

StanChart buoyant on Bangladesh

The bank to continue investing in Bangladesh to maintain its lead position, its chief executive tells The Daily Star

MD FAZLUR RAHMAN

STANDARD Chartered is optimistic about Bangladesh despite the recent militant attacks unnerving foreign investors, thanks to its long presence in the country and its board's wholehearted support, said the bank's chief executive for Bangladesh.

"We believe there are strengths in the country and in the country's growth outlook, people and clients," said Abrar A Anwar.

The board has picked Bangladesh as an investment destination, he added.

"It will give us the ability to serve customers across all segments. We believe in the growth prospect of this market - be it in retail banking, corporate banking or broader banking activities," he said.

"If you get that much commitment from the decision makers, the board of the bank in this case, then you have reason to be optimistic because you will be given the resources to serve clients."

Those resources include investment in technology, premises, product capability, human resources along with expanding the workforce base and accelerating the investment in new opportunities that are emerging.

Anwar, who took the reins in January last year to become the second Bangladeshi to lead Standard Chartered Bangladesh, said the bank gets opportunities to invest not only in short term projects but also in the long term ones.

Standard Chartered continues to invest in Bangladesh; it has raised more than \$3.5 billion in the last four years for the power, energy, aviation and telecom sectors, he said.

Being one of the largest foreign

investors in Bangladesh, the bank's investment in the country stands at about \$6 billion. "And it is growing."

The bank is expanding its product capability in the retail and corporate banking space and also in both physical and digital distribution networks.

He said the bank is well-positioned to cater to retail segments, trade facilitation to corporate clients with financing ranging from small amounts to billion dollars.

"We are in a good position and so, we will continue to invest in Bangladesh to maintain our lead position in all these sectors."

Standard Chartered has been operating in Bangladesh for more than 110 years.

"We believe that whatever is happening or happens in emerging markets is a part of life," he said, when asked for comments on the recent militant attacks.

"It is the resilience of enterprise." Anwar said the recent spate of militant attacks is a global concern, not only a local problem. "It is a new reality facing Bangladesh, leading the government to take stern actions. The total action plan has changed."

Some entities have enforced travel restrictions, which will impact their visits. But people will find a mechanism to work around it, he said.

"We are going ahead with all our plans because we are probably seasoned in operating emerging markets, especially Bangladesh. Our experience and legacy give us strength to navigate in any situation."

The capacity that Bangladesh has in exporting apparel cannot be replicated quickly by somebody else, he added.

Other than some transactions in restaurants and shopping malls, all other things are progressing, he said.



Abrar A Anwar

"There may be delays in some projects funded by foreign partners, but we have learnt that they would continue the project. They are just trying to fathom the situation."

Over the decades, Standard Chartered has also become a banker to the banks in Bangladesh; 31 banks are its customers and it handles 40 percent foreign currency clearing of Bangladesh.

Bangladesh's private sector banking has come a long way but the private banks have to keep their focus all the time on areas such as governance, cyber security, anti-money laundering and terrorist financing, he

said. "Otherwise, sustainability of the sector will be challenged."

Standard Chartered has its own high priority issue called information security strategy as per the bank's global standards.

This is an issue the bank is always monitoring and investing in hugely to stay protected because every day hackers are getting smarter, he said.

"The bank is not just a nice looking building - it is much, much beyond that. What is behind is the total infrastructure to keep clients' data, money and information secured."

The 47-year-old banker said the

low lending rate boosted by declining interest rates is good for the economy as it would boost investment growth.

Overall it is an interesting time for Bangladesh as the country has never seen many mega projects being executed concurrently, he said. "They will have a positive impact on the economy as we go forward."

The bank can play a key role in helping to execute the infrastructure projects by raising money, bonds and project financing, he said.

Anwar also discussed a sovereign bond the government has been talking about for a while. "We are always a proponent for the bond: it is not for the money but for the benchmark. That should happen."

He said a quasi-sovereign bond may be floated. For example, the power and energy ministry might launch power bonds and energy bonds as there are many projects under the ministry.

Anwar said his bank is focusing more on home buyers from the emerging middle class who do not have their 'first home' in Dhaka.

He said the low interest rate is important for the mortgage market.

"If you look at the developed world, you will realise that without mortgage, no economy can move forward. So, it is important to ensure that people can afford to buy property and pay mortgage payment."

Standard Chartered has continued to reduce its interest rate in the housing sector. "At 8.5 percent, probably our rate is the lowest."

