

DCCI roundtable on stock market

Kibria calls for stern actions against dividend defaulters

Star Business Report

Finance Minister Shah AMS Kibria yesterday called for punitive actions against the companies which fail to disburse dividends.

He said that cash dividends and increase in share prices are two main elements to lure investors to the capital market. He said that companies were not paying dividends regularly and were opting for issuing bonus shares, which did not help the market.

The Finance Minister was speaking at a discussion titled 'Capital Market: A Vehicle for Industrialisation and Privatisation' organised by the Dhaka Chamber of Commerce and Industry (DCCI) yesterday.

"Many companies also delay or default in dividend payments, which affects the market. Severe actions should be taken against those who commit such illegal acts," the minister said.

He said that government has introduced tax on bonus shares to encourage companies declare dividends.

Kibria also ruled out the possibility of reducing interest rates for giving incentives to the capital market.

He said that the influence of the stock market in Bangladesh economy was very negligible unlike in the United States, which has a big market and any change in its interest rate directly affects trading.

The minister also pointed out that the market should determine the interest rate and that the government had nothing to do with it.

He observed that the five to six per cent spread in interest rate was not justifiable. "The old banks have the burden of default loans, but with the new banks coming lets see what happens on the spread," the minister said.

Earlier, speaking on the occasion Securities and Exchange Commission (SEC) Chairman MA Syed said that building up the right infrastructure was necessary for ensuring a 'fair and honest stock market' to attract foreign investment.

tract foreign investment.

He said that the capital market was lacking confidence of the investors. There are hundreds of investors who are ready to invest in the market, but they want to be assured that their investment will be safe.

Speaking on privatisation and capital market development, he said that a total commitment from all quarters was necessary for off-loading the state-owned enterprises. He said that he had been persuading the government to offload its shares in the stock market. The capital market development depends on privatisation since good scrips will induce more people to invest.

DSE Councilor Onu Jaigirdar said that investors would come back only when they would find good return on their investments.

DCCI President MH Rahman presented a key-note paper at the discussion, which suggested 17 steps to revive the stock market.

DSE Chief Executive GO Chowdhury spoke on the various reform measures adopted by the bourse.

Professor Mahub Ahmed, Department of Accounting, Dhaka University, spoke on portfolio investment and how protection of investors' interest.

He said that honest accounting has to be ensured for protecting investors. He also called for strengthening the accounting profession.

The companies give rosy pictures in their prospectus, but they behave differently when time comes for dividend payments," Ahmed said.

Managing Director of ICB SA Chowdhury spoke on the role of ICB in reviving the capital market.

He said that ICB had been actively associated with the process of privatisation by taking the responsibility of selling government owned shares of different listed companies.

BB to take tough action against loan defaulters

Finance Minister Shah AMS Kibria has warned that Bangladesh Bank will take stringent measures against loan defaulters to streamline the banking sector, reports BSS.

Addressing as chief guest a function marking the 16th founding anniversary of the United Commercial Bank Ltd (UCBL) at a hotel here Monday, the minister referred to the various measures taken by Bangladesh Bank that restricted foulplay with the depositor's money.

Pointing to the urban centric branches of the private banks the finance minister called upon the bankers to extend their banking network in rural areas to activate the rural economy.

In this regard, he said an example was created in a village in Hobiganj recently when the villagers deposited taka one crore on the first day of the opening of a Sonali Bank branch there.

In his welcome address, UCBL Chairman Zafar Ahmed Chowdhury said UCBL has Tk 1200 crore in deposit and finance Tk 300 crore in project employing around 7,000 people. UCBL will finance a residential international school here to stop the drain out of huge money for studying abroad, he said.

The UCBL founding anniversary function followed by dinner, was also attended by Foreign Minister Abdus Samad Azad, Awami League president member Amir Hossain Amu, Sisheries and Livestock Minister ASM Rob, MPs, bank directors and elites.

Laos sacks two top financial officials

BANGKOK, Aug 10: Laos has sacked its finance minister and central bank governor after they failed to halt a precipitous fall in the kip currency, diplomats said today, reports Reuters.

