

## Stocks

DGEN ▲ 1.47%  
2,931.25

CSCX ▲ 1.73%  
5,933.86

## Asian Markets

MUMBAI ▲ 1.54%  
11,483.40

TOKYO ▲ 04.15%  
9,447.57

SINGAPORE ▲ 2.50%  
2,128.31

SHANGHAI ▼ 2.71%  
2,017.32

## Currencies

	Buy Tk	Sell Tk
USD	68.15	69.15
EUR	91.76	96.17
GBP	117.57	122.64
JPY	0.66	0.69

SOURCE: STANDARD CHARTERED

## Commodities

**Gold** ▼  
\$846.51  
(per ounce)

**Oil** ▲  
\$84.50  
(per barrel)

SOURCE: AFP

(Midday London Trade)

## More News

### EPZs in western region offer good prospect: Bepza

With lower tariff of industrial plots and an atmosphere free from labour unrest, the export processing zones (EPZs) in the western region of the country offer a good prospect for labour intensive industries, the Bepza executive chairman told a visiting Taiwanese team in the port city yesterday.

### Businessmen urge Chinese to help grow exports

Bangladeshi businessmen yesterday urged the visiting Chinese delegation to continue sending purchase teams to Bangladesh so that the country's export volume could continue to grow. "Bangladesh's exports to China last year grew by over hundred percent mainly due to the business contracts between enterprises," said DCCI President Hossain Khaled.

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## International

### Luxury brands under stress



During a recent trip to her expensive Hong Kong hairdresser, luxury brand consultant Radha Chadha asked her stylist if recent turmoil in the world's stock markets had affected business.

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## Contact Us

If you have views on Star Business or news about business in Bangladesh, please email us at [business@thedailystar.net](mailto:business@thedailystar.net)

# Inflation may ease in crisis

## World commodity prices decline as demand slows

SOHEL PARVEZ

The country's inflation is likely to come down in the coming days as global commodity prices have taken a beating from the ongoing financial turmoil across the world, analysts said yesterday.

