

## TCB resumes operations after over 3 years

### Move to bridle prices of essentials

MONJUR MAHMUD and  
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In a bid to rein in the ongoing price spiral of the essentials, the government has revived the operations of Trading Corporation of Bangladesh (TCB) after more than three and a half years.

"We are allowing TCB to import some of the essential commodities to keep the market stable," Md Barkat Ullah Bulu, adviser to the commerce ministry, said.

used to import essential commodities until 2001 after estimating local production and annual demand.

But soon after coming to power in 2001, the present government made TCB inactive, creating a room for private sector to import most of the essentials.

TCB has already started the procedure for importing lentil, Bulu said adding that the agency might be allowed to import edible oil as well.

According to sources, TCB has a fund of more than Tk 100 crore and

does not need additional budget from the government at this moment to resume import of the essentials.

"We have already invited bid for supplying 3,000 tonnes of lentil, which we expect would arrive in the country before the month of Ramadan," said a top TCB official.

"We hope we will be able to market some other imported essentials before Ramadan," he added.

Prices of some of the essential commodities jump every year during Ramadan and markets become unstable due to hoarding

and price manipulation by a section of importers, the official noted.

The monitoring cell of TCB is still engaged in analysing the market trend and reporting to the government.

TCB, which is under the commerce ministry, came into being in 1972 and played a vital role in importing essential commodities in times of crisis and intervened in the market from time to time to bring stability. Around 340 of its staff were trimmed off in 2002, leaving it to function with 225 staff.

## Ispahani Foods launches new potato chips

STAR BUSINESS REPORT

Ispahani Foods Limited, a concern of Ispahani Group, launched a new potato chips in the market on Thursday.

The product, 'Ispahani Puresnax Potato Chips', will be available in the market with two different flavours -- magic masala and tomato ketchup.

The main ingredients of the chips are taken from potato and no artificial elements are used in this product. As this chip contains a lot of carbohydrate, it is good for growing up children, officials of Ispahani Foods said at the launching ceremony.

Earlier in 2000, this company marketed another potato flake -- Ispahani Marshal Chip.

Chairman of Ispahani Group Mirza Ali Behrouz Ispahani, General Manager Syed Hasan, Sales and Marketing Manager MA Khan were present at the product launching ceremony.

## NBR now to fix VAT on defaulting retail, wholesale outlets

STAR BUSINESS REPORT

The National Board of Revenue (NBR) officials have been asked to fix taxes on wholesalers and retailers who fail to pay VAT under the existing system.

The decision came after the newly introduced integrated tax realisation system has been found ineffective in collecting expected amount of revenue across the country.

Earlier, the government introduced the integrated VAT realisation system for the fiscal year 2004-05 by forming a joint committee comprising representatives from both private and public sectors.

Under the system, the VAT realisation committee determines amount of taxes for retailers and

wholesalers. Only 24.17 percent retailers and 20.14 percent wholesalers paid the value added tax (VAT) during ten months (July-April) of the last fiscal year, NBR sources said.

An NBR statistics said out of 47,965 registered retailers across the country, only 11,595 retailers have so far paid Tk 24.55 crore in VAT during this period.

On the other hand, only 311 wholesalers, out of a total 1,544 registered wholesalers, have paid VAT to NBR.

"The businesspeople have failed to keep their commitment to pay VAT under the existing system," a high official of the NBR said preferring anonymity.

The NBR identified the joint VAT realisation system as ineffective for

majority of the retailers and wholesalers are yet to pay VAT under the system.

The system was introduced following a series of consultation with the retailers and wholesalers.

The NBR official also said delay in appointing business representatives to the VAT realisation committee, absence of the committee representatives at the meetings and reluctance to determine tax by the committee members are the other causes of poor VAT realisation from the retailers and wholesalers.

A leader of the retail traders' association said the new system is more effective and modern than the previous one. "It will take some time to adopt the system for realising VAT," he added.

## Sonargaon Textiles declares 10pc cash dividend

Sonargaon Textiles Ltd has declared a 10 percent cash dividend for its shareholders for the year 2004.

The dividend was approved at the company's 19th annual general meeting (AGM) recently in Barisal, says a press release.

AKM Azizur Rahman, chairman and managing director of the company, presided over the AGM, which was also attended by directors and senior officials.

## Ericsson strong growth continues

ABU SAEED KHAN

Beating all predictions, Ericsson has reported better earnings with boost in sales during the second quarter. The world-leading supplier in telecommunications has also upgraded its outlook for the mobile phone market for 2005.

The Swedish vendor on Thursday reported a pre-tax profit of 8.5 billion Swedish crowns (US\$1.09 billion). The first and second quarter profits of 2004 were 6.7 billion and 7.3 billion crowns respectively.

Net profit between April and June this year was 5.8 billion kronor (\$744 million), up from 5.0 billion kronor during the corresponding period of last year.

