

star BUSINESS

DHAKA FRIDAY JANUARY 30, 2015, e-mail:business@thedailystar.net

সমৃদ্ধির খোপান **দ্বিগুণ আয়ের শ্রেষ্ঠ উপায়**

মুদারাবা দ্বিগুণ বৃদ্ধি ডিপোজিট ক্রিম

সর্বাধুনিক প্রযুক্তি ও সমৃদ্ধ ব্যাংকিং সেবায় আনাত দ্বিগুণ করুন স্বল্পসময়ে



ইসলামী শরী'আহ মুদারাবা নিতির ভিত্তিতে পরিচালিত

যে কোন প্রয়োজনে ০৯৬১২০০১১২২

BB treads cautious path

Governor Atiur Rahman announces conservative monetary policy for second half of fiscal year

REJAUL KARIM BYRON

The central bank will continue to follow its restrained monetary policy in the second half of the fiscal year in a bid to contain inflation and move to a higher growth path amid the prevailing political unrest.

Bangladesh Bank cited three reasons: the annual average CPI inflation is still above the targeted ceiling, core inflation continues to be trending upward and the political unrest is not subsiding even after 25 days.

"The cautiously restrained monetary policy stance of the first half will be continued in the second half, without any new loosening or tightening," Bangladesh Bank Governor Atiur Rahman said while announcing the Monetary Policy Statement yesterday.

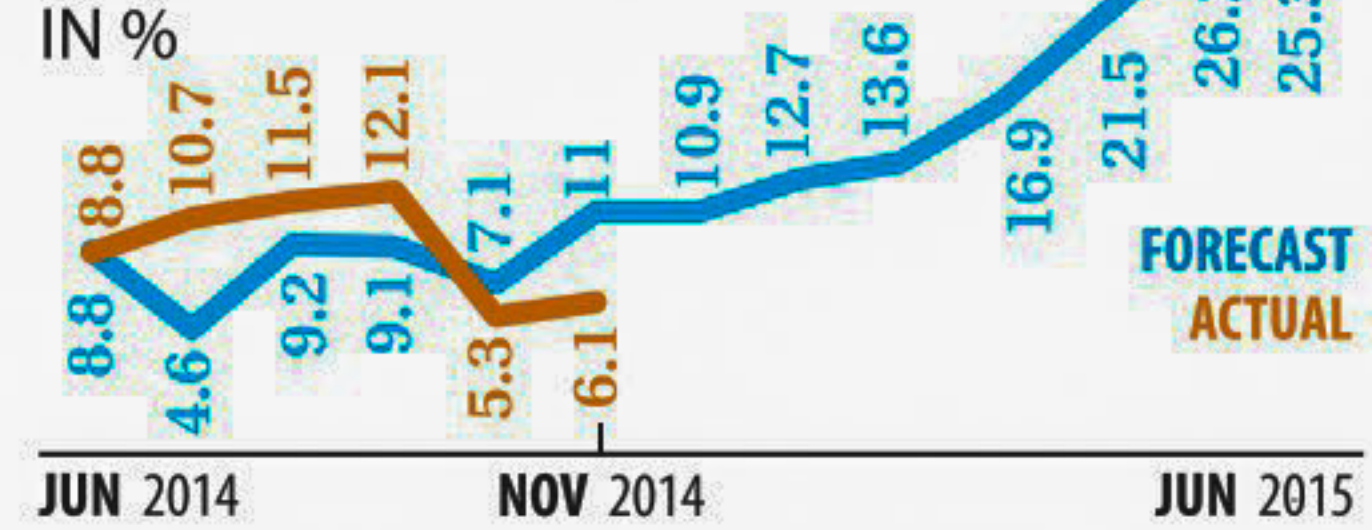
In the second half, a monetary growth path that would bring down the average annual inflation to 6.5 percent while ensuring sufficient credit growth to stimulate inclusive economic growth will be pursued.

The BB expects economic growth in fiscal 2014-15 to be a "respectable" 6.5-6.8 percent, which is below the government's target of 7.3 percent but in line with the development partners' forecasts.

