

Star

BUSINESS

Sino-Malaysian firm to invest \$14.55m in Bepza EZ

STAR BUSINESS REPORT

Sino-Malaysian firm Vernon & Oliver Furniture Company Limited will invest \$14.55 million to establish a mattress manufacturing industry at an economic zone of the Bangladesh Export Processing Zones Authority (Bepza) in Mirsharai, Chattogram.

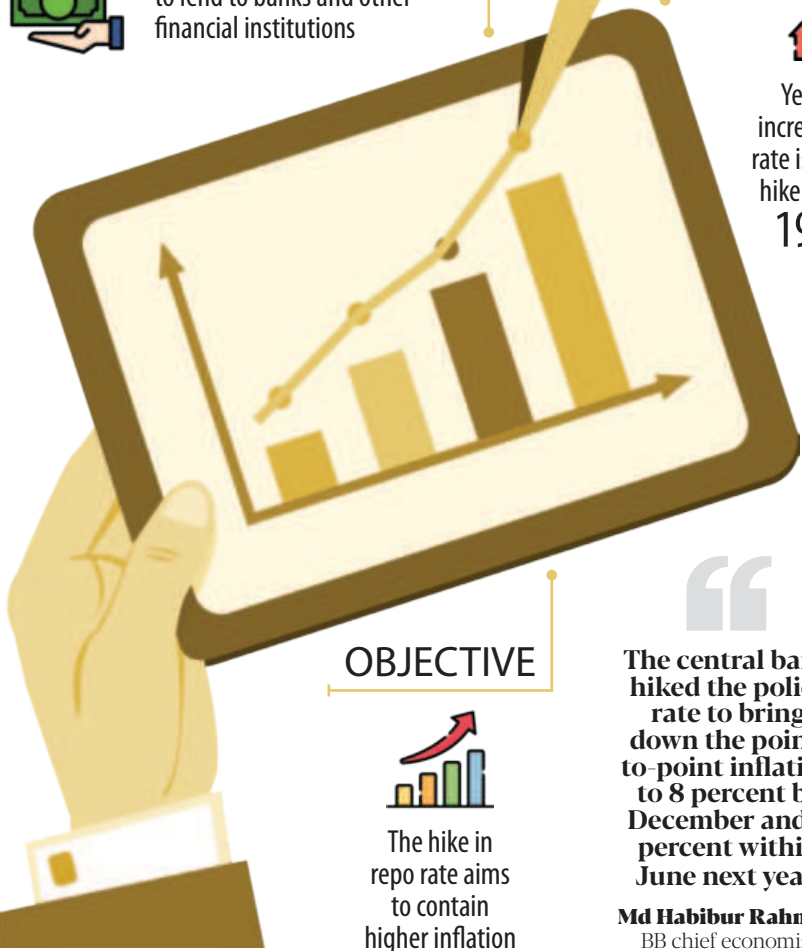
The company will produce 1.8 lakh pieces of spring mattress and foam mattress annually and will create job opportunities for 600 Bangladeshi nationals, the Bepza said in a statement yesterday.

Ali Reza Mazid, member for investment promotion at Bepza, and Lee Wai Choong, managing director of Vernon & Oliver Furniture Company, signed an agreement in this regard at the Bepza Complex in Dhaka yesterday in presence of Major General Abul Kalam Mohammad Ziaur Rahman, executive chairman of Bepza.

REPO RATE



Bangladesh Bank uses the rate to lend to banks and other financial institutions



OBJECTIVE



The hike in repo rate aims to contain higher inflation

The central bank hiked the policy rate to bring down the point-to-point inflation to 8 percent by December and 6 percent within June next year.

Md Habibur Rahman
BB chief economist

BY THE NUMBERS



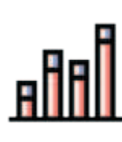
Yesterday's increase in repo rate is the eighth hike in the past 19 months



Average inflation rose 9.93% in October against the BB's target of 6% for FY24



The ceiling of the standing lending facility increased to 9.75%



The floor for the standing deposit facility hiked to 5.75%

REFERENCE RATE

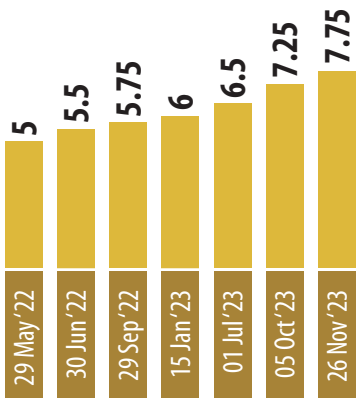
Now, banks can add 3.75% margin with the reference rate while lending

Non-bank financial institutions will add 5.75%

HIKE IN REPO RATES IN RECENT YEARS

In %

SOURCE: BB



Policy rate hiked again as inflation stays high

Loans to get costlier, depositors to collect better returns

MD MEHEDI HASAN

The central bank yesterday raised the repo rate by 50 basis points to step up its fight against the persisting higher inflation and increased rates that will make loans costlier and give better returns to savers.

Now, the policy rate will be 7.75 percent, which will be effective from today. Yesterday's increase in the repo rate is the eighth hike in the past 19 months as inflation has kept surging.

The repo rate is the rate at which the Bangladesh Bank lends money to commercial banks and financial institutions.

The banking regulator also increased the margin by 25 basis points to 3.75 percent that banks can add to the SMART (Six Months Moving Average Rate of Treasury Bills) rate when extending loans.