Boosted by strong results in emerging markets, its sales also rose to 38.4 billion kronor (\$4.92 billion) from 32.6 billion kronor last year, posting an 18 percent growth.

Its gross margin, however, declined to 45.9 percent as opposed to the expected 46.8 percent, down from the first quarter's 48.5 percent.

In its report, Ericsson said Asian operators still expanding their existing networks that use the GSM (global system for mobile service) and standard technology while performing trials with third-generation (3G) technology.

Year over year sales of Ericsson in the Asia Pacific was up 8 percent. China and India particularly showed strong development. Reduction in ownership cost along with slashing the operating expenses of network has been a key factor to drive this growth.



PHOTO: BANGLALINK

Lars P Reichelt, chief executive officer of private cellphone operator Banglalink, inaugurates a customer care and sales service centre at Gulshan in Dhaka Thursday. Other senior officials of the company were also present at the inauguration.

## YUAN APPRECIATION

# Indian export to gain, import to be costlier

PALLAB BHATTACHARYA, New Delhi

China's decision to revalue its currency yuan is expected to bring only marginal benefit to Indian exporters but imports of some consumer durables are likely to be costlier, industry sources said here yesterday.

With China keeping its currency artificially pegged at a rate with the US dollar for the last ten years, Chinese exports have been steadily cheaper than Indian products unless Indian exporters were willing and able to compete by reducing their margins.

However, with the appreciation of yuan against the greenback, Indian exports in key sectors such as textile, leather goods and handicrafts are expected to be slightly cheaper as China is the main rival in these areas, the sources said.

Indian exporters are not exactly celebrating because the extent of

revision of the Chinese currency is not big enough to provide a major boost for exports from India, they said.

## China signals bigger yuan rise unlikely

REUTERS, Beijing/Shanghai

China signalled on Friday it was opposed to a bigger rise in the yuan as markets bet that Beijing's 2.1 percent revaluation would be just the first stage in a long upward march for the currency.

"Expectation for a bigger appreciation of the yuan's value was, and will be, unrealistic," the official China Daily newspaper said in an editorial.

Indian textile exporters appear happy because appreciation of yuan will help gain a little more share of the lucrative markets in the US and Europe but revaluation of the Chinese currency is not the solution because what is required is that India should cut red tape and tax burden to help its companies compete on a sounder footing, according to President of All India Garments Exporters Common Cause Guild Chand Anand.

Industry sources, however, made it clear that price is not the sole factor for competition in exports and quality and timely delivery of consignments also have their value in grabbing market share.

Producers of value-added steel such as stainless steel and galvanised steel, non-ferrous metals and exporters of iron ore in India are likely to find a big opportunity in Chinese currency revaluation.

## Citigroup adjudged best bank in Asia for 6th year in a row

Euromoney -- a leading journal of the global capital markets -- recently announced the winners of Awards for Excellence 2005, in its July issue and Citigroup, the holding company of Citibank, NA, won Best Bank in Asia for the sixth year in a row, says a press release.

The Citigroup has also been adjudged Best Debt House and Best Cash Management House in Asia.

Citigroup also won Best Debt House awards in Australia and India. With the acquisition of Koram Bank, Citigroup has well established its Asian footprint.

Asia remains a critical strategic region for growth at Citigroup and is already the group's largest region outside the US, in terms of customers, revenues and earnings.

In syndicated loans, Citigroup emerged number one bookrunner in Asia ex-Japan, where it is still the leading international bank after domestic banks.

## Sri Lanka lifts tax on diesel

AFP, Colombo

Sri Lanka Friday removed a 15 percent tax on diesel in a bid to hold retail prices steady amid rising international oil prices, the finance minister said.

Minister Sarath Amunugama said the government will lose seven billion rupees (70 million dollars) because of the tax cut, but the move was aimed at achieving price stability.

Sri Lanka's public transport uses diesel extensively while smaller three-wheel taxis are gasoline powered. Taxi owners have been asking for a subsidy to maintain their fares amid rising fuel costs.

Sri Lanka imports all its oil requirements and consumes about 130 million litres (34,000 gallons) of diesel, 30 million litres of gasoline and 18 million litres of kerosene oil every month.

In June, the government raised retail prices of fuel by 7.8 percent, a month after a 16.5 percent increase aimed at easing pressure on the worsening balance of payments situation.

# London shooting shakes financial markets

REUTERS, London

News that police had shot a man at a London underground station a day after apparently failed bomb attacks shook financial markets on Friday, hitting stocks and raising demand for safe-haven bonds.

The incident at least temporarily moved investor focus away from China's revaluation of the yuan, which had been the main market mover.

Police shot a man at a south London underground railway station as they hunted for bombers who struck London's transport network on Thursday. Media reports said the man was a suspected suicide bomber.

"You would expect to see people taking more defensive positions after this, especially after the great run in equities we've had recently," said one strategist. "It doesn't make London a very nice place to be."

