Star BUSINESS
E-mail: business@thedailystar.net

Apartment prices to go up 20-40pc in Dhaka

Say developers

STAR BUSINESS REPORT

Prices of apartments in Dhaka will go up by 20 to 40 percent, as building materials have now become dearer, developers said yesterday.

They said Tk 500 would be added to the present rate (per-square-foot) of the flats in up to six-storey buildings and over Tk 500 to the rate of the ones in the high-rise buildings.

The developers however admitted to a drop in sales of apartments in a span of 5 months this year by 65 to 75 percent over the corresponding period last year due mainly to surge in apartment prices.

"Flat prices will go up by 40 percent in posh areas such as Dhanmondi, Gulshan and Banani. Apartment prices in other areas will soar by 20 percent," said Tanveerul Haque Probal, general secretary of the Real Estate and Housing Association of Bangladesh (REHAB), at a press conference in Dhaka yesterday.

Significant price hike in construction materials will force them to up Tk 250 per Sft, Probal explained, adding that the rest of the hike in flat value will be made due to enhanced cost of construction of flats for the owners of lands given to any developer under a deal on certain terms and conditions.

The present market prices of MS rod have marked a rise by 19percent, cement 32percent, bricks 62percent and sand 72percent compared to the prices in 2005.

According to the REHAB estimation, electric wire prices increased by 100percent, aluminum and paint 32percent, labour and materials 28percent, said REHAB leaders.

Per thousand bricks were sold at Tk3100 in 2005, the market price of which now increased to Tk5000. Sand price increased to Tk12 from Tk7.5 per square foot and cement price increased to Tk350 per bag from Tk265 per bag in 2005, according to the REHAB leaders.

They said prices of rod (60 grade) increased significantly in the last three years by Tk7500 per tonne. Presently, rod is priced at Tk47,500 a tonne, which was Tk40,000 in 2005.

The REHAB leaders attributed the high prices of construction materials to electricity and gas crisis and increased transportation costs.

When asked who will bear the increased flat prices, Probal said, "Of course the buyers should bear the costs. But it will be decided through consensus between buyers and sellers. And here the REHAB will act as mediator to settle any dispute."

He, however, said," If a developer demands high price of an under construction flat without showing any rational reasons, it will not be granted by the REHAB."

The present anti-corruption drive also hampers the business of the sector, said S M Anwar Hossain, acting president of REHAB.

He said, "Our clients both home and abroad are showing hesitation to transact huge amount of money at a time."

Syed Sirajul Haque, treasurer, M G R Nasir, joint-treasurer of REHAB and Enamul Haque, chairman of the Building Materials Price Review Committee of REHAB were present at the press conference.

PHOTO: STAR

From left: REHAB's acting President SM Anwar Hossain, General Secretary Tanveerul Haque Probal, and Treasurer Syed Sirajul Haque are seen at a press briefing in Dhaka yesterday.

IFC-SEDF seminar on business competitiveness

In a bid to help local businesses prosper under the ever-growing competition, IFC-SEDF, the private sector arm of the World Bank, organised a training seminar on competitiveness.

The seminar was organised in Dhaka yesterday, according to a press release.

Considering competitiveness a critical issue for businesses to survive and prosper in the global market place, the training was aimed at bringing together business leaders, entrepreneurs, and public sector officials to discuss and debate on how Bangladeshi firms could compete and prosper in the local, regional, and international marketplace.

Among others, Deepak P Adhikary, DGM of IFC-SEDF, Roger Hanberg, programme manager of IFC-SEDF, Feroz Rahim, group managing director of Rahimafrooz, K Mahmood Sattar, managing director of Eastern Bank Ltd, Anis A Khan, managing director of IDLC, were present.

DSE turnover hits all time high at Tk206.79cr

SARWAR A CHOWDHURY

The Dhaka bourse yesterday set another milestone with the total turnover hitting an all time high at Tk 206.79 crore, surpassing the previous record of Tk 178.98 crore on May 27.

Market operators have attributed the all time high turnover to big investments by institutional investors including banks and non-banking financial institutions and a huge flow of portfolio investment.

The market operators also hoped the daily turnover on the premier bourse will reach Tk 500 crore by 2010.

"The institutional investors, who are the major market players, are very active. Besides, the portfolio investment is increasing," said Ahmed Rashid Lali, senior vice-president of Dhaka Stock Exchange (DSE).

Institutional investors' participation on an average accounted for 85 percent of each day's total trade during the last couple of weeks, he said.

Portfolio investment increased 212 percent to US$50 million during the July-March period of the current fiscal year, compared to $16 million during the same period a year earlier, according to Bangladesh Bank statistics.

He however cautioned the investors should invest carefully. They should not be guided by rumours, he added.

