

NCC BANK'S **85th** Branch at **Dinajpur** From 11 December, 2011

Dinajpur Branch: Taj Bhaban (1st Floor) Munshipara, Dinajpur.

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star BUSINESS

DHAKA FRIDAY DECEMBER 16, 2011, e-mail:business@thedailystar.net

IMF to study progress before credit roll-out

REJAUL KARIM BYRON

The International Monetary Fund (IMF) will finalise its \$1 billion loan proposal after looking at the steps the government takes to meet the conditions tagged to the credit.

A finance ministry official said the visiting IMF mission set several conditions, including government expenditure cuts, reduction of government borrowing, tight monetary and foreign exchange policy, and enacting tax and bank related laws for the credit facility.

The IMF mission began the first round of talks on the \$1 billion extended credit facility (ECF) on November 30 and ended it on December 13. It will resume talks in March.

"A finalisation of programme understandings awaits further consultation among officials and with the IMF over the near term to ensure timely implementation of envisaged policy adjustments," the IMF said in a statement.

The finance ministry official said the IMF mission has expressed concern about financial discipline, which has caused an increase in government's bank borrowing and also fuelled inflation. It has also been increasing pressure on the balance of payments, resulting in a devaluation of the taka.

The IMF mentioned these macroeconomic challenges and said agreement was sought on a range of measures needed to reduce external and domestic imbalances, restore macroeconomic stability and rebuild foreign reserve buffers.

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Discussions centred on near-term macroeconomic policy priorities and growth-critical structural reforms could form the basis for a programme arrangement under the ECF, the IMF said.

The IMF mission, in the last two weeks, met with the prime minister, finance minister, the PM's economic adviser, the energy adviser, the central bank governor and other government high officials. It also met with private sector entrepreneurs, development partners and civil society representatives.

The IMF urged the government to slash the size of the annual development programme and subsidy, according to the finance ministry official. The lending agency suggested the government take specific measures to cut unnecessary expenditure, he added.

The exchange rate against the dollar has increased by the day, crossing the Tk 80-a-dollar mark. The IMF said Bangladesh Bank cannot interfere in the foreign exchange market.

If the central bank sells dollars to the banks, it has to be a sale and not an overdraft, it said.

The IMF also said the repo rate should be increased by 200 to 300 basis points by next June to tighten the monetary policy further, which means making it 9-10 percent from 7.25 percent now.

In the last monetary policy, the central bank fixed a target to bring down reserve money growth to 16 percent by June, but the IMF said it has to be brought down to 13 percent.

"Discussions focused on policy moves to engender moderate monetary and fiscal tightening, backed by greater exchange rate and interest rate flexibility," the IMF said.

According to the finance ministry official, the IMF suggested amendments to the Banking Companies Act. The central bank has prepared a draft amendment to the law. BB will have to make sure the new law conforms to international best practices, he said.

The government has prepared drafts of new income tax and VAT laws, and it has also fixed a new date to place it in parliament. When the IMF sits with the government in March, it will see whether the date was met or not.

In the last fiscal year, discussions took place on the ECF loan but matters did not proceed as the VAT act was not placed in parliament.



Ashiyon City, an unapproved housing project of Ashiyon Group, is on display at a fair organised by the Real Estate and Housing Association of Bangladesh at Bangabandhu International Conference Centre in Dhaka yesterday. Ashiyon Group is a co-sponsor of the fair. The High Court in June declared 78 private housing projects illegal. (Story on page 20)

REHAB fair kicks off amid slack sales

STAR BUSINESS REPORT

A real estate fair kicked off in Dhaka yesterday amid hopes for a turnaround in the struggling housing sector hit by the stockmarket collapse and a liquidity crisis in banks.

State Minister for Housing and Public Works Abdul Mannan Khan opened the REHAB Fair 2011 at Bangabandhu International Conference Centre in Dhaka.

The Real Estate and Housing Association of Bangladesh (REHAB) has organised the five-day fair joined by 283 real estate companies, construction materials suppliers and two financial institutions.

A stall has also been allotted to Rajdhani Unnayan Kartripakkha (Rajuk), the city's housing authority, for the first time. Buyers will be able to know whether an apartment or a land project is authorised or not.

During his speech, the state minister said the realtors should not target only profits but should perform social responsibility and operate within laws as well.

He also urged them not to play tricks with buyers through colourful advertisements when the project sites are still under water.

REHAB President Nasrul Hamid MP said the government should relieve the construction firms of installing mandatory solar panels that generate 3 percent of the total electricity consumed before giving a power connection to a building.

"The government can add additional charge on new power connection. We are ready to pay. We just want electricity," he said.

Hamid said the non-availability of utility connection is preventing them from handing over apartments to buyers on time. "We do not know whether we will be able to honour schedule in the future."

He said both the buyers and the construction companies are being forced to pay additional interests for bank loans due to a delay in project handover. "We are offering discounts to sell projects. We are going through real hard times."

The ruling party lawmaker said REHAB has already taken action against a number of real estate companies for selling the same flat to different buyers.

