



# BUSINESS

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## Monetary policy may be expansionary

*Bangladesh Bank will announce its stance tomorrow*

REJAUL KARIM BYRON

The central bank yesterday held its final round of meetings to lock down an expansionary monetary policy for the first half of the fiscal year.

The main aim of the monetary policy -- due to be announced tomorrow -- would be to contain inflation while achieving higher economic growth in line with the budgetary target. The private sector credit growth target may be set between 16.5 percent and 17 percent.

In the immediate past monetary policy, the private sector credit growth target was set at 16.5 percent.

As of May, credit growth was 16.03 percent. In contrast, the private sector credit growth stood at 16.78 percent in June last year.

"In recent times, inflation has been on the rise due to food price spiral -- the new policy will keep an eye on this," said a high official of the Bangladesh Bank, adding that the private sector credit growth goal posts will be shifted much.

There will be no changes in policy rates though, he added.

The government has set the GDP growth target of 7.4 percent and inflation target of 5.5 percent for 2017-18.

The monetary policy must particularly look to contain inflation, which is on an upward trend, due to a rise in food prices, said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

He, however, said it will be difficult to contain inflation within 5.5 percent this year.

Food inflation almost doubled in the rural areas to 7.2 percent in June this year from 3.44 percent a year earlier.

In the urban areas, food inflation was 8.21 percent last month, up from 6.06 percent a year earlier.

Inflation rose because of the rice price spiral. In 2016-17 coarse rice price stood at Tk 39.18 per kilogramme on average. It was Tk 45.62 a kg in June, according to data from the Bangladesh Bureau of Statistics.

In 2015-16, coarse rice price averaged Tk 36.42 a kg.

"The central bank's role is minimal in containing food inflation," said the BB official.

Even then, the BB has taken a number of steps to make rice imports easier. If required more steps will be taken in future, he said.

"Thanks to these steps, rice imports are increasing," he added.

Last fiscal year, letters of credit for 6.91 lakh tonnes of rice were opened. Of the amount, 4.37 lakh tonnes were in the month of June alone.

The central bank will remain cautious so that credit to unproductive sector does not increase, in order to contain non-food inflation, the BB official said, adding that banks would be encouraged to give more loans to productive sectors, and small and medium enterprises.

## Curious rise in junk share prices

STAR BUSINESS REPORT

The mill of the jute yarn making company has been shut for more than a year but its share price has soared 75 percent since June 19 this year.

This has been the case of Jute Spinners Ltd, whose shares closed at Tk 98.80 each yesterday, posting a 7 percent gain from the previous day.

The price of each share of Jute Spinners was Tk 56.5 on June 19, according to the trading data.

"The price of the shares is increasing abnormally day by day without any reason," Jute Spinners said in a posting on the Dhaka Stock Exchange website yesterday.

The jute yarn maker said its mill has been shut since July 1 last year and it is yet to restart operations.

"We would earnestly request you to apprise the respected shareholders of the matter in respect of our position," said the company that has been lumped in the 'Z' category, the lowest grade among five categories of stocks.

Jute Spinners is not the only stock that has been registering a rise in their share prices.

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## StanChart, City join hands to attract Chinese investors

*China-Bangladesh Investment Forum in Beijing on Aug 21*

中国 - 孟加拉国投资论坛

**The China-Bangladesh Investment Forum**

21 August 2017 | Beijing, China

### MEET THE PRESS



CITY BANK

From left, Lin Weiqiang, president of Chinese Chamber of Commerce in Bangladesh; Abrar A Anwar, chief executive of Standard Chartered Bangladesh; Sohail RK Hussain, MD and CEO of City Bank; and Li Guangjun, economic and commercial counsellor to the Chinese embassy, attend a press conference at the Westin hotel in the capital yesterday.

STAR BUSINESS REPORT

Standard Chartered and City Bank are set to organise a day-long symposium in China next month with a view to attracting foreign direct investment, much needed as Bangladesh looks to scale up its economy.

"Now is a good time to make investment in Bangladesh," said Lin Weiqiang, president of the Chinese Chamber of Commerce in Bangladesh, which represents about

80 percent of the Chinese enterprises in the country.

The reasons are the impressive economic growth clocked in by the country over the past decade or so, the current government's commitment to development and the vast labour resource, he said.

"Economic exchange between China and Bangladesh became more vigorous since the Awami League government came to power," said Lin. His comments came at a press brief-

ing yesterday to announce the 'China-Bangladesh Investment Forum', held at the capital's Westin hotel.

To be held in Beijing on August 21, the conference will look to: present the business prospect for Chinese investors in the country and the incentives being offered by the government, and identify ways to harness the opportunities being generated by China's landmark 'One Belt One Road' initiative.

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## CTG PORT CONGESTION CPA to buy equipment, introduce jetty soon

STAFF CORRESPONDENT, Chittagong

The Chittagong Port Authority (CPA) plans to purchase required equipment in the shortest possible time and introduce newly constructed 400-metre lighterage jetty by December to ease port congestion.

It also plans to ensure release of dangerous cargoes by Bangladesh Navy during weekend, send more import goods to private off-docks for delivery and build new sheds to examine goods.

The CPA took 20 such short-, medium- and long-term decisions in a meeting with the port stakeholders in Chittagong yesterday.

A decision was taken to ensure unstuffing of goods from "Less than container load" containers at the port yards is completed in two days, CPA Chairman Rear Admiral M Khaled Iqbal said.

