

think electronics... think **DIGITAL**

TRANSCOM
DIGITAL

Your Trusted Electronics Retailer

Consumer Electronics | Appliances | IT & Camera | Electrical Products

Customer Care Centre: 8855366-8, 01712 465463

Stocks

DGEN ▲ 1.06%
2,526.77

CSCX ▲ 0.86%
5,368.25

Asian Markets

MUMBAI ▲ 17.24%
14,272.63

TOKYO ▼ 2.44%
9,038.69

SINGAPORE ▲ 1.55%
2,172.92

SHANGHAI ▲ 0.28%
2,652.78

Currencies

	Buy Tk	Sell Tk
USD	68.50	69.50
EUR	90.15	95.12
GBP	102.05	107.40
JPY	0.71	0.79

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▲ \$929.65
(per ounce)

Oil ▼ \$57.02
(per barrel)

SOURCE: AFP
(Midday Trade)

More News

Herbal medicine sector seeks govt support

The government should formulate a policy for the herbal medicine industry and provide 20 percent cash incentives for export to safeguard the sector, said leaders of Bangladesh Ayurvedic Aushad Shilpa Samity yesterday. The leaders of the herbal medicine industry's association also urged the government to ban import of foreign herbal medicine.

B-3

International

Crisis bad news for Russia's shrinking population



In the face of financial trouble, it's a bad time for having babies. And babies are what Russia badly wants. State-sponsored posters call for Russians to do their duty and have big families. One lining the Moscow metro shows a woman juggling three stout babies, another preaches "love for your nation, starts with the family."

Germany's European Commissioner slams banks

Germany's representative in the European Commission launched a sharp attack on his own country's banks on Monday, saying they had been "world champions" in investing in risky financial products.

B-4

Contact Us

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

No reason to devalue taka: Experts



SAJJADUR RAHMAN

In the last two years the taka has become one of the strongest currencies in South Asia, mainly riding on the falling demand for the currency and lower import prices.

But exporters are concerned with the local currency's valuation although the country is benefiting from the lower import costs.

They say when the taka rises against the dollar, Bangladesh's exports become more expensive than their competitors such as India, Vietnam and Pakistan.

But experts are of different views with the exporters. "Export value is not going down for a strong local currency," said Shahjahan Bhuiyan, managing director of United Commercial Bank.

Bhuiyan has vast experience in dealing with foreign exchange market in his 30 years in the banking sector.

He said a significant decline in prices of commodities has caused for a surplus of dollar in the local market.

According to central bank data, the taka has moved from Tk 72 in March 2006 to Tk 68.92 in January 2009 against the US dollar.

Bangladesh adopted a floating exchange rate on May 31, 2003 to avoid the overvaluation of the domestic currency. Such overvaluation, besides making export less competitive in the international market, hurts the domestic economy by stimulat-

ing imports and making it harder for domestic goods to compete with the imported ones. As a result, growth of domestic output and employment may slow down.

Indian rupee was devalued by nearly 25 percent to 50 for one US dollar last year. Same thing happened with the Pakistani and Sri Lankan currencies. Vietnam, one of the major competitors for Bangladesh's garments exports, also depreciated its currency.

Within this critical situation and the impacts of the ongoing global recession, the government is going to place the budget for fiscal 2009-10 early next month. The government wants to see the prices of goods under control and on the other hand it wants to earn more from exports to offset pressure on balance of payments.

Exporters said they are in dilemma -- importers are quoting lower price and on the other hand their competitors are getting edge over Bangladesh for devaluation of their currencies.

"Buyers offer 15 to 20 percent less price and if we don't accept, they will switch to other countries," said Anwar Ul Alam Chowdhury, former president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

The exchange rates between two currencies specify how much one currency is worth in terms of other. It is the value of a foreign nation's currency with that of the home nation's one. For example, an exchange rate of 68 Bangladeshi taka (BDT) to the United States dollar (\$) means that 68 BDT is worth the same of \$1.

The foreign exchange is one of the largest markets in the world. By some estimates, about \$3.2 trillion worth of currency changes hands everyday.



CURRENCY MOVEMENT



Bangladeshi currency has been a free-floating one since 2003. The market forces of supply and demand determine its exchange rate. Economic variables, such as economic growth, inflation and productivity are the major drivers of currency movements in the country.