Official statements said Finance Minister Khampoui Keoboualapha would end his bureaucratic career and take his pension while central bank governor Cheuang Sombounkhanh would be transferred.

Bourse stakes in CDS opposed

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Finance Minister Shah AMS Kibria yesterday opposed participation of the stock exchanges in the formation of a proposed central depository.

He said that investors were waiting for a CDS with the hope for transparency in stock business and the depository should earn confidence of the investors.

The minister questioned the role of brokers saying that the investors did not have confidence in them.

"If these brokers are allowed to operate the CDS, it may not be able to fulfil the general investors' expectations. It is true that we want CDS in the private sector, but it should exclude the dealers and stock exchanges," the minister said.

Following the minister's comment, Chittagong Stock Exchange (CSE) President Amir Khosru Mahmud Chowdhury MP said CDS is meant for the capital market.

"We are moving in circles

about the CDS. It is needless to talk about who will participate in the depository since this has already been settled," Khosru said.

He said that the associations of listed companies, banks and bourses had already agreed to participate in the CDS as per discussion in the parliament.

He also said the depositories in Pakistan and Sri Lanka are headed by the chiefs of stock exchanges and there need not any controversy over the issue.

Japan sees no clear sign of self-sustained recovery

TOKYO, Aug 10: Japan's troubled economy is beginning to feel the positive effects of good exports to Asia although there is no sign yet of a clear recovery, the government said today, reports AFP.

The risk that the economy will get worse is low, but that is not to say there are clear signs of a self-sustained economic recovery," the Economic Planning Agency said in a monthly report.

"The economy is in a severe situation as private demand shows little recovery momentum," the agency said.

The world's second largest

economy has been in a deep slump for the past two years, but strong growth figures early this year and a rise in stock prices have raised hopes of a recovery.

A revival in exports to Asia has pushed up industrial production, the agency said.

"A recovery in Asia-bound exports, such as steel, is supporting industrial output," an agency official said. "But although exports to Asia are now on a recovery trend, overall exports are flat."

"As European economies are also beginning to show signs of a pickup there is a chance that

the underlying trend of exports may change."

Japan's trade surplus with Asia climbed for the first time in five months in June as countries like Thailand and Malaysia absorbed more of its exports.

Exports were up 2.3 per cent from last year, the first rise in 18 months.

In the same month industrial production, which measures output at factories and mines, rose a surprising 3.0 per cent.

It was the first rise in three months and outstripped economists' forecasts.



Shah AMS Kibria, Finance Minister, receives crest from the Chairman of the United Commercial Bank Ltd, Zafar Ahmed Chowdhury, at a function arranged on the occasion of the 16th anniversary of the founding of the bank held at a city hotel on Monday. The Minister for Fisheries and Livestock, ASM Abdur Rob, and Awami League Presidium members Amir Hossain Amu are also seen in the picture. — UCB photo

US rate hike fears cast pall over Asian stock markets

SINGAPORE, Aug 10: Fears of a US rate hike cast a pall over many Asian stock markets today but hopes of a solution to Daewoo Group's woes gave Seoul a boost and strong Japanese machinery orders revived Tokyo shares, reports Reuters.

The data also boosted the yen, pushing the dollar down towards support at 114.50. The dollar stood at 114.62/67 yen at 0930 GMT, compared with 115.18/28 in late New York on Monday.

The euro was trading around \$1.0750/55, after it breached \$1.0740, clearing the way for gains to \$1.0830.

On the share front, Tokyo's benchmark Nikkei 225 average closed 0.1 per cent firmer at 17,202, while Hong Kong's Hang Seng index ended 2.7 per cent lower at 12,597.

Analysts said expectations the US Federal Reserve Open Market Committee would raise rates by about 25 basis points at

its August 24 meeting unnerved many investors in Asia.

But Japanese shares clawed out of negative territory after the release of strong machinery orders data in the afternoon.

"Recovery in capital spending in the private sector has been trailing behind other indicators, such as public works spending and private consumption. But it seems like it has finally bottomed out," said Noriko Irie, a market economist at Fuji Securities.

