



From left, US Ambassador Dan Mozena, Food Minister Abdur Razzaque and Deputy Chief of Mission of the US Embassy Paul Sabatine celebrate USAID's 50 years of global assistance and 40 years in Bangladesh at Radisson Hotel in Dhaka yesterday.

USAID pledges to spend \$922m by 2016

STAR BUSINESS REPORT

The United States Agency for International Development (USAID) will provide \$922 million to Bangladesh over the next five years to help the country address food security, health and global climate change.

The health sector will receive the largest assistance of \$312 million, while USAID will spend \$269 million for food security, \$210 million for humanitarian assistance, \$66 million for strengthening democracy and governance and \$63 million for climate change.

USAID Bangladesh Mission Director Richard Greene unveiled the agency's new five-year strategy from 2011 to 2016 for the nation at an event at Radisson Hotel in Dhaka yesterday.

The US government's development agency organised the event to celebrate its 50 years of global assistance and 40 years with Bangladesh.

"Bangladesh has made tremendous success in promoting child health and family planning and became one of a few countries who have achieved some of the millennium development goals," Greene said. "USAID has successes in marketing family planning products at

affordable prices."

"Our new programmes aim to support Bangladesh to achieve the middle-income country status," he said.

Finance Minister AMA Muhith said the relationship between Bangladesh and USAID is pretty old. He also paid tributes to the US leaders who contributed to setting up USAID for undertaking development projects in the world as well as in Bangladesh.

Food and Disaster Management Minister Muhammad Abdur Razzaque thanked USAID for extending assistance towards Bangladesh in the areas of health and food security soon after 1971.

Fifty years ago, President John F Kennedy set up USAID with a vision of global prosperity and security made possible by human progress. The agency had the mandate to help people help themselves in building a better life for themselves and their children.

"I believe President Kennedy would be pleased and proud of what his creation has done and continues to do here in Bangladesh, in partnership with the people of Bangladesh," US Ambassador to Bangladesh Dan Mozena said.

MORE ON B3

BB moves to bring transparency to banks' interest rates

Central bank releases data on interest rate spread on its website

REJAUL KARIM BYRON

Bangladesh Bank (BB) yesterday for the first time released data on interest-rate spread to increase competition among banks and help consumers get services at a lower cost.

The interest-rate spread is the difference between lending and deposit rates. An increase in the spread means the banks gave lower interest rates to depositors but charged higher rates from loan seekers.

The bank interest rate spread increased in 2011, compared to 2010, which is one of the reasons behind hefty profits that banks made last year, according to data from the central bank.

"The inclusion of the bank interest rate information on our website is part of the Bangladesh Bank Open Data Initiative whose aim is to promote easily downloadable access to economic and financial sector data," said Hassan Zaman, senior economic adviser to the central bank governor.

"This sort of data dissemination can strengthen consumer awareness and hopefully promote healthy competition in the banking sector," he said.

"The BB step is good but it is not sufficient," former BB governor Salehuddin Ahmed said.

The spread should remain below 5 percent. If the spread of any bank is higher than that, the central bank must intervene, Ahmed added.

In the Bangladesh context, opening up everything in the name of free-market economy will not be proper, he said.

The spread of all banks increased 0.07 percentage point to 5.23 percent on average in November 2011, compared to December 2010, central bank data showed.

The interest rate spread of many banks

was above 6 percent, according to data on individual banks. The spread of most foreign banks is much higher.

Zaman said the high interest spread can be justified for some banks because they have a larger share of SME lending, but there are certainly scopes for some other banks to reduce the spread.

The spread of state-owned commercial banks was much lower about one and a half years ago but it has started to increase now. But it is still below 5 percent.

A high official of Agrani Bank said the state banks compete with private banks. As a result, they are forced to increase the interest on deposit and lending.

