

# Asean launches economic bloc but analysts sceptical

AFP, Jakarta  
Southeast Asian nations officially launched an EU-inspired economic bloc Thursday aimed at boosting the region's trading clout and attracting more investment, but analysts said a true single market was still a long way off.

The ten-member Association of Southeast Asian Nations (Asean) hailed the project as a "milestone" in combining the economic force of a resource-rich and growing market of more than 600 million people.

The vision for the Asean Economic Community (AEC) is a single market with a free flow of goods, capital and skilled labour, which should help the region compete with the likes of China for foreign investment.

The new bloc "will contribute significantly to the region's growth and create developmental opportunities for all," said Vivian Balakrishnan, the foreign minister

of Asean member Singapore. But experts say such an idea is difficult, if not impossible, to achieve in a region marked by extremes in development levels, democratisation, and institutional capability.

The official launch of the AEC has no practical effect, and diplomats have said Asean -- regularly criticised for a lack of concrete achievements -- was keen not to miss its own deadline of 2015, set several years ago.

Research group Capital Economics said in a note the establishment of the AEC was "no game changer", and it was likely to fall short in tackling major challenges such as reducing non-tariff barriers and improving infrastructure.

"Asean, with its tradition of non-interference into the affairs of member countries, an absence of penalties for non-compliance, and a lack of a powerful central bureaucracy, is ill-equipped to tackle these obstacles," it said.

# New DMDs for Pubali Bank



Md Sayeed Ahmed

Mohammad Ali

Akhtar Hamid Khan

## STAR BUSINESS DESK

Pubali Bank has recently appointed Md Sayeed Ahmed, Mohammad Ali and Akhtar Hamid Khan as its deputy managing directors.

Prior to the appointment, Ahmed has been serving the bank as chief financial officer. He has experience in financial administration, credit risk management, treasury management, investment management, core risk management, structured financing and triple bottom line management.

Ahmed is a fellow member of the Institute of Chartered Accountants of Bangladesh and an associate member of

the Chartered Institute of Management Accountants, UK.

Prior to the promotion, Ali has been serving the bank as general manager and chief technical officer, the bank said in a statement yesterday.

He has also been the head of information technology, general services and development division, research and development division and public relations cell of the bank.

Khan in his four-decade-long career has also worked with NCC Bank, AB Bank and Rupali Bank, according to the statement. He completed his graduation and masters in economics from Chittagong University.

# ABB elects new office bearers

## STAR BUSINESS REPORT

Anis A Khan, managing director of Mutual Trust Bank, has been elected as the chairman of the Association of Bankers, Bangladesh (ABB) for 2016-17.

The forum of the managing directors of commercial banks also elected Mohammad Abdul Mannan, managing director of Islami Bank; Abdus Salam, managing director of Janata Bank; and Syed Mahbubur Rahman, managing director of Dhaka Bank, as its vice chairmen.

The election took place at an annual general meeting of the forum at Spectra Convention Centre in Dhaka yesterday. Ali Reza Iftekhar, managing director of Eastern Bank and outgoing chairman of ABB, presided over the meeting.

At the meeting, Arif Quadri, deputy managing director of United Commercial Bank, has been made the secretary general and Haider Ali Miah, managing director of Exim Bank, got the post of the treasurer.



Anis A Khan

# Agro-processors' body elects new chief

## STAR BUSINESS DESK

AFM Fakhru Islam Munshi has been elected as the president of Bangladesh Agro-Processors' Association for 2015 to 2017.

The association also elected Khurshid Ahmad Farhad as its general secretary for the same term. Munshi is the chairman of Ayurvedia Pharmacy (Dhaka), the association said in a statement.

Farhad is working as the assistant general manager at Square Food and Beverage, according to the statement.

The association also elected SM Jahangir Hossain, managing director of Bangla Food and Beverage, as senior vice president and Md Anamul Hassan Khan, chairman and managing director of Prome Agro Foods, as vice president. Md Golam Sharif Chowdhury, business director of Alin Foods Export, has been elected as the treasurer.