Echoing Ahmed Rashid Lali, DSE Chief Executive Officer Dr Salahuddin Ahmed Khan said the market may witness an overpricing situation, if the supply of new stocks cannot be ensured.

"This is a good time to be listed on the bourses and the big companies may also consider it a right time," he said, adding that the government should also immediately implement its decision to offload the shares of state-run enterprises.

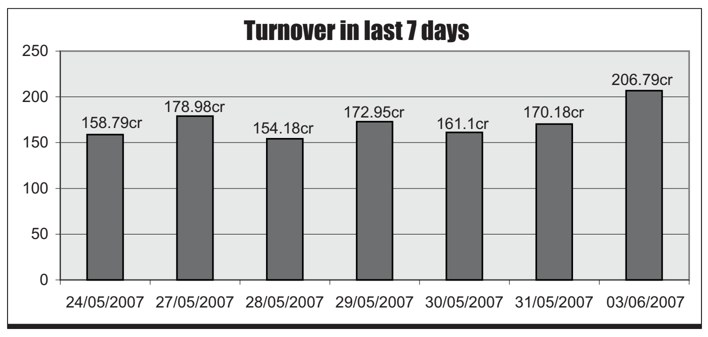
Along with turnover, market capitalisation also stood at all time high at Tk 44,119 crore, surpassing the previous high of Tk 44,088 crore on May 31.

The price indices also rose on the DSE led by shares of power, bank and pharmaceuticals sectors. The benchmark DSE General Index increased by 3.46 points, or 0.17 percent, to close at 2007.06 points while the DSE All Share Price Index rose by 1.43 points, or 0.08 percent, ending the day at 1659.79 points.

Of the issues traded, 88 advanced, 79 declined and 25 remained unchanged. A total of 11,391,943 shares changed hands.

At the end of the day, Power Grid Company of Bangladesh (PGCB) topped the turnover leaders followed by Brac Bank, Prime Bank, Southeast Bank, Square Pharma, Summit Power, Premier Bank, Dhaka Electric Supply Company, Pubali Bank and Exim Bank.

PGCB, the state-run power company, topped the turnover leaders with 454,850 shares worth Tk 27.97 crore.



Impact PR launches operations in Ctg

Impact PR, a public relations firm, on Friday launched operations in Chittagong as part of its expansion programme, says a press release.

Former chief of army staff Lieutenant General M Harun-Ar-Rashid (Retired) formally inaugurated the Chittagong office of Impact PR on OR Nizam Road.

Chairman of Impact PR Aftab ul Islam, Country Manager of Germanischer Lloyd Bangladesh and Chairman of Institute of Marine Engineering Science and Technology (IMarEST), UK, Bangladesh Branch CF Zaman attended the inauguration ceremony.

At the function, Impact PR also signed a PR agreement with Western Marine Services Ltd and Western Marine Shipyard Ltd based in Chittagong. Managing Director of Western Marine Services and Western Marine Shipyard Shakhawat Hossain and Impact PR CEO M Shamsur Rahman signed the agreement.

Currently, Impact PR is handling media relations of Beximco Group, WorldTel, Oracle and Saif Powertec Limited.

Sonali Bank registered with Registrar of Joint Stock Companies

STAR BUSINESS REPORT

Sonali Bank, a nationalised commercial bank, yesterday was registered with the Registrar of Joint Stock Companies and Firms (RJSCF) to operate as a public limited company.

However, the bank still requires approval from the central bank to run as a public limited company, sources said.

The bank along with Agrani Bank and Janata Bank recently applied for registration with the RJSCF and Securities and Exchange Commission (SEC).

Sonali Bank officials said they will apply to the central bank today for approval to run as a public limited company.

After receiving approval from Bangladesh Bank, the bank's name will be changed to Sonali Bank Limited.

Earlier on May 30, state-run Janata and Agrani banks received licenses from the central bank to become public limited companies.

As per the license, the banks will conduct their activities following the Memorandum and Article of Association instead of the Nationalised Bank Order, 1972.

The World Bank and International Monetary Fund have long been calling for privatisation of nationalised commercial banks. They have made it one of the major prerequisites for Bangladesh to receive Poverty Reduction Growth Facility loans.

India ready to open up its market to other Saarc countries

Says Pranab Mukherjee

PALLAB BHATTACHARYA, *Shimla*

India, the current chairman of South Asian Association of Regional Cooperation (Saarc), said yesterday that it was ready to open up its market to other countries of the regional grouping without insisting on reciprocity.

In his keynote address at a meeting of South Asia Free Media Association (SAFMA) here, External Affairs Minister Pranab Mukherjee said India is aware that as the present chair of Saarc it has an important responsibility.

As the largest country in the region, India is ready to accept symmetrical responsibilities, including opening up markets to South Asian neighbours without insisting on reciprocity, he said.