ASPECTS OF MONETARY POLICY

- Inflation target **6.5%** by June
- GDP growth **6.5-6.8%** if political stability prevails
- BB will pursue a monetary policy of prudence
- Money supply and policy rates will be controlled
- Banking governance will be upscaled further to clamp down on loan delinquencies
- BB will maintain comfortable amount of foreign currency reserves to cover imports of **5-10** months
- Private sector credit growth has been forecast to grow **15.5%** at the end of FY2015

PUBLIC SECTOR CREDIT GROWTH IN %



PRIVATE SECTOR CREDIT GROWTH IN %



Accordingly, the ceiling for private sector credit growth has been kept at 15.5 percent, which is sufficient to accommodate any substantial rise in investment and trade finance over the next six months, it said.

The business community views the existing average lending rate of 12.5 percent to be high enough to dampen investment, so the central bank will also endeavour to bring down the cost of funding by narrowing the existing spread

of 5.2 percent. It has also urged the commercial banks to devise ways to reduce the lending rates, which did not come down in line with the inflation trend over the last three years. Inflation dropped almost 5 percentage points since the end of 2011 but the average lending rate fell only 1 percentage point in that time, empowering banks to earn high real rates of interest and making investment costlier than before. Subsequently, the BB has left

the repurchase rate unchanged at 7.25 percent and the reverse repo rate at 5.25 percent. The regulator pledged to shore up banking governance to clamp down on loan delinquencies. While the cases of credit-worthy borrowers will be reviewed, habitual defaulters will face lawful consequences, it said. The central bank will also look to further consolidate the country's external sector stability. It will continue to support a market-

based exchange rate while seeking to avoid excessive swings.

The central bank will continue to maintain a comfortable amount of foreign currency reserves to cover imports of five to ten months.

This safety net is required to avoid any sudden collapse in the value of taka and to ensure a healthy growth of imports of productive inputs, the BB said, adding that it anticipates a further build-up in foreign exchange reserves in the second half.

The pace though would be more moderate than in fiscal 2013-14, as its projection suggests there will be a correction in export growth.

In the best-case scenario, the overall export growth in fiscal 2014-15 will be 8 percent, import growth 15 percent and remittance growth 12 percent, to yield a "reasonable" balance of payments surplus of \$642 million.

The BB said Bangladesh evidenced the highest amount of stability in inflation and economic growth in the South Asian region over the last 20 years.

During the period, Bangladesh's growth performance was the second best (5.73 percent) after India (6.77 percent) in the region and its inflation was the lowest (6.45 percent).

No strong links between pay hike and inflation: BB

STAR BUSINESS REPORT

Bangladesh Bank got mixed results while analysing the impact of pay scales on inflation, according to the new monetary policy statement released yesterday.

"Our analysis did not indicate any clear or near one-to-one relationship (between pay scale and inflation)," the BB said in its policy stance for January-June of 2015.

The central bank has analysed the causative factors of inflation around different pay hikes since 1982 after the proposed eighth pay scales triggered controversy centring its possible effects on inflation.

Some economists and policymakers argue that it will create inflationary pressures on consumers while another section says it will not.

The BB analysis found that inflation rates after the third (in 1985) and fourth (in 1991) pay scales showed downward trends though it was rising before the announcement.

The fifth (in 1997), sixth (in 2005), and seventh (in 2009) pay scales, on the other hand, were followed by rising inflation rates.

"Despite the rising trends in inflation rates after three pay scales, it would be unwise to conclude that the eighth pay scale would also follow suit," the BB said.

The central bank found that higher inflation rates were caused by a variety of factors during the different pay scale periods. The major factors reported were higher prices of oil and food items in international markets, distortions in supply side factors, natural calamities and disasters, political instability, and disruption in domestic and global food production.

Other factors included the effect of private credit expansion, high government borrowing, sharp depreciation of the taka, disruption in industrial production, food supply shortage, and pay hikes.

