

DHAKA WEDNESDAY JULY 13, 2016

Inflation lowest in 12 years

REJAUL KARIM BYRON

Inflation stood at 5.92 percent on average in fiscal 2015-16 -- the lowest in 12 years and even lower than the government's budgetary target of 6.2 percent.

The central bank apprehended a rise in inflation last fiscal year due to the pay rise for government staff, but it fell 0.49 percentage points over fiscal 2014-15.

In fiscal 2014-15, inflation was 6.41 percent.

"Inflation has declined mainly due to satisfactory agricultural production, reduction of commodity prices, including fuel in the international market, prudent macroeconomic management and a normal flow in the supply of goods thanks to political stability," said Finance Minister AMA Muhith in his budget speech last month.

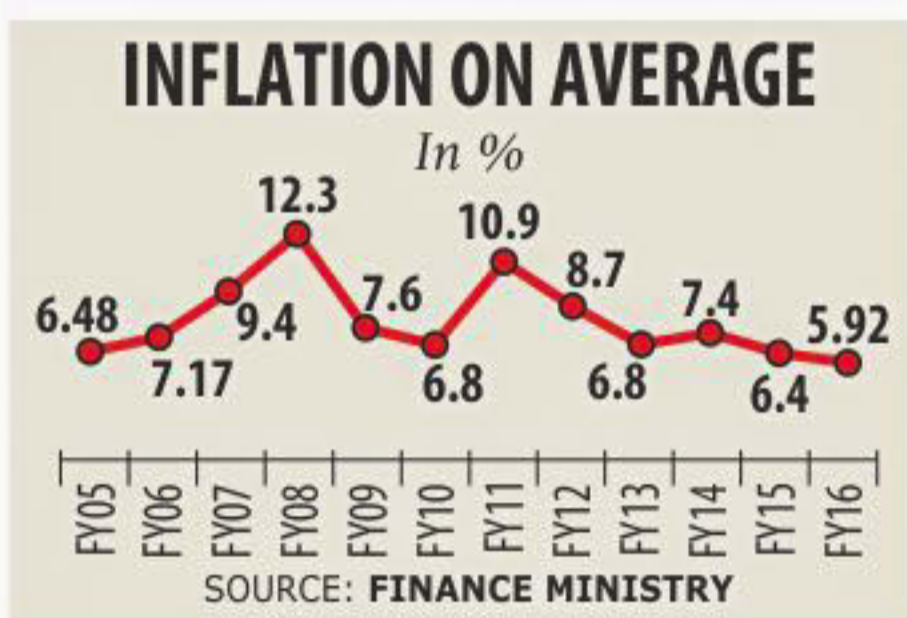
Zahid Hussain, lead economist of the World Bank's Dhaka office, said inflation has remained below the Bangladesh Bank's target in fiscal 2015-16, largely due to a sharp decline in food inflation.

Food inflation was 4.92 percent last fiscal year, down from 6.68 percent the previous year, according to the Bangladesh Bureau of Statistics.

The decline is attributable to low food inflation internationally that contained the cost of imported food items, good domestic harvests, particularly rice, and a stable exchange rate, according to Hussain.

Non-food inflation stood at 7.45 percent last fiscal year, up from 5.99 percent the previous year.

The rise is due to the increase in demand resulting from implementation of the new pay scale for government employees, adjustment in the administered prices of gas and electricity, and a sharp uptick in the flow of



credit to the private sector, a large part of which financed consumption expenditures, he said.

In May, private sector credit growth accelerated 16.4 percent against the target of 14.8 percent by June this year, as stated in January's monetary policy statement.

The WB economist went on to mention some risks that stand in the way of achieving the inflation target set for the current fiscal year.

"Moving forward, sound macroeconomic management will be important to attain the 5.8 percent inflation target for fiscal 2016-17."

Food prices in international markets have tended to rise in recent months, as did oil prices, which pose a risk for food inflation.

Containing non-food inflation will be a challenge because of fiscal expansion and the lagged effects of wage increases, he said.

