

Stocks

DGEN	0.94%
	2,560.84
CSCX	0.53%
	5,364.33

Asian Markets

MUMBAI	3.25%
	11,001.75
TOKYO	2.67%
	8,493.77
SINGAPORE	0.56%
	1,808.41
SHANGHAI	0.16%
	2,401.44

Currencies

Buy Tk	Sell Tk
USD 68.50	69.50
EUR 87.28	92.14
GBP 98.38	103.67
JPY 0.70	0.77

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	\$896.97
(per ounce)	

Oil	\$48.75
(per barrel)	

SOURCE: AFP

(Midday Trade)

More News

Production costs soar in power crisis: BKMEA

The use of diesel due to constant power outages has increased production costs in the knitwear sector by 20 percent, said BKMEA President Fazlul Hoque yesterday. "The power situation turned so bad that outages continue through half of the factories' total production period," Hoque said.

B-3

International

Investors, businesses on edge



The threat of a swine flu pandemic kept global businesses and investors on edge Tuesday, disrupting travel plans and sending stock markets into a tailspin as fears of more economic misery mounted. Days after the deadly virus outbreak in Mexico, tour groups around the Asia-Pacific abandoned more holiday jaunts to the country amid a series of government warnings.

Allianz, AmEx sell half of stakes in China's ICBC

American Express Co and German insurer Allianz said Tuesday they had offloaded half of their stakes in Industrial and Commercial Bank of China (ICBC) as soon as a lock-up period expired. The sales followed similar moves by a number of foreign institutions that have got rid of their holdings in Chinese banks to shore up capital amid the global financial crisis.

B-4

Contact Us

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

Salehuddin defends no to IMF

Says macroeconomic stability better than in other South Asian nations

STAR BUSINESS REPORT

The outgoing governor of the central bank said yesterday he had rejected at least four IMF suggestions, including policy support instrument (PSI), considering the country's interests during his four-year tenure to be ended tomorrow.

The three other suggestions unheeded by the Bangladesh Bank (BB) were introducing a tight monetary policy, increasing cash reserve requirement (CRR) for the scheduled banks and opening capital account.

"We had told the IMF that we don't need a PSI," Dr Salehuddin Ahmed, the BB governor, told reporters at his farewell briefing at the central bank office.

"There was no capital outflow from Bangladesh in the recession period. We remain safe because of not allowing opening of capital account."

He cited example of India from where billions of dollars were outflowed for allowing opening of capital account.

Ahmed also stressed doing homework and increasing negotiation capacity before going for

signing any deal with donors, such as International Monetary Fund (IMF) and the World Bank.

"The IMF paid heed to us and was convinced," said Ahmed who will be replaced by Dr Atiur Rahman, an economist, on May 1.

The governor also focused on the central bank's role as the regulator of the financial sector, overall economic situation and the challenges amid recession and the fiscal package to tackle the recession-hit industries.

"Since the last four years the BB has acted as an enabling and caring body for the financial sector," said Ahmed.

He said: "The financial sector and the country's overall macroeconomic situation remain stable on the central bank's proper role."

Exports and remittances remained steady despite global financial meltdown, he noted.

Bangladesh's macroeconomic stability is better than other South Asian nations, he claimed.

Still he emphasised more interactions with the stakeholders concerned for better stability of the financial institutions.

Ahmed talked of the other successes of BB during his tenure that



Outgoing Bangladesh Bank Governor Dr Salehuddin Ahmed inaugurates a currency museum, first of its kind in Bangladesh, at the central bank headquarters in Dhaka yesterday.

include initiating moves for introduction of an automated cheque processing system and automation of credit information bureau by this year, encouraging banks to lend SMEs and putting efforts to bring back laundered money.

He however vented dissatisfaction over the slow pace of automa-

tion works of the central bank.

There are challenges also, he said.

"To create employment and tackle the impacts of the ongoing recession will be the two major challenges," said the governor.

He said there is no option other than boosting lending to small

and medium enterprises (SMEs) and agriculture sector for increasing people's purchasing capacity.

The governor also sees opportunities for the country in the time of recession.

"Bangladesh's prospect is good if it can improve efficiency of the garment and manpower sectors," he said.

He termed the recently announced recession package an 'ad hoc measure'. Things will be clear in the upcoming budget, he added.

Long-term measures have to be taken targeting strategies to reduce poverty, he said.

The BB governor predicted Bangladesh's economic growth at around 5.8 percent for the current fiscal year, much higher than the WB forecast at 4.8 percent.

Ahmed called upon the banking sector to develop indigenous products and a fair competition among them.

He pushed for a 'competition law' to ensure a healthy and disciplined competition among banks.

