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US to sue big banks over mortgage securities

The US agency that oversees mortgage markets is preparing to file suit against more than a dozen big banks, accusing them of misrepresenting the quality of mortgages they packaged and sold during the housing bubble. The Federal Housing Finance Agency, which oversees mortgage giants Fannie Mae and Freddie Mac, is expected to file suit against Bank of America, JPMorgan Chase, Goldman Sachs and Deutsche Bank, among other banks. The government will argue the banks, which pooled the mortgages and sold them as securities to investors, failed to perform due diligence required under securities law and missed evidence that borrowers' incomes were falsified or inflated. Fannie Mae and Freddie Mac lost more than \$30 billion, due partly to their purchases of mortgage-backed securities, when the housing bubble burst in late 2008. Those losses were covered mostly with taxpayers' money. The agency filed suit against UBS in July, seeking to recover at least \$900 million for taxpayers, and the individuals told the Times the new suits would be similar in scope. The practice of subprime lending, wherein mortgage brokers lowered their standards to entice homebuyers to take out large mortgages to buy more expensive homes than they could afford, was a root cause of the mortgage market implosion.

New Age: 02.09.2011

BB to increase Export Dev Fund by \$100m

Bangladesh Bank has decided to increase the ceiling of loan offered to individual owners of export-oriented industries from \$2 million to \$2.2 million as well as the size of its Export Development Fund by \$100 million to \$500 million. The central bank is likely to issue a circular on the inflated size of EDF and the ceiling of loan available to individual owners of export-oriented business. The central bank has taken the move considering the expansion of the export-oriented garment sector and the increasing volume of export. The BB provides loans to owners of export-oriented industries in foreign currency from the EDF. The loans from the fund are mainly disbursed for importing raw materials and other capital goods for production of export items. The fund has not increased in the last three years, over which the country's total export has risen by more than \$6 billion, mostly contributed by the garment sector. The EDF was established in 1989, when its size was \$3.9 million, and gradually it had increased to \$400 million in 2009.

New Age: 03.09.2011

BB raises repo rate for fourth time this year

Aims to make money more costly to curb inflation

The Bangladesh Bank, for the fourth time in the last seven months, increased the repo rate (at which it lends money to commercial banks) and reverse repo rates by 50 basis points or 0.5 per cent on 04.09.2011 to further decrease money supply to banking channels in a bid to tackle inflation. The BB increased the repo rate to 7.25 per cent from 6.75 per cent with effect from 05.09.2011. The reverse repo rate, which is the interest rate earned by a bank for lending money to the central bank in return for government securities, was also increased to 5.25 per cent from 4.75 per cent. The central bank in four steps increased the repo rate to 7.25 per cent from 5.5 per cent and reverse repo rate to 5.25 per cent from 3.5 per cent since January. The move has been taken to make money costly in order to rein in inflation. India had increased its repo rate 8-10 times this year although it and Bangladesh had similar inflation rates. The central bank's decision was made in line with the monetary policy's target of controlling private sector credit growth which, at the end, will increase the pressure on banks. According to the data of the Bangladesh Bureau of Statistics, the overall inflation rate,

which was 10.49 per cent in March, reached 10.96 per cent in July. The Bangladesh Bank took steps to contain the private sector's galloping credit growth to lower the inflation rate. In July last year, in the first Monetary Policy Statement of the current fiscal year, the central bank set a target of cutting down private sector credit growth to 16 per cent by June 2011 from 24 per cent in June 2010.

New Age: 04.09.2011

BB to consider inclusion of rubber as agro-product

Bangladesh Bank governor assured positive consideration of the demand for inclusion of rubber as an agro-product. His assurance came when a three-member delegation of the Bangladesh Rubber Garden Owners Association, led by its president called on him at his office chamber in the city. The delegation members apprised the governor of various issues relating to rubber cultivation in the country. At the present moment over 8,000 tonnes of rubber are being produced in 1,300 rubber gardens under private sector while another 6,000 tonnes of rubber are being produced by the public sector gardens. At present over 60,000 acres of land are under rubber cultivation in both private and public management. While pledging for inclusion of rubber in the list of agro-products, the delegation members told the governor that if proper incentives are given environment-friendly rubber sector could be turned into a very potential foreign exchange earners of the country.

New Age: 04.09.2011

Banking on m-banking

Like in many other countries, people in Bangladesh started believing in mobile banking. A total of 12 banks are in the race to introduce the service, while two are in the final lap of implementation. It was possible for approval from Bangladesh Bank and the telecom operators have also come forward to help the banks. Basic mobile handsets are being used as bank accounts and will serve as a wallet for the transaction of money, especially for the un-banked people. As 99 percent of the people of Bangladesh are under the mobile phone network, almost all will have access to the formal financial channel. On the other hand, more than 7.5 crore people are using mobile phones. If the banks can reach out to the un-banked people, the dream of more people having bank accounts can be fulfilled. In Bangladesh, banks are responsible for being the main operator of the service while in some countries, telecom operators are entitled to the same. The mobile operators are working as subordinate groups with their huge network to run the financial system.

Daily Star: 05.09.2011

BB raises key policy rates

Bangladesh Bank has increased the policy rates for the fifth time in the last 13 months as non-food inflation jumped in the last few months. The central bank on September 5 raised the repurchase rate, at which it lends to commercial banks, to 7.25 percent from 6.75 percent. The reverse repurchase rate was increased to 5.25 percent from 4.75 percent. The changes came into effect from September 5, 2011. The inflation decreased 0.03 percentage points in June compared to that in May but in July it again rose 0.79 percentage points to 10.96 percent. The most alarming thing is that non-food inflation rate has been increasing extremely over the last few months. It increased about 1 percentage point in June and 0.75 percentage point in July. The central bank took several measures in the last one and a half years to cut credit growth. The growth is still high although it came down to some extent. Private sector credit growth at the end of June was 25.84 percent. A few months back it was over 29 percent. The Monetary Policy Statement announced by the BB in July fixed a target of bringing down private sector credit growth to 18 percent by next June. The central bank, which has raised interest rates by 275 basis points since August last year, said on July 27 that it plans to persist with a policy of restraining credit growth in current fiscal year although curbing inflation to the government's targeted level may be challenging.

Daily Star: 06.09.2011

Remittance inflow up in August because of Eid

The flow of inward remittance increased by 11.85 per cent in August from the same period of the last year as expatriate Bangladeshis sent home more funds before Eid-ul-Fitr, which was celebrated on August 31. According to Bangladesh Bank data released on 06.09.2011, the country received \$1,078.15 million in

remittance in August, compared to \$963.92 million the country received in August; 2010. The inflow of remittance was also higher in August from July, when the country received \$1,015.58 million. Although the growth in manpower export in last one year was slow, the amount of inward remittance in August was higher than the same period of last year as the migrant workers sent more remittance for their near and dear ones during Ramadan for Eid-ul-Fitr. Of the total amount of remittance, Islami Bank Bangladesh collected highest \$287.95 million in August. In total, the private commercial banks received \$751.58 million. The total amount received through four state-owned banks was \$308.40 million while the nine foreign banks received \$8.07 million. The two specialised banks —Bangladesh Krishi Bank and BASIC bank —received \$10.09 million. Bangladeshi workers working abroad sent home a total of \$11.65 billion in the last fiscal year.

