

# Bangladesh to continue to post budget deficit in 2007-08

Says Economist Intelligence Unit

STAR BUSINESS REPORT

Bangladesh will continue to post a budget deficit in 2007-08 fiscal year, as revenue expansion fails to keep pace with growth in spending, according to the Economist Intelligence Unit (EIU).

The EIU, a member of the Economist Group, in its March issue also said like the previous administration, the interim government faces a difficult task in achieving its revenue target, owing to the narrow nature of the tax base and low rates of revenue collection.

The EIU in a report said at the equivalent of 10 percent of GDP in fiscal year 2006/07 (July-June), Bangladesh has one of the lowest revenue-collection rates in the world.

Despite the measures outlined in the 2007/08 budget to boost collection, revenue is expected to remain low as a proportion of GDP during the forecast period, the report

## Economist Intelligence Unit

said.

The EIU monthly outlook said spending, in contrast, is set to increase, as the interim administration makes changes to the electoral process and continues to subsidise fuel.

The need to redirect public funds to relief efforts and reconstruction projects in south-western Bangladesh, following the devastation wreaked by cyclone Sidr, will increase the strain on the public finances during the early part of the forecast period, the EIU outlook added.

Finances will be strained further by the need to compensate poultry farmers for the culling of their livestock following the recent outbreak of avian influenza (bird flu), which has spread to more than half of the country's 64 Districts, the

reports said.

"We expect the budget deficit to reach 5 percent in 2007/08, following an estimated deficit of 4.4 percent in 2006/07, although the caretaker government envisages a budget deficit target of 4.7 percent of GDP for 2007/08," the EIU report said.

Given that the general election is not likely to be held before July 2008, the interim government is expected to prepare and pass its second budget in June this year, the reports said.

In the EIU's economic policy outlook it said BB (Bangladesh Bank) will stick to its pledge, made in its policy statement in January 2008, of maintaining an accommodative monetary policy stance in the second half of the current fiscal year.

It will continue to ignore calls from the IMF to raise interest rates and is unlikely to tighten policy over the short term, the EIU issue mentioned.

Although mounting inflationary pressures remain a major concern, BB is expected to stress that economic growth is also a priority, the report said.

The money market interest rate has remained unchanged at 5 percent for four years and is expected to stay at this level in 2008.

However, owing to the high ratio of non-performing loans in the banking sector, lending rates will remain much higher than the money market rate.

The key lending rate, which averaged 16 percent in 2007, is expected to remain at this level in 2008.

In 2009 any decision on an interest rate change may have to wait until a new, democratically elected government has been installed.

## Production in Alim Jute Mills to resume soon

STAFF CORRESPONDENT, Khulna

Production in state-run Alim Jute Mills in Khulna will resume soon as the lay-off order was withdrawn with effect from yesterday, mill officials said.

The mill officials said the jute mill remained closed for seventh times since September 22 last year.

Project Director of the jute mill Monwar Hossain said it would take at least a week to go into full swing production.

At present, the mill has 2600 quintals of raw jute in stock worth Tk 30 lakh, he said.

He said all arrears would be paid to workers and employees if production goes on smoothly.

## Square Pharma to enter Malaysia

STAR BUSINESS REPORT

Bangladesh's Square Pharmaceuticals Ltd has received approval for six of its products to enter Malaysian market.

A press statement issued by Square said the company got approval from Malaysian Drug Control Authority.

The Bangladeshi pharmaceutical company had to pass through a series of stringent screening procedures at the Malaysian DCA over the last two years before the authority finally approved the registration of these products.

The company said few more of its products are to be registered with the Malaysian drug authority within the next few months.

Square Pharmaceuticals is the number one medicine manufacturer in Bangladesh in terms of turnover.

# AB Bank's merchant banking wing submits Tk10cr fine

STAR BUSINESS REPORT

AB Bank's merchant banking wing yesterday submitted the Tk10 crore fine to the Securities and Exchange Commission (SEC).

Commission sources said the merchant banking wing submitted the fine through a pay order. Yesterday was the last date for submitting the penalty.

Earlier on February 17, the SEC fined the merchant bank for disbursing excess margin loans in violation of securities rules. The penalty was the highest the regulator has imposed since 2001.

The SEC after an investigation found that AB Bank's merchant banking wing disbursed around Tk 528 crore loans against its paid up capital of

only Tk 57 crore during mid 2007 when stock market experienced an abnormal bullish trend due to liquidity glut stemming from excess margin loans. The wing mainly disbursed the loans among its employees and their relatives.

According to the securities rules, a merchant bank cannot provide margin loan more than five times of its paid up capital whereas AB Bank's merchant banking wing provided loans by around ten times of its paid up capital.

The loans merchant banks offer to investors to buy shares is commonly known as margin loans.