European shares and UK shares

dipped. Europe's FTSEurofirst 300 index was down 0.26 percent while Britain's FTSE 100 index lost 0.13 percent. Wall Street stock futures implied a lower start in New York later.

Demand for bonds rose. The U.S. 10-year Treasury yield was down 4.6 basis points at 4.238 percent while its euro zone counterpart's yield fell 2.1 basis points to 3.253 percent.

Sterling slipped against the dollar and the euro, while the dollar was flat on the day against the euro at \$1.7517. The pound was at \$1.7517.

The London incident diverted attention from the main financial news -- China's revaluation on Thursday of its currency and decision to peg it against a basket of currencies rather than just the dollar.

That decision to trade against a basket was taken by some investors to suggest that China would buy fewer U.S. Treasuries in the future and diversify into euro zone bonds.

One major reaction on Thursday had been a sell-off in the dollar against the yen, the largest daily move in three years. It recovered somewhat on Friday and was up 0.6 percent at 110.90 yen.

The spread between 10-year euro zone and U.S. government bonds meanwhile opened on Friday to near its widest in 5 years -- around 102 basis points, according to Reuters data -- as investors tried to diversify out of U.S. Treasuries in the wake of China's decision to scrap the dollar peg.

Reaction was marked in Japan where Thursday's rise in the yen dragged down the Nikkei share average, which fell 0.78 percent as investors sold Honda Motor Co. and other exporters.

The Nikkei ended 91.68 points lower at 11,695.05, down 0.54 percent on the week and reversing a 1.67 percent gain the week before. The broader TOPIX index dropped 0.67 percent on the day to 1,186.76.

## ASIAN ECONOMIC MONITOR MALAYSIA REPORT

# Economy slowing down but consumer spending on

ANN/THE STAR

Visit any of the big shopping centres in Kuala Lumpur on weekends and you would be greeted by traffic jams and full parking bays. Inside the mall, the aisles would throng with would-be and window shoppers.

Some say those scenes paint an accurate picture of the current economic situation in Malaysia, but others point to data that contradict such a summation. "The economy is slowing down but people continue to spend," said one analyst.

Malaysian economic growth by all accounts is projected to fall in the second quarter from a 5.7 percent pace in the first. Industrial production data for May showed the first contraction in three years, and a survey by MasterCard of the second quarter for Malaysia shows that consumer confidence has fallen significantly from the same period a year ago.

"In contrast to its past 24 MasterIndex readings, current consumer confidence in Malaysia is in fact the fifth-lowest recorded for this market," said MasterCard.

"The current MasterIndex of 61.4 is way below the market's historical average of 75.9 and is a big contrast with the MasterIndex of 80s and 90s that the market had often enjoyed in the past."

**Still some muscle**

The MasterCard survey on consumer sentiment was backed by a consumer sentiment survey conducted by the Malaysian Institute of Economic Research (MIER), although its findings were not as drastic.

MIER said that consumer spending may just show more muscle in the coming months.

"The extent to which consumers will keep spending would depend mostly on their after-tax income," it

added, saying that the trend in wages and salaries would play a leading role in the economy's future.

Malaysians have not tightened their belts nor have they abandoned plans to buy big-ticket items, an indication that household incomes are holding strong.

Credit extended to households in Malaysia, in the form of housing loans or consumption, continues to rise. Backed by still-low interest rates, loans extended by the banking system for consumption credit grew by 16.8% in April and 17.7% in May.

May's growth figure was the highest since consumption credit growth averaged 17.6 percent in 2002.

**Loan ranges**

Car sales too continue to improve with consumers latching on to a slew of new launches and locking in interest rates at record low levels.

Bank Negara, the central bank,

said that loans outstanding to the household sector grew at 15.4 percent at the end of May and smaller businesses now account for 41.3 percent of total business loans.

With consumer finance strong, concern has shifted to the effect a weakening economy could eventually have on consumer spending. Business conditions for the second quarter from a year ago is down 18.1 percentage points, but still positive.

MIER said this was to be expected given the soaring crude oil prices, an edgy stock market, the down-cycle in the electronics sector and slowing demand from China.

It said 60 percent of businesses have kept wages unchanged in the second quarter and that 29 percent had in fact increased their wage bills. While that points to some stability in consumer demand, businesses felt that domestic orders were lacklustre in the second quarter, but they were

expecting an increase in orders from abroad.

"The small decline in industrial output in May is a cause of concern, suggesting that the Malaysian economy would slide into a soft patch in the second and third quarter," said MIER.

"Export growth has moderated as well, in line with the slowdown in the global economy and the down-cycle in the electronics sector."

High crude oil prices have lowered economic growth estimates in developed countries and this could hurt demand for Malaysian products and GDP growth.

Given all this, "we are revising GDP growth downwards to 5.1 percent in 2005, lower than our previous forecast of 5.4 percent in April 2005," MIER said.

"If oil prices continue to rise, further downgrading may become necessary."