During the summit, Prime Minister Manmohan Singh announced duty free access of products of the least developed countries (LDCs) in the 8-nation regional forum to Indian markets from this year, Mukherjee said, adding that his country is committed to reducing the sensitive lists for these LDCs.

Mukherjee urged the Saarc member-countries to dismantle barriers curbing movement of people, goods and investments, noting that global economy is indicating a shift in its centre of gravity from countries of Europe and North America to Asia for the first time in the past 350 years.

"Today, the countries of South Asia are on the threshold of a historical moment. Collectively, we stand a good chance of transforming the economic conditions of our people and in the development of human civilisation in the 21st century," Mukherjee said.

It was with this perspective that India has extended its hand of friendship and cooperation to all neighbours and proactively addresses whatever differences there may be, he said.

PHOTO: STAR

(from left) Deepak P Adhikary, DGM of IFC-SEDF, Feroz Rahim, group managing director of Rahimafrooz, K Mahmood Sattar, managing director of Eastern Bank Ltd, Anis A Khan, managing director of IDLC, and Roger Hanberg, programme manager of IFC-SEDF, are seen at a seminar on competitiveness in Dhaka.

Dubai property boom to continue

AFP, *Dubai*

The burgeoning property boom in Dubai looks set to continue until at least 2010, a report released on Sunday said, dismissing widespread forecasts of a looming correction in property prices.

The report by Dubai-based businessman Fouad Bardawil, for the Middle East Economic Digest (MEED), estimated that 181,000 new residential units would be needed by 2010 but that only 175,000 would be available.

MEED said demand would outstrip supply because of continuing population growth in the wealthy emirate, one of seven comprising the United Arab Emirates.

Lack of proper access to finance seen main barrier to SME growth

STAR BUSINESS REPORT

Lack of proper access to finance is the main barrier to flourishing small and medium enterprises (SMEs) in Bangladesh, speakers observed at a seminar yesterday in Dhaka.

They said very high lending rate and absence of collateral-free medium and long-term loans are the core problems of the SME sector.

The seminar on Problems of SME Financing was organised by Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at its auditorium.

Terming small and medium enterprises the 'most capital-starved section', Mohammad Ayub Mian, additional secretary to the Ministry of Industries, said,

"These are the SMEs which are not on the radar of NGO-MFI micro-credit, but do not have enough financial critical mass to attract formal banks."

Citing the findings of a study conducted by the Power and Participation Research Centre, he told the seminar that only 10 per cent of the capital invested in SMEs comes through banking system, while self-finance accounts for 76.5 per cent of fixed capital and 51.8 percent of working capital.

In addition to credit support, the SMEs require monitoring and training, said M Aminuzzaman, managing director of National Bank Limited.

Abdul Muyeed Chowdhury, chairman of the newly founded SME Foundation, said when around one million people join the domestic job market every year, the SME sector might emerge as an alternative job market, if the sector is nurtured.

SME Foundation is a government-founded private ogranisation that eyes providing one window solution to the SMEs, Chowdhury said, adding that besides providing funding, the foundation will also provide connectivity, training, export facilities to the enterprises.

In his keynote paper, Dr Baqui Khalily, a professor of finance at the Dhaka University, said the reasons behind improper financing to SMEs by private banks include their profit maximisation drive, high risk and poor return through investing in this sector.

He recommended subsidy to banks for motivating those to finance the SMEs.

He, however, suggested creation of an alternative credit mechanism for financing the SMEs if subsidy does not work.

There were around six lakh small and cottage industries in the country in 2006, according to a data showed by the keynote paper.

Dewan Sultan Ahmed, vice president of FBCCI, also took part in the discussion, chaired by FBCCI Director MA Rouf Chowdhury.

Hasina Khan

Shahnaz Quashem

Prime Bank's new vice chairpersons

Shahnaz Quashem and Hasina Khan have been elected the new vice-chairpersons of Prime Bank Ltd, says a press release.

They were elected unanimously for a two-year term at the recently held meeting of the bank.

Both Shahnaz and Hasina are sponsor directors of the bank, the release adds.

Indonesia faces shortage of skilled workers

XINHUA, *Jakarta*

Indonesia's oil and gas companies have begun to suffer from a shortage of skilled workers due to their preference to work overseas, an oil drilling executive says.

"The shortage of professionals in the oil and gas industry is getting worse, as most of the existing companies need more skilled workers to support their expansion projects," said Mohammad Zulkarnain, finance and administration director for state-owned PT Elnusa Drilling Services, quoted by the Jakarta Post Saturday.

The director worried that the shortage of professionals would hinder the government's plan to boost oil production to 1.3 million barrels per day by 2009, from the current level of one million barrels.

