

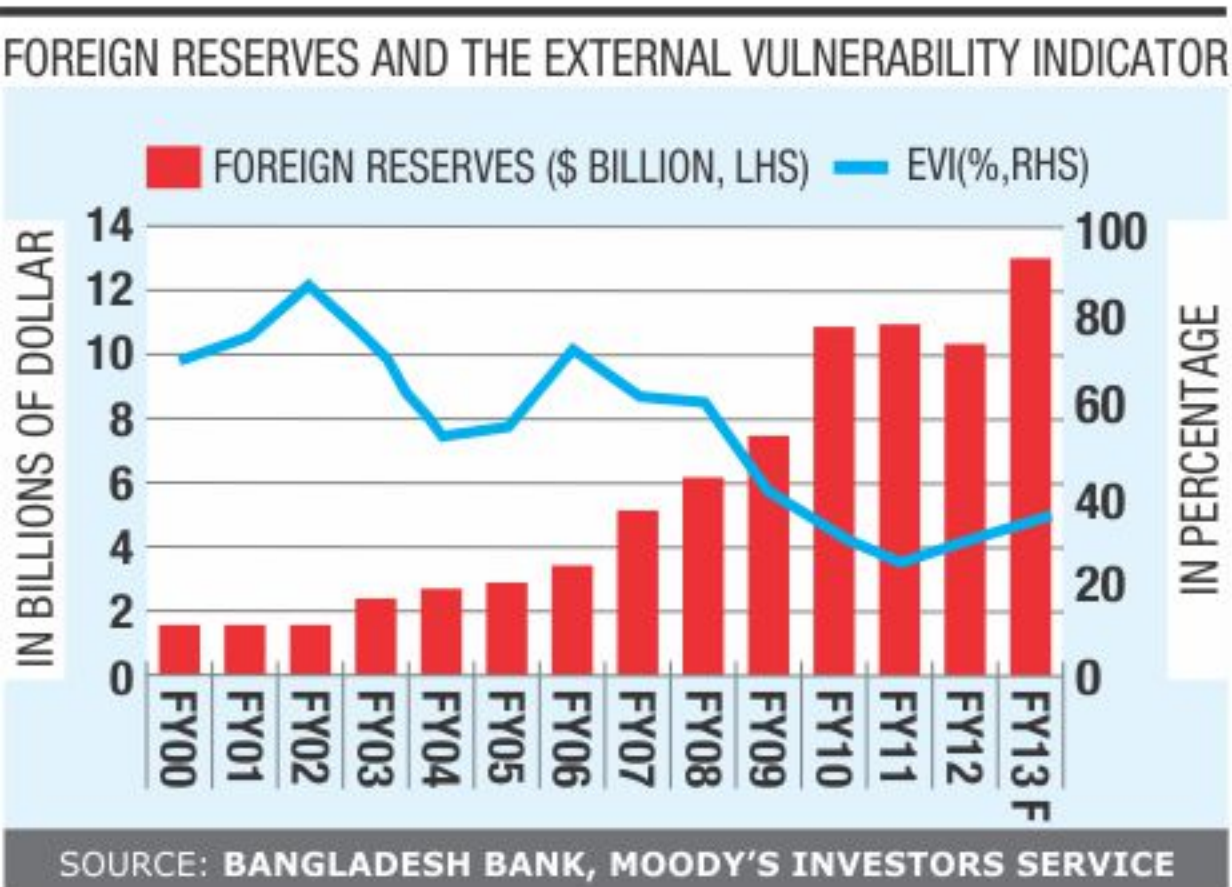
Reforms shore up Bangladesh's credit stability: Moody's

STAR BUSINESS REPORT

Bangladesh's credit stability has been shored up by the momentum in reforms agenda, global rating agency Moody's said.

But the existing and new risks loom large over the recent garment factory fire, complexity regarding the Padma Bridge financing and the upcoming national elections.

Moody's said the recent momentum in the pace of reforms -- as witnessed by the passage of a new value added tax law, and reforms related to fuel prices and the financial sector -- is credit supportive.



Higher capital flows could be bolstered by possible issuance of sovereign or quasi-sovereign bonds, the normalisation of aid flows, and improvement in the foreign investment.

