



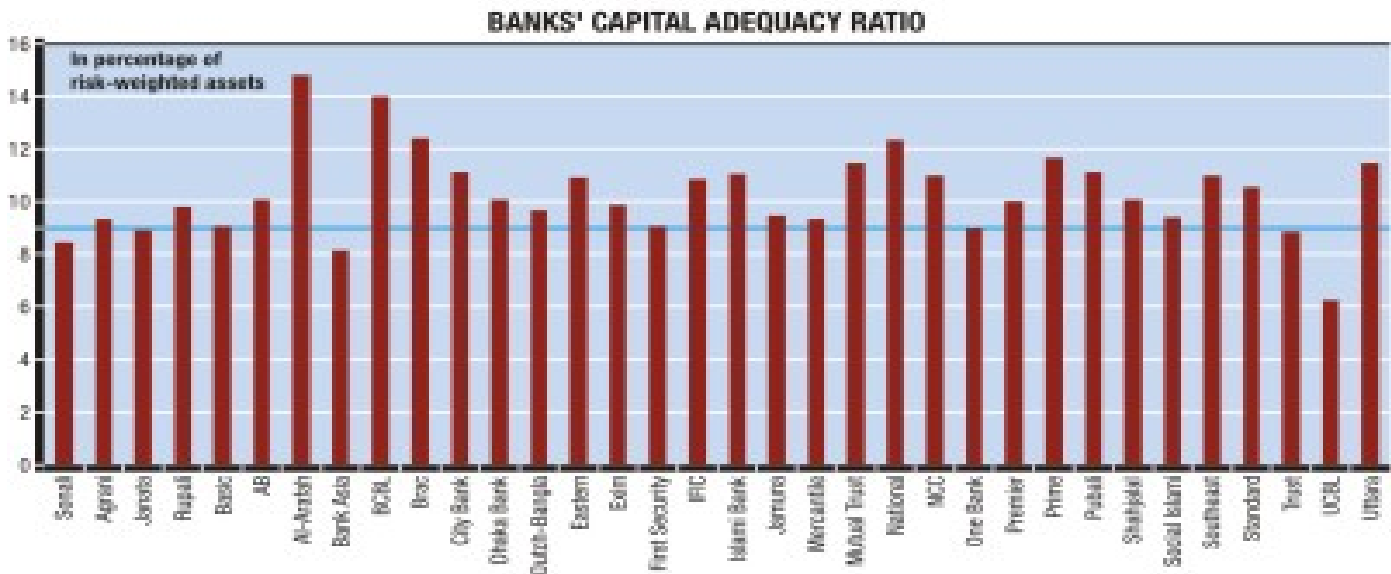
**IFIC BANK LIMITED**  
**HR Development & Training Institute**  
**Head Office, Dhaka**

## Poverty declines at faster rate

Poverty has declined at a faster 2 percent rate a year on average since 2005, according to the latest household expenditure survey by Bangladesh Bureau of Statistics (BBS). From 2000 to 2005, the poverty reduction rate was 1.78 percent. From 2005-06 to 2009-10 onward, the GDP growth per year was more than 6 percent on average, which was more than 5 percent in the preceding five years. In 2005, inward remittance was only \$3 billion, which grew to \$10 billion over the years, most of which went to the poor families across the country. The governments invested larger amounts of money in various safety net programmes. According to Bangladesh Economic Review (BER) the government spent about Tk 13,000 crore through budgetary allocation in fiscal 2009-10. But economists express concern that the rich-poor gap widened although the poverty rate in percentage of population came down.

Daily Star: 01.04.2011

## Capital: most banks have enough



Most of the forty-seven commercial and specialised banks have dodged various risks to successfully maintain their capital adequacy. However, according to Bangladesh Bank (BB) information, five banks -- two private commercial banks and three specialised banks -- failed to meet the capital demand. The central bank set a mandatory timeframe for the banks to maintain their capitals against 8 percent of the risk weighted assets by June 2010 and 9 percent by June 2011. According to BB statistics, on December 31, 2010 two specialised banks and one private commercial bank had their capital in the negative, and one specialised and one private

commercial bank's capital was below the required 8 percent. Of the two private commercial banks, one has long been a problem bank and it was closed once. After resuming its operation under new ownership it is yet to restore its health. According to central bank statistics, most of the private commercial banks could maintain capital above 9 percent. Some banks maintained capital up to 11 percent to 14 percent, and only four will have to take their capital adequacy to 9 percent by June. Of these four banks, two could not meet the 8 percent target. The four state-owned commercial banks succeeded in maintaining 8 percent capital but two of them are still having deficit in maintaining 9 percent capital by June. Till December, the total risk weighted assets were Tk 4,08,134 crore against which the banks maintained a capital of Tk 35,803 crore, and the overall deficit was Tk 1,006 crore

Daily Star: 03.04.2011

## World Business

### **S&P downgrades Japan's TEPCO**

Standard & Poor's downgraded the long-term rating on Tokyo Electric Power Co. (TEPCO), operator of a nuclear plant at the centre of the world's worst atomic crisis for 25 years, to 'BBB+' from 'A+.' The deadly earthquake and tsunami on March 11 damaged several TEPCO facilities, and the company now faces huge costs from the crisis at the Fukushima Daiichi nuclear plant, which continues to leak radiation. The nuclear disaster has forced evacuation of nearby residents and contaminated farm soils, food products and livestock. Some analysts estimate TEPCO could face compensation claims of more than 10 trillion yen (120 billion dollars).

Daily Star: 03.04.2011

### **Aluminium business pulls in newcomers**

The market of aluminium extrusion products used in doors, windows and curtain walls has been growing rapidly as wood is getting scarce by the day. Nearly half a dozen companies have hit the market in the past two years to cash in on the growing market size now estimated at around Tk 600 crore a year. Of the new entrants, PHP Group, which is one of the biggest conglomerates in the country, is the latest, and started selling products in February. Aramit, Nikki Thai, Bikrampur and Dhaka Thai are some other companies, which have come into the market in recent years. Aluminium extrusion products like doors, windows, staircase handrails and supports, railings for verandas and corridors have become popular. The use of aluminium in business and office complexes, buildings, theatres as well as decorative purposes is common. Shops built with lighter materials are also consuming aluminium products. After KAI Bangladesh Aluminum, BD Thai has the largest share in the market. Chung Hua (former Fu-Wang Aluminum) and Dhaka Thai are other major players. KAI Aluminum, which started production in 1997 with an annual capacity of 6,000 tonnes, has set up a second plant with over 5,000 tonnes of capacity a few years ago to meet the growing demand. BD Thai is the oldest company established in 1979 under a joint venture with a Thai businessman. Since then it is known as Thai Aluminum in Bangladesh. Although the market has been expanding steadily, players are concerned with the quality as some manufacturers are marketing low-cost items. Low-cost items are made of around 1 mm (millimetre) thickness against the standard thickness of minimum 1.5 mm

Daily Star: 04.04.2011

### **Remittance hits \$1.09b in March**

*Crisis in ME prompts expatriates to send money home from their savings there*

The country's remittance inflow reached a record \$1.09 billion in a single month amid the Middle East crisis, but overall remittance growth still remains low. A Bangladesh Bank official said the rise in remittance in March was due to return of many expatriates from the Middle East, while many others have been remitting money home instead of keeping the funds there, due to a general sense of insecurity. Last month's inflow was the second record of crossing the billion dollar mark in monthly remittance. In November 2009 it crossed that

mark for the first time with remittance of \$1.05 billion. However, remittance growth in the first nine months of the current fiscal year was lower compared to the corresponding period of the last fiscal year, which is a matter of concern for macro-economic management. In the first nine months of the current fiscal year the remittance growth was only 3.97 percent, which had been 20 percent during the same period of the last fiscal year. The decline in remittance growth put a pressure on the balance of payment. In the first seven months of the current fiscal year the current account balance surplus dropped 79 percent, compared to the surplus during the same period of the last fiscal year. Due to the pressure on the balance of payment, taka is under pressure too in exchange rate, and it is getting devalued day by day. As a result, import cost is increasing, influencing the inflation to rise. The decline in remittance growth may create pressure on the foreign exchange reserve. Foreign currency reserve was \$10.74 billion yesterday, which is equivalent of three and a half months' import bill.

Daily Star: 05.04.2011

### **CARE hosts workshop on 'inclusive business'**

CARE Bangladesh hosted an international event on inclusive business and its benefits and developing win-win partnership that creates mutual value for all, on 12.04.2011. The development agency organised a workshop, 'Sustainability through Profitable Inclusive Business' at Lake Shore Hotel in the city. Representatives from leading local and foreign private sector companies based in Dhaka took part in the event, which was conducted by globally renowned trainers from International Business Leaders' Forum (IBLF) and Business Innovation Facility (BIF), both based in the United Kingdom. The workshop is part of a project 'Responsible Business Promotion in Bangladesh' being implemented by CARE Bangladesh this year, with funding from United Kingdom Department for International Development (DFID) and CARE International UK. The project aims at researching into and address the precise needs of national industry and civil society in understanding and implementing responsible business models in Bangladesh and providing training to the stakeholders, CARE Bangladesh said in a statement.

