Bankers praise monetary policy

STAR BUSINESS REPORT

LEADING bankers hailed the monetary policy announced yesterday for the first half of the current fiscal year, saying the suggested changes would increase credit flow to the private sector.

"We are encouraged by the policy and hope that together, we will be able to post better growth and improvements in the future," said Anis A Khan, managing director of Mutual Trust Bank.

Bangladesh Bank (BB) has revised the private sector credit growth target higher at 18.3 percent for July-December, the first half of the current fiscal year.

The target was 16 percent in the immediate past monetary policy statement (January-June).

The central bank led by Governor Atiur Rahman extended a fight against soaring consumer prices. Average inflation rose to 10.62 percent last fiscal year from 8.80 percent a year ago.

Tightening the credit belt for the banks and lending more to the government created a sort of liquidity crunch in the market in fiscal 2011-12.

"This (18 percent) will help the private sector get more credit," said Khan, congratulating BB for announcing such a proactive and mature policy.

Helal Ahmed Chowdhury, managing director of Pubali Bank, praised the new monetary policy as prudent and hoped it would make more credit available to the private sector.

"We are encouraged to see the private sector credit target revised at over 18 percent that will help achieve the targeted economic growth," Chowdhury said.

Nurul Amin, managing director of NCC Bank and chairman of the Association of Bankers' Bangladesh (ABB), also welcomed the new monetary policy.

"Setting the private sector credit growth target at 18.3 percent is a good move," Amin said.

He, however, sees no major changes in the new policy with that of the previous one that envisaged inflation control and financial inclusion as its major tasks.

The ABB chairman is also concerned with government credit from the banking sector and the sufferings of the primary dealer (PD) banks. PD banks must buy government bonds and securities.

On money supply, Amin said it would go up in the next couple of months with an ease in credit supply and rise in export and remittances.

Dr Salehuddin Ahmed, former governor of the central bank, wanted to see more credit flow to the private sector given the present tight liquidity situation.

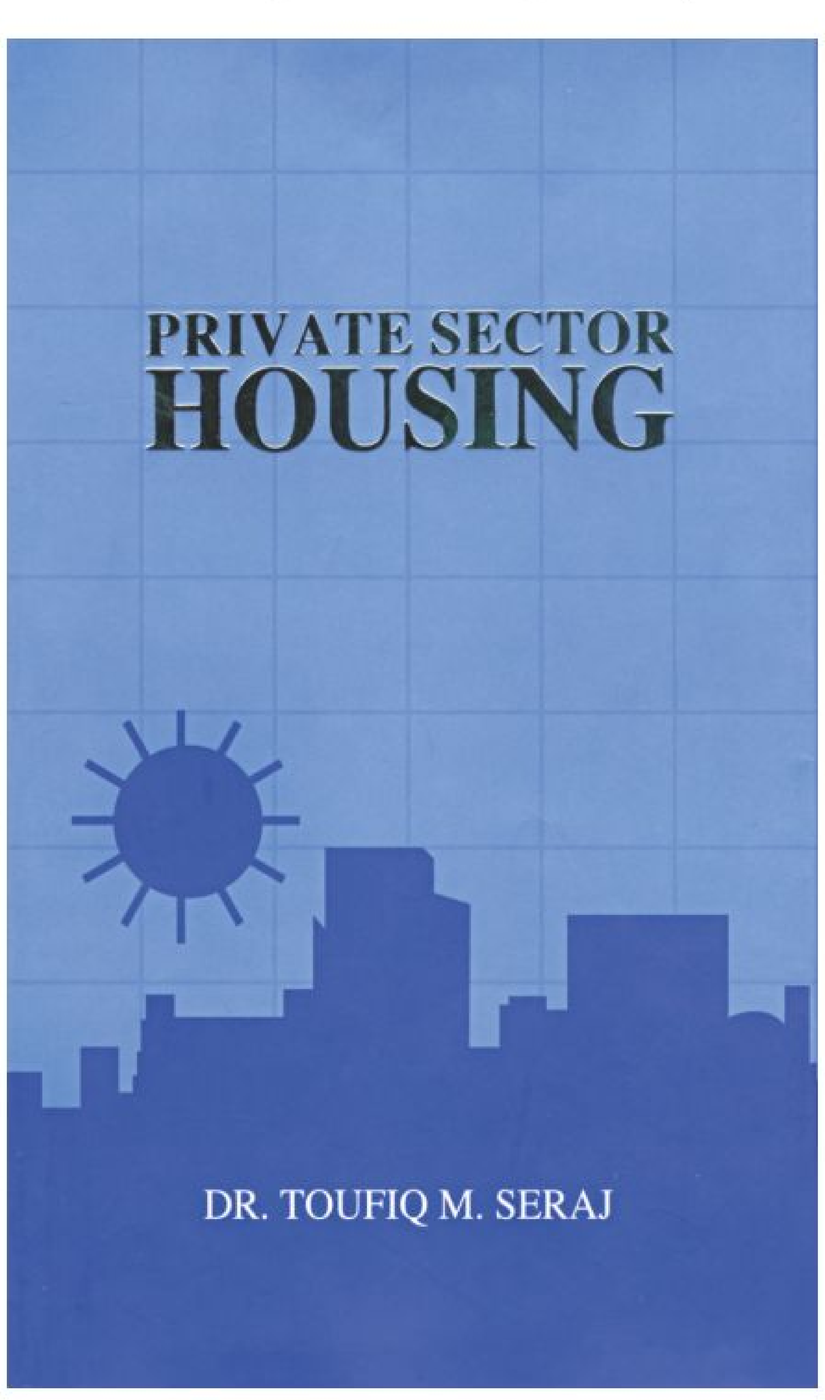
"The private sector credit target could have been set at 20 percent," Ahmed said.

