

BB likely to leave rates unchanged: report

STAR BUSINESS DESK

Bangladesh Bank (BB) will likely hold off on interest rate cuts in fiscal 2015-16 because of volatile headline inflation and rising core inflation in the economy, London-based BMI Research said in an analysis.

Moreover, the central bank's intervention in the foreign exchange market will continue to exert upside pressure on money supply growth, according to BMI Research, a Fitch Group company.

The growth will likely keep the consumer price index elevated, leading to a continuation in the high inflation levels in non-food market, it said.

However, the BB will continue to support economic growth by employing monetary easing measures, such as the selective easing of interest rates to support productive sectors and supply-side capacity of the economy, BMI said.

The BB's measures will include, for example, export promotion activities and providing low interest loans to green projects.

It will also extend low-cost financing to encourage women entrepreneurship, skill-building and energy expansion.

Most notably, the Export Development Fund has been increased to \$2 billion in 2015, from just \$100 million in 2006.

Bangladesh Bank has kept its bench-

mark repo and reverse repo rates on hold at 7.25 percent and 5.25 percent respectively since February 2013.

The country's banking regulator is expected to keep those unchanged, especially as inflation in the country remains elevated at the forecasted average of 6.2 percent in the current fiscal year, BMI said.

The BB adopted a relatively dovish stance, saying that it will not hesitate to ease its policy rate if inflation, particularly core inflation, embarks upon a sustained downturn.

It also mentioned that volatile headline inflation and rising core inflation in the country remain key concerns, the BMI noted.

Hence, the central bank will likely remain steadfast in its adoption of selective easing measures, instead of embarking on a rate-cutting cycle, to achieve its economic growth target of 7 percent for the fiscal year, it predicted.

Bangladesh's headline inflation moderated considerably to 6.2 percent year-on-year in October 2015, down from its peak of 8.4 percent in April 2013.

Most of the fall in inflation was attributed to a decline in food prices, which constitute almost 60 percent of the CPI basket, BMI said.

However, the central bank noted that food prices have traditionally been more volatile in nature, so it will likely continue to monitor non-food inflation before embarking on a rate-

cutting cycle, even though a decline in CPI provided room for the move.

Also, the BB's active intervention in the foreign exchange market to maintain currency stability will keep supply growth elevated and continue to exert upside pressure on inflation in the country, BMI cautioned.

The BB has been carrying out sterilisation operations to contain the impact of capital inflows and outflows on money supply growth to steer inflation to below its official target of 6.2 percent for the 2015-16 fiscal and to preserve its external competitiveness.

The central bank could keep up sterilisation operations to soak up excess liquidity in the economy.

But the nominal interest rate differential between the US treasury bonds and BB bonds, which is currently around 6 percent, has exerted significant pressure on the BB's profitability, and is unlikely to be sustainable over the long term, the BMI report said.

The BB has been actively intervening in the foreign exchange market by buying up foreign exchange, to defuse appreciative pressures on the taka and maintain exchange rate stability.

The move in turn is flooding the economy with local currency, BMI said.

Now, to manage money supply growth, the central bank has to conduct sterilisation operations by selling BB bills and bonds, which absorb the excess money supply from the economy.



Mashir Rahman, economic affairs adviser to the prime minister, visits a stall at the India Expo 2015, a two-day trade fair that kicked off at Pan Pacific Sonargaon hotel in Dhaka yesterday. Story on B1.



Rashed Khan Menon, civil aviation and tourism minister, hands over the nationwide best seller award to a winner at the customer success summit organised by US-Bangla Airlines at Ocean Paradise Hotel at Cox's Bazar on Friday. Mohammad Abdullah Al Mamun, managing director of US-Bangla Airlines, was also present.

New banks facing trouble in foreign trade

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JPMorgan, which has a representative office in Bangladesh, has also refused to open nostro accounts for the new banks.

Only UAE-based Mashreq Bank is helping these new banks run their international trade transaction business. At least four of the nine banks have opened nostro accounts with Mashreq.

"They (the new banks) are really in trouble as foreign banks do not accept their LCs," said the managing director of a large private bank. He said his bank was accepting LCs of a new bank, but a foreign bank has recently asked him not to do so. The Daily Star talked to officials of foreign banks to know the reason behind their stance.

Increasingly strict banking regulations in the United States, and the political motivation behind giving licences to the new banks are two major reasons, they said.

"Also, these new banks are yet to make their balance sheets, and are very small in size," said a senior official of a foreign bank, asking not to be named.

"We are comfortable with the existing old banks, and do not want to make the new banks our clients as we are yet to know about them," the official said.

Compliance issues in banks have become so important in the US that a Bangladeshi bank has to submit all its information, including profile and history of their directors, to open a nostro account with them.

