

Govt to seek more time for reforms tied to IMF loan

REJAUL KARIM BYRON

The government may seek another three months from the International Monetary Fund to meet the conditions for the last two instalments of the ECF loan programme. The Extended Credit Facility (ECF) loan programme, which ushered in some major reforms in the economic field, is scheduled to end on July 31.

The report on the two last instalments, amounting about \$280 million, was due to be placed before the IMF Board today, as per the multilateral lender's board schedule. But the proposal has now been dropped from the schedule after two important conditions remain pending.

The government is now planning write to the IMF this week seeking an extension of the programme to October, according to a high official of the finance ministry.

The multilateral lender deferred the sixth of the seven-part instalments for the \$1 billion loan in November last year after the government failed to meet three of its pertinent conditions.

A thorough audit of the Bangladesh Petroleum Corporation's balance sheet by an international firm is one of the three conditions.

It is being delayed as it requires an amendment to the law that legalised the establishment of the corporation.

Finance Minister AMA Muhith on July 16 told The Daily Star that amending the law was not possible within the timeframe, so it may have to surrender the last two instalments of the credit.

The government is now rethinking its earlier position, according to the finance ministry official. It may now amend the provision to get the BPC balance sheet audited by an international firm.

By October, the amended law is likely to be approved by the cabinet meeting and sent to the law ministry for vetting, he said.

The other two conditions are related to the VAT law.

The amended VAT law has to be approved in the cabinet meeting, and the cabinet on June 29 gave it the green light.

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Congestion hits Ctg port

DWAIPAYAN BARUA, Ctg

Chittagong port has been facing vessel congestion over the last few weeks, delaying berthing schedules to many ships waiting at the outer anchorage.

Port officials attributed the congestion to a hike in inbound vessel traffic, fewer working hours during Ramadan and rains that slowed container handling.

Container vessels have been experiencing a delay of two to eight days in receiving berthing permission, making them wait at sea and incur losses, according to representatives of shipping liners.

Kota Wangsa, a vessel run by Pacific International Lines (PIL), arrived at the port's outer anchorage on July 13 and had to wait for six days to get permission to berth.

Ayutthaya Bridge, another container vessel coming in from the Malaysian port of Kelang, arrived at the outer anchorage on July 15 and received permission to berth at a port jetty only yesterday, said Shahed Sarwar, executive director of the vessel's local agent -- K Line Bangladesh.

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Car sellers getting back on feet

MARKET UPBEAT

Political stability driving sales

Auto sales suffered heavily in the first quarter for political unrest

Demand usually picks up ahead of national budget

The market will remain upbeat this year, industry people say

Around **15,000** cars are sold a year



SOHEL PARVEZ

Reconditioned car sellers are gradually recovering from the slump in the first quarter of the year thanks to the return of political stability, importers said.

The trend of spending is on the rise, especially in automobiles, as there has been no unrest in the political arena for the last few months, said Abdul Haque, managing director of Haq's Bay, one of the leading reconditioned car sellers.

Auto sales suffered heavily for the violent political unrest that set off in the first week of January.

The importers were also cautious about taking the cars out of ports fearing vandalism on way to their final destina-

tions. Moreover, the car sellers were forced to keep many of their showrooms closed amid risks of attacks.

The operators said the situation began improving from March, as political tension started to ease gradually.

Haq's Bay, which recorded just over 800 units of sales of reconditioned cars in January, logged in 1,300 units in March.

The number rose gradually in the next three months and hit nearly 2,000 units in June, according to Haque.

If there is political stability, the business will go smoothly from here onwards, he said.

Other old car importers also claimed of good sales ahead of the budget for fiscal 2015-16.

The demand usually picks up ahead of the national budget upon fears that tax on cars may be hiked in the forthcoming outlay, said Mahbulul Haq Chowdhury, secretary general of Bangladesh Reconditioned Vehicles Importers & Dealers Association (Barvida).

"This year too we saw a similar behaviour of the customers," said the secretary of the lobby group of old car importers who dominate the country's car market of 15,000 units a year.

The government though has not hiked the taxes on old car imports and subsequently, sales became sluggish later, although importers were expecting a rise in demand ahead of Eid.

