

More lenders should come up with low-cost home loans

Sheltech's Managing Director Toufiq M Seraj says



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REFAYET ULLAH MIRDHA

MORE lenders should come up with low-cost home loan products to allow people, particularly those belonging to the middle-income group, to own apartments in Dhaka and its adjacent areas, said an entrepreneur.

Currently, four to five private lending agencies, some private banks, and a state-run agency extend home loans to customers mainly in the capital and some other divisional cities.

"But, the number of the lenders is too small compared to the huge number of customers across the country," said Toufiq M Seraj, managing director of Sheltech (Pvt) Ltd, a leading realtor in Bangladesh.

"If new lenders come forward, more and more middle-income people will be able to buy apartments."

The real estate entrepreneur, however, said the good news is that a greater number of middle-income people are buying flats in

Dhaka thanks to favourable bank interest rates. The real estate business suffered a blow after 2012 because of very high bank interest rates. Recently, the sector has started picking up on the back of falling cost of funds.

Interest rates now range between 8.50 percent and 9.50 percent, way lower than 18 percent and 19 percent that prevailed before 2016.

Seraj's comments came as his company celebrated its 30th anniversary last week.

The company started real estate business in 1988 and has since delivered 170 projects with 3,500 units in Dhaka. Another 500 units of apartments are under construction.

A pioneer in the real estate business in Bangladesh, Seraj said the middle-income group still has the opportunity to buy an apartment of 1,100 square feet at Tk 60 lakh depending on locations in the capital.

Apartment prices in some posh areas such as Gulshan, Banani, Dhanmondi, and Baridhara, however, are higher than those in other parts of the city.

Seraj said most realtors are building apart-

ments of 1,100sqft to 1,200sqft mainly targeting the middle class, while flats above 1,500sqft to 2,000sqft are for wealthy buyers.

Some companies are constructing apartments with all civic amenities such as swimming pools, parks, education facilities, and hospitals.

According to Seraj, apartment prices in Dhaka are no less than those in the most expensive cities in the world because of a scarcity and high cost of land. "As a result, developers have to pay a huge sum to buy or lease the land."

The costs of construction materials and labour have also gone up in the last few years, pushing up apartment prices in Dhaka, he said.

Seraj, who was a teacher at the Bangladesh University of Engineering and Technology before becoming a real estate entrepreneur, said the apartment business saw a major shift in 2007 due to a political changeover.

At the time, a lot of people started buying apartments even at higher prices mainly to hide their untaxed money, he said.

Seraj also touched upon some downsides of the growing sector.

"The sector is not well-regulated. As a result, customers are being cheated by a section of unscrupulous realtors," he said.

The so-called real estate entrepreneurs take money from customers by making lucrative offers, but they don't hand over the products on time. The image of the sector is tainted by some bad companies, he said.

Currently, there are 1,200 members of the Real Estate & Housing Association of Bangladesh (REHAB). However, there are many developers that are not members of the trade body.

"The sector should be well-regulated so customers are not swindled," said the former president of the REHAB.

He led the association for three consecutive terms between 2001 and 2006.

Seraj suggested the government develop Dhaka city with a vision for next 100 years as the number of people in the city is growing rapidly.

Rising interest rates: who pressed the panic button?



ZAID BAKHT

AT the annual conference of Agrani Bank on February 17, Bangladesh Bank Governor Fazle Kabir stated that there was no liquidity crisis in the money market as reflected in the relatively low and stable call money rate, and yet the panic button was unnecessarily pressed pushing the interest rate up.

One would hardly disagree with the observation of the governor. But then, the question remains unanswered- who pressed the panic button and why? This write-up is an attempt at examining pertinent facts and stitching together a possible explanation.

MPS H2 FY18

BB announced its half-yearly Monetary Policy Statement (MPS) for January-June 2018 (H2 FY18) on January 29, 2018. The MPS indicated the following as key considerations underlying the policy pronouncement.

1. The sharp above-trend upturns in imports and in credit to private sector is a much-awaited robust pick up in investment and output activities, supported by progress in addressing infrastructural deficiencies, robust domestic demand, and a broad-based pickup in global output and trade growth.

