

# BUSINESS

DHAKA MONDAY JANUARY 30, 2017, MAGH 17, 1423 BS

## BB stays alert amid emerging risks

*The central bank announces monetary policy statement for second half of fiscal year*

STAR BUSINESS REPORT

The cagey monetary policy of the first half of fiscal 2016-17 will continue in the second half of the year despite buoyancy in the economy in the light of emerging risks of a stockmarket bubble and rising inflation.

The private sector credit growth target will remain the same at 16.5 percent, and so will repo and reverse repo rates, both of which are used to control inflation, at 6.75 percent and 4.75 percent respectively.

"We have kept unchanged the supportive monetary policy stance of the first half of the fiscal year for the second half," Governor Fazle Kabir said yesterday while unveiling the new monetary policy statement or MPS.

### BY THE NUMBERS

GDP growth projection: **7%** plus

Inflation projection between:  
**5.32-5.6%**

Core inflation in Dec (2016): **7.6%**

Private sector credit growth in June: **16.5%**

Repo and reverse repo rates unchanged at:  
**6.75% and 4.75%**

Several indicators point to robust economic activity in the first half of fiscal 2016-17, aided by macroeconomic and political stability, and

strong domestic demand, Bangladesh Bank said.

Private credit growth, which stands at around 15-16 percent, is on a three-year high. Medium and large-scale manufacturing industry also grew robustly.

Export growth moderated but has held up relatively well (4.4 percent in December 2016) when compared to peers and is expected to pick up.

"This trend indicates that the GDP growth is on the path to its reaching its budgetary target," Kabir said. It will cross the target if the global and domestic conditions remain favourable, he said, citing analysts.

The government has targeted 7.2 percent economic growth for fiscal 2016-17.

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**BB RESERVE HEIST**  
Recovery of another \$29m likely

STAR BUSINESS REPORT

Bangladesh Bank is likely to get back another \$29 million of its stolen funds from the Philippines, Governor Fazle Kabir said yesterday.

"We are in a very good position to get back the amount," Kabir told reporters after announcing the monetary policy for the second half of the fiscal year at the Bangladesh Bank headquarters.

The governor said a regional trial court in the Philippines gave a verdict in favour of Bangladesh for the sum, which also went to a casino.

But the Court of Appeals set aside the regional court's judgment.

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## BB's concern over stocks frightens investors

STAR BUSINESS REPORT

Stocks suffered a big jolt yesterday after the central bank expressed concern over the bullish momentum in its latest monetary policy statement.

DSEX, the benchmark index of Dhaka Stock Exchange, plunged 117.79 points or 2.09 percent to finish the day at 5,500.85 points.

Effective surveillance is necessary so that the process of recovery from the bearish trend since 2010 remains under the regulator's control, the central bank said.

"Otherwise, investors will seriously be affected like previous times," Bangladesh Bank Governor Fazle Kabir said while announcing the monetary policy for the second half of the fiscal year.

Capital markets are showing increasing buoyancy. After moving sideways in recent years, the DSEX has increased by 23 percent and trading volume three times since November 2016, according to the central bank.

Bangladesh Securities and Exchange Commission has already taken some welcoming steps with cautionary messages, financial literacy promotion, and so forth.

"Imposing restrictions on sponsor shares and securities with high price-earnings ratio may also be necessary," he said.

The central bank has also tightened monitoring to ensure that banks abide by statutory limits on their capital market exposures.

"Bangladesh Bank may also direct banks to prevent diversion of business and consumer loans into stockmarket and remains ready on taking prompt policy action," said Kabir.

Although stockmarket capitalisation in Bangladesh remains modest at around 15 percent of GDP, it can play an important role in financing long-term investments, as long as valuations reflect fundamentals and do not pose financial stability risks, according to the statement.

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### OPINION

Cautionary monetary policy

ZAHID HUSSAIN

Overall, the monetary policy statement is appropriate for the current state of the economy.

The key macro targets are closer to reality. Gross domestic product growth is projected at around 7 percent, based on expectation of a recovery in export growth and turnaround of remittance decline supported by strong demand from trade, construction and SMEs.

While this may still be on the optimistic side, it reflects better information on growth based on the high frequency indicators. The average inflation is projected to be within 5.3 to 5.6 percent while recognising that core inflation remains elevated at around 7.6 percent and the one-year ahead inflationary expectation is at 6 percent.

The macro-monetary balance is logical. Broad money growth target of 15.5 percent is in line with the projected nominal GDP growth of 13 percent plus a 2.5 percent allowance for monetisation of the large informal economy and financial inclusion.

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## No compensation for Tampaco victims yet

REFAYET ULLAH MIRDHA

The victims of Tampaco boiler explosion did not receive any compensation yet, even after five months of the accident that killed 40 workers.

Furthermore, the families of seven victims did not even get the bodies from the morgue of Dhaka Medical College Hospital, due to a delay in DNA profiling.

On September 10 last year, the five-storey factory in Tongi BSCIC industrial area of Gazipur collapsed after the explosion and injured 74 workers.

The government or the international community also did not follow the norms in forming a committee or fund to compensate the families of the deceased and injured victims.

Following the tragic incident, the Gazipur district administration and Gazipur BSCIC Factory Owners Association paid the victims Tk 20,000 each for transportation of the dead bodies and other immediate expenses.

The BSCIC (Bangladesh Small and Cottage Industries Corporation) Factory Owners Association did the same for the families of the victims also.

"We did not receive any compensation from the government or the owners of the Tampaco Foils factory," said Bazlur Rahman, brother-in-law of Jahangir Alam, who died in the explosion while serving Tampaco as a security guard.

"We received Alam's dead body on the day of the incident and have submitted the documents to the government offices for compensation," Rahman said. They received only Tk 47,000 so far.

Alam, who hailed from Doulatkhan of Bhola district, had been working for Tampaco for over 20 years, Rahman said.

Parveen Akter, whose husband Azim Uddin was one of the deceased, said: "I cannot even think about money as I have

not received my husband's dead body yet."

"We have been waiting for nearly five months. Hopefully, we can get the dead body next week."

"I am facing uncertainties with the death of my husband. I am unemployed and staying with my father in Magura now," said Parveen, who got married 11 years back.

Tania Akter, sister of Murad Hossain, another victim of the fire incident, said they are waiting for compensation from the government; they received Tk 20,000 from the Gazipur district office and Tk 20,000 from the BSCIC factory owners association.

Mikail Shipar, labour and employment secretary, said the ministry will pay the victims Tk 200,000 each from the fund of the Bangladesh Workers' Welfare Foundation next week.

"It is taking time to compensate the victims and families for a delay in DNA profiling of some of the victims," Shipar said.

He said each victim is supposed to get Tk 100,000 in case of industrial accidents under the labour law.

The owner of Tampaco has already deposited money at the court to pay the victims Tk 100,000 each, he said. "We are paying an additional Tk 200,000 to each of the victims from the welfare foundation."

As Bangladesh did not ratify the ILO Convention 121, which mainly deals with compensation payment for victims in the case of industrial accidents, the victims do not receive an adequate amount of money by the law.

Had Bangladesh ratified the ILO Convention 121, each victim in case of industrial accident would have received compensation under the rules of loss of future earnings.

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