

NCBs' overall capital shortfall rises 3.13pc in 6 months

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The overall capital shortfall of the four nationalised commercial banks (NCBs) rose by Tk 228 crore or 3.13 percent to Tk 7,501 crore from June 30 to December 31, 2005.

According to Bangladesh Bank (BB) statistics, this overall shortfall is made of capital shortfall, Tk 3,839 crore, and provision shortfall, Tk 3,662 crore.

Officials of the NCBs said although their earning and profit rose, as the default loan could not be substantially cut off, the capital shortfall has risen.

inject capital, it will be very difficult to cover up the huge cumulative shortfall, NCB sources said.

"A large portion of our default loan -- around Tk 3,000 crore -- is to be paid by the State-owned Enterprises (SoEs). Our default loan and in turn the capital shortfall will come down significantly even if this amount is paid off," sources said.

Sonali Bank's overall capital shortfall rose to Tk 3,828 crore, up by Tk 592 crore from June 30 to December 31, 2005. Of it, the capital shortfall was Tk 983 crore and provision shortfall Tk 2,845 crore.

Agrani Bank's overall capital

shortfall increased to Tk 2,411 crore, up by Tk 31 crore from June 30 to December 31, 2005. Of it, the capital shortfall was Tk 2,319 crore and provision shortfall Tk 92 crore.

However, the overall shortfall of Janata and Rupali banks dropped from June to December of 2005.

Janata Bank's overall capital shortfall dropped to Tk 795 crore, down by Tk 369 crore from June 30 to December 31, 2005. Of it, the capital shortfall was Tk 404 crore and provision shortfall Tk 391 crore.

Rupali Bank's overall capital shortfall dropped to Tk 466 crore, down by Tk 22 crore from June 30 to December 31, 2005. Of it, the capi-

tal shortfall was Tk 132 crore and provision shortfall Tk 334 crore.

Sources said the shortfall would rise further but the banks' sizeable profit kept the shortfall within limit. Last year Sonali Bank made an operating profit of Tk 396 crore, which is the highest in the bank's history. Janata Bank made an operating profit of Tk 330 crore, Agrani Tk 234 crore and Rupali Tk 81 crore.

Although default loan has shrunk in percentage, it has actually risen in terms of volume. And this is why although the NCBs have made profit, there was no impact on the capital and provision shortfall.

Export of jute goods to India uncertain

UNB, Dhaka

The export of jute goods to India market has become uncertain due to the imposition of new tariffs and various non-tariff barriers by the neighbouring country, traders said.

Bangladesh Jute Spinners Association (BJSJA) has expressed concern over the neo-tariffs, saying the sudden decision of Indian authorities will force the Bangladesh exporters to count huge financial losses.

They urged Prime Minister Khaleda Zia to discuss the matter with her Indian counterpart during the visit to India beginning Monday. BJSJA in a press release yesterday said several hundred trucks loaded with jute products remained stranded at Benapole land port having faced with the tariff wall.

The association said the Indian jute goods manufacturers compelled their government to announce new rules and regulations restricting the import from Bangladesh.

"Pressured by the manufacturers, the Indian government increased import tariffs by four percent that has hampered the export of Bangladesh products to India," it mentioned.

In 2002-2003 fiscal year, Bangladesh exported jute yarn amounting to 1,730 metric tons that increased to 7,068 metric tons in 2004-2005.

Govt spending, inflation to rise in FY06

Forecasts Economist Intelligence Unit

STAR BUSINESS REPORT

Economist Intelligence Unit (EIU), the global business intelligence, has forecast a rise in government spending, continuation of current account deficit and high rate of inflation in 2005-06 fiscal year in Bangladesh.

The EIU in its latest annual forecasting guide released on March 2 said, "Fiscal policy is expected to remain mildly expansionary in the run-up to the next general election, which must be held by early 2007."

It said non-development expenditure will account for the largest portion of government spending in the fiscal year 2005/06 (July-June), but spending on development projects will rise at a much faster rate, owing to election pressures.

The global economic policy watchdog said monetary policy will be tightened further in 2006 and real GDP will grow by 6 percent supported by a recovery in the agricultural sector.

The annual forecasting guide covers almost 200 countries, each with a concise assessment of the political and economic prospects for the year ahead, together with key economic indicators and a summary

of forecast numbers.

