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Stocks

DGEN ▼ 0.30%
2,630.14

CSCX ▼ 0.03%
5,245.08

Asian Markets

MUMBAI ▲ 1.27%
8,976.68

TOKYO ▲ 0.29%
7,972.17

SINGAPORE ▲ 1.08%
1,575.94

SHANGHAI ▲ 0.24%
2,223.73

Currencies

	Buy Tk	Sell Tk
USD	68.45	69.45
EUR	87.68	92.33
GBP	94.36	99.24
JPY	0.69	0.72

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▼
\$911.74
(per ounce)

Oil ▲
\$49.01
(per barrel)

SOURCE: AFP

(Midday Trade)

More News

Growth hinges on GP listing



As the Grameenphone initial public offering (IPO) prospectus awaits the green light from the Securities and Exchange Commission (SEC), its success will dictate the path to market growth.

B-4

BSRM's 'largest' plant goes into operation by August

BSRM Group, a leader in iron and steel manufacturing in Bangladesh, is setting up a high quality billet making plant in Chittagong to ensure a steady supply of quality billets for its rolling mills, senior officials said. BSRM Iron & Steel Company Ltd (BISCO), claimed to be the largest billet-manufacturing unit, is expected to start its commercial operation from August this year.

B-3

International

Mistakes were made, says AIG chief

AIG Chairman and CEO Edward Liddy, who heads the insurance giant at the epicenter of a scandal over executive bonuses, acknowledged mistakes in an opinion piece published on Wednesday. Anger over the government rescue of AIG as well as the rising demand for accountability "is understandable, and I share it," Liddy wrote in The Washington Post.

B-4

Contact Us

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

MCCI fears slowdown

STAR BUSINESS REPORT

The Metropolitan Chamber of Commerce and Industry (MCCI) yesterday advised the government to maintain macroeconomic stability in response to the recession, as the domestic economy remains exposed to a possible slowdown in exports and remittances.

"Maintaining macroeconomic stability should be of paramount importance," the MCCI observed in what came to be known as a "contingency plan" to help fight fallout from the global recession.

It said the economic crisis is global and multi-dimensional, engulfing both developed and developing countries. "Developing countries, like Bangladesh, cannot remain immune to the crisis."

"But this is not the time to be alarmed. It is the time to forge public-private partnership in meeting the economic challenges and seizing opportunities," the MCCI recommended in its proposals to Prime Minister Sheikh Hasina.

"No doubt, difficult times are ahead, but Bangladesh has a history of exceeding expectations."

The MCCI submitted a set of proposals to the prime minister (PM) for an economic agenda of the new government that promises to tackle the impact of the global recession. MCCI President Abdul Hafiz Choudhury led the business team to the meeting.

It is an economic breakthrough, which can neutralise socio-economic tensions, manifestations of which are quite disturbing, the MCCI pointed out.

Some 38 percent of the over 68 million employable persons are now unemployed.

"The rural economy is increasingly failing to provide employment to the poor." To alleviate poverty and provide employment to even one-third of the employable hands, which are joining the labour market, it is essential to maintain a GDP growth rate of 7.5 percent a year in the next five years, the MCCI said.

If the industrial world continues to go deeper into recession due to the ongoing global meltdown, maintaining growth and financial stability will become increasingly challenging to



MCCI President Abdul Hafiz Choudhury presents a crest to Prime Minister Sheikh Hasina during a meeting at her office in Dhaka yesterday.

Bangladesh in 2009-10, MCCI said.

In particular, there will be a slowdown (if not a decline) in the inflow of workers' remittances, it said. "Export growth may also be significantly lower. Thus, it would be difficult to project more than a 5.5 percent to 6 percent real GDP growth in 2009-10," the MCCI said.

Although there is no need to be overly alarmed, the government must prepare a contingency plan to tackle the recession, the MCCI said.

Bangladesh, with its \$5.7 billion in external reserves (2.5 months of coverage) may not be in a position to undertake a large stimulus package to tackle any major external shock on its own, the MCCI said. In contrast, neighbouring India and China, respectively has reserve levels of \$247 billion and \$2 trillion.

There will be need for external assistance to supplement Bangladesh's own contribution, the MCCI said.

The MCCI feared a prolonged global slowdown might deepen the degree of deprivation of

existing poor households.

Exports could experience a sharp decline in response to weak demand in destination markets, compounded by collapsing global trade, the MCCI said.

In its proposal, the MCCI said import growth however has also been robust as of January 2009 (up 23 percent), with a respectable number for raw materials, intermediates and capital machinery, signalling strength in economic activities.

Protectionism or a threat of it could become a major barrier to the growth of trade, at a time when expansion of trade could be the panacea to the deepening recession.

"There is increasing evidence of restrictive trade practices being implemented even across the G20 countries through various tariff and non-tariff barriers, including the use of contingent protection such as antidumping and countervailing duties, and support to specific industries through subsidies coming as part of the fiscal stimulus packages," the MCCI said.

