

Star BUSINESS



Rampal power plant to take time to start running

JAGARAN CHAKMA

One of the Rampal power plant's two units was inaugurated last month but it still requires some machinery to practically start running.

Moreover, a lack of synchronisation has led to the government incurring extra costs in the form of demurrage being paid to ships which have already arrived with coal but are having to await construction of the plant's jetties.

The Maitree super thermal power project is being implemented by Bangladesh India Friendship Power Company, a 50:50 joint venture between Bangladesh Power Development Board and Indian government owned electric utility company National Thermal Power Corporation.

It is located at Rampal in Bagerhat district, which is 14 kilometres north-west of

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The 1,320MW Maitree super thermal power project at Rampal in Bagerhat district, 14 kilometres north-east of the Mongla port and 14 kilometres north-west of the Sundarbans mangrove forest. It is costing about \$2 billion, of which \$1.6 billion is being sourced as Indian Development Assistance under a concessional financing scheme. The photo was taken recently.

PHOTO: HABIBUR RAHMAN

Govt getting ready for CEPA talks with India

REFAYET ULLAH MIRDHA

Bangladesh has started the groundwork to begin negotiations for signing a Comprehensive Economic Partnership Agreement (CEPA) with India, as has been agreed upon by top leaders of both countries last month.

If it is finally signed, the CEPA will be the first, full-fledged trade agreement for Bangladesh.

The country has been lobbying with major trading partners for many years to get free trade agreements (FTAs) signed.

So far, only a preferential trade agreement (PTA) could be signed with Bhutan in December 2020.

It enables duty free access to 34 Bhutanese and 100 Bangladeshi goods.

"We are taking our preparations for starting the negotiation with India as this is a trade agreement which has three components – tariff, services and investment," said Senior Commerce Secretary Tapan Kanti Ghosh.

Ghosh said since India was a very big source for imports and also a big potential export destination, a lot of research needs to be conducted before the formal start of the negotiations.

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So, the commerce ministry is conducting studies to identify the kinds of goods Bangladesh imports, the kinds of goods that may be exported to India and the historic trade trends between the two countries, he said.

However, neither country has sent any formal letter so far on starting negotiations.

Still, Prime Minister of Bangladesh Sheikh Hasina and Prime Minister of India Narendra Modi had announced in a joint statement that the CEPA negotiations would start from December this year.

"I am also hopeful that the formal negotiations will start from December," Ghosh also said.

Since the CEPA is a detailed form of an FTA and India is a major source for imports, experts suggested maintaining a list of sensitive commodities so that the government can also generate a significant amount of revenue from import duties from India.

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Three factors holding back economy

They are: interest rate cap, frequent changes to exchange rate, inadequate progress in austerity measures



Robi gets new CEO

STAR BUSINESS REPORT

Robi Axiata, the second largest mobile phone operator in Bangladesh, has appointed Rajeev Sethi as its new chief executive officer.

Robi has been without a full-time CEO since August last year when Mahtab Uddin Ahmed stepped down.

Since then, Robi Chief Financial Officer Riyaz Rasheed had been serving as the acting CEO.

Sethi, a former CEO of Grameenphone, took charge this month.

Interestingly, Erik Aas, the CEO of the third largest operator, Banglalink, is also a former CEO of Grameenphone.

These three private mobile network operators rule the roost of the telecom sector in Bangladesh, accounting for 96.36 per cent of subscribers.

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ANALYSIS

AKM ZAMIR UDDIN

The interest rate cap on loans, the frequent changes to the exchange rate regime and a relaxed attitude to enforcing austerity measures are the major challenges facing Bangladesh in restoring stability in the economy.

On several occasions in the last couple of months both the government and the Bangladesh Bank have claimed that the foreign exchange market will become stable within two to three months. But in reality, the situation is getting complicated with each passing day.

The latest blow came last month when remittance and export receipts fell significantly whereas higher import bills, which have been at the heart of the pain facing the economy, have deepened the stress.

The poor show of the three major indicators of the economy brought the foreign exchange reserves further down: It stood at \$36.44 billion on September 28,

down 6.7 per cent from August 31 and 21.25 per cent from a year ago.

In order to curb inflation, which has been running high for several months for higher commodity prices and energy costs and US dollar shortages,

(repo) in Bangladesh, determines the interest rate on both deposits and loans in the banking system. Banks also take short-term loans from the central bank quoting the rate.

A higher repo rate is supposed to make funds costlier, which, in

inflation has gone up and imports escalated.

But the central bank has not paid heed to the suggestions. Subsequently, the country's private sector credit growth swelled to 14.07 per cent in August, reaching the touching distance of the BB's target of 14.10 per cent set for the whole fiscal year.

Central banks usually raise the repo rate to reduce the money supply in order to contain inflation, but BB's repo rate hike is not working at all thanks to the interest rate cap.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, says that inflation could have been tackled had the BB withdrawn the interest rate cap. In July, inflation fell to 7.48 per cent from a nine-year high of 7.56 per cent in June. The government has not published the figure for August and September.

A withdrawal of the interest rate cap can also help rein in import payments as it would discourage borrowers from importing more.

But in reality, overall import payments swelled 26.5 per cent

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the central bank asked banks to receive the full amount in advance from importers while opening letters of credit for consumer goods. But import payments have not declined as expected.

The BB has also increased its key interest rate thrice since May, raising it to 5.75 per cent, in keeping with the stance the central banks around the world are following.

The key interest rate, which is termed repurchase agreement

turn, will discourage borrowers from taking loans.

INTEREST RATE CAP DISTORTING MARKETS

The BB has maintained a 9 per cent interest rate cap since April 2020 at the instruction of the government, paving the way for the availability of cheaper funds for borrowers.

Economists have been mostly unanimous in calling for the withdrawal of the ceiling in order to reduce the money supply since



Inflation rose in August and came down visibly in September by a large extent, Planning Minister MA Mannan said yesterday.

PHOTO: STAR

Inflation down notably, visibly

Mannan says without sharing data

STAR BUSINESS REPORT

Planning Minister MA Mannan yesterday claimed that inflation in Bangladesh has come down notably although the Bangladesh Bureau of Statistics (BBS) was yet to publish the consumer price index for August and September.

The consumer price index measures change over time in the prices paid by consumers for a representative basket of goods and services.

Inflation rose in August and came down visibly in September by a large extent, he said at a programme in Dhaka.

In July, inflation, a measure of changes in prices of a basket of commodities, fell to 7.48 per cent from a nine-year high of 7.56 per cent in June, thanks to a fall in food inflation, according to the BBS.

The figures for August and September have not been published yet.

However, Mannan signalled in early September that inflation would be high in August and September owing to a hike in the cost of living and the ongoing Russia-Ukraine war.

According to a planning ministry official, in August, the overall inflation rate was near

10 per cent and food inflation even more.

Usually, the BBS publishes inflation figures of a month in the first week of the subsequent month. This time, the agency is yet to publish consumer prices data for August although the subsequent month has passed.

"We do completely believe in transparency. We are always ready to respond to any queries with honesty. If we do not release any data timely, we may take time but it will not mislead or be engineered," said Mannan.

At the event, Mannan gave the credit to the government's strategic measures or initiatives for the inflation being reined in. At the same time, he claimed that inflation would come down further in the coming months.

"Inflation has come down due to the distribution of essential commodities among one crore families at low prices through the Trading Corporation of Bangladesh across the country. Through this, at least four crore people got the benefits directly," he said.

Mannan's claim of a fall in inflation in September is in stark contrast to global inflation, which is running high amidst rising commodity costs and an energy crisis stemming from the Russia-Ukraine war.