

**International Business News**

**India gets new central bank chief as inflation soars**

AFP, New Delhi

India has appointed a new central bank chief to replace Yaga Venugopal Reddy, who retires later this week with Asia's third-largest economy battling high inflation.

Finance Secretary Duvvuri Subbarao will succeed Reddy as governor of the Reserve Bank of India (RBI), a government announcement late Monday said.

The new RBI chief, who currently holds the top civil service job in the finance ministry, will have to wrestle down inflation running at a 13-year peak of 12.40 percent.

Subbarao would assume office on September 5, Finance Minister P. Chidambaram said.

The appointment of the one-time senior World Bank economist will be for three years but the term can be extended to five.

Reddy steered India's aggressive monetary tightening cycle, which began in late 2004 to tame inflation. But prices have nearly tripled in the past year, stoked by soaring oil and other commodity prices.

Analysts said they expected Subbarao to pursue the same hawkish policy against inflation as Reddy.

**Thailand moves to support baht**

AFP, Bangkok

Thailand's central bank said Tuesday it had intervened in the foreign exchange market to support the baht after the government declared emergency rule in the capital.

The Bank of Thailand said the domestic currency had slipped during morning trading after Prime Minister Samak Sundaravej invoked the emergency decree at 7:00 am (0000 GMT).

"The announcement has caused the baht to weaken and be volatile, so we had to step in and support the baht this morning," said deputy governor Atchana Waiquamdee.

She said the economy would doubtless be affected by the ongoing political turmoil in the capital but could not predict to what extent until the situation had unfolded further.

At around 1:00 pm (0600 GMT), the dollar was trading at 34.47 baht, compared with 34.32 at Monday's close.

"The scenario looks really bad and the baht would weaken further, with a resistance expected at 34.55," a dealer told Dow Jones Newswires.



Customers buy vegetables at a market in Manila yesterday. The Philippines' inflation rate hit 12.2 percent in July, the highest in 17 years as prices of basic commodities increased overall, the government said.

**Philippine corporate profits fall**

AFP, Manila

Soaring inflation contributed to a 4.3-percent fall in profits at listed Philippine firms over the three months to March, a stock exchange study said Tuesday.

The fall against the same quarter last year pushed profits among the 221 companies down to 66.68 billion pesos (1.46 billion dollars), according to the research by the Philippine Stock Exchange.

Inflation, slowing economic growth and the impact of stock market losses -- shares dropped 17.6 percent over the quarter -- accounted for the fall, said bourse president Francis Lim.

He said the figures created "an unsettling implication" that he described as "like the proverbial calm before the storm."

Firms in the finance, mining, oil and property sectors, together with holding companies, suffered double-digit percentage drops in profits, but overall revenues rose 10.4 percent to 589.71 billion pesos, the study said.

**OECD ups US growth forecast; slashes for Japan, eurozone**

AFP, Paris

The Organisation for Economic Cooperation and Development on Tuesday increased its forecast for growth in the US economy this year but slashed its predictions for Japan and the eurozone.

The OECD, the Paris-based grouping of 30 developed countries, said growth in the US economy would be 1.8 percent this year compared to 2007, a sharp upwards revision from a prediction in June of 1.2 percent.

Growth in the Japanese economy would be 1.2 percent instead of 1.7 percent and the eurozone would expand by 1.3 percent instead of 1.7 percent, the organisation said in an interim assessment of leading OECD countries.

The combined economy of Group of Seven nations, the world's leading industrialised democracies, was forecast to grow by 1.4 percent, unchanged from the last analysis by the OECD in June.

**ANALYSIS**

**The taming of the price-horse**

OMAR FARUQUE

Ramadan comes, prices of essentials soar. It is no exception this time also. With the advent of the holy month yesterday, the price-horse started running at a pace that consumers, irrespective of classes in the society, can hardly cope with.

Consumers blame the greed of some unscrupulous traders for the daily necessities being dearer. The defence these traders place on many occasions, even when they meet different government agencies to make promises to break, is not that logical.

