

SANYO

Microwave Oven

Sole Distributor in Bangladesh

Transfin Trading Limited

100, Kazi Nazrul Islam Avenue, Dhaka-1215

Telephone : 815306-09, 819625-29, Fax 813062

The Daily Star BUSINESS

DHAKA SATURDAY, JANUARY 20, 1996

**HYUNDAI**

CARS THAT MAKE SENSE

PM invites Egyptian investors

Prime Minister Begum Khaleda Zia Thursday invited the Egyptian entrepreneurs to invest in Bangladesh, availing themselves of the country's congenial investment climate, reports UNB.

Bangladesh offers a lot of investment opportunities for foreign entrepreneurs, she said adding that its liberal industrial and economic policies have made all kinds of investment attractive and profitable.

Begum Zia was talking to the newly appointed Egyptian Ambassador in Bangladesh Oussama Mohamed Tawfik who met her at the Prime Minister's office in the afternoon.

The Prime Minister told the ambassador that he can play an effective role in improving trade relations between the two countries and inspire the Egyptian entrepreneurs to invest in Bangladesh.

Begum Zia emphasised exchange of trade delegations between the two Muslim countries for the flourishing of private sector investment for the benefit of the two peoples.

The Prime Minister said Egypt, which imports jute and jute goods from Bangladesh, could also buy ceramic, pharmaceutical and other Bangladeshi products of international standard.

Ambassador Tawfik laid emphasis on enhancing trade and commerce between Egypt and Bangladesh and said both the countries have scope for strengthening relations in different fields.

He particularly mentioned that there were scope for investment in the textile, tourism and energy sectors in Bangladesh and said that he would take initiative regarding investment in Bangladesh.

The Egyptian ambassador said private sectors of the two countries could come forward to invest in joint venture projects.

WFP has enough money to keep operating through March

UNITED NATIONS, Jan 19: Thanks to donations from Switzerland and Norway, the World Food Programme has enough money to keep delivering food to a half-million flood victims in North Korea through March, reports AP.

"Although we're grateful for the new pledges, it only buys us just a little more time," executive director Catherine Bertini said. "Much more is needed. Altogether, several million people are at risk of starvation, including 2.5 million women and children."

The UN group had announced plans to close its office in the North Korean capital of Pyongyang because it had run out of money.

The office was established to provide emergency food to the Communist country following recent floods, the worst in memory.

It was the first UN food aid ever sent to North Korea and followed reports that people were so hungry that they were foraging in fields and animal burrows for roots and seeds.

When the organization announced the 8.8 million dollars programme to feed half-a-million North Koreans for 90 days, only Denmark and Finland responded, together giving 505,000 dollars.

DSE Weekly Review

Bearish trend continues

By Sharier Khan

The bearish trend in the Dhaka Stock Exchange (DSE) continues for yet another week while the average volume and value of traded shares and debentures decline further.

Investors refrained from making bigger deals as most share prices continue to decline. The daily average trading of issues have declined from 93.33 of the previous week to 90.60 this week.

The daily average trading issues remained far below from the average losers. While 33 issues marked gain everyday, 46.80 issues incurred losses as against 37.33 gainers and 46 losers of the previous week which was also dull.

From December last year, the DSE floor has been witnessing a chronic dull trading as the flow of fresh funds had declined due to political uncertainty and hartals among other reasons, market operators say.

The All Share Price Index of the DSE fell by 0.55 per cent or 4.54 points to 818.86 points at the closing of the week Thursday from the previous week's closing point of 823.40.

A total of 5 lakh 48,957 shares and debentures worth Tk 10 crore 78 lakh

44,575.25 were traded during this five-day week as against 4 lakh 13,859 shares and debentures worth Tk 6.84 crores of the previous three-day week. The working days were interrupted by a dawn to dusk hartal this week while a 48-hour hartal in the previous week.

The average volume of trading declined by 28,000 shares and debentures this week to 1.09 lakh daily from the previous week's average of 1.37 shares and debentures.