Daily Star: 13.04.2011

### **BB asks banks to e-transfer dividends**

Bangladesh Bank on 13.04.2011 asked all commercial banks and other financial institutions to give dividends to shareholders through the newly-introduced electronic fund transfer network. The central bank put in place the e-fund transfer system on February 28. The system makes it easy to transfer cash to client accounts.

Daily Star: 14.04.2011

### **SEC approves Tk 5,000cr fund**

## SHARES OF FUND PROVIDED BY SPONSORS

*The rest of it will be raised from other institutions and investors*

Investment Corporation of Bangladesh Tk **500**cr

Sonali Bank Tk **250**cr

Janata Bank Tk **200**cr

Agrani Bank Tk **200**cr

Rupali Bank Tk **100**cr

Bangladesh Development Bank Tk **100**cr

Shadharan Bima Corporation Tk **100**cr

Jiban Bima Corporation Tk **50**cr

The Securities and Exchange Commission yesterday approved a trust deed and investment management agreements on the Tk 5,000 crore Bangladesh Fund designed to prop up the volatile stockmarket. The eight institutions are: Investment Corporation of Bangladesh (ICB), Sonali Bank, Janata Bank, Agrani Bank, Rupali Bank, Bangladesh Development Bank, Sadharan Bima Corporation and Jibon Bima Corporation. ICB Asset Management Company Ltd is the manager of the fund, while ICB Capital Management Company Ltd is the custodian. Although the sponsors sought a waiver of some applicable rules, the SEC said everything will be under the existing rules. A fund has to submit registration fees equivalent to 0.2 percent of the fund size and annual fees equivalent to 0.1 percent of the fund. So, the Bangladesh Fund will have to submit Tk 10 crore in registration fees and Tk 5 crore in annual fees. On March 6, the ICB, along with seven other state-owned enterprises, decided to give a massive liquidity support to the shrivelling stockmarket by creating a Tk 5,000 crore fund, and the proposal was submitted to the SEC on March 29 for approval.

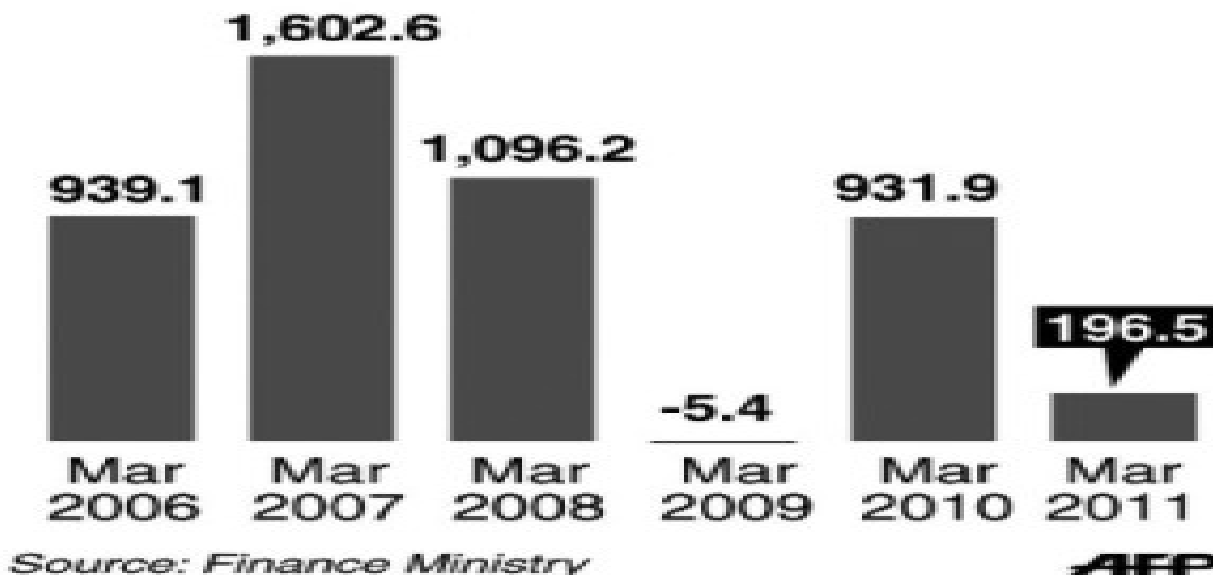
Daily Star: 19.04.2011

### *World Business*

### **Japan trade surplus dives after quake and tsunami**

# Japan trade surplus

Billion yen  
(US\$1=¥82.92)



Japan's exports fell for the first time in 16 months and its trade surplus plunged after a record earthquake and tsunami hit production, the finance ministry said 20.04.2011. The country may fall into a trade deficit in the near term amid rising oil and raw material prices, which inflated the value of March imports and ate into the trade balance, analysts said. The latest data further illustrate the emerging impact of the March 11 disasters, in which a 9.0-magnitude earthquake and the tsunami it unleashed devastated swathes of the northeast coast and triggered an atomic emergency. Economists see Japan sliding into a temporary recession after the devastation to infrastructure and manufacturing facilities in the northeast, amid the nation's worst crisis since World War II. Japan's trade surplus in March stood at 196.5 billion yen (\$2.37 billion), down 78.9 percent but still managing to stay in the black for the second successive month, the finance ministry said. Exports in March dropped 2.2 percent to 5.87 trillion yen, falling for the first time in 16 months due to reduced shipments of automobiles, it said. The fall was led by vehicle exports, which contracted 27.8 percent, the ministry said, after Japan's leading automakers were forced to halt production amid broken supply chains and power shortages. Many key component manufacturers are based in the worst-hit regions of Japan, their facilities damaged by the earthquake or inundated by the giant wave that followed. Shortages are expected to last for months. The parts shortage has hit companies and production worldwide. After stopping domestic production on March 11, Toyota Motor gradually reopened factories and is now operating at 50 percent capacity as it struggles to secure necessary parts. The value of oil imports rose 14.8 percent, while the value of iron ore imports soared 74.9 percent and coal imports also rose 39.4 percent. The disaster has depressed Japan's business and consumer confidence, as Tokyo Electric Power Co, which operates the stricken Fukushima nuclear plant, makes slow progress to stop the world's worst atomic disaster since the 1986 Chernobyl explosion. The ministry said Japanese exports for the year to March rose 14.9 percent to 67.8 trillion yen, while imports were up 15.9 percent to 62.4 trillion, putting the annual trade surplus at 5.4 trillion yen, a 3.9 percent rise.

Daily Star: 21.04.2011

## In land of Don Quixote, wind turbines dot landscape

In the middle of the Spanish countryside 104 giant white windmills set against shrubs and haystacks sweep the sky day and night, providing electricity for 600,000 people. A constant hum can be heard in the nearby town

of Maranchon as the blades turn on the windmills, perched as high as a 23-storey tower block, casting shadows on the surrounding plain. The windfarm located about 150 kilometres (90 miles) northeast of Madrid is the second largest in Spain, which has emerged as a world leader in renewable energy, especially wind power. The country, whose best known novel "Don Quixote" tells the tale of a man who fights windmills he imagines to be giants, is now dotted with giant wind turbines as power firms -- encouraged by government subsidies -- take advantage of favourable weather conditions and an abundance of wide open areas. Wind power has already overtaken nuclear energy. In March it became the country's main source of electricity, accounting for 21 percent of demand and providing the equivalent of all Portugal's power needs. Spanish power firm Iberdrola, the world's top wind energy company by installed capacity, opened the windfarm at Maranchon -- which made its fortune last century in the mule trade -- in 2006 after ruling that there would be no major risk for the environment. Each windmill has the capacity to produce two megawatts of power. The energy they generate cuts CO2 emissions by more than 400,000 tonnes a year compared to other energy sources. The first windfarms were set up in Spain in the 1990s. Twenty years later the country has surpassed former European leader Germany as the top wind power producer in the European Union. At the world level it is the third largest wind power producer after the United States and China. Renewables provided 42.2 percent of electricity demand in March, mostly from wind and hydro power, according to power-generating authority REE. While solar power accounted for only 2.6 percent of electrical demand that month, as with wind power, Spanish firms are amongst the world leaders in the sector. In the wake of the nuclear disaster at Japan's Fukushima plant which has re-ignited the debate over the safety of nuclear energy, environmentalists dream of a country running 100 percent on renewable energy.

