

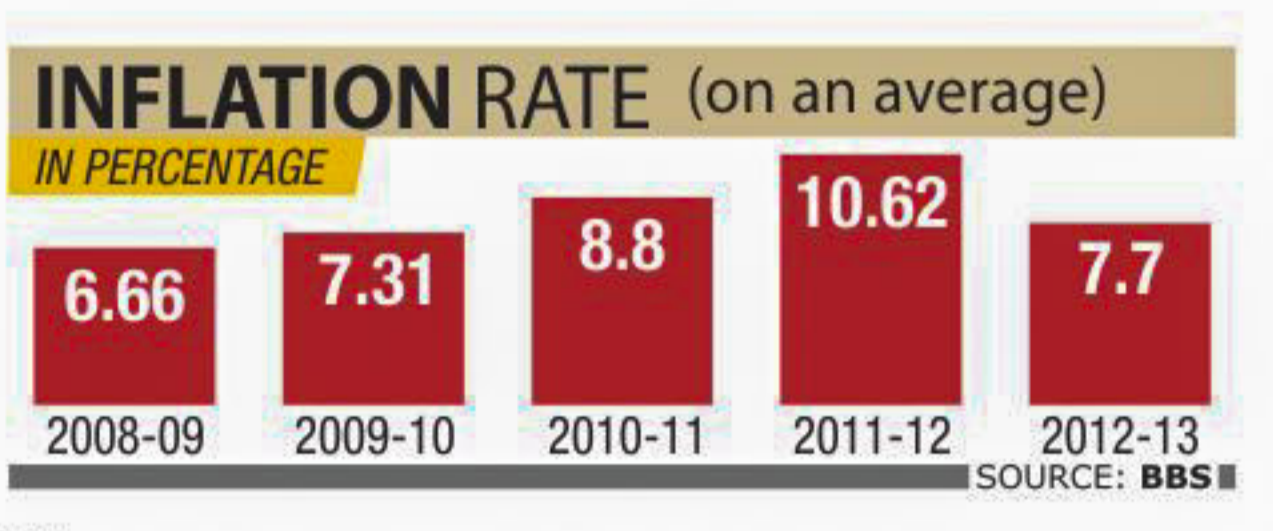
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DHAKA MONDAY JULY 8, 2013, e-mail: business@thedailystar.net

Inflation edges down, close to govt target

REJAUL KARIM BYRON
 Inflation dropped 2.92 percentage points to 7.70 percent in fiscal 2012-13 thanks to a fall in commodity prices and weak domestic demand. The figure narrowly comprised the government's aim of containing inflation within 7.5 percent in fiscal 2012-13. In fiscal 2011-12, inflation stood at 10.62 percent on average.



Given the looming parliamentary elections, economists are, however, tipping inflation to creep up this fiscal year. "We have to keep a close watch on inflation, especially in view of the anticipated wage increases in both the public and private sectors in the months ahead," Hassan Zaman, chief economist of Bangladesh Bank, told The Daily Star. Although the finance minister did not announce any dearness allowance for government staff in the budget for fiscal 2013-14, two increments are expected, which are most likely to take effect on July 1. Besides, a separate, improved pay scale is on way for the state-owned banks, as intimated by the finance minister in his budget speech. "As a pre-election policy, government spending may go up to woo in voters, which would create more demand and therefore push up inflation," Zahid Hussain, lead economist of the World Bank, said. The parliamentary election is due to take place at the end of this year or early next

year, meaning the concerned ministries are under pressure to quickly release money for building and repairing small roads, culverts and electric poles, which may cause the money supply to increase, he said. "If crops get damaged due to natural disaster and political unrest starts again, the inflation will escalate." "In short, there are many internal risks to inflation rising, but the downward trend in international commodity prices bodes well for Bangladesh. The same reason contributed to the decrease in inflation last fiscal year," he added. During fiscal 2012-13, food and other commodity prices did rise in the international market and fuel price remained stable. The unfavorable investment climate which lent itself to weak domestic demand and central bank's cautious monetary policy, too, contributed to bringing inflation down, the WB economist added. Meanwhile, inflation in June stood at 7.97 percent, up from May's 7.86 percent. Food inflation in June was 8.53 percent and non-food 6.99 percent, both higher than May's 8.40 percent and 6.93 percent respectively.

