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Star BUSINESS

DHAKA MONDAY JUNE 19, 2006 E-mail: business@thedailystar.net

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High Court suspends Desco share trading

STAR BUSINESS REPORT

The High Court yesterday ordered suspension of Desco (Dhaka Electric Supply Company) share trading for three weeks.

The High Court in a show cause notice also asked the Dhaka Stock Exchange (DSE), Securities and Exchange Commission (SEC) and finance ministry to explain within three weeks as to why the Direct Listing Rules 2006 should not be declared illegal.

The court order came following a writ petition filed by a group of investors on May 25.

As per the schedule, Desco shares made debut on the DSE yesterday under the direct listing procedure.

Grameen Shakti, Rahimafrooz win global energy award

STAR BUSINESS REPORT

Among the eleven projects from across Africa, Latin America and Asia, Grameen Shakti and Rahimafrooz Batteries Ltd of Bangladesh jointly won the first prize of the Ashden Awards for Sustainable Energy projects.

They have been chosen for their successful efforts to promote the use of solar energy across Bangladesh, according to the Ashden Awards Online.

Dipal Barua, managing director of Grameen Shakti, represented the project at the Ashden Awards ceremony held on Thursday in London, while the Rahimafrooz project was represented by its Marketing and Sales Manager Sazzad Hussain and Business Manager Nadia Afroz Rahim.

Few other projects from India, Mexico and Tanzania also received the first prizes for extra-ordinary contributions in various sectors, including health, technology and housing.

Grameen Shakti has installed nearly 65,000 solar home systems, bringing the simple benefit of electric light and power to families across Bangladesh.

Meanwhile, Rahimafrooz Batteries Ltd, another leader in the industry, is the main supplier of batteries for thousands of solar systems in Bangladeshi homes and has installed some 25,000 of these systems in rural areas.

They were speaking at a post-budget discussion titled 'Budget and the Financial Sector' organised by Citibank NA in Dhaka.

Director of Centre for Governance Studies of BRAC University Dr Akbar Ali Khan, Securities and Exchange Commission (SEC) Chairman Faruque Siddiqui, President of Association of Bankers Bangladesh (ABB) M Aminuzzaman, Chief Executive Officer of IDLC Anis A Khan, Managing Director of Nescafe Carlo Cibello and Country Officer of Citigroup Mamun Rashid took part in the discussion, among others.

Conducting the session, PKSF Managing Director Fakhruddin

Malaysia may raise natural gas prices

AFP, Kuala Lumpur

Malaysia will consider raising the price of subsidised natural gas to relieve some of the pressure on state-owned firm Petronas, the country's energy minister said.

Energy Minister Lim Keng Yaik said Petronas, which has asked for a hike, was under "tremendous stress" to meet domestic demand for gas at the subsidised rate, the state-run Bernama news agency reported.

Lim said Petronas was supplying gas at 6.40 ringgit (1.76 dollars) per million British thermal units (mbtu), well below the market price of 14 to 18 ringgit per mbtu.

But Lim said the government will also take into account what impact a price hike would have on consumers.

"Whatever increase in gas price, it has to be passed through. It would be passed to the consumer eventually and we are not willing to do that at the moment," Lim was quoted as saying late Saturday by Bernama.

Last month, the government increased electricity rates for the first time in nearly a decade because of rising fuel costs.

Haiti, IMF launch aid talks

AFP, Port-Au-Prince

The IMF said Haiti has a "unique historical opportunity" to improve its political and economic situation, as talks opened here on a three-year aid program for the Caribbean nation.

Anoop Singh, the International Monetary Fund's regional director, said late Friday that discussions were under way on a new financial facility for Haiti that could help the impoverished country qualify for debt forgiveness.

SoE losses to take toll on economy

Say economists, bankers

STAR BUSINESS REPORT

Ahmed voiced caution against dependence on bank borrowing and said, "For this, disbursing credits of the banks to the private sector will be reduced, resulting in a reduction in employment generation and a disruption in the economic and GDP growth as well."

Fakhruddin, also a former Bangladesh Bank governor, was critical of continuation of the provision of whitening black money year after year.

"If it is not possible to give specific directives in the budget regarding the losses of SoEs or energy price or power crisis, the government should have taken indirect steps," he suggested.