The Economic Planning Agency (EPA) said Japan's core private-sector machinery orders rose by 6.3 per cent in June from the previous month, compared with an average forecast of 1.5 per cent rise in a Reuters survey of 12 economists.

In Hong Kong, growing fears of higher US interest rates hit a thin and skittish stock market already under pressure over China-Taiwan tensions and fears of a Chinese yuan devaluation.

"Most of the markets in the region are also under selling pressure on fears of rising US interest rates. The funds have definitely been trimming down their (Asian) exposure," said Alex Tang, research director at Core Pacific-Yamaichi International.

The Korea Composite Stock Price Index closed up 2.1 per cent at 969 on hopes creditors of Daewoo Group would announce plans on Wednesday to sell Daewoo's most profitable unit, Daewoo Securities Co.

Strong buying of electronics shares pushed Taiwan's TAIEX index up 3.4 per cent to 7,270 as investors turned to strong economic fundamentals in the absence of fresh developments in a row with China.

The absence of further developments across the Taiwan Strait was interpreted as good news, said Alex Chen, research head of Greater China markets at Masterlink Investment Advisory.

Australia's All Ordinaries Index ended 0.6 per cent down at 2,959 as fears of a US interest rate hike overrode the effects of firmer commodity prices.

Fund-related selling in most top 10 New Zealand stocks took the NZSE-40 Capital Index down 1.1 per cent to 2,165.

Singapore's Straits Times Index closed down 2.3 per cent at 2,023 as the market factored in a potential hike in US interest rates and shrugged off the city-state's strong second quarter economic performance.

The Philippines' main index slid 1.1 per cent to a new four-month low of 2,231 on concerns over local and US rates.

Thailand's Composite SET index lost 0.6 per cent, while Malaysia's composite index broke a four-day losing streak to end 2.3 per cent higher.



The south-bound launch passengers are lucrative customers of pineapples, where the fruits are not grown. The traders bring the monsoon delicacies from Madhupur, north of Dhaka, and vend them on boats on the Buriganga river. Each pair of pineapples sells for Tk 20 to 30. — Star photo

Bank holiday on Sunday

Bangladesh Bank and all scheduled banks will remain closed on Sunday on account of National Mourning Day, said a press release yesterday, reports UNB.

BAB-WB meet held

A discussion meeting between the members of Bangladesh Association of Banks (BAB) and Frederick T Temple, Country Director, the World Bank, Dhaka was held in the conference room of the Association in the city yesterday, says a press release.

At the meeting, Zafar Ahmed Chowdhury, Chairman of BAB, and other members of the Association highlighted some of the important problems faced by the private commercial banks.

The World Bank Country Director assured the Association that deserving issues would be given due consideration so that these can be reflected on the World Bank's recommendations to the Bangladesh government.

Shamsuddin Ahmad, Financial Analyst of the World Bank, was also present.

Argentina raises new barrier to Brazilian shoe imports

BUENOS AIRES, Aug 10: Argentina raised a new barrier to Brazilian shoe imports yesterday after last week's emergency Mercosur meeting failed to resolve a trade dispute between the South American trade bloc's two major members, says Reuters.

Argentina's Industry Department imposed a new labeling requirement on all shoes sold in this market, erecting a new hurdle to Brazilian imports.

Trade between the two countries, members of the \$1 trillion Mercosur trade bloc with Uruguay and Paraguay, was supposed to continue without new protectionist measures after last Friday's inconclusive talks in Uruguay over how to mute the impact of Brazil's 30 per cent currency devaluation on its partners.

Argentina's peso remains pegged at par to the US dollar, leaving its exports at a disadvantage in the Brazilian market.

German trade surplus doubles in June

WIESBADEN, GERMANY, Aug 10: The German trade surplus more than doubled in June, reinforcing signals that growth of the European economy is accelerating, reports AFP.

The figures showed that German exports had firmed in response to the decline in the value of the euro earlier this year and to improvement in the world trade environment.

The fall of the euro had been portrayed in many circles as a setback but some economists noted then that the decline would act as an automatic stabiliser when a steady rate might have constrained the economy further.

In London on Tuesday Bank of America economist Robert Hayward commented: "German trade data, proving that the German economy is doing better, helped boost the euro."

