



**IFIC BANK LIMITED  
TRAINING & RESEARCH DIVISION  
HEAD OFFICE, DHAKA**

## **Investment shows strong rebound**

Investment in the country is on the rebound, the rise was mainly because of an expansion of the existing factories, increased SME loans and rental power. Existing industries are taking out loans to expand operations and install generators to tackle the power crunch because the government suspended giving new gas and power connections. According to Bangladesh Bank, capital machinery imports increased by only four percent in the last fiscal year, while the letters of credit (L/C) opened to import machinery went up by about 54 percent. Even though the import of industrial raw materials decreased but the number of L/C opened increased by 18 percent. This is a sign that investment and industrial production will rise this fiscal year. Looking at an industry-wise breakdown, the L/C opened for capital machinery in jute increased by 222 percent, leather by 902 percent, textiles by 42 percent, garments by 31 percent, pharmaceuticals by 129 percent and plastic by 131 percent. Last fiscal year, industrial term loan disbursement rose by 30 percent, which fell in the previous fiscal year. Total industrial term loan disbursement was Tk 25,875 crore in the last fiscal year, which was Tk 19,972 crore the year before. According to Bangladesh Bank statistics, 80 percent of the total outstanding loans till March are SME loans. In March, SME loans increased by about 17 percent compared to the same period in the last fiscal year.

Daily Star: 01.09.10

## **BB warns banks on extra interest**

The central bank has warned all commercial banks against charging any extra interest from borrowers to make more profit. A circular issued by Bangladesh Bank said: "Some banks have been calculating interest deviating from rules, which is not desirable." It also made directives to the banks that no penal interest can be charged on any type of loans. Bankers, however, have different views on such penal interest. They say this penal interest is applicable to bad borrowers. Bangladesh Bank's policy is to calculate interest every three months, its circular said, focusing on different types of loans and how their interest rates have to be calculated

Daily Star: 01.09.10

## **BB asks 9 banks to cut stock investment**

Bangladesh Bank (BB) has directed nine banks to bring down their excess investment in the share market in a span of three months from October to December. According to the Bank Company Act, a bank cannot invest more than 10 percent of its liabilities in the share market. But these banks were found investing up to 34 percent beyond their liabilities. After one-on-one meetings with these banks on August, three banks were asked to bring down their excessive investment in the share market by October, while three other banks were asked to do so by November and the rest three by December. Such investments by thirty-two banks stood at Tk 20,576 crore, central bank data on June 30 show

Daily Star: 02.09.10

## **BB softens international fee clamps**

*IT firms may move \$10,000 a year*

Software and information technology (IT) companies are now allowed to remit up to Tk 69,000 (\$1,000) in foreign exchange at a time without prior approval of the central bank. The software exporting and outsourcing companies will also be able to receive payments for their exports and services (data entry/processing) via internet, V-Sat or other electronic media. Authorized banks can remit up to \$10,000 in a calendar year for IT or software firms “in non-physical” (electronic) form, a Bangladesh Bank (BB) notice said 02.09.2010. These funds will be allowed, but only for firms to pay for software, domain registration, server maintenance and hosting fees. Until now, most software and IT firms in the country paid fees and received their payments in foreign exchange through an individual's overseas credit card. The prior BB restrictions on online transactions were a burden for companies that depend on overseas transactions to pay their service fees and receive payments. Out of the \$10,000 ceiling, authorised dealers may issue an international card (IC) to a firm for up to \$1,000 with a recommendation of Bangladesh Association of Software and Information Services (BASIS). In the case of an error or excess payment abroad, the amount will be repatriated to Bangladesh on demand. Under the new rule, BASIS will issue a letter to a qualifying firm that specifies the firm's authorised bank. The bank must ensure that “refills” of ICs and outwards payment through other means do not exceed \$10,000, and must report the transactions to the Bangladesh Bank. Authorised banks also ensure that beneficiaries use safe internet transactions, are a registered business, and are members of BASIS. The new rule will ease payments of ISO and CMMI certification fees that reassure foreign clients of a software coder's professionalism. Bangladesh received \$35 million through export of software and IT services in fiscal 2009-10, up 9 percent from the previous fiscal year.

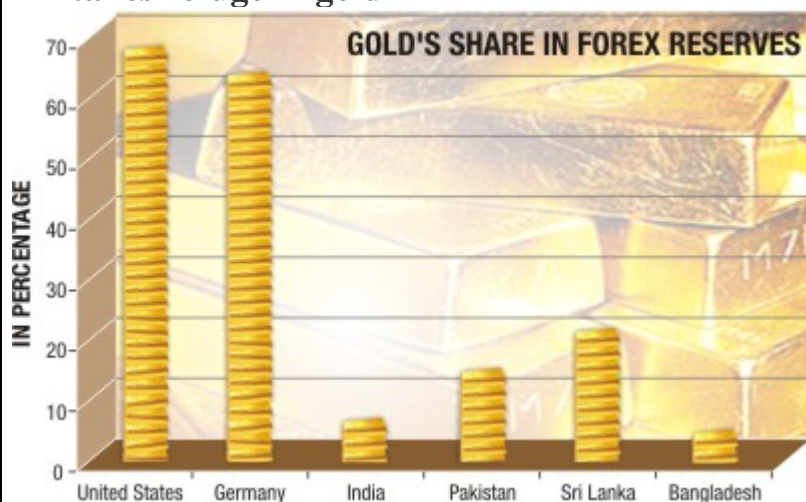
**Daily Star: 03.09.10**

## **Bank account for poor at Tk 10**

The central bank on 08.09.2010 directed all public banks to help the ultra-poor open bank accounts at Tk 10 so they can get the benefits of government sponsored safety net programmes. A person can open an account by showing national identity card or registration cards issued from the food and disaster management ministry, Bangladesh Bank said in a circular on 08.09.2010. The banks will not charge any fee and will not need any minimum depository money under the provision, said the circular adding that filling up the KYC (know your customers) forms is not mandatory. In case of the shortage of cheque books in the banks, the account holders can also transact with vouchers, the circular said. Earlier, the government helped the farmers in opening the bank accounts with Tk 10 to enable them draw agri-subsidy money and loan. In the current fiscal year, nearly eight percent of revenue budget would be spent under social safety net.