2. Although it bodes well with growth going forward, it also poses near-term challenges of containing monetary growth-driven inflationary pressures and of protecting external sector balance of payments (BOP) sustainability. Accordingly, the MPS identified the twin tasks of keeping in check the inflationary risks and moderation of the transient external imbalances to sustainable trend as key priorities for monetary and

macro-prudential policies for H2 FY18.

3. The MPS proposed to perform these tasks not by blanket curve restricting access to credit for productive pursuits but by focusing on quality and sectoral composition of credit flows through intensive and intrusive supervision.

The premises laid out above seem fairly innocuous. But how well do the actual dispensations under the MPS match with these stipulations? Let us take a close look.

M2 GROWTH AND UNCHANGED POLICY RATES

The MPS left the repo and the reverse repo policy interest rates unchanged at 6.75 and 4.75 percent respectively. No changes were also made in the CRR and SLR policy parameters. It projected the growth of broad money (M2) at 13.3 percent against its actual growth of 10.7 percent during H1 FY18. The projected growth in M2 appears adequate to accommodate the targeted 7.4 percent real GDP growth and targeted 5.5 percent annual average inflation. So, it seems quite in line with the stipulation of not restricting access to credit across the board and, in a way, negates the criticism expressed from some quarters labelling the MPS as contractionary.

GROWTH OF RESERVE MONEY AND PRIVATE SECTOR CREDIT

The MPS rightly observed that growth of reserve money and its attendant inflationary impact is likely to remain moderate in H2 FY18 because of government's likely negative or small borrowing from the banking system and expected near zero growth in net foreign assets (NFA) due to high import payment outflows.

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China reshapes economic team to battle trade tensions, debt pile

AFP, Beijing

Xi Jinping reshaped his core economic team on Monday, promoting two trusted, US-educated lieutenants to key positions at a time of escalating trade tensions with Washington and concerns over a growing debt mountain.

Parliament approved the nomination of Xi's influential adviser Liu He, a Harvard-educated Communist Party official who as vice premier is expected to oversee the financial and economic sectors.

The deputy governor of the People's Bank of China (PBOC), Yi Gang, was elevated to head the central bank, replacing Zhou Xiaochuan, another advocate of reforms who had held the job since 2002.

The appointments were made at an annual session of the National People's Congress that has boosted Xi's influence on the world's second-largest economy, with presidential term limits abolished and his name added to the constitution.

The reshuffle gives Xi trusted hands at the economic controls as China faces the prospect of a tit-for-tat trade war with the US and concerns that ballooning debt has made the country vulnerable to a potential crisis.

Liu travelled to Washington earlier this month and met with US officials at the White House, but his trip has not stopped Trump from considering new trade measures against China.

"The most important task is carrying out a stable monetary policy, and at the same time pushing forward financial reform and opening, while maintaining financial stability," Yi told reporters after his appointment. "There will be a series of reform and opening policies and measures to come," Yi said, according to the central bank's news outlet Financial News.

While at the PBOC, Yi has called for greater market access for foreign investors and further internationalisation of China's currency.

At a press conference earlier in the annual parliamentary session, Yi said the central bank would work to push through reforms that will bring about "equal treatment for domestic and foreign investors".

He specifically cited liberalisation of China's financial sector, by "al-

lowing greater access or eliminating restrictions on foreign ownership" altogether. Last year Beijing said it would permit companies to own majority stakes in financial firms within three years.

Market access restrictions have been a top complaint from the US and Europe which have repeatedly said their firms face major hurdles to doing business in China, including being forced to share their know-how and technology with local partners.

Earlier this year, Yi wrote an op-ed in local business weekly Caixin pushing for the further reform of China's renminbi, which has long

moved to the central bank in 1997.

Chief among his concerns will be China's mounting debt, whose growth analysts say resembles trends that precipitated financial crises elsewhere.

"The PBOC is in a very difficult position, because if it's trying to deleverage in any significant ways that's going to put an enormous amount of financial stress," said Christopher Balding, a Peking University economics professor.

"But they are not going to accept that trade-off."

Relations with the US are also among the first challenges Yi and Liu are likely to face.