It said the government will find it difficult to meet its deficit target of 4.5 percent for the current fiscal year as election pressures and the unexpected cost of additional security measures force a more expansionary fiscal policy than originally budgeted.

The EIU forecasts persisted inflationary pressures in 2006-07, saying that oil prices are expected to exert considerable upward pressure on inflation in the early part of the forecast period as the government raises domestic fuel prices to bring them more closely in line with international prices.

The report forecasts the current account deficit will continue in 2006-07.

"We forecast that the current account deficit will reach US\$655million (1.1 percent of GDP) in 2006, before narrowing slightly to US\$587million (0.9 percent of GDP) in 2007," it added.

The deficit is primarily owing to a burgeoning trade imbalance as growth in the cost of imports far exceeds the rise in export receipts.

After an estimated increase of 7 percent year on year in the overall consumer price index in 2005, consumer prices are forecast to

increase by 7.4 percent in 2006 and 7.1 percent in 2007, the report said.

About political forecast it said, "The proposal by the opposition parties to reform the caretaker government system and the Election Commission reforms would arguably constitute an important step towards alleviating the persistent mistrust between the main parties. However, the proposals remain controversial, and are unlikely to be accepted by the current government, despite the AL's decision in February to return to parliament after a year-long boycott."

It forecasts an escalation of violence in the run-up to the general election is a major risk.

The Economist Intelligence Unit provides a constant flow of analysis and forecasts on more than 200 countries and eight key industries to help executives make informed business decisions through dependable intelligence delivered online, in print, in customised research as well as through conferences and peer interchange.

Asia Energy plans to list with stock market

UNB, Dhaka

Asia Energy, the developer of the US\$2 billion coal mine at Phulbari in Dinajpur district, yesterday announced its plan to float its shares on the country's stock market.

In a press release, the foreign firm said after detailed negotiations, the company signed a Letter of Intent (LoI) with Equity Partners Limited, a merchant bank, for launching initial public offerings (IPO) later this year.

Asia Energy has recently submitted a mining and development plan to the government on completion of its feasibility study.

Before obtaining government approval, the UK-based coal-mining company made the surprise announcement for the investors in the capital market.

"This decision is part of Asia

Energy's commitment to giving investors in Bangladesh an opportunity to share in this major development project," said Gary Lye, CEO of the Asia Energy Corporation (Bangladesh) Pty Ltd. "It is also a measure of our long-term commitment to Bangladesh."

The Letter of Intent was signed by Lye and Equity Partners Limited Director Saiful Islam at the Asia Energy Corporation (Bangladesh) Pty Ltd office in Dhaka.

Energy Adviser Mahmudur Rahman last week said the government might approve Asia Energy's development plan under a new coal policy wherein the rate of royalty would be increased from the present level of 6 percent.

He, however, termed the Asia Energy's exiting agreement with the government an anti-state deal signed in 1998.

Asia Energy, which operates in the country under the existing contract, plans to produce 15 million tons per annum through the open-pit coal-mining method at the Phulbari project.

The Asia Energy has established a resource of 572 million tons of high-quality thermal and semi-soft cooking coal in the Phulbari coal basin.

Pre-mining activity is scheduled to start later this year with first coal output expected in late 2008, production then increasing rapidly to 15 million tons per annum by 2013.

The company also proposed to set up a 500-MW coal-fired power plant at the mine site.

Asia Energy expects that up to 4.5 million tons per annum will remain for industrial and power-houses.

PRAN-RFL Group celebrates '25th Corporate Day'

PRAN-RFL Group celebrated its '25th Corporate Day' on Friday in Dhaka.

Amjad Khan Chowdhury, chief executive officer of the Group, thanked the stakeholders of the company for their supports and co-operation towards the Group at the function, according to a press release.

Special crests were given to different stakeholders in recognition of their contribution to the Group.

Mahtabuddin Ahmed, chairman of the Group, concluded the programme by giving vote of thanks to the guests.



The '25th Corporate Day' of PRAN-RFL Group was observed on Friday in Dhaka. Mahtabuddin Ahmed, chairman, Amjad Khan Chowdhury, chief executive officer of the Group, among others, were present at the function.

