

We are not ready for free float of Taka'

By Kazi A Mazid

Taka convertibility, although may be painful at the initial stage, should be beneficial in the long run. The transition should, however, be orderly with the active participation of the Bangladesh Bank.

Bangladesh Bank has substantially relaxed control on foreign exchange during the last few months.

From August 8, 1992, Bangladesh Bank has stopped publishing exchange rates at which banks would deal with customers. Now the banks are free to quote rates to their customers. Bangladesh Bank has also ceased to deal with banks in any currency other than US dollar and they are not providing any FWD coverage against any currency.

From October 1, 1993 partial convertibility of Taka will take place. According to my understanding Taka will become fully convertible both on trade and services (current account) but not on capital account.

Actually many Third World countries have allowed convertibility of their local currency in stages. For example India, first allowed partial convertibility in trade A/C and then went for full convertibility in trade A/C.

In our case we are skipping one step and going for full convertibility in trade and services. I think the proposed convertibility of Taka is in consonance with government policies for economic reform. Bangladesh believes in free market economy and we cannot

insulate ourselves from the rest of the world. I believe that Taka will find its real value and there will be no need to devalue/revalue currency i.e. to artificially fix the value which was done hitherto.

In all likelihood the Taka value will depreciate in free market operation. However, Bangladesh Bank is likely to continue to quote their buying and selling rate for US dollar. The variation, therefore, should not be wild. The expected depreciation of Taka will be beneficial to exporters as they will get competitive price against their exports.

The question that comes to my mind very often is how much competitive our currency will be when it becomes convertible. The basic factors which determine the value of a currency are: political stability; economic stability; large reserves — balance of payment; confidence on the country's future.

We have comparatively large reserves and we have brought some economic discipline but we still have to go a long way in bringing back the confidence of investors — both at home and abroad.

Ours is an import oriented economy, imports are three times our exports. We have over the past years reduced trade gap but a depreciation of Taka may change this position and cause inflationary pressure in the short term.

At present the economy seems to be suffering from inertia. We must get out of this.

I hope that convertibility of Taka should increase foreign exchange transaction and provide support for new investment particularly in export oriented industries. The pros and cons of Taka convertibility may be broadly summarised as follows:

Prospects:

1. Help exporters and increase export earnings.
2. Promote investments.
3. No need for artificial devaluation/revaluation.
4. Increase in import cost will turn investors to go for exports.

Constraints:

1. Since Bangladesh is predominantly an import oriented economy this may adversely affect trade balance thus having negative impact on the economy.
2. May cause inflation.
3. Lack of good communication system and expertise may make monitoring difficult and cause the system to go out of control.

Currency convertibility presupposes following on the part of banks and dealers.

- Proper infrastructure
- Proper knowledge
- Proper system and
- Proper communication

Without the above, the convertibility of Taka could be a nightmare for the banks. In fixing exchange rate and to keep control on their ex-

change position and exposure the bank officials should have expertise to interpret economic and political indication and also understand the influence of interest rates on exchange rates.

I, therefore, feel that the transition should be orderly with Bangladesh Bank's participation in order to restrict volatility and enhance capability to monitor risk.

Some experts favour 'Free Float' of Taka immediately. I think 'Free Float' of Taka at this stage could have disastrous effect on our economy and finance. We are simply not ready yet. If Hong Kong experience is of any value, they moved out of 'Free Float' to 'Managed Float' in 1983 when the currency was under severe pressure following the decision to hand over the colony to China. In spite of large reserves and other positive factors (good system/communication etc.), the currency suffered setback due to political uncertainties.

The system of 'Managed Float' has performed very well in Hong Kong and their economy is booming and I see no reason why we need to have 'free float' when our economy is still very weak and our communication and system are so poor.

I am, therefore, not in favour of 'Free Float' at this time. Instead I would like to see a 'managed float' for a period of time as we gain experience and expertise.

(The author is the Managing Director, Pubali Bank Ltd.)

Tea prices evince mixed results at auction

By Staff Correspondent

Tea prices evinced mixed results at this week's auction sale held in Chittagong on Tuesday last.

According to a Unity Brokers market report, prices for the brokens eased by up to a Taka per kilogram while that of fannings held the previous week's level due to good demand.

