

Money market shifts to stability

StanChart tracks movements of taka and inflation

STAR BUSINESS DESK

A gradual and steady move toward stability marked the local currency money market in Bangladesh in 2012, Standard Chartered Bank said in an analysis yesterday.

Inflation remained a critical issue through the year staying at double digits in the first quarter, but then going on a steady downward trajectory through most of 2012.

January was marked by general point-to-point inflation reaching 11.6 percent driven by food inflation at 10.9 percent and non-food inflation at 13.2 percent. In July, general inflation came down to 8 percent with food inflation falling to 6.3 percent and non-food inflation falling to 11.5 percent, StanChart reported.

Finally, in Nov 2012, overall inflation came down further to 7.41 percent with food and non-food inflation coming down to 6.5 percent and 9.3 percent, respectively on a point-to-point basis.

The central bank pursued a monetary policy that was restrained in terms of controlling money supply and inflation while at the same time aimed at ensuring adequate private sector credit

to stimulate inclusive growth.

Increasing repo and rev-repo rates by 50 basis points to 7.75 percent and 5.75 percent in Jan 2012, and controlled support of market liquidity through repo throughout the year, were important steps towards the goal, StanChart said.

Demand for inter-bank liquidity remained high in January and February with overnight rates hovering mostly in the 18-20 percent range, it said.

The rates began to soften near the end of February and by June, were trading in the 12-15 percent range. Overnight rates gradually moved down further in H2 2012 and reached between 8-9 percent in December.

A number of measures were taken to relieve pressure on primary dealer (PD) banks arising out of devolvement of treasury bills and bonds, which helped the market situation by spreading devolvement of such bills and bonds on a larger number of banks and relieving pressure from primary dealers.

A new calculation system was introduced for valuation of Held for Trading (HFT) bonds in PD portfolios. Tenure for eligibility of securities that can be used for assured

liquidity support (ALS) was increased from 60 days to 75 days.

Most importantly, all 25 non-Islamic banks that had previously opted not to become PDs were mandated to underwrite primary auctions of government securities from August 2012 onwards.

Yield of treasury bills and bonds showed a general upward trend till the third quarter of the year, the analysis said.

However, due to higher demand early in the fourth quarter, there has been an upward rally in prices led by the shorter-end of the curve. This has however been reversed after the central bank re-introduced the 30-day Bangladesh Bank bills in November and reduced eligibility for ALS back to 60 days from 75 days in December.

The secondary market for treasury bills and bonds received a major boost from the introduction of an electronic platform for government securities trading. By providing important information on secondary market and developing a secondary yield curve, this electronic platform raises strong hopes for a vibrant and dynamic secondary market in 2013.

Call to invest more in workers' welfare

STAFF CORRESPONDENT, Ctg

Welfare of workers is not a matter of benevolence rather an investment, said Hossain Zillur Rahman, a former adviser to the caretaker government, yesterday.

He also said skilled and satisfied workers are an asset for a sector like readymade garments and textiles.

Rahman, also the coordinator of Chittagong Research Initiative, said investment in workers' welfare is a must to establish Bangladesh as an economically developed country.

He was speaking at an amusement programme organised by Base Textiles Ltd, a garment maker, to mark the first day of the New Year on the factory premises.

Welfare of workers is also vital for creating goodwill of the garment sector, Rahman added.

After the fire incident at Tazreen Fashions, the demand for investment in

workers' welfare has become stronger, he said.

He thanked the directors of Base Textiles for organising such a festival for the amusement of the workers.

Garment workers are the real heroes behind the creation of Bangladesh as a brand, said Nasir Uddin Chowdhury, first vice-president of Bangladesh Garment Manufacturers and Exporters' Association (BGMEA).

BGMEA wants to build garment as a safe sector, he said, and praised the directors of Base Textiles for announcing the year 2013 as a 'Safe Year'.

Shahadat Hossain, chairman of Base Textiles, and Nurul Huda Chowdhury, managing director, also spoke at the programme.

A camp for voluntary blood donation conducted by Bangladesh Red Crescent Society, Chittagong was also organised on the occasion.



S Prabagar, country manager of Commercial Bank of Ceylon in Bangladesh, attends a program held to distribute winter clothes among the poor at Mirzapur in Gazipur on Friday.

Teletalk launches 3G modem

STAR BUSINESS REPORT

Teletalk yesterday launched 3G modems, with 4 Megabits per second maximum speed, after operating 3G services for one and a half months.

The state-owned mobile operator launched the product, 'Flash', with the largest package of 10 GB data and one SIM card at Tk 2,500. The customers will have to use up the free data within 10 days of activation.

"People will have the opportunity to enjoy 3G (third generation) internet experience through mobile phones as well as modems," said Mujibur Rahman, managing director of Teletalk.

Teletalk will launch its 3G service in Chittagong and Sylhet by February.

Two types of packages -- postpaid and prepaid -- were designed for the dongle service.

The prepaid plan includes 1GB, 2GB, 3GB, 10GB and unlimited packages at Tk 300, Tk 500, Tk 625, Tk 1,000 and Tk 1,500 with 512Kbps speed. Two other packages, at Tk 800 and Tk 1,200, provide 4GB and 8GB internet services with 1Mbps speed.

In the postpaid plan, customers will have to spend Tk 500, Tk 900 and Tk 1,500 to use 4GB, 12GB and unlimited packages with 512Kbps speed, while Tk 1,400 and Tk 2,500 will allow the usage of 10GB internet with 1Mbps and 2Mbps speed respectively.