Thus, the maximum lending rate of banks will be 11.18 percent from today because the SMART rate stands at 7.43 percent.

The BB announced the new rates at a press briefing at its headquarters in the capital. The decision was taken at the first meeting of the restructured monetary policy committee on November 22.

It comes as the BB struggles to contain the record inflation, driven by higher commodity prices in the global markets, ineffective market monitoring on the part of the government, collusion among market players, and the sharp decline in the taka's value against the US dollar.

Average inflation rose 9.93 percent in October, way above the central bank's target of 6 percent for the current fiscal year, which ends in June.

At the press briefing, Bangladesh Bank Chief Economist Md Habibur Rahman said the central bank hiked the rates to bring down the point-to-point inflation to 8 percent by December this year and 6 percent within June next year.

Now, the policy rate will be 7.75 percent, which will be effective from today and the maximum lending rate of banks will be 11.18 percent.

"If needed, the central bank will raise the policy and the lending rates further. We also want to stabilise the exchange rate through strengthening of the central bank initiatives."

The central bank increased the ceiling of the standing lending facility to 9.75 percent and the floor of the standing deposit facility to 5.75 percent.

The move is aimed at raising

the cost of funds for banks with a view to tightening the money supply to rein in consumer prices. Until July this year, the central bank had resisted calls for lifting the 9 percent lending rate, depriving the country of using a key monetary tool that has been successfully used by many countries to combat persistently higher inflation.

"Controlling inflation is our main target and we will continue with our contractionary monetary stance if it does not decline," Rahman said.

Replaying to a question, the BB chief economist said the government has also stopped borrowing from the central bank and is cutting back on its expenditures.

Amid criticisms over the delay

in squeezing money supply, the central bank has started to make borrowing costlier by increasing the policy rate.

The margin of the SMART, which is used to determine the interest rate on loans, will go up by 25 basis points. Currently, banks can add a 3.50 percent margin to the reference rate, while the rate is 5.5 percent for non-bank financial institutions.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, told The Daily Star that the central bank would have to raise the policy rate aggressively under the current circumstances.

"The policy rate in the US is more than 5 percent, so we need more hikes in line with the international interest rate."

The federal reserve's benchmark funds rate, which sets short-term borrowing costs, is currently targeted in a range between 5.25 percent and 5.5 percent, the highest level in 22 years, according to CNBC.

"The banking regulator will have to increase the lending rate further and it will be better to withdraw the lending rate cap

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The government has formed a wage board to fix a new minimum salary structure for tannery workers

Story on B4



DEVELOPMENT BUDGET

Govt adopts strict stance on use of block allocations

REJAUL KARIM BYRON

The finance ministry has adopted a strict stance on the use of block allocations of the development budget as part of the government's austerity measures.

It came as the finance division yesterday issued its policy for the revised budget for the fiscal year of 2023-24.

The block allocations are the funds that are earmarked to address emergency needs.

In a letter on October 31, the finance division directed the planning commission to suspend a Tk 11,669 crore block allocations from the annual development programme (ADP) for new projects.

However, the policy regarding the revised budget mentions that fund allocation for not only new projects but also ongoing ones cannot be made without the consent of the finance division.

The finance division directed the planning commission to suspend a Tk 11,669 crore block allocation from the ADP for new projects

Although the planning ministry has passed several new projects ahead of the upcoming polls, it will not be able to make funds available for them due to the government's fresh austerity measure to rein in spiralling inflation and reduce pressure on the foreign currency reserves.

There was a Tk 10,244 crore block allocation in the current fiscal year's ADP budget for new locally funded projects and another Tk 1,425 crore in development assistance for special purposes.

Ahead of the polls, the ministries and divisions sent a huge number of projects to the Executive Committee of the National Economic Council

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STOCKS	
DSEX ▼	CASPI ▼
0.06% 6,229.59	0.05% 18,485.91

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$1,978.19 (per ounce)	\$76.70 (per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▼ 0.23% 65,638.28	▼ 0.59% 33,388.03	▼ 0.42% 3,111.58	▲ 0.46% 3,068.32	



PHOTO: HABIBUR RAHMAN

Ismail Gazi shaves a date tree to collect its sap, which he sells both for consumption straight away and in the form of molasses through slow heating. He has been generating around Tk 80,000 for the past 18 winters through this livelihood. This year he plans to tap into 115 trees, paying the owners with a part of his products. The photo was taken in Kashimpur village of Jashore's Manirampur upazila recently.

Policyholder protection fund yet to be formed after a decade

SUKANTA HALDER

The Insurance Development and Regulatory Authority (Idra) is yet to set up the Life Policyholders Protection Fund although more than a decade has passed since the government initiated the move.

The delay comes although many insurers are failing to pay back money to policyholders despite their policies reaching maturity.

According to the Insurance Act 2010, the insurance regulator was tasked with establishing the fund with a view to giving protection to policyholders if insurance firms struggle to pay back after policies mature.

The fund will be formed on the basis of the contribution from insurers and will be used for the general protection of policyholders. Any portion of the fund not immediately required for any purposes will be invested in a prudent manner that would yield maximum return and safeguard the investment.

In 2016, the Idra framed the Life Insurance Policyholder Protection Fund Regulation to make the fund into a reality. Although several initiatives have been



taken in the past, the regulator has not been able to set up the fund due to the reluctance of companies, said a senior official of the Idra.

The Bangladesh Insurance Association (BIA), a platform for insurance companies, says that any provision to protect mismanaged and weak companies by forming a fund with the money of all companies is not realistic.

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