But given the recent recovery of the euro and expectations that stronger domestic demand would fuel imports, the trade balance could deteriorate again later in the year, economists predicted.

Ankara wants to boost trade with Dhaka

The Turkish business community and foreign trade body have shown keen interest to promote trade between Dhaka and Ankara, reports UNB.

They expressed the interest at a meeting with State Minister for Jute AK Fazul Huq in Istanbul on Sunday, according to a message received here yesterday.

There is a tremendous potential for boosting bilateral trade between Turkey and Bangladesh, the Bangladesh minister said adding that the two brotherly countries should work together to explore new areas of investment.

He identified some major impediments on the way of boosting trade and tourism like absence of airlift and suggested that a trade fair be held with the participation of the two countries.

The contact between the private sectors of Bangladesh and Turkey should be enhanced in this regard, he said.

The Bangladesh Minister invited the Istanbul Chamber and Commerce and Turkish business delegation to Bangladesh and also requested them to organise a single country Turkish Trade Fair in Bangladesh.

The meeting was jointly organised by Turkish Foreign Trade Secretariat and Istanbul Chamber of Commerce and Industry.

The minister had also an exclusive meeting with the Turkish importers and buyers of jute goods, jute yarn and jute carpet. Besides, he talked with senior officials of Turkish Central Bank to evolve banking facilities to promote trade between the two countries.

Meanwhile, President of Istanbul Chamber of Commerce Mehmet Yildim called on the state minister and assured all out cooperation from his organisation to promote bilateral trade.

Bangladesh Ambassador to Turkey Nazimullah Chowdhury and European office representative of BJMC Khaled Rob were present in the meeting.

Chinese trade surplus may fall \$23b in '99

BEIJING, Aug 10: China's trade surplus is expected to fall to about \$20 billion this year, the International Trade News reported today, compared with \$43.59 billion in 1998, reports Reuters.

The newspaper, backed by the Foreign Trade Ministry, said exports were likely to grow 1.7 per cent year-on-year to \$187 billion in 1999, while imports were expected to increase 19 per cent to \$167 billion.



The fourteenth Annual General Meeting of the Peoples Insurance Company Limited was held at a city hotel on Sunday. — Peoples Ins photo

South African economy healthy: IMF official

PRETORIA, Aug 10: South Africa's economy has emerged from two emerging markets crises healthy, but needs to do more to boost growth and create more jobs, a senior IMF official said yesterday, reports Reuters.

This economy has come through a major trial by fire during the emerging market crisis of 1997 and particularly 1998," IMF first deputy managing director Stanley Fischer told a news conference in Pretoria.

"It is fundamentally healthy, but it has problems. The unemployment rate is too high and the growth rate has been too low for a couple of years," he said.

South Africa's economy grew by just 0.1 per cent last year, well short of estimates of the 6.0 per cent that the country needs to reduce a 30 per cent unemployment rate.

Finance Minister Trevor Manuel said last week that growth and employment would

be the focus of economic policy in the government's current five year term, after it was voted back into power in June this year.

Fischer has been in South Africa since late last week to attend the inauguration of Tito Mboweni as the country's new central bank governor on August 8.

He said one of the ways of addressing unemployment in South Africa was to review its labour laws, a task the President Thabo Mbeki says is already under way.

Commerce complains that South African labour laws make the cost of business expensive.

To the extent there are issues in the labour legislation which restricts employment, that should be looked at and I believe the government is doing it," he said.

Another area which could help create jobs was further liberalisation of trade laws, he

said. He said although many trade regulations in South Africa had been liberalised, more could be done.

"There is a sense that more competition would be good for the South African economy and for employment in South Africa as well. There is a long record of studies showing how important trade liberalisation is for growth," he said.

Fischer added that he believed the Reserve Bank had adopted the correct approach towards reducing its forward book — the central bank's uncovered exposure to the foreign exchange market.

The central bank has been reducing the level of the forward book gradually since it ballooned to more than \$25 billion last year.

"The Reserve Bank has announced its intention of trying to work it down gradually and its a goal which we share with the Reserve Bank," he said.