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Mobile bills pay on the rise

MUHAMMAD ZAHIDUL ISLAM

Bill payments through mobile phones have shot up in the last couple of months as operators increased their focus on such services.

People paid Tk 151.96 crore in utility bills through mobile phones in May, which was an 11.85 percent rise compared to April, according to central bank data. The amount was Tk 81.70 crore in February.

Mobile phone operators say the scope for expansion of mobile bill payment service is quite high in Bangladesh, as the industry is growing 10 percent every month.

"Proliferation of mobile phones and vast distribution channels make mobile payments a natural choice over other alternatives," said Sayed Talat Kamal, head of external communication at Grameenphone, which has such services.

The service has significant growth potential, particularly among the working class of the population and can play a big part in the formalisation of the informal economy, he said.

Mobile operators are currently offering customers the scope to pay mostly utility bills such as electricity, gas and water as well as insurance premiums.

Mobile services help customers

MOBILE BILLS PAY AT A GLANCE

GP first introduced mobile bills pay service in 2006

All the six mobile operators have bills pay services

Utility bills worth Tk150cr were collected via mobiles in May

Growth is 10-15% per month

Operators are coming up with new services

avoid dealing with banks for utility payments completely.

The use of mobile payment is also increasing for education-related fees like tuition in schools and colleges as well as some examination fees.

The government is also promoting the use of the method by incorporating it into many of its fee collection procedures, especially through Teletalk.

Ekrum Kabir, a vice president of Robi, said the company is planning to launch a new bill payment service soon to increase the customers' ease and help save their time and money.

"We are in the process of launching additional services, which are currently in the trial phase," said Kabir.

Grameenphone was the first to launch mobile bill payment service for Power Development Board (PDB) in Chittagong in December 2006, and later went on to offer the same for Sylhet PDB, Dhaka Electric Supply Company (Desco) and Dhaka Power Distribution Company (DPDC).

Grameenphone now collects bills for Chittagong Wasa (Water Supply & Sewerage Authority) and also some gas distributing companies like Titas, Bakhrabad, Karnaphuli and Jalalabad.

The country's top mobile operator collects an average Tk 50 crore as bills every month, and the numbers are growing by more than 10 percent a month.

"Sometimes bills figures vary with the weather condition," Kamal of Grameenphone said.

"If the regulator becomes more people-friendly, it will allow us to take our services to the masses in near future."

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Garment exports to EU rise 4pc

REFAYET ULLAH MIRDHA

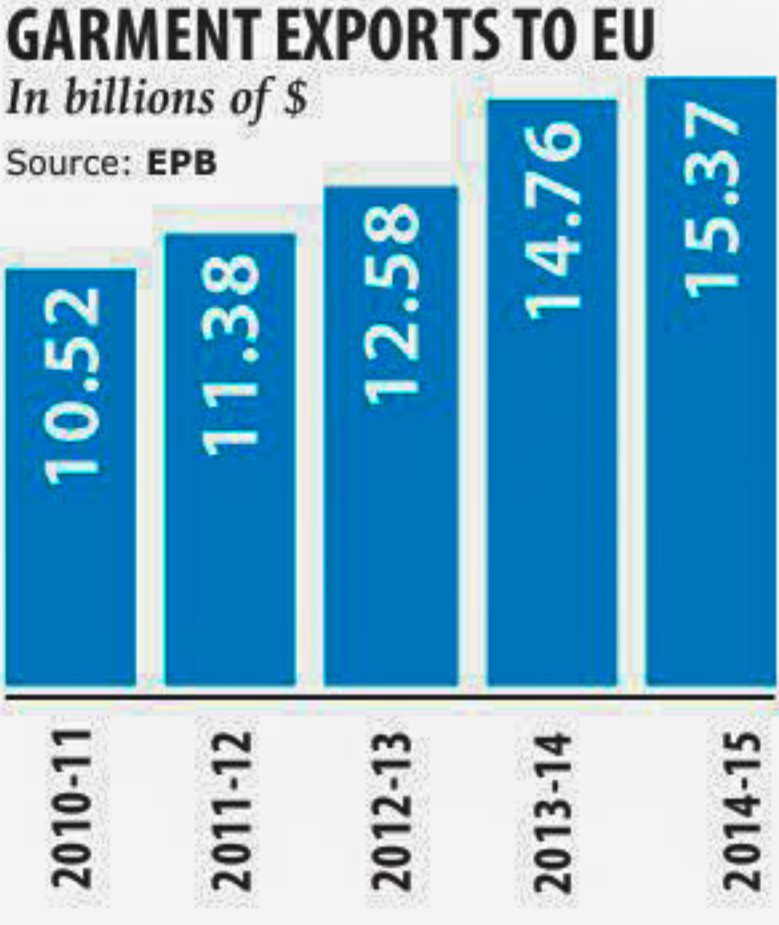
Garment shipments to the European Union, the country's single largest export destination, increased 4.11 percent year-on-year to \$15.37 billion last fiscal year.