Price-fluctuations of some selected share issues enlisted with the DSE

Name of Issue	Last week's Closing Price	This week's Closing Price	Difference
BD Zippers	Tk 143	Tk 137	(-) Tk 6
BD Lamps	Tk 2978	Tk 2915	(-) Tk 63
Singer	Tk 5992	Tk 6457	Tk 465 (7.76%)
IDLC	Tk 1807	Tk 1775	(-) Tk 32
1st ICB MF	Tk 1912	Tk 1900	(-) Tk 12
Apex Foods	Tk 2500	Tk 2402	(-) Tk 98 (3.9%)
BTC	Tk 168	Tk 165	(-) Tk 3
BOC	Tk 185	Tk 190	Tk 5
Apex Weaving	Tk 131	Tk 126	(-) Tk 5
Beximco Tex	Tk 124	Tk 122	(-) Tk 2
Bex Pharma	Tk 85	Tk 84	(-) Tk 1
Square Pharma	Tk 777	Tk 788	Tk 11
Maq Paper	Tk 165	Tk 155	(-) Tk 10
Shine Pukur	Tk 78	Tk 75	(-) Tk 3
Prime Tex	Tk 285	Tk 278	(-) Tk 7
Purabi Ins	Tk 132	Tk 120	(-) Tk 12 (9.09%)
Bex Denims	Tk 153	Tk 148	(-) Tk 5
E. Housing	Tk 120	Tk 120	Nil
Monno Cera	Tk 762	Tk 762	Nil

Bank timetable during Ramadan

Office-hour of Bangladesh Bank and all other scheduled banks will be from 9 am to 3:30 pm, with a break from 1:15 pm to 1:30 pm for Zohr prayers, from Saturday to Wednesday during the month of Ramadan, reports UNB.

The offices will function from 9 am to 1 pm on Thursdays during the month, according to a press release of Bangladesh Bank on Thursday.

Transactions will take place from 9 am to 2 pm from Saturday to Wednesday and from 9 am to 12 noon on Thursday.

Despite the break for Zhar prayers, transaction works will continue through inter-branch coordination as being done now.

The timetable will be normalised just after the Ramadan month.

Tk. 3cr BPC projects for S-region

BARISAL, Jan 19: Bangladesh Parjatan Corporation (BPC) has taken up two projects in the southern region costing about Tk 3 crore to boost tourism in the country, reports UNB.

According to BPC officials, the project works included construction of a hotel and a motel.

The hotel with modern facilities will be constructed on the riverside of Kirtankhola adjacent to Barisal town at a cost of Tk 1.75 crore.

The BPC motel, involving Tk 1.25 crore, will be constructed at Kuakata in Patuakhali, an ideal place for tourism as the sunrise and the sunset are visible from the beach.

India, Cambodia sign agreement on MFN status

PHNOM PENH, Jan 19: India's Foreign Minister and his Cambodian counterpart yesterday signed an agreement paving the way for their countries to grant each other Most Favoured-Nation (MFN) trading status and increasing technical cooperation, reports AFP.

Pranab Mukherjee, on a two-day visit to Cambodia, signed the agreements with Ung Huot, who pledged continued cooperation in the areas of health, education, science and agriculture.

Details of the MFN part of the agreement must still be hammered out by the Cambodian and Indian ministries of Commerce.

India was the only non-eastern bloc country with which Cambodia had diplomatic relations during the 1980s when the country was occupied by the Vietnamese.

In the past, India has supplied equipment and sent experts to help Cambodian authorities restore the 12th-century temple of Angkor Wat and has provided Cambodia with humanitarian aid.

Mukherjee will meet with Co-Premiers Prince Norodom Ranariddh and Hun Sen as well as President of the National assembly Chea Sim before departing for Laos on Friday.

Prince Ranariddh is scheduled to visit New Delhi later this month and meet with senior Indian officials and businessmen.

Monno Fabrics offers ordinary shares of Tk 100 each

By Staff Correspondent

Monno Fabrics, a new venture of Monno Group of Industries, has offered ordinary shares of Tk 100 each at 50 per cent premium.

The purpose of 3,594,500 Initial Public Offering (IPO) is to raise funds for setting up of a modern export-oriented composite textile mills with spinning, weaving and finishing facilities, the prospectus of the company said.

