

Stocks

DGEN ▲ 0.25%
2,654.98

CSCX ▲ 0.33%
5,250.22

Asian Markets

MUMBAI Closed

TOKYO ▲ 4.55%
7,376.12

SINGAPORE ▲ 1.33%
1,505.51

SHANGHAI ▼ 0.91%
2,139.03

Currencies

	Buy Tk	Sell Tk
USD	68.40	69.40
EUR	84.97	89.57
GBP	92.04	96.88
JPY	0.69	0.72

SOURCE: BANGLADESH BANK

Commodities

Gold ▼ \$901.26
(per ounce)

Oil ▼ \$45.40
(per barrel)

SOURCE: AFP

(Midday Trade)

International

Airline industry buffeted



The world finance crisis has sent leading airlines into a tailspin, figures revealed Wednesday, while more bleak data from Europe, China and Japan left analysts sceptical about prospects for a turnaround. European and Asian stock markets were nevertheless mostly higher after a Wall Street surge overnight on upbeat projections from ailing US banking power Citigroup.

B-4

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If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

BB eases cost of loans

Repo rate down 25 basis points

SAJJADUR RAHMAN

The central bank yesterday slashed the interest rate it charges on loans to commercial banks by 25 basis points to 8.50 percent to bolster growth and cushion the impact of the global economic turmoil.

"The decision to cut the short-term repo rate has been taken to encourage commercial banks to lend at a lower interest rate," said Bangladesh Bank (BB) Deputy Governor Ziaul Hasan Siddiqui.

He hoped banks now will lend the private sector at a cheaper rate.

Private sector businesses have long been demanding that the authorities cut the interest rate, which they said was hampering the expected economic growth.

The BB initiative will inject more liquidity to the market, which has been on a decline for the past few weeks, according to BB officials. The repo rate cut will lead to a reduction in loan interest rates,

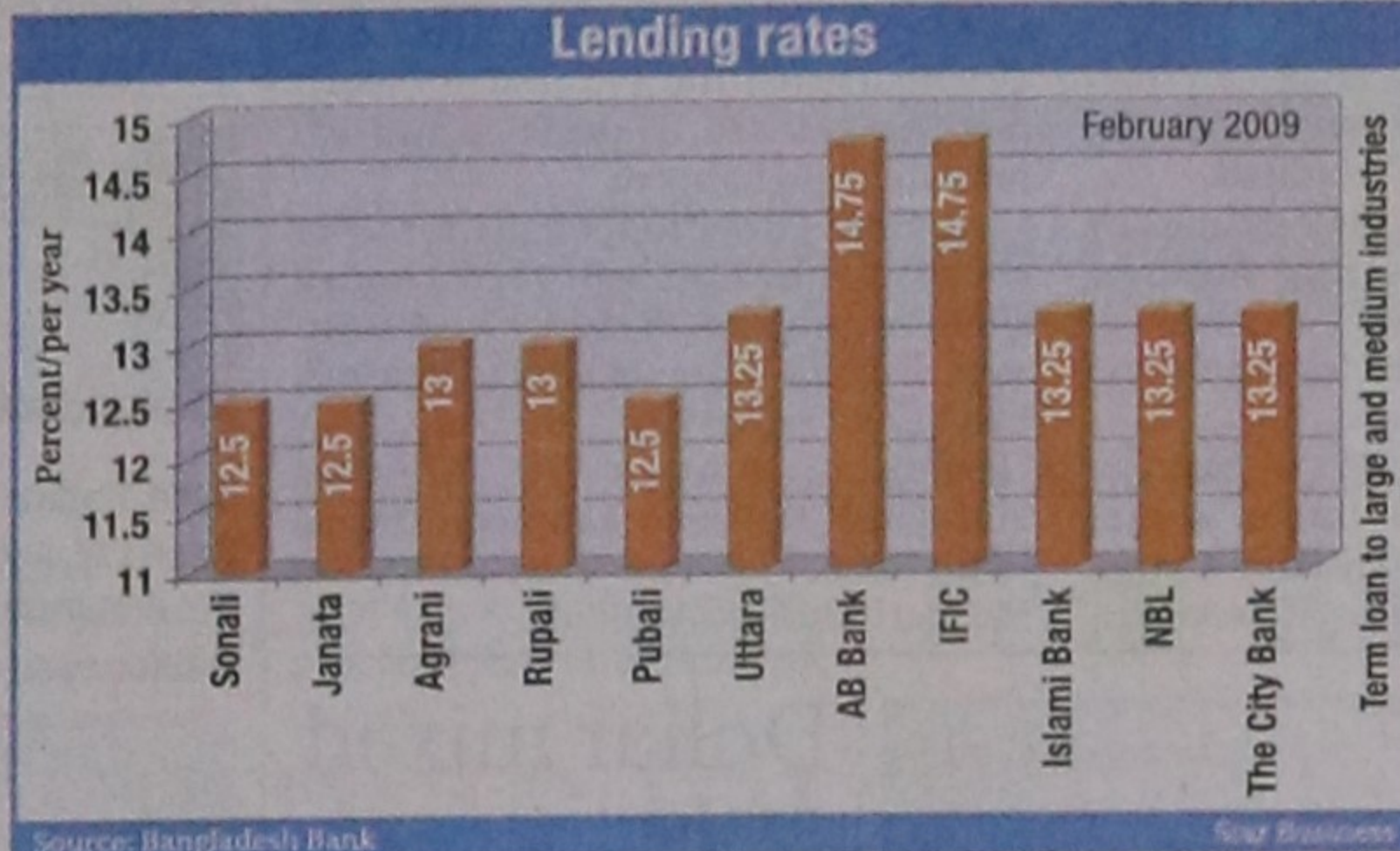
they said.