New Age: 06.09.2011

Bangladesh slides one notch in WEF global competitiveness ranking

Bangladesh slips for the second year in global competitiveness ranking due to a rise in corruption, with inadequate infrastructure and an inefficient bureaucracy identified as the major hindrances to development, according to the Global Competitiveness Report 2011-12 of World Economic Forum globally released on 08.09.2011. Among the 142 countries rated in the report Bangladesh has slipped a notch to 108th position from 107th in 2010-11. 70 top executives of businesses and banks of the country owning assets worth more than Tk 10 crore were the respondents in the survey of the GCR 2011-12 and 93 per cent of them are based in Dhaka. Switzerland tops the ranking in the GCR 2011-12. Singapore overtakes Sweden for second position. Northern and Western European countries dominate the top-10 positions, with Sweden standing at 3rd, Finland 4th, Germany 6th, The Netherlands 7th, Denmark 8th, and the United Kingdom at 10th position, while Japan, the second ranked Asian economy, takes the 9th place. The global competitiveness ranking is done on the basis of 12 indicators, which are institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

New Age: 08.09.2011

\$125,636 export order received from Frankfurt trade fair

Bangladeshi companies received total export order of \$125,636 by participating in the Frankfurt International Trade Fair (Tendence-2011) held from August 26-30 in Frankfurt, Germany. Six companies of Bangladesh under the auspices of Export Promotion Bureau took part in the fair where products like jute goods, baskets, handicrafts (clay and jute) and grass baskets were exhibited. As many as 1,755 exhibitors from 58 countries participated in the fair. Bangladeshi participants had a series of business meetings and exchange of views with a large number of buyers and visitors for facilitating future orders as per given design, desired materials and preference. As a result, confirmed order of \$80,636 and prospective order of \$45,000 were received through participation in the fair. The major objective of Bangladesh's participation in the fair was to project country's recent quality and price competitiveness of products to the buyers and importers of EU and other countries with the aim of enhancing export market in the EU and other neighbouring countries. Bangladesh's participation in the tendence-2011 fair in Frankfurt has created a huge opportunity for Bangladeshi entrepreneurs to increase volume of export and explore prospective export markets. It is expected that through the participation in this fair, Bangladesh will be able to significantly enhance her export market in the EU countries.

New Age: 09.09.2011

Bank guarantee made mandatory for Indian ships with bulk products

The National Board of Revenue (NBR) has made submission of bank guarantee mandatory for bulk products to be carried by Indian ships which will use the transit route through Ashuganj customs station. The Indian ships will have to submit an 'unconditional and continuous' bank guarantee as 'risk bond' equivalent to estimated amount of duty taxes on the products. Customs will release the bank guarantees when the consignments will pass Akhaura port and submit all documents.

Fin. Exp: 11.09.2011

NBFIs to submit info to BB on large loans

The central bank has asked the non-banking financial institutions (NBFIs) to submit their respective

statements of large loans or lease facilities to its department concerned on quarterly basis. Under new provisions, a loan or a lease sanctioned to any individual or business entity or business group amounting to 15 per cent or more of the total capital of an NBFIs will be considered as a large loan. The central bank has issued a circular in this connection recently and asked chief executives and managing directors of all NBFIs to comply with the new directives on large loans or leases properly. All types of direct and indirect loans or lease facilities will be considered while calculating the large loans or leases. But all types of indirect loans or leases will be calculated as 50 per cent of credit equivalent, according to the circular. Currently, 30 NBFIs are running their business in the country.

Fin. Exp: 12.09.2011

BB allows banks to charge more interest on loans

Bangladesh Bank decided to allow banks to charge 2 per cent additional interest while distributing loans through micro-credit organisations for setting up solar panel under the central bank's refinance scheme for renewable energy and clean water projects. The BB Agricultural Credit Department in a circular said that the banks can charge maximum 12 per cent interest rate for solar panel installation loans if the loans are distributed through micro-credit organizations which were previously allowed to charge 10 per cent interest. Banks that have no branches in the rural areas were not interested to provide loans in the rural areas for renewable energy as their operational cost goes high. The hike in interest rate would encourage banks to borrow loans from the re-finance scheme of the central bank. The circular said that the loans for distributed in the rural areas should be shown in the list of agriculture/rural development loans. Meanwhile, only 9 per cent of the Bangladesh Bank's loan refinance scheme for renewable energy and clean water projects has been disbursed in the two years since the facility was launched on August 3, 2009. Till July 2011, banks and financial institutions have borrowed only Tk 17.46 crore from the Tk 200 crore revolving fund of BB. Under the scheme, banks and financial institutions can get loans at five per cent interest from the central bank and they can charge a maximum of nine per cent interest on loans provided directly to their customers for implementing green energy and clean water projects. According to the BB guidelines, the highest amount that can be lent out for a project under the scheme is Tk one crore.

New Age: 12.09.2011

Britain's banks await shake-up plans

Plans for a major shake-up of Britain's banks has revealed when a government-appointed commission publishes final recommendations aimed at avoiding further state bailouts of lenders. The Independent Commission on Banking (ICB) is expected to confirm its initial proposals published in April that called for a "ring-fencing" of lenders' retail businesses, thus avoiding banks being sunk by investment division losses. It is also likely to repeat calls for banks to set aside more capital to prevent future state bailouts and could again recommend that state-rescued Lloyds Banking Group (LBG) sells more assets to boost competition.

Daily Star: 12.09.2011

Exports continue to be buoyant in August

The country's export earnings continued to be buoyant in August, the second month of the current fiscal year, posting a 32.40 per cent growth against the same period of last year amid concern over a double-dip global recession. According to the Export Promotion Bureau data export earning in August stood at \$2,376.74 million against \$1,795.18 million in August, 2010 as exporters continued to ship more garment and jute products and frozen foods. The earning in August was also 7.28 per cent higher than the strategic target of \$ 2,215.40 million. Although the global economy has been in shambles in last few months because of downgrade of US economy by a rating agency and debt crisis in Europe, overall export earnings for the first two months of the current fiscal year witnessed 30.44 per cent growth at \$ 4,716.26 million exceeding the strategic target of \$ 4,393.70 million. The export earnings for the July-August period of last fiscal were \$ 3,615.72 million. According to the EPB data, in July-August this year, knitwear sector earned \$ 2,060.31 million, posting a 29.64 per cent growth over the same period of last year while woven garments fetched \$ 1,758.63 million with a growth of 33.57 per cent. Export earnings from home textiles totalled \$ 129.46 million with a growth of 50.85 per cent, footwear \$ 78.41 million, primary commodities \$ 195.50 million, frozen foods including frozen fish, shrimps and others \$ 122.64 million, and agricultural products \$ 72.86 million. Earning from exports of

jute and jute goods was \$ 163.52 million, registering a 32.96 per cent rise. Raw jute exports fetched \$ 43.08 million with a 74.84 per cent growth, jute yarn and twine \$ 82.37 million, jute sacks and bags \$ 30.90 million and other items brought in some \$ 7.17 million. Earning from leather exports totalled \$ 63.07 million, leather products \$ 10.67 million, cotton and cotton products \$ 20.02 million and plastic products \$ 13.34 million. Engineering products including iron and steel, bicycle and electronic products fetched almost \$ 55.32 million, man-made filaments and staple fibres \$ 12.18 million, caps \$ 7.51 million and other manufactured products \$ 11.77 million.