**Daily Star: 09.09.10**

## BB takes refuge in gold



Bangladesh Bank (BB) has increased its investment in gold instead of foreign currencies to reduce risk, against a backdrop of a sharp decrease in revenue and profits from its foreign reserves. The central bank purchased 10 tonnes of gold from the International Monetary Fund on September 9. The \$403-million purchase brings the value of BB's gold holdings up to 5.5 percent of total reserves. BB income from foreign reserve holdings fell by 40 percent and profits by 62 percent in the last fiscal year, mainly because of declining foreign currencies. Income was Tk 424 crore in the last fiscal year and Tk 707 crore the year before. BB said Bangladesh's gold reserve is deposited with the Bank of England. As a result, the BB purchase of gold will have no effect on the domestic market price of gold. The step was taken to diversify and consolidate the country's foreign exchange reserves. Gold is less vulnerable than bonds, other securities and foreign currency, and investments in gold may be more profitable. Many developed countries have invested a big portion of their reserves in gold. The USA 68.7 percent of its reserves invested in gold, Germany 64 percent, Italy 63.4 percent, France 64 percent and the UK 15.2 percent. India invested 7.5 percent of its reserves in gold, Pakistan 15.8 percent, China 1.5 percent and Sri Lanka 22.3 percent. Bangladesh's investment in gold stood at 1.3 percent earlier before the recent purchase. Gold is accepted all over the world. Compared with currency alone, gold creates more trust in the public mind. Though governments may freeze the exchange of their own currency during a crisis, no modern government can freeze the exchange of gold.

**Daily Star: 14.09.2010**

## T-shirt exports take a hit from recession

The exports of T-shirts declined by nearly 7 percent in fiscal 2009-10 from the year before because of slumping orders in the wake of global recession. In the last fiscal year, Bangladesh exported T-shirts worth \$2.84 billion, down from \$3.06 billion in 2008-09, according to data from state-owned Export Promotion Bureau (EPB). Country-wise figures show Bangladesh retained the position of the second largest T-shirt exporter to the EU-27 countries after China. But in the US, another major destination, Bangladesh's position is far behind its competitors.

**Daily Star: 14.09.2010**

## **Govt resets cash incentive for exports**

Exporters can take up to \$10 million in loans from the Export Development Fund (EDF), according to the finance ministry. The government has also extended the time for cash incentive -- equivalent to 5 percent of export value for small and medium textile companies -- to June 30, 2011. The finance ministry released a notice on 09.09.2010, spelling out these steps under the second stimulus package. According to the notice, the companies that are sister concerns of large companies will not qualify for the benefits. The government will provide 5 percent of the companies' export value as 'new market exploration assistance' to all textile products in fiscal 2009-10, 4 percent in 2010-11 and 2 percent in 2011-12. At present, RMG exporters get a 5 percent cash incentive, provided some conditions are fulfilled

Daily Star: 14.09.2010

## **A growing class boosts credit card use**

The consumer habits of the growing middle class is a boon for the credit card business of top banks in Bangladesh, even while the majority still deals in cash. Retail shoppers account for 60 percent of total spending through credit cards, followed by restaurants with 20 percent

Daily Star: 19.09.2010

## **Govt's bank borrowing declines**

The government's borrowing from the banking sector maintained a downward trend throughout the last fiscal year (2009-2010), as the country's net credit to the government marked a fall by Tk 3,792.90 crore or 6.52 percent. But borrowing by the private sector marked a rise by Tk 52,833.30 crore or 24.24 percent during the period, indicating a favourable business environment. Central bank figures show the country's overall domestic credit recorded an increase of Tk 51,623.70 crore or 17.89 percent in the last fiscal due to major jump in the private sector credit. But credit to the 'other public sectors' increased by Tk 2,583.30 crore or 20.77 percent during the year, according to Bangladesh Bank. The rise in overall credit, however, was Tk 39,875.10 crore or 16.03 percent in FY 2008-09. In May 2010, net credit to the government went down by Tk 8,735.8 crore or 15.01 percent compared to an increase by Tk 7,463.2 crore or 15.91 percent in May 2009. The credit to other public sector in May this year, however, increased by Tk 2,360.5 crore or 18.98 percent compared to an increase by Tk 1001.3 crore or 8.61 percent during the same period of the previous year, according to Bangladesh Bank data. Broad money recorded an increase of Tk 66,531.40 crore or 22.44 percent in FY 2009-10 against the increase of Tk 47,704.90 crore or 19.17 percent in FY 2008-09. Of the components of broad money, currency outside banks rose by Tk 10,107.90 crore or 28.04 percent and deposits increased by Tk 56,423.50 crore or 21.66 percent; of which, demand deposits increased by Tk 11,453.60 crore or 37.70 percent and time deposits increased by Tk 44,969.90 crore or 19.55 percent. Outstanding borrowing of the government through NSD certificates as of end June, 2010 stood at Tk 61,381.42 crore, recording an increase of Tk 11,590.63 crore or 23.28 percent against Tk 49,790.79 crore as of end June, 2009

