

He said these are fresh money and when are injected in the market, the supply increases, contributing to a rise in inflation.

Food inflation declined in October mainly due to a drop in the prices of some commodities such as rice, edible oil, lentil, sugar and onion. The price of rice also decreased in October and November.

Although food inflation fell in October, the World Economic Outlook released by the International Monetary Fund in September expressed apprehension of a food price hike in future, due mainly to uncertainty over production in major rice exporting countries.

Recent flood in Thailand, which alone accounts for around 20 percent of global rice exports, has seriously damaged the country's food production, which could cause a rise in food prices on the international market as well as in Bangladesh.

Businessmen seek formal channels of trade with Myanmar

REFAYET ULLAH MIRDHA

Bangladeshi businesses want a strong trade tie with Myanmar through formal channels as both the neighbouring countries have high bilateral business potentials.

A 38-member business delegation is accompanying Prime Minister Sheikh Hasina on a two-day visit to the neighbouring country from yesterday.

Hasina will leave Myanmar tomorrow for Bali to attend the two-day Bali Democracy Forum 2011.

Currently, all the business activities of Bangladesh with Myanmar take place through informal channels due to absence of banking facilities and a military regime in that country.

But the incumbent government of Myanmar has opened up business relations with different countries after assuming power in February. As a result, the business with the neighbouring countries is also increasing.

According to the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Bangladesh exported to Myanmar goods worth \$9.65 million in fiscal 2010-11 and imported goods worth \$175.72 million.

During her visit, Hasina will sign several memoranda of understanding with Myanmar as recently her cabinet approved Bangladesh-Myanmar bilateral agreement on capital investment, development and preservation.

FBCCI President AK Azad, who is leading the delegation, said Myanmar

is a potential country as it has vast natural resources.

He urged both the governments to adopt a comprehensive economic partnership agreement for the mutual and sustainable economic development of the two countries.

"Bangladesh may greatly be benefited by importing gas and hydro-power from the vast resources of Myanmar," he said before leaving for Myanmar.

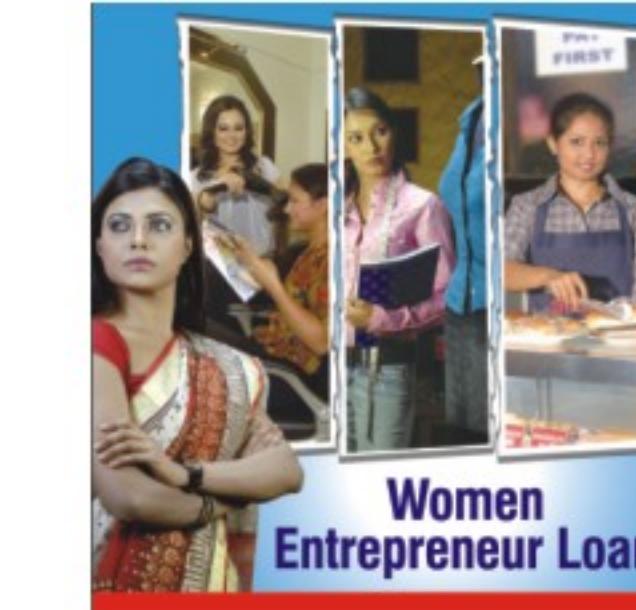
Azad urged the governments to facilitate formal bilateral import and export trade through banking channels, establish direct connectivity through air and shipping lines, and ensure duty-free mutual market access.

Amjad Khan Chowdhury, president of the Metropolitan Chamber of Commerce and Industry, who is also on the entourage, said the Bangladeshi businessmen want Myanmar to open up opportunities for other neighbours.

Chowdhury, also chief executive officer of Pran-RFL Group, said: "We have the opportunity to export processed foods, pharmaceutical products and garment items to Myanmar."

If Bangladesh opens up businesses with Myanmar, the markets of Thailand and China will also be accessible, said Asif Ibrahim, president of Dhaka Chamber of Commerce and Industry.

Bangladesh mainly imports food items such as rice and lentils, fish and timber from Myanmar, while exports cement, pharmaceuticals, condensed milk, fabrics, construction materials and electric cables.



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Dollar hits new high

STAR BUSINESS REPORT

The US dollar price against the taka has reached a new high with 11 banks quoting the exchange rate minimum at Tk 80 yesterday, according to Bangladesh Foreign Exchange Dealers' Association.

Commercial Bank of Ceylon and HSBC Bangladesh quoted the bills for collection selling rate at Tk 80.50 a dollar, followed by Citibank NA at Tk 80.45. Banks use the bills for collection selling rate for importers.

Two local private commercial banks -- AB Bank and Bank Asia -- asked Tk 80.20 for a US dollar, while Standard Chartered Bank Bangladesh set the price at Tk 80.15.

Meanwhile, treasury officials at different banks are worried about the unabated rise in dollar price.

"I'm surprised to see no intervention by the central bank. I have never seen such a lukewarm attitude of the Bangladesh Bank," said a private bank's official.

In the past two months, the central bank kept itself almost off from the foreign exchange market, making the local currency to go down drastically. The taka has depreciated nearly 4.5 percent in the past one month.

"We have no option but to leave it to market forces," said a senior treasury official of the BB. "The reserve is shrinking and now stands at around \$9.6 billion."

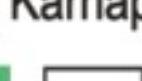
A treasury official at another private bank, however, sees a positive impact. "Inflow of remittance is likely to grow, as remitters will get more money now," he said.

But economists say currency depreciation hurts the economy by fuelling inflation as Bangladesh is an import dependent country. Bangladesh imported goods and services worth \$38 billion in fiscal 2010-11.

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*Source: Delta Economics 2011

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