Star Business

DHAKA SUNDAY APRIL 26, 2009

Stocks

DGEN	▲ 1.80%	2,596.66
CSCX	▲ 1.59%	5,464.05

(Week-on-week)

Asian Markets

MUMBAI	▲ 1.74%	11,129.05
TOKYO	▼ 1.57%	8,707.99
SINGAPORE	▼ 0.38%	1,852.85
SHANGHAI	▼ 0.62%	2,448.60

(Friday closings)

Commodities

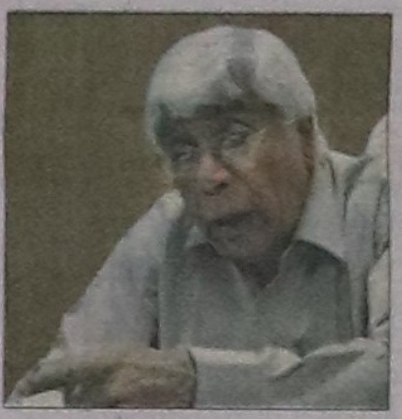
Gold	▲	$911.29 (per ounce)
Oil	▲	$51.22 (per barrel)

SOURCE: AFP

(As of Friday)

More News

SoE divestment to gain speed



The Privatisation Commission will expedite divestment of the state-owned enterprises (SoEs), as government's job is not to do business, but to regulate. "As many as 43 such SoEs will be privatised under a set government guideline, of which 12 are in the pipeline," Dr Mirza Jalil, the commission's chairman, said in an exclusive interview with The Daily Star.

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International

Stress tests aim for capital 'buffer' for banks

The "stress tests" of major US banks will call for a capital buffer to help them withstand a worse-than-expected 3.3 percent economic contraction in 2009, the Federal Reserve said Friday.

MSFG wins priority in talks to buy Nikko from Citigroup

Sumitomo Mitsui Financial Group (SMFG) has been granted preferential negotiating rights to buy Nikko Cordial Securities from US financial giant Citigroup, news reports said Saturday. SMFG offered the highest bid of 500 billion yen (5.2 billion dollars) among three major Japanese commercial banks in a tender set by Citigroup, the Nikkei business daily and Kyodo News said.

China bans foreign firms from express mail market

China's parliament has revised the nation's postal law in a move that will ban foreign delivery companies from handling domestic express mail, state press reported Saturday.

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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

FBCCI redesigns stimulus demand

'Block allocation' for sectors, power fund proposed

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) yesterday demanded formation of a "financial crisis mitigation fund" to provide assistance to the sectors affected by fallout from the global recession.

Annisul Huq, president of the apex trade body, also urged the government to arrange funds in a 'block allocation' from its internal resources.

The FBCCI will submit a proposal revised with new demands to Finance Minister AMA Muhith today.

Huq spoke to reporters yesterday to reveal the new proposal after a meeting with businessmen, trade body leaders, chamber leaders, exporters and importers at the Federation Building.

The proposal says Bangladesh Bank will roll out loans from the block allocation to the entrepreneurs of the affected sectors at a 6 percent bank interest rate in line with the central bank's guideline.

The borrowers will repay the loans within five years from 2011, according to the proposal. "Giving stimulus packages to the affected sectors in this system will be more effective," Huq said.

In the proposal, the FBCCI also asked the government to form a fund named "Bangladesh power fund" to address the power crisis immediately.

The FBCCI also suggested the issuance of power fund bonds with a seven-year term and 7 percent interest rate.

Huq also suggested the government purchase power from captive power plants, as many businessmen are ready to sell electricity to the government from their plants.

Huq did not mention the amount of the revised stimulus package and the allocation for "Bangladesh Power Fund".

But he said: "The size of both funds will be as big as possible as all the affected sectors have been included in the proposed package."

Earlier, in a meeting with Prime Minister Sheikh Hasina, the FBCCI president proposed Tk 6,000 crore in a stimulus package for the affected sectors, but it was critised by different quarters.

Huq yesterday called for initiatives to get funds from the International Monetary Fund, the World Bank and Asian Development Bank, as those organisations have recently launched a bailout package of $850 billion.

"Bangladesh as an LDC should be able to receive an allocation from this fund," he said.

Huq urged the government to keep the interest rate spread between the cost of fund and the interest on deposits at 2.5 percent.

He also proposed fixing the tax rate at 25 percent for manufacturing companies, whose yearly income is less than Tk 1 crore, 30 percent for the manufacturing companies whose yearly income is more than Tk 1 crore and 35 percent for trading and non-manufacturing companies in the upcoming national budget for fiscal 2009-10.

