

# Star BUSINESS

Banks are switching to cash recycling machines as they provide the convenience of depositing or withdrawing funds from a single location



Story on B4



Economists and analysts are seen at a discussion styled "Can the new monetary policy help our economy?" organised by The Daily Star at its office in Dhaka yesterday. The speakers said measures announced by the central bank will not be enough to rein in inflation, which has been running high at more than 9 percent since March, as a supportive fiscal policy and proper market management are also vital to this end.

PHOTO: AMRAN HOSSAIN

## Bashundhara may get nod to market petroleum products

ASIFUR RAHMAN

Bashundhara Oil and Gas Company (BOGCL) is likely to become the first private entity in the nation to get the nod to market products after refinement of imported crude oil, according to officials of the Bangladesh Petroleum Corporation (BPC).

The company already has a bitumen plant from which it sells by-products such as diesel oil to the BPC.

According to BPC sources, around two-three companies applied for registration to establish a



# New monetary policy fails to live up to expectations

Hike interest rate more aggressively, say experts at The Daily Star discussion

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The new monetary policy will not be enough to help Bangladesh rein in higher inflation as the central bank has come up with inadequate measures against huge expectations, economists and experts said yesterday.

They also said the monetary policy alone can't help contain higher consumer prices, and supportive fiscal policy and proper market management are vital.

They made the comments at a public



discourse on "Can the new monetary policy help our economy?" organised by The Daily Star at its office in Dhaka.

"The central bank wants to achieve too much from the monetary policy which is a problem," said MA Taslim, a professor of economics at the Independent University, Bangladesh.

"The central bank is taking the sledgehammer approach, saying you have to accept this interest rate and you have to trade at this rate even though you don't want to. When you do this sort of thing, the outcome is not as good as it could have been, if markets are relatively free."

He said the major policy stance of the Bangladesh Bank is to manage inflationary pressure and stabilise the exchange rate.

"But all it is doing is fixing it, forcing people to sell at that rate."

The exchange rate was never fully flexible and the crawling peg, which the central bank plans to introduce, is probably not going to solve the problem.

"It never solved any problem. By definition, crawling means you're not in

equilibrium. By the time you approach the equilibrium, the equilibrium will shift," said Prof Taslim.

Ashikur Rahman, a senior economist at the Policy Research Institute, said the new MPS offers a lukewarm response to the current inflationary pressure by increasing the policy rate to 8 percent, which is lower than the inflation rate of 9.4 percent.

"If we see how central banks responded in India or the US, we observe that the interest rate hike has been much more aggressive as they have settled for policy rates above their respective inflation rate. Unfortunately, such bold measures are not visible in the new MPS."

He said the governance crisis in the banking sector has become a binding constraint for effective management of inflation as the BB is printing money to rescue troubled Islamic banks.

"Without correcting this core governance deficit in the banking sector, we can't tame the current inflationary pressure. Unfortunately, the MPS does not recognise this issue seriously."

Rahman praised the central bank for its decision to come out of the lending rate cap and embrace an interest rate targeting framework.

"It would have been even better if the Bangladesh Bank went for an inflation rate targeting framework as observed in the advanced economies."

The decision to start a transition to a market-based exchange rate is also a step in the right direction, he said.

The PRI economist asked the BB to abandon its lukewarm response and go for a policy rate that is at least as high as the inflation rate and carefully observe whether it halts reserve depletion and reduces the inflationary pressure.

"If it does not, then it must go even further."

While presenting his keynote paper, Mamun Rashid, managing partner of PwC Bangladesh, said the central bank declared the monetary policy by letting the interest and exchange rates go up and the market play a role.

"But in developing economies, the monetary policy alone can't help contain inflation. The market management is vital. But we have failed in this area."

Rashed Al Mahmud Titumir, a professor of economics at the Department of Development Studies at the University of Dhaka, said the central bank is working around the interest rate but it will not help bring inflation down.

"The authorities need to identify the reasons behind the higher inflation. Why don't retail prices of commodities decline even after their fall in the wholesale market?"

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### ANALYSTS THINK

#### In fight against inflation ...

- Keeping policy rate below inflation will not help contain price spiral
- Ensuring supply, controlling corruption and improving governance are needed

#### In exchange rate ...

- Kerb market determines actual and other interest rates
- The planned crawling peg may not rein in volatility

#### To boost reserves ...

- Market and product diversification and FDI are needed

| STOCKS   |           |
|----------|-----------|
| DSEX ▼   | CASPI ▼   |
| 1.25%    | 1.51%     |
| 6,079.06 | 17,286.23 |

| COMMODITIES |              | AS OF FRIDAY |
|-------------|--------------|--------------|
| Gold ▼      | Oil ▲        |              |
| \$2,018.57  | \$78.23      |              |
| (per ounce) | (per barrel) |              |

| ASIAN MARKETS |           |           |          | FRIDAY CLOSINGS |
|---------------|-----------|-----------|----------|-----------------|
| MUMBAI        | TOKYO     | SINGAPORE | SHANGHAI |                 |
| ▼ 0.51%       | ▼ 1.34%   | ▲ 0.38%   | ▲ 0.14%  |                 |
| 70,700.67     | 35,751.07 | 3,159.53  | 2,910.22 |                 |

## Danish fruit drinks firm eyes slice of Bangladesh market

SUKANTA HALDER

Danish fruit drinks firm CO-RO A/S is going to launch its new brand in Bangladesh to enhance their global footprint and grab a slice of the country's market.