Daily Star: 22.04.2011

### **BB hikes repo rate again**

Bangladesh Bank (BB) yesterday increased repo and reverse repo rates by 0.25 percentage points -- the second attempt in about one and a half months -- to rein in credit growth and inflation. The central bank increased the interest rate on repo to 6.25 percent, which was 6 percent earlier. The repo rate is the interest rate at which the central bank lends money to commercial banks. The reverse repo rate is the return banks earn on excess funds parked with the central bank. The rate of interest on reverse repo was hiked by 0.25 percentage points to 4.25 percent. A central bank circular said the new rates of interest will come into effect from 27.01.2011. Earlier, on March 13 repo and reverse repo were increased by 0.5 percentage points. On December 15 last year, BB increased the cash reserve requirement (CRR). The central bank has taken the step at a time when both inflation and credit have been continuously increasing despite taking different measures. According to Bangladesh Bureau of Statistics (BBS) data, in March overall inflation crossed the double-digit mark and reached 10.49 percent which was 9.79 percent in February. In the rural area food inflation was 14.84 percent in March which was 11.66 percent in urban areas. For lowering inflation Bangladesh Bank took steps to contain the private sector's galloping credit growth. In February, private-sector credit growth was 28.34 percent which was 27.58 percent in December last year.

Daily Star: 27.04.2011

### **Bangladesh delivers two more ships to German buyer**

Bangladeshi shipbuilding company Western Marine Shipyard Limited handed over two 100-meter long ice-class ships, each with 5,200 deadweight tonnes capacity, to the buyers, Grona Shipping of Germany. Western Marine had earlier built and delivered in November two ships of the same size and capacity to the German company. It is building four more ships to be delivered to the same German company before the year runs out. Designed and equipped to sustain cryogenic weather conditions the two ships EMSLAKE and EMSDOLLART had been certified as E3 Ice-Class vessels. The current level of efficiency of its ship building industry can re-brand Bangladesh and make it a middle income country. Bangladesh could soon be known as a ship building nation. Western Marine could build and hand over two more ships of the same size and capacity to Grona Shipping for the second time just in 124 days.

New Age: 01.04.2011

### **First-ever mobile banking launched in country**

The first-ever mobile banking service in the country was launched on 31.03.2011 as a part of modernising the banking sector. One Private Commercial Bank launched the service in collaboration with two mobile phone operators in the capital. Primarily mobile banking will provide the clients with cash deposit, cash withdrawal, merchant payment, utility payment, salary disbursement, foreign remittance, and fund transfer services. Nine other banks have also been licensed by the Bangladesh Bank to introduce mobile banking. BB governor inaugurated the service through depositing money in and withdrawing cash. Though the services would be faster than other forms of banking services and would include the people even of the remote areas, it would also be a little more expensive for the users. The users will have to pay a service charge of Tk 50 for depositing Tk 5,000 and Tk 100 to withdraw the same amount of money. The service charge will be whichever amount is higher between Tk 5 and 1 per cent of the deposited money at the cash-in end and whichever amount is higher between Tk 10 and 2 per cent of the money withdrawn from the cash-out end.

New Age: 01.04.2011

### **Germany to set up economic zone in Bangladesh**

State secretary of the Federal Foreign Office of Germany has said while addressing a reception at Bangladesh embassy in Berlin on March 28, 2011 that they would set up a German economic zone in Bangladesh. The present scope of investment is very favourable in Bangladesh. As a result of sincere efforts by both the governments a German economic zone will be established in Bangladesh, which will help further intensify business relations between the two countries. The reception held at Atrium of Deutsche Bank of Germany was organised on the occasion of the 41st Independence and National Day of Bangladesh. At present, Germany is the second largest destination of Bangladesh's total export and the largest in Europe.

New Age: 02.04.2011

### **Thai businesses keen to invest in Bangladesh**

Entrepreneurs of Thailand are keen to invest in Bangladesh in joint venture projects, as one Thai company is planning to set up a paper mill through initial investment of \$500 million for next three years. Thai ambassador to Bangladesh stated this at a press briefing on Thai Trade Exhibition to be held in the city on April 7-9 and Thai Food and Cultural Festival on April 7-13. A Thai company was also making investment of \$1.2 billion for construction of the elevated expressway in Dhaka. Besides, some other Thai companies had already made investments in agro-processing products. Improved infrastructures and logistic support as well as diversification of Bangladesh's export items are important for both increased investment and bilateral trade between the two countries. The two-way trade is increasing every year and in 2010, the trade volume was \$909.95 million with the growth rate of 39 per cent compared to 2009.

New Age: 03.04.2011

### **Banks, credit-card issuers warn of email breach**

Major Banks and credit-card issuers Capital One, Barclays Bank, US Bancorp and Citigroup have joined the list of companies warning customers that hackers may have learned their email addresses. The companies all use a Dallas-based company called Epsilon to manage their emails to customers. Epsilon said that its system had been breached, exposing email addresses and customer names but no other personal information. The hackers also gained access to the email addresses of customers of JPMorgan Chase & Co, Best Buy Co, TiVo Inc, Walgreen Co and Kroger Co. The affected companies said the email addresses could be used to target 'phishing' attacks seemingly legitimate emails that try to coax account login information from victims.

New Age: 04.04.2011

### **Used car import slows down**

Import of reconditioned cars has become sluggish in the third quarter of the current 2010-11 fiscal year. According to data gathered from the concerned authorities, only 3,747 cars were unloaded at Chittagong Port during the January-March period this year. About 1,668 cars were imported in January this year, 997 in February and 1,082 in March. A port official said that the number of imported car in this period is much lower compared to the corresponding period last year. In calendar year 2010 a total of 33,000 cars were imported, lower than 37,634 cars in 2009. Car imports would decline drastically in April as importers were facing trouble in procuring and shipping cars from Japan as used cars auctions were not held in March regularly due to the tsunami that hit the country. More than 80 per cent of Bangladesh's imported cars are reconditioned or used cars, mainly sourced from Japan. A recent rule made by the Bangladesh Bank, effective from January, which tightened banking finance for purchasing automobiles hit the car business hard. The central bank in a directive in January instructed the banks to keep every automobile loan below 50 per cent of the car's market price. Previously most of the banks lent around 80 per cent of a car's price to a buyer. Car imports started to decline since the beginning of this fiscal year as the current national budget slapped an additional 35 per cent duty on imported cars. The strengthening of the yen has also raised the cost of car procurement by more than 10 per cent. The last two fiscal years were boom time for car dealers as banks offered easy finance to potential buyers which allured thousands of young executives to buy personal cars. The trend also triggered bulk purchases by businessmen and other sections of the country's burgeoning middle-class. More than 20,000 reconditioned cars were sold in each of the last two fiscal years.

New Age: 06.04.2011

### **Rising inflation could affect economic stability**

Inflation accelerated in recent months with a sharp rise in food prices could affect the country's macro-economic stability and discourage investment, the Asian Development Bank said in a new report. Inflation is a major challenge for the economy which the government should note with of caution, the report said. Asian Development Outlook 2011, the ADB's annual economic report, was released on 06.04.2011 at its country office in the capital. Although the central bank's January 2011 monetary policy statement forecast 7 percent inflation for FY2011, it may well come in at 8 percent and further to 8.5 percent in FY2012.' Rise in global commodity prices, depreciation of taka, and power tariff hike in February and expected rise in fuel oil and CNG prices would likely to contribute to the supply-side pressure, the report said. 'Monetary policies are unlikely to fully counter them.' GDP growth in FY2011 is projected to climb to 6.3 percent from 5.8 percent the previous year. The strong rebound in exports under way will support higher growth, offsetting the effects on domestic demand of the sharp slowdown in remittance growth. But, as per the ADB projection the government is set to miss its target to achieve 6.7 per cent GDP growth in the current fiscal.

New Age: 07.04.2011

### **Export earnings cross \$16 billion in nine months**

Exports grew by 40.31 percent in nine months of the current fiscal year, compared to the same period a year ago. A report of the Export Promotion Bureau shows the country exported goods worth \$16,207 million during July-March of the current 2010-11 fiscal, up from \$11,551 million in the same period of 2009-10. The government data shows that in March alone, exports grew by 40.56 percent, compared to the same month of the previous year, to \$2.14 billion. Shipment of major items including knitwear, woven or cut and sew garments, jute and jute goods, home textiles, frozen food, shrimp and leather goods increased significantly during the July-March period. The knitwear sector earned \$6.6 billion, which is a 44.36 percent rise from the same period in the previous year while woven garment exports grew to \$6 billion, up 37.76 percent compared to the same period last year. Readymade garments consist 80 percent of the entire export earnings while home textiles and other non-apparel textile products earned around 6 percent. 'Export orders from foreign buyers still remain high to but due to infrastructure problem and shortage of skilled workers further growth potential

will remain uncultivated. Jute and jute goods export rose to \$837 million in July-March 2010-11, growing 44 percent year-on-year, home textile exports rose to \$555 million, growing 98 percent, frozen foods to \$471 million, up 57 percent and footwear export grew by 50 percent to \$222 million. Despite most major items showed significant rise in shipments, some items suffered negative growths in exports. Among such significant export items, export earning from terry towels declined by 7.39 percent to \$94 million, bicycle 10.23 percent to \$72 million and tea 56 percent to \$2.31 million. EPB had set an export target to earn \$18.5 billion for the current fiscal year, which is 14.16 percent more than the actual earnings last year. But export sector insiders predict that earnings would be around \$22 billion by the end of this fiscal. During 2009-10, the total export earnings were \$16.2 billion against a target of \$17.6 billion but real earnings was 4.11 percent higher than the earnings of 2008-2009 fiscal years.