Referring to the finance ministry's report on losses of SoEs that said total loss incurred by Biman and BPC stood at around Tk 4,500 crore, Dr Akbar Ali Khan, also a former alternative executive director of World Bank, suggested that any bank borrowing to cover up these losses would not only affect the financial sector seriously, but also force the banks to raise their interests both on loans and deposits.

"In the proposed budget it was not also hinted that how the big amount of losses will be addressed," Khan said.

"In the last couple of years the BPC has incurred a loss of around Tk10,000 crore which is managed from bank borrowing," he said.

Khan lamented that the government had taken a disorganised policy in fixing up the price of energy. "As the price of energy will remain higher in the next few years, the government should formulate an energy policy to handle the issue," he said.

He further said in the post-budget reaction everybody was critical of the short-term issues. But, there are also various mid-term and long-term issues in the budget, which were not discussed by trade bodies and even political parties.

But, he said, after the election the new government will face a great challenge in addressing the issues.

UNB adds: SEC chairman Faruque Siddiqui said, "The Tk 15,000 crore bank loan, of which Tk 5,000 crore has been defaulted, will create liquidity crisis that encourages the government to go for short-term borrowing."

The bankers taking part in the discussion demanded of the government to scrap the 3 percent income tax imposed on credit card transactions.



Fakhruddin Ahmed (2-R), managing director of Palli Karma-Sahayak Foundation (PKSF), speaks at a post-budget discussion titled 'Budget and the Financial Sector' organised by Citibank NA in Dhaka yesterday.

India mulls removing non-tariff barriers to Bangladeshi goods

PALLAB BHATTACHARYA, New Delhi

India is working towards dismantling the non-tariff barriers imposed on goods from Bangladesh, the 'Indian Express' newspaper reported Saturday quoting Minister of State for Commerce Jairam Ramesh.

"Jamdani saree from Bangladesh being tested for dyes in Lucknow instead of Kolkata is nothing but a non-tariff barrier," he told the newspaper.

Ramesh said there was 'some justification and history behind' these barriers but India does not 'put as many barriers as Bangladesh or Pakistan'.

A working group of Indian and Bangladesh trade officials, set up to examine non-tariff barriers following the visit of Prime Minister Khaleda Zia to Delhi in March, will submit its report on June 20, the daily said.

Bangladesh wants hilsa fish exported by it to India to be tested at Petrapole rather than in Kolkata.

"Most non-tariff barriers are political," Ramesh was quoted as saying.

"I told them (Bangladesh) we will examine if we can remove these barriers and if we can't, I will tell you why," Ramesh said.

He said there were infrastructure and logistical problems on the Petrapole trading point and the facilities on our side are pathetic.

Cambodia extends tax holiday for garment sector

AFP, Phnom Penh

Cambodia will extend a tax holiday for its garment sector until late next year to protect it from Vietnamese competitors and the expiry of US and EU safeguards in 2007, an official said Sunday.

Neighbouring Vietnam will become a stronger competitor if it joins the World Trade Organisation later this year as expected, broadening its access to Western markets, Cambodian government spokesman Khieu Kanharith told AFP.

"Their workers are skillful, their salaries are low and they have no worker riots or demonstrations," market in return for improved labour conditions.

Instead, business has picked up, helped by continued US and European Union safeguards set to expire at the end of 2007.

Exports from some 240 factories last year rose 10 percent to almost 2.2 billion dollars, said the UN International Labour Organization.

Khieu Kanharith said the government would grant the extended tax holiday to those garment companies which applied for business licenses before June 2005.

Delhi keen to help Dhaka develop Mongla Port

STAFF CORRESPONDENT, Khulna

Indian High Commissioner Veena Sikri yesterday said her country is keen to help Bangladesh modernise Mongla Port.

The Indian high commissioner was speaking at a discussion at Khulna Chamber of Commerce and Industry (KCCI).

KCCI President Shaharuzzaman Martuza presided over the discussion titled 'Development of Bilateral Trade and Other Issues'.

The KCCI president urged Sikri to set up an Indian visa office in Khulna.

Britain embraces Islamic finance

AFP, London

"You may have heard stories about cash under pillows," said Islamic scholar Abdul Barkatulla, recalling a time when British Muslims preferred to keep their money in the bedroom rather than in a bank account.