Against this backdrop, ACI CO-RO Bangladesh Ltd – a joint venture between Bangladeshi conglomerate ACI and the Danish fruit drink giant – is set to officially begin operations at its factory in Bangladesh, preparing fruit drinks with at least 10 percent pulp and no preservatives.

The launch of Sunquick is set to revolutionise the fruit drink market in Bangladesh, said an official of ACI CO-RO Bangladesh Ltd.

ACI holds 49.9 percent shares of ACI CO-RO Bangladesh Ltd and has so far invested around Tk 50 crore.

The inauguration programme at their factory in Narayanganj will be held next month.

ACI CO-RO Bangladesh Ltd was founded as a greenfield investment in 2019 to bring refreshments to Bangladeshi consumers through an offering of fruit drinks under CO-RO's brand and quality umbrella, the official said.

CO-RO A/S has operations in 80 countries and is a market leader in several Asian countries.

Danish brothers Flemming and Jep Petersen founded CO-RO in 1942 in a small kitchen outside Copenhagen. All these years later, their head office and product development are still located in Denmark.

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## Stocks keep falling as experts warn against speculative trading

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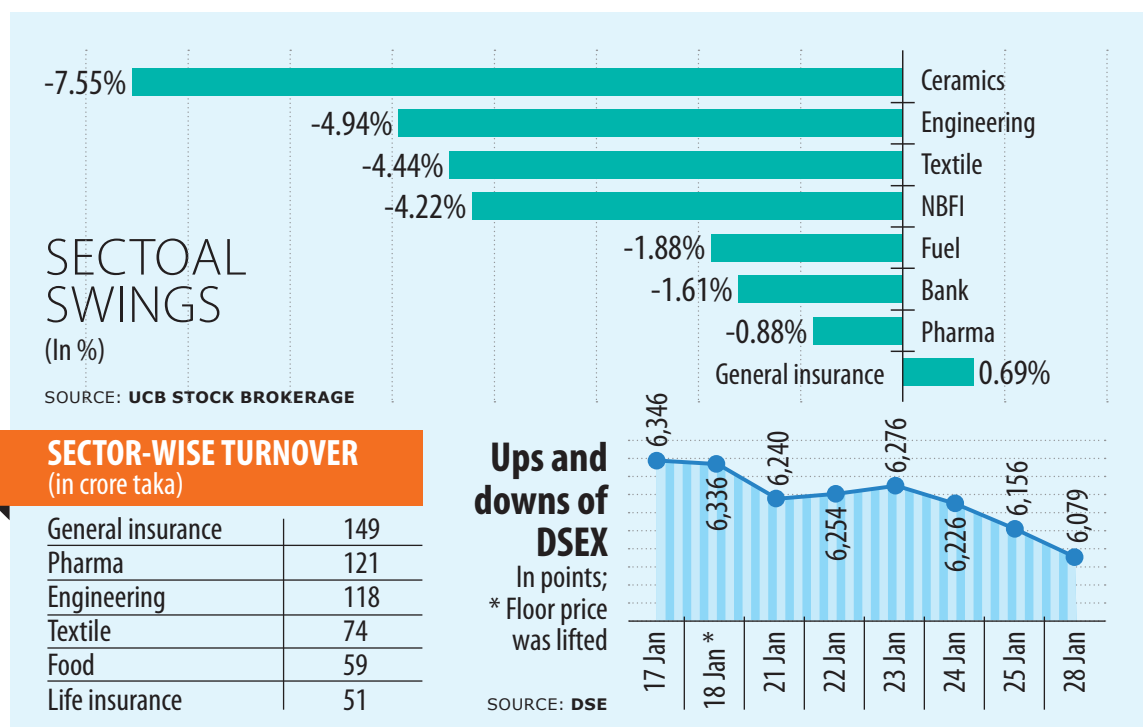
Although the key index for measuring share price performance in the stock market of Bangladesh fell to an 18-month low yesterday, some poor-performing companies saw their share values soar on the back of rumour-based trading.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), contracted by some 1.25 percent to 6,079 points by the end of the trading session to register three days of constant decline.

Similarly, the DS30, which represents blue-chip stocks, edged down by 1.14 percent to 2,091 points while the DSES, comprising shariah-compliant companies, decreased by 1.11 percent to 1,337 points.

Meanwhile, daily turnover, an indicator of the total value of shares traded, remained below Tk 1,000 crore with transactions at the country's premier bourse amounting to Tk 880 crore.

Stock market analysts say the market's downtrend was expected



as share values have started to adjust with the macroeconomic situation following the removal of floor prices.

However, the alarming side is that the share values of some poor-performing companies have soared.

Khulna Printing and Packaging Ltd topped the gainers' list with a rise of 9.93 percent followed

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## China to import mango from Bangladesh

DIPLOMATIC CORRESPONDENT

China is taking necessary measures to import more products from Bangladesh, especially mango, jute and jute goods, leather, meat and seafood aimed at reducing bilateral trade gap.

"China is expecting to complete their internal process to start importing Bangladeshi mango by the second half of this year," Foreign Minister Hasan Mahmud told reporters after a meeting with Chinese Ambassador Wen Yao at the foreign ministry in Dhaka today.

Mahmud said China is a major trade partner of Bangladesh, but there is a huge trade gap.

"We said there should be duty-free access for our products to increase our export to China."

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