"We all know that politically-exposed persons are in the boards of these new banks. We are cautioned by our headquarters not to do business with this type of banks," said an official of another foreign bank.

"All banks face this situation at the initial stage," said Muklesur Rahman, managing director of NRB Bank, a new one, which has a nostro account. Even before getting the nostro account, NRB Bank had opened 300 LCs through local banks to bolster business.

Students drive mobile data growth: GP study

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One in every ten people who get internet connections can be lifted out of poverty, said Debasish Roy, head of corporate responsibility at Grameenphone.

He spoke on the findings of the study at a seminar co-organised by Grameenphone, Bangla daily Prothom Alo and English-language newspaper The Daily Star at The Daily Star Centre in the capital yesterday.

Some 49 percent students use the internet regularly, whereas 31 percent use it three to five days a week, some 15 percent use it once or twice, and about 5 percent seldom go online, the study found.

Some 53 percent male students use the internet regularly, while the figure is as low as 33 percent for female students. About 4 percent male and 7 percent female students seldom access the internet.

Khulna performed better, with 67 percent of the students in the region using the internet regularly, and Barisal was found to be a poor performer, with only about 36 percent regular users.

In Mymensingh, about 13 percent

learners are among those who seldom go online, while only 42 percent are regular users.

Grameenphone also found that more than 30 percent of all surveyed have either been bullied or received hate messages online. While males received more hate messages, the females have been harassed for personal information.

Almost 70 percent of the participants concluded that they would want to help their siblings or friends in similar cases, and about the same number agreed that their teachers or schools are not well equipped to educate on cyber-crimes.

The study results would have been more significant if the economic background of the students was included, said Rasheda K Choudhury, executive director of the Campaign for Popular Education, a non-governmental organisation.

There are 5.4 crore internet connections in Bangladesh as of September, and 85 percent of the total users are in the 17-34-year age bracket, Roy said.

Also, about 95 percent of the total internet connections in the country are through mobile phones, with 69

percent users accessing mobile internet daily, and 60 percent say it is their most frequently used medium.

Accessing social media networks is the primary activity of about 82 percent of the internet users, and some 48 percent use it to access news, sports and weather information.

Some 39 percent use the internet to access e-mail, while 38 percent use it for multimedia and entertainment purposes.

Only 9 percent students were found to access the internet for making purchases, and just 8 percent play online games, according to the study.

About 14 percent students go online for personal reasons.

Roy said the country's youth seems well-equipped to move towards more internet proliferation, but it is alarming that majority of them are not well informed about cyber-crime and its mitigation.

Grameenphone, in collaboration with Brac, is also conducting internet safety workshops at 500 schools throughout the country.

Tarana Halim, state minister for telecom, and Mahfuz Anam, editor and publisher of The Daily Star, also attended the programme.

Two-day India Expo ends today

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The corridor was opened in 1947. After remaining closed for a year in 1971, the passage was reopened in 1972, Rahman said. "To many, the corridor seems something new, but it's not."

A large trade bloc like Bangladesh, Bhutan, India and Nepal can work well even if a free trade agreement does not work, he said.

Countries always benefit from a large trade bloc, thanks to a higher number of customers and goods, according to Rahman.

The fair indicates how business has been increasing between the two countries, said Abdul Matlub Ahmad, president of the Federation of Bangladesh Chambers of Commerce and Industry.

Indian companies are keen to invest in Bangladesh as the latter enjoys duty-free benefits for all but 25 alcoholic and drug items, Ahmad said.

The Indian entrepreneurs can invest here in different sectors which have higher value addition." He urged the Indian investors to set up 64 shoe factories in 64 districts.

The duty benefits Bangladesh enjoys in 40 countries are encouraging India's small and medium enterprises to invest here, said Ramesh Kumar Agarwal, vice president and chairman for the eastern region of FIEO.

He said many Indian entrepreneurs have already showed their interest to invest in plastic-shoe and water purifying sectors.



Shah Alam Zahiruddin, former chief architect of Bangladesh government, and Noman Chowdhury, chairman of Dahmashi Trading, attend the launch of Nanogress Porcellanato, an Italian tiles brand, at Bravat Gallery of Dahmashi Trading in Dhaka yesterday.

EBL launches Skypay for online transactions

STAR BUSINESS DESK

Eastern Bank has launched EBL Skypay, an online payment system, to serve the growing e-commerce sector.

Skypay will use the MasterCard payment gateway service, allowing merchants to give customers a "simple, safe, secure and convenient" way to buy products and services online, EBL said in a statement yesterday.