Murad Iqbal Chowdhury, general secretary of REHAB, said they are not being able to hand over about 16,000 ready flats to buyers due to a lack of electricity and gas connections.

"As a result, we are being accused of breaching agreements. The real estate companies have become helpless," he said.

He said the country's housing market is experiencing a slow-down due to a lack of gas and electricity connections, an increase in tax at source for developers, stockmarket crisis and liquidity crisis in banks.

Khondaker Showkat Hossain, housing and public works secretary, said a decision to give electricity and gas connections to the flats should be taken on the basis of reality so that buyers can get the apartments.

He also urged the REHAB members to maintain minimum business ethics. "Buyers sometimes allege that they do not get supply of apartments in time or the construction firms sell the same flat to another party by cancelling an allotment. Business houses should not compromise business ethics for extra profits."

The show opens to visitors from 10:00am to 9:00pm on Friday, from 6:00pm to 10:00pm on Saturday, from 1:00pm to 10:00pm on Sunday and from 10:00am to 9:00pm on Monday, the concluding day.

LG, Butterfly eye electronics plant in Bangladesh

STAR BUSINESS REPORT

South Korean electronics giant LG Electronics and local Butterfly Marketing are likely to set up a factory with a total investment of \$500 million to assemble electronics products in Bangladesh, according to an official.

The first phase of the project will start next year with a joint venture entity to assemble refrigerator, Mustafizur Rahman Shazid, director (sales & marketing) of LG products distributor Butterfly Marketing Ltd, told The Daily Star by phone.

A number of electronics products such as television, microwave oven, air-conditioner, washing machine and other home appliances will be made at the factory to cater to the local market, now growing at 10-15 percent a year, according to the official. The factory will be set up at Bhaluka in Mymensingh, said Shazid.

He said the factory will employ around 5,000 people in the county after the completion of the project.

Earlier in the day, a delegation of LG Electronics called on Industries Minister Dilip Barua at his office and shared its intention to invest in Bangladesh, according to a statement issued by the industries ministry yesterday.

LG Electronics Vice President Junhwan Kim was present, among others, at the meeting. The delegation appealed to the government for allocating 100 acres of land in a special economic zone that the government plans to establish in future to promote investment.

Cold spell fuels soybean oil price

SOHEL PARVEZ

The ongoing cold spell has pulled up demand for soybean oil, taking its wholesale prices to a record high, sellers said yesterday.

Prices of soybean oil, sold in loose form, shot up to Tk 4,415-Tk 4,425 a maund (37.32 kilogram) yesterday from Tk 4,370-4,400 the previous day at Moulvibazar wholesale market in Dhaka.

"This is the highest price I have ever seen. Prices are heating up as the supply of soybean oil fell short of demand," said Mohammad Ali Bhutto, general secretary of Bangladesh Edible Oil Wholesalers Association.

Such a high price was seen during the period of the caretaker government, he said. Influenced by a spike in the wholesale market, retail prices of soybean also edged up.

A litre of loose soybean oil was selling at Tk 113-115 at retailers in Dhaka yesterday from Tk 112-113 a week ago, according to Department of Agricultural Marketing.

The prices of soybean oil marked the rise in the last two-three days after a cold spell began to sweep the country, prompting more and more retailers to queue for soybean instead of palm and super palm oil that solidifies during winter and thus creates an impact among consumers.

Traders said the wholesale prices of loose soybean oil were Tk 4,300-Tk 4,330 a maund a week ago.

"The prices would have not skyrocketed had there been an adequate supply in the market. There is a shortfall of ready soybean oil in the market," said Bhutto, also owner of Shahnewaz Enterprise.

Traders said the demand for soybean usually goes up during winter as the scope for selling palm and super palm oil narrows down due to solidification.

But such a quick spiral in the prices is the result of a deficit in supply, said Bhutto.

Abul Hashem, another wholesaler at Hasan Enterprise at Moulvibazar, said: "Millers are not supplying soybean oil in line with the rise in demand."

He said he is unsure about the stocks of soybean oil in the hands of the refiners and importers. "But all are asking for higher prices," he said.

Biswajit Saha, general manager of leading commodity processor City Group of Industries, said the supply of soybean oil has not fallen in the market. Instead the additional demand has created a pressure.

He also claimed City sells loose soybean oil at Tk 106 per litre at mill gate.

Abu Bakar Siddique, who runs a wholesale cum retail outlet Siddique Enterprise at Karwan Bazar, blamed the cold wave for a spike in the demand and prices of soybean oil.

But the demand for palm and super palm oil has fallen leading to a drop in their prices, he said.

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Price Sensitive Information

The Board of Directors of ACI Salt Limited in their meeting held on 15 December 2011 has decided to appoint Mr. Syed Alamgir as Managing Director of the Company.

By Order of the Board
Sheema Abed Rahman
Company Secretary

15 December 2011

পার্বতিন মোটেল, খাগড়াছড়ি
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বেড়িয়ে আসি খাগড়াছড়ি, হিমেল হাওয়ার
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পর্যটন মোটলে রাত কাটাতে, নিবিড় পরিচর্যায়।