BANGLADESH BANK

Fourth from right, **Prof Musharraf Hussain, a former member of the Planning Commission, receives Bangladesh Bank Award-2011 from Finance Minister AMA Muhith and Bangladesh Bank Governor Atiur Rahman for his contribution to research work on the economy, at a ceremony at Ruposhi Bangla Hotel in the capital yesterday. The former Dhaka University professor's research work ranges from rural poverty and credit support to exports, remittance, globalisation and good governance. His book -- Agriculture in Bangladesh -- is taught at tertiary levels, while another book, The Assault that Failed, gives priority to social development over economic growth.**

Real estate: going by the book

STAR BUSINESS REPORT



HOUSING is one of the basic human needs, and in an overcrowded city like Dhaka, finding a place to live at a reasonable price is quite the challenge.

The lack of relevant literature, be it an authentic study or guidelines, to inform of the latest developments, only makes things difficult.

Addressing such issues, Dr Toufiq M Seraj, managing director of a leading local real estate firm Sheltech, penned a book, Private Sector Housing.

"This book has been produced to fill the gap on information regarding the progress the real estate sector and its linkage industries such as cement, steel, ceramics, paint and carpentry, have made in last three decades," Seraj said.

The book covers a wide range of fields, such as importance and influences of housing on human life, private real estate housing practices in Dhaka, major obstacles of the sectors, housing laws and regulations, and housing practices in some other countries.

The book presents empirical data, courtesy of regular Sheltech surveys, on price rises of land and apartments in major parts of Dhaka.

According to the book, 51 percent of the city residents are businesspersons, while 40 percent are in service.

Simultaneously, only 7 percent live in structures on their own land, while 33 percent are tenants and 60 percent live in apartments owned by them.

In the last 11 years, the apartment prices have increased at an annual average rate of 14.4 percent, thanks to increased land and construction materials' prices and higher degree of competition among developers, the book says.

The real estate sector is often used as an indicator to measure a nation's economic growth, and flourishing economies in China and Dubai for instance, are represented by booming real estate markets.