The construction works of Tk 2,983 million project, are now going on in full swing and expected to be completed by end of 1996.

The authorised capital of Monno Fabrics is Tk 5,000 million and will have initial paid-up capital of Tk 1.150

million. It was also said in the prospectus that the company would have an ultra-modern integrated textile complex with all brand new machinery-first of its kind in Bangladesh.

The project comprises spinning unit having 37,440 spindles and 576 rotor heads while weaving unit comprises 120 computerized air-jet looms and complete fabric processing unit with continuous dyeing and printing facilities for 30 million meters per annum.

The project is located at Gilondu under Manikganj district on Dhaka-Aricha highway.

The prospectus also mentioned that the high quality finished fabrics of the company would be sold to the export-oriented ready-made garment industry of the country which are mostly located in and around Dhaka and Chittagong.

The offer which was opened on January 14 will be closed on January 23, at the close of banking hours.

Three industrial units under Monno Group are presently listed with Dhaka Stock Exchange. Shares of all the listed units of this group are blue chips and are traded on the floor at very high price.



Al-Haj Md Abdul Maleque, Chairman of the Central Insurance Company Ltd, speaking at the Branch Incharges & Officers Conference '96 of the Company at Hotel Sonargaon in the city on Tuesday. On his right Md Nurul Islam, Vice-Chairman, Haji Md Amjad Hossain, Md Tayyabur Rahman, Tulu Kalimullah, Al-Haj Md Yusuf Chowdhury, A K M Azizur Rahman and Mohammed Musa, Directors, and on his left Shah Alam Chowdhury, Director, A B M Nurul Kabir, Managing Director and Nazimuddin Al-Azad, Deputy Managing Director are also seen in the picture.

Japan pledges \$568m credit to Pakistan

TOKYO, Jan 19: Prime Minister Ryutaro Hashimoto met his Pakistani counterpart Benazir Bhutto Thursday and promised 59.65 billion yen (\$568 million dollar) in credit to help Pakistan's economic development, reports AP.

Japanese officials also signed an agreement to lend 20 billion yen (190 million dollar), promised previously, to help with construction of a 1.7 billion dollar hydroelectric power plant in northern Pakistan.

Hashimoto told Bhutto Japan is extending the credit to support Pakistan's economic and social reforms.

The two leaders also discussed conflict between Pakistan and India, and the nuclear non-proliferation treaty, said a Foreign Ministry official, speaking on condition of anonymity.

Bhutto said Pakistan would welcome anything Japan, the United States or the United Nations could do to help resolve the standoff over the disputed Kashmir territory in the Himalaya region. Both adjacent countries claim Kashmir as their own, and have fought two wars over it since it gained independence from Britain in 1947.

Bhutto arrived in Tokyo Wednesday for a four-day visit, which includes an audience with Emperor Akihito and Empress Michiko at the Imperial Palace on Friday.

The yen-denominated official credit is for financing construction of a hydroelectric power plant at Ghazi Barotha, northern Pakistan, the official said.

The future loans Hashimoto promised Thursday will also be used for an education project in Pakistan's Balochistan state, a national drainage programme and construction of light rail transit system in Lahore, the official said.

Earlier, Bhutto attended a luncheon given by business leaders and called for Japanese investment in Pakistan.

She said "our energy policy, the privatization program and government's own development program are all geared towards facilitating the development of physical infrastructure."

Mexican banks' bad loans stand at 113.5b pesos

MEXICO CITY, Jan 19: Mexican banks' bad loans were 113.5 billion pesos at the end of 1995, said Jose Madariaga, President of the Mexican bankers' association, reports Reuters.

"The ratio of the portfolio sold against the total portfolio was 17.6 per cent, which equals 113.5 billion pesos, at the end of December," he told a news conference.

Madariaga said that bad loans would decline this year "as the economy recovers, as financial markets become more stable and as interest rates decline."

He said that outstanding good loans totalled 642.00 billion pesos.

Central Insurance branch incharges' confce held

The branch incharges and officers conference '96 of the Central Insurance Company Ltd was held at the Ball Room of Hotel Sonargaon in the city on Tuesday, says a press release.