As a result, the reserves may go up to around \$13 billion by the end of the current fiscal year, from \$10.3 billion at end of last year, the agency said in a report on December 14.

The International Monetary Fund's \$987 million credit will help Bangladesh implement the planned structural reforms, the report said.

Moreover, the successful conclusion of an IMF review last week will likely pave the way for the disbursement of a second tranche worth \$141 million, taking the total disbursements to \$282

million, it said.

This will be beneficial for the external liquidity situation, which is just beginning to recover from pressures faced last year, the rating agency said.

Hassan Zaman, chief economist of Bangladesh Bank, termed the report a balanced assessment.

It reflects the improvements on the macro-stability front during this year as well as the current and future challenges the economy faces, Zaman added.

Moody's said Bangladesh is the only South Asian country that has consistently posted current account surpluses in the past decade though the external balance was under pressure in fiscal

2011 due to slow exports, expensive imports and falling remittances.

Steady growth trends, a more positive outlook for the external sector, stabilising exchange and interest rates, and the recent momentum in reforms are positive, Moody's said.

"However, recent successes could be dampened by a number of factors."

The challenges include implementation risks regarding the newly enacted measures, weaker global growth and implications for exports, the threat of continued labour unrest, and the possibility of a messy transition to parliamentary elections in 2014.

These factors could derail the smooth progress in reforms, it said.

"Institutional weaknesses have been a constraint on our credit assessment of Bangladesh," the rating agency said.

Moody's also said the suspension of project aid by the World Bank and the misappropriation of loans by a state bank further underscored poor governance and transparency issues.

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SEC sets up software to spot frauds in trading

STAR BUSINESS REPORT

The Securities and Exchange Commission (SEC) will now be able to identify the market manipulators thanks to surveillance software, Finance Minister AMA Muhith said yesterday.

"Who violates the rules in stock trading, who buys or sells excessive shares, who trades among themselves -- all can be detected by the SEC through the software," Muhith told reporters after the launch of the software.

SEC would then take necessary actions against the perpetrators.

"Through this our capital market will become a transparent one," he said, adding that the stockmarket would become a genuine fund-raising option and the investors would be able to put their money with confidence.

The Dhaka and Chittagong stock exchanges are ready to introduce new price indices to replace the existing ones, Muhith said. "I hope they launch the new indices soon."

When asked about the government's position on the current market trend, Muhith said: "No comments."

The stockmarket regulator launched the surveillance software in an effort to detect manipulative stock trading in the secondary market, an act which was difficult under the regulator's manual system.

"Now the commission can keep an eye on the markets in an integrated and comprehensive way," said Arif Khan, a SEC member.

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Liaquat Ali Khan Mukul, chairman of Rupayan Port & Logistics Services, shakes hands with James Sutcliffe, chairman of UK's Port-Evo, after signing a deal at Westin Hotel in Dhaka yesterday. Port-Evo will operate Rupayan's inland container terminal in Narayanganj. Robert Gibson, British high commissioner in Dhaka, is also seen.

Port-Evo signs deal with Rupayan to operate container terminal UK company to provide \$25m

STAR BUSINESS REPORT

The UK-based Port Evaluation Management (Port-Evo) will invest \$25 million in the next one year to develop and operate the under-construction river-based Rupayan Container Terminal in Bangladesh.

The deal signed yesterday with Rupayan Port & Logistics Services at the Westin hotel in Dhaka, will make Port-Evo a partner of the country's first private inland container terminal.

James Sutcliffe, chairman of Port-Evo in Bangladesh, and Liaquat Ali Khan Mukul, chairman of Rupayan Port & Logistics, signed the deal on behalf of the two companies.

"We are now focusing on emerging markets, and we have chosen Bangladesh as it is a thriving country, whose economy has been growing at upwards of 6 percent in the last couple of years," said Sutcliffe.

The river-based container terminal

will usher in a new beginning and provide a cost-effective and environment-friendly solution to the exporters and importers of the country "blessed with many rivers".

"From now on, we will work with Port-Evo together to build and operate the river container terminal," said PJ Ullah, managing director of Rupayan Port & Logistics Services.