Motor show begins amid hope, heartbreak

STAR BUSINESS REPORT

The 4th Dhaka Lucas Motor Show began yesterday with hopes of a good year although some feared a slowdown in sales on the back of global economic downswing.

"People are aware of the ongoing recession. But we are still hopeful that Bangladesh things will be turning good," said Mohd Ariful Azim, general manager (operation) for Executive Motors Ltd, local distributor of BMW cars.

Commerce Minister Faruk Khan inaugurated the four-day fair at Bangladesh-China Friendship Conference Centre organised by event management firm Conference and Exhibition Management Services Ltd. Some 70 companies, including distributors of new cars and automotive component sellers, took part in the show.

The minister called on domestic entrepreneurs to develop automotive industry locally.

The Executive Motors official said sales of BMW cars were good in 2008 in Bangladesh.

Globally as like other automakers earlier, BMW on Wednesday said its profit slumped last year from a year ago. The carmaker said the global auto sales would drop by 10-20 percent this year due to recession that has taken toll on business and consumers amid credit crunch.

Auto sales in key markets -- Europe, the USA, Japan, China and India -- fell amid a demand decline.

Car sales grew last year in Bangladesh thanks to loan facilities extended by banks. A less impact of recession on exports also helped keep momentum of

purchase by individuals and corporate bodies.

However the drivers of Bangladesh economy, exports and remittances, are feared to face bumpy roads as recession deepens.

"We expected the market to grow after the political government took over. But it's not that much as our expectation," said Hamdur Rahaman Simon, executive senior manager (sales and marketing) of Navana Limited, local distributor of Toyota brand cars.

"Corporate and individual purchase may slip amid recession," he said.

Industry insiders said automotive market in Bangladesh maintained a double-digit growth in the last couple of years spurred by government, corporate and individual purchases.

Although the auto market is dominated by old or reconditioned cars imported from Japan, new car sales also recorded a rise with some 4000-4500 brand new cars being sold in 2008, up from 3500-4000 a year ago, officials of car distributors said.

Industry insiders said car sales usually remain high in the last three-four months of a fiscal year as government purchases begin. Some individuals who prefer to clear their undisclosed money also buy cars during this period.

Tazidul Islam, head of sales of Rangs Limited, distributor of Mitsubishi cars, said the market would be better by now if the political government came to power earlier.

"It would have helped the government take decision on new purchase," he said, adding that corporate purchase has slowed.



Models pose with a car on display at the fourth Dhaka Lucas Motor Show at Bangladesh-China Friendship Conference Centre in the capital yesterday.

Repo rate cut may narrow spread

SAJJADUR RAHMAN

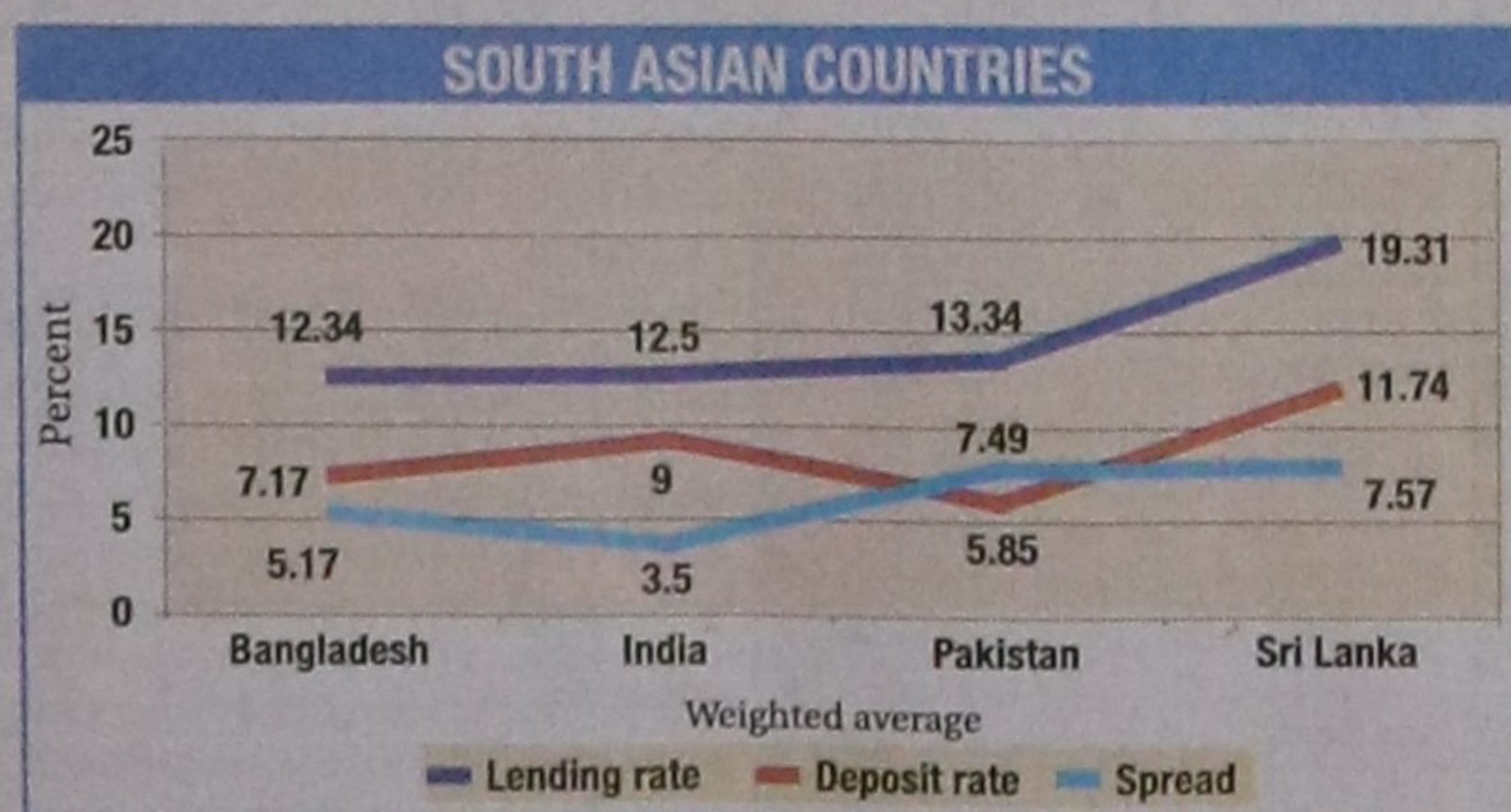
The interest rate spread (IRS) is likely to shrink further with the central bank's latest move to cut the repo rate it charges on loans to commercial banks by 25 basis points.