New Age: 07.04.2011

### **World food prices fall for first time in 8 months**

World food prices fell for the first time in eight months in March after hitting record highs at the start of the year, the UN's Food and Agriculture Organisation said on 07.04.2011. The FAO's Food Price Index dropped after eight months of continuous price spikes to an average 230 points in March, down 2.9 per cent from its peak in February, but still 37 per cent above March 2010. The decrease in the overall index this month brings some welcome respite from the steady increases seen over the last eight months. March was extremely volatile for grains, largely due to growing economic uncertainties and the turmoil in North Africa and parts of the Near East as well as the Japanese earthquake and tsunami. However, the Food Price Index, which monitors average monthly price changes for a variety of key staples, showed that international prices of oils, sugar and cereals had dropped. Rice prices also fell as a result of abundant supply in exporting countries and sluggish import demand. By contrast, dairy and meat prices were up, although only marginally in the case of meat. The oil and fats price index fell 19 points in March, breaking nine months of consecutive increases, while the sugar price index averaged 372 points — down as much as 10 per cent from the highs of January and February. The dairy price index averaged 234 points, up 1.9 per cent from the previous month and 37 per cent above its level in March 2010, while the meat price index changed little from its February levels at an average of 169 points. World food prices hit record highs at the beginning of the year and the agency had warned in March that oil price spikes could push them even higher as increasing violence in Libya sent jitters through commodity markets.

New Age: 08.04.2011

### **Arbitration centre launched to settle business disputes**

The first arbitration centre to settle business disputes was launched in the country on 09.04.2011. The law minister inaugurated the Bangladesh International Arbitration Centre, sponsored by the International Chamber of Commerce, the Dhaka Chamber of Commerce and Industry and the Metropolitan Chamber of Commerce and Industry with support from the International Finance Corporation, UKAid and the European Union, in a ceremony at the Bangabandhu International Conference Centre. The arbitration centre would give people, especially businesspeople at home and abroad, a platform to resolving disputes. The arbitration centre would play an important role in settling disputes in a friendly manner outside the court. The centre was set up in a high rise at Panthapath in the capital. A number of retired jurists of the Supreme Court will be appointed arbitrators. Arbitration process should not be contradictory with the provision of law and court.

New Age: 10.04.2011

### **Huge backlog of CIB credit reports**

The Central Information Bureau of the Bangladesh Bank is finding it difficult to deliver reports because of manpower shortage and delay in launching the full-fledged online system, while the number of requests for reports from different banks and financial institutes is increasing. At present the CIB has a backlog of over

20,000 inquiries for credit information as it could release only around 3,500 reports a month in response to requests for 5,000-6,000 reports. As per the existing provisions, if any client of a bank or financial institute wants to take loans worth \$725 or Tk 50,000 or more, that bank needs to collect the CIB's report from the central bank to check whether the client is a loan defaulter or has any outstanding loan with any other bank or financial institute. 'Manpower shortage in the CIB and the delay in launching the full-fledged online system for preparing the reports have resulted in the huge backlog. Although the central bank started providing CIB reports online on a test basis in the fourth quarter of 2010, the full-fledged system is yet to be started. Under the existing service standard of the central bank, the credit reports are supposed to be supplied to the banks and financial institutions within fifteen working days after receiving the requests. The banks and financial institutions will be able to collect the CIB reports from the central bank by just one click once the full-fledged online system is launched. 'The BB planned to launch the online system in January and March but failed. Now it is planning to launch the system this month, but it is uncertain whether it will be able to do so. The CIB was set up on 18 August, 1992 by the central bank to prevent credit risk and reduce the number of defaulted loans.

New Age: 10.04.2011

### **BB to investigate banks' involvement in stock market debacle**

The central bank would launch an in-depth investigation into the banks and financial institutions named in a probe report on the recent stock market debacle. Probe report said some banks pocketed huge profits violating the rules and regulations including involving in fuelling the stock prices. The central bank would take action against the banks and financial institutions if they found guilty. The BB also would amend a section of the Banking Companies Act 1991 that allows a bank to invest 10 percent of its liabilities in the stock market. The new law would bring the Bangladeshi banks in the line with the international standard practice that would restrict banks' investment in the stock market by reducing the percentage of the deposits or fixing the rate in terms of equities. According to the banking companies Act 1991, a bank can invest in the stock market 10 percent of their total liabilities. Last year many banks were found overexposing into the stock market but situation had improved because currently there was only one bank that had their investment more than 10 per cent in the stock market.

New Age: 11.04.2011

### **UK banks told to boost capital, shield taxpayers**

Britain's top banks should shield their retail operations from riskier investment banking activities and hold more capital to protect taxpayers from any future financial crisis, a government-commissioned report said. Proposals outlined appear harshest for Lloyds Banking Group, which may be forced to sell hundreds more branches in addition to the 600 already on the block in order to improve competition on the high street. For the others, ring-fencing their retail arms could force HSBC, Barclays and peers to hold billions of pounds more capital and increase funding costs, potentially squeezing their profits. Overall, however, the recommendations in the commission's 208-page interim report were not as severe as many had feared, as banks already hold close to the recommended core Tier 1 capital level of 10 per cent in anticipation of new global rules. The panel's decision to steer clear of recommending a full break-up will also give the banks more flexibility to manage their cash and means the changes will be cheaper to implement. The aim had been to make banks less risky and better able to absorb losses, thus ensuring that vital operations like payments systems and cash for ATMs are kept running if a lender nears collapse as RBS did three years ago. Barclays had been seen as most at risk if the panel proposed more formal separation of businesses, due to its reliance on investment banking.

New Age: 11.04.2011

### **Japan quake economic impact worse than first feared**

The economic damage from Japan's massive earthquake and tsunami last month is likely to be worse than first thought as power shortages curtail factory output and disrupt supply chains. The more sober assessment came as Japan raised the severity of its nuclear crisis at the Fukushima Daiichi nuclear plant to a level 7 from 5,

putting it on par with the Chernobyl nuclear disaster in 1986. The Bank of Japan governor said the economy was in a 'severe state,' while central bankers were uncertain when efforts to rebuild the tsunami-ravaged northeast would boost growth, according to minutes from a meeting held three days after a record earthquake struck Japan on March 11. Japan is facing its worst crisis since World War Two after a 9.0 magnitude earthquake and a tsunami towering more than 10 meters battered its northeast coast, leaving nearly 28,000 dead or missing and rocking the world's third-largest economy. The government estimates the material damage alone could top \$300 billion, making it by far the world's costliest natural disaster. Measuring the impact on consumer sentiment, factory production and the supply chain is proving more difficult, but as the crisis drags on at the nuclear power plant, the damage to the economy looks to be more severe. Japan's economy is likely to grow 1 per cent this year, down from 2 per cent growth forecast before the earthquake, as private consumption slows to a halt. The economy could then accelerate to 3.9 per cent growth next year.

New Age: 13.04.2011

### **Red-hot Asia warned of inflation**

The International Monetary Fund warned a number of Asian economies were showing signs of overheating and that soaring food and energy prices were threatening to stoke higher inflation. But in its latest World Economic Outlook, the Fund also lowered its 2011 growth forecast for Japan after last month's enormous earthquake and tsunami, warning of 'large uncertainties' over the world's number-three economy. And the IMF lent its weight to global calls for China — which last year overtook Japan in economic size — to allow the yuan to strengthen. The currency was 'substantially weaker' than it should be, the report said. Powered by China, Asian economies have led the recovery from the world economic crisis but the IMF warned that stellar rates of growth were feeding price pressures. The risk that food and energy price increases will start an inflationary spiral is much greater in emerging and developing economies than in advanced economies. Households in developing economies spend a comparatively larger share of their incomes on food and energy. The IMF warned that 'many emerging market economies will need to tighten policies to lower the risk of a hard landing'. Several countries — including South Korea, Indonesia and India — have tightened policy to try to head off huge inflows of foreign capital from investors seeking better returns on their money than in the lagging West.

New Age: 13.04.2011

### **Private bankers demand lower corporate tax**

Leaders of the Association of Bankers Bangladesh on 13.04.2011 proposed that the National Board of Revenue should lower the corporate tax rate for commercial banks to 40 per cent from the existing 42.5 per cent. The NBR should lower the rate as the current rate of the corporate tax for commercial private banks is much higher than that for companies of other sectors. The NBR should not impose tax on statutory reserve of banks considering the reserve as expenditure as imposition of tax on statutory reserve contradicts the banking companies act, 1991. NBR not to impose tax on 1 per cent of the outstanding loans or the actual amount provisioned. Overall earnings of banks will be seriously affected if they have to pay tax on the actual amount provisioned. Under the Finance Act 2005, the actual amount provisioned or 1.0 per cent of the outstanding loans, whichever is lower, used to be considered as business expenditure.