He said that the Chittagong port now handles around 1.5 million TEUs [twenty-foot equivalent unit] containers every year, of which 75 percent are Dhaka bound.

The terminal that will be able to handle 260,000 TEUs containers a year will save costs of exporters and importers by 50 percent, he said.

Of the total project cost of \$60 million, Rupayan has provided \$22.5 million, Port-Evo will provide \$25 million in the next one year, and the remaining sum will be taken as loans.

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Banking division sends director nominees' list to BB

STAFF CORRESPONDENT

The Banking Division yesterday sent the names of 29 persons to the central bank who were primarily selected for appointment as directors of state-owned commercial banks (SOCBs) to check whether any of them was loan defaulter.

Among them, five are government officials and the rest 24 are non-government personalities, including economists, business leaders, educationists, former civil servants and bankers.

The appointment will be made today with the banking regulator's clearance, said a high official of the finance ministry.

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Bond market goes online

STAR BUSINESS REPORT

The central bank yesterday launched an online trading platform for government treasury bonds and bills for the development of the country's secondary market.

"Now all investors will be able to take part in the buying and selling of government securities at ease," Bangladesh Bank Governor Atiur Rahman said at the launch ceremony at his office in Dhaka.

The platform -- Trader Work Station -- meets a long-pending demand as the existing secondary bond market, especially for government treasury bonds and bills, is still inactive, Rahman said.

Bankers welcomed the initiative as the country lags far behind the advanced and regional countries, where the secondary bond market is vibrant.

"We appreciate the introduction of the platform," Anis A Khan, managing director of Mutual Trust Bank, said in an earlier phone interview.

The secondary bond market, however, may not be lucrative for investors at present due to the state of the economy, according to Khan.

"But it will pay-off in the long run."

The market value of all treasury bills and bonds, yield, amount, date of issuance and date of expiry would be shown on the ticker screen of the web interface.



Bangladesh Bank Governor Atiur Rahman speaks at the launch of Trader Work Station, an online trading platform for government treasury bonds and bills.

Any buyer or seller can place orders on the platform through his/her bank for buying or selling all government treasury bills on the price or yield shown on the ticker screen, said the BB guideline issued last week.

The settlement would take place on the same day, further said the guideline.

The total sales of securities, highest and lowest market rates, yield and the total value of securities purchased and sold in a day would also

be displayed on the ticker screen.

If necessary, the central bank will impose a circuit breaker to prevent any abnormal fall or rise in the market price.

The market watch screen of the platform has the option of monitoring all market-related data.

The members can get detailed information of each of their orders from the order book of the platform and, if necessary, cancel or change their orders, added the guideline.

Spot orders fall at apparel show

STAR BUSINESS REPORT

Garment makers at the just concluded apparel and textile exposition -- Batexpo 2012 -- received spot orders worth \$61.67 million, which is 7 percent lower than that a year ago, organisers said yesterday.

The numbers of foreign buyers and their representatives also fell to 159 and 2,846 this year, from 175 and 3,015 at the three-day annual event last year.

However, at the beginning of the show, the Bangladesh Garment Manufacturers and Exporters Association expected that their spot orders will increase by 20 percent this year.

Although Shafiqul Islam Mohiuddin, president of the association, termed the fair successful, analysts said the strikes enforced by the opposition parties, political instability and the recent fire at Tazreen Fashions affected the event.

The BGMEA chief said around 90 buyers from some new markets visited the fair, which has created new optimism among the entrepreneurs.

A majority of them came from Japan and China, and there were also buyers from the Netherlands, New Zealand, Canada and Latin America, he said.

"They have expressed eagerness to import garment products from Bangladesh. The buyers also made queries about the port facility. At the same time, they have also voiced concern over the country's political scenario."

"The buyers are panicked about the scenario. The confrontational politics is hindering the country's economic activities," he said, urging the national leaders to restore peace through dialogues.

Mohiuddin said a 10-member delegation from China came to Bangladesh on the occasion of the fair and held talks with local businesspeople.

"China is a potential export destination for Bangladesh. We hope our market in the country will expand in 2013."

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