The bank recently signed a memorandum of understanding with Rajuk, the city development authority, for its apartment products and will offer a special rate and easy processing. Rajuk is churning out 16,000 apart-

ments shortly and another 60,000 will come up in the Purbachal and Jhilmil areas in the near future.

"We are probably the only bank that can provide financing at that level."

For the Uttara-18 project, Standard Chartered targets to lend up to Tk 500 crore in a year and half. The prospective borrowers will be able to take up to 70 percent of each instalment owed to Rajuk as a loan for up to 25 years.

"This will increase the buying capacity of the people who would like to own an apartment," he said, adding that the bank would replicate the model for other upcoming projects.

Anwar said the bank is working with the central bank and other stakeholders so there are low-cost long-term projects for home finance. If there is such a fund, the housing sector will grow automatically, he added.

Discussing the impact of Britain leaving the European Union, he said it would take until 2019 for the UK to leave the bloc.

"It gives a bit of a breathing space for Bangladesh, and I think the government will move in the right direction to negotiate trade deals separately with the UK."

"The UK is an old friend of Bangladesh, a big development partner and the largest investor in the country. So, I think something positive will come out of the negotiation."

"I don't see any major immediate impact. But we need to position ourselves properly because the buying capacity of the UK people post-Brexit will determine our trade with the country."

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High wages flash recession warnings in Singapore

REUTERS, Singapore

SALADSTOP owner Adrien Desbaillets has eased off on expansion plans for his organic food chain in Singapore because high wages are pressuring profit margins at a time when the affluent city state is grappling with low growth and slack global demand.

Instead Desbaillets is branching out in Manila, Jakarta and even in wealthy Tokyo

panies that Kurt Wee, President of the Association of Small & Medium Enterprises, represents.

"We've started hearing of decisions to call it a day," Wee said.

The figures are telling.

Almost 42,000 businesses ceased in the first half of this year versus nearly 49,000 in the whole of 2015, government data shows. Total nominal wages rose 4.6 percent per year on average over the past



REUTERS/FILE

Office workers walk to the train station during evening rush hour in the financial district of Singapore.

in a worrying sign for Singapore's small, open economy.

Indeed, while the city state's economy is expected to grow between 1-2 percent for the year, analysts say the wage-cost pressures are flashing warnings of a recession.

At roughly 43 percent of gross domestic product - though below the 55 percent world average - wage costs in Singapore are now at levels which historically had preceded recessions in 1985, 1997 and 2001.

The trouble is that the higher wages are raising business costs at a time when export-oriented Singapore has been hard hit by a cooling China, subdued domestic consumption, a downturn in commodities and global uncertainty due to Britain's vote to leave the European Union.

"We would have opened two or three more outlets in Singapore if it weren't for the high wages ... and we would have taken on more projects," said Desbaillets, whose chain has 15 outlets in Singapore, eight in Manila and is due to open in Jakarta and Tokyo in October.

"We've been able to hedge our risk a little with our expansion abroad." Desbaillets pays his Singapore staff \$51,600 to \$53,200 (\$1,191 to \$2,382), versus \$3300-\$5400 in Manila.

His business is growing, but others with less firepower are struggling. They include the majority of the 12,000 com-

decade, compared with a 0.5 percent average annual growth rate of value-added per worker in that period.

And recent data showed the unit labour cost index hitting a record high of 116.7 in the second quarter.

Trinh Nguyen, Natixis' senior emerging Asia economist says this increases recession risks.

"It squeezes firms' profit margins and erodes exporters' ability to compete," Nguyen said. "While they cannot earn more money externally ... they cannot reduce cost structures."

Singapore is the fourth most expensive city in the world, according to Mercer, a global consultancy. The high wages partly reflect that. But they would have been lower without the curbs on foreign workers introduced in 2011 amid disquiet over immigration.

The tighter rules also hurt productivity, recruiters say.

"Anecdotally, companies are known to have hired token locals - employees needed to meet quotas so that the company can hire another foreigner," said Lee Quane, Asia director at recruiting consultancy ECA International.

A shortage of talent in sectors like IT and life sciences means wages in those industries grew faster than the economy, recruiters say.

Modi govt regains composure after Rajan shock

REUTERS, New Delhi

RAGHURAM Rajan's abrupt announcement of his departure as governor of the Reserve Bank of India came as a nasty surprise to many, especially his fans in the investment community, but the way Urjit Patel was chosen as his successor has been anything but.

Aides to Prime Minister Narendra Modi have sought to show that the search and selection process has been deliberate and controlled, that the nation's leader and the Finance Minister Arun Jaitley were closely involved, and that the government is fully behind the RBI's battle to control inflation.

