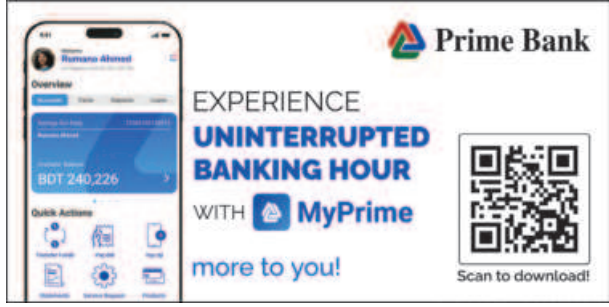


star BUSINESS



Saudi firm to set up \$100m data centre in Kaliakoir

STAR BUSINESS REPORT

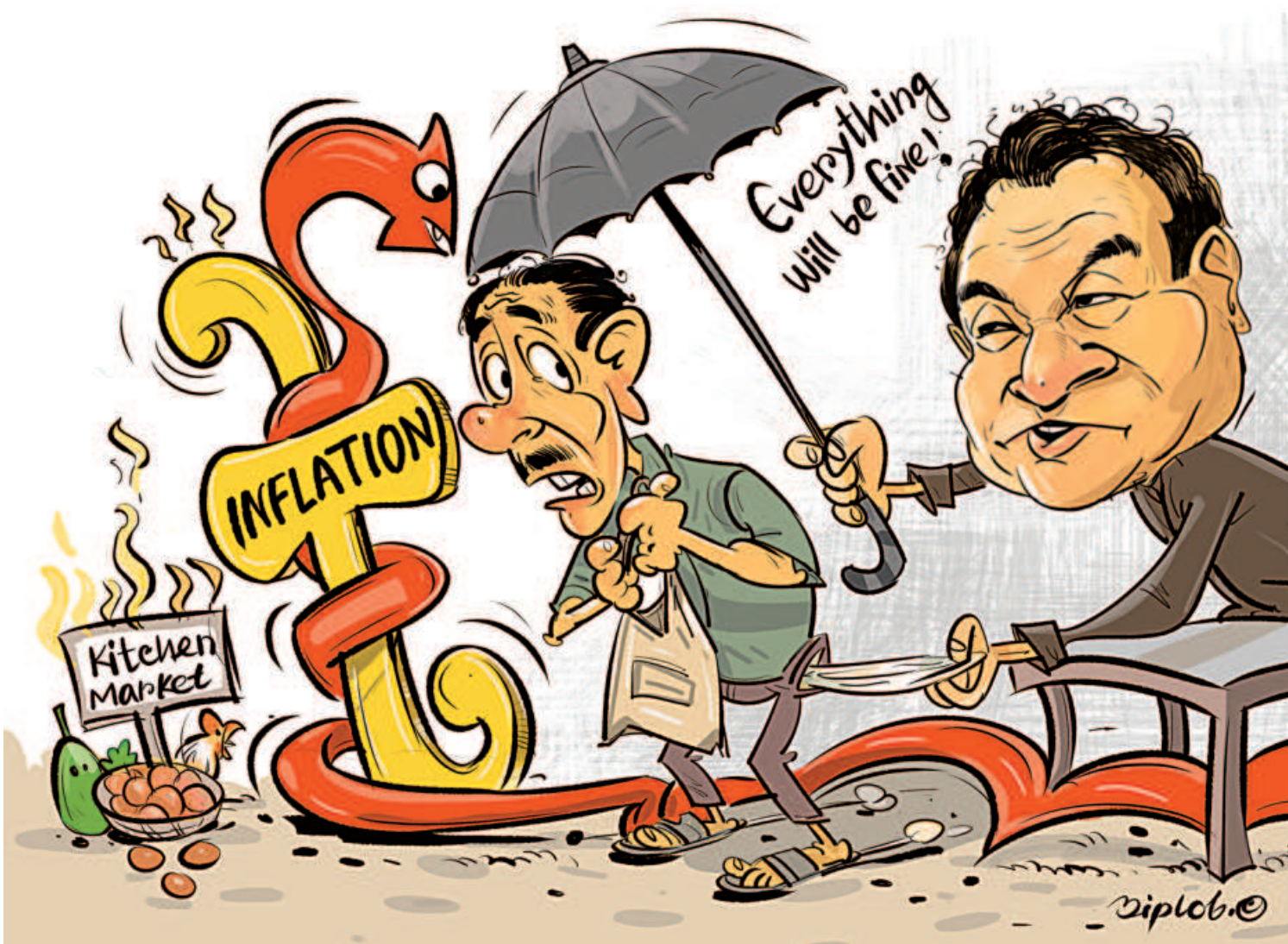
Data centre manufacturing and power generation firm DataVolt of Saudi Arabia has unveiled plans to invest \$100 million (around Tk 1,098 crore) to establish a cutting-edge data centre in Bangladesh.