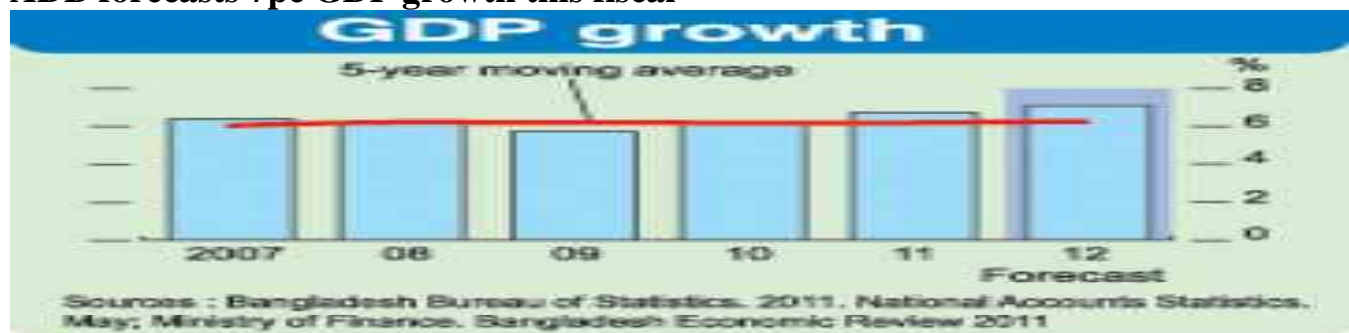
New Age: 13.09.2011

BPC seeks \$150m from foreign banks

Bangladesh Petroleum Corporation seeks \$150 million in syndicated loans from foreign banks to purchase petroleum products. BPC approached Citigroup Inc, HSBC Holdings Plc and Standard Chartered Plc to arrange the loan. The banks will organise a roadshow in Singapore on September 26-27 to raise the syndicated loan. If the available loan size is \$200 million, the company will accept it. BPC is facing a fund crisis due to increasing imports. The loan is a short-term oil and port financing and has an average life of six months. The loan pays a margin of 275 basis points over the London interbank offered rate. BPC imports 26-32 lakh tonnes of petroleum products. But due to installation of quick rental power plants, demand for petroleum went up. Last year, BPC imported about 54 lakh tonnes of petroleum products. BPC will import 68-70 lakh tonnes of petroleum products this year. In the current fiscal year, the monthly import bill on petroleum products will cross \$300 million.

Daily Star: 13.09.2011

ADB forecasts 7pc GDP growth this fiscal



The Asian Development Bank (ADB) said that the Bangladesh economy is projected to grow at the rate of 7.0 per cent in the current fiscal year (FY), 2011-12, because of continued export growth and expansionary domestic demand due to increased remittance inflow and higher income. The Manila-based anti-poverty lender has raised its gross domestic product (GDP) growth forecast rate for Bangladesh to 7.0 per cent from the previous 6.7 per cent, projected in Asian Development Outlook (ADO) in April 2011. The ADB, however, cautioned the government about the inflationary pressure and four other challenges for achieving the projected higher economic growth in the current fiscal. The ADB's update projected an 8.5 per cent inflation rate on an average in the current FY, which is one percentage point higher than the government's 7.5 per cent projection in the national budget. The ADO update 2011 said industrial growth is seen edging up to 8.8 per cent in the FY 2012, as exports perform well, and smaller and agro-based industries, alongside housing and construction, expand. Growth in agriculture is likely to decrease to 4.6 per cent from 5.0 per cent because of the higher base in the successive years, but expansion in cultivation of higher quality seeds and a better performance in livestock, poultry and fisheries will support the still-high growth, it said. About the remittance inflow, the outlook said it is expected to grow by 12 per cent in the FY 12, but as in recent years, it will be unable to offset the expected trade, services and income account deficits.

Fin. Exp: 15.09.2011

Govt plans export boost for 12 items

The government has identified 12 commodities to boost their export volume and reduce the country's dependence for export earnings only on 3-4 major items, including readymade garments. If extra efforts could be put in or a special plan is undertaken, there are huge potentials to increase their exports as well as reduce

the export earning dependence on only 3-4 products. The identified 12 items are leather and leather products, agro-processed products, vessels, pharmaceuticals, electronic products, computer services, furniture, paper, printing materials, bags and parts, rubber and toys. Bangladesh's export basket is very small as only four items constitute 89.17 per cent of the total export earnings in the last fiscal, which is not at all comfortable. Of them, only RMG contributed 78.15 per cent of the total export earnings followed by jute and jute goods 4.86 per cent, home textiles 3.44 per cent and frozen foods 2.72 per cent. According to data available at the EPB, the global trade volume of electronics is around \$ 1,806 billion followed by pharmaceuticals \$ 437 billion, furniture \$166 billion, shipbuilding, paper and rubber \$ 165 billion each, toys \$ 75 billion, leather products \$ 47 billion, leather \$ 27 billion and printing materials \$ 11 billion. To avail of the opportunity, there is a need to adopt proper planning, modernisation of industrial setup and making the designs of leather goods fashion-oriented and more sophisticated. Of these selected products, the annual growth of leather and leather products in the last fiscal were 37.60 per cent as its earnings totalled \$ 552.64 million compared to \$ 401.63 million in fiscal 2009-10 while agro-processed products fetched \$ 181.64 million in the last fiscal compared to \$ 138.30 million in 2009-10 with a 31.34 per cent annual growth, vessels earned \$ 40.44 million in the last fiscal compared to \$ 9.34 million in fiscal 2009-10.

New Age: 16.09.2011

50 top bank loan defaulting cos have Tk 40.82b in bad loans

Fifty top bank loan defaulting companies in the country had Tk 40.82 billion in classified loans up to December 31, 2010. The amount was about 18 per cent of the total classified loans of the country's banking system, according to a report of Bangladesh Bank (BB). The loans that the defaulting companies owe to banks have become 100 per cent classified, the report said. Twenty-four commercial banks - state-owned, private commercial banks (PCBs) and foreign banks - are issuers of loans to the defaulting parties, belonging to the private sector. The BB report termed the default loan situation 'alarming'. The loan defaulting companies include: Saleha Carpet Mills Ltd, Ismail Carpet Industries Ltd, Monnu Fabrics Ltd, Magura Paper Mills Ltd, Argan Carpet & Jute Weaving Mills Ltd, Northern Distilleries Ltd, Fair Expo Weaving Mills Ltd, Riverside Leather & Footwear Industries Ltd, Bangladesh Auto Rikshachalak, Shamsul Alamin Cotton Mills Ltd, One Spinning Mills Ltd, Bangladesh Solvent Oil Ltd, Dshma Shoes Industries Ltd, Mawla Textile Mills Ltd, Sripur Textile Mills Ltd, Unity Knitwears, Mask Sweater Composite Ltd, Jadu Spinning Mills Ltd, Kashem Cotton Mills Ltd, Mita Textile Ltd, Rupali Tannery, Lexoco Ltd, Fahim Marble Corporation Ltd, Nirman International Contracting Company, Rahman Ahsan Cotton Spinning Mills Ltd, Javed Steel Mills Ltd, Ark Ltd, Phonix Leather Complex Ltd, Patwary Potato flex Ltd, Sun Fabrics Ltd, Mainamati Textile Mills Ltd, Bhanguard Steels Ltd, Sharathi Textile Mills Ltd, Excelsior Shoes Ltd, Faridpur Textile Industry Ltd, Gaffer Food Products Ltd, Dragon Sweater & Spinning Ltd, Doel Apparels Ltd, Namnam Bangladesh Associates Ltd, R, M Coil Mills Ltd, Mahbub Leather Complex, Rahnuma Fashion Wear Ltd, Fahima Industries Ltd, Telebarta Ltd, Mahbub Spinning Ltd, SMAN Flexibly Packaging Ltd, RM Coil Ltd and Bikrampur Potato Flex Industries Ltd. Other 20 banks are-Bangladesh Development Bank Ltd, Bangladesh Krishi Bank, City Bank Ltd, National Bank Ltd, Eastern Bank Ltd, UCBL, One Bank Ltd, Southeast Bank Ltd, Jamuna Bank Ltd, NCCBL, Uttara Bank Ltd, Prime Bank Ltd, IFIC, Al-Arafa Islami Bank Ltd, Premier Bank Ltd, Bank Asia Ltd, Pubali Bank Ltd, Dhaka Bank Ltd, AB Bank Ltd and Standard Chartered Bank Ltd.