Al-Haj Md Abdul Maleque, Chairman of the company presides over the meeting. Discussions were held on the business performances of the branches as well as the individuals for the last year.

The Chairman and the Managing Director expressed their satisfaction for the last year's performance and advised the branch incharges to try their utmost to gear up their business performances to a more satisfactory level in the current year as compared to the previous year.

Successful development personnel were awarded for their outstanding business performances during the year under review.

The Controller of Insurance, Govt. of the People's Republic of Bangladesh, Shamsuddin Ahmed attended the Conference on special invitation and distributed prizes amongst the branch incharges.

The chairman, in this speech, announced the decisions of the Board of Directors for enhancement of the salaries of desk employees and the Managing Director announced the benefits for the development personnel of various nature in the meeting which was spontaneously welcomed and felicitated by the employees.

An overview of the existing economic situation in Bangladesh

By Mahbubur Rahman Khan

There has been a shift in the government's policy of macroeconomic management in recent years. The thrust has been on the enhancement of the government's role in the provision of physical and social infrastructure, development of human resources through encouraging mass education as well as upgrading the levels of education system and making adequate provision of health services. In addition, the government has undertaken a number of reforms in the various sectors of the economy to provide a sustainable macroeconomic environment.

The key ingredients of the government's policy are reduction of budget deficit through increase in revenue and decrease in expenditure, increase in savings and investment, pursuance of monetary policies with the objectives of reducing inflation and improvement in balance of payments position, and promote market oriented economic system where the private sector could play a major and bigger role in the nation's development process.

The macroeconomic situation of Bangladesh came under severe strain in 1989-90. The rate of inflation was close to 2-digit level (9.3 re-

cent), the balance of payments current account deficit stood at 7.0 per cent of GDP, and gross foreign exchange reserves declined to 520 million US dollars which was equivalent to only 1.7 months of import payments. Therefore, the Government of Bangladesh, as a part of its overall development programme, adopted a programme of policy and institutional reforms within the financial sector. The reform programmes include, among others, gradual elimination of the distortions in the interest rate structure with a view to improving allocation of resources, replacing direct credit controls with indirect monetary policy instruments and adopting appropriate monetary tools to control inflation, establishing appropriate accounting policies including classification of loan portfolio, provisioning against loan losses and recapitalisation, and strengthening the legal framework for debt recovery and updating regulations affecting banking business.

Bangladesh Bank has an annual monetary programme with the elements of a safe limit of monetary expansion including public and private sector borrowing limit. The programme is based on the maximum attainable growth

in real income and a tolerable rate of inflation. The Bank monitors the credit and monetary expansion keeping in view the price situation and foreign exchange reserves, and uses indirect monetary policy instruments to contain monetary and credit expansion within the programmed levels.

While controlling rate of inflation and maintaining adequate level of foreign exchange reserves remain the primary objective of Bangladesh Bank, the growth rate of the economy is also kept in mind at the time of formulation of monetary policy. The overall rate of inflation during 1990-91 to 1994-95, as measured by the cost of living index, with 1973-74 as the base weight, was on the average 4.5 per cent compared to 9.8 per cent recorded during the preceding five years. The overall rate of inflation stood at 5.2 per cent in 1994-95, with non-food prices recorded an increase of 1.8 per cent; this compares with the overall rate of inflation of 1.8 per cent and non-food inflation of 3.8 per cent in 1993-94. The non-food inflation, recorded a further fall in 1994-95. The overall rate of inflation of 5.2 per cent in 1994-95 was due to a significant rise in food prices re-

sulting from shortfall in rice production.

Bangladesh Bank has undertaken measures to control monetary expansion through use of indirect monetary policy instruments such as increased sale of Bangladesh Bank Bills and raising the bank rate, in order to reduce rate of inflation and maintain adequate level of foreign exchange reserves. Broad money supply recorded an annual growth of 10.99 per cent at the end of November, 1995 compared with the annual growth of 19.42 per cent at the end of November, 1994. Although broad money supply rose significantly on an annual basis, it declined marginally by 0.33 per cent during the first five months of the current financial years.