Managing food security to sustain political transition

[This article has summarised in two instalments a paper available at www.ergonline.org. The first part looked into the plausible reasons of price increase observed. The second part addresses the future and immediate actions to face it so that the goals of political transition remain shared.]

SAJJAD ZOHIR

PART II

Discussion in the previous instalment of this article (published on Sunday) suggested that rice and other food prices would remain on the high side, at the least till next Aman harvest and till the winter vegetables start to enter the market in large scale. It is quite possible that the rice price will eventually settle at a high level (say, Tk. 22 per kg for coarse rice) because all indications in the international market suggest of 'rice getting commercial', with major upward adjustment in its relative price. If all of us were parties to the old non-accountable corrupt system and the 'illegally earned' money circulated widely within the economy, people would only have to adjust their consumption basket in accordance to changes in relative prices. And sooner or later, the wages would adjust and so would the bribe money and the rest -- eventually the economy settling to new set of prices, consumptions, production and distribution. But such convergence of 'unholy' actions is not expected in the changed environment where the drive is towards a less corrupt society. Unfortunately, the economic implications of such moves have drawn little attention so far and we do not get into the topic here. Broadly, one may observe that there has been dislocation of informal sectors, having far-reaching implications for the livelihood of the poor and for internal remittance flows. The problems have been aggravated by dislocation of the traditional actors in some of the markets, and by sudden stoppage of the 'corrupt' money that had once lubricated parts of the economy. Since some of the steps are essential for the political transition, and because such steps are bound to incur cost (slow down economic activities), it is all the more important that errors in economic management be minimal and steps be taken to ensure that the cost be shared across society so that the goal of realizing political transition remains shared.

- Earlier discussion also alluded to costs of political transition from a corrupt to a less corrupt economy and society, but the task of identifying its many facets within the scope of a single paper is not possible. The focus therefore confined to issues of immediate concern -- that of increases in food prices with dislocations in employment (and possible shrinkages in the size of employment), both affecting adversely the poor segment of the society. Given a scenario of little hope for immediate changes, the country needs to face the situation in a collective way. In its role as prime mover, the government ought to reactivate institutions under an environment of clean business, reactivate the economy with fresh investments, and address the dire situation that the poor will be facing in the coming months. If needed, the budget has to be recast accordingly, focusing on the recovery of the economy -- if needed with additional (fiscal) deficit, spent in transparent manner. With that perspective, a set of recommendations, focusing on a limited immediate issues pertaining to the food sector, is given below.
- Recent initiative to facilitate food grain imports to make up for the aggregate shortfalls is praiseworthy; and the foreign exchange reserve permits such undertakings. At the same time, there is a need to translate our savings (currently in the form of impressive build-up of reserve) into investment. One needs to look into ways of linking subsidised food distribution with real investment -- if needed, centering around urban areas.
- Rice procurements are meant to support farmers when the prices are expected to be depressed; and there is no good rationale in the present situation of rising prices. Internal government procurement of rice needs to be stopped immediately, except for certain pockets in the country. This will save the government of undue claims on allowances, and also of having to deal with rotten rice in future. Moreover, it will give breathing space to the private sector, which need to keep the economy moving. Government procurement can remain confined to external procurement only.
- Recent initiative from the government to engage with millers is praiseworthy but an appeal for a 'no-profit' gesture is unlikely to be sustained. The millers may have the option to switch back (part of their rice) to mill coarser varieties, which may reduce their cost substantially. It is possible that introducing further price differentials between the (traditional type) coarse variety and the fine variety will have beneficial re-distributive effects.
- In a regime of high prices of food grain, input subsidy is the primary instrument to resort to for ensuring increased production during next Aman harvest; as well as to promote summer vegetables and Rabi crops. It is important that steps are taken immediately to have an action plan worked out well before the plantation begins.
- The government should seriously consider closing the OMS operation by para-military forces; and review the actual cost of undertaking such operations that involve payments of allowances (over and above the subsidy embedded in lower prices), not often revealed. If OMS is to be continued, the responsibility should lie with the traditional players within the government -- those in the Department of Food and of Relief & Disaster Management. If the institutions within the government ought to perform, this is the best opportunity to make them deliver, when the country's military and para-military forces have opted to assist the government in making institutions (including civil administrations) deliver services these are established for.
- It is now beyond doubt that OMS operation has failed to lower food prices prevalent in the markets. If the objective is to provide supports to the poor, distributing cooked food (say, once a day meal) through 'kitchen centres' close to clusters of poor and very poor is a better option it will save the fuel energy and time loss of numerous poor households, who may then seek meaningful employment. Private initiatives to open such centers may also be facilitated and/or donations for such initiatives may be encouraged.

The writer is executive director, Economic Research Group