Local housing industry has made remarkable progress by contributing 12-14 percent to the country's GDP, creating employments for nearly 40 lakh skilled and unskilled work forces, in the last ten years.

The book also outlines recommendations to mitigate problems facing the sector.

Jamilur Reza Choudhury, former adviser to caretaker government, commended the book as it will greatly help students of architecture and urban planning, researchers and investors alike.

He, however, had suggestions for the next edition of the book, such as elaboration on floor area ratio, height restrictions, building code and Fire Act.

Kutubuddin Ahmed, chairman of Sheltech, and Hasan Jaedi, CEO of Pearl Publication, also spoke at the book launch ceremony, jointly organised by Sheltech and Pearl Publication at Ruposhi Bangla Hotel on Tuesday.

Louis Vuitton lures China's super-rich

REUTERS, *Shanghai*

LOUIS Vuitton is courting China's wealthy with one-of-a-kind shoes and bags it is branding as unique works of art to reclaim its exclusive cachet in the luxury market.

The French luxury brand, a unit of LVMH, is set to open its largest China store in Shanghai on Saturday, complete with a gilded spiral staircase and an invitation-only private floor where big spenders can get their hair done while dreaming up designs for custom bags.

"The made-to-order concept is the ultimate luxury," Louis Vuitton Chief Executive Yves Carcelle told Reuters during a tour of the store, which the company calls a "maison".

"It's the same with art. If you are interested in art, the ultimate is to commission an artist rather than buy a piece that is already done," Carcelle said.

Louis Vuitton routinely ranks among the most admired brands in surveys of Chinese consumers. But ultra-luxury names such as Hermes are making inroads, and some top-tier consumers now look down on Louis Vuitton as too common.

The company hopes to cement its exclusive luxury status with the new Shanghai store, which boasts steel sculptures and carries a wide array of goods ranging from chic coats and hats to brightly coloured bags made from python or alligator skin.

It also sells carrying cases for tiles used to play the Chinese game mahjong and made-to-order trunks for tea sets.

China is the world's third biggest market for personal luxury goods, worth at least 160 billion yuan. In the next three years, it is expected to leapfrog over Japan and the United States to take the top spot, with the luxury segment expanding to 180 billion yuan.

BAD TIMING?

The Louis Vuitton maison, one of 16 similar boutiques in the world, is located in Shanghai's address for luxury goods: the swanky Plaza 66 mall, where rival brands such as Chanel and Prada also have stores.

Spanning four levels and with more than 100 staff, the store is currently the only one in China that offers custom bags and shoes. The company declined to say how much it spent on the boutique.

"Being in this made-to-order market needs sophisticated customers who know what they are talking about and own several bags, if not dozens of bags," Carcelle said.

"That's why the haute maroquinerie and made-to-order-shoes... are important to demonstrate in China," he said, using the French word for luxury leather crafts.

"As long as we didn't have this space to show them to our clients, in a world that is changing fast, we were missing our weapons," he said.

Louis Vuitton's timing, however, may be less than ideal.

Luxury spending is softening in China as the economy weakens. Economic growth slowed to its lowest level in three years last quarter. Britain's Burberry said last week its sales had been hit by the slowdown in China.

Carcelle declined to comment on the state of the Chinese economy or its impact on luxury spending, but said he sees more "maisons" opening up in the capital Beijing and Hangzhou, a thriving trade hub in eastern China.

REUTERS

An employee makes a shoe at the largest Louis Vuitton store in China, which is located in Shanghai.

Bernanke offers gloomy view but few new hints on easing

Reuters, Washington

FEDERAL Reserve Chairman Ben Bernanke on Tuesday offered a gloomy view of the economy's prospects, but provided few concrete clues on whether the US central bank was moving closer to a fresh round of monetary stimulus.

Bernanke told the Senate Banking Committee the economic recovery was being held back by anxiety over Europe's debt crisis and the path of US fiscal policy, and he expressed unease over a stagnant jobs market.