Deputy governors Nazrul Huda and Murshid Kuli Khan, among others, were present at the briefing.

Currency museum launched

STAR BUSINESS REPORT

A currency museum, first of its kind in Bangladesh, was opened yesterday at the central bank head office in Dhaka.

The Bangladesh Bank Governor Dr Salehuddin Ahmed inaugurated the museum.

The governor said the museum would highlight the country's history of currency and its evolution.

Every country in the world has its own currency museum, he said, adding that the museum will highlight the identity of Bangladesh like its national flag does.

Deputy Governor Murshid Kuli Khan said setting up a full-fledged currency museum needs a long time, and it has been installed in a small scale.

He sought support from all to turn the museum into a full-fledged one.

Deputy Governor Nazrul Huda and Murshid Kuli Khan, among others, were present at the inauguration.

PCBs go beyond conventional banking

SARWAR A CHOWDHURY

Private commercial banks (PCBs) now target closed-end mutual fund floatation, a business beyond conventional banking.

At least six commercial banks have announced their interests to go for such mutual funds, which are considered risk-free investment tools in stock trading.

A closed-end fund is a collective investment scheme with a limited number of shares for a stipulated period.

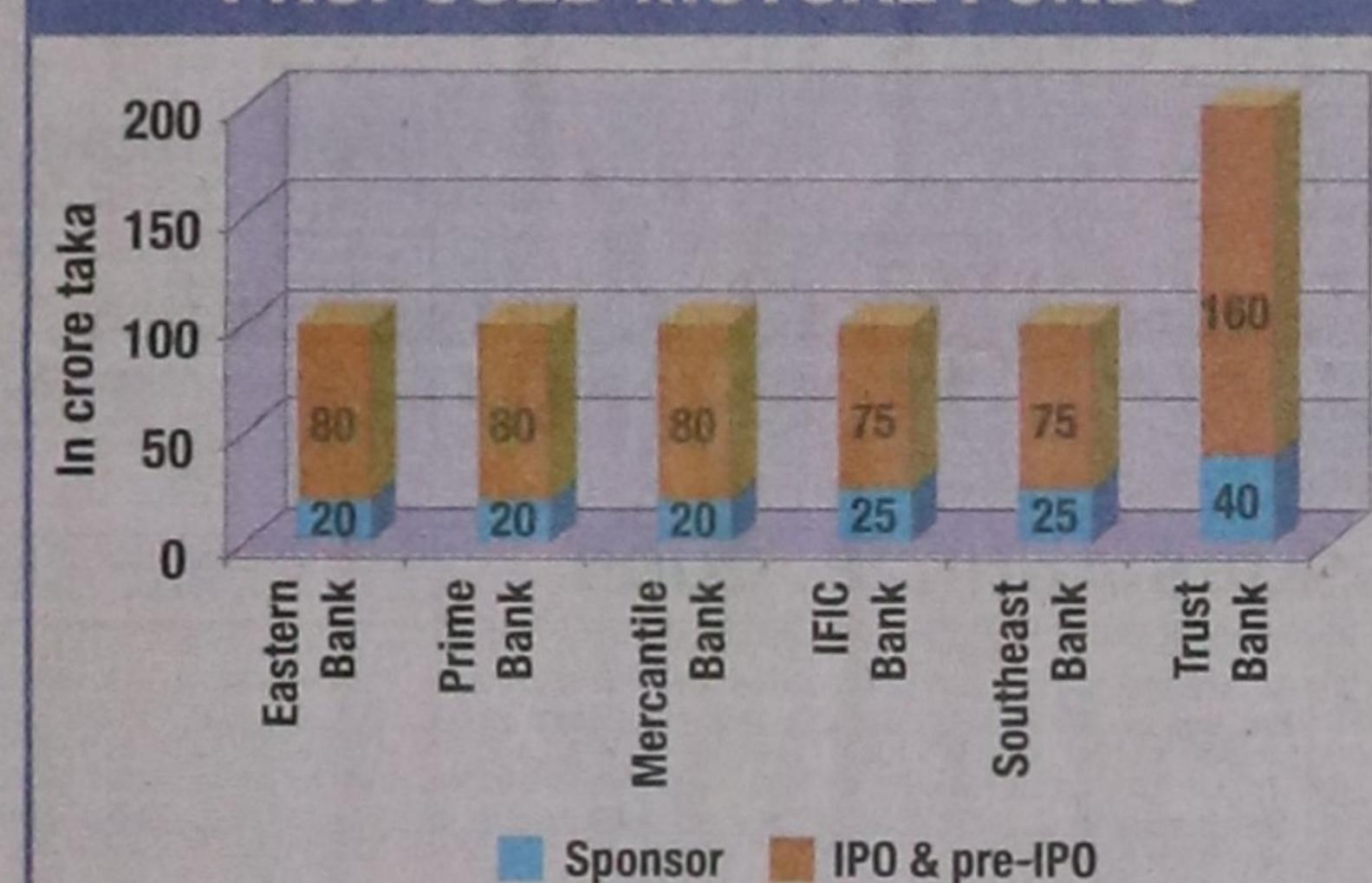
Southeast Bank is the latest among the PCBs that have joined the rally, with sponsoring a Tk 100 crore mutual fund.