Daily Star: 20.09.2010

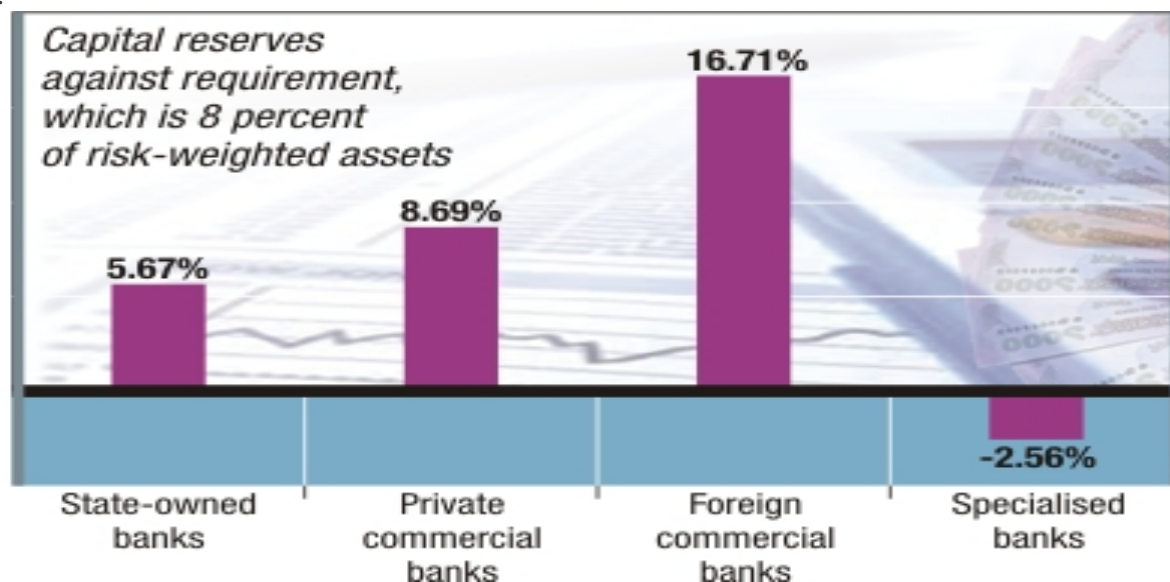
## **Remittance rises 11pc in August**

Bangladesh fetched Tk 6,651.58 crore (\$957.93 million) remittance in August, marking a rise of 11.73 percent from the July. In August 2009, the inflow of remittance stood at Tk 6,493.40 crore. The remittances received during the first two months of the current fiscal year totaled Tk 12,604.48 crore against Tk 12,641.21 crore during the same period of the last fiscal year

Daily Star: 20.09.2010

## Ten banks run capital deficit

Ten banks failed to keep an acceptable level of capital till June 30 this year due to higher profit distribution compared to their earning and inefficient management. According to Bangladesh Bank (BB) statistics, three state-owned commercial banks, five private commercial banks (PCBs) and two specialised banks ran short of capital to meet the target set by the central bank. However, no foreign banks have any such shortfall.



The central bank has also given a guideline to the banks to increase further their capital in phases in line with Basel II, the revised international capital and risk framework. The minimum amount to keep has been set at 9 percent of their weighted assets till June 30, 2011, and 10 percent onwards. On June 30 this year, the minimum requirement for capital preservation for all types of banks was Tk 31,809 crore. But at that time, the banks had Tk 30,704 crore or 7.91 percent of their requirement, meaning the overall banking sector had a total capital shortfall of Tk 1,065 crore. The central bank in determining the risk factors has introduced two risks -- market risk and operation risk. Many banks at the time of profit distribution did not take the risk factor into consideration. On the other hand, some banks distributed more dividend to their shareholders than the profit they made. As a result, they could not preserve the required amount of capital. The BB high official said the banks were given a timeframe, and were warned that in case of their failure to reach the level in time, their rating will be brought down. The noncompliant banks will not be able to open any branch or exchange house abroad. They will also face restrictions in opening new branches at home. The government is going to take an initiative to raise capital by issuing bonds. The government has already decided to issue bonds to repay the default loans of two state banks.

According to the BB statistics, the capital deficit of the state banks was Tk 1,915 crore. The amount of their preserved capital was Tk 4,649 crore against the minimum requirement of Tk 6,546 crore. The overall PCBs had no capital deficit; rather there was a surplus of Tk 1,649 crore. Though five PCBs had capital deficit, many had surplus, which resulted in an overall surplus. In the specialised banks, the amount of capital deficit was Tk 2,634 crore. The foreign banks had a surplus of Tk 1,834 crore.

Daily Star: 22.09.2010

## Banks overcome fear of flying

Local banks are slowly shrugging off their shyness in lending to the aviation sector -- an area where financing was considered risky, partly because of the bankers' lack of familiarity with air-travel business. A steady rise in Bangladesh air travel and strong growth prospects for local airlines have encouraged banks to finance the business. This year, 10 banks collectively lent the national carrier, Biman, nearly Tk 800 crore (\$115 million) for a deposit on two new jets to be delivered next year. Regent Airways, which is expected to launch flights

this year, is finalising Tk 100 crore in syndicated loans to pay mainly for aircraft purchase. Two other private carriers that received financing are United Airways and the country's largest private carrier, GMG Airlines. Several bankers admitted that they were not confident enough to lend to local airlines because of lack of understanding of types of aircraft and route planning, which the borrowers use to make enough profit to repay their loans. Fear of an asset-liability mismatch, lack of understanding aircraft insurance and reinsurance coverage bought by the airlines, and cyclical fluctuations in global air travel due to a rise in oil price and other factors also made them shy, bankers added. Rising air travel among migrant workers, tourists and businesspeople, backed by a general expansion in economic activity, has given lenders more confidence. One notable aspect of the aviation sector financing: no single bank lent on its own. All financing was syndicated

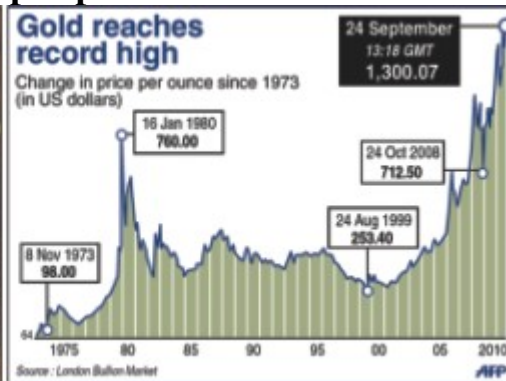
.Daily Star: 23.09.2010

## Exports exceed target

Inspired by a healthy performance by the major export-earning knitwear and woven garment sectors, Bangladesh's export earnings this August registered an astonishing growth of 31.25 percent to earn \$1.8 billion. Export Promotion Bureau data shows the earnings in the same month a year earlier were \$1.36 billion. The export growth in the first two months of the current fiscal year is 28.8 percent, compared to the period a year ago (2009-10). The overall export earnings have now reached \$3.6 billion against the target of \$3.1 billion

Daily Star: 24.09.2010

## BB gold value jumps up Tk 100cr



The value of Bangladesh Bank's 10-tonne gold buy two weeks ago rose Tk 100 crore, or 3.7 percent as markets closed on Friday. Gold, a haven for anxious investors, increased by more than 9 percent this month to breach \$1,300 per ounce on Friday. Gold has also risen due to the declining value of the US dollar. Bangladesh Bank purchased the gold from the International Monetary Fund on September 9 at \$1,252 per ounce, meaning that BB's profit reaches \$48 per ounce. At the end of 24.09.2010, BB's profits reached Tk 107 crore (\$15.3 million), equivalent to 11 percent of the central bank's tepid annual profit last year of Tk 948 crore.