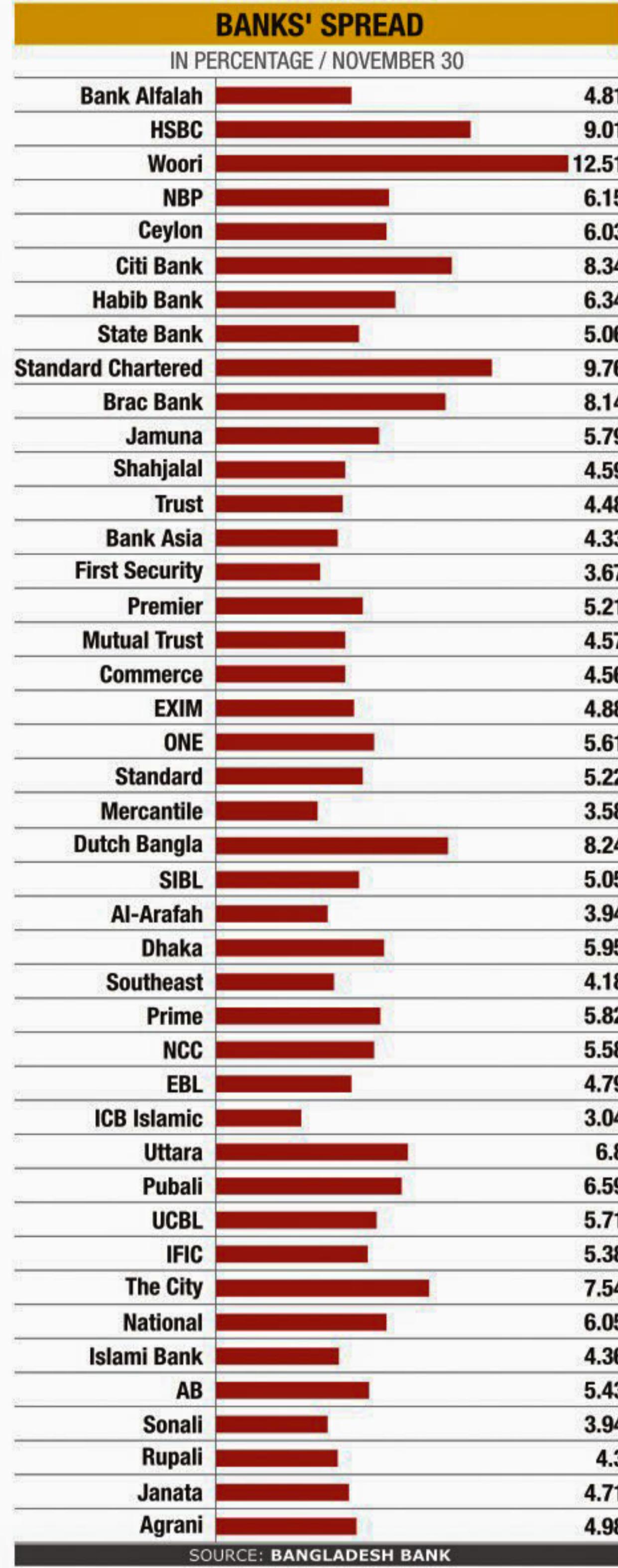
In 2011, many thought that bank profits will be much lower due to a fall in their profits from the share market, but in reality both the public sector and private banks made good profits. Most of the banks made more profit in 2011, compared to 2010.

In addition to the high spread, the banks made good profits from the foreign exchange market, Ahmed said. The commission charged by the banks is much higher now.

The banks normally give less interest to the depositors and charge more in case of lending, he said. BB will have to continuously monitor the situation so that the banks do not give lower interest rates to the depositors and charge more for the borrowers.

Many bank officials said the central bank withdrew the lending cap recently, which will increase the lending rate in 2012. In addition, to collect deposits, the banks will embark upon stiff competition, pushing the deposit rate up.

The managing director of a private bank said the government has taken an initiative to allow a number of new private banks to be set up, which will further increase competition.



Car sales on slow lane as import costs spike

SOHEL PARVEZ

Car sales slumped due to spiralling prices that resulted mainly from higher import costs amid depreciation of the taka against the dollar, sellers said yesterday.