AFM Fakhru Islam Munshi



Mohammed Nasim, health and family welfare minister, launches the personnel management information system for the Directorate of Nursing Services and registration database for Bangladesh Nursing Council at Bangabandhu International Conference Centre in Dhaka on Wednesday. Zahid Maleque, state minister for health and family welfare, and Benoit-Pierre Laramée, Canadian high commissioner, were also present.

# Jump-start private investment in 2016

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"The rising militant activities must be dealt with strong hand. This is important for both foreign and domestic investment," he added.

Nazneen, however, was in agreement with Khan about infrastructure: it continues to be a big challenge.

But, there had been progress in implementation of some important infrastructure projects such as the Dhaka-Chittagong highway and the Padma bridge in 2015, she said.

Khan called for reforms and quick implementation of infrastructure projects to ensure higher level of economic growth. "An accelerated growth path can create more jobs and alleviate poverty," he said.

Nazneen said 2015 was not in reality a write-off: there was some good news.

Bangladesh achieved the status of

lower-middle income country, healthy foreign exchange reserve, improved balance of payment situation and reasonably good agricultural output.

The year 2015 also saw a wave of entry of start-ups, particularly in the IT sector, said Kabir, adding that many more will come in the New Year.

"More youths will sign up for business with ideas," he said, adding that the falling interest rate is a good sign.

It will bring in increased investments, he added.

Tania called for relocation of all tanneries from Hazaribagh to the leather industrial park in Savar to ensure environment friendly production in 2016. It will open huge potential for Bangladesh, she said.

"Otherwise, it will be a threat for the entire leather sector. It will be very frustrating in that case."

# Missed opportunities in fuel price drop

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Inflation in Sri Lanka dropped to below 1 percent as well. "The evidence clearly proves that Bangladesh economy would have been in a better shape with lower inflation, had we adjusted fuel prices in a consistent pattern and aligned it to international market prices," said Biru Paksha Paul, chief economist of Bangladesh Bank.

Paul said lower inflation enables a lower interest rate, which stimulates growth after raising investment. At the end, higher consumption and higher output foster better fiscal capacity, justifying fuel price reduction on a priority basis, he added.

The government's logic behind not passing the price benefit on to the consumers is that it wants to reduce the losses of BPC that imports fuel oils for the state.

Data shows that BPC logged a profit of Tk 5,268 crore in fiscal 2014-15 after covering a loss of nearly Tk 2,500 crore in the previous year. The profit figure would be much higher for the current fiscal year as BPC's import cost has decreased further.

According to a top BPC official, the final cost for a litre of diesel now stands at Tk 50, but it is being sold at Tk 68 at a hefty profit of over 35 percent. Diesel constitutes 80 percent of Bangladesh's fuel imports.

Salehuddin Ahmed, a former governor of the central bank, finds no logic in the government's stance on fuel prices. "The government is following no economic rationale in fixing the oil prices," he said.

Falling oil prices are a boon for consumers and businesses across the world, he added.

Low oil prices do not only reduce costs of businesses and consumers, but also encourage people to invest and spend more, said Ahmed. "But the benefits are not being passed on to our people."

Oil prices have been falling since June 2014. The initial fall was rapid and unexpected. The drop in the price of crude oil from June 2014 to June 2015 was around \$80 a barrel.

This drastic fall was attributed to production that grew faster than projections. Demand also deteriorated faster than expected, resulting in excess oil for sale in the world. Recent events, such as a fall in Chinese growth projections and the end of sanctions against Iran, have given economists reason to downgrade their expectations for crude oil prices.

# SMEs propel economy to higher growth

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Speaking at the unveiling of the report, Wahiduddin Mahmud, a noted economist, said the census has captured all non-agricultural economic activities taking place in the informal and formal sectors.

It has given a clear picture of the employment situation in the non-agricultural sector, he added.