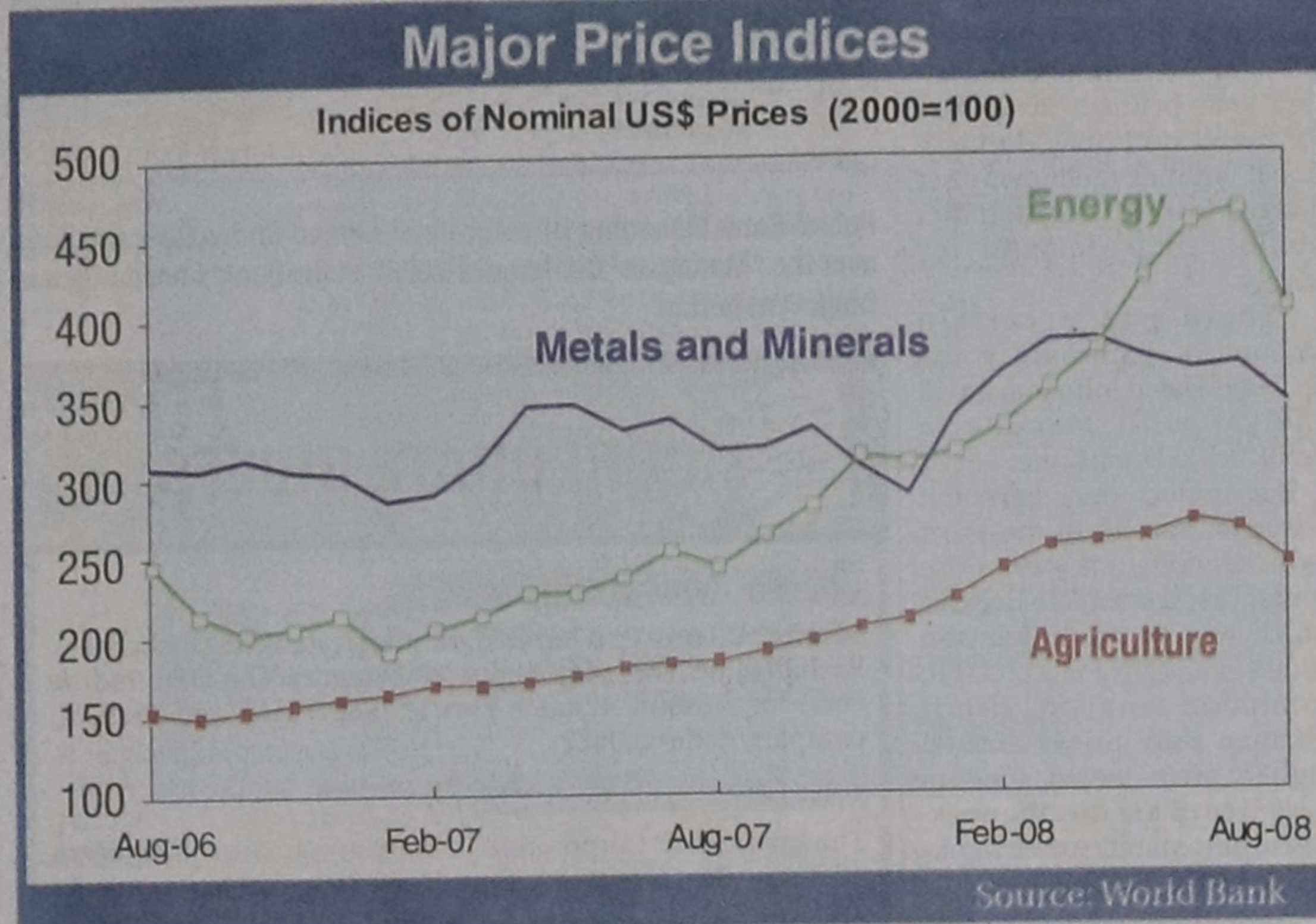
Over the past couple of months, commodity prices marked a steady decline due to the fear of economic meltdown and credit crisis that prompted investors, mainly hedge funds, to liquidate their investment in commodity markets.

"It's a very bright side of the coin. Although the current financial turmoil has increased risks in some areas, the recent fall in commodity prices may have an easing effect on inflation," said Zahid Hussain, senior economist for the World Bank Dhaka office.

However, a possible decline in exports and remittance inflows may take a toll on the country's economy.

Until the middle of this year, global commodity prices surged to unusually high level due to kite-flying speculation amid global investors' rush for a relatively safe heaven following the US subprime crisis first detected in mid-2007.

In Bangladesh, spiralling food prices in late 2007 and early 2008 played havoc with the poor and middle-income



groups, and made the fight against inflation tough for the policymakers as domestic market followed the global trend.

But the current financial turmoil, creating a credit and liquidity crunch, has resulted in sell-offs in major commodities and pushed the prices down gradually. Oil price, which hit a record at \$147.27 a barrel in July this year, now hovers around \$80.

Prices of rice and edible oil also went down much in the last couple of months.

"With the aggravation of the financial turmoil, we have seen a sharp decline in global commodity prices. This makes the battle against inflation a little easier," said Hussain. "Inflation rose earlier mainly due to food price hike. High oil price also affected non-food inflation."

The declining trend of food

prices has already contributed to a drop in inflation, which slipped to 10.11 percent in August from 10.82 percent in July.

The average inflation however rose to 10.01 percent in August 2008 from 7.78 percent a year ago, according to official data.

"We feared the inflation would rise further in the next couple of months. But the financial turmoil appears to

ease inflation," the WB economist said, expecting that food price would remain at a lower level in the days to come.

He said the possibility of speculation-led price hike of commodities appears to be thin due to liquidity and credit crunch in the global financial market.

"They (investors) are empty. What are the means the investors will use to speculate?" Hussain said.