Earlier in a measure to limit liquidity expansion and keep inflation under control, the BB raised the repo rate (money sale rate) from 8.5 percent to 8.75 percent on September 17 last year after a period of more than three years.

The private sector credit growth reached 27 percent at the end of September 2008. Credit disbursed by private commercial banks increased by 38 percent during the first quarter of the current fiscal year.

The private sector credit growth decelerated to 24.3 percent in December. Industrial term loans also declined in the recent months. According to BB statistics, net disbursement of industrial term loans stood at Tk 1,073 crore during the first quarter of FY09 compared to Tk 1,661 crore in the previous quarter.

The global financial turmoil has also started biting the economy with an expected reduction in remittances and exports, the two main foreign currency-earning



Source: Bangladesh Bank

sectors in Bangladesh. Three-fourths of the country's exports are of apparel and destined to the troubled US and European economies.

The global crisis has also made the country's investors shaky. Even the businesspeople seem less interested to import due to a huge fall in prices of commodities on international markets.

"A cut in repo rate means reduction in borrowing cost, which will

ultimately benefit the private sector," said Helal Ahmed Chowdhury, managing director of Pubali Bank.

Chowdhury said: "Now we will get better returns from our investment in other sectors than that in the central bank."

He said the BB move would help the private sector come up with new investment projects.

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Sheraton set for renovation



A night-time view of Dhaka Sheraton Hotel. The five-star hotel has been marked for renovation.

SAYEDA AKTER

The government plans to renovate Dhaka Sheraton Hotel without delay and appoint an international operator to run the five-star hotel for five years.

Also, Sheraton is set to extend its contract with the government for three months to May 31.

"The hotel requires immediate renovations and the government is keen to do so, so the hotel can be able to maintain its international standards," said Civil Aviation and Tourism Minister GM Quader.

"We plan to renovate the hotel partially, as complete renovation will shut the hotel for some time. We don't want to stop operations at any point in time," he added.

Quader said one-year shutdown means losses of profit and business to the government and temporary joblessness for the hotel's 600 employees.

On March 5, Bangladesh Services Limited, a government organisation that owns more than 98 percent of the hotel, ran an advertisement for a second time to appoint a "world-class hotel brand" to operate and manage Sheraton.

The advertisement also invited proposals to manage the hotel under a franchise arrangement.

Earlier, the government had cancelled bids to appoint a company to manage Sheraton under a franchise arrangement. The proposals were not eligible.

Trevor MacDonald, general manager of Sheraton, said its parent company Starwood Hotels & Resorts Worldwide would extend its contract with the government for three months.

MacDonald appreciated the government's move on renovation and said the hotel might profit more from renovating and reconstructing rooms, bathrooms, kitchen, lobby and bar.

The quest for hiring an international hotel chain started in May 2008 after Starwood informed BSL that it would renew the contract if the government immediately went for renovation.

Starwood's 25-year-deal with BSL expired on December 31, 2008. The deal was later extended to March 31.

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MCCI seeks 'friendly' taxation to battle recession fallout

STAR BUSINESS REPORT

The Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) yesterday put forward 56 proposals to make the next budget a trade- and industry-friendly and take fiscal and taxation measures to assist productive sectors, in the face of global recession.

MCCI representatives, led by its president Abdul Hafiz Choudhury, presented the budget proposals for fiscal 2009-10 to the National Board of Revenue (NBR).

During the meeting, NBR Chairman Muhammad Abdul Mazid and other high officials were present.

"In the backdrop of the prevailing economic situation, our chamber urges the government to provide a comprehensive package of fiscal measures that will extend support to real sector production and raise sufficient revenue to meet growing expenditures," said Choudhury.

The MCCI chief said it is essential not only to remain vigilant against fallout from the global crisis, but also to adopt strong stimulus measures to help boost economic activities. For this, he said, the two most important components of any stimulus package are supportive fiscal policy and a congenial tariff regime.

The NBR chairman said: "We want to prepare a business-friendly budget. However, we have to often impose some regulations on the business community to catch one or two persons."

