Bouncing back

Standard Group MD is hopeful of meeting export targets despite the setback

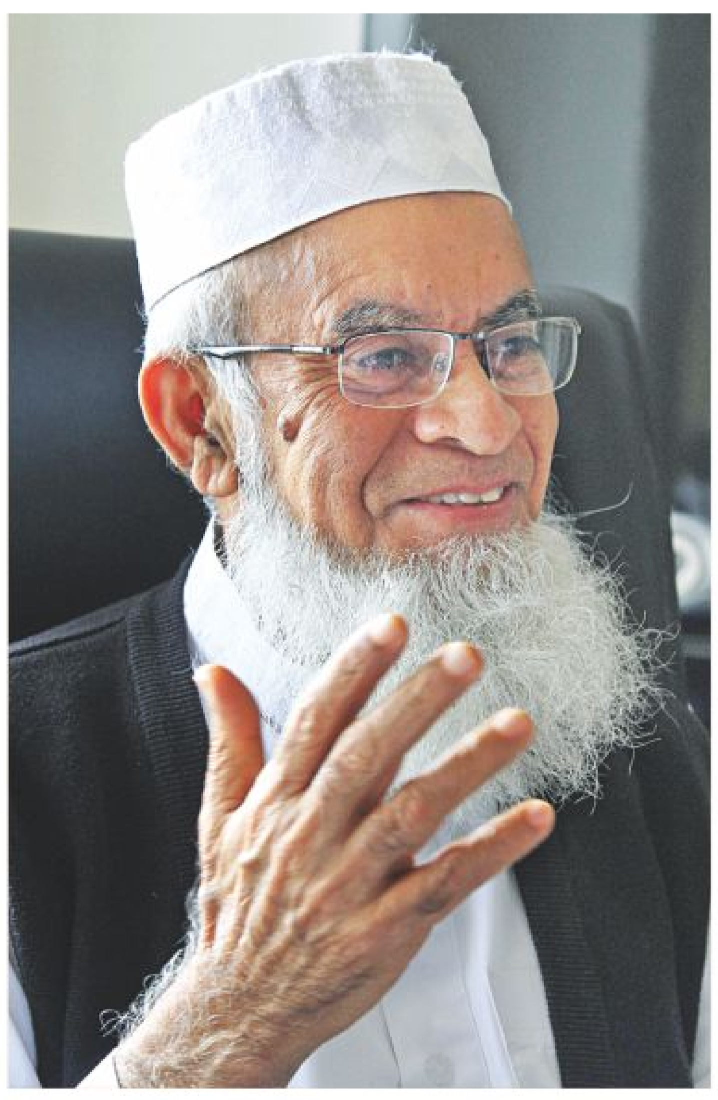
REFAYET ULLAH MIRDHA

STANDARD Group, which had six of its units in Gazipur burnt down in an act of sabotage last November, is still hopeful of hitting the year's export target.

"I am fighting back. I am recovering fast, as everyone is helping me. You can say I am lucky," Mosharraf Hussain, managing director of Standard Group, said in an interview.

The group, whose garment exports stood at $330 million and $325 million in 2013 and 2012 respectively, is hoping to hit the $350 million-mark this year.

Double shifts have been introduced in the remaining 16 units to re-manufacture the finished goods burnt down in the fire on November 28 last year, together with all furniture, machinery, fabrics, accessories and factory buildings.



Mosharraf Hussain

Hussain expects to export the shipments, stalled by the blaze, within the next four months. He said the total losses from the fire would cross Tk 1,000 crore.

Bangladesh Bank has come up with a soft loan proposal of $25 million, while the foreign banks operating in the country have also pledged to allocate $25 million at 5 percent interest rate.

At least 12,000 workers were employed in the extinguished units at Konabari, Gazipur, but 90 percent of them have already been absorbed into the group's other units.

"The door is open for the remaining 10 percent to join back if they want to," the 71-year-old said, adding that the company is also ready to pay compensation as per the laws of the land to them.

As for the burnt-out buildings, which spanned 6.5 lakh square feet, he said they have been abandoned for now, but a Bangkok-based consulting firm along with some Bangladeshi experts are examining to see if they can be re-used or not.

Regardless, the units will take at least three years for them to be functional again, said Hussain, a civil engineer by training.

He, however, declined to comment on the fire as a government-appointed team is investigating the matter.

"All I can only say is that it was an act of sabotage by a section of miscreants."

And amid all the problems, the company has implemented the new wage structure across all its units.

"I am here today despite so many ups-and-downs in my business over the last 30 years. I will ride this one out as well," said Hussain, who started his garment business with a small factory at Kalabagan in Dhaka in 1984.

Monetary policy for 'animal spirits'

BIRU PAKSHA PAUL

BANGLADESH Bank Governor Atiur Rahman has recently announced monetary policy effective for the second half of fiscal 2013-2014 (FY14). Bankers and investors are particularly eager to see how the central bank outlines its monetary and financial stance that would be beneficial or detrimental to them. The amount of eagerness has been high this time, due to the apparent end of widespread violence in the name of political rights and the beginning of a new regime. And BB has struck the right note to stimulate 'animal spirits' among investors. The governor terms this stance as a cautious but investment friendly monetary policy.

The investment-GDP ratio, which is often defined as the investment rate, has remained in the doldrums in Bangladesh at around 24-26 percent for a decade or so. If the capital-output ratio in the region turns out to be 4, this investment rate is capable of generating output growth of 6 percent or slightly above. There are no other magical tools to earn and secure sustainable growth of 7 percent or above without increasing the investment-GDP ratio. In the last couple of years, Pakistan hardly managed a growth rate below 4 percent with its investment rate at around 13-14 percent.