Fin. Exp: 18.09.2011

RBI rate hike may shrink bank margins

For Indian banks, facing pressure on profitability, the latest bout of rate increase by the Reserve Bank of India (RBI) could well accentuate such pressures. That is because this comes at a time when loan growth has moderated and the risk of bad loans rising is high. Coupled with that is the potential knock on their bond portfolios with the rise in interest rates and it is clear that unless loan growth picks up over the next few months, local lenders could be squeezed on their profitability. Among banks, state-run lenders could be more impacted than their peers in the private sector since their exposure to retail loans, where the risks of loan defaults are lower, is limited to 17-18 per cent of their total loan portfolio. Now in a scenario marked by rising interest rates, banks will not have the elbow room unlike before to use treasury profits to keep provision against bad loans. Pressure on asset quality will continue to mount for public sector banks, which have an exposure of 70-80 per cent to SMEs' long-term corporate agri loans.

Fin. Exp: 18.09.2011

BB must strengthen supervisory capacity to safeguard deposits

Experts and policymakers have suggested that the central bank should strengthen its supervisory capacity by using modern tools for the safeguard of over Tk 4.1 trillion bank deposits in the country. The central bank chief asked the central bankers to enforce the provision of penalties and fines for violation of prudential regulations and irregularities detected through off-site and on-site supervision strictly. The BB's supervisors always have to adopt a pro-active approach in regulating and supervising the banking sector adding that emerging problem situations have to be detected at the earliest possible stage and referred to the competent authority so that corrective actions may be taken in time. Banking Supervision Adviser of the BB Glenn Tasky said banking sector assets are equal to about 70 per cent of the country's total gross domestic product (GDP). In June 2011, bank deposits were over Tk 4.1 trillion - more than 55 per cent of GDP - a substantial part of the nation's wealth, according to official figures

Fin. Exp: 18.09.2011

Import grows by 2.18pc in August

The country's import grew by 2.18 per cent in August against the same period of the last year. According to Bangladesh Bank data, letter of credits for imports worth \$2,427 million were settled in August against \$2,375 million in August, 2010. The settlement of LCs in August, however, was lower than that of July, when LCs worth \$2,637 million had been settled. The central bank's monthly statement of LCs released on 15.09.2011 showed that in August importers opened LCs worth \$2,920 million, which is 4.48 per cent lower than that of August, 2010. The opening of LCs in August was lower because of the current monetary policy of the central bank that discouraged investment in the unproductive sector and the liquidity shortage in the banking channel. The settlement of LCs in this August was higher compared to the same period of last year because of Ramadan. The import of essential commodities was higher in August because of Ramadan. The opening and settlement of LCs are usually higher in July than that of August as many of the businesses open LCs in the first month of the fiscal year. Despite slight increase of LCs in August, the prices of essentials remained high on local market compared to the same period of the last year. Among the essential items, LCs worth \$169.07 million was opened for sugar import while LCs worth only \$73.38 million was settled.

New Age: 18.09.2011

BB to tighten control on banks

The central bank will further strengthen its regulatory activities in commercial banks to minimise risks of the sector, said Bangladesh Bank Governor on September 17. He said the banking sector is still facing many risks relating to managing credit, liquidity and money laundering after the US financial crisis and the recent debt crisis in Europe. Glenn Tasky, banking supervision advisor to the central bank, said the banking supervision is important for mainly three reasons: firstly, to protect depositors against avoidable losses from bank failure; secondly, to promote the smooth operation of the payments system; and thirdly, to prevent the abuse of the financial system by money launderers and terrorism financiers.

Daily Star: 18.09.2011

BB to invite bids for new banks

COMPARATIVE ECONOMY			
	BANGLADESH	PAKISTAN	INDIA
GDP (in billions of dollars)	110	174	1,729
GDP growth (in percentage)	6.6	4.36	9.27
Income (per capita in dollars)	818	1,050	1,340
Forex reserve (in billions of dollar)	10	16	311
Import (in billions of dollars)	33.5	33	330
Export (in billions of dollars)	23	20	269
Remittance (in billions of dollars)	11.6	9	49

The Bangladesh Bank has decided to invite applications for giving permission to set up new banks in the private sector. During this period credit and deposit shot up by four times and the private banks' shares almost doubled. The profit of the banks increased by six times in the last five years, the proposal said a space has been created for allowing new banks; so permission may be given for setting up some banks. However, the owners

of new banks will face stringent conditions. Loan and tax defaulters in the last five years will be barred from applying for launching new banks. The BB proposal also portrayed some risks in allowing new banks. The central bank said, amid a stiff competition, the main source of income of the banks has been getting squeezed. The banks are also becoming more interested in off balance sheet (such as more involvement in stockmarket) activities that are not helpful for healthy banking. However, the population covered by a branch, on an average is 21,065 in Bangladesh, whereas the number is 14,485 in India and 20,340 in Pakistan.

Daily Star: 19.09.2011

Banks cautious about crisis-ridden spinners

Banks have tightened their belt on fresh loans for spinners who are now facing a downtrend in business due to a low demand for yarn. The banks are also asking the spinners to pay back the loans borrowed earlier for cotton import, so that the loans do not become classified. Now the banks are showing reluctance in giving fresh loans for importing cotton as the spinners can hardly pay back the loans for a low demand for yarn from knitters and weavers. As a result, stockpiling of unsold yarn is increasing everyday as the knitters and weavers prefer importing yarn from India and China rather than buying from the local spinners at higher prices. The spinners now cannot sell the yarn at lower prices as they have spun the yarn from costly cotton imported since last year up to March this year.

Daily Star: 19.09.2011

Volume-wise VAT on import of edible oil on the cards

The ministry of commerce (MoC) has taken a move for introduction of volume-wise value added tax (VAT) on import of edible oil to avoid complications relating to calculation and collection of VAT on the basis of existing value-wise import of the item. Domestic demand for cooking oil is now estimated at some 1.6 million tonnes per annum. The government brought down the VAT rate on edible oil at import stage from 15 per cent to 5.0 per cent early this year with a view to containing its price pressure in the domestic market. This VAT rate was made effective until August 31 this year. The MoC last week requested the MoF to extend the facility until the end of this fiscal in June next. Earlier, the government this year set a specific rate of duty on sugar import. However, duty and VAT on import of sugar was withdrawn recently to help bring down its price.

Fin. Exp: 19.09.2011

Banks get 1 more year to bring loans within limit

The Bangladesh Bank extended the December 31 deadline for banks to bring the amount of loans given to their brokerage and merchant banking arms within the limit by one year to December 31, 2012, following demands made by the capital market stakeholders. It also extended another deadline, for the non-bank financial institutions, to scrap their excess investment in stocks from December 31, 2010 to December 31, 2012. The central bank issued a circular, extending the deadline for banks by one year to adjust their credit exposure to single borrowers, in this case their securities market subsidiaries, within the limit of 15 per cent of their capital. The circular asked the banks not to increase the current amount of loans given to their subsidiaries by any means during the extended period. In another circular, it asked the NBFIs, allowed to invest up to 25 per cent of their paid-up capital and reserves, to make a downward adjustment of their excess investment by December 31, 2012.