Delivery of the import laden "Full container load" containers would be done within the same day following completion of customs procedures, he said.

He urged all stakeholders, users and Chittagong Customs House to develop a system immediately to operate round the clock so that the importers and exporters can get service 24 hours a day. "The port and the customs house have already taken steps to keep its offices open 24 hours in seven days of a week."

Representatives of Bangladesh Garment Manufacturers and Exporters Association, freight forwarders, clearing and forwarding agents, main line shipping operators, berth operators along with Bangladesh Bank officials attended the meeting.

The port users expressed their dissatisfaction over the long delay in infrastructure development and purchasing of necessary equipment.

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## VAT law delay to impact economic growth: IMF

JEBUN NESA ALO, from Kuala Lumpur

Bangladesh will face challenges in maintaining its current growth momentum in fiscal 2017-18 due to the deferment of the implementation of the new VAT law for two years, said the International Monetary Fund.

"The authorities' decision to delay the launch of the VAT that was supposed to improve the weak tax revenue collection will make achieving the growth more difficult," said the Washington-based multilateral lender in its updated World Economic Outlook.

The report was released yesterday in the Malaysian capital by IMF's Chief Economist Maurice Obstfeld.

The government at the eleventh hour shelved its bid to enforce the VAT and Supplementary Duty Act 2012 from July 1 in the face of pressure from a section of businesses and lobby groups.

Framed at the prescription of the IMF to boost domestic revenue collection, the law seeks to impose a uniform VAT rate of 15 percent, doing away with the existing multiple rates.

Bangladesh though will continue to maintain its solid macroeconomic performance this year, according to the report.

Output growth is projected to remain close to current levels and inflation is broadly in line with Bangladesh's target.

But maintaining the past growth



Maurice Obstfeld

performance will become increasingly challenging over the medium-term without a significant increase in both public and private investment.

The government framed fiscal 2017-18's budget to achieve 7.4 percent GDP growth and contain inflation to 5.5 percent.

The economy registered 7.24 percent GDP growth last fiscal year, the second year in a row it managed to do so.

The IMF suggested the government increase the fiscal space, which shows flexibility of a government in its spending choices for higher public investment.

It also recommended development of the country's capital markets for financing long-term private investment.

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## Deshbandhu to set up apparel unit at Tk 435cr in Uttara EPZ

STAR BUSINESS REPORT

Deshbandhu Textile Mills will invest \$53.77 million or Tk 435 crore to set up a garment factory at the Uttara Export Processing Zone in Nilphamari.

Deshbandhu struck an agreement with the Bangladesh Export Processing Zones Authority (BEPZA) in this regard on Sunday, said a statement of the BEPZA.

Zillur Rahman, member of the BEPZA, and Sarwar Jahan Talukder, an adviser to Deshbandhu Textile Mills, signed the agreement at the BEPZA office in Dhaka.

The factory will produce 27.6 million pieces of denim and woven trousers a year and create 3,713 new jobs.

Golam Mostafa, chairman of Deshbandhu Group, was present at the deal signing ceremony.

## BTRC invites applications for mobile number portability licence

STAR BUSINESS REPORT

The telecom regulator yesterday invited applications for the much-awaited auction for mobile number portability licence, which will give customers the freedom to switch mobile operators without changing their existing eleven digit number.

This will help improve service quality and empower customers, said Bangladesh Telecommunication Regulatory Commission Chairman Shahjahan Mahmood.

"The option will make the market more competitive and push operators to improve their service quality to hold on to subscribers," he said.

The regulator had called an open auction for September 28 last year but it was called off.

It was then decided to use the beauty contest method, in which a committee typically sets a number of criteria, including technical offers and financial strengths.

The candidates' offers are then evaluated by a jury who selects the plan that has the best mix of those criteria. The services will be licensed to one company.

State Minister for Posts and Telecommunications Tarana Halim posted on her Facebook page that it would take another six to nine months for this service to be available.

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## Idcol secures \$526m credit from ADB

STAR BUSINESS REPORT

Infrastructure Development Company Ltd (Idcol) is set to receive \$526 million (Tk 4,252 crore) in loans from the Asian Development Bank to finance private sector infrastructure projects in the country.

The state-run development financial institution involved in private sector energy and infrastructure financing has received approval for its third credit line from the Manila-based lender recently.

The Third Public-Private Infrastructure Development Facility (PPIDF 3) will be used to finance the development of private sector infrastructure projects envisaged under the Seventh Five-Year Plan.

Under the PPIDF 3 facility, the ADB will provide \$500 million market-based loan and \$26 million concessional loan. Idcol will lend the money to eligible private sector infrastructure projects.

The ADB will also provide \$750,000 as

technical assistance to strengthen the capacity of Idcol.

Idcol previously received two credit lines from the ADB: \$165 million under PPIDF 1 and \$110 million under PPIDF 2.

Six projects from the power sector with an aggregate capacity of 750-megawatt and the first private sector river port in Bangladesh have so far been financed using the credit.

Idcol has targeted to invest an additional \$1 billion by 2020 in the infrastructure sector to boost private sector participation and complement the government's vision to help Bangladesh become a middle income country by 2021.

The Economic Relations Division and the Finance Division will act as the executing agency and the financial management agency respectively for the new loan, while Idcol will act as the implementing agency.

The loan is expected to be effective in the last quarter of 2017.

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