DataVolt Chief Strategy Officer Ayad Al Amri made the announcement during a bilateral meeting with Zunaïd Ahmed Palak, state minister for ICT, at Renaissance Dhaka Gulshan Hotel yesterday.

Bangladesh Hi-Tech Park Authority has assured providing three acres of land in Bangabandhu Hi-Tech City in Kaliakoir for the project, the ICT Division said in a statement.

Palak highlighted government incentives to promote investments in hi-tech parks and emphasised future market potential in this sector. He also expressed

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NBR asked to rationalise sugar, edible oil duties

STAR BUSINESS REPORT

The commerce ministry has asked the National Board of Revenue to further rationalise duty rates imposed on sugar and edible oil imports, said Commerce Minister Tipu Munshi yesterday.

He made the comments while speaking in parliament.

He claimed that the government's timely actions have made it possible to stabilise commodity prices and supply.

In reply to a query from Gonoforum MP Mukabbir Khan, the minister said measures are being taken to ensure an unstable situation is not created in the market in future.

Munshi said the commerce ministry and the Directorate of National Consumers Rights Protection were keeping a keen eye on preventing instability in the market.

He said that all possible measures – including the removal of import barriers, reduction of customs duty, normalisation of gas-electricity supply, ensuring quick clearance at ports, and supervision of import of goods as per letters of

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Is monetary policy helping contain inflation?

MD MEHEDI HASAN

The Federal Reserve of the US and the European Central Bank kept hiking policy rates in their fight against record inflation throughout last year and this year whereas the central bank of Bangladesh chose not to use the full force of the monetary policy.

The country's efforts aimed at curbing higher inflation did not succeed largely because of a 9 percent interest rate ceiling that the Bangladesh Bank introduced in April 2020.

This was because the cap largely made the policy rate hikes put in place by the central bank ineffective as it contributed to the flow of cheap money in the economy, thus pushing up the inflation rate.

When Abdur Rouf Talukder joined the BB as its governor in July last year, inflation stood at 7.48 percent. And in his maiden press conference a month later, he backed the cap.

He said withdrawing the ceiling to control inflation is the "textbook solution" and there is no need to follow the US since Bangladesh did the best among the South Asian countries to tackle the pandemic-induced crisis by following its own methods.

But western economies have shown that a tighter monetary policy works when it comes to curbing inflation.

The US has raised interest rates to the highest level in 22 years to stabilise prices and make borrowing costlier. It has raised the rate 11 times since early 2022.

As a result, annual inflation in the world's largest economy is expected to have reached 3.6 percent in August. It would be much lower than the June 2022's

were still cheaper owing to the interest rate ceiling.

Finally, in June this year, the central bank's monetary policy for July-December withdrew the cap and introduced a market-based lending rate to meet conditions attached to the International Monetary Fund's \$4.5 billion loan.



peak of 9.1 percent.

Similarly, eurozone inflation halved from an all-time high of 10.6 percent in October last year to 5.3 percent in August this year.

The BB has not been much behind the rest of the world in raising policy rates.

It started to increase the repo rate in May last year as inflation went up following a sharp increase in the commodity prices driven by the crisis brought on by the Russia-Ukraine war. The rate has been revised upwards five times since then.

But the rate hikes did not bring expected results as funds

But higher inflation has already brought about a cost-of-living crisis in the country.

Average inflation rose 23 basis points to a 12-year high of 9.92 percent in August against the central bank's full fiscal year target of 6 percent. In July, it stood at 9.2 percent.

In the past one year, experts squarely blamed the 'faulty' monetary policy for the runaway consumer prices.

"Bangladesh has failed to control inflation because it did not use the monetary policy," said Fahmida Khatun, executive director of the Centre for Policy

Dialogue.

She explains that when inflation rises persistently and goes past the target, central banks usually take cautious measures through monetary policies to control the money flow.