"Local currency remains steady because of macroeconomic stability," said Helal Ahmed Chowdhury, managing director of Pubali Bank, the largest private commercial bank in the country.

He sees no reason of BDT's devaluation against the dollar because the inflation is contained fully.

Despite a relatively poor demand for currency in the local market, the foreign exchange market could have been volatile without the central bank's intervention, bankers said.

"So far in this fiscal year the Bangladesh Bank has bought about \$500 million from the forex market to make the market stable," said Ziaul Hassan Siddiqui, deputy governor of BB.

He said if the BB had not bought the dollar, its price could have gone down significantly and the export earnings as well.

BB also sells the dollar in case of necessity, he said, adding that these tools are used to influence the supply side.

The deputy governor also denied that exporters are getting less because of a strong local currency saying that their (exporters) cost of imported inputs has come down.

He also termed the BB's intervention consistent with the principle of floating exchange rate regime.

A BB analysis conducted to see the impact of the floating exchange rate regime shows that the average GDP growth rate has been significantly higher in the floating exchange rate regime than that in previous regimes.

sajjad@thedailystar.net

Long-term car duty structure suggested

MD HASAN

Demand for reducing duties on car imports in the next budget is being raised now from the people involved in the automobile industry, as people think owning a car is a necessity in the absence of proper public transportation.

The industry has become commonplace for imposition of high taxes in each year's budget. However, the growth in car sales figures does not depict the government's strategy to discourage car imports.

Just prior to the announcement of the budget, car sales jump by 20 percent than the previous year, as customers anticipate higher taxes on the automobile industry.

A debate remains in the market -- is it rational to discourage the import of cars before a comfortable transport system has been established? According to Bangladesh Roads Transport Authority data, around 10.54 lakh vehicles are serving the 150 million people in our country.

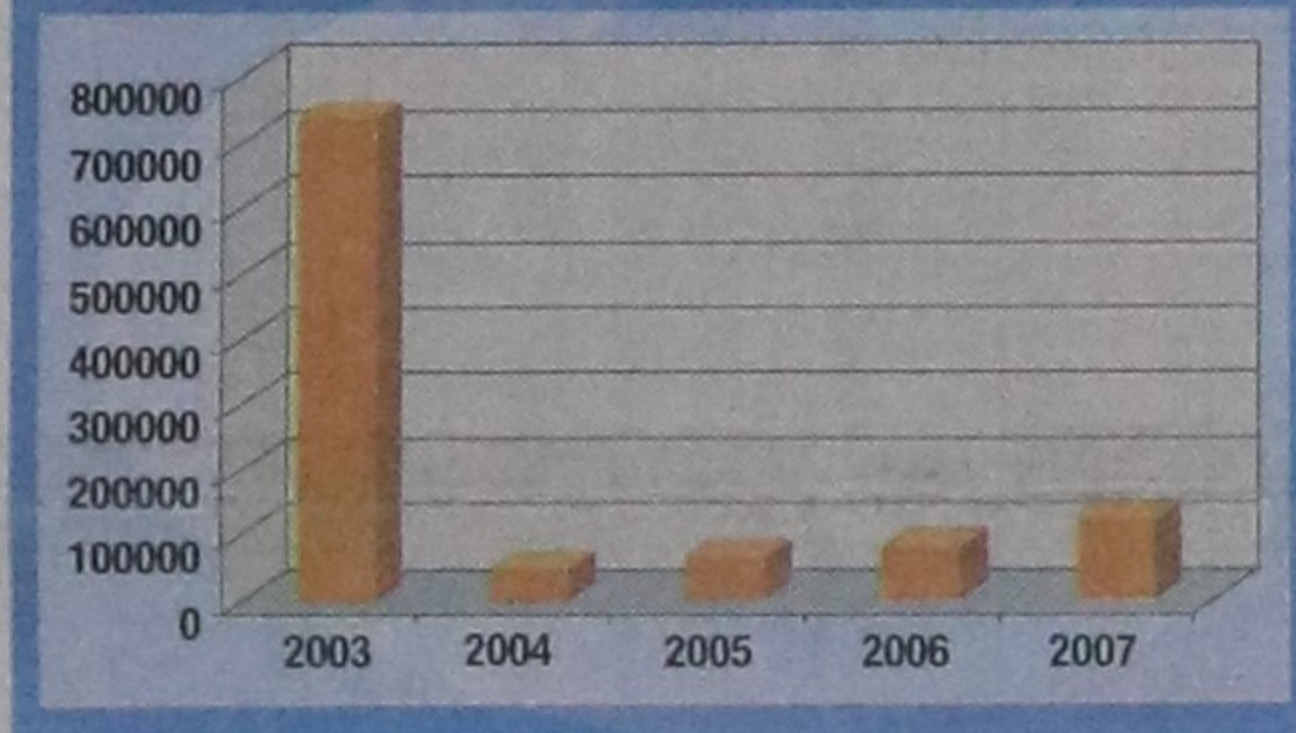
Many experts say importing cars should not be discouraged, as no suitable public-oriented transportation system exists. Otherwise, due to a lack of transport, people cannot participate in the economy at their level best.