IRS is the difference between lending and deposit rates of a bank and is widely used as a parameter of bank profitability, intermediation cost, and the degree of efficiency of the banking sector.

The spread declined by 1.6 percentage points to 5.17 percent between 2001 and 2008, according to Bangladesh Bank (BB) data.

The IRS was almost 6 percent in 2007 and the BB has long been asking the commercial banks to bring the IRS down within 5 percent.

Between 2001 and 2008, banks' average lending rate decreased by 1.4 percentage points, while deposit rate increased by 0.1 percentage points.



"The IRS has declined significantly because of persistent efforts of BB to encourage the banks to bring it down at a reasonable level to facilitate investment and growth," a senior BB official told The Daily Star.

"We hope the spread will decline further because the BB reduced the banks' borrowing cost (repo rate) by 25 basis points to 8.50 percent last

week," he said.

The country's banking structure is segmented with state-owned commercial banks (SCB) and private commercial banks (PCB) holding 33.1 percent and 51.4 percent of total assets respectively. Some nine foreign commercial banks are also in operation.

Earlier, Bangladesh was branded as a high interest rate country com-

pared to even its neighbours. But the situation changed significantly in the recent years. Now only India has a lower IRS than Bangladesh.

BB data show the IRS in India is at 3.50-4.00 percent, while it is 7.49 percent in Pakistan and 7.57 percent in Sri Lanka.

Of the IRS of different groups of banks, foreign commercial banks (FCB) have the highest spread with almost 9.0 percent. It is less than 5 percent for PCB and SCB, and 3 percent for specialised banks, data available in the BB's statistics division shows.

BB analysis revealed that within the structure, high IRS resulted from a number of factors including state control of lending, absence of risk management practices, accumulation of bad loans due to political interference on commercial lending decisions, and limited technical skills particularly in the arena of risk management.

Earlier, Bangladesh was branded as a high interest rate country com-

Japan steps up fight against downturn

AFP, Tokyo

Japan's central bank announced Wednesday that it would pump more cash into the financial system to tackle a worsening recession, while keeping its interest rates at close to zero.

The emergency action, which will boost purchases of government bonds, is the latest salvo by the Bank of Japan in its battle against what is feared to be the worst economic downturn since World War II.

Bank of Japan governor Masaaki Shirakawa said it was too soon to say the global financial system was on the mend, despite the recent rally on world stock markets.

"Although share prices are recovering right now, it does not mean the global financial market has regained stability," Shirakawa told a news conference.

The Bank left its key lending rate on hold at 0.1 percent for a third straight month, as expected.

It also said it would boost its outright purchases of Japanese government bonds by almost 30 percent to 21.6 trillion yen (219 billion dollars) a year to keep credit flowing during the economic downturn.

Japan was once seen as relatively immune to the financial crisis, but its economy is now shrinking much faster than many others, including the United States, due to a collapse in exports.