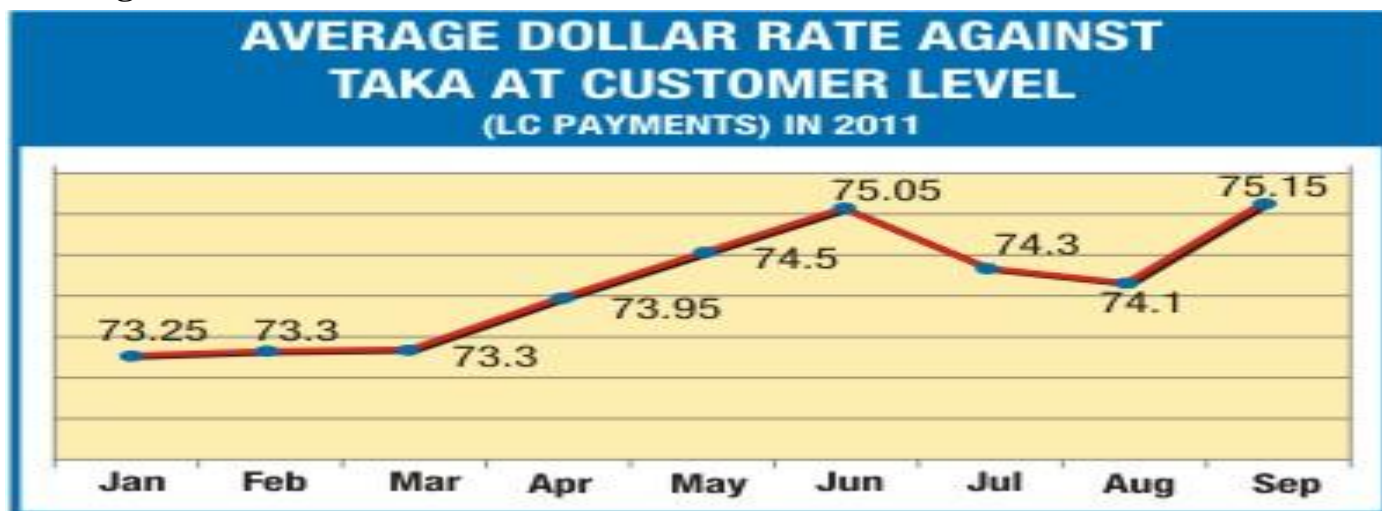
New Age: 19.09.2011

Deposit rate cap at 12pc goes haywire

The self-imposed deposit rate cap at 12 percent is not working as some private commercial banks are offering higher rates to gather resources for funding and maintaining regulatory loan-deposit ratio. Top bankers said the situation may further fuel unhealthy competition among the banks and give rise to lending rates as well. BAB and Association of Bankers Bangladesh (ABB), a forum of chief executive officers, have jointly decided in June that no bank would offer more than 12 percent rates for deposit. The decision on a uniform deposit rate came into effect on July 1. The central bank also welcomed the banks' decision on the deposit rate at 12 percent, saying it would bring down lending rate and boost industrial growth. But some banks violated it in less than two months.

Daily Star: 20.09.2011

Dollar gets costlier



The price of the US dollar has gone up both in formal and informal (kerb) markets, riding on a jump in demand from Hajj pilgrims and a slowdown in inflow of remittance. The dollar was selling at Tk 78.40 on September 20 at different exchange houses and in the kerb market. The inter-bank rate crossed Tk 75, up from Tk 74 just few days ago. Hajj season always increases the demand for the dollar. About 110,000 Bangladeshis will perform Hajj this year and if they spend \$1,000 each, the total demand for the dollar will stand at \$110 million. On the other hand, the total cash dollar available in the country is around \$20 million only, according to Bangladesh Bank (BB). So, there is a huge gap in the demand and supply. In 2010, some banks led by Standard Chartered Bank Bangladesh initiated a move to import \$10 million to increase the currency inflow. Though the BB and other government agencies gave a go-ahead to the move, the NBR did not agree to waive the tax that was at around 25 percent for dollar import.

Daily Star: 21.09.2011

Bangladesh's exports to grow by 15pc in 2011-2012

A report of the United Nations Economic and Social Commission for Asia and the Pacific has projected that Bangladesh's export in 2011-2012 would grow by 15 per cent, higher than south and southwest Asia. The UNESCAP's Asia Pacific Trade and Investment Report for 2011 launched in Dhaka projected that exports of south and southwest Asia would grow by 9.5 per cent in 2011 and 9.7 per cent in 2012, while least developed countries' exports would grow by 8.7 per cent this year and 14 per cent next year. Bangladesh's export grew by 41.41 per cent to \$22.92 billion in 2010-2011 fiscal year. The report showed that the foreign direct investment had been rather low in Bangladesh in the last five years. Three-fourths of all FDI in East and South-East Asia went to the five countries – China, Hong Kong, Russia, India and Singapore. The report concludes that with strengthened regional cooperation and the right policies, the region will be able to continue its 'strong trade-and investment-led' growth. It shows only 15 per cent of Bangladesh's exports went to Asia-Pacific countries, while 63 per cent of its imports came from the region. The report identifies areas of opportunity in trade and investment for regional economies such as intraregional trade and investment, trade in services and trade and investment in climate-smart goods and technologies. It offers three key sets of policy actions – strategies to reduce trade costs, small and medium enterprise export opportunities and mutually reinforcing multilateral and regional cooperation – to turn those opportunities into reality.

New Age: 21.09.2011

China's major banks losing deposits

Deposits are flowing out of China's major state-owned banks as high inflation and low interest rates prompt savers to seek better returns in the private lending market. Outstanding deposits at the four biggest banks — Industrial & Commercial Bank of China, China Construction Bank, Bank of China and Agricultural Bank of China — fell 420 billion yuan (\$65.7 billion) in the first 15 days of this month. The banks were not immediately available for comment when contacted by the AFP. Much of the funds likely flowed into the

private lending market, which offers borrowing rates around 10 times higher than the official deposit rates and has become increasingly popular as authorities tighten restrictions on bank lending. Inflation has been hovering above six per cent for months, nearly double the official benchmark one-year deposit rate of 3.5 per cent, meaning savers have been losing money by parking their cash in the country's banks. The sharp fall in deposits has severely restricted the amount of money banks can lend.

New Age: 22.09.2011

Govt. borrowing from banks rises by 23 times in 70 days

The government borrowing from banking system swelled by more than 23 times in the first 70 days of this fiscal year (FY) compared to the corresponding period of the previous fiscal. Its net borrowing from banking system shot up to Tk 69.32 billion till September 8 last as against Tk 2.99 billion in the same period of FY11, according to the central bank statistics. The government has borrowed Tk 32.22 billion from all scheduled banks through issuing treasury bills (T-bills) and bonds during the period while Tk 37.09 billion from the Bangladesh Bank (BB) to finance the budget deficit for the ongoing FY12. The official also said higher import of petroleum products has pushed the pressures on subsidy in recent months. Petroleum products' import increased by 162.26 per cent to \$364.58 million in July, the first month of FY12 from \$139.02 million of the previous fiscal year, the BB data showed. Declining trend of net sale of national savings certificates has forced the government to borrow more from the banking system to meet its budgetary expenditure. The selling target of the savings schemes was nearly Tk 5.0 billion in July last but the Directorate of National Savings sold certificates worth Tk 3.11 billion, according to official figures. The government has decided to borrow Tk 189.57 billion from the country's banking system in FY12 compared to Tk 183.79 billion of the previous fiscal year. Currently, three T-bills are being transacted through auctions to adjust the government borrowing from the banking system. The T-bills have 91-day, 182-day and 364-day maturity periods. On the other hand, four government bonds - five-year, 10-year, 15-year and 20-year -are being traded in the market.