The major buyers at the sale were Poland, Russia, Pakistan, Iran and Jordan. Withdrawals at the sale were slightly higher than last week's.

In the leaf category a total of 24,224 packages were offered. Of which, the export buyers accounted for 63 per cent of the sale while the internal traders purchased 16 per cent and the remaining 21 per cent was withdrawn.

In the Dust category 2,815 packages were offered at the sale, of which, the local traders purchased 66 per cent of the sale while the export buyers brought 23 per cent and the remaining 11 per cent was withdrawn.

Following is the category-

wise market performance report as prepared by Unity Brokers: CTC: Bold brokens opened at a Taka per kg lower than the previous week but closed at around 0.50 taka per kg lower. Others brokens declined by up to a Taka.

Grainy well made fannings were firm on last. Fibrous types eased whilst the secondaries sold between Taka 40/42 and Selective best lines realised between Taka 51.00 and Taka 52.60 per kg.

GREEN TEA: 465 packages were on offer FYH's sold between Taka 57.50 to Taka 58.10. YH's between Taka 55.00 to Taka 57.80 whilst the Hysons sold between Taka 57.00 to Taka 58.60 per kg.

DUST: Prices opened at firm to dearer rates but towards close, were little easier.

The next tea auction sale will be held in Chittagong on October 5 and offerings will comprise about 23,000 packages of leaf and 3,000 packages of dust.

Shipping Intelligence

CHITTAGONG PORT

Berth position and performance of vessels as on 30.9.93

Berth	Name of vessels	Cargo	L port call	Local agent	Date of arrival	Leaving
J/1	Al Salma	GI/GL	Yang	ASLL	28/9	12/10
J/2	Santa Margherita	GI	Sing	Prog	27/9	07/10
J/3	Shapleaverett	GI	Sing	EBPL	27/9	02/10
J/4	Fujisan Maru	Cement	R.Hov	BSL	20/9	02/10
J/5	Maro	Salt (TCB)	Tuti	Litmond	25/9	04/10
J/6	Jala Yamini	Salt (TCB)	Kand	MSP	28/9	02/10
J/7	Mun Su Bong	Salt (TCB)	Tuti	UMAL	24/9	03/10
J/9	Sea Rhapsody	Cement	Tuti	PSAL	27/9	04/10
J/10	Banglar Kiron	Repair	—	BSC	R/A	30/9
J/11	Indian Endurance	Salt (TCB)	Kand	GEL	10/9	04/10
J/12	Imke Wehr	Cont	Sing	APL (B)	29/9	02/10
J/13	Inguinity	Cont	Mong	BTS	29/9	01/10
MPB/1	Fong Yun	Cont	Sing	BDSHP	25/9	30/9
MPB/2	Banglar Robi	Cont	—	BSC	R/A	30/9
CCJ	Vishva Karuna	R.Seed	Chin	Litmond	30/8	10/10
GSJ	Ronjay Choomic	Cement	Tuti	USTC	15/9	03/10
TSP	Banglar Doot	R.Sulp	—	RRSA	R/A	05/10
RM/4	Banglar Shourabh	Repair	—	BSC	R/A	03/10
RM/6	Polyxent	Salt (TCB)	Lamd	RRSA	19/9	03/10
DOJ	Dolores	—	—	Seacom	R/A	10/10
DD	Samudra Samrat	Repair	Kand	SSL	25/8	10/10
DDJ/1	Banglar Sampad	Repair	—	BSC	R/A	01/10
DDJ/2	Banglar Asha	Repair	—	BSC	R/A	15/10