Teletalk launched its 3G service in October 2012 with special permission from Bangladesh Telecommunication Regulatory Commission for a commercial test run.

But the company will have to pay the same fees for the service like other private operators after 3G auction.

Teletalk has 70,000 3G subscribers.

The operator plans to launch campaigns to create awareness about 3G, its officials said.



Omar Faruque Bhuiyan, head of card division at National Credit and Commerce Bank, and Shahadat Khan, chief executive at Progoti Systems, attend the signing of an agreement between their companies at a ceremony on Sunday. The bank has joined the SureCash mobile financial services network.



Akku Chowdhury, managing director of Transcom Foods, attends the launch of Curry Crunch, a chicken fry item infused with local spices, to mark the New Year at a ceremony held at the KFC outlet at Gulshan in Dhaka yesterday.

No New Year cheers for stocks

STAR BUSINESS REPORT

Dhaka stocks started the New Year with a declining trend as investors were slow to inject fresh investments into the market.

DGEN, the key market tracking index of the Dhaka Stock Exchange, finished the day at 4,190.99 points, after falling 28.38 points or 0.67 percent.

The market started the day on a flying note but finally closed in the red at 2:30pm closure.

"Despite new hopes in the New Year, investors were reluctant to foresee much good luck. Rather, they realised marginal profits from the last few sessions' gains of 75 points and were wary about future market developments," IDLC Investments said in market comments.

The turnover declined 38.52 percent to Tk 153 crore, compared to the

Low rice prices put farmers in tight spot

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Low impact of government purchase

The increased output prospect has kept the prices of rice down till date.

On December 22, the prices of rice, depending on quality and variety, were up to 12.77 percent lower than the same day a year ago in the markets of Dhaka, according to Trading Corporation of Bangladesh.

The low prices continue at a time when farmers have to spend higher on irrigation and tilling due to a hike in electricity and diesel prices. Labour costs also went up.

"Rice does not bring me any profit," said Azhar Ali, a grower in Kushtia district who owns more than three acres of land.

To protect farmers from losses, the food ministry bought rice from the domestic market, mainly from millers. On the other hand, it also kept distributing rice through various safety net schemes, including the Open Market Sale.

The result: no impact on the prices.

For the current aman season, the government plans to buy three lakh tonnes of rice at Tk 26 a kilogram from millers, down from Tk 28 the previous year.

The government, however, backtracked on its previous plan to allow rice export to avoid consumers' backlash in the run-up to the next national election.

The government's purchase is yet to start.

"We are contracting with millers. That's why, impact on the prices was little. Paddy prices did not increase as expected. But we hope the prices will rise after we start getting delivery," said Ahmed Hossain Khan, director general of Directorate of Food.

He, however, said the government's announcement of buying rice helped contain a fall in prices.

Asked on the low purchase rate, he said, "We saw in the past that growers do not get benefit if we offer higher prices. Millers and traders enjoy the benefit by buying from farmers at the prevailing market rate."

Azhar Ali, who is also engaged in paddy trading, said each maund (40 kg) of coarse paddy such as Swarna variety trades at as high as Tk 550 now.

A kilogram of coarse paddy is traded at Tk 13.75, which is below the government estimate of average production cost of paddy at Tk 16.24 for each kilogram.

"The volume of rice trading is

low because of a lack of interest among the stockists. Many of them incurred losses last year," he said.

"The farmers, who depend largely on rice, are going through tough times. Their purchasing capacity fell due to the reduced prices of rice," said Azhar.

"Many small farmers meet their household needs by borrowing from relatives and friends, keeping dues at shops," he said.

Impact of low prices

Mahabub Hossain, who follows agriculture and rural economy, said the low price of paddy is a big concern as it has brought down farmers' income.

"In the past, we used to say that farmers produce more crops but do not get fair prices. That situation has come back again," he said.

"The momentum of increasing production cannot be sustained by making the farmers disappointed," said Hossain, the executive director of BRAC.

He said the farmers who produce surplus may shift from rice cultivation.

"In case, they stay, they will take little care. At the same time, majority of producers, who depend on rice, are poverty-

stricken. The government should also consider their interests."

He said the country is rice-surplus with the prices in the domestic market remaining below the current international prices.

Rice exports could have helped bring a bullish trend in the domestic market. But the government appears to be reluctant in taking the risk, considering a negative impact on votes, he said.

Hossain, however, said the demand for industrial commodity such as clothes, footwear and construction materials rises if farmers have disposable income. Increased production of industrial commodities in the past three-four years reflected the rising domestic demand, he said.

"This growth will not sustain unless farmers are in a good condition," said Hossain.

He suggested the government should target the prices not the quantity, while planning to buy from the market. He said the government should declare a price range.

If the prices go below the announced range, it should buy from the market. And if the prices exceed the range, it should intervene in the market, he said.



Ashfaq A Rahman, managing director of Swansoft Ltd (BUSBD.COM), and Md Kamruzzaman, head of personal banking division at Dutch-Bangla Bank (DBBL) have recently signed an agreement for online purchase of tickets for inter-city bus services at a ceremony held recently.



The service team of Great Wall Motors Bangladesh poses after the conclusion of its third nationwide service campaign recently. Free vehicle diagnostic check-up and attractive discounts on spare parts along with instant gift packs were offered during the campaign.



Sayed Asaduzzaman, managing director of Zaman Group of Industries, attends its annual general conference at the Purbani hotel in Dhaka on Saturday.