Private sector credit rose by 7.4 per cent during the first five months of the current financial year which is in line with annual growth target of 17.8 per cent for 1995-96. The fall in the growth of monetary aggregates will reduce the growth of aggregate demand thus lowering the rate of inflation. Assuming country would not face any further natural calamities such as drought and flood during the remaining period of the current fiscal year, the rate of inflation is expected to decline to

around 5.0 per cent in 1995-96 despite the political uncertainties the country is passing through. This would be, by any yardstick, a remarkable achievement.

Bangladesh Bank follows a flexible exchange rate policy which ensures competitiveness of exports. This stance requires the adjustment of exchange rate in line with the movements of Real Effective Exchange Rate (REER) of Bangladesh Taka. To maintain competitiveness of exports as indicated by REER, Bangladesh Bank made downwards adjustment of Bangladesh Taka vis-avis US dollar four times during the current financial year. They adjustments were made mainly due to appreciation of US dollar against the currencies of our major trading partners.

However, the cumulative depreciation was 2.2 per cent. The adjustment of our currency will have a favorable impact on our exports. Imports rose substantially by 49.9 per cent during the first three months of the current financial year compared with the corresponding period of the preceding year. Liberalization of external sector, massive imports of foodgrains caused by a fall in agricultural production due to natural calamities and the stock ad-

justment of imported goods by the traders contributed to the substantial rise in imports during 1994-95 and the first quarter of the current financial year. Since then there has been a slowdown in the growth of imports.

During the first five months of 1995-96, the growth of imports fell to 39.3 per cent compared with the corresponding period of 1994-95. The monetary measures undertaken by Bangladesh Bank coupled with an expected decline in import requirements of foodgrains in the coming months and the close monitoring of L/C opening will slowdown the growth of imports further. Decline in the growth of imports, with exports and aid disbursements assumed to be on targets, the foreign exchange reserves will be at comfortable level, equivalent to 4 months of imports at the end of the current financial year compared to around 2.8 months of average imports during 1985-86 to 1990-91.

Despite introducing stringent loan classification procedure, the percentage of classified loans (adjusted by interest suspense) which stood at 27.29 at the end of 1993 declined to 26.18 at the end of 1994 indicating thereby improvement in loan

recovery of commercial banks. Total classified loan as at the end of 1994 was Tk. 6863 crores. It is expected that loan recovery situation will improve further. With the expected improvement in loan recovery the commercial banks will be in a position to recycle their funds for productive purposes.

Apart from administrative cost and interest cost on mobilizing funds, commercial banks have to take into consideration, the cost of provisions against non-performing loans while setting their lending rates. With the gradual improvement of loan recovery, the cost of provision will decline and banks will be in a position to fix lending rates at lower levels. According to the latest available data as reported by commercial banks, the amount of provision has declined providing scope for reducing the spread between the rate of interest on deposits and the rate of interest on lending. This positive development will enable commercial banks to mobilise deposits by offering higher rate of interest, something that will enhance savings and investment in the country.

The government of Bangladesh has recently undertaken major fiscal policy

reforms. The measures include, among other things, widening the tax base, strengthening the tax administration, rationalizing the tariff structure and reduction of losses of public sector enterprises by bringing about efficiency in the management of the enterprises. The tax/GDP ratio which stood at 7.8 per cent in 1989-90 went up to 9.5 per cent in 1994-95. Total revenue earnings as a proportion of GDP increased to 12.1 per cent in 1994-95 from 9.2 per cent in 1989-90, while current expenditure declined from 9.1 per cent in 1989-90 to 8.8 per cent of GDP in 1994-95.

This is a notable achievement at a time when the prospects of inflow of external resources have become bleak. Savings as a proportion of GDP increased from 3.8 per cent in 1989-90 to 6.9 (provisional) per cent in 1994-95, while investment/GDP ratio increased from 12.6 per cent in 1989-90 to 15.6 (provisional) per cent in 1994-95. The increasing trends in savings and investments bear testimony to the fact that the various measures undertaken by the government have yielded positive results.

(The author is the Deputy Governor of Bangladesh Bank)