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Stocks

DGEN ▲ 0.03%
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Currencies

	Buy Tk	Sell Tk
USD	68.42	69.42
EUR	95.04	100.74
GBP	111.06	116.99
JPY	0.71	0.79

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▼
\$953.50
(per ounce)

Oil ▼
\$70.01
(per barrel)

SOURCE: AFP

(As of Friday)

News in Brief

Pakistan lowers interest rate

AFP, Karachi

Pakistan's central bank Saturday lowered its discount interest rate by one percentage point after acknowledging that the country's economy was showing resilience.

Saleem Raza, the Governor of the State Bank of Pakistan, announced the rate cut after releasing improved economic indicators when presenting the bank's latest quarterly monetary report.

"After the 100 basis points' decrease, the interest rate on money lent by the central bank to commercial or depository banks now stands at 13 percent," Raza told the news conference in Pakistan's financial capital, Karachi.

In November, the bank had increased the discount interest rate by two percentage points to 15 percent in a bid to counter soaring inflation and stabilise a weakening currency.

In April, the bank decreased the discount rate by one percentage point in a sign that the economy was stabilising.

Swatch's net profit drops 28pc

AFP, Zurich

The world's biggest watchmaker Swatch Group has said the first half net profit had dropped by 28 percent to 301 million Swiss francs (196.9 million euros, 280.3 million dollars).

Swatch said in a statement that there were already clear signs of a recovery in sales, which fell by 16 percent in net terms compared to the first six months of 2008 to 2.35 billion Swiss francs.

However, operating profit dipped by 41 percent to 345 million francs, as the company sought to sell off stocks.

Swatch's net profit was above analysts' expectations of an average 270 million Swiss francs profit, polled by the business news agency AWP.

Chief executive Nick Hayek had already signalled that he expected a pickup in sales in the second half of 2009.

Contact Us

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

Faruk: First Ramadan to see TCB goods

STAR BUSINESS REPORT

The commerce minister yesterday renewed his pledge to ensure availability of essentials including sugar, onion and gram from the first day of Ramadan.

The commodities are being imported through Trading Corporation of Bangladesh (TCB).

"Shipments of these essentials will reach Bangladesh within the next two-three days, and once we complete importing, it will have an effect on retail market prices. Imported sugar, onion and gram will be available in the local market from the first day of Ramadan," said Faruk Khan.

"These commodities will be available at prices below the average market price, which will help make the market stable. The market for sugar will be steady within the next week, and once TCB starts supplying commodities to the market, the entire market will be stable further," he added.

He was speaking at a press meet on "Trade Scenario: Bangladesh Perspective" organised by Dhaka Reporters' Unity (DRU) in the city.

He said the price of sugar has increased to some extent due to a rise in price at international market. Reduction and withdrawal of duty on refined and raw sugar and date, and the imported pulse and onion will impact the market positively, the minister said.

Appointment of dealers will be complete shortly to distribute the TCB goods such as edible oil, sugar, lentil and onion to markets before the month of Ramadan starts, he said.

"The government is trying hard to 'activate' TCB for increasing the supply of commodities in the market and lowering the prices," Faruk said, adding: "We have taken several measures to strengthen the state-run organisation with additional funds and manpower."

In response to a question, he said strengthening and reviving the image of TCB will take some



Faruk Khan

time, as the organisation had been 'inactive' for years. "Local businessmen have a common mistrust in the performance of TCB that has caused some difficulties for activating the agency."

"The organisation is still not very efficient in its functions, as it is yet to ease and accelerate its procedure to import and distribute," the minister said.

"We have already taken fiscal measures to lower the prices of commodities, incorporating reduction and withdrawal of duties for ensuring a better supply," he added.

As part of the measures, the government has reduced import duty on refined sugar to Tk 3,000 from Tk 7,000 a tonne and lifted import duty on raw sugar completely.

Twenty-five percent import and five percent regulatory duties on import of dates have also

been withdrawn. The government order issued in the face of price spiral of the three commodities came into effect Saturday.

The minister said the imported commodities at reduced duties will help create a pressure on producers, retailers and wholesalers to sell products at competitive prices during Ramadan.

"The government is set to ensure better coordination in the value chain of essentials. At the same time, we have ensured hanging price lists of essentials at all kitchen markets," he said.

"Even after all these supportive measures, if any dishonest trader wants to make excess profit without any reason, strict administrative action will be taken," he added.

