Star BUSINESS

DHAKA THURSDAY AUGUST 18, 2005 E-mail: business@thedailystar.net

$70 oil poses difficult questions for Asia

REUTERS, *Singapore*

American bank Goldman Sachs jolted many an investor, politician and man behind the wheel earlier this year when it predicted that oil could jump to $105 a barrel as demand from economies such as China and India soared.

When Goldman analysts wrote the report late in March, New York oil futures were trading just above $50 per barrel. This month, they surged to a new record over $67, up 60 percent this year and more than double the price traded two years ago.

The galloping prices have forced governments to cut fuel subsidies in a bid to shield their budgets, boosted costs for businesses and raised questions that many were hoping would not have to be posed: Can Asia sustain its growth with oil at $70?

And can Asian consumers, with incomes a fraction of those in the developed world, afford items such as cars, air-conditioners and washing machines when fuel costs rise and central banks are raising interest rates?

"I believe in downward sloped demand curves so I do expect the demand for cars, air-conditioners, etc. to fall with the rise in the price of energy," said Arvind Panagariya, an economics professor at Columbia University and a former chief economist at the Asian Development Bank.

Higher incomes would offset this to some extent, but in the near term Panagariya concluded Asia is either going to see larger fiscal deficits -- if government keep subsidising energy costs -- or consumers have to prepare for even higher energy prices.

Rupali Ins chairman re-elected

Mostafa Golam Quddus was re-elected chairman of Rupali Insurance Company Ltd.

The Board of Directors of the company at a meeting on Tuesday unanimously re-elected him chairman, says a press release.

Quddus is the managing director and cahirman of Dragon Group, a leading sweater producing company of the country. He is a former police officer and president of Bangladesh Garments Manufacturers and Exporters Association (BGMEA).

Stocks slide on serial blasts

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Share trading on the two bourses took a tumble yesterday following the countrywide serial bomb blasts that killed one person and injured over 100.

When the news of bomb blasts poured into brokerage houses, share prices started falling sharply, a broker at Dhaka Stock Exchange (DSE) said.

At one stage, buy-sell orders came to a standstill, another broker said.

All Share Price Index of DSE fell by 14.02 points or 1.17 percent to close at 1183.18 points yesterday.

On the Chittagong Stock Exchange, the CSE All Share Price Index shed 27.68 points or 0.89 percent to close at 3083.27 from Tuesday's 3110.95.

A bank official, who deals with share section, said the price of the bank's share fell to Tk 160 at 12 noon yesterday against Tk 182 on Tuesday. "However, the price of the share later reached Tk 180," he added.

Salahuddin Ahmed Khan, chief executive officer of DSE, said the blasts cast an adverse impact on the country's capital market.

In an unprecedented scale of terror attacks, a banned Islamist militant group simultaneously blasted over 300 time bombs in 63 of 64 districts across the country.

The terrorists meticulously calculated the timing of the blasts between 11:00am and 11:30am, targeting government establishments, mainly the offices of the local district administrations and courts.

The DSE-20 Index shed 22.69 points or 1.34 percent to close at 1688.41 yesterday.

DSE General Index also fell by 18.48 points or 1.18 percent to close at 1547.45 points from Tuesday's 1561 points.

A total of 163 issues were traded on the DSE yesterday. Of them, 32 gained, 113 declined and 18 remained unchanged.

The CSE-30 Index declined by 46.83 points or 1.58 percent to close at 2906.44 from 2953.27 points on the previous trading day.

A total of 64 issues were traded on the CSE yesterday. Of them, 9 gained, 41 declined and 14 remained unchanged.

Govt mulls training centres for farmers

STAR BUSINESS REPORT

In an attempt to boost the country's agro-economy and rise agro-based export earnings, the government is planning to establish training centres at upazila level to reach modern agricultural knowledge to the farmers, agriculture minister has said.

Although there are around 1.20 crore farmers in the country, there is not even a single training centre for them, Agriculture Minister MK Anwar said Tuesday at a roundtable.

Farmers need training for cultivating in modern ways but the country is yet to reach modern agricultural knowledge to them. This is why, in spite of the potential for producing eight to nine tonnes of rice in per hectare of land, the farmers are failing to attain the target, he added.

The roundtable on 'Interventions for Agro Industries: Trade Expansion and Modernisation' at Dhaka Chamber Building was organised by Dhaka Chamber of Commerce and Industry (DCCI) and chaired by DCCI President Sayeeful Islam.

Speakers also proposed for a technical plan of action and a policy framework to boost country's agro-economy and rise agro-based export earnings.