They say the international commodity market is overheated, so is the local one. But life seems hard for countrymen, especially for the toiling masses who belong to the low-income group, because of the struggle they are doing now to keep their body and soul together in the adverse situation stemming from the price spike.

Yesterday's market survey suggests that the prices of essentials like rice, lentil, edible oil and vegetables were far away from the reach of ordinary people, let alone the Ifari (breaking fasting) items. In other words, these items are not at tolerable level, though the term is a relative one.

Meanwhile, the flood has started menacing parts of the country. Reports have it that nine districts are already affected by this natural calamity, anticipating a substantial amount of crop damage. This is also dreadful, for such damage caused by the last year's twin spells of flood and cyclone led to a shortfall of food supply, which also resulted in a record high surge in the price of rice, the staple food that costs over 70 percent of Bangladeshis' income, as a recent research revealed.

According to the survey by the Consumers Association of Bangladesh, commodity prices marked a 28.21 percent rise in a span of just a week, with a few exceptions of price-drop.

But the efforts, from both the private and public, to rein in the market situation are far from adequate.

The government indecision over timely collection of food grains from overseas at a reasonable price, rhetoric instead of proper management, lack of controlling measures on the plea of market economy have made the situation from bad to worse.

Of late, some measures taken the day before Ramadan by the Bangladesh Rifles (BDR), the initiator of the Dal-Bhat programme, have created a good impression among the masses. After a recess for some days, it started selling essentials at as many as 100 designated sites in

the capital and elsewhere. The happy buyers found that the BDR lowered the prices of rice, lentil, soyabean oil by Tk 2 to Tk 3 each on the first day of Ramadan, a move that should be followed by other government agencies.

In this connection, the Food Directorate's move to supply food grains for distribution, including through the Open Market Sales, or OMS, at an enhanced rate will help improve a bit the already-volatile food market situation. But the introduction of a rationing system, as existed for sometime in the post-independence period, would help a lot to serve this purpose.

The leaders of the garment industry, which is in a shadow of violent unrest by workers -- too low-paid to live with the increasing price of essentials -- have done a praiseworthy job through the sales of subsidised items for their workers the day Ramadan starts.

However, people say the inadequacy in government measures to tame the price spiral is reflected in a recent statement by a senior official of the commerce ministry who saw no other way than the prevalence of businessmen's good sense.