An analyst of the Bangladesh Bank also said there would be a positive impact on inflation due to decline in commodity prices such as oil, rice and edible oil for which Bangladesh depends on imports.

Sajjad Zohir, executive director of Economic Research Group, said the prices came down because those went to an unsustainable level earlier.

"It's actually an adjustment of past wrongdoings. In the past, the futures market was driven madly by index investors or speculators. Speculation-driven price in the futures market also influenced the price level on the spot market," he said.

"Rise in commodity prices has affected general consumers earlier. Now we are likely to see an easing inflation," he added.

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# Apparel industry unveils ambitious target for export

UNB, Dhaka

Bangladesh apparel industry leaders yesterday unveiled an ambitious export target of US\$ 25 billion and additional 2 million jobs in next five years, keeping well in mind the impacts of possible long-term recession following the recent global financial crisis.

"We have proved ourselves as a strong player in the apparel sector so far and have been branded among the best competitive RMG producers," President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Anwar-Ul-Alam Chowdhury told members of the Overseas Correspondents Association, Bangladesh (OCA) at his office ahead of their mega-event Batexpo-2008.

He said the ready made garment (RMG) exports rose to US\$ 10.7 billion in the last fiscal year and the first month of present fiscal recorded a 71 percent growth, which he said not only impressive but also reflects the industry's strength and capability.

Chowdhury, however, did not rule out any adverse impact of a possible longer recession due to the global economic recession and urged government policymakers to evolve immediate action plans

to face the future challenges.

The BGMEA president said Bangladesh's competitors like India, Pakistan, Vietnam, Thailand and even China already devalued their currencies. Without wasting time, policymakers and economic experts should work out effective measures to protect the industry, the "backbone" of the national economy.

He said the BGMEA is making relentless effort to promote the market of the garment industry.

Batexpo 2008, the 19th Bangladesh Apparel and Textile Exposition, will be held November 6-8 at Sonargaon Hotel.

Chief Adviser Dr Fakhruddin Ahmed would inaugurate the exposition as chief guest, while Chief of Army Staff General Moeen U Ahmed will attend the closing ceremony as chief guest.

Batexpo, the largest clothing exposition in the Asia-Pacific region, will enable foreign buyers and their representatives to see Bangladeshi textiles, clothing and accessories.

This year the organisers expect more buyers as 65 different organisations have already registered to display their products in 75 stalls.

# US to inject \$250b into banks



A man holds a placard in front of HSBC bank headquarters calling for more protection for customers' bank deposits, during a march by the Democratic Party to the city's government offices in Hong Kong yesterday.

AFP, Washington

The United States was to inject up to 250 billion dollars in capital into banks yesterday in the latest bid to end the financial crisis, officials said as forecasters warned two key European economies risked recession.

After markets surged on the back of rescue packages in Asia and Europe, US Treasury Secretary Henry Paulson delivered his own shot in the arm by announcing nine large banks would give the government equity stakes in exchange for new capital.

The government also will temporarily guarantee bank debt and interbank lending and offer unlimited deposit insurance for many accounts.

The efforts are part of a 700-

billion-dollar bank bailout approved last month by Congress.

European nations announced their own 1.8 trillion euro (2.4 billion dollar) package on Monday after a weekend pledge by the world's wealthiest nations to use all available tools to save key financial institutions.

"Today's actions are not what we ever wanted to do -- but today's actions are what we must do to restore confidence to our financial system," said Paulson.

The announcement comes after the unveiling on Monday of a series of bank rescue packages which in Germany alone included 400 billion euros (545 billion dollars) in loan guarantees and 80 billion euros in fresh capital.

## CRISIS TIMELINE

- The US government will spend up to \$250 billion to buy shares in struggling banks in the latest effort to stem the global financial crisis.
- Wall Street shares kept momentum from a historic rally, with the Dow Jones Industrial Average leaping 4.07 percent in the first five minutes.
- Global stock markets soared for a second day running, with Tokyo posting its biggest-ever gain above 14 percent.
- US President George W Bush said the US government would temporarily insure all non-interest bearing transaction accounts that benefit small businesses.
- Shares in Fortis bank were worth barely two euros when they resumed trading for the first time in Brussels and Amsterdam since the group was broken up earlier this month.
- Oil prices rallied back above \$80 per barrel.