New Age: 14.04.2011

### **ICCB concerned over liquidity crisis in banks**

The International Chamber of Commerce, Bangladesh expressed concern over the liquidity crisis in the banks that forced operation of business and establishment of new manufacturing units into severe problems. For the future of the economy, particularly for the private sector, it is vital that the banks resume their normal support to businesses. The ICCB observed that rising trend of inflation, upward trend in prices of essential commodities, unstable situation of capital market, fall in remittance inflow and infrastructural constraints did not give Bangladesh a chance to relax in the outgoing year although it has overcome the economic meltdown

successfully. Bangladesh could become an export powerhouse if it utilised the opportunities presented by foreign investors searching for alternative locations to set up industries in labour intensive export sectors as China was fast becoming uncompetitive in most of its labor-intensive sectors, such as textiles, shoes, furniture, toys, electrical goods, car parts, plastic products and kitchenware because of rise in wages.

New Age: 16.04.2011

### **Banks urged to pay attention to green banking**

Bangladesh Bank governor urged the chief executive officers of the country's banks to pay attention to green banking, by investing in energy efficiency and renewable energy projects. Central bank has a fund named "Renewable Energy Fund". Only two banks have so far taken the opportunities offered by the fund. The central bank governor made the request at the launching ceremony of the Environmental Risk Management Guidelines. BB urged the banks and financial institutions to keep climate change and environmental considerations as priorities in their activities. The impact of a deteriorating climate on financial institutions and business enterprises have driven the creation of the Environmental Risk Management Guidelines, encouraging banks and FIs to adopt risk management practices to safeguard against these inevitable environmental concerns. Detailed guidelines on green banking were issued on February 27, in which banks have been advised to give more emphasis to help environment by eliminating paper waste, saving gas and carbon emissions, and reducing printing costs and postage expenses. Banks shall comply with the instructions stipulated in the detailed guidelines on Environmental Risk Management in consideration of a part of the Green Banking Policy. The comprehensive guidelines were developed by Bangladesh Bank, in collaboration with IFC and with input from Bankers Association of Bangladesh and financial sector stakeholders and have been issued to all financial institutions in the country.

New Age: 18.04.2011

### **Cane furniture industry in jeopardy**

The cane furniture industry is in jeopardy due to a drastic fall in domestic production of cane and price hike of imported cane in recent months. Cane furniture is losing its market to its cheaper counterparts made of particle boards, plastic, and iron rods and pipes. A large number of cane furniture manufacturers in different areas of the capital, including Green Road and Shewrapara of Mirpur, had to close down their business, failing to cope with the situation. The price of Golla Bet, a high-quality cane, imported from Indonesia now stands at Tk 750 per 10-foot stick, which was Tk 450 only one year back, while the price of low-quality cane imported from Myanmar has risen from Tk 90 per stick to Tk 200 and that of cane slice from Tk 250 to Tk 500 per kilogram over the year. The price spike of cane had resulted in the cane furniture becoming costlier. The price hike of cane furniture is, naturally, driving people to go for buying cheaper furniture made of particle boards, plastic, and iron rods and pipes. The demand for cane furniture has been on the wane because of a high price of raw materials leading to a price hike of the traditional handmade furniture.

New Age: 18.04.2011

### **Moody's rating for Bangladesh unchanged**

Moody's Investors Service, a US-based global credit rating agency, in its latest rating on Bangladesh said the country has been maintaining a 'stable' economic outlook. The Moody's, one of the two agencies engaged by the government, gave Bangladesh the same Ba3 rating which was given last year. The company has 21 rating categories ranging between Aaa and C. Moody's Ba3 rating put Bangladesh on a par with the Philippines. In the South Asian context, Bangladesh's position is three-step higher than Pakistan and one-step higher from Sri Lanka, but below India. The report said Bangladesh's economy was treading the path to a higher growth potential, but is also facing modest near-term risks. With declining poverty, improved food security, favorable demographics, and recent efforts to enhance infrastructure, conditions for higher growth were visible. However, a recent deceleration of remittance inflows and a rising trade imbalance are resulting in modest near-term pressures in the external balance of payments. Excessive government interventions in the stock market or

in state enterprises might raise contingent fiscal pressures somewhat. But these are expected to remain within the liquid resources of the broader public sector, the report said. Moody's last rating action on Bangladesh was on April 12, 2010, at which time the local and foreign currency issuer ratings were assigned a Ba3, with a stable outlook.

New Age: 18.04.2011

### **Less than 2pc of exports shipped to ME market**

Less than two per cent of Bangladesh's export shipments are destined for the Middle East market despite the fact that it is a goldmine for the global exporters of consumer goods. A recent report of the Export Promotion Bureau revealed that Bangladesh earned \$16.2 billion by exporting merchandise to the global market but only 1.86 per cent of the sum, about \$301 million, came from 12 countries of the Middle East in the July-March period of the current 2010-11 fiscal year. Exports to UAE amounted worth \$91.7 million in the period, Saudi Arabia \$83.4 million, Iran \$73.4 million, Syria \$25.6 million, Kuwait \$10 million, Qatar \$8.3 million, Bahrain \$2.3 million, Jordan \$2.7 million, Lebanon \$2.5 million, Oman \$0.7 million, Yemen \$0.6 million and exports to Iraq amounted worth \$0.12 million. In fact, the Middle East market has remained unexplored by Bangladeshi exporters who have been concentrating much on EU and US markets. The government has recently started working to promote Bangladesh foods and medicines in the Middle East markets. Local exporters were yet to undertake any mission to promote major Bangladeshi exports, like apparels and leather goods to the native consumers in Middle East markets. With \$15 billion-plus annual exports to the world market, Bangladesh's apparel industry's shipments to the \$50 billion-plus Middle East market are worth less than \$100 million.

New Age: 19.04.2011

### **Contribution of govt investment to GDP slips every year**

A Planning Commission report says the contribution of the public-sector investment to the country's gross domestic product has been on the wane since fiscal year 2004-05 for five key reasons. Those reasons, the report says, are selection of development projects from political considerations, approving unproductive projects that do not address the country's macroeconomic needs and situation, all-pervasive corruption in devising and carrying out the Annual Development Programme, weak project implementation, and lack of project evaluation. The contribution of government investments to GDP has declined by 1.59 per cent over the last six fiscal years in contrast to a 1.42 per cent rise in the contribution made by the private-sector investments to the GDP over the same period. According to the data of Bangladesh Bureau of Statistics, the total contribution of investment to the GDP in FY2004-05 was 24.53 per cent comprising the government investments' share standing at 6.21 per cent and the remaining 18.32 per cent coming from private investments. In the last fiscal year, the total contribution made by investments to the GDP was 24.35 per cent, with government investments accounting for 4.62 per cent and private investments 19.74 per cent.

New Age: 20.04.2011

### **PM opens Expatriate Bank**

Prime minister on 20.04.2011 inaugurated the Expatriate Welfare Bank to reduce migration cost for Bangladeshis and ensure safe transaction of their remittances. The bank will provide intending overseas migrant workers with collateral-free soft loan, and migrant workers with low-cost and easy remittance transfer services. She also handed over loan cheques to four prospective emigrants while opening the bank at the programme at Sonargaon Hotel. The Expatriate Bank started its journey with Tk 100 crore paid up capital. The bank was being established initially with a paid up capital of Tk 100 crore, of which Tk 95 crore came from Expatriate Welfare Fund and rest Tk 5 crore from the government exchequer. The expatriate bank will provide various facilities to the Bangladeshis, presently employed in the foreign lands, in a package including loans. The bank will help channeling remittance in a single but safe way to stop all possible means of deceiving the expatriate workers.

### **BB's 10-tonne gold gains \$82m in value**

Bangladesh Bank seemed to have made a good bet by purchasing 10 tonnes of gold in September 2010 as the value of this stock of gold has increased by more than \$82 million or Tk 580 crore following a price hike on the global market. The central bank purchased 10 tonnes of gold from the International Monetary Fund on September 9, 2010 at a rate of \$1,252 per ounce. As the gold prices have soared on the international market, standing at around \$1,508 on 21.04.2011, Bangladesh Bank's profit from that investment now amounts to \$256 per ounce, meaning a total profit of around \$82 million or approximately Tk 580 crore. [1 tonne = 32,150 ounce]. The total gold reserve of the central bank was about 13 tonnes worth around \$650 million or approximately six per cent of its total foreign exchange reserve. Even after the recent purchase of 10 tonnes of gold, the central bank's forex reserve was dominated by US dollar. Before the recent purchase, gold accounted for around 1.3 per cent of Bangladesh Bank's forex reserve. India has 7.5 per cent of its reserves in gold, Pakistan 15.8 per cent and Sri Lanka 22 per cent, according to BB data. Nearly 60 per cent of Bangladesh's forex reserve was still tied up to US dollar, followed by around 20 per cent to euro. The BB's forex reserve stood at \$11 billion on 21.04.2011 after declining to around \$10.94 last week.