Non-agricultural employment rose 6 percent on an average every year between 2001 and 2013, whereas permanent establishments went up 4 percent, he said.

"What is more striking is it has been clear that the micro, small and medium enterprises are the main forces of the economy."

Mahmud, who teaches economics at Dhaka University, said rural in other countries means largely agricultural activities. But in Bangladesh, it is not only farm activities but many more, he added.

The number of household-based economic units increased 6 percent on average per year in the decade. The increase is 7 percent in rural areas and 5 percent in urban areas.

More non-farm jobs were created in rural areas compared to urban settings, said Mahmud.

On average, 2.6 persons used to work in an economic unit in rural areas in 2013. A decade later, it stood at 3.6 persons, he said.

"It means that it is not a proliferation and overcrowding of subsistence activities. Rather, it is a dynamic sector. The census shows us that Bangladesh's

economy is very dynamic compared to other countries."

Unlike in the past, rural families are no longer engaged in farm-based economic activities alone.

"As a result, the division between the rural and the urban settings is diminishing. Microcredit has played a role to this effect."

The economist also said, as a result of the increasing non-farm economic activities, GDP growth would not go down below 6 percent.

Planning Minister AHM Mustafa Kamal said micro, small and medium enterprises are not getting enough attention in Bangladesh, the way they receive in other countries.

So, all necessary assistance should be provided to them so they can flourish, he said.

MA Mannan, state minister for finance and planning, said the economy is growing so fast that there is a little bit of anxiety over slowing down in future. "So, we have to take preparations to tackle any potential slowdown," he added.

Hossain Zillur Rahman, also an economist, said the census showed that 88 percent of the economic units have capital base below Tk 500,000.

This reflects the need to reform policies in their favour and put more emphasis on how they can have adequate access to financing.

The country's economy can withstand global shocks and stand its ground riding on, among others, the increasing number of thriving small economic units, he said.

# Market saw 12 new IPOs in 2015

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The market was not that lucrative for companies to raise funds from public, said Md Moniruzzaman, managing director of IDLC Investments.

But the entrepreneurs were keen to come to the market and raise funds, he said. The current process for approving IPOs is quite lengthy, which often discourages entrepreneurs, he said.

Uncertainties are there also on the pricing of the shares, he said. The entrepreneurs are not sure about how much money they would be able to raise through IPOs, he said.

The recent amendment to the IPO rules may encourage entrepreneurs to enter the IPO market, he said.

Companies that intend to offer primary shares with premium prices will have to follow the book building method to raise capital from public, according to the revised IPO rules.

Book building is a modern IPO process

through which an issuer attempts to determine the offer price for its security based on demand from institutional investors.

The price of an IPO share is determined through automated bidding by different financial institutions.

Faruq Ahmad Siddiqi, a market analyst and a former chairman of the BSEC, also identified dearth of quality IPOs as a major reason behind the existing low investor confidence. Some investors even incurred losses from IPOs, he said.

"We need big and reputed companies to be listed on the market."

However, the pricing of new securities in the secondary market was not so attractive for investors, as the market has been on a downward trend throughout 2015.

Between January 1 and December 31, DSEX, the benchmark index of the Dhaka Stock Exchange, declined 6.31 percent to finish the year at 4,629.64 points yesterday. With the new ones, the DSE now has 559 listed securities.

# BB bullish about 2016

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Increased supervision has helped improve the banking sector significantly, supported by greater digitisation, the governor said. "Governance in the financial sector has improved significantly due to heightened BB intervention," he said, adding that non-performing loans came down to single digit and the spread has come down to below 5 percent.

The banking sector, which is already under the Basel-III regime, will witness further consolidation in its capital base and return, Rahman added. "We are indeed looking forward to a prosperous 2016."



Hassan Khaled, president of Dutch-Bangla Chamber of Commerce and Industry, attends the chamber's 16th annual general meeting in Gulshan, Dhaka on Wednesday. Altaf Hossain Biswas, secretary general, was also present.

DBCCI