BB to allow local firms to invest abroad: governor

STAR BUSINESS REPORT
 The central bank is set to allow local corporate firms to invest abroad, coming out of its decade-old shyness about the matter. "The economy is in good shape, and so are the reserves. Our companies are increasingly becoming financially sound, so if they want to invest abroad, let them be," Atiur Rahman, Bangladesh Bank (BB) governor, said yesterday. He added that the central bank is open to good proposals. "However, our decision will be on a case-to-case basis -- we are doing an experiment. We cannot do it on a large scale," Rahman told reporters after addressing a seminar on international financing for private sector to promote economic growth, organised by Policy Research Institute (PRI). The move would be welcomed by many local firms who have been raring to spread their geographical reach. For example, PRAN-RFL Group has been seeking permission from the BB for nearly a decade to invest in the northeast region of India. The BB has already given the nod to a local firm to invest in Myanmar, Rahman said. At the programme, analysts shared difference of their opinions regarding allowing the private sector to borrow from international market. Ahsan H Mansur, executive director of PRI, said borrowing by private sector from international market should be opened up. "It creates impetus for liberalisation," he said, adding that borrowing from the international market would be cheaper than the local banking sector, where interest rates are very high. "It will also create pressure on the local banks to bring down their interest rates. Why should we have to pay 19 percent interest rate where it is possible to get loan at 2-3 percent rate of interest?" The former IMF top official also said the country needs major investments in both export earning sectors and infrastructure to accelerate its economic growth. **READ MORE ON B3**

Youth are supermen, superwomen: Yunus



YUNUS CENTRE
 From right, Prof Muhammad Yunus, chancellor of Glasgow Caledonian University, Phyllida Law, writer and famous Shakespearean actress, and Pamela Gillies, vice-chancellor of GCU, pose at the convocation of the university at the Scottish Exhibition and Conference Centre in Scotland last week. the chancellor. The Grameen Bank founder handed over graduation caps to 2,200 students at the university's graduation ceremony last week, according to a statement from Yunus Centre in Dhaka. In his speech, Prof Yunus congratulated the graduates and their parents, who were present at the Scottish Exhibition and Conference Centre where the ceremony took place. "I must remind you that you are the most powerful young generation in human history." **READ MORE ON B3**

GSP to be back soon: Faruk Khan

BGMEA chief again says Bangladesh was a victim of conspiracy

STAR BUSINESS REPORT
 Civil Aviation and Tourism Minister Faruk Khan is optimistic that the country will regain duty-free benefits to the US in the next six months. "It's a common misconception that the US has cancelled the GSP [generalised system of preferences] for Bangladesh. In reality, the Obama administration has only suspended it temporarily -- they would review it after six months." The former commerce minister is hopeful that the GSP status would be reinstated then, as a number of steps have already been taken to address the issues raised by the United States Trade Representative. Khan's comments came at a discussion on the challenges faced by the country's garment sector, organised yesterday by the Shippers' Council of Bangladesh at The Daily Star Centre in the city. "The garment trade is an extremely cut-throat business, where many resort to conspiracies to get ahead. Going forward, we have to be watchful that we are not at the receiving end of yet another



STAR
 Civil Aviation and Tourism Minister Faruk Khan attends a discussion with analysts and industry leaders on the challenges of the garment sector of the country at The Daily Star Centre in the city yesterday. Shippers' Council of Bangladesh organised the event. conspiracy, so that our assets don't get ruined." "I'd also like to take this opportunity to state clearly that the EU [European Union] and Japan have not suspended GSP facilities for us -- and they don't intend to, either." He also touched upon the proposed amendment to the labour law, which is due to be passed at parliament on July 14. "The new labour law will be of equal benefit to the entrepreneurs and the workers," Khan added. Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association, expressed his disappointment that the improvements made by the country since 2007, when its eligibility for trade benefits to the US market was called into question, did not count. "We have improved a lot since 2007 -- but they have all gone unnoticed during last month's review. This makes me think that Bangladesh was the victim of a conspiracy by the international players." **READ MORE ON B3**

Toll-free emergency number on way

ABDULLAH MAMUN
 The telecom regulator is set to introduce a toll-free emergency number to call in police, fire brigade or ambulance. "We are now looking for the best way to execute the system," said Giasuddin Ahmed, vice-chairman of Bangladesh Telecommunication Regulatory Commission (BTRC). The emergency number would be a three-digit one, and calls to it would be free of cost. The BTRC will form a committee with representations from the police, health, fire service and civil defence departments and mobile operators, to decide on the emergency number. Other than the developed world, neighbouring India and Pakistan offer the service to their citizens.