Daily Star: 26.09.2010

## Indian poultry giant enters Bangladesh

Indian poultry giant Venkateshwara Hatcheries Group (VH Group) launches its operations in Bangladesh today. The company will set up its own factory in Jessore, with an estimated monthly production capacity of 4,500 tonnes. Uttara Foods and Feeds Private Ltd, which is a concern of VH Group, will produce broiler and layer food locally, using state-of-the-art technology. VH Group was the first company in India to start using specific pathogen-free eggs. It pioneered the concept of parent franchisee operations, popularised cage farming, and introduced for the first time in India, the concept of inactivated and combination vaccines.

Daily Star: 26.09.2010

### **Sales of local sarees increasing sharply**

Demand for local sarees is increasing during the last few years bringing smiles for the manufacturers thanks to their development of quality and design. Mirpur Benarasi Palli is a makeshift market at Mirpur that was developed by people who migrated from the Indian city of Benaras. Most of the weavers there are also from the Indian state of Bihar. There are nearly 100 shops at the Palli. Some 20,000 weavers and salesmen are involved in the business directly. There are different types of sarees available in the Mirpur Benarasi Palli -- Ranguli, Opera, Maslin Galaxy, Organza and Peerless Katan. There are party and wedding sarees also. Prices of the sarees start from Tk 1,500. There is no upward limit. Sarees at Tk 10,000 to Tk 15,000 are very common. A simple wedding saree costs Tk 4,000 and the price of a party saree starts from Tk 1,500.

Fin. Exp: 08.09.2010

### **Inflation stands at 7.26pc in July**

Point-to-point inflation was recorded at 7.26 per cent in July, the first month of fiscal 2010-11, with food inflation remaining high both in rural and urban areas. The inflation rate was recorded 7.31 per cent in 2009-10 fiscal year, according to Bangladesh Bureau of Statistics (BBS). The food inflation in July in urban areas was recorded at 9.01 per cent and rural areas at 8.58 per cent, they added. However, the non-food inflation remains low in both urban and rural areas at 3.93 and 5.23 per cent respectively. The food inflation hit nearly 12 per cent in urban areas in June this year.

Fin. Exp: 23.09.2010

### **BB asks banks to calculate interest rate on lending by maintaining existing policy**

The Bangladesh Bank (BB) has asked the commercial banks to calculate interest rates on lending by maintaining the existing interest rate policy. The central bank has taken the move against the backdrop of deviation of the policy on the part of some banks in calculating interest rates on lending, particularly term loan. The banks have charged more interest from their clients calculating the interest rates on term lending on monthly basis instead of quarterly basis. Under the existing provisions, interest on fixed term loan will be calculated on quarterly basis. The term loan in no way can be calculated on monthly basis. The BB issued a circular in this connection 30.08.2010 and asked chief executives and managing directors of all scheduled banks to maintain the existing interest rate policy properly.

Fin. Exp: 01.09.2010

### **Sales of local sarees increasing sharply**

Demand for local sarees is increasing during the last few years bringing smiles for the manufacturers thanks to their development of quality and design. Mirpur Benarasi Palli is a makeshift market at Mirpur that was developed by people who migrated from the Indian city of Benaras. Most of the weavers there are also from the Indian state of Bihar. There are nearly 100 shops at the Palli. Some 20,000 weavers and salesmen are involved in the business directly. There are different types of sarees available in the Mirpur Benarasi Palli -- Ranguli, Opera, Maslin Galaxy, Organza and Peerless Katan. There are party and wedding sarees also. Prices of the sarees start from Tk 1,500. There is no upward limit. Sarees at Tk 10,000 to Tk 15,000 are very common. A simple wedding saree costs Tk 4,000 and the price of a party saree starts from Tk 1,500.

Fin. Exp: 08.09.2010

### **Asian factory growth outstrips two-speed Europe**

Manufacturing in China, India and Russia powered ahead in August while growth slowed in European factories, emphasizing a growing divide in the pace of recovery between the rich and emerging worlds. Between the euro zone's biggest four economies there was strong evidence of diverging fortunes, with the bloc's manufacturing sector overall expanding at its slowest pace since February. In contrast, a pair of China's manufacturing surveys showed activity picked up last month after a government-engineered slowdown, and Indian factories stayed in top gear after Asia's third-largest economy grew at its fastest rate in nearly three years in the last quarter. Factories in Russia—part of the BRIC quartet of new economic powers

alongside China, India and Brazil—also cranked up output, expanding at their fastest rate in 28 months largely thanks to the strong domestic demand. HSBC's purchasing managers' index (PMI) for China rose to a three-month high of 51.9 in August from 49.4 in July, while the official index also rose, to 51.7 from 51.2.  
New Age: 02.09.2010