However the retailers and wholesalers at different kitchen markets in the capital do not often follow the price lists of essentials. Some markets do not maintain the price lists, while most markets do not have any list.

The minister said the government is monitoring the market price through task force and mobile courts and would fine dishonest traders. If necessary, trade licence of such traders might be cancelled.

He said the government has provided banking support to the traders by reducing interest rate to 13 percent and not more than 12 percent for some necessary items. Automation system has already been introduced at ports for quick unloading of goods.

He called upon the businessmen to show certain responsibility towards the society and people. "Making profit should not be their only objective and they must change their mindset to earn respect."

Asked about extortion, a factor that leads to price hike, the minister said law enforcers have been instructed to launch action against the extortionists who are realising money from the markets and transport sector.

DRU President Shamim Ahmad presided over the press meet, while General Secretary Pathik Saha was also present.

Prices: Lies and illusions

STAR BUSINESS REPORT

A disconnect is evident in the prices of essentials. Retailers claim lower prices to market watchers, but the things are not the same to real shoppers.

Security guard Mohammad Liton heads home after running errands for shopping: potatoes for Tk 28 a kilogram, lentils for Tk 112 a kilogram and some vegetables.

Soon after, a price monitoring team from the Federation of Chambers of Commerce and Industry (FCCI) enters the Gulshan 2 kitchen market, querying the prices of essentials. Sellers are quick to say the prices are low -- Tk 26 for a kilogram of potatoes and Tk 108 for lentils per kg.

An unsuspecting Liton has already walked out of the market. He was unaware of the rip-off.

"What is the price of a kilogram of potato?" FCCI Vice President Abul Kashem Ahmed asked a vegetable seller.

"Tk 26 a kilogram," said the greengrocer.

"How much did you buy it for?" asked Ahmed. "Do you have a memo?"

The vegetable seller failed to show any memo but asserted that he bought a kilogram at a wholesale rate of Tk 25.5.

Other vegetable sellers in the area also failed to demonstrate any memos that would support the prices they claimed. Prior to the FCCI team's visit yesterday, retailers were also seen demanding Tk 46 for a kilogram of sugar, up from last month's price.

Retailers also claimed lower prices for vegetables, such as eggplants, green chillies and cucumbers, to the FCCI team. Far from real.

Zakir Hossen, a vegetable seller in the same market, was seen charging a shopper Tk 28 for a kilogram of cucumber, but slashed the prices by Tk 3 when the FCCI team approached him.

"I am selling cucumbers for Tk 25 a kilogram and my purchase price was Tk 20 for the same quantity," claimed Hossen.

For green chillies, sellers demanded Tk 140 a kilogram from customers but claimed to have charged Tk 120 for the same to the market monitoring team.

After the tour of the market, the FCCI concluded that the prices of essentials were high. "We observed that prices increased marginally. It is because of rain, traffic and the three-day weekend that affected the supply chain," said Abul Kashem Ahmed of FCCI. He expects the prices of sugar to fall within a week because of a withdrawal of an import duty on the item.

"We are observing a problem with memos. Wholesalers told us earlier that they provide sales receipts. But retailers here say the wholesalers' claim is false," he said.

Kamaluddin Ahmed, chairman of the price monitoring cell of FCCI, said they are in talks with market committees to ensure a daily price list in every market to free consumers from paying unreasonable prices.

PPP needs more homework

Distrust eats up potential, US envoy tells seminar



Civil Aviation and Tourism Minister GM Quader speaks at a seminar on Public-Private Partnership in Dhaka yesterday. US Ambassador James F Moriarty, Distinguished Fellow of the Centre for Policy Dialogue (CPD) Dr Debapriya Bhattacharya, AmCham President Syed Ershad Ahmed and Eastern Bank Chairman Mir Nasir Hossain, among others, are seen.

STAR BUSINESS REPORT

The government should do adequate homework to ensure transparency and accountability before undertaking any project under Public-Private Partnership (PPP), speakers said at a seminar yesterday.

Having a good legal framework and determining the pricing of inputs and outputs are the major challenges for the government to make any project under the PPP a success, they said.

"We need to have a good legal framework based on experiences of other countries," Dr Debapriya Bhattacharya, distinguished fellow of the Centre for Policy Dialogue (CPD), told the seminar on public-private partnership.

American Chamber of Commerce (AmCham) in Bangladesh and Eastern Bank Ltd organised the seminar at Dhaka Sheraton hotel.

