STOCKS		COMMODITIES		ASIAN MARKETS			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
0.06%	0.07%	$1,138.10 (per ounce)	$55.05 (per barrel)	0.43%	0.05%	0.84%	0.15%
4,941.65	9,216.37			26,374.70	19,391.60	2,913.08	3,118.43

CURRENCIES — STANDARD CHARTERED BANK

	USD	EUR	GBP	JPY
BUY TK	78.90	81.55	97.37	0.66
SELL TK	79.90	84.95	100.77	0.69

Star BUSINESS

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Machinery imports soar but investment declines

Mismatch baffles economists; capital flight is feared

REJAUL KARIM BYRON and SARWAR A CHOWDHURY

Capital machinery imports soared 83 percent year-on-year in the first four months of the fiscal year, but industrial term-loans dropped 22 percent during July-September period from a year earlier, showing a mismatch between the two indicators.

Capital machinery imports rose to $2.1 billion during the July-October period from $1.15 billion a year earlier, according to letters of credit settlement data from the Bangladesh Bank.

LC opening for imports of capital machinery also increased 26.44 percent during the four-month period, meaning equipment is coming to Bangladesh for setting up new industrial units.

Given the upward trend in capital machinery imports, investment is supposed to go up thanks to new industrialisation or expansion. But industrial term-loan disbursement declined to Tk 13,045 crore in the July-September period from Tk 16,756 crore in the previous quarter.

Industrial term-loan disbursement increased 9.83 percent in fiscal 2015-16 and 41.21 percent in fiscal 2014-15.

The boom in capital machinery imports would have been good news if it had been driven by resurgence in private sector investment, said Zahid Hussain, lead economist of the World Bank's Dhaka office.

KEY POINTS

Capital machinery imports (Jul-Oct)
$2.1b in FY17
$1.15b in FY16
Term loan disbursement in 2016
Tk 16,756cr in Apr-Jun
Tk 13,045cr in Jul-Sep
Gap between kerb market and official rates of dollar-taka
Around Tk 5

Unless these include imports for public construction projects, it is hard to find a reasonable explanation for the uptick, he said.

It could not have been due to an increase in private industrial investment as that is not consistent with the 62 percent decline in net disbursement of industrial term loans in the first quarter of fiscal 2016-17 from a year earlier.

The possibility of misclassification of imports to evade import duties or over-invoicing motivated by capital flight cannot be ruled out, he said.

"Nor can we rule out the possibility that imports for public sector construction projects may have driven the growth."

If that indeed is the case, then the extraordinary growth in machinery imports does not reflect any turnaround in investment behaviour in the private sector, he added.

Usually, the difference in exchange rates between the kerb market and the official rate remains within the range of Tk 1, bankers said. But the gap crossed Tk 1 several months ago, and now is more than Tk 5.

The huge gap indicates a possible capital flight from the country.

From July to the first week of November, the dollar-taka exchange rate in the kerb market was between Tk 80.9 and Tk 81.7, while the official rate was Tk 78.4.

The kerb market rate again started increasing from November 11 and stood at Tk 83.5 yesterday.

The official rate was Tk 78.85 during the period.

A Bangladesh Bank official said the demand for dollars increased after demonetisation started in India in the first week of November.

However, Zaid Bakht, former research director of the Bangladesh Institute of Development Studies, said investment increased slightly due to interest rate cuts and the implementation of some government mega projects.

The implementation of government mega-projects is having a positive impact on private sector investment, he said.

Private entrepreneurs are making new investment in the power sector and going for project expansion of the existing ones, said Bakht, also the chairman of state-run Agrani Bank.

MCCI elects new president

Nihad Kabir

STAR BUSINESS DESK

Barrister Nihad Kabir, senior partner of Syed Ishtiaq Ahmed and Associates, has been elected as the president of Metropolitan Chamber of Commerce and Industry for 2017.

Members of the chamber's new committee unanimously elected her at the committee's first meeting on November 22.

The appointment was confirmed at the 112th annual general meeting of the MCCI yesterday.

Golam Mainuddin, chairman of British American Tobacco Bangladesh, has been elected as vice-president, the chamber said in a statement.

Nihad Kabir is an advocate of the Supreme Court of Bangladesh. She is a director and shareholder of Kaderpur Tea Co Ltd and the daily Sangbad.