In contrast, India registered 8 percent growth mainly because of its high investment ratio at around 34-36 percent. And the same is true for China. Hence, BB's investment focus along with the start of a new regime is the right music to play at this moment. Investors will receive this message enthusiastically.

While BB is sincere in its plan for capital formation and export promotion, its inflation management needs rigor and conservatism in the approach. Conservative money growth doesn't necessarily stifle investment growth in emerging economies where other institutional factors, such as bureaucracy and bribes, become big impediments in credit expansion.

It makes us curious when BB attempts to sell a 'cautious' monetary policy. The central bank must be always cautious to monitor the financial heartbeats of an economy, and as we believe, BB has always been so in the past. Now it's time for BB to remain more watchful so inflation doesn't rear its ugly head as it did in the near past. In the FY2011-2012, average inflation exceeded the 10 percent mark.

Although inflation is now hovering over 7.5 percent, a target of 7 percent inflation by the end of this fiscal year will be hard to achieve if broad money growth is still indulged at 17 percent. Since Bangladesh is emerging and it requires huge foreign capital inflows to maintain this acceleration, the first thing the central bank must ensure is macro stability in the economy.

Moderate inflation and price stability are the two most important indicators in this regard. While high inflation may encourage investors to pay less to the lenders in real terms and thus reap higher profits, it takes toll in consumption, which occupies 75-85 percent in national income. Hence, broad money growth, which directly increases inflation, should gradually come down to, say, 15 percent, to ensure a better macro stability for foreign investors and domestic consumers.

Of course, BB' apparatus has been successful in pulling inflation down particularly over the last two years, but the 12-month average of general inflation has been on the rise since January 2013 when it bottomed at 6.06 percent. A positive growth of inflation since then has been slow but steady, sending a sign of caution to the money printing press of the central bank.

If this trend continues, inflation will hit double digits in less than two years.

We argue that BB shouldn't have much problem in reducing money growth when commercial banks are sitting on idle cash. The banking sector had nearly Tk 83,000 crore in excess liquidity at the end of November. The amount was Tk 80,000 crore in July, according to newspaper reports.

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A quiet revolution: Women in Bangladesh

SAMEER KHATIWADA

SINCE the World Conference on Women in Mexico in 1975—which was a milestone in the battle for equality—Bangladesh has been at the forefront among the least-developed countries (LDCs) in addressing gender disparities.

Bangladesh has the eighth lowest gender gap in political empowerment in the world. This is partially due to the fact that it has had a female head of state for longer than any other country in the world. In addition, the proportion of seats held by women in parliament doubled from 10 percent in 1990 to 20 percent in 2011.

Women's growing presence in the political sphere has had important implications on the family structure. Society is moving away from the traditional view that women are an economic liability and that sons are more desirable than daughters. Studies show that the growing independence of women is one of the major causes of a decline in the "missing women" phenomenon—gender based infanticide—in Bangladesh.

In the economic sphere, women have played a vital role as well, as evidenced by the importance of the ready-made garment sector. While the share of men and women employed in manufacturing is roughly the same, the vast majority of RMG sector workers are women—80-85 percent. And, Bangladesh's economic success in the last two decades is in large part due to the RMG exports to Europe and North America.

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No longer in eye of storm, yet caution on India

REUTERS, *Mumbai*

HALF a year after India's worst economic crisis since 1991 reduced the rupee to record lows, a government in the last months of its life faces a new moment of truth as emerging markets again show signs of buckling.

This time round countries such as Argentina, Brazil, South Africa and Turkey have been in the firing line.

Investors are less downbeat over India, thanks to actions taken since its mauling by the markets last summer.

"From an FX perspective, a lot of adjustments that had to happen have been made," said Joel Kim, head of Asia Pacific Fixed Income at BlackRock Inc in Singapore. "Particularly, the adjustments in the rupee and balance of payments make us feel a lot more comfortable with exposure in Indian bonds."

Blackrock, the world's biggest fund manager, now calls Indian bonds one of its biggest overweight positions in Asia.

Uncertainty still abounds over India on several scores, however, notably the outcome of a looming election and questions over whether monetary policy will give more priority to stifling inflation rather than bolstering economic growth.

REUTERS

A labourer sits on a handcart as he waits for work at a wholesale market on a cold winter morning in the old quarters of Delhi.

To batten down for the gathering storm in emerging markets and counter inflationary pressures, the Reserve Bank of India raised interest rates by a quarter percentage point on Tuesday, its third such move in five months.

The calibrated response showed a steady hand, and stood in contrast to the dramatic increases in key interest rates announced overnight by Turkey to protect its crumbling lira currency.

India, unlike Turkey, has slashed its current account deficit and built up currency reserves over recent months to protect itself from a repeat of last year's crisis, when the rupee was battered by a global sell-off, as investors fled economies with weak external balances.

Then, as now, the markets turned on expectations of how fast the US Federal Reserve will wind down easy money policies that had helped drag the US economy out of recession and provided money to invest in high-yield emerging markets.

Policymakers say they are confident that India can ride out the latest bout of global volatility, though foreign investors have sold heavily in the last few days. Other countries have suffered far more in the latest shake-out.

Until the global rout struck, overseas investors had been buying India, building positions in equities. January was set to be the second consecutive month of net purchases in bonds.

Since Thursday, when weak manufacturing data in China sparked a stampede out of emerging markets, foreign investors have sold around $1 billion in Indian stocks and bonds, but net bond purchases this month were still around $2.3 billion.

Caution dictated that investors should trim their bets on India. After all, the country faces key hurdles.

There is a general election due by May, that many analysts fear could return a weak coalition government, ill-equipped to lead India out of its slowest period of growth in a decade.

At the same time the central bank is engaged in a high wire act to cool inflation without imperilling weak economic growth.

Still, markets are in better shape than last summer.