The FBCCI boss urged the government to keep the revenue collection target at Tk 55,000 crore in the budget for fiscal 2009-10 with an estimated growth rate at 6 percent.

The apex trade body also called upon the government to bring down the import duty to 1-2 percent by 2016 to speed up rapid industrialisation.

Huq also asked the government to cap the duties on import of capital machinery at 1 percent, on intermediate goods at 5 percent, essential intermediate goods at 12 percent and on luxury items at 25 percent in the upcoming budget.

KEY POINTS

- FBCCI set to submit a revised stimulus proposal to the finance minister
- The apex trade body urges quick efforts to get funds from IMF, World Bank and Asian Development Bank
- It demands a "financial crisis mitigation fund" to provide assistance to the sectors affected by the global recession
- FBCCI recommends a fund to increase production of power to cut power outages
- It urges the government to cut the interest rate spread to 2.5 percent from 5 percent now

Stocks pass upbeat week

STAR BUSINESS REPORT

The Dhaka market rose for a second week amid volatile trading with the key indices gaining in the first two days and declining in the rest three sessions.

The benchmark index of the Dhaka Stock Exchange, DSE General Index, increased by 45.92 points, or 1.8 percent, to 2,596.66 on a week-on-week basis. The DSE All Share Price Index also rose 35.54 points, or 1.68 percent, to 2,150.66 on Thursday, the last trading day of the week.

The share prices became much more volatile compared to those in the last few weeks. The prices witnessed frequent ups and downs almost in every trading day last week.

The week however talked of the gaining story of the banking sector like the previous week.

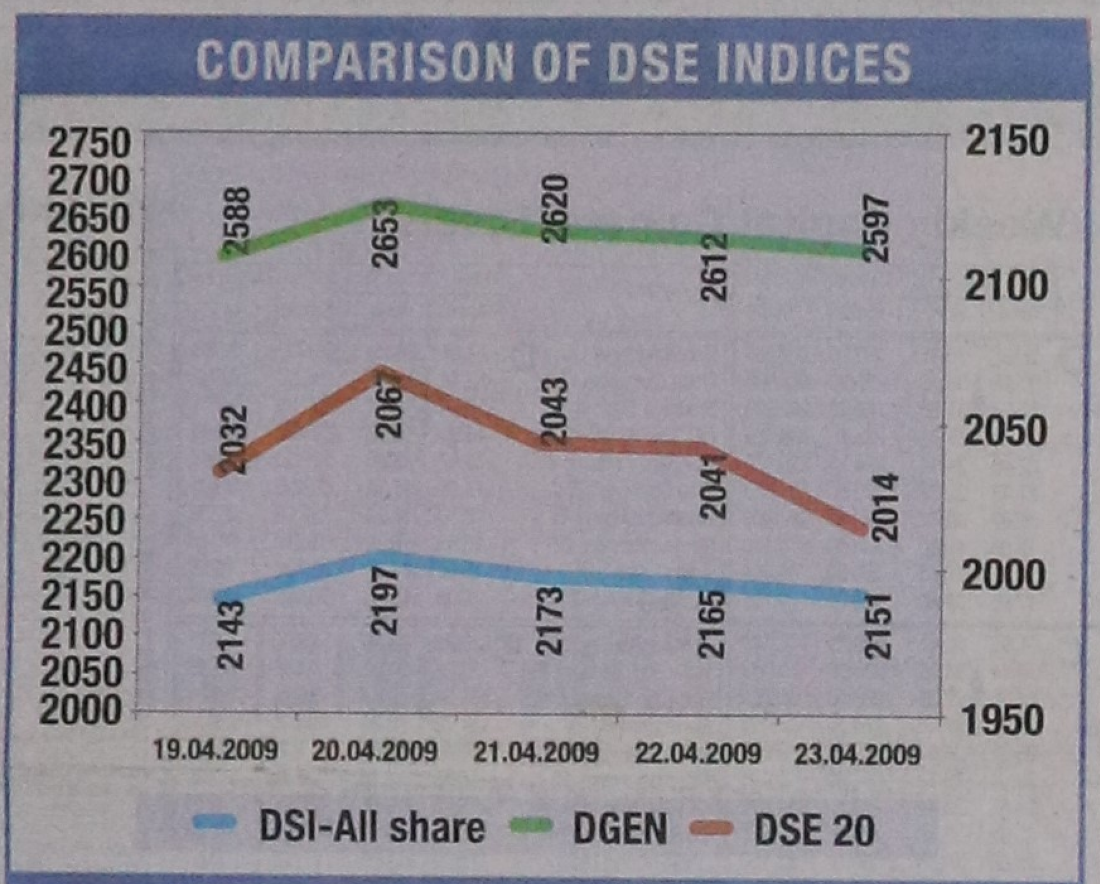
Turnover also reflected the intense interest of the investors in banking sector as more than 33 percent of the total trade was accounted for the sector alone.