Critically for the stability of financial markets, Patel lent his name to the panel that drew up the blueprint for formally adopting a consumer inflation target of 4 percent, as well as creating a new Monetary Policy Committee to steer interest rates and help India hit that goal.

At the same time, the officials have stressed that no single individual should again dominate the RBI in the way that Rajan did over his three-year term. Where Rajan is known for pithy one-liners at news conferences and speeches larded with social criticism, Patel is seen as more of a backroom technocrat who avoids the limelight.

Rajan's shock announcement on the afternoon of June 18, a Saturday, caught the government off-guard - Jaitley was watching a movie at home with his family and took more than two hours to issue a public statement.

The recovery of composure was quick, though. A shortlist of potential successors was floated before the evening was out. Patel, the 52-year-old deputy governor who takes over from Rajan on September 4, was on it, along with a clutch of other contenders that included veterans of the RBI.

On Saturday evening, exactly nine weeks later, the choice was made public. And it was done without Modi holding meetings about the job with any of the candidates, according to sources with direct knowledge of the process.

While Modi may have been involved in the final decision on Patel, he wanted to "keep his distance" in the weeks before as the appointment committee ran the process, one aide told Reuters.

"Lobbying does not get you such a job - but Modi ji's confidence in Patel was a big factor," the official told Reuters, using the honorific Indian suffix.

Patel has wide international policy experience. He worked at the IMF as an economist from 1990 to 1995, and for Boston Consulting Group and Indian conglomerate Reliance Industries.

Sources said Patel had been vetted and his candidacy blessed by the Hindu-nationalist umbrella group, the Rashtriya Swayamsevak Sangh (RSS), that backs Modi's nationalist party.

That marks a big change from its attitude to Rajan, who came under fire from the RSS camp and in particular from lawmaker



REUTERS

Urjit Patel, right, the then deputy governor of Reserve Bank of India, attends a news conference after the bi-monthly monetary policy review in Mumbai on February 2.

Subramanian Swamy who demanded he be fired for being "mentally not fully Indian". Rajan this month denounced the personal attacks he had faced as "abominable".

Patel is looked on favourably as dependable and low-key, with no ambition to upstage the government. Rajan, by contrast, drew RSS ire by straying into politically sensitive territory in high-profile speeches in which he said social tolerance was vital to a country's economic development. That was perceived as an implied attack on the Hindu-nationalist agenda of the RSS and other supporters of Modi. Rajan has denied criticising the government.

Modi warmed to Patel at a face-to-face meeting earlier this year, when the central banker was given an extension to his term as deputy governor in charge of monetary policy, said a second Modi aide.

"Patel has a direct working equation with the Prime Minister," this aide said, using an Indian-English expression for a personal relationship, adding the prime minister valued Patel as a "clear thinker" and appreciated his "direct approach".

The only sign of nervousness senior officials betrayed was in their initial suggestion that the next governor would be named by the time of Rajan's final policy meeting on August 9.

But, after financial markets remained calm despite Rajan's announcement that he would not seek a second term, they reverted to a timeline that would allow just enough time for an orderly handover - as was the case with Rajan's own appointment three years ago.

Throughout, the Prime Minister's Office has owned the process - reflecting Modi's determi-

nation to centralise decision making in India's sprawling and often recalcitrant bureaucracy - with Cabinet Secretary PK Sinha heading the selection committee.

In its initial recommendations in July, the panel called for the next RBI governor to be a technocrat, and not a bureaucrat; a macro-economist; and team player.

The successful candidate needed to be an individual of stature who could also ensure continuity at the RBI, one of the panel's members told Reuters after Patel's appointment.

Jaitley met Modi to discuss the RBI succession on Thursday. A five-strong candidate list was then submitted to the selection panel, with the field led by Patel and also featuring contenders such as India's IMF Executive Director Subir Gokarn and World Bank Chief Economist Kaushik Basu.

The selection committee provided its feedback after a lengthy session on Friday. It did not recommend any name; nor did it formally interview candidates, the member said, adding the final decision to pick Patel was made by Modi and Jaitley.

The choice shows that Modi is paying more than just lip-service to the fight against inflation. Modi endorsed the inflation fight in his Independence Day speech last Monday, and that will shield Patel as he seeks to consolidate the inflation-targeting framework brought in under the leadership of Rajan.

"While we have embraced the idea of the MPC, it has yet to be tested," said another senior government official. "You need a smooth transition from the current system of decision making. Patel can ensure that there are no hiccoughs."