But times have changed, with Britain's estimated two million Muslims being catered for by a small number of banks -- notably Lloyds TSB -- who are providing financial products which comply with Islamic or Shariah law.

"Some Muslims are likely to suffer social exclusion," said Barkatulla, who advises Lloyds TSB on Islamic financial law.

"We are bringing them into the mainstream" by offering Islamic financial services, he added.

British finance minister Gordon Brown believes this can help Britain to become the gateway to Islamic finance and trade -- a move favoured by the country's Muslim leaders.

Last week, Chancellor of the Exchequer Brown noted that London has more banks supplying services under Islamic principles than any other Western financial centre.

His comments came as Lloyds TSB, the fifth-biggest bank in Britain, began a roll-out of its Islamic financial services across Britain following a successful pilot scheme.

Lloyds' 2,000 branches in England, Scotland and Wales now offer a current account which complies with Islamic law while most of its banks allow Muslims to apply for Islamic home loans.

Lloyds' Islamic current accounts offer no interest or overdraft facilities. Under Shariah law both payment and receipt of interest are forbidden because it is deemed unacceptable to make profit on the investment of money alone.

An Islamic home loan, meanwhile, works by the bank buying a property on behalf of the customer, contributing up to 90 percent of the purchase price.

The customer pays the remaining percentage up front and pays the outstanding sum over an agreed term, together with a rental payment.

China moves to reduce risk of economic overheating

AFP, Beijing

China's economy continued to expand at breakneck speed in May, prompting the central bank to tighten monetary policy amid fears that excessive investment and credit could lead to overheating.

Late Friday, the People's Bank of China ordered banks to set aside more in reserves to slow lending growth, raising the Required Deposit Reserve Ratio for commercial lenders by 0.5 percentage points to eight percent from July 5.

"This hike... is to prevent credit from growing too fast and to provide a stable currency and financial environment for the country's sustainable and healthy development," the central bank said in a statement.

The latest move will freeze 150 billion yuan (18.75 billion dollars) in inter-bank liquidity, the bank said.

"Currently, fixed asset investment is growing too quickly, money supply is growing too fast," it added.

The comments echoed a statement issued last week by the government of Premier Wen Jiabao, which said the rapid expansion in fixed-asset investment and credit had become a major problem for the economy.

"(We) must change the way of just going after economic growth

Two i Mobile sets launched

STAR BUSINESS REPORT

Thai cellphone manufacturer i Mobile International Co Ltd yesterday launched two new handsets in local market.

The new 'i-mobile' brand handsets of the company feature MP3 and FM radio facilities, besides other general mobile phone options.

Singers Shafin Ahmed and Mehrin formally introduced the handsets--i-mobile 311 and i-mobile 309--at a function at Bashundhara City shopping mall in Dhaka.

Editor of the daily Bhorer Kagoj Shyamal Dutta and Regional Manager of i Mobile Rungwit Isarapandh, among others, were present at the launching ceremony.

Swakat Azim, executive director of Maple International Ltd, the sole distributor of i-mobile in Bangladesh, said Maple has so far sold 60,000 i-mobile brand cellphone sets in the local market.

The 'i-mobile 311' model set with FM radio facility is currently available at Tk 4,660 while the 'i-mobile 309' set with MP3 feature will hit market within next week at Tk 10,000 per unit, officials said.

The new model cellphone sets were launched at the five-day 'Second Bangladesh International Telecom Fair-2006' that began on Thursday at Bashundhara Exhibition Centre.

Poor credit supply, rising costs of bldg materials to stymie property growth

Says study

UNB, Dhaka

Despite strong demand for housing, a poor credit supply and rising costs of building materials indicate that the country's construction sector will be under pressure in the coming months, raising the prospects of a slowdown in the property market.

A UK-based think tank group, Oxford Analytica, in its study on outlook for the construction industry in Bangladesh said demand for housing is set to grow as the urban population continues to expand and modernise.

But financial and infrastructural weaknesses illustrate the challenges faced by the property sector.

It said the real estate and construction markets have boomed over the last few years as the economy has grown.

But urban development has been under pressure from a number of factors, especially in megacity Dhaka. Despite recent interest from overseas investors, the real estate market is likely to slow down over the next year.