VESSELS DUE AT OUTER ANCHORAGE

Name of vessels	Date of arrival	Last port	Local call	Cargo	Local agent	Loading port
Petr Starostin 23/9	30/9	Sing	CT	Cont	Sing	—
Banglar Kakoli	30/9	Male	BSC	GI	UK. Cont.	—
NGS Ranger 18/9	30/9	Sing	BDSHP	Cont	Sing	—
Fong Shin 7/9	2/10	Sing	BDSHP	Cont	Sing	—
Optima 22/9	1/10	Sing	RSL	Cont	Sing	—
Fridrich Engels	1/10	Ily	EOSL	—	—	—
Amer Asha	1/10	Sing	Eastwest	Cement	—	—
Pu Aspiration	1/10	Chin	Litmond	Cement	S.Ash.	—
Iyeverett	1/10	Sing	EBPL	GI	Japa. Fe.	—
Al Attared	1/10	—	JF	Scrapping	—	—
Kasuga-II	2/10	Yang	MSA	Pulses	—	—
Ronjay Victory	2/10	—	PSAL	Cement	—	—
Mowlavi	5/10	Mong	SSL	GL	B Abbas	—
Loyal Bird	2/10	Mong	Litmond	Repair	—	—
Hang Wan	3/10	—	BDSHP	SPL. Cargo	—	—
Kota Buana 25/9	4/10	Sing	RSL	Cont	Sing	—
Jiang Cheng	4/10	S.Hai	BDSHP	GI	C.Ports	—
Antje	4/10	—	Prog	P.Equip & Mater	—	—
Banglar Moni 25/9	5/10	Mong	BSC	Cont	Sing	—
Meng Lee 26/9	5/10	Cal	AML	Cont	Sing	—
Leona	6/10	—	Prog	GI	—	—
Jin Jiang	7/10	Xiyu	OWSL	Sugar	—	—
L. Yamburenko 23/9	7/10	—	CT	Cont	Sing	—
Lanka Mahapala 28/9	8/10	Mong	Baridhi	Cont	Col.	—
Eponyma 29/9	9/10	—	CTS	Cont	Sing	—
Exceed-2	10/0	—	BBA	GI	—	—
Meng Kiat 25/9	10/10	—	AML	Cont	Sing	—
Rafah	10/10	Jybo	Dynamic	M.Seeds	—	—
Nour (E/L) 27/9	15/10	—	LTL	E/L	Sudan/ Suez	—

TANKER DUE

Name of vessels	Date of arrival	Last port	Local call	Cargo	Local agent	Date of arrival
Global Eos	10/10	—	TSL	C.P.O	RM/3	—

VESSELS AT KUTUBDIA

Name of vessels	Cargo	Last Port call	Local agent	Date of arrival
—	—	—	—	—

VESSELS AT KUTUBDIA

NIL

VESSELS AWAITING INSTRUCTION

Name of vessels	Cargo	Last Port call	Local agent	Date of arrival
Banglar Jyoti	—	—	BSC	R/A

VESSELS NOT ENTERING

Name of vessels	Cargo	Last Port call	Local agent	Date of arrival
Naticina	Scrapping	Sing	ARL	15/9
Tug Sabirlic	—	Sing	OTBL	21/9
Bali Sun	Scrapping	Sing	OTBL	21/9
Mulpha Subang	Cement	Sing	USTC	26/9
Tony Best	Cement	Mong	AESA	27/6
Astro Star	Scrapping	Sing	OTBL	28/9
Tug Ocean-II	—	Sing	OTBL	28/9
South Land Star	Scrapping	L.ang	UMAL	29/9
Stonewall Jackson	GI (Lash)	—	Karna	30/9

MOVEMENT OF VESSELS FOR 1/10/93 & 2/10/93

Outgoing	Incoming	Shifting
J/10	J/13	J/7
J/13 Inguinity	MPB-2 NGS Ranger	RM-6 Polyxent to J/10
J/13 Inguinity	J/8 Banglar Kakoli	—
J/13 Inguinity	RM-3 Global EOS	—
J/3 Shapleaverett	J/13 Fong Shin	J/7 Mun Su Bong to J/3
J/4 Fujisan Maru	MPB-1 Optima	—
MPB-1 Imke Wehr	J/7 Iyeverett	—

The above were the Thursday's Shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied by HRC Group, Dhaka.