## **INADEQUACIES IN TRANSPORT, PROCESSING, STORAGE**

### ***Bangladesh loses Tk 3,391.71cr fruits, vegetables a year***

Bangladesh annually loses fruits and vegetables worth Tk 3,391.71 crore due to lack or inadequacies in transportation, processing and storage. A study done by Bangladesh Agricultural University this year shows that inadequate transportation, storage, processing and marketing facilities cause the loss. It identified ignorance of the stakeholders, absence of monitoring by the authorities and the use of chemicals contribute to the recurring loss each year. The study estimated the loss of fruits at approximately Tk 3,065.6 crore, of vegetables at nearly Tk 3,26.11 crore. Jackfruit growers sustain the highest loss of about 44 per cent and pineapple growers follow with 40 per cent loss due to fruit borer, soft rot, stem-bleeding as well as the use of growth promoting and ripening chemicals in Mymensingh, Gazipur and Madhupur. A Study to Formulate Policy for Socioeconomic Loss Reduction of the Stakeholders on account of Fruits and Vegetables' in eight districts of Rajshahi, Chapainawabgonj, Tangail, Bogra, Pabna, Sylhet, Dinajpur, Mymensingh, Gazipur, Jessore, Comilla and Narshingdi. The study found an increased use of ripening chemicals in recent years resulted in reduced nutritional quality of fruits and vegetables by 21 per cent. Bangladesh grows 110 lakh tonnes of fruits and vegetables on about 873,000 hectares, which is far below the minimum per head average requirement of 400 grams per day, according to Bangladesh Bureau of Statistics report of 2009  
New Age: 03.09.2010

## **Apparel makers to get incentives for new export markets**

The apparel makers will now get five per cent cash incentive on their export earning from the government's announced stimulus package for exporting readymade garments at new global markets other than USA, UAE and Canada. They will also enjoy zero annual renewable license fees facilities for their captive power generators as the government has waived Tk five lakh annual license fees for their generators as per the announced stimulus package, which has been decided earlier. The apparel makers would be able to avail \$300 million Export Development Fund at London Inter bank Offered Rate, plus one per cent interest rather than 2.5 per cent for loans up to \$1.5 million and LIBOR plus 2.5 per cent interest for above \$1.5 million. The Small and Medium Enterprises would get five per cent cash incentives for this financial year from the package, provided they use local products as per the guidelines of backward linkage industries. Anyone not using local products will not get fund from this package. The government during 2009-2010 financial years announced Tk 2,000 crore stimulus packages for financing manufacturing sector for overcoming the shocks of the global economic crisis. The incentive for exporting garments to new global markets would be disbursed for three years at a rate of five per cent in the first year, four per cent in the second year, and two per cent in the third and final year. The exporters who are already enjoying more than one benefit will not get cash incentive

New Age: 04.09.2010

## **Bangladesh takes part in shipbuilding fair in Germany**

Five local shipbuilders will take part in the world's biggest shipbuilding biannual fair in Germany that begins today to showcase Bangladesh's capacity in building ocean-going vessels for the global shipping companies. The four-day international Shipbuilding, Machinery and Marine Technology (SMM-2010) trade fair at Hamburg, the port city of Germany and major trading hub for central Europe, will bring thousands of decision makers and qualified buyers under one roof. Some 2,000 exhibitors from 60-plus countries will display high-tech products and technologies for shipyards, marine equipment suppliers and marine

technology specialists. More than 50,000 trade visitors are expected to visit the fair. The Bangladeshi participants are Ananda Shipyard and Slipways Limited, Western Marine Shipyard, Dhaka Dockyard and Engineering Works Ltd, Khan Brothers Shipbuilding Ltd and Karnaphuli Shipbuilders Ltd

New Age: 07.09.2010

### **July export posts 26pc growth**

The country's merchandise shipments saw more than 26 per cent growth in July marking a good beginning for exports in the current fiscal year compared to the similar period of the last fiscal which experienced a negative growth. Export shipments amounted \$1.82 billion in the first month of the current fiscal against \$1.44 billion in the same month of the previous fiscal year. The past fiscal year began with minus seven per cent growth as a tail impact of recession in western markets had hit hard Bangladesh's readymade garment exporters. Readymade garments, which make three-fourths of the country's export proceeds, grew 25.5 per cent on an average in July. Exports of knitwear amounted \$799 million, growing 23 per cent year-on-year, while shipments of woven or cut and sew garments amounted \$671 million with 29 per cent growth. In July 2009, knitwear had seen less than 2 per cent growth year-on-year, that for woven garments had been minus 5 per cent and home textile minus 11 per cent. Rebounding shipments of readymade garments to the United States and the European Union have mainly helped export earnings return to happy growth figures. Increased growth in garment shipments to some new markets including Turkey and Japan are also helping the country's positive growth in exports earnings. Continued high growth in the shipments of some significant export items including raw jute, jute goods, home textile and finished leather have also contributed to the encouraging growth in July. Shipments of frozen foods, mainly shrimps, have also seen a robust growth in July after more than a year of low and minus growths

New Age: 08.09.2010

### **Remittance reaches \$958m in August**

The monthly inflow of remittance reached \$958 million in August, recoding a paltry 2.5 per cent growth over the same period of the previous year. Bangladeshi expatriates working in different parts of the world, especially in the oil-rich Arab countries, remitted about \$935 million in August 2009. Although the inflow of remittance in August is higher than the same period of the previous year, they had expected the growth would be higher ahead of Eid-ul-Fitr. Expatriates usually send more remittance ahead of Eid. The BB expected that the inflow of remittance would cross \$1 billion-mark in August. In November, 2009, remittance hit all time high at \$1,050 million that helped the country to receive \$10,987 million in 2009-10 fiscal. The slow growth in remittance has been attributed to declining trend of manpower exports in recent months. Most of the Gulf and south-east Asian countries faced the brunt of the global recession resulting in shortage of jobs for Bangladeshis. The main manpower export market of the country declined by 34 per cent to 427,202 in the fiscal year that ended on June 30, according to the official figures. Remittance plays a vital role in building foreign currency reserve of the BB. The country's forex has been hovering over \$10 billion for the last 15 months

New Age: 08.09.2010

### **BB relaxes rules for women entrepreneurs**

Bangladesh Bank has relaxed the respective rules to facilitate more women low-cost loans under its SME refinancing scheme. The existing rules put Tk 50,000 the lowest credit, barring a woman entrepreneur from the benefit of the refinancing scheme if she wants to borrow a smaller amount. A BB circular said the women entrepreneurs now can form a group to get the loan if their individual need does not match the minimum credit criterion. The group can get a loan even more than Tk 50,000 if they need so, the circular said. Like an individual women entrepreneur, the group will also get the loan at 10 per cent rate of interest.