The study said rapid economic growth in Bangladesh has led to mass migration to cities. Although it remains a predominantly rural country, some 23 percent of the population now live in urban areas compared to 5 percent during the 1950s.

It said demand for housing in Dhaka is particularly acute. In 2005

its population was 12 million. The UNDP estimates it could be the fourth largest city in the world in 2015, with a population of 21 million. Population density almost doubled between 1991 and 2006. It is estimated that 750,000 people are currently moving to the city each year.

With the Buriganga river to the south and floods in plains to east and west, construction is expanding to the north where a number of new townships are being built and land prices are rising.

The study said in the 1980s, Dhaka had a handful of buildings over ten-storey high, accommodating high-profile banks and government departments. The Emporis Buildings database now lists 153 high-rises, most of which combined commercial and residential premises.

It said with about 200 property development companies in total, only 20 firms are responsible for 80 percent of new construction, most of whom were founded in the late 1990s. Non-governmental organisations (NGOs) have also entered the market.

Real estate developers are increasingly keen to attract overseas investment, and Prime Minister Khaleda Zia focused on the sector during a visit to the UAE last month. Over the last year, the real estate trade sector has organised a number of trade shows in Dubai. The UAE-based Dhabi

group has shown interest in investing in the luxury accommodation market, and is likely to be followed by other gulf-based companies.

However, the study said there is a risk that the housing market will crash. Construction has slowed, and though the property sector remains profitable, it is coming under significant financial pressure.

The sector is under strain from a range of factors. The urbanisation process and land shortages have led to rapid increase in property prices. Residential values grew by 60 percent in 2005 in some areas of the capital.

Population growth requires at least 50,000 new housing units each year in Dhaka, but developers are building fewer than 10,000. Property prices have increased far more quickly than middle class incomes.

It said unlike many developing countries witnessing similar property booms, Bangladesh does not have a credit market able to lend large sums of money to consumers.

The study also warned against significant concerns about safety in the construction industry. A National Building Code was formulated in 1993 that included stringent measures to ensure the structural safety of high-rise buildings. However, it is not yet statutory, and only 27 officials are currently employed by the state to monitor building standards.

Volkswagen denies plans to cut extra 10,000 jobs

REUTERS, Hamburg

The situation at German carmaker Volkswagen is serious, a senior executive said, although he denied a report that the company could cut an extra 10,000 jobs at its core VW brand.

VW personnel chief Horst Neumann said he had not told workers' representatives that planned job cuts could be extended, as was reported by news magazine Spiegel.

"I have never said such a thing," he said via a VW spokesman late on Saturday in response to questions from Reuters.

"The situation at VW is serious, but there is no reason to panic, and certainly no reason to create panic," VW said in February that up to 20,000 German jobs could be affected by a three-year restructuring program at its passenger car business.

Spiegel reported an additional 10,000 jobs could be at risk because high costs meant production of the next generation Golf model could be shifted out of Germany's Wolfsburg plant.

Chief Executive Bernd Pischetsrieder said in February he had no plans to shut any plants or cancel VW's in-house wage agreement that protects the 100,000 highly-paid workers at its six western German plants from layoffs through the end of 2011.

(We) must improve our economic structure, improve the quality and efficiency of our economic growth," the statement said.

Some analysts were sceptical about the impact of the measures to cool down the red-hot economy.

YiXianrong, an economist at the Chinese Academy of Social Sciences, an influential government research body, said the monetary tightening would not be effective enough.

"Its influence won't be very large -- liquidity in the commercial banks is huge," he said.

Economic data issued last week for May, the first since the central bank announced a 27 basis point increase to the one-year lending rate in April, showed strong growth in China's money supply, fixed-asset investment growth and the ever-sensitive trade surplus.

"All the news so far is very supportive of our view that China is in the midst of a full-fledged liquidity boom," Macquarie Research said in a note to clients.

"This is a trend that makes more policy tightening inevitable."

M2, the broad measure of money supply, rose 19.1 percent year-on-year at the end of May, overshooting the official 16 percent full-year target for the fifth month in a row.



Singers Shafin Ahmed (2-R) and Mehrin (2-L) show off two newly launched cellphone sets of i Mobile International Co Ltd at Bashundhara City shopping mall in Dhaka yesterday.