"But in Bangladesh, the money was very cheap until June due to the interest rate cap. The lending rate was lower than the inflation rate and this increased the money supply."

Fahmida said the central bank lifted the interest rate cap but it was too late.

The broad money, a measure of the money supply in an economy, recorded a 10.48 percent year-on-year growth at the end of June.

Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development, said the central bank framed monetary policies until June without bringing flexibility to interest rates on loans.

"There is a lack of proper policy since we didn't follow the market-based interest rate and the exchange rate."

The former chief economist of the BB also blamed the lax supervision in the commodity market and in the money market.

"The unnecessary volatility in our commodities market has increased the prices of a number of goods and this has hurt the pockets of consumers."

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Financial account off to a gloomy start

Deficit persists

STAR BUSINESS REPORT

Bangladesh's financial account witnessed deficit in the first month of the new fiscal year, signaling that the pressure on the foreign exchange regime will continue.

In July of 2023-24, the financial account of the balance of payments (BoP) registered a deficit of \$895 million, way higher than a deficit of \$66 million recorded in the same month in the last fiscal year, data from the Bangladesh Bank showed.

The financial account covers claims or liabilities to non-residents concerning financial assets and its components include foreign direct investment, medium and long-term loans, trade credit, net aid flows, portfolio investment and reserve assets.

A lower short-term foreign borrowing by the private sector and the declining balances in nostro accounts maintained by commercial banks with foreign banks are to blame for the reversal in the

The financial account was \$2.1 billion in deficit at the end of fiscal 2022-23, in contrast to \$15.5 billion in surplus a year earlier

financial account in the space of a year, according to bankers.

The financial account was \$2.1 billion in deficit at the end of fiscal 2022-23, in contrast to \$15.5 billion in surplus a year earlier.

In July, short-term foreign debt in the private sector stood at \$13.38 billion, down 2 percent from \$13.65 billion in June, according to the BB. In January, the figure was \$15.58 billion.

The financial account deficit persisted in July largely because of a \$1.07 billion shortage in the "other investment (net)" segment of the BoP. It was a negative \$266 million in the same month a year earlier.

In contrast, the gross flow of foreign direct investment rose 5.65 percent to \$505 million. The net portfolio investment was \$2 million in negative in July from \$32 million a year earlier.

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, recently told The Daily Star that foreign lenders had lost their confidence in Bangladeshi companies as the country's forex reserves continue to fall.

He said fresh disbursement of foreign loans was lower than repayments, so the financial account slipped into the negative territory after a long time.

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STOCKS		
	DSEX ▲	CASPI ▲
	0.26%	0.14%
	6,300.56	18,617.17

COMMODITIES		
	Gold ▼	Oil ▲
	\$1,915.44	\$88.00
	(per ounce)	(per barrel)

ASIAN MARKETS				
	MUMBAI	TOKYO	SINGAPORE	SHANGHAI
	▲ 0.14%	▲ 0.95%	▼ 0.12%	▼ 0.18%
	67,221.13	32,776.37	3,214.46	3,137.06

Shipbuilders get more time to regularise defaulted loans

STAR BUSINESS REPORT

Shipbuilders have been granted another two and a half months or so to reschedule their defaulted loans through a 2.5 per cent down payment, according to a Bangladesh Bank (BB) notice yesterday.

The move comes a couple of days ahead of the expiry of a 90-day deadline set by the central bank in this regard in June.

In the June circular, the BB offered rescheduling the loans for a period of 10 years, which includes a two-year grace period.

However, a central bank official said a number of shipbuilders could not apply for regularising the defaulted loans.

"They are yet to be fully prepared to make the down payment and arrange required documents. So, based on their request, we have extended the scope for rescheduling loans until November 30 this year," said the official.

The central bank's measure comes against the backdrop of some



banks putting up some shipbuilding and ship recycling yards for auction to recover loans.

Non-performing loans (NPLs) of the shipbuilding and ship breaking industry amounted to Tk 4,760 crore out of total outstanding loans of roughly Tk 21,220 crore as of December 2022. The sector's NPLs stood at 3.95 percent of the total defaulted loans in the country,

according to the banking regulator's Financial Stability Report.

However, as far as the sector-wise rescheduled loans outstanding to total loans outstanding ratio was concerned, shipbuilding and ship breaking sectors ranked top with 33.8 percent in 2022.

They were followed by industrial, garment and textile and agriculture sectors, said the report.

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