New Age: 09.09.2010

## **Central bankers reach deal on Basel III**

Banks will be required to lift their reserves substantially under 'landmark' new rules drawn up 12.09.10 by central bankers and regulators seeking to prevent a repeat of the recent financial crisis. The new regulations, called Basel III, would force banks to more than triple their current reserves and would be phased in from 2013, said a statement issued by the Bank for International Settlements. European Central Bank chief chairs the group of regulators at the meeting in northern Switzerland. The transition arrangements will enable banks to meet the new standards while supporting the economic recovery. Under the new rules to be phased in from 2013, banks would be required to hold more reserves by January 1, 2015, with the so-called core Tier 1 capital raised to 4.5 per cent from 2.0 per cent at the moment. In addition, banks would be required by January 1, 2019 to set aside an additional buffer of 2.5 per cent to 'withstand future periods of stress', bringing the total core reserves required to 7.0 per cent. This additional reserve helps to ensure that banks maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. This tool would go towards stopping banks from issuing discretionary bonuses and high dividends, even in the face of deteriorating capital positions. Certain assets would also no longer be considered as appropriate reserves, and would have to be replaced by better quality assets beginning 2013. The set of new regulations would be submitted for ratification at a meeting of Group of 20 major developed and developing nations in South Korea in November

New Age: 14.09.2010

## **Shipbuilders fetch export orders of 'millions of dollars'**

Local shipbuilders who took part in the last week's Shipbuilding, Machinery and Marine Technology Trade Fair in Germany, received export orders worth 'millions of dollars'. Four local shipbuilders --- Ananda Shipyards and Slipways Ltd, Dhaka Dockyard and Engineering Works and Khan Brothers Shipbuilding Ltd and Karnaphuli Shipyards Ltd took part in the fair at Hamburg. Export Promotion Bureau of Bangladesh also had a stall in the world's biggest shipbuilding fair. Chief executive officer of Dhaka Dockyard and Engineering Works his company fetched orders of two bulk carriers at \$40 million and two goat carriers worth \$15 million for export to the Middle Eastern countries. Authorities in the Ananda Shipyards said four foreign companies have shown keen interest in building vessels of 6,100 deadweight tonnage, 5,500dwt and 2,900dwt. The four-day 24th biennial SMM fair brought thousands of decision makers and qualified buyers under one roof at the trade fair in Hamburg, the port city of Germany and major trading hub for central Europe

New Age: 15.09.2010

## **Bangladesh slips one place in global competitiveness**

### ***Poor infrastructure blamed***

Bangladesh was demoted one place from the last year's ranking among 139 countries in the global Competitiveness Report 2009-10 of the World Economic Forum, thanks to the country's poor infrastructure. Besides, the Geneva based organisation was told by the local businessmen that the level of corruption increased and the government was not maintaining criteria in awarding public sector deals. The businessmen also viewed that independence of the newspapers was affected last year while the practice of bribe increased which also forced the country to slip to 107 places from previous 106. The WEF prepares the report for many years on the basis of information given by the businessmen on prevailing business situation in their respective countries. Some 90 local industrialists, bankers and entrepreneurs who have assets worth Tk 10 crore each, took part in the opinion poll held between February 2009 and April 2009. Local think-tank Centre for Policy Dialogue which helped the WEF during the opinion poll released the report in the capital on 16.09.10. The WEF report, released globally on September 9, also found weakness in adoption of modern technologies in Bangladesh. Institutions, infrastructure, macro-economic environment, education, health are among the dozen of criteria upon which the report was prepared. Switzerland retains the top position in overall

ranking. According to the report, China continued to lead the way among large developing economies, improving by two places this year and joining the top 30. India dropped two places and is now at 51. Sri Lanka showed a remarkable improvement of 17 places and is now ranked 62. Pakistan ranked 123rd place  
New Age: 17.09.2010

### **Footwear sees fresh export growth in Japan**

Bangladeshi footwear and leather goods manufacturers are sensing fresh growth of exports to Japan, the single largest market for Bangladesh leather goods. Footwear shipments to Japan increased by nearly 20 per cent in the first seven months of the current year, reversing the negative growth that had taken place in the same period of last year. Sources at the Japan-Bangladesh Chamber of Commerce and Industry informed that Bangladesh's footwear shipments to Japan amounted worth 313 million yen (\$38 million) in January-July 2010 period, against 261 million yen in the same period of 2009 and 276 million yen in 2008. The growth may touch 50 per cent by the end of current fiscal in June 2011. Many Japanese importers had made their groundwork's for fresh and further procurements from Bangladesh in the last few months and they have started importing now. For more than two decades, Japan has been the largest market destination for Bangladesh shoemakers. In recent times, Japanese importers are expanding their procurements while new importers are coming to Bangladesh as they are facing difficulty in China. 'Japanese importers already have confidence, in terms of quality, price and timely deliveries, on Bangladeshi suppliers and problems in China are pushing the Japanese to turn to Bangladesh. Bangladesh-made ladies boots, gents shoes, casual sandals and ladies bags are sold in Japan by brands like ABC Mart, Bercos, Logic and Takashima and many Japanese shoe sellers and leather product brands are now coming to Bangladesh as their new sourcing destinations  
New Age: 22.09.2010

### **New banking rules must be enforced rigorously**

Proposed new global banking rules designed to prevent future financial crises must be enforced rigorously, the head of the group that drew them up said 22.09.10. Nout Wellink, chairman of the Basel Committee on Banking Supervision, told an international meeting of bank supervisors in Singapore that while the new standards are tough enough, implementation is key to their effectiveness. The Basel Committee this month proposed new rules aimed at shoring up banks' defenses against another financial meltdown that led to the 2008-2009 global recession. The new rules, known as Basel III, require banks to build stronger buffers to protect against future losses, including tougher capital requirements. The plans will be presented for approval to the Group of 20 summits of key industrialized and developing nations in South Korea in November  
New Age: 23.09.2010