Mittal worried about Arcelor's plan to spoil bid

REUTERS, Brussels

The chief executive of the world's biggest steel maker Mittal Steel Lakshmi Mittal said he was really worried by a plan by Arcelor man-

agement to spoil his 19 billion euro takeover bid.

"The management of Arcelor has an idea to make this transaction fail," Mittal told the Saturday edition of Belgian business daily L'Echo in an interview.

"I am really worried about the obstacles that Arcelor's management and the Luxembourg Chamber of Commerce are confronting us with," he was quoted as

saying.

Luxembourg is currently drafting a bill that will transpose European Union takeover laws into national legislation.

The Chamber of Commerce, which is led by an Arcelor executive, said earlier this week it wanted to add an amendment to the law that could force Mittal Steel to pay for Arcelor in cash only, rather than cash and shares.

Emami launches fairness cream for men

Emami Ltd, a healthcare company of India, launched in Bangladesh market a fairness cream for men -- Fair and Handsome.

The product, which is available in three sizes, was launched on Thursday at a function in Dhaka, says a press release.

Rigs Marketing, a concern of Rigs Group of Companies, markets the product in Bangladesh.

Suvastu shopping mall opens April 14

Suvastu Development Ltd, a leading developer, is going to inaugurate a shopping mall at Shahjadpur in Dhaka on April 14, says a press release.

The mall is a part of the company's apartment-cum-shopping mall project, Suvastu Najjar Valley.

Customers from Gulshan, Baridhara, Rampura, Malibagh and Badda will be benefited from the mall, added the release.

The mall will house some one thousand shops in five levels.

India's Birla to invest \$350m in pulp production in Laos

AFP, New Delhi

The Aditya Birla Group, India's second largest conglomerate, will invest 350 million dollars in a project in Laos to secure raw material for its viscose fiber companies, the company said.

"This integrated plantation and pulp plant project ... is a forward step, planned ahead of time to ensure that our future expansion needs are met," said group chairman Kumar Mangalam Birla in a statement late Friday.

The company plans to invest in eucalyptus plantations and a plant to produce the pulp needed for its viscose fiber companies in India, Thailand and Indonesia.

Dollar extends losses as market shifts rate outlook

AFP, New York

The dollar traded mostly lower Friday, touching a fresh seven-week low on the euro and a two-week low against the yen, as investors pared back expectations for aggressive moves higher in US interest rates.

The euro briefly topped 1.22 dollars before settling back at 1.2189 dollars at 2200 GMT, against 1.2168 late on Thursday in New York.

The dollar dipped to 115.89 yen, from 116.88 on Thursday.

Both US industrial production and the University of Michigan consumer confidence figures came in slightly below expectations, providing further evidence that US interest rates were probably close to their peak.

The consumer sentiment index held at 86.7 in March, below the

consensus forecast of Wall Street economists. US industrial output increased 0.7 percent in February.

"With a lack of inflationary pressure ... the market is likely to continue selling dollars near-term as expectations of future Fed hikes are pared back," said Bank of New York currency analyst Michael Woolfolk.

He referred to interest rate increases by the US Federal Reserve, which has pushed its base rate up to 4.5 percent in 14 quarter-point increments but may be close to ending its cycle of increases.

"The dollar is still under a lot of pressure versus the euro," said David Solin, a partner at Foreign Exchange Analytics. "The market moved away from the idea of two rate hikes to one and maybe a second."

An American Bankers Association panel of economists

said it sees the fed funds rate moving no higher than five percent by mid-year.

"The balance of risk is shifting from inflation to slower growth," said Robert McGee, chairman of the panel and chief economist at US Trust Company.

"The full impact of the past year's tightening has yet to be felt, which should raise a caution flag for the Fed."

Bear Stearns Steve Barrow said the euro faced strong resistance at the 1.22 dollar mark and when it was unable to make a sustained break above that level it fell back a little, although he noted that the currencies had traded within a very tight range.



HeidelbergCement Bangladesh Ltd has renewed its agreement with Wartsilä Bangladesh Ltd for operation and maintenance of its 7 MW power plant installed by Wartsilä at the cement company's Chittagong plant. Jean-Claude Jamar (L), managing director of HeidelbergCement Bangladesh, and Mohammad Shameem, deputy managing director of Wartsilä Bangladesh, signed the agreement on behalf of their organisations.