Mazid also pointed to the fact that entrepreneurs enjoyed many facilities after industrialisation started in the Export Processing Zones (EPZ) in the 1980s, but it was found that some imported raw materials, intended for the EPZ, were sold outside.

He said the NBR would actively consider the proposals put forward by MCCI.

MCCI expressed concern at the government's bank borrowing. "A significant contributor to the rising inflation in the country has been the high government borrowing from the banking system to meet its growing non-development expenditure," the MCCI said in its presentation of proposals.

RECOMMENDATIONS

- Reduce corporate taxes for non-listed companies to 35 percent from 37.5 percent
- Financial institutions deserve to be treated equally
- Continue Tax Holiday Schemes
- Taxes paid on dividends should be treated as a final settlement of tax
- The exemption limit for individual taxpayers should be raised to Tk 200,000 from Tk 165,000
- Discretionary powers of tax officials should be withdrawn
- Enhance cold storage facilities at airport
- Ease supplementary duties on raw materials and components

"The government's borrowing from the banking sector steadily increased from Tk 36,230 crore in 2006 to Tk 43,348 crore in 2007 and Tk 53,458 crore in 2008, reducing the availability for private sector credit."

MCCI made 19 proposals involving income tax, 17 for import duties and 20 for value added taxes (VAT).

The chamber said the corporate tax rate for non-listed companies should be reduced to 35 percent from 37.5 percent in view of this year's "low probability" of corporate sectors. At present, corporate tax for listed companies is 27.5 percent.

MCCI feels that the income tax for banks, insurance companies and other financial institutions, which was raised to 45 percent in 2003, is unfair.

In India, life insurers pay corporate taxes of 12.5 percent, plus additional surcharges of 2.5 percent, while non-life insurance companies bear 35 percent, with an additional surge charge of 2.5 percent, MCCI pointed out.

The metropolitan chamber further said the Tax Holiday Scheme should be continued, as it an attractive incentive to new investment. According to a proposal, tax on dividend should be reduced to 10 percent and be treated as final settlement of tax. Furthermore, the exemption limit for individual taxpayers, which is now Tk 165,000, should be raised to Tk 200,000 to provide a relief from the price spiral.

MCCI says the discretionary powers of tax officials militate against revenue collections -- a form of harassment.

"All such discretionary powers need to be withdrawn," it says.

According to a proposal, because of inadequate cold storages for essential lifesaving drugs and pharmaceuticals at airports, businessmen are facing problems to maintain shipment schedules. MCCI suggested better cold storage facilities there.

It also said the supplementary duties on raw materials and components should be eased as a matter of principle, so that local industries may be competitive.

Four more banks in for merchant banking

SARWAR A CHOWDHURY

The Securities and Exchange Commission (SEC) yesterday awarded merchant banking licences to four commercial banks.

The entry of the new four will increase the liquidity flow to the market manifold, market analysts said.

The commercial banks that won full-fledged merchant banking licences are: state-owned Sonali and Agrani banks, and privately-run Southeast and Standard banks.

The SEC took the decision of awarding the licences at a meeting chaired by the commission's outgoing Chairman Faruq Ahmad Siddiqui.

"It's a very good step," Syed Abu Naser Bukhtear Ahmed, managing director of Agrani Bank, told The Daily Star.

The state bank can contribute greatly to market development through its merchant banking division, Bukhtear said.

"We are ready to start our merchant banking by the end of this month," he added.

The new four took the total number of merchant banks to 33. The responsibilities of a full-fledged merchant bank include underwriting, issue management, portfolio management and lending to stock investors.

Silmat Chisti, head of Citigroup Global Markets Bd Pvt Ltd, said: "The entry of the new merchant banks will help the market get additional liquidity."

"We welcome the initiative taken by the SEC to increase the participation of institutions in the Bangladesh capital market," she said.

Chisti said it would have a positive impact on the overall development of the capital market as an avenue of financing.

"We look forward to working together with all to address both the supply and the demand sides of the market and ensure market stability," she added.

Sonali Bank has Tk 900 crore in paid-up capital, Agrani Bank Tk 248 crore, Southeast Bank Tk 285 crore and Standard Bank Tk 220 crore.

The four banks have Tk 2,174 crore, Tk 324 crore, Tk 614 crore and Tk 276 crore respectively in net asset value.

The commission also awarded an asset management licence to Prime Finance Asset Management Company, in which Prime Finance and Investment holds a 49 percent stake.

Farhad Ahmed, executive director of SEC, told reporters.

The SEC also approved the trust deed of a Tk 100 crore mutual fund titled "Eastern Bank Mutual Fund".

Race Asset Management Company is the asset manager of the mutual fund, while Investment Corporation of Bangladesh is the trustee and custodian.

The commission also approved a "code of conduct" for credit rating agencies.

As per the code of conduct, each credit rating agency must have a 'rating committee' comprising five senior analysts, the SEC official said.

The credit rating agencies will also have to post the rating methodology on their websites so that the common people can get the methodological information.

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