Dhaka Stock Prices

Weekly comparison: At the close of tradings on September 22 and September 29, 1993

Company	FV/ML*	1992-93			
		Sept 22	Sept 29	High	Low
BANKS (12)					
Al Baraka Bank	1000/1	825.00	900.00	950.00	800.00
A.B Bank	100/5	160.00	172.00	200.00	160.00
City Bank	100/5	325.00	325.00	355.00	268.00
Eastern Bank	100/20	109.00	110.00	110.00	110.00
ICBL Ltd	100/5	209.00	205.35	242.00	200.00
IFIC	100/5	180.00	187.00	198.00	150.00
Islami Bank	1000/1	1405.00	1401.00	1750.00	1300.00
National Bank	100/5	95.00	92.00	104.00	85.00
Pubali Bank	100/5	100.00	100.00	100.00	85.00
Rupali Bank	100/10	68.00	68.00	80.00	65.00
U.C.B.L	100/5	115.00	120.00	120.00	90.00
Uttara Bank	100/5	90.00	90.00	103.00	87.00
INVESTMENT (08)					
ICB	100/5	100.00	100.00	100.00	85.00
1st ICB M.Fund	100/5	350.00	350.00	375.00	340.00
2nd ICB Fund	100/5	160.00	160.00	186.00	160.00
3rd ICB M. Fund	100/5	143.00	144.00	162.00	140.00
4th ICB M. Fund	100/10	145.00	145.00	160.00	140.00
5th ICB M. Fund	100/10	91.67	92.00	102.00	86.00
6th ICB M. Fund	100/10	64.00	65.73	65.00	57.00
Unit Certificate	—	—	—	—	—
Sales Price	—	112.00	112.00	—	—
Re-purchase	—	107.00	107.00	—	—
INSURANCE (04)					
BGIC	100/10	181.00	182.50	230.00	147.25
Green Delta	100/10	207.00	207.50	235.00	152.00
Peoples	100/10	292.00	290.00	350.00	172.00
United	100/10	190.00	193.00	237.00	170.00
ENGINEERING (19)					
Afah Automobiles	100/5	183.25	183.25	185.00	165.00
Alas Bangladesh	10/50	45.25	44.50	45.30	40.00
Aziz Pipes	100/5	227.00	230.00	256.00	212.00
Bangladesh Autocars	100/5	50.58	47.00	74.00	45.00
Bangladesh Lamps	100/5	300.00	300.00	307.00	150.00
B.Thai Aluminium	100/10	82.50	83.00	96.00	74.00
Bengal Carbide	100/5	272.00	272.00	275.00	210.00
Bengal Steel	10/50	20.00	20.00	—	—
Eastern Cables	100/5	72.00	70.58	86.00	70.00
Howland PVC	100/10	105.75	110.00	115.00	81.00
Kartm Pipe	100/5	62.87	62.37	97.00	62.50
Metalex Corp.	100/5	30.00	30.00	49.00	30.00
Monno Stafflers	10/05	200.00	200.00	200.00	145.00
Monno Jute	100/5	350.00	350.00	350.00	220.00
National Tubes	100/10	60.00	60.00	75.00	60.00
Panther Steel	10/50	8.00	8.00	—	—
Quasem Drycells	10/50	9.90	9.90	10.00	8.90
Remwick Jaineswar	100/5	81.00	81.50	86.00	66.00
Singer Bangladesh	100/5	896.24	907.50	1600.00	775.00
FOOD & ALLIED (25)					
A.B Biscuit	100/5	200.00	200.00	200.00	200.00
Alpha Tobacco	10/50	50.00	50.00	50.00	43.00
Amma Sea Food	100/5	15.00	15.00	23.00	15.00
Apex Food	100/5	675.00	700.00	685.00	650.00
Aroma Tea	100/5	60.00	60.00	75.00	55.00
Bargis	100/5	150.00	145.00	150.00	120.00
B D Plantation	100/5	500.00	500.00	550.00	500.00
Bengal Food	100/5	115.83	114.30	160.00	111.00
B.L.T.C.	100/5	800.00	800.00	800.00	615.00
B.T.C.	10/50	76.00	74.00	76.00	50.00
Cig. Vegetable	100/10	67.25	67.23	82.00	61.00
Dhaka Vegetable	100/5	67.50	67.50	94.00	—
E.L. Cemeilia	100/5	11040.00	1040.00	—	—
Frogleg Export	10/50	2.00	2.00	3.00	2.00
Gemini Sea Food	100/5	39.00	39.00	100.00	39.00
Hill Plantation	100/5	550.0			