# Global action must to combat market turmoil

Adviser tells WB, IMF  
STAR BUSINESS DESK

Finance Adviser Mirza Azizul Islam yesterday expressed grave concern over the possible adverse impact of global financial turmoil on the developing countries.

He also called upon the international community to urgently take comprehensive and coordinated actions to restore stability and confidence in the financial market.

The adviser was speaking at the 2008 Annual Meetings of the World Bank-IMF in Washington, DC, according to a statement received here.

Millennium Development Goals will remain a dream for many countries unless emerging challenges like financial turmoil, climate change, and oil and food price hike are effectively addressed through global policy measures and additional resources, he added.

Aziz called upon the international community to fulfil their obligations to increase core development assistance to 0.7 percent of their gross national income, ensure predictable delivery of aid and make it more effective through donor harmonisation in the spirit of the Paris Declaration.

He underscored the need for promoting country ownership of development agenda, and channelling development assistance to support country-owned development programmes.

He also stressed strengthening the voice and representation of developing countries in the decision making process of the World Bank (WB) to make it a more credible and legitimate multilateral development institution.

Meanwhile, the finance adviser met WB Managing Director Ngozi N Okonjo-Iweala and senior WB officials of Sustainable Development Network.

# BB waiting out rough weather

UNB, Dhaka

Bangladesh Bank will wait for a suitable timing to reinvest the "now absolutely protected" foreign currency reserves it earlier diverted to safe deposits, mostly with the central banks of other countries, in the wake of global financial crisis.

"We'll have to do it... we'll do it as soon as we'll feel confident," Deputy Governor Ziaul Hassan Siddiqui told a press briefing at Bangladesh Bank yesterday.

He said the international money and capital markets bounced back only for last two days, which was not enough to consider reinvestment of the fund to get better returns.

"At this moment, we're trying to protect our principal amount," he added, replying to a question.

The central bank invests the entire reserve of foreign currencies, which stands at \$5.6 billion as of Tuesday, in the international money market at market rates.

But in the wake of global financial crisis, it started pulling the investments from the banks and financial institutions of different countries to the safe places of central banks of the respective countries, said the deputy governor.

Siddiqui added that the rate of return on investment in the central banks would be 2 percent (average) lower than the market rates.

Asked whether Bangladesh Bank would go for rate cuts as many countries had done to face the crisis, Siddiqui said the reality was that many commercial banks went to the Bangladesh Bank yesterday to deposit money. "It reflects that there is excess liquidity in the banking system."

Replying to another question, he said Bangladesh Bank would still maintain the cautious stance to avert any

emerging situation although all the money has already been protected.

"There is no reason of adverse impact on the country's financial sector (due to the global financial crisis)," he said, mentioning the steps the central bank had taken long back.

Elaborating, he said the central bank has pulled the forex to safer places -- central banks of different countries, while commercial banks have been asked to take necessary measures to protect their funds held outside the country.

Meanwhile, the countries severely affected by the financial crisis also assured that they would, by any means and whatever may be the cases, protect the deposits with banks and financial institutions of their countries.

"We're now in a position that we've bare, bare minimum risk even if the countries do not support us," said the deputy governor.

He rejected any possibility of affecting the country's capital market having foreign portfolio investment of 2.48 percent of the total securities. "Our market will not be affected even if the entire foreign investment (now in the country) goes away," he said.

Siddiqui, however, said he does not think that the investment would go away as Bangladesh's financial sector is much less risky than anywhere else.

## Correction

A Star Business report published yesterday with the headline, "Local banks bring back funds from abroad", mistakenly mentioned Mashreqbank as a US-based problematic bank. Actually, the bank is based in the United Arab Emirates and has a branch in New York. We regret the mistake.