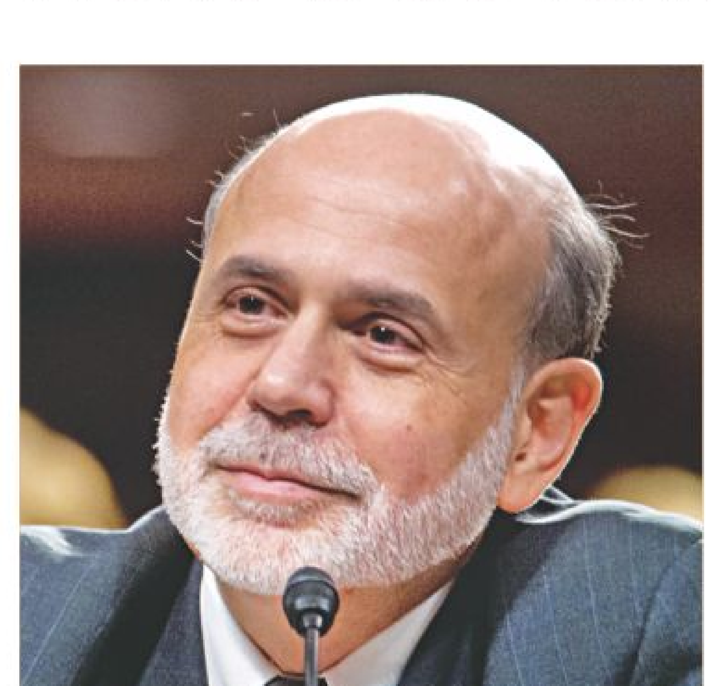
The Fed chairman told lawmakers the central bank was considering a range of tools it could employ to help the economy but he hewed closely to the message of watchful waiting that the central bank's policy panel delivered in June.

"Reflecting its concerns about the slow pace of progress in reducing unemployment and the downside risks to economic growth, the committee made clear at its June meeting that it is prepared to take further action," Bernanke said in his testimony on the Fed's semi-annual monetary policy report.

Some investors had hoped the Fed chief would signal that the central bank was moving close to a third round of bond purchases -- or QE3 in market parlance -- to support the economy.

Prices for US stocks initially fell on disappointment but clawed back to close up on the day on better-than-expected profit forecasts from Coca-Cola and Goldman Sachs. Prices for US government debt fell.

"The market was preparing for some signal of imminent policy action from the Fed and they certainly did not get that," said Omer Esiner, chief market analyst at Commonwealth Foreign Exchange.



Ben Bernanke

The Fed has held overnight borrowing costs near zero since December 2008 and has bought $2.3 trillion in government and mortgage-related debt to push long-term interest rates lower.

As the recovery faltered, it promised to hold rates at rock bottom levels until at least 2014 and, at its June meeting, it extended a program to lengthen the average maturity of bonds in its portfolio to depress long-term borrowing costs.

It next meets on July 31-August 1. Few economists expect it to take further steps to spur the recovery then, but many think fresh stimulus measures could come as early as the subsequent meeting in September.

"I think the issue is not if but when we'll have another round of quantitative easing," said Nouriel Roubini, chairman of Roubini Global Economics.

Despite the extensive support the Fed has lent the recovery, growth is too weak to cut unemployment. The economy expanded at a tepid 1.9 percent annual rate in the first quarter, and economists think the second quarter will be even weaker.

With growth slowing around the globe, many central banks have eased policy recently, including the European Central Bank and the central banks of Britain and China.

At the hearing, lawmakers sought to lobby the Fed from both ends of the political spectrum. New York Democrat Chuck Schumer urged the Fed to ramp up its support for growth while Tennessee Republican Bob Corker advised it to stay on the sidelines.

Bernanke said the risks of a surge in inflation were low and that there was a modest risk of a broad-based decline in prices.

He said Fed policymakers would consider a range of tools to further stimulate growth if it became clear the labor market was not improving or if deflation risks mounted.