At present, the 28-nation economic union accounts for 60.28 percent of the country's garment exports a year.

In Europe, Germany was the prime destination, as in previous years, accounting for \$4.33 billion of the \$15.37 billion exports receipts.

The UK came in next, importing \$2.9 billion of garment items from Bangladesh, followed by Spain at \$1.62 billion, France at \$1.61 billion and Italy at \$1.24 billion.

Bangladesh could have grabbed a bigger share of the EU's 165 billion-euro garment market if there had



been no political crisis in the first three months of 2015, said Atiqul Islam, president of Bangladesh Garment Manufacturers and Exporters Association.

"The response from the EU mar-

kets is still very strong," he said, adding that the positive reports from the Accord and Alliance on the state of the country's garment factories reassured the European retailers.

After the EU, the US is the second most important export destination for Bangladesh, accounting for 20.71 percent of the total garment exports.

In fiscal 2014-15, Bangladesh exported garment items worth \$5.29 billion to the US, registering 2.85 percent growth over the previous fiscal year, according to data from the Export Promotion Bureau.

To sustain the garment export growth, the country needs to address the spiralling of production costs and bank interest rates, the inadequate infrastructure and the continued appreciation of the taka against the dollar and the euro, Islam said.

Credit growth remains sluggish on poor investment

SAJJADUR RAHMAN

Private sector credit growth fell short by about two percentage points from the central bank-set target of 15.5 percent in the second half of last fiscal year.

Year-on-year credit growth in the private sector stood at 13.6 percent in June, the last month of the fiscal year, slightly up from 13.57 percent in May and 13.27 percent in April, according to provisional data from Bangladesh Bank.

The central bank linked the slowdown to a three-month spell of political instability, including non-stop strikes and blockades that began on January 5.