The bank will subscribe at least 25 percent of the "Southeast Bank 1st Mutual Fund", while the rest is to be raised through pre-IPO placement and IPO (initial public offering).

Prior to Southeast, Prime Bank, Eastern Bank, Trust Bank, IFIC Bank and Mercantile Bank disclosed their plans to float closed-end mutual funds, which are subject to approval from the Securities and Exchange Commission.

"We have moved to float mutual fund with two objectives in mind. One is to bring a new product for our capital market, and the second is creation of an alternative source of revenue

PROPOSED MUTUAL FUNDS



earning," said Ali Reza Iftekhar, managing director of Eastern Bank Limited, pointing to the high demand for this 'risk-free investment tool' in the capital market.

A senior official of Southeast Bank said bankers are now eager to look for diversified business tools or derivatives in addition to conventional banking, to sustain competition.

The mutual fund floatation will ultimately strengthen our balance sheet," he said.

New mutual funds mean more demand for long term investment, Sheikh Mortuza Ahmed,

head of merchant banking and investment division of Prime Bank, told The Daily Star recently.

"Moreover, the more mutual funds will help the market move from retailers-driven to institutional," he said, pointing to the high volatility in retailer-driven market.

As per plan, Prime Bank will sponsor a Tk 100 crore closed-end mutual fund, of which the bank will subscribe at least 20 percent. The rest 80 percent of the "Prime Bank 1st ICB Mutual Fund", a 10-yearly one, will be raised through a place-

ment prior to IPO, or pre-IPO placement. Per unit price of the mutual fund will be Tk 10.

Mercantile Bank will also sponsor a Tk 100 crore "MLB 1st Mutual Fund", wherein the bank's stake as sponsor will be 20 percent or Tk 20 crore.

Eastern Bank last month decided to sponsor a Tk 100 crore mutual fund for the local capital market. Of the fund, the bank will subscribe Tk 20 crore as sponsor.

Another Tk 100 crore mutual fund from IFIC Bank will hit the market as per the bank's decision last month. The bank will sponsor Tk 25 crore, or 25 percent.

Trust Bank is going to sponsor a Tk 200 crore mutual fund named "Trust Bank 1st Mutual Fund", wherein the bank's stake as sponsor will be Tk 40 crore, or 20 percent.

As many as 17 mutual funds are now listed on bourses. Of them, ICB and its subsidiaries manage 13 mutual funds, AIM Bangladesh three and BSRS one.

The Grameen Mutual Fund One: Scheme Two amounting to Tk 125 crore is the largest listed mutual fund and the ICB 2nd NRB Mutual Fund worth Tk 100 crore the second. Mutual funds take up 5.54 percent of the total market capitalisation.

sarwar@thelocalstar.net

Swine flu clouding aviation outlook

AFP, Kuala Lumpur

Top Asia-Pacific airlines have suffered big losses from slowing traffic and higher fuel costs and a difficult outlook has been further clouded by the swine flu crisis, an industry group said Tuesday.

"For 2008, AAPA member airlines reported an aggregate net loss of 4.3 billion dollars, in marked contrast to the solid profits earned in 2007," the Association of Asia Pacific Airlines (AAPA) said Tuesday.

Andrew Herdman, AAPA's director general, warned that the challenges faced by the aviation sector were especially severe following the swine flu outbreak.

"Oil prices have fallen back, but in every other respect the challenges we are currently facing in 2009 are even tougher than last year," Herdman said.

"The current swine flu outbreak adds a further element of unpredictability to the situation," he added.

Herdman said in the first quarter, international air cargo volumes were down 25 percent, while international passenger traffic was down 11 percent.

"Airlines are taking necessary steps to respond to the crisis..." he said.

The industry group said combined revenues for AAPA carriers reached 109 billion dollars, 6 percent higher than the 103 billion dollars reported in 2007, but failed to keep pace with higher fuel costs.

Oil prices for the year averaged 97 dollars per barrel, compared to 72 dollars in 2007.

As a result, the AAPA fuel bill increased by almost 10 billion dollars to 38.1 billion in 2008, accounting for 35 percent of total costs.

Since revenues failed to match the increase in fuel costs, airline profitability suffered