It is difficult to clearly attribute the factors that led to higher inflation, except for a few well-documented factors such as oil price hike, high food prices in the international market, supply shortage, and political instability.

READ MORE ON B3

Samsung to bring smartphone with own operating system

STAR BUSINESS DESK

South Korean mobile giant Samsung is set to premiere its Tizen operating system in the country next month by way of the low-priced Z1 smartphone.



"The smartphone market in Bangladesh is rapidly evolving, but many users are still using feature phones to remain connected. We have customised the Samsung Z1 to meet the unique requirements of Bangladeshi users, so they can easily upgrade to a smartphone," said Choon Soo Moon, managing director of Samsung Bangladesh.

The local customisations were developed by Samsung Research & Development Institute Bangladesh.

"We expect that the users will accept the Samsung Z1 for its ease of use and clutter-free experience -- the localised content will be an added bonus."

Z1, which launched in India early this month, is the first handset model to come loaded with Samsung's own operating system, developed ground up to rival Google Inc's Android platform.

READ MORE ON B3

Garment exports to new markets on the rise

REFAJET ULLAH MIRDHA

Garment exports to new destinations are increasing substantially though shipments to traditional markets have been on a downward curve.

The new markets are promising mainly due to the government's stimulus package, aggressive marketing by exporters and relaxation of the "rules of origin" by some countries.

Rules of origin are the criteria that are used to define where a product was made. The origin of a product is important because it will determine how it is treated at the border of an importing country and the origin may impact the import duty payable and admissibility into the country.

Apparel exports to new destinations -- all markets except the EU, the US and Canada -- rose 15.47 percent year-on-year to \$1.87 billion in the first six months (July-December) of the current fiscal year, according to Export Promotion Bureau.

The major new export destinations are Australia, Brazil, Chile, China, India, Japan, South Korea, Mexico, Russia, South Africa and Turkey.

READ MORE ON B3

NON-TRADITIONAL MARKET	YEAR-ON-YEAR GROWTH IN % (JUL-DEC)
Australia	13.51
Brazil	10.99
Chile	-0.21
China	23.98
India	10.14
Japan	6.56
South Korea	12.75
Mexico	-5.94
Russia	8.68
South Africa	9.32
Turkey	-33.50
Other countries	12.91

SOURCE: EPB

Central bank to recognise good borrowers

STAR BUSINESS REPORT

Bangladesh Bank plans to frame a policy to provide incentives to good borrowers, as there has been an allegation that the central bank stands by only defaulters.

"I have instructed the concerned department to prepare a rebate policy to provide facilities and incentives to borrowers who have repaid their loans in time," Bangladesh Bank Governor Atiur Rahman said yesterday.

The response from the regulator came at the launch of the Monetary Policy Statement for the second half of the current fiscal year after the BB formulated a large loan restructuring policy for bad borrowers.

READ MORE ON B3

EPZ investments edge up 12pc

STAR BUSINESS REPORT

Investments in the eight export processing zones or EPZs went up 12.17 percent year-on-year in the first half of the current fiscal year, getting a boost from new industrial units.

Over \$213 million was invested in the EPZs in July-December, compared to \$190.23 million in the same period last year, data from Bangladesh Export Processing Zones Authority shows.

The companies in operation exported goods worth \$2.9 billion between July and December, against \$2.59 billion in the same period last year, according to Bepza data.

"The regulator allocated more space to new industrial units after vertical expansion of existing structures," said Nazma Binte Alamgir, general manager for public relations at Bepza.

READ MORE ON B3



MOHSTEEL
FEEL INVINCIBLE

A Sister Concern of Rahim Steel

www.mohsteel.com



VISA everywhere you want to be

EBL DEBIT EMI

Introducing **Debit EMI**

For the first time in Bangladesh

Now you can enjoy installment facility if you shop using your Debit Card. All that you need is an EBL Visa Debit Card and a term deposit on your name. Just fill out the form after shopping and we will call you to complete the process. Service available at selected partner outlets.

Eastern Bank Ltd. Simple Math.

16230

ebli.com.bd myebi