They urged the government to establish agro-industry and export processing zones (AEPZs), provide subsidies for the investors, study agro-based market and translate the theories into reality to diversify farm products in the country.

Bangladesh has progressed much in agricultural sector in the last few years. The contribution of agriculture to GDP in FY2004-05 was 21 percent and the contribution of agro-products to the total export earnings was 2.25 percent during the same period, said DCCI president.

The total export earning through agro-products stood at US$ 719.69 million in 2002-03, US$803.93 million in 2003-04 and US$ 872.4 million in 2004-05. But the country could have reaped a better harvest if she had put integrated and intensive efforts in this sector, he felt.

The speakers also blamed the slow growth and slow pace of modernisation in the agriculture sector on poor access to market, little access to technology and financing, higher VAT, fiscal anomalies, cross-border trade and higher transport costs.

The DCCI president urged the government to formulate appropriate policies and action plan to ensure a positive environment for the growth of private agro-based business.

The speakers also emphasised the importance of easy and affordable access to transport system, especially cargo facilities, in domestic and international level to boost agro-based business.

A number of ago-entrepreneurs were also present at the roundtable.

Opec ups forecast for '06

REUTERS, *London*

Oil cartel Opec nudged up its forecast for world oil demand growth in 2006 on Wednesday and predicted Opec supplies would have to offset lower-than-expected output from non-Opec countries.

Opec now expects world oil demand to grow by 1.57 million barrels per day (bpd) in 2006, an upward revision of 30,000 bpd and little changed from this year's growth rate.

In its monthly report, Opec's Vienna secretariat cited a "slightly more optimistic view of the world economy for the coming year,"

World GDP growth is now projected to rise by close to four percent next year with developing countries' economies showing better rates of expansion than previously projected, it said.

The United States will lead demand growth within the countries of the Organisation for Economic Cooperation and Development, while China will make up about one-fourth of total world oil demand growth in 2006, said Opec.

It trimmed its forecast for non-Opec production by 148,000 to 51.5 million bpd and projected demand for Opec crude at 29.2 million bpd, an upward revision of 170,000 bpd.

The Organisation of the Petroleum Exporting Countries is already pumping one million bpd above its anticipated requirement for 2006.

The report said Opec produced 30.2 million bpd in July, up 210,000 bpd on June. Saudi Arabia, Iraq, Iran and the United Arab Emirates provided most of the increase.

The group has been pumping at 26-year highs to build up world oil inventories ahead of peak winter demand. But the extra crude has failed to dampen oil prices, which have soared as refiners struggle to churn out enough transport fuels.

Non-Opec supply growth in 2006 is forecast to slow from a six-month delay in start up of the Thunder Horse oilfield in the US Gulf and the loss of some production in India due to the Bombay High oilfield accident, the report said.

Nomadix to provide internet, network services for hotels

BDNEWS, *Dhaka*

Nomadix, a leading provider of intelligent network devices and interconnection services, will work to bring all the hotels in the country under one platform.

This was told at a seminar on Nomadix and its application, Nomadix gateway, in Dhaka on Tuesday. Alap Communication Ltd organised the seminar.

Fred Reeder, sales director (Asia Pacific) of the company, while presenting the application for hotel services, said by using Nomadix gateway, hotels and hospitality service providers could utilise their internet and network as an asset and ensure revenue generation.

Apart from hotel services, Nomadix's service is widely deployed in airports, enterprise guest access initiatives, and convention centres.

Chairman Khadem Yusuf, Managing Director Khan Mohammad Ahsan, Director Tabith Awal of Alap Communication Ltd, and professionals of renowned city hotels attended the seminar.

Nestle profit, sales beat forecasts

REUTERS, *Zurich*

Nestle's strong brands and price increases helped it boost sales and profits in the first half of the year despite higher raw material costs and tough market conditions in France, Germany and Italy.

However, the higher commodities costs limited margin improvement and profit-taking sent shares in the world's biggest food company 1.3 percent lower to 353.50 Swiss francs on Wednesday.

Comments from Wal-Mart Stores Inc that rising oil prices were hurting consumer spending also weighed on shares.

Net profit at the maker of Maggi and Perrier rose to 3.68 billion Swiss francs ($2.92 billion) from 2.78 billion a year ago, restated to account for a switch to IFRS accounting rules.

That compared with an average forecast of 3.499 billion francs in a Reuters poll of 14 analysts.

Nortel, LG Elec sign telecom venture deal

REUTERS , *Seoul*

Canada's Nortel Networks Corp and LG Electronics signed a deal on Wednesday to create a $295 million telecom equipment joint venture in South Korea, aiming to grab a bigger slice of fast-growing Asian markets.