"The forthcoming monetary policy statement for the first half of fiscal 2016-17 will hopefully pay enough attention to the downside risks in setting the monetary programme targets and deciding on the policy rates," Hussain added.

The BB will announce its new monetary policy statement at the end of this month. However, it is not likely to be expanded much because of the risks, a BB official said, asking not to be named.

Rampal plant's wheels set in motion

Bangladesh-India Friendship Power signs \$1.49b contract with Bharat Heavy Electricals

STAR BUSINESS REPORT

A Bangladeshi-India joint venture company yesterday signed an agreement with India's state-run Bharat Heavy Electricals Ltd, paving the way for the start of construction of the much-debated Rampal coal power plant.

The engineering, procurement and construction deal worth \$1.49 billion was signed between the Bangladesh-India Friendship Power Company Ltd and BHEL at Sonargaon Hotel in Dhaka yesterday.

Pradeep Kumar Pujari, power secretary of India, praised the deepening cooperation between the two countries, including in energy cooperation.

"The signing of the agreement is a milestone in the relationship between the two countries," said Harsh Vardhan Shringla, high commissioner of India to Bangladesh.

The total project cost is about \$2 billion, said Nasrul Hamid, state minister for power of Bangladesh.

The construction for the project will start within three to four months, said Gurdeep Singh, chairman of National Thermal Power Corporation, India's largest coal power company. The plant is expected to go into commercial production by July 2019.

"We will provide all cooperation but we will not be extending the deadline," said M Abul Kalam Azad, principal secretary to the prime

minister.

Shringla also said that he hoped the project would not face cost and time overruns.

There is scope to fast-track the project, said Tawfiq-e-Elahi Chowdhury, energy adviser to the prime minister.

BHEL has emerged as the lowest bidder for the 1,320-megawatt coal-based power plant known as Maitree Super Thermal Power Project. NTPC has formed a joint venture, BIFPLC, with Bangladesh Power Development Board on a 50:50 share basis to develop the plant.

Indian government's external lending arm, Exim Bank, has backed up BHEL's offer with nearly 70 percent funding of the project.

READ MORE ON B3

Jute goods exporters get tax benefits

SOHEL PARVEZ

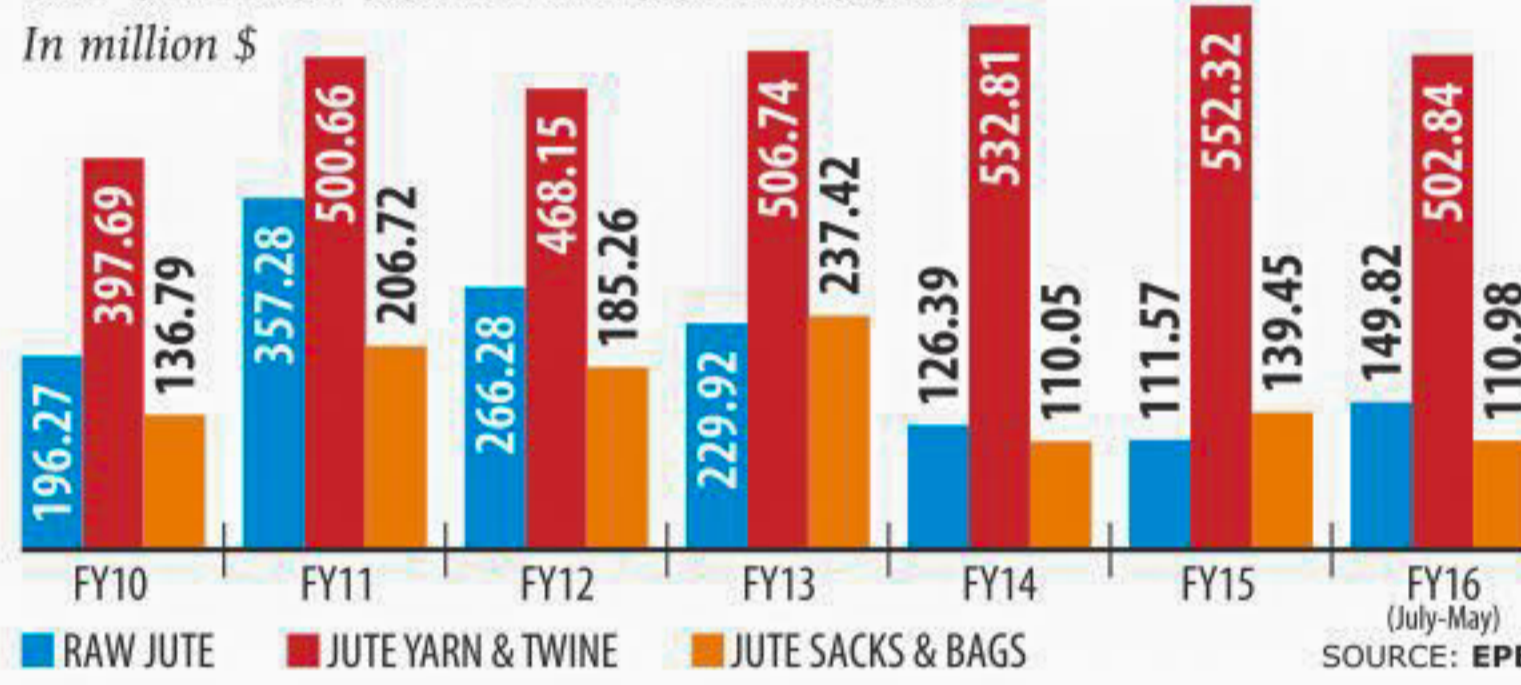
The government has given tax benefits to jute goods exporters to support the industry that has been facing sluggish demand abroad.