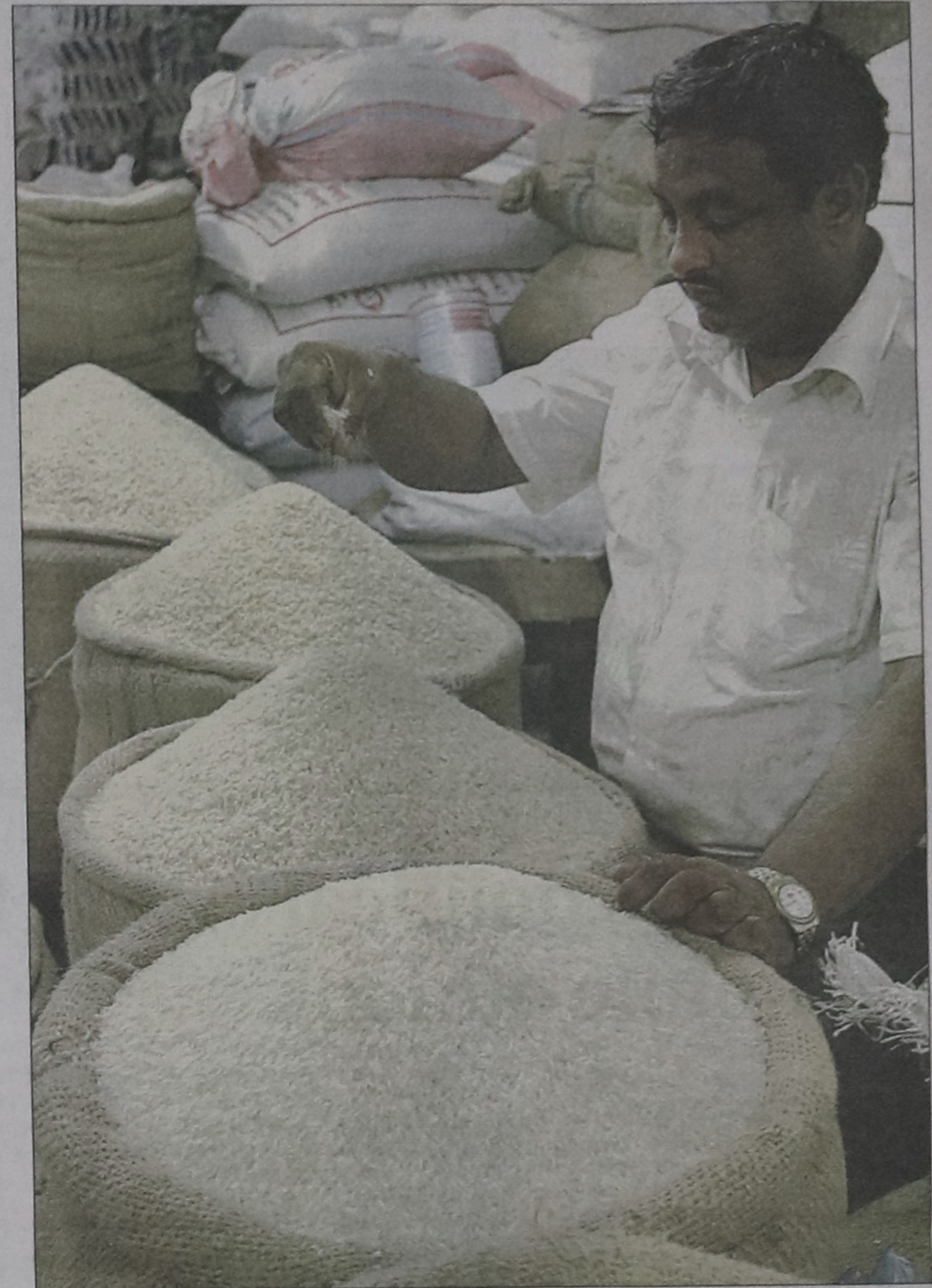
Merely a good sense will not do, if an effective system of monitoring is not in place. The facts, confined to a series of pre-declared visits to kitchen markets by some dignitaries, suggest that such role of a watchdog should be played in a way that retailers are not spared the vigilance.

Because the retailers have been found influencing the market to a large extent by manipulating prices, even they do it in a single small market.

Consistency in the price levels countrywide could be an ideal situation, which can be ensured by monitoring. The proper execution of the Consumers Rights Protection Ordinance 2008, which now awaits the president's assent after its approval by the Council of Advisers on August 20, can ensure such price level consistency, in addition to the removal of any manipulation of weight, quality and price of any essential commodity.

When an effective monitoring is a short-term option, other options like setting up a commodity exchange market deserve serious consideration, but a proposal with regard to this market from a Dubai-based organisation is learnt to have remained undecided for long with the commerce ministry.

Experts say such a market would yield positive results for both the growers and consumers of commodities, attracting also foreign direct investment.



Rice, the main staple food, is on sale at a city kitchen market. Although the already hiked price of the item was found static, it is yet to be within the reach of common people.

**COMMODITY**

**Bearing the brunt of inflation**

SOHEL PARVEZ and MD HASAN

Any distant onlooker would have thought that she was garnishing her cooked meal. That was far from true. Nurjahan puts the last remaining amount of rice into the steaming pot of water, the only staple food available for her family of four.

Failing to get coarse rice, she bought one kilogram of medium quality rice at Tk 40 a kg, half of which she paid and the remaining on credit, due by today.

The reason: Rampaging inflation that returned to double digits in June. Inflation soared to 10.04 percent in June from 7.44 percent in May.