The depreciation of the dollar against the yen also hiked the prices of both new and used cars of Japan, the major vehicle exporter to Bangladesh, they said.

"Prices are going up due to a spike in import costs. The result was a drop in sales," said Mannan Chowdhury Khoshru, president of Bangladesh Reconditioned Vehicles Importers & Dealers Association (Barvida).

Over the past one year, the taka has lost 17 percent in value against the dollar. At the same time, the yen rose to 76.88 from 82.95 against the dollar. It was a double whammy for Bangladeshi importers. It means a local importer needs more cash (taka) to buy one dollar and more dollars to buy a Japanese unit.

The depreciation of the two currencies pushed up import duties at local ports.

Prices of the mostly sold 1,500cc used cars -- Toyota Corolla -- increased to Tk 21 lakh from Tk 15 lakh two years ago due to the depreciation of taka and dollar, said the Barvida chief.

Japanese cars dominate sales in the domestic market, he said.

Apart from used vehicle sellers, marketers of new cars also identified the depreciation of currency behind the slowdown in sales.

In a move to curb inflation, the central bank restricted imports of luxury items. A stockmarket debacle also affected auto sales, sector people said.

sohel@thelailystar.net

Garment tech fair kicks off

STAR BUSINESS REPORT

Three concurrent exhibitions on garment accessories and machinery started at Bangabandhu International Conference Centre in Dhaka yesterday.

Bangladesh Garment Accessories and Packaging Manufacturers and Exporters Association organised the events.

Companies from China, India, South Korea, Thailand, Singapore, Malaysia, Taiwan, Hong Kong, the USA and European Union are taking part in one of the events, Pacexpol 2012.

The other two fairs are: Garmentech Bangladesh 2012 and Yarn and Fabrics Sourcing Fair 2012. ASK Trade and Exhibition Ltd, India and Zakaria Trade & Fair International are the two co-organisers of the shows.

Finance Minister AMA Muhith inaugurated the events and advised garment makers to uphold entrepreneurial spirit and expand operations to harness more potential for the economy.

Now the garment industry is not



AMRAN HOSSAIN
A woman is seen at a fair that showcases garment technology at Bangabandhu International Conference Centre in Dhaka yesterday.

confined only as an industry, but also involved in many other areas such as banking, insurance and accessories, Muhith said.

Although there is lack of cotton and capital machinery, Bangladesh

has gained a special position in the global apparel market with the entrepreneurs' skills and hard work, Muhith said.

"We should express special gratitude to the entrepreneurs

because they are the people who helped to flourish the industrial sector in the country."

The industry is no more a place for workers' exploitation, he said. "It is now working for the development of the people."

If the garment sector suffers, the economy will also suffer largely as the sector employs 3.5 million workers directly, said Annisul Huq, president of Saarc Chamber of Commerce and Industry.

Now garment makers get their required accessories in the evening after placing order at the factories in the morning as the country is self-sufficient in the sector now, Huq said.

"In the past, a garment maker had to place orders at least four months ago because of the country's dependence on accessories import."

Shafiqul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association, cited human resource as the biggest asset of the garment sector.

MORE ON B3

AirAsia X pulls out of Europe, India

REUTERS, Singapore

Malaysian long-haul budget carrier AirAsia X announced plans to scrap unprofitable routes to Europe and India as it prepares for a planned flotation, citing weak demand and a row over European Union emissions charges.

The decision to scale back will affect flights to Mumbai from January, while

services to New Delhi, London and Paris will cease in March.

AirAsia X said customers who hold bookings after these dates would be offered an alternative travel option at no additional cost.

"AirAsia X will concentrate capacity in our core markets of Australasia, China, Taiwan, Japan and Korea," the carrier said.

We deeply mourn

MTB Group Chairman
Mr. Samson H. Chowdhury
(1926-2012)

 Mutual Trust Bank Ltd.
you can bank on us