From this fiscal year, jute goods manufacturers will pay 10 percent corporate tax on their export earnings until fiscal 2019-20, down from 15 percent previously.

Exporters will also enjoy 0.6 percent source tax on their export proceeds, as they did last year, until June 30, 2019, according to two separate orders by the National Board of Revenue.

The move comes at a time when the jute industry has been suffering sluggish demand for sacks, bags

EXPORTS OF JUTE AND JUTE GOODS



and yarn, owing mainly to the prolonged crisis in the Middle East, a major destination of locally grown and processed natural fibre.

"It will be a relief for jute goods exporters," said Khondaker Golam

Moazzem, additional research director of the Centre for Policy Dialogue.

The jute sector, which involves about 40 lakh farmers and about 2 lakh workers, processes 50 lakh bales

of raw jute out of the average local production of 75 lakh bales a year.

About 90 percent of the jute goods are shipped abroad.

Of them, jute yarn and twines account for 65 percent of the sector's total export receipts of over \$850 million, according to data from the Export Promotion Bureau and Bangladesh Jute Spinners Association.

The EPB is yet to release the export data for fiscal 2015-16, but the July-May figures show that exports earnings from jute yarn and twines declined 0.55 percent year-on-year to \$502 million, while exports of jute sacks and bags fell 16 percent to \$110 million.

READ MORE ON B3



Dhaka bourse gets new MD

STAR BUSINESS REPORT

KAM Majedur Rahman, a career banker, yesterday joined Dhaka Stock Exchange as its managing director.

The post remained vacant after Swapan Kumar Bala, a Dhaka University professor, completed his three-year tenure on April 12.

Prior to joining the prime bourse, Rahman was serving US-based eCurrency Mint Incorporation as a consultant, according to a statement.

During his 33-year banking career, he served as managing director of Premier Bank, country head of Bank Al-Falah, additional managing director of AB Bank, deputy managing director of IPDC Bangladesh, senior executive vice-president of Dhaka Bank, and head of operations and head of retail banking of Standard Chartered Bank.

Rahman started his career in 1981 with ANZ Grindlays Bank as a management trainee.

Earlier on June 29, Bangladesh Securities and Exchange Commission approved the appointment of Rahman as the managing director of the Dhaka bourse.

