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Star BUSINESS

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Food inflation goes up in Oct

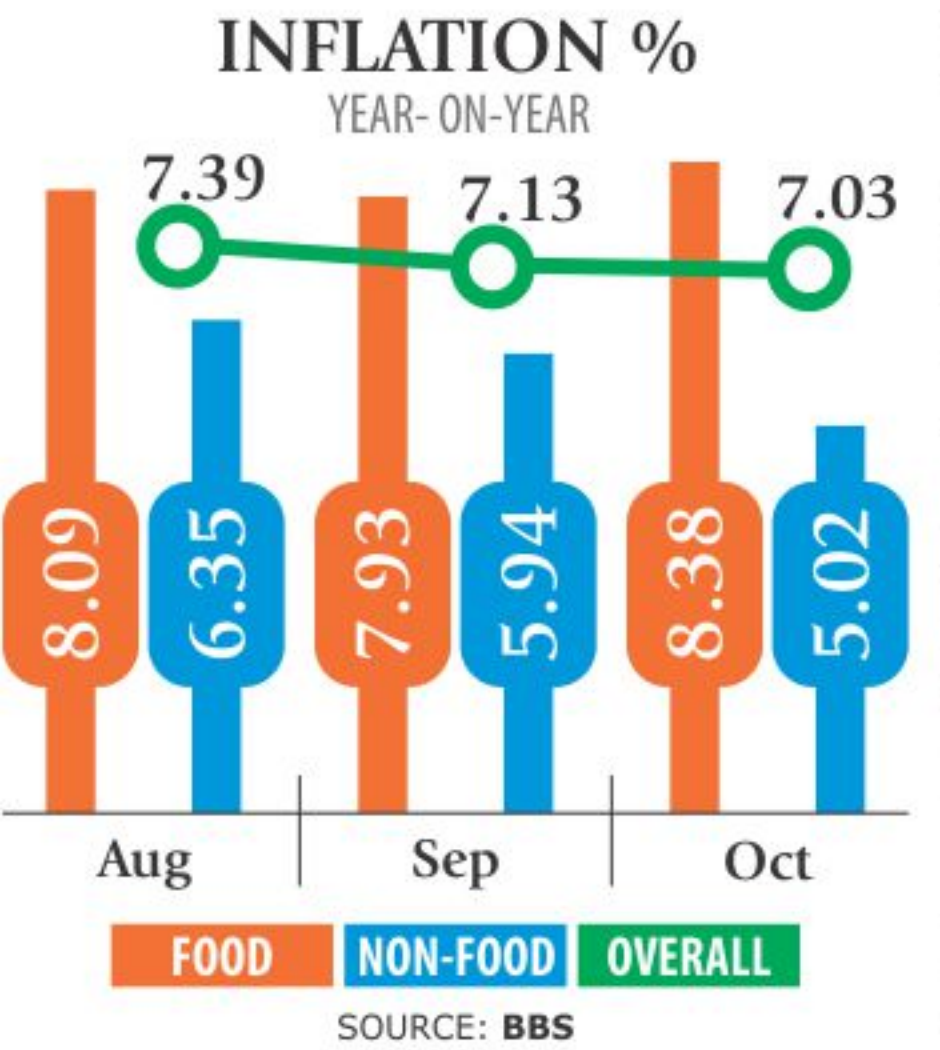
Political turmoil to blame as it disrupts supply chain

STAR BUSINESS REPORT

Food inflation rose in October on the back of political turmoil that disrupted the supply chain at times. It stood at 8.38 percent in contrast to 7.93 percent recorded in the month of September, according to data from Bangladesh Bureau of Statistics. Particularly affected were the urban areas, where food inflation crept up 0.53 percentage points to 9.64 percent in October. In rural areas, it climbed 0.43

percentage points to 7.86 percent, compared to September. Non-food inflation, however, dropped during the month. In urban areas, it stood at 5.28 percent, down from September's 6.44 percent. As for rural areas, it was 4.84 percent in October in contrast to 5.59 percent a month ago. Overall, inflation dropped 0.10 percentage points to 7.03 percent in October. Golam Mostafa Kamal, director general of BBS, said food inflation increased because of a rise in prices of rice, spices and vegetables. "This is the outcome of repeated shutdowns, which severely disrupted the supply chain."

On the other hand, non-food inflation dropped as most people completed their spending by the middle of the month, when the two religious festivals of Eid-ul-Azha and Durga Puja took place, according to Abul Kalam Azad, director of BBS. "Food inflation increased more in urban areas as supply could not reach because of shutdowns. The availability, however, was more in rural areas, because of which the price spiral was not as intense," said Zahid Hussain, lead economist of World Bank's Bangladesh operations. "Non-food inflation dropped as hartals ate into people's earnings. Also, people could not go out during hartals so the demand dropped. This is my hypothesis," he added.



Award recipients pose with trophies at an event co-organised by Bangladesh Brand Forum and Millward Brown, at Sonargaon Hotel in Dhaka on Saturday. The awards that entered the fifth year were given to top local and foreign companies in 30 categories.

Exports rise 15pc

Garment shipment leads the rally

REFAYET ULLAH MIRDHA

Export earnings rose 15 percent to \$9.62 billion during the July-October period of the current fiscal year compared to the same period last year due to increased shipment of garment products, an official of Export Promotion Bureau said yesterday. Knitwear exports increased 18 percent, while woven garments 17 percent during the period despite some industrial disasters in recent times such as Tazreen Fashions fire and Rana Plaza building collapse, EPB Vice-chairman Shubhashish Bose said. Garments contribute around 80 percent to the national exports. In July-September, earnings from knitwear exports were worth \$3.16 billion and those from woven products \$3.04 billion. "Our garment products are still very competitive in terms of price and quality. The trend is also good as we are performing well in new export destinations," Bose said.