New Age: 22.04.2011

### **Troubled Kabul Bank to be split amid scandal**

Afghanistan's troubled Kabul Bank is being split into a 'good bank' and a 'bad bank' in a desperate bid to save it from collapse, the central bank said. The announcement is the latest twist in a scandal involving figures close to President including one of his brothers which has highlighted chaos and corruption in war-torn Afghanistan's financial system. It came as the International Monetary Fund considers a new financial assistance plan for desperately poor Afghanistan. The IMF has indicated it is conditional on the Kabul Bank crisis being resolved. The bank had to be taken over by Afghanistan's central bank after claims that former executives granted themselves off-the-book loans worth a reported \$900 million which were partly used to buy luxury properties in Dubai. The country's largest private bank—would be split into 'good' and 'bad'. This should mean that ordinary people's deposits are protected in the 'good bank' while the 'bad bank' will attempt to recoup the hundreds of millions of dollars of bad loans. 'The good part includes people's deposits, normal loans, and its branches... all of which will continue as a good and clean bank. It is set to be owned by the finance ministry for three months before being sold off. The bad part includes loans to the shareholders and some other individuals that were given out in contradiction of banking regulations. These loans will be reclaimed and given to the central bank to repay its loans to Kabul Bank.

New Age: 21.04.2011

### **Treasury investment funds report \$1.7b gains**

The US Treasury Department said that an investment programme set up during the financial crisis to buy toxic assets from banks is showing a \$1.7 billion gain. The department committed \$22.1 billion in taxpayer funds to the Public-Private Investment Program, which was created in March 2009. The money has been used to set up funds that have invested in mortgage-backed securities and other financial assets. The goal is to take those assets off the books of large banks that were facing huge losses from bad real estate investments during the housing bubble. The department has earned more than \$500 million in dividends and other profits from the investments. And Treasury's share of the securities held in the funds has increased in value by \$1.2 billion. The department reports on the status of the funds each quarter. The funds are managed by private investment companies, including Alliance Bernstein, Blackrock Inc and Invesco. Those companies have invested \$7.4 billion in the funds, an amount matched by Treasury. Treasury also lent another \$14.7 billion. The department tapped the \$700 billion financial-system bailout fund, known as the Troubled Asset Relief Program, for the

money.

New Age: 23.04.2011

### **BB to launch 60cr new Tk 5 coins**

Bangladesh Bank is going to introduce new coins of Tk 5 denomination although the cost of minting each coin would be much higher than the paper note of same denomination. The central bank decided to mint 60 crore Tk 5 metal coins in a board meeting presided over by governor. The new coins will have the portrait of the founding president of Bangladesh, Sheikh Mujibur Rahman. It would cost the bank Tk 102 crore to mint the coins each of which will cost Tk 1.70 while the cost of printing paper currency of Tk 5 is approximately Tk 0.30 to Tk 0.40. 'The decision to mint Tk 5 coins at a huge cost in foreign currency will cut the reserve. The coins will be minted from abroad spending foreign currency. The existing crisis of coins will deepen after this year because the stock of coins is limited. In the present world context, paper notes are less favourable as it loses the strength for random usage and but in Bangladesh paper notes are more favourable because of low cost for their printing.

New Age: 27.04.2011

### **Eurozone SMEs say credit easier to find than clients**

Small and medium-sized eurozone businesses say getting bank loans has become a little easier but finding customers has become harder, in a survey released on 27.04.2011 by the European Central Bank. 'According to the survey's results, euro area SMEs' external financing needs increased slightly between September 2010 and February 2011. At the same time, the survey results show that access to bank loans continued to improve, albeit moderately. The poll of more than 7,500 firms was done in late February and early March by the ECB on behalf of the European Commission, and provided detail on the eurozone's economic situation. The Commission estimates at present that economic activity will expand by 1.6 per cent this year, but warns growth will be uneven across the 17-nation area. As in the previous six-month round, the survey found that slightly more SMEs reported a gain in sales between September 2010 and February 2011 than those that suffered declines, but a strong net percentage also saw profits decline.

New Age: 28.04.2011

### **S&P keeps credit ratings on Bangladesh unchanged**

Bangladesh's credit ratings by Standard and Poor's, like that released by another international firm, Moody's, have remained unchanged but constrained by the country's limited fiscal flexibility due to low revenue-generation capacity against relatively high public and external debt. The S&P on 28.04.2011 said it had affirmed its 'BB' long-term and 'B' short-term foreign and local currency sovereign credit ratings on Bangladesh with a stable outlook. The transfer and convertibility assessment remained 'BB-'. The agency gave similar ratings last year after the government had assigned it to rate Bangladesh's economy. It, however, said the ratings are constrained by the country's limited fiscal flexibility due to low revenue-generation capacity against relatively high public and external debt and significant physical and human capital development needs. The relatively high public and external debt levels are one of the main factors constraining the ratings on Bangladesh. Net general government debt at a projected 36 per cent of GDP in 2011 is well above that of peers, and the associated interest burden of 18 per cent of general government revenues is more than double the median for similarly rated countries and of peers,' said S&P in a media release. The external debt component, at 66 per cent of current account receipts in 2010, is similarly high, it added. 'Bangladesh's limited fiscal flexibility owing to a narrow revenue base and high infrastructure needs also constrains the rating. Significant energy and infrastructure deficiencies and administrative and bureaucratic weaknesses also constrain the ratings. Bangladesh's strong real per capita income growth, favourable growth prospects, and a moderately strong foreign exchange reserve buffer support the ratings. Real per capita GDP growth averaged 4.7 per cent in the past five years, and has taken place in the context of stable fiscal and monetary conditions,

the agency mentioned. Moody's in last week also kept its ratings on Bangladesh unchanged.

New Age: 29.04.2011

### **S&P unveils new Greater China rating**

Standard & Poor's announced a new credit rating benchmark for the Greater China region in a bid to tap growing investor interest in debt issued in China's currency, the yuan. The development of the offshore renminbi debt market is the main driving force behind the development of this rating scale. As more and more investors show an interest in the offshore renminbi market, the Greater China scale should serve as a useful reference tool for them to assess the relative credit worthiness of different issuers. The new ratings scale, which S&P said was a first for the Greater China region, compares the creditworthiness of over 190 debt issuers and issues in mainland China, Taiwan and Hong Kong. This benchmark gives investors finer distinctions of credit risk and will be more of use to investors inclined to investing in the Greater China Region.

New Age: 28.04.2011

### **Asian-owned businesses grow sharply in US**

Businesses owned by Asian Americans have grown at more than twice the national average, offering a boost to the United States economy, official figures said. Releasing a survey taken twice each decade, the Census Bureau said that Asian Americans owned 1.5 million businesses in 2007, a rise of 40 per cent from five years earlier. The national growth rate was 18 per cent. 'Asian-owned businesses continued to be one of the strongest segments of nation's economy, the deputy director of the Census Bureau said in a statement. The businesses generated more than \$500 billion in sales in 2007 and employed some 2.8 million people. Of Asian-owned businesses, more than one-quarter were run by Chinese Americans. Businesses owned by Vietnamese Americans were among the fastest growing, increasing nearly 56 per cent over the five-year period. Businesses by most US minority groups have been growing strongly, with African American-owned firms soaring more than 60 per cent between 2002 and 2007. The United States is becoming increasingly diverse.

New Age: 29.04.2011

### **Indonesia stops banks from adding wealthy customers**

Indonesia's central bank barred 23 commercial lenders from accepting wealthy individuals as new customers for a month starting on May 2, after a major embezzlement scandal at Citibank. Central Bank Indonesia had already banned Citibank Indonesia from acquiring new premium customers after an employee allegedly embezzled at least 17 billion rupiah (\$1.98 million) from clients' private accounts. Banks are requested to improve their SOP (standard operating procedures) and internal monitoring as part of efforts to increase the quality of services and protection for their customers. Citibank Indonesia has been under fire since account holder died in mysterious circumstances in a Citibank office after a meeting with debt collectors earlier this month. His relatives have filed a three-trillion-rupiah lawsuit against the bank's US headquarters, claiming the politician was beaten to death.

New Age: 29.04.2011

### **BB asks banks to ensure stability in the sector**

*To probe banks named in share market scam report*

The central bank has asked the country's top bankers to take effective measures for ensuring stability in the country's banking sector rather than profitability in 2011. The commercial banks have also been advised not to charge more than 14 per cent interest rate on working capital to industries. The advice came at the first meeting of bankers for this calendar year held in the central bank 10.04.2011 with Bangladesh Bank (BB) Governor Atiur Rahman in the chair. The central bank earlier asked the commercial banks to bring down their

CDR to a safe limit by June 30 this year. The conventional commercial banks will have to bring down their CDR to 85 per cent while Sharia-based Islamic banks to 90 per cent within the timeframe, set by the BB on February 20 last. Currently, the banks are allowed to invest 10 per cent of their liabilities (deposits) in the share market. In March this year, the BB withdrew the lending rate cap in all sectors barring two - agriculture and industrial term loan - after nearly two years, following the increase in deposit rate that created a mismatch between the cost of funds and the interest rate ceiling set by the central bank on lending operations by the banks. The central bank of Bangladesh identified that at least 16 commercial banks particularly private commercial banks (PCBs) crossed their exposure limit in the capital market investment last year.