READ MORE ON B4

Railway's fibre optic network to open up to all telcos

GP has exclusively been using the network for 20 years

MUHAMMAD ZAHIDUL ISLAM

The government has taken an initiative to allow all telecom operators to use the railway's fibre optic network, which Grameenphone has exclusively been using for 20 years.

Bangladesh Telecommunication Regulatory Commission also asked Bangladesh Railway and Grameenphone to amend an agreement in this regard.

A committee has already been formed with members of both the railway and Grameenphone to analyse the deal, under which the operator is using 1,600 kilometres of the fibre optic network, BTRC officials said.

In 1997, Grameenphone, owned by Norwegian company Telenor, signed an agreement with the then railway division to use, maintain and run the business operation of their fibre optic cable, after winning an international bid.

The telecom division recently requested the railway ministry to take action and amend the two-decade-old agreement, as the other operators are suffering from poor network quality.

State Minister for Telecom Tarana Halim sent a letter to Railway Minister Mujibul Haque on November 2, saying that they expect a non-biased policy to use the cable and digitise the country.

"It creates a challenge for others in using public infrastructure as there is a deal with a mobile phone operator, which is also depriving the railway from a fair share or revenue," reads the letter.

The railway department wrote back to BTRC, saying that it was not an ordinary agreement and it will take time to amend the deal, in the letter signed by Md Amzad Hossain, director general of the railway department.

Md Feroz Salah Uddin, secretary of the railway ministry, said there is no scope to cancel the deal. The ministry is trying to create a situation where others can also use the infrastructure, he said.

After ten years of the agreement, Grameenphone changed the entire 1,600 kilometres of the fibre optic cable, as the previous cable's lifetime had ended.

Grameenphone also pays the salaries of 200 staff members of the railway who look after the cable. The operator also gave 400 mobile phones to the railway free of charge.

According to the deal, Grameenphone can lease out the unused cable and of its revenue, the railway will get 30 percent.

The railway recently called an open tender to lease out its additional 400 kilometre fibre optic network that Grameenphone is not using.

In 1989, the railway authority, under a modernisation project, installed optical fibre cables in 300 stations with financial assistance from the Norwegian government.

Grameenphone and the railway would soon submit a proposal to BTRC, and then the regulator will ask the parties to amend clauses of the agreement that are in conflict with the related guidelines, said a senior official.

READ MORE ON B4

Garment exports can go beyond $50b

The Viyellatex chief says

STAR BUSINESS REPORT

Achieving $50 billion in garment exports by 2021 is possible if Bangladesh can create an adequate number of skilled manpower in design and provide all kinds of apparel solutions to retailers, a leading garment maker said yesterday.

"We can go beyond this level," said David Hasanat, chairman and CEO of Viyellatex Group, while presenting a keynote paper at a roundtable on '$50 billion export target and the role of CEBAI'.

CEBAI or the Centre of Excellence for Bangladesh Apparel Industry was created in December 2014 to provide training for the purpose of creating skilled manpower.

For starters, Bangladesh must produce an adequate number of designers as the majority of the garment manufacturers mass-produce the designs supplied by retailers.

"We have to provide garment solutions and not only produce the basic garment items. We have to supply all kinds of apparel items made by our own people," Hasanat said.

Currently, less than one percent of the manufacturers provide design support to buyers, he said.

Every year more than 20,000 expatriate experts are taking away $5 billion from Bangladesh only because of shortage of skilled and technical manpower in the country. The amount that the foreign experts are taking away from Bangladesh every year is bigger than the net profit made by the local garment exporters, he said.

READ MORE ON B4

ADB praises efforts to build economic zones

STAR BUSINESS REPORT

A new report from the Asian Development Bank has given a thumbs-up to Bangladesh's efforts in setting up 100 special economic zones as dedicated industrial districts help attract foreign investment and boost exports.

SEZs are associated with more foreign affiliates in the economy that exports, said the Asian Economic Integration Report 2016, which was released earlier this month.

The ADB report, which covers 48 countries in Asia and the Pacific, examines current trends in trade, finance, migration, remittance, and other regional cooperation and integration issues, with a special chapter on the factors behind the growth of FDI in the region.

READ MORE ON B4

Lighter vessel fare to rise 19pc

DWAIPAYAN BARUA, *Ctg*

Owners of lighter vessels announced that the fare for transporting per tonne of imported goods on inland water routes will be increased by over 19 percent to Tk 807 from January 1.

Officials of Water Transport Cell, a private organisation that coordinates the vessels, have fixed the fare for 29 routes.