BB defers discussion with New York Fed

SAJJADUR RAHMAN

Bangladesh Bank has deferred a meeting with the top officials of the Federal Reserve Bank of New York to discuss recovery of the \$81 million stolen by hackers from its account at the Fed, a top official said.

The meeting, which was scheduled for July 15, was supposed to be led by a deputy governor and a senior panel lawyer.

"The meeting has been deferred from our side as we could not take necessary approvals from the government, including the prime minister, in time," said a senior BB official involved in the team.

The long Eid vacation has caused this inconvenience. A new date for the meeting has not yet been determined, said the official adding that it may be held next month.

Abu Hena Mohd Razee Hassan, deputy governor of BB, was supposed to lead a delegation of four members at the meeting with Fed officials. A lawyer will also be included in the BB team along with officials of the Bangladesh financial intelligence unit.

"A lawyer has been included in the

team at the Fed's request. Otherwise, they will not sit with us," said a BB official.

This will be a follow-up meeting of similar talks held in Switzerland's Basel, where the heads of BB, the New York Fed and representatives from SWIFT in May agreed to help Bangladesh get back its stolen funds.

"The primary objective of the meeting is to discuss recovery of the stolen money. Other issues, such as the Fed's role in disbursing the funds to the hackers' accounts, are also on the agenda," said an official concerned.

The way Federal Reserve Bank of New York acted in handling the fund transfer requests made by hackers from BB's accounts has raised questions on whether the Fed followed due diligence before executing the fund transfers. Questions also surfaced on whether its authentication process for fund transfer requests falls short of standards.

Future arrangements on BB's deposits held in the New York Fed will also be discussed, as the majority of Bangladesh's nearly \$30 billion foreign exchange reserves are with the Fed, the official said.

READ MORE ON B3

Pre-bid meeting on mobile number portability tomorrow

STAR BUSINESS REPORT

The telecom regulator has called upon interested entities to attend the pre-bid meeting tomorrow for the auction of the mobile number portability service licence, which will empower customers to switch operators without changing their numbers.

Bangladesh Telecommunication Regulatory Commission will hold an auction on September 21 to award MNP licence to a company.

BTRC officials said the last date to submit applications is August 11.

The base price for the MNP licence auction is Tk 1 crore and the MNP licensee must have three years of experience in handling at least one crore subscribers, according to guidelines.

The licence will be valid for 15 years and the licensed company will have to share revenue with the government at 5.5 percent from the second year of operations.

The MNP licensee will have to acquire capabilities to serve 1 percent of the total customer base by six months after getting the licence, 5 percent in one year and 10 percent in five years.

A subscriber will be able to switch to any operator by keeping his existing mobile number and paying not more than Tk 30, and will have to continue with the new operator for a minimum of 90 days.

In June 2013, the telecom regulator asked mobile phone operators to introduce the MNP service by January 2014.

But operators said they were unable to do so, citing that the time allotted for implementing such a service was too short.

Later, BTRC decided to appoint a third-party company to implement the service.

Currently, 72 countries, including neighbouring India and Pakistan, have adopted the popular system, with Singapore being the pioneer.

On 23 July, 2016

In Association with

LIONS

INTERNATIONAL FESTIVAL OF CREATIVITY

Lions Edit Competition Bangladesh 2016

In Search of the Most Creative Young Professionals

The Lions Edit Competition is an annual hunt for the most creative & competitive young professionals of the country. Every year, creative agencies and corporate houses nominate team(s) comprising two creative members to participate in the competition. The contestants are challenged to develop the best communication campaign for a marketing problem.

This year, the competition will take place for Integrated Campaign only. Teams will receive a brief to develop Integrated Campaigns. They will get 7 hours to develop the campaign at the competition venue. The winners will be announced by the jury panel on the same day.

Both the Champion and Runner-up teams will represent Bangladesh in the Spikes Asia competition to be held on September 21-23, 2016 in Singapore.

For details, please contact:
01671 366 544, 01673 014 998

Registration Deadline:
20 July, 2016

Download registration form: bbf.digital/lionsedit

Strategic Partner

Knowledge Partner

Organised by