At the beginning of the month, banking sector reached its lowest price level losing around 38 percent from December 31, 2008, according to an analysis by Equity Partners Limited (EPL), an investment bank.

"Since striking that lowest price margin, the sector as a whole became extremely cheap and investors were cautious about that which was reflected in its continuous gain," the EPL said.

Another reason for the price rise in banking sector was that the market is expecting a corporate tax cut for banks that will eventually increase the profitability of the sector although the tax cut is yet to be confirmed.

The Bangladesh Bank has fixed the corporate lending rate at 13 percent that eventually decreased the interest rate offered by private commercial banks for deposits. Private commercial banks have capped the interest rate for fixed deposit at 10 percent, which was earlier more than 14 percent in some banks. This cut in deposit rate has affected market liquidity.



As the banking sector was going up, the other sectors were witnessing a downward trend.

However besides banks, fuel and power companies were vibrant last week and accounted for more than 15 percent of the total turnover.

As the government is working hard to solve the ongoing power crisis of the country, people are expecting a fair reflection of this attitude in the sector in the upcoming budget.

Speculation-prone sectors such as IT, engineering and textile declined significantly as the market was experiencing a correction to the speculative investment.

The total and daily turnovers rose by 53.99 percent and 23.19 percent to Tk 2,480.41 crore and Tk 496.08 crore respectively.

A total of 10,84,10,868 shares were traded on the premier bourse last week, a 17.46 percent higher than the previous week. Of the traded securities, 53 advanced, 202 declined and four remained unchanged.

Market capitalisation increased by 1.29 percent to Tk 1,04,602.78 crore.

Summit Power topped the turnover leaders, followed by Beximco, AB Bank, Titas Gas, Uttara Bank, Social Investment Bank, Aftab Automobiles, Summit Alliance Port, ACI and Beximco Pharma. Summit Power topped the list with 14,88,650 traded shares worth Tk 174.31 crore, which was 7.03 percent of the total turnover.

Chittagong stocks also gained last week. The CSE Selective Categories Index rose by 1.59 percent to 5,464.04 points, while the CSE All Share Price Index went up by 1.51 percent to 8,378.84 points.

A total of 2,07,94,998 shares worth Tk 345.03 crore changed hands on the Chittagong Stock Exchange. Of the traded issues on the port city bourse, 55 advanced, 120 declined and 10 remained unchanged.

AB Bank topped the turnover leaders on the CSE with 5,28,297 shares worth Tk 39.76 crore being traded. The other turnover leaders were Beximco, Summit Power, Trust Bank, Social Investment Bank, First Security Bank, Beximco Synthetics, Shinepukur Ceramics, BATBC and Brac Bank.

Bangladesh pushes for continuing GSP

STAR BUSINESS DESK

Commerce Secretary Feroz Ahmed has urged the United States Trade Representative (USTR) to terminate the Generalised System of Preference (GSP) review proceedings and continue to accord GSP facilities to Bangladesh to help the country develop and fight poverty.

His appeal came during a hearing on GSP Facilities for Bangladesh at the USTR office in Washington DC on Friday, said a statement.

The hearing, held in response to a petition by American Federation of Labour and Congress of Industrial Organisations (AFL-CIO), is part of the US government's review process to determine the eligibility of GSP facilities to a number of countries including Bangladesh.

Bangladesh remains committed to the full protection of labour rights and has already taken a number of steps in this direction, Ahmed said during the hearing, adding that the government will continue to do everything possible in this regard.

In his presentation, Ahmed informed the hearing panel of the steps taken in the export processing zones (EPZs), garment and shrimp sectors to improve compliance with the labour standards and ensure welfare of the workers in those sectors.

The newly elected government is committed to upholding the rights and privileges of the workers in line with the labour and other relevant laws, he added.

The US side noted the Bangladesh government's responsiveness to ensure the workers' rights.

Jeffrey Vogt, global economic specialist at the AFL-CIO, recognised the progress made in recent years in Bangladesh's EPZs and shrimp sector.