Newly elected Vice Premiers Hu Chunhua, Han Zheng, Sun Chunlan and Liu He take an oath at the seventh plenary session of the National People's Congress in Beijing yesterday.

been allowed to fluctuate within a range set by the PBOC.

A massive overhaul of China's bureaucracy announced last week -- the biggest in a decade and designed to boost efficiency -- will give the central bank more power to push through such reforms.

As part of the shake-up, the PBOC was given the responsibility of drafting new laws and regulations for the banking and insurance sectors, and with its new authority over China's financial system.

An economic reformer, Yi studied in the US, earning a PhD in economics from the University of Illinois and then a tenured faculty position at Indiana University, before returning to China to take a position at Peking University. He

The Trump administration is expected to unleash new tariffs on Chinese imports in the coming months while the Federal Reserve is projected to raise interest rates as the US economic recovery continues.

Both policies will be felt in China and may force responses from its central bank.

In addition to promoting Liu, the rubber-stamp parliament on Saturday elevated Wang Qishan, a Xi confidant and former trade negotiator, to the vice presidency, giving him another experienced ally to deal with Washington.

The country's foreign minister, Wang Yi, was also promoted to state councillor, making him a ranking member of the cabinet with more influence on international policy.



Study Visit of Nepal Delegation to IDCOL

Key representatives from the clean cooking sector of Nepal took part in a study tour at Infrastructure Development Company Limited (IDCOL), a state owned non-banking financial institution, to learn about approaches taken under IDCOL Improved Cook Stove (ICS) Program. It is one of the fastest growing successful clean cooking program in the world. Following the success of the Program, the World Bank initiated this study tour to IDCOL.

The delegates conducted the visit during 11 to 15 March 2018 comprising of 10 members with representation from the World Bank, Alternative Energy Promotion Center (AEPIC), Government of Nepal, and stove & fuel manufacturers from the private sector. One of the key objectives of the study tour was to observe how IDCOL graduated from Tier 1 thermal efficiency (TE < 25%) to Tier 3 thermal efficiency stoves (TE > 35%) through its R&D activities. Furthermore, the delegates also looked at how IDCOL had designed the stoves using local resources, congruent with the cooking habits, fuel usage pattern and affordability of the end users.

IDCOL ICS Program was initiated in 2013 with the aim of installing 1 million cook stoves by December 2018. IDCOL achieved the target in January 2017, almost two years ahead of the stipulated project completion period, which is a key indicator of the successful implementation of the Program. The next phase of the Program is aimed at supporting a sustainable market for adoption of ICS, reduction of Greenhouse Gas (GHG) emission and Indoor Air Pollution (IAP) by reducing usage of cooking fuel, which will in turn benefit about 5 million rural households in Bangladesh by 2021.

The CEO of IDCOL, Mr. Mahmood Malik, at his welcome speech to the delegation said, "IDCOL as a development financial institution has taken up the ICS Program going beyond the day-to-day activities of a financial institution. IDCOL is pleased to share its experience with Nepal, which opens the door of knowledge and technology sharing." He also emphasized on creating a regional collaboration among the Southeast Asian countries on climate change to promote renewable energy technologies.

The five-day program welcomed a variety of presentations and discussions with key stakeholders from the sector. It also included a two-day field tour facilitating a hands-on experience on IDCOL ICS production center, metal stove manufacturing process and conversation with ICS users and manufacturers.

The team had a session with BUET where IDCOL's R&D activities with BUET for development of higher efficiency stoves was shared. Global Alliance for Clean Cook stoves (GACC) and Social Marketing Company (SMC) also had sessions with the delegates where they shared their experience in promoting clean cook stoves in Bangladesh.

Under IDCOL ICS Program, 1.48 million improved cook stoves have been disseminated among the rural households till February 2018. Currently, 150 ICS production centers exist across the country capable of producing 80,000 stoves per month. This has established a strong base for achieving 100% coverage of improved cook stoves by 2030 as per Government of Bangladesh's Country Action Plan for Clean Cook stoves.

IDCOL ICS Program has been well recognized world-wide for its unique modality and effectiveness. Notably, Green Climate Fund (GCF) Secretariat has stated that "The approach/business model of the Infrastructure Development Company Limited for market development of, and barrier removal related to, clean cooking stoves is an important benchmark case study for many other countries."