"Infrastructure development should be prioritised in the coming budget so that owning cars would not burden the city," Habibullah Dawn, president Bangladesh Recondition Vehicles Importers and Dealers Association (BARVIDA).

According to Bangladesh Road Transport Authority (BRTA) data, until 2007, of the total 10,54,067 vehicles in the country, there were 1,48,425 private cars, 67,031 jeeps or medium buses, 12,277 taxis, 34,645 buses and 34,970 mini buses transporting for both private and public services. The remaining number of vehicles is used to transport goods around the country.

Of the total vehicles registered for public transportation, around 60 percent are

TRENDS OF REGISTERED VEHICLES



running in Dhaka city alone. In the private and public travel category, 1,15,880 cars, 46,728 jeeps, 10,672 taxis, 6,152 buses and 8,098 mini buses are used to transport people in Dhaka.

In Bangladesh, several local importers import brand new and used vehicles.

Japanese reconditioned or used cars mainly dominate the market. However, some world-class brand such as BMW, Mercedes-Benz, Mitsubishi, Nissan, Toyota and Ford are also being sold in the market.

After slowing business over the last two years, the auto industry is enjoying a momentum right now, as a huge number of cars are being imported.

The high duties are a bar for both used and brand new cars. Based on different categories, the government imposed a minimum 60 percent to a maximum 600 percent duty on brand new car imports, according to Bangladesh Automobile Distributors Association (BADA).

On the other hand, used car importers face 20 percent to 350 percent duties on different slabs.

Importers say the imported vehicles duty structure changes each year in the budget; sometimes there is a hike in duty, sometimes the slab on the engine capacity

changes. But why each budget policy needs to change is not understandable.

"The supplementary duty on brand new cars should be reduced by at least 50 percent from the existing rate," says M Salahuddin, president of BADA. "The government should go for a long term duty structure," he added.

In its budget proposal, BADA, the brand new car importers association, suggests announcing special incentives for companies who are willing to set up manufacturing or assembly plants in the country.

BARVIDA chief Dawn suggests the government allow the imports of any used vehicle. The present budget allows the import of used cars that are one to four years old only.

Dawn also proposed the government fixes the duty on the import of used cars, instead of changing it in every budget. He said if the duty on a used Toyota car is Tk 4,50,000 lakh, the government can fix it at Tk 4,70,000, so that importers can smoothly release cars from the port.

According to industry people, the government earns more than Tk 2,000 crore from the automobile sector by imposing taxes at different levels.

In addition to reduction in duties, stake-

holders urged the government to allocate more funds in the budget to develop roads and highways within and outside the city.

Both BARVIDA and BADA presidents stressed inter-city road development and introduction of more public transportation services for the mass.

They said people are eager to own cars due to a lack of public transportation facilities. They suggested construction of subways, flyovers, and an increase of more link roads in the city.

"The government should firstly focus on mass transportation systems, before discouraging car imports," said M Rahmatullah, a transport expert.

Rahmatullah, who worked for the UN, said if the government does not confirm transport systems for the mass and discourages imports, people would not be able to commute freely.

He said the government can restrict car imports in the next decade, if urban transportation plans are executed.

