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DHAKA THURSDAY AUGUST 8, 2013, e-mail: business@thedailystar.net

Inflation falls on stable food prices

Consumer price index slows to 7.78pc in July from 7.97pc in the previous month

REJAUUL KARIM BYRON and SOHEL PARVEZ

Inflation dropped in the first month of the fiscal year on the back of food price stability, appreciation of local currency and weak investment demand.

"It's very welcome news," said Hassan Zaman, chief economist of Bangladesh Bank.

In July, the consumer price index came down to 7.78 percent from 7.97 percent in June, supported by falling food and non-food inflation, according to 1995-96 base year data from Bangladesh Bureau of Statistics (BBS).

Food inflation dipped to 8.48 percent from 8.53 percent in June, which Golam Mostafa Kamal, director general of BBS, credits to the stable commodity prices during Ramadan.

Non-food inflation stood at 6.58 percent, down 0.41 percentage points from the previous month.

Zaman, however, said further reduction in inflation is needed in the months ahead to achieve the average inflation target of 7 percent the BB set for fiscal 2013-14. "This will require careful management of inflationary pressures."

"A good local and global production as well as appreciation of taka contributed to

the fall in inflation," said KG Moazzem, additional research director of Centre for Policy Dialogue (CPD).

The absence of fresh investments means the inflation pressure also remains low, he added.

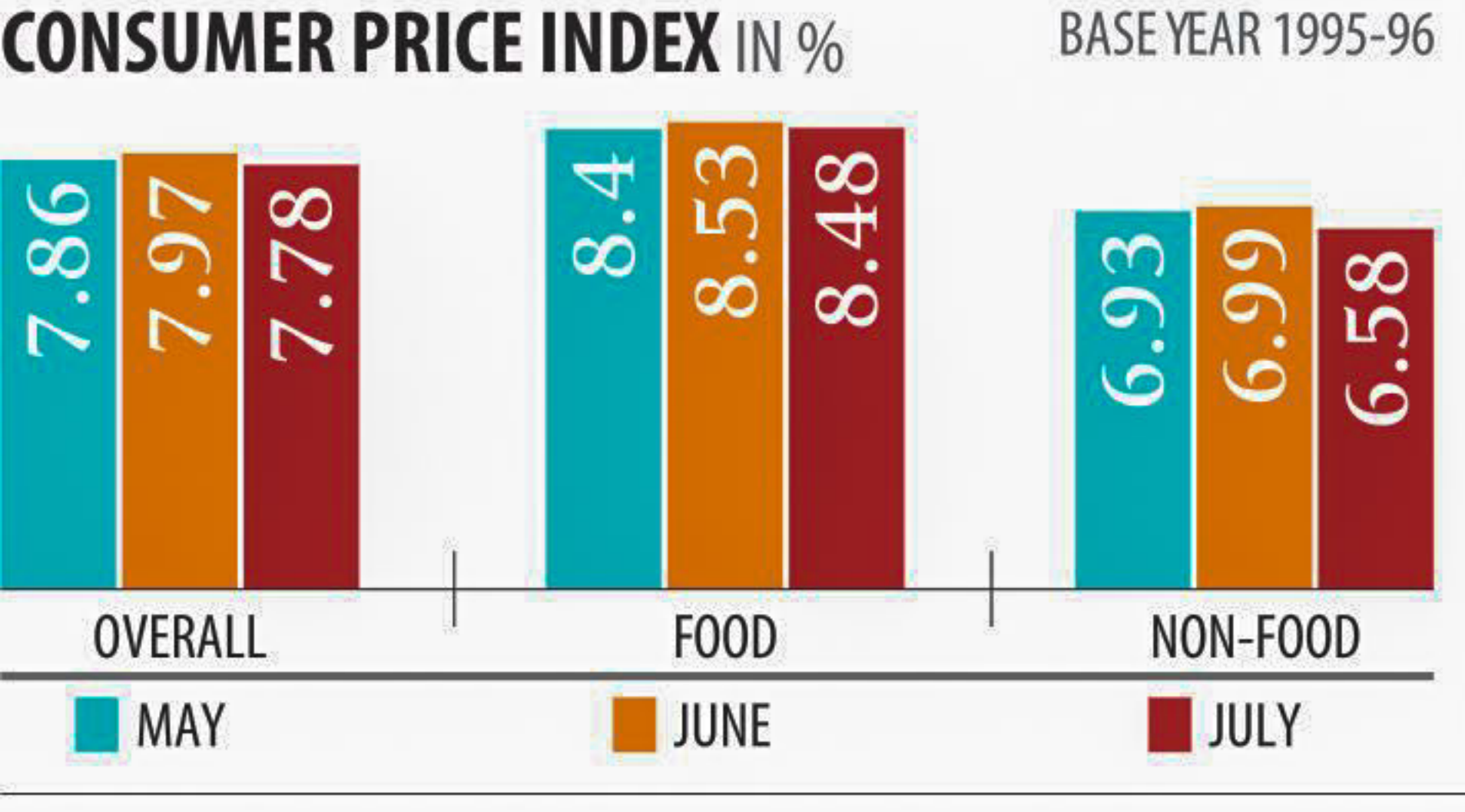
In reality, the downward trend looks unlikely to continue given the proposed wage increases, rising inflation in India and possible supply disruptions due to political unrest and unfavourable weather.