Fin. Exp: 11.04.2011

*Following HC verdict*

### **Importers allowed to buy 24 old ships**

The Department of Shipping has so far permitted importers to purchase 24 old ships following a High Court (HC) verdict that ended difficulties and embargo the industry faced for nearly one year. In the verdict, the official copy of which was issued on April 7, the HC said the ban order on old ships import should go as Prime Minister Sheikh Hasina has declared it as an industry. It also said the industry is important as it supplies raw materials for MS rod manufacturing and inland boat building. The ship breaking sector had been facing hurdles over import of old vessels since 2009 due to legal issues which caused reduction in their imports. The country's 72 ship breaking yards had imported 175 ships weighing 2.2 million tonnes of iron plates in 2009. The imports dropped significantly in 2010. The ship breakers imported only 1.3 million tonnes of iron plates last year. Sitakundu in Chittagong emerged as the world's largest ship-breaking destination as Bangladeshi importers had beaten their competitors in India and Pakistan to buy the highest number of scrap vessels sold in the international market during 2007-2009 period. The active ship breaking yards in Sitakundu, 20 kilometres north of the port city Chittagong, dismantled more than 130 ships in 2007. Bangladesh used to dismantle around 50 per cent of the ships sent to scrap-yards across the globe, according to BSBA. The other leading players in ship breaking are Turkey and China.

Fin. Exp: 12.04.2011

### **Credit flow to pvt sector records rise in Feb**

Credit flow to the private sector recorded a growth of 28.34 per cent to Tk 702.79 billion in February 2011 on a year-on-year basis compared to 28.06 per cent or Tk 690.61 billion over that of the previous month, according to the central bank statistics. Bangladesh Bank (BB) officials said the credit flow to the private sector increased during the period under review following rise in financing to small and medium enterprises (SME), agriculture and trade sectors. The country's overall imports grew by over 44 per cent in the first eight months of this fiscal, thanks to a jump by nearly 117 per cent in import of food grains. Letters of credit (LCs) against imports worth US\$ 20.604 billion were settled during the July-February period of fiscal 2010-11 (FY 11), compared to \$14.272 billion during the corresponding period of the last fiscal, the BB data showed. The overall private sector credit growth has pushed partially the country's inflation rate up measured by the consumer price index recently although the BB as well as the government have taken different measures to curb the inflation, the central bankers and experts said. Under the measures, the BB raised the cash reserve requirement (CRR) by fifty basis points to 6.0 per cent for the commercial banks on December 1 last for curbing inflationary pressure on the economy. On March 10 last, the central bank increased its policy interest rates by fifty basis points to contain inflation

Fin. Exp: 17.04.2011

### **BRAC Bank's tractor financing gaining popularity**



BRAC Bank Limited's tractor financing programme under its small and medium enterprise (SME) banking have drawn vast attention of farmers. Farmers claimed that many of them were becoming interested after observing success of others. The tractor financing programme under bank's SME banking has provided 2000 tractors worth Tk 1000 million in three years among farmers, a high official of BRAC Bank said. In this connection, the BRAC Bank signed agreements with two tractors vendors-the Metal (Pvt) Ltd and the Metal Plus Ltd-for financing under its SME banking who market Tafe and Eicher brands tractors. The technologically advanced tractors consume 1.75-litre fuel for cultivating one bigha of land and able to cultivate 35 bighas a day. According to the BRAC Bank SME Division, with more than 1.0 million customers base, the bank has already ensured its position as one of the largest SME financier in just nine years of its operation in Bangladesh (began in 2001). Above Tk 145 billion has already been disbursed to 0.32 million small and medium entrepreneurs by which above 1.25 million people have been employed.

Fin. Exp: 19.04.2011

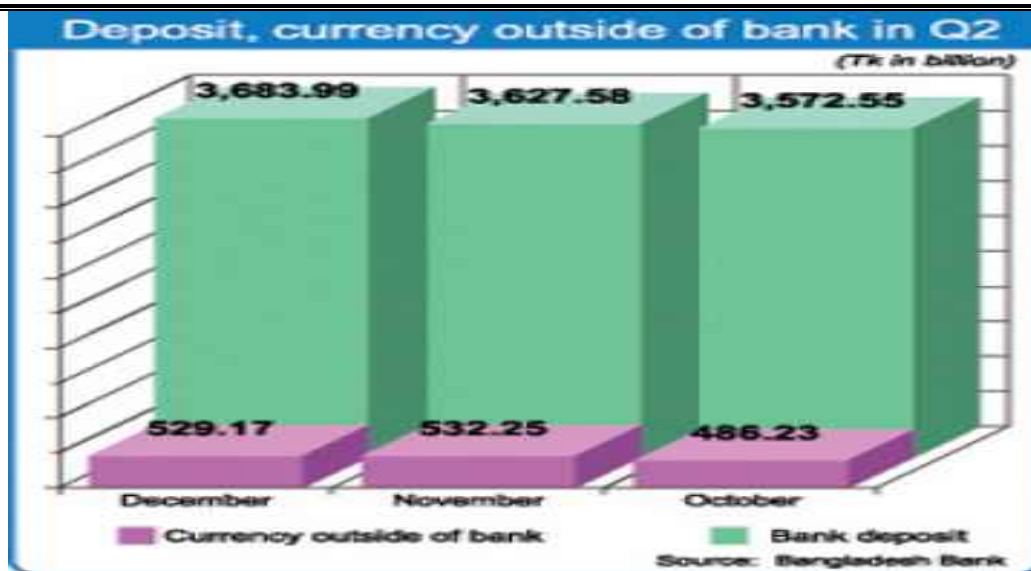
### **New policy boosts for frozen fish exporters**

The government has embarked on a major policy boosts for the frozen fish exporters, scrapping weight-based cash incentive system that encouraged dumping and extending the moratorium on term loan repayment. An exporter used to get \$3.79 for per pound of shrimp and \$ 1.10 for per pound of white and other fish. But now the exporters will get the cash support on the actual rate of invoice value from the next financial year. The frozen fish exporters have been hit hard by the global recession which saw their annual shipment clock negative growth last year -- for the first time since 2001-2002 fiscal year. The sector has been suffering from credit crunch since the onset of the global financial crisis in 2008. The Bangladesh Frozen Foods Exporters Association (BFFEA) has sought a special government allocation of 4.50 billion taka to ride out the slump

Fin. Exp: 20.04.2011

### **Overall bank deposit growth slows down**

*Where has the money gone after stock market debacle?*



The overall bank deposit grew by 2.20 per cent to Tk 3572.5540 billion in October last over that of the previous month while this rate of growth slowed down to 1.55 per cent to Tk 3683.9970 billion in December 2010, according to the central bank statistics. The overall bank deposit (excluding inter-bank and restricted) increased by 20.90 per cent to Tk 3368.46 billion during in the fiscal year 2009-10 (FY10) against 20.26 per cent growth during the previous fiscal. Meanwhile, the comparatively slow growth rate of bank deposits in the second quarter of the current fiscal was also somewhat striking. This is so because there was, according to insiders in the banking sector, premature encashment of savings certificates issued by the government and also relatively lower volume of new purchases of such instruments during the period under report, following the slashing of the rate of return on the same. The country's commercial banks offer deposit rates up to 13.50 per cent in April 2011 from 12.00 per cent of the previous month on term deposits, while the rate for savings accounts ranged between 1.0 per cent and 9.50 per cent, the central bank data showed. The benchmark index of Dhaka Stock Exchange (DSE), the country's prime bourse -- generally known as DGEN -- gained 1066.93 point during Q2 of the current fiscal and after that period, the stock prices in the market started plummeting. The country's stock market lost substantially, in terms of market capitalisation of all the listed issues, leading to a sharp drop in its index, in past four months. The DGEN came down to 6132.56 point 20.04.2011 from its highest 8918.51 point on December 05 last, the DSE data showed. On the other hand, currency outside the banking system rose to Tk 532.259 billion in November last from Tk 486.233 billion in October 2010. It was Tk 529.176 billion in December last.

Fin. Exp: 21.04.2011

## **BB slaps curbs on opening of new bank branches**

### ***CDR must be brought down to 85pc by June 30***

Bangladesh Bank (BB) has imposed restrictions on issuance of permission for opening any new branch of banks which have crossed the limit of credit-deposit ratio (CDR) at 85 per cent. On February 20 last, the central bank set June 30 this year as the deadline to bring down the CDR of 24 private commercial banks (PCBs), out of a total of 30, to an acceptable level. Under the directives, 19 conventional commercial banks will have to bring down their CDR to 85 per cent while five Sharia-based Islamic banks, to 90 per cent, by June 30 next. The CDR of the commercial banks has declined gradually following a special monitoring by the central bank, another BB official said, adding that the CDR will come down at a reasonable level shortly. Average CDR of all banks came down to 84.94 per cent on March 31 from 85.40 per cent on February 24 last, according to the central bank's latest statistics. The CDR of at least 19 PCBs was at over 85 per cent on March 31, according to the BB's monitoring report. Most PCBs are now discouraging credit to 'non-essential imports' as well as 'less productive sectors', aiming to bringing down their CDR to a rational level within the stipulated

timeframe.