Mustafa K Mujeri, director general of Bangladesh Institute of Development Studies, emphasised three vital issues -- transparency, consultation with stakeholders and sound regulatory framework -- to make PPP projects successful.

AmCham President Syed Ershad

Ahmed chaired the seminar, while Civil Aviation and Tourism Minister GM Quader was present as chief guest and US Ambassador James F Moriarty as special guest.

Former finance adviser AB Mirza Azizul Islam said transparency, accountability and simple procedures are the prerequisites to turn PPP into a successful initiative.

"No private party will wait for ages," he said, citing the existing bureaucratic practices.

GM Quader said the PPP projects will be taken on the basis of win-win situation both for public and private sectors.

The minister said the government is working to ensure transparency and accountability in the PPP projects.

But the US ambassador said distrust and suspicion are holding back Bangladesh's development potential. "Bureaucrats attack politicians, businessmen attack bureaucracy," said Moriarty.

The US envoy said obviously there was a lot of suspicion out there, maybe for certain reasons, but everybody must recognise that the time is to move forward.

For example, he said if Chevron and the government start working

together to increase Bangladesh's vastly reduced power, some people will insist that it is evidence of conspiracy.

"If the governments of Bangladesh and India sign a regional power sharing deal, some people will say it is a conspiracy," the envoy pointed out.

He categorically said: "It's not conspiracy, it's partnership."

"Improvement in energy situation will have knock-on effects both on the industries and households," he added.

Moriarty said Bangladesh needs more economic growth than what it has been achieving for the last few years.

He said the government investment in infrastructure and power had not been able to keep the pace of the private sector development.

"As a result infrastructure has become a constraint rather than a facilitator," said the envoy.

He said PPP projects could improve the country's poor situation in infrastructure and energy areas.

Eastern Bank Chairman Mir Nasir Hossain and its Managing Director Ali Reza Iftekhar also spoke on the occasion.

WB praises Janata debt recovery

REJAUL KARIM BYRON

The World Bank (WB) has lauded Janata Bank's performance and expects the bank's loan default rate to drop to 7.55 percent by 2010, if the trend continues.

WB evaluated the performance of four state-owned banks -- Sonali, Janata, Agrani and Rupali -- based on 2008 indicators and reported to the government recently.

WB took the initiative to evaluate bank performance after they became public limited companies.

Janata was most effective in reducing actual non-performing loan levels in 2008 from 2007, realising Tk 279 crore against a recovery target of Tk 225 crore, WB reported.

"We undertook plans to reduce default loans, increase business at grassroots levels and monitor its implementation centrally," SM Aminur Rahman, chief executive officer (CEO) of Janata, told The Daily Star.

In addition to taking steps to improve service quality, the bank moved to retrieve loans by filing cases, negotiations and offering some waivers.

The process led to fast cash recovery, the CEO said.

"Sitting in talks with industrial units that were closed due to an inability to payback loans, we rescheduled the loans. Many industries even did well later," said Rahman.

Janata introduced schemes to reward and encourage staff to recover loans and recruited four recovery agents to recover certain bad assets, says the WB report.

Loan default, as a percentage of gross

loans, dropped from 17.2 percent in 2007-end to 10.9 percent in 2008-end, which is now in line with the banking sector average of 10.7 percent.

Janata performed strongly with all indicators meeting targets, except for low-cost deposits as a percentage of total deposits. The bank registered robust growth of good loans and net interest income.

However, it is important to note that prices of imports have dropped, which affected the bank's business in opening letters of credit, a major source of non-funded income, the WB report said.

"Janata experienced set backs when Bangladesh Bank instructed downward revisions of bank charges in the wake of global recession. However, the bank experienced an increment of 10.8 percent in non-funded income in 2008," said the WB.

Janata's operating performance was mixed -- a 3.79 percent net spread, while the bank marginally missed the net interest margin target primarily due to low-yielding Bangladesh Petroleum Corporation bonds and the cost to income ratio increased to 66.3 percent in 2008, exceeding the target of 44.2 percent.

Increased costs for the bank can be attributed to salary increments and interest expenses.

On remittance, Rahman said: "Remittance increases as we opened exchange houses abroad."

Foreign remittance receipts in 2008 recorded a 25 percent rise to stand at Tk 4,592.4 crore, which ranked Janata as the fourth largest bank in terms of remittance receipts, according to the WB report.