CPD's Moazzem, too, is sceptical that inflation will fall much until December, citing a possible spike in government spending on short-term popular projects in the run-up to parliamentary election.

Ahsan H Mansur, executive director of Policy Research Institute, said it would be "challenging" to cap inflation within the target, partly because of the excess liquidity in the banking system, which would put demand pressure on inflation.

The possible increases in industrial workers' wages stand to cause cost-push inflation, he said. "House rent, rickshaw fare and cost of various other non-tradable services will rise with the wage hike," Mansur said.

"However, if the current level of exchange rate stays as it is, it will help contain inflation."



Post-Eid shutdowns take buzz off tourism

Tour operators, hotels and airlines fear huge losses



The seabeach in Kuakata looks deserted as many tourists have changed their tour plans due to the two-day shutdown starting August 13.

SUMAN SAHA

The tourism industry is set to face another blow due to the call for a two-day shutdown just after the Eid holidays as a huge number of tourists have cancelled their bookings at hotels and resorts across the country.

"We receive the highest number of tourists during the Eid vacation. But the announcement of the shutdowns has ruined our expectation," said Omar Sultan, president of Cox's Bazar Hotel-Motel and Guest House Owners Association.

Jamaat-e-Islami Bangladesh had called hartal for August 12-13 to protest against a High Court verdict that cancelled its registration with the Election Commission. The party

later deferred the 48-hour shutdown programme by a day, pushing the holidaymakers to struggle again to reschedule their tour plans.

A huge number of local tourists visit Cox's Bazar, Rangamati, Bandarban and the Sundarbans during the Eid vacation.

But tour operators and hoteliers fear huge losses this time.

Around 70 percent of the bookings in different hotels, motels and guest houses in Cox's Bazar for celebrating the Eid holidays have been cancelled due to the shutdown, Sultan said.

There are around 14,000 rooms, including 1,790 in 11 hotels and 8,750 in 175 guesthouses, in Cox's Bazar, according to industry insiders.

"The tourism sector has been going through tough times," said Taufiq Uddin Ahmed, the newly elected president of Tour Operators Association of Bangladesh.

"The fear of severe political unrest in the run up to the next general elections has resulted in uncertainties in the industry," he said.

Dilapidated roads, especially on the Dhaka-Cox's Bazar route, and frequent hartals have significantly affected domestic tourism, Ahmed said.

Green Holidays Tours, which arranges tours of Cox's Bazar, Rangamati and Bandarban, had bookings from around 150 tourists after Eid. But all the bookings were cancelled due to the hartal and the

ongoing tribal unrest in Khagrachhari, said Md Borhan Uddin, the company's chief executive officer.

His company is likely to incur losses of around Tk 15 lakh due to the tour cancellation, Borhan said.

"Rescheduling will also create hassles for us, said Masud Hossain, executive director of Bengal Tours, a leading inbound tour operator.

Around 65 people, including 20 foreign guests, were scheduled to visit the Sundarbans after Eid. "We had rescheduled the tours considering the hartal on August 12-13. But we are in a fix now as the shutdowns were put back by a day," Hossain said.

Ministry to step up security against milk imports

STAR BUSINESS REPORT

The commerce ministry has started working towards preventing entry of tainted milk through imports, a senior official said yesterday.

The move comes after Fonterra, the world's largest dairy producer, admitted that some batches of its infant formula and sports drinks contained a whey product contaminated by a bacteria that can cause the sometimes fatal illness botulism.

There have been no reported illness so

far, but many countries including China have temporarily stopped or restricted the import of some of the products of the New Zealand-based company.

"It's a matter of public health. We are working on how to handle it. We are gathering information about importers. We will sit with stakeholders and experts to decide the next steps after Eid vacation," said the official seeking to remain unnamed.

The ministry held a preliminary meeting yesterday to examine the current rules and testing procedures for powder milk imports, he added.

BGMEA says most factories paid workers their dues

STAR BUSINESS REPORT

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday said almost all the factories have disbursed salaries and festival bonuses among the workers in time so that they can celebrate the festival with their loved ones.

Only seven out of 942 factories inspected by BGMEA are yet to disburse salaries and bonuses, said Atiqul Islam, president of the association, at a press conference at its office in Dhaka.