Fin. Exp: 22.09.2011

IMF to keep interest-free loans for poorest nations

IMF chief Christine Lagarde said on September 21 that the Fund would maintain its zero-percent loan program for poorest countries for another year after it expires at the end of 2011. Lagarde said the International Monetary Fund hoped to keep open a lending window for low income countries that has been expanded to \$17 billion, offering lending rates close to zero. The facility is open to around 30 of the poorest countries to help address medium-term balance of payments difficulties. While holding out the prospect of access to cheap lending, Lagarde also prodded poor countries to steel themselves against contagion from the turmoil in the economies of the richest countries.

Daily Star: 22.09.2011

Farm loan disbursement reduces in July-August

The amount of farm loans disbursed by the banks in the first two months of the current fiscal year, despite a stepped up monitoring by the central bank, accounted for just 8.35 per cent of their annual target, posting a significant slump from the 12.23 per cent bank credit flow into the agricultural sector in those months of FY2010-2011. According to the Agricultural Credit Department of Bangladesh Bank, the total farm credit disbursed in the country by commercial and specialised banks in July-August of the current fiscal year stood at Tk 1,152.30 crore, against a Tk 13,800 crore target set by the BB, whereas the amount was Tk 1,443.14 crore in those two months of FY2011, against that year's target of Tk 11,800 crore. The central bank on July 28 set an increased target of farm credit distribution in FY2012 with an aim to ensure the country's food security by boosting agricultural production, encouraged by the fact that the banks in the previous fiscal year had distributed Tk 12,184.32 crore in agri-loans, around Tk 384.32 crore more than the BB-set yearly target. The BB data shows, Tk 584.04 crore of the two months' total amount of disbursement was made in July.

New Age: 23.09.2011

Cash incentive for primary textile sector doubles

The government has doubled the cash incentive for the operational mills in primary textile sector from the existing five per cent to 10 per cent for the current fiscal year, in an effort to save the Tk 300 billion industry that has hit hard by plummeting sales in recent months owing to volatile cotton prices in the global market and

the easing of import rules by the European Union (EU). However, the BTMA members who bought cotton at higher prices between the period from August, 2010 to March, 2011 have been made eligible for getting the benefit of the latest increase in cash incentive. The average price of cotton bought for the last six months from August, 2010 will be the 'basis' for ascertaining whether the millers had bought cotton at higher prices, the order elaborated. Local textile mills in which a heavy amount of money, in both foreign and local currencies, was invested because of its capital intensive nature, bought cotton at high prices from the international market and are now facing severe difficulties in selling their products at a price much lower than their manufacturing cost, following the fall in the cotton prices in the global market. The mills have also been hit by EU's relaxation of import rules from January this year. The relaxed rules now allow the Bangladeshi apparel makers to get duty-free access to the 27-nation bloc by sourcing yarn from anywhere in the world. The country's primary textile sector includes spinning, weaving, printing, dyeing and finishing. The sector has been playing an important role as the backward linkage industries for woven and knitwear garments by supplying fabrics and yarn until this year. Currently, the primary textile sector has the capacity to meet the demand for more than 80 per cent of fabric requirements by knitwear and 40 per cent of the same by woven sub-sectors of the readymade garments (RMG) industries in Bangladesh, the textile business circles stated. The imports of woven fabrics by the garment makers increased by 88.34 per cent and knitwear fabrics, by 32.35 per cent, during the January-March period of this year compared to the same period last year after the relaxation of the RoO criteria by the EU.

Fin. Exp: 23.09.2011

Govt. seeks deferred payment facilities from oil suppliers

The government is now looking forward to deferred payment facilities from the overseas suppliers to cope with the current fund shortage problem and to foot the mounting oil import bills. The deferred payment arrangement is being sought to ease the pressure on the government's budgetary resources for provision of subsidy to the cash-strapped Bangladesh Petroleum Corporation (BPC) for its payments against oil imports. The BPC is struggling to meet its regular oil import bills to the fuel suppliers due to severe fund constraints as its imports of petroleum products are on a substantial rise mainly to run new diesel- and furnace oil-fired power plants. The government, however, raised the prices of petroleum products by 6.32-19.04 per cent with effect from last week to cut the growing losses of the state-owned oil company.

Fin. Exp: 24.09.2011

Caught in Greek shadow, Europe banks bolster capital

Caught in the shadow of a potential Greek default that has seen investors switch into risk-aversion mode, European banks are back in the hunt for funds to shore up their books. Some European banks have recently run into serious problems trying to borrow dollars: the US funds that normally lend to them have become reluctant to do so for fear of contagion from the eurozone debt crisis. Since the end of May, US funds have reduced their exposure to French banks by 34.0 per cent, according to Fitch Ratings. Capitalisation of euro area banks is relatively low, and they rely heavily on wholesale funding, which is prone to freezing during financial turmoil. Trouble in a few sovereigns could thus quickly spread across Europe. From there it could move to the United States — by way of US institutional investors' holdings of European assets — and to the rest of the world. European officials have sought to reassure the markets that recapitalisation is underway. Most banks are in the process of shoring up their balance sheets to meet tougher Basel-III international standards adopted after the 2008 financial crisis. They oblige banks to keep much more top-quality capital in reserve. Since 2008, European banks have in total been recapitalised to the tune of 420 billion euros (\$570 billion), either through state bailouts or market investment.

New Age: 25.09.2011

Further depreciation of taka intensifies economic gloom

The depreciation of taka against dollar has marked a fresh rise over the past one week, emitting negative signals about the future of the economy including further rise in inflation and increased pressure on the balance of payments. According to the Bangladesh Bank, the buying rate of a dollar stood at Tk 75.11 and selling rate at Tk 75.14 on 26.09.2011, rising from the buying rate of Tk 74.90 and selling rate of Tk 75.05 on September 18. On the kerb (informal) market, the buying rate of dollar was Tk 76.50 and the selling rate Tk

78.50 one week back but the rates shot up to TK 80 and Tk 81 respectively. The BB data shows the buying rate of dollar ranged between Tk 71 and Tk 72 in January 2011. Import costs had risen significantly due to the depreciation of taka against dollar and other international currencies. Inflation and foreign exchange reserve are also under pressure due to the continued depreciation of taka against dollar. According to the Bangladesh Bureau of Statistics, the average inflation, which in the last fiscal year was 8.78 per cent on a point-to-point basis, reached 10.96 per cent in August last. According to the central bank data, the country's total import cost in FY2010-11 amounted to Tk 33,657.50 million, marking a sharp rise from that of Tk 23,738.40 million in FY2009-10. The growth rate of remittance inflow also slipped from 13.4 per cent in FY2010 to six per cent in FY2011.

New Age: 26.09.2011

BB wants credit flow to fish farming in cage

Fish farming in cage is entitled to get bank loans as per the Agricultural and Rural Credit Policy of the Bangladesh Bank. The Agricultural Credit Department of the central bank said in a circular on 26.09.2011 that the banks and financial institutions should take the necessary steps for financing this sub sector of fisheries. The circular said banks and financial institutions should evaluate the potentials of fish cultivation and develop credit norms specifying the amount of loan, tenure disbursement period and repayment schedule. According to the Agricultural/Rural Credit Policy for fiscal year 2011-12, considering the importance attached by the government to fisheries, banks should take the necessary steps to increase the supply of credit to fisheries and inform people through publicity about the availability of the credit facility.

New Age: 26.09.2011

US renews GSP facility to Bangladesh

Bangladesh will continue to enjoy the Generalised System of Preferences facility for export of goods to the United States as the US Senate renewed the GSP till July 31, 2013. The GSP is a trade agreement that gives preferential tariff treatment (reduced or zero) to the imports from the developing countries. The US Senate renewed the GSP facility for Bangladesh on September 22. Bangladesh will now be able to export sleeping bags to the US, the largest export destination for Bangladesh after Germany. The time limit for the GSP facility for Bangladesh expired in December 2010. Bangladesh exported the sleeping bags worth \$5.3 million to the US last year registering 77 per cent growth of the product compared to the previous fiscal year.