The merchant-banking wing of the bank swindled more than Tk 66 crore during the period last year, according to the SEC investigation report. The investigation found that

the bank by disbursing excess loans created a liquidity glut, leading abnormal price hike of shares in some companies. In some cases, the share prices jumped by around 300 percent, the investigation revealed.

The SEC investigation also revealed that AB Bank's merchant banking wing through its stockbrokers -- AB Bank Foundation, Ahmed Brothers Securities, Popular Equity, ARC Securities and Country Stock (Bangladesh) -- used the netting facilities illegally in selling and buying shares on the spot market.

The SEC formed a probe body on July 30 last year to investigate allegations against the merchant banking wing of AB Bank and the inquiry team submitted its report to the commission on September 12 last year.

# Forex reserve hits \$6b

UNB, Dhaka

The country's foreign exchange reserve crossed US\$ 6 billion mark for the first time, backed by substantial increase in foreign aid coupled with sales proceeds from the majority shares in troubled Oriental Bank.

"In addition to common factors like robust remittance, the forex reserve rose to the level due mainly to substantial inflow of Asian Development Bank (ADB) and about US\$ 50 million of Oriental Bank sales proceeds," a senior Bangladesh Bank executive said yesterday.

He said the commercial banks also deposited some more foreign currencies with the central bank as the forex market remained a bit liquid, contributing to crossing the mark.

The foreign exchange reserve stood just over US\$ 6 billion at the closing Sunday, he added.

"The reserve could have reached the mark much earlier unless the central bank had to release around US\$ 350 million

mainly for increased import of food items and fuel oil," said the executive.

Switzerland-based ICB Financial Group Holdings AG Thursday signed the sale-purchase agreement to take over 50.16 shares of the troubled Oriental Bank, after paying over Tk 350 crore equivalent to around US\$ 50 million.

The Bangladesh Bank executive said the reserve position would, however, decline by around US\$ 730 million by this week due to the regular bimonthly payment to Asian Clearing Union (ACU). The payment will have to be settled no later than Thursday (March 6).

He said the ACU payment would also be record highest this week, about double than any other earlier payments, as Bangladesh had imported huge quantity of food and fuel oil from the ACU member countries, mainly India.

"Even after ACU payment, the forex reserve will hover over US\$ 5 billion mark," he said, adding that it would remain at

a range between US\$ 5.2 billion and US\$ 5.3 billion.

Bangladesh Bank sources said the reserve stood lower at \$5.4 billion as of end January this year against \$5.5 billion as of end December 2007 due to ACU payment of \$452 million on January 6, 2008.

However, the reserve was markedly higher than the \$3.7 billion as of end January 2007.

Meanwhile, robust remittance, increased foreign aid as well as a rebound in exports by the end of the first half of the current fiscal year contributed to raising the reserve to the level.

During the first half of the current fiscal year, remittance receipts increased by \$832.28 million or 25 percent to \$4.2 billion against \$3.3 billion during the same period last fiscal year, according to Bangladesh bank figures.

Total aid disbursements during the July-December 2007 period doubled to \$768.48 million from \$384.59 million in the corresponding period of the previous fiscal year.

## RMG industry needs to improve designs

Says CPD executive director

STAR BUSINESS REPORT

Bangladesh's apparel industry should upgrade designs to add more value to products, Executive Director of Centre for Policy Dialogue (CPD) Mustafizur Rahman said yesterday.

Rahman also advocated for product diversification and brand development to tap the potential of high-end garment markets.

He was speaking at a seminar on role of buying houses in RMG sector in Dhaka, organised by Bangladesh Buying House Association (BGHA). BGHA's President Quaiyum Reza Chowdhury presided over the seminar.

Rahman said Bangladesh retained US\$4.5 billion of its \$9 billion total garment exports last year. The remaining \$4.5 billion was spent on importing fabrics to manufacture garments that include T-shirts, trousers, shirts and sweaters.

"We might retain more money if we could add more value to manufacturing process through developing innovative designs," he said.

He said the country has the potential to export \$20 billion apparels within the next three years if it develops innovative designs.



Signing Ceremonial

Senior officials of Bangladesh Export Processing Zones Authority (Bepza) and M/s Leviathan Global Corporation, an American company, exchange documents after signing an agreement in Dhaka yesterday. Under the deal, Leviathan Global will invest US\$70 million in Karnaphuli EPZ to set up a 50-mw power project and a tyre plant.

# DSE AGM now May 15

STAR BUSINESS REPORT

The annual general meeting (AGM) of the Dhaka Stock Exchange (DSE) will be now held on May 15 instead of March 13.

The decision was taken at a board meeting of the Dhaka bourse yesterday. Earlier, the DSE received a permission from the Registrar of Joint Stock Companies and Firms to reschedule the AGM date.

However, the DSE is yet to declare a fresh schedule of the annual election that was postponed due to withdrawal of nominations by all the nine candidates. The election was scheduled for March 9.

The Election Board will announce a fresh schedule very soon, said a DSE official.