Fin Exp: 24.04.2011

**Bangladesh bank Circulars during April, 2011**

<b>Date</b>	<b>Circular Number</b>	<b>Subject</b>
17/04/2011	DFIM Circular Letter No. 09	Specimen signature - Mahbuba Khatun, Deputy General Manager.

06/04/2011	DFIM Circular No. 04	Guidelines on Environmental Risk Management (ERM).
24/04/2011	FEPD Circular No. 04	Authorizing BTTLMEA to issue certificate.
10/04/2011	FEPD Circular No. 03	Providing new market exploration assistance.
11/04/2011	BRPD Circular No. 04	Bank Account for Freedom Fighters.
28/04/2011	DOS Circular Letter No. 07	Submission of Minutes of the meetings of Board of Directors/Executive Committee/Audit Committee.
06/04/2011	DCMPS Circular Letter No. 04	Distribution of dividend through EFTN.
04/04/2011	DCMPS Circular No. 03	Implementation of BACPS at Rajshahi and Barisal Region.
26/04/2011	MPD Circular No. 02	Refixation of Repo and Reverse Repo Rate of Bangladesh Bank.

Source: BB Website.

### Information on Economy

	Amount	Previous year's/ month's Position
<b>1. Foreign Trade:</b>	Million US\$	Million US\$
<b>a. Exports (2009-10)</b>	<b>16204.60</b>	<b>16204.60</b>
b. Exports (January-2011)	1920.60	1988.40
<b>c. Imports (2009-10)</b>	<b>23738.00</b>	<b>23738.00</b>
d. Imports (January-2011)	3047.50	2984.40
<b>2. Workers' Remittance (December -2010)</b>	969.10	998.64
<b>3. Inflation: point to point (January-2011)</b>	9.04	8.24

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

### Banking Sector and Economic Information:

	Amount (TK in Cr.)	Amount (TK in Cr.)
	<b>December-2010</b>	<b>November- 2010</b>

<b>1. Bank Deposit</b> (excluding inter bank)	368390.90	362750.10
<b>2. Bank Credit</b> (excluding inter bank)	379843.90	370545.40
<b>3. Money Supply</b>		
a. Currency Outside Banks	52917.60	53225.10
b. Demand Deposit	46777.60	44465.60
c. Deposit with BB other than DMBs	223.70	185.70
<b>d. Narrow Money (a+b+c)</b>	<b>99918.90</b>	<b>97877.20</b>
e. Time Deposit	299360.10	296774.80
<b>02. Broad money (d+e)</b>	<b>399279.00</b>	<b>394652.00</b>
<b>4. Excess Reserve (Liquidity)</b>	<b>7182</b>	<b>5776.70</b>
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	6.08 <sup>(p)</sup>	6.07
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	11.34 <sup>(p)</sup>	11.23
<b>7. Ratio of DMBs Credit to Deposits (%)</b>	103.11	102.15
<b>8. DMBs Total Assets/Liabilities</b>	959326.70	964588.60
<b>9. F.E. Reserve (million \$US )</b>	<b>11174.40</b>	<b>10700.20</b>
<b>10. Cash Base of the Economy</b>	87429.40	85114.70

- **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: March 2011
- (p)= Provisional

#### Performance of IFIC Bank as on December 31, 2010 :

(Tk. in Crore)

Loans & Advances	Deposits	Profit	Total capital
4756.34	5466.04	418.35	671.39

#### Academic Activities in April- 2011:

- I. Course on "**International Trade Payment and Finance**": IFIC Bank Training Academy conducted a week long Course on "**International Trade Payment and Finance**" on April 23-27, 2011. The course

was inaugurated by Mr. Wakar Hasan, Senior Executive Vice President at IFIC Bank Academy premises. It may be mentioned that, this was the 13<sup>th</sup> program of IFIC Bank Academy in the year 2011. Executive & Officers working at different branches & Head Office have attended the course.

- II. Workshop on "**Green Financing**": IFIC Bank Training Academy conducted half day workshop on "**Green Financing**" on April 28, 2011. The course was inaugurated by Mr. Mati -ul- Hasasn, Deputy Managing Director (Business) at IFIC Bank Academy premises. It may be mentioned that, this was the 14<sup>th</sup> program of IFIC Bank Academy in the year 2011. Executive & Officers working at different branches & Head Office have attended the workshop.

**Readers please:** Please mention the name of the first Credit Rating Agency.

Match our answer with yours: Knowledge Update: 144

Answer: The elaboration of GSP is Generalized System of Preference.

We can be reached at: [tnr@ificbankbd.com](mailto:tnr@ificbankbd.com)

#### **Supervisory Executive**

**Ms. Zaitun Sayef, DMD (Risk Management)**

#### **Team Members**

**Mr. A. K. Mojibur Rahman, FAVP**

**Mr. Benjir Rahman, OG - I**

**Mr. Jayanta Sutradhar, OG - I**

## **Revisiting Basics**

# Credit Rating

**Definition:** Credit Rating is the symbolic indication of the current opinion regarding the relative capability of a corporate entity to service its debt obligations in time with reference to the instrument being rated.

Credit Rating is an alphabetical or alphanumeric representation of the credit worthiness of the individual, business or instrument of a business. However Ratings merely express an opinion on the credibility of the entity and cannot be considered to be a recommendation. The evaluation of the credit worthiness of the anything is based on several premises, most important of them being:

- Ability to pay
- Willingness to pay

## **History:**

First Credit Rating Agency was the Mercantile Credit Rating Agency, established in 1841 in New York. First rating guide was published by Robert Dun in 1859 and another rating agency was set up by John Bradstreet, which is popularly known as Dun & Bradstreet today. Some of the renowned rating agencies are:

- Standard & Poor's
- Moody's Investor Service
- Fitch Rating Agency

## **What can be rated:**

- Financial Instruments
  - Customer Rating
  - Borrower Rating
- **Sovereign Rating**

## **Benefits of Credit Rating:**

- Numerical indicator of the ability of an entity to meet its financial obligations
- Establishes a link between risk and return
- Helps in making investment decision
- Plays an investor protection role and acts like a marketing tool on behalf of the company
- Encourages corporate to maintain discipline, improve their financial structure and operating risks to get a better rating
- Credit rating is important from the regulatory point of view as well, for determining the margin requirements, entry levels, category of investors etc.

## **Factors for successful credit rating systems:**

- Credible and independently determined
- Independence and unbiased opinion
- Analytical research, consistency is crucial
- Industry related expertise
- Confidentiality
- Timeliness of ratings and changes in ratings
- Wide reach and coverage

## **Process of rating:**

1. Credit Rating Agency enters into an agreement with the client whose securities are to be rated
  - a. Rights and liabilities of the parties are defined
  - b. Fees charged is specified
  - c. Tenure for periodic review of the rating is specified
  - d. The client shall disclose the credit rating received for its listed securities and disclosed the same in its offer document whether or not it is accepted by him
  - e. Ensure confidentiality of all the information disseminated by the client
  - f. The rating agency shall exercise due diligence to ensure that the rating assigned is fair and appropriate

2. Rating agencies on the basis of several premises assign the credit rating and communicate to the client/ issuer.
3. The issuer can make one request for review of the rating based on fresh facts and clarifications.
4. Then the final rating is assigned and the same is published along with the definition of the concerned rating along with the symbol.
5. A copy of the rating is filed with the Board along with any modifications and additions made thereafter
6. The rating agency will also publish the rationale behind the rating assigned and the justification to the premises considered, favorable assessment and factors constituting risk
7. Once accepted, it is disclosed and put in the surveillance process thereafter
8. **Surveillance:** Continuous review of the ratings assigned to the rating agency. Frequency of the reviews may vary from quarterly to annually as per the agreement
9. **Credit Watch:** In case of any event taking place, that may result in major deviations from the expected trends and which are likely to impact the credibility, rating of the entity, such instruments are put on credit watch, until the impact of the event is not evident or clear
10. **Investments in investment grade:** Investors are advised to invest in securities up to investment grade level, which is BBB (S&P) and Baa (Moody's). Securities rated below the investment grade are referred to as speculative grade or junk bonds

#### **Obligations of Credit Rating Agencies: Code of Conduct**

- They shall observe high standards of **integrity** and **fairness** in all their dealings
- Fulfill all its obligations in a **prompt, ethical and professional** manner
- Protect the **interest of the investors**
- Render at all times
  - **High standards of service**
  - **Exercise due diligence**
  - **Exercise independent professional judgment**
  - **Provide unbiased services**
- Any **conflict of interest** in the rating analysis shall be avoided and disclosed if any
- Shall **NOT** indulge in **unfair competition**
- Shall maintain confidentiality of the information disclosed by the client during the process of rating or pass any **price sensitive information**
- Shall **NOT** make **false statements** about its **capability to render services** or its qualifications and achievements
- Shall **NOT** make an **untrue statement** or **suppress material facts** while rating a security