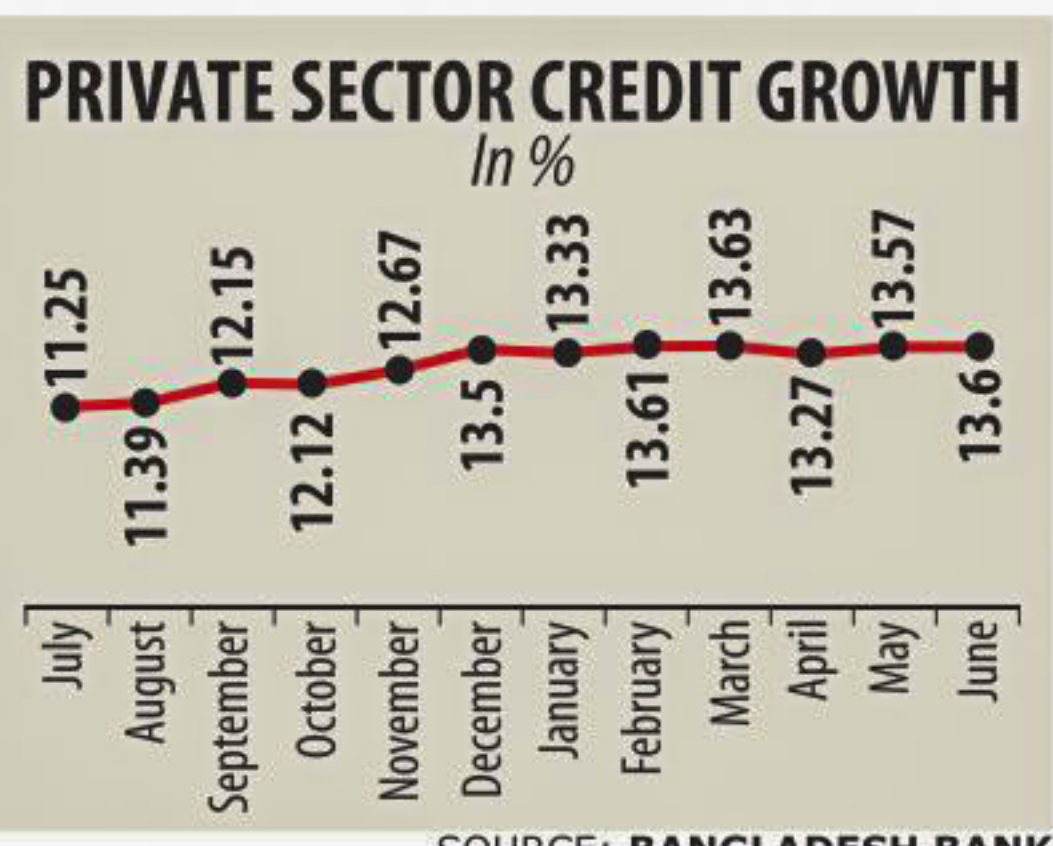
"An entire quarter -- from January to March -- was lost to the political turmoil and no sensible businesses had gone for new investments during the period," Biru Paksha Paul, chief economist of the BB, told The Daily Star yesterday.

Paul said though there are signs of a gradual improvement in the investment, it is yet to pick up to full potential as investors remain watchful of the situation. "Investors are a bit apprehensive because of the lost quarter."

However, the figures show the private sector credit growth rate was slightly higher in the immediate past fiscal year than in the previous two years. Private sector credit grew 12.29 percent in 2013-14 and 10.85 percent in 2012-13, down from 19 percent in the preceding year. Despite the poor credit flow, the BB has been targeting higher credit growth --between 15.5 percent and 16.5 percent -- for the past three years.

Private investment, which is the engine of growth, has remained stagnant at 22 percent of gross domestic product or GDP, for the last three years. Though public investment has increased to 7 percent now from the previous 5 percent, it is not enough to boost growth to generate much-needed employment.

Amid this situation, the central bank will announce the



SOURCE: BANGLADESH BANK

new monetary policy for July-December period by the end of this month, as the first half of the new fiscal year began on July 1.

Boosting investment and growth through the upcoming monetary policy would be the biggest challenge for the central bank, analysts said. Also, how the BB deals with the exchange rate to stimulate exports and liberalisation of capital accounts which they believe would help reduce the growing menace of illegal capital flight from the country, will also be an issue.

There are also concerns on weak governance, high levels of nonperforming loans and the spread between lending and deposit rates in the banking sector.

The investment ability of some big business groups, which are the traditional big borrowers, has been squeezed and many of them are currently loan defaulters, according to Khandokar Golam Moazzem, additional research director of Centre for Policy Dialogue (CPD).

"If new entrepreneurs are not created, it would be tough for Bangladesh Bank and the commercial banks to boost credit depending on a handful of big borrowers," he said.

Moazzem suggested the BB set the inflation target below 6 percent, which he said would impact positively in the lending rates and spread. He said declining oil and food grain prices are an advantage for the BB in this regard.

"Also, it is a good time to devalue the local currency to strengthen competitiveness of exporters," he added.

Helal Ahmed Chowdhury, former managing director of Pubali Bank, sees huge credit growth potential in micro, small and medium enterprises (MSMEs).

"Banks have to work to bring the MSMEs into their credit portfolio," said Chowdhury, a four-decade veteran of the banking sector.

The former banker hoped that prevailing political stability would contribute to the private sector credit growth in the coming days.

Citi to pay \$700m for illegal practices

REUTERS, Washington

US Consumer Financial Protection Bureau ordered Citibank to pay \$700 million in relief to borrowers for what the agency said on Tuesday were illegal credit card practices.

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