Cash benefits go down for shrimp, jute yarn exports

BB issues notice for the current fiscal year

STAR BUSINESS REPORT
 The government yesterday reduced cash incentives for shrimp and jute yarn exports by 2.5 percentage points. Shrimp exporters will now receive 7.5 percent in cash incentives instead of 10 percent and the rate will be effective for current fiscal year, according to a statement by Bangladesh Bank. Previously, all jute goods enjoyed a 10 percent cash subsidy. Now, goods made of jute yarn will enjoy 7.5 percent cash subsidy. The government has offered subsidies and cash incentives ranging from 5 percent to 20 percent for shipment made by 14 export sectors. The BB circular said the subsidies and cash incentives are being offered to encourage external trade by widening the export basket, just like in previous years. The export oriented agriculture items, like vegetables, fruits and agro-processing items and 100 percent halal meat will enjoy 20 percent subsidies, the statement added. Besides, potato growers will enjoy 20 percent cash incentives for exports. According to the circular, export items like leather goods will get 15 percent cash incentives while exporters of pet bottle flasks would enjoy 10 percent subsidy during the period.

Small stock investors to get funds at 10pc

STAR BUSINESS REPORT
 Small investors affected by the stock price debacle in early 2011 will receive loans from the government stimulus fund at an interest rate of 10 percent. The finance ministry yesterday issued a guideline for a Tk 900 crore refinancing scheme, which has been sent to Bangladesh Bank, Securities and Exchange Commission and Investment Corporation of Bangladesh. The ministry yesterday also released Tk 300 crore, the first instalment on the Tk 900 crore scheme, in favour of the central bank. The guideline said the central bank will manage the fund through ICB and the stock market regulator will oversee whether the fund is being utilised properly. The rest Tk 600 crore will be released in two parts by December. The ICB will be charged at a rate of 5 percent for the fund, while the corporation will charge 6 percent interest rate to merchant banks and brokerage houses, the guideline further said. The fund's tenure will extend till December next year.

Economy has room for new banks: Atiur

BB governor opens Modhumoti Bank

STAR BUSINESS REPORT
 Bangladesh Bank Governor Atiur Rahman believes the country is capable of accommodating new banks as the economy has achieved significant growth in the last one decade. New banks got licences for the last time in 2001, he said. Since then, the size of the economy -- from gross domestic product to foreign trade, remittance and per capita income -- grew manifold, Rahman said. In the last one decade, exports increased by more than three times, inward remittance by 5.5 times and foreign exchange reserve by over 10 times, Rahman said. He spoke at the opening of Modhumoti Bank, one of the nine new banks of this year, at Ruposhi Bangla Hotel in the city on Saturday. Most banks now have to rely on syndicated loans to meet the loan demand of big companies, because of the higher rate of industrial growth than the capital growth of banks during the decade, he said. Besides, new banks are required to serve more rural customers, he said. However, analysts have been opposing the government move of allowing new banks, which will require strict monitoring and supervision. They said the central bank with its present capacity cannot control the already exposed industry. In recent times, swindlers have taken the chance and made money, especially from state banks. Hall-Mark and five other companies took away over Tk 3,500 crore from Sonali Bank between 2010 and 2012 on forged documents. Janata, Agrani and Rupali banks were also blamed to be involved in lending to fake companies. Recently, Basic Bank came into media reports that loaned over Tk 4,000 crore through irregularities, throwing the depositors' money into great risk. **READ MORE ON B3**



BANGLADESH BANK
 AMA Muhith, finance minister; Atiur Rahman, Bangladesh Bank governor; Humayun Kabir, chairman of Modhumoti Bank; Sheikh Fazle Noor Taposh, a sponsor and director, and Md Mizanur Rahman, managing director, attend the launch of Modhumoti Bank, at Ruposhi Bangla Hotel in Dhaka on Saturday.