This is the first commercial deployment of MasterCard payment gateway in Bangladesh, which connects over 180 countries around the world and is hosted across multiple data centres, processing more than 1.3 billion online transactions a year for over 35,000 merchants globally, according to the statement.

Shameem Ahsan, president of Bangladesh Association of Software and Information Services; Vikas Varma, executive director for South Asia of MasterCard International; Ali Reza Iftekhar, managing director and chief executive of EBL; and Fahim Mashroo, convenor of BASIS e-commerce Alliance and chairman of ajkerdeal.com, attended the event in Dhaka.

"Merchants can now easily and securely liaise with customers online to receive payments for goods and services," said Vikas Varma, executive director of South Asia of MasterCard International.

Skypay will allow Bangladeshi business and service houses to accept payments by any MasterCard or Visa card through internet or mobiles, making trade possible anywhere and anytime, it said.



Shameem Ahsan, president of Bangladesh Association of Software and Information Services; Vikas Varma, executive director of MasterCard International for South Asia, and Ali Reza Iftekhar, managing director of Eastern Bank, pose at the launch of the bank's online payment gateway--EBL Skypay--at a hotel in Dhaka.

"MasterCard Payment Gateway Services will also give the customers confidence as it's widely trusted by those worried about fraud," said Shameem Ahsan, president of BASIS.

The gateway is maintained to the standards required by both MasterCard and Visa, including changes mandated by the twice-yearly releases, and is also compliant of the payment card industry's data security standard.

Also, Skypay has very strict criteria for accepting merchants, and the system features extreme security features including data encryption, with all the data processed, stored or transmitted with guaranteed confidentiality.

"Eastern Bank is proud to be the first bank in Bangladesh to launch the MasterCard Payment Gateway services and offer merchants and customers the most useful and secure means to transact online," said Ali Reza Iftekhar, managing director and CEO of the bank.

Nearly 136m expected for US Black Friday sales

AFP, Washington

Nearly 136 million shoppers are expected to flock to US sales over the Black Friday weekend, both in stores and online, according to the National Retail Federation.

"Reports of long lines outside stores on Thanksgiving and Black Friday were matched by reports of record-breaking online sales," said Matthew Shay, president and chief executive of NFR, in a statement.

On Black Friday, the day after the Thanksgiving holiday, retailers trumpet special deals that kick off the year-end holiday shopping season. Deals often start early, on Thanksgiving, as retailers scramble to take advantage of the shopping frenzy.

The origins of the name are unclear, with some saying it refers to the intense jams of shoppers. But the more common explanation is that it points to profits being "in the black" as retailers bank on year-end sales for a large part of their annual profits.

The NRF estimates that 135.8 million people will be shopping over the four-day holiday weekend, a modest 1.6 percent increase from last year. The industry group will publish the results of the weekend on Sunday.

With the boom of online shopping, bricks-and-mortar stores are also beefing up their offers on websites and mobile devices.

Digital research firm comScore predicts online sales in the November-December period will increase 14 percent this year to \$70 billion. Another firm, Forrester Research, estimates an 11 percent rise to \$95 billion.

Black Friday is followed by Cyber Monday, when back-to-work consumers continue their shopping online. According to the NRF, 184 million people intend to shop online that day.

Retail is part of the consumer spending that drives about 70 percent of US economic activity, and so is seen as an indicator of the strength of consumer demand. But the importance of Black Friday has faded somewhat in recent years as shopping trends change and online sales gain.

"Over the past several years, retailers have begun their holiday price promotions progressively sooner, not waiting for the traditional Black Friday day to begin offering price discounts," said Chris Christopher, director of consumer economics at IHS Global Insight.

Many retailers open their doors on Thanksgiving Day, also known as Gray Thursday, cannibalizing Black Friday sales, he noted.

This year, Black Friday comes in the context of weak retail revenues blamed in part on relatively warm weather that has discouraged cold-weather purchases.

On Wall Street, most major retailers' shares closed lower, including Wal-Mart, Amazon, Macy's and The Gap.

Target was an exception. The chain climbed 0.2 percent after reporting a strong start to its Black Friday weekend, especially a 35 percent jump in online orders for in-store pickup on Thanksgiving.

But certain retailers made a point of bucking the Black Friday hoopla. Outdoor gear company REI proclaimed "We're not here" on its website homepage, saying it had closed all 143 stores for the day.

BB directs banks to stop taking fees from job seekers

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Rahman also requested the chief executives of banks to display fees for all services for customers at every branch.

Clients said they have received a lot of banking services during the five-day fair that ended yesterday.

The central bank organised the fair, for the first time, to build a banking nation through boosting the ongoing financial inclusion campaign across the country.

About 100 stalls of Bangladesh Bank, scheduled banks, specialised banks, other financial institutions and firms related to finance were set up.