The owners of the seven factories assured the BGMEA that they were to pay the workers yesterday.

On the basis of complaints, BGMEA inspected 942 factories which had problems in payment.

Many workers also demanded wages for the first 10 days of the current month, which was not possible, Islam said.

BGMEA will organise a programme in Savar to spend time with the victims of the Rana Plaza collapse on the Eid day, he said.

The nation's worst industrial disaster on April 24 killed 1,132 workers.

DIVIDEND REMARKS Grameen Telecom hits out at GB chairman

MD FAZLUR RAHMAN

Grameen Telecom yesterday vehemently protested a claim made by the government-appointed chairman of Grameen Bank that Grameenphone will have to share its profits with the microcredit organisation.

"If GP was supposed to give Grameen Bank 35 percent of its profits in the first six years of its operation, and 65 percent of its profits after that period, then why has Muzammel Huq, as chairman of Grameen Bank, not taken any legal action to force GP to pay off the due amount?" Grameen Telecom said in a statement.

"As he is the one to inform the media about this, it would be his responsibility to reveal this 'secret' agreement between GP and Grameen Bank."

Grameen Telecom said it has no information to date about the "secret agreement" about profit sharing.

"Could it be that this is the same mysterious source from which Huq pulls out his mysterious information, with no reference to reality?"

The statement came two days after the chairman said Grameen Bank has not received the profits it was supposed to—from Grameenphone.

While talking to reporters at the secretariat on Monday, Huq also said

Tk 10,000 crore of GP's money meant for Grameen Bank is missing.

This was not first time the chairman has come up with such figures.

On January 24, Huq had given another figure, without citing any reference or source. At that time, he said Tk 30,000 crore of GP money meant for the bank was missing. Grameen Telecom demanded an explanation from Huq on how he came up with such figures.

"Mr Muzammel Huq will have to explain to the people of the country from where he produces the figures such as Tk 30,000 crore and Tk 10,000 crore. What is the source of this information?"

Grameen Telecom owns 34.2 percent of GP's shares. The mobile operator's majority shareholder is Norway's telecom company Telenor that owns 55.8 percent; and the remaining 10 percent are free floating and held by 68,000 shareholders.

Grameen Telecom has received Tk 2,768 crore in profits from GP. Of the amount, Grameen Telecom has paid Tk 532 crore in taxes, according to the statement.

The sensation that Huq has created has led many people to compare this issue with the Hall-Mark scandal.

"That false allegation will keep spreading without basis and will continue to give wrong impression about Nobel Laureate Prof Yunus and the

institution that he has created," it said.

Huq had also said the money was given to Grameen Telecom and he does not know how Grameen Telecom has used the money.

But Grameen Telecom said Grameen Bank Founder Prof Muhammad Yunus earlier said in detail how the money from the dividends received from GP by Grameen Telecom was used to repay all the loans taken from commercial banks and other sources to invest in the equity of the mobile operator.

A part of the money is given out as education loans to impoverished boys and girls. In addition, major initiatives have been taken in the health sector with these funds.

In order to ensure that the income of Grameen Telecom is properly utilised in creating various initiatives to help solve social and economic problems, the Grameen Telecom Trust has been established.

Grameen Telecom donates its income to the Trust, which has already initiated various projects geared towards public welfare.

Huq is still unaware of how the money has been used after such detailed information, Grameen Telecom said. "Then there is nothing for us to do."

Overnight rate steady on excess funds in banks

STAR BUSINESS REPORT

The inter-bank call money rate remained steady yesterday due to excess liquidity in the banking system although banks witnessed huge transactions on the last working day before the Eid-ul-Fitr holidays.

The rate rose slightly to 8.25 percent yesterday against 8.17 percent on Monday, according to Bangladesh Bank data. The rate was 8.18 percent on Sunday.

"We have surplus funds despite the money withdrawal pressure," said Helal Ahmed Chowdhury, managing director of Pubali Bank. The overnight rate normally hovers between 15 percent and 20 percent ahead of Eid festivals, bankers said.

A large number of clients thronged banks to withdraw cash ahead of the Eid festival. Long queues were seen in almost all branches of banks, both public and private, in the capital.

"We saw a huge turnout yesterday. Clients withdrew around Tk 5 crore from my branch," said a manager of a private

bank in the Motijheel commercial area.

His branch experiences a withdrawal of Tk 60 lakh-Tk 70 lakh on a normal day.

"The banking system has adequate liquidity, and there will be no fund crisis in the next six months," said Nurul Amin, managing director of NCC Bank.

The amount of excess liquidity with the banking system has been more than Tk 70,000 crore, according to Bangladesh Bank.

State-owned banks were the major lenders in the call money market yesterday. Sonali Bank lent Tk 1,225 crore and Rupali Bank Tk 1,090 crore at 8.25 percent.



Eid Mubarak

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