New Age: 27.09.2011

Current account heading for deficit Govt says IMF loan to help meet the shortfall



The current account may fall into deficit at \$884 million for the first time in seven years due to a wider trade gap and slow remittance growth. Earlier such deficit was recorded at \$557 million in fiscal 2004-05, according to Bangladesh Bank data. The government presented the information in a report on the country's overall economic situation at a meeting with Standard and Poor's on the sidelines of the annual IMF meeting in Washington on September 25. The government report said the current account balance is projected to swing into deficit in fiscal 2011-12, with remittance inflows falling short of the increasing deficits in trade, services and income accounts. The government projected that remittance growth may be 5 percent in the current fiscal year, down from 6.03 percent last fiscal year. An IMF mission that visited Bangladesh recently also projected

that the country's current account deficit will be \$861 million in the current fiscal year. According to IMF estimates, trade deficit will increase by around 31 percent and may reach \$9.58 billion this fiscal year. The current account balance was also under a tremendous pressure last year which resulted in the overall deficit in the last 10 years. However, the IMF said one of the major causes of the pressure on the current account balance is the substantial rise in fuel prices on the international market.

Daily Star: 27.09.2011

Banks must submit export transaction details online from Nov 1

Bangladesh Bank has made it mandatory for the scheduled banks to submit online the details of their export transactions on a daily basis from November 1. The BB directed the banks to execute export transactions in strict compliance with the regulatory instructions so as to realise export proceeds within the prescribed period. The foreign exchange branches of the banks have to send the details of their total export earnings in separate documents to the central bank every month. Due to non-repatriation of export incomes, the pressure on the country's foreign exchange reserve was increasing. There is a pressure on the economy at the moment as the price of dollar is on the rise and export bills have been pending for a long time. The central bank also asked the banks to take necessary measures to accelerate repatriation of outstanding export proceeds. According to the central bank, the price of dollar has been on the rise against taka due to a sharp rise in import volume and non-realisation of export proceeds. The BB observed that from the recent trend of export proceed realisation it was apparent that the authorised dealers had not been exercising due diligence in executing export transactions, resulting in a rise in the country's trade deficit.

New Age: 28.09.2011

BB widens scope for govt's bank borrowing

Dealer banks have to maintain 75pc of SLR in govt securities

The primary dealer banks and non-bank financial institutions will have to maintain 75 per cent of their statutory liquidity reserve, instead of earlier 50 per cent, in government securities, the Bangladesh Bank announced in a circular on 29.09.2011. As a result of the latest BB move, the government, which already borrowed around Tk 7,000 crore in July 1 to September 15 of the current fiscal year, will get an enhanced scope for borrowing from the banking system. New investment ceiling in the Health to Maturity or HTM securities including treasury bonds has been reset for the time being at 75 per cent of the SLR of the primary dealers in the purchasing month will come into effect from October 1. At present, three treasury bills are transacted through auctions to adjust the government borrowing from the banking system. The treasury bills have 91-day, 182-day, and 364-day maturity periods, while four government bonds of 5-year, 10-year, 15-year, and 20-year tenures are being traded on the market. Investment in the treasury bonds is regarded as the fulfilment of SLR ratio set by the Bangladesh bank. The central bank earlier selected 15 primary dealers – 12 banks and three NBFIs – to handle government-approved securities on the secondary market. A primary dealer is a bank or securities broker-dealer that can trade directly with the Bangladesh Bank.

New Age: 29.09.2011

BB warns state banks on soaring credit



The central bank has warned four state-owned commercial banks as their credit growth far outpaced deposit growth in signs of risky banking. The four banks borrowed a total of Tk 33,650 crore from the call money market from September 6 to September 19, which the central bank mentioned in the letter as a reason behind a

liquidity crunch in the inter-bank money market. However, it is said that their lending marked a rise due to financing some big public sector projects. They also said the deposit rate of the banks is low, and as the private banks offer higher interest rates, many government institutions withdrew their deposits from the state banks and kept the amounts in the private banks. The BB letter said, due to the inequitable tendency of increasing loan and advances, there is risk of a further rise in the risk weighted asset. Data showed Sonali Bank borrowed on an average Tk 486 crore every day from the call money market during September 6-19, while Janata Bank Tk 1,246 crore, Agrani Bank Tk 1,177 crore and Rupali Bank Tk 456 crore. The BB letter also said, compared to December 30, 2010, on September 8, 2011 loan in Sonali Bank increased by 8 percentage points against deposit. In Janata Bank the rise was 3 percentage points, in Agrani 10 percentage points and in Rupali 7 percentage points. The central bank has urged the banks to take stringent steps to overcome the mismatch quickly.

Daily Star: 29.09.2011

Greek banks face nationalisation if haircut too severe

Some of the biggest of Greece's debt-laden banks may be headed for nationalisation, particularly if debt restructuring becomes more aggressive and investors continue to dump their shares. Hostage to about 40 billion euros of toxic government debt on their books in the form of deeply discounted bonds, their fate is inextricably tied to the outcome of the crisis, which many analysts feel will end with a Greek default. Private creditors, including Greek banks, have agreed to take a 21 per cent 'haircut' — a loss on the face value of the debt they hold — as part of a second, 109 billion euro bailout deal agreed by Greece and its international lenders in July. But a consensus is building among economists, politicians, and investors that without a bigger, 50 per cent haircut, Greece will still stumble under its 350 billion euro debt load and lose its emergency funding. The big five banks — National Bank, Eurobank, Alpha, Piraeus and Hellenic Postbank have already taken a 4.3 billion euro hit on the debt swap plan that Athens wants to conclude next month.

New Age: 30.09.2011

Bangladesh bank Circulars during September, 2011

Date	Circular Number	Subject
04/09/11	SMESPD Circular No. 02	Revision/ Addition /Deletion of some provisions of Bangladesh Bank Fund under small enterprises refinance scheme
04/09/11	MPD Circular No. 4	Refixation of Repo and Reverse Repo Rate of Bangladesh Bank
05/09/11	DFIM Circular No. 10	Regarding submission of large loan/lease statement
11/09/11	ACD Circular Letter No. 02	Re-fixation of interest rate for refinance scheme on solar energy, bio-gas and effluent treatment plant
12/09/11	DCMPS Circular No. 07	Introducing debit transactions through Bangladesh Electronic Fund Transfer Network (BEFTN)
18/09/11	FEPD Circular No. 17	Implementation of steps adopted in second stimulus package declared by the Government for the development of export sector
18/09/11	BRPD Circular No. 07	Bank account for distressed people having grant from Hindu religious welfare trust
19/09/11	DOS Circular Letter No. 15	Adjustment of loan in excess of single borrower exposure limit extended to own subsidiary companies established for Merchant Banking and Brokerage activities
19/09/11	DFIM Circular No. 11	Investment in shares by Financial Institutions
22/09/11	ACD Circular Letter No. 03	Inclusion of "Fish Cultivation in Cage" in agricultural/rural credit policy and programme for the FY 2011-2012
22/09/11	DCMPS Circular No. 8	Guideline on Mobile Financial Services for the Banks
28/09/11	DOS Circular Letter No. 17	Marking to market based revaluation of treasury bill and bond held by the banking company
28/09/11	FEPD Circular Letter No. 14	Clearing arrangement with Bangladesh Bank in Canadian Dollar
29/09/11	DMD Circular Letter No. 03	Submission of bids through primary dealers