This meek meal of cooked rice, leftover potato curry and fish intestines, would be the first meal for Nurjahan and her children, at 'iftar'. They had puffed rice in the wee hours of the morning to observe the onset of the holy month of Ramadan.

"I could not manage anything but puffed rice at dawn because I had to work until 10pm the day before, just to make ends meet," said the 40-year-old woman, who along with some other families, lives on the sidewalk over the western circle of Plassey near the University of Dhaka.

Nurjahan's neighbour, the five-member family of Ibrahim, faces a slightly better day. They scavenged cooked rice from the canteen of SM Hall of Dhaka University. However, the stench of the food would repel passers-by.

The scenes are commonplace in the marginalised and low income-people who are struggling due to a consistent rise in the prices of essentials and an erosion of purchasing power. According to the World Bank, an excess of over 40 lakh people have been pushed deeper into poverty.

The price hike has taken its toll on many other sections of society as well. Mid-income people cringe at the thought of purchasing vegetables, meat and fish, which are fast becoming a luxury. Added pressures come



Nurjahan, head of a four-member family, slices leftover vegetables her children collected from a kitchen market in Dhaka yesterday.

from the onset of Ramadan, as the prices of vegetables such as green chilli, brinjal, cucumber, gram and sugar soar on high demand.

The summer heat, coupled with more than 12 hours of fast, has also pushed the prices of fruits up.

Traders report that the rise in the prices of commodities is due to high demand for food items. Brinjal, a savoury delight for many who fast, further suffers fuelled prices due to floods in some districts in the northern region. Similar fate stands for green chilli, used to add flavour to many dishes to the culinary delight of Bangladeshis.

Allegations swirl around price manipulation by some large traders. Consumers face endless bargaining battles and bickering as they fight a losing battle against retailers.

Muzibul Haque is not ready to buy brinjal at Tk 60 per Kg. The apparently bewildered man shouts at the green-grocer, "How dare you demand Tk 20 extra for a kg of brinjal, which I bought for Tk 40 just two days ago?"

"If you don't want to pay this price, don't buy from me. I am not here to clarify the obvious reasons behind the price hike." This was the reply from Shahabuddin, a 67-year-old vegetable vendor, in the city's

Magbazar area.

Even after adopting all means possible, the government has failed to keep pieces within the consumer's reach, also unable to find logic behind why the price of brinjal has doubled overnight.

Haque, who is a mid-level employee of a local insurance company, says he often loses his temper every time the prices of commodities rise.

The middle class consumer explains how the recent inflationary pressure has downsized standards of living. He said with only Tk 20,000 salary a month, he could comfortably

live with his family.

"I don't really understand the dynamics of the kitchen market. If you blame the global price hike, how can you justify the sky rocketing prices of local products or vegetables?" Haque said.

Shahabuddin, the silent vendor, was busy serving other customers. Suddenly something provokes him to speak up, he may be just a vendor for vegetables, but he has to buy other daily commodities from the market as well.

"My fellow vendors and I are squeezed between two extremes; we have to answer the queries of customers about rising prices but when our suppliers demand high prices and we want a justification, we are left in the dark," Shahabuddin said.

Dr Mohammad Shafiq, a professor of Islamic Studies at the University of Dhaka, shops at Palasy market, moving from one vendor to the next, unable to strike a deal with any. He ends up buying a pair of lemons for Tk 16.

"It's unbearable. I have cut the volume of my purchases by half due to high prices."

Monir Hossain, a fruit seller in the same market, seems equally distressed. "I have been buying fruits from the same wholesaler ever since. The price of green apples have increased by Tk 200 per 18 kilograms, overnight," he said. "This has negatively affected my sales volume."

Maid servant Mala went to buy beef from the market the other day to prepare a good dish for her family. She instantly abandoned the idea when she saw that a kilogram of beef cost Tk 230, up from Tk 180 a day before.

"Sometimes, my motherly instincts distract me and I long to prepare something special for my children," said Mala. "The current harsh conditions snap me right back to reality, during the auspicious month of Ramadan."

hasan@thedailystar.net  
sohel@thedailystar.net