"I was compelled to buy a car as the city's transportation system is not suitable," said Kamruzzaman Chowdhury, a recent car owner.

hasan@thedailystar.net



The file photo shows a huge number of imported cars at Chittagong Port.

Govt cuts international call rates

STAR BUSINESS REPORT

The telecom minister yesterday announced to slash international incoming call rates from 4 cents to 3 cents, effective from last midnight.

However, domestic call handlers observed that the government might incur a revenue loss of Tk 1,000 crore this month because of the minister's sudden announcement.

"I would like to announce that the international incoming call rate will be cut from the existing 4 cents to 3 cents," said Rajiuddin Ahmed Raju at the concluding ceremony of World Telecommunication and Information Society Day (WTISD) -2009 at the Institution of Engineers Bangladesh (IEB) Chittagong centre.

At present, the amount of international calls to and from Bangladesh is around 60 million minutes a day. The four international gateways (IGWs), including the three private sector operators, handle 20 million minutes a day. The illegal VoIP (voice over internet protocol) operators handle the remaining calls.

Talking to The Daily Star, an official of an IGW operator said, "It is definitely a right decision. But it should not be executed suddenly."

Pubali to boost credit for overseas job seekers

Steps into 50 today

STAR BUSINESS REPORT

The country's first private commercial bank Pubali Bank Limited is celebrating its 50th anniversary with a vow to boost lending to farmers and workers aspirant to go abroad.

"We will enhance this year our farm loan portfolio from Tk 200 crore a year earlier," Helal Ahmed Chowdhury, managing director, told a press conference at the bank's headquarters in Dhaka yesterday.

The bank would take help from the NGOs in reaching the farmers, he said.

Chairman of the bank Hafiz Ahmed Majumder MP also spoke.

According to Majumder, Pubali's farm credit portfolio is the highest among the private banks in the country.

The bank, which was set up by some Bengali entrepreneurs in 1959, will celebrate 50 years of its operation today.

Besides farm credit, the bank has



also decided to boost its loan scheme for overseas job seekers.

"We provide maximum Tk 2.5 lakh collateral-free loan, which is payable in 24 instalments after going abroad," said the bank's

MD.

He said the product is open for all, but emphasis has been put on the people in munga-prone areas.

"All regional managers have been asked to go with aggressive marketing of the product," Helal Ahmed Chowdhury said.

The bank has also decided to boost lending to small and medium enterprises, health, and education sectors, he added.

Hafiz Ahmed Majumder said Pubali was privatised in 1985.

"The bank's deposit now stands at Tk 7,500 crore, which was Tk 500 crore in 1985," said Majumder. Loans and advances stood at Tk 6,500 crore, he added.

He also hailed the central bank for its prudent role in guiding the banking industry.

Tk10 cr allocated to set up capital market instt

SARWAR A CHOWDHURY

The finance ministry has allocated Tk 10 crore to set up a capital market institute, which will provide training to develop skilled human resources for the country's stock market.

The finance ministry on Sunday approved the allocation of funds to set up an institute, 'Bangladesh Institute of Capital Market' (BICM), people familiar with the matter said.

As there is a shortage of people who are educated about the capital market in Bangladesh, the educational institution will meet the requirements for skilled manpower in the capital market, they said.

The institute will also organise investors' awareness programmes.

"It's a positive step that shows the government's earnestness regarding the capital market," said Ziaul Haque Khondker, chairman of Securities and Exchange Commission. Khondker is the head of the BICM working committee. sarwar@thedailystar.net

Indian shares up 17pc on polls win



AFP, Mumbai

Trading in Indian shares was suspended on Monday as stock prices saw a record surge on the back of the Congress-led alliance's strong election win, that analysts saw as boosting economic reform.

Stock exchange officials said trading was halted for the day after rocketing share prices clicked through a series of circuit breakers before breaching the permitted upper limit.

The benchmark 30-share Sensex closed up 17.24 percent or 2,099.21 points -- the biggest gain since the index was launched in 1986 -- to 14,272.63, in what turned out to be a sharply truncated trading day.

An initial two-hour stoppage had failed to cool sentiment, and exchange officials said the closing figure would likely be revised upwards, as prices did not reflect full updates due to a system overload.

"This is unprecedented bull trading. We could run the risk of over-heating," said Bhaskar Kapadia, partner with Pyramid Securities.