### **August exports post 31pc growth**

The country's export shipments saw more than 31 per cent growth in the second month of the current fiscal year, making two months' growth at 28 per cent on an average. According to Export Promotion Bureau export earnings amounted \$3.615 billion in July-August 2010, up 16 per cent of target and against \$2.8 billion in the same period of 2009. The first two months of 2009-10 fiscal year recorded a minus 3.3 per cent growth as a tail impact of recession in the western markets had hit Bangladesh's readymade garment exporters hard. Report of the Export Promotion Bureau, released on 23.09.10, showed shipments of readymade garments, that fetch three-fourth of the country's export proceeds, grew 31 per cent on an average in July-August. Exports of knitwear amounted \$1,589 million, growing 32 per cent year-on-year, while shipments of woven or cut-and-sew garments amounted \$1,317 million with 30 per cent growth. High growth in the shipments of some significant export items including raw jute, jute goods, home textiles, terry towels, finished leather and footwear, bicycle also contributed to the encouraging growth in July-August. However, export of tea, fertilizers, drugs and engineering products saw minus growths in the period  
New Age: 24.09.2010

## **Indian firm to set up denim plant at Comilla EPZ**

Indian textile entity, Arvind Limited will set up a denim plant in Comilla Export Processing Zone. An agreement in this regard was inked between the company and the Bangladesh Export Processing Zones Authority on 26.09.10. Denims of Arvind are planning to invest almost \$65 million and hope to create employment of around 3,000 people. About 60 per cent of Arvind's denim is exported to Bangladesh as raw materials for the RMG industry. 'So they find setting up a factory here as a logical forward movement. The cost advantage in terms of labour and the large textile sector lured them to start manufacturing in Bangladesh. 'They expect the market to grow by 12 per cent by 2015 which would account for 500 million metres of denim annually and they want to grab a 30 per cent market share. At present, the denim usage of Bangladesh stands at 300 million metres

New Age: 27.09.2010

## **New Basel rules bring banks back to basics**

New Basel III bank capital rules encourage a back-to-basics approach for banking and could therefore see those in major emerging countries benefit most from the reform, analysts said. 'The new rules will force banks to go back to simplicity, to the core business which would benefit banks that were respecting the core business in the first place. Banks in developing markets tend to adopt basic banking — deposits and loans — unlike western investment-oriented banks which have developed complex derivative products that were blamed for setting off the global financial crisis. Regulators hardened their resolve for reforms to clamp down on risky trading after the world was sent to the brink of economic meltdown brought by the collapse of US investment bank Lehman Brothers. Like many of its counterparts, Lehman Brothers had created ever-more complex financial instruments in its drive for profits, among them derivatives of 'sub-prime' home loans, which eventually led to its demise. The failure of such once haughty Wall Street banks and some European counterparts contrasted sharply with emerging markets banks which were able to weather the crisis largely unscathed due to their conservative business model. It also precipitated a sea change on the decision-making stage. For the first time, developing countries like India, China and Brazil were asked to participate in negotiations for new international banking regulations. Regulators from 27 economies agreed on September 12 on the so-called Basel III reforms, which would require banks to raise their high quality Tier One capital from 2.0 per cent to 4.5 per cent of assets. An additional buffer was also imposed, bringing the total capital required to 7.0 per cent by 2019

New Age: 27.09.2010

## **Swiss banks fear more 'shackles' alongside new Basel rules**

For years Switzerland's bankers vaunted the 'Swiss finish,' an extra buffer they are required to keep in reserve that helps convince customers that Swiss banks are safer than houses. But Swiss bankers now fear that new domestic regulations could dent their competitiveness by setting prohibitive hurdles compared to those faced by other major international banks. International regulators this month agreed on tougher 'Basel III' capital requirements for banks to protect against financial crises. Swiss regulators have signaled that they would raise their standards even further, especially for the two biggest banks, UBS and Credit Suisse. The Swiss Financial Markets Authority is due to publish its long- delayed proposals for a post-crisis revamp of domestic requirements at the end of September. The 'Swiss finish' already imposes a 20 per cent higher capital buffer than the existing international regulation. As the financial crisis struck, FINMA obliged UBS and Credit Suisse in December 2008 to bolster their capital even more—to levels 50 to 100 per cent above the current Basel II standard.

New Age: 27.09.2010

**Bangladesh bank Circulars during September, 2010**

Date	Circular Number	Subject
08/09/2010	BRPD Circular No. 29	Bank account for Hardcore Poor
05/09/2010	BRPD Circular No. 28	Discounting/purchasing of accepted bills at Offshore Banking Units
21/09/2010	DOS Circular Letter No. 12	Confirmation regarding affix/use of Revenue Stamp
05/09/2010	DOS Circular Letter No. 11	Banks' to remain Open on 7th September,2010 on the occasion of Eid-ul-Fitr
29/09/2010	DCMPS Circular No. 11	Live Day simulation with BACH DR Site
14/09/2010	DCMPS Circular No. 10	BACPS Go Live
06/09/2010	SMESPD Circular Letter No. 05	Group Lending to SME Women Enterprenure
02/09/2010	SMESPD Circular Letter No. 04	Revised of circulars regarding scheme on "Refinance Agro product processing rural industries"
28/09/2010	DFIM Circular Letter No. 18	Ensuring use of Revenue Stamp
14/09/2010	DFIM Circular Letter No. 17	Submission of Sector wise Loan/ Lease Statement by FIS
08/09/2010	ACD Circular No. 15	Providing agricultural credit to the farmers for salt cultivation at the concessional interest rate of 4%
29/09/2010	FEPD Circular No. 19	Interest rate on Export Development Fund (EDF) loans
27/09/2010	FEPD Circular No. 18	Discounting/purchasing of bills against import on usance/deferred basis
20/09/2010	FEPD Circular No. 17	Export subsidy/cash incentive for financial year 2010-2011
19/09/2010	FEPD Circular No. 16	Guidelines for Foreign Exchange Transactions, 2009 (Volume 2)
02/09/2010	FEPD Circular No. 15	Foreign exchange transactions for IT/Software firms