On February 20, six candidates withdrew their nominations following a pressure from a group. According to sources, the six candidates' withdrawal could have cleared the path for a particular candidate to be elected unopposed.

But the efforts ended in fiasco following media reports that also prompted the remaining candidates including the particular candidate to withdraw their nominations on February 24.

There was also allegation that the influential candidate, who tried to become the president of DSE, was involved in

financial scams on several occasions. He also received loans from banks mortgaging fake shares.

He is a close associate of a currently detained Dhaka-based former lawmaker of BNP. He is also an associate a former prime minister's youngest son.

As per the DSE constitution, the election has to be held every year before the AGM. There are 12 elected and 12 nominated directors on the board of directors. Every year, four directors retire and four others replace them through direct voting. A president, senior vice-president and vice-president are elected from the 12 elected directors including the new fours.

## ICC-B workshops from today

The International Chamber of Commerce Bangladesh (ICC-B) in collaboration with German Technical Cooperation (GTZ) is organising two workshops on international trade payment practices in Chittagong today and Dhaka tomorrow, says a press release.

ICC Bangladesh President Mahbubur Rahman will inaugurate the workshop in Chittagong while ICCB Vice-President Latifur Rahman to open another workshop in Dhaka.

## Indian carmakers cut prices

ANN/ THE STATESMAN

Homegrown car maker Tata Motors Saturday reduced prices of its hatchback Indica and Sedan Indigo by up to Rs 15,300 to pass on the benefit of excise duty cut to its customer.

The prices of Indica range have been reduced in the range of Rs 8,500 to Rs 14,600 while prices of the recently launched Indigo CS have been reduced in a range of Rs 12,700 to Rs 15,300, a company official said.

Maruti has also decided to pass on the complete benefit of the excise cut to customers and has cut prices of its small cars in the range of Rs 6,500 to Rs 18,030.

Maruti Suzuki India Ltd Saturday reported a marginal increase in domestic sales in February at 59,311 units as against 59,095 units in the same month last year.

The company said this 0.4 percent increase is due to customers postponing their purchase decision in anticipation of the excise duty cut in the Budget.

The Union finance minister, P Chidambaram Friday pro-

posed to bring down excise duty on small cars to 12 per cent from the previous 16 per cent. In the A2 segment, which comprises of hatchbacks Alto, Zen, Wagon-R and Swift, the company sold 44,059 units in February, up 2.7 per cent from a year ago. All four models in the segment are eligible for excise duty benefits.

The company sold 1,958 cars in the A3 segment comprising sedans SX4 and Esteem, up 8.9 per cent over 1,798 units in February last year, it said in a statement.

In the A1 segment, comprising entry-level hatch M800, sales slipped 3.5 per cent to 5,745 units as compared with 5,955 units in the same month last year, while sales in the C segment that consists of Omni and Versa dipped 9.9 per cent to 7,268 units.

MSIL sold 281 units of its MUVs Gypsy and Grand Vitara during February, down 21.9 per cent over the same month last year.

The company's exports during the month jumped by 15.5 per cent to 4,511 units as against 3,904 units in the same month last year.

## NOTICE

Notice is hereby given to all concerned that our client, BRAC Bank Limited, Head Office, 1 Gulshan Avenue, Dhaka being desirous to purchase the Property described in the Schedule of Property hereinbelow, entered into a Memorandum of Understanding on 24th February 2008 with the owners of the said Scheduled Property, namely Mr. Ferdous Perves Bivon and others, of Road No. 281 Baitul Aman Society, Adabor, Police Station - Mohammadpur, District-Dhaka. If any person, body or authority has any objection or claim as to right, title and interest over the Scheduled Property or possession thereof and any sort of claim in respect of or arising out of the said Scheduled Property, the person, body or authority concerned is hereby requested to raise any such claim or objection to the undersigned with all necessary deeds and documents in support of such claim or objection within 7 (seven) days from the date of publication of this Notice. If no claim or objection is made within the aforesaid period, any claim or objection after the expiry of the said period shall not be legally accepted and shall not be binding upon our client.

### Schedule of Property

All that piece and parcel of land situated within District - Gazipur, Police Station & Sub-Registry Office - Tongi, Mouza - Gazipura, J. L. C. S. & S. A. No. 107, R. S. No. 36, Jote No. 2082, C. S. Khatian No. 4 and 20, S. A. Khatian No. 4 and 161, R. S. Khatian No. 180 and 186, C. S. & S. A. Dag No. 150, 151 and 152, R. S. Dag No. 226, 227, 228 and 248 (126.4 decimal) and J. L. C. S. & S. A. No. 107, R. S. No. 36, Jote No. 2086, C. S. Khatian No. 4, S. A. Khatian No. 4, R. S. Khatian No. 186, C. S. & S. A. Dag No. 150, R. S. Dag No. 248 (0.33 decimal) = total area of land measuring 159.4 decimal.

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