Source: BB website

Information on Economy

	Amount	Previous year's/ month's Position
1. Foreign Trade:	Million US\$	Million US\$
a. Exports (2010-11)	22924.40	16204.70
b. Exports (July-2011)	2339.50	2386.00
c. Imports (2010-11)	33657.40	23738.40
d. Imports (July-2011)	2937.80	2910.30
2. Workers' Remittance (July -2011)	1015.58	1038.91
3. Inflation: point to point (July-2011)	10.96	10.17

Export= FOB Value, Import = CFR Value
Economic Trends: August 2011

Banking Sector and Economic Information:

	Amount (TK in Cr.)	
	May - 2011	April - 2011
1. Bank Deposit (excluding inter bank)	398487.90	391603.60
2. Bank Credit (excluding inter bank)	415410.00	407151.50
3. Money Supply		
a. Currency Outside Banks	53958.60	52354.00
b. Demand Deposit	45508.90	46001.10
c. Deposit with BB other than DMBs	181.30	189.40
d. Narrow Money (a+b+c)	99648.80	98544.50
e. Time Deposit	329627.00	322917.00
02. Broad money (d+e)	429275.80	421461.50
4. Excess Reserve (Liquidity)	8885.70	9378.20
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	7.24	7.06
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	12.17	12.02
7. Ratio of DMBs Credit to Deposits (%)	104.25	103.97
8. DMBs Total Assets/Liabilities	1077405.90	1060515.00
9. F.E. Reserve (million \$US)	10431.20	11316.40
10. Cash Base of the Economy	92310.70	90174.50

- **Narrow Money (M1)** = Currency outside Banks+ Demand Deposits +Deposit with Bangladesh Bank
- **Broad Money (M2)** = M1 + Time Deposit
- **DMBs** = Deposit Money Banks
- **Cash Base of the Economy** = Currency in Circulation+ Balances with Bangladesh Bank
- Monthly Economic Trends: August 2011
- (p)= Provisional

Academic Activities in September - 2011:

- I. Half day workshop on “**Card Operation**” was inaugurated on September 10, 2011 at IFIC Bank Academy at Chamber Building 8th floor,, 122-124, Motijheel C/A., Dhaka. Mr. Mati-ul-Hasan, Deputy Managing Director of the bank was present on the occasion and delivered his inaugural speech before the participants. 37 Officers & Staff of different Branches of the bank attended the workshop. It may be mentioned here that it was the 28th programme of IFIC Bank Academy in the year 2011.
- II. IFIC Bank Ltd. conducted a day long Course on "**Prevention of Money Laundering**" & "**Combating Financing of Terrorism**" on 17 September, 2011 at its Academy at Chamber Building (8th floor), 122-124, Motijheel C/A., Dhaka. A total number of 88 Officers from 31 Branches and Head Office of the bank attended the course.
- Mr. S. M. Abdul Hamid, CFO, SEVP & Head of F&A and CAMLCO of IFIC Bank Ltd. was present on the occasion and delivered his inaugural speech before the participants. It may be mentioned here that this was the 29th programme of IFIC Bank Academy in the year 2011.
- III. A Three days long “**Foundation Course For Beginners**” was inaugurated by Mr. Kazi Saifuddin Ahmed, SVP of the Bank on September 13, 2011 at IFIC Bank Academy at Chamber Building 8th floor, 122-124, Motijheel C/A., Dhaka. 13 newly recruited Officers have attended the course. It may be mentioned here that, it was the 30th programme of IFIC Bank Academy in the year 2011.
- IV. IFIC Bank Ltd. conducted a Half-day Workshop on "**Agriculture Financing**" which was inaugurated by The Deputy Managing Direct (Business) of the Bank Mr. Mati-ul-Hasan on September 24, 2011 at IFIC Bank Academy at Chamber Building 8th floor, 122-124, Motijheel C/A., Dhaka. Mr. S.M. Moniruzzaman, Executive Director of Bangladesh Bank was the main speaker in the session. A total number of 37 Executives & Officers working at different branches of the bank attended the workshop.

Readers please: According to the Global Competitiveness Report 2011-12 of World Economic Forum, what is the position of Bangladesh?

Match our answer with yours: Knowledge Update: 152

Answer: Bangladesh Electronic Funds Transfer Network (BEFTN) was launched in February, 2011 in our country.

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Revisiting Basics

Financial Ratios

Asset Turnover Ratios

Asset turnover ratios indicate of how efficiently the firm utilizes its assets. They sometimes are referred to as efficiency ratios, asset utilization ratios, or asset management ratios. Two commonly used asset turnover ratios are receivables turnover and inventory turnover.

Receivables turnover is an indication of how quickly the firm collects its accounts receivables and is defined as follows:

$$\text{Receivables Turnover} = \frac{\text{Annual Credit Sales}}{\text{Accounts Receivable}}$$

The receivables turnover often is reported in terms of the number of days that credit sales remain in accounts receivable before they are collected. This number is known as the collection period. It is the accounts receivable balance divided by the average daily credit sales, calculated as follows:

$$\text{Average Collection Period} = \frac{\text{Accounts Receivable}}{\text{Annual Credit Sales} / 365}$$

The collection period also can be written as:

$$\text{Average Collection Period} = \frac{365}{\text{Receivables Turnover}}$$

Another major asset turnover ratio is inventory turnover. It is the cost of goods sold in a time period divided by the average inventory level during that period.

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

The inventory turnover often is reported as the inventory period, which is the number of days worth of inventory on hand, calculated by dividing the inventory by the average daily cost of goods sold:

$$\text{Inventory Period} = \frac{\text{Average Inventory}}{\text{Annual Cost of Goods Sold} / 365}$$

The inventory period also can be written as:

$$\text{Inventory Period} = \frac{365}{\text{Inventory Turnover}}$$

Other asset turnover ratios include asset turnover and total asset turnover.

Financial Leverage Ratios

Financial Leverage ratios provide an indication of the long-term solvency of the firm. Unlike liquidity ratios that are concerned with short-term assets and liabilities, financial leverage ratios measure the extent to which the firm is using long term debt.

The debt-to-equity ratio is total debt divided by total assets:

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

The debt-to-equity ratio is total debt divided by total equity:

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Debt ratios depend on the classification of long-term leases and on the classification of some items as long-term debt or equity.

The times interest earned ratio indicates how well the firm's earnings can cover the interest payments on its debt. This ratio also is known as the interest coverage and is calculated as follows:

$$\text{Interest Coverage} = \frac{\text{EBIT}}{\text{Interest Charges}}$$

Where EBIT = Earnings before Interest and Taxes.

Profitability Ratios

Profitability ratios offer several different measures of the success of the firm at generating profits.

The gross profit margin is a measure of the gross profit earned on sales. The gross profit margin considers the firm's cost of goods sold, but does not include other costs. It is defined as follows:

$$\text{Gross Profit Margin} = \frac{\text{Sales} - \text{Cost of Goods Sold}}{\text{Sales}}$$

Return on assets is a measure of how effectively the firm's assets are being used to generate profits. It is defined as:

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Return on equity is the bottom line measure for the shareholders, measuring the profits earned for each dollar invested in the firm's stock. Return on equity is defined as follows:

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholder Equity}}$$

Dividend Policy Ratios

Dividend policy ratios provide insight into the dividend policy of the firm and the prospects for future growth. Two commonly used ratios are the dividend yield and payout ratio.

The dividend yield is defined as follows:

$$\text{Dividend Yield} = \frac{\text{Dividends per Share}}{\text{Share Price}}$$

A high dividend yield does not necessarily translate into a high future rate of return. It is important to consider the prospects for continuing and increasing the dividend in the future. The dividend payout ratio is helpful in this regard and is defined as follows:

$$\text{Payout Ratio} = \frac{\text{Dividends per Share}}{\text{Earnings per Share}}$$

(Concluded)