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>15565.20</b>
b. Exports (June-2010)	1543.80	1400.10
<b>c. Imports (2009-10)</b>	<b>23738.00</b>	<b>22507.10</b>
d. Imports (June -2010)	2127.00	2220.20
<b>2. Workers' Remittance (June-2010)</b>	903.05	922.16
<b>3. Inflation: point to point (May-2010)</b>	8.54	8.78

Export= f O B Value, Import = CFR Value  
Economic Trends: June, 2010

## Banking Sector and Economic Information

	Amount (TK in Cr.)	
	June-2010	May-2010
<b>1. Bank Deposit</b> (excluding inter bank)	336869.70	327103.30
<b>2. Bank Credit</b> (excluding inter bank)	334654.80	327550.80
<b>3. Money Supply</b>		
01. Currency Outside Banks	46157.10	44578.90
02. Demand Deposit	41261.80	38004.50
03. Deposit with BB other than DMBs	209.40	165.20
<b>04. Narrow Money (a+b+c)</b>	<b>87988.30</b>	<b>82748.60</b>
05. Time Deposit	275042.80	269477.20
<b>06. Broad money (d+e)</b>	<b>363031.10</b>	<b>352225.80</b>
<b>4. Excess Reserve (Liquidity)</b>	<b>12143.10</b>	<b>8541.50</b>
5. Weighted average rate of Deposits of Schedule Banks(Quarterly)	6.12 <sup>(P)</sup>	6.12 <sup>(P)</sup>
6. Weighted average rate of Advances of Schedule Banks(Quarterly)	11.32 <sup>(P)</sup>	11.32 <sup>(P)</sup>
<b>7. Ratio of DMBs Credit to Deposits (%)</b>	99.34	100.14
<b>8. DMBs Total Assets/Liabilities</b>	863330.40	832641.60
<b>9. F.E. Reserve (million \$US)</b>	<b>10749.20</b>	<b>10146.20</b>
<b>10. Cash Base of the Economy</b>	81350.00	75703.20

- **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
  - P= Provisional
- Monthly Economic Trends: August, 2010

### **Academic Activities in September: 2010:**

- I. **Program on “Improving Communication and Managing Conflict and Resistance”:** IFIC Bank Ltd. conducted Two days Course on “Improving Communication and Managing Conflict and Resistance” on September 25-26, 2010. The course was conducted by Mr. Sajid Hossain Chowdhury, Managing Director, Amplitude Solutions Limited at IFIC Bank Academy premises. It may be mentioned that, this was the 29<sup>th</sup> program of IFIC Bank Academy in the year 2010. 25 Executives working at different branches & Head Office have attended the program. The program for the first time used Psychometric tools.
- II. **Training on “Operation Control and Monitoring in Misys Banking Solution”:** IFIC Bank Ltd. conducted Two days Training on “Operation Control and Monitoring in Misys Banking Solution” on September 25-26, 2010. The Training was inaugurated by Mr. Gopal Chandra Guha Roy, Senior vice President & Head of IT Division at IT Division Knowledge Center. It may be mentioned that, this was the 31<sup>st</sup> program of IFIC Bank Academy in the year 2010. 15 Executives and Officers took part of ICC Division.
- III. **Course on “Maintaining Quality of Credit Portfolio”:** IFIC Bank Ltd. conducted Three day Course on “Maintaining quality of Credit Portfolio” on September 27-29, 2010. The course was inaugurated by Mr. Ruhul Amin, Executive vice President & Head of RMD at IFIC Bank Academy premises. It may be mentioned that, this was the 30<sup>th</sup> program of IFIC Bank Academy in the year 2010. Executives and Officers working at different branches & Head Office have attended the program.

**Readers please:** In which place the gold Bangladesh Bank recently purchased is reserved?

Match our answer with yours: Knowledge Update: 136

Answer: Out of 47 banks, 30 have introduced real time online banking system.

We can be reached at: ifichrd@ailonline.net

#### **Team Members**

**Ms. Zaitun Sayef, SEVP**  
**Mr. A. K. Mojibur Rahman, FAVP**  
**Mr. Benjir Rahman, OG - I**  
**Mr. Jayanta Sutradhar, OG - I**

# Revisiting Basics

## Marketing Communications

Marketing Communications is the most endearing element of the marketing mix due to its use of creativity and it is a profession by itself.

Marketing is not simply about products, services or ideas but about the minds of the target market and their perceptions, it is a 'mind game'. Effective and Integrated Marketing Communications can persuade minds to do things. The purpose of marketing communications is two fold:

- Communicate and deliver positioning of the value proposition amongst the identified target market.
- Create trial (during launch) or demand (after launch) for the value proposition amongst the identified target market.

A very good example can be drawn from the following:

“When I write an advertisement, I don't want you to tell me that it is creative, I want you to find it so interesting that you buy the product”- David Ogilvy (Ogilvy 1983)

Effective Marketing Communications, in a nutshell, is about selling more products or services to target markets or about making potential markets to march against competitors. But it must be achieved by communicating the value proposition's positioning.

### The tools available are as follows:

- **Electronic Media Communications** – TV, Radio and Cinema.
- **Print Media Communications** – Press, Magazines & Journals, Direct Mail, Handbills & Brochures.
- **Promotions** – Consumer, Trade and Industry promotions.
- **Outdoor Communications** – Billboards or Hoardings, Posters, Banners, Flag Posts, Tin Plates, Pennants, Bunting, Bus and Vehicle Painting.
- **Merchandising** - Point of purchase material such as Show Cards, Backing Paper, Shelf Strips, Dangers, Streamers, Dispensers, Display Bins and Displays.
- **Personal Selling** – Employment of Salespersons.
- **Internet** - Emails and Web Site.

Not all companies can use all of the above tools, as some of them may not be the suitable media for that specific value proposition. For example, it is unethical to communicate a prescription drug on a poster or a hoarding.

(To be continued.....)

Ref: Compiled from *Marketing Skills in Management* by Dr. Meenu Gupta, dr. Uplai Mahanama, Dr. Ranjan Madananayake.