LG's strengths in mobile phones complement Nortel's network infrastructure expertise and wide marketing reach, analysts said, while the venture could also be a springboard for the Canadian firm to expand into the rest of Asia, especially China.

Nortel, the world's third-largest telecoms equipment provider, will pay $145 million for 50 percent plus one share in the venture, with LG owning the rest, the two companies said in a statement.

Petrol pump owners threaten to stop fuel selling from Aug 28

STAR BUSINESS REPORT

Petrol pump owners and dealers yesterday threatened to stop selling petroleum fuel from August 28 if their demands are not met.

Leaders of Bangladesh Petrol Pump Owners Association at a press conference in Dhaka said they will stop trading of fuels across the country if the government does not fulfil their 12-point demands, which include hike in sales commission and compensation for operation loss due to storage leakage and evaporation.

Their other demands include setting up testing laboratory in depots to stop fuel adulteration, formulating a specific guideline to set up petrol pumps and CNG stations and issuing arms licence to pump owners.

The petrol pump owners said they had been pressing the government to meet the demands since 2000.

They will not buy fuels from the government depots after the August 28 deadline, the association leaders said.

Only in the last year, the petrol pumps traders reported 1,100 incidents of attacks on petrol pumps. So, it is very important to issue them arms licence for their safety, said Mohammad Nazmul Hoque, president of Bangladesh Petrol Pump Owners Association.

Usually, the demand for petroleum fuels rises by 10 percent every year, but the demand rose by 18 percent last year. The extra eight percent fuels were smuggled to India through the border areas, as prices of fuel in the neighbouring country are double compared to Bangladesh, he said.

In the last few years, petrol pumps mushroomed in the border areas, although plying of vehicles was very low there, he said. Besides, they show a huge sale. Actually, they smuggle the precious fuel to India, Hoque added.

The petrol pump owners are blamed for fuel adulteration without any proof. However, the traders have been alleging for a long time that the government depots distribute adulterated petroleum fuels, he added. "Until now, no action has been taken in this regard."

The association leader also urged the government to immediately establish nine vigilance teams proposed earlier to rein in fuel adulteration and ensure quality control of petroleum fuels.

Mizanur Rahman, secretary general, and Jayed Ahmed, joint secretary general of the association, among others, were present at the conference.

PHOTO: PETROL PUMP OWNERS ASSOCIATION

Mohammad Nazmul Hoque, president of Bangladesh Petrol Pump Owners Association, speaks at a press conference in Dhaka yesterday. Mizanur Rahman, secretary general, and Jayed Ahmed, joint secretary general of the association, were also present.

Indian gold buyers fret as festivals near

REUTERS, *Singapore/Mumbai*

India will shop around for gold soon because of the approaching religious festivals, but current high prices are making buyers wary and could dampen demand in the world's largest gold consumer.

Elsewhere, investors cashed in their holdings after gold hit a 2005 peak at $449.30 an ounce last week, cutting premiums for gold bars in key trading centres such as Hong Kong and Singapore, dealers said yesterday.

"The price is too high for buying," said Beh Hsia Wah, a dealer at United Overseas Bank in Singapore, where premiums fell to 30 US cents an ounce to the London spot price, from 50 cents last week.

Profit-taking and a firming US dollar have erased some of gold's gains but dealers in India said local buyers were hoping for more of a correction to around $432 an ounce.

"At current prices, gold demand is likely to be about 5 percent lower than a year earlier," said Bhargava N. Vaidya, a bullion analyst based in Mumbai, also known as Bombay. "The crop situation has improved, but the confidence level is low."

Weather officials say India's monsoon season has entered a weak phase after above-average rainfall in the past few months -- a break which could benefit winter crops such as paddy and oilseeds. Gold demand in India is very sensitive to the monsoon because 65 percent of the country's population depends on the agriculture sector.

India's gold consumption has been forecast to rise to 600 tonnes this year, up from around 590 tonnes in 2004, and rural India accounts for about 60 percent of Indian gold demand.

Indians see gold as an auspicious metal, which they give as a gift during religious festivals and weddings. Demand normally picks up from August with the beginning of the festival season and peaks in November during Diwali, the Hindu festival of lights.

Some dealers said gold was pausing for breath before rising again and breaking through a stubborn $450 an ounce resistance level.

But for the time being investors would cash in their holdings, leaving the physical market in the doldrums.

"I think people will start buying gold if it falls back to $433-$435. And, of course, there will be more buying if it goes down to $430," said Ronald Leung, director of Lee Cheong Gold Dealers in Hong Kong.