He however said more needed to be done in the garment sector to better ensure workers' rights. He also suggested aggressive reforms to protect the overall labour rights in Bangladesh.

The hearing panel consisted of Marideth Joy Sandler, executive director of GSP programme and chairman of GSP sub-committee, Anne Zollner, division chief of US Department of Labour, and other US officials. Sandler chaired the hearing.

Bangladesh Ambassador to the US M Humayun Kabir, Executive Chairman of Bangladesh Export Processing Zones Authority Brig Gen Jamil Ahmed Khan and Chairman of Bangladesh Shrimp and Fish Foundation Syed Mahmudul Huq, among others, participated in the hearing from Bangladesh side.

The commerce secretary also met Michael J Delaney, assistant USTR for South and Central Asian Affairs, to discuss bilateral issues, and held a separate meeting with Sandler to clarify various points raised during the hearing.

The Bangladesh envoy was present at these meetings.

Garment workers are busy at a factory in Dhaka.

STAR/FILE

G7 sees crisis begin to unwind by year-end

AFP, *Washington*

World finance officials meeting in Washington Friday said they expected the global economic crisis to begin to unwind by year-end, citing encouraging early signs of recovery.

The Group of Seven major economies said the worst global slump since the 1930s Great Depression appeared to be approaching a bottom but also warned the outlook remained highly uncertain.

"Recent data suggest that the pace of decline in our economies has slowed and some signs of stabilization are emerging," the G7 finance chiefs said in a statement after their meeting.

"Economic activity should begin to recover later this year amid a continued weak outlook and downside risks persist."

The G7 -- Britain, Canada, France, Germany, Italy, Japan and the United States -- said they were "committed to act together to restore jobs and growth and to prevent a crisis of this magnitude from occurring again."

A subsequent meeting of the Group of 20, which includes the G7 and developing countries such as Brazil, China, India and Russia, ended without a statement.

As part of efforts to tackle the crisis, the G7 said they would continue to provide and increase resources for the International Monetary Fund and other multilateral institutions to ensure they could help restore global financial stability.

AFP

US Treasury Secretary Timothy Geithner (blue tie), French Finance Minister Christine Lagard (L) and British Chancellor of the Exchequer Alistair Darling arrive on the steps of the US Treasury Department for a family photo of the G7 finance ministers and governors in Washington, DC yesterday.

"We will take whatever actions are necessary to accelerate the return to trend growth (rates) while preserving long-term fiscal sustainability," the G7 said, apparently referring to concerns that governments are taking on too much debt to fund economic stimulus programs.

They also agreed to continue, "as needed, to restore lending, provide liquidity support, inject capital into financial institutions, protect savings and deposits and address impaired assets."

The current crisis was "the deepest and most widespread economic downturn and financial stress witnessed in decades," the G7 said, saying they "have acted resolutely to support growth and restore confidence in the financial system and the flow of credit."

The G7 hailed the contribution of "many countries," including China, in the fight against the global economic crisis and pledged to work toward increasing their clout in international financial institutions.

"Many countries are now playing a major role in the global economy and we welcome their contribution to the collective international effort to promote recovery," they said.

"We welcome China's continued commitment to move to a more flexible exchange rate, which should lead to continued appreciation of the renminbi in effective terms and help promote more balanced growth in China and in the world economy," the G7 finance ministers and central bank governors said.

The G7 pledged to "work with our international partners to modernize the governance of the international financial institutions in order to enhance their relevance, effectiveness, and legitimacy."

US Treasury Secretary Timothy Geithner, the host of the G7 meeting and the meeting of the Group of 20 afterward, reinforced the cautiously upbeat tone.

"We're seeing some encouraging signs. And on actions and programs initiated, we've seen risk premiums recede and credit spreads come down, and some improvement in financial markets. That's very encouraging; we need to reinforce that," he told a news conference after the G7 meeting.

Still Geithner, like other officials, cautioned against reading too much into the "green shoots" of recovery.

"It's too early to say the risks have receded and it's too early to conclude that we're beginning to emerge from this remarkably challenging set of pressures still working its way through the financial system," he said.

The G7 meeting, held traditionally ahead of the IMF and World Bank's meetings over the weekend, reviewed progress on measures agreed at the G20 London summit earlier this month to tackle the crisis.

Geithner said that in the longer-term, more work is needed on financial sector regulatory reform to ensure there is no repeat of the crisis, with international institutions also upgraded and strengthened.