Markets besides the US, the EU and Canada are considered new destinations. Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association, said exports will rise further as the demand for the country's garment items is higher due to price competitiveness. "Had we have had better infrastructures and adequate supply of gas and power, export earnings would have been more," Islam said. The political crisis and frequent shutdowns are also hampering production in factories and transportation of goods, he said. Exports are increasing, which is a very good sign. But, the risk is most exporters have to go for costly air shipment due to shutdown, he said. Sometimes orders are being cancelled as exporters cannot maintain the lead-time set by international buyers, he said. "Nevertheless the trend is still good."

State bank to sue Beximco for defaults

STAR BUSINESS REPORT

A state-owned specialised bank has decided to sue Beximco Ltd, a conglomerate, to realise default loans worth Tk 3.58 crore.



Bangladesh Development Bank Ltd has already informed the Dhaka Stock Exchange of its decision, the premier bourse said in a web posting yesterday. The bank had given loans worth around Tk 18 crore to erstwhile Beximco Textiles Ltd, now Bangladesh Export Import Company Ltd (Beximco), between October 1994 and May 1995, according to the DSE. As on September 30, the overdue amount stood at around Tk 3.58 crore. But despite frequent requests by the bank, the company did not pay off the loans, the bank said.

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Listed insurers mark 11pc rise in profits

GAZI TOWHID AHMED

Profits of listed insurance companies rose by more than 11 percent year-on-year in the January-September period of this year.

The insurance regulator in March last year set the highest ceiling for sales agents' commission at 15 percent from 40 percent, which led to a rise in the companies' profits, said Sheikh Kabir Hossain, chairman of Bangladesh Insurance Association.

Hossain, also the chairman of Sonar Bangla Insurance, said his firm's net profit went up 2.5 percent to Tk 3.5 crore during the period.

There are 34 listed firms of which 26 logged profits during the period, according to Dhaka Stock Exchange.

"We are expecting better profits in the days to come," Hossain said. Before the regulator imposed the ceiling, some insurers used to offer 40 percent or more commission to their sales agents in a bid to pocket more profits, said Md Moniruzzaman, managing director of IDLC Investments.

The new rule to stop the unhealthy competition will leave a positive impact on the insurers' corporate results, Moniruzzaman said.

However, the sector's profit growth in the nine months fell 9.2 percentage points compared with the same period last year. The industry's net profit in January-

September stood at Tk 241.39 crore, which was Tk 217.35 crore in the same period a year ago.

Jahid Anwar Khan, managing director of Central Insurance Company, blamed the fall in profit growth on slow business due to the ongoing political unrest.

Bangladesh's net imports declined 4.56 percent—for the first time in 11 years—to around \$33.97 billion in fiscal 2012-13 from the previous year's \$35.52 billion, according to data from the central bank.

Net profit of Central Insurance Company surged 30.1 percent to Tk 7.7 crore in January-September this year compared with the same period last year.

IDLC Investments has blamed the political turmoil for the fall in the sectoral profit growth, gross premium income and net profit, and a rise in claim settlement costs.

Green Delta Insurance Company has seen a 3.5 percent fall in profits in the nine months to September compared with the same period last year.

The firm's costs for claim settlement rose due to unexpected accidents in the textiles, power and marine sectors, said Nasir A Choudhury, an adviser to Green Delta.

Bangladesh has 44 general and 18 life insurance firms. Nine of the life insurers are listed on the stockmarket.

LIST OF INSURANCE FIRMS WITH THEIR NET PROFIT ON B3

Economy to take a hit from political chaos: Cruden

STAR BUSINESS REPORT

Canadian High Commissioner Heather Cruden yesterday expressed concern over the impact of political instability on the economy.

"Recently business leaders have met with the opposition leader. I hope your (the business leaders) offer to encourage dialogue will be positive despite recent events on the political frontier," Cruden said.

"We all remain concerned over the impact of political instability on the economy particularly on the garment sector."

Cruden spoke at the launch of a book—International Standard Social Responsibility—co-organised by the Canadian High Commission and Bangladesh Garment Manufacturers and Exporters Association at the BGMEA headquarters in Dhaka.

The debate on minimum wage should be resolved quickly as unrest in the sector is harmful to everyone, Cruden said.

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Mobile operators urge govt to review WiMax guideline

STAR BUSINESS REPORT

Telecom operators yesterday urged the government to review an amendment to the WiMax licensing guideline, as wireless broadband companies have received the permission to roll out the same services as mobile carriers, but at much lower costs.

WiMax licences have now become much more lucrative after the amendment, mobile operators told reporters in Dhaka.

The WiMax operators will be able to provide all the mobile services including data, voice and numbering plans with their existing spectrum, which they purchased at low prices, while mobile operators had paid much higher prices to purchase the spectrum, they added.

TIM Nurul Kabir, secretary general of Association of Mobile Telecom Operators of Bangladesh (AMTOB), said the latest change in the WiMax guideline is discriminatory.

Mahmud Hossain, chief corporate affairs officer of Grameenphone; Zakiul Islam, senior director of legal and corporate affairs of Banglalink; Mahmudur Rahman, executive vice president of Robi, Ashrafal Haque Chowdhury, chief corporate affairs officer of Airtel, were present at the event arranged by AMTOB.

The telecom officials also said the WiMax operators are now allowed to offload Long Term Evolution (faster wireless communication) in the 2,600 megahertz band, which is basically a mobile band, and they paid only Tk 6 crore per MHz spectrum; on the other hand, mobile operators had to pay Tk 165 crore per MHz for 3G.

The government allowed WiMax operators to provide LTE services just after the allocation of 3G spectrum in September to the mobile operators, which put the telecom sector in a tight corner, they added.

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